

## BUSINESS 2000

## Budget buzzwords made simple

As the most difficult budget for many years approaches, **The Sunday Business Post** provides a guide for students to the budget jargon that we will all be hearing over the next few weeks

't's budget season again, the time of the year when speculation builds about what the Minister for Finance will include in his budget package.

In many recent budgets, the news has been generally good, with spending increasing and taxes falling. However, this year will be different. The recession – and particularly the collapse in the property market – has put a big hole in tax revenues. We are now spending a lot more than we are taking in through tax and other revenues.

Here are some terms and their meanings to watch out for.

**Capital spending:** this is the money the government spends each year on investment projects, such as building roads, train tracks, Luas lines, schools and hospitals. These projects are undertaken because they give an economic or social return. In particular, infrastructure investment in areas such as major national roads is seen as vital for our future economic development. Capital spending is one area targeted for cutbacks this year. The details of what is to be spent are outlined each year in a part of the budget called the public capital programme. The exchequer will spend about €7.3 billion on capital investment this year.

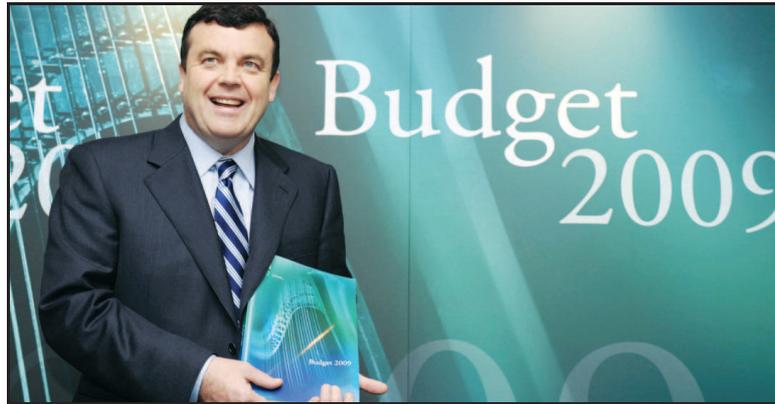
**Current spending:** this is the money spent to keep public services running. It includes pay for civil and public servants and the running costs of every arm of gov-

ernment, including government departments, schools, hospitals and so on. More than €60 billion will be spent in this area this year, though some of it is recouped in charges to the public, so the net cost is lower.

**Taxation:** taxes are the main source of revenue for the government. About €34 billion is targeted to be collected in taxes this year, though current estimates are that the final total may be slightly lower. Taxes related to the property market, such as stamp duty and Vat (charged on new houses), have collapsed. More recently, the recession across the economy has hit taxes in general. Most other countries are also suffering from similar problems, though ours are more acute than most.

**Current deficit:** the current budget deficit is the difference between revenues and day-to-day spending. The budget last April targeted a current deficit of around €1 billion this year, though the outcome may be a bit higher. Borrowing for current spending is seen as less sustainable than borrowing for investment, because borrowing for investment yields a return.

**Borrowing:** in addition to borrowing to fund current spending, the government is also borrowing to fund its investment. The two add up to total borrowing. The term can be used loosely, but normally refers to what is called the general government deficit (GGD). This is a way of measuring borrowing set down by



Brian Lenihan, Minister for Finance: will unveil Budget 2010 in December

TONY O'SHEA

## What is Business 2000?

The Business 2000 articles provide topical information for a wide audience, including Leaving Cert students of business, accounting and economics, as well as their teachers.

The articles complement the case studies that are published annually in *The Sunday Business Post Business 2000* multimedia resource package. The resource is designed and developed by Woodgrange Technologies

in partnership with the Business Studies Teachers Association of Ireland (BSTAI) and the Department of Education and Science. The resource is printed and distributed free of charge to every second-level school and selected third-level institutions on the island of Ireland. The Business 2000 articles are published every Sunday during school term. The teachers' support desk at Woodgrange

Technologies can be reached at 01-4735940 or by e-mail at: [business2000@woodgrange.com](mailto:business2000@woodgrange.com).

Companies participating in the 2009/2010 edition of *The Sunday Business Post Business 2000* are: AIB, Bus Éireann, CRH Group, Financial Services Ombudsman, IP Trust, Infact, Labour Relations Commission, National Lottery, the Pensions Board and Thomas Crosbie Holdings.

the EU Commission and its statistical arm to make sure figures are comparable across the EU.

If you are interested in how this differs from the more traditionally used borrowing measure – the exchequer borrowing requirement – you can look at the annual budgetary tables in the budget section of the Department of Finance website at [www.finance.gov.ie](http://www.finance.gov.ie).

The main difference is that money paid into the National Pension Reserve Fund is counted as part of exchequer borrowing, but is not counted for the GGD.

**National debt:** as we borrow each year, we add to our national debt. The debt at the moment is €70 billion, but its level is updated regularly on the website of the National

Treasury Management Agency, the body which manages the national debt on behalf of the government. Its website is at [www.tma.ie](http://www.tma.ie). At the moment, our debt is rising sharply, both in cash terms and as a percentage of GDP.

## Key questions

The government has some key ques-

tions to ask itself as it decides what to do on Budget Day:

- Is it going to carry through on its commitment to reduce the deficit by €4 billion next year, by increasing taxes and cutting spending? It has promised the EU that it will do so in a five-year plan submitted as part of the last budget.
- What would be the reaction of international investors, on whom

## Business conference

The 23rd Business Studies Teachers' Association annual conference will be held in Athlone on November 21 on the topic 'Supporting and stimulating innovation in business education' in the Sheraton Hotel, Athlone. This event is an opportunity for teachers from all over Ireland to meet and discuss business subjects and developments in education.

This year's keynote speaker is Cliff Taylor, editor of *The Sunday Business Post*. Further details can be found on [www.bstai.ie](http://www.bstai.ie).

Applications, which must be made online, should be sent in by Thursday November 12.

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