SECRETARIAT OF THE PACIFIC COMMUNITY

REGIONAL MEETING OF HEADS OF PLANNING AND HEADS OF STATISTICS (HOPS)
(Noumea, New Caledonia, 17-21 September 2007)

Future directions for evidence-based decision making in the Pacific

ECONOMIC STATISTICS IN THE PACIFIC
(Document prepared by the Secretariat of the Pacific Community)

INTRODUCTION

1.   Economic statistics can be broadly categorised into five types:

   a)   Macro-economic indicators (e.g. national account indicators such as Gross Domestic Product [GDP]);

   b)   International Trade statistics (e.g. value and quantities of imports and exports);

   c)   Price indexes (e.g. consumer and producer price indexes);

   d)   Finance statistics (money, banking and government finance);

   e)   Industry statistics (focusing on particular economic sectors such as agriculture, transport, etc.).

2.   Each of these categories of economic statistics has unique features which need to be recognised. This paper begins by describing the key features of each category and the implications these features have in developing economic statistics in the region. A brief summary of past and present efforts to improve economic statistics is then outlined. Finally, a proposed new way forward is provided for the consideration of the meeting.

MACRO-ECONOMIC INDICATORS

3.   Macro-economic indicators are the most complex of economic statistics, relying on various sources of data to compile. To meet international standards of such indicators (e.g. comprehensive, reliable business collections across the range of relevant business sectors) requires source data which is beyond the capabilities of most PICTs.

4. Many attempts have been made to estimate such macro-economic indicators in PICTs, with varying success. These attempts have often been driven by the primary purpose of meeting international reporting requirements (e.g. country assessment for eligibility as least developed country) and have not been specifically designed to be sustainable over time, or meet specific economic planning requirements of the country.

5. To address the past failure of not having a sustainable set of macro-economic indicators, a more targeted approach is needed. Individual PICT capabilities need to be realistically assessed to determine what indicators can be compiled at the national level, with training and technical assistance provided to enable such indicators to be compiled. These nationally compiled indictors can then be supplemented (where necessary) by external specialist expertise to derive more complex indicators.

INTERNATIONAL TRADE STATISTICS

6. Theoretically, international trade statistics should be the simplest of economic statistics. Being an administrative by-product data set from well established Customs systems suggests that the data should be readily available and of high quality.

7. However, trade data suffers from the usual administrative by-product quality issues. As the source of this data is from customs entries, it is not surprising that unless the data is of value to the Customs agency in meeting its core objectives (mainly the collection of customs revenue), then quality of other data (such as trade quantities/volumes or value not generating customs revenue) will not be a priority to the Customs agency. A strong relationship between NSOs and customs agencies, or decisive direction from the relevant Government Minister, is usually required to ensure such quality issues are given appropriate attention.

8. Trade data is often used for micro-policy analysis and planning. Knowledge of imports and exports of particular products and services can be critical to economic planning and development, and so it is understandable that users desire significant disaggregation. However, in small PICTs, many products and services will be imported/exported by a small number of entities, and confidentiality of their import/export business is a serious issue which needs to be carefully considered.

PRICE INDEXES

9. The principle price index compiled in the PICTs is the consumer price index (CPI) and it is probably the best indicator produced in the region amongst all economic statistics. Practically all PICTs compile their CPI, with well established systems in place, which the compilation process largely automated.

10. The automation of well established systems in PICTs can lead to a lack of national understanding of the compilation process and how/when the PICTs CPI is in error. Despite the compilation process being easily automated, the process is complex and can require adjustment in particular circumstances. Without a clear understanding of the underlying process and the rationale for steps in the process, errors can occur and fail to be addressed.

11. The CPI is also heavily reliant on Household Income and Expenditure Survey data and, as described in a separate working paper, HIESs in PICTs are far from perfect. The quality deficiencies of HIESs are transferred to CPIs, and normally remain unattended to until the next HIES is undertaken (often ten years or more later).

12. Some PICTs are moving to compile more sophisticated price indexes such as Producer Price Indexes and Manufacturing Price Indexes. Although price index theory has many commonalities across applications, each price index has its own compilation issues which need to be addressed. Quite a sophisticated understanding of each price index is required to ensure that as PICTs develop to compile such indexes, they are compiled appropriately and accurately.

FINANCE STATISTICS

13. Finance statistics (particularly money and banking statistics) are administrative by-product data from Central Banks. Government Finance Statistics are similarly administrative in nature, compiled from government agency reporting systems. The administrative systems of Central Banks and government agencies normally provide a sound basis for a PICTs finance statistics.

14. This is not to say that the Central Bank and government agency systems are perfect. The information requirements of these systems (particularly those of government agencies) need to be clearly specified and then harmonised to enable the required information to be efficiently extracted to enable sound decision making.

15. With the Pacific Financial Technical Assistance Centre (PFTAC) primarily responsible for advising their member countries on financial matters, and with PFTAC having a statistics adviser position, this sector of economic statistics is well serviced. The PFTAC statistics adviser also provides more generalized economic statistics advice wherever s/he can, but this is necessarily limited given it is a single position, with technical advisory services limited to IMF member countries.

INDUSTRY STATISTICS

16. Industry statistics are the most diverse of the economic statistics, with data sources varying from large scale collections (e.g. Agricultural Censuses) to administrative by-product data (transport statistics) and everything in between. Industry statistics are important for development planning in their own right, but are also the "building blocks" for the macro-economic indictors referred to earlier.

17. The considerable variation in the importance of economic industry sectors across the region (with manufacturing and mining being critical in some PICTs, non-existent in other PICTs, whereas agriculture and fisheries being of universal importance to all PICTs) makes a regional approach to industry statistics as a whole not viable. For those industries of universal importance a regional approach is the most appropriate, while those of importance to particular PICTs need to be addressed on an individual basis.

18. The support from relevant sectoral agencies is variable. The FAO has in the past provided excellent support for Agricultural censuses (but this is believed to be diminishing), SPC provides good support in the fisheries sector and tourism has received substantial (if sporadic) support from the South Pacific Tourism Organisation (SPTO, formerly TCSP) for many years. Other sectors (such as communication, transport and mining) have received little, if any, support.

19. The diversity of sectors appears to be part of the problem in comprehensively addressing industry statistics across the region. As no agency is specifically responsible for this diverse area, agencies responsible for particular sectors assume a role for those sectors, while others are left un-serviced. A comprehensive service across all sectors (drawing on the resources and expertise of relevant sectoral agencies, such as FAO, SPC, SPTO) would appear the only viable option to ensuring adequate regional industry statistics.

PAST AND PRESENT ASSISTANCE FOR ECONOMIC STATISTICS IN THE PACIFIC REGION

20. The lack of comprehensive, quality economic information in the Pacific region has long been recognised as a major impediment to informed decision making for national development. The appeals for improvements in economic information have been numerous and consistent for many years (from national governments, regional agencies and international organisations). The 2005 Regional Meeting of Heads of Planning and Heads of Statistics made three separate recommendations for the SPC to vigorously pursue this role in economic statistics. The Pacific Plan recognises the issue and the SPC is the designated CROP agency to lead the improvement in this area. The 2006 FEMM meeting also requested decisive action to improve economic statistics. Moreover, the governing council of the SPC has endorsed this action. Finally (and perhaps most importantly) there is overwhelming support by the stakeholders/partners in statistical development in the region to progress this area of statistics.

21. With all this recognition of the need to improve regional economic statistics, why hasn't action already been taken? In fact, considerable action has been taken over a long period, involving substantial resources. International agencies such as the UN and the ADB have provided substantial support in an effort to improve the situation (particularly with respect to macro-economic statistics), but these interventions have not been successful in addressing this issue in a sustainable manner.

22.   These macroeconomic statistics interventions have been unsuccessful for four interrelated reasons:

   a)   interventions have normally been of an ad-hoc, short term nature, to specifically address a perceived "problem" area, with no long term strategy to sustain such interventions;

   b)   interventions have usually been made in isolation, not within the framework of a strategic national economic statistics strategy;

   c)   interventions have been usually designed and implemented by external advisers based on the strategies and resources of national statistics offices (NSOs) in much larger and more developed economies, which prove to be unsustainable in the Pacific context; and

   d)   most PICTs have insufficient numbers of economically-qualified and experienced staff (particularly in the NSOs) to develop and maintain their own economic indicators or those introduced by external advisers.

23.   For trade statistics and price indexes, assistance has been provided periodically, mainly in the form of international or regional training workshops. Such training is very useful as an initial step in developing national capacity. However, unless such training is followed-up with targeted technical assistance to enable participants to relate their newly acquired knowledge to their national context and environment, the relevance of the knowledge will often not be seen and will soon be lost.

24.   As discussed in paragraph 14, the PFTAC statistics adviser is well placed to support finance statistics in the region.

25.   Industry statistics have already been discussed in paragraphs 17 and 18 and require a comprehensive, coordinated service across all sectors to ensure adequate regional industry statistics.

A WAY FORWARD

26.   The fragmented, uncoordinated approach to improving economic statistics of the past has proved to be unsuccessful. This is not to say that the interventions to date have not been successful in meeting their immediate goals (such as addressing a particular problem area), but they have not been successful in providing comprehensive and sustainable solutions.

27.   To provide such a solution a realistic assessment of individual PICTs requirements and capabilities is first required, and comprehensive national (economic) statistics plans developed and nationally agreed. It is simply wrong to assume that countries like PNG and Fiji have the same needs, or will ever have the same capabilities, as countries such as Nauru and Niue. Although it may be true, for example, that all countries need to measure their economic growth through a macro-economic indicator such as Gross Domestic Product (GDP), the necessary frequency and detail of such an indicator (for both national and international needs) will vary depending on the countries' specific circumstances.

28.   In developing national economic statistical plans, the level of external support to collect and compile various economic statistics needs to be identified. This support will vary across PICTs (and across economic indicators) depending on their level of long-term capability. For those PICT NSOs with a long-term capability, regular (but limited) technical support with an emphasis on capacity building or strengthening (e.g. technical collaboration with national staff) would be appropriate, with short-term capacity supplementation when the NSO loses a key staff member in the compilation of their economic indicator(s). For those PICT NSOs where in-country capability is simply unavailable or unsustainable, capacity supplementation is the only viable long-term strategy.

29.   Assuming such a strategy is accepted, the required external support mechanisms need to be forthcoming.   An approach of requesting such support on an ad-hoc basis will lead to uncoordinated assistance (replicating past failures) and unacceptable delays in the implementation of national plans. A core team of economic statisticians is required to ensure coordinated, responsive support service is available to the region.

30.   A critical feature of the national economic statistics plans is the focus on PICT requirements and national agreement of such plans. The determination of PICT requirements will require close collaboration with the ultimate users of the economic statistics; the economic ministries and authorities of governments. Not only will these users assist by defining the priority national requirements of the national plans, they will also be allies of the NSOs in implementing such plans.

31.   The SPC has developed a proposal to implement the way forward outlined in paragraphs 26-29. This proposal provides the SPC with the necessary capability to assist the PICTs in identifying and attaining economic information needs. The proposal has been distributed to potential donors and positive feedback received. Further adjustments to the proposal to take account of this feedback are currently in progress.

DISCUSSION POINTS

32.   The meeting is invited to comment on the following discussion points:

   (i)   Is the assessment of past and present assistance for economic statistics in the Pacific region; accurate?

   (ii)   Is the proposed way forward outlined in paragraphs 26 to 30 an appropriate approach to meet the needs of PICTs?