

Comments on Gerardo P. Sicat, "The Economist in Government"

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Professor Gerardo P. Sicat's article "The Economist in Government: A Reflective Commentary", which appeared in the June 2001 issue of the *Philippine Review of Economics*, expressed two primary concerns with respect to the Bangko Sentral ng Pilipinas' (BSP) Department of Economic Research (as contained in section 8 of his paper), the first with respect to public availability of data, and the second, to his disappointment regarding the BSP's role as a catalyst for research in macroeconomics and financial issues. In reference to this concern, this article points out the recent major efforts that the BSP has undertaken in these two aforementioned areas.

Past experience with financial crises in emerging markets suggest that the availability of timely and accurate economic and financial sector data plays a key role in the early detection of approaching crises, and the formulation of appropriate policy responses to mitigate the impacts of such crises. In this regard, the BSP has continuously striven to improve information generation, analysis and dissemination. In fact, the Philippines was one of the earliest signatories to the Special Data Dissemination Standards (SDDS), which is an IMF-sponsored initiative to improve the accuracy, timeliness and consistency of economic and financial data across countries. The SDDS covers the national income accounts, key production and price indices, labor market indicators, and fiscal, financial and external sector data, among others. The BSP was among the first central banks to release the relevant SDDS information publicly on its website. The Philippines is disseminating all data categories included in the SDDS except two: data on the international investment position (IIP) and on the external debt. The BSP will start the release of these two data categories in accordance with the prescription of the SDDS standards, at end-June 2002 for the IIP and end-June 2003 for external debt¹. We think that the efforts of the BSP to release information according to the IMF's SDDS template helps to promote the development of the country's financial markets, since transparency and accuracy of information reduce perceived risk premia. The BSP website will soon be enhanced to offer a more interactive, user-friendly menu that would allow the researcher to specify his/her data requirements, will contain an expanded database, including data for certain indicators for periods prior to 1990, and all BSP regulations and issuances since 1949.

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¹ Although the BSP's external data posted on its website conform to the IMF debt standards, the IMF still has to review our external debt compilation methodology and dissemination practices as required under SDDS.

The BSP has also been regularly publishing and updating, on a monthly basis, the *Selected Philippine Economic Indicators*. All the data series included in this publication, in addition to several other economic series of interest to researchers and the public, are downloadable freely from the BSP website (www.bsp.gov.ph). These include data on the Philippines' external transactions, financial system, and price and national account statistics. The texts of BSP-issued circulars, memoranda, other regulations, and policy pronouncements are also available.

The research output of the Department of Economic Research has centered on issues of policy and operational significance to monetary authorities (e.g., identification of the institutional changes that need to be undertaken in order to have a more effective monetary policy framework, development of econometric forecasting and policy simulation models and review of monetary policy instruments), so that deliberations by monetary authorities on operational issues and policy matters are always informed by research. We think that our research efforts have gone some way towards achieving synergy between operations and research. Some of these studies are for in-house use, given their sensitive nature. Some have been published. However, we do realize that the research's audience has extended largely to fellow central banks in the region, through organizations and institutions such as the *Executives' Meeting of East Asia-Pacific (EMEAP) Central Banks* and *South East Asian Central Banks (SEACEN) Research and Training Centre*. This type of research audience differs to some extent from that of professional journals in economics and finance.

It is for this reason that the BSP has reactivated the *BSP Review* in order to help spur more research activities within the BSP, serve as the avenue for in-depth research by BSP staff and enhance BSP's communication mechanisms to the general public. For this year, we are publishing the *BSP Review* on a semestral basis, but we plan to increase the periodicity of publication in the future. The BSP has likewise published primers on various issues of interest to the general public (including on *Inflation*, *Inflation Targeting*, and on the *Peso-Dollar Exchange Rate*), in order to bridge the gap between technical analyses and the layman. The full texts of these primers are also downloadable from the BSP website. Our efforts towards greater transparency in the formulation of policy will be strengthened with the publication of the quarterly *Inflation Report* starting in 2002. As envisioned, the *Inflation Report* will assess the impact of recent economic and financial developments—both domestic and international—on the behavior of inflation, evaluate monetary, demand and supply conditions, explain the motivations for the BSP's recent monetary policy actions and discuss the inflation outlook over the policy horizon.

May we add that the BSP has also moved to strengthen its manpower complement in economic research. At present, the Department of Economic Research has four holders of Ph.D. in economics, three Ph.D. candidates, and 35 holders of masteral degrees in various fields (including economics, statistics, business administration, and development-related courses).