



23 December 2019

Decision of Eurostat on government deficit and debt

The statistical recording of euro coin

1. Introduction

This note provides Eurostat's decision on the statistical treatment of euro coins under ESA 2010.

The term euro coin means coin issued by the Member States that are part of euro area.

Article 128 of the Treaty on the functioning of the European Union gives the power to the Eurosystem in the matter of banknotes in the euro area and leaves the matter of coin issuance to the Member States, without specifying the actual issuer institution.

This decision is made in accordance with the process defined by Article 10.2 of Regulation 479, as amended. The opinion of the Committee for Monetary, Financial and Balance of Payments Statistics (CMFB) was sought and is included in annex.

2. The issue

ESA 2010 includes specific provisions for the recording of banknotes and coin liabilities issued by the Eurosystem. In particular, "Box 5.2.2 – Currency issued by the Eurosystem" states:

*"Currency issued by the Eurosystem includes notes and coins. Notes are issued by the Eurosystem; **coins are issued by central governments in the euro area, although, by convention, they are treated as liabilities of the national central banks which as a counterpart hold a notional claim on general government**" (bold added).*

The text of the Box 5.2.2 implies that, in the Eurosystem, coin issuances increase general government debt through a corresponding notional claim held by the National Central Bank (NCB). This treatment is a consequence of presuming that government is the actual issuer of euro coin.

However, from a legal point of view, the Treasury may not be the actual issuer of coin in all Member States. In some euro area countries, the NCB is the legal and sole issuer of coin, and may retain the risks and benefits linked to the coin issuances so that there is no direct

financing effect for government. In such cases, it is questionable whether a government liability increasing Maastricht Debt should be recorded for euro coins.

The issue at stake is the appropriate interpretation of ESA 2010 Box 5.2.2 for euro coins: whether it sets a definite normative criterion (implying that a government debt liability should be imputed by convention in all cases, regardless of the practical arrangements in place for the issuance of the coins), or whether it is rather descriptive without taking into account the specific national arrangements in some euro area Member States (implying that euro coin do not necessarily increase government debt in all cases).

3. The decision

Eurostat has decided that the text in Box 5.2.2 of ESA 2010 should be interpreted in a descriptive manner as far as euro coin are concerned. Although a normative interpretation of Box 5.2.2 would lead to a homogenous recording of coin in the euro area, imputing a government liability by convention when coin are in fact not issued by government and government is not retaining the associated risks and rewards may contradict general ESA 2010 principles, thereby artificially increasing Maastricht Debt.

Eurostat considers that the issuance of euro coin should be excluded from government debt if the following two conditions simultaneously hold:

- (i) the sole competence to issue euro coin is assigned to the National Central Bank and
- (ii) the National Central Bank is the liable issuer in the sense of directly carrying the risks and reaping the rewards associated, and the government has no financing effect from the issuance.

Both banknotes and coin are currency liabilities (AF.21), the former being a liability of the Eurosystem and the latter of the NCB. Following this decision, the practical arrangements for the issuance of coin will determine whether or not, additionally, a government debt liability vis a vis its NCB (by convention, in the form of other deposits (AF.29)) needs to be recorded for euro coin, increasing Maastricht debt.



CMFB opinion
on the recording of Euro coins in national accounts

1. Pursuant to Article 4 of Council Decision 2006/856/EC, the Statistical Office of the Slovak Republic together with the Bank of Slovakia, requested the CMFB to organise a consultation on the statistical recording of Euro coins in the European System of Accounts (ESA2010).
2. CMFB Members were invited to express their opinion on 31 August 2018, with a deadline for the replies by 14 September 2018. Eighteen (18) national statistical institutes and nineteen (19) national central banks from the EU Member States returned the questionnaire within the specified deadline. A total of thirty-eight (38) institutions, including the ECB, expressed their views.
3. In this consultation, two questions were presented to the CMFB Members.
4. In the first question, the CMFB Members were invited to answer whether the text in box 5.2.2 of ESA2010: "*Currency issued by the Eurosystem includes notes and coins. Notes are issued by the Eurosystem; coins are issued by central governments in the Euro area, although, by convention, they are treated as liabilities of the national central banks which as a counterpart hold a notional claim on general government*" should be interpreted (as far as the Euro coins are concerned) in a descriptive manner (i.e. describing a general case, possibly reflecting prevailing legal arrangements) or in a normative manner (i.e. setting a definite normative criterion where by convention, euro coins always impact on government debt, regardless of national arrangements).
5. A large majority of the Members (34 out of 38) was of the opinion that the text should be interpreted in a descriptive way. This interpretation allows for the recording of the debt liability related to the issuance of Euro coins outside the government sector.
6. In the second question, the CMFB Members who replied 'descriptive' to the first question, were invited to reply if the issuance of Euro coins should be excluded from government debt if the following conditions hold: (i) the sole competence to issue Euro coins is assigned to the central bank and (ii) the central bank is the liable issuer to the extent of directly carrying the risks and reaping the rewards associated, as is the case with seignorage on banknotes, and the government has no direct financing effect from the issuance.
7. A very large majority of the Members (31 out of 34) replied that this is indeed the case.
8. Based on the outcome of the consultation, the CMFB expresses the opinion that the text in Box 5.2.2 of ESA2010 is descriptive and if the two conditions outlined in paragraph 6 hold, the liabilities related to the issuance of Euro coins should be excluded from government debt; i.e. recorded as a liability of the central bank only.
9. In addition to the publication of this opinion, all the anonymised answers to the questionnaire will be transmitted to the CMFB Members and will be kept in the records of the CMFB secretariat.

(Signed)

Kirsten Wismer
CMFB Chair

Copenhagen, 25 September 2018