

## **Petar Goshev: Importance of the relevant statistical data for the market economy**

Speech by Mr Petar Goshev, Governor of the National Bank of the Republic of Macedonia, at the Statistics Symposium "Importance of statistical data in the process of creation of domestic policy and accession to the EU", Skopje, 4 October 2006.

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### **Importance of the statistics**

"Nothing is more important for monetary policy than good statistics" says the first President of the European Monetary Institute, Alexandre Lamfalussy, in the foreword of the publication "Statistical Needs of the Monetary Union" (1996).

The relevance of this statement is known to all those who work at the central banks and are directly or indirectly involved in the monetary policy outlining and implementation. Even though, nowadays, the central banks operate in far more stable economic and political environment, they are aware that their capability of conducting a good policy, largely depends on the quality of their statistics. The performances of the complex economic models which have been developed recently and the capability of the policy makers to achieve the set objectives and tasks depend, more than ever, on the relevance of the information they get on the economy.

Hence, the statistical data represent a key input in the macroeconomic policy making, including the monetary policy. They are an indicator for the performances of the economy and a basis for the adoption of current decisions, and at the same time they underlie the projections for the future developments. Therefore their quality, impartiality and timeliness are crucial for successful functioning of the economy of any country. In addition, the statistical indicators are also a basis for the comparative analyses with the economies of other countries and are essentially relevant for positioning of the economy, worldwide.

### **Statistics in the National Bank**

The National Bank of the Republic of Macedonia is largely focused on the design and the development of the statistics. Two years ago, in the process of reorganization of the National Bank operations, a separate Statistics Department was formed that unites all macroeconomic statistics, previously processed in several departments. Its establishment constitutes a centralized organization of the macroeconomic statistics maintained by the National Bank. It ensures larger coordination, methodological conformity and consistence between each type of statistics.

The National Bank of the Republic of Macedonia, together with the State Statistical Office are main institutions that prepare statistical data in the country. Same as most central banks throughout the world, the National Bank, as specified by the Statistical Research Program generates three sets of macroeconomic statistics:

- Monetary statistics that includes processing and presentation of data on the money supply (monetary aggregates), banks' interest rates on approved credits and accepted deposits, and many other data on the banking sector;
- Balance of payments statistics that includes processing and compiling data on the developments in the balance of payments in the Republic of Macedonia; and
- External debt statistics that includes processing and presentation of data on the foreign debt of the country.

The National Bank has developed all these major sets of macroeconomic statistics in line with the international recommendations and standards. The harmonization of the method of developing such statistics with the international recommendations and standards has permanently been subject to verification by international institutions and organizations, primarily by the International Monetary Fund, as an institution that creates the methodological standards and recommendations in the area of central banking statistics. I would like to take this opportunity to mention the report of the so-called IMF ROSC (Report of the Observance on Standards and Codes) Mission, where the assessments of the

central bank statistics are particularly positive, i.e. the development of the NBRM monetary and balance of payments statistics is largely harmonized with the international recommendations and standards. We are particularly focused on the given comments and recommendations for the purposes of further improvement and development of the statistics.

We, however, consider that we still lack a sufficiently good statistics, but we have a good foundation for that purpose. By ascertaining this, I do not only imply to the necessity of ongoing methodological harmonization of the various statistics with the international standards and what has not been done in this light, but particularly to the satisfaction of the new needs and requirements for new statistical researches.

### **Challenges of the statistics**

The change in the conditions of the operating environment of the central banks brings about a change in their needs and interests in statistical data. I would therefore like to underline several events in the economy that happened over the recent several years that considerably affected the development of the statistics and that indicate the need of new statistical researches:

- First, the rapidly increased role of the financial sector that significantly affected the dynamics, quality and structure of the economy in the future. For the central banks, this means an obligation to make deeper analyses in this area, requiring an availability of more detailed and relevant statistical data. Here, I especially refer to more detailed data on and from other financial institutions (investment funds, private pension funds, insurance companies, etc.) and to the new financial instruments developed in line with the development of the financial market.
- Second, the central banks in developed economies are increasingly focused on more subtle analyses of the financial system stability in their countries, and inevitably, as a result and consequence of the globalization, in wider terms. It requires access to various information. We also face this imperative, if seeking to successfully address the potential financial market vulnerabilities and crises. Thus, the role of the financial sector in the economy and its interdependence with all other sectors created a need of establishment of a proper financial account statistics. Statistics that shows the flow of the financial assets across each sector in the economy. The successful delivery of this project needs joint work and cooperation between the National Bank and the State Statistical Office. I believe that the team of Ms. Novkovska and the experts of the National Bank will deliver this project successfully. Without this type of statistics, our financial stability analyses will lie on less certain ground.
- Third, there is a higher need of statistical treatment of the funds with the household sector. The steady increase in the funds of the household is an important trend which is present in the modern economy, and lately in our country, mainly owing to the fact that they have better access to banking credits. Considering the importance of this sector in the economy, there is a need of increasing the range of statistical information that refer to the household sector with a view to more relevant determining and analyzing of their current and future behavior. Certainly, once more aimed at more successful financial risk management.
- Fourth, the European Union membership requires methodological harmonization of the statistics with the requirements and standards of the European Union, which is not easy. This is particularly important for the Republic of Macedonia, as a future European Union member-state, and requires immediate actions for improving and adjusting of the statistics to the European Union requirements and standards.

Besides the need of holding relevant statistical data, the National Bank pays special attention to the reporting costs incurred by those who reports. For that purpose, activities for rationalization and reduction of the reporting encumbrance are underway, by simplifying the reporting forms, careful selection of requested data, etc. Certainly, such rationalization takes into account the need of providing and holding data necessary for preparation of the macroeconomic statistics in line with the international requirements and recommendations.

## **Cooperation with other institutions**

The National Bank, same as other central banks worldwide, is an institution that permanently conducts numerous macroeconomic researches and analyses, for successful performance of its core functions and tasks. Therefore, apart from the development of own statistics, the National Bank plays the role of a large user of statistical information from other institutions. In this light, I would like to emphasize the cooperation of the National Bank with both domestic and foreign institutions in the exchange of statistical information.

Among the foreign institutions, I would like to highlight the successful cooperation with the Bank for International Settlement, the International Monetary Fund, the World Bank, EUROSTAT, etc. in the area of exchange of statistical information. I would particularly like to note that this year, the National Bank officially became a member of the Irving Fisher Committee on central bank statistics that operates within the International Statistical Institute, and represents a forum of central bank economists and statisticians. This is a good opportunity to improve the statistics of the National Bank, since the primary objective of the Committee is to promote an exchange of viewpoints between the economists, statisticians and central bank policy makers, on all relevant statistical issues of interest for the central banks.

The State Statistical Office, as an institution responsible for the official state statistics, that produces data covering various sectors in the economy, is an indispensable source of data for the needs of our analyses. So far, we have a successful cooperation with the State Statistical Office, underpinned by the Agreement on Mutual Cooperation and Exchange of Data. Our macroeconomic analysis mainly make use of the data covering the real sector of the economy, such as data on prices, economic activity, employment, wages, etc., as well as data on the foreign trade sector. We strongly support the endeavors of the experts and leaders of this institution to improve their work and we join the requests of the State Statistical Office to the competent state institutions to make efforts to provide better and more stimulating work conditions of this institution that is vitally important for the country.

## **Improvement of the statistics**

*Ladies and gentlemen,*

Econometric modeling and econometric analyses are worldwide developed practices, in which the National Bank and our country, in general, are still taking the first steps. Given the fact that econometrics is based on statistics, having adequate and consistent statistical data at disposal is of key importance for the development of this type of contemporary analyses. Therefore, again we call for making greater efforts in the area of statistics and for increased awareness of all competent institutions in the country about its vital importance for the national economy. The employees of the State Statistical Office are best aware of how important it is to have detailed statistical databases which are public and easily accessible for the users. They know how important it is to improve the statistics in the area of gross domestic product on a quarterly basis, which is very important for regular and updated monitoring of the economic activity. They have our full support and cooperation for the purpose of providing that statistics, too.

At the same time, it is our understanding that there is a need of additional calculations related to inflation, and especially to the core inflation rate, on which the State Statistical Office has not been publishing data so far. Inflation index weight structure is of utmost importance for detailed and quality analysis of the movement of inflation and determining the main generators of inflation. In other countries, weights are publicly available and are published on the statistical offices' web sites, while in our country, they are still treated as confidential data, which restricts the analytical possibilities. The Central Bank needs improved statistics in the area of employment, id est, unemployment, as well as in the area of construction. As a result of lack of more detailed data, so far the Central Bank had to make its own additional calculations for the analyses, and to create its own databases, which in the other countries are products of the official statistical offices. We understand that the State Statistical Office has been working on the improvement of the statistics in these sectors also, and we are very eager to see the results.

Within the scope of its activities, NBRM participates in the preparation of the official macroeconomic projections. Due to the need for improvement of the analyses and the projections and for following the contemporary trends in central banks' operations, the National Bank has started to conduct surveys. For the time being, that includes the survey of the most important exporters and importers, the inflation expectations survey, and the survey of banks' credit activity. The State Statistical Office contributed to

the realization of part of the aforementioned surveys, by providing information and consultations, for which we are especially grateful. However, I would take this opportunity to ask the entities selected for the needs of these surveys to maintain and improve their cooperation with the Central Bank, since at the end of the day, those surveys serve for the needs of the entire economy, including themselves.

Central banks are providers, but also massive users of statistical information and data, which will continue to be the case in the future, too. However, the nature of the information and data necessary for performing the tasks of the central banks constantly changes. Statistics departments are aware of this fact and in order to be able to take the new challenges and meet the new requirements they have to improve their knowledge and techniques continuously, and apply operational methods in accordance with the international standards and recommendations. It is a great task, which will never come to an end.

Therefore, in conclusion of this speech, being aware of the importance of statistics, I would like once again to emphasize the readiness of the officials in the National Bank of the Republic of Macedonia to cooperate with every institution in the country for the purpose of improving this, I would call it, "unsubstitutional food", for any kind of more serious economic analyses and providing fundamentals for economic decision-making of any kind.