

New decision of Eurostat on deficit and debt

The statistical recording of public interventions to support financial institutions and financial markets during the financial crisis

Eurostat, the Statistical Office of the European Communities, has today published a Decision¹ on the statistical recording of public interventions to support financial institutions and markets during the financial crisis. A more detailed technical note² for statisticians is also published.

As the financial crisis escalated from late summer 2008, governments and central banks in European countries have intervened through various operations in an effort to restore confidence in the financial system, at first to rescue single financial institutions in distress, and then through coordinated interventions broadly targeting financial institutions regardless of whether they were in distress or not, recognising the systemic aspect of the situation. Three aspects of the crisis have raised particular challenges for statisticians - the uncertainty over asset values, the difficulty in measuring risks which public bodies are taking on, and the rapid development of new forms of intervention.

The Decision is founded on established statistical principles in the European System of Accounts (ESA 1995), which have been applied to the specific circumstances of the financial turmoil. It deals with the complex public interventions observed to date, such as recapitalisation, guarantees, purchases of assets, and liquidity operations conducted through exchange of assets. The Decision also deals with the statistical classification of temporary special purpose entities which have been created to address financial crisis issues. It provides a framework for statisticians across the EU to apply in recording these (and future) interventions in the national accounts, ensuring a consistency of treatment across countries and between operations of the same economic substance.

The work of the European official statistical community on these matters has been undertaken within a [European Statistical System Action Plan](#)³, which set out the wider strategy for resolving statistical matters and effectively communicating with stakeholders. This action plan included two consultations of the Committee on Monetary, Financial and Balance of Payments statistics (CMFB), with the CMFB's opinions being provided to Eurostat in March 2009⁴. These CMFB opinions were used as a initial point of orientation for the first EDP notification referring to 2008 data⁵.

In reaching today's decision, Eurostat has paid particular attention to an appropriate recording of risks under the unique circumstances of the financial crisis. Reliability is the quality cornerstone of observation-based statistics. Unavoidably, the crisis rescue operations include elements for which uncertainty about their future impact is so high, that they should not be included in the "core accounts", which have to fulfil high quality standards. In this context the Eurostat Decision does not fully take the same approach as the CMFB opinions in the case of the classification of financial bodies in which non-government units hold a majority stake. In some circumstances, such entities will be classified, at inception, outside general government.

Furthermore, in order to ensure full transparency, Eurostat intends to publish, from the second EDP notification in October 2009, supplementary tables related to activities undertaken to support financial institutions (e.g. government guarantees, special purpose entities, temporary liquidity schemes). Such supplementary tables will

integrate the official data transmitted by Member States to Eurostat in the context of future EDP notifications. This approach will make public possible future consequences in terms of impact on government deficit and debt.

The final impact on government deficit and debt figures of these operations will be recorded in the core accounts if and when the associated risks crystallise, and can be measured objectively.

1. http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/methodology/decisions_for_GFS
2. http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/methodology/guidance_accounting_rules
3. http://epp.eurostat.ec.europa.eu/portal/page/portal/financial_turmoil/introduction
4. <http://www.cmfb.org/pdf/2009-03-18%20Opinion%201%20Government.pdf> and <http://www.cmfb.org/pdf/2009-03-18%20UK%20SLS%20%20Opinion.pdf>
5. See Eurostat News Release 56/2009 of 22 April 2009.

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