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Follow-up to the CES 2010 seminar on impact of global crises on statistical systems

Data Gaps Initiatives: update

Note by the International Monetary Fund, the Organisation for Economic Co-operation and Development, and Eurostat

Summary

The paper provides information on the developments following the Conference of European Statisticians' 2010 seminar on impact of crises on statistical systems. It includes information on the Data Gaps Initiatives by the International Monetary Fund and the Financial Stability Board, and on the work that has been ongoing at the Untied Nations Statistics Division and Eurostat on Rapid Estimates.

I. Background

1. The global financial crisis revealed a deepened integration of economies and markets, and a strengthening of inter-linkages across financial institutions that data systems failed to comprehensibly capture. Recognizing the existence of data gaps, the G-20 *Working Group on Reinforcing International Co-operation and Promoting Integrity in Financial Markets* asked the International Monetary Fund (IMF) and the Financial Stability Board (FSB) to explore gaps and provide appropriate proposals for strengthening data. This call was endorsed by the IMF's International Monetary and Financial Committee (IMFC) representing 187 member countries at its Spring Meetings in 2009 and in 2010 as well as at the Annual Meetings 2010.[1]

2. Also, in response to the crisis, work has been ongoing at the United Nations Statistics Division (UNSD) and Eurostat on Rapid Estimates.

II. What are the data gaps that must be closed?

3. In response to the G-20 request, staff of the IMF and the FSB Secretariat, in consultation with official users of economic and financial data in G-20 economies and key international organizations identified twenty recommendations that need to be addressed. In particular, the Inter-Agency Group on Economic and Financial Statistics (IAG) involving the Bank for International Settlements (BIS), the European Central Bank (ECB), Eurostat, the IMF (chair), the Organisation for Economic Co-operation and Development (OECD), the UN, and the World Bank has been centrally involved in this work. The recommendations cover:

a) The need to strengthen data essential for effectively capturing and monitoring the build-up of risk in the financial sector. This calls for the enhancement of data availability, not only in identifying the build-up of risk in the banking sector but also improving coverage in those segments of the financial sector where the reporting of data is not well established, such as the non-bank financial corporations.

b) The need to improve data on international financial network connections**.** This calls for enhanced information on the financial linkages of Global Systemically Important Financial Institutions (G-SIFIs) as well as strengthening data gathering initiatives on cross-border banking flows, investment positions and exposures, in particular to identify activities of nonbank financial institutions.

c) The need to strengthen data needed to monitor the vulnerability of domestic economies to shocks. This calls for measures to strengthen the sectoral coverage of national balance sheet and flow of funds data, including timely and cross-country standardized and comparable government finance statistics and data on real estate prices. On the latter, country practice in compiling these data is uneven, yet the impact of house prices on household net worth is highly relevant to the recent crisis.

d) The need to promote effective communication of official statistics to enhance awareness of available data for policy purposes.

[1] A further discussion of the initiative was published in the IMF's Finance & Development September 2010 edition http://www.imf.org/external/pubs/ft/fandd/2010/09/burgi.htm. Further information can be found at the lower part of http://www.imf.org/external/data.htm.

4. These recommendations were endorsed by the G-20 Ministers of Finance and Central Bank Governors at their meeting in Scotland in November 2009 (http://www.imf.org/external/np/g20/pdf/102909.pdf).

5. The program statement of the UNSD at the fortieth Session of the United Nations Statistical Commission in 2009 called for swift and coordinated statistical initiatives by countries and international organizations in response to the global economic crisis. As a consequence a series of three international seminars were initiated by UNSD and Eurostat in February 2009 in seeking a coordinated statistical response, focusing on early warning and business cycle indicators.

III. What is the progress made so far?

6. Considerable progress has been made with the G-20 work in a very short period particularly on those recommendations for which conceptual/statistical frameworks exist (Figure 1). In June 2010, the progress made to date and action plans for taking forward work on the twenty recommendations were reported to, and endorsed by, the G-20 Ministers of Finance and Central Bank Governors (http://www.imf.org/external/np/g20/pdf/053110.pdf) at their meeting in Busan, Korea. In particular, this second report called for visits by IMF staff to individual G-20 economies to be reflected in a third progress report that the G-20 Ministers of Finance and Central Bank Governors requested by June 2011.

7. The G-20 Report of November 2009 provided significant impetus for action. For several of the 20 recommendations, international bodies have already taken a number of actions that support their implementation, including the IMF with regard to Financial Soundness Indicators (FSIs) (# 2), the International Investment Position (IIP) (#12), and Government Finance Statistics (# 17), and the BIS (via the Committee on Global Financial Systems (CGFS)) with regard to Credit Default Swaps (#5). For other significant recommendations progress has been made in international working groups and task forces (securities (#7), G-SIFIs (#8) and (#9), public sector debt (#18), real estate prices (#19), and the Principal Global Indicators (PGI) website (#20)).

8. Indeed, a visible example of the accomplishments of this initiative is the Principal Global Indicators (PGI) website. In April 2009, the PGI website was launched providing timely data for G-20 economies available at participating international agencies covering financial, governmental, external, and real sector data, with links to data at websites of international and national agencies. The website—a collaborative effort of the IAG—is available at (http://www.principalglobalindicators.org/default.aspx)

9. In March 2010, the IMF Executive Board took a number of decisions related to recommendations #2, and #12. In particular, the IMF Executive Board decided to enhance the Special Data Dissemination Standard (SDDS) by:[2]

a) Including seven FSIs into the SDDS on an "encouraged" basis (that is, not legally "prescribed" under the SDDS)—to strengthen information about the financial sector and better detect system risks (Recommendation # 2); and

b) Moving to quarterly reporting (from annual) of the IIP data, with a maximum lag of one quarter (quarterly timeliness), on a "prescribed" basis, after a four year transition period—in order to better understand cross-border linkages (Recommendation #12).[3]

[2] IMF Public Information Notice (PIN) 10/41 of March 23, 2010.

10. Also in March 2010, the IMF Executive Board approved a phased migration strategy for implementing the *Government Finance Statistics Manual 2001* (*GFSM 2001)* as the standard for IMF fiscal data (Recommendation #17).[4] This will contribute to better and more comparable fiscal data, including on government assets and liabilities.

11. In June 2009, the Committee on the Global Financial System (CGFS) approved changes to Credit Risk Transfer Statistics (Recommendation #5) that include improved information on counterparty risk and exposure to various reference entities and expanding the reporting to collect details on instruments such as index CDS contracts (http://www.bis.org/publ/cgfs35.htm). Subsequently, agreements have been reached by the BIS with the reporting central banks to report these new datasets, with implementation phased in 2 steps, for June 2010 and June 2011 data.

12. Progress has also been made to enhance securities statistics (Recommendation #7) both conceptually through the BIS-ECB-IMF *Handbook on Securities Statistics* and through the collection of data by the BIS. Moreover, the BIS have solicited authorization from a wider range of central banks to report residential property price indices for dissemination on the BIS website (Recommendation #19).

13. The World Bank's public sector debt database (Recommendation #18), developed under the auspices of Task Force on Finance Statistics (TFFS),[5] was launched in December 2010. The database collects quarterly public sector debt data primarily from developing and emerging market countries. The March 2011 TFFS meeting agreed for the World Bank to investigate with partner agencies the possibility of including advanced countries.

14. The global financial crisis reinforced the importance of integrated economic data, both stocks and flows, so that the impact of developments in one sector of the economy on other sectors, and flows such as valuation changes, can be reliably analyzed. Strengthening flow of funds and sectoral accounts information is reflected in Recommendation #15. The IMF has created an inventory of existing practices, and jointly with the OECD convened a conference of experts in late February 2011, to share experiences, discuss the gaps, and identify ways to take this work forward. The conference discussed and agreed on the basic features of a common reporting template. The discussion on implementation of this work is to take place in various forums in particular, the OECD National Accounts Working Party and the OECD Working Party on Financial Statistics.

15. The OECD, jointly with Eurostat and the ECB has also advanced work on Recommendation #16 on distributional aspects. In particular, two expert groups were set up to discuss how distributional information can be consistently integrated into the national accounts and how joint distributions of income, wealth and consumption can be drawn up for individuals and households. Both expert groups have started their work with reports forthcoming by the end of 2012.

16. Two recommendations deserve particular attention because of their importance in helping to understand cross-border financial networks (recommendations #10 and #11). These recommendations build on the existing initiatives of the quarterly BIS International Banking Statistics (IBS) and the annual IMF Coordinated Portfolio Investment Survey (CPIS), which provide data on cross-border banking transactions and portfolio debt and

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[3] It was also decided to add a simplified table on countries' external debt by remaining maturity (on an encouraged" basis) to better monitor the vulnerability of domestic economies to shocks.

[4] See http://www.imf.org/external/pp/longres.aspx?id=4431.

[5] The TFFS consists of representatives of the BIS, Commonwealth Secretariat, ECB, Eurostat, IMF (Chair), OECD, Paris Club, UNCTAD and the World Bank.

equity positions respectively.[6] These data sets help track financial transactions and/or positions on a bilateral basis.

17. In addition to enhancements regarding country coverage, the CGFS and the IMF Committee on Balance of Payments Statistics (BOPCOM) created working groups to study other enhancements (such as the separate identification of nonbank financial institutions in the consolidated banking data, as well as information required to better track funding patterns and maturity mismatches in the international financial system in the case of the BIS (also relevant for Recommendation # 4); and, the enhancement of the frequency and timeliness of the CPIS data and the identification of the institutional sector of the foreign debtor in the case of the IMF). In October 2010, BOPCOM agreed to make the CPIS a semi-annual exercise. The CGFS is expected to discuss enhancements to the BIS international banking statistics in the coming months. The involvement of all the G-20 economies in these two long-standing collections is fundamental given their relevance for understanding cross-border financial flows and positions. In particular, there are positive externalities that flow to other economies through mirror data that can be compiled from the counterpart information supplied. In this regard, the IMF and the BIS continue to work to increase country participation in the CPIS, and the IBS, respectively.

18. Regarding the Rapid Estimates work, the Third International Seminar on Early Warning and Business Cycle Indicators was held on 17 – 19 November in Moscow, Russia. The seminar was jointly organized by UNSD, Eurostat, Statistics Canada, Statistics Netherlands and the Federal State Statistics Service of the Russian Federation. The previous two seminars were held in Ottawa (Canada) and Scheveningen (The Netherlands). This third and final seminar in this series formulated recommendations for the monitoring of business cycles and early identification of turning points, as well as strategies for future work on improving statistical tools for this purpose. These recommendations and proposed work plan for implementation were presented to the United Nations Statistical Commission (UNSC) at its 42nd Session in February 2011. The UNSC endorsed the recommendations as well as the deliverables and urged for harmonization of practices on short-term indicators and provision of capacity building and training. The UNSC also supported the need to develop data hubs and asked for a report with detailed work program on short-term economic statistics for consideration in the near future. The implementation of the recommendations is expected to take into account the requirements of national accounts, national statistical systems, and other national governance arrangements.

19. During the period September 2010-March 2011, IMF staff undertook bilateral consultations with individual G-20 economies to discuss with the authorities the challenges, resource implications, and reporting practices involved in implementing the envisaged work plans to address the 20 recommendation under the Data Gaps Initiative. These consultations, which will be reflected in a third progress report that G-20 Ministers of Finance and Central Bank Governors requested by June 2011, informed the agenda of the third Senior Officials Conference jointly organized by the staffs of the IMF and Financial Stability Board (FSB) Secretariat in Washington, DC during March 30-31, 2011. Similar to the previous two events held in Washington and Basel in 2009 and 2010, respectively, this conference was part of the consultative process leading to the preparation of the June 2011 progress report on the Data Gaps Initiative.

[6] The IMF also conducted a Coordinated Direct Investment Survey with a reference date of end-2009. The first results were released at the end of calendar 2010.

IV. What are the major challenges

20. While progress is being made in closing data gaps in areas where the conceptual framework is already established, it has become evident that closing the gaps where the statistical framework is still not fully developed poses significant challenges.

21. The assessment of tail risks in the financial system (Recommendation #3) and the build-up of leverage and maturity mismatches within the financial system (Recommendation #4) are two areas were conceptual frameworks need to be developed before ascertaining specific data collection demands. This is further complicated by the fact that the measurement of leverage and maturity mismatches is not necessarily conceptually uniform across sectors, institutions or markets and, therefore, it may prove difficult (or in fact misleading) to devise aggregate measures across sectors. The IMF and the BIS staff are working closely on addressing these gaps. But pursuing this work further is likely to involve longer-term projects, as the analytical and data challenges involved remain significant.

22. It is imperative that data collection efforts particularly on global financial networks (Recommendation #8) take cognizance of international dimensions and must seek appropriate participation from regulators and supervisors worldwide, especially in jurisdictions with significant financial centers. For instance, the international nature of financial markets hampers the extent to which one economy acting single-handedly can organize data on financial markets globally. However, moving from identification of data gaps to efficient systems of data collection and reporting on G-SIGIs is challenging and requires prioritization of activities, effective coordination and cooperation among international agencies and national authorities, adequate resources, and appropriate legislative framework to improve the ability of regulatory/ supervisory and statistical agencies to collect the necessary data.

23. It is in recognition of these factors that the FSB Secretariat in close consultation with IMF Statistics Department and support from the IMF's Monetary and Capital Market Department adopted a consultative international approach to developing a common reporting template for G-SIFIs, as required in recommendation #8 and #9 of the G-20 Report. This work, involving financial stability experts, supervisors, and statisticians from the FSB membership, is coming to fruition with the FSB working group having produced a final report in March 2011. It is to be discussed at an FSB Plenary meeting in early April 2011.

V. Way forward

24. The next progress report requested by the G-20 Ministers of Finance and Central Bank Governors by June 2011 will provide progress on the work thus far, the outcomes of the bilateral visits, and proposals going forward. In this context, work is proceeding on all the recommendations, in consultation with the IAG members, and the third Senior Officials conference in Washington, DC on March 30-31, 2011.

Figure 1.
Overview of the 20 Recommendations for the G-20

	Conceptual/statistical framework needs development	*Conceptual/statistical frameworks exist and ongoing collection needs enhancement*
Build-up of risk in the financial sector	#3 (Tail risk in the financial system and variations in distributions of, and concentrations in, activity) #4 (Aggregate Leverage and Maturity Mismatches) #6 (Structured products)	#2 (Financial Soundness Indicators (FSIs)) #5 (Credit Default Swaps) #7 (Securities data)
Cross-border financial linkages	#8 and #9 (Global network connections and systemically important global financial institutions) #13 and #14 (Financial and Nonfinancial Corporations cross-border exposures)	#10 and #11 (International Banking Statistics (IBS) and the Coordinated Portfolio Investment Survey (CPIS)) #12 (International Investment Position (IIP))
Vulnerability of domestic economies to shocks	#16 (Distributional Information)	#15 (Sectoral Accounts) #17 (Government Finance Statistics) #18 (Public Sector Debt) #19 (Real Estate Prices)
Improving communication of official statistics		#20 (Principal Global Indicators)

Summary Table.
Recommendations

Recommendation
1. Staff of FSB and the IMF report back to G-20 Finance Ministers and Central Bank Governors by June 2010 on progress, with a concrete plan of action, including a timetable, to address each of the outstanding recommendations. Thereafter, staff of FSB and IMF to provide updates on progress once a year. Financial stability experts, statisticians, and supervisors should work together to ensure that the program is successfully implemented.
Monitoring Risk in the Financial Sector
2. The IMF to work on increasing the number of countries disseminating Financial Soundness Indicators (FSIs), including expanding country coverage to encompass all G-20 members, and on other improvements to the FSI website, including preferably quarterly reporting. FSI list to be reviewed.
3. In consultation with national authorities, and drawing on the *Financial Soundness Indicators Compilation Guide*, the IMF to investigate, develop, and encourage implementation of standard measures that can provide information on tail risks, concentrations, variations in distributions, and the volatility of indicators over time.
4. Further investigation of the measures of system-wide macroprudential risk to be undertaken by the international community. As a first step, the BIS and the IMF should complete their work on developing measures of aggregate leverage and maturity mismatches in the financial system, drawing on inputs from the Committee on the Global Financial System (CGFS) and the Basel Committee on Banking Supervision (BCBS).
5. The CGFS and the BIS to undertake further work in close cooperation with central banks and regulators on the coverage of statistics on the credit default swap markets for the purpose of improving understanding of risk transfers within this market.
6. Securities market regulators working through IOSCO to further investigate the disclosure requirements for complex structured products**,** including public disclosure requirements for financial reporting purposes**,** and make recommendations for additional improvements if necessary, taking account of work by supervisors and other relevant bodies.
7. Central banks and, where relevant, statistical offices, particularly those of the G-20 economies, to participate in the BIS data collection on securities and contribute to the further development of the BIS-ECB-IMF *Handbook on Securities Statistics* (*Handbook*). The Working Group on Securities Databases to develop and implement a communications strategy for the *Handbook*.

International Network Connections

8. The FSB to investigate the possibility of improved collection and sharing of information on linkages between individual financial institutions, including through supervisory college arrangements and the information exchange being considered for crisis management planning. This work must take due account of the important confidentiality and legal issues that are raised, and existing information sharing arrangements among supervisors.

9. The FSB, in close consultation with the IMF, to convene relevant central banks, national supervisors, and other international financial institutions, to develop by end 2010 a common draft template for systemically important global financial institutions for the purpose of better understanding the exposures of these institutions to different financial sectors and national markets. This work should be undertaken in concert with related work on the systemic importance of financial institutions. Widespread consultation would be needed, and due account taken of confidentiality rules, before any reporting framework can be implemented.

10. All G-20 economies are encouraged to participate in the IMF's Coordinated Portfolio Investment Survey (CPIS) and in the BIS's International Banking Statistics (IBS). The IMF and the BIS are encouraged to continue their work to improve the coverage of significant financial centers in the CPIS and IBS, respectively.

11. The BIS and the CGFS to consider, amongst other improvements, the separate identification of nonbank financial institutions in the consolidated banking data, as well as information required to track funding patterns in the international financial system. The IMF, in consultation with the IMF's Committee on Balance of Payments Statistics, to strive to enhance the frequency and timeliness of the CPIS data, and consider other possible enhancements, such as the institutional sector of the foreign debtor.

12. The IMF to continue to work with countries to increase the number of International Investment Position (IIP) reporting countries, as well as the quarterly reporting of IIP data. The *Balance of Payments and International Investment Position Manual,* sixth edition (*BPM6*) enhancements to the IIP should be adopted by G-20 economies as soon as feasible.

13. The Interagency Group on Economic and Financial Statistics (IAG) to investigate the issue of monitoring and measuring cross-border, including foreign exchange derivative, exposures of nonfinancial, and financial, corporations with the intention of promoting reporting guidance and the dissemination of data.

14. The IAG consulting with the FSB to revisit the recommendation of the G-22 to examine the feasibility of developing a standardized template covering the international exposures of large nonbank financial institutions, drawing on the experience with the BIS's IBS data, other existing and prospective data sources, and consulting with relevant stakeholders.

Sectoral and Other Financial and Economic Datasets

15. The IAG, which includes all agencies represented in the Inter-Secretariat Working Group on National Accounts, to develop a strategy to promote the compilation and dissemination of the balance sheet approach (BSA), flow of funds, and sectoral data more generally, starting with the G-20 economies. Data on nonbank financial institutions should be a particular priority. The experience of the ECB and Eurostat within Europe and the OECD should be drawn upon. In the medium term, including more sectoral balance sheet data in the data categories of the Special Data Dissemination Standard could be considered.

16. As the recommended improvements to data sources and categories are implemented, statistical experts to seek to compile distributional information (such as ranges and quartile information) alongside aggregate figures, wherever this is relevant. The IAG is encouraged to promote production and dissemination of these data in a frequent and timely manner. The OECD is encouraged to continue in its efforts to link national accounts data with distributional information.

17. The IMF to promote timely and cross-country standardized and comparable government finance data based on the accepted international standard, the *Government Finance Statistics Manual 2001*.

18. The World Bank, in coordination with the IMF, and consulting with the Inter-Agency Task Force on Finance Statistics, to launch the public sector debt database in 2010.

19. The Inter-Secretariat Working Group on Price Statistics to complete the planned handbook on real estate price indices. The BIS and member central banks to investigate dissemination on the BIS website of publicly available data on real estate prices. The IAG to consider including real estate prices (residential and commercial) in the Principal Global Indicators (PGI) website.

Communication of Official Statistics

20. The G-20 economies to support enhancement of the Principal Global Indicators website, and close the gaps in the availability of their national data. The IAG should consider making longer runs of historical data available.