Budget Calculations for 2011

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Explanation of Calculations

- The purpose of the calculations on the next few tables is to figure out the starting position for the next Irish budget, due in December.
- The calculations attempt to project a general government deficit for 2011 on a no-adjustments basis.
- This involves removing the projected €3 billion adjustment for 2011 from the figures from the last budget.
- I also adjust for new GDP projections, lower tax revenues and the effect of promissory note interest payments.
- The figures shown for 2010 do not include the lump-sum payments associated with the promissory notes.
- Constructive suggestions are welcome.

December 2009 Budget Projections

- December 2009 budget projections for 2010 and 2011, minus the assumed 2011 adjustments (in billions). Not counting bank recap costs in 2010.

	2010	2011
Deficit	18.7	20.0
GDP	160.9	169.9
Def/GDP	11.6%	11.8%

Revised GDP Projection

- Keeping budget projections but incorporating latest Central Bank forecasts for GDP:

	2010	2011
Deficit	18.7	20.0
GDP	157.0	162.0
Def/GDP	11.9%	12.4%

Lower Projected Tax Revenues

- Lowering 2011 tax revenues by a €1 billion due to growth in GDP being €4 billion below projection.

	2010	2011
Deficit	18.7	21.0
GDP	157.0	162.0
Def/GDP	11.9%	13.0%

Promissory Note Interest at 5%

- Promissory interest rates of 5%, then approximately €30 billion of notes would imply annual interest payments of €1.5 billion (€750 million in 2010).

	2010	2011
Deficit	19.5	22.5
GDP	157.0	162.0
Def/GDP	12.4%	13.9%

ESRI GDP Projections

- If promissory notes carried an interest rate of 5%, then approximately €30 billion of notes would imply annual interest payments of €1.5 billion.

	2010	2011
Deficit	19.5	22.5
GDP	157.8	161.4
Def/GDP	12.3%	14.0%