



06 October 2014

Dear Secretary General Moran,

The Council has an obligation under the Fiscal Responsibility Act to endorse as appropriate the macroeconomic forecasts prepared by the Department of Finance on which *Budget 2015* will be based.¹

The *Budget 2015* forecasts were provided to the Council on 24 September 2014 and discussed by the Council with Department of Finance staff on 02 October 2014, ahead of the Council's endorsement meeting.

The Irish Fiscal Advisory Council endorses as within the range of appropriate projections the set of macroeconomic forecasts prepared by the Department of Finance for *Budget 2015* for the years 2014 and 2015.

The Council is satisfied that the forecasts are within its endorsable range, taking into account the methodology and the plausibility of the judgements made. The key variables taken into account in the endorsement are those listed in Section 2 of the Memorandum of Understanding (MOU).²

The Council notes recent changes in the size of Ireland's measured net exports in the National Accounts related to contract manufacturing. These contributed to the exceptionally strong GDP performance in the first half of 2014. In addition to the usual uncertainties, identifying the underlying pattern of growth in the economy is more difficult given these developments.

A detailed discussion of the endorsement process and an assessment of the macroeconomic projections will be provided in the Council's forthcoming *Fiscal Assessment Report*, which is scheduled for publication in November.

Yours sincerely,

John McHale
Chair, Irish Fiscal Advisory Council

¹ The Fiscal Responsibility Act 2012, as amended by the Ministers and Secretaries (Amendment) Act 2013, states that: "The Fiscal Council shall— (a) endorse, as it considers appropriate, the macroeconomic forecasts prepared by the Department of Finance on which the Budget and stability programme will be based".

² The Memorandum of Understanding between the Department of Finance and the Council as amended in 2014 sets out the agreed modalities of the endorsement function in relation to the Budget and the Stability Programme Update (SPU).