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**SHORT-TERM MACROECONOMIC STATISTICS:  
THE CURRENT PRIORITY NEEDS OF POLICY MAKERS**

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## **Abstract**

### **Short-term macroeconomic statistics : the current priority needs of policy makers.**

The author takes stock of the developments, since the launching of the euro (1999), regarding the improvement of short-term macroeconomic statistics within the Euro Area. The conduct of the single monetary policy as well as the coordination of economic and fiscal policies within the Euro Area dramatically increase the need for timely and reliable short-term macroeconomic statistics. The author highlights the main objectives of the current strategy pursued through the 2000 Action Plan, the Principal European Economic Indicators (2002-2003) and the code of conduct for the excessive deficit procedure (2003). Finally, the author identifies the current four key concerns of policy makers in this field, namely the relevance of the indicators, their reliability, their availability and their consistency. These four key concerns are commented against the backdrop of the Ecofin Council decision of 2 June 2004 on macroeconomic Information requirements in EMU.

**KEYWORDS:** economic statistics, economic and monetary union

**JEL CLASSIFICATION:** E00

## **Introduction:**

- A key feature of European EMU in its complete form, namely the Euro Area, is the distinction between the highly decentralised economic and fiscal pillar, where control rests with the Member States but is coordinated at Community level, and a centralised monetary pillar which is the responsibility of the Eurosystem. This **institutional paradigm of European EMU** will also leave its mark on the European statistical organisation, as we shall see.

Furthermore, the creation of the **Euro Area** will represent a **quantum leap in terms of quality in the policy makers' perception of the needs** regarding short-term macroeconomic statistics, both at the level of the euro area as a whole and for the individual countries making up that area. The purpose of this paper is to try to offer an albeit brief account of that quantum leap.

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### **1. EMU increases the need for timely and reliable short-term macroeconomic statistics**

Within the Euro Area, it is essential to have timely and reliable short-term macroeconomic statistics. They are needed mainly for the following purposes:

- 1.1 the conduct of monetary policy** (and the necessary consolidation of the indicators at **Euro Area** level);
- 1.2 the implementation of the budgetary surveillance arrangements** (Stability and Growth Pact and excessive deficit procedure); and
- 1.3 the coordination and surveillance of economic policies and the policy mix in the Euro Area.**

**Stage III of EMU** which began on 1 January 1999 – with the creation of a Monetary Union comprising 11 of the 15 Member States of the European Union, under the name of the “**Euro Area**” – was obviously bound to lead to major developments in the field of statistical information.

In that regard, it is worth drawing attention to the key points of concern from the **policy makers** at the time of the creation of the Euro Area. That is all the more interesting since those concerns continued to apply subsequently, even if they have been further “enhanced” over the years. In that respect, it is sufficient to refer to the conclusions of the **Ecofin Council of 18 January 1999** which approved the Report on statistical requirements in Stage III of EMU. That Report had been prepared by the Monetary Committee, and in a way it represented the committee’s final words before that body was replaced by the Economic and Financial Committee.

The Report begins by stating that the production of statistical information is **geared to the conduct of monetary and economic policy** in the European Union as a whole and within the Euro Area in particular. The Report then goes on to identify the main (1) users and (2) producers of statistics. It also – and that will be its main contribution – proceeds to (3) define the working priorities. This paper will comment briefly on these three points, but first it will emphasise the desire of the policy makers on these matters that the statistics should be as concrete and operational as possible. That desire for detail - some would say too much detail – has been a constantly recurring theme in the statistical activity of the Ecofin Council over the past fifteen years.

(1) **The main users of statistics** are, of course, the persons responsible for conducting monetary policy, on the one hand, and economic policy on the other. Their respective responsibilities are obviously different, even if the policy makers are required to cooperate and work together. This is an illustration of the institutional paradigm of European EMU which was pointed out in the Introduction.

- For the conduct of **monetary policy**, the Report highlights **the great interest of the ECB for the Euro Area** as a whole, but also **for each of its Member States** in particular. The ECB also monitors the other Member States of the European Union, although they are not participating in the Euro Area.
- For the conduct of **economic policy**, the Report identifies both the Member States and the European institutions, beginning with the Ecofin Council, the Euro-11 Group (the forerunner of the present Eurogroup), and the Commission.

(2) On the subject of the **producers of statistics**, there is less that is new in the Report, which merely endorses the practices set up since the Maastricht Treaty in 1992.

- As regards the production of statistics in the **monetary sphere**<sup>1</sup>, it draws attention to the role of the national central banks (as members of the ESCB or the Eurosystem, as we would say today) with, of course, the central role of the ECB. Although the Report does not dwell on the way in which the production of these statistics is organised – presumably out of deference to the independence of the central banks – it is necessary at least to point out the key technical role fulfilled since 1992 by the Working Group on Statistics, which was succeeded by the Statistics Committee when the ECB was established. The Report points out that the statistical requirements for the conduct of monetary policy concern not only actual monetary and financial data (such as the growth of the money supply or the money and banking and financial market statistics) but obviously economic data as well, and primarily the data on prices and costs.

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1) The contribution of the ECB and the National Central Banks to the production of European statistics forms the subject of the very recent and noteworthy work by Peter BULL and published by the ECB, «The development of statistics for economic and monetary union», July 2004.

- As regards the production of statistics in the **economic sphere**, the Report emphasises both the role of the national statistical institutes and that of Eurostat. On this occasion, the Report pointed out that, while the statistical requirements also related to **the Euro Area and the EU** as a whole, “the main focus” would remain on the situation **in each Member State** since “it is at this level that concrete policy action may have to be taken.”
- Finally, the Report drew attention to the role of the Committee for Monetary, Financial and Balance of Payments Statistics (known by its acronym CMFB), created by the Ecofin Council in February 1991. A meeting place for statisticians from Eurostat, the ECB, the national central banks and the national statistical institutes, this committee plays a key role in the **harmonisation of European statistics** and in **cooperation** between Member States in this field.

(3) Finally – and that is its main contribution – the Report endeavours to identify a **priority programme of work**.

The priorities centre on six main aspects :

- the **quarterly national accounts** which, “for the purposes of economic policy.... are the core statistical information system” and which “should therefore be further developed”,
- **public finance**, regarded as a “high priority”, with particular emphasis on the production of quarterly accounts for the government sector,
- the **labour market** with particular emphasis on the quarterly statistics relating to employment, unemployment, labour force and labour costs,

- the “**short-term business indicators**” which are both quantitative (with particular emphasis on the need to enhance the statistical information relating to services other than retail trade) and qualitative (confidence indicators type),
- the **balance of payments and external trade** with emphasis on the monthly balance of payments data for the Euro Area as a whole and the more detailed quarterly and annual data on these two topics,
- the **availability of information**, meaning very timely publication in accordance with **predetermined release dates, the data being readily accessible** to users.

The formulation of these priorities is accompanied by an urgent request for more active implementation of the **European regulations** on statistics, with elimination of the numerous derogations obtained by various countries in priority statistical spheres.

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## **2. The strategy pursued by the European Union for improving the macroeconomic statistics has already begun to produce results**

### **2.1 Main stages of the strategy for improving the European statistics**

At the start of this new century, the policy makers wanted to see more rapid improvements in European statistics. That desire is prompted not only by the requirements for the conduct of economic, fiscal and monetary policies, but also by concern that Europe should catch up with other countries in this respect and match the best standards in the world, particularly those set by North America.

This desire for faster progress centred on **three main developments**: (1) the Action Plan (2000), (2) the Principal European Economic Indicators (2002-2003) and (3) the code of conduct for the excessive deficit procedure (2003).

(1) The Ecofin Council of 18 January 1999 had asked the Commission (Eurostat) to draw up – in collaboration with the ECB – an **Action Plan** on the statistical requirements of EMU. This Action Plan (drawn up in cooperation with the national authorities) was presented to the Ecofin Council of 29 September 2000, which adopted it.

On the basis of the shortcomings noted by the Economic and Financial Committee (in its 2<sup>nd</sup> implementation report), the Action Plan essentially (1) reiterated the **spheres**<sup>2</sup> already identified by the Ecofin Council of 18 January 1999, and (2) confirmed that priority should be given to the rapid implementation of the **European regulations** which concern them. The **transmission deadlines** for the statistics concerned are a particularly important issue. Finally, the Action Plan confirms the principle of priority measures (“action points”) and their monitoring in the case of **every Member State and its National Action Plan**.

(2) The second focus of improvement concerns the adoption, in the spring of 2003, of the **Principal European Economic Indicators**, or PEEIs. The policy makers’ concern with this is something new. These PEEIs in fact reflect the desire for very high quality key indicators, available within a short time-scale (although the deadlines are longer, on average, than those applicable in the USA). These are **aggregate indicators** at the level of both the **Euro Area** and the EU. These indicators, of which there are 19, selected on the basis of the opinions of the ECB and the DG ECOFIN (Commission), are distributed among the following five areas (which overlap very largely with those of the Ecofin Council decision of January 1999) :

1. consumer prices (2)
2. quarterly national accounts (4)
3. business indicators (8)
4. labour market (4)
5. external trade (1).

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2) Quarterly national accounts, quarterly statistics on public finances, labour market, short-term business statistics and trade statistics.

The reason for these PEEIs – as is apparent from the Communication of the Commission to the European Parliament and the Council on Eurozone statistics (27 November 2002, COM (2002) 661 (final) – is clear : considering that “the Action Plan, although very substantial, might not be enough to match the US timeliness and best practices worldwide”, it is necessary to focus on some aggregate key indicators (euro area/EU) and more challenging release dates. However, this initiative is complementary to the implementation of the Action Plan, which remains the backbone of the entire strategy.

(3) The policy makers concerns which lie behind the **Code of conduct for the compilation and transmission of data in connection with the Excessive Deficit Procedure** are by nature very “specialised”. In fact, the aim is to “clarify and rationalise procedures”, at the level of both Member States and the Commission, for the compilation and transmission of data concerning the government deficit and the government debt. The focus is not only on the “actual data” of the last four years, but also on the “planned data” for the current year. In addition, the Code aims in particular to resolve the methodological questions concerning the accounting treatment of “specific government measures”, thus confirming the decisive role of Eurostat as well as the advisory role of the CMFB.

(4) Finally, for completeness, mention should be made of the strategy for implementing the Action Plan for the **Candidate Countries**. In May 2003, the EFC high level meeting with the Candidate Countries confirmed the principle of the Action Plan while identifying 6 priority areas. They concern the annual national accounts, the harmonised index of consumer prices, long-term interest rates, the balance of payments, external trade and “intra-annual” data concerning national accounts, public finances, the labour market and business activities.

## 2.2 Substantial progress has been made but much remains to be done.

That is effectively the main message of the latest assessment by the EFC<sup>3</sup>, which was endorsed by the Ecofin Council of 2 June 2004. Moreover, that message concurs with that of the latest IMF Article IV mission concerning the Euro Area (May 2004).

The EFC assessment takes stock of the implementation of the Action Plan and the PEEIs for the Euro Area and for each of the European Union Member States.

Without being able to go into details here on the implementation of the **Action Plan**, and referring just to the **Euro Area**, it is evident from the assessment that, without underestimating the progress made, there is still a long way to go before the Action Plan objectives are achieved (in terms of indicators and publication dates). Practically all the Member States of the Euro Area – though some (far!) more than others – still have plenty to do. Moreover, that situation has more serious implications for the coordination and surveillance of national economic policies, since the shortcomings affect indicators concerning the three main economies of the Euro Area.

As regards the **PEEIs** which – it should be remembered – are European aggregates, the initial objective is still full implementation in 2005. The assessment reveals that, while the situation may be satisfactory for 9 of the 19 indicators<sup>4</sup>, it is less good for 7<sup>5</sup> others and decidedly unsatisfactory for the last 3<sup>6</sup>. The EFC assessment therefore does not conceal the fact that, without greater commitment on the part of the authorities, this objective is unlikely to be achieved. In its conclusions of 2 June last, the Ecofin Council passed on that message.

3) These EFC assessments are prepared by a Statistics EFC subcommittee.

4) (1.2) Harmonised Consumer Price Index: actual indices. (2.1) Quarterly national accounts: First GDP estimate. (2.2) Quarterly national accounts: First GDP release with more breakdowns. (2.4) Quarterly national accounts: Government finance statistics. (3.1) Industrial production index. (3.2) Quarterly output price index for domestic markets. (3.5) Production in construction. (3.6) Turnover index for retail trade and repair, and (5.1) External trade balance: intra and extra for MU and EU.

5) (1.1) Harmonised consumer price index: MUICP flash estimate. (2.3) Quarterly National Accounts: Household and Company Accounts. (3.3) Industrial new orders index. (3.6) Turnover index for retail trade and repair. (4.1) Unemployment rate. (4.3) Employment index, and (4.4) Labour cost index.

6) (3.4) Industrial import price index. (3.8) Corporate output price index for services, and (4.2) Job vacancy rate.

On the subject of compliance with the **Code of Conduct**, the situation tends to vary from one Member State to another, even though progress has been made. In the case of the Euro Area countries, particular attention is drawn to questions concerning the classification of certain transactions. However, the assessment also identifies the persistence of general problems concerning the quality of budgetary data in some of the Member States.

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### **3. Economic policy makers are currently concerned about four key issues relating to short-term macroeconomic statistics:**

Throughout these developments, from the start of EMU Stage III, it is possible to identify **four key issues of constant concern** to the policy makers. Their current priorities can also be updated on the basis of the latest developments.

- 3.1 The **Relevance** of the indicators, which is a reference to the establishment of priority indicators from the dual angle of the EU and the **Euro Area** (the issue of the proper scope of the “First for Europe” principle, which is the subject of the round table at the end of this Conference).

Three topics of priority interest today:

- the services sector,
- the labour market (employment, unemployment, number of hours worked and wages),
- the national accounts per institutional sector (financial/non-financial corporations, general government and households).

3.2 The **Reliability** of the indicators, which refers in particular to the integrity of (a) the accounting set-up (particularly that relating to the public accounting systems as such) and (b) the statistical set-up within EMU in general and the **Euro Area** in particular.

A topic of priority interest today: the independence and “accountability” of the data suppliers (particularly the national statistical institutes), especially in conjunction with the requirement concerning the quality of budgetary data.

3.3 The **Availability** of the indicators, which refers (1) to precise commitments concerning punctuality (particularly as regards data release dates) at both European level (Commission - Eurostat) and national level (Member States) and (2) to the implementation of these commitments, what also means an in-depth overhaul of the genuinely priority statistics.

An essential requirement today: the mobilisation of adequate human, technical and hence budgetary resources. Reviewing the priorities for statistics would contribute here by making it possible to release the available resources.

3.4 The **Consistency** of the indicators, which refers to the question of the optimum harmonisation of the timetables for revising and updating the various statistical indicators. If, because of their different timetables, the statistical messages look inconsistent over time, such a situation is liable to complicate or even disrupt the work of the policy makers.

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The Ecofin Council is aware of the major challenge facing the producers of statistics. If we wish to progress in the areas of key concern mentioned above, it is important at the same time to restrict the requirements in areas which may be regarded as less important. In the jargon of statisticians, these are “negative” priorities. In that regard, on 2 June 2004 the Ecofin Council asked the Economic and Financial Committee, with the assistance of Eurostat and the ECB, to draw up proposals by June 2005 on a rebalancing of priorities (which might also mean the interruption of certain statistical activities).

Following this brief review of the subject, **two main conclusions** can be drawn:

- (1) Ever since the euro was launched, the Ecofin Council policy makers have constantly **specified their requirements** regarding macroeconomic statistical information. They have done so in terms of
  - objectives (choice of indicators and publication dates);
  - action plans (with timetables and assessment procedures);
  - and
  - concerns about quality (reliability, relevance, availability and consistency of the indicators).
  
- (2) Although the progress achieved since 1999 is not disputed, **the implementation** of these resolutions still remains a **major concern**. The year 2005 will represent a decisive test in that respect, as is evident from the conclusions of the Ecofin Council of 2 June. These problems of implementation are admittedly not confined to the subject of macroeconomic statistical information. They also occur in other Community areas, such as the Lisbon Strategy, to take what is probably the most symbolic example. However, in the field of statistical information this observation should prompt a more detailed **institutional** analysis of the current organisation and working methods. In asking the Commission to propose, by June 2005, “European standards for the institutional set up of the statistical authorities”, the Ecofin Council of 2 June 2004 is presumably suggesting that conclusion. It could even encourage a new quantum leap in terms of quality, this time more

institutional than that of 1999. However, that is another subject which goes beyond the scope of this account, even if this paper has brought us to that point.