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**Economic and Social Commission for Western Asia (ESCWA)**

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## DRAFT CONCEPT NOTE FOR A STUDY ON
## SHORT-TERM ECONOMIC INDICATORS FOR THE ARAB REGION

### Summary

In line with its programme of work, the Economic and Social Commission for Western Asia (ESCWA) undertook a study on short-term economic indicators to be published in 2013. The Commission seeks the views of national statistical offices on the draft concept note for the study prior to continuing the work.

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**Introduction**

1.      At the fortieth session of the United Nations Statistical Commission in 2009,[1] in response to the global economic crises, the United Nations Statistics Division/Department of Economic and Social Affairs (UNSD/DESA) called for swift and coordinated statistical initiatives by countries and international organizations to identify and resolve the data gaps to allow for timely and measured policy responses. Also on that year, the International Seminar on Timeliness, Methodology, and Comparability of Rapid Estimates of Economic Trends was organized in Ottawa by UNSD/DESA and Eurostat in partnership with Statistics Canada, which was followed by an international seminar on early warning and business cycle indicators that took place in Scheveningen, the Netherlands, 14-16 December 2009.[2]  The meetings called for coordinated national and international actions to improve availability, periodicity and timeliness and to disseminate high frequency statistics in accessible and analytically useful formats to allow for their use in the early detection of turning points of financial and economic trends. A data template of short-term economic indicators was proposed with 12 major categories covering the following: national accounts; production and turnover indicators; prices; labour-market indicators; sectoral indicators; financial, government, non-financial and household sector; financial and real estate market indicators; and economic sentiment indicators. An assessment of the availability, periodicity and timeliness of those indicators and their relevance to users in fulfilling analytical and policy needs was conducted by UNSD in 2010.

## I.  BACKGROUND

2.      Short-term macroeconomic fluctuations are known to have long-term economic consequences. As a result of globalization and a rapidly expanding financial sector in the ESCWA region, short-term policy issues have become more critical for policymakers in their quest to guide the short-term direction of the economies. However, due to the lack of quarterly and monthly economic data in most ESCWA member countries, policymakers are faced with difficulties in measuring and projecting the consequences of short-term economic developments.

3.      Indicators that are compiled based on a multidimensional model concept, or composite indicators, are indicative economic statistics which measure concepts that cannot be evaluated by a single indicator. Composite short-term economic indicators such as composite leading and composite coincident indicators are designed to provide early signals about the business cycle and the overall economy respectively. Monitoring the peaks, troughs and turning points of those indices can identify early warning signs which in turn allow decision-makers to respond through effective policies.

4.      The lack of short-term economic indicators and their metadata is a critical constraint for the construction of composite economic indicators in developing economies, particularly in the ESCWA region. However, recent research has shown that it is possible to partly overcome that constraint.  By referring to recently developed advanced methodologies and applying them to existing short-term statistics, ESCWA member countries may be able to construct composite economic indicators, such as oil prices, electricity production and consumption, government revenue and expenditure, interest, inflation and exchange rates, customs figures, the number of visitors to the country and the number of construction permits.[3]

5.      It is imperative for ESCWA member countries to periodically produce timely short-term indicators in order to measure and monitor various economic fluctuations and business cycles and respond to them

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[1]  Report of the fortieth session is available from http://unstats.un.org/unsd/statcom/commission_40th_session.htm.

[2]  Report of the International Seminar on Early Warning and Business Cycle Indicators (ESA/STAT/AC. 202/5).

[3]  This development evolved from the econometric methodology of James H. Stock and Mark W. Watson, 1989, "New Indexes of Coincident and Leading Economic Indicators" in NBER Macroeconomic Annual, v. 4, (Cambridge, Massachusetts: National Bureau of Economic Research), pp. 351-409. A recent application of the methodology was reported: Joannes Mongardini and Tahsin Saadi-Sedik, 2003, "Estimating Indexes of Coincident and Leading Indicators: An Application to Jordan." International Monetary Fund (IMF) Working Paper WP/03/170 (Washington D.C.: IMF).

scientifically and punctually. Therefore, in line with ongoing international efforts to build capacity to produce short-term economic indicators, ESCWA will provide operational and analytical support to member countries in that field through a publication and the organization of an expert group meeting (EGM) in 2013.

## II.  TITLE AND OBJECTIVE OF THE PUBLICATION

6.    The publication will be entitled: Short-Term Economic Indicators for the Arab Region.

7.    The Statistics Division is proposing to produce a publication or booklet to do the following: tackle short-term economic indicators based on the United Nations general framework;[4] assess the availability and relevance of those indicators in the Arab region; identify a core list of short-term indicators based on the recommendations of EGM on economic statistics, to be held in 2013; and provide the necessary information tools and methodologies to produce those indicators.

8.    This publication aims to provide guidelines for national statistical offices in order to produce and disseminate short-term economic indicators in a timely and periodic manner. In addition, it will offer useful information on the theory and application of short-term economic indicators for various public and private sector entities to monitor and analyse economic cycles and forecast the repercussions of financial crises and economic shocks. Moreover, the publication will draw on the expertise of the participants in EGM on national accounts and economic statistics that will be held in 2013 and will tackle the issue of short-term economic indicators from both theoretical and practical perspectives.

## III.  RELATIONSHIP TO THE OBJECTIVES AND EXPECTED ACCOMPLISHMENTS OF SUBPROGRAMME 5

9.    In order to make economic growth sustainable, up-to-date economic analysis and forecasting (specifically short-term forecasting) are essential.  The national budgets of most ESCWA member countries are proposed and discussed in the fourth quarter of each year, but official economic analysis and forecast currently lag behind that time frame.  Building the short-term economic forecasting capacity of member countries can shorten this time lag.

10.    The lack of timely announcements of official economic figures hinders the monitoring of various economic sectors and creates greater uncertainties for policymakers and financial and industrial investors. Short-term economic data can be used in various forms of analysis and forecasting to mend the gaps and imbalances between different economic sectors.

## IV.  PROPOSED OUTLINE

*Chapter I: An overview of short-term economic indicators*

11.    This chapter will define short-term economic indicators, discuss their importance, and provide readers with the background and framework for their development at the international level. It will assess the availability and relevance of short-term economic indicators in the Arab region and will describe the requirements for producing them.

*Chapter II: Adapting short-term economic indicators to the Arab region*

12.    In this chapter, the indicators that are produced by national statistical offices will be examined and a core list of priority short-term economic indicators for the Arab region will be identified, based on the recommendations of EGM on economic statistics that will be held in 2013. The methodologies and data sources behind the construction of those indicators will also be demonstrated. Comparative analysis will be

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presented to discern short-term volatility from real indication of the direction of economic activity and prices.

*Chapter III: Using short-term economic indicators for early warning purposes*

13.    The final chapter will cover the use of short-term indicators for early warning purposes and provide case studies from country experiences. That chapter will also include concluding remarks about the overall prospects and recommendations for short-term economic indicators and their use in the Arab region.

## V.  TARGET BENEFICIARIES

14.    The main target group is government officials who are in charge of economic indicators and policymaking, including those of national statistical offices, central banks, finance ministries and various governmental counterparts. Private sector businesses and financial intermediaries are also considered target beneficiaries of this publication.

## VI.  FINAL OUTPUT

15.    The final output is a publication which aims to guide national statistical offices towards building their capacity to produce short-term economic indicators. It will provide information tools and methodologies that will be of great benefit to concerned entities in the public and private sector to enhance their understanding of the availability and periodicity of short-term economic indicators and the areas in which they have been used for early warning purposes.

## VII.  ACTION REQUIRED OF THE STATISTICAL COMMITTEE

16.    Members of the Committee are invited to review the present draft concept note and make recommendations for publishing the study on short-term economic indicators in 2013.

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