

José Manuel González-Páramo: Future challenges for central bank statistics

Speech by Mr José Manuel González-Páramo, Member of the Executive Board of the European Central Bank, at the Sixth ECB Statistics Conference, Frankfurt am Main, 18 April 2012.

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Ladies and gentlemen,

On behalf of the Executive Board of the European Central Bank (ECB), let me warmly thank you for your attendance at and valuable contributions to the sixth ECB Statistics Conference. Please allow me to make a few concluding remarks before the end of this successful event. This is the last time that I will be able to attend this conference as a member of the Executive Board of the ECB and I greatly appreciate this opportunity to address such a distinguished audience.

As the media and the markets repeatedly remind us every day, there is much at stake as regards the future of the European project today. Indeed, the credibility of European integration is being challenged for reasons that no responsible policy-maker can afford to disregard. Although the European System of Central Banks (ESCB) has been successful in achieving its main objective, which is to maintain price stability, let us not forget that, under Article 3 of the Statute of the ESCB and of the ECB, the ESCB is also responsible for contributing to the stability of the financial system. This is why I greatly appreciate the focus and title chosen for this conference, which reflect the contribution of central banking statistics to both the maintenance of price stability and the mitigation of systemic risks.

The system and processes for producing statistics that are used directly for monetary policy purposes are well advanced in terms of their accuracy, timeliness and coverage. The compelling question is therefore whether these statistics could also serve the needs of financial stability policies and macro-prudential supervision. As you very well know, the answer to this question is “yes, but with some limitations”, or rather “yes, but the data currently available are not sufficient”. Rather than being discouraged by this, I would call upon you to accept this shortcoming as a challenge to be taken up in your future work.

But what exactly are the most pressing challenges that we face in this area?

As you have already discussed in detail throughout the conference, monetary statistics tend to provide us with aggregated data. There are, of course, very good reasons why this is the case, but for the purposes of macro-prudential analysis, it would be more useful if the data were also consolidated at the level of individual banking groups. In addition, not only banks, but also insurance companies, pension funds and ideally the entire financial system, including the shadow banking sector, should be covered in order to effectively help policy-makers identify potential sources of systemic risk. Furthermore, data with sufficient granularity are instrumental in macro-prudential analysis in order to take both averages and distributions into account. In turn, the microfoundations of aggregates must be explored. In seeking ways to overcome these shortcomings, I am impressed by the convincing and – in fact converging – arguments, proposals and suggestions that have emerged during the discussions at this conference.

When considering the different ways in which we can try to close the existing data or information gaps, there are essentially three options: i) launch a new data collection effort; ii) make better use of existing data; and, perhaps most importantly, iii) revisit the data collection processes that are currently in place. We are fully aware that, irrespective of whether the first or second options are adopted, we will in any case have to review our existing data collection processes.

As regards the collection of new data, it is widely agreed that we cannot merely impose additional reporting requirements on reporting agents – irrespective of the size of the data gaps that we need to fill – before having thoroughly considered all other possible alternative solutions. While an overall increase in the reporting burden may well be justified in individual cases, insofar as it is clearly supported by a cost-benefit analysis, this should only be the last resort after all other options have been exhausted.

For instance, concerning the issue of how to make better use of the existing data, work is under way to help reduce the number of overlapping data collection efforts. A prominent example of this is the work being carried out under the auspices of the ECB and the European Banking Authority (EBA) to reconcile credit institutions' statistical and supervisory reporting requirements. In this context, I would like to recall that the second version of the classification system linking the requirements of the ECB's monetary and financial statistics with the supervisory reporting templates (FINREP, COREP and Large Exposures) developed by the EBA was published last month on the websites of both the ECB and the EBA.

I welcome and encourage all initiatives to review our data collection processes in a comprehensive way. A strategic shift towards granular, multi-purpose data collection and more integrated data production processes can effectively reduce the burden on reporting agents and, at the same time, deliver more information to data users. Indeed, in attempting to collect more micro data (such as through the ongoing Eurosystem project to collect securities holding statistics on a security-by-security basis), we will face the challenge of finding ways to adapt more flexibly to new user demands without imposing additional reporting requirements on data reporting agents. These efforts should be reinforced by establishing harmonised data collection frameworks common to central banks and supervisory authorities. The trade-off between the reporting burden and the amount of information available has to be tackled at its roots, owing to the ever-growing likelihood of additional, unforeseeable requests for data on an ad hoc or regular basis. Multi-purpose data collection offers a viable solution to this problem and, given the present scarcity of resources, there is virtually no alternative avenue to enable central banking statistics to successfully serve both Eurosystem mandates. Any belief to the contrary will, in my opinion, inevitably meet with disappointment.

This type of approach should not be pursued only by statisticians. The importance of having an adequate legal framework for sharing with statisticians confidential data collected for supervisory purposes should not be underestimated. Indeed, the legal framework empowering the ECB to collect data is designed to allow the exchange of confidential information within the ESCB in order to compile statistics. Statisticians are well aware of the need to protect data confidentiality and have strict procedures in place to safeguard the confidentiality of all types of information used in their statistical compilation processes. Legal obstacles, however, still remain in the case of data collected from reporting agents for other purposes, such as supervisory purposes. Within the existing European supervisory architecture, confidential information is not only collected by the various competent national authorities that may share information with the European Supervisory Authorities but is also collected and exchanged on the basis of a wide range of legal acts, each with their own different characteristics. In practice, this framework does not facilitate the smooth exchange of confidential information. This is why I am very supportive of any change in the legislation which is aimed at facilitating such exchanges but which at the same time ensures strict protection procedures for confidential data. I cannot stress enough the importance of this.

Confidentiality issues are of course ever-present in these discussions and, to a certain extent, hinder progress. This could partly be attributed to a European tradition which attaches great importance to keeping supervisory information confidential, and which stands in contrast to traditions on the other side of the Atlantic, such as those reflected in the practices of the US Federal Financial Institutions Examinations Council, which publishes a wider range of supervisory information on banking institutions operating in the US market. We fully respect legitimate reasons for keeping certain information confidential, but would also call for

more transparency towards market analysts and financial market participants. In any event, such a call for more transparency does not obviate the importance of having a more sophisticated legal framework and practical arrangements for sharing confidential data among the relevant authorities in order to support their respective tasks. The purpose of such a legal framework and arrangements must be to avoid duplication of data requests, to reduce the reporting burden, and to ensure that policy actions by decision-makers are not rendered ineffective owing to lack of access to information that has already been collected. Hence, I count on the support of the European and national authorities, as well as the industry, to strive for this common goal and overcome confidentiality constraints and obstacles to the exchange of data to support the tasks of decision-makers.

Concerning economic data, we have seen evidence of the need for further work on the development of these statistics, as they are now increasingly coming under scrutiny from policy-makers and financial market participants. The excessive deficit procedure mechanism and the new alert mechanism put in place by the European Commission to detect and correct macro-economic imbalances on the basis of a scoreboard of indicators are adding pressure on statisticians to deliver high quality data. In this context I would like to stress the importance of establishing good cooperation between central banks and national statistical institutes, both at the EU and the national level.

I would like to conclude my remarks today by assuring you that the ESCB will further develop its statistics so as to better fulfil the mandates given to the ECB and to the European Systemic Risk Board.

The sixth ECB Statistics Conference is coming to an end. The last session will take place after lunch at which Peter Bull will present his book on ESCB statistics to mark the 20th anniversary of the ESCB Statistics Committee

Ladies and gentlemen, allow me to finish by thanking the chairs, the speakers, the discussants and the many distinguished participants in this conference. You have provided excellent contributions and reflections on strategic issues for the future development of ESCB statistics. It has been a very good opportunity to enhance our cooperation and to identify challenges to the supply of timely, relevant and reliable statistics for both monetary policy and financial stability purposes. I hope that our fruitful cooperation will continue in the future.

Thank you very much for your attention.