

**Recommendations
of the
Task Force on Flash Indicators
to Measure the Impact of Global Crisis in the Philippines**

July 2009

Contents

1. Background

1.1 Introduction	3
1.2 Role of the Statistical Community	3

2. Creation of the Task Force on Flash Indicators to Measure the Impact of Global Crisis in the Philippines	5
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3. Recommendations of the Task Force

3.1 Identified Flash Indicators	6
3.2 Compilation system, dissemination system, and communication plan	7
3.3 Institutionalization Plans	9

1. Background

1.1. Introduction

The credit turmoil that originated from the troubled U.S. mortgage sector over a year ago has evolved into a full blown financial and economic crisis. Since then, stocks fell, investor confidence decreased, and companies went bankrupt causing the International Monetary Fund (IMF) to describe the financial crisis as the “largest financial shock since the Great Depression.” According to the UN Project LINK Global Economic Outlook (October 2008), the time lag in the transmission of the financial effects to the economy suggests that a large number of economies would fall into recession in the immediate period ahead with no recovery in sight within the next 12 months or so.

In Southeast Asia, the global financial crisis is being felt at a time when it is already reeling from the adverse effects of a severe terms-of-trade shock. The adverse effects of the losses in terms of trade reflected in a slowdown of growth, worsening of macroeconomic balances and huge inflationary pressures (World Bank).

In the Philippines, Socioeconomic Planning Sec. Ralph G. Recto said that the crisis will last longer and “we should plan for 2009 to 2010 and leave something for 2011”, (Manila Standard Today, 27 Jan 2009). As prospects for 2009 remain bleak, government’s “rebound” efforts are focused on two major vulnerabilities: overseas employment sector and export industries. It is seen that the effect of the global financial crisis will likely result in the slowdown in overseas remittances growth, drop in exports due to weaker external demand, capital flows and exchange rate volatility, sharp drop in equity prices and a rise in the risk premium (Senate Economic Planning Office [SEPO], 2009). Whether the Philippines will remain resilient or not depends critically on strong policy actions and how well the government executes its resiliency plan.

1.2. Role of the Statistical Community

Recent events underline the importance to go beyond traditional statistical production and dissemination approaches to obtain a set of timely and higher-frequency economic, social, and environmental indicators. Indeed, the speed at which the financial crisis worsened highlighted the need for indicators that could support early warning efforts. This entails, among other things, a new perspective in assessing the trade-off between timeliness and completeness.

1.2.1. International Level

During the 40th Session of the UN Statistical Commission held on 24-27 February 2009 in New York, an information meeting on Official Statistics and The Impact of the Global Financial Crisis was held to discuss the implications for official statistics arising from the systemic aspects of the global financial crisis and downturn of the world economy.

In the same Session, a High Level Forum on the Globalization and Global Crisis: the Role of Official Statistics was organized on how the Commission has met the challenges it had faced in the past, as well as on how it will meet the challenges that lie ahead, with

reference in particular, to the impact of new and emerging information needs of the global environment on the global statistical system.

The IMF is working to develop internally a set of timely and higher-frequency indicators and establish an interagency group on financial statistics, chaired by the IMF and comprised of the European Central Bank (ECB), the Bank for International Settlements (BIS), and the Organisation for Economic Cooperation and Development (OECD).

1.2.2. National Level

The impact of the current financial crisis on the Philippine economy has highlighted the need for more up-to-date statistical information. To stay relevant, the Philippine Statistical System (PSS) should implement mechanisms to monitor prevailing issues and foresee and mitigate a possible crisis and support the control of damages by means of high quality statistical information through effective communication.

The PSS recognizes the need to provide statistics that are essential to monitor the financial crisis and its impact on the economy. Specifically, the PSS has an important role to play in:

- Monitoring the economic and social consequences of this crisis
- Identifying the impact on the poor and vulnerable groups
- Measuring the redistribution of income and wealth caused by the crisis
- Providing better insight on risks and vulnerabilities in the economy to serve as early warning systems

At present, the PSS implements various statistical frameworks that are relevant in the monitoring of the country's economic and financial progress. Some of these are the following:

- 1.2.2.1. **National Summary Data Page** - the NSCB and BSP maintain and update the National Summary Data Page for the Philippines which contains economic and financial data of the country. The NSDP corresponds to the data described on the IMF's Dissemination Standards Bulletin Board (DSBB) to guide member-countries that have, or that might seek, access to international capital markets in the provision of their economic and financial data to the public.
- 1.2.2.2. **Leading Economic Indicator System** - the NSCB compiles and releases the Leading Economic Indicators (comprised of 11 indicators) which serves as a basis for short-term forecasting of the macroeconomic activity in the country thus providing advance information on the direction of the country's economic activity/performance in the short-term
- 1.2.2.3. **Rapid Appraisal of the Regional Economy** – the NEDA and NSCB regional offices/divisions conduct quarterly personal interviews of key informants in the regions to obtain a general perception or "gut feel" of the regional economic performance

- 1.2.2.4. **Expectations Survey** – the BSP conducts on a quarterly basis the Business Expectations Survey to serve as basis for forecasting short-term business cycles and the Consumer Expectations Survey to identify the short-term outlook of households and turning points in their spending patterns

2. Creation of The Task Force on Flash Indicators to Measure the Impact of Global Crisis in the Philippines

To address the concern of addressing the statistical requirements of the global crisis, the NSCB Executive Board approved the creation of the Task Force on Flash Indicators to Measure the Impact of Global Crisis in the Philippines (TFFI) through NSCB Memorandum Order No. 008-2009 on March 11, 2009.

The Task Force has four functions which are as follows:

- 2.1. Identify and generate “flash” indicators for key economic variables on a daily, weekly or monthly basis from government offices;
- 2.2. Recommend a dissemination system to ensure that the indicators are made available to the public;
- 2.3. Monitor the generation of the indicators in terms of availability and timeliness; and,
- 2.4. Recommend statistical policies to the NSCB Executive Board for the institutionalization of the compilation of the “flash” indicators.

The Task Force is composed of the following

Chair:	Director National Economic and Development Authority
Co-Chair:	Director National Statistical Coordination Board
Members:	Director, Bangko Sentral ng Pilipinas Director, Department of Finance Director, Department of Budget and Management Director, Department of Labor and Employment Director, Department of Trade and Industry Director, National Statistics Office Director, Securities and Exchange Commission Representative, Exports Development Council

3. Recommendations of the Task Force

3.1. List of Flash Indicators

The existing data frameworks mentioned in 1.2.2 above were used by the Task Force as a starting point in the identification of indicators. The common indicators among the

frameworks were considered and, in addition, the following criteria were applied in the identification of the indicators included in the list:

1. available on a monthly basis
2. has a time lag of not more than three (3) months
3. series is available since January 2007

A total of 81 indicators grouped into eight (8) sectors were identified by the Task Force. Table 1 shows the number of indicators per sector.

Table 1. Number of Flash Indicators by Sector

Sector	No. of Indicators
1. Prices	22
2. Production	6
3. Employment	7
4. Sales	4
5. External Sector	16
6. National Government Cash Operations	5
7. Money and Banking	18
8. Tourism	3
Total	81

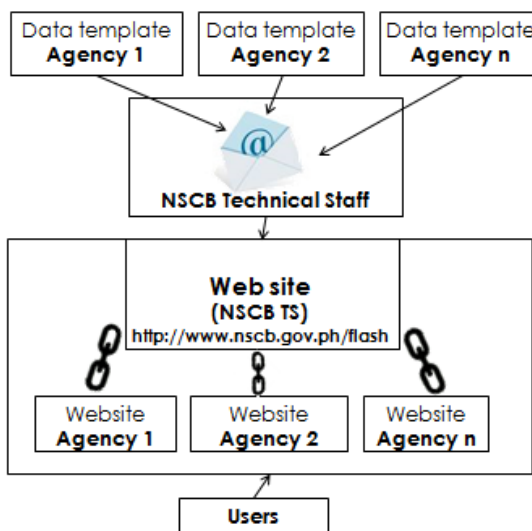
Along with the actual data, metadata of the indicators on definition, unit description, source agency, schedule/target date of release, and actual date of release were compiled by the NSCB Technical Staff per submission of source agencies.

Metadata references included official concepts and definitions for statistical purposes as approved by the NSCB Executive Board as well as those provided by source agencies and from international organizations.

The complete list of the indicators is found in Annex BR-10-2009-01a and the corresponding metadata are found in Annex BR-10-2009-01b.

3.2. Compilation System, Dissemination System and Communication Plan

To ensure that the flash indicators are compiled and disseminated in an efficient manner, the TF recommends the system shown in Figure 1 which involves the basic flow of the system which involves data collection, compilation and dissemination processes between the NSCB Technical staff, source agencies and users. To facilitate the implementation of the system, a Memorandum of Understanding shall be executed by and between the NSCB and the source agencies.

Figure 1. Compilation and Dissemination System for Flash Indicators

3.2.1. Compilation system

The NSCB Technical staff will provide a standard data template for source agencies to fill out which should then be returned to the NSCB with updated data and metadata per release date of the indicators they produce.

The NSCB Technical staff will maintain a database for the flash indicators where updates from source agencies will be inputted to. The database will be used not only as a production database but also as a dissemination database from which data will be retrieved automatically to produce tables and charts for the website on the flash indicators.

3.2.2. Dissemination system

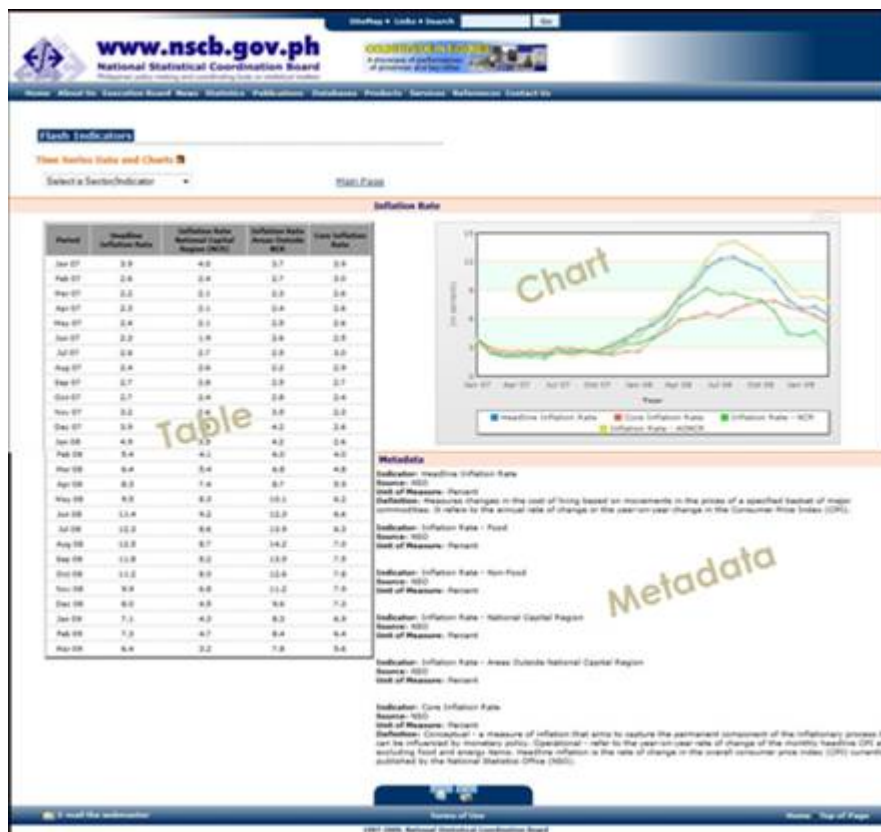
The indicators along with metadata will be disseminated online and can be accessed by users on the NSCB website with the URL <http://www.nscb.gov.ph/flash>. The website will feature a web-based database that produces interactive time series statistical tables and charts. A hyperlink to the website on flash indicators will also be posted on the websites of source agencies.

Basically, the website on flash indicators contains the following:

- a. Time series tables and charts
- b. Calendar of release of the indicators
- c. Metadata
- d. StatWatch for the flash indicators (a page showing the latest, previous and year-ago data)

A screenshot of the website of the flash indicators is shown below (Figure 2):

Figure 2. Screenshot of the Flash Indicators showing time series tables and charts and corresponding metadata



3.2.3. Communication Plan

To effectively communicate the work of the Task Force as well as updates on the effect of the global financial crisis on the country's economy, the Task Force will in the immediate future:

- Prepare and disseminate a press release containing information on the flash indicators compiled by the Task Force and the website where these can be accessed;
- Communicate with concerned government agencies/bodies the work of the Task Force, specifically the compiled flash indicators, as inputs in/basis for:
 - economic analysis, target-setting and policy/legislative actions
 - research and studies on the impact/effect of the financial crisis to the poor

3.3. Institutionalization Plans

3.3.1. Compilation and Dissemination

The Task Force recommends that the NSCB be the agency that will institutionalize the compilation and dissemination of flash indicators through the implementation of necessary systems and coordination mechanisms (including the system mentioned in 3.2 above).

It is further recommended that the NSCB Technical Staff continue the updating and dissemination of the indicators through the website of the flash indicators which is to be hosted on the website of the NSCB.

The source agencies, meanwhile, are enjoined to provide data to the NSCB per their respective advance release calendars.

For the continued updating of the flash indicators and for necessary improvement activities, the necessary budget should be endorsed to the Department of Budget and Management (DBM). Further, the DBM is enjoined to provide budget for additional manpower resources to the NSCB Technical Staff needed to institutionalize the compilation and dissemination of the flash indicators.

3.3.2. Monitoring

The NSCB Technical Staff will monitor the generation of the indicators in terms of availability and timeliness. The timeliness of the release of the indicators will be measured in terms of the number of days between the target date of release and the actual date of release of the indicators by the source agencies. Information as to the delays/advances of releases will be posted on the website of the flash indicators.

3.3.3. Others

3.3.3.1. Reducing time lags of releases of indicators

Noting that some of the indicators (foreign trade, BOP, OFWs, etc.) in the list have long time lags (2 to 3 months), the Task Force recommends that the Board enjoin the source agencies to reduce the time lags so that the indicators would be more useful in the context of relevance and urgency for monitoring the global crisis.

3.3.3.2. Studies on the generation of high-frequency indicators

To effectively monitor the global crisis for immediate and responsive policy actions, there is a need to generate and disseminate high-frequency (weekly/monthly) flash indicators. The Task Force thus recommends that studies on the generation of flash estimates of relevant indicators (GDP, unemployment, etc.) be conducted by concerned agencies and the corresponding budget be endorsed by the Board to the Department of Budget and Management.

It must be emphasized though that some of the indicators identified by the Task Force have higher frequency, i.e., daily/weekly – particularly those in the Money and Banking sector (T-bills, Phisix index, BSP policy rates, etc.).

3.3.3.3. Statistical Frameworks for other global crisis

The Task Force recommends that appropriate statistical/data frameworks be formulated to address the data requirements of other global crises (e.g. global warming/climate change, Influenza A(H1N1)) to effectively monitor their impact in the country. The Task Force, hence, enjoins the various NSCB Interagency Committees to formulate statistical frameworks on crisis specific to their sector. This will ensure the sustenance of efforts that will proactively address potential challenges from crises that may emerge in the future.

Prepared by:

The Secretariat

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