Regional Harmonization of Macroeconomic Statistics

Ducharme, Mr, Louis Marc

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Regional Harmonization of Macroeconomic Statistics

Mr. Louis Marc Ducharme, Director, Statistics Department, IMF

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Overview of the Presentation

1. Importance of good data for macroeconomic policymaking
2. The role of macroeconomic convergence criteria in monetary unions
3. Challenges with convergence criteria for analysis and policy formulation
4. EAC harmonization strategy and achievements
1. Importance of good data for macroeconomic policymaking

- Ensures decision makers (public and private) have an accurate picture of economic conditions, costs, benefits, and risks of policy changes
- Allows economies function better, reducing vulnerability to crises (less surprises). Lowers uncertainty for international investors
- Enhances the accountability of policymakers and the credibility of policies, and facilitates efficient and orderly functioning of markets
- Promotes transparency which can attract investors during times of risk aversion (i.e. lower country risk premium)
2. Role of macroeconomic convergence criteria

Fiscal and monetary convergence in Sub-Saharan Africa

(Prospective) monetary unions are common in the region...

... and their convergence criteria tend to focus on fiscal sustainability and low inflation

<table>
<thead>
<tr>
<th>Criteria</th>
<th>WAEMU</th>
<th>CEMAC</th>
<th>WAMZ</th>
<th>EAC</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation (%)</td>
<td>&lt;3</td>
<td>&lt;3</td>
<td>&lt;10</td>
<td>&lt;8</td>
<td>&lt;1.5 above best 3 members</td>
</tr>
<tr>
<td>Fiscal deficit (% of GDP)</td>
<td>&lt;0</td>
<td>&lt;0</td>
<td>&lt;4 (5)</td>
<td>&lt;3</td>
<td>&lt;3</td>
</tr>
<tr>
<td>Debt (% of GDP)</td>
<td>&lt;70</td>
<td>&lt;70</td>
<td>n/a</td>
<td>&lt;50</td>
<td>&lt;60</td>
</tr>
</tbody>
</table>

Other: Arrears, Arrears, Reserves, Interest rates
2. Role of macroeconomic convergence criteria

Support macroeconomic stability and sustainability

- Guide national policies to minimize pressures for external/internal adjustments
- Motivate economic reforms in (prospective) member countries
- Facilitate assessment of macroeconomic policies vis-à-vis medium term convergence program
- If deviation large, undergo excessive deficit procedure strengthening surveillance of budgetary discipline
3. Challenges with convergence criteria

Substantial requirements for effective implementation

- Medium term macroeconomic framework
- Frequent reporting on timely, comprehensive, comparable basis with high quality data
- Operational definitions of convergence criteria (metadata, reporting frequency, lag, agency responsible)
- Compliance monitoring

- Sufficient resources and capacity
- Adequate institutional setup
- Strong legal framework
- Policy formulation
3. Challenges with convergence criteria

Currency union data requirements for policymaking are more demanding...

- Effective, coordinated policymaking in currency unions require data to be:
  - Timely: Facilitate up-to-date assessment of compliance with convergence criteria
  - Comprehensive: Operational definitions of the convergence criteria need to specify broad coverage in line with international standards
  - Comparable: Key macroeconomic indicators need to be comparable across countries in the union
  - High quality: Minimum data quality control mechanisms need to be in place
3. Challenges with convergence criteria

...and satisfying the data requirements for analysis and policymaking can vary.

**Alignment with manuals:**
- Consumer Price Index
- Government Finance Statistics
- Public Sector Debt Statistics

**Broad coverage:**
- CPI: National
- Deficit: General government
- Debt: Public sector

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**Methodology**
- High
- Low

**Coverage**
- High
- Low

**Scope of concept**
- High

**Frequency**
- Monthly
- Annual

**Capacity building**
- CPI: Capital city only
- GFS: Budgetary central government
- Debt: Central government

**Scope of concept**
- CPI: Not aligned with HH survey
- Deficit: Basic balance
- Debt: Loans only

**Capacity building**
- CPI: Final consumption expenditure
- Deficit: Overall balance
- Debt: Main instruments
4. EAC harmonization strategy and achievements

STA/EAC macroeconomic statistics capacity building program

Fiscal coverage among EAC Partner States

Consensus on operational definitions of convergence criteria and statistical requirements
Guidelines to harmonize statistics in among the EAC Partner States
Developing national capacities to close data gaps on timeliness, comprehensiveness, comparability and data quality

The EAC capacity development program is designed to satisfy statistical requirements by the time surveillance institutions are envisaged to be in place.
Thank you