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The Needs of The Media in Covering Official Statistics

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First off, I'd like to thank the organizers of the DGINS conference for their kindness in inviting me.

Covering economic indicators in major global economies is, if not a thankless task, one with a high degree of risk for the news organization doing so and not a little terror on the part of the reporter doing the reporting. Think, if you will, of the poor reporter squirreled away in a lockup in the bowels of a government department, knowing that literally billions of dollars of investments, currencies and securities, will be affected by the news she is about to report and knowing that the professionals depending on her report expect, no demand, that she get it right. A victory, in most cases, would be counted in seconds, and indeed, in the case of embargos, a victory would only really be possible based on an unfortunate failure on the part of one's opponents.

But a loss, a defeat... There are many ways to lose, all of them painful. Painful to the news organization, to the statistics-issuing organisation involved and to the readers depending upon our reports to do their jobs. It should be our goal, as a group -- news organizations and statistics organizations together -- to work to minimise defeat, to squeeze out the chance of error and to deliver to the end user correct information in a format that is easy to grasp quickly and act upon.

We at Reuters consider the coverage of economic statistics to be one of the most important services we perform. Economic statistics are the very lifeblood of the financial markets. Without statistics on which to judge, our clients, and those of our rivals, will make worse judgements about where to deploy capital, leading to waste, to loss and to lower growth than would otherwise be the case. Our clients, be they debt, equity or foreign exchange specialists, be they European, New World or Asian, read about economic data. It is the single most important data and news set we produce.

We take this duty of ours -- reporting on the economies of the world -- very seriously, as indeed do you take your duty, and a far more difficult and valuable one, seriously. This group compiles the statistics that allow men and woman, capital and labour, to make informed decisions in the global marketplace.

First off, I will except from my remarks and comments about the quality of the data provided by governments. This, while of the utmost importance, is not here at issue. We, of course, do not and will not hesitate to write frankly of these issues, but in doing so we base our writings on the

opinions of experts and other involved parties, rather than our own. Our core competency is relaying your important data to the market. And that is what I will discuss today. In doing so we are to be judged broadly in three main areas. First and foremost is speed. Our readers need to know the numbers as fast as possible so that no one might have an unfair advantage over them and so that they may bring their powers of analysis to bear on the data in order to make investment decisions, be they wise or other than wise. Within this we make editorial decisions as to which data to highlight. These are based on our own knowledge and informed by what we are told by professional economists.

Every day I look at statistics to show exactly how long it took us to send stories on economic indicators. We measure in seconds and hundredths of seconds. We do this because we want to know where we have an advantage, and we do seek to get an advantage where we ethically can. But more to the point, we do this because it is impossible, from a business point of view for us to provide these stories late to our readers. We cannot afford to fail.

The second criteria on which we are judged is organisation. We are to be judged in how well we present the data so that it might be quickly understood by those in the market.

Third, and not to be underestimated, is our role just after the data is released. This is where we believe we add much value. As well you know in the moments after a piece of market-moving data is released economists and traders are asking themselves a series of questions: Is the data strong or weak? In comparison to what? Market expectations of the economist's own views? What do other people think? Have I missed something? And even if not, it does one little good, at least in the near term, to be right in thinking a number is inflationary when the sum of market opinion, expressed in asset prices, thinks that it is not. In seeking to answer these questions they look primarily to two sources; price action and the opinion of others.

It is our role, we believe, to act as a clearing house for this kind of after-the-fact instant analysis. We seek to do this by displaying price data and by reporting on price movement. We also seek to speak quickly with economists and other market participants to draw out their views and pass them along.

So then, back to how data is and should be released.

Let us review the ways in which it generally is released now and the implications of these ways for the statistics organizations, media and public. What I believe we will see is a process towards commoditisation of access to the economic data.

The first type, the most exciting from a competitive journalist's point of view, but perhaps the most problematic overall, are statistics which are not released to the media but to a group of paying subscribers. The University of Michigan survey of consumer sentiment is the most famous example, but there are others. These are compiled by profit maximising organisations and are designed to shed light on economic developments, rather than being "official" statistics in themselves. These put the media in the position of having to source the data, usually only headline figures, through subscribers. While this gives media the opportunity to win deliver the information faster and "win" (or lose them) it leads to a high level of uncertainty, to higher probability of error in reporting and, theoretically, to higher levels of volatility in markets influenced by the figures.

The second type of release format for economic data is to release it to the public and media without embargo. This is done in many countries with less liquid financial markets, where perhaps the perception is that the market will not move quickly on such news. These stories are a challenge for the wire services and, while we can compensate for the lack of preparation time through planning and devoting additional manpower, there are higher risks. The first risk is that, in the rush, mistakes are made. This is a negative for the media and the market. The second risk is that the data goes out more slowly and less completely. Under these circumstances we are forced to send iterative stories; short sentences that build to longer stories, perhaps followed by complete tables. This impairs the reader's ability to understand the data, to our detriment and his. If we receive data under embargo we can prepare entire tables in advance for release at the appropriate time.

One thing to note here is that it is very difficult to make sure that a so-called web release is actually available to all at exactly the same time. Web pages can take dozens of seconds to upload, and speed can be very variable. Email itself is variable and cannot truly be controlled by the sending or receiving entities.

The third common form for release is to media under embargo, either by email, fax or some other format. In many ways, from the media's point of view, this is ideal. It allows us the time we need to prepare the data properly for release, to consider the story we wish to write so that we can give as true a picture as possible, to prepare tables and other displays of the data. It is also, from our point of view, the most economical, in that it involves no unproductive travel time to and from a lockup.

The fourth common set up is statistics that are released in controlled settings, commonly called "lockups." These lockups, as you know, allow the governing authority to tightly control access to the information ahead of release. Two important needs of the media in lockups. Firstly, we are given access to the data with enough time to understand and manipulate it for presentation. Secondly, it is important that we be given adequate technical support and access to allow ourselves

to recreate the functionality of our offices. If those are given we are able to adequately do our jobs. There is a cost, of course. To the media the cost is in extra labour and man-hours it takes to staff lockups. To the statistics offices there are of course the costs of setting up and administering them.

So then, other than good data, what are the most important things that the news media absolutely require?

First, a schedule is very important. It is important to us for planning purposes to know exactly when data will be released, and to know this well in advance. The earlier the better, but a couple of weeks notice would be very helpful. This allows us to prepare. We also feel that a strong medium term schedule is of use to the financial markets, which face the same issues around preparation that we do.

Secondly, an embargo period. We feel strongly that springing the data on to the media with no time to prepare will lead to many things which are in no one's long term interests. If we cannot prepare, we will make more errors. The market will trade in error on these errors. Asymmetric information is the end result. We will also, if not allowed time to prepare, fail in some instances to give the story its correct spin in the early versions. Again, this will lead to people trading without the fullest information possible.

Here I would like to say a brief word about the importance of making economists with good familiarity with the data available to the media during the embargo period. We find this very helpful in the places where it has been done. It allows us to quickly get more detail, explanation and accurate historical context.

As to whether lockups are needed, I cannot say. We work successfully within them around the world and can do so as they are introduced in new places. The decision as to whether they are needed must rest with the governing authorities. They do impose a cost and that cost must be taken into account when such decisions are made. What I can say, strongly, is that they are preferable to removing embargos entirely.

This brings me to a short point on recent discussions with INSEE (spell out) in France. Insee, responding to concerns about level playing fields, has recently considered making radical changes to the way in which it releases data. Having historically released data under embargo to news organisations it mooted an end to embargos entirely, in the apparent belief that it would in so doing remove the possibility of unwanted leaks.

First off, I must say that I fully appreciate the Institute's concerns and again appreciate their very heavy responsibility in these matters. We do share these concerns.

I am however glad to say that, in consultations with other news agencies we have agreed with Insee to postpone any such changes. It would, in my opinion have been a disaster had the Institute begun to release its data in this way. The end result would have been bigger wins and losses for journalistic organisations but an overall loss for the market. Market participants would have had less confidence in their ability to get access to the data at the same time as others.

We would like to thank the Institute for its consideration in this matter. Insee is now we understand considering a lockup, which in our opinion would be better than transmission without embargo.

The future

Finally, I'd like to propose that we consider the future and how we should best work together. We believe that ultimately the statistical organizations should move towards a common framework of using a universally usable machine-readable mark-up language.

XBRL stands for eXtensible Business Reporting Language. It is an XML-based markup language developed for financial reporting. It provides a standards-based method to prepare, publish (in a variety of formats), reliable extract and automatically exchange financial statements. Reuters has been a backer of XBRL, I must say.

Use of xbrl or other similar languages would cut down on error and simplify the dissemination of data greatly. It would be more efficient and could, potentially, allow stats offices more control over how their data is released.

Reuters stands willing to work with interested parties on this project, if support can be fomented. With that, I would like to thank you for your time and patience and thank especially the association for its generosity, hospitality and the invitation to meet with you all today.