

# Hidden Fiscal Unsustainability in Real Time

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## Abstract

This study investigates whether the comparison of the fiscal policy stance by *ex ante* and *ex post* information can quantitatively reveal the change in the assessment for government solvency or not. If the data revisions lead to the concern about the government solvency, the changes in the market expectation can be one of triggers of the crisis. The main findings are twofold. First, estimating the heterogeneous panel regression kink with unknown threshold, the responses of the primary fiscal balance to changes in government debt with earlier data releases are stronger than the corresponding responses with revised data although there is substantial cross-country heterogeneity. Second, asymmetrical results between the real-time and the revised data are prominent in Greece and Japan due to the revisions of fiscal and macroeconomic variables.

**Key Words:** *Real-time data, Fiscal Reaction Function, Panel Regression Kink with Unknown Threshold*

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