24 July 2008

Quality Report on Quarterly Financial Accounts for the General government

INTRODUCTION

Regulation (EC) No 501/2004 of the European Parliament and of the Council of 10 March 2004, stated, in Article 9, that the Commission (Eurostat) shall submit to the European Parliament and the Council a report containing an assessment of the reliability of quarterly data delivered by Member States. In order to fulfil this legal requirement, a quality report on quarterly financial accounts for the general government (QFAGG) was adopted by the Commission and transmitted to the European Parliament and to the Council in June 2006. This quality report is available in the GFS dedicated section of the Eurostat web site at

http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2373,47631312,2373_58674419&_dad=portal&_schema=PORTAL

The aim of the quality report was to capture the multiple dimensions of quality, following criteria commonly used to assess the quality of statistics. The Report was broadly agreed with the members of the Joint Eurostat/European Central Bank Task Force on Quarterly Financial Accounts for General Government.

The report comprised general sections, explaining the underlying concepts, technical issues, and main country findings, and a final section with a summary of conclusions and recommendations by country. More extensive documentation underpinning those findings has been available on the Eurostat website since 2006.

Two years after the adoption by the Commission of the first report, there have been changes and significant improvements in the quality of the statistics transmitted by Member States. One significant change when compared to the previous report is that all Member States are now transmitting data.

Consequently, Eurostat decided to update this quality report in order to take into account developments in the last two years. Contrary to the first quality report, which was requested by legislation and officially adopted by the Commission, it is planned that this report will be mainly a working document for compilers and users, and that it will be placed in the GFS dedicated section once discussed by the members of the Task Force on Quarterly Financial Accounts for the General Government.

The structure of the report has been slightly amended in order to take into account the latest aspects of quality assessment and the need to evaluate the change in quality. The main changes in the structure are as follows:

- A section on the evolution of data quality since the time of the previous quality report has been added at the beginning, by including the 'assessment and recommendation' table from the previous report with an additional column showing main improvements.

- The section "Institutional arrangements" has been re-named "Compilation Arrangements".

- The section "Accessibility and clarity" becomes "Accessibility and clarity at national and Eurostat levels ".

- In the sub-section 5.2. "Coherence between financial and non-financial accounts", the average of absolute discrepancies and the seasonality of the discrepancy are now examined.

- Under the "Comparability" section, a sub-section on comparability with EDP data has been added.

- Finally, a new section on compliance with the Regulation has been added.

Structure of the Quality Report

1. Evolution of QFAGG data quality compared to the first quality report
2. Compilation arrangements
3. Accessibility and clarity at national and Eurostat levels
4. Timeliness and coverage of data transmission
5. Coherence
    - 5.1. Coherence between quarterly and annual data
    - 5.2. Coherence between financial and non-financial accounts
    - 5.3. Coherence between stocks and transactions
    - 5.4. Coherence of consolidation
6. Comparability
    - 6.1. Comparability over time
    - 6.2. Comparability with MUFA
    - 6.3. Comparability with government debt
    - 6.4. Comparability with EDP data
7. Accuracy and reliability
    - 7.1. Coverage of data sources
    - 7.2. Internal consistency and plausibility checks, and major events monitoring
    - 7.3. Methodologies and assumptions used in the estimation of statistics
    - 7.4. ESA 95 conceptual adjustments
    - 7.5. Data revisions
8. Compliance with Regulations
9. Conclusions and recommendations

1. EVOLUTION OF QFAGG DATA QUALITY COMPARED TO THE FIRST QUALITY REPORT

This section shows the progress made between the first quality report produced in 2006 and this new report. The first quality report referred to the data transmission of March 2006 (2005 Q4 figures), while this update concentrates on the transmissions up to March 2008 (2007 Q4 data). When the first QFAGG quality report was released, there were 25 Member States. Since then Romania and Bulgaria became members of the European Union, and they are accordingly included in this report.

At the time of the first report, 12 Member States were publishing QFAGG or related data on their own web sites; now they are 19, and some other countries plan to publish them soon. On the Eurostat side, the accessibility of data has improved as QFAGG have also been published at the level of the sub-sectors. Eurostat has arranged the presentation of quarterly data in the dissemination data base in a clearer way and, moreover, Eurostat has set up a GFS dedicated section in the Eurostat web site, where information on data, metadata, manuals, publications, EDP-related issues, etc., is included in a single domain[1]. In addition, QFAGG data are now published in quarterly GFS integrated tables on the Eurostat web site (general government section). These tables present quarterly non-financial accounts for the general government, quarterly financial accounts, and quarterly debt data, in a user-friendly and more consistent way. Eurostat is also currently discussing with Member States, in the framework of the Task Force QFAGG, how to improve the metadata explaining the figures released.

In terms of data coverage there has also been significant improvement. At the time of the first report only 13 countries provided the full coverage required by the Regulation. Now this is achieved by 17 countries in terms of instruments and periods. In addition, two further countries provided full information except for counterpart sector data.

The coherence between quarterly and annual data also improved consistently. In the first report it was mentioned that 12 countries showed perfect coherence, while now this is the case for 15 countries. Additionally, in many cases the differences are explainable by vintage-related issues.

As for the coherence between financial and non-financial accounts, at the time of the first report 11 out of the 20 countries for which the discrepancy could be calculated exhibited an average quarterly discrepancy within a range of +/-0.2% of quarterly GDP, while now 23 Member States (out of 26 available) recorded an average discrepancy within this range.

Concerning coherence between stocks and financial transactions, the first report pointed out that few countries reported major events, while metadata on large Other Economic Flows are now provided by 26 countries.

As for comparability over time, most Member States reported no breaks in their time series. Nonetheless, in the first report seven Member States reported identified breaks, while in this second report this number has increased to ten.

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1 http://epp.eurostat.ec.europa.eu/portal/page?_pageid=2373,47631312,2373_58674332&_dad=portal&_schema=PORTAL

As for comparability with MUFA, a majority of countries declare that the two datasets are or will be identical. However, a comparison of the March/April 2008 transmission reveals that only 9 members of the euro area reported identical or almost identical data.

Concerning the comparability with government debt, and on the basis of quantitative analysis, government debt and government liabilities were found consistent for all five categories of instruments examined (short- and long-term loans, short- and long-term securities, and currency and deposits[2]) in only 4 countries in 2006, and now this number has increased to 13 countries.

Finally, Eurostat has produced, with the help of the members of the Task Force, a Manual on sources and methods for the compilation of QFAGG statistics, which is available in the GFS dedicated section of the Eurostat web at:

http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1073,46587259&_dad=portal&_schema=PORTAL&p_product_code=KS-RA-08-006

The table below shows main progress since the first quality report was produced in 2006.

Member State*	**Two years ago, the data and the metadata were of:**	**An effort had to be made on:**	**After 2 years, progress is observed on:**
Belgium	good overall quality	• valuation of debt securities	
Czech Republic	Insufficient overall quality	• provision of whole time series • coherence with annual financial accounts, and with non-financial accounts • reporting major events • valuation of debt securities and unquoted equity	• coverage (now consistent with the legal requirements) • major events (reported on recent quarters). • consistency with non financial accounts
Denmark	good overall quality	• reporting major events	• major events reported
Germany	Satisfactory overall quality; insufficient	• coverage • country descriptions	• coverage (now consistent with legal requirement). • consistency with other

[2] Coins are often liabilities of central government, and government can accept deposits, in some rare instances included in monetary aggregates.

Member State*	Two years ago, the data and the metadata were of:	An effort had to be made on:	After 2 years, progress is observed on:
	coverage	• consistency with annual financial accounts, and with debt	datasets • country descriptions
Estonia	insufficient overall quality; major weaknesses are observed with quarterly data often not genuine quarterly statistics	• coverage • coherence with annual financial accounts, and with non-financial accounts • valuation of debt securities and unquoted equity • reliance on direct source data	• coverage (now consistent with the legal requirement)
Ireland	reasonable overall quality	• consistency of consolidation, with non-financial accounts, and with debt • reporting major events consistently	• consistency of consolidation • reporting of some major events
Greece	insufficient overall quality	• country descriptions • coherence with non-financial accounts • reporting major events • valuation of unquoted equity	• consistency with quarterly non-financial accounts, but still some room for improvement. • Country descriptions
Spain	very good overall quality	• coherence with non-financial accounts	
France	good overall	• enforcing a	

Member State*	Two years ago, the data and the metadata were of:	An effort had to be made on:	After 2 years, progress is observed on:
	quality	proper maturity criterion • limiting revisions of 1st estimates • coherence with non-financial accounts	
Italy	good overall quality	• country descriptions • consistency with debt • valuation of unquoted equity • reliance on direct source data	• country description provided • consistency with Q-Debt data.
Cyprus	Limited data and documentation has been received by Eurostat.	• An immediate effort is necessary to comply with the EU Regulation.	• data are now reported on a regular basis
Latvia	good overall quality; incomplete coverage	• coverage • valuation of debt securities and of unquoted equity • coherence with annual financial accounts	• coverage, although not complete.
Lithuania	good overall quality	• valuation of debt securities	• debt securities are valued at market value except for some historical series.
Luxembourg	good overall quality; insufficient coverage	• coverage • country descriptions • reliance on direct source data	• country description provided

Member State*	Two years ago, the data and the metadata were of:	An effort had to be made on:	After 2 years, progress is observed on:
Hungary	good overall quality, though metadata are insufficient	• country descriptions • reporting major events	• country description provided • major events reported.
Malta	No data have been reported to Eurostat.	• An immediate effort is necessary to comply with the EU Regulation	• data are currently reported to Eurostat
Netherlands	good overall quality	• coherence with non-financial accounts • valuation of unquoted equity • reliance on direct source data	• coherence with non-financial accounts (good except on some back data).
Austria	good overall quality	• consistency with debt • valuation of unquoted equity • reliance on direct source data	• consistency with Q-debt data for periods from 2004Q1 onwards
Poland	good overall quality	• consistency with debt • valuation of unquoted equity • reliance on direct source data	• consistency with Q-debt data
Portugal	good overall quality	• consistency with non-financial accounts, and with debt • reliance on direct source data	• consistency with non-financial accounts • Consistency with quarterly debt has improved over time • Reliance on more direct source data (for financial instruments F.51 and F.7)
Slovenia	No data have	• An immediate	• data are currently reported

Member State*	**Two years ago, the data and the metadata were of:**	**An effort had to be made on:**	**After 2 years, progress is observed on:**
	been reported to Eurostat.	effort is necessary to comply with the EU Regulation.	to Eurostat
Slovakia	insufficient overall quality; major weaknesses for compiling transactions are observed	• consistency of consolidation, with non-financial accounts, and with annual financial accounts • valuation of debt securities and equity • reporting major events	• consistency of consolidation, with non-financial accounts, with annual financial accounts. • some major events have been explained.
Finland	good overall quality	• valuation of unquoted equity • reliance on direct source data	
Sweden	good overall quality; incomplete coverage	• coverage • consistency with non-financial accounts, and with debt • valuation of unquoted equity	• consistency with Q-Debt for AF.41 and AF.42
United Kingdom	good overall quality	• transmission procedures • reporting major events • valuation of unquoted equity • consistency with debt	• Consistency with debt

* The data quality for Bulgaria and Romania was not assessed in the first quality report.

2. COMPILATION ARRANGEMENTS

Quarterly financial accounts for general government (QFAGG) are compiled by national statistical institutes (NSI) in a majority of Member States, and by national central banks (NCB) in the others. In France, QFAGG are compiled jointly by the Ministry of Finance and the NCB, and in Cyprus by the Ministry of Finance.

In a number of Member States, working groups or informal working teams, notably made up of representatives of the NSI, the NCB and the Ministry of Finance, deal both with methodological and source data issues, with the aim of improving consistency between quarterly non-financial and financial accounts. Active coordination is found useful in order to meet and sustain high quality objectives. Eurostat encourages the establishment of more formal and routine working groups in Member States.

3. ACCESSIBILITY AND CLARITY AT NATIONAL AND EUROSTAT LEVELS

Nineteen Member States publish either complete QFAGG datasets (Czech Republic, Germany, the Netherlands, Estonia, Spain, Lithuania, Hungary, Slovenia, Slovakia, Portugal, Finland, Sweden, the United Kingdom), or a subset (Belgium, Denmark, Italy, Austria, Romania), or data that broadly align (France). Bulgaria, Greece, Luxembourg, Malta and Poland plan to publish QFAGG data soon. Cyprus, Ireland and Latvia have not yet published these figures.

Published statistics are usually available on the web site of the compiling institutions, and are sometimes accompanied by brief methodological notes or explanatory analysis to guide users (Denmark, Spain, France, Italy, the Netherlands, Austria, Portugal, Finland and the United Kingdom).

Data for all Member States are published on the Eurostat web site, as well as EU and euro-area aggregates. Germany and France have expressed limitations for the publication of data on transactions in F.7 (assets), total net acquisition of financial assets and net financial transactions for the quarters of the current year. These data become publishable only when the four quarters of a year are all available.

Moreover, QFAGG data are published in quarterly GFS integrated tables on the Eurostat web site (GFS section). These tables present quarterly non-financial accounts for the general government, quarterly financial accounts, and quarterly debt data, in a user-friendly and more consistent way.

Finally, Eurostat has produced, with the help of the members of the Task Force, a Manual on sources and methods for the compilation of QFAGG statistics, which is available in the GFS dedicated section of the Eurostat web site.

4. TIMELINESS AND COVERAGE OF DATA TRANSMISSION

Under Regulation 501/2004, the data set required by the Regulation must be delivered to Eurostat not later than three months after the end of the quarter to which the data relate. Examining the quarterly transmissions from June 2007 to March 2008, most Member States reported quarterly financial accounts for general government without major delays. For the

September and December 2007 data transmissions for all Member States except Poland were on time. Poland transmitted data after the legal deadlines for three of the four transmissions. Eurostat and Member States have established an efficient transmission and checking system which allows fast processing of the data and retransmission if necessary.

Regarding coverage, Member States are required to deliver quarterly data starting from the first quarter of 1999 for transactions, and from the fourth quarter of 1998 for stocks. Five Member States have transmitted data starting later: Bulgaria, Cyprus, Malta, Romania and Slovenia. On the other hand, for eight Member States the transmitted data start earlier: United Kingdom, Hungary, Spain, Luxembourg, Italy, Sweden, Greece, and Ireland.

Full coverage in term of instruments and periods is now reached by 17 Member States: Belgium, Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, Italy, Lithuania, Hungary, the Netherlands, Austria, Poland, Portugal, Finland, and the United Kingdom. In addition, France and Slovakia have provided full information except for some counterpart series. When considering the most recent quarters, all Member States provided a full coverage except Latvia (which has not provided stocks of equity), and Luxembourg (which has not provided information on other payables/receivables).

In the June 2007 and December 2007 transmissions, Eurostat published the data around 10 days after the reporting deadline. However, in the September 2007 and March 2008 transmissions, data were published slightly later in order to check their consistency with the data reported in the context of the excessive deficit procedure (EDP) and other ESA 95 annual tables.

5. COHERENCE

5.1. Coherence between Quarterly and Annual Data

Article 2 of Regulation 501/2004 states that quarterly data and the corresponding annual data reported under Regulation (EC) No 2223/96 (i.e. annual financial accounts) must be consistent. In theory those statistics are identical, and the data reported should be the same. In practice, differences in compiling institutions, the impact of "rebalancing" mechanisms used for compiling annual financial accounts and differences in "vintages" create scope for discrepancies. Because of these factors, divergences may be observable during the course of the year. They are expected to disappear (at least) once a year, when both datasets perfectly align.

The QFAGG data provided in the September 2007 transmission were cross-checked for consistency with annual financial accounts (i.e., ESA 95 Transmission Programme Tables 6 and 7). On 26 October 2007, perfect, or nearly perfect consistency, was achieved for 15 Member States (Belgium, Denmark, Ireland, Spain, Cyprus, Lithuania, Hungary, Malta, the Netherlands, Austria, Portugal, Slovenia, Finland, Sweden, and the United Kingdom). The 2006 data for Luxembourg were consistent. In many cases the differences can be explained by vintage issues, the annual financial accounts having been compiled and transmitted to Eurostat earlier in 2007.

5.2. Coherence between Financial and Non-Financial Accounts

From December 2005 onwards, all Member States had to deliver to Eurostat a complete general government dataset, comprising expenditure, revenue and deficit on the one hand, and transactions in financial assets and liabilities on the other. The deficit is in theory equal to the net financial transactions (i.e., the "above the line" is equal to the "below the line"). In practice, source data issues, compilation difficulties and institutional arrangements lead to differences, often called "statistical discrepancy" (the discrepancy between the non-financial and the financial accounts). Whilst the discrepancy is (generally) noticeably lower for the general government sector than for other sectors of the economy, different statistical approaches exist currently in Europe: some fiscal compilers show the discrepancy to its full extent, while others reduce or eliminate it during the statistical compilation process. Eurostat initiated work in 2005 on this topic in order to assess national practices and to propose best practice, and this work continues.

When looking at the **average discrepancy** as a share of quarterly GDP (from 1999 Q1 to 2007 Q4) it can observed that 23 Member States (out of 26 available) recorded an average discrepancy of between -0.2% and +0.2% of quarterly GDP. Of these, 14 Member States exhibited an average discrepancy at around 0% of Q-GDP: Czech Republic, Denmark, Germany, France, Italy, Cyprus, Lithuania, Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, and the United Kingdom. By contrast, for Greece and Sweden high average discrepancies can be observed, at 0.6% and -0.9% of quarterly GDP respectively.

When concentrating only on **recent quarters** (2004 Q1 to 2007 Q4), 22 Member States recorded an **average discrepancy** of between -0.2% and +0.2%, including Greece. Finland shows a discrepancy of -0.3%. Ireland has a discrepancy of 0.4% Q-GDP while Austria and Sweden show a discrepancy of -0.6% of Q-GDP[3]. Discrepancies are higher when we look at the most recent quarters for Estonia, Latvia, Lithuania, Austria (disregarding the reclassification issue mentioned in footnote 3 the discrepancy for Austria decreased), Romania and Finland.

When looking at the **standard deviations** of the discrepancies for the whole period, 18 Members States showed a total standard deviation higher or equal to 1% of Q-GDP. This result signals a significant volatility of the discrepancies for a significant number of countries.

When concentrating on **recent quarters**, 11 countries had a **standard deviation** under 1% of GDP: Czech Republic, Denmark, Germany, Cyprus, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovakia, and the United Kingdom. For Lithuania, the Netherlands and Portugal this would mean that the most important statistical discrepancies mainly concern back data. The median of the standard deviation across Member States is 1.5 %.

The analysis of the **absolute discrepancy** reveals that 10 Member States had an average of the absolute discrepancies below or equal to 1% of quarterly GDP: Belgium, Czech Republic, Cyprus, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovakia, and the United Kingdom. 12 Member States have shown an average of absolute discrepancies between 1% and 2.5% of quarterly GDP: Bulgaria, Estonia, Ireland, Spain, France, Italy, Latvia, Hungary, Malta, Austria, Slovenia, and Finland. Germany and Denmark recorded an absolute

[3] The case of Austria is explained by some reclassifications done during the last transmission, which have not been incorporated yet in some data flows. This issue is expected to be resolved in future transmissions.

discrepancy that is 0% over the whole period. Two Member States had an average of absolute discrepancy exceeding 2.5% of quarterly GDP: Sweden and Greece.

When looking at the **seasonality of the discrepancy** over the whole period (1999 Q1 to 2007 Q4), there is a clear seasonal pattern (the average is above two times of the standard deviation) for Spain (all quarters). For some other Member States, seasonality might exist although it is less marked: Belgium, Bulgaria, Cyprus, Hungary, Austria, Slovenia, Sweden, and the United Kingdom. For the remaining Member States, there is no noticeable seasonal pattern. Germany and Denmark have not been included in this analysis, as their discrepancies are set to zero over the whole period.

5.3. Coherence between Stocks and Financial Transactions

Because balance sheets are to be reported at market value, the change in stocks in a given instrument over an accounting period does not need to be equal to the transactions in that instrument. Revaluations and other events, such as reclassifications, impact on balance sheets without being recorded as transactions. The monitoring of all those events, also called "other economic flows", is another crucial quality issue for financial accounts.

Eurostat, with the active support of the Task Force on QFAGG, has introduced systematic reporting of the major events that underpin large other economic flows. A threshold of 0.5% of annual GDP (or higher for some specific instruments) has been agreed in order to identify them.

Out of 27 reporting Member States, metadata on large Other Economic Flows have been provided by 26 countries. Large Other Economic flows are very well documented by a majority of countries. However, for Greece, Poland, and Sweden, some further efforts are necessary in this field.

5.4. Coherence of consolidation

All reported data meet the internal consolidation coherence criteria, i.e. consolidating (defined as non-consolidated values minus consolidated values) transactions and stocks observed on the asset side are identical to those observed on the liability side.

6. COMPARABILITY

6.1. Comparability over Time

Article 7 of Regulation (EC) No 501/2004 allows back data to be compiled based on "best estimates". It should be noted that reclassifications of units, often perceived as breaks in the time series, are instead routinely viewed as "other economic flows".

Most Member States reported no breaks in their time series. Ten Member States reported identified breaks: Czech Republic, Germany, Ireland, Luxembourg, Latvia, Malta, Austria, Portugal, Sweden, and Slovakia.

6.2. Comparability with MUFA

Eurostat does not verify the consistency of QFAGG data with the quarterly financial accounts reported by the Eurosystem National Central Banks to the European Central Bank in the context of the ECB Guideline on Monetary Union Financial Accounts (MUFA) (which also includes quarterly financial accounts for government from April 2006). Nonetheless, this consistency is regularly monitored by the ECB and it has been documented by way of a country questionnaire, given that the involvement of different institutions and impact of the "rebalancing" done to compile a full set of quarterly MUFA create potential for differences. Due to its timeliness and coverage, QFAGG can be a useful quality source for the purpose of compiling MUFA.

A majority of countries declare that the two datasets are or will be identical. However, the comparison of the March/April 2008 transmission reveals that of the 15 euro area Member States, only 9 reported identical or almost identical data.

6.3. Comparability with Government Debt

Quarterly government debt reported by Member States to Eurostat under Council Regulation (EC) No 1222/2004 must be consistent with reported government liabilities in QFAGG, in so far as the definitions of government and of financial instruments are the same. They, however, deviate because the valuation rule differs: government liabilities are reported at market value, whereas government debt is reported at nominal value (it excludes accrued interest and is defined, for securities, as the face value).

On the basis of quantitative analysis, government debt and government liabilities were found consistent for all five categories of instruments examined (short- and long-term loans, short- and long-term securities, and currency and deposits[4]) in fourteen countries: Czech Republic, Germany, Estonia, Greece, Spain, Italy, Luxembourg, Hungary, Malta, Netherlands, Poland, Romania, Slovakia, and Finland, whereas most countries exhibit partial consistencies for different categories.

The instrument with the less positive performance is AF.331 (Securities other than shares, excluding financial derivatives – Short term). It is also worth noting that countries do not always follow the recommended best practices in recording instruments such as AF.41 and AF.42 (Loans- short and long term). For these instruments, Q-debt and QFAGG should not be identical, since it is recommended that accrued interest should be recorded under the instrument. This should lead to a difference between market and nominal value, i.e., between QFAGG and Q-debt value. However, the data on the above mentioned instruments are identical for some countries.

6.4. Comparability with EDP data

Eurostat systematically compares the consistency of annualized QFAGG data with the data reported under table 3 of the notifications provided in the context of the Excessive Deficit Procedure (EDP), for general government as well as for sub-sectors.

[4] Coins are often liabilities of central government, and government can accept deposits, in some rare instances included in monetary aggregates.

The consistency check was based on the difference between EDP tables and QFAGG for general government net financial transactions (B.9F), in millions of national currency and in % of GDP, as well as the difference for general government net acquisition of financial assets as a % of GDP.

The consistency was reported as follows in the report to the Economic and Financial Committee describing the results of the last EDP notification exercise: "the level of consistency of the EDP notifications with quarterly financial accounts for general government was broadly satisfactory, with room for improvement. Data perfectly aligned or nearly aligned for totals and breakdowns for Belgium, France, Luxembourg (although payables/receivables were not reported), Austria (apart from the impact of the 2004 debt write-off reclassification), Slovakia, and for the Czech Republic, Greece, Spain, Italy, Latvia, Lithuania, Hungary, Malta, the Netherlands, Portugal, Romania, Finland, and the United Kingdom. Deviations were substantial for Bulgaria, Slovenia and Sweden, less so for Estonia (due to EDP reclassifications), Ireland, Cyprus and Poland, and more limited or punctual for Germany and Denmark."

7. ACCURACY AND RELIABILITY

7.1. Coverage of Data Sources

Regarding the use of data sources, Article 2 of Regulation (EC) No 501/2004 states that " (…) quarterly data must be based on information directly available within general government (…)", such as from public accounts or administrative sources. Flexibility is granted for the compilation of equity positions, except for quoted shares and mutual fund components.

7.2. Internal Consistency and Plausibility Checks, and Major Events Monitoring

Most Member States conduct consistency as well as plausibility checks as part of their compilation routines. Consistency checks are made with EDP Table 3, with annual financial accounts, or on consolidation. Plausibility checks are made on the discrepancy, the growth rates of stocks, or other economic flows.

Member States monitor and report to Eurostat major events that underpin large transactions or large other economic flows (for other economic flows see § 5.3.). Most of the Member States monitor their large transactions. The information is still missing for Cyprus.

7.3. Methodologies and Assumptions Used in the Estimation of Statistics

Article 2 of Regulation 501/2004 explicitly allows the use of interpolation and extrapolation techniques for some specific instruments. While a number of Member States do not use such techniques (Cyprus, Greece, Latvia, Austria, Slovenia, and the United Kingdom), many others use them occasionally in order to estimate equity positions, other receivables/payables, or information available only on an annual basis, as is sometimes the case for local government.

7.4. ESA 95 Conceptual Adjustments

Conceptual adjustments are to be made in order to bring quarterly data in line with ESA 95 concepts. These adjustments are similar to those made in annual accounts.

Categorisation

Most Members States (except Cyprus, the Czech Republic, France and Slovakia) report source data to broadly align on ESA 95 categorisation of instruments, with no need for adjustments. For France, the maturity of short-term securities instruments noticeably exceeds one year.

Valuation

Under ESA 95, the balance sheet must be valued at market value, for equity and other securities. Member States apply a market valuation for long-term securities liabilities, except in Belgium, the Czech Republic (improving), Cyprus, and Latvia. Many Member States value short-term liabilities at face value; this is also incorrect although with more limited quantitative consequences (Belgium, Bulgaria, the Czech Republic (improving), Estonia (improving), Cyprus, Latvia, Lithuania (improving), Slovakia (improving) and the United Kingdom).

Member States must value equity at its market value or equivalent, using proxies for unquoted shares. Ireland values unquoted equity as net assets at market value, and Hungary at adjusted book value. The Czech Republic, Cyprus, Estonia, Greece, Italy, Latvia, Luxembourg, Malta, the Netherlands, Austria, Poland, Portugal (for central government), Romania, Sweden, and the United Kingdom value unquoted equity as net assets at book value, and Slovakia at acquisition value, which is not best practice.

Time of Recording

ESA 95 prescribes recording transactions on an accrual basis, and recording the difference with cash payments in other accounts payable / receivable. ESA 95 best practice is to record accrued interest on the underlying instrument; this is also a requirement in the Manual on Government Deficit and Debt. However, only a minority of countries, Czech Republic, Greece, France, Italy, Luxembourg, Hungary, Austria, Poland, Slovenia, Finland, Sweden, and the United Kingdom, follow these recommendations for all liabilities, the majority opting to record accrued interest under payables for some debt instruments.

7.5. Data revisions

Member States report metadata on large revisions to Eurostat, and their causes. The extent of revisions is an essential element of quality assessment, from the perspective of both users and compilers.

Looking at the past 16 transmissions, it can be observed that the median proportion of revised observations (all transmissions, all quarters, and all Member States) amounted to 48% for the net lending/net borrowing. At the level of the instruments this proportion fell noticeably. For the net lending/net borrowing, the median proportion of large revisions (more than 1 % of Q-GDP) amounted to 8%. The median of the average revision in percentage of Q-GDP across Member States for all available transmissions is close to zero but the median of average of absolute revision amounts to 0.22% of Q-GDP.

There is significant diversity across countries in terms of frequency of revisions, as well as in size. Some countries such as Belgium, Bulgaria, Germany, Ireland, Spain, France, Italy, Malta, Portugal and Romania seems to revise more systematically their data, while other Member States, such as Latvia, Lithuania, Netherlands, Austria, Slovenia, Slovakia, Finland, and Sweden revise their data less frequently. Bulgaria, Estonia, Italy and Slovakia are those Member States showing the highest average of absolute revision in % of Q-GDP for net lending/net borrowing. There were rather numerous large revisions for Bulgaria, the Czech Republic, Estonia, Greece, Italy, Cyprus, Malta, Poland, Romania and Slovakia. On the contrary, only very few or no revisions above 1% of Q-GDP could be observed for Germany, Belgium, Spain, Lithuania, Hungary, Austria, Finland, Sweden and the United Kingdom. Eurostat plans to further document these national revision practices with the help of the members of the Task Force.

The instrument F7 (other accounts receivable/payable), assets and liabilities, is the one most frequently revised, and also where the size of the revisions is higher. Finally, the March and September transmissions seem to be more revised than those of June and December, in order to incorporate annual data.

Owing to the limited number of available transmissions for some countries, these revision analyses need to be interpreted with caution. It is premature to draw strong conclusions.

8. COMPLIANCE WITH REGULATIONS

In term of timeliness, and as mentioned above, the Regulation is generally respected by almost all Member States, which means that data are transmitted before the deadline of t+3 months after the end of the reference quarter. However, looking at the past five transmissions, Poland transmitted data later in four cases, and Ireland in two.

For the majority of countries, data provided covered the legally required 1998 Q4 to 2007 Q4 period. However, five Member States do not comply with the Regulation: Bulgaria, Cyprus, Malta, Romania and Slovenia. They will be contacted by Eurostat on a bilateral basis in order to put in place compliance working plans.

Looking at the instrument coverage, five Member States do not provide series within the legal obligations[5]. For France and Slovakia the missing series concern counterpart information. For Sweden, they relate to back data (before 2001). More worrying, for Latvia and Luxembourg missing series concern recent quarters, and this prevents the compilation of some totals/aggregates.

9. CONCLUSIONS AND RECOMMENDATIONS

Data for all countries are of appropriate quality, useful for analytical purposes, and suitable for meaningful euro area and EU aggregate compilation. They are accordingly disseminated.

While the overall quality of the data has significantly improved since the first quality report was produced, and compilers and users have become more familiar with this data flow, some Member States must nevertheless implement some specific measures, as described in this report, to further improve the quality of the reported data. In some cases, improvement could be achieved by complying with the Community obligation to report the specified time series to Eurostat.

[5] The term "within the legal obligation" denotes time series that are mandatory according to the Regulation (EC) 501/2004, with adaptation for country specificities

The publication of QFAGG has been promoted through the quarterly GFS integrated tables, which show quarterly non-financial accounts, quarterly financial accounts and quarterly debt data on the same page for each country. Some indicators such as the quarter-to-quarter growth rate in percentage of GDP are also calculated.

Some specific assessments and recommendations by Member State are set out in the table below.

Member State	**An effort should be made on:**
Belgium	• valuation of debt securities
Bulgaria	• provision of whole time series (compliance with EU legislation) • coherence with quarterly non-financial accounts, with annual financial accounts • valuation of short-term debt securities
Czech Republic	• coherence with annual financial accounts • reporting major events on back data • valuation of debt securities and unquoted equity
Denmark	• consistency with quarterly debt for AF.42
Estonia	• coherence with annual financial accounts, and with non-financial accounts • valuation of debt securities and unquoted equity • reliance on direct source data
Ireland	• consistency with non-financial accounts, and with debt • reporting major events consistently
Greece	• coherence with non-financial accounts
Spain	• coherence with non-financial accounts
France	• enforcing a proper maturity criterion • coherence with non-financial accounts
Italy	• valuation of unquoted equity • reliance on direct source data
Cyprus	• coverage (compliance with the EU legislation) • country description • valuation of debt securities and of unquoted equity
Latvia	• coverage (compliance with the EU legislation) • valuation of debt securities and of unquoted equity • coherence with annual financial accounts
Lithuania	• valuation of debt securities on historical series
Luxembourg	• coverage (compliance with EU legislation) • reliance on direct source data
Hungary	• coherence with non-financial accounts
Malta	• provision of whole time series (compliance with EU

	legislation) • valuation of unquoted equity
Netherlands	• valuation of unquoted equity • reliance on direct source data
Austria	• consistency with debt • valuation of unquoted equity • reliance on direct source data
Poland	• timeliness (compliance with EU legislation) • valuation of unquoted equity • reliance on direct source data
Portugal	• consistency with non-financial accounts on historical data, and with long-term debt • reliance on more direct source data
Romania	• provision of whole time series (compliance with EU legislation)
Slovenia	• provision of whole time series (compliance with EU legislation) • consistency with quarterly debt
Slovakia	• valuation of stocks in debt securities and equity • reporting major events
Finland	• valuation of unquoted equity • reliance on direct source data
Sweden	• coverage • consistency with non-financial accounts, and with debt for AF.2
United Kingdom	• transmission procedures • reporting major events • valuation of short-term debt securities and unquoted equity

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