



SWIFT Index

Frequently Asked Questions

September 2011

Q1: *Why is the SWIFT Index a relevant indicator of GDP evolution?*

A: The ubiquity of SWIFT payment traffic makes it a mirror of economic activity. Refined to exclude exogenous events (example: intra-institution traffic, new market infrastructure launched in a specific country) and modelled into an index, this traffic data becomes a barometer of GDP evolution.

Q2: *What data is used to build the SWIFT Index?*

A: We use the header information of MT103 messages, aggregated at least at country level. This means several million data points every day.

Q3: *Is the data processed to build the SWIFT Index?*

A: Yes. The data is filtered to remove exogenous events. For example:

- Intra-institution traffic is removed as the decision to put this category of traffic on SWIFT is linked to considerations other than economic activity and therefore does not have the same statistical relevance.
- Man-made events: the migration a RTGS system on SWIFT means a jump in volume. This impact needs requires a specific statistic treatment, in order to avoid putting the predictive power of the SWIFT Index at stake.

Q4: *Was the methodology validated by an external party?*

A: Yes. The CORE - Center for Operations Research and Econometrics validated our methodology. CORE is part of Université catholique de Louvain, Belgium.

Q5: *Is it a new topic for SWIFT?*

A: No. The SWIFT Index project is a follow-up of an initiative to test correlations between traffic data and economic indicators, launched in 2009 and presented at Sibos (Hong-Kong and Amsterdam). The concept has been also presented at most business forums ran in 2010 and 2011

Q6: *Is it a new product?*

A: Yes. SWIFT further developed the analysis of the correlation between traffic data and GDP evolution, into a new forecasting tool. . Extensive member consultation ran from 2009 indicated the need to formalize the correlations' analysis and also willingness from various to use such data.

Q7: *Is the SWIFT Index available for all regions and countries?*

- A: No. The SWIFT Index is available in geographies where market penetration is sufficient to guarantee the robustness of the methodology. At this stage it will be available as follows:
- Global index
 - Regional index: AsiaPacific, Europe, North America
 - National index: France, Germany, United Kingdom, United States of America
- Additional geographies will be tested in 2012.

Q8: *Is it a free or payable service offered to our community?*

- A: The Global SWIFT Index will be free for the SWIFT community. Subscription to enhanced granularity (example: geographies) and timeliness will be subject to fees.

Q9: *Does the SWIFT Index respect the data retrieval policy?*

- A: Yes. It strictly respects the data retrieval policy as information used comes from the header of the message and is aggregated at least at country level.

Q10: *What is nowcasting?*

- A: The problem of predicting the present, the very near future and the very recent past is labelled as nowcasting (source: European Central Bank).

Q11: *What is forecasting?*

- A: The process of analysing current and historical data to determine future trends is labelled as forecasting.

Q12: *What is the target market for the SWIFT Index?*

- A: We target several segments of the market:
- Investment managers. The SWIFT Index could be used by investment banks and asset managers to define or influence time critical investment decisions.
 - Analysts. Economists, analysts, risk managers and strategists of financial institutions could use the SWIFT Index to refine their analysis of the evolution of the economic environment.
 - Central banks and policy-makers will also benefit from this early indicator of economic evolution.

Q13: *What is the frequency of publication of the SWIFT Index?*

- A: Monthly. Every month SWIFT will produce and release a set of indexes:
- Traffic figures (rebased, example January 2005 = 100) of the previous month for the selected set of aggregated data and for all selected geographical aggregates.
 - An updated set of quarterly growth rates as indicators of economic growth for the same geographies



Q14: *What about an intra-month status?*

A: The intra-month distribution of payments traffic (more traffic beginning and end of the month) does not allow the use of a robust methodology.

Q15: *What is the starting point of the SWIFT Index time series?*

A: Q1 2010.

Q16: *What is the launch date?*

A: Q1 2012.

Q17: *Will SWIFT develop other indicators of economic activity?*

A: After the launch of the SWIFT Index, we will investigate other promising candidates.



Legal Notices

Copyright

SWIFT © 2011. All rights reserved.

You may copy this publication within your organisation. Any such copy must include these legal notices.

Confidentiality

This publication contains SWIFT or third-party confidential information. Do not disclose this publication outside your organisation without the prior written consent of SWIFT.

Disclaimer

The information in this publication may change from time to time. You must always refer to the latest available version on www.swift.com.

Translations

The English version of SWIFT documentation is the only official and binding version.

Trademarks

SWIFT is the trade name of S.W.I.F.T. SCRL. The following are registered trademarks of SWIFT: SWIFT, the SWIFT logo, Sibos, SWIFTNet, SWIFTReady, and Accord. Other product, service, or company names in this publication are trade names, trademarks, or registered trademarks of their respective owners.

