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January 18, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Burma - Staff Report for the 1983 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1983 Article IV consultation with Burma. A draft decision appears on page 21.

It is proposed to bring this subject to the agenda of the Executive Board for discussion on Friday, February 10, 1984.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Saito, ext. (5)7335.

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INTERNATIONAL MONETARY FUND

SOCIALIST REPUBLIC OF THE UNION OF BURMA

Staff Report for the 1983 Article IV Consultation

Prepared by the Staff Representatives for the
1983 Article IV Consultation with Burma

Approved by P. R. Narvekar and Manuel Guitian

January 17, 1984

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I. Introduction

The 1983 Article IV consultation discussions were held in Rangoon during October 28-November 10, 1983. The Burmese representatives included the Deputy Prime Minister and Minister of Planning and Finance, the Deputy Minister of Planning and Finance, the Chairman of the Union of Burma Bank, and officials of the economic ministries and the state banks. The staff team consisted of K. Saito (Head), X. Vongsathorn, N. Choudhry (all ASD), R. Hurnard (FAD), and A. Rosario (secretary, ASD).

Burma continues to avail itself of the transitional arrangements of Article XIV.

II. Background

1. Salient features of the economy

Burma is a low-income country with a per capita GDP in 1982/83 ^{1/} of SDR 153. However, it maintains relatively high levels of education and public health facilities and has a well-trained labor force. Richly endowed with natural resources, Burma is self-sufficient in energy and is a major exporter of teakwood and rice, which together account for about 65 percent of total exports. Export earnings currently cover only about half of imports, consisting of industrial raw materials, spare parts, and a limited amount of consumer goods; external loan receipts (mostly from aid sources) finance the remaining half, consisting largely of plant and equipment for economic development.

Burma's centrally-planned economy is characterized by a large public sector that includes some 50 State Economic Enterprises (SEEs), generates about 40 percent of GDP, and undertakes over 80 percent of investment. Apart from pursuing general governmental functions, the public sector (1) handles all banking and foreign trade, as well as energy production and distribution; (2) provides over half of mining and manufacturing output and nongovernmental services; and (3) procures about two thirds of rice output (excluding farm consumption) for domestic distribution and exports. The private sector dominates agricultural production, which accounts for nearly 40 percent of GDP, and is active in small-scale manufacturing and in domestic trade and transportation. There is an officially recognized market for privately-produced goods, including agricultural products in excess of procurement requirements.

Economic policies are implemented within the framework of long-term plans and annual economic programs and budgets. The Twenty-Year Plan enunciated in 1974/75 provides policy perspectives and forms the basis for a series of four-year plans which set medium-term growth

^{1/} Fiscal year ending March.

targets and strategies. Annual economic budgets and programs are formulated in accordance with these targets, taking into account the prevailing and prospective domestic and external economic conditions. These programs and budgets include: (1) production and distribution programs for major sectors of the economy and for each SEE; (2) the investment program; (3) the public sector budgets; (4) the credit and monetary program; and (5) the import program.

2. Recent trends and developments

Following the economic reforms of 1976/77, ^{1/} the Burmese economy exhibited considerable strength, with an average growth of real GDP of 7 percent per annum and a 3 percent annual rate of increase in the consumer price index over the period 1978/79-1981/82. A sharp expansion in rice output and increased investment contributed to the high overall growth and, in turn, to the relatively low inflation. The external current account deficit was kept at about 4 percent of GDP, as rice and other agricultural exports rose substantially. Also, Burma maintained self-sufficiency in energy and even exported a small amount of oil during this period when international oil prices rose sharply. External aid and other capital receipts rose substantially, and international reserves remained equivalent to about four months of imports (Table 1).

However, the public sector deficit, which averaged about 8 percent of GDP during 1978/79-1981/82, remained a matter of concern. About half of the deficit was financed by external loans, which raised Burma's external indebtedness and its debt service ratio. The other half was financed through the domestic banking system, which resulted in a relatively rapid increase in domestic credit and liquidity. Much of this increased liquidity was in the form of household deposits, which rose rapidly reflecting higher incomes and relatively high real interest rates. Narrow money (mostly currency) grew somewhat faster than nominal GDP, largely reflecting the expansion of the network of bank branches and monetization of the economy.

The large public sector deficit reflected mainly the weak financial position of the SEEs, whose investment outlays rose rapidly but whose profits increased only moderately. The sluggish profit growth was largely attributable to insufficient price adjustments to cost increases and relatively low capacity utilization, due to limited

^{1/} The reforms involved a comprehensive adjustment of the price system, including interest rates. The SEEs were given greater autonomy, their accounts were separated from the Union Government budget, and the tax system was revised to allow the SEEs to retain part of their operational surpluses. Also, investment was expanded, supported by increased receipts of foreign financing. For details of these reforms, see SM/78/31, p. 27.

Table 1. Burma: Selected Economic Indicators, 1978/79-1983/84

(In percent unless otherwise specified)

	<u>Annual Averages</u> 1978/79-1981/82	<u>Provisional</u> 1982/83	<u>Staff</u> <u>Estimates</u> 1983/84
Growth of real GDP	7	7	6
(Rice output)	(11)	(2)	(3)
Changes in consumer prices	3	4	4-5
External current deficit as percent of GDP	-4	-8	-4
Public sector deficit as percent of GDP	-8	-13	-11
(Investment)	(14)	(18)	(16)
(Savings)	(6)	(5)	(5)
Growth of domestic credit	17	14	15
Growth of total liquidity	19	13	12
Growth of money supply (M ₁)	14	8	12
Growth of exports	22	-13	21
Growth of imports	19	15	-15
External debt as percent of GDP	23	32	35
Debt service ratio			
(Excluding IMF)	21	26	29
(Including IMF)	26	30	33
International reserves in months of imports	4	1	1

Sources: Appendix Tables I-V.

supplies of imported inputs. In September 1981, therefore, the authorities introduced an automatic price fixation system to accelerate the adjustment of SEE prices to increased import costs. During 1981/82 and 1982/83, cash imports of industrial raw materials and spare parts for SEEs continued to expand through annual import programs. The momentum of investment by the SEEs was maintained in order to permit them to renovate and expand their productive capacity and to strengthen their financial position over the medium term. ^{1/}

In 1982/83, while the authorities continued their efforts to strengthen the economy through greater investment and imports, Burma's exports dropped sharply because of adverse export market developments, particularly sharp declines in rice and other export prices. The external current account deficit rose to 8 percent of GDP, about two thirds of which resulted from the fall in exports. International reserves declined by SDR 122 million to SDR 73 million (about one month's imports) at the end of March 1983. The overall deficit of the public sector rose to 13 percent of GDP; about one third of this increase is also attributable to a drop in export-related receipts. However, the strong output trend that emerged in the mid-1970s continued, with real GDP growth remaining at about 7 percent; inflation accelerated slightly, largely because of the adjustments of SEE prices (Table 1).

III. Economic Policies and Prospects

1. Overview

Promoting economic development and strengthening exports and public finances over the medium term continue to be the authorities' principal economic objectives. However, the pursuit of these objectives has become more difficult in 1983/84 mainly because of the constraint on imports imposed by three factors: (1) low international reserves; (2) increased external debt service payments relative to export earnings; and (3) a delay in export recovery, which appears to have started in the second half of 1983/84, one year later than envisaged earlier.

To pursue their medium-term objectives in an environment of increased resource constraint, the authorities have made a number of policy adjustments and intensified selectivity in investments with a view to reducing overall levels of investment and imports. The investment program has been adjusted to provide greater support to projects leading to agricultural and industrial diversification

^{1/} The authorities' economic and financial policies were supported by a Fund stand-by program that expired in June 1982. For a review of Burma's economic performance under this program, see SM/82/222, pp. 3-6.

(especially into products with export potential), while reducing public sector investment outlays by 2 percent in 1983/84. The import program and certain import procedures have been tightened in order to effect a 6 percent reduction in externally-financed imports and a 26 percent reduction in cash imports. The budget and the credit and monetary program have also been brought in line with the more selective investment policy, and the adjustments of SEE prices to increased import costs have been accelerated.

The degree of improvement in overall economic performance in 1983/84 will depend on the immediate impact of these policy adjustments, as well as on the recovery in exports expected for the second half of the year. At present, the external current account deficit is projected to decline to 4 percent of GDP on account of both lower imports and higher exports, and gross international reserves, which stopped declining by mid-year, are projected to rise in the second half. The overall deficit of the public sector is also estimated to decline to about 11 percent of GDP, mainly because of the lower investment outlays and the likely increase in export-related receipts. Reflecting the leveling off in public sector investment and an associated slowdown in construction activity, the growth of real GDP is expected to slow slightly to 6 percent in 1983/84. Agricultural output is likely to continue to rise to a record level. Industrial output is expected to increase at about the same rate as in the previous year; the impact of the reduced cash imports of raw materials and spare parts is likely to be limited during this year, because of the drawdown of the relatively large stocks accumulated over the last few years. The rate of increase in the consumer price index is likely to be 4-5 percent, largely reflecting the impact of the accelerated adjustment of SEE prices (Table 1).

For 1984/85, the authorities intend to continue the selective investment policy and to expand further the application of the automatic price adjustment system. They feel that they can allow a resumption of import growth, though by how much would depend on the pace of export recovery. On the basis of these policies, it is anticipated that the external and public sector deficits would not rise from their levels in 1983/84. Barring adverse weather, the rates of output growth and inflation are expected to remain about the same as in 1983/84.

2. Production, investment, and pricing policies

a. Agriculture

Since the mid-1970s, Burma's agricultural policy has centered on the Whole Township Program (WTP), which facilitates the increased use of high-yielding variety seeds, chemical fertilizer, and other inputs. The WTP also helps mobilize the community to provide additional labor

during planting and harvesting time, 1/ provides agricultural extension services, and coordinates the channelling of credit to participating farmers.

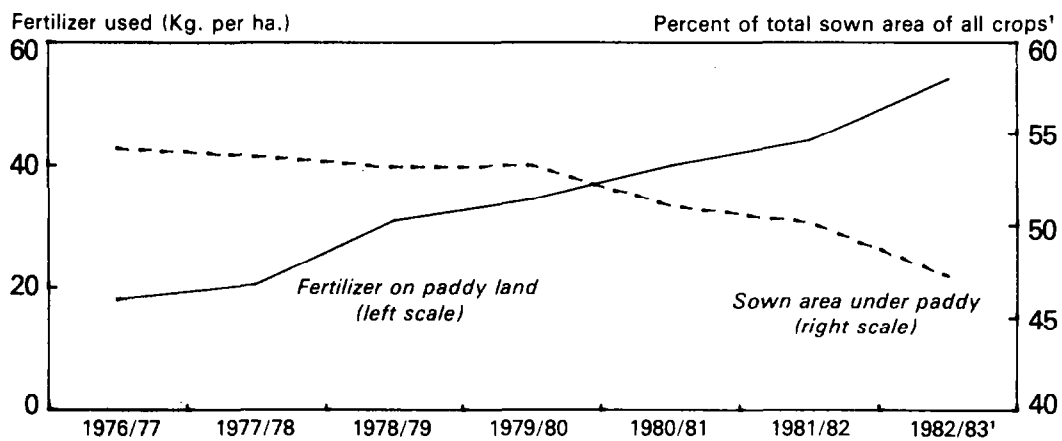
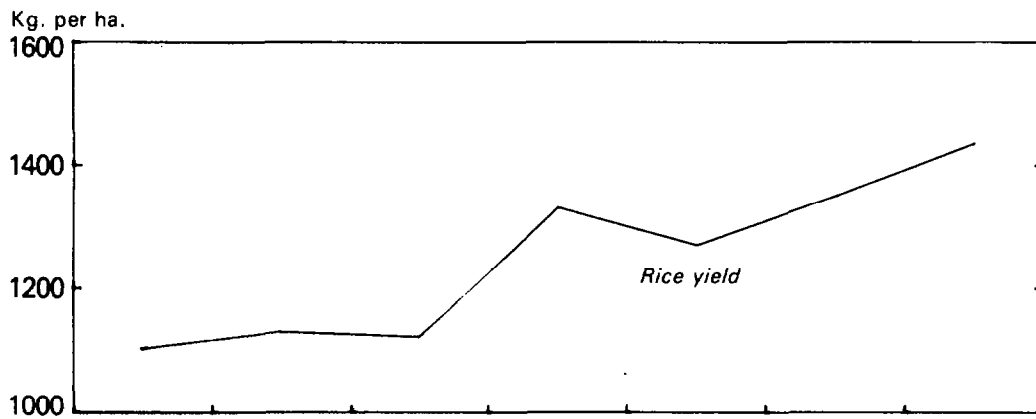
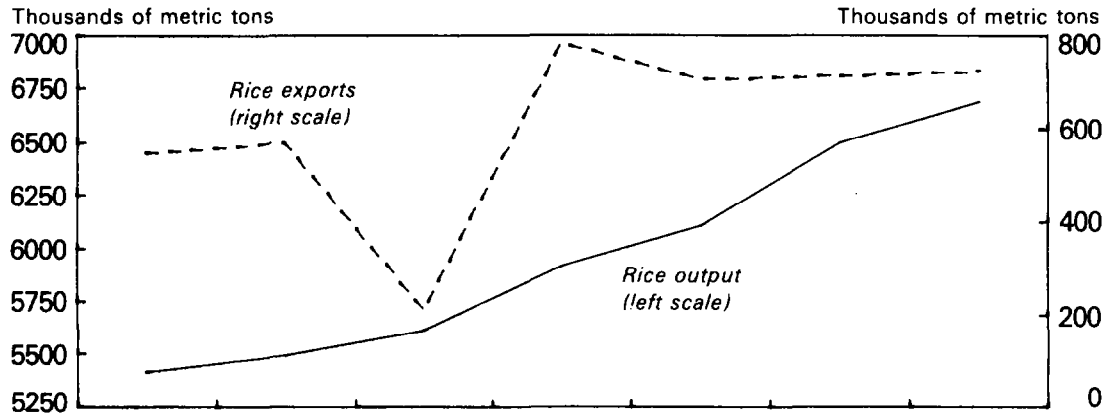
The successful implementation of the WTP is mainly responsible for the marked rise in output and yield of rice since the mid-1970s (Chart 1). The higher output and yield, in turn, contributed to a substantial increase in farmers' incomes, a steady increase in the domestic supply of rice through the Government's procurement and distribution system as well as through free markets 2/ (and, hence, the maintenance of stable food prices), and a considerable increase in rice exports. A large financial surplus accrued to the Government from export operations of the rice-trading SEE, since procurement prices of rice were fixed at levels substantially below export prices. In most years, this surplus exceeded the deficit incurred on fertilizer distribution operations of an agricultural SEE; fertilizer prices were also set below estimated transportation and other costs. The increased use of relatively low-priced fertilizer enabled farmers to improve productivity and raise their incomes while fulfilling the procurement requirements at low prices (Appendix Table I).

Encouraged by the success of the paddy WTP, the Government has extended the program to non-rice crops since 1979/80. These crops include (1) food for domestic consumption (wheat and potatoes); (2) potential exports (maize and oilseeds); and (3) raw materials for the agro-based industry (cotton and sugarcane). The extension of the program is expected to help meet the diversifying food requirements and to promote stable growth of exports. The extended program is also designed to help maintain the momentum of overall agricultural growth in the medium term, since the potential for further increases in paddy yield is limited as most of the areas best suited to paddy cultivation have already been brought under the WTP. Since its introduction, the number of townships brought under the WTP for non-paddy crops has risen substantially, accompanied by sharp increases in sown acreage with high-yield variety seeds and use of chemical fertilizer (Table 2 and Chart 2). The trend is likely to continue in 1984/85.

1/ For example, in 1983/84 workers were mobilized to provide adequate water supply for paddy nurseries which helped alleviate the potential adverse impact of the delayed arrival of the monsoon.

2/ Farmers retain a considerable amount of paddy for on-farm consumption and, after fulfilling procurement requirements, sell the remainder through free markets. The Government sells about 60 percent of rice derived from the procured paddy to domestic consumers and exports most of the remainder.

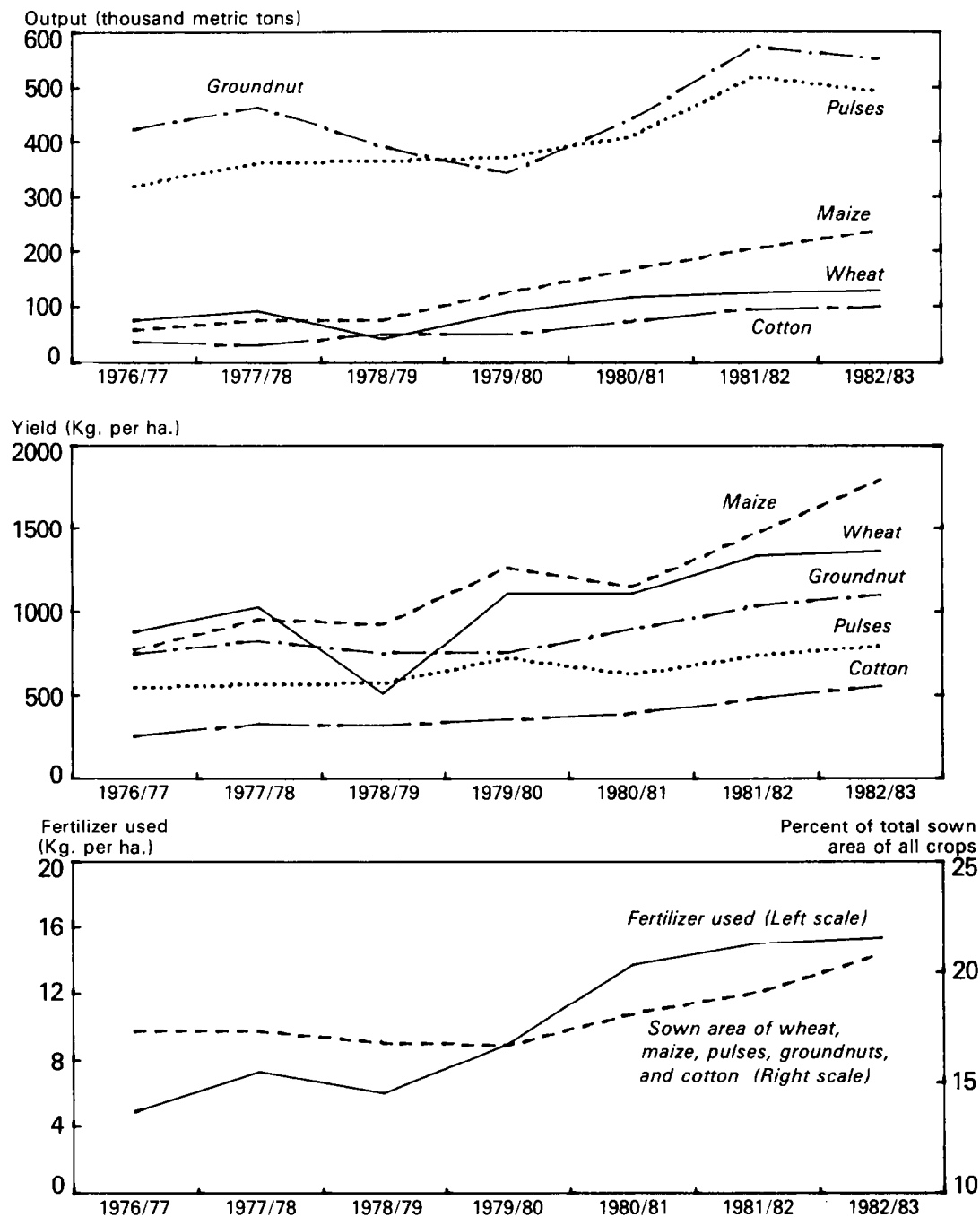
CHART 1
BURMA
RICE OUTPUT, EXPORTS, AND YIELD,
1976/77-1982/83



Source: Data provided by the Burmese authorities.

¹The proportion of irrigated area under paddy to total sown area has remained virtually constant in recent years.

CHART 2
BURMA
OUTPUT AND YIELD OF MAJOR NON-RICE CROPS
1976/77 TO 1982/83



Source: Data provided by the Burmese authorities.



Table 2. Burma: Whole Township Program, 1978/79-1982/83

(Number of townships, at end of period)

Crops	1978/79	1979/80	1980/81	1981/82	1982/83
Total	<u>23</u>	<u>48</u>	<u>115</u>	<u>139</u>	<u>169</u>
Paddy	<u>23</u>	<u>43</u>	<u>72</u>	<u>78</u>	<u>82</u>
Nonpaddy crops	--	5	43	61	87
Of which:					
Wheat	(--)	(1)	(7)	(8)	(14)
Maize	(--)	(1)	(6)	(9)	(9)
Pulses	(--)	(--)	(8)	(11)	(15)
Oilseed	(--)	(1)	(10)	(18)	(26)
Cotton	(--)	(--)	(6)	(6)	(12)

Source: Data provided by the Burmese authorities.

b. Industry (including mining and energy)

The industrial policy focuses on the SEEs, which account for over 60 percent of total industrial output. Recent policy efforts included expanding and renovating plant and equipment in the paper, chemical, machinery, and mining industries. Efforts were also made to raise utilization of existing capacity through an increased supply of imported raw materials and spare parts, successful replacement of some of these imported inputs with domestic products, and continuing improvement in skills of factory personnel. As a result of these efforts, the SEEs have accounted for the major part of recent industrial growth which averaged 6 percent per annum during 1978/79-1982/83. In particular, mining production (tin, tungsten, and copper) rose considerably with the associated increase in the volume of mineral exports, and such exports are expected to increase further in 1984/85. Production of natural gas also increased by 13 percent per annum during 1978/79-1982/83 to 4 million barrels of crude oil equivalent in 1982/83, and consideration is being given to expanding processing facilities. Annual production of crude oil, however, remained at about 11 million barrels, all of which was absorbed by domestic refineries, with a small amount of refined products exported.

c. Investment and pricing policies

Public sector investment rose strongly in the late 1970s and early 1980s, rehabilitating and raising productive capacity, and supporting

the WTP. However, as noted earlier, faced with increased resource constraint, the authorities have implemented a more selective investment policy since mid-1982/83. Under this policy, investments undertaken to increase and diversify exports have been given priority, while other investments with lower priority have been deferred. ^{1/} The policy is expected to result in a reduction of capital expenditure of the public sector (especially the SEEs) in 1983/84. Imports are expected to show a greater decline because of the high capital goods content of some of the investment projects that have been rephased. The more selective investment policy is expected to help strengthen the export sector and the balance of payments over the medium term.

Since September 1981, the authorities have implemented an automatic price adjustment system whereby importing SEEs (and some industrial SEEs using imported inputs) are permitted to pass on increases in import costs automatically to their sales prices. Previously, adjustments of prices charged by SEEs required approval by the Government on a time-consuming case-by-case basis. Since its introduction, the number of adjustments has been increased substantially to catch up with the cost increases that took place since the late 1970s (Table 3).

Table 3. Burma: Adjustments of SEE Prices, 1980/81-1983/84

(Number of commodities)

	1980/81	1981/82	1982/83	1983/84 ^{1/}
Total	<u>1,216</u>	<u>1,606</u>	<u>2,924</u>	<u>1,958</u>
Regular approval	800	597	679	103
Automatic approval	416	1,009	2,245	1,855
Of which:				
Industrial SEEs	(10)	(383)	(159)	(429)

Source: Data provided by the Burmese authorities.

^{1/} For the period April-September 1983.

^{1/} For example, investments to facilitate processing and transportation of animal feeds and oilseeds as well as those for renovating and expanding certain mining facilities and fertilizer and cement plants are given priority; investments in certain small-scale import substitution sectors have been deferred.

The staff team stressed the importance of speeding up the extension of the automatic price adjustment system to a greater number of manufactured goods, as well as energy and utilities. This speeding up is necessary not only to strengthen the SEEs' profit position but also to improve allocation and use of limited resources and to provide greater incentives to expand output (especially for the industrial SEEs). Many of these prices have been kept unchanged for many years and consequently, they are substantially lower than in neighboring countries. The authorities stated that the automatic adjustment system would be expanded to cover a greater number of the selling prices of industrial SEEs and the system would be made even more flexible. They also indicated that the prices of most products covered by the agricultural diversification program would remain market-determined, thereby providing a price incentive for the nonpaddy producers.

3. Budgetary policies

The public sector budget is the major instrument for the implementation of longer term and annual economic plans and covers the Union Government, the SEEs, and local authorities. The Union Government derives its revenue largely from the SEEs through taxes on their sales and imports and through partial transfers of profits. ^{1/} Its current expenditures account for about half of total public sector expenditures and its capital expenditures, about 10-15 percent. The Union Government's overall position has been in surplus in recent years, but is likely to turn into deficit in 1983/84. The SEEs are engaged in a wide range of economic activities within the framework of central plans and control. As a group, they generate a small current surplus after payments and transfers to the Union Government. However, this surplus is far smaller than their large investment, which accounts for about 75 percent of total public sector investment. Fiscal operations of local authorities are relatively small.

a. Budgetary developments in 1982/83

The overall public sector deficit, which averaged about 8 percent of GDP in the period 1978/79-1981/82, rose to an estimated 12.5 percent of GDP in 1982/83 (Table 4). This increase occurred largely because revenue growth slowed sharply at a time when the authorities were continuing to expand investment at a high rate in order to upgrade and expand the SEEs' productive capacity and improve infrastructure.

^{1/} About 35-40 percent of Union Government revenue comes from the commodity and service tax paid by the SEEs, and about 15-20 percent, from customs duties also paid by the SEEs. Another 30 percent comes from the transfers of SEE profits.

Table 4. Burma: Growth of Public Sector Revenue and Expenditure, 1978/79-1983/84

	<u>Average</u> 1978/79- 1981/82	<u>Provisional</u> 1982/83	<u>Estimate</u> 1983/84
	<u>(Annual percent change)</u>		
<u>Public sector revenue</u>	<u>13.4</u>	<u>4.6</u>	<u>6.4</u>
Union government revenue <u>1/</u>	12.1	1.0	4.9
<u>Public sector expenditure</u>	<u>15.7</u>	<u>18.3</u>	<u>4.0</u>
Current expenditure	13.6	6.1	12.1
Capital expenditure	17.7	29.4	-1.9
Of which: SEEs	(16.8)	(24.7)	(-4.2)
	<u>(Percent of GDP)</u>		
<u>Public sector overall deficit</u>	<u>8.1</u>	<u>12.6</u>	<u>11.4</u>
Externally financed <u>1/</u>	3.7	4.4	3.4
Domestically financed	4.4	8.3	8.0

Source: Appendix Table II.

1/ Excluding grants.

The slowdown of public sector revenue growth is largely attributable to the fall in exports, which weakened the exporting SEEs' profit position, as well as their contribution to the Union Government. The profit positions of other SEEs also weakened, and the growth of Union Government revenue through the commodity and services tax and import duties slowed. Nevertheless, the increase in these revenues, together with a strong increase in foreign grant receipts, partly offset the decline in export-related receipts.

The continued rapid growth of investment outlays in 1982/83 reflected the authorities' efforts to complete the projects carried over from the Third Four-Year Plan (1977/78-1981/82) and their vigorous implementation of projects covered in the Fourth Plan. The more selective investment policy adopted in the middle of the year had only

a limited effect on the level of investment for the year as a whole, as many projects were already underway. The growth of current expenditures of the Union Government slowed substantially in 1982/83, reflecting a lower increase in wage and salary payments, even as interest payments increased considerably.

b. The budgetary outlook for 1983/84

The overall public sector deficit is estimated to decline by 1 percentage point to 11.5 percent of GDP in 1983/84, reflecting a slight increase in revenue growth and a sharp decline in expenditure growth. The anticipated increase in revenue growth is largely associated with the expected recovery in exports in the second half of the year. Partly as a result of the accelerated price adjustments, nonexporting SEEs are also expected to improve their profit positions, generating greater revenue for the public sector. ^{1/} However, these increases would be partly offset by a decline in import-related taxes (including the commodities and services tax), resulting from the lower level of planned imports. Only a small increase in government receipts from income and profit taxes (the principal source of contribution by the private sector) is expected.

The slowdown in public sector expenditure estimated for 1983/84 occurs largely on account of a 4 percent reduction in the SEEs' investment outlays. The Union Government's investment expenditure, mostly in the high-priority agriculture sector, is budgeted to increase at a slower pace. Public sector current expenditure is estimated to rise considerably, reflecting further increases in interest payments.

Strengthening public finances over the medium term remains a major policy task to be achieved, especially through higher revenue growth. Over the past four years, the growth in total revenue has failed to match the growth in GDP, despite an accelerating yield from foreign trade taxes. In particular, the commodities and services tax has exhibited a low buoyancy, notwithstanding the authorities' attempts to improve tax administration. The private sector's direct tax contribution has also been small. The staff team expressed the view that consideration should be given to broadening the tax base and further improving tax administration. It also stressed the importance of continuing accelerated adjustments of SEE prices as well as the further intensification of the selective investment policy in order to strengthen public finance. The authorities were not able to discuss

^{1/} As a temporary arrangement for 1983/84, the authorities raised the rate of the SEEs' contribution from 30 percent of operating surplus to 40 percent for those nonbank SEEs with an operating surplus in excess of K 50 million (about a dozen SEEs fall in this category). This would raise Union Government revenue but would not affect overall public sector revenue, since the after-transfer surplus of SEEs would decline by the same amount.

the details of budgetary policy for 1984/85 at the time of the mission, since the preparation of the 1984/85 budget was at a preliminary stage. However, they indicated that they would continue both the investment and price adjustment measures, at least through 1984/85.

c. Financing of the public sector deficits

In 1982/83, a greater proportion of the public sector deficit was financed by domestic banks than during 1978/79-1981/82, with the share of domestic bank financing rising to 66 percent from 54 percent in the previous period. 1/ This trend is expected to continue in 1983/84 (Appendix Table II). Increased domestic bank financing of the public sector is attributable almost exclusively to the SEEs, which have shown large deficits; the Union Government's overall position was in surplus until 1982/83, but is estimated to turn into deficit in 1983/84.

4. Credit and monetary policies

The credit program is the major instrument of credit and monetary policies and sets total credit supply and its allocation to SEEs, cooperatives, and the private sector (mostly agriculture), according to annual plans and budgets. The program is implemented under the supervision of the Union of Burma Bank (UBB)--the Central Bank--which monitors and collects information on credit and monetary developments. The UBB participates in the formulation and subsequent adjustment of the credit program and influences investment, consumption, and other economic aggregates. There are no reserve requirements on banks, as all funds exceeding certain working balances are transferred to the UBB. 2/ The role of interest rates is limited in regulating credit because of the credit allocation system, but is significant in mobilizing household savings through the banking system. 3/

1/ Increased domestic bank borrowing shown in the budgetary accounts is not fully reflected in the monetary statistics. This discrepancy may be attributed to differences in coverage and classification between the two sets of statistics, as well as to the tentative nature of the estimates for the last two years. Reconciliation is difficult until final budgetary data and disaggregated financing data between the Union Government and the SEEs become available.

2/ Apart from the UBB, the banking sector includes the Myanma Economic Bank which finances the activities of the SEEs and the cooperative sector; the Myanma Agricultural Bank which lends exclusively to agriculture; and the Myanma Foreign Trade Bank which handles all external transactions.

3/ Major financial assets available to households and the SEEs are currency, demand deposits (held mostly by the SEEs), time and saving deposits, savings certificates issued by the Government, and a small amount of Treasury bills (held exclusively by the SEEs). In nominal terms, interest rates on deposits held by households range from 1 to 11 percent per annum, and lending rates from 5 to 24 percent. The interest rate on Treasury Bills is 1 percent.

The SEEs, as a group, are the major recipient of bank credit, while they hold most of their financial assets in noninterest earning demand deposits. The private sector (including cooperatives) has been holding an increasingly large amount of its financial assets in the form of savings and time deposits (including savings certificates). The authorities monitor closely the growth of narrow money (mostly currency but including some private sector demand deposits) in relation to developments in free market prices.

a. Developments in 1982/83

The credit and monetary program for 1982/83 was implemented to provide the funds required to sustain planned economic growth while containing inflation at about the same rate as in the previous year. Domestic credit grew by about 14 percent, lower than the 22 percent growth rate in the previous year, partly reflecting a 4 percent reduction in credit to the private sector. Growth of net credit to the public sector slowed to 17 percent from 24 percent in 1981/82. This slowdown, however, is not reflected in the data on the domestic financing of the overall public sector deficit (see footnote 2 on page 12).

The slower growth of total domestic credit was accompanied by a precipitous fall in net foreign assets, and the growth of total liquidity slowed down to 13 percent in 1982/83 from 17 percent in the previous year. The rate of increase of narrow money declined more markedly to 8 percent from 12 percent, while the growth of quasi-money remained high, largely in response to the relatively high real interest rates (Table 5). The velocity of broad money declined, however, reflecting the impact of monetization and the growth of bank branches that took place in 1982/83. The higher rate of increase in the consumer price index primarily reflected the upward adjustments of official prices.

b. The credit and monetary program for 1983/84

The credit and monetary program for 1983/84 has been implemented to support the authorities' policy adjustments, in particular the selective investment policy. The growth of total domestic credit is envisaged to be about 15 percent, slightly faster than in the previous year. The growth of net credit to the public sector is planned to remain at the previous year's rate of about 17 percent, while credit to the private sector is expected to rise by 4 percent, mainly on account of increased agricultural credit to support the diversification program. The growth of total liquidity is expected to be 12 percent, in line with the estimated growth of nominal GDP.

Table 5. Burma: GDP Growth, Liquidity, and Velocity,
1978/79-1983/84

	1978/79	1979/80	1980/81	1981/82	Provi- sional 1982/83	Esti- mate 1983/84
<u>(Annual percent changes)</u>						
Nominal GDP	7.8	11.1	9.3	11.0	8.6	11.3
Total liquidity (M2)	20.9	20.0	16.7	17.1	12.7	12.0
Narrow money	(17.6)	(14.7)	(12.3)	(11.6)	(7.7)	(...)
Quasi-money	(47.7)	(53.9)	(37.1)	(39.0)	(28.7)	(...)
<u>(Ratio)</u>						
Velocity <u>1/</u>						
GDP/narrow money	4.6	4.4	4.3	4.3	4.3	...
GDP/M2	4.0	3.7	3.4	3.3	3.1	3.0

Source: Appendix Table III.

1/ Ratio of nominal GDP to money stock at the end of the year.

The staff team noted the recent declining trend in credit to the private sector (which now accounts for only about 10 percent of domestic credit) and expressed concern about the rapid increase in credit to the SEEs. While attributing the declining private credit to weak demand, the authorities stated that they would review the system of credit extension and strengthen the monitoring of underlying investment and production activities. However, the authorities stressed that a fundamental approach to limiting the growth of credit to SEEs would be to strengthen their financial positions through the various policy adjustments recently introduced. They also noted that while the rate of expansion of credit to the SEEs was fast, the rate of growth of savings and time deposits remained high as a result of both the rapid rise in income and high real interest rates. The shift to savings and time deposits resulted in a substantial slowdown of the growth of narrow money and moderated the rate of inflation.

5. Balance of payments

The authorities' efforts to strengthen the balance of payments over the medium term focus on export promotion through the agricultural diversification program and selective investment policies discussed in Section 2. The authorities are also making efforts to improve the quality of exports, principally of rice, and to penetrate new markets.

Annual management of the external balance relies mainly on the import program. This program is formulated on the basis of planned investment and output, and within the limitations imposed by the availability of foreign exchange, including anticipated export earnings. In recent years, the impact of adverse developments in export earnings was offset by a substantial drawdown of international reserves.

a. Developments in 1982/83

The import program for 1982/83 called for a strong rise in imports in line with the planned growth of investment. However, export performance was adversely affected by lower prices. In particular, rice exports dropped by 33 percent and teak exports showed little gain; most other exports, which had risen strongly during 1978/79-1981/82, gained moderately in 1982/83 despite declines in their prices. Overall, export earnings declined by 13 per cent in 1982/83, while imports increased by 15 percent. The terms of trade declined by about 22 percent, following a 3 percent gain in the previous year (Table 6).

Table 6. Burma: Growth of Exports and Imports and Changes in the Terms of Trade, 1978/79-1983/84

(In percent)

	<u>Average</u> 1978/79-1981/82	<u>Provisional</u> 1982/83	<u>Estimates</u> 1983/84
Exports	21.6	-13.3	21.0
Price	10.0	-22.1	5.0
Volume	10.7	11.3	15.2
Imports	19.4	15.4	-15.3
Price	4.8	0.2	2.0
Volume	13.9	15.2	-17.0
Changes in the terms of trade	5.1	-21.5	2.5

Source: Appendix Table IV.

Reflecting these trade developments, as well as a further increase in net service payments resulting from higher interest payments abroad, the current account deficit rose sharply to 8 percent of GDP. About two thirds of this deficit was financed by net capital inflows, mostly from concessional sources, which are the principal source of external financing. Commercial borrowings, which had increased appreciably in the late 1970s, were reduced in line with the authorities' policy of shifting away from such borrowings. Gross international reserves declined from SDR 195 million (about 3 months' imports) at end-1981/82 to SDR 73 million (about one month's import) at end-1982/83.

b. Outlook for 1983/84

In formulating the import program for 1983/84, the authorities were confronted with a choice between (1) a continued expansion in the program, which could help the economy to grow over the medium term at the expense of increases in external debt and its servicing; and (2) a reduced program, which would constrain their medium-term growth but would also moderate the pressure of the burden of external debt. The authorities noted that the drawdown of existing inventory of imported goods, 1/ together with the expected beneficial impact of economic policies on output, would sustain real growth in 1983/84. Accordingly, they programmed a 26 percent reduction in cash imports and a 6 percent reduction in externally-financed imports and changed import procedures in two respects (see Section (d) below). On the basis of this program and the expected moderate recovery in exports in the second half of the year, the current account deficit is projected to be reduced to 4 percent of GDP and the overall balance to register a small deficit; gross international reserves are likely to increase moderately. 2/

c. Reserves and external debt

The authorities consider the present level of reserves to be exceptionally low. A return to a more comfortable level of about three months' imports in the medium term will largely depend on policies to improve export performance and to bring about the required level of imports for sustaining growth. In this context, the authorities pointed

1/ Over the three-year period 1980/81-1982/83, cash imports rose by 31 percent per annum, substantially faster than the average annual growth of 10 percent in industrial production. Although no inventory data are available, this relatively rapid increase in cash imports indicates a rise in inventory of imported goods.

2/ Following a CF purchase of SDR 26 million (23 percent of the previous quota of SDR 109.5 million) in December 1982 and a reserve tranche purchase of SDR 8 million in February 1983, Burma made a CF purchase of SDR 29 million (27 percent of the quota) in August 1983.

to the export promotional measures already taken, including steps to increase the utilization of export capacity and the creation of export promotional centers abroad.

The authorities stated that they will continue to restrain resort to nonconcessional loans and refrain from undertaking new commitments, in light of the increased external debt and debt service obligations. Outstanding external debt rose from SDR 0.6 billion (about 17 percent of GDP) in 1978/79 to SDR 1.8 billion (32 percent of GDP) in 1982/83 (Appendix Table V). About 80 percent of these debts are on concessional terms, while the remaining 20 percent represent commercial debts, including suppliers' credit and commercial bank loans, most of which were received in combination with aid loans. External debt service payments rose from 17 percent of exports of goods and services in 1978/79 to 26 percent in 1982/83; 1/ about 40 percent of these payments in 1982/83 are estimated to have been made to concessional lenders, and about 60 percent, to commercial lenders. A further increase in the debt service ratio to 29 percent is projected for 1983/84. Projections suggest no further increase in this ratio in the following period through 1987/88, provided that export growth is resumed and the share of nonconcessional loans in total disbursements further declines as a result of the authorities' policies mentioned above.

d. Exchange and trade system

Burma continues to avail itself of the transitional arrangements of Article XIV and maintains a restrictive trade and payments system as a feature of its centrally-planned economy. 2/ Within the framework of this system, the cash import program (the foreign exchange budget for imports) has been tightened and two changes in import procedures have been made for 1983/84. These changes consisted of the suspension of advance sales of foreign exchange and the introduction of a requirement of prior approval by the Budget Department for opening letters of credit for cash imports of capital goods. The tightening of the import program is estimated to lower cash imports substantially; however, the impact of the changes in import procedures is likely to be small, since the advance sales arrangement has rarely been used in recent years, and most capital goods imports are financed by external borrowing.

Since May 1977, the kyat has been pegged to the SDR at K 8.50847 per SDR. Burma applies margins of 2 percent in respect of spot exchange transactions, based on the fixed kyat/SDR rate. On a trade-weighted

1/ Excluding payments to the Fund. The ratio including payments to the Fund rose from 27 percent to 30 percent between these two years, and is estimated to rise to 33 percent in 1983/84.

2/ A detailed description of Burma's exchange and trade system is contained in the 1983 Annual Report on Exchange Arrangements and Exchange Restrictions.

basis, the value of the kyat remained broadly unchanged in nominal terms but depreciated considerably in real terms over the period between 1976 and June 1983. ^{1/} During the two years ended June 1983, however, the kyat appreciated by 8 percent in nominal terms and by 6 percent in real terms, largely reflecting the weakening of the currencies of the other trading partner countries vis-a-vis the U.S. dollar. The kyat depreciated by 8 percent vis-a-vis the U.S. dollar during this two-year period, following a 15 percent depreciation in the preceding one-year period to June 1981 (Chart 3).

The authorities considered both the SDR peg arrangement and the present kyat-SDR rate as appropriate, particularly since export volume had risen substantially since the mid-1970s and most exporting SEEs remained profitable despite the recent decline in export prices. The recent depreciation of the kyat vis-a-vis the U.S. dollar helped alleviate the adverse impact of the lower export prices on the profits of the exporting SEEs. However, the impact of the depreciation on export production is likely to be limited, because producer prices of many exports remain fixed. The extension of the automatic price adjustment system to export goods would provide greater incentives for export production and strengthen the role of exchange rate policy; this system already applies to selected imports and increased costs resulting from the recent depreciation being passed on to end-users.

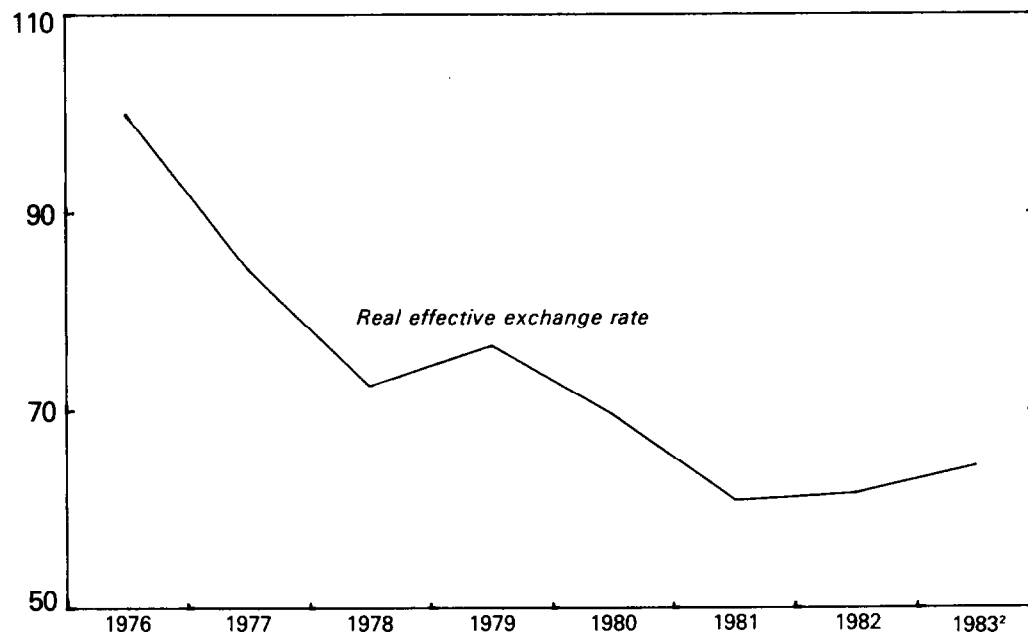
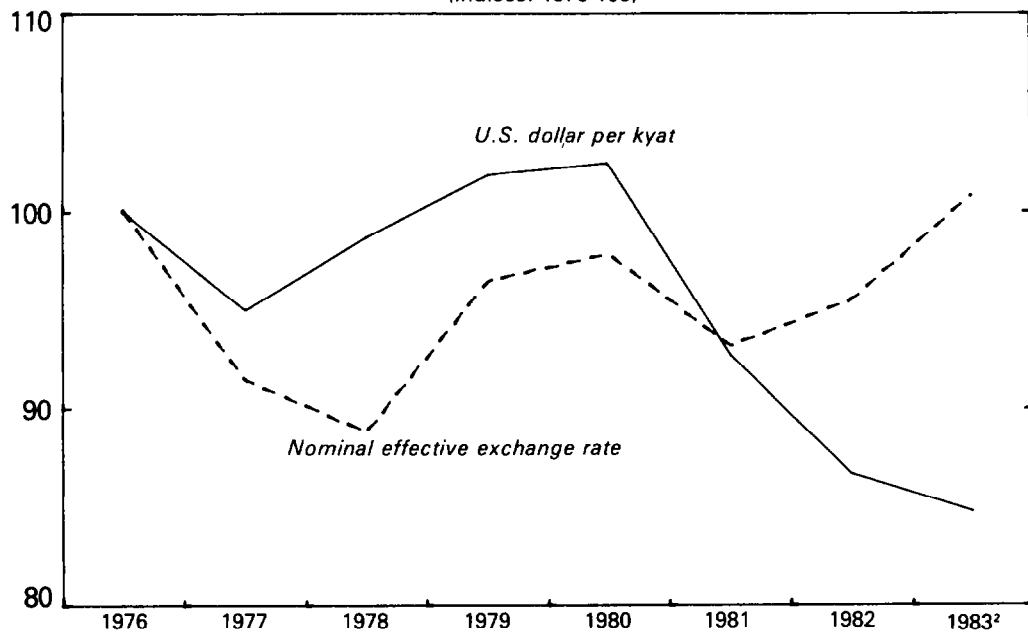
IV. Staff Appraisal

After suffering a sharp decline in exports caused by weakened external market conditions, Burma's overall economic performance has begun to improve in 1983/84. The balance of payments deficit is expected to decline considerably, as is the overall public sector deficit in relation to GDP. The strong output trend that emerged in the mid-1970s is continuing, while inflation is likely to rise only slightly.

Much of the recent favorable developments have resulted from the authorities' policy efforts. Although a projected recovery in export prices is an important factor, the reduction in the external and public sector deficits is largely attributable to the selective investment policy. The resulting lower investment, together with a tighter cash import program, is expected to reduce imports substantially. Also, the accelerated adjustments of the SEEs' selling prices constitute an important step toward strengthening their financial position and

^{1/} The real affective exchange rate index is calculated using the consumer price index. Although this index includes a large number of tradable goods, the prices of many of these goods were administratively fixed and changed little since the mid-1970s.

CHART 3
BURMA
DEVELOPMENTS IN EXCHANGE RATES¹
(Indices: 1976=100)



Sources: IMF, IFS, and staff estimates.

¹Calendar years. Indices are calculated using period average data; a decline indicates depreciation.

²As of the second quarter of 1983.



reducing public sector deficits. The continuing strong output growth, with its favorable impact on prices, has stemmed largely from the successful implementation of the Whole Township Program to increase rice output.

Continued efforts are required to further improve Burma's overall economic performance in 1984/85 and beyond. Such efforts should include structural measures to strengthen the economy and the balance of payments over the medium term. By diversifying agricultural output and exports, the extension of the Whole Township Program to nonpaddy crops should contribute substantially to these ends. Forceful implementation of the selective investment policy should also help make the economy more export-oriented.

Strengthening of public finances remains an important task as the overall public sector deficit is still high. A prerequisite for the successful reduction of this deficit will be continued restraint on the overall level of investment through the selective investment policy. Accordingly, the effective implementation of this policy should be ensured through an intensified monitoring of investments and tight control of the financing of such investments by the domestic banking system. These efforts ought to be supplemented by careful control of current outlays, which account for an important share of total public sector expenditure. In view of increasing investment requirements, an even greater emphasis will have to be placed on resource mobilization. To this end, efforts to improve tax administration should be intensified and a broadening of the tax base needs to be considered.

Consideration should also be given to speeding up the extension of the automatic price adjustment system to additional items, including manufactured goods, energy products, and utilities. The faster extension is important not only to strengthen public finances through increased SEE profits but also to improve allocation and use of limited resources and to provide greater incentives to expand output and exports. The extension of this system to tradable goods would strengthen the link between domestic and international prices and thereby enhance the effectiveness of exchange rate policy.

Export promotion is crucial to successful economic management in Burma. In particular, emphasis should be placed on restoring export growth to provide for the flow of imports that is required to maintain the rate of economic activity at a satisfactory level while keeping Burma's external current account position viable. The agricultural diversification program, the export-oriented investment policy, the extension of the automatic price adjustment system, and more broadly, steps to maintain the competitiveness of the country will all have to play a role in restoring the export growth. Successful implementation of these actions would also lessen the need to resort to restrictive measures. In 1983/84, both the foreign exchange budget and import

procedures for cash imports were tightened. While the low level of reserves and the need to restrain external commercial borrowing may help to explain the reliance on such expedients, it has to be stressed that persistent restriction of imports cannot but impair Burma's economic performance and development prospects. Forceful implementation of export promotion measures and the maintenance of appropriate domestic financial and pricing policies will enable the authorities to restore a flexible policy with respect to the foreign exchange budget for cash imports and to resume liberalizing the exchange and trade system.

Burma has benefited from a sizable inflow of concessional loans, and use of commercial loans has been limited. Nevertheless, debt service obligations have risen considerably in recent years, underlining the importance of continuing prudent debt management efforts. The authorities' present policy of restricting disbursements of already contracted commercial loans to a minimum and of not entering into new contracts should be continued, at least until exports gather greater momentum.

It is proposed that the next Article IV consultation with Burma be held on the standard 12-month cycle.

V. Proposed Decision

The following draft decision is proposed for adoption by the Executive Board in concluding the 1983 Article IV consultation with Burma.

1. The Fund takes this decision in concluding the 1983 Article XIV Consultation with Burma, in the light of the 1983 Article IV Consultation with Burma conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance Over Exchange Rate Policies).

2. Burma maintains restrictions on payments and transfers for current international transactions in accordance with Article XIV as described in SM/84/22 and SM/84..... The Fund encourages the authorities to restore a flexible policy with regard to the foreign exchange budget for cash imports and related import procedures and to resume their liberalization of the trade and exchange system.

Table I. Burma: Selected Indicators on the Government's
Rice and Fertilizer Operations, 1978/79-1983/84

	1978/79	1979/80	1980/81	1981/82	<u>Provisional</u> 1982/83	<u>Estimate</u> 1983/84
<u>(In thousands of metric tons)</u>						
Production and utilization of rice						
Production	5,616	5,917	6,111	6,494	6,692	6,899
Government procurement	1,878	2,212	2,313	2,464	2,554	2,620
Of which:						
Domestic sales	(1,262)	(1,506)	(1,644)	(1,628)	(1,606)	(1,600)
Exports	(210)	(783)	(703)	(712)	(722)	(860)
Government supply of fertilizer	165	201	275	365	377	456
<u>(Kyats per metric ton)</u>						
Prices of rice						
Paddy procurement price <u>1/</u>	742	742	742	742	742	742
Official retail price	861	861	861	861	861	861
Free market price	1,581	1,151	1,436	1,260	1,194	1,260
Export price	1,370	1,550	1,927	2,120	1,584	1,600
Official sales price of urea	360	360	360	360	360	360

Sources: Data provided by the Burmese authorities; and staff estimates.

1/ Rice equivalent; a conversion factor of paddy into rice is tentatively assumed to be constant at approximately 0.58.

Table II. Burma: Summary of Public Sector Operations,
1978/79-1983/84

(In millions of kyat)

	1978/79	1979/80	1980/81	<u>Provisional</u>		<u>Estimates</u>
				1981/82	1982/83	1983/84
<u>Union Government</u>						
Revenue and grants	5,489	6,013	6,724	7,587	7,971	8,213
Expenditure <u>1/</u>	4,485	5,167	6,020	6,926	7,840	8,710
Current	(3,808)	(4,188)	(4,819)	(5,663)	(5,995)	(6,735)
Capital <u>1/</u>	(677)	(979)	(1,201)	(1,263)	(1,845)	(1,975)
Overall balance	1,004	846	704	661	131	-497
<u>State economic enterprises</u>						
Current balance <u>2/</u>	-56	644	588	420	400	700
Capital expenditure	<u>3,200</u>	<u>4,506</u>	<u>3,994</u>	<u>5,103</u>	<u>6,365</u>	<u>6,100</u>
Overall balance	-3,256	-3,862	-3,406	-4,683	-5,965	-5,400
<u>Overall public sector <u>3/</u></u>						
Receipts	5,631	6,806	7,477	8,210	8,588	9,141
Expenditure <u>1/</u>	<u>7,906</u>	<u>9,830</u>	<u>10,208</u>	<u>12,230</u>	<u>14,474</u>	<u>15,058</u>
Overall balance	-2,275	-3,024	-2,731	-4,020	-5,886	-5,917
(Percent of GDP)	(-7.2)	(-8.6)	(-7.1)	(-9.4)	(-12.6)	(-11.4)
<u>Financed by</u>						
Foreign loans (net)	1,073	1,795	963	1,738	2,027	1,770
Gross loans	(1,430)	(2,375)	(1,565)	(2,465)	(2,976)	(2,677)
Repayment	(357)	(580)	(602)	(727)	(949)	(907)
Domestic	1,202	1,229	1,786	2,282	3,859	4,147
Nonbank	(-40)	(-57)	(-87)	(-92)	(-145)	(-122)
Banking system <u>4/</u>	(1,242)	(1,286)	(1,855)	(2,374)	(4,004)	(4,269)

Sources: Budget Department; and staff estimates.

1/ Includes net lending.2/ After payment of profit contribution to the Union Government.3/ Includes local authorities. Full consolidation of the public sector is not possible as it is not possible to identify all intra-public sector flows, e.g., interest and net lending.4/ Derived from the budget data.

Table III. Burma: Monetary Survey, 1978/79-1983/84

(In millions of kayts; end of March)

	1978/79	1979/80	1980/81	1981/82	Provisional 1982/83	Estimates 1983/84
Net foreign assets	415	1,148	1,603	1,188	12	-90
Domestic credit	8,922	10,643	12,536	15,236	17,400	20,058
Public sector (net)	(7,194)	(8,990)	(10,885)	(13,487)	(15,713)	(18,306)
Private sector	(1,728)	(1,653)	(1,651)	(1,749)	(1,687)	(1,752)
Other items (net)	-1,320	-2,172	-2,926	-3,289	-2,615	-3,398
Total liquidity	8,017	9,619	11,213	13,135	14,797	16,570
Money	6,942	7,965	8,946	9,985	10,751	...
Of which: currency in circulation	(6,379)	(7,317)	(8,275)	(9,163)	(9,781)	(10,969)
Quasi-money <u>1/</u>	1,075	1,654	2,267	3,150	4,046	...
Memorandum item:						
Velocity (GDP/M2)	4.0	3.7	3.4	3.3	3.2	3.1

Sources: Union of Burma Bank; and staff estimates.

1/ Mostly savings deposits but includes time deposits.

Table IV. Burma: Balance of Payments, 1978/79-1983/84

(In millions of SDRs)

	1978/79	1979/80	1980/81	1981/82	Provisional 1982/83	Estimate 1983/84
Exports, mainly f.o.b.	192	310	374	407	353	427
Rice	29	133	155	178	119	149
Teak	105	57	94	97	100	108
Other	58	120	125	132	134	170
Imports, mainly f.o.b.	-448	-502	-541	-700	-808	-684
Cash	-166	-172	-282	-359	-391	-291
Externally-financed	-282	-330	-259	-340	-418	-393
Trade balance	-257	-192	-167	-293	-455	-257
Net services	-21	-26	-26	-41	-55	-77
Transfers	55	623	88	65	94	96
(Of which: official grants)	(48)	(51)	(75)	(50)	(73)	(78)
Current account	-230	-156	-105	-269	-416	-238
Capital (net)	221	227	120	211	285	226
Disbursements	(235)	(279)	(184)	(290)	(344)	(315)
Repayments	(-22)	(-50)	(-54)	(-73)	(-59)	(-88)
Other (net)	(8)	(-2)	(-10)	(-5)	(-1)	(--)
Errors and omissions	6	-5	16	15	4	--
Trust Fund	22	16	10	--	--	--
SDR allocations	8	8	7	--	--	--
Overall balance	26	89	48	-42	-128	-12

Sources: Union of Burma Bank; and staff estimates.

Table V. Burma: External Debt and Debt Service Payments,
1978/79-1987/88

(In millions of SDRs and in percent)

	1978/79	1979/80	1980/81	1981/82	Provisional 1982/83	Estimates 1983/84	1987/88
Total debt outstanding <u>2/</u>	639.2	893.1	1,124.0	1,413.0	1,759.2	2,095.3	3,617.6
Concessionary	499.0	682.1	891.4	1,104.0	1,407.6	1,741.5	3,472.8
Nonconcessionary	140.2	211.0	232.6	309.0	351.6	353.8	144.8
Total debt outstanding as percent of GDP	17.1	21.5	24.8	28.1	32.2	34.4	39.2
Debt service payments							
Excluding IMF	37.1	72.8	86.6	118.4	108.9	149.5	213.8
Amortization	(21.8)	(46.6)	(51.5)	(72.4)	(61.7)	(87.7)	(120.6)
Interest	(15.3)	(26.2)	(35.1)	(46.0)	(47.2)	(61.8)	(93.2)
IMF <u>3/</u>	22.0	20.2	20.0	17.0	19.9	19.9	36.1
Repurchases	(19.0)	(16.9)	(17.1)	(14.4)	(16.3)	(14.8)	(35.2)
Charges	(3.0)	(3.3)	(2.9)	(2.6)	(3.6)	(5.1)	(1.7)
Debt service as percent of exports of goods and services <u>4/</u>							
Excluding IMF	17.2	20.4	19.7	24.7	25.6	28.9	23.6
Including IMF	27.4	26.1	24.3	28.3	30.3	32.7	27.7
Memorandum items:							
Exports of goods and services <u>4/</u>	215.7	356.9	439.2	478.6	424.8	517.3	906.3
Current account deficit (in percent of GDP)	(-6.2)	(-3.8)	(-2.3)	(-5.3)	(-7.6)	(-3.9)	(-4.2)

Sources: Data provided by the Burmese authorities; IBRD; and staff estimates.

1/ Assumed average annual growth rates 1983/84-1987/88: nominal GDP, 11 percent per annum; exports of goods and services, 15 percent per annum (about the same as in the 1978/79-1982/83 period); loan disbursements 6 percent.

2/ Disbursed amount outstanding at end of fiscal year; excluding IMF purchases and Trust Fund loans.

3/ Including principal and interest payments of Trust Fund loans.

4/ Including private transfers which are mainly remittances of workers' foreign exchange earnings.

Fund Relations with Burma

(As of December 31, 1983)

Date of membership:	January 3, 1952
Status:	Article XIV
Quota:	SDR 137 million
Fund holdings of kyat:	SDR 194.1 million, or 141.7 per- cent of quota
SDR holdings:	0.15 million, or 0.35 percent of net cumulative allocation of SDR 43.5 million
Direct distribution of profits from gold sales:	US\$9.5 million
Gold distribution:	51,349.512 fine ounces
Trust Fund:	SDR 24.9 million was disbursed in the first period and SDR 33.8 mil- lion in the second period.
Stand-by arrangement:	Last stand-by (SDR 27 million) expired June 1982
Exchange rate system:	The kyat has been pegged to SDR at K 8.50847 per SDR since May 2, 1977. Burma applies margins of 2 percent in respect of spot exchange transactions.
Last Article IV consultation:	Held in Rangoon during September 26- October 8, 1982; the Executive Board discussed the staff report (SM/82/222) on December 20, 1982.

Burma: Relations with the World Bank Group

(As of October 31, 1983)

IBRD and IDA lending

	<u>Disbursed</u>			<u>Undisbursed</u>
	<u>IBRD</u>	<u>IDA</u>	<u>Total</u> 1/	
(In millions of U.S. dollars)				
Agriculture	--	127.7	127.7 (43.6)	158.1
Forestry	--	41.0	41.0 (14.0)	17.5
Mining	--	15.2	15.2 (5.2)	0.8
Manufacturing	--	--	-- (--)	--
Construction industry	--	0.8	0.8 (--)	20.0
Power	--	--	-- (0.3)	79.2
Transport	33.1	42.3	75.4 (25.7)	50.0
Telecommunications	<u>--</u>	<u>32.9</u>	<u>32.9</u> (11.2)	<u>23.1</u>
Total	33.1	259.9	293.0 (100.0)	348.7
Repayments	33.1	0.2	0.2	
Debt outstanding (including undisbursed)	--	608.4	608.4	
Commitments for FY 1983	--	92.0	92.0 2/	
Last Economic Mission:	August 1983; an economic report is being prepared by the mission. The most recent Economic Report--Burma: Priorities for Continued Growth--was issued May 7, 1982.			
Burma Aid Group:	The last meeting was held on July 6, 1982 in Tokyo, under the chairmanship of the IBRD. The aid pledges totalled about US\$900 million for the next two years.			

1/ Figures in parentheses are percentage shown.

2/ Of this total, US\$50 million is for transportation and US\$42 million is for agriculture.

BURMA

Basic Data

Area	676,540 km. (261,228 square miles)
Population (1982/83)	35.7 million
Gross Domestic Product (1982/83)	SDR 5,470 million (K 46,540 million)
Per capita GDP (1982/83)	SDR 153 (K 1,304)

Selected aggregates as percentage of GDP
(Fiscal year starting April 1)

	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84 1/
Agricultural production	36.2	37.1	38.8	39.1	39.2	38.4
Manufacturing production	10.0	9.5	9.5	9.3	9.4	9.8
Gross fixed capital formation	16.9	20.9	18.7	20.0	23.2	21.0
Total consumption expenditures	86.2	82.0	81.9	80.9	82.8	82.1
Money (end of period)	21.8	22.5	23.2	23.3	23.1	23.1
Total liquidity (end of period)	25.2	27.2	29.0	30.6	31.8	33.4
Union Government revenue (excl. grants)	16.0	15.8	15.7	16.7	15.5	15.1
Consolidated public sector deficit	-7.2	-8.6	-7.1	-9.4	-12.6	-11.4
Exports	5.2	7.5	8.2	8.1	6.5	7.0
Imports	12.0	12.1	11.9	13.9	14.8	11.2
Current account	-6.2	-3.8	-2.3	-5.3	-7.6	-3.9
Total external debt 2/	17.1	21.5	24.8	28.1	32.2	34.4

Annual percentage changes
in selected economic indicators

GDP 3/	6.5	5.2	7.9	6.3	6.5	5.6
Agricultural production 3/	7.7	5.2	12.7	8.8	6.8	4.1
Paddy output	11.3	-0.8	27.5	6.2	1.6	3.0
Manufacturing output 3/	2.5	3.9	7.5	7.8	7.7	10.7
Union Government revenues (excl. grants)	15.3	9.9	9.0	17.6	1.0	4.0
Union Government current expenditures	14.6	10.0	15.1	17.5	5.9	12.3
Money	17.6	14.7	12.3	11.6	7.7	10.0
Total liquidity	20.9	20.0	16.6	17.1	12.7	12.0
Credit to the public sector, net	9.8	25.0	21.1	23.9	16.5	16.5
Credit to private sector	1.3	-4.3	-0.1	5.9	-3.5	3.9
Total credit	8.1	19.3	17.8	21.5	14.2	15.3
Consumer price index 4/	6.1	3.4	0.2	2.1	3.5	5.0
Merchandise exports	-4.8	61.4	20.7	8.8	-13.3	21.0
Merchandise imports	28.6	12.1	7.8	29.4	15.4	-15.3

External sector
(In millions of SDRs)

Exports	192	310	374	407	353	427
Imports	448	502	541	700	808	684
Current account	-230	-156	-105	-269	-416	-238
Overall balance of payments	26	89	48	-42	-128	-12
Gross international reserves	126	197	223	195	73	79
(in months of imports)	(3.4)	(4.7)	(4.9)	(3.4)	(1.1)	(1.4)
Debt service ratio 2/	17.2	20.4	19.7	24.7	25.6	28.9
(percent)						

1/ Official and staff estimates.

2/ Excluding IMF.

3/ Measured by value-added at constant prices; agricultural sector includes livestock, fishery, and forestry.

4/ During a 12-month period ending March.

