1. Summary

The paper reports on progress in dealing with a range of so-called critical problems in economic statistics identified and reported on to the 1997 United Nations Statistical Commission by an Expert Group. The problems were seen as having the potential to affect the confidence of users in economic statistics if not effectively addressed. Overall, the author concludes that satisfactory progress is being made on the problems, thanks to the collaborative efforts of many national and international statistical agencies.

2. Introduction

The 1995 United Nations Statistical Commission (UNSC), in discussing "critical problems in economic statistics", recognised that effectively dealing with problems related to the production and dissemination of timely, relevant and accurate economic indicators, as well as their interpretation and use, was critical to the continued integrity of statistics. Responding to this concern statisticians from four countries (Australia, Canada, India, USA), the United Nations Statistical Division and the Organisation for Economic Cooperation and Development were constituted as the Expert Group on Critical Problems in Economic Statistics.

The Expert Group’s task was to systematise the issues, and to report back to the UNSC at its 1997 meeting. Actions arising from decisions taken by the UNSC, which are the subject of this paper, have driven a considerable proportion of the international agenda in economic statistics over the last few years.

3. The Deliberations of the Expert Group

The Expert Group focussed on problems that affect the confidence of users in economic statistics. Three broad problems were identified:

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The opinions expressed in this paper are those of the author and do not necessarily represent those of the Australian Bureau of Statistics. An extended version of this paper is available from the author.
(a) absence of statistics
(b) distrust of statistics by users
(c) mismatch between statistics and user demand.

The Group concluded that these problems were best approached, respectively, in terms of:

(a) coverage, periodicity and timeliness
(b) integrity, transparency and public access
(c) quality and relevance.

The Expert Group felt that addressing the issue of integrity, transparency and public access (item 4(b) above) was best handled through attention by national statistical offices to the Fundamental Principles of Official Statistics\(^2\). In dealing with items 4(a) and 4(c) above, the Expert Group posed six questions, out of which fourteen issues, or "critical problems" emerged. The issues, then existing processes to deal with them, and proposed new processes are summarised in the attached Table 1. The remainder of this paper discusses progress in dealing with the critical problems over the last few years.

4. Progress to Date

A. Good behaviour

B. Effective communication with stakeholders

It was agreed at the 1999 UNSC that a document should be produced which would improve the understanding of the fundamental principles of official statistics, promote awareness of them and assist in their implementation. The United Nations Statistical Division will establish a website that will feature this document and serve as a referral system for relevant country practices.

C. Devolution and de-regulation

The Expert Group noted that changes in the policy environment could cause coverage problems for national economic statistics programs. However, no interest has been expressed in this matter since the Expert Group reported and the author concludes that the matter is best dropped from the international agenda.

D. Regional statistics

The issue of balancing the need for data among the regional, state and national levels was seen by the Expert Group as increasingly a matter of concern given limited resources for statistical activities. Regional accounting was seen to be a particular concern, which Eurostat’s three-volume *Handbook on Regional Accounts* should help to address. The issues are seen by the author to be essentially country-specific and I doubt whether further activities at the international level are likely to be fruitful.

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\(^2\) See United Nations, *Official Records of the Economic and Social Council*, 1994, Supplement No. 9(E/1994/29), Chap V. The ten principles provide guidelines for establishing and maintaining a credible national statistical system, emphasising the necessity to publish statistical laws, compile and make available official statistics on an impartial basis, and decide according to strictly professional considerations on the methods and procedures for the collection, processing, storage and presentation of statistical data.
E. Informal Sector

Adequate coverage of the informal sector is vital to the reliability of macro-economic statistics. The Delhi Group on Informal Sector Statistics, convened by the Indian Department of Statistics, is investigating conceptual and practical measurement problems in this field.

F. Globalisation

The Expert Group discussed the statistical consequences of the globalisation of the world economy. A great deal of work has been done by international and national statistical agencies in this field. In the author's view there is a continuing need for research and sharing of experiences; it would help greatly if there was clarification of the public policy issues to which "globalisation" statistics are aimed at shedding light.

G. Capital

The Expert Group felt that in addition to theoretical problems there are many problems of a practical nature in measuring capital stocks and flows. A Capital Measurement Group has been established which is working towards the publication, in the first half of 2000, of a handbook on these matters.

H. Resource Accounting

The Expert Group noted heightened interest in stocks and flows of natural resources, measured in both physical units and in monetary terms. The London Group on Environmental Accounting is focussed on a revision to the United Nations draft handbook on the system of integrated environmental-economic accounting.

I. Measuring Price Change

The Expert Group identified various dimensions to the problem of measuring price change adequately. An important recent development has been the establishment of an Intersecretariat Working Group on Prices Statistics, with the immediate aim of producing manuals on both consumer and producer price indexes, developed in the context of an overall coherent framework for price statistics.

J. Quality of Labour

The issue here is improved measures of labour inputs for productivity estimation. Little tangible progress has been made on this matter at the international level.

K. Labour and Compensation

The Expert Group identified a number of problematic areas in this field of statistics. A Paris Group has been commissioned to identify critical issues with a view to making proposals for future revisions of international standards.

L. Economics of Intangibles

The statistical measurement of so-called "intangible" outputs was seen as being sufficiently problematic that this matter was included as a critical problem. Little progress has been made on dealing with the issue: the author is hopeful that the convening of two electronic discussion groups by
the Organisation for Economic Cooperation and Development - on intangible outputs and on the information economy - might assist in taking the issues forward.

M. International Price Comparison (ICP)

The Expert Group noted considerable country reservations regarding the transparency, quality and timeliness of the ICP. A subsequent review of the Program has made many recommendations for improving the situation which the Programs sponsors (World Bank, International Monetary Fund, United Nations Statistical Division) are currently considering. Possible improvements to the purchasing power parity program sponsored by Eurostat and the Organisation for Economic Cooperation and Development are also being investigated.

N. Short-term Economic Indicators

The Expert Group noted the then formative work of the International Monetary Fund in the development of what has become known as the Special Data Dissemination Standard and the General Data Dissemination System. Implementation in national statistics is a matter for each country to address.

5. Conclusion

Considerable international conceptual, methodological and practical measurement work is being undertaken at present in a range of so-called critical problems in economic statistics. The fact that much of it is being facilitated through the voluntary participation of national and international statistical agencies in various fora, at high actual and opportunity costs to agencies, suggests that the problems are real and worthy of attention.
Table 1. Issues Related to User Confidence in Official Economic Statistics: Existing and Proposed Processes for Addressing them

<table>
<thead>
<tr>
<th>(1) CONCERN</th>
<th>(2) ISSUE</th>
<th>(3) EXISTING Activity</th>
<th>(4) PROCESS By Whom</th>
<th>(5) PROPOSED Activities</th>
<th>(6) PROCESSES By Whom</th>
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</thead>
<tbody>
<tr>
<td>Coverage, periodicity, timeliness</td>
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<tr>
<td>1. Which activities are proper for a statistical office to undertake and which of them increases its credibility?</td>
<td>A. Good behaviour</td>
<td></td>
<td>Develop draft code of best practice for official statistics for consideration by the Stat. Com.</td>
<td>UK, USA, Mexico, IMF, and others</td>
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<td></td>
<td>B. Effective communication with stakeholders</td>
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<tr>
<td>2. What problems of coverage are created by changes in the policy environment?</td>
<td>C. Devolution and Deregulation</td>
<td>Countries share research/ experience</td>
<td>Informal ad hoc group Convener (to be determined), Eurostat and others to participate</td>
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<td></td>
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<td>ISWGNA</td>
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<tr>
<td>3. What problems of coverage are created by changes in economic organisation?</td>
<td>D. Regional statistics Development of handbook on regional accounts</td>
<td>Eurostat Promulgate handbook on regional accounts</td>
<td>UNSD in collaboration with ILO, Eurostat, Regional Commissions, country input as appropriate 1/</td>
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<td>E. Informal sector Consultancies on Africa/Asia, work in transition countries, Methodological work.</td>
<td>UN SD Eurostat/ OECD ILO Status report and proposals for future work.</td>
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<td></td>
<td>F. Globalisation Research on trade not passing through customs barriers; foreign affiliates trade; subcontracting across countries; attribution of production of multi-national enterprises to countries.</td>
<td>OECD/Eurostat Improved coordination, especially with WTO, WCO, UNSD, IMF, UN, CTAD Prepare paper on Canadian experience in developing globalisation measures.</td>
<td>OECD, Eurostat</td>
<td>Canada, in collaboration with OECD</td>
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<tr>
<td>Quality, relevance</td>
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<td>4. How should we measure wealth, output and productivity?</td>
<td>G. Capital</td>
<td>Countries share research/ experience</td>
<td>Informal ad hoc group Convener: Australia, France, World Bank and others to participate</td>
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<tr>
<td></td>
<td>CONCERN</td>
<td>ISSUE</td>
<td>EXISTING Activity</td>
<td>PROCESS By Whom</td>
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<td>H.</td>
<td>Resource accounting</td>
<td>Countries share research/experience</td>
<td>London group, in collaboration with Nairobi group as appropriate</td>
<td>Prepare progress report</td>
<td>London Group</td>
</tr>
<tr>
<td>I.</td>
<td>Prices</td>
<td>Countries share research/experience</td>
<td>Ottawa group</td>
<td>Prepare progress report</td>
<td>Ottawa group</td>
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<td>J.</td>
<td>Quality of labour</td>
<td>Countries share research/experience</td>
<td>Voorburg group</td>
<td>Prepare progress report</td>
<td>Voorburg group</td>
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<td>K.</td>
<td>Labour and compensation</td>
<td>Countries share research/experience</td>
<td>Informal ad hoc group Convenor: France, Australia, ILO and others to participate.</td>
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<tr>
<td>L.</td>
<td>Economics of intangibles</td>
<td></td>
<td>Prepare 'scoping paper’</td>
<td>UK, US, Canada</td>
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<tr>
<td>M.</td>
<td>ICP</td>
<td>Extensive ongoing programme</td>
<td>Stat. Com.</td>
<td>Develop draft terms of reference, and list of possible consultants, for programme evaluation of ICP. If program evaluation to proceed steering committee to be appointed by chair of Stat. Com.</td>
<td>UNSD, Worldbank, USA and others</td>
</tr>
<tr>
<td>N.</td>
<td>Quality short term economic indicators</td>
<td>Surveillance system</td>
<td>IMF</td>
<td>Country implementation</td>
<td>National statistical offices, Central banks, Ministries</td>
</tr>
</tbody>
</table>

5. Is it necessary to compare and aggregate across countries and if so, how should it be done?

6. What is required to signal the need for short term intervention?

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OECD = Organisation for Economic Co-operation and Development
ISWGNA = Inter-Secretariat Working Group on National Accounts
UNCTAD = United Nations Conference on Trade and Development
IMF = International Monetary Fund
WTO = World Tourism Organization
WCO = World Customs Organization
ILO = International Labour Organization
ICP = International Comparison Programme
Eurostat = Statistical Office of the European Union
UNSD = United Nations Statistical Division

1/ India has subsequently formed a 'Delhi-group' on Informal Sector Statistics.