



Irish Fiscal Advisory Council

Access to public and non-public information for IFIs: goodwill versus procedures?

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Summary of Information Provision

- Information related to Endorsement process
 - Formal MOU sets between IFAC and Department of Finance
 - Short-term forecast data
 - Medium-term supply side estimates
- Informal provision of public finance information
- Non-governmental provision of information

Endorsement process: Background

- IFAC mandate to endorse official macroeconomic forecasts
- Identification of “endorseable range”
 - Anchored by Secretariat’s “benchmark projections”
 - Ranges informed by past forecast errors (fan-chart analysis) and a recognition of potential data revisions
- Development of “benchmark projections”
 - Extensive set of forecasting tools
 - “suite of models” approach
 - Medium term forecasts rely more on assumptions relating to potential output and the output gap
- Official projection data assessed



Endorsement process: Short-term forecasts

- Annual data on some 70 macroeconomic variables
- Formal presentations on forecasts to Secretariat & Council
- Quarterly profiles for expenditure component forecasts
- Forecast model output and programming code

Forecast Items	Level of detail
Technical assumptions	External growth assumptions, oil prices, exchange rates, interest rates
Expenditure-side components	Price, Volume, Value, levels and growth Rates
Expenditure-side sub-components	Goods/Services split for consumption and trade, housing, construction, machinery and equipment investment
Income-side components	Personal disposable incomes, wages, taxes, savings
Labour market	Sectoral employment, labour force, migration, unemployment, population estimates
Other macro data	Balance of payments, net factor incomes, consumer price indices, export demand indicators
Derived indicators	Contributions, savings rates, terms of trade, investment ratios

Endorsement process: Medium-term forecasts

- Provision of NAWRU, output gap, potential output estimates
- Contributions to potential growth: L , K , TFP
- Explanation of these also given through presentations
- Updates relating to EU-wide forecasting approach developments



Tax Forecasting Errors

- IFAC wanted to examine the source of tax forecasting errors to see if there was any indication of systematic bias in the forecasts
- Department of Finance provided data for several tax heads going back to 2001:
 - Budget time forecasts and outturns
 - Forecasts for macroeconomic drivers and the accompanying elasticities
 - Estimates of the effect of policy changes
 - Information on one-offs
- Department made themselves available to answer any questions IFAC had regarding the data



Other Government Enquiries

- Health Expenditure
 - IFAC wished to gather information on the nature and causes on the persistent expenditure overruns in the Department of Health
 - Department of Public Expenditure and Reform (DPER) met with IFAC to discuss the management of costs in the Department of Health and within hospitals
- Unemployment Benefits
 - IFAC sought understanding of how expenditure on unemployment benefits was forecast and how accurate they could be
 - IFAC met with DPER and Department of Social Protection to discuss the relationship between the unemployment rate, the liver register and the costs of Jobseekers Benefit and Jobseekers Allowance



Non-government Bodies

- IFAC secretariat regularly meets with other public bodies
 - Central Bank and National Treasury Management Agency can each offer unique perspectives, given their position in the Irish economy
 - They also form a view on economic outlook and have greater resources with which to analyse and forecast economic trends
- Central Statistics Office (CSO)
 - IFAC has met with the CSO a number of times to understand unusual trends underlying headline data and the affects of ESA 2010 revisions
- Private sector forecasters
 - Prior to endorsement exercise, IFAC meets with a number of private sector economists from stockbrokers, banks etc.



Role of IFIs in the EU Framework

- Much of the EU fiscal framework was established prior to IFIs
- Certain procedures and protocols need to be adjusted to accommodate the role of domestic IFIs
- There is a need for more timely (*ex ante*) sharing of technical information
 - Changes to the potential output methodology
 - IFIs should be on the Output Gap Working Group circulation list for papers with some representation at meetings
- Lack of clarity around some aspects of the rules
 - Path to MTO (“calendar of convergence”)
 - Appropriate annual adjustment in structural balance for high debt countries
- Role for IFIs in possible future evolution of rules
- IFIs cannot be expected to rely on Ministries for information on the harmonised methodology or issues related to the rules

Goodwill versus Procedures?

- Information sharing around endorsement process covered by formal MOU which is reviewed annually
- Reliance on goodwill for access to detailed public finance data
- Data from other public bodies (NTMA, other government departments) provided on goodwill basis
- CSO (National Statistics Agency): some formal arrangements for receipt of non-public data, other ad hoc data requests met on goodwill basis



Goodwill versus Procedures?

- MOU works well in providing formal framework for information sharing around endorsement
- Similar arrangement around fiscal data could be beneficial
- Apart from finance department, data sharing with other arms of government increasingly important
 - State has significant contingent liabilities
 - SPVs set up to wind-down bank's property portfolios (NAMA), invest in capital projects, manage the water network
- Potentially less obligation on these agencies to share information than is case with Dept. Finance.