

EXCHEQUER RETURNS END MARCH 2004

KEY FIGURES

- The Irish Exchequer recorded a budget surplus of €272m in the first three months of the year. This compares with a deficit of €205m in the same period of 2003.
- There was a current budget surplus of €942m at end March 2004, compared to €399m at the same stage of 2003.
- Capital borrowing at end March 2004 came to €670m, compared to €399m at end March 2003.

Exchequer Finances In Surplus In Q1

The public finances moved back into the black in Q1 2004 with an Exchequer surplus of €272m, just below our forecast surplus of €400m. This contrasts sharply with an EBR forecast of €2.8bn for the year as a whole.

However, government spending on supply services was €379m behind schedule in Q1, reflecting slower than expected spending by government departments on both the current and capital sides. This is expected to largely unwind as the year progresses. At this stage, the Dept has indicated that there are no projected overruns or savings on the spending figures set out in the Revised Estimates.

The accompanying table shows that Central Fund expenditure is also running behind target. Traditionally, the NTMA has made savings on debt interest payments. Given the downtrend in interest rates year to date, savings seem likely in 2004 also. Thus, the Central Fund may undershoot target. We would not be surprised either to see some savings materialise on voted capital spending due to delays in some projects. Overall, total government spending may undershoot by up to €200m.

**AIB Global
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John Beggs
Chief
Economist

An overshoot is already emerging on the revenue side. Capital taxes were €226m ahead of forecast in Q1. Overall, total tax receipts were €317m ahead of forecast in Q1, despite sluggishness in expenditure taxes. Meanwhile, tax receipts should receive a considerable boost over the remainder of the year from investigations by the Revenue Commissioners into offshore bank accounts. Even excluding the latter factor, tax receipts could exceed target by close to €700m.

**Oliver
Mangan**
Chief Bond
Economist

Allowing for some savings on the expenditure side, the EBR looks set to undershoot target considerably. The Dept of Finance says it is too early to be definitive about the likely outturn for the year. In our view, the EBR should be no more than €2bn, compared to the budget forecast of €2.8bn. Indeed, it could be considerably less, depending on the impact on tax revenue of the investigations into offshore bank accounts.

**Geraldine
Concagh**
Senior
Economist

Strong Funding Position

Funding figures show that the NTMA raised €1.8bn in the opening quarter of the year, largely through bond issuance of €1.37bn. Three further bond auctions are planned in the second quarter of the year. With long term debt redemptions amounting to just €600m in 2004, the NTMA is likely to have more than met its 2004 funding requirements by mid-year. Thus, bond issuance seems unlikely in the second half of the year.

**Jenny
Pollock**
Senior
Economist



EXCHEQUER FINANCES				
	End March 2003 (€m)	End March 2004 (€m)	% chg yoy	Full Year Target % yoy chg
Central Fund	762	796	+4.5	+15.1
Supply Services	<u>6,098</u>	<u>6,365</u>	+4.4	+7.9
Total Current Spending	6,860	7,161	+4.4	+8.7
Tax Revenue	6,956	8,012	+15.2	+4.0
Non-Tax Revenue	<u>99</u>	<u>91</u>	-7.1	+22.3
Total Current Revenue	7,055	8,103	+14.9	+3.2
Capital Expenditure				
Capital Resources				
				€m
Current Budget Surplus	195	942		2,989
Capital Borrowing	<u>399</u>	<u>670</u>		<u>5,795</u>
Exchequer Balance	-205	+272		+2,806

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