

## Jean-Claude Trichet: The continuing quest for reliable and timely statistics

Opening address by Mr Jean-Claude Trichet, President of the European Central Bank, at the fifth ECB conference on statistics “Central bank statistics: what did the financial crisis change?”, Frankfurt, 19 October 2010.

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Ladies and gentlemen,

I would like to welcome you, on behalf of the Executive Board of the European Central Bank, to our biennial ECB statistics conference. I am delighted that the conference has once more attracted many distinguished participants from central banks around the world, European and international institutions, the financial sector, academia and the media.

As many of you know, the conference was originally scheduled for April this year, but had to be postponed because of the Icelandic ash cloud. Making a virtue out of necessity, the conference now also contributes to marking the first World Statistics Day tomorrow on “twenty-ten-twenty-ten”. World Statistics Day has been designated by the General Assembly of the United Nations to remind us all of the importance of official statistics and the core values of service, integrity and professionalism. Also on behalf of Mr. Stark, I would like to invite you to join us in a dedicated ECB event tomorrow afternoon, to celebrate World Statistics Day.

Two years ago, I concluded my address before this conference saying, “European policy-makers need to have at their disposal a wide array of timely, high-quality statistics on which to base their decisions”. This conclusion has been fully vindicated by the financial and economic crisis, both globally and in Europe. The necessary strengthening of economic governance, particularly in the euro area, must go hand-in-hand with enhanced statistics.

The ECB makes extensive use of a wide range of economic and financial statistics. The ECB is also a producer of selected European statistics for its own decision-making purposes and for the public at large. The European Parliament and Council have underlined the fact that European statistics are developed, produced and disseminated by both the European System of Central Banks (ESCB) and the European Statistical System (ESS).<sup>1</sup> To minimise the reporting burden and enable the efficient development, production and dissemination of European statistics, it is important to reinforce the close cooperation between the ESCB and the ESS, and notably to foster the exchange of confidential statistical information between the two systems for statistical purposes.

I would like to address four themes today: the statistical component of a quantum leap in euro area economic governance; second, recent ECB initiatives to enhance European statistics; third statistical information for macro-prudential purposes; and fourth European statistics as a possible model for global statistics.

### 1. Statistical implications of a quantum leap in economic surveillance

It is essential to strengthen further the euro area dimension of surveillance and policy adjustment. In a speech three days ago,<sup>2</sup> I reviewed the recent Commission proposals from

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<sup>1</sup> The European Statistical System is the partnership between the statistical authority of the European Union, namely the Commission (Eurostat), and the national statistical institutes and other national authorities in each Member State that are responsible for the development, production and dissemination of European statistics.

<sup>2</sup> “Global governance and euro area economic governance”, World Policy Conference, 16 October 2010.

a euro area perspective and highlighted where we need more ambition still for the euro area, in order to safeguard the smooth functioning of our monetary union.

Today, I would like to outline in more detail what we need in terms of the statistical implications for the “quantum leap” that is needed in economic surveillance. There are essentially three points.

First, the reliability of the general government statistics underlying the Excessive Deficit Procedure and the Stability and Growth Pact must be guaranteed when they come out. While the government finance statistics of the overwhelming majority of the Member States is reliable, this does not yet apply to all of them. Yet as we are in a highly integrated union, we need reliable statistics not just from the majority of Member States – we need it from each and everyone, no matter how large or how small the country is. We have seen that the potential for loss of credibility affects the entire union.

Therefore, in cases of data deficiencies, the recently amended powers of the Commission (Eurostat) regarding the quality assessment of statistics in the context of the Excessive Deficit Procedure must be applied in full. This is best documented in action plans to be monitored at the European level. Moreover, in terms of both reliability and timeliness, government finance statistics would benefit in several countries from closer integration of the budget process, in particular among different parts of general government. Where the planning, execution and monitoring of public budgets is a well integrated process, reliable government finance statistics are available almost without delay for decision-makers and the public at large. Why would GDP, which is an economy-wide concept, be available in a timelier manner than statistics on general government deficit and debt?

My second point is that there should be mechanisms to ensure that governance and quality provisions laid down in the European statistics Code of Practice of the ESS<sup>3</sup> are fully adhered to. This is best achieved by reinforcing the binding nature of the European statistics Code of Practice and enshrining its minimum standards, in particular on professional independence, in a European legal act. Simultaneously, the alignment of national statistical legislation with the principles of the Code of Practice and the Regulation on European statistics<sup>4</sup> should be accelerated.

Third, we must have full assurance that the statistical indicators supporting enhanced macroeconomic surveillance are robust and timely available. We must have assurance that indicators – such as international indebtedness, unit labour costs and other indicators of competitiveness – are firmly based on accepted statistical methodologies, ideally already legislated, and that the degree of estimation in compiling them is limited. Where compiled by the ESS, the European statistics Code of Practice should apply.

These three points are absolutely essential and it is in the fundamental interest of all euro area members that they are included in the current upgrade of the economic governance reform.

## **2. Recent ECB initiatives to enhance European statistics**

Let me recall that the primary objective of the ECB is to maintain price stability, defined as euro area annual inflation below, but close to, 2% over the medium-term. It is worth noting that over the first 11¾ years of the euro, the average annual euro area inflation has been 1.97%. The ECB is in its 12th year of existence and, as you see, its mandate is fully fulfilled.

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<sup>3</sup> See [http://epp.eurostat.ec.europa.eu/portal/page/portal/quality/documents/VERSIONE\\_INGLESE\\_WEB%20new%20links.pdf](http://epp.eurostat.ec.europa.eu/portal/page/portal/quality/documents/VERSIONE_INGLESE_WEB%20new%20links.pdf)

<sup>4</sup> Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics. OJ L 87, 31.3.2009, p. 164.

Moreover, inflation expectations over the medium to longer term remain firmly anchored in line with the ECB's objective. This has been an outstanding achievement in the first few years of Economic and Monetary Union – and it is an achievement to which European statistics have made an important contribution.

In line with the allocation of responsibilities between the ESCB and the ESS for collecting, compiling and disseminating European statistics, the monetary analysis of our monetary policy strategy is mainly supported by statistics compiled by the ESCB<sup>5</sup>. In 2009 and 2010 the ECB, supported by the national central banks of the Eurosystem, has been implementing two ECB regulations on enhanced Monetary Financial Institutions' balance sheet statistics and on securitisation vehicles.<sup>6</sup> These regulations introduced reporting requirements for loan securitisations, in particular, and new statistics on the assets and liabilities of these vehicles. The aim is to compile more detailed monthly and quarterly data to be published for the first time in June 2011. In addition, new statistics on euro area money market funds and on other investment funds, including hedge funds,<sup>7</sup> were released in December 2009. Following the adoption of the new ECB Regulation addressing banks' interest rate statistics,<sup>8</sup> the monthly banks' interest rate statistics are now produced more quickly and are available already one month after the Governing Council's monetary policy decisions. Further new and enhanced statistics are being compiled based on data already available at the national level, such as data from credit registers and supervisory data. A key example is detailed statistics on insurance companies and pension funds, which are also expected to be published from June 2011 onwards. As you can see, there is considerable and very tangible progress in the area of monetary and financial statistics. All these developments will contribute to enhanced monetary analysis and are also available for in-depth financial stability analysis.

The economic analysis of our monetary policy strategy benefits from much more consistent statistics on the euro area balance of payments. The size of the statistical discrepancy in balance of payments statistics has been decreasing substantially in recent years. The quality of these statistics has also improved, in particular by drawing on the Centralised Securities Database (CSDB),<sup>9</sup> Phase 2 of which went live in spring 2009. The CSDB also supports the compilation of investment fund statistics, the residual maturity of government debt securities and new statistics on securitisation vehicles. The ECB will publish the results of the third wave of the joint ECB and European Commission survey on the access to finance of small and medium-sized enterprises in the euro area later this week, and fieldwork is being carried out for the Eurosystem survey on household finance and consumption.

The flagship of the cooperation between the ESCB and the ESS on European statistics remains the quarterly euro area accounts. These provide a consistent statistical framework for the ECB's monetary and economic analysis, both for transactions and balance sheets. The euro area accounts are also widely used in the ECB Financial Stability Review. The main challenge remains more timely delivery, no later than 90 days after the end of the

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<sup>5</sup> An updated overview of all available ECB statistics has recently been published in "ECB statistics: an overview". See <http://www.ecb.europa.eu/pub/pdf/other/ecbstatisticsanoverview/2010en.pdf>.

<sup>6</sup> Regulation (EC) No 25/2009 of the ECB of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector (Recast) (ECB/2008/32) OJ L 15, 20.1.2009, p. 14; and Regulation (EC) No 24/2009 of the ECB of 19 December 2008 concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions (ECB/2008/30) OJ L 15, 20.1.2009, p. 1.

<sup>7</sup> Regulation (EC) No 958/2007 of the ECB of 27 July 2007 concerning statistics on the assets and liabilities of investment funds (ECB/2007/8) OJ L 211, 14.8.2007, p. 8.

<sup>8</sup> Regulation (EC) No 290/2009 of the ECB of 31 March 2009 amending Regulation (EC) No 63/2002 (ECB/2001/18) concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations (ECB/2009/7) OJ L 94, 8.4.2009, p. 75.

<sup>9</sup> See "The 'Centralised Securities Database' in brief", available at <http://www.ecb.europa.eu/pub/pdf/other/centralisedsecuritiesdatabase201002en.pdf>.

reference quarter. The ECOFIN Council supports this timeliness objective<sup>10</sup> and it is my expectation that the ESCB and the ESS will achieve it by 2014 as currently planned.

In addition to the European statistics provided by the ESCB, the ECB relies, for the purposes of its monetary policy and particularly for its economic analysis, on a wide range of economic statistics provided by the ESS. They include, in particular, the Principal European Economic Indicators that are endorsed by the Economic and Financial Committee (EFC) through its Status Reports on Information Requirements in EMU. These annual reports are prepared jointly by Eurostat and the ECB's Directorate General Statistics.<sup>11</sup>

### **3. Statistical information for macro-prudential purposes**

Let me now turn to statistical information for macro-prudential purposes. The upcoming launch of the ESRB and the entire ESFS including the three European Supervisory Authorities will have important statistical implications. When developing the statistical support needed for the ESRB, we may distinguish between the "input", the "throughput" and the "output" of the statistics function.

Let me start with the core of the task, which is the "throughput" – namely the compilation of statistical information. All statistics on the financial institutions, financial markets and financial market infrastructures of the EU as a whole, including sufficiently granular breakdowns, depend first and foremost on a sizeable team of statisticians who are well-versed in the legal provisions to be observed, trained and experienced in the economic and financial stability requirements, knowledgeable about the statistical concepts and methodology related to data on the financial system, familiar with the IT infrastructure to be applied, and used to cross-border cooperation in a European and international environment.

Such a team has been built and maintained by the ECB and the national central banks of the EU to provide European financial and economic statistics for monetary policy purposes. In addition, the ESCB statistics function offers sophisticated tools, such as statistical databases, internationally agreed standards and data transfer formats, registers of financial institutions, tested procedures for handling confidential data, and an array of proven methodologies and software for collecting and compiling financial statistics.

The "output" comprises a large number of statistical deliverables needed to support the work of the ESRB. Much work still needs to be done and it is appropriate that the final statistical framework for the macro-prudential oversight of the financial system will be decided by the ESRB. I would like to distinguish between four main types of statistical deliverables.

The first is macro-financial information relating to the macroeconomic environment, financial market data and information on financial market infrastructures.

The second is macro-prudential information on regulated and unregulated financial intermediaries. This comprises sufficiently granular aggregated micro-prudential information across countries and financial sectors, as well as individual information on large financial intermediaries.

The third type of statistical deliverable is information on exposures to counterparties, which will draw, in particular, on a securities holdings database containing data on a security-by-security basis, and will be supported by the CSDB. Detailed and reliable data on securities issues and holdings are indispensable to any systemic risk assessment. The CSDB would be best complemented by a public reference data utility providing standardised

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<sup>10</sup> ECOFIN Council conclusions on EU statistics of 4 November 2008 and on 10 November 2009.

<sup>11</sup> See also the article entitled "Update on developments in general economic statistics for the euro area", in the February 2010 issue of the ECB Monthly Bulletin.

information on instruments and entities that would be operated on the basis of an international agreement.

The fourth type of statistical deliverable is ad hoc information obtained via one-off surveys where it is undisputed among statisticians that only regular and tested data flows that are connected to the internal accounting systems of reporting agents limit the reporting burden with a lasting effect, and produce a timely and reliable output.

Concerning the “input” – namely the collection of data – the reporting burden of financial institutions could be reduced by improving processes to ensure that information is only reported once. One example of this streamlining is the use of supervisory data to compile macro-financial statistics. Here, the ECB and the Committee of European Banking Supervisors (CEBS) have published a bridging manual aligning the ECB’s monetary and financial statistics requirements with the supervisory reporting templates developed by CEBS and have created a relational database identifying similarities and differences between the two frameworks.<sup>12</sup>

It is even more important to reach a common understanding on the regular flow of data from the reporting agents in the EU financial system, via national and European databases, to the ESRB. In this context, I also welcome the fact that the ECB and CEIOPS<sup>13</sup> are working on an optimised usage of the future data reporting by the insurance sector under the Solvency II Directive<sup>14</sup>. Clearly, there is a difference between the use of confidential micro-data for statistical purposes and their use for policy purposes. This distinction is respected in the day-to-day business of any developed statistics function. To achieve detailed agreements on the flow of data, I count of a very fruitful cooperation between the three future European Supervisory Authorities and their predecessors, CEBS, CEIOPS and CESR<sup>15</sup> with the ESRB preparatory Secretariat recently established at the ECB and our Directorate General Statistics. The statistics departments of the national central banks of the EU Member States are involved via the ESCB Statistics Committee.

#### **4. European statistics as a model for global statistics**

The financial crisis not only had an impact on individual economies and groups of countries; it also had a global dimension. The Group of Twenty Finance Ministers and Central Bank Governors (G20) now has a much more important role than it did before the financial crisis. It established a Working Group on Reinforcing International Cooperation and Promoting Integrity in Financial Markets that called on the International Monetary Fund (IMF) and the Financial Stability Board (FSB) to explore information gaps and propose ways to strengthen data collection. The report of the IMF and the FSB, entitled “The Financial Crisis and Information Gaps”<sup>16</sup>, makes 20 high-level recommendations to address the measurement of risks in the financial sector, international financial linkages and the vulnerability of economies to shocks, as well as the communication of official statistics and was endorsed by the G20 in November 2009. I am pleased that this report was produced with significant input from the ECB.

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<sup>12</sup> “MFI balance sheet and interest rate statistics and CEBS’ guidelines on FINREP and COREP”, February 2010.

<sup>13</sup> Committee on European Insurance and Occupational Pension Supervisors (CEIOPS).

<sup>14</sup> Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) (recast) OJ L 335, 17.12.2009, p. 1.

<sup>15</sup> Committee of European Securities Regulators (CESR).

<sup>16</sup> See [http://www.financialstabilityboard.org/publications/r\\_091107e.pdf](http://www.financialstabilityboard.org/publications/r_091107e.pdf).

As new collections of data from reporting agents will be required in most G20 economies to close information gaps, a multi-year programme, combined with an appropriate governance framework and sustained policy support, is needed to implement the recommendations. The G20 have therefore received an action plan in June 2010, detailing the recommendations and timetables for their implementation. This action plan was welcomed recently also by the International Monetary and Financial Committee of the IMF Board of Governors.

Although the need for more comprehensive and more comparable statistics extends beyond the G20 economies, the G20 have volunteered to set an example. Because of the economic importance of the G20 economies, their data are sufficient to compile reliable and timely key world aggregates, such as quarterly GDP, within two months of the end of the reference quarter. Experience in the euro area confirms the traditional statistical paradigm that more aggregated data, such as euro area or world aggregates, are more reliable than their component data.

Comparable statistics are important in a globalised world in which decision-makers and the public at large need to focus not only on their own economy, but also on key partner economies. I welcome the development of the Principal Global Indicators (PGIs) that will be comparable for the G20 economies, including the euro area, and which are similar to the Principal European Economic Indicators for Economic and Monetary Union. The PGI website maintained by the IMF<sup>17</sup> is supported by six other international organisations, including the ECB.

## Conclusions

Let me conclude. Evidence-based decision-making in modern economies is unthinkable without statistics. This applies a fortiori to monetary and financial stability policies. The financial crisis has revealed information gaps that we have to close while also preparing ourselves for future challenges. This is best achieved through creating a wide range of economic and financial statistics that are mutually consistent, thereby eliminating contradictory signals due to measurement issues. The main aggregates must be both reliable and timely, and, in a globalised world, they should be comparable across countries and economies.

Reliability and timeliness are key for statistics, but may seem to be conflicting objectives. This is more the case in the short-term, as the production frontier for compiling statistics can be enhanced in the medium term by a higher degree of automation. The effective and efficient collection, compilation and dissemination of European statistics requires a well developed statistical infrastructure, including, most importantly, a team of skilled and experienced statisticians familiar with European and international cooperation. I take tomorrow's World Statistics Day as an occasion to remind all of us of the importance of high-quality statistics. They are central to the foundations of public and private sector decision-making throughout our societies.

Thank you for your attention.

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<sup>17</sup> See <http://financialdatalink.sharepointsite.net/default.aspx>.