



The National Accounts – a firmer basis for fiscal policy

The national accounts contain statistics that are central to fiscal policy. Apart from the gross domestic product (GDP) there are also the official statistics for public finances. The high quality of these statistics is a requirement for correct evaluation and follow-up of fiscal policies. Errors risk leading the Government and the Riksdag to take decisions based on an erroneous assessment of the strength of public finances.

The audit examines whether the national accounts are of sufficient quality to form the basis for well-informed fiscal policy decisions. The quality is assessed on the basis of three criteria: relevance; accessibility and clarity and reliability.

Audit findings

The overall conclusion of the Swedish National Audit Office is that the national accounts are of adequately high quality, but some elements should be improved. In brief, the conclusion is based on the following:

- The statistics are relevant for the agencies that prepare decision-making data in the area of fiscal policy. They thus highlight the issues that are important for these users.
- The processing and dissemination of statistics currently involves several agencies. Better coordination would improve the availability of statistics, by reducing the risk of errors and duplication of work.
- Detailed information on the statistics is available, but the descriptions of their reliability need to be supplemented to make them clearer.
- Public finance statistics in the national accounts are highly reliable, but there are areas that need to be improved. The difference between preliminary and definitive outcomes appears to follow the business cycle. This indicates that not all available information has been used effectively for the preliminary outcomes.
- There are indications that the level of GDP has been systematically underestimated in the preliminary outcomes. This is reflected in the private sector finance statistics where the accuracy of the preliminary outcomes is very low in some parts.
- The reliability of the Swedish national accounts is assessed to be neither better nor worse than in other EU countries.

Distribution of statistics should be more effective

Statistics Sweden works on the basis of the European system of national and regional accounts. This does not always fit in with the needs or wishes of Swedish agencies. Statistics Sweden has to

a large extent adapted the statistics to the specific needs of users, in particular with regard to public finances. There are some areas where Statistics Sweden's statistics are not sufficiently adapted to be fully relevant to the Swedish agencies. For example, this applies to the aggregation of products, capital types and industries.

Traditionally, the National Institute of Economic Research (NIER) has a key role to play in the dissemination of data. They assist the Ministry of Finance with processed outcome data for the Ministry's macro-economic activities. Their data are also used by others to supplement the data published by Statistics Sweden.

There is currently some delay before the outcome reaches the users. In addition, there is a potential risk that the coherence between different deliveries and calculations may be inconsistent when the processing of the statistics is carried out in several places. The fact that the agencies do not use the same concepts and cutting of data also hampers the comparability of the agencies' input data. Interviews with the agencies show that they would like to receive the outcome from the same place.

Clearer information

The Swedish NAO's interviews with the agencies also show that they are generally satisfied with the information provided by Statistics Sweden on the statistics. Changes in the data material supplied by Statistics Sweden have in some cases been made without prior information. Even minor changes can obstruct the process and lead to less time for the agencies' actual work on forecasts and economic analyses.

The agencies would like to have more detailed information on the outcome, in particular for temporary or extraordinary events. The details are necessary for good forecasts.

The national accounts' quality declaration now contains a description of the revisions of GDP. However, the Swedish NAO notes that there are no similar descriptions for public finances and other elements of the so-called sector accounts.

Amended accounting rules explain a substantial part of the revisions

The national accounts must meet the timeliness requirement, which makes it inevitable that the first preliminary outcomes are revised. The consistency of initial preliminary outcomes with the subsequent definitive calculations is analysed by means of a statistical analysis of the revisions in the sector accounts for the years 2001–2016.

Amended accounting rules have been an essential part of the revisions during the period audited. In particular, there have been changes in the European standard and its application by Statistics Sweden. It can be said to be a continuous and lengthy process for the harmonisation of economic statistics within the EU.

The audit shows that unless revisions due to accounting changes are separated from other revisions, statistical tests could lead to erroneous conclusions. This is not to say that revisions due to accounting changes are not problematic, from a user's perspective. For example, comparability between different times of publication is made more difficult.

Revisions in net lending are cyclical

The surplus target is central to fiscal policy. It is defined as a target for general government net lending. In the forward-looking evaluation of the surplus target, forecasts are needed of both net lending and the level of GDP, the latter in order to assess the economic situation. The most recent outcome for the national accounts is used as a basis for forecasting future developments. It is therefore important that the preliminary outcomes are not subject to systematic errors and that the accuracy is high, that is to say that compliance with the final outcome is good.

The Swedish NAO's calculations show that general government net lending has neither been systematically underestimated nor overestimated in the initial preliminary outcome. Revisions to net lending have been on average close to zero.

However, there is a tendency for net lending revisions to vary in correlation to the business cycle. According to the calculations of the Swedish NAO, this is explained to a large extent by the preliminary estimates of central government tax revenue, in particular current taxes on income. For example, in the most recent cyclical upturn, the revenues from households' taxes on capital gains have been underestimated in the preliminary outcomes; in previous years revenue from corporate taxes has been substantially revised. Large sums of money are involved.

Tax revenue in the national accounts is based on supporting data from the Swedish National Financial Management Authority (ESV). The supporting data uses ESV's tax projections, which are not subject to Statistics Sweden's control. Statistics Sweden is, however, the government agency responsible for statistics; this responsibility includes evaluation of the quality of the national accounts.

Low accuracy for private sector finances

The accuracy of the preliminary outcomes has been significantly better for the reporting of public finances compared with private sector finances. The poor accuracy of key economic variables, such as the operating surplus of corporations, the household saving ratio and the external balance, has been known to some extent by the agencies and led to limited use of these variables.

Risk of systematic underestimation of GDP

For GDP, there is a tendency towards systematic underestimation of the level. On average, the level of GDP has been underestimated in the initial preliminary outcomes. This could eventually lead to revisions of trend estimates and, in that case, a change in the perception of the cyclical situation (GDP gap) and the surplus target (via the so-called structural budget balance).

Revisions of Swedish statistics are not greater than the EU average

Revisions in Swedish statistics of general government net lending and the level of GDP are not significantly different from the EU average. The quality of the Swedish national accounts cannot therefore be said to be either better or worse than in other comparable countries.

Recommendations

On the basis of the audit findings the Swedish NAO makes the following recommendations to Statistics Sweden and the Government.

- Statistics Sweden should regularly assess the reliability of the national accounts' preliminary outcomes for central government tax revenues. If the assessment reveals deficiencies, Statistics Sweden must endeavour to ensure that these are remedied.
- Statistics Sweden should ensure that the national accounts' preliminary outcomes for GDP do not contain systematic errors.
- Statistics Sweden should ensure that information on the reliability of the preliminary outcomes in the national accounts reaches the users. The national accounts quality declaration should be expanded to include descriptions of the reliability of the preliminary outcomes in the sector accounts.
- In its governance, the Government should ensure that distribution of the statistics from the national accounts is carried out directly from the agency responsible for statistics, which is Statistics Sweden.