

Meeting of the 2015/2016 Bureau
Luxembourg, 9-10 February 2016

Approved

Item II (b) of the Provisional
Agenda

**PROPOSAL FOR FURTHER WORK ON THE ROLE OF NATIONAL STATISTICAL
OFFICES IN PRODUCING LEADING, COMPOSITE AND SENTIMENT
INDICATORS**

Prepared by the Secretariat

The paper presents a proposal for further work on leading, composite and sentiment indicators, based on the outcome of a seminar on this topic held on 8-10 December 2015 in Geneva. The Bureau discussed the work and decided on the way forward, including:

- 1) setting up a Task Force to develop recommendations for national statistical offices on producing leading, composite and sentiment indicators;*
- 2) organising a second seminar in autumn 2016 or spring 2017 to follow-up on issues raised at the seminar in December 2015 and solicit inputs for drafting the recommendations.*

I. BACKGROUND

1. The Bureau of the Conference of European Statisticians (CES) conducted an in-depth review of leading, composite and sentiment (LCS) indicators in January 2014¹. The CES plenary session discussed the topic in April 2014 based on the findings of the in-depth review and the outcome of an electronic consultation among the CES members².

2. As a follow-up, the CES Bureau decided to organise a seminar on leading, composite and sentiment indicators to consider the role of national statistical offices in producing and disseminating these indicators, and the related communication challenges.

3. In May 2015, an Organizing Committee was established to prepare the seminar, consisting of the Netherlands (Chair), Denmark, Hungary, Israel, Italy, Latvia, Mexico, Eurostat, OECD, Observatoire de la Finance (Geneva) and the University of Geneva.

4. The seminar was held on 8-10 December 2015 in Geneva. The outcome of the seminar is presented below in section II. Section III provides the proposal for future work for consideration by the Bureau.

¹ The in-depth review of leading, composite and sentiment indicators (ECE/CES/BUR/2014/JAN/3/Rev) was based on a survey on current practices and challenges in this area, with reply from 38 countries and organisations.

² Document (ECE/CES/2014/11/Add.1). 28 countries and organisations responded to the consultation and made proposals for further work in this area.

II. OUTCOME OF THE SEMINAR ON THE ROLE OF NATIONAL STATISTICAL OFFICES IN PRODUCING LEADING, COMPOSITE AND SENTIMENT INDICATORS

5. The seminar took place on 8-10 December 2015 in Geneva. There were 53 participants from 22 countries, international organisations, universities and research institutes. Some of the participants came from outside the region: from Latin America, Western Asia and North Africa. The seminar was organised in four main sessions focusing on:

- Issues specific to economic indicators
- Issues specific to social indicators
- The role of NSOs in compilation of LCS indicators
- The role of NSOs in dissemination of LCS indicators

6. Twenty four papers and presentations were considered during the seminar. The presentations provided examples of practical experiences in NSOs, universities and research institutions. The proceedings of the seminar are available at www.unece.org/index.php?id=40282#/

7. Two **keynote speakers** contributed to the seminar:

- **Enrico Giovannini**, co-Chair of the UN Secretary General's Independent Expert Advisory Group on Data Revolution for Sustainable Development. Mr Giovannini spoke about *Composite Indicators in the Context of the Data Revolution*. He stressed the need to meet evolving user needs and that producing these indicators according to the Fundamental Principles of Official Statistics will add value and provide societies with relevant statistical information.
- **Jan Egbert Sturm**, Konjunkturforschungsstelle (KOF) of the Swiss Economic Institute. In his speech, *Allowing composite indicators to learn. An application to the KOF Economic Barometer*, Mr Sturm presented the various steps in the semi-automated production of the KOF leading composite indicator for economic growth in Switzerland.

8. The seminar included group work about the strategic challenges for NSOs in producing LCS indicators, a voting session on priority needs of NSOs and a panel discussion on future work. The outcome of these activities is summarized below.

Group work: Strategic challenges for NSOs in producing LCS indicators

9. The following points were raised during the group work:

- (a) There are good reasons for NSOs to produce LCS indicators, since NSOs are trusted, impartial producers of official statistics. The risk of damaging NSOs' credibility when producing such indicators was considered manageable.
- (b) When other institutions (e.g., Central Banks, research institutions or private companies) are better equipped with resources or access to data, or when the indicators are still in the experimental stage, production of LCS indicators should be left to them;

(c) Some of the LCS compilation methods may be different from the usual practices of NSOs, therefore such types of indicators should be carefully communicated;

(d) The need for continued communication: between NSOs and users to assess user needs and explain methods to prevent misunderstanding; between NSOs and other producers to build upon existing experience on methods and definitions; and among NSOs from different countries to share methods and good practices.

10. The groups concluded that there is a lack of internationally agreed recommendations for producing LCS indicators according to the Fundamental Principles of Official Statistics. To this end international organisations could help by supporting future international cooperation and facilitate exchange of experience and good practices.

Voting session: Priority needs of NSOs

11. Participants were asked to vote for four proposals for future work based on how useful it would be for their work (each participant had 4 votes). The proposals are listed below starting with the largest number of votes received:

a) Practical guidance on general issues in compiling LCS indicators, such as how to select component indicators and determine weights (53 votes).

b) A quality framework for LCS indicators to determine whether indicators are of sufficient quality to be considered official statistics (52 votes).

c) A reference list of existing LCS indicators and methodologies (30 votes).

d) Practical guidance on disseminating LCS indicators (17 votes).

Panel discussion: Possible future work on LCS indicators

12. The panel included representatives of the statistical offices of Hungary, Italy, Sweden, Netherlands, United States (Bureau of Economic Analysis) and the EU DG for Economic and Financial Affairs.

13. The panel concluded that NSOs have strong advantages in producing LCS indicators based on their capacity, professionalism and transparency. As a starting point NSOs should take into account policy relevance and users' needs.

14. Producing LCS indicators according to the principles of official statistics was seen as important to meet societies' need for relevant and reliable statistical information. NSOs should be involved but they may not be the only producer of LCS indicators since in some cases other organizations might be better suited, such as the Central Banks.

15. There is a need for international recommendations for producing LCS indicators, including practical guidance and case studies to learn from best practices. This is especially the case for countries with limited experience in this area and who may be considering whether to produce these types of indicators. The recommendations should take into account existing guidelines such as those produced by EU, OECD and UNSD and recent methodological developments and practical experiences.

16. It was noted that **clear differentiation should be made between composite, leading and sentiment indicators**. The indicators apply different methods, use different types of data sources and serve different purposes. The role of the NSOs in compiling these indicators also varies and involves different problems and issues that the NSOs need to consider.

17. **There is an important role for international organizations in supporting NSOs by providing guidance for production of LCS**. International organizations should also help forming networks of experts and facilitate exchange of experiences and best practices.

Proposals for future work

18. The seminar participants recognized the growing demand for LCS indicators. At the same time there are different practices across countries. A number of countries have gained considerable experiences in producing LCS indicators while others have little or no experience in this area.

19. **The participants suggested UNECE to organize a second seminar in late 2016 or early 2017**, in cooperation with interested organisations and countries. The seminar should follow up on issues raised during the seminar in December 2015, including

- (a) distinguishing LCS indicators from traditional statistical indicators,
- (b) communication and quality issues,
- (c) use of composite indicators in relation to SDG measurement, and
- (d) economic vs. social indicators.

Experts from NSOs, relevant organizations and the research community should be invited to participate.

20. While there were different views on the role of NSOs in the production of LCS indicators, participants found that producing these according to the Fundamental Principles of Official Statistics will add value and trust to the statistics and help meeting future user needs. To assist NSOs who are producing, or plan to produce, LCS indicators, participants considered useful to develop recommendations on engagement of NSOs in the compilation and dissemination of such indicators.

21. On this background, the **participants proposed to establish a Task Force on leading, composite and sentiment indicators** to clarify the role of NSOs in producing these types of indicators and develop recommendations (criteria) for their involvement, taking into account existing guidelines and handbooks and recent methodological developments and practical experiences.

22. A number of countries and organisations expressed interest in contributing to future activities, including France, Italy, Netherlands, Sweden, Turkey, Eurostat, OECD and UNSD.

ANNEX

TERMS OF REFERENCE OF THE TASK FORCE ON LEADING, COMPOSITE AND SENTIMENT INDICATORS

I. BACKGROUND

1. There is a growing demand for leading, composite and sentiment (LCS) indicators. Many such indicators are compiled and used for various policy initiatives and attract interest in the media and among policy makers.
2. The in-depth review carried out by the Bureau in January 2014 and the discussion at the CES plenary session in April 2014 showed big interest among NSOs in being involved in the production of LCS indicators. NSOs are well-positioned to produce LCS indicators according to the Fundamental Principles of Official Statistics, which can add value and help meeting future user needs. At the same time, there is no systematic approach taken by statistical offices, it is not clear what their role should be, and practices vary widely across countries. There are some concerns about the risk of compromising the credibility and trust of NSOs if engaging in the production of LCS indicators, and there is a lack of international recommendations and good practices for NSOs for producing these types of indicators.
3. The UNECE Seminar on the role of NSOs in producing leading, composite and sentiment indicators in December 2015 confirmed the interest of NSOs in producing LCS indicators and the lack of international recommendations to support NSOs in their work. The seminar, therefore, suggested continuing work in the area by organising a second seminar in late 2016 or early 2017 and establishing a Task Force to clarify the role of NSOs and official statistics in relation to the production of LCS indicators and develop recommendations for NSO for producing these types of indicators.

II. MANDATE

4. The work of the Task Force is conducted within the framework of CES and its Bureau. The Task Force will report on its outputs to the CES Bureau.

III. OBJECTIVE

5. The objective of the Task Force will be to develop recommendations of good practices for NSOs for producing LCS indicators. The recommendations should clarify the possible roles of NSOs in producing LCS indicators and provide guidance for NSOs' production of such indicators.
6. The Task Force should facilitate further exchange of experiences and good practices among countries by organising a second seminar on leading, composite and sentiment indicators in late 2016 or early 2017.

IV. PLANNED ACTIVITIES AND OUTPUTS

7. The Task Force will work on the following activities and outputs, taking into account the outcome of the seminar in December 2015 and the in-depth review and country surveys carried out:

- (a) Draft a set of recommendations to guide statistical offices in producing leading, composite and sentiment indicators.

The recommendations should:

- (i) Include a rough taxonomy of LCS indicators in terms of providing definitions and explanations of the different types of indicators, compilation methods, their use and main characteristics.
 - (ii) Clarify the roles of NSOs and official statistics in producing LCS indicators.
 - (iii) Provide guidance for NSOs' compilation and dissemination of LCS indicators; identify problems and issues associated with the production of the indicators and provide guidance on the preconditions and limits for NSOs involvement in the production of the different types of indicators.
 - (iv) Develop a quality framework for producing LCS indicators, based on the Fundamental Principles of Official Statistics.
 - (v) Consider alternative strategies, especially on communication, that could be useful for NSOs in dealing with the different types of indicators.
 - (vi) Address issues related to international comparability.
 - (vii) Include examples of good practices and country studies in compilation and dissemination of LCS indicators.
 - (viii) Identify and prioritize areas where further work will be useful to guide NSOs in their production of LCS indicators.
- (b) Organise a seminar in late 2016 or early 2017 to further discuss the role of NSOs in producing leading, composite and sentiment indicators and exchange experiences and good practices. A first draft outline of the recommendations should be presented to solicit comments and proposals from the participants.

8. In drafting the recommendations the Task Force should take relevant methodological guidelines and handbooks into account, such as those provided by Eurostat, OECD and UNSD. The recommendations should not duplicate existing material but refer to this when useful and give guidance on how to select between different available models and approaches.

V. TIMETABLE

9. The activities of the Task Force will follow the tentative timetable below.

March 2016	Establish the Task Force
May 2016	Agree on an outline of the recommendations on leading, composite and sentiment indicators
May 2016 -	Begin the drafting of the recommendations

Mid-2016	Face-to- face meeting of the Task Force, if possible
Late 2016/ early 2017	Seminar on the role of NSOs in producing leading, composite and sentiment indicators
Late 2016/ early 2017	Face-to-face meeting of the Task Force.
2017	Further drafting of the recommendations
September 2017	Submit final draft report to the CES Bureau meeting in October 2017
Nov 2017 – Feb 2018	Subject to the decision of the Bureau, consultation with CES member countries and organisations
April 2018	Submit final report for the CES plenary session for endorsement

VI. METHODS OF WORK

10. The Task Force will primarily work via email and telephone conferences. UNECE will create a wiki page for exchange of material. It is proposed to have two face-to-face meetings of the Task Force, one in mid-2016 and one meeting back-to-back with the proposed seminar in late 2016 or early 2017.

VII. MEMBERSHIP

11. The following countries and organisations have expressed interest in participating in the Task Force: Denmark, France, Hungary, Israel, Italy, Mexico, Netherlands, Sweden, Turkey, Eurostat, OECD and UNSD. Other CES members and international organizations are welcome to express their interest to become a member of the Task Force.

12. UNECE will act as Secretariat to the Task Force.

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