

Economic forecasts underpinning Budget 2016

Opening statement

by John McCarthy

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to Joint Oireachtas Committee on Finance, Public Expenditure and Reform

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Introduction

Thank you Chairman for the opportunity to present the short-term economic outlook in advance of the Budget.

I am accompanied by colleagues from the macroeconomic forecasting team: Laura Weymes, Brendan O'Connor and Ian Power.

Background

By way of background, regulation 473/2013 requires (non-programme) euro area Member States to submit Draft Budgetary Plans to the European Commission and to the *Eurogroup*¹ by the 15th October each year.

The regulation further specifies that the macroeconomic forecasts, upon which the Budget is based, are either produced or endorsed by an independent body.

¹ Finance Ministers of euro area Member States.

In Ireland, as in the vast majority of euro area Member States, we have gone down the endorsement route, with the endorsement function assigned to the Irish Fiscal Advisory Council (IFAC).

Forecast endorsement process

For Budget 2016, the endorsement process has been underway since mid-September,² culminating in a presentation by the Department to the Council last Thursday. For the annual Budget, the IFAC has a role in assessing the short-term projections, namely those for the current year and the following year.

I can report that, last Friday, the IFAC endorsed the Department's economic projections for 2015 and 2016. The letter of endorsement has been placed on the website of both Institutions (DoF and IFAC).³

Presentation to the Committee

We have provided to the Committee a version of the presentation that was provided to the IFAC. As this is a large set of slides, we will present a more concise version today. We will put this on the Department's website this evening.

The economic projections that we are presenting are based on the technical assumption of a Budgetary package amounting to €1.2 billion, which is the latest stated policy position (it was set out in the Stability Programme Update

² A Memorandum of Understanding (available on the website of both Institutions) sets out the logistics of the endorsement exercise.

³ <http://finance.gov.ie/what-we-do/public-finances/publications/presentations-reports/ifac-endorsement>

http://www.fiscalcouncil.ie/wp-content/uploads/2012/01/IFACEndorse_02102015_Final.pdf

in April). This is a purely technical assumption and does not represent the Government's policy position. The economic forecasts that will be presented on Budget day will take account of all budgetary measures.

Finally, as the Minister has outlined in his letter to the Chair of the Committee, we are not in a position to discuss the fiscal situation or the implications for policy. It is worth pointing out that these issues were not discussed with the IFAC.

Presentation of Department's projections

Turning to the presentation: Ian will briefly outline the latest international economic developments; Brendan will then present on the domestic situation and Laura will discuss the labour market outlook.

I will then summarise the key trends and what these mean for the short-term economic outlook.

ENDS