BCB / CEMLA / IFC Satellite meeting at the ISI 60th World Statistical Congress on "Assessing international capital flows after the crisis", Rio de Janeiro, 24 July 2015

Opening remarks by Jesus Cervantes González, Coordinator of the Real Sector and General Principles for Remittance Program, Center for Latin American Monetary Studies (CEMLA)

I would like to give a warm welcome on behalf of CEMLA to all the speakers and participants of this Workshop on "Assessing International Capital Flows after the Crisis". I would also like to thank Banco Central do Brazil for being the host of this Seminar and for the amazing facilities provided to us for its development. Also, I would like to thank the Irving Fisher Committee from BIS for its significant contribution to the development of this Seminar.

The experiences of several countries during the financial crisis of 2007 - 2008 made clear the important role capital flows can play in triggering a process of financial instability, with impacts at country, regional and global levels. During that period, it became evident the high degree of integration of economies and their markets, especially the financial one. In particular, it stood out that capital flows can have ***significant macroeconomic impacts*** due to its effects on the performance of the economy and exchange rate behavior; ***support the building up of vulnerabilities***, stimulate high credit growth, encourage risk appetite, contribute to an asset price boom and create financial imbalances; Such flows ***facilitate international spillover effects*** through cross-border banking as well

Consequently, both in academia and economic policy decision making environments, it has been recognized the importance of the presence of large capital flows. The referred financial crisis highlighted on the one hand the need for timely and accessible information and on the other hand the need of new information that was required, in order for the policy decision makers to be in a better position to assess the stability of the financial system through macro-prudential analysis. In particular, in the case of cross-border capital flows, the financial crisis highlighted the importance of having knowledge of various characteristics of these flows, beyond its magnitude, and the relevance of the analysis of the balance sheets (positions) to have early warning indicators that allow a proper assessment of the sustainability and vulnerability issues.

Among the capital flow characteristics to know are their maturity and volatility; their currency composition; their composition in gross and net terms; the residence and nationality of debtors and creditors; the timely identification of the emergence of new financial instruments and their characteristics; as well as the sectoral origin and destination of the capital flows. In this context, it is worth to mention the importance of having a system of sectoral accounts. For example, the global financial crisis highlighted the fact that incomplete or unavailable information on government finances and / or its low quality can adversely affect the financial stability of a country and, depending on the relevance of this sector in the global context, could have spillover effects on other countries.

It is worth to mention that the number of variables and indicators to measure and analyze can increase depending on the characteristics of each country, which rises another important issue: How to inform to the public or to the analysts about which variables they should focus their assessments. Also, whether a communication policy should be implemented or a simple disclosure of the authorities' analysis fulfills the necessity.

In recent years, there has been significant progress in the development and adoption of international standards tailored to meet the information needs. In achieving this result, an important role has been played by the G20 Data Gaps Initiative (DGI) whose objective is, as you know, to improve the availability and comparability of financial and economic information so that supervisors and policy decision makers have better elements to assess the evolution of the economy, the inherent risks and, consequently, to carry out better-informed policy decisions.

We must acknowledge the efforts of several international organizations to produce a methodological system that encourages the development of consistent and comparable statistics of variables which constitute interconnecting channels among several economies through cross-border financial linkages. In those efforts, we must mention the BIS international banking statistics; the issuance of the sixth edition of the Manual on Balance of Payments and International Investment Position; the Coordinated Direct Investment Survey and the Coordinated Portfolio Investment Survey. These information systems incorporate a number of adjustments in the guidelines for measuring different aggregates of those external statistics in order to meet the new information needs, giving equal significance to the measurement of the variables' (stocks) positions as to the flows, stressing the importance of consistency between both valuations.

The objective of this seminar is aimed to two aspects of capital flows: 1) its measurement considering aspects of reliability and international comparability; and 2) its analysis, in terms of their implications for financial stability and monetary policy.

The subject of the different sessions is particularly aimed at assessing the degree of progress that has been achieved in the availability of information; in its international comparability and reliability by applying the new standards of measurement; as well as to learn from those countries that have implemented some of these new measurement standards, in terms of its usefulness for financial stability analysis and policy decision making within the macro-prudential approach. Additionally the sessions give attention to the identification of the remaining challenges.

It is important to recognize that the achievements of different countries in compiling all the new data required to an adequate assessment of international capital flows has implied additional resources, both financial and human, and in some cases it has also been required the adjustment and strengthening of the regulatory framework. We hope that this workshop represents an excellent opportunity for a useful exchange of experiences among participants regarding the challenges that have been faced on these issues and the solutions adopted.