APPENDIX A: FISCAL COUNCIL BENCHMARK PROJECTIONS 22 SEPTEMBER

As part of the endorsement process, the Council's Secretariat produced a set of Benchmark projections in advance of its meetings with the Department of Finance. The Benchmark projections were finalised on 22 September 2015 and are summarised in Appendix Table A.1.

APPENDIX TABLE A.1: BENCHMARK PROJECTIONS FOR 2015-2016

% change in volumes unless otherwise stated	2015	2016
GDP	6.4	4.6
Consumption	2.9	1.9
Investment	12.5	11.4
Government	1.4	1.0
Stock changes (% of GDP)	0.9	0.9
Exports	11.2	3.7
Imports	10.7	3.1
Net Exports (p.p. contribution)	2.5	1.3
Domestic Demand (p.p. contribution)	3.9	3.3
Stock Changes (p.p. contribution)	0.0	0.0
Current Account (% GDP)	6.3	5.8
Employment	2.8	2.5
Unemployment Rate (%)	9.5	8.3
HICP	0.2	1.3
GDP Deflator	3.2	1.4
Nominal GDP (€ billions)	207.6	220.4
Nominal GDP	9.8	6.1

Source: Internal IFAC calculations.

The Council's "endorsable range" is informed by, but not mechanically linked to, the uncertainty captured in fan chart analysis. The fan chart approach is also applied retrospectively so that uncertainty around outturn revisions can also be graphically represented (Figure 2.8).

The fan chart bands for the historical period effectively show the typical scale of revisions applying to historical estimates of real GDP growth over a five year period.[1] It is important to note that the fan chart for the forecast period is symmetric by construction even though the Council may interpret the balance of risks to be weighted in a certain direction at a given point in time.

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[1] Quill (2008) notes that in practice CSO data beyond five years rarely changes materially except for methodological reasons. As detailed in Casey and Smyth (2015), typical confidence intervals surrounding estimates for the latest annual outturn are not especially narrower than that for the current forecast year. Revisions for the latest full-year of data are typically large, especially when it comes to the first estimate of real GDP growth (i.e., with the release of the fourth quarter QNA results). A typical Root Mean Squared Error (RMSE) value of 1.6 for the previous full year of data compares to a RMSR of 1.8 for the current year's forecast. This means that the uncertainty surrounding the current forecast year can be little less than that of the previous year for which four quarters of data are available. The RMSR for the previous year narrows to 0.9 after the release of the *National Income and Expenditure* accounts in the summer of each year, but remains relatively large.