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SESSION 6:

NA data for policy making – promotion of the use

Use of 1993 SNA, Rev.1 for Central Bank purposes

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Session 6 National Accounts data for policy making-promotion of use

The paper¹ draws out the use of the System of National Accounts (1993 SNA, Rev.1²) for central banks, both from the perspective of user and producer of statistics. Monetary, financial and economic statistics of high quality are vital for monetary policy analysis. The 1993 SNA makes an essential contribution to statistics which are fit for purpose as it fosters methodological soundness (by providing international standards for statisticians), coherence and international comparability. The ECB uses the 1993 SNA as the basic methodological framework for all the statistics it produces and benefits from statistical authorities doing the same where appropriate and feasible³. The 1993 SNA, Rev.1, is the worldwide statistical standard for providing a clear, systematic description of national economies as well as economic and monetary unions.

The 1995 ESA is broadly consistent with SNA 93 as ‘the’ reference for EU countries and, as a legal framework, it is strictly applied as a methodological reference for the large majority of economic statistics required both in the Member States and for European purposes and for implementing European Community policies. ESA covers, for instance, the appropriate sector/sub-sector classification used in monetary and financial statistics and euro area economic accounts.

Section 1 reviews central banks’ statistical requirements for economic and monetary analysis, including structural labour market statistics.

Section 2 focuses on the role of the SNA for the ECB as a producer of statistics.

Section 3 describes the importance of a regular dialogue between central banks as users and producers, on issues which include the update and the implementation of the SNA.

¹ This paper draws on: the Friends of the Chair Report on Integrated economic statistics to which the ECB has contributed and which was welcomed by the UN Statistical Commission, at the thirty-ninth session, 26-29 February 2008 and the discussions at the Fourth ECB Conference on Statistics, 24-25 April 2008, see <http://www.ecb.europa.eu/events/conferences/html/eastats4.en.html>.

² The first volume of the updated 1993 SNA (1993 SNA, Rev.1) has been approved by the UN Statistical Commission in its recent meeting.

³ Only one-half of all countries in the world have implemented SNA 1993. [IMF, January 2008]

1. Central banks statistical requirements for monetary and economic analysis

The economies we live in are never at rest and cannot rest because of the diverse nature of shocks: financial, demand and supply. The users' main preference is for a coherent message during a business cycle and consistency in the choice of statistics used for economic and monetary policy. Central banks generally have to take decisions under conditions of constant uncertainty. There is therefore a need for an integrated dataset because non-integrated (incoherent, inconsistent) data leads to sub-optimal decisions. In this context, a broad range of complementary statistics and forecasts derived from them is important for all policymakers and for the general public. Within this dataset, the message writer should know the story and the sources of data. Users require integration within a national accounting framework which uses comparable statistical methods and integration techniques. "Signals" which are first given by short-term indicators (e.g. retail trade turnover, construction output, data by main industrial groupings) should be coherent within the subsequent release of quarterly and annual national accounts.

The priorities in statistical requirements for central bank users⁴ include: i) timely and reliable national accounts statistics for economic and monetary policy analysis and for international comparisons; ii) an explicit and transparent revisions policy in which major revisions are coordinated, iii) a consistency in data methodology, by following international statistical standards, iv) harmonised methods and practices for seasonal adjustment of short-term statistics and quarterly national accounts, v) consistency between monetary and financial statistics and their consistency with non-financial statistics, vi) consistency between national accounts, balance of payments, monetary and government finance statistics, vii) consistency in summing quarterly data to annual data, viii) the elimination of inconsistencies in the balancing process, ix) a sufficient length and consistency of time series which should cover at least one or two business cycles for the main aggregates and x) only one official figure that explains one phenomenon.

Furthermore, European policy makers in the the ECOFIN Council (composed of the Economics and Finance Ministers of the Member States)⁵ provide recommendations on

⁴ For a review of the role of harmonised monetary, financial and economic statistics in monetary and other economic policies, see the Concluding remarks by José Manuel González-Páramo, Member of the Executive Board of the European Central Bank, at the Fourth ECB Conference on Statistics, 24-25 April 2008. <http://www.ecb.europa.eu/press/key/date/2008/html/sp080425.en.html>

⁵ The ECOFIN Council (composed of the Economics and Finance Ministers of the Member States) discuss EU policies in a number of areas including: economic policy coordination and economic surveillance.

information requirements in the Economic and Monetary Union. The 2007 report⁶ stressed that structural labour market statistics were of key importance for economic and monetary policy, in particular from the perspective of labour demand and labour supply, of resulting mismatches in skill levels and of structural unemployment. Policy makers thus require productivity and growth analysis based on a dataset of labour by industry. The compilation of labour accounts as an intrinsic part of national account is seen as therefore essential.

2. Central banks as producers of statistics

Central banks may be intensive users, but also producers of statistics. The ECB⁷ together with the NCBs compiles a large number of statistics to support the conduct of monetary policy. In this context, the 1993 SNA and, in the European context, the 1995 ESA are of crucial importance as they provide the framework of a full integrated set of accounts: the stock-flow relationship, debtor-creditor relationship and separation of price and volume changes of assets.

The production of statistics in Europe has benefited from a clear division of tasks between the ECB and Eurostat, as set out in a Memorandum of Understanding⁸. The ECB is responsible for monetary and financial statistics and Eurostat is responsible for general economic statistics. The latter include the Harmonised Index of Consumer Prices (HICP), the ECB's benchmark for price stability. Responsibility for external statistics (balance of payments and the international investment position) and for the euro area accounts is shared with Eurostat.

The euro area economic and financial accounts produced by the ECB (jointly with Eurostat) provides a case study of an integrated model of economic statistics⁹ and the ideal framework¹⁰ for analysing across sectors of the economy and its changes over time as well as the impact of shocks through the system. By bringing economic and financial statistics from different sources in one single framework, their reliability can be compared. This also permits a further enhanced cross-checking of the economic and monetary analyses. By ensuring that the same type of transaction is recorded in the same way for all economic agents, a framework is

⁶ 2007 EFC Status Report on Information Requirements in the EMU. See: <http://www.cmfb.org/pdf/2007%20EFC%20Status%20Report%20-%20final.pdf>

⁷ For a review of recent enhancements to euro area statistics and the strategy for their further development, see the speech, "A strategic vision on euro area statistics: the ECB's view" by Jean-Claude Trichet, President of the ECB, at the Fourth ECB Conference on Statistics, 24-25 April 2008. <http://www.ecb.europa.eu/press/key/date/2008/html/sp080424.en.html>

⁸ For more details on the exact division of labour for statistics at the European level please refer to the "Memorandum of Understanding on economic and financial statistics between the Directorate General Statistics of the ECB (DG Statistics) and the Statistical Office of the European Communities (Eurostat)". (http://www.ecb.europa.eu/ecb/legal/pdf/en_mou_with_eurostat1.pdf)

⁹ As described in http://www.ecb.europa.eu/stats/pdf/ea/eas_note_ch3.pdf.

¹⁰ If supplemented by comprehensive labour accounts integrated within the accounts and regular supply and use tables, the euro area accounts can also provide the basis for productivity analysis to central bank users.

provided for analysing the link between the financial and the real economy – an issue notoriously difficult to analyse- and for combining flow and balance sheet information.

These accounts allow also the economic interrelations among the different institutional sectors (households, non-financial corporations, financial corporations and general government) and between these sectors and the rest of the world and the financial balance sheets by sector of the economy, including households. They integrate and complement more timely and more frequent statistics, for instance by providing a sectoral breakdown of the broad monetary aggregate M3¹¹ and by containing hitherto unavailable quarterly data on household and corporate income, expenditure, saving and wealth changes.

The euro area accounts can be considered as the national accounts of the euro area and as such are a powerful information basis for interpreting current economic data and for forecasting.

3. The importance of a regular dialogue between central bank users and producers on issues such as update and implementation of SNA

A regular dialogue between users and producers is essential for the update and the implementation of the SNA and of the revised ESA. Statisticians need to understand the priorities of users for monetary and economic analysis and to use their expertise on the most important developments in the financial and economic world, in order to keep SNA up to date and relevant. At the same time, it is crucial for users to have a rough knowledge on the standards underlying statistics so that they too understand the data they are using. If policy users have an analytical framework within which all sources of information are brought together in a coherent framework, this provides them with a clear sense and transparency of the working of the economy.

In Europe, the ECB and national central banks of all EU member states currently use the ESA as a reference framework for the large majority of its statistics and as users contribute to the drafting of areas of particular importance to central banks, including financial transactions, holding gains and losses by type of financial assets, financial assets, euro area aggregates and pensions. Furthermore, and with the experience of using the new euro area economic accounts, users contribute to consistency issues, particularly between the non-financial accounts and the financial accounts. Among topics of most interest in this context will be issues related to financial services, property income and financial transactions.

¹¹ See 'New Estimates on Holdings by Sector for Euro Area M3, ECB Monthly Bulletin, December 2007, pp. 19-21.

This dialogue takes place in Europe in settings such as the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB¹²) assists the European Commission in drawing up and implementing work programmes concerning monetary, financial and balance of payments statistics. The CMFB is the forum for co-ordination of statisticians from the National Statistical Institutes and Eurostat on the one hand, and the National Central Banks and the European Central Bank on the other. Like the cooperation between Eurostat and the ECB on statistical matters, there are a variety of successful cooperation agreements between national statistical institutes and NCBs. These agreements strengthen the effective and efficient collection, compilation and dissemination of high quality European and national statistics.

One final point is that users may also contribute to a better terminology in SNA and ESA in terms of explaining concepts in plain economic text. This is of course important when analysing the statistics, particularly so when one uses indicators such as corporate profitability and company indebtedness which are not well defined.

¹² See: <http://www.cmfb.org/index.htm>