

Path for the public finances: fiscal risks

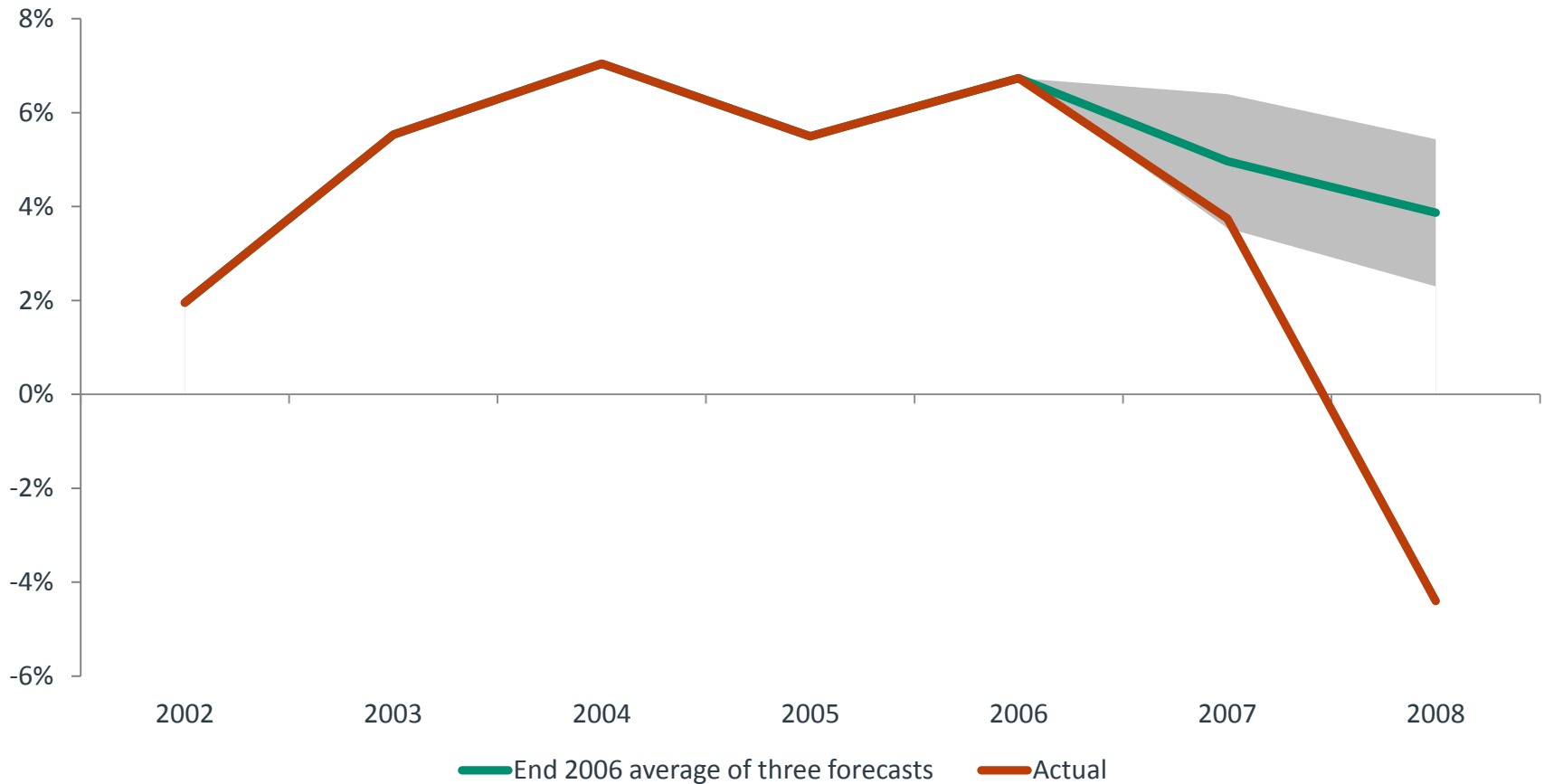
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Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

I. Knightian uncertainty means you can end up “off the (fan) charts”: Ireland’s GDP forecast for t+1 and t+2 at end-2006

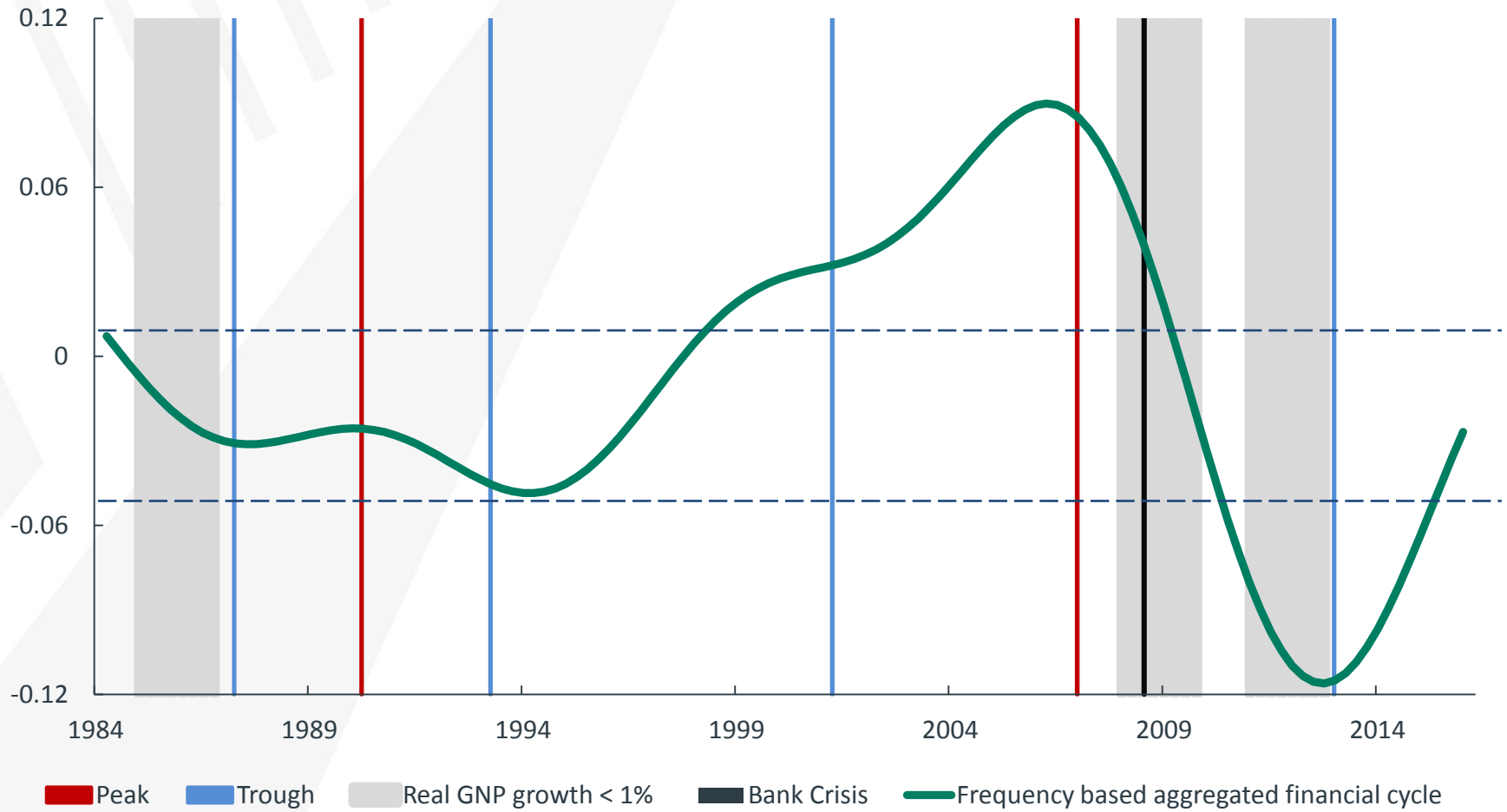


Source: SPU, IMF, CBI, NTMA calculations

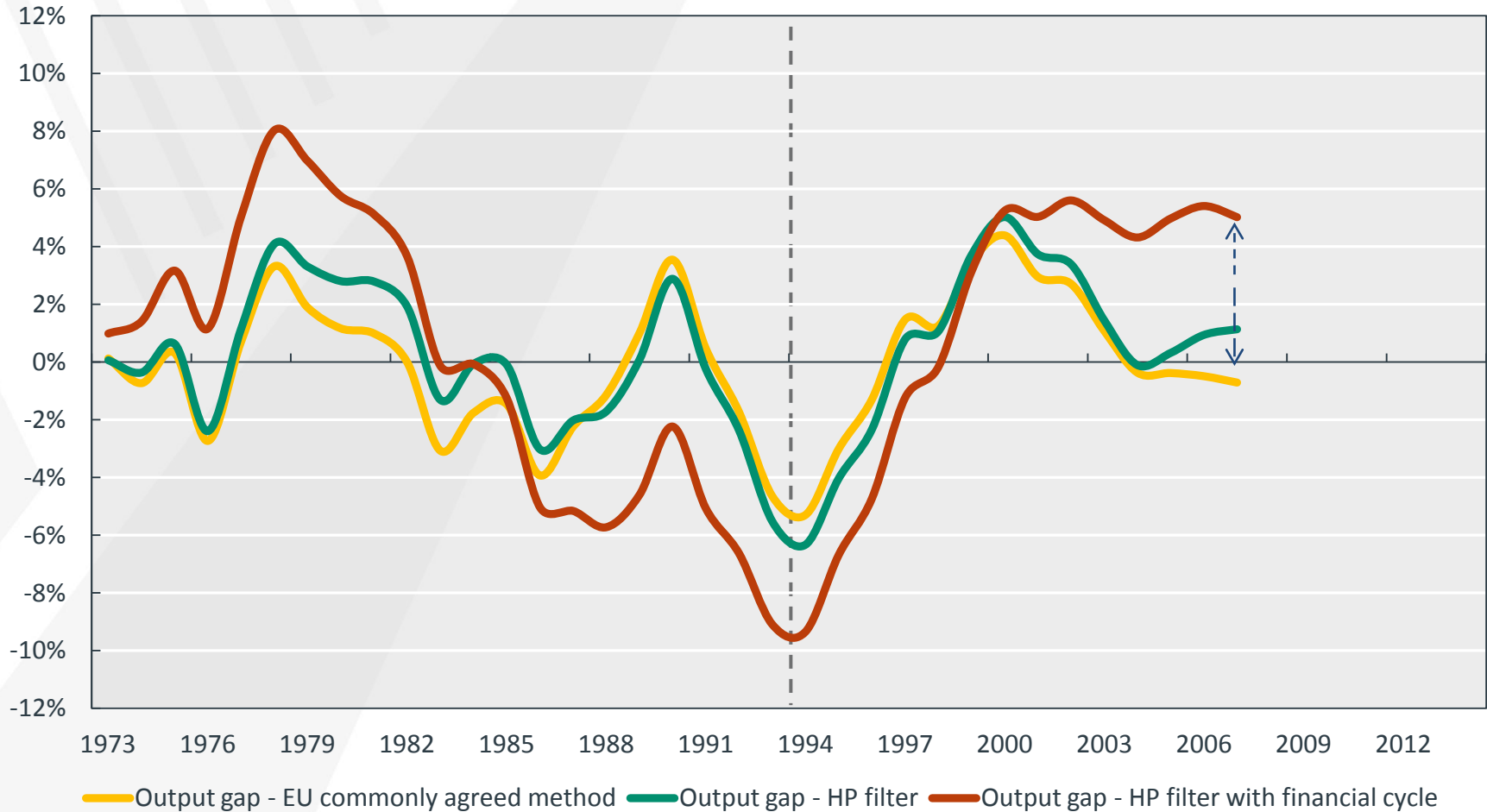
The upper and lower bounds show the absolute error of the mean forecast over the previous five years



II. Aggregate Irish “financial cycle” needs to be accounted for when assessing contingent liability risk



III. In real-time the standard business cycle output gap suggested Ireland's GDP was below potential in 2004-2007; actually overheating



Source: EC, NTMA



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Aramendia, Mirzha de Manuel, and Rafal Raciborski. "Using financial variables to estimate the Irish output gap: do they make a difference." *European Economy Economic Briefs* 004 (2015).