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EUROSYSTEM

ECB STATISTICS

APRIL 2008

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ECB STATISTICS AN OVERVIEW

APRIL 2008



In 2008 all ECB publications feature a motif taken from the €10 banknote.



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ABBREVIATIONS

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

Note:

The text contains many references to ECB and Community legal instruments and other material. ECB legal instruments are listed in Annex 1 and other important material mentioned is contained in Annex 4. The electronic version of this document may be found at <http://www.ecb.europa.eu/stats/html/index.en.html>

I EXECUTIVE SUMMARY

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

1. The primary objective of the European System of Central Banks (ESCB)¹ is to maintain price stability. Without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Community. It is with these objectives in view that the European Central Bank (ECB) defines and conducts monetary policy in the euro area and conducts foreign exchange operations. It must contribute also to the smooth operations of payment systems and to the stability of the financial system. Performing these tasks requires a large amount of statistical information which is provided by the Eurosystem (the ECB and the national central banks of the Member States of the European Union whose currency is the euro), by the ESCB or by the European Commission in cooperation with the national statistical institutes². This document focuses mainly on the statistics required to support these tasks. The ESCB also collects data relating to payment and settlement systems. Most of the paper concerns aggregated statistics covering the euro area. The national contributions to these aggregates and statistical information collected by central banks for national purposes are not the subject of this document.

2. Responsibility for statistics is apportioned between the ECB and the European Commission along the following lines. The ECB is responsible at European level for monetary and financial statistics. Responsibility is shared with the Commission in the areas of the balance of payments (b.o.p.), the international investment position (i.i.p.), financial accounts and non-financial accounts broken down by institutional sector. The Commission is responsible for other areas of statistics, with the ECB, as a user, taking a close interest in statistics on prices and costs, national accounts and a wide range of other economic variables. These areas of responsibility, and arrangements for cooperation, are established in a Memorandum of Understanding, the current version of which was agreed in March 2003.

3. This document, published in April 2008, brings up to date a document with the same title published in April 2006. Its purpose is to provide a single, accessible source of information on ECB statistics, indicating where the data are the subject of ECB legal instruments. The document also points to possible further developments where ECB statistics are still incomplete. ECB requirements in respect of general economic statistics which are the responsibility of the European Commission at Community level, are the subject of a separate ECB publication entitled “Review of the requirements in the field of general economic statistics” (December 2004). The ECB does, however, undertake some statistical work on its own initiative in this area. The main examples are the seasonal adjustment of the European Commission’s monthly Harmonised Index of Consumer Prices, used to monitor inflation in the euro area, and the compilation of semi-annual averages of residential property prices for the euro area based on non-harmonised data, and certain other periodic information on housing. Seasonally adjusted harmonised consumer price data and housing statistics are not discussed in this document.

4. The Treaty on European Union gave the European Monetary Institute (EMI) the task of undertaking statistical preparations for Stage Three of Economic and Monetary Union (EMU) and, specifically, of promoting the necessary harmonisation of statistics. The Statute annexed to the Treaty³ requires that the ECB defines the statistical information needed for the performance of its tasks and that the collection of statistics is carried out as far as possible by the NCBs. They collect data from reporting institutions and other national sources, compile contributions to euro area aggregates and transmit this information to the ECB, which compiles the euro area

1 The ESCB comprises the ECB and the national central banks of all EU Member States.

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

3 The Statute of the European System of Central Banks and of the European Central Bank is a protocol annexed to the Treaty establishing the European Community.

aggregates. The ECB and the NCBs develop statistical methodologies together. This is done by the Statistics Committee which is chaired by the ECB's Director-General of Statistics and supported by several Working Groups.

5. The NCBs also contribute to the preparation of ECB legal acts in the field of statistics under Articles 34 and 14.3 of the Statute and within the framework of EU Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank. Where the ECB's needs are sufficiently well established, the requirements are formalised in a legal instrument adopted by the ECB's Governing Council. A list of these instruments can be found in Annex 1; with the passage of time they have tended to cover wider areas of the provision of statistical data to the ECB, within the scope set out in Community legislation. For supplementary information, and where the statistical needs of the ECB have not yet been fully established, the ECB, in effect, relies on the powers of NCBs (and other national authorities) to obtain statistics.

6. In addition to cooperating with Community institutions, the Statute requires the ECB to cooperate with international organisations in statistical matters. Much European cooperation in statistical matters, amongst the ECB, Eurostat, NCBs and national statistical institutes, takes place within the framework of the Committee on Monetary, Financial and Balance of payments statistics (CMFB) and the working groups and task forces reporting to it (refer to www.cmfb.org for more detailed information). As far as possible, ECB statistics conform to European and international standards (a few necessary departures are mentioned in this document). As well as making the statistics more useful, this helps to minimise the reporting burden. To this end, the ECB has developed a merits and costs procedure under which proposals for major changes to statistics are explained and justified, scrutinised, costed as far as possible, and, if necessary, modified or rejected.

7. The primary focus of the Eurosystem's policy responsibility is the euro area. To be useful, therefore, statistics must be aggregated to cover the euro area. This requirement raises issues of harmonisation since the data must be sufficiently homogeneous to permit meaningful aggregation. Moreover, cross-border transactions and positions within the euro area should be distinguished from positions outside it and transactions with non-euro area counterparties. This permits consolidation to be carried out at the level of the euro area.

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

9. Frequency, timeliness and other aspects of quality are an integral part of the requirements. To enable the ECB to publish timely euro area aggregates in monetary, financial and b.o.p. statistics, there is a need for monthly data to be available to the ECB within periods ranging from about three to seven weeks after the end of the month to which they relate. More detailed quarterly data are to be made available according to a longer time frame of up to three months. Quarterly euro area accounts data, are currently produced rather later. Nevertheless, the medium-term aim is to obtain them within three months of the end of the quarter to which they relate.

10. Statistical information is most useful for economic analysis if a considerable time series of comparable data is available. For many euro area statistics, best estimates have been made for periods preceding the start of euro area, although such early data are not the same quality as current statistics.

11. The note “The ESCB’s governance structure as applied to ESCB statistics” provides a brief overview of the framework within which the ECB and the NCBs of the EU Member States conduct statistical work. The “Public commitment with respect to the ESCB’s statistical function” stresses good practices, ethical standards and cooperation following the principles of impartiality, scientific independence, cost-effectiveness, statistical confidentiality, avoidance of an excessive burden on respondents and high output quality. ECB statistics are regularly checked against the standards set out in the “ECB Statistics Quality Framework” published on the ECB’s website. Progress in the development of these statistics is reviewed regularly in the ECB’s Annual Report and in articles and boxes contained in the ECB’s Monthly Bulletin.

1.2 MONETARY, FINANCIAL INSTITUTIONS AND MARKETS STATISTICS

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

13. Defining a homogeneous money-creating sector is the first step in the development of monetary statistics. The second step is to specify the items for inclusion in the consolidated balance sheet of that sector (“consolidated” means that transactions and positions within the sector are netted out). The consolidated MFI balance sheet provides most of the data for the compilation of monthly monetary aggregates and counterparts to money. The central government and non-resident sectors are “money neutral”, meaning that their holdings of monetary instruments are not included in the money stock. Such sectors must be defined and their holdings of monetary instruments with euro area MFIs must be excluded from the euro area monetary aggregates. The definitions of government, of residence and of the sub-sectors comprising the money-holding sector are applied consistently across the euro area, in accordance with the European System of Accounts 1995 (ESA 95) established by Council Regulation (EC) No 2223/96.

14. Monthly interest rate data are also needed to monitor the transmission of monetary policy, to better understand the structure of financial markets, to assess financial conditions in different sectors of the euro area economy and to monitor financial integration. Credit institutions and certain other entities report interest rates paid and charged on new and outstanding business in euro with households and non-financial corporations in the euro area. The interest rate information corresponds to MFI balance sheet categories.

15. Data are also provided for other areas related to monetary statistics. Securities issues⁴ and loans granted by other financial intermediaries (OFIs) are an alternative to bank finance for borrowers; for lenders, shares/units issued by investment funds are a substitute for certain claims on banks. Investment funds, some other OFIs, and insurance corporations

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

and pension funds are large and active participants in financial markets. Financial market prices and yields may have pervasive effects on economic developments and may also reveal market expectations about inflation and economic activity. In this context, the daily yield curves produced by the ECB for comparable euro area central government securities denominated in euro have enriched the analysis of both spot and forward interest rates in the euro area. The ECB collects a great deal of information on financial markets (such as securities issues, and financial market prices and yields). The most important financial institutions outside the MFI sector are insurance corporations and pension funds, on which the ECB collects information under Guideline ECB/2007/9; and investment funds other than MMFs, in respect of which the ECB has recently adopted a regulation under which data will be collected from 2009.

1.3 BALANCE OF PAYMENTS AND RELATED EXTERNAL STATISTICS

16. In the area of b.o.p. and related external statistics, for monetary policy purposes there is a requirement for monthly b.o.p. statistics showing the main items affecting monetary developments and foreign exchange markets, supplemented by more detailed quarterly statistics. A consistent methodological framework enables monetary and b.o.p. statistics for the euro area to be linked. There is also a requirement for monthly statistics on the Eurosystem's international reserves and foreign currency liquidity, and for quarterly and more detailed annual statistics on the i.i.p. which provide a comprehensive statement of the euro area's claims on and liabilities to the rest of the world. Other related statistics include six-monthly portfolio investment stocks and flows broken down by currency, for use in assessing the international role of the euro as an investment currency. Several NCBs also provide the ECB with data on the use of the euro in invoicing external transactions.

17. The euro area external statistics present separately credits and debits and assets

and liabilities. The quarterly b.o.p. and the annual i.i.p. statistics provide a geographical breakdown, by country or group of countries, of counterparties to the euro area's external transactions and positions.

18. While these requirements conform as far as possible to the standards set in the Balance of Payments Manual (fifth edition) of the International Monetary Fund (IMF), the ECB has also adopted some harmonisation proposals specific to European needs and measures to integrate the euro area b.o.p. with monetary statistics and economic and financial accounts. B.o.p. and i.i.p. statistics also contribute to the assessment of the international role of the euro.

19. The ECB and Eurostat work closely together in the field of b.o.p. and i.i.p. statistics. The ECB compiles aggregates for the euro area, while Eurostat compiles statistics for the EU as a whole. Concerning the methodological framework, the ECB focuses on the financial account and related income, and Eurostat on the rest of the current account and the capital account. Both the ECB and Eurostat take a close interest in direct investment statistics.

20. The ECB also compiles effective exchange rate (EER) indices for the euro, in nominal and real terms, using various deflators, harmonised competitiveness indicators which are akin to real EERs for individual euro area countries, and real EERs based on consumer prices for the EU member states outside the euro area.

1.4 GOVERNMENT FINANCE STATISTICS

21. The ECB takes a close interest in government finance for various reasons. The ECB, like the European Commission, prepares periodic "convergence" reports assessing the preparedness of non-euro area EU Member States to adopt the euro, for which government deficits and outstanding government debt are important criteria. The ECB also closely follows developments under the EU's

excessive deficit procedure and Stability and Growth Pact. These activities require annual data, collected under Guideline ECB/2005/5, as amended, in a form which facilitates analysis of government deficits and debt, traces the relationship between a deficit and the change in debt, provides a bridge between these data and data on the somewhat different ESA 95 basis and enables the ECB to compile euro area and EU aggregates with appropriate treatment of payments to and receipts from the European Union budget. Moreover, government activities have a major impact on economic developments. Accordingly, the ECB also monitors quarterly data on government transactions. These data are collected under Community legislation.

1.5 EURO AREA ACCOUNTS BY INSTITUTIONAL SECTOR

22. Quarterly euro area accounts by institutional sector (EAA) have been published by the ECB and Eurostat since June 2007. They constitute the capstone of euro area statistics, presenting a comprehensive overview of economic and financial developments in the euro area, including a consistent breakdown by institutional sector⁵. The EAA show all economic and financial transactions and financial balance sheet positions of households, non-financial corporations, financial corporations and government, as well as their economic and financial relations with the Rest of the world. This permits an integrated analysis of non-financial economic activity (such as gross fixed capital formation) and financial transactions (such as the issuance of debt). The EAA consist of integrated and consistent non-financial sector accounts and financial accounts and financial balance sheets.

23. The quarterly financial accounts part of the EAA (also called monetary union financial accounts or MUFA) covers not only all institutional sectors, but also all financial assets and liabilities. They record financial relationships among institutional sectors and provide snapshots of their outstanding amounts

of borrowing and lending, permitting a full analysis to be made of financing and financial investment. This facilitates, for example, the analysis of portfolio shifts between monetary assets and other financial instruments for each institutional sector. They are also a powerful instrument for achieving consistency within and across areas of financial statistics.

1.6 THE EXCHANGE OF STATISTICAL INFORMATION

24. The ESCB's data interchange system is based on the use of a special telecommunication network and a standardised statistical message format - managed under the umbrella of The Statistical Data and Metadata Exchange (SDMX) initiative – which is also widely used as the standard for the exchange of statistical data and metadata (i.e. information about the data) with the European Commission and other international organisations⁶.

25. ECB statistical data are accessible on the Internet via the ECB Statistical Data Warehouse (SDW, <http://sdw.ecb.europa.eu/>) The SDW allows reports and graphs to be generated easily and simple transformations to be made. Users with particular needs can create and manage their own data “baskets” (data groups) for easy reference and retrieval. Euro area aggregates as well as some country breakdowns are available. A selection of these statistics together with descriptive material is simultaneously presented in national languages on NCB websites.

5 The ESA 95 lists five main institutional sectors (non-financial corporations, S.11; financial corporations, S.12 further divided into the central bank (S.121), other monetary financial institutions (S.122), other financial intermediaries, except insurance corporations and pension funds (S.123), financial auxiliaries (S.124), and insurance corporations and pension funds (S.125); general government, S.13 further divided into central government (S.1311), state government (S.1312), local government (S.1313), and social security funds (S.1314); households, S.14; and non-profit institutions serving households, S.15. S.14 and S.15 are merged in the euro area accounts.

6 The SDMX initiative has been set up by European and international organisations, including the ECB, to promote common standards and best practices in statistical data exchange and sharing.

2 STATISTICS RELATING TO MONETARY FINANCIAL INSTITUTIONS

2.1 INTRODUCTION

26. The statistical system for the euro area covering the MFI sector comprises two main elements: a list of MFIs as defined for statistical purposes and a specification of the statistical information reported by these MFIs at monthly and quarterly intervals. Regulations set out what data MFIs must report to NCBs. A Guideline (currently ECB/2007/9) specifies the content, format and timetable for the onward transmission of the MFI data by the NCBs to the ECB, the data which the Eurosystem itself must provide concerning its business and other related information which the ECB requires but which is not covered by regulations.

27. A monthly consolidated balance sheet of the money-creating sector in the euro area is a primary statistical requirement. Regulation ECB/2001/13, as amended, concerning the consolidated balance sheet of the MFI sector, provides the legal basis for obtaining these data. It also covers additional information required to derive the transactions used to calculate monetary growth rates. The MFI balance sheet supplies the main components for the compilation of monetary aggregates and counterparts for the euro area and the statistical basis for calculating the minimum reserves which credit institutions are obliged to hold.

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

2.2 WHAT ARE MONETARY FINANCIAL INSTITUTIONS?

29. The ECB, assisted by the NCBs, maintains a list of MFIs as defined for statistical purposes in accordance with the classification principles outlined below. Procedures set out in Guideline ECB/2007/9 ensure that the list of MFIs

remains up to date, accurate, as homogeneous as possible and sufficiently stable for statistical purposes. One important aspect affecting the list is financial integration. These developments affect the characteristics of financial instruments and may induce financial institutions to change the focus of their business.

30. Article 2.1 of Regulation ECB/2001/13 defines MFIs as follows: “MFIs comprise resident credit institutions as defined in Community law, and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs, and, for their own account (at least in economic terms), to grant credits and/or make investments in securities”. The MFI sector comprises, in addition to central banks, two broad groups of resident financial intermediaries. These are credit institutions defined in Community law (under the Banking Coordination Directives) as “an undertaking whose business is to receive deposits or other repayable funds from the public (including the proceeds arising from the sales of bank bonds to the public) and to grant credits for its own account; or an electronic money institution” and other resident financial institutions which meet the MFI definition by issuing financial instruments which are close substitutes for deposits.

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

32. There is no market in the usual sense for shares in open-ended collective investment undertakings (CIUs). Nevertheless, investors can obtain a daily quotation for the shares and withdraw funds at this price. Certain CIUs, namely MMFs, are included in the MFI sector because their shares/units are considered, in terms of liquidity, to be close substitutes for deposits.

MMFs primarily invest in bank deposits or debt instruments with short residual maturities, and may pursue a rate of return similar to the interest rates on money market instruments. The criteria for identifying MMFs are set out in Annex I of Regulation ECB/2001/13.

33. In the ESA 95, financial intermediaries classified as MFIs are divided into two sub-sectors, namely central banks (sector S.121 in ESA 95) and other MFIs (S.122). As at end-February 2008, the MFI sector in the euro area comprised the ECB and 15 NCBs, 6,279 credit institutions, 1,622 MMFs, and 3 other institutions. By no means all institutions in the MFI sector are obliged to meet the full range of statistical requirements. Provided monthly data cover at least 95% of the total national MFI balance sheet, NCBs may exempt small MFIs from regular reporting. However, all credit institutions must provide certain information quarterly for minimum reserves purposes, and all MFIs must provide information annually to check that 95% coverage is being achieved and for grossing up purposes.

2.3 THE CONSOLIDATED BALANCE SHEET ON A MONTHLY BASIS

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

35. The money stock comprises euro-denominated banknotes and coins in circulation, other monetary liabilities of MFIs (deposits and other financial instruments which are close substitutes for deposits) and monetary liabilities of central government agencies such as the post office (Regulation ECB/2006/8 concerns post office giro institutions) and the treasury (the ECB's requirements in respect of such

agencies are specified in Annex III, Part 3 of Guideline ECB/2007/9). The counterparts to money comprise other items in the MFI balance sheet arranged in an analytically useful way. The ECB compiles these aggregates for the euro area in terms of both amounts outstanding (stocks) and transactions (flows).

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

(I) INSTRUMENT AND MATURITY CATEGORIES

(a) Liabilities

37. The following components are collected monthly: currency in circulation; deposit liabilities, including balances on pre-paid cards; repurchase agreements (repos); MMF shares/units; debt securities issued, including money market paper; capital and reserves; and remaining liabilities. Deposit liabilities are further broken down into overnight deposits, deposits with an agreed maturity, and deposits redeemable at notice. Remaining liabilities include accrued interest on liabilities (this is a departure from the ESA 95, which recommends that accrued interest be included in the corresponding instrument category). Regulation ECB/2007/18 clarifies the conditions under which credit union shares may be considered as deposits for statistical purposes. Guideline ECB/2007/9, Annex III, Part 2 requires the NCBs to provide the ECB at six-monthly intervals with monthly data on e-money liabilities – in practice most e-money issuers in the euro area are credit institutions, though some non-financial corporations issue electronic vouchers which may in part meet the definition of e-money.

38. Original (rather than residual) maturity cut-offs may provide a substitute for an instrument breakdown where financial instruments are not fully comparable across markets. The cut-offs for the maturity bands (or for the periods of notice) in monthly statistics are one and two years' maturity at issue for deposits with an agreed maturity; and three months' notice and (on a



voluntary reporting basis) two years' notice for deposits redeemable at notice. Non-transferable sight deposits (sight savings deposits) are included in the "up to three months" band. Repos (which are usually very short-term instruments, commonly agreed for less than three months) are not broken down by maturity. The maturity breakdown for debt securities issued by MFIs (including money market paper) is at one and two years. There is no maturity breakdown for shares/units issued by MMFs as the concept is not relevant for them.

(b) Assets

39. MFI holdings of assets are broken down monthly, into cash; loans; securities other than shares, including short-term paper; MMF shares/units; shares and other equity; fixed assets; and remaining assets which include accrued interest on assets. A maturity breakdown by original maturity is required for loans (at one and five years) and for securities other than shares (debt securities), at one and two years.

(II) CURRENCIES

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

(III) COUNTERPARTIES

41. Counterparties in the euro area are identified from the list of MFIs (if they are MFIs) or in line with a sector manual⁷ published by the ECB which is consistent with the ESA 95. In both cases a distinction is made in the monthly MFI balance sheet between counterparties resident in the same country as the reporting MFI and counterparties resident elsewhere in the euro area. Monetary instruments held by MFIs themselves, by central government and by non-residents of the euro area are excluded from the ECB's monetary aggregates and must be identified in order to isolate the amounts in the hands of the money-holding sectors. Since there is considerable interest in individual money-

holding sectors for the purposes of analysis, MFIs provide a monthly breakdown of deposit liabilities identifying those held by general government other than central government, by non-financial corporations, by OFIs (including financial auxiliaries), by insurance corporations and pension funds and by households (including non-profit institutions serving households). MFI lending is broken down monthly into lending to general government and lending to the other sectors listed above, with a further split of lending to households into consumer credit, lending for house purchase and other lending. In the categories of deposits with over two years' agreed maturity and deposits redeemable at over two years' notice, and in repos, additional distinctions are made between liabilities to credit institutions, to other MFI counterparties and to central government, for the purposes of the minimum reserve system.

(IV) CROSS-RELATING INSTRUMENT AND MATURITY CATEGORIES WITH CURRENCIES AND COUNTERPARTIES

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

⁷ "Monetary financial institutions and markets statistics sector manual: guidance for the statistical classification of customers" (ECB, March 2007).

(V) FINANCIAL DERIVATIVE BUSINESS

43. A financial derivative is a financial instrument that is linked to another financial instrument, index or commodity and enables specific risks (of changes in interest rates, foreign exchange rates, prices or credit standing, for example) to be traded in financial markets in their own right. The ESA 95 requires positions in financial derivatives to be recorded if they have a market value or can be offset in the market, i.e. if a party to the contract can in effect reverse it by taking out another contract with the opposite effect. The current market price of a derivative values the claim of one party on the other. It is this value that is recorded in the MFI balance sheet statistics if an MFI is a party to the contract. It does not matter whether or not the claim switches from one party to the other over the life of the contract, or whether or not the market price is zero – as it will be at the start of a swap and where a variable margin is continuously adjusted as is the case with market-traded derivatives. Derivatives are recorded in the MFI balance sheet on a gross basis at market value unless business accounting rules require off-balance sheet recording. They are classified under “remaining assets” if they have a positive value for the reporting MFI, or “remaining liabilities” if they have a negative value, with no further details being provided. Insofar as they reflect positions with non-residents of the euro area, they are also recorded in the b.o.p. and the i.i.p. – see Section 6.

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

(VI) COMPILATION OF FLOW (OR TRANSACTION) STATISTICS

45. The ECB seeks to isolate transactions during the month by identifying and excluding the effect of revaluations and reclassifications,

and calculates the growth rates of MFI balance sheet items, monetary aggregates and certain counterparts from transactions. MFIs report both deposit liabilities and assets in the form of loans at nominal value (this is an explicit requirement under Regulation ECB/2004/21 amending ECB/2001/13; although it need not be applied to any purchased loans or to loans against which the MFI has made provisions). If they are denominated in euro, deposits and loans will not experience valuation changes. Otherwise, changes in balance sheet outstandings will reflect the impact of valuation changes and reclassifications, as well as transactions. Precisely how this is done is explained in the technical notes in the “Euro area statistics” section of the ECB’s Monthly Bulletin. The adjustments correspond to “other [i.e. other than transactional] changes in assets and liabilities” in the ESA 95; and the adjusted flows from which the growth rates are compiled correspond to “transactions” in the ESA 95. An innovation introduced in Regulation ECB/2001/13 was the obligation imposed on reporting agents to provide certain data on valuation changes to enable flows to be calculated more accurately; previously the ECB had relied on estimates supplied by NCBs. Thus, in addition to information on outstanding assets and liabilities, the consolidated balance sheet provides monthly information relating to valuation changes and certain other adjustments such as write-offs of loans. Guideline ECB/2007/9 (Annex III, Part 10) requires NCBs to provide any available information on the securitisation of loans and other transfers by MFIs.

(VII) TIMELINESS

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

2.4 BALANCE SHEET STATISTICS AT QUARTERLY FREQUENCY

47. Certain additional data are needed for the further analysis of monetary developments or to serve other statistical purposes, such as compiling the financial accounts. The quarterly balance sheet statistics are used for such purposes. The additional details are described, below.

(I) MATURITY AND SECTOR BREAKDOWN OF LENDING IN THE EURO AREA

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

(II) QUARTERLY SECTOR BREAKDOWN OF LIABILITIES IN THE EURO AREA

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

(III) COUNTRY BREAKDOWN OF POSITIONS VIS-À-VIS RESIDENTS OF EU MEMBER STATES

50. For deposit liabilities, loans and holdings of securities (which comprise securities other than

shares; MMF shares/units; and shares and other equity), MFIs provide a quarterly breakdown by country of counterparty (the country in which the issuer is resident in the case of holdings of securities). For deposits, loans and holdings of debt securities, there is a further breakdown by whether or not the counterparty is an MFI.

(IV) CURRENCY BREAKDOWN

51. Some breakdowns of MFIs' positions by individual currency are required to enable flow statistics to be adjusted for exchange rate changes. Key balance sheet items are broken down quarterly into the currencies of the non-euro area EU Member States and the major international currencies (the US dollar, the Japanese yen and the Swiss franc). The latest quarterly information on currency shares is used in compiling the monthly statistics until the next set of quarterly data becomes available.

(V) SECTOR BREAKDOWNS OF POSITIONS WITH COUNTERPARTIES OUTSIDE THE EURO AREA

52. A limited sector breakdown is required for positions with counterparties outside the euro area (i.e. non-euro area EU Member States and the rest of the world), distinguishing only between positions with banks (or MFIs in EU countries outside the euro area) and non-banks, with the latter being split between general government and others. The sector classification according to the global System of National Accounts applies where the ESA 95 is not in force. These data are required principally for b.o.p. purposes.

(VI) TIMELINESS

53. Quarterly statistics are transmitted by NCBs to the ECB by close of business on the 28th working day following the end of the quarter to which they relate. NCBs arrange to receive data from reporting institutions in time to meet this deadline. The results are published in the next issue of the ECB's Monthly Bulletin.

(VII) COMPILATION OF TRANSACTION STATISTICS FOR SERIES AVAILABLE QUARTERLY

54. Apart from the information on currency mentioned above, information needed to derive

transactions from balance sheet outstandings and to calculate growth rates is available monthly. Where fuller breakdowns of balance sheet items are reported only quarterly, flows and growth rates are calculated using adjustments based on the more aggregated monthly data.

2.5 MONETARY AGGREGATES AND COUNTERPARTS

55. Using the MFI balance sheet data, data concerning post office giro institutions, and supplementary information provided by NCBs under Guideline ECB/2007/9, Annex III, the ECB compiles monthly statistics on monetary aggregates and counterparts. Foreign currency items are included as well as euro items. The monetary aggregates comprise certain liabilities of MFIs, post office giro institutions and central government to euro area residents excluding central government, post office giro institutions and MFIs. M1 comprises currency in circulation and overnight deposits; M2 is the sum of M1, deposits with an agreed maturity of up to two years and deposits redeemable at notice of up to three months; and M3 is the sum of M2, repos (where represented by liabilities on the balance sheets of MFIs), MMF shares/units, and debt securities, including money market paper, issued by MFIs with a maturity of up to two years. Maturity cut-offs are based on original maturity. A sector breakdown of holdings of M3 is also produced. The counterparts to M3 are the other components of the consolidated MFI balance sheet rearranged in such a way as to aid analysis. The main counterparts are MFI credit to general government and to other euro area residents, MFIs' net external assets and their longer-term (non-monetary) financial liabilities. All other things being equal, increases in credit and net external assets cause M3 to increase, while an increase in non-monetary liabilities will reduce M3. As mentioned above, the ECB calculates the growth rates of monetary aggregates and counterparts from adjusted flows, which allow for classification and valuation changes, and not from outstanding levels. Estimates for the main monetary aggregates are available from 1980, and estimates for MFI lending from 1983.

2.6 MFI INTEREST RATES

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

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

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

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

60. NCBs may choose to collect interest rate data from a sample of credit institutions, as set out in Regulation ECB/2001/18. They may not exclude small credit institutions altogether, because small institutions may be important in certain areas of business.

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

2.7 MACRO-PRUDENTIAL AND STRUCTURAL FINANCIAL INDICATORS

62. Article 3.3 of the Statute requires the ESCB to contribute to the stability of the financial system. A related matter in which the ECB takes a close interest is structural developments in the banking industry and, more generally, in financial business. Money and banking statistics (MFI balance sheet statistics and interest rate data) represent a major source of data for these purposes. Wherever available,

aggregated supervisory data provided by national supervisory authorities (consolidated profit and loss data, solvency data, etc.) are also used, together with the results of the ECB’s bank lending survey, which includes questions on credit standards. Since financial stability is subject to a range of influences, securities markets statistics, financial accounts – in particular balance sheet information – b.o.p. data and economic statistics more generally may also be useful. For macro-prudential purposes, certain balance sheet data on credit institutions alone are collected if there is a material difference in a Member State between the MFI sector as a whole and the credit institutions sub-sector. Annex III, Part 7 of Guideline ECB/2007/9 concerns balance sheet data on credit institutions for macro-prudential analysis, and Part 8 concerns the annual data required (comprising 18 series, not all relating to MFIs) for the analysis of structural developments.

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

3 OTHER STATISTICS RELATING TO FINANCIAL INTERMEDIARIES

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

3.1 OTHER FINANCIAL INTERMEDIARIES EXCEPT INSURANCE CORPORATIONS AND PENSION FUNDS

65. The OFI sub-sector consists of corporations or quasi-corporations which are principally engaged in financial intermediation but they do not meet the MFI definition and are not insurance corporations or pension funds. In the ESA 95 they comprise sub-sector S.123.

66. Data on OFIs are needed, together with the MFI statistics, to provide a comprehensive picture of financial intermediation in the euro area. Information may otherwise be lost as a result of the transfer of assets and liabilities from the MFI sector to the OFI sector.

67. The ECB currently compiles euro area aggregates from quarterly information provided by NCBs from existing national sources. Annex III, Part 11 of Guideline ECB/2007/9 sets out the applicable definitions and specifications for a balance sheet with limited instrument, maturity, residence and sector breakdowns. The priorities under the Guideline are data relating to investment funds (other than MMFs) as they are by far the largest group of OFIs in the euro area in terms of balance sheet size; security and derivative dealers; and financial corporations engaged in lending. As regards the latter group, the Guideline requires loans to households to be split between loans for house purchase, consumer credit and a residual category of loans for other purposes.

68. The ECB already publishes quarterly aggregated balance sheet data for investment funds (other than MMFs) in the euro area, with breakdowns of their assets by type of fund (i.e. equity, bond, mixed and real estate funds) and between funds open to the general public and funds restricted to certain investors. The ECB recently adopted a regulation (ECB/2007/8) concerning statistics on the assets and liabilities of investment funds other than MMFs, under which investment funds will report from early 2009 (starting with end-2008 balance sheets). Investment funds will report the amount of shares/units outstanding monthly and full balance sheet information quarterly, in each case 28 working days after the reference date and accompanied by either revaluation adjustments or transactions data relating to the reference month or quarter. Residency and sector breakdown of the holders of registered shares/units issued by investment funds will be reported by investment funds themselves; as regards bearer shares/units issued, the breakdown will be compiled in a manner determined by the

NCB which may have recourse to MFIs or other custodians.

69. The ECB is preparing a long-term approach to statistics on securitisation (by MFIs) and on financial vehicle corporations (FVCs). Following a formal assessment of the merits and costs of developing this area of statistics, the ECB has developed a flexible approach in which NCBs would request further information from MFIs on their securitisation activities (including “synthetic” securitisation, where only risk is transferred) and, where information available from public or supervisory sources was insufficient, would collect information directly from FVCs or their representatives under a new Regulation addressed to them.

3.2 INSURANCE CORPORATIONS AND PENSION FUNDS

70. Because of the importance of insurance corporations and pension funds to financial activity in the euro area, NCBs provide the ECB with quarterly data, drawn from national sources, on the main financial assets and liabilities of these institutions, as required by Guideline ECB/2002/7 amended by Guideline ECB/2005/13. NCBs and the ECB started work in 2008, towards more detailed and timely data for the euro area derived from the best available national sources.

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

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

on the convergence criteria) the ECB helps the Commission to choose comparable long-term interest rates to be monitored, and the ECB collects and compiles these data.

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

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

74. Interest rates in the second category include a wide range of money market rates and yields on marketable securities. Money markets in the euro area are highly integrated, with largely standard financial instruments. The ECB collects rate information very frequently, mostly from wire services. Data on rates and yields on longer-term marketable securities are also readily available from market sources. The ECB has recently made three innovations in this field. The Short-Term European Paper (STEP) initiative promoted by The Financial Markets Association and the European Banking Federation aims to foster the integration of European markets for short-term paper through the convergence of market standards and practices. The ECB began in September 2006 to publish monthly statistics on outstanding issues of short-term paper complying with the STEP standards, and in April 2007 daily data on yields, with breakdowns by initial maturity (up to a year) and sector of issuer. These daily data have no doubt contributed to the rapid growth of the STEP market, and the related paper has become eligible for use as collateral in the Eurosystem's monetary policy operations. The second innovation, in July 2007, is the publication of daily yield curves, plotting current yields, spot interest rates and forward interest rates against remaining time to maturity (from

three months to 30 years) for comparable euro area central government securities denominated in euro. One set of curves relates to securities of all euro area central governments; the other set comprises only those of governments with the lowest credit risk (AAA rating). The yield curves are available on the ECB's website. The third development is a much improved database, operational from October 2007, to store financial market information and enable it to be better used.

5 STATISTICS ON SECURITIES (INCLUDING SHARES)

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

76. The ECB publishes monthly statistics on debt securities (securities other than shares) and on quoted shares. The statistics on debt securities cover securities denominated in euro, regardless of the residency of the issuer and securities issued by euro area residents in euro and in other currencies. The debt securities are split into short-term and long-term issues, where short-term issues represent issues with an original maturity up to one year, with a further split of long-term securities between fixed rate and variable rate securities. For older securities, "euro" includes instruments denominated in

ECU or in the former national currencies of euro area countries. The data types collected are outstanding amounts at end-month, gross issues, redemptions and net issues during the month. Debt securities issued by euro area residents are further broken down by sector of issuer (i.e. MFIs, OFIs, insurance corporations and pension funds, non-financial corporations, central government and other general government). The statistics on quoted shares issued by euro area residents also list outstanding amounts, gross issues, redemptions and net issues, separately, by sector of issuer (MFIs, other financial corporations and non-financial corporations).

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

78. Although issuers of securities are included in the reference reporting population for ECB statistics under Article 2 of Council Regulation (EC) No 2533/98, the ECB does not require them to report information under an ECB legal instrument. Instead, NCBs provide the ECB with data on debt securities and quoted equities issued by euro area residents in accordance with Annex III, Part 12 of Guideline ECB/2007/9, within five weeks of the end of the month to which the data relate. The euro area aggregates

are published in a press release about seven weeks after the month to which they relate. The BIS provides information on debt securities denominated in euro issued by non-residents of the euro area. Some information on holdings of securities broken down by institutional sector is available under Guideline ECB/2005/13.

79. As portfolio investment and securities issues statistics attract a great deal of attention and are central to some other areas of statistics (e.g. euro area accounts), the ECB and the NCBs have developed a comprehensive centralised securities database (CSDB). The CSDB draws on various institutional sources and commercial data providers. It will play a central role in the production of portfolio investment statistics and investment fund statistics. The database also has a variety of analytical and operational uses. Procedures designed to safeguard data quality are set out in a manual prepared by the ECB together with the NCBs. The ECB has also further developed statistics on securities settlement systems, on which mainly operational information has been published for some years in successive editions of the ECB's publication entitled "Payment and securities settlement systems in the European Union" – see Section 12.

6 BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION STATISTICS

6.1 INTRODUCTION

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

and calculates daily nominal EERs and monthly and quarterly real EERs for the euro as well as harmonised competitiveness indicators for individual euro area countries and real EERs for EU Member States outside the euro area, using a consistent methodology.

81. Although entities resident in the euro area holding cross-border positions or carrying out cross-border transactions are included in the reference reporting population for ECB statistics under Article 2 of Council Regulation (EC) No 2533/98, the ECB has not adopted a regulation in this regard. Unlike in money and banking statistics where the reporting agents are a relatively small number of financial institutions, the reporting population for b.o.p. and i.i.p. statistics potentially includes any economic agent resident in the euro area with cross-border transactions or positions. Moreover, while MFI reporting systems are fairly standardised across the euro area, this is not so at present for b.o.p. collection systems, entailing complications for verification and the application of sanctions. The ECB has instead adopted guidelines addressed to NCBs in the euro area, setting out the statistical information which they are to transmit to the ECB and certain modalities and standards to be followed, but leaving to their discretion how to collect information from reporting agents. The Guideline currently in force, ECB/2004/15, amended by ECB/2007/3, also makes clear that, in the absence of any significant physical presence, the residence of an entity is determined by the economic territory under whose laws it is incorporated or otherwise set up. Because in some Member States b.o.p. and i.i.p. data collection is not the responsibility of the NCB, the ECB has issued recommendations to the agencies concerned that are identical in substance to the Guidelines; ECB/2004/16, amended by ECB/2007/4, is the current Recommendation. A recommendation is not legally binding on the institutions to which it is addressed.

82. The scope and underlying concepts of b.o.p. and i.i.p. statistics are laid down in Guideline ECB/2004/15, as amended. The

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

6.2 MONTHLY BALANCE OF PAYMENTS

(I) INSTRUMENT AND SECTOR BREAKDOWNS

83. The aim of the monthly b.o.p. is to enable users to monitor the external flows affecting monetary conditions in the euro area and the exchange rate. For this purpose, the information required by the ECB for monthly b.o.p. statistics is confined to broad categories of transactions in the current and capital accounts, with the exception of investment income flows, for which a direct, portfolio and “other” investment breakdown is required. More detail is required in the financial account, where large and variable flows affecting monetary conditions in the euro area are likely to occur. Inward and outward direct investment is broken down into “equity capital and reinvested earnings” and “other capital (mainly inter-company loans)”, and further between MFIs (excluding central banks) and other euro area sectors. Portfolio investment, which includes a split between monetary authorities, other MFIs, general government and other sectors, covers equity and debt securities (which are further broken down) separately. Financial derivatives

(only contracts between residents of the euro area and non-residents of the euro area are relevant here) are compiled on a net basis only, although with the same sector breakdown as the aggregate of cross-border positions (paying regard to sign) to which euro area residents are party. By contrast, quite detailed information is required on “other” investment, mainly transactions in currency and deposits, and loans. This category is split by sector into monetary authorities, other MFIs (with a maturity breakdown), general government and other (euro area) sectors, with, for the latter two, a limited instrument breakdown identifying currency and deposits held with banks abroad. The monthly b.o.p. also includes data on reserve assets.

(II) THE APPROACH ADOPTED FOR PORTFOLIO INVESTMENT LIABILITIES

84. Recording portfolio investment liabilities (changes in holdings outside the euro area of securities issued by euro area residents) presents a serious practical difficulty since it is often not possible to identify the holders of marketable instruments. Portfolio liabilities in the financial account of the b.o.p. are therefore compiled in a roundabout way, essentially by calculating the change in holdings outside the euro area of securities issued by residents of the euro area (which is net inward investment) as the difference between the total amount of such paper outstanding (or valuation-adjusted changes in it) and recorded holdings of it (or valuation-adjusted changes in them) by residents of the euro area, whether resident in the same country as the issuer of the paper or resident in another euro area country. A breakdown of such holdings within the euro area by sector of the issuer became available in 2006, permitting a sector breakdown of euro area liabilities to be calculated. Related income flows in the current account and the outstanding stock of portfolio investment liabilities in the i.i.p. are compiled in a similar way. The CSDB mentioned in Section 5 is expected to substantially improve the statistics on portfolio investment. The comprehensive information on individual securities in that database will permit a new approach to be taken to compiling the

portfolio investment account in the b.o.p. (and in the i.i.p., discussed below). The Eurosystem intends to adopt security-by-security reporting (rather than aggregate reporting) of transactions and positions in securities starting in 2008, which will permit more accurate classification and valuation in the portfolio investment account to be achieved.

(III) A MONETARY PRESENTATION OF THE B.O.P.

85. To enhance their use in monetary analysis, the monthly b.o.p. statistics are linked to the external counterpart of broad money in the euro area, M3. Since the b.o.p. accounts as a whole and the consolidated MFI balance sheet must both balance, the external transactions of the MFI sector (including the Eurosystem) should mirror the external transactions of non-MFIs in the euro area (including errors and omissions in the b.o.p.); these in turn should equal the external counterpart in the monetary statistics. In practice, some rearrangement of the b.o.p. statistics is necessary to bring together all external transactions of MFIs and there are some slight differences between MFI balance sheet and b.o.p. statistics. The contribution of external transactions of euro area non-MFIs (in the current, capital and financial accounts) to the total change in the net external position of the MFI sector can then be analysed. For the monetary presentation, the ECB requires a breakdown of the direct investment and portfolio investment accounts to isolate transactions of MFIs.

(IV) TIMETABLE AND AVAILABILITY

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

87. The deadline for the provision of the monthly b.o.p. statistics, their aggregated nature and their usefulness for monetary policy makes it permissible to depart from international guidelines where this is unavoidable. Recording data on an accruals basis (including interest

as it accrues) is not compulsory in monthly statistics; Member States may provide data on a settlement basis instead. The monthly data are revised each quarter in the light of more complete information.

6.3 QUARTERLY BALANCE OF PAYMENTS

(I) FURTHER DETAIL AND ACCRUAL OF INTEREST

88. The quarterly b.o.p. statistics provide more detailed information than the monthly statistics, permitting a more in-depth analysis of external transactions. The current account contains more detail on investment income and more instrument and sector information is provided in the financial account.

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

(II) GEOGRAPHICAL BREAKDOWN

90. In addition to providing further instrument detail and adhering fully to international statistical standards, the quarterly b.o.p. data are accompanied by a geographical breakdown of euro area residents' external business by country, area and category of counterparty. The breakdown currently comprises Denmark, Sweden and the United Kingdom individually; the other EU Member States outside the euro area as a group; EU institutions (such as the European Commission) and other bodies (such as the European Investment Bank), which – with the exception of the ECB, classified for statistical purposes as an MFI resident in the euro area – are treated as resident outside the euro area, regardless of their physical location; countries outside the European Union: the United States, Japan, Switzerland, Canada, Brazil, China, India and Russia; offshore centres (with Hong Kong separately identified); and international organisations. The

required breakdowns, together with lists of EU institutions, offshore centres and international organisations, are set out in Annex I, Table 9 of Guideline ECB/2004/15 (as amended by Guideline ECB/2007/3). The instrument and sector detail to which the geographical breakdown is applied is less complete than in the full quarterly b.o.p. statistics, and more akin to that in the monthly b.o.p. statistics; there is, however, no geographical breakdown of portfolio liabilities (because the manner in which these data are compiled does not permit one to be produced), nor is there a breakdown of financial derivatives or reserve assets.

(III) TIMETABLE AND AVAILABILITY

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

6.4 INTERNATIONAL INVESTMENT POSITION

92. Since 2006 the ECB has compiled the i.i.p. for the euro area as a whole at quarter ends and publishes it with the detailed quarterly b.o.p. four months after the date to which it relates. The i.i.p. is published in fuller detail (including changes in outstanding amounts stemming from factors other than transactions, broken down by price changes, exchange rate changes and other adjustments) at year ends. These statements of the external assets and liabilities of the euro area reveal the structure of the euro area's external financial position and complement the b.o.p. data for monetary policy and foreign exchange market analysis. Periodic stock data also provide a check on the plausibility of b.o.p. flows. The quarterly i.i.p. data were developed, in part, for incorporation into the euro area accounts.

(I) INSTRUMENT AND GEOGRAPHICAL BREAKDOWNS

93. The breakdown required quarterly is very similar to that in the financial account of the quarterly b.o.p., although in the financial derivatives category, asset and liability positions are shown separately. The annual i.i.p. data are also similar, but with more detail on direct investment, where equity in listed companies appears at both book and market value (the latter being the recommended approach in international standards for valuation in the i.i.p.). For practical reasons, direct investment in unlisted companies is shown at book value only, although, since in principle it draws on the accounts of foreign affiliates, it should reflect reinvested earnings. The annual i.i.p. is accompanied by a geographical breakdown of the euro area's external assets and liabilities, but presents essentially the same breakdown of counterparts as that accompanying the quarterly b.o.p. As in the case of the b.o.p., there is no geographical breakdown in the i.i.p. of portfolio investment liabilities, financial derivatives or reserve assets. The breakdown of portfolio investment liabilities cannot be calculated from the information available from ECB sources; some counterpart information is available from the IMF's Coordinated Portfolio Investment Survey and related IMF surveys, the results of which become available later than the ECB's annual i.i.p.

94. The euro area i.i.p. is based on the standard i.i.p. components defined in the IMF Balance of Payments Manual (fifth edition). Concepts and definitions are consistent with the b.o.p. A forthcoming improved approach to compiling the portfolio investment account, including full quarterly stock data, is described in paragraph 89.

(II) TIMETABLE AND AVAILABILITY

95. The quarterly data on the i.i.p. are available to the ECB within three months of the quarter to which they relate (i.e. the same timetable as for the quarterly b.o.p.). The annual i.i.p. data, together with the geographical breakdown, are available nine months after the year end to which they relate. A year-end i.i.p. for the euro area is

available from 1997, though the data for 1997 and 1998 are on a net basis only (i.e. they show net positions in each category, not outstanding assets and liabilities separately). The year-end geographical breakdown is available from 2002.

7 THE EUROSISTEM'S INTERNATIONAL RESERVES

(I) RESERVE ASSETS IN THE B.O.P. AND I.I.P.

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

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

(II) INTERNATIONAL RESERVES AND FOREIGN CURRENCY LIQUIDITY (THE IMF AND BIS TEMPLATE)

98. The ECB also compiles a much fuller monthly statement of Eurosystem reserves and related items in accordance with the IMF and BIS template for international reserves and foreign currency liquidity. Reserve assets as defined for b.o.p. and i.i.p. statistics are only part of the information required according to the template. Also included are other foreign currency assets, which may be claims on euro area residents (e.g. foreign currency deposits with euro area banks) or claims on non-residents

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

8 STATISTICS CONCERNING THE INTERNATIONAL ROLE OF THE EURO

99. The ECB publishes regular reports on the international role of the euro. MFI balance sheet statistics (items of business with non-residents distinguish between euro and foreign currency amounts) and securities issues statistics (which identify issues denominated in euro by non-residents of the euro area) contribute to the assessment of the international role of the euro. Guideline ECB/2004/15, as amended, provides for a six-monthly currency breakdown (between the euro, the dollar and other currencies) of the euro area’s external transactions in debt securities, and the same breakdown of euro area residents’ external positions in debt securities, at end-June and end-December, specifically for assessing the international role of the euro as an investment currency. The ESCB collects information on other characteristics of bond issues for the same purpose. At present several NCBS also collect information on invoicing practices in external trade in goods and services, partly via collection systems based on bank settlements; some non-EU countries provide similar information.

9 EFFECTIVE EXCHANGE RATES OF THE EURO

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

101. The ECB calculates daily nominal EERs, which are defined as geometric weighted averages of the bilateral exchange rates of the euro against the currencies of trading partners. Since price and cost data are not available at higher frequency, real EERs are calculated monthly or quarterly.

102. The weights assigned to trading partners are derived from their shares in euro area trade in manufactured goods, excluding trade within the euro area, over two three-year periods (namely 1995-1997 and 1999-2001⁸). The weights use information on both exports and imports. The import weights are the simple shares of each partner country in total euro area imports from all the partner countries. The weights for exports are determined in such a way that they capture both the importance of those individual markets for euro area exports and the competition faced by euro area exporters in other foreign markets from both domestic producers and exporters from third countries.

103. EERs are calculated vis-à-vis three groups of trading partners: the EER-12, consisting of the 12 main trading partners of the euro area; the EER-22, comprising the 12 EU Member States outside the euro area and ten main trading partners outside the EU; and the EER-42, comprising the EER-22 and another 20 relevant countries. Nominal EERs are computed daily for the EER-12 and EER-22, and monthly for all three groups. Real EER indices using consumer prices are available monthly for all three groups. For the EER-12 and EER-22, real EER indices based on producer

8 The former weights are used for the series up to 1999 and the latter for the series from 1999 onwards.

prices are also calculated monthly, and based on GDP deflators and unit labour costs, quarterly. The ECB also publishes monthly harmonised competitiveness indicators based on consumer prices for individual euro area countries. These indicators are constructed using the same methodology and data sources employed in the calculation of the real EER for the euro and allow for consumer price developments in the other euro area countries as well as for price and exchange rate developments outside the euro area.

10 GOVERNMENT FINANCE STATISTICS

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

requires that all these data be reported in a form consistent with data provided by Member States to the European Commission under the ESA 95 and the excessive deficit procedure. Government accounts provided under the excessive deficit procedure depart from the ESA 95 in limited but important respects, notably in the coverage and valuation of government debt. The ECB's "Government finance statistics guide" published in January 2007 explains how NCBs compile the annual data on government finance statistics sent to the ECB.

105. Since government activity is an important factor in economic developments and financial markets, the ECB also needs quarterly data on non-financial and financial transactions of government and on outstanding government debt. Various Community regulations require that quarterly information be reported on general government revenue and expenditure, financial transactions and balance sheets in the Member States. As a result, comprehensive quarterly statistics are now available on the general government sector in the EU. Regulation No 501/2004 requires Member States to provide quarterly financial data, within three months of the end of the quarter, for general government and its sub-sectors, together with an instrument breakdown and, in the case of central government and social security funds, with counterparty information. The Regulation has improved the quality of the government sector part of the euro area financial accounts and also benefits statistics on the other non-financial sectors in the euro area through the use of the counterparty information. These data contribute to the quarterly euro area accounts.

11 EURO AREA ACCOUNTS BY INSTITUTIONAL SECTOR

11.1 INTRODUCTION

106. In June 2007, regular publication began of full quarterly euro area accounts (EAA), providing a full picture of the transactions and financial positions of institutional sectors in the

euro area since 1999. These accounts are compiled and published jointly by the ECB and Eurostat. They allow a comprehensive analysis of the links between financial and non-financial developments in the economy and of the interrelations among the different sectors in the euro area (households, non-financial corporations, financial corporations and general government) and between these sectors and the rest of the world. The EAA cover all economic and financial activity: starting with production and the generation and distribution of income, they show how income is consumed or saved; they then progress through transactions in capital assets to net lending or borrowing and the corresponding acquisition of financial assets or incurring of liabilities, with instrument and in some cases counterpart sector detail. The results, especially for the non-financial corporation and household sectors, are invaluable for economic analysis and forecasting. Apart from their intrinsic interest, the exercise of bringing together within a coherent structure the information, both economic and financial, compiled within the ESA 95 framework promotes accuracy and consistency and hence adds to the usefulness of the statistics.

107. As well as contributing to monetary and economic analysis, financial accounts may be used to analyse financial stability issues, for which information on the transactions and balance sheet positions of economic sectors is relevant. They also provide a framework within which higher frequency data, notably monetary, b.o.p., securities issues and government finance statistics, may be assessed and checked for consistency.

108. The financial and the non-financial sector accounts are integrated in three dimensions. First, for each transaction category (financial and non-financial) and each financial balance sheet category, transactions and positions must balance out when summed over all institutional sectors and the rest of the world (i.e. there must be horizontal consistency – in the terminology of the ESA 95, total uses must equal total resources and total (changes in) financial assets must equal total (changes in) liabilities). For instance, for the non-financial transaction category “compensation

of employees”, the sum of the amounts payable (uses) by all sectors and the rest of the world must equal the sum of the amounts receivable (resources) by all sectors (in practice, in this example, only households) and the rest of the world. Second, for each sector and the rest of the world, the sum of all resources and changes in liabilities should equal the sum of all uses and changes in assets (vertical consistency). Thus far, this has been achieved in the EAA by eliminating asymmetries and using other accounting restrictions for the government and financial corporation sectors and for the rest of the world (in turn requiring “errors and omissions” in the euro area b.o.p. to be eliminated). There are still statistical discrepancies, equal in amount but opposite in sign, for the household and non-financial corporation sectors, but these are small in relation to the total transactions and positions of these sectors. Third, the change in the financial balance sheet for each financial asset category is equal to the changes arising from financial transactions and from valuation and certain other (non-transactional) changes (stock-flow consistency). Consequently the EAA are not the simple sum of the national economic and financial accounts of the individual euro area countries.

11.2 NON-FINANCIAL SECTOR ACCOUNTS

109. The requirement for Member States to provide quarterly data on institutional sectors’ non-financial accounts is supported by Community legislation (Regulation (EC) No 1161/2005, adopted in July 2005). The first data were provided to Eurostat under the Regulation in January 2006, with data for quarters back to the beginning of 1999. The Regulation requires the provision of a full set of accounts, from value added to the capital account, together with the related balancing items or summary statistics (gross and net value added, operating surplus, disposable income, saving, net lending/net borrowing, etc.). The ECB has a particular interest in the data for non-financial corporations and households, since these are the sectors whose spending and saving decisions are most likely to be influenced by monetary policy. However for Member States with GDP of less

than 1% of the EU, the Regulation provides a derogation for the sectors households, non-financial corporations and financial corporations (12 Member States, including 11 of those that have joined the EU since 2004 have this derogation). From October 2008, the data are to be provided within 90 days of the end of the quarter to which they relate. The Regulation does not initially require counterpart sector information (that is, information on the sectors with which the transactions are conducted); this is envisaged as a later development. In presenting the results for the euro area, the ECB highlights, for households, sources of primary income, taxes, social contributions and benefits; final consumption expenditure and saving and investment in non-financial assets (predominantly housing). For non-financial corporations, the emphasis is on gross value added; gross entrepreneurial income, comparable to current profits plus depreciation allowances in business accounting (after the deduction of net interest payable and including the profits of foreign subsidiaries, but before the payment of dividends and income taxes); saving (entrepreneurial income less income taxes payable – after the distribution of income to owners; and investment in non-financial assets as recorded in the capital account. The balancing item or bottom line of the non-financial accounts is net lending/net borrowing.

11.3 FINANCIAL ACCOUNTS

110. The financial account is the last in the sequence of accounts recording transactions. The sum of the transactions recorded in the financial account of each sector should equal the balancing item carried forward from the capital account, net lending or net borrowing, which is the outcome of its non-financial transactions. The ESA 95 requires EU Member States to prepare financial accounts in the form of detailed statements of financial transactions and financial balance sheets (outstanding assets and liabilities at market value), together with a reconciliation of the two in a revaluation account and in what is called the “other changes in the volume of assets” account.

111. Although Member States are obliged by the ESA 95 to compile financial accounts only at annual frequency, the ECB has compiled and published partial quarterly financial accounts for the euro area for some years. An amending Guideline (ECB/2005/13) improves timeliness to 110 days from the end of the quarter, permitting publication of euro area aggregates within about 120 days of the end of the quarter. The intention is to shorten the timetable further, to 80 days to provide users with at least key items (with some from the non-financial accounts) about 90 days after the reference quarter. The Guideline requires the compilation of complete quarterly national financial accounts, including both financial balance sheets and transactions data. Certain information on counterpart sectors hitherto absent from most national financial accounts is now becoming available. Among other enhancements, the amending Guideline takes account of recent Community legislation concerning the financial accounts of government and specifies requirements in the event of the enlargement of the euro area.

112. The euro area monetary, OFI and securities issues statistics are important building blocks for the financial accounts. The ECB's presentation places them in a broad framework, so that (notably) households' and non-financial corporations' financial transactions and the size and maturity structure of their financial assets and liabilities become evident and – using the non-financial accounts – their property income receipts and outlays can be related to these financial assets and liabilities and also to disposable income. Such information is relevant to the transmission of monetary policy. More counterpart sector information will in due course permit fuller analysis of financial relationships within the euro area economy. In addition to households and non-financial corporations, the ECB also continues to give prominence to the financial accounts of insurance corporations and pension funds in the euro area, in view of the size of their transactions and balance sheets. The ECB started to collect more detailed and timely information on insurance corporations and pension funds in March 2008.

113. Combining the data from the ECB's MFI balance sheet and other euro area statistics with the national financial accounts and the data on non-financial transactions of institutional sectors, the ECB compiles quarterly integrated economic and financial institutional sector accounts for the euro area, including financial balance sheets and a reconciliation between cumulative transactions and balance sheet changes. The results are currently published about four months after the reference quarter. A related development is the publication from November 2007 of a sector breakdown of changes in M3, which facilitates the analysis of portfolio shifts between monetary assets and other financial instruments based on a complete coverage of financial investments by institutional sector.

12 PAYMENTS AND SECURITIES SETTLEMENT SYSTEMS STATISTICS

114. The Eurosystem has the statutory task of promoting the smooth operation of payment systems and, to this end, provides payment and securities settlement facilities. It also has a general oversight role in respect of payment systems which are vital for the smooth operation of monetary policy. In particular, the ECB takes a close interest in the use of different payment media (cash, bank accounts, credit and debit cards, electronic wallets, etc.) and in the operation of interbank funds transfers. The ECB has an interest in securities trading, clearing and settlement systems as many major payments are related to the settlement of securities. It also has an interest in monitoring financial market integration in the euro area. In carrying out these operational functions and the oversight function for payment systems, the Eurosystem collects a large amount of data. In close cooperation with the NCBs, the ECB has recently sought to make the data more consistent across the EU and to bring it together in a single database. The collection of information has recently been formalised in Guideline ECB/2007/9, Annex III, Part 13. While some of the information comes from MFIs'/credit institutions' balance sheets and some of it is structural banking data,

it also covers payment instructions processed by TARGET and other selected interbank funds transfer systems, domestic payments in each real-time gross settlement system participating in or connected to TARGET, and statistics on cross-border payments. The collection of annual statistics on securities trading, clearing and settlement is mostly based on cooperation agreements between NCBs and institutions providing those services.

13 STATISTICAL ASPECTS OF ENLARGEMENT OF THE EURO AREA

115. Enlargement of the euro area presents a statistical challenge. Any or all of the (at present 12) remaining non-participating EU Member States, and any future Member States, may join it at some stage. When they do join the euro area, they must be well prepared in terms of statistics to preserve the quality of euro area statistics. The entry of new Member States (Greece in 2001, Slovenia in 2007, and Cyprus and Malta in 2008) has required backdata for the euro area in its enlarged composition, to enable growth rates to be calculated across the point of enlargement and to provide consistent time series for economic modelling and forecasting and forward-looking policy analysis. There is of course no suggestion that the result will fully represent what the position would have been if the euro area had indeed been larger at the time considered. Moreover, certain reference statistics covering the euro area as it was at the time to which the data relate will always be necessary, despite the breaks in them arising from successive enlargements.

116. Where data for the euro area are simply the sum of national data, all that is needed to deal with enlargement is fully comparable national data for the newly participating countries. Where euro area aggregates are not a simple sum of national data (as is the case for monetary, b.o.p. and i.i.p. statistics, and also for financial accounts), changes in the composition of the euro area require backdata with sufficient geographical and sector detail to enable the

necessary consolidations to be carried out; and both the existing euro area countries and the new entrants must provide it. Given the inclusion of information on currency in the MFI balance sheet statistics, and the crossings with instruments, maturities and sectors, requiring countries to provide data that would enable euro area aggregates to be constructed for earlier dates or periods for any possible composition of the euro area would imply a huge reporting burden in the monetary and b.o.p. areas. In practice, at the start of monetary union and later when other Member States joined the euro area, backdata were constructed on a best estimates basis, using information from other sources (e.g. BIS international banking statistics) to supplement the data provided for in the reporting schemes. Following the 2004 enlargement of the EU, and in view of the likelihood of further enlargements of the EU and the euro area, the ECB and the NCBs agreed the main principles and implementation measures for a harmonised transmission of backdata, accepting that some estimation will continue to be necessary.

14 THE EXCHANGE OF STATISTICAL INFORMATION AND THE STATISTICAL DATA WAREHOUSE

117. The exchange of statistical information within the ESCB and with European and international institutions requires a fast, robust and secure data exchange system. The ESCB has such facilities to transfer data files in both directions between the ECB and NCBs using a dedicated telecommunications network and a message format known as SDMX-EDI (GESMES/TS). This format is widely used in the international statistical community for exchanging data and metadata, including statistical structures, definitions and code lists. It also allows statistical databases to be easily integrated into networks and data file reception and delivery systems. New datasets can be incorporated once their structure is defined. The same format is used by the ECB in exchanges of statistical information with Eurostat and with international organisations (mainly the BIS and the IMF). Modern technologies based

on the SDMX standards are also used in the web dissemination of ECB statistical information, making it possible for users to extract statistical data in SDMX-ML format or automatically “pull” them using their own applications. The ECB works closely with the BIS, Eurostat, the IMF, the OECD, the United Nations and the World Bank in the context of the SDMX initiative, further promoting standardisation and automation in statistical data and metadata sharing.

118. ECB statistical data are accessible on the Internet via the ECB Statistical Data Warehouse (SDW, <http://sdw.ecb.europa.eu/>) The SDW allows reports and graphs to be generated easily and simple transformations to be made. Users with particular needs can create and manage their own data “baskets” (data groups) for easy reference and retrieval. Euro area aggregates as well as some country breakdowns are available. Users can also consult on-line (with the latest available data) tables in the ECB publications format, extract data and export them in various formats (i.e. CSV, Excel and SDMX-ML) for further processing and analysis.

15 PUBLICATION AND REVISIONS POLICY

119. Without disclosing confidential information concerning individual reporting agents or other entities, the ECB’s policy is to publish statistics fully and promptly, with descriptions of their nature, source, coverage and conceptual basis. This includes the results of seasonal and working-day adjustment for many statistics, including main items of MFI balance sheet statistics, securities issues, the b.o.p. and the HICP. The ECB’s website (www.ecb.europa.eu) gives all euro area statistics and descriptive material, together with a range of relevant national statistics and links to central bank websites on which these and other more detailed national data may be found. In addition, a range of statistics is published together by the ECB and a number of NCBs of the Eurosystem through the “Eurosystem Joint Dissemination Framework”. The central feature of the framework is that euro area aggregates

and all corresponding national contributions are presented in a single set of consistent tables that is published simultaneously on the ECB's website and on the websites of the participating NCBs. Using Internet technologies, these NCBs present the data and related information in their own layouts and languages, thus increasing the user-friendliness of the presentation of these statistics by the Eurosystem. The statistical section of the ECB's Monthly Bulletin and the Statistics Pocket Book also contain extensive tables and the Monthly Bulletin contains articles and boxes describing ECB statistics. Many of the data are first published by press release, at pre-announced times (see Annex 2).

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

121. In a growing number of statistical areas the ECB (like the European Commission) has formalised the process of monitoring the quality of statistics by requiring periodic reports which review various aspects of quality in a systematic way. Such reports have been published in the b.o.p. and i.i.p. statistics areas (currently under Article 6 of Guideline ECB/2004/15) and are also required under the Guidelines on quarterly financial accounts (ECB/2002/7, as amended by ECB/2005/13) and government finance statistics (ECB/2005/5). The Guideline on monetary, financial institutions and markets statistics (ECB/2007/9), which also covers securities issues and OFIs, requires central banks to monitor the quality of data submitted to the ECB. Regulation (EC) 1161/2005 on the compilation of quarterly non-financial accounts by institutional sector imposes obligations on

Member States with regard to quality standards and requires the Commission to report on data quality to the European Parliament and EU Council within five years of the Regulation's entry into force.

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

ANNEX I

ECB LEGAL INSTRUMENTS CONCERNING STATISTICS

Article 5 of the Statute and Council Regulation (EC) No 2533/98 provide the legal framework for the ECB's statistical activities. Further legal instruments, as provided for in Articles 34 and 14.3 of the Statute, impose specific data requirements on a reporting population drawn from the reference reporting population identified under Article 2 of Regulation No 2533/98 or instruct NCBs (or other statistical agencies) as to the data that should be transmitted to the ECB, the form they should take, the transmission times and the means by which they should be transmitted. ECB regulations address reporting agents and are directly applicable in euro area countries. ECB guidelines are binding on members of the Eurosystem, including the ECB itself. ECB recommendations have no binding force but may be used to inform statistical agencies in euro area countries, which provide data although they are not central banks, of the ECB's statistical requirements. The purpose of notices is to provide information. The following ECB legal instruments are currently in force. Some minor amending instruments have been omitted. The ECB's website (www.ecb.europa.eu) contains a full list, under Legal framework/Statistics and they can also be found in the Official Journal of the European Union (OJ).

MONETARY, FINANCIAL INSTITUTIONS AND MARKETS STATISTICS

1. Regulation of the European Central Bank of 22 November 2001 concerning the consolidated balance sheet of the monetary financial institutions sector (ECB/2001/13), (OJ L333, 17.12.01).
2. Regulation of the European Central Bank of 21 November 2002 amending Regulation ECB/2001/13 (ECB/2002/8), (OJ L330, 06.12.02).
3. Regulation of the European Central Bank of 18 September 2003 amending Regulation ECB/2001/13 (ECB/2003/10), (OJ L250, 02.10.03).
4. Regulation of the European Central Bank of 29 November 2007 amending Regulation ECB/2001/13 (ECB/2007/18), (OJ L330, 15.12.07).
5. Regulation of the European Central Bank of 20 December 2001 concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations (ECB/2001/18), (OJ L010, 12.01.02).
6. Regulation of the European Central Bank of 16 December 2004 amending Regulations ECB/2001/13 and ECB/2001/18 (ECB/2004/21), (OJ L371, 18.12.04).
7. Regulation of the European Central Bank of 14 June 2006 on statistical reporting requirements in respect of post office giro institutions that receive deposits from non-monetary financial institution euro area residents (ECB/2006/8), (OJ L184, 6.7.06).
8. Regulation of the European Central Bank of 27 July 2007 concerning statistics on the assets and liabilities of investment funds (ECB/2007/8), (OJ L211, 14.8.07).
9. Regulation (EC) No 1489/2007 of the European Central Bank of 29 November 2007 amending Regulation (EC) No 2423/2001 (ECB/2001/13) concerning the consolidated balance sheet of the monetary financial institutions sector (ECB/2007/18), (OJ L330, 15.12.07).

10. Guideline of the European Central Bank of 1 August 2007 on monetary, financial institutions and markets statistics (ECB/2007/9), (OJ L341, 27.12.07).

11. Notice of the European Central Bank on the imposition of sanctions for infringements of balance sheet statistical reporting requirements (2004/C195/10), (OJ C195, 31.07.04).

BALANCE OF PAYMENTS AND RELATED EXTERNAL STATISTICS

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

13. Guideline of the European Central Bank of 31 May 2007 amending Guideline ECB/2004/15 (ECB/2007/3), (OJ L159, 20.6.07) (the associated recommendation is ECB/2007/4), (OJ C136, 20.6.07).

FINANCIAL ACCOUNTS

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

15. Guideline of the European Central Bank of 17 November 2005 amending Guideline ECB/2002/7 (ECB/2005/13), (OJ L030, 02.02.06).

16. Guideline of the European Central Bank of 20 April 2006 amending Guideline ECB/2002/7 (ECB/2006/6) (OJ L 115, 28.4.2006).

17. Guideline of the European Central Bank of 15 November 2007 amending Guideline ECB/2002/7 (ECB/2007/13) OJ L 311, 29.11.2007.

GOVERNMENT FINANCE STATISTICS

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

19. Guideline of the European Central Bank of 3 February 2006 amending Guideline ECB/2005/5 (ECB/2006/2), (OJ L040, 11.02.06).

20. Guideline of the European Central Bank of 18 December 2006 amending Guideline ECB/2005/5 (ECB/2006/27), (OJ C 17, 25.1.2007).

21. Guideline of the European Central Bank of 15 November 2007 amending Guideline ECB/2005/5 (ECB/2007/14), (OJ L 311, 29.11.2007).

STATISTICAL CONFIDENTIALITY

22. Guideline (22 December 1998) concerning the common rules and minimum standards to protect the confidentiality of the individual statistical information collected by the European Central Bank assisted by the national central banks (ECB/1998/NP28) (OJ L 55/72, 24.2.2001).

ANNEX 2

FREQUENCY AND TIMELINESS OF THE PUBLICATION OF EURO AREA STATISTICS

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

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

Euro area MFI interest rates (released monthly, on the 27th working day following the end of the month to which the data relate).

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

Euro area b.o.p. (released monthly, between the 21st and the 29th calendar days of the second month following the end of the month to which the data relate).

Euro area b.o.p., including a geographical breakdown; and euro area i.i.p. (released quarterly, about four months after the quarter to which the data relate).

Euro area i.i.p., including a geographical breakdown (released annually, about ten and a half months after the year-end to which the data relate).

Eurosystem’s international reserves and related assets and liabilities (released monthly, on the last working day of the month following the month to which the data relate).

Euro area integrated economic and financial accounts by institutional sector, including financial transactions and balance sheets of insurance corporations and pension funds (released quarterly, about four months after the quarter to which the data relate).

Euro area investment fund statistics (released quarterly, about three and a half months after the quarter to which the data relate).

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

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

Supplementary euro area general economic statistics: residential property prices (released twice yearly, about four months after the period to which the data relate); labour market indicators (released quarterly, two to four months after the period to which the data relate); euro area capital stock (released annually, about one and a half years after the year to which the data relate); and euro area seasonally adjusted HICPs (released monthly, following the release by Eurostat of the unadjusted monthly HICP series, about 18 days after the month to which the data relate).

ANNEX 3

AVAILABILITY OF HISTORICAL DATA

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

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

MONETARY AND FINANCIAL MARKETS STATISTICS

MFI balance sheet – monthly data from end-September 1997.

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

“Bank” lending – monthly data from January 1983.

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

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

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

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

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

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

BALANCE OF PAYMENTS AND RELATED EXTERNAL STATISTICS

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

Financial account – monthly data from January 1998.

Geographical breakdown of the b.o.p. – quarterly data from the first quarter of 2003.

Monetary presentation of the b.o.p. – quarterly data from the first quarter of 2000, monthly data from March 2003.

I.i.p. – annual data from end-1997 (net positions only for 1997 and 1998); quarterly data from the first quarter of 2004.

Geographical breakdown of the i.i.p. – annual data from end-2002.

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

Euro effective exchange rates (nominal and real) – from 1993; nominal EERs are available daily, and real EERs are available monthly or quarterly, depending on the deflator.

Harmonised competitiveness indicators (for the individual euro area countries) – monthly data from January 1993.

GOVERNMENT FINANCE STATISTICS

Deficit, debt and current expenditure – annual data from 1981.

Receipts and expenditure (main components), deficit/surplus, deficit/debt adjustment and debt (main components) – annual data from 1990.

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

FINANCIAL AND NON-FINANCIAL ACCOUNTS

Euro area integrated economic and financial accounts by institutional sector (including financial transactions and balance sheets of insurance corporations and pension funds) – quarterly data from the first quarter of 1999 (main financial assets and liabilities of insurance corporations and pension funds are available quarterly from the fourth quarter of 1997).

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

ANNEX 4

SELECTED REFERENCES <http://www.ecb.europa.eu/stats/html/index.en.html>

COMMUNITY LEGISLATION

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

Protocol on the excessive deficit procedure.

Protocol on the convergence criteria.

Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community (the ESA 95).

Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank.

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.

Regulation (EC) No 501/2004 of the European Parliament and of the Council of 10 March 2004 on quarterly financial accounts for general government.

Council Regulation (EC) No 1222/2004 of 28 June 2004 concerning the compilation and transmission of data on the quarterly government debt.

Regulation (EC) No 1161/2005 of the European Parliament and of the Council of 6 July 2005 on the compilation of quarterly non-financial accounts by institutional sector.

ORGANISATION OF STATISTICAL WORK

Council Decision of 13 November 2006 (2006/856/EC) established a Committee on Monetary, Financial and Balance of Payments Statistics.

“Memorandum of Understanding on economic and financial statistics” between the Directorate General Statistics of the European Central Bank and the Statistical Office of the European Communities (Eurostat). 10 March 2003.

The ESCB’s governance structure as applied to ESCB statistics.

Public commitment with respect to the ESCB’s statistical function.

ECB Statistics Quality Framework (SQF).

OTHER

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

The monetary policy of the ECB (ECB, January 2004).

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

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