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This is written in reply to the letter received on 20 December 2018, with which this Office was asked to assess the reliability of the new official macroeconomic forecasts contained in the revised budget policy measures sent to the European Commission on 18 December 2018.

In order to assess the plausibility of the new macroeconomic scenario for 2019 presented by the Government to the European Commission, the Parliamentary Budget Office (PBO) conducted, using its own model, a forecasting exercise for 2018 and 2019 that incorporates the new exogenous variables adopted by the Ministry of the Economy and Finance (MEF) and reflects the revisions to the budget measures in light of the Government's notice to the European Commission. The limited time available made it impossible to adopt the procedure normally used in the validation exercise with the involvement of the entire PBO panel (which includes three other independent forecasters).

Given the above, please note that the comparison between the macroeconomic forecasting scenario of the MEF and that of the PBO shows no differences in the estimates for both growth and nominal variables in 2018. For 2019, while the MEF's forecast for real GDP growth is 0.2 percentage points higher, that for nominal GDP growth is consistent. In line with its previous practice, under which the PBO considers scenarios with differences in growth forecasts but the same developments in nominal variables to be acceptable, the MEF forecast for 2019 is considered plausible, although presenting substantial risks of a downward revision. These risks are amplified if we consider the forecasts for 2020 and 2021.

For a more detailed analysis, see Flash no. 3/2018 published today.

With best regards,

Giuseppe Pisauro