

INVESTMENT SHARE IN GROSS DOMESTIC PRODUCT		
Economic development	Macroeconomic Performance	Core indicator

1. INDICATOR

- (a) **Name:** Investment Share in Gross Domestic Product (GDP).
- (b) **Brief Definition:** This indicator refers to the share of investment in total production. It is obtained by calculating gross capital formation as percentage of gross domestic product.
- (c) **Unit of Measurement:** Per cent.
- (d) **Placement in the CSD Indicator Set:** Economic development/ Macroeconomic performance.

2. POLICY RELEVANCE

- (a) **Purpose:** Investment provides a stimulus to economic development, and the rate of investment reflects the infusion of requisite capital to support the development process.
- (b) **Relevance to Sustainable/Unsustainable Development (theme/sub-theme):** This indicator deals with the processes and patterns of economic activities. It is an important element of the sustainable development process in developing countries, aimed at increasing their partnership in the global economy. It reflects an objective aimed at accelerating the pace of development.
- (c) **International Conventions and Agreements:** None.
- (d) **International Targets/Recommended Standards:** None. National targets for investment share in GDP are usually included in government policy as a basis for budget funding programmes and for priority-setting exercises.
- (e) **Linkages to Other Indicators:** This indicator is closely linked with other measures of economic development, such as GDP per capita and capital labor ratio.

3. METHODOLOGICAL DESCRIPTION

- (a) **Underlying Definitions and Concepts:** Gross capital formation (investment) is defined in the System of National Accounts (SNA) as the total value of gross fixed capital formation plus changes in inventories and acquisitions less disposal of valuables. Gross fixed capital formation is the total value of produced assets used in the production process for more than one year.
- (b) **Measurement Methods:** Gross capital formation at purchasers' prices as percentage of gross domestic product at purchasers' prices.

(c) **Limitations of the Indicator:** Investment in SNA terms, as in this indicator, constitutes only investment on produced assets. Any expenditure on non-produced assets, for example, land or payments for education and health that enhance the quality of human capital are not included.

(d) **Status of the Methodology:** The concepts of gross capital formation and GDP are standardized in the SNA and, therefore, comparable between countries.

(e) **Alternative Definitions/Indicators:** An alternative indicator would be one which would identify selected investment expenditures by sector, such as environmental protection, health and education, housing, nutrition, etc., that are individually considered relevant to sustainable development. A second alternative would report the indicator using only gross fixed capital formation.

4. DATA ASSESSMENT

(a) **Data Needed to Compile the Indicator:**

(i) Gross capital formation at purchasers' prices;

(ii) Gross domestic product at purchasers' prices.

(b) **National and International Data Availability and Sources:** Data is of reasonable quality and commonly available from national sources on a historical basis. Data on gross capital formation and GDP are generally reported by national statistical offices or central banks to the United Nations Statistics Division (UNSD) through the United Nations National Accounts Questionnaire (UN NAQ). These are supplemented by estimates prepared by the UNSD as well as other international organizations, such as the World Bank and the International Monetary Fund (IMF).

(c) **Data References:** National accounts statistics are published in the series *National Accounts Statistics: Main Aggregates and Detailed Tables*.

5. AGENCIES INVOLVED IN THE DEVELOPMENT OF THE INDICATOR

(a) **Lead Agency:** The lead agency is the United Nations Department of Economics and Social Affairs (DESA). The contact point in terms of SNA references as well as data compilation on an international level is the Director, Statistics Division, DESA; fax no. (1 212) 963 9851.

(b) **Other Contributing Organizations:** None.

6. REFERENCES

(a) **Readings:** Further details on the conceptual definitions of gross capital formation and GDP are contained in the *System of National Accounts*, 1993.

(b) Internet site:

United Nations Statistics Division: <http://www.un.org/Depts/unsd>