Introduction to Financial Programming

Overview

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What is Financial Programming?

In a nutshell, it's what the IMF does …

- To forecast the macroeconomy
- With the objective of helping to preserve macroeconomic stability

Why Should You Care?

For many of you, forecasting the macroeconomy is an input of your work.

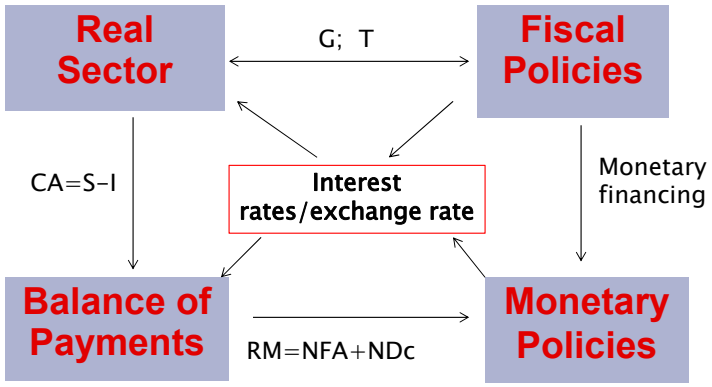
For some of you, preserving macroeconomic stability is your responsibility.

Central Bank of Myanmar - TAOLAM
"Introduction to Financial Programming"
December 16-20, 2013 Yangon, Myanmar

Overview

I. Main Sectors of the Macroeconomy
II. Macroeconomic Analysis
III. Informed Economic Policy Decision-Making
IV. Financial Programming & Policies Workshop

I. The Main Macroeconomic Sectors



Selected Economic Indicators Table (Real Sector)

Table 1. Myanmar: Selected Economic Indicators, 2010/11–2014/15 1/

	2010/11	2011/12	2012/13 Est.	2013/14 Projections	2014/15
Output and prices		(Percent change)			
Real GDP (authorities)	10.4	5.9	6.7	8.9	...
Real GDP (staff working estimates)	5.3	5.9	6.4	6.8	6.9
CPI (end-period)	8.9	-1.1	4.7	8.0	7.7
CPI (period average)	8.2	2.8	2.8	6.4	7.9

Fiscal Table

Table 2. Myanmar: Summary Operations of the Nonfinancial Public Sector, 2010/11–2014/15

Consolidated Accounts

	2010/11	2011/12 Prel. Act.	2012/13 Est.	2013/14 Budget	2013/14 Proj.	2014/15 Proj.
	(In billions of kyat)					
Revenue and grants	4,551	5,206	10,587	11,191	12,285	14,486
Tax revenue	1,318	1,683	2,758	2,609	3,209	3,811
Transfers from SEEs to Union Government	783	988	912	949	949	1,546
SEE receipts net of transfers to Union Government	2,022	2,376	6,564	7,180	7,674	8,520
Other nontax revenue	427	158	329	361	361	423
Grants	0.36	0.22	24	92	91	186
Expenditure	6,722	7,208	12,333	14,492	14,962	17,358
Expense	3,519	4,259	7,904	9,989	10,259	11,660
Union government	1,548	1,945	4,009	4,941	5,211	6,293
SEEs net of transfers to Union Government	1,971	2,314	3,895	5,047	5,047	5,367
Net acquisition of nonfinancial assets	3,203	2,949	4,429	4,504	4,704	5,698
Union government	2,831	2,572	2,934	2,993	3,193	3,939
SEEs	372	377	1,495	1,511	1,511	1,759

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Balance of Payment

Table 3. Myanmar: Balance of Payments, 2010/11–2014/15
(In millions of US$, unless otherwise indicated)

	2010/11	2011/12	2012/13 Est.	2013/14 Projections	2014/15 Projections
Current account	-952	-1,338	-2,452	-2,752	-2,809
Trade balance	445	-371	-2,140	-1,928	-1,152
Exports, fob	8,629	10,065	10,288	11,803	14,511
Of which: Gas	2,523	3,282	3,563	4,311	5,805
Imports, mostly cif	-8,184	-10,437	-12,428	-13,731	-15,663
Nonfactor services, net	-482	-432	-74	-78	-83
Income, net	-1,145	-1,024	-747	-1,364	-2,320
Of which: Interest due	-306	-560	-94	-174	-200
Transfers, net	231	490	509	618	747
Official	64	41	28	98	186
Private	167	449	481	519	561

Monetary Table

Table 4. Myanmar: Monetary Survey, 2010/11–2014/15 1/ 2/
(In billions of kyat at end-period, unless otherwise indicated)

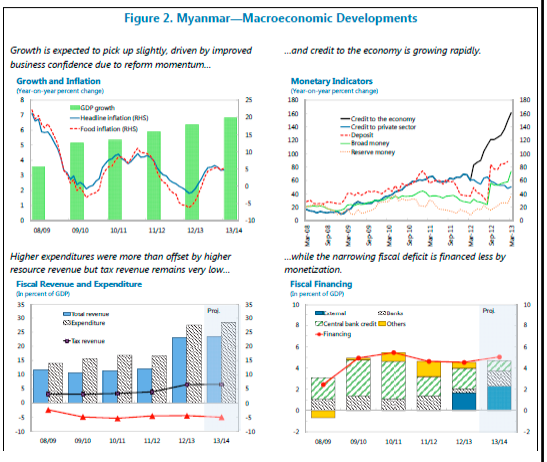
	2010/11	2011/12	2012/13	2013/14	2014/15
				Projections	
CENTRAL BANK OF MYANMAR (CBM)					
Net foreign assets	**-1.6**	**-1.4**	**1,878**	**2,996**	**5,040**
Foreign assets	2.9	3.0	2,515	3,329	5,389
Foreign liabilities	4.5	4.4	637	333	349
Net domestic assets	**7,003**	**7,553**	**8,578**	**9,014**	**9,188**
Domestic credit	7,162	7,851	9,017	10,115	10,573
Claims on central government (net)	6,883	7,673	8,318	8,815	9,173
Claims on deposit money banks	279	178	699	1,300	1,400
Other	0	0	0	0	0
Other items net	-159	-299	-439	-1,101	-1,385
Reserve money	**7,001**	**7,551**	**10,456**	**12,010**	**14,227**
Currency in circulation	5,227	6,070	7,426	9,007	10,671
Deposits	1,774	1,481	3,030	3,002	3,557

II. Macroeconomic Analysis

Macroeconomic analysis on one level is about …

- Identifying key developments in all sectors
- Highlighting interrelationships between the sectors as well as cause-and-effect
- Flagging fiscal and monetary policy issues for policy makers

At another level, macroeconomic analysis is about telling a story and illustrating it with numbers …



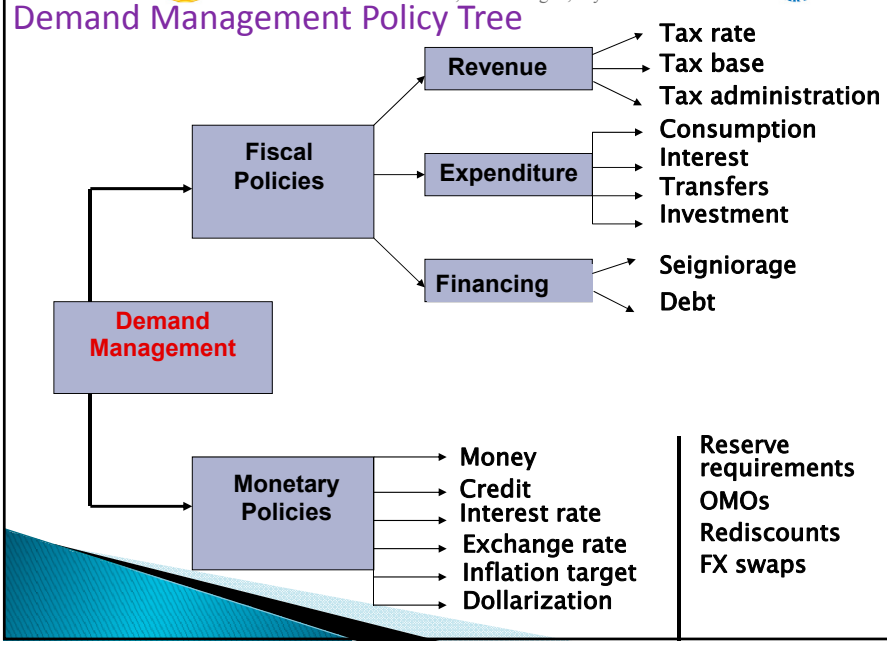
III. Informed Economic Policy Decision-Making

What should fiscal and monetary policies do?

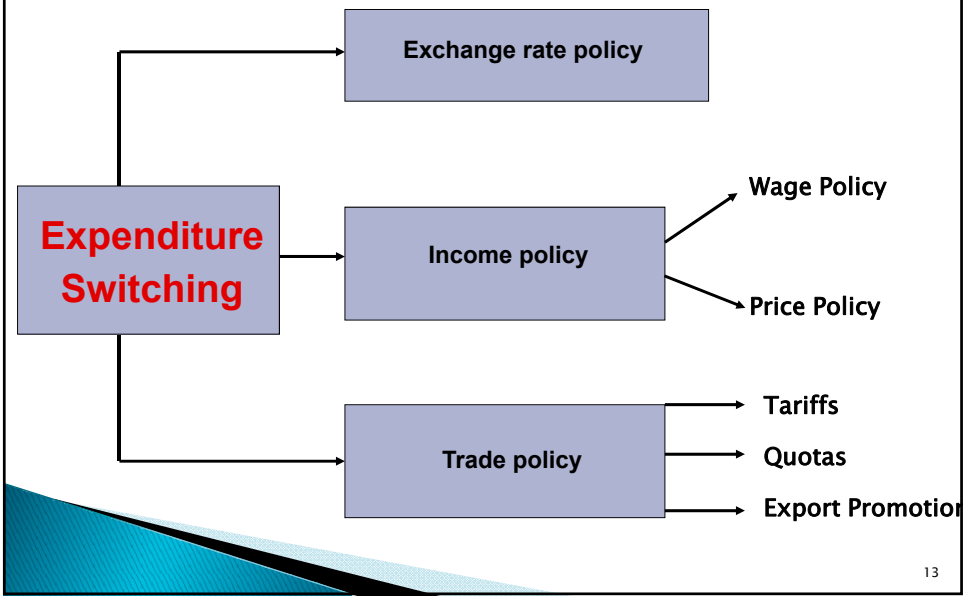
→Depends on the issue at hand!

- Is macroeconomic demand the issue?
- Or external imbalances?
- Or are there structural issues?

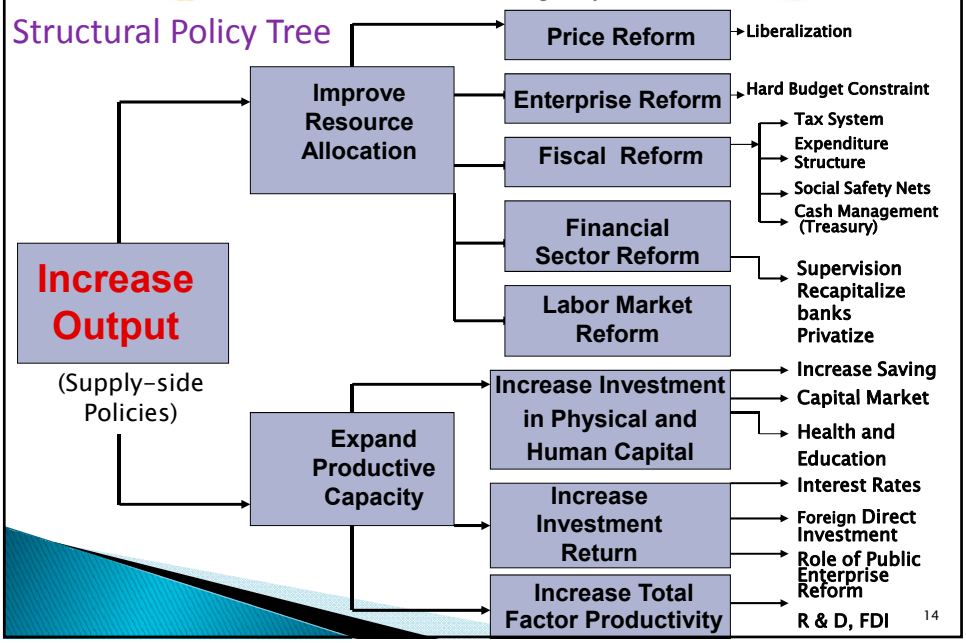
Demand Management Policy Tree



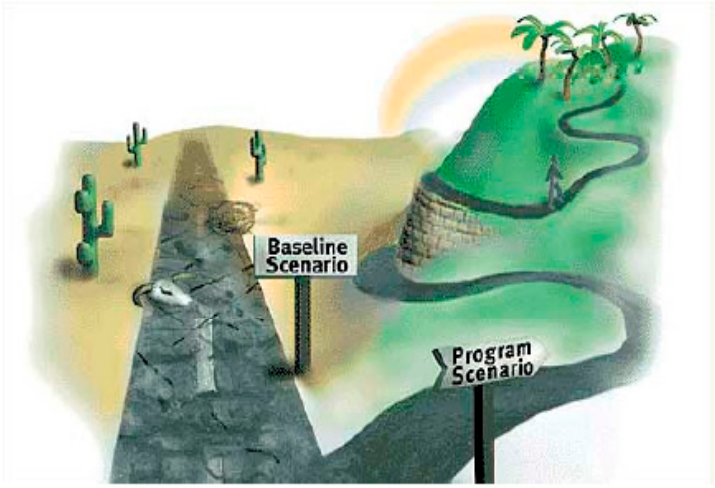
Expenditure Switching Policy Tree



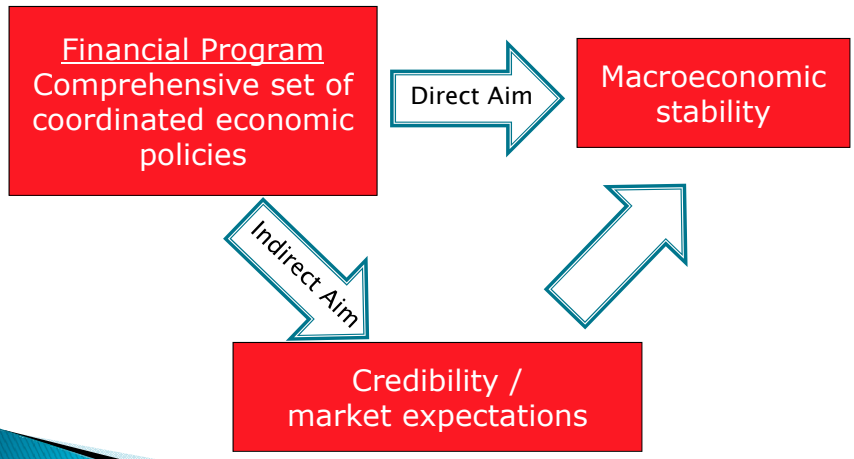
Structural Policy Tree



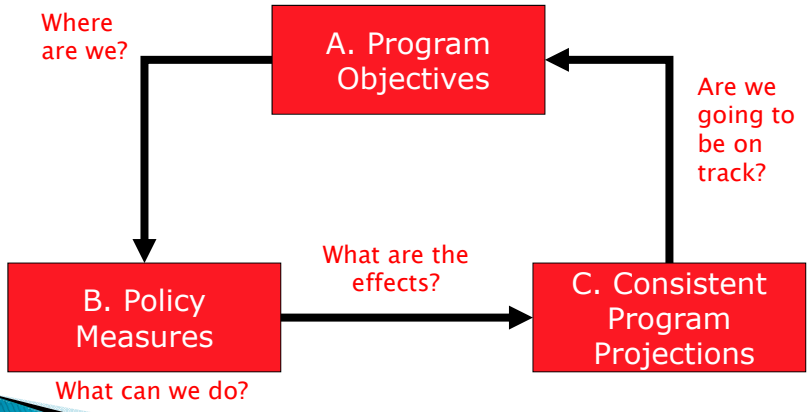
IV. Financial Programming & Policies



Aims of a Financial Program



Iterations to Form a Financial Program



Thank You!

It is going to be a long-and-difficult journey this week …

But we do provide lunch and coffee.