



Introduction

Financial Programming and Policies
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TAOLAM

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Outline

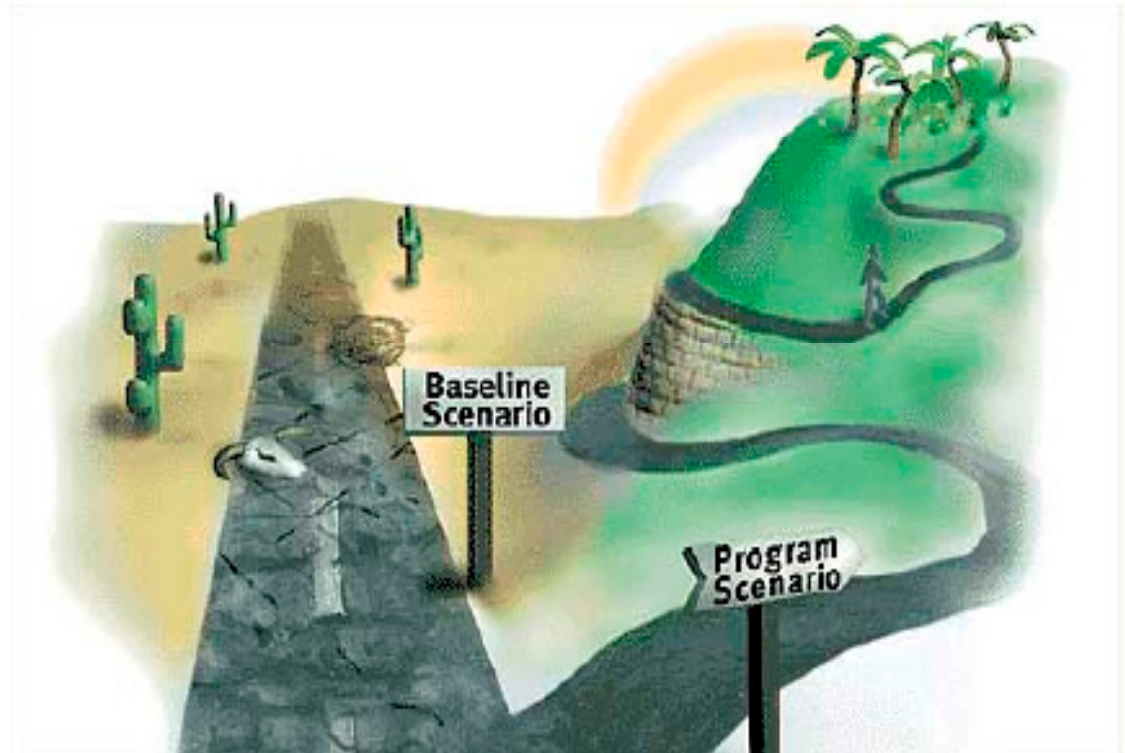
I. Objectives

II. Workshop Outline

I Objectives

Develop a financial program for Myanmar

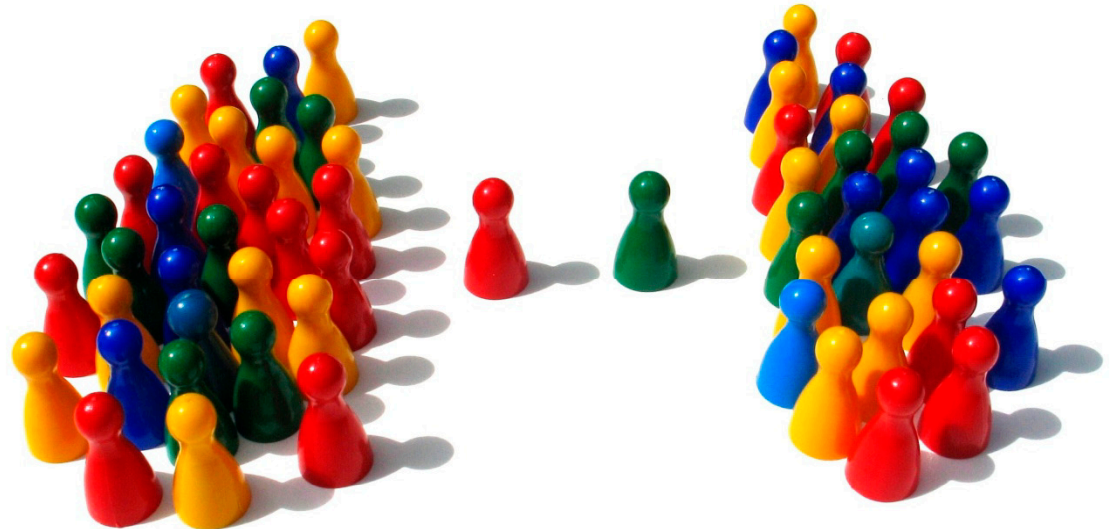
- Create a set of macroeconomic projections for 2015/16 and the medium term
- Develop consistent set of fiscal and monetary policies that maintain macroeconomic stability



Objectives

Practice fiscal and monetary policy coordination

- You will negotiate with each other ...
- ... in order to arrive at a fiscal and monetary policy mix that is consistent with macroeconomic stability ...
- and that both CBM and MoF/Planning could live with



Objectives

Maintaining macroeconomic stability is about ...

... internal and external stability

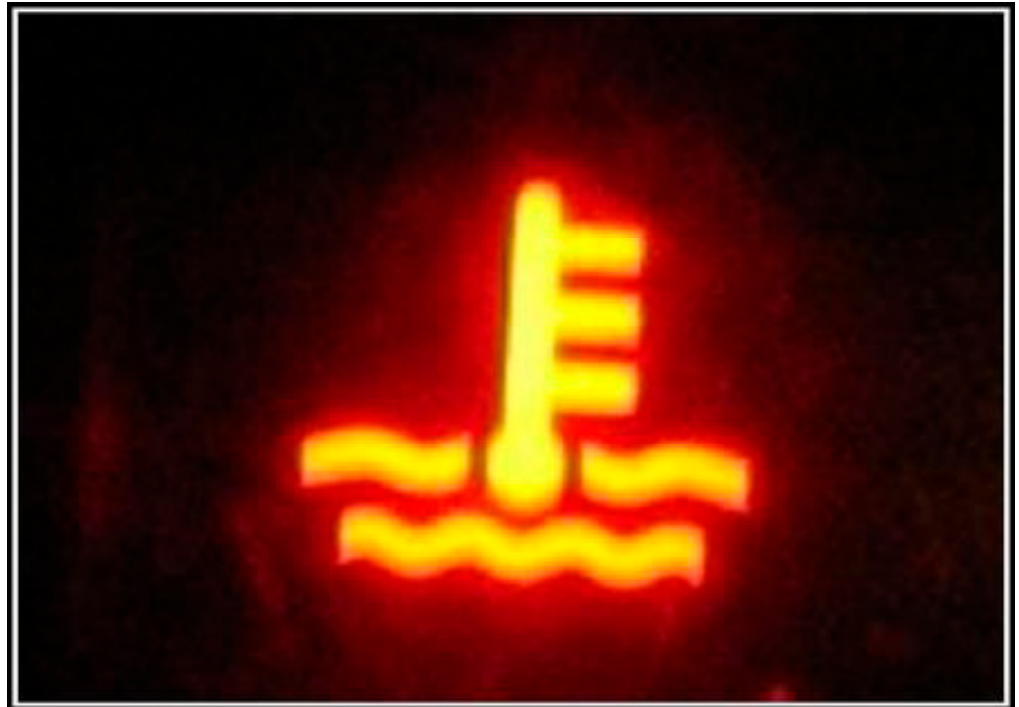


Objectives

Internal stability

Objective is to keep demand aligned with supply and to avoid overheating of economy; note that in Myanmar ...

- ... inflation has already increased, and
- fiscal policy is likely to be quite expansionary.
- What to do about it?



Objectives

Key issues you would want to look out for regarding internal stability:

- Fiscal sustainability (debt)
- Inflation
- Credit growth
- Financial stability
- Fiscal policy stance (impact of fiscal policy on demand)
- Monetary policy stance (impact of monetary policy on demand)

Objectives

External stability ...

... is about keeping current account deficits manageable and avoiding currency crisis:

- There are no pronounced warning signals, but ...
- international commodity prices have fallen sharply, and
- there have been recent depreciation pressures.
- What are you going to do about this?



Objectives

Key issues you would want to look out for regarding external stability:

- Current account deficits
- FDI inflows
- Foreign exchange reserves
- Exchange rate

Outline

I. Objectives

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II Workshop Outline

We begin with the 'Big Picture'

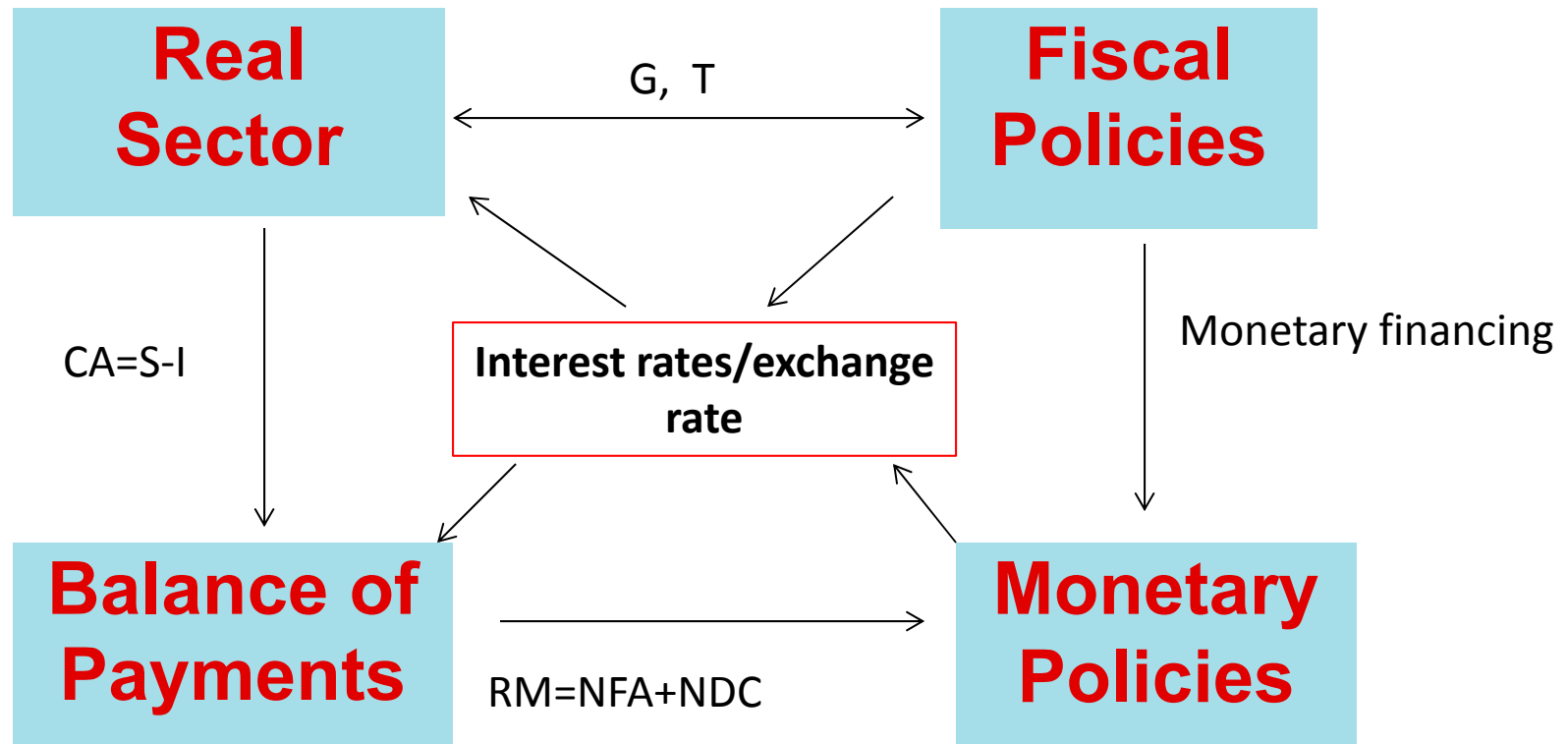
We will look at:

- Myanmar's growth outlook and growth strategy
- Recent economic developments
- Macroeconomic issues that need to be addressed



Workshop Outline

After that, we will tackle the main macroeconomic sectors:



Workshop Outline

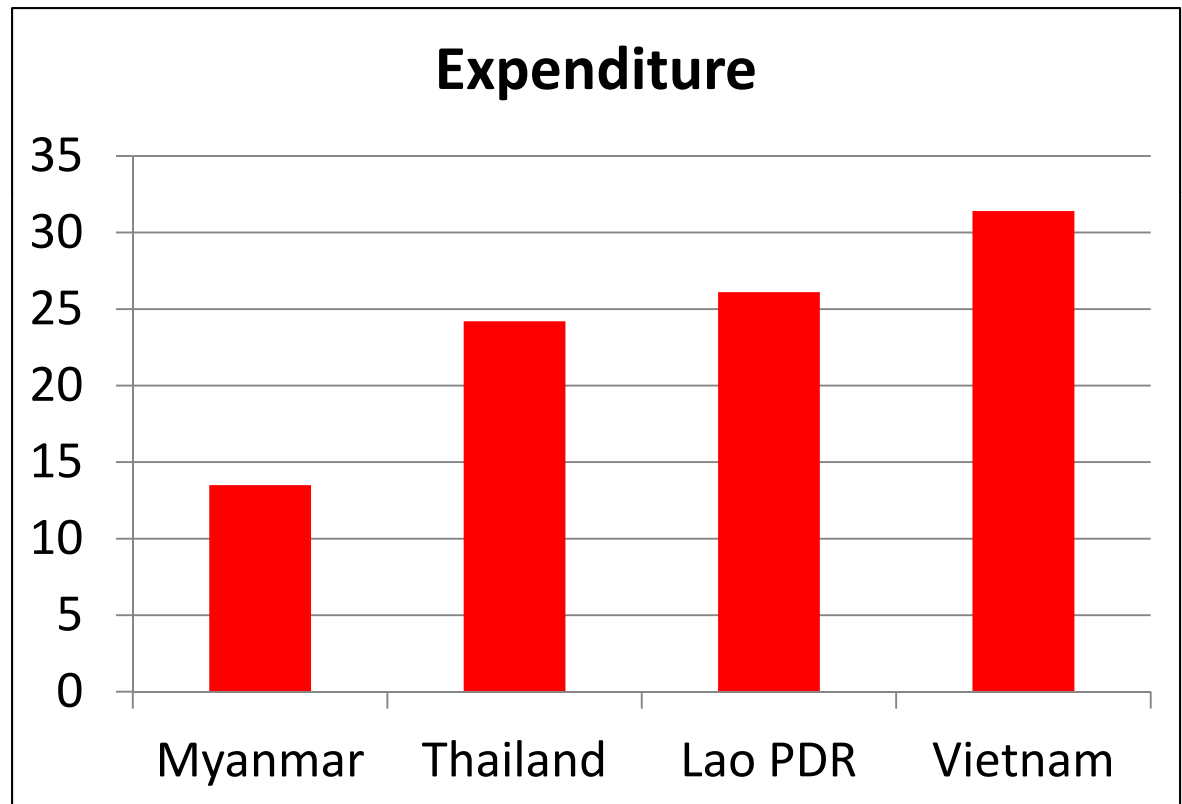
We begin with the real sector and generate a first GDP forecast:

- Start with forecasting real GDP
- Forecast inflation
- Forecast GDP deflator as function of inflation forecast
- Compute
$$\text{Nominal GDP} = \text{Real GDP} \times \text{GDP Deflator}$$

Workshop Outline

The fiscal sector is next:

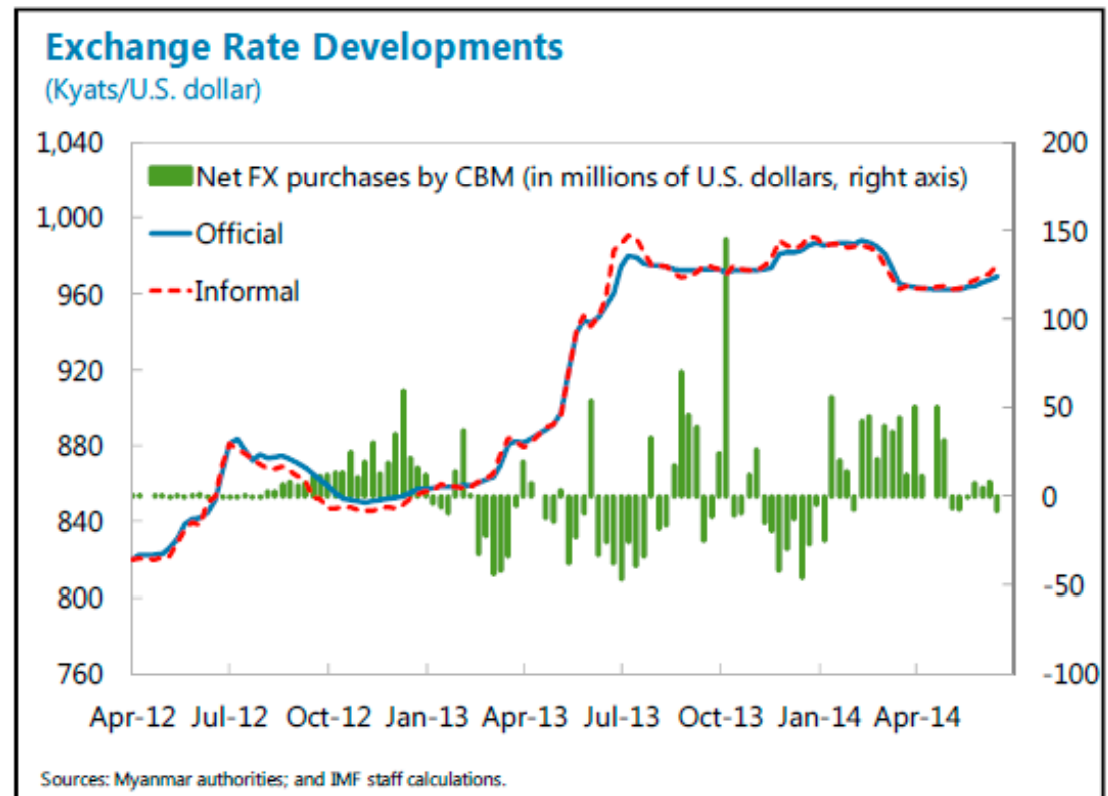
- You will generate revenue and expenditure projections in line with your policy objectives
- Are these policies consistent with debt sustainability?
- Is the fiscal policy stance appropriate?



Workshop Outline

For the external sector, we will consider:

- Current account projections
- Impact of lower commodity prices
- For the current exchange rate level, can CBM accumulate enough foreign exchange reserves?
- If not, is exchange rate adjustment needed?



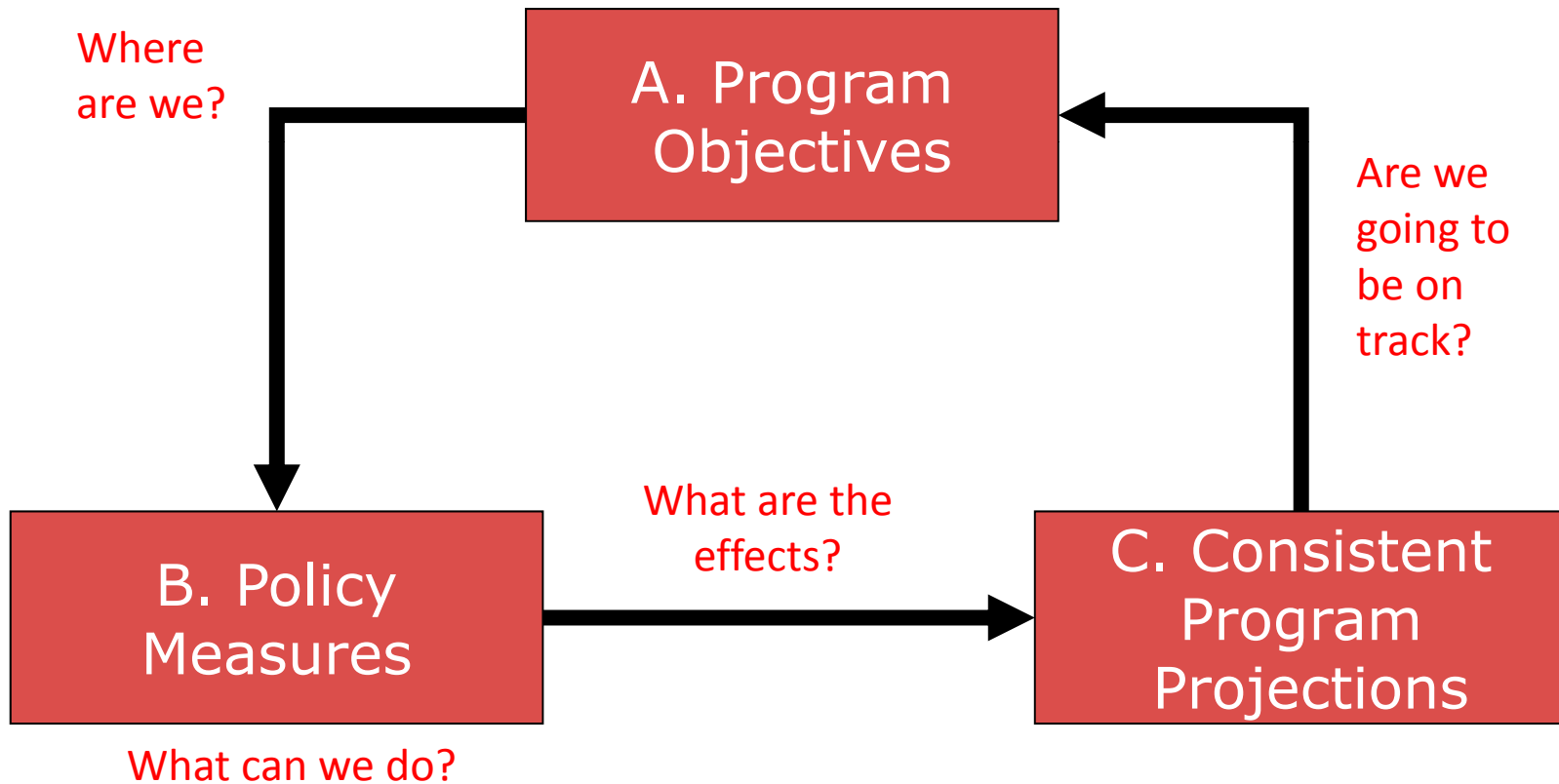
Workshop Outline

The monetary sector will be the final sector because it depends in part on the fiscal and external sectors:

Assets	Liabilities
Net foreign assets (NFA)	Reserve money (RM)
Net domestic assets (NDA)	Currency issued
Net claims on the government (NCG)	Held in banks
Claims on commercial banks	Held outside banks
Claims on other resident sectors	Deposits (reserves) of commercial banks with central bank
Other items net	

Workshop Outline

We will need to iterate a number of times before arriving at the final program ...



Let's start!

