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Editorial

Working Party Meeting "Harmonisation of Consumer Price Indices"

Featured article by Klaus Reeh, Head of Unit A6

The Working Party "Harmonisation of Consumer Price Indices" met for its regular three-day seminar at the invitation of ISTAT, the Italian Statistical Office, from 25 to 27 June 2003 in Orvieto. The first seminar session dealt with owner occupied housing (OOH) issues, the second with issues related to rapid HICPs and flash estimation, the third one with issues related to quality adjustment, replacement and “basic purposes”, and the fourth with future perspectives for the HIPC.

Although the HICP covers virtually 100% of monetary consumption expenditure, price statisticians are seeking to improve the concepts and practices of price measurement related to owner occupied housing. Therefore an OOH project on dwelling prices had been launched and the first session reviewed its advancement. A technical manual for a price index for OO dwellings is in preparation and pilot projects in several Member States are under way. Two issues attracted particular attention: the date to be retained for the purchasing price (contract date, delivery date, or others) and the inclusion of land prices. In course of the discussion it turned out that it might be necessary to extend the scope of the OOH project because of the need for a price index for second-hand dwellings.

The EU-US benchmarking exercise has shown that the HICP, being available on average already 18 days after the end of the reference period, is more timely than its American counterpart. Nevertheless the HICP flash estimate available at the end of the current month has become very popular among users. Therefore efforts are under way to broaden its coverage with more Member States. However, as price collection strategies vary among Member States, it should not come as a surprise that the approaches retained for flash estimation vary equally among them. This diversity is not considered to be a problem, at least as long as the empirical results are sufficiently robust.

Despite the fact that there is now a Single Market it cannot be assured that price statisticians in different Member States would deal similar problems in similar ways, most notably when it comes to adjustments for quality changes and the replacement of products. In view of an apparent need for further harmonisation a research project had therefore been launched to explore amongst others the use of the “basic purpose” concept to handle these issues. In several workshop sessions focusing on cars and TV sets, the participants tested this concept to give some guidance to the project team for further development.

In view of the pressure on price statisticians everywhere to reduce their costs and increase at the same time their output, participants discussed also ways to exploit synergies. Research is an obvious topic as shown by a joint presentation from the Netherlands and Belgium. There are equally opportunities related to the technical infrastructure for price statistics either at EU-wide level or through co-operation between some Member States only, possibly supported by Eurostat. The compilation of both HICPs and national CPIs was equally discussed in this context. A consultancy report commissioned (but not yet endorsed) by the ECB suggests conceptualising national CPIs as HICP variants. This suggestion might have been somewhat premature despite the fact that there has been an increasing convergence among national CPIs.

The seminar closed with a discussion about the likely development of the European statistical system and its implications for price statisticians. No doubt, price statistics have not been at the core of the various initiatives for improving official statistics for meeting EMU requirements (EMU Action Plan, Principal European Indicators, Commission Communication to European Parliament and the Council, etc.). Nevertheless price statisticians must be aware that they should move towards more operational integration, work more closely with their colleagues dealing with producer prices or import and export prices and look for ways of doing their job in a European Union with 25 or more Member States.
Highlights

➢ Euro-IND statistical news

External trade
The first estimate for euro-zone trade with the rest of the world in April 2003 was a 3.0 billion euro surplus, compared with +4.6 bn in April 2002. The March 2003 balance was +2.0 bn, compared with +11.0 bn in March 2002. The first estimate for April 2003 extra-EU15 trade was a 0.4 bn euro deficit, against a deficit of 3.9 bn in April 2002. In March 2003, the balance was -6.7 bn, compared with +2.5 bn in March 2002.

April first estimates, March revised figures - News release No 70/2003 – 18.06.03.

Balance of payments
The EU15 external current account recorded a deficit of 4.4 billion euro in the first quarter of 2003, as compared with a surplus of 0.9 billion euro in the first quarter of 2002 and a surplus of 15.8 billion euro in the fourth quarter of 2002. In the first quarter of 2003 the EU15 external balance of trade in services recorded a surplus of 5.6 billion euro as compared with a deficit of 0.8 billion euro in the first quarter of 2002 and a surplus of 8.8 billion euro in the fourth quarter of 2002.

First quarter of 2003 - News release No 66/2003 – 13.06.03

Industry, commerce and services
The euro-zone industrial producer price index decreased by 0.4% in May 2003 compared with the previous month. EU15 prices decreased by 0.3%. In April 2003 prices fell by 0.5% in both the euro-zone and the EU15. In May 2003 compared to May 2002, industrial producer prices rose by 1.3% in the euro-zone and 1.5% in the EU15.

May 2003 - News release No 76/2003 – 02.07.03.

Consumer prices
Euro-zone annual inflation is expected to be 2.0% in June 2003 according to a flash estimate. It was 1.9% in May 2003.

Flash estimate June 2003- News release No 74/2003 – 30.06.03.

National accounts
Gross Domestic Product (GDP) grew by 0.1% in both the euro-zone1 and the EU15 during the first quarter of 2003. These results follow an increase of 0.1% in both zones in the fourth quarter of 2002. In comparison with the first quarter of 2002, GDP grew by 0.8% in the Euro-zone and by 1.1% in the EU15, after increases of 1.2% and 1.4% respectively in the previous quarter.

Second estimation for the first quarter of 2003 - News release No 79/2003 – 05.06.03.

Labour market
Euro-zone seasonally adjusted unemployment stood at 8.8% in May 2003, unchanged compared to April. It was 8.3% in May 2002. The EU15 unemployment rate was 8.1% in May 2003, compared to 8.0% in April. It was 7.6% in May 2002.

May 2003 - News release No 75/2003 – 01.07.03.

Business and consumer surveys
The economic sentiment indicator (ESI) recorded a slight increase in June for both the EU (0.2 percentage points) and the euro area (0.1), reaching a value of 98.5 and 98.2, respectively. This confirms the improvement since March.

Results for June 2003.
Insight on: Colloquium on Modern Tools for Business Cycle Analysis

On October 20th – 22nd, 2003 Luxembourg will host the 4th colloquium on “Modern Tools for Business Cycle Analysis”; this year’s Colloquium is co-organised by Eurostat and DG ECFIN and will include invited, contributed and poster sessions. The list of accepted contributed papers and a description of the poster session is as follows:

Sessions of Contributed papers

1. Turning Points Dating and Detection
   Chairman: Michael ARTIS
   Billio Monica ....................... Euro-zone business cycle analysis with multivariate Markov switching models
   Chauvet Marcelle ................. Tracking and Forecasting Business Cycle Fluctuations
   Ferrara Laurent................... A turning point chronology for the Euro-zone classical and growth cycles
   Musso Alberto ..................... Basic characteristics of the Euro area business cycle
   Paternoster Dario............... The Euro Area Business Cycle: a classical approach

2. Synchronisation and Convergence (2 sessions)
   Chairmen: Siem Jan KOOPMANS and Jesus GONZALO
   Astolfi Roberto.................... How does the Euro-zone Respond to Shocks? A Common Trends and Common Cycles Analysis
   Bergman Michael U. ............. How Synchronized are European Business Cycles?
   Bovi Maurizio ..................... A nonparametric analysis of the international business cycle
   Cubadda Gianluca ................. Common Shocks, Common Dynamics, and the International Business Cycle
   Lemoine Matthieu ................. Modelling the dynamic convergence of British and Euro-zone cycles
   Marini Marco ...................... Convergence of Candidate Countries to European Union: an analysis on industrial production using dynamic factor model
   Sturm Jan-Egbert............... International Synchronisation of National Business Cycles?

3. Composite Indicators (2 sessions)
   Chairmen: Philip KEREMAN and Ronny NILSSON (Martin WEALE)
   Charpin Françoise ................. A short-term growth indicator for the Euro-zone
   Ferrara Laurent.................. Real-time detection of economic cycles using a threshold model
   Grenouilleau Daniel .............. Short-run Euro area GDP forecasting with factor extraction from sorted leading indicators
   Hansson Jesper.................... Business survey data: Do They Help Forecasting the Macro Economy?
   Marcellino Massimiliano....... A Comparison of Estimation Methods for Dynamic Factor Models of Large Dimensions
   Marcellino Massimiliano....... Leading indicators for Euro area inflation and GDP growth
   Moauro Filippo ................... An EU Index of Quarterly Indicators Based on Monthly and Quarterly Time Series

4. Output Gap Measurement
   Chairman: Denise OSBORN
   Chagny Odile ..................... Multivariate estimation of the potential output in the Euro-zone, a production function approach
   Del Hoyo Bernat Juan L. ...... Stability analysis in trend cycle decomposition under unobserved component and Dynamic common factor models
Mitchell James ...................... Moving towards a single density estimate of the output gap in the Eurozone
Rossi Alessandro............... Bayesian inference of output gap models
Van Norden Simon............... Filtering for Current Analysis

5. Methodology for Business Cycle Analysis
Chairman: Andrew HARVEY

Gallego Francisco A. ............ Building Confidence Intervals for the Band-Pass and Hodrick-Prescott Filters: An Application using Bootstrapping
Palestrini Antonio............... Trend-Cycle Decomposition though the Wavelets Analysis
Planas Christophe............... Business cycle indicators: the sensitivity of generalised dynamic factor models to pre-filtering methods
Toro Juan........................... A new approach to the analysis of business cycle transitions in a model of output and employment

6. Monetary Policy and Business Cycle Analysis
Chairman: ECB (to be specified)

Logeay Camille ..................... Time-varying Nairu and real interest rates in the Euro Area
Morana Claudio .................... Monetary policy and the stock market in the Euro area
Mouratidis Kostas ............... Credibility of EMS Interest Rate Policies: A Markov Regime-Switching of a Bivariate Autoregressive Model
Seitz Franz ......................... Narrow money and the business cycle: Theoretical aspects and Euro area evidence

Poster papers

Astolfi Roberto............... Dating the Euro Area Business Cycle by means of different Band-Pass filters
Flaschel Peter .................... Interacting two-country business fluctuations: ‘Euroland and the USA’
Galizia Federico ................. Measuring the “Financing Gap” of European Corporations
Galizia Federico ................. The “savings gap” of European Corporations: A first look at the available data
Hjelm Göran...................... Simultaneous Determination of NAIRU, Output Gaps, and Structural Budget Balances: Swedish Evidence
Pedregal Diego José ............ Filter Design and Model Based Analysis of Economic Cycles
Pelloni Alessandra.............. The effect of nominal shock uncertainty on output growth
Perez Pedro J..................... Business Cycle Affiliations in the Context of European Integration
Sdrakas Nikolaos............... VAR modelling of the Euro area GDP on the basis of principal component analysis
Summers Peter .................... Identifying business cycles using Markov-switching models
Van Aarle Bas.................... Monetary and Fiscal Policy Transmission in the Euro-area: Evidence from a Structural VAR Analysis
Waelde Klaus ................. Endogenous business cycles and growth
Newsfront

News from the Member States

Austria

Workshop on Econometric Time Series Analysis - Methods and Applications
September 29-October 1, 2003, Linz, Austria

The workshop aims at gathering researchers in order to discuss the state of the art in econometric time series analysis and to envisage the novel lines of research in the developments of theory and methods as well as in applications.

Special topics covered by the session:

♦ Non-linear time series models
♦ Multivariate time series analysis
♦ Dynamic factor models
♦ Modelling volatilities for univariate and multivariate time series
♦ Markov-Switching models
♦ State space models with regime switching
♦ Bayesian approaches to time series analysis

http://www.ifas.uni-linz.ac.at/timeseries.htm

Finland

Annual Conference European Association for Research in Industrial Economics (EARIE) 24-26 August 2003, Helsinki, Finland

The European Association for Research in Industrial Economics (EARIE) is a professional society for academics and practitioners with an interest in the growing scientific field of Industrial Economics. EARIE, created in 1974, has a long tradition as a scientific association. The 30th Annual Conference of EARIE will take place in Helsinki, 24-26 August 2003.

http://www.earie2003.net/
Forthcoming events


The CFS Summer School is aimed to:
Offer a stimulating environment for young doctoral students to discuss intensively common objectives and concerns on topics presented by an international faculty.
Help doctoral fellows in the positioning of their work in relation to international research. Through systematic interaction participants will be encouraged to compare their approaches and examine their research work. In particular the opportunity to present own work will be given, to be discussed by the faculty.
Facilitate the establishment of contacts between young researches coming from various universities and research institutions throughout Europe.

http://www.ifk-cfs.de/English/content/veranstaltungen/data/20030811Empiri.htm

Econometric Society European Meeting (ESEM) and European Economic Association Annual Meeting (EEA), August 20-24, 2003, Stockholm, Sweden

For the first time, the EEA Annual Congress and the Econometric Society European Meeting - EEA-ESEM - will run in parallel at the same place. Registering for either the Congress or the Meeting, participants will be eligible to attend all sessions of both. This innovation will double not only the potential audience for authors, lecturers and panellists, but also the choice set for listeners.


Call for papers concerning the European winter meeting of the Econometric society. Proposals of candidates should be sent by email to the corresponding regional consultant before 1 September 2003.

The 2003 Meeting will take place in Madrid, 24-25 October 2003. The European Winter Meetings of the Econometric Society started in the 1950’s with the aim of bringing together the most promising young European researchers with a group of senior academics representing different European regions and fields of specialization. Many of the present day leading European economists started their careers by presenting their first major paper at one of these Meetings.

http://www.econometric-institute.org/wm/index.html#history

The principle objective of the conference is to encourage economic research and to strengthen contact between applied and academic economics. Young researchers and professionals with a background in economics or related disciplines are invited to share their results, views and experiences.

Economic growth is one of the most demanding challenges for policy makers and economists. In industrial countries, significant demographic changes in the decades ahead will have a major influence. At the same time, the degree of interdependency between economic regions is increasing, posing a challenge for industrial as well as developing countries.

Business cycles as a topic sometimes follow a cyclical pattern themselves, as could be watched in the 1990s. Especially after long and strong boom periods the business cycle is often said to be obsolete, replaced by a new form of pattern, a ‘new’ economy or the like. On the other hand, the case of Japan apparently showed standard policy tools to be useless.

http://www.infer-research.net/

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Information and Entropy Econometrics (IEE) is research that directly or indirectly builds on the foundations of Information Theory (IT) and the principle of Maximum Entropy (ME). IEE includes research dealing with statistical inference of (economic) problems given incomplete knowledge or data, as well as research dealing with the analysis, diagnostics and statistical properties of information measures.

This conference will (i) study and explore IT solutions for linear estimation and inference problems, (ii) facilitate the exchange of research ideas in the field, (iii) promote collaboration among researchers from different disciplines, and (iv) highlight the major trends in Information and Entropy Econometrics

http://www.american.edu/cas/econ/faculty/golan/topics.htm

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Activities: Progress on Short-term Indicators for the Euro-zone

Since 1999 infra-annual statistics on the Euro-zone have played a vital role in private and collective decision making.

Eurostat, conscious of the necessity to assess permanently the momentum of the EU economies and of the Euro-zone economy, decided to create in 2001 a new web site entirely devoted to short-term statistics: Euroindicators.

The daily updated site contains an unrivalled volume of mostly harmonised and above all uniformly structured and documented national and European series. This database is an indispensable source of information for academic researchers interested in collecting information on the business cycles of the Member States and the Euro-zone.

In a recent meeting in Luxembourg, the state-of-the-art of research on short-term indicators for the Euro-zone was presented. The meeting covered a wide range of methodological and practical aspects of short-term statistics such as timeliness, accuracy and length of series, making the presented results of particular interest to Eurostat.

The National Institute of Economic and Social Research (NIESR), led by Professor Martin Weale proposed an analysis of timeliness for Gross Domestic Product, Industrial Production and Producer Prices for the Euro-zone; the theoretical possibility to obtain a release calendar similar to the corresponding US data was explored in a simulation study. A second study presented empirical evidence of the impact of direct seasonal adjustment on the flash estimation procedures.

The Italian Gruppi di Ricerca Economica Teorica Applicata (GRETA), led by Professor Domenico Sartore focused on timeliness by presenting a methodological study for Flash estimation of external trade variables.

GRETA also addressed the important issue of data quality by analysing the length and accuracy of Euro-zone data; the theoretical aspects of back-calculation of Euro-zone unemployment data were examined by Dr Massimiliano Caporin, while a general framework for the analysis of data revisions was presented by Professor Tommaso di Fonzo who also introduced an extension of the dynamic version of Chow and Lin model for temporal disaggregation.

Several presentations introduced evidence over the business cycle’s features of the Euro-zone; Mr Matthieu Lemoine presented the results the Observatoire Francaise de Conjoncture Economique (OFCE) in Paris obtained on multivariate filtering techniques and output gap estimation for the Euro-zone. A leading Indicator for Gross Domestic Product and its main components for the Euro-zone was also developed and presented in its main features.

The results of a joint effort to determine a widely accepted chronology of turning points for the Euro-zone business cycle were presented by Dr Laurent Ferrara from Centre D'Observation Economique (COE) de Paris and Mr Marco Lo Duca (GRETA).

In conclusion, Eurostat should look at the research carried out by academics as a fundamental source of feedback in the process of producing short-term statistics.
Cool tools and sites

"Economic Trends" by the Research Department at Federal Reserve Bank of Cleveland is an excellent monthly source for analysis and charts of US business cycle conditions. Latest economic statistics are charted and the current state of the economy is discussed in detail. Topics analysed include: The Economy in Perspective, Monetary Policy, Inflation and Prices, Economic Activity, Labour Markets, Regional Conditions, Agricultural Policy, Banking Conditions, International Trade, Global Savings and Investment. The Research Department at Federal Reserve Bank of Cleveland models complex economic systems, analyses data, and evaluates economic information to support the Federal Reserve Bank of Cleveland's monetary policy, supervisory, and payments system responsibilities. The department produces academically respected economic research and monitors regional and national economic trends.


Resources for Economists on the Internet This site provide the most extensive set of links to resource for economists on the WEB. The links are classified by categories and include: U.S. macro and regional data, other U.S. data, World and non-U.S. data, finance and financial markets, economic consulting and forecasting services, data archives, economics journals on the Internet, journal data and program archives, on-line journals, electronic newspapers and other news media, academic research organisations and institutes, non-academic research and policy organisations, directories to colleges and universities, directories to business schools.

http://rfe.wustl.edu/EconFAQ.html

Time Series Modelling version 3.21 by James Davidson, Cardiff University is an Ox package which estimates a range of time series models incorporating long memory, GARCH, regime-switching, and other forms of nonlinearity. In addition to the programmed features, the package estimates any nonlinear dynamic equation that can be supplied as a function in Ox code, so that there are virtually no limits to its flexibility. It can be operated either free-standing, with a graphical user interface using OxJapi, or as a module in a user’s Ox program. In the second mode, it can be used as the estimation engine for Monte Carlo experiments. It is offered freely to academic users, for teaching and research.

http://www.cf.ac.uk/carbs/econ/davidsonje/software.html
During the month of June 2003 a total of 28896 hits was recorded, showing a decrease of 19.8% compared to May 2003 (36021 hits).

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Contact us

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