

## CONCLUSION ON THE BIAS OF THE ECONOMIC DEVELOPMENT SCENARIO FOR 2019 OF THE MINISTRY OF FINANCE

The objective criteria demonstrate that the Economic Development Scenario for 2019 drawn up by the Ministry of Finance was unbiased. Based on calculations made following the procedure for preparation of conclusions on the bias in the Ministry of Finance<sup>1</sup>, the standard error\* of one indicator of the Economic Development Scenario of the Ministry of Finance - gross domestic product (hereinafter - GDP) at current prices over a period of four consecutive years was higher than standard errors of the economic development scenarios of the European Commission and the Bank of Lithuania. This error mainly occurred due to reviews and revisions of the statistical basis for drawing up projections by the Statistics Lithuania carried out after publication of the last Economic Development Scenario of the MoF for the period considered. The last projection of the MoF during the period considered was carried out in September 2019, the one of the EC and BoL in November and December, accordingly.

During the analysis period, the errors of two indicators of the Economic Development Scenario for 2019 drawn up by the Ministry of Finance were higher than standard errors of respective indicators projected by the Bank of Lithuania and the European Commission.

### Assessment of the Economic Development Scenario for 2019 drawn up by the Ministry of Finance

|   | Standard error            |                         |                          |
|---|---------------------------|-------------------------|--------------------------|
|   | Ministry of Finance (MoF) | Bank of Lithuania (BoL) | European Commission (EC) |
| Gross domestic product at current prices, EUR million                                 | 284                       | 183                     | 120                      |
| Change in gross domestic product at constant prices, percentage points                | 0.3                       | 0.4                     | 0.3                      |
| Unemployment rate (acc. to the data of the Labour Force Survey), percentage points    | 0.1                       | 0.1                     | 0.0                      |
| Change in the number of the employed population, percentage points                    | 0.1                       | 0.1                     | 0.1                      |
| Change in average gross monthly wages, percentage points                              | 0.3                       | 0.4                     | 0.5                      |
| Change in the Harmonised Index of Consumer Prices (average annual), percentage points | 0.1                       | 0.0                     | 0.0                      |

\* A standard error is calculated for the period starting four months before the beginning of the year considered and ending on the last month of the year considered, i.e. a period of 16 months from September 2018 to December 2019 is analysed. Over this period the MoF 3 times drew up the Economic Development Scenario for 2019, the EC – 5 times, BoL – 6 times.

<sup>1</sup> The procedure was prepared in the implementation of Government of the Republic of Lithuania Resolution No 1460 of 5 December 2012 On Granting Authorisations in the Implementation of Paragraph 4 of Article 23 of the Republic of Lithuania Law on the Budget Structure Amending Articles 1, 2, 3, 8, 10, 14, 17, 18, 19, 20, 21, 24, 30, 31, 32, 33, 35, 37, Title of Chapter Five, Supplementing the Law with Chapter 6 and Annex and Repealing Article 16 and the provisions laid down in paragraph 5 of Article 37 of the Republic of Lithuania Law on the Budget Structure.

The description of the procedure defines the procedure for the assessment (hereinafter referred to as the Procedure) of the bias of the Economic Development Scenario prepared by the Ministry of Finance (hereinafter referred to as the Scenario), the essence whereof is to assess the bias of the Scenario on the basis of objective criteria (standard errors of appropriate indicators). For this purpose the Scenario is compared with the Economic Development Scenarios prepared by independent institutions, i.e. the Bank of Lithuania and the European Commission.

**Assessment of the Economic Development Scenario for 2016 - 2019 drawn up by the Ministry of Finance\***

| Indicator   | Standard error      |                   |                     |                     |                   |                     |                     |                   |                     |                     |                   |                     |
|---|---------------------|-------------------|---------------------|---------------------|-------------------|---------------------|---------------------|-------------------|---------------------|---------------------|-------------------|---------------------|
|   | 2016                |                   |                     | 2017                |                   |                     | 2018                |                   |                     | 2019                |                   |                     |
|   | Ministry of Finance | Bank of Lithuania | European Commission | Ministry of Finance | Bank of Lithuania | European Commission | Ministry of Finance | Bank of Lithuania | European Commission | Ministry of Finance | Bank of Lithuania | European Commission |
| Gross domestic product at current prices, EUR million                                 | 106                 | 68                | 88                  | 457.7               | 353               | 340                 | 336.2               | 177               | 115                 | 284.3               | 183               | 120                 |
| Change in gross domestic product at constant prices, percentage points                | 0.1                 | 0.1               | 0.1                 | 0.4                 | 0.4               | 0.3                 | 0.1                 | 0.2               | 0.2                 | 0.3                 | 0.4               | 0.3                 |
| Unemployment rate (acc. to the data of the Labour Force Survey), percentage points    | 0.1                 | 0.2               | 0.1                 | 0.0                 | 0.1               | 0.1                 | 0.1                 | 0.2               | 0.1                 | 0.1                 | 0.1               | 0.0                 |
| Change in the number of the employed population, percentage points                    | 0.3                 | 0.4               | 0.4                 | 0.3                 | 0.1               | 0.2                 | 0.5                 | 0.4               | 0.1                 | 0.1                 | 0.1               | 0.1                 |
| Change in average gross monthly wages, percentage points                              | 0.7                 | 0.8               | 1.0                 | 0.5                 | 0.6               | 0.8                 | 0.8                 | 0.8               | 0.5                 | 0.3                 | 0.4               | 0.5                 |
| Change in the Harmonised Index of Consumer Prices (average annual), percentage points | 0.1                 | 0.1               | 0.1                 | 0.3                 | 0.3               | 0.4                 | 0.1                 | 0.1               | 0.3                 | 0.1                 | 0.0               | 0.0                 |

\* In colour – indicators of the Economic Development Scenario drawn up by the Ministry of Finance whose standard errors are higher than standard errors of the scenarios of the Bank of Lithuania and the European Commission.