

4th Malaysia Statistics Conference 2016 (MyStats 2016)

Theme: “Strengthening Statistical Usage for Decisions and Innovation”

15 November 2016, Kuala Lumpur

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Title: “Challenges in the Compilation of Monetary Statistics - The Compiler’s View.”

It is vital to produce reliable and timely monetary statistics. Monetary statistics, in contrast to other statistics, can be compiled with minimum delay and high level of accuracy, because monetary statistics are based on accounting data. Therefore, monetary statistics are used to inform the population, markets, and national policy makers not only on the monetary and financial developments and trends in the country, but also to shed light on the developments in the real, fiscal and external sectors. The availability of reliable and timely monetary statistics is critical for the conduct of effective monetary policy.

In most countries, the central bank is responsible for collecting and compiling national monetary statistics. The consolidated and highly aggregated monetary statistics are based on the financial statements provided by all financial institutions operating in the country, including institutions that are not necessarily supervised, or that are supervised by agencies other than the central bank.

The production of monetary statistics comprises six distinct processes: (1) reporting of raw data by the financial institutions; (2) data review at the central bank by the supervision departments; (3) review of the data by the monetary statistics department; (4) compilation of the analytical monetary accounts, which in turn involves the classification and sectorization of accounts followed by aggregation and consolidation of the data for the different parts of the financial system; (5) analysis of the resulting analytical accounts to ensure they are consistent with other available statistical data; and (6) data dissemination, including to the International Monetary Fund (IMF) for publication in the International Financial Statistics.

National compilers face a number of challenges that are mostly unavoidable during each of these processes. The most common and repetitive issue occurring during the collection and compilation process is misclassification of the source data by the reporting financial institutions. Specific examples are: an erroneous classification of the residency of the account holder and an incorrect sectorization of the counterparty. Mistakes in classifying financial instruments are also common. These common errors are due to the poor understanding by the frontline staff and back office compilers in the financial institutions of the characteristics of the various financial instruments as well as the definitions of institutional units and economic sectors that are well defined in the international methodological guides, such as the IMF’s Monetary and Financial Statistics Manual (MFSM), 2000 and the IMF’s Balance of Payments Manual, but seldom taught in detail during academic accounting and finance classes, or in bankers’ schools.

Furthermore, producing accurate and timely data can be difficult due to reporting “gaps”. The reporting “gaps” include missing information in the reporting institutions’ balance sheets that make classification and sectorization of accounts impossible. Other data “gaps” include situations of incomplete institutional

coverage, difficulty in collecting data for non-bank institutions, and delay in reporting or no reporting at all.

The above problems can become insurmountable due to limited cooperation and lack of communication between financial sector data providers and the central bank compiler. Thus, a good relationship within the compiler's own organization, such as the central bank, as well as close, continuous, informal cooperation with the reporting financial organizations are of strategic importance for ensuring smooth, seamless and timely compilation and dissemination of national monetary statistics.

Ensuring continuity and preserving institutional memory inside the central bank's statistics department poses yet another challenge. This challenge can be addressed by developing and systematically updating a comprehensive and clearly drafted documentation on the step-by-step data compilation procedures to minimise mistakes and ensure continuity, particularly when compilers are changing over time.