

Opening remarks

Muhammad Ibrahim, IFC Chairman

Good morning ladies and gentlemen,

I am pleased to open the seventh IFC Biennial Conference on “Indicators to support monetary and financial stability analysis: data sources and statistical methodologies”. I wish you a warm welcome, and I would also like to thank the BIS very much for hosting the conference and for the very interesting thoughts that its Deputy General Manager, Hervé Hannoun, has just shared with us.

It is now 14 years since the first conference took place in 2000. Since that time, the IFC Committee has been formally set up in Basel with a Secretariat provided by the BIS, and it reports to the BIS Governors on an annual basis.

It is a great pleasure for me to attend this biennial conference here in Basel for the second time as the IFC Chairman. I am encouraged by the great support from all of you present here today. Your participation is a testimony to your enthusiasm and to the support by your central banks of the IFC. I wish to take this opportunity to extend my deep appreciation to all the IFC Executives and members, distinguished speakers and participants, who have made time to attend this conference.

Ladies and gentlemen

Let me start by sharing with you some views on a number of key developments reviewed by the IFC Committee in its annual meeting yesterday.

Firstly, we elected two new members to the IFC Executive. They are:

- Mr João Cadete de Matos, Director of Statistics Department, Bank of Portugal; and
- Mr Robert Kirchner, Deputy Head of Statistics Department, Deutsche Bundesbank.

Let us welcome these two experienced central bankers in the statistical and central banking community and thank them for their willingness to play an active role in the IFC.

My term as the IFC Chairman, which started in 2012, will be completed by the end of this year. The process of identifying and selecting a new Chairman started several months ago. In line with IFC statutes, we are currently in the midst of finalising the selection of a candidate; a proposal will be presented to all IFC Committee members for endorsement before final approval by the BIS All Governors during their November meeting.

Another development in the IFC is the upcoming retirement, with effect from 1 October 2014, of Paul Van den Bergh, former Head of the IFC Secretariat. Paul is an experienced economist and supported the work of various committees of BIS central banks before he took up his responsibility in the statistical area in early 2000. He joined the IFC Executive soon after, and was its Chairman for two years in 2004-2005. He then helped the central banks to establish the IFC as a BIS committee of central banks and obtained support from Governors for the BIS to provide a Secretariat, which he has since headed. He has contributed personally, and with the

support of his colleagues at the BIS, to the organisation of numerous IFC events. He has also guided us on content issues and in formulating excellent high-level summaries for Governors of all our deliberations, including the IFC Annual Reports.

Let me record all of these achievements by Paul and his team. I would also like to convey my personal thanks to Paul for his significant contribution during my term as the IFC Chairman. His advice and wisdom has greatly helped me to uphold the trust pledged in me by the BIS Governors.

I look forward to the continuous strong cooperation and good work from both new and existing members of the Executive as well the Secretariat, now headed by Bruno Tissot, the new Head of Statistics and Research Support at the BIS. I trust that the great teamwork I experienced and excellent support given to me by the Executive and Secretariat will continue under the leadership of the next Chairman.

On a personal note, I wish to take this opportunity to extend my greatest appreciation to all the Executive and Committee members for all their support and cooperation over the last two years, as well as to the BIS and the Central Banking Community more generally. I recognise this as a particularly rewarding experience in my career. Working with all of you here, as part of the central bank statistical community, has indeed been an enriching experience.

Yesterday, we also discussed the findings of this year's survey of IFC membership. The findings have been very useful in setting the IFC agenda, determining focus, planning initiatives and activities, and in improving the Committee's governance. In the survey responses, I am pleased to report that IFC Committee members indicated a continued strong interest in and commitment to contributing towards the successful implementation of IFC's initiatives.

The survey also confirmed that recent IFC programmes have prompted very strong interest among committee members, especially regarding supervisory data, financial accounts, and monetary and financial stability indicators. Almost all the responding institutions have expressed a strong interest in participating in today's conference, and more than 50% have already indicated that they will join us at next year's conference in Rio de Janeiro.

As regards the IFC's work programme, the survey shows that there are many statistical topics of interest to the central banking community, especially on:

- macroprudential and supervisory data;
- BIS statistics, especially on securities, banks and property prices;
- external sector statistics; and
- data management issues (eg technology, communication and dissemination).

Lastly, the survey also indicates a general satisfaction with the Committee's governance and activities as well as with the work of the IFC Secretariat.

The IFC Executive will establish a list of plans and actions to fulfil these needs and these will be implemented in the next one to two years. These activities will be in addition to the planned initiatives which the IFC has already begun. These include:

- additional regional workshops on sectoral financial accounts;
- contribution to the ISI Regional Statistics Conference on 16–19 November 2014 in Kuala Lumpur;

- organisation of the IFC Satellite Seminar with the theme “Is the household sector in Asia overleveraged: what do the data say?” to be held on 15 November 2014, in conjunction with the ISI conference in Kuala Lumpur; and
- contribution to the 60th World Statistics Congress of the ISI, and IFC Satellite Seminar in Rio de Janeiro in July 2015.

Of importance, most of the key initiatives and activities planned for the year have been delivered or achieved. These include: the establishment of a formal relationship with the ISI through an MOU; the conclusion of the study by the Task Force on Data Sharing and; the successful organisation of two regional workshops on sectoral financial accounts already held in Istanbul and Kuala Lumpur. All these planned activities and completed initiatives will be documented in our next Annual Report to the BIS All Governors.

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Ladies and gentlemen,

Let me move on to talk about our conference and specifically the agenda for the next two days.

Over the past decades, the functions and objectives of modern central banks have evolved in tandem with changing economic structures and advancements in the financial landscape. The pursuit of monetary stability has traditionally been the primary mandate of central banks. In many countries, price stability is the dominant monetary policy objective. However, as recent years have demonstrated, the role of central banks in the area of financial stability is also critical. The most recent crisis has increased the focus on financial stability and its interconnectedness with monetary stability.

With these seemingly conflicting mandates, central banks are confronted with the challenge of balancing the need to maintain monetary stability and the desire to promote financial stability. Research findings suggest that price stability objectives may not always be consistent with financial stability objectives. Occasionally, price stability itself could potentially be associated with excessive risk-taking behaviour. This in turn leads to financial imbalances, which can result in a sharp and destabilising correction in the financial system. These trade-offs have posed challenges to the function of modern central banks. This matter is a subject of debate and central banks are learning how best to deal with this trade-off.

The topic for today’s conference “*Indicators to support monetary and financial stability analysis*” is timely given the increasing challenges confronting monetary policy analysis, which has been complicated by a confluence of internal and external factors. In addition, central banks’ responsibility with respect to financial stability requires a comprehensive view of the patterns, elements, and relationships in the global financial system. This essentially raises demands for high quality, more granular and standardised data sets that encompass the entire financial system, as well as the interactions with the real economy.

To be useful, it is essential that indicators are compiled using appropriate tools and methodologies so that they can appropriately assist central banks in formulating the best combination of monetary and financial stability policies. A comprehensive and meaningful list of indicators on monetary conditions would guide central banks in devising a timely policy response to emerging threats in the

financial system and the economy. For example, central banks should be able to identify, and respond in a timely manner, not only to short-term inflationary pressures but also to destabilising financial imbalances and other imminent risks. For instance, in response to possible build-up of excessive vulnerabilities, central banks may opt to increase the policy rate, which otherwise would remain unchanged on the basis of the short-term outlook for inflation.

We have structured this year's programme to facilitate deliberation on indicators related to the key elements of central banks' mandate. In particular, discussions in the first two sessions of this conference will provide a general review of the new types of monetary and financial stability indicators. The subsequent sessions are devoted to more specific topics, eg relevant methodologies for compiling the data needed for monetary and financial stability analyses (ie sample surveys), micro data, statistical techniques, and policy indicators. I wish to thank those who will be presenting their work on all these issues at this conference. Let me also take this opportunity to thank in advance the various members of the IFC Executive who will chair the different sessions and help us draw some general conclusions from the discussions.

On the second day, Mr Hyun Song Shin, BIS Economic Adviser and Head of Research, will share his thoughts with us on "Breaking the Triple Coincidence in International Finance". We very much look forward to his keynote address. The conference will conclude with a panel discussion to address the important question of "How to integrate and combine data from central banks and supervisory authorities, as well as across different micro and macro databases and sources, to support monetary and financial stability analysis". I will introduce the selected panellists tomorrow afternoon.

As part of our continuing efforts to encourage more involvement of young statisticians in statistical conferences and to recognise their participation in this conference, we will be presenting the Young Statistician's Award at the end of the conference. This is the third time we will confer such an award at our biennial conference. There are nine entries for this year's award. The winner will be announced at the closing ceremony tomorrow afternoon.

As IFC Chairman for almost three years now, I have noticed that the IFC has become an increasingly important forum for the exchange of views on statistical issues of interest amongst central bank economists, statisticians and policy makers. The IFC platform and its statistical initiatives were planned and implemented with the aim of generating greater interest, collaboration and benefits to all the above stakeholders.

Lastly, let me also take this opportunity to remind you again that many important IFC events will take place during the remainder of 2014. In particular, I would like to personally invite you and your institutions to participate in the IFC Satellite Seminar on household debt and in the ISI regional conference, both to be held in Kuala Lumpur this November.

With this, ladies and gentlemen, I conclude my opening remarks. Let me thank the BIS again for its hospitality and all of you for your presence and participation.

On that note, I wish you a productive and engaging conference.

Thank you.