

## RELEASE OF THE FIRST EMPLOYMENT FLASH T+45 ESTIMATES FOR THE EU AND EURO AREA QUESTIONS AND ANSWERS

### **Q1. What is the purpose of this early estimate?**

The purpose is to estimate earlier than before the trend development of the quarter-on-quarter employment growth for the EU and the euro area. The main idea is to quickly have an estimate on the magnitude and on the direction (plus or minus sign) of Employment growth. The full quarterly and annual Employment estimations include more data but have traditionally been published at t+75 days after the quarter.

### **Q2. How have you evaluated the reliability of these estimates?**

Before the publication decision was taken, a task force was set up together with a large group of Member States. During the testing phase, employment flash estimates from 2015Q1 to 2018Q1, i.e. for 13 quarters, were compiled. The revisions were assessed by comparing t+45 test estimates with the subsequent release at t+75 and at +165. The test results and the revision analysis can be found in the statistical working paper 'Euro area and European Union employment flash estimates' that is published on the Eurostat website.

### **Q3. What if these preliminary estimates are not in line with later estimates?**

By definition, there is a trade-off between timeliness and accuracy. The main purpose of the Employment t+45 flash estimates is to quickly have an estimate of the magnitude and on the direction (plus or minus sign) of Employment growth. From that perspective, it is clear that there will at least be some revisions to the quarterly employment growth figures published at t+45. At the same time, the preliminary Employment estimate provides important information to the decision makers at an early point in time.

The revisions have been tested for the 13 test quarters in 2015–2018. The test results showed an acceptable range of revisions to the European Employment figures and country coverage higher than 90% (for the latest quarters). It suggests that a reasonable compromise between a more timely estimate and accuracy has been achieved.

### **Q4. Why do some countries not publish their figures? When will they catch-up?**

The experience of the GDP preliminary flash estimates shows that early estimate is revised less for a larger economic area than for a smaller area. Therefore, it is easier to prepare and publish reliable early estimates for a larger economic area (for example the EU) than for an individual country.

Another (related) issue is, that when estimating employment growth at 45 days, often only data for 2 out of the 3 months in the quarter are available. Therefore, one needs to nowcast parts of the economy for the third month of the quarter. There are slight differences in the traditional roles of the NSIs in different Member States regarding these nowcasts. In some Member States the NSI traditionally produces and publishes forecasts, whereas in some others countries the tradition so far

has been that the NSI does not publish any estimates on the last quarter, even if they can be based on 2/3 (or a bit more) of the data.

Member States decide themselves whether or not to publish their estimates. It has been agreed that Eurostat only comments the European figures (for the EU and euro area). Eurostat will not provide information on which countries were included and which were not. Still, based on the experience of the introduction of the GDP t+45 and t+30 estimates, one could expect that the number of publishing countries may gradually increase in the coming years.

**Q5. How many countries are included in your t+45 estimates for the EU and euro area?**

A majority of the EU Member States transmit their national Employment growth estimates to Eurostat one day before the agreed publication date. This group includes those Member States already publishing their t+45 estimates as well as a number of Member States that transmit confidential estimates to Eurostat. The number of countries of the EU included in the estimate (in each round) will be given in the news release. The country coverage (in percentage of the EU and euro area GDP) is also given in the news release. Based on the experience with the test estimates, coverage percentages are expected to be above 90%.

**Q6. Do countries send their national estimate to Eurostat on a confidential basis?**

(As mentioned above) The group of the Member States transmitting their estimates to Eurostat consists of those already publishing at t+45 and those who transmit a confidential estimate to Eurostat that will only be used for compiling the aggregate EU and euro area GDP growth rates.

Member States decide themselves whether or not to publish their national estimates. It has been agreed that Eurostat only comments on the European figures (for the EU and euro area) and will not provide any information on countries or country data.

**Q7. What do you do for the missing Member States data?**

Typically we have a rather large coverage and the missing part is fairly small. We therefore assume that the missing area would follow the same average growth rate as the one for the covered area of the EU/euro area. If data input for a major EU country would be missing, its growth is estimated using the Labour Force survey data if available or an ARIMA model.

As Eurostat publishes the EU/euro area growth rates on a one decimal point accuracy (0.x%) there may be cases where the compiled estimate is on the border (e.g. 0.15%) to be rounded to higher (0.2%) or lower (0.1%) one decimal point. In such cases, additional information (i.e. LFS data) can be considered.

**Q8. How good is the quality of Eurostat’s Employment at t+45 estimate compared with other main countries?**

It is not possible to compare revisions with other main economic partners, such as notably the United States or Japan, since these countries do currently not publish employment flash estimates that are fully consistent with the framework of the national accounts.

**Q9. Why did the improved timeliness to t+45 happen now? Why was it not possible earlier?**

The positive experience with the GDP t+30 flash estimates has encouraged both Member States and Eurostat to develop earlier Employment estimates.

So far, Eurostat’s quarterly employment estimates for the euro area and the EU (made in the context of national accounts) are published 75 days after the quarter-end, when a full set of country data is usually available. This is however clearly behind the timeliness target set up for European Principle European Indicators (PEEIs), as acknowledged in the Economic and Financial Committee’s 2015 status report on information requirements in EMU<sup>1</sup>. As some major contributors were missing until 2016, an earlier European estimation was not conceivable.

A feasibility study conducted end of 2016 showed that a majority of Member States are able to produce Employment estimates at t+45 (often on a confidential basis), which is a condition to get aggregates that are accurate enough.

**Q10. Why not advance the release at t+30 days?**

Test estimates performed at t+30 days show promising results in terms of revisions, however with a lower country coverage (lower than 75%). For 2018Q2, 12 countries were able to send employment test estimates at t+30 days. Tests are currently continuing.

**Q11. Are two new figures such ‘a big deal’?**

Policymakers and other users of statistics require very up-to-date data to support their analysis and decisions. That's why they have asked Eurostat for a long time whether it would possible to have the first Employment estimate sooner than in 75 days. The main target has been to reply to their needs for monitoring the economy and for the decision making.

As an example, the Economic and Financial Committee’s 2015 status report on information requirements in Economic and Monetary Union stated that 'the national accounts-based employment indicator still remains well behind the target for timeliness.'

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<sup>1</sup> <http://ec.europa.eu/eurostat/documents/4187653/7065524/EFC-Status-Report-Final.pdf/32a189ce-752c-4545-94e2-d6b114002eff>.

**Q12. Why only total Employment? When are you going to add more detail?**

Experience in compiling national accounts data has shown that it is easier to estimate the development of an aggregate national accounts variable at an earlier time point than its details.

**Q13. Why do you not just estimate it at EU-level? Why involve countries?**

The representativeness of country data in European national accounts figures has traditionally been good. The NSIs of the 28 Member States take care of data collection (by surveys and from administrative data sources) and compilation of their national accounts. This is the case for the 'regular' quarterly as well as the annual national accounts estimates that are published after 2 months (and later). The transmission requirements for all quarterly and annual national accounts tables are defined in the ESA 2010 transmission programme (Annex B of Regulation 549/2013). To be in line with these 'regular' estimates it is logical to use the same strategy for the Employment t+45 estimates and to request the countries to transmit their national estimates.

In addition, the countries are in a better position than Eurostat to prepare national estimates, as they are best aware of their specific national circumstances and peculiarities.