

INTERNATIONAL MONETARY FUND



Staff Country Reports

**Greece: Report on the Observance of Standards and Codes—
Data Module—Update**

This update to the Report on the Observance of Standards and Codes—Data Module for Greece was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on December 21, 2004. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of Greece or the Executive Board of the IMF.

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GREECE

Update on the Report on the Observance of Standards and Codes—Data Module

Prepared by the European Department

December 21, 2004

The data module of the Report on the Observance of Standards and Codes (ROSC) for Greece was first issued in September 2003.¹ This note² provides a factual report on developments since then on the basis of information supplied by the Greek authorities during the 2004 Article IV consultations. For a full description of institutions and practices, and IMF staff recommendations, it should be read in conjunction with the original ROSC.

The original ROSC reviewed Greece's data dissemination practices against the IMF's Special Data Dissemination Standard (SDDS), assessed the quality of national accounts, consumer and producer price indices, government finance, monetary, and balance of payments statistics, and recommended actions to improve data quality. The ROSC noted that Greece met the SDDS specifications for coverage, periodicity, and timeliness of data, and of advance release calendars. However, it was using flexibility options for central government financing operations and the international investment position. The report also noted that there was no single agency responsible for compiling comprehensive government finance statistics, and there was ample scope for bringing government finance and balance of payments statistics closer to international standards. Moreover, short-term data sources were lacking in national accounts, source data and statistical techniques could be strengthened in price statistics, and source data could be improved in government finance and monetary statistics. Finally, reconciliation across datasets could be improved for government finance, monetary, and balance of payments statistics.

General Recommendations

1. The ROSC recommended the establishment of procedures for cross checking consistency among national accounts, government finance, monetary, and balance of payments statistics; the dissemination of statements about revision policy and practice and

¹ The original report, *Greece: Report on the Observance of Standards and Codes—Data Module* was issued as Country Report 03/318 and is available on the IMF website at <http://www.imf.org/external/pubs/ft/scr/2003/cr03318.pdf>.

² Prepared by Mr. Anastassios Gagales.

the undertaking of regular revision studies to assess the accuracy of statistics; the compilation of consistent and comprehensive documentation on concepts and definitions, scope, classification, basis for recording, source data, and statistical techniques; the setting up of the Statistical Council, as envisaged under law, to provide guidance on quality and on improving the serviceability and accessibility of national statistics; and the institutionalization of regular contacts with users of economic statistics to learn about their data needs.

2. In line with these recommendations, the following steps were taken in the past year:

- General government debt and deficit figures were revised since 1997 and have been brought in line with Eurostat guidelines via changes in accounting methods and the inclusion of expenditure/debt items previously excluded from the statistics.
- The National Statistical Service of Greece (NSSG) has been working towards publishing in 2005 detailed government finance statistics, including time series.
- The August–September 2004 issue of Bank of Greece’s *Bulletin of Conjectural Indicators* included a description of revision policy and practices for monetary and balance of payments statistics. In particular, data are revised continuously, whenever new information becomes available and after the necessary checks. The reason for the revision are explained, and provisional and revised data are clearly indicated.
- Metadata on national accounts, employment statistics, industrial production, wages/earnings, price indices, and merchandise trade are available through SDDS and the intention is to post them at the NSSG website. Moreover, the General Accounting Office (GAO), following the example of the NSSG and the Bank of Greece (BoG), has posted the names of contact persons for government finance statistics.
- To improve dissemination, the NSSG has started making available to the public (for a nominal fee) unpublished, but not confidential, data on the CPI and the WPI (e.g., special tabulations and detailed time series).
- Although the statistical infrastructure is geared primarily towards the needs of the national authorities and the EU institutions (mainly the Eurostat and the ECB), some effort has been made to meet the needs of other users. Surveys of the statistical needs of non-governmental users have not been conducted.

National Accounts

3. The ROSC noted the need to improve the short-term source data, reduce the reliance of statistical techniques on outdated ratios and make the data more accessible by providing charts, tables, and an analysis of current developments.

- The NSSG already disseminates quarterly national accounts and has started preparations for the compilation of analytic quarterly national accounts and has been developing source data banks that would allow the estimation of GDP from both the expenditure and the production side. In addition, the benchmark year for the national accounts is being revised. Analytic quarterly national accounts are expected to be available in 2005.
- National accounts press releases include charts and commentaries about recent developments. The content of these publications is being reviewed, based on feedback from users. The NSSG expects to have a new format finalized by the end of 2004.

Consumer Price Index

4. The ROSC recommended the use of modern techniques for dealing with quality changes and the introduction of statistical sample selection methods.
 - The consumer price index (CPI) is currently being revised. The new index will be based on the 2004–05 Household Budget Survey (expected to be finalized in June 2005). As part of the revision, the NSSG has also been reviewing the data collection process and the quality adjustment techniques taking into consideration Eurostat’s regulations and guidelines. At this stage, however, the NSSG is not contemplating the introduction of explicit quality adjustment techniques and statistical sample selection methods.
 - The NSSG uses implicit quality adjustment techniques (such as overlap, bridge overlap, direct comparison) on a case by case basis. The use of explicit methods is done only through quantity adjustments, expert judgment and, in some cases, options cost techniques. At the NSSG there is skepticism, because of cost-benefit considerations, about the desirability of introducing hedonics in light given the high demands that the method imposes on the statistical infrastructure.
 - The sample for the calculation of the CPI is based on a judgmental collation of samples from geographical localities, outlets, items, and varieties. Resampling is normally undertaken during revisions (every five years). Important considerations in the sampling decision are: the need to ensure that samples can be monitored for some time items are representative, significant parts of the universe of items and outlets are appropriately represented, especially taking into considerations that the populations of commodities, varieties, and outlets are changing over time. The NSSG considers that non-probabilistic selection methods do not necessarily perform worse than probabilistic ones (especially when representativeness is a key factor) and that the decision to introduce statistical methods should not ignore the costs of administering the system.

Wholesale Price Index

5. The ROSC noted the need to (i) improve the timeliness of source data and weight revisions, (ii) establish a formal process to permit dialogue between compilers and users on a

regular basis, such as users' survey, and (iii) use sampling techniques to cover small enterprises.

- The NSSG is investigating whether provisional structural surveys could be used to improve the timeliness of the weight revisions.
- The dialogue between compilers and users of statistics is not institutionalized. However, the main users (e.g. National Accounts department of the NSSG, the BoG, and the Ministry of Economy and Finance) are consulted prior to major changes in the statistics; and, on an informal basis, there is some dialogue with users at large.
- Sampling techniques for selecting small enterprises have not been introduced due to their high resource intensity and cost. Currently, the NSSG relies on cut-off sampling.

Government Finance Statistics

6. The ROSC recommended (i) the compilation and dissemination of a full set of financial accounts for the general government sector and its sub-sectors; (ii) the compilation and dissemination of monthly financing data for the central government; (iii) the migration to the *GFSM 2001*, with *ESA 95* data as a starting point for the full implementation of the system; (iv) the integration of GFS codes and nomenclature in the Treasury accounting system; (v) the assignment to a single agency the main responsibility for compiling and disseminating a comprehensive and integrated set of government finance statistics, including statistics on financing transactions (i.e., financial accounts); and (vi) the preparation of a periodic publication on government finance statistics.

- The compilation of financial accounts for the general government and its sub-sectors is part of a broader project involving the compilation of financial accounts for the entire economy. An important milestone in this effort was the introduction in 2004 of a detailed and comprehensive quarterly reporting system for the finances of social security funds and local authorities.
- Data on the central government deficit are expected to be published regularly as of the beginning of 2005 on a cash basis. Such data are already compiled monthly by the GAO and are currently being cross-checked with corresponding BoG figures.
- The NSSG is preparing for the migration to *GFSM 2001*, which is planned for 2005. The preparatory work has been hampered by personnel shortages.
- The proposed new accounting system for the Treasury remains at the planning stage. The integration of GFS codes and nomenclature in this accounting system is still being considered and its implementation is likely to take time.
- The NSSG and the BoG have come to an agreement concerning the division of responsibilities regarding the collection of statistics and the compilation of financial

accounts for Greece. Under this agreement, the NSSG will collect the relevant data for the general government, and the BoG will collect data for all other sectors of the economy and will compile the financial accounts. The collection of quarterly data has already started, but it would be necessary to have data for a number of quarters before establishing an appropriate quality level and using these data to compile financial accounts. Accordingly, it is expected that the BoG will start disseminating financial accounts by end-2005, in line with the requirements of the ECB Guideline ECB/2002/7.

- In the near future, the NSSG plans to post on its website the quarterly accounts of the public sector.

Monetary Statistics

7. The ROSC recommended (i) the increase of staff resources in line with the needs of longer-term statistical work program, including compilation of financial accounts and improving source data; (ii) improvements in the accuracy of source data and the removal of inconsistencies in the reports of other monetary and financial institutions (OMFIs); (iii) the use of consistent terminology and full explanations concerning the inter-temporal comparability of data and their consolidation; (iv) the identification as a memorandum item of data on financial derivatives, accrued interest, and claims on and liabilities to public non-financial corporations.

- The BoG has started collecting statistics for insurance companies, other financial intermediaries, non-financial corporations, local government, and social security funds. These data are currently being checked for quality and a complete set of Financial Accounts is expected to be produced by end-2005. In this connection, the staff of the Statistics Department of the BoG was beefed up in 2003 and 2004 by 10 highly qualified employees.
- Inconsistencies in the reports of OMFIs were reduced significantly by checking the relevant data and requesting banks to improve the quality of their reported figures. More specifically, it was found that the inconsistencies between data reported by OMFIs and those reported by the BoG on OMFIs' assets and liabilities vis-à-vis the BoG were mainly due to timing differences. Certain banks, in cases where accounting happened not to have been finalized at the time of the reporting, employed a different "reference" date in their reports. To avoid the inconsistency, it was decided to use the data as reported by the BoG and adjust accordingly the figures reported by OMFIs. As a result of this adjustment, "other items" of OMFIs were reduced by 2.3% of total assets. Regarding assets and liabilities between OMFIs, institutions have been requested to pay greater attention to the timing of their interbank assets and liabilities. As a result, the discrepancy between interbank assets and liabilities has been reduced significantly and currently fluctuates below 5% of total inter-OMFI assets.

- No new information has been published since the ROSC on the intertemporal comparability of data and on consolidation practices. Some methodological notes can be found on the BoG's *Bulletin of Conjunctural Indicators*.
- Financial derivatives and accrued interest are now reported separately in the balance sheets of the BoG, OMFIs and MFIs in Tables IV.5 and IV.6 of the *Bulletin of Conjunctural Indicators*. No new information has been published since the ROSC on positions vis-à-vis public non-financial corporations.

Balance of Payments Statistics

8. The ROSC recommended (i) introducing estimates for reinvested earnings and undistributed branch profits into the balance of payments statistics; (ii) reporting on an accrual basis of data on interest payments for government debt; and (iii) supplementing existing balance of payments tables with more comprehensive presentations that provide classifications for goods and investment income according to *BPM5*.

- A first set of estimates for reinvested earnings (RIE) in 2002 and 2003 is available. However, their quality is questionable due to the relatively low response rate of enterprises (2002: 40 percent; 2003: 55 percent). An effort has been made to increase the response rate, especially for 2003, so as to obtain a more representative sample. The processing of 2003 RIE data for FDI is expected to have been completed and incorporated in the balance of payments statistics by end-2004. These data are expected to be published by April 2005.
- Some progress has been made towards reporting interest payments for government debt on an accrual basis. In particular, monthly estimates of interest payments on an accrual basis—calculated using the debtor approach—have been compiled for the period December 2003 to July 2004, but only for liabilities related to investments of nonresidents in bonds issued in Greece. These estimates are being cross-checked with interest payments data collected through the settlements system. Regarding assets, the processing and checking of accrued interest receipts for the same period is expected to be completed by end-2004. When both liabilities and assets data on an accrual basis become available, the necessary adjustments will be made to the relevant balance of payments items. The ECB Guideline ECB/2004/15 requires EU member states to record portfolio investment income on an accrual basis as of March 2008 with data as of January 2008.
- The recommendation to supplement existing balance of payments tables with more comprehensive presentations for goods and investment income has been implemented and the relevant data can be downloaded from the BoG website. In the new presentation of the balance of payments, goods, income, and transfers are further broken down into main categories, according to the IMF recommendation. This new presentation of the balance of payments is available at: www.bankofgreece.gr/en/sdds/SDDS-EXTERNAL-BALANCEOFPAYMENTS.XLS.

IMF Staff Commentary

9. The staff welcomes the authorities' initiatives to improve the quality of statistics and the statistical infrastructure in line with the recommendations in the first data ROSC for Greece. However, some of the efforts highlighted above are taking a long time to implement while others lack a specific timetable for their completion. Due to delays in many areas—partly reflecting understaffing but also a reactive rather than proactive attitude—much of the work to address the weaknesses highlighted in the first data ROSC still lies ahead and should be pursued without delay. In particular, high priority should be given to addressing remaining weaknesses in general government data and accounting practices; publishing a “sources and methods documentation” on the compilation of financial statistics and, in particular, a transparent bridge between budget data and *ESA95* figures would contribute significantly to the transparency of the government finance statistics and would make clear any departure from internationally accepted practices; putting in place mechanisms to ensure the integrity of statistical data; institutionalizing the process of cross-checking consistency among national accounts, government finance, monetary, and balance of payments statistics; enforcing strictly the timeliness of bank reports to avoid short-cuts in the production of monetary data; institutionalizing a formal public consultation procedure when revising statistics; and responding flexibly to the needs of non-governmental users. There is also scope to improve the content of websites (including the provision of statistical data in spreadsheet or databank formats) and the horizon of advance release calendars for economic statistics.