

Sabine Lautenschläger: Highlights of European Statistics by the ESCB – present and future

Speech by Ms Sabine Lautenschläger, Member of the Executive Board of the European Central Bank, at the ECB conference held for World Statistics Day 2015 under the theme “Better data. Better lives”, Frankfurt am Main, 20 October 2015.

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Introduction

Ladies and gentlemen,

It is a great pleasure to welcome you on behalf of the Executive Board of the ECB and also personally to our conference to honour the second World Statistics Day. I am very flattered to see that the conference has attracted distinguished participants from all parts of the world. Welcome and be assured that your effort to come here today has not been in vain because from what I understand you have a very interesting day lined up ahead of you.

Back in 2010, the United Nations General Assembly designated 20 October 2010 as the first World Statistics Day, to which the ECB already contributed. More recently, the General Assembly has decided to celebrate the second World Statistics Day on 20 October 2015. We are excited to be hosting the second World Statistics Day with its theme of “Better data. Better lives”.

Today’s conference takes stock of the economic and financial statistics produced by the European System of Central Banks (ESCB), composed of the ECB and the national central banks of the European Union member states. Throughout the conference you will be able to get an idea of the richness of our statistics and to learn more about the recent enhancements made to our statistical basis in response to new demands that resulted from the financial crisis. You will not only receive examples of the wide range of statistics the ESCB produces to support all central banking functions, in particular monetary and macro-prudential policies, but also about the links between the micro and macro dimensions of statistics. In addition, there will be a session about the efforts in disseminating these statistics to the general public. Particular thanks go to our colleagues from the national central banks for their contributions to today’s conference. Without their invaluable contributions we would clearly not be where we are today in terms of scope, breadth and frequency of the statistics available to the whole ESCB, the markets and the public at large.

We are also honoured that the conference is addressed by Mr Min Zhu, Deputy Managing Director of the International Monetary Fund, and Mr Stefan Schweinfest, Director of the Statistics Division of the United Nations, via video link later today.

Importance of statistics for evidence-based policy making

But let me begin by putting the theme of our 2015 World Statistics Day “**Better data. Better lives**” into context. Official statistics help decision-makers, since improved data sources, sound statistical methods, new technologies and strengthened statistical systems enable more informed and thus better decisions to be made, which should eventually result in better lives for all of us.

How does this general theme “Better data. Better lives” apply to ESCB statistics?

The importance of having good statistics to support the conduct of monetary policy in the euro area has been acknowledged from the start. The first President of the European Monetary

Institute, Baron Alexandre Lamfalussy, rightly stated: “Nothing is more important for monetary policy than good statistics.”¹

Baron Lamfalussy also recognised that the crucial importance of statistics is not limited to them providing a basis for decision-making, but extends to communications with market players, economic institutions and the general public; in his words: “When monetary policy measures cannot be justified and explained through statistical data, the measures will not be understood, and the executing institutions will lose credibility.”

And credibility, as we all know, is one of the most treasured assets of a central bank.

The ECB as a user of statistics

At the ECB, the use of statistics for our analysis and communication is pervasive. The introductory statements of the ECB President at the press conferences following Governing Council meetings or the ECB Economic Bulletin are cases in point and reflect how extensively we rely on statistics.

Our “quantitative definition” of price stability is based on the Harmonised Index of Consumer Prices (HICP) for the euro area. Our “economic analysis” is supported by a wide range of economic and financial statistics, for example, national accounts’ main aggregates, balance of payments statistics, government finance statistics, short-term business and labour market indicators, effective exchange rates, financial market statistics and the financial balance sheets by sector. The “monetary analysis” focuses on money and liquidity considerations and the statistics supporting it include, for example, the detailed consolidated balance sheet of the euro area banks, in particular the monetary aggregates and counterparts, the balance sheet of euro area investment funds, securities issues statistics and the financial balance sheets of the non-financial sectors. Many of these European statistics are compiled by the ECB in close cooperation with the national central banks. They are published for the benefit of the financial markets and the public at large.

Moreover, the ECB closely monitors macroeconomic and institutional developments that pose potential risks to *financial stability*. The ECB relies on macro-prudential indicators, for example with respect to profitability, asset quality and capital adequacy data of the banking sector, and on credit developments and competitive conditions for the financial corporations sector.

Finally, as a banking supervisor, I can assure you that supervisors rely on data for all aspects of their daily work. Equipped with accurate supervisory data, they create risk profiles, analyse banks’ liquidity and, ultimately, assess banks’ risk management via benchmarking.

The ESCB as a producer of statistics

Do I need to convince you at this stage of the importance that the ECB attaches to sound, informative and rich statistics? Not anymore, I hope! I can assure you that without the statistics that I have just mentioned, we would not be able to take any informed decision in any of our main functions.

The ECB, or better, the ESCB, is not only a heavy consumer of statistics but also a producer of statistics. Official European economic and financial statistics are produced in the European Union by two separate pillars that work in close cooperation. One pillar is the ESCB, a system enshrined in the Treaty. The other is the European Statistical System, a partnership comprising the European Commission (Eurostat), national statistical institutes and other national

¹ Alexandre Lamfalussy in the foreword of the publication “Statistical Needs of the Monetary Union” (1996 – European Monetary Institute).

authorities that produce statistics at the national level. The two pillars have separate legal frameworks and governance structures but nevertheless cooperate closely.

According to its statute, the ESCB, assisted by the national central banks, collects the statistics necessary to undertake the ESCB's tasks. The national central banks collect data not only from banks but from all financial corporations. They also collect statistical information from other reporting agents and sources in their respective countries, e.g. for balance of payments statistics. To secure the quality of ESCB statistics, national central banks and the ECB conduct quality assurance processes in conformity with the statistical principles of impartiality, objectivity, professional independence, cost-effectiveness, statistical confidentiality, minimisation of the reporting burden and high output reliability. These statistical principles are reflected in the ESCB's public commitment on European statistics.

The European Statistical System produces other European statistics, such as the Harmonised Index of Consumer Prices (HICP) or gross domestic product, population and social conditions statistics, regional statistics, agricultural and fishery statistics, environmental statistics, industry, transport and energy statistics, all of which are necessary to support the various policies of the European Union.

Any successful cooperation in the area of European economic and financial statistics therefore encompasses the national central banks and the national statistical institutes. Such cooperation has been successfully pursued for more than two decades in the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), which has delivered remarkable results and built up its reputation. The CMFB's achievements include the euro area accounts by sector, the work on pension schemes, revision policies and seasonal and working day adjustments. Moreover, the advice of the CMFB to Eurostat on complex statistical issues related to the Excessive Deficit Procedure has received a lot of attention in the past two decades.

This close cooperation between the ESCB and the European Statistical System is at the heart of the leading role that European statistics play in international statistical initiatives, such as the G20 Data Gaps Initiative and the IMF Special Data Dissemination Standard Plus initiative, in which seven out of the first eight adherents were EU Member States.

New demands emerging from the crisis

While the development of European economic and financial statistics by the ESCB was already impressive before the financial crisis occurred, the ECB's functions have been expanded during the crisis and this has led to new challenges and a remarkable development of ESCB statistics.

More specifically, ESCB statistics had to respond to **three main challenges**: (i) From 2008, the monetary policy of the euro area had to be conducted during turbulent times and new data needs emerged for monitoring often unconventional policy measures and mitigating systemic risks. (ii) In addition to its primary function of maintaining price stability, the ECB had to focus more on financial stability and it received a mandate to support the statistical needs of the European Systemic Risk Board (ESRB). (iii) Finally, the ECB became responsible for banking supervision on 4 November 2014 and, as a result, the statistics departments of the central banks have yet another partner to serve.

One of the most important challenges arising from the financial crisis has been the dramatic increase in the need for very timely, granular data. Starting with the crisis, aggregated data became less representative on their own and did not suffice to reveal the whole story. The same aggregated statistics can be the result of different underlying situations and the risks of having only truncated information sets available for decision-making are huge, as the case of Lehman Brothers showed us. Hence, ever since the crisis set in, national data or data at a more granular level have received increased attention compared with euro area aggregates.

The response of the ESCB statistical function

So, how did the ESCB statistical function address these challenges? The response has been organised through the following **five lines of action**, as my colleagues will explain to you in more detail later today:

Firstly, since the beginning of the crisis the ESCB has enriched several datasets in order to close the most urgent gaps within monetary and financial statistics. Here, I refer to statistics on MFI balance sheet items, bank interest rates, investment funds, insurance corporations, loan securitisation by banks and the activities of securitisation vehicles as well as the forthcoming money market statistical reporting.

Secondly, the ESCB has since 2009 been preparing the compilation of balance of payments statistics and sector accounts including financial accounts in line with the latest international statistical standards and has also been publishing the results since the fourth quarter of 2014.

Thirdly, the ECB has been collecting, in addition to security-by-security data on issuances, information on holdings in recent years. Securities holdings represent a field where exposures are often concentrated and a lack of sufficiently comprehensive, consistent and granular information has been identified. The aim of developing a detailed dataset on securities holdings is to combine large concentrated holdings in the euro area with information on the individual issuers across the world, as contained in the Centralised Securities Database.

Fourthly, the efforts that have been made to collect more granular data from banks and other agents take into account the reporting burden. The idea is that granular data are stepwise only reported once and are used for several purposes. The reporting burden on the reporting agents is thereby reduced, saving resources and costs. Timely granular data are also key to addressing in a smooth and effective manner ever-changing user needs, and also to reducing the need for costly ad hoc data requests. In any case, all data collections by the ESCB are subject to a prior, strict merits-and-costs procedure in order to minimise the reporting burden, subject to statistical needs.

Fifthly, innovative data dissemination tools have recently been developed to make the ESCB statistics available through multiple and user-friendly channels.

Looking forward

Over the coming years, priority will continue to be given to enhancing the completeness, geographical coverage, quality and timeliness of European statistics by the ESCB and to reconcile and – potentially – even integrate the statistical information collected for monetary policy and financial stability purposes with what was until now the rather separate world of supervisory information. Further granular data on securities statistics, issues and holdings are prominent examples. Similarly, granular data on credit claims are needed.

The Analytical Credit Dataset (AnaCredit) is an example of an endeavour where the experience gained in the wake of the recent financial crisis is helping. The future datasets will serve many different **central banking purposes** – monetary policy conduct and operation, research, financial stability and macro-prudential policy or risk management. While AnaCredit's data content may also support supervisory functions, the initiative was launched prior to the establishment of the Single Supervisory Mechanism in 2011 and further work has started on addressing more specific supervisory data needs, and the related appropriate legal basis. For now, however, this project does not include any specific supervisory requirements. These will only be added at a later stage, and only if endorsed by the ECB's decision-making bodies and after close consultations with the main stakeholders.

AnaCredit will make it possible to carry out analysis which cannot be carried out with the aggregate statistics currently available. To give you some examples on the expected use,

- it will provide detailed quantitative information on firms' access to credit as well as credit supply constraints, especially for SMEs (current information is qualitative, only available via surveys);
- more comparable information across countries will become available on the breakdown of the lending granted by credit institutions by sector of economic activity, size of firms, geographic allocation, type of instrument, maturity, etc.;
- a more accurate analysis of credit risks, and their potential build-up into systemic risks in the financial sector, will be released on financial institutions' exposures to various economic segments or (cross-border) counterparties;
- the calibration of macro-prudential policies – based on, e.g., counter-cyclical capital buffers – may also greatly benefit from AnaCredit;
- similarly, aggregating all exposures of banks to a given borrower, which are often located in different jurisdictions, will provide a meaningful picture of the debt sustainability of this borrower and, hence, of risks borne by its creditors.

Given the complexity arising from the granularity and the expected large volumes, the search for the right balance between data needs and reporting burden is particularly challenging. Therefore, the project will be implemented step-by-step, to allow a smooth implementation for both participating central banks and reporting agents. The first stage of AnaCredit will be dedicated to granular information on loans granted by credit institutions to non-financial corporations and other legal entities, only. Loans to natural persons (housing loans to households and loans to “sole proprietors”, e.g. doctors or lawyers) are to be included at a later stage, which is likely to be beyond 2020, the launch of which still needs to be decided upon by the Governing Council.

In any case, data confidentiality protection will be fully ensured, in accordance with applicable national and European legal frameworks.

The ECB is well aware that collecting more detailed data to close information gaps requires significant efforts by all parties involved. It is the key statistical trade-off we are faced with: the one existing between statistical information and reporting burden. We fully understand that banks are in the business of banking and not statistical reporting. However, given their key role within the monetary and financial system, banks have to provide relevant information and they will greatly benefit from good monetary and other policies as well as information returns.

Concluding remarks

Ladies and gentlemen, allow me to conclude.

Credible statistics lie at the heart of the ECB's policy-making. My intention today has been to provide you with highlights on the richness of the statistics produced by the ESCB and on the effort that statisticians at the ESCB have put in when responding to the new demands of monetary, macro-prudential and now also micro-prudential policy-makers in recent years.

The recent financial crisis has increased uncertainty and we need more detailed and globally comparable statistics. We must invest in closing gaps, mainly by complementing aggregated statistics with more granular data and in enhancing the comparability of statistics at the global level by applying the agreed international statistical standards. Only in this way can we attempt to achieve more informed decision-making by policy-makers, thereby fulfilling today's general theme, namely “Better data. Better lives”. This is the key message I would like you to take away today from this World Statistics Day 2015 celebrated by the ECB.