



USE OF SHORT-TERM INDICATORS AND SURVEY DATA FOR POLICYMAKING: THE OECD EXPERIENCE

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Outline

1. PROVIDING SHORT-TERM ECONOMIC DATA TO INFORM POLICYMAKERS
 - Survey data and short-term indicators
 - Users within and outside the Organization
 - Data Quality
2. OECD COMPOSITE LEADING INDICATORS (CLIs)
 - Conceptual considerations
 - Leading properties
3. PERFORMANCE of the OECD CLIs
 - Before and during the crisis
 - Communication strategy
4. CONCLUSIONS



DATA



Short-term economic data provided by the OECD to inform policy makers

- The **Main Economic Indicators** database (MEI) is an extensive collection of short-term economic indicators

-- including :

Survey data

- » Business and Consumer tendency surveys

Short-Term Statistics

- » Real indicators
- » International trade
- » Financial and monetary
- » Employment

-- covering :

- » **OECD countries & key partners from 1960s**

- Survey data and short-term statistics are used to construct the **OECD composite leading indicators**



USERS



Users of OECD short-term economic indicators

- Within the OECD, the MEI is used to produce:
 - OECD Economic Outlook
 - Interim Assessments of the global economic situation
 - Economic projections for G20 countries
 - Composite Leading Indicators

- Outside the OECD
 - Economists; Economic and financial sector analysts
 - Journalists; media
 - Academic researchers

- ✓ MEI dataset is one of the most visited on the OECD website

- ✓ Strong demand for monthly Composite Leading Indicators from media and financial sector



DATA QUALITY



Reliability and soundness of OECD short-term economic indicators

Internationally comparable

- ❖ Coherent across datasets and over time
- ❖ Consistent across countries
- ❖ Compliant with relevant OECD and other international standards

Credible

- ❖ Official sources
- ❖ Face validity
- ❖ Interpretability



Survey and financial indicators are the most timely

Timeliness of indicators by subject areas *Average days, OECD countries*

	Min	Max	Mode (Frequency, %)
TENDENCY SURVEYS	0	30	0 (90.3)
FINANCIAL & MONETARY	0	0	0 (100)
REAL INDICATORS	30	120	90 (64.7)
INTERNATIONAL TRADE	60	90	60 (91.2)
EMPLOYMENT	15	90	75 (50)



Survey indicators generally outperform other short-term statistics

	Survey data	Financial & monetary	Int'l Trade	Employment	Real indicators
NO TREND	✓				
FORWARD LOOKING	✓				
NO REVISION	✓	✓			
TIMELINESS	✓	✓			
STABILITY of the METHODOLOGY	✓	✓	✓	✓	✓
INTERNATIONAL STANDARD	✓	✓	✓	✓	✓



OECD COMPOSITE LEADING INDICATORS



The OECD System of CLIs

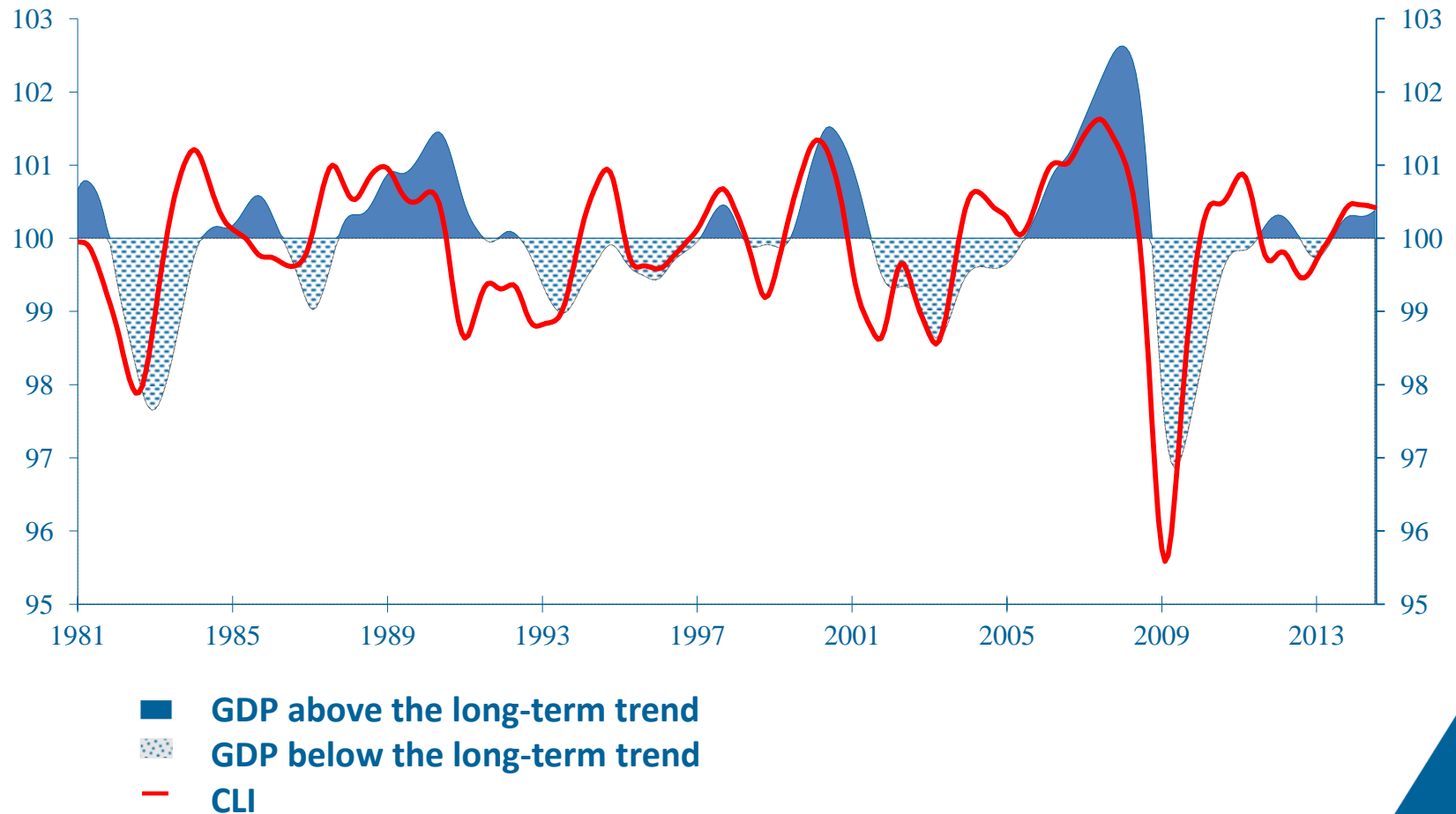
- Based on a set of Survey Data and Short-Term Statistics (STS)
- Covers a wide range of countries
 - 33 OECD countries + key partners and several zones
- Broad brush picture of the short-term economic outlook
 - Provides **early signals of turning points** in economic activity
- Qualitative indicators
 - No information on the speed/ strength of the business cycle



PERFORMANCE OF THE OECD CLIs



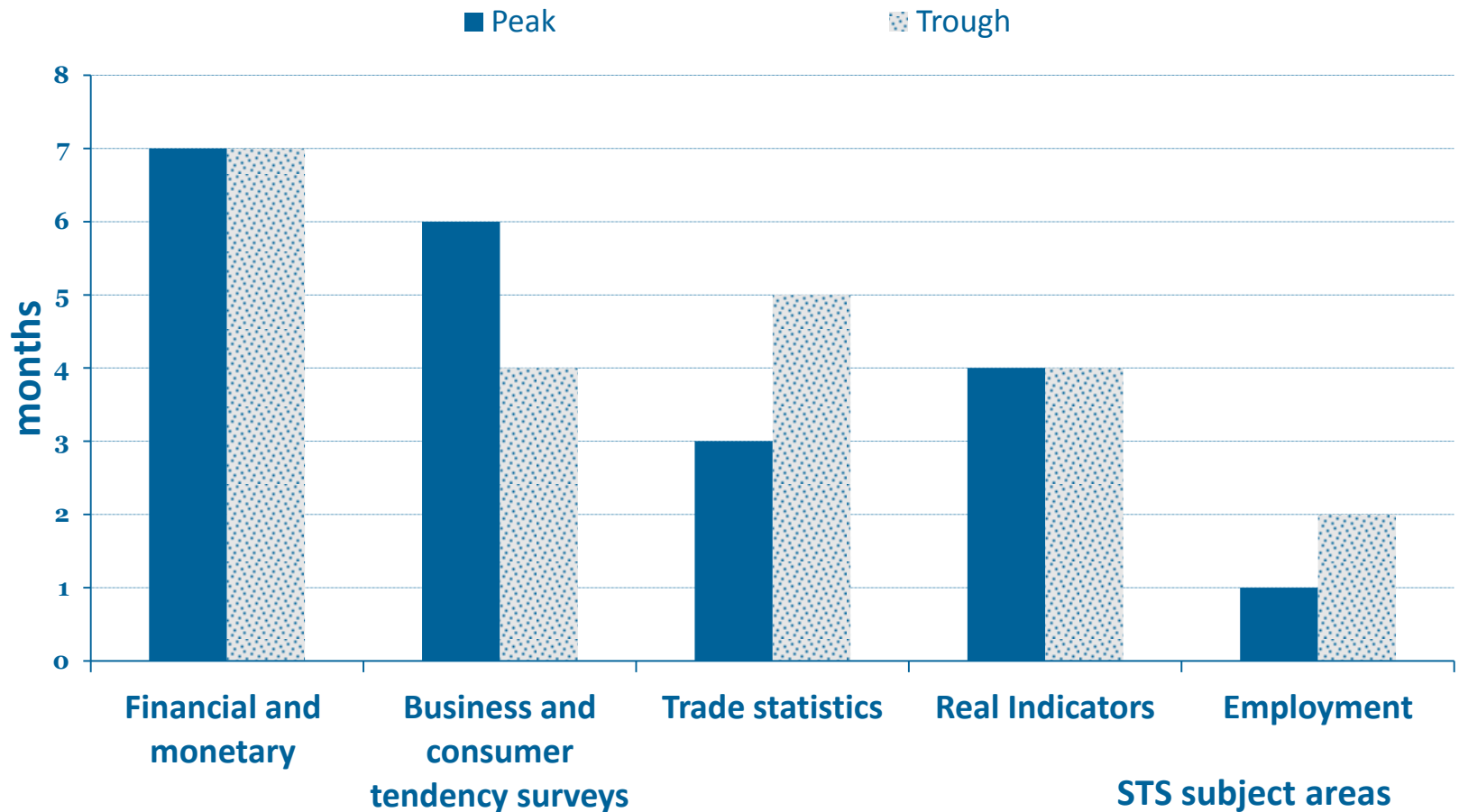
The aggregate OECD CLI leads by 5 months on average the reference series (GDP)





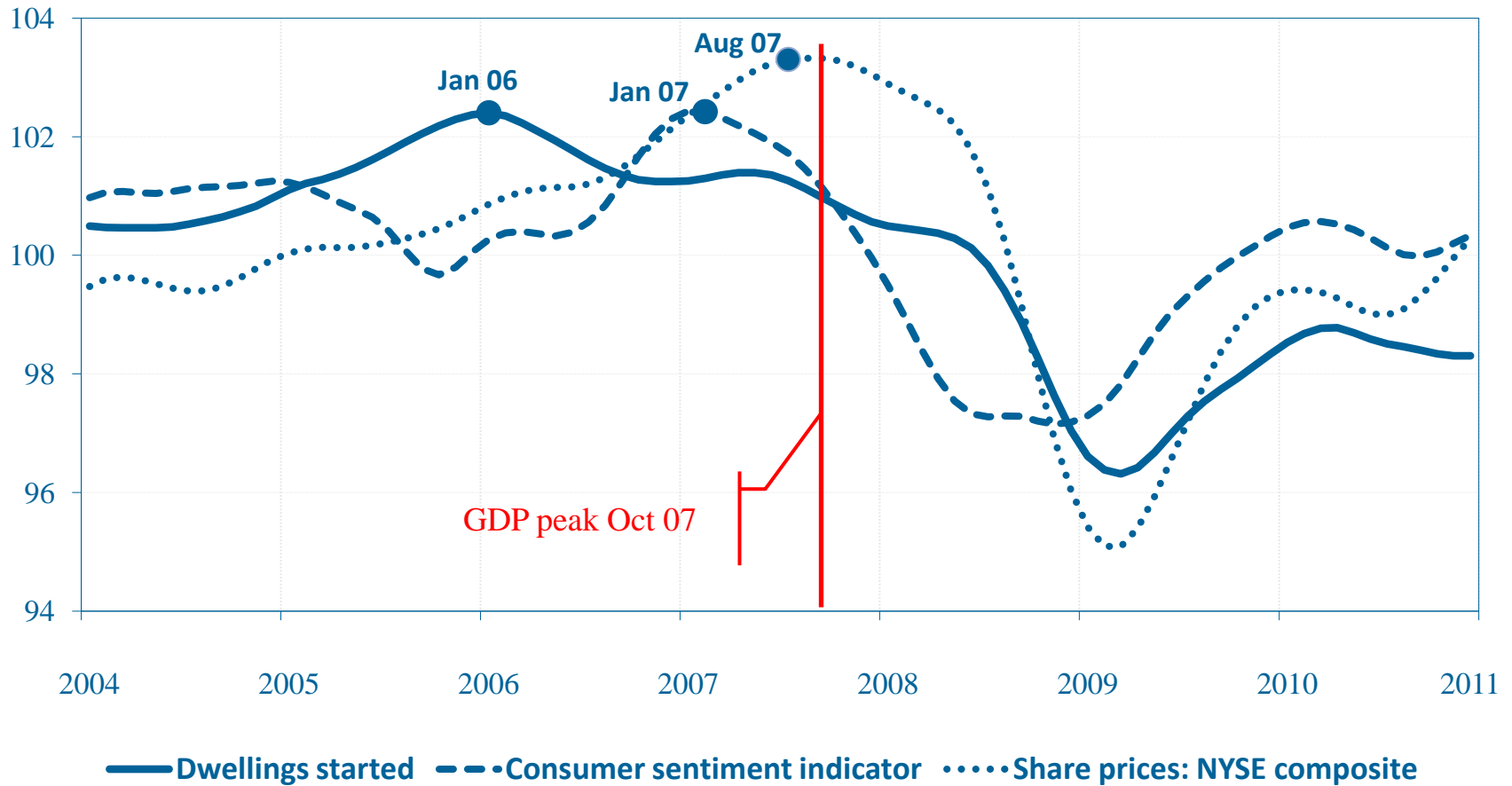
Leading properties of the CLI components

Average leads since the 1960s





CLI components for US started signalling the crisis as early as...

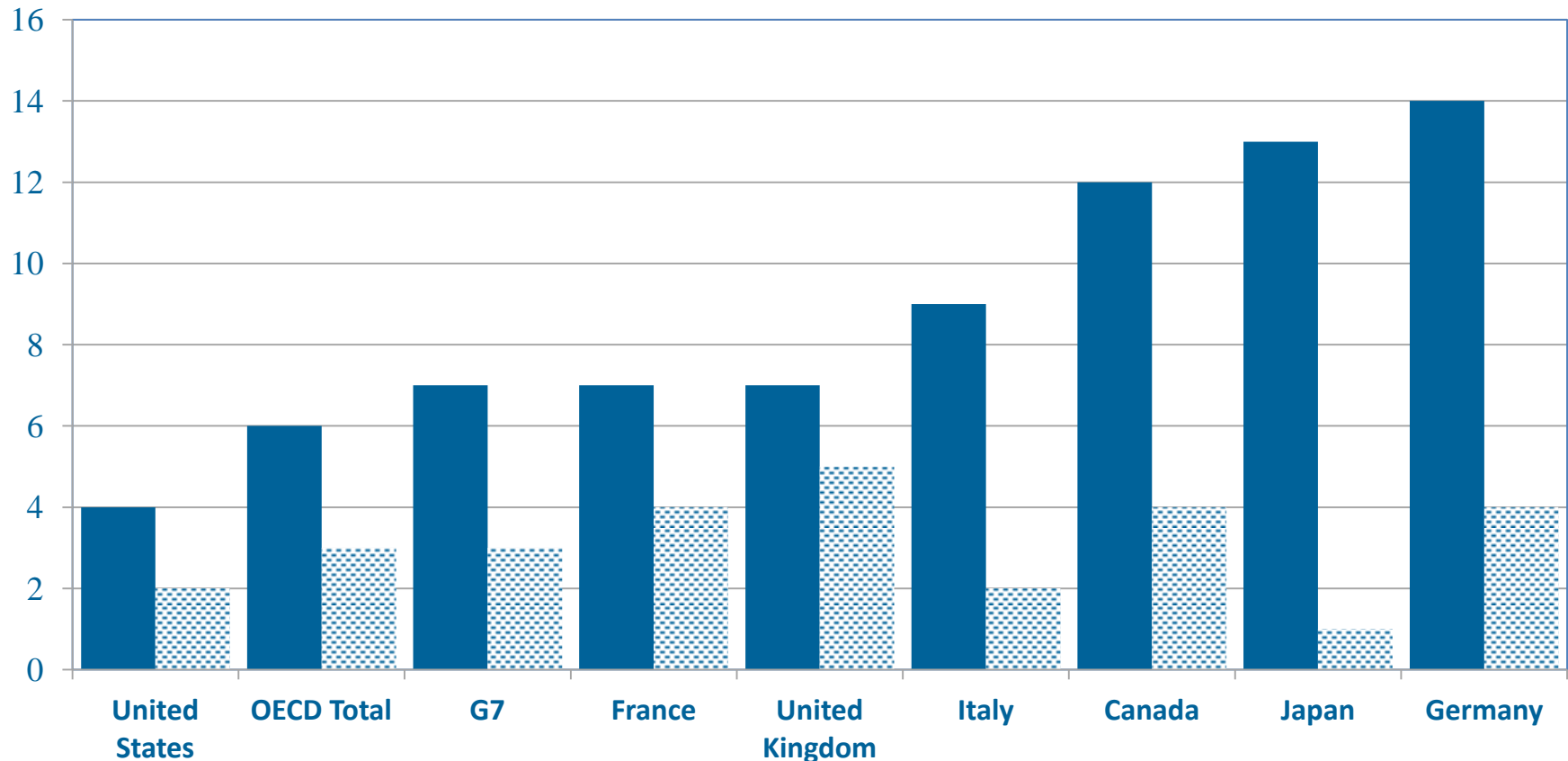


Source: MEI, OECD



CLIs performance during the Great Recession for the G7 countries

■ Lead (in months) with respect to the peak in GDP ▨ Lead (in months) with respect to the trough in GDP



Source: MEI, OECD



Assessing the CLI performance in real time

- Although the CLIs lead turning points in GDP with good stability properties, a delay exists between:
 - the **real date of occurrence** of the turning point and
 - the **date** at which it can be **really statistically identified**

- The OECD, in its releases, tries to interpret cautiously the first signal in order to:
 - **Avoid wrong messages** (noise)
 - Be **sufficiently confident** about the sort of momentum in growth

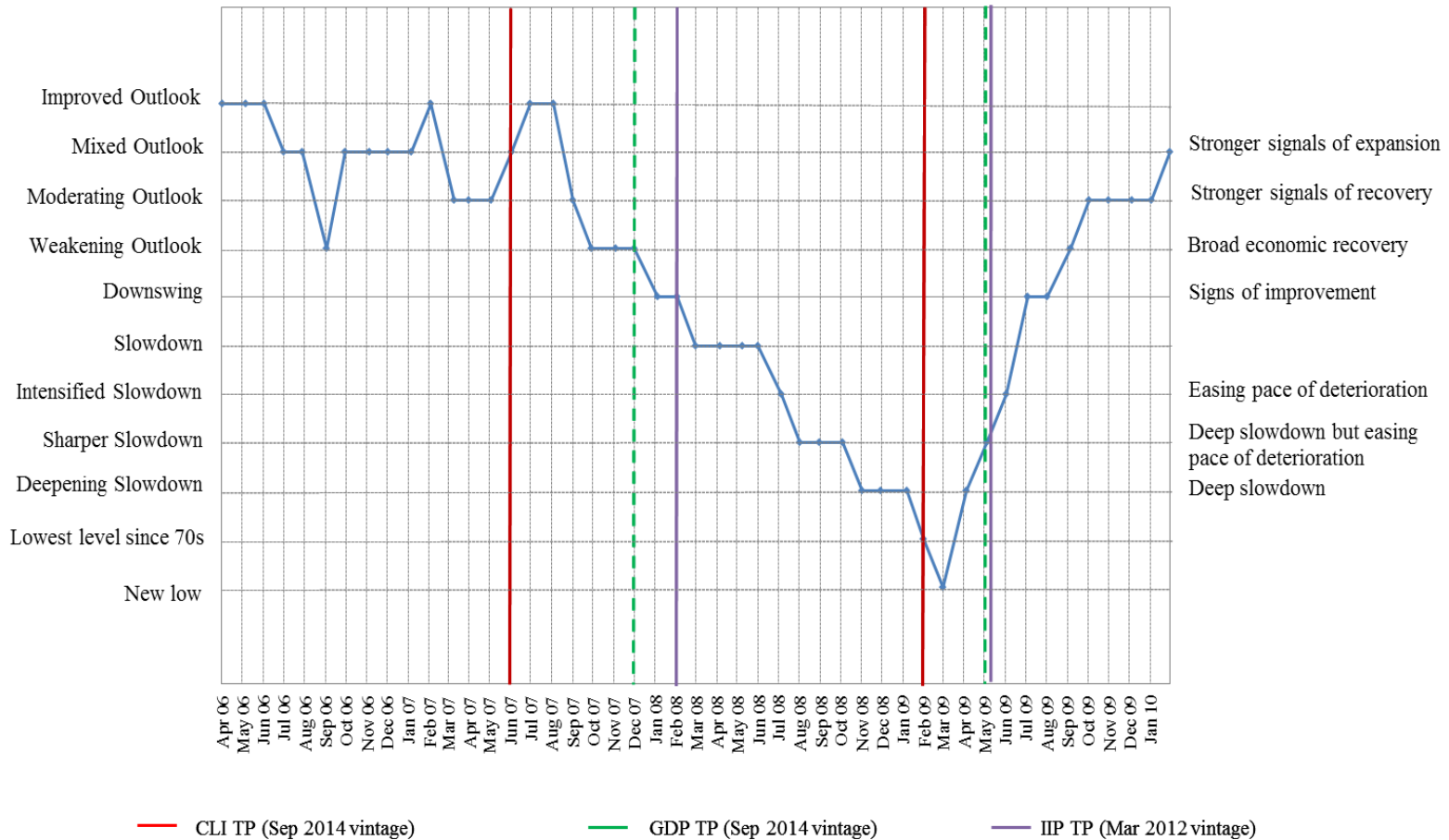


Cautious interpretation of the first signal in real-time

October 2007 Press release: "OECD CLIs signal a weakening outlook for most major global economies"

Evolution of CLIs Press Release titles during the great recession

OECD Total





Conclusions

- The OECD produces one of the largest infra-annual economic data collection to inform policy-makers and other users
- Surveys generally outperform STS and thus are very useful in the short-term horizon
- OECD CLIs
 - Detect turning points in GDP early
 - Provide stable results
 - In real-time, the first signal is interpreted cautiously
 - Good performance for the G7 during the Great Recession
- The demand for such indicators is very high



Thank you !

More information at:

<http://www.oecd.org/std/leading-indicators/>

