Status Report

on

Information Requirements

in EMU

November 2006

Table of Contents

Ecofin Council Conclusions on Statistics

7 November 2006

Ecofin Council conclusions on Statistics

The Council adopted the following conclusions:

"The Council endorses the 2006 EFC Status Report on Information Requirements in EMU, and in particular:

WELCOMES progress made on the availability and quality of Principal European Economic Indicators (PEEIs) which enables a more timely and reliable assessment of the euro area and the EU economy;

Recognising the positive developments and enhanced efforts by the National Statistical Institutes, CALLS FOR further improvements in areas where the implementation of PEEI targets, particularly related to timeliness and other quality features, has not yet been completed in the light of the original deadline of end 2005; and NOTES that progress should be achieved especially in the area of services and labour market statistics in the context of the objective of an overall reduction in the administrative burden;

WELCOMES the promising findings on best national practices for producing high quality PEEIs to enable further improvements in timeliness, coverage, consistency and other quality features of statistics both at European and national level; and INVITES Member States to undertake concrete steps to implement earlier estimates benefiting from other Member States' experience; and

WELCOMES the improvements and timeline required for the PEEIs and CALLS FOR a closer coordination of national statistics on processes as identified in the ECOFIN conclusions of 8 November 2005 and as specified further in the recommendations of the 2006 EFC Status Report;

INVITES Eurostat and the ECB to review progress achieved as well as on the main outstanding issues concerning the implementation of the EMU Action Plan by Autumn 2007, and the EFC to prepare a new Status Report in 2007; and NOTES that high quality statistics are needed for structural analyses of economic policy and progress in this area should also be reviewed in 2007.

The Council furthermore:

NOTES that ways should be considered to ensure a coherent approach as regards the public communication of major statistical revisions in Member States and, to this end, INVITES the Committee for Monetary, Financial and Balance of Payments statistics (CMFB), by mid-2007, to examine this issue and put forward a proposal;

NOTES that important progress has been made during the past year by Eurostat in providing advice to Member States on planned transactions; and WELCOMES the recent guidelines for ex-ante advice by Eurostat, as well as the fact that timetables for consultation are being clarified in the CMFB procedure; and

LOOKS FORWARD to the forthcoming Commission Communication for a strategic approach on the reduction the statistical burden and will RECALL this issue at its forthcoming meeting. "

2006 EFC Status Report on Information Requirements in EMU

ECONOMIC AND FINANCIAL COMMITTEE

Brussels, 27 October 2006
ECFIN/CEF(2006)REP/56415

EFC 2006 Status Report on Information Requirements in EMU

Executive Summary

The Ecofin Council Conclusions on the EFC Status Report and on EU Statistical Governance (November 2005) acknowledged the progress achieved in several fields of the Principal European Economic Indicators (PEEIs) over recent years, but also pointed to remaining important challenges in particular in the areas of indicators for services and the labour market. Stronger longer-term commitments were needed to meet these challenges. The Ecofin Council also called for a reinforcement of the "First for Europe" Approach in terms of a closer coordination of release calendars, revision policies and dissemination practices, seasonal and working day adjustment for European aggregates, and the use of European sampling schemes. Furthermore, the Council invited the European Statistical System to study best practices in the EU and to provide recommendations on how to apply these more widely. The present report addresses these requests of the Council. It describes the situation in autumn 2006 and puts forward some recommendations in order to further improve the statistics underpinning European economic and monetary policies. An overview of the improvements achieved and further progress needed is included in the implementation plan for PEEIs presented in tabular form below. Important statistical work related to certain structural statistics currently being undertaken is also highlighted.

Further progress was achieved on the **availability and quality of PEEIs**, whereby 10 of 19 indicators (as compared to 9 indicators in November 2005) by now fulfil (or are close to) the targets set in the joint report of the Council and the Commission in March 2003. Significant improvements are noted regarding the coverage of the HICP flash estimate for the euro area and the GDP flash estimates for the euro area and the EU. An important milestone on the way to quarterly sector accounts was reached in May 2006 with the release of the annual European accounts for institutional sectors. Several business indicators also registered significant progress at national level and Eurostat will be able to accelerate the release of the euro area aggregates soon, notably for the industrial production index, the industrial new order index, production in construction and the turnover index for retail trade and repair. Progress continued in the compilation of the monthly unemployment rate and the quarterly labour cost index.

These positive developments and enhanced efforts by National Statistical Institutes notwithstanding, further improvements are needed in a number of areas where the implementation of PEEIs (in terms of timeliness and other quality features) has so far not be fully completed in spite of the 2005 deadline set in the joint Council and Commission report in March 2003. The main deficiencies remain in the area of statistics on services and of labour market indicators.

Since the **HICP** plays a key role for all economic agents in the EU, its quality is of utmost importance. The HICP is undoubtedly the best available measure of changes in the prices of goods and services purchased by European households. No other price indicator reaches the degree of comparability and accuracy that has been achieved for the HICPs. Ten years after the introduction of the HICP it may now be an appropriate time to review the longer-term plans for the further development of the HICP. There are two main priorities: quality adjustment and a specific index including consumer expenditure on owner-occupied housing. Work on these issues has been under way for several years and the implementation of improvements in these areas remains a priority. Moreover, it may also be the right time to review the relationship between the HICP and the national CPIs in order to develop a strategic framework for the future. Such a framework could further enhance the transparency, comparability and credibility of consumer price statistics.

Concerning **quarterly national accounts**, efforts are required to improve the coverage and co-ordination of the first GDP release (after 60 days) with more breakdowns. With a view to releasing the quarterly euro area accounts for institutional sectors in May 2007, it is important to pursue the integration of the annual and quarterly non-financial and financial accounts for institutional sectors at national and European level. All Member States are encouraged to publish their quarterly government finance statistics, as soon as the reliability of the data is sufficient.

Regarding **short-term business statistics**, improvements for production and new order indicators have been achieved or will be implemented in late 2006. However, the availability of indicators for services remains inadequate and, as noted by the Council in 2005, this represents a major weakness given the importance of services. The regular PEEI quarterly release of services turnover planned from autumn 2006 is a positive development. Further work in 2007 should focus on improving coverage and timeliness as well as the planned development of monthly services turnover indicators. The situation for import prices as well as for services output prices is, however, far from satisfactory and more urgent progress is needed, possibly by means of an intensified cooperation among national statistical institutes and Eurostat. The target dates for substantial improvements are now autumn 2007 for European import prices and 2008 for services output prices.

Member States are also urged to step up efforts as a matter of priority on the compilation of **labour market indicators**, in order to speed up the availability of information that is essential for an adequate assessment of the labour market conditions in the European Union. The new early estimate of

European employment data as well as the reported improvements for unemployment and labour cost data are welcome steps. However, there are still major improvements needed to meet the PEEI targets, in particular as regards timely employment data and the job vacancy statistics (for the latter, the required legislative basis should be agreed as soon as possible). Concerning structural statistics, there is a need to show breakdowns by labour quality consistent with national accounts (e.g. educational attainment).

The timely data collection, as well as the compilation and dissemination of high-quality PEEIs, requires a close co-ordination of statistical processes between Eurostat and the national statistical institutes based on adequate statistical governance structures. If so co-ordinated, these processes promote the **First-for-Europe Approach** and have the following features: a coordinated release and revision policy responding to European timeliness requirements; a harmonised statistical methodology for the compilation of European aggregates and related national results; sufficiently harmonised *seasonal and working-day adjustments*, a coordinated dissemination policy which highlights the relationship between the European aggregates, national contributions to European aggregates and national results; and a *reliability analysis* for European aggregates and their national contributions.

A successful example of the reinforcement of the “First-for-Europe” Approach is the co-ordinated release of the GDP flash estimate in the previous two years. Yet, it would be desirable to take the final small step and to ensure that the releases are to take place at one and the same day. More co-ordination is desirable for national accounts breakdowns. The harmonisation of release dates of the industrial production index is also close. Anyway, a co-ordinated release policy should not harm fast-releasing Member States. Ongoing work on common practices for the seasonal and working day adjustment in national accounts is very important, and similar initiatives are needed for other short-term statistics. Detailed studies on the revisions of PEEIs have confirmed their (in general high) reliability compared to national contributions. However, Member States, Eurostat and the ECB are required to analyse the possibility to set up common policies for routine revisions of PEEIs and, as a matter of urgency, to align major revisions derived from methodological changes (cf. the forthcoming introduction of the new statistical classification of economic activities, NACE). While revisions to statistics are necessary to incorporate new statistical information and methods, there is a need to minimise disruptions for users and make this process transparent at an early stage. In this regard, the reliability of European statistics could certainly be improved further by aligning the national revisions to a higher degree. Progress towards an efficient data exchange and dissemination of PEEIs has led to improvements of timeliness and to increased accessibility of European and national indicators. These objectives should be further pursued with an active involvement of data producers. Member States are urged to optimise their systems and to adopt and implement common standards of codification and transmission for PEEIs and to support the (worldwide) initiative of the SDMX Open Data Interchange. Finally, given the success of using European sampling for producing early estimates for EU and euro area retail trade turnover, this approach could be extended to other PEEIs.

The **benchmarking exercise** within the EU carried out in the first half of 2006 supports the preceding conclusions (cf. Annex II). Moreover, this study also suggests inter alia a wider use of estimation techniques, of flash estimates, of advance deliveries of statistics to Eurostat and of more modern data collection and data entry systems (such as web-based surveys) as best practices aimed at improving timeliness. The European Statistical System is invited to implement those best practices.

High quality statistics are needed not only for business cycle analysis but also to underpin structural analysis, as underlined by the Economic Policy Committee (EPC). In this respect, Member States are invited to step up efforts to comply with the Council request for information on **government expenditure** by function (according to the so-called COFOG level II in particular for education, health care and social protection) which is needed to analyse the trends in public expenditure composition . High quality **price and volume measures of GDP and other national accounts aggregates** are essential for monitoring economic developments in the EU, and further work on this is encouraged. In particular, more efforts are needed to harmonise the methods with which Member States measure the output volume change of non-market services. Improvements are particularly important in the field of **structural labour market statistics**, consistent with the national accounts, in order to analyse labour market performance and mismatches. Comprehensive and comparable statistics on **migration flows** need to be developed. Better information on **housing market** conditions is also very desirable in view of the important influence of housing market developments on the general economic situation. Therefore, the initiative to develop more comparable residential property price indicators for the EU is very much welcome. It is important that the European Commission's **EUKLEMS project** on the provision of internationally comparable datasets for detailed manufacturing and service industries is successfully implemented and maintained. This project will be highly relevant in evaluating the "Lisbon Strategy" related National Reform Programmes.

A **rebalancing of priorities** with the aim of freeing up resources for the stated high-priority European economic and monetary policy needs is of utmost importance. Concrete actions in this direction will be introduced in a Communication of the Commission on the review of priorities. Furthermore, the subsequent reductions in the administrative burden should more than match the increases in the reporting burden due to the requirements set out in this report, particularly on enterprises in the service sector.

Finally, Member States are again invited to consider the **quality and integrity of their statistics** as a matter of priority, to ensure that a proper system of checks and balances is in place when compiling statistics, in particular those needed to assess convergence. Two primary **convergence indicators** are examined in this report: the HICP and general government deficit/surplus and debt ratios to GDP.

Eurostat and the National Statistical Institutes are invited to pursue and strengthen the practices followed so far that have enhanced the statistical basis for convergence assessment.

Implementation Plan for PEEIs

PEEIs	Main improvements (availability, timeliness, quality) required by the 2005 Status Report	Results achieved	Remaining improvements needed	Deadline
1.1. Harmonised Consumer Price Index: MUICP flash estimate (only Eurozone)	Improved coverage desirable (more countries to produce flash estimates, notably FR, NL). Deadline: End 2006.	Increased coverage to 95% of euro area total (including FR, NL, AT and LU).	Further improve coverage according to commitments.	---
1.2. Harmonised Consumer Price Index: actual indices	Fine-tuning improvements desirable (more harmonised quality adjustments, sampling practices and data collection periods). Deadline: As soon as possible.	Set-up a Centre of Excellence (CENEX) on quality adjustment: 7 NSIs, to develop and implement best practices. A new Regulation on HICP data collection periods has been adopted.	Continue work on quality adjustments, enhance communication. Reinforce compliance monitoring. Widen and extend the pilot work on owner-occupied housing. Drive lessons from the experiences of the pilot countries.	2008 2007-2008 Initial pilot work: mid 2007. Complete work 2010.
2.1. Quarterly National Accounts: First GDP estimate	---		Consolidate and enhance the co-ordination of release dates	2007
2.2. Quarterly National Accounts: GDP release with more breakdowns	Consolidate improvements (to t+60). Stronger country commitments needed. Deadline: As soon as possible.	Some countries not yet committed.	Consolidate improvements (to t+60). Stronger country commitments needed.	2007-2008
2.3. Quarterly National Accounts: Household and Company Accounts	Compile European sector accounts for publication in May 2007. Keep requests for derogations to the Regulation to a strict minimum. Deadline: Jan 2006: for first national data transmission; May 2007 for first European aggregates.	First transmission took place successfully in January 2006; first release of annual sector accounts in May 2006; Member States, Eurostat and ECB are working for the release of European quarterly data in May 2007.	Compile European sector accounts for publication in May 2007. Full implementation of the Regulation (end of derogation for transitional period).	May 2007: first European aggregates 2008: end of derogation period
2.4. Quarterly National Accounts: Government Finance Statistics	Complete the implementation of Regulation 1221/2002 (notably EE). Deadline: As soon as possible	Report on quality of data prepared by the Commission. European and several Member States' data released in May 2006. EE not yet committed.	Full implementation of Regulation 1221/2002 and quarterly publication of the national results (notably by DE, FR, PT, CZ, HU) as soon as data reliability is sufficient.	As soon as possible
3.1 Industrial production index	Improve timeliness (to t+40). IT to send by t+40. Assess feasibility of flash estimates, co-ordinate release calendars and EU sampling scheme. Deadline: End 2006.	Target release at T+42 in Autumn 2006 (including Italy).	Assess feasibility of flash estimates and co-ordinate release calendars	End 2007
3.2 Industrial output price index for domestic markets	---		---	
3.3 Industrial new orders index	Assess feasibility of implementing EU sampling scheme. Deadline: as soon as possible.	Improved timeliness of national data. Improved timeliness of EU aggregates in autumn 2006.	---	
3.4 Industrial import price index	Improve availability and coverage. Notably FR, IT, ES, BE, AT and UK to make the data available. IT to show commitment. Implement euro area sampling scheme. Deadline: Release results from the euro area sampling scheme by 2006.	Increased coverage, but still under the threshold for European aggregates	Further improve availability and coverage, notably by IT. Implement euro area sampling scheme.	Release results from the euro area sampling scheme in early 2007
3.5 Production in construction	Improve timeliness (to t+45) and/or switch frequency into monthly in line with the amended STS Regulation (in particular BE, ES, IT, NL and UK). Deadline: End 2006.	Change into monthly frequency as planned. Delay of T+45 in early 2007 due to derogations introduced by Member States	Improve timeliness to t+45	Early 2007

3.6 Turnover index for retail trade and repair	---		Evaluate reliability and causes of revisions and, if necessary, proposals for improvements.	2007
3.7 Turnover index for other services	Speed up improvements in terms of timeliness (to t+60) and coverage: DE (coverage), IT, AT. Deadline: End 2006	A quarterly News Release is foreseen starting end 2006	Regular quarterly release at t+60 with high country coverage. Launch work towards monthly frequency indicator.	End 2006 (q) End 2007 (m)
3.8 Corporate output price index for services	Set-up implementation plan for European aggregates. Most countries to make stronger commitments. Only CZ, FR, and SE have the data [as at November 2005]. Assess feasibility of EU sampling Deadline: Finalise implementation plan for European aggregates by end-2006.	Several Member States have asked for derogations until 2008	Finalise the implementation plan for European aggregates. Most countries to make stronger commitments. Full implementation of the Regulation (end of derogations)	2008
4.1 Unemployment rate	Improve the coverage. Assess feasibility of EU sampling scheme. Deadline: End 2006	The feasibility of EU sampling scheme has been concluded but at present microdata deliveries to Eurostat does not allow directly to apply EU sampling scheme on monthly basis. Further investigation is underway.	Investigating the possibilities to extract monthly un/employment data from the Labour Force Survey or speed up the existing monthly extractions (improvements in timeliness and quality notably of the most recent data)	2008-2012
4.2 Job vacancy rate	Improve timeliness (to t+45) and, in some cases, availability (notably IT, NL, BE and AT). Adopt and implement appropriate EU legal framework. Assess feasibility of EU sampling scheme. Legal framework to be set up by 2007 at the latest	Actual release (t+75) IT and EL reduced transmission delays significantly but not enough	Improve timeliness (to t+45) and, in some cases, availability. Adopt and implement appropriate EU legal framework.	Legal framework to be set up in 2007
4.3 Employment	Improve timeliness. Stronger country commitments needed (notably IT, UK and PL). Assess feasibility of EU sampling scheme. Deadline: End 2006	European early estimates released at t+75. PL committed by 2006. UK fulfilling the requirements; IT: feasibility study in progress.	Improve timeliness. Increase coverage.	2007
4.4 Labour cost index	Improve timeliness (to t+70). Significant efforts needed (notably PL and EL) Assess feasibility of implementing EU sampling scheme. Deadline: End 2006	Improvement advanced as scheduled. Latest release at t+76. PL compliant with Regulation 450/2003. The EU sampling scheme was not found to be feasible for labour cost index (re-direction towards flash estimates).	Further improve timeless of the index deliveries, complete the seasonal and working day adjustment and provide historical time series. Setting-up and implementing the Commission Regulation for extending the scope into NACE Rev.1 sections L to O.	2007
5.1 External trade balance: intra- and extra-euro area; intra- and extra-EU25	Further reduce the EU release date (with the new EU legal framework a reduction from t+51 to t+46 should be possible). Deadline: As soon as possible	EU release date at t+48 by end 2006. Further reduction when the new Extrastat regulation enters into force.	Setting-up and implementing with the new EU legal framework. Further reduce the EU release date	As soon as possible

Coordination topics	Main improvements (availability, timeliness, quality) required by the 2005 Status Report	Results achieved	Remaining improvements needed	Deadline
6. Release and revision policy	Set up co-ordinated release and revision calendars between Member States (notably the larger euro area countries) and between them and Eurostat. The good progress made on first GDP estimates should be extended to other PEEIs, in particular actual HICP, Industrial Production index and quarterly employment. Deadline: 2006/2007	Consolidation of a common calendar for flash estimates of quarterly GDP. Convergence towards common calendars for the Industrial Production Index and HICP. Work in progress for quarterly employment.	Consolidate the common release policy for GDP flash estimates. Exploit further the convergence towards common calendars for the Industrial Production Index and HICP. Step up efforts for quarterly employment.	2007
7. Seasonal and working day adjustment	Implementation by Member States of the existing recommendations on the seasonal and trading day adjustments for quarterly national accounts main aggregates and short-term statistics. Eurostat will then make decisions about European aggregates. Deadline: End 2006 Further development of seasonal adjustment and working day recommendations for a wider range of PEEIs, in particular short-term statistics and labour market indicators. Deadline: 2007	Re-activation of the Task Force on seasonal adjustment for quarterly national accounts by end 2006. Re-activation of the seasonal adjustment steering group by end 2006 to formulate recommendation for more PEEIs.	Full implementation by Member States of the existing recommendations on the seasonal and trading day adjustments for quarterly national accounts main aggregates and short-term statistics (including the transmission of pure working-day adjusted main aggregates). Further development of seasonal adjustment and working day recommendations for a wider range of PEEIs, including improvements on the communication on seasonal and working-day adjusted data.	2007
8. Data exchange and dissemination	Complete implementation of GESMES/TS and pursue work on a common dissemination platform (CDP – SODI) in the European Statistical System. Deadline: GESMES/TS: As soon as possible CDP-SODI : End 2006 (milestone)	Common and comprehensive data structure (key family) for national accounts. Progress in the implementation of GESMES/TS. SODI pilot exercise with selected PEEIs, extension to other PEEIs by end 2006.	Complete implementation of GESMES/TS. Pursue work on a common dissemination platform (CDP – SODI) in the European Statistical System covering all PEEIs.	GESMES/TS: As soon as possible CDP-SODI: 2007
9. Reliability analysis	Start regular analysis of revisions in close co-operation between Eurostat and NSIs Deadline: 2006	Preliminary work on selected PEEIs by ECB.	Regular analysis of revisions in close co-operation between Eurostat and NSIs.	2007

Implementation Plan for other ongoing statistical work

Issue	*Main improvements needed*	*Deadline*
Classification of the expenditure of government by function (COFOG)	Member States (in particular the largest) that have not yet done so to make commitments on the possibility to i) extend the length of the time series (level I) to 1998-2005, at least for important functions; ii) provide Eurostat with level II data, at least for those important functions identified by the EPC. Other targets: a) improve timeliness ; b) publish level II data; c) Eurostat to publish COFOG methodological manual to assist progress by Member States; d) explore indirect estimation methods for backward periods	As soon as possible, up to the transmission end-2006 As soon as possible
Price and volumes measures of GDP and other national accounts aggregates	Member States using non-acceptable methods to remove them	By end 2006
Statistical framework for the provision of data supporting the assessment of the sustainability of public finances	Eurostat/ECB task force to present results on the development of rules and guidelines for the reporting of statistics on pension schemes in general government.	Second half of 2007
EUKLEMS project	DG-ECFIN to ensure a timely finalisation of the implementation phase. Member States to provide active support.	Database public in 2007
Structural labour market statistics	Definition of the precise user needs and evaluation of needs against the existing data and data to become available soon. First steps towards integrated labour accounts and national accounts.	2007 2009
Statistics on the housing market	Member States to supply information on supply, demand and prices of houses. Eurostat and Member States to develop comparable residential property price indicators for the EU	Results of pilot study on residential property prices by mid-2007. Final results by 2010 2007

I. Implementation plan for Principal European Economic Indicators (PEEIs) – Assessment of the progress achieved

A - The availability, timeliness and quality of PEEIs

In March 2003, the Commission and the Council submitted to the European Council a comprehensive report on euro area statistics supporting the development of the PEEIs and their full implementation by 2005[1]. The PEEIs cover a list of nineteen key infra-annual macro economic indicators for the euro area and the European Union, for which challenging improvement objectives were set (in terms of timeliness, coverage and other quality features). Five sets of PEEIs were defined: consumer prices, national accounts, business, labour market and external trade indicators. The 2005 Status Report concluded that efforts should concentrate on fully implementing all PEEIs and on consolidating the improvements achieved, but always bearing in mind the longer-term objective of being as timely as the US. This section examines the progress achieved on the availability and quality of each set of indicators in comparison to the situation one year ago[2].

1. Consumer Price Indicators

The harmonised index of consumer prices (HICP) confirmed its role as a reference indicator for measuring price convergence in the EU and price stability in the euro area. Significant improvements were recorded as concerns the coverage for the monetary union index of consumer prices (MUICP) flash estimates, now encompassing 95% of euro area total consumption expenditure. Nevertheless, efforts are necessary to pursue vigorously further improvements of the HICP. Actions should be targeted to improve the collaboration between Eurostat and Member States (in particular as regards the exchange of information on methodologies), to develop a more comprehensive and pro-active compliance monitoring at the EU level (as a means to improve statistical governance), to speed-up methodological development, to improve the quality of the monthly flash estimates and to further enhance the credibility with the public at large by means of a more effective communication policy. More generally, the communication on PEEIs both for the public at large and to expert users should be improved. Work on the implementation of a new index including the owner occupied housing services and the quality adjustment techniques applied for the HICP should also be continued and intensified.

2. National Accounts Indicators

Major improvements were made to national accounts indicators. Coverage of the GDP flash estimates for the euro area and the EU increased up to 96%. Considerable progress has been achieved as regards the co-ordination of the release calendar for GDP flash estimates at European level and in the larger euro area countries, with more Member States aligning. This progress needs to be further consolidated.

---

[1] Joint Report of the Council and the Commission on Eurozone statistics and indicators, 18 February 2003.

[2] 2005 Status report on Information Requirements in EMU, endorsed by the ECOFIN Council on 28 October 2005.

Efforts are still required to improve coverage and co-ordination of the first GDP release with more breakdowns, which is at present released at t+61 days. For this reason, stronger country commitments are required. Furthermore, while the release is close to the PEEI target (t+60), it is still significantly later than the respective release in the US (t+30).

In 2005, major methodological changes to national accounts (allocation of Financial Intermediation Services Indirectly Measured – FISIM – and chain-linked volume measures) were introduced by most Member States and at European level. However, significant transitory problems (reduced back data, staggered implementation) continue to exist. This experience underlined the need of a stronger co-ordination for the implementation of similar major methodological changes already foreseen in the coming years as well as the need to have a stronger accent on feasibility aspects.

An important milestone on the way to quarterly European non-financial accounts by institutional sector (quarterly sector accounts) was reached in May 2006 with the release of the European annual sector accounts. For the first time Eurostat published non-financial accounts for the euro area, the EU and the individual Member States, giving comprehensive information on the economic activities of households and corporations, and the ECB published integrated non-financial and financial accounts, including financial balance sheets, for the euro area.

The implementation of Regulation 1161/2005[3] on quarterly sector accounts benefited from the close technical collaboration between Member States, Eurostat and the ECB. Member States' derogations, granted by the Commission Decision of March 2006, were kept to a minimum to ensure the quality of the forthcoming European quarterly sector accounts. These derogations, as well as the extension of the deadline for data transmission from 90 to 95 days, will end in 2008. This means that timeliness, coverage and quality will be further improved after that date.

With a view to releasing the European quarterly sector accounts in May 2007, the overall picture of data availability is encouraging. Nevertheless, progress is still necessary and Members States are urged to step up efforts to enhance quality and timeliness and to increase coverage. It would be important that all countries (including those with derogations) provide data for national accounts main aggregates (GDP and components), general government and the rest of the world within the quarterly sector accounts framework. Furthermore, it is important to pursue the actions to integrate the annual and quarterly non-financial and financial accounts by institutional sector at national and European level.

The compilation of quarterly non-financial accounts for the general government has further improved both in timeliness and coverage, hence broadly meeting the targets set in the joint report of the Council and the Commission of March 2003. The Commission reported to the European Parliament and to the

[3] Regulation (EC) 1161/2005 of July 2005 , OJ N° L 191 of 22 July 2005 , pp.22

Council on the quality of data[4] and Eurostat started releasing both European and most of national data since May 2006. Member States are called on to pursue full compliance with Regulation 1221/2002[5] on quarterly non-financial accounts for general government.

3. Business Indicators

Several business indicators registered significant progress at national level. Following the implementation of the amendment to the Short-Term Statistics (STS) Regulation[6], many derogations that initially hampered them will expire by the end of 2006. In view of this improvement, in autumn 2006 Eurostat will be able to accelerate the release of the euro area aggregates, notably for the industrial production index, the industrial new order index, production in construction (released on a monthly basis starting from autumn 2006) and the turnover index for retail trade and repair. Progress in timeliness has, nonetheless, to be complemented with further progress in quality (a first step in this direction is the in-depth analysis of quality of the industrial production index and retail trade volume run, respectively, in 2005 and 2006 with the help of the Member States).

The situation is still not satisfactory for the industrial import price index and the output price index for services. For import prices, whilst increasing amounts of data are compiled and transmitted to Eurostat, derogations for some countries up to August 2007 still negatively affect the compilation of the European aggregates. The first release of the European figures may be envisaged by 2007. For service prices, general scarcity of data and fairly systematic derogations up to August 2008 prevent the compilation of the European figures. Progress needs to be accelerated particularly in Italy, as regards the industrial import price index, and in all countries, as regards the output price index for services. The situation is not satisfactory also for non-domestic output prices - quality hampered by missing data for Spain and Italy and by the use of unit value estimates instead of price statistics - and its breakdown for extra euro area prices. For the latter, euro area figures may be envisaged by the end of 2006.

Progress in timeliness should be enhanced and better coverage ensured as concerns the turnover index for other services. The economic significance of indicators for services calls on Member States to make them available in a timely fashion to contribute to the compilation of the EU and euro area figures. Member States have, therefore, to step up efforts in this direction.

4. Labour Market Indicators

Progress continued in the compilation of the monthly unemployment rate and, in particular, of the quarterly labour cost index (increased coverage and better timeliness). Even so, the spread of national releases of the monthly unemployment rate remains wide. Member States are called upon to launch

[4] "Quality report according to Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002 on quarterly non-financial accounts for general government", 29 June 2006

[5] Regulation (EC) 1221/2002 of 10 June 2002 , OJ N° L 179 of 9 July 2002 , pp.1

[6] Regulation (EC) 1158/2005 of July 2005, OJ N° L 191 of 22 July 2005 , pp.1 amending Council Regulation (EC) No 1165/98 of May 1998 concerning short-term statistics.

additional actions to narrow-down the release spread, aligning with the quickest countries in order to improve timeliness of the EU aggregates. Similarly, for the quarterly labour cost index, Member States should step up efforts to meet the target release date of t+70 days. Progress has been achieved in extending the coverage of the hourly labour costs index. A Commission Regulation will be proposed in 2007 to extend the economic activity coverage into NACE Rev 1 sections L to O at the latest from 2009 on. This will raise the total coverage of the index to 97% of the total economy (excluding agriculture, fishery and forestry).

Progress has been recorded for national accounts employment data with the first release of European aggregates in June 2006 at t+75 days. Stronger country commitments are still needed to achieve the t+45 target release date, notably from Italy.

The adoption and the implementation of the European legal framework on the job vacancy rate, currently under discussion, will further contribute to speed up the progress in this field. Some Member States, notably Greece and Portugal, are required to step up their efforts significantly to improve timeliness, while Belgium, Ireland and Austria are required to start compiling job vacancy statistics.

5. External Trade Indicators

Timeliness and availability of external trade indicators are good. All Member States meet the legal deadlines since 2005, except for *ad hoc* problems leading to minor delays. However, further efforts are still necessary to consolidate the quality of the compiled figures.

Improving timeliness of the EU release from t+51 to t+48 days is likely to be achieved by the end of 2006. A further reduction will be possible when the new Extrastat regulation enters into force.

6. Improvement objectives

The 2005 Status Report highlighted for each PEEI (and for co-ordination topics) an implementation plan analysing weaknesses and pointing to possible improvement objectives. As described above, the situation for PEEIs has improved since the 2005 Status Report. Most of the objectives fixed in the implementation plan are on schedule or only slightly behind the schedule (e.g. consumer prices, quarterly sector accounts, some business indicators) and several commitments made by Member States were fulfilled.

However, some implementation objectives are seriously delayed because of lack of commitments by some Member States (e.g. services, labour market indicators). Countries are called upon to step up efforts to comply with the implementation plan and the PEEI targets. Further steps to reinforce the PEEIs could encompass, *inter alia*:

- Extending flash estimates to other key PEEIs (e.g. GDP breakdowns, industrial production index, labour cost index,).

- Member States (in particular the largest) being encouraged to accept transmitting their national indicators to Eurostat under embargo or similar arrangements, subject to strict confidentiality rules, in order to minimise the delay between national releases and European releases.

- Reducing transmission delays by taking into consideration that the compilation of reliable European aggregates does not necessarily require national representativity of the national contributions feeding into the European aggregates.

- Trying innovative solutions and new working practices (or adapting the existing ones) to produce European aggregates within a shorter time span. Such practices may cover a wider use of IT technology in e.g. surveying (more web based), data entry and editing procedures, a redesign of the sampling schemes (oriented towards European aggregates), an advance in the collection/observation dates, early transmission of questionnaires, etc. In addition, these practices may save further resources for compilers and at the same time reduce the burden for respondents.

B - Progress achieved with respect to the First for Europe Approach

In its conclusions on the 2005 EFC Status Report, the Ecofin Council stated that "*the "First for Europe" Approach for PEEIs should be reinforced, with regard to a closer coordination of release calendar, revision policies and dissemination practices, seasonal and working day adjustment for European aggregates, and the use of European sampling schemes. For that purpose, Eurostat and the ECB should produce a further progress report on these objectives and on the implementation plan for the PEEIs*".

The PEEIs primarily aim at providing high quality information for the purpose of monetary and economic policies and for business cycle analysis at the euro area/EU level, and not necessarily at the level of individual Member States. Under the "First for Europe Approach", timely compilation of European indicators is done using suitable but partial national data that are not necessarily published at national level. This approach relies on the provision of national inputs and stimulates the implementation and the co-ordination of PEEIs at national level. At the same time, it helps to limit the statistical burden for Member States. Applying the "First for Europe Approach" asks also for the co-ordination of release calendars and revision policies and the co-ordination of data exchange and dissemination. The use of European sampling and harmonised methodologies for the compilation of PEEIs supports this approach as well.

1. Reliability, release and revision policies

The closer co-ordination of the release, revision and dissemination policies has been a key element of the First for Europe Approach for the PEEIs from the outset. Release and revision policies of most

PEEIs are not harmonised. The recent benchmark revisions of national accounts statistics and the related perception of data uncertainty among users has increased the demand for better co-ordination, and the potential benefits of a closer alignment of revision policies have become more obvious. While revisions to statistics are necessary to incorporate new information and methods, there is a need to minimise disruptions for users and make this process transparent at an early stage. In general, euro area and EU statistics are more stable and less revised than national economic statistics, but the stability of European statistics could be further enhanced by bundling national revisions within common “time windows”.

Detailed analysis of the frequency and magnitude of revisions carried out for several PEEIs provided the following main results:

- European releases (from 1999, but in particular from 2001) have been more stable than data for individual countries. The main reason is that revisions tend to cancel out across countries. Furthermore, euro area releases show no significant bias.
- Timely “flash estimates” introduced for some European PEEI aggregates (in particular GDP and HICP) have proven to be reliable. Speeding-up the release has not had a negative impact on reliability. This is an encouraging result in view of making use of flash estimation for other PEEIs.
- European first estimates for quarterly GDP growth have been quite reliable; the highest revision equalled 0.2 percentage points (p.p.) and the average revision was less than +0.1 p.p.
- GDP breakdowns have been less stable (in particular investment, exports and imports). For example, revisions to first releases on gross fixed capital formation are about three times higher than revisions to GDP. However, as for other PEEIs which are subject to higher revisions (e.g. industrial production and retail sales, income variables), the European aggregates have been more reliable than the national results on which they are based. Further work is planned to identify the reasons for the magnitude and differences in the revisions of these indicators.

Despite relatively small revisions in European main aggregates, the perception of users is often different. This is partly because revisions of national data are carried out at different points in time and cause frequent subsequent revisions in European aggregates with alternating sign. In particular, a staggered introduction of methodological changes across countries may lead to frequent and substantial revisions in European aggregates. For example, the time span for the recent comprehensive revision of the national accounts across the EU countries has reached almost two years and led to frequent revisions in European aggregates whenever one or more countries had released revised data.

A completely harmonised *revision policy* is a major long-term objective, but progress for some indicators and for certain types of revisions appears achievable already in the foreseeable future. The situation differs between routine and major revisions. Routine revisions are those that occur regularly and incorporate new available information. Major revisions are those related to the introduction of major methodological changes and occur occasionally or take place only every five or ten years.

The co-ordination of the routine revision policy is strictly related to common release calendars and the convergence of compilation processes. Harmonisation imposed by legislation or agreed by consensus fosters the co-ordination of routine revisions, notably for low frequency revision of high frequency indicators (e.g. quarterly or annual revisions of quarterly/monthly indicators).

This underlines that, in addition to a closer alignment of regular releases and routine revisions, a proper co-ordinated scheduling of major revisions is necessary.

The co-ordination of the major revision policy asks for long-running strategies and precise practical arrangements. Harmonisation can as well be achieved via legislative instruments, transposing in legal terms the methodological event that generates the major revision and by fixing the legal deadline/calendar for its implementation, or by creating a consensus on a common implementation date. The process of agreeing on a common and fixed implementation date for the new industry classification (NACE Rev.2) is, therefore, very welcome. This procedure should serve as an example for other forthcoming major methodological revisions.

The effective co-ordination of *release calendars* requires the convergence of national releases. Such a convergence can be achieved by narrowing the release window, either by fixing in legal acts the lags for the transmission of data or, preferably, by creating consensus on common dates. This would also have the positive effect that revisions in national data may be ‘consolidated’ before revised European aggregates are released. The volatility of European PEEIs would thus be reduced.

A successful example of release co-ordination is the flash estimate of quarterly GDP, for which a harmonised release calendar was set up in the last two years. Yet, it would be desirable to go even further and ensure that the releases are to take place at one and the same day.

Other major PEEIs are good candidates for co-ordinated release calendars. For the first release of national accounts breakdowns, more co-ordination is desirable and is under discussion. For the monthly industrial production index, harmonisation of release dates *de facto* is very close and appears easily possible owing to the implementation of the amended STS Regulation. Member States and Eurostat are called upon to step up efforts in this direction. Quarterly employment would greatly benefit from a co-ordinated approach including the introduction of flash estimates in some major countries. They would largely reduce the current spread among national releases, favour a common release and improve timeliness in view of the t+45 days release target.

2. Seasonal and working-day adjustment

A step forward in the implementation of the First for Europe Approach is the enhancement of harmonised practices for the compilation of PEEIs. The production of seasonal and working day adjusted series is important for the interpretation of many monthly and quarterly data. In this context the first attempt to achieve harmonization was made in 2002, the endorsement by the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) of common guidelines for the production of seasonally adjusted and trading day corrected quarterly national accounts, as required in the EMU Action Plan. Since then, the implementation of the recommendations progressed and enhanced the quality of seasonal adjusted quarterly national accounts even if a sufficient harmonization is not yet achieved, notably for trading day correction. Furthermore, recommendations have to be updated to fit with the major recent methodological changes to national accounts.

The recommendations for quarterly accounts can be considered as a starting point for the harmonization of seasonal adjustment practices for PEEIs. There are a number of improvements in other areas (i.e. labour market statistics), but a framework for the harmonization of seasonal adjustment practices has not yet been defined.

A study of the ECB has analysed the relevance of seasonal and calendar effects for GDP and its components data in the euro area and in the six largest euro area countries. The study confirmed that seasonal and, to a lesser extent, calendar effects have a significant impact on GDP volume growth, particularly on the quarter-on-quarter growth rates. As an example, the impact of an additional working day in a quarter has been measured, in the six countries covered by the study, to be between 0.2 and 0.4 percentage points on the annual volume growth rate of the GDP). This could also be explained by calendar pattern dissimilarities across and within euro area countries due to, *inter alia*, different public holidays and differences in granting holiday compensation if public holidays fall on a weekend day.

The analysis stressed the importance of collecting metadata on the seasonal and working day adjustments and the need for convergence to best practices. Furthermore, given divergent publication practices in the countries, it is currently not possible to disentangle the effects of seasonal and working day effects in euro area data, a shortcoming which calls for changes to the current data provision of national accounts to Eurostat.

Therefore, Member States are required to reinforce their efforts for the regular production and transmission to Eurostat of the information to assess the impact of seasonal and trading-day components (i.e., either pure trading day corrected figures or trading day factors). A provision in this sense, which is already a well established practice for industrial production index and other volume variables in the short term statistic Regulation, has been introduced in the Regulation amending the ESA95 transmission programme as well as in the new regulation for the Labour cost index.

Starting from the experience in quarterly national accounts, Member States, Eurostat and the ECB are called upon to enhance efforts towards harmonisation in the field of seasonal adjustment. Concrete actions already undertaken and foreseen in the future are the following:

a. Harmonization of Eurostat strategies for seasonal adjustment: an internal task force has defined an action plan as well as seasonal adjustment guidelines for European aggregates. The guidelines have been also submitted to international experts and will be finalized soon;

b. Revitalization of the Eurostat-ECB Steering Group on seasonal adjustment: to strengthen the co-ordination of seasonal adjustment activities within the ESS, the seasonal adjustment Steering Group will take up the work already launched in the meeting that took place in May 2003. The new Steering Group will meet before the end of the year;

c. Defining common seasonal adjustment guidelines for PEEIs: Eurostat guidelines and the recommendations of the joint Eurostat and ECB task force on SA of quarterly national accounts will constitute the ideal starting point for a definition of common guidelines for PEEIs. The Steering Group should be able to formulate a first draft of such guidelines on Seasonal Adjustment for Member States in 2007.

d. Continuing to support the improvement, testing and dissemination of seasonal adjustment tools: Eurostat and the Steering Group should define a strategy on tools development for the ESS together with testing procedures for the new tools.

e. Supporting methodological developments, research and training activities in this field: relevant initiatives are the conference on seasonal adjustment organised by Eurostat in May 2006 and the annual European Statistical Training Programme on Seasonal Adjustment.

f. Cooperation in the field of seasonal adjustment: Eurostat and the Steering Group will have to strengthen the cooperation with main bodies involved in methodological developments in seasonal adjustment both within and outside the ESS. Main partners are represented by the Bank of Spain, US Census Bureau as well as public institutions, academics and researchers.

3. Data exchange and dissemination

Progress continued in the work on a *common dissemination platform* in the European Statistical System based on data sharing (the SDMX Open Data Interchange - or SODI - project). Further steps were achieved in setting up the Data Sharing Model mechanism, which underlies the project and aims at making available data to users in a common environment (internet), in a common technical format according to common codes and metadata. The technical collaboration between Eurostat, ECB and OECD led to a pilot exercise focused on selected PEEIs, which involved five National Statistical

Institutes. The results of the exercise helped to identify the issues relevant for recommendations for the future use of the data sharing approach.

Concrete results were achieved in setting up a common comprehensive data structure (key family) for national accounts and in continuing the implementation of the GESMES/TS protocol for data transmission.

Efficient data exchange and dissemination of PEEIs leads to improvement of timeliness, a harmonised presentation and an increased accessibility of European and national indicators. These objectives can be pursed only with an active involvement of data producers (National Statistical Institutes, National Central Banks and other contributing institutions). A critical factor, also important for improving efficiency, is the optimisation of the processes used in the message extraction and transmission (e.g. use of robust reference database systems, full automation of the GESMES/TS or SDMX-ML extraction process without intermediate manual steps, automated transmission). Therefore, all Member States are urged to optimise their systems and adopt and implement the common standards of codification (data structures – key families, metadata) and transmission (GESMES/TS) for PEEIs and to support the SODI project.

4. European sampling scheme

European Sampling means a sample designed at European level, aiming to provide good quality European aggregate results, using sub-samples provided by Member States. When successfully implemented, it may considerably reduce costs and reporting burden. European Sampling is particularly suitable for first and timely estimates at the European level. The European Sampling approach promises to be an appropriate means to balance user needs and producer constraints.

The European Sampling was introduced in 2004 for producing early estimates for EU and euro area retail trade turnover and it helped to accelerate the euro area releases considerably, even if this effect was coupled with a faster compilation of national indicators. Given these experiences, the 2005 Status Report requested to examine the benefits of European Sampling for more economic statistics.

The 2008-2012 Statistical Programme of the Commission (Eurostat), foresees the extension of the use of the European sampling schemes, based on a wider use of existing data (notably the Labour Force Survey), in short-term labour market statistics. Preparatory work is already under way. A European sampling scheme was also considered for the Labour Cost Index. In this case, however, flash estimation techniques seem to produce more interesting results.

A European sampling scheme will be put in place for the Import Price Index, a new indicator coming on stream in 2007.

5. Actions to be pursued to implement the First for Europe Approach

The following actions should be pursued in order to strengthen the First for Europe Approach along the lines proposed by the Ecofin Council:

- implementing release and revision policies at national and European level that are coordinated in such a way that the statistical messages are not blurred by incoherent or even conflicting signals (e.g. caused by too frequent revisions of the European aggregates);
- ensuring a sufficient harmonisation of statistical methodologies to allow the compilation of adequate European aggregates and related national results;
- applying seasonal and working-day adjustment methods that are harmonised sufficiently to allow compiling adequate time series of European aggregates in conjunction with corresponding national series;
- implementing dissemination policies for European aggregates, national contributions to European aggregates and national results that are co-ordinated in such a way that the relationship between the European aggregates, national contributions to European aggregates and national results is transparent;
- exploiting flash estimation methods to a larger extent for accelerating the compilation of European aggregates in close co-operation with national statistical institutes as the providers of input data, perhaps also in a differential reporting framework;
- exploring new statistical techniques, in close cooperation with national statistical institutes, notably European sampling, for compiling European aggregates that are more input-harmonised, more cost-effective, causing less response burden and more timely than under current arrangements;
- documenting national methods in a more transparent manner allowing users to see the linkage between national statistics and European aggregates more clearly and to make adequate usage of the statistical results;
- conducting reliability analyses for European aggregates and their national contributions on a regular basis to allow statistics compilers (producers) to target their improvement efforts more effectively and users to see the limits of the statistics more clearly;
- all in all, assuring more co-ordination at an operational level of national statistical processes drawn upon for the compilation of PEEIs, as this will facilitate the compilation of adequate European aggregates.

II. Benchmarking of the indicators within the EU

1. Analysis of best country practices

In November 2005, the ECOFIN Council underlined the need for continuously improving the PEEI and invited the European statistical system to study best practices in the European Union for compiling PEEI.

In agreement with the EFC Sub-Committee on Statistics, Eurostat decided that a report on benchmarking of the PEEIs in the European Union should consist of an overview for all PEEIs and an in-depth report on some selected PEEIs Eurostat asked Member States, and in particular the "Best three EU Member States", as identified in a summary benchmarking table prepared for the 2005 Status Report (Annex IB), to sketch briefly practices or reasons that might explain their good performance, but also to point out possible weaknesses of their approach. Work focused on selected PEEIs: quarterly national accounts first GDP estimate, industrial production index, industrial output price index for domestic markets, turnover index for retail trade and repair, unemployment rate (monthly) and employment (national accounts concept, quarterly).

The report (Annex II) focuses on countries' replies. It gives an overview of the solutions applied in the "best EU Member States" to accelerate the release of selected short-term indicators. The practices put forward in the report are those that are of wider applicability and that match timeliness improvements with other quality aspects. While best practices are often to be considered in the specific country context the aim of the report is to encourage Member States to consider and/or test the practices adopted by the "best EU Member States".

Best practices to improve timeliness vary between the set of PEEIs: in some areas they focus on improving the efficiency of basic surveys (price collection for consumer price indicators, LFS for labour market statistics, short-term surveys for business indicators), in other areas they aim at enhancing the use of estimations, expertise, basic data and improving the workflow (national accounts, business indicators).

2. Main recommendations from the benchmarking exercises for PEEIs

Successful common elements can be derived from the benchmarking exercise:

- Several Member States explain that their successful implementation relied to a great extent on the *use of existing, well established, and reliable sources for basic data*.
- Some Member States make a heavier *use of estimation techniques* than in regular releases.
- Some Member States *combine forecasting methods, expert calculations and estimations* based on existing data and available basic data in order to come up with a first estimate (three-pillar approach).

- Several Member States stress the need of *sufficient human resources, good organisation and clear procedures*.
- Several Member States *optimise the data life cycle* with respect to the infrastructure, *increase the efficiency of the collection, treatment and dissemination of data* by optimising the database management and automating the processes by using adequate IT tools in the different phases of the data life cycle.

In the last few years, the implementation of these actions, in addition to area specific initiatives, enabled Member States to adapt their compilation and dissemination process to successfully improve the quality of PEEIs and achieve the PEEIs targets. The benchmarking exercise helps in drawing lessons on how the faster EU Member States achieved and went beyond the PEEIs requirements in terms of timeliness.

The ESS should benefit from sharing national expertise and promote best practices. Several steps in this direction have already been identified in the EMU Action Plan, in the PEEI context and in the specific statistical areas. Actions have been implemented and first concrete results have already been achieved.

However, the situation is not homogeneous across Member States and the spread between national release dates is still too important. Countries are encouraged to consider and/or test the practices adopted by the "best EU Member States".

III. Other ongoing statistical work

A - Classification of the expenditure of government by function (COFOG)

In January 2006, the Council (Ecofin) underlined the increasing importance of the quality of public finances in national and EU policy making, and invited *"Eurostat and the National Statistical Offices, in co-operation with the Economic Policy Committee (EPC), to step up their efforts on data availability in order to facilitate the analysis of trends in public expenditure composition"*. Such an analysis requires the availability of data for individual government expenditure items (Classification of the Functions of Government - COFOG) with a sufficient degree of detail (level II). Eurostat, in collaboration with the EPC, had already initiated work in this area in the framework of a specific task force that, recognising the existing difficulties in terms of resources and methodological aspects in several Member States to compile and release COFOG II level data, aimed to produce statistics that meet the Ecofin request. The work developed towards two lines: (a) making progress on the methodology used, sharing country best practices; (b) increasing data availability for the public, notably by focusing on detailed breakdowns for particularly important functions.

1. Quality of the data reported under the ESA95 transmission programme

The data on general government expenditure are collected in the framework of the Transmission Programme associated to the European System of Accounts (ESA95). Data is due at t+12 months after the end of the reference year and is broken down by ESA95 economic categories and by functions according to the COFOG classification that can be also seen as the broad objectives of the government (e.g. defence, education...). Reporting of COFOG level I is mandatory.

The transmission of COFOG level I data is quite well established and timeliness has recently considerably improved. The data are available in the Eurostat's website. Even so, quality problems still persist for some countries relating to length of time series, missing breakdowns and consolidation.

Following the Ecofin request for COFOG level II data, Member States, in cooperation with Eurostat, continued to work on the extension of the dataset collected through the ESA95 Transmission Programme, on a voluntary basis. Up to now there have been two transmissions of voluntary COFOG level II data: a first trial transmission in April 2005 and a second one at the end of December 2005. The third one is expected at the end of December 2006. Several Member States made remarkable efforts and delivered COFOG level II statistics covering different periods. The current availability of COFOG level II data is up to 11 Member States' sets of data for the more recent years. Some Member States, in particular the new Member States, encountered serious methodological and practical difficulties in the compilation of COFOG level II data, notably the lack of detailed data sources and scarcity of resources.

2. Development of a future implementation plan

The implementation plan for collecting COFOG statistics depends on the legal framework and on Member States' commitments.

The Commission Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 2223/96 (ESA95) with respect to the transmission of national accounts data (COM (2005)653) does not introduce any major changes to the existing arrangements. The COFOG level II data will continue to be transmitted on a voluntary basis.

Several Member States have committed to extend the length of time series relating to COFOG level I data or provide Eurostat with COFOG level II data at the next data transmission, expected at the end of December 2006. However, some large Member States have not detailed their plans so far regarding the compilation of COFOG II data, and this impinges upon the quality of the European aggregates

In this context, Eurostat has undertaken the following steps: (a) examining the countries' abilities to deliver longer time series and detailed breakdowns for particularly important COFOG functions indicated by the EPC, such as environmental protection, health care, education and social protection and availability of specific individual COFOG level II items, such as R&D, basic research, transport and communication; (b) examining data deliveries to improve timeliness and underlining the importance of transmissions of COFOG level II data; (c) assisting Member States in improving the quality of the data by speeding-up work on the COFOG methodological manual; (d) encouraging countries to publish COFOG level II data.

Countries are asked to step up their efforts to compile and disseminate COFOG level I and II data, in order to comply with the requests of Ecofin. Particular efforts should be made for COFOG divisions: economic affairs (04); environmental protection (05); health care (07); education (09); and social protection (10).

B - Price and volume measures

The availability of price and volume measures of Gross Domestic Product and other national accounts aggregates is essential for monitoring economic developments in the EU, for the monetary policy of the euro area and for the implementation of the Stability and Growth Pact. In this context, the reliability and comparability of the data are key features that are required in order to support a precise assessment of the economic situation of each Member State and a fair treatment of the various countries.

In order to respond to these requirements, Eurostat has undertaken for many years a series of actions to enable Member States to produce reliable and comparable price and volume measures of national accounts aggregates. Commission Decision 98/715[7] clarified the principles to be applied by Member

[7] OJ L 340, 16.12.1998, p.33

States in measuring prices and volumes for most products and transactions categories of the European System of Accounts (ESA95) and set up a research programme for the remaining ones to be completed by end 2000. Eurostat published in 2001 a manual on price and volume measures in national accounts to give more detailed guidelines in this field. Commission Decision 2002/990[8] further clarified the principles for the measurement of prices and volumes taking into account the results of the research programme. This Commission legislation has, in particular, identified the most appropriate estimation methods to be applied, the alternatives which may be used if the most appropriate methods cannot be implemented and the methods which shall no longer be used as of 2006

Member States were asked to establish inventories of sources and methods used for estimating prices and volumes in national accounts. All 25 Member States transmitted their inventories to Eurostat. In 2005, Eurostat assessed the inventories of the old Member States and concluded that some methods that were not accepted were still being used. The countries concerned were asked to remove these methods by end 2006. Eurostat is currently analysing the inventories that were received recently from Spain and the new Member States.

Eurostat sent, in June 2006, a questionnaire to Member States to monitor their progress in the fields of health and education services in relation to the deadline of 2006. Education and health are chosen because they represent key areas with regard to their potential impact on GDP measures and major improvements are generally required. Work on the replies to this questionnaire is ongoing.

Owing to these approaches, the various Member States are currently making progress in many areas including market activities and non-market activities as well.. These improvements must be further accelerated in order to obtain more reliable and comparable data. The Member States are urged to do their utmost to remove their existing weak methods by the deadline of end 2006. Eurostat will use the results of the June 2006 questionnaire to further promote the sharing of experience and good practices between the various countries. Those countries that have not yet transmitted their inventories are asked to do so as soon as possible.

C - Task Force on the statistical measurement of the assets and liabilities of pension schemes in general government

Given the ageing of society and the related impact on the development of government finance in the future, issues related to the measurement of pension liabilities have increased in importance. From a statistical angle there is a need to develop clear, complete and consistent rules and guidelines for the reporting of statistics on pension schemes in general government.

This statistical work will be carried out by a Eurostat/ECB Task Force. According to its mandate, approved by the CMFB, two related issues will be investigated: (i) a further analysis of the recording of pension obligations of unfunded schemes sponsored by general government – either for its own

[8] OJ L 347, 20.12.2002, p.42

employees or in the context of social security schemes – as an input for the development of revised worldwide and European national accounting standards; and (ii) an assessment of the sources and methods to measure these obligations.

It is foreseen that the task force will present an interim report including a methodological note to the January 2007 CMFB meeting.

The preliminary timetable is that the output of the task force work on measurement issues will be presented to the June 2007 CMFB meeting, covering the agreed methodology as well as some preliminary quantitative tables, though this might be extended further according to the progress of the work. The output will subsequently also be presented to the EPC and EFC sub-groups.

Finally, the issue of data quality and reliable and comparable population and labour force projections should be paramount in the work by Eurostat on EUROPOP2007, including the issue of divergences of life expectancy.

D - Other initiatives (related to structural statistics)

The European Commission's project on the provision of high quality, internationally comparable, datasets for 72 manufacturing and service industries (EUKLEMS), has reached its implementation phase and is expected to provide a major contribution to the analysis of structural reform issues in general and productivity/globalisation related themes in particular. It is important that timely implementation and regular maintenance of this valuable database is ensured given its potential role in evaluating the "Lisbon Strategy" related National Reform Programmes, together with improvements to the quality and timeliness of the structural indicators database of Eurostat.

Furthermore, whilst the PEEI cover the most important short-term labour market indicators, improvements are also desirable in the field of structural labour market statistics in order to analyse labour market performance and mismatches. More information is needed in particular on migration flows and the composition of the labour force by educational attainment.

Finally, better information on housing market conditions – supply, demand and prices – is very desirable. Particularly welcome is the initiative to develop comparable residential property price indicators for the EU.

IV. *Statistics needed for assessing convergence*

The examination of the convergence process is highly dependent on the quality and integrity of the underlying statistics. The compilation and reporting of statistics, particularly government finance statistics, must not be vulnerable to political considerations. Therefore, Member States are invited to consider the quality and integrity of their statistics as a matter of priority, to ensure that a proper system of checks and balances is in place when compiling these statistics, and to apply certain standards with respect to governance and quality in the domain of statistics.

The quality and integrity of the primary convergence indicators and the underlying statistics have been reviewed by Eurostat in advance of the Commission's and ECB's Convergence Reports for Lithuania and Slovenia in May 2006 Convergence Report. Data will soon be reviewed for the remaining non-euro area countries (except Denmark and the United Kingdom). This review refers to some institutional features of quality and integrity of the statistics and as well as to the statistical methodology of the convergence indicators and the compliance of the underlying statistics with the standards necessary for an appropriate assessment of the convergence process. The following refers to the two primary convergence indicators: the HICP and general government deficit/surplus and debt.

All 25 EU countries have successfully introduced the HICP. As the HICP serves as a primary convergence criterion, a very high degree of comparability and accuracy is essential. Consumer markets in the economies of several new EU Member States develop even more rapidly than elsewhere in the EU. This creates challenges for price statistics that aim at measuring the price changes of a representative, up-to-date basket of consumer goods and services. Furthermore, the influence of changes in indirect taxes or in administered prices is important for the HICP and the convergence assessment. It is therefore welcome that Eurostat has started to enhance the procedures for HICP compliance monitoring, and provided detailed country-specific information on statistical issues for the Commission's and ECB's Convergence Reports 2006. Eurostat and the National Statistical Institutes are invited to continue and strengthen this practice, which may further enhance the statistical basis for convergence assessment.

Government finance statistics are based on national accounts concepts and should comply with the ESA95 and Council Regulation (EC) 3605/93 of 22 November 1993 as amended by Council Regulation (EC) 2103/2005 of 12 December 2005. Member States send government finance statistics, (including details on revenue and expenditure, financial and non-financial accounts, financial balance sheets and debt, with quarterly and annual frequency) to Eurostat; Eurostat, on behalf of the European Commission is responsible for the assessment of the quality of these statistics, in particular those that are the basis for the implementation of EDP and SGP, in terms of compliance with the accounting rules, completeness, reliability, timeliness, and consistency of the statistical data. The European Commission transmits the data on general government deficit/surplus and debt to the ECB, while detailed government finance statistics are also provided by the National Central Banks in the framework of the ECB’s Government Finance Statistics Guideline (ECB/2005/5 as amended). These statistics are thoroughly assessed in terms of coverage, consistency, and compliance with the ESA95 and the Eurostat decisions on classification issues cases involving the general government sector.

ANNEX I: Principal European Economic Indicators - Detailed country commitments and current situation

Annex I – PEEIs: Detailed country commitments and current situation

	Consumer Price Indicators		Quarterly National Accounts				Business Indicators			
Member States	*1.1 MUICP flash estimate*	*1.2 HICP*	*2.1 First GDP estimate*	*2.2 GDP estimate and breakdowns*	*2.3 Household and Company Accounts*	*2.4 Government Finance Statistics*	*3.1 Industrial Production Index*	*3.2 Industrial Output Price Index*	*3.3 Industrial New Orders Index*	*3.4 Industrial Import Price Index*
EU	0/0	14/17	45/45*	60/61	90/na	90/95	40/42*	35/30*	50(40)/49	45/na
Belgium	-3/-3	5/7*	30/30	60/67*	90/90	90/90	40/40	33/33	45/45	45/na*
Czech Republic	nc/na	6/6*	45/na	60/69	90/na	90/90	29/40*	10/10*	29/46*	40/na*
Denmark	nc/na	10/10	nc/na	60/60	95/na*	90/90	37/37	15/15	37/37	nc/16
Germany	-5/-5	13/13	45/45*	55/55	70/70	70/70	38/38	20/20	38/38	24/24
Estonia	nc/na	8/8	45/65*	70/90	nc/na	90/90	35/35	22/22		22/na
Greece	-10/-10	9/9	45/42*	60/60	nc/na	90/90	40/40	30/30	50/70*	43/43
Spain	-1/-1	14/15	45/45*	57/57	95/100*	90/90	35/35	25/25	45/50	45/na
France	0/0	14/14	45/45*	50/50	90/90	90/90	40/40	30/30	50/50*	30/30
Ireland	nc/na*	14/17*	nc/na	90/90	nc/na	90/90	40/40	25/25	42/42	nc/na*
Italy	0/0	15/15	45/45*	70/70*	95/95	90/90	40/42*	30/30	50/50	nc/na*
Cyprus	nc/na	10/10	nc/na*	60/60	nc/na	30/30-40*	50/55	30/30	65/65	nc/80*
Latvia	nc/na	9/9	40/40*	70/70	nc/na	90/na*	38/38*	23/23	45/45*	nc/na
Lithuania	nc/na	13/10-13*	30/30	60/60	nc/na*	90/90	30/30	17/13-17*	40/40	60/60*
Luxembourg	-3/-3	8/10	nc/na	90/110	nc/na*	90/90	42,58/42,55-65*	12,42/12,42*	58/55-65	55/50-60
Hungary	nc/na	14/14	45/45	70/70	nc/na*	90/na	42-44/42-44*	28-30/28-30*	45-50/46-50*	nc/na
Malta	nc/na	14/17	45/na	60/60	90/na	90/90	40/47	nc/na	50/50	45/na
Netherlands	nc/na	17/10	45/45*	45/43	90/na	90/90	30/40	30/30	45/45	30/30
Austria	-2/-2	14/14	45/45*	70/70*	95/95*	90/90*	55/60*	50/50*	55/60*	45/na*
Poland	nc/na	14/13-21*	nc/na	61/61	90/95	90/90	30/30	35/35	30/30	nc/na
Portugal	nc/na	9/9*	45/na	70/70	90/102*	90/90	30/30	20/20	35/35	nc/na
Slovenia	0/0	7/7	nc/na	70/70	nc/na	90/76	40/40	35/16	45(50)/na*	45/na
Slovakia	nc/na	17/17	45/45*	65/68*	90/90*	89/90*	40/47	35/28	50(40)/56	nc/na
Finland	0/na*	14/14	45/45*	70/70	nc/na*	90/90	30/30	17/17	40/20*	17/17
Sweden	nc/na	16/16	60/70	60/70	90/95	90/95	40/40	30/30	40/40	30/30
United Kingdom	nc/na	17/17*	25/25	60/60	90/90	90/90	38/38*	15/15*	50/50	nc/na*

Legend: nc = no commitment na = not available * = footnote (see below) [xx] = available at xx days but not yet released at European level

Annex I – PEEIs: Detailed country commitments and current situation

	Business Indicators				**Labour Market Indicators**				**External Trade Indicators**
Member States	*3.5 Production in Construction*	*3.6 Turnover Index for Retail Trade and Repair*	*3.7 Turnover Index for Other Services*	*3.8 Output Price Index for Services*	*4.1 Unemployment rate*	*4.2 Job vacancy rate*	*4.3 Employment*	*4.4 Labour Cost Index*	*5.1 External Trade Balance*
EU	45/61	30/28	60/67	60/na	30/33	45/75	45/74	70/77	46/48*
Belgium	40/40	32/32*	60/60	nc/na*	30/30	nc/na-75*	nc/72	75/75*	40/40
Czech Republic	45/45	30/30*	50/50*	10/10*	16/16*	45/45	45/70*	70/70	39/39
Denmark	50/64*	30/30	60/60	90/na	30/30	45/na*	45/60	70/70	40/45
Germany	38/38	30/30	60/29-35-60*	60/na*	30/30	45/45*	30/30	70/70	39/39
Estonia	60/60	30/30	75/75	nc/na	30/30	45/53	55/90	70/70	40/40*
Greece	60/75*	30/30*	60/75	nc/na*	90/na*	90/130	90/na	90/90	42/42
Spain	45/45	30/26	52/56	90/na*	30/32	60/60	30/32	68/70	40/40
France	40/40	30/30	60/60*	60/68	30/30	45/45	45/52	70/73-75	40/40
Ireland	90/100	49/49*	60/90	nc/na*	9/9	nc/na*	75/75	90/90	40/40*
Italy	45/60*	30/30	60/90*	nc/na*	nc/na*	70/80*	nc/70*	70/70	40/40
Cyprus	60/75	30/30	60/60	nc/na*	7/7	75/90	75/170	70/75	40/40
Latvia	55/55*	30/30	60/60	nc/na	15/15	75/75	70/70	70/70	42/42
Lithuania	45/45*	29/26-29	46,60/46,60*	60/na*	20/18-20	45/45	45/43-90	70/70	40/40*
Luxembourg	58/55-65	25,105/25,105*	45,105/na,105	nc/na	30/30	45/45	70/110	70/70*	37/37
Hungary	48-50/48-50*	30/30	60/60	nc/na*	30/-*	45/45	30/70*	70/70	40/40*
Malta	nc/na*	nc/na*	60/67	60/na	30/32	nc/na	70/70*	75/75*	45/37
Netherlands	30/43	30/30	60/80	90/na*	30/30	45/80*	45/45	70/70	45/40
Austria	55/60*	30/33	60/61	90/na*	nc/0*	nc/na	45/45-70*	70/70*	40/40
Poland	30/30	30/30	60/60	nc/na*	nc/na*	45/50	45/50*	70/70	40/40
Portugal	40/40	30/30	40/40	nc/na	nc/na*	nc/na*	nc/na*	70/70*	40/40
Slovenia	45/45*	30/30	60/60*	nc/na	nc/na*	45/50	70/70	70/70	40/40
Slovakia	45/40	30/30	60/67	60/na	32/32	45/45	45/70	70/70	40/40
Finland	45/48	28/28*	45/45	17/18	22/22	45/50	22/45-70	70/70	39/39
Sweden	45/45	30/30	55/60	60/na*	25/25*	45/45	45/47	70/70	40/40
United Kingdom	30/60*	14/14	60/60*	45/45	45/45*	20/40*	45/45-50*	50-70/75*	40/40*

Legend: nc = no commitment na = not available * = footnote (see below) [xx] = available at xx days but not yet released at European level

Notes:

1.1. Harmonised Consumer Price Index: MUICP flash estimates

FI: Finland is fully committed to start delivering the MUICP flash estimate as of January 2007 reference period.

IE: no supply of data for the flash estimates.

1.2. Harmonised Consumer Price Index: HICP

BE: New commitment: +5 except for January (+17). Extension to 6th level instead of 4th.

CZ: current transmission commitment: 6 working days.

IE: Ireland is able to meet the deadline of 14 days except for the December HICP.

LT: for January, t+21.

PL: data on HICP are transmitted according to the Eurostat timetable for transmission of monthly results, i.e. 13-21 days after the reference month.

PT: current release: 9 working days.

UK: already compliant with current proposed standards for quality adjustments and sampling. Not compliant with temporal coverage (January 2009).

2.1 Quarterly National Accounts: First GDP estimates

DE, EL, ES, FR, IT, NL, AT, SK, FI: co-ordination of the release date at the European level: target T+45.

CY: available in 2007.

LV: first transmission starting from 2006Q3.

FI: no details on the output and demand side.

2.2 Quarterly National Accounts: First GDP release with more breakdowns

BE: GDP breakdown to be used only for the compilation of the European aggregates transmitted to Eurostat together with the first GDP estimates.

EE: target T+70 days from 2006Q3 onwards.

IT: Italy is already transmitting an advanced estimate of the first breakdowns at t+45, at confidential level; for the purpose of compiling the European aggregates; the first national publication of provisional estimates is maintained at t+70 as settled by Regulation

AT: transmission at t+70 according to the ESA 95 Transmission Programme. No intention to change.

SK: the statistical office will follow Eurostat proposals and recommendations as well as grant projects realisation.

2.3 Quarterly National Accounts: Households and company accounts

DK no transmission obligation until 2008. Transmission at t+95 in April 2008.

ES: legal deadline fixed at t+95 till 2008.

LT: no transmission obligation according to Regulation 1161/2005 (quarterly sector accounts): below the threshold.

LU: no transmission obligation according to Regulation 1161/2005 (quarterly sector accounts): below the threshold.

HU: data not to be transmitted according to the Quarterly Sector Accounts regulation (below 1% threshold).

AT: according to Regulation.

PT: the legal deadline is extended to t+100 until 2008 (derogation).

SK: full implementation from 2008.

FI: not produced for the moment. The development project has started in 2005 and it is planned to be in production at the end of 2008.

2.4 Quarterly National Accounts: Government finance statistics

CY: non-financial data for general government.

LV: not published.

AT: according to Regulation.

SK: full implementation.

3.1 Business Indicators: Industrial production index

EU: the European aggregates are released 2-3 days later, due to the production system.

CZ: release on the 29th working day after the end of the reference period. Recommendations for revisions and seasonal adjustment could be taken on board.

IT: release at t+40 from October 2006.

LV: in 2006 the industrial production index is published at 1:00 p.m. local time on the 38th day after the end of the reference month of, if the 38th day is a on a weekend, on the next Monday.

LU: first estimates 42/42; detailed results 58/55-65.
HU: delay according to the EU Amendment STS Regulation for small countries.
AT: by the end of the STS-derogation in 08/2007, transmission at t+55.
UK: plan to provide working day adjusted data back to 1994; plan to deliver oil and gas series (11.1 and 11.2) prices in September 2006.

3.2 Business Indicators: Industrial output price index

EU: the European aggregates are released 2-3 days later, due to an embargo in the production system.
CZ: release on the 10th working day after the end of the reference period.
LT: for January, t+20.
LU: first estimates 12/12; detailed results 42/42.
HU: delay according to the EU Amendment STS Regulation for small countries.
AT: according to Regulation.
SI: not available yet; available only for the base year 2003.
UK: actual t+15 with occasional exception for public holidays.

3.3 Business Indicators: Industrial new orders index

CZ: release on the 29th working day after the end of the reference period.
EL: release of time series at t+50 from end 2006.
FR: further commitments: study the weights of orders and test unweighted index, 2006; backward calculation once per year, 2006; introduce an exhaustive yearly questioning on orders in some activities, 2007.
HU: delay according to the EU Amendment STS Regulation for small countries.
AT: by the end of the STS-derogation in 08/2007, transmission at t+55.
FI: the alternative leading indicator (based on business survey data) has been replaced by an indicator based on quantitative data on new orders in June 2006. The delay of the new indicator is 40 days.

3.4 Business Indicators: Industrial import price index

BE: figures for January-May 2006 transmitted in August 2006.
CZ: release on the 10th working day of the second month after reference month.
IE: Ireland will produce the index within the terms of the derogation (2007). Most likely, no much back data will be produced.
IT: a feasibility study is going on, based on the integration between survey business data and external data at firm level.
CY: available in 2008.
LV: the index is available 45 days after the end of the reference month and published 50/55 days after the end of the reference month.
LT: since January 2006 Lithuania has calculated the index (2005 = 100) according to the requirements of the Regulation (EC) No 1158/2005 of the European Parliament and of the Council. The index is available and published nationally 60 days after the end of the reference period.
AT: according to Regulation.
UK: no system in place. Major exercise that will wait till the introduction of the National Accounts reengineered systems (2008).

3.5 Business Indicators: Production in construction

DK t+50 in 2007. A new monthly indicator will be available in 2007 at t+40
EL: release of time series at t+50 from end 2006.
IE: aim to reduce the timelag to t+90.
IT: actual release at t+60, monthly. Release at t+45 by mid 2007.
LV: in Q4 release at t+60.
LT: quarterly supply according to Regulation 1158/2005.
HU: delay according to the EU Amendment STS Regulation for small countries. Monthly data available.
MT: on a quarterly basis only.
AT: by the end of the STS-derogation in 08/2007, transmission at t+55.
SI: Already on monthly basis
UK: target t+30 from October 2006. Monthly estimates from April 2007.

3.6 Business Indicators: Turnover index for retail trade and repair

BE: Using the European sampling.

CZ: estimates sent to Eurostat at t+30 after the end of the reference month only for the compilation of the EU aggregates (not released on national basis).
EL: no commitment for a national index. Target and actual dates refer to the country-stratified European sampling scheme for the retail trade index.
IE: Ireland participates to the European sample scheme and delivers the required data at t+28 (European Sampling Scheme: t+28); Preliminary t+49, final T+77.
LU: first estimates 25/25; detailed results 105/105.
MT: on a quarterly basis only.
FI: target and actual dates refer to the European sub-sample.

3.7 Business Indicators: Turnover index for other services

CZ: release on the 33th working day after the end of the reference period.
DE: actual T+29 for NACE 51; actual T+35 for NACE 55; actual T+60 for NACE divisions 71 and 74.
FR: the demography of enterprises will be taken into account in 2010.
IT: release at t+60 starting from data referring to 2006Q4.
LT: NACE Rev. 1 Div. 50, 51 target 46, actual 46; NACE Rev. 1 Div. 55, 60-64, 72, 74 target 60, actual 60.
LU: first estimates (from beginning of 2007) 45/na; detailed results 105/105.
SI: monthly indices on base 2000 available for NACE 50, 51, 55. Others only on base 2003 or 2004 – in 2007 the base year 2000 will be established.
UK: monthly reference periods from July 2006 reference period onwards.

3.8 Business Indicators: Output price index for services

BE: currently setting up a system based on indicators.
CZ: release on the 10th working day after the end of the reference period, monthly.
DE: data to be delivered in August 2007 at the latest. Derogation commitments for some industries: NACE 72, 74, 75, first delivery in August 2008.
EL: feasible under the condition that progress of the methodological work in this area will advance in due time; much will depend on the final set of prices to be collected, additional resources needed.
ES: legal deadline t+90. T+90 for 2007.
IE: these surveys are currently run out. In line with Eurostat agreements. Preliminary index by end of 2006.
IT: the gradual scheme of implementation adopted foresees the production of indicators for business telecommunications and nation al post activities, followed by courier services and transportation services.
CY: available in 2009.
HU: derogation required till 2009/2010.
NL: long term project. Currently it is too early to state reasonable deadlines.
LT: partly from 2008 onwards.
AT: according to Regulation.
SE: first delivery, September 2006.
PL: Derogation commitments for NACE 72 – August 2008; and for NACE 74 – August 2009.

4.1 Labour Market Indicators: Unemployment rate

CZ: source for the data transmitted to Eurostat: harmonised unemployment rate (trend of registered unemployment).
EL: release at beginning of 2007.
IT: the implementation process is under discussion.
HU: according to national publication practices (rolling averages).
AT: calculated and published by Arbeitsmarktservice Österreich at t+2.
PL: The indicator is calculated by Eurostat on the basis of quarterly data coming from the Polish LFS and the monthly registered unemployment data. Data on the Polish LFS are transmitted to Eurostat within 12 weeks after the reference quarter. They are available in the third month after the end of the reference quarter (about the 25th day of the month). Such data could be transmitted under embargo with a delay of 20 days. Ongoing work to assess the current sample of the LFS to derive monthly unemployment from it.
PT: no regulation for this transmission. Portugal is not fully committed. Methodological study in course.
SE: release and target date at t+25 on average.
SI: data is calculated by Eurostat from quarterly LFS and monthly registered unemployed.
UK: under the First for Europe Approach, the UK has offered to supply Eurostat with early projections. The timing and specific requirements are still being negotiated at a working level.

4.2 Labour Market Indicators: Job vacancy rate

BE: transmission at t+75 starting in mid-2007.

DK: financing necessary.
DE: target: quarterly survey conducted by Institut für Arbeitsmarkt und Berufsforschung (IAB) probably from 2006; target for Q1 to Q3 2006: t+45; for Q4 2006: t+60.
IT: release at t+70 by end 2007.
NL: the objective is to release at t+45.
PT: the Ministry of Labour is responsible for this indicator.
UK: the UK could supply data immediately after publication of the monthly Labour Market statistics first release.

4.3 Labour Market Indicators: Employment

CZ: LFS preliminary figures at t+40.
IE: survey currently not carried out.
IT: a feasibility study on estimates at t+45 is in progress.
HU: according to national publication practices (rolling LFS averages).
MT: according to Regulation.
AT: the transmission of national account employment at t+45 is planned.
PL: flash estimates currently at t+70. Release at t+45 from 2006Q2. From 2008, the flash estimates will be completed by the industry breakdown, NACE A6.
PT: LFS 2006Q1: data sent to Eurostat at t+63.
UK: The UK is currently quality assuring a methodology to constraint the preferred source of industry estimates (business surveys estimates of jobs) to the official estimates of employed persons from the LFS. When this work has been completed, a similar methodology will be developed to extend to the estimates of hours by industry.

4.4 Labour Market Indicators: Labour cost index

BE: transmission at t+70 starting from 2007.
IT: release at t+60 in 2008
LU: usually delivery t+70; 2006 no delivery due to technical problems.
MT: according to Regulation.
AT: according to Regulation.
PT: LFS 2006Q1: data sent to Eurostat at t+63.
UK: the UK could deliver in around 50 days.

5.1 External Trade Indicators: External trade balance

EU: the deadline of 46 days seems more feasible in the medium term than the 45-delay included in the Commission Com (2002) 661 final.
DE: quarterly internal revision of data sent to Eurostat since 2006. From 2009 on, monthly revision of the published data for the previous 6 months + annual revision at t+8 months after the reference year.
EE: detailed Intra data at t+70, detailed Extra data at t+42.
IE: since January 2005 the trade with EU has been supplied on average at t+40 days after the reference period, while the supply of the non-EU aggregates at t+36 on average. Th e detailed EU trade is supplied ata slightly over 70 days.
LT: policy revision is under consideration, frequency of revision is going to be reduced.
UK: continual programme with HMRC to reduce the size and frequency of revisions.

ANNEX II: Benchmarking of PEEIs within the European Union

Benchmarking of the PEEIs within the European Union

I. Introduction

The “Joint Report of the Council and the Commission on Eurozone statistics and indicators” (18 February 2003) called for the development of a set of Principal European Economic Indicators (PEEIs) needed for monetary and economic analysis and available *with a timeliness and quality that matches world-wide standards*. The ECOFIN Council of 2 June 2004 invited in this context the EFC, with the assistance of Eurostat and the ECB, to monitor closely progress of the PEEIs, including a benchmarking against the statistical system of the US. In November 2005, the ECOFIN Council endorsed the 2005 Status Report and underlined the need for continuously improving the PEEIs. At this occasion, it invited the European statistical system (ESS) to study the best practices in the EU for compiling PEEIs.

In agreement with the EFC Sub-Committee on Statistics, Eurostat decided that a report on benchmarking of the PEEIs in the European Union should consist of an overview for all PEEIs and an in-depth report on some selected PEEIs.

Eurostat, in collaboration with Member States, started therefore working on selected PEEIs: quarterly national accounts first GDP estimate, industrial production index, industrial output price index for domestic markets, turnover index for retail trade and repair, unemployment rate (monthly) and employment (national accounts concept, quarterly).

Eurostat asked Member States, and in particular the "Best three EU Member States", as identified in a summary benchmarking table prepared for the 2005 Status Report (Annex IB) on the basis of Member States' declarations about release dates, to sketch briefly practices or reasons that might explain their good performance, but also the weaknesses of their approach, if there were any.

This report draws upon countries' replies. It does not intend to be an exhaustive analysis of best practices for the compilation of PEEIs, but aims at giving an overview of the solutions applied in the "best EU Member States" to accelerate the release of selected PEEIs. The practices put forward in this document are those that are of wider applicability and that match timeliness improvements with other quality aspects. While best practices are often to be considered in the specific country context, the aim of this document is to encourage Member States to consider and/or test the practices adopted by the "best EU Member States".

The document is structured as follows: Section II gives an overview of the relevant factors influencing timeliness of PEEIs, notably the legal framework for their transmission and the targets set for the release of PEEIs in the 2002 Commission Communication on Eurozone statistics (see Com (2002) 661 final). Section III illustrates best (national) practices for increasing timeliness in the compilation of PEEIs. Section IV reports on common lessons derived from the benchmarking exercise. Section V is devoted to the strategies for promoting best practices.

II. Relevant factors influencing the timeliness of PEEIs

As underlined in Com (2002) 661 final, the essence of the PEEIs is the production of European indicators according to the First for Europe Approach, with Member States focusing on the provision of the information required for compiling timely and high quality European statistics. Timeliness of PEEIs depends, in general, on the national implementation of the PEEI philosophy and on timeliness of national indicators.

The commitment of Member States to European targets is usually based either on Community legislation or voluntary commitments:

a) Community legislation

   The maximum transmission lag of most PEEIs is set by Community legislation taking into account Community requirements and structural constraints of compilers in Member States. As all Member States have to respect this maximum lag, EU aggregates can be compiled accordingly.

b) Voluntary commitments made in pursuit of objectives set by the European Commission

   The European Commission encourages Member States for quite some time to transmit their data earlier than required by legislation. This allows Eurostat to compile European aggregates on the basis of partial results more timely. Voluntary commitments of Member States, thereby, facilitate a regular compilation of EU aggregates. Such commitments were made in the context of the PEEIs initiative and, prior to this, in the Action Plan on EMU requirements. They have led, at least for some PEEIs, to a significant improvement in timeliness of the release dates of EU aggregates.

Almost all PEEIs are also relevant at national level. National practices and traditions are therefore elements that impact on timeliness. The timing of national releases of PEEIs components is largely shaped by methodological, technical and organisational choices made as well as priorities set in the past. These choices and priorities, differing among Member States for a host of reasons, have led to sometimes considerable spreads among national release dates. As these spreads limit the acceleration of the release of EU aggregates, the European Commission promotes “best practices” hoping to be able to compile EU aggregates on the basis of a sufficient number of Member States ready to adopt these practices.

Example: quarterly GDP, first (flash) estimate – relevant factors influencing timeliness

Legal requirements: the time limit for the transmission to Eurostat is set at t+70 days after the end of the reference quarter by Regulation 2223/96 (ESA95) as last amended by Regulation 1267/2003.

PEEI target:, the target for releasing a first GDP estimate has been fixed at t+45 days, first in the context of the EMU Action Plan and later in the PEEIs initiative. This target is more sensible to users' requirements and closer to the first release of quarterly GDP figures of other important extra-European countries (United States and Japan).

National practices: some Member States have implemented and others are considering to implement a statistical process for a first (flash) GDP estimation at around t+30 days due to the early availability of national basic statistics combined with the use of flash estimates techniques. These initiatives meet inter alia national users' requirements.

Table 1 gives for each PEEI the legal deadline, the PEEIs target set by the European Commission in Com 661 final, the current European release lag and the best 3 euro area/EU Member States release lags.

III. "Best (national) practices" for PEEIs

Starting from the release lags reported in the 2005 Status Report, Eurostat identified the "Best three EU Member States" in terms of timeliness. Member States were contacted and asked to report on those practices or reasons that might explain their performance, but also on possible weaknesses of their approach.

The outcome of the survey pointed to national practices for improving timeliness. Often these practices have to be considered in the statistical context in which they are developed and applied and are, therefore, country specific. Nevertheless, some common rules can be derived and countries' experiences could be used as a reference by other Member States in improving timeliness of PEEIs.

Best practices are presented according to the five sets of PEEIs defined in Com 661 (2003).

Table AII.1: Summary benchmarking table

Principal European Economic Indicators	Current release of European aggregates	Legal date of transmission from MS to Eurostat	Target date of transmission according to Com (2002) 661 final	Best 3 EU MS	Best 3 Euro Area MS
Set 1: Consumer Price Indicators					
1.1. Harmonised Consumer Price Index: MUICP flash estimate	0 (~95%)	30	0	-10 EL -5 DE -3 BE, LU	-10 EL -5 DE -3 BE, LU
1.2. Harmonised Consumer Price Index: actual indices	17 (100%)	30	17	6 CZ 7 BE, SI	7 BE 9 EL 10 LU, NL
Set 2: Quarterly National Accounts					
2.1. Quarterly National Accounts: First GDP estimate	45* (~86%)	70	45	25 UK 30 BE, LT	30 BE 45 DE, EL, ES, FR, IT, NL, AT, FI
2.2. Quarterly National Accounts: GDP release with more breakdowns	61 (~80%)	70	60	43 NL 50 FR 55 DE	43 NL 50 FR 55 DE
2.3. Quarterly National Accounts: Household and Company Accounts	na	95/90	90	70 DE 90 FR, UK	70 DE 90 FR 95 IT, AT
2.4. Quarterly National Accounts: Government Finance Statistics	95 (100%)	95/90	90	CY 40 70 DE 76 SI	70 DE 90 all other MU member states
Set 3: Business Indicators					
3.1 Industrial production index	49 (~95%)	40 large MS 55 small MS	40	30 PL, PT, FI 35 EE, ES	30 PT, FI 35 ES
3.2 Industrial output price index for domestic markets	33 (~95%)	35 large MS 50 small MS	35	12 LU 15, DK,UK	12 LU 17 FI 20 DE, PT
3.3 Industrial new orders index	49 (~85%)	50 large MS 65 small MS	50 (40)	30 PL 35 PT 37 DK	35 PT 38 DE 42 IE
3.4 Industrial import price index	na	45	45	17 FI 24 DE 30 FR, NL	17 FI 24 DE 30 FR, NL
3.5 Production in construction	74 (~95%)	45 large MS 60 small MS	45	30 PL 38 DE 40 BE, FR, PT, SK	38 DE 40 BE, FR, PT
3.6 Turnover index for retail trade and repair	34 (~85%)	30	28	14 UK 26 ES 28 FI	26 ES 28 FI 30 DE, EL, FR, IT, NL, PT
3.7 Turnover index for other services	67 (~60%)	60	60	40 PT 45 FI 50	40 PT 45 FI 56 ES
3.8 Corporate output price index for services	na	--	60	16 CZ 18 FI 45 UK	18 FI
Set 4: Labour Market Indicators					
4.1 Unemployment rate (monthly)	33 (~65%)	35	30	0 AT 9 IE 10 CY	0 AT 9 IE 22 FI
4.2 Job vacancy rate (quarterly)	75	--	45	40 UK 45 CZ, FR, LT, LU, HU, SK, SE	45 FR, LU 50 LU
4.3 Employment (quarterly)	74 (~90%)	70	45	32 ES 30 DE 45 NL, FI, UK	32 ES 35 DE 45 NL, FI, UK
4.4 Labour cost index (quarterly)	77 (~75%)	70	70	70 CZ, DK, DE, EE, ES, IT, LV, LT, HU, NL, AT, PL, PT, SI, SK, FI	70 DE, ES, IT, NL, AT, PT, FI
Set 5: External Trade Indicators					
5.1 External trade balance: intra- and extra-MU; intra- and extra-EU	45 (~100%)	40	46	37 MT, LU 39 CZ, DE, FI	37 LU 39 DE, FI

Legend: coverage in brackets na = not available

* 2.1 First GDP estimates: common release date at t+45 (actual release date for 2006Q1 t+41 days)

III.1. Consumer Prices Indicators

Improvements in the timeliness of consumer prices indicators (MUICP and HICP) are mainly related to the efforts towards the harmonisation of the HICP and CPI baskets, a better organisation and early price collection in the first 3 weeks of the month, as well as the use of regional results or sub-samples for flash estimtes.

Countries best practices (MUICP flash estimate)

Belgium: Since January 2006 the CPI and the HICP in Belgium are based upon an almost identical basket. Because of this, the accuracy of the Belgian contribution to the MUICP flash estimate may improve further in the future.

Furthermore, the MUICP flash estimate could become more reliable if, following the methodological changes introduced in the CPI in 2006, Belgium could continue to supply, as it has already done in the recent months, the HICP indices to Eurostat by the end of each month in time for the use for the MUICP estimate.

Greece: Greece supplies a CPI based flash estimate well in advance before the end of the current month. A well designed price collection plan covering the first 3 weeks of each month for a target sub-sample of representative items, covering the 5 most important cities (with a population share of roughly 2/3 of the country population) allows Greece to compute an estimate of its CPI well before the end of the current month.

Greece is committed to compute in the future also an estimate of the HICP following the same methodology. While maintaining timeliness, the accuracy of the Greek contribution to the MUICP flash estimate is expected to improve further.

Germany: Germany publishes provisional CPI and HICP headline inflation figures at federal level around the 25th of the current month based on extrapolation of the data released early in six Länder. The HICP flash estimate is derived from the CPI estimate through an ex-post adjustment for differences in coverage. Accuracy could be further improved by a direct estimation of the HICP.

Countries best practices (actual HICP)

Belgium: The Belgian performance in terms of timeliness is mainly achieved through a well organized price collection system. Early price collection (from the 1st to the 22nd of each month) and an allocation of the sample across time and space contribute to the timeliness and reliability of the price data being published. This approach seems already to be compliant with the newly adopted regulation concerning the temporal coverage of price collection in the HICP.

Slovenia: Prices are collected in four cities between the 1st and the 25th, applying an efficient time allocation schedule for products classified in related groups (e.g. non-food products between the 1st and 15th of the month) which allows checking the data regularly through the month, so that the end of the month enough time remains for production.

III.2. National Accounts Indicators

Quarterly national accounts are compiled by combining several basic statistics, in many cases related to other PEEIs. Therefore, the timely compilation of national accounts depends on a timely availability of the basic statistics.

Because of the variety of data sources and the complexity of national accounting systems, the practices applied in each Member State are often quite country specific. Nevertheless, some practices are of general interest:

- *Early availability of basic data*: The timely compilation of GDP and its main components benefit from the early availability of other indicators such as the industrial production index, external trade statistics and employment indicators.
- *Simplified compilation*: The GDP and its components are normally derived through an interdependent compilation process, but the compilation can be accelerated through a simplified compilation process targeted to GDP and making use of less detailed basic information complemented by expert judgement and econometric techniques.
- *Flash estimation*: The use of flash estimation techniques is particularly suitable for indicators such as GDP due to the robustness of GDP as a highly aggregated measure and the availability of early basic information. Flash estimates techniques allow also the *incorporation* of expert information together with real data and econometric modelling.

Countries best practices (GDP "flash" estimates)

Belgium: The general principle adopted for the Belgian national accounts “flash” estimate (released at t+30 days) is that, wherever possible, the methods and sources used are the same as for the final estimate (released at t+70 days).

The “flash” estimate of the main Belgian quarterly aggregates is based on the application of econometric methods, likewise the full quarterly accounts. As in the traditional quarterly accounts, GDP is first estimated from the output side before being compared with GDP from the expenditure side. Estimations are made at the same disaggregation level as in the regular release of quarterly accounts.

However, the “flash” estimate differs in one essential respect from the full quarterly accounts, namely in the available statistical information.

The estimate after 30 days has to be based on data available no later than 3 weeks after the end of the quarter, and consists of:

- industrial output: provisional monthly indices for the first two months of the quarter;
- VAT statistics: final statistics on the monthly returns for the first month in the quarter, and provisional statistics for the monthly returns for the second month.

The estimation is based on observed information for 2/3 of the period. The third month is estimated by extrapolating with ARIMA models the information available for the first two months.

United Kingdom: The short-term UK estimate of the change in GDP is based mainly on output information. The output calculations used to produce GDP are essentially the same for the preliminary and subsequent estimates: merely with additional data being available for subsequent estimates. GDP output indicator series have been subject to a considerable degree of change and improvement. New short-term turnover inquiries for selected service industries were introduced to help improve the measurement of GDP. Improvements in the quality of the early indicator results made possible the advance in the publication date for the first estimate of change in GDP. The ONS has invested heavily in short-term output surveys and in estimating new services deflators. In addition a wide-ranging set of projects is under way to improve output-approach methodologies and the quality of the monthly data on services.

The UK preliminary estimate of GDP is growing increasingly rich in data. It should therefore be able to capture economic turning points with greater accuracy.

III.3. Business Indicators

The STS Regulation, as last amended in 2005, establishes the time limits for the transmission from Member States. These deadlines have been extended for smaller Member States by 15 days for a certain number of indicators.

Short-term statistics are mainly compiled from data collected through surveys addressed to enterprises. Specific actions to improve timeliness concentrate, therefore, mostly on improving the efficiency of these surveys: increasing the response rate, designing questionnaires in a respondent friendly manner or making use of data mining techniques. The combination of actions devoted to the improvement of the production process with actions to make the exchange of data more efficient and rationalise the collection of data is considered to have a very positive impact on the timeliness of short-term statistics.

A number of specific approaches can be followed for improving the timeliness of business indicators:

- *An early release of aggregate followed by a later release of detailed data*: As the focus of PEEIs is not on detailed but on highly aggregated business statistics, it has turned out that a production process specifically devoted to aggregates will lead to more timely results.

- *Improve efficiency of sampling design*: The coverage of observation units of all sizes in a survey is expected to reduce timeliness, because the response rates from smaller enterprises are generally lower than larger ones. A re-design of the sampling frame to favour the production of aggregates by introducing, for example, a cut-off threshold to exclude smaller enterprises and thus part of the population, is likely to improve timeliness, but may introduce at the same time also a bias (unless the bigger firms are largely representative of the entire population).

- *Speed-up the production process*: Some Member States have successfully brought down the compilation time through a variety of measures: improving data editing, adapting questionnaires to the accounting practices of enterprises, using personalised questionnaires or improving relationships with enterprises. A targeted editing procedure based on time series modelling proved to be a methodological change with a strong impact on timeliness. Such a procedure might help detecting outliers and influential micro-data and may, thus, lead to re-contact, if necessary, reporting units. The editing process is more integrated, the repetition of some stages eliminated, and many tedious tasks replaced by fewer and more qualified ones. An advanced analysis of the results when the replies arrive contributes as well to speeding up the process. The combined effect of such actions improves not only timeliness but reduces also the resources needed and lowers finally also the response burden.

- *Simplification of the collection process*: Some Member States accelerated the production process by a substantial simplification of data provision, in particular for small enterprises.

- *Focus on a group of key observation units*: Some Member States have targeted key observation units through an intensive campaign trying to persuade them to reply within the deadline. The establishment of personalised contacts with the observation units has helped in this context.

- *Efficient and effective data collection and data-entry*: Some Member States have introduced electronic web-based questionnaires. This has reduced the time for forms to return (by avoiding postal surveys). The introduction of interviews, of electronic data capture and of entry-time editing has been useful to improve timeliness.

- *Earlier transmission of questionnaires with or without advancing the observation time*: Some Member States have moved the data collection period from the end to the middle or even the first week of a month, others are simply mailing their questionnaires earlier and have shortened the time period for respondents.

- *Introducing simplifying approximations*: Some Member States have simplified their methodology by using, for example, turnover instead of production, or the enterprise rather than the Kind of Activity Unit (KAU) as the observation unit.
- *Increase the frequency of data collection*: Switching to (simplified) monthly surveys for indicators to be compiled on a quarterly basis has also led to an acceleration of the compilation process in some Member States.
- *More efficient use of human resources*: Some Member States have managed to change working attitude and practices among their staff through focusing on a faster reporting of statistical results. A focus on editing with priority returns of those enterprises with a high impact on the published results has also helped to advance the release of indicators. A stable organisation of the collection process has equally been of help, as it allows to establish direct contacts with respondents.

Countries best practices (industrial production index IPI)

Spain: In Spain efforts have been made to save time in several phases of the production process for the IPI. Data editing is one of the most time-consuming statistical phases. Adapting questionnaires to the accounting practices of the enterprises, using personalised questionnaires and improving the relationship with enterprises are key factors in achieving timeliness. A selective editing procedure based on time series modelling has been a main methodological tool for improving timeliness. The selective editing procedure was used to define and detect outliers in the indices and then to define and detect the influential micro-data. Once the indices that are not coherent with their past behaviour (and therefore can be considered as outliers) have been detected using ARIMA model forecasts the impact of each of the micro-data on these indices can be measured, and the most influential edited, if necessary re-contacting reporting units. The editing process is more integrated, the repetition of some stages eliminated, and many tedious tasks replaced by fewer and more qualified ones. There have been improvements in timeliness and reductions in the resources needed and in the response burden.

Portugal: Portugal is one of the Member States with the most timely IPI, and this situation has been achieved over a number of years, with the time lag for the production index having more or less halved by 2005 from around 60 days in the middle of 1999. Some of the actions taken to improve timeliness were: to focus on a group of key observation units which are subjected to an intensive campaign of persuasion to reply within the deadline; establishment of personalised contacts with the observation units; advanced analysis of the results as and when the replies arrive; simplification of the collection process.

Finland: Finland improved the timeliness of its industrial production index from a time lag of around 45 days to one of around 30 days between 2001 and 2002. Central to this improvement was the decision to move forward by seven days the deadline for respondents to provide monthly data: this decision was taken after negotiations with representatives of the data suppliers.

Sweden: Since the beginning of 2000 the timeliness of the Swedish monthly IPI improved by around 15 days, from a time lag of about 55 days after the end of the reference month to just less than 40 days. This improvement was achieved through a number of measures, including a substantial simplification of data provision for small enterprises and the implementation of a new, more efficient editing system: these were combined with an overall shift in attitude and working practices among staff contributing to the faster reporting of the statistical results.

Countries best practices (domestic industrial producer price index - PPI)

Denmark: in Denmark the timeliness of the PPI has improved from a lag of around 40 days after the end of the reference month in 2001 to a time lag of less than half, just 18 days, by 2005. The central action for this improvement was to move the observation date for price quotes from the 25th of the month to the 15th.

Germany: In Germany timeliness has improved from 25 days after the end of the reference month in 2001 to 19 days in 2005. This was also achieved by moving forward the observation date, from the 21st of the month used up until 2001 to the 15th of the month used since 2002.

Portugal: The actions taken to improve the timeliness of the PPI in Portugal are similar to those for the IPI, namely to focus on a group of key observation units and to establish personal contacts, carry out advance analysis of the results as and when the replies arrive, and to simplify the collection process.

III.4. Labour Market Indicators

Labour market indicators are quite heterogeneous in terms of scope, compilation procedures, timeliness and degree of compliance with PEEI targets. The basic source for most labour market statistics is the Quarterly Labour Force Survey (LFS) (Regulation 577/1998). The legal deadline for transmitting LFS results is fixed at t+90 days.

The compilation of the *monthly unemployment rates* in European Union is an exception to the standard ESS approach where indicators are compiled by Member States and sent to Eurostat for verification and calculation of EU aggregates. Eurostat does not only calculate the aggregate EU unemployment rate, but also an LFS-based monthly unemployment rate for almost all Member States with the help of quarterly LFS data and a suitable national monthly indicator for unemployment.

The quarterly employment indicator, the labour cost index and the job vacancy rate are derived according to the traditional approach by aggregating nationally compiled data. The employment indicator is compiled within the national account framework.

As the labour market indicators are quite different in nature, Member States have adopted a variety of practices for improving their timeliness. Most of these practices focus on improving the LFS used, directly or indirectly, in the compilation of all these indicators.

Member States have mentioned a series of good practices facilitating a timely compilation of EU aggregates:

- *Strengthening the harmonisation of basic sources*: The more harmonised basic source are, the easier it is to derive national indicators that can serve as input for compiling EU aggregates.

- *Strengthening the harmonisation of LFS concepts*: National concepts in line with EU concepts favour the direct use of national data in EU calculations with immediate benefits in terms of timeliness and simplifying calculations.

- *Improving and using the sampling design of the LFS survey*: Surveys designed for EU requirements are obviously more suitable for the compilation of EU aggregates. Furthermore, on the basis of a by now continuous quarterly LFS, some Member States have started to compile non-representative monthly national indicators that can serve nevertheless as input for the compilation of representative monthly European aggregates.

- *Make direct use of LSF results*: In some Member States the use of LFS results to directly produce labour market indicators improves quality of data, in particular timeliness and accuracy.

- *Use of "best proxies"*: The timeliness of the overall system has improved also in those Member States whose national LFS are not fully correspondent to EU LFS. In these cases, "proxies" have been used (for example, using the simplified weighting scheme).

- *Introduce the three months rolling averages of the monthly LFS data*: Member States that produce monthly simplified LFS data registered improvements with respect to the pure legal requirements. Before having a new quarterly LFS data available, Eurostat could use the rolling averages produced for the two preceding months. Even if the need for the additional monthly indicator stays to complete the quarterly picture, the time span for the estimations would be shorter. This approach improves timeliness and revisions would likely be smaller.

Countries best practices (monthly unemployment rate)

As mentioned in the previous paragraph, Eurostat does not only calculate the aggregate EU unemployment rate, but also an LFS-based monthly unemployment rate for almost all Member States with the help of quarterly LFS data and a suitable national monthly indicator for unemployment The national monthly indicator is in most cases provided by the national administration of registered unemployed job seekers. Non harmonised feature of the monthly data is partly compensated by benchmarking the series with the EU LFS. However, the magnitude of the revisions (after the arrival of the real LFS data with a standard time lag) and the timeliness of the monthly administrative data are issues which are difficult if not impossible to influence.

Some Member States For some Member States the sampling design of the LFS allows the extraction of the monthly data and not only the quarterly data and presently for two Member States the national monthly indicator is coming from the LFS. In addition to those, more than ten Member States are considering and testing the monthly extractions. The direct use of the LFS is considered a best practice as the timeliness and revisions would be reduced improving the quality of the data. This could now be possible as the continuous LFS is has been implemented by all EU Member States.

Finland: Statistics Finland produces its LFS with identical definition to EU LFS on monthly basis with 20 days delay after the end of the reference month. The correspondence with EU LFS is verified quarterly by comparing the monthly national results with the quarterly microdata delivered to Eurostat. Eurostat uses the monthly employment and unemployment data directly without any additional calculations. Statistics Finland's monthly release of unemployment contains identical data.

The only drawback with this approach could be that most of the national datasets would become more volatile than in the past, because they would loose the relative stability of the administrative register series. On the other hand the monthly data would be directly the desired unemployment/employment data without any need for additional calculations.

Countries best practices (quarterly employment)

Germany: The quarterly employment figure is composed of the results of monthly calculations. Monthly estimations as part of continuous labour market monitoring allow assessing and comparing these employment data with other labour market and short-term economic indicators that are available on a monthly basis, too (unemployed persons, registered unemployed, notified vacancies, orders received, business climate index, etc.). Monthly estimates ensure coherence in the overall employment and labour market statistical system which basically concentrates on monthly presentations. Compared to quarterly calculations, monthly calculations furthermore have the advantage that seasonal, irregular and other short-term effects can be “covered” earlier and estimations based on time-series analyses be made on a larger basis and with higher precision.

The German monthly employment accounts are not based on a single (rigid) procedure. They rather combine different methodological approaches like mathematical and statistical forecasting methods (time-series analyses) and also calculations and expert estimations based on existing statistical employment data (classical national accounts approach). The results of various calculations, which are obtained independently of each other in different ways, are then matched with the help of the primary data collected by Federal Statistical Office and are eventually combined to obtain an independent final result. Combining different methods, on the one hand, ensures high flexibility and, on the other, permits the realisation of synergy effects. Thus, mathematical and statistical procedures, in particular the time-series analyses, are an important instrument to assess current trends and seasonal movements in employment, while specific circumstances and irregular effects (e.g. new legal regulations having an impact on employment policy) can only be considered in expert estimations.

Spain: On e of the main sources for quarterly employment in Spain is the Labour Force Survey. The Spanish Labour Force Survey has been renewed in 2005 to accomplish all the requirements concerning the wording and definition of the employment. A CATI system was also introduced to have more control of the interviews and to produce data more quickly, given that the primary validations are developed during the interviews.

The quarterly LFS figures are obtained within 32 days after the reference period. The validation and imputation processes are applied to the information of every month and they do not take more than ten days. A software for imputation developed by INE is used to edit the qualitative variables. Demographic variables are validated taking into account the primary information collected. The procedure allows to obtain the quarterly information by aggregation of the monthly data.

III.5. External Trade Indicators

Except for one-off problems leading to minor delays, all the Member States meet systematically since 2005 the legal requirements. The improvement of accuracy is now the main objective of Member States

Best practices to improve timeliness of external trade indicators are:

- *More estimation*: First results could be made available earlier by making use of pure estimation techniques with the risk inherent in any estimation and a loss of product details.
- *Accelerating the availability of detailed statistics*: Some Member States managed to accelerate their compilation without making use of estimation techniques and thus sacrificing quality and detail. They collect data from respondents more quickly and have optimised their production and quality control processes.

Countries best practices

France: improved the efficiency of quality control and looked for ways to estimate missing data (due to missing declarations or because of the exclusion threshold).

Belgium: Belgium has drawn more upon the use of estimation techniques, which, anyway, limits the possibility for compiling early detailed results.

IV. Common lessons derived from best practices

From the analysis of countries best practices some common lessons can be derived to generally improve timeliness of PEEIs:

- *Use of existing data sources*: Several Member States explain that their successful implementation relied to a great extent on the use of existing, well established, and reliable sources for basic data.
- Use of national, regional, sectoral or large enterprise sub-samples: Early estimates are derived from sub-samples, and these sub-samples of the surveys have proved to be sufficiently reliable; when this is supported by changes in the survey process (data collection, processing and dissemination), very significant gains in timeliness are possible, in particular if sub-samples at the national level and sub-samples at European level (i.e. results from significant number of - but less than – 25 EU countries) are combined.
- *Use of estimations*: In order to comply with the legal deadlines, some Member States make a heavier use of estimation techniques. These estimations are, in most cases, confined to specific parts of the total data set. For example, in case data are only available for two out of three months of the quarter, the third month is estimated. However, it is common to all replies that quality of the statistics should not be unduly compromised by estimations.

- *Apply the "three-pillar" approach*: Some Member States combine forecasting methods, expert calculations and estimations based on existing data and available basic data in order to come up with a first estimate.

- *Sufficient human resources, good organisation and clear procedures*: Several Member States underline the importance of the *initial implementation* phase, since wrong decisions will have long lasting consequences. It is important to evaluate different methodologies and sources, set up good procedures including contingency procedures, and develop reliable software.

  In the *production* phase, it is considered to be important not only to deal efficiently with the day-to-day problems, but also to improve procedures and software continuously. Furthermore, Member States underline that procedures have to be clear and data production has to be well organised. This applies in particular, when different units within a NSI have to co-operate, regional and central offices have to exchange information or NSIs depend on external data providers.

- *Optimisation of processes with respect the infrastructure; use of adequate IT tools in the data life cycle*: Several Member States increased the efficiency of the collection, treatment and dissemination of data by optimising the database management and automating the processes by using adequate IT tools in the different phases of the data life cycle.

V. Strategies for promoting best practices

The benchmarking exercise helps in drawing lessons on how the faster EU Member States achieved and went beyond the PEEIs requirements in terms of timeliness. The ESS should profit from sharing national expertise and promote best practices. Several steps in this direction have already been identified in the EMU Action Plan, in the PEEI context and in the specific statistical areas. Actions have been implemented and first concrete results have already been achieved. Nevertheless, further efforts are necessary. Progress should be supported through:

- *Organisation of seminars/workshops on good national practices*: sharing experiences and knowledge on methodological and practical aspects of the compilation of indicators.

- *Organisation of study visits*: study visit from countries wanting to improve timeliness to countries that use a similar basic method, but achieve better timeliness.

- *Delivery under embargo*: reinforce bilateral contacts between Eurostat and individual countries to make more widespread use of delivery under embargo.

- *Reinforcement of bilateral contacts between Eurostat and selected countries* to improve the timeliness of European aggregates, investigating the possibility of introducing changes in methods or working practices, or compiling early estimates for the use of calculating European aggregates.

VI. Conclusions

The results of the benchmarking exercise presented in this report highlight practices adopted by the "best EU Member States" to improve timeliness of the compilation and dissemination of PEEIs. While such practices may be in a number of cases country specific, serious analysis of their wider applicability is warranted. The ESS should, therefore, undertake adequate actions for promoting and sharing best practices, as a key element of the First for Europe approach in view of the compilation of the PEEIs. In this sense, Eurostat and Member States are called upon to undertake concrete steps to select best practices that can be generalised and practical suggestions have to be found on how to implement them.