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Comprehensive Revision of U.S. Income and Product Accounts

By Daniel Larkins and Brent R. Moulton, U.S. Bureau of Economic Analysis

The U.S. Bureau of Economic Analysis (BEA) began releasing the results of its 12th comprehensive revision of the U.S. national income and product accounts (NIPAs) on 10 December, 2003. BEA undertakes NIPA comprehensive revisions approximately every 5 years. These revisions are timed to allow the NIPA estimates to be benchmarked to the input-output accounts, which, in turn, are estimated from the economic censuses that the U.S. Bureau of the Census conducts at 5-year intervals. BEA also uses comprehensive revisions as an opportunity to introduce major improvements in definitions and classifications, in source data and statistical methodologies, and in presentation.

A number of the improvements introduced this year continue BEA's decade-long movement toward closer conformity with international guidelines. Two such improvements are the treatment of the implicit services of commercial banks and the treatment of insurance services.

Commercial banks

Banks provide their customers with services such as processing cheques, disbursing or transferring funds, and bookkeeping. These services may be paid for directly by charging explicit fees, or indirectly, by paying depositors lower interest rates or charging borrowers higher interest rates. The new treatment of banking services incorporates the *System of National Accounts 1993 (SNA 1993)* recommendation to allocate part of the indirectly measured financial services (FISIM) that banks provide to borrowers and part to depositors. Previously, the NIPAs allocated the consumption of these implicit services to sectors and industries on the assumption that depositors alone were the users of these services.

The allocation between depositors and borrowers is based on a reference rate of interest that represents the opportunity cost of borrowing or lending funds in the absence of any implicit services. Thus, the value of the implicit services to depositors is calculated as the difference between the interest they receive from banks and the interest they would have received if they had been paid the reference rate. The value of implicit services to borrowers is calculated analogously. The reference rate is the average rate earned by banks on U.S. Treasury and U.S. agency securities.

The sources of funds available to a bank for making loans include, in addition to deposited funds, the bank's "own funds" (that is, funds that come from stockholders' equity). With the new treatment, BEA does not attribute depositor services to the bank's use of its own funds, but it does attribute services to borrowers. Previously, all interest from the lending of own funds had been included in the NIPA measure of implicit bank services, so the exclusion of depositor services for these funds will reduce the gross output of banks. Because business enterprises tend to be net borrowers, and households tend to be net lenders, the reallocation of implicit services from depositors to borrowers tends to raise intermediate consumption and reduce final consumption expenditures and gross domestic product.

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Insurance services

The new treatment of insurance services, which increases the measured output of property-casualty insurance, incorporates the *SNA 1993* treatment of adding a “premium supplement” to the value of premiums earned. This supplement is based on the property income that insurers expect to earn from the investment of reserves that are held on behalf of policyholders. *SNA 1993* emphasizes that insurance enterprises take investment income into consideration when setting the levels of the premiums they charge.

Premiums are also set on the basis of expected future losses. Previously, BEA’s measure of insurance services was calculated as premiums earned less actual losses incurred. Accordingly, when exceptional losses were incurred, such as for major hurricanes or the terrorist attacks of 11 September 2001, a large one-time drop was shown in the value (in current prices) of insurance services produced and consumed. These large swings in the measure of insurance services were troubling to many data users and led the OECD to assemble a task force on the value of insurance services by deducting *expected* (or *normal* measurement of non-life insurance production in the context of catastrophes. In accordance with the recommendations of the task force, BEA now calculates the) losses from premiums, not actual losses. This improvement is considered to be more consistent with the economic behavior of insurers and will eliminate the large swings in measured insurance services that were caused when catastrophes occur.

Presentation

The improved treatment of insurance and banking services, along with other changes in classification and methodology, have been incorporated into the NIPAs in a redesigned set of tables that will further harmonize the U.S. accounts with international guidelines. BEA has reviewed its classification of transactions and has reclassified several types of transactions to make them consistent with *SNA 1993*. For example, transactions within a NIPA category previously known as “indirect business tax and nontax liabilities” have been reclassified as taxes on production and imports, other current transfer payments, or rents, depending on the type of transaction.

Other presentational changes will make it easier for data users to transition between the NIPAs and the national accounts as presented by international organisations, such as the OECD, or by other countries. For example, the NIPA measure of *corporate profits* is net of interest expenses, whereas the accounts of most other countries tend to focus on *operating surplus*, which is a measure of corporate earnings before deductions for interest or income taxes. The new NIPA presentation will now include measures of operating surplus in addition to corporate profits. The revised NIPA accounts also improve the distinctions between current and capital transactions and provide new measures of net lending or net borrowing.

BEA has developed a presentation consisting of seven accounts that summarize BEA’s implementation of the *SNA*’s production, distribution and use of income, and capital accounts. This brief summary, which fits on two published pages, constitutes a double-entry system in which a use (or expenditure) recorded in one account for one sector is also recorded as a source (or receipt) in an account of another sector or of the same sector. This system of integrated accounts will help U.S. data users in making the transition to *SNA 1993* concepts.

More information on the comprehensive revision to the U.S. national income and product accounts, including answers to frequently asked questions and in-depth articles on various aspects of the revision, is available on BEA’s Web site at: www.bea.gov/bean/dn/2003benchmark/C R2003.htm

See our latest *Statistics Brief* at the following URL:

<http://www.oecd.org/dataoecd/2/15/15918996.pdf>

Statistics Brief is published by the Statistics Directorate

How to Deal with Composite Indicators

By Anders Hoffman, OECD

Composite indicators of e.g. innovation capacity and e-readiness are gaining influence in the policy debate in many countries. The media are very fond of them and policy makers also find them useful in communicating clear messages. Some of these composite indicators are based on well-structured databases and theoretical frameworks but this is definitely not always the case.

A key problem is the lack of knowledge of what constitute a good composite indicator and what steps one should go through to create solid and transparent composite indicators. The OECD is currently carrying out a project with the Joint Research Centre of the European Commission (JRC) in Ispra to address these questions. The joint project began with a workshop in Ispra in May 2003 (see http://webfarm.jrc.cec.eu.int/uasa/vents/oecd_12may03/ for presentations and conclusions). The conclusion that emerged from the workshop was that composite indicators – like books – cannot be judged by the cover. Some composite indicators do tell clear coherent stories and are very robust to changes in weights, whilst others are not. However careful analysis is often required to tell which are which.

Based on the conclusions of the Ispra workshop the idea for a “handbook on useful practices for constructing composite indicators” emerged. The handbook will have three main sections:

1. considerations for users;
2. steps in constructing composite indicators, and;
3. quality frameworks for composite indicators.

OECD and JRC have agreed on writing this handbook together. The next activity is a joint OECD-JRC workshop, which will be held in Paris 26-27 February. The main headlines for the workshop are based on the main sections in the handbook combined with a section on use of composite indicators in policy-making. The first day of the workshop will focus on the technical aspects of construction like how quantitative sensitivity analysis can be used to test robustness, and how robustness itself can be defined. The second day will focus on the quality and use of composite indicators. For

example, JRC will present their work on developing composite indicators for a number of Commission Services. The workshop will be chaired by Enrico Giovannini, Chief Statistician, OECD and Andrea Saltelli, EC Joint Research Centre. The speakers are a mix of people from international organisations (OECD, JRC, EU Commission and UN) and academics. For more information about the workshop please contact anders.hoffmann@oecd.org.

JRC will open an Electronic Discussion Group in connection with the workshop, where drafts of the handbook will be made available and can be discussed. For more information about the Electronic Discussion Group please contact stefano.tarantola@jrc.it.

Press Releases on Quarterly National Accounts: A Comparative Study for the Euro Area, the United States and Japan

By Ross Harvey, OECD

The quarterly national accounts are one of the major data sources used to analyse short term economic developments. They play a key role in the formulation and monitoring of fiscal and monetary policies. Their public release can have a significant impact on financial markets. The rapid development of the internet and electronic communications generally, has meant that the principal means of dissemination of the quarterly national accounts is now from websites maintained by national statistical agencies. Consequently, the European Central Bank and the OECD commissioned a study into press releases on the quarterly national accounts for the euro area the United States and Japan that are available on websites on the day the official quarterly GDP estimates are released.

The report highlights various characteristics of the press releases available on websites for the quarterly national accounts for the euro area, the United States and Japan. The objective is to provide information for economic analysts and financial market administrators that may be relevant when analysing the quarterly national accounts releases for these major world economies. The analysis for the euro area also covers its three largest

economies – France, Germany and Italy. In some areas the study is extended to the quarterly national accounts press releases for the United Kingdom and Canada, in order to provide comparative information for the G7 countries.

Some of the major findings contained in the report are:

The first quarterly GDP estimates for the United States are available about 30 days after the end of the quarter, while those for Japan and the euro area are available after 43 days and 45 days, respectively.

The quarterly national accounts for the United States provide much more detailed dissections of major aggregates than are available for the euro area or Japan. The accounts for the United States also include many more memorandum items and analytical ratios derived from national accounts data.

Four press releases on the quarterly national accounts are issued each quarter by Eurostat for the euro area; three by the Bureau of Economic Analysis (BEA) for the United States; and two by the Economic and Social Research Institute (ESRI) for Japan.

There are three approaches to measuring GDP, both in concept and in practice – production, expenditure and income. For the final version of the accounts each quarter (or earlier in some cases), data are presented for all three approaches for the euro area, for the expenditure and income approaches for the United States, and for the expenditure approach for Japan.

All of the G7 countries publish a single estimate for GDP rather than presenting users with alternative estimates. This outcome is achieved in one of three ways. First, basic compilation methods may ensure that there are no differences between the estimates for alternative approaches. Second, any initial differences between the estimates using various approaches may be eliminated by adjusting particular components. Finally, any difference between the official measure of GDP and the sum of the components using a particular approach may be recorded as a statistical discrepancy.

The quarterly national accounts for the United States include institutional sector accounts (in a format that differs

from SNA93), but these are not currently available for the euro area or Japan. A joint Eurostat/ECB task force is working towards the development of quarterly institutional sector accounts for the euro area, with an implementation date of 2005.

There is a methodological deficiency with the exports and imports of goods and services components of the expenditure measure of GDP for the euro area. As they are obtained by directly aggregating individual country data, they include intra-euro area flows. However, they should comprise extra-euro area flows only. Analysts should be aware that this deficiency will distort the ratios of exports and imports to GDP and interfere with economic analyses of trade flows, but should not significantly affect the GDP growth rate for the euro area.

Similar methods of seasonal adjustment are applied in all G7 countries, although there are differences in how trading-day factors are calculated and how frequently the seasonal factors are recalculated, with most of the G7 countries adopting concurrent seasonal adjustment, while Germany and the United States generally revise their seasonal factors annually. The United States, Canada and the United Kingdom force the sum of their seasonally adjusted quarterly data to equal the annual estimates. However, some countries in Europe apply the trading-day adjustment to annual data also, thereby creating alternative measures for annual movements. The annual growth rate for GDP between 2003 and 2004, using trading-day adjusted annual data, is likely to be affected by about 0.3 percentage points for countries such as France and Germany.

Percentage changes from the previous quarter and from the same quarter of the previous year are provided by all countries, although there are two quite different ways of expressing the quarter over previous quarter changes. The United States, Japan and Canada annualise the quarterly movements and express their seasonally adjusted quarterly data as annual levels. Japan and Canada also provide quarterly changes according to the standard percentage change formula.

Contributions to growth tables are provided for the expenditure components of GDP for the euro area, the United States, Japan, France and Germany, while only Eurostat provides

such tables for the industry components of GDP for the euro area.

Explanatory material available on websites may include special notes about the current quarter's estimates, advance notice of the scope of forthcoming comprehensive revisions, and detailed manuals on concepts, sources and methods. The range of such material available varies between countries.

The euro area countries and Japan have implemented SNA93 in their accounts as far as is currently feasible. The United States has implemented changes to the NIPA to bring them closer to SNA93 concepts in each of its last two comprehensive revisions, and further changes are planned for the next comprehensive revision of the accounts to be released in December 2003. There are currently a number of differences between the terminology and presentation of the NIPA accounts compared with those for most other countries. The extent of these differences will be reduced, but certainly not eliminated, in December 2003 when the next comprehensive revision is released.

Copies of the report are available on the OECD website at <http://www.oecd.org/dataoecd/34/8/15342388.doc>.

Quarterly national accounts are published by the OECD through its QNA database. Free Internet extracts are available at: http://www.oecd.org/topicstatsportal/0,2647,en_2825_49568_4_2759282_1_1_1_1.00.html#500258.

Updating the Fifth Edition of the IMF's Balance of Payments Manual

By Margaret Fitzgibbon, IMF

The IMF's Statistics Department has begun work on updating the fifth edition of the *Balance of Payments Manual (BPM5)*. It is expected that an updated manual will be finalized by the end of 2008. Major changes to the framework are not proposed; however this new manual will clarify, modify, and extend *BPM5* in a number of areas. It will make the international investment position (IIP) more central to the framework than does *BPM5*, and will also incorporate clarifications and changes that have already been agreed (such as the clarification of some direct

investment transactions and the treatment of financial derivatives). As a first step, an annotated outline (AO) of the new manual will be circulated widely in early 2004.

Background

At its meeting in 1999, the IMF Committee on Balance of Payments Statistics (the Committee) first raised the possibility of updating *BPM5*. It was felt that there were important issues arising from the Committee's work that suggested that it might be appropriate to clarify, modify, and extend *BPM5* in number of areas. Subsequently, IMF staff produced a list of topics that might be reviewed and the Committee agreed to a set of guidelines to be followed whenever updates to *BPM5* were necessary. The Committee agreed at its 2001 meeting that it would be appropriate to work towards an update to *BPM5*. At its 2002 meeting, the Committee agreed to a target date of 2008 for producing an update to *BPM5*, and additionally agreed on a draft structure for the new manual. This target date fits well with the proposal to complete a review of the *System of National Accounts 1993* by 2008; it is important that the two systems remain consistent to the maximum extent possible. As a first step, an AO to this new manual will be produced and finalized early in 2004, when it will be circulated to balance of payments compilers.

Annotated outline

The AO of the new manual will provide a structure and description of the content for the new manual, identify the issues to be resolved, and indicate possible solutions in some cases. It is a discussion document that will provide guidance in the development of the new manual. A draft of the AO has been produced by IMF staff and reviewed by the Committee, as well as by members of the Inter-Secretariat Working Group on National Accounts (ISWGNA) and other inter-agency groups. It will be discussed by the Committee at its next meeting in the first week of December 2003, where agreement on the final form of the outline will be reached. Once the outline is finalized in early 2004, it will be circulated widely, including to balance of payments compilers, for information and comment. Comments received will be taken into consideration during the drafting of the new manual.

Structure of the new manual

The structure of the new manual proposed in the AO is somewhat modified from that of *BPM5* in order to present the IIP as a central element of the framework. Further, the outline proposes a sequence of chapters that describes financial instruments before discussing financial positions (and flows). The manual will also clearly set out the basic principles, using examples where appropriate. The new manual will also discuss how balance of payments and IIP data can be used.

Timetable for producing the new manual

Once the AO has been circulated in early 2004, IMF staff will follow a process of development and consultation to produce a complete draft manual by December 2006. This process will involve the preparation of position papers, discussion by the Committee, and/or technical review groups, and/or other interested groups including the ISWGNA, followed by preparation of the draft text for the manual. As the work on the development of the manual proceeds, research papers and other related documents will be placed on the IMF website so that the broader community can have access to the issues being debated as the process progresses.

It is intended that, after October 2006, no new issues will be considered for inclusion in the new manual. This deadline is necessary to accommodate the broad process of review and consultation that will take place before the manual is finalized at the end of 2008. Remaining issues will be placed on a research agenda, and work will continue on these issues; the results will, however, be included in further updates to the manual.

In 2007-8 there will be a program of broad consultation, review and agreement on the final document by late 2008, when the final draft of the manual, subject only to editing, will be placed on the IMF website. The new manual will be made available in hardcopy in 2009 in English, with publication in other languages to follow.

Once the new manual is available, the revision of the *Balance of Payments Textbook* and the *Balance of Payments Compilation Guide* will be addressed.

Revised National Accounts for Norway: Stronger Growth in the 1990s

By Liv Hobbelstad Simpson and Tor Skoglund, Statistics Norway

In 1995, Statistics Norway published results from an extensive conceptual and statistical revision of the national accounts. With this revision, Norway became the first country in Europe to institute the new international guidelines for national accounts published in the System of National Accounts (SNA) 1993 and the European System of National Accounts (ESA) 1995. This revision led to changes in definitions and classifications and integrated new statistics and new calculation methods. An important aspect of this revision was the development of a new integrated data processing system with the software called SNA-NT. The efficiency of this software made it possible to revise the Norwegian national accounts with integrated, detailed annual Supply and Use tables in current and constant prices for the years back to 1978 and later to 1970. Time series back to 1970 were published in 2000.

Already in 2000 Statistics Norway started planning a statistical revision of the national accounts for the 1990s on a more limited scale than the 1995 revision. The purpose being to utilise new structural statistics and other new statistics in a coordinated and concentrated effort to improve the quality of the national accounts time series. Revised annual figures for the 1990s were published in June 2002. The revision of the figures for consumption of fixed capital and government consumption expenditure for the years back to 1970 also involved a correction of the detailed national accounts in current and constant prices back to the same date. Revised quarterly figures for the years back to 1978 were published in April 2003.

Data sources for the last revision of the national accounts for the 1990s

Statistics Norway has in the last years prepared new structural statistics for many industries. For manufacturing, the structural statistics have been incorporated on a continual basis in the final national accounts figures. For construction, wholesale and retail trade, business services and transport, the

changes, in relation to earlier statistics, were so extensive that the information could not be incorporated on a continual basis.

Except for some individual new price indices, no new statistics were available for the years before 1995 that were not included in the main revision of 1995. The national accounts for the period 1991 to 1995 were however revised to prevent a break in the national accounts time series around 1995. For 1991-1995, the figures were corrected in part by the new price indices and in part by new methods and some changes in definitions. The most important contributions within the revision in the 1990s have been:

- Incorporation of new level figures for production, intermediate consumption, compensation of employees and capital investments from structural statistics for service and construction industries for 1998 and 1999 as benchmark years, and accompanying revisions for previous years.
- Revision of figures for employed persons, full-time equivalent persons, and hours worked that are consistent with the revisions mentioned above.
- Utilisation of trade margins surveys in retail trade (1996) and wholesale trade (1998) to revise gross trade margins rates in wholesale and retail trade.
- Revision of figures for dwelling services based on survey data regarding rents for 1998, 1999, 2000.
- Revision of figures for exports of services on the basis of new information for the years after 1995
- Incorporation of new international standards of classifications for household final consumption expenditure, for non-profit institutions serving households, and for general government.
- Revision of capital and consumption of fixed capital estimates, with the introduction of new estimates of lifetime and new depreciation methods for general government.
- Incorporation of new accounting statistics for private non-financial corporations in 1999 in the institutional sector accounts.

- Incorporation of new price indices; including, among others, new indices for exports and imports and quality adjusted indices for individual capital goods.

Main results

The new national account figures show stronger volume growth in the Gross Domestic Product (GDP) for all of the years from 1995 to 1999 than previously estimated. The growth rate estimates for these five years are on average increased by 0.6 percentage points. The revised national accounts figures for growth in total number of employed persons and hours worked vary insignificantly from previously published figures for the 1990s. The volume growth in GDP per total hours worked can be interpreted as an indicator of the development in labour productivity in the Norwegian economy, and therefore has had stronger growth than previously estimated for the period 1995-1999.

GDP measured in current prices has been increased for all of the years back to 1991 due to the revisions. The increase consists of approximately NOK 15 billion or 1.4 per cent for 1997. For 1999 GDP was 3 per cent higher than earlier estimates. The new calculation of consumption of fixed capital by general government led to an upward correction of the general government consumption figures by 3-4 per cent. Other important contributors to higher GDP were new information for the construction and service industries, and a new definition of production in the forestry and logging industry.

Household consumption expenditure estimates as a whole were increased by 1-2 per cent in the revised years. The most important change affecting external balance estimates is an increase in figures for exports of services from 1995. The revisions are based on an analysis of statistics from Norges Bank (Central Bank of Norway), which is the main source for information regarding international trade in services.

Revised industry figures

The incorporation of figures from the new structural statistics led to many changes in the national accounts industry figures. For transport and communications industries, the new statistics have contributed to increase the value added for post and

telecommunication. In the hotels and restaurants industry, value added was also increased, due to both the incorporation of structural statistics and new estimation of unregistered output.

Value added for the business service industry has been increased by approx. 7 per cent from the previously published figures for 1997. The new calculations have increased output for the real estate industry, where there has been a large increase in the numbers of units registered in the Central Register of Establishments and Enterprises (due to outsourcing, etc). Furthermore, after the incorporation of structural statistics, the figures for computer and related activities and research and development are significantly higher. In the construction industry, including the activity within the central and local government, the revisions have increased value added.

Figures from the national accounts, covering all years 1970-2002, can be found on the Internet at Statistics Norway's Web Pages: <http://www.ssb.no/english/subjects/09/01>.

Creation of an International Task Force on Harmonization of Public Sector Accounting

By Lucie Laliberte, IMF

The first meeting of the Steering Group of the International Task Force on Harmonization of Public Sector Accounting (ITFHPSA) took place at OECD Headquarters on 3 October 2003. The meeting was attended by representatives of: Australia, United Kingdom, European Central Bank, Eurostat, IMF, OECD and the International Federation of Accountants-Public Sector Committee (IFAC-PSC). Apologies were received from the International Accounting Standards Board (IASB).

The objective of the ITFHPSA is to study the feasibility of harmonization between the different international government accounting and statistical standards. These include the 1993 System of National Accounts (SNA), the 1995 European System of Accounts (ESA), the Government Finance Statistics Manual (GFSM2001), the International Accounting Standards (IAS) / International Financial

Reporting Standards (IFRS), and the International Public Sector Accounting Standards (IPSAS). IPSAS are based on IAS / IFRS and future references will be made to IPSAS only, except in cases where there is any divergence between them.

Specifically, the ITFHPSA is mandated:

- To identify differences that exists between the various standards in the treatment of specific transactions, assets and liabilities.
- To identify areas where harmonization between the various standards is considered feasible and desirable, and to take action to affect the necessary amendments.
- To identify areas where harmonization between the various standards is not considered feasible or desirable, and to assess the implications of remaining differences between the standards.
- To make recommendations to the Inter-Secretariat Working Group on National Accounts (ISWGNA), for amending the SNA

The ITFHPSA consists of a Steering Group, the Task Force itself, and two Working Groups.

The Steering Group of the Task Force consists of representatives of the relevant international organizations and associations engaged in this work and individual countries that have demonstrated major efforts in this field.

At present the Steering group is composed of:

- The IMF, the OECD, the International Federation of Accountants-Public Sector Committee (IFAC-PSC), Eurostat, the European Central Bank (ECB), and the International Accounting Standards Board (IASB)
- Australia and the United Kingdom. Additional countries may join the Steering Group in accordance with the above criteria.

The Task Force itself consists of senior statisticians and senior accounting policy officials from all interested countries, as well as representatives of international organizations. Of the two working groups which have been formed, the first will focus on harmonization issues between GFSM 2001 and IPSAS whilst the second will focus on harmonization issues between GFSM 2001 and SNA/ESA.

The ITFHPSA is chaired by the IMF. Working Group I of the Task Force is chaired by IFAC-PSC. Working Group II is chaired by the OECD. The OECD provides the Secretariat for the Task Force and its component groups.

Meetings of the Task Force and the Working Groups will take place in conjunction with relevant OECD meetings of senior accounting policy and statistics officials in order to minimize travel burdens.

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ACCESS ON LINE DEVELOPMENTS

Celebrating Five Years of Automated Interchange of Statistics using GESMES/TS: the ESCB Experience

By Christos Androvitsaneas,
ECB

In the spring of this year, the European System of Central Banks (ESCB) celebrated the fifth anniversary of automated statistical data exchanges. It was back in March 1998 that the Banco de España created and sent to the European Monetary Institute the first Gesmes/TS message with live balance of payments data. Almost immediately, the balance of payments areas of Eurostat and the IMF started supporting the message for the exchange of live data. And, soon after, the Bank for International Settlements also joined the user community, together with its central banking partners from all over the world. The message itself was designed jointly by the EMI, the BIS, Eurostat, the IMF and several experts from other institutions. It has also greatly benefited from valuable lessons learnt from previous pilot schemes (e.g. BOPSTA, GESMES/DSIS) and the

expertise acquired by the institutions participating in its development from similar projects. Gesmes/TS enjoys international recognition, its uses are continually expanding and it serves more and more economic domains and user communities. Nowadays, it is maintained under the auspices of SDMX, an initiative of six international and European organisations (the BIS, the ECB, Eurostat, the IMF, the OECD and the UN). Even after five years, the message is still characterised by the freshness and dynamism of its first appearance and its powerful data model is ready to serve new requirements and take advantage of new technologies.

Why Gesmes/TS proved so successful for the ESCB

Gesmes/TS has proved extremely beneficial for exchanging statistical data and metadata. In the ESCB context, partner institutions have managed over the last five years to increase spectacularly the number of statistical domains served and the number of time series they exchange. And everything that could be automated has been automated! Recently the central banks of the 12 accession countries also joined the Gesmes/TS exchange community, participating in data exchange with the ECB. The reasons why Gesmes/TS has proven so successful can be summarised as follows:

- Gesmes/TS makes it possible to build completely automated systems for data and metadata exchange, including the exchange of data structure descriptions, code lists and definitions of statistical concepts. Also its use can be combined with appropriate monitoring of the incoming and outgoing messages, error handling, logging and archiving of related information.
- It supports the definition of “structural definition” messages, without these definitions interfering with the core syntax of the message and separately from the messages carrying the data/metadata content; this allows to quickly devise the definition of additional data structures and to describe them in a Gesmes/TS message or (for facilitating reading by humans) just on one page, without needing complex technologies.
- Free software and tools are already available, developed mainly by Eurostat and the ECB, but also by other partners and institutions. Commercial software is not needed, as a large stock of computer codes is already available for free.



New for 2004

Journal of Business Cycle Measurement and Analysis

New OECD Periodical! **OECD Journal of Business Cycle Measurement and Analysis (JBCMA)**. The JBCMA is a joint effort by the OECD and CIRET to promote the exchange of knowledge and information on theoretical and operational aspects of economic cycle research. Such aspects concern both measurement and analysis. CIRET, the Centre for International Research on Economic Tendency Surveys is a global forum for leading economists and institutions that conduct and analyse business and consumer surveys. CIRET holds international conferences every other year and maintains an internet site at www.ciret.org.

The first issue (2004, No. 1) contains recent information on research activities in the field of business cycle measurement and analysis including an article by Victor Zarnowitz on the need for new research in this field. The journal will be available online as well as in print. Online access will be via the OECD's own portal, www.SourceOECD.org and via most journal aggregation platforms like Ingenta.com, SwetsWise and Ebsco Online. **A free sample copy of the first issue will be available at www.oecd.org/std/jbcma**

- The message can also be used easily in two-way data exchange: institutions report data to the ECB in Gesmes/TS, but also the ECB sends Gesmes/TS data files to its partners, allowing the same information to be shared easily within the ESCB. The message, and the automated processing it supports in a platform independent manner, act as a catalyst allowing also smaller institutions with limited human resources to access and load large quantities of statistical information.
- A very rapidly growing user community with international support (see also next section on critical success factors).

A powerful data model:

- Gesmes/TS allows easy coverage of any domain of statistics (or any domain or phenomenon where time would be a relevant dimension);
- Gesmes/TS has enabled the message with syntactic stability: the message structure has remained virtually fixed over the past five years! This makes it possible to minimise development and maintenance costs, limiting them basically to the initial investment.
- Gesmes/TS can also be used as the data model for internal data storage of the data and the associated metadata.
- A very important indirect benefit: because Gesmes/TS functions with structured information, it encourages institutions to harmonise concepts and to converge to common definitions. Although harmonisation is not a prerequisite for using Gesmes/TS, the benefits of Gesmes/TS for partner institutions are even more apparent in a context of European or international harmonisation.

Critical success factors

It has been found that, under certain conditions, Gesmes/TS can help user institutions to maximise their benefits on an even larger scale. So although the factors described below are not preconditions for using Gesmes/TS, if these conditions are satisfied, further optimisation of messages' use would be possible:

- Well structured internal database systems: unfortunately, if internal data are not properly managed and stored, Gesmes/TS cannot help to optimise processes. Gesmes/TS shows its strength and makes benefits visible mainly when combined with good database systems (possibly through centralised or reference databases) out of which the production of Gesmes/TS can be planned as a regular generation of text files under certain conditions (e.g. when data to be reported are due or when a new data set has been used to update the database or, on request, by pressing a button).
- Good and secure telecommunication means that to completely automate the exchange of both published and unpublished statistics, trusted parties are needed. Therefore, authentication of the sender and encryption of the transmitted data (at least when data are confidential) are necessary.
- The possibility to easily have access to some combined statistical and technical expertise (e.g. database): It seems that statistics departments with poor access to dedicated statistical-IT or database support tend to use Gesmes/TS in a sub-optimal manner, e.g. introducing additional manual work through spreadsheets or through risky (for possible errors) and labour-intensive operations with intermediate formats such as CSV. The ECB and Eurostat frequently organise Gesmes/TS

courses that help to develop Gesmes/TS expertise.

- The possibility of exchanging data with more than one institution: this is simply a factor that makes the benefits even more significant. For example, when an institution has automated the production of Gesmes/TS messages and uses them to report to the ECB, Eurostat and other institutions (and/or to receive such messages from them) the investment pays off even faster.

Does Gesmes/TS have a future in the ESCB?

Definitely! The benefits that the ECB, the 15 EU national central banks, and the central banks of the 12 accession countries (and all other user institutions in Europe and all over the globe) already enjoy reporting data or making data available to other institutions with minimal maintenance costs. These benefits are impressive compared with the past, when paper, fax or unstructured spreadsheets and CSV files were used. Moreover, new technologies and approaches, such as the XML, are expected to further enrich the current range of Gesmes/TS applications and tools available. The old dream of allowing official statisticians to be devoted to quality and further development of statistics, minimising their distraction and involvement to manual production and paper data exchange has never before come so close to becoming a reality. And the Gesmes/TS message has played a major part in making this dream come true, in the ESCB, over the last five years.



NEWS IN BRIEF

Quality Framework for OECD Statistics

For an international organisation, the quality of statistics disseminated depends on two aspects, the quality of national statistics received, and the quality of internal processes for collection, processing, analysis and dissemination of data and metadata. At the beginning of 2002 the project of developing an “*OECD Quality Framework*” was launched and a task Force established. Given the work already done by several statistical organisations, the OECD drew on their experience and adapted it into its own context.

You can now consult the 2003 version of the “*Quality Framework for OECD Statistics*” which has just been released at: http://www.oecd.org/document/43/0,2340,en_2649_33715_21571947_119820_1_1_1,00.html. The document focuses on improving the quality of data collected, compiled and disseminated by the OECD through an improvement in the Organisation’s internal statistical processes and management.

OECD/Eurostat Workshop on Benchmarking Techniques

A joint OECD/Eurostat workshop on the *Application of benchmarking and advanced temporal disaggregation techniques to economic statistics* was held at the OECD on 27 November. Benchmarking is defined as the process of correcting inconsistencies between two sources of data for the same target variable which are produced with different frequencies (e.g. monthly and annual retail trade statistics). Temporal disaggregation is defined as the process of deriving high frequency data from low frequency data and, if available, related high frequency information (used considerably in the compilation of quarterly national accounts). Key elements of this workshop were:

- presentation of the Eurostat software package ECOTRIM – a user friendly windows based system which performs benchmarking and temporal disaggregation for economic time series;
- presentation of recent research on advanced methods of temporal disaggregation, which could provide significant benefits over the methods currently employed by most national statistical organisations;
- a discussion of plans for upgrading the functions available in the ECOTRIM software, and how the knowledge and benefits of benchmarking and temporal disaggregation techniques could be better promoted throughout the OECD and non-member countries.

The ECOTRIM software is freely available, and the OECD encourages the application of benchmarking techniques as a method to improve the quality of short-term economic statistics. The papers presented at this workshop contain considerable information from experts on this topic and are available from the OECD website at: http://www.oecd.org/document/47/0,2340,en_2649_33715_21785775_119808_1_1_1,00.html

For information on gaining access to ECOTRIM, please contact richard.mckenzie@oecd.org.

RECENT PUBLICATIONS

□ **The World Economy: Historical Statistics – Angus Maddison**

Following on from his *The World Economy: a Millennial Perspective*, published by the OECD in 2001, Angus Maddison offers a rare insight into the history and political influence of national accounts and national accounting. He demonstrates that such statistical data can enlighten the contemporary and later observer in the analysis of economic phenomena such as growth, market formation and income distribution.

This approach is particularly interesting for developing countries which often lack the expertise or data to produce good national accounts and are thus deprived of a vital policy-making tool. For OECD countries, it is a reminder that policies need to be grounded in the reality of verifiable economic data if they are to succeed.

□ **World Energy Investment Outlook 2003, IEA**

World energy demand will rise by two thirds between now and 2030, and the world economy will falter if these energy supplies are not available. How much investment will be required to satisfy this need and can it be financed?

The *World Energy Investment Outlook 2003* from the International Energy Agency answers these questions in a first-ever attempt to quantify global energy investment needs, fuel-by-fuel and region-by-region.

The numbers are daunting. The global financial system has the capacity to fund the required investment, but are the conditions right? For some sectors and regions, the prospects are good. For others, the outlook is bleak. *World Energy Investment Outlook 2003* presents a systematic, objective and comprehensive picture.

□ **Disability in Higher Education**

Access to institutions of higher education is as important for disabled people as it is for non-disabled students, since it can offer them the same opportunities for employment, social inclusion and poverty alleviation. Furthermore, inclusive practices in schools also encourage the need for greater access in higher education.

Increasing numbers of students with disabilities are now attending universities and there is growing interest in knowing more about how they can be given full access to a high quality academic provision and social life.

This book offers a detailed account of practices in Canada (Ontario), France and the United Kingdom, and provides additional information on the situation in Germany and Switzerland. The statistics do not allow for a detailed comparison across these countries. It is clear, however, that they reveal very different numbers with very different disabling conditions.

NEWS RELEASES

OECD Standardised Unemployment Rate remained at 7.1% in October 2003

The standardised unemployment rate for the OECD area remained at 7.1% in October 2003, 0.1 percentage point higher than a year earlier.

In the Euro area, the standardised unemployment rate remained at 8.8% in October 2003, 0.3 percentage point higher than a year earlier. For the United States, the standardised unemployment rate was 6.0% in October 2003, 0.1 percentage point lower than the previous month but 0.2 percentage point higher than a year earlier. For Japan, the standardised unemployment rate was 5.2% in October 2003, 0.1 percentage point higher than the previous month but 0.3 percentage point lower than a year earlier.

Over the twelve months to October 2003, the standardised unemployment rate rose in France from 9.0% to 9.6% and in Germany from 8.8% to 9.3%. In Canada, the standardised unemployment rate fell from 8.0% in September to 7.6% in October 2003, the same rate as in October 2002. In August 2003, the standardised unemployment rate in the United Kingdom was 4.9%, 0.3 percentage point lower than a year earlier. In July 2003, the standardised unemployment rate in Italy was 8.5%, 0.5 percentage point lower than a year earlier.

The standardised unemployment rates for the other OECD countries are available at www.oecd.org/statistics/data (Frequently Asked Statistical Tables).

	2002			2003											
	oct	nov	dec	jan	feb	mar	apr	may	jun	jul	aug	sep	oct		
OECD-Total	7.0	7.0	7.1	7.0	7.0	7.0	7.1	7.2	7.2	7.2	7.1	7.1	7.1		
EU15	7.8	7.8	7.9	7.9	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0		
Euro area	8.5	8.6	8.6	8.7	8.7	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8		
Major seven	6.6	6.6	6.6	6.6	6.6	6.6	6.7	6.8	6.8	6.7	6.7	6.7	6.6		
Canada	7.6	7.5	7.5	7.4	7.4	7.3	7.5	7.8	7.7	7.8	8.0	8.0	7.6		
Germany	8.8	8.9	8.9	9.0	9.2	9.3	9.4	9.4	9.3	9.3	9.4	9.4	9.3		
France	9.0	9.0	9.1	9.1	9.2	9.2	9.3	9.3	9.4	9.4	9.5	9.5	9.6		
Italy	8.9	8.9	9.0	9.0	8.9	8.8	8.7	8.6	8.6	8.5					
Japan	5.5	5.3	5.5	5.5	5.2	5.4	5.4	5.4	5.3	5.3	5.1	5.1	5.2		
United Kingdom	5.1	5.1	4.9	5.0	5.1	5.0	5.0	4.9	5.0	5.0	4.9				
United States	5.8	5.9	6.0	5.7	5.8	5.8	6.0	6.1	6.4	6.2	6.1	6.1	6.0		

The OECD Composite Leading Indicator continues its upward trend in October 2003

Moderate to strong recovery lies ahead in the OECD area according to the latest composite leading indicators (CLIs). October data signal continued accelerating performance in the United States and improving performance in the Euro area, in particular for Germany and France.

The CLI for the OECD area rose by 1.3 point in October 2003 to 126.4 from 125.1 in September. Its six-month rate of change has also risen significantly since April 2003, following a decline that began in May 2002.

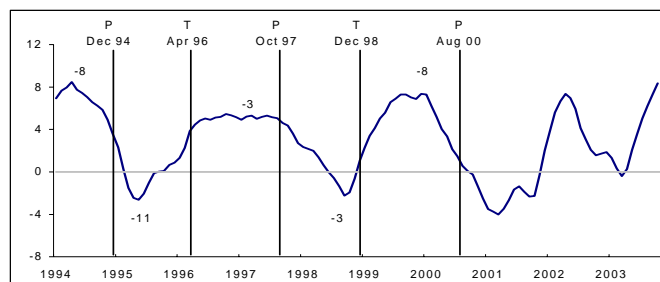
The CLI for the United States increased by a strong 2.6 points in October. Its six-month rate of change was also up

substantially for the seventh consecutive month. The Euro area's CLI rose by 1.0 point in October and its six-month rate of change was up for the sixth consecutive month, following 11 straight months of declines. In October, the CLI for Japan was unchanged and its six-month rate of change was down following increases for the previous five months.

The CLI for the United Kingdom rose by 0.1 of a point in October and its six-month rate of change improved for the seventh consecutive month after showing a strong downward trend since June 2002. The CLI for Canada increased by 1.6 point in October. Its six-month rate of change was also up for the sixth consecutive month, following a downward trend registered since May 2002. The CLI for France increased by 0.9 of a point in October and its six-month rate of change has shown increases for the past seven months. The CLI for Germany rose by 1.6 point in October and its six-month rate of change has shown strong increases over the past six months after 11 months of declines. Finally, the CLI for Italy decreased by 0.3 point in October and its six-month rate of change was also down after having shown increases for the previous five months.

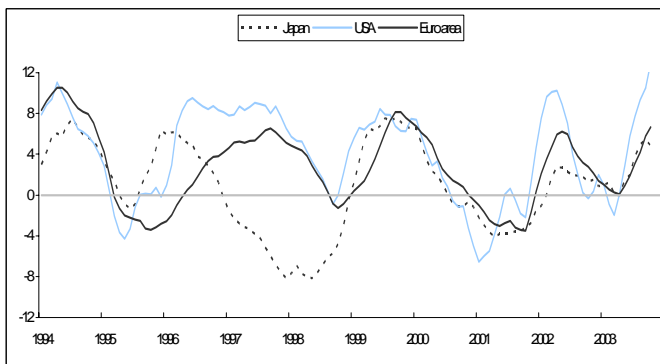
CLI data for all the countries and detailed information on the OECD methodology for CLIs can be found on the OECD website at <http://www.oecd.org/std/cli>

Trend restored CLI (annualised 6-month rate of change) Percentage change: Total OECD



Early signals of the CLI for turning points (P: peak, T: trough) in the reference series, e.g. a peak for December 1994 was predicted by the CLI, 8 months in advance (i.e. -8).

Percentage change: Japan, USA and Euro area



Forthcoming OECD Statistics Meetings

N.B. Unless otherwise indicated attendance at OECD meetings and Working Parties is by invitation only

2003

December

- 1-3** Workshop on Composite Leading Indicators, *Statistics Directorate* (STD), Santiago, Chile
- 15-16** OECD China Seminar on Environmental Indicators, *Environment Directorate* (ENV), OECD, Paris
- 15-16** Statistical Working Party of the Tourism Committee, *Directorate for Science, Technology and Industry* (STI), OECD, Paris
- 18** Working Group on Environment Information and Outlooks, *Environment Directorate* (ENV), OECD, Paris

2004:

February

- 2-3** Task Force on the PPP Manual, *Statistics Directorate* (STD), OECD, Paris
- 26-27** OECD/JRC Workshop on Composite Indicators, OECD, Paris

Other non-OECD Statistical Upcoming Meetings and Events

December

- 8-10** Meeting of the Expert Group on International Economic and Social Classifications, for details: <http://unstats.un.org/unsd/class/intercop/expertgroup/default.htm>
- 15-19** Regional Workshop on Compilation of National Accounts and their Use for Policy Analysis in African Countries, Addis Ababa, Ethiopia, for details: <http://unstats.un.org/unsd/nationalaccount/default.htm>

2004

May

- 24-26** European Conference on Quality and Methodology in Official Statistics, Mainz, Germany

June

- 9-11** 7th International Forum on Tourism Statistics, Stockholm, Sweden

Latest Statistics Working Papers Now Available On Line!

[Statistics Working Paper 2003/4 - Measurement of Output, Value Added, GDP in Canada and the United States: Similarities and Differences](#) 5-sep-2003

[Statistics Directorate and Centre for Co-operation with Non-Members Working Paper 2003/3 - Short-Term Economic Statistics in China: Sources and Methods](#) 14-Aug-2003

[Statistics Working Paper 2003/3 - Statistical Developments and Strategies in the Context of E-Government](#) 17-Apr-2003

[Statistics Working Paper 2003/2 - Household Wealth in the National Accounts of Europe, The United States and Japan](#) 06-Mar-2003

[Statistics Working Paper 2003/1 - Report of the OECD Task Force on Software Measurement in the National Accounts](#) 05-Mar-2003

[Statistics Working Paper Series - 2002/1: Overview of Sustainable Development Indicators Used by National and International Agencies](#) 18-Sep-2002

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