

Meeting of the Inter-Agency Task Force on Finance Statistics

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Report on ongoing initiatives in Eurostat

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Key Eurostat initiatives in relation to the financial crisis

- **Statistical accounting consequences**
 - **Focus on EU government finance statistics**
 - **European Statistical System Action Plan**
- **Other statistical issues**
 - **Review of economic and finance statistics**
 - **Enhancing international cooperation**

Background

- ESTAT is responsible for compiling EU government finance statistics that are the basis for the Commission's evaluation of public finances in relation to the Stability and Growth Pact (SGP) and the Excessive Deficit Procedure (EDP)
- The turmoil in financial markets started in mid-2007, but public interventions intensified only from mid-2008 on. Ad-hoc rescue of individual institutions had to be complemented by more comprehensive approaches (State Aid rules)
- To clarify the statistical treatment of bank and other market support operations, a CMFB Task Force was established on the accounting consequences for government of the financial turmoil in late 2008 (with MS, ECB, DG ECFIN)

European Statistical System (ESS) Action Plan

- The Task Force concentrated initially on specific cases, but exceptional interventions require that the ESS delivers an consistent assessment of bank rescues and other support operations.
- While the principle is to safeguard the existing surveillance framework and respect ESA 95 accounting rules, questions of interpretation arose
- Eurostat’s “ESS Action Plan” sets in place a framework for dealing with the statistical aspects of the turmoil, that encompasses
 - a general statement on the principles to be followed
 - complemented by case by case interpretation and
 - an adequate communication strategy

Key principles of the ESS Action Plan

■ Basic principles

- Similar cases should be treated in similar ways
- Transparency on the argumentation
- Cautious approach on valuation issues
- Close cooperation between Eurostat and NSIs
- MS need to provide NSIs with reliable information

■ Operational principles

- ESA 95 accounting rules continue to apply
- Enhanced communication between all stakeholders

Methodological and procedural aspects (1)

- Eurostat set up a dedicated “cell” to coordinate (in particular) methodological aspects and strengthen the coordination between key stakeholders (Eurostat, NSIs, other MS authorities, Commission services and the ECB)
- Established administrative procedures (EDP) apply for the provision of “ex-ante advice” to countries
- Methodological issues raised by specific cases have been discussed in the CMFB Task Force, which has identified
 - a typology of bank rescues and other support operations
 - establish guidelines for the treatment of these operations
- Eurostat put together an ESS “vademecum” to support quick advice and the work of the CMFB Task Force

Methodological and procedural aspects (2)

- Eurostat and NSIs will endeavour to provide jointly an assessment (whenever possible) and Eurostat stresses the need for proper communication between national authorities (NSI, CB, MinFin etc)
- Following the implementation of a support operation by a MS, NSIs will be asked to provide Eurostat with background information and an assessment of its statistical implications
- Eurostat also put in place a “barometer” providing information on operations undertaken and the amounts involved
- The statistical accounting consequences of support operations will be reflected in the EDP notifications sent by MS to Eurostat
- As communication is paramount in the entire process Eurostat will intensify communication with all the main actors

CMFB consultation and Eurostat decision

- Mandate of the Task Force on “accounting consequences for government of the financial turmoil” :
 - Identify the main types of interventions / create a typology
 - Discuss the main methodological issues
 - Prepare documents for consulting the CMFB
- Task Force met twice (Nov. 2008 and Jan. 2009); prepared a final report and two consultation documents
- CMFB opinion expected shortly. Eurostat Decision will follow. Some cases may need to be followed up bilaterally between Eurostat and countries.

Other statistical issues

- The current crisis raises questions on whether official statistics gave enough warning and are sufficient for the monitoring the impact of the crisis
- Eurostat sees scope to reflect on the trade-off between the criteria of timeliness versus relevance and reliability in the production of statistics and to improve notably
 - the reliability of statistics worldwide, e.g. by reinforcing control tools
 - the coordination between producers of statistics to improve the quality of accounts at the global level
 - the understanding of the links between the financial sphere and the real economy

Evaluation of existing statistics

- Existing statistics give already a good overview of the consequences of the crisis in terms of economic activity
 - However, satellite accounts could be reinforced, e.g. to better monitor social consequences of the crisis
 - A more focused presentation and efficient communication of official statistics could be helpful to get a better picture of global developments
- It is recognised that the text of the 2008 SNA gives already comprehensive guidance on how interventions known so far should be recorded, with a need for minor further clarifications

Eurostat website on the financial crisis

- As part of its improved communication strategy on the financial crisis, Eurostat has recently created a dedicated section on its website which gives access to information on various aspects of the crisis, such as notably links to
 - the European Action Plan; EU guidance on State Aid, National Plans, the EU Economic Recovery Plan
 - Key short term indicators, e.g. GDP, HICP, private consumption, investments, unemployment, i.e. the Principal European Economic Indicators (PEEIs)
 - ESS Action Plan on the accounting consequences of the financial turmoil in the area of government finance statistics
 - Important international initiatives

- For further details see:

http://epp.eurostat.ec.europa.eu/portal/page?_pageid=3273,75548807&_dad=portal&_schema=PORTAL#5