

The evolution of the French reporting system since the inception of the EMU

Banque de France
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The advent of the euro: a significant change

- The disappearance of the national currencies
- a new pan-European payment system
- the feeling of a world without regulatory constraints (foreign exchange) any more
- an increased pressure from the reporters and the governments to reduce the Intra MU reporting burden

...accentuated by the heightened pressures from the BPM5 's

revision process

- The importance given to the notion of transactions
- The consistency with National accounts and monetary statistics
- The upgrading of the IIP among the macroeconomic statistics and the central role given to the stocks-flows reconciliation, and its consequences (valuation,...)

The immediate answers

- A particular effort in terms of communication with respondents or professional associations
- an increased cooperation between national statistical administrations
- an adaptation of the reporting system
- an increased European cooperation and harmonisation

A particular effort in terms of communication

- The importance of coordination bodies with
 - the banking community and with corporate associations, in France and within the EMU
 - other statistical administrations and professional associations under the aegis of INSEE (CNIS)



An adaptation in several steps of the reporting system

1st step: coping with the advent of the euro, the case of the travel surveys

- The implementation of surveys to gauge crossborder travel ➔ inward (EVE) and outward (SDT) surveys
- with some difficulties: France 's institutional and geographic specificities
- and a cost to bear

1st step : Travel surveys (cont 'd)

- A necessary cooperation with the Tourism Directorate (TD) in the Ministry of Tourism, Equipment and Transportation which is the main user of the BOP data on travel
- the cost sharing with the TD
- the recourse to outsourcing for the implementation of both surveys

2d step: coping with the consequences of the banks ' exemption reporting threshold within the MU

- From January 2002 no more reporting by the banks of payments below the threshold
- The difficulty in their estimate
- The shock on the bilateral data, mostly for services and income
- the need to react: recalibrate the General Direct reporting system to compensate for the loss of data from the banks, and implement surveys with SMEs

3d step: the modification of the GDRS principles

- The need for a new regulation (March 2003)
- The introduction of new criteria for the selection of direct reporters
- Priority given to DRs in the service sector against the trade in goods
- A heavy selection process over 2001 and 2002
- A new DR ' population in Jan. 2004: reduced, but more representative (450 companies instead of 750 before)

*3d step (cont 'd): The new GDRS
difficulties encountered in the process*

- A less cooperative corporate sector, in spite of the new decree
- the absence of effective sanctions
- the need to revise the 2003 decree
- nevertheless a good coverage but still some laggards and grey areas (eg. Business services)

The next steps

- The introduction of a quarterly or annual survey focused on SMEs active in crossborder service business to complement the new GDRS
 - Questions to be solved in this process: cooperation or not with the ONS, outsourcing or not, human and financial resources...
- A new approach of portfolio income: the accrual basis
- A revision of the trade credit survey sample

The work in progress

- Quantitative analysis of companies crossborder payments in addition to a reflection on the setting up of a business register constituted with companies involved in international transactions on a permanent basis: the need for data from different administrative sources

The work in progress (cont 'd)

- Investment income on an accrual basis
 - Implementation of the recommendations of the ECB-Eurostat TF on Investment income
 - Estimate on a security by security basis when available
 - Geographic breakdown only on the credit side

Some potential problems ahead

- ONS not keen to assist effectively the Central Bank mainly for the SMEs survey, but ready to help through experts ' transfers
- Budgetary constraints within the Central Bank and its own priorities (restructuration, downsizing...)
- Pressure from the banking community to move quickly

The likely framework of the future French BOP reporting system

- It will be based on multiple reporting sources, but within the present mixed system structure (Banks+ DRs+ Surveys+estimates)
- with a different weight of the various reporting sources and techniques: a larger share for the companies 'reports, a wider use of statistical techniques, banks devoted to be DRs for their operations for o/a, but remaining the major source of data for portfolio stocks and flows

The particular case of portfolio investments

- A research is under way within Banque de France along the lines recommended by the ESCB Statistics Committee
- the choice of the future system will be between monthly stocks (and derived BOP flows) or monthly flows combined with quarterly stocks; the second option is presently favored.

The pros and cons of each solution

- Only monthly stocks from custodians:
 - *pros*: revolutionary, theoretically simple, more suited to recent market making evolutions (OTC transactions difficult to handle within an ITRS), limited number of reporters, sectoral breakdowns
 - *cons*: costly for the compiler (new IT software), no precedent, limited coverage of short term papers and repos, no cross checking with flows, estimates of flows

Pros and cons (cont 'd)

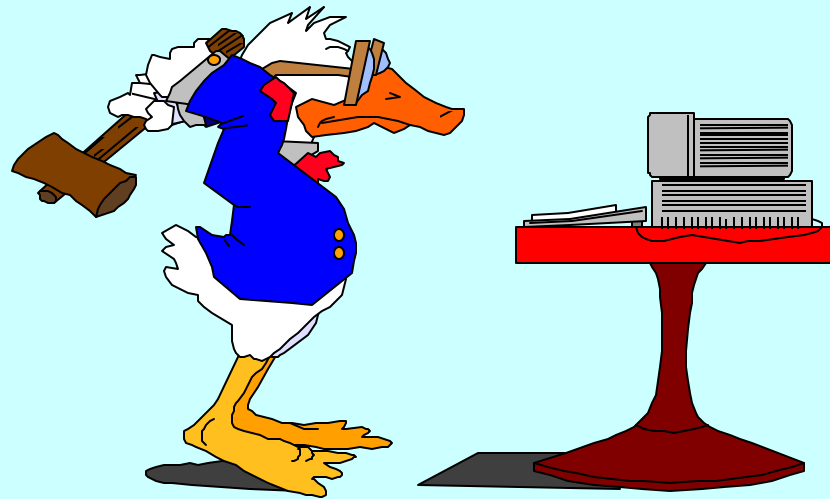
- quarterly stocks and monthly flows
 - *pros*: system already partly in place in France (banks ' assets) , which only requires an improvement to capture Q stocks (assets and liabilities) for the other sectors
 - *cons*: difficulty to catch up with growing OTC transactions and to cover short term papers transactions (mostly repayments) in spite of a sbs reporting; cost of a dual reporting (F/S)

The future: how to fulfil contradictory needs ?

- Lean and mean
- complex
- heterogeneous
- under various pressures: more demanding methodology (BPM6) and users, reporters somewhat reluctant in front of additional requirements



A different world in the making...



... with new actors



Appendix :

Data sources of the future French reporting system

BOP items	Already achieved in 2003 and 2004	In the offing	Final stage
Goods	Customs (M)		Customs
Services	Updating GDRs (M) + Travel surveys (M)	SMEs survey (Q/Y ?)	GDRs + travel surveys + SMEs survey + Banks o/a
Income	Model for macro checking (M)	Accrual (M)	Accrual + GDRs + Banks' individual customers
Transfers		Foreign workers remittances (M)	GDRs + Banks o/a + foreign workers
Direct Investment			GDRs + Banks o/a + other sources
Portfolio Investment		CSDB (M) + stock/flow model (M/Q) for banks or custodians	Banks or custodians + GDRs
Other Investment		Updating trade credit survey (M)	Banks + GDRs + Government + trade credit survey + other sources