

Chapter 3: Typology of indicators



Outline

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- Introduction
- Sentiment indicators
 - with reference series
 - without reference series
- Composite indicators
 - with reference series
 - without reference series
- Future work

Introduction

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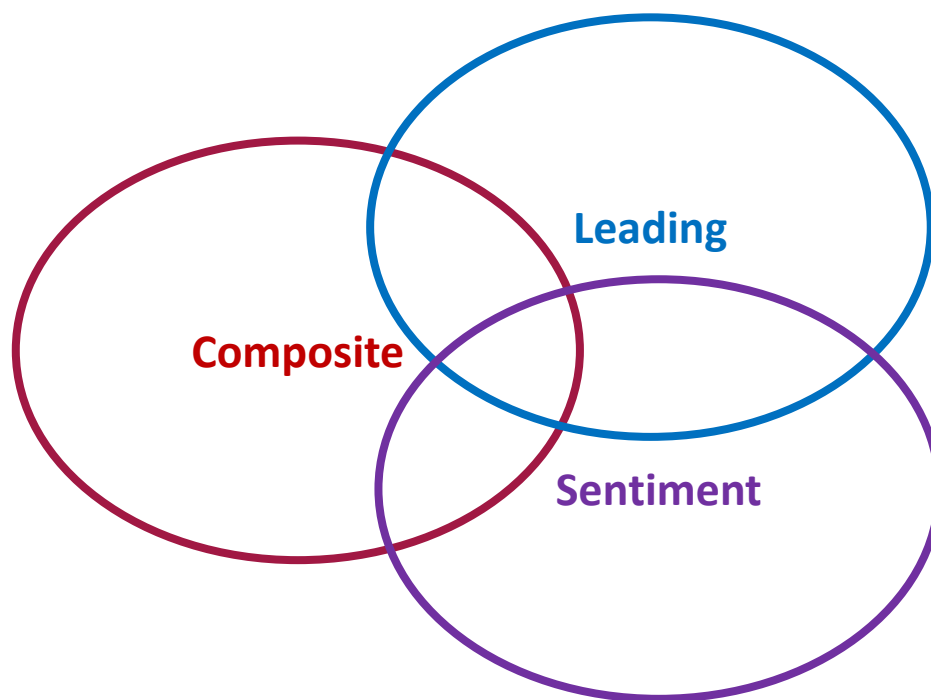
Scope of the recommendations:

- Leading, composite and sentiment indicators, excluding
 - ‘traditional indicators’ – e.g. GDP, CPI
 - single, not sentiment indicators (building permits, inventory and order statistics etc.

However, the terms are overlapping and sometimes used with different meanings ...

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- The recommendations distinguish between composite and sentiment indicators for
- The temporal dimension is considered a feature in relation to the phenomena the indicators try to estimate
 - Leading - aims to anticipate the movements of its reference series
 - Coincident - movements occur at the same time as those of its reference series
 - Lagging - movements follow those of its reference series

Sentiment indicators

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- **Sentiment indicators** - rely on the opinions, attitudes or expectations of respondents
- **Sentiment indicators with reference series** – produced to approximate another indicator
 - leading, coincident or lagging relationship with their reference series
 - mostly economic indicators
- **Sentiment indicators without reference series**
 - indicators of e.g. happiness or job satisfaction

Sentiment indicators(cont.)

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- **Economic** sentiment indicators - produced from business and consumer tendency surveys
 - Examples: Employment expectations, consumer and business confidence indices, European Commission's Economic Sentiment Indicator (ESI)
- **Socio-economic** sentiment indicators – measure perceived different aspects of life, eg. job or income, family or health situation
 - Examples: Job satisfaction, perceived usefulness of training, belief that country is on the right track

Composite indicators

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- **Composite indicator** is formed when individual indicators are compiled into a single index, on the basis of an underlying model of the multi-dimensional concept that is being measured
- **Composite indicators with reference series**
 - leading, coincident or lagging relationship with reference series
 - Examples: OECD Composite Leading Indicators (CLIs), Conference Board's Lagging Economic Indexes (LAGs)

Composite indicators (cont.)

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- **Composite indicators without reference series** – aim to measure a phenomenon directly
 - Focus on evolution of a phenomenon between different points in time, or to create a ranking across countries or regions at a given point in time
 - Examples: UN Human Development Index, OECD Better Life Index
 - Relationship with the concept being measured is important

Future work

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- Many terms might be overlapping or similar, eg. sentiment indicators and confidence indicators
- Do we need a more elaborated discussion of the various problematic terms?
- What terms to be added in the Glossary?

Thank you!

Comments/Suggestions can be sent to

Carsten.boldsen@unece.org

