From First-Release to Ex-Post Fiscal Data: Exploring the Sources of Revision Errors in the EU

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ABSTRACT

This paper explores the determinants of deviations of ex-post budget outcomes from first-release outcomes. The predictive content of the first-release outcomes is important, because these figures are an input for the next budget and fiscal surveillance is based on these figures. Deviations of ex-post from first-release fiscal figures may arise for political and strategic reasons. In particular, given their control over the production of first-release figures, governments may have an incentive to be over-optimistic at this stage. Our results suggest that an improvement in the quality of institutions, whether measured by the tightness of national fiscal rules, the medium-term budgetary framework or budgetary transparency, reduces the degree of optimism at the first-release stage, thereby making first-release figures more informative about the eventual outcomes. This supports the European Commission proposals for minimum standards for national fiscal frameworks and amendments by the European Parliament for improving national ownership. It also strengthens the case for a close monitoring by the Commission of the first-release production of fiscal figures.

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