

Information, Economic Indicators & Good Governance

Dr. Nasser Saidi

AUB Alumni Association

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Information, Economic Indicators & Good Governance

- **Role of Information for Market Efficiency and Policy Effectiveness**
- State of Economic & Financial Information in Lebanon
- Reforms and an Action Plan to Improve Economic Information

Economic Information & Indicators

- Market Efficiency & Market Information are inextricably related
- Examples: price dispersion in China after availability of telephones; car prices on internet
- Critical links:
 - Opportunities for profitable arbitrage are fully exploited in equilibrium
 - Non-random, systematic component of time series of recorded security prices is a source of information about future prices

Market Efficiency & Market Information

- Efficient markets –financial markets especially- dependent on availability of reliable, consistent, verifiable, information about current and expected future ‘states of the world’
- Efficiency: Weak, Semi-Strong, Strong Forms
- **‘Public Good’** aspect of information

Market Efficiency & Market Information

- Better information \Rightarrow improves resource allocation and economic efficiency
- Disclosure of financial information directs capital goes to its most productive uses
- Transparency: flow of timely & reliable economic social & political information about policies, outcomes
- Transparency: Access, Relevance, Quality, Reliability

Financial Market Indicators

- Asset prices and their indices are *forward looking*, discount expected future actions, policies and events
- Tend to be *leading* indicators of economic activity
- *More volatile* than real economic indicators
- Examples: Paris II

Economic Information & Good Governance

- Good governance requires transparency, efficiency and accountability
- Governance: traditions, institutions by which authority is exercised for the common good:
 - Process of selection, Monitoring and Replacement of leadership and authorities
 - Capacity of government its resources and implement sound policies
 - Respect of citizens and the State for the institutions that govern social and economic interactions among them

Good Governance

- Good Governance= f(Knowledge & Information, Leadership, Collective action)
- Increased Globalization places emphasis on transparency and comprehensiveness of information

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Economic Information in Lebanon

- Destruction of Statistical Capacity and Infrastructure
- Loss of 'institutional memory'
- Under-investment in production of economic information
- Private sector production and dissemination of economic information: banking & financial, prices, real sector activity

Economic & Financial indicators

- **BDL Composite**

Coincident Indicator:

indicator is produced as a measure of overall economic developments in the absence of annual or quarterly GDP data

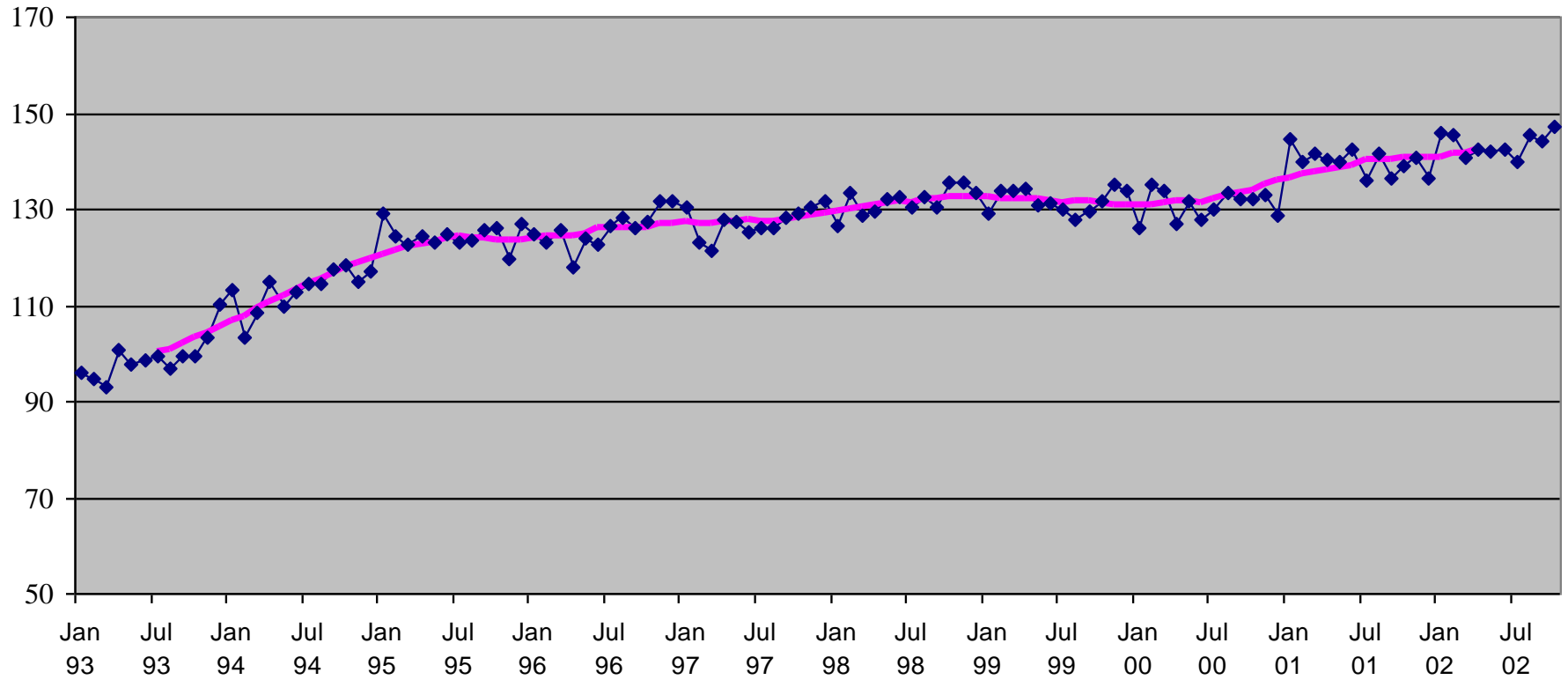
- **Qualitative Survey Indicators**

- Production tendency in industry
- Sales volume tendency in commerce
- Order situation in industry

- **Quantitative Indicators:**

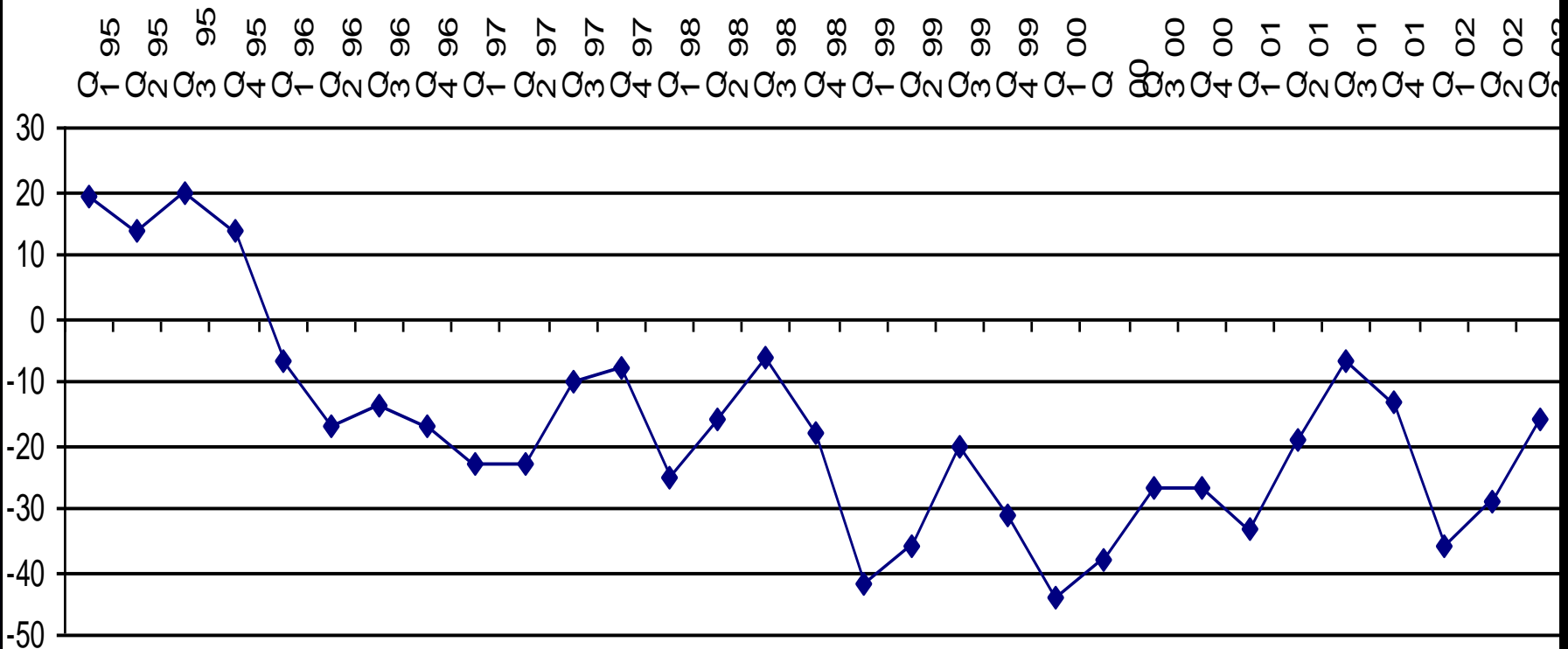
- Petroleum products
- Electricity production
- Cheques cleared
- Cement deliveries
- Passengers flows
- Imports
- Exports
- Money M3

Coincident Indicator



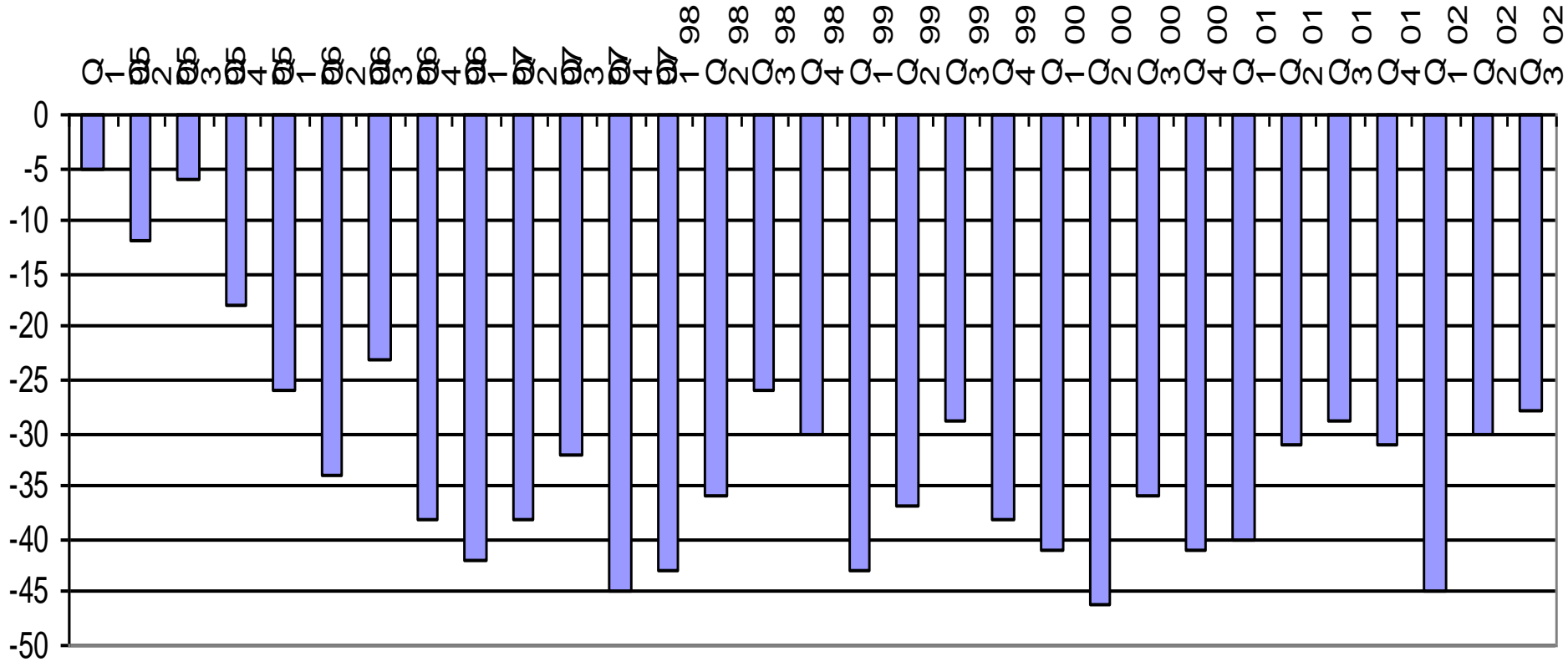
INDUSTRY

Balance of Opinion - Production



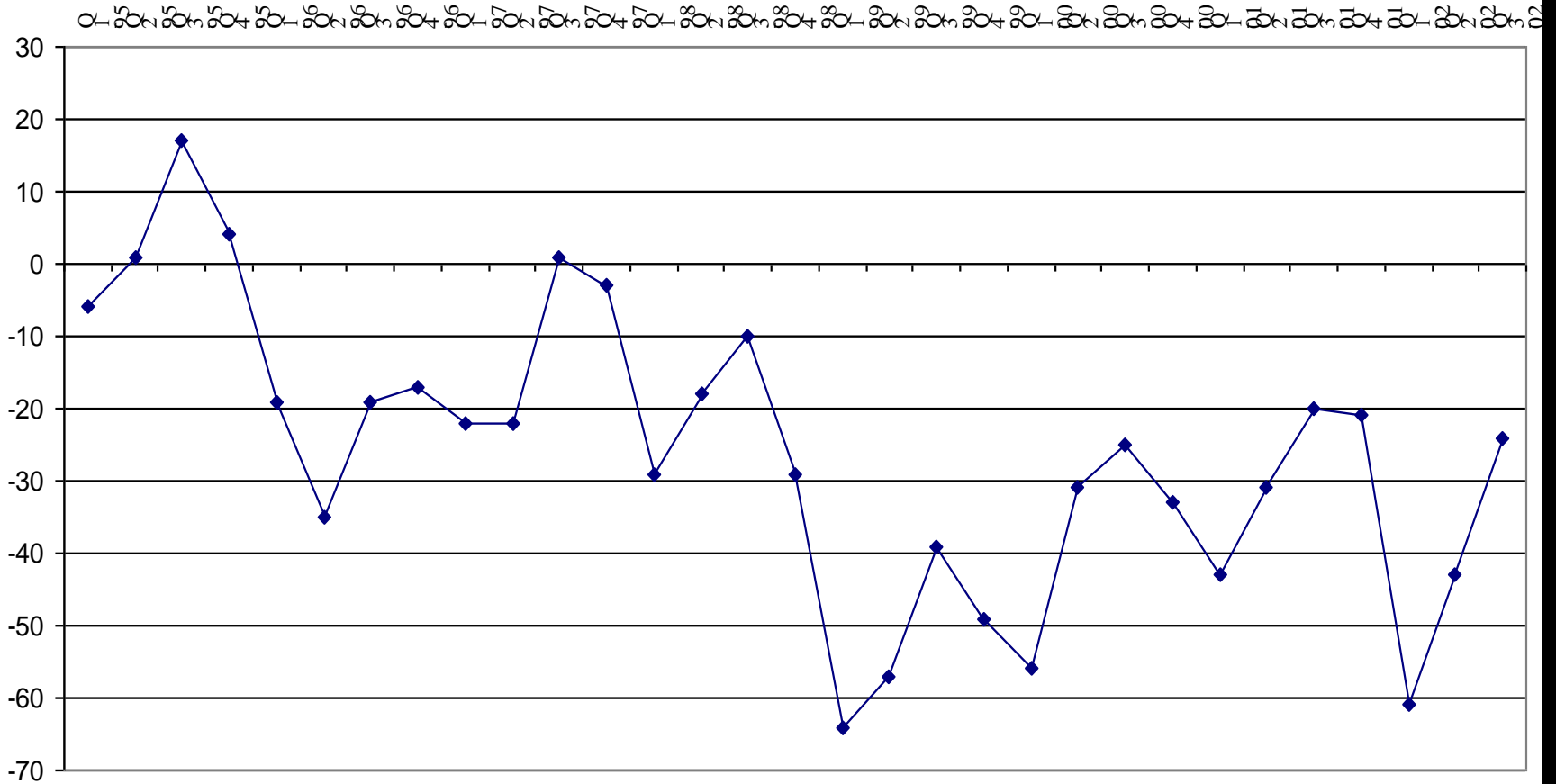
INDUSTRY

Balance of Opinion - Registered Orders



COMMERCE

Balance of Opinion - Sales Volume



Financial indicators

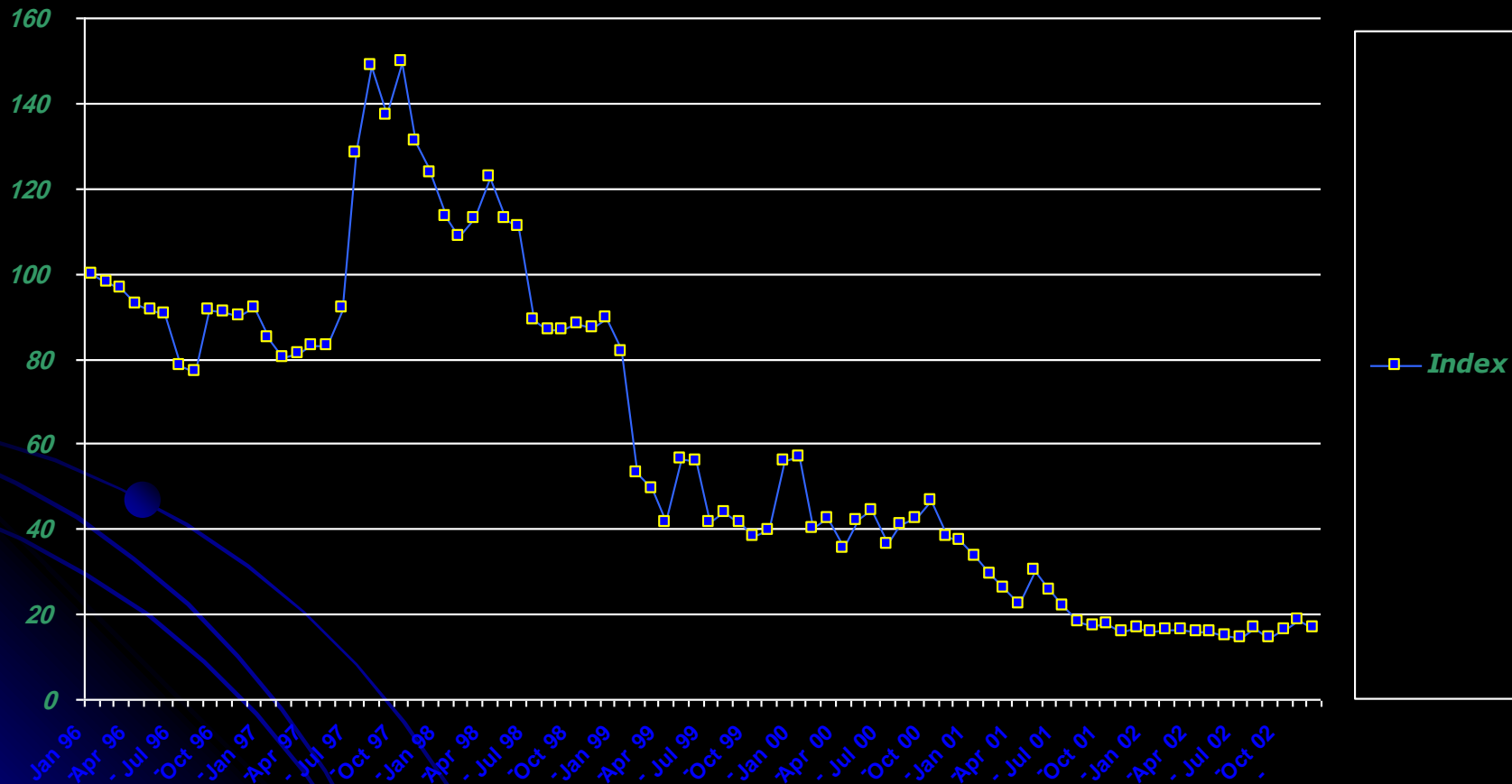
- Stock Market

- BDL MARKET VALUE WEIGHTED INDEX
- Major Banks

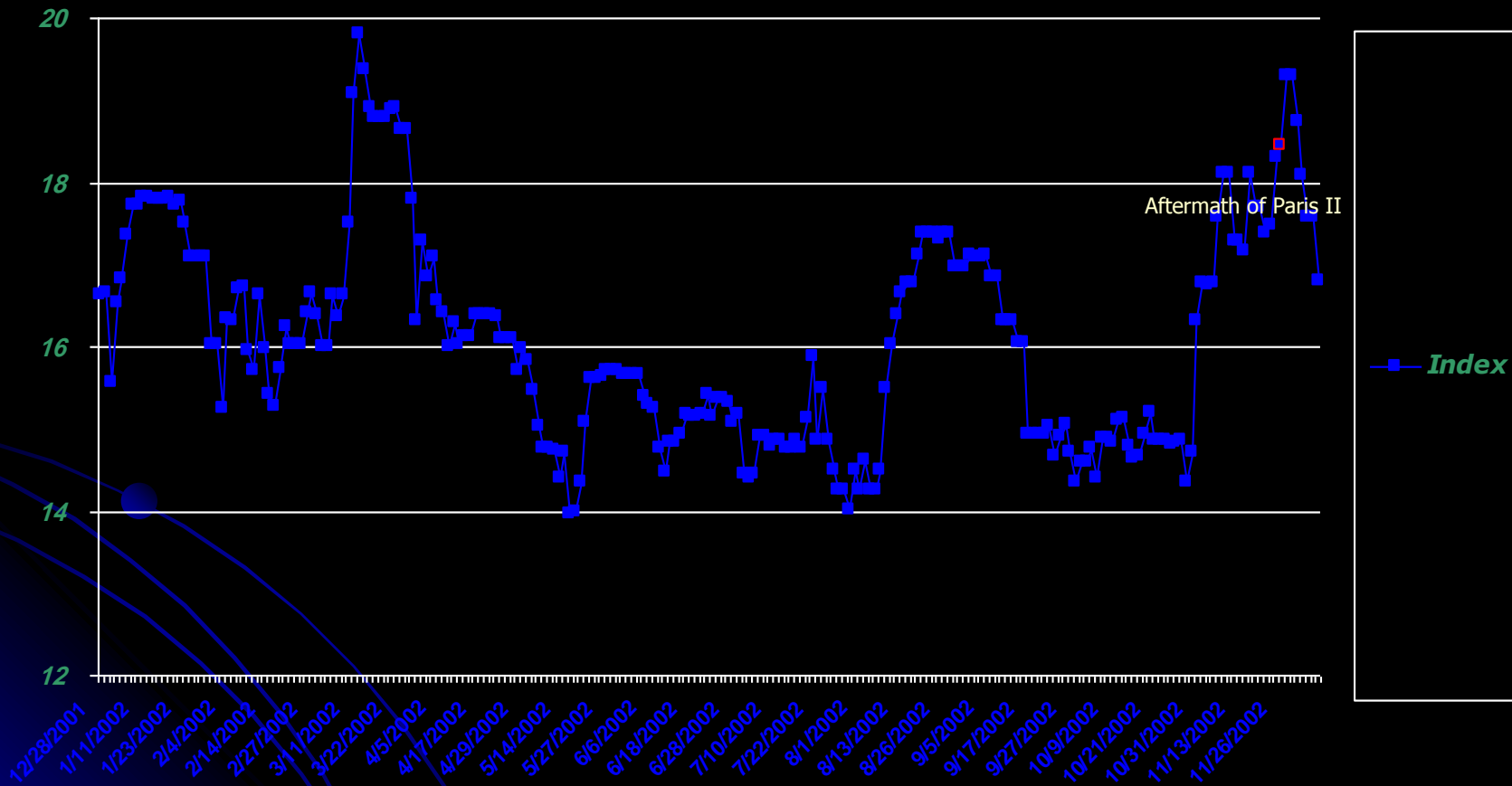
- Fixed Income

- REUTERS LB BOND INDEX
- International investment houses

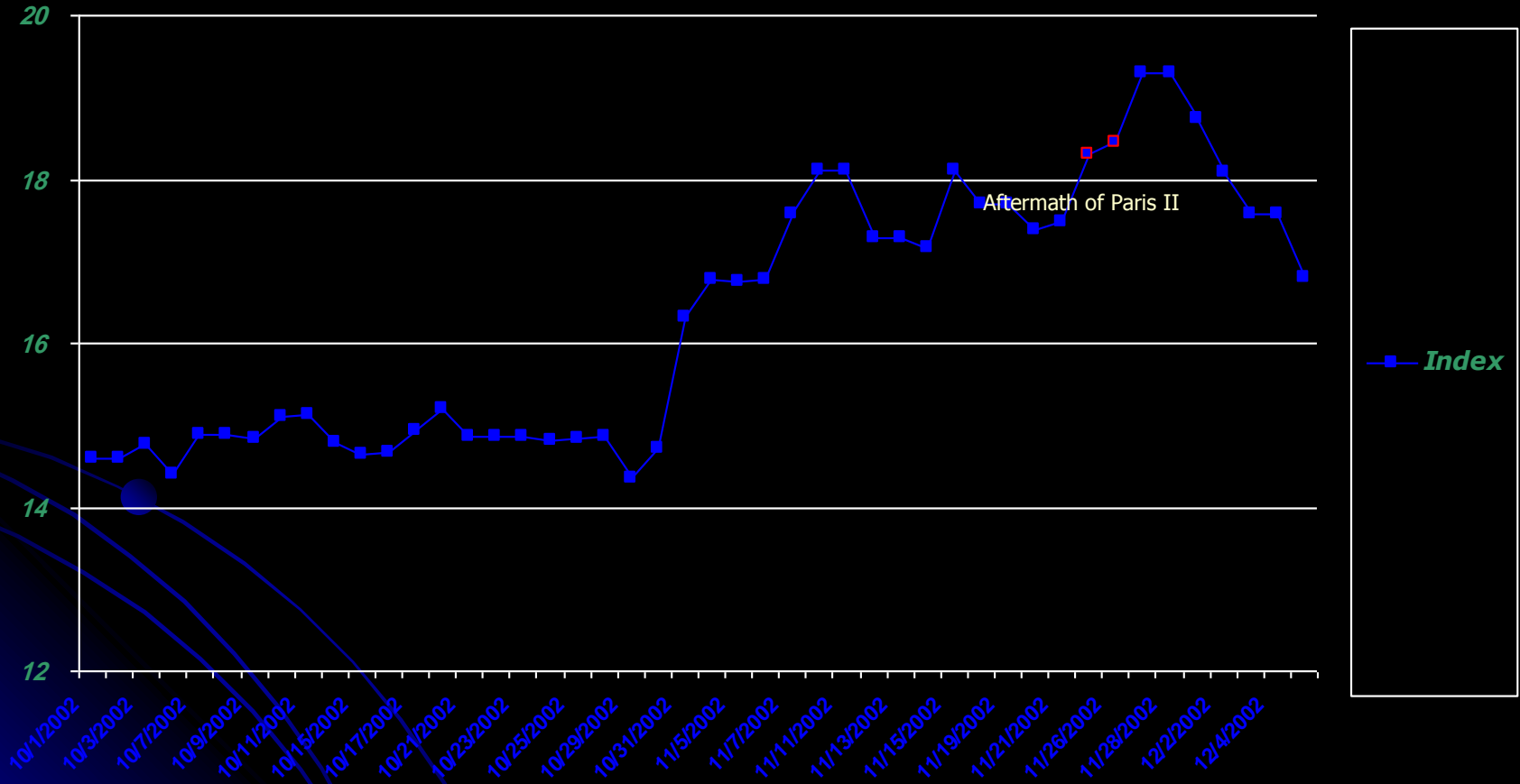
END OF MONTH BEIRUT STOCK EXCHANGE MARKET VALUE WEIGHTED INDEX (Financial Markets Department)



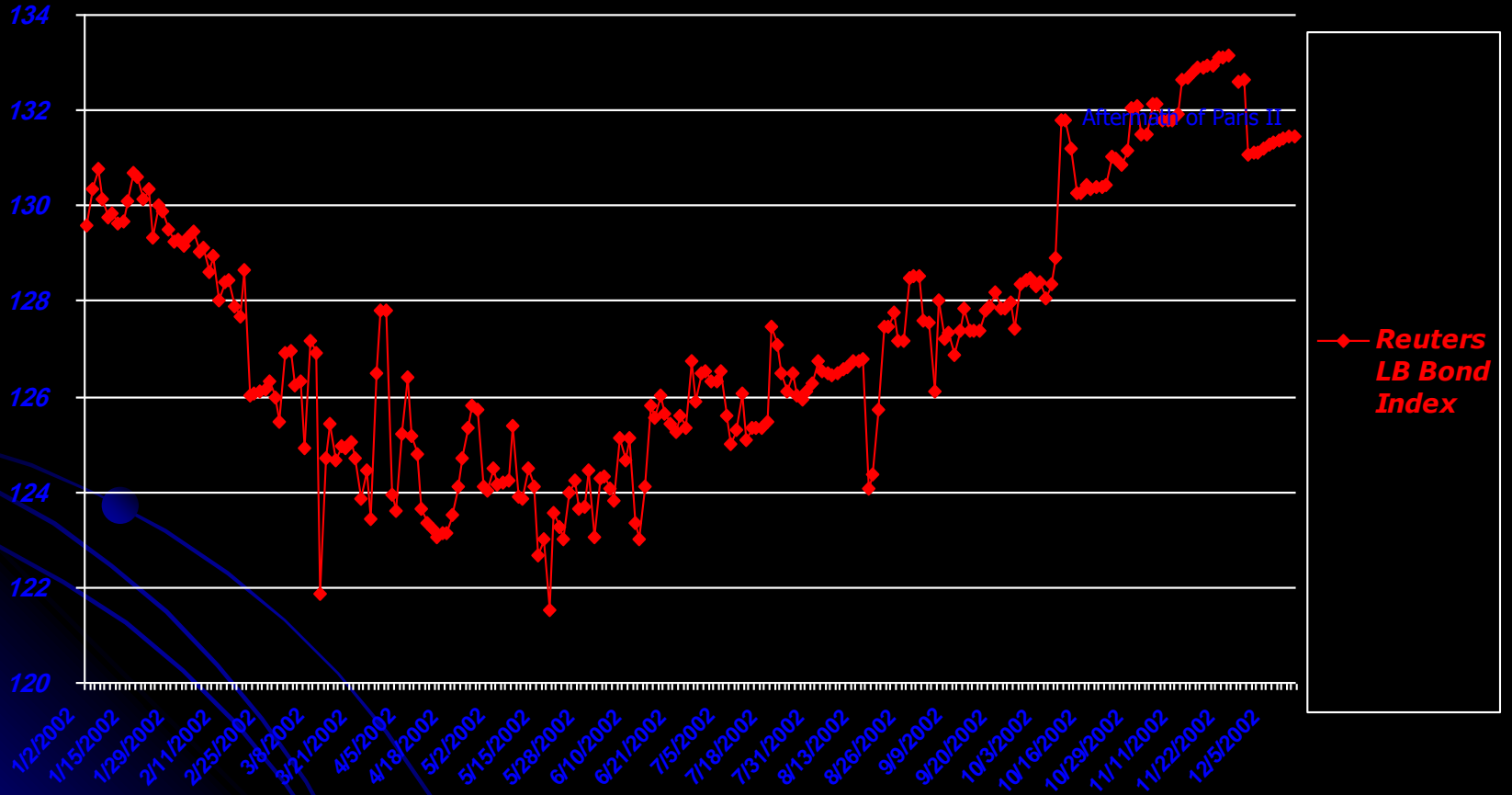
YEAR 2002 - DAILY BEIRUT STOCK EXCHANGE MARKET VALUE WEIGHTED INDEX (Financial Markets Department)



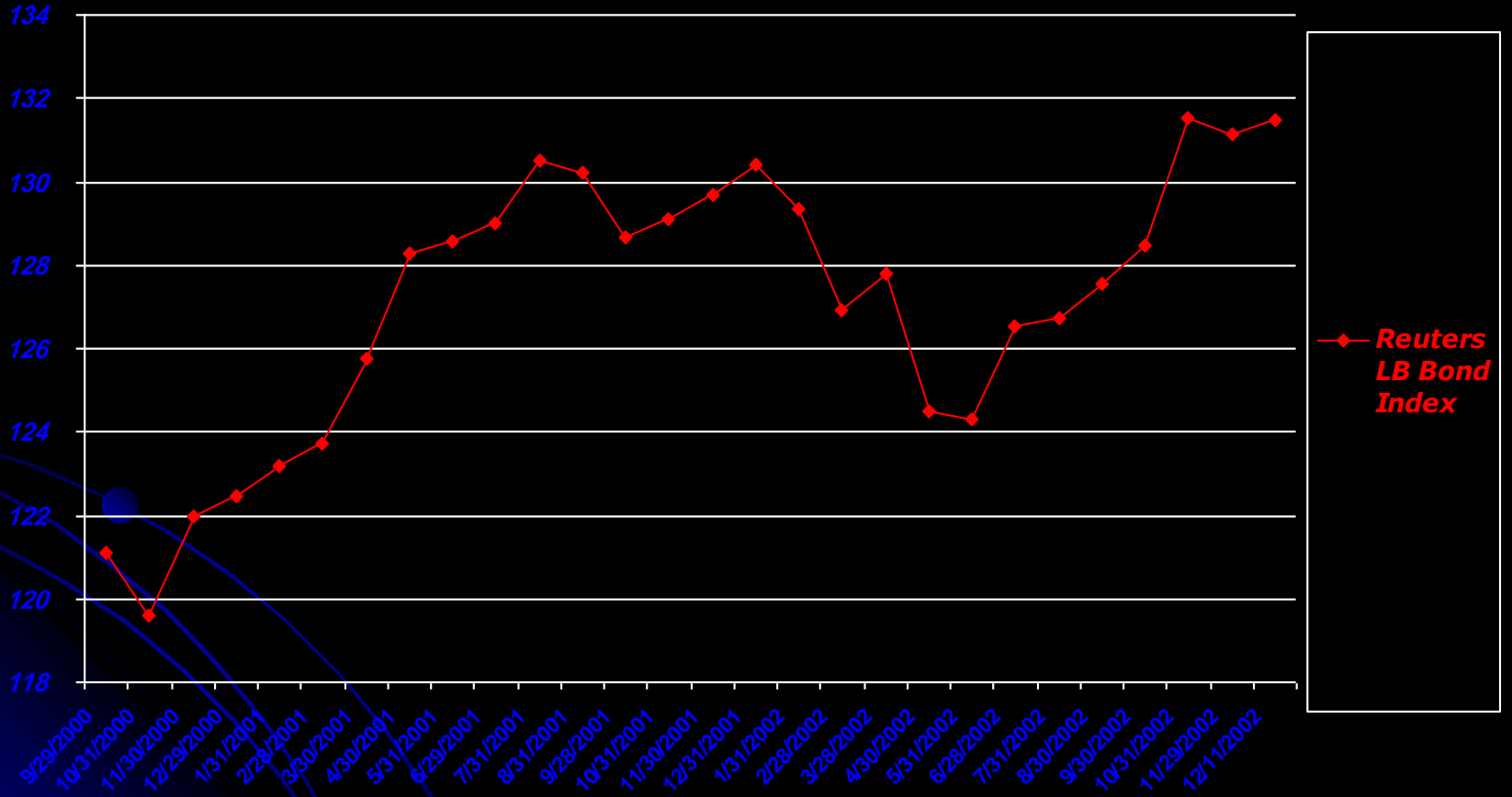
LAST 2 MONTHS - DAILY BEIRUT STOCK EXCHANGE MARKET VALUE WEIGHTED INDEX (Financial Markets Department)

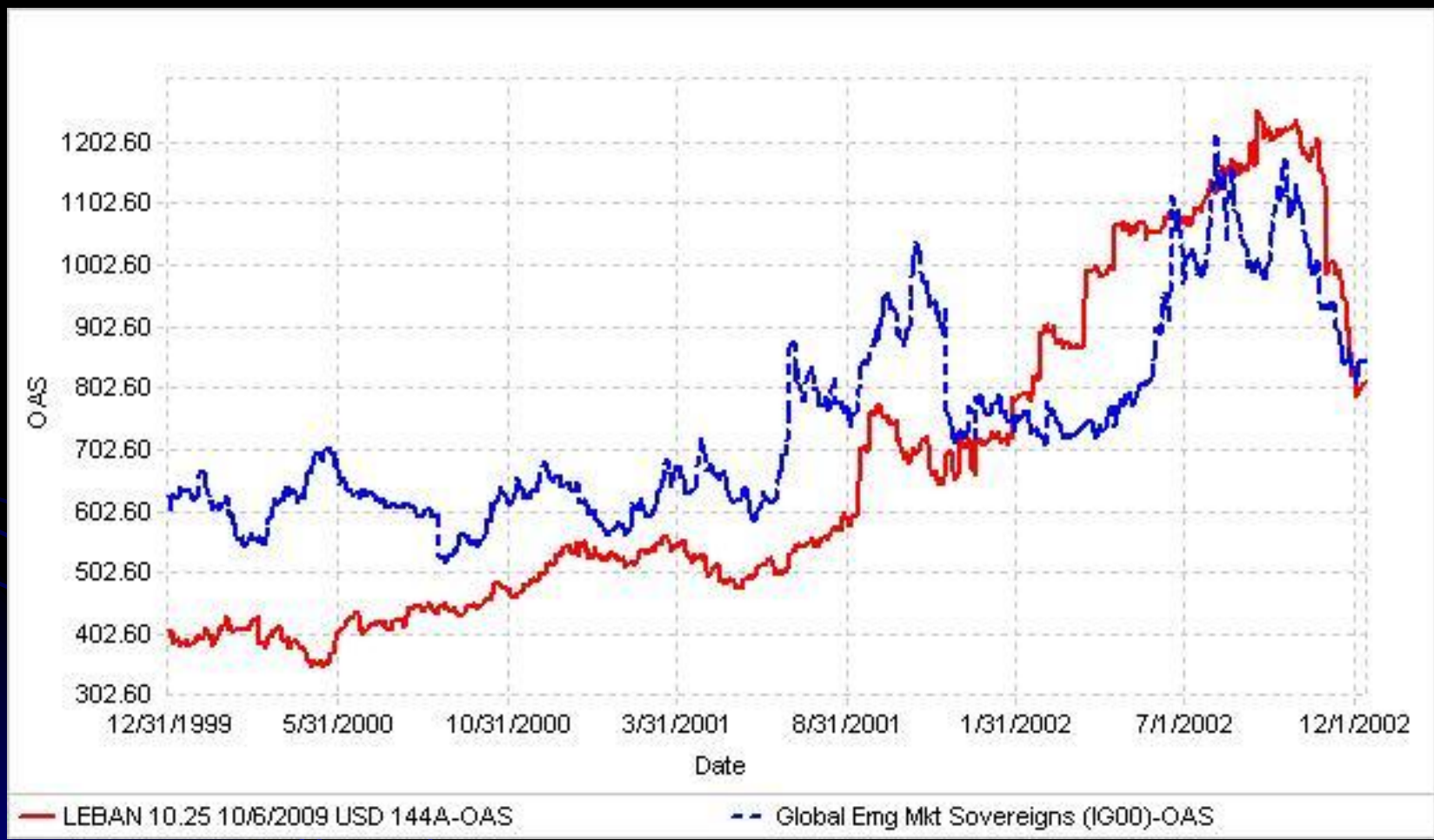


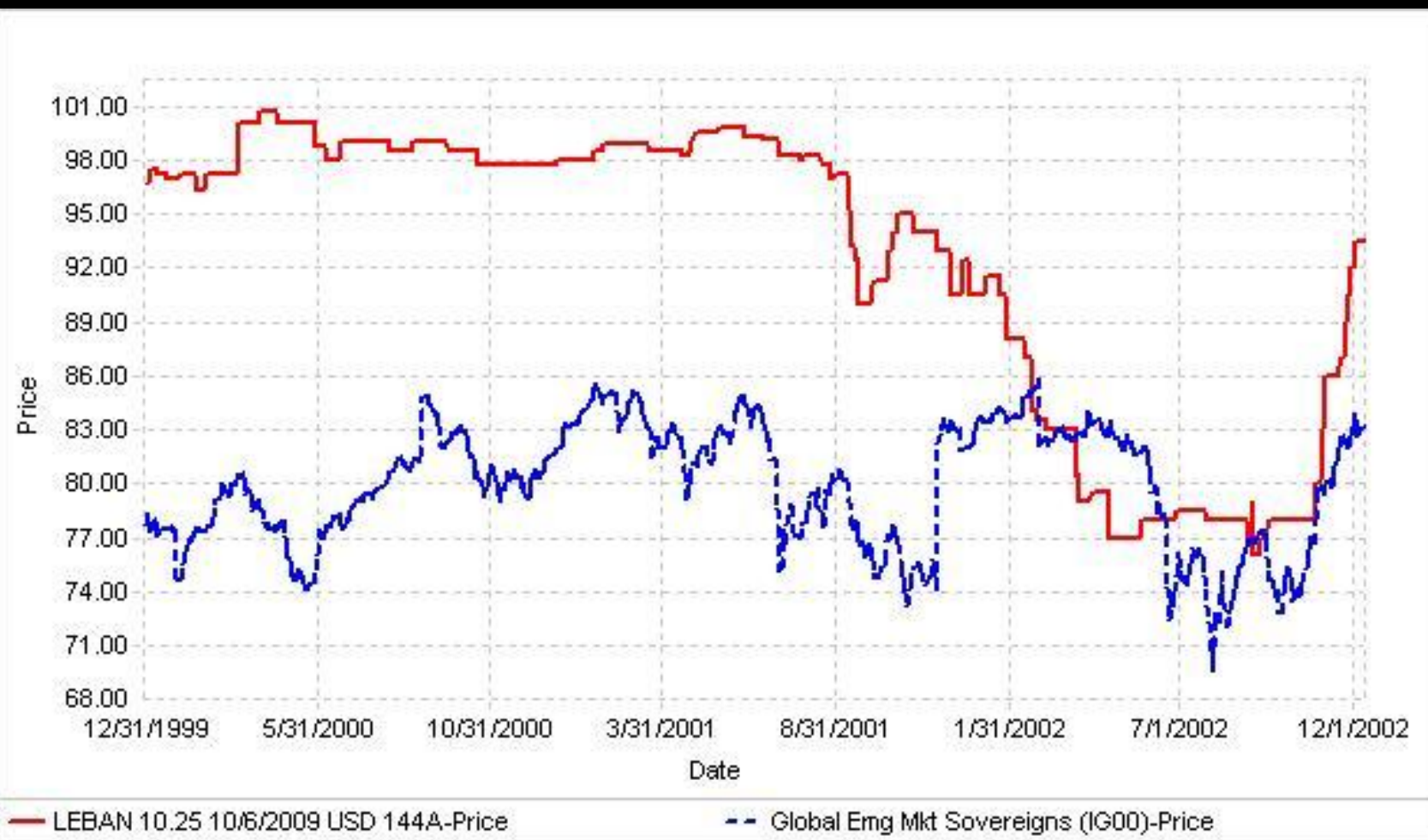
REUTERS LB BOND INDEX (YEAR 2002)



REUTERS END OF MONTH LB BOND INDEX







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Reforms and an Action Plan to Improve Economic Information

- Legal & Institutional
- Statistical Capacity Building
- Initiatives:
 - ARLA/EU
 - Insee/France
 - GDDS/International Institutions

Statistical Initiatives for Good Governance

- The General Data Dissemination Standard (GDSD): framework is intended to provide guidance for the overall development of macroeconomic, financial, and socio-demographic data
- Jordan, Kuwait, Oman, Yemen, Lebanon (2002)
- Special Data Dissemination Standard (SDSD): Tunisia, Israel, Turkey, Greece

GDDS DATA: Four Dimensions

- Data: coverage, periodicity, timeliness, development, production, and dissemination of two interrelated classes of data: (1) comprehensive frameworks for each of the four economic and financial sectors (real, fiscal, financial, and external); and (2) indicators for each of these sectors, plus the socio-demographic data. **Reliable, Comprehensive & Timely**
- Integrity of disseminated data: **Confidence of users**
- Access by the public: **Ready and equal access**
- Quality of disseminated data

GDDS: Features

- ◆ **Project initiated by Banque du Liban with the cooperation of the IMF & World Bank**
- ◆ **Council of Ministers officially approved Lebanon's entry into GDDS in September 2002**
- ◆ **Goal:**
Development of overall Statistical Systems & dissemination practices: adopt good statistical practices and monitorable elements
- ◆ **Sectors involved:**
Economic, financial, monetary, & socio-demographic statistics

GDDS: Objectives

- Rebuild the Statistical Infrastructure:
 - Institutional capacity, production and dissemination
- “Mise à niveau”: GDDS implies complying with international standards
- GDDS posits a Structural Framework for improving statistics

GDDS: Benefits

- Improve monitoring, decision-making and economic and social policies
- Build-up strong areas: monetary, financial
- Focus on weak areas: real sector, socio-demographic
- Communication and Dissemination result in better information, accountability and transparency: **'LebStats Portal'**

Statistical capacity Building

1. Adopt agreed international accounting and auditing standards : e.g banking system
2. Revise Information & Statistical Legal Framework
3. Invest in Statistical Capacity and reduce reliance on private, nonofficial estimates
4. Focus on inter-agency collaboration
5. National Accounts, Real Sector & Socio-Demographic Statistics are priorities

Legal & Institutional Framework

- Modern Statistics law features:
 - Strong centralized statistics agency
 - Independent and Professional
 - Adequate budgetary resources
 - Mandatory reporting by respondents
 - Protection of confidentiality of individual data
 - Clear listing of functions
- ‘Freedom of Information Law’: allowing wide access to public information

References

- <http://dsbb.imf.org/gddsindex.htm>
- Data quality:
<http://dsbb.imf.org/dqrsindex.htm>
- Reports on Observance of Codes & Standards:
http://dsbb.imf.org/dqrs_roscs.htm
- UN Stats:
<http://unstats.un.org/unsd>

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