

# **FRENCH ACTION PLAN FOR REDUCING THE TIME REQUIRED TO PUBLISH THE INDUSTRIAL PRODUCTION INDEX**

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This paper is based on the observations and recommendations of an audit carried out, at the request of the Ministry of economic affairs, finance and industry, by the General Inspectorate of INSEE (A. Mothe), the General Inspectorate for Trade and Industry (M-C. Ledur, P. Deforges) and the Inspectorates of the Ministry of Agriculture (B. Bourget).

## **SUMMARY**

Until now, of the large industrialised countries, France has probably been the country requiring the longest time to compile its industrial production index (IPI): 53-54 days on average following the end of the reference month when July is excluded, 58 days when it is included. This can be compared to the 45 day deadline provided for by Regulation 1165/98 on short-term statistics and the 38 day deadlines observed in Germany or the United Kingdom. Faced with such a situation, two audits were organised in September 2000, at the request of the Minister of Economic Affairs, Finance and Industry, one to focus on the "manufacturing industry" part of the IPI, the other on the "food, beverages and tobacco industry" part. The respective reports were submitted to the Minister at the end of 2000 and their proposals were widely approved within the public authorities. This paper presents a synthesis of these reports and their main recommendations, which has now been adopted in the form of an action plan. Despite the specific nature of the French situation, it appeared useful to describe these actions during the Seminar on Short-term Statistics, as they can be of interest to Member States confronted with similar circumstances.

## **I. HISTORICAL BACKGROUND AND CURRENT SITUATION**

### **I.1 Background**

Monitoring of industrial production in France really dates from the 2nd World War. During the War a central office for the distribution of industrial products was responsible for distributing scarce raw materials between 150 organising committees, which in turn distributed them between the enterprises of their respective branches on the basis of the monthly production returns submitted by the latter. After the war, the organising committees were dissolved and replaced by professional bodies which continued to conduct statistical surveys allowing the calculation of a monthly industrial production index.

The law of 7 June 1951 on statistical coordination, obligation and confidentiality led to new arrangements for the branch surveys. These became official and obligatory; the law developed the approval procedure, which made it possible to delegate almost all the surveys to professional bodies, of which there were about 300.

### **I.2 The half-century 1951 - 2000**

The very heterogeneous nature of the questionnaires, classifications and methodologies used in the various surveys, the almost impossible task of coordinating 300 bodies, led to two categories of reform during the period 1951-1980:

- first, partial take-over of some of the surveys by the statistical department of the Ministry of Industry (SESSI);
- second, standardisation, as far as possible, of the sets of data used to compile surveys, classifications and questionnaires.

After 1980 there was a policy of even closer cooperation between the public authorities and the professional bodies in certain branches, in particular in the field covered by the Federation of Engineering and Metallurgy Industries, leading to the creation of a joint statistical body of about thirty trade associations (MECASTAT).

In addition, the methodology for calculating the IPI was improved with each successive "base year" of the industrial production index: 1952, 1959, 1962, 1970, 1980, 1985, 1990, 1995.

### **I.3 The situation in 2000**

The French IPI is characterised by a wide variety of data collection methods, survey periodicities, players involved, means of data transmission. In general, in other countries, the industrial production index is calculated from the results of a single monthly survey carried out by one administrative body.

#### **The wide variety of collection methods**

While the data required to calculate the industrial production index are obtained mainly from business surveys,

some come from administrative records (slaughterhouses, tax or customs data, data on the arms and aeronautics industry). Production expressed in physical quantities is the most common variable, but where this is not available, indirect indicators are also used (deliveries, invoices, orders, hours worked, raw materials used).

#### **The different periodicities**

While more than two thirds of the statistical data are collected each month in line with the IPI target, in a certain number of branches production is monitored only quarterly. In particular, this is the case for most capital goods in mechanical engineering and ship building, but also in certain industries such as textiles and leather goods.

#### **The variety of players**

SESSI, the statistical service for industry, conducts direct surveys in companies which account for about 40% of the IPI weightings; the SCEES, the statistical service for agriculture and the agri-food industries, only conducts three surveys itself, but summarises the information received from the slaughterhouses; about 100 professional bodies conduct surveys used in the IPI (between 30 and 35% of weightings); for energy there is involvement by the Energy Observatory, the raw materials and hydrocarbons Directorate, Electricité de France, Charbonnages de France; the Ministry of Defence is responsible for providing data on the armaments and aeronautical industries; lastly, some useful sources (customs, taxes, ...) call for contacts with various administrative departments, boards of agriculture, etc.

#### **The varied means of transmission**

INSEE, the coordinating body responsible for calculating the industrial production index, collects none of the required data directly. These may be collected by the statistical services at ministerial level, then transmitted to the INSEE. They may also be collected by the professional bodies, transmitted to the data protection authority, and retransmitted to the INSEE. In some cases there are two intermediaries (a joint trade association group and the data protection authority). The means of transmission vary. Mail, fax, electronic mail, are all used. As a result the transmission times vary; they may take one week when there are one or several intermediaries.

## **II. WAYS TO IMPROVE**

### **II.1 The basic principles**

There are two main new ideas underlying the actions introduced:

- To give priority to complying with the deadlines laid down in the European Regulation and anticipate further improvements. Also, the proposed improvements should not detract from the reliability of the statistics.
- To take account of the exceptional French situation.

The simplest solution to the problem of cutting the publication deadlines for the industrial production index would be to have the administrative authorities assume responsibility for all the surveys required to compile it, as in the other European countries or the USA. But such a solution would come into conflict with the tradition of industrial statistics in France and would, at best, be likely to take a long time to implement. This is the reason why the action plan retains the role of the professional bodies.

### **II.2 The actions**

These should make it possible, in the near future, to transmit the IPI data to Eurostat within a period of 45 days from the end of the reference month, and to reduce the deadline by an additional week in 2002.

In the case of the first objective, which would represent a monthly gain of about 8 days compared to the situation which prevailed in 2000, the actions aim to transmit the statistical results, where necessary in the form of provisional results, to INSEE between the 30th of the month (M+1) and the 8th of the month (M+2) for the monthly surveys, and the end of the following quarter (t+1) for the quarterly surveys (pending monthly surveys).

#### **To make a general changeover to monthly surveys**

A changeover to monthly surveys is one of the primary guarantees of methodological consistency and effective management in the compiling of data. Experience has clearly shown that monthly estimates calculated econometrically on the basis of quarterly data are not satisfactory and that their calculation and analysis extends the deadline for obtaining the IPI. Such a changeover to monthly surveys is possible if the necessary funds are released. The SESSI is preparing for this and the professional bodies have also been unequivocally invited to do likewise.

#### **To increase supervision of the professional bodies**

There must be effective regulation of the professional bodies. It is to this end that the administration has drawn up a "quality charter for surveys in branches of industry". The objectives proposed in the draft charter are also

potential indicators for a scoreboard for monitoring the approved professional bodies (OPAs). Such monitoring would be supplemented by more regular and formal contacts between the statistical services and the OPAs. Those professional bodies experiencing deadline problems have been invited to speed up the follow-up for companies within their sector or to tighten follow-up procedures. The very heterogeneous nature of the standards adopted by the bodies calls for special monitoring of the methods and frequency of follow-up. For data transmission there is a need for methodological work leading to a transmission protocol.

#### **To transmit provisional results if it is likely that deadlines will be exceeded**

There is a strong temptation to await the return of a maximum number of questionnaires before internal processing, in particular on the part of those who wish to be accountable to their members. The OPAs, and likewise the SESSI and the SCEES, should transmit provisional results if the follow-up efforts have not been successful in obtaining definitive results by the prescribed deadlines. Of course, such an approach should include a study of the sensitivity of the results to the response rate and should adopt methods to estimate non-responses where this has not already been done. The OPAs should be able to benefit from the assistance of the ministerial statistical services; this links up with the need outlined above to tighten supervision of the OPAs, in particular as regards methodology. In the long term, the aim is to attach the previous month's results to the questionnaires sent to the enterprises at the end of a month.

#### **To promote more rapid means of transmission**

##### **a) transmission of results**

Some OPAs continue to send their results by mail. This should be abandoned rapidly in favour of electronic transmission, by fax or e-mail. Priority will be given to a study of the technical difficulties which may be linked to such transmission. Some OPAs transmit parallel results to the SESSI or the SCEES on the one hand and to INSEE on the other. This practice will be adopted generally, in the awareness that the necessary checks may mean that results corrected by the SESSI or the SCEES are transmitted a second time to the INSEE.

Likewise, the e-mail transmission of results between the ministerial statistical services and the INSEE should become the rule, in order to avoid new onscreen inputs and to achieve optimum legibility of the data transmitted, which is not the case with faxes.

##### **b) data transmission by the enterprises**

Except where there are security issues, which will need to be studied, the collection of company data via the Internet, currently proposed by the SESSI for its direct survey, should be encouraged. Obviously only a few sectors are currently in a position to fully meet this objective: in the SESSI, the collection rate by Internet is currently not much higher than 10%. The professional bodies will study ways of assisting the companies to develop this system.

#### **To encourage transparency between the collecting services, the SESSI, the SCEES and the INSEE**

When revising the survey processing software in the ministerial statistical services, arrangements will be made to give the INSEE team responsible for compiling the IPI direct read-only access to the individual data: this is to allow it to evaluate certain trends, for example when making seasonal adjustments.

#### **To introduce a scoreboard measuring the quality of the index**

When monitoring how the IPI is compiled, it is vital to check certain points which can influence the quality of the results. The above-mentioned quality charter lists them: of these, there will be close monitoring of production times, which represent one aspect of survey quality, in particular in the initial phase where the aim is to gain 8 days. This task will be entrusted to a controller who will draw up a scoreboard and monitor it. The situation will be examined at the end of 2001 to assess improvements in deadlines and to consider new actions to shorten these further.

#### **To address sectors which are not supervised by the SESSI or the SCEES**

The Energy Observatory which, in the context of the opening-up of energy markets, is responsible for organising collection of the data needed to monitor energy policies, is helping to review data collection and transmission methods, which currently rely on "traditional" operators.

A similar action will be undertaken in the field of armaments, and in those of ship building and aircraft manufacture.

#### **To have the administration take over those surveys conducted by failing OPAs**

The quality charter for surveys in branches of industry, to which the OPAs will have to subscribe, will serve as the reference for retaining approval.

#### **To simplify some monthly questionnaires**

Some monthly questionnaires include a large number of questions useful for the professional bodies, but whose inclusion delays response times. The OPAs will be consulted with a view to simplifying the monthly surveys

approved by the authorities by transferring the collection of this type of data to optional surveys or to quarterly or annual surveys.

**To study the specific case of the month of July**

The concentration of summer holidays in France in the month of August makes it difficult to collect data in that month, and the INSEE does not release any industrial production index for the month of July, but combines July and August in one index. It is the only industrialised country which resorts to this practice, and this situation has a negative impact on the compiling of European indices for this period. An investigation will be conducted to study if some data collection, even of a somewhat lower standard, might not permit the compiling of gross indices.

Lastly, it should be mentioned that the audit reports on which the above action plan is based also called for the release of the funds necessary to conduct good surveys and to allow the departments concerned to supervise the OPAs, and also for protocols to be drawn up on information exchange between administrative authorities.