

ESS-ESCB Communication/work programme on the quality assurance of statistics underlying the MIP indicators

Executive Summary

The macroeconomic statistics underlying the MIP indicators are compiled by both the European Statistical System (ESS) and the European System of Central Banks (ESCB) within their respective spheres of competence. The ESS and the ESCB continuously apply statistical quality assurance mechanisms to ensure that these statistics are reliable and comparable across Member States.

Since the responsibilities for the production of some of the statistics underlying the MIP indicators are shared between the ESS and the ESCB, the ECOFIN Council requested the ESS and the ESCB to continue working together on improving the quality of the statistics underlying the MIP scoreboard and on ensuring their comparability. Moreover, in its Opinion of November 2013, the Economic and Financial Committee (EFC) “invited the ESS and the ESCB to continue this close cooperation, including through the preparation of a work programme” to ensure the reliability and comparability of the statistics underlying the MIP.

In response to this request by the Council, the European Statistical Forum (ESF) has endorsed, at its meeting of 17 September 2014, an ESS-ESCB work programme explaining the joint initiatives of the ESS and the ESCB to enhance the quality of the macroeconomic statistics underlying the MIP. To make these initiatives operational, they were formalised in practical arrangements between the two statistical systems.

Quality assurance of the statistics underlying the MIP

– ESS-ESCB Work Programme –

1. Macroeconomic statistics – at the core of MIP indicators

The European Statistical System (ESS) and the European System of Central Banks (ESCB) underline the importance of ensuring reliable statistical data for the macroeconomic imbalances procedure (MIP) established for the early identification and monitoring of imbalances and supporting multilateral policy recommendations.

The indicators for the *MIP* are derived from available macroeconomic and financial statistics, such as balance of payments statistics, national and financial accounts. By way of example, the “3-year average of the current account balance as a % of GDP” is calculated by combining the current account balance reported in balance of payments statistics with the GDP derived from the national accounts.

The ESS and the ESCB have been producing these macroeconomic and financial statistics for many years within their respective spheres of competence and continuously apply statistical quality assurance mechanisms to ensure that they are in line with international statistical standards and are reliable and comparable across Member States. They are the basis for *economic and monetary policy decisions of the Union* and are also used by *international organisations such as the IMF and the OECD* in their surveillance reports.

2. Quality assurance of macroeconomic statistics underlying the MIP

Assuring the *quality of macroeconomic and financial statistics* is a central contribution of the *ESS and the ESCB*. The two statistical systems share similar principles with regard to the quality of statistical processes and outputs. These principles are reflected in the *ESS Code of Practice of European Statistics* and the *ESCB Public Commitment on European Statistics*, respectively. The principles related to Accuracy and Reliability, Coherence and Comparability, Sound Methodology, Appropriate Statistical Procedures, Mandate for Data Collection and Commitment to Quality are particularly relevant for MIP purposes.

The majority of the macroeconomic statistics underlying the MIP indicators are *regulated* including, in most cases procedures for *quality assurance* and monitoring, and the legislation in force already provides for *regular domain specific quality reports* on the statistical data which often accompany *inventories containing a description of the sources and methods* applied in the collection of the statistics. These quality assurance frameworks are not fully aligned across statistical domains.

It is the responsibility of the NSIs and NCBs as statistical producers to ensure that the statistics are compliant with the legal requirements and meet the quality criteria as defined in the *ESS Code of Practice of European Statistics* and the *ESCB Public Commitment on European Statistics*.

Quality reports and assessments produced by the ESS and the ESCB cover the quality of a domain statistics supporting one or more MIP headline indicators. Such reports scrutinise the

underlying compilation process and compliance with the legal basis. They may also review the relevance of the statistics, its robustness, and whether the statistics are in line with the international statistical standards. The *domain specific quality reports contain essential quantitative and qualitative information* needed for assessing whether the statistics is harmonised and comparable, and whether the *quality of the statistics is fit for each of the broader purposes for which they are used*.

By focusing the quality assurance on the macroeconomic and financial statistics that are used for a range of purposes rather than on the MIP indicators themselves, statisticians mitigate to a great extent the risk that these indicators become less reliable as political pressure piles up geared to skew the values to meet administrative targets. Moreover, as long as the quality assurance is based on the underlying statistics, statistical authorities will not need to amend their compilation processes and their quality assurance arrangements whenever the MIP scoreboard is adjusted.

3. Trade-offs for the production of macroeconomic statistics

By striking the right balance between timeliness, reliability, and detail, the ESS and the ESCB produce fit for purpose macroeconomic and financial statistics in a cost-effective manner. To strike this balance, statisticians have to undertake a ‘merit and cost evaluation’ considering the trade-offs between the timeliness, reliability, detail and cost of macroeconomic statistics.

By way of example, *early estimates* for monthly and quarterly European statistics may require that surveys are confined to a small sub-set of the reporting population to meet the necessary timeliness, whereas *more detailed statistics* based on a wider data collection only become available with a *longer time-lag*.

Moreover, the statistical compilation processes frequently combine information collected from reporting agents via surveys, administrative data and necessary estimations with statistical techniques and expert judgement. While a more extensive use of censuses may enhance the reliability of the statistics, it would also increase the costs and the reporting burden inflicted to the economy in particular for small and medium-sized enterprises.

Given the weight of expert judgement in the compilation of macroeconomic statistics, the quality is also influenced by the number of qualified human and financial resources involved in the statistical work.

4. Enhancing quality of macroeconomic statistics underlying the MIP

An enhanced quality assurance for macroeconomic statistics underlying the MIP indicators would take account of the policy use of the statistics in the MIP and would be based on better aligned and harmonized quality reporting and monitoring.

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ESCB to continue this close cooperation, including through the preparation of a work programme” to ensure the reliability and comparability of the statistics underlying the MIP.

Enhancing the quality of statistics underlying MIP requires a further alignment of the quality monitoring frameworks between the two systems in order to avoid duplication and to reduce the burden on the compilers of the statistics underlying the MIP. Quality monitoring should build on existing structures to the extent possible and foster further harmonisation of the existing quality assurance and monitoring processes.

In addition, the outcome of the quality and monitoring would be reflected in a concrete set of actions to enhance the quality of the statistics supporting the MIP as requested by the European Statistical Forum (ESF) at its first meeting on 15 November 2013. These actions would be included in the work programmes of the ESS and ESCB or the CMFB to be implemented according to a rigorous prioritisation.

5. Enhancing quality reporting and monitoring for MIP relevant statistics

Initiatives to enhance the quality monitoring and reporting system could be structured around a so-called “three level approach” (see annex 1 for details):

Level 1: *Enhancing the communication on Quality Assurance on MIP Statistics*

- An *Annual Quality Assessment Report on MIP Statistics* communicating to the European Parliament, the Council, policy makers and the public at large key messages on the reliability and comparability of the statistics underlying the MIP indicators and outlining actions at national and EU level to address most relevant quality issues. This report draws on the information gathered in the next two levels.

Level 2: *Closer alignment and harmonisation of domain specific quality reports produced by the ESS (Eurostat and/or the National Statistical Offices) and the ESCB (ECB and/or National Central Banks)*

- The ESS and ESCB will explore whether the domain specific quality reports¹ produced by the ESS (Eurostat and/or the National Statistical Offices) and the ESCB (ECB and/or National Central Banks) and regulated in statistical legislation could be progressively aligned and harmonised, taking account of MIP requirements, which are related to the individual Member State (not EU aggregates), and given that the quality assurance principles of the two statistical systems are essentially the same.

¹ Reports covering the quality of the domain statistics supporting one or more MIP headline indicators.

Level 3: Development of generic templates for national reports providing information on quality, sources and methods for MIP relevant statistics and of the Reference Databases supporting the MIP

- The ESS and ESCB will develop *a generic template* for national reports providing information on quality, sources and methods together with the information on statistical processes used for the compilation of the statistics underlying the MIP indicators. NSIs and NCBs will then prepare national templates for the relevant domains. These reports, together with the existing information of the statistical products and processes will be an integral part of the quality assurance framework. The initial reports should be short and concise, about 5 pages, but may grow as different issues will need to be defined and documented.
- The statistical data to be assessed in the quality framework must be available in *reference databases* which should be the result of an organised process designed in the future also to monitor updates and revisions of the MIP indicators and store relevant metadata supporting the MIP exercise.

6. Outcome – Actions on quality of the statistics underlying the MIP

The outcome of the “three level approach” will be a *concrete set of actions to enhance the quality of the statistics supporting the MIP*. Some of these concrete *actions* are to be implemented at *national level* by the relevant statistical producers (NSIs and NCBs) to address weaknesses in the statistics supporting the MIP indicators (e.g. new sources, better checking and validation of the data, enhanced methodological work,..). Other *actions* are to be undertaken *at European level*, such as more detailed methodological guidelines, clarification of statistical concepts and definitions, practical recording conventions, etc.

In addition, the usage of common standards, such as the Single Integrated Metadata Structure (SIMS), would be welcome. A *better exchange of data and meta-information* between the two systems, and especially between the ECB and Eurostat, could help to avoid duplication of quality reporting work requested within the two systems.

To make these initiatives operational, they will be materialised in practical arrangements between the two statistical systems. The concrete actions to improve the quality of the statistics supporting the MIP can only be implemented if they are included in the *work programmes of the ESS and ESCB statistical bodies* and their sub-structures in their respective fields of competence. Actions that require *cooperation between the ESS and the ESCB* should be included in the work programme of the *CMFB* upon request by the ESF. To ensure that the necessary resources for implementation are available, the inclusion of the actions in the work programmes of the different bodies should be subject to *rigorous priority-setting* and *careful assessment of the costs and benefits* of each enhancement.

ESS-ESCB Work-programme on quality assurance of MIP

3 – Level Approach

Enhancing ESS-ESCB Communication on quality assurance on MIP

MIP Quality Assessment Report

Closer alignment of Domain Specific Quality Reports

NA & FA

BOP

GFS

LFS

REER

RPPI

GDP

Development of inventories of sources and methods & Databases for MIP

Standardised templates

Data, Metadata & Revision Databases