

DEVELOPMENTS IN STATISTICS

It is the responsibility of Eesti Pank to compile Estonia's balance of payments statistics and banking and other financial statistics. The goal of the statistics work of the central bank is to give the general public high-quality, reliable, up-to-date and unbiased statistics. Eesti Pank's system of collecting, processing, and publishing statistics is compatible with international standards and good statistics practices. To maintain the optimum reporting burden, the central bank works closely with Statistics Estonia, the Financial Supervision Authority, the Estonian Central Securities Depository and other partners.

The new Official Statistics Act, which was drafted with the help of statistics experts from Eesti Pank, came into force on 1 August 2010. The new act is more extensive than the earlier one and includes also the population, housing and agriculture census. The new act details the organisation of statistics in the country, and establishes the Statistical Council and the official statistics programme. The aim of establishing the Statistical Council is to involve various interest groups in society in helping decide what kind of official statistics are needed. In addition, the principles for collecting, using and disseminating the data and the quality criteria for compiling statistics are set out in this act.

To make the statistics produced by Eesti Pank more available and user-friendly, Eesti Pank continued working in 2010 on a new structure and new content for the statistics section of the bank's public website.

Preparations in statistics for EMU accession

In 2010, Eesti Pank's statistics work was related to the preparations for joining the euro area. The first half of 2010 saw participation in the preparation of statistics section for the European Central Bank's (ECB) Convergence Report 2010, which was the last for Estonia. After the announcement

of the decision accepting Estonia into the European Monetary Union, Eesti Pank and the ECB had a number of statistics-related meetings and consultations, aiming to guarantee Eesti Pank's readiness to fulfil the statistics requirements that apply to euro area countries.

In the course of the euro preparations, the principles and action plan for the conversion into euros of the time series of the collected input data and the published statistics were also elaborated.

Read more about the preparations for joining the euro area in individual statistics areas below.

Banking and other financial statistics

Preparations for the adoption of the euro were already begun in the area of banking and other financial statistics at the beginning of 2010 before it was clear whether the decision about Estonia's accession would be positive. First, all of the Eesti Pank Governor's Decrees that would require amendments were mapped. Reporting subjects were also informed of the scheduled changes early on, so that they could plan their funds more efficiently in order to change the report compiling systems.

As mentioned above, Eesti Pank and the European Central Bank held several meetings and consultations. In the area of banking and other financial statistics, the dialogue between Eesti Pank and the European Central Bank was particularly intense, because accession to the euro area entailed many changes. Although the data transmission procedures remained the same, a number of new areas were added to data transmission, the frequency of data transmission was increased and due dates were shortened.

Preparations for the changes in compiling the statistics of monetary financial institutions and investment funds, securities, insurance companies and pension funds required the most effort.

Statistical inputs had to be prepared, indicators calculated and outputs forwarded. The information base for compiling statistics in these areas was sufficient, because most of the required changes in the composition of the collected data had already been made a year earlier. The statistics for the required reserve of credit institutions were an exception, as they needed a new report to be designed as the entire framework had changed. The development of the report, the launch of data collection and the transmission of the required reserve statistics to the European Central Bank succeeded without incident. The first data were transmitted following the new Decree on 7 December and credit institutions had to use those data to begin fulfilling the reserve requirement as of 1 January 2011.

The European Central Bank requires the data of almost all transmissions for the three years prior to the accession to the euro area, as if the country that is about to join the euro area had already been a member of the euro area. Eesti Pank started to send these data at the end of 2010.

To achieve greater efficiency in data collection and the publication of statistics, the central bank focused in 2010 also on the development of information technology. For instance, besides other options, an application was developed to enable the reporting agents to sign the submitted reports with an ID card. Furthermore, a control system for the data transmitted to the European Central Bank was created and preparations continued for introducing the software for compiling quarterly financial accounts.

Close work with Statistics Estonia and the Estonian Central Securities Depository (ECSD) continued. Eesti Pank and the ECSD agreed on the updates to the data transmitted by the ECSD, as this enables the bank to check and improve the quality of data sources more successfully. Eesti Pank's cooperation with Statistics Estonia to define the financial sector also serves

the same purpose. The financial sector is very specific and complex, and therefore, Eesti Pank and Statistics Estonia decided to join their forces and determine with greater precision which companies belong to the Estonian financial sector. Among other things, they agreed that the list of companies included in the financial sector would be published on the website of Statistics Estonia and updated twice a year. In the future, the list should become very helpful for reporting entities in deciding the sectors their clients or transaction partners belong to. The uniform classification of companies will definitely improve the quality of statistics and cut the costs of statistics producers and respondents.

Balance of payments statistics

In 2010, the central bank made preparations in the area of the balance of payments statistics for changing over to security by security reporting in the statistics of the external transactions and positions of portfolio investments. According to the requirements of the European Central Bank for the balance of payments statistics, the compilation method for the portfolio investment accounts of the euro area countries must use security by security data collection. Besides security by security reporting, euro area countries have to submit the results of their portfolio investment account to the ECB by currency and by issuers' sector.

The Centralised Securities Database (CSDB), which was set up by the ECB, offers help in meeting these requirements, as Member States receive information about the necessary securities and also participate in the joint administration of the database and in the quality control of the data. The data quality management of the CSDB has become more important due to the increasing use of the CSDB in the compilation of the European Central Bank's statistics and national statistics on the balance of payments, investment funds and other areas.

So far, the data source for securities has been the aggregate information from the accounting of economic agents, which was affected by the assessment methodology used. Changing over to the new methodology will guarantee a uniform country-wide statistical approach. The methodology uses uniform price and interest rate information and division by the issuer's country, and thereafter divides again at the national level by the issuer's sector. This will decrease asymmetry between countries, a factor that has become statistically significant in analysis of the mirror statistics of portfolio investments. The implementation of the new methodology will also enable the reporting load of the respondents to be reduced. Eesti Pank enforced the new methodology in the balance of payments statistics in January 2011. The preparations for the implementation of the methodology, including the creation of the related statistics compilation methodology and database developments took place in 2010.

In 2008, the OECD adopted the 4th edition of the Benchmark Definition of Foreign Direct Investment, which will be implemented in the European Union as of 2014. The main innovation of the standard is that the statistics for direct investments will also include sister companies, which are companies that are under the influence of the same investor but have a share of less than 10% or no share at all in each other's equity capital. One of the conditions of Estonia's accession to the OECD was the implementation of the new methodology requirements from 2010. Therefore, in 2010 the experts of Eesti Pank continued to work on the new compilation method for the direct investments account and the adjustment of the data collection system, including questionnaires, to the methodology. This meant that data on 2010 could already be collected according to the new standard. Although until 2013 the balance of payments statistics of Estonia will still be published using the current methodology, the parallel use of the new methodology enabled Eesti Pank to participate in the Coordinated

Direct Investment Survey organised by the International Monetary Fund and to fulfil the promise given to the OECD.

As Estonia joined the Schengen visa zone in 2008, the border crossing statistics of Statistics Estonia no longer include the movement of people within the Community, although this comprised about 85% of border crossings. Statistics Estonia terminated these observations due to under-financing. This data source, however, was important for the compilation of the travel services sub-account of the current account of the Estonian balance of payments. For this reason, Eesti Pank continued the work that had begun in 2008 with OÜ Positium LBS, a company of the University of Tartu, to design a border-crossing methodology based on mobile positioning. This would allow the interrupted but important time series of border-crossing statistics to be continued for one-day visitors, visitors for several days and transit travellers with geographic division of up to 100 countries. In 2010, OÜ Positium gave Eesti Pank the first results of the methodology and the survey. At the year-end, Eesti Pank announced a public procurement for the compilation of monthly border-crossing statistics based on mobile positioning, and the winner of the procurement was OÜ Positium. Eesti Pank concluded a three-year contract with the company.

As in earlier years, Eesti Pank's statistics experts also compiled two quality analyses for the balance of payments statistics in 2010. The analyses use various statistical methods to measure the discrepancies between the preliminary and later data published on the same period.

One analysis was compiled for internal use. The other analysis was compiled in accordance with the regulations of the European Union and under the leadership of Eurostat and it focused on the quality of the current account and direct investment statistics for the balance of pay-

ments. Drawing on this report, Eurostat gave a positive assessment of the quality of Estonia's balance of payments, as later revisions have always remained within acceptable limits. Eurostat only evaluated the quality of the statistics for the turnover between Estonia and countries outside the European Union, which comprises only about 20% of the current account turnover of the balance of payments. For this reason, the statisticians of the central bank compiled a quality report for internal use, which encompassed the statistics for the whole balance of payments (the flash estimate on the balance of payments, the quarterly balance of payments and the international investment position). Recent developments allow the conclusion that the balance of payments statistics of Eesti Pank have reached a consistently high level. Corrections in the most important accounts for goods and services are insignificant, while the somewhat greater correction of the income and current transfers account does not depend on Eesti Pank. The quality report is available in the statistics section of Eesti Pank's website.

In 2010, Eesti Pank updated the procedure for declaring international payments and submitting data for the balance of payments statistics. The change was brought about by the new Official Statistics Act and the revised version of the Eesti Pank Act that entered into force as of 1 January 2011. The central bank also replaced the old version of the classification of economic activities in the balance of payments statistics, EMTAK2003 (NACE Rev.1.1), with the new version EMTAK2008 (NACE Rev.2).

General economic statistics

Regular submission of general economic statistics and statistics on public finances to the ECB, the Bank for International Settlements (BIS) and the Directorate General for Economic and Financial Affairs (ECFIN) also continued in 2010. The areas of general economic statistics, on which

the euro area countries have to submit more data to the European Central Bank than other EU Member States do, include business demography, capital stock statistics (including household housing wealth), and statistics on negotiated wages agreements and commercial real estate prices. To obtain the data, the central bank negotiated with Statistics Estonia, the Centre of Registers and Information Systems, the Ministry of Social Affairs and real estate companies. The central bank submitted the time series of the appropriate data to the European Central Bank in the areas of business demography and assets. To date, there are no statistics for negotiated wages agreements in Estonia, but the Ministry of Social Affairs is dealing with this issue.

After Estonia's accession to the euro area, Eesti Pank will start participating in the Household Finances and Consumption Survey, which is arranged in euro area countries using a common methodology and coordinated by the European Central Bank, and which deals with the financial condition and consumption of households. The aim of the observation is to obtain micro-level data about the assets and liabilities of households and the observation will be conducted at least once every three years. In 2010, the experts of Eesti Pank compiled a preliminary schedule for the survey and searched for a cooperation partner. Statistics Estonia has consented to conduct the technical aspect of the interviews, which cover about 2,000 households; Eesti Pank's task is to process and analyse the data, and to send the results to the European Central Bank. The first observation will be arranged in 2013.