

## **CMFB Opinion**

### **on a proposal for a Regulation of the European Parliament and of the Council on the European system of national and regional accounts in the European Union (ESA 2010)**

#### **Introduction**

1. At Eurostat's request, the CMFB Chairman, with the assistance of the CMFB Executive Body, asked the CMFB Members on 12 October 2010 to state their opinion by 4 November 2010 on the draft proposal for a revision of the European System of Accounts, ESA 2010. Ten (10) national statistical institutes (NSIs) and thirteen (13) national central banks (NCBs) from the EU Member States returned their contributions within the specified time period. A total of twenty-five (25) national institutions provided their views. The ECB provided its view.

#### **Consultation of the CMFB**

2. The CMFB is composed of Member State representatives from the institutions principally concerned with compiling monetary, financial and balance of payments statistics (NSIs and NCBs), as well as representatives of the Commission (Eurostat) and the European Central Bank (DG Statistics).
3. The CMFB acts in an advisory capacity to the Commission.
4. The CMFB has been consulted on the draft ESA 2010 Regulation in line with Article 6 of the Council Regulation (EC) No 2223/96 on the European system of national and regional accounts in the Community and Article 2 of Decision 2006/856/EC establishing the CMFB. Recital 21 of the draft ESA 2010 Regulation highlights this consultation of the CMFB.
5. In most Member States, NSIs and NCBs have a combined responsibility for the compilation of national accounts data. Furthermore, monetary, financial and balance of payments statistics are used as input for the compilation of national accounts. Hence, changes in ESA concepts, definitions, and methodologies as well as amendments to the ESA Transmission Programme are directly linked to the variety of statistics that are within the scope of interest of the CMFB, and these statistics have to be closely coordinated. As such, the CMFB more generally has the task of expressing opinions on the further development and coordination of those statistics.
6. The CMFB recognises that demands from the Member States and Union institutions for improved statistical information require the cooperation between the users and producers of statistics. The CMFB welcomes that users representing a wide range of interests will be consulted, formally as well as informally, on the draft ESA 2010. This includes users within the Commission that will be consulted in a so-called 'inter-service consultation' initiated by Eurostat. The GNI Committee will be consulted on the draft proposal in a procedure similar to the one for the consultation of the CMFB. The ECB will also be consulted on the basis of Article 127(4) of the Treaty on the Functioning of the European Union (TFEU).

## **Background**

7. National accounts is the universal language that describes macroeconomics in terms of production, income, saving and investment, financing and wealth. The methodological foundation is the System of National Accounts (SNA), which is developed and maintained under the guidance of the United Nations, the European Commission, the Organisation for Economic Co-operation and Development, the International Monetary Fund and the World Bank. In order to keep this international standard up to date and in line with economic changes, the SNA has recently been updated. Therefore, the 2008 SNA<sup>(i)</sup> has replaced the 1993 SNA. In certain areas, the European expertise contributed significantly to the new 2008 SNA.
8. In parallel with the development of the 2008 SNA, European experts have been preparing the draft ESA 2010 under the guidance and coordination of Eurostat. The high involvement of Member State experts in task forces, working groups, and other bodies has contributed to the successful process and the wide agreement on the draft proposal.
9. The CMFB is aware that several of the new elements in the ESA 2010 have been introduced to take account of changes to the SNA. In addition, the usage of the ESA in the European Union requires a greater precision in the definitions, classifications, and accounting rules compared to the SNA. This requirement will enhance the comparability between the accounts compiled by different Member States. However, it should also be emphasised that the major part of the ESA has not changed.

## **General comments**

10. The CMFB welcomes the proposal for a new ESA.
11. The CMFB considers that the draft ESA 2010 takes account of the important developments that have taken place in the society over the past 15 years, such as changes in the economic environment, advances in methodological research, and emerging user needs. The CMFB considers that the draft is forward-looking. The proposal will help to establish a national accounts framework for the production of key indicators in the years to come, and it is expected to contribute to a further improvement of the comparability of national accounts statistics across Member States.
12. The CMFB emphasises the importance of the new ESA 2010 since it defines the methodological framework for national accounts data used for macro-economic policy purposes and for administrative uses in the EU, for example in the context of the European budgetary surveillance and macroeconomic surveillance framework as well as for analysing coordination and convergence of the Member States' economic policies.
13. The CMFB welcomes that definitions and concepts are aligned with international standards, in particular the 2008 SNA, but also with the IMF Balance of Payments and International Investment Position Manual, sixth edition (BPM6); the fourth OECD/IMF joint Benchmark Definition for Foreign Direct Investment (BD4); the UN International Standard Industrial Classification (ISIC) and other classifications. Hence, EU national accounts statistics will be comparable with statistics compiled by third countries that also adhere to international standards.
14. The CMFB acknowledges that the draft ESA 2010 takes account of existing timeliness requirements as expressed in the EFC Status Reports<sup>(ii)</sup> adopted by the EFC and endorsed by the Ecofin Council. This also includes requirements for the availability of European aggregates and the Principal European Economic Indicators (PEEIs).
15. In the opinion of the CMFB, it is important that an appropriate balance is found between timeliness, reliability, relevance, burden on reporting agents, and resources, not only at the

time of the implementation of the new methodology in 2014, but also throughout the lifetime of the new ESA. For that purpose, the Regulation should have a balanced approach that would ensure stability of concepts and definitions while at the same time being flexible with respect to new economic and financial developments and requirements on the transmission programme. This should be reflected in the related legal procedures for amending, in good partnership with Member States, the corresponding annex to the new ESA Regulation.

16. For early estimates, the Commission (Eurostat) and Member States are encouraged to evaluate the feasibility and the pros and cons further. The CMFB acknowledges the need for reliable and high quality data reported in the context of the Excessive Deficit Procedure and the need for consistency with the underlying national accounts.
17. The CMFB appreciates that the Council repeatedly has acknowledged the need for statistics and resources for meeting those needs. The Council noted in November 2009<sup>(iii)</sup> "that the [financial] crisis has emphasised the statistical needs and is aware that Member States should ensure the appropriate level of resources for meeting those needs". In its Conclusions of 17 November 2010<sup>(iv)</sup> the Council acknowledged "that the implementation [of the new ESA] will require an investment by Member States in terms of human, financial, organizational and infrastructure resources" and added that "the ESS [should] step up efforts for a clear and vigorous priority setting".

### **Guiding principles**

18. The CMFB welcomes the efforts to ensure the consistency of statistical concepts and definitions within the draft ESA 2010 and the consistency of definitions and concepts with other statistical domains in the EU, including those compiled under the umbrella of the European System of Central Banks (ESCB), since this will facilitate the application of the EU standards. In this respect, the CMFB very much supports the alignment of definitions used for administrative surveillance (Government Deficit and Debt in the case of the Excessive Deficit Procedure, Gross National Income in the case of the calculation of EU Own Resources, etc.) with the definitions applied for statistical and economic policy purposes.
19. The CMFB welcomes the efforts to allow the compilation of a consistent set of data within and across sub-domains and across time. It is also important that the requirements on backdata will ensure the seamless integration with data compiled under the new standard.
20. The CMFB underlines that the compilation of national data should represent a consistent picture of the macro-economic situation in each Member State. Likewise, the compilation of key European aggregates should represent a consistent picture of the macro-economic situation at EU and euro area level. The CMFB recognises in this context that the burden on smaller countries should be set in relation to the quality of data required for the compilation of EU and euro area aggregates.
21. A further element that would facilitate the interpretation of EU aggregates is the synchronisation of release dates and alignment of revisions. The CMFB recognises that dissemination and revision policies are not directly covered by the draft ESA Regulation, but encourages the Commission (Eurostat) to take account of - and continue to improve - this aspect. After further research, one should consider the possibilities of further elaborating a common revision policy to be recommended for all Member States. A specific point in this respect concerns the synchronisation of transmission deadlines between ESA accounts and the data reported in the context of the Excessive Deficit Procedure.

22. It is also important that users are well informed about changes in methodology and the implications in line with the 'CMFB guidelines on communication of major statistical revisions in the European Union'<sup>iv</sup>. For that purpose, the ESA 2010 could include an annex describing the main differences between ESA 95 and ESA 2010 or specific notes could be developed.

### **Priorities related to macro-economic analysis and administrative uses**

23. In the opinion of the CMFB, the transmission programme should be based on clearly identified priorities. The priorities should also encompass user needs taking into account the constraints of national compilers both in terms of resources and data availability. The CMFB recognises that the scope of the ESA transmission requirements continuously increases, and there is a need for a dialogue between users and data producers to identify well-argued user needs and to balance them against producers' resource constraints.
24. It is important for macro-economic analysis to ensure the availability of timely quarterly data of sufficient reliability. In general, the availability of timely quarterly data should take precedence over detailed annual or lower frequency data.
25. Regarding backdata, long runs of key indicators covering the national accounts system should, as much as possible, be compiled at the start of the ESA 2010 implementation and this should take precedence over the compilation of shorter detailed backdata series of the full transmission programme. The key indicators should be incorporated in the transmission programme. The long runs of key indicators are a prerequisite for the compilation of (seasonally adjusted) quarterly data. At the same time, the compilation of a full set of tables according to the transmission programme for recent years should have priority over long series of detailed backdata.
26. The CMFB would also encourage the Commission (Eurostat) to ensure that the new ESA allows an improved consistency of European accounts through the integration of relevant information in the compilation process. In particular, the compilation of a coherent set of macro-economic data for the supply and use of goods and services and a complete system of institutional sector accounts should take precedence over the compilation of additional details and publication of single indicator statistics.

### **Priorities related to the implementation and compilation of the new ESA**

27. In the opinion of the CMFB, the allocation of sufficient resources and qualified staff, especially at Member State level, will be a priority during the implementation phase in order to change systems and to reap benefits of new technology and better access to administrative data in the coming years. This will also require a significant training effort in the compiling institutions, which needs to be supported by the European institutions.
28. Furthermore, in those cases where the access to administrative information for statistical purposes are not yet fully facilitated by national legislation, the CMFB recalls the Council conclusions of 4 November 2008<sup>(vi)</sup> which states that the efforts to minimise the reporting burden and to reduce the costs of the NSIs should also encompass the development of methods for an enhanced re-use of available data and sharing of micro data, where necessary, for strictly statistical purposes. This effort should be done in conjunction with the NCBs in their function of providing statistics.
29. The draft Regulation should be complemented by further initiatives to reduce the burden and improve efficiency of the statistical systems. This could include approaches such as the

setting up of common databases like the CSDB and EuroGroups Register/RIAD<sup>1</sup> to support the compilation of national, Euro Area and EU data, and to envisage the possibility of carrying out coordinated surveys while complying with the provisions of the Regulation on European statistics. The CMFB emphasises the general need to avoid double compilation of data and repeated transmissions unless the benefits clearly outweigh the additional burden.

30. It will also be necessary that certain important outstanding issues, such as the method for calculating Financial Intermediation Services Indirectly Measured (FISIM) and the recording and compilation of Research & Development as Gross Fixed Capital Formation are clarified as soon as possible, and guidance notes are developed. The CMFB welcomes that the draft legal text will facilitate the inclusion of those clarifications in ESA 2010.
31. The successful implementation of the ESA 2010 will also require that explanatory and other guidance notes should be finalised by 2012 for delineation of market and non-market producers and volume measurement of certain non-market services. In addition, the recording and compilation of the supplementary tables for pension may need continued attention. These guidance notes will be needed for a harmonized treatment across countries.
32. The CMFB encourages the Commission (Eurostat) and the Member States to work efficiently together on the implementation of ESA 2010 by establishing task forces on implementation issues, where needed.
33. The CMFB also recalls that the implementation of ESA 2010 should be coordinated as much as possible with the implementation of BD4 and BPM6 at EU and Euro Area level as well as at national level.

#### **Other considerations**

34. The CMFB acknowledges the national accounts framework has been successful in the past because such an integrated approach enables the investigation of how different macro-economic phenomena interact. The extension of satellite accounts within the ESA framework to cover further domains, e.g. the development of environmental accounts, is worthwhile since these accounts may provide information that supplements the core framework and may be necessary for well-informed policy decisions - also in policy areas beyond those directly connected to economic policies. In this context, it would be helpful if the Commission (Eurostat) could clearly indicate priorities in terms of the development of satellite accounts or special indicators, given the recent discussion associated with the Commission Communication on “GDP and Beyond”<sup>(vii)</sup> and the report by Stiglitz, Sen, and Fitoussi<sup>(viii)</sup>.
35. Finally, the CMFB emphasises the need to supplement the Regulation with a research agenda on topics that are not yet mature enough to be included into the draft Regulation, including a mechanism that will ensure that the research agenda is carried forward.

*(signed)*

João Cadete de Matos  
CMFB Vice-chairman

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<sup>1</sup> CSDB: [Centralised Securities Database](#), and [EuroGroups Register](#), and RIAD: [Register of Institutions and Assets Database](#).

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- i Link to [2008 SNA](#)
  - ii Link to [2009 EFC Status Report on Information Requirements in EMU](#)
  - iii Link to [Council Conclusions of 10 November 2009](#)
  - iv Link to [Council Conclusions of 17 November 2010](#)
  - v Link to [Guidelines on communication of major statistical revisions in the European Union](#)
  - vi Link to [Council Conclusions of 4 November 2008](#)
  - vii COM(2009) 433 final, Communication from the Commission to the Council and the European Parliament [GDP and beyond - Measuring progress in a changing world](#) and [website](#)
  - viii [Report by the Commission on the Measurement of Economic Performance and Social Progress](#), Stiglitz, Sen, Fitoussi , 2009