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

Banque de France
October 2004
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’s 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

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<th>Already achieved in 2003 and 2004</th>
<th>In the offing</th>
<th>Final stage</th>
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<td>Customs (M)</td>
<td>SMEs survey (Q/Y ?)</td>
<td>Customs</td>
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<td>Services</td>
<td>Updating GDRs (M) + Travel surveys (M)</td>
<td>Accrual (M)</td>
<td>GDRs + travel surveys + SMEs survey + Banks o/a</td>
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<td>Direct Investment</td>
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<td>GDRs + Banks o/a + other sources</td>
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<td>Portfolio Investment</td>
<td>CSDB (M) + stock/flow model (M/Q) for banks or custodians</td>
<td>Banks or custodians + GDRs</td>
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<td>Other Investment</td>
<td>Updating trade credit survey (M)</td>
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