Reference metadata on methodology and quality

Price and Competitiveness Indicators (Real and nominal Effective Exchange Rates) - PCCI (REER)[1]

Concept Name	Description
A	**Data description (metadata)**
Data description	The **price and competitiveness indicators** cover nominal and real effective exchange rates of the euro area, of the individual EU Member States and several non-EU countries. They include data for the United States and Japan, Switzerland, Norway, Turkey, the United Kingdom, Canada, Australia, New Zealand, Mexico, Russia, China, Brazil, Hong Kong and Korea. Aggregate measures for the European Union and the euro area are presented as well. **Nominal effective exchange rates (NEER)** measure changes in the value of a currency against a trade-weighted basket of currencies. A rise in the index means a strengthening of the currency. The index is calculated against different groups of trading partners and for different currencies. **Real effective exchange rates (REER)** measure the change in competitiveness of a country or geographical area, by taking into account the change in costs or prices relative to other countries. A rise in the index means a loss of competitiveness. The index is calculated against different groups of trading partners and for different currencies.
Statistical population	Industrial countries.
Reference period	Month, quarter, year. Time coverage starts in 1994.
Frequency of dissemination	Monthly
Geographical reference area	European Union – 27 countries, euro area – 19 countries (from 2015), EU Member States, Norway, Switzerland, Turkey, United Kingdom, Australia, Brazil, Canada, China (including Hong Kong), Hong Kong, Japan, Mexico, Russia, New Zealand, South Korea, United States.
Unit of measure	Index 2015 = 100
Basic statistical concepts and definitions	The **nominal effective exchange rates (NEERs)** of a country (or currency area) aim to track changes in the value of that country's currency relative to the currencies of its principal trading partners. NEERs of the euro are geometric weighted averages of the bilateral exchange rates of the euro against the currencies of the euro area's main trading partners. Hence, they provide a summary measure of the euro's value vis-à-vis these currencies. The **real effective exchange rates (REERs)** aim to assess a country's (or currency area's) price or cost competitiveness relative to its principal competitors in international markets. It corresponds to the NEER deflated by selected relative price or cost deflators. Deflators used in the reports are consumer price indices (CPI and HICP where available), the GDP deflator, the price deflator of exports of goods and services, and unit labour costs in the economy as a whole and in the manufacturing sector (base year 2015 = 100 for all series). Double export weights are used to calculate NEERs and REERs, reflecting not only competition in the home markets of the various competitors, but also competition in export markets elsewhere. Monthly, quarterly and annual data are available for the following partners: • EA19 – 19 trading partners (euro area from 2015) • EU27 – 27 trading partners (European Union from 2020) • IC37 – 37 trading partners (industrial countries): EU27 + 10 industrial countries (Australia, Canada, United States, Japan, Norway, New Zealand, Mexico, Switzerland, United Kingdom and Turkey) • IC42 – 42 trading partners (industrial countries): IC37 + 5 industrial countries (Russia, China, Brazil, South Korea and Hong Kong).
Classifications used	Effective exchange rates indices data follow the methodology of DG ECFIN; please see the technical annex at https://ec.europa.eu/info/files/technical-annex_en
Statistical Confidentiality	Not applicable

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[1] This document is based on a template provided by Eurostat and based on the SIMS standard for reporting on reference metadata and quality of statistical products. The content is the sole responsibility of the publisher.

B	Data quality	
	Relevance	The NEER tracks changes in the value of a country's currency relative to the currencies of its principal trading partners. The REER is used as competitiveness indicator. The series are used in European Commission economic analyses and forecasts. The REER is also included in the indicators used for the scoreboard of the Macro-economic Imbalances Procedure (MIP).
	Timeliness	Depending on the availability of the basic data around T+1 month after the end of the reference period. A delay may occur if basic data are not available.
	Accuracy and reliability	*Source data*: The source for the effective exchange rate collection is DG ECFIN of the European Commission. Concerning component data, bilateral exchange rates for the current year are the official daily rates recorded by the ECB. Historical exchange rates are provided by the IFS (IMF) database. For the period before 1999, a weighted average of the currencies of the Member States now participating in the euro area is used as a proxy for the euro. Weights are derived using data on bilateral exports from the IMF DoT database and on domestic production from national accounts (updated yearly, the most recent weights are for T-2). *Data collection and methods used:* The EU27 and euro-area aggregate are calculated by taking as weights each country's share of extra-EU or extra-EMU trade. Double export weights are used to calculate NEER and REER, reflecting not only competition in the home markets of the various competitors, but also competition in export markets elsewhere. Note that the series for individual euro-area countries continue beyond the establishment of the monetary union: their effective exchange rates will continue to vary because of differing trade patterns and cost or price trends. For further details on source data and compilation methods, see https://ec.europa.eu/info/files/report-quality-sources-and-methods_en
	Accessibility and clarity	*Publications*: The data are released through the following DG ECFIN website: https://ec.europa.eu/info/business-economy-euro/indicators-statistics/economic-databases/price-and-cost-competitiveness/price-and-cost-competitiveness-data-section_en *Quality documentation*: See https://ec.europa.eu/info/files/report-quality-sources-and-methods_en
	Coherence and comparability	*Geographical*: Due to use of an index with base period, caution must be used for any geographical comparison. In terms of methodology, geographical comparability is reasonable. *Over time*: Although the comparability over time of the data can be considered as very high, methodological changes occur and have a limited effect on the overall pattern of REER indicators. Each time these occur, recalculations under the new definitions are performed for the whole time series, safeguarding time series without break.
C	Contact and update	
	Contact organisation	European Commission, Directorate-General for Economic and Financial Affairs (DG ECFIN)
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