

Opening speech

Hervé Hannoun¹

Good morning ladies and gentlemen. It is my pleasure to welcome you to Basel and the BIS. For those who have visited us before, I hope you feel a bit like coming home. For those who are here for the first time, I hope that we can make you feel at home during the next two days.

Central bankers should, indeed, feel at home at the BIS. We are an international organisation owned by central banks and servicing central banks. In recent years, we have also increasingly been involving other financial authorities in BIS activities, such as bank and insurance supervisors, but our core stakeholders are and will continue to be central banks.

I am very pleased to note that some 66 central banks from all regions of the world are represented at this conference. This confirms the increasingly global reach of the BIS which is also reflected in its membership. Indeed, over the last decade, BIS membership has expanded to 56 central banks from all major financial centres in the world, including Asia, the Middle East, Europe, Africa and the Western Hemisphere. At the last Annual General Meeting in June this year which was held in this very room, Governors or senior officials from more than 100 central banks were represented.

The BIS remains very attentive to the needs of its central bank members. Within the budgetary constraints set by the Board, we try to adapt the services we provide to the central banking community in line with these changing needs. This applies to our financial services, our meeting support, our research and statistical activities and the provision of secretariats to various international groups.

We were pleased, for instance, to host the conferences of the Irving Fisher Committee on Central Bank Statistics in 2002 and 2004. We were also pleased when you, Mr Smets, approached the BIS at the end of last year, on behalf of a large number of our central banks members, with the request for us to provide the Secretariat for the Irving Fisher Committee. After careful consideration, we were happy to accept this and accounted this decision to the Governors of the BIS shareholding central banks, here in Basel in January.

The IFC will now function alongside other Basel-based groups such as the Basel Committee on Banking Supervision or the Committee on the Global Financial System. I can reassure you, Mr Smets as well as the other IFC Council members represented here today, that the BIS staff assigned to provide support to the IFC will serve you with all the professional expertise and personal dedication they have.

The support for the IFC is a natural extension of a number of existing statistical activities involving our member central banks, such as the BIS Data Bank and our International Financial Statistics. More generally, it reflects how statistical data and related methodological issues are becoming increasingly important to central banks, from the perspective of monetary as well as financial stability.

I recall that the IFC sponsored a workshop last year with the Bank of Canada on “Data Requirements for Analysing the Stability and Vulnerability of Mature Financial Systems”. This was very topical, indeed. In January this year, you organised a workshop on the “Measurement of Consumer Price Inflation”. This workshop addressed many issues that

¹ Deputy General Manager of the Bank for International Settlements.

have been discussed at various BIS meetings recently, including at Governors level. I understand that the first meeting of the IFC Council yesterday discussed a number of potential topics for future work by the IFC, some of which are also on the agenda of other Basel groups.

I feel it is very appropriate that the Committee devotes its third Conference to the household sector. In fact, there are many challenges posed by measuring the financial position of households. We need to know how good are our statistics that allow us, or should allow us, to understand what influences the behaviour of households. How do households respond to changes in asset prices, for instance for houses and financial instruments? How does this impact on the economy through aggregate demand and on financial stability through credit risk incurred by the financial sector? From what I can see from the programme, your conference will address all the important issues. I am sure it will identify a number of challenges and also a number of areas for improvement.

Another very important sector of the economy is the government or public sector. Good data on the government's financial position are equally important to central banks, other economic policy makers, and market participants. The General Manager of the BIS, speaking at the Bank's Annual General Meeting here in this room in June, described fiscal deficits in large countries as "too high" and said that the medium-term prospects for fiscal positions in many industrial countries were "worrying". How confident can we be that the available government finance statistics are appropriate? Do we have good enough data, not only to evaluate current fiscal positions, but also future public sector liabilities?

In that respect, I note with satisfaction that the ECB has recently issued more specific guidelines that should go a long way to improve the government finance statistics in the euro area.

But, there is no doubt that further efforts should be made to make government finance statistics more comparable at the international level. Moreover, they should also meet the challenges of producing projections for fiscal sustainability. Several of the papers you will discuss during your conference are on the measurement of the value of funded and unfunded pension schemes. In many cases the unfunded schemes constitute the liabilities of the public sector. How can we assess the sustainability of public finances, if we are not able to measure the future commitments of the government for pensions and health care? In many cases, this commitment is very substantial and could require, at some period in the future, significant cuts in public sector spending or tax increases. Yet, households are largely unaware of this, in particular those who live in countries with generous but unfunded retirement and health schemes.

You will hear today and tomorrow about the value of regular and fully consistent institutional sector accounts for the household sector. I am sure that another major challenge for data compilers and users in the future will be for the government sector accounts. I would personally like to encourage the IFC to look closely at these questions and, through future Workshops and Conferences, to provide peer pressure for the surveillance of fiscal methodologies and fiscal data.