

DEVELOPMENTS IN STATISTICS

Over the years, Eesti Pank has created a well-functioning, modern, flexible, cost-effective, and internationally compatible system of collecting, processing, and disseminating financial sector and balance of payments statistics.

The comprehensive and regularly updated statistics page on Eesti Pank's web site reveals the extensive work done. This page contains about 400 tables of various statistical data.

In 2005, Eesti Pank's statistics-related activities entailed active participation in various committees and working groups of the ECB and the European Commission (Eurostat). The experts of Eesti Pank took part in the preparation of the **"ECB Report on the statistical preparedness of non-euro area EU Member States – 4th Progress Report"**. The progress report evaluated the compliance of non-euro area EU Member States' statistics with the Economic and Monetary Union (EMU) requirements. Eesti Pank already today meets the statistics requirements of EMU. Some shortcomings have occurred in general economic statistics compiled by the Statistical Office, but these are expected to be overcome by the time of acceding to the Economic and Monetary Union. Moreover, preparations were made to draw up another key document, the **ECB Convergence Report 2006**. As before, the report evaluates the convergence process of 11 non-euro Member States, including Estonia. The contribution of the statistics departments of Eesti Pank lies in providing the relevant statistics.

In addition to expanding relationships with the European Commission and the European Central Bank, regular data dissemination and cooperation continues with the International Monetary Fund (IMF) and the Bank for International Settlements (BIS).

Banking and other financial statistics

The most outstanding event in 2005 in the field of banking and other financial statistics was the **gradual integration in the ECB's system of**

data collection. Since January 2005, Eesti Pank submits MFI balance sheet statistics and monthly interest rate statistics prepared in compliance with the EMU requirements. In November, the submission of respective quarterly MFI balance sheet data was also started.

In 2005, further preparations were made to improve the accessibility and quality of **statistics of other financial intermediaries** (i.e. data of financial institutions not included under the MFI category) with the aim to meet all the ECB statistics requirements in the near future. As in 2004 most of the resources were spent on the reconciliation of the MFI statistics with the appropriate ECB standards, in 2005 more attention was paid to other than MFI statistics, mainly on other financial intermediaries and securities, and to the compilation of national financial accounts.

In order to ensure the availability of **securities statistics**, cooperation with the Estonian CSD was carried on which resulted in higher accuracy and quality of data submitted by the central register to Eesti Pank. The technical solutions of data exchange were updated as well. For the smooth operation of data exchange between Eesti Pank and ECSD an agreement was concluded.

Essential changes occurred in reporting the data of leasing and insurance companies. Since June 2005, the data of three more leasing companies were added to the leasing statistics. Before that, only the data of the member companies of the Estonian Leasing Association were included. Thus, leasing statistics became even more extensive. Eesti Pank participated in the development and introduction of the electronic reporting system of insurance companies, an initiative of the Financial Supervision Authority. Eesti Pank contributed by providing support in creating a framework for electronic data exchange and database structuring. This resulted in making the data of insurance companies available via database queries from the second half of 2005.



The compilation system of the **national financial accounts**¹ was developed further. Accounts for the first to fourth quarters of 2004 and the first and second quarters of 2005 were completed. New data sources were put into use (e.g. improved data of ECSD, insurance database) and compilation methods were elaborated. While at the end of 2005 the ECB guideline on the compilation of financial accounts was amended, the present financial accounts compilation system was analysed in light of the updated guideline. Amendments to the guideline do not, however, have a significant impact on the current system.

Meeting Eesti Pank's objectives for statistics inevitably requires efficient cooperation with other institutions collecting financial sector data and data providers. Eesti Pank and the Financial Supervision Authority continued cooperation to improve the reporting and data collection system of credit institutions and other financial intermediaries (investment funds, insurance companies, etc.). Traditional and mutually useful meetings with credit institutions were carried on; the primary issues discussed were planned amendments to reporting.

The conclusion of two important cooperation agreements should be mentioned in addition to the above noted close work relations with the ESCD. An agreement in spring 2005 denoted the long-time and successful cooperation with savings and loan associations. This agreement also served as a basis for the publication of the consolidated balance sheet of savings and loan associations on Eesti Pank's web site since November 2005. The other cooperation agreement was signed in May 2005 and covered data exchange between Eesti Pank and the Statistical Office.

Balance of payments statistics

In 2005, Estonia's balance of payments statistics aimed at the methodological compliance of the output with international standards, and higher accuracy and reliability of statistics.

Collection of data was improved and the internationally compatible Estonian model of balance of payments statistics was developed.

The launch of the **state accounting system** contributed significantly to **improving the quality of data**. Moreover, the integration of the system with the data sources of balance of payments allowed to considerably enhance the quality of statistics of general government's external transactions, especially in terms of transfers. As the state accounting system includes all public sector agencies, it was examined whether information on the balance of payments statistics of such agencies could be requested directly from the system. This would reduce the reporting burden for agencies. The related activities will continue in 2006.

Negotiations were held with the Ministry of Justice Centre of Registers and the Land Board for better coverage of **immovable property transactions** carried out by non-residents in Estonia in the balance of payments. It was agreed with the Land Board that they would transmit data on immovable property, which has been bought or sold by non-residents, to Eesti Pank by countries from 2006 onwards.

Problems with the **quality of intra-EU trade data persisted** (Intrastat). They were partly resolved through close cooperation between Eesti Pank, the Customs Board and the Statistical Office.

¹ National financial accounts represent a system of accounts, recording the stocks of financial assets and liabilities and the transactions and non-transactions related changes of different institutional sectors by the type of financial instrument. Financial accounts are an essential tool for the assessment of risks and financial behaviour of different institutional sectors and their sub-sectors.

The EU accession affected also the **intra-Community travel statistics**, since internal border crossings by EU tourists are no longer registered. Previously this data had been used to compile travel services account for the balance of payments flash estimate. Together with the Statistical Office and the Ministry of Economic Affairs and Communications opportunities were sought to improve the border crossing statistics under new conditions, including the installation of mechanical counters of vehicles on Estonia's southern border (Eesti Pank as the provider of funding).

An important data source for balance of payments statistics is the media. To make better use of it, a special **database of external events** was created, where all the news concerning balance of payments are entered.

Possibilities to arrange **sample surveys** for the collection of balance of payments statistics were examined with the aim of reducing companies' reporting burden. It appeared that specific features of doing business in Estonia do not allow carrying out such sample surveys in the near future.

Pursuant to the IMF Data Quality Assessment Framework (DQAF) for balance of payments, and taking into consideration recommendations of international institutions, **Estonia's balance of payments system of quality indicators** was elaborated, considering the methodological compliance of the output with international standards, accuracy and reliability, serviceability and consistency. Balance of payment statistics was assessed twice in 2005, i.e. in each half-year. The extent of later adjustment of quarterly balance of payments has been decreasing, but the quality of monthly balance of payments has slightly dropped after the accession to the EU. This is because several data sources fell off (very late deadline for Intrastat data and changes in the framework for collecting data on tourists' border crossings).

To ensure methodological compliance of the balance of payments with international standards, the **accounting method of reinvested earnings** had to be altered. In calculating reinvested earnings, the All-Inclusive Concept (AIC), which concentrates on the net profit/loss, and the Current Operating Performance Concept (COPC), which includes operating profit/loss, are used. In the case of the AIC, retained profit, which constitutes the basis for calculating reinvested earnings, is formed including unrealised gains/losses from exchange rate differences and revaluation of financial assets, other extraordinary income/expenses, and uncollectible receivables (incl. loan provisions). All of the above-listed are excluded in the case of the COPC, which is preferred in the international standards². Collection of data required for the application of the COPC method is problematic for most countries. Therefore, the use of the AIC method is overwhelming (also in Estonia). In 2005, Eesti Pank started to use the COPC method and the data available allowed adjusting the data for 2003 and 2004 retroactively.

The **web-based reporting system** of balance of payments statistics initiated in 2004 was developed further. Abobase System conducted a detailed analysis of the project and in late 2005 an invitation to tender was issued to a number of IT companies for the elaboration of an e-reporting system. The e-reporting system will be launched in 2007.

The **reform of outputs of balance of payments statistics** was finalised in 2005. Meeting the EU statistics requirements and introducing the new information system of balance of payments statistics facilitates the collection of more detailed and extensive balance of payments statistics (distribution of partners, a more detailed distribution of services and income accounts, distribution of cash flows of loans granted, drawings and repayments). Time-series of more detailed statistics from 2003 onwards are available on the web site of Eesti Pank.

² IMF, Balance of Payments Manual 5th Edition; OECD, Benchmark Definition of Foreign Direct Investment Statistics



The experts of Eesti Pank participated in the European Commission's (Eurostat) project "Transfer from GDP to GNI", which aimed to analyse the **accuracy and reliability of the methodology for calculating the gross national income** of the new Member States. Statistical transition from GDP indicators to gross national income indicators occurs through the income account of balance of payments, therefore the main actor in the project was Eesti Pank. The indicator of gross national income forms the basis for EU budget allocations of the EU Member States.

Close cooperation continued with the ECB within phase two of the **Centralised Securities Database (CSDB) project**. The main objective of the project is to make the statistics on portfolio investment available through a common database, and to improve the quality of statistics. The second project phase will establish online connections with all national central banks of EU Member States and provide them access to the database. Eesti Pank has submitted all required data to the ECB and has been exchanging ideas with the ECB on raising the quality of information from commercial sources.

Eurostat initiated participation in the **Foreign Affiliates Statistics (FATS) pilot project**. Its objective is gaining an overview of the impact of international concerns in various countries. As in addition to the balance of payments statistics also other indicators regarding economic activities are collected within that project, the Statistical Office was a substantial cooperation partner in the project. Until then inward foreign affiliates statistics (FATS) was focused on, but in 2005 arrangements were made to collect outward FATS.

The preparation of the 6th edition of the Balance of Payments Manual was a priority in cooperation with the **International Monetary Fund**. The relevant Balance of Payments Technical Expert Group (BOPTTEG) also includes a representative from Eesti Pank. Opinions were formulated through consultancy in writing on various issues over the year (statistics of financial gold and fixed rate bond

instruments, travel services, etc.). Eesti Pank participated for the fourth time in the IMF Coordinated Portfolio Investment Survey (CPIS), which aims at enhancing quality in this area. Moreover, a Survey of Country Distribution of Long-Term Securities Held as Foreign Exchange Reserve Assets (SEFER) was compiled and submitted to the IMF.

General economic statistics

Close cooperation with the ECB continued in the area of **general economic statistics and national fiscal statistics**. The ECB considers national central banks as competent and independent bodies capable of evaluating the quality of **general government financial statistics** and providing (in cooperation with the Ministry of Finance and the Statistical Office) relevant statistical data to the ECB. Cooperation between Eesti Pank, the Statistical Office and the Ministry of Finance is efficient and required data were submitted to the ECB in time. The assessment of the quality of statistics was also on the agenda.

Another significant issue in cooperation with the ECB was the development of the Harmonised Index of Consumer Prices (HICP) in two directions: **harmonisation of the presentation of owner-occupied housing costs and administered prices in the consumer price index (CPI)**. For the old EU Member States the extent of presentation of owner-occupied housing costs in the CPI varies, whereas they are not included in the CPI of the new Member States. The aim is to identify a common approach. The discussion, which the ECB initiated in 2005, now involves the Eurostat as well, and will continue in 2006. The ECB conducted two surveys into administered prices. The first treated the definition of administered prices, and the second their extent in the Member States. The summary of the second survey revealed that the list of administered prices in the new Member States is shorter than in the old ones.