

Sixth European Central Bank Statistics Conference:
“Central bank statistics as a servant of two separate mandates: price stability and mitigation of systemic risk”

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Session 2

How fit for use are statistics for macro-prudential oversight?

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Ladies and gentlemen,

- It is a great pleasure to address such a distinguished audience and follow up to the excellent speeches made by Vice-President Constâncio and Vice-Chair Ittner. As a Vice-President of the French Prudential Supervisory Authority and member of the General Council of the Banque de France, I am very glad to provide some insights on the use of statistics for macro-prudential purposes.
- At the Banque of France, we collect, produce and disseminate an impressive range of economic and financial statistics. Beyond monetary statistics, balance of payments data and national account statistics, this includes data computed from business surveys, statistics on the corporate sector and payment systems.
- I would like to address three points.

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1) Beyond regular and usual improvements, statistics in general do not suffer from a decisive lack of quality or of coverage hampering the financial stability analysis

- Macro-prudential oversight encompasses basically two dimensions of risk: risks of contagion, (cross-sectional dimension) and procyclicality (time dimension). In my view, the financial crisis was *not* caused directly by a major lack of information about those two elements. In that respect, based on the ex post knowledge that we have now about the roots of the crisis, we are able to point out useful indicators that could have helped us take actions earlier.
 - In particular, many elements were pointing to strong imbalances ahead of the start of the subprime crisis. This may encompass for example the deviations of asset prices and credit-to-GDP gap. Looking back, I think that more attention should have been given to internationally comparable property prices, loan growth volumes and balance-sheet information at the consolidated and global level.

- The aftermath of the financial and economic crisis offers an invaluable window of opportunity to improve our statistics. However, it is fair to say that it is a permanent concern for statisticians and that it is difficult to strike the right balance between overburdening the respondents and collecting enough detailed information to monitor the financial stability. Clearly however, the balance needs generally to be tilted towards quality and relevance, both aspects that are crucial for statistics being able to help mitigating the risks of financial bubbles or financial crisis. Indeed, comparing the costs of statistics and the formidable burden for the economy of a financial crisis immediately calls for such an orientation, which of course does not imply going too far in data compilation. In other words, quality, relevance and adaptability to changing circumstances seem to me to be three major directions to be followed in the statistical field.

2) A key challenge rests on promoting an optimal use of existing statistics

- Statistics have a key role to play as early warning signals to maintain financial stability.
 - The crisis showed that there were a lot of difficulties to interpret in a consistent and relevant manner the signals given by monetary and financial statistics. This reinforced the difficulties to take remedial actions on time.
 - Different reasons can explain such difficulties. For instance, it is no easy task to define unquestionable thresholds above which credit booms should be considered as bubbles rather than the financing of an expanding economy.
 - This being said, it does not mean that statisticians should not pursue their efforts to provide high quality data as their use for financial stability purposes raises issues related to data quality, frequency and availability.
 - As for quality, interesting research papers have shown that real-time decision based on data that were consequently revised afterwards could lead to erroneous decisions.
 - As for frequency, crisis management calls for a precise real-time information of the various linkages among the financial system. Market-data are known to be noisy and may overshoot news; this may call for more frequent non market based data.
 - Finally permanent efforts should be devoted to monitor the quality of already existing indicators or that of new ones. As their predictive power should be confronted to past actual crisis, this definitively calls for long and time-consistent historical time series allowing for the identification of specific events such as extreme shocks.
- The statistics should be an essential part of the toolbox to develop the general public's and decision makers' financial education and awareness.

In this context, statistics functions in central banks and international organizations have a key responsibility in enhancing the dissemination of information. As many colleagues do, the Banque de France Statistics General Directorate develops the information and awareness of the public.

3) Reaching these objectives still requires a lot of efforts that represent our challenges ahead

- Such goals put some strain on central banks' internal organization and are particularly demanding for the statistical function. First, there is a huge responsibility for central banks to maintain the business model of statistical functions as suitable and efficient as necessary. This is linked with the public good nature of statistics. Indeed, there is a need for statisticians to play the role of interface between users and reporters, which requires a large range of skills to understand the requirements of the former and the constraints of the latter. The need to invest in such fields is largely recognized in times of crisis but should not fade in calmer times.
- Close interaction between the various areas involved in statistical issues should be promoted (research, economics, monetary policy, financial stability, payment systems, and market operations) although they may operate with different time horizons. Indeed, modern statistics cross-checks micro and macro analyses in order to deal with economic issues as pertinently as possible.
- International fora in which data users may interact with data producers should be developed. The Irving Fisher Committee, to me, has a lot to offer in this regard, as it is designed to be “a forum of central bank economists and statisticians, as well as others who want to participate in discussing statistical issues of interest to central banks”.

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- In conclusion, I would like to underline that a better use of available information is one of the main challenges of financial stability. In view of the irreplaceable knowledge of the existing information, the statisticians have a key role to play in the macroprudential analysis. To be short, I believe that one of the lessons of the crisis is that the statistical function should pass from the 'back office' to the 'board room'.
- I thank you very much for your attention.