

NEWSLETTER

November 2006

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Editorial

➤ *Eurostat tribute to Milton Friedman*

By Rosa Ruggeri Cannata and Gian Luigi Mazzi

Milton Friedman, one of the major economists of the 20th century died on November 16, at the age of 94. This has been a great lost for the world community of economists which will continue to remember his brilliant mind and the emphasis he put in supporting his ideas.

Friedman was born in Brooklyn, New York in 1912. He received a B.A. from Rutgers University in 1932 and a master's degree from the University of Chicago the next year. In 1946 he obtained a doctoral degree in economics from Columbia University and joined the University of Chicago.

Friedman's dissertation was published after the war; the resulting book, *Incomes from Independent Professional Practice* introduced the concepts of permanent and transitory income. This study of professional income, integrated with his prior work on consumer budgets, served as the basis of his landmark *Theory of the Consumption Function*. He restyled the theory of consumption starting from the hypothesis that "the permanent income" and not just the current income is the determining factor when assessing total consumption outlay. Friedman distinguished between temporary and more permanent incomes of households demonstrating that a much greater proportion of the former type of income is saved than the latter.

He was regarded as the leader of the Chicago School of monetary economics, which considered the quantity of money as a key instrument of government policy, capable of influencing inflation and business cycle, and the leading proponent of free-market theory.

When he began graduate studies in economics, during the Great Depression, the theories of British economist John Maynard Keynes were widely accepted. Keynes believed that government intervention was necessary to help smooth out the boom-bust cycles in the economy.

The changes brought about by Friedman's economic work represented a departure from Keynesian economic philosophy. As a believer in the principles of Adam Smith, Friedman argued vigorously that economic freedom was necessary for political freedom. He stressed the role of money supply as the major determinant in the business cycle and inflation and considered it as the most effective instrument of government economic policy.

Friedman recommended that central banks adopt a general rule of controlling the money supply to suppress inflation and allow prices to find their natural level. He strongly claimed that most other forms of government intervention in the economy are counterproductive and fundamentally contrary to the values of a free society. His empirical studies on the relationship between increases in the supply of money and the consequent changes in incomes and prices are founded on a new formulation of the theory of demand for money or liquid resources.

In the early 1960s, Friedman's ideas began to gain adherents between the general public, thanks also to the publication of books such as *Capitalism and Freedom* (1962), written in collaboration with his wife, Rose D. Friedman. In 1963 he published *A Monetary History of the United States, 1867-1960*, co-written with Anna J. Schwartz and considered as the definitive history of United States money supply.

Thanks to Friedman macro-econometric models of today differ greatly from those of the past as regarding to monetary factors. The widespread debate on Friedman's theories also led to a review of monetary policies pursued by central banks. He revitalized conservative economic theory after the big-government era of the 1940s, 1950s and 1960s leading the movement that limits government's role in the market to stabilize the growth of the money.

Friedman is considered the founder of the so-called neo-classical macro economics while he contributed to the regeneration of the classical economics strongly criticized by Keynes.

Friedman, who won the Nobel Prize in 1976 for his achievements in the fields of consumption analysis, monetary history and theory, and for his demonstration of the complexity of stabilization policy, helped interpret and popularize so-called "supply-side" economics, stressing the role of money in inflation and the weight of monetary policy.

Friedman's other achievements touch various fields such as: the right timing for stabilization measures during a business cycle, the importance of expectations of inflation, and the system of free exchange rates .

In business cycle analysis he searched for the right time for stabilization measures, defining "observation-lag", "decision-lag" and "effect-lag" and studying their destabilizing effect on the cycle. He reached the conclusion that monetary policy's main goal should be to ensure a long-range stable growth rate of the supply of money.

Friedman also shaped modern theory of wage structures, pointing out the importance of expectations of inflation. He was the first to demonstrate that a simple trade-off between unemployment and the rate of inflation was a temporary phenomenon. Unemployment below a structural level of equilibrium (natural unemployment) would lead to a cumulative increase rate in prices and wages.

Friedman was among those who first realized and explained why a system with relatively fixed exchange rates, such as the Bretton Woods System one, could not last. At the beginning of the fifties Friedman was recommending the reorganization of the international monetary system based on flexible exchange rates.

Friedman was widely respected as an academic who also expressed himself in ways that could be understood by the general public. He took his theories to television in a 10-week series on economics broadcasted in the 1980s, and he wrote a column for Newsweek from 1966 to 1983. His animated debate with post-Keynesian economists such as Franco Modigliani and James Tobin will remain as one of most remarkable examples of macro-economics dialectics. He published nearly two dozen books, enclosed the 1980 bestseller non-fiction book *Free to choose*.

Upon retiring in 1977, he became a senior research fellow at Stanford University's Hoover Institution. In 1988 Friedman was awarded the Presidential Medal of Freedom and the National Medal of Science.

Friedman's views of monetary policy, taxation, privatization and deregulation informed the policy of governments around the globe, especially the administrations of Ronald Reagan in the United States and Margaret Thatcher in the United Kingdom. His ideas were studied throughout the world, and played a major role in the transformation of China's economy.

Even if some of Friedman's ideas remain controversial, especially those on the role of government in the economy, his statement of controlling the money left an undeletable stamp in modern theory of economics. Nowadays, his ideas are widely recognized especially by those economists which are the leaders of the so-called post-Keynesian macro-economics which believe that the economy behaves in a Keynesian way within the short period and in a neo-classical way in the long run.



Highlights

➤ *Euro-IND statistical news*

Consumer prices

Euro area annual inflation down to 1.6% - EU25 down to 1.8%

Euro area annual inflation was 1.6% in October 2006, down from 1.7% in September. A year earlier the rate was 2.5%. Monthly inflation was 0.1% in October 2006. **EU25** annual inflation was 1.8% in October 2006, down from 1.9% in September. A year earlier the rate was 2.4%. Monthly inflation was 0.1% in October 2006. **EICP** annual inflation was 1.8% in October 2006.

These figures come from **Eurostat, the Statistical Office of the European Communities**.

Inflation in the Member States

In October 2006, the lowest annual rates were observed in **Luxembourg** (0.6%), the **Czech Republic** (0.8%) and **Finland** (0.9%), and the highest rates in **Hungary** (6.3%), **Latvia** (5.6%) and **Estonia** (3.8%). Compared with September 2006, annual inflation rose in four Member States, remained the same in five and fell in sixteen.

The lowest 12-month averages up to October 2006 were in **Poland** and **Finland** (both 1.2%) and **Sweden** (1.5%); the highest were in **Latvia** (6.7%) and **Estonia** and **Slovakia** (both 4.3%).

Euro area

The main components with the highest annual rates in October 2006 were housing (3.6%), education (3.4%) and food (3.0%), while the lowest annual rates were observed for communications (-2.6%), transport (-0.7%) and recreation and culture (0.0%). Concerning the detailed sub-indices, gas (+0.16 percentage points) had the largest upward impact on the headline rate, followed by restaurants and cafés (+0.08), while fuels for transport (-0.42) and telecommunications (-0.13) had the biggest downward impacts.

The main components with the highest monthly rate were clothing (2.9%) and alcohol and tobacco (1.3%), and the lowest were transport (-1.1%), food and recreation and culture (both -0.2%). In particular, garments (+0.16 percentage points) had the largest upward impact, while fuels for transport (-0.18) had the biggest downward impact.

October 2006 – News release N°149/2006 – 16 November 2006

Euro area inflation estimated at 1.8%

Euro area annual inflation is expected to be 1.8% in November 2006 according to a flash estimate issued by **Eurostat, the Statistical Office of the European Communities**. It was 1.6% in October.

Flash estimate - November 2006 – News release N°155/2006 – 30 November 2006

External trade

Euro area external trade surplus 2.0 bn euro - 13.4 bn euro deficit for EU25

The first estimate for the **euro area** trade balance with the rest of the world in September 2006 gave a 2.0 bn euro surplus compared with +1.3 bn in September 2005. The August 2006 balance was -5.4 bn, compared with -2.9 bn in August 2005. In September 2006 compared with August 2006, exports, seasonally adjusted, rose by 2.0% while imports fell by 0.1%.

The first estimate for September 2006 extra-**EU25** trade was a deficit of 13.4 bn euro, compared with -9.5 bn in September 2005. In August 2006, the balance was -21.3 bn, compared with -14.7 bn in August 2005. In September 2006 compared with August 2006, exports, seasonally adjusted, rose by 1.6% while imports fell by 1.7%.

These data are released by **Eurostat, the Statistical Office of the European Communities.**

September 2006 – News release N°151/2006 – 17 November 2006

Industry, commerce and services

Industrial new orders down by 1.3% in euro area - EU25 down by 1.0%

The **euro area** industrial new orders index decreased by 1.3% in September 2006 compared to August 2006. The index rose by 3.8% in August and by 2.0% in July. **EU25** new orders fell by 1.0% in September 2006, after rises of 2.7% in August and 1.7% in July. Excluding ships, railway and aerospace equipment industrial new orders fell by 2.0% in the **euro area** and by 0.7% in the **EU25** in September 2006.

In September 2006 compared to September 2005, industrial new orders increased by 7.6% in the **euro area** and by 6.8% in the **EU25**. Total industry excluding ships, railway and aerospace equipment grew by 5.4% in the **euro area** and by 5.0% in the **EU25**.

These estimates are released by **Eurostat, the Statistical Office of the European Communities.**

September 2006 compared to August 2006 – News release N°153/2006 – 22 November 2006

Industrial production down by 1.0% in euro area - Down by 0.6% in EU25

Seasonally adjusted industrial production decreased by 1.0% in the **euro area** in September 2006 compared to August 2006. Production rose by 1.7% in August and declined by 0.5% in July. In the **EU25** output fell by 0.6% in September after an increase of 1.2% in August and a decrease of 0.3% in July.

In September 2006 compared to September 2005, industrial production rose by 3.3% in both the **euro area** and the **EU25**.

These estimates are released by **Eurostat, the Statistical Office of the European Communities.**

September 2006 compared to August 2006 – News release N°148/2006 – 15 November 2006

Volume of retail trade up by 1.4% in euro area - Up by 2.4% in EU25

In September 2006, compared to September 2005, the volume of retail trade grew by 1.4% in the **euro area** and by 2.4% in the **EU25**. Compared to August 2006, the retail sales index fell by 0.6% in the **euro area** and by 0.2% in the **EU25**.

Annual changes

In September 2006, compared to September 2005, retail trade of “food, drinks and tobacco” gained 1.1% in the **euro area** and 1.9% in the **EU25**. The non food sector increased by 1.8% and 3.0% respectively.

Among the Member States for which data are available, total retail trade rose in **Latvia** (+19.8%), **Slovakia** (+10.8%), **Poland** (+9.6%), **Sweden** (+8.7%), **Finland** (+7.1%), **Lithuania** (+5.8%), **Spain** (+3.8%), the **United Kingdom** (+3.1%), **Denmark** (+2.5%), **Portugal** (+2.0%), **Slovenia** (+1.8%), **France** and **Luxembourg** (both +1.7%) and **Austria** (+0.8%), while falls were recorded in **Belgium** (-1.6%) and **Germany** (-0.7%).

Monthly changes

In September 2006, compared with August 2006, “food, drinks and tobacco” grew by 0.4% in the **euro area** and by 0.6% in the **EU25**. The non food sector fell by 1.3% and 0.6% respectively.

Among the Member States for which data are available, total retail trade increased in **Slovakia** (+2.2%), **Finland** (+1.5%), **Latvia** and **Poland** (both +1.2%), **Denmark** (+0.8%), **Sweden** (+0.7%), **Portugal** (+0.6%), **Spain** and **Lithuania** (both +0.1%) and remained stable in **Belgium** and **France**. Falls were recorded in **Austria** (-3.7%), **Germany** (-1.7%), the **United Kingdom** (-0.5%), **Luxembourg** and **Slovenia** (both -0.4%).

These first estimates come from **Eurostat, the Statistical Office of the European Communities**.

September 2006 compared to September 2005 - News release N°145/2006 – 7 November 2006

Industrial producer prices down by 0.5% in euro area - Down by 0.7% in EU25

The **euro area** industrial producer price index fell by 0.5% in September 2006 compared with August 2006, and **EU25** prices decreased by 0.7%. In August prices gained 0.1% in the **euro area** and 0.2% in the **EU25**.

In September 2006 compared to September 2005, industrial producer prices rose by 4.6% in the **euro area** and by 5.0% in the **EU25**.

These figures come from **Eurostat, the Statistical Office of the European Communities**.

September 2006 compared to August 2006 - News release N°144/2006 – 6 November 2006

Labour market

Euro area unemployment stable at 7.8% - EU25 unchanged at 8.0%

Euro area seasonally-adjusted unemployment stood at 7.8% in September 2006, unchanged compared to August. It was 8.5% in September 2005. The **EU25** unemployment rate was 8.0% in September 2006, the same as August. It was 8.7% in September 2005.

In September 2006, the lowest rates were registered in **Denmark** (3.5%), the **Netherlands** (4.0%), **Ireland** (4.2%), **Estonia** (4.4%) and **Austria** (4.7%). Unemployment rates were highest in **Poland** (14.1%), **Slovakia** (12.8%), **Greece** (9.0% in the second quarter of 2006), **France** (8.9%) and **Germany** (8.7%).

These figures come from **Eurostat, the Statistical Office of the European Communities**.

Amongst the Member States, nineteen recorded a fall in their unemployment rate over a year and five reported an increase. The largest relative falls were observed in **Estonia** (7.2% to

4.4%), **Denmark** (4.6% to 3.5%), **Latvia** (8.7% to 6.8%) and **Slovakia** (16.3% to 12.8%). The highest relative increases were registered in the **United Kingdom** (4.6% in July 2005 to 5.6% in July 2006), **Luxembourg** (4.7% to 4.9%), and **Hungary** (7.3% to 7.6%).

The unemployment rate for males fell from 7.4% to 6.7% between September 2005 and September 2006 in the **euro area** and from 7.9% to 7.1% in the **EU25**. The female unemployment rate declined from 10.0% to 9.3% in the **euro area** and from 9.8% to 9.1% in the **EU25**.

In September 2006, the unemployment rate for under-25s was 17.0% in the **euro area** and 17.5% in the **EU25**. In September 2005 it was 17.7% and 18.5% respectively. The lowest rates for under-25s were observed in the **Netherlands** (6.7%), **Denmark** (6.9%), **Estonia** (7.7% in the third quarter of 2006), and **Ireland** (8.6%), the highest in **Poland** (28.7%), **Greece** (25.2% in the second quarter of 2006), **Slovakia** (24.4%), and **Belgium** (21.7%).

Eurostat estimates that 11.5 million men and women were unemployed in the **euro area** in September 2006, and 17.4 million in the **EU25**. These are seasonally-adjusted figures in line with ILO criteria.

In September 2006, the **US** unemployment rate was 4.6% and the **Japanese** rate was 4.2%.

September 2006 - News release N°143/2006 – 3 November 2006

National accounts

Euro area GDP up by 0.5% and EU25 GDP up by 0.6%. +2.7% and +2.9% respectively compared to the third quarter of 2005

Euro area GDP grew by 0.5% and **EU25** GDP by 0.6% in the third quarter of 2006, compared to the previous quarter, according to first estimates released by **Eurostat, the Statistical Office of the European Communities**. In the second quarter of 2006, growth rates were +1.0% in both the **euro area** and the **EU25**.

Compared to the third quarter of 2005, seasonally adjusted GDP rose by 2.7% in the **euro area** and by 2.9% in the **EU25**, after +2.8% and +3.0% respectively for the previous quarter.

Growth in household consumption accelerates

During the third quarter of 2006, household final consumption expenditure increased by 0.6% in both zones (after +0.3% in the **euro area** and +0.5% in the **EU25** in the second quarter of 2006). Investments grew by 0.8% in the **euro area** and by 1.1% in the **EU25** (after +2.3% and +2.0%). Exports rose by 1.7% in the **euro area** and fell by 0.4% in the **EU25** (after +1.1% and +1.7%). Imports increased by 2.1% in the **euro area** and remained unchanged in the **EU25** (after +1.1% and +1.6%).

US and Japanese GDP up by 0.5%

In the **United States**, GDP increased by 0.5% during the third quarter of 2006, after +0.6% in the second quarter. In **Japan** GDP grew by 0.5% in the third quarter, after +0.4% in the previous quarter.

Compared to the third quarter of 2005, GDP rose by 3.0% in the **US** (after +3.5% in the previous quarter) and by 2.7% in **Japan** (after +2.7%).

First estimates for the Third quarter of 2006 – News release N°154/2006 – 30 November 2006



➤ *Insight on: Autumn forecast for the EU and the Euro area*

DG ECFIN's Autumn forecasts and the OECD's Economic Outlook November 2006

The European Commission produces two macro-economic forecasts a year, one in the spring, the other in autumn. These are called the European Commission's Spring-Autumn Forecasts. In-between, the Commission produces Interim forecasts with the latest updated estimates.

The latest autumn forecast, soon to be published, is already available on DG ECFIN's web site. According to the European Commission, 2006 economic growth is projected to be 2.8% for the European Union and 2.6% for the euro area, up from 1.7% and 1.4% in 2005. The main impulses stem from robust growth in domestic demand and continued global growth. This growth is expected to remain around its potential (2.4% in both 2007 and 2008 for the EU as a whole and 2.1% in 2007 and 2.2% in 2008 for the euro area), down from the peaks in 2006. This is due to the US slowdown and the global economic outlook.

Among the other forecasts that came out in the latest weeks is the OECD's Economic Outlook no. 80. It is already available in its preliminary, limited version. The full version is due at the end of December.

Below are the main forecasts from the two institutions' publications, added to these of the IMF's September forecast that was discussed in the September issue of this Newsletter.

European Union and euro area GDP growth forecasts (European Commission, IMF and OECD)

	EU-25			Euro area		
	2006	2007	2008	2006	2007	2008
DG ECFIN Spring Forecast	2.3	2.2	-	2.1	1.8	-
DG ECFIN Autumn Forecast	2.8	2.4	2.4	2.6	2.1	2.8
IMF April forecast	2.4	2.3	-	2.0	1.9	-
IMF September forecast	2.8	2.4	-	2.4	2.0	-
OECD Economic Outlook no. 79	-	-	-	2.2	2.1	-
OECD Economic Outlook no. 80	-	-	-	2.6	2.2	2.3

European Union and euro area inflation forecasts (European Commission, IMF and OECD)

	EU-25			Euro area		
	2006	2007	2008	2006	2007	2008
DG ECFIN Autumn Forecast	2.3	2.3	2.0	2.2	2.1	1.9
IMF September forecast	-	-	-	2.3	2.4	-
OECD Economic Outlook no. 80	-	-	-	1.8	2.0	2.0

European Union and euro area unemployment rate forecasts (European Commission, IMF and OECD)

	EU-25			Euro area		
	2006	2007	2008	2006	2007	2008
DG ECFIN Autumn Forecast	8.0	7.6	7.3	8.0	7.7	7.4
IMF September forecast	-	-	-	7.9	7.7	-
OECD Economic Outlook no. 80	-	-	-	7.9	7.4	7.1

European Union and euro area government balance forecasts (European Commission, IMF and OECD)

	EU-25			Euro area		
	2006	2007	2008	2006	2007	2008
DG ECFIN Autumn Forecast	-2.0	-1.6	-1.4	-2.0	-1.5	-1.3
IMF September forecast	-	-	-	-2.0	-1.9	-
OECD Economic Outlook no. 80	-	-	-	-1.5*	-1.1*	-1.2*

* cyclically adjusted

European Union and euro area government debt forecasts (European Commission, IMF and OECD)

	EU-25			Euro area		
	2006	2007	2008	2006	2007	2008
DG ECFIN Autumn Forecast	62.5	61.4	60.4	69.4	68.0	66.9
IMF September forecast	-	-	-	-	-	-
OECD Economic Outlook no. 80	-	-	-	-	-	-

DG ECFIN's latest autumn forecast is freely available at http://ec.europa.eu/economy_finance/publications/european_economy/2006/ee506en.pdf

Previous forecasts are available from:

http://ec.europa.eu/economy_finance/publications/european_economy/forecasts_en.htm

It will soon be available as 'EUROPEAN ECONOMY. No. 5. 2006' from the Office for Official Publications of the EC in Luxembourg under code KC-AR-06-005-EN-C; ISSN 0379-0991.

The OECD's preliminary, limited version of its Economic Outlook no. 80 is available at: http://www.oecd.org/document/18/0,2340,en_2649_201185_20347538_1_1_1_1,00.html

➤ *Insight on: a new HICP dedicated section of the Eurostat website*

The Harmonised Indices of Consumer Prices (HICP) dedicated section was launched on Eurostat's website on 17 October 2006 and is accessible through the "Special topics" window.

The HICPs are economic indicators constructed to measure the changes over time in the prices of consumer goods and services acquired by households. The HICPs give comparable measures of inflation in the euro area, the EU, the European Economic Area and for individual countries including accession and candidate countries. They are calculated according to a harmonised approach and a single set of definitions. They provide the official measure of consumer price inflation for the purposes of monetary policy in the euro area and assessing inflation convergence as required under the Maastricht criteria.

From the HICP dedicated section the users can:

- download the freshest HICP data, using pre-defined tables of the Euro-indicators "Key short term indicators" or doing specific data extractions. (=>DATA tab).
- access the latest editions of the News Releases on inflation and the Euro-zone Flash Estimate as well as the Statistics in focus publication. (=>PUBLICATIONS tab).
- find methodological information for different types of users. The summary of the current available methodological information is: the "HICP short-guide for users", the "Compendium of HICP reference documents", list of the legislation underlying the data, the statistical classification used in the HICP, metadata or SDDS- including country specific information -, information notes on compliance monitoring and summary minutes of the HICP Working Group. (=>METHODOLOGY tab).

Contact person: Sílvia SANTOS (estat-hicp-methods@ec.europa.eu)



Newsfront

➤ *News from the Member States*

This section highlights economic news and statistics in each Member State in the field of infra-annual and business cycle statistics. The information is provided by Member State National Statistics Institutes (NSIs), central banks and research institutes. If you have relevant news that you would like to have included in next months Newsletter please send an e-mail to: Justyna.Gniadzik@ec.europa.eu

Greece

National Statistical Service of Greece

Revision of the National Accounts System with base year 2000 by Statistics Greece

The revision of the national accounts system (NA) is a task of wide range, which is imposed for institutional as well as for real reasons. Initially Eurostat had requested the revision to be finalized by the end of the year 2005, but after the request of the Greek side, an extension was finally granted till September 2006. One of the major consequences of the revision is a GDP increase of 25% compared to previous estimations.

For more information on the revision methodology, grounds and results, please visit

http://www.statistics.gr/eng_tables/revision_national_accounts.pdf

Finland

Statistics Finland

New measures of productivity in national accounts

The Productivity Review 2006 introduces the new KLEMS calculation method based on gross output for measuring productivity. The method takes into account the contributions from capital, labour and intermediate inputs to gross productivity within a systematic framework. Besides on total productivity, the publication also presents data on labour productivity and its growth factors. The new method means that the growth factors of labour productivity can be broken down into a number of sub-factors, i.e. capital intensity, intensity of domestic and foreign intermediate inputs, change in the quality of work and total productivity. In future, the KLEMS method will be the official method Statistics Finland will use for measuring productivity.

http://www.stat.fi/til/ttut/2005/ttut_2005_2006-11-30_tie_001_en.html

➤ *Forthcoming events*

Discrete Choice Modelling Training Course, 10 Jan 2007 10:00 - 12 Jan 2007 17:00 at the UCL Economics Department, Drayton House, 30 Gordon Street, London WC1H 0AX

This three-day course will study the specification, estimation, and application of discrete choice models. We will examine theoretical background and practical application of up to date and frontier techniques in the analysis of micro-econometric models for discrete data. Actual studies will be presented. Participants will also apply the techniques using prepared data. Hands on applications will be developed using NLOGIT (developed by the course instructor), one of the world's most widely used software packages for discrete choice modelling.

The overall nature of the course will be an introduction to discrete choice modelling, with a focus on how to fit, interpret, and use models. Theoretical background will include econometric underpinnings of the models and foundations for various computations, but will not include any derivation, proofs, or establishment of, e.g., asymptotic properties of estimators. The proposed is meant to provide practitioners with the econometric instruction needed to use, understand, and interpret some fairly advanced, yet widely used nonlinear techniques.

More information is available from http://cemmap.ifs.org.uk/events.php?event_id=196

NTU-UvA research workshop in econometrics, 11 and 12 January 2007 at the Singapore Nanyang Technological University.

Researchers in econometrics both from the Department of Quantitative Economics of the Faculty of Economics and Business of the University of Amsterdam (UvA-Econometrics) and from the Division of Economics of the School of Humanities and Social Sciences of Nanyang Technological University (Economic Growth Center), supplemented by several invited international specialists, will present and discuss introductions to and overviews of recent advances in econometric methods and their application. Also various more specific and detailed empirical and technical studies in the field of analyzing and forecasting actual economic data will be presented. Hopefully this meeting will enhance further research activities, in particular collaboration between NTU and UvA scholars.

More information is available at:

[http://aimsrv1.fee.uva.nl/koen/attachme.nsf/view/778E327DA0555215C1256E7C00476751/\\$file/NTUUvApr.pdf](http://aimsrv1.fee.uva.nl/koen/attachme.nsf/view/778E327DA0555215C1256E7C00476751/$file/NTUUvApr.pdf)

**Microsimulation course by Alan Duncan, 25 Jan 2007 10:00 - 26 Jan 2007 17:00
Centre for Microdata Methods and Practice, UCL Economics Department, London, England.**

This course reviews the main techniques of microsimulation, using examples from the government's own report, Adding it Up to illustrate methods and possible developments.

More information can be found at http://cemmap.ifs.org.uk/events.php?event_id=197

Second Italian Congress of Econometrics and Empirical Economics. University of Bologna, Rimini Campus, Rimini (Italy) Aula Magna, Via Quintino Sella 13, Rimini. January 25-26, 2007

More information is available at: <http://www.cide.info/conf/congress.php>

Econometric Estimation of Frontier Functions and Economic Efficiency Training Course, 15 Feb 2007 10:00 - 16 Feb 2007 17:00 at the UCL Economics Department, Drayton House, 30 Gordon Street, London WC1H OAX

This course will present the methodology of econometric estimation of economic efficiency. We will examine the stochastic frontier model as an econometric extension of the classical microeconomic theory of production and cost at the individual producer level. Basic models for production, cost and 'distance' will be examined. We will examine major extensions of the models to provide scope for cross firm heterogeneity (such as heteroscedasticity) as well as unobserved heterogeneity captured by the stochastic specification of the model. The second day of the course will turn to more advanced applications, such as Bayesian and classical methods of estimation and, especially, panel data models. In addition to the examination of theoretical and econometric methods, we will study several applications from the recent literature.

The course will include lectures that develop the relevant theory and extensive practical, laboratory applications. Emphasis in the laboratory sessions will be on estimation of stochastic frontier models and using them to compute measures of economic efficiency. Course participants will apply the techniques on their own computers using the LIMDEP computer program and several 'real' data sets that have been used in applications already in the literature.

Prior knowledge is assumed to include a course in microeconomics, calculus at the level assumed in the first year of a Ph.D. program in economics and a course in econometrics at the beginning Ph.D. level out of a textbook such as Greene, W., Econometric Analysis, 5th edition. Familiarity with LIMDEP will be helpful, but is not necessary.

Students in this course will obtain background in both the theory and methods of estimation for stochastic frontier modeling. This course will provide a gateway to the professional literature as well as practical application of the methods at the level of the contemporary research in the field. LIMDEP is the leading computer program for this type of estimation, so students will have also studied the application of the techniques using the modeling tools familiar to researchers in the area.

More information is available from http://cemmap.ifs.org.uk/events.php?event_id=198

CEPR-Loughborough University Workshop on Business Cycle Convergence. March 1-2, 2007 At Loughborough University, Loughborough, UK

In recent years, the question of business cycle convergence became more and more important. It is the key factor for the success of the common monetary policy in Europe. Yet, there is disagreement about whether the common business cycle exists and whether the national business cycles converge to it. This CEPR workshop provides therefore an excellent opportunity for everybody interested in business cycle convergence to present their research results and to exchange ideas. We will also invite a keynote speaker on this topic.

More information is available from:

<http://www.lboro.ac.uk/departments/ec/convergence%20call.pdf>

Society for Nonlinear Dynamics and Econometrics 15th Annual Symposium CREST-ENSAE, Paris March 15-16, 2007

The 15th Annual Symposium of the Society for Nonlinear Dynamics and Econometrics will be held at CREST-ENSAE in Paris on March 15-16, 2007. The aim of the meeting is to present and discuss recent developments in theoretical and empirical analysis of nonlinearity in economics and finance.

More information is available at http://snde.rutgers.edu/SNDE/Society/snde15_call.pdf

Spring Course on Panel Econometrics Prof. Badi H. Baltagi (Syracuse University, USA) Faculty of Economics, University of Coimbra, Portugal. March 16th and 17th, 2007.

This course is suitable for researchers, academics and MA and PhD students. Some background on basic econometrics and STATA software is needed to attend this course.

More information is available at <http://www4.fe.uc.pt/panel/>

Call for papers (deadline: January 15, 2007) for the Tinbergen Institute Conference "20 Years of Cointegration", Rotterdam, March 23-24, 2007

Tinbergen Institute Conference on "20 Years of Cointegration: Theory and Practice in Prospect and Retrospect", Rotterdam, March 23-24, 2007

The second annual Tinbergen Institute Conference will be held in Rotterdam, The Netherlands, on March 23-24, 2007. The theme of the conference is

20 Years of Cointegration: Theory and Practice in Prospect and Retrospect

Cointegration is a Nobel-worthy concept in econometrics. The literature contains an overwhelming amount of articles on theoretical refinements and advances of new techniques, while many practitioners rely on the basic tools as programmed in EViews and similar econometric software. Hence, 20 years after the seminal article of Engle and Granger (Econometrica, 1987), it seems relevant to look back and ahead to see what the current status is of the concept of cointegration, both in theory and in practice.

The program consists of invited and contributed papers. Posters sessions are included as well.

Confirmed invited speakers:

Clive W.J. Granger (University of California San Diego)

Bruce E. Hansen (University of Wisconsin-Madison)

David F. Hendry (Nuffield College, Oxford)

Søren Johansen (University of Copenhagen)

M. Hashem Pesaran (University of Cambridge)

Submitting a paper:

You are invited to submit a paper on the theme of the conference or related topics. In case a complete paper is not available yet, you may also submit an extended abstract. Submissions can be done through <http://www.ticonference.org> (after December 15) and must be received on or before January 15, 2007. Authors will be notified whether their papers have been accepted for presentation by February 1, 2007.

Papers/Abstracts should be submitted in PDF format. The first page should contain the title of the paper, the name of the authors, their affiliations and contact details.



The registration fee for speakers and other participants is set at €150. Complete details regarding registration, local accommodation, and the conference program can be obtained in due course from <http://www.ticonference.org>.

Conference Organizers:

H. Peter Boswijk (University of Amsterdam)

Philip Hans Franses (Econometric Institute, Erasmus University Rotterdam)

Dick van Dijk (Econometric Institute, Erasmus University Rotterdam)

For questions, comments, and further information, contact the conference organizers via info@ticonference.org



➤ *Cool tools and sites: Business and consumer surveys in a selection of big economies*

Among the ‘subjective’ leading economic indicators are the business and consumer surveys of economic confidence, expectations and/or sentiments. You can find below a not exhaustive list of major business and consumer surveys for a number of important economies.

DG ECFIN

DG ECFIN’s Business and Consumer Surveys

The Directorate General for Economic and Financial Affairs (DG ECFIN) conducts regular harmonised surveys for different sectors of the economies in the European Union (EU) and in the applicant countries. They are addressed to representatives of the industry (manufacturing), the services, retail trade and construction sectors, as well as to consumers. These surveys allow comparisons among different countries' business cycles and have become an essential tool for monitoring the evolution of the EU and the euro area economies, as well as monitoring developments in the applicant countries.

Business survey time series, together with latest Economic Sentiment and Business Climate indicators, are available on the Euro-indicators web pages both as tables including only the last twelve (for monthly series) or four (for quarterly series) values, and as complete downloadable time series, at <http://www.ec.europa.eu/euroindicators> (choosing data and then Business Consumer Surveys). Their release calendar is included in the Euro-indicators one.

Reports, methodology and press releases are all available from the home page of the DG ECFIN Business and Consumer Surveys:

http://ec.europa.eu/economy_finance/indicators/businessandconsumersurveys_en.htm

ECB

ECB’s Survey of Professional Forecasters or SPF.

The ECB Survey of Professional Forecasters (SPF) is a quarterly survey of expectations for the rates of inflation, real GDP growth and unemployment in the euro area for several horizons, together with a quantitative assessment of the uncertainty surrounding them.

The survey is called the ECB Survey of Professional Forecasters to reflect the fact that all of the participants are experts affiliated with financial or non-financial institutions based within the European Union.

A brief summary of the results is published in a regular box in the ECB’s Monthly Bulletin and on the SPF web pages in the Statistics section of the institution website: <http://www.ecb.int/stats/prices/indic/forecast/html/index.en.html>.

Additional information can be found in the Occasional Paper No. 8 "An introduction to the ECB Survey of Professional Forecasters".

GERMANY

Ifo Business Climate Indicator

The Ifo Business Climate Index is based on ca. 7,000 monthly survey responses of firms in manufacturing, construction, wholesaling and retailing. The firms are asked to give their assessments of the current business situation and their expectations for the next six months. They can characterise their situation as “good”, “satisfactorily” or “poor” and their business expectations for the next six months as “more favourable”, “unchanged” or “more unfavourable”. The balance value of the current business situation is the difference of the percentages of the responses “good” and “poor”, the balance value of the expectations is the difference of the percentages of the responses “more favourable” and “more unfavourable”. The business climate is a transformed mean of the balances of the business situation and the expectations. For calculating the index values the transformed balances are all normalized to the average of the year 2000.

Latest data, links to the methodology are available:

http://www.cesifo-group.de/portal/page?_pageid=36,1899103&_dad=portal&_schema=PORTAL

One week after the Business Climate Index release, the Ifo Institute publishes, in the periodical "ifo Konjunkturperspektiven", the results of the most recent Ifo Business Survey in east and west Germany in all details with texts and graphics as well as the business situation for the EU as a whole and for Germany, France, the United Kingdom, and Italy in figures. To inform non-German speakers of the survey results of the Ifo Institute, a short overview of the contents of each issue is presented in English.

This is available from

http://www.cesifo-group.de/portal/page?_pageid=36,34694&_dad=portal&_schema=PORTAL

Ifo Business Climate in the German Services Sector

The Ifo Business Survey in the Services sector is based on ca. 2,000 monthly survey responses of firms in important, especially business-oriented segments of the tertiary sector (excl. distribution, financial services, leasing, insurance and government). The survey is conducted and calculated analogously to the Ifo Business Survey in industry and trade. In comparing the various curves of the Business Climate, it must be kept in mind that for methodological reasons the results of the Business Survey in the Services are not yet seasonally adjusted. The indicator for the Business Climate in the services has not yet been incorporated into the Ifo Business Climate Index for industry and trade.

For the latest figures and the methodology, visit

http://www.cesifo-group.de/portal/page?_pageid=36,958465&_dad=portal&_schema=PORTAL

Ifo employment barometer

The Ifo Employment Barometer is based on ca. 7,000 monthly responses from businesses in manufacturing, construction, wholesaling and retailing. The companies are asked to report on their employment plans for the coming three months. They can describe their plans for the number of employees for the coming six months as “increasing”, “stable”, or “decreasing”.

The balance value of the plans is the difference in the percentage shares of the responses “increasing” and “decreasing”. To calculate the index value the balances are normed to the average for the year 2000.

For the latest figures and the methodology, visit http://www.cesifo-group.de/portal/page?_pageid=36,34761&_dad=portal&_schema=PORTAL

KfW-Ifo SME barometer

The Ifo Institute has developed a monthly business climate index for small and medium-sized enterprises (SMEs), in co-operation with and on order from the KfW banking group, which is published by the group as the KfW-Ifo SME barometer. A special evaluation of the monthly Ifo Business Survey in industry and trade (manufacturing, construction, wholesaling and retailing) by company size allows statements to be made on the economic development of SMEs in comparison to the group of larger enterprises and on the economy as a whole. In the definition of SMEs, attention is given to differences in the sector-specific structures. Included among the SMEs in manufacturing are firms with fewer than 500 employees and in the wholesale trade those firms that achieve a maximum of €50 million in annual turnover. To increase analytical selectivity, in retailing and construction the limits are tighter: in retailing, a maximum of €12.5 million in annual turnover; in construction, up to 200 employees.

The report contains the survey balances of appraisals of the current business situation (percentage of the positive responses minus the percentage of the negative assessments), the balances of the business expectations for the coming half year, as well as the business climate, calculated as a mean value of the two survey components.

In order to make statements not only on cyclical developments of SMEs themselves but also in relation to large firms, the relative KfW-Ifo SME indicator was constructed: It is defined as the balance of the business climate (situation appraisals, expectations) of SMEs minus the business climate balances (balance of situation appraisals, balance of expectations) of large-scale enterprises. The indicator can fluctuate between -200 (100% negative responses of SMEs, 100% positive responses of large-scale enterprises) and +200 (100% positive responses of SMEs, 100% negative responses of large-scale enterprises). In order to filter out the short-term “data noise”, the original time series of the relative SME indicator was smoothed with a six-month moving average. A rise indicates a relative improvement of SMEs, independent of the overall cyclical situation, and a decline a relative worsening.

All time series are seasonally and mean-value adjusted. The zero line thus marks the “cyclically neutral” long-term average. Indicator values larger (smaller) than zero point to an above-average or positive (or a below-average or negative) business-cycle situation.

Latest results (in German) are available from:

http://www.kfw.de/DE_Home/Research/KfW-Indika17/KfW-ifo-Mi29/AktuelleM.jsp

Methodology (in German) is available from:

http://www.kfw.de/DE_Home/Research/KfW-Indika17/KfW-ifo-Mi29/Konstruktion.jsp

ZEW index

The monthly survey conducted by the ZEW institute echoes the opinion of the German banking sector, filling the room left free by the IFO survey. Up to 350 financial experts take part in the survey. The indicator reflects the difference between the share of analysts that are optimistic and the share of analysts that are pessimistic for the expected economic

development in Germany in six months. The survey also asks for the expectations for the Euro-zone, Japan, Great Britain and the U.S.A.

For the latest figures and the methodology, go to:

<http://www.zew.de/en/publikationen/Konjunkturerwartungen/Konjunkturerwartungen.php3>

FRANCE

‘Enquête mensuelle de conjoncture’ or Monthly economic sentiment survey by the Banque de France

The latest results, comprehensive and broken down by sector are available from: http://www.banque-france.fr/fr/stat_conjoncture/conjonc/pagemc.htm

Methodology (in French only) is available at: http://www.banque-france.fr/fr/stat_conjoncture/telechar/conjonc/methodologie.pdf

INSEE

France’s Insee produces a variety of business and consumer indicators drawn from regular surveys across the country. A special section on business cycle is available at:

http://www.insee.fr/fr/ppp/publications/collect_sta.asp?coll=9

Noteworthy are the monthly economic sentiment of households (‘Enquête mensuelle de conjoncture auprès des ménages’, available at:

http://www.insee.fr/fr/indicateur/indic_conj/indconj_frame.asp?ind_id=20)

and the industry one (‘Enquête mensuelle de conjoncture dans l’industrie’, at:

http://www.insee.fr/fr/indicateur/indic_conj/indconj_frame.asp?ind_id=11)

UNITED KINGDOM

Purchasing Manager's Indexes (PMIs)

NTC Research is one of the world's largest producers of macro-economic data, providing Government, bankers (commercial, central and investment) and other financial corporations worldwide with high quality, timely and internationally comparable data. The PMIs produced by NTC Research are derived from continuous monthly surveys of business conditions and track what is actually happening at individual company level. The indexes are based on carefully selected panels of executives in companies who report each month on real events. Panel selection, weighting and seasonal adjustment techniques are used to ensure accurate anticipation of official data.

The PMIs cover manufacturing, construction and service sector activity, representing the vast majority of all private sector economic activity. The data cover a wide array of business activity, monitoring output, new business, employment, input and output prices, exports. Survey responses reflect changes, if any, in the current month compared to the previous month based on data collected mid-month. The individual responses are converted into diffusion indexes, which have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change.

The euro area indexes are designed to provide the most up-to-date picture of business conditions in the euro area economies. The indexes are derived from original national surveys of manufacturing and service sector business conditions conducted by NTC Research. In most

cases, the surveys are produced in conjunction with national members of the European Council for Purchasing and Supply (ECPS).

All surveys are produced using identical methodologies, thus ensuring compatibility of data. For manufacturing, the surveys are conducted in euro area, Austria, China, Czech Republic, France, Germany, Greece, Hong Kong, India, Ireland, Italy, Japan, Netherlands, Poland, Russia, Spain, Turkey, and United Kingdom. For services, surveys are conducted in euro area, France, Germany, Ireland, Italy, Spain, United Kingdom, Hong Kong, and Russia. Global PMIs are produced both for manufacturing and service sector activity. Fewer PMIs are available for the construction sector, namely France, Germany, Ireland, Italy and United Kingdom.

Further information is available at: <http://www.ntceconomics.com/PMIData.aspx>

UNITED STATES

Consumer Confidence Index (CCI) by the Conference Board

The Conference Board is a not-for-profit organization best known for the Consumer Confidence Index and the Leading Economic Indicators. The Conference Board has, for almost 90 years, equipped the world's leading corporations with practical knowledge through issues-oriented research and senior executive peer-to-peer meetings. It produces regular surveys on business and consumer expectations, among which: the Consumer Market Guide; the Consumer Confidence Survey; the Demographic Information Service; the Consumer Spending Trends; the Economic Forecasts; Special Surveys and Reports and the Consumer Internet Barometer.

The Consumer Confidence Index (CCI) is put out by The Conference Board. (There are others such as the Michigan Sentiment Index which is put out monthly by the University of Michigan, see below). The Consumer Confidence Survey is based on a sample of 5,000 U.S. Households and is considered one of the most accurate indicators of confidence. It even goes as far as calculating the number of "help wanted" ads in newspapers to detect how tight the job market is.

For the latest CCI data and for links to methodology, visit <http://www.conference-board.org/economics/consumerConfidence.cfm>

ISM (Institute for Supply Management)

The ISM produces a host of reports on business climate; two of the most important ones are the monthly ISM Manufacturing and non-Manufacturing Reports On Business® (see <http://www.ism.ws/ISMReport/content.cfm?ItemNumber=10743&navItemNumber=12944>)

Issued on the first business day of each month, the ISM Manufacturing Report On Business® is considered by many economists to be the most reliable near-term economic barometer available. It is reviewed regularly by top government agencies and economic and business leaders for its timely, accurate information regarding the manufacturing sector of the economy.

For more information and the latest data, visit:
<http://www.ism.ws/about/mediaroom/newsreleasedetail.cfm?ItemNumber=15632&navItemNumber=12942>

ISM Non-Manufacturing Report On Business®

The ISM Non-Manufacturing Report On Business® provides overall insight to the services area of the economy that represents over 80 percent of Gross Domestic Product (GDP). It has been in existence since June 1998, and is released the third business day of the month.

For more information and the latest data, visit

<http://www.ism.ws/about/mediaroom/newsreleasedetail.cfm?ItemNumber=15639&navItemNumber=12943>

University of Michigan Consumer Sentiment

A survey of consumer confidence conducted by the University of Michigan. The preliminary report is released on the tenth (except on weekends) of each month. A final report for the prior month is released on the first of the month.

More information and latest data are available from <http://www.sca.isr.umich.edu/> but public access is granted only after registering.

JAPAN

Tankan Survey by the Bank of Japan

The Tankan survey is an economic survey of Japanese business issued by the central Bank of Japan. It is conducted to provide an accurate picture of business trends of enterprises in Japan, thereby contributing to the appropriate implementation of monetary policy. The report is released four times a year in April, July, October and mid-December. The survey covers thousands of Japanese companies with a specified minimum amount of capital, although firms deemed sufficiently influential may also be included. Companies are asked about current trends and conditions in the business place and their respective industries as well as their expected business activities for the next quarter and year.

For more information:

<http://www.boj.or.jp/en/theme/research/stat/tk/index.htm>

CHINA

The People's Republic of China National Bureau of Statistics (NBS) publishes quarterly Business Climate and Entrepreneurial Confidence Indexes covering the main economic sectors.

An overview of available statistics is given at <http://www.stats.gov.cn/english/statisticaldata/index.htm>, from which one can select the desired data by clicking the appropriate fields at the bottom of the page. The Business Climate Index can be found below in the table on monthly data.

China NBS home page is accessible at: <http://www.stats.gov.cn/english/>

RUSSIAN FEDERATION

Business tendency surveys on construction, retail trade and manufacturing

The surveys are conducted by Russian Centre for Economic Analysis jointly with the State Committee on Statistics of the Russian Federation. The sample of the survey on construction covers more than 5000 enterprises, on retail trade - about 4000 retail sales enterprises, and on manufacturing - 1200 medium and large industrial enterprises. The main purpose of the

surveys is to monitor industrial enterprises by evaluating their short-term perspectives (current month and next 3-4 months). The surveys comprise questions related to output, demand, economic situation and prospects for enterprise development. From 1997, they include a set of questions harmonised with European standards.

More on that at www.gks.ru

SOUTH AFRICA

Bureau of Economic Research

The South African Bureau of Economic Research of the Stellenbosch's University conducts the business tendency and consumer confidence surveys in South Africa, in partnership with other private and public institutions.

The latest results from the quarterly Business Confidence and Consumer Confidence Indexes are available at http://www.ber.sun.ac.za/bci_cci.asp. Other quarterly and monthly indexes are available from: http://www.ber.sun.ac.za/business_publications.asp#LATEST%20REPORTS

The South African Bureau of Economic Research's home page is accessible at: <http://www.ber.sun.ac.za/default.asp>

OECD

OECD's Business Tendency and Consumer Opinion Surveys

The OECD's web site offers a public database with Business Tendency and Consumer Opinion Surveys' data from its member countries, the euro area as well as non-member economies such as Brazil, China, India, Indonesia, Russia and South Africa. The business tendency and consumer opinion survey indicators dataset is a subset of the Main Economic Indicators (MEI) database. This comes with comprehensive metadata and its consultation can be done in a variety of user-friendly ways.

More information is available at:

http://stats.oecd.org/wbos/default.aspx?datasetcode=MEI_BTS_COS



➤ *Webtrends*

Due to the implementation of the new Eurostat portal and the dedicated Euroindicators section, the statistics on the consultation of different products, as well as the Webtrends publication, are temporarily unavailable.

➤ *Contact us*

The statistical newsletter is published by:

Eurostat unit D1 – Key Indicators for European Policies

Contact point: Justyna.Gniadzik@ec.europa.eu

Feedback: Readers are invited to send their comments, questions or contributions to the contact point.