Zdeněk Tůma: Statistics – investment in the future

Welcome address by Mr Zdeněk Tůma, Governor of the Czech National Bank, at the International Conference "Statistics: Investment in the Future", organized by the Czech National Bank together with the Czech Statistical Office and the Prague University of Economics, Prague, 14 September 2009.

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Dear Prime Minister, distinguished guests, ladies and gentlemen, dear colleagues,

I am very pleased that the Czech National Bank can host this conference in its premises. It is also our great pleasure to co-organize the conference together with the Czech Statistical Office and the Prague University of Economics – it is the evidence of good, I even would say, above-average relationships between these three institutions.

The international conference "Statistics: Investment in the Future" we are opening by this plenary session is the second conference of this kind, organized five years after the first one. But this year's venue is held in a rather different economic and financial environment compared to the previous conference. The whole world has been affected by the global financial crisis. Let me say a few words about the impact of the financial crisis on our economy. In autumn last year the first signs of the global financial crisis were detected in the inter-bank market. The main cause was a lack of confidence among banks spreading from abroad, resulting in their preference to keep more liquidity than usual. In spite of the fact that there has long been a significant surplus of liquidity in the Czech money market, this lack of confidence caused a deterioration of the proper functioning of the market. The Czech National Bank launched the liquidity-supplying facility in October 2008. Czech government bonds were made eligible as collateral in these operations. This technical measure was aimed at limiting the potential spreading of problems from foreign financial markets to the Czech financial sector. The situation calmed down at the end of 2008.

Overall, the financial crisis itself has had only a limited primary impact on the Czech financial market due to its low exposure to toxic assets and focus on domestic business in local currency. Nevertheless, the country was affected by an increase in risk aversion to the whole of Central and Eastern Europe, due mainly to the problems of some countries which needed financing from abroad. The Czech Republic is among the countries that provide loans to some of them or participate in lending schemes organised by international institutions.

The financial crisis has led to a significant decrease in global economic activity. As the Czech economy is very open and export-oriented, the loss of demand from major trading partners was reflected in weaker domestic economic activity and therefore banks became more cautious in providing credit to the business sector and subsequently to households. Weak foreign demand is thus probably the most severe factor stemming from the global financial crisis that is affecting the Czech economy.

From the statistical point of view, the financial crisis which turned into a global recession has provided a good opportunity to carry out a stock-taking exercise in the areas of data availability and timeliness. In the case of the Czech National Bank, it was quite a comprehensive exercise since the central bank acts as a monetary authority, integrated supervisor and statistical institution, which brings a lot of synergies. During the period of turbulence banks were required to provide us with additional information regarding, for example, their liquidity positions, exposures vis-à-vis the group of their foreign parent bank and information indicating how active the banks were in their lending activities. This information was even provided on a daily basis for some time. Some data, both standard and those provided as a result of the global financial crisis, are collected mainly for supervisory reasons and other data for monetary purposes, but put together they provide the policy makers with a comprehensive set of information. In addition, the statistical and regulatory

concepts have interacted more closely since data collection for both purposes started to be carried out in a coordinated way. Integration of supervision in the central bank, which took place more than three years ago, thus also proved successful during this turbulent period.

The Czech National Bank is both a user and producer of statistics. Macroeconomic statistics produced by the Czech Statistical Office are very important for the central bank. Price statistics, particularly consumer price statistics, are a key set of indicators reflecting the ability of the central bank to fulfil its main task – price stability. Nevertheless, not only consumer price statistics are in the sphere of our interest. As it is known, we operate in the inflation targeting regime. Since this is a forward-looking framework, we undergo a forecasting exercise which results in a comprehensive macroeconomic forecast every quarter of the year. This forecast is based on a number of economic variables and national accounts figures are at the centre of our interest. I do not want to list all the other statistics necessary for analytical and forecasting activities at our bank, but let me mention at least one more area: residential property prices. Property prices played an important role in the global financial crisis. From this point of view, our discussions with the Czech Statistical Office in this field held in recent years should not be considered a waste of time. We have touched upon many methodological issues not only in residential property prices as such, but also in related statistics like owner-occupied housing within the consumer price index.

The central bank also acts as a producer of statistics. It is not necessary to mention all standard statistics compiled by central banks such as monetary aggregates and their counterparts, interest rates statistics, statistics on other financial intermediaries, balance of payments or financial accounts statistics. I would like to stress the fact that after integration of supervisory institutions in the central bank we also integrated data collection and data storage systems for both supervisory and statistical purposes. These systems enable collecting data only once, which saves the costs of all respondents, allowing the CNB to use a single set of data for different purposes. As I have already mentioned, these comprehensive data sets also served us well during the period of turbulence, allowing us to monitor the developments in the banking sector.

The name of the conference "Statistics: Investment in the Future" means that the papers which will be presented in the next two days will be forward-looking ones. In recent years, we have witnessed a number of initiatives at the international and European level dealing with capturing new phenomena of economic developments in statistics such as wider use of mortgages, lending provided by non-bank financial institutions to households or securitisation of loans and other loan transfers. Recently, the European Central Bank Regulation on statistical reporting requirements as regards securitisation has entered into force. Securitisation of loans and their transfer to specialised institutions had been identified as an important phenomenon at least two years ago when the work on the Regulation started. There are also additional initiatives in the pipeline that attempt to capture new phenomena, such as more detailed statistics on insurance companies and pension funds. This financial sub-sector has become the second largest one at the European level.

Let me also touch upon a very important area of our statistical work – co-operation between statistical authorities, namely between the Czech Statistical Office and the Czech National Bank, not only in the preparation of this conference but on a regular basis. This co-operation is aimed at an effective arrangement of statistical processes in our country and minimizing the burden on respondents. Coordinated data collection and sharing of information are the key points in this respect.

As we know, a formal arrangement is always a necessary but not sufficient condition for good results. It has become a standard between these two institutions to meet once a year at an annual summit devoted not only to the assessment of the past twelve months' work and designing the tasks for the period ahead, but also to informal discussions in a friendly atmosphere. This is also an important feature of statistical work since statistics do not involve only figures, but also people who create and compile them.

Having finished the description of our co-operation in this way, I would like to wish all participants of the conference the same friendly atmosphere at the conference and at the same time interesting presentations and fruitful discussions in addressing the above mentioned or other statistical issues.

Thank you for your attention