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Items for discussion and decision: Future of Economic Statistics

Friends of the Chair on Economic Statistics – Summary of the consultations

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Friends of the Chair on Economic Statistics – Summary of the consultations

The 50th United Nations Statistical Commission retained the proposal to create a high-level group on economic statistics and agreed to create a Friends of the Chair (FOC) group consisting of economists and statisticians to consider evaluate the merit of the proposal. During the first meeting of the Friends of the Chair in May 2019, the FOC agreed to convene consultations over the next year to discuss whether the current planned updates to the system of economic statistics considers user-identified priority areas of development and whether gaps exist. The consultations will also take place to examine whether the current governance and infrastructure supporting the system of economic statistics is sufficient to meet the need of an increasingly responsive and comprehensive system of economic statistics. The FOC will report back at the 51st session of the United Nations Statistical Commission with a list of recommendations aimed to enhance the overall effectiveness and efficiency of the system of economic statistics.

This paper summarizes the broad ideas resulting from this consultation. While countries were not approached directly, a few of them commented on the questionnaire and their views are also considered in this summary. All countries will have the opportunity to share their views leading up to the 51st Session of the Statistical Commission in 2020.

Q1. 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?

The vast majority of responses submitted indicated an agreement with the priorities proposed in the questions. For the most part, it was acknowledged that the priorities are being addressed in global initiatives. In their responses to the questionnaire, several of the groups identified gaps and priorities that could for the most part be considered as sub-groups of the main priority areas identified in the question regarding the various macroeconomic domains (finance, price, international trade, etc.). Some of these themes overlapped with each other. Suggestions were provided for the FOC to articulate what are the current initiatives for these areas, what is already defined and what additional work is required for each of them.

A distinction should also be made for improving measurement and visibility for these domains. Several responses also identified the need to produce official statistics at a more granular level (sub-population level, sub-sectors, geographic and income groups) for the various aggregates of the economic statistics system.

The need to develop harmonized concepts, standards, metadata and linkages between the system of economic statistics and with the social and environmental components across all priorities has also been mentioned. The need to be more agile in measuring current issues calls for changes in the way standards and classifications are developed and this could lead to rethinking the traditional focus on consistent time series to measure short term and long-term trends in economic statistics.

Specific ideas:

- An integral view on the new aspects in the financial sector: a thorough review might be needed of the way in which functions, income and production of the financial sector are measured, addressing a number of unanswered issues already included in the SNA Research Agenda.
- Including more granularity: more detail and granularity may need to be introduced to address the heterogeneity among firms and households

Q2. 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) currently underway supporting NSOs in their transformation? Is there a need for additional global initiatives that could support NSOs in their transformation?

Answers to the questions were mixed. A number of groups considered that the current global initiatives in place supporting the NSOs are effective at supporting the current transformations. While they considered that there is no need for further initiatives, they nonetheless underlined the need for better coordination between the existing initiatives. A more targeted focus on a limited number of high-level strategic initiatives for NSOs would support a streamlining of global initiatives and programs that NSOs are involved in. There is a need to coordinate and share experiences at a global level in a more organized and systematic way and to strengthen communication to share results from various initiatives. International cooperation and intelligence sharing, including leveraging existing systems and tools in NSOs rather than each separately develop their own approach was also raised.

Other groups recognized the need for additional global initiatives. Most of the proposals centered around two main areas: 1- the harmonization / development of standards and frameworks and 2- the active role of IOs to support NSOs in establishing a dialogue to access data from large digital firms and coordinate the international exchange of these data.

Improving the existing standards, developing new ones and the overall process to develop them is essential. It is becoming more obvious and necessary with the proliferation of new data sources and big data. Otherwise the production and sharing of data without common standards makes the production of economic statistics difficult and will jeopardize international comparability of data.

The role of NSOs goes beyond macro data. NSOs must look at ways to provide access to micro data. The development of a standard framework supporting NSOs in their ability to provide safe and timely access to microdata and address the issues of ethics and data privacy were proposed. As well, additional frameworks were proposed for the measurement of digital economy and gender, such as gender-in-trade statistics.

It is recognized that IOs are well-positioned to develop an approach that allows the exchange of micro-data between countries supported by innovation related to confidentiality and data anonymization. IOs could help establish a dialogue with large digital companies and multi-national data holders to facilitate access to their data and coordinate international exchange of these data among countries. They could enable the exchange of algorithms executed by the data owners and retrieve aggregate information from their raw data – without having to access the raw data.

Global initiatives to facilitate sharing of inter-NSO data and intelligence for firm networks of multinational enterprises or the development of a global multinational register are considered critical.

Specific ideas

- Coordination between statistical groups: it was suggested that the statistical groups include an agenda item where statistical groups working in other domains working on common thematic areas or issues present ongoing work. Moreover, the chairs of the various statistical groups could meet and exchange information once or twice a year.
- Innovative capacity building program: There is a need to develop a roadmap and strategy to strengthen relevant capabilities and skills of NSO staff to support their transformation in the use of new methodological standards, new administrative and big data, and technology
- Collaboration between Central Banks and NSOs: the legal impediments for collaboration and data sharing and exchange at national and international level should be addressed. Such collaboration at national level would for example advance the harmonisation of statistical registers, the development of links between unit identifiers and shared collection of basic data.

Q3. 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?

The results from the consultation indicate that most organisations do not consider that making changes to the current governance structure supporting the macroeconomic framework is necessary. Several organisations reported that the current structure is effective and efficient, more so in regards to development and guidance at the international level. However, it is recognized that links are not always clear between the various groups.

Several organisations did not provide comments. A small number of organisations proposed a periodical review of the governance structure without explaining how to proceed.

There is general consensus that there could be better coordination and alignment of activities between International Organisations. The solutions that were proposed indicated better communication, improved dialogues and cross pollination. This even more so for cross-cutting issues between different areas inside economic statistics and in outside areas such as social and geographic domains. Sharing priorities, learnings, memberships, and research agenda through a global forum or a meeting of the chairs of all groups could help enhance synergies between the groups and avoid duplication of work.

The organisations that submitted responses do not explicitly support the creation of an overarching supra national/organisational body within the existing governance structure having the authority to provide overall direction and set global priorities for the sub domains of economic statistics. This is seen as a risk to the dynamics and the efficiency of the existing groups and could possibly increase the administrative burden.

Specific ideas

- Use of technology for preparing updates and manuals: the deployment of technology in releasing future manuals in a digital format and leveraging web technologies right from the beginning would contribute to harmonization between manuals and the accessibility and serviceability of the manuals.
- Coordination between the statistical groups: the establishment of a single body to assist in the elaboration of a joint research agenda for the statistical domains involved.

- Coordination between the manuals: with an economic statistics wide update of the manuals, a single editorial body could be tasked with ensuring full consistency across the manuals.
- Consistency and integrity between the manuals: it was suggested that the overall consistency and integrity between the SNA and BPM could be realised by integrating the two manuals in a single manual for common concepts/classifications and two complementary sub-manuals for the specific needs of each statistics. This pathway towards consistency and integrity between manuals could also be extended to GFSM, MFSM and SEEA and provide a harmonized system of concepts, definitions and classifications for economic statistics.

Q4: 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 notwithstanding challenges related to microdata access, how can the current mechanisms be reinforced or adapted to meet these needs, or are new mechanisms needed?

There is consensus on the need to produce more granular data and add more granularity to the various international classifications to address heterogeneity between firms and households. Providing the level of information required by the data users through the traditional survey approach is not feasible and would be costly. Granularity brings challenges; the risk of disclosing respondents' information, even more so for the smaller countries. Overall, the solutions proposed can be grouped in four areas: methodological, IT-related, enhancement of standardization and collaboration / partnerships.

A series of methodological solutions and mechanisms were proposed. The development of perturbation methods or synthetic data, therefore avoiding the disclosure of confidential information while publishing accurate disaggregated information is suggested. Further research in small area estimation techniques is also proposed as well as the development of methods that breakdown the aggregate benchmark level into smaller domains using alternative data.

In terms of IT solutions, algorithms could be established to query directly micro databases on the data owner platform. Only the aggregate results would be available as a result of the query. This could contribute to the availability of rich source of micro and transactional data and address the concerns about privacy and confidentiality of data owners.

Increased standardisation of unit identifiers, transactions and products and the use of initiatives to remove technical and institutional obstacles for data sharing and data linkages across various databases at the national and international level would contribute to of a more efficient use of the available granular information.

Partnerships and collaboration between NSOs, Central Banks, Finance and Treasury, specialised sector departments, international organizations, academia and the private sector could also help address micro data access and availability of disaggregated information. A framework could be put in place to assist NSOs. Developing private and public partnerships with large digital firms, backed up and coordinated by international initiatives to get access to their detailed data – as opposed to multiple individual initiatives-, would help to generate a massive amount of information to statistics compilers.

Q5. 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?

There is a general sense that the system of economic statistics is accurately portrayed as reactive and slow in adjusting to user demand. The fundamental nature of official statistics is associated with the production of high-quality information. The slow responsiveness, however brings stability in measurement...an important element for macroeconomic statistics.

Several comments were around increasing collaboration and partnering between the compilers of statistics and simplify the sharing of learnings, methods and challenges with emerging trends and data needs to avoid duplication of efforts and be more responsive. Changes in institutional arrangements are not seen as the solution and these should not be made suddenly and without careful consideration.

There was an apparent demand in the responses for a more agile and faster process in the development of definitions and standards and global conceptual frameworks to react to public policies and keep pace with the fast-changing environment. The revision cycle for standards and manuals needs to be shorter for better responsiveness and divided in smaller pieces. Not only does the development of these standards take a long time, but their adoption and implementation by statistics compilers is also slow and complex. Interim guidance is important. A more balanced approach is required for macroeconomic statistics between stability in measurement and long-term trends (perceived by some as a strength in the statistical system) and the production of real-time statistics.

Developing a collaborative international production model (as opposed to multi-silos national production) would increase comparability and efficiency, more so in the context of globalization and digitalization of our economies. Some indicators derived from satellite imageries (ex. land use, NDVI, fishery statistics) could easily be produced in a single international center.

Specific ideas

- Interim notes to be issued: notes (clarification notes – by ISWGNA and BOPCOM / Quick reference note – IMF) are developed to answer questions from compilers and clarify methodological issues on new elements. This helps to keep standards up-to-date. It allows them to take action more regularly incrementally to new phenomena instead of waiting for major revisions.
- Updates should be supported with practical guidance notes for experimentation and testing: a future agenda anticipating significant changes in standards should be developed with guidance for compilers.
- Creation of statistical labs: each NSO should have a ‘project incubator’ and a prospective unit in charge of continuous scanning of best international practices.
- A global program on work based on shared global priorities: a global program of work for the update of economic statistics based on shared priorities could be instrumental in raising funding for support to countries in the experimentation and testing and subsequent implementation of the manuals

Q6. 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 its pace of innovation and degree of experimentation?

Obviously, there is wide recognition amongst various organisations of the importance of innovating and developing experimental statistics for NSOs and IOs in order to remain relevant and lean in a more competitive environment in the data space. It is also essential to leverage the massive amount of information and data that are now available with the digitalization of the economy. More precisely, experimentations are suggested to produce more timely estimates, introduce machine learning and AI in the production process, exploit big data, find more cost-effective ways of producing statistics, test drafts of new statistical classifications and standards and for the development of new estimates outside the

traditional macroeconomic boundaries. Results of these experimentations should be shared among the various organizations.

But the strong support for the production of experimental statistics as a way to meet new user needs came with some caution. The experimentations should not impact the trust placed in NSOs and IOs by the public and decision makers and the robustness of the methodologies employed. The producers of official statistics should be aware of the fact that these experimental statistics could be perceived as 'official' by the public and the media when published under the umbrella of NSOs or IOS. Appropriate messaging and quality statements should be included in these releases.

Almost unanimously, the development of partnerships of statistics compilers with academia, non-profit organisations, researchers and think-tanks organisations is seen as central to support innovation and experimentation. These partnerships will help accelerate the pace of innovation for NSOs and IOs by being exposed to new methods and share learning experiences and research to address new data needs. Partnering with academia to release information not directly attached to the NSOs could also help to address the official character of experimental statistics released by NSOs. A lot of innovative projects dealing with specific topics are already set up with participation of academia in both NSOs and international organizations to accelerate statistical developments. The results of this cooperation need to be presented to users.

Specific ideas

- Guidelines on release of experimental statistics: Development of common rules for releasing experimental statistics distinct from high quality official data. The Census Bureau has recently updated its quality standards in order to allow for more experimentation with respect to released products.
- Development of an international framework: the need is expressed to develop an international framework to encourage cooperation s between official statistical agencies and the field of academic research based on good practices