Concluding Remarks for the Second Statistical Forum

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1. Overview

A few concluding remarks to bring out the key themes. These remarks cover key messages, specific issues, and other themes. I will also say a few words about the way forward.

2. Objectives of the Forum

These were set out by Louis Marc Ducharme as:

- Creating an annual global space where data users, data providers and policymakers can come together to discuss emerging needs for statistical information to inform policy
- Forging a deeper understanding of different statistical issues and share information and exchange views
- Building a broader constituency to guide the improvement and the new development of statistical information and tool for the purpose of analysis and policy formulation.

3. Key messages

1. Chairman Greenspan and Professor Shiller looked at long runs of data to help users identify when the human spirits are taking asset markets away from long-term fundamentals. It reminded us that long runs of data are important to users.

But also the importance of short-term indicators to give policymakers a heads up on economic developments before the more comprehensive datasets are ready was stressed. Further, it was argued that the tools should be available to meet sudden data demands from policymakers. “Big data” could also play a role in giving early warning to policymakers across a range of fields.

Data quality and trade off with timeliness, as always, came up. On data quality, the importance was recognized, as users need to have confidence in the data. But it was commented that there is a case for publishing even if the data are not perfect. The perfect should not be the enemy of the good. My sense was that yesterday the forum was more inclined toward timeliness over quality, but today the preference was for quality over timeliness.

2. Data quality. This was the subject of this morning’s discussion. The importance of strong legislation, high standing in the hierarchy and internal capacity—sufficient resources, was set out by Mr. Fellegi. The issue of trust in official statistical agencies was central.

But the problems of political pressures to distort data were a central feature of the discussion as well as finding ways to help build that trust in countries where it presently does not exist. The importance of a strong judiciary, independent media in helping to promote the statistical agency, and well as us all being less polite and speaking up when we see distortions was stressed. On the other hand, the situation is not always black and white but subtle.

Also, yesterday it was noted that in Rwanda since the creation of an independence statistical agency eight years ago, there has been a national strategy for statistics and better data.

The story of a country with a build-up of debt followed by crisis and then the call for better data was also a familiar story.

3. The importance of balance sheets, sectoral accounts, and IIP data and encouraging countries to compile these data was

emphasized. Gross, as well, as net positions matter. And linking the macro data with more granular/micro source data where available was also raised. The need granular data in the financial and households sectors was stressed. We should also not forget about off-balance sheet items—contingent liabilities.

Balance sheet mismatches also need to be monitored—many speakers raised the issue of foreign currency exposures, and maturity mismatches.

Debt and leverage—both balance sheet and embedded leverage—are important, particularly government and private sector debt and the leverage of financial institutions. As Chairman Greenspan noted, you need debt for contagion and solid capital buffers can limit contagion effects. But what is the optimal level of capital was also raised.

4. Interconnections need to be monitored as best as possible. We are not going to capture all we need in order to monitor interconnections within the financial sector and across border, perhaps we need not just the immediate counterparty but the counterparty of the counterparty—so-called network analysis. One idea raised was to link the sectoral analysis of the domestic economy with cross-border linkages to create what we in the Fund are calling the global flow of funds.

The Minister from Rwanda made the interesting comment that as the spark that could set off the fire could take place anyway in the world given global interconnections. So there is an argument for international cooperation to help developing economies develop their statistical system. But also these countries themselves should recognize the importance of, and give priority to, good economic data for their own planning and assessment of risks facing their economy.

The same point was made this morning that statistics can be seen as a global public good given the interconnections among countries.

5. The importance of data comparability across countries and the use of international standards were raised. But the use of standards applied not just to the conceptual advice on the compilation of the data, but also to the use of industry-wide standards to improve the quality and efficiency of the supply of data (and reduce risk in financial markets). The LEI and ISIN were referenced in the latter regard.

But it was also suggested that there need to be incentives for countries and the private sector markets to implement standards. Within the IMF, the data dissemination standards and the benefit their adoption can bring could be one such incentive, while the reduction in financial market risk—know who your customer is—is encouraging private industry to take up initiatives such as LEI.

6. Professor Shiller emphasized that the development of good data —he was specifically referring to good indices—would help improve the efficiency of markets and promote welfare. He called for better and broader asset valuation, including for human capital. The final panel reiterated the latter. This morning, Professor Buiter added to this topic today calling for better data on sovereign real assets and contingent liabilities where evaluation can be reasonable implemented.

4. Specific issues

1. There is a growing interest in short-term wholesale market funding. This was linked to funding risks particularly for banks. Where do NFC place their cash, the need to monitor more comprehensively repo and security lending markets, commercial paper markets, and the need to better understand the counterparties in

these markets—who the counterparty is and their location does matter.

2. On the issue of counterparties, there were calls to get better information on ultimate risk, better CPIS and CDIS market coverage, not least given the preponderance of offshore centers as counterparties. This was also echoed in the discussion on the importance of data on ownership structures of large bank holding companies. As one speaker said, we have been facing a complexity shock over the past 20 years. But how we define complex?

3. There was a call for more balance sheet data for nonfinancial corporations and households. There was also reference to the need to monitor cross-border borrowing of nonfinancial corporations. There is increasing evidence of foreign bond issuance, particularly among emerging market corporate, rather than relying on domestic intermediaries. We need to get a handle on this.

4. Real estate prices were the subject of a whole session. But even in other sessions, the need for good housing prices was emphasized.

The impressive progress in compiling residential real estate price indices was commented upon. But it was also noted that many indices are published without metadata—this echoes a broader thought that it is important for compilers to provide metadata to explain how their data are put together. Users need to be careful to understand how the indices are compiled when using them, including the treatment of distress sales. Domestic circumstances need to be taken into account when compiling residential real estate prices, for example, in Japan where age deprecation is a significant factor.

Commercial real estate prices are a harder challenge but work has been underway to develop reliable CPPIs in the U.S. using available data. There were calls for better appraisal data.

5. Countries should look to improve their source data and be adaptable to the changing structure of their economies and financial markets.

5. Other themes

1. Before any new data initiatives are set in train, it is important to consult users and to ascertain how the proposed new dataset would address the questions that are being asked. Developing new datasets is expensive and so this due diligence is needed.

And we should avoid duplication of collection both nationally and, I would add, internationally. We need to collaborate more both domestically and internationally

Further, existing datasets need to be exploited first; there was a sense from some speakers that existing datasets are not always fully utilized. And it was encouraged that these be the first place of resource of users when they have issues to address. In other words, make the most of existing data. Further, when data are compiled, subject to confidentiality constraints—which may be real—look to disseminate the data.

2. Policymakers need to ask the right questions and be willing to do so. We were quoted the case of Thailand before the Asian crisis when statisticians raised the concerns emerging from the data. But it was also noted that exposures do not always imply vulnerabilities. The context in which the exposures arise is important—the differing experiences of Latin America in the 1980s and 2000s to external events were quoted.

3. This morning it was argued that TA should be given through long and stable relationships and that ad-hoc TA can even be counterproductive.

4. Among data sets wished for were value-added trade data on a regular basis, more comprehensive data on services, improved data on land and natural resources, comprehensive labor market data, data on infrastructure investment, and better wealth statistics.

6. Way forward

Some of these themes are being addressed in the G20 Data Gaps Initiative we are undertaking with the FSB and members of the Inter-Agency Group on Finance Statistics. We should not be complacent, but these include

- A focus on maturity and liquidity mismatches in the financial sector (BIS/FSB).
- Better understanding of intra-financial system interconnections through the work on Global Systemically Important banks (FSB).
- Strengthening the BIS IBS and IMF CPIS.
- Improving availability of quarterly IIP data (IMF).
- Cross-border borrowing by NFC (BIS).
- Promoting sectoral accounts data IMF/OECD and others—link to BIS IBS and CPIS and the global flow of funds (Financial Accounts of the World?)
- Distributional data on household, income, and wealth (OECD)
- Promoting better general government operations and debt data (IMF/World Bank).
- Promoting the development of real estate prices—indeed the BIS started posting available data and this has helped stimulate more and better data—the good before the perfect.

And the SDDS Plus data categories draw on the G20 DGI, including sectoral balance sheets, real estate prices, CPIS, CDIS, general government operations, and debt data among others.

Further, the G20 FMCG mandated the IMF and FSB in September 2014 to make a proposal for a second phase of the G20 DGI to start in 2016. We shall be drawing on the conclusions of this forum in developing the proposal.

Thank you for two stimulating days of discussion. We hope that you have gained a lot from it, and we shall reflect on the messages emerging as we take our work forward.