

# Lecture 1: Introduction to Macro Development

Abdoulaye Ndiaye

MEPC-CEA, New York University

October 13, 2021

## Goal for this class

1. Identify **field experience** and **case studies** of emerging economies.
2. Introduce **economic language** to reframe **casual** evidence.
3. Gather insights from **research** to provide **causal** evidence.
  - ▶ Develop skills and learn methods to read academic papers.
4. **Apply** key macroeconomic and development concepts to **policymaking** in Senegal.
5. Practice economic concepts in **English** for work with international partners.

## Class logistics

- ▶ 3 Modules - 9 Lectures: meet once per week for 90 minutes.
  - ▶ **Economic Growth** (Oct 13/20/27)
  - ▶ **Structural Transformation** (Nov 3/10/17)
  - ▶ **Public Finance** (Nov 24, Dec1-8)
- ▶ Location
  - ▶ In person: MEPC 4th floor conference room. 5pm-6:30pm
  - ▶ Zoom: <https://zoom.us/j/99688450425?pwd=NE82akE0alhKOGJ3K3RQN115eWZrQT09>
- ▶ Syllabus and **lecture notes** online
  - ▶ <https://www.abdoulayendiaye.com/resources>
- ▶ One in-class presentation (optional).
- ▶ Office Hours: meetings upon request

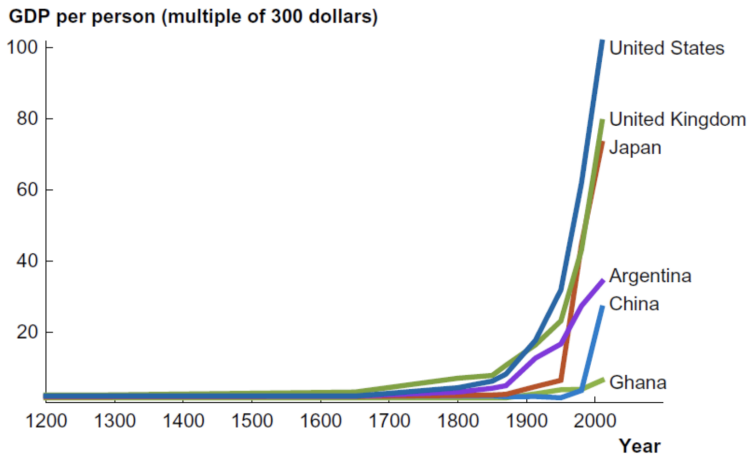
## Roundtable



## Why Development?

- ▶ Differences in living standards across countries are large and persistent. Why?
- ▶ Some countries have experienced dramatic increases in relative living standards over the last 70 years. What did they do to achieve this?
- ▶ Others have languished or even experienced dramatic decreases in relative living standards over this time period.
- ▶ What could they have done to change this?
- ▶ Some of the Big Questions in economics and policy.

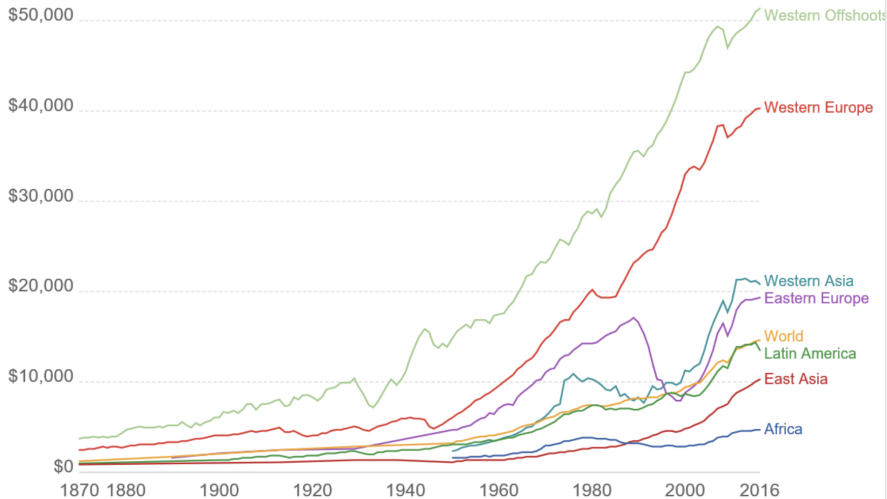
## The Great Divergence (1/2)



## The Great Divergence (2/2)

### GDP per capita

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.



## Why Macroeconomics?

- ▶ Macroeconomics = branch of economics that studies how an overall economy behaves.
- ▶ Macroeconomics studies economy-wide phenomena such as inflation, price levels, rate of economic growth, national income, gross domestic product (GDP), and labor market fluctuations.
- ▶ In contrast to microeconomic development studies the effect of isolated experiments, whether natural or randomized on the economy.
  - ▶ Micro example: The effect of fertilizer adoption on agricultural productivity
  - ▶ Macro example: Agricultural productivity and structural change
  - ▶ Micro example: The effect of bednets on malaria reduction
  - ▶ Macro example: Health Expenditure and economic well-being

## Key Facts on the Senegalese Economy

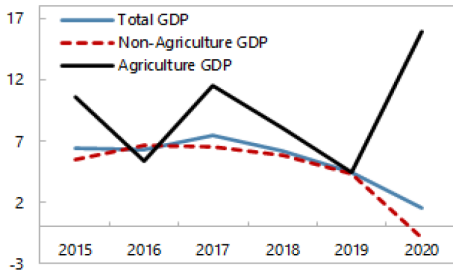
- ▶ Graphs from latest IMF Country Report for Senegal
  - ▶ Growth and Structural Transformation
    - ▶ The Labor Market
  - ▶ Public Finances
  - ▶ Outlook: 2022-2026
- ▶ Additional Data Sources
  - ▶ ANSD: <http://anads.ansd.sn/index.php/catalog>
  - ▶ World Bank: <https://data.worldbank.org/country/senegal?view=chart>
  - ▶ FRED: <https://fred.stlouisfed.org/tags/series?t=senegal>

## Growth and Structural Transformation (1/3)

**Figure 1. Senegal: Real and External Sectors, 2015–20**

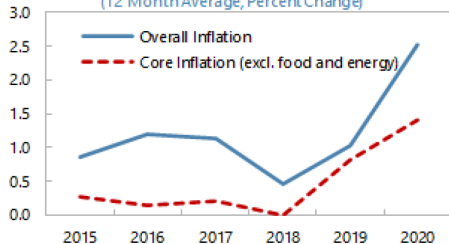
*Senegal narrowly escaped a recession in 2020...*

**Real GDP Growth**  
(Annual Percent Change)



*...while inflation picked up reaching 2.5 percent, driven by food prices but core*

**CPI Inflation**  
(12 Month Average, Percent Change)

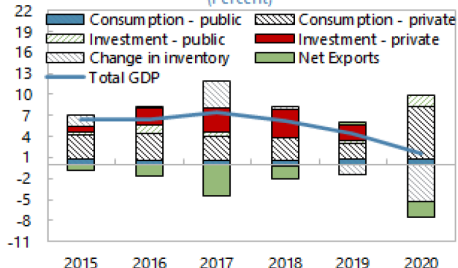


## Growth and Structural Transformation (2/3)

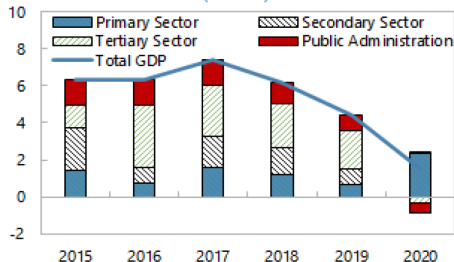
*Private consumption is estimated to have held up buoyed by transfers.*

*The tertiary sector, driving growth in the past, has been the most affected by the pandemic.*

Contributions to GDP Growth: Demand Side  
(Percent)



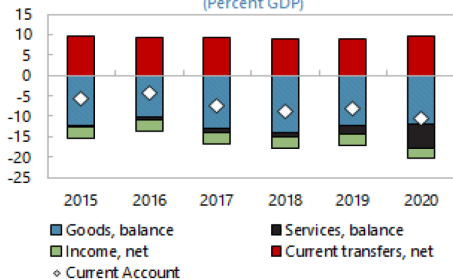
Contributions to GDP Growth: Supply Side  
(Percent)



## Growth and Structural Transformation (3/3)

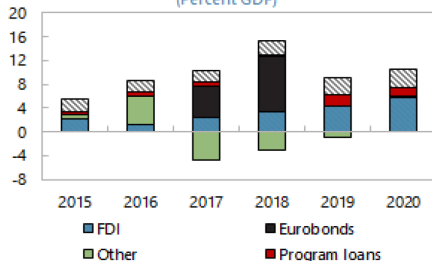
*The current account deficit has widened as the services balance turned more negative.*

**Current Account: Main Components**  
(Percent GDP)



*But strong FDI flows and concessional loans help finance the deficit.*

**Capital and Financial Account**  
(Percent GDP)



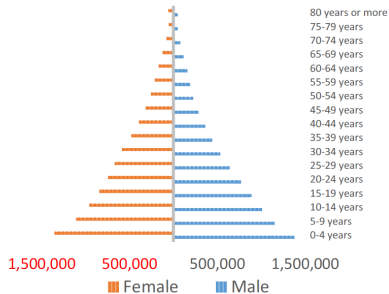
Sources: Senegal authorities; and IMF staff calculations.

# The Labor Market (1/3)

## Annex I. Figure 1. Senegal: Labor market characteristics

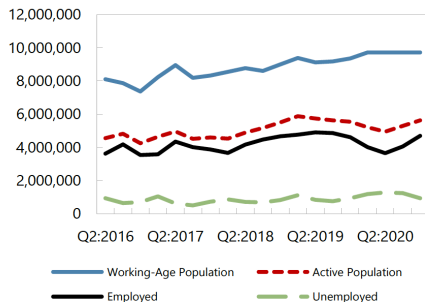
*Senegal's population of 16.7 million is very young...*

**Population of Senegal per age group**



*...with about 1/3 active in the labor market.*

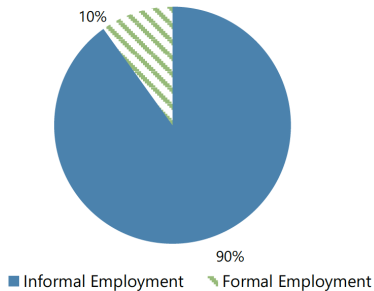
**Senegal: Labor Market**



## The Labor Market (2/3)

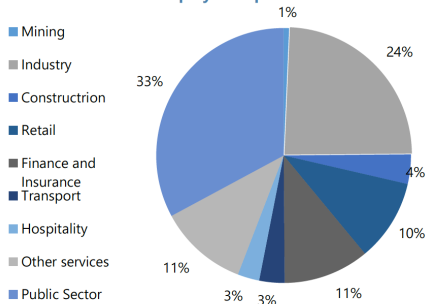
*Most are employed in the informal sector...*

**Formal vs. Informal Employment**



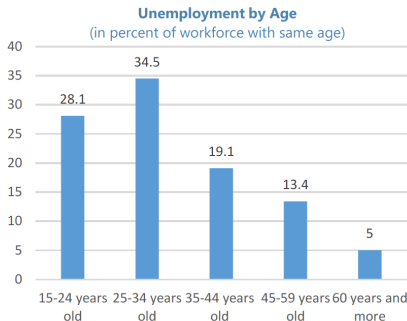
*...and 1/3 of formal employment is in the public sector.*

**Formal employment per sector**

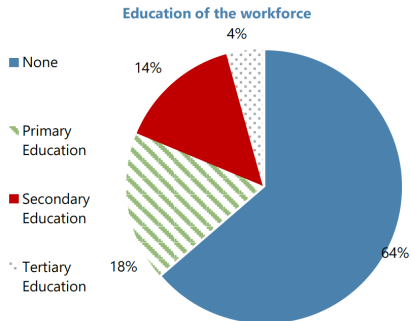


## The Labor Market (3/3)

*Unemployment is high among the young...*



*....and the workforce has generally little education.*

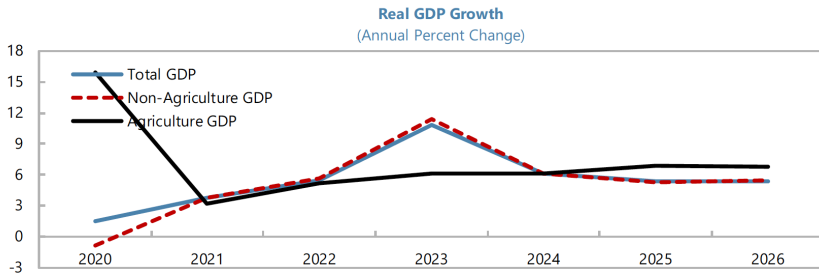


Sources: ANSD; and IMF staff calculations.

## Outlook: Growth and Structural Transformation (1/2)

**Figure 3. Senegal: Outlook 2020–25**

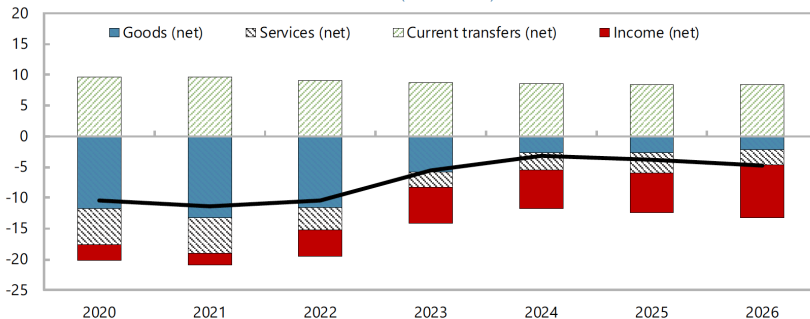
*Growth will recover gradually in 2021 while the level of GDP jumps in 2023 as oil and gas production will begin.*



## Outlook: Growth and Structural Transformation (2/2)

*The current account deficit has widened due to the pandemic as well as oil and gas related investment. From 2023 onwards, however, oil and gas exports will lead to a significant decline.*

**Current Account Balance**  
(Percent GDP)

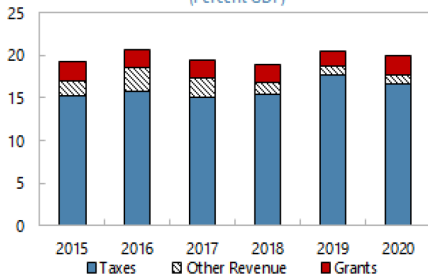


## Public Finances (1/3)

**Figure 2. Senegal: Fiscal and Financial Indicators, 2015–20**

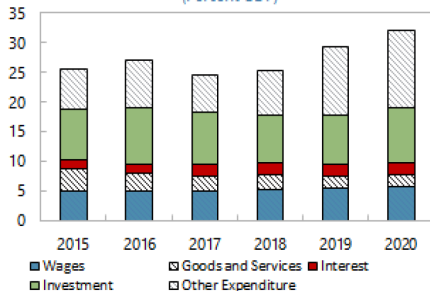
*Tax revenues broadly held up despite the pandemic...*

**Revenue**  
(Percent GDP)



*... while spending increased significantly to cushion the downturn.*

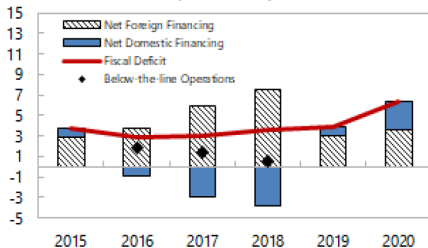
**Expenditure**  
(Percent GDP)



## Public Finances (2/3)

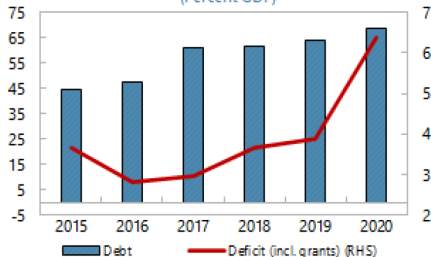
*The higher fiscal deficit was financed through substantial securities issuance on the regional market...*

**Financing**  
(Percent GDP)



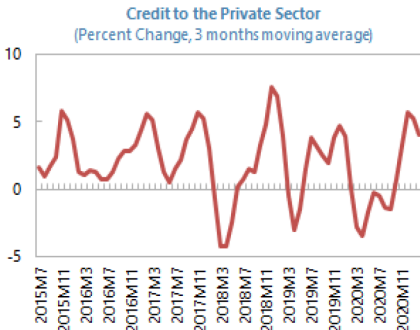
*... while the public sector debt ratio, including debt of SOEs, increased to almost 70 percent.*

**Debt and Deficit**  
(Percent GDP)

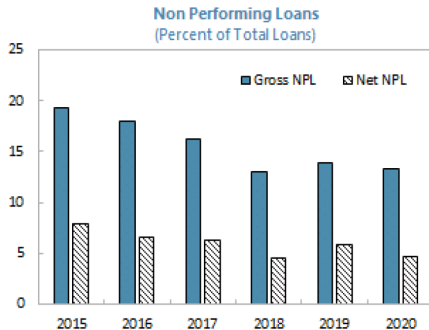


## Public Finances (3/3)

*Credit growth accelerated in the 2nd half of 2020, in line with the economic recovery.*



*NPLs have remained stable despite the pandemic, although the impact could show with some delay.*



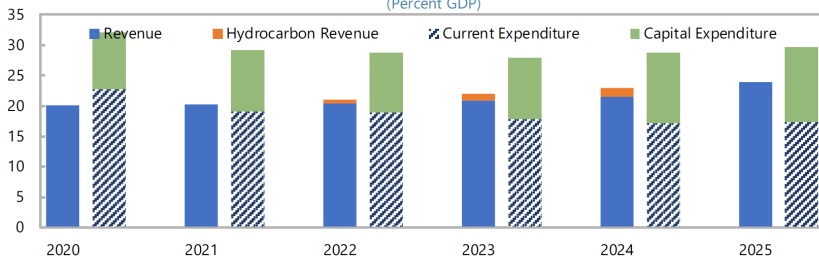
Sources: Senegal authorities; and IMF staff calculations.

## Outlook: Public Finances

*Total revenues, temporarily buoyed by grants in 2020, are expected to increase over the medium term in line with the medium-term revenue mobilization strategy, used for substantial capital expenditure.*

### Central Government Fiscal Performance

(Percent GDP)



Sources: Senegal authorities; and IMF staff calculations.

## Next: Deep Dive

- ▶ Next week: **Lecture 2: Economic Growth**
  - ▶ **Growth**
  - ▶ **Infrastructure**
  - ▶ **Technological Change**