

# The OeNB's experience cooperating with information providers on Austria's new balance of payments system

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## 1. Introduction

In January 2006, the Oesterreichische Nationalbank (OeNB) switched to a new system for compiling the Austrian balance of payments. Specifically, this involved shifting the reporting population away from financial intermediaries towards financial and nonfinancial corporations, households and public authorities engaged in foreign transactions. The OeNB's decision to introduce a direct reporting system, rather than continuing to compile cash data on payments, represents a growing trend in Europe today, triggered mainly by the introduction of the euro and by the strong increase of in-house cash centres run by subsidiaries.

Historically, nonfinancial corporations in Austria, unlike the so-called MFI sector, did not regularly report to the central bank. Yearly direct investment surveys and quarterly reports on external accounts were exceptions. When developing the concept, four years ahead of the intended date of implementation, the OeNB therefore placed special emphasis on establishing solid channels of communication with firms classified in the nonfinancial sector of the Austrian economy. This paper describes the communication concepts chosen, and the experience of introducing the new balance of payments system, a project that was divided into three phases, namely (i) a planning phase; (ii) a rollout phase; and (iii) a stabilisation phase.

## 2. Planning phase

The leitmotif that the OeNB's board of directors put in place to guide the transformation of the Austrian balance of payments system was "to make reporting as easy as possible" for firms. The OeNB's balance of payments division was asked to search out potential institutional synergies, and to make the utmost use of available register and administrative data. The OeNB's efforts to keep the reporting burden to a minimum were considered a precondition for achieving high response rates and ensuring the soundness of reported data within the new compilation framework. Another prerequisite for establishing close cooperation with reporting agents to ensure sound results was a strong ongoing commitment on the part of the OeNB to the confidentiality of individual data – efforts that were focused on the statistical input. However, the planning phase was also meant to raise reporting agents' awareness of the central bank's statistical tasks, and of the national and individual benefits that official statistics provide.

To achieve these objectives, the OeNB pursued two different organisational approaches during the planning phase. First, it took advantage of established contacts with selected

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Austrian firms to carry out on-site tests as a means of ascertaining how well existing accounting records conformed with the statistical requirements imposed by international standards. Second, the OeNB committed itself to cooperating closely with the Austrian Chamber of Commerce. This resulted in the creation of different working groups, including representatives of the central bank, business lobbies and firms, to review statistical, fiscal and accounting standards. A case in point was the two working groups established at the Austrian Association of Insurance Companies, which drew on the expertise of the Austrian Financial Market Authority.

As an institutional prerequisite to implementing a direct reporting system in Austria, the OeNB concluded a master cooperation agreement with Statistics Austria, the national statistics institute (NSI). By combining the expertise of Statistics Austria in documenting real transactions with the OeNB's expertise in documenting financial transactions, the OeNB was able to capitalise on synergies in the field of external statistics, including harmonisation with the national accounts, the use of varied NSI data sources, and making use of well-established NSI contacts with the non-financial business sector. This master agreement is supplemented by a contract for compiling information on services imports and exports – a subject on which the NSI collects data from nonfinancial companies, while the OeNB collects such data from insurance companies and banks.

The efforts of the planning phase resulted in enactment of the 2004 foreign exchange law. Unlike former legislation, the new law gives the OeNB the same legal status as the NSI as regards the use of statistical information and of register and administrative data. The law also mandates the confidentiality of individual data. Two reporting regulations adopted in association with the law specify individual reporting items, periodicities and reporting dates, and designate terms and concepts. In accordance with the OeNB's leitmotif, reporting agents may choose from a range of reporting media, and the central bank has assumed responsibility for carrying out comprehensive calculations and estimations on its own account, in order to make the greatest possible use of accounting records, as well as fiscal and supervisory information. Finally, to minimise the reporting burden for Austrian firms, a set of samples validated on the basis of type of transaction and business sector was created.

### **3. Rollout phase**

The legislative foundation for the new Austrian balance of payments compilation system was created without undue delay, and without domestic political or lobbying resistance. The OeNB attributes this to the transparent and cooperative approach taken. The next stage was the rollout phase, which was aimed at informing the reporting population in a comprehensive and pre-emptive manner, in order to minimise friction during the actual transition period. Here again, the OeNB attached great importance to communicating the national, as well as individual, benefits of the balance of payments statistics. Since the BOP division holds a yearly balance of payments press conference on behalf of the OeNB, the available data were edited specifically to answer questions on how foreign trade affects the national welfare, Austria's international competitiveness, and the advantages that its location gives it as an industrial power – from a national, regional and sectoral perspective.

This information campaign was primarily targeted to the general reporting population, taking the form, most commonly, of a series of lectures in all of Austria's regional capitals, given by statistical experts from the OeNB and Statistics Austria. Outside advisers, as well as the OeNB's public relations department and regional branches, were involved in organising these events. The 2004 series concentrated on communicating the reporting requirements for compiling the financial account, while the second series, one year later, dealt with the compilation of the current account, focusing on the survey of firms designed to elicit information on services imports and exports.

To complement the lecture series, the OeNB created a website designed to answer any questions on the new balance of payments system. Besides the legal fundamentals, the website provided a preview of what were then the new electronic reporting media. The website itself was designed to be incorporated in the OeNB's general balance of payments website once the transformation was complete. Response to direct questions was also facilitated, through a hotline service supported by the statistics experts at the OeNB and Statistics Austria. In addition, the OeNB created a newsletter to keep reporting agents informed about progress during the countdown to the introduction of the new system on 1 January 2006. The general part of the rollout phase was completed with advertisements in major national and regional newspapers, and with briefings for journalists.

Along with the general portion of the information campaign, however, there were special events targeting the various economic sectors individually. Statistical experts from the OeNB and Statistics Austria gave lectures at the different branches of the Austrian Chamber of Commerce; articles were published in various professional journals, ranging from regional media and chambers of commerce, to the trade newspaper of the Austrian electricity industry. Further efforts by the OeNB were designed to produce multiplier effects among professionals such as accountants, tax consultants, financial auditors, lawyers and notaries. Firms providing special software solutions for reporting purposes in Austria were also briefed in detail, and on-site consultations were offered for firms subject to reporting obligations vis-à-vis either the OeNB or Statistics Austria.

Evaluation of the rollout phase suggests that there were definite benefits from personal contacts established with reporting agents, that learning was stimulated on both sides, and that transparency and understanding were furthered. In addition, the networking between the balance of payments division and other departments of the OeNB, as well as its networking with the Austrian media and other institutions, was instrumental in ensuring the success of the information campaign. During this phase, both of Austria's statistics providers, the OeNB and Statistics Austria, recognised and committed themselves to the growing importance of close communications with reporting agents and with the general public, as a major prerequisite to the cooperation envisaged. Inevitably, there were some problems, the most important of which were the high cost to the OeNB, in time and effort, of organising a nationwide information campaign, and the sometimes limited success that it had in reaching the target audience. Focusing communication efforts on specific target groups may be superior to broad-based initiatives, but it inevitably generates follow-up expenses for consulting and support services.

#### **4. Stabilisation phase**

At present (early 2007), the OeNB is finalising the balance of payments statistics for the first reporting year of the new compilation system. Overall, the transition may be described as a success. For example, Statistics Austria concludes that the introduction of the new survey on services imports and exports was quite effective in terms of the number of respondents and the plausibility of the initial results. Both institutions attribute the positive experiences to the enormous efforts to communicate with firms, directly or through intermediaries. Data from before the first revision of the reporting year 2006 are stabilised by means of recalculations, reconciliation of hybrid data sources (eg for travel), and continued work to increase the plausibility of the model's assumptions and configurations. On the insurance company side, a service agreement modelled on the master cooperation agreement with the NSI is currently being concluded with the national Financial Market Authority.

A second important element of the stabilisation phase is feedback to the reporting population, in order to ensure continued high-quality data in the future. The OeNB is organising regular events with different respondent groups, varying the events according to

the type of economic sector and report involved. Besides providing an opportunity for dialogue on the development of technical applications and on the revised list of annotated terms and concepts, this should set the stage for providing detailed figures for Austria's balance of payments to economic and reporting agents, and for discussing data plausibility issues with them. When the previous settlement system was in effect, the OeNB developed this type of framework – particularly for communicating with the nation's banking sector. The OeNB's experience shows that offering such feedback to information providers encourages an appreciation of the individual benefits of official statistics, and highlights joint responsibility for the quality of the statistics.

The additional reporting costs that the new compilation system entails for firms is justified, arguably, by the improved quality of statistical results, which better reflect economic trends, are more closely comparable with international statistics and the national accounts, and provide additional detail. The result is improved data, not only for economic analysts and researchers, but also in providing comprehensive data relevant to firms' commercial objectives. Already during the rollout phase, the OeNB has seen evidence of such increased utility to users, and it considers the cooperation with the Austrian Chamber of Commerce of vital importance in this respect. Both institutions intend to conclude a master cooperation agreement and provide mutual support. This should not only assist the OeNB in communicating with firms as reporting entities, but also facilitate cooperation for commercial events such as the export initiative "Going International". Thus, information regarding data needs is shared, while access to individual data is obtained.

The OeNB in general, and the balance of payments division in particular, have a long-standing tradition of communicating detailed statistical findings. In accordance with the leitmotif of the OeNB – namely, being "a competence centre for financial data" in Austria – the OeNB supports the general public as well as researchers and firms in interpreting the data, and offers various services such as press conferences, communication via the Internet, and the Statistics Hotline. In the coming years, the OeNB will strengthen these activities as part of its long-term strategy to be a competence centre for Eastern European countries ("Going East") and advance the cause of financial literacy in Austria. For businesses, special analyses will be provided on regional market share, international competitiveness, export opportunities and the attractiveness of Austria as a business location, furthering close links between the central bank and other actors in the economy. Different statistical, register and management data will need to be combined to provide this information. Under the 2004 foreign exchange law, the OeNB can make use of these data, as can the NSI. Given the continuing firm commitment to the confidentiality of individual data in Austria, the opportunities for general publication of commercial analyses are limited.

The aim of enhancing the services offered by the OeNB is in line with a trend seen today in international organisations such as the IMF and the OECD, as well as among the world's national statistics agencies, institutes and central banks. The steadily growing data needs of the modern information society are increasing the costs of compiling statistics, both for compilers and for economies. The quality of individual reports, and hence of macroeconomic data, can be assured only if individual entities perceive official statistics as useful. A concrete example is the use of balance of payments data by Austrian consultants in connection with an export initiative. A working group was created by the Chamber of Commerce to study the export potential of knowledge-based services. The group includes representatives of the OeNB, Statistics Austria, the Ministry of Finance, the Ministry of the Economy, and the country's economic research institutes. The OeNB has supported the work by providing detailed information based on historical time series. The new balance of payments data facilitate much more detailed analysis of services exports. Also, the necessary legal foundations have been laid to enable the OeNB's in-house experts to cooperate with outside researchers in developing special models to explore the above-mentioned export potential of knowledge-based services. This Austrian export initiative by consultants illustrates the mutually complementary information needs of statistics producers and economic agents, and

demonstrates the practical basis for official statistics activities today, while highlighting the growing integration of users and respondents with statistics agencies.

## **Conclusions**

It appears essential for official statistics agencies to be service oriented vis-à-vis reporting agents, and to assert their regulatory authority as little as possible. It is of paramount importance – although sometimes difficult and time-consuming – to convince firms of the benefits that can accrue to them from reporting high-quality data in a timely fashion. Accordingly, the OeNB will continue and increase its efforts to foster extensive dialogue with the reporting population, in order to optimise data results while keeping reporting burdens to a minimum.