

19 September 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 Budget 2023 will be based.<sup>1</sup>

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 Council discussed the Department's forecasts at its endorsement meeting on 16th September 2022.

**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 Budget 2023 covering the years 2022 and 2023.**

This endorsement comes amid continued high uncertainty about the path of 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. In order to inform policy decisions with a medium-term orientation and to ensure the consistency of short-term forecasts, it would be preferable to use a longer, five-year-ahead forecast horizon for all forecast exercises. This would be in line with past commitments.<sup>2</sup>

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

Yours sincerely,



Sebastian Barnes, Chairperson.

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<sup>1</sup> 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".

<sup>2</sup> In Stability Programme Update 2019, the Department committed to publishing five-year-ahead forecasts.