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AUTORITI MONETARI BRUNEI DARUSSALAM

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Challenges in the Compilation of Monetary Statistics

The Compiler's Perspective

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Outline

- Introduction on Monetary Statistics
- Compilation process
- Common challenges
- Conclusion

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Monetary Statistics

- Record comprehensive stock data of the non-financial and financial assets and liabilities of financial corporations.

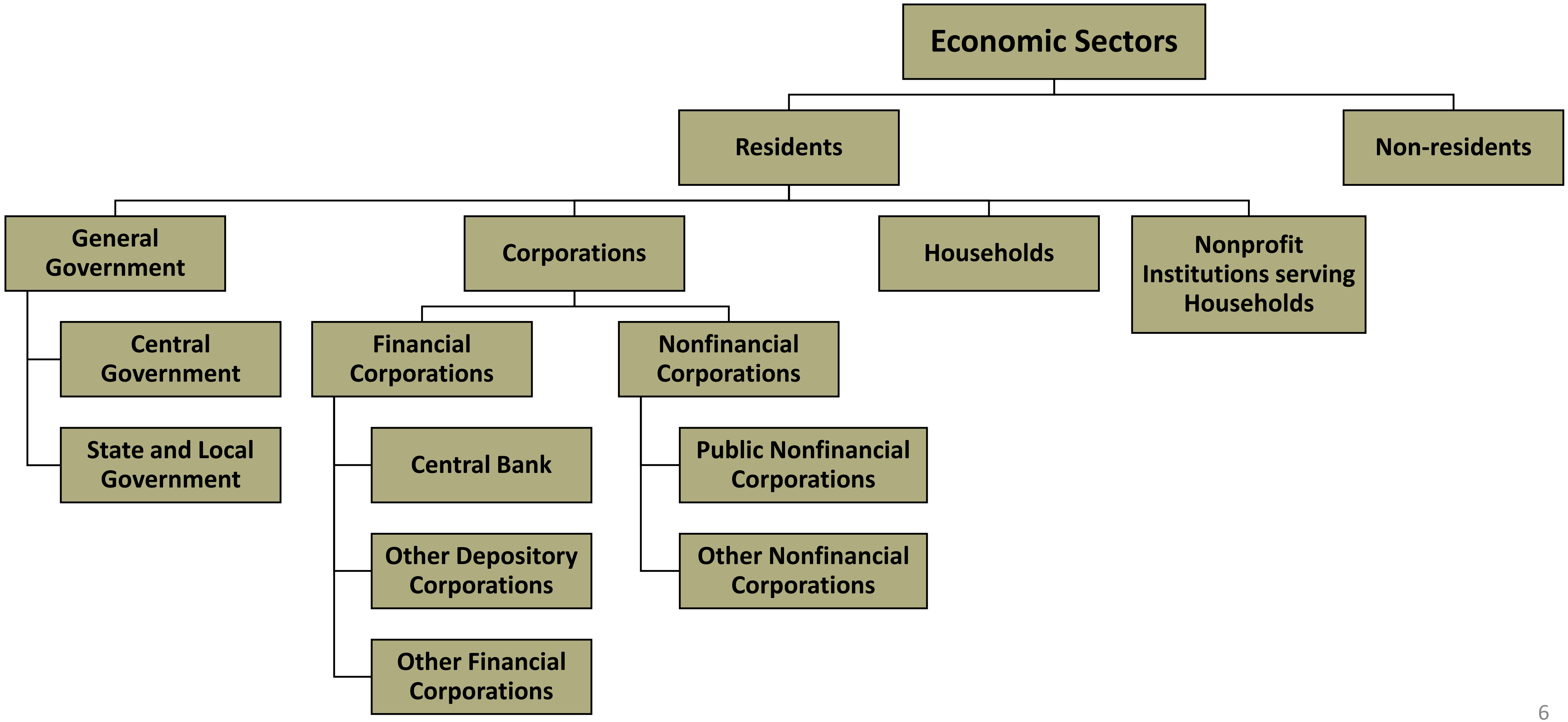
- Monetary statistics consist of:
  - Sectoral balance sheets for financial corporations; and
  - Surveys of the financial corporations and its subsector.

- Country's central bank is responsible for collecting and compiling the national monetary statistics.

Categories of financial instruments

- The Monetary and Financial Statistics Manual (MFSM), 2000 identifies them as follows:
  - Monetary gold
  - Special Drawing Rights (SDRs)
  - Currency and deposits
  - Securities other than shares
  - Loans
  - Shares and other equities
  - Insurance technical reserves
  - Financial derivatives
  - Other accounts receivable/payable
  - Nonfinancial assets

Classification of economic sectors



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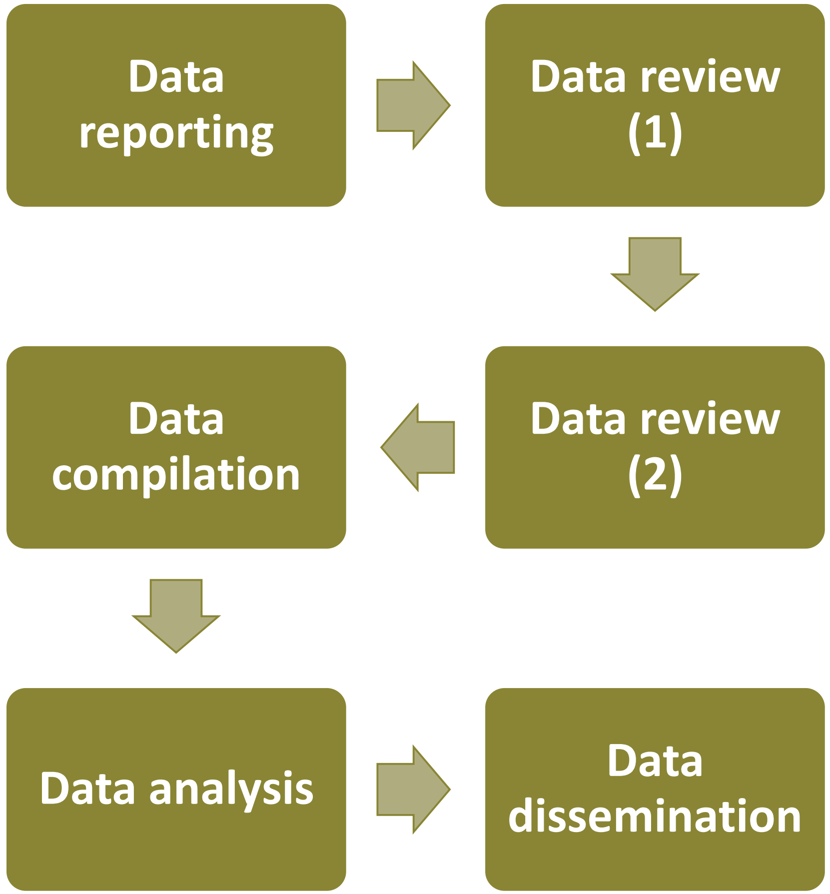
Six distinct processes to produce monetary statistics

1. Reporting of raw data by the financial institutions.
2. Data review by the supervision department.
3. Data review by the monetary statistics department.
4. Compilation of the analytical monetary accounts, which involves the classification and sectorisation 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.
6. Data dissemination, including internationally through to the International Monetary Fund's *International Financial Statistics (IFS*.)



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Common challenges

1. Misclassification of data
   - Mistakes commonly occur when the reporting financial institutions misclassify the source data.

- Eg 1: Demand deposits with other financial institution outside the country.
  - ✓ Category: transferable or other (fixed) deposits?
  - ✓ Sector: other financial corporations or nonresidents?
  - ✓ Currency: local or foreign?

- Eg 2: Subordinated debentures, banks in the country.
  - ✓ Category: Securities or loans?
  - ✓ Sector: central bank or other depository corporations (commercial banks)?
  - ✓ Currency: local or foreign?

Common challenges (Cont'd)

2. Poor understanding of the international methodological guides
   - In this case, the International Monetary Fund's MFSM, 2000 which is seldom taught in detail in formal academic training.

➢ The IMF offers training courses on compiling the monetary statistics which are suitable for the central bank compilers and data providers.

Common challenges (Cont'd)

3. Reporting "gaps"
   - Missing information in the reporting institutions' balance sheets that make classification and sectorisation of accounts impossible.
   - Valuation methodologies – unavailability of proper valuation.

4. Data "gaps"
   - Incomplete institutional coverage
   - Difficulty in collecting data for non-bank institutions
   - Delay in reporting or no reporting at all

➢The IMF offers technical assistance to member countries to overcome these "gaps".

Common challenges (Cont'd)

5. Data discrepancy
   - This issue occurs when the same transaction has different times of data recording.

6. Limited cooperation and lack of communication
   - Cooperation and communication issues between financial sector data providers and central bank compilers.

➢ Good relationship and continuous cooperation are strategically important in ensuring smooth and timely compilation and dissemination of accurate monetary statistics.

Common challenges (Cont'd)

7. No documentation
   - Ensuring continuity and preserving institutional memory is also a challenge.
   - ➢This can be addressed by developing and systematically updating a comprehensive and clearly drafted document on the step-by-step data compilation procedures.

8. Manual compilation and validation of data
   - This challenge leads to the occurrence of human error and it is very time-consuming. It requires more resources if each process is to be verified to ensure data accuracy.
   - ➢A user-friendly statistical system that can compile and automatically validate data will ensure compilers to have a high quality data for better analysis.

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Conclusion

- In compiling the monetary statistics, it is important:
  - To minimise the mistakes by having good knowledge on the classification of financial instruments and its sectorisation;
  - To ensure continuity of cooperation by having good relationships between the data providers and compilers; and
  - To keep updating the documentation procedures and to invest in building a statistical system.
- Producing reliable and timely monetary statistics is vital as it can be compiled with minimal delay and high level of accuracy.
- The availability of timely and reliable monetary and financial statistics is of critical importance to policymakers in charge of developing the country's macroeconomic framework (financial programing), for the conduct of effective monetary policy, policy-oriented research, and the development of the flow of funds statistics.

THANK YOU

Reference

- International Monetary Fund (2000), *Monetary and Financial Statistics Manual*, Washington D.C.