

Minutes
Official Statistics and the Impact of the Global Financial Crisis

Meeting jointly organized by:
the United Nations Statistics Division/Department of Economic and Social Affairs,
the International Monetary Fund and the World Bank
Sunday 22 February 2009

1. Participants

A list of participants and the agenda is provided in the Annex to the minutes.

2. Introduction

Mr. Paul Cheung, Director of UNSD/DESA, Ms. Shaida Badiee, Director Development Data Group, World Bank and Ms. Adelheid Burgi-Schmelz, Director Statistics Department, IMF made some introductory remarks and explained the purpose of the meeting.

The ongoing financial turmoil and deepening economic contraction in the world economy show the interrelatedness of the systemic risks and vulnerabilities of the world economy. The international statistical community has to step up its responsibilities to provide the relevant information to policy makers and analysts to monitor and report the development of the present risks and vulnerabilities of the world economy.

3. Theme 1: Initiatives by the international statistical organizations to address the implications for official statistics of the financial crisis

Ms. Adelheid Burgi-Schmelz introduced the initiatives of the Interagency Group on Financial Statistics on behalf of Eurostat, IMF, UNSD, World Bank, ECB, and BIS.

The group has recognized the central role of the financial sector (both banks and non-banks) and of housing markets in the crisis, and the need to enhance data availability, not least for those segments of the financial sector where the reporting of data is not well established. In addition, while traditional frameworks remain relevant, the concepts of ultimate risk (including the use of off-balance sheet structures and offshore entities) and credit risk transfers need to be explored because the lack of information on where the risks are and their scale disguised inter-connections among and between economies.

Further, the importance of sectoral balance sheets, not just for the financial sector but also the non-financial corporate and household sectors, has been highlighted: the increased availability of the financial accounts and balance sheets will advance the analysis of the systemic risks and vulnerabilities through the balance sheet approach (with its focus on maturity, currency, and capital structure) and the analysis of the interrelationship between the real sector accounts and the financial accounts. This initiative ties in with the ongoing work on the SNA implementation programme.

The spreading of the financial crisis that started in advanced economies to emerging markets and low-income countries is reflected in lending by the IMF to member countries that recently bounced back strongly. Although the financial crisis is not the result of a lack of proper macroeconomic statistics, it is vital that statisticians take note of the data needs of policy makers and develop a work programme to fill the data gaps that the crisis has revealed.

The emergence over the past several years of a consistent and transparent data initiatives, such as the IMF's Special Data Dissemination Standard, remain highly relevant. However, as we see the recent financial crisis spread to the real economy and across borders this is not the time to be complacent about economic and financial statistics. The recent events underline the importance to go beyond traditional statistical production approaches to obtain a set of timely and higher-frequency economic and financial indicators, at least for systemically important countries in more innovative ways. The speed at which the crisis developed highlighted the need for indicators that could support early warning efforts. This would entail, among other things, a new perspective in assessing the trade-off between timeliness and completeness, and a new look at the traditional statistical production model to meet the needs of today. In short, we need to ensure the continued relevance of economic and financial statistics in timeliness and frequency, and in the evolution from first estimates to solid statistics.

In many of these fields, work is already progressing and to ensure that there is not a duplication of efforts at the international level but to strengthen data availability, the Interagency Group on Financial Statistics agreed on two priority areas: Firstly, to set up a public on-line website that displays a set of economic and financial time series for a group of systemic countries, with links to relevant websites. Secondly, the group identified gaps in the available economic and financial datasets, such as, for those segments of the financial sector where the reporting of data is not well established; balance sheet data of the other sectors, particularly the non-financial corporations and household sectors; the impact of house prices on household net worth has been highly relevant to the current crisis, but country practice in compiling these data is uneven; and issues relating the ultimate risk/credit transfer instruments.

Discussion:

Participants noted that apart from short comings in data on other financial intermediaries, households and on non-financial data, there is a large amount of data available. However, the message represented by the numbers was not communicated, highlighting the need to catch up to tell the story behind economic statistics. It is not enough to collect and disseminate data but the data need to be explained. International organisations should help the statistical community to bring together the required data and setting priorities to provide coherent and timely information. These international initiatives should respond to the need for more reliable, multi-sectoral data and structural information on a comparable basis, both at the global level as well as for large geopolitical regions. There is a need to prioritise actions, to strengthen short term statistics, speed up the release of in-house data and use modern tool to collect and disseminate (SDMX) data.

Although there were concerns that the activities of statistical offices may be affected, it was argued that the financial crisis provides an opportunity. The role of the statistical community have to be demonstrated and communicated in monitoring the impacts of the multiple crises on the economy, society and environment as well as the fiscal and monetary policy responses and

their impacts. International organisations should support national statistical offices to remain independent and to overcome political pressure on statistical offices to change or adjust data.

4. Theme 2: Initiatives by national statistical offices to address the implications for official statistics arising from the present financial and economic crisis

Mr. Ivo Havinga of UNSD/DESA made some introductory remarks to discuss the sharing of national experiences in setting priorities for macroeconomic and macro-financial statistics to identify the elements of a common programme of statistical development.

The decline in global demand and instability of the global financial markets should be reviewed along with the potential implications for the scope and detail of main analytical aggregates and indicators on the real sector (e.g. impact on GDP, international trade, employment, etc.) and the link with the foreign currency markets, the money market and the capital markets. Also, it would be useful to share whether there has been any change in the traditional institutional relationship with the central banks and the regulatory and supervisory authorities due to the nature of the crisis.

Moreover, it should be established whether national initiatives are taken in extending the macroeconomic framework with the financial accounts and balance sheets in pursuit of a better understanding of the link between the financial and real economy. In those countries where the full set of sectoral accounts and balance sheets are compiled and reported, information could be shared on whether additional breakdowns (e.g. by currency composition and remaining maturity) are being added or support is provided for the compilation of consolidated cross border presentations.

The High Level Forum on the long term developments of the SNA (HLF) concluded that the macroeconomic accounts provided by the SNA as conceptual and analytical framework offers the proper policy response by the statistical community to provide adequate information on economic developments of a global interconnected nature. The HLF also reaffirmed the importance of a full articulation of the balance sheets. The question arises on what data gaps have been identified and are initiatives taken to elaborate financial accounts and balance sheet to better understand the issues of risk transfers and exposures, e.g. by extending the scope or by providing additional breakdowns. A number of technical compilation issues arising from the present crisis have been identified, such as, the reclassification of enterprises from private to public corporation or to general government; the revaluation due to price changes and other volume change due to write offs; capital injections being classified as subsidies, capital transfers and equity; and the deteriorating quality of the time series due to excessive fluctuations.

We could share our experiences on technical compilation issues and advancing official statistics by strengthening the collaborative arrangements with the academic community, the regulatory authorities, the business accounting community and the corporate sector. Our communication strategies should include additional commentaries on the down turns and structural shifts in the real sector and in the financial accounts and balance sheets. In addition, the relationships between the national statistical offices, the ministries of finance and the central banks should be strengthened.

Discussion

Participants noted that the financial crisis was not the result of a lack of data although some countries indicated that reviews are ongoing to expand the scope to include more timely information on the household, financial and non-financial sectors. Moreover, the need was identified to develop a communication strategy to educate the users in the complexity of the interrelatedness of macroeconomic and sectoral data and the technical compilation issues arising from the economic and financial crisis.

Also it was noted that the work on now casting or flash estimates has to be accelerated to meet the data needs for economic and financial policy making. These estimates warrant an early release of statistics and indicators based on limited observations which are extrapolated with the use of time series models or econometric techniques using leading and proxy indicators. By their nature of being early estimates and highly policy relevant, the trade off between quality and timeliness of these estimates has to be found and explained to the users.

An inventory of the ongoing work in the release of flash estimates was seen as a priority along with the various estimation and sampling techniques and source data used in compilation these estimates. For this purpose, the international agencies should organise a series of meetings with developed, emerging and developing countries to draw up a programme of work to improve the scope and comparability of these flash estimates. This programme of work on these high frequency statistics should be seen as a complement of the implementation programme on national accounts with its focus on basic source statistics.

It was reiterated that the macroeconomic accounts provided by the SNA offer the proper policy response by the statistical community to provide adequate information on economic developments of a global interconnected nature. Information about ongoing work in extending the scope of macroeconomic accounts with financial accounts and balance sheets should be exchanged by extending the format and platform of the High Level Forum on national accounts.

The importance of the link between business and national accounting was again stressed. Institutional coordination between statistical community and standard setters of business accounting and regulators should be strengthened to share insights in the latest economic and financial climate.

5. Theme 3: The implications for official statistics in linking economic growth and financial stability to living conditions, and well-being

The stimulus packages that systemic countries are putting in place to avert the significant economic downturn in the real sector also take into account of the longer term objectives of sustainable growth and development as well as social well being.

Many initiatives already had been discussing before the advent of the financial crisis the limits of GDP as an indicator of social progress and the need to complement the traditional measures of economic performance with a broader set of indicators that provide a better description of well-being and social progress. One of the most notable initiatives is the Commission on the

Measurement of Economic Performance and Social Progress that was established by President Sarkozy in 2008 with Professor Joseph E. Stiglitz as chair, Professor Amartya Sen as chair adviser and Professor Jean-Paul Fitoussi as coordinator. The Commission consists mostly of academics but it also has members of the OECD and INSEE.

Mr. Jean-Philippe Cotis, Director General of INSEE and member of the Commission provided a general overview of its work. The Commission aims to identify the limits of GDP as an indicator of economic performance and social progress, to consider additional information required for the production of a more relevant picture, to discuss how to present this information in the most appropriate way, and to check the feasibility of measurement tools proposed by the Commission.

The commission is organized in three working groups:

- Classical GDP issues
- Sustainable development and the environment
- Quality of life

Classical GDP issues

This working group discussed the limits of GDP as an indicator of socio-economic progress or economic performance and it is identifying alternative indicators. It considered important the work being done in the context of extending the central SNA framework through satellite accounts. Indicators that are being considered by the Commission include:

- Disposable income for various income groups - average or median and/or various percentiles to better consider the distributional aspects. Disposable income could be calculated for households rather than per person as the consumption units are the households.
- Household wealth or rather changes in wealth, is also considered as an important indicator for knowing what is happening to the economy.
- Non-market production in particular related to the services that household undertake for themselves such as cleaning, cooking, childcare, etc.
- Defensive expenditures which are those expenditures to mitigate social (or environmental) failures, for example expenditures on prisons, community work, restoration of ecosystems, should be treated as intermediate and final consumption and not at capital formation

Sustainable Development and the environment

This group discusses the contribution of the environment to well-being. The group was not able to reach a consensus on a set of indicators or a common approach. There remain many controversial issues especially linked to the valuation of non-market goods and services and in this regard the group recognized that market price may not be the appropriate metrics. The following five approaches have been considered by the Commission:

- Dashboard – providing a list of often unrelated indicators
- Composite indices
- Environmental accounting
- Ecological footprint
- Genuine savings or net adjusted savings

The Commission is inclined to consider the latter two approaches seemed to be more amenable because of their characteristics of single indicators useful for communication purposes but several issues are noted for them as well.

Quality of life

This group identifies areas where credible measures on quality of life, based on clear conventions and definitions could be established. The Group identified three types of approaches:

- Psychological research which provides a subjective measurement to the quality of life as it has to do with people's feelings and judgments of their life
- Capabilities according to which the quality of life is assessed in terms of a person's capability to achieve various combinations of judgments. Some of these judgments are objective as they pertain to the majority of the people and they have to do for example with health, nutrition, and basic competencies.
- Sociological research which has to do with research on social capital and networks. In this case, time use surveys across countries and over time, provide important information on the determinants of QoL.

Discussion

Participants noted that the work of the Commission is very important and that this work will have implications on the work of the statistical community. Participants noted that a combination of qualitative and quantitative information will facilitate discussion on the possible paths for future economic progress. It is important not only to look at the economic accounts, but to also include social data. The financial crisis provides an opportunity to strengthen statistical capacity with the aim of filling the gaps over the longer term. However, participants regretted the fact that very few statisticians were involved in the discussions of the Commission as the statistical community has a lot to offer. It was noted that some of the issues being addressed by the Commission had been addressed repeatedly by the international statistical community. The example of the treatment of defensive expenditure was raised as it was an issue that has been extensively debated during the drafting of the SEEA 1993 and the SEEA-2003.

6. Concluding remarks

Mr. Paul Cheung, Director of UNSD/DESA, Ms. Shaida Badiee, Director Development Data Group, World Bank and Ms. Adelheid Burgi-Schmelz, Director Statistics Department, IMF concluded the meeting,

Conclusion

There was general support for the initiative of the Interagency Group on Financial statistics to create a joint hub to facilitate easy access to systemic information from the systemic countries presently residing in the databases of the individual institutions. Participants noted the need to prioritise actions, to strengthen short term statistics on households, the non-financial and financial sectors, concentrating on what can be done on the short term and move later to the medium and long term issues. The leverage opportunity to promote statistics should be used by communicating the complexity of the interrelatedness of data, and to speed up the dissemination of data through now casting or flash estimates of good quality and methodology. Statistical

offices should be vigilant to ensure its independence and to overcome the demands brought about by the financial crisis. Communication about ongoing work should be shared by extending the format and platform of this informal conference and the reflections of the High Level Forum on national accounts. It was noted that technical SNA compilation issues should be addressed with a focus on basic economic statistics to move ahead with extending the scope and detail of the national accounts. Coordination between statistical community and standard setters of business accounting and regulators is important to keep up with the latest economic developments. In order to measure the vulnerabilities of the crisis, the broader measures of economic and social progress are to be extended.

Annex

Agenda

“Official Statistics and the Impact of the Global Financial Crisis ”

Meeting jointly organized by:
the United Nations Statistics Division/Department of Economic and Social Affairs,
the International Monetary Fund and the World Bank

Sunday 22 February 2009, 4 – 7 pm
The Permanent Mission of the Netherlands, New York

4.00pm Opening by Mr. Paul Cheung, Director of UNSD/DESA
Welcoming remarks by Ms. Shaïda Badiee, Director Development Data Group, World Bank and
Ms. Adelheid Burgi-Schmelz, Director Statistics Department, IMF

The purpose of the meeting is explained and the participants welcomed. The discussion will be moderated by UNSD.

4.15 - 5.00 pm Theme 1: “Initiatives by the international statistical organizations to address the implications for official statistics of the financial crisis

- Introduction by the IMF
- General discussion

5.00 – 5.45 pm Theme 2: “Initiatives by national statistical offices to address the implications for official statistics arising from the present financial and economic crisis”.

- Introduction by the UNSD
- General discussion

5.45 -6.30 pm Theme 3: “The implications for official statistics in linking economic growth and financial stability to living conditions, and well-being”.

- Introduction by INSEE, France
- General discussion

6.30 – 7.00 pm Concluding remarks by Mr. Paul Cheung, Director of UNSD/DESA,
Ms. Shaïda Badiee, Director Development Data Group, World Bank and Ms. Adelheid Burgi-
Schmelz, Director Statistics Department, IMF

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List of participants

1	Argentina	Ms. Ana Maria Edwin, Ms. Beatriz Paglieri, Mr. Norberto Itzcovich
2	Australia	Mr. Brian Pink, Mr. Peter Harper
3	Brazil	Mr. Eduardo Pereira Nunes, Ms. Zélia Bianchini
4	Canada	Mr. Munir Sheikh, Ms. Bela Prigly
5	China	Mr. Xu Ronghua
6	Finland	Ms. Heli Jeskanen-Sundstrom, Ms. Hilka Vihavainen
7	France	Mr. Jean-Philippe Cotis
8	Germany	Mr. Roderich Egeler Ms. Sibylle von Oppeln-Bronikowski Ms. Sabine Köhler
9	Indonesia	Mr. Rusman Heriawan
10	Italy	Mr. Luigi Biggeri , Ms. Claudio Cingolani
11	Japan	Mr. Makoto Shimizu
12	Republic of Korea	Mr. Kay Park
13	Netherlands	Mr. Geert Bruinooge, Ms. Ada van Krimpen
14	Norway	Mr. Oystein Olsen
15	Qatar	Mr. Bernard Pullon, Mr. Saoud Al Shimiri
16	Russia	Mr. Vladimir Sokolin Mr. Igor Uliyanov, Mr. Andrey Kosarev
17	Saudi Arabia	Mr. Abdullah S. Al-Othaim

18	Singapore	Ms. Suzanne Wong Sook Han, Ms. Wong Wee Kim
19	South Africa	Mr. Pali Lehola, Mr. Joe de Beer
20	Turkey	Mr. A Omer Toprak
21	UK	Ms. Jil Matheson
22	USA	Mr. Steven Landefeld
23	BIS	Mr. Paul van den Berg
24	ECB	Mr. Werner Bier
25	World Bank	Ms. Sheida Badiee, Ms. Misha Belkindas Ms Anne Harisson
26	Eurostat	Mr. Walter Radermacher, Mr. Pieter Everaers Mr. Gallo Gueye
28	OECD	Mr. Enrico Giovannini
29	IMF	Ms. Adelheid Burgi-Schmelz Mr. Alfredo Leone Mr. Robert Heath
30	UNECE	Ms. Lidia Bratanova
31	UNSD	Mr. Paul Cheung Mr. Ivo Havinga Mr. Herman Smith Mr. Ralf Becker Ms. Alessandra Alfieri Mr. Gulab Singh Mr. Odd Andersen Mr. Keping Yao Mr. Patrick Mueller Mr. Bram Edens Ms. Annette Becker