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**The relationship of Central Banks and National Statistical Offices:  
The Australian Experience**

Authors

Ian Ewing \*

Australian Bureau of Statistics, Canberra, Australia ian.ewing@abs.gov.au

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Abstract

Australia has a centralised system of economic statistics with the Australian Bureau of Statistics (ABS) producing most macro-economic data for Australia. This contrasts with many countries in which National Statistics offices share this responsibility with other government institutions, including Central Banks.

Australian experience is that there are advantages from centralising responsibility for official statistics, including economies of scope and scale, quality benefits from improved statistical integration and cohesion and the institutional integrity associated with an independent NSO.

Under Australian legislation, the Australian Statistician has sole responsibility for determining the scope and content of the Bureau's statistical program and methodology and for the release arrangements for its statistics. The responsible exercise of this function obliges the statistician to consult with users to help ensure the relevance and practical utility of ABS data.

Given the importance of the Reserve Bank of Australia (RBA) as an economic agent, the Statistician gives due weight to the views of the RBA, especially regarding economic statistics, with RBA representatives involved in formal consultative and advisory mechanisms.

Both RBA and ABS benefit from a relationship characterised by collaboration and respect. The independence and credibility of ABS data in turn supports public confidence in the Bank's economic analysis, and the credibility of its cash rate settings.

The RBA does not seek to be publicly critical of the ABS however on occasion it can be difficult for the RBA to avoid the appearance of criticism when comparing the signals from different data sources. Both agencies benefit from public disclosure of data sources and methodologies, and from engaging in an active debate that highlights the challenges of measuring the performance of a modern, globalised economy.

1. Introduction

Throughout the world, there are a number of different Institutional arrangements for the production of economic statistics. Australia has a centralised system of economic statistics with the ABS producing most of the country's macro-economic data. In many countries some macro-economic data is produced by the Central Bank.

Australia's Central Bank, the RBA, is a prominent analyst of the Australian economy, and public statements by senior RBA personnel about prospects for the Australian economy, and by implication for economic policy, are widely reported and influential. Both organisations, each an independent statutory authority, have roles in informing the Australian Government and the Australian people regarding the state of the economy and, therefore, must have a close working relationship while maintaining their independence.

## 2. History of the two organisations

The Reserve Bank of Australia (RBA) is the Australian central bank. Its role is to administer monetary policy, maintain a strong financial system and issue Australia's banknotes.

A little of its history is as follows (a);

1911 – Creation of the Commonwealth Bank of Australia (CBA), initially as a commercial bank,

1924 to 1945 – Evolved responsibility on the part of the Commonwealth Bank for Central Banking activities in response to the Great Depression and World War 2,

1945 – Formalisation of the Banks powers in relation to administration of monetary & banking policy and exchange control,

14 January 1960 – Legislation enacted establishing RBA and transferring central banking powers to the new entity leaving commercial banking activities with the original CBA,

1 July 1998 – Australian Prudential Regulation Authority formed to take over supervision of deposit taking institutions,

December 2007 – Release of amendments to the 1996 joint Government / RBA paper 'Statement of the Conduct of Monetary Policy' incorporating substantive amendments relating to the independence of the RBA and covering practices regarding transparency and communication.

The Australian Bureau of Statistics (ABS) is the Australia's official statistical organisation. The ABS has two key roles: as a producer of official statistics and as a leader within the National Statistical Service (NSS) coordinating statistical activities across official bodies.

A little of its history is as follows (b);

1822 – The British Colonial Office establishes a formal statistical system (The Blue Book) leading to the appointment of Statistical Officers to each colony. These responsibilities transfer to each Australian State following the creation of the Australian Commonwealth in 1901,

8 December 1905 – Enactment of the Census and Statistics Act 1905 establishing the Commonwealth Bureau of Census and Statistics (CBCS) to take over the Population Census and some other statistical processes from the individual state statistical offices,

1957 - The Statistics (Arrangements with States) Act makes provision for agreements to transfer residual State statistical functions to the CBCS,

1975 – Australian Bureau of Statistics Act establishes the ABS as the central statistical authority with full statutory powers and administratively independent of any other Government department,

2002 - National Statistical Service was initiated with the specific aim of better coordinating and using those statistical resources residing in other government agencies,

July 2007 – ABS takes over responsibility from the RBA for compiling the analytical price series' 'Trimmed Mean CPI' and 'Weighted Median CPI'

## 3. The relationship of the RBA and the ABS: The Australian Experience

Australia has a centralised system of economic statistics with the ABS producing most macro-economic data for Australia including National Accounts, Balance of Payments, Financial Accounts, Price Indexes and Financial Statistics. In many other countries, such as Argentina and Chile, a number of these data sets are produced by the Central Bank while other countries, such as USA and Japan, have a decentralised system where different agencies produce different data sets. Other countries may have centralised systems in which the statistical office is institutionally part of a Finance or

Planning Ministry. According to Dziobek and Tanase (c) in their 2008 study, Central Banks are responsible for producing Balance of Payments Statistics in 78% of countries subscribing to the IMF's Special Data Dissemination Standard (SDDS), for National Accounts in 10% of subscribing countries, and for the CPI in 2% of subscribing countries (see Appendix A).

The ABS is the major provider of statistics used by the RBA, although some financial statistics are produced by the Australian Prudential Regulation Authority (APRA) and monetary statistics are produced by the RBA themselves. Collaborative arrangements between all three institutions prevent duplication and promote statistical coherence.

The ABS believes a centralised statistical system is advantageous allowing greater efficiency and enhanced statistical coherence that can help build greater public trust in official data. Efficiencies arise from allowing infrastructure like business registers and data collection assets, and scarce expertise such as SNA knowledge to be leveraged over the widest possible range of related data collections and statistical compilation activities. Statistical coherence is promoted through the use of common infrastructure such as a Business Register and consistent application of a related framework of classifications and definitions to enable the integration of data derived from different surveys and administrative sources. A central statistical office whose sole responsibility is providing high quality data is better placed to build trust in its independence and integrity than statistical branches or units embedded in Central Banks, Ministries of Finance or Industry etc., where statistical work risks appearing to play second fiddle to a policy agenda

Both the ABS and the RBA are independent statutory authorities who have roles in informing the Australian Government and the Australian people regarding the state of the economy: the ABS by providing statistics, the RBA by interpreting ABS and other statistics along with information gleaned from business and community liaison, in assessing the current state and future prospects for the economy.

The broad agreement between both agencies on their respective roles is reflected in the decision by the RBA in 2010 to transfer to the ABS responsibility for compiling analytical measures of the underlying inflation trend. These measures (a "trimmed mean" and a "weighted median") had been earlier developed by the RBA, however the Bank recognised that ABS access to the underlying data collected in the CPI meant it was better placed to compile these series.

The RBA is tasked with formulating monetary policy and sets the overnight cash rate, which influences lending and deposit interest rates across the financial system and which, in turn has a significant effect on the Australian economy and on the well-being of Australians. As a prominent analyst of the Australian economy, public statements by senior RBA personnel about the prospects for the Australian economy, and by implication for economic policy, are widely reported and influential. ABS statistics are a major influence shaping the RBA's economic assessments. The RBA analyses a wide range of data when formulating monetary policy, including ABS series, private sector business and consumer surveys, and information from the RBA's liaison with businesses and community organisations. To understand the state of the global economy, the Bank also makes use of statistics compiled by international organisations such as the OECD and IMF, as well as data produced by the statistical authorities of Australia's major trading partners and by private sector data providers. Movements in a particular data series can give rise to different interpretations, so it is very important for the RBA to draw on the widest possible range of information when assessing the state of the economy.

The RBA is a "stakeholder" rather than a "customer" of the ABS. With the exception of occasional purchases of bespoke data analysis on a cost recovery basis, and providing sponsorship funding for some small specialist data collections, the RBA, like anyone else in Australia, uses data that is made publicly available by the ABS at no charge. The RBA enjoys no special access privileges. Quarterly discussions are held between ABS and RBA personnel to understand the Bank's expectations of economic growth. These insights assist the ABS in analysis and quality assurance of its own data sources used in compiling national accounts. The ABS also invites the RBA to quarterly briefings following release of the major data sets to enable RBA personnel to understand the factors driving the latest release of data, ask questions and identify potential anomalies. The RBA's feedback is valued and they participate in many forums organised by the ABS such as the Economic Statistics User Group and State Accounts User Group. Both ABS and RBA participate with other Government Agencies in the Joint Economic Forecasting Group, which assists the Australian Treasury in compiling Australia's official economic forecasts.

Under Australian legislation, the Australian Statistician has sole responsibility for determining the scope and content of the Bureau's statistical program and its methodology. The responsible exercise of this function obliges the statistician to consult with users of statistics to help ensure the relevance and practical utility of ABS data. Given the importance of the RBA as an economic agent, the Statistician gives due weight to the views of the RBA, especially with regard to economic statistics, with RBA representatives involved in formal consultative and advisory mechanisms. There is also regular informal contact with discussions on specific data items and methodologies.

As a major user of ABS data the information needs of the RBA influence the scope of the ABS work program and the methodological choices made by the Bureau. In some instances these needs may be at variance with those of other users (e.g. treatment of housing and financial services in the CPI) and the ABS needs to navigate these tensions. The 16th review of CPI conducted in 2010 provided the opportunity for the RBA to have input into the makeup of the new index.

The ABS and the RBA have developed a strong working relationship and a number of staff from each organisation have moved to the other organisation while following their career path. This has helped broaden the understanding of how the other operates and what their statistical needs are. As an institution that is widely respected for its professional expertise and with a strong network of alumni in business and financial institutions, the RBA is also well positioned to influence wider perceptions of the ABS and the climate of confidence that the Bureau requires to be successful.

The centrality of economic analysis and forecasting to the functioning of the RBA, and the strength of its professional capability means the Bank is well placed (along with the Australian Department of Treasury and some Private Sector financial Institutions) to identify issues in the statistics produced by the ABS. The ABS benefits from the Bank's willingness to share its insights and analysis, especially at an early stage to enable the ABS to investigate possible gaps or weaknesses in data sources and methods. Following the release of Australia's first publication of National Accounts on a 'System of National Accounts 2008 (SNA2008)' basis, in the September Quarter of 2009, the RBA drew attention to a number of inconsistencies in the revised accounts, which in turn led the ABS to put in place a significant program of improvements in methods and data sources

Accuracy and timeliness are statistical characteristics of value to the RBA. The Bank would welcome improvements in timeliness and frequency, in particular an earlier

release of quarterly National Accounts and the publication of a monthly CPI, but it recognises that improved timeliness and frequency can come at the cost of a reduction in accuracy. An important element in the RBA's assessment of the accuracy of ABS statistics is coherence. There are two dimensions to coherence: firstly, that related statistics tell a consistent economic "story" and secondly that the statistical picture is consistent with observational evidence. Frequency and size of revisions are also of concern, especially where they reflect a lack of coherence.

The RBA have a strong stake in the independence and integrity of the ABS, for example the RBA is committed to an inflation targeting regime and the ABS provides the evidence of the success or otherwise of its actions. The wider public confidence in the independence and integrity of ABS, and the quality of its data in turn underpins confidence in the decisions of the RBA

The independence and the differentiation between roles, allows the RBA scope to comment on the quality of ABS statistics. Unlike Central Banks who are charged with statistical responsibilities, the RBA is well placed to avoid the suggestion that it is measuring its own performance.

Because the reputation of the ABS is important for the RBA, it follows that any direct or implied criticism of ABS data is presented constructively. It can be difficult for the Bank to avoid the appearance of criticism when comparing the signal from different data sources. In support of its policy decisions the Bank publishes its supporting economic analysis, which can reveal or imply data inconsistencies that may reflect unfavourably on the reliability of ABS data.

As a user of international data, and the statistics of other countries, the RBA also has an interest in supporting the ABS in its role in influencing international statistical standards, and in its collaborative relations with its peer organisations overseas.

#### 4. Conclusion

The institutional arrangements for providing official statistics of Australia are a reflection of our history. Following a colonial template, each British settlement in 19<sup>th</sup> Century Australia established its own statistical office, responsible for compiling data to measure and report on the social and economic progress of their colony. With the establishment of Australia as a Nation in 1901, the separate colonies became the States of Australia and a single national statistical office was created, essentially to co-ordinate the activities of the separate state offices in undertaking a national Census and in combining the results from each state's international trade and agricultural data collections. Individual State offices continued to meet the statistical needs of their governments and communities. In response to emerging areas of national policy concern such as industrial relations and cost of living national statistical collections such as a retail price index were established. The impact of the Depression and World War 2 gave greater weight to the need for national as distinct from state level statistics and by 1960 the various State statistical offices had been absorbed into the Commonwealth Census and Statistics Department (the "NSO"), with responsibility for compiling the full range of national macroeconomic data including national accounts, price indexes and Balance of Payments statistics. These arrangements were backed by legislation uniquely empowering the National Statistical Office to collect data from businesses and households across the country. Australia's centralised statistical system was well entrenched before the Reserve Bank was set up as an independent institution in 1960.

No doubt, where decentralised statistical arrangements exist in other countries, they reflect their history as well.

Although history may have shaped our statistical system, the ABS does consider a centralised system has served Australia well. As discussed, it allows investment in statistical infrastructure to be utilised efficiently, it enhances coherence by making it easier to integrate data from disparate sources, it makes it easier to apply agreed statistical policies and practises (e.g. on determining national statistical priorities, on data collection, data access and confidentiality), and it supports public trust in the independence and integrity of national statistics by separating their production and dissemination from institutions whose primary concern is the development of policy or the delivery of government services.

These arrangements are also favoured by the Reserve Bank, which benefits from the availability of high quality and trusted economic data. The ABS also benefits from an arm’s length relationship with the RBA, as it has with the Australian Treasury and other major users of economic data who are thereby better placed to provide well informed and constructive criticism to the ABS, hold the ABS to account for the quality of its work, and advocate in support of maintaining the public investment required to sustain a high quality national statistical system.

References

- (a) RBA Website, [‘A brief history \(of the RBA\)’](#)
- (b) ABS publication no. 1382.0.55.001 – [‘Building a National Statistical Agency: From the CBCS to the ABS, 1905 to 2005’](#)
- (c) Dziobek, C and Tanase, F (2008), [‘Institutional arrangements for producing macroeconomic statistics in countries subscribing to the Special Data Dissemination Standard \(SDDS\)’](#) Irving Fisher Committee (IFC) Bulletin No 28, Bank for International Settlements (BIS)

Appendix A

Agencies producing/disseminating main datasets in SDDS countries											
Agency	%										
	Data sets										
	National accounts	Consumer price statistics		Producer price statistics	General government statistics		Depository corporations survey	Balance of payments		International investment position	
Producing agency	Producing agency	Disseminating agency	Producing agency	Producing agency	Disseminating agency	Producing agency	Producing agency	Disseminating agency	Producing agency	Disseminating agency	
Statistical office	83	93	88	85	24	32	0	22	27	17	22
Central bank	10	2	5	10	7	12	100	78	71	83	76
Min. of Finance	0	0	0	0	68	54	0	0	0	0	0
Other agencies	7	5	7	5	0	2	0	0	2	0	2
Total %	100	100	100	100	100	100	100	100	100	100	100

Dziobek and Tanase (2008) (c) See Reference above