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For discussion and recommendations

Item 9 of the Provisional
Agenda

**RESPONSE OF NATIONAL STATISTICAL OFFICES TO THE FINANCIAL
CRISIS
SUMMARY OF COUNTRY REPORTS**

Prepared by Statistics Canada

I. INTRODUCTION

1. This paper summarizes lessons learned from the recent financial crisis and ensuing recession by national statistical organizations (NSOs). It was compiled from a consultation process with the members of the Conference of European Statisticians (CES) in spring/summer 2011. Countries were asked to document their experiences according to an outline provided in the Annex.

2. In all, 16 countries and one international organization submitted contributions. The countries included Belarus, Canada, Croatia, Finland, Hungary, Latvia, Lithuania, Mexico, Netherlands, Poland, Slovakia, Sweden, Turkey, Ukraine, United Kingdom, and, United States. UNCTAD also submitted a response. The replies are available at <http://www.unece.org/stats/documents/2010.06.ces/contributions.html>. The contributions include a lot of information that was not possible to fully reflect in the summary. Readers are therefore encouraged to consult the full replies for more detail on country experiences and practices that are referred to in the current paper.

3. The outline followed steps that an NSO could have followed to respond to the financial crisis. Three categories will be elaborated in this paper based on what was included in the reports of countries. These are:

(a) Consultations with stakeholders;

(b) Review and adjustments related to data holdings, methodologies, release times and communication strategies; and

(c) Follow-up after crisis for adjustments to statistical programs.

4. This summary of country experiences will be organized under these three categories.

II. CONSULTATIONS WITH STAKEHOLDERS

5. Countries had many forms of stakeholder consultations during the time of the economic crisis. Some countries relied on their longstanding consultation mechanisms to learn about clients during the economic downturn. Others did special consultations with users and policy departments to get feedback about data and statistical services during the recession. Some countries also did consultation with respondents, especially business

respondents, who were affected by the crisis and had problems complying with response burden.

6. Countries experienced interesting feedback during the crisis. One country, Latvia, reported that the number of queries about data doubled during the downturn. Finland reported receiving more criticism about data coherence and data quality during the downturn. Lithuania reported a drop in client satisfaction even though resources had been employed to improve data quality. Clients from many countries were concerned about coherence of the short term statistics.

7. Canada reported being asked to produce more frequent data on business investment during the crisis but not to change the timeliness of long-standing programs or add questions to surveys in the short run which would not produce time series estimates.

8. Some countries also reported that clients required more information on sources and methods and more advice on how to interpret the data.

9. Based on these consultations, NSOs reviewed their practices and services. The following reviews and adjustments to programs were reported.

II. REVIEW OF DATA HOLDINGS, METHODOLOGIES (INCLUDING SEASONAL ADJUSTMENTS), RELEASE TIMES AND COMMUNICATION STRATEGIES

10. Many NSOs have done thorough reviews of their data products to identify possible adjustments and challenges in the face of the recent economic crisis. The rapidity of the onset of the financial crisis and the ensuing recession left little time for adjustment of countries' statistical products. Nonetheless, many countries reviewed the timeliness and detail of their economic and macroeconomic statistics to identify possible changes.

11. On the issue of timeliness, many countries assessed their timeliness against the international requirements as set out by the IMF Special Data Dissemination Standard and concluded that their timeliness was adequate. Several countries reported shortening the length of time from the reference period to release for their short-term indicators (examples are: Lithuania, Latvia). Some of this was accomplished by re-organizing the statistical processing to be more time efficient. Other countries developed new Flash estimates of GDP, usually to meet the 45 day timeliness goal (examples are: Ukraine, Turkey). Econometric and/or ARIMA modelling was used to fill in gaps for flash estimates.

12. There were many and varied responses to reviewing the scope, content and detail of data published during the crisis. Some interesting examples included reviewing the array of financial data available to understand the crisis. Other countries looked at the array of indicators of the business cycle available including business conditions surveys, construction indicators. Many countries reviewed their labour market data holdings including employment, unemployment and wage information. Some countries focussed on the economic and social aspects of the household sector.

13. Some specific adjustments were done following these deliberations. In Canada, one time surveys were launched for business and government investment expenditures and on Household Finances and new variables on household and business debt to income and debt

financing ratios were added to existing data products. Statistics Finland had begun a project earlier in the decade to improve statistics on the economic cycle including new orders in manufacturing and a labour cost index. As a result of the crisis it has launched a project on better measurement of building renovations. Hungary increased the number of variables compiled on labour markets and wages using administrative data and data from existing labour force statistics. Mexico developed new systems of leading and coincident business cycle indicators. Latvia launched a survey based on a World Bank initiative on the welfare of households under conditions of economic crisis. The survey explored the experiences of households during the crisis in terms of income and economic difficulties, finances and formal and informal support mechanisms.

14. From the perspective of review of methodologies, seasonal adjustment methods were the main focus for NSOs related to the crisis. Many launched internal reviews of methods. The sharp declines in economic activity at the beginning of the crisis posed problems in delineating the cyclical from the irregular component of time series. Many countries mentioned following the recommendations of the European Statistical System (Tramo/Seats method). Some countries launched reviews of the consistency of seasonal adjustment methods across indicators to improve coherence. These include Finland, Latvia, Canada, Sweden, and Turkey. By and large, countries decided not to alter their seasonal adjustment methods during the crisis as this was the most transparent way to proceed.

15. Several countries mentioned coherence of the various indicators being an issue during the crisis. Finland launched an internal review of the coherence of business statistics which led to the creation of a new post for coherence of price and volume calculations.

16. The review of communication strategies was an important step for many NSOs. Canada shifted priority in its information releases to put more emphasis on financial data (Financial accounts and National Balance Sheets), on labour market data by adding analytic content to the regular releases. Lithuania also followed a similar strategy by adding emphasis to the data most important to understanding the economic crisis.

17. Mexico and other countries put more emphasis on seasonally adjusted data with trading day adjustments. The communication strategy included helping users understand how to use these data and by the end of the crisis the uptake was demonstrated by the fact that the daily newspapers had begun to cite these data.

18. A number of countries developed new publications related to the crisis. Hungary developed a publication on "Crisis in the Labour Market" and Lithuania developed a publication of relevant information on the economic crisis released 6 days following the data release. Sweden also published more detailed articles 2 weeks after the main economic releases. Other countries started work on measuring the well-being of households and published at the end of the crisis.

III. FOLLOW-UP AFTER THE CRISIS

19. There was a major focus reported by many countries to improve their data on Financial Accounts and Balance Sheet data. The UK, Mexico, the United States and others reported this. The comprehensive reviews were done in line with the recommendations of the G20 report following the crisis.

20. Countries also continued with their practices that were implemented during the crisis such as improved timeliness, producing seasonally adjusted data, producing “flash GDP” estimates and coherence work.

21. Finally, those countries that focussed on providing information on the “wellbeing” of households continued the work of developing these data products and reports

IV. CONCLUSION

22. Countries reported many good practices for NSOs in responding to the economic crisis. The reactions varied depending on the type of data system that was already in place, on the particular circumstances of the crisis in that country and on the focus of the stakeholders.

23. Two main themes emerged. All countries reported the **importance of have good consultation mechanisms in place in order to be aware of users concerns and to react to them quickly**. The other common theme was the issue of **producing high quality seasonal adjustments**, especially early in the crisis when standard techniques interpreted the early drop in economic activity as outliers rather than a change in the cycle. This led to bigger revision in seasonally adjusted data for many subsequent periods.

ANNEX**Response of National Statistical Offices to financial crisis
Outline of a short contribution by countries**

(Follow-up to the CES 2010 seminar on impact of global crises on statistical systems)

This outline addresses the follow-up and response to the financial crisis by NSOs. It is based on a series of steps that an NSO could follow that would be generic to any crisis, but documents the reaction of NSOs to the recent Global Financial Crisis and ensuing recession.

Countries are asked to document their experiences related to the headings below.

- A. Recognition of the crisis and review of
 - 1) Data holdings
 - 2) Methodologies that may need adjustment (including seasonal adjustment)
 - 3) Release schedules and timeliness
 - 4) Communication strategies

- B. Consultation with users and stakeholders on needs and data gaps to help inform the issues
 - 1) Use of regular stakeholder consultation forums
 - 2) Special consultations with relevant Government Policy Departments
 - 3) Consultation with international agencies

- C. Consolidation of results of consultations and internal review
 - 1) Identify potential modifications to surveys or programs in rapid response mode
 - 2) Identify potential to change timeliness of relevant data
 - 3) Identify gaps in data holdings
 - 4) Identify gaps in metadata needed to help users to take advantage of data holdings
 - 5) Identify potential changes to communication of data through different release strategies
 - 6) Identify potential to reallocate resources from lower priority programs to higher priority - short run or long run
 - 7) Identify non-official data sources relevant to the crisis

- D. Set priorities and identify resources available to fill in gaps

- E. Mobilize resources and implement communication strategy
 - 1) Put high priority on data releases of the relevant information
 - 2) Use consultation mechanisms to help users understand data holdings (financial data is complex)
 - 3) Explain differences between official and non-official data related to the crisis

- F. Follow up after crisis to readjust program where necessary

- G. How to prepare in advance for “any” crisis

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