

10 April 2020

Dear Secretary General Moran,

The Council has a statutory obligation to endorse, as appropriate, the macroeconomic forecasts prepared by the Department of Finance on which *Stability Programme Update 2020* will be based.¹

The Department's forecasts cover a one-year-ahead forecast horizon (2020 and 2021). This is shorter than the five-year-ahead forecast horizon adopted by the Department in recent publications and reflects temporary flexibilities granted by the European Commission, given the current challenges faced by Member States. The flexibilities also mean that supply-side variables are not included in the publication.

The Department provided its forecasts to the Council on 6th April 2020. The Council discussed these forecasts with Department of Finance staff on 8th April 2020, ahead of the Council's endorsement meeting.

The Council's approach to endorsing the Department's macroeconomic forecasts has three elements:

- a comparison of the Department of Finance's macroeconomic forecasts to the Council's Benchmark projections;
- a consideration of the methodology used to produce the forecasts; and
- a review of past forecast errors for evidence of systematic bias.

The Irish Fiscal Advisory Council endorses as within the range of appropriate forecasts the set of macroeconomic projections prepared by the Department of Finance for the Stability Programme Update covering the years 2020 and 2021.

The Council is satisfied that the forecasts are within an endorsable range, taking into account the methodology and the plausibility of the judgements made.

This endorsement comes as the Irish economy faces an exceptionally deep economic shock as a result of the Covid-19 pandemic. There is very high uncertainty at this time around any set of economic forecasts, given the uncertain path for the spread of the pandemic, containment measures and global impacts.

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".



**Irish Fiscal
Advisory Council**

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The Council will discuss the endorsement process and assess the macroeconomic projections in its forthcoming Fiscal Assessment Report, due in May 2020.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sebastian Barnes'.

Sebastian Barnes, Acting Chairperson.