Official Statistics
Research Report - Session 8 (2)

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1 Session 8 (2). Macroeconomic statistics

1.1 Introduction

In this report, conceptual framework of macroeconomic statistics will be discussed. In recent years, the financial crisis and global economics highlighted the need for better regulation and importance of a timely, reliable and comprehensive monitoring of economic activity, therefore, national accounts is abode a key of a modern system of economic statistics. The system of National accounts (SNA) is "the internationally agreed standard set of recommendations on how to compile measures of economic activity in accordance with strict accounting conventions based on economic principles", hence, national account provides the actual tool to bring *coherence* to many statistical sources available in OECD countries.

The definition of Macroeconomics is looking at the economy as a whole. Macroeconomics focuses on broad issues of economy, for example, growth of production, the number of unemployed people, the inflationary increase in prices, government deficits, and levels of exports and imports. Macroeconomic database can be created by using the SNA which provides a comprehensive conceptual and accounting framework for analyzing and evaluating the performance of an economy (*System of National Accounts 2008* (2009)). Furthermore, the policy making, decision making and economic analysis can be guided by the essential macroeconomic indicators from the national account. The frame of the SNA provides accounts that are *comprehensive, cohesive, integrated*, those feature of the SNA frame allows us to include an external account displaying the links between an economy and the rest of the world. There are two reference manuals (i) *System of National Accounts 2008* (2009) for the globalized version, (ii) "European System of Accounts 2010" for the European version. As we indicated *System of National Accounts 2008* (2009) was signed jointly with the five major international economic organizations, likewise, the European system of Accounts 2010 (Eurostat (2013)) is totally reconcilable with the global manual, but ma. Actually, European manual includes more details of legally binding aspects on the top of the global manual since EU member countries are obligated to implement it.

This report looks briefly at the international standards/concepts for the compilation of macroeconomic statistics by mainly discussing the System of National Accounts in Section 2. Section 3, the compilation of macroeconomics statistics will be mainly focused on the European contexts with examples.

1.2 International standards/concepts for the compilation of macroeconomic statistics

The emergence of globalization, countries became interdependent in the whole aspects, increased the interest in internationally comparable data and it led to a need of implementing international statistical standards. Wallman and Evinger (2008) described that this phenomenon emphasized "not only on the need for international statistical standards but also on the importance of their consistent implementation to foster valid international comparisons". In order to discuss why there are international standards or concepts for the compilation of macroeconomic statistics, the roles and uses of national accounts has to be discussed preliminary. The national account statistic have mainly developed for fiscal and monetary policy purposes, for measuring progress in material well-being and for showing their relationship with the supply and use of goods and services in a market economy. Bos (2017) distinguished to three different periods of the developments in roles and uses of the national account over time in the history. Introduction of a need of international standard/concepts for the compilation of statistics was in the third period (1950-present) because that is the period when the political and economic circumstances changed dramatically such as globalisation, European unification, the collapse of communism in Easter Europe and china, the financial crisis and the growing role for international organizations and favored a harmonized national accounts approach in policy analysis (Bos (2017)). The achievement of the international guidelines is that "all over the world official figures came to be based on uniform notions of the production boundary, asset boundary, the distinction between intermediate and final consumption, etc" (EuroStat (n.d.*b*)). There are reasons why the international guideline have been influential. First, national figures can be compared with figures from other countries by keeping in line with the international guidelines. Second, the data submitted to the international organizations play a central role in international policy discussions and decision-making. In order to have national discussion or decision-making to international context, the international concepts have to be used for national purposes as well. As economy keeps changing, updating the guidelines is important crucial.

1.3 The compilation of macroeconomic statistics for the EU

The European Union is a political and economic union of 27 member states that are located primarily in Europe. European Unification was the first step of transforming European national accounting. In 1958, A European Statistical Office (Eurostat) was established, besides, the first and second European guidelines on national accounting were issued in 1970 and 1979, respectively. As we have mentioned earlier, all countries in European Union (EU) are obliged to implement harmonized European System of National Accounts, the most recent one is ESA 2010, even the guidelines are legally binding due to means of administrative. As Eurostat (2013) emphasized the compilation of statistics for European context is important for the functioning of the European Union, specifically on the economic and monetary union. In order to provide the set of harmonized and reliable statistics within EU, high-quality statistical instruments were needed to be ground of policy decision and policy advice. Moreover, members of the European Statistical System believe that "ESA 2010 will be an essential tool for formulating and implementing the entire range of Union Policies" (Eurostat (2013)). As we noticed, numerous numbers of European policies have made in uses of national accounts statistics. Some examples are listed in table 1, for example, the EU budget contribution and maximum total expenditure by EU are based on the GNI and percentage of GNI, respectively, from the national accounts statistics. Undoubtedly, the national statistics are particularly more important in European, the following examples will describe why the compilation of macroeconomic statistics became more important within Europe.

Policy Area	**Which National Accounts Statistics**
Monetary policy	Government deficit and debt as a percentage of GDP
Public finance	Financial accounts
Productivity, growth policy	Economic growth, expenditure on R&D as percentage of GDP, EU KLEMS
Defence policy	Expenditure on defense as a percentage of GDP
Maximum total expenditure by EU	Percentage of GNI (about 1%)
EU budget contribution	GNI

Table 1: Some examples of use of national accounts statistics for European policy

Example 1. The treaty of Maastricht in 1992

The treaty on European Union was signed at Maastricht in 1992 called "the Maastricht Treaty". The Maastricht Treaty marked the beginning of the "a new stage in the process of creating and even closer union among the peoples of Europe" (European Central Bank (2017)). The most important object of the Maastricht Treaty in macroeconomic context is that it paved the way for one currency (the euro), and established the European Central Bank (ECB), the European System of Central Banks with the description of their objectives. Along with beginning the timeline for the introduction of the only currency, the euro, the Maastricht Treaty also established rules on how the euro add practice. The purpose of those particular rules, sometimes mentioned because the Maastricht criteria or the convergence criteria, is to make sure price stability is maintained within the euro area even when new countries join the currency. The principles work to make sure that countries joining are stable within the areas of inflation, levels of public debt, interest rates, and exchange rate. Bos (2017) indicated that "monetary policy became a responsibility of the European central bank which national fiscal policy should suits the European norms of actual deficit and debt". European norms for deficit and debt are that below 3% GDP and below 60% of GDP or be declining towards the 60%, respectively. Therefore, the new European concepts based on the national accounts took place of the national concepts on public finance. These implies that the official figures reported to the European Commission and European Central Bank should be consistent with those reported by the national statistical office, and the statistical offices have a responsibility for translating the general European concepts into operational concepts for their country and make the best estimates for these operational concepts. Besides, European Commission works for Economic and fiscal policy coordination, particularly countries that share the euro, coordinate their economic and fiscal policies throughout the year to ensure their alignment with common objectives and responsibilities. One of examples of Economic and fiscal policy coordination in European Commission will be explained in next example.

Example 2. The Macroeconomic Imbalance Procedures (MIP)

In this example, the Macroeconomic Imbalance Procedures is described as an example of Economic and fiscal policy coordination of European Commission. For example, in global context, a percentage GDP which is used to express "net lending/net borrowing of general government" is prevalently used to compare deficits between countries while automatically adjusting for the different size of their economies as one of cases. Correspondingly, the Macroeconomic Imbalance Procedures (MIP) which was introduced by the European Union in 2011 deals with macroeconomic imbalances and detects "potential harmful imbalances and competitiveness losses at an early stage of their emergence" by using a score board (EuroStat (n.d.*a*)).

The aim of Macroeconomic Imbalances Procedure is defined in European Commission (2011) as "identify, prevent and address the emergence of potentially harmful macroeconomic imbalances that could adversely affect economic stability in a particular Member State, the euro area, or the EU as a whole". European Union noticed from the financial crisis that the macroeconomic imbalances in one country could affect others. Therefore, the importance of monitoring macroeconomic was pointed out that it became part of the EU's annual cycle of economic monitoring and guidance which begins around November with the Alert Mechanism Report (AMR). The analysis of all EU countries' economies in the AMR builds on the economic reading of a scoreboard of 14 head indicators which is consist of the 14 indicators and indicative thresholds, such as "net international investment position as percent of GDP, with a threshold of -35%, general government sector debt in % of GDP with a threshold of 14%" listed in European Commission (2011). The in-dept review(IDR) which is for identifying any macroeconomic imbalances and assessing their severity will be followed for specific countries whose situation requires deeper analysis. Countries with imbalances or excessive imbalances may receive policy recommendations for reducing them in their country-specific recommendations and specific monitoring which is a form of intensified dialogue between the European Commission and national authorities. For example, the Netherlands is experiencing imbalances in 2018 according to the European Commission, then Commission proposed three country-specific recommendations related to domestic saving, investment patterns and household indebtedness, briefly, for example, (i) household balance sheets, (ii) the labour market, (iii) supporting an upward trend in investment, with a particular focus on RD, renewable energy (European Commission (2019)). Each year of the review of progress on policy measures relevant for the correction of Macroeconomic Imbalances can be found by the list of Countries (Bulgaria, Croatia, Cyprus, France, Germany, Ireland, Italy, The Netherlands, Portugal, Romania, Slovenia, Spain, and Sweden) in the website of European Commission.

1.4 Conclusion

In this report, we learned deeply about the system of national accounts and what the need, aim and influential reasons of international standards are for the compilation of macroecnomic statistics, and how these work in European Union. Mainly, national account statistics was developed for purpose of fiscal and monetary policy in the past. But, gradually, as needs of measurements for welfare, inequality, environmental impacts, digitalization effects increase, System of National Accounts have been improved. But, the pandemic in 2020 is affecting GDP with diverse aspects, but many things are still overlooked in GDP such as the emergence of the digital economy, welfare of the digital economy, or free online platforms. As global economy changes or will change drastically on the threshold of the pandemic, more attention is needed for new statistical methods and indicators for national account statistics focusing more on digitalization effects on economy.

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