

# European statistical harmonisation and improvements to serve the needs of the European Economic and Monetary Union

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## The foundations of euro area statistics

The European Central Bank (ECB) conducts the monetary policy in the euro area, with the primary objective of maintaining price stability. It also contributes to other ESCB tasks such as the conduct of foreign exchange operations, the oversight of payment systems and the stability of the financial system [1] [2]. The performance of these tasks requires a large amount of high quality statistical information, used inter alia to assess economic, monetary and financial developments in the euro area, to feed into the ECB projection exercises, to assess the transmission of monetary policy decisions of the ECB and to analyse financial integration and financial stability. Such statistics are provided by the ECB (DG-Statistics), with the assistance of the EU national central banks (NCBs), which, together with the ECB, form the European System of Central Banks, ESCB. Part of the data provided by DG-S is compiled by Eurostat (the statistical office of the European Commission) in cooperation with the EU national statistical institutes [3].

The preparation of ESCB statistics started in the late '80s / early '90s, i.e. even before the establishment of the European Monetary Institute (EMI, the forerunner of the ECB). The EMI was entrusted by the EU Treaty with the task of undertaking the statistical preparations for the establishment of the European Economic and Monetary Union (EMU). This entailed promoting the harmonisation of national statistics necessary to support the conduct of monetary policy of one of the largest economic areas of the world - the euro area [4]. It was decided to use available national statistics as much as possible and, within the ESCB, to pursue the necessary harmonisation of concepts, definitions and methods in compiling the national contributions to euro area statistics, thus gradually increasing their comparability, consistency and coverage. The national data must be sufficiently homogeneous to permit meaningful aggregations and, in particular in the areas of monetary, financial and balance of payments statistics, transactions and positions within the euro area need to be identified, to permit consolidation at the level of the euro area.

The aggregation and consolidation at the euro area level is performed by the ECB, while the NCBs collect data from reporting institutions and other national sources, compile contributions to euro area aggregates and transmit this national aggregated information to the ECB.

Traditionally, the collection of statistics for the euro area has been based on ECB legal acts [5]. Whenever the ECB's statistical needs have been sufficiently well established and converted into cost-effective reporting schemes by the ESCB Statistics Committee and its Working Groups, these schemes are, in most cases, formalised in a legal instrument adopted by the ECB's Governing Council [6]. In this way, most statistical information provided by the

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ECB fulfils high quality standards in terms of harmonisation, coverage and methodological soundness of source data [7].

In order to keep the reporting burden contained, draft ECB Regulations on new or substantially enhanced statistics addressed to reporting agents are subject to a merits and costs assessment before the reporting requirements are translated into the legal act (so that mandatory reporting is confined to those requirements that are deemed very important for policy purposes). Alternatively, the ECB may issue Guidelines addressed to the NCBs, collecting from them data already existing at national level and without requiring them to impose additional requirements on respondents. Of course, this typically leads to somewhat less harmonized and lower quality data than those collected by means of an ECB Regulation.

To enable the ECB to publish timely euro area monetary, financial and balance of payments statistics,<sup>3</sup> there is a need for monthly data to be available to the ECB within about three weeks after the end of the month to which they relate.<sup>4</sup> Quarterly euro area accounts should be published within three months after the end of the quarter to which they relate, which requires an availability of e.g. quarterly b.o.p. and i.i.p. statistics after 80 days. In addition, it may be noted that statistical discrepancies are largely absent from these euro area accounts; for instance, the errors and omissions in the balance of payments are eliminated during the integration process. [8]

## **Main challenges faced during the 10 years of producing EMU [9]**

A very important challenge since the first days of monetary union has been the successive waves of enlargement of the euro area (from initially 11 to 16 member countries today), implying long lead times in the preparatory work for both the ECB and the countries joining the euro area. Harmonised national statistics are crucial before the countries join the EMU because they are used in the assessment of their economic convergence with the EMU, which is largely based on formal statistical indicators. Once these countries join the monetary union, all statistical series for the euro area have to be amended to include the new members. This greatly affects ECB statistics because, as explained above, euro area aggregates are not a simple sum of national data. In addition, all back series have to be adjusted.

Examples of other major challenges for euro area statistics have been: the increasing demands for new statistics, coinciding with very limited resources and calls for response burden reduction; the need to keep pace with financial innovation; and the wish to communicate better with external users and the public at large. For instance, both euro area statistics and the national contributors are often jointly disseminated by the ECB and the NCBs, using a single database but tailor-made presentation formats, in the national languages.[10]

The conventional provision of information, through an ECB legal act, takes a long time to be developed. This process cannot always keep pace with rapid phenomena like financial innovation. For example, the financial turmoil has evidenced the need to monitor and understand economic and financial developments at a very early stage. With these challenges in mind, in December 2007 the Governing Council of the ECB approved a

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<sup>3</sup> For example, the monetary developments in the euro area are released monthly on the 19th working day following the end of the month to which the data relate.

<sup>4</sup> More detailed quarterly data become available up to three months after the reference quarter.

strategic vision that has been translated in the medium-term work programme for the ECB's statistical function for 2009-2012. This work programme sets out as statistical priorities inter alia i) closing remaining gaps/needs within an integrated statistical framework; ii) developing more micro-databases; and iii) fostering cooperation and information sharing. [11]

A greater recourse to micro databases, for example, permits both a continuity of the standard statistical time series and a timely statistical response to new policy issues, without increasing the burden for respondents. Indeed, requiring reporting agents to transmit the data existing in their systems only once, on an item-by-item basis, significantly alleviates their reporting burden (as they are no longer required to statistically aggregate the reported information). Moreover, it improves the flexibility of statistics, since the data can be used in various ways to derive new statistical outputs almost in real time. The use of micro-databases for statistical purposes is obviously much facilitated by the modern IT facilities that permit a swift handling of large amounts of information at reasonable costs. Yet, it should be acknowledged that maintaining micro data bases, and particularly the related data quality and data source management, entails higher resource requirements at the ECB and the NCBs.

The Centralised Securities Database (CSDB) is the best example of a micro-database that is currently under development by the ESCB. It contains reference information on several millions of securities, namely those issued by residents of the euro area and those issued elsewhere but still likely to be held by euro area residents. The CSDB may be accompanied by a security-by-security data collection on the holdings of securities, which is typically much less burdensome for reporting agents than the usual aggregate reporting in standard statistical frameworks. Moreover, as securities statistics derived from the CSDB are used in a range of other statistics, such as monetary, financial and balance of payments statistics, financial accounts and government finance statistics, the CSDB significantly enhances the consistency among these statistics.

Since several years, the ECB has also put much effort into a user-friendly dissemination of its statistics, increasingly using web-based tools, while retaining paper publications where appropriate [12]. The "Statistical Data Warehouse" allows users to quickly find, display and download euro area data, including national breakdowns in some cases. [13] In addition, so-called "dashboards" are being developed to better communicate statistics to the general public. A first example is the so-called "inflation dashboard", which combines rather straightforward texts with interactive graphs [14].

## **The main projects ahead**

To address the ongoing challenges, which have been reinforced by the economic and financial crisis [15], the ECB is focusing on the following improvements in the domain of monetary and financial statistics: a) further advancing the timeliness of some statistics (e.g. banks' interest rate statistics), b) providing more breakdowns of banks' balance sheet and interest rates statistics (e.g. loans by industry; securitised and collateralised loans), c) compiling new data on credit lines, d) releasing new statistics on assets and liabilities of investment funds, including hedge funds and real estate funds, (planned for their inaugural publication in December 2009), e) compiling complex, completely new statistics on Financial Vehicle Corporations engaged in securitisation transactions and banks' securitisation (with an inaugural publication scheduled for late 2010), and statistics on Insurance Corporations and Pension Funds. Most of these improvements were already scheduled well before the outbreak of the financial turmoil. Other initiatives encompass the development of securities holding statistics (with a residency and sub-sector classification of holders) and the ECB's leading role in the enhancement of BIS statistics on credit default swaps.

The ECB's statistical basis for policy-making will be also greatly improved by incorporating better information on non-financial sectors. In this respect, the ECB is coordinating ESCB surveys on households' consumption and financing and has set up a euro area wide survey on corporate finance, including Small and Medium Enterprises (first survey results were released in September 2009). The ECB, with the assistance of the NCBs, is also further elaborating the euro area accounts jointly compiled with Eurostat. Indeed, these quarterly accounts have become an increasingly important tool for the ECB's economic and monetary analyses and their cross-checking, capturing inter alia key inter-linkages between financial and real developments. In order to better meet the policy needs, the timeliness of these accounts must however be improved to 90 days after the reference quarter. Their coverage will soon be enhanced to include housing and other produced assets, in addition to the already included financial assets and liabilities.

## Concluding remarks

The experience of the ECB since the first days of monetary union in producing high quality, timely, harmonised and coherent statistics has been acknowledged to be of paramount importance for the success of monetary policy in the euro area and of the other tasks of the ECB. However, the success of the European statistical project would certainly not have been possible without a solid legal framework for the statistics collected and compiled by the ESCB. The same holds for the intensive and efficient cooperation of the ECB with the EU NCBs and with other statistical authorities in Europe and elsewhere, as well as with other partners such as European associations of financial institutions and financial supervisors. In particular the cooperation within the ESCB, as formally organized within its Statistics Committee and Working Groups, has always been, and will certainly continue being, essential to the success of the statistics serving the needs of the European Economic and Monetary Union.

## References

Unless otherwise indicated, the documents mentioned below can be found in the "Statistics Section" of the ECB website ([www.ecb.europa.eu](http://www.ecb.europa.eu)).

[1] A wide range of information on the tasks of the ECB and on the organization of the European System of Central Banks (ESCB) can be found on the homepage of the ECB website.

[2] The Mission Statement of the Eurosystem can be found on the homepage of the ECB website.

[3] The responsibility for European statistics is shared between the ECB and the European Commission, along the lines of a Memorandum of Understanding (MoU) on economic and financial statistics between the Directorate General Statistics of the ECB and the Statistical Office of the European Communities (Eurostat). The ECB is responsible at European level for monetary and financial statistics, including the quarterly financial accounts for the euro area. Responsibility is shared with the Commission in the areas of the balance of payments, the international investment position, and integrated financial and non-financial accounts broken down by institutional sector. Every quarter, the ECB and Eurostat jointly compile these integrated euro area accounts. The Commission is responsible for other areas of statistics, with the ECB, as a user, taking a close interest in statistics on prices and costs, other national accounts and a wide range of other economic variables. The MoU can be found on the ECB website.

[4] More information on the statistics provided by the ECB can be found in the brochure “ECB Statistics, an Overview”, April 2008, available on the ECB website.

[5] More information on the framework within which the ECB and the EU NCBs conduct statistical work can be found in the note “The ESCB’s governance structure as applied to ESCB statistics”, available on the ECB website.

[6] As foreseen in the EU Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank, as amended, available on the ECB website.

[7] More information on the “Principles for the development, collection, compilation and dissemination of ESCB statistics” and the “Quality principles and elements guiding the production of ECB statistics” can be found on the ECB website.

[8] See article in the ECB Monthly Bulletin of November 2007, p.75-87, “The introduction of quarterly sectoral accounts statistics for the euro area”, available in the “Publications Section” on the ECB website.

[9] See also the Special ECB Monthly Bulletin, to mark the 10th anniversary of the ECB (in particular Section 8 on Statistics, p.133-137), available in the “Publications Section” on the ECB website.

[10] The joint dissemination framework is available on the ECB website.

[11] The “Medium-term work programme for the ECB's statistical function (2009-2012)” is available on the ECB website.

[12] The main paper publications are the Statistics Pocket Book and the statistical annex of the ECB Monthly Bulletin, both available in the “Publications Section” on the ECB website.

[13] The ECB Statistical Data Warehouse provides comprehensive sets of statistics and indicators and is available on the ECB website.

[14] The HICP Inflation Dashboard can be found on the ECB website.

[15] See also “Statistical needs emanating from the financial crisis and the ECB’s initiatives for more comprehensive financial statistics”, by Steven Keuning, ISI 2009, STCPM 52