

Improving and Updating Honduran Macroeconomic Statistics

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"The views expressed herein are those of the author and should not be attributed to the IMF, its Executive Board, or its management."

It is an honor for me to visit Tegucigalpa for the first time to attend this very important event to mark the publication of Honduras' new macroeconomic statistics. First of all, I would like to congratulate the Honduran authorities on their ongoing efforts over a number of years to significantly improve and update their macroeconomic statistics. Honduras can be proud of the results of those efforts, which bear fruit today with the publication not only of the new series but also of a very comprehensive document containing detailed information about the new series, including explanations of the methodological changes adopted and the concepts used to compile the new series (information which is known as metadata).

Background

The main purpose of macroeconomic statistics is to promote better decision-making by economic agents, both domestic (in the public and private sectors) and foreign. They are essential for assessing a country's economic performance and making bilateral or multilateral comparisons of countries. They provide a framework for planning, framing, and monitoring the implementation of economic policies. There are four main sets of macroeconomic statistics: national accounts, balance of payments, monetary and finance statistics, and government finance statistics. These four main sets constitute an integrated system that emphasizes the importance of the links between these groups of statistics and their consistency with one another.

There are manuals and guides that present the statistical frameworks for the four main areas mentioned. The main conceptual framework for all macroeconomic statistics is the *System of National Accounts (1993 SNA)*, published jointly by the Commission of the European Communities (Eurostat), the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), the United Nations (UN), and the World Bank. Compared with previous versions, the *1993 SNA* includes two major improvements: full incorporation of stocks and flows and a full set of accounts covering production, income, consumption, savings, investment, and the financial activities of the sectors of the economy as well as of the economy as a whole.

Coinciding with publication of the *1993 SNA*, the IMF revised the methodology for balance of payments statistics, extending their scope to include the international investment position, and it published the *Balance of Payments Manual, fifth edition (BPM5; IMF, 1993)*. Later, the IMF developed the methodology for monetary and financial statistics, published in the

Monetary and Financial Statistics Manual (MFSM; IMF, 2000), and revised the methodology for government finance statistics, published in the *Government Finance Statistics Manual, 2001 (GFSM 2001, IMF, 2001)*.

BPM5, *MFSM*, and *GFSM 2001*, developed by the IMF in collaboration and in consultation with its membership and other international institutions, have been recognized as the international standard for the balance of payments statistics, monetary and financial statistics, and government finance statistics, respectively. Although each of those standards has been harmonized with the *1993 SNA*, each one is designed to cover major policy variables that are not covered by the national accounts, such as measures of the balance of payments deficit or surplus, the fiscal position, and measures of money and credit in the economy.

The Importance of Today's Announcements

Today Honduras is announcing significant improvements in its macroeconomic statistics. The improvement and updating of its macroeconomic statistics brings Honduras into line with international standards in three out of the four main areas of macroeconomic statistics, namely national accounts, balance of payments statistics, and monetary and financial statistics. Moreover, Honduras is making progress toward adoption of *GFSM 2001*. This is a significant achievement for Honduras, and for the IMF it is a pleasure to have supported the Honduran authorities in this process through various technical assistance missions.

It is worth mentioning that Honduras had a statistical system assessment in connection with the data module of the Reports on the Observance of Standards and Codes in 2003. Also, since September 2005, Honduras has been participating in the General Data Dissemination System (GDDS), one of the international data dissemination standards promoted by the IMF. The GDDS was established to offer participating countries a framework for improving their macroeconomic and socio-demographic statistics in a structured way. The GDDS facilitates comparison of a country's current practices with internationally recognized good practices while allowing for the preparation of a country's strategic plan to make improvements in its statistical system. Accordingly, the GDDS guides countries in the task of compiling and disseminating data that meet the quality standards. It also promotes the application of established methodological principles, the adoption of sound compilation practices, and compliance with procedures that guarantee professionalism and objectivity. The GDDS covers the four macroeconomic sectors (real, fiscal, financial, and external) and socio-demographic data (population, education, health, and poverty). The IMF works together with the World Bank, in particular on the categories of sociodemographic data. Today's announcements are proof of how seriously the Honduran authorities have taken their responsibilities as participants in the GDDS.

The adoption of the *1993 SNA* provides decision-makers and other users of statistics with a system of national accounts based on a comprehensive and systematic methodological framework for compiling, presenting, and analyzing macroeconomic statistics. In a sequence of accounts, detailed information is presented on how the economy works and how economic agents interact. In this way, decision-makers and other users of statistics will be able to analyze the production and use of goods and services and measure gross domestic product

(GDP) with better coverage, the basic concept of production in the *1993 System of National Accounts*. It is worth mentioning the inclusion of estimates of informal sector activities in GDP in the new series. Moreover, decision-makers and other users of statistics will be able to analyze the earnings generated in the production process, received as returns on the capital and labor factors, and their distribution and redistribution among the various institutional sectors of the economy. They will also be able to identify the sectors that generate savings as a prime source of financing the country's gross capital formation and the flows of financing and capital that take place between the various institutional sectors and between the Honduran economy and the rest of the world.

The adoption of *BPM5* provides decision-makers and other users with balance of payments statistics based on a comprehensive and systematic methodological framework for compiling and organizing external sector statistics in a form that allows adequate comparisons with other countries. The new methodological framework for the balance of payments statistics includes transactions, other economic flows, and stocks of external financial assets and liabilities, referred to as the international investment position or balance sheet of the financial assets and liabilities of Honduras in relation to the rest of the world.

The adoption of the *MFSM* provides decision-makers and other users with monetary and financial statistics based on a methodological framework that consists in a complete set of data on the stocks and flows of the financial and nonfinancial assets and liabilities of the financial corporations sector of the economy. This sector plays an important role in facilitating intermediation between units that have surpluses of loanable funds and those that have financing requirements. The new series presented today are compiled on the basis of new standardized report forms, designed to facilitate the compilation and dissemination of monetary data in accordance with the international methodology. The adoption of the new analytical framework facilitates the use of the monetary and financial series for what is referred to as the "balance sheet approach," which is important for identifying strengths and weaknesses in the economy.

On the basis of the *MFSM* (and with IMF support), Honduras has also implemented the principles of the Project on the Harmonization of Monetary and Financial Statistics in Central America and the Dominican Republic. This project is under way and has as its objective the compilation of comprehensive and harmonized monetary and financial statistics at the regional level, and encompasses the following tasks: (1) designing harmonized systems for the compilation of monetary and financial statistics that are comparable with those of other countries; (2) improving the coverage of monetary and financial statistics through the collection of data for the most important financial institutions of the region, including offshore banks and other financial intermediaries, such as pension schemes, insurance companies, and investment funds; (3) enhancing the consistency of the data for the various macroeconomic statistics produced by national statistics entities, using for all countries the same definitions of financial instruments, economic sectors, valuation criteria, etc.

The Way Forward

The work already done is very important, but there is always room for improvement. The authorities of Honduras are very clear about this and they have included their future projects in the document. To mention but a few, it is worth noting their intention to make progress on the calculation and dissemination of quarterly gross domestic product, the updating of the calculation of the Monthly Index of Economic Activity with the weights for the new base year, and the preparation of the input-output table in the area of national accounts. With regard to external sector statistics, mention could be made of the plan to extend the coverage of the surveys on private foreign capital, cross-border workers, foreign direct investment, and services; to improve measurement and coverage of the international investment position; and publish the Data Template on International Reserves and Foreign Currency Liquidity. I have also mentioned work currently being done by Honduras toward adoption of the *GFSM 2001*. This shows that the Honduran authorities have not only made significant progress but also that they are aware of the statistical needs that are emerging as a consequence of globalization.

The realization of the future projects planned by the Honduran authorities will enable Honduras to make progress toward graduation from the GDDS and to be in a position to subscribe to the Special Data Dissemination Standard (SDDS), which was established to guide the members who enter, or seek to enter, international capital markets in the task of publishing their economic and financial data. Countries subscribe voluntarily to these standards and undertake to meet their requirements as to coverage, frequency, and timeliness of the economic and financial data published, and to present advance release calendars. They also undertake to adopt good practices in relation to integrity and other aspects of data quality, and to provide information on their data dissemination practices and compilation methodologies (“metadata”) for presentation on the Dissemination Standards Bulletin Board (DSBB) on the IMF website <http://dsbb.imf.org>. Subscribers maintain an Internet webpage known as the National Summary Data Page (NSDP), containing the data in question. The DSBB is electronically linked to these websites.

As regards the quality of macroeconomic statistics, the IMF has identified five fundamental dimensions:

Prerequisites of quality (legal and institutional environment, resources, and focus on quality);

- *Assurances of integrity* (the principle of objectivity in the collection, processing, and dissemination of statistics is firmly adhered to);
- *Methodological soundness* (the methodological basis for the statistics follows internationally accepted standards, guidelines, or good practices);
- *Accuracy and reliability* (source data and statistical techniques are sound and statistical outputs sufficiently portray reality);
- *Serviceability* (statistics, with adequate periodicity and timeliness, are consistent and follow a predictable revisions policy);

- *Accessibility* (Data and metadata are easily available and assistance to users is adequate).

With the work done so far, the Honduran authorities have demonstrated the importance they attach to improving and updating the macroeconomic statistics system. They are also aware of the resources and efforts needed to improve and update the statistics, particularly when significant discontinuity has been involved. It is important to maintain the necessary resources and commitment so that this process of improvement and updating is continuous and sustainable over time. Otherwise, Honduras will not be able to maintain the success it has achieved today, with the majority of its macroeconomic statistics now based on international standards. This is especially important in the current context of globalization, which is creating the need to update and improve international standards. The IMF stands ready to support Honduras on the road it has mapped out for continuing to improve macroeconomic statistics.

I congratulate Honduras once more on the excellent work it has done so far and wish it every success in maintaining high-quality macroeconomic statistics.