

## **Jean-Claude Trichet: A strategic vision on euro area statistics – the ECB's view**

Speech by Mr Jean-Claude Trichet, President of the European Central Bank, at the 4th ECB Conference on Statistics "A strategic vision for statistics – challenges for the next 10 years", Frankfurt am Main, 24-25 April 2008.

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Colleagues, fellow central bankers, ladies and gentlemen,

I would like to welcome all of you most warmly to the Fourth ECB Conference on Statistics.

This conference continues our tradition of regular high-level dialogue between the compilers and users of statistics, including policy-makers, analysts, academics, the media and the financial industry. At the same time, this provides us with an excellent opportunity to take stock of the progress achieved concerning the availability and quality of euro area statistics and exchange views on the strategic vision for their further development. While much has been achieved over the past ten years and ECB statistics are widely used, euro area statistics should keep pace with the rapidly changing economic and financial landscape in Europe, to meet new needs, for instance in relation to the ongoing financial turmoil, and to be produced by means of a highly efficient production network, so that costs and response burdens are kept to a minimum.

A particularly successful feature of the recent rapid enhancement of euro area statistics is the very close collaboration between the ECB, notably its Directorate-General Statistics, and the European Commission, notably Eurostat. This is mirrored by the fruitful cooperation between the statistical departments of national central banks (NCBs) and national statistical institutes (NSIs), both at the national and at the European level, for instance in the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB). For this reason, I am particularly pleased that Commissioner Almunia has kindly accepted our invitation to give the keynote speech at this conference and that the programme includes a session organised jointly by Eurostat and the ECB's Directorate-General Statistics and chaired by Mr Carré, the Director-General of Eurostat.

I would like briefly to consider three issues:

1. recent enhancements to euro area statistics from the ECB's perspective as a policy-maker;
2. the importance of the appropriate communication of statistics; and
3. the strategy for the further development of euro area statistics.

### **Recent enhancements to euro area statistics from the ECB's perspective as a policy maker**

First of all, I would like to reiterate that reliable and timely euro area economic, monetary and financial statistics are of paramount importance for the ECB's decision-making. This applies not only to the single monetary policy, but also to the other ESCB tasks, including those in the areas of financial stability and payment systems. Statistics are themselves one of the main deliverables of the ECB, providing market participants, analysts, academics, the media and the general public with the aggregate financial data they need. For instance, the harmonised national average interest rates on the deposits and loans of households and

corporations that are published every month by the ECB and the NCBs provide citizens and firms with very useful preliminary insights.<sup>1</sup>

Concerning the key developments in ECB statistics over the last two years, I would like to highlight the following<sup>2</sup>:

1. Since June of last year the ECB and Eurostat have jointly compiled and published quarterly euro area accounts.<sup>3</sup> These accounts can be considered the “national accounts” for the euro area and provide a complete and consistent overview of its economic, financial and monetary developments. A fairly unique feature of the euro area accounts is their almost entirely consistent representation of “real” and financial developments, which greatly facilitates integrated analyses and permits further enhanced cross-checking of the economic and monetary analyses that feed into the overall assessment of the ECB’s monetary policy stance.
2. The euro area accounts record not only the economic and financial transactions, but also the financial balance sheets of all institutional sectors (i.e. households, non-financial corporations, financial corporations and general government). They integrate and complement more timely and frequent statistics, for instance by providing a sectoral breakdown of the broad monetary aggregate M3 and by providing hitherto unavailable quarterly data on household and corporate income, expenditure, savings and wealth.
3. Since July 2007 the ECB has estimated daily yield curves reflecting the implied market remuneration rates of euro area central government bonds for residual maturities ranging from 3 months to 30 years. These curves help to gauge market expectations regarding economic and financial activity, as well as being used for monetary policy purposes. The curves are presented in a very user-friendly way, using the latest web technologies.<sup>4</sup>
4. The available monthly statistics on outstanding amounts of Short-Term European Paper have been supplemented with daily statistics on yields. This has enabled the ECB to ensure transparency while respecting the confidentiality of individual price or yield data.
5. The external statistics of the ECB now provide separate data for Brazil, Russia, India, mainland China and Hong Kong as counterparts. Moreover, they also show the quarterly changes in the overall external position of the euro area, broken down into transactions, exchange rate changes, asset price changes and other changes.<sup>5</sup>

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<sup>1</sup> See [http://www.ecb.europa.eu/stats/money/interest/interest/html/interest\\_rates\\_2007-12.en.html](http://www.ecb.europa.eu/stats/money/interest/interest/html/interest_rates_2007-12.en.html).

<sup>2</sup> An updated overview of all available ECB statistics has recently been published. See <http://www.ecb.europa.eu/pub/pdf/other/ecbstatisticsqualityframework200804en.pdf>.

<sup>3</sup> See “The introduction of quarterly sectoral accounts statistics for the euro area” in the November 2007 issue of the ECB’s Monthly Bulletin; “Recent developments in the household and corporate sectors: information from new quarterly euro area sector accounts” in the June 2007 issue of the ECB’s Monthly Bulletin; and “New estimates on holdings by sector for euro area M3” in the December 2007 issue of the ECB’s Monthly Bulletin.

<sup>4</sup> See <http://www.ecb.europa.eu/stats/money/yc/html/index.en.html#data>. The yield curves and their use are explained in “The new euro area yield curves” in the February 2008 issue of the ECB’s Monthly Bulletin. Previously, Eurostat compiled these curves.

<sup>5</sup> See “Explaining changes in the net international investment position of the euro area” in the January 2007 issue of the ECB’s Monthly Bulletin.

Finally, since the end of 2006 the ECB has published monthly harmonised competitiveness indicators for all euro area countries.<sup>6</sup>

6. Payment statistics have also been enhanced, and new data on securities trading, clearing and settlement have been made available.<sup>7</sup>
7. Last but not least, Slovenia was successfully integrated into the euro area statistics in 2007, with the same happening for Cyprus and Malta in 2008. When countries join the euro area, all time series need to be recalculated in order to reflect the new composition of the euro area. At this juncture, I would also like to compliment the statisticians in the various EU countries on the outstanding work that they carry out, in coordination with the ECB and Eurostat, to meet the ECB's statistical requirements.

For its policy-making, the ECB relies not only on its own statistics, but also on euro area data compiled by Eurostat and the NSIs. In particular, the ECB attaches considerable importance to the reliability and timeliness of the so-called Principal European Economic Indicators (PEEIs), which comprise the indicators for core consumer prices, national accounts, short-term business, labour markets and external trade. In November of last year the ECOFIN Council recognised that, in general, the timeliness targets set in 2002 had now been achieved for the majority of the PEEIs and invited Eurostat and the ECB to review the scope, timeliness and quality of the PEEIs, also in the light of the evolving needs of users. This brings me to the important issue of the communication of statistics.

### **The importance of the appropriate communication of statistics**

Communication with the general public and financial markets is crucial for any central bank because it helps to enhance the effectiveness of monetary policy. Euro area statistics play an important role in the ECB's communication, and it is therefore of great importance to the ECB that these statistics be highly credible and very accessible.

In total, the ECB publishes around 70 statistical press releases per year, including monthly monetary statistics and data on interest rates, securities and the balance of payments; quarterly euro area accounts and statistics on investment funds and the international investment position; and annual payment statistics and general data on monetary financial institutions. Even more detailed and more frequent statistics are made available on the ECB's website. In order to enhance the accessibility of its statistics, the ECB launched its online Statistical Data Warehouse in 2006.

Maintaining the public's confidence in the ECB statistics requires high quality standards. Such standards were set out in a recently published framework governing the quality of ECB statistics.<sup>8</sup> In addition, in the performance of their statistical tasks, both the ECB and the NCBs adhere to the statistical principles and ethical and quality standards set out in their "Public commitment with respect to the ESCB's statistical function".<sup>9</sup> The independence granted to the ESCB by the Treaty means that there is no political interference in the

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<sup>6</sup> See "The introduction of harmonised competitiveness indicators for euro area countries" in the February 2007 issue of the ECB's Monthly Bulletin, and [http://www.ecb.europa.eu/stats/exchange/hci/html/hci\\_2008-01.en.html](http://www.ecb.europa.eu/stats/exchange/hci/html/hci_2008-01.en.html).

<sup>7</sup> See "Review of statistics on payments and securities trading, clearing and settlement" in the January 2008 issue of the ECB's Monthly Bulletin.

<sup>8</sup> See <http://www.ecb.europa.eu/pub/pdf/other/ecbstatisticsqualityframework200804en.pdf>.

<sup>9</sup> See <http://www.ecb.europa.eu/stats/html/pcstats.en.html>. Both this commitment and the framework governing the quality of ECB statistics take due account of the European Statistics Code of Practice for the national and Community statistical authorities, while also reflecting the specific governance structure of the ESCB.

compilation and dissemination of statistical information. Similarly, the Treaty states that compilers of statistics in the NSIs and Eurostat should also act in full scientific independence.

In addition to these essential preconditions, statistics also need to be adequately explained. This applies, in particular, to one of the most important statistics for the ECB's monetary policy making, namely the Harmonised Index of Consumer Prices (HICP). It is a well-known fact that the qualitative responses to the European Commission's monthly consumer survey on inflation perceptions tended to indicate an upward trend following the introduction of the euro banknotes and coins in 2002, while the HICP exhibited a fairly stable rate of change.<sup>10</sup> Perceptions of inflation then tended to moderate, with renewed increases being observed as of mid-2007, increases which on that occasion coincided with a rise in the annual HICP inflation rate. However useful this perception indicator is, it should be borne in mind that perceptions may be based on a partial inflation concept that places too much weight on frequent and out-of-pocket purchases such as food and petrol – for which above-average price increases have been observed – and does not take full account of other less frequent purchases and quality improvements. If only for that reason, the HICP inflation rate, which is derived from no less than 1.7 million price observations in 200,000 shops throughout the euro area every month gives an objective representation of the evolution of prices.

### **The strategy for the further development of euro area statistics**

The ECB's vision for euro area statistics envisages both product and process innovations. The former include the closing, in the near future, of some of the remaining gaps in the ECB's statistics. This will involve:

1. enhancing the timeliness, completeness and consistency of the quarterly euro area accounts, so that they become available within 90 days of the end of the reference period;
2. compiling more accurate, frequent and timely statistics on assets and liabilities of investment funds from early next year (based on an ECB Regulation adopted in July 2007);
3. compiling frequent, timely and harmonised statistics on insurance corporations and pension funds, which will become increasingly important in our ageing society;
4. compiling comprehensive statistics on the securitisation of bank loans and the financial vehicle corporations which handle these securitisations, as well as improving the measurement of credit risk transfers, including credit default swaps, in close cooperation with bank supervisors;
5. enhancing statistics on bank credit lines, bank balance sheets and interest rates on deposits and loans, for instance by gaining more insight into loan collateral; and
6. looking at user requirements for micro-data, for example for household consumption and finance.

In addition, the ECB has the following high-priority requirements concerning the euro area statistics compiled by Eurostat and the NSIs:

1. more comprehensive and timely statistics on services, labour markets and housing markets;
2. better use of available data through the compilation of regular euro area supply and use tables and the integration of labour accounts into the national accounts, which

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<sup>10</sup> See "Recent developments in consumers' inflation perceptions and expectations in the euro area" in the November 2007 issue of the ECB's Monthly Bulletin.

are needed both for productivity and growth analysis and for updating the EU-KLEMS data; and

3. closer coordination of national statistics with regard to seasonal and working day adjustments, revision policies and release calendars.

As regards the process innovations, the Governing Council of the ECB last year endorsed a long term vision for statistics produced by the Eurosystem:

- concerning input, the same data should be collected only once;
- concerning data processing, the Eurosystem's statistical function should operate as an efficient production network; and
- concerning output, the fitness for use of Eurosystem statistics and statistical communications should be further enhanced.

As regards the collection of data, the ESCB's Statistics Committee (STC) and Banking Supervision Committee (BSC) will, in cooperation with the Committee of European Banking Supervisors, look at means of better aligning supervisory and statistical concepts, definitions and reporting formats, with the aim of reducing the reporting burden for financial institutions in the case of overlapping data requirements. The STC will also investigate the feasibility of reusing and sharing available micro-data for Eurosystem statistical purposes – particularly data contained in central credit registers, central balance sheet offices and business registers – while maintaining strict confidentiality standards. Furthermore, it is considered best practice for a central bank to integrate the overlapping parts of the various statistics it produces and to concentrate the production of all of its statistics within a single statistical organisational unit.

As far as data processing is concerned, the feasibility of a move towards the consolidated or pooled collection and production of some types of Eurosystem statistics will be explored. In addition, NCBs are invited to exploit comparative advantages in their cooperation with other national statistical authorities,<sup>11</sup> for instance by setting up joint business registers. In this context, it is generally agreed that an enhanced exchange of confidential information between NCBs, the ECB, NSIs and Eurostat, strictly for statistical purposes, is indispensable in order to keep the response burden to a minimum and ensure the quality of both European and national statistics. It is therefore crucial that the updates of the two statistical framework regulations governing the collection, compilation and dissemination of European statistics – which are currently in the process of being prepared – allow the exchange of such micro-data while retaining strict confidentiality standards.<sup>12</sup>

Concerning its statistical output, the ECB is looking at ways of meeting the statistical needs resulting from the turmoil on the financial markets. First, it may be appropriate to investigate the merits and costs of further expanding the ECB's Centralised Securities Database (CSDB), which already contains reference information for several million different securities. In view of the ongoing financial turmoil, there may be increased merit in further investment in this database, adding, in the medium term, information on the holders of such securities and more detailed information on complex structured securities, including chains of securities and tranches of securities with different ratings.<sup>13</sup>

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<sup>11</sup> The distribution of labour between the ECB's Directorate-General Statistics and Eurostat is laid down in a memorandum of understanding ([http://www.ecb.europa.eu/ecb/legal/pdf/en\\_mou\\_with\\_eurostat1.pdf](http://www.ecb.europa.eu/ecb/legal/pdf/en_mou_with_eurostat1.pdf)).

<sup>12</sup> Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistics by the ECB (O.J. L318, 27.11.98, p.8) and Council Regulation (EC) No 322/97 of 17 February 1997 on Community Statistics (O.J. L52, 22.2.97, p. 1).

<sup>13</sup> The CSDB already enables the estimation of aggregate information on total issuance and outstanding amounts for all kinds of securities. However, the quality management for this database, which is provided by

Secondly, the ECB could support ongoing market initiatives to improve transparency by offering its expertise in the international standardisation of definitions and classifications (looking, for instance, at how to define a covered bond, a mortgage prepayment rate or the residency of a bond issuer or holder, or considering ways of consistently classifying counterparties). This could include dialogue with the financial industry in the context of the possible enhancement – under consideration by the European Commission – of the supervisory disclosure requirements under the so-called Pillar 3 of the Capital Requirements Directive so that the information to be disclosed is based on clear definitions and reported in a standard format and with sufficient frequency and timeliness.

Thirdly, as regards the Short-Term European Paper market, the ECB is also involved in the actual compilation and publication of relevant statistics, and such transparency may come at a premium in the current circumstances.

In general, more statistical data may be collected by NCBs on an ad hoc basis, from selected key players, for instance in relation to particular types of financial innovation. I also invite the STC to contribute to the enhancement of the financial literacy of euro area citizens and to further improve the accessibility of its statistics for specific target groups.

## Conclusions

European policy-makers need to have at their disposal a wide array of timely, high-quality statistics on which to base their decisions. The availability and quality of genuine euro area statistics – i.e. those which are more than just the sum of the national data of the Member States – has improved very substantially over the last ten years. Most notably, the ECB and Eurostat now regularly and jointly release quarterly real and financial euro area accounts that are both integrated and comprehensive. And yet, I would strongly favour an improvement in the timeliness of such releases, which would then be even more useful for the ECB's monetary policy-making.

The credibility of euro area and relevant national statistics is of key importance to the ECB, and this also requires that such statistics be effectively communicated. This applies in particular to the HICP.

In view of the importance to the ECB of euro area monetary, financial and external statistics, the Governing Council has endorsed a strategic vision that should further increase the effectiveness and efficiency of the compilation of these statistics by the Eurosystem. This entails even more intensive cooperation not only among the statistics departments of the NCBs and the ECB, but also between those departments and external parties such as statistical institutes, supervisors and the financial industry. I hope that the gains resulting from these synergies will then be used to close some of those gaps in the ECB's statistics that I mentioned earlier and to improve market transparency as regards the issues that have come to the fore in the ongoing financial turmoil.

All of these issues will be looked at during this conference, with contributions by both users and producers of statistics. This will certainly make an important contribution to the design and implementation of the ECB's strategic vision on euro area statistics. I would therefore like to thank you all very much in advance for your participation and attention.

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ESCB central banks in cooperation with a number of other institutions, is still in its infancy and is currently focused on securities needed for specific statistics.