

Ewart S Williams: The Caribbean Money Market Brokers - impact on Trinidad and Tobago

Feature address by Mr Ewart S Williams, Governor of the Central Bank of Trinidad and Tobago, at the launch of the Caribbean Money Market Brokers Composite Leading Indicator, Trinidad, 24 January 2006.

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Let me begin by thanking the Managing Director of Caribbean Money Market Brokers (CMMB) for inviting me to share this occasion with you and for affording me the opportunity to address a few words to this distinguished gathering.

Let me hasten as well to congratulate CMMB on yet another important initiative. In its five short years of existence, CMMB has made a significant impact on the economic and financial scene in Trinidad and Tobago. It has enhanced the operations of the capital market by introducing new approaches to liquidity management for financial institutions and other firms as well; CMMB has also made a contribution to expanding financial education and through its research activities, has helped investors understand capital markets better.

This morning's occasion marks another important initiative from CMMB. The introduction of a Composite Leading Indicator of developments in our economy will add an important piece of information to our statistical base. This indicator represents an enhancement of the information set available to analysts, market practitioners and other decision makers including the Central Bank. Accordingly, I warmly commend CMMB's efforts.

The international financial crises of the mid and late 1990s underscored the fact that globalization had put a premium on the availability of timely, reliable and comprehensive data. Unfortunately, many developing countries, including Trinidad and Tobago, have not addressed these critical statistical requirements in a systematic way.

While good official statistics are a valuable public resource in any national context, their role in guiding the formulation of public policy gives them an even greater importance in developing countries, **where the impact of public policy decisions tends to be amplified** in the presence of large economic and social imbalances. Good statistical systems, therefore, tend to provide a relatively higher social return in countries such as Trinidad and Tobago.

Over the years, we in Trinidad and Tobago have developed a fairly good set of basic statistics. We produce the standard annual national income accounts; we have very good energy sector data; our price and employment indices are of good quality; we have timely fiscal accounts (at least for Central Government); we have very good monetary, financial and balance of payments data; and reasonably complete information on public sector debt. **But we need to go beyond our present database.** Trinidad and Tobago is now undergoing rapid transformation, a process that demands a greater role for market forces in fostering a more competitive environment and a more efficient resource allocation. For us, complementary data beyond the core statistical data series mentioned above are needed. Last year, we joined a long list of developing countries in subscribing to the IMF General Data Dissemination Standards (GDDS). We are working actively to meet the higher standards, the Special Data Dissemination Standards (SDDS), which has been adopted by the developed and the emerging market economies.

Given our responsibilities as policy makers and regulators of the financial system, we at the Central Bank can claim a higher than average stake in the development of our statistical base. Our new monetary policy framework – centred around the Repo rate - places a high premium on the ability to accurately measure the pulse of the economy at any point in time and to anticipate short term trends. Very often this is a difficult task because sufficient information is not available on a timely basis.

The Bank has tried to close the gap itself by introducing new series. For example, we have introduced quarterly GDP estimates, export and import price indices, as well as new indicators of export competitiveness. We are currently working on the development of a range of indicators of building costs and real estate prices as well as more comprehensive estimates of consumer spending and private indebtedness.

Large capital flows have now become an important element in the economic landscape of Trinidad and Tobago. These flows have significant consequences for exchange markets, and their abrupt variations (in either capital inflows or outflows) can be a signal of impending problems. The Central Bank is now working closely with private financial institutions and with the Trinidad and Tobago Securities and Exchange Commission (SEC) to collate more reliable data on the capital account of the balance of payments.

For countries with access to international capital markets, like Trinidad and Tobago, reliable and timely data along with transparent statistical practices are a basic requirement. Important institutional changes are currently in train at the Central Statistical Office (CSO) to strengthen the organization's autonomy and to enable it to better fulfill this mandate. The key to the restructuring is the planned transition of the institution to Executive Status (similar to the Central Bank) and the implementation of measures to build operational capacity, including the strengthening of its human resources.

These institutional changes will need to be accompanied by the use of more modern techniques. Nowadays, information providers are engaged in more active deployment of web-enabled technology to facilitate the collection and dissemination of information. In Trinidad and Tobago, however, our data compilation system is still largely based on manual forms when web-based forms would improve the speed of data collection and dissemination.

We also need to change the culture towards the provision of statistical information. It needs to start with Government agencies and state enterprises that tend to see the compilation of records in a way that facilitates analysis, as a bother. The private sector also needs to recognize that there is value in providing data even if it may imply a slight inconvenience. The private sector should be assured that accepted statistical standards require that data on individual firms are not published individually in order to protect confidentiality.

The launch by **CMMB of a Composite Leading Indicator** (CMMB CLI) is an important development, in that it provides a flash estimate of current economic trends. The indicator should be easily understood as it is based on a set of readily available series. The indicator could, in principle, be very useful for analysts, investors and businessmen alike, and would give an additional piece of information to the Central Bank on which to base monetary policy decisions.

That CMMB, as a private sector institution, has moved to fill this important need; this is a positive development. It underscores the fact that the business of developing statistical information is not only for the CSO or the Central Bank but is a responsibility of all economic stakeholders. I call on trade associations and industry groups to follow the example.

Let me again congratulate CMMB on this worthwhile initiative. You have established a new standard among private financial institutions in terms of the provision of timely and relevant information for decision making. Additional efforts like these would go a long way to strengthening the country's statistical infrastructure.