Comments on Future challenges for monetary statistics in a changing environment

by András Simor, Governor

Magyar Nemzeti Bank

Sixth ECB Statistics Conference

Central Bank Statistics as a servant of two separate mandates: price stability and mitigation of systemic risk

2012.04.17

MAGYAR NEMZETI BANK

Comments on the presentations of the Central Bank of Turkey

- The priorities of the emerging statistical needs are different from country to country

- Importance of international initiatives (e. g. G20 recommendations) addressing data gaps

- Achievements and future tasks are in line with international initiatives (and Hungarian practice):
  - Filling in data gaps on non-bank financial institutions
  - Use of national financial accounts
  - The establishment of security-by-security statistical data collection
  - Improving timeliness and quality of statistics

- Good description of the new requirements and answers in connection with the financial crisis

MAGYAR NEMZETI BANK

Comments on the presentations of the Bank Negara Malaysia

- Fundamental linkage between monetary policy and financial stability and potential synergies from a statistical point of view

- Extension of monetary surveillance towards macro prudential tasks has a big impact on statistics, due to similar data needs, but different approach followed

- Regarding current gaps, recent initiatives might be not sufficient

- Further improvements needed in supporting compilers due to evolving financial environment

- Statisticians need to be proactive in identifying advance indicators to facilitate early analysis by policy makers

MAGYAR NEMZETI BANK

Modifying focus and increasing data demand as a result of changing environment I.

- **The Golden Age of Monetary Aggregates**
  - Functions of the central banks evolved over time and geographic regions
  - How price stability can be achieved has evolved significantly during the past decades
  - For many years the most important target was predetermined growth of monetary aggregates
- **Inflation targeting and monetary aggregates**
  - The mechanism how central bank can have an impact on the economy is more complex than previously thought
  - ECB has a "dual pillar" monetary policy strategy: besides the inflation forecast pillar monetary aggregates still have a "prominent role"
  - Many researchers suggest that growth of monetary aggregates should not be an operating target

MAGYAR NEMZETI BANK

Modifying focus and increasing data demand as a result of changing environment II.

- **Lessons of the Financial Crisis starting in 2008**
  - 'Temporary' unconventional measures increasing liquidity provisions to financial institutions

  - Current theoretical models of bank behavior in the transmission process are inadequate

  - Need for a new macroprudential oversight activity based on the enhanced view on links between financial and real economy

- **Statistical consequences**

    Monetary statistics should provide information not only on all sub-sectors of the financial sector but also compile data series adequate for macro prudential oversight and other purposes

New user requirements on financial sector information - *for the implementation of monetary policy*

- Non-bank financial institutions
- Additional instruments covered(e.g. credit lines)
- Granularity (e.g. security-by-security statistics)
- Hungarian examples of new user requirements:
  - Interbank market statistical information (government bond, swap, uncovered loan, repo, and FX spot transactions with volumes, denomination, maturity, interest rates, counterparties and counterparty risk limits)
  - Data on derivative transactions (regular daily data collection on FX positions and derivative transactions of credit institutions)
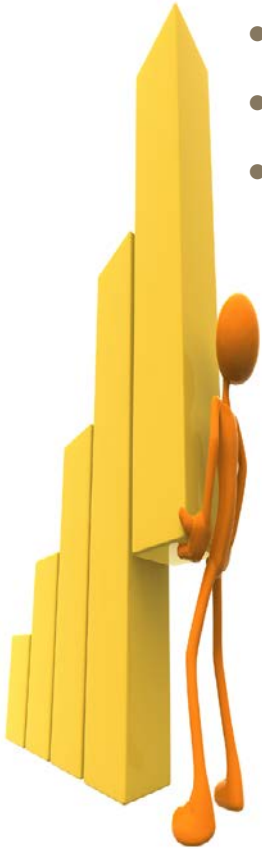
If and when the economic environment changes, there is a strong demand for quick modification of data collection, even for short term, or ad-hoc data collections supporting monetary policy decisions and actions.

MAGYAR NEMZETI BANK

New requirements due to financial crisis and macro prudential oversight

- Extend data collection framework in terms of content, reporting agents, methodology, granularity and frequency

- Use of data of national supervisory authorities on solvency and portfolio quality for statistical purposes

- Importance of investment funds, insurance companies and pension funds, other financial intermediaries and financial auxiliaries have increased - "shadow banking"

- Hungarian case: *daily data collection* from credit institutions on

  - 30 days treasury cash-flows
  - balance sheet data
  - FX positions and derivative transactions

MAGYAR NEMZETI BANK

Keeping the burden of the financial institutions in an acceptable level

- On one hand data collection has a substantial cost, on the other hand information need is booming

- How to reorganize data collection frameworks to keep reporting burden on a sustainable level?
  - Common data collection frameworks of central banks and supervisory authorities
  - Credit registers
  - Vision on common data warehouses of reporting financial institutions, central banks and supervisory authorities

For monetary statistics the tasks of simultaneous projects for supporting monetary policy decisions, macro prudential oversight and methodological improvements in a cost effective way is more than a challenge….

MAGYAR NEMZETI BANK