# Goal 17

**Target number:** 17.13

**Indicator Number and Name:** 17.13.1 Macroeconomic Dashboard

**Agency:** World Bank

**Has work for the development of this indicator begun?** Yes.

**Who are the entities, including national and international experts, directly involved and consulted in developing the methodology/and or data collection tools?**

To provide a standardized instrument to monitor the macroeconomic stability of countries, the World Bank has proposed a Macroeconomic dashboard including important macroeconomic indicators covering the external, financial, fiscal, and real sectors. The dashboard will present annual data for the ten most recent years for all countries.

The World Bank made a presentation on the dashboard at the IAEG-SDGs 6$^{th}$ meeting in Bahrain in November 2017 and presented the indicators that would form the dashboard.

**What is the involvement of or how do you plan to involve National Statistical Systems in the development of the methodology?**

The indicators that form the dashboard are based on data compiled from national statistical systems. The indicator selection builds on existing macroeconomic monitoring frameworks developed and used by international and regional agencies, such as the IMF, the WB, the ECB and the OECD.

**Please briefly describe the process of developing the methodology for the indicator**

These are well established macro indicators that are collected regularly.

**Please indicate new international standards that will need to be proposed and approved by an intergovernmental process (such as UNSC) for this methodology.**

Given that the dashboard comprises of existing indicators only no new international standard needs to be proposed.

**When do you expect the methodological work on this indicator to be completed?**

It is complete already since the dashboard would include existing indicators.

**Are data and metadata already being collected from the National Statistical System for one or more components of this indicator?**

Yes.

**If yes, please describe**:

**How do you plan to collect the data?**

We will populate the dashboard with data available in the WDI (World Development Indicators). The WDI is a readily accessible source of such data and compiles country level statistics from existing macroeconomic monitoring frameworks developed and used by international and regional agencies, such as the IMF, the WB, the ECB and the OECD.

**If the indicator involves multiple components from different data sources, please describe how each individual component of the indicator will be collected here.**

**With what frequency is data expected to be collected?**

The dashboard will be updated quarterly, and will be published on the UN SDG website.

**Is there a process of data validation by countries in place or planned for this indicator?**

Yes. countries will review the data in the dashboard and comment on it.

**If yes, please briefly describe:**

## If you have any additional comments that you believe would be helpful to IAEG-SDG members in analysing the work plan and methodological development of the indicator, please provide them here:

We attach a dataset that includes time series on the indicators that we propose for the dashboard. Also here is the list of proposed indicators in the dashboard:

| Macroeconomic Dashboard |
|---|
| |
| **Indicators** |
| **External Sector** |
| Merchandise trade (% of GDP) |
| Personal transfers, received (% of GDP) |
| Current account balance (% of GDP) |
| Foreign direct investment, net inflows (% of GDP) |
| Portfolio investment, net (BoP, current US$) |
| Total reserves in months of imports |
| Debt service on external debt, total (% exports and primary income) |
| Total external debt (% of GNI) |
| Official exchange rate (LCU per US$, period average annual) |
| |
| **Financial Sector** |
| Broad money growth (annual %) |
| Broad money to total reserves ratio |
| Bank nonperforming loans to total gross loans (%) |
| Bank capital to assets ratio (%) |
| |
| **Fiscal Sector** |
| Tax revenue (% of GDP) |
| Overall Fiscal Balance (% of GDP): |
| D2 gross government and public sector debt (% of GDP): |
| |
| **Real Sector and Prices** |
| GDP (annual % growth) |
| Gross capital formation (annual % growth) |
| Household final consumption expenditure, etc. (annual % growth) |
| General government final consumption expenditure (annual % growth) |
| Exports of goods and services (annual % growth) |
| Imports of goods and services (annual % growth) |
| |
| Inflation, Consumer Price Index (annual % change) |
| **Commodity Prices (Export/import)** |
| Oil |
| Commodity 2 |
| Commodity 3 |
| Commodity 4 |
| Commodity 5 |
| |
| **Unemployment** |
| Unemployment rate (%) |

**External Sector**

To monitor each country's trade and balance of payments situation, the dashboard will include indicators for the current and capital & financial accounts.

Current Account: The current account balance is an important indicator of an economy's health. It is defined as the sum of the resource balance (exports less imports of goods and services), net primary income and secondary income. In addition, the dashboard includes indicators such as merchandise trade as a share of GDP to monitor the trade openness of the country, and data on personal remittances, which have become an important integral part of many developing economies, since any changes to these flows may have major impact on developing countries' current account balances. The current account balance is also defined as the savings-investment gap for an economy.

Capital and Financial Accounts: Data on capital and financial flows are key for monitoring vulnerability to shocks and constraints on fiscal and monetary policies. Financing trade deficits or other current imbalances through capital and financial flows is a reasonable way to achieve consumption smoothing of emerging economies. FDI equity are a preferred method of financing external current account deficits since these flows are non – debt – creating. Portfolio investment inflows measure the exposure of foreign investors to developing country bond and equity markets.

The sustainability of the balance of payments depends on both the current account and the capital and financial account balances, including foreign reserves.

External indebtedness affects a country's creditworthiness and investor perceptions. Nonreporting countries might have outstanding debt with the World Bank, other international financial institutions, or private creditors. Total debt service is contrasted with countries' ability to obtain foreign exchange through exports of goods, services, primary income, and personal remittances. Debt ratios are used to assess the sustainability of a country's debt service obligations, but no absolute rules determine what values are too high.

Exchange Rates: Sharp devaluations are usually associated with significant declines in equity markets, capital flows, and reserves. The dashboard will present official average exchange rates.

**Financial Sector**

Financial sector indicators are essential for measuring countries' financial market stability, and in-turn economic stability of the country. Money and the financial accounts that record the supply of money lie at the heart of a country's financial system. There are several commonly used definitions of the money supply. To assess the monetary base and stability, the dashboard will present broad money growth and broad money to total reserve ratios. Stronger financial institutions play a very important role in a country's economic performance. The strength of these institutions will be evaluated through bank capital assets ratios and non-performing loans to total gross loans ratios.

**Fiscal Sector**

For a country to have a sustainable economic growth path, sustainable fiscal policy is must. To monitor the fiscal policy issues, the dashboard will include government revenues to measure the impact of economic growth and changes in commodity prices. The dashboard will also include tax revenue, overall fiscal balance, public debt as a share of GDP.

**Real Sector and Prices**

GDP measures the nation's total output of goods and services. For many decades, it has been a comprehensive measure of market activity used for a wide variety of analytical purposes such as measuring productivity, conducting monetary policy, and projecting tax revenues. The Dashboard groups indicators for the real sector into two sets, national accounts and prices.

National Accounts: An economy's growth is measured by the change in the volume of its output or in the real incomes of its residents. The 2008 United Nations System of National Accounts (2008 SNA) offers three plausible indicators for calculating growth: the volume of gross domestic product (GDP), real gross domestic income, and real gross national income. The volume of GDP is the sum of value added, measured at constant prices, by households, government, and industries operating in the economy. GDP accounts for all domestic production, regardless of whether the income accrues to domestic or foreign institutions.

In this section, we monitor growth trends of GDP; Gross domestic capital formation; Exports of goods and services; Imports of goods and services; Household consumption; and Government consumption.

Prices:

> Consumer Price Index: The dashboard will include CPI to monitor the price trends.
>
> International Commodity Prices: Primary commodities most relevant to each country will be identified and most recent price data for these commodities will be included in the proposed dashboard.

**Unemployment**

Unemployment is a key measure to monitor whether a country is on track to achieve the Sustainable Development Goal of promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. [SDG Indicator 8.5.2]. Trends in unemployment rate data are a very important indicator for the analysis of the long-term economic development of a country. Stronger and sustainable economic growth will result in lower unemployment rates. The dashboard will include time series data on total unemployment.

*(as of July/August 2018)*

## Annex I Definitions

### <u>External Sector</u>

**Merchandise trade (% of GDP):** This indicator is used as measurement for the Trade Openness of a country. Merchandise trade as a share of GDP is the sum of merchandise exports and imports divided by the value of GDP. Source: (World Trade Organization, and World Bank GDP estimates).

**Personal remittances, received (% of GDP):** Comprise personal transfers and compensation of employees, as defined in the sixth edition of the IMF's Balance of Payments Manual. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from nonresident households. Personal transfers thus include all current transfers between resident and nonresident individuals. Compensation of employees refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities. Source: (World Bank staff estimates based on IMF balance of payments data, and World Bank and OECD GDP estimates).

**Current account balance (% of GDP):** Current account balance is the sum of net exports of goods and services, net primary income, and net secondary income. Source: (International Monetary Fund, Balance of Payments Statistics Yearbook and data files, and World Bank and OECD GDP estimates).

**Foreign direct investment, net inflows (% of GDP):** Comprises the net inflows of foreign direct investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. FDI is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors, and is divided by GDP. Source: (International Monetary Fund, International Financial Statistics and Balance of Payments databases, World Bank, International Debt Statistics, and World Bank and OECD GDP estimates).

**Portfolio Investment, net (Bop, current US$):** Portfolio investment covers transactions in equity securities and debt securities. Data are in current U.S. dollars. Source: (International Monetary Fund, Balance of Payments Statistics Yearbook and data files).

**Total reserves in months of imports:** Total reserves comprise holdings of monetary gold, special drawing rights, reserves of IMF members held by the IMF, and holdings of foreign exchange under the control of monetary authorities. The gold component of these reserves is valued at year-end (December 31) London prices. This item shows reserves expressed in terms of the number of months of imports of goods and services they could pay for [Reserves/(Imports/12)]. Source: (International Monetary Fund, International Financial Statistics and data files).

**Debt service (PPG and IMF only, % of exports of goods, services and primary income):** Debt service is the sum of principle repayments and interest actually paid in currency, goods, or services. This series differs from the standard debt to exports series. It covers only long-term public and publicly guaranteed debt and repayments (repurchases and charges) to the IMF. Data for Heavily Indebted Poor Countries (HIPC) are from HIPC Initiative's Status of

Implementation Report. Source: (World Bank, International Debt Statistics).

**External debt stocks (% of GNI):** Total external debt is debt owed to nonresidents repayable in currency, goods, or services. Total external debt is the sum of public, publicly guaranteed, and private nonguaranteed long-term debt, use of IMF credit, and short-term debt. Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt. GNI (formerly GNP) is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad.

**Official exchange rate (LCU per US$, period average annual):** Official exchange rate refers to the exchange rate determined by national authorities or to the rate determined in the legally sanctioned exchange market. It is calculated as an annual average based on monthly averages (local currency units relative to the U.S. dollar). Source: (International Monetary Fund, International Financial Statistics).

**Financial Sector**

**Broad money growth (annual % growth):** Broad money is the sum of currency outside banks; demand deposits other than those of the central government; the time, savings, and foreign currency deposits of resident sectors other than the central government; bank and traveler's checks; and other securities such as certificates of deposit and commercial paper. Source: (International Monetary Fund, International Financial Statistics and data files).

**Broad money to total reserves ratio:** Broad money (IFS line 35L..ZK) is the sum of currency outside banks; demand deposits other than those of the central government; the time, savings, and foreign currency deposits of resident sectors other than the central government; bank and traveler's checks; and other securities such as certificates of deposit and commercial paper. Source: (International Monetary Fund, International Financial Statistics and data files).

**Bank nonperforming loans to total gross loans ratio (%):** Bank nonperforming loans to total gross loans is the value of nonperforming loans divided by the total value of the loan portfolio (including nonperforming loans before the deduction of specific loan-loss provisions). The loan amount recorded as nonperforming should be the gross value of the loan as recorded on the balance sheet, not just the amount that is overdue. Source: (International Monetary Fund, Global Financial Stability Report).

**Bank capital to assets ratio (%):** Bank capital to assets is the ratio of bank capital and reserves to total assets. Capital and reserves include funds contributed by owners, retained earnings, general and special reserves, provisions, and valuation adjustments. Capital consists of tier 1 capital (paid-up shares and common stock), which is a common feature in all countries' banking systems, and total regulatory capital, which includes several specified types of subordinated debt instruments that need not be repaid if the funds are required to maintain minimum capital levels (these comprise tier 2 and tier 3 capital). Total assets include all nonfinancial and financial assets. Source: (International Monetary Fund, Global Financial Stability Report).

**Fiscal Sector**

**Revenue (% of GDP):** Revenue is cash receipts from taxes, social contributions, and other revenues such as fines, fees, rent, and income from property or sales. Grants are also considered as revenue.

**Tax revenue (% of GDP):** Tax revenue refers to compulsory transfers to the central government for public purposes. Certain compulsory transfers such as fines, penalties, and most social security contributions are excluded. Refunds and corrections of erroneously collected tax revenue are treated as negative revenue. Source: (International Monetary Fund, Government Finance Statistics Yearbook and data files, and World Bank and OECD GDP estimates).

**Overall Fiscal Balance (% of GDP):** is difference between national government revenues and expenditures, expressed as a percent of GDP.

**D2 gross government and public sector debt (% of GDP):** The D2 coverage of instruments according to this classification includes (1) debt securities, (2) loans, (3) special drawing rights and (4) currency and deposits as percentage of GDP. Source: (The Public Sector Debt Statistics (PSD) database developed by the World Bank and the International Monetary Fund).

## Real Sector and Prices

**Gross domestic product (annual % change) :** GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Source: (World Bank national accounts data, and OECD National Accounts data files).

**Gross capital formation (annual % change) :** Gross capital formation (formerly gross domestic investment) consists of outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales, and "work in progress." According to the 2008 SNA, net acquisitions of valuables are also considered capital formation. Source: (World Bank national accounts data, and OECD National Accounts data files).

**Household final consumption expenditure (annual % change):** Household final consumption expenditure (formerly private consumption) is the market value of all goods and services, including durable products (such as cars, washing machines, and home computers), purchased by households. It excludes purchases of dwellings but includes imputed rent for owner-occupied dwellings. It also includes payments and fees to governments to obtain permits and licenses. In WDI, household consumption expenditure includes the expenditures of nonprofit institutions serving households, even when reported separately by the country. This item also includes any statistical discrepancy in the use of resources relative to the supply of resources. Source: (World Bank national accounts data, and OECD National Accounts data files).

**General government final consumption expenditure (annual % change):** General government final consumption expenditure (formerly general government consumption) includes all government current expenditures for purchases of goods and services (including compensation of employees). It also includes most expenditures on national defense and security, but excludes government military expenditures that are part of government capital formation. Source: (World Bank national accounts data, and OECD National Accounts data files).

**Exports of goods and services (annual % change):** Exports of goods and services represent the value of all goods and other market services provided to the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. Source: (World Bank national accounts data, and OECD National Accounts data files).

**Imports of goods and services (annual % change):** Imports of goods and services represent the value of all goods and other market services received from the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. Source: (World Bank national accounts data, and OECD National Accounts data files).

**Inflation, Consumer price index (annual % change):** Consumer price index reflects changes in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. The Laspeyres formula is generally used. Data are period averages. Source: (International Monetary Fund, International Financial Statistics and data files).

**Unemployment, total (% of total labor force) (national estimate):** Unemployment refers to the share of the labor force that is without work but available for and seeking employment. Definitions of labor force and unemployment differ by country. Source: (International Labor Organization, ILOSTAT database).

*(as of July/August 2018)*