

# Implementation of Brexit in the statistical production of the Deutsche Bundesbank

## 1 Overview

On 31 January 2020, 24:00 CET, the United Kingdom ceased to be a member of the European Union (EU). Therefore all statistical aggregates referring to the EU as a whole have been redefined, with consequences both for the publication of EU aggregates and for the provision of counterparty information, e.g. in banking statistics.

There are two ways of dealing with a change in composition resulting from entry or exit of a country. First, applying a "changing composition" concept, a time series reflects the composition of the aggregate at the date to which the observation refers. Second, the "fixed composition" concept keeps the composition of an aggregate fixed over time when presenting a statistical series. The data on aggregates are presented based on the new composition, even for past periods when the composition of the EU was different. Thus, applying the fixed composition concept, the evolution over time is isolated from the change in composition.

Monetary and financial statistics, as well as securities statistics, are generally based on the "changing composition" concept, i.e. they reflect the euro area composition in the reference period. This approach is also applied to euro area counterparts; the term "EU countries outside the euro area" thus refers to EU 28 before Brexit and will refer to EU 27 after Brexit. The new composition will be visible in statistics in reporting period Q1 2020 for end of quarter positions and in reporting period 2020 for end of year positions.

For the balance of payments and international investment position statistics (b.o.p./i.i.p.), aggregates are calculated based on the "fixed composition" concept. Therefore, in b.o.p./i.i.p. statistics new aggregates vis-à-vis other EU countries (on the basis of "EU 27 – excluding UK") will be released from reference period February 2020 (release date April 2020). At that stage all back-data (both transactions and positions, monthly and quarterly data) will be recalculated using the new composition of the EU as a reference.

More specific information is provided below.

## 2 Monetary and financial statistics

The monetary and financial statistics for the euro area and the EU, as well as the German contribution to the securities statistics, are generally based on the “changing composition” concept, i.e. they reflect the euro area composition as at the reference period. This approach is also applied to euro area counterparts; the term “EU countries outside the euro area” thus refers to the EU 28 before Brexit and will refer to the EU 27 after Brexit. The new composition will be visible in the statistics in reporting period Q1 2020 for end-of-quarter positions and in reporting period 2020 for end-of-year positions. Euro area and EU positions vis-à-vis the counterparts “EU currencies other than euro”,<sup>1</sup> “EU countries outside the euro area/countries outside the EU”<sup>2</sup> and breakdowns of euro area positions into reporting “foreign EU/non-EU controlled subsidiaries/branches”<sup>3</sup> will be affected.

In the monetary statistics, applying the “changing composition” concept, the derivation of flows involves requesting data on reclassifications<sup>4</sup> for Q1 2020. Memo items on positions vis-à-vis the UK<sup>5</sup> will be requested until the BSI Regulation and MFS Guideline are amended to explicitly require data vis-à-vis the UK. A similar approach will be followed for statistics compiled for other financial institutions (investment funds, financial vehicle corporations, insurance corporations, pension funds). MFI interest rate statistics will not directly impacted.

In the annual payment statistics, which are part of the financial statistics, the “changing composition” method that is applied at the moment would lead to changes in the EA/EU aggregates for data from reference year 2020 onwards. Aggregates for the EU are calculated for the reference and counterparty area. A harmonised treatment of reference and counterparty area as “EU 27 – excluding UK” or “EU 28 – including UK” within the payment statistics could affect the treatment of UK for reference period 2019 already. As UK data would potentially not be reported anymore (reporting deadline May 2020), the immediate effect would be that it would only be possible to compile EU 27 as a reference area, not EU 28. For consistency reasons, the counterpart area for reference year 2019 would also be compiled as EU 27. The payment statistics press release for reference period 2018, which was published at the end of July-2019, was focused on euro area developments instead of EU developments; this practice will be continued in the future.

In the case of the consolidated banking data statistics (CBD), for which the “changing composition” concept is also applied,<sup>6</sup> the breakdowns of the country-level consolidated data will change, starting from reporting period Q1 2020, for all EU 27 countries in which a UK bank

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<sup>1</sup> MFI balance sheet items Statistics (BSI).

<sup>2</sup> Investment funds Statistics, Insurance corporations statistics, Consolidated banking data statistics (CBD), Structural financial indicators, Payment statistics, MFI balance sheet items statistics (BSI).

<sup>3</sup> Consolidated banking data statistics.

<sup>4</sup> Investment funds statistics, Insurance corporations statistics.

<sup>5</sup> MFI Balance sheet items, Investment funds statistics, Insurance corporations statistics, Pension funds statistics (only collected from Q3 2019).

<sup>6</sup> A back-calculation of CBD with a “fixed composition” is not feasible, as due to the consolidation of balance sheet data across jurisdictions a resubmission of all past data would be required in which all UK subsidiaries and branches would be excluded from the sector “EU subsidiaries and branches” for all remaining 27 countries.

has a subsidiary or a branch, as these UK-based entities will have to be reclassified to the “foreign non-EU controlled subsidiaries/branches” category instead of being part of the “foreign EU controlled subsidiaries/branches” category. In 2019, a one-off data collection of eight variables on total assets breakdowns was undertaken for each of the remaining 27 EU countries, in order to obtain a measure of the Brexit impact on the size of the various sectors of each national banking system.<sup>7</sup> If this exercise is repeated, it will make it possible to present the Brexit impact on euro area and EU aggregates in the CBD press release for the Q1 2020 data. It is envisaged that, up to and including the Q4 2019 reference date, the CBD will be compiled and disseminated without any change, assuming that the Bank of England continues to submit data for the reference dates before Brexit.

The “changing composition” will also be applied to the annual structural financial indicators (SFI), with the same effect as for CBD being observed for the country-level data.<sup>8</sup>

### **3 Balance of payments and international investment position statistics**

For the balance of payments and international investment position statistics (b.o.p./i.i.p.), aggregates are calculated based on the “fixed composition” concept of the EU. Therefore, in b.o.p./i.i.p. statistics new euro area aggregates vis-à-vis other EU countries (on the basis of “EU 27 – excluding UK”) will be released from reference period February 2020 (release date April 2020). At that stage all back-data (both transactions and positions, monthly and quarterly data) will be recalculated using the new composition of the EU<sup>9</sup> as a reference. Hence, for reference period Q1 2020 (release date May 2020), only aggregates vis-à-vis other EU countries reflecting the new composition of the EU 27 will be released.

### **4 Securities statistics**

The German contribution to the securities statistics in the euro area is generally based on the “changing composition” concept, i.e. it reflects the composition of the EU and the euro area as at the reference period. Thus, starting from the final exit date of the UK from the EU, the time series aggregates, either published on the Bundesbank’s website or delivered to the ECB, will be updated to reflect the changed composition of the EU.

The Securities issues statistics collect data on the issuance of debt securities and of listed shares. Besides information on the issuer, the data also cover information on sales, redemptions, amounts outstanding and market capitalisation. Data are collected monthly and provided

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<sup>7</sup> The term “sector” here refers to the breakdown of each national banking system into domestic banks and groups, EU subsidiaries and branches and non-EU subsidiaries and branches.

<sup>8</sup> Historical data for the changing composition of EU aggregates will not be recalculated for CBD and SFI, as due to the reporting of EU and non-EU subsidiaries and branches, the resubmission of all past country-level variables in which UK subsidiaries or branches are reclassified as non-EU would have been required.

<sup>9</sup> Reference period January 2020 (release date March 2020) will mark the last time that data with the “EU 28 – including UK” aggregate composition are released.

to the ECB. Results are published on the website of the ECB. Underlying data are collected from domestic reporting agents only.

The securities holdings statistics include micro data on securities holdings of financial institutions domiciled in Germany. Furthermore, domestic banks are required to provide information about their own holdings irrespective of where the securities are held. These data are fed as national reporting data into the securities holdings statistics by sector (SHSS) module which is compiled by the ECB on the European level. These statistics are compiled on a quarterly basis and selected aggregates on euro area holdings are disseminated via the ECB Statistical Data Warehouse (SDW). SHSS data do not cover any information reported by the UK, but the SDW data cover several EU aggregates for the issuer reference area that include the UK as an issuer country. Starting with the dissemination of the Q1 2020 SHSS data in July 2020 via the ECB SDW, these EU aggregates will be discontinued or changed as follows: the issuer reference area aggregates for “EU28 (fixed composition)”, “Extra-EU28 (fixed composition)”, “EU28 member states not belonging to EA 18 (fixed composition)” and “EU28 member states not belonging to EA 19 (fixed composition)” will be no longer updated (but kept in SDW to provide access to the historical information), while the corresponding “EU27 (fixed composition) excluding UK”, “Extra-EU 27 (fixed composition)” and “EU27 member states excluding UK, not belonging to euro area 19 (fixed composition)” aggregates will be added. In addition, the composition of the “Other European countries” and “Other EU member states (all countries except the reference area)” aggregates will be changed to reflect the changed composition of the EU, excluding the UK.

## **5 Financial Accounts**

Quarterly financial and sector accounts will not be influenced by Brexit as EU aggregates and counterpart geographical detail are not compiled.