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 Turalay Kenç, IFC Chair and Deputy Governor, Central Bank of the Republic of Turkey

Dear Mr Governor, dear distinguished participants,

I have the great pleasure to welcome you all to this Satellite meeting on "Assessing international capital flows after the crisis". As you know the objective of the Irving Fisher Committee on Central Bank Statistics (IFC) is to promote the discussion of statistical issues that are of interest to central banks, especially when they have implications in terms of economic, monetary and financial stability. We are therefore delighted to be here in Rio de Janero to discuss the key topic of international capital flows. On behalf of IFC, I would like to thank Central Bank of Brazil and the Centre for Latin American Monetary Studies for organising and hosting this important event.

I would also like to take this opportunity to extend my appreciation to all IFC Executives and members, esteemed guests, speakers and participants, who are contributing to this meeting. This meeting is organized in partnership with the ISI 60th World Statistics Congress which will be held next week here in Rio. A key objective of the ISI is to enable members of the statistical community to exchange views and promote new research in the wide range of statistical fields and applications. The IFC is particularly willing to support the ISI in this endeavour, and in 2013 we signed a Memorandum of Understanding with the ISI to become an affiliated member of ISI and further solidify our support. In the meantime, a large number of central banks have also applied for ISI membership. I am happy to note that next week the IFC, and the central bank community more generally, will actively participate in the ISI Congress by organising several sessions on various topics such as derivatives, financial accounts, property prices etc.

The topic of this year's satellite meeting, "Assessing international capital flows after the crisis", is very timely and important for the central banking community. As was particularly obvious during and after the global financial crisis, capital flows can result in sizeable macroeconomic fluctuations and triggering financial instability both in advanced and emerging economies. Hence the measurement of interconnectedness across borders, global capital flows, and financial interdependencies is crucial in informing the debate on appropriate policy responses. From this perspective, the subjects covered and questions addressed in this meeting will provide excellent feedback for the use of macroeconomic policies - including monetary, fiscal and prudential polices – to ensure domestic but also global financial stability.

Today's seminar is divided in four parts covering the four main questions faced by policymakers in relation with to international capital flows.

The first question relates to the measurement of capital flows and the challenges they pose. Thus, the first session with the keynote address by Linda Goldberg and various country presentations will set an excellent stage for the discussions of the impact of capital inflows on macro-financial fluctuations and vulnerabilities – including excessive credit growth, asset price booms, financial imbalances and spill-over effects. Of course, a key issue is how capital flows are registered, measured and interpreted so as to allow for a timely and proper design of monetary and macroprudential policies.

The second question addressed in the following session is whether we have made progress regarding the registration of capital flows with the new statistical standards like BPM6. I believe that we need to carefully assess the country experiences and challenges with the transition to these new standards. BPM6 has significantly changed the way certain aggregates are measured and this has important implications for macroeconomic analysis. Given that we live in a far more integrated world now, adequate cross-country comparisons and consistency in BOP data is essential for policy coordination when needed. I am particularly delighted to note that Manik Shrestha, who is the key person in charge of BOP issues at the IMF, is with us today to present his views.

The *third session* is a bit provocative, suggesting that despite all the recent statistical improvements we may still have further statistical efforts to do to correctly capture and analyse international capital flows. I am happy to note that the BIS as well as a number of central banks will present ongoing initiatives that aim at complementing our "traditional", residency-based view of the economy with other type of information. Should we only look at the operations of the economic units based in our respective countries in today's world characterised by globalised supply chains and surging cross border financial flows?

The last and fourth session will pay particular attention to communication issues. You may recall Mr Blinder reference to "practicing the dark art of monetary policy"[1]; a key component of this dark art is indeed communication, and this is particularly true for central banks confronted to powerful and often volatile external capital flows. So, the last session with country panel will give an excellent opportunity to discuss the major policy challenges we encounter, offer some guidance on the best communication practices, and understand better how policy actions interact with market participants.

Lastly, we will have the pleasure during our lunch break to listen to Gian Maria Milesi-Ferretti, Deputy Director of the IMF Research Department, who has kindly accepted to participate in this meeting – underlining the key relationship that exist between the IMF and the central banking community.

I wish all of you a productive day and want to thank you for your attention.

1 Blinder (1997, p. 17) "Having looked at monetary policy from both sides now, I can testify that central banking in practice is as much art as science. Nonetheless, while practicing this dark art, I have always found the science quite useful."