

## **International conference on International Outreach and Coordination in National Accounts for Sustainable Growth and Development**

Session 6 - Policy making and promotion of SNA use

Title: Use of National Accounts Data

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National Accounts statistics are one of the key economic indicators in use by the Ministry of Finance and especially by our department. In Israel, National Accounts are published quarterly, with preliminary annual estimates being released around October. The data provided by the Israeli CBS to the Ministry of Finance answer specific needs of our department following ongoing cooperation between the CBS and ourselves.

### **Budget**

This paper will present the primary uses of National Accounts Data in the Ministry, and raise selected issues (most of which are common and are not unique to Israel). **By far, the most important usage of National Accounts data is in preparation of annual budget.** Both expenditure and revenue chapters of annual budget are heavily relied on national accounts (projections). The projections of GDP growth and its components are provided by our department and are based on the recent NA available. This is used as a bases for government revenue projections. The expenditure side is much more complex and is limited by two structural constraints. First, government expenditure growth is set to 1.7 percent (effectively constraining the growth of the expenditure in recent years). The second limitation is budget deficit ceiling, which is calculated using expected revenues as mentioned before.

### **Additional uses of NA**

Additional uses of the NA can be broadly defined as placing the economy in retrospect to past performance and for international comparisons. Progress, is measured, among other things, by comparing growth rates, sources of growth distribution and standards of living. International perspective is often provided by comparing various aspects of the economy to the OECD average or selected EU countries. Most used comparisons look at a GDP growth, GDP per capita levels, public debt (as percentage of GDP) and inflation.

This brings us to various indicators, derived partially from NA data. For example, some of fiscal sustainability indicators we frequently use are based on NA: Public Debt as a

percentage of a GDP, current account as a percentage of GDP, general government expenditure and its components, budget deficit as a percentage of GDP, FX reserves in month of imports, etc'.

### **Short term model of NA**

Our department has developed a model that forecasts the forthcoming quarter of National Accounts indicators. The different components of the GDP are estimated using leading indicators that are available quarterly, monthly or daily and are published close to the relevant period. Such indicators include foreign trade (in goods), tax revenues, exchange and interest rates, employment, wages and prices. It is comprised of two sets of equations: 8 nominal equations capturing the structure of GDP (expenditure based) and 5 equations that forecast price changes of GDP components.

The forecasted variables currently serve two purposes. First, the forecasts allow early feel of the important indicators discussed above (such as GDP growth rate). Second, we can track the updates of the forecast and analyze changes in forecast as leading indicators to economic developments.

### **Selected issues**

We would like to comment the high degree of cooperation between the CBS and the Ministry. The CBS, and even more so the NA branch, are committed to answer our requests regarding long term data series and provide us with ad-hoc data for in-depth analysis.

There are still many issues that require improvement. As such can be mentioned the timing - timing (frequency of publication). As a consumer of the data we are well aware of the quality & timing tradeoff in early publishing, but currently there is a significant gap (this gap is not unique to Israel). The delay in publication encourages the search for other indexes that can provide information on the state of the economy. These indexes are not always as informative and unbiased as National Accounts statistics.