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Progress Report by the OECD

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2017 Progress Report by the OECD

A. OECD Statistics Directorate: Progress report on financial activities

1. Quarterly Sector Accounts

In the framework of recommendation 8 – Sector Accounts – of the G-20 Data Gaps Initiative Phase 2 (DGI-2), the OECD Statistics Directorate (STD) collects data on quarterly financial and non-financial Accounts by institutional sector (households, government, financial corporations, non-financial corporations and the rest of the world) for all OECD countries and key partner countries, which follow the System of National Accounts (SNA).

These data, up to the third quarter of 2016, are available on the OECD data warehouse “OECD.Stat” (http://stats.oecd.org/Index.aspx) as well as on the joint Principal Global Indicators website, hosted by the IMF (www.principalglobalindicators.org).

In October 2016, at the OECD Working Party on Financial Statistics, the OECD proposed to set-up data templates for voluntary transmission of nationally available data in the area of financial and non-financial accounts in order to complete the G20 DGI templates on sector accounts (Recommendation 8 of the G20 DGI-2), to collect from-whom-to-whom data, and to capture relevant developments in the financial world within the SNA (helpful to better monitor shadow banking from a macroeconomic perspective- Recommendation 5 of the G20 DGI-2). This initiative covers all OECD countries and is not limited to G20 countries. Many of the additional data requests reflect the outcome of the discussion on the templates of the DGI-2 initiative in the meeting of the IAG Working Group on Institutional Sector Accounts (Paris, 22 – 23 September 2016). This proposal has also been presented to Eurostat meetings of the Directors of Macro Economic Statistics in December 2016, and of the National Accounts Working Group in November 2016. In March 2017, it will be also discussed at the ECB meeting of the Working Group on Financial Accounts. A second draft of the various templates, taking into account the above consultations will be presented at the Thematic meeting on Sector accounts (Paris, April 10-12, 2017) where G20 countries will be consulted.

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While Gross domestic product (GDP) is an important indicator of economic activities, it falls short of providing a suitable measure of people's material well-being. There is however a wealth of information available within the SNA to help determine households' economic well-being in a more appropriate way.

The indicators selected for the OECD Household Dashboard represent a macro perspective on households using data collected from the quarterly (financial and non-financial) institutional sector accounts based on the SNA framework, supplemented with indicators such as the unemployment rate and consumer confidence.

The indicators derived from the quarterly institutional sector accounts data are real household disposable income, net cash transfers to households, real household consumption expenditure, households’ savings rate, households’ indebtedness, and financial net worth of households. In order to better understand the stories behind these indicators, the OECD household dashboard allows you to compare households across OECD countries. In parallel, we have also developed a series of country specific stories that provide a more detailed analysis of households.
The OECD household dashboard is updated quarterly approximately 4.5 months after the end of the reference quarter. [http://www.oecd.org/std/na/household-dashboard.htm](http://www.oecd.org/std/na/household-dashboard.htm)

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2. Shadow Banking

In relation to recommendation II-8 of the Data Gaps Initiative the OECD prepared a discussion paper in the first half of 2016 on how to best capture shadow banking and other relevant trends in the financial world within the system of national accounts. The paper described the most important financial entities and instruments related to these trends and presented proposals for further breakdowns of the financial sector as well of the financial instruments. In the second half of 2016 these proposals have been discussed with several international organisations and at the moment they are being put forward to various statistical constituencies for their comments. On the basis of this consultation and the outcomes of the Workshop on Institutional Sector Accounts to be held in Paris 10-12 April 2017 the proposal will be updated and finalised in the first half of 2017, after which it will be incorporated in the DGI templates for the institutional sector accounts.

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3. Pensions

On 9-11 March 2016 the OECD, in collaboration with Eurostat, the International Labour Organization and the IMF, co-sponsored a workshop on pensions. In this workshop, representatives of statistical offices and central banks from around 30 countries as well as various international organisations including the IPSAS Board and the International Social Security Association participated. The workshop covered several topics, ranging from the recording of pensions according to statistical standards, the exchange of best practices in the measurement and estimation of pension liabilities (including actuarial guidelines), to the exchange of experiences in disseminating these data. The main outcome of the workshop was that statisticians and accountants both face increasing user demands with regard to pension data and that this stresses the importance of enhanced cooperation between the domains, especially to arrive at consistent and comparable data across pension schemes and across countries, and to properly present and explain the relevant trends to users.

As there is still debate about which pension entitlements and liabilities to be recorded in the central framework of the system of National Accounts and which in the so-called supplementary tables, the OECD drafted an issue paper on this issue in the first half of 2016. The paper argues that in determining whether to include or exclude an entitlement in the core accounts, one should focus on the asset boundary instead of the distinction between social security and employment-related schemes, as the latter distinction is not always straightforward and can be regarded as a derived check. If an entitlement qualifies as an asset according to the asset boundary of the SNA, it should always be recorded in the core accounts, regardless of whether it’s social security or employment-related. The paper has been discussed at the Advisory Expert Group on National Accounts on 13-15 April 2016 and it was concluded that there are indeed valid arguments for using the asset boundary to determine when liabilities should be recognised and recorded in the central framework. However, as it was also acknowledged that it will probably take time before this guidance can be adopted, it was also recommended to continue developing guidance for distinguishing between social security and employment-related schemes, and to apply this distinction in the meantime to determine when to record entitlements in the central framework and when only in the supplementary tables.
The Advisory Expert Group also discussed the accrual recording of property income in case of a claim between a defined benefit pension fund and its sponsor. When the sponsor is still responsible for any shortfall or excess of funds in relation to the pension entitlements, it would make sense to also record a property income flow in relation to this claim (e.g. in case of a shortfall, the property income may be expected to fall short of the so-called unwinding of the discount rate on the entitlements (i.e. the imputed property income flow from the pension fund to the households) consequently further increasing the claim; as this increase will directly relate to the size of the claim, it would make sense to impute a property income flow between the sponsor and the pension fund related to this claim). In response to this issue the OECD drafted a discussion paper explaining two possibilities to calculate and record the relevant amounts. This paper will be sent to the AEG members for comments at the start of 2017.

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4. International Data Cooperation

The governance for the former Task Force on International Data Cooperation (TFIDC), set under the auspices of the Inter-Agency Group on Economic and Financial Statistics (IAG), has been formalised into a two-tier structure of a Steering Group and statistical/technical groups. The work on International Data Cooperation (IDC) consists in undertaking pilot exercises on a framework that would allow countries to submit data only once, and for these data to be shared among international organisations. Seven international agencies are participating in this Task Force (International Monetary Fund, Bank for International Settlements, European Central Bank, Eurostat, OECD, United Nations and the World Bank).

The IDC overall objective is to determine the procedures that could be applied for a successful data cooperation arrangement across international organisations that would streamline and improve the efficiency of collecting, sharing, and disseminating data. To meet this objective, three pilot exercises are considered: (i) GDP main aggregates and population, (ii) sector accounts, and (iii) balance of payments.

In December 2016, at the last IDC - Steering Group meeting, it was acknowledged that the exchange of data between international organisations was well underway for the first project. For the second project, it was agreed to use the current templates for the exchange of data. The work is considered to be on track. However, further milestones would depend on technical priorities such as the preferred data transmission strategies (Pull or Push). The new incoming and outgoing data flows may cause difficulties for some institutions as the extended data and country coverage would need to be adapted to changes in IT environments (data handling, SDMX coding, data dissemination, data validation). For the third project, the ECB and the IMF did some trials, but a new project with all international organisations involved will be set up in the near future. At this occasion, it will be looked at the use of the pull-mode, instead of the push-mode for the exchange of data.

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5. Other work undertaken by the OECD Statistics Directorate in the context of the G20 DGI

The joint Eurostat-OECD Task Force on Land and other Non-financial Assets is in the process of finalising its work on a compilation guide on inventory estimation scheduled to be published in Q2 2017. The aim of the compilation guide is to provide conceptual and practical guidance to statisticians concerning the estimation and valuation of the balance sheet item inventories in mutual coherence.
with the transaction changes in inventories, and by doing so, to increase international comparability for these items. The impetus for the work of the Task Force is, amongst others, in response to recommendation 8 of the G20 Data Gaps Initiative Phase 2 (DGI-2). This compilation guide should assist countries in compiling full balance sheets.

The mandate of the Task Force has been extended until September 2018 to study the major elements of Intellectual Property Products (IPP). The study will cover both the estimation methods for the total economy and for the institutional sectors of the economy. The task force will focus on the practical implementation by countries, drawing on existing metadata, and assessing if further guidance is needed. In addition, the task force will also assess the implementation of the globalisation dimensions of IPP, and notably how the economic location of IPP assets is determined.

Another major topic, the digital economy, is creating a number of measurement challenges for key macroeconomic statistics. While many of these challenges are not conceptually new, there is a growing perception that digitalisation may be exacerbating practical measurement problems.

At the meeting of the OECD Committee on Statistics and Statistical Policy (CSSP) in April 2016, the OECD presented a paper on Measuring GDP in a Digitalised Economy describing the range of measurement issues and challenges related to digitalisation, and highlighted the need for further consultation amongst countries to determine current and best practices. The CSSP expressed strong support and endorsed the work on GDP and the digitalised economy and agreed to the proposals for follow-up work.

As a first step, the OECD conducted a survey to take stock of current country practices in the measurement of activities related to the digital economy discussed in the paper. A summary of the survey results was presented at a dedicated session on the digital economy at the Working Party on National Accounts (WPNA) meeting on 28 October 2016. Delegates also shared their practical experiences and discussed the main opportunities and challenges to measurement posed by digitalisation.

The WPNA endorsed the creation of an Advisory Group under its authority to advance the measurement agenda. The Advisory Group’s key objective will be to advance on the measurement agenda but it will also act as a forum and focal point to share ideas and experiences, and to develop best practice. The results of the Advisory Group’s work will feed into the OECD’s horizontal project “Going Digital: making the transformation work for growth and well-being”. The OECD’s Going Digital project is a multidisciplinary, cross-cutting initiative to help policymakers better understand the digital transformation that is taking place.

In addition, the OECD and the IMF are actively involved in the G20 work related to measuring the digital economy. An interim progress report with tentative recommendations and findings is being prepared for the second Sherpa Meeting of the German Presidency in March 2017.

For further information, please contact Ms. Jennifer Ribarsky (Jennifer.RIBARSKY@oecd.org)

In addition to calculating and publishing the G20 aggregate for economic growth, the OECD Statistics Directorate is compiling and disseminating the G20 aggregate for CPI. The OECD releases the G20-CPI aggregate on a monthly basis, at around 35 days after the end of the reference period, following the release of national CPI and HICP data by all OECD and G20 countries. The G20 CPI aggregate reflects national CPIs for all G20 countries that are not part of the European Union (EU) and reflects the Harmonised Indices of Consumer Prices (HICP) for the EU, its Member States and for Turkey.

CPI data for Argentina: Following the declaration of a state of emergency in the national statistical system on 07 January 2016 by the government of Argentina, CPI data for Argentina have been excluded from the calculation of the G20 aggregate. Argentina's new CPI (April 2016=100) that is in
line with international standards will be included in May 2017, with the publication of a full year of
monthly data.

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In line with recommendation II.9 of the G20 Data Gaps Initiative, the OECD Expert Group on
Disparities in National Accounts (EG DNA) has been working on further improvement of the
methodology to breakdown national accounts aggregates for the household sector into various
household groupings, using distributional information available from micro data sources. One of the
issues that the expert group focused on last year was the development of guidance on how to deal with
gaps between micro and macro results. The expert group developed a framework that may help
compilers in allocating the gaps to the relevant households. Several countries filled out a
questionnaire in which they applied this framework, the results of which have been included in a
paper that was prepared for the 2016 IARIW conference. Furthermore, the results have been discussed
at the 6th meeting of the expert group that was held in Paris on the 6-7 of October. The expert group
will continue the analysis of micro-macro gaps in 2017.

Other issues that were discussed during the meeting of the EG DNA were how countries link data
across different data sources to arrive at consistent information on income, consumption and savings
for the various household groups, imputation techniques that are currently used by countries for items
for which no micro data is available, and national initiatives to further improve the quality and the
coverage of the distributional results. In respect of the latter, more countries expressed that - in
addition to Australia, the Netherlands and the United Kingdom – they expect to publish distributional
results in line with EG DNA methodology in 2017. The expert group also discussed the state of play
with regard to nowcasting techniques to arrive at more timely estimates. In 2015 possible techniques
were explored based on initial experimental results for two countries. It is expected that these
calculations can be expanded in the course of 2017, when additional information will become
available for other countries and for longer time series. These results will be incorporated in an
updated version of the working paper which is foreseen to be published near the end of 2017.

In 2016 the expert group also worked on the finalisation of the working paper on the second exercise
in which countries compiled experimental distributional results on the basis of the methodology
developed by the EG DNA. The working paper was published in early 2017 and can be obtained via
the following link: http://dx.doi.org/10.1787/2daa921e-en. Furthermore, near the end of 2016 the
Secretariat started working on a handbook that will combine all knowledge on how to compile
distributional results according to EG DNA methodology. A first draft of this handbook is expected to
become available at the end of 2017. In addition to this handbook, the expert group also plans to begin
setting-up a regular voluntary data collection, as well as explore possibilities to include wealth in the
exercise. A combined analysis of income, consumption and wealth may add to the quality as well as
to the use of distributional results. All this work will be done in close cooperation with the member
countries of the EG DNA, as well as with Eurostat and the ECB.

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In the context of the recommendation 17 – Residential Property Prices – of the G-20 Data Gaps
Initiative Phase 2 (DGI-2), the OECD Statistics Directorate aims to develop and give more visibility
to house price statistics for the 35 OECD countries and the OECD accession and key partner
countries.

The Statistics Directorate and the Economics Department of the OECD jointly published on
OECD.STAT a new database containing three datasets on Residential Property Price Indices (RPPIs)
complemented with rich metadata giving precise definitions for all indices:

- Residential Property Price Indices – Headline Indicators
  (http://stats.oecd.org/Index.aspx?DataSetCode=RPPI_TARGET): This dataset covers the
OECD member countries and some non-member countries. Please note that not all RPPIs are available for all countries. For example, the RPPI at the most aggregate level for the United States only covers single-family dwellings, not all types of dwellings as is the case for most other OECD countries. This dataset with headline indicators presents, for each country, the RPPI that is available at the most aggregate level. It mainly contains quarterly statistics.


- **Analytical house price indicators** ([http://stats.oecd.org/Index.aspx?DataSetCode=HOUSE_PRICES](http://stats.oecd.org/Index.aspx?DataSetCode=HOUSE_PRICES)): This dataset contains, in addition to nominal RPPIs, information on real house prices, rental prices and the ratios of nominal prices to rents and to household disposable income per capita. It should be noted that for Brazil, Canada, China, Germany, the United States and the Euro area, the datasets “Analytical house price indicators” and “Residential Property Price Indices (RPPIs) – Headline Indicators” do not refer to the same nominal price indices. These differences are further documented in country-specific metadata.

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**B. OECD Development Cooperation Directorate**

**ODA Modernisation on the reporting of loans**

In December 2014, the DAC High Level Meeting (HLM) agreed on grant equivalents to measure aid loans. The 2016 DAC HLM decided to also apply this measure to equities and guarantees. Members of the Development Assistance Committee began reporting on grant equivalents for sovereign and sub-sovereign public loans as well as multilateral loans in 2016 on 2015 data. Discussions are still underway with regards to reporting under the grant equivalent system of private sector instruments.

Under the grant equivalent measure, the donor effort in providing a loan consists both of the funding cost of the loan and the risk associated with it. Lending to poorer countries involves greater donor effort than lending to richer countries. The DAC has agreed to assess concessionality based on differentiated discount rates. These rates consist of a base factor, i.e. the IMF discount rate (currently 5%), plus an adjustment factor of 1% for UMICs, 2% for LMICs and 4% for LDCs and other LICs.

Under the grant equivalent measure, in order to ensure that loans to LDCs and other LICs are provided at highly concessional terms, only loans with a grant element of at least 45% will be reportable as ODA. Loans to LMICs need to have a grant element of at least 15%, and those to UMICs of at least 10%.

A higher discount rate for LDCs and other LICs, combined with a grant equivalent method whereby higher concessionality results in more ODA being reportable, should incentivise lending on highly concessional terms to LDCs and other LICs, and thereby provide more ODA resources to the poorest countries, a policy that members support.

Whilst the flow basis will remain the ODA measure until 2017 data, the Secretariat will publish figures on both a flow and grant equivalent basis for data in 2015, 2016 and 2017. From 2018 data onwards, the ODA headline figure will be on a grant equivalent basis, although ODA flows will continue to be collected and published in parallel.
Given that the ODA definition has changed from a measurement of net flows to a measurement of risk-adjusted grant equivalents, the reporting of debt relief of ODA loans will also need to be discussed in order to not double-count the cost of risk. The DAC Secretariat will be reviewing the rules for debt relief reporting in 2017. It is planned for new rules to be agreed by the end of 2017, in time for the reporting of 2018 data when the grant equivalent measure becomes the ODA standard.

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