Angola – The Importance of the National Accounts for Economic Policy

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Note: The presentation is a revised version of the one presented due to an error in the slide on unit labor costs.

Why national accounts matter

In a nutshell

Gresham's Law: (bad money drives out good money); bad information drives out policy-making and only allows policy based on speculation.

Formulating economic policy without data is like driving off-road, in the dark, without lights, near a cliff.

What, who and why

Why	To support policy discussion based on unbiased data
What	Data collection driven by clients' policy needs
For whom	For government, parliament, civil society and public
By whom	By or co-ordinated by a statistics office – ideally well-funded and independent
How	Publicly available in user-friendly format – i.e. electronically on internet
When	On a timely basis soon after compilation

IMF focus on data

Emphasis on economic data for surveillance, at country and global level. Member obligation to provide adequate data.

- National accounts
- Prices
- Government finance
- Monetary and financial
- External sector – BoP, debt, foreign reserves, international investment position.

Assessing data delivery

- Coverage
- Consistency
- Quality
- Frequency
- Timely delivery

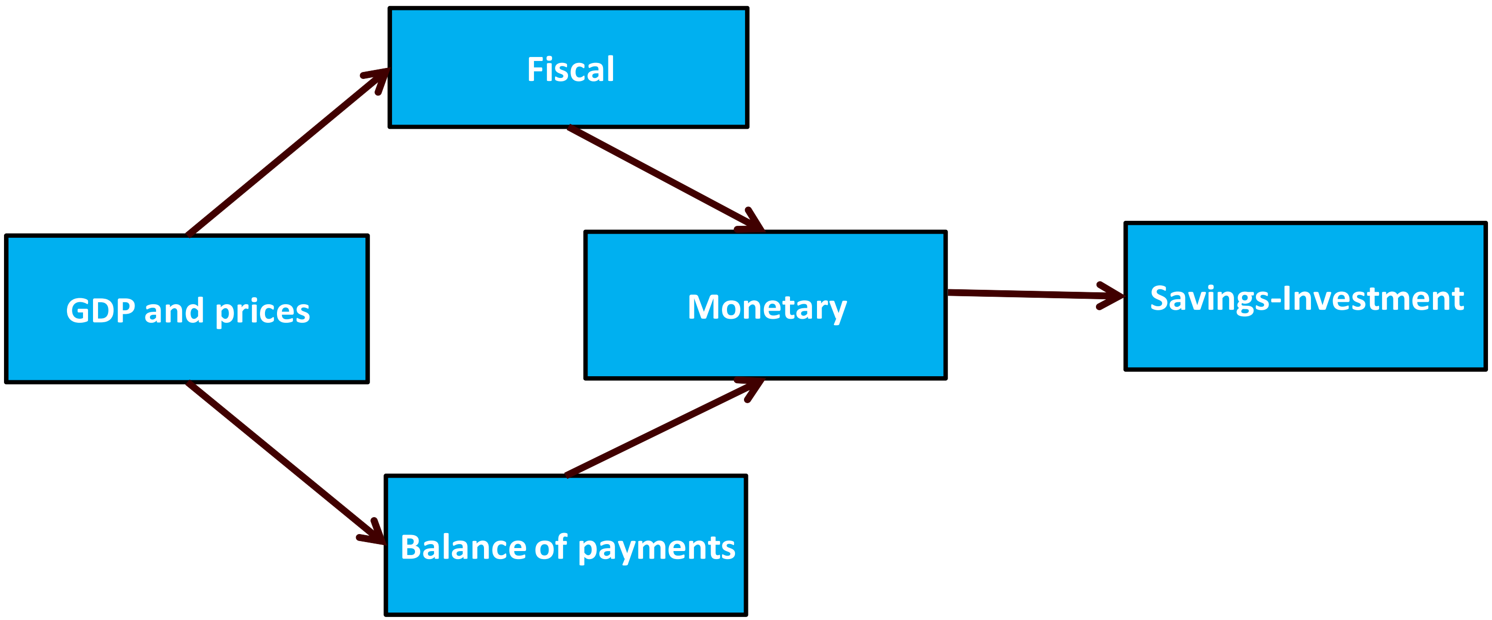
Need for specific details – i.e. breakout of oil sector.

Need for quarterly national accounts delivered on a timely basis and posted on the internet.

IMF financial programming

The IMF's core 'financial programming' model focuses on financial flows in the national accounts. The programming starts with GDP and prices and ends with savings and investment.

Financial Programming Flow



Macroeconomic policies

Fiscal policy

- Assessing the fiscal policy stance.
- Medium-term fiscal framework
- The investment-growth nexus
- Debt sustainability analysis

Monetary policy

- Potential GDP and the output gap
- Inflationary pressures
- Competitiveness and the real exchange rate

A look at the data

Three policy challenges

- Consuming now or saving and investing for the future

- Reducing volatility and saving liquid financial assets

- Diversification, productivity and competitiveness

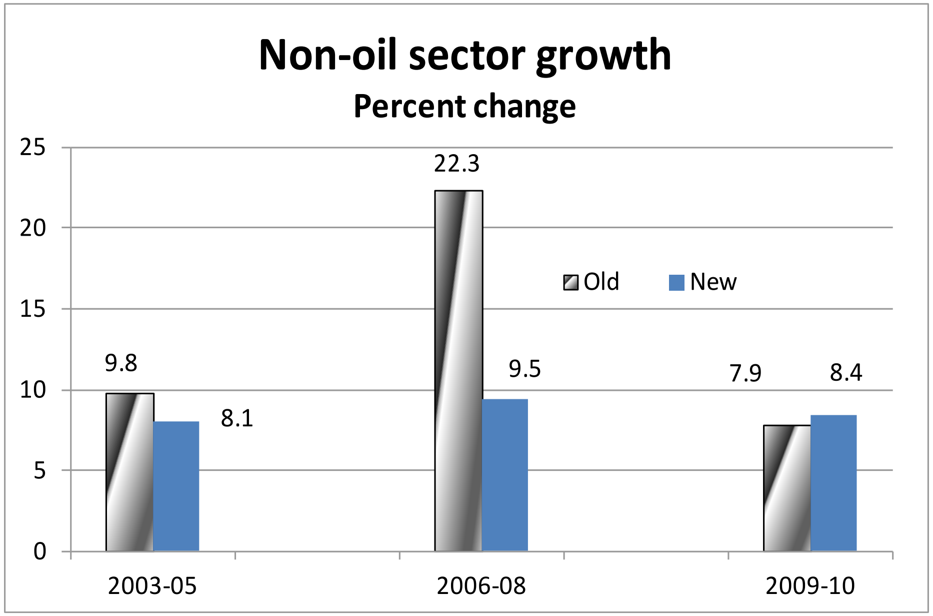
Non-oil value added

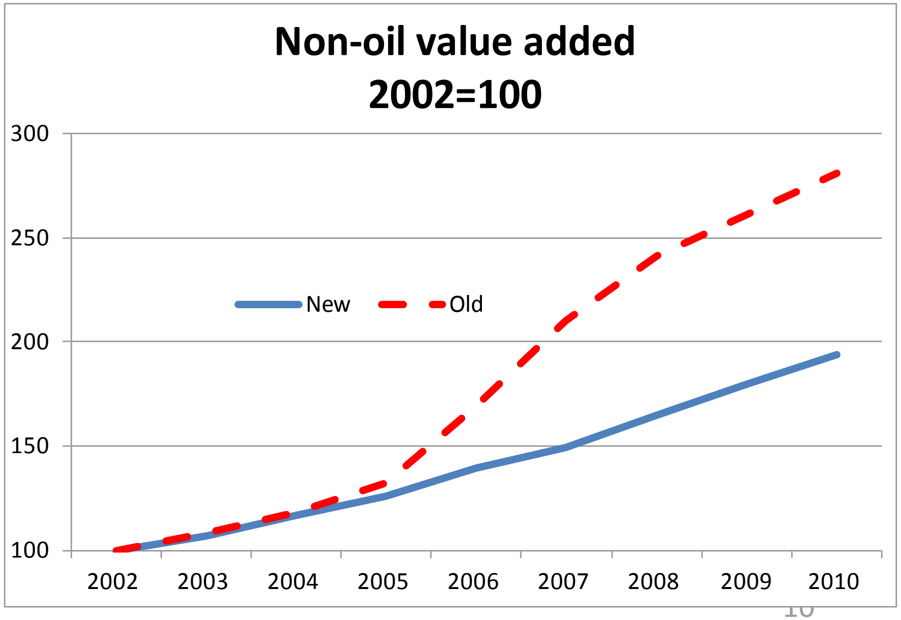
Nominal GDP similar to old estimates. But large difference in real growth rates - especially for non-oil sector.

Non-oil growth 2003-10 averaged 8.6 percent.

New estimate of pre-crisis 'boom' now much weaker.

Revised estimate of production of non-oil sector now much smaller.





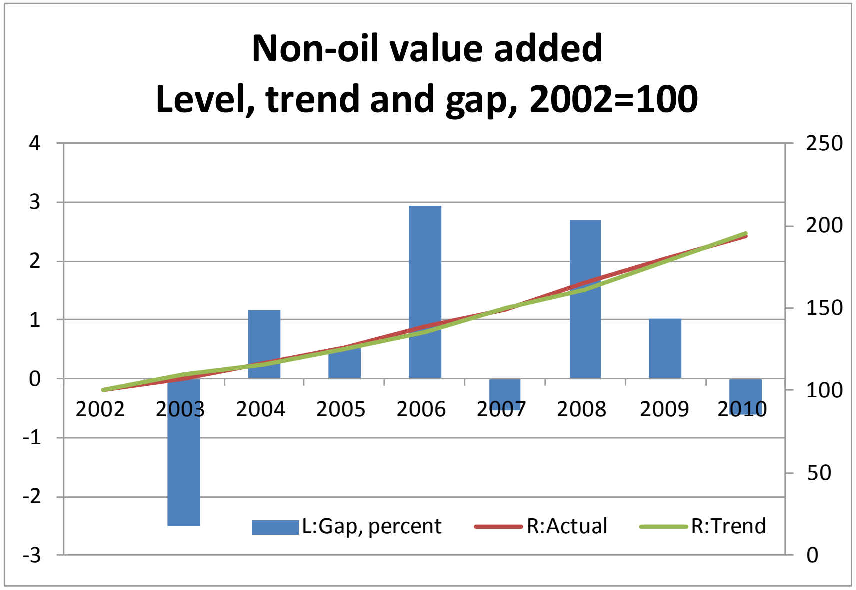
Non-oil trend and output gap

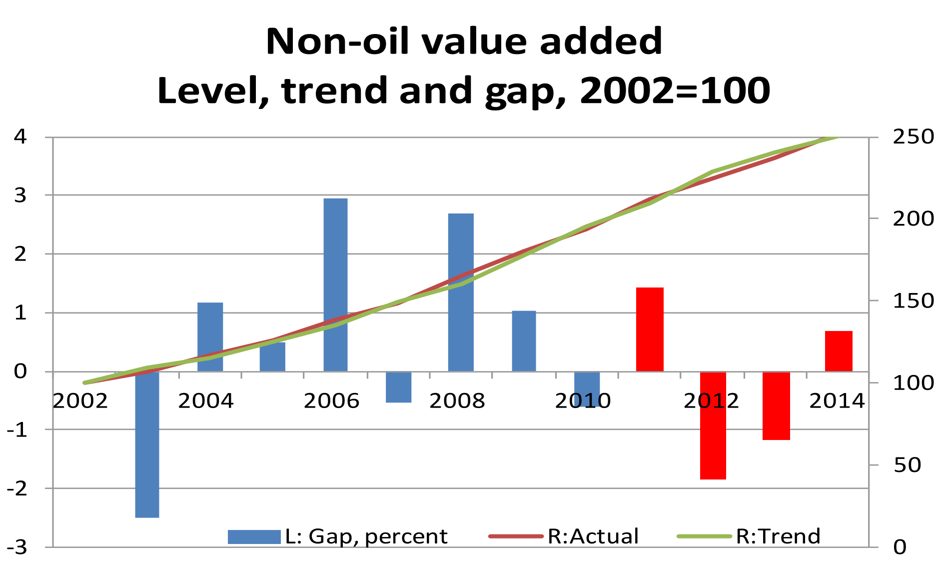
New data gives more reasonable – but still very preliminary and rough - estimates of non-oil output gap.

These very rough estimate suggests non-oil output reached 3 percent above trend in 2006

The rough estimates also suggests non-oil output fell to 2 percent below trend in 2012 and stayed below in 2013.

Non-oil sector will probably move above trend in 2014





Gross savings – sources and uses

Two policy challenges:

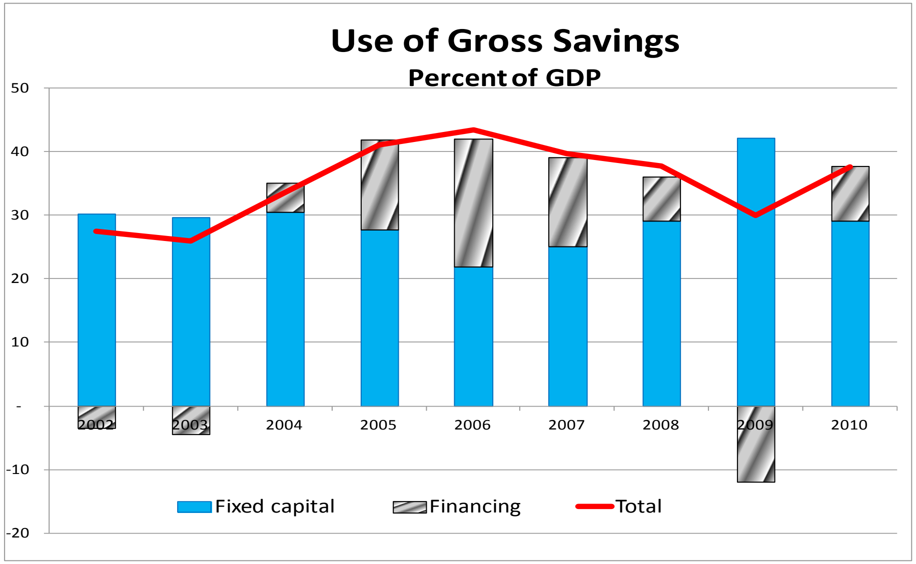
---Saving for the future - capex or financial assets

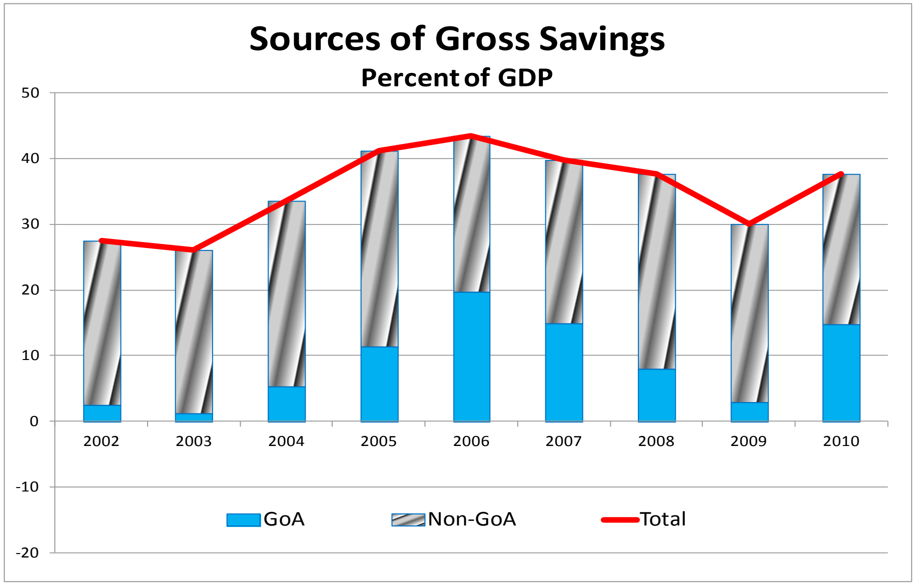
---Reducing volatility – accumulating liquid financial assets

Gross savings declined before the crisis – mainly because of Government.

Most gross savings used for investment with limited accumulation of financial assets before the crisis.

This had implications for the crisis.

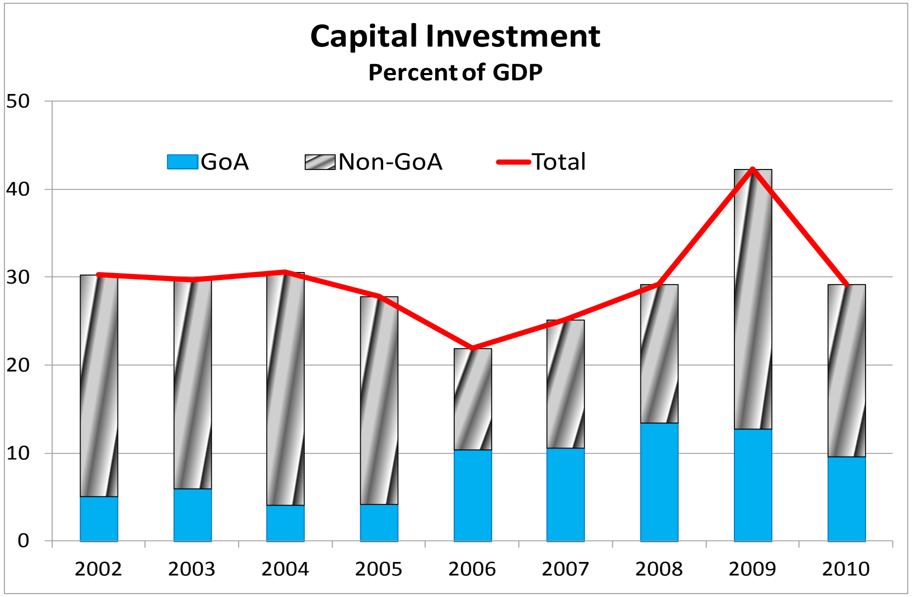


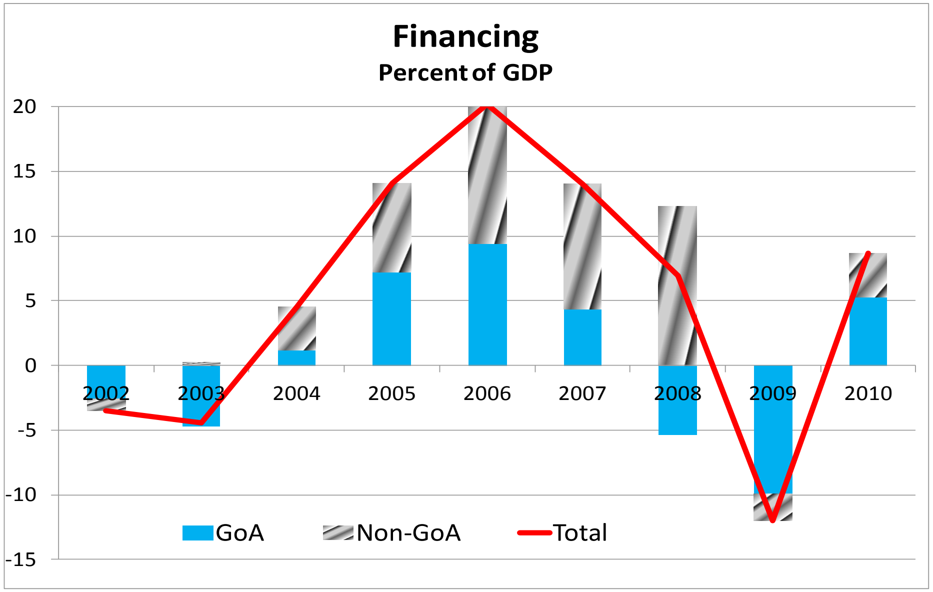


Gross savings - uses

Large increase in capital investment before crisis, much of it by Government (pro-cyclical fiscal policy). But also non-Government.

Large decline in financial savings before the crisis, especially Government, but also non-Government.

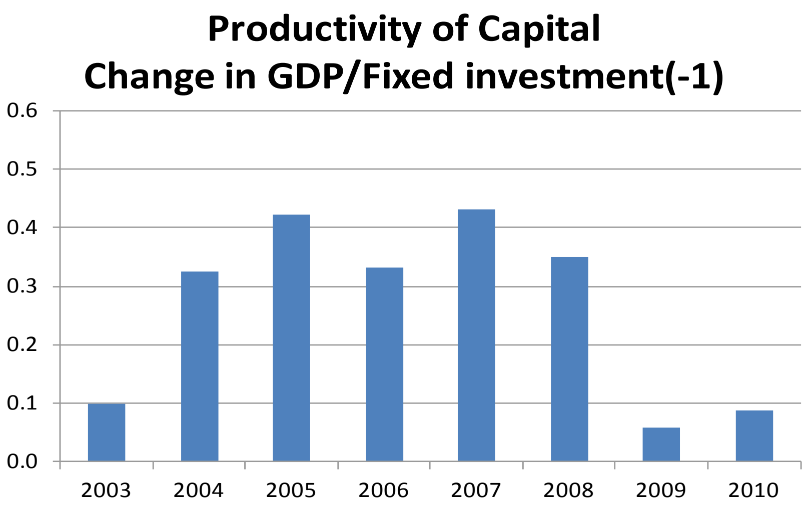


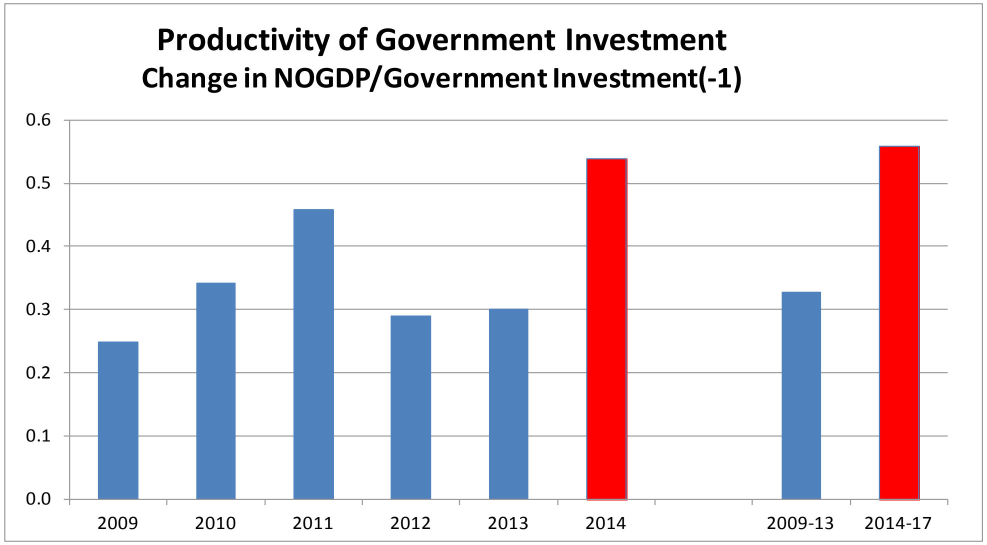


Capital productivity

Total marginal capital productivity peaked mid-decade.

Medium-term projections (using old GDP data) of public capital productivity seem ambitious

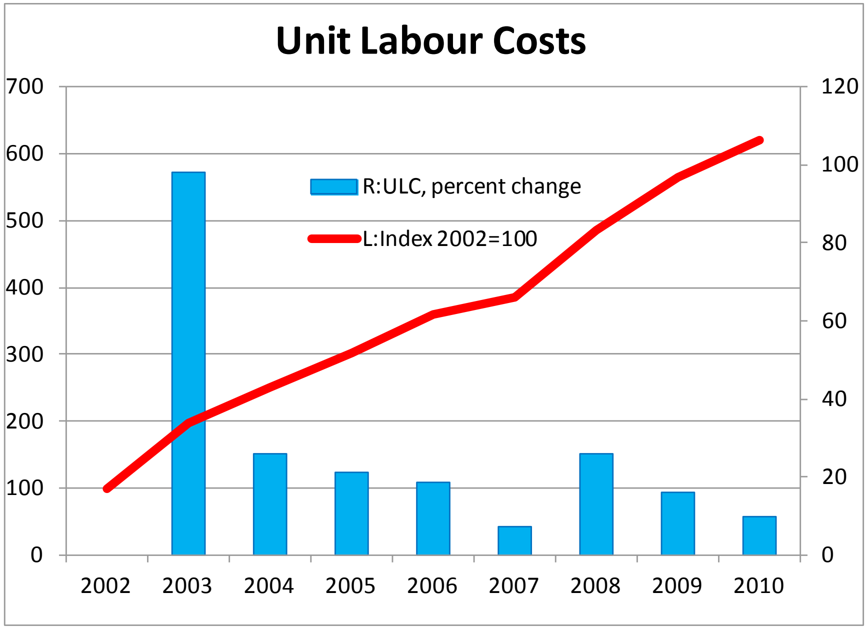


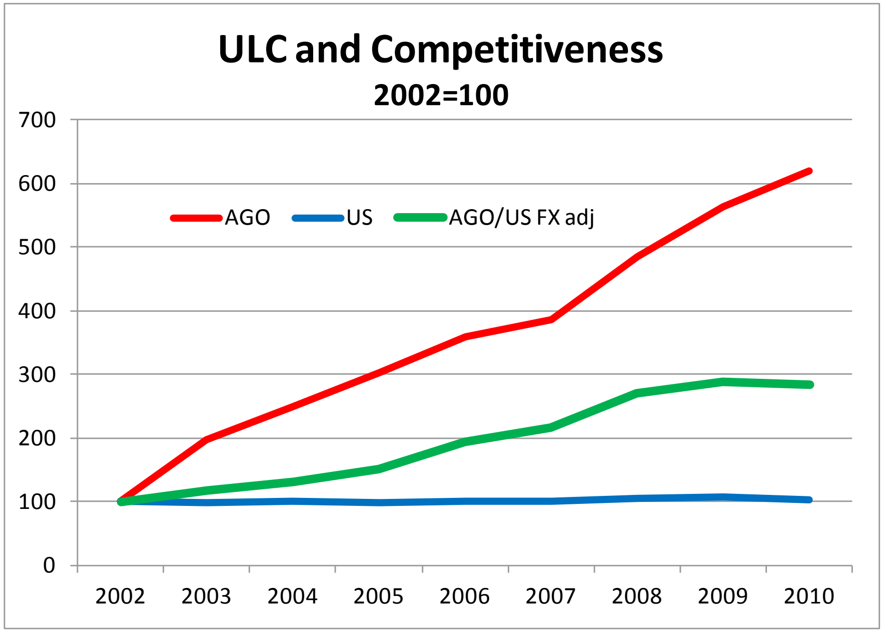


Unit labor costs

Angola's unit labor costs (labor renumeration divided by real output) increased through the decade. This was presumably because wage inflation exceeded labor productivity growth – but also because of the expansion in the formal sector.

As a result, Angola's labor competitiveness deteriorated significantly during the decade versus the US.





Thank you