



Second ECB conference on statistics

Statistics and their use for monetary and economic policy-making

Thursday, 22 and Friday, 23 April 2004



EUROPEAN CENTRAL BANK



How does Globalisation affect the Use of BoP Statistics for Policy Purposes?

Jose Viñals

Banco de España

22 April 2004



- The impact of globalisation on BoP statistics
- The usefulness of BoP statistics in the euro area
- Specific challenges raised by globalisation for BoP statistics
- Conclusions and policy implications



- Globalisation is the most important structural change of recent decades
- Growing interdependence of national economies
 - Trade and especially financial openness
 - Increasing dispersion in current account balances
 - Size and volatility of short-term capital flows
 - Multinationalisation of financial and non-financial firms



- As interdependence of national economies increases
 - There is greater interest by policymakers in BoP statistics (generally defined)
 - Since these try to precisely reflect the state of such interdependence

NOWADAYS BoP STATISTICS PARTICULARLY USEFUL FOR POLICY IN A MORE GLOBALISED SETTING (I)



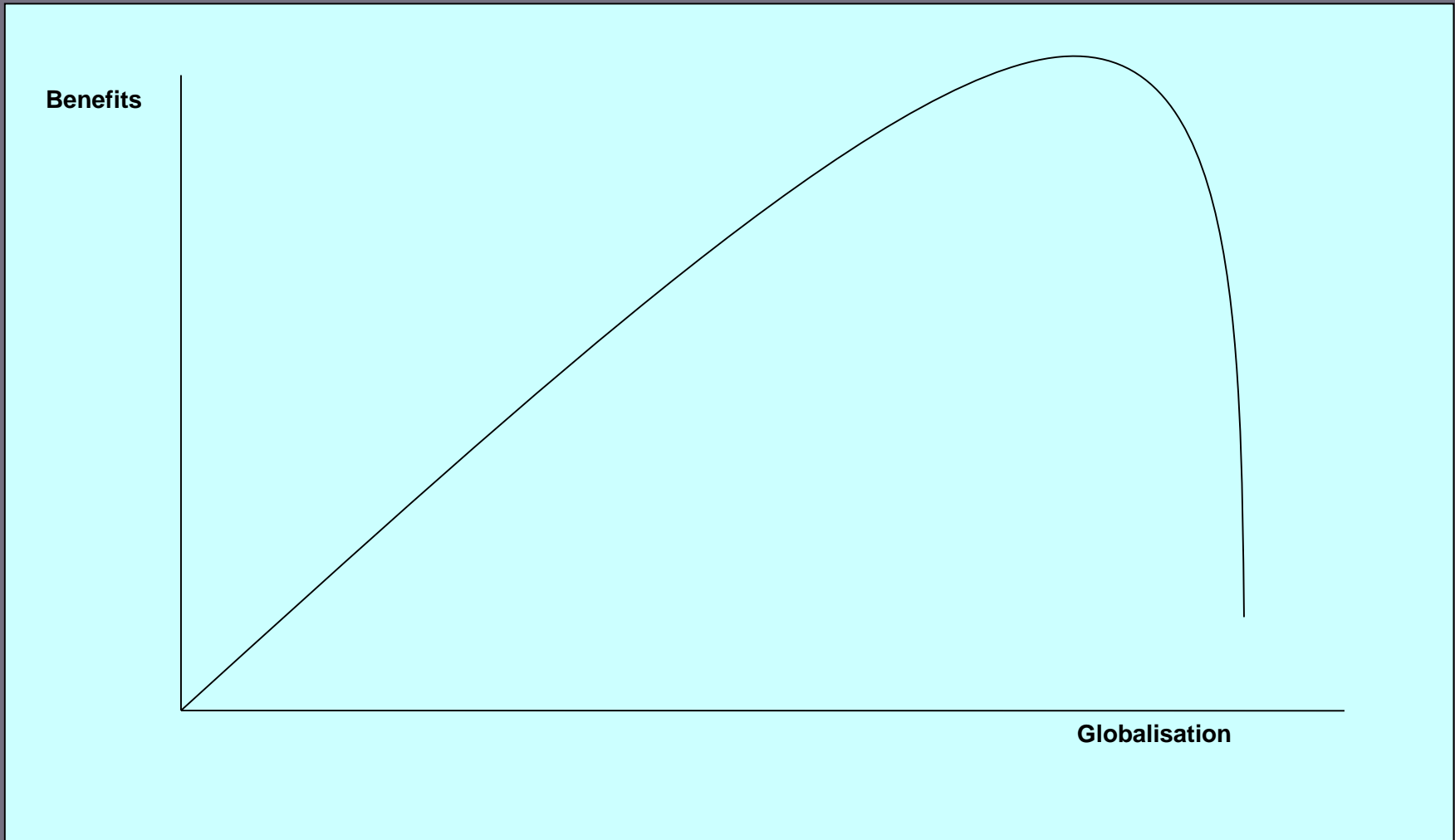
– At the national level

- Monetary policy
 - Monetary developments
 - Assessment of price and economic developments
 - International transmission of shocks
- Financial policy
 - Identification of risks to financial stability
- Fiscal policy
 - External imbalances associated with unbalanced fiscal policies
- Structural policy
 - Changing patterns of comparative advantages and problems of competitiveness



– At the international level

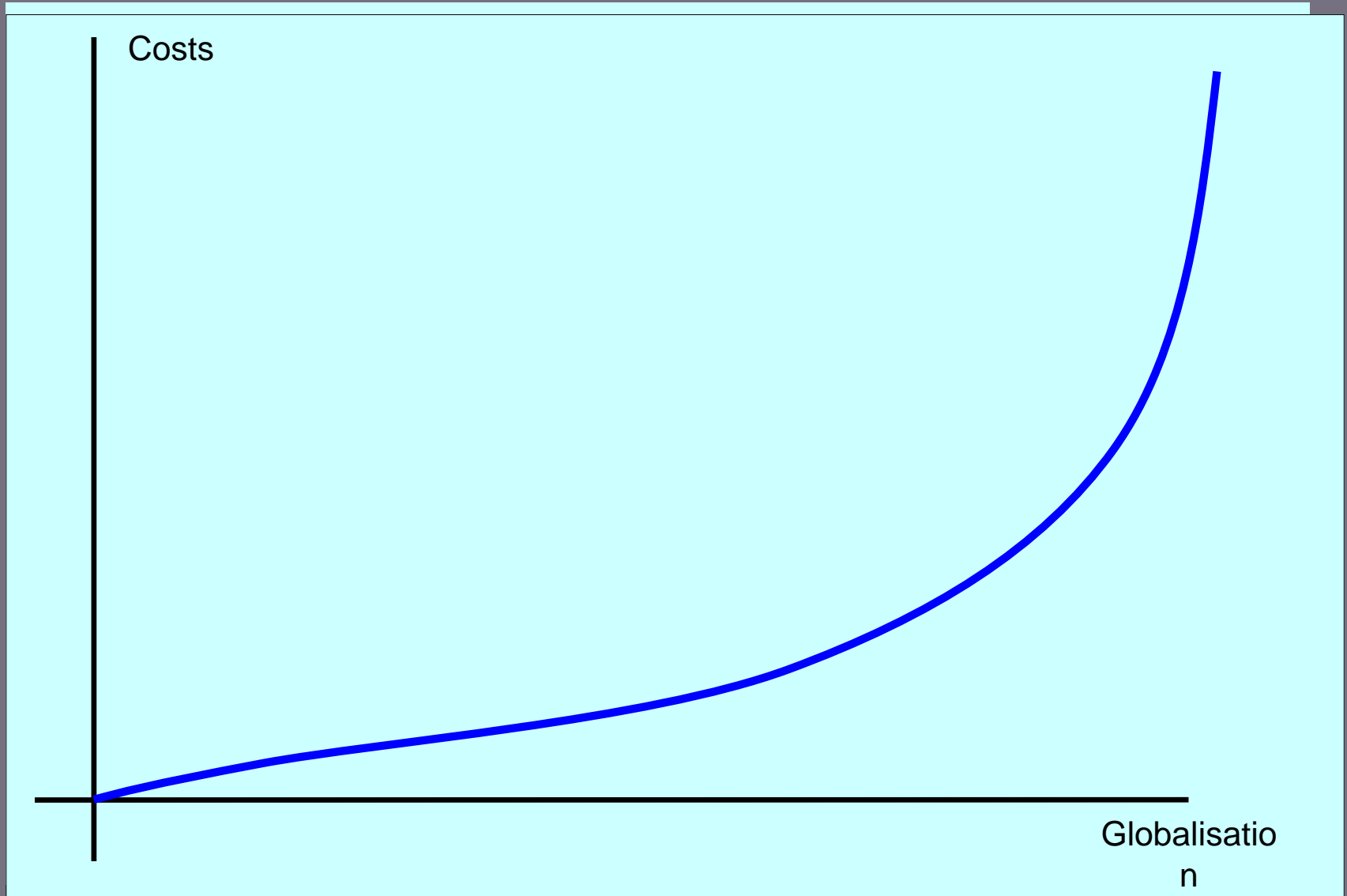
- International financial architecture
 - Detection of key vulnerabilities and risks of propagation of crises
 - Design of policies for crisis prevention and resolution
- International policy discussions (G-3, G-7, G-10, G-20)
 - Risks posed by global external imbalances and distribution of policy responsibilities for their correction

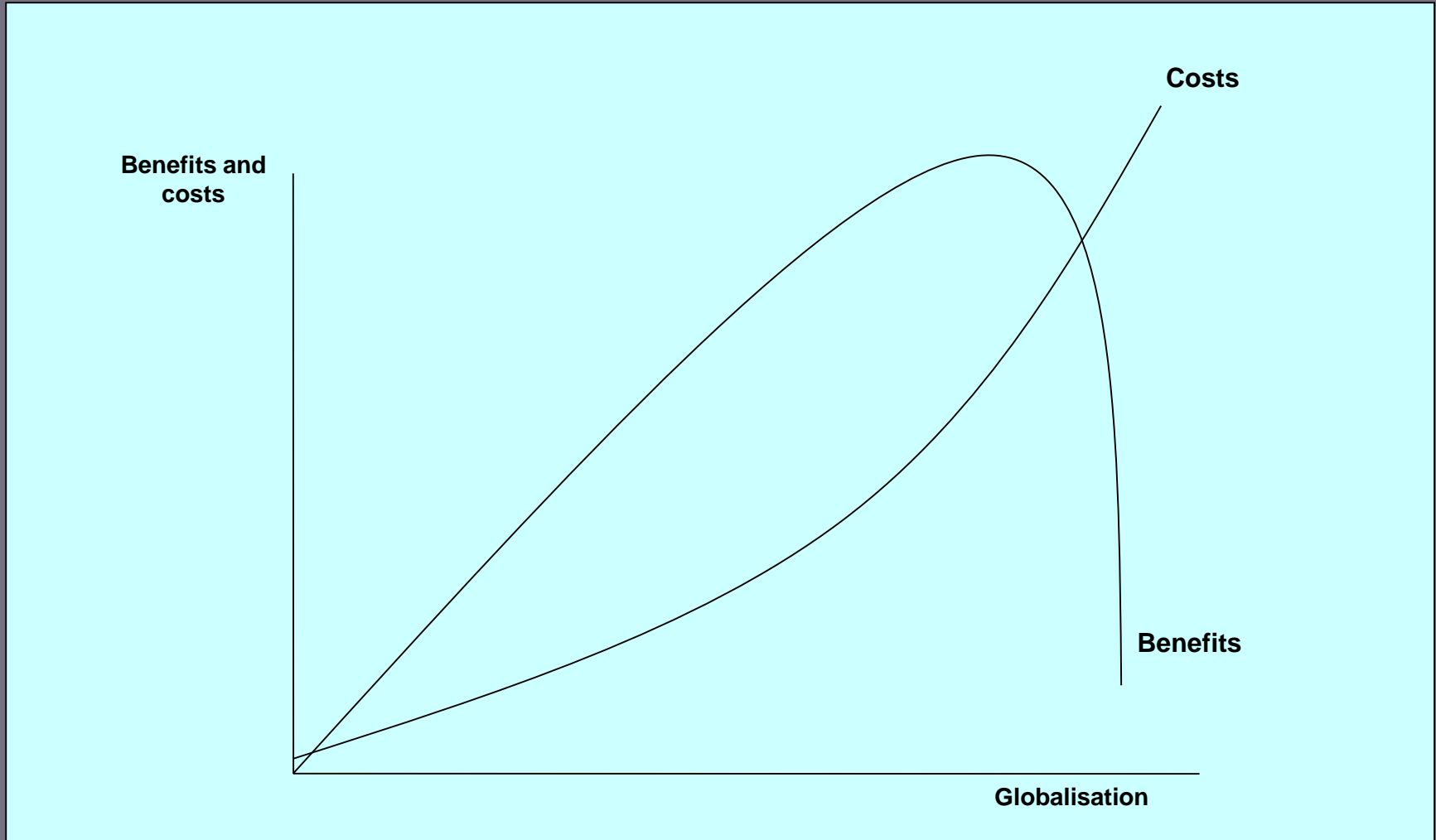




- Gathering the necessary information becomes more difficult
 - Many of the traditional sources of information now less relevant
 - Weaker connection between underlying economic phenomena and their statistical representation
- Costs increase faster as globalisation increases
 - New, more costly methods of gathering the necessary information have to be introduced

COSTS OF GLOBALISATION FOR BOP STATISTICS







- Quality of statistics central to quality of policy decisions
 - Helps reduce data, parameter and model uncertainty
 - 3 key virtues: reliable, timely and sufficiently comprehensive
- BoP statistics very useful in euro area
 - Area-wide level
 - National level



Benefits

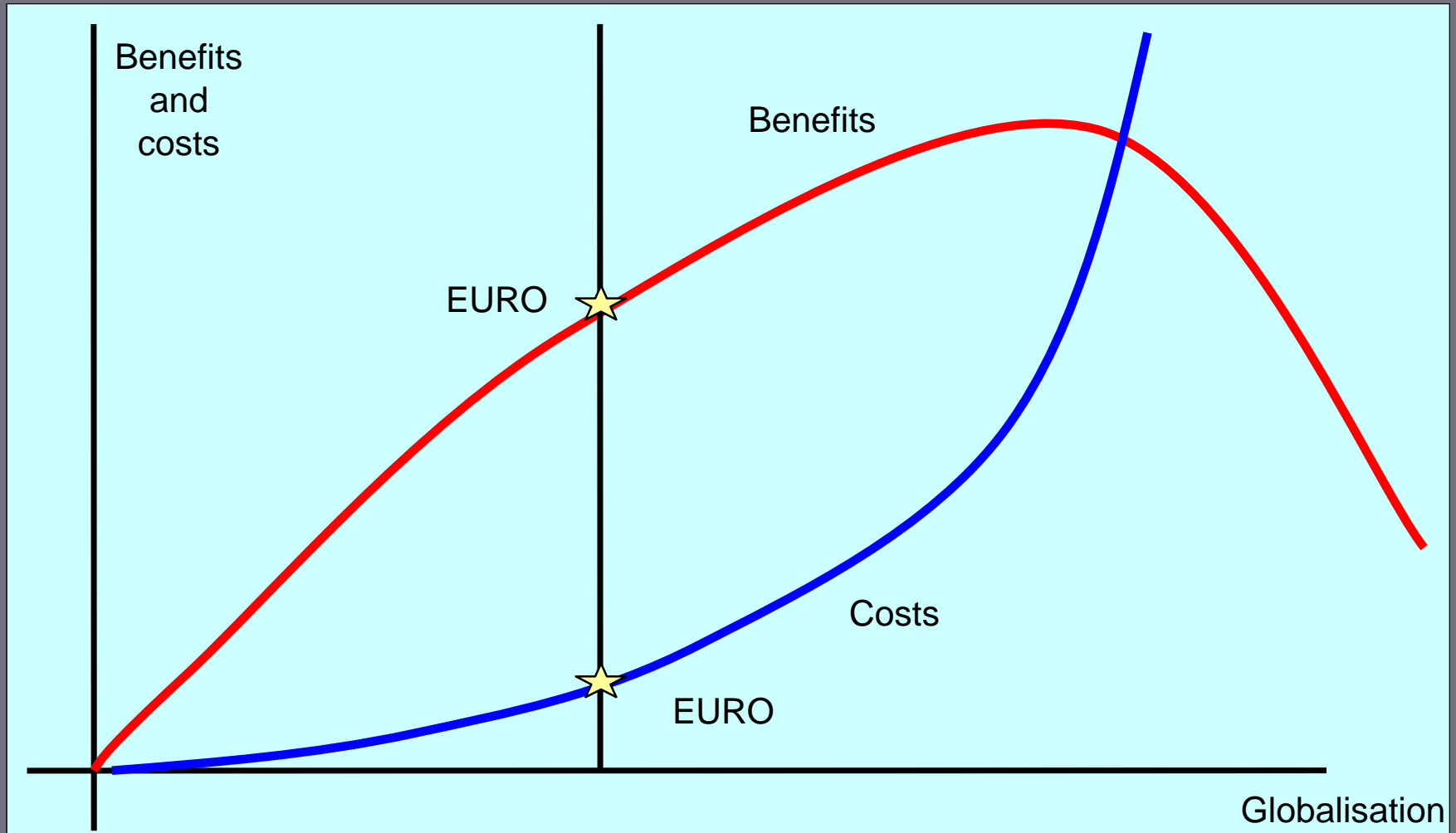
- BoP statistics contribute to the two-pillars of the stability-oriented single monetary policy
 - Economic and monetary analyses
 - International transmission of monetary policy measures and external shocks
- Useful for other policies with a European dimension

Costs fall on the shoulders of national authorities given bottom-up statistical approach

Benefits far larger than costs

- First-for-Europe principle

BoP STATISTICS IN THE EURO AREA





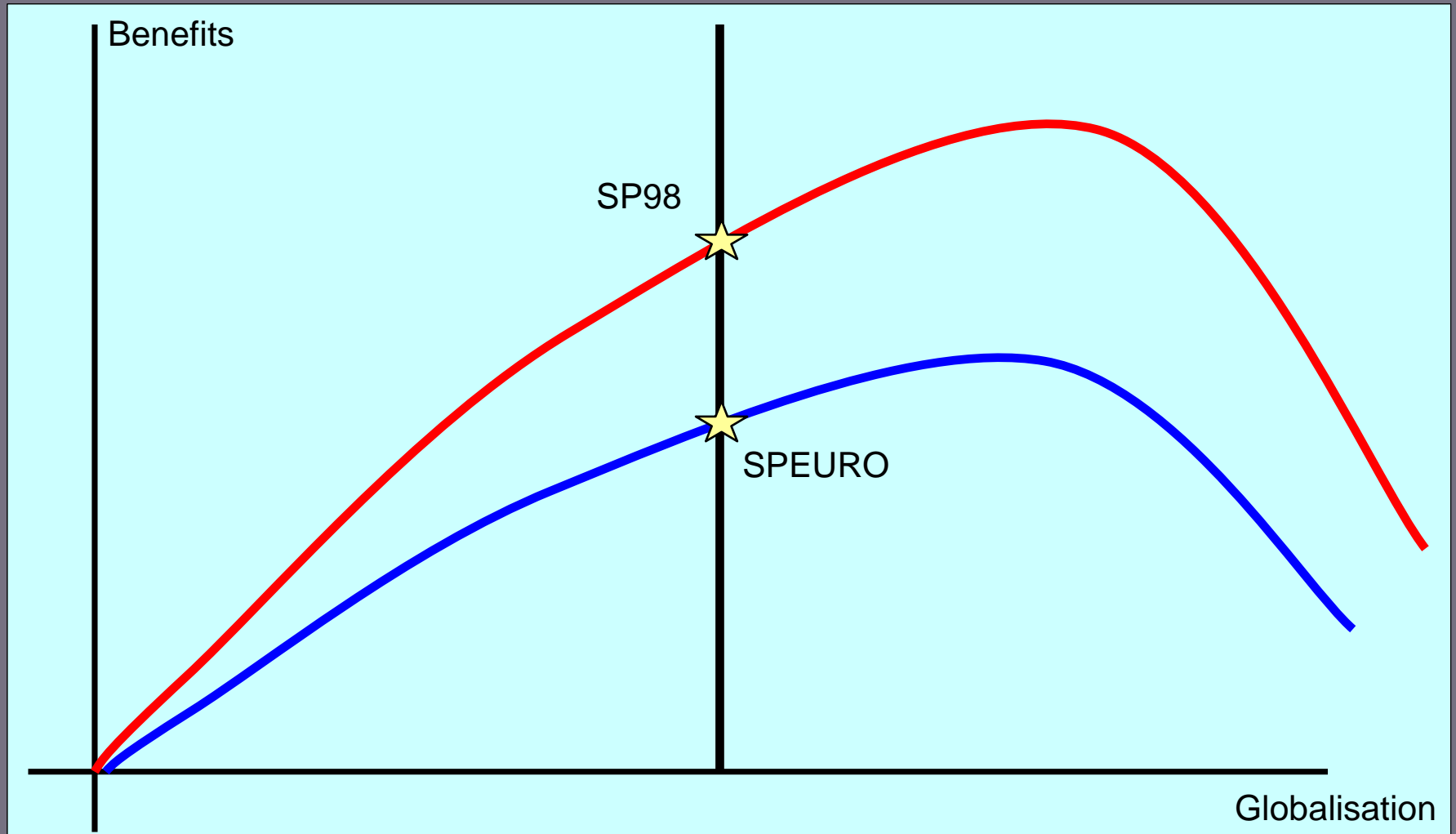
Benefits

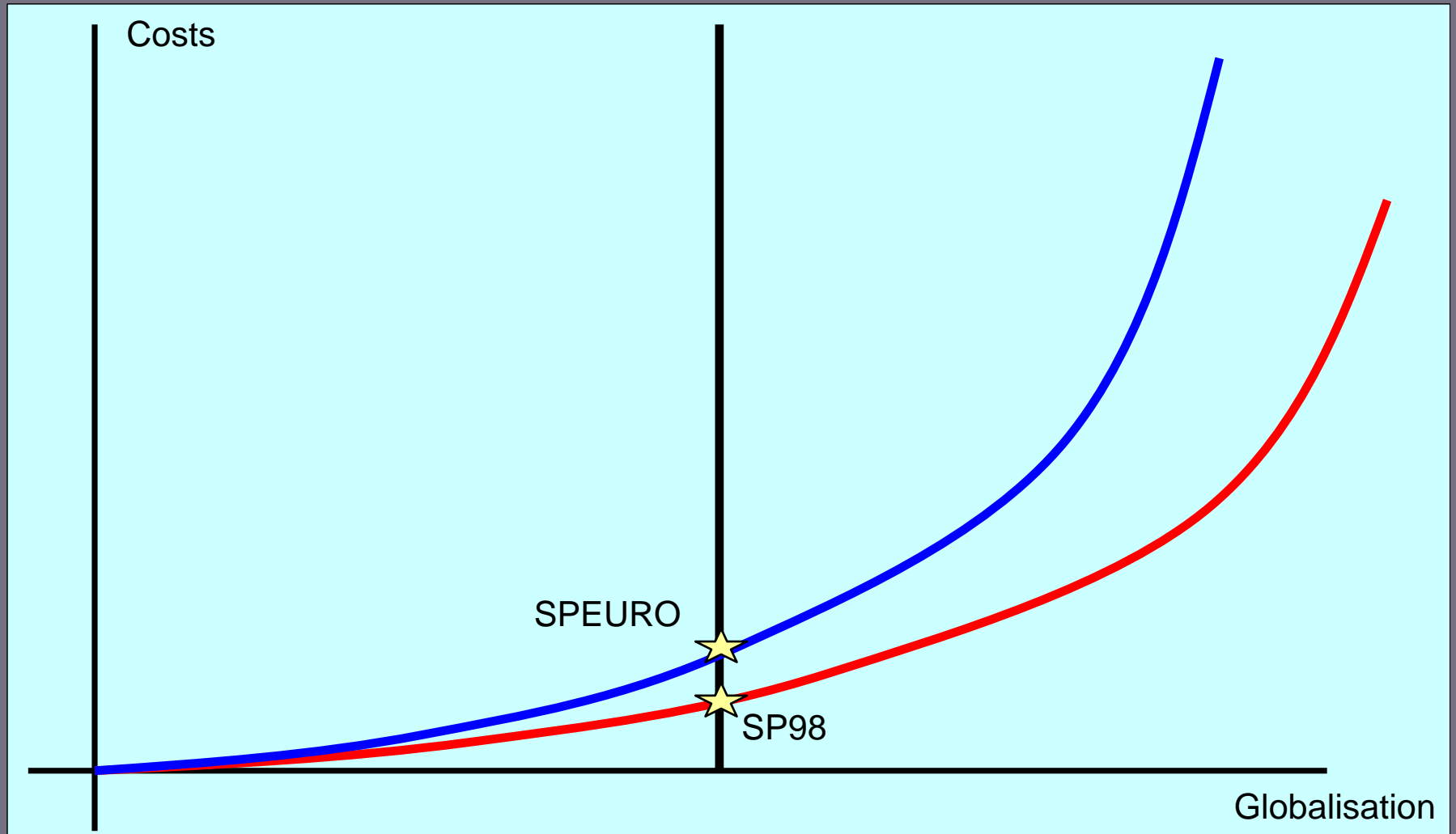
- Some lower
 - National monetary policies or potential exchange rate developments no longer exist
- Others same or higher
 - Necessary for area-wide BoP statistics to be obtained by aggregation
 - Necessary for national income and financial accounts
 - Very useful for national economic policies: fiscal and structural

Costs

- Higher (e.g. separation between euro-area residents and rest of the world)

Net benefits may be lower overall but still significant







Globalisation tends to widen the gap between the statistical recording and the underlying economic behaviour that is of interest to policymakers (nationality vs. residence principle)

- Delocation
 - Monetary aggregates
 - Multinationalisation of financial and non-financial firms
- Trade in services
- International diversification of portfolio and direct investment (SPE)
- Analysis of international liquidity
- Sustainability of external imbalances

STATISTICIANS ARE TRYING TO RESPOND THE BEST THEY CAN TO THESE CHALLENGES



- Making changes to BoP statistics
 - Redefining statistics
 - New products
- Modifying statistical compilation procedures
 - New sources of information
 - New estimation procedures
- Providing supplementary statistics
 - Like those of the BIS
- Challenges are being met in the short or medium term and with different degrees of success



1. In a highly interdependent economy, BoP statistics are of great relevance to both economic agents and policymakers at the national and international levels
2. The usefulness of BoP statistics is particularly important in the euro area, both at the area-wide and national levels
 - Need to enhance quality
 - First-for-Europe principle
3. Since globalisation poses nevertheless important challenges for BoP Statistics (nationality vs. residence principle) it is very important that the response should also be global
 - International cooperation
 - Increasing consistency of international standards



While in a globalised setting BoP statistics have become less sufficient than in the past for responding to a number of questions posed by policymakers, they remain as necessary as ever.