

4 April 2022

Dear Secretary General Hogan,

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 (SPU) 2022 will be based.¹

The Council received the Department's forecasts on 24 March 2022 and discussed these forecasts with Department of Finance staff on 1 April 2022, 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 2022 covering the years 2022 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 were conditioned on policies as of 24 March 2022. This endorsement comes amid very high uncertainty about the path of output and inflation related to the consequences of Russia's war on Ukraine, with significant downside risks to activity.

The Department's forecasts only cover a three-year-ahead forecast horizon (to 2025). This is shorter than the five-year-ahead forecast horizon adopted by the Department in past years. It would be preferable for informing policy decisions with a medium-term orientation and for ensuring the consistency of short-term forecasts that a longer, five-year, forecast horizon be used for all forecast exercises in line with past commitments.

The Council will discuss the endorsement process and assess the macroeconomic projections in its forthcoming Fiscal Assessment Report, due in May 2022.

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".