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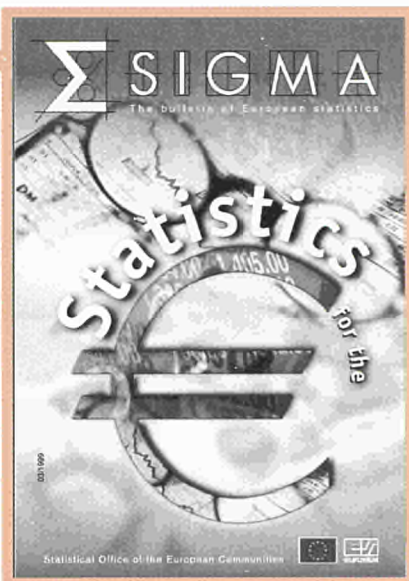
The bulletin of European statistics

Statistics

for the

03/1999





In *this issue* of Sigma...

A single currency for everybody... On 1 January 1999 we entered the third stage of EMU and the euro found its place for the first time in the financial markets. This is a change that affects all Europe's citizens and has a big impact on the economy. A lot of work has been done already but a lot still remains. It is a fascinating venture, but building a unified Europe with a single currency is a mighty challenge that requires a lot of people to work together. Many organisations, such as Eurostat, the European Central Bank and NSIs are working hard to provide the euro-statistics demanded by political and other decision-makers, the financial markets and the media.

In view of all this, we thought we should dedicate an issue of *Sigma* to statistics and the euro. We tried to answer key questions by interviewing some of those most closely involved in the process of making sure that such statistics were and remain up to scratch.

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To this end, we asked **Alberto De Michelis**, Eurostat Director responsible for economic statistics and economic and monetary convergence, to set the scene. He explains the challenges Eurostat and all other institutions concerned face in this area, and highlights the importance of accurate, efficient and comparable euro-data for the third stage of EMU.

And we could not dedicate an issue of *Sigma* to euro-statistics without going to the European Central Bank. In Frankfurt we recorded the views of **Eugenio Domingo Solans**, Executive Board Member, and **Peter Bull**, Head of the Statistics Directorate.

Then we talked to **Johnny Åkerholm**, Chairman of the Economic and Financial Committee (EFC) working group on statistics, and **Rafael Alvarez**, new Chairman of CMFB. These institutions have a

major role to play in the construction of the euro statistical system. **Alberto De Michelis**, Eurostat Director, and **Luca Ascoli** from the Eurostat unit, covering financial statistics, explain how the new statistical requirements imposed by the single currency are being addressed.

For a national perspective, we turned to **Jacques Pécha**, Head of the Balance of Payments Division in the Foreign Department of the Bank of France, and **John Kidgell**, a UK ONS Director and until recently CMFB Chairman.

On a practical level, we asked the **Commission's DGs I and II** for concrete examples of how they use and apply euro-statistics. And we couldn't avoid the media angle: **Le Monde** gives us a general view of public attitudes on how media promote the new currency.

Also in *this issue*...

...Two contributions from the Dutch CBS, the first on integration of labour and energy into national accounts, the second on its centenary... The Swiss Federal Statistical Office describes its office move... We introduce the new Director-General of Statistics Sweden,

Svante Öberg. And we wind-up the issue with sport: the First European Volleyball Tournament for Statisticians in Maastricht from 29-31 October.

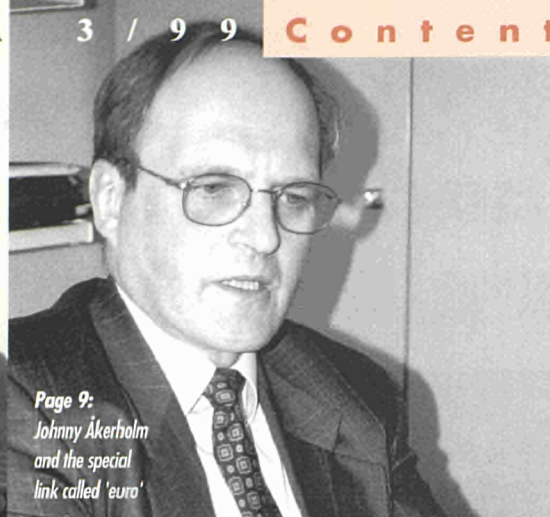
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...The last in our regular profiles of official statistics in EU Member States – Belgium.

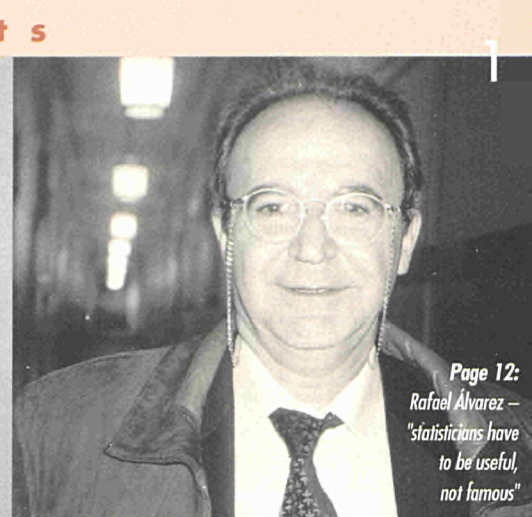
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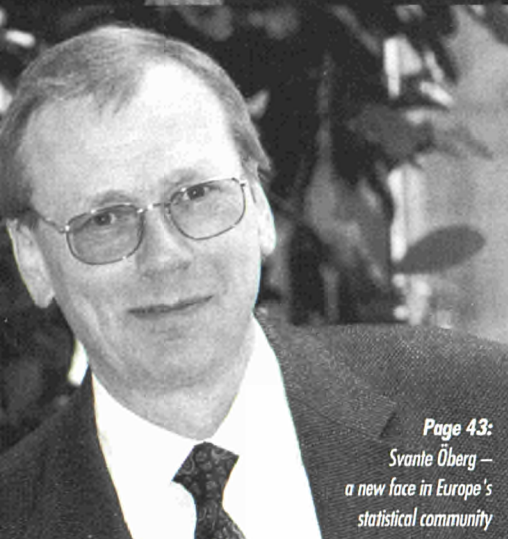
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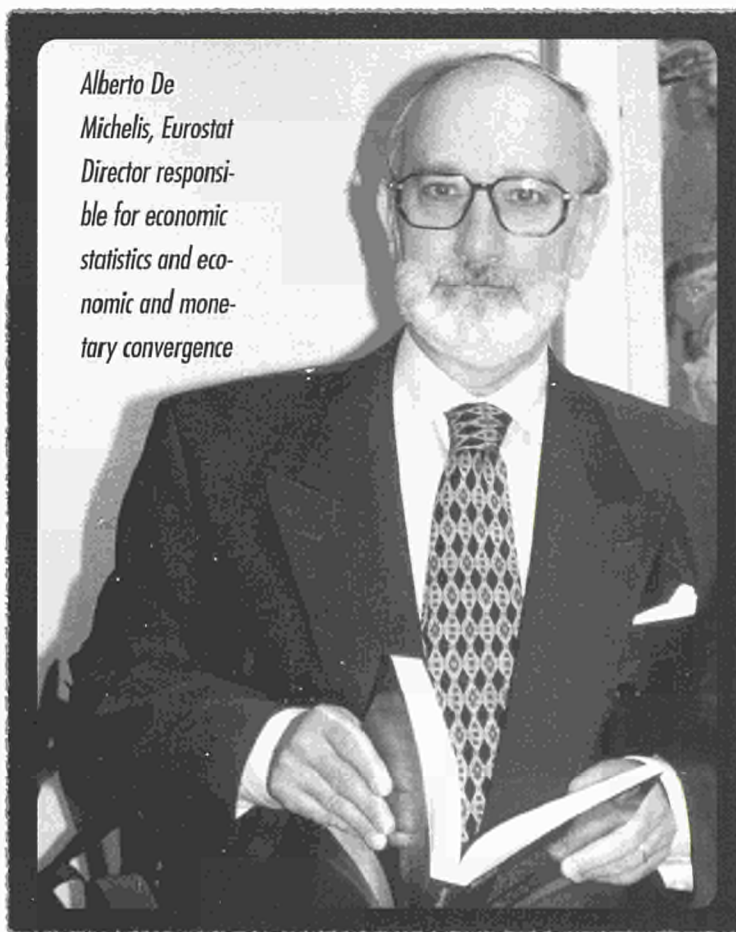
by Alberto De Michelis

The European Statistical System (ESS) has been under enormous pressure in recent years in coping with the demand for information in connection with decisions concerning the euro. The focus of this pressure has been on economic statistics in particular, since these were the statistics that those responsible for making decisions in Europe were using as the reference for the convergence criteria.

When the Maastricht Treaty was signed in 1992, Eurostat felt inclined to review the statistics that were affected by the Treaty. The data were analysed from three angles: *reliability* ie their compilation using first-rate methods; *comparability*, based on their compliance with the reference methodologies; and *availability*, in accordance with a strict and definite schedule.

We had to prepare in a very short time and in acceptable circumstances the changeover to the third phase of monetary union in accordance with the convergence criteria. The statistics that met these criteria needed to be credible in the eyes of politicians, the media and the general public.

In the summer 1995 edition of *Sigma*, Yves Thibault de Silguy, then European Commissioner responsible for economic and monetary affairs but also for Eurostat, wrote in the editorial: "I do not think it is an exaggeration to say that the design and formulation of effective mechanisms for producing both the principal and the secondary indicators required for EMU will be the acid test of the effective-



Alberto De Michelis, Eurostat Director responsible for economic statistics and economic and monetary convergence

ness of the European statistical system."

This challenge was taken up by Eurostat and by all our partners, official statisticians in the Member States and at the European Monetary Institute (EMI), which subsequently became the European Central Bank (ECB).

In January 1999 the Ecofin Council approved a document from the Economic and Financial Committee calling for the speedier introduction of a complete, rapid and reliable system of short-term indicators for the euro-zone. At the same time, Mr Strauss-Kahn, the French Minister for Economic Affairs, Finance and Industry, was telling the plenary assembly

of the CNIS, France's national council for statistical information, that there could be no sound policies on employment or other areas unless we could rely on an assessment of the circumstances that was as unbiased as possible, particularly in the form of a chart of economic indicators for the euro-zone.

Fact and reality

EMU has become a fact, and the euro-zone is also a reality as far as statistics are concerned. In order to allow the European institutions and the governments of the Member States to follow coordinated policies and the ECB to apply monetary policy with proper awareness of what is happening economically and

socially in Europe, the ESS has to face up to a number of challenges in the short and medium term.

On the one hand, there is a need to complete the range of short-term indicators for the euro-zone and for the EU by making them as up-to-date and as accessible as possible for analysts and those who have to make the decisions. With our Euro-SICS project (Statistical Indicators on a Common Site), we are on the verge of getting there: Eurostat will be able to provide a group of special users with about 500 monthly and quarterly indicators for EU15, EUR-11 and individual countries. These indicators will cover a period ranging between five and 20 years and will be updated on a daily basis as soon as they become available in each country or are calculated for the euro-zone. In addition, a thorough methodological documentation for these indicators will be part of the databank.

It would also be a good idea to keep up our efforts to improve the quality of these indicators, especially the national accounts, because our economies are developing as they merge at European level and become global at world level, and our statistical techniques are advancing as the sources of data change and become gradually less national.

Finally, we need to lay the groundwork in statistical terms for the introduction of a euro-zone information system, which will not be just the sum of national data but an original system, special to the euro-zone in terms of the methods used to collect the data and to compile the statistics. This is a very ambitious project, and if it is going to succeed, it will need the resources and commitment of everybody. ■



THE EURO AREA

A new dimension for statistics

The European Central Bank (ECB) is not only the watchdog of the euro – maintaining price stability through the conduct of monetary policy – it is also one of the key players in the field of euro-statistics, as both producer and user. *Sigma's* BARBARA JAKOB went to Frankfurt to talk to Executive Board member EUGENIO DOMINGO SOLANS and the head of the statistics directorate, PETER BULL.

“Nothing is more important for the conduct of monetary policy than good statistics”, says a statement in the Statistical requirements for monetary union document. It is very clear – not least from this interview – that EMU has changed the nature of statistical requirements.

“Existing statistics would not have sufficed in developing the monetary policy of the ECB”, **Eugenio Domingo** states. He explains: “Although those preparing the statistics for monetary union were, broadly speaking, seeking the type of information that EU central banks were already using in the conduct of policy, there were many differences in detail. This made it difficult to compile satisfactory aggregates.”

The Statute therefore gave the EMI a specific responsibility to promote the harmonization of statistics. And according to Article 5 of the Statute, this is a continuing task of the ECB.

Eugenio Domingo: “One of the first tasks of the EMI – started even before it came into existence – was to establish prospective needs for the conduct of policy in Stage Three of EMU, catalogue existing statistics and establish what needed to be done to close the gap between the two. But even if all the necessary statistics had been available from national sources – and they had been closely harmonized in terms of definition, coverage, frequency etc – much work would still have been required, because in certain key areas more information was needed for proper consolidation at monetary union level.

“This is a feature of money and banking statistics. While employment in a monetary union is the sum of employment in each participating Member State, money and credit aggregates are not simply the sum of conventional national aggregates, even if harmonized. You need to include cross-border holdings of monetary instruments and the taking of credit, and you need to be able to net out the inter-bank position across the monetary union. These changes had to be designed and implementation begun long before the composition of the euro-area was known.”

Early preparation

“Work did, indeed, start a long time not only before start

of monetary union but even before the establishment of the EMI at beginning of Stage Two, in January 1994”, **Peter Bull** confirms. “For nearly two years the heads of statistics departments of the central banks had met in a sub-committee of the committee of central bank governors in Basle and discussed these issues before the EMI was set up. It was during that time – I was then Bank of England member of the group – that we first considered what the statistical requirements for monetary union were likely to be, checked the availability of data from national sources, identified the main gaps and established priorities for filling them.”

The EMI released a detailed statement of statistical requirements in July 1996 (the so-called implementation package). The view was that it would take at least two years to carry out the changes. It was hardly possible to start the supply of statistics before mid-1998 because the composition of monetary union – critical for some aspects of implementation – would not be known until about then. Yet it was seen as necessary to have key data by the autumn, with back data on the new basis as far as possible, to aid detailed policy planning. (Eurostat began publishing euro-area aggregates covering a range of real economic

variables and such vital series as harmonized consumer prices soon after the key decisions on monetary union were taken in May 1998.)

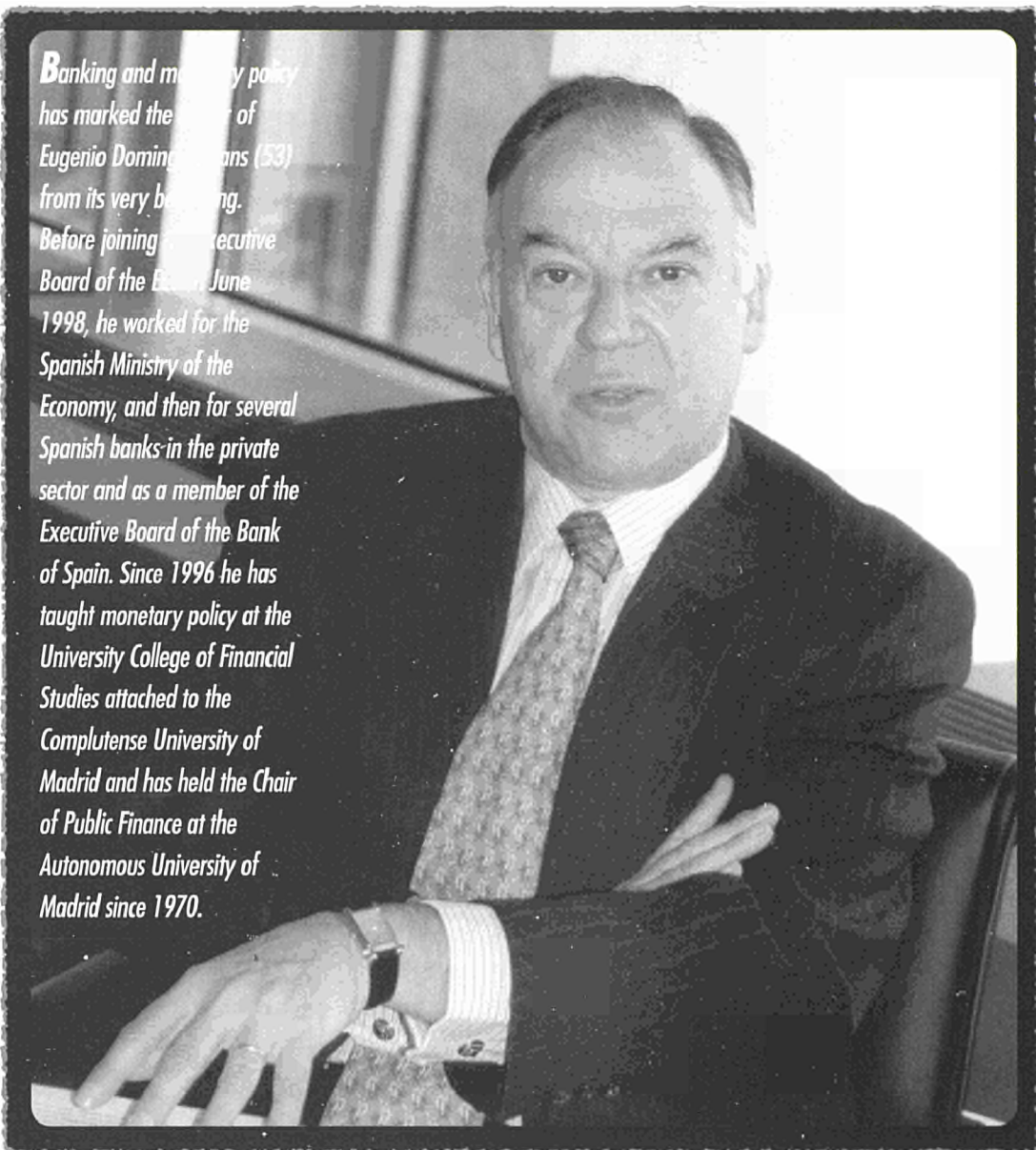
Somewhat lucky

“We didn’t know what the monetary policy strategy of the ECB would be”, **Peter Bull** continues. “In particular, we didn’t know whether it would have a target for monetary growth. And if so what definition of monetary growth would be targeted. And we didn’t know the details of the monetary instruments it would use; it was particularly relevant to us whether they would include a system of minimum reserves. We could not of course know what the reserve base would be or the details of how such a system would work.

“But if we had waited until we knew these things before we stated the requirements it would have been impossible to fulfil them. So we made a large number of informed guesses or assumptions about what would be required.

“Fortunately it turned out that the guesses were almost entirely correct. The only changes we had to make to the implementation package were some details in respect of calculation of minimum reserves. But otherwise it worked. It might not have

Banking and monetary policy has marked the career of Eugenio Domingo Solans (53) from its very beginning. Before joining the Executive Board of the ECB in June 1998, he worked for the Spanish Ministry of the Economy, and then for several Spanish banks in the private sector and as a member of the Executive Board of the Bank of Spain. Since 1996 he has taught monetary policy at the University College of Financial Studies attached to the Complutense University of Madrid and has held the Chair of Public Finance at the Autonomous University of Madrid since 1970.



done; we might have been faced with really big difficulties..."

"In some ways we have been lucky", **Domingo Solans** admits. "The EMI had to do a lot of work without knowing the exact details. And it did a good job in setting up the implementation package."

Something special

Peter Bull explains what really makes statistics for the euro-area a special case and therefore calls for a second step, the so-called 'consolidation'. "The treaty says that the tasks of the EMI and the ECB shall include

promoting the harmonization of statistics.

"The consolidation point is more complicated and subtle. For example, the national money stock included holdings of deposits by residents of a country with resident banks or banking institutions in that country. But a concept of money stock in the euro-area needs to include holdings by residents of *all* euro-area countries of deposits with *all* banking institutions located in the euro-area. If we simply added up domestic money stock it would be incomplete because it would not take account of cross-border holdings and

deposits within the euro-area. Neither, of course, would the credit aggregates take account of cross-border lending within the euro-area.

"So we had to change the structure of banking statistics in such a way to enable us to compile that measure of money stock at euro-area level. The banking institutions had throughout their balance sheets to identify claims on and liabilities to residents of other euro-area countries, as well as claims and liabilities *vis à vis* residents of their own country, and distinguish them from claims on and liabilities to the rest of the world. This enabled

us to provide a properly integrated consolidated set of monetary statistics.

"That was a real problem because we did not know which countries would form part of monetary union. NCBs and reporting institutions had to make all the preparations on the assumption that any or all of the EU Member States might proceed to monetary union."

All this had to be done without any legal framework. The EMI Council endorsed the proposals that were made but it could not really compel Member States to implement the preparations. The EMI Council had no power to issue regulations or legal instruments of any kind. So all the preparations proceeded on a voluntary basis.

Because of this lack of a legal basis and the time pressure, progress of harmonization depended very much on the goodwill of the key players – the EMI, the NCBs, Eurostat and the NSIs. **Peter Bull:** "No country changes its statistical system easily. Everybody thinks that his or her own statistical system is the best. There were, indeed, a lot of lively discussions in the early days of the EMI working group on statistics and the CMFB about exactly this sort of point – what was the best approach in an area, for example, such as balance of payments statistics? And there was a great deal of lively argument about various key aspects.

Helpful deadlines

"I think it would have been much more difficult to get anywhere had there not been deadlines. We all knew that we *must* produce the imple-

National monetary and bop aggregates

Peter Bull: "Strictly speaking the NCBs can no longer calculate data for M1, M2 and M3 at national level. Although they know what deposits their residents hold with domestic banks, they do not know what their residents hold with banks in other euro-area countries; nor do they know what other monetary instruments residents hold. So there is (for example) no German M3 that is completely consistent with euro-area M3.

"In fact, a matter of current discussion is what we call national contributions to euro-area aggregates. All Member States need to compile

national balance of payments for several purposes. They are also required for the IMF. But we can't look at these BoP and relate them directly to euro-area BoP.

"There was a lot of debate on how difficult or easy it would be to continue to compile national BoP. That is one aspect of the BoP vision exercise that the CMFB is currently carrying out. And it was one of the considerations which originally led the Monetary Committee group on statistics to be formed. The debate continues..."

mentation package by mid-'96 otherwise there would not be time to implement the changes. We had to assume the third stage of EMU starting on 1 January 1999. The deadline gave a tremendous spur to concentrated effort.

"People knew that we would just *have to* agree on fundamental things by spring 1996 at the latest, and that involved everybody in making compromises. I guess we were helped

SHARED RESPONSIBILITIES

In order to fulfil the tasks of the ESCB, the ECB also has a statistical obligation. Responsibility for euro-statistics is shared between the ECB and Eurostat. While money and banking statistics are fully within the competence of the ECB at European level, the ECB shares responsibility for balance of payments, the international investment position and financial accounts with Eurostat. Price and cost and other economic statistics are solely within the responsibility of Eurostat. Both institutions have to work closely with the national authorities responsible for collecting statistical information in Member States. Peter Bull on the relationships involved and how the 'division of labour' works in practice:

"The main lines of responsibility between us and Eurostat for statistics at European level are that money and banking statistics and associated statistics are the responsibility of the ECB (and previously the EMI).

"There are two large areas of joint responsibility between ECB and Eurostat: balance of payments and financial accounts, partly because there are policy aspects of both that are of interest to the Commission as well as to the ECB. In the balance of payments area there are important links with trade and industry policy – the type of consideration that is of particular interest to the Commission. At the same time the ECB wants BoP statistics viewed as part of the background to the conduct of monetary policy and as an influence on monetary and financial conditions. Within the BoP there is specialisation between the two organisations: the ECB is responsible for monthly BoP statistics right across the accounts and otherwise, broadly speaking, for the financial account. Within the quarterly BoP statistics Eurostat takes responsibility for the current account and the new-style capital account ie capital transfers etc.

"But there are two exceptions. Within the current account, the ECB takes responsibility for investment income statistics because of the rather close link with the financial account. And within the financial account, Eurostat retains a responsibility in the area of direct investment because it has a particularly close link with the structure of industry and the commercial policy aspect.

"There is also joint responsibility in financial accounts. Eurostat is the custodian of the ESA 95, part of which is devoted to financial accounts. The ECB is responsible for the production of quarterly financial accounts for the monetary union area.

INGREDIENT TO THE ECONOMIC BACKGROUND

"Another large area of European statistics within the responsibility of Eurostat in which we have an interest and press our requirements on Eurostat is national accounts, the components of income, output and expenditure, prices and costs, including the HICP, government accounts – the whole range of general economic statistics that provides ingredients to the background of monetary policy. This corresponds to the second pillar of our monetary policy strategy: to look at a range of economic variables, in particular from the perspective of assessment of the prospects of price stability."

The ECB and the EU national central banks together form the ESCB (the ECB and the NCBs of Member States in the euro area form the Eurosystem). The cooperation with NCBs is comparable to the relationship between Eurostat and NSIs. The central banks collect data from reporting agents. The compilation of the data at European level is done by the ECB. The conceptual work and development of statistics are a joint enterprise. "Central banks have a lot of very experienced people", Peter Bull continues. "We seek their advice on all matters concerning statistical concepts and the future development of statistics. We do this through our committee structure. The ECB has a number of committees. Each is responsible for an area of work relating to the ECB's functions. The statistics committee that I chair comprises the heads of statistics in the NCBs and we meet five to six times a year and discuss all matters concerning conceptual development of statistics and implementation of statistical requirements."

Eurostat and the ECB regularly attend each other's committees. The CMFB plays a key role in the process of cooperation: the ECB is a full member of the CMFB and in one form or another has participated in this committee from the start.

"Good coordination and cooperation with Eurostat and the NCBs is vital for us", Eugenio Domingo adds. "It is essential for the success of the ECB, and in some way that of the euro and the EU."

In a wider perspective there is cooperation with international organisations, particularly close in the case of the International Monetary Fund (IMF) and the BIS (Bank of International Settlements).

by the fact that the members of our working group on statistics had very clear instructions from the top of their institutions – the governors who formed the Council of the EMI – to make progress and to enable the EMI to come to conclusions. If we hadn't had that support from the top of the NCBs and the deadlines, we would probably still be talking about some aspects of the consolidated balance sheets of the monetary financial institutions."

Hard nuts had to be cracked, for example the deadline for transmission of data. **Peter Bull** explains: "We guessed at an early stage that monetary data would be required within a month of the end of the reporting period. But some NCBs were not in the habit of doing that. For quite good reasons: many Member States had in effect a pegged exchange rate with the *deutschmark* and therefore did not conduct their own monetary policy. They followed the Bundesbank and it wasn't so vital for them to have a formal independent view on domestic monetary growth. Indeed, domestic monetary growth might have been beyond their control because of the pegged exchange rate and the ease with which money flowed across borders. It wasn't a top priority to produce monetary statistics and publish them in a timely way. For this reason a 15 working-day deadline for transmission of data to the ECB was a serious difficulty in some Member States."

Some doubts

"In my early weeks at the ECB, I often doubted whether we would have key statistics of sufficient quality available in time



Peter Bull (56) worked mainly as an economist in the Bank of England from 1964. He joined the Financial Statistics Division in 1984 and headed it from 1987 until he entered the EMI as head of statistics in 1994. He was appointed Director of Statistics in the ECB in 1998.

to support monetary policy", **Eugenio Domingo** admits. "But by mid-autumn it was clear that we would have them. The final policy preparations were not held up by lack of data. It was possible to state what we meant by price stability, choose a reference value for monetary growth, and define the measure of money stock to which it would apply. By the start of Stage Three the range of data available was quite impressive.

"I do not want to sound complacent. I realise that there were and still are many improvements to come – more detailed quarterly monetary and balance of payments data, international investment

position statistics, financial accounts for the euro-area (a massive task), securities' issues and redemptions, seasonally-adjusted data... Just now we face difficulties in interpreting national accounts data as ESA 95 is introduced. Many data series in the area of conjunctural business statistics need to be more comparable and timely. Government finance statistics at annual frequency are not good enough to interpret what is happening in key aspects of the public sector.

"Lack of long runs of back data on the same basis as the new statistics is, of course, a disadvantage – though here I should recall that Eurostat has done its best with real economy indica-

tors. But there are some limitations and needs to be covered in the future. But lack of fully comparable back data is almost inevitable following such a structural break, and in such circumstances the past might, in some respects, be of limited value. The euro has meant a big change and so the importance of having back data exists but is limited for understanding the new situation since the start of Stage Three of EMU."

Focus on the essentials

"We focussed on the essentials", says **Peter Bull**, reflecting on the preparation period and its challenges. "We knew that some things were extremely important and some were somewhat less so. We also knew that we wouldn't have time to do everything. Our first priority was to make sure we had key monetary aggregates ready, as they are an important element in policy planning.

"Having these data ready by the start of monetary union would have been too late though. What the implementation package correctly foresaw was that there would be a big drive to finalise the policy preparations in the latter part of 1998, and that our colleagues would need to know what monetary growth had been at least for the previous year. So we asked for data on the closest possible approximation to the new basis back to September, to be available by September 1998.

"We also attached a lot of importance to BoP. We thought it would not be possible to have BoP based on extra-mon-

etary union transactions during 1998. So we postponed these to January 1999. For 1998 we arranged to aggregate net balances in each category from national statistics. In fact, that did not work very well. The reason was that there are very large asymmetries within the euro-area and this fact was reflected in the aggregates that were intended to show net transactions with the rest of the world but clearly were not doing so. Finally, we asked Member States as far as they possibly could to construct extra monetary union balance of payments data also for 1998. These we published for the first time in April. We are now publishing monthly BoP statistics.

"Some other things we had to leave aside – capital issues and redemptions, for example. We completed a pilot exercise that is now going into production and we expect to start publishing those numbers later this year.

"In financial accounts for the monetary union the consolidation problem arose again. We could not construct financial accounts until we obtained quarterly detail in the monetary statistics, in BoP and capital issues and redemptions figures, and also the first results on the financial accounts side from implementation of ESA 95. So we shall not be able to publish these until later this year.

A long agenda

"There are some other areas where we made short cuts. We knew that we would have to have data on retail interest rates – rates actually paid by banks on deposits by individuals and companies and also

A new era for Europe



The Frankfurt's skyline as viewed from the ECB

The first stage of economic and monetary union – of which the objective of the progressive realisation had been confirmed by the European Council in June 1988 – began on 1 July 1990, the date on which, in principle, all restrictions on the movement of capital between Member States were abolished.

For the realisation of Stages Two and Three, it was necessary to revise the Treaty establishing the European Economic Community to establish the required institutional structure. Negotiations resulted in the Treaty on European Union signed in Maastricht on 7 February 1992. This Treaty, incorporating the Protocols on the Statute of the European System of Central Banks and of the European Monetary Institute, came into force on 1 November 1993.

The establishment of the EMI on 1 January 1994 marked the start of the second stage of EMU. The EMI's transitory existence also mirrored the state of monetary integration within the Community. The EMI had no responsibility for the conduct of monetary policy in the EU – this remained the preserve of the national authorities – neither had it

any competence for carrying out foreign exchange intervention.

The main tasks of the EMI were:

- ▶ to strengthen central bank cooperation and monetary policy coordination, and
- ▶ to make the necessary preparations required for the establishment of the European System of Central Banks (ESCB), for the conduct of the single monetary policy and for the creation of a single currency in this stage.

In June 1997 the European Council adopted the Stability and Growth Pact aimed at complementing and specifying the Treaty provisions with a view to ensuring budgetary discipline in EMU.

After the European Council's decision on which Member States fulfilled the necessary conditions in May 1998, the EMI completed its task and the ECB was established on 1 June 1998.

On 1 January 1999 the third and final stage of EMU came into force with the irrevocable locking of the exchange rates of the currencies of the 11 Member States participating and with the conduct of a single monetary policy under the responsibility of the ECB.

rates charged by banks on personal loans, mortgages and lending to SMEs. We collected these data using available sources at national level. We know that these data are not fully satisfactory concerning comparability. At the moment the footnote in the monthly bulletin explaining the nature of these data is almost as long as the table! We shall have to move to a better harmonized basis before long.

"We know we have to work on data relating to non-monetary financial institutions. The data going into the money and banking statistics come from the so-called monetary financial institutions (MFIs), which is the name we gave to the banking sector in ESA 95. There is a very large number of these institutions, some 11,000. But there is also a large number of financial institutions that don't meet the definition of monetary financial institutions. These may include mortgage financing institutions, leasing companies etc specialising in medium- and long-term credit and perhaps financing themselves by issuing bonds or taking loans from banks, but without taking deposits or issuing instruments that are close substitutes for deposits. At the moment, I'm afraid, we know very little about them.

"The same is true for many collective investment institutions. Money market funds are part of the MFI sector, but we have limited information about equity funds, long-term bond funds etc, and clearly need to extend it.

"Seasonal adjustment is one more area we are working on intensively. To start with we

did not have seasonal adjustment of monetary aggregates. We do have them now, but we may find that the seasonal pattern is rather unstable for some time. This is a reason why the reference value is in terms of growth over a backward-looking 12-month period and why we take a three-month moving average.

"Although there is a large degree of estimation in the earlier numbers, we have in fact produced and, indeed, published monthly estimates for the three main monetary aggregates M1, M2 and M3 back to 1980, and therefore have a fairly long back series."

Of course, **Peter Bull** also has some hopes in the areas of statistics for which Eurostat is responsible. "There is, for example, a long way to go in labour market statistics", he says. However, he does see progress in labour cost statistics and in the area of production and foreign trade. "It's only around a year since Eurostat started publishing euro-indicators and the range has increased enormously since then", he recalls.

"In national accounts, ESA 95 is being implemented. We know that will bring big improvements in the quality of statistics. We just face an awkward period in which it will be harder to interpret statistics than it has been in the past.

"A very important area that needs further improvement is government finance statistics. This was a priority for the Economic and Financial Committee group on statistics (formerly the Monetary Committee group). With annu-

al data that are currently the only comparable good quality statistics, it's extremely difficult to assess the development of the fiscal stance. But there is a strong interest from the Economic and Financial Committee in looking at the fiscal position in the euro-area. And there is a strong interest from us, too, because with respect to the proper conduct of monetary policy we need to know exactly how the fiscal stance is developing.

"So the Monetary Committee /EFC report to Ecofin (accessible at <http://ue.eu.int/emu/en/index.htm>) laid great stress on quarterly government finance statistics", he continues. "We know that this is very difficult to achieve. But Eurostat has done a lot of work on it already and is preparing a Commission Regulation.

"That is for the moment a rather important gap – one that will be difficult to fill.

"But we did the essentials. And we *did* provide the basis for policy-making."

Telling the right story

*What makes **Peter Bull**, who is obviously aware of the gaps, so convinced that the available data form a solid basis for policy planning?*

"The main strength of the present statistical system is that it meets the essential requirements for monetary policy to be formulated", he states. In two areas of key importance – monetary statistics and the HICP as the measure of price stability – **Peter Bull** is convinced of the need to have good quality in a timely fashion at his disposal.

"In monetary statistics we have established an homogeneous MFI sector, from which we obtain good-quality statistics. We have revisions every month but they have not so far led us to question the essential quality robustness of the data. They do describe what is going on.

"The ECB decided to define price stability in terms of the HICP. Eurostat had put great effort into the HICP, initially because of its importance to the process of assessing convergence. But that meant it was by far the best indicator of prices in terms of its comparability across the EU and reliability. So the HICP was well suited to be the standard against which maintenance of price stability would be established. We were grateful to have this good-quality measure of prices available and Eurostat publishes it very promptly.

"There have been big improvements in the availability of other sources of data. Clearly that's true for BoP statistics. We are now publishing monthly BoP statistics compiled on an extra-monetary union basis. BoP statistics are an extremely important area and there is still room for improvement. But, again, we think they are telling substantially the right story for the euro-area as a whole.

"There are gaps and there are areas where improvements have been achieved. I'm confident these gaps will be filled."

"It's true, a lot of tasks remain", **Eugenio Domingo** confirms, "but the essentials have been covered by Eurostat and by us and we had the necessary variables to set up a strategy and formulate monetary policy in a proper way.

Finding the balance

"At the minimum, data must not mislead policy-makers so that they take the wrong decisions; and they must give a reading on the current or, at least, a recent period", **Eugenio Domingo** continues. "Quality and timeliness are both vital in this respect.

"There may be a trade-off between quality and timeliness; data available promptly are of no use if later they have to be revised to give a different interpretation. But, of course, we must strive to make data more timely. Here, Eurostat and their data suppliers have made successful efforts with the HICP.

"However, although we stress timeliness, we do not consider that monetary policy should respond to every twist and turn in the recorded data. Indeed, in considering the monetary aggregates, we focus on a three-month moving average growth rate, compared with 12 months earlier, mainly to smooth out some volatility in the series.

"Moreover, we have made clear that our aim is price stability maintained over the medium term, partly in recognition of the fact that the HICP might be subject to short-term volatility, which we cannot and, indeed, should not, try to control. We always try to set data in context and discern developments in them. By its nature, monetary policy is forward looking, but must rest on a secure assessment of the present and recent past. That is what really matters." ■

When it comes to the information requirements of EMU, JOHNNY ÅKERHOLM, Under-Secretary of State in the Finnish Ministry of Finance, knows what he's talking about. As Chairman of the Economic and Financial Committee (EFC) working group on statistics he formulated recommendations to Eurostat and the ECB on how to improve the statistical information system. *Sigma's* BARBARA JAKOB talked to him during one of his visits to Luxembourg.

Rowing THE statistical boat

"Statistics is the foundation of EFC's work [see panel on page 10]", explains **Åkerholm**. "It's quite clear that if such a committee is to follow economic developments its work must be based largely on economic statistics."

Creation of the EFC working group on the information requirements of EMU was in line with the initiative of the French Finance Minister who last summer drew attention to the lack of common and comparable statistics within the euro-area. The idea was to create a group with the task of identifying new information needs for economic policy within the zone.

EMU certainly affects the requirements imposed on the statistical information system. "All the countries taking part in Stage III of EMU now find themselves in the same rowing boat", as **Johnny Åkerholm** puts it. "Then, of course, you need the same rules, including the need to report things in the same way. You need to look at what the 'boat' is doing as a whole and examine the different 'rowers' in a coherent way.

"EMU is perhaps not changing the statistical requirements for economic analysis as such", he continues, "but

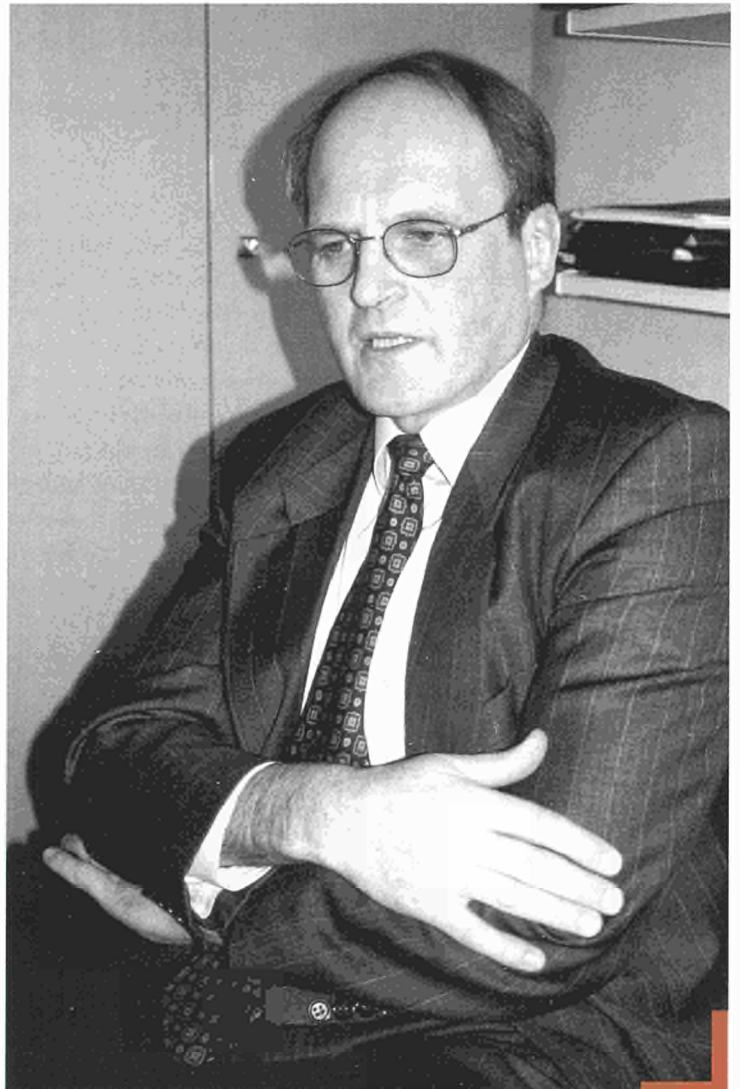
with the euro, the 11 Member States participating in Stage III are tied together in a completely new way. Although Eurostat, OECD and the UN have worked for years on a common statistical basis, until recently every country had its own statistical framework. But as soon as you have a common, single currency you need sound monetary policy for the area as a whole, based on reliable and comparable tools to follow economic developments."

Key concerns

To this end, the EFC working group on statistics formulated detailed recommendations for approval by the Ecofin Council at the beginning of the year, and now being implemented. Major concerns of the group were:

- ▶ *Quick progress needed on quarterly national accounts:*

"The most important gap now being corrected", **Åkerholm** explains, "was that not all countries last year were able to report quarterly on national accounts. And another lack of information – important because of the Stability and Growth Pact that gives development of the public sector a



Before joining the Ministry of Finance in 1996, **Johnny Åkerholm** worked for the Finnish Central Bank. Here his 20-year experience covered heading the Bank's policy department, the foreign exchange policy and finally the economics department.

Three years with OECD as a staff member in country studies and time spent on research in the Central Bank were very much governed by statistics – and he has used them a great deal since. "My expertise is on the demand side", he says, making him an ideal candidate for membership of the EFC working group on statistics.

Economic and Financial Committee

The EFC's role was defined in the Maastricht Treaty. According to Article 114 (ex-article 109c) it was to be set up at the start of the Stage III of EMU, replacing the Monetary Committee. According to the Treaty its tasks are:

- to deliver opinions at the request of the Council or of the Commission, or on its own initiative for submission to those institutions
 - to keep under review the economic and financial situation of the Member States and of the Community and to report regularly thereon to the Council and to the Commission...
 - ... to contribute to the preparation of the work of the Council... and to carry out other advisory and preparatory tasks assigned to it by the Council
 - to examine, at least once a year, the situation regarding the movement of capital and the freedom of payments, as they result from the application of this Treaty and of measures adopted by the Council; the examination shall cover all measures relating to capital movements and payments; the Committee shall report to the Commission and to the Council on the outcome of this examination.
- In practice, the committee's major role is preparation for decisions by Ministers in the Ecofin Council.

significant role – is that very few countries, if any, have good statistics of what is happening to the public sector during any one year. It's very difficult to follow what is going on in the short term." Hence, the group's recommendation:

- ▶ *High priority should be given to statistics on public finances. The objective is the production of quarterly national and financial accounts data for general government.*

"Another thing that is quite surprising", **Åkerholm** continues, "is that statistics covering the labour market and cost development are very different from country to country. In definitions, coverage, the frequency of publication and in many other respects, they vary a lot – and that becomes a severe deficiency when you have an area with a common currency and monetary policy."

- ▶ *To permit a better view of labour developments, Member States should accelerate the implementation of a continuous Labour Force Survey (LFS) providing quarterly results on employment and unemployment at the latest by the year 2000. Furthermore, the compilation of a European-level labour cost index for both EUR-11 and EU15, using existing data, should be speeded up as a temporary solution for early 1999. But further efforts should be directed towards the development of more comprehensive and comparable indicators and accounts for*

labour at both national and European level by the year 2000. A specific work programme should be defined in 1999 for implementation starting in 2001.

"In addition to the deficiencies on the public sector and the labour market, the most important needs are for short-term statistical indicators. There is a Regulation on this but several countries have derogations; this means that in practice it might be years before we have good short-term statistical indicators." An important recommendation in the report therefore is:

- ▶ *The Council Regulation of May 1998 concerning short-term business statistics should be fully implemented by the year 2001 for manufacturing, construction and retail trade.*

Åkerholm goes on: "Another factor is that the role of internal trade is changing because of the common currency. From an economic policy point-of-view it is no longer more interesting to know, say, the level of trade between Germany and France than that between the German Länder.

"And we know from the experience of introducing Intrastat that statistical information has suffered. Therefore we should avoid making the same mistake again. We should rationalise and try to cover only new needs." Hence the recommendation:

- ▶ *Concerning the balance of payments and trade, the*

provision of data on cross-border flows within the euro-area should be considered in the light of the new circumstances of monetary union.

Two 'musts'

Finally, **Johnny Åkerholm** draws attention to two preconditions of key importance to the process: for proper monitoring of economic conditions, data timeliness is an absolute prerequisite, as are adequate resources for implementation of the EFC's recommendations.

- ▶ *Publication and dissemination of data should be timely at predetermined release dates at all levels (national and European), and the main suppliers should guarantee electronic access and distribution to all users.*

- ▶ *To respond to these priorities, adequate resources should be available to those involved in the collection, production and dissemination of data."*

"Particular progress has been made in the last six months", **Åkerholm** claims. "One Sunday morning a few months ago I was searching for some information on the Internet. Either I couldn't find it, or the data I did find on Eurostat's web-site were not 'fresh' enough. Today the situation is a lot better."

To accomplish its task the EFC was producing this summer a report to Ministers describing the follow-up to its recommendations.

State-of-play

In mid-June 1999 the Economic and Financial Committee working group on statistics made an assessment* of the current state-of-play on euro-statistics. Here is how Eurostat and the NSIs answered the points made:

Quarterly national accounts

In accordance with Council Regulation (EC) No 2223/96, Member States were currently changing over to the ESA 95 national accounts system, which included specific requirements on production of quarterly national accounts. Member States had provided their first data complying with the new ESA 95 requirements in the spring, with most doing so, as required, in April.

Member States with a derogation under the Regulation (Greece, Ireland, Luxembourg and Austria) had agreed not to make full use of it.

As a consequence, first quarterly national accounts covering the main aggregates for the euro-area and EU15 were available with a 70-day delay after the period concerned. A second estimate was published after 90-100 days. By mid-2000, 'flash' estimates for the euro-zone and some Member States should be available within 45 days.

Statistics on public finances

Progress was on track to ensure that the first indicators on some key items were available from the start of 2000.

However, most Member States would not be able to provide all the relevant statistics before mid-2003.

Labour market developments and labour cost indices

A continuous Labour Force Survey is actually implemented in 10 Member States; preliminary studies are being undertaken in France and Italy (pilot surveys) and in Luxembourg; there is no real progress so far in Germany and Austria. As a result, reliable employment and unemployment data for the euro area on a quarterly basis can not be compiled; so far, they are only available on an annual basis.

Member States have undertaken to produce quarterly labour cost indices and Eurostat published first estimates for European totals in Q4 1998 in April 1999 and data on Q1 1999 were published in July 1999. It is expected that, over time, data will become available with less delay.

More comprehensive and comparable indicators and labour accounts

Eurostat has agreed so far with 10 Member State NSIs a work programme for the improvement of national account estimates on labour (number of employed persons, hours worked, compensation of employees) by making full use of the results of the continuous Labour Force Survey, as well as of relevant

business statistics and administrative sources.

In addition, a Leadership Group (LEG) was constituted with several voluntary NSIs preparing the methodology for the compilation of annual Social Accounting Matrices (SAM).

Furthermore, discussions with key users took place on the need to develop a European Labour Price Index.

Short-term statistics

On the basis of current progress, it was likely that most Member States were on track to meet the recommendation in terms of manufacturing, construction and retail trade. However, for data on new orders received by industry some countries would probably not be able to deliver such data. Plans to send proxies instead should be intensified.

Many statistical offices were still not providing data as promptly as required by the Regulation, though progress had been achieved recently.

Some progress in further developing qualitative business surveys in the service sector had been made. A harmonized scheme for covering the major branches had been agreed with Member States.

Balance-of-payments and trade

With a view to simplifying Intrastat, Eurostat had submitted several proposals to the Council. So far, three concrete results had been achieved, while one proposal on the simplified use of the nomenclature was still under discussion between the Council and the European Parliament.

The quality of the BoP data was still clearly insufficient with obvious inconsistencies within and between national and euro-area balance-of-payments statistics and between them and national accounts. These inconsistencies severely limited the usefulness of the data.

International harmonization of business accountancy guidelines, in accordance with worldwide standards for compiling national accounts would be welcome with a view to improving the quality of economic and financial statistics.

Publication

Progress had been made in reducing the delays of transmission, timeliness and quality of major short-term indicators as well as in setting up a calendar of release dates. A first step had been made with the publication by Eurostat of euro-indicators on the Internet. But further developments were needed.

Another positive development in enhancing the accessibility of statistics was the publication by the ECB of comprehensive statistics on the euro-area in the appendix to its monthly bulletin.

Adequate resources

In those areas, particularly regarding qualitative surveys, the labour force survey and new orders for industry, where progress could be considered insufficient, the lack of adequate resources devoted to the priorities identified in the recommendations had been advanced by Member States as a major explanation. ■

* See reports on: <http://ue.eu.int/emu/en/index.htm>

Four years ago Yves-Thibault de Silguy, the then European Commissioner in charge of economic and monetary union, wrote in *Sigma*: "I do not think it is an exaggeration to say that the design and formulation of effective mechanisms for producing both the principal and the secondary indicators required for EMU will be the acid test of the effectiveness of the European Statistical System." A catalyst of this 'acid test' has been the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), which has played a crucial role in the development of euro-statistics (see panel on next page). Its new Chairman, RAFAEL ÁLVAREZ, Head of Statistics at the Bank of Spain, gives his view to *Sigma's* JOHN WRIGHT of where CMFB has been, where it's at and its future...

Statisticians IN THE shadows



Rafael Álvarez says "statisticians have to be useful – not famous".

He makes the remark when I ask if the EU public should be grateful to statisticians for their contribution to the launch of the euro.

He adds: "The most important thing for the statistician is not public gratitude – it is to be of public service. We should be happy if the statistics we produce are useful: that's the most a statistician can expect – being in the shadows but in a positive way."

Álvarez may work in the shadows but he likes to relax with his head in the clouds. The CMFB Chairman has more in common with his predecessor, **John Kidgell** [see article on page 25], than statistics. They share a passion for walking the hills – **Kidgell** on the moors of northern England, **Álvarez** in the Spanish sierras.

Says **Álvarez**: "One problem of being so busy nowadays is that we are cutting down severely on 'normal' life." It's a sentiment I'm sure

Kidgell endorses. So, whenever possible, it's off with the suits and on with the hiking boots!

There's more of a contrast when it comes to their working environments. **Kidgell**, the national accountant, inhabits a modern office block in Pimlico by the River Thames in Central London. **Álvarez**, the Central Bank statistician, is based in a stately building in Madrid that is so grand and palatial in the Spanish manner that it almost defies description.

Wearing their professional 'hats', both present and former Chairmen of CMFB are also passionate about the role of CMFB in building and maintaining a bridge between statisticians who work for the National Statistical Institutes (NSIs) and those from the National Central Banks (NCBs) – a bridge that has been of immense benefit in creating a successful statistical climate for monetary union.

Such close coordination wasn't always the case...

Álvarez remembers his surprise in the early days of CMFB when the first Chairman, **Hans Van Wijk** – “very combative, every inch the Central Banker” – suggested to him, on the occasion of an election to the executive board, that he should propose someone from an NSI – instead of the obvious choice of a Central Banker. “That seemed unusual then, but was a helpful step towards this new climate of cooperation.”

Now the committee comprises about 25 Central Bankers and 20 national statisticians, **Kidgell** being the first of the latter to occupy the chair. Eurostat and the Statistics Directorate of ECB are also represented. Each Member State is entitled to two votes: one expressed by the NSI, the other by the NCB

Álvarez feels strongly about coordination and progress through cooperation, more so, he admits, because he represents a country with a recent history of isolation from mainstream Europe.

He says: “Of course, differences created by different nationalities, cultures and languages count. But they count less every time we meet. Consider that 10 or 15 years ago having a meeting with colleagues from other countries – especially for a Spaniard – was very exceptional. Now within CMFB we have developed a league of friendship of common understanding, of common approach, that stands above questions of nationality.

“The only thing that people need to do to avoid a prob-

lem is to talk to each other... to banish prejudice... to forget the stereotype.”

‘A real success’

I ask him about his priorities as new Chairman of CMFB?

“To continue the work of my predecessor, **John Kidgell**. The legal structure for euro-statistics is more or less complete, so the priority now is just to maintain the present situation while opening new aspects. Implementation of ESA 95 will be a priority and a challenge.

“Also to promote and continue to study the question of the balance of payments – the problem of asymmetries is very important, with consequences for measuring GDP. Then to keep track of the problems that can arise with the excessive deficit procedure in the Stability Pact, and to smooth the way for Eurostat to provide all the data that the ECB and other

institutional users have requested for the follow-up to monetary union.”

What would he like to see accomplished at the end of his two-year Chairmanship?

“Quarterly macroeconomic statistics!

“Apart from that, what for me is challenging is the question of seeing for the first time the integration of balance of payments and national accounts, including financial accounts, in a single system – the transaction approach and the balances approach.

“This is a novelty that presents a challenge not only for the producer but also for the user who has to be familiar with the conceptual aspects of the statistics. I never thought we would see the day when we were forced to link both approaches – transaction accounts and balance sheet accounts.”

How does he summarise CMFB’s role?

“As a forum for the ECB and the Commission to establish collaboration between statisticians. CMFB has no comitology powers. It is a bridge between statisticians from two systems – the ESS represented by Eurostat and NSIs, on one hand, and the ECB and Central Banks on the other. It has been a real success, in my opinion, in establishing a field of shared competence.”

What, I ask, are the strengths and weaknesses of present data supply in the field of euro-statistics and the challenges that lie ahead?

“The strengths flow from the legal basis – establishment of coordination between the ESS and the ESCB-wide statistical system. One strength is consolidation of EDP statistics and lack of criticism of them when the decision on monetary union membership was adopted in 1997. We

Crucial role of CMFB

At the beginning of the decade the EC Council was asked, on Eurostat’s initiative, to create the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB). Aim was to enhance the cooperation between NSI and Central Bank statisticians with a view to implementing statistical instruments for the conception, follow-up and evaluation of EMU.

At first the approach – as far as the definition of statistical objectives was concerned – was rather coolly received by some independently-minded parties. But step-by-step CMFB managed to find its place within the official statistical world to become the central mechanism for cooperation involving Eurostat, the ECB (and up to 1998 its predecessor the European Monetary Institute), NSIs and Central Banks.

Key objectives of CMFB over the last two years have been to:

- ▶ ensure the ECB had the statistics necessary to operate monetary union from the outset
- ▶ provide advice to both Eurostat and the ECB (EMI up to 1998) on issues that rely on macro-economic statistics
- ▶ contribute to the development of policy in areas where these statistics are used, *and*
- ▶ provide a forum for cooperation and debate on the many difficult technical issues.

The committee provides key checks and balances in the ESS, particularly in the government debt and deficit procedure. By being transparent about its procedures and the advice it gives to Eurostat and the ECB it helps to build user and public confidence in the statistics used to support the management of the euro.



don't talk much about that now because it has been a success and I hope it will remain so in the future. That said, there is room for improvement in this field.

"The new monetary statistics produced by the ECB and NCBs... the culmination of five years' work to have them ready in time – this is very positive: the ECB having the tool that it requested at the very beginning. Also positive is the quality achieved by Eurostat. Some questions remain open to discussion but both the data and their timeliness have improved recently.

"What", he admits "is not so positive is the question of the heterogeneous quality of trade and output statistics and some gaps in services statistics. I am not an expert in this field but my colleagues, the economists, stress the necessity of having more detailed information. Another deficiency is the lack of seasonally-adjusted results – the priority has been in other areas but this is now receiving attention from Eurostat and the ECB.

"Also there are positive and negative aspects to Eurostat's provision of aggregated statistics for the euro-area. Distribution by the Internet is very positive, but a problem remains in improvements that have to be made in line with the request by the Economic and Financial Committee (EFC) – and that depends on implementation of the Regulation on short-term economic indicators.

"Analysts need short-term indicators – euro-area-wide

indicators – and most of the current indicators do not allow proper analysis. It is clear that there is a shortcoming in this area – in, for example, services, unemployment and employment – in referring to the right period in a timely way.

"The purpose of the Regulation is to try to meet most of these requirements. But – and this is very normal – the community of the user requests more and more and more. It is important not to postpone the production of these new sets of indicators. If you attended to all the derogations that some countries have requested it would be impossible to have all the necessary information before 2001 or 2002.

"We especially need more service indicators. The service sector is a crucial area of activity that explains such a lot about investment, consumption...everything..."

'A hectic period'

Now the euro is launched will life be easier for CMFB?

Álvarez: "We have been living in a very hectic period. The community of statisticians outside the NCBs has not been fully aware of the difficulties we have faced. The activity begun last January has had to be stabilised and it will take time to obtain an informed view of how things have developed. NSI statisticians have also been subjected to completely new demands in the context of EMU. So I hope that life will be easier very soon, but not now – perhaps it will be after definition of the future of BoP and imple-

mentation of the first step of ESA 95."

I understand that Central Bankers have their own statistical committee under ECB auspices. What does this do?

"Yes, this committee comprises practically the same Central Bankers as represented on CMFB, so their tasks are complementary to CMFB's work. There is an exclusive field for the ECB and NCBs: monetary statistics – a balance sheet of the monetary creating sector – and also information on how the foreign exchange is working.

"These are the statistics that have been developed in this committee. Maybe 'pure' statisticians – those from the NSIs familiar with the process of sampling, surveys etc – are surprised when they hear this because it seems more like the work of an accountant. But these are statistics we really need."

A big question this: to what extent do you think the success of the euro depends on statistics?

"Heavily. For the first time, mainly because of the Maastricht Treaty, policymakers – the high-ranking officials that represent countries in the EFC – seem to have been aware of the necessity of statistics. Statisticians were aware of this necessity in the context of monetary union and were working on it, but this high-profile interest created a special impetus.

"Some requirements linked to EMU have put statistics on



the map but have also created problems for the statisticians because their work can be checked, subjected to tests of quality and the pressure of public opinion and policymakers. But that decisions can be made affecting monetary union and pass a legal test on the basis of good statistics... well, that's completely new."

How do you think statisticians have reacted to this challenge – to being brought down from their ivory tower; have they welcomed it?

Álvarez: "I cannot speak for others but personally I believe that at the beginning there was surprise and shock. I don't know why... maybe it's a condition of the profession... but at the very beginning we were a bit isolated, and we were being asked to do things in a different way.

"In a way, CMFB was an answer to the requirement to provide this information and for the first time to establish a coordination that had not existed before. This coordination – within the Member States and also Europe-wide – helped us all to do our best to understand each other's techniques. Politicians especially used to think that a statistical requirement had a simple answer. But statisticians know it is very difficult to establish a method without going into the detail and without, most importantly, producing harmonized figures. It is important to start with a convention in the most harmonized way. The single answer to the question is rarely possible in statistics.

"All this has led to a very hectic period for producing statistics."

But surely such a challenge is very positive for a statistician?

"I like it.

"Maybe right now we do have some lack of purpose because we are just in the middle of the storm; but maybe, without being completely aware of it, we are creating new standards for the future. Maybe this question of statistics for European monetary union can be used as a reference for other possible monetary areas – as a very good experience for sharing with our colleagues in other places in Europe and Africa and South America."

A long-term future

Álvarez continues: "Timeliness remains a problem – sometimes national indicators are produced but do not arrive with the user at the right time. The ECB has requested statistics as soon as possible and there has been a special initiative to provide the information on the same day as it is produced. As far as I know, the ECB opinion is that there is room for improvement and Eurostat has created its initiative to disseminate the information it receives through the Internet, in a very quick way. So that can solve the problem.

"The Internet can solve all the problems", he laughs, adding perhaps not too seriously, "It can also create most of the problems!"

He goes on: "Apart from the problem of timeliness, I am confident that the request of the EFC to produce more accurate, homogeneous and timely indicators with more coverage will have an extraordinary impact on the community of producers. Don't

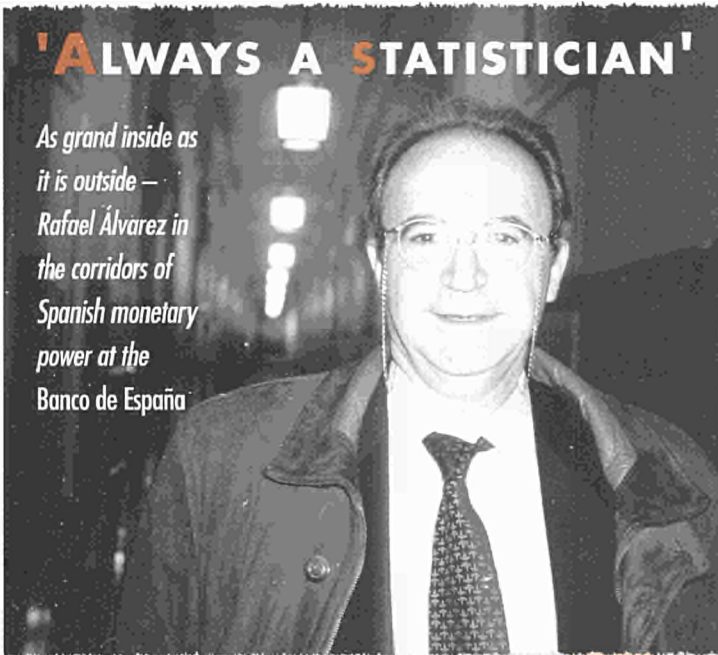
forget that also the EFC referred to the fact that producers had to receive the necessary budget for producing this information; so I am confident that once everyone is completely aware of the necessity of euro-statistics they can be



The Bank of Spain – 'a stately building... so grand and palatial... that it almost defies description'. The Bank's history goes back two centuries. The Banco Nacional de San Carlos, the first modern Spanish bank and direct forerunner of the current Banco de España, was founded in 1782 by Royal Warrant. Its capital was private but it was established under Royal patronage, which accounts for its name. The Banco de España finally became known as such in 1856. In 1874 it was granted a monopoly over issuing banknotes. The provincial banks then had to choose between remaining commercial banks, without the power to print banknotes, or joining the Banco de España with the status of branches. This was the origin of the branch network that the Banco de España eventually had throughout Spain. In 1887 it had 55 branches, a number rising later to 70. With the restoration of democracy in the second half of the 1970s, the Banco de España completed its transformation into a Central Bank with full responsibility for the regulation and supervision of the financial system. The Bank now, of course, has joined the European System of Central Banks along with the Central Banks of the other nations participating in EMU.

'ALWAYS A STATISTICIAN'

As grand inside as it is outside – Rafael Álvarez in the corridors of Spanish monetary power at the Banco de España



Álvarez might be a Central Banker now but he began his professional life with the Spanish NSI in Madrid. He explains: "I was fortunate because I started work in national accounts, which, in my opinion, prepare your head for looking at a problem in a very integrated way.

"Finally, after 12 years in the NSI, I had the opportunity of moving to the Bank of Spain to contribute to the production of the financial account. This was an extraordinary collaborative experience that produced a new tool for economic analysis derived from the organisation of all the statistical information available. I think that at the time the usefulness of that work was not perceived as such. Now financial accountants are seen as statistical specialists in their own right.

"I believe the link between the statisticians and 'the other side', as well as between statisticians in different fields, is really important – and I can assure you that my own life is an example of this!

"I have the feeling that what I am doing here is not so different from what I was doing in the NSI. Maybe it is different in the way we collect information. We are not dependent on surveys because there is a legal obligation on providers of most of the information we receive to supply it – not for statistics but for policy and supervisory reasons. And so, in this particular way, we are more fortunate than our NSI colleagues.

So do you regard yourself as statistician or economist?

"That's obvious – first, a statistician, but also a Central Banker. I have been here about 21 years but am still very much a statistician... always a statistician – it is very difficult to change your 'hat'.

"Statisticians might not be seen as being at the centre of many things, but I know that the success of many institutions depends heavily on a very good statistical basis. Sometimes it is difficult to get this over to the new generation of statisticians. Sometimes statistics is hard work but, when I put everything in perspective, I am very happy in this profession."

developed fully to everyone's satisfaction."

Clearly, CMFB has been a success but does he think it has a long-term future?

"I think so.

"I think that maintaining coordination between the two areas of statistics – those produced by the NSIs and those from the NCBS – will continue to be a necessity. Of course, I cannot anticipate the future but implementation of the new system of national accounts will take a lot of time.

"Do not forget that every 25 years more or less there is a new system of national accounts, so we are in year zero under the new system and full implementation will be made step-by-step. Also, in the field of balance of payments there are many complications...

"It will take a long time to integrate the different cultures of the producers. Countries have very different systems. The final aim of harmonization can only be achieved by continuous contact and the interchange of ideas among the mosaic of nationalities, languages, methods of work and frameworks.

"So I am fully convinced that, while we at CMFB are not at the beginning, we are almost at the beginning!"

Does he envisage any big changes during his Chairmanship?

"One change I can imagine is that stemming from new technology. I remember how I prepared tables as a junior statistician – in handwriting.

It is difficult to explain that to a young statistician today.

"Today the situation is completely different. Using a statistical source or information produced for another purpose... having the instrument, the tool, the computer and the facility for storing and transmitting in a very quick and secure way – such things are showing us the future. And within the conceptual field there will also be many changes because of the growing complexity of financial transactions."

The long haul...

Álvarez, relaxed and urbane in the grandeur of his Central Bank surroundings, does not appear under strain but as the interview draws to a close he drops a hint of the burden that the whole euro-statistics' exercise has imposed...

"One of my problems is that is very difficult for me to put aside my work. I take it home with me more than I would like.

"I think this is tied up with the nature of the work of the statistician. It seems to me that other kinds of people are better prepared to get work out of their minds once they have left the office. Maybe it's my fault, but working with numbers is so complicated that they take more and more of your life..."

But the new Chairman of the CMFB is a man used to the long haul. "Today I am not in the best of form, but when younger I used to walk 20-25 kilometres a day on the hills." ■

In a letter to an imaginary friend, ALBERTO DE MICHELIS, Eurostat Director responsible for economic statistics and economic and monetary convergence, describes the challenges that the euro has posed for Eurostat – and the challenges that lie ahead.

Dear friend,

I am sure that, as a Eurostat 'veteran', you have not forgotten the good times you spent here. To you they must seem like the 'good old days' when everything was better... But I would like to tell you about all the major decisions we have been involved in with the introduction of the euro. At Eurostat, too, we have a role to play! Many decisions needed to be taken to develop the single currency, for example on the harmonization of price indices, the certification of data used in the excessive deficit procedure and the core role to be given to the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB). And now that the single currency has arrived and I have whetted your appetite, let me tell you about all the adventures we have had!

It all began when we took three decisions – the first on *harmonising price indexes*, a difficult undertaking because, until 1993, no-one was interested in it. The NSIs were adamant: "Hands off our price indices!". But we managed to persuade them, and they have become very cooperative – thanks to Maastricht, among other things, which required that inflation be calculated "on a comparable basis". Our unit specialising in prices played an important role here, and I would like to congratulate them on their professionalism. The existence of such a high-quality harmonized price index is all the more important,

despite what some might think, now that inflation has fallen almost to zero. The president of the Federal Reserve, Mr Greenspan, emphasised in his speech of 7 November 1997 in Frankfurt that "as we move closer to price stability, the necessity of measuring prices accurately has become an especial challenge. Biases of a few tenths in annual inflation rates do not matter when inflation is high. They do matter when, as now, a debate has emerged over whether our economies are moving towards price deflation". This point is all the more important now that the European Central Bank has taken the harmonized index as a reference by which to measure price stability in the context of monetary policy.

The second decision on the *certification of data used in the excessive deficit procedure* was more difficult to implement. Once again, certain misgivings had to be overcome. But wait a minute – perhaps you don't know what the excessive deficit procedure is? Well, I'm sure you remember the figures being bandied about a year or two ago by the media, claiming that "such-and-such a country's deficit is over 3%, so it won't be admitted to the single currency, while another country has a national debt of more than 60%, higher than the rate envisaged by the Maastricht Treaty!" Eurostat realised that

the data produced by the finance ministries of the Member States were not really comparable and did not really conform to the European System of Integrated Economic Accounts. Because of this, Eurostat launched an operation in 1994-95 to harmonize these statistics, make them more reliable and certify them. In other words, we had to fight hard to make sure that these reference figures were calculated in a standard and consistent way by every Member State. This was no easy task, and sometimes it was very hard work indeed. Next time, I'll tell you the story of France Télécom and the gold of the rivers Rhine and Tiber. Anyway, eventually we managed to impose our rules, so, when in March 1998 the Council decided to go ahead with the euro, the data we provided to the Commission and the European Monetary Institute to prepare their report were accepted. For my friend Peter Bull, Head of Statistics at the ECB, the fact that these data were accepted without argument was nothing short of miraculous! Perhaps it was a miracle, but a well-deserved one, I can assure you, thanks to the splendid team that worked tirelessly to improve the quality of the data and make them acceptable to the decision-makers and public opinion.

But none of this would have been possible without the third decision: putting the CMFB at the centre of the process. This committee – uniting statisticians of central banks and NSIs – was founded in 1991, well after you left, and, since then, it has been seeking a role and legitimacy, which it has now found. This is for two reasons: first of all, the committee

is very technically and scientifically competent, which gives us a reliable basis for our deliberations and decisions. Secondly, the formal involvement in this decision-making process of two national statistical institutions rendered our actions and decisions more credible in the eyes of the politicians, the financial markets and national and international observers.

But we – and the many other players – have succeeded: the euro has arrived, bringing in its wake several new projects, from the Stability and Growth Pact and management of EMU to the excessive deficit procedure for the countries that haven't (yet) joined up, the so-called 'pre-ins'. We shall certainly not be twiddling our thumbs!

So, if I may, I should like to tell you about the major projects currently being undertaken by us and our partners.

For example, the NSIs are changing the system of economic accounts. We are moving from ESA 79 – which you knew – to ESA 95. This represents a real sea change, particularly as, for several years now, work on the quality and comparability of national accounts has been kept up (GNP, fourth resource!). We are now getting the first results, and I hope that the users will not blame us too much for having radically changed the system. I mention the users because, when you were here, statistics were just used for analysis, and data were only of interest to certain well-known specialists and economists. Nowadays, important decisions involving major political, economic and financial interests are taken on the basis of our statistics. With ESA 95 and work on the underground

economy – we call it ‘exhaustiveness of the GNP’, which sounds more distinguished! – we wanted to ensure an even higher quality standard for the national accounts. I think that we are about to achieve this goal. New projects for improving the quality of accounts have recently been started: FISIM (Financial intermediation services indirectly measured) – you remember? – cash/accrual, balance of payments asymmetries... All these decisions, which we have just taken, will have an impact on the economic accounts – not measurable yet, but not negligible either. I wish my successor all the luck in the world when, in three or four years’ time, he has to explain these changes to the users. But, as you know, this is the price to be paid for high-quality statistics.

What do I mean by high-quality statistics? Reliability and comparability, but also rapid access to information. On this point, management of the euro calls for such criteria to be scrupulously respected. Our friends at the ECB – with whom we have very good working relations – can be demanding. And rightly so. We believe we’re doing fairly well, even if some countries are starting to tire of our ever-more demanding requests, which are sometimes difficult to meet because of increasingly tight budgets. From now on, statistics for the economic analysis of the euro-zone will be the priority. The series exist in some countries but not in others, and we cannot make calculations for the whole of the euro-zone while we lack important statistical information. So we badger the NSIs, and often manage to win them round. But they need more funding!

Talking of economic statistics, I forgot to tell you that, for a few

months now, 100 or so economic indicators – what we call euro-indicators – for the euro-zone and the EU have been accessible on the Eurostat Internet server. We even publish regularly a detailed release calendar showing the dates on which the data are published. I should also like to take the opportunity to remind you of the address of our website, in case you would like to consult our data: <http://europa.eu.int/en/comm/eurostat/server/part3/euroind/eur11.htm>

We also have several other important projects on the go – I’ll just tell you about two of them, and then I promise to sign off!

The project to *monitor public finance trends over the short term* is difficult, both conceptually (consistency between state budget and national accounts) and at the level of sources. Ministries often have a schizophrenic attitude – as users, they need the indicators but, on the other hand, it is always very difficult to persuade them to provide the national statisticians with the basic data to calculate them (confidentiality of tax information, social contributions etc). I hope that we shall see some useful results in 2000.

The other project relates to *calculating GDP volume*. Believe it or not, we made some enquiries and discovered that the national methods used for calculating GDP by volume were not homogenous enough, which meant that the results were not comparable. Obviously this can have an impact on both economic analysis and decisions relating to the Stability Pact. Just imagine the scenario where GDP growth of country A is said to be 2.5%, but where, if you

adopt the method used by country B, this growth would only work out at 2.2%, or, if you use country C’s method, 2.7%. Just imagine the panic! You can see why we are currently working towards harmonization. But it’s no simple matter, because each country only accepts harmonization on condition that its own method is used. You see, some things need changing. Perhaps I am exaggerating a little, but not that much. However, I am still optimistic that, with a little time, we’ll succeed.

But enough about projects and technical details. I would just like to tell you a little story before I close, something that few people know. It concerns the euro. If someone were to ask how many countries have adopted the euro, you would reply „11“, like everyone else. And you would be right. However, around the world, especially in Africa, many countries’ currencies are linked via a fixed exchange rate to the French franc, and therefore indirectly to the euro. In West Africa, eight countries have created a monetary union (UEMOA) and have started talking about convergence criteria. Eurostat has been asked to help them build a reliable and comparable statistical system to manage and measure their convergence. The European model is spreading!

A closing thought: Jean Monnet, the founding father of Europe, once said “European integration requires time: time to persuade, time to change people’s minds and to adjust to major changes”. I love this quotation, because it is so relevant to our work as statisticians for Eurostat. On that note, I shall leave you, until we meet again...

Alberto

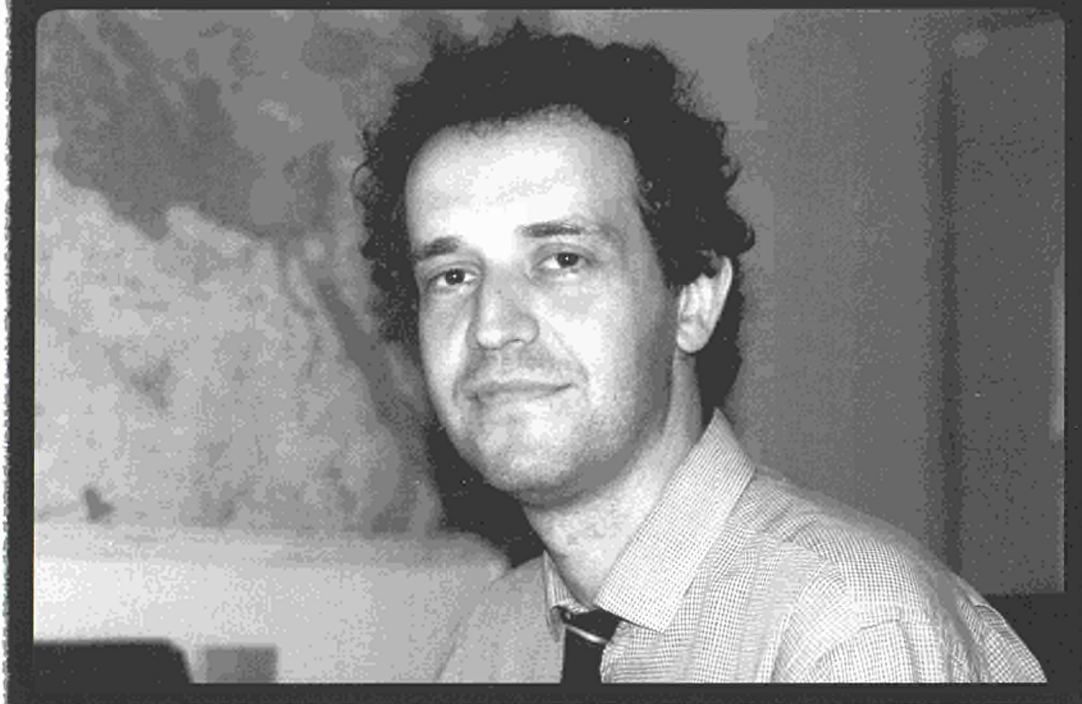
In this article LUCA ASCOLI of Eurostat unit B4, financial statistics, describes a new group established to tackle the statistical problems created by introduction of the euro.

Following the EU decision to create a common currency, it soon became clear that time also needed to be spent – in order to avoid unpleasant last-minute surprises – on the main implications for the change at economic, legislative and, last but not least, statistical levels. For this reason, an inter-service group on the change was created by the Commission services, and a report on the impact on Community policies, institutions and legislation, including a contribution by Eurostat, prepared by the Commission services for the information of the European Parliament.

Individual Commission Directorates-General also decided to begin serious reflection on consequences of the change that might affect their responsibilities. For example, DG II prepared a report on *The introduction of the euro and the rounding of currency amounts*, while Eurostat prepared one on *Use of the ECU and the euro in statistics*.

Some NSIs played their part. Italy’s Istat produced *Some reflections on the consequences of the introduction of the euro on official statistics*. This tried to analyse the euro’s effects on production, quality and dissemination of statistics, as well the possibility of analysing resulting time-series. The Dutch NSI and France’s INSEE were also quite active.

Enter the euro-coordinators!



Much preparation was also undertaken by the Euro LEG (leadership group), a voluntary group of five Member States – Finland, France, Germany, the Netherlands and Spain. This met three times and discussed what each NSI and Eurostat were supposed to do in preparation for the euro. A newsletter was published in January 1998. A report was also prepared for approval by the SPC (Statistical Programme Committee). Once the report was approved, the Euro LEG was wound up. The report dealt only with a limited number of issues. New questions and doubts by some Member States arose after its submission.

For this reason, the need to exchange views and continue to monitor the situation was felt acutely by Member States at the end of 1998. So Eurostat decided, after taking sound-

ings, to organise a meeting and create an informal group that could be consulted and take the initiative in advising on how to solve many of the statistical problems linked to the euro's introduction.

These 'euro-coordinators' first met in Luxembourg on 10 March 1999. Luckily it became apparent that they didn't have to start planning from scratch as some preparation had already been accomplished by the Euro LEG.

Web-site launched

Although this was intended as an informal meeting with participants attending at their own expense, the response was much better than originally thought. Eleven Member States, one EFTA country and two candidate countries took part. This bears witness to the fact that most Member States were quite

worried about strategy during the transitional period – up to 31 December 2001 – and wanted to compare their ideas with other countries.

Even more remarkably, all four Member States that decided against or could not join the euro-zone, at least in the first phase, participated. The meeting generally was judged very useful, precisely for the reason, among others, that many Member States felt they had not been aware of how their neighbours were addressing the main statistical problems created by the euro's introduction; and that the risk of 'reinventing the wheel' was quite high.

For example, Istat produced a report on the effect of the euro on business and household surveys. In this, problems of redefinition of size limits and threshold values were addressed, as well as calcula-

tion of time-series at macro level, data quality and strategy in the transitional period. The document was judged extremely interesting by other Member States – a very useful starting point for serious reflection at national level.

A key outcome of the meeting, was the decision to launch a web-site for the euro-coordinators' group on CIRCA (Communication and Information Resource Centre Administrator). This is a WWW-based environment offering common virtual space for work groups. The task was given to Eurostat. The choice of CIRCA was due mainly to the peculiar nature of the euro expert group, comprising people facing similar problems of coordinating euro activities with a statistical component, with very limited time and funding for meetings.

This web-site, with access restricted to members (although any justified request for membership from outside will be accepted) includes much potentially useful information for euro-coordinators...

- ▶ Member State contributions on national issues (articles, reports, surveys etc)
- ▶ an inventory of problems, and
- ▶ official Commission documents.

Any interesting article on statistical aspects of the euro's introduction or suggestion on how a Member State should deal with a particular problem – information potentially important for other Member States – is transmitted to Eurostat and included as soon as possible on CIRCA.

Eurostat's key role is coordinating activities, centralising and disseminating information and

acting as a focal point. It is also establishing on CIRCA an inventory of existing problems linked to the euro's introduction. This will allow problems to be given priority and possible solutions to be highlighted. Account will be taken of what some Member States have already accomplished. If need be, extra resources will be devoted to definition and solution of problems.

Key problems

But what are the main problems identified? Many countries seemed worried or uncertain about what to do in the transitional phase. Precisely for this reason, Eurostat sent countries a questionnaire on the euro publication plan for transition. Information obtained was as follows:

- ▶ As far as statistical series in national publications are concerned, most countries will publish data both in euro and national currency. More precisely, data in the transitional period will be published first in national currency and only switched to euro gradually alongside data in national currency. The impression is that for many countries the bulk of publications will remain in national currency until late 2001. However, a small but increasing amount of data will also be published in euro. The first data published in euro will be those dealing with financial accounts, national accounts and external trade. Most countries were not able to provide a precise date for the switch, although some stated it would take place gradually during the transitional period.
- ▶ One serious problem is conversion of historical data. Most countries will publish

statistical series in euro during the transition and later will convert their national series into euro for national publications backwards in time through the fixed conversion rate. In doing this, a misunderstanding might arise between series in euro and the original Eurostat series for the same indicators. To avoid this, Eurostat has suggested and widely publicised a labelling convention. (This note was published in *Sigma* 2/99.)

During the meeting and since, as far as practical problems are concerned, Member States have focused mainly on the following:

- ▶ *Size classes:* At present, these are expressed in national currency. As they have been designed for significance, straight conversion into euro would ignore the qualities of such classes – if expressed in euro, the presenting of round figures would become 'awkward'. So clearly all countries will have to design new classes in euro. This provides an excellent opportunity for cooperation in harmonizing classes all over Europe. Eurostat aims to draw the attention of its working groups to this point and agree on uniform size classes in statistics for all Member States. The same could be said of threshold values.
- ▶ *Rounding of amounts in tables:* This problem is particularly relevant during the transition when tables in national currency and euro could be presented next to each other. The rules for rounding might help the public to understand the difference between these tables. So there is need for clear

advice about rounding rules in tables before and after currency exchange.

- ▶ *Historical series:* Many countries have expressed concern about the need for common rules on deciding how to handle historical series for international comparison. On this point, Eurostat's recommendation should be followed by all countries.
- ▶ *Other problems:* These cover conversion of databases, publication policy in the transitional period 1999-2002, conversion of computer systems, timeliness of the output that could be delayed by introduction of the euro, and questionnaires during transition (with the possibility of completing them in either currency).

Further steps

Some countries have also expressed concern – in relation to introducing data in euro – about cooperation between different state authorities with a statutory duty is to provide statistics. To solve this, some countries – for instance, Statistics Finland – have launched an Internet euro-site consisting of various euro change-over guides, recommendations, interesting links etc.

Some problems highlighted by the four non-euro Member States were different. These involved, among others, recalculation of transactions in euro to national currency, consistency between flows and balances after recalculation, and recalculation for enterprises with their accounts in euro.

Another important activity of the euro-coordinators' group will be collection of all legal acts relevant for assessing the impact

of the euro on statistics. To this end, as a first step, all Eurostat Directorates were asked to provide details of size-bands and thresholds expressed in statistical legislation in ECU or euro.

It was also decided to investigate the possibility of developing, at EU level, standardised size-bands and thresholds for data expressed in euro. This would be an important step in a system in which each Member State is free to choose the best way of devising a survey while obtaining comparable results.

It was felt that, in any case, each Member State adopting the euro would have to review the size-classes and thresholds used. So there is a unique opportunity to improve statistical harmonization by agreeing on common size-bands and thresholds, which will allow better comparison of statistics and reduce potential disclosure problems.

For this reason, the chairs of all existing working groups on statistics coordinated by Eurostat will be contacted. After all, if all such groups now have to take a 'total quality component' into account, why not a 'euro component' also?

Another key task will be collection of specialised articles and working papers on the subject. All documents will be stored on the euro-coordinators' web-site. This will allow compilation of an index of all the most important documents dealing with the impact of the euro on statistics.

In addition, all information EU-wide that could be of interest to people and institutions concerned by the introduction of the euro – for instance, seminars on the subject and a schedule of key international events – will be published on the web-site. ■

JOHN WRIGHT went to Paris to talk to JACQUES PÉCHA in his capacity as Head of the Balance of Payments Division in the Foreign Department of the Bank of France – in charge of statistics and research. Until recently he was CMFB's Vice-Chairman.

All roads lead to CMFB!

One remarkable feature about talking to those involved in the statistical build-up to EMU is their unanimity about the success of CMFB – a view too widespread and obviously genuine to be just another case of mutual back-slapping.

Jacques Pécha is yet another example...

He says: "It's very important to pay homage to Yves Franchet [Director-General of Eurostat] for the idea of creating CMFB. I well remember Franchet's first visit to the Bank of France in 1992 when the Bank didn't fully agree with his proposal.

"But this was just at the beginning. Now we consider it successful because of the perfect solidarity between NSIs and NCBs at European level. In each country in the past these two bodies had many difficulties with each other. But CMFB has allowed us to organise statistics for EMU without political interference, in order to share competence between Eurostat and ECB concerning national financial accounts, balance of payments (BoP), international investment position... And to achieve all this without major difficulties through discussion and agreements in many, many meetings...

"It's been a very efficient process, thanks to the very



open policy of Mr Franchet. This cooperation was not evident at the beginning, neither was the proposal that the CMFB President be a national statistician [John Kidgell – see article on page 25] – Central Bankers were a bit reluctant.

"Cooperation was a victory obtained by the CMFB."

This is yet another ringing endorsement for CMFB from a man whose CV might pre-

dispose you to suspect a degree of insularity. After all, he's worked at the Bank of France for 35 years – man and boy, so to speak. And he's a person who regards his current sojourn in an 'outpost' of the Bank of France in a modern office block in the rue de Rivoli, behind the Louvre, as 'exile' from the historical grandeur of the main building just round the corner; in other words, he's the epitome of the Central Banker.

Pécha is probably too tactful to say whether he was one of those initial disbelievers in the CMFB concept; he's certainly committed to the idea now – a member for six years, on the executive body since '95, until recently Vice-Chairman. He's also on ECB's statistical committee.

'We do criticise'

But down to business... I ask how the Bank of France uses euro-statistics.

"We use Eurostat and ECB aggregated data to monitor France's situation with that of the EU and EMU in general and the USA and Japan. Our Governor is very interested in our comments on these statistics."

He says: "We're especially interested in HICP sectoral breakdowns for all EU countries; short-term economic indicators; employment and unemployment data; and key national accounts indicators, and other statistics available on a weekly periodicity in a simple user-friendly guide to euro-statistics, *Principaux indicateurs économiques et financiers*, a model of clarity produced for the Bank's top management.

"Within the ECB statistical committee we do criticise – for example, the data quality of euro-area statistics. The Bank has presented a paper saying

we have problems with Eurostat indicators, not due to Eurostat but to NSIs. For instance, we disagree with their sending figures to Eurostat and not to ECB at the same time. There's an unacceptable delay of one to three days – probably for technical reason.

"We also have problems with aggregation – of GDP, prices, rates of exchange... It's very difficult to find the best solution for this, but we consider that Eurostat has made much progress in the past year."

How about relationships – with INSEE (the French NSI), Eurostat, the ECB...has the euro's introduction changed any of these?

"I don't think EMU has changed our relationship with INSEE, already excellent.

"In France we divide very strictly statistics produced by the Bank of France and those from INSEE: BoP, national financial accounts, monetary statistics on one side, prices on the other."

And your relationship with Eurostat?

"Of course, also perfect! No problem – because we consider Eurostat totally responsible for many questions, including BoP; in the past, for instance, money stock, today national accounts..."

"But, of course, EMU has extended the cooperation – notably with the creation of the CMFB..."

"The statisticians working at Eurostat are very professional. The combination of nationalities is perfect. We have no problems with Eurostat..."



The grandeur of the Bank of France. The Bank was established in 1800 and nationalised between 1936 and 1945. In 1993 a landmark reform established its independence – and in 1998, of course, it entered the European System of Central Banks

"However, as users, we would appreciate a breakdown of the HICP and more short-term general economic indicators, such as industrial production, consumer confidence, unemployment, national accounts..."

And relations with the ECB?

"Again, perfect, of course!" he laughs. "But, in general, France does have a strong position on the principle of subsidiarity. It is clear that we are not in favour of full centralisation. It's important for us to keep control of many things at national level. This is the French position!

'We must converge'

"But we have no problems concerning statistics. For statistics it's clear: collection of figures is at national level, methodology is normally international or European. We must converge...there is a consensus, of course. It's clear that first publication of figures is in ECB's hands...but they are made available to us three or four hours beforehand.

"This is not the case for Eurostat, of course – it publishes and the NCBs and NSIs receive the figures simultaneously.

"But" – and for me this is an interesting insight – "our pre-release receipt of ECB data is, for the moment, due to one reason: the translation. This obliges NCBs to receive ECB data prior to publication."

So, while **Pécha** stresses that there is no tension in the field of statistics, "because the statistics committee is open to Eurostat, the IMF, OECD, BIS, this is not the case with other committees, which are restricted to NCBs. Cooperation is total in statistics."

I ask if life is easier, statistically speaking, since the advent of the euro?

"Both easier and more difficult! More difficult because of..."

- ▶ lack of statistical series over a long period
- ▶ different methodological content of some indicators... prices, for instance

▶ existence of asymmetries – in BoP, for example, and, most notably, in international trade

▶ definition of monetary financial instruments (MFIs), an example being mutual funds

▶ the need sometimes to adjust to the lower quality of statistics compiled in other countries, and

▶ shorter deadlines – for instance, those required by ECB for monetary and BoP statistics.

"On the other hand, life may be easier because..."

▶ we have better knowledge of the methodological content of other countries' indicators; previously we used them as they were

▶ the will for convergence is now guaranteed, embodied by creation of CMFB, and

▶ politicians are once more showing interest in statistics.

French initiative

I ask if it's the case that a French initiative was very much involved in the development of euro-statistics.

Pécha: "It was very important to the French Government that Eurostat took charge of all statistics on the euro-area. The French authorities wanted to prevent ECB from having the monopoly of euro-indicators simply because it's a first user.

"So it's crucial to maintain an equilibrium between ECB and governments and for governments to discuss statistics, because it's governments that finance the NSIs. It's very important that politicians and others realise the significance of statistics and don't cut NSI resources, as sometimes is the case.

"And so the French proposed the creation of an *ad hoc* statistical task force of the Economic and Financial Council. This was a good decision for Eurostat, for governments, for NSIs...

"For example, the French Government had been deeply worried by the magnitude of trade asymmetries within the EU. CMFB paid considerable attention to these problems and created an *ad hoc* task force to deal with this central question."

Urgent need

I press Pécha to say more about the concern that's been expressed about the quality of short-term statistics provided by Eurostat...

"It's clear that if Eurostat can't provide enough information about economic indicators this is very dangerous. In such conditions ECB will conduct monetary policy only in accordance with money stock. So if you don't want monetary policy to be monetarist it's very important to make sure ECB receives the appropriate information. Conducting monetary policy only on the basis of monetary data is not good. It's essential indeed to have good information about unemployment and so on.

"The main difficulty in compiling back data is due to the choice of the correct method of aggregation: the weight of different national data in euro-indicators such as GDP, the problem of the exchange rate, the choice between value or volume indicators...

"Some statisticians and economists stress this point about aggregation but have different approaches; others – the majority – too often ignore the problem.

"In our experience the problems encountered with short-term statistics are not related to quality or timeliness deficiencies at Eurostat level, but rather to the complexity of the transmission process from Eurostat to end-users of data. Of course, the compilation of aggregate statistics is necessarily slow because their calculation requires the availability of a sufficient proportion of national data."

So just how would he assess the current state-of-play on

euro-statistics and their contribution to the formulation of monetary policy for the euro-zone?

"Well, it seems clear that many national data are deficient, and this is a problem. For instance, we know that trade data are not satisfactory, and if this is the case probably national accounts are also unsatisfactory.

"If this is so, then the creation of monetary union has meant we must check and modify national data – but it is a serious matter to change national data. We have a CMFB group considering asymmetries that includes national accountants, BoP compilers etc working together, because it's clear now that national accounts have to deal with important asymmetries.

"But, of course, it's difficult for people to accept that due to the process of EMU all national data are far from perfect. And it's a challenge for statisticians to maintain credibility in such circumstances.

Voltaire not the same!

I ask Pécha for his view of French people's reaction to the euro.

"From an economic point-of-view, the change from francs to the euro does not pose serious problems – it is accepted in France. Why? For 12 to 15 years we have conducted a monetary policy similar to Germany... so it is not new.

"From a technical viewpoint French people have no problem, as the British might, with losing the head of a

Queen on the currency. Voltaire... it's different!

"In the past we did have problems – slight – with the change of ECU to euro. Some French people regret the decision to locate the ECB in Frankfurt. But it's more important for others to have a President who is French. A usual French position!"

I also ask him about worries about the current weakness of the euro on the foreign exchange markets (it is May 1999).

"At its launch many thought the euro too strong; they now think it's too weak. But at the onset it was preferable for Europe, given the economic context, to have a strong currency that was not too strong. Maybe a parity at 1.05 is too weak, and at 1.10 it would be too strong.

"Yes, the exchange rate is important but not too important now. The newspapers talk too much about it. The rate of exchange changes – that's normal, and, for me, it's not a major problem."

"But", he goes on, "having said that, the current situation can be considered rather positively, taking into account the lack of harmonization observed in this field some years ago. However, even more harmonization is needed now since these statistics are linked to the core of monetary policy. For example..."

► Monetary aggregates and their counterparts and the monthly BoP have required a huge harmonization effort over the last five years.



The Bank's special euro-statistics briefing document, a model of clarity

- Statistics on interest rates and the activity of financial markets are only partly harmonized. There are still numerous differences among European countries as regards financial instruments and structures – for instance, housing credit is distributed by many different channels, so debt terms can't be compared easily.
- Financial accounts – which are part of national accounts but used for the conduct of monetary policy in some countries, such as France – will be available in a harmonized way from spring 2000, further to implementation of ESA 95. ECB will have to compile aggregated figures for the euro-zone, which will take some time.
- As for non-financial indicators, progress will depend mainly on implementation of European System of Accounts, ESA 95 and EC Regulations on short-term indicators in the next few years. But, of course, reliable figures are already available for the Harmonized Consumer

Price Index (a former convergence criterion) and a panel including lots of other useful indicators is published by Eurostat in cooperation with NSIs."

Statisticians' reputation enhanced?

So, **Mr Pécha**, in your view have Europe's statisticians emerged from this whole process with their reputation enhanced, as other have suggested to me?

"For the moment it's clear that statisticians have kept a good reputation because the results of the Maastricht indicators are well accepted by governments and the people. This is a big achievement that was not evident at the beginning.

"Statisticians have benefited from this credibility. But the

future is uncertain because it's now clear that the credibility of euro-indicators does not match that of national data. In such circumstances statisticians' future credibility is at risk."

To sum up, what are the key challenges?

"For me, the BoP. Why? Because the most important aspect of relations between Japan, America and Europe is the management of the exchange rate which is closely linked to the situation of BoPs. So the problem of BoP asymmetries is a real challenge.

"The second difficulty is probably unemployment. It's difficult to accept that Portugal has 5%, Spain 20%, Germany 10%, France 12%... Obviously, it is not the same indicator – for the Iberian Peninsula that is clear."

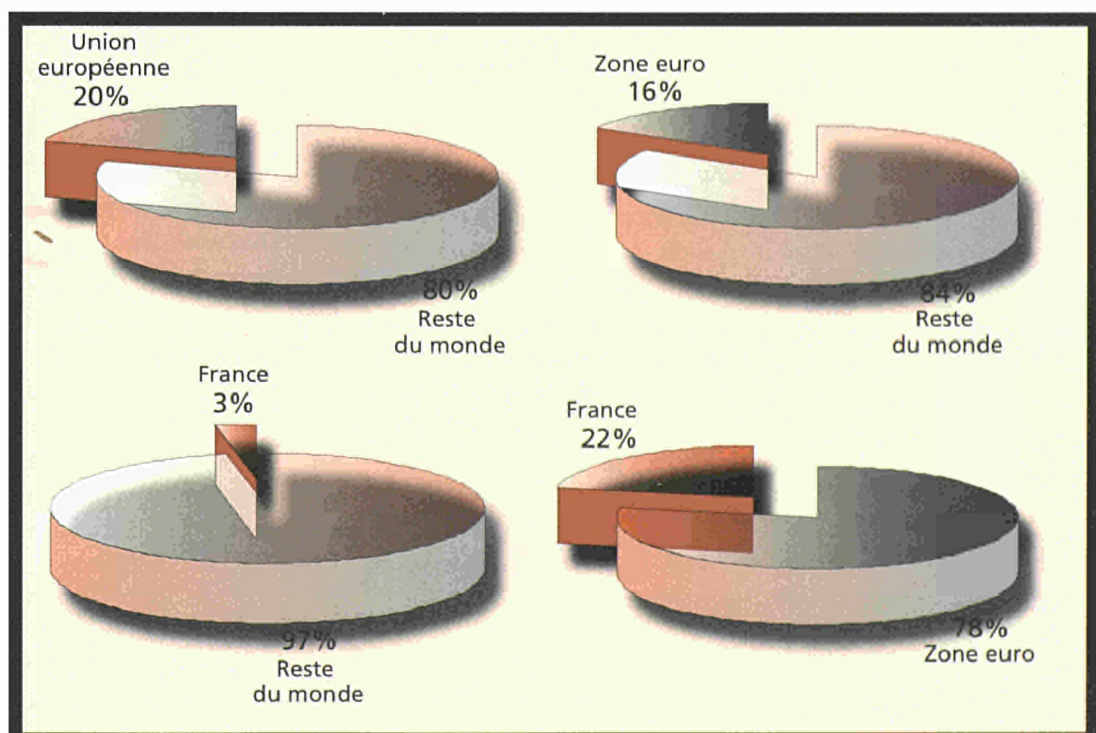
Finally, I ask **Pécha** for his favourite anecdote of the statistical trials and tribulations leading up to the launch of the euro. No surprise that it's yet another compliment to CMFB...

"In the follow-up of Eurostat's France Telecom decision we created a new and very efficient procedure for CMFB for the assessment of convergence indicators. It's clear now that thanks to this procedure we managed our way through during the difficult period that followed.

"What resulted from France Telecom was a boost for the credibility of the statisticians."

Truly, all roads on the statistical map of EMU lead to CMFB! ■

How *Principaux indicateurs économiques et financiers* presents the position of the EU, euro-zone and France in the world economy



JOHN KIDGELL is well placed to comment on euro statistics. Not only is he the UK Office for National Statistics' most senior national accountant, he was until end-March 1999 Chairman of CMFB – the first non-Central Banker to hold the post. His leadership of this key committee coincided with a critical stage in statistical preparations for EMU. Perhaps there was a certain irony in having a non-euro-zone hand at the tiller during this period, but it's widely recognised that KIDGELL's contribution to the process was immense. *Sigma's* JOHN WRIGHT went to London to ask him, wearing both his national and European 'hats', about the current state and future direction of statistics for monetary union.

Ask **Kidgell** if he has any favourite anecdotes about the trials and tribulations of shaping statistics for the launch of the euro.

"In the context of the Maastricht Treaty process there were many concerns about the quality of statistics for the convergence criteria", he recalls. "But, at the end of the day, there was no doubt that they went through like a dose of salts. There wasn't a single criticism of the statistics.


"An ECB official said to me that it had been 'a near miracle' that 18 months earlier hadn't seemed possible.

"But", he continues, "it wasn't divine intervention – just statis-

'A near miracle for statistics'

ticians getting to grips with the problem and taking the steam out of things by setting up a system that was transparent and avoided any criticism.

"We at CMFB saw it as a reigning in of any potential political abuse of these important statistics."

 I believe that all institutions can work together given the right people and the right will. But if people stick too rigidly to institutional positions there's a danger of getting caught up in unnecessary wrangles. CMFB has done a lot to overcome such problems."

I ask him to take me on a tour of some of the key areas that have occupied his thoughts, both nationally and as CMFB's leader, over the last few years.

"We can look at data to run the single currency in several blocks. The first is money and banking statistics. These are part and parcel of what's required by a Central Bank to look at money supply and developments in the banking sector or MFIs, as they're called – monetary financial institutions.

"My experience of working closely with the ECB – particularly as CMFB Chairman but

also as a national provider – is that Central Bankers have put a lot of effort into producing money and banking statistics, and it's been a great success; but that they have turned to Eurostat to provide the other statistics. And, of course, Eurostat then turns to the NSIs.

"On national accounts it's been a major success story, too. Quarterly data are available – if not now from all countries, they certainly will be within months. There's the switch to ESA 95, which is happening at this very moment in most countries. Some have done it in advance. The Danes were the first, then the British. Now a lot of countries are publishing their first figures on this basis.

Short-term difficulty

"Balance of payments (BoP) statistics are also produced largely by Central Banks, although, unusually, in the case of the UK they come from the NSI – us.

"All these statistics that have been produced for a long time are of quite high quality and the harmonization process has been going on for years. The IMF Manual produced in 1993, the fifth edition, has made us work very hard to harmonize BoP figures. Indeed, they're closely linked to the ESA 95 process.

"So", he says, "a lot of harmonization all round."



As European Union becomes closer, the need for harmonized statistics becomes ever more apparent. I'm very much in favour of producing consistent figures. Indeed, why stop at the European boundaries? If we could all produce statistics of a similar nature across the world it would make international comparisons much easier."

Kidgell continues: "The area in which there's probably been most difficulty is short-term indicators. Here there's not been much work on harmonization. I have to say the ECB has been pressing hard for provision of these data, even if unharmonized: orders data, intentions data etc.

"I don't think NSIs have responded very well. The process has been much improved over the last few months but it should have been done earlier.

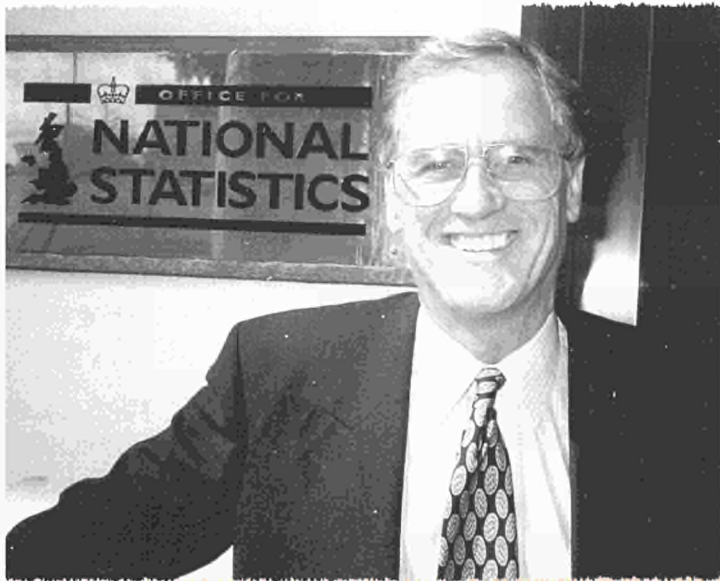
"Then public sector statistics...here there's a need for much-improved data on public sector finances. Not many countries produce these quarterly, which is clearly needed for both economic and monetary policymaking. There's been a lot of pressure from

what used to be the Monetary Committee and is now the Economic and Financial Committee for us to improve the frequency and, I guess, also the quality of public sector statistics.

"I would add (in parenthesis, of course) that the UK is actually quite ahead of the game on public sector finance sta-

tistics. A lot of the statistics that are being asked for on a *quarterly* basis we're pushing hard to get on a regular *monthly* basis – and we're nearly there.

"Trade statistics are another area of awkwardness: the asymmetries within Intrastat worry policy-makers; worry statisticians, too."



John Kidgell's appointment as CMFB's first non-Central Bank Chairman, which he relinquished in March 1999, was seen as very important for the national statistical institutes. He is also a founder member of the IMF Balance of Payments Statistical Committee.

Kidgell is an economics graduate of Scotland's St Andrew's University and has a master's degree in statistics from the London School of Economic. His first job was in economic forecasting with the National Institute of Economic and Social Research in London. He later did statistical work for Gallup Poll.

In 1972 he joined the UK Government Statistical Service and has served in the Treasury, the Department of the Environment and the Property Services Agency as well as the Central Statistical Office, now the Office for National Statistics, of which he is one of the most senior members of staff – Director of Macro-Economic Statistics.

Away from his day-to-day concerns, one of Kidgell's passions is hill-walking – a passion shared with his successor as CMFB Chairman, Rafael Álvarez, albeit indulged in the Yorkshire Dales rather than Spanish sierras [see article on P 12].

How, I ask, do such asymmetries impact on the euro?

Kidgell: "Well, in one sense, they shouldn't because this is *intra*, except for the four countries outside the euro-zone where, of course, trade between them and the 11 is collected on the Intrastat basis – so there are doubts about that.

"Your question does lead me to another development that, I think, is emerging and that we haven't spent much time on: how, given all the asymmetries, do you put together a single set of accounts for either EUR-11 or the EU15. We've started addressing this in CMFB. You know the sort of problems we have in this or any country to arrive at a set of coherent statistics – national accounts, BoP, financial accounts... You know at first the numbers simply don't add up and you have to put them into a system and, through a process of data confrontation, come up with what statisticians believe to be the best set of accounts.

"There's a growing realisation now that we need to do that Europe-wide. At present the ECB defines the BoP of the 11 by measuring *extra*-MU transactions, ignoring any *intra*. Now that's fine as far as it goes. Eurostat defines GDP for the 11 or 15 as the sum of the GDPs of Member States, which includes the asymmetries from Intrastat. If you look at exports in GDP you'll find a difference from the exports that are in the ECB's BoP figures.

"The Americans have coherent accounts for the dollar area; the Japanese have them for the yen area. We need that sort of thing for the euro area. That's the challenge."

'Statisticians' duty

You do seem quite exercised about this. Why is it important for management of the euro?

Kidgell: "Well, the asymmetries might be small. They might not be. We don't really understand them fully, and a group is looking at that. But, I think, like any country the euro-zone wants to know its BoP, its GDP, its price changes, and so on. It wants a whole set of indicators, and wants them to be consistent.

"So I think it's the statisticians' duty to provide for the whole area – 11 and 15 – and say: 'This is the set of consistent data you should use for making policy assessments, whether monetary or economic.'"

I ask him how successful was the exercise to put all these statistics together in time for the launch of the euro – an exercise in which, wearing his CMFB 'hat', he played a pivotal role?

"There's no doubt the work on money and banking statistics was highly successful. It was very well planned by the ECB. You can understand why: it was right at the heart of the process and when the EMI was set up that clearly had to be its objective. The ESA project – although not designed for monetary union – coincidentally has produced data just around the right time. Some might argue that it should have been a year earlier so it could feed into the beginning of the process but I think that would be nit-picking.

"The work on short-term indicators has not been as successful as it should have been.



But Eurostat has made a major effort in the last six months and they're really very much better now.

"Public sector statistics are a long-term issue. Trade statistics, and Intrastat in particular, are also a long-term issue, not resolvable quickly. To that extent these are not successes in terms of data for monetary union."

He goes on: "There's something we haven't talked about – labour market statistics. I'm not an expert but I think there's a lot to do to harmonize these data. In the UK the Bank of England's Monetary Policy Committee are extremely concerned about the labour market. So will the ECB look increasingly towards this area? Although monetary policy is still to the fore, there's quite a lot of political pressure in

Europe for labour market policies to play a bigger part than hitherto."

Many voice concern about the timeliness of data, now even more critical in the context of monetary union. **Kidgell** is no exception... "We have to make sure we get the data from NSIs through Eurostat to the ECB as quickly as possible. I think it's too slow. This is being addressed and successfully. I think Eurostat is very sensibly looking at ways of providing data to the ECB before it has all 11 returns – by estimating for the missing entries."

UK 'pretty euro-friendly'

Wearing your national 'hat', I ask, what does being outside the euro-zone mean to you as a senior UK statistician?

"I hope very little. We're doing a lot statistically to prepare for the UK joining monetary union. And our systems are already pretty euro-friendly.

"There's one clear exception and that's we don't produce monthly BoP – only quarterly and annual. There's a lot of pressure on us, and has been for some years, to join mainland Europe in this respect. We're making a big effort."

So, if the euro comes to Britain, a seamless statistical transition?

"Not exactly. We shall have to put some effort into various things, but the vast majority of the large data sets are in line with those of other countries; and on public sector finance statistics,

as I've said, we're ahead of the game."

On a more general note, **Kidgell** adds: "I think the ECB statistical team led by Peter Bull have worked extremely hard and effectively to get data to their policy-makers – an excellent effort supported by the Central Banks. There's been a lot of cooperation throughout the European statistical fraternity to reach this position...to get through the convergence process. One of the objectives of my predecessor as CMFB Chairman, Wolfgang Duchaczek, was to have a database ready for ECB on 1 January 1999 and we largely achieved this. But it was a massive exercise.

"We've all worked very cooperatively together, and that's been of great benefit." ■

Export credits are credits extended to a foreign buyer of machinery and other capital goods including whole factories, power stations etc. The general terms for publicly-supported credits have been agreed internationally. DG I notifies, on the basis of input from Eurostat, the interest rates that may be used for the euro and thus for the 11 currencies within the euro-zone. Information on actual rates is published on the Internet.

Interest rates for export transactions

When export credits are given with the support of governments, it is considered a subsidy. Normally such subsidies are not allowed by the WTO. But rates can fluctuate quite substantially over a long period and it has been agreed that governments can stabilise the interest rates. The condition for doing so is that in practice they apply rates in conformity with provisions in the *Arrangement on guidelines for officially-supported export credits*. These rates are called commercial interest reference rates – CIRR.

CIRRs exist for every major currency and are calculated on the basis of interest rates for government bonds with different maturities. To these base rates certain margins are added – in most cases 100 basis points (one percentage point).

Previously the 11 euro-zone countries boasted 10 CIRRs. None was notified for the Portuguese escudo and the



In this article ALLAN GERT DALVIN* of the European Commission's DG I (External relations) gives an example of how euro-statistics are used in practice. He describes the application of commercial interest reference rates (CIRR) for export credit finance.

Euro FOR export

Luxembourg franc; in return there was one for the ECU.

Following the euro's advent, a single euro CIRR now prevails for all participating countries. National currencies have legally become sub-divisions of the euro. Maintaining different interest rates depending on how the euro were subdivided would of course not make sense.

Calculation of euro CIRR

Eurostat calculates a euro yield-curve on a daily basis (see page 30). Its basis is government bonds. This fulfils the following criteria:

- ▶ Only fixed-rate 'bullet' loans without special features (eg call or put options, zero-coupons etc)
- ▶ An issue size large enough to secure high liquidity

▶ A maximum bid/offer spread of 40 basis points

Compared with bonds used as the basis for the more general yield-curve, the basis for the euro CIRR curve is narrower. We concentrate on the part of the bonds considered by the market as representing the least risk. This is the way we approach CIRRs for national currencies outside the euro-zone, since the governments concerned will, of course, always be able to settle a debt in their own currency. In extreme circumstances they could always print a little extra money. The 11 euro-zone members can no longer do this!

While being more selective and thus also diminishing the spread around the yield-curve, it is still important for it to be representative. Retaining observations for approximately 100 bond series with a market

value equal to at least half that of government bonds issued by the 11 Member States ensures this. At present the selected bonds have a market value of more than 800,000 million euro.

The curve is used for different purposes. There are separate official interest rates for short, medium and long-term credits, for large aircraft and nuclear power stations. The most commonly used rates for the time being are those based on three-, five-, and seven-year bonds.

The three-year bond rate is used for export credits of five years or less. The five-year bond rate is for credits of over five years and up to and including 8.5 years. The seven-year bond is used for credits over 8.5 years.

Why is there such an apparent mismatch between the

term of the bonds and the credit terms for which they are used? The reason is export credits are repaid in semi-annual instalments. A 10-year credit thus will have an average life of 5.25 years. To this should be added a production period during which the rate has already been fixed although the loan has not been drawn down, or at least only partially.

Basis for CIRR rates that enter into force on the 15th of a given month is the average of the bond rates for the previous month. The last five observations – those closest to the period of application – are given double weight when calculating the average.

Additional margin

To the values – average yields of government issued bonds – for constructing CIRRs a margin of 100 basis points (one percentage point) has to be added except for the Japanese yen, which has a different basis and margin. This 'euro CIRR margin' is the same as the margin of 100 basis points that existed previously for CIRRs at Member State level. The 100 basis points reflect the fact that no private company has the same creditworthiness as a government dealing in its own currency, and the different amounts banks could charge *inter alia* for warehousing costs.

Special rules

Reference period for the CIRR

The euro has only existed from 1 January 1999 with no history before then. The euro base rate thus not be determined in the usual way – by taking the average of bond

rates in the previous month. To preserve the continuity of the Arrangement, the national CIRRs notified in December continued to apply in the first half of January 1999.

For the period 15 January to 14 February 1999, the Commission, again as an exception, notified a euro on 14 January based on data for the first half of January, this being the maximum technically-possible reference period. Since then, normal reference periods have served for the euro CIRR. For example, figures for April determined rates used for offers in May.

Differentiated Discount Rate (DDR)

The discount rate used to calculate the concessionary level of an aid loan in a given currency is called the Differentiated Discount Rate (DDR). This rate is subject to annual change on 15 January and calculated by taking the

CIRR average plus a margin, which depends on length of repayment. For all currencies, the CIRR average is calculated taking an average of monthly CIRRs valid in the six-month period from 15 August of the previous year and 14 February of the current year.

The reference period – necessarily and exceptionally – was 1 to 14 January '99. But in June 1999, after longer experience with the euro CIRR, this rate, based only on a two-week history of CIRR, was revised in the light of the behaviour of the euro CIRR over the longer term.

Large Aircraft Sector Understanding (LASU)

Special rates used when financing large aircraft are determined on the basis of the euro yield-curve averaged over the previous two calendar weeks. In this case, we focus on bonds with a 10-year maturity. Margins of

+120 and +175 basis points for 10 respectively 12-year loans applicable to the other eligible currencies are also used for the euro. These margins include the insurance premium.

Information on rates

The Commission regularly notifies new rates for the euro CIRR, the LASU and the DDR to OECD, and informs the guardian authorities and the export credit agencies of Member States. The interest rates can be found on the Internet at the following addresses:

<http://europa.eu.int/comm/dg01/cirr.htm> and

<http://europa.eu.int/comm/dg01/euolasu.htm> ■

* Allan Gert Dalvin was from 1991-95 head of the export credit policy and export promotion division of DG 1. Since 1996 he has been adviser in DG 1G on export credit and export credit insurance policy.

The CIRR in practice

Mr Callud of the *Office national du Ducroire*, Belgium's Export Credit Guarantee Agency, and Mrs Sauvage of the Belgian Ministry of Foreign Affairs, Foreign Trade and Development Cooperation, use the commercial interest reference rates (CIRR) daily.

The Minister for Foreign Trade is authorised to intervene to stabilise the cost of financing export credits for Belgian goods and services. His intervention takes the form of interest rate stabilisation. Belgian banks and/or exporters submit requests for state intervention in export

contracts that they are negotiating.

The Inter-ministerial FINEXPO Committee, of which Mr Callud is a member and whose secretariat is provided by the Ministry of Foreign Trade, examines the requests every month and issues an opinion on each. The Minister makes his decision on the basis of FINEXPO's opinion.

The stabilisation system used in Belgium has been in existence since the Arrangement introduced CIRR for the various currencies. In most cases, the currency of stabilisation is the US dollar. Belgian banks

and exporters find the stabilisation system very useful because it enables them to offer the customer a fixed interest rate for credit repayments.

The fact that there is a CIRR rate for each currency (in some cases weighted to reflect the repayment term), valid for one month, makes the system more transparent and easier to manage. The euro has not been around long enough to draw any conclusions about its CIRR, although there is clearly a demand for the euro and a number of contracts with a euro-denominated stabilisation have already been signed.

Directorate-General II of the European Commission and Eurostat have jointly constructed a yield curve that provides reliable information on euro interest rates and their development over time. It reflects average yields on bonds with maturities between one and 15 years issued by euro-zone governments. The information is updated daily and is easily accessible via the Eurostat web-site. In this article Commission economist LARS BOMAN explains the task of ...

Introduction of the euro put users of economic information in a new and rather unusual situation. The new currency had no statistical history. There were no time-series available to outline its behaviour. At beginning of 1998, DG II, responsible for the euro's introduction, together with Eurostat, started working on a project designed to answer the question: what kind of interest rate information on the euro should the Commission provide?

The project's started in 1994 when interest rate information on the ECU was published. For a number of years Eurostat had calculated a yield curve based on market observations of the yield of the limited number of bonds issued in ECU by highly-rated issuers. Based on these observations a curve was calculat-

ed through a regression technique that could display ECU interest rates graphically for maturities from one year to 10 years.

It was realised that clearly, with replacement of the ECU by the euro on 1 January 1999, this Eurostat service of providing information on interest rates in ECU would be discontinued. From the start the new-born euro financial market would contain a vast number of interest-bearing securities and quotations of interest rates from a number of sources. This made it more difficult for DG II and Eurostat to choose the most appropriate interest rate information to provide if only one interest rate category were to be concentrated on.

The choice was made to focus on interest rates of securities

issued by euro-zone governments, without discriminating against any Member State – for two key reasons. Firstly, using government bonds as base for the calculation would give the resulting yield curve almost 'official' status. It could thereby be used as a reference rate when an interest rate with such a status was requested. Secondly, government bonds are generally perceived as the most creditworthy securities in the market, making the yield curve as close a representation of the 'risk-free' euro interest rate as possible.

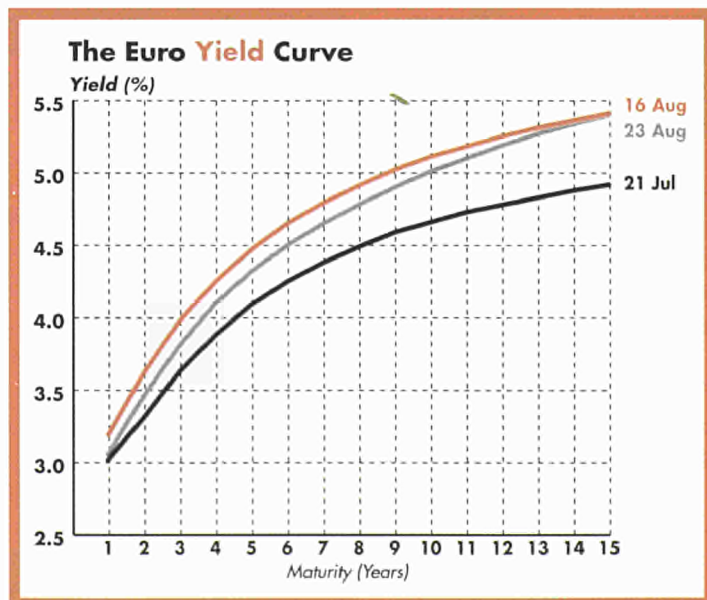
By including all the government bonds issued in the euro-zone that met some qualitative aspects, the resulting yield curve would represent an average euro interest rate rather than the interest rate level prevailing in any particular Member State.

Key criteria

Data calculating the ECU yield curve were transmitted to Eurostat by a capital markets association called ISMA (International Securities Market Association), which has a large number of banks as members. In summer 1998, the Commission secured agreement with ISMA that from 1 January 1999 it would supply Eurostat with data on yields for bonds issued in euro.



This meant that the 25-30 daily observations on ECU bond yields would be replaced by potentially over 1,000 daily observations on bond yields in euro. In view of this multitude of data it was decided that Eurostat should aim to calculate a yield curve for the euro based on only a selection of the available data. With 11 countries adopting the euro and converting virtually all their outstanding government bonds to it, there would be no need to use other than government bonds since they have the highest credit rating in the market. Using only observations from government bonds would also mean the result would be a pure government bond yield curve in euro, comparable with the US or Japanese equivalents.



the curve on track



Additional selection criteria ensured the observations used were derived from large, actively-traded bonds without any special features that could distort the yield observations. The following criteria are used:

- ▶ issues with fixed-rate coupons without special features
- ▶ minimum issue size of 500 million euro
- ▶ maximum bid-offer spread of 40 basis points
- ▶ minimum remaining maturity of nine months.

This selection procedure resulted in a sample of over 200 yield observations distributed over a 15-year maturity range. The number of observations and quality of

data would ensure the calculated yield curve would fit the data well, with a low mean error and high statistical significance.

The way it's done

Estimation of the euro yield curve is undertaken with the help of a standard Ordinary Least Square (OLS) technique based on polynomial functions.

OLS constitutes the 'classic' regression method whereby the parameters of the regression model are estimated to minimise the sum of the squared residuals. The residual is the difference between the observed variable and the one that is estimated by the model, in this case the resulting yield curve.

The model employs what is usually termed a 'cubic splinze' approach, commonly used for yield curve estimates. It estimates the yield curve as a series of adjacent segments with their connecting points termed 'knot-points'. In the euro yield curve calculation two knot-points are employed, located at five and 10 years' maturity; this results in a yield curve estimate with three segments. To ensure continuity in the knot-points and between segments, two constraints are imposed on each knot-point: the first and second derivatives are equal.

This produces a yield curve ranging from one to 15 years in maturity so that its slope can be estimated correctly over a broad range of maturities.

How to find it

The euro yield curve can be found on the Eurostat web-site (<http://europa.eu.int/en/comm/eurostat/serven/part2/22euro.htm>). Four pages are devoted to it.

First page displays the curve within the range from one to 15 years' maturity for three different dates: the previous day; previous week and previous month. Second page gives more detailed yield information in table form for all maturities between one and 15 years for the last five days. Also, the development of the yield for the three and 10 year maturity over the last 18 months is given in a graph. Third page displays the term spread between two and 10 years in two graphs – one for the last five days and the other for the last 18 months. Final page displays the volatility of the yield curve in two different graphs. ■

Lars Boman is a Swedish economist who joined DG II in 1996 to work in the directorate for monetary matters in the unit dealing with institutional, legal and financial issues of monetary union. Before that he worked in different capacities in the financial markets for almost 10 years, both in the public (Swedish government) and private sectors (the joint Swedish-Danish bridge project, part of the Trans-European Network).

For this article, *Sigma* asked someone from the media to describe the interest shown in euro-statistics. SERGE MARTI, assistant chief editor of *Le Monde* and responsible for *Le Monde Economie*, tells us how he uses euro-statistics, and the expectations of his readers...

Euro-statistics FOR ALL

Each week *Le Monde Economie* – the business supplement to *Le Monde* – covers subjects that go beyond economics in the strict sense to look at social, sociological and high-tech topics. Explanation, analysis and comment need to base their arguments on things that can be compared and on reliable tools for measurement that can back up such comparisons, regardless of whether we are looking at economies, countries or activities.

This is where statistics come in, together with what they mean in terms of scope and reliability.

Right from the outset, *Le Monde Economie* wanted to give pride of place to the statistical angle, and so we devote a whole page under the heading *Boussole* – or *Compass* – to short-term trends, quite apart from the statistical references that are dotted throughout the other pages in our supplement. In addition to essential information about the economy, we deliberately focus on what *Le Monde* can provide as an 'extra', namely European statistics. With the introduction of the single currency, these are more important in economic terms than purely national figures.

This is why we got in touch with Eurostat, long before the new currency emerged, in order to draw up a set of economic indicators that took the advent of 'euroland' into

account and offered a response to the new demands voiced by our readers.

Each week, therefore, *Le Monde Economie* uses Eurostat data to publish at the top of its *Boussole* page a statistical table of the seven main economies in the EU – Belgium, France, Germany, Italy, Netherlands, Spain and the United Kingdom – the idea being to show the UK alongside the euro-zone before it actually joins. These national data are accompanied by average figures for the euro-zone and the EU, and comparative figures for the United States and Japan.

People have welcomed this approach, since *Le Monde Economie* is the only publication in the French press to provide this kind of European information. These statistics are especially appreciated since they cover such a wide range (according to Eurostat, the data it collects cover about 90% of social and economic topics), and they provide a natural complement for another set of information, under similar headings, produced by INSEE, the French national statistical institute, on the French economy.

Now that things have been running for six months, what can we learn from these regularly-updated facts? The first thing is that the table shows, in a traditional manner, all the main aggregates that make it possible to follow how one or

more economies are doing, whether in terms of GDP, industrial output, balance of payments on the current account, or even unemployment rates. It could be supplemented by indicators on external trade or the well-being of the system of production, or on business creations or failures, which are all data not yet available.

On the other hand, experience seems to show that simple percentage changes from one period to the next do not necessarily provide a very clear picture of the amounts and sums involved. This is particularly true in the case of the balance of payments. The main shortcoming we have noticed while compiling all these sets of statistics and indicators stems from the social indicators, which are obviously inadequate in relation to conventional macro-economic statistics. The reasons for this can be found in the sources of the information: the Member States. They are really short of statistics in this field, whether relating to unemployment (women, young people etc) or, for example, part-time work and the various kinds of employment contracts that go with the different levels of flexibility in the various countries. The people at Eurostat are aware of the problem and have started working on new indicators, such as those covering labour costs.

Another thing that attracts readers of *Le Monde Economie* is being able to

have advance indicators – like those in the United States on short-term trends – that make it possible to forecast, with all the usual reservations, national short-term trends and their knock-on effects on neighbouring countries. This is a tough job – which is already hard enough for one country (even INSEE cannot really manage it) – and one virtually impossible to achieve when you are trying to make forecasts for 11 or 15 countries with economies still showing signs of divergence.

The last area *Le Monde Economie* would like to cover in European terms is the field of technological data. Such data would make it possible to measure, and to compare, the progress of a particular country with regard to the sciences of the future in the high-tech or multimedia sectors, and in the whole field of communications. Here, too, the statistics are fragmented and inadequate.

This fact is even more lamentable when – if we can believe what the experts say – technology in the broadest sense currently contributes about a quarter or a third, depending on the country, to national growth rates. This is a major industrial revolution that is not yet reflected in the statistics that the analysts get. And it is a failing that applies both to Europe and to the United States.

But these comments – and these promptings to expand the range of available data –

must not overshadow the usefulness of having the essential statistical information that now allows us to monitor the economic health, clout and range of euroland, an area of production and trade that is already the world's leading trading power, and an area that is biding its time before challenging the United States as an economic power in terms of one key indicator: gross domestic product. ■

The Euro Institute has two main fields of activities: providing information about the single currency and coordinating a network of European experts. In this article, MARIE WOLKERS, responsible for economic studies at the Institute, describes its various activities and how it uses statistics in its daily work.

Statistics in support of the single currency

Source of comment and regular forum

Le Monde Economie, the weekly supplement to the daily newspaper, focusses on two tasks:

- ▶ To be a special source of information and comment on both French and international economic affairs, with particular emphasis on macro-economic aspects and on the main topics of economic and social interest affecting the world.
- ▶ To offer a regular forum of instruction and discussion for students and academics, as well as those in the business world, with the aim of providing ongoing tuition (in the form of the questions and answers that accompany each article, the columns on how the economy works, the history of economic and social events...) and with a commitment to tackle the vast subject of the technology-based economy of the future.

European statistics have another challenge now the single currency has arrived.

The European Central Bank (ECB), which heads the ESCB, administers the single monetary policy of the 11, and to do this needs harmonized indicators.

To measure inflation, for instance, it was necessary to agree on common methodology so that standardised indices could be provided. Calculation of the latter was, indeed, one of the convergence criteria in the Treaty of Maastricht, and provided a basis for selecting the countries that would join EMU.

In addition, since May 1998, there has been an aggregate price index for the euro-zone. The MUCPI (Monetary Union Consumer Price Index) looks at the share of each country's private consumption in relation to the EMU total. It is primarily through monitoring this index that the ECB complies with its main objective: ensuring price stability within the euro-zone. The development of a monetary aggregate is another objective of monetary policy, and that is why the choice fell on a broad aggregate similar to French M3.

Another interesting point is that the euro will be the single



money of account for euro-zone statistics. This does pose a problem with regard to time-series at current prices. Consider the data prior to 1999: depending on whether you choose the current ecu/national currency exchange rate or the conversion rate for each monetary unit, the results – when it comes to inflation, for instance – will differ.

But work on harmonizing European statistics covers far more than the single currency. What we need to do is to be able to come up with comparable data – for the national accounts, earnings, unemployment, external trade, for example – for the various countries in the Union and to have aggregate data for the zone as a whole. We have done a tremendous amount of work,

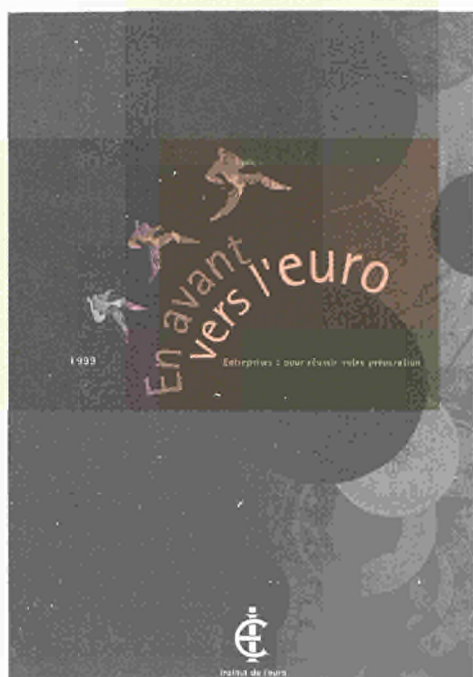
but there are still many problems to be solved by the national and European statistical offices.

Pride of place

On a daily basis, the way we use statistics is as varied as our work.

The Institute's first journal, *Aujourd'hui l'ecu*, which appeared between 1984 and 1993, already gave pride of place to statistics, which were mainly financial. It charted trends on the financial markets, using tables covering, for example, bond issues, including ecu bonds, and the rate and make-up of the ecu. The main sources at the time were Eurostat, Euroclear and the reports of the Bank for International Settlements.

For more than two years now, the Institute has been publishing a new journal ever two months, *L'euro, la revue de la monnaie unique*. It targets mainly economic and social operators, in the public and private sectors, and its aim is to provide news and views about EMU. In this connection, we make regular use of the statistics published by Eurostat – renowned for reliability and expertise – by OECD and by the NSIs.



The Euro Institute has existed since 1982. At the start it was solely a research centre, CEPREM. In 1992 it became the Ecu Institute, an association under legislation enacted in 1901, before subsequently being renamed the Euro Institute. It is based in Lyon and partly financed by the European Commission, the town of Lyon and the district of Lyon.

A large part of the articles we publish is, in fact, connected with economic, political, social, monetary or financial developments in the EU. Our editorial team makes every effort to illustrate articles with cartoons, but also, in a more serious vein, with figures. In an effort to be objective, the use of official data, often taken from press releases, has become something of a conditioned reflex – not only for items in our news section but also as a reference for articles on general or specific topics.

In writing about the single currency, we are very often prompted to make comparisons between various Member States, so that the considerable discrepancies that still exist at many levels can be highlighted. It does not matter whether we are talking about taxation, income levels, unemployment rates or even rates of growth and inflation, the figures, which must be comparable, are there to back up the analyses.

Some of the figures show there is real convergence, while others indicate that it is a very gradual process. It really is

very useful to have overall indicators for EU15 or the euro-zone, whether they are macro-economic and financial (inflation, GDP, debt, deficit, trade balance, money supply, three-month interest rates, bond yields, euro-rates, market capitalisation etc) or demographic. It is then possible to look at trends or to make comparisons, especially with the USA and Japan.

The weekly press survey *Eurohebdo* also includes the most up-to-date statistical data with the aim of providing a topical review of economic and financial performances in the euro-zone, in Europe and among our trade partners.

Alongside the work we do for our publications, the Institute is also involved in other projects where statistics are very relevant. In January 1999 we finished revising a practical guide for SMEs, and at the moment we are updating the CD-ROM for professionals. It includes a lot of diagrams from Eurostat's *ECU-SME Information*, such as those dealing with central rates, bilateral deviations or divergence indicators of the EMS exchange

rate mechanism before the euro was introduced.

The Institute also has a documentation centre, open to the public by appointment and used mainly by those in charge of euro transactions in firms, by teachers and by students. They can tap into a whole range of information by consulting various topics consisting of press articles, studies and a variety of publications, including several from Eurostat (*ECU-SME Information, Memos, Ecu Yield Curve Weekly Report* etc). So, with all this consultation and these requests for documentation, there is a lot of searching for statistical data. The introduction of the Eurostat web-site also means that reliable and up-to-date data are now readily available.

At the heart

Apart from its work of providing information about the euro, the Institute is at the heart of a network of European experts, whose work – stemming as it does from various working parties or group efforts – can eventually be published. By way of example, a group of eight experts was involved in producing a work entitled *International currency competition and the future role of the single European currency* (1995). This included various tables showing the importance of major world currencies at various levels. They demonstrated, for example, the breakdown by currency of various countries' import and export trade, transactions in exchange markets by financial centre, segment etc.

The joint work entitled *L'euro et l'intégration européenne*, a collection of about 15 articles to be published shortly by the Institute, is further evidence that

economic and financial writers rely heavily on statistical data for their analyses. The Institute's contribution to the collection – an article entitled *Un rééquilibrage régional en union économique et monétaire est-il possible?* – required a certain amount of data to be brought together. We had to take the Community budgets devoted to regional aid and study how disparities between regions changed over time. In this instance, the indicators for *per capita* income are provided by each Member State as average GDP per inhabitant in terms of purchasing power standards. This is an artificial currency that reflects the purchasing power in each country, allowing reliable comparisons to be made.

The article entitled *From the single market to the single currency: new challenges for European companies*, which was written by two officials in the European Commission's DG II, is based on data on EU price dispersion. To give another example, the article by Mr Hochreiter, *The role of disinflation in European debt accumulation*, also includes a few tables and diagrams showing data on indebtedness and disinflation.

The annual meeting of the Institute's experts, the *Entretiens Monétaires de Lyon*, also bases part of its group work on statistical data.

These are just a few examples that point to the tremendous use we make of statistics in connection with our dual task of providing information and conducting research and analysis of the economic and financial questions arising in connection with the introduction of the single currency. ■

In this article FRANÇOIS NAUDIN presents an idiosyncratic view of euro-statistics. He's a journalist working for *E-value*, a French financial newswire on the Internet, and a consultant to the European Finance Convention Foundation and Euro Week.

Let Eurostat take care of the 'pennies'...

No sooner had the ape started to walk on two feet than it began to wonder how far it was from its hunting grounds... about the deer it had *not* killed... the weight of the game it *had* killed (especially compared to that despatched by another hunter), and so on...

One way to know about our environment is to measure it – distance and size, volume and area, density, speed, heat, light... We want to know how dry or damp the air is, how loud or soft a sound, how bright or dim a star...

In order to measure, we have invented an incredible array of weights and measures, refining the system over many millennia. Time was one of the earliest things to be measured, and paradoxically the measurement of time has relentlessly posed problems for humanity. But time – the second, to be precise – is now the reference for all other measurements in physics.

The reason for this development is the dramatic precision achieved by the atomic clock. The accuracy of modern measurement can be judged by manoeuvres in space, the hair-thin chemistry of microchips, and so many other examples of ingenuity based on the very rigorous adjustment of pieces or coordination of action.

But much human activity is still unaffected by measurement. For example, all that pertains

to affection is considered beyond its bounds. The arts in general are seen as devoid of a measurable character. In simple terms, it could be said that we wish to know the exact measure of everything *except* what we consider the most intimate and valuable areas of our humanity.

And in between these non-measurable human aspects and the material setting of our surroundings there is a vast field – very appropriately named economics – describing the relationship of human beings with their material environment.

For ages, or perhaps aeons (note the lack of precision of these terms), economics has

been taken for granted. It was a matter of course that people would grow grain and breed cattle, build cities and travel the seas in ships they had built. It was part of human destiny – nothing to think twice about. And while the scope and range of human economic activities kept growing – 'scope' meaning the number of activities involved and their extension across the planet's surface – so, too, did the need to organise, sort, rationalise and, yes, measure them.

Need now an urge

The current complexity of economics – with more people than ever having a specific activity as well as an incredi-

ble range of different activities interacting – has turned this need into an urge. Tools have been forged and are constantly perfected. For instance, take inflation... Debasement – minting them with less precious metal than their face value suggests – has been common practice but with no actual measure of the effect on trade and prices.

Inflation is a modern concept that, so to speak, was 'discovered' as soon as a means of measuring it was invented. From this basic knowledge, many economists have been able to analyse inflation, to

The European Finance Convention Foundation...

... which has collaborated closely for 13 years with the European Commission and other supra-national bodies such as the European Parliament, European Investment Bank, EBRD and the ECB – has developed over the years a platform for high-level meetings on financial issues for the public and private sectors.

The Foundation also cooperates with the emerging mar-

kets of central and eastern Europe, enabling their governments to meet and talk to private investors, corporations, financiers and bankers, as well as Commission officials.

Next such meeting will be from 22-26 November in Helsinki. The 13th Annual European Finance Convention and Euro Week is being organised in association with the European Commission, the Finnish EU

Presidency, the Finnish Ministry of Finance, the Central Bank of Finland, the Finnish newspapers Helsingin Sanomat and Talous Sanomat. Among the speakers will be Romano Prodi, new Commission President, Brian Unwin, EIB President, and several Central Bank Governors.

The EFCF's website is <http://www.euroconvention.com>





discover its causes and forecast its likely effect. Inflation has been mastered better these last 10 years than ever before. We might even imagine a time when it will be identified even earlier and 'cured' like those diseases that used to plague mankind but are now considered harmless. On the other hand, while we suspect that something we call *deflation* occurs, we have no actual measurement for it, and, therefore, are at a loss to detect, identify and analyse it. Some even deny such a thing exists.

Legal tender, as opposed to the gold standard, has made it necessary for countries to have a monetary policy. This means the Central Bank must match the amount of money available to the value of goods and services transacted on the markets. If too much money is left on the open mar-

ket, inflation will soon surge; if too few means of payment are available, many operations are suspended or cancelled, and a kind of lethargy will slowly paralyse the economic scene.

Two decades ago nobody was quite sure that it worked this way. The success of the *deutschmark* on foreign exchange markets and the very low inflation in Germany were attributed to various causes – but certainly *not* to the accuracy of the *Bundesbank's* expectation of open market needs (and excesses) regarding the money supply.

When building the European Central Bank, its founding fathers were well aware of the German experience and did everything they could to endow the new bank with the capacity to master fully

an adequate money supply for an 11-country group according to open market needs. What a challenge!

The Maastricht Treaty has deprived European governments of much of the leeway they had to 'play' with inflation, deficits and foreign exchange rates and smooth their countries' economic paths. The importance of accurate, timely and reliable statistics has grown in proportion.

What could be 'approximate' in the past (with inflation in particular covering any 'mistake') can no longer be so. The very scale of the euro-zone economy prohibits errors. When statistics were purely national, there could be a margin of tolerance that might be incorporated in users' appreciation of the situation. With 11 different mar-

gins to be interpreted in as many different ways, such tolerance is now the route to chaos!

Statistics are Eurostat

In Europe, statistics are Eurostat.

Its carefully nurtured statistics – those 'pennies' that enable the 'pounds' to take care of themselves – service banks, including the ECB, the Commission, the Council of Ministers, the European Parliament... The press knows and distributes them to a wide public. Economists, both in government and the private sector, elaborate their models on the basis of Eurostat data and indices. In every respect, they're part of the European economic scene.

Yet economics is still very far from being an exact science. This is due partly to the absence of a genuine measure for value, like the metre for distance or the second for time. Despite this, recent developments show that, with accurate measurement and proper use of the instruments available, a country *can* map a secure passage even in stormy economic seas that may be worldwide.

Europe is relying on Eurostat to plot its economic course. The single currency is very new, innovative and bold. It has never been defined in relation to gold; it is pure legal tender and, as such, represents one of the world's largest economies. It could become a standard of measurement...a solid basis of the statistics used to map the route of European union on a more secure, and hopefully prosperous, cruise. ■

Integration of labour & energy statistics into the Dutch national accounts

by Jan van Dalen, Wim Leunis and Henk Verduin of Statistics Netherlands

Statistics Netherlands is currently carrying out a revision of the Dutch national accounts (NA) as part of the ESA 95 exercise. The first findings were recently submitted to Eurostat as well as being published externally.

A national accounts revision provides a useful opportunity to improve the integration of other sets of statistics into the NA. This enhances the quality of national accounting and broadens the scope for utilising both the NA themselves and the source statistics. In this context, two specific projects have been carried out as part of the ongoing revision exercise: the energy accounts have been integrated into, and the labour accounts completely reconciled with, the NA. While data from these two systems have been used in the past for the annual national accounting exercise, there has been no consistent reconciliation until now.

These two projects (energy and labour) are described below.

Energy – numerous advantages...

The integration of energy statistics with the NA offers numerous advantages. Apart from the wider range of source data that can be drawn on, the big advantage



is that physical quantities of supply and use are now known which tally with the values posted in the NA. An inherently consistent system is thereby created in which energy statistics, the NA and related statistics such as the Pollutant Emission Register (PER – a set of air-pollution statistics directly linked to energy statistics) are all featured. In the past, these sets of statistics were, in part, produced

independently of one another.

With this integrated system, a more direct relationship can be established between major economic variables and environmental pollution, while derived input/output tables make it possible to analyse energy flows within the Dutch economy.

Another direct advantage of this integration is that NA

data on volume changes have now become much more reliable. Data on the supply and use of energy sources were previously taken mainly from production statistics, which provide only the total value of purchases and sales. The underlying volume of the particular energy source thus remained unknown.

In principle, this value can be calculated if the price of

the energy source is known. However, it is notoriously difficult to establish a reliable price for energy sources. This is largely due to pronounced fluctuations in the price of energy raw materials over time, reflecting among other things world-market trends and quality variations. Moreover, there is widespread price-fixing on the use side, with individual branches of industry agreeing a set price for a particular energy source depending on the volume purchased. The upshot of this price discrimination is that reliable results cannot be obtained using a single deflator for all values.

In practical terms, the set of statistics on energy supply in the Netherlands (ESN) is integrated into the NA. The ESN provides data on the supply of energy for each branch of industry, the use to which the energy is put, and the amount of energy delivered. Thanks to its comprehensive description of energy production and use, as well as its depth of breakdown, the ESN is a highly-suitable source of data for drawing up NA supply-and-use tables.

A factor that has to be borne in mind when producing these tables is that the ESN relates to energy production and use within the Netherlands' borders, whereas the NA system describes the Dutch economy as a whole. This is an important distinction, for example in terms of energy consumption by Dutch lorries operating outside the national borders. By the same token, there are non-resident energy users in the Netherlands

who have to be dealt with separately in the NA. This distinction does not apply in the ESN.

Another important consideration following on from the above is that the ESN states fuel consumption for transport purposes in purely functional terms. This means, for example, that the petrol consumption of cars leased by computer service bureaux is not specified as such. In the NA, by contrast, consumption is broken down by branch of industry.

As a result of the ESN being integrated with the NA, both systems have been adapted, improved and supplemented. For example, NA data on consumption and production levels in the mineral oil and chemical industries have been adjusted in the light of ESN figures. Data on electricity and natural gas consumption in the provision of business services have in part also been brought into line with the ESN. For both sets of statistics, the integration process drew on use data from production statistics on individual branches of industry.

Motor-fuel consumption for road transport provides a good illustration of how useful this integration is. Alongside data from production statistics and ESN figures on total fuel consumption for transport purposes, a major factor in this context is the PER, which complies with the rules of the Intergovernmental Panel on Climate Change (IPCC) and is thus of importance for global environmental policy. Included within the ambit of the PER are emissions from

mobile sources. On the road transport side, the register records not only emissions but also fuel consumption and the total distance travelled by fuel type and mobile source (including a breakdown into residents and non-residents)

An important objective of the integration project is to combine these three sets of statistics within a single framework. The associated comparison process has given rise to major adjustments. For example, it emerged from the ESN data that the NA figure for domestic consumption of diesel fuel was underestimated by approximately 16%. On the basis of output statistics, on the other hand, it is now possible in the ESN to allocate fuel consumption data to individual branches of industry. In addition, via the PER, part of the fuel delivered in the Netherlands can now be allocated in the NA to non-residents. Also, it is known from the analysis of the total distance travelled how much fuel is consumed by the Dutch abroad. By way of indication, a good 20% of Dutch diesel fuel consumption occurs outside the country.

Such analyses are of direct importance for relating emission data to the Dutch economy. This 'linkage' is reflected in a separate environmental module in the NA, the NAMEA (National Accounting Matrix including Environmental Accounts). The module previously covered total emissions produced within the borders of the Netherlands (by residents and non-residents alike). Expansion of coverage to

include emissions caused by the Dutch abroad, with a deduction being made for foreigners' consumption in the Netherlands, has generated a more realistic picture of the greenhouse effect in relation to the Dutch economy. In the case of fuel consumption for air transport and ocean shipping, which naturally takes place mainly outside the national borders, this assumes far greater importance.

In addition to emissions from mobile sources, those from stationary ones (factories and the like) are also to be covered by the integrated system in future. In summary, a consistent framework has been set up in which the interrelationships between the various sets of statistics remain visible.

Labour – a 'top-down' approach

The Labour Accounts (LA) describe the situation of paid labour in the Netherlands. For each economic activity, data are compiled *inter alia* on employment – as measured in jobs, people and full-time equivalents – and compensation of employees, broken down according to personal and occupational characteristics, such as gender, hours of work and level of training.

The NA data also include estimates of employment and compensation of employees, albeit without any breakdown according to personal characteristics. While the NA and the LA have hitherto failed to match up complete-

ly as regards the level of common variables, data on annual changes have been brought into line in recent years.

The LA are based mainly on labour statistics. These encompass registers and business surveys, for which the payroll accounting of companies is the most important data source, as well as the Labour Force (Household) Survey coordinated at EU level. The NA are based to a significant extent on statistics that draw on companies' cost accounting departments as their principal source of data. Reconciliation of the two systems involves an in-depth check on the consistency and completeness of both.

It was agreed to take a top-down approach, with reconciliation being carried out at a certain level of enterprise-class aggregation, namely that already applied and published in the NA (corresponding, with a single exception, to the two-digit level of the NACE). In addition, the two systems may themselves provide more detailed breakdowns. For the LA estimates of employment and compensation of employees, the wages concept was substantially changed to bring it into line with ESA 95.

In the NA, these data were compiled from production statistics and other supplementary sets of economic statistics. These estimates were then compared at the agreed level of aggregation and the differences analysed. Any differences observed were explained and eliminated by applying a much lower level



of aggregation. As a result, the NA estimates for compensation of employees and employment were finally increased by a good 4% each. The adjustment in the LA was smaller, as the pre-review figures posted there were higher than those in the NA.

In practical terms, synchronising the planning of the two systems proved an awkward problem. Until now, the LA have been definitively established only upon publication of the NA, as the requisite data have become available only at a late stage. In the future, this procedure will have to undergo further streamlining. What has provided a major impetus in the revision process,

however, is the agreement to publish the LA and the NA jointly.

The project has thus resulted not only in a reconciliation of data but also in simultaneous publication. This has been achieved by including in the NA (which are published in English as well as Dutch) a separate labour-data series in which the key variables for labour are described. In addition, the more detailed data from the LA are, of course, available on request. The same goes for the National Accounts: for example, detailed supply-and-use tables as well as input-output tables can be obtained for a small fee.

Reconciliation of the LA and NA data has shown how

very important it is to monitor a number of 'linkage' variables, such as compensation of and numbers of employees, in the sets of statistics used. Only in this way is it possible to track down inconsistencies, omissions and population differences in the various sets of statistics.

Altogether the main progress is that statistics users can now avail themselves of a consistent and detailed statistical information system covering not only all the standard data on the economy (the national accounts) but also detailed data on the labour market, energy consumption and environmental pollution. ■

The Dutch NSI is 100 years' old. In this article* DR JACQUES VAN MAARSEVEEN reviews its progress. He's the NSI's historian and until 1995 its head of government statistics and deputy director of socio-cultural statistics.

Statistics Netherlands looks back a century

This year the Dutch NSI is a century old. Its statistics are important for Dutch government policy, which is based on negotiation and consensus, which in turn require irrefutable figures from an independent, autonomous professional institution. How did the NSI shape official statistics over the decades? And what role has it played internationally?

The Central Bureau of Statistics (CBS), recently renamed Statistics Netherlands (SN), was founded by Royal Decree on 9 January 1899. Until then the Dutch Government and Parliament had long considered statistics a luxury. However, lack of consistency, accuracy and completeness in the then existing official statistics led to the foundation of the Central Commission of Statistics (CCS) and the CBS.

The CBS's task was specified as follows: "Within the limits imposed by the available financial means the CBS shall gather, process and publish all statistical information which the Director considers useful for practical or scientific purposes." However, there was the following caveat: "The Bureau cannot undertake any new statistical enquiries, issue new publications, or discontin-

ue existing enquiries and publications without the consent of the CCS."

The CCS decided on the CBS work programme and could issue orders. The Royal Decree of 1899 was in force for almost a century. The new CBS/CCS Law of 1996 in essence reaffirmed the task and the formal relationship between the Bureau and the Commission.

In terms of budget, Statistics Netherlands falls under the responsibility of a Ministry. Early on it was the Ministry of the Interior; since 1932 it has been the Ministry of Economic Affairs.

Whenever the budget is tight, the strain of this relationship is felt. Sometimes the Bureau faced such enormous cutbacks that its very existence was threatened, as was the case in the 1920s.

The danger was that Ministries would take on the statistics cut at the CBS, thus inflicting a blow to the effort to centralise official statistics. There have also been conflicts between the CCS and CBS with Ministers involved over attempts to intervene in statistics. But the CCS and CBS have always been able to maintain their independence.

The first 50 years...

The various Ministries were quick to turn over many of their statistics to CBS, and this process was completed by 1906. New statistics were initiated, with much focus on labour issues. On the eve of World War I centralisation had made great strides, and with them the Bureau's autonomy.

One remarkable fact is that the CBS evolved during crises, depressions and wars. This was because the demand for statistics increased under such circumstances. During World War I, for instance, the Netherlands had to prove its neutrality to the belligerents with dependable statistics on imports, exports and transit trade. These statistics were then compiled by the Ministry of Finance, but their quality was such that they were transferred to the CBS and revamped.

During the Great Depression of the 1930s the Government and business community urgently needed statistics to plan the economy. A whole host of new statistics was initiated, such as production indices, and turnover data.

By the eve of World War II the Bureau had become a knowledgeable statistical institute with a good international reputation. During the war the work was at first carried out as usual. In 1942 the CBS employed over 1,000 people, mainly because agricultural statistics had been transferred from the Ministry of Agriculture.

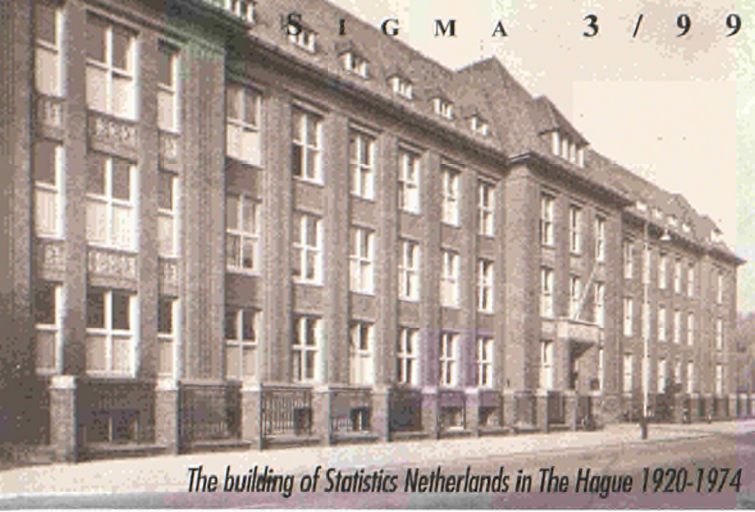
The next 50 years...

But the war left a devastated CBS. Demand for statistics that could be used in the reconstruction effort was high. The first national accounts proved crucial for economic policy and Marshall aid. These accounts had been prepared covertly during the war and were able to provide a coherent, quantitative picture of the national economy.

As the welfare state progressed, more statistics were required on social care, employment, housing demand, pensions, population forecasts, R&D etc. Multi-annual work programmes were set up in consultation with the CCS to streamline development.

Social statistics were expanded the most. Economic statistics were harmonized with the national accounts. This required more coordination than before. And because of the centralisation of statistics, coordination made rapid progress.

On 28 May, directly after this year's DGINS conference, Statistics Netherlands celebrated its centennial with the international statistical community and commemorated a century of Netherlands official statistics.



The building of Statistics Netherlands in The Hague 1920-1974

Coherent statistical description of the various social phenomena was the central aim. This led to cutting unrelated statistics. It also resulted in labour accounts and social-economic accounts in the late 1980s. Publication of compendiums or statistical abstracts also sought to express social phenomena such as health, traffic etc.

Despite budget cuts new statistical enquiries were set up into burning social issues, such as the growing informal economy, employment, minorities... Transfer of the unemployment statistics register from the Ministry of Social Affairs and Employment to CBS in 1988 was another highlight.

Active internationally

Since its inception in 1899, CBS has been very active in organisations for international statistical cooperation. This allowed it to develop into a prominent statistical bureau with a great deal of international influence. This was not just a matter of course...

At the beginning of the century, other countries felt that the Netherlands was behind in statistics. That perception gradually changed, due partly to the international orientation of the CBS directors. In particular, the establishment of the International Statistical Institute (ISI) in The Hague contributed to CBS's international reputation. Even today there is a special

relationship between SN and the ISI: the latter is still housed at SN and the Director-General of SN is an *ex officio* member of the ISI executive council.

After World War II, the CBS was very interested in international cooperation through the United Nations. It also initiated cooperation within Benelux. The attitude towards the European Community was somewhat less well disposed, given the limitation of policy freedom it entailed for NSIs in setting up their work programmes. As a result, there was sometimes a certain amount of resistance to Europe. But come the nineties, CBS decided to engage in intensive cooperation within the EU. It also made important contributions to technical cooperation with Eastern Europe and the former Soviet Union.

Today and tomorrow

In 1973 the CBS was shaken to the core. The Dutch government decided to split it in two. One office would remain in Voorburg, close to the heart of government. The other was to go to Heerlen to compensate for mine closures in Limburg province. Damage to CBS personnel and statistics was limited thanks to a programme of repair and expansion. But the whole operation was a tour de force. Nevertheless, the

Bureau managed to expand to 3,531 permanent personnel by 1982.

Budget cut after budget cut has led to a reduction of personnel by a third since then. Between 1992 and 1994 the CBS went through a major reorganisation to become more efficient. However, in 1999 the Bureau's programme is once more under threat – just as it was in 1973. Current Ministerial plans put at risk the continuity and quality of the statistics and the very existence of the Heerlen office. Again statistics are being treated as a luxury!

EU memberships adds to the pressure – especially since the EU in principle does not

finance the statistical demands it imposes.

The CBS, now known as Statistics Netherlands, has set goals to reduce the response burden, cut the flow of paper and provide better information more quickly through information and communication technology and advanced statistical methods. The online databank StatLine makes data more accessible. In future this will require a small, highly trained staff, which means the work force will have to adapt.

In this way SN hopes to continue to fulfil its task of making statistics for practical and scientific purposes and policy. ■

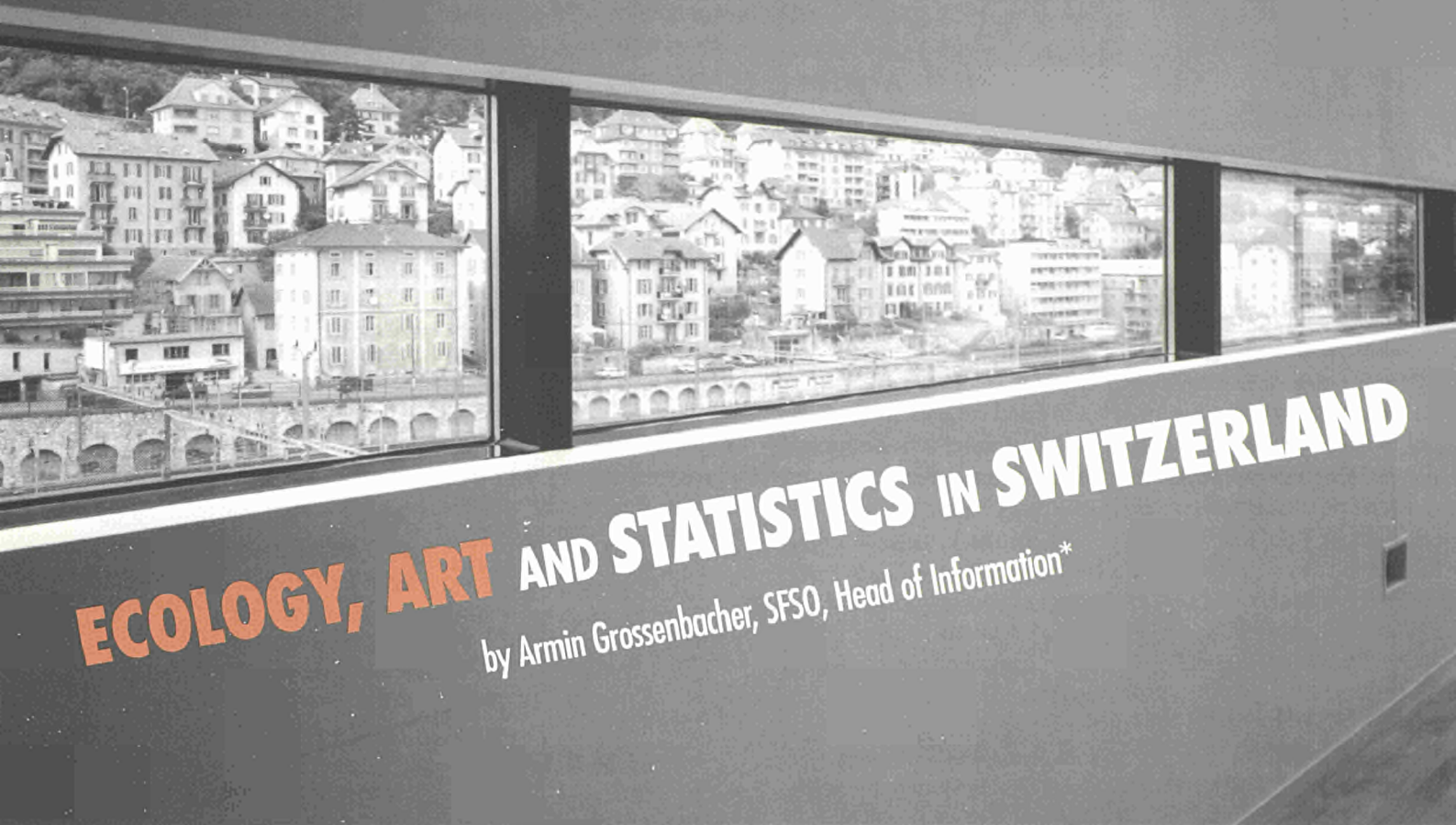
* translation from Dutch to English
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- ▶ Anne-Marie Kuijlaars, *Het huis der getallen. De institutionele geschiedenis van het Centraal Bureau voor de Statistiek*. Diss. Erasmus University Rotterdam, Amsterdam 1999, Press Stichting Beheer IISG. ISBN 90.6861.166.6. (with an English summary).
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CBS building in Voorburg





ECOLOGY, ART AND STATISTICS IN SWITZERLAND

by Armin Grossenbacher, SFSO, Head of Information*

In October 1998 the Swiss Federal Statistical Office (SFSO), the national statistical institute, moved from Berne to a new building in Neuchâtel. The move from German-speaking to French-speaking Switzerland marks an important break for the SFSO and Swiss Statistics, which was founded in 1860.

The construction and occupation of the new building for Swiss Statistics in Neuchâtel was the largest infrastructure project of the last 20 years. Following discussions of the Government to decentralise Swiss federal administrations Neuchâtel was chosen in the 1980s as the new location for the SFSO.

The Berne architectural firm 'Bauart' won the two-fold competition geared towards determining the design of the SFSO building and the urban planning of the entire area

east of the Neuchâtel railway station. The foundation was laid in 1994 after Parliament had granted a building loan of CHF 130 million.

When planning the new building, environmental requirements were highly prioritized: low energy consumption, own generation of alternative forms of energy and optimum use of the energy available were the main objectives, which were met by a series of innovative measures.

Since end of last year the SFSO has been located in the

representative new building in Neuchâtel that, for the first time, houses all the various departments under one roof.

The new location offers approximately 200 individual and double offices, four open-plan offices with working space for 35 people, seven conference rooms, a large conference chamber and a library, information centre and exhibition area for the public on the ground floor. The exhibition 'Six billion people' is currently on display at the exhibition area until 29 March 2000.

For the first time in a federal building, the works of art on display throughout the building may be viewed electronically. They are accessible to the public on large screens in the entrance hall and also include interactive art on the Internet (www.collectivepainting.ch). ■

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Further information:

- ▶ CD-ROM *Guide OFS/BFS*
- ▶ Publication *Statistics – A universal language*, available in DE, FR, IT, EN (also on the CD-ROM *Guide OFS/BFS*)

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DESCRIPTION OF THE SFSO

The Swiss Federal Statistical Office (SFSO), which is part of the Ministry of the Interior (Eidgenössisches Departement des Innern - EDI), has around 530 employees. This number is slightly higher during major surveys such as the national census/structural survey of Switzerland or the business census. Almost two thirds of the employees are German-speaking, 30% French-speaking and approximately 6% Italian-speaking. The annual budget amounts to around CHF 70 million on average.

Svante Öberg, new head of Statistics Sweden

Mr Svante Öberg was appointed Director-General of Statistics Sweden (SCB) on 1 May 1999 succeeding Mr Jan Carling.

Mr Öberg was previously Director-General of the Swedish National Institute of Economic Research (NIER), where he had been since 1997. Before that, in 1990-91 and from 1994, he was a State Secretary with the Ministry of Finance, with responsibilities embracing domestic economic policies, financial markets and international economic cooperation.

He has worked for SCB before – from 1970-74 – and was a member of its board from 1983-90.

In his previous posts he was a frequent user of statistics and is reported as recognising both the strengths and weaknesses of the Swedish statistical system. He believes there is a need for high-quality statistics in making forecasts and hopes that he will be able to contribute to improvements in this field.

He also says he will devote some of his time to making Statistics Sweden even better

known among the Swedish public. There will be more press conferences and other activities to encourage greater awareness of SCB reports. He adds that the news media and the Internet are a good way of reaching the public and thus increasing the value of statistics.

Mr Öberg looks forward to working in the Statistical Programme Committee (SPC) of Eurostat and other international statistical fields of cooperation. He knows SCB has been active in introducing and keen to realise the Harmonized Consumer Price Index and short-term indicators; but also

that Sweden has pursued a wait-and-see attitude and been dubious towards the introduction of Intrastat and the European Community Household Panel.

Mr Öberg had considerable international experience, with membership of several international committees, some within the context of OECD. Within Europe, he was a member of the EU Monetary Committee from 1994-97 and took part in the meetings of the Ecofin Council during the same period. His other jobs have included adviser in the European Department of the IMF in Washington from 1992-94. ■

UK ONS Director to step down

Tim Holt, Director of the UK Office for National Statistics, announced in June that he was stepping down, probably with effect from the end of 1999.

Dr Holt (55) also serves as Head of the Government Statistical Service and as Registrar-General for England and Wales. His departure from all three posts is likely to coincide with the appointment of

his successor, who will oversee the Government's plans for the creation of a more independent national statistics service underlined a news release issued by ONS.

"My standing down", **Dr Holt** said, "will coincide with the end of a phase of creating ONS and preparing the ground for what I hope will be the most significant develop-

ment for UK national statistics since the Central Statistical Office was formed during the Second World War."

Options for enhancing the integrity of UK official statistics were spelt out in a Green Paper published last year and firm proposals for the future of national statistics will be published in a White Paper.

Patricia Hewitt, the Economic Secretary to the Treasury and

Minister responsible for the ONS, said: "I am very grateful to **Tim Holt** for the contribution he has made over the past four years in creating the ONS and improving the quality and standing of official statistics. I am also very grateful to him for announcing his intentions in good time, so that we can ensure a smooth transition to the new governance arrangements and appointment of the new Director of National Statistics." ■

Mr Erich Bader, President of the Austrian Central Statistical Office since August 1988, retired on 1 July 1999.

Mr Bader was born in Vienna in 1939. After completing his studies at the Faculty of Law and Political Science of Vienna University and his barrister's training in 1963, he began his career with the CSO. His first position was in the Department for Foreign Trade, Transport and Tourism, where he was responsible for foreign trade statistics.

In 1968 he was appointed Deputy Head of the Technical

Head of Austrian CSO retires

Department, where, on top of his administrative and personnel duties, he was involved in the rapid expansion of the computer centre. In 1981 he became Deputy Head of the President's Office and in mid-1984 its Head.

In August 1988 he succeeded Dr Schmidl as CSO Managing Director and in November of that year was named its President.

There can be no doubt that the most important event during his

nearly 11 years as President was Austria's entry into the EEA and the EU, an event with major consequences for the country's federal statistics. From the start of the entry preparations, Mr Bader represented Austria in EU statistical bodies and led his country's drive to adapt its national statistics to the ESS. This task was made all the more difficult by CSO staff reductions in the wake of government austerity policy and a recruitment ban in the federal civil service, which

made it impossible to recruit further qualified staff.

Mr Bader's Presidency also saw creation of two new Departments (Environmental Statistics and Science and Technology Statistics) and further modernisation of the CSO's automatic data-processing equipment.

During his 11 years at the helm, Mr Bader made a crucial contribution to the development of Austrian statistics and its incorporation into the ESS. ■



Statisticians on the ball!

Since 1990 a major volleyball event has been organised every year for the staff of Europe's NSIs. The First European Volleyball Tournament for Statisticians (EVS) in Voorburg, Netherlands, was an instant success. It's since been held in Luxembourg, Lisbon, Copenhagen, Paris, Stockholm, Budapest, Warsaw and, most recently, Bratislava.

This year the 10th EVS will be in Maastricht from 29-31 October,

organised by Statistics Netherlands' staff in Heerlen. The steering committee (see picture) has been hard at work for the last two years to make this a major European event: it has its own web-site of up-to-date information on this and previous tournaments.

Interest in the EVS has grown steadily over the years. Nineteen teams from 11 countries took part in 1990. This year's 10th anniversary tournament looks set to be bigger

than ever, with more than 35 teams from at least 18 countries expected.

Maastricht is a splendid location for - the oldest city in the Netherlands, and a few years ago witness to the completion of a major step towards European union. This October Maastricht will again play a key role in bringing together large numbers of Europeans!

Some European countries have not yet taken part in the

tournament. It would be wonderful, say the organisers, if they could make their debut in Maastricht. Statisticians from such countries are asked to contact.

Frans Duijsings of the EVS 99 steering committee.

His e-mail address is evs99@cbs.nl and telephone number +31 45 5707001.

EVS99-info:
www.evs99.is.nl



The EVS 99 organisation committee: from left-to-right – Jos Geurts, Ad Vaessen, Betty Keizer, Leo van Meegeren, Lou Smeets, Victor Moolhuijsen, Jo Ridderbeks, Frans Duijsings and Han Hölsgens

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