

Why are the G-20 Data Gaps Initiative and the SDDS Plus Relevant for Financial Stability Analysis?

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Abstract

In the wake of the recent global crisis, the international community is giving an increased focus on stability of the financial system, so-called financial stability analysis. With the increasing need for data sets to undertake this analysis, the question naturally arises as to what types of data are needed? While various data initiatives are underway, two initiatives at the forefront are: (1) the IMF/FSB G-20 Data Gaps Initiative (DGI) created by the international statistical community and endorsed by the G-20 Finance Ministers and Central Bank Governors as well as the IMF's International Monetary and Financial Committee, and (2) the new Special Data Dissemination Standard Plus (SDDS Plus), aimed particularly at economies with systemically important financial sectors. This paper explains the relevance of the DGI for financial stability analysis and the close link with the SDDS Plus. The importance of the SDDS Plus in promoting the dissemination to the public of a core set of data for financial stability analysis is emphasized.

Keywords: Global crisis, data dissemination, sectoral accounts, cross-border linkages, government debt, financial institutions

I. INTRODUCTION

The tectonic plates of economic and financial market developments shift over time but invariably it is only when a crisis strikes that the magnitude of the shifts crystallize and the policy impetus to reassess and act on the scope and coverage of economic and financial datasets emerges. In the wake of the recent global crisis, the international community has responded in various ways, but primarily through the International Monetary Fund (IMF)/Financial Stability Board (FSB) G-20 Data Gaps Initiative¹ (DGI) that has been endorsed by the G-20 Finance Ministers and Central Bank Governors and the IMF's International Monetary and Financial Committee. To coordinate the work, the IMF set up the Inter-Agency Group on Economic and Financial Statistics (IAG).²

The global crisis reaffirmed that traditional residence-based economic and financial statistics remain as relevant as ever: GDP growth, domestic credit growth, current account positions, employment statistics, external debt, government debt and deficits, to name a few, remain central to any understanding of any economy and its economic and financial conditions and development. Also, the emphasis in the 1990s and early 2000s among the international community for comparability, consistency and quality of data within and across countries remains relevant.

However, the global crisis has led to an increased policy focus on stability of the financial system with specialized committees created in some important economies to oversee this so-called "macro-prudential analysis." Financial stability reports are now produced regularly by many countries and at the global level. With these developments,

¹ See <http://g20.pdf> and www.imf.org/external/data.htm#add.

² The members of the IAG are the BIS, the ECB, Eurostat, the IMF (Chair), the OECD, UNSD, and the World Bank. This work is undertaken in consultation with the FSB.

there is an increasing need for data sets that meet this policy focus. While the crisis was not due to a lack of comprehensive data, a lack of data inhibited early warning and the timely response by policy makers once the crisis emerged, while the seizure of financial markets highlighted that nothing frightens financial markets more than uncertainty arising from a lack of information.

Against this background, the G-20 asked the FSB and IMF to take forward their request to identify and close data gaps revealed by the global crisis. The IMF and FSB undertook extensive consultation ([usersconference](#)) with users and compilers of data and produced a set of recommendations structured around four themes: build-up of risk in the financial sector, cross-border financial linkages, vulnerability of domestic economies to shocks, and improving communication of official statistics. Table 1 provides an overview.

Subsequently, the IMF Executive Board endorsed the introduction of the new tier of the data standards initiative—the SDDS Plus. The creation of the SDDS Plus is underpinned by the notion that there are economies endogenous to, that is are integral to the operation of the international monetary system, and there should be an international standard through which data that supports financial system analysis among such economies are publicly disseminated. So the SDDS Plus draws significantly upon the G-20 DGI, as is evident from Table 1. Disseminating key datasets to the public and enhancing public disclosure of financial sector data can improve the functioning of markets.

Table 1. Stylized Overview of the 20 Recommendations

	Conceptual/statistical framework needs development	Conceptual/statistical frameworks exist and ongoing collection needs enhancement
Build-up of risk in the financial sector	# 3 (Tail risk in the financial system and variations in distributions of, and concentrations in, activity) # 4 (Aggregate Leverage and Maturity Mismatches) # 6 (Structured Products)	# 2 [Financial Soundness Indicators (FSIs)]* # 5 (Credit Default Swaps) # 7 (Securities Data)*
Cross-border financial linkages	# 8 and # 9 (Global network connections and systemically important global financial institutions) # 13 and # 14 (Financial and Nonfinancial Corporations cross border exposures)	# 10 and # 11 [International Banking Statistics (IBS), and the Coordinated Portfolio Investment Survey* (CPIS)] # 12 [International Investment Position (IIP)]**
Vulnerability of domestic economies to shocks	# 16 (Distributional Information)	# 15 (Sectoral Accounts)* # 17 (Government Finance Statistics)* # 18 (Public Sector Debt)* # 19 (Real Estate Prices)*
Improving communication of official statistics		# 20 (Principal Global Indicators)

*SDDS Plus data component, **SDDS prescribed item.

The intention of this paper is to demonstrate how the DGI, the SDDS Plus, and other related statistical initiatives, are helping to meet the emerging policy needs of financial stability, drawing on the analysis in the IMF's financial surveillance strategy (<http://pn>).

II. STATISTICAL INITIATIVES RELATED TO THE FINANCIAL SURVEILLANCE STRATEGY

The IMF's financial surveillance strategy is three-pronged: strengthen the analytical underpinnings of macro-financial risk assessments and policy advice, upgrade the instruments and products of financial surveillance to foster an integrated policy response to risks, and engage more actively with stakeholders in order to improve the traction and impact of financial surveillance. This paper focuses on four of the specific policy areas identified for in-depth analysis related to this strategy.

A. Understanding interactions between macro-prudential, macro-economic, and micro-prudential policies

While macro-economic policies (monetary/exchange rate and fiscal) aim to achieve price stability and economic growth, and micro-prudential policies address idiosyncratic risk of individual institutions, 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 and so are relevant to policy makers in these fields.

The sectoral accounts provide an overview of the whole economy that brings together the current, capital, nonfinancial and financial accounts by economic sector for the whole economy, for both flows and stocks, and allows for the construction of many indicators of vulnerability that the global crisis highlighted. These include household debt to income, or the relative shift in activity of financial institutions, such as from banks to non-banks, while sectoral accounts also provides a tool for analyzing the link between the real and financial economies, a link that was highly potent during the global crisis. The relevance of this dataset is such that a sectoral balance sheet is one of the nine data categories³ prescribed in the SDDS Plus.

The government is a major player in any economy yet the global crisis and aftermath highlighted the rather surprising weakness of government finance statistics. Indeed as has been evident in the aftermath of the crisis, in particular where fiscal dominance is significant, the perception of misleading or even just poor government finance data can have a significant negative impact on financial stability both in the country and other countries through spillover effects. The DGI is focused on encouraging governments to disseminate general government finance statistics, based on a common framework, the *Government Finance Statistics Manual 2001 (GFSM 2001)*, and promoting public/government sector debt data through a database at the World Bank (in cooperation with IMF and OECD) (web.worldbank.org). Quarterly general government operations and general government gross debt data are included in the SDDS Plus.

³ The data categories for the SDDS plus are set out in Eighth Review of the Fund's Data Standards Initiatives, available at dsbb.

Cross-border developments can impact the economy in various ways. The channel through which the growing exposures to the rest of the world will primarily affect the domestic economy is the IIP, be it through transactions, either current or financial account, or valuation, through changes in market prices and exchange rates, or other flows, such as debt write-offs. The IMF is working closely with countries to increase the number of IIP reporters, particularly on a quarterly frequency. The importance of quarterly IIP data is increasingly recognized by countries, and in addition to the inclusion in the DGI, is prescribed in the SDDS, with a transition date of September 2014.

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. The IMF Statistics Department is updating the *Monetary and Financial Statistics Manual (MFSM)* and the update will take account of the growing financial stability needs, not least with regard to: globally--agreed measures of, money, credit and liquidity; of nonbank financial institutions and the links between these institutions and deposit-takers. The SDDS prescribes data on the analytical accounts of both the banking sector and the central bank, and the SDDS Plus prescribes data on the nonbank financial institutions sector, with coverage following the *MFSM*.

The soundness and health of financial institutions needs monitoring and the Financial Soundness Indicators (FSI) was one of the first datasets to be developed specifically to meet financial stability policy needs, bringing financial statisticians into contact with supervisors and supervisory- based data. The SDDS Plus includes a core set of FSIs, including residential real estate prices.⁴

Real estate developments can have economy-wide implications yet despite the central role of real estate property to financial and economic developments, remarkably, reliable data on real estate prices are often lacking, both residential and commercial prices. The international community led by Eurostat has produced an internationally agreed methodology for compiling residential real estate prices and similar work has started on commercial real estate prices. The BIS is collecting data on real estate prices from central banks and re-disseminating the data on their website, and residential real estate prices are prescribed within the list of FSIs included in the SDDS Plus.

B. Deepen the understanding of the nature and implications of cross-border linkages and spillovers

It is clear that the world has become increasingly interconnected. That is a message transmitted loud and clear during the global crisis and its aftermath. Policy makers need to understand these cross-border interconnections and explore them from various perspectives. The breadth and depth of cross-border linkages, financial in particular, took many policy makers by surprise. That the collapse of a single large institution like Lehmans could have such worldwide consequences on economic activity was totally unforeseeable. Various datasets under the G-20 DGI support this analysis.

⁴ This core set is: Regulatory Tier 1 capital to risk-weighted assets, regulatory Tier 1 capital to assets, nonperforming loans net of provisions to capital, nonperforming loans to total gross loans, return on assets, liquid assets to short-term liabilities, and residential real estate prices.

Global Systemically Important Financial Institutions (G-SIFI) are a special class of institutions as the global crisis and its aftermath revealed. It became evident during the crisis that supervisors and macro-prudential analysts were unaware of the linkages between G-SIFIs not least because of the different nationalities of institutions involved. These concerns prompted the work of the FSB working group, under the DGI, to develop templates to identify the exposures of these institutions.

International banking statistics (IBS) are essential to understanding cross-border financial linkages and so the BIS's long standing data collection of cross border international banking positions have been used by policy makers and other analysts for many decades. There are two sets of data, residence based and consolidated data ([bankstats](#)). In the wake of the global crisis, the BIS and its member central banks have seen the need to strengthen these datasets, not least by providing a stronger link between the two datasets. The enhancements should provide data that would help track liquidity and maturity mismatches in international banks.

Cross-border securities investments have been an increasing source of finance tracked by the CPIS. The annual survey, coordinated by the IMF, provides data on the holdings of securities (equity and bonds), by country by counterpart issuer (<http://cpis.imf.org>). With the support of the IMF Committee on Balance of Payment Statistics (BOPCOM), the CPIS will become a semi-annual survey, with reference to June 2013, available within nine months of the reference period. Users have become more interested in the CPIS since the global crisis, and are asking for further breakdowns including sectoral information on both issuers and holders. More generally, there is a need to expand the country coverage of the IBS and the CPIS surveys. Country coverage is generally very good, but some significant financial centers do not participate.

Foreign direct investment is another important form of cross-border financial interconnectedness with the recent launch of the Coordinated Direct Investment Survey (CDIS) complementing the IBS and the CPIS. The first CDIS was undertaken with reference to end 2009 data, by the IMF, with support of BOPCOM. While typically of a longer term nature than portfolio and banking flows, direct investment is an important channel through which cross-border financial linkages are established. The CDIS has proved a very successful project with 84 economies reporting inward data and 59 reporting outward data in the initial survey. The CPIS and the CDIS are vital sources of information on cross-border financial interconnections, so are included in the SDDS Plus.

Reserve asset holdings impact of international financial market conditions and so the IMF undertakes a quarterly survey of the currency *composition of official reserve assets (COFER)* ([cofer](#)). This is a closely watched survey by market participants and policy makers, providing information on trends in official holdings of foreign currency. COFER is included in the SDDS Plus. The global crisis has further stimulated interest in this dataset, and the IMF is working to expand the range of currencies and countries covered.

C. Implications of Regulatory Reform

Following the global crisis there has been a strengthening of regulatory requirements particularly for deposit-takers. To monitor the impact of on-going and planned regulatory reforms on domestic economies and on the international monetary system, good data are needed. In particular there is a need to identify and monitor unintended regulatory spillovers, including with regard to shadow banking, too-important-to-fail financial

institutions, and over-the-counter (OTC) derivatives reform. A number of the data sets being developed and strengthened under the DGI will support this monitoring, in addition to traditional datasets such as monetary and financial statistics.

D. Functioning and deepening of financial markets and access

Well functioning and well-managed financial deepening can engender greater resilience and capacity to cope with external shocks, enhance policy effectiveness and support growth. However as has become apparent in advanced economies, the process of deepening can create new risks, such as those arising from financial interconnectedness, unregulated financial innovation, and again, too-big-to fail institutions.

Securities markets help support diversification of funding sources. By broadening the channels of intermediation, so diversifying the sources of finance, reliance on one channel, such as banks, is reduced so supporting financial stability. Good securities data, along with monetary and financial statistics can be used to examine the extent to which financial intermediation is being diversified. The DGI has given further impetus to this work by reinforcing the importance of good security statistics, supporting the development of the *Handbook on Securities Statistics*, a joint work of BIS, ECB, and IMF ([wgsd](#)), and on making data more readily available through the BIS and, in the future, through the SDDS Plus.

Structured products can be complex and the crisis raised the issue of whether investors were misled by issuers of structured products. This issue was highlighted in the DGI and subsequently IOSCO has published a report providing guidance to security regulators on disclosure principles for asset-backed securities.⁵

Consistency in identifying counterpart to financial transactions has been a high priority of the international community since the global crisis. Work is under way under the auspice of the FSB to create a universal legal entity identifier that has the potential to reduce systemic risk in financial markets.

Access to basic financial services is an indication of financial inclusion and the IMF annually undertakes a Financial Access Survey (FAS) to provide geographic and demographic data on access to basic consumer financial services worldwide ([fas](#)).

III. IMPROVING COMMUNICATION OF OFFICIAL STATISTICS

In addition to compiling data, attention to communication is important. By prescription in the SDDS Plus the relevance for financial stability of the nine data categories is highlighted. Indeed, disseminating key datasets to the public to improve the functioning of markets is a central tenet of the IMF's data standards initiative. To support the communication of data, the agencies represented in the IAG, have launched the PGI website ([PGI](#)) to promote comparable data sets for the real, financial, government and external sectors of the G-20 economies, and economies with systemically important financial sectors.

⁵ See "Transparency of Structured Finance Products, Report of the Technical Committee of IOSCO" July 2010.