



EUROPEAN CENTRAL BANK

# ECB STATISTICS

APRIL 2006

BCE ECB EZB EKT EKP

AN OVERVIEW



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APRIL 2006



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## ABBREVIATIONS

BIS	Bank for International Settlements
b.o.p.	balance of payments
CIU	collective investment undertaking
CSDB	centralised securities database
ECB	European Central Bank
ECU	European Currency Unit
EER	effective exchange rate
EMI	European Monetary Institute
EMU	Economic and Monetary Union
ESA 95	European System of Accounts 1995
ESCB	European System of Central Banks
EU	European Union
GDP	gross domestic product
GESMES	generic statistical message
i.i.p.	international investment position
IMF	International Monetary Fund
M1, M2, M3	monetary aggregates defined and used by the ECB
MFI	monetary financial institution
MMF	money market fund
MUFAs	monetary union financial accounts
NCB	national central bank
OFI	other (non-monetary) financial intermediary
OJ	Official Journal (of the European Union)
SDMX	statistical data and metadata exchange
SDR	special drawing right
SNA 93	System of National Accounts 1993

Note:

The text contains many references to ECB and Community legal instruments and other material. ECB legal instruments are listed in section 16 and other important material mentioned is contained in Annex 3. The electronic version of this document (which may be found at [www.ecb.int/publications](http://www.ecb.int/publications)) contains links to the listed documents.



## I EXECUTIVE SUMMARY

### I.1 THE USE, CONTENT AND MAIN FEATURES OF ECB STATISTICS

1. The primary objective of the Eurosystem<sup>1</sup> is to maintain price stability in the euro area. Without prejudice to price stability, it must support general economic policies in the euro area. With these objectives in view, the European Central Bank (ECB) conducts monetary policy in the euro area and may carry out foreign exchange operations. It must also contribute to the stability of the financial system. Performing these tasks requires a large amount of statistical information, which is provided by the European System of Central Banks (ESCB) or the Eurosystem or by the European Commission (mainly Eurostat) in cooperation with the national statistical institutes<sup>2</sup>. This document mainly focuses on the statistics required to support these tasks. The ESCB also collects statistics for more operational purposes, principally relating to payment and settlement systems; these statistics are covered more briefly. Most of the discussion concerns aggregated data covering the euro area. The national contributions to these aggregates, and statistical information collected by central banks for national purposes, are not the subject of this document.

2. Broadly speaking, responsibility for statistics is assumed by the ECB and the Commission along the following lines. The ECB is responsible at European level for money, banking and financial markets statistics. Responsibility is shared with the Commission in the areas of the balance of payments (b.o.p.), the international investment position (i.i.p.), financial accounts, and non-financial accounts broken down by institutional sector. The Commission is responsible for other areas of statistics, with the ECB, as a user, taking a keen interest in statistics on prices and costs, national accounts and a wide range of other economic statistics. These areas of responsibility, and arrangements for cooperation, are established

in a Memorandum of Understanding, the current version of which was agreed in March 2003.

3. The purpose of this document, which brings up to date a document entitled “Statistical information collected and compiled by the ESCB” (published by the ECB in May 2000) is to provide a single, accessible source of information on ECB statistics. It describes the provision of statistical data as at end-2005, indicating where the data are the subject of ECB legal instruments. The document also points to possible further developments where ECB statistics are still incomplete or inadequate. ECB requirements in respect of general economic statistics, which are the responsibility of the European Commission at Community level, are the subject of a separate ECB publication entitled “Review of the requirements in the field of general economic statistics” (December 2004). The ECB does, however, undertake some statistical work on its own initiative in this area. The main examples are seasonal adjustment of the European Commission’s monthly harmonised index of consumer prices, used to monitor inflation in the euro area, and the compilation of semi-annual averages of residential property prices for the euro area based on non-harmonised data. Seasonally adjusted harmonised consumer prices and residential property prices are not discussed in this document.

4. The Treaty on European Union gave the European Monetary Institute (EMI) the task of undertaking statistical preparations for Stage Three of Economic and Monetary Union (EMU) and, specifically, of promoting the necessary harmonisation of statistics. In July 1996 the EMI released a statement of statistical

<sup>1</sup> The Eurosystem comprises the ECB and the central banks of the Member States of the European Union which have adopted the euro. The ESCB comprises the ECB and the central banks of all EU Member States.

<sup>2</sup> Eurostat is the statistical office of the European Communities. Eurostat and the national statistical institutes of the EU Member States make up the European Statistical System.

requirements for the start of EMU. During Stage Three of EMU, which began in January 1999, the ECB, assisted by the national central banks (NCBs) of the European Union (EU), must collect statistics to enable the tasks of the ESCB to be carried out, and contribute to their further harmonisation where necessary. Within the ESCB, the Statute<sup>3</sup> requires that the ECB define the statistical information needed for the performance of its tasks and that the collection of statistics be carried out as far as possible by the NCBs. Broadly speaking, they (and, in some cases, other national authorities) collect data from reporting institutions and other national sources, compile contributions to euro area aggregates and transmit this information to the ECB, which compiles the euro area aggregates. The ECB and the NCBs develop statistical methodologies together.

5. The NCBs also contribute to the preparation of ECB legal acts in the field of statistics under Articles 34 and 14.3 of the Statute and within the framework of EU Council Regulation (EC) No 2533/98 concerning ECB statistics. Where the ECB's needs are sufficiently well established, the requirements are formalised in a legal instrument adopted by the ECB's Governing Council. A list of these instruments can be found in section 16; with the passage of time they have tended to cover wider areas of the provision of statistical data to the ECB, within the scope set out in Community legislation. For a great deal of supplementary information, and where the statistical needs of the ECB have not yet been fully established, the ECB, in effect, relies on the powers of NCBs (and other national authorities) to obtain statistics.

6. In addition to cooperating with Community institutions, the Statute requires the ECB to cooperate with international organisations in statistical matters. As far as possible, ECB statistics conform to European and international standards (a few necessary departures are mentioned in this document). As well as making the statistics more useful, this helps to minimise the reporting burden. To

this end the ECB has developed a merits and costs procedure under which proposals for major changes to statistics are explained and justified, scrutinised, costed as far as possible, and, if necessary, modified or rejected.

7. The primary focus of the Eurosystem's policy responsibility is the euro area. To be useful, statistics must be aggregated to cover the euro area. This requirement raises questions of harmonisation (since the data must be sufficiently homogeneous to permit meaningful aggregation) and, especially in the areas of money and banking statistics and b.o.p and i.i.p. statistics (and the financial accounts derived partly from them), it creates a need for sufficient information to enable euro area aggregates to be compiled. In particular, transactions and positions within the euro area should be distinguished from those outside it to permit consolidation to be carried out at the level of the euro area.

8. In addition to euro area data, national contributions to euro area aggregates may be an important component in the analysis of developments, including the transmission mechanism of monetary policy and the degree of market integration. Moreover, Article 5 of the Statute concerning the collection of statistical information applies to all EU Member States, and, under the Statute, statistics are the responsibility of the General Council of the ECB, which includes the governors of the central banks of EU Member States outside the euro area. The EU Council Regulation on ECB statistics recognises that while legal instruments adopted by the ECB do not bind non-participating Member States, all EU Member States must contribute to satisfying the requirements under Article 5 of the Statute. Non-participating Member States accordingly provide the ECB with a great deal of statistical information which is used for monitoring their economies and for assessing their preparedness to adopt the euro.

<sup>3</sup> The Statute of the European System of Central Banks and of the European Central Bank is a protocol accompanying the Treaty on European Union signed at Maastricht in February 1992.

9. Frequency and timeliness (and of course other aspects of quality) are an integral part of the requirements. To enable the ECB to publish timely euro area aggregates in money and banking, financial markets and b.o.p. statistics, there is a need for monthly data to be available to the ECB within periods ranging from about three to seven weeks after the end of the month to which they relate. More detailed quarterly data are to be made available according to a longer time frame of up to three months. Quarterly euro area accounts data, being largely dependent on other quarterly sources, are inevitably produced rather later; the long-term aim is nevertheless to obtain them within three months of the end of the quarter to which they relate.

10. Statistical information is most useful for economic analysis if a considerable run of comparable data is available. For many euro area statistics, best estimates have been made for periods preceding the start of the series, in some cases to 1980 or even earlier, though such early data cannot be fully comparable with current data.

## 1.2 MONETARY, FINANCIAL INSTITUTIONS AND MARKETS STATISTICS

11. The monetary policy strategy of the Eurosystem gives a prominent role to money, as signalled by the announcement of a reference value for the growth of M3, a broad monetary aggregate. Money largely consists of the liquid liabilities of monetary financial institutions (MFIs) which constitute the reporting population for monetary statistics. The criterion for including an institution in the MFI sector is, put briefly, that the institution concerned takes deposits (other than from MFIs) or issues financial instruments which are close substitutes for deposits, and extends credit and/or makes investments in securities. The NCBs (which, together with the ECB, are themselves part of the MFI sector) provide lists of financial institutions meeting this definition. The definition goes beyond credit institutions as defined in Community Law,

principally through the inclusion of money market funds (MMFs).

12. Defining a homogeneous money-creating sector is the first step in the development of monetary statistics. The second step is to specify the items for inclusion in the consolidated balance sheet of that sector (“consolidated” means that transactions and positions within the sector are netted out). The consolidated MFI balance sheet provides most of the data for the compilation of monthly monetary aggregates and counterparts to money.

13. Given the agreed definition of MFIs, the consolidated MFI balance sheet provides a source of monetary data which is conceptually equivalent to the national banking sector balance sheets on which national monetary statistics are usually based. The central government and non-resident sectors are “money neutral”, meaning that their holdings of monetary instruments are not included in money stock. Such sectors must be defined, and their holdings of monetary instruments with euro area MFIs must be excluded from the euro area monetary aggregates. The definitions of government, of residence, and of the sub-sectors comprising the money-holding sector are applied consistently across the euro area, in accordance with the European System of Accounts in the Community 1995 (ESA 95) established by Council Regulation (EC) No 2223/96. Some of the more detailed information is only available on a quarterly basis.

14. Monthly information on interest rates on monetary and credit instruments is also important. Interest rate data are needed to monitor the transmission of monetary policy, to better understand the structure of financial markets and to assess financial conditions in different sectors of the euro area economy. Credit institutions and certain other entities (representing by far the largest part of the MFI sector) report interest rates paid and charged on new and outstanding business in euro with



households and non-financial corporations in the euro area. The interest rate information corresponds to MFI balance sheet categories.

15. Data are also provided for other areas related to monetary statistics. Securities issues<sup>4</sup> and loans granted by “other” (non-monetary) financial intermediaries (OFIs) are an alternative to bank finance for borrowers; for lenders, shares/units issued by investment funds are a substitute for certain claims on banks. Investment funds, some other OFIs, and insurance corporations and pension funds are large and active participants in financial markets. Financial market prices and yields may have pervasive effects on economic developments and may also reveal market expectations about inflation and economic activity. The ECB collects a great deal of information on financial markets (such as securities issues, and financial market prices and yields). The most important financial institutions outside the MFI sector are insurance corporations and pension funds, on which the ECB collects information under Guideline ECB/2002/7, as amended by ECB/2005/13, and investment funds other than MMFs, in respect of which the ECB shortly intends to adopt a regulation.

### **1.3 BALANCE OF PAYMENTS AND RELATED EXTERNAL STATISTICS**

16. In the area of b.o.p. and related external statistics, for monetary policy purposes there is a requirement for monthly b.o.p. statistics showing the main items affecting monetary developments and exchange markets, supplemented by more detailed quarterly statistics. A consistent methodological framework enables monetary and b.o.p. statistics for the euro area to be linked. There is also a requirement for monthly statistics on the Eurosystem’s international reserves and foreign currency liquidity, and for quarterly and more detailed annual statistics on the i.i.p., which provide a comprehensive statement of the euro area’s claims on and liabilities to the rest of the world. Other related statistics

include six-monthly portfolio investment stocks and flows, broken down by currency, for use in assessing the international role of the euro as an investment currency; several central banks also provide statistics on the use of the euro in invoicing external transactions.

17. The aggregates covering the euro area report credits and debits and assets and liabilities separately. To this end, the countries forming the euro area must split cross-border transactions and positions into transactions and positions within the euro area and transactions and positions with the rest of the world. The quarterly b.o.p. and the annual i.i.p. statistics provide a geographical breakdown, by country or group of countries, of counterparties to the euro area’s external transactions and positions.

18. While these requirements conform as far as possible to the standards set in the Balance of Payments Manual (fifth edition) of the International Monetary Fund (IMF), the ECB has also adopted some harmonisation proposals specific to European needs and measures to integrate the euro area b.o.p. with monetary statistics and economic and financial accounts. B.o.p. and i.i.p. statistics also contribute to the assessment of the international role of the euro and relate to the functioning of payments and securities settlement systems. The ECB has various interests in these areas and is working to improve the consistency of the data.

19. In the field of b.o.p. and i.i.p. statistics, the ECB and the Eurostat work closely together. The ECB compiles aggregates for the euro area, while Eurostat compiles statistics for the European Union as a whole. Concerning the methodological framework, the ECB focuses on the financial account and related

<sup>4</sup> Securities are the largest category of financial instruments in the euro area and are important in almost all areas of ECB statistics. The ECB has recently developed a database to hold comprehensive information on securities with various statistical, analytical and operational applications, as described in paragraph 79.

income, and Eurostat on the rest of the current account and the capital account. Both the ECB and Eurostat take a close interest in direct investment.

20. The ECB also compiles effective exchange rate indices for the euro, in nominal and real terms, using various deflators.

#### **1.4 GOVERNMENT FINANCE STATISTICS**

21. The ECB takes a close interest in government finance for various reasons. The ECB, like the Commission, prepares periodic “convergence” reports assessing the preparedness of non-participating Member States to adopt the euro, for which government deficits and outstanding debt are important criteria. The ECB also closely follows developments under the Excessive Deficit Procedure. These activities require annual data, collected under Guideline ECB/2005/5, as amended, in a form which facilitates analysis of government deficits and debt (as defined for the purposes of the Excessive Deficit Procedure and the Stability and Growth Pact), traces the relationship between a deficit and the change in debt, provides a bridge between these data and data on the somewhat different ESA 95 basis, and enables the ECB to compile euro area and EU aggregates with appropriate treatment of payments into and receipts from the European Community budget. Moreover, government activities also have a major impact on economic developments. Accordingly, the ECB also monitors quarterly data on government transactions. These data are collected under Community legislation.

#### **1.5 EURO AREA ACCOUNTS FOR INSTITUTIONAL SECTORS**

22. Quarterly monetary union financial accounts (MUFAs) follow the integrated approach outlined in the ESA 95. Drawing on relevant euro area statistics and on national financial accounts, the ECB compiles quarterly financial accounts covering the euro

area to complement monetary analysis and policy research. The financial accounts are still being developed; when complete they should provide a consistent system for recording financial relationships among institutional sectors and quarterly snapshots of outstanding amounts of borrowing and lending, permitting a comprehensive analysis to be made of financial investment and financing. As they are based on international statistical accounting standards, quarterly MUFAs are also a powerful instrument for achieving consistency within and across areas of statistics. From spring 2007 onwards, MUFAs will be integrated with quarterly non-financial accounts that are being jointly developed by the ECB and the Commission to provide a comprehensive picture of the transactions and financial positions of institutional sectors in the euro area. Quarterly euro area accounts will be the capstone of euro area statistics, binding together the different elements. Their completion is at present the ECB’s highest priority in the area of statistics.

#### **1.6 THE EXCHANGE OF STATISTICAL INFORMATION**

23. Good data exchange systems contribute to timeliness and quality. The ESCB’s data interchange system works smoothly and largely automatically. It responds easily to new statistical requirements and accommodates new data in an efficient and consistent manner.

24. The ESCB’s system is based on the use of a special telecommunication network and a standardised statistical message format – the generic statistical message for time series (GESMES/TS) – which is also widely used as the standard for the exchange of statistical data and metadata (i.e. information about the data) with the European Commission and international organisations. GESMES/TS (SDMX-EDI) and SDMX-ML (which further exploits internet and other modern technologies) are messages based on the same data model. They are both managed under the

umbrella of the Statistical Data and Metadata Exchange (SDMX) initiative set up by European and international organisations, including the ECB, to promote common standards and best practices in statistical data exchange and sharing.

25. The ECB has long made euro area data publicly available on its website. A recent initiative extends this access to include a range of national contributions and related statistics so that users do not have to search NCB websites for them. The same data, together with descriptive material, are simultaneously presented in national languages on NCB websites.

## **2 STATISTICS RELATING TO MONETARY FINANCIAL INSTITUTIONS (MFIS)**

### **2.1 INTRODUCTION**

26. The statistical system for the euro area covering the MFI sector comprises two main elements: a list of MFIs as defined for statistical purposes and a specification of the statistical information reported by these MFIs at monthly and quarterly intervals. Regulations set out what data MFIs must report to NCBs. A Guideline (ECB/2003/2, as amended) specifies the content, format, timetable, etc. for the onward transmission of the MFI data by the NCBs to the ECB, the data which the Eurosystem itself must provide concerning its business and other related information which the ECB requires but which is not covered by regulations.

27. A monthly consolidated balance sheet of the money-creating sector in the euro area is a primary statistical requirement. Regulation ECB/2001/13, as amended, concerning the consolidated balance sheet of the MFI sector, provides the legal basis for obtaining these data. It also covers additional information required to derive the transactions used to calculate monetary growth rates. The MFI balance sheet therefore supplies the main

components for the compilation of monetary aggregates and counterparts for the euro area. MFI balance sheets also provide the statistical basis for calculating the minimum reserves which credit institutions are obliged to hold.

28. A further Regulation (ECB/2001/18, as amended) concerns interest rates paid and charged by credit institutions and certain other entities in euro-denominated business with households and non-financial corporations in the euro area.

### **2.2 WHAT ARE MONETARY FINANCIAL INSTITUTIONS?**

29. The ECB, assisted by the NCBs, maintains a list of MFIs as defined for statistical purposes in accordance with the classification principles outlined below. Procedures set out in Guideline ECB/2003/2, as amended, ensure that the list of MFIs remains up to date, accurate, as homogeneous as possible and sufficiently stable for statistical purposes. It should also respond to financial innovations which may affect the characteristics of financial instruments and induce financial institutions to change the focus of their business. The list of MFIs as defined for statistical purposes and the list of counterparties as defined for monetary policy purposes overlap, which makes the MFI list important for operational as well as statistical purposes.

30. Article 2.1 of Regulation ECB/2001/13 defines MFIs as follows: “[In addition to central banks] MFIs comprise resident credit institutions as defined in Community law, and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs, and, for their own account (at least in economic terms), to grant credits and/or make investments in securities”. The MFI sector thus comprises, in addition to central banks, two broad groups of resident financial intermediaries. These are credit institutions defined in Community law (under the Banking

Coordination Directives) as “an undertaking whose business is to receive deposits or other repayable funds from the public (including the proceeds arising from the sales of bank bonds to the public) and to grant credit for its own account”, and other resident financial institutions which meet the MFI definition by issuing financial instruments which are close substitutes for deposits.

31. Whether financial instruments are deemed to be close substitutes for deposits depends on their liquidity, which in turn combines characteristics of transferability, convertibility into currency or transferable deposits, capital certainty and, in some cases, marketability. The term of issue may also be important. These principles are set out in Annex I of Regulation ECB/2001/13.

32. There is no market in the usual sense for shares in open-ended collective investment undertakings (CIUs). Nevertheless, investors can obtain a daily quotation of the shares and withdraw funds at this price. Certain CIUs, namely MMFs, are included in the MFI sector because their shares/units are considered, in terms of liquidity, to be close substitutes for deposits. MMFs primarily invest in bank deposits or debt instruments with short residual maturities, and may pursue a rate of return similar to the interest rates on money market instruments. The criteria for identifying MMFs are set out in Annex I of Regulation ECB/2001/13.

33. In the ESA 95, financial intermediaries classified as MFIs are divided into two sub-sectors, namely central banks (sector S.121 in ESA 95) and other MFIs (S.122). At the end of 2005, the MFI sector in the euro area comprised the ECB and twelve NCBs, 6,248 credit institutions, 1,645 MMFs, and four other institutions. By no means all institutions in the MFI sector are obliged to meet the full range of statistical requirements. Provided monthly data cover at least 95% of the total national MFI balance sheet, NCBs may exempt small MFIs from regular reporting. However, all

credit institutions must provide certain information quarterly for minimum reserves purposes, and all MFIs must provide information annually to check that 95% coverage is being achieved and for grossing up purposes. NCBs may, if they wish, collect MFI interest rate data on a sample basis, following a procedure set out in Regulation ECB/2001/18.

### 2.3 THE CONSOLIDATED BALANCE SHEET ON A MONTHLY BASIS

34. The consolidated balance sheet provides monthly data on the business of MFIs in sufficient detail to give the ECB full information on monetary developments in the euro area. The balance sheet is consolidated in the sense that inter-MFI business is netted out. The monetary statistics compiled by the ECB from these data are summarised in section 2.5. The monthly data reported by credit institutions are also used to calculate their individual reserve base.

35. The money stock comprises banknotes and coins in circulation, other monetary liabilities of MFIs (deposits and other financial instruments which are close substitutes for deposits) and monetary liabilities of central government agencies such as the post office and the treasury (the ECB's requirements in respect of such agencies are specified in Annex VII of Guideline ECB/2003/2). The counterparts to money comprise other items in the MFI balance sheet arranged in an analytically useful way. The ECB compiles these aggregates for the euro area in terms of both amounts outstanding (stocks) and transactions.

36. The ECB requires statistical information with instrument, maturity, currency and counterparty breakdowns. As separate reporting requirements apply to liabilities and assets, the two sides of the balance sheet are considered below in turn.



### 2.3.1 INSTRUMENT AND MATURITY CATEGORIES

#### (a) Liabilities

37. The following instrument breakdowns are collected monthly: currency in circulation; deposit liabilities, including balances on pre-paid cards; repurchase agreements (repos); MMF shares/units; debt securities issued, including money market paper; capital and reserves; and remaining liabilities. Guideline ECB/2003/2 requires the NCBs to provide the ECB at six-monthly intervals with monthly data on e-money liabilities – in practice all e-money issuers in the euro area are credit institutions. Deposit liabilities are further broken down into overnight deposits, deposits with an agreed maturity, and deposits redeemable at notice. Remaining liabilities include accrued interest on liabilities (this is a departure from the ESA 95, which recommends that accrued interest be included in the corresponding instrument category).

38. Original (rather than residual) maturity cut-offs may provide a substitute for an instrument breakdown where financial instruments are not fully comparable across markets. The cut-offs for the maturity bands (or for the periods of notice) in monthly statistics are one and two years' maturity at issue for deposits with an agreed maturity; and three months' notice and (on a voluntary reporting basis) two years' notice for deposits redeemable at notice. Non-transferable sight deposits (sight savings deposits) are included in the "up to three months" band. Repos (which are usually very short-term instruments, commonly agreed for less than three months) are not broken down by maturity. The maturity breakdown for debt securities issued by MFIs (including money market paper) is at one and two years. There is no maturity breakdown for shares/units issued by MMFs as the concept is not relevant for them.

#### (b) Assets

39. MFI holdings of assets are broken down monthly into cash; loans; securities other than shares, including money market paper; MMF

shares/units; shares and other equity; fixed assets; and remaining assets, which include accrued interest on assets. A maturity breakdown by original maturity is required for loans (at one and five years) and for MFI holdings of debt securities (at one and two years).

### 2.3.2 CURRENCIES

40. For all relevant balance sheet items amounts denominated in euro and in other currencies must be reported separately. Quarterly information identifying the main foreign currencies individually is used to remove the effect of exchange rate changes from the flows data – see below.

### 2.3.3 COUNTERPARTIES

41. Counterparties in the euro area are identified from the list of MFIs (if they are MFIs) or in line with guidance provided by the ECB (which is consistent with the ESA 95). In both cases a distinction is made in the monthly MFI balance sheet between counterparties resident in the same Member State as the reporting MFI, and counterparties resident elsewhere in the euro area. Monetary instruments held by MFIs themselves (S.121 and S.122 in the ESA 95), by central government (S.1311) and by non-residents of the euro area are excluded from the ECB's monetary aggregates and must be identified in order to isolate the amounts in the hands of the money-holding sectors. Since considerable interest is attached to individual money-holding sectors for the purposes of analysis, MFIs provide a monthly breakdown of deposit liabilities identifying those held by general government other than central government (S.1312, S.1313 and S.1314), by non-financial corporations (S.11), by OFIs (S.123, including financial auxiliaries, S.124), by insurance corporations and pension funds (S.125) and by households (S.14, including non-profit institutions serving households, S.15). MFI lending is broken down monthly into lending to general government and lending to the other sectors listed above, with a further split of lending to households into consumer credit,



lending for house purchase and other lending. This detailed sector breakdown of counterparties in the monthly statistics, crossed with maturity and currency breakdowns, where relevant, is a requirement that was introduced in Regulation ECB/2001/13. In the categories of deposits with over two years' agreed maturity and those redeemable at over two years' notice, and in repos, additional distinctions are made between liabilities to credit institutions, to other MFI counterparties and to central government, for the purposes of the minimum reserve system.

#### **2.3.4 CROSS-RELATING INSTRUMENT AND MATURITY CATEGORIES WITH CURRENCIES AND COUNTERPARTIES**

42. The compilation of monetary statistics for the euro area and the calculation of the reserve bases of credit institutions require certain cross-relationships between instruments, maturities, currencies and counterparties to be reported monthly. The most detail is required on counterparties that are part of the money-holding sector. Breakdowns of positions vis-à-vis other MFIs are identified only as necessary to allow the netting out of inter-MFI balances or to calculate reserve bases. Also for reserve base purposes, breakdowns of positions vis-à-vis non-residents of the euro area are required for deposits with an agreed maturity of over two years, deposits redeemable at over two years' notice, and repos. A maturity breakdown at one year for deposits held by non-residents is needed for b.o.p. purposes.

#### **2.3.5 FINANCIAL DERIVATIVE BUSINESS**

43. A financial derivative is a financial instrument that is linked to another financial instrument or index or commodity, enabling specific risks (of changes in interest or foreign exchange rates or in prices or in credit standing, for example) to be traded in financial markets in their own right. The ESA 95 requires positions in financial derivatives to be recorded if they have a market value or can be offset in the market, i.e. if a party to the contract can in effect reverse it by taking out another contract with the opposite effect. The

current market price of a derivative values the claim of one party on the other. It is this value that is recorded in the MFI balance sheet statistics if an MFI is a party to the contract. It does not matter whether or not the claim switches from one party to the other over the life of the contract, or whether or not the market price is zero – as it will be at the start of a swap and where a variable margin is continuously adjusted. Thus derivatives are recorded in the MFI balance sheet on a gross basis at market value unless national accounting rules require off-balance sheet recording. They are classified under “remaining assets” if they have a positive value for the reporting MFI, or “remaining liabilities” if they have a negative value, with no further details being provided. Insofar as they reflect positions with non-residents of the euro area, they are also recorded in the b.o.p. and the i.i.p. – see section 6 below.

44. For statistical purposes, a derivative is treated as a separate financial instrument from the underlying instrument on which the contract is based. Thus derivative positions recorded in the MFI balance sheet do not reveal the underlying financial instrument, nor do they record the nominal amount for which the contract was struck. The ECB obtains such information mainly from regular BIS surveys of global derivatives activity.

#### **2.3.6 COMPILATION OF FLOW (OR TRANSACTION) STATISTICS**

45. MFIs report both deposit liabilities and assets in the form of loans at nominal value (this is an explicit requirement under Regulation ECB/2004/21 amending ECB/2001/13, though it need not be applied to any purchased loans nor to loans against which the MFI has made provisions). If they are denominated in euro, items reported at nominal value will not experience valuation changes. Otherwise, changes in balance sheet outstandings will reflect the impact of valuation changes and reclassifications, as well as transactions. The ECB seeks to isolate transactions (“flows”) during the month by

identifying and excluding the effect of revaluations and reclassifications, and calculates the growth rates of MFI balance sheet items, monetary aggregates and certain counterparts from transactions. Precisely how this is done is explained in the technical notes in the euro area statistics section of the ECB's Monthly Bulletin. The adjustments correspond to "other [i.e. other than transactional] changes in assets and liabilities" in the global System of National Accounts 1993 (SNA 93) and the ESA 95; and the adjusted flows from which the growth rates are compiled correspond to "transactions" in the SNA 93 and the ESA 95. An innovation introduced in Regulation ECB/2001/13 was the obligation imposed on reporting agents to provide certain data on valuation changes to enable flows to be calculated more accurately; previously the ECB had relied on estimates supplied by NCBs. Thus, in addition to information on outstanding assets and liabilities, the consolidated balance sheet provides monthly information relating to valuation changes and certain other adjustments such as write-offs of loans. Guideline ECB/2003/2 (Annex XII) requires NCBs to provide any available information on the securitisation of loans and the transfer of loans to third parties by other means on the part of MFIs.

#### **2.3.7 TIMELINESS**

46. The ECB receives from NCBs aggregated monthly balance sheets covering the positions of MFIs in each Member State in the euro area by the close of business on the 15th working day following the end of the month to which the data relate. The NCBs arrange to receive data from reporting institutions in time to meet this deadline. Euro area aggregates, including the monthly monetary aggregates drawn from the MFI balance sheet, are first released on wire services on the 19th working day following the month to which they relate.

## **2.4 BALANCE SHEET STATISTICS AT QUARTERLY FREQUENCY**

47. Certain data are not essential for the compilation of monetary aggregates for the euro area, but are needed for the further analysis of monetary developments or to serve other statistical purposes, such as compiling the financial accounts. The quarterly balance sheet statistics meet such purposes.

48. Quarterly breakdowns are provided only for key items of the aggregated balance sheet. The ECB can allow some flexibility in what further quarterly detail is required if it can be shown from figures collected at a higher level of aggregation that the data involved are unlikely to be significant.

### **2.4.1 MATURITY AND SECTOR BREAKDOWN OF LENDING IN THE EURO AREA**

49. In order to enable the maturity structure of MFIs' overall credit financing (loans and securities) to be monitored quarterly, loans to general government other than central government are broken down at one and five years' original maturity and holdings of securities issued by these agencies are split at one year's original maturity, both items being cross-related to a sub-sector breakdown of general government other than central government. Holdings of debt securities issued by financial intermediaries outside the MFI sector and by non-financial corporations are broken down by sub-sector and original maturity (at one year). Issuers of shares and other equity held by MFIs are broken down quarterly into the following sub-sectors: non-financial corporations (S.11), OFIs (S.123, including financial auxiliaries, S.124), and insurance corporations and pension funds (S.125). MFIs also provide a quarterly report of their loans to central government and their holdings of debt securities issued by central government, with no further breakdown (in the monthly statistics, MFI credit to central government is not shown separately within credit to general government).

#### **2.4.2 QUARTERLY SECTOR BREAKDOWN OF LIABILITIES IN THE EURO AREA**

50. Deposit liabilities to general government other than central government are broken down by sub-sector (i.e. state government, S.1312; local government, S.1313; and social security funds, S.1314).

#### **2.4.3 COUNTRY BREAKDOWN OF POSITIONS VIS-À-VIS RESIDENTS OF EU MEMBER STATES**

51. For deposit liabilities, loans and holdings of securities (which comprise securities other than shares; MMF shares/units; and shares and other equity), MFIs provide a quarterly breakdown by country of counterparty (the country in which the issuer is resident in the case of holdings of securities). For deposits, loans and holdings of debt securities, there is a further breakdown by whether the counterparty is an MFI or not. Regulation ECB/2003/10 amends ECB/2001/13 to extend this treatment to the ten new Member States if MFIs in the euro area have significant business with them.

#### **2.4.4 CURRENCY BREAKDOWN**

52. Some breakdowns of MFIs' positions by individual currency are required to enable flow statistics to be adjusted for exchange rate changes. Key balance sheet items are broken down quarterly into the currencies of the non-participating EU Member States and the major international currencies (the US dollar, the Japanese yen and the Swiss franc). Regulation ECB/2003/10 amends ECB/2001/13 to cover the currencies of the ten new Member States if MFIs in the euro area have significant business in them. The latest quarterly information on currency shares is used in compiling the monthly statistics until the next set of quarterly data becomes available.

#### **2.4.5 SECTOR BREAKDOWNS OF POSITIONS WITH COUNTERPARTIES OUTSIDE THE EURO AREA**

53. A limited sector breakdown is required for positions with counterparties outside the euro area (i.e. other EU Member States and the rest

of the world), distinguishing only between positions with banks (or MFIs in EU countries outside the euro area) and non-banks, with the latter being split between general government and others. The sector classification according to the SNA 93 applies where the ESA 95 is not in force. These data are required principally for b.o.p. purposes.

#### **2.4.6 TIMELINESS**

54. Quarterly statistics are transmitted by NCBs to the ECB by close of business on the twenty-eighth working day following the end of the quarter to which they relate. NCBs arrange to receive data from reporting institutions in time to meet this deadline. The results are published in the next ECB Monthly Bulletin.

#### **2.4.7 COMPILATION OF TRANSACTION STATISTICS FOR SERIES AVAILABLE QUARTERLY**

55. Apart from the information on currency mentioned above, information needed to derive transactions from balance sheet outstandings and to calculate growth rates is reported or otherwise made available monthly. Where fuller breakdowns of balance sheet items are reported only quarterly, flows and growth rates are calculated using adjustments based on the more aggregated monthly data.

### **2.5 MONETARY AGGREGATES AND COUNTERPARTS**

56. Using the MFI balance sheet data and supplementary information provided by NCBs under Guideline ECB/2003/2, as amended, the ECB compiles monthly statistics of monetary aggregates and counterparts. Foreign currency items are included as well as euro items. The monetary aggregates comprise certain liabilities of MFIs and some central government agencies to euro area residents excluding central government and MFIs. M1 comprises currency in circulation and overnight deposits; M2 is the sum of M1, deposits with an agreed maturity of up to two years and deposits redeemable at notice of up to

three months; and M3 is the sum of M2, repos (as far as these are represented by liabilities on the balance sheets of MFIs), MMF shares/units and debt securities, including money market paper, issued by MFIs with a maturity of up to two years. Maturity cut-offs are based on original maturity. A sector breakdown of holdings of deposits is also produced. The counterparts to M3 are the other components of the consolidated MFI balance sheet rearranged in such a way as to aid analysis. The main counterparts are MFI credit to general government and to other euro area residents, MFIs' net external assets and their longer-term (non-monetary) financial liabilities. All other things being equal, increases in credit and net external assets cause M3 to increase, while an increase in non-monetary liabilities will reduce M3. As mentioned above, the ECB calculates the growth rates of monetary aggregates and counterparts from adjusted flows, which allow for classification and valuation changes, and not from outstanding levels. Estimates for the main monetary aggregates are available from 1980, and estimates for MFI lending from 1983.

## 2.6 MFI INTEREST RATES

57. The ECB's monetary policy influences the behaviour of economic agents in the euro area partly through changes in MFI interest rates. Such interest rate changes affect the cost of borrowing and the yield on interest-bearing components of money and hence the amount of money which people wish to hold and its composition. Given the importance of MFIs in financial intermediation in the euro area, bank interest rates have a sizeable impact on the income and outgoings of non-financial sectors. Margins between borrowing and lending rates are also relevant to financial stability and structural banking issues.

58. Previously the ECB compiled statistics on interest rates paid and charged by banks from broadly comparable but not harmonised data on ten deposit and loan categories supplied by NCBs from existing national sources.

59. Regulation ECB/2001/18 now requires credit institutions and certain other MFIs (but not central banks or MMFs) to report each month interest rates paid and charged in 45 instrument categories – 31 covering new business and 14 covering outstanding amounts. Although they may show a degree of inertia, monthly data on outstanding amounts are necessary because interest rates on new business do not capture changes in interest on the outstanding stock of variable rate instruments. The data relate to business denominated in euro with households (S.14, including non-profit institutions serving households, S.15 in the ESA 95) and with non-financial corporations (S.11) resident in the euro area. Where relevant, the interest rates for business with each of the two sectors are reported separately. The instrument categories relate to items in the MFI balance sheet, and so are clearly defined.

60. For each of these instrument categories, credit institutions report the interest rate agreed with the household or non-financial corporation, quoted as a percentage per annum. It should incorporate all interest payments on deposits and loans, but no other charges. In order to monitor other (non-interest) charges for consumer credit and loans to households for house purchase, the annual percentage rate of charge, as defined in Community legislation on consumer credit, is collected in addition. Non-interest charges are relevant to national accounts as well as to conditions in the banking market.

61. Balance sheet data are used to weight interest rates on outstanding amounts. Interest rates on new business are aggregated using as weights information on the volume of new business provided for the purpose. For overnight deposits, deposits redeemable at notice, and overdrafts, "new business" is represented by the outstanding stock, on which rates may change at any time. Interest rates on amounts outstanding may be rates paid or charged at the end of the month, or may be calculated by dividing interest accruing over

the month by the average amount of deposits or loans outstanding in the month.

62. NCBs may choose to collect interest rate data from a sample of credit institutions, as set out in Regulation ECB/2001/18. They do not, as they may in the case of MFI balance sheet statistics, exclude small credit institutions altogether, because small institutions may be important in certain areas of business.

63. The purpose of compiling these data is to permit as far as possible analysis of MFI balance sheet statistics, monetary aggregates, and MFI interest rates to be carried out in preparation for the first Governing Council meeting of the month. To avoid undue pressure on reporting agents and NCBs, the Regulation requires credit institutions to submit interest rate data to NCBs such that the NCBs may deliver the national aggregated data to the ECB by the 19th working day after the month to which they relate. The interest rate data are published by press release about six weeks after the month to which they relate. Monthly data produced in accordance with Regulation ECB/2001/18 are available from the start of 2003.

## **2.7 MACRO-PRUDENTIAL AND STRUCTURAL FINANCIAL INDICATORS**

64. Article 3.3 of the Statute requires the ESCB to contribute to the stability of the financial system. A related matter in which the ECB takes a close interest is structural developments in the banking industry and, more generally, in financial business. Money and banking statistics (MFI balance sheet statistics and interest rate data) represent a major source of data for these purposes. Wherever available, aggregated supervisory data provided by national supervisory authorities (consolidated profit and loss data, solvency data, etc.) are also used, together with the results of the ECB's bank lending survey which includes questions on credit standards. Since financial stability is subject to a range of influences, securities markets statistics,

financial accounts – in particular balance sheet information – b.o.p. data, and economic statistics more generally may also be useful. For macro-prudential purposes certain balance sheet data on credit institutions alone are collected if there is a material difference in a Member State between the MFI sector as a whole and the credit institutions sub-sector. Annexes V and VI of Guideline ECB/2003/2, as amended by Guideline ECB/2005/4, concern balance sheet data on credit institutions for macro-prudential analysis, and the annual data required (altogether comprising 29 series, not all relating to MFIs) for the analysis of structural developments.

65. MFI balance sheet data also contribute to the ECB's monitoring of the international role of the euro (particularly data on MFI business denominated in euro with non-residents of the euro area). Statistics on the international role of the euro are discussed in section 8 below.

## **3 OTHER STATISTICS RELATING TO FINANCIAL INTERMEDIARIES**

66. In addition to the consolidated MFI balance sheet and statistics drawn from it, various other statistics relating to financial intermediation are of great relevance for monetary policy purposes.

### **3.1 NON-MONETARY FINANCIAL INTERMEDIARIES EXCEPT INSURANCE CORPORATIONS AND PENSION FUNDS**

67. The "other" (non-monetary) financial intermediaries (OFI) sub-sector consists of financial institutions which are principally engaged in financial intermediation but do not meet the MFI definition and are not insurance corporations or pension funds. In the ESA 95 they comprise sub-sector S.123.

68. Data on OFIs are needed, together with the MFI statistics, to provide a comprehensive picture of financial intermediation in the euro area. Information may otherwise be lost as a



result of the transfer of assets and liabilities from the MFI sector to the OFI sector. The ECB also needs to monitor OFIs for the purpose of maintaining the list of MFIs since, as Regulation ECB/2001/13 notes in Annex I, Part 1.1, financial innovation could affect the characteristics of financial instruments and cause financial corporations to shift the focus of their business, leading them to issue instruments which are close substitutes for deposits.

69. The ECB currently compiles euro area aggregates from quarterly information provided by NCBs from existing national sources. While recognising that such data may not always comply with the applicable definitions, Annex XVIII of Guideline ECB/2003/2 (as amended by Guideline ECB/2005/4) sets out such definitions and specifications for a balance sheet with limited instrument, maturity, residence and sector breakdowns. The priorities under the Guideline are data relating to investment funds (other than MMFs, which are included in the MFI sector) as they are by far the largest group of OFIs in the euro area in terms of balance sheet size; security and derivative dealers; and financial corporations engaged in lending. As regards the latter group, loans to households will in due course be split between loans for house purchase and consumer credit. As this distinction is already made in the monthly MFI statistics, fuller information on the business of OFIs will permit a more comprehensive estimate to be made of residential property lending in the euro area. The ECB already publishes quarterly aggregated balance sheet data for investment funds (other than MMFs) in the euro area, with breakdowns of their assets by type of fund (i.e. equity, bond, mixed and real estate funds) and between funds open to the general public and funds restricted to certain investors. An ECB Regulation concerning statistics on OFIs is in preparation.

### **3.2 INSURANCE CORPORATIONS AND PENSION FUNDS**

70. Unlike the MFIs and OFIs discussed so far, insurance corporations and pension funds (S.125 in the ESA 95) are not listed in Article 2 of Council Regulation (EC) No 2533/98 as part of the reference population which the ECB may require to report data. Because of the importance of these institutions to financial activity in the euro area, however, NCBs provide the ECB with quarterly data, drawn from national sources, on the main financial assets and liabilities of these institutions, as required by Guideline ECB/2002/7. This Guideline is further discussed in section 11 on institutional sector accounts for the euro area.

### **4 STATISTICS RELATING TO INTEREST RATES (OTHER THAN MFI INTEREST RATES)**

71. In addition to interest rates paid and charged by MFIs (see section 2.6), data on other interest rates for a range of other financial instruments are needed to monitor how ECB interest rates and changes in them influence the economy. Interest rates, or yields, on long-term government bonds have a particular importance in the European Union since they are a convergence criterion used to assess the readiness of Member States to adopt the euro under the Treaty on European Union. Although statistics relating to convergence are to be provided by the Commission (under Article 5 of the Protocol on the convergence criteria), the EMI and the ECB helped the Commission to choose comparable long-term interest rates to be monitored, and the ECB collects and compiles these data.

72. Leaving aside the MFI interest rates discussed earlier, interest rates can be divided into two categories: interest rates set by the ECB's Governing Council (the rates charged or paid by the Eurosystem in market operations), and money market rates and interest rates on other marketable securities.

73. The first category comprises the rates paid by the Eurosystem on the overnight deposit facility available to counterparties and the rates charged by the Eurosystem on its main refinancing operations and on its marginal lending facility.

74. Interest rates in the second category include a wide range of money market rates and yields on marketable securities. Money markets in the euro area are highly integrated, with largely standard financial instruments. The ECB collects rate information very frequently, mostly from wire services. Data on rates and yields on longer-term marketable securities are also readily available from market sources. The ECB is developing an improved database to store such information and enable it to be better used.

## 5 STATISTICS ON SECURITIES (INCLUDING SHARES)

75. For various reasons, information on issues and holdings of securities is an important element of monetary and financial analysis. For borrowers, securities issues are an alternative to bank financing. Holders of financial assets may view bank deposits, negotiable instruments issued by banks (included in M3 if issued for two years or less) and other securities as partial substitutes. Statistics on securities therefore complement monetary and financial data. Over time, any shifts in financing between the banking system and the securities markets may affect the transmission of monetary policy. Data on outstanding amounts of securities issued indicate the depth of capital markets, while issues in euro by non-residents of the euro area are an aspect of the international role of the euro. There are financial stability considerations too.

76. The ECB publishes monthly statistics on securities other than shares (debt securities) and on quoted shares. The statistics on debt securities cover securities denominated in

euro, regardless of who issues them, and securities issued by euro area residents in euro and in other currencies, with a further split in long-term securities between fixed rate and variable rate securities. For older securities, “euro” includes instruments denominated in ECU or in the former national currencies of Member States in the euro area. In both cases outstanding amounts at end-month, and gross issues, redemptions and net issues during the month are reported, with an original maturity breakdown at one year (or exceptionally at two years). Debt securities issued by euro area residents are further broken down by sector of issuer (i.e. MFIs, OFIs and insurance corporations and pension funds, non-financial corporations, central government and other general government). The statistics on quoted shares issued by euro area residents also list outstanding amounts and gross issues and redemptions separately, with (as far as is relevant) the same sector breakdown as for debt securities.

77. Stocks of and transactions in quoted shares are reported at market values while (in a departure from the ESA 95) amounts relating to debt securities are reported at face values. Deep discount and zero coupon bonds are valued when issued at the effective amount paid, and at face value when they mature. In the interim they are valued according to a formula which allows for the accruing interest. Foreign currency items are valued at current exchange rates. Changes in outstanding amounts reflect net issues, valuation changes and also reclassifications and other changes which do not arise from transactions. As in the case of monetary statistics, the ECB calculates growth rates for securities markets from transactions data, excluding valuation and reclassification effects. When, as sometimes happens, a single operation in securities (perhaps connected with a takeover or merger) is carried out in stages over more than one month, the practice is to record the whole operation in the month in which it is completed.

78. Although issuers of securities are included in the reference reporting population for ECB statistics under Article 2 of Council Regulation (EC) No 2533/98, the ECB does not require them to report information under an ECB legal instrument. Instead, NCBs provide the ECB with data on debt securities and quoted equities issued by residents in accordance with Annex XIX of Guideline ECB/2003/2, as amended, within five weeks of the end of the month to which the data relate. The euro area aggregates are published on wire services about seven weeks after the month to which they relate. The BIS provides information on debt securities denominated in euro issued by non-residents of the euro area. Some information on holdings of securities broken down by institutional sector will become available under Guideline ECB/2005/13.

79. As portfolio investment and securities issues statistics attract a great deal of attention and are central to some other areas of statistics (e.g. euro area accounts), the ECB and the NCBs have recently developed a comprehensive centralised securities database (CSDB). The CSDB draws on various institutional sources and commercial data providers. It will play a central role in the production of securities issues and portfolio investment statistics and in the compilation of other statistics, including (following further development) statistics on holdings of securities. The database also has a variety of analytical and operational uses. Procedures designed to safeguard data quality are set out in a manual prepared by the ECB together with the NCBs, and will soon be reflected in a new ECB Guideline. The ECB is also further developing statistics on securities settlement systems, on which mainly operational information has been published for some years in successive editions of the ECB's publication entitled "Payment and securities settlement systems in the European Union" – see paragraph 117 below.

## **6 BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION STATISTICS**

### **6.1 INTRODUCTION**

80. In order to support the conduct of monetary policy and foreign exchange operations, the ECB collects monthly, quarterly and annual data to compile the b.o.p. and i.i.p. of the euro area as a whole. The ECB does not use data on cross-border transactions within the euro area, with the important exception of portfolio investment and portfolio investment income. The quarterly b.o.p. statistics and the end-year i.i.p. include a geographical breakdown of counterparties abroad. The ECB also compiles detailed statistics on the international reserves and foreign currency liquidity of the Eurosystem in accordance with a joint IMF and BIS template, and compiles daily nominal effective exchange rates (EERs) and monthly and quarterly real EERs for the euro.

81. Although entities resident in the euro area holding cross-border positions or carrying out cross-border transactions are included in the reference reporting population for ECB statistics under Article 2 of Council Regulation (EC) No 2533/98, the ECB has not adopted a regulation in this regard. Unlike in money and banking statistics where the reporting agents are a relatively small number of financial institutions, the reporting population for b.o.p. and i.i.p. statistics potentially includes any economic agent resident in the euro area with cross-border transactions or positions. Moreover, while MFI reporting systems are fairly standardised across the euro area, this is not so at present for b.o.p. collection systems, entailing complications for verification and applying sanctions. The fact that b.o.p. statistics are subject to a variety of legal regimes at national level, and that Eurostat also collects b.o.p. statistics at European level, would further complicate the issuing of an ECB legal instrument addressed directly to reporting agents. The ECB has instead adopted guidelines

addressed to NCBs in the euro area, setting out the statistical information which they are to transmit to the ECB and certain modalities and standards to be followed, but leaving to their discretion how to collect information from reporting agents. ECB/2004/15 is the Guideline currently in force. Because in some Member States b.o.p. and i.i.p. data collection is not the responsibility of the NCB, the ECB has issued recommendations to the agencies concerned that are identical in substance to the Guidelines; ECB/2004/16 is the current Recommendation. A recommendation is not legally binding on the institutions to which it is addressed.

82. The scope and underlying concepts of b.o.p. and i.i.p. statistics are laid down in Guideline ECB/2004/15. The ECB requirements conform as far as possible to the standards laid down in the IMF Balance of Payments Manual (fifth edition), which is consistent with the SNA 93 and with the ESA 95. However, the ECB has adopted some harmonisation proposals specific to b.o.p. and i.i.p. aggregates of the European Union and the euro area (e.g. the consistent application of the definition of MFIs). The euro area b.o.p. and i.i.p. in principle correspond to transactions and positions of euro area residents with non-residents of the euro area (i.e. “the rest of the world” sector) in euro area accounts. In practice the presentation of the b.o.p. and i.i.p., where the emphasis is on functional categories (direct, portfolio, etc. investment) rather than on the sector of the resident counterparty, does not readily fit into institutional sector accounts, and there are other issues relating to valuation and coverage. The ECB has had to address these questions in preparing to incorporate the euro area b.o.p. and i.i.p. in euro area accounts.

## 6.2 MONTHLY BALANCE OF PAYMENTS

### 6.2.1 INSTRUMENT AND SECTOR BREAKDOWNS

83. The aim of the monthly b.o.p. is to enable users to monitor the external flows affecting monetary conditions in the euro area and the exchange rate. For this purpose, the

information required by the ECB for monthly b.o.p. statistics is confined to broad categories of transactions in the current and capital accounts, with the exception of investment income flows for which a direct, portfolio and “other” investment breakdown is required. More detail is required in the financial account, where large and variable flows affecting monetary conditions in the euro area are likely to occur. Inward and outward direct investment is broken down into equity and reinvested earnings and other capital (mainly inter-company loans), and further between MFIs (excluding central banks) and other euro area sectors. Portfolio investment, which includes a split between monetary authorities, other MFIs and non-MFIs, covers equity and debt securities (which are further broken down) separately. Financial derivatives (only contracts between residents of the euro area and non-residents of the euro area are relevant here) are compiled on a net basis only, as the aggregate of all cross-border positions (paying regard to sign) to which euro area residents are party. By contrast, quite detailed information is required on “other” investment – mainly external financial transactions of MFIs (excluding business in the direct and portfolio categories) and of government. This category is split by sector of the counterparty into monetary authorities, other MFIs (with a maturity breakdown), general government, and other (euro area) sectors, with, for the latter two, a limited instrument breakdown identifying currency and deposits held with banks abroad. The monthly b.o.p. also includes data on reserve assets.

### 6.2.2 THE APPROACH ADOPTED FOR PORTFOLIO INVESTMENT LIABILITIES

84. Recording portfolio investment liabilities (changes in holdings outside the euro area of securities issued by euro area residents) presents a serious practical difficulty since it is often not possible to identify the holders of marketable instruments. Portfolio liabilities in the financial account of the b.o.p. are therefore compiled in a roundabout way, essentially by calculating the change in holdings outside the

euro area of securities issued by residents of the euro area (which is net inward investment) as the difference between the total amount of such paper outstanding (or valuation adjusted changes in it) and recorded holdings of it (or valuation adjusted changes in them) by residents of the euro area, whether resident in the same country as the issuer of the paper or resident in another euro area Member State. A breakdown of such holdings within the euro area by sector of the issuer will be available from mid-2006, permitting a sector breakdown of euro area liabilities to be calculated. Related income flows in the current account and the outstanding stock of portfolio investment liabilities in the i.i.p. are compiled in a similar way. The centralised securities database mentioned in paragraph 79 is expected to substantially improve the statistics on portfolio investment. The comprehensive information on individual securities in the database will permit a new approach to be taken to compiling the portfolio investment account in the b.o.p. (and in the i.i.p. discussed below). The Eurosystem intends to adopt security-by-security reporting (rather than aggregate reporting) of transactions and positions in securities from 2008, which will permit more accurate classification and valuation in the portfolio investment account to be achieved. Eurosystem NCBs intend to discontinue, from the same date, the practice of compiling stocks from accumulated transactions, and will instead compile full stocks data at least every quarter.

### **6.2.3 A MONETARY PRESENTATION OF THE B.O.P.**

85. To enhance their use in monetary analysis, the monthly b.o.p. statistics are linked to the external counterpart of broad money in the euro area, M3. Since the b.o.p. accounts as a whole and the consolidated MFI balance sheet must both balance, the external transactions of the MFI sector (including the Eurosystem) must mirror the external transactions of other sectors in the euro area (including errors and omissions in the b.o.p.); these in turn should equal the external counterpart in the monetary

statistics. In practice some rearrangement of b.o.p. statistics is necessary to bring together all external transactions of MFIs, and full equivalence between the data from different sources has not yet been achieved. The contribution of external transactions of euro area non-MFIs (in the current, capital and financial accounts) to the total change in the net external position of the MFI sector can then be analysed. For the monetary presentation, the ECB requires a breakdown of the direct investment and portfolio investment accounts to isolate transactions of MFIs.

### **6.2.4 TIMETABLE AND AVAILABILITY**

86. Monthly b.o.p. statistics must be transmitted to the ECB by the 30th working day following the end of the month to which the data relate, and are published on wire services seven to eight weeks after the month to which they relate. Monthly data are available from January 1997.

87. The deadline for the provision of the monthly b.o.p. statistics, their aggregated nature and their usefulness for monetary policy make it permissible to depart from international guidelines where this is unavoidable. Recording data on a transactions basis (including interest as it accrues) is not compulsory in monthly statistics; Member States may provide data on a settlement basis instead. Where necessary to meet the deadline, estimates or preliminary data are accepted. Some data items, e.g. reinvested direct investment earnings, may need to be estimated. The monthly data are revised each quarter in the light of more complete quarterly information which fully conforms to international statistical standards. The latest monthly data may therefore not be fully consistent with earlier data.

## **6.3 QUARTERLY BALANCE OF PAYMENTS**

### **6.3.1 FURTHER DETAIL AND ACCRUAL OF INTEREST**

88. The quarterly b.o.p. statistics provide more detailed information than the monthly



statistics, permitting a more in-depth analysis of external transactions. The current account contains more detail on investment income, and more instrument and sector information is provided in the financial account.

89. In line with the SNA 93, the IMF Balance of Payments Manual (fifth edition) recommends that interest be recorded on an accruals basis. This recommendation applies to the current account (investment income), with a corresponding effect on the financial account. Guideline ECB/2004/15 requires investment income to be accrued only on a quarterly basis.

### 6.3.2 GEOGRAPHICAL BREAKDOWN

90. In addition to providing further instrument detail and adhering to international statistical standards, the quarterly b.o.p. data are accompanied by a geographical breakdown of euro area residents' external business by country, area and category of counterpart. The breakdown comprises Denmark, Sweden and the United Kingdom individually; the other EU Member States outside the euro area as a group; EU institutions and other bodies; and, outside the European Union, the United States, Japan, Switzerland and Canada individually; offshore centres; international organisations; and all other countries as a group. Except for the ECB, which is treated for statistical purposes as an MFI resident in the euro area, EU institutions (such as the Commission) and other bodies (such as the European Investment Bank) are treated as being resident outside the euro area, regardless of their physical location. The required breakdowns, together with lists of EU institutions, offshore centres and international organisations, are set out in Annex II of Guideline ECB/2004/15. The instrument and sector detail to which the geographical breakdown is applied is less complete than in the full quarterly b.o.p. statistics, and more akin to that in the monthly b.o.p. statistics; there is, however, no geographical breakdown of portfolio liabilities (because the manner in which these data are compiled does not permit one to be produced), nor a breakdown of financial derivatives and reserve assets.

### 6.3.3 TIMETABLE AND AVAILABILITY

91. The quarterly detailed b.o.p. statistics and the geographical breakdowns must be made available to the ECB within three months of the end of the quarter to which the data relate. The euro area aggregates are published by press release four months after the quarter to which they relate. Full quarterly data are available from the beginning of 1997. Quarterly estimates of the current account of what is now the euro area are available from 1980. A quarterly geographical breakdown is available from the beginning of 2003.

## 6.4 INTERNATIONAL INVESTMENT POSITION

92. The ECB compiles the i.i.p. for the euro area as a whole at quarter ends (a recent innovation) and publishes it with the detailed quarterly b.o.p. four months after the date to which it relates, and in fuller detail at year ends. These statements of the external assets and liabilities of the euro area reveal the structure of the euro area's external financial position and complement the b.o.p. data for monetary policy and exchange market analysis. Periodic stock data also provide a check on the plausibility of b.o.p. flows. The quarterly data were developed in part with incorporation into euro area institutional sector accounts in mind.

### 6.4.1 INSTRUMENT AND GEOGRAPHICAL BREAKDOWNS

93. The breakdown required quarterly is very similar to that in the financial account of the quarterly b.o.p., though in the financial derivatives category asset and liability positions are shown separately. The annual i.i.p. data are also similar but with more detail on direct investment, where equity in listed companies appears at both book and market value (the recommended basis for valuation in the i.i.p.). For practical reasons, direct investment in unlisted companies is shown at book value only, although, since in principle it draws on the accounts of foreign affiliates, it should reflect reinvested earnings. The annual i.i.p. is accompanied by a geographical

breakdown of the euro area's external assets and liabilities, which covers instruments and sectors in somewhat less detail than the annual (and indeed the quarterly) i.i.p. but presents essentially the same breakdown of counterparts as that accompanying the quarterly b.o.p.. As in the case of the b.o.p., there is no geographical breakdown in the i.i.p. of financial derivatives and reserve assets. The breakdown of portfolio investment liabilities cannot be calculated from the information available from ECB sources; instead the ECB uses counterpart data from the IMF's Coordinated Portfolio Investment Survey and related IMF surveys, the results of which become available later than those from the ECB's annual i.i.p.

94. The euro area i.i.p. is based on the standard i.i.p. components defined in the IMF Balance of Payments Manual (fifth edition). Concepts and definitions are consistent with the b.o.p. A forthcoming improved approach to compiling the portfolio investment account, including full quarterly stock data, is described in paragraph 84 above.

#### **6.4.2 TIMETABLE AND AVAILABILITY**

95. The quarterly data on the i.i.p. are available to the ECB within three months of the quarter to which they relate (i.e. the same timetable as for the quarterly b.o.p.). The annual i.i.p. data, together with the geographical breakdown, are available nine months after the year end to which they relate. An end-year i.i.p. for the euro area is available from 1997, though the data for 1997 and 1998 are on a net basis only (i.e. they show net assets or net liabilities in each category, not outstanding assets and liabilities separately) because at first it was not possible for Member States to distinguish, within external assets and liabilities, between cross-border positions within the euro area and positions vis-à-vis the rest of the world. The end-year geographical breakdown is available from 2002.

## **7 THE EUROSISTEM'S INTERNATIONAL RESERVES**

### **7.1 RESERVE ASSETS IN THE B.O.P. AND I.I.P.**

96. The reserve assets of the euro area are defined as highly liquid, marketable and creditworthy claims held by the ECB and Eurosystem NCBs on non-residents of the euro area and denominated in currencies other than the euro. In addition to foreign currency claims, they include gold, special drawing rights (SDRs) and reserve positions in the IMF. Reserve assets are compiled without any netting-out of reserve-related liabilities, with the exception of the small financial derivatives component which is compiled on a net basis.

97. Changes in reserve assets arising from transactions (that is, excluding valuation effects and any changes, other than transactions, affecting their amount) are recorded as a single figure in the financial account of the euro area b.o.p.. Outstanding amounts are available at quarter ends in the i.i.p. showing the main components (gold, SDRs and foreign exchange holdings with instrument details, etc.).

### **7.2 INTERNATIONAL RESERVES AND FOREIGN CURRENCY LIQUIDITY (THE IMF AND BIS TEMPLATE)**

98. The ECB also compiles a much fuller monthly statement of Eurosystem reserves and related items in accordance with the template for international reserves and foreign currency liquidity. Reserve assets as defined for b.o.p. and i.i.p. statistics are only part of the information required according to the template. Also included are other foreign currency assets, which may be claims on euro area residents (e.g. foreign currency deposits with euro area banks) or claims on non-residents of the euro area which do not meet the "highly liquid" criterion for inclusion in reserve assets (such items are recorded under portfolio investment or "other" investment in

the b.o.p. and i.i.p.). Foreign currency liquidity also takes account of predetermined and contingent short-term net drains on foreign currency assets, which include principal and interest payments on loans, forward positions in foreign currency, flows related to reverse transactions, credit lines extended, guarantees given, and many other items which are not recorded in the b.o.p. and i.i.p. The template also provides for a number of memorandum items. The data, which are set out in Annex II, Table 3, of Guideline ECB/2004/15, are provided to the ECB for inclusion in the template within three weeks of the month to which they relate.

## 8 STATISTICS CONCERNING THE INTERNATIONAL ROLE OF THE EURO

99. The ECB publishes an annual report on the international role of the euro. MFI balance sheet statistics (items of business with non-residents distinguish between euro and foreign currency amounts) and securities issues statistics (which identify issues denominated in euro by non-residents of the euro area), contribute to the assessment of the international role of the euro. Guideline ECB/2004/15 provides for a six-monthly currency breakdown (between the euro, the dollar and other currencies) of the euro area's external transactions in debt securities, and the same breakdown of euro area residents' external positions in debt securities, at end-June and end-December, specifically for assessing the international role of the euro as an investment currency. The ESCB collects information on other characteristics of bond issues for the same purpose. Currently, several Eurosystem and ESCB central banks also collect information on invoicing practices in external trade in goods and services, mainly via collection systems based on bank settlements. The Oesterreichische Nationalbank contributes information on the circulation of euro banknotes (and the continued circulation of notes denominated in the former national currencies of euro area countries) in five neighbouring countries outside the euro area.

## 9 EFFECTIVE EXCHANGE RATES OF THE EURO

100. The nominal EER of the euro is a summary measure of its external value vis-à-vis the currencies of the most important trading partners of the euro area. The real EER – obtained by deflating the nominal rate with appropriate price or cost indices – is the most commonly used indicator of international price and cost competitiveness.

101. The ECB calculates daily nominal EERs, which are defined as geometric weighted averages of the bilateral exchange rates of the euro against the currencies of trading partners. Real EERs are geometric weighted averages of prices or costs in the euro area relative to its trading partners, expressed in a common currency. Since price and cost data are not available at higher frequency, real EERs are calculated monthly or quarterly.

102. The weights assigned to trading partners are derived from their shares in euro area trade in manufactured goods, excluding trade within the euro area, over two three-year periods (namely 1995-1997 and, following further work in 2004, 1999-2001). The weights use information on both exports and imports. The import weights are the simple shares of each partner country in total euro area imports from all the partner countries. The weights for exports are determined in such a way that they capture both the importance of individual markets for euro area exports and the competition faced by euro area exporters in foreign markets from both domestic producers and exporters from third countries.

103. EERs are calculated vis-à-vis two groups of trading partners: the EER-23, comprising the 13 EU Member States outside the euro area and ten main trading partners outside the European Union; and the EER-42, comprising the EER-23 and another 19 countries. For the EER-23, the nominal EER is computed daily and real indices are available monthly (using consumer and producer prices) and quarterly

(using GDP deflators and unit labour costs). For the broader group, the nominal EER and a real EER based on consumer prices are computed monthly.

## 10 GOVERNMENT FINANCE STATISTICS

104. Government finance statistics are statistics covering the transactions and positions of the general government sector (S.13 in the ESA 95), comprising the central government, state government, local government, and social security funds sub-sectors. The ECB is interested in government finance statistics for two reasons. For the purposes of convergence reports on the readiness of Member States to adopt the euro, and in the context of the Excessive Deficit Procedure and the Stability and Growth Pact, the emphasis is on annual data on the general government deficit/surplus and consolidated general government debt in individual EU Member States. Under Guideline ECB/2005/5, which formalises a long-standing need for data of this kind from Member States, central banks provide the ECB with annual government accounts, including revenue, expenditure, deficit/surplus, the borrowing requirement, privatisation receipts and outstanding debt. These data permit the ECB to incorporate transactions between the EU institutions and the Member States as if the former, in respect of transactions with the Member State concerned, constituted an additional sub-sector of general government, the purpose being to provide a fuller picture of government transactions in the economy than data relating to national general government sectors alone. The ECB also receives annual data on the deficit-debt adjustment – a detailed reconciliation between the change in government debt between year ends and the government deficit or surplus in the intervening year. Guideline ECB/2005/5 (subsequently amended by Guideline ECB/2006/2) requires that all these data be reported in a form consistent with data provided by EU Member States to the European Commission

under ESA 95 and the Excessive Deficit Procedure. Government accounts provided under the Excessive Deficit Procedure depart from ESA 95 in limited but important respects, notably in the coverage and valuation of government debt.

105. Since government activity is an important factor in economic developments and financial markets, the ECB also needs quarterly data on non-financial and financial transactions of government and on outstanding government debt. Various Community regulations adopted in 2000 or since require that quarterly information be reported on general government revenue and expenditure, financial transactions and balance sheets in the Member States. As a result, comprehensive quarterly statistics will shortly be available on the general government sector in the European Union. Regulation No 501/2004 requires Member States to provide quarterly financial data, within three months of the end of the quarter, for central government, local authorities and social security funds separately, together with an instrument breakdown and, in the case of central government and social security funds, with counterpart information. Although full information is only now becoming available, the Regulation has already improved the quality of the government sector part of the MUFAs and also benefits statistics on the other non-financial sectors in the euro area through the use of the counterpart information. These data will form part of the quarterly euro area institutional sector accounts when they become available in 2007 (see below).

## 11 EURO AREA ACCOUNTS FOR INSTITUTIONAL SECTORS

### 11.1 INTRODUCTION

106. Within the definitions and conceptual framework of the ESA 95, institutional sector accounts provide comprehensive data on the non-financial and financial transactions of

each institutional sector. They give a complete picture of economic activity, from production to the generation and use of income for consumption or saving, and then transactions in capital assets, and finally to net lending or borrowing and the corresponding acquisition of financial assets or incurring of liabilities, with instrument and in some cases counterpart detail. The institutional sector accounts also provide financial balance sheets showing assets and liabilities, and accounts reconciling transactions with changes in the balance sheets. The results, especially for the non-financial corporation and household sectors, are invaluable for economic analysis and forecasting. The exercise of bringing together within a coherent structure almost all the information, both economic and financial, compiled within the ESA 95 framework, promotes accuracy and consistency and hence the usefulness of the data. The ESA 95 provides for institutional sector accounts, but only at annual frequency, which greatly reduces their value for business cycle analysis and projections. The ECB and the European Commission, supported by recent Community legislation, are accordingly jointly developing quarterly institutional sector accounts, and aim to achieve publishable results by spring 2007.

107. Within the full set of accounts, financial accounts record the borrowing and lending transactions of economic sectors, and balance sheets record their outstanding borrowing and lending, with a reconciliation between cumulative transactions and changes in the balance sheet. The ECB has been publishing partial financial accounts and balance sheets for the euro area at quarterly frequency since 2001. In their current format, quarterly data show the main financial investment and financing activities of the non-financial sectors (i.e. non-financial corporations, households and general government) and of insurance corporations and pension funds, enhancing monetary policy analysis and supporting analysis and forecasts related to households and non-financial corporations in particular. MUFAs may also be used to analyse

financial stability issues, for which information on the transactions and balance sheet positions of economic sectors is relevant. Finally, they provide a framework within which higher frequency data, notably monetary, b.o.p., and securities issues statistics, and government finance statistics, may be assessed and checked for consistency. Their usefulness will be greatly enhanced when they can be integrated with consistent non-financial accounts for institutional sectors as described in section 11.4.

## 11.2 SOURCES FOR QUARTERLY MONETARY UNION FINANCIAL ACCOUNTS

108. The ESA 95 requires EU Member States to prepare financial accounts in the form of detailed statements of financial transactions and of financial assets and outstanding liabilities at market value, together with a reconciliation of the two in a revaluation account and in what is called the other changes in the volume of assets account. The ESA 95 lists five main economic sectors (non-financial corporations, S.11; financial corporations, S.12; general government, S.13; households, S.14; and non-profit institutions serving households, S.15). S.12 and S.13 are further divided into sub-sectors.

109. Member States are obliged by the ESA 95 to compile financial accounts only at annual frequency. A Guideline (ECB/2002/7) nevertheless requires NCBs in the euro area to send quarterly national financial accounts data covering non-financial sectors and also insurance corporations and pension funds to the ECB. Almost all are now able to comply. NCBs must provide data from late 1997. The information arrives much more slowly than the ECB's euro area statistics which, though timely and well suited to MUFA needs, provide only part of the information needed.

110. Putting the data from the ECB's MFI balance sheet statistics and the national financial accounts together enables the ECB to compile quarterly financial transactions data



and balance sheets for non-financial sectors in the euro area which, though useful, leave room for improvement in terms of coverage and timeliness.

111. The section below summarises the information as it is currently presented. A new Guideline (ECB/2005/13, amending ECB/2002/7) improves timeliness from 130 to 110 days from the end of the quarter, with effect from April 2006, and will in due course permit publication of euro area aggregates within 120 days of the end of the quarter. It requires the compilation of complete quarterly national financial accounts (with full coverage of the financial asset and liability categories and full coverage of institutional sectors and the rest of the world) for both financial balance sheets and transactions data. Certain information on counterpart sectors, at present absent from most national financial accounts, will become available in stages to April 2008. Among other enhancements, the amending Guideline takes account of recent Community legislation concerning the financial accounts of government, and specifies requirements in the event of the enlargement of the euro area.

### **11.3 MAIN FINANCIAL ASSETS AND LIABILITIES OF NON-FINANCIAL SECTORS AND OF INSURANCE CORPORATIONS AND PENSION FUNDS**

#### **11.3.1 SECTORAL HOLDINGS OF FINANCIAL ASSETS**

112. Short-term financial investment covers predominantly the broad money (M3) holdings of the euro area non-financial sectors, and, in addition, certain short-term claims on other euro area sectors. Deposits classed as long-term financial investment are those with an agreed maturity of over two years and those redeemable at over three months' notice. Insurance technical reserves represent claims on life insurance corporations and pension funds. Together with longer-term (usually over one year) debt securities, quoted shares and investment fund units (other than MMFs), they

constitute an important component of the long-term financial investments of households.

113. The MFI balance sheet statistics provide data that are used to estimate holdings of currency and deposits and MMF shares/units by non-financial sectors in the euro area. Deposits of non-banks (the non-financial sectors cannot be separately identified for this purpose) with banks outside the euro area are partly estimated from b.o.p. sources. Holdings of debt securities and shares (both direct holdings and indirect holdings through investment funds) are harder to establish given the problem of identifying holders of negotiable securities. In their current format, quarterly national financial accounts permit an estimate of total holdings by non-financial sectors in the euro area to be made, but there is no further breakdown of these holdings among the non-financial sectors. As noted in paragraph 78, some information on such holdings will become available under Guideline ECB/2005/13.

#### **11.3.2 SECTORAL LIABILITIES**

114. The major components of financing granted to non-financial sectors are securities, loans and quoted shares. The main liabilities of non-financial sectors in the euro area are relatively easy to establish from euro area statistics and quarterly national financial accounts data. Liabilities, unlike assets, are fully broken down by sectors, and loans and debt securities are broken down by original maturity.

115. Similar information to that existing for non-financial sectors is available for insurance corporations and autonomous pension funds in the euro area. The main liabilities of these financial intermediaries (i.e. the net equity of households in life insurance reserves and in pension fund reserves, and prepayments of insurance premiums and reserves for outstanding claims) are largely recorded as financial assets of the non-financial sectors. The amounts differ because insurance corporations and pension funds in the euro area

have liabilities of this type to counterparts outside the euro area, and non-financial sectors in the euro area hold policies with insurance corporations and pension funds outside the euro area and also hold net equity in non-autonomous pension funds.

#### **11.4 NON-FINANCIAL ACCOUNTS OF INSTITUTIONAL SECTORS**

116. The financial account is the last in the sequence of accounts recording transactions between institutional sectors. The sum of the transactions recorded in the financial account should be equal to the balancing item carried forward from the capital account, namely net lending or borrowing, which is the outcome of all non-financial transactions of the respective sector. As noted above, ESA 95 requires that this information be provided, but only at annual frequency. The ECB and the Commission are jointly developing quarterly non-financial accounts broken down by institutional sector which will link to the financial accounts; the first results are expected to be published in spring 2007. The requirement to provide quarterly data on institutional sectors' non-financial accounts is supported by recent Community legislation (Regulation (EC) No 1161/2005, adopted in July 2005). The first data were provided under the Regulation in January 2006, together with data for quarters from the beginning of 1999. After a transitional period in which some information need not be reported in order to limit the burden on Member States, the Regulation requires the provision of a full set of accounts, from the production account to the capital account, together with the related balancing items or summary statistics (gross and net value added, operating surplus, disposable income, saving, etc.). The data are to be provided, after a transition period, within 90 days of the end of the quarter to which they relate. For data relating to the household and corporate sectors, the Regulation provides a derogation for Member States with a GDP of less than 1% of the EU total: Luxembourg and the new Member States except Poland will

benefit from this derogation. The Regulation does not initially require counterpart information, but this is envisaged as a later development.

## **12 STATISTICS ON PAYMENT AND SECURITIES SETTLEMENT SYSTEMS**

117. The Eurosystem has the statutory task of promoting the smooth operation of payment systems and, to this end, provides payment and securities settlement facilities. The Eurosystem also has a general oversight role in respect of payment systems, which are vital for the smooth operation of monetary policy. In particular, the ECB takes a close interest in the use of different payment media (cash, bank accounts, credit and debit cards, electronic wallets, etc.) and in the operation of interbank funds transfers. The ECB has an interest in securities settlement systems as the Eurosystem uses them to settle credit operations. It also has an interest in monitoring financial market integration in the euro area. In carrying out these operational functions, and the oversight function for payment systems, the Eurosystem collects a large amount of data, much of which is published in an annual report on payment and securities settlement systems in the European Union (the Blue Book). In close cooperation with the NCBs, the ECB has recently embarked on a project to make the data more consistent across the European Union and to bring it together in a single database.

## **13 STATISTICAL ASPECTS OF ENLARGEMENT OF THE EURO AREA**

118. At present 13 EU Member States are outside the euro area. Any or all of them, and any future Member States, may join it at some stage. When they do, it will be important to preserve the quality of euro area statistics, so they must be well prepared for entry in terms of statistics. It is also necessary, as the entry of Greece showed in 2001, to be able to provide

back data for the euro area in its enlarged composition in order to enable growth rates to be calculated across the point of enlargement, and to provide consistent time series for economic modelling and forecasting and forward-looking policy analysis. There is of course no suggestion that the result will fully represent what the position would have been if the euro area had indeed been larger at the time considered. Moreover, certain reference statistics covering the euro area as it was at the time to which the data relate will always be necessary, despite the breaks in them arising from successive enlargements.

119. Where data for the euro area are simply the sum of national data, all that is needed to deal with enlargement is fully comparable national data for the newly participating countries. Where euro area aggregates are not a simple sum of national data (as is the case for monetary, b.o.p. and i.i.p. statistics, and also for financial accounts), changes in the composition of the euro area require back data with sufficient geographical and sector detail to enable the necessary consolidations to be carried out; and both the existing euro area Member States and the new entrants must provide it. Moreover, given the inclusion of information on currency in the MFI balance sheet statistics, and the crossings with instruments, maturities, and sectors, requiring Member States to provide data that would enable euro area aggregates to be constructed for earlier dates or periods for any possible composition of the euro area would imply a huge reporting burden in the monetary and b.o.p. areas. In practice, back data were constructed on a best estimate basis for the start of monetary union, and when Greece joined the euro area, supplementing the data provided for in the reporting schemes with information from other sources (e.g. BIS international banking statistics). Following the 2004 enlargement of the European Union, and in view of the likelihood of further enlargements of the euro area, the ECB and the NCBs have recently agreed the main principles and implementation measures for a

harmonised transmission of back data, accepting that some estimation will continue to be necessary.

#### **14 THE EXCHANGE OF STATISTICAL INFORMATION**

120. The exchange of statistical information within the ESCB and with European and international institutions requires a fast, robust and secure data exchange system. The ESCB has such facilities to transfer data files in both directions between the ECB and NCBs, using a dedicated telecommunications network and a message format known as GESMES/TS (SDMX-EDI) which is widely used in the international statistical community for exchanging data and metadata, including statistical structures, definitions and code lists. It also allows statistical databases to be easily integrated into networks and data file reception and delivery systems. New datasets are easily incorporated. The same format is used by the ECB in exchanges of statistical information with Eurostat and with international organisations (mainly the BIS and the IMF). Modern technologies, based on the SDMX-ML standards, are also used in the web dissemination of statistical information. The ECB works closely with the BIS, Eurostat, the IMF, the Organisation for Economic Cooperation and Development, the United Nations and the World Bank on the SDMX initiative, with the aim of developing more efficient processes for the exchange and sharing of statistical data and metadata.

#### **15 PUBLICATION AND REVISIONS POLICY**

121. Without disclosing confidential information concerning individual reporting agents or other entities, the ECB's policy is to publish statistics fully and promptly, with descriptions of their nature, source, coverage and conceptual basis. The ECB's website contains all euro area statistics and descriptive material, together with a range of relevant

national statistics and links to central bank websites on which these and other more detailed national data may be found. The statistical section of the ECB's Monthly Bulletin and the Statistics Pocket Book also contain extensive tables and (in the case of the Monthly Bulletin) articles and boxes describing ECB statistics. Many of the data are first published by press release at pre-announced times (see Annex 1).

122. Most statistical series are subject to revision. Mistakes in the raw data may have to be corrected, high frequency data are often revised in the light of later, fuller information (e.g. the regular cycle of revisions to the monthly b.o.p. of the euro area on receipt of fuller quarterly data) and methodological improvements may from time to time call for revisions to earlier data. The ECB's policy is to announce revisions cycles in advance; to provide full documentation on revisions, and keep their size and pattern under review; and, as far as possible, to revise earlier data where this is possible at a reasonable cost.

123. In a growing number of statistical areas the ECB (like the European Commission) has formalised the process of monitoring the quality of statistics by requiring periodic reports which review various aspects of quality in a systematic way. Such reports have been published in the b.o.p. and i.i.p. statistics areas (currently under Article 6 of Guideline ECB/2004/15), and are also required under the Guidelines on quarterly financial accounts (ECB/2002/7, as amended by ECB/2005/13) and government finance statistics (ECB/2005/5). The Guideline on money and banking statistics (ECB/2003/2, as amended by ECB/2005/4), which also covers securities issues and OFIs, requires central banks to monitor the quality of data submitted to the ECB. The European Parliament and Council Regulation on the compilation of quarterly non-financial accounts by institutional sector imposes obligations on Member States with regard to quality standards and will require the Commission to report on data quality to the

European Parliament and Council within five years of the Regulation's entry into force.

124. In publishing statistics and revising data after publication, the ECB coordinates its actions with the NCBs and, where necessary, with Eurostat. The aim is to present the most up-to-date information, while as far as possible maintaining consistency across areas of statistics and over time.

## 16 ECB LEGAL INSTRUMENTS CONCERNING STATISTICS

125. Article 5 of the Statute and Council Regulation (EC) No 2533/98 provide the legal framework for the ECB's statistical activities. Further legal instruments as provided for in Articles 34 and 14.3 of the Statute impose specific data requirements on a reporting population drawn from the reference reporting population identified under Article 2 of Regulation No 2533/98, or instruct NCBs (or other statistical agencies) on what data they should transmit to the ECB, in what form, when and how. ECB Regulations address reporting agents, and are directly applicable in participating Member States. ECB Guidelines are binding on members of the Eurosystem, including the ECB itself. ECB Recommendations have no binding force, but may be used to make statistical agencies in participating Member States, which provide data although they are not central banks, aware of the ECB's statistical requirements. The purpose of notices is to provide information. ECB legal instruments currently in force are listed on the next page.

## **MONETARY, FINANCIAL INSTITUTIONS AND MARKETS STATISTICS**

Regulation (22 November 2001) concerning the consolidated balance sheet of the monetary financial institutions sector (ECB/2001/13), ([OJ L333, 17.12.01](#)).

Regulation (21 November 2002) amending Regulation ECB/2001/13 (ECB/2002/8), ([OJ L330, 06.12.02](#)).

Regulation (18 September 2003) amending Regulation ECB/2001/13 (ECB/2003/10), ([OJ L250, 02.10.03](#)).

Regulation (20 December 2001) concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations (ECB/2001/18), ([OJ L010, 12.01.02](#)).

Regulation (16 December 2004) amending Regulations ECB/2001/13 and ECB/2001/18 (ECB/2004/21), ([OJ L371, 18.12.04](#)).

Guideline (6 February 2003) concerning certain statistical reporting requirements of the European Central Bank and the procedures for reporting by the national central banks of statistical information in the field of money and banking statistics (ECB/2003/2), ([OJ L241, 26.09.03](#)).

Guideline (13 February 2004) amending Guideline ECB/2003/2 (ECB/2004/1), ([OJ L083, 20.03.04](#)).

Guideline (15 February 2005) amending Guideline ECB /2003/2 (ECB/2005/4), ([OJ L109, 29.04.05](#)).

Notice of the ECB on the imposition of sanctions for infringements of balance sheet reporting requirements (2004/C195/10), ([OJ C195, 31.07.04](#)).

## **BALANCE OF PAYMENTS AND RELATED EXTERNAL STATISTICS**

Guideline (16 July 2004) on the statistical reporting requirements of the European Central Bank in the field of balance of payments and international investment position statistics, and the international reserves template (ECB/2004/15), ([OJ L354, 30.11.04](#)) (the associated recommendation is ECB/2004/16), ([OJ C292, 30.11.04](#)).

## **FINANCIAL ACCOUNTS**

Guideline (21 November 2002) on the statistical reporting requirements of the European Central Bank in the field of quarterly financial accounts (ECB/2002/7), ([OJ L334, 11.12.02](#)).

Guideline (17 November 2005) amending Guideline ECB/2002/7 (ECB/2005/13), ([OJ L030, 02.02.06](#)).

## **GOVERNMENT FINANCE STATISTICS**

Guideline (17 February 2005) on the statistical reporting requirements of the European Central Bank and the procedures for exchanging statistical information within the European System of Central Banks in the field of government finance statistics (ECB/2005/5), ([OJ L109, 29.04.05](#)).



Guideline (3 February 2006) amending Guideline ECB/2005/5 (ECB/2006/2), (OJ L040, 11.02.06).

#### **STATISTICAL CONFIDENTIALITY**

Guideline (22 December 1998) concerning the common rules and minimum standards to protect the confidentiality of the individual statistical information collected by the European Central Bank assisted by the national central banks (ECB/1998/NP28), (OJ L055, 24.02.01).

## ANNEX I

### FREQUENCY AND TIMELINESS OF PUBLICATION OF EURO AREA AGGREGATED STATISTICS

The ECB publishes a wide range of statistics in monthly and quarterly press releases and in the “euro area statistics” section of the ECB’s Monthly Bulletin, which is normally published on the second Thursday of each month. More details on the statistics shown below, can also be found in the statistics section of the ECB’s website ([www.ecb.int](http://www.ecb.int)).

Monetary developments in the euro area (released monthly, on the 19th working day following the end of the month to which they relate).

MFI interest rate statistics (released monthly, on the 30th working day following the end of the month to which they relate).

Euro area securities issues statistics (released monthly, around the 20th calendar day of the second month following the end of the month to which they relate).

Euro area balance of payments statistics (released monthly, between the 21st and the 29th calendar days of the second month following the end of the month to which they relate).

Euro area balance of payments statistics, including a geographical breakdown; euro area international investment position (released quarterly, about 4 months after the quarter to which they relate).

Euro area international investment position, including a geographical breakdown (released annually, about 10½ months after the year-end to which it relates).

International reserves and foreign currency liquidity (released monthly, on the last working day following the end of the month to which the data relate).

Financing and financial investment of the non-financial sectors in the euro area; main financial assets and liabilities of insurance corporations and pension funds (released quarterly, about 4½ months after the quarter to which they relate).

Euro area investment fund statistics (released quarterly, about 3½ months after the quarter to which they relate).

Euro area quarterly government finance statistics (released quarterly, about 4½ months after the quarter to which they relate).

Euro area annual government finance statistics (released annually, about 4½ months following the end of the year to which they relate).

Supplementary euro area general economic statistics for residential property prices (released biannually, about 4 months after the period to which they relate); for labour market indicators (released quarterly, between 2 to 4 months after the period to which they relate); for euro area capital stock (released annually, about 1½ years after the year to which they relate); and euro area seasonally adjusted HICPs (released monthly, following the release by Eurostat of the unadjusted monthly HICP series, about 18 days after the month to which they relate).

## ANNEX 2

### AVAILABILITY OF DATA

The euro area was established in January 1999. Many statistical series representing earlier developments in what became the euro area have nevertheless been compiled by the ECB, with the help of NCBs, for analytical and research purposes, and new requirements for statistics have often included earlier data (not always to the beginning of 1999) as far as possible on a comparable basis. This Annex specifies how far back certain key series are available for the euro area in its present composition. However, as euro area statistics have tended to become more detailed and comprehensive with the passage of time, the fact that a dataset is available from, for example, 1994, may not mean that all the detail now published in the ECB's Monthly Bulletin is available that far back. Moreover, earlier data, often compiled from non-harmonised sources designed for other purposes, are usually of lower quality than later data and are not fully comparable with them.

The Annex concerns euro area aggregates. Data relating to individual Member States, which may be available for longer or shorter periods, are not considered here.

### MONETARY, FINANCIAL INSTITUTIONS AND MARKETS STATISTICS

MFI balance sheet – monthly data from end-September 1997 (including Greece from March 1998).

Monetary aggregates (M1, M2-M1 and M3) – monthly data from January 1980 (with less reliable data prepared for research purposes from 1970).

“Bank” lending – monthly data from January 1983.

Investment funds (other than money market funds) – quarterly balance sheets from end-1998.

Securities issues (debt securities) – gross and net issues: monthly data from January 1990; amounts outstanding: monthly data from December 1989.

Securities issues (quoted shares) – gross and net issues: monthly data from January 1999; amounts outstanding: monthly data from December 1998.

MFI interest rates – monthly data on six deposit and four lending rates from non-harmonised national sources from January 1996.

MFI interest rates – monthly data on the current harmonised series (45 indicators: 31 on new business, 14 on outstanding amounts) from January 2003.

Money market rates, government bond yields, stock market indices – monthly data from January 1994.

### BALANCE OF PAYMENTS AND RELATED EXTERNAL STATISTICS

Current account and main components – quarterly data from the first quarter of 1980; monthly data from January 1997.

Financial account – monthly data from January 1998.

Geographical breakdown of the balance of payments – quarterly data from the first quarter of 2003.

Monetary presentation of the balance of payments – quarterly data from the first quarter of 2000; monthly data from March 2003.

International investment position – annual data from end-1997 (net positions only for 1997 and 1998); quarterly data from the first quarter of 2004.

Geographical breakdown of the international investment position – annual data from end-2002.

International reserves and foreign currency liquidity – monthly data from December 1999 (reserve assets only from December 1998).

Euro effective exchange rate (nominal and real) – from 1993; the nominal EER against the EER-23 group is available daily, and real EERs are available monthly or quarterly, depending on the deflator; against the EER-42 group, both the nominal and the real EER, based on consumer price indices only, are computed monthly.

#### **GOVERNMENT FINANCE STATISTICS**

Revenue and expenditure (main components), deficit/surplus, deficit/debt adjustment, debt (main components) - annual data from 1991.

Revenue and expenditure (main components), deficit/surplus - quarterly data from the first quarter of 1999.

Debt and deficit-debt adjustment (main components) - quarterly data from the first quarter of 2000.

#### **FINANCIAL AND NON-FINANCIAL ACCOUNTS**

Main financial assets and liabilities of the non-financial sectors – quarterly data from the fourth quarter of 1997.

Main financial assets and liabilities of insurance corporations and pension funds – quarterly data from the fourth quarter of 1997.

Saving, investment and financing (by sector) – annual data from 1990.

#### **GENERAL ECONOMIC STATISTICS**

Supplementary euro area general economic statistics (see Annex 1) - data from 1996 or earlier.

## ANNEX 3

### SELECTED REFERENCES

#### COMMUNITY LEGISLATION

Protocol on the Statute of the ESCB and of the ECB.

Protocol on the excessive deficit procedure.

Protocol on the convergence criteria.

Council Regulation (EC) No 2223/96 on the European system of national and regional accounts in the Community (the ESA 95).

Council Regulation (EC) No 2533/98 concerning the collection of statistical information by the European Central Bank.

Regulation (EC) No 1221/2002 of the European Parliament and of the Council on quarterly non-financial accounts for general government.

Regulation (EC) No 501/2004 of the European Parliament and of the Council on quarterly financial accounts for general government.

Regulation (EC) No 1222/2004 of the Council concerning the compilation and transmission of data on the quarterly government debt.

Regulation (EC) No 1161/2005 of the European Parliament and of the Council on the compilation of quarterly non-financial accounts by institutional sector.

#### ORGANISATION OF STATISTICAL WORK

Memorandum of Understanding on economic and financial statistics between the Directorate General Statistics of the European Central Bank and the Statistical Office of the European Communities (Eurostat).

#### OTHER

Balance of Payments Manual (5th edition, 1993; International Monetary Fund).

Review of the requirements in the field of general economic statistics (ECB – December 2004).

ECB Monthly Bulletin – euro area statistics section (December 2005 issue).



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