



Promoting the Use of DGI Data

IMF-FSB Global Conference on the G-20 Data Gaps Initiative (DGI)

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Introduction

- Within the IMF the Data Gaps Initiative has a high priority
- In the Managing Director's "GLOBAL POLICY AGENDA" published in April this year, it is stated that:
 - “Continue to address data gaps, including through the *G-20 Data Gaps Initiative* and implementation of the *Special Data Dissemination Standard Plus.*”
- This presentation sets out two broad policy areas where the data gaps initiative are important for the IMF.
 - ❖ Financial Interconnections
 - ❖ Financial Stability

1. Financial Interconnections: Cross Border

- There is growing interest in the risks and vulnerabilities arising from cross border linkages as the world has become increasingly interconnected.
 - Some consider that this analysis should be central to the Fund's work
- Over recent years, the IMF has put more effort into analyzing the risks and vulnerabilities arising from developments in one economy or financial system to others.
 - Spillover reports are one example
- The G-20 DGI has a number of recommendations that support this work.
 - *Global Systemically Important Financial Institutions (G-SIFIs)* are a special class of institutions as the global crisis and its aftermath revealed.

Financial Interconnections: Cross Border

- *International banking statistics (IBS) are essential to understanding cross-border financial linkages.*
- *Cross-border securities investments have been an increasing source of finance tracked by the CPIS.*
- *Foreign direct investment is another important form of cross-border financial interconnectedness.*
- *Reserve asset holdings impact of international financial market conditions: Currency Composition (COFER) survey.*

Financial Interconnections: Domestic

- Analyzing domestic inter-sectoral shock transmission is also gaining importance within the IMF.
- In short, national balance sheet analysis, examining vulnerabilities in all sectors individually and in aggregate, could make a difference to preventing crises, both nationally and potentially globally.
- The problem has been the lack of data, but again the G-20 DGI has a number of recommendations that support this work, and where data availability is improving.
- The emphasis in the DGI on *sectoral accounts* is one very important recommendation for this type of analysis.
 - But there are others.

Financial Interconnections: Domestic

- The Balance Sheet Approach is supported by the DGI recommendations on:
 - Quarterly IIP data
 - Government finance balance sheet data
 - And Standardized Report Forms for the financial sector,
 - ❖ Monthly for depository institutions and more often quarterly for other financial corporations
- The type of matrix that could be used:



Financial Sector Balance Sheet Approach

When BSA was developed
lack of data was a problem

BSA can be used to map
linkages among sectors

Data needed to apply BSA
to many countries is now
available (SFR & IIP data)

Balance Sheet Approach

Intersectoral Balance Sheet Matrix

		Holder of the Liability (creditor)									
		General Govt.		Central Bank		Financial Sector		Other Non-Financial Sectors		Non-Residents	
		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Issuer of the Liability (Debtor)	General Government										
	<i>In domestic currency</i>										
	ST										
	LT										
	<i>In foreign currency</i>										
	ST										
	LT										
	Central Bank										
	<i>In domestic currency</i>										
	ST										
	LT										
<i>In foreign currency</i>											
ST											
LT											
Financial Sector											
<i>In domestic currency</i>											
ST											
LT											
<i>In foreign currency</i>											
ST											
LT											
Other Non-Financial Sectors											
<i>In domestic currency</i>											
ST											
LT											
<i>In foreign currency</i>											
ST											
LT											
Non-Residents											
<i>In domestic currency</i>											
ST											
LT											
<i>In foreign currency</i>											
ST											
LT											

Banks' exposure to sovereign

Feedback loop to government

Rise in interest rate or

Reduced lending

Financial Interconnections: Global Flow of Funds

- Within the IMF and with some major central banks, we are working to bring the domestic and external data together to develop the global flow of funds.
- As noted in the second progress report to the G-20 Finance Ministers and Central Bank Governors in 2011.
 - “Most notably, through the use of internationally-agreed statistical standards, data on cross-border financial exposures can be linked with the domestic sectoral accounts data to build up a powerful picture of financial interconnections domestically and across borders, with a link back to the real economy through the sectoral accounts. Nonetheless, achieving such a—vision will take time.”

Financial Interconnections: Global Flow of Funds

- The time is close to arriving.
- The IMF has undertaken a proof of concept as set out in *“Global Flow of Funds: Mapping Bilateral Geographic Flows,”* 2013, Errico, Walton, Hierro, AbuShanab, and Amidzic.
- And released a working paper (IMF WP 2014/10): *“Mapping the Shadow Banking System Through a Global Flow of Funds Analysis”* -Errico, Harutyunyan, Loukoianova, Walton, Korniyenko, Amidžić, AbuShanab, and Shin.

Financial Stability

- A second broad policy area where the data gaps initiative is important for the IMF relates to financial stability analysis.
- There is an increased focus on financial sector stability and within the IMF since the crisis.
 - This is reflected in our surveillance work and in the development of an IMF Financial Surveillance Strategy.
- How does the DGI data supports the analytical underpinnings of financial stability risk assessments and policy advice?

Financial Stability: Macro-prudential Approach

- The experience from the global crisis has demonstrated that financial stability cannot be assured without a macro-prudential approach.
- Various datasets emerging from the DGI recommendations support the intersection of analysis between the macro-prudential, macro-economic, and micro-prudential.
- The *sectoral accounts* provide an overview of the whole economy and:
 - Allows for the construction of many indicators of vulnerability that the global crisis highlighted.
- The global crisis and aftermath highlighted the rather surprising weakness of *government finance statistics*.

Financial Stability: Macro-prudential Approach

- Cross-border developments can impact the economy in various ways, with the IIP providing an insight into primary channels.
- Domestic monetary conditions are relevant for macro-prudential and macro-economic policy makers so:
 - *Monetary and financial statistics* have been and continue to be an integral dataset of macro-economic statistics.
- Financial Soundness Indicators (FSI) monitor the *soundness and health of financial institutions*:
 - One of the first datasets to be developed specifically to meet financial stability policy needs.
- *Real estate developments can have economy-wide implications* yet remarkably:
 - Reliable data on real estate prices are often lacking, both residential and commercial prices.

Financial Stability: Cross-border Linkages

- In addition to the broader policy interest noted earlier, cross-border linkages can clearly impact domestic financial stability through cross-border contagion.
- And the data sets mentioned above are relevant.

Financial Stability: Implications of Regulatory Reform

- Following the global crisis there has been a strengthening of regulatory requirements particularly for deposit-takers.
- Data emerging from the G-20 DGI help to monitor unintended regulatory spillovers, including:
 - With regard to shadow banking,
 - Too-important-to-fail financial institutions, and
 - Over-the-counter (OTC) derivatives reform.

Financial Stability: Functioning and Deepening of Financial Markets and Access

- Finally a well functioning and well-managed financial deepening can:
 - Engender greater resilience and capacity to cope with external shocks, enhance policy effectiveness and support growth.
- Securities markets help support diversification of funding sources.
- Structured products can be complex:
 - Misled investors
- Consistency in identifying counterpart to financial transactions:
 - LEI initiative

Key Questions

- To what extent is the data emerging from the G-20 DGI being used in the national context?
- Are there suggestions to reduce shortcomings found in the current data and proposals for improvements?
- What are the participants' views on how to align the user needs and challenges in data provision?

Thank you