

Meeting the Challenges of Communicating

Central Bank Statistics: The Philippine Experience

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Introduction

The economic and financial crises that have occurred in the past two decades, both on a regional and global scale, have increasingly highlighted the need for timely, relevant and accurate central bank statistics that would send signals to market participants of possible disruptions to the normal functioning of an economy. As crises unfold, data gaps are uncovered leading to new statistical requirements. It is likely that certain economic indicators are completely not available or monitored. In some instances, they may exist but may have become obsolete due to the changes in reporting standards or new demands brought about by the changes in the global economy. Thus, the importance of flexibility in adapting the set of statistics being produced to the evolving developments in financial markets has been underscored.

Central banks face two challenges in generating statistics. First, for statistics to become useful, they should conform to international best practices or standards to allow for international comparability. Global initiatives to develop these standards have been given distinct attention in recent years, with multilateral and regional organizations at the forefront providing guidelines on the recommended or prescribed statistical framework, methodology and coverage in compilation as well as the reporting format. Second, the availability of a good set of data loses relevance if they are not well-communicated to and processed by the public to guide them in their household and business decisions. This brings to fore the crucial role of communicating central bank statistics.

Central bank communication has largely been focused on the communication of monetary policy. This is expected because monetary policy is the means by which central banks carry out their primary mandate of achieving price stability. With the ongoing integration of financial markets and the trend towards globalization and liberalization which paved the way for the introduction of new products as well as changed the structure of the financial system, the demands for clearer communication and greater transparency have emerged, not only with respect to the monetary policy decisions but also to the data that support the central bank's actions.

This paper will discuss the numerous measures undertaken by the Bangko Sentral ng Pilipinas (or the Central Bank of the Philippines) to develop the appropriate communications strategy to meet the challenges of communicating central bank statistics in a highly dynamic environment and allowing its various stakeholders—the banking community, businesses, investors, academe, households, and the media—understand the proper message underlying the statistics so that they can make full use of these information in their everyday decisions.

Communicating Statistics in Support of Inflation Targeting

On 24 January 2000, the Monetary Board, the policymaking body of the Bangko Sentral ng Pilipinas (BSP), approved in principle the shift to inflation targeting as the framework for conducting monetary policy. This decision is aimed at providing the BSP with a more focused and forward-looking approach in pursuit of

price stability.¹

The BSP formally adopted inflation targeting in January 2002. It involves the announcement of an explicit inflation target that the central bank promises to achieve over a given time period. The successful adoption of this approach depend on a number of preconditions that complement each other, namely: firm commitment to price stability, central bank independence, good forecasting ability, transparency, accountability, and a sound financial system. A major operational challenge is on transparency. Improved transparency is essential as the BSP remains accountable to the inflation target. This could be made possible by reinforcing the disclosure and reporting mechanisms to help the public understand the reasons for the BSP's monetary policy actions and enable the public to monitor the commitment of the BSP to the inflation target. Transparency also allows the public to assess whether deviations of the actual inflation from the target are acceptable or not.

Because of the basic requirement of transparency, inflation targeting is considered a forward-looking and information-intensive approach to monetary policy. It makes use of a wide array of reliable, timely and comprehensive information that tell on the inflation performance and that serve as a guide both to monetary policy setting as well as the public's evaluation of the BSP's actions. Data on past and current headline inflation, including both demand- and supply-related factors that influence the price level, are made available. Supply-side indicators consist of data on industrial production, agriculture production, and on the national income accounts. Demand indicators include data on bank lending, credit and liquidity growth, the government's fiscal position, automotive vehicle sales, sales of electric power, and other indicators of consumer demand. As monetary policy decisions also depend on the channels through which policy interest rates affect inflation and economic activity, the BSP looks at the monetary aggregates, credit activity, exchange rate, short- and long-term yields, domestic interest rates, asset prices as well as expectations and confidence. Developments in the financial sector and the external environment are also assessed.

Being a forward-looking approach to monetary policy, inflation targeting placed new demands on forward-looking indicators and on the BSP's forecasting capability. It necessitated the development of reliable inflation forecasting models over the policy horizon. For short-term inflation forecasting, the BSP uses the single equation model (SEM) which incorporates demand-pull and cost-push factors and captures time dynamics in the month-on-month behavior of inflation. This model generates a two-year ahead monthly path for inflation. The forecasts from the SEM are combined with the forecasts from the multiple equation model (MEM) to provide a more comprehensive assessment of the near-term impact of changes in the BSP's policy instruments on inflation. In addition, the BSP maintains the long-term macroeconomic model to serve as a quantitative tool to forecast headline and core inflation in the next two years, with a probability distribution of future inflation outcomes to account for the impact of various risk factors in the inflation outlook.²

The challenge of the BSP in an inflation targeting regime, therefore, is to build up its statistical base as well as strengthen the process of compilation, analysis and dissemination of timely, reliable and comprehensive information that affect the inflation performance and the inflation outlook.

Communicating Statistics to Conform with International Best Practices

Recognizing the paramount importance of good governance in statistical processes, the BSP continues

¹ In the past, the BSP employed the monetary targeting framework making use of monetary aggregates as operating targets. In 1995, the BSP adopted a modified monetary targeting approach, placing stronger emphasis on the price stability objective.

² The BSP continues to refine its suite of models to improve its forecasting capability. In calibrating its monetary policy settings, however, the Monetary Board does not rely entirely on statistical information and quantitative tools, but it exercises a considerable degree of judgement in its policy decisions.

to enhance its statistical compilation and dissemination activities. Efforts are undertaken to align these activities with international best practices and standards. In August 1996, the Philippines became a subscriber to the Special Data Dissemination Standards (SDDS) of the International Monetary Fund (IMF). As a subscriber, the Philippines is committed to ensuring the availability and comparability of comprehensive economic and financial statistics.

Among the SDDS categories, the BSP is primarily in-charge of financial sector accounts, such as the analytical accounts of the central bank and of the banking sector as well as interest rates, and of external sector accounts, including the balance of payments, international investment position, international reserves and foreign currency liquidity, external debt and exchange rates. It adheres to good practices in observing the four dimensions of data dissemination, as follows: (1) coverage, periodicity and timeliness of the data; (2) access by the public; (3) integrity of the disseminated data; and (4) quality of the disseminated data. Access by the public necessitates advance dissemination of release calendars and simultaneous release to all interested parties. Integrity of data requires the dissemination of the terms and conditions under which official statistics are produced and disseminated as well as the provision of information about revision and advance notice of major changes in methodology. Data quality prescribes the dissemination of documentation on statistical methodology, component details, reconciliation with related data, and statistical frameworks that will facilitate cross-checking and validation.

Adjunct to the observance of SDDS requirements, the BSP also utilizes the Data Quality Assessment Framework (DQAF) of the IMF in conducting a self-assessment of its existing practices against internationally-accepted standards.

As of 17 January 2001, the Philippines has already met SDDS specifications. The BSP maintains a dedicated page on Economic and Financial Data for the Philippines that correspond to the data described on the IMF's Dissemination Standards Bulletin Board (DSBB) in its website. Aside from the data, this page includes the Advance Release Calendar and some technical notes explaining the major revisions undertaken in its compilation of selected accounts. A link to the IMF's DSBB Home page is also available where users can have access to the metadata and summary methodology of accounts under its responsibility.

Enhancing Communication Channels

The BSP continuously undertakes measures to effectively promote greater transparency of monetary policy-making in the Philippines. Given the degree of fiscal and administrative independence that is provided by law to the central monetary authority, the BSP has put in place the integration of effective communication and transparency as vital elements to fostering a better understanding of its policy framework and establishing its accountability to the public.

In selecting the proper communication channel to cascade its policy decisions to the public, the BSP is mindful of the diverse groups comprising its clientele. These include financial market players, non-financial corporations, the academe, students, government agencies, households, and the media. The communication approach (e.g., content, dialect used) is tailored-fit to the needs and distinct character of the target audience to ensure that the right message is imparted and easily understood.

Use of the BSP Website as the Major Communication Tool

In this age of the internet where information can be gathered quickly and easily from various websites, the BSP undertook an appreciable amount of investments in physical and human capital to ensure that its own website can meet its stakeholders' needs.

To support the transparency requirement of inflation targeting, the BSP website was used as a primary medium to communicate the Monetary Board's monetary policy decisions. A section is devoted to monetary policy where information on the schedule of meetings of the Advisory Committee and the

Monetary Board are posted.³ This section of the website also carries the following reports or documentation: monetary policy decisions, highlights of the Monetary Board meetings on monetary policy, Inflation Report which is published quarterly, and Open Letter to the President that details the inflation performance and provides an explanation to the general public of the reasons why the inflation target was not met, in case of a deviation from the target.

As inflation targeting involves intensive information, the BSP website was likewise enhanced to make available to the public the vast range of statistics that would impact on inflation as well as reports and press releases that describe the indicators or discuss the developments in certain macroeconomic accounts. Corollary to the information demands of inflation targeting is the observance of good governance in statistics as enunciated by international best practices or standards in data compilation and dissemination. Thus, the BSP website has included the complete set of statistics that the BSP generates or uses in the effective discharge of its mandate. These pertain to monetary, external and financial statistics as well as banking statistics.

Monetary, external and financial statistics, in particular, being largely subject to data dissemination standards of the IMF, have substantial information content. Under this set of statistics are different sub-sections, namely:

- Special Data Dissemination Standards which show all data committed to be published by the BSP as a subscriber to the IMF's SDDS.
- Key Statistical Indicators, a compilation of latest series covering exchange rates, balance of payments (BOP) and other external sector-related accounts, monetary and financial system accounts, domestic and foreign interest rates, prices, fiscal accounts and national income accounts. The data are updated regularly as soon as they become available.
- Online Statistical Database that provides user-defined tables on time series data sets of selected economic variables.
- Statistical Reports and Publications which present daily, weekly, monthly and annual statistical reports/publications released by the BSP containing data series updated as of the date of release of said reports/publications.
- Statistical Advisories providing the latest announcements on revisions and release of updates on statistical series.
- Statistical Technical Notes where technical notes on revisions made on the BOP, international investment position (IIP), flow-of-funds, reserve money and depository corporations survey are detailed and enumerated. The revision policy on BOP and IIP compilation is included here as well as some concepts and definitions used in the generation of monetary, external and financial statistics.
- Links to Other Statistical Sites such as the DSBB of the IMF and the National Statistical Coordination Board, the policy-making and coordinating body of the Philippine Statistical System.

Another important feature of the statistics section of the BSP website is a page showing the schedule for statistical releases. Apart from the prescribed publication of an Advance Release Calendar for SDDS categories, the BSP issues a quarter-ahead schedule of releases of key statistics, reports and press releases to guide users on the expected availability of such information. Table 1 presents the list of statistics, reports and press releases covered by the release calendar. The BSP is committed to this release calendar. In case of unforeseen developments that would prevent it from disseminating the information on the scheduled release date, an announcement is posted at least a day before, indicating also the date when these would be available.

³ The Advisory Committee advises the Monetary Board on issues relating to the formulation and implementation of monetary policy.

Table 1**List of Key Statistics, Reports and Press Releases with an Advance Release Calendar**

	Statistics	Report	Press Release
Money and Banking			
Depository Corporations Survey	X		
Domestic Liquidity	X		X
Loans Outstanding of Commercial Banks	X		X
Central Bank Accounts	X		
Monetary Policy Stance			X
Decisions of the Monetary Board on Monetary Policy Issues		X	
Interest Rates			
Domestic Interest Rates	X		
Selected Interest Rates (BSP rates, Treasury Bill Rate, Treasury Bond Rate, Rediscount Rate)	X		
Foreign Interest Rates (LIBOR, SIBOR, Fed Funds Rate, US Prime Rates)	X		
External Sector			
Balance of Payments	X	X	X
Overseas Filipinos' Remittances	X		X
Gross International Reserves	X		X
Overall BOP Position	X		
International Reserves and Foreign Currency Liquidity	X		
Foreign Direct Investments	X		X
External Debt	X		X
International Investment Position	X	X	X
Exchange Rates			
Peso-Dollar Rate	X		
Nominal/Real Effective Exchange Rate Index	X		
Peso Cross Rates of Selected Currencies	X		
US Dollar Rates of Selected Currencies	X		
Prices			
Consumer Price Index, Inflation Rate	X		X
Stock Composite Index	X		
Others			
Business Expectations Survey	X	X	X
Consumer Expectations Survey	X	X	X
Inflation Report		X	
Report on Regional Economic Developments	X	X	
Report on Economic and Financial Developments	X	X	
Selected Philippine Economic Indicators	X		

The BSP website is a rich source of information also on banking regulations and other issuances governing the BSP's conduct of business with the public.

Engaging the Media as Partner in Communication

The media plays a vital role in the BSP's communication plan. Mindful that policy actions and the accompanying information surrounding those decisions, if not properly and adequately communicated to the public, will not help economic agents to process those information in a way that would benefit their lives, the BSP took on the cudgels of empowering the media as its business partner in communicating to the public. First, the BSP increasingly issued press releases on various policies and programs that were implemented, including statistics generated that would aid business and household decisions. Second, whenever major policies are undertaken such as the Monetary Board decisions on monetary policy stance, a press statement is issued by the Governor and is followed immediately by a press conference or briefing where the media is given the opportunity to ask questions. Press briefings are also done upon release of the Inflation Report, Balance of Payments Developments Report, and results of the Business and Consumer Expectations Survey. Lastly, an annual media briefing is conducted by the BSP for its Press Corps where top management presents to the media its major programs and policies, and explains intently selected indicators that are often discussed or written about. Making the media more knowledgeable about the whole gamut of indicators or statistics produced by the BSP will enable them to present the correct story behind the numbers so that the public who use these information are properly guided.

Advocating Economic and Financial Learning to the General Public

A well-informed citizenry makes an effective partner in ensuring that an organization's vision and objectives are attained. Economic and financial education of the public, therefore, is a major advocacy of the BSP and is an essential aid to its communications strategy.

The BSP formulated an Economic and Financial Learning Program (EFLP) in 2010 to integrate its various learning programs that have been existent for several years now. The EFLP aims to promote general awareness and understanding of important economic and financial issues to help the public acquire the knowledge and develop the skills needed to make well-informed economic and financial decisions and choices. It embodies the BSP's thrust of promoting an inclusive and proactive economic and financial education among its stakeholders. It is composed of the following programs: (1) Conference on Gearing Up for External Competitiveness, (2) Public Information Campaign on the Role of the BSP in the Economy, (3) Financial Learning Campaign for Overseas Filipinos and their Beneficiaries, (4) Users' Forum on BSP-Produced Statistics, (5) Financial Education Expo, and (6) Financial Learning Seminar for Microfinance Clients and the Unbanked.

A. Conference on Gearing Up for External Competitiveness (CGUEC)

This half-day activity is intended to raise awareness of exporters, importers, organizations of overseas Filipinos, business process outsourcing firms, and entities with foreign exchange obligations on the different ways to manage their foreign exchange risks, and highlight the factors that determines the country's external competitiveness.

B. Public Information Campaign (PIC) on the Role of the BSP in the Economy

The PIC was borne out of the need to help explain to the public the monetary policy process and what inflation targeting is when the BSP adopted the inflation targeting approach to monetary policy. It became a regular activity thereafter as the BSP decided to enhance public awareness on its core functions and responsibilities and its role in the economy, particularly those relating to the three pillars of central banking, i.e., price stability, financial stability, and efficient payments and settlements system. It is also a venue to generate public understanding of and support to the policies and programs implemented by the BSP. Participation is broad-based, including students, members of the academe, businesses, government agencies, and members of the media.

C. Financial Learning Campaign (FLC) for Overseas Filipinos and their Beneficiaries

A five- to six-hour activity, the FLC aims to educate overseas Filipinos and their beneficiaries in the Philippines on the importance of using remittances to build up savings and directing these into investments in financial products and business ventures. Through this forum, the BSP hopes to help overseas Filipinos and their beneficiaries achieve financial independence and enable them to participate more meaningfully in the country's economic development. Topics presented by resource persons include the importance of remittances, ways to send remittances to beneficiaries, financial planning, savings and investment options, safeguarding savings and investments, and investing in microenterprises and agri-business. Testimonials of successful overseas Filipinos or their beneficiaries who have ventured into business undertakings are also part of this learning session. This is intended to encourage and inspire the participants to better manage their remittances.

This activity was initially offered in the different regions in the Philippines for overseas Filipino workers who were on vacation in the country or waiting to be deployed to their host countries as well as to the beneficiaries. In 2008, however, the BSP decided to bring this advocacy to the overseas Filipinos' host countries to reach out directly to the Filipinos residing or working abroad.

D. Users' Forum (UF) on BSP-Produced Statistics

The UF is conducted as part of the BSP's celebration of the National Statistics Month in the country every October. It covers topics on monetary and financial statistics, balance of payments and other external sector accounts, flow-of-funds, expectations survey and regional economic developments which provide a discussion of developments in the regions of the country where the activity is held making use of national and regional indicators. This half-day learning activity aims to explain to the public the methodology employed by the BSP in compiling and generating the statistics and indicators that it monitors and disseminates. It also endeavors to enhance the appreciation by the public of these various BSP-produced statistics and their application to their individual undertakings. Thus, the UF is another major tool utilized by the BSP in communicating central bank statistics by educating data users on data compilation and analysis.

Target participants are broad-based, with representations from the various sectors such as students, members of the academe, businesses, government agencies, and members of the media. Efforts are exerted to bring this activity to as many regions in the country, thereby benefiting more and more a wider segment of the population. The BSP is now on its seventh year of statistical literacy campaign for the public.

E. Financial Education (Fin-Ed) Expo

The Fin-Ed Expo aims to instill awareness on the availability and accessibility of financial education programs to all Filipinos, increase personal financial consciousness on the values and benefits of being financially empowered, and orient the public about available tools that will help in the enhancement of their financial well-being. Target participants are students, the academe, private entities and organizations, and government agencies.

Lectures on BSP initiatives on consumer protection, the Philippine financial system, currency concerns, saving, investing and borrowing, and financial planning for life cycle events are conducted. This medium is complemented by the installation of booths that form part of the learning activity which are manned by the BSP and several partners in this program.

F. Financial Learning Seminar for Microfinance Clients and the Unbanked

This full-day seminar aims to provide the public with information and tools necessary to be effectively mainstreamed in the formal financial system in a safe and sustainable manner. It is comprised of five learning sessions covering the following topics: microfinance and financial learning concepts, budgeting and planning, savings and investment, roles and responsibilities of clients in the use of credit, and consumer protection. Target participants are institutions providing microfinance products and services, microfinance

clients, and the general public.

Remaining Challenges: The Way Forward

It is acknowledged that despite numerous efforts undertaken by the BSP to develop a communication strategy to make the general public well-informed of its policy actions and programs, a considerable segment of the population is not knowledgeable about the BSP. However, the public's trust and confidence in the BSP as an institution continues to be strong. On its communications with the public, the BSP is perceived to be responsive to suggestions, concerns and queries raised by its stakeholders. Accessibility of the public to data/information generated by the BSP is also favorably seen by the general public.

The challenge lies in being able to reach out to those with lower education and/or those belonging to the low income group, which have not been targeted in the economic and financial learning campaigns, by simplifying the BSP's messages to the public through intensified use of the local dialects and tapping mass-based means of communication. This will allow better cohesion in the economy where all players are able to make informed decisions and interact with each other using the information communicated to them.

Another big challenge is the continued improvement in the reliability, availability and timeliness of statistics produced by the BSP statistics. As foreign exchange regulations are increasingly liberalized, the BSP needs to devolve from reliance on bank reports as a source of data and place greater emphasis on administrative records provided by other agencies as well as on surveys or direct reporting. Unfortunately, the BSP still has no legal authority to compel non-financial corporations to provide data or information that are important for the BSP's statistical compilation of the balance of payments and the flow-of-funds. A bill is pending in the legislative branch of the government that will grant the BSP the authority to collect such data.

Meanwhile, the continuing developments and innovations in financial markets as well as the recent crisis that affected the global economy placed new demands for high-frequency and more micro data to assist policymakers in detecting incipient signs of a crisis or vulnerabilities in the system. The BSP has included in its work program the development of new indicators and refinements to existing ones to ensure price and financial stability.

Communicating statistics is a continuing work for the BSP as it adapts to user demands and conforms with international best practices. This is at the core of its advocacy to instill economic and financial education among its various stakeholders and ensure that a greater segment of the population is able to make informed decisions and choices.

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