

## Sixth ECB Statistics Conference, 17-18 April 2012

How things have changed...

Financial market economists as users of economic statistics

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April 18, 2012

**This report is priced as of market close April 11, 2012 BST.**

**All values in euros unless otherwise noted.**

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# The financial market economist's job has changed...

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## Before the crisis...

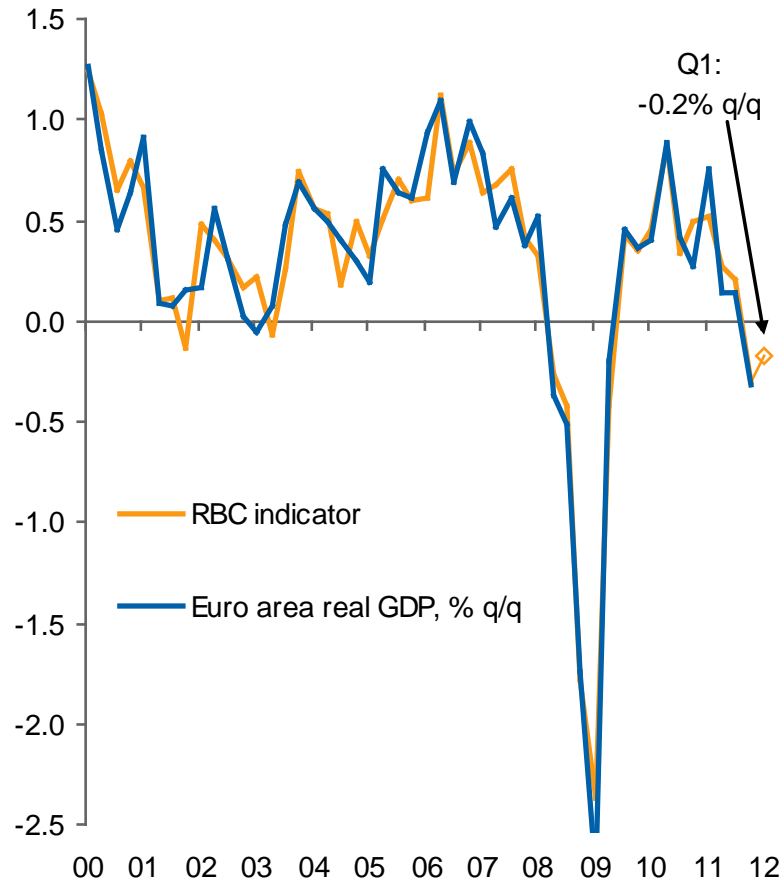
- Simple, shared canonical model
- Uncertainty is “limited”, structured
- FM economists produce estimate of models, data and predict uni-dimensional policy outcomes
- Communication easy as “storytelling” is similar
- Clients choose between marginally different “estimates”
- Statistics help to extract signals, focus on short-term forecasting of key statistics
- Less emphasis on cross-country, cross-sectional or longer-term perspective
- Not much need for economic history...

## ...and now

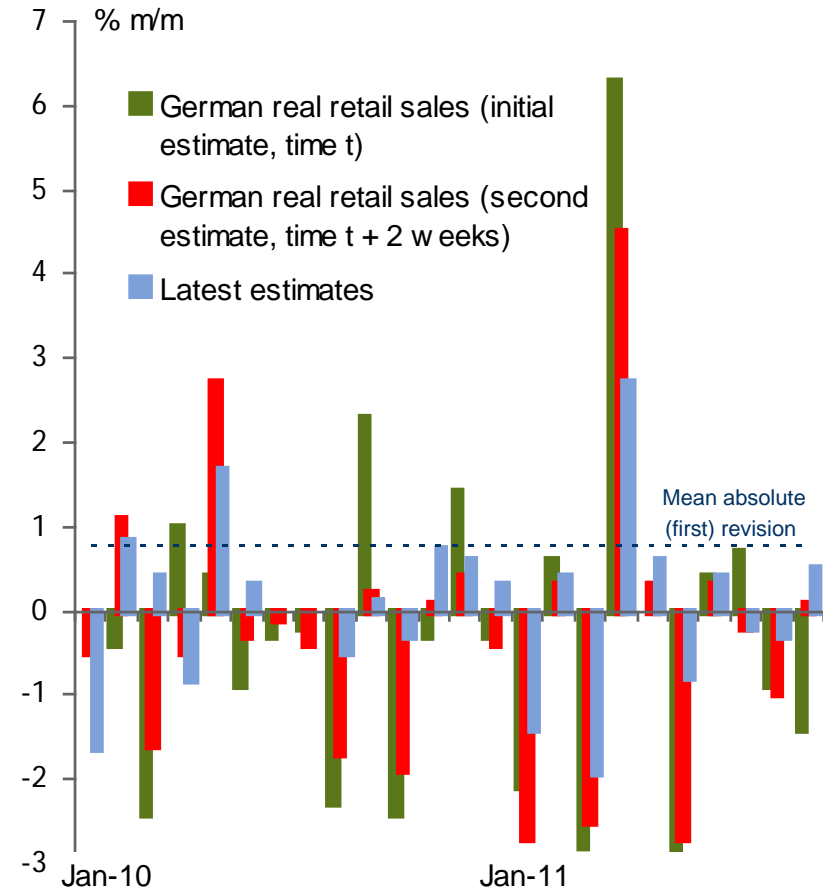
- Model/paradigm uncertainty more profound
- Data uncertainty more significant than thought
- No shared paradigm – FM economist have to choose between competing “schools” to produce a bottom line
- Clients choose between competing paradigms
- The policy response is multi-dimensional, strategic – less “will they or won't they cut”
- Statistics help building a broader narrative, a context
- More emphasis on cross country, cross-sectional and longer-term perspective
- Everyone's an economic historian now...

# Signal extraction remains an important part of the job description

**Euro area real GDP growth: outturns versus contemporaneous RBC indicator**



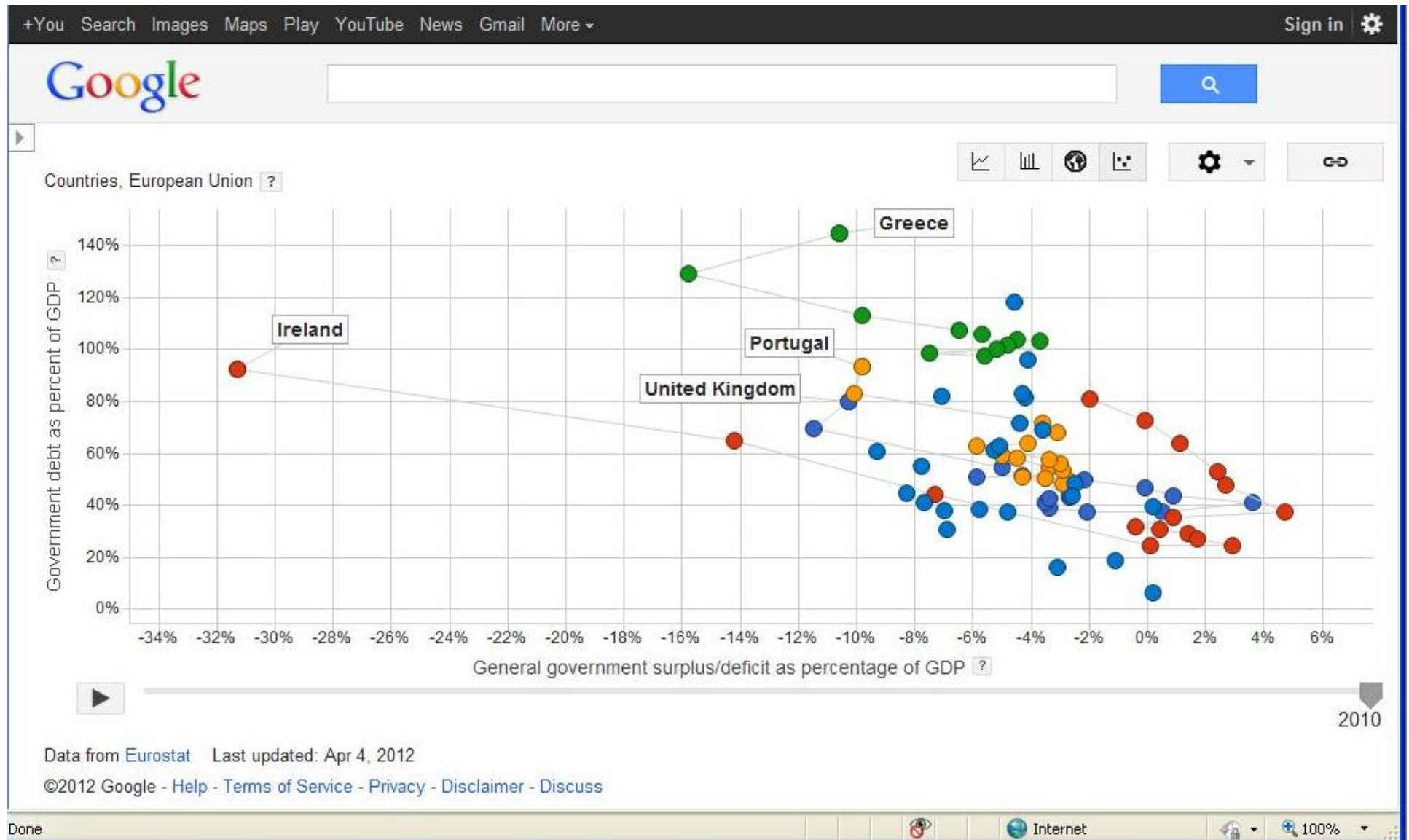
**German retail sales (real, ex autos): a selection of vintages over the past two years**



Source: Haver, Bloomberg, RBC Capital Markets

...but sometimes less is more

# Set the data free – let them speak!



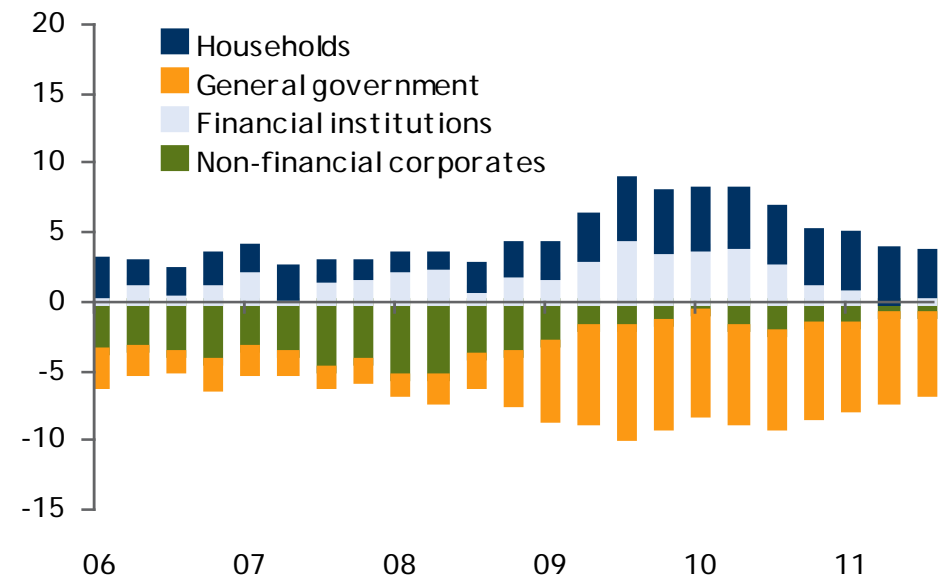
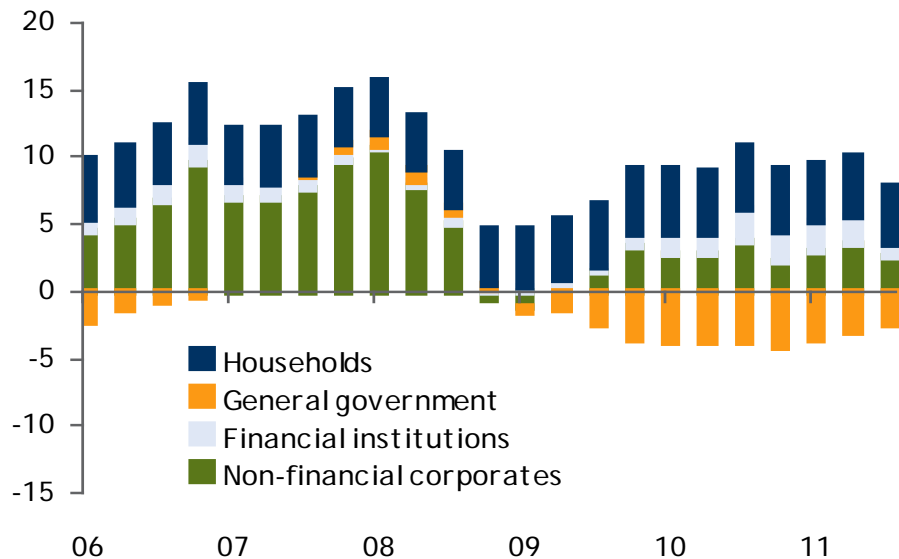
[Click here to access this chart and see the animation](#)

## Better coverage and comparability...

### Sectoral contributions net financial positions (% GDP, based on four-quarter cumulated sums)

*Germany, Netherlands, Finland*

*France, Italy, Spain*

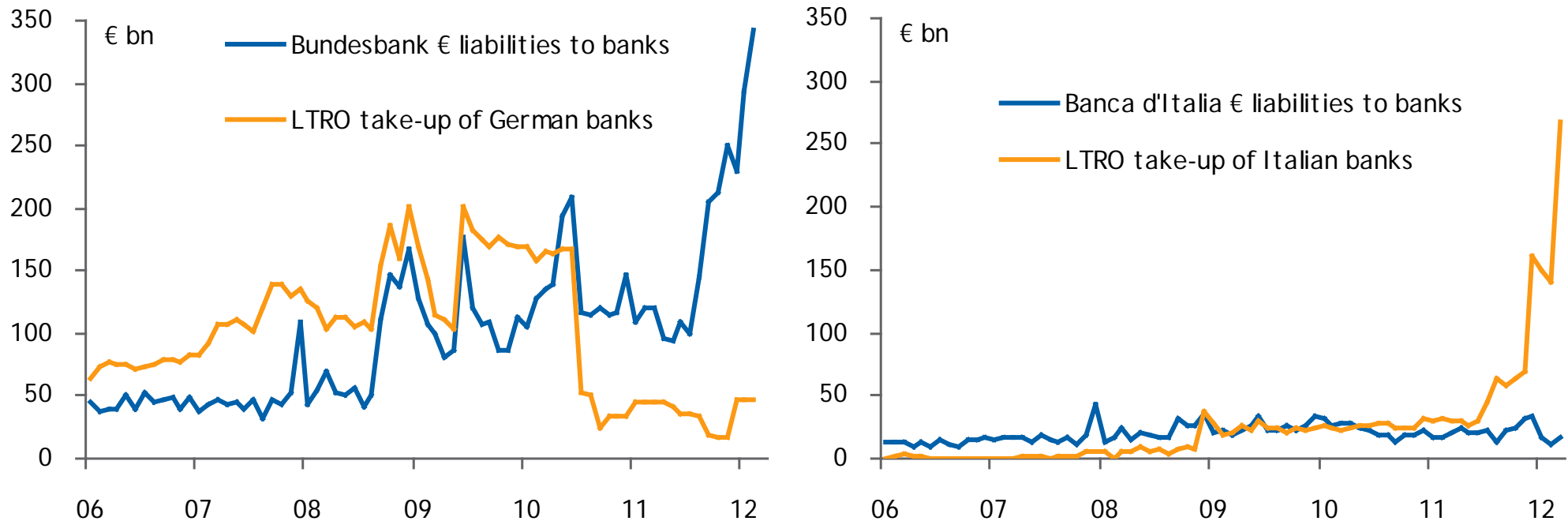


Source: Haver, RBC Capital Markets

- X-sectoral, x-country data essential to a coherent narrative about the financial and sovereign crisis
- Improved balance sheet data have been a priority for a while but is more urgency needed?
- It remains an “expert” job to assemble even basic statistics (like the charts above)
- This matters for the public debate and ultimately for policy outcomes

## Central banks could set more of an example

Italian banks take a larger share than German banks of the LTRO, and the German banks are depositing



Source: Haver, RBC Capital Markets

- It is essential to understand the ECB/NCB balance sheets and their interaction...
- ...but why does it have to be so difficult to get the right data?
- Absence of easily accessible statistics = less understanding, more distortion of debate

## Conclusions

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- The financial market economist's job has changed – much harder and more fun!
  - Uncertainty is more profound than we thought
  - The policy response we are trying to understand/predict is multidimensional
  - Differentiation is across narratives rather than narrow differences in estimates of models or data
- Our use of statistics reflect that – emphasis on wider range of x-sectoral, x-country data and on balance sheet
- We know that is a priority but it seems more urgent than ever
- Presentation and accessibility could really be improved – not just to make our life easier but to support the public policy debate more effectively

# Required Disclosures

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