Box 1: Forecast vintages – comparison of spring forecast with autumn forecast

The Department produces two sets of forecasts each year, both of which are aligned with Ireland's legal obligations as a Member State of the euro area. Standard macro-economic indicators are provided but, as has been well documented, the information-content of GDP, balance of payments, etc. for Ireland is limited. Instead, modified macroeconomic metrics now published by the Central Statistics Office provide a better insight.

The shift to modified metrics as a means of deepening the understanding of the Irish economy has prompted some important innovations in the Department's approach to calibrating, and publishing, macro-economic forecasts.

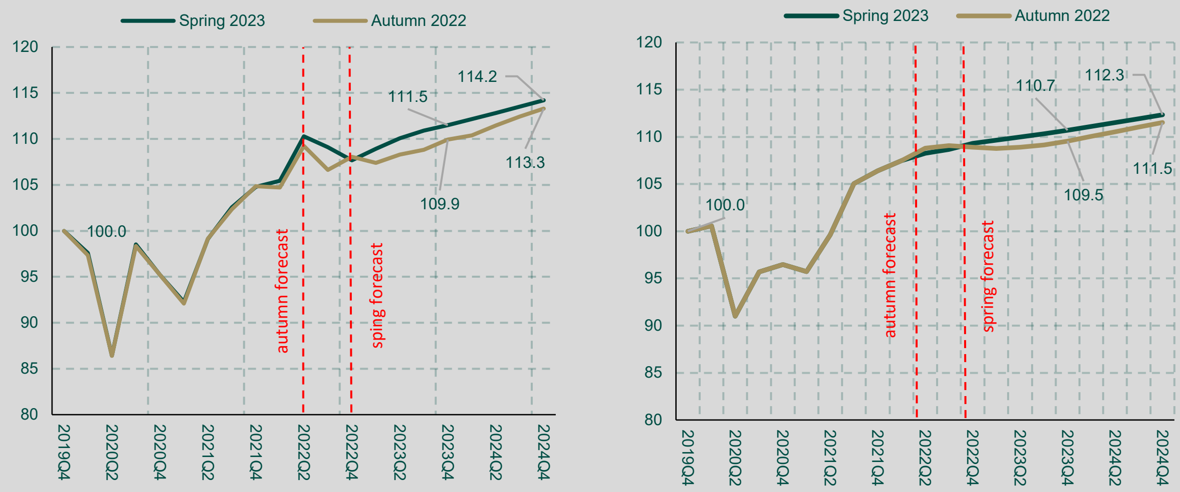
In particular, more meaningful metrics – such as MDD, modified investment – are now projected on a quarterly basis. Such an exercise made little sense for headline GDP and GNP figures, given the exceptional volatility of these variables in an Irish context.

As well as providing more detail to the Minister and Government, quarterly projections for key metrics provide a useful benchmark against which incoming data can be assessed.

Figure 1: Comparison of current forecast with previous vintage

A: modified domestic demand, 2019Q4 =100

B: employment, 2019Q4=100



Note: data labels show position at end-23, end-24
Source: CSO and Department of Finance.

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The Department's quarterly projection for the (constant price) level of MDD until end-2024 (Q+8)^ are set out above (**figure 1A**). The data show that at end-2022, the level of MDD was broadly in line with the autumn projections (although the quarterly trajectory within the second half of last year was somewhat different).

For this year, an upward revision to MDD has been incorporated into the projection, reflecting the stronger underlying momentum in the domestic economy, particularly from consumer spending, as well as the additional fiscal stimulus introduced in February.

Taking into account outturn data for the second half of last year, as well as the assumption of stronger momentum this year, it is now envisaged that the level of MDD at the end of this year will be 1.4 per cent higher than assumed in the autumn forecasts. Relative to the pre-pandemic peak (final quarter of 2019), MDD at end-2024 is projected to be 14.2 per cent higher; the equivalent figure in the autumn vintage was 13.3 per cent.

The Department's quarterly projection for the level of employment is also set out (**figure 1B**). The level of employment at end-2022 was marginally higher than foreseen in the autumn forecasts (2.57 million vs 2.56 million).

In line with the assumption for stronger MDD growth this year, an upward revision to within-year employment growth has also been incorporated into the current set of forecasts: employment at end-2023 is now projected at 2.6 million, an average quarterly growth rate of 0.3 per cent.

Relative to the pre-pandemic peak, total employment at end-2024 is projected to be 12.3 per cent higher; the equivalent figure in the autumn vintage was 11.5 per cent.

^ Q+8 refers to 8-quarter ahead from the latest outturn.