

OTHER ECONOMIC STATISTICS

A statistical perspective on the IMF's
Special Data Dissemination Standard (SDDS):
Views of the Australian Bureau of Statistics

Introduction

1. The SDDS was established by the International Monetary Fund (IMF) in 1996 and, to date, 47 countries have subscribed. The period of transition ended in December 1998 and subscribers are now required to be in compliance with the Standard. A broad description of the statistical component of the SDDS is provided in the Attachment. An important aspect is the recording of metadata about countries' compliance with the Standards on the Dissemination Standards Bulletin Board (DSBB).

2. The Standard was introduced as one of the responses of the international financial community to financial crises, and it has received particular attention as a result of the recent crises in Asia and elsewhere. The stated objectives of the SDDS are to contribute to the pursuit of sound macroeconomic policies and to the improved functioning of financial markets through enhancing the availability to the public of comprehensive, timely, accessible and reliable economic and financial statistics. A review of the Standard has recently been conducted by IMF staff and considered by the IMF's Executive Board in December 1998. The review included proposals for extension of the Standard in the areas of international investment position, foreign debt and reserve assets.

3. The UNSC is the peak international forum for consideration of global statistical matters. At its 1997 meeting, the UNSC discussed the SDDS in the context of the item on critical problems in economic statistics, however there has not been substantive debate within UNSC on the formulation of the SDDS and on the way countries are responding to it. Indeed, even more importantly and disappointingly, there appears to have been little consultation direct by the IMF with many national statistical agencies. There is no doubt that a substantial volume of work has already been undertaken by countries to change their statistical programs to align with SDDS requirements. With

further work needed in coming months and years, by subscribing countries, to meet the latest extension to the SDDS, the allocation of scarce resources to targeted SDDS measures will curtail the capacity of national statisticians. For these reasons, it is appropriate for the UNSC to consider the wider impact of the SDDS on national and international statistical programs.

Purposes of the SDDS

4. An original aim of the SDDS was to increase the effectiveness of IMF surveillance, and so either help prevent financial crises or improve their handling if they should occur. There now appears to be acceptance that it will not meet that aim.

5. The SDDS now appears to be targeted at the praiseworthy purpose of encouraging improvements in statistical systems through providing guidance on user needs for comprehensive, timely and accessible economic and financial statistics. To quote from the review, "the SDDS is serving the intended purpose of encouraging improvements in statistical systems". However, this is in the context of threats of IMF and financial market sanctions if the SDDS is not met.

Impact on national statistical priorities

6. The SDDS has emerged as a highly prescriptive document that ranges across the stated requirements of diverse financial market participants. However, those requirements may not be presented in a balanced way. No attempt is made to reflect the materiality that users would normally bring to bear in their analyses of economic and social data, depending on the country in question. Instead, a simplistic "one size fits all" approach has been adopted, specifying the range, frequency and timeliness detail that should apply to each data set. Without qualitative judgements about the nature of non-observance, vastly different implications of non-observance are reduced to a numerical exception count.

7. An attempt to address this is through two 'flexibility options' for timeliness and/or periodicity. However these may or may not be suitable or relevant for a country, depending on the nature of the economy. With failure to meet the SDDS (for reasons which may be quite trivial in terms of economic and financial relevance) comes the threat that the country's metadata will be removed from the SDDS, with the direct implication that such failure in future might be viewed by the market place as reason enough not to provide access to capital or to increase the

risk premium. National statistical authorities in some countries may well find themselves diverting resources away from important, relevant statistical work programs for their countries so that the requisite number of ticks can be obtained on the IMF's SDDS score card. The implementation of the SDDS, in developing countries at least, has meant changes to national statistical priorities.

Foreign Debt Statistics

8. Another element of the latest proposals for SDDS expansion warrants debate. The recent review of the SDDS proposes a separate data category for external debt in the SDDS. Within this category, the prescribed frequency for dissemination of external debt data would be quarterly, disaggregated by debt of the general government, the monetary authorities and banks, and other. Prospective debt service obligations by quarter for the first year ahead and annually for the second year ahead would also be prescribed.

9. Foreign debt statistics are extremely difficult to compile, especially the case for tradeable debt, even for statistically advanced countries.

The concepts are complex and businesses frequently do not hold their records in the required form, or may regard the information as commercially sensitive and be reluctant to provide it. Non-response rates are higher than in most other business collections. (It may be of interest that the Australian Bureau of Statistics, Singapore Department of Statistics and the IMF are planning a workshop on surveys of foreign debt statistics later this year.)

10. The review identifies important international work on developing comprehensive creditor databases on debt statistics, and notes that they will take considerable time to be sufficiently comprehensive and will always be less timely than direct data from a country. To overcome the delays, it is proposed to extend the SDDS to require comprehensive quarterly external debt statistics (ie, from the debtor side).

11. While data from the debtor side and from the creditor side have aspects that are complementary, they do have significant overlap. The UNSC may well have a view, given the existence of a number of creditor data bases and the smaller number of significant creditor nations, that the focus should be reversed and greater attention paid to the creditor databases. Not only may it be cheaper, but this approach is likely to produce higher quality statistics given the difficulties of collecting data from

the debtor side. The group of significant creditor nations is not only smaller but composed of those countries most able to support the increased resources required to meet the developing international needs. And it is predominantly these creditor countries that are asking for the information, and which will be the principal users and beneficiaries of the increased statistical effort in this area in the short to medium term. The creditor-side statistics could also be used to help compile substantial parts of the international investment position statistics for individual countries.

Attention to Quality

12. One of the dimensions of the SDDS is quality. The Standard comments that "although quality is difficult to judge, monitorable proxies, designed to focus on information the user needs to judge quality, can be useful." The proxies listed include documentation on methodology, including statements on major differences from international guidelines, the dissemination of component detail, reconciliation with related data and other cross-checks that provide assurances of reasonableness.

13. Proformas for recording the information on the DSBB are currently being developed. The approach taken is that a country meets the Standard with regard to quality if statements of methodology and reliability etc of the data are provided on the DSBB. This has the peculiar consequence that a country can meet the Standard even though it may not compile statistics according to SNA93, BPM5, ILO labour definitions etc (though they are encouraged in the SDDS), provided the methodology is documented on the DSBB.

14. However, it is axiomatic that the quality of the statistics is crucial if the Standard is to have validity but this aspect has been largely avoided in the SDDS. This may be because it is impossible to be prescriptive about a particular level of quality because the quality standard required depends on the uses to be made of the data and the degree of understanding the users have of the data. Therefore it is not an item which can be ticked off or not, as the case may be. Accordingly, we consider that the SDDS approach, which is only able to set a standard for frequency and timeliness, has limited utility.

Policing observance of the SDDS

15. The IMF will monitor observance of the Standard. They propose to do this by:

- requiring subscribing countries to establish summary data pages on their web sites to which the DSBB would be hyperlinked;
- IMF staff monitoring observance of countries' output activities, essentially through the summary pages;
- subscribers certifying the accuracy of the metadata on a quarterly basis; and
- an IMF Executive Board determination being posted on the DSBB if a country was deemed to be not meeting the SDDS.

If there was persistent failure to meet the Standard, the IMF Executive Board may decide to delete the metadata.

16. In our view, while the IMF staff can certainly monitor the calendar aspects of the SDDS, and seek to tick off the standard list of outputs from the SDDS checklist, we are doubtful about the IMF's capacity to effectively monitor all aspects of the SDDS, including ascertaining whether those outputs meet all the expectations of the Standard in a diverse range of subject fields which may go beyond the formal capability of the IMF, eg. prices, labour market, population statistics.

17. The ultimate sanction - the removal of a country's entire metadata for continued breach of the Standard - seems to reinforce the worst aspects of the Standard. A country's inability, or future unpreparedness, to meet a particular element of the Standard should be an open issue for reflection and evaluation by users of the metadata system to determine whether the non-observance is material. Removing the metadata for one country due to an incomplete output mix of nevertheless high quality statistics that are relevant to the country concerned while maintaining SDDS subscriber status for a more extensive output mix of dubious quality or relevance, denies transparency and may well mislead the marketplace about the situation. Removing access to all metadata for that country also significantly changes the basis on which that country's statistical metadata are accessed. An unarguable merit of the SDDS - a central repository for a very wide range of country metadata - is compromised by this approach.

18. It follows that, if a country remains on the database, there is a direct implication that the IMF endorses this country's statistics for use by the market place.

19. An alternative would be to follow the newly agreed procedures for non-compliance except for the last step of

removing a country's metadata from the database. At that final stage, so that users of the database could have complete information and so that the problems are transparent, it is suggested that the metadata be retained on the DSBB with an explanation from the IMF on the area(s) of non-compliance and with the country able to make its own representation to the market on the DSBB.

Alternative Proposal

20. UNSC should support the purpose of the SDDS to encourage improvements in statistical systems, noting the implications this has for the priorities of national statistical offices. We think this could be better achieved if:

(a) the flexibility in the SDDS is increased by allowing additional flexibility options if, for example the SDDS specification was not highly relevant to the country concerned and did not warrant the resource effort involved in producing the statistics. It could also be used in transition arrangements where it might take some years to undertake the development work necessary to meet the SDDS specification;

(b) it is used as a framework for training and technical assistance programs;

(c) the DSBB is retained, but with greater emphasis on the quality of the underlying data sets;

(d) the IMF could note and make comments on non-compliance with elements of the SDDS, but subscribing countries be able to respond with explanations for non-compliance. Country metadata should not be removed from the DSBB; and

(e) in noting the impact of the SDDS on statistical priorities, greater emphasis be put on the role of creditor databases.

If structured in this way the SDDS would "encourage" subscribing countries to improve their statistical systems. The DSBB would provide a valuable service to users of these statistics.

For discussion

21. We would welcome hearing the views of other countries; IMF delegates may well also be interested in the views of national statisticians.

Australian Bureau of Statistics

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ATTACHMENT

SPECIAL DATA DISSEMINATION STANDARD

REAL SECTOR

Quarterly National Accounts: nominal, real and associated prices
(quarterly)

Monthly Production Indexes

Quarterly employment; unemployment and wages/earnings Monthly
consumer and producer price indexes

FISCAL SECTOR

Annual general government operations (revenue, expenditure and
financing)

Monthly central government operations (budgetary accounts
including financing)

Quarterly central government debt

FINANCIAL SECTOR

Monthly analytical accounts of the banking sector Monthly
analytical accounts of the central bank Daily interest rates
Daily stock market indexes

EXTERNAL SECTOR

Quarterly balance of payments

Monthly international reserves

Monthly exports and imports

Annual international investment position Daily exchange rates

Annual demographic statistics