



EUROPEAN CENTRAL BANK

EUROSYSTEM

Global financial and economic crises: Lag in statistics or slow in policy actions?



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Global crises: Lag in statistics or slow in policy actions

Outline of the presentation

- ▶ The importance of statistics in measuring the health of the economy
- ▶ The new challenges in managing systemic risks
- ▶ The policy response - safeguarding the financial system
- ▶ Increasing importance of statistics and the challenges
- ▶ Conclusions – and what is next?

“For it is your business, when the wall next door catches fire”

Horace 65-8 BC, Epistles

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The importance of statistics in measuring the health of the economy

- Statistics is our radar screens reflecting the structure and dynamics of our democracies
- Statistics reflects and explains complex financial and economic phenomena, as well as their relative importance in, and impact on the real economy.
- Statistics needs to be continuously safeguarded; quality and political cycles
- Factual and independent statistics contributes to building public support for and trust in the pursuit of price and financial stability and prudent economic policies

Statistics did not cause the financial crises – though it cannot be completely ruled out that certain statistics may have amplified the crises

Does the value of a number increases in time of crises?

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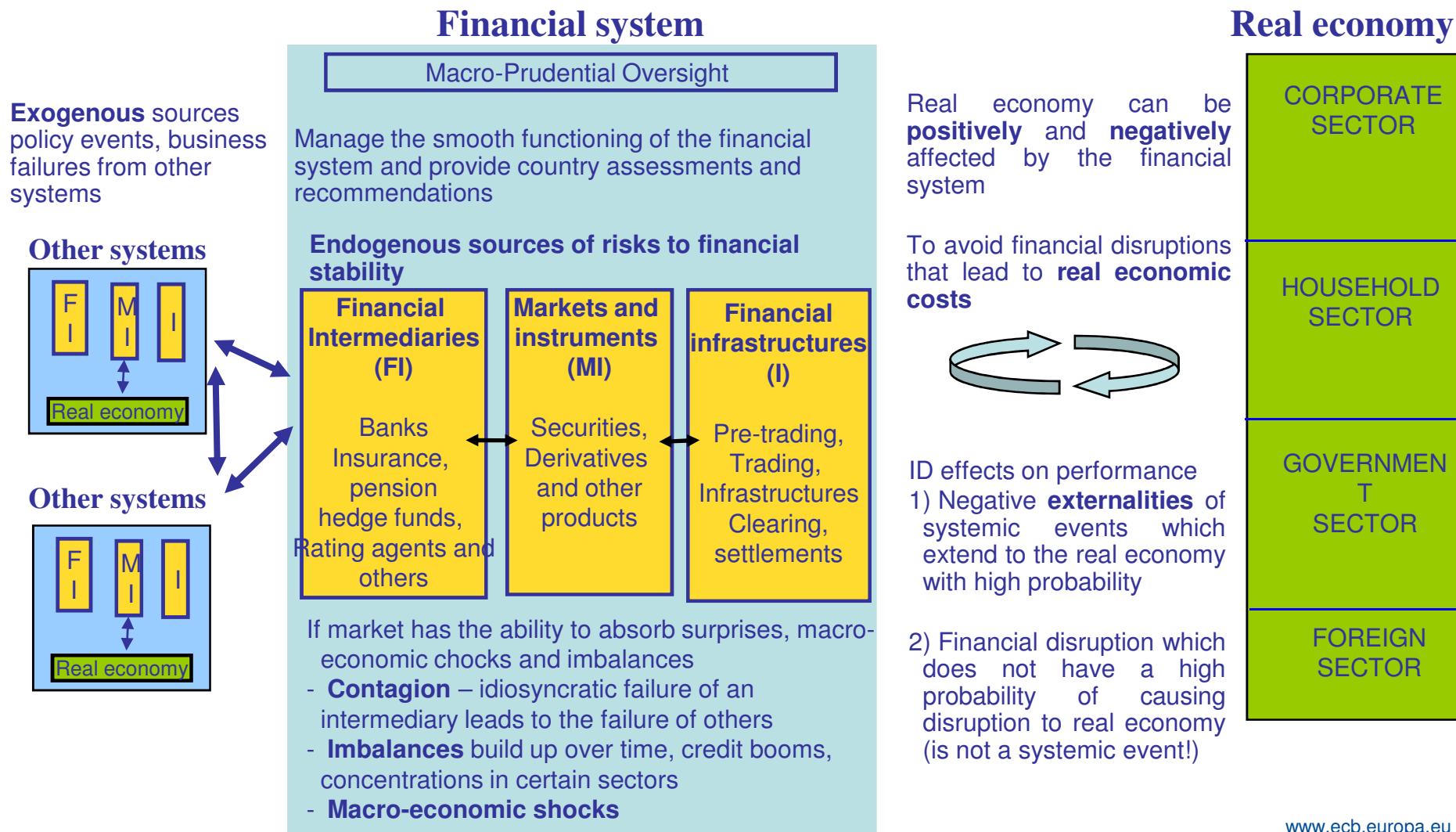
The importance of statistics in measuring the health of the economy

- Early financial markets statistics indicators signalled increasing risk premium for holding certain banks and sovereign debt securities
- Official statistics are used to measure government debt levels, government finances and for multilateral surveillance purposes. If the **quality** and **trust** is questioned, it may have
 - contributed to the financial turmoil
 - Created collective reputational damage to statistics
- Statistics is increasing in importance and will be used for triggering corrective policy actions

Statistics is part of the solution to safeguard financial stability

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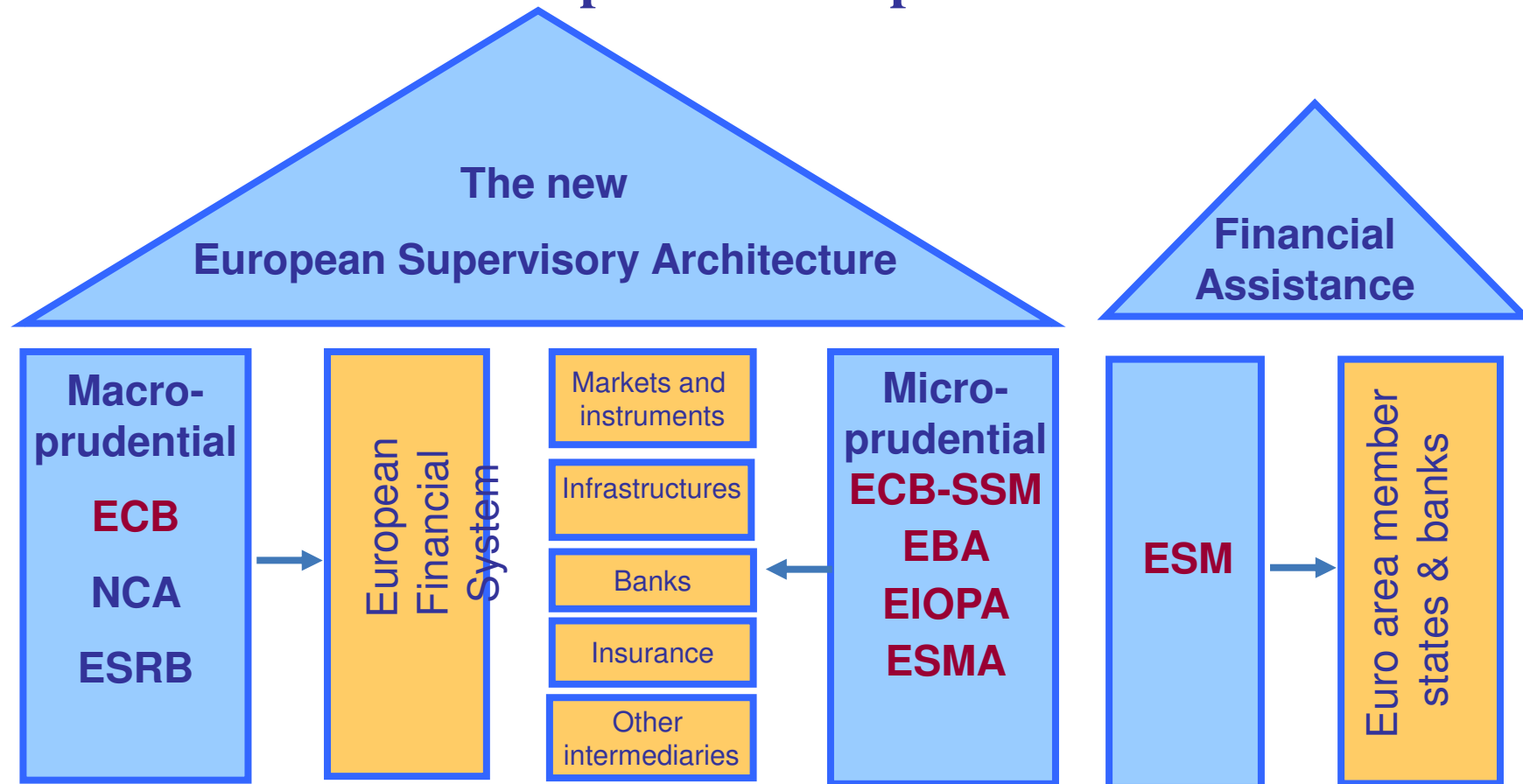
The new challenges in managing systemic risks



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The policy response - safeguarding the financial system

The new European landscape – New ECB tasks



Source: Detken C and Nyman-Andersen, P. (2013), "The new financial stability framework in Europe", within the "Handbook on systemic risk", Edited by Jean-Pierre Fouque and Joseph A. Langsam, Cambridge University Press. 2013. New European agencies or new tasks to existing institutions are underlined.

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The policy response - safeguarding the financial system

On the road to an European Banking Union

!

Banking Union aims at building an integrated financial framework to safeguard financial stability and minimise the cost of bank failures:

- A **Single Supervisory Mechanism (SSM)** at the ECB and a single rulebook for European supervision
- A **Single Resolution Mechanism** and the possibility of direct capitalisation of banks by the European Stability Mechanism
- Harmonisation of Member States' **deposit guarantee schemes** and the establishment of a common European system of **deposit protection**

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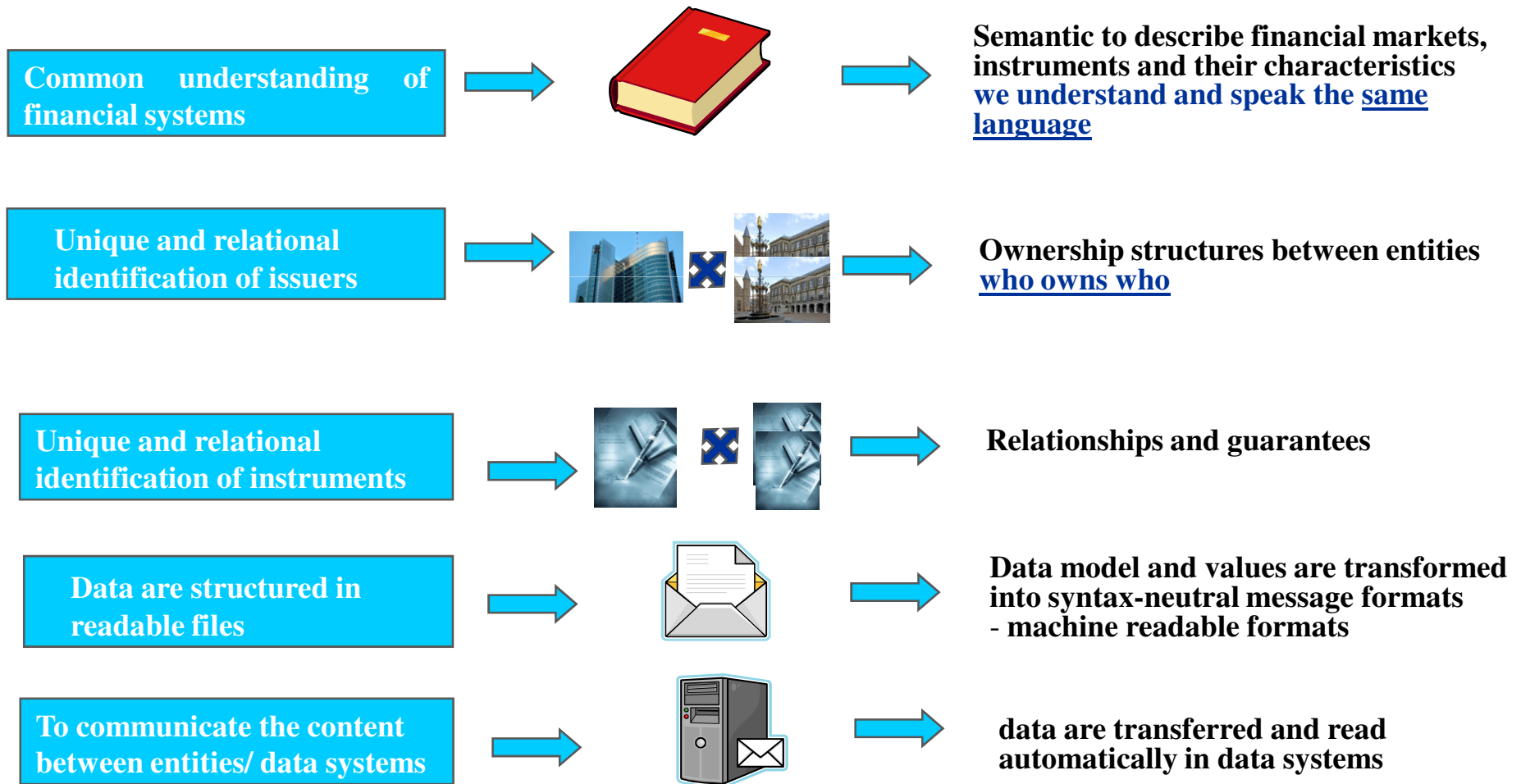
Increasing importance of statistics and the challenges

- Statistics and financial data are essential for supporting the analytical tools and models employed in the assessment of financial system
- New mandates for statistics to support fully both the macro and micro prudential analytical framework
- The focus has shifted to provide more
 - timely statistics – flash indicators and earlier releases
 - broader scope – looking beyond the financial sector
 - more detailed and disaggregated statistics – micro level statistics
 - counterparty information – who is holding which loans and securities
 - risk based on group information and cross institutional comparison

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Increasing importance of statistics and the challenges

- Increased focus on necessary standardisation work



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Increasing importance of statistics and the challenges

- Focus on international & supra-national reporting templates for cross country and regional comparisons (*think global, act local*)
- Sharing, linking and providing access to information among authorities
- Micro aggregation methods and confidentiality protection
- Use of ad hoc surveys to monitor innovations in markets
- Using private and non official sources to fill the necessary gaps
- Streamline production and quality process (input-throughput- output)
- Communicate and facilitate the accessibility and presentational of statistics

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Conclusions – Main take aways

- ***Statistics did not cause the financial crises*** – though it cannot be completely be ruled out that certain statistics may have amplified the effects!
- The increasing importance of statistics and the necessity to safeguard the **quality** and the **production** of statistics as part of enhancing trust
- Significant policy responses to safeguard the financial system
- **Statistics is part of the solution** to safeguard financial stability
- New mandates, responsibilities and challenges for statistics
- The challenges are manifold, both in scope, level of details and how we can produce and link information together for providing statistics

We, statisticians should be proud of statistics and communicate the value of providing factual knowledge for sound decision making

Statistics is the source of knowledge

Q&A

