

Slowly, we are growing together – European Economic Policy and Statistics¹

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Abstract

In the last 20 years statistical data has become vastly more important for economic policy in Europe. Whereas economic statistics once played a role in relatively marginal areas of European policy, the establishment of the macroeconomic convergence criteria for joining Economic and Monetary Union in the Maastricht Treaty in 1992–1993 sparked a quantum leap. Questions of comparability and harmonisation suddenly became increasingly relevant. The Stability and Growth Pact then made the calculation of the budget deficit and government debt even more important, including the measurement of GDP as denominator for the respective ratios. With the outbreak of the second Greek crisis in 2009–10 and the flaws that emerged in the quality of Greek economic statistics, statistical questions were suddenly at the centre of international media and political interest. At the same time the financial and economic crisis brought to the fore severe economic imbalances, both between European countries and within European countries. In order to prevent similar imbalances in the future, the EU has developed and adopted the "macroeconomic imbalance procedure", in which currently eleven macroeconomic indicators are used for on-going surveillance of countries ("alert mechanism"). Thus more economic statistics have gained an important political function, particularly since sanctions can even be imposed on the basis of them. In parallel with this, the new European Supervisory Authorities use "dashboards" i.e. a range of statistics that are regularly watched and are intended to function as early warning indicators. The paper takes a look at this move towards more "evidence-based policy making" and its implications for European statistics and statisticians and discusses the related challenges, paying particular attention to the role of the European Central Bank and its specific data needs.

Keywords

Statistics, policy-making, European Central Bank, European System of Central Banks, Eurostat

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INTRODUCTION

The role and importance of statistics have varied over time in the European Union's analyses, decisions and communication. Over the years, the removal of barriers to trade between Member States in order to turn the "common market" into a genuine single market in which goods, services, people and capital can move freely has required countless policy decisions not always based on firm statistical information.

The ever growing need for intensified coordination of economic policies of Member States and various Community policies, such as EU regional policies, has gradually led to a parallel increase in the role played by statistics, in a process that can be described as "evidence-based" policy-making. This has been good news for statisticians, who have received increased attention from policy-makers and higher public recognition for their work.

Parallel to that, some of the vast array of economic and financial statistics and indicators available received particular attention when they were used for European administrative purposes. This was the case of the measurement of EU Member States' gross national income at market prices, which has been used in the calculation of the Member States' contributions to the funding of the European Union. Since 1989, European Council legal acts⁴ have prescribed that this indicator is to be compiled in application of the European system of national accounts in force (ESA) and provided further details for its compilation.

This example illustrates that in the European context, the simple selection of a statistical indicator for policy or administrative use entails that its comparability and reliability must be reinforced beyond the applicable internationally agreed statistical standards, such as the System of National Accounts (SNA).

For most countries in the world, the SNA is only a methodological manual to which they voluntarily adhere. In Europe, its equivalent, the European System of Accounts, is a legal act.

1 THE 1992 TREATY OF MAASTRICHT: A QUANTUM LEAP FOR STATISTICS IN THE EUROPEAN UNION

The challenges associated with the growing tendency of using statistics for EU economic policies experienced a quantum leap more than 20 years ago with the adoption of the Treaty on European Union signed in Maastricht in February 1992. Three particular elements of this Treaty conferred to statistics a prominent role in the preparatory work for the Economic and Monetary Union (EMU) and the launch of the euro as a single currency:

The first element was the creation of the European Monetary Institute (EMI) and then the European Central Bank, which was entrusted, among other things, with the task of conducting the monetary policy for the single currency, the euro. Furthermore, the Treaty gave powers to the ECB, assisted by the national central banks, to collect the necessary information to support the conduct of its monetary policy, and assigned other tasks to the European System of Central Banks (ESCB), including those related to financial stability.

The second element was the specification of economic convergence criteria for euro adoption, which were based on a set of statistical indicators comprising the Harmonised Index of Consumer Prices (HICP), government deficit and debt, the exchange rate, long-term interest rates and an array of other statistical data to further assess the sustainability of the convergence achieved.

A third element related to the need to maintain and enforce fiscal discipline within EMU after entry, which led to the adoption in 1997 of the Stability and Growth Pact (SGP) further specifying the needs to adhere to quantitative ceilings for government deficits and debt as a percentage of GDP, with the threat of sanctions in case of breaches.

⁴ See Council Directive 89/130/EEC, Euratom of 13 February 1989 on the harmonization of the compilation of gross national product at market prices and Council Regulation (EC, Euratom) No 1287/2003 of 15 July 2003 on the harmonisation of gross national income at market prices.

As a result of these three elements embedded in the Maastricht Treaty, quality-related issues such as the availability, comparability and harmonisation of statistics have become increasingly relevant.

2 THE ROLE OF STATISTICS IN THE EUROPEAN ECONOMIC AND MONETARY UNION

The Treaty on European Union specified as one of the tasks of the European Monetary Institute (EMI), the forerunner of the ECB, the preparation of statistics for Stage Three of EMU and, specifically, the promotion of the harmonisation of statistics to the extent necessary. The EMI first released a comprehensive statement of statistical requirements in July 1996.⁵

Moreover, in October 1998, the ECB defined price stability as “a year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of below 2%” and added that price stability was “to be maintained over the medium term”.⁶ Furthermore, the ECB announced its monetary policy strategy based on a comprehensive analysis of the threats to price stability, comprising an “economic analysis” and a “monetary analysis”.⁷ The “economic analysis” focuses on real economic activity and financial conditions in the economy and is aimed at assessing the short to medium-term determinants of price developments. The economic and financial statistics supporting the analysis include prices and costs statistics, main aggregates of national accounts, government finance statistics, short-term business and labour indicators, exchange rates, the balance of payments of the euro area, financial market statistics and the financial balance sheets of euro area sectors.

The “monetary analysis” focuses on money and liquidity and serves to cross-check, from a medium to long-term perspective, the indications resulting from the “economic analysis”. To signal its commitment to monetary analysis, the ECB sets at 4.5% the reference value for the annual growth rate of the broad monetary aggregate M3. This reference value is not a monetary target, but a benchmark for analysis of the information content. The statistics supporting this analysis include, for example, the detailed consolidated balance sheets of euro area banks, in particular the monetary aggregates and counterparts, interest rates on banks’ retail loans and deposits, the balance sheets of other monetary and financial institutions, such as investment funds, securities issues statistics and the financial balance sheets of the non-financial sectors.

The need to monitor and cross-check all the relevant statistical information that could influence price stability under the ECB’s two-pillar approach resulted in a high demand for harmonised euro area statistics, which were scarce at that time.

2.1 The division of statistical responsibilities between the ECB and Eurostat

The Maastricht Treaty assigned the responsibility for providing official economic and financial statistics to both the ECB, assisted by the national central banks, and the European Commission, which in practice means Eurostat. The division of statistical responsibilities to avoid double work and gaps was established in a memorandum of understanding (MoU) signed in 1995 and amended in 2003.⁸

Under the MoU, the ECB is responsible for monetary and financial statistics. Responsibility for external statistics (balance of payments and international investment position) and for the euro area accounts is shared. Eurostat is responsible for general economic statistics. The latter include the Harmonised Index of Consumer Prices (HICP), which was chosen by the ECB as its benchmark for price stability.

At the starting point of the preparation process there were significant gaps and weaknesses. Where national statistics were available, the underlying concepts, definitions and classifications lacked standardisation.

⁵ Implementation Package (Statistical Requirements for Stage Three of Monetary Union), EMI, July 1996.

⁶ The ECB’s Governing Council confirmed this definition in May 2003 and clarified that “in the pursuit of price stability, it aims to maintain inflation rates below but close to 2% over the medium term”.

⁷ See Chapter 3.5 of *The monetary policy of the ECB*, ECB, May 2011.

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

Describing in detail the extraordinary and cooperative effort made over the years by the European System of Central Banks (ESCB) on one side and Eurostat and the national statistical institutes (NSIs) on the other, is clearly out of the scope of this paper. Moreover, the importance of statistics for monetary policy is described in what follows from the ECB and ESCB viewpoint, which does not mean that the work undertaken by Eurostat and the NSIs in macro-economic statistics has not been equally impressive and important.

2.2 Areas of statistics either under ECB sole responsibility or shared responsibility with Eurostat

The ECB compiled statistics for the euro area using data supplied by the National Central Banks (NCBs) of the euro area, which in turn received the data from reporting agents, and in some limited cases, from the National Statistical Institutes.

By the time the euro was launched in 1999 the initial set of statistics available for the euro area comprised only the bare essentials: harmonised balance sheets of monetary and financial institutions to enable calculation of monetary aggregates and counterparts to money, a limited amount of data on non-harmonised retail interest rates, financial market information acquired from commercial data providers, and key balance of payments statistics. Additionally, annual government finance statistics and some limited annual data on saving, investment and financing were available.

Later in 1999, statistics on securities issues by euro area governments and financial and non-financial corporations were produced. In the subsequent years work continued in this area⁹, based on the prioritised user needs. More detailed breakdowns of instruments, maturities and counterpart sectors of Monetary and Financial Institutions' (MFIs) balance sheet statistics were added in 2003. At the same time, harmonised MFI interest rates statistics were introduced, covering a breakdown of both retail deposits and retail loans by maturity and purpose. The ECB took over the release of the daily yield curves for euro area central government bonds from Eurostat. Continuing work in this area, investment fund statistics were released in December 2009, and new harmonised statistics on Financial Vehicle Corporations engaged in securitisation and bank securitisation were published as of June 2011. At the same time, not yet fully harmonised statistics on Insurance Corporations and Pension Funds were published as of June 2011 and work towards their total harmonisation to better serve user needs is on-going. As a result, a large part of the so-called "shadow banking" sector is statistically well covered in the euro area.

Concerning external statistics, the ECB has gradually enhanced the initial set of balance of payments data (b.o.p.) for the euro area by providing more breakdowns, by showing debits and credits separately and by offering a geographical breakdown of major counterparts (e.g. the United States, the United Kingdom, EU countries outside the euro area, Japan and China). The ECB now also produces and publishes a quarterly international investment position (i.i.p.) as well as a breakdown of the changes in the i.i.p. for the euro area.

Moreover, statistics on the nominal and real effective exchange rate and on the international role of the euro have been made available, and have subsequently been supplemented by monthly harmonised national competitiveness indicators based on consumer price indices.

The wide range of statistics available to the ECB to help it fulfil its duties was integrated in June 2007 into quarterly euro area economic and financial accounts by institutional sector. These accounts, compiled together with Eurostat, provide a comprehensive and coherent overview of euro area financial and economic developments. They also show the interrelations between the different sectors in the euro area (households, corporations and general government) and between them and the rest of the world. The full integration and almost complete consistency of these accounts as well as their joint, simultaneous compilation every quarter by two institutions (the ECB and Eurostat) was a major achievement.

⁹ See BULL, P. *The development of statistics for economic and monetary union*. ECB, June 2004.

Furthermore, many statistics and statistical indicators have also been compiled to assess financial market developments, financial integration in Europe, financial stability overall and within the EU banking sector, and the development of payments, payment infrastructures and securities trading, clearing and settlement.

2.3 Areas of statistics under Eurostat's sole responsibility

By the start of Economic and Monetary Union, Eurostat, in collaboration with the national statistical institutes, had developed the HICP as a harmonised price index as well as other statistics on prices, costs, labour markets and other economic developments. Limited national accounts data for the euro area were available. However, the timeliness of these statistics was not satisfactory for monetary policy purposes. Over time, the timeliness of the relevant euro area statistics provided by Eurostat has improved significantly, following in particular the adoption of the Action Plan for EMU Statistics (2000) by the ECOFIN Council and the establishment of a list of monthly and quarterly Principal European Economic Indicators (PEEIs) in 2002. As an example, timely flash estimates for the HICP and for the quarterly GDP volume changes were important achievements and these data feed into the monetary policy and economic analyses. In addition, the range of available government finance statistics, both annual and quarterly, has significantly expanded. Methodological standards have been further improved in all areas.

However, as described in the 2013 Economic and Financial Committee Status Report on Information Requirements in EMU, further work is still required in terms of new statistics and the frequency and/or quality of statistics available. Improvements are still being made, mainly in the area of services, labour markets (integrating labour market statistics into the national accounts to serve growth and productivity analyses) and housing markets. Further timeliness and other quality improvements are also needed for some other statistics.

2.4 The essential role of cooperation between the ESCB and the ESS

The impressive effort devoted to developing new statistics and to gradually improving them over the years has benefited from close cooperation between the European System of Central Banks (ESCB) on one side and Eurostat and the national statistical institutes on the other (i.e. the European Statistical System (ESS)), notably in the context of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB). For more than two decades¹⁰ the CMFB has been an important forum for mutual exchange of statistical expertise and has contributed to enhance the collection, compilation and access to high-quality EU and euro area economic and financial statistics. Moreover, the advisory role of the CMFB has been of key importance in the context of the statistics used for the application of the Excessive Deficit Procedure (EDP).

2.5 Fulfilling ECB data needs: a constant challenge for ESCB and ESS statisticians

As a result of the continued effort briefly described in this paper, European statistics produced by both the ESCB and the ESS have improved remarkably over the years and have enabled the ECB to fulfil its prime responsibility of conducting the monetary policy of the euro area and the various tasks entrusted to it in the Treaty.

Ensuring over time that such an array of statistics are of high quality and up-to-date has been a constant challenge that ESCB and ESS statisticians have successfully addressed amid continuous financial

¹⁰ To celebrate its 20th anniversary, the Committee on Monetary, Financial and Balance of Payments statistics published the book, *Promoting excellence in European statistics. CMFB 20 years*, <http://www.cmfb.org/pdf/2011-11-25%20CMFB_Promoting%20Excellence%20in%20European%20Statistics.pdf>.

innovation, euro area and EU enlargements, the challenges posed by globalisation and the increasing demand for statistics for the purposes of resolving the current financial and economic crisis.

3 DATA DEMANDS BEYOND AGGREGATES AND AVERAGES

European policy-makers' demands to close obvious data gaps evidenced by the crisis have increased exponentially. At the same time, they have come to demand more detailed data beyond the traditional aggregate approach to statistics, requesting information on distributions around the averages, and, in addition to the euro area aggregates, also country level information. Especially, the early identification of economic vulnerabilities within Europe or the euro area required such detailed information.

Thus, in areas in which no comparable and timely data existed, such as the financial conditions faced by small and medium enterprises (SMEs), the ECB had to go beyond the traditional census type statistics and develop, in collaboration with the European Commission, a survey on the access to finance of SMEs in the European Union. Since mid-2009 this survey has been conducted every two years, while the ECB runs part of the survey every six months for companies in the euro area in order to assess the latest developments in their financing conditions.

In addition, the ECB has implemented, together with 15 Eurosystem NCBs and in close cooperation with a number of national statistical institutes, a survey of household finance and consumption in the euro area whose first results have been published in April 2013. The survey provides micro-level data on households' real and financial assets, liabilities, consumption and saving, income and employment, future pension entitlements, intergenerational transfers and gifts, and attitudes to risk.

Both surveys are vivid examples of how statisticians have responded to the changing information needs of European policy makers.

4 THE IMPORTANT ROLE OF STATISTICS IN CONFRONTING THE FINANCIAL AND ECONOMIC CRISIS

One of the key lessons from the crisis has been that policy-makers need more and more timely quantitative information in order to take good decisions or make recommendations. For the ECB, this has translated into an additional high demand for statistics in the areas of financial stability and macro-prudential supervision, areas in which it has to lend support to the recently created European Systemic Risk Board (ESRB).¹¹

The financial crisis which started in 2007 revealed some weaknesses in the governance of the European Economic and Monetary Union, particularly in the field of EU macro- and micro-financial supervision. Moreover, weaknesses were also detected in the governance of the euro area and the EU in relation to the Stability and Growth Pact (SGP) and surveillance of euro area countries' macroeconomic imbalances.

All these weaknesses have in the meantime been addressed by legislative measures which represent the most comprehensive reinforcement of the EU architecture since the launch of the EMU project 20 years ago. Their implementation entails a major step forward for statistics as selected sets of warning indicators (dashboards, scoreboards) play an increasingly important policy role and may trigger recommendations, warnings and in some cases fines. Naturally, besides the implied additional demand for statistics, we can expect an increased public interest in such indicators, also at international level.¹²

¹¹ The ECB shall ensure a Secretariat, and thereby provide analytical, statistical, logistical and administrative support to the ESRB (Article 2 of Council Regulation (EU) No 1096/2010).

¹² The 12 December 2012 US Federal Reserve policy statement announcing that it will be appropriate to maintain its exceptionally low range for the federal funds rate "at least as long as the unemployment rate remains above 6.5%" is an example of how an indicator may receive increased international attention when it is selected as policy target.

4.1 ESRB Dashboard of indicators for macro-prudential oversight of the financial system

The financial crisis revealed important shortcomings in EU financial supervision, which had failed to anticipate adverse macro-prudential developments and to prevent the accumulation of excessive and systemic risks within the financial system. A proper functioning of EU and global financial systems and the mitigation of threats to them required enhanced consistency between macro and micro-prudential supervision.

To remedy the situation and prevent a future crisis, the EU decided to bring together the actors of financial supervision at national level and at the level of the EU to act as a network. The European System of Financial Supervision (ESFS), which started its work on 1 January 2011, comprises the European Systemic Risk Board (ESRB), which is in charge of macro-prudential oversight, and three micro-prudential supervisory authorities: the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority.

In its responsibility for macro-prudential oversight across the entire EU financial system, the ESRB is charged with identifying risks to financial stability and, where necessary, with issuing risk warnings and recommendations for action to address such risks.

The ECB plays a prominent role as, in accordance with the legislation, it provides “analytical, statistical, administrative and logistical support to the ESRB, also drawing on technical advice from national central banks and supervisors”.

In its duty to support the ESRB in the area of statistics, the ECB helps to ensure that appropriate and reliable information is made available for the ESRB to perform its duties, while preserving the confidentiality of that information as is legally required.

In accordance with the ESRB Regulation, the ECB has developed, together with the ESRB Secretariat, a Risk Dashboard comprising about 45 relevant indicators to identify and assess potential systemic risks. Those systemic risks include risks of disruption to financial services caused by a significant impairment of all or parts of the EU financial system that could potentially have serious negative consequences for the internal market and the real economy. Any type of financial institution and intermediary, market, infrastructure and instrument has the potential to be systemically significant.

The ESRB Risk Dashboard, which was published on 20 September 2012 for the first time, is divided into six categories: inter-linkages and composite measures of systemic risk, macro risk, credit risk, funding and liquidity, market risk and profitability and solvency. The data sources are the ECB, Eurostat and commercial data providers.

In addition to developing the indicators, both in terms of choosing the right type of indicator and structuring the Dashboard effectively, the work of statisticians includes assessing the quality of each indicator chosen, partly through back-testing. Annual updates of the list of indicators will ensure that the Dashboard remains a relevant tool for identifying and measuring systemic risk.¹³

4.2 Fiscal surveillance in the amended Stability and Growth Pact

The economic and financial crisis has exacerbated the pressure on the public finances of EU Member States. Government finance statistics, which are a key element in supporting fiscal surveillance under the Stability and Growth Pact, received renewed attention when the fiscal imbalances of several European countries led to increases in their sovereign risks.

Under the reinforced SGP adopted in December 2011, financial sanctions apply to euro area Member States that do not take adequate action to bring their budget deficits below 3% of GDP within the agreed timeframe. The financial sanctions are imposed unless a “reverse qualified majority” of Mem-

¹³ The three European Supervisory Authorities have also developed their respective dashboards, although they have been not (yet) published.

ber States vote against it, which makes the enforcement of the rules more automatic, dissuasive and credible.

Moreover, under the amended SGP the debt criterion of the Treaty, which established a general government debt benchmark, namely a 60% debt-to-GDP ratio, has received more emphasis and must be respected after a transitional period. After taking into account all the relevant factors and the impact of the economic cycle, if the gap between its debt level and the 60% reference is not reduced by 1/20th annually (on average over three years), the Member State concerned will be subject to the excessive deficit procedure, even if its deficit is below 3%.

The above-mentioned corrective measures are further complemented by preventive measures based on country-specific medium-term objectives, compliance with which will be closely monitored based on statistics, with the possibility of imposing financial sanctions in the form of non-interest-bearing deposits and fines.

In this context, ensuring that the data used for EU fiscal surveillance meets the necessary statistical quality standards is of utmost importance. The Commission (Eurostat) was given this responsibility within the framework of the Excessive Deficit Procedure (EDP) at the time of its implementation in 1994. However, Eurostat does not compile directly government data for the Member States but depends greatly on the data compiled and reported by them, as well as on the administrative ability, goodwill and cooperation of the respective national statistical authorities. On specific occasions, this framework has resulted in data misreporting, which has led to a number of measures being taken over the years to strengthen the EU governance of fiscal statistics. Among them, Council Regulation (EU) No 679/2010 has granted Eurostat new competences for regularly monitoring and verifying public finance data, which it will exercise by conducting more in-depth dialogue visits to Member States and by extending such visits to public entities supplying upstream public finance data to the NSIs.¹⁴

The traditional role of the ECB in monitoring government finance statistics, e.g. via its participation in the CMFB, has even increased with the ECB role in country missions (Troika), the ECB's bond purchases under the Securities Markets Program and possible Outright Monetary Transactions. Access to detailed, timely and higher government finance data is absolutely crucial for the ECB.¹⁵

4.3 Scoreboard of indicators for macroeconomic imbalances surveillance

Similarly to fiscal surveillance, the new mechanism for identifying and correcting competitiveness gaps and major macroeconomic imbalances relies heavily on statistical information.

The Macroeconomic Imbalances Procedure (MIP) is a new surveillance and enforcement mechanism based on Article 121.6 of the Treaty on the functioning of the European Union and relies on the following main elements:

- preventive and corrective action: before the imbalances become large this procedure allows the Commission and the Council to adopt preventive recommendations at an early stage. In more serious cases, there is also a corrective limb, under which an excessive imbalance procedure can be opened for a Member State;
- rigorous enforcement consisting of a two-step approach whereby an interest-bearing deposit can be imposed after one failure to comply with the recommended corrective action. After a second compliance failure, this interest-bearing deposit can be converted into a fine (up to 0.1% of GDP).

¹⁴ Section 5 elaborates further on the importance of following sound quality principles for developing, producing and disseminating statistics in an independent manner and free from any political pressure.

¹⁵ This essential role of government finance statistics for the ECB is the rationale for having a dedicated ESCB working group for government finance statistics (WG GFS).

The semi-automatic decision-making process uses reverse qualified majority voting to decide on sanctions, making it very difficult for Member States to form a blocking majority; and

- an early warning system: an alert system is established based on an economic reading of a scoreboard consisting of a set of statistical indicators covering the major sources of macroeconomic imbalances. The scoreboard contains thresholds for the indicators which trigger further in-depth analyses to determine the gravity of potential imbalances, with the help of a broader set of indicators.

The early involvement of statisticians from both the ESS and the E(S)CB in the discussions concerning the statistical aspects has ensured that the ten indicators of the scoreboard launched on 14 February 2012 are relevant, simple, measurable, available in good time and based on a solid statistical methodological framework. Moreover, this work is being completed by the development of quality profiles for the indicators.

The composition of the scoreboard indicators may evolve over time to ensure that it remains relevant. To this end, the revised MIP scoreboard released on 28 November 2012 incorporated an additional indicator related to the financial sector, namely the total liabilities of the financial sector (see Annex 1). Acknowledging the importance of timely statistics of the highest quality for the credibility of the MIP procedure, the ECOFIN, in its conclusions of 8 November 2011 and 13 November 2012, invited the ESS and the ESCB “to work together on improving the underlying statistics and to ensure comparability”.¹⁶

5 QUALITY ISSUES AND THE GREEK CASE

With the increased use of statistics by European policy-makers, the quality of European official statistics has become a very important issue.

In a democratic society, official statistics are one of the cornerstones of good government and public confidence in good government. It is therefore fundamental to ensure the highest possible quality standards in the compilation and dissemination of statistics.

In the early 1990s, the public’s trust in official statistics in various countries, particularly in Central Europe and the former Soviet Union, was impaired. To remedy the situation, the Conference of European Statisticians adopted the Fundamental Principles of Official Statistics (1992), which were subsequently endorsed by the United Nations Statistical Commission (1994).¹⁷

As Principle one states: “*Official statistics provide an indispensable element in the information system of a democratic society, serving the government, the economy and the public with data about the economic, demographic, social and environmental situation. To this end, official statistics that meet the test of practical utility are to be compiled and made available on an impartial basis by official statistical agencies to honour citizens’ entitlement to public information.*”

5.1 Quality Framework in the European Statistical System (ESS)

Enhanced surveillance of fiscal, macroeconomic and macro-prudential policies must rely on statistical information produced under robust quality management. At the same time, the quality of the data is key for any credible policy process.

During the economic and financial crisis the insufficient quality of fiscal data provided to Eurostat by Member States jeopardised the credibility of the entire fiscal surveillance framework of the EDP once more.

¹⁶ Refer to the draft Regulation of the European Parliament and of the Council on the provision and quality of statistics for the macroeconomic imbalances procedure <<http://www.ipex.eu/IPEXL-WEB/dossier/files/download/082dbcc53eea9c03013f1dcf7c0816e7.do>> and the ECB opinion on it <http://www.ecb.europa.eu/ecb/legal/pdf/en_con_2013_72_f_sign.pdf>.

¹⁷ See <<http://unstats.un.org/unsd/dnss/gp/fundprinciples.aspx>>.

The triggering element was a new “Greek case”, i.e. the renewed problems in the Greek fiscal statistics,¹⁸ which pointed out that the measures taken after the 2004 Greek misreporting of the Excessive Deficit Procedure data required further reinforcement. The governance of the European Statistical System (ESS) had been improved, in particular with the adoption of the Code of Practice in 2005, but its implementation and monitoring relied to a large extent on a self-regulatory approach (self-assessments, peer reviews and national implementation plans). In 2009, the situation changed when a newly created body, the European Statistical Governance Advisory Board (ESGAB),¹⁹ started work in order to provide an independent overview of the implementation of the Code by Eurostat and the NSIs and the Regulation on European Statistics entered into force.

In its first report of November 2009, the ESGAB included some general recommendations regarding the institutional set-up in reaction to the first information about the new Greek case: “An appropriate institutional framework is crucial in order to safeguard the professional independence of statistical authorities. Suspicions of interventions affecting the data produced need to be further investigated. Moreover, the procedures for the appointment and dismissal of Heads of National Statistical Institutes (NSIs) should be transparent and kept separate from political mandates.” The report also stresses that “a stronger commitment from top management in the statistical offices and a stronger adherence to common quality standards at the level of the ESS will be of essence”.

Subsequently, the financial crisis evolved into a fiscal crisis in Europe which required further measures to address the remaining weaknesses in the governance framework of the ESS, including granting Eurostat new competences on EDP matters. These weaknesses were described in the Communication from the Commission to the European Parliament and the Council of 15 April 2011 entitled “Towards robust quality management for European Statistics”²⁰

In this context, the Code of Practice was revised in September 2011 in order to distinguish between the principles to be implemented by ESS members and the principles relating to the institutional environment that are to be implemented by Member State governments.

Moreover, the Regulation on European Statistics²¹ is currently under revision with a view to clarifying, among other things, that the principle of professional independence of NSIs applies unconditionally. Statistics must indeed be developed, produced and disseminated in an independent manner, free of any pressure from political or interest groups or from EU or national authorities, and existing institutional frameworks must not be allowed to restrict this principle.

5.2 Quality Framework in the European System of Central Banks (ESCB)

Credibility has always been crucial for central banks, and therefore, for the statistics they produce.

Since the establishment of the ECB, adherence to high-quality standards has been considered a key determinant in maintaining the public’s confidence in the ECB statistics upon which policy decisions are based. Currently, this is also of utmost importance in view of the ECB’s provision of statistical support to the European Systemic Risk Board (ESRB).

The ECB statistics follow widely agreed global and European statistical standards such as the System of National Accounts, the European System of Accounts and the Balance of Payments Manual. Moreover, the ECB actively cooperates with the relevant international organisations (Eurostat, IMF, BIS, OECD, UN) to achieve worldwide harmonisation of standards and definitions for economic and financial statistics.

¹⁸ See the *Report on Greek government deficit and debt statistics*. European Commission, January 2010.

¹⁹ See ESGAB’s website <<http://epp.eurostat.ec.europa.eu/portal/page/portal/esgab/introduction>>.

²⁰ See <http://epp.eurostat.ec.europa.eu/portal/page/portal/quality/documents/COM-2011-211_Communication_Quality_Management_EN.pdf>.

²¹ See <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:087:0164:0173:en:PDF>>.

In a clear commitment to high-quality statistical work, the ECB and the NCBs also follow internationally agreed quality standards, such as those formulated in the IMF's Special Data Dissemination Standard and Data Quality Assessment Framework, which are in turn rooted in the UN Fundamental Principles of Official Statistics.

Even though the Treaty provisions concerning the ESCB's independence and accountability also apply to its statistical function, the ESCB collaborates with the European Statistical System (ESS) and respects and applies rigorously the principles laid down in the European Statistics Code of Practice for the National and Community Statistical Authorities.²²

Thus, the statistical principles underlying the European statistics produced by the ESCB are currently set out in Article 3a of Council Regulation 2533/98 as amended in 2009: "The development, production and dissemination of European statistics by the ESCB shall be governed by the principles of impartiality, objectivity, professional independence, cost effectiveness, statistical confidentiality, minimisation of the reporting burden and high output quality, including reliability and the definitions of these principles shall be adopted, elaborated on and published by the ECB. These principles are similar to the statistical principles of Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics."

All these elements are covered by the recently amended "Public commitment on European statistics by the ESCB", which stresses adherence to high-quality standards when collecting, compiling and disseminating statistics under the ESCB's responsibility.²³

6 COMMUNICATION ASPECTS

Policy-makers should communicate effectively in order to make their policy decisions accountable, transparent and well understood by the public. There is no doubt that disseminating reliable statistics should be considered an integral part of the communication strategy of any policy-maker and so part of "evidence-based policy making".

As Alexandre Lamfalussy, the first president of the European Monetary Institute, said in 1996, "nothing is more important for monetary policy than good statistics. Statistical information is necessary to decide what policy actions to take, to explain them publicly, and to assess their effect after the event".

Given the independence of the ECB, it is of utmost importance that the public has the possibility to hold the ECB accountable for its policy decisions. A high degree of transparency helps to make the monetary policy more credible and effective.

The ECB publishes in quasi-real time the information on which its Governing Council has based its decisions and its President explains the diagnosis of the situation and actions taken at a press conference. A few weeks later, the ECB's Monthly Bulletin explains the analysis in more detail and provides statistical evidence in an annex. Furthermore, the large array of statistics is published expeditiously on the ECB's website in line with a release calendar.

In this regard, disseminating the statistics associated with ECB policy decisions has proved to be an effective communication tool, a quasi-policy tool.

However, the pre-requisite for statistics to be an effective channel in communication is that policy-makers and statisticians are able to understand each other. Communication between statisticians and policy-makers should be improved because statistical concepts such as those embedded in statistical methodological manuals are sometimes regarded as very technical and are not easily understood by politicians and policy-makers. Therefore, statisticians must make an effort to understand the European

²² See <http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-32-11-955/EN/KS-32-11-955-EN.PDF>.

²³ See <<http://www.ecb.europa.eu/stats/html/pcstats.en.html>>.

policy needs, which are usually expressed in “political language” and translate them subsequently into “technical language” to ensure precision on what needs to and can be measured.

In this process, the close cooperation between policy-makers and statisticians at national and European level in the design and selection of the most appropriate indicators for policy purposes has proven to be a key success factor and has enabled to avoid subsequent “clean up” work.

On the other hand, policy-makers should guarantee the scientific and professional independence of statisticians. Experience has demonstrated that the more relevant the statistics are for policy making and policy evaluation, the higher the temptation is for politicians to influence the impartiality of the statistics when they have failed to achieve the policy goals underlying them.

In turn, with the increased public interest in statistical work, statisticians should refrain from entering into “politics” by trying to attract the attention of mass media by interpreting politically the developments they have measured and identified.

Given the European context, preserving the boundaries of the professional independence of statisticians is a key element for producing high-quality statistics and for building trust among Member States, European institutions and the EU citizens which they serve.

CONCLUSIONS

Statistics are increasingly present in all European policy decisions because they provide the evidence for analysis, decision-making and transparent communication.

The decisions taken by European policy-makers to overcome the effects of the economic and financial crisis rely heavily on (new) sets of indicators which try to summarise complex developments. This has increased the policy relevance of statistics, which, besides providing the basis for good decision making, now can trigger automatic action when certain agreed thresholds are exceeded. Furthermore, a lack of corrective action in response to warnings and recommendations may eventually lead to the imposition of fines.

It is therefore fundamental to ensure that European statistics are of the highest possible standard in order to make them sound and undisputable. If statisticians produce statistics impartially and free from political or any other external pressure, policy-makers will have at their disposal a powerful tool to assess the situation correctly, implement appropriate and credible measures and explain their decisions to the public. Moreover, citizens are entitled to receive objective information on a given situation and to be able to monitor the results of policies.

In difficult times, in which unpopular decisions need to be taken, good quality statistics contribute to building up mutual trust. During the last two decades, enormous efforts have been made in this respect by both systems of European statistics, the ESS as well the ESCB, but ensuring the quality of statistics remains a never ending challenge. As the economies and the policy challenges develop further, the statistics have to evolve too to stay relevant for the policy makers, in order to allow for the right policy answers. The process of “growing together” has to go on.

In this endeavour, adequate resources and close cooperation among statisticians, both academic and official, as well as with policy-makers at national and European level, are key factors for success.

Statistical institutes and central banks have to work closely hand-in-hand to ensure the necessary level of quality and with that, the continuous credibility of European statistics.

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ANNEX

Table 1 MIP scoreboard with values for 2012

Year 2012	External Imbalances and Competitiveness										Internal Imbalances						
	Current Account Balance as % of GDP			Net International Investment Position as % of GDP	Real Effective Exchange Rate (42 IC – HICP deflators)		Export Market Shares		Nominal ULC		% y-o-y change in Deflated House Prices	Private Sector Credit as % of GDP consolidated	Private Sector Debt as % of GDP consolidated	General Government Sector Debt as % of GDP	Unemployment Rate		% y-o-y change in Total Financial Sector Liabilities
	3 years average	p.m.: level/year 2012	p.m.: level/year 2012		% change (3 years)	p.m.: % y-o-y change	% change (5 years)	p.m.: % y-o-y change	% change (3 years)	p.m.: % y-o-y change					3 years average	p.m.: level/year 2012	
Thresholds	-4/+6%	-	-	±5%&±11%	-	-	-6%	+9%&+12%	-	6%	14%	133%	60%	10%	-	16.5%	
BE	-0.4	-2.0	-2.3	-4.3	-2.3	-14.9	-5.2	6.6	4.1	-0.2	-1.5	146	100	7.7	7.6	-3.9	
BG	-0.9	-1.3	-2.0	-4.0	-2.0	4.8	-5.5	7.4	-0.5	-5.3 (p)	2.5	132	19	11.3	12.3	10.1	
CZ	-3.0	-2.4	-2.8	0.4	-2.8	-4.2	-4.6	3.9	3.8	-3.9	0.6	72	46	7.0	7.0	5.4	
DK	5.9	6.0	-7.7	-7.7	-2.8	-18.6	-4.8	1.0	1.6	-5.1	6.1	239	45	7.5	7.5	5.0	
DE	6.5	7.0	-8.9	-8.9	-3.2	-13.1	-4.6	3.0	3.1	1.8	1.5	107	81	6.2	5.5	4.4	
EE	0.9	-1.8	-3.4	-3.4	-0.6	6.5	-4.1	-2.8	4.2	3.5	4.7	129	10	13.2	10.2	12.9	
IE	2.3	4.4	-11.2	-12.2	-4.3	-16.3	-3.3	-10.4	0.0	-11.7	-1.6	306	117	14.4	14.7	-0.7	
EL	-7.5	-2.4	-3.9	-4.5	-3.9	-26.7	-7.3	-8.1	-6.2	-12.4 (1)	-6.8	129	157	18.2	24.3	-3.4	
ES	-3.1	-2.2	-2.3	-5.2	-2.3	-14.6	-4.9	-5.6	-3.0	-16.9	-10.5	194	86	22.3	25.0	3.3	
FR	-1.8	-2.2	-7.8	-7.8	-3.2	-14.0	-6.8	4.1	2.1	-2.3	3.5	141	90	9.9	10.2	-0.1	
HR	-0.5	0.0	-2.6	-8.3	-2.6	-24.7	-7.4	0.8	1.2	-2.4	-2.1	132	56	13.8	15.9	0.9	
IT	-2.3	-0.4	-1.8	-6.2	-1.8	-23.8	-5.0	3.1	2.3	-5.4 (p)	-10.5	126	127	9.2	10.7	7.1	
CY	-6.7	-6.9	-1.9	-5.8	-1.9	-26.6	-9.4	0.8	-2.7	-2.2	10.0	299	87	8.7	11.9	-1.9	
LV	-0.6	-2.5	-1.4	-8.5	-1.4	12.3	5.4	-5.8	3.4	-0.6	-1 (p)	91.7 (p)	41	16.9	15.0	4.1 (p)	
LT	-1.3	-0.2	-2.0	-6.7	-2.0	29.3	5.7	-4.6	1.9	-3.2	-0.3	63	41	15.6	13.4	-0.3	
LU	7.0	6.6	-2.3	-2.3	-1.4	-18.3	-4.0	9.8	4.7	2.5	-5.0	317	22	4.8	5.1	11.3	
HU	0.6	1.0	-1.2	-1.2	-2.3	-17.8	-7.4	4.4	2.7	-9.2	-6.1	131	80	11.0	10.9	-8.3	
MT	-1.6	1.6	-7.7	-7.7	-2.1	4.5	-1.9	4.9	3.7	0.3	-1.6	155	71	6.6	6.4	4.1	
NL	8.8	9.4	-6.0	-6.0	-1.8	-12.0	-3.3	3.3	2.8	-8.7	0.2	219	71	4.7	5.3	4.9	
AT	2.2	1.6	-4.7	-4.7	-1.7	-21.2	-6.3	4.1	3.0	na (2)	2.7	147	74 (3)	4.3	4.3	-0.9	
PL	-4.6	-3.7	1.3	-2.3	-2.3	1.3	-2.7	4.4	2.0	-5.9 (e)	3.4	75	56	9.8	10.1	-3.6	
PT	-6.5	-2.0	-4.0	-4.0	-1.5	-16.0	-5.3	-5.3	-3.1	-8.6 (p)	-5.4	224	124	13.6	15.9	-3.6	
RO	-4.4	-4.4	-1.9	-1.9	-6.0	5.9	-7.1	4.8	6.5	-9.2	0.9	73	38	7.2	7.0	5.3	
SI	1.2	3.3	-4.5	-4.5	-1.2	-19.9	-6.9	0.4	1.0	-8.4	-2.9	114	54	14.0	8.9	-0.8	
SK	-1.7	2.2	0.0	0.0	4.2	4.2	1.5	0.9	1.0	-5.9	3.2	73	52	14.0	14.0	2.6	
FI	-0.5	-1.7	-8.3	-8.3	-2.7	-30.8	-7.1	4.8	4.4	-0.5 (p)	9.0	158	54	8.0	7.7	-0.2	
SE	6.2	6.0	-1.0	10.1	-0.8	-18.8	-6.0	0.7	2.9	-0.2	1.8	212	38	8.1	8.0	4.4	
UK	-2.8	-3.8	4.3	5.8	4.3	-19.0	-1.7	6.1	3.0	-0.9	2.6	179	89	7.9	7.9	-4.3	

Note: (1) Eurostat estimate based on HPI data from Bank of Greece produced in agreement with ELSTAT. (2) HPI data up until 2011 by Statistics Austria. For 2012, Eurostat estimates a deflated rate of 9.6% based on nonharmonised HPI data by ECB and Central Bank of Austria. (3) Eurostat expressed a reservation on Austrian general government sector debt, see Eurostat press release 15/2/2013. (4) p = provisional data, e = estimated.

Source: EUROSTAT, DG ECFIN (for the indicators on the REER)