Further statistical work in the light of the financial crisis both within the IMF and with other international agencies[1]

Adelheid Bürgi-Schmelz[2, 3]

The integration of economies, as evidenced by the economic and financial crisis spreading through markets worldwide, has highlighted the critical importance of relevant statistics that are timely and consistent, both within, as well as comparable across, countries. The establishment over the past several years of a consistent economic statistics system covering traditional datasets (national accounts, balance of payments, fiscal and monetary statistics) and the data transparency initiatives, such as the IMF's Special Data Dissemination Standard (SDDS), have considerably advanced this agenda. Indeed, such datasets have provided warnings regarding, for instance, the surge in the ratio of gross cross-border assets and liabilities to GDP for industrial countries, as well as more broadly in global external imbalances.

Still, recent events have revealed further data needs. In response to the global nature of these data needs, in late 2008 the Statistics Department of the International Monetary Fund created, and chairs, the Inter-Agency Group on Economic and Financial Statistics (Inter-Agency Group) involving the BIS, the ECB, Eurostat, the OECD, the UN, and the World Bank. The work of the Inter-Agency Group is currently being informed by users, initially from within the agencies, but the involvement of a wider range of users is envisaged in the near term.

Three major outcomes have already emerged from these discussions: the launching of an inter-agency website on 21 April 2009, the identification of specific areas of data needs and, in March 2009, the endorsement of the new Inter-Agency Group by the Working Group 2 of the G20 economies. In addition, the G20 Working Group 2 recommended that the IMF and the Financial Stability Board (FSB) explore gaps and provide appropriate proposals for strengthening data collection before the next meeting of G20 Finance Ministers and Central Bank Governors. This work was endorsed by the IMF's International Monetary and Financial Committee (IMFC) at its April 2009 meeting.

The Principal Global Indicators website

Facing similar pressures from users, the Inter-Agency Group has recognised the importance of going beyond traditional statistical production processes, in more innovative ways, in order to obtain a set of timely and higher-frequency economic and financial indicators, at least for systemically important countries. In short, because of the global nature of the crisis, users are requesting more internationally comparable, timely and frequent data. Further, there is a need to improve the communication of official statistics.

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[1] The views expressed herein are those of the author and should not be attributed to the IMF, its Executive Board, or its management.

[2] Statistics Department, International Monetary Fund (e-mail: aburgischmelz@imf.org).

[3] Contributor: Robert Heath, Assistant Director, Statistics Department, International Monetary Fund.

In order to make high-frequency data available on a timely basis, the Inter-Agency Group launched the Principal Global Indicators website (PGI website) in April 2009, with an initial focus on the dissemination of data for the G20 economies. The PGI website brings together timely data available at participating international agencies covering financial, governmental, external and real sector data, with links to data from the websites of international and national agencies. The website is available at: http://financialdatalink.sharepointsite.net/.

The benefits of this inter-agency approach are that it mobilises existing resources, builds on the comparative advantages of each agency and supports data sharing in a coordinated manner. The international agencies have access to selected country datasets that they present in a manner which is broadly comparable across countries. For instance, the IMF maintains the International Financial Statistics (IFS) database, for which data are voluntarily reported by member countries. This approach is modelled to some extent on the experience of the Joint External Debt Hub, which successfully brings together external debt data from the BIS, the IMF, the OECD, and the World Bank. By focusing on the existing data of international agencies, the PGI website is a separate, but complementary, initiative to the SDDS, which focuses on the dissemination of standard datasets by individual economies.

Cooperation among the international agencies also helps to minimise additional requests for data from individual economies. However, in developing the site, it has become evident that not all data are as up to date as we would expect and, therefore, we will be encouraging the prompt supply of data under existing international arrangements where gaps exist.

Data needs

The crisis has also revealed a number of data needs, both in terms of filling gaps and addressing weaknesses. The Inter-Agency Group has identified four significant areas of focus arising from its consultations with users:

- The *financial sector* has a central role in the crisis; there is a need to enhance data availability, not least for those segments of the financial sector where the reporting of data is not well established, such as non-bank financial corporations. Those corporations have traditionally been less well covered than banks.

  Over recent years, a so-called “shadow banking system” has developed involving bank-type entities that are not subject to prudential regulation. The crisis suggests that the systemic importance of these other financial corporations may have been under-appreciated, not least with regard to their interconnectedness with banks.

- The importance of *sectoral balance sheets*, not just for the financial sector but also the non-financial corporate and household sectors (as well as government, as explained in the section below), has been highlighted by the crisis: the increased availability of the financial accounts and balance sheets would advance the analysis of the systemic risks and vulnerabilities, as well as the analysis of the interrelationship between real sector and financial sector activities. In order to advance the work on national balance sheets, better information is needed regarding the financial operations of non-financial corporations, particularly those that have significant links in national economies and across borders, so as to identify vulnerabilities, such as foreign currency exposures. Additional data for the household sector is also required. This initiative ties in with the ongoing work on the System of National Accounts implementation programmes and includes improving timeliness, frequency and country coverage.

  The external balance sheet of an economy is the international investment position (IIP). At present, quarterly reporting of these data is not widespread – just under 50 economies report quarterly IIP data to the IMF. But the crisis has focused increased attention on vulnerabilities in the external position data, thereby complementing the more traditional focus on transactions data. Further, while financial statistics are compiled on an original maturity basis, ie the maturity at the time of issuance, the recent crisis has highlighted the importance of remaining maturity data to facilitate the liquidity analysis arising from the need to rollover or repay debt that is falling due in the short term.

- The impact of *house prices* on household net worth is highly relevant to the current crisis, but country practice in compiling these data is uneven. The availability of other *housing-related data*, such as housing finance, also varies across countries.
- There is a lack of information on *ultimate risk/credit transfer instruments*, indicating where the risks lie as well as their scale. While traditional frameworks remain relevant, the concepts of ultimate risk (including the use of off-balance sheet structures and special purpose vehicles) and credit risk transfers, including through structured products, need to be explored because the lack of information on where the risks lie and their scale is disguising the interconnections among and between economies. This issue is multi-faceted and includes developing conceptual frameworks by drawing on existing practice as far as possible.

The crisis has also highlighted data gaps and problems in the comparability of *government finance statistics*, with wide differences in coverage and definitions in national fiscal data. For example, for one country, data may cover only budgetary institutions, while for another, it may include extra-budgetary units and social security funds. The IMF's Statistics Department intends to pursue its work towards increased harmonisation in the presentation of data using the *Government Finance Statistics Manual 2001* – the internationally agreed statistical standard for compiling government finance data. While it is possible that, for national purposes, the coverage may vary among countries, depending on the way in which they undertake fiscal policy, the IMF needs comparable data that enable cross-country comparisons.

Further, the IMF Statistics Department continues to work on *financial indicators*. Regular reporting of Financial Soundness Indicators (FSI) has begun. However, in light of the crisis, the view is emerging that there is a need to reprioritise FSIs; for example, basic leverage ratios and measures of on-balance sheet liquidity mismatch proved reliable, while some risk-adjusted capital-to-assets ratios and non-performing loan ratios provided little predictive information.

G20 endorsement to move forward

The work of the Inter-Agency Group was referenced in the G20 Working Group 2 (Reinforcing International Cooperation and Promoting Integrity in Financial Markets).

> "The Working Group also recognised that for effective early warnings data collection needs to be strengthened. The IMF is already seeking to enhance its collaboration with national authorities responsible for financial stability assessments to enhance data availability, including with regard to cross-border exposures. For example, an interagency group has been established to strengthen finance statistics, chaired by the IMF and including the BIS, ECB, OECD, Eurostat, the UN, and the World Bank. The Group recommends asking the IMF and the FSB to explore gaps and provide appropriate proposals for strengthening data collection before the next meeting of G-20 Finance Ministers and Central Bank Governors."

In April 2009, the IMFC welcomed the joint work of the IMF and the FSB in addressing data gaps.

In following up these endorsements, the IMF's Statistics Department is working with the FSB and other international agencies, as well as member countries, to address the requests of the international community.

Conclusion

Recent years have seen significant progress in the availability and comparability of economic and financial data. However, the present crisis has thrown up new challenges that call for going beyond traditional statistical production approaches in order to obtain a set of timely and higher-frequency real and financial indicators, and for enhanced cooperation among international agencies in addressing data needs.