Developments in general economic statistics for the euro area

This article provides an overview of recent developments in, and planned improvements to, general economic statistics for the euro area. These statistics are crucial for the monetary policy of the ECB. Since 1999, and in particular since the adoption of the Action Plan on EMU statistical requirements in autumn 2000, statistics for the euro area have become more complete, comparable and timely. However, major improvements are still required. The highest priorities have been outlined in the new Principal European Economic Indicators, including the "first-for-Europe" principle. These indicators establish targets and priorities for euro area statistics for the years ahead.

1   Introduction

General economic statistics cover mainly price statistics, the national accounts, short-term business statistics, labour market statistics and external trade statistics. These are of vital importance for the ECB's monetary policy strategy, in particular to the assessment of the inflation outlook over the medium term. Moreover, the Harmonised Index of Consumer Prices (HICP) has been chosen as the price index used to assess price stability. In accordance with the recently agreed Memorandum of Understanding, the European Commission (Eurostat) is responsible for compiling most of these statistics for the euro area.[1]

General economic statistics were last assessed in the ECB's Monthly Bulletin of April 2001. Since then, developments in this area have been guided by two major initiatives: the EMU Action Plan and the new Principal European Economic Indicators. The EMU Action Plan, endorsed by the ECOFIN Council in autumn 2000, established priorities for improving euro area statistics for each Member State and for the Commission. Their implementation has been monitored regularly in progress reports submitted to the ECOFIN Council.[2] The progress made in recent years is summarised in Section 2 of this article. However, additional improvements are required. The Principal European Economic Indicator programme, as proposed by the Commission (Eurostat) and supported by the ECOFIN Council, sets out the priorities, targets and timetable for these improvements. These and other priorities for the years ahead are discussed in Section 3.

2   Progress since 2001 and assessment of selected indicators

This section examines the main general economic statistics used for short-term analysis by the ECB, highlighting the progress made and the work still outstanding.

2.1   Harmonised Index of Consumer Prices

The Harmonised Index of Consumer Prices (HICP) is the reference measure for defining price stability and the key indicator for monitoring price developments. Since its first publication in 1997, the HICP has been gradually improved in terms of timeliness, reliability and comparability. It was developed specifically to assess convergence between EU countries and has subsequently been used for monetary policy purposes. The most visible development since autumn 2001 is an advanced estimate for the total HICP growth rate for the euro area at the end of the current month (see Box 4 in the ECB's

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1   See the ECB's website for the Memorandum of Understanding on Economic and Financial Statistics between the European Commission and the ECB. General economic statistics for the euro area can be accessed via Eurostat releases on the internet (http://europa.eu.int/comm/eurostat), on the European Commission's (DG ECFIN) website (http://europa.eu.int/comm/economy_finance), in the euro area statistics section of the ECB's Monthly Bulletin (Tables 4, 5 and 9) and on the ECB's website (Statistics).

2   See http://ue.eu.int/emu/stat/main.htm for this and subsequent reports.

Monthly Bulletin of November 2002). Complete HICP results follow two to three weeks later. The coverage of the HICP has been extended further (inclusion of social and financial services) and harmonised. Other agreements concern revision policies and sales prices (see Box 4 in the ECB's Monthly Bulletin of March 2002).

Two major areas for HICP improvement are currently under development. The first involves the further harmonisation and improvement of the methods of quality adjustment. The methods currently used in the countries are known to be insufficiently comparable for some products (e.g. clothing, electronic appliances). The second is the envisaged extension of the coverage by including expenditure on owner-occupied housing, the only major component of household expenditure not yet reflected in the HICP. Results of work in these two fields are expected to be implemented in the years ahead, in the case of owner-occupied housing initially on an experimental basis.

2.2 National accounts

National accounts provide a comprehensive and consistent picture of the economy and are therefore a cornerstone of monetary policy analysis. This section focuses on the quarterly accounts needed for the euro area. Concerning the more detailed annual national accounts, most indicators required for the euro area are still unavailable (e.g. the results for the household and corporate sectors, and data on investment by branch).

Eurostat has continued its practice of releasing three quarterly GDP estimates around 70, 100 and 120 days after the quarter respectively. Since early 2001, Eurostat has released more detailed quarterly indicators: the breakdown of value added by six branches after 70 days, recently supplemented by corresponding results for compensation of employees; national income components (e.g. gross operating surplus), estimated since early 2002; the breakdown of gross fixed capital

formation by product; and the breakdown of exports and imports into goods and services (all published after four months). The new data available improves the analysis (e.g. for calculating unit labour costs and productivity).

The reliability of euro area estimates has increased, as they are based on a broader coverage of national data. Since the first quarter of 2001, the average revision of the euro area GDP growth rate has been approximately 0.15 percentage point (as measured by the differences in annual growth rates between the first estimate and the latest available result).

As regards the quarterly results for the government sector, data on taxes, social contributions and social benefits, revenue, expenditure and net lending/net borrowing are expected to become available within 90 days after the quarter from mid-2003 onwards. The envisaged set of quarterly data are considered to be sufficient for the compilation of a timely and comprehensive set of sectoral non-financial accounts for government.

However, when comparing euro area quarterly national accounts with the situation in individual euro area countries, or some countries outside the euro area (e.g. the United Kingdom and the United States), several serious shortcomings are revealed: the relatively late publication of the results, the lack of quarterly indicators on household disposable income, saving and corporate investments, hours worked and the absence of a proper delineation of euro area exports and imports (these still include trade within the euro area).

In 2003 the European Parliament and the EU Council are expected to adopt a regulation that will lead to more timely euro area data (most data mentioned in this section should be available after 70 days). Another development is the planned release in May 2003 of a flash estimate for euro area GDP around 45 days after the quarter. In addition, greater harmonisation of the practices for

seasonal and working-day adjustments of national and euro area data is under way, which is important for the interpretation of short-term GDP changes. Preparatory work on quarterly national accounts by institutional sector, in particular for the household and corporate sectors, has started (see also Section 3). Finally, in the medium term, improved methods for calculating GDP volume measures should become available by applying, among other things, better and more harmonised methods for deflation in services.

2.3 Short-term business statistics

Monthly and quarterly business indicators are an important supplement to national accounts, because they provide early and, at the same time, relatively detailed information on demand, output and prices. Improvements have taken place over the past two years in short-term industrial statistics on production (see Box 1 for details), producer prices, employment, wages and salaries and retail trade. They concern a higher country coverage of euro area indicators, a shortening of the sometimes excessive publication delays and a harmonisation of methods. However, other important indicators are still lacking: new orders, export prices, various construction indicators and services sector data. During 2003, the situation is expected to improve with the complete implementation of the Regulation on short-term business statistics by all EU Member States.

Euro area short-term statistics are not based on fully comparable national methods. However, incremental improvements have been achieved in recent years for industrial production, retail trade and producer prices, and with the introduction of the breakdown into main industrial groupings (energy, intermediate, capital and consumer good industries), which is now fully comparable in the euro area.

Some important indicators will, at least for some years to come, remain unavailable or continue to be based on incomplete or non-

harmonised information. Such indicators include euro area import price data, producer price indices in the construction and services sectors and residential property price data. Furthermore, the analysis of month-on-month growth rates is still hampered by a lack of harmonisation of practices for the adjustment for working-day and seasonal effects.

2.4 Labour market statistics

Only limited progress has been made in the area of euro area labour market statistics. However, in contrast to the situation in 2001, estimates of euro area employment data are now available. Quarterly data on hours worked in the economy, which are urgently needed for a better analysis of employment and productivity developments, should become available in 2004, as part of the proposed amendment to the Regulation on national accounts. First estimates for the industrial sector have been published recently.

Unemployment statistics for the euro area have been improved by applying the harmonised definition of unemployment more closely. Results are published 30 to 35 days after the end of the reference month. The first release, however, covers less than 75% of the euro area. Nevertheless, revisions to first euro area estimates have been small.

In 2003, Eurostat intends to release the first quarterly estimates of the EU labour force survey (LFS) for the euro area, using proxies for missing countries. Full implementation of the LFS for the euro area may not be achieved before 2005. The availability of LFS data will be an important step, as it provides consistent labour market indicators (e.g. employment, unemployment).

Progress was made in 2002 on the euro area labour cost index. First estimates are now published after 90 days (compared with 100 days previously); the comparability of national components has improved. New legislation was enacted recently that will reduce this
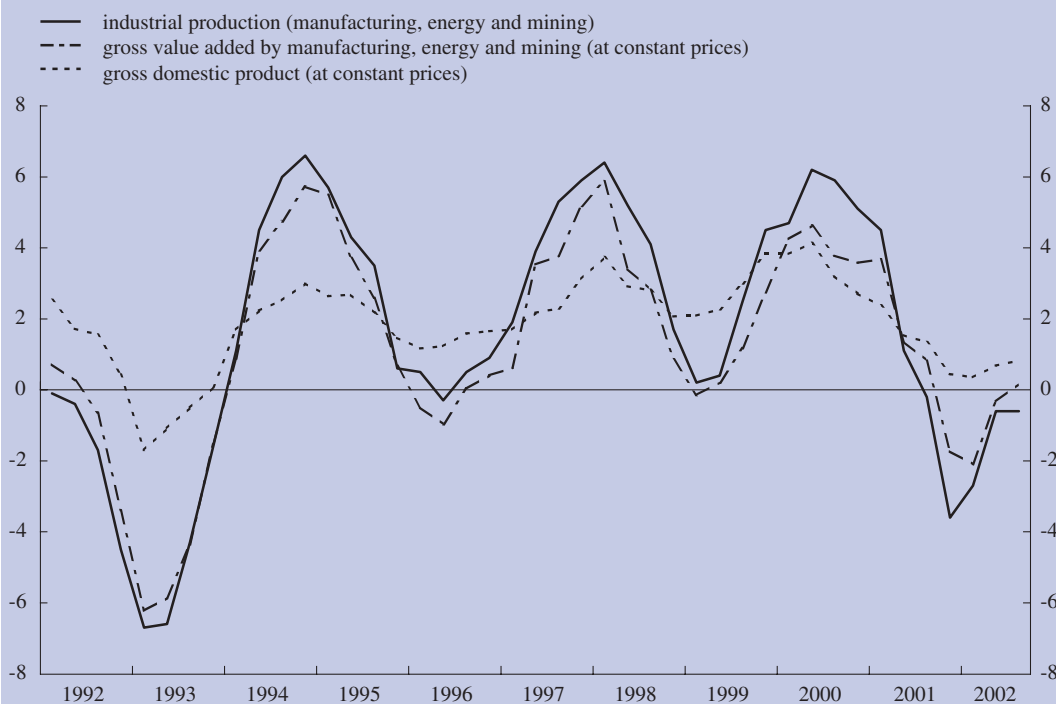
Improvements in euro area statistics – industrial production

Since 1999, there have been several improvements in the availability, timeliness and harmonisation of euro area statistics. However, a satisfactory state for all key indicators has still not been reached. This box explains the situation for the industrial production indicator.

The monthly production estimate is the most important indicator of activity in the industrial sector. At the same time, it is a leading indicator for GDP growth due to its higher frequency, earlier publication and the signalling role of manufacturing activity in the business cycle. It accounts for approximately 25% of euro area value added, but manufacturing activity may indirectly influence business services activity.

Industrial production, gross value added and GDP

(annual percentage changes)

——— industrial production (manufacturing, energy and mining)
– – – gross value added by manufacturing, energy and mining (at constant prices)
· · · · gross domestic product (at constant prices)

Sources: Eurostat and ECB calculations.

The table below shows that the timeliness and coverage of the first release has gradually improved from more than 100 days in January 1999 to less than 50 days recently. The number of countries included in this first release has increased from five to eleven. Due to substantial efforts by the statistical offices in almost all euro area countries, the coverage of countries included in the first euro area release has improved, despite being already well advanced, and now exceeds 95%.

Revisions of the first euro area estimates have not been higher than in previous years. Since July 2001, first monthly estimates have been revised by between 0.1 and 1.0 percentage point, with an average upward correction of 0.3 percentage point, as measured by the difference between the first and latest available annual growth rates. The supposed trade-off between timeliness and reliability – i.e. that earlier releases of economic statistics are subject to greater revision – has not materialised in this case, mainly because more countries have converged towards the good practice of the best performers.

Timeliness of first publication of euro area industrial production data			
	Time-lag [1] (calendar days)	Countries included	Coverage (% of euro area)
January 1999	104	5	85
1999	90	6	84
2000	83	8	90
2001	65	9	94
2002	50	10	95
January 2003	49	11	97

Sources: Eurostat and ECB calculations; annual figures are averages of monthly releases.
1) First releases in number of calendar days after the reporting month.

However, while it appears possible to meet the objective of a 45-day time-lag this year, it should be noted that no less than five years will have passed since this requirement was stated in the Regulation on short-term statistics in mid-1998. Unfortunately, this lengthy delay in implementing EU statistical requirements is not limited to industrial production, but typical for many euro area indicators.

period to 70 days in 2004 and, after some exploratory work, will enhance the coverage of the services sector. These improvements are particularly welcome, as labour cost data have given mixed indications in the past, possibly because of inadequate data quality (see Box 5 in the ECB's Monthly Bulletin of September 2002).

2.5 External trade statistics

Extra-euro area trade in goods statistics offer very detailed information on export and import values and volumes of the euro area, by product group and region. They currently also provide the only comprehensive information on export and import price changes, since appropriate price indices are still unavailable. The publication of price and volume data was suspended in 2002, but has recently been reinstated.

The timeliness of the first estimate of euro area external trade has improved by about five days in the last two years, reaching 50 to 53 days recently. Price and volume data are published four to six weeks later.

2.6 Surveys

Monthly survey data provide both very timely qualitative indicators and leading information on the expected evolution of economic activity as well as important information on perceived and expected price trends. In addition to the European Commission's harmonised surveys on manufacturing, construction and the retail trade, as well as the survey of consumers, a new survey on euro area market services (e.g. computer and related activities, real estate activities) has been published since 2001. The Commission's Directorate-General for Economic and Financial Affairs (DG ECFIN) has announced an extension of the coverage to include the transport, hotel and restaurant sectors during 2003. The extension of the coverage of the services sector is very welcome, in particular since other data for the services sector are scarce (see also Section 3).

Table
Overview of main improvements to euro area statistics

Area	Main improvements achieved	Expected improvements 2003/04
HICP	• New flash estimate at reference month-end • Broader coverage, more harmonised practices	• Better treatment of quality changes • Coverage of owner-occupied housing
Quarterly national accounts	• Various new breakdowns after 70-120 days (value added, gross fixed capital formation, income components)	• GDP flash estimates after 45 days • Reducing time-lag to 70 days • Non-financial accounts for government
Short-term business statistics	• Better timeliness (e.g. production, retail trade) • Better comparability (e.g. producer prices, main industrial groupings)	• New indicators, in particular new orders, services turnover and employment • Improved timeliness (e.g. retail trade)
Labour market statistics	• Quarterly labour cost index after 90 days, comparability improved • Better unemployment data	• Proxy results for Labour Force Surveys • Broader coverage and better comparability of labour cost statistics • Quarterly estimates of hours worked
Opinion surveys	• Harmonised survey on services sector	• Increase in coverage of services sector

3 Priorities for the years ahead

The process for improving statistics typically spans several years since it may include agreement on common targets and methods, adopting a European legal basis, implementing new methods or surveys at the national level and finally releasing the results at the national and European levels. Many of the recent improvements to euro area statistics therefore originate from work in the second half of the 1990s.

Given the implementation lags – and the constraints under which producers of national statistics operate – it is important that the changes to statistics for euro area purposes are embedded in a long-term strategy for European statistics. Since 1999, much effort has been made in this direction. These developments are covered in this section.

The foundations for euro area general economic statistics were laid with the adoption and implementation of several statistical regulations between 1996 and 2000 (e.g. the Regulation on the European System of Accounts (ESA 95), and the Regulation on short-term business statistics). These efforts focused on providing better harmonised country data. However, these statistics have not met all the statistical requirements for EMU. Criticism by the experts and the media often amounts to "too little, too late". The EMU Action Plan of September 2000 addressed these issues, covering both short-term improvements at the national level and long-term, strategic developments. The latter include:

• a stronger focus on statistics for the euro area as a whole;

• a review of current procedures for compiling euro area aggregates;

• the benchmarking of European statistics to agreed quality targets;

• the development of new statistics in response to economic developments (e.g. services sector data);

• priority-setting to limit the burden on producers of statistics and respondents.

3.1 Report of the European Commission and the ECOFIN Council in February 2003

The Barcelona European Council in March 2002 expressed the need for further progress to be made on euro area statistics. Subsequently, the European Commission and the ECOFIN Council produced a joint report on euro area statistics, and proposed key elements for further development.

A major element of the long-term strategy is the list of Principal European Economic Indicators (PEEIs) detailed in Box 2. According to the joint report, these should be fully implemented by 2005. Moreover, they should be released "with a timeliness, reliability and other required quality features that match the highest international standards. This will require a further acceleration of the release of key statistics for the euro area and an enhancement of other important quality features (such as revisions and consistency)". With the proposal of these principle indicators, the EU has followed the example of the US statistical system, in which the Office of Management and Budget adopted in 1985 a revised directive on the compilation and release of Principal Federal Economic Indicators (e.g. including the requirement that data for the United States be published no later than 22 working days after the end of the month or quarter). The targets set for the EU by the PEEIs are more limited in scope and aim to meet the standards for timeliness adopted in the United States in only a few cases. However, when comparing the statistical systems in the two areas, the different institutional and policy environment has to be considered. While the focus of most US statistics is on providing results at the federal level, most EU economic statistics are used at both the national and European levels.

3.2 Statistics for the services sector

The PEEI recommendations for euro area statistics put particular emphasis on the development of a better statistical basis for the services sector. The ECOFIN Council recently endorsed specific action points, which were developed jointly by Eurostat and the ECB in close co-operation with the NSIs and NCBs.

Almost 70% of euro area GDP is produced by services activities, of which about two-thirds are contributed by market services. The services consist of a wide range of activities and the statistical requirements differ between services branches, in particular between the more cyclical and constantly growing market services and non-market services.

However, short-term economic statistics on this important part of the economy are scarce. On a quarterly basis, the national accounts provide estimates of the value added, but this is insufficient. Monthly survey results have become available since 2001. Other official short-term statistics on output, employment, producer prices and labour costs are unavailable or are incomplete for the euro area as a whole, and in many euro area countries. The agreed priorities for developing EU-wide short-term statistics for the services sector are:

- more data on employment and labour costs for all services branches;

- more data on turnover, value added and producer prices for market services.

These improvements are expected to become effective between end-2003 and 2007, depending on the development work needed. A first step towards improving coverage of services in short-term economic statistics is expected from the release of euro area indicators on turnover and employment for selected services branches by end-2003.

Box 2

The Principal European Economic Indicators

The Principal European Economic Indicators (PEEIs) consist of a list of major euro area indicators (consumer prices, national accounts, short-term business statistics, labour market statistics and external trade indicators) which are essential for short-term analysis. The indicators were selected by Eurostat and the national statistical institutes (NSIs) after consulting the main European policy users (ECB, European Commission). The PEEIs stipulate targets for euro area aggregates. However, as all existing euro area statistics are compiled from national contributions, close co-operation between Eurostat and the NSIs is essential. Where the targets of the PEEIs on periodicity and timeliness go beyond requirements of existing EU statistical legislation, countries will contribute to the PEEIs on a voluntary basis.

The table below shows the complete PEEI list, indicating the targeted periodicity and timeliness and the timeliness at end-2002.

Principal European Economic Indicators

Euro area indicator	Periodicity (m = monthly; q = quarterly)	Release target	Actual release (end-2002)
Consumer price indicators			
HICP: flash estimate	m	0	0
HICP: actual indices	m	17	17
Quarterly national accounts			
First GDP (flash) estimate	q	45	NA
First GDP release with more breakdowns	q	60	70-120
Accounts for households and corporations	q	90	NA
Government finance statistics	q	90	NA
Business indicators			
Industrial production index	m	40	48
Industrial producer price index (domestic)	m	35	35
Industrial new orders index	m	40/50	NA
Import price index	m	45	NA
Production in construction	m/q	45	75
Turnover index for retail trade and repair	m	30	60
Turnover index for services	q	60	NA
Producer price index for market services	q	60	NA
Labour market indicators			
Unemployment rate	m	30	30
Job vacancy rate	q	45	NA
Employment	q	45	100
Labour cost index	q	70	90
External trade indicators			
Trade balance	m	45	50

Publication in calendar days after the end of the reporting period; NA: not available for the euro area in 2002.

Major efforts will be required to achieve the objectives by 2005, notably the implementation of new statistics for the euro area (e.g. quarterly national accounts for households and companies, import price statistics, service indicators and job vacancy statistics), many of which require the development of a sound methodological basis before data collection can begin (e.g. producer prices index for services). For some of the already existing indicators, a significant shortening of the current publication schedules has been targeted (e.g. for production, retail trade and labour cost indices). Overall, the PEEIs are an important step and should lead to a significant improvement in the statistical information available for euro area analysis.

3.3 National accounts as a framework for euro area statistics

National accounts according to ESA 95 – the statistical system describing the production, distribution and use of income, capital accumulation, financing and balance sheets of the economy and its sectors – have received growing attention in recent years. The ESA 95 is a multi-purpose system for economic and monetary analysis and decision-making. Since it is an accounting system, linking the different indicators, it provides a coherent picture of the economy. Other statistics – such as balance of payments, labour market, public finance and monetary statistics – have moved close to using national accounts concepts, because consistency between different statistics enhances their usefulness. It is important for euro area analysis that national accounts are based on comparable definitions within the euro area, and that they also constitute the reference framework for making international comparisons with countries outside the euro area. Overall, national accounts have developed into an integrating framework for many economic statistics and analyses, and it is expected that this development will continue.

Apart from an analysis of economic activity by branch, type of expenditure (consumption, investment, exports) and income categories, the assessment of economic developments also requires statistics on the economic behaviour and interaction of institutional sectors within the economy. These sectors are households, non-profit institutions serving households, non-financial corporations, financial corporations and general government. Such data are needed, for example, to explain household decisions on saving and consumption or corporate investments and profitability. Moreover, since these accounts are drawn up in accordance with the financial accounts for the euro area, they can support the analysis of the monetary transmission mechanism.

Most euro area countries currently produce these sector accounts annually, with a time-lag of six to twelve months. Although they usefully describe the structure of the euro area economy, they cannot be used for a timely monitoring of economic developments due to their infrequency and time-lag. Work has therefore been launched under the EMU Action Plan and PEEIs to establish main quarterly national accounts by institutional sector for the euro area by 2005.

Since complete, consistent and reliable accounts can only be compiled some time after the reporting period and since the data is published, at best, at quarterly intervals, it will continue to be necessary to supplement the national accounts with a sufficiently complete set of monthly and quarterly economic indicators, such as indicators of new orders, production, prices and employment. These indicators are often used to "forecast" national account aggregates such as GDP and household consumption, and are also the input for producing quarterly national accounts. Therefore, the development of national accounts and the improvements to other short-term economic statistics for the euro area go hand in hand.

3.4 New approaches to euro area statistics

All PEEIs for the euro area and the EU are to be compiled from national contributions. If a legal basis does not exist, this contribution will be voluntary, but based on a firm commitment on the part of the Member States concerned. This practice is part of the "first-for-Europe" principle agreed for the PEEIs. It means that the release calendar (for the first publication and later revisions) of the PEEIs for the euro area and the related indicators for the Member States will follow European policy needs. The first release of the euro area PEEIs will be produced in a very timely manner and on the basis of an adequate coverage of national contributions;

ideally, the first euro area releases will be published on the same day as the first figures for the most important countries. Later releases will cover all EU Member States. Moreover, it supports a harmonisation of seasonal and working day adjustment practices.

For the ECB, as a user of data, both the timeliness and the accuracy of euro area data are crucial. It will therefore be important that the PEEIs are produced and published for the euro area on the basis of an adequate coverage of data provided by countries. There are various ways of achieving this. The current practice for most indicators is that, in the first production step, all or most countries produce and publish representative national results, from which, in the following step, Eurostat compiles euro area results. This practice ensures a high quality of the euro area results and a comprehensive set of national data for economic analysis. But it may not be the most efficient production method and typically leads to delays before the European figures become available. Modifications of this practice aimed at improving quality and timeliness while reducing the need for complete national contributions are therefore being developed. First publications for the euro area may then offer only a reduced breakdown by country, but are, nevertheless, compiled from statistical contributions rapidly provided by most or all countries. In this scenario, only the second or third release may include published results for all countries. This may limit the burden on those countries which place less emphasis on very timely national results.

A first example of this approach is the euro area retail trade turnover index. The availability of first national releases currently varies between 25 and 70 days after the reference month. Eurostat publishes the euro area retail trade turnover after 60 to 65 days, normally based on published results from ten euro area countries. Research has shown that a significantly smaller sample would be sufficient to derive first euro area results

with sufficient accuracy. If no national releases are required, and if detailed results by retail branch are scheduled only for the second, later release, the required euro area sample can be more than 75% smaller than the current total of the national samples underlying the first Eurostat release. In this context, Eurostat and the NSIs have agreed on a set of measures to shorten the release time-lag, even though most countries prefer to continue publishing their first national estimates no later than the euro area release, but take other measures to improve timeliness. It is expected that the current publication time-lag for the euro area can be reduced in several steps from between 60 and 65 days to between 30 and 40 days by end-2003. This is an encouraging improvement and it appears worthwhile to investigate using this new approach for other euro area statistics.

3.5 Priority-setting

New and improved statistics for euro area analysis require adequate resources and the setting of priorities. Under the EMU Action Plan, the European Commission (Eurostat), in close co-operation with the ECB, was requested to make proposals to this end, including a review of the requirements for the smallest EU countries.

As part of this process, the above-mentioned developments towards earlier euro area results, from reduced national samples, may play an important role, considering in particular the forthcoming EU enlargement. Unless specific derogations are granted, the statistical requirements for current EU Member States will apply to all new EU countries as soon as they join the EU. However, 18 of the expected 25 Member States will contribute no more than 20% to total GDP of the enlarged EU, and six of these countries will each contribute less than 1% to the EU total. At the same time, most existing EU requirements in economic statistics do not differentiate between smaller and larger countries. While key economic

indicators are needed for all EU countries, simplifications in terms of the required level of detail or the targeted timeliness for small countries would be acceptable for the purpose of calculating first and faster results for the euro area.

Moreover, there are other possible elements in a stronger setting of priorities. One is a sharper focus on monthly and quarterly statistics for policy use, and a critical review of existing comprehensive annual economic statistics. These are published in detail for EU countries, but sometimes with such long time-lags for EU and euro area aggregates that the value of the data for policy purposes becomes questionable. A second, more general option is a review of the use made of existing statistics that are mandatory at the EU level. This could lead to less regulation in those areas where an imbalance exists between the resources needed to produce the statistics and the policy use of the results. One example of this is the current review of the very detailed Intrastat regulation on statistics on cross-border trade in goods within the EU. A third option is a sharper focus on comparable EU statistics and aggregates, at the expense of non-comparable, purely national statistics, in particular where these are produced in parallel.

4   Conclusion

Euro area statistics have improved recently, but major challenges lie ahead. The single monetary policy needs timely, reliable and comparable indicators that reflect economic developments in the euro area. When Stage Three of Monetary Union started in 1999, intensive preparatory work had been done for some key indicators, such as the HICP, but many other indicators were either lacking or non-harmonised. The situation has gradually improved over the past few years and further improvements are expected. However, the supply of economic statistics for the euro area as a whole is still less complete and timely than in a number of individual euro area countries or major trading partners outside the euro area, such as the United Kingdom and the United States. It is therefore important that a broad consensus on the development of euro area statistics has been reached, as reflected in the Principal European Economic Indicators. Particular emphasis is put on the further improvement of the timeliness of euro area statistics, the development of short-term statistics for services as well as further developments in the national accounts. This agreement may also provide guidance for the development of statistics in the acceding countries. The targets are ambitious. They require priority-setting, intensified co-operation at the European level and the investigation of new, flexible and efficient methods to compile euro area statistics.