

7 April 2021

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 the *Stability Programme Update 2021* will be based.¹ The Council received the Department's forecasts on 26 March 2021 and discussed these forecasts with Department of Finance staff on 1 April 2021, ahead of the Council's endorsement meeting.

The Council's endorsement approach has three elements:

- 1) comparing the Department's macroeconomic forecasts with the Council's Benchmark projections and with forecasts from other bodies;
- 2) considering the methodologies used to produce the forecasts; and
- 3) reviewing the Department's 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 *SPU 2021* covering the years 2021 to 2025.

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

The Department's forecasts extend to 2025, the first medium-term forecast since the beginning of the Covid-19 crisis. The Council looks forward to a return to the full 5-year-ahead forecast horizon in *Budget 2022*.

This endorsement of the economic forecasts is conditioned on the Government's assumptions about the vaccination programme and the easing of restrictions.

The Council will discuss the endorsement process and assess the macroeconomic projections in its forthcoming Fiscal Assessment Report, due in May 2021.

Yours sincerely,



Sebastian Barnes, Chairperson.

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".