

The Bulgarian National Bank's experience with loan-by-loan data collection for the compilation of external statistics

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Abstract

The purpose of this paper and the related presentation is to prove that microdata are very important for statistics. However, statistical data (including that based on microdata) needs first a common methodology, so as to be compiled with the expected reliability and quality and to be comparable among countries.

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Introduction

It is a general rule that reliable statistics are a cornerstone for evidence-based policy making. In a period of global financial crises and increased uncertainty, the general public is confronted with a loss of confidence in the economy, and the users look more carefully at the published data. Data quality is especially important in areas linked to the package on economic governance (the so-called "Six-pack"), particularly the indicators in the Macroeconomic Imbalances Procedure (MIP) Scoreboard. Under the Alert Mechanism, the quality of data becomes very important at both national and European levels: users at the national level are very much interested in knowing whether data among countries are statistically comparable; users at the European level want scoreboard data among countries to be comparable, as this increases the reliability of the Alert Mechanism Report (AMR) and the whole MIP mechanism. Moreover, international investors and rating agencies are willing to use AMR's reports for their analysis if they consider statistical data sufficiently reliable.

The European Statistics Code of Practice and data quality

The European Statistics Code of Practice (CoP) is based on 15 Principles covering the institutional environment, the statistical production processes and the output of statistics. Among them there are key principles that, from the producers of data viewpoint, are very important to assure high quality data – "Principle 7. Sound Methodology" and "Principle 8. Appropriate Statistical Procedures".

Principle 7, in practice, has requirements to both levels of statistics – European (Eurostat and European Central Bank) and national (statisticians from the NSIs and from the NCBs). According to the indicators of this Principle 7, both Eurostat and ECB have to make sure that there are European and international standards, manuals and guidelines for the compilation of the respective statistics and, in case something is missing, to take the necessary steps to develop them. On the national level, statisticians should implement the methodologies prepared by the international organizations, including ECB and Eurostat.

Observing the requirements of Principles 7 and Principle 8 is a precondition for meeting the following Principles of the Code of Practice that are related to the user needs: "Principle 12. Accuracy and Reliability", "Principle 13. Timeliness and Punctuality" and "Principle 14. Coherence and Comparability". The latter principle clearly requires common methodology, standards and definitions for statistical data to be comparable among countries, which is a key precondition for the preparation of AMR.

External statistics and sound methodology

External statistics has two indicators in the MIP Scoreboard: "Current account balance" and "Net international investment position" (both as a percent of GDP).

The compilation of both indicators is based on a solid methodological base – SNA 2008² (SNA 1993), ESA 2010³ (ESA 1995) and BPM6⁴ (BPM5). In addition, external statistics also have to comply with “External Debt Statistics: A Guide for Compilers and Users” (2003), as well as four other methodological guides and manuals.

On a national level Art. 42 of the Law on the Bulgarian National Bank (BNB), Currency Law, Ordinance No. 27 of the BNB on the Balance of Payments Statistics (BoP) and other documents underpin the strong methodological requirements. Therefore, external statistics fully meet the requirements of the key CoP “Principle 7. Sound Methodology”.

Establishment of a loan-by-loan micro-database

The loan-by-loan (l-b-l) external statistics micro-database was developed by BNB in the mid-90’s for ESA 95 sectors S.11 (Non-financial corporations), S.12 (Financial corporations) and S.13 (General Government), for two purposes: first, for the compilation of external statistics – BoP, external debt and, later on, international investment position (IIP); and second, for BoP and external debt projections. At that period Bulgaria had to develop its external statistics from scratch. During the same period Bulgaria had several IMF stand-by arrangements that needed external data.

The establishment of an l-b-l external statistics database has been fundamentally driven by the lack of almost any regular statistical information in this field. This was behind an important decision – the database would cover the whole population, as there was no registry with information regarding resident/non-resident financing.

The main steps for the development of the external statistics followed the common rules for creating any statistics. First, we had to develop a methodology based on the requirements of BPM5. The methodology was later amended, following the publication of the “External Debt Statistics: A Guide for Compilers and Users” (2003). Second, we amended the Currency Law by establishing the legal obligation for any company, bank and non-bank corporation, to register at the BNB every loan received/granted from/to non-residents (above a certain threshold). After the adoption by the Governing Council of the BNB of Ordinance No. 27 on the

² The System of National Accounts, 2008 (2008 SNA) is a statistical framework that provides a comprehensive, consistent and flexible set of macroeconomic accounts for policy making, analysis and research purposes. It has been produced and is released under the auspices of the United Nations, the European Commission, the Organisation for Economic Co-operation and Development, the International Monetary Fund and the World Bank Group. 2008 SNA is an updated version of the System of National Accounts, 1993 (1993 SNA).

³ ESA 2010 stands for European System of Accounts 2010. Following the 1993 SNA revision, there was a need to revise the European System of Accounts (ESA 95) set up by Regulation (EC) No 2223/96 in order to take into account these new developments so that that system constitutes a version of 2008 SNA adapted to the structures of the Member States’ economies, and so that the data of the European Union are comparable with those compiled by its main international partners.

⁴ BPM6 stands for Balance of Payments and International Investment Position Manual, 6th edition. It updates the 5th edition published in 1993 (BPM5), providing guidance to IMF member countries on the compilation of balance of payments and international investment position data. The production of BPM6 was conducted in parallel with the update of the OECD Benchmark Definition of Foreign Direct Investment and the 2008 SNA, to maintain and enhance consistency among these manuals.

Balance of Payments Statistics (including the design of reporting forms and instructions), the “L-b-I Registration Form” and the “Reporting Form” were designed. The next step was to develop the procedures for data checks (quality checks) and data compilation. At a later stage we started to develop an IT system for data processing and management of the micro-database.

Advantages of a loan-by-loan external statistics micro-database.

The micro-database reduces the respondent’s burden as the required information is in practice extracted directly from the accounting reports of the companies. It allows cross checking of input data as well as enhanced quality control. The micro-database provides better data interpretation and responsiveness to *ad hoc* data requests. The Interlink of various micro-databases may disclose additional information that would contribute for improved data quality as well as for better external debt and financial stability analysis.

Conclusions

The recent developments on Europe set additional requirements for data quality. Before the crisis relatively more attention was paid to the quality of the indicators presenting the development of the European Union. However, the current financial crisis made changes in these priorities. Policy-makers in Europe, national policy-makers and the public now look more carefully to the national data as country comparability became more important. This also was enforced by the establishment of the MIP, part of which is the Annual Scoreboard Indicators and AMR.

The demand for high quality country data increased significantly. Micro-data are a precondition for high quality statistical indicators. However, the production of reliable data needs also sound methodology. Attempts to create legislation without paying attention to the need of sound methodology (for every indicator), avoiding the responsibility of Eurostat for the development of such methodologies, emphasizing only the responsibility of the national statisticians for quality of data and – last, but not least – asking for inventories instead of preparing clear procedures for data quality, would not deliver the results required by the Council Decisions – improving the underlying statistics and ensuring data comparability among countries.

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