

# Fan charts description

The figures present fan charts around the MEV 2023 forecasts for GDP growth, HICP inflation, unemployment and the general government financial balance.

The solid line represents data realisations (2017-2021) and the MEV 2023 forecasts for 2022 and 2023. Around the central path the figures present a fan of confidence intervals:

- 30% confidence interval from the 35<sup>th</sup> to 65<sup>th</sup> percentile, dark blue area
- 60% confidence interval from the 20<sup>th</sup> to 80<sup>th</sup> percentile, dark blue + blue area
- 90% confidence interval from the 5<sup>th</sup> to 95<sup>th</sup> percentile, dark blue + blue + light blue area

The fan is a graphical representation of the likelihood of the various outcomes. The solid line represents the most likely outcome and outcomes are more likely when they are closer to the solid line. The probability is thus 30% that the outcome will fall in the dark blue area and 10% that the outcome will fall outside the fan.

Since the fan charts are based on past forecast errors, the width of each confidence intervals can be thought of as a combination of how accurate the forecasts are and how volatile the economic variables were in the period 2001-2021. The more stable the economic variables were, the smaller the prediction errors were. If the current volatility is higher than in the period in which the average forecast errors were calculated, then the width of these bands is likely an underestimate of the true uncertainty. This is now the case, for example, in the inflation estimate. Between 2001-2021 inflation was between 1% and 3% fifteen times out of 21, so the prediction errors were small. These historical prediction errors are most likely an underestimate of the current uncertainty. The point estimate of the 2022 HICP inflation estimate is 11.4%. Because the gas price is very decisive for inflation, we have also included two variants in the MEV 2023 in which the gas price turns out to be higher or lower than in the basic forecasts.

Figure 1

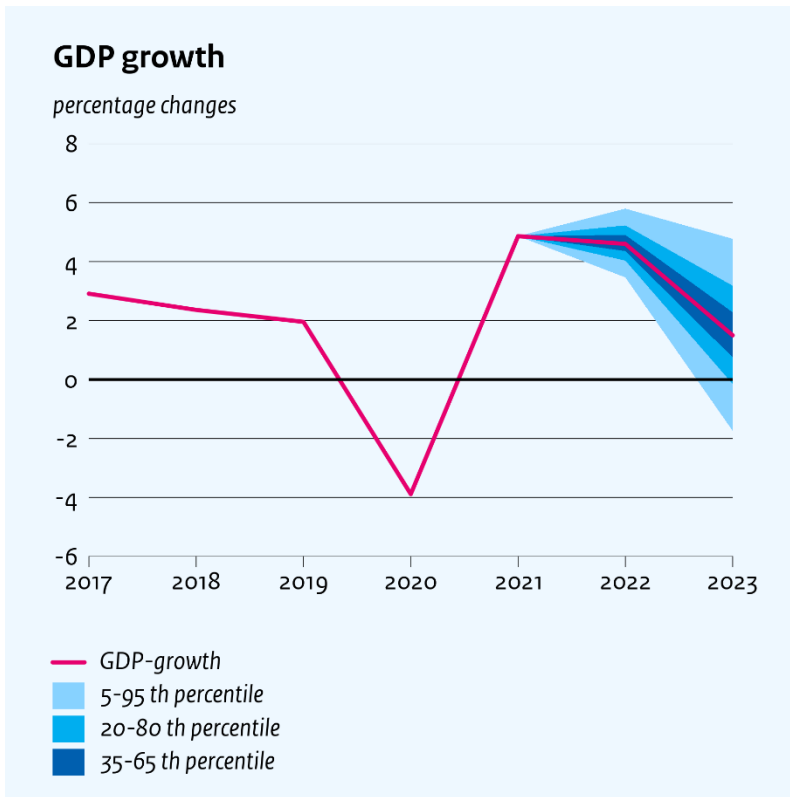


Figure 2

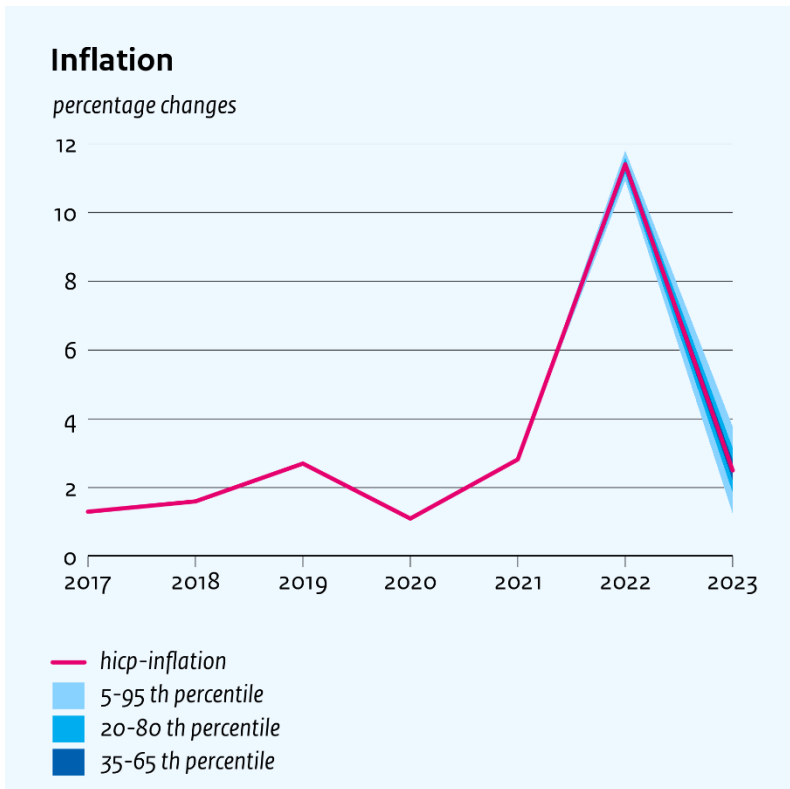


Figure 3

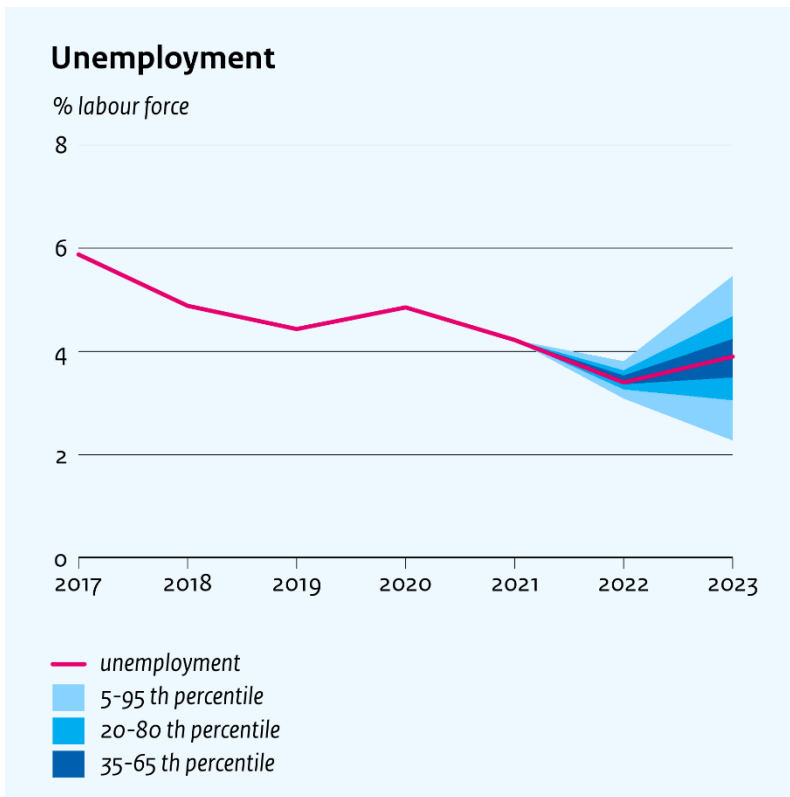


Figure 4

