**NERI Briefing Note, 13 November 2026**

**Inflation Projections: Implications for the Real Value of the Public Pay Deal,**

The 33 month public sector pay deal is worth a minimum of 11.27% in nominal terms for workers with significantly larger gains for lower paid workers (see Appendix).

The more recent institutional projections for inflation[1][2][3] are shown in Table 1. The range of forecasts for 2027 (spanning HICP, CPI and PCE and therefore measuring slightly different things) is 2.8% to 3.3% with an average of close to 3.1%. The range for 2028 is 2.0% to 2.5% with an average of 2.2%. 2029 is beyond most forecast horizons but we can anchor it at or close to the ECB's medium-term target of close to 2%.

Table 1: Recent Inflation Forecasts

| | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|
| **Central Bank[4] (HICP)** | **3.4%** | **3.1%** | **2.0%** | |
| **ESRI (CPI)[5]** | **3.6%** | **3.3%** | | |
| **Dept. Finance (HICP)[6]** | **3.3%** | **3.0%** | **2.1%** | **2.0%** |
| **Dept. Finance (Personal Consumption Deflator)** | **3.6%** | **3.3%** | **2.5%** | **2.4%** |
| **Bank of Ireland (CPI)[7]** | **3.5%** | **3.2%** | | |
| **AIB (HICP)[8]** | **3.5%** | **3.1%** | **2.0%** | |
| **IMF (HICP)[9]** | **3.4%** | **2.8%** | | |
| **NERI (CPI)[10]** | **3.6%** | **3.2%** | **2.2%** | |
| **NERI (HICP)** | **3.5%** | **3.2%** | | |

The time period of interest spans 33 months (June 2026 to March 2029). We know that the Consumer Price Index (CPI) was 4.3% in October and that the

[1] The most recent **European Commission** inflation forecast for Ireland was in May and it projected 3.5% HICP in 2026 and 2.6% HICP in 2027. Updated projections will be available on the 17th of November.
[2] **IBEC**'s Quarterly Economic Outlook in July projected inflation of 3.5% in 2026 and 2.4% in 2027.
[3] The **OECD**'s June forecasts for HICP inflation were 3.5% in 2026 and 2.5% in 2027.
[4] 16 September, Quarterly Bulletin No. 3
[5] 29 September, Quarterly Economic Commentary
[6] 6 October, Economic and Fiscal Outlook
[7] September, Bank of Ireland Economic Forecasts
[8] October, Irish Economic Outlook
[9] October, World Economic Outlook, The IMF projects inflation at 2.0% in 2031
[10] 13 November, Internal Forecasts

Harmonised Index of Consumer Prices (HICP) was 4.2%. If these rates remain unchanged in November and December then the CPI will average 3.6% in 2026 while the HICP will average 3.5% in 2026.

We already have information for the first 4 months of the deal. Inflation thus far from end-June 2026 to end-October 2026 has been 1.7% for both the CPI and the HICP. To project for future years we can consider a baseline disinflation scenario and a slower disinflation scenario. While more extreme scenarios for inflation[11] are possible it can be noted that major downside and upside inflation scenarios are effectively covered by the break clause.

Baseline disinflation[12] scenario (7.2% cumulative inflation):

- CPI inflation at 4.3% annually in October 2026;
- Declines to 3.5% as of March 2027;
- Declines to 2.2% as of March 2028 and
- Declines to 2.0% as of March 2029 = circa 7.2% inflation

Slower disinflation scenario (8% cumulative inflation):

- CPI inflation at 4.3% annually in October 2026;
- Declines to 4% as of March 2027;
- Declines to 2.5% as of March 2028 and
- Declines to 2.0% as of March 2029

Next we can compare the cumulative nominal wage increase for the 33 months to the cumulative inflation in our 2 scenarios. All workers gain a minimum of 11.27% over the 33 months. This converts into projected real wage growth of 3.8% under the baseline scenario and 3% under the slower disinflation scenario. In each scenario the annual improvement in real wages will exceed 1%.

[11] A rapid decline in inflation is only likely in the event of a significant negative shock to demand sufficient to cause a recession

[12] Disinflation refers to a slower growth in the level of price increases. It is distinct from deflation which refers to an actual decline in prices.

**Table 2: Projected Basic Salary (nominal) under the Public Service Agreement 2026-2029, by pre-deal gross pay**

| Gross pay pre-increments | 2026 | 2027 | | | 2028 | | | 2029 | | Whole pay deal | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2% or €1200 | 1% | 1% or €600 | 1.5%or €900 | 1.0% | 1% or €600 | 1% | 1% Local Bargaining* | 1.25% or €750 | Gross pay at end of agreement | Gross pay increase | % increase |
| **€22,000** | €23,200 | €23,432 | €24,032 | €24,932 | €25,181 | €25,781 | €26,039 | €26,300 | €27,050 | €27,050 | €5,050 | 22.95% |
| **€25,000** | €26,200 | €26,462 | €27,062 | €27,962 | €28,242 | €28,842 | €29,130 | €29,421 | €30,171 | €30,171 | €5,171 | 20.69% |
| **€30,000** | €31,200 | €31,512 | €32,112 | €33,012 | €33,342 | €33,942 | €34,282 | €34,624 | €35,374 | €35,374 | €5,374 | 17.91% |
| **€40,000** | €41,200 | €41,612 | €42,212 | €43,112 | €43,543 | €44,143 | €44,585 | €45,030 | €45,780 | €45,780 | €5,780 | 14.45% |
| **€50,000** | €51,200 | €51,712 | €52,312 | €53,212 | €53,744 | €54,344 | €54,888 | €55,436 | €56,186 | €56,186 | €6,186 | 12.37% |
| **€55,000** | €56,200 | €56,762 | €57,362 | €58,262 | €58,845 | €59,445 | €60,039 | €60,639 | €61,397 | €61,397 | €6,397 | 11.63% |
| **€59,000** | €60,200 | €60,802 | €61,410 | €62,331 | €62,954 | €63,584 | €64,220 | €64,862 | €65,673 | €65,673 | €6,673 | 11.31% |
| **€60,000** | €61,200 | €61,812 | €62,430 | €63,367 | €64,000 | €64,640 | €65,287 | €65,940 | €66,764 | €66,764 | €6,764 | 11.27% |
| **€70,000** | €71,400 | €72,114 | €72,835 | €73,928 | €74,667 | €75,414 | €76,168 | €76,929 | €77,891 | €77,891 | €7,891 | 11.27% |
| **€80,000** | €81,600 | €82,416 | €83,240 | €84,489 | €85,334 | €86,187 | €87,049 | €87,919 | €89,018 | €89,018 | €9,018 | 11.27% |
| **€90,000** | €91,800 | €92,718 | €93,645 | €95,050 | €96,000 | €96,960 | €97,930 | €98,909 | €100,146 | €100,146 | €10,146 | 11.27% |
| **€100,000** | €102,000 | €103,020 | €104,050 | €105,611 | €106,667 | €107,734 | €108,811 | €109,899 | €111,273 | €111,273 | €11,273 | 11.27% |
| **€110,000** | €112,200 | €113,322 | €114,455 | €116,172 | €117,334 | €118,507 | €119,692 | €120,889 | €122,400 | €122,400 | €12,400 | 11.27% |
| **€120,000** | €122,400 | €123,624 | €124,860 | €126,733 | €128,000 | €129,280 | €130,573 | €131,879 | €133,528 | €133,528 | €13,528 | 11.27% |
| **€125,000** | €127,500 | €128,775 | €130,063 | €132,014 | €133,334 | €134,667 | €136,014 | €137,374 | €139,091 | €139,091 | €14,091 | 11.27% |
| **€130,000** | €132,600 | €133,926 | €135,265 | €137,294 | €138,667 | €140,054 | €141,454 | €142,869 | €144,655 | €144,655 | €14,655 | 11.27% |
| **€140,000** | €142,800 | €144,228 | €145,670 | €147,855 | €149,334 | €150,827 | €152,335 | €153,859 | €155,782 | €155,782 | €15,782 | 11.27% |
| **€150,000** | €153,000 | €154,530 | €156,075 | €158,416 | €160,001 | €161,601 | €163,217 | €164,849 | €166,909 | €166,909 | €16,909 | 11.27% |

**Note:** 2029 Local bargaining values assume 1% pay is achieved for all assessed pay levels. The agreement specifies "A payment of up to 1% of basic pay costs for Local Bargaining on 1 March 2029". These estimates reflect nominal (non-inflation adjusted) values according to increments detailed within the Public Service agreement. Values are rounded to the nearest euro. *WRC (2026) Public Service Agreement 2026 – 2029*