

December 17, 1982 - 82/232

Statement by Mr. Habib on Burma  
Executive Board Meeting  
December 20, 1982

Burma is richly endowed in natural resources. It is self-sufficient in energy, with food forming the major source of earning. The country is centrally planned; it undertakes the implementation of its economic program and policies through the various State Economic Enterprises (SEEs). The development policies of Burma emphasize growth and stabilization, as well as social equity. The recent economic development of Burma and the various economic achievements have been covered extensively in the staff report under the 1982 Article IV consultation (SM/82/222) and the staff description of recent economic developments (SM/82/226).

Burma achieved an annual GDP growth of 6.6 per cent under its Third Four-Year Plan, 1978/79-1981/82. Inflation was kept at a very low level and income distribution was reported to have improved during this period. The impressive overall performance in growth was attributed mainly to the government program in raising productivity in rice cultivation. By the end of the Plan period, the program to promote the use of high-yielding seeds variety, fertilizer and access to credit extended to about half of the total rice harvested area, resulting in an average annual growth of rice output by 11 per cent. The harvested area was unchanged under the Plan period. The yield per hectare for paddy, according to FAO statistics, at 2,941 kilograms for 1981/82 was one of the highest for the region.

Under the Plan period, price inflation was minimum. The Rangoon consumer price index remained constant in 1980/81 and increased only by 1.1 per cent in 1981/82. The slight increase in the 1981/82 period was attributed to be an increase in energy prices but was compensated for by a slight decrease in food prices.

A strong growth in exports was experienced during the Third Four-Year Plan period which averaged about 20 per cent per annum. Burma, however, continues to rely on mainly two export commodities, namely, rice and teak, which accounted for two thirds of total export receipts.

The recent large public sector deficit has been a major source of concern by the authorities, the deficit was largely due to the accelerated investment expenditure programs by the SEEs.

The Burmese authorities have embarked on an adjustment program in 1981/82, which is supported under the Fund stand-by arrangement. The objective is to strengthen the SEEs' financial position through automatic price adjustments and a more liberal import policy (EBS/81/108). The authorities have successfully implemented this program and indications are that all performance criteria under the stand-by arrangement were met. The total number of SEE price adjustments rose sharply from 406 items in 1980/81 to 621 items in 1981/82 and to 1,591 items in the first five months of 1982/83. With the improved supply of imported materials into Burma,

the capacity utilization ratio increased from 70.7 per cent in 1980/81 to 72.5 per cent in 1981/82. These adjustments have enabled many industrial SEEs to improve their operating surplus. As a whole the estimated increase of operating surplus of the SEEs has increased by almost fivefold, from K 178 million in 1980/81 to K 860 million in 1981/82.

The present world economic recession has adversely affected the Burmese economic performance in 1982. The weak demand for its traditional exports, namely, rice and and teak, has brought about no growth at all for the 1982/83 total exports.

Consequently, the balance of payments was in deficit for the first time since 1978/79. The deficit for 1981/82 was SDR 42 million; this figure is expected to deteriorate further to SDR 75 million in 1982/83. As a result public financial operations would be adversely affected. Firstly, the lower demand from abroad and the accompanied bumper rice harvest last year have forced the authorities to maintain high level of stocks which is expected to further exacerbate the financial problems of the SEEs this year; secondly, the sluggish external sector will depress budgetary receipts; and thirdly, lesser foreign exchange will be available for SEEs to finance their purchase of inputs from abroad. The SEEs operations and surpluses are therefore expected to be adversely affected. Consequently, public sector revenue is estimated to register a decline of 2.1 per cent in 1982/83 and the public sector deficit to remain high. Under these difficult circumstances my authorities have indicated that they will continue to maintain adjustment measures and to restrain public sector expenditure together with efforts to mobilize domestic resources.

With the current fiscal year beginning in April 1982, Burma has entered into the Fourth Four-Year Plan. The development strategy under the Plan is aimed at diversifying agricultural production and promoting export-oriented industries. More efforts will be devoted to mobilize public savings so as to meet th financial requirements of the public sector investment program. The Plan also recognizes the need to increase the role of private and cooperative sectors in the development program in the current Fourth Plan period.

Arising from the shortfall in export proceeds on the basis of the actual data for the period from October 1981 through September 1982 (EBS/82/219), the Burmese authorities have submitted a request to the Fund for a drawing of SDR 25.6 million under the compensatory financing facility to finance the shortfall. The authorities envisaged that the shortfall is temporary in nature and is largely attributable to circumstances beyond their control. I was informed by my authorities that Burma will continue to cooperate closely with the Fund in their efforts to overcome the present economic and balance of payments difficulties and sustain the momentum of economic development. I sincerely hope that the Board will support and grant its approval to Burma's request for a compensatory financing facility purchase.

On behalf of my Burmese authorities, I wish to express my gratitude and appreciation to the staff in presenting a balanced and comprehensive report on the Burmese economy.