

Cooperation between the NSI and Central Bank: the Chilean experience

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The Central Bank of Chile compiles and publishes the main macroeconomic statistics. These include monetary and foreign exchange statistics, balance of payments and national accounts, and other economic and social accounting systems. In order to perform this function, the Bank relies heavily on information provided by the various agencies and departments of the Civil Service Administration, in particular, by the National Statistical Institute (NSI). This paper describes some important achievements regarding data transmission protocols between the NSI and the Bank, joint statistical projects to overcome data gaps and the main challenges in the areas of confidentiality assurance for the exchange of information, and implementation of new international standards for the compilation of economic statistics.

Key words: macroeconomic statistics, data transmission protocol, confidentiality assurance, international standards.

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1. Introduction

The purpose of this paper is to present the Chilean experience on coordination between the National Statistics Institute (NSI) and the Central Bank of Chile (CBC) in the field of statistics compilation. According to its charter, the Bank compiles and publishes the main macroeconomic statistics, which includes the monetary and foreign exchange statistics, balance of payments and national accounts, and other economic and social accounting systems. In order to perform this function, the Bank relies heavily on information provided by the various agencies and departments of the Civil Service Administration, in particular, by the NSI.

Under a decentralized system as the case present in Chile, the good coordination between the CBC and the NSI is not only a desired feature but a requisite for assuring high quality standards. This fact was clearly recognized during the Chilean accession process to the OECD in 2009, in which one of the recommendations made by the Statistics Committee was to enhance such cooperation. Quoting the OECD report,

“The Accession Review determined that the legal and institutional framework for statistics in Chile was in conformity with principles applied in OECD countries. Nevertheless, there were certain areas where further strengthening of the statistical framework was considered to be advisable, notably the need for improvement in data sharing and co-ordination, particularly between the INE and the CBCH”.

Recognizing the importance of such recommendation, this paper summarizes the Chilean experience from the perspective of the CBC. To these effects, section 2 provides a description of the national statistics system, the responsibilities for which are shared between the NSI and the Central Bank. Section 3 sets forth the main coordination challenges. Section 4 addresses the progress made. Lastly, section 5 offers some concluding remarks and main challenges ahead.

2. National Statistics System in Chile

The Organic Law of the CBC (1989) confers upon it a comprehensive statistics function, by stating that the Bank shall timely compile and publish the main macroeconomic statistics, including those of a monetary and foreign exchange character, balance of payments and national accounts, and other overall economic and social accounting systems. For all purposes of the preceding paragraph, the Board establishes, by means of a resolution published in the Official Gazette, the nature, contents and periodicity of the information it shall disclose.

In order to perform these functions the CBC has the authority to request and obtain from the various agencies and departments of the Civil Service Administration, decentralized entities, and generally the public sector, any information it may deem necessary.

The National Statistics Institute, on the other hand, compiles a wide range of sector statistics on production, sales, consumption, employment and prices. Among the latter, it is worth mentioning the consumer price, producer price, wage, and labor cost indexes.

In the compilation of national accounts, the Bank strongly rests on the collection of basic statistics by the INE. For this purpose there is a formal agreement between both institutions for the provision of such information. Other relevant external sources of basic information are the National Customs Service for foreign trade information, the Internal Revenue Service for tax records and the Superintendence of Banks, of Securities and Insurance, and of Pension Fund Managers (PFM) for information of financial nature.

3. Principal coordination challenges

Given the decentralized character of the Chilean statistical production, one evident challenge is the suitable coordination between the different entities participating in the national statistical system, where the relationship between the NSI and Central Bank stands out. In this regard, ongoing efforts are made to harmonize the production of basic statistics by the NSI, for example, with the national accounts and the balance of payments prepared at the Central Bank.

In view of the foregoing, a highly significant challenge for the CBC is the possibility of crossing databases originating in different state agencies in order to improve the quality of its statistical measurements and to perform economic-financial studies at a micro level. A basic requisite is having an explicit legal support for exchanging information between both agencies. Having secured the legal stance, crossing databases requires that the different sources (e.g., surveys to companies, bank information and tax records) collect the information using similar activity classifications so as to allow the necessary crosses of information. The present challenge faced at this point is to coordinate the adoption of the new CIU rev 4 in Chile, for all data collected by the NSI and its further incorporation in national accounts at the CBC.

In addition to assure that data used at both agencies is classified under similar standards, the CBC requires working hand in hand with NSI in order to join criteria and adopt the necessary mechanisms to **ensure** confidentiality of the information on individual operations. Although each institution has its own secrecy provisions, the challenge is to have a new legal provision referring explicitly to this exchange of data for statistical purposes.

A third challenge statistical challenge to the CBC that is worth stressing is having increasingly more consistent estimates of national accounts on activities such as construction and estimates on the side of private expenditure, particularly in its

consumption and inventories components, which represent a high percentage of the GDP. Likewise, there is still a shortfall in quarterly estimates by income approach. Having such information for quarterly accounts appears to be a growing need for the adequate interpretation of the economy's conditions when of making monetary policy decisions. All the above challenges have required coordination efforts between NSI and the CBC, that are described in the next section

Finally, we should mention the implementation of new international accounting standards IFRS that have implied changes in the reporting information on the balance sheet to the supervisory entities, NSI and the Central Bank itself. These standards had a compulsory nature and work is already being done at the level of the different supervisory entities in the preparation of the new standardized reports that companies will be bound to fill out. These new standards will affect, for a start, the manner in which the CBC will have to record some entries of its balance sheet. With regard to the effect on the different statistics that are compiled by the CBC, work is being performed to identify the main changes and principal information systems that will need to be adapted to the accounting standards' changes.

4. Experiences and progress

The experience has shown that coordination between two independent agencies, such as the NSI and the CBC needs to operate under explicit rules that recognize the legal setting under which each institution operate, the activities and expected results, and definition of the responsible counterparts.

The NSI and the CBC operate under an agreement that is revised yearly which establishes the regular statistical products required for the national accounts compilation. The most important ones refer to annual structural surveys for industrial, commerce and service activities, and monthly economic indicators used for quarterly national accounts. This agreement is, in practice, complemented by a permanent schedule of meetings between the technical head of both institutions in order to follow up progress made in the bilateral agenda.

New statistical products have their own individual agreements, which have been signed after preliminary joint technical work. This is the case of new monthly sales indicator, inventories, and currently for the near future implementation of a construction survey.

Special mention deserves the agreements signed in order to collect information necessary for the benchmark national accounts compilation, which require special efforts in order to improve the measurement of activities at a more detailed disaggregation, in particular, regarding their costs structures. Such benchmark compilations are performed in Chile every five years, and the NSI presently updates the base year of economic indicators accordingly with such dates.

Evidently, all the above efforts imply an extensive flow of information that requires a solid legal standard for privacy assurance for the reporting company. In order to strengthen the legal support beyond any doubt, a new NSI law currently under discussion by the Chilean Congress deals explicitly with the issue. In the draft of the law under revision, a specific

article establishes the relationship between the NSI and the CBC. According to the new law under discussion, both agencies may exchange information compiled for the accomplishment of their own statistical duties, without violating the reserve obligations embedded in their statutes.

This new provision strengthens the legal support under which both agencies share information for statistical purposes, in particular, enabling the crossing of micro database required for the compilation of different sectors of economic activity.

5. Concluding remarks

The coordination challenges faced by the CBC and NSI are varied. In order to properly address them, the Chilean experience has shown the need to establish formal mechanisms of communication and defining in a very precise manner the expected results from the joint work and collaboration.

The CBC considers of high interest to continue to strengthen the work and fine tune with the INE, so that basic statistics are more and more aligned with the macroeconomic statistics compiled. This requires permanent coordination work and sharing of knowledge on methodologies for estimating and interpreting the evolution of the indicators.

The ISI congress constitutes a privileged instance of exchange of information between central banks and statistical agencies. From the CBC's perspective, it is of great interest to continue fostering the exchange of experiences that take place in the statistical work of central banks.