

How far can statisticians go in commenting on trends of indicators?

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Abstract: *As opposed to most European NSIs, the French National Institute of Statistics (INSEE) regularly carries out economic and demographic studies. This means that the first users of its statistics are insiders who often challenge the producers on their economic or social interpretation. This well-accepted practice is considered from INSEE's point of view as a guarantee of quality. There is a clear separation in terms of INSEE publications between official statistical releases and the dissemination of specific studies, particularly, when they involve econometric structural modelling. Nevertheless, most official statistical releases are completed with descriptive commentaries. This paper is intended to illustrate the different types of economic and social commentaries INSEE is used to including within its various publications, from the simple press release of official statistics to the more structural studies that are brought out in conjunction with the regular short-term economic forecast exercise.*

INSEE's main missions are typical of any National Statistics Institute's standard missions. It collects, compiles and disseminates both European and French statistics and develops new statistical methodologies. Beside these missions, the institute performs a number of sovereign missions and produces economic and demographic studies. In terms of sovereign missions, it manages the French administrative business register, the official population register and the voter rolls. Regarding studies, it carries out short-term economic forecast exercises and produces descriptive and structural analyses. They deal, on the one hand, with the production system in terms of output gap, potential growth, business reports and behaviours and, on the other hand, with the French society regarding households' behaviour, labour market functioning or poverty mechanisms. To fulfil these tasks, it carries out business surveys, develops macroeconomic and micro-simulation models and implements econometric analyses to measure the impact of policy changes. INSEE is composed of five departments, which respectively deal with business statistics; demographic and social statistics; dissemination and regional coordination; economic studies and national accounts; and, lastly, methodology, statistical coordination and international relations. Economic analyses and studies are mainly undertaken in the Economic Studies and National Accounts department but most press releases of any statistic from any unit include descriptive economic or social commentaries.

This paper will illustrate some of the objectives that INSEE pursues when developing economic studies and when adding descriptive commentaries in its releases. First of all, it must be stressed, that there is a continuum from the simple descriptive studies to the very structural ones relying on behavioural hypotheses or a selection of economic mechanisms. It is crucial to clearly separate the statistical releases that include descriptive commentaries from those studies that involve structural assumptions. A variety of leaflets and booklets, together with their identifiable visual styles, are associated with the different types of communication. Their readership is consequently differentiated and well informed on the nature of the results they can find in each of them.

Producing some explanations and commentaries on the released statistics from a descriptive point of view is part of the validation process. Clearly, the controls of each step of the compilation process and of the data used in the process are important within the quality control framework. Nevertheless, these controls must be completed with a validation exercise that involves comparing the informational content of the statistic to be released with relevant external economic indicators. This comparison may sometimes boil down to an explanation of the observed gaps with partial indicators or public forecasts.

This validation of informational content is a guarantee of quality and considered as a key part of INSEE quality assurance framework. It contributes to building confidence in the statistics.

Descriptive analyses aim to help users to interpret the informational content of statistics (or changes in statistics) by qualitatively explaining the impact of concomitant or past changes in the economic environment or in regulations. Methodological studies introduce the analytical tools that can be used to compile new indicators. They illustrate the limits and advantages of these indicators and explain how they can be read and used. These presentations may emphasize their dependence on certain particular assumptions and define their area of validity. More structural studies provide the readers with more complex analyses and usually include estimates of the impacts of changes on the environment or on the regulations. Studies such as these may create useful focal points to which later reference could be drawn when commenting on new statistics. Journalists developing their own analysis may also use these studies.

It must be pointed out, however, that even though INSEE often explains the properties and limits of the statistics it produces, it does not combine or recommends not combining statistics into composite indicators. This is principally due to their lack of a scientific basis and the difficulties in interpreting their changes. Consequently, INSEE recommends the use of sets of indicators to describe multi-dimensional phenomena, but the decision as to which statistics should be monitored remains in the hands of the people in charge of economic and social policy.

Lastly, the inclusion of some story telling elements in most of INSEE's publications tends to increase their media coverage. This raises interest and provides journalists with a starting point for their own articles. INSEE nevertheless must stress that despite the fact that it tries to adapt its language in its various publications to the associated possible readership, it may have difficulty in providing relevant commentaries to the man in the street.



Let us consider in turn various types of publications. First, the short-term forecast exercise aims to help economic and policy decision-makers to understand the most probable forthcoming short-term economic developments. This is a regular and eagerly anticipated exercise. In the "*Conjoncture en France*" booklet, a complete analysis of France's economic environment is combined with a calibration of the information about firms' expectations collected from the business surveys and structural econometric equations. The set of forecasts is constructed in a consistent way using the framework of the quarterly national accounts. This exercise takes two main forms. In the December edition, the forecast horizon is the end of the first semester of the following year. An update is then disseminated in March. Besides the general economic outlook, one key element of the forecast exercise much discussed in the press is the forecast GDP growth overhang. This estimate is compared with the forecast annual growth rate used by the government to prepare its annual budget. In the June edition, on the other hand, the forecast horizon is the end of the year and is updated in October. These results are presented at a press conference. They have a large coverage in the national and regional newspapers, business journals, and radio and television networks. In the booklet, the impact of institutional changes such as new tax credits as well as international economic changes such as the evolution of oil prices are quantified and the mechanisms at work described. Two methodological or structural studies are normally included in the booklet. They may deal with new forecasting tools or approaches or a thorough analysis of a particular market. They are intended as pedagogical and informative material, sometimes

aiming at clarifying concepts or misapprehensions (or such as questions phrased in a confusing way in the public debate).

Second, in order to help the readers to make sense of certain structural statistics or to enable them to use and interpret them correctly, INSEE regularly includes commentaries in the official statistical releases or publishes descriptive economic, demographic or social studies. These commentaries may be based on simple breakdowns and basic arithmetic or time comparisons, or likely impacts of the recent or concomitant changes on regulations or on the economic environment. For instance, commentaries on the GDP growth rate can be based on the usual breakdown into the contributions of its main components: consumption, investment, external trade, and changes in inventories. An economic analysis of these contributions using external information, together with the focal point given by the last short-term forecast exercise, is an important step in the validation of the GDP growth rate estimates. Similarly, the changes in the non-financial corporate profit margins can be broken down into the impact of the changes in apparent productivity gains and in real labour cost. More elaborate descriptive analyses can shed light on the impact of institutional mechanisms, which can be blurred when reading aggregate statistics. For instance, the impact of changes in the tax system or in social compensations on inequality measures can be illustrated by using a micro-simulation static model without any behavioural assumptions and as an input, a database obtained by matching administrative files and surveys databases. These types of descriptive studies can help the reader to have a better description of economic reality and the forces that shape it. For instance, profiling business accounts helps the users to gain a better insight into industrial organisation and a better understanding of the impact of globalisation on it. These studies can also illustrate the difficulties of comparing economic and social statistics from different countries. To meaningfully compare the levels, or the changes in the levels, it may be necessary to take into account institutional differences as well as differences in the measurement methodologies. In a given study, elementary descriptive analyses can be completed with more elaborate econometric ones, in which case they are disseminated as a working paper or as an article in review. Lastly, these descriptive commentaries can also contribute to increasing the media coverage of particular statistics that might have otherwise been overlooked. For instance, adding commentaries on a related topic that may have some sociological implications can enhance the release of regular demographic statistics. These commentaries may raise the public interest. In a recent INSEE publication, for instance, changes in the proportion of newborns who bear their father's name, their mother's name or both - depending on the marital status of the parents, or their place of residency - has generated wide media coverage of the otherwise possibly neglected statistic concerning the number of births in France.