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##### Outcomes of the in-depth reviews carried out by the CES Bureau

### Outcome of the in-depth review of banking, insurance and finance statistics

#### Note by the secretariat

##### *Summary*

This note provides information on the outcome of the in-depth review of banking, insurance and finance statistics, carried out by the Bureau of the Conference of European Statisticians in November 2012.

The review covered statistics pertaining to banking, insurance and other financial corporations, including data on the financial and nonfinancial assets and liabilities of an economy's financial corporations sector.

The in-depth review was based on a paper by the International Monetary Fund and an additional note by Mexico (ECE/CES/BUR/2012/NOV/3/Add.1). The updated in-depth review paper is available as document ECE/CES/2013/8.

## I. Introduction

1. The Bureau of the Conference of European Statisticians (CES) reviews each year selected statistical areas in depth. The purpose of the reviews is to improve coordination of statistical activities in the region of the United Nations Economic Commission for Europe (UNECE), identify gaps or duplication of work, and address emerging issues. The review focuses on strategic issues and highlights concerns of statistical offices of both a conceptual and coordinating nature.
2. The CES Bureau selected the topic of banking, insurance and finance statistics for review, because of the increased importance of this area due to the global financial crisis. The crisis has highlighted the need for relevant and timely monetary statistics and for placing more emphasis on financial corporations in order to reflect their growing role.
3. The Bureau carried out the in-depth review in November 2012 based on a paper by the International Monetary Fund (IMF) and an additional note by Mexico. The updated version of the in-depth review paper is presented as document ECE/CES/2013/8.

## II. Conclusions of the in-depth review paper

4. Monetary and financial statistics (MFS) consist of data on the financial and nonfinancial assets and liabilities of an economy's financial corporations sector. The paper provided in-sights into the evolving scope of MFS and gave an overview of the related statistical frameworks and methodology, including data collection and dissemination. The paper concluded by listing the following challenges and development needs with MFS:
  - (a) New areas of monetary statistics that are evolving in order to better meet emerging data needs: (i) measuring financial innovations, new financial instruments and new kinds of financial institutions; (ii) closing data gaps revealed by the analysis of the recent global financial crisis and (iii) updating the methodology according to the System of National Accounts (*SNA 2008*) and the Balance of Payments methodology (*BPM6*);
  - (b) Coordination and data sharing between national accounts and financial statistics, including the exchange of micro-data is important for data quality and for understanding the mechanisms of interaction between the financial and real sector. Currently, cooperation is promoted by the joint meetings of the OECD Working Party on Financial Statistics and the Working Party on National Accounts;
  - (c) More emphasis is placed on other financial corporations (OFCs), reflecting their growing role. Having more complete and detailed data on OFCs would enable monetary statisticians to compile accounts for the entire financial sector;
  - (d) The above would also provide information on the financial intermediation activities undertaken by nonbank financial institutions or *shadow banking*, which replicate some of the activities of regulated banks, but do not operate in the same regulatory environment. This is particularly important for financial stability and vulnerability analysis;
  - (e) The recent global financial crisis has highlighted the need for more complete data on the potential risks arising from systemically important financial institutions (SIFIs), including their interconnectedness. A set of common templates is being developed by a working group of the Financial Stability Board (FSB) with support from the IMF for collection of data on global systemically important financial institutions;

(f) Increasingly, monetary statistics are starting to compile flow data (transactions, valuations, and other changes in volume) to facilitate more incisive analysis for monetary policy and foster consistency between monetary and macroeconomic datasets;

(g) “*Recommendation 15*” of the G-20 report<sup>1</sup> calls for G-20 countries to compile a set of sectoral balance sheets and flow of funds statements that will highlight the financial interconnections between sectors, and the interaction between real and financial activities. This work led by the IMF in cooperation with the Bank for International Settlements (BIS), European Central Bank (ECB), Eurostat, the Organisation for Economic Co-operation and Development (OECD), and the United Nations could result in greater cooperation between national accountants and MFS compilers.

### III. Summary of the discussion by the Bureau

5. The Bureau discussed banking, insurance and finance statistics in November 2012. The following points were raised in the discussion:

(a) The paper provides a good stock-taking of the activities in banking, insurance and financial statistics. There is good international cooperation in this area, especially following the G20 initiative to fill the data gaps revealed by the financial crisis. The importance of the G20 recommendations should be better emphasised in the paper;

(b) The cooperation between central banks and national statistical offices is an important topic for the paper. The practices differ between countries and it would be useful to identify the most efficient ways to collect the data;

(c) The household perspective and the monitoring of the financial and non-financial assets of households are also relevant considering financial statistics, for example the ECB Household Finance and Consumption Survey and its coordination with the national statistical offices. An OECD expert group on household consumption, income and wealth aims to reconcile the definitions of income and wealth, and prepare guidelines on measuring households’ financial wealth;

(d) Financial inclusion is an emerging topic requiring attention. For example, Mexico is carrying out a special survey to measure financial inclusion. Some data on the issue are being collected through surveys that include questions on access to basic financial services, or via consumer confidence surveys;

(e) Reconciliation between national accounts and financial statistics, including exchange of micro-data, could be given more prominence in the paper. This is important for data quality and understanding of the mechanisms between the financial and real sector activities;

(f) As proposed in the paper, increasing focus needs to be brought on the non-banking financial sector (shadow banking). Another area requiring more attention is the non-bank and insurance statistics;

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<sup>1</sup> In November 2009 the G-20 finance ministers and central bank governors endorsed 20 recommendations to address information gaps described in the report “*The Financial Crisis and Information Gaps*” prepared by the FSB Secretariat and IMF staff (FSB and IMF, 2009). Also, see “G-20 Data Gaps Initiative: Economic and Financial Statistics Following the Global Financial Crisis”, Heath (2011)

(g) The emphasis of ECB work is moving from monetary policy towards supervisory tasks. Comparability of supervisory data is problematic even at the EU level. These data can provide information about financial stability and the key risk indicators;

(h) Financial literacy is becoming an issue of increasing interest. Questions on the competency of adults to read financial information will be added to the OECD Programme for the International Assessment of Adult Competencies (PIAAC).

#### **IV. Conclusion**

6. The many initiatives in the area of finance statistics were found to be well coordinated, especially following the Group of Twenty (G20) initiative to fill the data gaps revealed by the financial crisis. The Bureau, therefore, saw no need to launch new work in this area, although it found that there is room for further strengthening of the cooperation between national statistical offices and central banks.

#### **V. Proposal for the Conference**

7. The Conference of European Statisticians is invited to endorse the outcome of the in-depth review on banking, insurance and finance statistics, and take note of the updated in-depth review paper by IMF (ECE/CES/2013/8).

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