



EUROPEAN CENTRAL BANK

EUROSYSTEM

# IMPLEMENTING THE ESA 2010 IN THE QUARTERLY FINANCIAL ACCOUNTS AND EURO AREA ACCOUNTS BY INSTITUTIONAL SECTOR

## 1 THE UPDATED ESA STATISTICAL STANDARDS

The single monetary policy in the euro area, economic policy in the European Union (EU) and the monitoring of the economies in the Member States require comparable, up-to-date and reliable information on the economic situation and on sectoral developments. At the international level, the G20 Data Gaps Initiative, which was launched in response to the financial crisis by the International Monetary Fund (IMF) and the Financial Stability Board (FSB), recommends the dissemination of comparable sectoral accounts by G20 economies.

The quarterly euro area accounts (EAA) offer comprehensive information on the income, spending, financing and portfolio decisions of the institutional sectors in the euro area. To produce the EAA, the quarterly financial accounts are integrated with the non-financial accounts by institutional sector. For this integration process, it is essential that the national accounts contributions and other data are compiled in accordance with the same statistical standards. For the EU, the standards applied are the European System of National and Regional Accounts (ESA).

For data transmissions from 1 September 2014 the new ESA 2010 replaced the ESA 1995. ESA 2010 adapted the national accounts to the current economic environment, advances in methodologies and changing user needs. The ESA 2010 is based on the System of National Accounts (SNA) 2008, which is drawn up by the European Commission (Eurostat), the IMF, the Organisation for Economic Co-operation and Development, the United Nations and the World Bank, and is in the process of being implemented all around the world. The European Central Bank (ECB) was consulted on the draft SNA 2008, contributed at the expert level via the Advisory Expert Group of the Intersecretariat Working Group on National Accounts (ISWGNA) and promoted its adoption by the United Nations Statistical Commission.

Given that the European System of Central Banks (ESCB) and the European Statistical System work in close cooperation to compile European statistics, the ECB agreed, at Eurostat's request, to draft various chapters of the ESA 2010 which are closely related to the ESCB statistical framework. In particular, the ECB provided substantial input for the definition of the

financial corporations sector, in terms of entities and subsectors, in Chapter 2, as well as for the description of financial assets and liabilities and their presentation in the sequence of accounts (in Chapter 5 and parts of Chapters 6 and 7).

- [The European System of Accounts – ESA 2010](#)

The ESA 2010 is a Regulation of the European Parliament and of the Council and sets compulsory methodological standards, definitions, classifications and accounting rules for European national accounts statistics. Eurostat, the statistical office of the EU, provides dedicated information on the ESA 2010 [website](#) and offers information on the general effect of these changes on the national accounts.

In parallel, the standards used for those statistics that provide important input into the national accounts were aligned with the ESA 2010. They include, for example, the ECB's monetary and financial statistics on financial institutions, and statistics on securities issues and holdings. Moreover, the balance of payments and international investment position statistics, which are another input, were revised to align them with the new standards set forth in the IMF's Balance of Payments and International Investment Position Manual (BPM6), which has been transposed into European legal acts.

- Further details on ECB legal acts [here](#)
- Details on the changeover to BPM6 [here](#)

A comprehensive article explaining the changes owing to the ESA 2010 and BPM6 was published in the ECB's Monthly Bulletin in August 2014 ([here](#)).

## **2 FROM THE ESA 2010 TO THE QUARTERLY FINANCIAL ACCOUNTS AND THE EAA**

The quarterly EAA are produced jointly by the ECB and Eurostat, and apply the standards of the ESA. They are based on non-financial and financial statistics compiled and transmitted by the EU Member States and the Eurosystem.

Sectoral data on the quarterly non-financial accounts are included in the Transmission Programme of the ESA 2010 (Table 801), which stipulates the required level of detail and timeliness for the transmission of data by the Member States. The first transmission of data by Member States to Eurostat took place in September 2014.

Sectoral data on the quarterly financial accounts are covered by a legal act of the ECB. Accordingly, in 2013 the ECB's Governing Council adopted the recast Guideline on quarterly financial accounts with the aim of improving timeliness and providing greater detail at the

sector, instrument and flow levels, as well as ensuring full compliance with the requirements under the new ESA 2010 methodological framework. Furthermore, the Guideline requires the ECB to publish a complete set of quarterly financial accounts for all euro area countries. Implementation of the recast Guideline took place in September 2014. All non-euro area EU Member States provide data to the ECB on a voluntary basis, and these data are disseminated by the ECB in the same way as data on euro area countries.

- [Guideline of the ECB of 25 July 2013 on the statistical reporting requirements of the ECB in the field of quarterly financial accounts \(recast\) \(ECB/2013/24\)](#)  
[OJ L 52, 7.1.2014](#), p. 34

### **3 MAJOR METHODOLOGICAL CHANGES OWING TO THE ESA 2010**

The following information focuses on the changes to the EAA resulting from the ESA 2010.

The main changes to the EAA owing to revisions to the non-financial accounts include:

- expenditures on research and development are recognised as investment;
- the acquisition of military weapons systems is recognised as investment;
- imports and exports are only recorded if transactions are accompanied by a change of ownership; for example, this means that goods sent abroad for processing are not included in the data on imports and exports;
- national data are transmitted earlier in order to improve the timeliness of the EAA.

For detailed information on the changes to the non-financial accounts, see the information provided by Eurostat in the link above.

The EAA also benefit from changes to the financial accounts, in particular a more detailed breakdown of the financial corporations sector of the economy and more precise guidance on the recording of specialised financial institutions. The ESA 2010 provides for a clearer separation between non-financial corporations and corporations that are not directly engaged in non-financial activities, such as holding companies of non-financial corporations and other so-called captive financial institutions. These changes allow for a better analysis of the financing and investment of non-financial and financial corporations. The changes to the sectoral breakdown are explained here:

- [Correspondence Table ESA 2010 versus ESA 95 for Sectors](#)

The revised EAA also provide a more detailed instrument breakdown for financial assets and liabilities. In particular, the identification of trade credits and a more detailed split of shares and other equity was a key request by users. An overview of the changes to the financial instrument breakdown is provided here:

- [Correspondence Table ESA 2010 versus ESA 95 for Instruments](#)

Furthermore, with regard to the non-financial accounts, national quarterly financial accounts data are transmitted earlier, which has improved the timeliness of the EAA.

#### **4 PUBLICATIONS UNDER THE ESA 2010**

The publication of the first ESA 2010-based euro area accounts took place on 27 October 2014. The release referred to data for the second quarter of 2014 and was accompanied by backdata compiled in accordance with ESA 2010 standards for the period from 1999 (for the financial accounts, the backdata for the periods before the fourth quarter of 2012 were partly estimated).

In parallel, results for the euro area countries (and other EU Member States) were disseminated by the ECB and Eurostat in line with the dissemination policy agreed with the national data providers.

As well as providing new data, the timeliness of the quarterly releases of the EAA and of the country data for the financial and non-financial sector accounts was improved. From January 2015, a first release (about 102 days after the quarter) refers mainly to the accounts for households and non-financial corporations, while a second release (unchanged at t+120) contains results for all sectors (see [Statistical Press Releases](#))

All data are available via the ECB's [Statistical Data Warehouse](#) as the main channel for the dissemination of time series and supplementary statistical tables and charts. The implementation of the ESA 2010 was accompanied by a change in the data codification structure used for the collection and dissemination of EAA data. This change is relevant to users who use EAA series codes when extracting data from the ECB's Statistical Data Warehouse. Further information on the revised data structure and series codes is available [here](#).

Further improvements to the EAA as a result of the changeover process include: (1) the planned publication of new counterpart sector details (who-to-whom matrices) for all securities; (2) improved backdata for the financial accounts for the period from the first quarter of 1999 based on ESA 2010; and (3) a further improvement to the timeliness of the EAA publication.