

DEVELOPMENTS IN STATISTICS

Eesti Pank has applied an up-to-date, flexible and internationally compatible system for collecting, processing and publishing statistical data. This system serves as an input for monetary policy analysis and assessment of risks related to Estonia's financial and external sectors. The comprehensive and regularly updated Eesti Pank's website contains over 400 tables of data and is available to everyone.

As regards statistics, the central bank proceeds from the principles of efficiency and economic use of resources. To this end, Eesti Pank cooperates with other data collecting authorities, such as the Financial Supervision Authority, the Ministry of Finance, Statistics Estonia, etc. One of the objectives is to avoid double data collection and ensure consistency of data. Thus, Eesti Pank and the Financial Supervision Authority collect data from credit institutions within a common reporting framework and submit aggregate data also to Statistics Estonia. This way, market participants are less burdened with reporting.

The international comparability of published statistics is guaranteed through a methodology that relies on international standards and guidelines. The primary cooperation partners in this area are the European Central Bank, the European Commission and the International Monetary Fund.

Banking and other financial statistics

In the field of banking and other financial statistics, 2007 was the year of **introducing changes to the reporting system**. Eesti Pank and the Financial Supervision Authority revised almost the entire set of credit institutions' reporting. Major changes were made to the forms and compilation methods of balance sheet and income statement. The new balance sheet and income statement schemes that were introduced at the beginning of 2008 are based on the Guidelines of Financial Reporting (FINREP) of the Committee of European Banking Supervisors (CEBS). FINREP draws from the international reporting standards (IAS/IFRS) and the

selections outlined there with regard to the information to be published. The compliance of forms of balance sheet and income statements submitted to Eesti Pank with the international financial reporting standards keeps the reporting burden on reporting subjects at a minimum level. The forms are virtually identical both on a solo and consolidated basis.

Besides the introduction of new balance sheet and income statement forms, significant changes were also made to the set of supplementary reports (solo basis), which consists of 11 reports. Since these reports provide the majority of detailed data, used for the purpose of supervision and statistics, the changes also included supplementary data requirements of the Financial Supervision Authority, Eesti Pank, Statistics Estonia and the European Central Bank.

Other major amendments were made to the reports on the prudential ratios of credit institutions, supplementary reports on the balance sheets of consolidation groups and supplementary public disclosure reports.

In January 2007, Eesti Pank started to publish **quarterly national financial accounts** on its website and submit these data to the European Central Bank. A special issue of the central bank's quarterly *The Kroon & Economy* was dedicated to national accounts and financial accounts to explain this issue in more detail.

Financial accounts are statistical statements that give a comprehensive overview of the financial assets and liabilities of every economic sector and net transactions made during the period in question. To this end, both the business entities and financial instruments have been classified on the basis of relevant international classifications to ensure comparability of data.

Financial accounts enable to analyse the financial behaviour of different sectors, assess risk concentration, etc. Currently, the published data



are relatively aggregated but will be presented in greater detail in the future. In addition, the period of publication will probably be shortened. All this should contribute to the quality of data on financial accounts. At present, Eesti Pank is constantly improving its data sources and methods of valuation of certain data to ensure high quality of statistical outputs.

Regular annual meetings on reporting between representatives of reporting agents, Eesti Pank and the Financial Supervision Authority continued also in 2007. As various extensive amendments were made in reporting in 2007, meetings with reporting agents were very useful in terms of exchanging information. Such meetings facilitate cooperation with market participants and help to plan further developments with regard to reporting.

Balance of payments statistics

In 2007, the major action lines in balance of payments statistics included the introduction of a web-based reporting portal; enhancement of cooperation with reporting agents; ensuring of methodological compliance with international standards, and improvement of the quality of initial and revised data.

At the beginning of the year, the central bank launched a **web-based system for the collection of balance of payments statistics**. First, the reporting environment was put to test but those who had subscribed to the system could already file actual reports as well. The full version of the portal was put into operation in the second quarter. The system errors detected during the testing phase were fixed and also minor additions were made to the system. Cooperation between partners proceeded smooth despite the great number of system participants (Eesti Pank, TietoEnator, Microlink, credit institutions).

In order to launch the portal, a demo was developed as well as the terms and conditions for joining the system. Then, an advertising print was prepared

and an information campaign organised to inform reporting agents about the portal (including press releases, articles, web advertisements, etc.). During the year 1,030 companies (30% of all reporting agents) subscribed to the system. A preliminary analysis showed that their culture of statistics (timely submission of reports, response rate) was higher than the average of the sample. In the long run, the central bank aims at a complete transition to web-based collection of balance of payments statistics from Estonian companies. To this end, the reporting portal will be developed further in 2008.

Eesti Pank also continued close cooperation with other state agencies that collect statistics

(e.g. Statistics Estonia, Tax and Customs Board, Ministry of Finance, Ministry of Foreign Affairs, Land Board). As Statistics Estonia shortened the period of publication of GDP from 90 to 70 days at the beginning of 2007, it was necessary to revise the dates for submission of data between the agencies. According to the new agreement between Eesti Pank and Statistics Estonia, the latter is now obliged to submit data on foreign trade and tourism services earlier. As a result, the central bank can now compile Estonia's preliminary balance of payments and submit it to Statistics Estonia within 60 days after the end of the reporting period. Eesti Pank also concluded agreements with the Ministry of Justice Centre of Registers, the Land Board and the Chamber of Notaries to receive regular and detailed information about transactions with real estate in Estonia as well as the transaction parties and real estate market prices as of the beginning of 2007. Consequently, the quality of direct investment statistics has improved significantly since then.

In 2007, the central bank reviewed the principles for the evaluation of equity and debt securities. In the case of listed companies, market prices of shares are still used for that matter. For unlisted companies, the book value of shares is applied, whereas the procedure for delisted companies foresees a gradual transition from market prices to book value over the period of four quarters. As regards

accounting of securities, nominal value based methodology was replaced by that based on accrued interests. These methodological changes affect both the international investment position and the financial account. In addition, the Bank's statistics experts explored the possibilities of better reflection of notional units in the balance of payments. To this end, they laid down the definition of notional units and mapped the related fields that are covered or uncovered in the balance of payments. The development of an evaluation model for notional units is started in 2008. For better reflection of the household sector's transactions, additional questions were added to a social survey to be conducted by Statistics Estonia in autumn 2008. These questions concern household incomes received from abroad (wages, pension, income on real estate and security investment).

In autumn 2007, a report on the quality of balance of payments statistics was drafted on Eurostat's initiative with the focus on the quality of the current account and direct investment data. The report compared preliminary statistics with most recently published data. As the results showed, the quality of Estonia's balance of payments is continuously good as later revisions have remained within acceptable limits. Furthermore, the central bank carried out a more in-depth evaluation to examine the quality of balance of payments flash estimates and quarterly time series of the balance of payments and the international investment position. The results were published in the second half of the year in an overview of statistical activities.

In the field of **international cooperation**, central bank representatives continued to participate in the ECB's Centralised Securities Database (CSDB) project. Primarily, this involved submission of data on exchange-traded shares and bond issues registered in the Estonian Central Register of Securities to the ECB. Bank's experts also took part in various

test projects related to the quality control of the CSDB.

On June 20, the European Parliament and the Council adopted Regulation (EC) No 716/2007 on Community statistics on the structure and activity of foreign affiliates. This entailed new tasks for Eesti Pank. The central bank is obliged to gather statistics on Estonian enterprises' foreign affiliates outside the Community. Year 2007 is the first year to be reported on in September 2009.

In summer 2007, Eurostat conducted a survey among the agents who compile balances of payments and national accounts to explore the possibilities of simplifying the Intrastat¹ reporting system, while giving consideration to a transition to the so-called single flow system. To this end, the Bank's representative participated in the work of a task force called TF S-Intra doing the exploration. The task force made a proposal to the Economic and Financial Committee (EFC) of the Council to increase the exclusion threshold for declaration of imports, retain the current threshold for exports, and postpone the introduction of the single flow system to the distant future, as the system calls for smaller discrepancies in cross-border trade statistics.

Heated debates over revising the Regulation (EC No 2560/2001) on cross-border payments in euro continued in 2007. The core of the debates was the question of raising the minimum threshold of balance of payments reporting from 12,500 to 50,000 euros, considering a relevant analysis of the Parliament and the Council. Furthermore, a proposal was made to prohibit the collection of balance of payments statistics via euro payments as of 2011, as this method conflicts with the principles of the Single Euro Payments Area (SEPA). In response, the ECB presented its standpoint, which was elaborated by a task force including also a representative of Eesti Pank. Namely, the

¹ Intra-Community system for declaration of goods.



ECB does not support the proposal, since the abovementioned method is the most cost-efficient way to collect such statistics. The Council and the Parliament will make the final decision on the wording of that Article in August 2008.

General economic statistics

Regular submission of general economic statistics to the ECB and the BIS continued also in 2007. Another line of cooperation with the ECB was price statistics. One of the key tasks in that field was to examine the causes for the discrepancy between measured inflation and consumers' inflation expectations. Another issue examined was regulated prices, more precisely telecommunication services, in the structure of consumer price index. Based on the information from member states, the regulation of prices of telecommunication services varies largely across countries. In general, this field of services has been regulated in the EU countries, with a few exceptions (including Estonia). The ECB believes that the telecom market should be regulated uniformly across the EU and is expecting more detailed information from the national central banks with regard to the regulation of prices of telecommunication services. Eesti Pank together with Statistics Estonia and the Communications Board drafted a response to the ECB to inform the latter that the prices in questions have not been regulated in Estonia.

In order to better communicate general economic statistics to the employees of Eesti Pank, a survey was conducted in 2007 to analyse the frequency of using economic statistics and examine the main users. As a result of the survey, it was decided to reduce the number of tables of key indicators on the internal as well as public website of Eesti Pank and replace some of the existing tables with links to the website of Statistics Estonia.