



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL**

on the compilation of quarterly non-financial accounts by institutional sector

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. Background

The aim of this proposal for a Regulation is to provide a common framework for the contributions of the Member States to the compilation of quarterly European accounts by institutional sector. These quarterly sector accounts are deemed necessary for the analysis of cyclical movements in the European Union economy and the conduct of monetary policy within the Economic and Monetary Union and are expected to give important information on the economic behaviour and the interrelationship of individual institutional sectors which cannot be identified in data compiled at the level of the economy as a whole.

This is clearly stated in the Action Plan on Economic and Monetary Union (EMU) Statistical Requirements endorsed by the Ecofin Council in September 2000 which specifies that a limited set of quarterly sector accounts is urgently needed, and that these should be available within 90 days of the end of the quarter concerned.

Furthermore, the 5th Report of the Economic and Financial Committee on the implementation of the EMU Action plan, as endorsed by the Ecofin Council on 18 February 2003, states that "the single most important deficiency of EMU statistics is the lack of information on the behaviour of households and companies in the business cycle. The (EFC) Committee therefore urges the Member States to adopt and implement the regulation on quarterly accounts by institutional sector".

A joint European Central Bank/Eurostat Task-Force "Quarterly Sector Accounts" ("QSA") was set up to prepare the draft legislation. A pilot exercise took place in order to test the feasibility of collecting the QSA data and to estimate the current coverage of each variable at the European level and the proposal for a draft regulation has been discussed by the National Accounts Working Group of May 2003, the Committee on Monetary, Financial and Balance of Payments Statistics of June 2003 and the Statistical Programme Committee of September 2003.

2. Content

The key issues addressed in the draft regulation are presented below.

List of variables

The list of variables has been extensively discussed in order to meet user requirements, both in terms of data availability and quality, while limiting the burden on Member States.

To satisfy user needs, a full set of accounts is required from the generation of income account down to the capital account, for both resources and uses and for the balancing items. This will also allow thorough consistency checks that are important for the quality of the output to be performed.

To limit the burden on Member States, the production account, the breakdown of the property income transactions, except interest, and entrepreneurial income are not required in the first instance. A comitology decision adopted via the comitology procedure would be needed to include these additional transactions in the transmission programme.

Reporting obligations

Data requirements have been limited to what is necessary for the compilation of European accounts. As a consequence, it is proposed to have all Member States reporting the full transaction detail for the core sectors general government (S.13) and rest of the world (S.2). Those countries whose GDP is lower than 1% of the EU25 total will not have to report the transactions of the other sectors (corporations and households). The threshold of 1% has been chosen to keep the impact of the coverage losses on the EU aggregates manageable (see annex 2). On the basis of the latest figures available for 2000, 2001 and 2002, all current Member States except Luxembourg would have to deliver data for all sectors. Among the accession countries, only Poland will have to report the full set of data (see annex 1).

Timeliness

To meet the objective of the Action plan, Member States are required to transmit the quarterly sector accounts data at the latest 90 days after the end of the quarter to which the data relate.

This deadline may be adjusted in the future, through the comitology procedure, by a maximum of five days, so that the impact on the compilation process of Member States can be kept to the minimum.

Consistency requirements

It is important to provide users with quarterly sector accounts that are consistent with related data provided under the existing European legislation. This consistency requirement is required in particular with regard to the non-financial quarterly accounts of the general government and the quarterly main aggregates of the total economy.

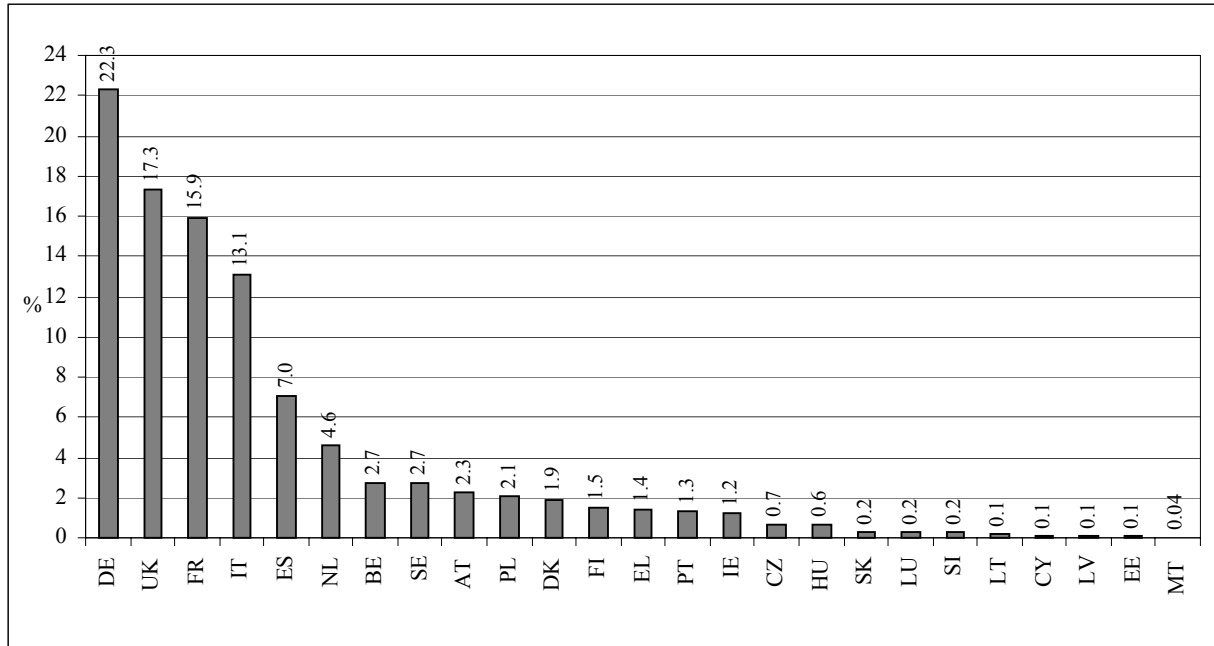
QSA data must also be aligned with the (non-financial) annual data for institutional sectors. If the annual data, when they are calculated independently of the quarters, are not available when the 4th quarter is transmitted, provisional figures for this quarter could be sent so that Eurostat can compile the European accounts. These provisional figures would have to be aligned afterwards, when the corresponding annual data are transmitted to Eurostat.

Comitology

The Statistical Programme Committee will be consulted according to the regulatory procedure for implementing measures within the scope defined by article 7 of the proposed Regulation.

Annex 1

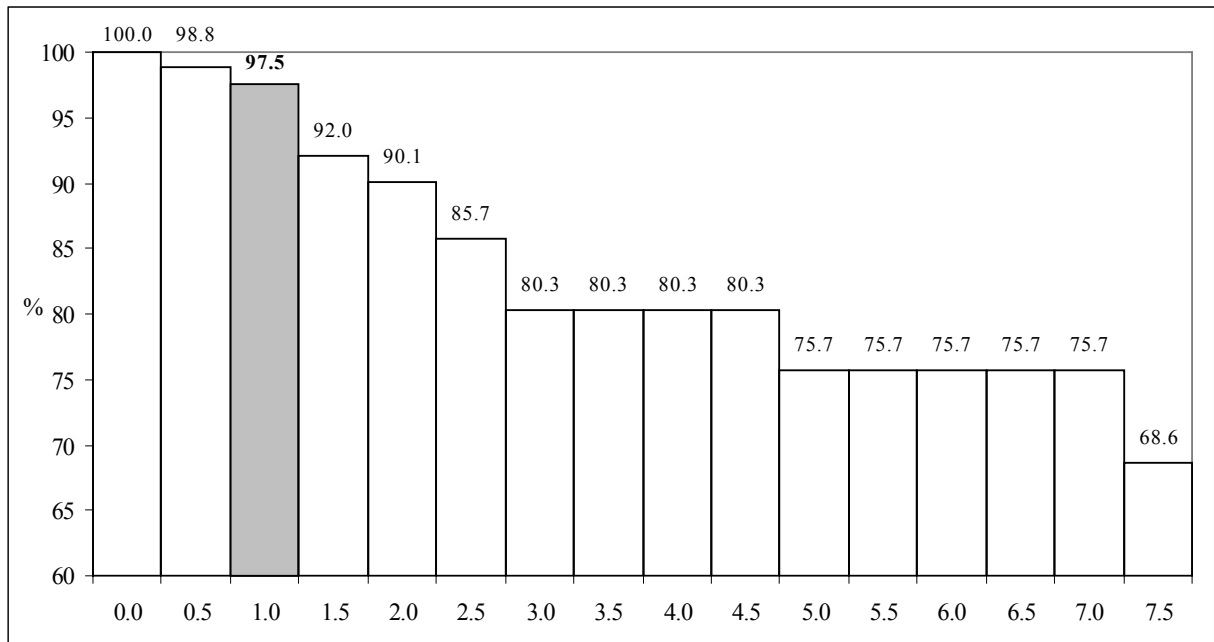
Percentages of EU25-GDP, per country (average 2000 – 2001 – 2002)



Source : NewCronos, theme2, aggs, GDP, current prices, 03-Jul-2003

Annex 2

Coverage of EU25-GDP as a function of the reporting thresholds



Source : NewCronos, theme2, aggs, GDP, current prices, 03-Jul-2003

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 285(1) thereof,

Having regard to the proposal from the Commission¹,

Having consulted the European Central Bank in accordance with Article 105(4) of the Treaty²,

Acting in accordance with the procedure laid down in Article 251 of the Treaty³,

Whereas:

- (1) The Action Plan on Economic and Monetary Union (EMU) Statistical Requirements endorsed by the Ecofin Council in September 2000 specifies that a limited set of quarterly sector accounts is urgently needed, and that these should be available within 90 days of the end of the quarter concerned.
- (2) The Joint Report of the Ecofin Council and the Commission to the European Council on Eurozone statistics and indicators, as adopted by the Ecofin Council on 18 February 2003, emphasizes that high priority actions in several fields, including quarterly national accounts by institutional sector, should be fully implemented by 2005.
- (3) The analysis of cyclical movements in the European Union economy and the conduct of monetary policy within the Economic and Monetary Union require macroeconomic statistics on the economic behaviour and the interrelationship of individual institutional sectors which are impossible to identify in data compiled at the level of the economy as a whole. There is, therefore, a need to produce quarterly accounts by institutional sector, for the European Union as a whole and for the euro area.
- (4) Production of these accounts is part of the overall aim to compile a system of annual and quarterly accounts for the European Union and for the euro area. The system includes the main macro-economic aggregates and the financial and non-financial accounts by institutional sector. The aim is to achieve consistency across all these

¹ OJ C [...], [...], p.[...]

² OJ C [...], [...], p.[...]

³ OJ C [...], [...], p.[...]

accounts and, with regard to the rest of the world accounts, between the balance of payments and the national accounts data.

- (5) The compilation of European accounts by institutional sector, in accordance with the principles of the European System of national and regional Accounts in the Community⁴, requires the transmission of quarterly national accounts by institutional sector of the Member States. However, the European accounts must reflect the economy of the European area as a whole and may differ from the simple aggregation of Member States' accounts. In particular, the objective is to take account of the transactions of the Institutions and bodies of the European Union, when these are resident in the European area concerned.
- (6) The production of specific Community statistics is governed by the rules set out in Regulation No 322/97 of 17 February 1997 on Community Statistics⁵.
- (7) Since the objectives of the action to be taken, namely the compilation of quarterly non-financial accounts by institutional sector for the European Union and the euro area, cannot be achieved satisfactorily by the Member States and can therefore, by reason of the scale and effects of the action, be better achieved at Community level, the Community may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. In accordance with the principle of proportionality, as set out in Article 5 of the Treaty, this Regulation does not go beyond what is necessary to achieve that objective. In particular, where Member States make a negligible contribution to the European totals, they should not be required to report the full detail of data.
- (8) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission⁶.
- (9) The Statistical Programme Committee and the Committee on Monetary, Financial and Balance of Payments Statistics have been consulted,

HAVE ADOPTED THIS REGULATION:

Article 1

Purpose

This Regulation provides a common framework for the contributions of the Member States to the compilation of quarterly European non-financial accounts by institutional sector.

⁴ OJ N° L 310, 30.11.1996, p.1.

⁵ OJ L 52, 22.2.1997, p. 1.

⁶ OJ L 184, 17.7.1999, p. 23.

Article 2

Transmission of quarterly non-financial accounts by institutional sector

1. Member States shall transmit to the Commission quarterly non-financial accounts by institutional sector, as specified in the Annex, except, in the first instance, items P.1, P.2, D.42, D.43, D.44, D.45 and B.4G.
2. A timetable for the transmission of items P.1, P.2, D.42, D.43, D.44, D.45, and B.4G, respectively, and any decision to require a breakdown of the transactions listed in the Annex by counterpart sector shall be adopted in accordance with the procedure referred to in Article 8(2).
3. The quarterly data referred to in paragraph 1 shall be delivered to the Commission at the latest 90 calendar days after the end of the quarter to which the data relate. Any revision of the data for previous quarters shall be transmitted at the same time.
4. The time of transmission specified in paragraph 3 may be adjusted, by a maximum of five days, in accordance with the procedure referred to in Article 8(2).
5. The first transmission of quarterly data shall relate to data for the first quarter of 2005. Member States shall deliver these data no later than 30 June 2005. This first transmission shall include back data for the periods from the first quarter of 1999.

Article 3

Reporting obligations

1. All Member States shall transmit the data described in the Annex, with respect to the rest of the world sector (S.2) and the general government sector (S.13). A Member State for which gross domestic product at current prices normally represents more than 1% of the corresponding Community total shall transmit the data described in the Annex for all institutional sectors.
2. The Commission shall determine the percentage of Community total gross domestic product at current prices that a Member State's gross domestic product normally represents, as specified in paragraph 1, on the basis of the arithmetic mean of the latest three years' annual data transmitted by Member States.
3. The proportion (1%) of the Community total referred to in paragraph 1 may be adjusted in accordance with the procedures referred to in Article 8(2).
4. Derogations from this Regulation may be accepted by the Commission if national statistical systems require major adaptation. Such derogations shall not last more than three years from the date of entry into force of this Regulation, or that of the implementing measures adopted in accordance with the procedure referred to in Article 8(2).

Article 4

Definitions and standards

The standards, definitions, classifications, and accounting rules for data transmitted for the purposes of this Regulation shall be those laid down in Regulation (EC) N° 2223/96⁷ (hereinafter referred to as the “ESA Regulation”).

Article 5

Data sources and consistency requirements

1. Member States shall compile the information requested in this Regulation using all sources they consider relevant, giving priority to direct information such as administrative sources or surveys of enterprises and households.

When such direct information cannot be collected, in particular for the back data required under Article 2(5), best estimates may be transmitted.

2. Data transmitted by Member States for the purposes of this Regulation shall be consistent with the quarterly non-financial accounts of the general government and the quarterly main aggregates of the total economy, transmitted to the Commission under the data transmission programme of the ESA Regulation.
3. The quarterly data transmitted by Member States for the purposes of this Regulation shall be aligned with the corresponding annual data transmitted under the data transmission programme of the ESA Regulation.

Article 6

Quality standards and reports

1. Member States shall take all measures necessary to ensure that the quality of the data transmitted improves over time to meet the common quality standards to be defined in accordance with the procedure referred to in Article 8(2).
2. Member States shall supply the Commission with an up-to-date description of the sources, methods and statistical treatments used within a year of their first transmission of data.
3. Member States shall inform the Commission of major methodological or other changes that would affect the data transmitted not later than three months after such change takes effect.

⁷ OJ N° L 310, 30.11.1996, p.1.

Article 7

Implementing measures

The implementing measures shall be laid down in accordance with the procedure referred to in Article 8(2). Such measures shall include:

- (a) determining the timetable for the transmission of the items P.1, P.2, D.42, D.43, D.44, D.45 and B.4G pursuant to Article 2(2);
- (b) requiring the transactions shown in the Annex to be broken down by counterpart sector in accordance with Article 2(2);
- (c) revising the timetable of quarterly transmissions pursuant to Article 2(4);
- (d) adjusting the proportion (1%) of the Community total to determine the obligation to transmit data for all institutional sectors pursuant to Article 3(3);
- (e) defining data quality standards in accordance with Article 6(1).

Article 8

Committee

1. The Commission shall be assisted by the Statistical Programme Committee set up by Decision 89/382/EEC, Euratom⁸.
2. Where reference is made to this paragraph, Articles 5 and 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.

The period referred to in Article 5(6) of Decision 1999/468/EC shall be three months.

3. The Committee shall adopt its rules of procedure.

Article 9

Report on implementation

Within five years of the entry into force of this Regulation, the Commission shall submit a report to the European Parliament and the Council on the implementation of this Regulation.

In particular, this report shall:

- (a) provide information on the quality of the statistics produced;
- (b) assess the benefits accruing to the Community, the Member States and the providers and users of statistical information of the statistics produced in relation to their costs;

⁸ OJ L 181, 28.6.1989, p. 47.

- (c) identify areas for potential improvement and amendments considered necessary in light of the results obtained.

Article 10

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

Annex
Data transmission

		USES							RESOURCES						
		S1	S1N	S11	S12	S13	S14_S15	S2	S1	S1N	S11	S12	S13	S14_S15	S2
		Total economy	Unspecified Total Economy	Nonfinancial corporations	Financial corporations	General government	Households and NPISH	Rest of the world	Total economy	Unspecified Total Economy	Nonfinancial corporations	Financial corporations	General government	Households and NPISH	Rest of the world
P1	Output								X		X	X	X	X	
P2	Intermediate Consumption	X		X	X	X	X								
P.3	Final consumption expenditure	X				X	X								
P.31	Individual consumption expenditure	X				X	X								
P.32	Collective consumption expenditure	X				X									
P.5	Gross capital formation	X		X	X	X	X								
P.51	Gross fixed capital formation	X		X	X	X	X								
P.5N	Changes in inventories and acquisitions less disposals of valuables	X		X	X	X	X								
P.6	Exports of goods and services							X							
P.7	Imports of goods and services														X
D.1	Compensation of employees	X		X	X	X	X	X	X					X	X
D.2	Taxes on production and imports	X	X	X	X	X	X		X				X		X
D.21	Taxes on products	X	X						X				X		X
D.29	Other taxes on production	X		X	X	X	X		X				X		X
D.3	Subsidies	X				X		X	X	X	X	X	X	X	
D.31	Subsidies on products	X				X		X	X	X					
D.39	Other subsidies on production	X				X		X	X		X	X	X	X	
D.21-D.31	Taxes less subsidies (on products)								X	X					

		USES						RESOURCES							
		S1	S1N	S11	S12	S13	S14_S15	S2	S1	S1N	S11	S12	S13	S14_S15	S2
		Total economy	Unspecified Total Economy	Nonfinancial corporations	Financial corporations	General government	Households and NPISH	Rest of the world	Total economy	Unspecified Total Economy	Nonfinancial corporations	Financial corporations	General government	Households and NPISH	Rest of the world
D.4	Property income	X		X	X	X	X	X	X		X	X	X	X	X
D.41	Interest	X		X	X	X	X	X	X		X	X	X	X	X
D.4N	Property income other than interest	X		X	X	X	X	X	X		X	X	X	X	X
D.42	Distributed income of corporations	X		X	X		X	X	X		X	X	X	X	X
D.43	Reinvested earnings on F.D.I	X		X	X			X	X		X	X	X	X	X
D.44	Property income att. to policy insurance holders	X		X	X			X	X		X	X	X	X	X
D.45	Rents	X		X	X	X	X		X		X	X	X	X	
D.5	Current taxes on income, wealth, etc.	X		X	X	X	X	X	X				X		X
D.6	Social contributions and benefits	X		X	X	X	X	X	X		X	X	X	X	X
D.61	Social contributions	X					X	X	X		X	X	X	X	X
D.62	Social benefits other than social transfers in kind	X		X	X	X	X	X	X					X	X
D.63	Social transfers in kind	X				X	X		X					X	
D.7	Other current transfers	X		X	X	X	X	X	X		X	X	X	X	X
D.71	Net non-life insurance premiums	X		X	X	X	X	X	X			X	X		X
D.72	Non-life insurance claims	X			X			X	X		X	X	X	X	X
D.7N	Other current transfers, n.e.c.	X		X	X	X	X	X	X		X	X	X	X	X
D.8	Adjustment for the change in net equity of households in pension funds reserves	X		X	X	X	X	X	X					X	X
D.9	Capital transfers	X		X	X	X	X	X	X		X	X	X	X	X
D.91	Capital taxes	X		X	X		X	X	X				X		
D.9N	Investment grants and other capital transfers	X		X	X	X	X	X	X		X	X	X	X	X
K.1	Consumption of fixed capital	X		X	X	X	X		X		X	X	X	X	
K.2	Acqu. less disp. of non-fin. non-prod. assets	X		X	X	X	X	X							

		BALANCING ITEMS						
		S1	S1N	S11	S12	S13	S14_S15	S2
		Total economy	Unspecified Total economy	Nonfinancial corporations	Financial corporations	General government	Households and NPISH	Rest of the world
B.1G	Gross value added	X	X	X	X	X	X	
B.1N	Net value added	X	X	X	X	X	X	
B.2G	Operating surplus (Gross)	X		X	X	X	X	
B.3G	Mixed income (Gross)	X					X	
B.4G	Entrepreneurial income (Gross)	X		X	X		X	
B.5G	Balance of primary incomes (Gross)	X		X	X	X	X	
B.6G	Disposable income (Gross)	X		X	X	X	X	
B.7G	Adjusted disposable income (Gross)	X				X	X	
B.8G	Saving (Gross)	X		X	X	X	X	
B.9	Net lending/net borrowing	X		X	X	X	X	X
B.11	External balance of goods and services							X
B.12	Current external balance							X