Eighth Irving Fisher Committee Conference on Central Bank Statistics

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Opening Remarks

Good morning ladies and gentlemen. It is my pleasure to welcome you all to the 8th biennial conference of the Irving Fisher Committee on Central Bank Statistics (IFC).

I would also like to take this opportunity to extend my appreciation to all IFC Executives and members and to all participants, who are contributing to this meeting.[1]

Having the objective to promote the exchange of views amongst central bank economists, statisticians and policy makers in discussing statistical issues of interest to central banks, we, as the IFC, are pleased to host this year's conference on the topic of "statistical implications of the new financial landscape". We do believe that this year's conference will be very fruitful, as in the previous years, in bringing up valuable ideas together and guide our future research.

As already discussed broadly in many occasions, the recent financial crisis highlighted the need for better quality, more comprehensive and flexible datasets in order to support monetary and financial stability analysis. And since then we tried to improve our statistical data practices, fill-in some data gaps and enhance international cooperation. Given these efforts, a new topic to discuss would be the reflections of them in the data frameworks and it is the focus of our first session. With various presentations on both theoretical and practical point of views, on what is done and what should be done further and on what to expect from these new frameworks, I believe this session will give us the opportunity to effectively share our experiences and discuss the way forward.

While there is an ongoing effort, in our side as central bank statisticians, to adapt our data sets to capture all the relevant information, there is an ongoing evolution in financial markets, too. In particular, the financial intermediation patterns are changing very rapidly suggested by the increasing importance and diversity of special purpose vehicle (SPV) activities, shadow banking and also by the changes in the credit provisioning practices. The second session will provide country-specific clues for the new financial intermediation patterns and share central banks' experiences in building up enhanced datasets to follow this change.

No need to say, the policy needs are also evolving rapidly in response to these changes. But what are the implications for statistics? Do we need to change the statistical practices to keep in line or are we able to observe the relevant information

1 Special thanks to Ms Burcu Tunç, Visiting Statistician on secondment from the Central Bank of the Republic of Turkey, for her strong support at the IFC Secretariat in the preparation of these remarks.

with the available data? These are the main questions to be discussed in the third session today. We will have various presentations, each of which asks these questions in a different way and giving us a chance to have a broader view.

Our first session in the afternoon will consist in a keynote speech by Pedro Silva, President at the International Statistical Institute (ISI). Living in an era of unprecedented data availability and accessibility, and where "Big Data" emerged as a new paradigm for those seeking to learn from the data, he will be sharing his views on the importance of "statistical thinking" and methodology to guide the "art and science" in this learning.

New financial landscape has its implications for the dynamics and hence vulnerabilities of the economy. We will split into three breakout sessions for the last topic of the day and discuss how to effectively and timely assess these vulnerabilities. More specifically, the presentations will cover three important and potential sources of fragilities which are: exchange rate volatility, fluctuations in macroeconomic variables and balance sheet conditions of the individual sectors or institutions.

- Volatility of exchange rates has implications for both price and financial stability of an economy. The fluctuations in the exchange rates can have pass through effects on inflation in the case of high dollarization while fluctuations can have financial stability consequences in the case of high-level, non-hedged currency mismatches. Thus, assessing the vulnerability requires a comprehensive knowledge beyond the aggregate level of foreign currency imbalances. The presentations in first sub-session will illustrate how the available datasets can be used and also enhanced for this end.
- A clear picture of the economy as a whole is needed to assess fragilities at a systemic level. The fluctuations in the economic growth and current account imbalances are first indicators to look for. However, we will not be done yet. As the recent financial crisis showed, financial soundness of the households and firms are also equally important in a financial stability point of view. A closer look into the dynamics of housing market and non-financial sector including multinational enterprises is also necessary. And this is what the second sub-session offers.
- In the third sub-session, we will follow a balance sheet based approach to assess the risks in a specific sector which are stemming from their own financial positions. The presentations will focus on some ongoing efforts to compile more accurate balance sheet data for pension funds and government sectors. Then we will have a deeper look into the financial positions of the non-financial firms and banking sector including a check for the validity of banks' internal risk assessment methodologies. Last but not least, we will have a presentation on the BIS derivatives database.

The demanding data requirements of the financial stability analysis urges central bank statisticians to build and maintain large databases which depend more and more on granular information. This creates two new areas of challenge for the statisticians: managing the micro databases on one hand and data sharing and confidentiality issues on the other, which are the focus of our next day.

In most of the cases, micro databases are built up on existing databases and by combining different sources. Additionally, they are mostly used to enhance a macro database. Either case requires standardization and an accurate identification of reference data for harmonization and also for an effective processing. The presentations in the first session of the second day will share central banks' experiences regarding management of big micro databases accompanied by two papers on the use of big data to witness the researchers' point of view on the subject.

Building up and maintaining the large micro databases is, however, only the one part of our task, we also need to have a sound policy regarding data sharing, communicating with the public and the confidentiality warnings which takes us to our last session of the presentations. We will discuss how to design a framework which is flexible and rich enough to meet research needs of both internal and external users but at the same time respectful to the confidentiality concerns of the producers while the last two presentations of the conference will focus on the communication side of the issue.

Tomorrow we will also have a keynote presentation by Claudia Buch, Vice President, at the Deutsche Bundesbank. She will be sharing her ideas on the statistical implications of the new financial landscape which will move us to the panel discussion after the lunch.

Let me finish my opening remarks by thanking the BIS for its hospitality and thanking Mr Luiz Pereira, Deputy Manager of the BIS, for participation in the opening session of the Conference.

I also wish you success in your discussions and presentations today and tomorrow.