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Theme 3

THE LONELINESS OF THE STATISTICIANS IN THE TRANSITION PROCESS

Invited paper submitted by the Hungarian Central Statistical Office[1]

Sub-item 3. Changing use of statistics in transition economies

Introduction

1.   As being roughly the biggest user and the second biggest producer of economic statistics the central bank in Hungary has a special advantage in formulating a view on user-producer relations. As a user the central bank has initiated a number of changes in the methodology or in the presentation of data compiled by the Hungarian CSO. At the same time the Bank has had to respond to a number of challenges posed either by the users or by the need of the CSO. The latter was caused the need of methodological harmonisation. The paper first summarises the development to date in the statistical transition in Hungary. Then the paper addresses the major questions related to the changes in the use of statistics, i.e.: the role of the international organisations, the possibility of having a formal relationship with the users, the necessity of having an in-house analytical unit and the possible remnants of the practices fitted to the needs of a planned economy.

Finally the paper tries to give some forecast for the possibility of the involvement of outsiders in the design of the changes.

The present stage in statistical transition in Hungary

2.   Economic statistics was already in the stage of transition from the end of the 1960s since Hungary applied an intermediate version of national account between SNA and MPS (the COMECON standard). At the same time Hungarian CSO statisticians have had long experience in communicating with statisticians in developed economies. However at the start of the transition the amount of changes necessary was overwhelming due to two factors. First the regime involved in the shift from the old system to the new; second the necessary coping with the changes in the structure of the economy (for example: increase in the number of economic units).

3.   In terms of statistical activity, the changes in the system of the central bank were driven by one user, the IMF. Hungary has been a member of the IMF since 1982. By the time of the transition a relatively developed statistical system existed and the staff was able to handle the concepts used in the market economies.

4.   In terms of quality, timeliness and coverage the Hungarian economic statistics can be considered in line with the international standards. It is well documented in the SDDS of the IMF.

The role of the international organisations

5.   International organisations have played an important role in the changes in the statistical systems in transition economies. In Hungary the IMF played the leading role from 1982, when the country joined the IMF. The membership of the OECD has implied some further development in some areas where specific data needs of the organisation had to be fulfilled. After the application for membership to the EU this leading role has shifted to the EU, as EU standards have been considered as benchmarks in any changes planned in the statistical systems. As generally these changes were initiated by the statistical organisations themselves, they could use these standards to support their argument for the changes and those helped the statisticians to convince the generally more conservative users.

6.   The impacts of the international organisations were twofold. First there were cases where statistics served as a condition to political or economic policy agreements. In these cases strong political forces and recourses were behind the changes. Examples of that included the IMF loan, and OECD or EU membership. These international organisations have had a certain level of influence over the domestic decision-makers to make their efforts in changing statistical practices more serious.

7.   Second, in cases where the local statisticians or some institutions for their own interest wanted to change some statistical methodology, the existing international standards were extremely useful supporting arguments for the change. At the same time the accumulated knowledge stored in the documents describing the standards were also a great help in the design of any changes. The statistical organisations still suffer a sizeable lack of expertise, staff and accumulated experience in economic statistics in market economy environment. This gap between the necessity and capacity was more easily closed with the help of the handbooks of the IMF or documents of the EU. Similarly the task forces, working groups and the documents discussed by them are also a great help in any design of a change in transition economies. But in these cases the underlying force behind the change was the will of some local participants and the international standards and organised exchange of experience serve as tools supporting the local forces.

8.   As one can see from this description, international organisations have a limited capacity to influence decision-makers unless they can withhold something (loan or membership). However the accumulated knowledge of developed countries is worth several technical assistance missions if it is shared in the form of standards or organised as exchanges of experience.

Relationship with users

9.   Central banks are one of the major users of macroeconomic statistics. In this capacity the central bank in Hungary has initiated a number of changes in its own statistics as well as in the statistics compiled by the CSO of the country. However in spite of our expectation the professional or general public as well as government users have been extremely passive in this process. Finally an education procedure has been developed, that on an occasional basis central bank statisticians invite editors and market analysts to explain the introduced changes, their aims, and the ways to understand and interpret them. We have to show the users that the newly designed data serves standard economics concepts better.

10.   Learning from the experiences of developed countries the CSO and the central bank had been thinking of setting up some kind of user groups, but the obvious lack of interest from the side of the users have held us back from these plans to date. In Hungary the most promising group of users are the financial market analysts including the representatives of the financial press. The academic world shows less interest for statistical measurement at least in Hungary. However one can generalise this fact that in the transition economies the academic world is also subject to the transition process, with the severe problem of underfunding. Thus for the involvement of academic circles in the design of changes in statistics, transition economies will have to wait until a later stage of the transition, when financing of high education and research will be solved.

11.   There is one aspect of the present situation in Hungary and possibly in other transition economies, and that is the lack of the written methodology of the statistics in most areas. The SDDS of IMF has put some pressure on the NSI-s and central banks to formulate a minimum of written methodological notes, but these are usually short and not comprehensive descriptions. This lack of availability of methodology keeps the users back from deeper involvement in methodological suggestions. While accepting the importance of these methodological publications, one has to cope with the question of lack of resources. With limited human resources, statistical organisations face the allocation question whether to produce methodological notes of the existing methods or improve them. Since they do not have the resources for both, they rationally opt for the first. My personal view is that finalisation of the methodological description would come at about the end of the transition process and we have to accept it as an efficient second best solution.

12.   At a later stage of the transition more and more transition economies will develop some type of formal communication with the different user groups. For supporting these efforts it would be advantageous to have at hand a stock of the descriptions of the existing models of the developed economies and their experiences. But again it would only facilitate the better solution in the transition economies if they decide to opt for this way of communication.

13.   Since the present situation, the lack of formal communication has its reasons and any artificial outside intervention by international organisations would be fruitless and waste of efforts. The willingness of the two sides and the capacity of the statistical organisation are an unavoidable condition for the start of these communication means.

In-house unit for economic analysis

14.   There are different models of NSI-s in the developed world with respect to the question of whether to have or not an in-house analysis unit. Each of them is working well. However, when deciding on this question in a transition economy one has to consider, again, the limited financial, human and perhaps managerial resources. If such a unit can have a real function within the government it is worth to finance it from taxpayers' money. If such a unit does not exist in or is not attached to the NSI in a country it would be more cost efficient to establish formal communication with existing governmental analytical units on methodological issues.

15.   Central bank statisticians, however, have the advantage of having a sizeable in-house analytical unit. The feedback of this unit can not be underestimated. It helps to understand the analytical needs and in a number of cases direct requests from them resulted in changes in the methodology after thorough investigation about the impact on other users and the harmonisation with other needs and standards. However statistics producers can not have a one-sided view and have to consider and weigh the need of all the users. At the same time they have to allocate their resources in a way to serve the need of all the users efficiently, sometimes meaning bringing forward changes serving users other than the in-house users.

16.   In Hungary some experiences have been accumulated on co-operation between different government organisations with or without analytical units. This co-operation has been fruitful and has resulted in significant developments in methodology. However due to the different focus of the different organisations they have a tendency to overstate their own policy aims. They do not have the interest to optimise for the best solution supporting the statistical needs of all requests. Thus statistical authorities are suspicious towards these individual requests. This underlying suspicion in some cases delays the introduction of favourable changes in statistics. Some evidence can be brought up from the relationship between the Hungarian central bank and the CSO supporting the argument of this fact.

17.   However an in-house methodology unit can be supported for NSI-s with the limited aim of developing the methodological capacity of NSI-s by applying advanced econometric tests and tools for improving the quality of the statistics. To my knowledge the Hungarian CSO has such a plan.

The remnants of the statistics of planned economy

18.   The Hungarian statistical system basically shifted its focus from supporting government needs to supply data for the general public as well. In a market economy investment decisions are made by the financial markets and not by planning offices. Specific financial market needs are not totally matched. Even in this respect great development has occurred. Timeliness and equal access is extremely important for market participants and this is well served by the design required by the SDDS of the IMF.

19.   Confidentiality of statistical data is handled well in Hungary. The legal environment is supporting the confidentiality and the practice is also in line with it. There have been no complaint about leaking confidential individual data to my knowledge in the last couple of years. At the same time it is well accepted by the government authorities and there has been no formal or informal requests for access to individual confidential data by government units recently.

20.   However there are still some remaining deficiencies. Some data published by the CSO or other agencies are not interpreted in a market friendly way and this is quite common in transition economies. There are examples of still using indices of January to current month to the same period of the previous years, a method of publishing time series of not comparable data and at the same time not capable of indicating the

changes in the trend in a timely manner. This method by aggregating several months includes the impact of tendencies of former periods. The other deficiencies one can point to are the limited use of seasonally adjusted data.

Conclusions

21.   Realistic forecasts should be done on the near future of development in producer-user relationships. Due to the transitory stage of the other participants of the transition economies great help in the development of the statistical systems cannot be expected from user groups, analytical units or academic circles. Statistical authorities, however have to try to educate the users and have to try to check time by time the capacity and willingness of those to communicate on the changes in the statistical system. Limited resources will limit for a couple of years the capacity of national statistical organisations to carry out the changes with limited communication and with limited activity in publishing detailed methodological notes.