

Deepak Mohanty: Statistics and the Reserve Bank – recent developments and perspective

Opening remarks by Mr Deepak Mohanty, Executive Director of the Reserve Bank of India, at the Annual Statistics Conference 2013 of the Reserve Bank of India, Mumbai, 22 March 2013.

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1. Deputy Governor, Dr. Urjit R. Patel, Shri A. B. Chakraborty, Officer-in-Charge, Department of Statistics and Information Management (DSIM); heads of select central office departments; distinguished statisticians and economists from the academia; and friends. I extend a warm welcome to you all to the Annual Statistics Conference 2013, organized by DSIM. This conference provides a platform to the officers of DSIM to present their research work before the experts and receive their feedback in order to make the analysis more meaningful for policy and research. I thank the distinguished professors who have consented to discuss various papers prepared by my colleagues in DSIM: Prof. Manoj Panda (Director, Institute of Economic Growth, Delhi), Prof. N. R. Bhanumurthy (NIPFP, New Delhi), Prof. Tathagata Bandyopadhyaya (IIM, Ahmedabad), Prof. Rajendra Vaidya (IGIDR, Mumbai), Prof. Chetan Ghate (ISI/ICRIER Delhi), Prof. Pulak Ghosh (IIM, Bangalore), Prof. T. V. Ramanathan (Pune University). You all bring together plenty of expertise and experience in the field of theory and practice of statistical research for economic policy making which is of great value to us.

2. I have said it earlier that Statistics is a public good. As a central bank, we are responsible for generating various macro-financial statistics collected both from primary and secondary sources in the process of implementing our policies. We use statistics and statistical tools extensively to aid informed policy making. Therefore, a solid statistical grounding and soiling the hands with data are basic prerequisites for the making of a good empirical economist. This is evident from the presence of many eminent economists amongst us in this conference.

3. Let me recapitulate briefly about the outcome of the 2012 conference in the context of major developments that took place in the statistical activities during last one year. In the last year's conference, DSIM researchers presented 12 technical papers. Subsequently these papers were revised based on the feedback received from the external experts. I am happy to note that 5 papers have been already submitted for publication in RBI Working Paper Series/ RBI Occasional Papers/outside journals and others are in various stages of completion.

4. The research activities of the Department encompass measurement of economic indicators, analysis, modelling and forecasting of economic growth, inflation, corporate performance and capturing economic agents' response to expected macro developments for forward looking monetary policy formulation. Based on various univariate and multivariate models, projected path of growth and inflation is presented in the form of fan charts. In the current economic scenario, the analysis of growth-inflation trade-off, exchange rate pass-through and inflation persistence carried out by the Department was particularly useful for calibrating monetary policy actions.

5. Last year, the conference outlined several data and dissemination initiatives for better harmonisation and synergy between data producers and users. I am happy to note that the department has released a new user friendly interface of Database on Indian Economy (DBIE) and has transformed data warehouse utilities into a major production tool of the Bank. All the major statistical publications of the Bank, as well as all the tables of RBI Bulletin and Weekly Statistical Supplement (WSS), are now generated directly from DBIE.

6. The previous conference also emphasised the need for initiatives for improving banking data with regard to quality, coverage, presentation and dissemination. It was deliberated that data quality and coverage issues require a collaborative effort across the various regulatory, research as also policy departments so as to harmonize the reporting of data. In this connection, the Department had several rounds of interactions during the year with RPCD and DBS to address these issues and resolve the same. Regarding harmonizing the reporting of deposits and credit data at granular level, action has been initiated for codification of the input data structure at the data processing and reporting systems of banks as per the classification and coding system followed for the BSR system. The main objective is to source all these data from the banks' CBS platforms so that data reported by the banks to various departments of the Reserve Bank become consistent with the granular databases maintained by the banks. In order to take these initiatives forward, this conference has two structured panel discussions with participation of the stakeholder departments of the Bank. The outcome of the discussion today and tomorrow is expected to pave the way for availability of quality banking statistics.

7. On the operational front, the department conducted a survey on demand and usage of coins across 12 centres, prepared a research paper on estimating counterfeit notes in circulation, and provided statistical basis of estimation of agency commission of commercial banks undertaking government business.

8. The surveys conducted by the department particularly on macroeconomic changes continue to provide valuable inputs for forward looking monetary policy formulation. These include Industrial Outlook Survey (IOS), Order Books, Inventories and Capacity Utilisation Survey (OBICUS), Credit Conditions Survey (CrCS), Inflation Expectations Survey of Households (IESH), Consumer Confidence Survey (CCS) and Survey of Professional Forecasters (SPF). Key findings of most of these surveys are now published on the RBI website simultaneously with the Macroeconomic and Monetary Developments every quarter. This has increased visibility of our survey output and has improved considerably the timeliness in dissemination of survey results. However, this has also increased our accountability of research outputs and responsibility of maintaining good quality statistics. Technical skills of our survey data analysis is now implicitly under public scrutiny.

9. For guidance on technical issues related to surveys, a high level Technical Advisory Committee on Survey (TACS) has been constituted. During the year, coverage of IESH survey has been extended to four more centres covering a total of 16 important centres. Pilot Survey on Employment of Fresh Graduates from Technical Institutions was conducted during June-August, 2012 to collect placement data for 2010–2011 and 2011–2012 from 61 engineering and management institutes to assess trends in employment opportunities of fresh graduates. House price index compilation has been extended to 4 more cities, covering now total 10 cities. Further, in order to complement this, the Department has successfully introduced an Asset Price Monitoring System (APMS) based on housing loan account information available with banks.

10. A dynamic database called "Branch Locator" was released in the Bank's website providing detailed information (like location, type of business) on branches of commercial banks. This has helped banks in accessing locational information for branch expansion and financial inclusion. Scope of BSR-4 survey, one of the key RBI survey tailored for estimating household savings in the form of bank deposits, hitherto conducted on a sample basis, has been widened to a census from March 2012. The scope of BSR-7 was also expanded to collect data on deposits by type (current, savings and term) from March 2012 quarter. A Standing Monitoring Group has been constituted to implement enhancements to IBS as recommended by the BIS Committee on the Global Financial System (CGFS).

11. In India, analysis of monetary policy transmission was constrained due to absence of effective lending rate data of banks. In this context, in a research paper, the department provided a comparable annual time series data on weighted average lending rates (WALR)

for bank credit for major sectors in India for the period 1992–2010 based on the comprehensive account level BSR database. This information bridged an important data gap for empirical assessment of the bank lending rate channel of monetary transmission.

12. In the current macroeconomic scenario, the issue of wage price spiral and inflation has resurfaced and has been a topic in public discourse. In this context, the department compiled a long time series data on rural wage rate based on the data contained in the Labour Bureau Journal for 18 occupations for all the major states as well as at all India level. This is a monthly data base starting from July 1995 to November 2012 (latest) and is available to the public in a user-friendly format in the data warehouse.

13. Regional market intelligence or statistical intelligence plays a pivotal role in providing important inputs to monetary policy and many central banks have established statistical system for gathering regional information. With its reorganised structure and wider presence of regional offices in major centres, the Department has put in place a similar system of gathering relevant statistics and market intelligence, particularly in the area of prices of essential commodities. This system is potentially useful to gauge an early signal of price pressure across commodities before the official data release. Also this data is useful in validating the price trends as available in official price indices like WPI and CPI.

14. The reporting of purpose code under Foreign Exchange Transactions Electronic Reporting System (FET-ERS) was extended to all foreign exchange transactions, including small receipt transactions, on a census basis from April 1, 2012, as suggested by the Central Board. The resultant transition helped India to become one among the pioneer countries to implement BPM6 standards for BoP reporting. Information on International Investment Position, Co-ordinated Direct Investment Survey (CDIS), Co-ordinated Portfolio Investment Survey (CPIS) (for Mutual Funds, Insurance and Private Corporate Sector) are dissemination as a part of the commitment in adherence to the SDDS framework of IMF and G-20 data gaps initiatives.

15. The XBRL project under the High Level Steering Committee (Chairman: Shri Anand Sinha, Deputy Governor) on standardisation in reporting of financial data has made considerable progress during the year. The second phase of this project has been taken up covering 43 returns (22 OSMOS returns, 16 external sector returns of FED and DSIM and 5 returns of UBD). XBRL reporting is being integrated with the data warehouse and will be the only platform for receiving and validating all the incoming data in due course.

16. Central banking today is more challenging than ever and availability of reliable and timely information is the key to effective policy making. The statisticians in the Reserve Bank perform a multifarious role. While the department has many achievements in the past, let me share a few challenges for the Department going forward.

First, data gaps are an inevitable consequence of the ongoing development of markets and institutions. As has been true of previous international financial crises, these gaps are highlighted when a lack of timely, accurate information hinders the ability of policy makers and market participants to develop effective responses. Indeed, the recent crisis has reaffirmed an old lesson – good data and good analysis are the lifeblood of effective surveillance and policy responses at both the national and international levels. In this context, G-20 data gaps initiatives have provided a statistical framework across nations which are consistent and comparable. DSIM, being the nodal department in the Bank, has a major role in taking this initiative forward.

Second, there are some surveys on macroeconomic changes which merit further thrust. We have made a beginning on collection of data on employment opportunities of fresh graduates. We need to have better understanding of the potential demand pressure in the economy. In this context, an important indicator which provides early signs of overall economic activity is retail sales. Many central banks are effectively using the retail sales data. A quarterly survey on retail sales across cities may be initiated with the help of regional offices.

Third, while the Department has developed the database on rural wage rate, there is an urgent need to understand the wage price development in the urban sector. Towards this, quarterly corporate results could be suitably examined in order to provide time series data of urban wage.

Fourth, the Department is involved in various data gap and statistical measurement issues through its participation in various committees within and outside the RBI. One particular issue that has received renewed attention recently is the development of a Producers Price Index (PPI), including services. While this is presumably an institutional effort being made by the Government, work relating to a statistical framework of PPI in Indian context could be attempted by the department.

Fifth, during last 5 years or so, statistical systems both for financial and banking, have undergone a major change. New systems are introduced in line with global standard of data compilation and dissemination. In this context, efforts should be made to update the "Manual on Banking and Financial Statistics", which was published last in 2007.

Sixth, while the department has made considerable inroads towards collection of forward looking information for monetary policy formulation, our effort on financial inclusion surveys has been limited. Financial inclusion is policy priority of the Bank. Therefore, it is necessary for the department to engage itself in formulation and undertaking of surveys on financial inclusion, particularly assessment of financial inclusion outcomes in the villages following the outreach programme of the Bank, in collaboration with RPCD and its regional offices.

Seventh, the Department has noticeable presence in a number of central office departments, like Monetary Policy Department (MPD), Department of External Investment and Operations (DEIO), Internal Debt Management Department (IDMD), Department of Information Technology (DIT), Department of Payment and Settlement Systems (DPSS), Department of Banking Supervision (DBS) and Financial Stability Unit (FSU). It is desirable that our officers in these departments provide analytical inputs for policy and operational issues and come out with research papers. These papers could be presented in conferences and published eventually in the RBI Working Paper Series. This will make research more valuable in furthering our organisational objectives.

Eighth, focused and determined approach to research across various units, including the regional offices, should be pursued so that research agenda being adopted by the Department is accomplished in a timely manner. For data management and dissemination, technology must be harnessed to its fullest extent. There is also a need to strengthen the modelling and forecasting capabilities towards developing a full-fledged forecasting suite including DSGE models.

17. Finally, I conclude with a quote from the famous statistician John Tukey: "*The best thing about being a statistician is that you get to play in everyone's backyard.*" I see limitless opportunities for a statistician as the demand for statistical skills and statistics in the Bank keeps growing as we grapple with many questions. I hope the deliberations of this conference will bring academics and policy makers closer and lead to strengthening our statistical analysis and system. I wish the conference all success.

18. Thank you.