



A minimum set of early warning economic statistics and techniques for the analysis of business cycles in the LAC region

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Present context

- Response to the global crisis started in late 2007
 - International community– renewing call for establishment of an effective early warning system to prevent or temper other global downturns
 - Statistical community- improving monitoring and evaluation of the rapid changes in the national and global economy affecting vulnerable population
- However, efforts in the last period seem to have been extinguished. WHY? BECAUSE we often forget that “prevention is better than cure”
- Therefore, in many cases the situation is almost UNCHANGED in terms of statistics availability, leading to risk of further lack of prevention for similar situations that might happen in the future



Initiatives in statistics since 2009

- The G20 Summit, the CEB and the GIVAS (first half 2009)
- Series of meetings by statistical community prior to the UNSC 2009
- 1st International Seminar on Timeliness, Methodology, and Comparability of Rapid Estimates of Economic Trends (hosted by Statistics Canada, May 2009)
- 2nd International Seminar on Early Warning and Business Cycle Indicators (hosted by Statistics Netherlands, December 2009)
- UNSC 2009 and 2011



Main outcomes

- Series of recommendations
- Focus on five main areas for further work
 1. Flash estimates of GDP and main NA aggregates;
 2. The role of composite indicators in tracking business cycles;
 3. The role of sentiment indicators in tracking economic trends;
 4. Data and metadata structure and related analytical framework for assessing rapid economic changes; and
 5. Communication and dissemination strategy for high frequency statistics



Main outcomes

- Launching of the Principal Global Indicators by IAG
 - Chaired by the IMF, includes BIS, ECB, Eurostat, OECD, UN and WB
 - Launch of the Principal Global Indicators (PGI) website, intended to be of support to users in monitoring economic and financial trends for the G20 economies
 - List of indicators drawn on the experience in Europe with the PEEIs (limited set of Principal European Economic Indicators)
- Alternative (or complementary) sets of minimum required indicators represented by:
 - The PEEIs, SDDS/GDDS, and UNSD
 - UN-ESCAP derived a regional minimum core set of indicators as well



A minimum set of indicators (mainly PGI)

Prices and Costs

- Consumer and Producer Prices Indices, Monthly
- Exchange rates (nominal and real), Monthly
- Hourly wages, Monthly
- Imports/exports price indices, Monthly

Demand and Output

- GDP volume, by household expenditure, government expenditure, fixed asset formation, and export and import, Quarterly
- GDP nominal, deflator, by household expenditure, government expenditure, fixed assets formation and import and export, Quarterly



A minimum set of indicators

Demand and Output (cntd.)

- Imports and exports of goods and services, Monthly
- Industrial production, Monthly
- Retail turnover, Monthly
- Production and new orders for construction, Quarterly
- New orders and turnover index for industry and services, Monthly



A minimum set of indicators

Labour Market

- Unemployment rate, Monthly
- Hours worked, Monthly

Other Indicators

- Oil Price, Monthly
- Share Price Indicator, Monthly
- Consumer Confidence, Monthly
- Business Confidence, Monthly
- Composite Business Cycle Indicators, Monthly



A minimum set of techniques and skills

- Seasonal adjustment (model-based and empirical filters)
- Unobserved components estimation/identification (trend-cycle, smoothing of irregular components etc.)
- Identification of turning points with univariate/multivariate techniques, business cycle dating, systems of composite indicators (coincident, leading and lagging)
- Quantification of qualitative business and consumer surveys
- Econometric modeling in general



Main issues

- Statistical infrastructures in developing countries to develop a comprehensive macroeconomic monitoring system
- Adequate training of staff
- Boundary of official statistics as perceived – issue on interpretation of results
- Timeliness versus accuracy debate
- Comparability of short term economic statistics and harmonization of tendency statistics and related business cycle indicators



Conclusions

- Need to further develop a comprehensive macroeconomic monitoring system
- Need to fill existing gaps in the availability of short-term quantitative and qualitative indicators and statistics, while improving technical skills of staff of NSOs and CBs in the region
- Need for a regional action plan and, more importantly, funds to improve the actual situation and reach a (regionally agreed) minimum data requirement
- Need to benchmark to other realities in terms of timeliness of existing data sources and statistics



Thank you