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COVER NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Requirements for structural statistics 2015: overview of progress made - Input to the EFC Statistical Package -

Delegations will find attached the EPC report on structural statistics.



**Requirements for structural statistics 2015: overview of progress made
- Input to the EFC Statistical Package -**

1. Overview

Since 2006, the EPC has annually taken stock of the needs for structural statistics to support the work of the ECOFIN Council¹.

The report gives an overview of progress made over recent years and identifies areas where further efforts are required, in particular:

- The first part of the report (sections 2-4) highlight three sets of statistical information that are of key policy relevance: The Macroeconomic Imbalances Procedure (scoreboard and other relevant statistics); the Europe 2020 indicators; and the indicators related to the Commission Communication on 'GDP and beyond'. It is important to continue the work to further develop and improve these data sets, which have each reached different levels of maturity.
- The last part of the report (section 5) outlines progress made on other structural data for which continued development and improvement of the underlying statistics is also important. Within this context, the EPC recognises the dilemma between growing demands for structural statistics and the resource constraints on statistical producers and possible implications of these constraints in Member States. It is therefore necessary to ensure effective prioritisation of statistical developments at EU level, taking due account of the need to minimise the response burden and contribute to the more general objective of reducing the administrative burden at European level. Further efforts are required by policy makers in terms of identifying relatively low priorities that could lead to savings for statistical producers. This would improve their capacity to provide quality statistics in the priority domains, while allowing an overall adequate response to the increased demands for statistics from policy makers.

¹ Doc. ECFIN/EPC(2006)51285 final of 22 May 2006

2. Statistics for the Macroeconomic Imbalances Procedure

Following the financial and economic crises and the sovereign debt crisis a number of new EU policy initiatives have been launched and implemented over the past years, in particular to enhance economic governance, and some of them with statistical implications. The Macroeconomic Imbalances Procedure (MIP), based on Regulation (EU) No 1174/2011² and Regulation (EU) No 1176/2011³, is a surveillance mechanism that aims to detect, prevent and correct macroeconomic imbalances which emerge or persist in the euro area and the Member States.

The MIP is based on a scoreboard of eleven macroeconomic and macro-financial indicators defined by the Commission and endorsed by the ECOFIN Council. The scoreboard indicators cover developments in public and private indebtedness, private sector credit flow, asset prices including housing, net international investment positions, current account balances, real effective exchange rates, world export market shares, unit labour cost and unemployment.

The Commission publishes annually an Alert Mechanism Report (AMR) based on the MIP Scoreboard as part of the European Semester. A Statistical Annex, covering the Scoreboard indicators, but also additional indicators, is produced by Eurostat in cooperation with DG ECFIN and published at the same time. Moreover, the in-depth reviews (IDRs) carried out by the Commission (DG ECFIN) as part of the MIP process use a whole range of macroeconomic statistics, taking into account country-specific economic conditions for each Member State. The IDRs contain the analysis that allows the Commission to conclude on the possible existence of macroeconomic imbalances and on their severity.

On several occasions, the ECOFIN Council has invited the Commission (Eurostat) to take all necessary initiatives to assure a reliable procedure for the compilation of the MIP-relevant indicators as well as a continuous improvement of the underlying statistical information. At the same time, the Council has invited the European Statistical System (ESS) and the European System of Central Banks (ESCB) to work together on improving underlying statistics and to ensure their comparability⁴.

Having timely statistics of the highest quality for the analysis of MIP issues is of utmost importance and the development of a robust quality assurance framework for MIP relevant data is essential to ensure that the MIP is based on sound and reliable data, comparable between Member States and produced according to high quality standards.

In response to the Council requests mentioned above, the Commission adopted on 7 June 2013 a Proposal for a Regulation of the European Parliament and of the Council on the provision and quality of statistics for the macroeconomic imbalances procedure (COM(2013)

² Regulation (EU) No 1174/2011 of the European Parliament and of the Council of 16 November 2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area (*OJ L 306*, 23.11.2011, p. 8–11)

³ Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (*OJ L 306*, 23.11.2011, p. 25–32)

⁴ Council Conclusions of ECOFIN Council meeting, 9 November 2011, 13 November 2012 and 15 November 2013

<http://register.consilium.europa.eu/pdf/en/11/st15/st15781-re02.en11.pdf>
http://ue.eu.int/uedocs/cms_data/docs/pressdata/en/ecofin/133462.pdf

342 final) with the aim to set up an enhanced quality and monitoring framework for MIP relevant statistics. The Proposal defines the principles for timely provision of MIP relevant data, monitoring of their quality and reporting on the quality of the data to users, to the European Parliament and the Council. The proposal for a Regulation has been under discussion in the Council and the European Parliament since autumn 2013, but given the difficult negotiations in the Council Working Party on Statistics (CWPS), progress on the legislative file has so far been limited.

The statistics underlying the MIP indicators are based on EU legislation but compiled by the European Statistical System (ESS) and the European System of Central Banks (ESCB). A Task Force on the quality of the statistics underlying the MIP indicators, set up by the Committee on Monetary, Financial and Balance of Payment Statistics (CMFB), proposed in its final report to the CMFB at the beginning of 2014 a concrete set of actions in the form of a work programme. This was further updated in an ESS-ESCB communication/work programme on quality assurance of the statistics underlying the MIP. Practical arrangements operationalising this cooperation have been put in place.

Following the three level approach outlined in the TF report the work programme contains actions on:

- Level 1: An annual ESS-ESCB quality assessment report on MIP statistics prepared by Eurostat and the ECB aimed at policy makers and the public at large addressing the reliability and comparability of the MIP related statistics and actions to address most relevant quality issues (first report prepared in 2015)
- Level 2: Progressive alignment and harmonisation of Quality Reports produced across domains by the ESS and the ESCB in their fields of competence, taking into account MIP requirements (scheduled for 2016)
- Level 3: Development of “generic templates” and later condensed country specific reports on the quality and statistical processes for statistics underlying the MIP indicators which are easily understandable by users. They should provide the basis for assuring the quality of the statistics and their comparability between countries

In 2014, the exercise started with the development of generic templates for the following statistical domains: balance of payments, financial accounts, housing price statistics and the Labour Force Survey. Information of three compiling institutions of Member States is already available for balance of payments, financial accounts and housing price statistics. In addition the Commission (DG ECFIN), in its capacity as the compiler of the REER indicator, published quality information on real effective exchange rate indicators on its website⁵.

Some ongoing developments in the different statistical domains relevant for the MIP should be noted:

- The EPC recognises that the general frameworks for the compilation of MIP relevant statistics have undergone significant changes in 2014 with the implementation of new manuals for national accounts (the ESA 2010 replacing the ESA 95) and balance of

⁵ http://ec.europa.eu/economy_finance/db_indicators/competitiveness/documents/quality_report_en.pdf

payments statistics (the BPM6 replacing the BPM5). This was part of a coordinated international process that will enable to take into account in the measurement of economic activity recent trends in the world economy, such as the intensive use of knowledge in production or the increasing interconnectedness of the global economy. International comparability of these statistics will be enhanced.

In addition, most statistical institutes and central banks in the EU have also taken the opportunity provided by the revision of the methodological standards to simultaneously upgrade their statistical compilation processes.

The implementation of the new standards has resulted in more extensive revisions to the earlier data, in comparison with the regular practices. It can be expected that during the transition period future revisions of data in some Member States and for some statistics might be relatively higher until the data production systems based on the new statistical standards and other data compilation changes are fully implemented. This has to be taken into account when assessing the quality of the data produced according to the new statistical standards.

The changes following the adoption of the new standards have affected most of the MIP headline indicators, with the exception of the Real Effective Exchange Rate (REER) and the Unemployment Rate. As a consequence, while the coverage of indicators from the National Accounts domain is ensured by legal requirements (with some exceptions well documented in official derogations), for indicators of the Balance of Payments domain several gaps exist for even quite recent years. It is possible that the situation will not improve in the short-term, considering that not all Member States have foreseen to produce back annual values according to BPM6 as those values are not legally required. This should be given priority, though, as having a complete set of back-data is important for the MIP analysis.

Although progress has been made on the alignment of ESA 2010 and BPM6, further efforts are expected to improve the situation.

- The treatment of euro banknotes in national BOP/IIP statistics has been changed. The objective was twofold: i) to improve the consistency between the treatment of intra-euro system claims/liabilities with the treatment in monetary union financial accounts and MFI balance sheets statistics); ii) to increase the internal and external consistency of the BOP/IIP.

The revised treatment of euro banknotes in national BOP/IIP statistics was gradually implemented by Member States of the euro-area, with some flexibility, from September 2014 to March 2015. This flexibility has temporarily affected data comparability, which is expected to be restored in the BOP/IIP data reported in the course of 2015.

Full implementation of the new treatment of euro banknotes is still in progress in some Member States of the euro-area. For a few countries the impact on the main statistical aggregates has been significant, yet in line with the expectations.

Overall, the EPC welcomes the contributions made by the statistical community, both at national and at EU level, concerning MIP relevant statistics (i.e. the scoreboard and other relevant statistics for the implementation of the MIP). The EPC also stresses the need to support and continue the work to provide reliable and comparable MIP relevant statistics in support of all the stages of the MIP and considers that the statistics included in the

scoreboard should be a priority. The EPC underlines that the procedures ensuring reliability of all MIP indicators should be based on broad support from the statistical community.

3. Statistics for Europe 2020

The Europe 2020 strategy, adopted by the European Council on 17 June 2010, puts forward three mutually reinforcing priorities to make the EU a smarter, more sustainable and more inclusive economy. To measure progress towards the Europe 2020 goals, five headline target areas have been agreed for the EU as a whole. These are monitored by nine headline indicators and four sub-indicators disseminated by Eurostat in a dedicated web section⁶. Several of these indicators and their detailed breakdowns have links to the work of the Economic Policy Committee, either directly or indirectly. On the Eurostat dedicated web section users can find a scoreboard (presenting the headline indicators and sub-indicators), additional information on the strategy, related documents and publications, as well as methodological information on the quality of the indicators. Data is available for the EU aggregates, as well as for individual Member States, EFTA and candidate countries, and for some indicators also for the USA and Japan. The numerical values of the EU targets, related to the headline indicators and the values of those national targets that are harmonised with the EU concepts are also disseminated.

In March 2015, Eurostat released an update of the publication *“Smarter, greener, more Inclusive? – Indicators to support the Europe 2020 strategy”*⁷. The 2015 edition continues the series of Eurostat flagship publications providing statistical analyses related to important European Commission policy frameworks or important economic, social or environmental phenomena. It provides statistical support for the Europe 2020 strategy and the monitoring of its five headline targets. The publication is structured in five main chapters, each related to one of the headline targets. Each chapter includes links to various European Commission initiatives and reports that support the different headline topics of the Europe 2020 strategy. The publication also includes country profiles which give an overall picture of the situation of the Member States in relation to their national Europe 2020 targets. The analysis is based on the Europe 2020 headline and contextual indicators, produced from official statistics of the European Statistical System (ESS) and disseminated by Eurostat. The publication is meant to aid understanding of the factors behind the observed trends, while it does not intend to predict whether the Europe 2020 targets will be reached or not. Subject to the outcome of the ongoing review of the Europe 2020 strategy, Eurostat plans to issue a monitoring report on a yearly basis as of 2016.

Eurostat is further developing several of the headline indicators by providing additional breakdowns of the data, improving the methodology of the indicators and compilation techniques used. Eurostat is reaching the first results as regards improved timeliness of social data. The publication of the press release of Early material deprivation indicators 2015 is planned for February 2016, first experimental data were published already in 2014 (reference year 2013) and 2015 (reference year 2014). In addition, work on further improvement of timeliness continues in the context of the priorities of the new Commission, in particular to bring social indicators on a par with the macroeconomic indicators.

The flagship initiative **‘A resource-efficient Europe’** is one of seven flagship initiatives of Europe 2020. It provides a long-term framework for actions in many policy areas, supporting policy agendas for climate change, energy, transport, industry, raw materials, agriculture, fisheries, biodiversity and regional development. DG Environment and Eurostat have

⁶ See <http://ec.europa.eu/eurostat/web/europe-2020-indicators/europe-2020-strategy>

⁷ See <http://ec.europa.eu/eurostat/web/europe-2020-indicators/europe-2020-strategy/publications>

developed the Resource Efficiency Scoreboard. The scoreboard was disseminated on Eurostat's website⁸ in December 2013 and since then it is regularly updated. It consists of 32 indicators and is based on statistics from Eurostat, the European Environment Agency, the Commission's Joint Research Centre and other internationally recognised sources. The scoreboard provides data for the Member States and, where available, EFTA countries, candidate countries and potential candidate countries. Since its publication, the scoreboard has been an important tool for monitoring progress in the implementation of the flagship initiative and for designing the policy towards a circular economy.

Regarding the "**Innovation Union**" flagship initiative, the Council (Competitiveness) concluded in September 2013 that the proposal for a new *innovation output indicator* would be "a very useful tool based on relevant components; however, many [delegations] suggested using it in conjunction with other parameters and indicators to better capture the impact of research projects in the real economy." Inter-service work on these issues continues, in particular with a view to align conceptual considerations of the indicator with existing statistical classifications.

Work on additional sets of indicators under the flagship initiatives is quite decentralised. The relevant information is disseminated on the Commission's Europe 2020 web page⁹. Eurostat is involved in the following activities:

- Innovation Union Scoreboard¹⁰ (DG GROW)
- European Research Area: Exploration of an indicator on Research Infrastructures (DG RTD);
- European Innovation Partnership on Active and Healthy Ageing¹¹ (DG CONNECT/DG SANCO)
- Dashboard of indicators on youth¹² (DG EAC)
- Digital Agenda Scoreboard¹³ (DG CONNECT)
- Communication on Industrial Policy Reinforcing Competitiveness¹⁴ (DG GROW)
- A definition of the ICT related indicators under the New Skills and Jobs flagship initiative
- The European platform against poverty and social exclusion

In addition to monitoring progress in relation to headline targets and flagship initiatives, a broader set of statistical indicators is used under the Europe 2020 process in view of identifying key economic challenges facing the EU and its Member States, monitoring progress within the strategy and developing country specific recommendations in areas that lag behind.

There are several thematic sets of indicators which are used in the immediate and broader Europe 2020 context, such as:

⁸ See <http://ec.europa.eu/eurostat/web/europe-2020-indicators/resource-efficient-europe>

⁹ See http://ec.europa.eu/europe2020/index_en.htm

¹⁰ See http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards/index_en.htm

¹¹ See http://ec.europa.eu/research/innovation-union/index_en.cfm?section=active-healthy-ageing

¹² See http://ec.europa.eu/youth/dashboard/index_en.htm

¹³ See http://ec.europa.eu/information_society/digital-agenda/index_en.htm

¹⁴ See COM(2011)642 of 14.10.2011, at:

http://www.europarl.europa.eu/meetdocs/2009_2014/documents/com/com_com%282011%290642_/com_com%282011%290642_en.pdf

- the Lime Assessment Framework (LAF), which systematically compares performance of all Member States across 20 policy areas affecting economic growth relative to a benchmark.
- the Joint Assessment Framework (JAF) which uses a set of more than 200 indicators commonly agreed by the Council's Employment Committee, the Social Protection Committee and the Commission. Most of these indicators are produced by Eurostat. They are, however, currently disseminated by DG EMPL, acting as the secretary of these committees.
- Education and training 2020 (ET2020)¹⁵ – a strategic framework for European cooperation in education and training that builds on its predecessor, the “Education and Training 2010” (ET 2010) work programme. It provides common strategic objectives for Member States, including a set of principles for achieving these objectives, as well as common working methods with priority areas for each periodic work cycle. The JAF methodology, adapted to the context of education and training, is also used by DG EAC for its own monitoring approach of ET2020¹⁶.
- Skills Panorama – an initiative to improve the transparency for jobseekers, workers, companies, public institutions. The Panorama will be available online and it will contain updated forecasting of skills supply and labour market needs up to 2020.

4. Statistics on 'GDP and beyond'

The third important initiative relates to the Commission Communication on 'GDP and beyond' of 2009. It addresses the need for statistics to take account of a wider range of factors when measuring progress in a changing world.

In November 2011, the European Statistical System (ESS) Committee adopted unanimously the recommendations of the Sponsorship Group¹⁷ on Measuring Progress, Well-being and Sustainable Development. The actions proposed by the Sponsorship Group are an integral part of the 2015/2016 Commission Statistical Work Programmes¹⁸ as well as of the 2013-2017 (2020) European Statistical Programme¹⁹.

¹⁵ See http://ec.europa.eu/education/policy/strategic-framework/indicators-benchmarks_en.htm

¹⁶ See <https://crell.jrc.ec.europa.eu/?q=publications/monitoring-evolution-education-and-training-systems-guide-joint-assessment-framework> or <https://ec.europa.eu/epale/en/resource-centre/content/monitoring-evolution-education-and-training-systems-guide-joint-assessment>

¹⁷ This Group – established by Eurostat and the ESS and composed of members of most of the European National Statistical Institutes and of UNECE and OECD – has worked on actions and indicators to improve the coverage of official statistics in the fields of “strengthening the household perspective and distributional aspects of income, consumption and wealth”, “multi-dimensional measures of quality of life” and “environmental sustainability”. More information could be found on: http://epp.eurostat.ec.europa.eu/portal/page/portal/pgp_ess/about_ess/measuring_progress

¹⁸ C(2011)9542

¹⁹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:039:0012:0029:EN:PDF>

Results of the work in the ESS on 'GDP and beyond' include:

4.1 strengthening the household perspective and the distributional aspects of income, consumption and wealth:

a) promoting national accounts data on household income and consumption

- press releases on quarterly headline figures for *real growth of household adjusted disposable income and actual final consumption per capita* and publication of annual data for *consumption per capita*;
- approval of practical guidance prepared by a joint Eurostat/ECB Task Force in *delineation of quasi-corporations and unincorporated businesses* on the basis of earlier relevant surveys.

b) providing information on the distribution of income, consumption and wealth

- bringing *social indicators on a par with the macroeconomic indicators*. In the context of the reinforced role of social indicators, as stated in the strategy of the new Commission, the Commission has decided to reinforce the development, production and dissemination of indicators by Eurostat in the domains of poverty and exclusion, labour market, skills and mobility. Timeliness of social statistics has become crucial in this context. A relevant part of the strategy is a development of policy relevant statistical products covering the distributional aspects of Income, Consumption and Wealth (ICW).
- annual release of data on *income inequalities* and of the *number of people at risk of poverty and/or social exclusion*. According to the current legislation in force, data collected in year N refer to year N as regards living conditions and to year N-1 as regards income and are transmitted to Eurostat by the end of year N+1. Eurostat has launched several actions, studies and tests in order to have early statistics and estimations of *income distribution* (including flash estimates based on modelling) significantly faster (ideal, advancing the data deliver by nearly one year). The first results for non-income variables have already been achieved by the publication of early results of material deprivation indicators in March 2015 (2014 reference year) for a majority of countries. The publication of a press release of early material deprivation indicators 2015 is planned in the first semester 2016.
- *concerning ICW*: Plans have been developed by Eurostat for their better measurement, their micro-macro links and possibly their joint distribution. The scenarios include taking stock of the existing initiatives at international level, best practices of Member States and analysis already done by Eurostat (statistical matching between micro surveys and distribution aspects of national accounts). Eurostat is also joining international initiatives in that respect.

4.2 multidimensional measures of Quality of Life (QoL):

- Final selection of *headline indicators*. In 2015, the Expert Group (established in 2012) on quality of life indicators finalised the selection of headline indicators, based on the criteria approved during the previous years' meetings. It is also finalising a report that will detail the process of selecting a scoreboard of indicators and the subsequent outputs of the group. The report will also formulate recommendations regarding the future collection of quality of life indicators and regarding filling current gaps in the data. It is already foreseen to integrate several elements into the regular surveys on a routine basis.

- Full dissemination of the *results of the 2013 SILC ad-hoc module on Subjective Well-Being*. This includes a Flagship publication²⁰ on 'Quality of life in Europe, Facts and views' comprising 9 chapters (corresponding to the 9 dimensions), which are also available as Statistics Explained²¹ articles. Its release was accompanied by an Infographic (interactive tool)²² and by the publication of 9 new Eurobase datasets based on the 2013 SILC Ad-Hoc module together with a specific metadata file referring to it. The focus of the flagship publication is on analysing the subjective indicators coming from the module together with objective living conditions information coming from the same dimension. The dissemination was done in two stages: in the first quarter of 2015 the first article was published, on the dimension *Overall life experience*, together with 5 corresponding Eurobase datasets; and in the second quarter (1st of June) the whole publication was released, as well as the remaining datasets and accompanying products.

4.3 Environmental Sustainability:

- By Regulation (EU) No 538/2014 of 16 April 2014 of the European Parliament and the Council amending Regulation (EU) No 691/2011 on *European environmental economic accounts*, a second batch of modules (environmental goods and services sector accounts, environmental protection expenditure accounts and physical energy flow accounts) was agreed for these accounts;
- The methodology for the *environmental goods and services sector* (EGSS) data collection was further developed. The first EU estimate was published in 2013. From 2017 onwards reporting of data for EGSS will be mandatory.
- *Physical energy flows accounts* (PEFA) are obligatory from 2017 onwards. Revisions of the manual and the questionnaire were made in 2014. The work on an advanced IT tool which populates the energy accounts questionnaire from existing energy statistics (PEFA-builder) was accomplished in September 2014. A voluntary data collection was started in 2014.
- *Environmentally extended Supply-Use Input-Output tables* (SUIOT) are regularly produced to investigate the 'consumer perspective' of global climate change or air pollution, which can provide relevant footprint type indicators. First series of annual SUIOTs for 2000-2007 were published in 2012. Data up to 2011 became available in 2014.
- The indicator *raw material consumption* (RMC) complements the already established indicator on domestic material consumption (DMC) derived from material flow accounts (MFA). Since 2014 annual aggregate data is available in Eurobase for years 2000-2012.
- The following data are released based directly on the Energy Statistics Regulation²³ or in combination with other data sources:

²⁰ <http://ec.europa.eu/eurostat/en/web/products-statistical-books/-/KS-05-14-073>

²¹ http://ec.europa.eu/eurostat/statistics-explained/index.php/Quality_of_life_in_Europe_-_facts_and_views

²² http://ec.europa.eu/eurostat/cache/infographs/qol/index_en.html

²³ Regulation (EC) No 1099/2008

- primary and final energy consumption (to follow up on the EU 2020 indicator on energy efficiency) based on annual energy statistics transmitted to Eurostat;
 - early estimates of CO² emissions based on monthly energy statistics transmitted to Eurostat using also GHG inventory as submitted by Member States to UNFCC²⁴
 - shares of renewable energy in gross final energy consumption based on annual energy statistics transmitted to Eurostat in combination with additional data provided by Member States (note: calculations by Eurostat are on the basis of the Renewable Energy Directive²⁵).
- Since December 2013 Eurostat maintains a resource–efficiency scoreboard²⁶ with 32 indicators on its website.

In May 2015, the European Statistical Statistics Committee welcomed the report prepared by Eurostat on the "GDP and beyond" related achievements and the action plan for 2015-2017 (2020).

5. Progress on underlying structural statistical data

5.1 European System of National Accounts

National Accounts are fundamental for economic analysis, and it is important to regularly update the framework in view of a rapidly changing global economy.

The new ESA (ESA 2010) was published as Regulation (EU) No 549/2013 of 21 May 2013. The purpose of this Regulation is to provide:

- a) a methodology on common standards, definitions, classifications and accounting rules intended to be used for compiling accounts and tables on a comparable basis for the purposes of the Community;
- b) a programme for transmitting, for Community purposes and on precise dates, the accounts and tables according to ESA 2010.

ESA 2010 sets up, for many years, the national accounts standards and the ways in which key economic aggregates are calculated in the EU, in line with the world-wide 2008 SNA methodology.

ESA 2010 has been implemented by Member States starting from September 2014. All Member States were able to respect this important deadline. 27 countries, however,

²⁴ United Nations Framework on Climate Change

²⁵ Directive 2009/28/EC

²⁶ <http://ec.europa.eu/eurostat/web/europe-2020-indicators/resource-efficient-europe>

obtained temporary derogations with respect to the transmission of statistics on the basis of the Commission implementing decision of 26 June 2014 (2014/403/EU). These derogations cover different parts of the ESA 2010 Transmission Programme and will expire in the period 2017-2020.

On 17 October 2014, Eurostat released ESA 2010 based data for the EU and the euro area for the first time. The release concerned annual data (1997-2013) and quarterly data (1997Q1-2014Q2) for GDP, its expenditure components and gross value added. The production and release of the Eurostat ESA 2010 estimations for the EU and euro area was only possible on the basis of the input provided by the Member States.

ESA 2010 implementation of methodological changes (such as the capitalisation of research and development expenditures) and the introduction of statistical changes (such as changes in the data production process, the use of new and updated data sources) increased overall the level of EU28 GDP by 3.7% in 2010, with methodological changes accounting for 2.3% and statistical improvements for 1.4%.

In order to help Member States in their implementation of ESA 2010, Eurostat developed implementation manuals on a number of issues including in particular the changes between ESA 95 and ESA 2010, research and development and goods sent abroad for processing. Also, the application of the ESA 2010 transmission programme of data was prepared in close cooperation with Member States. A general training on ESA 2010 was organised and a specific training on goods sent abroad for processing also took place.

Technical meetings have been organised: an Expert group on foreign trade reported by non-residents, a Workshop on pensions in ESA 2010, a Task Force on statistical units, an Expert Group on prices and volumes measures, and a Task Force on land.

The 'blue book' presenting the ESA 2010 methodology (Annex A of Regulation 549/2013) has been published in English, French and German. These 'blue books' (EN, FR, and DE) are also available on the ESA 2010 Eurostat website. The 'blue book' presenting the ESA 2010 transmission programme (Annex B of Regulation 549/2013) is also published and available on Eurostat's ESA 2010 website. It presents under the same cover – as was the case for ESA 95 – the tables of the transmission programme in three languages: English, French and German.

Eurostat's ESA 2010 website²⁷ contains information for stakeholders about new national accounts standards: links to the legal documents; various explanatory documents (explanations of methodological changes, explanations of changes in the transmission programme, transmission calendar, etc.); list of frequently asked questions, with Eurostat's replies; links to manuals.

The Eurostat Review of National Accounts and Macroeconomic Indicators (EURONA) is an open access, scholarly journal on methodology, standards and practices on National Accounts and macroeconomic indicators, which aims to bring together users, producers and researchers in the field. Three issues of EURONA have been released up to now. The second issue of this journal²⁸ (released on the Eurostat website in December 2014) is a special edition dedicated to the implementation of ESA 2010, with articles from Eurostat and from four NSIs.

²⁷ <http://ec.europa.eu/eurostat/web/esa-2010/overview>

²⁸ <http://ec.europa.eu/eurostat/web/products-statistical-books/-/KS-GP-13-002>

Cooperation at international level with our partners in the SNA Inter Secretariat Working Group (UNSC, OECD, World Bank, IMF) is important. As national accounts are an area continuously evolving in line with economic changes and new policy and analytical needs, it is essential for Eurostat to be prepared to express European needs in the context of international discussions on a future SNA/ESA that will take place in the coming years. This is why Eurostat has put in place a new Task Force "Towards ESA 202X – European needs for a new standard".

At the data level, the efforts go towards consolidation of the ESA 2010 practices. A dedicated Task Force has been established to facilitate the pre-validation of data before their transmission to Eurostat. While the implementation of the international standard for data transmission SDMX is progressing at national level, nine Member States have already achieved full implementation. Work is planned to consolidate revision policy and practices, in particular regarding benchmark revisions. Eurostat is working on setting up a regular compliance monitoring process for ESA 2010. Since the number of derogations is rather significant (876), concern various data requirements and reference periods and expire at different times, their follow-up will be ensured on an annual basis. In implementation of Art. 4, Regulation (EU) No 549/2013, preparations for the establishment of a quality assessment of the data transmitted under the ESA 2010 have been initiated.

5.2. Government finance statistics

5.2.1. COFOG data

Member States were requested to provide COFOG (government expenditure by function) level II data, on a voluntary basis in the previous ESA95 transmission programme. The ESA2010 transmission programme was implemented as from 1 September 2014.

The provisions in the ESA2010 transmission programme imply that the compilation and transmission of COFOG level II data are now compulsory for general government covering the time period from 2001 onwards. Thus, there is now a legal requirement to deliver COFOG level II data. In addition, the ESA2010 transmission programme introduced key additional detail needed for policy purposes on a compulsory basis – the reporting of investment grants, gross fixed capital formation (investment) and a breakdown in social benefits and consumption expenditure.

All Member States as well as Iceland, Norway and Switzerland delivered COFOG data under ESA2010 (end-December 2014 transmission). The first delivery was transmitted within the legal deadline for all but seven countries. The development of new data, the switch to the ESA2010 methodology as well as the associated national accounts benchmark revisions implied a high number of retransmission; in particular due to methodological corrections. While the overall consistency of initially transmitted data increased significantly, the need to implement methodological correction to COFOG data was the driving factor behind the high number of retransmissions leading to longer time needed to validate data and thus make it publicly available

While data for the first countries was disseminated in January 2015, EU and EA aggregates were disseminated at the beginning of May 2015. Compared to previous transmissions, this represents deterioration in timeliness which appears to be mainly due to ESA2010 and the benchmark revisions. The timeliness of dissemination of the EU and EA aggregates and the last countries' data is expected to return to t+14 months in the transmission of 2014 data.

While the coverage of COFOG level I data is satisfactory in general, five countries are encouraged to step up efforts to develop or revise data for years not covered by derogations. Furthermore some detail not covered by derogations is missing or partially missing for 11 countries. On the other hand, many countries provided data beyond the legal requirements. As regards COFOG level II data, at the level of general government 10 Member States provided a complete dataset starting at least in 1995. 21 countries cover the compulsory time series from 2001 onwards. All Member States as well as Iceland, Norway and Switzerland sent a complete dataset for at least one year, with all Member States having provided a complete set of COFOG level II data for at least three years. This represents significant progress compared to the transmission at the end of December 2013.

At subsector level, 25 Member States, Iceland, Norway and Switzerland provided complete detailed COFOG level II data for at least one year on a voluntary basis. Three countries did not provide subsector data at COFOG level II. Countries not providing the compulsory time series from 2001 were encouraged to take steps to develop data.

On 18 May 2015, Eurostat held the 11th meeting of the COFOG task force, which reviewed, among other issues, the quality of the data transmitted and methodological issues related to the assignment of government expenditure to the COFOG functions.

As regards the quality of the data, significant progress was noted compared to the transmission of the previous year. All countries have implemented key ESA 2010 rules such as the capitalisation of R&D expenditure, rules on weapons systems and the treatment of VAT-based EU own resource contributions. The assignment of expenditure to support financial institutions and the recording of interest payments can be considered as fully harmonised. Further progress will be required on the allocation of R&D expenditure by detailed function of the R&D expenditure.

Apart from cross-cutting methodological issues, the COFOG TF discussed a total of eight methodological cases, for five of which final conclusions were reached. Moreover, the COFOG TF committed itself to further analyse the cross-country comparability of the COFOG allocation of research and development expenditure in higher education with the objective of issuing guidance on this.

COFOG data is used by a high number of policy DGs, inter alia in the context of the European Semester.

On 7 July 2015 Eurostat published for the first time a press release on COFOG data²⁹, accompanying an online publication³⁰ comprising detailed information on all COFOG functions.

5.2.2 Public sector statistics

In recent years, and in particular in the context of the financial crisis, the importance of access to reliable data on public corporations has become evident, notably where difficulties in public corporations have impacted on government finances.

In 2012, Eurostat introduced a questionnaire on government controlled units classified outside the government sector, which covers non-financial and financial corporations as well

²⁹ <http://ec.europa.eu/eurostat/web/products-press-releases/-/2-07072015-AP>

³⁰ http://ec.europa.eu/eurostat/statistics-explained/index.php/Government_expenditure_by_function

as NPISH (Non-profit Institutions Serving Households) and ROW (Rest of World). This questionnaire is compulsory and covers annual data, including total liabilities of corporations as well as the market/non-market performances of the companies having total liabilities exceeding 0.01% of GDP. At the end of the 2014 transmission, the questionnaire included data under the provision of ESA 2010.

In addition and as a direct result of the Eurostat-organised Task Force on the implications of Council Directive 85/2011 on requirements for budgetary frameworks of the Member States, on 22 July 2013, Eurostat issued a decision on a “Supplement on contingent liabilities and potential obligations to the EDP questionnaire”. This provides for the compulsory provision of a supplement to the EDP questionnaire covering:

- total outstanding liabilities related to public-private partnerships (PPPs) recorded off-balance sheet of general government;
- non-performing loans of general government (government assets);
- total stock of government guarantees, including government guarantees provided to public corporations, split by sub-sector of general government.

These data were provided by the Member States to Eurostat for the first time at the end of 2014 and were published on Eurostat's website on 10 February 2015, together with a special news release. Eurostat has also created a special section for data on contingent liabilities on its website³¹. The timeliness of data transmission is each year at t+12 months after the end of the reference period.

5.3. Demographic statistics

Population projections

In the framework of the next exercise of the economic and budgetary implications of population ageing, the Council has invited Eurostat to systematically provide annual updates of their population projections, in particular regarding migration flows, to be used over the short to medium term forecast horizon.

Eurostat has undertaken actions to re-design its population projections production process to meet the needs expressed by the Council by 2018. The increased frequency (annual update) of population projections puts new type of and increased demands that will require a more substantial contribution from the Member States.

5.4. Productivity

Eurostat already publishes a number of productivity and competitiveness measures based on national accounts data that are used for the evaluation of Member States and is committed to investigate – and if possible implement – further improvements based on official statistics and particularly linking macro and micro data.

Following up initiatives focussing on the analysis of productivity and growth accounting in the European Union at industry level under the Lisbon strategy and responding to the Europe

³¹ http://ec.europa.eu/eurostat/c/portal/layout?p_l_id=6610197&p_v_l_s_g_id=0

2020 strategy's request to broaden the analysis from a strictly production oriented focus to a broader productivity perspective with an environmental and social dimension, Eurostat progressed with work in different areas.

Eurostat continued to work on the integration of national accounts and environmental accounts, using the input-output framework and the consolidated input output tables for the EU. Eurostat cooperated with the Joint Research Centre to develop best practices for the estimation process of national tables when not delivered by the Member States. As a pre-condition to being able to observe productivity developments over time, also input-output tables at previous year's prices are currently developed.

Member States started to transmit national accounts data based on an updated methodological framework, ESA 2010, which notably recognises research and development as capital formation³² from September 2014 onwards. However, missing data still constitute a serious obstacle with respect to compiling a complete set of improved or additional productivity and competitiveness indicators on the basis of official statistics since a number of Member States have derogations up to the year 2020 for productivity related indicators, including capital, employment and income, notably regarding more detailed breakdowns.

Since competitiveness measures used for policy recommendations should be broad-based, e.g. allowing comparisons over time, across sectors or countries, Eurostat considers bringing together statistics from different domains to offer users a range of competitiveness indicators. Eurostat has launched a project to set up an overall conceptual framework based on available statistics. Its extension in the mid and long term depends on the full implementation of the new ESA 2010 transmission programme by all Member States. In addition, Eurostat is considering how the existing statistics on innovation (Community Innovation Survey) and the use of ICT may contribute to a better understanding of the drivers behind productivity, employment and growth. First release of information on stratified labour productivity indicators is planned for 2015 for one year and this will be extended in 2016 to a time series. Capital indicators will be integrated into the framework in the course of 2016.

The EPC asks Member States to support the compilation of productivity and competitiveness indicators by stepping up efforts to fully comply with official transmission requirements, notably with respect to the full implementation of ESA 2010.

5.5 Global business statistics

With a view to integrate and streamline European business statistics, Eurostat, in close co-operation with the Member States, continues its project for establishing a Framework Regulation Integrating Business Statistics (FRIBS). The project aims at increasing relevance, accuracy, timeliness and coherence of infra-annual, annual and multi-annual business statistics through the development of more integrated business statistics and the alignment of the currently heterogeneous concepts in the various statistical domains. The target timetable envisages the Commission proposal to be finalised in 2016.

As part of the project, the ESS progressed with regard to further facilitating the exchange of confidential data for the production of frames for globalised business statistics in the context

³² See: <http://ec.europa.eu/eurostat/web/esa-2010/manuals-guidelines>

of the EuroGroups Register (EGR). In 2015 a web interface was made available to producers of Foreign Affiliates trade statistics (EGR FATS) to complement the "identification service" shared within the ESS and the ESCB. Since its deployment in 2015, the EGR identification service has been used to uniquely identify more than 60 million legal units across the ESS.

As another important element, the ESS has finalised its work with regard to clarifying the concept and operationalisation of the statistical unit "enterprise" in the case of large and complex enterprises which may stretch over more than one country. Given their significant impact on national and European business statistics, their consistent treatment across statistical domains, sectors and countries is of particular importance.

The EPC calls upon Member States to support these developments, including through the provision of adequate resources to National Statistical Institutes, with a view to upgrade business statistics' relevance and cross-border integration, thus better capturing globalisation phenomena. The EPC highlights the need to improve compliance when reporting on enterprises, in particular in terms of the number of enterprises and the attribution of value added between the enterprises in the individual branches of the economy as well as between small and large enterprises. In doing so, the EPC stresses the importance to maintain the consistency of business statistics with national accounts, where relevant, as well as feasibility and cost-effectiveness of the proposed solutions.

In line with the ECOFIN Council's recommendations³³ to substantially reduce the response burden on enterprises by redeveloping Intrastat while maintaining a sound level of quality, the ESS continues to progress on the Single Market Statistics (SIMSTAT) project, not ignoring other alternatives. SIMSTAT aims primarily at reducing the collection of data from enterprises on intra-EU trade according to the principle that data collected within the European Statistical System about cross-border phenomena once should not be collected a second time. The proposal contains several measures; one is the suggestion to exchange at enterprise level data (micro-data) on intra-EU exports of goods among Member States. This gives Member States the possibility to reuse the data on intra-EU exports for the purpose of producing their own figures on intra-EU imports or for checking the quality of their data. In the view of Eurostat, this additional data source has also the potential to reduce Intrastat asymmetries at an early stage of the production process, thus increasing the quality of intra-EU trade data. The development of the system through which Member States can send and receive micro-data through a secure network in an organised way was finalised according to schedule. The pilot exchange of micro-data could thus start in April 2015, as foreseen, and will continue until September 2015.

While it is the purpose of SIMSTAT to test the feasibility of micro-data sharing, and through the trial, to provide the ESSC with evidence on the fitness of the micro-data on intra-EU exports as an additional data source to compile intra-EU trade statistics, the overall aim of the project REDESIGN (launched in December 2014) is to provide the ESSC with a comprehensive comparative assessment of the different alternatives (including SIMSTAT) for the redesign of Intrastat. More specifically, the REDESIGN project will assess the administrative burden reduction and cost-benefit of the options for the re-design of Intrastat and elaborate key legal and methodological features of these options. The deliverables of both REDESIGN and SIMSTAT projects will be available for the May 2016 meeting of the ESSC to support the decision on the way forward of Intrastat.

³³ Economic and Financial Affairs Council meeting of 30 November 2011 and of 13 November 2012

The EPC welcomes these developments having the potential to substantially reduce the response burden given quality can be maintained and notes with satisfaction the broad participation of Member States in the test phase. It calls upon the ESS to thoroughly examine other alternatives to establish a solution that would best reduce the burden on respondents and data producers and guarantee high quality of data.

5.6. Market monitoring - Prices data for Single Market Monitoring

The provision of high quality consumer price indices and prices at detailed level to support the market monitoring continues to be a priority for the Commission.

In 2015 Eurostat, in close cooperation with the ESS, promotes actions in different areas with the aim of improving the system of collection of price data and the production of consumer price statistics in the Member States. In this regard resources are devoted to advancing the use of electronic records of transactions such as scanner data and web scraping techniques for the price collection, as well as to supporting exploratory studies on those areas. Moreover, actions on the general modernisation of price statistics and feasibility studies on defining and identifying regulated consumer prices are taken forward. In particular, Eurostat is making progress in the further development of the monitoring tool for the food supply chain, in particular with a view to improved dissemination of the data. Further progress in this area is expected with the launch of the regular production of consumer price indices with more detailed breakdown as of 2016; the intention is to include, in a second step, the higher degree of detail in the price monitoring tool later in the year.

The collection and compilation of detailed level average prices in Member States continued.

5.7. Housing statistics

Among the statistical gaps highlighted by the financial and economic crisis, real estate price statistics has been considered one of the areas to be urgently developed to provide housing indicators, both for residential and commercial property prices. Particular attention has been devoted to developing internationally comparable house price indices and statistics on house sales. Since February 2013, the HPI for EU, euro area and Member States are based on Commission Regulation 93/2013. The HPI is regularly released each quarter with timeliness of 100 days after the end of the reference quarter. Work is ongoing for other quarterly housing statistics, such as price indices for owner-occupiers expenditure and house sales indicators. Data transmission from the Member States of the owner-occupied housing price index started in September 2014. Annual house sales data are also collected in the context of Commission Regulation 93/2013.

In the field of real estate statistics, one major information gap concerns commercial property prices indicators (CPPI). CPPI is a challenging statistical area for which there is an increasing demand but little supply by official statistics. The members of the Inter-Agency Group on Economic and Financial Statistics actively worked in the framework of the G20 data gaps initiative to promote a programme aiming at responding to that demand. During 2014 Eurostat has carried on the project of developing methodological guidance, under the aegis of the Inter-secretariat Working Group on Price Statistics. The estimation of commercial property price indices has several aspects in common with the residential property price indices, but commercial property represents more important challenges. The results of the work on methodological guidance for CPPI are planned to be made available by 2016. In order to fill the data gap, the ECB is working on an indicator on commercial property prices for the EU and the euro area based on data produced by a commercial data

provider and on some national data. This dataset has been available on an experimental basis since the beginning of 2014.

5.8. Labour market statistics and wage indicators

Labour market developments are of key importance to the work of the EPC. At the centre of interest are the effects of the business cycle on employment and unemployment, the impact of the crisis, wage developments and the longer-term evolution of labour demand and supply, in particular with a view to structural features and possible mismatches.

In addition, there is also the need for more statistical information on labour market flows and job vacancies in order to widen the understanding of European labour markets. The EPC welcomes Eurostat's initiative to start publishing at the end of 2015 aggregated quarter-on-quarter ILO labour status transition matrices, both rates and levels, for 25 EU Member States as BE, DE and LU do not yet have an infra-annual rotational pattern. The EPC also appreciates the dissemination of a quarterly news release on job vacancies but the EPC considers it important to close the existing coverage gaps (notably for small businesses) in some Member States.

A number of structural characteristics of the labour market are already covered by the indicators used under the Europe 2020 Joint Assessment Framework. In this context and beyond, the European Union Labour Force Survey (EU LFS) is the key statistical source. One group particularly exposed to the economic crisis are young people, in particular those unemployed. In this context, the EPC appreciates Eurostat's improved communication on youth unemployment indicators.

The comprehensive review of the EU LFS has continued in 2014 and into 2015. The aim is to modernise the survey in order to make its contents and design fit for the next decade. The focus is on laying the ground for better information on labour market dynamics, further harmonising the measurement of the labour status, streamlining the ad hoc module process, reviewing the list of variables, better use of administrative data, and improving timeliness. In addition, data collection should become more efficient by the use of multi-mode computer assistance. The LFS review also takes account of International Conference of Labour Statisticians (ICLS) resolution of work, employment and labour underutilization approved in October 2013.

Additional dimensions regarding labour costs that are important in the context of the current policy debate are the breakdown between private and public sector developments. It is crucial to ensure that respective data are provided in line with the new ESA 2010 requirements.