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Research Report: Irish economy

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Exchequer returns, November

Taxes are ahead of target, spending behind

Exchequer returns, November

January-November	Actual %	Target %	Deviation € billion
Taxes			
Customs	9.8%	-3.9%	26
Excise	-0.2%	-2.6%	97
Capital Gains	-41.2%	-45.7%	12
Capital Acquisitions	-2.4%	-6.9%	10
Stamps	7.6%	7.5%	1
Income Tax	-5.9%	-2.6%	-356
Corporation Tax	-2.2%	-17.9%	589
VAT	-4.7%	-5.4%	74
Total Taxes	-4.1%	-5.7%	470
Expenditure			
Current	-1.3%	-0.9%	-166
Capital	-23.0%	-7.9%	-851

Tax revenues now €470m ahead of target

- November is by far the most important month of the year for tax revenues. Usually between 15% and 20% of the total for the year is collected during this month. In its 2010 budgetary arithmetic, the Department of Finance had forecast a decline of 2.2% in tax revenues for the month. But actual revenues were up 1.3% on November last year.
- Year-to-date, tax revenues are down 4.1% compared with a forecast decline of 5.7%. That means total revenues are €470m better than expected.
- The vast bulk of the overshoot comes from corporation tax receipts. They are almost €600m better than expected. That probably reflects the buoyancy of the export sector this year although there may be timing issues as well.
- In contrast, income tax receipts are over €350m behind expectations. That reflects the impact of falling wage rates, lower employment levels and shorter hours.
- All other tax headings are ahead of expectations but only by small amounts.

Total expenditure is now more than €1bn behind target

- The expenditure side of the accounts is also better than forecast. The gains on current spending are small: €166m below forecast.
- But there have been major savings on the capital side. Many in the building industry have been arguing that there has been a dearth of public sector tenders for new work this year. That is borne out by these figures which show capital spending down 23% or over €850m behind target.
- Clearly this will not be made up in the final month of the year but some of the savings will be used to pay for the recently announced redundancy programme in the HSE.

Overall Exchequer deficit €13.3bn

- The overall Exchequer deficit for the first 11 months was €13.3bn, down from €22.1bn in the same period last year.
- Clearly the savings for the year as a whole will not be anything like this but the arithmetic for next Tuesday's Budget may be somewhat friendlier than we thought.

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