Aiming for consistency – Institutional co-operation

Örn Ágústsson - Statistics Iceland*

Workshop on Financial Accounts

Brussels, 14-16 November 2022

*The views expressed in the presentation are those of the author and not necessarily the views of Statistics Icleand.

Content

- MoU with the Central Bank; setup

- Co-operation on balancing and sector classification

- Lessons learned and future work

Excerpts from Appendix of the first MoU

- *The aim of the arrangement is to avoid duplication of statistical work in financial accounts and to promote high quality and consistent statistics for the use of policy-makers, the general public and international institutions.*

- Purpose is also to

set out respective areas of responsibility between Statistics Iceland and the Central Bank of Iceland for developing Financial Accounts and related statistics for Iceland and to provide a framework for exchange and reproduction of data between the two institutions.

Framework and responsibility

- *Financial accounts will be prepared according to ESA guidelines and will include details on necessary instruments and sub-instruments, including long- and short-term maturity, where required. They will be compiled using specific questionnaires and templates provided by Eurostat and OECD.*

- *The Central Bank of Iceland will compile both annual and quarterly financial accounts and related statistics (including balance sheets) for Financial corporations (S.12) and Rest of the world (S.2) sectors, including all sub-sectors thereof and metadata for the same.*

- *Statistics Iceland will compile both annual and quarterly financial accounts and related statistics for Non-financial corporations (S.11), General Government (S.13), Households (S.14) and Non-profit institutions serving households (S.15), including all sub-sectors thereof and metadata for the same.*

- *Statistics Iceland will undertake the primary responsibility for answering queries and providing feedback regarding financial accounts and related statistics to concerned parties.*

Datasharing

- Timeline for transmission of data between institutes included in the first edition MoU, omitted in second edition. Insted the second edition includes deadlines for publications

- Datasharing outlined between the institutions for the compilation

Working meetings

- Regular meetings to evaluate results, compare source data vs. counterparty data and balancing the accounts.

- Data is summarized by sector, instrument and counterparty-sector, and then the accounts undergo a balancing procedure. During the balancing process, sector assets and counterparty liabilities are reconciled (and vice versa) according to source ranking and the nature of the counterparty data. The accounts are reconciled between sectors and instruments, while maintaining the stock-flow accounting principle.

- In our experience many discrepancies in source and counterparty data trace back to differences in sector classification (and instrument classification)

Statistics Iceland

Approach for balancing

- Initially done separately on instrument basis, using source ranking based on sectors

- Now a more hollistic approach looking at all sectors, all instruments. Stock positions are the starting point.

Source ranking

- General ranking of sources is

  1. The general government
  2. The Central Bank of Iceland
  3. Rest of the World
  4. Financial institutions
  5. Non-financial corporations (S.11)
  6. Households and Non-Profit Institutions Serving Households (S.14 & S.15)

- For some specific instruments and/or sectors ranking varies

Source Ranking

- General sector ranking -> instrument ranking -> specific pairs ranking

- Important to keep in mind the nature and context of the data source when using registry-based data

- More reliance on counterparty-data from S.12

Sector classification

- Who is responsible for sector classification?
  - Statistics Iceland is responsible
  - Need for expert knowledge and know-how
  - Classification algorithms (based on Icelandic NACE) for majority of units
  - Special attention is required for the deliniation of S.13; ad-hoc queries and investigations
  - For S.12 there is co-operation between Statistics Iceland and Central Bank of Iceland
  - We have asked Eurostat for official recommendations on important borderline cases

Lessons from the Icelandic experience

- MoU with the Central Bank crucial as a starting point and framework for the compilation

- Important to cultivate co-operation
  - Continuous evaluation of the co-operation important
  - Dialog on higher level needed (not only on expert-level)

- Increasing need for common sector classification register
  - (Maybe an open register for data providers?)

Future challenges

- Improve access to each others databases

- Improve technical environment

- Improve flows statistics and vertical consistency

- Quarterly accounts

Familiar challenges?

- This is a slide from a working group on the compilation of financial accounts from 2008

Challenges and steps forward

- Current stocks' data at different valuations; ESA recommends market value
- Calculation of quoted and unquoted shares problematic in the absence of robust stock market
- Data on loans and securities needs to be disaggregated
- Work initiated on reducing data discrepancies between IIP and financial sector
- Need to strengthen data collection of NPISHs
- Aid development of a security-by-security (SBS) database
- Diversification to flows and value/volume changes

Contact: orn.agustsson@hagstofa.is

Thank you