Item 5 of the Provisional
Agenda

COMMENTS ON THE QUESTIONS RAISED
BY THE FRIENDS OF THE CHAIR ON ECONOMIC STATISTICS[1]

Note prepared by UNCTAD

The note presents the replies by UNCTAD to the six questions on the future of economic statistics raised by the UNSC Friends of Chair on economic statistics.

1.   UNCTAD would like to thank UNECE and the Chair of the Friends of the Chair on Economic Statistics for being given the opportunity to respond to the important questions posed.

Question 1: *The Friends of the Chair Group identified several priority areas for the update of the system of economic statistics. These included digitalization, globalization, economic well-being, economic inequalities, sustainability, climate change, intangible assets, household production, human capital and the informal sector. It was acknowledged that most of these priority areas are currently being addressed through global initiatives. In addition to the above, are there gaps/issues that have a global reach that need to be addressed?*

2.   From an UNCTAD perspective there are a range of issues that need to be addressed. Many of these issues arise from globalisation, the liberalisation of financial markets and growing digitalisation of economies:

a)   Multinational enterprises - The construction of a global statistical business register of all MNEs must be a priority for business and macro-economic statistics. Such a register should map the relationship of all HQ and subsidiaries, by location, and with key structural business statistics available. Such a register should have open access.

b)   Multinational enterprises - in general, more disaggregated data that separates MNE activity is required. It would also be useful to consider how best to attribute economic activity to location/country.

c)   Foreign Direct Investment - FDI statistics should introduce a clear separation between special purpose entities (vehicles) and non-SPE investment, in order to help isolate phantom FDI.

---

[1] The questions are quoted from the paper *Materials for the chairs of governance committees* submitted by FOC.

d)   Financial flows – Portfolio and investment flows are volatile, but there is only limited information of these flows, particularly for low- and middle- income countries. To understand financial vulnerability, more data are required on private capital flows and inter-company loans, to better detect hidden risks and phantom FDI.

e)   Profit shifting – The availability of a country by country reporting mechanism for all important MNE tax and economic activity (inside and outside their declared economic territory) will become increasingly more important to identifying real economic activity. Such a register should have open access.

f)   Gross Domestic Product – As the definition of GDP evolves, consideration should be given to creating new variants of GDP rather than changing the concepts but leaving the indicator name unchanged. The recent changes introduced have arguably been confusing for many commentators who have not understood the extent or the implication of the changes.

g)   Net Domestic Product – Greater emphasis to net measures should be prioritised in SNA reporting at country and global level.

h)   Debt – With the liberalisation of financial markets private debt this is now a pressing problem, as systemic risks are unknown. Statistics on the level and use of private debt is essential, as is configuration of debt (loans, bonds etc.). As external debt has decoupled from foreign currency debt, more information is required on share of domestic debt denominated in foreign currencies. More information is also required on the ownership of public debt held by the shadow banking sector.

i)   Inequality – "Considering the prominence of inequality in economic debate at the moment, it is surprising how difficult it was to source and assemble the data presented in figure 3. No globally comparable data exist. Figure 3 below has been assembled carefully from a variety of data sources, but only by making several assumptions, including for example, log normal distributions. Hence the continued importance of GDP per capita for historic international comparisons of inequality – it is one of the only comparable time series that exist (and it should be noted that global GDP estimates are not free of problems). Lakner and Milanovic (2016) have highlighted the need for a globally comparable income survey".

Taken from: UNCTAD (2019). The many faces of inequality. SDG Pulse 2019.
See: https://sdgpulse.unctad.org/in-focus-inequality/

j)   Digitalization – The components of digital trade, digital commerce and digitally enabled services need to be defined and incorporated into all aspects of economic statistics. As configured now, economic statistics tell us little about the digital economy or e-commerce. UNCTAD is hosting a new Working Group on Measuring E-Commerce and the Digital Economy. Member States and International Organisations are welcome to participate. The first meeting is on 3-4 December 2019,

See: https://unctad.org/en/Pages/MeetingDetails.aspx?meetingid=2259

Question 2: *NSOs are also being required to undertake significant institutional transformation including increasing use of new data sources, improving timeliness, addressing accuracy issues, introducing new data linking methods and processes, undertaking*

more granular analysis on the social and environmental impact of economic activity, and taking on new roles as data custodians for the use of administrative and big data. There are several global initiatives (such as UNECE work on Data Sharing, the Eurostat work on Global Registers, High Level Group on Modernization of Official Statistics) currently underway supporting NSOs in their transformation. Is there a need for additional global initiatives that could support NSOs in their transformation?

3.   Many NSOs have limited absorptive capacity. The risk of introducing additional global initiatives is that this capacity is diluted. That said, from a UNCTAD perspective, some additional initiatives would be beneficial:

- An agreed measurement framework for the digital economy is required (either separate or incorporated into existing frameworks)

- An agreed measurement framework for the creative economy is required (either separate or incorporated into existing frameworks)

- An agreed measurement framework for Gender-in-Trade Statistics is required.

Question 3: *The system of economic statistics (involving numerous institutions, committees and other governance arrangements) has developed somewhat organically over time, guided by common principles aiming to deliver a complete and coherent set of data on the economy. Does the governance structure supporting the key macroeconomic accounting frameworks (SNA, BOP, GFS, SEEA) need to be re-examined? If so, can you provide suggestions as to how the governance structure could be made more efficient and effective?*

4.   We support response (3. b) submitted by UNECE: For the main macroeconomic areas (or frameworks) the governance structure appears clear and is well-established (e.g. BOPCOM; ISWGNA/AEG; IWGPS; Interagency Task Force on International Trade Statistics). However, it is not always clear how the links and coordination between these and some newly established bodies will be ensured, for example with the Inter-secretariat Working Group on International Trade and Economic Globalization Statistics or with the Committee of Experts on Business and Trade Statistics. The research and methodological work recently launched under these bodies considerably overlaps with the work of existing groups. There is a need for strong coordination to ensure consistency of international work and recommendations.

5.   There is some overlap also (it seems) between the newly created Task Team on Business Dynamics, Demography and Entrepreneurship, the Task Team on Globalization and Digitalization and the longstanding Inter-Agency Task Force on International Trade Statistics (TFITS).

Question 4: *Most of the current settings are focused on supporting the production of macro-economic data whereas increasingly users are demanding more granular insights. Given the increasing availability of disaggregated and microdata and not withstanding challenges related to microdata access, how can the current mechanisms be reinforced or adapted to meet these needs, or are new mechanisms needed?*

6.   The demand for more disaggregated data and statistics is nothing new, although with Agenda 2030, the demand is unquestionably greater now. Greater disaggregation of traditional

survey-based statistics is in many cases prohibitively expensive, and often not possible for smaller countries where confidentiality is a greater challenge than for larger countries.

7.   For this reason, UNCTAD has been promoting the development of National Data Infrastructures, to ensure secondary data, in particular, administrative data (but also Big Data), can be utilised to the maximum extent possible.

See: https://stats.unctad.org/Dgff2016/prosperity/goal9/index.html

https://www.researchgate.net/publication/320390560_Statistical_capacity_building_for_sustainable_development_Developing_the_fundamental_pillars_necessary_for_modern_national_statistical_systems

https://www.researchgate.net/profile/Steve_Macfeely2/publication/329811247_Big_Data_and_Official_Statistics/links/5c1bc12c458515a4c7ed1df6/Big-Data-and-Official-Statistics.pdf?origin=publication_detail

8.   Regarding the adaptation of current mechanisms, we should consider new classifications or groupings to better reflect digital trade in statistics. For example, regarding BOP in services, UNCTAD has proposed the creation of a complementary grouping for ICT services using balance of payments statistics disaggregated at the three-digit level of EBOPS 2010, but recognized that data reporting is weak. Since then, a handful of countries have piloted the classification in surveys to quantify exports in ICT-enabled (digitally-deliverable) services

See: https://unctad.org/en/PublicationsLibrary/tn_unctad_ict4d11_en.pdf
https://unctad.org/en/PublicationsLibrary/tn_unctad_ict4d03_en.pdf
https://unctad.org/en/PublicationsLibrary/tn_unctad_ict4d06_en.pdf)

Question 5: *The system of economic statistics is often portrayed as reactive and slow in adjusting. Do you agree? If so, are new institutional arrangements needed to make it more responsive to changes in user and policy needs?*

9.   Perhaps economic statistics has been slow is adjusting to the realities of globalisation and digitalisation, but it is not clear whether many users have even understood the implications of the changes made. Ordinarily institutional arrangements would not be the ideal way to address responsiveness, but there are perhaps 2 exceptions:

a)   Combining statistics and geography (geo-spatial) seems to be an excellent symbiosis. The examples of INEGI in Mexico and IBGE in Brazil seem to point the way to an institutional arrangement that is well positioned to capitalise on the next developments in information (which are most likely geo-spatial).

b)   Big data presents another challenge for current institutional configurations. "Many digital data are supranational or global in scope. This globalized aspect of big data offers exciting, although strategically sensitive, opportunities to reconsider the national production models currently employed by NSOs and NSSs all around the world. Switching from a national to a collaborative international production model might make sense from an efficiency or international comparability perspective, but it would be a dramatic change in approach, and possibly a bridge too far for many NSOs and governments. The sensitivities surrounding this topic are evident from the

document 'Guidelines on Data Flows and Global Data Reporting for Sustainable Development Goals' prepared by the IEAG-SDG (UN Statistical Commission, 2018) where strong emphasis is placed on using nationally produced statistics as inputs into the global indicators. Nevertheless, in the case of global digital data, the most logical and efficient approach might be to centralize statistical production in a single center rather than replicating production many times over in individual countries. Obviously, this would not work for all domains, but for some indicators that could conceivably be derived from globalized big data sets it would offer the chance of real international comparability. Some examples of this might be land use, maritime, and fishery statistics derived from satellite imagery. Such an approach poses some difficult questions, not least legal. Globalized data present particular challenges as they escape sovereignty, putting the owners and the data themselves beyond the reach of national legal systems. Governments cannot always enforce national laws or ensure their citizens are protected. It is difficult to predict whether this will make it easier or more difficult for NSOs to access and use these data in the future".

Taken from MacFeely (2019). The Big (data) Bang: Opportunities and Challenges for Compiling SDG Indicators. Global Policy, Vol. 10 (1), pp. 121 – 133.
See: https://onlinelibrary.wiley.com/doi/epdf/10.1111/1758-5899.12595

10.   It is important to note that slow reaction times are linked to resources and to national capacity/skills. UNCTAD has highlighted the limitations of developing countries. More and better coordinated technical assistance to developing countries would help build their capacity to react to user and policy needs.

Question 6: *"Finally, there is significant innovation and experimentation of new methods and processes that take place outside of the realms of official statistics agencies, for example in academia. Do NSOs and international organizations need to accelerate their pace of innovation and degree of experimentation?"*

11.   It is important to recognise the very different roles that NSOs and IOs play vis-à-vis academia. NSOs and IOs are responsible for compiling official national and international statistics respectively. Often these statistics are taken as the final word, and thus play an important role in debate and settling disputes.

12.   That said, NSOs and IOs must, in this competitive new data world, innovate and experiment to remain relevant and lean. But it is important to be honest and acknowledge that real innovation will not always yield winners or useable results. Furthermore, given the importance of public trust for NSOs and IOs, they must be careful not to go too far beyond what 'their public' can accept culturally or ethically – this will vary by region.

13.   Which NSOs and IOs are we talking about? Some are very actively pioneering and innovating. But it is realistic to expect all NSOs and IOs to share this burden equally? Again, the situation of NSOs in developing countries must be taken into account. Partnerships may be the solution for some, but this too brings risks. See:

https://www.researchgate.net/profile/Steve_Macfeely2/publication/329811247_Big_Data_and_Official_Statistics/links/5c1bc12c458515a4c7ed1df6/Big-Data-and-Official-Statistics.pdf?origin=publication_detail

———————