BANCO DE ESPAÑA

150 AÑOS DE HISTORIA
1856-2006

Madrid, March 1, 2006

Welcoming remarks

International Conference on the Coordinated Portfolio Investment Survey
Banco de España

José Viñals
Director General of International Affairs

Good morning.

Let me welcome you on behalf of the Banco de España, whose pleasure it is, in collaboration with the International Monetary Fund, to have organised this international conference on the Coordinated Portfolio Investment Survey. So, let me take the opportunity to thank the Fund for their excellent partnership in this, as well as in other previous occasions.

The most important structural change that has taken place in the world economy over the last two decades has been the very significant degree to which trade and financial relationships have increased across countries. This phenomenon –popularly known as globalisation– is having a deep impact on the way modern economies work and on how the effects of shocks and policies are transmitted internationally. Thus, it should be no surprise that discussions on the economic and financial effects of globalisation are currently high on the agendas of both policymakers and private-sector players.

Because globalisation is simply the reflection of the growing interdependency of national economies, and since Balance of Payments Statistics are precisely designed to record such interdependency in the most faithful possible way, it follows that the more globalisation progresses, the more interest there is in such statistics both from the economic and the policymaking viewpoints.

However, the forces unleashed by globalisation also have the potential to weaken, sometimes fundamentally, the connection between the underlying economic phenomena and their statistical representation. By its very nature, globalisation resulting from the liberalisation of trade and capital flows makes it harder to collect the information that allows such flows to be recorded properly. Consequently, while globalisation has made the statistical recording of economic and financial interlinkages all the more relevant, it has also made it harder to record this properly or to continue to draw correct and accurate monetary and economic policy implications from Balance of Payments Statistics.

In general, given high financial integration it becomes very difficult if not impossible to know with precision the nationality of portfolio investors. This leads to a loss of information concerning this category of capital flows relative to, say, FDI investors. From a policymaking standpoint, identifying the ultimate holders of the resident issues is important in order to make an accurate assessment of the nature of the capital flows in terms of foreseeable volatility and of the stability and solvency of the financial sector.

The Coordinated Portfolio Investment Survey, to which we will be devoting the next day and a half, arose in response to these reporting needs which, to some extent, were ahead of their time. Ultimately, the Survey dates back to two reports by the International Monetary Fund in the late 80s and early 90s. The Esteva report and the Godeaux report highlighted the presence of substantial asymmetries between the data on global credits and debits in the global current account and financial account, respectively. This was unquestionably one of the first occasions on which statistics were explicitly and publicly up against one of the biggest nightmares in the field of foreign sector data: cross-country asymmetries.

The Godeaux report noted that portfolio investment was, probably, the major source of problems in the financial account, and it recommended conducting an international survey on such investment.

Today, almost 25 years after the Godeaux report, we view the Coordinated Portfolio Investment Survey as a pioneering response to the challenges posed by globalisation to foreign statistics. The usefulness of the Survey has, no doubt, far exceeded the initial intentions of its original proponents.

The Coordinated Portfolio Investment Survey sought to analyse, on a one-off basis, the problems caused by the major asymmetries detected, so as to take decisions that would improve data quality. What was involved, therefore, was an instrument of statistical analysis whose usefulness was confined to that area, and it was in this capacity that the Survey was performed in 1997.

A main conclusion drawn from this first Survey was, to some extent, discouraging: asymmetries are a difficult problem to resolve, something statisticians already knew.

Why, then, was this Survey considered successful? Apart from providing useful information on the sources of asymmetries and acting as a positive force for the dissemination and promotion of suitable methods for increasing the quality of statistics, the Survey's success lay in the fact that it showed that a global approach for resolving, or at least mitigating, a global problem was possible.

Indeed, the Survey was seen to be the sole procedure for obtaining information on the country of residence of investors who hold in their portfolios securities issued by the residents of a specific country. Moreover, the roll-out of the Survey disseminated statistical procedures such as security-by-security reporting systems or centralised securities databases, which were scarce in the mid-90s and are today widely used.

Thanks to the clear perception of the value it added, the Survey became an annual exercise from 2001 onwards. Thereafter the Survey may be said to have outgrown its initial objective and to have become a statistical source in itself, providing annual information with an itemised geographical breakdown of global portfolio investment. The value of this information source, in terms both of its inclusion in national and regional statistics, and of its analytical worth per se, has undoubtedly exceeded what those who proposed conducting such a survey in the early 90s had in mind.

Furthermore, the growth and growing volatility witnessed in international transactions with negotiable securities in recent years, coupled with the need for detailed information on these transactions for monetary, economic and financial stability-related analyses, greatly enhance the value of the Survey, as it is the sole means for gaining reliable, useful information on essential aspects of these transactions.

Spain is a clear example of the growing importance of portfolio investment: the Spanish economy's stock of portfolio investment assets and liabilities as a percentage of GDP increased by 97% from 1992 to 2004, outpacing the stocks of direct investment and other investment (which grew by 45% and 40%, respectively).

The Coordinated Portfolio Investment Survey has now been up and running for several years. In addition to the data from the pilot 1997 experience, it has furnished results for the years 2001 to 2004. It may thus be said to have reached maturity.

In this connection, the conference has two aims: first, to contribute to the dissemination of the Survey among users and, thereby, to promote the use of the data it provides; and second, to identify potential improvements enabling increasingly useful information to be made available.

To achieve both aims we have invited experts who will present various aspects of the Survey and an audience drawn from statisticians, analysts and specialists from academia, the private sector and government, coming from a large number of countries and international organisations. We trust the conference will be a good forum for these groups to exchange information and opinions, and we urge them to participate actively and discuss their ideas.

The Banco de España feels privileged to have jointly organised this conference with the International Monetary Fund and to have gathered together such an eminent group of speakers and participants. We hope you will all find the conference most useful.

Thank you very much.