

76th East Jour Fixe: Using Survey Data for Economic Policy Research – A Focus on CESEE

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The potential of survey data as important input to economic policy was the topic of the OeNB's 76th East Jour Fixe entitled "Using Survey Data for Economic Policy Research – A Focus on CESEE," which took place in Vienna on September 12, 2014.

In her opening remarks, *Doris Ritzberger-Grünwald*, Director of the OeNB's Economic Analysis and Research Department, highlighted the benefits of survey data but also stressed the caveats of working with these data: Survey data provide valuable information on portfolio and investment decisions and focus on the economic units that make decisions; they can therefore uncover heterogeneities that cannot be detected with macro data. Survey data, and more broadly micro data, can help separate demand from supply effects. In addition, survey data provide information which is otherwise not available, for example information on individuals' expectations, risk attitudes, beliefs, knowledge and trust. However, Ritzberger-Grünwald also stressed that survey data are complementary to and not competing with macro data. In particular, she emphasized the necessity to verify the validity of survey data – if possible by comparing results to other surveys and/or macro data.

The subsequent sessions featured six papers that analyze a broad range of highly relevant topics, providing an overview of household and firm surveys which cover several CESEE countries and the range of current methodologies of working with these data.

The first session, chaired by *Thomas Gruber*, Head of the Central, Eastern and Southeastern European Analysis Unit (Foreign Research Division, OeNB), was opened by *Martin Brown* (University of St. Gallen and Swiss Institute of Banking and Finance), who presented the paper "Euroization of Bank Deposits in Eastern Europe" (coauthored by *Helmut Stix*, OeNB). Based on OeNB Euro Survey data, the authors argue that deposit euroization is strongly related to monetary expectations. Trust in the stability of the domestic currency, in turn, is related to the assessment of current policies and institutions. Policymakers can therefore tackle deposit euroization with prudent monetary and economic decisions. However, research also shows that holding deposits in foreign currency has become a "habit" in the region. This and the fact that monetary expectations are still strongly influenced by past financial crises leads to the conclusion that a stable monetary policy is not sufficient for reducing deposit euroization. In the lively discussion that followed the talk, the question was raised whether deposit euroization might also be explained by supply effects, like the availability of savings products denominated in foreign currency; research does not support this idea, however.

The next speaker, *Dorothe Singer* (World Bank), focused on financial inclusion, which policymakers increasingly see as one of the key drivers of economic growth and poverty alleviation. The Global Financial Inclusion Database (Finindex) allows a cross-country comparison of financial inclusion. It is based on a survey conducted in 2011 among households in 148 countries covering payments, savings, credit and insurance. It shows that only 52% of adults in non-EU CESEE countries have an account with a formal financial institution compared to 89% in high-income economies. There are large variations across countries, which can be explained only to

a small extent by differences in GDP per capita. Another interesting finding relates to the saving behavior among account holders across regions: 40% of all account holders in developing economies reported having saved at a formal financial institution in the past year, but only 14% did so in Europe and Central Asia, where another 14% used informal saving methods, e.g. community-based saving methods, saving through asset accumulation or “stuffing money under the mattress.” The exceptionally low level of formal saving can partly be explained by the fact that the primary reason for holding an account in Europe and Central Asia is the ability to receive wages and government payment. However, other factors like trust and supply-side characteristics, like the business model of banks, may also play a role.

The second session, chaired by *Elisabeth Beckmann* (Foreign Research Division, OeNB), to some extent exemplified the diversity of topics that can be analyzed with survey data. Continuing the topic of financial inclusion of the first session, *Karolin Kirschenmann* (Aalto University School of Business) talked about the role of microfinance banks in the financial inclusion of households. Based on the example of one microfinance bank (ProCredit) in Southeastern Europe, she showed that geographical proximity to a microfinance bank affects the use of bank accounts by low-income households, demonstrating that the additional effect of a microfinance bank on financial inclusion (controlling for the presence of retail banks) is about 16 to 20 percentage points. However, as highlighted in the discussion, the analysis does not allow any conclusions regarding real or long-term effects, e.g. the trade-off between maintaining financial stability and including low-income households in the use of financial services. *Helena Schweiger* (European Bank for Reconstruction and Development) moved on to the very topical question of how conflict affects firm performance and perceptions. She based her analysis on the August 2008 conflict between Georgia and Russia and showed that in the short run, armed conflict had a significant negative impact on exports, sales and employment and a scarring effect on young firms. Despite the diversity of topics, the two presentations also shared a common thread: One aspect of how conflict affects firms is the extent to which it affects their access to finance.

The third session, chaired by *Martin Summer* (Head of the Economic Studies Division, OeNB), featured two papers that utilize firm-level survey data. Based on the Business Environment and Enterprise Performance Survey and the Banking Environment and Performance Survey, *Ralph de Haas* (European Bank for Reconstruction and Development and Tilburg University) presented an analysis of how banks’ lending techniques affect funding to SMEs over the business cycle. He showed that lending to firms which have close ties to their bank (relationship lending) alleviates firms’ credit constraints during a cyclical downturn but not during a boom period, with the positive impact of relationship lending being strongest for smaller firms whose financial statements are not externally audited.

Alexander Popov (European Central Bank) presented an analysis of the bank balance sheet channel using data on firms that were discouraged from taking out a loan or that were informally refused a loan in addition to information on the formal loan granting process. He showed that – consistent with previous studies – lax monetary conditions increase bank credit in general and bank credit to ex-ante risky firms in particular. This is especially true for banks with lower capital ratios. Importantly, Popov found that the results are considerably stronger

when data on these informal credit constraints are incorporated. He concluded that survey data which capture such informal constraints can therefore provide a more complete picture of the effect of monetary policy. In the ensuing discussion it was highlighted that the finding is to some extent comparable to that of micro data-based studies of the labor market. The latter have shown that the unemployment rate in some countries is considerably higher than the rate shown in aggregate statistics when those who have dropped out of the labor market (because they are too discouraged to apply) are included in the labor force.

A round-table discussion dedicated to the more practical aspects that central bankers have to deal with when using surveys and the advantages and limitations of surveys concluded the workshop. At the beginning of the discussion between five representatives from CESEE central banks, which was chaired by Doris Ritzberger-Grünwald, the representatives gave an overview of the surveys conducted by their central bank.¹ *Biswajit Banerjee*, Chief Economist of the Bank of Slovenia, opened the discussion by taking the example of the Wage Dynamics Network to highlight the problem of multi-country surveys in accurately picking up and reflecting some specific national institutional features while at the same time guaranteeing cross-country comparability of the survey questions. *Tomáš Holub*, Executive Director of the Monetary and Statistics Department of the Czech National Bank (CNB), stressed that surveys gained in importance during the crisis, e.g. for judging the threat of deflation, turning points in the cycle, disruptions in credit developments and the impact of new unconventional monetary policy. Taking the example of inflation expectation surveys among households, he also illustrated the limited reliability of these surveys for predicting, e.g., deflation as a small change in the CNB's survey question led to a significant change in expected inflation values. *István Kónya*, Head of Research at the Research Department of the central bank of Hungary, emphasized that using high-quality micro data obtained from surveys and other sources requires sufficient resources. He argued that for the analysis of, e. g., demand versus supply effects it is not only necessary to obtain individual high-quality micro datasets but also to match these with other datasets. The central bank of Hungary has successfully started cooperation with external researchers who contribute expertise and resources to the analyses of these matched micro datasets. *Kónya* concluded by raising the question of how cross-country cooperation could advance work toward creating and analyzing micro data for economic policy research. *Florian Neagu*, Head of the Macroeconomic Risk Division of the National Bank of Romania, focused on the contribution of surveys to financial stability. He underlined the importance of surveys for “better understanding the story behind headline statistics” on the one hand and for “better calibrating” analyses of policy measures and stress tests on the other hand. He backed *István Kónya* in stressing the potential and challenges of combining different micro datasets. *Altin Tanku*, director of the Research Department at the Bank of Albania, pointed out that the Bank of Albania has used surveys in the analysis of economic trends and developments, finding that they facilitate a better understanding of agents' economic preferences and economic behavior, which can be used as input for policy initiatives. He agreed with the

¹ In the interest of brevity, this information is not repeated here. The presentations are available online at: <http://www.oenb.at/en/Calendar/Archive/2014/76th-East-Jour-Fixe.html>.

previous speakers about the benefits of cooperation but drew attention to the fact that cooperation will only be successful if one takes on the task of leadership. Tanku added that the Bank of Albania would welcome initiatives in this respect and would also work toward facilitating the use of data by third parties. He argued that the potential of macro data has already been exploited in many ways and that therefore micro data would continue to gain in importance. The participants of the round-table discussion concluded that the role of surveys and, more generally, micro data has grown and will continue to grow, at the same time stressing that micro data will always remain complementary to macro data.