

Intelligence MEMOS



From: Henry Lotin
To: Concerned Canadians
Date: January 2, 2018
Re: **HOW ACCURATE ARE OUR TRADE AND OUTPUT MEASURES**

A recent National Bureau of Economic Research paper added to the body of evidence suggesting output and productivity measures can severely distort the picture of national contributions to the global economy. This is true of measures of trade flows as well, particularly regarding trade in services where the data published by statistical agencies often rely on surveys.

These distortions in turn can limit our understanding of issues ranging from international taxation to the employment and productivity effects of international trade. All of which prompts questions about potential gaps in Statistics Canada surveys and statistical programs related to these issues.

StatsCan identifies some 350 active published surveys, but also 407 “inactive” surveys, that is, cancelled or suspended. There is a continuing process of such cancellations and suspensions: of the 139 surveys for which we have end dates, 11 ceased from 1997-1999, 35 from 2000-2006, 45 from 2007-2015 and three from 2016-2017.

Of the active surveys, 222 are economic surveys or supporting economic sector analysis. Of the inactive ones, 180 can be considered economic. Of these, only 33 were flagged as replaced by or amalgamated with (in whole or in part) other data series. This leaves more than 140 surveys without a stated comparable successor.

The importance of these orphan surveys to our assessment of our economy will naturally vary. In all, at least 57 of the inactive surveys were related to trade in services while 15 pertained to financial flows, an important window into the financial services sector.

At least 45 of which we know were used for balance of payments, input output measures (for GDP), or national accounts, including 25 that were not identified as replaced by or amalgamated in other surveys.

Of course, this cannot tell us what, if any, are the precise “gaps” in output and productivity measures, arising from the absence of these surveys. Many inactive surveys listed contain a rationale for termination. These included shifts in manufacturing production, products no longer considered a leading indicator, and reclassification of a product or service, usually linked to technological change, change in consumer use, or the elimination of legislation requiring the data.

But when no explicit rationale for ‘inactivity’ status is provided, context and timelines suggest budget constraints played a role, within Statistics Canada or within cost sharing institutions, in at least half the inactive surveys.

Canadian researchers need to evaluate how the loss of these surveys has affected our output and productivity data, especially among material subsectors of trade in services. Are the missing data addressed in other surveys, and if so how well? A full official accounting of reasons for inactive surveys, and whether or not they have been replaced in whole or in part, would help identify potential gaps in our understanding of Canada’s contribution to the global economy. In this era of growing international services, data and financial flows, and of renewed debate over the benefits of global trading arrangements, such a clearer picture would be immensely valuable to decision-makers.

Henry Lotin is an economist and principal of Integrative Trade and Economics and a retired Canadian diplomat.

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