Chapter 3: Typology of indicators
Outline

- Introduction
- Sentiment indicators
  - with reference series
  - without reference series
- Composite indicators
  - with reference series
  - without reference series
- Future work
Scope of the recommendations:

- Leading, composite and sentiment indicators, excluding
  - ‘traditional indicators’ – e.g. GDP, CPI
  - single, not sentiment indicators (building permits, inventory and order statistics etc.)

However, the terms are overlapping and sometimes used with different meanings...
Introduction
Introduction

- The recommendations distinguish between composite and sentiment indicators for
- The temporal dimension is considered a feature in relation to the phenomena the indicators try to estimate
  - Leading - aims to anticipate the movements of its reference series
  - Coincident - movements occur at the same time as those of its reference series
  - Lagging - movements follow those of its reference series
Sentiment indicators - rely on the opinions, attitudes or expectations of respondents

Sentiment indicators with reference series – produced to approximate another indicator
  - leading, coincident or lagging relationship with their reference series
  - mostly economic indicators

Sentiment indicators without reference series
  - indicators of e.g. happiness or job satisfaction
Sentiment indicators (cont.)

- **Economic** sentiment indicators - produced from business and consumer tendency surveys
  - Examples: Employment expectations, consumer and business confidence indices, European Commission’s Economic Sentiment Indicator (ESI)

- **Socio-economic** sentiment indicators – measure perceived different aspects of life, eg. job or income, family or health situation
  - Examples: Job satisfaction, perceived usefulness of training, belief that country is on the right track
Composite indicators

- **Composite indicator** is formed when individual indicators are compiled into a single index, on the basis of an underlying model of the multi-dimensional concept that is being measured.

- **Composite indicators with reference series**
  - leading, coincident or lagging relationship with reference series
  - Examples: OECD Composite Leading Indicators (CLIs), Conference Board’s Lagging Economic Indexes (LAGs)
Composite indicators (cont.)

- **Composite indicators without reference series** – aim to measure a phenomenon directly
  - Focus on evolution of a phenomenon between different points in time, or to create a ranking across countries or regions at a given point in time
  - Examples: UN Human Development Index, OECD Better Life Index
  - Relationship with the concept being measured is important
Many terms might be overlapping or similar, eg. sentiment indicators and confidence indicators

Do we need a more elaborated discussion of the various problematic terms?

What terms to be added in the Glossary?
Thank you!

Comments/Suggestions can be sent to

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