

Economic and financial statistics



The role and function of official statistics for policy purposes

Aurel Schubert

Vienna University of Economics and Business

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European Statistical System (ESS)



EMOS core module on economic and financial statistics

European System of Central Bank (ESCB)



The opinions expressed in this course are not necessarily those of the European Statistics System (ESS) or the European System of Central Banks (ESCB)

EMOS labelled programmes



Universität Trier

Outline

- Institutions involved in EU decision making
- Policy uses of European statistics
 - Monetary policy, financial stability and prudential supervision
 - ✓ Monetary policy (ECB)
 - ✓ Financial stability (ESRB)
 - ✓ Prudential supervision (SSM)
 - ✓ The International Role of the Euro
 - EU economic governance and other initiatives
 - ✓ EMU Convergence Criteria
 - ✓ European Semester framework
 - ✓ Macroeconomic Imbalances Procedure Scoreboard (MIP)
 - ✓ Stability and Growth Pact (SGP)
 - ✓ Strategic foresight/resilience
 - ✓ Sustainable Development Goals (SDGs)

EU institutions

Decision making fora

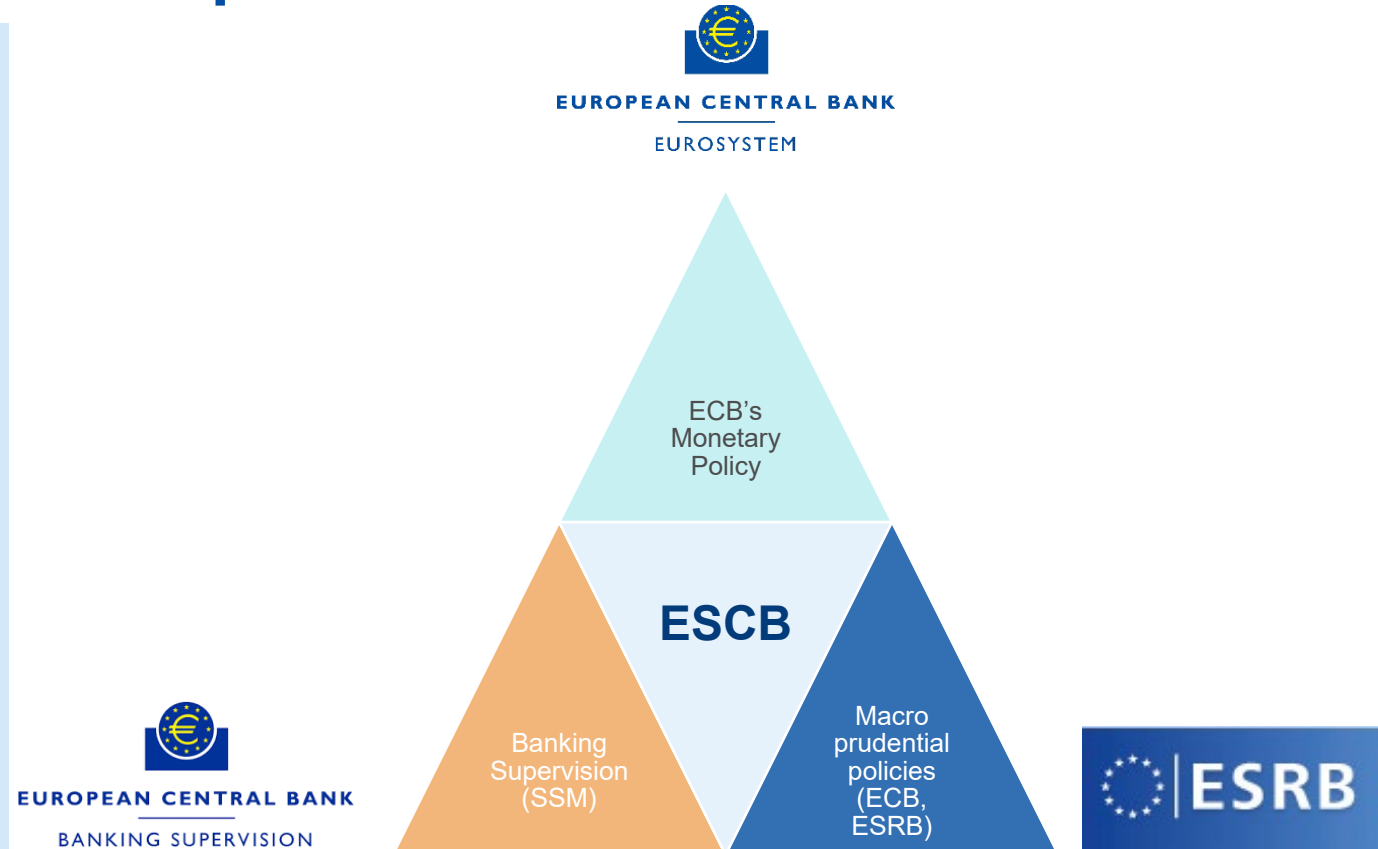
- European Council
 - defines the general political direction and priorities of the EU
 - Heads of State or Government of the EU Member States
- European Parliament
 - Co-legislator of EU laws; 705 MEPs directly elected by EU voters every 5 years
- Council of the European Union
 - Co-legislator of EU laws; voice of EU member governments, coordinates EU policies
- European Commission
 - EU's politically independent executive arm
 - Prerogative of legal initiative: drawing up proposals for new EU laws; implements the decisions of the European Parliament and the Council of the EU
- European Central Bank

**A BROAD RANGE OF TIMELY, HIGH QUALITY
AND FIT-FOR-PURPOSE STATISTICS ARE
REQUIRED TO MAKE THIS WORK**



Use cases for monetary policy, financial stability and prudential supervision

- ESCB tasks
- Monetary policy (ECB)
 - Strategy
 - Economic and monetary analysis
- Financial stability (ESRB)
 - ESRB Risk Dashboard
 - The International Role of the Euro
- Prudential supervision (SSM)
 - SSM Banking Statistics



Monetary policy: from an „art” to evidence-based policy-making



“Policy-making and, indeed, decision-making are only as good as the information on which they are based”

Mario Draghi, ECB President 2011-2019

Seventh ECB Statistics Conference, Frankfurt am Main,
15 October 2014

<https://www.ecb.europa.eu/press/key/date/2014/html/sp141015.en.html>

ESCB tasks

The primary objective of price stability

- Article 127 of the Treaty on the Functioning of the European Union & The Statute of the European System of Central Banks and of the European Central Bank as attached as a protocol to the Treaty
 - **“The primary objective of the European System of Central Banks (hereinafter referred to as ‘the ESCB’) shall be to maintain price stability.”**
- The Treaties are unspecific about actual rates of inflation and methods
- The ECB’s Governing Council sets the **quantitative definition** of price stability
 - **May 2003: A year-on-year increase in the Harmonised Index of Consumer Prices (HICP) for the euro area of *below but close to 2%* over the medium term**

ESCB tasks

Financial stability and prudential supervision

- In accordance with Article 127(5) of the Treaty on the Functioning of the European Union, the ESCB shall contribute to the smooth conduct of policies pursued by the competent authorities relating to the **prudential supervision of credit institutions** and the *stability of the financial system*.
- Microprudential supervision: ***Single Supervisory Mechanism (SSM)***
- Macroprudential supervision: *European Systemic Risk Board (ESRB)*

Monetary policy: from an „art” to strongly evidence-based decision-making



“Nothing is more important for monetary policy than good statistics. [...]”

Alexandre Lamfalussy, 1st President of the European Monetary Institute (EMI)

Foreword, Statistical Needs of the Monetary Union (1996)

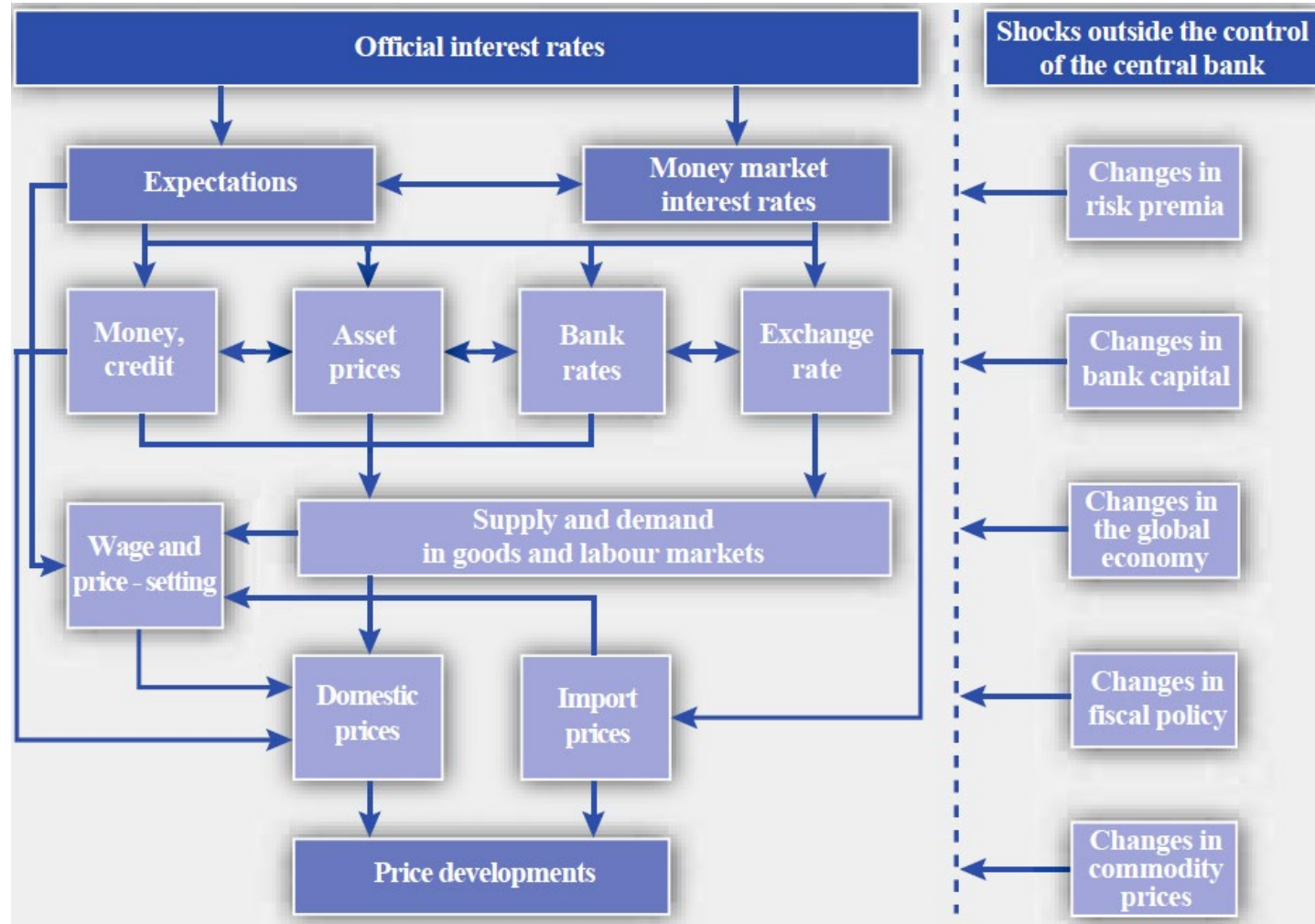
ECB's stability-oriented monetary policy strategy

Monetary policy, financial stability and prudential supervision



Economic and monetary analysis - transmission

Monetary policy, financial stability and prudential supervision



Economic and monetary analysis - datasets

Monetary policy, financial stability and prudential supervision

- Monetary developments in the euro area ([ECB website](#))
- Euro area bank interest rate statistics ([ECB website](#))
- Euro money market statistics ([ECB website](#))
- Euro area securities issues statistics ([ECB website](#))
- Euro area balance of payments ([ECB website](#))
- Euro area economic and financial developments by institutional sector ([ECB website](#))
- Euro area investment fund statistics ([ECB website](#))
- Euro area insurance corporation and pension fund statistics ([ECB website](#))
- Euro area insurance corporation statistics ([ECB website](#))
- Euro area financial vehicle corporation statistics ([ECB website](#))
- Payment instruments and systems ([ECB website](#))

ESRB Risk Dashboard

Monetary policy, financial stability and prudential supervision

- The European Systemic Risk Board (ESRB) is responsible for the macroprudential oversight of the EU financial system and the prevention and mitigation of systemic risk
 - broad remit, covering banks, insurers, asset managers, shadow banks, financial market infrastructures and other financial institutions and markets
 - monitors and assesses systemic risks and, where appropriate, issues warnings and recommendations
- ESRB Risk Dashboard: a set of quantitative and qualitative indicators of systemic risk in the EU financial system; published quarterly
- ESRB Recommendation on closing real estate data gaps (2016; 2019)
- ESRB Recommendation on identifying legal entities (2020)

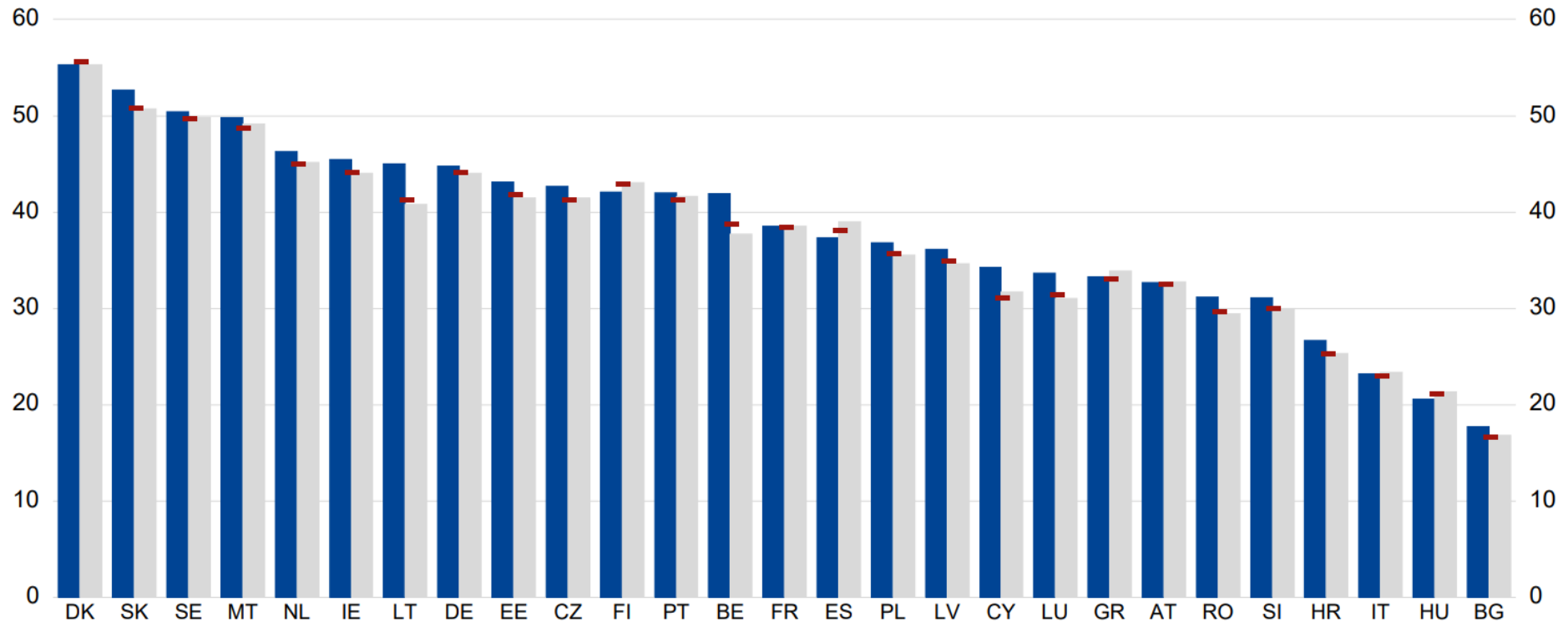
ESRB Risk Dashboard

Monetary policy, financial stability and prudential supervision

1.7 MFI loans for house purchase

(EU; share of credit to the private sector; percentages)

- last observation: Sep. 2020
- Sep. 2019
- three-year average



Source: ECB.

| Notes: MFIs excluding the ESCB. Data refer to loans granted to domestic households for house purchase purpose. Credit comprises loans and holdings of debt securities.



The International Role of the Euro

Monetary policy, financial stability and prudential supervision

- ECB: An annual report of developments in the use of the euro by non-euro area residents
 - *Use of the euro as an international reserve*
 - *The euro in global foreign exchange markets*
 - *Use of the euro in international debt and loan markets*
 - *Use of the euro as an invoicing currency*
 - *Use of euro cash outside the euro area*
 - June 2020 edition ([report](#); [statistical annex](#))
- Also a priority for the European Commission: Communication on ‘Towards a stronger international role of the euro’ (2018; [link](#))

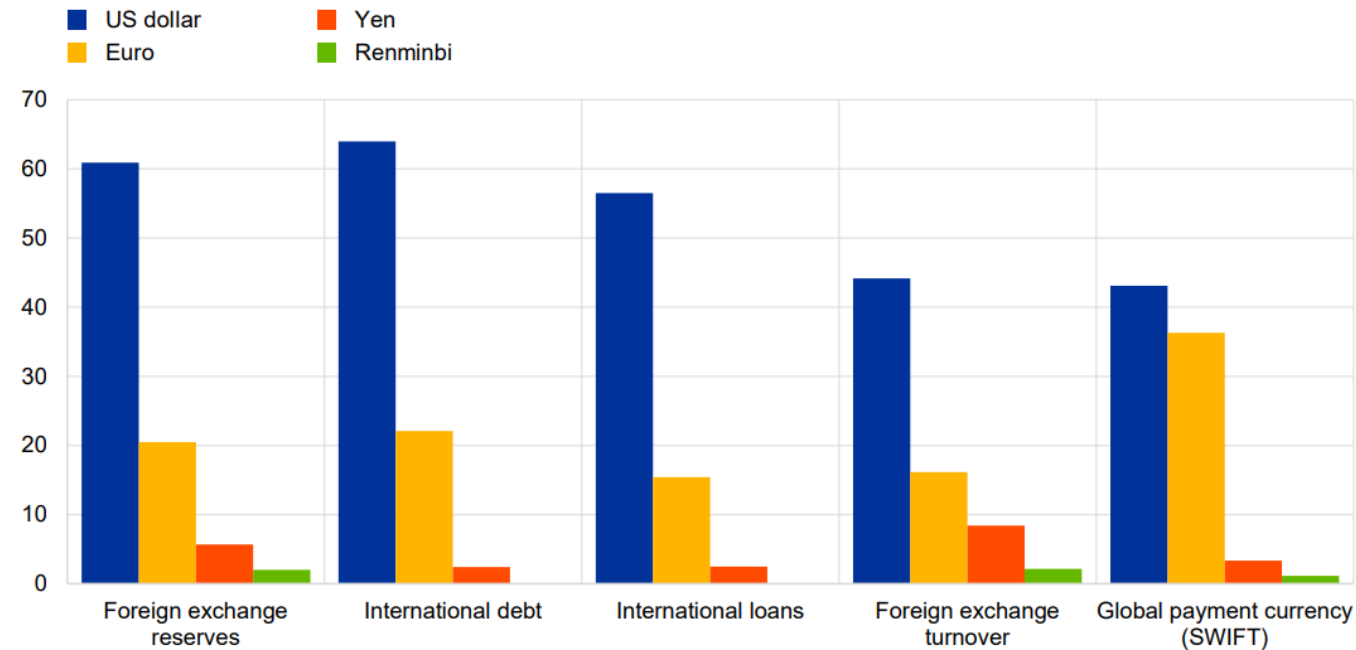
The International Role of the Euro

Monetary policy, financial stability and prudential supervision

The euro remains the second most important currency in the international monetary system

Snapshot of the international monetary system

(percentages)



Sources: BIS, IMF, SWIFT and ECB calculations.
Note: The latest data are for the fourth quarter of 2019.

SSM banking statistics

Monetary policy, financial stability and prudential supervision

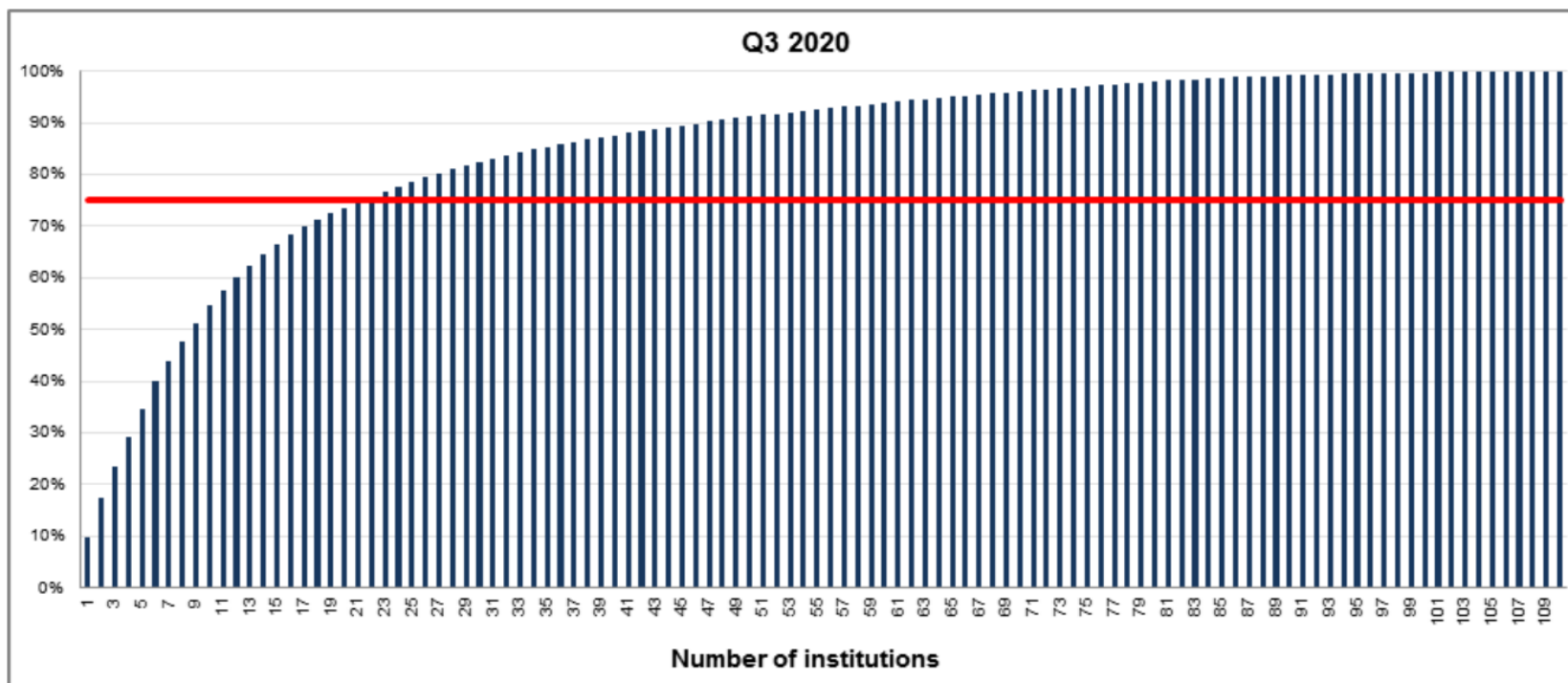
- Individual (and confidential) data on supervised entities is used for prudential supervision
- The ECB publishes aggregated supervisory banking statistics on the following aspects of banks designated as significant institutions (SIs)
 - general statistics
 - balance sheet composition and profitability
 - capital adequacy and leverage
 - asset quality
 - funding
 - liquidity
 - data quality

SSM banking statistics

Monetary policy, financial stability and prudential supervision

T01.02 Concentration of total assets

(cumulative percentages of total assets)



Source: ECB.

Notes: Significant institutions at the highest level of consolidation for which common reporting (COREP) and financial reporting (FINREP) are available.

The charts show the cumulative percentage of the total assets in the sample which is covered when the total assets of each institution, ordered from the largest to the smallest, are added. For instance, it is shown that the largest institution in the sample accounts for almost 10% and the 20 largest institutions represent approximately 75% of the total assets in the sample. The solid line in red corresponds to the 75th percentile.

Selected policy uses for EU economic governance

- EMU Convergence Criteria
- European Semester framework
- Macroeconomic Imbalances Procedure Scoreboard (MIP)
- Stability and Growth Pact (SGP)
- Strategic foresight/resilience
- Sustainable Development Goals (SDGs)

EMU Convergence Criteria

EU Economic Governance

- Measure progress in countries' preparedness to adopt the euro, based on
 - a set of macroeconomic indicators;
 - the factors relevant to economic integration and convergence.
- At least once every two years, or at the request of a Member State with a derogation, the European Commission and the European Central Bank assess the progress made by the euro-area candidate countries and publish their conclusions in respective convergence reports:
 - European Commission, June 2020 ([link](#))
 - European Central Bank, June 2020 ([link](#))
- On the basis of its assessment, the EC submits a proposal to the ECOFIN Council to decide – after consultations – whether a MS may adopt the euro.

EMU Convergence Criteria

EU Economic Governance

<i>What is measured</i>	Price stability	Sound and sustainable public finances	Durability of convergence	Exchange rate stability
<i>How it is measured</i>	Harmonised consumer price inflation	Government deficit and debt	Long-term interest rate	Exchange rate developments in ERM II
<i>Assessment criteria</i>	A price performance that is sustainable and average inflation not more than 1.5 percentage points above the rate of the three best performing Member States	Not under excessive deficit procedure at the time of examination	Not more than 2 percentage points above the rate of the three best performing Member States in terms of price stability	Participation in ERM II for at least 2 years without severe tensions, in particular without devaluing against the euro

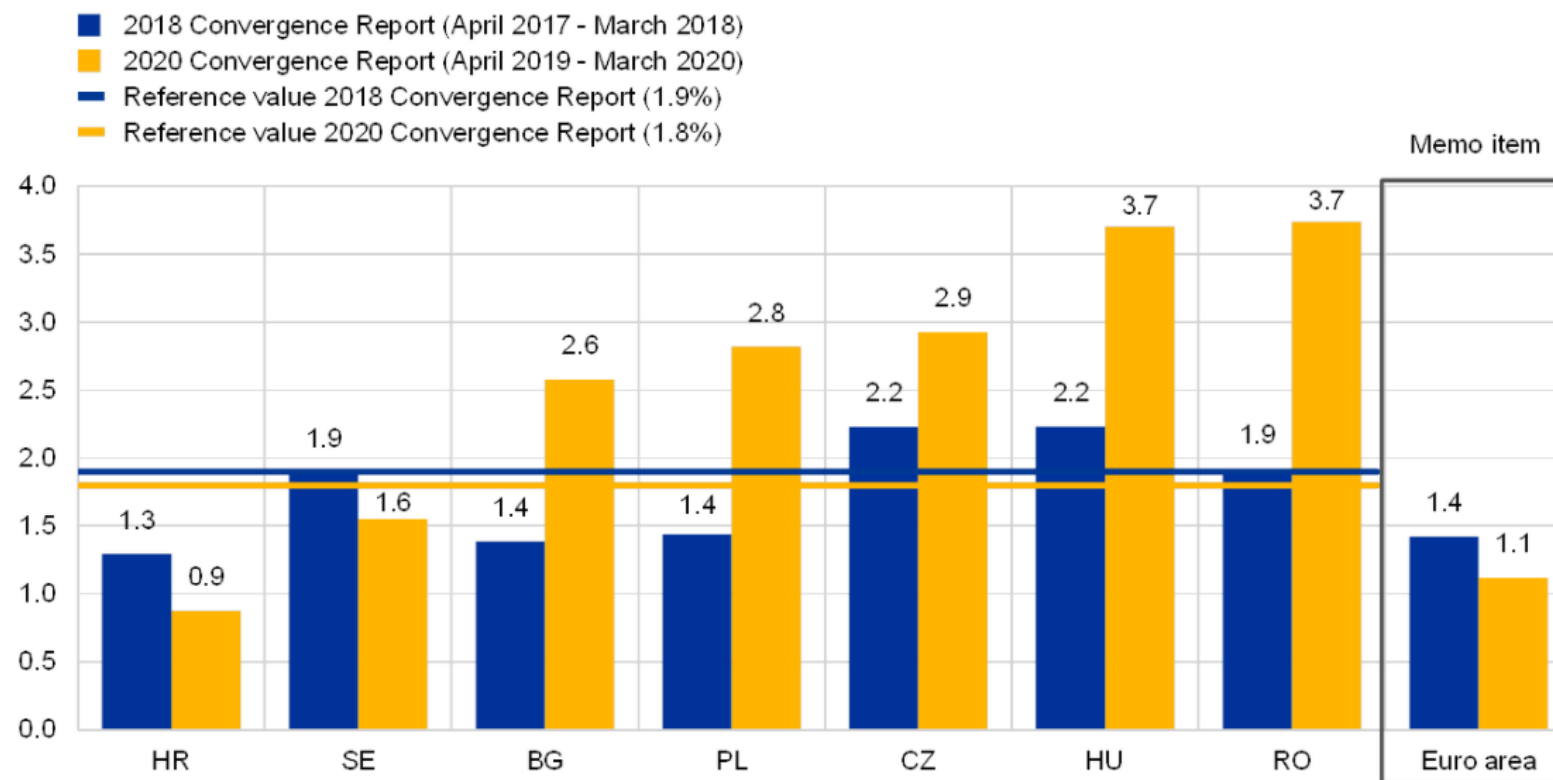
Source: European Commission ([link](#))

EMU Convergence Criteria

EU Economic Governance

HICP inflation

(average annual percentage changes)



Source: Eurostat.

EMOS core module on economic and financial statistics

European Semester

EU Economic Governance

- The European Semester provides a **framework for the coordination of economic policies across the European Union**
- *Goals*
 - ensuring sound public finances (avoiding excessive government debt)
 - preventing excessive macroeconomic imbalances in the EU
 - supporting structural reforms, to create more jobs and growth
 - boosting investment
- The goals should accompany the *digital* and *climate* transition and be structured around four dimensions:
 - environmental sustainability, productivity, fairness, macroeconomic stability

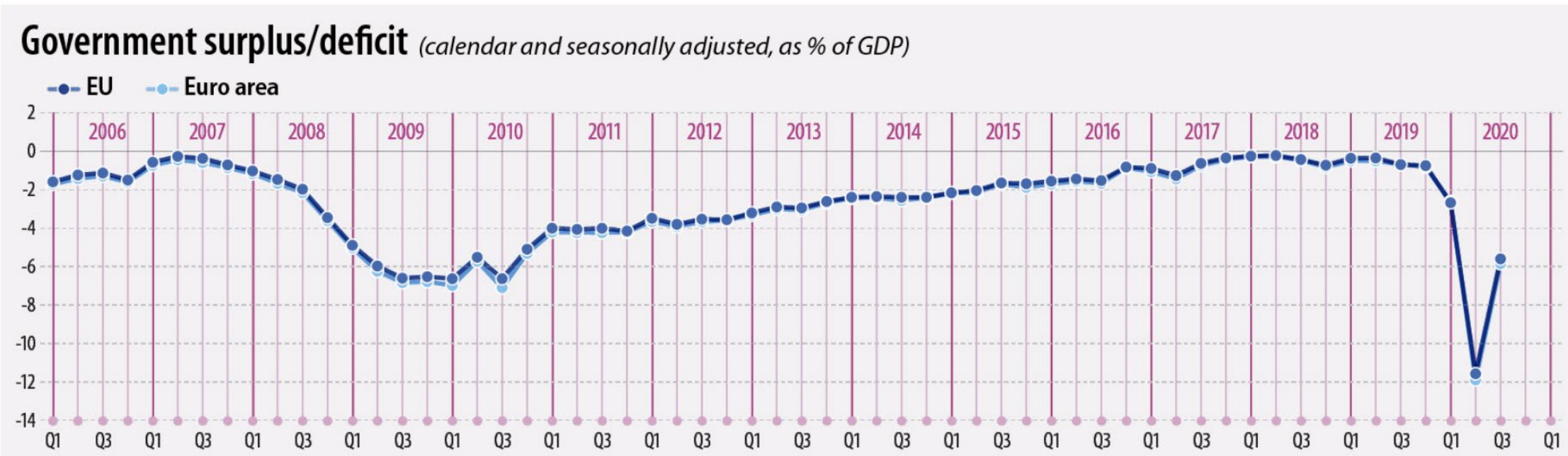
Stability and Growth Pact

EU Economic Governance, European Semester framework

- The SGP is a set of rules designed to ensure that countries in the European Union pursue sound public finances and coordinate their fiscal policies
 - *Preventive arm*
 - ✓ Medium-Term Budgetary Objectives (MTOs), Expenditure benchmark, Stability and convergence programmes, Significant Deviation Procedure etc.
 - *Corrective arm - Excessive Deficit Procedure (EDP)*
 - ✓ ensures that Member States adopt appropriate policy responses to correct excessive deficits
 - ✓ Extremely sensitive role for Government Finance Statistics (GFS)
 - Summary tables October 2020 ([link](#))
 - ✓ Possibility of fin. sanctions or the suspension of European Structural and Investment Funds

Stability and Growth Pact

EU Economic Governance, European Semester; EDP October 2020



ec.europa.eu/eurostat

Macroeconomic Imbalances Procedure

EU Economic Governance, European Semester framework

- aims to identify, prevent and address the emergence of potentially harmful macroeconomic imbalances that could adversely affect economic stability in a particular Member State, the euro area, or the EU as a whole
- Alert mechanism report (AMR) and its Statistical annex (2020 [link](#))
 - ✓ issued by the European Commission, identifying countries for **in-depth review (IDR)**
 - ✓ scoreboard of selected indicators to screen for potential economic imbalances needing policy action: **MIP Scoreboard (14 indicators)**
- Specific monitoring: intensified dialogue
- Excessive imbalance procedure:
 - ✓ enhanced surveillance mechanism to ensure compliance with the MIP
 - ✓ possibility of sanctions, including fines

Macroeconomic Imbalances Procedure

EU Economic Governance, European Semester framework

Table 4.5: The MIP scoreboard for Germany

Germany			Thresholds	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
External imbalances and competitiveness	Current account balance, % of GDP	3 year average	-4%/6%	6.1	5.8	5.9	6.4	6.6	7.0	7.4	8.1	8.4	8.0
	Net international investment position	% of GDP	-35%	25.1	25.8	23.3	28.7	34.7	40.8	46.6	51.4	55.2	62.0
	Real effective exchange rate - 42 trading partners, HICP deflator	3 year % change	±5% (EA) ±11% (Non-EA)	2.9	-3.8	-4.9	-9.0	-1.8	-0.4	-1.5	-2.1	-2.0	5.3
	Export market share - % of world exports	5 year % change	-6%	-6.8	-8.1	-9.4	-16.8	-13.0	-9.5	-3.2	2.0	5.7	3.1
	Nominal unit labour cost index (2010=100)	3 year % change	9% (EA) 12% (Non-EA)	9.2	8.2	5.6	2.5	6.1	7.4	5.9	4.9	4.9	5.6
Internal imbalances	House price index (2015=100), deflated	1 year % change	6%	0.7	-0.5	1.6	2.1	1.6	2.2	4.2	6.8	4.6	5.1
	Private sector credit flow, consolidated	% of GDP	14%	-1.1	0.0	2.0	1.4	2.0	-0.3	2.9	3.7	4.5	6.6
	Private sector debt, consolidated	% of GDP	133%	113.6	106.4	102.4	101.9	103.0	98.4	97.9	98.3	100.1	102.4
	General government gross debt	% of GDP	60%	73.0	82.4	79.8	81.1	78.7	75.7	72.1	69.2	65.3	61.9
	Unemployment rate	3 year average	10%	7.8	7.3	6.8	6.1	5.5	5.2	4.9	4.6	4.2	3.8
	Total financial sector liabilities, non-consolidated	1 year % change	16.5%	-6.3	-0.8	3.1	3.2	-6.4	4.6	2.6	5.2	4.0	2.0
Employment indicators ¹⁾	Activity rate - % of total population aged 15-64	3 year change in pp	-0.2 pp	1.4	1.1b	1.4b	0.9	0.9b	0.4b	0.4	0.3	0.5	1.0
	Long-term unemployment rate - % of active population aged 15-74	3 year change in pp	0.5 pp	-2.2	-1.6b	-1.1b	-1.1	-1.0	-0.6	-0.4	-0.6	-0.6	-0.6
	Youth unemployment rate - % of active population aged 15-24	3 year change in pp	2 pp	-2.5	-2.0	-1.9	-3.1	-2.0	-0.8	-0.8	-0.7	-0.9	-1.0

Figures highlighted are the ones at or beyond the threshold. Flags:b:Break in series.

1) For the employment indicators, see page 2 of the AMR 2016.

Source: European Commission, Eurostat and Directorate General for Economic and Financial Affairs (for Real Effective Exchange Rate), and International Monetary Fund data, WEO (for world volume exports of goods and services)

Strategic foresight

EU Strategic planning

- A European Commission initiative providing insights, research, analysis and reflection on future developments, as well as integrating them into EU policy-making – with the objective of **improving resilience for future crises**
- 2020 Strategic Foresight Report ([link](#))
 - first lessons from the COVID-19 crisis
 - resilience as a new compass for EU policy-making
 - a four-dimensional analysis of resilience –prototype-dashboards w. official statistics
 - ✓ social and economic
 - ✓ geopolitical
 - ✓ green
 - ✓ digital

Sustainable Development Goals

EU International Strategies

- The United Nations 2030 Agenda includes 17 Sustainable Development Goals (SDGs) intended to apply universally to all countries – European Commission committed to their implementation
- Monitoring and reporting the SDGs in an EU context: Eurostat report on progress towards the SDGs ([link](#))
 - No poverty; Zero hunger; Good health and well-being; Quality education; Gender equality; Clean water and sanitation; Affordable and clean energy; Decent work and economic growth; Industry, innovation and infrastructure; Reduced inequalities; Sustainable cities and communities; Responsible consumption and production, Climate action; Life below water; Life on land; Peace, justice and strong institutions; Partnerships for the goals

Sustainable Development Goals

EU International Strategies

EMPLOYMENT

in 2019



Employment rate
73.1 % of population
aged 20 to 64
+ 4.9 pp since 2014



Not in employment,
education or training
12.6 % of population
aged 15 to 29
- 3.1 pp since 2014



Long-term
unemployment rate
2.8 % of active
population
- 2.7 pp since 2014



Inactivity due to caring
responsibilities
22.2 % of inactive population
aged 20 to 64
+ 3.0 pp since 2014

Monetary policy: from „art” to evidence-based



“[...] Statistical information is necessary to decide what policy actions to take, to explain them publicly, and to assess their effects after the event. Unless policy can be justified and explained, it will not be understood and the institution carrying it out will lack credibility.”

Alexandre Lamfalussy, 1st President of the European Monetary Institute (EMI)

Foreword, Statistical Needs of the Monetary Union (1996)

- **Thank you for your attention!!**
- **Q/A Session on 27 April, 14:00**