IFC workshop on *"Combining micro and macro statistical data for financial stability analysis. Experiences, opportunities and challenges"*

Warsaw, Poland, 14-15 December 2015

Discussion of session 5 on *"The experience of emerging market statistical institutions in combining micro and macro level data: different approaches, a common goal"*[1]

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[1] The views expressed are those of the author and do not necessarily reflect the views of the BIS or the central banks and other institutions represented at the meeting.

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Discussion: The experience of emerging markets

IFC Workshop

Warsaw 14-15 December 2015

Session 5: ***The experience of emerging markets' statistical institutions in combining micro and macro level data: different approaches - common goal***

- ***Diego Avanzini***, Central Bank of Chile,
  "A micro-powered model of ***mortgage default risk*** *for full recourse economies, with an application to the case of Chile"*

- ***Krzysztof Olszewski***, Joanna Waszczuk, Jacek Łaszek, Hanna Augustyniak, Robert Leszczyński, Narodowy Bank Polski,
  "On the dynamics of ***the primary housing market*** *and the forecasting of* ***house prices"***

- **Cihan Yalçın** and Timur Hülagü,Central Bank of the Republic of Turkey, *"Micro Evidence on* ***Foreign Exchange Liabilities and the Exchange Rate Risk*** *in Non-Financial Firms in Turkey: A Descriptive Analysis*

- ***Andy Johan Prasetyo***, Astri Octiana Lana, Irfan Sampe, Bank of Indonesia, *"Indonesia Financial System Statistics:* ***A combination Micro and Macro Data***

- ***Nur Fazila Mat Salleh***, Central Bank of Malaysia,
  "Malaysia's Experience in Managing Credit Registers: Integrating Micro Databases for Macro Analysis"

Statistical requirements for financial stability and macroprudential policy

- The need for a new set of policy instruments i.e. **macroprudential tools** for addressing financial stability is one of the main lessons of the global financial crisis.

- Emerging countries are already experienced in macroprudential policies, primarily because they have also experienced **more pronounced business and financial cycles.**

- Pro-cyclicality is often due to the greater exposures to international capital flow volatility, commodity price shocks, and other risks, and external and internal transmission channels that operate more adversely.

Statistical requirements for financial stability and macroprudential policy

- For proper macroprudential policymaking, we need right and enough information. Aggregative data might not be enough, because aggregation can hide important information. Therefore, **micro level data and its linkages with macro-level data are required.**

- The papers presented in this session are investigating the importance of micro information of debtors and lenders and how micro databases (e.g. credit registers) contribute to the improvement of these statistics.

- The research results show that macroprudential policy decision making can be supported by enhancing the analysis and applications of financial markets with the help of micro level data.

Some conclusions and comments

- The questions asked in the research papers are well directed because macroprudential tools are mostly adressit **at risks originating from the financial sector.**
- Large movements in the real estate market not only magnify fluctuations in the real economy but also destabilize the financial system. Therefore, it is important to monitor and analyse real estate market trends.

  – ***Diego Avanzini*** showed in his presentation that aggregated macro financial variables such as prices and loan to value ratios and its interaction with microeconomic information can contribute explaining an important portion of mortgage risks.

  – The model presented by ***Krzysztof Olszewski*** proves to be useful for policy makers, central banks and regulators to test how changes in mortgage rates or income affect prices, demand and supply in the primary housing

Some conclusions and comments

- Foreign currency loans are used in many emerging countries to complete or compensate the supply of domestic loans. But loans in foreign currencies might give rise to a huge risk for financial stability.

  – **Cihan Yalçın's** presentation shows that the currency risk of non-financial firms can be better estimated through a firm-level analysis.

Some conclusions and comments

- **Andy Johan Prasetyo** in this presentation discussed the new responsibility in macroprudential policies of the Bank of Indonesia. Bank Indonesia has recently started regulation in the field of macroprudential policy which focuses on the soundness and stability of the financial system.
  - Formulating policies for the financial stability Bank Indonesia has to be supported by timely and accessible statistics. Timely and accurate data are keys to the preparation of macroprudential policy recommendations and decisions by the Board of Bank Indonesia, as well as to monitor policy decisions in terms of their impact on or transmission to the economy.

- **Nur Fazila Mat Salleh's** presentation comprehensively described Malaysia's experience in managing credit registers and how to integrate micro databases for macro analysis.

Some conclusions and comments

- Analyzing risks arising from financial instabilities is essential for central banks but is complicated by the limited suitability of aggregated data for this purpose.
- The microdata underlying corresponding aggregates, however, often lack sufficient quality, as they are gathered for purposes other than microanalyses, are derived from a large number of sources and based on a wide range of data-gathering techniques and formats, or they simply fail to provide the right information.
- Therefore, the use of micro level data puts different request also for data producers and compilers like central banks and supervisors.
- Especially, tighter **coordination and cooperation** are crucial, within the central bank itself and with other competent authorities at the national and international level to be able to get the best out of the existing micro data bases.
- Also the limitations of **data sharing** between the competent organisations need to be reduced or removed.

Some conclusions and comments

Questions to all speakers:

- What are the most pronounced risks considering financial stability in your countries?
- What kind of macroprudential tools could be used to mitigate these risks?

Thank you !