

Quality Improvement of Macro Economic Statistics – MAJOR REVISION 2024

Major revisions of macro economic statistics take place every 5 years. It is an opportunity to incorporate improved sources and methods that cannot be incorporated as part of current revisions.

The continuous work on quality improvement results in new knowledge and improved data for macro economic statistics. In each case it is decided if it can be incorporated in the current revisions without breaking the consistency in the time series, or if it has to wait for a major revision. It is a balance between incorporating new information as soon as possible and the importance of long consistent time series for macro economic statistics – national accounts, balance of payments and government finance statistics

We follow the EU harmonized revision policy for economic statistics, which opens for benchmark revisions every five years in years ending on 4 and 9. Recurrent cases are revisions requested by the EU following their work on ensuring harmonized statistics across Member states.

Major revisions of **Government Finance Statistics** from 1971-2019 were published on 6th June. At the same time, current revisions for the years 2020-2023 are incorporated. The major revisions have almost no effect government consumption expenditure. There is a minor improvement of government net lending and a minor increase in EMU debt.

Revised **Balance of Payments** from 2005-2019 were published on 10th June. At the same time current revisions for the years 2020-2024 were incorporated. The main effect of the revisions is an upward adjustment of import and thus a downward adjustment of the current account of the balance of payments.

The major revision of **the National Accounts** will be published on 28th June 2024. The major revised years are 1966-2019, for which only specific revisions are incorporated in cases where new and improved sources and/or new methods have become available. This applies especially to the incorporation of revised balance of payments data and revised government finance statistics. The years 2020-2023 are recalculated as in the regular annual publication end June and are affected by both the major revision and current revisions.

It applies to the entire period 1966 to 2019 that there is not a big impact on GDP in current prices. However, there are significant changes on the goods and services account. It also applies that there is not a big impact on GDP growth for the period 1966 to 2019. Results for the years 2020-2023 are explained on 28th June.

Below follows a description of the most significant revisions.

Government Finance Statistics

The major revisions have almost no effect on government consumption expenditure. There is a minor improvement of government net lending.

The classification of the functions of government (COFOG) are changed as a result of a change in the accounting plan of municipalities in 2018. It is now possible to distinguish expenses between care of elderly and disabled.

Following a dialogue with Eurostat it was decided to reclassify the credit institution *KommuneKredit* from the financial sector to general government. The dialogue took place as part of the Excessive Deficit Procedure (EDP) in which compliance with the EMU criteria in the growth and stability treaty are controlled. The reclassification results in a minor increase in EMU debt.

Another significant revision of government finance statistics relates to the recording of emission losses and emission gains related to purchase of own bonds by central government. Previously repurchase losses and gains were recorded as interest, which impact government net lending. However, Eurostat pointed out that the correct recording is as revaluations in the financial accounts. The changed recording implies lower interest payments in the years back to 2001 and thereby improved government net lending in these years.

Corporate taxes are revised from 2001 with new and updated data from the Danish Tax Agency. This resulted in upward adjustments of corporate taxes and thereby upward adjustments of government net lending.

Balance of payments

The major revision of Balance of Payments statistics particularly result in an upward adjustment of import and thus a downward adjustment of the current account of the balance of payments.

Quality improvement of data takes place in close cooperation with the larger companies. In this revision, it has resulted in a significant upward adjustment of imports of services in manufacturing from 2010 and onwards. In addition a new method for the calculation of foreign trade in natural gas has a big impact on imports and exports but less on the surplus of the balance of payments current account.

The downward adjustment of the surplus on the balance of payments current account affects the international investment position (foreign debt) which is published on 28th June.

National Accounts

GDP and the goods and services account

It applies to the entire period 1966 to 2019 that there is not a big impact on GDP in current prices. However, there are significant changes on the goods and services account which particularly applies to imports.

It also applies that there is not a big impact on GDP growth for the period 1966 to 2019. The minor revisions to GDP growth reflect the revisions in current prices and effects from changed compositions. The effect of changed

compositions is the impact of deflation on a changed structure of the detailed national accounts in current prices. There are no revisions to price indices.

The classification of the functions of government (COFOG) affects government individual consumption expenditure in the national accounts. The revision, which relates to a reclassification, has no impact on government consumption expenditure in current prices. Despite unchanged volume indicators there is a minor impact on real growth of government consumption expenditure due to the effect of changed compositions.

Revisions to large companies' im- and exports, including the big increase in imports from manufacturing companies, do not have a significant effect on GDP level or GDP growth. The reason is, that an important source to the calculation of intermediate consumption in many industries, including manufacturing, are business accounts. The information from business accounts are the official annual reports from businesses, which are considered very certain. The new information on purchase of imported services in manufacturing companies therefore imply a changed composition of products in intermediate consumption in these industries. At the same time various different products are allocated to other uses including intermediate consumption in other industries, household private consumption expenditure and gross fixed capital formation (mainly machinery and equipment).

The revision regarding foreign trade in natural gas, which affects im- and export but to a less extent the balance of payments, are also implemented in the national accounts. Likewise there will be no effect on net-exports and GDP in current prices, but real growth will be affected in the years 2022-2023 due to the used price indices.

New methods to calculations of supply of energy, that reflect the changes on the energy markets, have been developed and implemented. At the same time they ensure consistency with the "green national accounts". More specifically, new methods to calculate supply of electricity, supply of gas and supply of heat have been developed, which in more detail describe production and transmission of energy.

Values for the financial industries: Credit Institutions, Insurance and Pensions and Financial Services have been recalculated. For Insurance and Pensions an improved method to adjust for foreign branches has been introduced. For Credit Institutions an improved method to ensure full coverage has been implemented. Finally, as a follow-up to dialogue with Eurostat related to own resources (the GNI contribution), a new calculation method has been implemented for financial services.

The two industries for dwellings have also been revised following dialogue with Eurostat related to own resources. The updated calculations affect output, gross value added and household consumption expenditure. Dwelling services in the national accounts reflect the services provided by both rented and owner occupied dwellings.

A new classification of individual consumption by purpose (COICOP18) has been implemented. The new classification does not affect total household individual consumption.

Finally, the reference year for chained values in previous years' prices has been updated from 2010 to 2020.

The **institutional sector accounts**, that present the distribution and redistribution of income, are also revised. In addition to the incorporation of revised value added and GDP, revised government finance statistics and balance of payments, there have been revisions to property income and other current transfers for which new methods have been developed.

The allocation of property income (received) between corporations, households and NPISH has been improved. This ensures a better coherence between financial and non-financial accounts. Another important revision, which affects property income, is the new treatment of emission losses and emission gains related to purchase of own bonds by central government as described in the section for Government Finance Statistics.

The calculation of other current transfers has also been improved. The revision particularly affects household disposable income for the whole period back to 1995.

For **financial accounts** a consistent time series for annual and quarterly data has been established with annual figures from 1995 and quarterly figures from Q1 1999. Up to now, there has been a break in the published time series between 2016 and 2017. The financial accounts are produced in close cooperation with the Danish Central Bank. Revisions to the financial part of the balance of payments and financial accounts for general government affect the financial accounts.