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Improving the data quality in the field of short-term business statistics (STS)

Dear Ms Figueira,

Background

The initiative Framework Regulation Integrating Business Statistics (FRIBS) is currently implementing a comprehensive reform of business statistics in Europe. The goal is to merge the major business statistics into one integrated system and to regulate this system in a new legal framework. As the underlying reason for the proposal for a relevant regulation¹, the following is stated: *“The need for statistical information on businesses for policymaking and other purposes is growing. The European Statistical System (ESS) is expected to provide high-quality statistical data in this area, in a timely way and with comparability across the Member States. The disseminated ESS business statistics should be the basis for decisions about the market economy based on knowledge and innovation, for improving access to the single market for small and medium enterprises, and for stimulating entrepreneurship and competitiveness.”*

We share this reasoning and would like to point out the great importance of official data for European industry. Companies in Europe depend on official country data of good informative value. Such data enables them to make well-founded entrepreneurial decisions, so that they can operate successfully in a global competitive environment. Beside country data, high-quality information is also greatly important for EU aggregate measures, e.g. for structural analyses or comparative analyses across several economic regions of the world. This means that data from short-term statistics (STS) and structural business statistics (SBS) are used intensively. It also highlights that companies need to be able to rely on safeguarding high data quality.

¹ Regulation of the European Parliament and of the Council on European business statistics amending Regulation (EC) No 184/2005 and repealing 10 legal acts in the field of business statistics



However, particularly in the field of short-term statistics in the section industry (in specific, manufacturing) we see data quality at risk. This applies especially to the NACE 3- and 4-digit levels of the production and producer price indices. For example, for NACE groups at these levels there is quite often no, or not enough information to “feed” the EU aggregate. This is because – according to the STS requirements for industry (section B-E) based on Council Regulation (EC) No 1165/98 of 19 May 1998 – only the Member States of group III (France, Germany, the UK, Italy, Spain) are under the obligation to report data at a deeper level than the NACE 2-digit level. But these five Member States only cover just under 70 percent of value added in sector C (manufacturing). Consequently, this does not provide a sufficiently sound data basis for calculating the EU aggregate. The EU is clearly more than the total of these five Member States. In principle, we think that there should be differentiations between Member States in the reporting programme of business statistics, because not all Member States should be obliged to report the full programme. But some Member States of group II, which are of considerable importance for certain sectors of the economy, are not included in the EU aggregate as they do not need to report at NACE 3- and 4-digit levels.

Here, we would also point out that under existing reporting requirements – e.g. in the fields of construction and retail trade (except of motor vehicles and motorcycles) (F and G47) already now more Member States (Belgium, Netherlands, Poland and Sweden) are assigned to group III than in the field of industry.

Since FRIBS aims for improvements in depicting the field of services in statistics, the new threshold (as share in value added) is likely to refer to sections B to N (without section K) of the NACE Rev. 2. If the existing reporting criteria (4% and more of EU-28 value added) continue to apply, this results for group III – through reporting by the Member States, France, Germany, the UK, Italy, Netherlands, Spain – in a coverage rate of 76.2 percent. However, Brexit will reduce this coverage rate. With the UK leaving the EU and the UK no longer falling under the reporting requirement for STS (and SBS), the coverage rate will drop to 71.8 percent. We believe that this coverage rate is too low to safeguard a satisfactory data quality.

Our proposal – for discussion in your committees

Against this background, we see an urgent need for a revision of the STS-reporting requirements. From our viewpoint, the forthcoming reform of the business statistics and the ongoing discussion about the draft implementing regulations are a suitable moment to adapt the existing reporting criteria to the changing conditions. For this reason, we propose that you lower the coverage rate for group III, which is obliged to report data at a deeper level than the NACE 2-digit level, from currently four to three percent (3% and



more of EU-28 respectively EU-27 value added in section B-N) (without section K). As a result of this step also Austria, Belgium, Poland and Sweden would, based on our calculations, fall into group III and thus be required to provide data at a more detailed level. This would lead to a much higher coverage rate of 85.3 percent.

Our proposal for discussion relates exclusively to short-term statistics in the section manufacturing, namely to the index of production and producer price index. These are the statistics where we see data quality at risk as mentioned earlier. All other statistics, underlying changes in FRIBS, remain unaffected by our proposal.

In order to avoid additional reporting burdens for companies, we have already checked the availability of the above-mentioned data (NACE 3- and 4-digit of the manufacturing section) with the National Statistical Offices of the 4 concerned countries (Austria, Belgium, Poland and Sweden). The results are summarised as follows:

Sweden:

- Production index: Some 3- and 4-digit NACE C releases are published on the homepage.
- Producer price index: The 3- and 4-digit NACE C releases are published on the homepage.

Austria:

- Production index: The 3- and 4-digit NACE C versions are available but not published and only be used for internal purposes.
- Producer price index: The 3- and 4-digit NACE C are available, but are not published on the Internet (due to data confidentiality).

Belgium:

- Production index: Several 3-digit NACE C releases are published on the homepage, and some 4-digit versions are also available internally.
- Producer price index: Several 3- and 4-digit NACE C releases are published on the homepage.

Poland:

- Production index: The 3- and 4-digit NACE C releases are currently unavailable, but can be calculated for interested parties starting in January 2018.
- Producer price index: The 3- and 4-digit NACE C releases are currently unavailable, but can be calculated for interested parties starting in January 2018.



We believe that in those cases where currently data is already available, it would be appropriate to use it in order to calculate a more accurate EU aggregate. This comes with two caveats. First, in cases, where data at NACE 3- and 4-digit level is not published due to data confidentiality in the respective countries, it should remain confidential. Second, any additional burden on the reporting companies should be avoided (i.e. the survey should not be extended in the four countries concerned if data is currently not being collected).

Given that gathering statistical data involves much input by the statistical offices and enterprises, it would be desirable to use all data available to the statistical offices for forming the EU aggregate. This ensures sound data for users and gives all Member States the feeling that they are an integral part of the EU.

We understand that communication with stakeholders is very important to Eurostat. We would therefore welcome an opportunity to discuss this matter in more detail with your team, and would be grateful for a first appraisal of our proposal from your side.

Yours sincerely,

(original signed by)
James Watson