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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

**on the application of Regulation (EU) No 549/2013 of the European Parliament and of
the Council of 21 May 2013 on the European System of national and regional accounts
in the European Union and on the application of the granted derogations**

{SWD(2018) 354 final} - {SWD(2018) 355 final}

1. Introduction

Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union (the ‘ESA 2010 Regulation’¹) contains two provisions laying down reporting requirements:

- Article 6(3) specifies that:

‘The Commission, after consulting the European Statistical System Committee, shall report to the European Parliament and the Council not later than 1 July 2018 on the application of the granted derogations in order to verify whether they are still justified.’

- Article 12 specifies that:

‘Review

By 1 July 2018 and every five years thereafter, the Commission shall submit a report on the application of this Regulation to the European Parliament and the Council.

The report shall evaluate, inter alia:

(a) the quality of data on national and regional accounts;

(b) the effectiveness of this Regulation and the monitoring process applied to the ESA 2010; and

(c) the progress on contingent liabilities data and on the availability of ESA 2010 data.’

This report satisfies both requirements. It is accompanied by two staff working documents that provide additional detail and analysis.

Section 2 of the report provides further background information on the aims and uses of ESA 2010. Section 3 discusses the implementation of the Regulation, covering the points required by Article 6(3) and Article 12 mentioned above. Section 4 concludes.

2. Background

The European System of National and Regional Accounts (ESA 2010) is the internationally compatible EU accounting framework for a systematic and detailed description of an economy. ESA 2010 was published as Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013. It was applied for the first time to data transmitted to the Commission from 1 September 2014; from that date onwards Member States sent data to Eurostat following ESA 2010 rules.

¹ OJ L 174, 26.6.2013, p. 1.

ESA 2010 differs both in scope and concepts from its predecessor ESA 95², reflecting developments in measuring modern economies, advances in methodological research and the needs of users. The structure of the ESA 2010 is consistent with the worldwide guidelines on national accounting set out in the System of National Accounts 2008 (SNA 2008³). Eurostat has published several manuals and handbooks to support the implementation of the ESA 2010⁴.

National accounts are the source for a multitude of key economic indicators for policy making and economic analysis by academia, government and international institutions. Gross domestic product (GDP) is the most frequently used measure for the overall size of an economy, while derived indicators such as GDP per capita are widely used to compare material living standards or to monitor economic convergence or divergence within the EU.

Moreover, GDP components and related indicators such as those for output, imports and exports, domestic (private and public) consumption or investment, give valuable insights into the main drivers of economic activity and thus provide a basis for the design, monitoring and evaluation of specific EU policies.

ESA 2010 data are also used for specific administrative purposes such as determining each Member State's contribution to the EU's fourth own resource (based on gross national income⁵), the Excessive Deficit Procedure and the Macroeconomic Imbalances Procedure (see also Section 3c).

The ESA 2010 Regulation provides for:

- a) a methodology on common standards, definitions, classifications and accounting rules to be used for compiling comparable accounts and tables for the EU's purposes (Annex A to the Regulation)
- b) a programme (laid out in annex B of the Regulation) setting out the time limits by which Member States shall transmit to Eurostat the accounts and tables to be compiled in accordance with the methodology defined in annex A.

Eurostat publishes the data transmitted in accordance with Annex B on its website, and adds EU and euro area aggregates.

3. Implementation of the Regulation

a) Availability of data on national and regional accounts

² Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community (OJ L 310, 30.11.1996, p. 1).

³ <http://unstats.un.org/unsd/nationalaccount/docs/SNA2008.pdf>.

⁴ See <http://ec.europa.eu/eurostat/web/esa-2010/manuals-guidelines> for a listing.

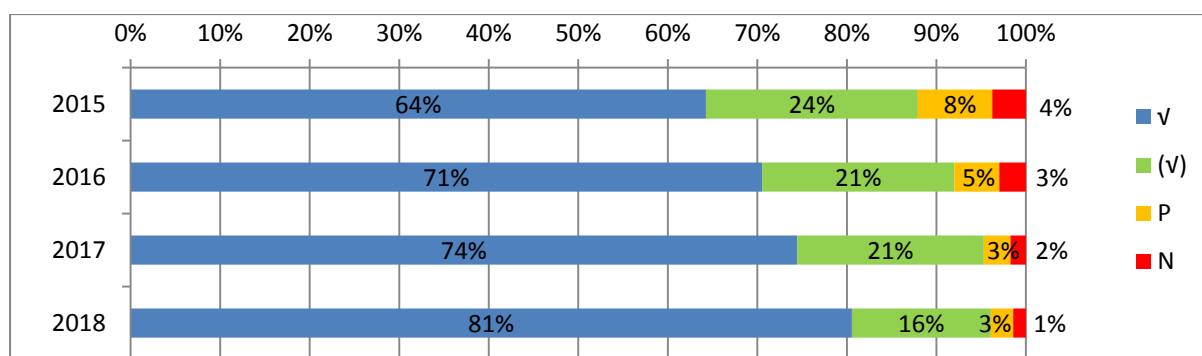
⁵ Gross national income (GNI) based on ESA 2010 is first converted to ESA 95 standards (see Section 3c).

The ESA 2010 Regulation requires the Member States to provide data as specified in its Annex B. Article 6 of the Regulation allowed Member States to apply for temporary derogations to the ESA 2010 transmission requirements before 17 October 2013. This section of the report addresses developments in data availability in the Member States and presents the results of an analysis of the derogations granted.

Data availability according to the ESA 2010 requirements

The Commission (Eurostat) assesses on a regular basis whether Member States’ data availability is in accordance with the ESA 2010 requirements. The underlying analysis covers the assessment of data completeness and, to a limited extent, timeliness. The assessments took place in October 2015, April 2016, February 2017 and January 2018. It can be concluded that data availability clearly improved between October 2015 and January 2018: whereas in 2015 64 % of the tables transmitted by Member States were sent without any shortcomings and 4 % were sent with serious problems, in 2018 the corresponding percentages were 81 % and 1 %, respectively — see Figure 1.

Figure 1: Data availability for the 22 tables⁶ of the ESA 2010 transmission programme (Oct 2015-Jan 2018), EU and Norway



	Complete data delivery. This means that the Member State provides all the data. Only very minor, infrequent shortcomings may be present.
	Almost complete data delivery. Few or minor shortcomings may exist, but the important indicators are provided.
	Data are delivered with shortcomings concerning important indicators or an accumulation of less important indicators exists.
	Data are delivered with significant shortcomings or no data delivery at all.

Derogations and their development over time

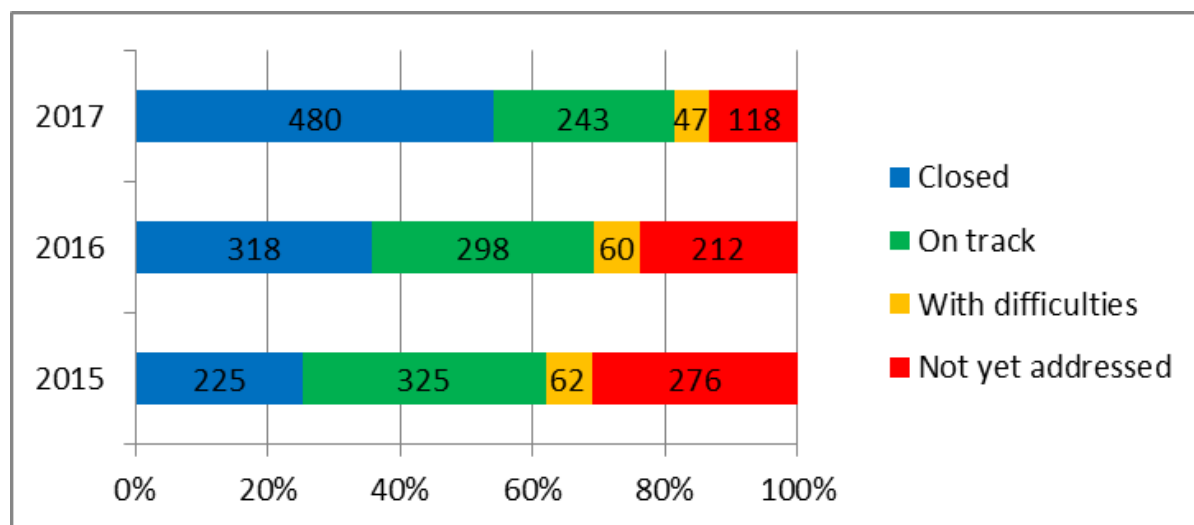
After a careful assessment against predefined criteria, the Commission adopted implementing Decision 2014/403 granting 888 temporary derogations to 27 Member States⁷. In addition, the EFTA Surveillance Authority granted 145 derogations to Norway and Iceland.

⁶ Data transmission for an additional table (table 29 'accrued-to-date pension entitlements in social insurance') only became compulsory by end-2017. Therefore this table is not considered in the assessments.

As derogations to transmission requirements reduce data availability and thus affect user interests, Eurostat monitors the state of play of the granted derogations on a regular basis and checks that Member States respect the derogations' expiry dates. Extensive monitoring was performed at the end of 2015, 2016 and 2017. In the monitoring process all derogations are categorised in four classes: 'closed', 'on track', 'with difficulties' and 'not yet addressed'.

Between end-2015 and end-2017 the number of derogations on track or already closed increased or remained stable in all Member States. For the 28 Member States together we can see a clear shift from derogations that are not yet addressed (a drop from 31 % to 13 %) to closed derogations (increase from 25 % to 54 %) — see Figure 2.

Figure 2: State of play derogations (end-2015 – end-2017), total EU



Verification of granted derogations

As specified in the second paragraph of Article 6(3) of the ESA 2010 Regulation, this Commission report assesses whether the justifications for the derogations that Member States provided in 2013 are still valid. For that purpose Eurostat launched a questionnaire in which Member States had to indicate whether their derogations are:

- still valid (in which case they can remain unchanged);
- partially valid (one or more aspects of the derogations has to be amended); or
- no longer valid (the derogations can be dropped because they have been solved and data are delivered).

From the analysed questionnaire results it can be concluded that most Member States already solved many of the problems which originally triggered the application for derogations even

⁷ Commission Implementing Decision 2014/403/EU of 26 June 2014 on granting derogations to Member States with respect to the transmission of statistics pursuant to Regulation (EU) No 549/2013 of the European Parliament and of the Council concerning the European system of national and regional accounts in the European Union (OJ L 195, 2.7.2014, p. 1).

ahead of the year when they were due to expire. Of the 365 derogations of all EU Member States that were expected to expire in 2018, 2019 or 2020, 67 % (244 derogations) are still valid and can remain unchanged.

For 27 % of the derogations (98 derogations — all concerning derogations that can be closed since data have already been delivered ahead of time) the justification is no longer valid.

For a relatively limited number of derogations (23, or 6 %) the justification is partially valid. This concerns derogations for which the scope can be narrowed, e.g. by deleting variables from the derogation, shortening the period covered, advancing the first year of transmission, etc.

In line with the results of the review, it is appropriate that Decision 2014/403/EU is amended to take into account the changes in the justifications of existing derogations.

Actions undertaken to improve data availability

Eurostat, in cooperation with the national data compilers, is continuously working on improving data availability for its users. Data availability is monitored regularly during periods of data production, but also by way of structural (annual) monitoring and the regular annual review of the state of play of derogations.

Member States have made and still make significant efforts to improve data availability in accordance with the ESA 2010 requirements. The Commission (Eurostat) supports these efforts through meetings, workshops, courses, guidance manuals and documents. Technical cooperation is conducted through the Working Groups on National Accounts and Excessive Deficit Procedure under the guidance of the meeting of the Directors of Macroeconomic Statistics of the National Statistical Institutes.

Financial support from the Commission to Member States is an important tool to encourage them to improve data availability and lift derogations, even before their expiry date. Between 2010 and 2017 a number of grants were provided to Member States for the implementation of ESA 2010 and to improve ESA 2010 data, including the development of voluntary data and data covered by derogations.

In the limited number of cases where Member States' failure to provide data in accordance with the ESA 2010 obligations seriously harms data availability, Eurostat reminds the Member States concerned of the transmission requirements.

Conclusion

Data availability improved significantly between October 2015 and January 2018. Most of the derogations that expired at the latest in 2017 have been resolved by the respective Member States. In addition, a significant number of Member States are providing (part of) the data covered by derogations even before the first transmission date laid down in Commission Implementing Decision 2014/403/EU. It is appropriate for the Commission to amend Decision 2014/403/EU to take into account the changes in the justifications of existing derogations.

To serve users' interests, Eurostat will, in cooperation with Member States, take all necessary actions to achieve full implementation of the ESA 2010 Regulation. Eurostat will remain in close contact with Member States to further improve data availability in the coming years, and continue its work on monitoring derogations.

b) Quality of data on national and regional accounts

This section presents: (i) Eurostat's assessment of the quality of national and regional accounts sent by the EU Member States, Iceland, Norway and Switzerland in 2016; and (ii) quality information on Eurostat's own publication of European aggregates.

The quality assessment was carried out in accordance with Article 4 of the ESA 2010 Regulation, which requires the quality of national and regional accounts data sent to Eurostat to be assessed according to the quality criteria of the European Statistical System established by Regulation (EC) No 223/2009 on European statistics⁸. Commission Implementing Regulation No 2016/2304⁹ sets out the modalities, structure, periodicity and indicators of the assessment process.

The data sent in 2016 were broadly in line with the quality standards of the European Statistical System and the ESA 2010 Regulation. Member States have been able to comply with the new data requirements and methodology, while the process of adapting national data compilation systems will continue until 2020. The overall results for the different quality criteria are given below.

Relevance

The completeness rate was very high for quarterly and annual tables and of direct benefit to users. The average completeness rate for national accounts main aggregates, government finance statistics, non-financial sector accounts and financial accounts was between 95 % and 100 %. For supply, use and input-output tables and regional accounts, average completeness was between 88 % and 97 %. All Member States sent non-required additional data on a voluntary basis.

Accuracy

Most EU Member States, Iceland and Norway publish online information on their national revision policies. Even though a detailed revision analysis of data sent by Member States was not carried out for this report, the analysis of revision rates of key European aggregates

⁸ Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics and repealing Regulation (EC, Euratom) No 1101/2008 of the European Parliament and of the Council on the transmission of data subject to statistical confidentiality to the Statistical Office of the European Communities, Council Regulation (EC) No 322/97 on Community Statistics, and Council Decision 89/382/EEC, Euratom establishing a Committee on the Statistical Programmes of the European Communities (OJ L 87, 31.3.2009, p. 164).

⁹ Commission Implementing Regulation (EU) 2016/2304 of 19 December 2016 on the modalities, structure, periodicity and assessment indicators of the quality reports on data transmitted pursuant to Regulation (EU) No 549/2013 of the European Parliament and of the Council (OJ L 345, 20.12.2016, p. 27).

showed that Member States provide data of good quality, enabling Eurostat to publish early and reliable GDP and employment estimates for both EU and euro area aggregates.

Timeliness and punctuality

In 2016, thanks to the data sent by EU Member States, the publication of the preliminary EU and euro area GDP flash estimates was brought forward by 15 days and the euro area quarterly sector accounts by 18 days. This is a major improvement in the timeliness of the publication of European aggregates. Overall, the punctuality of transmission of quarterly national accounts was relatively high. By contrast, the punctuality of transmission of annual data was rather low: this is an area for improvement.

Accessibility and clarity

All EU Member States as well as the EFTA Member States publish online documentation on national accounts methodology and compilation methods. However, the content of the available information varies substantially across Member States and could be enriched where appropriate. A comprehensive set of documentation is accessible online for around half of the EU Member States.

Coherence

For this report a limited analysis of coherence was carried out. The overall internal coherence within and between selected national accounts tables was very high for nearly all Member States. Small discrepancies noted for a few Member States were mainly caused by rounding practices.

c) Effectiveness of the Regulation and monitoring process

Effectiveness of the Regulation

The aim of Regulation (EU) No 549/2013 is to set up the ESA 2010 and to ensure comparable, up-to-date and reliable data for EU policy and other purposes. Article 5(1) states that '*[t]he ESA 2010 shall be applied for the first time to data established in accordance with Annex B to be transmitted from 1 September 2014*'. Following these first transmissions by all Member States, Eurostat published the first ESA 2010 results for GDP and its main aggregates on 17 October 2014, including an analysis of the impact of methodological changes and statistical improvements on the level of GDP.

The most significant methodological change introduced by ESA 2010 is the recording of research and development expenditure as gross fixed capital formation instead of as intermediate consumption, as was the case in the previous ESA. This change acknowledged the rising importance of intellectual property in the economies of Member States and makes the ESA more useful for users. This methodological change increased the level of GDP in the euro area and the EU-28 in all years, for example by 1.9 % for 2010.

Taking further into account the analysis of availability and quality of the data in Sections 3a and 3b of this report, the Commission considers that the Regulation has been effective in establishing the ESA 2010 and is effective in ensuring the provision of comparable, up-to-date and reliable data by the Member States.

Effectiveness of the monitoring process applied to the ESA 2010

The implementation of the ESA 2010 in the Member States is monitored in different ways.

The completeness and quality of the data transmitted by the Member States are continuously monitored, with particular focus on following up on derogations. This process was described in Sections 3a and 3b above.

The data reported for gross national income (GNI) are monitored in a dedicated process in the context of own resources, governed by Regulation (EC, Euratom) No 1287/2003 (GNI Regulation)¹⁰. A transition mechanism is in place under which for the years 2010 to 2013 the ESA 2010-based estimates of GNI are converted into ESA 95 figures using an agreed method. From the reporting year 2014 onwards, the GNI own resource is based on ESA 2010 data.

Under the GNI Regulation, the Commission (Eurostat) verifies the sources and methods used by Member States to calculate GNI. It does this using annual and multiannual verification mechanisms.

The annual verification process is based on the data sent through the GNI Questionnaire and accompanying Quality Report sent out each year before 22 September. This process leads to an opinion of the GNI Committee on the appropriateness of the GNI data for own resource purposes.

The multiannual verification process is based on many elements, but first and foremost on the ‘GNI Inventory of sources and methods’ produced by each Member State and discussed in Eurostat visits to each Member State. Ultimately, where the Commission considers that changes should be made to the methodology underlying the GNI figures, it can place reservations. As a result, the figures are improved where needed.

Government deficit and debt data are monitored in the context of the Excessive Deficit Procedure (EDP). This also involves validating the underlying government finance statistics (GFS) data in relation to EDP. The legal basis for monitoring the government data is Council Regulation (EC) No 479/2009¹¹. Commission Regulation (EU) No 220/2014¹² stipulates that ESA 2010 must be used for EDP and GFS purposes as of 1 September 2014.

¹⁰ Council Regulation (EC, Euratom) No 1287/2003 of 15 July 2003 on the harmonisation of gross national income at market prices (GNI Regulation) (OJ L 181, 19.7.2003, p. 1).

¹¹ Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community (OJ L 145, 10.6.2009, p. 1).

The legal basis of EDP provides for regular in-depth reporting to the Council¹³ and the European Parliament, including on GFS aspects. Eurostat additionally reports regularly on the consistency of the underlying GFS data with EDP as well as on comparability, accuracy, availability/timeliness and dissemination aspects (as well as a range of additional quality indicators).

Macroeconomic Imbalances Procedure indicators are computed on the basis of underlying statistics produced by national statistical institutes and central banks, stemming from different domains including national accounts and balance of payments. Eurostat is actively monitoring the quality of those underlying statistics and in particular the consistency between balance of payments and national accounts statistics, with a focus on the non-financial accounts. For the monitoring of financial accounts and balance of payments, Eurostat cooperates with the European Central Bank.

The introduction of ESA 2010 ensured the consistency of GDP compilation with the international standards for national accounts. This contributes to a better comparability not only across EU Member States but also on a global basis. However, some challenges remain in relation to globalisation: for example, the impact on GDP of the relocation of the business of large multinational enterprises in small and open economies.

Furthermore, a common harmonised European revision policy for national accounts and balance of payments statistics covering benchmark and routine revisions has been developed and its voluntary implementation by the Member States has started. The policy aims to improve adherence to the twofold principle of alignment at national level between statistical domains and coordinated alignment at EU level across Member States.

In conclusion, the Commission considers that the combination of the various monitoring activities is effective in ensuring high-quality and comparable ESA 2010 statistics.

¹² Commission Regulation (EU) No 220/2014 of 7 March 2014 amending Council Regulation (EC) No 479/2009 as regards references to the European system of national and regional accounts in the European Union (OJ L 69, 8.3.2014, p. 101).

¹³ Economic and Financial Committee.

d) Progress on contingent liabilities data

Data on contingent liabilities are collected by Eurostat in the context of Council Directive 2011/85/EU¹⁴. Article 14(3) of that Directive laid down new statistical requirements on the Member States:

‘For all sub-sectors of general government, Member States shall publish relevant information on contingent liabilities with potentially large impacts on public budgets, including government guarantees, non-performing loans, and liabilities stemming from the operation of public corporations, including the extent thereof. Member States shall also publish information on the participation of general government in the capital of private and public corporations in respect of economically significant amounts’.

The ESA 2010 Regulation acknowledges the above (in Recitals 19, 20 and 22) and requires the Commission to report to Parliament and the Council on the availability of the related information at specified intervals (see Articles 11 and 12). In this context, in June 2016, the Commission published the first ‘Report on implicit liabilities with potential impact on public budgets’¹⁵ and a further report will be prepared in 2018.

The data collected by Eurostat in the context of the above Directive are the main source of information on government contingent liabilities in Member States¹⁶. The templates for the data collection and the implementation guidance were provided in Eurostat’s Decision of 22 July 2013 on government deficit and debt — *Supplement on contingent liabilities and potential obligations to the EDP related questionnaire*¹⁷.

This Decision specifies that Eurostat will collect and publish selected indicators related to the following contingent liabilities: *government guarantees, off-balance public-private partnerships (PPPs), liabilities of government controlled entities classified outside general government (public corporations) and non-performing loans (government assets*¹⁸).

The Member States published data at national level and provided them to Eurostat for the first time by end-December 2014. Since then, annual data collection has been taking place, followed by the Eurostat publication by end-January each year. Eurostat publishes the figures in millions of national currency and as percentages of GDP in its database, together with the

¹⁴ Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States (OJ L 306, 23.11.2011, p. 41).

¹⁵ <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1435910317596&uri=CELEX:52015DC0314>

¹⁶ Other Eurostat data collections also exist (i.e. the Supplementary table for financial crisis, the EDP related questionnaire, etc.). These provide limited and/or confidential information on particular types of contingent liabilities.

¹⁷ <http://ec.europa.eu/eurostat/documents/1015035/2041337/ESTAT-decision-Suppl-on-conting-liab-EDP-Q.pdf/0b35165a-ee53-470a-a15a-7beaa98aac8b>.

¹⁸ The Member States should publish the same indicators at national level and also the data on the participation of government in the capital of corporations.

related metadata and country-specific footnotes. An accompanying press release¹⁹ is also issued.

Since the first data collection in 2014, the Member States have made significant progress on the completeness (in terms of including all liabilities) and the coverage of the data (in terms of covering all of general government). A number of Member States reviewed and revised their figures to better align with the agreed guidelines.

The completeness and the coverage of data vary by indicator and by Member State. In Eurostat's data collection, for most Member States complete and good coverage data are available for all indicators. However, for some Member States data are not yet fully exhaustive. In particular, progress is still needed on data about non-performing loans. Also, for liabilities of public corporations, not all Member States have included the liabilities of financial institutions and/or the liabilities of units controlled by local government.

4. Conclusions and challenges ahead

This report analysed the availability and quality of ESA 2010 data, the effectiveness of the Regulation and monitoring processes and the progress on contingent liabilities, as required by Article 6(3) and Article 12 of the ESA 2010 Regulation.

ESA 2010 was first introduced in the Member States in September 2014. Implementation has continued since then, e.g. by resolving derogations granted to individual Member States. In this context, the completeness of data has significantly improved, including on contingent liabilities. Following the analysis in this report, it is appropriate that Decision 2014/403/EU is amended to take into account changes in the justifications of existing derogations.

In 2016, thanks to the data sent by EU Member States, a major improvement was achieved in the timeliness of European aggregates, with publication of the preliminary EU and euro area GDP flash estimates brought forward by 15 days and the euro area quarterly sector accounts by 18 days. An analysis of revisions to these flash estimates demonstrates that they are robust.

The Commission considers that the ESA 2010 Regulation, in combination with various monitoring activities based on other legal frameworks, is effective in ensuring the provision of comparable, up-to-date and reliable data by the Member States for EU policy and other purposes.

Nevertheless, challenges remain, for example over globalisation. National accounts data of small and open economies are sensitive to relocations of operations of large multinational enterprises, often in association with movements of intellectual property. Notably, globalisation-related work will require an intensified cooperation and exchange of information at international level.

¹⁹ <http://ec.europa.eu/eurostat/web/government-finance-statistics/contingent-liabilities>.

Another challenge for statistics is the increased digitalisation of the economy and society. New ways of production and consumption, as well as for the ways of exchange between households and businesses, are emerging. Users ask if these new phenomena are properly reflected in national accounts.

A third priority issue is to improve national accounts-based measures of well-being, sustainability and inequality.

Eurostat is investing significant resources in addressing these priority issues, within Europe as well as with its international partners.