

# **DATA COLLECTION CHALLENGES FACED by AFRICAN CENTRAL BANKS**



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# Outline of Presentation



- ❑ Statistical developments in Africa
- ❑ Data collection challenges facing African Central banks
- ❑ Data collection challenges faced by CSO in Zambia
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- ❑ Data collection challenges associated with Business surveys in Zambia
- ❑ Conclusion

# Statistical development in Africa



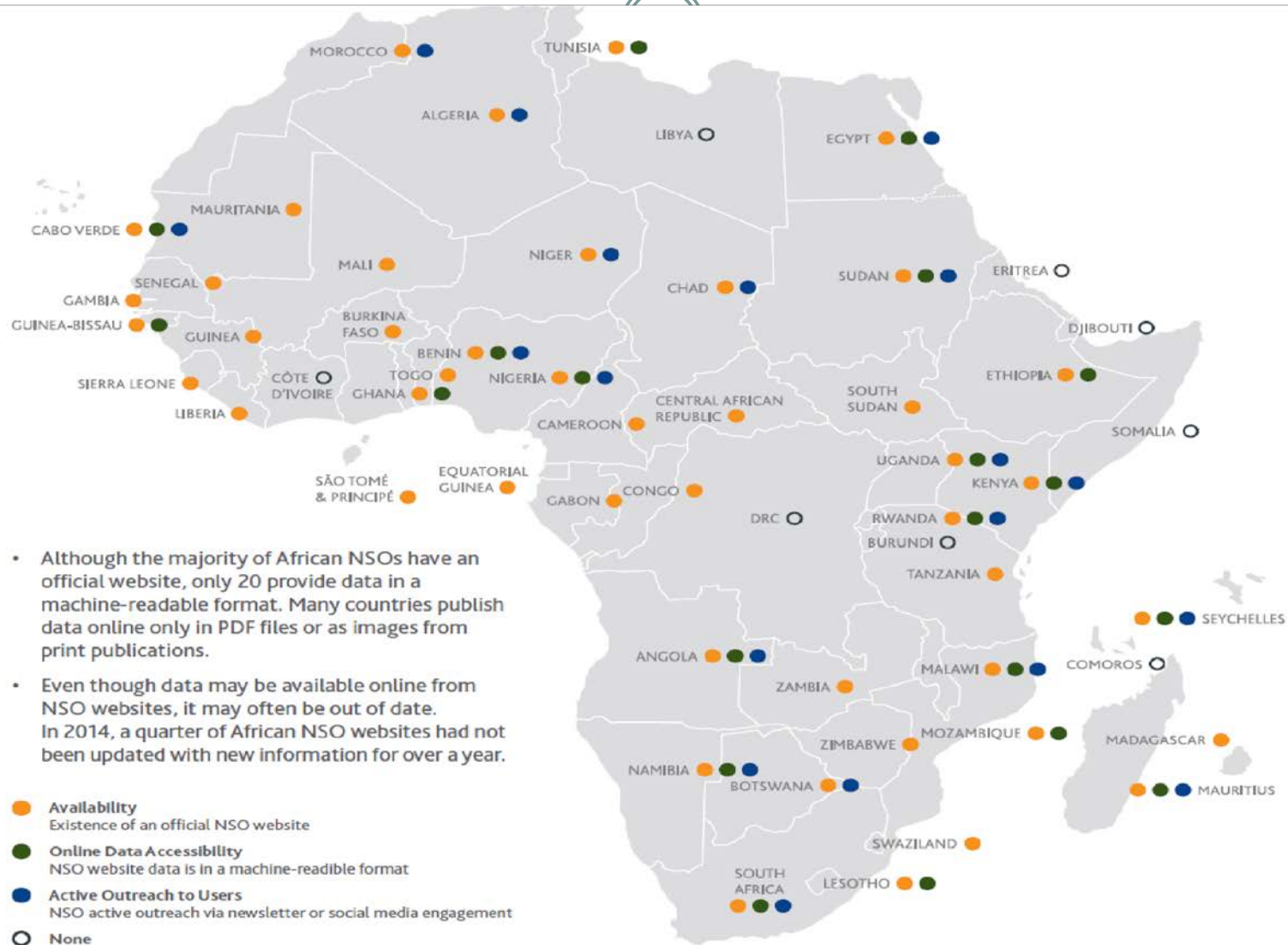
- Recent years have witnessed a substantial increase in demand for statistics and a greater awareness in Africa of the necessity to strengthen statistic systems and deliver relevant, reliable and timely official statistics.
- Despite several initiatives, the production of statistics in Africa remains slow, the focus has been more on elaborating strategies than implementing them.
- National Strategies for the Development of Statistics are considered too ambitious and unrealizable in comparison with the available resources.

# Statistical development in Africa cont'd



- African Charter on Statistics adopted in 2009 by African heads of state to enhance regulatory framework for development of statistics.
- \* 32 countries signed charter, only 16 have ratified.
- Efforts made to increase availability and accessibility of data through NSO and central bank websites.
- However, limited by inadequate internet access, technical and financial capacity, efficient updating of statistics

# \*Statistical development in Africa cont'd



# Data Collection Challenges facing African Central banks



- Structural problems related to the lack and irregularity of resources, weak institutional environment, inadequate technical capacity, low financial development and in some cases insecurity.
- Brain drain (the emigration of highly trained people to developed countries) which negatively impacts on capacity.
- Resources available for statistics in Africa are directed primarily to social and demographic statistics which attract project funding from donors while economic statistics attract less attention.
- **Central banks** are the most affected by the lack of reliable economic data, which is necessary to formulate appropriate monetary policy that supports economic growth.

# **Data Collection Challenges facing African Central banks cont'd**



- No harmonization of statistical methodology in Africa and very few share it.
- Central banks are not big data oriented to manipulate huge databases
- Few African countries collect data from the non-bank financial institutions
- Inadequate legal provisions to compel non-financial institutions to provide data
- Importance of Islamic banks but not covered yet in statistics
- Weak transparency of central banks' data production

## **Data Collection Challenges facing African Central banks – Consumer Price Index (CPI)**



- Price stability is the ultimate objective of monetary policy, thus getting a relatively accurate measure of inflation on timely basis is vital for most central banks.
- Market prices are not properly collected to produce representative CPI .
- Household budget surveys are not conducted on regular basis to update the weights of the CPI (consumption patterns are not efficiently reflected).
- \*Latest household budget survey done in 2015 by only 5 countries in Africa



# Data Collection Challenges facing African Central banks – Gross Domestic Product (GDP)



- *\*National account Calculation Methodology* : 65% of African countries use the 1993 UN System of National Accounts (SNA) and only 7 use the 2008 SNA.
- *Frequency* : 76% of African countries produce GDP estimates on an annual basis and disseminate it with a considerable delay.
- *Coverage* : existence of large informal sector, which is not measured.
- *Base year* : 43% of African countries have a GDP base year prior to 2005. It biases the estimates of the relative size of the economy and the pace at which it grows.

# **Data Collection Challenges facing African Central banks –Labour statistics**



- Labour statistics are an important element in measure of economic growth and development.
- \*Out of 33 African countries, only 8 produce indicators on labor market on a quarterly basis, 16 on an annual basis, while nearly 4 seem not to have a periodicity.
- \*20% of the countries conduct a labor force survey every ten years and only 6% conduct it at an annual basis, while the rest do not have a regular frequency.

## **Data Collection Challenges facing African Central banks –Trade statistics**



- \*Out of 55 African countries, 45 provide trade statistics in last 10 years.
- Few African countries, have an efficient trade system - customs warehouses, all types of free zones and premises for inward processing, thus underestimating trade data.
- Poor trade recording system by Custom Services so huge proportion of informal border trade transactions are not sufficiently captured.
- Lack of regular reporting of consistent and comparable data over time and across countries based on international standards and guidelines.

# **Data collection challenges facing African Central banks – Balance of Payments**



- Most African countries have not migrated to BPM6 due to difficulties in implementing conceptual issues, identification of adequate source data, poor institutional coordination as well as resource constraints.
- limited scope and accuracy of compiled data for BOP as based on the results of old surveys.
- Inadequate data verification and quality control mechanisms for countries that augment their BOP source data with surveys.
- Many countries have large level of net errors and omissions due to limited data sources.
- Low/ insufficient statistical capacity in the compiling institutions

# **Data Collection Challenges facing Central Statistical Office (CSO) in Zambia**



The Central Statistical Office (SCO) was established in 1964 to collect and provide statistical data and information mainly to meet planning needs of Government.

The challenges faced in compilation of statistics include:

- Weak legislation. CSO uses a 1965 act which only defines the powers of the Director and not the institution. There is no law that compels respondents to provide data to the institution.
- Low financing of economic statistics. Funding to the institution has reduced both in nominal and real terms. So rely more on secondary data (from tax office), in conducting their business surveys without recourse to the primary sources.
- Co-operating partners are more willing to fund social statistics than economic statistics.

# **Data collection challenges facing the CSO in Zambia cont'd**



- **Weak statistical advocacy**
- **Difficulty in measuring informal sector**
- **Inability to attract and retain staff. The rigid structure does not motivate highly qualified staff to stay long with institution.**
- **Low levels of co-ordination between the CSO, central bank and Ministry of Finance results in duplication of effort.**
- **Low statistical literacy. Few members of the public are able to interpret and interrogate the statistics produced by the institution.**
- **Non capture of all business entities in the business register.**
- **Non-existence of in-service training to enhance capacity among staff.**

# Business Surveys in Africa



- Since GDP is produced annually, most central banks use business surveys to monitor the real sector activity based on responses from firms (Zambia, Botswana, Burundi, Congo, Guinee, BCEAO member countries : Mali, Niger, Senegal, Togo, Burkina faso, Benin).
- Other central banks prefer to customize statistical results gathered from enterprises or statistical institutes to monitor the real economic activity.
- Few African central banks consistently publish survey results or the methodology of their business survey.

# Business Survey in Zambia



- Business survey launched in August 1993 for supplementary information on economic activity. Conducted quarterly.
- Information obtained also provides valuable feedback to respondents on sectoral performance.
- Sampling frame derived from a list of VAT registered companies from the Zambia revenue Authority (ZRA) (current sample updated in 2016).
- Sample categorized by economic sectors with highest contribution to GDP covers Agriculture, Merchant, Manufacturing, Tourism, Services and Construction.
- Mining sector excluded as mineral statistics are provided by the Ministry of Mines.
- Senior managers or accountants of firms are the main respondents.



# Business Survey in Zambia

- A sample of 668 companies has been divided into two sub-samples so that each company is surveyed twice a year, i.e every other quarter to mitigate respondent fatigue.

Figure 1: share of sectoral responses

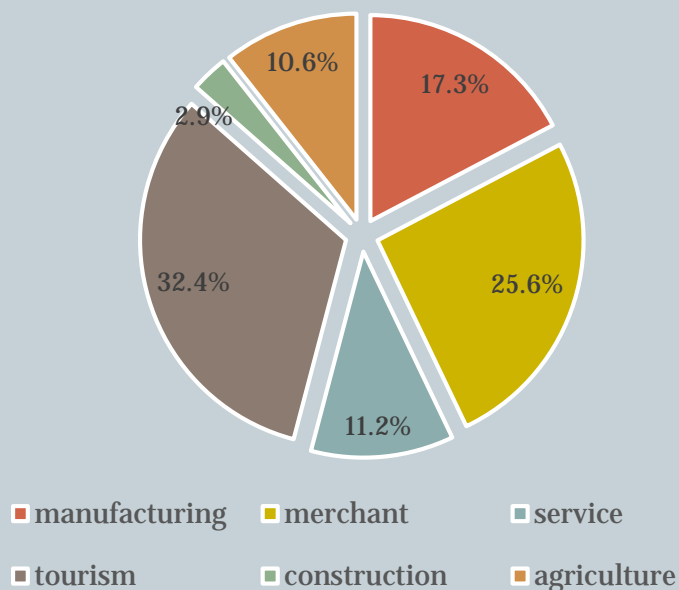
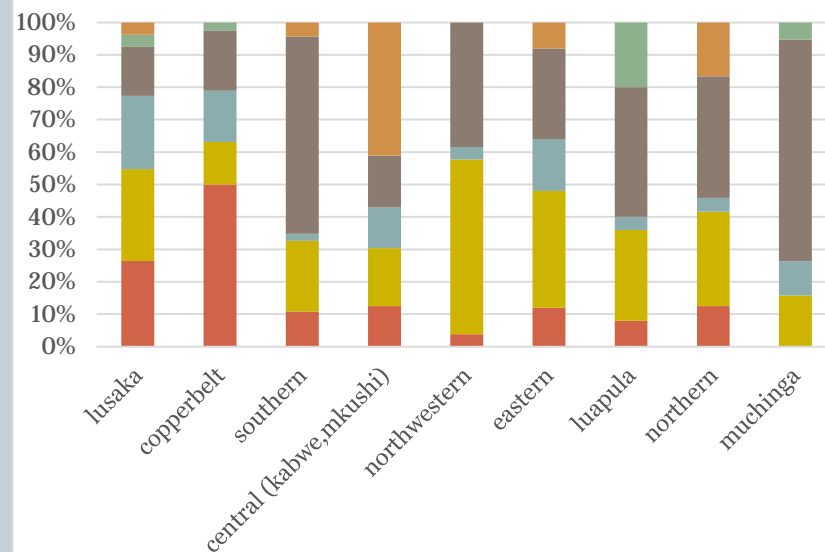


Figure 2: Sectoral Distribution by Region



# Business Survey in Zambia



- Sector specific questionnaire designed to capture information on companies' experiences, expectations and opinions on various variables such as:
  - Output, Capacity utilisation, economic performance, sources of finance, operational constraints, Investment and output levels, prices, sales, exchange rates, interest rates.
- Unable to get an equal balance of companies in each sector, due to the limited number of companies registered, the size of the industry and economy in general.
- Questionnaires are administered through e-mail and physical visitations.
- Computation of “net balance of percentage” statistic is used for data analysis.
- The report is shared with staff from the Research and Monetary Policy Report drafting team. It is cleared for uploading on the Bank of Zambia webpage after every quarterly Monetary Policy Committee (MPC) meeting.

# Challenges associated with the survey in Zambia



- Lower electronic response rates due to lack of internet facilities at some medium and small enterprises in the sample.
- Non response due to fatigue associated with the high frequency (quarterly) of visitations. More time is spent persuading respondents to fill questionnaires.
- Sometimes, seasonal vacations lead to non-response especially where an enterprise is a sole trader.
- Incomplete/inconsistent responses resulting in data gaps.
- Dwindling sample due to company closures (small economy)

# Challenges associated with the survey in Zambia Cont.



- Poor organisational aspects of small & medium businesses.
- Inadequate number of updated business turnovers on ZRA system to draw sample.
- High cost of travel required to cover provincial centres that are far apart .
- Poor awareness of the survey's importance
- Inadequate technical capacity to make full use of data for analysis, nowcasting

# Conclusion



- Progress made by many African countries to develop their statistical system is slow due to structural challenges.
- African countries need to establish efficient statistical governance.
- More regular resources should be allocated to improve national statistical systems, data timeliness, coverage, quality, frequency and reliability.
- As economies and financial systems develop it is important for African central banks to collect more detailed statistics in order to make appropriate monetary policies that support economic growth.

# Conclusion



- Institutions such as the IMF, ADB, ILO, UNECA have made efforts to provide capacity building in the area of statistics to CSOs and central banks.
- African central banks need to be more transparent about the statistics they produce and disseminate it on a regular frequency.
- A more coordinated approach to the production of statistics is required by main stakeholders.
- In countries like Uganda, Rwanda and Nigeria the Ministry of Finance, central bank and CSO has prioritized key statistics that are co-funded and produced on a timely basis to support efficient policy formulation.

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**Thank you**