



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Central Bank of Ireland contribution to the Economic Statistics Review Group

17 October 2016



Central Bank of Ireland's Role in Statistics

- Bank has statutory obligations to produce statistics as part of the ESCB
- Statistics Division collects and analyses data on over 6,500 institutions
 - credit institution, investment funds, insurance corps, special purpose vehicles & more
- The Division uses this data to:
 - produce financial statistics for use by the Central Bank, international organisations, Government departments
 - meet legal obligations to the ECB for monetary policy, financial stability etc.
 - disseminate public information
 - analyse economic developments
 - provide data to the CSO for the compilation of national accounts & BOP/IIP



Responsibilities between ECB and the Eurostat

as outlined in MoU on Economic and Financial Statistics



- Money, banking and financial market
- Int. reserve
- Gov bond yields



- BOP/IIP
- Financial acc

- Non-financial acc
- General economic inc
HICP, national
accounts, labour
markets etc;



National arrangements

In Ireland, shared responsibilities are arranged as follows:

- CSO national compiler of BoP; CBI supply significant data on the financial sector
- CBI responsible for Quarterly Financial Accounts ; CSO for Annual Financial Accounts

Both institutions cooperate closely

- Minimise duplication in collections
- Statistical Liaison Group (and subgroups) between CSO and CBI
- Joint participation in international working groups
 - e.g. European Statistical Forum, Committee on Monetary, Financial and Balance of Payments Statistics



Focus of Statistical Development at the Bank

1. Granular data

- Instrument-by-instrument databases
 - Loan (e.g. CCR/AnaCredit), borrower, holder and security level
- Compile multiple outputs/views from consistent source data
- Do not need to know output/question ex-ante
- Potential to reproduce historic time series for new user needs

2. Expanding sector coverage

- Custodians (incl Household holdings), SPVs, Insurance corps, Pension funds, payment & credit card statistics



Potential further uses for CBI data?

CSDB for income flows and early identification of redomiciled entities

Income and expenditure statement for banks and other financial entities

Value added of the Financial Sector: FISIM

Non-bank funding sources

Credit card data for consumer spending



Lessons Learned to Date

Close cooperation between institutions is vital as demands grow

- Efficiency
 - Limited resources
 - Minimise duplication
 - Focus on our comparative advantages
- Granular data sources adds complexity to compilation and requires sector expertise
- Data quality and cross-checking at entity level
 - identify new entrants captured across system quickly
 - avoid double-counting and ensures consistent treatment
 - identify coverage gaps



Lessons Learned to Date *ctd*

Users quickly adopt local indicators as long as they are transparent and consistent over time

- Financial Statistics have long been impacted by IFSC activity and financial innovation
- CBI attempt to direct users to appropriate local measures which quickly get adopted
 - “adjusted adjusted” credit growth;
 - Publication of domestic banks balance sheet;
 - Publication of consolidated banking statistics (inconsistent with official BIS release);
 - Local adaptations to ECB interest rate statistics;



Recommendations #1

- Increased cooperation
 - Increase the flow of data and knowledge around the system
 - Use each others expertise through-out the entire production process
- Need to explore remaining legal obstacles to enhance data and knowledge exchange



Data sharing: international verses national legislation

Commission¹ and ECB legislation² allow data-sharing between NSIs and NCBs for statistical purposes

Irish Statistics Act 1993 more restrictive in terms of data-sharing

Quality and cost implications

- Increases risks of double-counting/under-reporting/inconsistency
- Duplication of activities e.g. two statistical registers
- Limits knowledge transfer required for iterative improvement in statistics

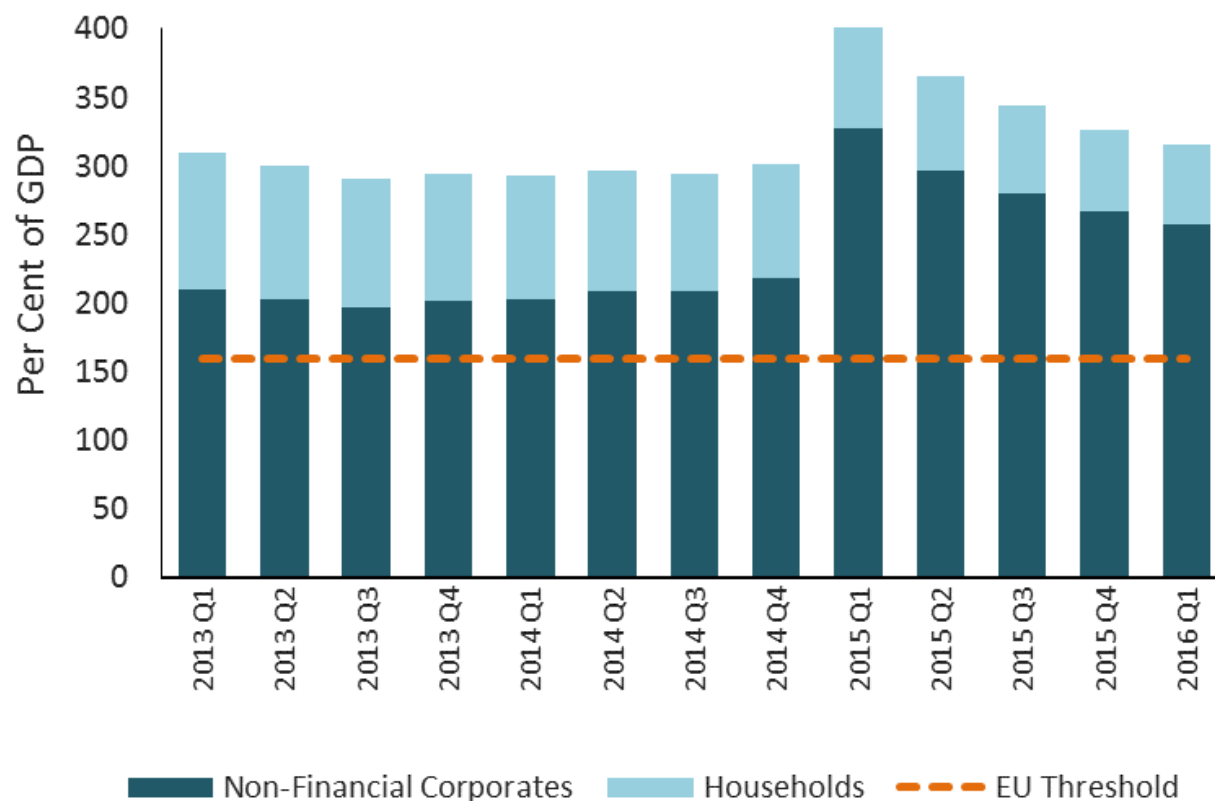
¹ REGULATION (EC) No 223/2009 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 March 2009

² COUNCIL REGULATION (EC) No 951/2009 of 9 October 2009



Shining light on NFCs in Quarterly Financial Accounts

Private Sector debt to GDP





Recommendations #2

Presentational/Communication

- Help users understand national compilation system
 - Continue to build on good release of methodological notes
 - More detailed and easily accessible manuals on national treatments
 - Worked examples (use working groups to develop these)
 - MNC activities impact all the national accounts, BOP and IIP
 - Decision tree on whether to treat an activity as a reclassification or a transaction
 - Recording press conferences for website



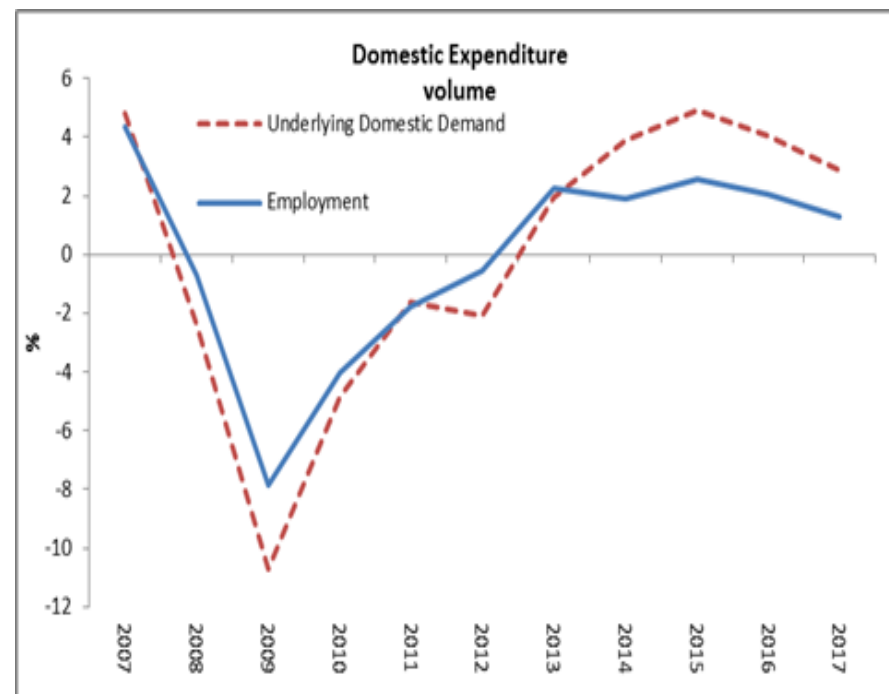
- Accounts must be useful to users
 - Relevant, informative, consistent, robust and publishable
- Extending and linking the accounts to enhance coherence and consistency is a promising approach
- Sectoral and micro-driven improvements should help with understanding the impact of globalisation on the NA and BOP
- Focus of domestic policy is on aggregates with domestic relevance
- To deal with macro issues we also need a macro framework
 - domestic-focused activity, policy analysis, forecasting, metrics



- Expenditure side has been compromised by massive gross flows
- The published data accurately reflects the changed treatment of capital formation and the consequences of globalisation
- But investment and trade data have become significantly distorted
- The practice of modifying the published data to improve its domestic macro relevance is becoming more widespread - subjectivity

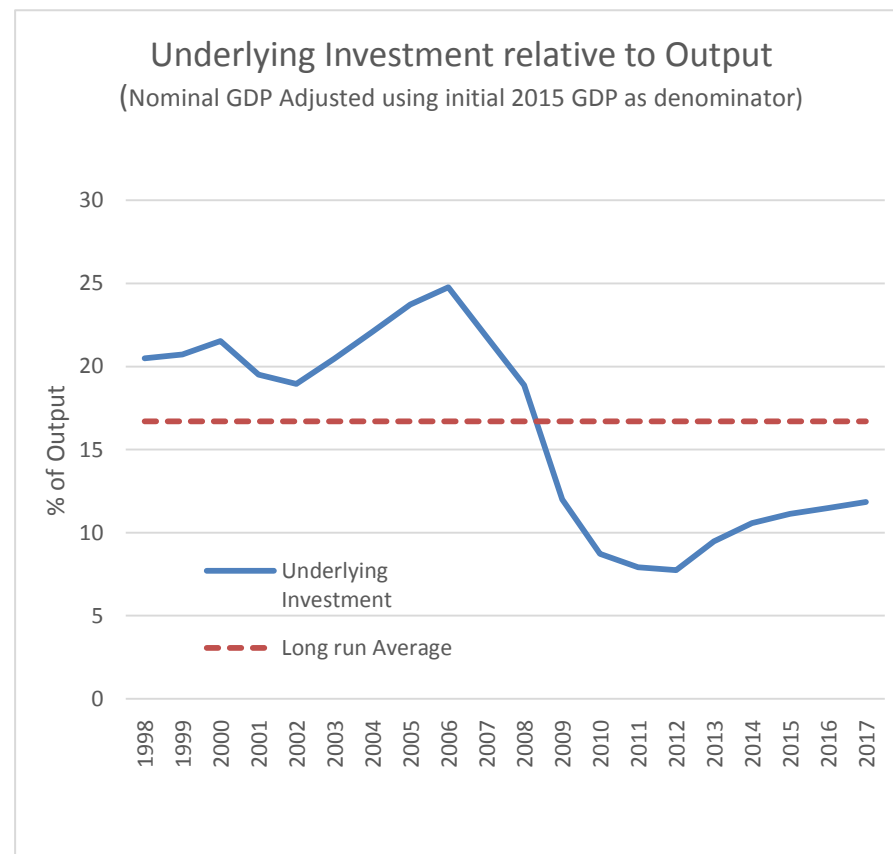


- Reflecting concerns about distortions to aggregate domestic demand the Bank developed and now uses an adjusted measure
- Underlying domestic demand is defined as domestic demand (C+I+G) less transport and intangibles related investment
- Developed initially to improve the link between demand and employment
- This or similar type measures now more broadly used





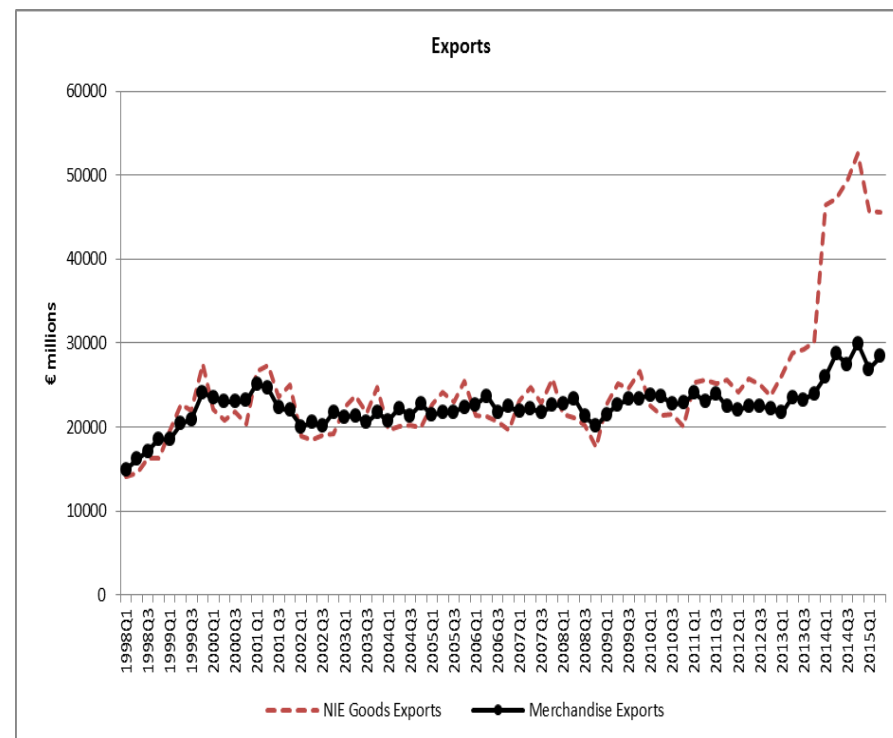
- Inclusion of IP and changes to aircraft leasing have pushed up headline investment and increased its volatility
- Have also delinked it from domestic developments
- More instructive to focus on underlying measure



Underlying trade measure



- CBI has not been able to calculate an underlying trade measure - contract manufacturing and aircraft
- While the application of the economic ownership concept predates ESA2010, a gap between goods exports in the National Accounts and in the External Trade stats has emerged in recent years
- On the export side, contract manufacturing the main factor at work
- Adjusting trade measures would require detail (some available, some not) on:
 - measure of CM
 - aircraft and leasing flows
 - business services/R&D services/royalty payments (?)





2. Extended National Accounts





- Many attempting to make similar-type adjustments to published data to create more meaningful macro aggregates
- Consistency could be achieved by publishing a set of adjusted aggregates as supplementary measures important for the understanding of domestic-focused activity, policy analysis and forecasting
- Additional to other proposals - domestic/foreign splits, net aggregates - as part of extended presentation



Annex



What statistics do CBI currently provide CSO with?

Credit institutions

*P&L, balance sheet,
security-by-security*

Money market
funds

Investment funds

CBI balance sheet

International
reserves, euro
banknotes

Centralised
Statistics Database
Extract

Irish Government
Bonds Holders

Financial Vehicle
Corporations

Inputs to Annual
Financial Accounts

Used for:

- IIP
- BoP
- Gov Stats
- Financial Accounts



Statistics the CSO provide the Bank with

BOP/IIP (monthly and quarterly) for the ECB

Gen. Government data for Financial Accounts

IIP sectoral breakdown for Financial Accounts

Indigenous and Public NFCs (annually)

Excessive Deficit Procedure annexes