

Zdeněk Tůma: The importance of statistics - a central banker's view

Introductory speech by Mr Zdeněk Tůma, Governor of the Czech National Bank, at the conference "Statistics - investment in the future", Prague, 6 September 2004.

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Good morning, Ladies and Gentlemen,

Let me join my distinguished colleague, Head of the Czech Statistical Office, Mr Fischer and welcome you to this conference at the Czech National Bank's Congress Centre. One reason the Czech National Bank is co-organising this event is our own involvement in the statistical field and consequently a close co-operation with the Czech Statistical Office.

Statistics is somewhat overlooked by the general public who does not perceive it as an area of primary significance, unlike matters such as privatisation, corruption, bankruptcies, problems of the banking sector, functioning of the courts, law enforcement and the other major transformation issues. The less statistics is the subject of attention-grabbing articles and reports in the media, the more systematic work it requires. Work that is often very demanding, particularly as regards to data consistency and detailed profiles. Indeed, it is the level of detail which is subject to sensitive evaluation. That is why, one of the most difficult tasks in statistics is to strike a balance between the amount of information required and the burden laid on respondents.

Statistical information is used not only for passive monitoring of past developments and their disclosure in statistical publications, but also as a basis for real-life decision-making by economic agents. Statistical data is used in various negotiations. There are many examples. Wage bargaining is strongly affected by the evolution of prices. So-called "inflation clauses" form part of many agreements, for example rental contracts. Statistical data also serve as a basis for the decisions of various authorities. Central banks are a specific category. They significantly affect the economic environment. To be able to perform their duties properly, central banks need high-quality statistical information. "Nothing is more important for monetary policy than good statistics". This is how Alexander Lamfalussy, the former President of the European Monetary Institute, the predecessor of the European Central Bank, characterised the importance of statistics for successful monetary policymaking.

This year marks the fifteenth anniversary on the path of transformation from a centrally controlled economy to a market economy. All areas of our life underwent dramatic changes, statistics being no exception. In the early 1990s, the Czech National Bank worked in close co-operation with the International Monetary Fund. Individual missions visited us several times a year. Statistics was one of the first areas in which such co-operation was established. This is entirely logical, since without the creation of a basic statistical framework it would not have been possible to communicate on monetary policy matters. Among the most important outcomes was a creation of monetary survey. This survey made it possible to compile monetary and credit aggregates. One of the preconditions for influencing the money supply was to establish what is known as the "monetary base". The ongoing liberalisation process meant that it was no longer important to divide the balance of payments statistics into koruna and foreign currency transactions. This classification was replaced by a standard breakdown into transactions between residents and non-residents. Numerous statistics linked with regulation were gradually abolished as individual areas of economic activity were liberalised. These examples merely illustrate how the central bank's entire statistical system was rebuilt from scratch.

Let me now move on to the more recent past. In 1999 we began to co-operate closely with European institutions. The main topics included monetary and banking statistics, balance of payments statistics and more recently also financial accounts, government financial statistics and general economic statistics. The development of statistics was influenced by a need to standardise each area to ensure compatibility between the EU Member States and the candidate countries. Hand in hand with these contacts, we began to work much more closely with the Czech Statistical Office. In the area of statistics the Czech Statistical Office is the natural and closest partner of the Czech National Bank, since these two institutions are the major producers of statistical information in the Czech Republic.

The Czech Statistical Office conducts a far wider range of statistical surveys, providing aggregate information on the national economy, territory, climate, environment, population, elections and other areas of life and activity of our country. The Czech National Bank is above all a user of economic

statistics and collaborates most closely in this area. As both a user and a partner, we can affirm that the quality of the Office's statistical output has increased immensely over the transformation period. Examples include the publication of national accounts according to international standards and the compilation of data on the government debt and deficit. The Czech National Bank focuses mainly on monetary and banking statistics and balance of payments statistics. The harmonisation of the monetary statistics with European standards was recently completed in both main components - balance sheet statistics and interest rate statistics. Monetary and credit aggregates and interest rates are now methodologically comparable with the data of other EU Member States. Speaking of harmonisation, I must mention the calculation of another convergence criterion - long-term interest rates. This calculation is based on long-term government bond yields on the secondary market. The Czech National Bank thus provides the statistical foundation for assessing this criterion.

International standards such as the IMF's 5th Balance of Payments Manual are also observed when compiling the balance of payments. The balance of payments is now published every month and the required items are also broken down geographically. In recent years, much attention has been devoted to the category of foreign direct investment, where the data are published in very detailed geographical and sectoral breakdowns.

The balance of payments is perhaps the best example of co-operation between the Czech Statistical Office and the Czech National Bank. Co-operation is essential in many areas, since the basic indicators of the country's economic performance, for example gross domestic product, cannot be compiled without data on trade in services, which is supplied by the Czech National Bank, and, conversely, the balance of payments cannot be compiled without data on foreign trade in goods, which is supplied by the Czech Statistical Office. However, our working contacts run much deeper, among other things the exchange of information for maintaining up-to-date registers or collaborating to eliminate duplication of effort in collecting statistical data from respondents. There is very close co-operation in the field of methodology. One recent example is the joint preparation of a new method of monitoring real estate prices to ensure that the data is as up-to-date as possible. Daily contacts are also maintained in the area of data publication, for example when presenting information under the Special Data Dissemination Standards project, an IMF standard adopted by the Czech Republic at the end of the 1990s. There is not enough time at this forum to list all our other joint activities. I do think, however, that the Czech National Bank's involvement in organising this conference proves that co-operation between the two institutions is fruitful.

Ladies and gentlemen, I wish this statistical conference every success and do hope that all sessions live up to your expectations. I also wish you a pleasant stay at the Czech National Bank as well as in Prague.