



# Lessons for Latin America and the Caribbean from the G-20 Data Gap Initiative

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# Introduction

- Crisis created demand for financial and economic data
  - To support effective surveillance and policy responses
  - At both national and international levels

# Introduction

- 2007/2008 crisis was no different
  - G-20 finance ministers and central bank governors (FMCGs) called on the IMF and the FSB to explore information gaps and present proposals (March 2009)
  - Users conference (July 2009)
    - ❖ Evidence of global financial transmission mechanisms and strong feedbacks between the financial system and the real economy
    - ❖ Need to strengthen the analytical/conceptual framework for financial stability analysis and monitoring of risks
  - Report to the G-20 FMCGs “The Financial Crisis and Information Gaps” (October 2009)

# The Financial Crisis and Information Gaps

- Joint document by the IMF staff and the FSB Secretariat in October 2009
- Response to the call from G-20 FMCGs to
  - Explore information gaps
  - Present proposals for strengthening data collection
  - Report back to the FMCGs
- Consultation with official users of economic and financial data in G-20 economies and other international institutions
  - Broad consensus over the information gaps that need to be filled

# The Financial Crisis and Information Gaps

- Data gaps are inevitable consequence of growth and innovation in markets and institutions
- Lack of timely, accurate information hinders the ability of policy makers and market participants to develop effective responses
- Key areas of information gaps
  - Build-up of risk in the financial sector
  - Cross-border financial linkages
  - Vulnerability of domestic economies to shocks
  - Communication of official statistics
- Twenty recommendations emerged to fill these gaps

# Build-up of Risk in the Financial Sector

- Financial soundness indicators (FSIs)
  - Strengthen international reporting of FSIs
  - Expand the number of reporting countries
- Leverage and maturity mismatches in the financial system
  - Develop corresponding measures
- Risk transfer instruments
  - Improve coverage of such instruments
  - Data on credit default swap (CDS) markets
  - Not so relevant for LAC

# Cross-border Financial Linkages

- Financial linkages of global systemically important financial institutions (G-SIFIs)
  - Enhance information on G-SIFIs
- Data gathering initiatives
  - Cross-border banking flows
  - Investment positions
  - Exposures
    - ❖ Identify activities of nonbank financial institutions

# Vulnerability of Domestic Economies

- Strengthen sectoral coverage
  - National balance sheets
  - Flow of funds data
- Government finance statistics
  - Timely
  - Cross-country standardized
  - Comparable
- Real estate prices
  - Disseminate more comparable data



# Communication of Official Statistics

- Improve communication of official statistics
  - User awareness of available data series to address critical policy issues
    - ❖ [Principal Global Indicators](#)



# Twenty Recommendations

DATA GAPS	There Exist Conceptual/ Statistical Frameworks and Ongoing Collection	Conceptual Statistical Framework Needs Further Development
Build-up of Risk in the Financial Sector	#2 Financial Soundness Indicators (FSIs) #5 Credit Default Swaps #7 Securities	#3 Tail Risk in the Financial System #4 Aggregate Leverage and Maturity Mismatches; #6 Structured Products
Cross-border Financial Linkages	#10, #11, #12 Coordinated Portfolio Investment Survey, International Banking Statistics, International Investment Positions	#8 Global Network Connections #9 Systemically Important Global Institutions #13 and #14 Financial and Nonfinancial Corporations' Cross Border Exposures
Vulnerability of Domestic Economies to Shocks	#15 Institutional Sector Accounts #17 Government Finance Statistics #18 Public Sector Debt #19 Real Estate Prices	#16 Distributional Information
Communication of Official Statistics	#20 Principal Global Indicators (PGIs)	





















# Progress in Implementation

- The individual recommendations have stood the test of time and remain relevant
  - Nonetheless, thinking among policy makers has evolved
  - Increased focus on risks and spillovers within and across economies



# Progress in Implementation

	Conceptual/statistical framework needs development	Conceptual/statistical frameworks exist and ongoing collection needs enhancement
<b>Build-up of risk in the financial sector</b>	<ul style="list-style-type: none"> <li> # 3 (Tail risk)</li> <li> # 4 (Aggregate Leverage and Maturity Mismatches)</li> <li> # 6 (Structured products)</li> </ul>	<ul style="list-style-type: none"> <li> # 2 (FSIs)</li> <li> # 5 (CDS)</li> <li> # 7 (Securities data)*</li> </ul>
<b>Cross-border financial linkages</b>	<ul style="list-style-type: none"> <li> # 8 and # 9 (G-SIBs Data)</li> <li> # 13 (Financial and Nonfinancial Corporations cross-border exposures)</li> <li> # 14 (Financial and Nonfinancial Corporations cross-border exposures)</li> </ul>	<ul style="list-style-type: none"> <li> # 10 (IBS&amp;CPIS-Participation)</li> <li> # 11 (IBS&amp;CPIS-Enhancement)</li> <li> # 12 (IIP)</li> </ul>
<b>Vulnerability of domestic economies to shocks</b>	<ul style="list-style-type: none"> <li> # 16 (Distributional Information)</li> </ul>	<ul style="list-style-type: none"> <li> # 15 (Sectoral Accounts)*</li> <li> # 17 (GFS)</li> <li> # 18 (Public Sector Debt)</li> <li> # 19 (Real Estate Prices)</li> </ul>
<b>Improving communication of official statistics</b>		<ul style="list-style-type: none"> <li> # 20 (PGI)</li> </ul>

# Progress in Implementation

- Significant progress has been achieved over the past six years by G-20 economies and international organizations
  - Policy support
  - Strong support and ownership by G-20 economies
  - Peer pressure
- Recommendations for which conceptual/statistical framework existed and ongoing collection needed enhancement are close to completion
- Recommendations for which conceptual/statistical framework needed development are expected to be completed by end-2015
- More work needed to ensure
  - Comparability of data
  - Quality of data

# Progress in Implementation

- Enhancement of datasets are being made by all G-20 economies
  - But at diverse rates of progress
  - Different level of sophistication of statistical systems
- Data available under the DGI enhances policy analysis and surveillance
  - Financial stability
  - Debt analysis
- Further work needed to fully achieve the potential for data provision

# Policy Use of DGI Data

- The DGI had been a positive influence on the development of national statistical systems
  - Mentioned in high level policy statements
  - Used in monetary policy discussions
  - Used in debt management committees
- Facilitated greater coordination among national statistical agencies
- Raised the profile of statistics within governments
- Importance of currency composition data
- Importance and need for granular data
  - Security-by-security databases
  - Individual loan data and credit registers

# Second Phase of the DGI

- Broadly maintain the same range of recommendations
- Cluster the recommendations under three main headings
  - Risks, vulnerabilities, and spillovers
    - ❖ Sectoral accounts and the financial interconnections
  - Monitoring risk in the financial sector
    - ❖ Financial institutions and financial markets.
  - Communication of official statistics
    - ❖ PGI as platform for promoting the DGI data
- Key modalities
  - IAG to remain global facilitator
  - FSB and IMF staff to provide annual monitoring reports to G-20 FMCBG
  - Periodical consultation with private data users



# Beyond the DGI

- Foreign currency exposures
  - Request from the G-20 FMCGs
  - Building on existing data initiatives
- Balance sheet approach matrix
  - Bilateral links between domestic sectors
    - ❖ Inter-sectoral shock transmission
  - Country's position vis-à-vis the rest of the world
  - Aggregate vulnerability to changes in exchange rates and external finance
- Global flow of funds analysis
- IMF's SDDS Plus (October 2012)
  - Close links with the DGI
  - Eight adherents

# Risks, Vulnerabilities, and Spillovers

- Balance Sheet Approach (BSA)
  - The IMF's work plan, in the context of the G-20 DGI, calls for strengthening data on sectoral accounts, government finance statistics (GFS), and external exposures in foreign currency
  - The G-20 DGI is also helping through
    - ❖ Quarterly International Investment Position (IIP)
    - ❖ Data on the financial sector (monetary statistics)
    - ❖ New 2014 GFS Questionnaire emphasizing maturity, currency, and counterparty information

# Risks, Vulnerabilities, and Spillovers

- Global Flow of Funds Analysis
  - Within the IMF and with some major central banks, on-going work to bring the domestic and external data together
    - ❖ To develop global flow of funds

# Monitoring Risk in the Financial Sector

- Domestic monetary conditions are relevant for financial sector analysis
  - Monetary and financial statistics have been and continue to be an integral dataset for policy analysis
  - FSIs continue to be key indicators of the financial sector
  - Growing policy interest in shadow banking sector

# Monitoring Risk in the Financial Sector

- There is growing policy and regulatory attention on monitoring
  - Securities markets in helping to support diversification of funding sources but also as a source of potential vulnerabilities through foreign currency borrowing
  - Liquidity and exposures in short-term wholesale money markets
    - ❖ Repos and securities lending
  - Over-the-counter (OTC) derivatives markets
- Real estate developments can have economy-wide implications

# Risks, Vulnerabilities, and Spillovers

- The SDDS Plus includes other relevant data sets for this type of analysis
  - 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

# Lessons for LAC

- Three LAC are G-20 economies
  - Argentina, Brazil, Mexico
- Progress in implementing target at different pace

	Rec. #2	Rec. #5	Rec. #7	Rec. #10/11	Rec. #10/11	Rec. #12	Rec. #17	Rec. #18	Rec. #19
	FSIs	CDS	Securities Statistics	(IBS)	CPIS	IIP	GFS	PSD	Real Estate Prices
1 Argentina									
3 Brazil									
13 Mexico									

● Recommendation 15 is not included in the table given that the target for completion of the DGI recommendation could be met without the provision of any data at this stage.

- Sectoral accounts and GFS are generally weak areas in all economies

# Lessons for LAC

- PGI has been further expanded to include economies with systemically important financial sectors
  - No LAC included in this expanded coverage
- More work needed to ensure
  - Comparability of data
  - Quality of data



# Lessons for LAC

- Use of data for policy making
  - The DGI facilitated data sharing between different, but related, working groups
  - Assessment of the usefulness of the indicators varies by country
    - ❖ Brazil: FSIs, IIP, Real estate prices
    - ❖ Mexico: Cross-border financial linkages
      - Development of a network contagion model by Banco de México using granular data in all domestic financial markets
  - The full potential of enhanced data availability for policy making has not yet been realized
    - ❖ Data comparability issues
    - ❖ Data sharing problems



# Lessons for LAC

- Implementing the regular collection of comparable, integrated, high quality, and standardized statistics
  - This means working towards convergence of data availability for national datasets covered by the DGI with some flexibility for national priorities and resource constraints



# Lessons for LAC

- Raise awareness on the policy use of the DGI
- Continued collaboration among national agencies and international organizations is essential
- Momentum needs to be created

# Lessons for LAC

- Policy use of the datasets coming out of the DGI recommendations
- DGI recommendations for which regular data collection would bring the most benefits from a national perspective
- Data gaps on foreign currency exposures
- Alignment of users' needs and challenges in data provision
- Regular collection of comparable, integrated, high quality, and standardized statistics
  - Working towards convergence of data availability

# Lessons for LAC

- Promote a LAC version of the G-20 DGI
  - Non-G-20 LAC countries working towards the DGI recommendations
  - Adapt the G-20 DGI recommendations to specific needs of LAC countries
  - The Financial Information Forum as a catalyst for LAC countries working towards reducing their data gaps
    - ❖ Especially in the financial sector