

# Beyond GDP: Rethinking Measures of Progress

## GDP IN THE CONTEXT OF SNA (SYSTEM OF NATIONAL ACCOUNTS)

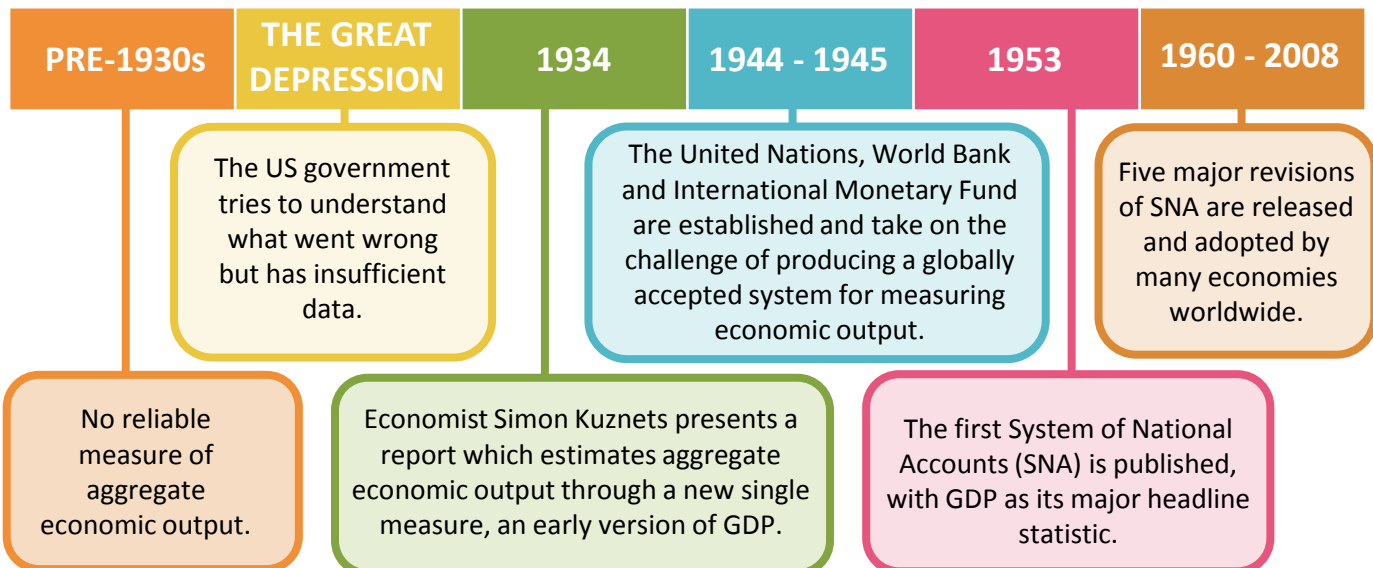
Gross Basically, GDP derives from the concept of value added. Gross value added is the difference between output and intermediate consumption. GDP is the sum of gross value added of all resident producer units plus that part (possibly the total) of taxes on products, less subsidies on products, that is not included in the valuation of output –GDP production approach.

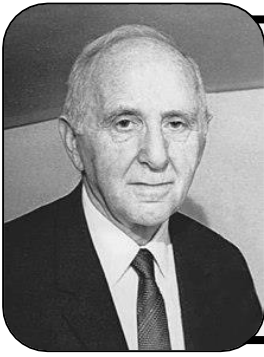
Next, GDP is also equal to the sum of the final uses of goods and services (all uses except intermediate consumption) measured at purchasers' prices, less the value of imports of goods and services- GDP expenditure approach

Finally, GDP is also equal to the sum of primary incomes distributed by resident producer units- GDP income approach

Source: SNA 2008 para 2.138- 2.140

## HISTORY OF GDP MEASUREMENT





## FATHER OF GDP

Simon Kuznets was awarded the Nobel Memorial Prize in Economic Science in 1971 and is widely regarded as the father of GDP.

He warned about the limitations and potential for misinterpretation of what would eventually be called GDP.

## LIMITATION OF GDP

GDP is often taken as a measure of welfare, but the SNA makes no claim that this is so and indeed there are several conventions in the SNA that argue against the welfare interpretation of the accounts.

Source: SNA 2008 para 1.75

Therefore, limitation of GDP in capturing the full picture of societal well-being, including environmental impact, income inequality and social factors.

## BLIND SPOTS

The extent of GDP's outsized importance is apparent in how much it cannot see.

GDP does not measure:



Distribution and inequality



Free digital services



Parental or volunteer services



Informal economy



Environmental impacts



Quality of goods or services

Source: [https://www.apec.org/docs/default-source/infographics/2019/arta/counting-what-counts---2-pager--08112019.pdf?sfvrsn=aa293555\\_1](https://www.apec.org/docs/default-source/infographics/2019/arta/counting-what-counts---2-pager--08112019.pdf?sfvrsn=aa293555_1)

## WHAT IS BEYOND GDP?

The Beyond GDP initiative **aims to create metrics** that are as understandable and visually appealing as GDP while also taking **social and environmental advancements into account**. Economic indicators like the GDP were never intended to serve as comprehensive indicators of prosperity and well-being. **To address 21<sup>st</sup>-century global challenges** like climate change, poverty, resource depletion, health and quality of life, we need adequate indicators.

Source: European Commission Website



# JOURNEY OF BEYOND GDP

## Early 2000s

Starting point for Beyond GDP initiative.

## 2008



**Joseph Stiglitz** was the notable catalyst for Beyond GDP initiative.

### Note:

- Joseph Stiglitz served as chair of the Commission on the Measurement of Economic Performance and Social Progress, which was established by the French government in 2008.
- The commission aimed to explore alternative measures of economic and social progress beyond traditional GDP.

## 2010

The European Union launches the Beyond GDP project, seeking to develop a comprehensive set of indicators that go Beyond GDP and incorporate sustainability and social dimensions.

## 2011

Inspired by Beyond GDP approach, Bhutan adopts the Gross National Happiness (GNH) index as an alternative measure of progress, considering social, cultural and environmental factors.

## 2016

The United Nations adopts the Sustainable Development Goals (SDGs), which emphasize a holistic approach to development, including social, economic and environmental dimensions.

## 2023 - Current

Ongoing: Continued research, development, and implementation of alternative indicators and frameworks Beyond GDP by various countries, organisations and researchers globally.

# UNITED NATION'S SUSTAINABLE DEVELOPMENT VISSION AND NATIONAL STATISTICAL OFFICE (NSO)'S ROLE

## UNITED NATIONS

- Sustainable development was highlighted in Rio Declaration and Agenda 21 at the 1992 UN Conference on Environment and Development (UNCED) in Rio de Janeiro, Brazil. The concept emphasized on comprehensive development approach encompassing economic, social and environmental aspects.
- Then, in 2008, there was the establishment of the Commission on the Measurement of Economic Performance and Social Progress which initiated global discussions on "Beyond GDP" and alternative indicators for societal well-being and progress.

## UNITED NATIONS STATISTICAL COMMISSION (54TH SESSION)

- The 54<sup>th</sup> Session of the UN Statistical Commission 2023 which took place from 28<sup>th</sup> February to 3<sup>rd</sup> March 2023 in New York was a significant moment in discussions about measuring progress Beyond GDP.
- Delegates acknowledged GDP's limitations in capturing societal well-being, including environmental sustainability and social equity.
- Beyond GDP Sprint Meeting 2023 was organized in seven (7) series of meeting scheduled from 1<sup>st</sup> June 2023 to 5<sup>th</sup> October 2023.

## NATIONAL STATISTICAL OFFICE (NSO)

- The session provided a platform for countries and advocates of alternative indicators to share their success stories and experiences.
- National statistical offices played a crucial role in driving the "Beyond GDP" movement by researching and developing tailored measurement frameworks.
- Collaboration with other countries and international organisations allowed for the sharing of best practices and contributed to the global dialogue on redefining progress.





## PRACTICES OF BEYOND GDP AT GLOBAL LEVEL

There are several alternative measures that have been developed to complement GDP as the main indicator of a country's progress. These measures take into account other factors that are important for human well-being, such as health, education, environment, social capital and happiness.

### Gross National Happiness (GNH)

This is a measure developed by the government of Bhutan to assess the well-being of its citizens. GNH takes into account factors such as equitable social development, cultural preservation, environmental conservation and good governance.

### Genuine Progress Indicator (GPI)

This is a measure developed by the think-tank Redefining Progress that takes into account economic, social, and environmental factors, such as income distribution, natural resource depletion and pollution.

### Ecological Footprint

This is a measure that assesses the environmental impact of human activities by calculating the amount of land and water needed to produce the resources used and absorb the waste generated.

### Human Development Index (HDI)

This is a measure developed by United Nations Development Programme (UNDP) that combines indicators of life expectancy, education, and income to assess the overall human development of a country.

### Social Progress Index (SPI)

This is a measure developed by the non-profit organization Social Progress Imperative that assesses a country's progress in terms of social and environmental outcomes, such as nutrition, shelter, personal safety and access to basic knowledge.

Overall, these alternative measures can provide a more comprehensive picture of a country's progress and help policymakers make more informed decisions about how to improve people's well-being and quality of life.



## EXAMPLES OF BEYOND GDP INDICATOR BY SELECTED COUNTRIES

These are just a few examples of countries that have developed Beyond GDP indicators. Many other countries, including **Germany, Japan and South Korea**, are also exploring new ways to measure progress Beyond GDP.

### Bhutan

The tiny Himalayan kingdom of Bhutan is famous for its **Gross National Happiness (GNH) index**, which measures well-being through a holistic approach that includes economic, social and environmental dimensions.



### New Zealand

New Zealand's **Wellbeing Budget**, introduced in 2019, measures progress using a set of indicators that cover economic, social and environmental factors. It aims to improve the lives of citizens, not just boost economic growth.



### Italy

Italy has introduced a new approach to measure well-being called the "*Benessere Equo e Sostenibile*" (BES) or "**Equitable and Sustainable Wellbeing**" index. The BES index considers a range of factors, including social cohesion, education, environment and health.



### United Kingdom

The UK has introduced a set of **National Well-being Indicators**, which measure progress in areas such as health, education, and social relationships, alongside traditional economic measures like GDP.



### France

France has developed the **Index of Sustainable Economic Welfare (ISEW)**, which adjusts GDP to account for factors such as income distribution, environmental degradation and social costs.



## Canada

Canada has developed the **Canadian Index of Wellbeing (CIW)**, which measures progress based on eight interconnected domains: community vitality, democratic engagement, education, environment, healthy populations, leisure and culture, living standards, and time use.



## United Arab Emirates

The UAE has introduced the **Happiness Agenda**, which aims to measure and improve happiness and well-being through a range of initiatives, including policies to improve work-life balance and mental health.



## HOW MALAYSIA PERCEIVES THIS BEYOND GDP INITIATIVE



As per the Decision Post-Cabinet Meeting of the Ministry of Economy No.6/2023 on 10<sup>th</sup> March 2023, specifically Article 5 of the Beyond GDP Initiative, it was emphasized that Department of Statistics Malaysia (**DOSM**) is required to investigate the indicators associated with the Beyond GDP initiative.

## MALAYSIA TOWARDS BEYOND GDP

### Environmental Indicator

- Compendium of Environment Statistics
- System of Environmental-Economic Accounting (SEEA) Physical Supply And Use Table (PSUT) for Energy and Water Account

### Social Indicator

- Malaysia Happiness Index (MHI)
- Malaysia WellBeing Index (MyWI)
- Multidimensional Poverty Index (MPI)
- Malaysia Gender Gap Index (MGGI)
- Human Development Index (HDI) (In the development)
- National Transfer Accounts (NTA) (Under development)

### Economy Indicator

- Social Accounting Matrix (SAM)
- Satellite account (TSA, ICTSA)
- Capital stock





## "Statistics Bloom in Harmony"

Doesn't matter far or near  
Strength in numbers  
we don't live in fear

Birds of feather flock together  
Statistics our form of adour  
We, will always live it up

Prechorus  
So let us live in solidarity  
And in the world arena we'll succeed  
It is statistics that will come to be  
The reason we will bloom in harmony

Chorus

Everybody undivided  
Data's where our hearts reside in  
There will always be a bind

Just like fire that ignites  
That's how brightly lit our dreams are  
We'll reach higher than the stars

Sending love to one another  
Leaving no one in a slumber  
We will stand with unity

Mustering our courage while  
Embracing our disparities  
We'll achieve our victory

One dream with unity  
One love with harmony

## "Statistik Segalanya Pasti"

Tak kira walau apa  
Cabaran dan aral melintang  
Statistik meringankan  
Segala beban yang menjelma  
Gementar tiada

Prechorus  
Bersama kita teguh hadapi  
Bentala dipenuhi misteri  
Namun statistik kan melindungi  
Statistik petunjuk realiti

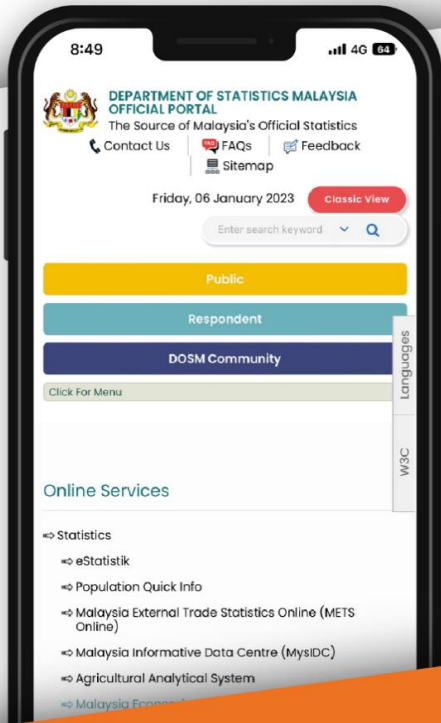
Chorus  
Kesejahteraan negara  
Perpaduan seluruh bangsa  
Dengan irama data  
Tidak hanya berbicara  
Pagi hingga ke senja  
Semangat yang terus membara  
Data dan kehidupan berteraskan harapan  
dan impian kemakmuran  
Segalanya pasti  
Bergalaskan strategi  
Menuju aspirasi

Harapan.. Keamanan  
Impian... Kedamaian..

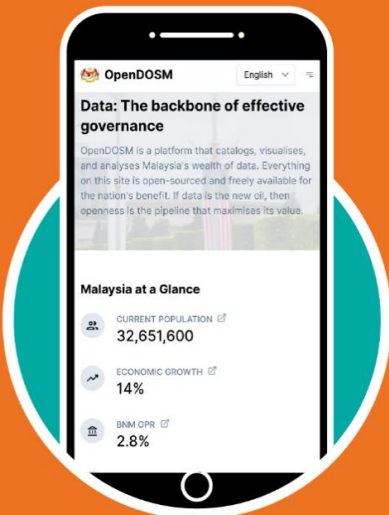




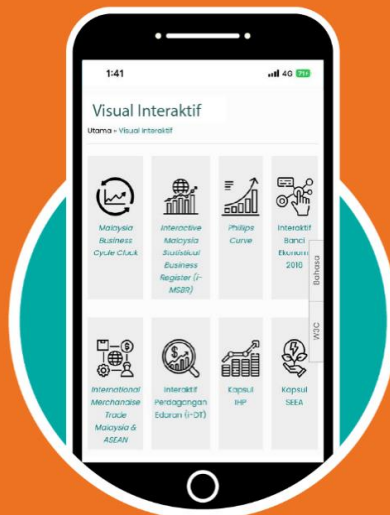
# Online Services DOSM



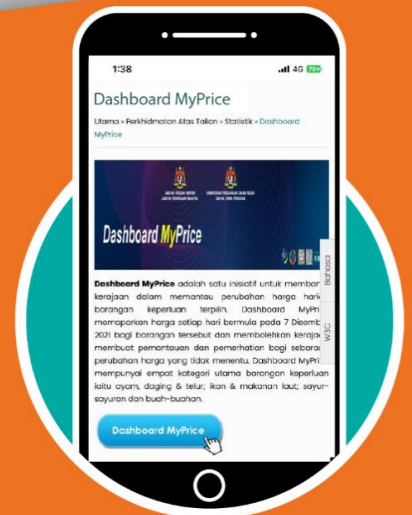
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OpenDOSM



Interactive  
Visualisation



Dashboard

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