



EUROPEAN CENTRAL BANK

BALANCE OF PAYMENTS STATISTICS AND

EXTERNAL RESERVES DIVISION

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**WORK ON BOP CARRIED OUT
IN THE CONTEXT OF THE ESCB BOP WORKING GROUP**

For information of the IMF BOP Committee

WORK OF THE ECB'S BALANCE OF PAYMENTS AND EXTERNAL RESERVES STATISTICS DIVISION

1. The European Central Bank's Balance of Payments Statistics and External Reserves Division (ECB's BP&ER D) is responsible for preparing different sets of statistics for the euro area:

- (i) Monthly balance of payments (b.o.p.) key items;
- (ii) Quarterly and annual balance of payments (IMF Standard Components);
- (iii) International investment position (i.i.p.);
- (iv) Eurosystem's international reserves; and
- (v) Effective EUR exchange rate.

2. In addition, the Division is responsible for the concepts and compilation guidelines relating to financial account and investment income of the EU/EMU balance of payments and international investment position statistics. The BP&ER Division is also showing trade statistics for the euro area compiled by the Commission (Eurostat) in close co-operation with the ECB's Directorate General Economics in the monthly releases of the ECB Monthly Bulletin.

3. The preparation of these sets of statistics involves various tasks (including co-operation with Eurostat) which can be grouped together as follows:

- (i) Conceptual and harmonisational work including compilation issues;
- (ii) Monitoring the implementation of b.o.p. compilation arrangements within the Member States;
- (iii) Compilation of the euro area b.o.p./i.i.p. aggregates in the context of the ECB's statistical publications; and
- (iv) quality testing of the euro area b.o.p./i.i.p. aggregates with other euro area related statistics, namely euro area Money and Banking Statistics, and other euro area data sources.

WORK OF THE WORKING GROUP ON BALANCE OF PAYMENTS AND EXTERNAL RESERVES STATISTICS

COMPILATION OF THE BOP/IIP EURO AREA AGGREGATES, EUROSYSTEM'S INTERNATIONAL RESERVES AND EFFECTIVE EXCHANGE RATES FOR THE EURO

4. In 1999, the Working Group intensified its work on *practical compilation and data production issues* owing to the fact that various sets of new statistics were to be compiled for the first time:

Compilation of the monthly and monthly bop MKI aggregates

5. Euro area MKI aggregates are in production since March 1999. Timeliness and quality of the figures is constantly improving. Though not foreseen in the ECB Guideline ECB/1998/17 which sets out the ECB requirements in the field of b.o.p./i.i.p. statistics, historical monthly series back to 1998 were provided by the euro area participating Member States, thus enabling historical euro area MKIs to be compiled.

Compilation of the quarterly bop aggregates including the historical quarterly series based on extra-EMU data

6. From June 1999 onwards, quarterly euro area b.o.p. figures based on extra-EMU data have been compiled. It is envisaged that euro area quarterly b.o.p. data back to 1997 will be compiled and published before the end of the year.

Compilation of the end-1998 and historical Monetary Union international investment position

7. First i.i.p. for the euro area related to end-1998 and back data as at end-1997 were transmitted by Member States participating in the euro area on 30 September 1999 and are in the process of compilation. Disclosure is foreseen in the December 1999 release of the ECB Monthly Bulletin (Table 8.7). These figures will also be shown on the ECB's Web site and in the IMF's International Financial Statistics publication. The breakdown follows closely the Standard Components of the 5th edition of the IMF BOP Manual, although with some presentational differences, and the aggregate will be compiled on a net basis by simple aggregation of national i.i.p.

Eurosystem's international reserves

8. The Eurosystem's *international reserves* consist of highly liquid, marketable and creditworthy claims held by the ECB and the participating national central banks on non-residents of the euro area and denominated in foreign currency (i.e. in currencies other than the euro and its national denominations) plus gold, special drawing rights and the reserve positions in the IMF of the participating NCBs. As from April 1999 onwards, the BP&ERD is compiling and disclosing Eurosystem's reserves in Table 8.6 of the ECB Monthly Bulletin. Eurosystem's claims on euro area residents which meet the criteria of liquidity, marketability and creditworthiness and are denominated in foreign currency - principally foreign currency deposits with banks located in the euro area - are shown as a memorandum item.

9. Following the new requirements derived from the strengthening of the SDDS in the field of international reserves, monthly Eurosystem's international reserves will in principle be disclosed according to the new common IMF/G10 template format as from March 2000 with data referring to end-December 1999, end-January and end-February 2000.

Effective exchange rate of the euro (EER)

10. As from the October 1999 release of the ECB Monthly Bulletin, the BP&ERD publishes the effective exchange rate of the euro (EER) calculated according to a methodology agreed within the Eurosystem. The nominal EER is defined as a geometric weighted average of the bilateral exchange rates of the euro against the currencies of the partner countries. The real EER is defined as a geometric weighted average of relative prices (represented by HICP for the euro area and EU countries and by CPI indices for third countries) between the euro area and each trading partner, expressed in a common currency. The nominal EER is available daily. The real EER is available monthly. The base period for both indices is the first quarter of 1999 = 100.

11. The 13 countries whose currencies enter into the ECB's calculation of the effective exchange rate (EER) of the euro are the United States, Japan, Switzerland, the United Kingdom, Sweden, Denmark, Greece, Norway, Canada, Australia, Hong Kong, South Korea and Singapore. The selection of countries is based on their importance as trading partners of the euro area and on data availability. Their trade weights are calculated with third market effects (following a methodology set up by the BIS).

Trade statistics

12. The trade statistics are compiled by Eurostat. The ECB has assisted in improving timeliness and adding more frequent indices (volumes, values and unit values) and seasonal adjusted data.

CONCEPTUAL WORK

13. In the field of ***conceptual harmonisation and future development of euro area b.o.p./i.i.p. statistics***, following issues required the attention of the Working Group during 1999:

Checking the quality of the aggregates and analysis of the results

14. Certain procedures for checking the quality of the aggregates have been established after the starting of Stage Three of the EMU. In particular, comparisons between b.o.p. data and flows derived from the money and banking statistics are carried out on a regular basis. The Working Group also investigated the item "Errors and omissions" of the euro area b.o.p. in order to assess the underlying difficulties of the aggregated statistics and will be informed on the different procedures followed in analysing the euro area b.o.p. data. The forthcoming semi-annual report assessing the quality of the euro area b.o.p./i.i.p. statistics would be submitted for the attention of the ECB Governing Council before the end of 1999.

Portfolio Investment: geographical allocation of portfolio investment and investment income flows and stocks

15. A Task Force on Portfolio Investment was set up by the WG BP&ER at its September 1998 meeting in order to analyse the major problems and possible solutions to the compilation of the euro area portfolio investment and investment income account under Step 3 of implementation. The results of the work should also contribute to investigate compilation methods for portfolio investment in the future. The Task Force concluded that the implementation of an annual euro area wide portfolio investment survey (EPIS), supplemented with a centralised securities database and which concrete coverage and details would be further investigated in the short future, should be regarded as a key element towards the objective of compiling reliable euro area PI flows and stocks statistics. The Statistics Committee endorsed in its September 1999 meeting these recommendations, which would enable ***annual euro area i.i.p. showing separate positions for euro area assets and liabilities to be compiled*** - a high priority project in this field-.

Work in the field of Reserve Assets

16. The WG BP&ER set up at its September 1998 meeting a Task Force on Reserve Assets was in order to set out the definition of reserve assets to be applied in both euro area and national statistics from 1999 onwards. As a result of its work, the ECB Governing Council approved in March 1999 that Eurosystem's reserve assets for statistical purposes should refer to foreign currency denominated claims of the ECB and the euro area participating NCBs on non-euro area residents, thus fully in line with the guidelines established by the 5th edition of the IMF Balance of Payments Manual.

17. During the second half of 1999, conceptual work in the field of reserve assets was mainly addressed to the preparation of a harmonised set of Eurosystem-wide operational guidelines for the implementation of the new common template for disclosure of international reserves. Based on the joint IMF/BIS operational guidelines, Eurosystem's harmonised guidelines for the compilation of international reserve assets will have been agreed by European balance of payments experts in the course of November 1999 for its implementation as from end-March 2000.

Reflection on the future of b.o.p./i.i.p. collection systems in the euro area and work on an ECB Regulation in the field of b.o.p./i.i.p. statistics

18. During 1999 the BP&ERD thoroughly investigated in co-operation with the WG BP&ER and the Statistics Committee the need for an ECB Regulation in the field of b.o.p./i.i.p. statistics. Results of this investigation revealed that Member States see – more or less unanimously – presently no need for provision of supra-national legal instruments to cover all items and reporting agents comprehensively. Some Member States feared that under such an ECB Regulation national reporting agents may further question the need to report intra-euro area transactions in this new scenario. Consequently the BP&ER suggested suspending work on an ECB b.o.p. Regulation.

19. However, the existence of considerable challenges of national b.o.p. data collection systems and the urgent need to discuss solutions on a supranational level was mentioned as a serious cause of concern for euro area national b.o.p. compilers. Therefore, a workshop of experts will meet in the course of November 1999 to consider possible long-term solutions for euro area b.o.p. statistics. A strategy towards a future system of data collection (which is *not necessarily a uniform* data collection system) should be outlined.

1999 update of the BOP BOOK

20. The new update of the B.o.p. Book will take place in November. For the 2000 update, it is envisaged that the general part of the BOP BOOK will be expanded summarising the harmonisation proposals agreed by EU b.o.p./i.i.p. experts since 1996.

Other tasks

21. Conceptual work was carried out in other areas, such as the treatment of debt forgiveness, the treatment of all intra-ESCB transactions (including TARGET), developments on the electronic money issue and co-operation with the IMF and the pre-accession countries.