



ECONOMIC AND FINANCIAL COMMITTEE

Economic and Financial Committee

**Status Report
on Information Requirements
in EMU**

Brussels, 25 May 2004



Brussels, 25 May 2004
EFC/ECFIN/ESTAT/202/04 draft

Status Report on Information requirements in EMU

Key Messages

- As requested by the Council in February 2003, the Economic and Financial Committee has examined the status of the implementation of the Action Plan on EMU Statistical Requirements (EMU Action Plan), endorsed by the Ecofin Council in September 2000, as well as progress on the original report by the Monetary Committee on Information Requirements in EMU endorsed by the Ecofin Council in January 1999. The examination also takes account of the joint report on euro zone statistics by the Council and the Commission for the European Council of March 2003 and the Code of Best Practice on the compilation and reporting of data in the context of the Excessive Deficit Procedure (EDP) adopted by the Council in February 2003. Moreover, the EFC reviewed progress on the implementation of the Action Plan for the new Member States agreed in May 2003.

Progress on the EMU Action Plan

- The process beginning in 1999 and accelerated by the **EMU Action Plan** in 2000 has stimulated substantial improvements to economic statistics, both for euro area aggregates as well as for the national components. Availability, coverage and timeliness of quarterly national accounts, quarterly government finance statistics and short-term business indicators are now significantly better than they were in 1999. The operational target set in the EMU Action Plan - 80 % coverage for timely euro area aggregates - has been largely achieved in these domains while the quality of the country data needs constant review. For labour market statistics, however, the process has not yet yielded the expected results and more efforts are needed. For most Member States hours worked data are not yet available. For short-term business statistics only six countries have fully or almost fully implemented the regulation. Given that the Action Plan ran out in December 2002 the Committee invites the countries concerned to take appropriate action to fulfil the residual requirements by mid-2005 at the latest. This applies in particular to Greece and Ireland. The main issues on non-compliance to elements of the EMU Action Plan are set out country by country in the table below. Eurostat is planning to be in contact with the countries to bring these issues forward.

- Furthermore, the adoption of **new statistical regulations** requested under the EMU Action Plan has improved the basis for European statistics. The adoption of two further legal measures – on quarterly non-financial accounts by institutional sector and on short-term business statistics – is still awaited and should be dealt with high priority.

Progress with regard to other EMU statistical requirements

- *The joint report by the Council and the Commission submitted to the European Council in 2003 supported the compilation and dissemination of a set of **Principal European Economic Indicators** which aim to match the highest international standards from 2005 onwards. Without a stronger commitment of the national authorities, the achievement of the PEEI target in 2005 is at risk.*
- *Reliable **fiscal statistics** are essential for the credibility of the excessive deficit procedure. The EDP notification from March 2004 showed a rather good compliance with the **Code of Best Practice** as regards the reporting deadlines which marks a significant progress especially in the new Member States. There was also a considerable improvement in the availability of detailed data on the government sub-sectors, albeit still incomplete. The compliance was not very satisfactory as regards the institutional arrangements in Member States and the submission of the respective inventories. In this and other respects the requirements of the Code of Best Practice remain to be fulfilled in many Member States.*
- *The reporting requirements of EDP statistics have not yet been fully achieved, particularly in the case of Latvia where Eurostat was not able to certify the data. Outstanding EDP reporting problems in the new Member States mainly concern methodological shortcomings (delimitation of general government, and the recording of government transactions on an accrual basis) which may be due to statistical capacity issues. Moreover, Eurostat had signalled problems of data quality in the EDP notification of a few old Member States, where significant upward revisions of EDP data by incoming governments became eventually necessary after elections, the most recent case being Greece. This is a problem in view of the credibility of the Excessive Deficit Procedure.*
- *For the **Action Plan on Economic, Monetary and Financial Statistics for the Candidate Countries** good progress has been achieved, in particular as regards annual national accounts as well as the primary convergence indicators (government deficit and debt, HICP and long-term interest rates). However, the length of the time series is for many countries not yet satisfactory.*
- *Amongst the items addressed in the original, 1999 report of the Monetary Committee, the development of the statistical basis for the **services economy** and for harmonised and detailed productivity estimates are of utmost importance. The Committee encourages the Member States concerned and the Commission to speed up the developments in these fields and will further monitor progress.*
- *Member States and European institutions should conduct micro and macro studies with the objective to minimise **balance of payments** asymmetries. Legal impediments to the conduct of such studies should be removed. Moreover, community statistics on the structure and activity of foreign affiliates should be further developed.*

The future of the monitoring process

- *This report completes the regular reporting on progress of the EMU Action Plan. From spring 2005, the Committee will monitor at regular intervals the quality and availability of the statistics needed for the EMU/EU, covering both euro area/EU aggregates and the key indicators, in particular the PEEIs, and the compliance of EDP and, more broadly, government finance statistics with the Code of Best Practice. The Code of Best Practice must be completely implemented by the national statistical institutes and, where applicable, the National Central Banks, and surveillance under the leadership of Eurostat*

should be enhanced to ensure the quality of EDP reports. Where appropriate, the Committee will continue to inform and consult the Council on statistical issues that are of crucial importance for economic and monetary policy.

- *Enormous progress has been achieved since 1999. The targets set at that time recognised the statistical requirements of EMU. They also recognised gaps with respect to the most developed statistical systems, especially the United States. However, the performance of statistical systems of competitor economies has also improved. Therefore, whilst the EMU Action Plan is now largely implemented, the target must become more ambitious. Timely statistics in tune with evolving needs are a constant challenge and the European Statistical System will have to benchmark itself more against the best practices in other countries.*

- *Key principles in securing high quality of economic statistics are adequate capacity, transparency and integrity. In terms of capacity there is a need to re-establish by the Commission a training scheme for European statisticians. In terms of transparency improved documentation of methods and sources are needed regarding e.g. EDP. Integrity, independence and accountability are crucial elements in the implementation of legal acts in statistics. Proper institutional arrangements should endorse the implementation in the new Member States.*

- *The required improvements to European economic statistics can only be achieved if sufficient **resources** are available, in the Member States and in Eurostat. One important measure is to review **priorities** of statistics agreed upon prior to the EMU Action Plan, and reduce (legal) requirements for areas which are considered of less importance.*

- *As a basis for the monitoring in 2005, the Committee invites the following reports to be submitted by June 2005:*

- *a joint report by Eurostat and the ECB on the availability and quality of the Principal European Economic Indicators (PEEI) including a benchmarking against the statistical system of the USA;*
- *a report by Eurostat on the implementation of the existing and the revised short-term business statistics regulation and other remaining action plan issues;*
- *a report by Eurostat and the ECB on 'negative' priorities in statistics, which may help to free resources for the implementation and continuous production of high-priority statistics and to reduce regulatory burden;*
- *a report by Eurostat on the compliance of Member States with the Code of Best Practice and EDP statistical requirements.*

**Main outstanding issues
to achieve the objectives of the EMU Action Plan**

Country	Areas	Outstanding issue
Belgium	• Labour market statistics	• Provide hours worked data
	• Short-term business statistics	• Close gaps in coverage of variables
Denmark	---	---
Germany	• Quarterly Public Finance (financial)	• Provide main financial asset items for state and local government
	• Labour market statistics	• <i>Implement continuous Labour Force Survey (derogation until 2005)</i>
Greece	• Quarterly national accounts	• Close gaps in coverage of variables
	• Quarterly Public Finance (financial)	• <i>Provide data on central and local government and social security funds (derogation until 2005)</i>
	• Labour market statistics	• Provide data on employment, compensation and hours worked
	• Short-term business statistics	• Close major gaps in coverage of variables
	• External trade statistics	• Improve compliance
Spain	• Labour market statistics	• Provide hours worked data
France	• Quarterly Public Finance (financial)	• <i>Provide data on local government and social security funds (derogation until 2005)</i>
Ireland	• Quarterly national accounts	• Close gaps in coverage of variables and <i>improve timeliness (derogation regarding timeliness until 2008)</i>
	• Quarterly Public Finance (non-financial)	• Close major gaps in coverage of variables
	• Labour market statistics	• Provide hours worked data
	• Short-term business statistics	• Close major gaps in coverage of variables
Italy	• Labour market statistics	• <i>Provide hours worked data (derogation until 2004)</i>
	• Short-term business statistics	• Close gaps in coverage of variables
Luxembourg	• Quarterly national accounts	• Start providing Quarterly National Accounts
	• Labour market statistics	• Start providing employment data – ESA 95
Netherlands	• Short-term business statistics	• Close gaps in coverage of variables
Austria	• Labour market statistics	• <i>Provide hours worked data (derogation until 2005)</i>
Portugal	• Labour market statistics	• Provide data on employment, compensation and <i>hours worked (derogation for hours worked until 2007)</i>
Finland	---	---
Sweden	---	---
United Kingdom	• Quarterly national accounts	• Improve timeliness of transmission to Eurostat
	• Labour market statistics	• Improve timeliness of transmission to Eurostat; provide hours worked data

Report

The Council (Ecofin) endorsed a report prepared by the Monetary Committee on information requirements in Economic and Monetary Union on 18 January 1999 and invited the Commission (Eurostat), in close co-operation with the ECB, to establish an Action Plan on EMU Statistical Requirements in 2000, which should be implemented by end-2002. Furthermore, the new Member States who joined the European Union on 1 May 2004 had to comply with the Action Plan on Economic, Monetary and Financial Statistics for the Candidate Countries, endorsed in May 2003.

Section I of this report provides a final overview of the achievements under the September 2000 EMU Action Plan. *Section II* reports on progress made towards the implementation of the May 2003 Action Plan on Economic, Monetary and Financial Statistics for the new Member States. *Section III* provides an assessment of the application of the Code of Best Practice on the compilation and reporting of data in the context of the Excessive Deficit Procedure. Finally, *section IV* gives an overall assessment of progress concerning the original 1999 report by the Monetary Committee.

I FINAL ASSESSMENT OF THE IMPLEMENTATION OF THE EMU ACTION PLAN

The EMU Action Plan aimed at the production of national data to permit the timely compilation of reliable key statistics for the euro area and the EU, with at least 80% coverage of Member States' data. The key areas were: quarterly national accounts (targeted timeliness: 70 days), quarterly public finance statistics (90 days), short term business statistics (45/60 days), and external trade statistics (40 days), which should meet the 80% target by the end of 2001, and labour market statistics (70/90 days for employment, 75 days for the labour cost index) and new order statistics (50/90 days), which should meet the target by end-2002. Overall, the progress has been considerable, though delays could not be avoided and even to date not all objectives have yet been achieved.

Detailed information on individual countries is provided in Annex I "Current situation", Annex II "Overview of overall improvements" and Annex III "National planning on the basis of the EMU Action Plan".

1. Quarterly national accounts (main aggregates)

The provision of *national data* has improved and most countries now comply with the 70 days deadline set by the EMU Action Plan and Regulation No 1267/2003 adopted in June 2003. Nevertheless, there are still gaps for several countries and variables which affect euro area aggregates.

Since May 2003 Eurostat publishes *GDP flash estimates for the EU and euro area* after 45 days. At around the same time flash estimates are available for Germany, France, Italy, the Netherlands, Greece, Finland and, before that date, for Belgium and the United Kingdom. More countries are planning to move to the 45 days target (Spain and Sweden).

Quarterly *euro area aggregates* are now almost complete and published in two main releases with a coverage of well above 80% of the euro area. The *output and expenditure side* is released after about 65 days. The release of the remaining variables, in particular all *income variables*, however, is still only possible after around 105 days. This is more than one month after the deadline for the national data under the new regulation. Furthermore, the extension

of euro area series before 1991 is overdue, as estimates for West-Germany were made available as requested under the EMU Action Plan.

Most countries have improved their quarterly *national results* as envisaged under the EMU Action Plan. Significant gaps and/or delays with regard to the Action Plan target remain in the data supplied by Greece, Ireland and Luxembourg. Transmission delays affected data for the United Kingdom. A major outstanding item from the EMU Action Plan is the establishment of a set of *quarterly non-financial accounts by institutional sector*. In December 2003, the Commission submitted a proposal for a European Parliament and Council Regulation which should be adopted as quickly as possible.

2. *Quarterly public finance statistics*

Overall, the EMU Action Plan has stimulated the process of compiling quarterly public finance statistics covering comprehensive data on government revenue and expenditure, financial transactions and balance sheets as well as EDP debt.

The *Short-term Public Finance Statistics Regulation*¹, covering quarterly data on taxes, social contributions and social benefits, has been successfully implemented; a set of back data starting in 1991 was already provided in July 2002. The first publication of European aggregates on quarterly taxes and social payments took place in February 2003.

The *Regulation on quarterly non-financial accounts of government*, covering the remaining categories of revenue, expenditure and net lending/net borrowing, was enacted in June 2002² and data became available in September 2002. In line with an agreement laid down in the Council minutes to ensure quality, the national data are subject to a trial period, ending in 2005 at the latest. Until then, they are confidential unless made public by the Member States. Most of the countries are submitting the entire set of variables within 90-100 days. No data are delivered by Ireland. Euro area aggregates are not yet published. To speed up the publication of data, faster progress in the analysis of the quality of the transmitted data is needed.

Quarterly financial transactions and balance sheets for central government and social security funds have been provided by all Member States. The coverage needs to be further improved. Several Member States have also voluntarily transmitted quarterly data for other sub-sectors of general government. The next step towards a full set of quarterly financial accounts for the government sector is the implementation of the recently adopted *regulation on quarterly financial accounts for general government*³. In particular, Germany, Greece and France have to make an effort in order to comply with the Action Plan targets set in this area.

A Regulation concerning the compilation and transmission of data on the *quarterly EDP debt* is about to be adopted by the Council. Although not mentioned in the EMU Action Plan, a few Member States already publish these data.

¹ Regulation (EC) 264/2000 of 3 February 2000, OJ No. L 29 of 4 February 2000, pp.4.

² Regulation (EC) 1221/2002 of 10 June 2002, OJ No. L 179 of 9 July 2002, pp. 1.

³ European Parliament and Council Regulation (EC) 501/2004 of 10 March 2004, OJ No. L81 of 19 March 2004, pp.1.

3. *Labour market statistics*

The EMU Action Plan required improvements to data on employment, hours worked, the labour force and labour cost statistics. This remains the area where least progress has been made in terms of European aggregates. Yet, the legal instruments requested by the Action Plan have been adopted and are expected to yield significant results in the next 1-2 years.

For *quarterly ESA 95 employment and compensation indicators* the situation remains far from satisfactory. Regulation No 1267/2003 was adopted in June 2003 with the 70 days target for national accounts data on labour compensation and employment and, as a new quarterly indicator, hours worked. However, European aggregates are still lacking or only become available with a significant delay. Given that Germany, France, Italy, Spain, the Netherlands, Finland, Denmark and Sweden transmit data for compensation and employment (number of persons) within the targeted 70 days, Eurostat is urged to compile timely European aggregates. Timeliness has to be further improved in particular in Ireland and the United Kingdom. Greece, Luxembourg and Portugal provide no data at all. From 2004, *quarterly ESA 95 data for hours worked* have to be transmitted by all countries except Austria and Portugal (which have a derogation). At present, these data have only been transmitted by Germany, the Netherlands, Finland and Sweden. All countries, in particular Spain and Italy, are urged to meet the legal obligations for the crucially important hours worked data.

Progress has been made with regard to *euro area short-term labour cost data*. Regulation No 450/2003 was adopted in February 2003 and governs the harmonisation of the labour cost index. First estimates with coverage of more than 90% can now be published within 80 days after the quarter, close to the target of the EMU Action Plan at 75 days. Several countries have improved the industry coverage and the measures for labour costs and hours worked. The new legislation also requires the coverage of the services sector and improving the timeliness of the first release to 70 days. However, due to extensive derogations the objectives of the regulation will not be fully achieved before 2005.

Regulation No 1991/2002 amending the Council Regulation on the *labour force sample survey (LFS)* was adopted in 2002. Member States were supposed to collect and transmit data by end 2003 - with a derogation for Italy until 2004 and Germany until 2005. Using proxy data provided by these two countries, Eurostat should now start publishing quarterly LFS estimates for European aggregates and disseminate all national results in a timely manner.

4. *Short-term business statistics*

Short-term business indicators included in the EMU Action Plan are covered under Council Regulation 1165/98. By June 2003 this regulation had to be fully implemented. The EMU Action Plan had aimed at accelerating the implementation of the Regulation and requested full implementation for the industry, construction and retail trade domain already by end-2001 (new orders by end-2002). The objective of the Action Plan was achieved for some of the indicators, such as *industrial production* and *output prices*, as well as *retail trade turnover*. Recent progress concern in particular the release of industrial *new order statistics*, and early estimates for euro area *retail trade turnover*. For other variables, though, the objectives of the Action Plan were not achieved and the regulation is not fully implemented. For euro area aggregates, the situation is still not satisfactory for indicators in the construction sector and for services.

Regulation 1165/98 has been fully or almost fully implemented only by Denmark, Germany, France, Finland, Portugal and Sweden. In terms of weight in the euro area aggregates, the delays in complying with the Regulation by Italy and Spain are particularly relevant. Major

gaps exist in these data for Belgium. Greece and Ireland are supplying less than half of the mandatory indicators. To date, Greece has not been able to set a target for full compliance, six years after the adoption of the Regulation. These countries have to comply with the regulation as soon as possible in order to ensure good quality European short-term statistics. More emphasis should now also be put on improving the comparability of the statistical methods and the adjustment for seasonal and calendar effects.

Meeting the objectives of the EMU Action Plan, the Commission (DG ECFIN) publishes very timely *qualitative surveys on service industries* on a monthly basis, and plans to further extend coverage within the service industries.

5. External trade statistics

According to the EMU Action Plan target, Member States are supposed to transmit first euro area aggregates after 40 days. That deadline will be met through the implementation of new regulations in 2005. Up to 2005, first aggregates should be transmitted within 42 days after the reference period on the basis of a gentlemen's agreement. That 42-day deadline is respected by a large majority of Member States, which allows the publication of euro area first aggregates after about 50 days with very high country coverage. In the case of Greece, major efforts are necessary to reach compliance.

6. Timetable for the adoption of legal measures

The adoption of legal measures under the EMU Action Plan has continued successfully since the last report. The Regulation on the *labour cost index* was adopted in February 2003⁴, while the Regulation on *quarterly national accounts* was adopted in June 2003⁵. The Regulation on *quarterly financial accounts for the government sector* has been adopted recently, after long delays⁶. The Commission submitted the draft Regulation on *quarterly national accounts by institutional sector* to European Parliament and Council in December 2003. The requested revision of the *Short-term Business Statistics Regulation* has been submitted to Council and Parliament in April 2004. In view of the tight deadline for its implementation, Eurostat and the National Statistical Institutes have agreed to start the implementation of these two outstanding regulations without awaiting their final adoption.

II OVERVIEW OF PROGRESS ON THE IMPLEMENTATION OF THE ACTION PLAN FOR THE NEW MEMBER STATES

The high-level meeting with the Candidate Countries of 28 May 2003 in Athens endorsed the Action Plan on economic, monetary and financial statistics for the Candidate Countries. At the same time, the meeting identified six priority areas where the Acceding Countries would have to concentrate their efforts in the run-up to accession.

Sub-sections 1 to 6 focus on the new Member States. They present an assessment of the progress made in the priority areas (except for government debt and deficit which are addressed in Section III of this report) and a summary with regard to the availability of infra-annual data. Sub-section 7 provides a summary on the remaining Candidate Countries. Sub-

⁴ Regulation (EC) 450/2003 of 27 February 2003, OJ No. L 69 of 13 March 2003.

⁵ Regulation (EC) 1267/2003 of 16 June 2003, OJ No. L 180 of 16 June 2003.

⁶ Regulation (EC) 501/2004 of 10 March 2004, OJ No. L 81 of 19 March 2004.

sections 8 and 9 address the statistics for the convergence reports and the structural indicators. Detailed information on individual countries is given in the annexes.

Priority areas

1. Annual national accounts

The priority requirements for annual national accounts include methodological compliance with ESA 95, transmission of key aggregates and meeting the transmission deadlines.

All new Member States have reached an appropriate level of compliance with ESA 95. The final verification of compliance will be made for the EU budgetary purposes only after accession.

In general, good progress has been made and data availability can be considered satisfactory. The key variables are well covered. In some countries, however, additional efforts are needed to fill the still existing gaps. For Malta a number of constant price aggregates are missing. For Cyprus it is necessary to improve the availability of employment data. Due to ongoing work on backward revisions there is the risk of breaks in the time series. Countries should pay particular attention to this problem. At present this notably applies to the Czech Republic and Malta.

As a next step, the new Member States must make efforts to meet the requirements of Regulation 1267/2003, which specifies the 70-days deadline for the transmission of the main aggregates and provides for the provision of data on hours worked.

2. Harmonised Index of Consumer Prices

In February/March 2004 the new Member States carried out a detailed self-assessment of their compliance with current HICP regulations. This provided no evidence of significant problems. For two countries Eurostat identified some specific issues which are not likely to compromise the comparability of the HICPs to the extent that they can be resolved before accession or in the months immediately following accession. They relate to insurance weights (Poland) and the timely incorporation of changes in gas and electricity prices (Hungary). The two countries concerned are expected to have completed their work on these issues very shortly.

Overall, the new Member States currently provide HICPs which are up to the standards of the HICPs compiled by the old Member States in terms of timeliness, comparability, and compliance.

3. Long-term interest rates

The statistical framework on long-term interest rates has now been established⁷. All new EU Member States except Estonia use national currency denominated long-term central government bonds to measure the long-term interest rate level. This work has been jointly conducted by the ECB (DG-Statistics), the European Commission (Eurostat and DG-ECFIN), and the NCBs of the new Member States.

⁷ "Guidance note on long-term interest rate statistics for convergence in EU accession countries", European Central Bank.

Eight countries (Cyprus, Czech Republic, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia) use a single benchmark bond, while Malta uses a basket of bonds. Two countries (Cyprus and Lithuania) transmit primary market yields until their secondary market is sufficiently developed. Slovenia is in the position to provide secondary market yields since November 2003. In the case of Estonia, a harmonised indicator is not yet available, since this country has a very limited government debt.

The long-term interest rate statistics used for convergence assessment purposes for the new Member States have been released for the first time at the end of April 2004.

4. *Balance of payments and international investment position*

The new Member States regularly transmit national balance of payments data on a monthly, quarterly and annual basis and statistics on their international investment position on an annual basis, following methodological standards agreed at the European level. However, additional efforts are needed by several new Member States to achieve compliance with the requirements of the Action Plan, notably by

- Malta to compile balance of payments on a monthly basis;
- Cyprus to improve the timeliness and quality of its international investment position data;
- Hungary to compile detailed foreign direct investment flows and stocks;
- Hungary and, to a lesser extent, Estonia, Malta, Slovenia and Slovakia to provide the full services item detail at an annual frequency
- Lithuania, Malta and Poland to provide the requested geographical breakdown.

5. *External trade*

As regards the timely transmission of detailed statistics on Extra-trade considerable progress has been made. At present, all but two new Member States are able to meet the transmission deadline of 42 days. Cyprus and Malta need to further adapt their national collection systems in order to comply with the timeliness requirements.

The preparations for the introduction of Intrastat are well advanced in terms both of institution building and infrastructure. Pilot surveys have been conducted and information campaigns for traders been organised. However, past experience with Intrastat has shown that the possibility of no or late response from those traders that have to report presents a real risk for the success of the system in terms of timeliness and quality. The new Member States are called upon to make every effort in order to minimise this risk.

6. *Summary assessment with regard to infra-annual data*

In addition to HICP, balance of payments and external trade data the relevant infra-annual data comprise quarterly national accounts, quarterly public finance statistics, labour market statistics and short-term business statistics.

Concerning *quarterly national accounts*, priority should be given to the provision of seasonally adjusted data and to compliance with the new transmission deadline of 70 days laid down in Regulation 1267/2003. Only half of the new Member States have started transmitting *quarterly public finance statistics*. It is important to speed up work in this area. In addition, quarterly financial accounts should be taken up with high priority. As regards

labour market statistics, the situation is generally satisfactory concerning unemployment and labour cost data. All countries but one have implemented infra-annual Labour Force Surveys. A primary goal must be the timely transmission of a complete set of quarterly employment data under ESA 95.

In the area of *short-term business statistics* every effort must be made to ensure compliance with existing legislation, taking into account the expected changes to be introduced by the draft legal act amending the STS Regulation.

7. *The situation in the candidate countries*

The high-level meeting of May 2003 considered that Bulgaria, Romania and Turkey needed to step up their efforts and invited them to take the necessary actions to implement the Action Plan. The focus should be on the core statistics.

In annual *national accounts* priority must be given to the full implementation of ESA 95. Bulgaria and Romania have been working on its introduction for several years and significant improvements have been made. However, the data of these two countries are not yet in line with ESA 95 requirements. Further progress therefore remains to be achieved in 2004 and 2005. In the case of Turkey, national accounts are presently compiled according to SNA 68, but Turkey is working on the introduction of ESA 95. However, it is unlikely that Turkey will be in a position to comply with ESA 95 for several years. Turkey is encouraged to step up its efforts.

In the *HICP* domain further work is to be done in Bulgaria and Romania before compliance with HICP standards will have been reached. The introduction of the domestic consumption concept is the major step still to be accomplished in this regard. For Turkey, several initiatives have already been taken to start the compilation of an HICP, but work on the HICP is still in an early stage. Regular monthly transmission of Turkish HICPs is still to be established.

Major efforts have to be made in short-term statistics to comply with the EMU Action Plan requirements. Availability of data, coverage and timeliness have to be improved in almost all relevant areas: quarterly national accounts, quarterly public finance, labour market statistics and short-term business statistics.

Other areas

8. *Statistics for the Convergence Reports*

Several key statistics needed for the Convergence Reports by the Commission and the ECB are dealt with in other parts of this report (i.e. Harmonised Index of Consumer Prices, long-term interest rates and the Balance of Payments). The other statistics required for this purpose are mainly the annual data relating to the sustainability of the government financial position, i.e. general government net lending/net borrowing, structural features of general government gross debt, the deficit-debt adjustment and the main revenue and expenditure flows. It should be noted that the coverage and the timeliness of these data sets have to be further improved. In particular, there are problems with Malta (incomplete and untimely data), Poland (partly incomplete and untimely data), Czech Republic, Cyprus and Latvia (untimely data). All new Member States are urged to devote sufficient resources to the compilation and reporting of government data, which are also essential in the context of the Excessive Deficit Procedure.

9. Structural Indicators

In the field of Structural Indicators, which aim at supplying an instrument for EU monitoring and benchmarking in line with the Lisbon follow-up strategy, co-operation with the new Member States has continued and resulted in noticeable progress. While some data gaps will prevail, substantial improvements can be observed with regard to coverage and timeliness of the individual indicators.

Remaining challenges comprise the full integration of the new Member States into the EU data collection systems, in particular in the domains of innovation and research, and environmental statistics.

The new Member States are called upon to take all necessary measures to further improve the quality of the whole set of indicators.

III ASSESSMENT OF THE APPLICATION OF THE CODE OF BEST PRACTICE IN THE CONTEXT OF THE EXCESSIVE DEFICIT PROCEDURE

The Ecofin Council on 18 February 2003 adopted a Code of Best Practice on the compilation and reporting of data in the context of the Excessive Deficit Procedure. The comprehensive report by the (Ecofin) Council and the Commission on euro zone statistics for the European Council of March 2003 emphasised that the independence of statistical authorities, based on scientific methods, must be re-affirmed and reinforced, which applies particularly to the quality and transparency of statistics for the excessive deficit procedure. As a matter of emphasis, the Commission and the Council invited the European Council to support a rigorous compliance monitoring of statistics for the Excessive Deficit Procedure and the Stability and Growth Pact, notably based on a full transparency of the concepts, data and methods underlying the compilation of these data, in line with the Code of Best Practice on the compilation and reporting of budgetary data adopted by the Council. Annex V.C provides an overview of the compliance with the Code of Best Practice.

Eurostat has the task of assessing the quality of government deficit and debt data reported by Member States, in particular the compliance with the accounting rules, and of validating (if need be amending) these data. Eurostat carries out EDP follow-up missions in Member States on a regular basis. The new Member States participated for the first time in a formal EDP notification on March 1st 2004 on the same conditions and the same rules as the old Member States. Therefore, it was decided by Eurostat to carry out, in the six months preceding the March 2004 notification, a series of EDP missions to all new Member States. The goal of these missions was to verify whether national accounts (ESA 95) rules would be correctly applied in the context of the March 2004 EDP notification, and to make sure that the new Member States would be able to report deficit and debt figures under conditions similar to those applied in the old Member States.

The main findings of the missions are that, although the situation is quite heterogeneous in terms of institutional arrangements and level of expertise in national accounts and EDP issues at the level of National Statistical Institutes, most new Member States seemed to face similar problems as regards the proper delimitation of the general government sector, the correct classification of financial and non-financial transactions, the correct implementation of rules concerning the time of recording and the application of the accrual principle (especially in the case of taxes and social contributions). Nevertheless, in all cases except Latvia the notifications were deemed of a quality good enough to be certified by Eurostat (the same was true in the case of all old Member States except Greece).

The remaining open issues with new Member States listed in Annex V.A to this document will need to be addressed and settled before the September 2004 EDP notification. The same is true as concerns the old Member States, although for them, in almost all cases, the amount of open issues is rather limited. Annex V.A contains Eurostat's assessment of the EDP notifications with regard to the main results for both new and old Member States.

Concerning the institutional arrangements, according to the Code of Best Practice the actual data shall be compiled by the National Statistical Institutes and where applicable by the National Central Banks. In certain Member States, in view of current institutional arrangements actual data can be compiled by the Ministry of Finance. In the new Member States, on the contrary, the role of the Ministry of Finance in the EDP notification seems to be still important. The institutional arrangements of the notification (authorities responsible for the compilation and the transmission of data) are resumed in Annex V.B.

Finally, Annex V.D shows how the reporting institutions complied with the deadlines for the March 2004 notification. All countries except Denmark, Ireland, Sweden and Cyprus sent the EDP notification before or on the deadline of 1 March. Following the Code of Best Practice, all countries had agreed to report more detailed information at the level of government sub-sectors and to supply a detailed inventory of the methods, procedures and sources used for the compilation of actual government deficit and debt data. In most of the cases, the new tables on sub-sectors were provided. The statistical inventory, however, has not yet been received from the majority of the countries: Denmark, Spain, France, Ireland, Luxembourg, Portugal, Sweden, United Kingdom, Cyprus, Lithuania, Hungary and Poland.

IV OVERALL ASSESSMENT OF THE AVAILABILITY OF EMU STATISTICS

The EMU Action Plan was an operational tool to expedite the implementation of the highest priorities under the original Monetary Committee report. It identified - for each Member State and for each statistical area - where urgent progress should be made. In the last progress report, the Committee reverted to some other issues mentioned in the original report. Progress since last year on these issues is examined below.

1. Principal European Economic Indicators (PEEI)

In spring 2003, the Commission and Council submitted to the European Council a joint report on euro area statistics which supported the development of the PEEI and their full implementation by 2005. The PEEI list covers a broad range of (non-financial) macro economic statistics and sets out tight deadlines and other quality objectives for their production.

Meanwhile, some progress has been made. Based on the commitments by national statistical institutes, better coverage of the flash HICP for the euro area, the flash GDP estimate and services turnover can be expected by 2005. However, the coverage of the PEEIs for quarterly sector accounts, several short-term business indicators and indicators for the labour market is not yet sufficient. Without a stronger commitment of the national authorities, the achievement of the PEEI target in 2005 is at risk. Annex VI.A provides a synoptic table on PEEIs.

The Committee strongly supports the efforts undertaken to further co-ordinate the timing of the releases of PEEIs in the EU, for the euro area and in the Member States. Some convergence of release practices has taken place over the last year. This development should

now be used to examine further the possibilities to establish EU-wide release and revision dates for a first group of PEEI in accordance with the timeliness agreed by the Council.

The Committee also welcomes that further progress has been made in the field of new techniques for compiling and releasing European aggregates. One example concerns *sampling practices at the European level*, in close co-operation with national statistical institutes. In early 2004 this was successfully implemented for European Retail Trade Statistics whereby every EU country contributed a sufficient part of the sample for an advanced European estimate released after 35 days. The Committee encourages extending this technique to other short-term statistics.

2. *Assessment of priorities*

In order to meet shortcomings identified in the original Monetary Committee report, the Council considered a need for a re-balancing of statistical priorities when discussing the 5th Progress Report. While the ESA 95 National Accounts transmission programme needs to be amended to comply with the EMU Action Plan and the Lisbon initiative of the European Council, negative priorities from a European perspective may have to be set in other major domains of statistics leading to reduced requirements in existing legislation. Progress regarding the re-assessment of priorities in a strategic context is required.

3. *Statistics for the service sector*

The Monetary Committee report highlighted the need for progress in the *development of a sound statistical basis for the service sector*. The availability of infra-annual statistics on services is currently insufficient. In its 5th Progress Report, the Committee broadly endorsed the joint proposals of the SPC and the CMFB. Since then, Eurostat and the Member States have further detailed the necessary changes in EU legislation and practice.

For EU short-term business statistics, the proposal for the amended EU regulation (see also section I.6) covers new quarterly data for output prices for market services. This provides a major conceptual and practical challenge that may be met by a better distribution of research and development efforts among the Member States. It also includes pilot studies for more quarterly data on wages and salaries and hours worked, as well as for a monthly turnover indicator. The EU Labour Cost Index as well as the EU Labour Force Surveys are expected to provide additional information on services from 2005 onwards. Finally, the European Commission proposes to improve the availability of annual national accounts indicators (such as value added, investment and hours worked) by providing data for 25 services industries (instead of the 10 more aggregated industries under the existing regulation).

4. *Balance of Payments*

The Regulation *on balance of payments statistics* mentioned in the 5th Progress Report is at the point of being adopted. In parallel to the Commission's statistical needs set out in this Regulation, the ECB has laid down its requirements in an ECB Guideline; the current version is being updated so that it provides a fairly complete and stable framework for Member States to develop and enhance their collection systems for balance of payments and international investment position data.

Further consistency of the balance of payments statistics with national (economic and financial) accounts is important. This also refers to a further alignment of the level of detail and the timeliness of these statistics. In addition, a more consistent compilation procedure and revision policy for balance of payments and national accounts has to be developed in several Member States.

Though revisions in balance of payments statistics have been progressively reduced, the bias in its errors and omissions has raised concerns. In order to preserve the quality of the data, Member States have started to elaborate *national action plans on future compilation systems*. Future collection systems will rely more on multiple sources, in particular direct reporting by enterprises, and in many countries work in this direction is already underway or has been completed. The national action plans will be updated annually. Regulation 2560/2001, on cross-border payments in euro, has established a EUR 12,500 reporting threshold; an increase of this threshold to EUR 50,000 would entail risks for the quality and detail of balance of payments statistics, particularly in the new Member States. The Committee requests national statistical institutes to contribute, where relevant, to deliver good quality data, e.g. on international trade in services. Member States and European institutions should conduct micro and macro studies in order to minimise balance of payments asymmetries. Legal impediments to the conduct of such studies should be removed.

The draft Regulation on Community Statistics on the Structure and Activity of Foreign Affiliates (FATS) is expected to be adopted in 2005. It focuses on the production of EU aggregates and will fill a major gap in the data needed for trade and internal market policies. Member States are encouraged to start the implementation already before its adoption.

5. *Further issues*

In line with the results of the work on *price and volume measures for national accounts*, the Commission adopted in 1998 and 2002 decisions that will lead – during a transitional period ending in 2005 - to a higher quality of price and volume measures in the national accounts. Sampling and quality adjustment, and harmonisation of collection periods in the *Harmonized Index of Consumer Prices* are important issues which should be addressed with high priority at the European level. Incorporating price developments of owner-occupied housing services in the HICP is the second main priority for the next few years. Countries may consider giving more prominence to national HICP data and attaching less importance to national CPIs. The Committee urges that sufficient progress is made in these difficult areas which are crucial for economic and monetary policy analysis.

Under the Lisbon strategy – as well as for EMU policy – the monitoring of *productivity developments* in the EU, and notably at a sufficient level of detail regarding the output and the inputs of economic activities are of paramount importance. This requires appropriate data to compare productivity developments between EU countries, to accurately measure and interpret productivity changes for the EU and euro zone, and to be able to make meaningful comparisons with non-EU countries, in particular the United States. For this purpose, comparable annual and quarterly output and (labour) input data from the national accounts are the main source. On the output side, much has already been achieved, but more should be done, particularly concerning the output of government. Major efforts are now necessary to improve and further detail the labour input variables, in particular hours worked data.

Beginning with its first report, the Monetary Committee and the EFC have called for improvements of the *publication practices* of European statistical data, the implementation of efficient means for *data exchanges* and a *punctual transmission* of published economic statistics to users⁸. As to data exchanges, remarkable convergence to the Gesmes/TS standard format for data transmission has taken place. After examining the punctuality of transmitting ten PEEIs it is apparent that delays between their publication at the national level and their transmission to the European Institutions must be further eliminated. The Committee reiterates the same-day-delivery principle for all PEEIs.

⁸ See the full CMFB report on the implementation plan under “www.cmfb.org”.

As noted in the previous report, almost all national statistical institutes and Eurostat provide *electronic access* to their statistical data and publish pre-determined release calendars. Recently, Eurostat has improved its supply of Euroindicators on the website to the general public. In the medium-term, Eurostat and the ECB intend to implement further measures which will facilitate the access to European statistics. Most European and national economic statistics will then be centrally available for all users on the Eurostat and ECB websites. This is a very welcome development.

As required by the EMU Action Plan, common guidelines for producing comparable *seasonally and working day adjusted quarterly accounts* have been adopted by the Committee on Monetary, Financial and Balance or Payments Statistics (CMFB) in 2002. However, to date the recommendations have only partially been implemented. All EU countries, including the new Member States, should aim at the full implementation of the recommendations by 2005. Similar work should now begin in the broad field of short-term statistics, starting with selected key indicators.

The work on *quality in statistics* has progressed. Both for Balance of Payments and for Quarterly National Accounts operational measures to assess quality have been developed. This work enhances a common understanding of the relevant quality dimensions, the desirable balance between different quality criteria (e.g. between reliability and timeliness) and a more thorough knowledge of the features and limits of (very timely) economic statistics. A regular publication of selected quality measures in statistical press releases is therefore an important objective of this work.

There is also a need to upgrade the statistics that allow a better analysis of the *long-term sustainability* of the social protection systems, including demographic projections. The analysis of the *quality of public finance* receives an increasing importance and would benefit from the availability for all Member States of statistics on the functional classification of government expenditure (COFOG), in accordance with the Commission proposal for the revision of the ESA 95 transmission programme. Complete expenditure data for general government on the second COFOG level would provide the best basis for aggregate analysis.

Annexes

- Annex I: Current situation
 - IA: Euro-area estimations and country transmission delays
 - IB: Progress in timeliness compared to the same period of the previous year
- Annex II: Overview of improvements
- Annex III: National planning on the basis of the EMU Action Plan: Updated national action plans
- Annex IV: Status report for modifying existing statistical regulations
- Annex V: Assessment of the application of the Code of Best Practice in the context of the Excessive Deficit Procedure
 - VA: Assessment of EDP notifications: Main results from missions to Member States
 - VB: Institutional arrangements
 - VC: Compliance with the Code of Best Practice
 - VD: Follow-up March 2004 EDP notification
- Annex VI: Principal European Economic Indicators
 - VIA: Synoptic table
 - VIB: Current situation and commitments
- Annex VII: Compliance with STS (Short-term Business Statistics Regulation) requirements
- Annex VIII: New Member States and Candidate Countries
 - VIIIA: Data availability
 - VIIIB: Updated national action plans