

## The imperative for national statistical agency

Tuesday, May 23, 2017

By *Dr. Sadiq Ahmed*

By all accounts Bangladesh has done very well in increasing per capita income, reducing poverty, strengthening human development and enhancing gender empowerment. This progress was particularly striking during the Sixth Plan and the forward march has continued during the first two years of the Seventh Plan.

Yet, some disconcerting developments have emerged recently. These include a big slowdown in exports, growing at only 4.0 per cent during the first nine months of FY2016-17, as compared with 9.0 per cent in FY2015-16; remittance inflows declined by 17 per cent in the first nine months of the current fiscal year; a major flooding in the hoar areas has adversely affected agricultural production; the non-performing loans of both public and private banks are on the rise; and there are reports of continued large capital flights.

In a market economy, such adverse developments are nothing abnormal. But they are signals to the policy makers that there is a need to review these developments carefully and take corrective actions. Unless corrective actions are taken on a timely basis, the macroeconomy can get off-track and create serious adjustment problems that could slow down long-term development progress.

An important aspect of proper policy making is the availability of correct information and data on key macroeconomic variables including GDP (gross domestic product) growth, inflation, employment and poverty. The macroeconomic data involving organised sector financial flows such as the fiscal, monetary and credit and balance of payments variables are available on a fairly regular cycle. The Bangladesh Bank traditionally is well-organised in providing data that it manages (balance of payments, money and credit). The Ministry of Finance has made steady progress in improving its capacity to assimilate and disseminate a

wide range of fiscal data. Outside these organised financial flows, all other economic and social data come from the Bangladesh Bureau of Statistics (BBS).

The BBS has made appreciable progress in a number of areas including price, wages and GDP production account data. The quality of the survey data relating to Household Income and Expenditure Survey (HIES) and Labour Force Survey (LFS) that underpin poverty and employment trends has also improved. These are important achievements, but there are major gaps. For example, there are no quarterly estimates of GDP; HIES surveys are available with 6-7 year gaps; the LFS are done with 3-4 year gaps. Furthermore, there are serious concerns about the quality of national income and expenditure estimates.

Against the backdrop of these challenges, there are reports of political intervention in the work of the BBS. Very recently, BBS released preliminary GDP data for FY2016-17. GDP is estimated to grow by 7.24 per cent in FY2016-17, up from 7.11 per cent in FY2015-16. This increase happened despite the list of adverse developments noted above. It is hard to imagine that a large slowdown in exports, a huge decline in remittances, flood damage to agriculture and large reported capital flight combined together will have no adverse short-term implications for GDP growth, which continues to climb up merrily on the exact GDP growth path as projected in the Seventh Plan!

The 7th Plan GDP growth path was projected on the basis of certain assumptions about the growth of exports; growth of manufacturing sector; growth of remittances; and growth of private investment. None of these assumptions have materialised. Yet GDP growth rate remains immune to economic fundamentals. BBS does not provide any analysis or explanation about what factors have offset the adverse developments and more than compensated their effects. This analysis will be helpful for researchers and policy makers to contribute to proper policy making. It also provides a sense of complacency and masks early detection and correction of macroeconomic problems.

The other worrisome development is the failure of BBS to release the monthly inflation data for March and April. These monthly price data are very important for policy making, especially for the Bangladesh Bank and the Ministry of Finance because these are signals about possible overheating of the economy or supply shocks. There is already strong evidence of rising food prices owing to supply shocks from the haor flooding and other

factors. It is very natural to expect food inflation to go up that might also cause a short-term pressure on overall inflation. There is nothing wrong with this but it provides important signal to policy makers to manage money, credit, import and expenditure policies to avoid transmission of inflationary pressure throughout the economy.

By suppressing the data, BBS is doing a dis-service to the government and the research community at large. There is an announcement that the inflation data will only be released on a quarterly basis presumably to smooth out the month-to-month fluctuations. This is a poor argument and a regressive backward step. Instead of moving forward to meet the gaps in data frequency for many key variables noted above, BBS is now refusing to release a key monthly economic indicator it regularly produces because it shows inflation has gone up!

Against the backdrop of the above, it is imperative to depoliticise the BBS and convert this to an independent National Statistical Agency (NSA) that is professionally managed. It should be headed by an internationally trained professional statistician who would become the nation's Chief Statistical Officer (CSO). It should be staffed by professional statisticians, economists and ICT specialists who have a solid understanding of social and economic database.

A similar reform was undertaken by India when questions arose about the quality of the work of its Central Statistical Office (CSO). India established a professional coordinating body called National Statistical Commission (NSC) in June 2005 with a view to restoring public trust in the data released by the government.

Bangladesh can also go the India route. Irrespective of the route it goes, the government should take urgent steps to depoliticise the BBS and increase its capacity and professional competence. The government should set up an expert group with two main tasks: (1) to assess core data requirements of Bangladesh and the minimum frequency of data updates; and (2) to suggest a proper institutional reform with a view to converting BBS into an autonomous and strengthened national statistical agency. The task team can look at good international practices and base its recommendations on what will best work in the Bangladesh context.

As Bangladesh moves forward with the challenge of achieving upper middle-income status, it must reform its core institutions. The reform of BBS is one such institutional reform. Timely

availability of quality data is critical for good planning, proper policy making and sound implementation of government policies and programmes.