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Impact of global crises on statistical systems

United Nations Statistics Division/DESA role as partner in the global statistical response to the economic and financial crisis

Note by the United Nations Statistics Division/Department of Economic and Social Affairs

Summary

The note presents initiatives by countries, regional and international organisations in response to the global crisis, following the call for action by the UNSD/DESA.

I. Introduction

1. While in recent quarters, the global economy has moved away from the depth of the economic and financial recession and turmoil, these positive signals in the economy should not lead to complacency by the global statistical community. The latest crisis in the euro zone caused by perceived risks around the quality of sovereign debt and epitomized by the “Greek” crisis is a case in point.

2. A pattern seems to emerge that structural imbalances in the global economy tend to lead to higher occurrences of crisis, from the deflation of dot com bubble around technology companies, the depression of residential property markets accompanied by high consumer debt to the overexposure of economies from mounting government debt. The speed and size of the market reactions for each excess have caused severe losses in wealth. Moreover, the economic and financial impacts are resonating through the global market place with considerable erosions in income and employment and of gains in development progress. Therefore, the statistical community should remain focused and intensify its efforts in remedying the identified shortcomings of the global statistical system to monitor and analyze the interconnected global economy.

3. Ongoing collective efforts at national, regional and international level should be coordinated to put in place an integrated monitoring and analytical system for crisis responsiveness. This will allow for an early assessment of global vulnerabilities and exposures and support timely, coordinated global responses to economic shocks. This improved statistical information system should strengthen the hand of economic governance by which the socio-economic impacts of the crises could be diminished and duration of the crises shortened.

II. Mandate

4. The United Nations Statistics Division/Department of Economic and Social Affairs (UNSD/DESA) at the fortieth Session of the United Nations Statistical Commission in February 2009 called for swift and coordinated statistical initiatives by countries, regional and international organizations in response to the global crisis. These initiatives should focus on identifying and remedying data gaps for monitoring economic shocks as well as to improve the dissemination and communication of relevant information already available. This call for action followed extensive consultations with countries and international organizations during a series of high level meetings organized by UNSD/DESA. These included *High Level Forum on the Long term Development of the SNA*¹ held under the aegis of the Inter-Secretariat Working Group on National Accounts (ISWGNA) at the World Bank in Washington DC, in November 2008, and the *High Level Forum on Globalization and Global Crisis*² and the Informal Meeting on the *Official Statistics and the Impact of the Global Financial Crisis*³ both held at the United Nations, New York in February 2009.

5. The G20 Summit of 2 April, 2009 called for “...the United Nations, working with other global institutions, to establish an effective mechanism to monitor the impact of the crisis on the poorest and most vulnerable”. Concurrently, the United Nations System Chief

¹ <http://unstats.un.org/unsd/sna1993/hlg.asp>

² http://unstats.un.org/unsd/statcom/statcom_09/seminars/High_level_forum_2009/High_level_forum_2009.html

³ <http://unstats.un.org/unsd/sna1993/finCrisis/lod.asp>

Executives Board for Coordination (CEB) at its April 2009 meeting in Paris decided to "... urgently establish an United Nations system-wide vulnerability monitoring and alert mechanism to track developments, and report on the political, economic, social and environmental dimensions of the crisis". Earlier, in February 2009, the High Level Committee on Programmes (HLCP) had asked UN-DESA to act as the lead agency in developing an integrated monitoring and analysis system as part of the joint UN-system responses to the crisis. At the same time, on behalf of the Secretary-General, the Deputy Secretary-General has initiated activities to establish an UN system-wide Global Impact and Vulnerability Alert System (GIVAS) - consisting of a Global Impact and Vulnerability Data Platform and a series of Global Alert Products.

III. United Nations Statistics Division as partner and joint custodian of the 2008 SNA as comprehensive framework for national accounts and economic statistics

6. Throughout the series of high level meetings, the System of National Accounts 2008 (2008 SNA) was recognized as the overarching framework for economic statistics and the 2008 update of the 1993 SNA considered well suited for answering to the crises. UNSD as member of the Intersecretariat Working Group (ISWGNA) has jointly led and actively collaborated with its national and international partners in the update of the 1993 SNA. The 2008 SNA incorporates the measurement issues arising from the economic and financial crises during the 1990s and early years of the 2000s. The extended scope and detail of the 2008 SNA allows for the measurement and classification of present government and central bank interventions and the latest innovations in financial instruments and financial institutional sectors.

IV. United Nations Statistics Division as collaborator in International Monetary Fund-led Inter Agency Group on Economic and Financial Statistics

7. UNSD also collaborated as member of the International Monetary Fund (IMF)-led Inter Agency Group on Economic and Financial Statistics (IAG) with the Bank for International Settlements (BIS), the European Central Bank (ECB) and the members of the ISWGNA being Eurostat, the Organization for Economic Co-operation and Development, the International Monetary Fund (IMF) and the World Bank. The IAG considered vital that statisticians take note of the data needs of policy makers and both establish a public on-line website disseminating a set of economic and financial time series for a group of systemic countries, with links to relevant websites, and identify data gaps that the crisis has revealed.

8. In April 2009, the IAG launched the Principal Global Indicators (PGI) website of economic and financial time series for a group of systemic countries, and the IMF and Financial Stability Board, in close consultation with the IAG, reported on information gaps to the November 2009 meeting of the G-20 Finance Ministers and Central Bank Governors in St Andrews Scotland. The identified data gaps include for those segments of the non-bank financial corporations sector where the reporting of data is not well established, in the financial accounts and balance sheets of the other sectors, particularly the non-financial corporations and household sectors; in property prices; and in issues relating the credit transfer instruments and to large systemically important financial institutions.⁴ Separately,

⁴ Both the PGI website and G-20 report on the Financial Crisis and Information gaps are available at

an IMF paper presented at the 58th Conference of European Statisticians (CES) will elaborate on the development of the recommendations for the remedying of the data gaps for the G20 community.

V. United Nations Statistics Division-Eurostat led Initiative on Early Warning and Business Cycle Indicators in collaboration with Statistics Canada and Statistics Netherlands

9. The UNSD/DESA programme of work for 2009 and 2010 addresses the statistical framework for high frequency statistics, their international comparability, and the related analytical framework for early warning and business cycle indicators. In this context, UNSD/DESA and Eurostat joined hands in organizing a series of three international seminars.

10. In addressing the statistical framework for high frequency statistics and related analytical framework, it was recognized that the data initiatives, such as developed by the IMF through its Special Data Dissemination Standard (SDDS) and General Data Dissemination System (GDDS) and by Eurostat through its Principal European Economic Indicators (PEEI) remain highly relevant. However, the crises warranted an assessment of the various core sets of indicators by various data categories for early warning in terms of national and international availability and quality covering the real, fiscal, monetary, financial and external sector. Furthermore, it was felt to take a fresh perspective in assessing the trade-off between short-term and structural statistics, and a new look at the statistical production process covering the institutional and managerial environment and production chain from collection, compilation and processing to dissemination and communication. In short, the statistical agenda for a minimum core set of economic and financial statistics is revisited with the purpose of undertaking a diagnosis of the current information needs for official statistics in today's global economy.

11. The first of the series was the *International Seminar on Timeliness, Methodology, and Comparability of Rapid Estimates of Economic Trends* with the support of Statistics Canada as co-organizer and host of the seminar, held on 27-29 May 2009 in Ottawa⁵ followed by the *International Seminar on Early Warning and Business Cycle Indicators*, held on 14-16 December 2009 in Scheveningen⁶, the Netherlands with the support of Statistics Netherlands as co-organizer and host of the seminar. The third international seminar is scheduled for November 2011, in which the final outcomes of the work programs of the working groups will be presented. The conclusions and recommendations of the series of international seminars are expected to be submitted to the United Nations Statistical Commission in February 2011 for its consideration.

12. During the 2011, the progress of the work of the working groups is expected to be presented to the academic and other user community in the *5th European Colloquium on Modern Tools for Business Cycle Analysis* from 29 September to 1 October in Luxemburg jointly organised by Eurostat and the European University Institute and *30th CIRET* (Center for International Research on Economic Tendency Surveys) hosted by the Conference Board, New York from 13 to 16 October.

<http://www.imf.org/external/data.htm#data>

⁵ <http://unstats.un.org/unsd/nationalaccount/workshops/2009/ottawa/ac188-2.asp>

⁶ <http://unstats.un.org/unsd/nationalaccount/workshops/2009/netherlands/ac202-2.asp>

13. An important outcome of the Ottawa international seminar was the support for a proposed United Nations data template for a minimum set of for economic and financial indicators by 12 major categories covering the real sector through national accounts, production and turnover indicators, prices, labour market indicators and other macroeconomic indicators for the external, financial, government, non- financial and household sector, supplementary quantitative financial and real estate market indicators, and supplementary qualitative economic sentiment and composite indicators.

14. The Ottawa seminar recommended assessing the data template's relevance and feasibility in terms of availability, periodicity and timeliness. Flexibility and affordability aspects should be brought in view through a possible rearrangement of the data template in tiers based on the global baseline assessment of the availability and comparability of the high frequency statistics at the country level with different levels of statistical development. Moreover, where possible, the high frequency statistics for individual countries should be complemented by time series of world and regional aggregates for those high frequency statistics which are sufficiently comparable.

15. Another key issue raised at the Ottawa seminar was the need to enter into dialogue with the user community on the question whether the data template meets their immediate analytical and policy needs. The dialogue with the user community is considered of paramount importance to ensure a proper alignment of the statistical, analytical and policy frameworks at national and international levels. The user perspective on the proposed data template will establish whether the data template meets the identified data gaps and their periodicity and timeliness requirements, and determine how to better disseminate data and prepare improved statistical narratives on the movement of the business cycles and trend developments.

16. Besides the agreement around the proposed data template, the Ottawa seminar recommended that work should be initiated in developing a glossary of terms and definitions around high frequency statistics (covering terms like nowcast, forecast, flash, rapid and first estimate, etc.) to clarify the high frequency statistics framework and its compilation methodology. Moreover, the need was expressed to develop new manuals or update existing handbooks and guidelines on composite indicators, GDP flash estimates, and economic sentiment indicators (for business tendency and consumer confidence surveys) given their extensive use in tracing the business cycles.

17. The second meeting of the series, the *International Seminar on Early Warning and Business Cycle* established the areas of work for five working groups following the main themes of the sessions:

- (a) The role of sentiment indicators in tracking economic trends;
- (b) The role of composite indicators in tracking business cycles;
- (c) Advancing estimates of production through flash estimates of gross domestic product;
- (d) The analytical framework for assessing rapid economic changes; and
- (e) Communication and dissemination of indicators.

18. The session on sentiment indicators demonstrated the usefulness of sentiment indicators in providing an early warning of changes in economic activity. It was also shown that the leading properties of these sorts of indicators might reduce the relative size of revisions of high frequency statistics. It was concluded that a global survey on sentiment indicators was needed to analyze the statistical and institutional aspects of existing country practices and applications of the different types of sentiment indicators. This global survey would provide further inputs in the harmonization of the sentiment surveys to improve their

comparability. The Working Group on Economic Sentiment Indicators is led by UNSD with support from the European Commission, Eurostat and country participants. The global survey will complement an earlier assessment undertaken by the OECD on the current status of Business Tendency Survey and Consumer Survey harmonization in non-EU OECD countries, OECD enhanced engagement economies and OECD accession countries. The OECD assessment covered aspects of frequency, coverage and format of questions of consumer and business tendency surveys. The global survey will include all UN member countries and cover additional aspects such as use of registers and frames, survey and sample design, data editing and linking, data analysis, dissemination and institutional aspects.

19. The session on composite indicators offered insights in the present practices of compilation of the composite indicators and its usefulness to track business cycles. It was concluded that existing definitions and guidelines for collection, compilation and applications of composite indicators should be better articulated. For this purpose, the working group has prepared an outline of a Handbook on Composite Indicators, which covers, among other aspects, the classification of composite indicators to detect the occurrence of turning points, the choice of economic indicators as target variables, the selection techniques for the variables and the techniques for detection of turning points. In addition, it was recommended to create a knowledgebase on composite indicators as a central depository on statistical sources and methods and existing practices. This knowledgebase would be used in the drafting of the Handbook using the best practices. The Working Group on Composite Indicators will advance these tasks led by Statistics Netherlands and supported by Conference Board, Eurostat, UNSD and country participants.

20. The session on flash GDP estimates highlighted the need for early estimates of GDP to make available an aggregate measure of the performance of the economy in addition to specific high frequency measures of economic activity. The trade-off between the timeliness and quality of the early GDP estimates was debated as a consequence of the accelerated release of GDP aggregates. It was acknowledged that the compromise between timeliness and completeness of this early GDP measure should be fully explained to the users. The session led to a discussion on the compilation of early GDP estimates using either direct statistical observations or econometric projections using past trends. For purposes of releasing official statistics, the use of direct observations was favored over the use of econometric techniques that make use of past trends because these techniques are not capable to predict sudden changes in economic activity. The need for further clarification of different views, conceptualization and purpose of flash estimates was identified as part of the work of the Working Group on Flash GDP. This Working Group is led by Eurostat and supported by country participants.

21. The session on analytical frameworks for assessing rapid economic changes addressed in detail the policy need for a broad set of high frequency statistics. Participants agreed that the data template of high frequency statistics moderated and recommended by the first international seminar in Ottawa meets the needs of analytical policy framework. However, for the classification of the data template into three tiers, the strategic importance of an indicator should carry a heavier weight than the mere availability of the indicator. Strategically important indicators were identified as those indicators that provide information on demand and supply in the economy, those that identify vulnerability and risk and those that show international exposure. The Working Group on the Data Template should continue the consultation and finalise the template, add the metadata descriptions and complement the data template with derived analytical indicators on the performance of the real economy and the financial markets for effective monitoring. It was concluded that countries should be encouraged to implement the data template in consultation with its users and develop national adaptations of the data template at tier 3 to meet specific national data needs. Moreover, countries should be encouraged to disseminate data from the

template through adaptation of existing or newly created central data hubs at country level and to improve the facility to exchange these data with regional and international data hubs. The Working Group on Data template is led by UNSD with support of Eurostat, Brasil, Russia, India and China and other country participants.

22. Presentations in the session on communication and dissemination of indicators demonstrated the innovative visualization tools, good practices in user consultations and existing methodological guidance in data presentation developed by countries and international organizations. Participants agreed that these tools and practices should find a wider use in communication and dissemination by countries to inform a broad spectrum of users about rapid changes in economic activity. Developing countries expressed the need for guidance in applying these tools in the dialogue with users and producers of data. The Working Group on Communication and Dissemination should further advance this work through the creation of a knowledge base. Statistics Netherlands undertook to share their IT visualisation tools with national statistical offices upon request. The Group will be led by the UNSD with support from Statistics Netherlands, Statistics Canada, and UNECE.
