

Open Working Group on Sustainable Development Goals (OWG)
Statistical note for the issue brief on:

**Macro policy questions (including international trade, international financial system
and external debt sustainability)**

(draft, 13 November 2013)

A. Main policy issues, potential goals and targets

1. We are living in an interconnected global economy, which can provide us considerable rewards in growth in output, income, employment, wealth and reduction in poverty. However, the recent economic and financial crisis in 2008 has made evident that the risks of these pathways are considerable, because of the domestic and cross border vulnerabilities of the national economies and the uneven distribution of those rewards leading to rising inequalities in income, employment and wealth and rising poverty across countries and within countries.

2. Already an open, rule-based, predictable, non-discriminatory trading and financial system was identified under the Millennium Development Goals programme (i.e. MDG 8), with a particular focus on official development assistance, market access and debt sustainability. For the post 2015 development agenda, it is expected that these macroeconomic issues of MDG 8 are placed in a broader macroeconomic policy framework that includes other pertinent issues such as cross border and domestic vulnerabilities, environmental impacts of production, consumption, domestic resource mobilisation, and imbalances in trade in goods and services, value added, income, infrastructure employment, financial debt and use of natural resources.

B. Conceptual and methodological tools

3. Achieving an enabling macroeconomic policy framework to promote equitable and sustainable development need to begin with a clear understanding of the underlying factors that drive the growth of national income, including growth rates of capital accumulation, changes in employment rate, labour and capital productivity, changes in the terms of trade and the linkages between macroeconomic policies and industrial and sectoral policies. This gives rise to the need, not only to monitor progress but also to evaluate whether or not goals are being achieved. To obtain this overview of the economic processes data need to be organised in a framework that integrates and reconciles the data.

4. The System of National Accounts¹ (SNA) describes a coherent, consistent and integrated set of macroeconomic accounts that provides an overview of economic processes, recording how production is distributed among consumers, businesses, government and foreign nations. It shows how income originating in production, modified by taxes and transfers, flows to these groups and how they allocate these flows to consumption, saving and investment.

¹ The latest version of the SNA is the System of National Accounts 2008
<http://unstats.un.org/unsd/nationalaccount/docs/SNA2008.pdf>

5. The national accounts support macroeconomic and sectoral policies including those related to employment, inflation, international trade, and finance by supporting the understanding and forecasting of the determinants of growth and productivity of the economy as it provides a consistent and coherent data set for output, prices, inputs of material and services, energy use and labour and capital as factors of production. Consequently, the national accounts provide an overarching framework for macroeconomic statistics to facilitate economic analysis and policy formulation.

6. These national accounts statistics are complemented by three sets of macroeconomic statistics - balance of payment statistics², government finance statistics³ and monetary and financial statistics⁴. Together these four macroeconomic statistics sets inform the real, fiscal, monetary and financial sector policy frameworks from which coherent and consistent sets of indicators are determined. In addition to this, for trade-related purposes, the international merchandise trade statistics⁵ and international statistics on trade in services⁶ are prepared on cross border trade flows in goods and services, including foreign affiliates undertaking services activities. For external debt related issues, the information is collected and disseminated according to the external debt statistics Guide⁷. Further, there is a long practice in compilation of foreign direct investment⁸. With the release of the System of Environmental-Economic Accounting 2012⁹, the family of macro accounts is further extended to inform about sustainability aspects of production, consumption and accumulation by describing the relationship between the economy and the environment. For instance, the SEEA generates statistics on the impact of the economy on the environment by the use of natural resources in and the release of various forms of pollutants from our production and consumption patterns, and the changes in natural resources in the environment.

Existing and new indicators

7. The current MDG framework put the emphasis on human and social development, setting goals related to reducing poverty and improving education and health in developing countries, without attention to the transformation of productive structures and capacities. Consequently, there are no MDG indicators that directly reflect economic growth, industrialization and infrastructure development.

8. National accounts aggregates, such as GDP and GDP per capita, are widely used as summary indicators of economic activity and welfare. However, it has long been recognised that these aggregates and other macro-economic statistics, while useful in their own right, are not the most suitable measures of people's material conditions. The focus on GDP as the single most important measure of economic performance and social progress may have driven a wedge between headline statistics and ordinary people's perceptions of their economic conditions. The System of Environmental-Economic Accounting 2012 Central Framework will support a wider set of indicators related to sustainable development and green growth, which aims at fostering economic growth while ensuring that natural resources

² IMF's Balance of Payments and International Investment Position Manual, 6th Edition

³ IMF's Government Finance Statistics Manual, 2013 (forthcoming)

⁴ IMF's Monetary and Finance Statistics Manual and Compilation Guide, 2014 (forthcoming)

⁵ The International Merchandise Trade Statistics: Concepts and Definitions, United Nations, 2010,

⁶ Manual on Statistics of International Trade in Services, United Nations, 2010

⁷ IMF's External Debt Statistics: Guide for Compilers and Users, 2003

⁸ OECD Benchmark foreign direct investment, 4th Edition

⁹ System of Environmental-Economic Accounting 2012 –Central Framework, United Nations, 2012

continue to provide the resources and environmental services on which well-being relies. The environmental-economic framework will allow for indicators linking poverty reduction and natural resource management, as one of many key issues that are central to pro-poor growth and social protection policies in developing countries.

9. The national accounts provides valuable information on household material conditions at the macro level, such as, measures of household disposable income; social transfers in kind; consumption expenditure; investment; and assets and liabilities. By combining these macro level aggregates with micro sources (surveys, administrative records, and censuses), it would be possible to derive measures of the distribution of income, consumption and wealth across household groups. Guidance in the area of distribution has been recently released under the OECD Better Life Initiative¹⁰.

10. In addition to producing consistent and coherent short term and annual statistics for macroeconomic aggregates for the real sector, the national accounts framework also provides macroeconomic aggregates relating to the financial and non-financial corporations, government and household sectors of the economy, and their relationship with the rest of the world. Integrated socio-economic, environmental-economic and macroeconomic statistics enable the observation of key variables assessing policy change in the structure of the economy, examining its impact on the determinants of growth (labour, capital, energy, materials and natural resources), on specific goods and services producing industries, consumption and accumulation, the effects across regions of the country and on size classes of enterprises and ownership. New statistical work proposed by the Friends of the Chair on International Trade and Economic Globalisation under the Statistical Commission will also be useful in this context as it brings out the positioning of countries in global value chains and the extent to which they benefit from international trade, and will provide input to the more analytical carried out by the OECD and the WTO on Trade in Value Added (TiVA)

11. Many different indicator set with different frequencies can be considered for the real, fiscal, monetary, and external sector, such as those described by the UN in its Handbook on Use of Macro accounts in Policy Analysis¹¹, used by the IMF for the Special Data Dissemination Standards¹² and by Eurostat for the Principal European Economic Indicators¹³.

12. Countries report their statistics for the real, fiscal, monetary and external sectors to international agencies such as the Bank of International Settlement, Eurostat, OECD, IMF, World Bank and United Nations, which are maintained in their own data bases but also in a shared database such as the one maintained by the Interagency Group on Economic and Financial Statistics on Principal Global Indicators¹⁴.

C. Data requirements, challenges and limitations

13. Although the internationally agreed recommendations for the compilation of national macroeconomic statistics have been established for a long-time and are used in many countries, there are still large differences in the degree of application, coverage and quality of

¹⁰ OECD Framework for statistics on the distribution of household income, consumption, and wealth, 2013

¹¹ Handbook of National Accounting. Use of Macro Accounts in Policy Analysis. Studies in Methods. Series F No. 81. United Nations. New York

¹² IMF's Special Data Dissemination Standard, Guide for Subscribers and Users 2013

¹³ Principal European Economic Indicators, a statistical guide, Eurostat, 2009

¹⁴ <http://www.principalglobalindicators.org/>

the data collected worldwide. In addition, indicators that require disaggregated data by gender, geography, income, industry and other categories are not always available. Ongoing concerted capacity development efforts should be scaled up to improve the statistical production process of countries that are not able to provide the required data. This scaling up at global and regional level should contribute to better alignment and coordination of the delivery of technical assistance at country level based on an integrated statistics approach.

Conclusions

14. To measure progress with sustainable economic growth requires a shift away from the ad-hoc development of indicators towards the development of integrated information at the country level based on country priorities. Recognizing the significance of an integrated approach for increasing the consistency and coherence of economic, environment and social statistics would enhance the quality and analytical value of the information. This recognition would require a systematic development of an agreed set of integrated statistics based on existing internationally agreed macroeconomic and macroeconomic-environmental accounting frameworks for measuring a country's economic activity and its impact on the environment in an increasingly interconnected global economy. The national strategies for development of statistics should be prioritized accordingly to meet the broader needs to inform macroeconomic developments. Moreover, high level political support should be mobilized to fund the capacity development efforts in institutional coordination and governance structures, statistical infrastructure and operations to improve the statistical production process of countries that are currently not able to produce the required data.

15. When preparing a programme for developing a consistent framework for measuring a country's economic activity, it is necessary to take into consideration the national and regional policy needs to determine the scope and detail of the macroeconomic and macroeconomic-and environmental accounts and supporting statistics to inform policy makers. The chosen scope and detail also determine the data sources needed for timely and accurate estimates of the statistics.

16. By mapping the statistical requirements – where you want to go, and the outcome of an assessment of the statistical system – where you are, it is possible to determine the required actions – how to get there. These required actions should be translated into an implementation programme, providing key features and deliverables that are specific, measurable, relevant and can be carried out within a specific time frame.