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Myanmar: Recent Economic Developments

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MYANMAR

Recent Economic Developments

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Approved by the Asia and Pacific Department

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Myanmar: Selected Economic Indicators, 1994/95-1998/99 1/

GDP (1998/99):	US\$14.2 billion 2/
Population (1998/99):	47.3 million
GDP per capita (1998/99):	US\$300 2/
Quota:	SDR 184.9 million

	1994/95	1995/96	1996/97	1997/98	1998/99 Est.
(Percent change)					
Growth					
Real GDP	7.5	6.9	6.4	5.7	5.0
Fixed Investment	23.5	28.2	22.8	8.0	9.8
Prices (Yangon)					
Consumer prices (period average)	22.4	21.8	20.0	33.9	49.1
Consumer prices (end of period)	26.4	12.5	26.6	45.1	33.7
(In percent of GDP)					
Public sector operations 3/ 4/					
Total revenue (including grants)	7.1	6.7	6.8	8.0	7.3
Total expenditure	13.0	12.9	13.4	13.1	11.8
Overall balance	-6.1	-6.2	-6.6	-5.1	-4.5
Domestic bank financing	5.7	8.3	4.4	4.0	3.6
(Percent change)					
Money and credit					
Broad money	41.3	34.0	39.1	28.7	27.6
Domestic credit	25.7	40.8	29.6	28.5	27.2
Public sector (net)	24.6	36.7	18.9	20.4	21.2
Private sector	31.3	60.1	72.6	50.9	40.3
Velocity of broad money	3.1	2.9	2.8	3.0	3.3
Interest rates (percent, end of period)					
Central Bank rate	11.0	12.5	15.0	15.0	12.0 6/
(In millions of U.S. dollars)					
Balance of payments					
Trade balance	-497	-935	-1,064	-1,280	-1,346
Exports	917	897	929	1,011	1,134
Imports	-1,414	-1,832	-1,993	-2,291	-2,480
Current account balance (excl. grants)	-86	-415	-500	-710	-603
Overall balance	-117	-18	-329	-198	-132
Gross official reserves 5/					
In millions of U.S. dollars	426	381	288	331	395
In months of merchandise imports	3.6	2.5	1.7	1.7	1.9
External debt					
Total debt	5,565	5,479	5,503	5,647	5,882
Debt-service obligations	326	300	334	343	334
(In percent of exports of G & NFS)	(32)	(23)	(24)	(22)	(19)
External debt arrears	1,600	1,480	1,455	1,608	1,913
Terms of trade (percent change)	48	33	5	7	-2
Exchange rates (end of period)					
Official exchange rate (kyats per US\$)	5.5	5.9	6.2	6.4	6.3
Parallel market rate (kyats per US\$)	105	125	165	243	345 7/
Real effective exchange rate (1990=100)	282.9	305.8	384.9	580.2	776.6

Sources: Data provided by the Myanmar authorities; *IFS*, and staff estimates.

1/ Fiscal year (April-March).

2/ Staff estimate at the market exchange rate and after adjustments to take into account unrecorded transactions.

3/ Consolidated public sector, includes the Union Government and nonfinancial state enterprises.

4/ Staff estimates for 1998/99.

5/ Capital account-based measures of reserve adequacy are problematic. Data on short-term external debt are not available (although the amount of short-term debt appears to be small). Also, it is not meaningful to express reserves in terms of M2 (which includes foreign currency-denominated deposits valued at the official exchange rate).

6/ Effective April 1999.

7/ August 1999.

Myanmar: Selected Social Indicators

	Myanmar	East Asia and Pacific
<i>Population 1998/99</i>		
Population (million)	47.3	...
Population growth rate (percent)	1.0	1.0
Urban population (percent) 1/	26.6	33.0
<i>Public Expenditure 1997/98</i>		
Health (percent of GDP)	0.3	1.7
Education (percent of GDP)	0.9	2.7
<i>Social Indicators 1997</i>		
Poverty (headcount; in percent)	22.9	28.5
Access to safe water (percent of population)	60	77
Fertility rate (births per woman)	2.4	2.1
Population per physician (persons)	5,000	1,834
Immunization rate (percent under 12 months)		
Measles	88	93
Diphtheria, pertussis, and tetanus	90	93
Child malnutrition (percent under 5 years)	43	20
Life expectancy at birth (years)	60	69
Mortality		
Infant (per thousand live births)	79	37
Under 5 (per thousand live births)	131	47
Adult (15-59)		
Male (per 1,000 population)	263	183
Female (per 1,000 population)	217	148

Source: World Bank (forthcoming) Myanmar: An Economic and Social Assessment, East Asia Region.

1/ 1997.

I. OVERVIEW

A. Background

1. **The economic performance of Myanmar in the 1990s has fallen short of other countries in the region** (Chart 1). GDP growth, although high, has been modest by regional standards. Inflation has remained in double digits, counter to the regional trend. There is a chronic shortage of foreign exchange: net international reserves have fallen sharply during the 1990s to 1½ months of import coverage; a third of external debt is in arrears; import and exchange controls are extensive; and aggregate supply is constrained by a shortage of imported inputs. The public sector continues to play the major role in financial intermediation. Physical capital has deteriorated. Poverty is widespread, and extends beyond low material living standards to a high rate of child malnutrition, poor health and low educational attainment.
2. **Nonetheless, Myanmar has considerable economic potential.** It has large amounts of uncultivated land, extensive fresh water, abundant mineral resources, and an attractive natural environment. Myanmar is located in a region of dynamic growth and is flanked by the giant markets of India and China. It has historically had a tradition of a strong education system and civil service. Given the low base, growth rates could easily approach double digits.
3. **That Myanmar has not yet fulfilled its potential can be attributed to the policy record.** The current regime took control in 1988 after the failure of the isolationist and centrally planned "Burmese Way to Socialism." Steps taken in the early 1990s to liberalize the economy and attract foreign investment yielded immediate gains in economic performance. However, liberalization efforts have since stalled, structural policies have continued to be interventionist, and large fiscal deficits have been passively monetized. Moreover, no concessional external financing has been received for over a decade, reflecting extensive international sanctions as a result of Myanmar's human rights record, as well as concerns about narcotic trafficking and military spending.

B. Recent Developments

4. **The Asian crisis has had an unexpectedly limited impact on Myanmar.** Following the floating of the Thai baht in June 1997, the free market exchange rate depreciated rapidly, leading to a surge in inflation. Other effects of the crisis have included a slowing in growth of tourist arrivals and delayed receipt of gas export revenues (Box 1). By contrast, nongas exports and worker remittances have held up, as have FDI inflows from previous commitments. The limited impact of the crisis partly reflected the adoption of new administrative measures to reduce the demand for foreign exchange, including a tightening of import controls and revocation of the foreign exchange licenses of private banks.

Box 1. Myanmar: Impact of the Asian Crisis

The Asian crisis has adversely impacted Myanmar, but by less than had been expected:

- The FEC exchange rate depreciated by 50 percent against the U.S. dollar during May 1997 to October 1998, reflecting the weakening of the Thai baht, but has since strengthened.
- Higher import prices (as well as the drought) tripled the officially reported rate of CPI inflation to 67 percent in June 1998 (year-on-year); inflation stood at 29 percent in April 1999.
- FDI, most of which is from the region, fell by one-third in 1998/99 from the previous year to US\$288 million, although this decline also reflected the winding down of large energy and tourism projects begun earlier. New FDI commitments fell to almost zero during 1998/99.
- Foreign exchange earnings from offshore gas fields have yet to be realized owing to lower energy demand in Thailand.
- Gross international reserves dropped to the equivalent of less than one-month of import coverage during 1997, but have since doubled.

The government has implemented an array of ad hoc measures over the past two years in response to a shortage of foreign currency:

- Border trade was required to be conducted in U.S. dollars (November 1997).
- Imports of all goods not on two limited lists of priority goods were banned (March 1998).
- Restrictions on private-sector commodity exports were imposed (March 1998).
- Private bank foreign exchange licenses were revoked (March 1998).
- Debt service to the World Bank was interrupted, putting Myanmar on a nonaccrual status (September 1998).
- A 5 percent commercial tax was replaced by an extra income tax of 2 percent and an 8 percent commercial tax, payable in foreign exchange (December 1997 and January 1999, respectively).
- Open general import licences for state enterprises were made available only on a case-by-case basis (1998/99).
- The monthly limit on remittances against FECs for payments on invisible transactions and current transfers was reduced from \$50,000 to \$30,000 (1998/99).¹

¹ Foreign Exchange Certificates (FECs) were introduced in 1993 to legalize certain foreign exchange transactions and reduce the coverage of the fixed official exchange rate. FECs are U.S. dollar denominated and are issued by the Central Bank of Myanmar against hard currencies. They can be exchanged for kyat at a market-determined rate or held as foreign currency-denominated bank deposits (with limited convertibility into foreign currency). In August 1999, the FEC rate was Kyat 345/U.S. dollar, whereas the official exchange rate was Kyat 6.3/U.S. dollar.

5. **Growth slowed slightly during the crisis and policies remained expansionary.** Real growth in 1998/99 was reported at 5 percent, with growth of the key agricultural sector falling to 2½ percent (Chart 2).¹ Since mid-1998, the free market kyat has strengthened and inflation has fallen from a peak of 67 percent to 29 percent in April 1999. The public sector deficit has remained large, but declined to an estimated 4½ percent of GDP in 1998/99. State enterprises continued to incur large losses, and little progress was made with privatization. Interest rates were cut across the board in April 1999 to stimulate economic activity and real rates remained negative. Monetary growth edged down during 1998/99 partly as a result of the smaller fiscal deficit, but also in line with a trend toward disintermediation.

6. **The external position continued to be weak.** Exports and receipts from tourism remained relatively buoyant despite the crisis, while import growth appears to have slowed considerably as a result of the foreign exchange measures. Nonetheless, the current account deficit in 1998/99 is estimated at \$600 million, which is somewhat higher than its pre-crisis level. The current account deficit was financed by foreign direct investment and new borrowings from within Asia. Gross international reserves recovered slightly to almost two months of import cover, but arrears on external debt continued to accumulate.

II. REAL SECTOR DEVELOPMENTS

A. Overview

7. **Real GDP growth fell slightly to 5 percent in 1998/99, the fourth consecutive year of declining growth** (Tables 1 and 2). In recent years, growth has been increasingly constrained by structural impediments that partial reforms since the early 1990s have failed to eliminate. Although the private sector now accounts for over three quarters of GDP (Table 3), the economy continues to suffer from excessive government interference—the legacy of central planning—and widespread controls on economic activity. There have also been persistent macroeconomic imbalances. During the past two years, economic performance has been adversely affected by the impact of bad weather on agriculture and interruptions to power supply, as well as some contagion from the Asian crisis.

8. **Official national income accounts need to be interpreted cautiously.** Current price data on exports, imports, and the import content of investment and consumption are severely understated since all foreign exchange related transactions are valued at the official exchange rate, which in comparison to the market-determined FEC rate, is overvalued by at least a factor of fifty.² In addition, the constant price data are distorted by the use of 1985/86 weights, which date back to the central planning era. Moreover, the national income accounts

¹The fiscal year is April-March.

²FECs are defined in Box 1.

are likely to considerably understate economic activity due to the underreporting of informal market production and military-related activity, both of which appear to be substantial.

9. **The officially reported 1998/99 GDP growth rate is broadly consistent with alternative data sources.** Some indicators, such as cement production declining by more than 30 percent in 1998/99, suggest a more pronounced slowing of growth. However, a GDP growth rate of 5 percent is consistent with balance of payments data, which show imports to have risen quite strongly in 1998/99 despite the strengthening of controls.³ It is also consistent with reported data showing a 6½ percent growth in freight ton-miles in 1998/99 (the highest since 1994/95), and a 16 percent increase in the number of vehicles registered.

B. Aggregate Demand

10. **Private investment grew strongly in 1998/99**, while consumption growth remained unchanged. Private investment has steadily increased from about 6 percent of GDP in 1994/95 to over 7 percent in 1998/99, offsetting a commensurate decline in the level of public sector investment (Table 4). Rapid growth of private investment in 1998/99 corresponded to a significant increase in the imports of capital goods, such as transport equipment and electrical machinery. Public investment, by contrast, has been compressed to contain the fiscal deficit, recording little or zero growth in 1997/98 and 1998/99 compared to annual growth of 20–30 percent in the mid-1990s. Real exports are reported to have risen strongly in 1998/99, while real imports are reported to have grown by only 5½ percent.

C. Sectoral Developments

Primary Producing Sectors

Agriculture

11. **Agricultural growth continued to fall in 1998/99, reflecting the poor incentive structure, as well as unfavorable weather conditions** (Tables 5 and 6). Agriculture is the most important sector in Myanmar, accounting for about 50 percent of GDP at current prices, and employing more than 60 percent of the labor force. Market-oriented reforms in the first half of the 1990s generated an initial burst of agricultural expansion. Thereafter, however, agricultural growth slowed markedly, with agriculture's contribution to real GDP growth dropping from an average of 3 percent in 1992/93–1995/96 to 1 percent in 1996/97–1998/99.

³The staff estimates the U.S. dollar value of imports to have increased by 8 percent in 1998/99; the authorities' estimate is somewhat higher.

12. **Rice paddy production has been constrained by bad weather and shortages of fertilizer** (Tables 7 and 8). While adverse weather conditions—severe flooding in 1997 and drought in 1998—has contributed to slowing production of paddy in the past two years, the decline has also reflected the limited availability of fertilizer due to the foreign exchange shortage, as well as the poor incentives to grow rice arising from the ban on private sector exports and from the land tax implicit in the procurement system (see Chapter III). The export ban has helped keep the domestic price at about half the international level, whereas the price of privately imported fertilizers has been fully liberalized. As a result, imported fertilizers are beyond the means of most farmers, and fertilizer usage is constrained by the limited amounts that can be produced or imported by the State Economic Enterprises (SEEs). Rice exports by SEEs dropped from about \$200 million in 1994/95 to almost zero in 1997/98, before recovering slightly to about \$40 million in 1998/99.

13. **By contrast, the production of crops other than rice has grown rapidly following the gradual reduction of domestic and international trade restrictions.** The annual growth rate of production of pulses averaged 11 percent during 1994/95–1998/99. Pulses have become the largest foreign exchange earning crop, accounting for about 15 percent of total exports. Sunflower and sugar production also recorded strong growth in 1998/99. Although sesame output fell sharply in 1998/99 due to severe drought in upper Myanmar, the average annual growth rate of sesame yields has exceeded 10 percent during the 1990s. Nonetheless, ad hoc bans on some of these exports have continued to be introduced periodically.

Mining

14. **Growth of value-added in the mining sector was 17 percent in 1998/99, a result of substantial domestic and foreign investment in private production.** Production by SEEs under the Ministry of Mines, by contrast, has declined significantly over the past decade (Table 9), and reported export earnings of the sector have also dropped markedly. A main reason behind the decrease in SEE production is a lack of spare parts due to the foreign exchange shortage.

Energy and Power

15. **Energy sector production declined by 4 percent in 1998/99** (Table 10–12). The Ministry of Energy controls Myanmar's large natural gas and oil reserves. However, these reserves are underutilized: Myanmar imports a large share of its refined oil products, and gasoline is rationed. The decline in crude oil and natural gas production in 1998/99 is attributable to aging plant and other production bottlenecks.

16. **The performance of the energy sector has been affected by production delays at new offshore gasfields.** The Yadana gas field, run by a joint venture comprising Total of France, Unocal of the US, the Petroleum Authority of Thailand (PTT), and the Myanmar Oil and Gas Enterprise, was expected to sell PTT some 65 million cu. ft. per day in gas

beginning in 1998, and eventually rising to over 500 million cu. ft. per day. However, these sales have been delayed by the recession in Thailand. The pipeline from the other large offshore gasfield, Yetagun, is scheduled to be completed by the end of 1999, in time for gas sales to PTT to begin in April 2000, although this may also be delayed.

17. **Power sector production contracted by 4½ percent in 1998/99, after two years of double-digit growth.** As with the energy sector, power production is also in state hands. Electricity shortages have adversely impacted the economy since 1998, reflecting the impact of drought (on hydroelectricity), shortages of imported fuel, and equipment failure. The authorities' response has been to limit consumption through load shedding, measures to reduce distribution losses (such as the installation of meters) and increases in household tariff rates (Table 15). These measures have served to limit the effect of the electricity shortages on production. In addition, private companies and individuals have supplemented official sources with their own generators.

Secondary Sector

18. **The manufacturing and processing sector, which is comprised mostly of agro-based industries, grew by about 7 percent in 1998/99.** Nevertheless, this sector's growth performance has deteriorated compared with the first half of the 1990s. As with other sectors, the decline in growth has largely reflected the shortage of raw materials and spare parts caused by limited foreign exchange availability. SEE capacity utilization ratios have remained low, particularly for heavy industries.

19. **Construction growth also slowed markedly in 1998/99.** Public investment on construction was reduced due to budget cuts, while private investment fell sharply in reaction to the disappointing performance of tourism, and the over building of hotels and tourist facilities in recent years (Box 2).

Tertiary Sector

20. **The services and trade sectors have grown rapidly over the past few years.** Growth in service has remained above 8 percent, while growth in trade has been about 5 percent. Transportation is reported to have recorded growth of 6¼ percent in 1998/99, which was slightly higher than in 1997/98. The continued strong performance of this sector reflects the government's encouragement of private sector participation; in recent years, several Build-Operate-Transfer contracts for developing toll-roads, aviation lines and port's have been entered into with private companies. Starting from a very low base, the growth of the communication sector averaged above 20 percent between 1994/95 and 1997/98, but dropped to 15 percent in 1998/99. Rapid growth of the financial sector in 1998/99, is attributed to continued expansion by private banks (see Chapter IV).

Box 2. Myanmar: Favored Sectors

In response to the foreign exchange shortage, the Government of Myanmar has launched several attempts to promote growth in those sectors believed to have the largest potential for generating foreign exchange earnings. Generous fiscal incentives have been used to encourage private investment, in particular foreign direct investment, in these sectors. While the results of the current agricultural promotion are still to be seen, past government efforts to promote particular favored sectors have not always achieved success.

Tourism

Tourism was one of Myanmar's fastest-growing sectors in the first half of the 1990s. The total number of foreign tourists rose steadily from less than 8,000 in 1991/92 to 120,000 in 1995/96, with recorded receipts from travel service exports increasing from \$35 million to \$189 million. The tourist/construction boom has been fueled by the government's attempt to boost investment as part of its "Visit Myanmar Year 1996" campaign, with an announced goal of attracting 500,000 foreign visits. Actual tourist arrivals, however, have been far below the official target. Growth of the tourism sector has slowed down markedly in the last two years, leading to a large surplus of hotel facilities as well as widespread and substantial price cutting. This decline reflects an international boycott of tourism to Myanmar on account of human rights concerns, and has more recently been aggravated by the Asian crisis.

Energy

Foreign investment in the energy sector has been strongly encouraged in recent years with arrangements signed with several major companies (such as Total, Unocal, Texaco, Arco and PTT). While some of these investments, such as the Yadana and Yetagun natural gas projects, have been (or are soon to be) completed, many are still at the exploratory stage. The government hoped that the energy projects would alleviate the foreign exchange shortage as well as provide energy supply for domestic consumption. Recent developments, however, have fallen far short of this expectation. As a result of consumer boycotts, a number of foreign companies, including Texaco and Arco, have pulled out of Myanmar. In addition, the regional financial crisis has resulted in delayed revenue from the Yadana project.

Agriculture

In response to the stagnant growth of the key agriculture sector in the past few years, the government has recently granted special incentives to private entrepreneurs for large-scale reclamation projects of wetlands and waste land areas. Besides generous tax exemptions, official support includes provision of irrigation infrastructure, land clearing, technical assistance and other services. In an attempt to boost foreign exchange earnings, the government has also granted farmers cultivating 5,000 acres and above the right to export 50 percent of their production. While the environmental impact of these reclamation projects is uncertain, the generous fiscal incentives being offered raise doubts about whether they are economic.

Table: Real Growth of GDP and Selected Sectors: 1994/95–1998/99
(In percent)

	1994/95	1995/96	1996/97	1997/98	1998/99
GDP	7.5	6.9	6.4	5.7	5.0
Tourism ¹	54.0	25.7	109.2	5.4	4.0
Energy	...	9.2	-2.6	2.4	-3.8
<u>Agriculture</u>	<u>6.7</u>	<u>5.5</u>	<u>3.8</u>	<u>3.0</u>	<u>2.5</u>

1/ Growth of tourist arrivals.

D. Labor Market Developments

21. **During 1994/95-1997/98, total employment rose on average by 2.2 percent per annum, slightly faster than the average population growth rate** (Table 16). The bulk of the 1.1 million new jobs created during this period were in the private sector, notably in agriculture, manufacturing and trade. The sectoral distribution of employment has undergone little variation over this period, with the share of the primary sector (agriculture, livestock and fisheries, forestry, energy, and mining) constant at about two-thirds of employment. The share of the secondary sector (manufacturing and processing, construction, and power) has remained at about 10 percent or about half the size of the share of the tertiary sector. In recent years, the share of public sector employment in the total has been about 8 percent.

22. **Real wages in the public sector have been eroded significantly by persistently high inflation.** Assessing the extent of the decline is made difficult by the substantial benefits in-kind provided to public employees. The average monthly salary in the public sector has been about 1,000 kyats since 1994—equivalent to US\$3 at the current market exchange rate. Consequently, real wages are only about one-third of the 1994 level. Private sector wages are considerably higher. Public sector employees, however, also receive non-wage benefits, including free transportation, subsidized housing, health and pension benefits, and other payments-in-kind such as rice. Rice subsidies to government workers are alone estimated to amount to Kyat 10 billion per annum, an amount which exceeds the Union Government's annual public sector wage bill.

E. Prices

23. **CPI inflation rose to a record high during 1998/99.** The CPI rose by 49 percent in 1998/99 (annual average), compared with 34 percent in 1997/98 and 20 percent in 1996/97 (Table 17). During the past decade, inflation in Myanmar has never fallen below 16 percent, a result of the continued monetization of large public sector deficits. The acceleration of inflation during 1998 was driven by the sharp depreciation of the free market exchange rate—the kyat lost 50 percent of its value against the U.S. dollar between mid-1997 and mid-1998, and by a surge in food prices, which rose by 66 percent in June 1998 (year-over-year) owing to severe drought. However, inflation has since declined. By April 1999, twelve-month CPI inflation had fallen below 30 percent, partly due to a more stable external environment, as well as to a better harvest in the second half of 1998.

24. **Official inflation data have limitations.** Reported inflation is based on a consumption basket established in 1986 for Yangon. Only official prices are used to construct the CPI index, although there are large differences between the official prices and parallel market prices for a number of goods, including rice. In addition, price disparities persist among different regions, possibly due to high transportation costs. Both price levels and inflation rates are believed to be lower in the rice and vegetable growing areas than in the cities. Efforts are being taken to construct a new CPI index using market prices, with wide regional coverage and new weights based on a 1997 household expenditure survey.

III. FISCAL DEVELOPMENTS

A. Overview

25. **The consolidated public sector deficit has declined in Myanmar over the past two years** (Tables 18 and 19, and Chart 3). The public sector deficit in 1997/98 was 5 percent of GDP, a decrease of 1½ percentage points of GDP compared to 1995/96 and 1996/97. The deficit fell further to an estimated 4½ percent of GDP in 1998/99.⁴

26. **The decline in the public sector deficit since 1995/96 is primarily attributable to lower Union Government capital expenditure.** The Union Government's deficit, exclusive of transfers from State Economic Enterprises (SEEs),⁵ has fallen by 3 percentage points of GDP since 1995/96. By contrast, the public sector deficit declined by only 1¼ percentage points of GDP over this period, with the remainder of the reduction in the Union Government deficit serving to offset a worsening fiscal balance of the SEE sector. The public sector's current balance has remained broadly unchanged since 1995/96 and the decrease in the public sector deficit is attributable to lower capital expenditures.

27. **Capital expenditures were cut particularly sharply in 1998/99, due in part to the completion of large projects in 1997/98.** However, the authorities also took steps to reduce "unproductive" expenditures and a sizeable part of their efforts were directed at public investment projects. The decrease in capital expenditures in 1998/99 more than compensated for a decline in tax revenue of almost 1 percentage point of GDP, thus allowing the public sector deficit to fall by an estimated ½ percentage point of GDP. Tax receipts fell primarily as a result of a 40 percent drop in customs duties collected.

28. **The public sector deficit has continued to be primarily financed by the Central Bank of Myanmar (CBM).** Bank credit provided financing to the public sector of 3½ percent of GDP in 1998/99 (out of an estimated deficit of 4½ percent of GDP). Ninety percent of the bank financing took the form of CBM credit. In recent years, treasury bonds held outside the CBM have become a small but significant alternative source of financing. In 1998/99, the net issue of 3-year and 5-year treasury bonds amounted to Kyat 25 billion (1½ percent of GDP), most of which was taken up by private enterprises (Table 28).⁶

⁴This is the staff's estimate; the official estimate for the 1998/99 fiscal outturn will be published at the end of 1999 (see Box 3).

⁵These transfers are contributions that profit-making SEEs are required to make to the Union Government. See memorandum item in Table 19.

⁶Foreign financing appears to be negligible in the fiscal accounts because of the use of the official exchange rate.

Box 3. The Budget Process

The budget process in Myanmar is a legacy of the former system of central planning. It can be illustrated with reference to the 1998/99 fiscal year (April 1998-March 1999).

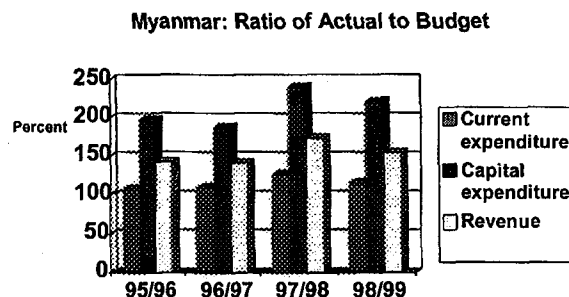
Consideration of the 1998/99 fiscal position develops in three stages:

End-1997. The 1998/99 budgets for the Union Government and the state enterprises are finalized and approved.

End-1998. Revised estimates for 1998/99 are published that include substantial additional (primarily capital) expenditures undertaken during the fiscal year and ratified by a Supplementary Budget (published in March 1999).

End-1999. The actual outturn for 1998/99 is published.

In between these events, no revisions are made to revenue or expenditure projections. The chart shows that current expenditure tends to be close to the original estimate, but that typically capital expenditure is 100–150 percent larger than the budgeted provision. This divergence is not solely a result of unintended inflation (which may explain the divergence between budgeted and actual revenue). Instead, it appears to reflect the practice of excluding from the original budget new projects that are not certain to go ahead or for which final loan agreements have not been signed.



As a consequence, the budget provides only a partial picture of the authorities' fiscal intentions:

- the original budget seems to imply a large drop in capital expenditure (as it does again for the 1999/2000 budget), and
- the budget tends to significantly understate the likely deficit.

To illustrate, the original budget estimates for 1998/99 imply a public sector deficit of Kyat 34 billion or 3 percent of GDP (Tables 18 and 19). However, the budget provision for Union Government capital expenditure in 1998/99 of Kyat 23 billion was subsequently raised to Kyat 52 billion through the Supplementary Budget--an increase of 1.9 percent of GDP--implying a large corresponding increase in the deficit that could have been anticipated when the budget was first formulated. In the event, the 1998/99 public sector deficit is estimated to have been 4½ percent of GDP.

B. The Union Government

Revenue

29. **Tax revenue in Myanmar is extremely low** (Table 20). After declining through the first half of the 1990s, tax revenue appears to have leveled off in recent years at about 3½ percent of GDP. By contrast, the average ratio of tax revenue to GDP is 15 percent for SAF/ESAF countries.⁷ The low level of tax revenue in Myanmar can be explained in terms of both a narrow tax base and an apparently poor culture of compliance.

30. **Widespread granting of exemptions has eroded the tax base.** Beneficiaries of exemptions include both foreign and domestic investors. The base of the commercial tax, a tax on transactions that resembles a value-added tax because of its crediting provisions, was widened in 1999. From April 1, five additional services—tourism, motor vehicle maintenance, insurance, health clubs and hairdressing, and printing—became subject to commercial tax at rates of 5–10 percent. At the same time, generous tax exemptions were offered to investors in large-scale agricultural projects.

31. **Tax compliance appears to be poor.** Direct evidence is not available, but tax inspectors receive very low wages and international experience is that poorly paid tax inspectors are susceptible to bribes. In addition, the system of valuing imports for the purposes of levying customs duties is opaque and appears somewhat arbitrary. In some cases, imports are valued at an exchange rate of Kyat 100/US\$, which is less than a third of the market rate; in other cases, customs officials attempt to estimate the domestic market value of the good. Such practices allow considerable discretion to customs officials and may contribute to the exceptionally low buoyancy of customs duties.

32. **Implicit taxes are also levied in Myanmar.** Although formal tax collections are relatively low, the state appears to levy taxes in nonstandard ways. An example of such is provided by the procurement system in agriculture, whereby farmers are required to sell a fixed number of baskets of rice per acre to a state enterprise, Myanmar Agricultural Procurement Trading (MAPT), at a below market price.⁸ The staff calculate the implicit tax yield from this practice to have amounted to 2–3 percent of GDP in 1998/99, which is only a little below the yield of the regular tax system. However, even after taking account of the yield of this implicit land tax, revenue would still be low by international standards.

33. **Tax revenues declined by 0.8 percentage points of GDP in 1998/99.** The major cause was a sudden drop in customs duties collections from Kyat 8.5 billion in 1997/98 to

⁷See George T. Abed, et al, *Fiscal Reforms in Low-Income Countries: Experience Under IMF-Supported Programs*, IMF Occasional Paper No. 160, March 1998.

⁸See World Bank: “*Myanmar: An Economic and Social Assessment*,” 1999.

Kyat 5.1 billion in 1998/99. This occurred despite the market exchange rate depreciating by 33 percent in 1998/99 (annual average) and the U.S. dollar value of imports increasing by an estimated 8 percent. Possible explanations include continued large tax exemptions granted to both foreign and domestic investors, lags in adjusting valuation methods to exchange rate depreciation, and greater evasion in the wake of the requirement that all border trade be conducted in U.S. dollars.

34. **Other tax revenues have been eroded by inflation.** Revenue collections by the Internal Revenue Department (IRD) have been depressed by the effects of high inflation.⁹ For example, current income tax collections are based on the previous year's earnings and hence reflect a lower price level. However, in recent years efforts have been made to revise departmental licenses and fees upward in line with inflation. In addition, nontax revenues were boosted in 1998/99 by the sale of surplus vehicles by the Ministry of Agriculture.

Expenditure

35. **The Union Government's wage bill has been broadly unchanged at about Kyat 8-9 billion over the past four fiscal years despite the price level almost tripling during this period.** This appears to reflect severe wage compression rather than any reduction in the number of civil servants. However, as noted in Chapter II above, interpretation of developments in civil service wages in Myanmar is complicated by the practice of providing a substantial part of remuneration in the form of in-kind benefits (such as rice, housing, and transport). As a result, some part of the cost of civil servant remuneration shows up as losses of the SEEs, particularly of the MAPT (see paragraph 37).

36. **Government expenditure on social services fell to 1 percent of GDP in 1998/99.** Social spending relative to GDP has declined to half the level of 1995/96 (Table 22) and one quarter of the level of 1989/90, with inevitable costs in terms of poverty and human development. The drop in social spending in the early 1990s reflected a shift in the composition of expenditure away from social services and particularly toward defense. The more recent decline is associated with a general reduction in expenditure across all functional classifications. Indeed, defense expenditure has also fallen by about a half relative to GDP since 1995/96. However, the lack of any information about off-budget expenditures qualifies any conclusions drawn from Table 22, particularly about trends in defense expenditure.

⁹The IRD is responsible for collecting 5 different types of tax: income tax, profit tax, commercial tax, stamp duties and proceeds from the state lottery. Customs duties are collected separately, as are nine other types of tax collected by the various ministries.

C. State Economic Enterprises

37. **SEEs lack autonomy and are making increasing losses.**¹⁰ Prices charged by SEEs are set by the government and have not kept pace with inflation. This has tended to increase aggregate SEE losses (Table 23), although costs have also been held down by the apparent absence of nominal wage increases. In 1998/99, the largest loss was made by the Trade Council (Kyat 36 billion or 2.3 percent of GDP). This is related to the subsidized selling of agricultural products by MAPT with important beneficiaries including government employees.

38. **The use of the official exchange rate in SEE accounts serves to obscure the true financial health of individual enterprises.** Exporting enterprises (such as those in the mining sector) tend to appear unprofitable as a result of their export proceeds being converted into kyat at the official rate; this implies that they currently receive only 2 percent of the amount they would receive at the market rate. By contrast, industrial enterprises that produce for the domestic market typically appear profitable because they can import inputs at the official exchange rate.¹¹ Financial enterprises are also largely profitable, implying that the fixed spread between the controlled deposit and lending rates is adequate to cover their costs.

39. **The pace of privatization has been slow.** Privatization, which was initiated in 1995, can take the form of outright sale, leasing, joint ventures, or "contracting out." The slow pace of privatization is explained by the shortfall of capital available to local investors, and by a lack of interest by foreign investors. During 1998/99, a large steel mill was leased for five years to a locally owned company, and bids have been submitted for sixty eight candidates for privatization (mostly cinemas) announced in January 1999. In addition, most of the trade sector SEEs and government-owned hotels have been liquidated or leased out, respectively.

IV. MONETARY AND BANKING SECTOR DEVELOPMENTS

A. Overview

40. **Monetary policy is passive in Myanmar.** The Central Bank of Myanmar (CBM) automatically provides financing to the public sector and this has led to high and inflationary growth of reserve money (at rates of 20–30 percent annually). Broad money and credit developments have also been dominated by the government's borrowing needs. The public

¹⁰There are 54 nonfinancial SEEs, accounting for about one fifth of GDP and 2 percent of total employment.

¹¹Such enterprises include Myanma Textile Industries, Myanma Foodstuff Industries, Myanma Pharmaceutical Industries, Myanma Paper and Chemical Industries, Myanma Agricultural Machinery Industries and Myanma Automobile and Diesel Engine Industries.

sector's share of domestic credit has declined in recent years, but remains at some two-thirds of the total (Tables 24–25 and Chart 4). Interest rates are set by the authorities at levels that are highly negative in real terms.

41. **The banking sector remains underdeveloped, but the role of private banks has increased significantly.** Velocity is relatively high and has been increasing recently. Currency in circulation is equal to more than half of broad money, and cash transactions predominate. Bank lending is short-term and highly collateralized. Although the banking system is still dominated by the four state-owned banks, private banks have been expanding rapidly.

B. Institutional Framework and Developments

42. **The banking system is governed by three laws enacted in July 1990:** (i) the Central Bank Law defines the responsibilities and the authority of the CBM; (ii) the Financial Institutions Law defines the activities of banking institutions and is the legal basis for the establishment of private banks; and (iii) the Myanmar Agricultural and Rural Development Law defines the activities of the state-owned Myanmar Agricultural Development Bank (MADB), named the Myanmar Agricultural and Rural Development Bank up until 1998.

43. **The banking system comprises the CBM, state-owned banks, and private banks.** The CBM, which is under the Ministry of Finance and Revenue (MOFR), finances the bulk of the public sector deficit through overdraft facilities on State Fund Accounts, and through the purchases of three-month Treasury bills.¹² The State Fund Accounts are administered by the Myanmar Economic Bank (MEB). The MEB also distributes currency on behalf of the central bank through its network of over 300 branches. The other state-owned commercial banks are the Myanmar Investment and Commercial Bank (MICB), the Myanmar Foreign Trade Bank (MFTB), and the MADB.¹³

44. **Private banks were established in the early 1990s.** Since commencing operation in June 1992, private banks have expanded in number from four at end-1992 to 20 in March 1999. The number of private bank branches doubled to 105 during 1998/99 alone; by contrast, the state banks operate a network of over 550 branches. Some of the private banks are partly owned by the government. Foreign banks have thus far been permitted to open

¹²Three-month Treasury bills carry an annual interest rate of 4 percent and are automatically rolled over. CBM lending to government is limited by law to 20 percent of government receipts from the prior year (although in practice this is interpreted to include receipts of SEEs).

¹³The MADB operates 220 branches but also provides lending funds to a large network of village banks that act as MADB agents in channeling loans to the village residents.

representative offices only, and no licenses have been issued for joint ventures. Since March 1998, only the state banks have been permitted to conduct foreign exchange business.

45. **Private banks account for a growing share of the banking sector.** The growth of private banks has primarily been at the expense of the MEB (whose deposit share has fallen from 86 percent in March 1994 to 40 percent in March 1999). In March 1999, private banks held 56 percent of deposits and extended 22 percent of domestic credit.¹⁴ By contrast, the four state banks extended 16 percent of domestic credit (compared to 63 percent of credit provided by the CBM).

46. **The volume of transactions in the interbank money market is low.** Most transactions consist of fixed deposits placed at an annual rate of 12 percent. The CBM discount facility is another, albeit little used, source of funds. Borrowing through that facility is based on Treasury bonds at up to 90 percent of face value. The discount facility is used on occasion to meet shortfalls in the required reserves or unusually large withdrawals. Commercial paper markets are absent.

47. **The nonbank financial sector is relatively small.** Nonbank financial institutions include the Myanmar Insurance Company, the Myanmar Securities Exchange Center (a joint venture between the MEB and Daiwa of Japan), foreign exchange bureaus, and representative offices of foreign banks that do not conduct banking operations in Myanmar. The number of representative offices of foreign banks fell from 43 to 36 during 1998/99, following the revocation of private banks' foreign exchange trading licenses. With regard to capital market development, the Securities and Exchange Law, work on which began in February 1995, is in preparation for submission by the MOFR to the Cabinet of Ministers.

48. **Informal financial markets appear to play a significant role in financial intermediation.** Lending is reported to take place in informal credit markets at positive real interest rates (3–5 percent per month). Pawnshops, for example, provide loans at 35–40 percent per annum against suitable collateral. Informal credit markets seem to be most active in rural areas where access to bank credit is limited by the absence of bank branches and a lack of requisite collateral on the part of the borrowers. In response to the constraints facing rural borrowers, the authorities have taken steps to increase lending to the agricultural sector through the MADB.

49. **The CBM attaches considerable importance to prudential regulations (Box 4).** The importance attached to prudential oversight has increased since the Asian crisis. A comprehensive system of reporting is in place for verifying banks' compliance with reserve, minimum liquidity, capital adequacy, and loan provisioning requirements. Private banks are reported to be in full compliance with the prudential regulations. The capital-adequacy and

¹⁴Bank loan-to-deposit ratios are low in Myanmar in part because banks have to hold 20 percent of liabilities as liquid assets.

Box 4. Prudential Regulations for the Banking Sector

The elements of the prudential and supervisory regulations and oversight are:

- A **reserve requirement** of 5 percent and 10 percent on time and demand deposits, respectively, including foreign currency-denominated deposits. At least 75 percent of reserves must be held as a non-remunerated deposit at the central bank and the rest in cash. Holdings of Treasury bonds can be counted against the reserve requirement.
- A **liquidity ratio** of 20 percent is required so that banks can meet demands for liquidity in a cash-dominated economy. At least twenty percent of eligible liabilities (checks and bills payable, net due to domestic banks, net due to banks abroad, demand and time deposits) must be held as liquid assets, such as excess-reserves (either vault cash or on deposit at the CBM), Treasury bonds, gold, and current accounts at other banks. Prior to April 1999, interbank fixed deposits could also be used to satisfy liquidity requirements.
- A **general provision** of 2 percent of outstanding loans, and **loan loss provisions** (applicable to the shortfall in the value of the loan security) of 50 percent and 100 percent of the stock of doubtful and bad loans, respectively.
- A **lending limit** to a single client of 20 percent of bank's capital and reserves.
- A 10 percent **risk-weighted capital-adequacy ratio**.
- A penalty of 0.2 percent per day is levied on the **shortfall in the prescribed reserves**.
- An annual on-sight **inspection by the CBM**.
- The following **reports** must to be submitted to the CBM: required reserve (weekly); liquidity ratio (weekly); assets and liabilities statement (monthly); income and expenditure statement (monthly); capital adequacy ratio (monthly); general ledger (monthly); nonperforming loans (quarterly); distribution of loans and advances by sector and security, effective September 1998 (quarterly); provisions for bad and doubtful debts (annually); and profit and loss (annually).

the reserve requirement on deposits do not appear to be enforced for the four state commercial banks to the same degree, since these banks are viewed as carrying out special social functions and the state stands behind them in meeting their liabilities.

C. Monetary Developments

50. **Money growth in Myanmar has remained high, although in recent years velocity has begun to increase.** Financing of the government continues to account for the major part of monetary growth. Nonetheless, credit to the private sector has increased to about one third of domestic credit, largely reflecting the growth of private banks. Credit expansion is constrained by the negative level of real interest rates, stringent collateral practices, and a weak banking infrastructure. Velocity has increased during the last two years, as interest

rates have turned even more negative in real terms. Dollarization, as gauged by the share of foreign-currency denominated bank deposits in broad money (valued at the market exchange rate), has approximately doubled over the past two years, in line with rapid exchange rate depreciation and rising domestic inflation.

51. **During 1998/99, money growth was broadly unchanged while the share of private sector credit continued to grow.** Reserve money expansion was below that of broad money, with the increase in the money multiplier reflecting a drop in the currency to deposit ratio. The latter may be related to the success of the private banks in attracting deposits. The narrowing fiscal deficit diminished the contribution of public sector credit growth to monetary growth, and allowed the share of credit to the private sector in domestic credit to increase from 31 percent to 34 percent during 1998/99.

52. **Interest rates were lowered across the board in April 1999 to stimulate bank lending and boost growth** (Table 27). The CBM cut its discount rate by 3 percentage points to 12 percent leading to reductions in commercial bank rates and the rates on medium-term government securities, all of which are explicitly linked to the discount rate. Thus, the maximum lending rate was reduced from 21 to 17 percent, and the basic savings rate was lowered from 12 to 10 percent.¹⁵ The rates on 3 and 5-year government securities were reduced from 13½ and 14 percent to 10½ and 11 percent, respectively.

53. **The CBM has continued to issue FECs to tourists and local investors.** New FEC issuance totaled 44.3 million (US\$44.3 million) during 1998/99, bringing the outstanding stock to 166.7 million, of which 24.7 million FECs were in circulation. These data on FECs differ slightly from that reported in the banks' balance sheets (see Table 25).

54. **Treasury bonds sales accelerated in 1998/99** (Table 28). The increase in sales reflects strong private sector demand, spurred by the private banks' required reserve and liquidity management considerations. Private enterprises have also become large buyers of government paper.

D. Banking Sector Developments

55. **Private banks continued to expand during 1998/99.** Private banks began offering interest-bearing call deposits in 1997, and by March 1999, had captured over 70 percent of demand deposits and over 50 percent of time and savings deposits. The rapid rate of increase of lending by private banks has reflected strong growth in loans to manufacturing, tourism and construction, as well as the initially low base. The increasing prominence of private banks in the banking sector reflects their relatively broader range of products and higher

¹⁵The maximum rate on deposits was set at 12 percent, equal to the CBM discount rate. Prior to April 1999, the maximum deposit and lending rates were set, respectively, at 3 percent below and 6 percent above the CBM discount rate.

efficiency of services. However, expansion of the private banking sector is constrained by the outdated communications infrastructure, and processing and clearance systems, as well as by a shortage of qualified staff. Decision-making and planning by private banks is also made difficult by the lack of published data on the financial sector.

56. **Foreign currency-denominated deposits, including FEC deposits, have grown by about 80 percent in dollar terms since 1996/97.** These deposits are included in bank balance sheets at the official exchange rate which understates their share in total deposits. When measured at the market exchange rate they account for about one-fifth of total deposits.

57. **The banking sector is generally profitable.** Large private banks are reported to earn an annual return on equity in the range of 20–25 percent. Of the state-owned banks, only the MEB has been unprofitable.

58. **The proportion of nonperforming loans may be rising.** Nonperforming loans are defined as loans on which repayment of principal or interest is more than 6 months overdue; the categories of nonperforming loans are as follows: (i) substandard (payment is 6 to 12 months overdue); (ii) doubtful (payment is 12 to 24 months overdue); and (iii) bad (payment is overdue more than 24 months). Overall, individual banks' nonperforming loans at end-December 1998 were in the range of 1–18 percent of total loans, compared to the range of 2–12 percent as of end-February 1998.¹⁶ While these data are not conclusive, some private banks may have recently experienced an increase in nonperforming loans as a result of the growth slowdown and depressed real estate sector.

V. EXTERNAL SECTOR DEVELOPMENTS

A. Overall Developments

59. **The external position of Myanmar has deteriorated in recent years, after having initially improved in the 1990s** (Table 29 and Chart 5). Greater private sector participation in foreign trade and the opening of the economy to foreign investors during the early 1990s led to rapid expansion of exports, private transfers, and FDI. However, these reforms also led to a surge in demand for imports that worsened the trade balance, while official capital inflows were not forthcoming. These factors, and a slowdown and, even reversal, of reforms, led to a renewed deterioration of the external position.

60. **While the balance of payments impact of the Asian crisis was less than expected, the external outlook continues to be difficult.** During 1998/99, exports, remittances and transfers were relatively robust; the kyat stabilized; and there was some rebuilding of

¹⁶As of end-1998, 6 percent of MEB's loans, 1 percent of MADB's loans and 6 percent of loans at the major private banks were classified as nonperforming.

reserves. However, as argued in Chapter I, the limited impact of the crisis in part reflected new import and exchange controls. Moreover, reserves remain low, a third of external debt is in arrears, and as a result of new commitments drying up in 1998/99, FDI is expected to fall in the short term.

B. Current Account and Official Grants

Merchandise Trade

61. **Export growth was robust during 1998/99 compared to other countries in the region** (Table 30). This relatively favorable trade performance in the face of the Asian crisis seemed to reflect success in tapping regional export markets less prone to the crisis (e.g., India, China and Bangladesh). In particular, Myanmar was able to draw on underutilized land and labor to meet strong demand for agricultural export products from these countries. The ability to access new markets served to offset the impact of slowing world demand and world commodity price deflation on Myanmar's exports (which are largely primary commodities).

62. **The authorities have continued to promote exports.** Export development policies are now centered on large-scale development of agriculture (see Box 2). Previous efforts had been directed at the energy sector, and in particular, the Yetagun and Yadana projects, but revenues from oil and gas exports have been delayed by a drop-off in energy demand from Thailand in the wake of the crisis. Revenues from these projects are expected to commence within 1999.

63. **Import growth is estimated to have slowed during 1998/99 reflecting the various foreign exchange measures** (Table 31). Imports have risen rapidly since 1994/95, mainly as a result of the private sector's response to liberalization and high foreign direct investment. However, the staff estimate that import growth slowed to about 8 percent in 1998/99 in the wake of the shortage of foreign exchange and the intensification of controls.

64. **The composition of imports has shifted toward capital goods and away from the public sector.** There was a sharp increase in imports of capital goods during 1998/99, financed by new borrowing from India, China, and suppliers credit from Japan. The surge in capital goods imports may also be linked to the generous tax incentives and tariff exemptions being offered to potential investors. Imports rose from crisis countries (Malaysia, Thailand, Indonesia), perhaps reflecting lower prices (Table 33). The public sector's share of imports fell to a quarter of total imports in 1997/98 (Table 35), but rose back to one-third in 1998/99, probably due to increased government control over the limited pool of foreign exchange.

Services and Private Transfers

65. **The services account balance improved in 1998/99** (Table 36). Tourism receipts rose by 27 percent, reflecting an easing of requirements for entry permits, new tourism promotions, and package tours from Europe. In addition, receipts from signature bonuses and lease payments on new foreign investments (which are included in other receipts) almost

tripled in 1998/99 over the previous year. Payments also increased mainly due to higher foreign investor profit repatriation.

66. **Private transfers, which largely consists of remittances from overseas workers and the in-kind transfer of goods, rose further in 1998/99.** Such transfers are now equivalent to nearly half of merchandise exports. Their growth may be related to import restrictions and the exchange rate depreciation, which by reducing the availability of imported foreign goods increased the incentive for in-kind transfers.

Official Grants

67. **The sharp decline in grants during 1998/99 reflects the amortization schedule for debt due to Japan** (Table 37). Official grants have increased during the 1990s, mostly because of Japan's OECF debt relief program, under which Myanmar's debt service is converted into grants. Myanmar has also received small grants from UN agencies, and recently, China.

C. Capital and Financial Account

68. **FDI inflows fell to \$290 million in 1998/99, a return to trend after the completion of large energy and tourism projects** (Tables 38–40). Spending on the Yetagun gas project, the largest foreign financed venture under construction, has wound down. During 1998/99, the shares of FDI accounted for by the mining, transport and real estate sectors increased. FDI approvals dwindled to almost zero in 1998/99, as a result of the Asian crisis, suggesting that FDI will slow in the period ahead.

69. **There were substantial new borrowing from Asian countries during 1998/99.** Disbursements for 1998/99 are estimated at US\$300 million, which cover half of the current account deficit. The bulk of the disbursements were related to new projects, including airport construction financed by Japanese and Thai companies; new shipping capacity financed by Chinese creditors; agricultural projects financed by Japanese creditors; and, telecommunications projects financed by Singaporean, Japanese and German companies.

70. **Actual debt payments increased slightly, but remained below trend.** In recent years about \$300 million in repayments have been due on an annual basis, about half of which has actually been paid. In 1998/99, actual debt payments dropped to \$117 million reflecting the tight foreign exchange situation.

71. **The debt profile has been shifting from long-term concessional debt to short-term commercial debt and suppliers' credit.** Myanmar's medium- and long-term debt (almost all of which is public sector debt) totaled US\$5.9 billion at end-March 1999, US\$460 million of which are interest arrears (Tables 41 and 42).

72. **The arrears strategy is also shifting.** Previously, the order of priority for debt servicing was: first, multilateral; then commercial; and finally bilateral. However, in light of

the reduced involvement of the multilateral institutions, commercial debt has become the priority, with bilateral, and multilateral following behind. Reflecting this shift, Myanmar is now in arrears to the World Bank and the AsDB. Most arrears to private creditors are to cofinancers of bilateral debt provided by France and Germany. Japan (which holds nearly half of total external debt) and Germany accounted for most of the increase in arrears to bilateral creditors during 1998/99.

D. International Reserves

73. **Gross international reserves increased in 1998/99 to almost two months of import cover** (Table 43). During 1997, gross reserve coverage had slipped below 1.5 months and coverage of net reserves fell to about one month. Reserves were rebuilt in 1998 after the implementation of new restrictions. Gross reserves consist of overseas deposits held by the CBM and by the large state-owned banks. The net international reserve position is obtained by netting out a \$100 million short-term debt obligation of the CBM to Bank Negara of Malaysia that was incurred in February 1997 for balance-of payments support.

VI. EXCHANGE AND TRADE SYSTEM

A. Overview

74. **The exchange and trade system of Myanmar is characterized by numerous restrictions, some of which were introduced in response to the Asian crisis.** Imports are subject to licensing and must be from one of two priority lists, while private sector exports are restricted and subject to extra taxes. Measures recently implemented to ease the foreign exchange constraint have included a tightening of import controls, the revocation of the foreign exchange licenses of private banks, and the requirement that border trade be conducted in U.S. dollars.

B. Exchange System

75. **Myanmar maintains a dual exchange rate arrangement.** Officially, the kyat has been pegged to the SDR at a fixed rate of K 8.5 per SDR since 1977, or at about K 6 per U.S. dollar. However, most trade is conducted at a market-determined exchange rate. All private sector current and capital account transactions occur at the market exchange rate, leaving public sector exports and imports and government debt servicing as the only transactions (about one third of the total) that are conducted at the official exchange rate.

76. **The dual exchange rate system imposes important economic costs.** In particular, the ability of SEEs to import at a fraction of the price paid by the private sector gives rise to high degrees of effective protection (Box 5), which distorts resource allocation and discourages private sector development. The dual system also encourages rent-seeking activities and greatly distorts economic statistics; for example, the use of the official exchange rate to value external transactions in the national income accounts downwardly biases the measured importance of the trade sector and FDI.

Box 5. Myanmar: Protection Arising from the Official Exchange Rate

The current official exchange rate is K 6.3/US\$ whereas the market-determined FEC rate is about K 345/US\$. At present, only government and State Economic Enterprise (SEE) transactions, or perhaps 30 percent of total transactions, occur at the official rate. Although the official rate does not apply to private sector transactions, it does serve to distort resource allocation.

The ability of SEEs to import at 1/50 of the price that would be paid by the private sector gives rise to high degrees of effective protection. This is illustrated by calculating the effective rate of protection on domestic value added by state enterprises as a result of the trade system.¹ The table reports effective rates of protection under various assumptions about tariff levels, value added, and use of imported intermediate inputs.

Myanmar: Illustration of Effective Rates of Protection Arising from the Official Exchange Rate (In percent)				
	Proportion of enterprise's final selling price			Effective rate of protection (e)
	Value-added $1 - \alpha_d - \alpha_m$	Domestic inputs (α_d)	Imported Inputs (α_m)	
Case 1: Zero Uniform Tariff				
High value-added SEE	60.0	- 40.0	0.0	0.0
	60.0	20.0	20.0	32.7
	60.0	0.0	40.0	65.3
Low value-added SEE	20.0	80.0	0.0	0.0
	20.0	40.0	40.0	196.0
	20.0	0.0	80.0	392.0
Case 2: 10 percent Uniform Tariff				
High value-added SEE	60.0	40.0	0.0	10.0
	60.0	20.0	20.0	45.9
	60.0	0.0	40.0	81.9
Low value-added SEE	20.0	80.0	0.0	10.0
	20.0	40.0	40.0	225.6
	20.0	0.0	80.0	441.2

The table illustrates that the protection imparted by the official rate to an SEE is greater the lower its domestic value added and the higher the proportion of imported intermediate inputs it uses. There is considerable protection even when tariffs are zero. In cases where value added is low and all intermediate inputs are imported, the effective protection enjoyed by an SEE can be forty or fifty times as high as the nominal tariff rate.

¹ The effective rate of protection is defined as:

$$e = \frac{v - v^*}{v^*}$$

where v is recorded value added per unit of a good and v* is what value added would be under free trade (Vousden, 1990). For an SEE in Myanmar, this expression can be written as:

$$e = \frac{p(1+t)(1 - \alpha_d - \alpha_m D) - v^*}{v^*}$$

where $v^* = p(1 - \alpha_d - \alpha_m)$, p is the (tariff exclusive) price of the product, α_d and α_m are spending on domestically produced and imported intermediate inputs, respectively (expressed as a proportion of the price of the product), t is the assumed uniform tariff rate (common to imports of both inputs and outputs); and D is the ratio of the official exchange rate per dollar to the market exchange rate per dollar. Note that a unified exchange rate ($D = 1$) would imply $e = t$ in this example, or that the effective rate equals the statutory tariff rate.

Reference: Vousden, N., "The Economics of Trade Protection," Cambridge University Press, 1990.

77. **The main market-determined exchange rate is for Foreign Exchange Certificates (FECs), which are dollar-denominated local currency notes.** FECs have been issued by the CBM since 1993 against 6 major convertible currencies (including traveler's checks) at a rate of 1FEC=1US\$. FECs are primarily issued through the requirement that each tourist upon arrival convert at least \$300 into FECs, with only amounts above the \$300 minimum reconvertible into foreign exchange upon departure. FECs can also be obtained from commercial banks as a withdrawal against foreign currency bank deposits (including from previously deposited FECs). FECs can be: (i) exchanged for kyats through licensed FEC exchange centers or off site; (ii) used to buy goods or make payments, including domestic salaries; or, (iii) deposited in banks. FECs are not freely convertible into foreign exchange and there are limits on the extent to which FECs on deposit can be remitted outside Myanmar. The rate at which FECs are exchanged for kyat is market determined and the introduction of FECs in 1993 represented a de facto devaluation.¹⁷

78. **Foreign currency is allocated to government agencies and SEEs by the Ministry of Finance and Revenue (MOFR) through the foreign exchange budget.** The process is initiated by each government agency/SEE submitting its plan for sources and uses of foreign exchange for the upcoming fiscal year to the Budget Department of the MOFR. The Budget Department then draws up provisional foreign exchange allocations based on past experience, overall foreign exchange receipts, and policy goals. Next, the allocation is sent for review to the Minister of Finance and Revenue. Finally, the allocation is approved by cabinet. To actually access its foreign exchange allocation, each agency/SEE must submit a request to the MOFR.

79. **Exchange restrictions have been tightened since 1997.** Foreign exchange licenses of all private banks were suspended and all foreign exchange accounts were transferred to either the Myanmar Foreign Trade Bank or the Myanmar Investment and Commercial Bank in March 1998. In addition, the limit on remittances against FECs for payments on invisible transactions and current transfers was reduced from \$50,000 to \$30,000 a month.

C. Trade System

80. **External trade of the public and private sectors is highly segmented, and private sector trading is subject to extensive restrictions.** Trade policy is under the aegis of the Ministry of Commerce, which, in turn, is supervised by the Trade Council. The latter was established in 1997 and is chaired by the Deputy Chairman of the State Peace and Development Council. At the beginning of each fiscal year, the Trade Council reviews and approves the general trade policy framework and meets regularly to review current trade issues and approve new policies. The Directorate of Trade, a unit of the Ministry of

¹⁷In addition, U.S. cash dollars are at times traded for kyat (cash transactions are technically illegal) at a premium up to 15 percent above the FEC rate.

Commerce, implements trade policies and regulation, including the issuance of export and import licenses and permits for all local and foreign private enterprises, and certificates of GSP and "Country of Origin."

Tariff policy

81. **Myanmar has 14 tariff bands with rates ranging from 0 to 40 percent.** About two-thirds of the 5,472 rated items have rates between 0 and 5 percent. The average tariff rate is around 6 percent. Some one-third of imports are exempt from tariffs. Three bodies can grant tariff exemptions: (i) the Customs Department can grant exemptions for specific import items; (ii) the Myanmar Investment Commission has authority to grant exemptions on a case-by-case basis; and, (iii) the MOFR also has authority to grant exemptions on a case-by-case basis. The 1996 Harmonized System for tariff and statistical nomenclature has been applied since January 1, 1996. Myanmar is receiving technical assistance from the World Customs Organization for implementation of the 2002 Harmonized System.

82. **Import tariff reduction plans were formally enacted on January 1, 1998.** The plans are in accordance with Fast Track and Normal Track committed under ASEAN for the AFTA-Common Effective Preferential Tariff (CEPT) scheme. Under Myanmar's CEPT scheme, imports are classified in four categories: inclusion, temporary exclusion, sensitive, and general exception. The inclusion list (about 43 percent of import items) consists of commodities that will follow the CEPT scheme on a fast track (0-5 percent tariff rate within 5-8 years) and a normal track (0-5 percent tariff rate within 10 years). Products in the temporary exclusion list (about 55 percent) will be phased into the inclusion list during 2001-2005 in five equal annual installments.

Nontariff policies

83. **Imports are subject to extensive nontariff restrictions.** Imports of all goods not on two lists (A and B) of priority goods were banned in March 1998. Private importers are required to import 80 percent of their imports from List A (essential goods) and 20 percent from List B (less essential goods). The number of goods on list B was widened in the first half of 1999. The approval of imports under both Lists A and B also became concurrent (whereas licenses had previously been issued first for List A goods, and only thereafter for List B goods).

84. **Import licenses are required.** Only exporters and others who can document legitimate earnings of foreign exchange are eligible to apply for import licenses. The practice of automatic issuance of open general import licenses to selected SEEs, and joint-ventures that need to import frequently under the Foreign Investment Law, was replaced during 1998/99 by approval by the Ministry of Commerce on a case-by-case basis.

85. **Exports are also subject to restrictions.** Private sector exporting of 30 key goods (including rice, rubber, and gems) was prohibited in March 1998; for border trade, there is an additional restriction on the private sector export of teak. Private entrepreneurs who carry out

reclamation of wetlands are allowed to export 50 percent of their output (rice and other restricted products except edible oil seeds); the limit is 55 percent for rubber plantations. Exporters were required to pay in foreign exchange an 8 percent commercial tax beginning January 1999 as well as an extra 2 percent in income tax; these taxes replaced a 5 percent commercial tax.

86. **Border trade, which now accounts for one-quarter of exports, is subject to a separate set of policies.** Border trade generally refers to trade in goods with neighboring countries that is transported by road. Most border trade is in commodities, and all is transacted by the private sector. Prior to 1988, border trade referred to the illegal smuggling of goods with border countries. In 1988, the government recognized border trade, introduced border trade recording posts, and began to tax these goods. In November 1997, following the depreciation of the kyat, border trade was required to be conducted in U.S. dollars.

VII. POVERTY AND SOCIAL ISSUES¹⁸

A. Overview

87. **Myanmar's record in poverty reduction is poor compared to most other East Asian economies.** The national incidence of poverty is estimated at 23 percent using the comprehensive 1997 Household Income and Expenditure Survey (HIES).¹⁹ While comparable evidence about changes over time is unavailable, the high rate of inflation and slowdown in growth in key sectors of the economy (see Chapter II above) suggest that the poverty rate has likely not improved since 1997. In addition, low levels of public spending on social services (see Chapter III above) have resulted in under provision of basic infrastructure necessary to reduce poverty.

88. **Human development indicators are also generally poor.** While health indicators in most areas have improved over the past decade, malnutrition rates are high among pre-school aged children and death rates for infants and children exceed those of other countries at Myanmar's estimated level of GDP per capita.²⁰ Levels of educational attainment are low

¹⁸This chapter was drafted by World Bank staff and is based on *Myanmar: An Economic and Social Assessment*, World Bank, 1999.

¹⁹The 1997 HIES covered 25,000 households in 45 townships in all states and divisions, and was designed to be representative of the country's rural and urban areas.

²⁰Using the official exchange rate and the official estimate of GDP considerably overestimates the U.S. dollar value of Myanmar's per capita GDP. After adjusting for the use of the official rate, and making an allowance for the sizable amount of unrecorded activity that occurs in Myanmar, the staff estimate of per capita GDP is about \$300 in 1998/99.

because public education expenditure is very low and heavy school fees and supplemental costs prevent many families from enrolling their children in primary school.

B. Poverty Profile

89. **Poverty varies sharply across regions.** Regional poverty rates range from an estimated high of 42 percent in Chin State to 8 percent in Tanintharyi Division, and there are also substantial rural-urban differences within many of these administrative regions. A group at particular risk in Myanmar are people displaced from their home region by natural disasters, economic development projects, and armed conflict. In addition, poverty rates are higher for non-ethnic Burmans, the majority of whom live in the seven border states, which are predominately rural, sparsely populated, and located in highland areas.

90. **Urban and rural poverty rates are approximately the same, whereas elsewhere in East Asia, poverty is concentrated in rural areas.** The relatively high incidence of urban poverty reflects the higher cost of food, a more skewed distribution of income, and the lack of access to subsistence farming. The urban poor tend to be concentrated in peri-urban locations lacking proximity to jobs and good services. Recently, employment and income have been adversely effected by the downturns in the tourism and construction sectors, and by high rates of inflation.

91. **However, in absolute terms most of the poor (71 percent) live in rural areas.** A substantial share of the rural poor either have no land or plots that are too small to be viable. Rural poverty can therefore be traced to low prices for the output of small farmers, as well as to the limited availability of off-farm work.²¹

92. **Poverty incidence is directly related to agricultural performance.** The rate of real agricultural growth was rapid in the early 1990s, but has since declined, reflecting poor crop yields on smallholder plots. Average fertilizer use per crop is very low by Southeast Asian standards, as are adoption rates of improved technologies on smallholder plots. Credit to farmers is rationed and farmers are unable to use land as collateral for loans due to land tenure rules. About 20 percent of sown area is irrigated; however, the maintenance of irrigation infrastructure is generally substandard, especially for poor farmers. In addition, large implicit land taxes on rice production (as discussed in Chapter III) reduce incentives to increase output. Current irrigation investments are concentrated in a few large-scale corporate farms and therefore will provide limited benefits to smallholders.

93. **Low levels of public spending have resulted in the under-provision of the basic infrastructure needed to improve living standards.** Access to piped drinking water in urban areas is 17 percent, and only 2 percent in rural areas. On the other hand, the percentage

²¹The incidence of poverty among rural households headed by women is approximately 31 percent, well above the average poverty rate in rural areas of 23 percent.

of the population with access to safe water is estimated at 66 percent. Access to safe sanitation is 39 percent in rural areas, and much higher, 65 percent, in urban areas. Telephone density in Myanmar is among the lowest in the world at 5 lines per 1,000 inhabitants.

C. Human Development

94. **Health indicators are generally poor and improvements are constrained by household poverty and low levels of public spending.** The major public health concerns are malnutrition, malaria, tuberculosis, HIV/AIDS, dengue fever, leprosy, and intestinal parasites. According to the latest UN estimates, almost half a million people in Myanmar have HIV/AIDS, with an adult infection rate of almost 2 percent.

95. **Child malnutrition is high.** For example, the share of under five-year olds who were moderately malnourished in 1997 was 39 percent. There is significant variation in the extent of malnutrition across the country; Yangon generally comes out significantly worse than average, reflecting the shortfall of opportunities for home production of food.

96. **Infant mortality rates and vaccination coverage have improved.** Infant mortality decreased by 16 percent between 1990 and 1997 to 79 deaths per 1,000 live births, though child mortality increased slightly over the same period to 131 in 1997. Since 1990, immunization coverage rates for measles and polio have each increased by over ten percent to around 80 percent.

97. **However, utilization of public health facilities has fallen to very low levels due to the poor quality of service and the high charges levied for their use.** There is an extensive private health system—there are twice as many private as public doctors in Myanmar—although usage by the poor is constrained by price and distance barriers. Among mothers of children under 5 with severe signs of acute respiratory infection, only around 50 percent go to either private or public health care providers. Myanmar has high maternal mortality rates, which are linked to poor quality of care, abortion-related complications (due to low access to contraception and unsafe abortion practices), and the high cost of care (for transport and medicines), which prevent women from seeking treatment in hospitals.

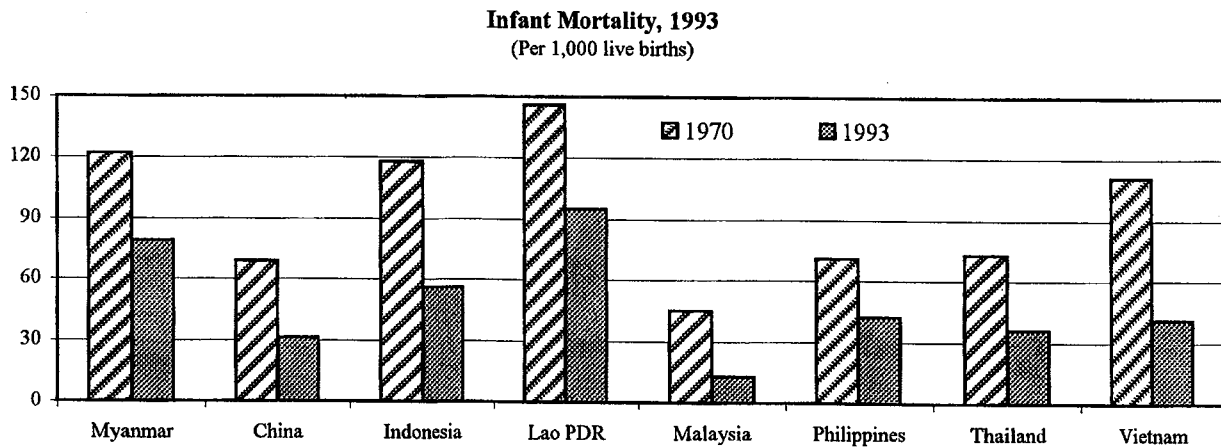
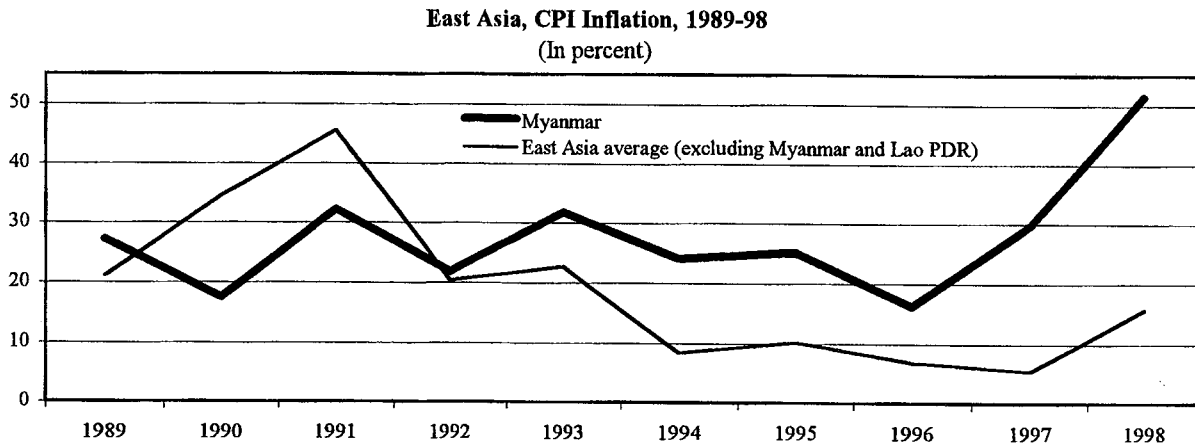
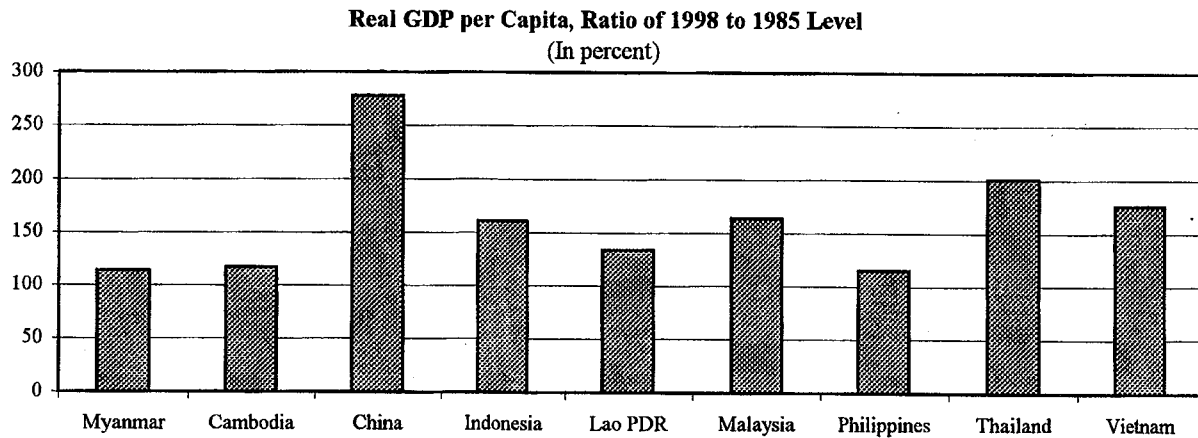
98. **Primary education enrollment rates are low.** Official estimates indicate that almost one in four school-age children never enrolls in primary school, and of those who begin primary school, only 34 complete the five-year cycle. The rural net enrollment rate is 78 percent, significantly lower than the urban enrollment rate of 87 percent. An estimated 22 percent of primary aged children complete fourth grade in rural areas, compared to 37 percent in urban areas. Repetition and drop out rates are also high. The average time taken to complete five years of primary school in 1994/95 was 9½ years.

99. **The low rate of primary school enrollment reflects the level of public education expenditure, which is low even by developing country standards.** Union Government expenditure on education declined from the equivalent of 0.7 percent of GDP in 1994/95 to

an estimated 0.4 percent of GDP in 1998/99 (Table 22). Evidence of these cuts is provided by very low teacher salaries and poor educational infrastructure.

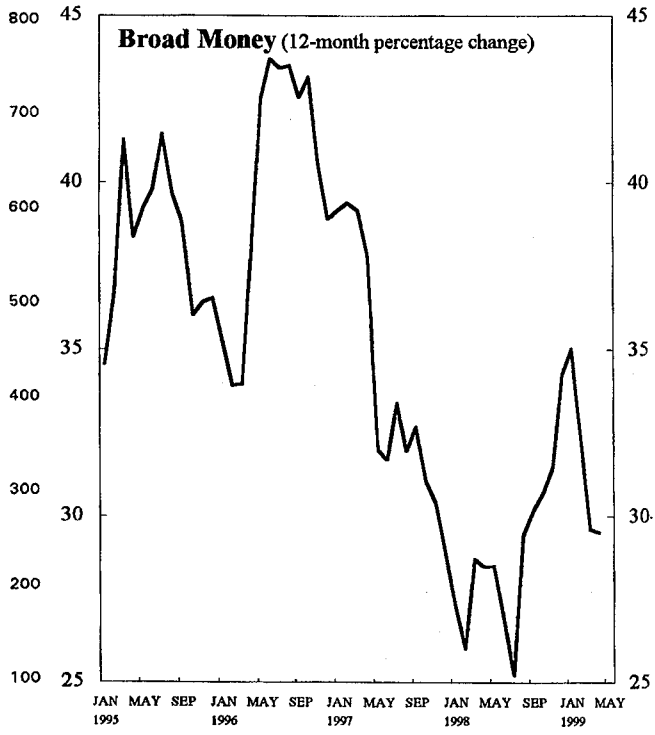
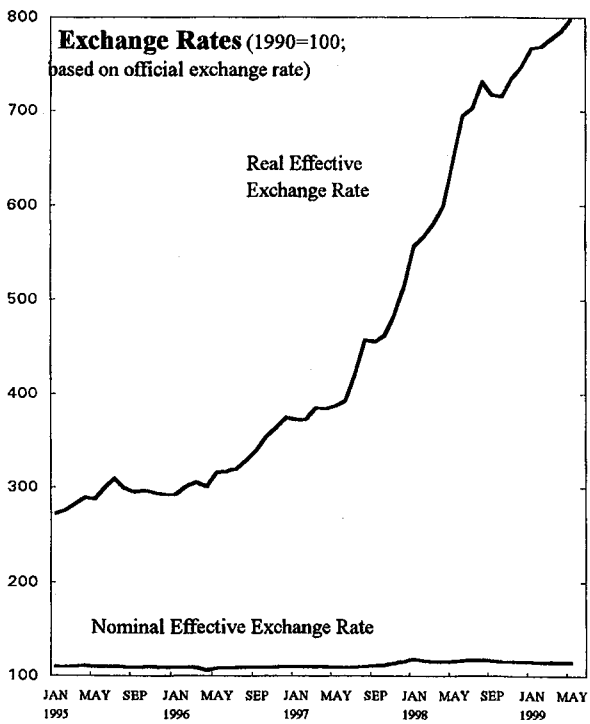
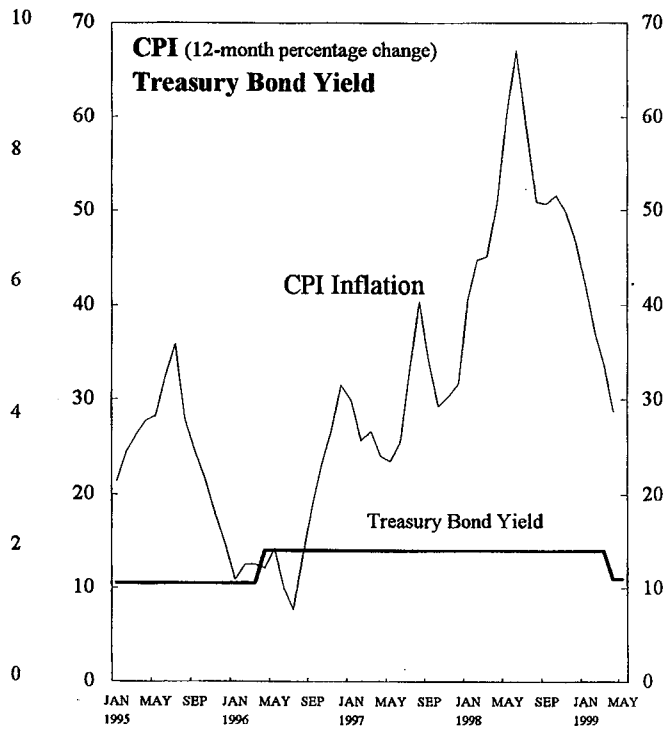
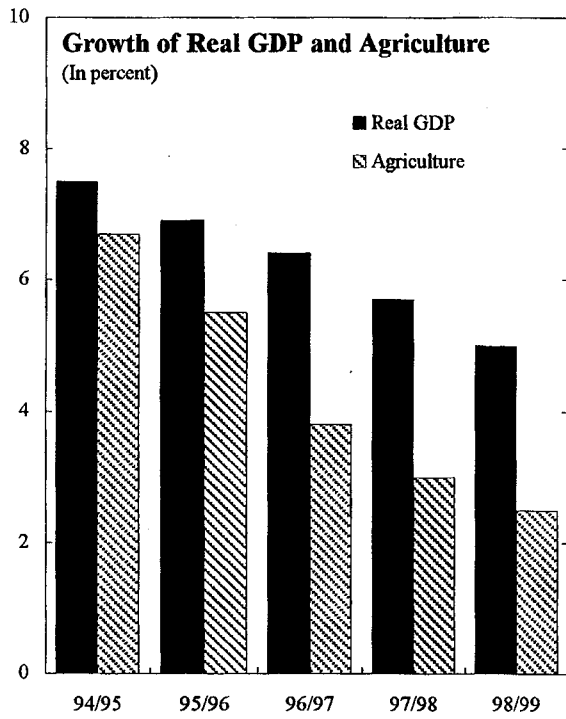
100. **Onerous school fees and supplemental costs prevent many families from enrolling their children in primary school.** Although primary school attendance is nominally free in Myanmar, parents incur significant expenses in sending their children to school, including expenditures on textbooks, uniforms, exercise books, stationery, a mandatory yearly contribution to the Parent Teacher Association fund, and ad hoc contributions in cash and in kind for school improvements. These expenses create obstacles to school enrollment among the poor. Survey evidence shows that among families with children aged 5–12 years, 29 percent of families defined as poor had children who had never been to school, compared with 19 percent for non-poor families.

Chart 1
Myanmar and East Asia
Selected Economic and Social Indicators, 1985-98



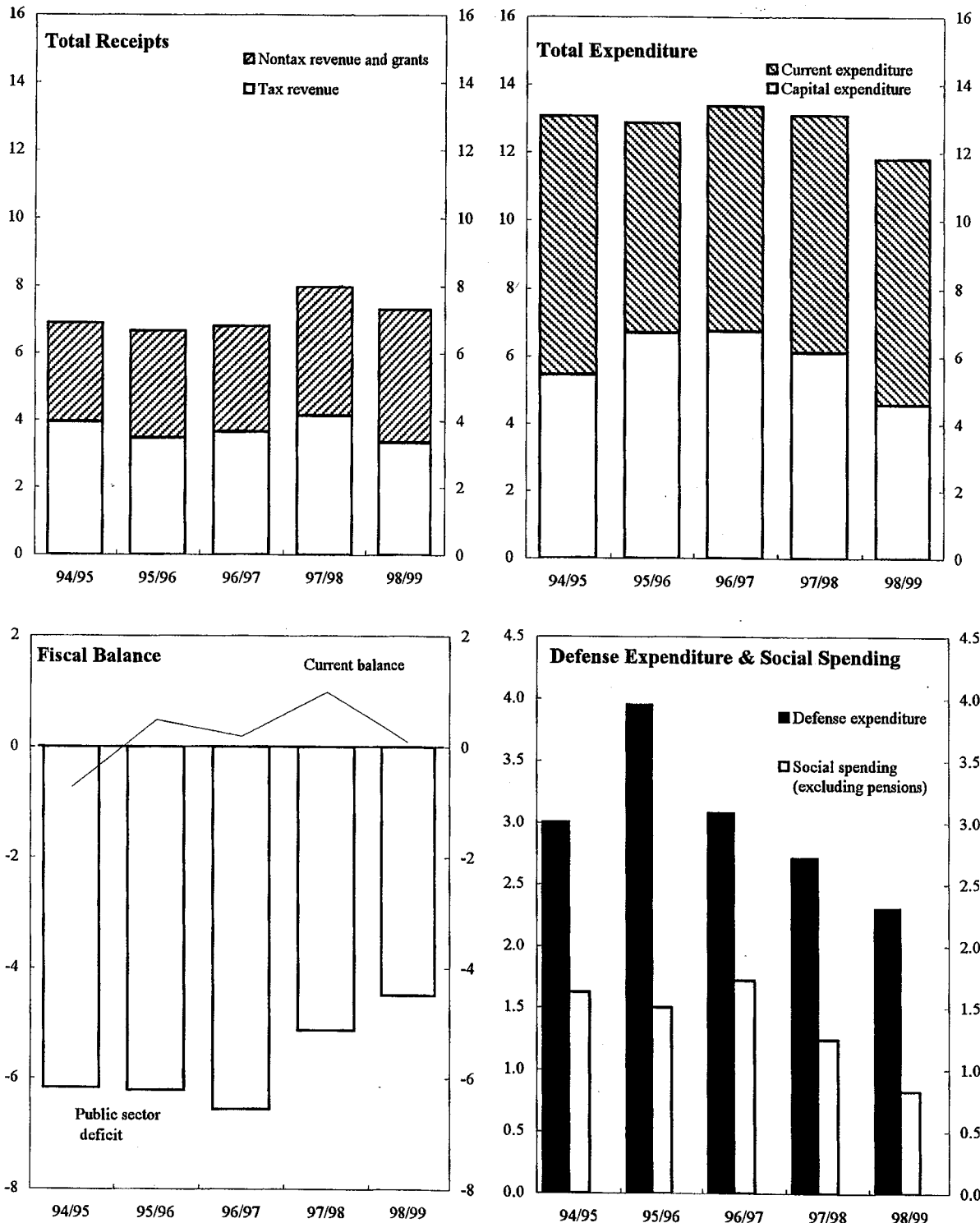
Sources: IFS, World Economic Outlook database, and World Bank.

Chart 2
Myanmar
Selected Economic Indicators 1994/95-1998/99



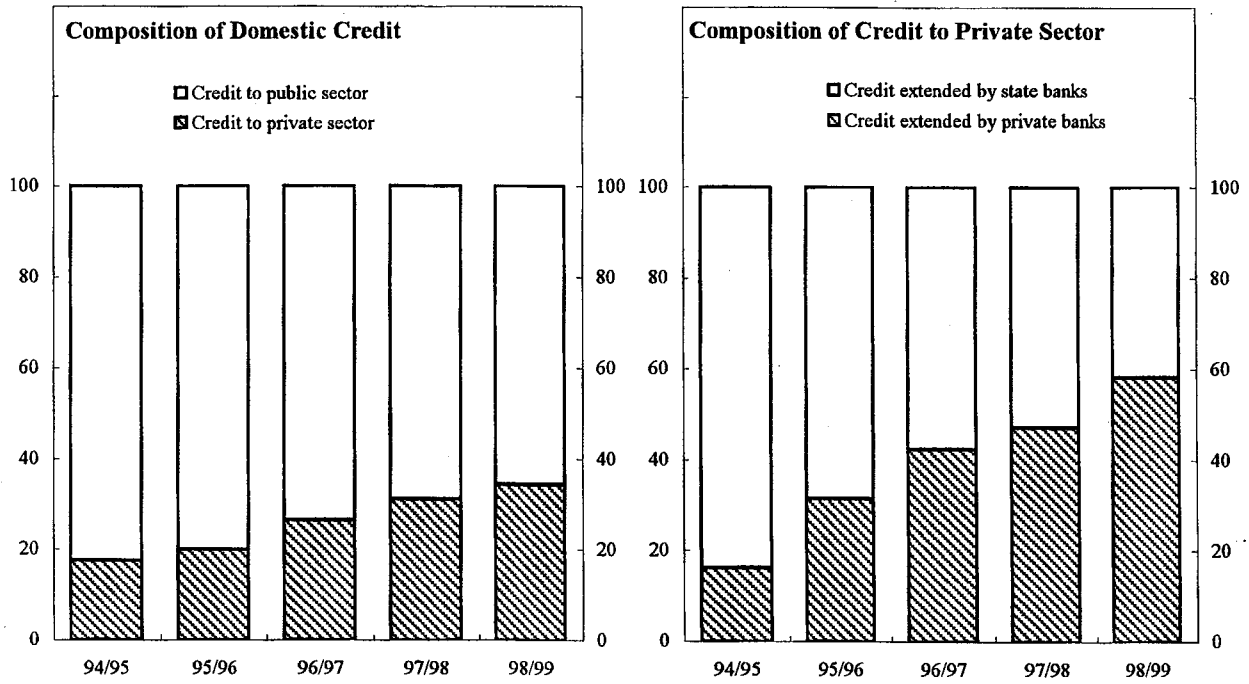
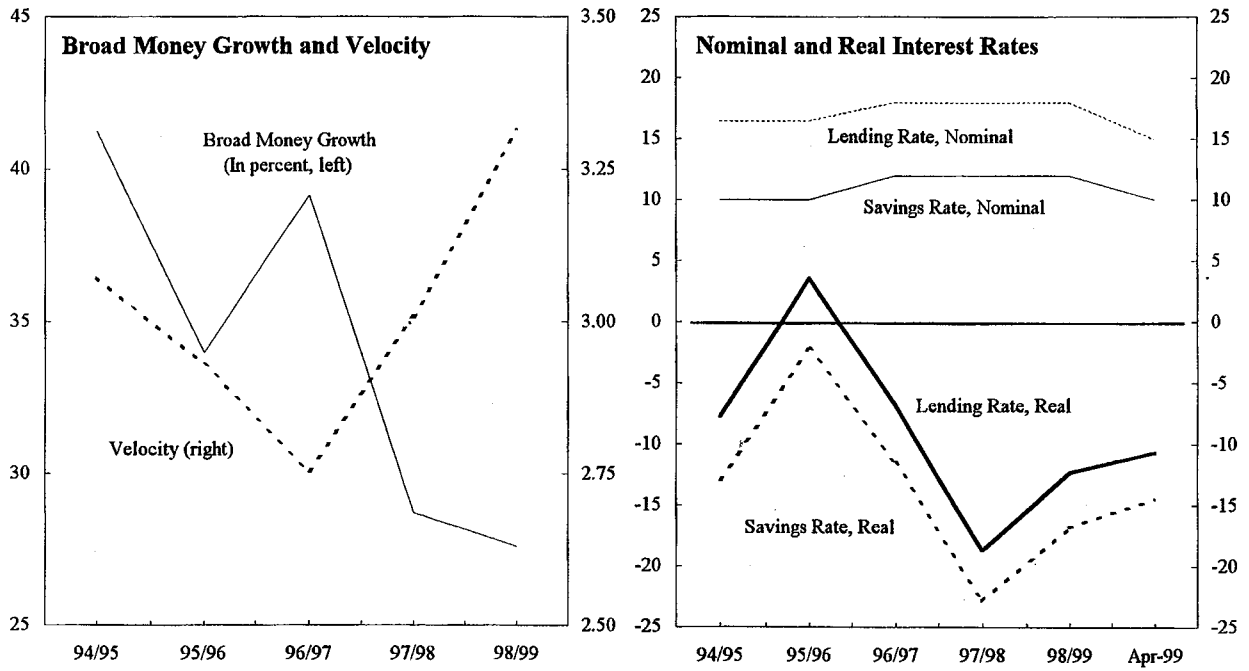
Source: Data provided by Myanmar Authorities; staff estimates and IFS.

Chart 3
Myanmar
Public Sector Developments, 1994/95-1998/99 1/
(In percent of GDP)



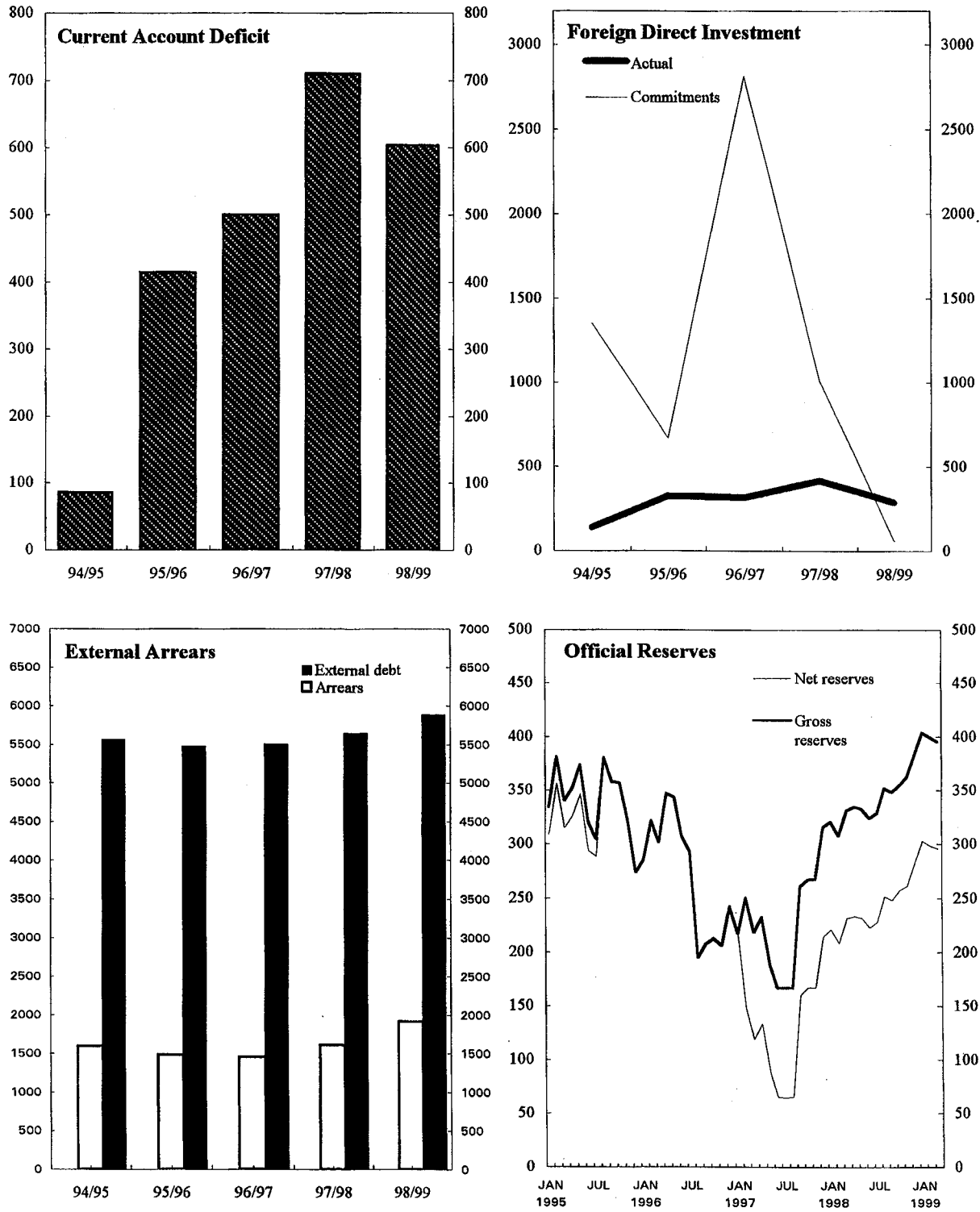
Source: Data provided by the Myanmar Authorities; and staff estimates.
1/ Figures for 1998/99 are staff estimates.

Chart 4
Myanmar
Monetary Developments, 1994/95-1998/99
(In percent)



Source: Data provided by the Myanmar authorities; and staff estimates.

Chart 5
Myanmar
External Indicators, 1994/95-1998/99
(In millions of US dollars)



Source: Data provided by the Myanmar authorities, and staff estimates.

Table 1. Myanmar: Real Gross Domestic Product
by Expenditure Category, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98	1998/99 Provisional
(In millions of kyats at constant 1985/86 prices)					
Consumption	47,955	51,027	52,184	53,182	54,192
Gross investment	13,029	16,743	18,913	20,889	22,733
Fixed investment	12,640	16,201	19,887	21,484	23,579
Public	6,124	8,051	9,627	9,781	9,806
Private	6,516	8,150	10,260	11,703	13,773
Changes in stocks	389	542	-974	-595	-846
Gross domestic expenditure	60,984	67,770	71,097	74,071	76,925
Net exports of goods and nonfactor services	1,422	-1,028	-55	986	1,850
Exports	6,528	5,089	5,608	6,798	7,977
Imports	5,106	6,117	5,663	5,812	6,127
GDP at constant prices	62,406	66,742	71,042	75,057	78,775
(Percentage change)					
Consumption	-5.2	6.4	2.3	1.9	1.9
Gross investment	24.4	28.5	13.0	10.4	8.8
Fixed investment	23.5	28.2	22.8	8.0	9.8
Public	39.2	31.5	19.6	1.6	0.3
Private	11.7	25.1	25.9	14.1	17.7
Exports	13.4	-22.0	10.2	21.2	17.3
Imports	-41.7	19.8	-7.4	2.6	5.4
Gross domestic expenditure	-0.1	11.1	4.9	4.2	3.9
GDP	7.5	6.9	6.4	5.7	5.0

Source: Data provided by the Myanmar authorities.

Table 2. Myanmar: Gross Domestic Product by Expenditure Category, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98	1998/99 Provisional
(In millions of kyats, at current prices)					
Consumption	416,312	522,144	697,904	977,558	1,395,393
Gross investment	58,471	86,122	97,051	139,963	173,087
Fixed investment	54,596	82,582	118,313	150,240	184,214
Public	25,783	41,035	57,275	68,402	70,763
Private	28,813	41,547	61,038	81,838	113,451
Change in stocks	3,875	3,540	-21,262	-10,277	-11,127
Net exports of goods and nonfactor services	-2,009	-4,664	-4,955	-7,967	-8,480
Exports	7,092	7,165	7,696	6,290	7,144
Imports	9,101	11,829	12,651	14,257	15,624
GDP at market prices	472,774	603,602	790,000	1,109,554	1,560,000
Net factor income from abroad	-396	-689	-217	-69	-250
GNP at market prices	472,379	602,913	789,783	1,109,485	1,559,750
(Percentage share in GDP)					
Consumption	88.1	86.5	88.3	88.1	89.4
Gross investment	12.4	14.3	12.3	12.6	11.1
Fixed investment	11.5	13.7	15.0	13.5	11.8
Public	5.5	6.8	7.3	6.2	4.5
Private	6.1	6.9	7.7	7.4	7.3
Exports	1.5	1.2	1.0	0.6	0.5
Imports	1.9	2.0	1.6	1.3	1.0

Source: Data provided by the Myanmar authorities.

Table 3. Myanmar: Gross Domestic Product by Form of Ownership, 1998/99

(In percent of sectoral output)

	State	Cooperatives	Private
Productive sectors	11.4	1.4	87.2
Agriculture	0.2	1.9	97.9
Livestock and fishery	0.3	1.1	98.6
Forestry	46.2	0.6	53.2
Energy	99.9	0.1	0.0
Mining	10.8	1.0	88.2
Manufacturing and processing	28.2	0.9	70.9
Power	99.9	0.1	0.0
Construction	45.8	0.2	54.0
Services	54.4	2.6	43.0
Transportation	29.8	1.0	69.2
Communication	100.0	0.0	0.0
Financial institutions	54.8	14.4	30.8
Social and administrative services	88.8	0.5	10.7
Rentals and other services	3.9	2.9	93.2
Trade	21.3	2.4	76.3
Gross domestic product	21.8	1.9	76.3

Source: Data provided by the Myanmar authorities.

Table 4. Myanmar: Investment and Saving, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98	1998/99 Provisional
(In millions of kyats at current prices)					
Gross capital formation	58,471	86,122	97,051	139,963	173,087
Fixed investment	54,596	82,582	118,313	150,240	184,214
Public	25,783	41,035	57,275	68,402	70,763
Private	28,813	41,547	61,038	81,838	113,451
Change in stocks	3,875	3,540	-21,262	-10,277	-11,127
National saving	57,962	83,383	94,317	135,882	169,676
Domestic saving	56,462	81,484	91,732	133,059	166,683
Net factor income plus net unrequited transfers from abroad	1,500	1,899	2,585	2,823	2,993
Foreign saving	509	2,739	2,734	4,081	3,411
(Percentage share in GDP)					
Gross capital formation	12.4	14.3	12.3	12.6	11.1
Fixed investment	11.5	13.7	15.0	13.5	11.8
Public	5.5	6.8	7.3	6.2	4.5
Private	6.1	6.9	7.7	7.4	7.3
National saving	12.3	13.8	11.9	12.2	10.9
Domestic saving	11.9	13.5	11.6	12.0	10.7
Foreign saving	0.1	0.5	0.3	0.4	0.2

Source: Data provided by the Myanmar authorities.

Table 5. Myanmar: Real Gross Domestic Product by Sector, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98	1998/99 Provisional
(In millions of kyats at constant 1985/86 prices)					
Commodity producing sectors	37,909	40,456	43,055	45,235	46,967
Agriculture	23,483	24,765	25,698	26,480	27,154
Livestock and fishery	4,435	4,567	5,109	5,472	5,709
Forestry	775	740	756	772	765
Energy	141	154	150	154	148
Mining	611	724	814	1,066	1,245
Manufacturing and processing	5,757	6,192	6,476	6,803	7,259
Power	620	660	745	857	819
Construction	2,087	2,654	3,307	3,631	3,868
Services	10,956	11,979	12,972	14,063	15,225
Transportation	2,672	2,841	3,012	3,183	3,383
Communication	692	863	1,050	1,317	1,510
Financial institutions	740	998	1,216	1,392	1,614
Social and administrative services	4,211	4,471	4,721	5,018	5,362
Rentals and other services	2,641	2,806	2,973	3,153	3,356
Trade	13,541	14,307	15,015	15,759	16,583
Gross domestic product (at constant prices)	62,406	66,742	71,042	75,057	78,775
(Percentage change)					
Commodity producing sectors	6.9	6.7	6.4	5.1	3.8
Agriculture	6.7	5.5	3.8	3.0	2.5
Livestock and fishery	6.0	3.0	11.9	7.1	4.3
Forestry	-14.4	-4.5	2.2	2.1	-0.9
Energy	..	9.2	-2.6	2.4	-3.6
Mining	-6.7	18.5	12.4	31.0	16.8
Manufacturing and processing	8.5	7.6	4.6	5.0	6.7
Power	4.9	6.5	12.9	15.0	-4.4
Construction	15.7	27.2	24.6	9.8	6.5
Services	10.0	9.3	8.3	8.4	8.3
Transportation	11.2	6.3	6.0	5.7	6.3
Communication	20.3	24.7	21.7	25.4	14.7
Financial institutions	47.1	34.9	21.8	14.4	16.0
Social and administrative services	6.8	6.2	5.6	6.3	6.8
Rentals and other services	4.0	6.2	6.0	6.1	6.4
Trade	7.1	5.7	4.9	5.0	5.2
Gross domestic product (at constant prices)	7.5	6.9	6.4	5.7	5.0

Source: Data provided by the Myanmar authorities.

Table 6. Myanmar: Gross Domestic Product by Sector, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98	1998/99 Provisional
(In millions of kyats, at current prices)					
Commodity producing sectors	338,554	421,922	543,502	771,996	970,561
Agriculture	260,801	321,550	405,506	583,437	730,983
Livestock and fishery	32,367	36,440	51,063	69,037	88,361
Forestry	4,497	4,795	6,758	7,122	10,368
Mining	2,416	2,982	4,761	5,547	6,976
Manufacturing and processing	29,516	41,347	53,341	78,801	98,107
Power	1,218	1,751	2,091	1,558	2,038
Construction	7,739	13,057	19,982	26,494	33,727
Services	32,792	41,797	53,727	78,406	119,719
Transportation	12,259	17,056	22,428	40,848	71,677
Communication	1,252	1,662	2,033	2,879	6,449
Financial institutions	768	1,041	1,370	1,475	1,549
Social and administrative services	9,906	10,704	12,558	13,293	15,952
Rentals and other services	8,607	11,334	15,338	19,911	24,092
Trade	101,428	139,883	192,771	257,613	469,720
Gross domestic product (at current prices)	472,774	603,602	790,000	1,109,554	1,560,000
(Percentage share in GDP)					
Commodity producing sectors	71.6	69.9	68.8	69.6	62.2
Agriculture	55.2	53.3	51.3	52.6	46.9
Livestock and fishery	6.8	6.0	6.5	6.2	5.7
Forestry	1.0	0.8	0.9	0.6	0.7
Mining	0.5	0.5	0.6	0.5	0.4
Manufacturing and processing	6.2	6.9	6.8	7.1	6.3
Power	0.3	0.3	0.3	0.1	0.1
Construction	1.6	2.2	2.5	2.4	2.2
Services	6.9	6.9	6.8	7.1	7.7
Transportation	2.6	2.8	2.8	3.7	4.6
Communication	0.3	0.3	0.3	0.3	0.4
Financial institutions	0.2	0.2	0.2	0.1	0.1
Social and administrative services	2.1	1.8	1.6	1.2	1.0
Rentals and other services	1.8	1.9	1.9	1.8	1.5
Trade	21.5	23.2	24.4	23.2	30.1

Source: Data provided by the Myanmar authorities.

Table 7. Myanmar: Output and Yield of Major Crops, 1994/95-1998/99

	1994/95	1995/96	1996/97	1997/98	1998/99
(In thousands of metric tons)					
Output					
Paddy	18,195	17,953	17,673	16,651	17,848
Wheat	89	78	87	92	92
Maize	284	275	286	308	303
Pulses	1,109	1,337	1,370	1,597	1,678
Groundnuts	500	593	559	540	502
Sesame	304	304	344	296	186
Sunflower	117	164	92	90	184
Cotton	86	165	168	164	189
Jute	35	43	39	33	33
Sugarcane	2,375	3,342	4,042	5,136	5,927
Myanma tobacco	35	41	47	57	46
Virginia tobacco	18	22	23	25	29
Rubber	27	26	26	27	26
(In kilograms per hectare of harvested area)					
Yield					
Paddy	3,168	2,976	3,064	3,079	3,103
Wheat	832	857	967	1,045	902
Maize	1,701	1,708	1,733	1,913	1,804
Pulses	655	667	709	781	702
Groundnuts	1,006	1,151	1,169	1,211	1,082
Sesame	269	336	339	382	276
Sunflower	654	759	754	783	641
Cotton	483	509	564	667	604
Jute	946	915	907	971	892
Sugarcane (mt per ha)	45	51	48	48	47
Myanma tobacco	1,250	1,640	1,621	1,727	1,643
Virginia tobacco	6,000	5,500	5,750	6,250	5,800
Rubber	519	531	565	563	520

Source: Data provided by the Myanmar authorities.

Table 8. Myanmar: Harvested Acreage Under Major Crops, 1994/95 - 1998/99

(In thousands of hectares)

	1994/95	1995/96	1996/97	1997/98	1998/99
Paddy	5,743	6,033	5,768	5,408	5,751
Wheat	107	91	90	88	102
Maize	167	161	165	161	168
Pulses	1,693	2,006	1,932	2,046	2,391
Groundnuts	497	515	478	446	464
Sesame	1,132	904	1,015	774	673
Sunflower	179	216	122	115	287
Cotton	178	324	298	246	313
Jute	37	47	43	34	37
Sugarcane	53	66	84	106	127
Myanma tobacco	28	25	29	33	28
Virginia tobacco	3	4	4	4	5
Rubber	52	49	46	48	50
Total	9,869	10,441	10,074	9,509	10,396

Source: Data provided by the Myanmar authorities.

Table 9. Myanmar: Production of Selected Minerals
by State Economic Enterprises (SEEs), 1994/95-1998/99

(In metric tons unless otherwise stated)

	1994/95	1995/96	1996/97	1997/98	1998/99
Tin concentrate	565	491	230	154	113
Tungsten concentrate	148	144	24	18	43
Tin and tungsten concentrate	48	24	28	31	40
Tin, tungsten, and scheelite mixed concentrate	1,324	1,082	779	788	298
Refined lead	2,068	1,512	1,886	1,913	1,855
Zinc concentrate	3,475	1,609	1,599	1,303	1,236
Copper ore ('000 long tons)	1,200	1,084	1,024	472	...
Refined silver ('000 ounces)	164	112	65	112	117
Coal ('000 long tons)	31	35	31	29	31
Gold (troy ounces)	11,876	7,757	12,475	13,179	12,269

Source: Data provided by the Myanmar authorities.

Table 10. Myanmar: Supply of Primary Energy, 1994/95-1998/99 1/

	1994/95	1995/96	1996/97	1997/98	1998/99
(In thousands of barrel of crude oil or equivalent)					
Commercial primary energy	13,423	13,622	13,903	14,471	13,894
Crude oil	5,040	4,277	3,787	3,531	3,378
Natural gas 1/	8,084	9,028	9,789	10,612	10,176
Hydroelectricity 2/	299	317	327	328	340
(Percentage change)					
Commercial primary energy	13.4	1.5	2.1	4.1	-4.0
Crude oil	-3.7	-15.1	-11.5	-6.8	-4.3
Natural gas	24.9	11.7	8.4	8.4	-4.1
Hydroelectricity	118.2	6.0	3.2	0.3	3.7

Source: Data provided by the Myanmar authorities.

1/ Converted at 1 million cubic feet of natural gas = 167.1 barrels of crude oil.

2/ Converted at 1 million kwh = 80.6 barrels of oil.

Table 11. Myanmar: Production, Trade, and Consumption of Oil and Natural Gas, 1994/95-1998/99

(In thousands of barrels) 1/

	1994/95	1995/96	1996/97	1997/98	1998/99
Total production					
(in crude oil equivalent)	13,124	13,305	13,576	14,143	13,554
Crude oil	5,040	4,277	3,787	3,531	3,378
Natural gas					
(in crude oil equivalent) 2/	8,084	9,028	9,789	10,612	10,176
Utilization					
Domestic consumption 3/	12,291	12,528	12,859	13,527	12,968
Crude oil	4,207	3,500	3,070	2,915	2,792
Natural gas (in crude					
oil equivalent) 2/	8,084	9,028	9,789	10,612	10,176
Of which					
Electricity generation	5,009	5,883	6,698	5,572	6,885
Trade					
Exports of oil products					
(in crude oil equivalent)	164	270	274	57	217

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

1/ One barrel = 42 U.S. gallons.

2/ The conversion factor used is 1 million cu. ft. of natural gas = 167.1 barrels of crude oil (1 million BTUs = 1,000 cu. ft. of natural gas).

3/ Including changes in stock.

Table 12. Myanmar: Domestic Output of Petroleum
Products, 1994/95-1998/99

(In millions of gallons)

	1994/95	1995/96	1996/97	1997/98	1998/99
Gasoline	58.3	49.8	53.2	77.7	81.8
Diesel fuel	106.1	83.3	91.5	123.1	119.1
Furnace oil	24.0	20.8	24.5	25.7	25.1
Kerosene	0.2	0.2	0.3	0.2	0.0
Aviation fuel	14.5	13.9	14.4	15.7	14.1

Source: Data provided by the Myanmar authorities.

Table 13. Myanmar: Use of Petroleum Products by Industries, 1994/95-1998/99

(In thousands of barrels)

	1994/95	1995/96	1996/97	1997/98	1998/99
Agriculture	576	784	673	969	1,183
Livestock and fishery	54	39	35	225	497
Forestry	242	331	241	255	324
Mining	126	311	297	288	260
Manufacturing and processing	484	541	524	526	473
Power	345	438	360	442	553
Construction	106	483	562	1,321	1,629
Transportation	1,243	1,111	1,210	1,025	980
Other	3,404	3,627	3,591	4,002	5,064
Total	6,580	7,665	7,493	9,053	10,963

Source: Data provided by the Myanmar authorities.

Table 14. Myanmar: Official Retail Prices of Major Petroleum Products, 1994-98

(In kyats per liter; end of period)

	1994	1995	1996	1997	1998
Gasoline					
Official	5.5	5.5	5.5	39.6	39.6
Diesel fuel					
Official	4.4	4.4	4.4	35.2	35.2
Furnace oil					
Official	2.6	2.6	2.6	2.6	2.6
Kerosene					
Official	3.3	3.3	3.3	3.3	3.3
Memorandum items:					
Import unit value 1/					
Crude oil	21.5	22.0	24.4	26.1	17.8
Diesel oil	24.8	29.6	24.7	29.2	20.4
Imports ('000 barrels)					
Crude oil	2,437	3,552	2,871	4,501	5,050
Diesel oil	864	1,377	1,636	1,498	3,594

Source: Data provided by the Myanmar authorities.

1/ US\$ per barrel, c.i.f. basis.

Table 15. Myanmar: Generation and Consumption of Electricity, 1994/95-1998/99

(In millions of kilowatt hours)

	1994/95	1995/96	1996/97	1997/98	1998/99
Electricity					
Electric generation 1/	3,632	3,763	4,130	4,834	4,107
Hydroelectricity	1,659	1,596	1,622	1,700	902
Steam	79	63	59	215	229
Gas	1,852	2,061	2,409	2,866	2,922
Diesel	42	43	40	53	54
Total consumption	2,218	2,262	2,434	2,676	2,668
Domestic	983	972	1,089	1,206	1,119
Industrial	863	876	876	914	949
Hospitals, offices, schools, etc	302	340	393	473	511
Other	70	74	76	83	89
Departmental Use	40	63	98	112	104
Losses 2/	1,414	1,501	1,696	2,158	1,439
Memorandum items:					
Length of electric power lines of MEPE (miles)	12,673	12,834	13,066	13,181	13,485
Electric generating capacity (megawatts)	837	982	1,033	1,042	1,055
Of which: Hydroelectric	299	317	327	328	340
Unit sales price (in kyat)	0.9	1.3	1.3	1.4	1.5
Unit cost (in kyat)	0.6	0.8	0.8	1.2	2.1
Ratio of losses to generation (in percent)	38.9	39.9	41.1	44.6	35.0

Source: Data provided by the Myanmar authorities.

1/ Units generated by the Myanmar Electric Power Enterprise (MEPE) only.

2/ Includes losses in generation, transmission, and distribution.

Table 16. Myanmar: Population and Employment, 1994/95-1997/98

(In thousands unless otherwise specified)

	1994/95	1995/96	1996/97	1997/98
Population 1/	43,922	44,743	45,570	46,400
Growth rate (in percent)	1.9	1.9	1.8	1.8
Total employment	17,230	17,587	17,964	18,337
Growth rate (in percent)	2.5	2.1	2.1	2.1
Agriculture	11,115	11,272	11,381	11,507
Livestock and fishery	388	388	391	397
Forestry	186	188	188	189
Mining	105	116	132	121
Manufacturing and processing	1,410	1,481	1,573	1,666
Construction	327	354	378	400
Power	18	19	21	26
Transportation and communication	431	441	470	495
Social services	548	563	577	597
Administration	739	776	835	888
Trade	1,663	1,715	1,746	1,781
Other	300	274	272	270
Employment by sector	17,230	17,587	17,964	18,337
Public sector 2/	1,382	1,378	1,381	1,411
Private sector and cooperatives	15,848	16,209	16,583	16,948
Percentage share of total	92	92	92	92
Memorandum item:				
Labor force 3/	18,296	18,766	19,248	19,743
Urban	4,094	4,199	4,307	4,418
Rural	14,202	14,567	14,941	15,325

Source: Data provided by the Myanmar authorities.

1/ Data for mid-fiscal year.

2/ Including casual labor.

3/ Estimates based on the Myanmar Labor Force Survey, 1990.

Table 17. Myanmar: Yangon Consumer Price Index 1995/96-1998/99

	Weights	1995/96	1996/97	1997/98	1998/99	1997				1998				1999
						Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.
(1986 = 100; annual average, end of month)														
All items	100.0	736	883	1,182	1,762	960	1,014	1,185	1,264	1,393	1,693	1,786	1,856	1,863.2
Food and beverages	64.9	857	1,052	1,405	2,113	1,149	1,213	1,409	1,501	1,657	2,018	2,134	2,237	2,240.2
Tobacco	2.3	308	355	706	1,113	467	626	685	736	855	958	1,045	1,096	1,139.8
Fuel and light	8.8	773	853	1,023	1,286	901	894	1,037	1,078	1,162	1,276	1,316	1,302	1,300.2
Clothing	7.1	454	534	718	1,165	567	614	676	791	918	1,194	1,144	1,169	1,191.5
House rent	3.1	396	439	591	796	463	522	578	637	678	839	773	799	803.4
Other	13.8	434	473	682	1,060	508	532	708	741	794	994	1,129	1,133	1,150.1
(12-month percentage change)														
All items		21.8	20.0	33.9	49.1	26.6	25.4	34.1	31.7	45.1	67.0	50.7	46.8	33.7
Food and beverages		23.8	22.8	33.6	50.3	29.5	27.1	33.0	29.6	44.2	66.4	51.4	49.0	35.2
Tobacco		3.9	15.0	99.1	57.7	52.5	96.2	92.2	104.8	83.2	53.0	52.6	48.9	33.3
Fuel and light		15.3	10.3	20.0	25.7	17.5	10.9	23.0	21.4	29.0	42.7	26.8	20.8	11.8
Clothing		14.2	17.5	34.5	62.2	13.4	18.0	27.7	44.3	61.9	94.6	69.3	47.8	29.7
House rent		25.5	10.8	34.5	34.8	16.3	24.3	36.6	41.8	46.3	60.6	33.7	25.3	18.6
Other		18.0	9.1	44.3	55.3	16.5	21.4	52.8	47.9	56.2	87.1	59.6	53.0	44.8

Source: Data provided by the Myanmar authorities.

Table 18. Myanmar: Summary Operations of the Nonfinancial Public Sector, 1995/96-1998/99

(In billions of kyats)

	1995/96	1996/97	1997/98	1998/99 Budget	1998/99 Staff Est.
Union Government					
Receipts	40.2	53.8	88.3	80.4	113.9
Tax revenue	20.9	28.9	45.9	35.1	52.2
Transfers from SEEs	10.5	15.4	26.9	34.2	41.9
Other nontax revenue	7.7	8.8	13.9	10.5	19.1
Foreign grants 1/	1.1	0.6	1.6	0.6	0.6
Expenditures 2/	64.8	76.6	97.9	72.1	114.6
Current expenditures	33.5	39.0	48.0	49.3	62.7
Wages/Salaries	9.3	9.3	8.1	...	8.2
Goods and services	8.5	9.9	14.3	...	19.0
Maintenance and repairs	9.1	10.5	15.2	...	18.5
Contributions	2.0	2.4	2.6	...	6.1
Interest payments	4.2	6.1	7.8	9.0	11.0
Domestic	3.4	5.8	7.6	8.6	10.6
External (due) 1/	0.8	0.3	0.2	0.4	0.4
Other	0.4	0.8	0.0	...	-0.1
Capital expenditures 3/	31.2	37.6	49.9	22.8	51.9
Current Balance	6.6	14.8	40.3	31.1	51.2
Overall Balance	-24.6	-22.8	-9.6	8.3	-0.7
State Economic Enterprises					
Receipts	87.2	114.6	185.0	283.8	271.9
Expenditures	100.1	143.6	232.4	325.8	341.3
Current	91.0	127.9	214.5	315.0	321.8
Capital	9.2	15.7	17.9	10.8	19.6
Current Balance	-3.8	-13.3	-29.5	-31.2	-49.8
Overall Balance	-12.9	-29.0	-47.4	-42.0	-69.4
Consolidated Accounts					
Receipts	40.2	53.8	88.3	80.4	113.9
Tax	20.9	28.9	45.9	35.1	52.2
Non-tax	18.2	24.2	40.7	44.7	61.0
Grants 1/	1.1	0.6	1.6	0.6	0.6
Expenditures	77.7	105.6	145.3	114.1	184.0
Current	37.3	52.4	77.4	80.6	112.6
Capital	40.4	53.2	67.9	33.6	71.4
Current Balance	2.9	1.4	10.9	-0.2	1.3
Overall Balance	-37.5	-51.8	-57.0	-33.7	-70.1
Financing					
Foreign loans (net on accrual basis)	-0.7	-1.3	-0.6	...	0.8
Foreign loans (gross)	0.7	0.4	1.1	...	2.5
Amortization due	-1.5	-1.7	-1.6	...	-1.7
Change in external arrears 1/	0.1	0.9	1.3	...	1.2
Interest	-0.4	0.3	0.2	...	0.3
Principal	0.5	0.7	1.1	...	0.9
Domestic financing	38.2	53.1	57.6	...	69.3
Domestic bank financing	49.5	34.8	44.7	...	56.0
Central Bank	49.6	34.0	44.4	...	51.2
Commercial banks 4/	-0.1	0.8	0.3	...	4.8
Other	-11.2	18.3	12.9	...	13.3

Sources: Budget Department, Ministry of Finance and Revenue; and staff estimates.

1/ Valued at the official exchange rate.

2/ Excludes off-budget expenditures

3/ Includes net lending.

4/ Includes purchase of Treasury Bonds by commercial banks.

Table 19. Myanmar: Summary Operations of the Nonfinancial Public Sector, 1995/96-1998/99

(In percent of GDP)

	1995/96	1996/97	1997/98	1998/99 Budget	1998/99 Staff Est.
Union Government					
Receipts	6.7	6.8	8.0	7.2	7.3
Tax revenue	3.5	3.7	4.1	3.1	3.3
Transfers from SEEs	1.7	1.9	2.4	3.1	2.7
Other nontax revenue	1.3	1.1	1.3	0.9	1.2
Foreign grants 1/	0.2	0.1	0.1	0.1	0.0
Expenditures 2/	10.7	9.7	8.8	6.4	7.3
Current expenditures	5.6	4.9	4.3	4.4	4.0
Wages/Salaries	1.5	1.2	0.7	...	0.5
Goods and services	1.4	1.3	1.3	...	1.2
Maintenance and repairs	1.5	1.3	1.4	...	1.2
Contributions	0.3	0.3	0.2	...	0.4
Interest payments:	0.7	0.8	0.7	0.8	0.7
Domestic	0.6	0.7	0.7	0.8	0.7
External (due) 1/	0.1	0.0	0.0	0.0	0.0
Other	0.1	0.1	0.0	...	0.0
Capital expenditures 3/	5.2	4.8	4.5	2.0	3.3
Current Balance	1.1	1.9	3.6	2.8	3.3
Overall Balance	-4.1	-2.9	-0.9	0.7	0.0
State Economic Enterprises					
Receipts	14.5	14.5	16.7	25.3	17.4
Expenditures	16.6	18.2	20.9	29.1	21.9
Current	15.1	16.2	19.3	28.1	20.6
Capital	1.5	2.0	1.6	1.0	1.3
Current Balance	-0.6	-1.7	-2.7	-2.8	-3.2
Overall Balance	-2.1	-3.7	-4.3	-3.8	-4.4
Consolidated Accounts					
Receipts	6.7	6.8	8.0	7.2	7.3
Tax	3.5	3.7	4.1	3.1	3.3
Non-tax	3.0	3.1	3.7	4.0	3.9
Grants 1/	0.2	0.1	0.1	0.1	0.0
Expenditures	12.9	13.4	13.1	10.2	11.8
Current	6.2	6.6	7.0	7.2	7.2
Capital	6.7	6.7	6.1	3.0	4.6
Current Balance	0.5	0.2	1.0	0.0	0.1
Overall Balance	-6.2	-6.6	-5.1	-3.0	-4.5
Financing					
Foreign loans (net accrual) 1/	6.2	6.6	5.1	3.0	4.5
Change in external arrears 1/	-0.1	-0.2	0.0	...	0.1
Domestic financing	0.0	0.1	0.1	...	0.1
Domestic bank financing	6.3	6.6	5.1	...	4.4
Other	8.3	4.4	4.0	...	3.6
Other	-2.0	2.3	1.2	...	0.9
Memorandum items:					
Union Government balance exclusive of SEE transfers	-5.8	-4.8	-3.3	-2.3	-2.7
SEE balance exclusive of transfers	-0.4	-1.7	-1.9	-0.7	-1.8

Sources: Budget Department, Ministry of Finance and Revenue; and staff estimates.

1/ Valued at the official exchange rate.

2/ Excludes off-budget expenditures.

3/ Includes net lending.

Table 20. Myanmar: Union Government Revenues, 1995/96-1998/99

	1995/96	1996/97	1997/98	1998/99 Budget	1998/99 Staff Est.
(In billions of kyats)					
Total revenue and grants	40.2	53.8	88.3	80.4	113.9
Tax revenue	20.9	28.9	45.9	35.1	52.2
Taxes on Income	7.6	9.2	15.3	12.3	20.9
Income Tax	4.2	6.2	11.1	...	16.6
Profit tax	3.3	3.0	4.2	...	4.3
Commercial tax	7.1	9.5	18.1	13.9	22.7
Taxes on property use	0.8	1.0	1.6	1.4	1.7
Land tax	0.1	0.1	0.1	0.1	0.1
Extraction of forestry products	0.3	0.4	0.7	0.7	0.7
Fisheries Tax	0.4	0.4	0.7	0.6	0.9
Customs Duties	4.5	7.8	8.6	5.5	5.2
Excise Duties	0.1	0.1	0.2	0.1	0.2
Other	0.9	1.4	2.3	1.9	1.5
Import license fee	0.2	0.2	0.2	0.2	0.2
Motor vehicle tax	0.1	0.2	0.8	0.4	0.7
Stamp duties	0.5	0.9	1.3	1.3	0.6
Nontax revenue	18.2	24.2	40.7	44.7	61.0
Transfers from SEEs	10.5	15.4	26.9	34.2	41.9
Other	7.7	8.8	13.9	10.5	19.1
Registration fees	0.0	0.1	0.1	0.1	0.1
School fees	0.3	0.4	0.2	0.9	1.0
Mechanized Agricultural Department receipts	0.7	2.2	1.0	1.9	3.1
Union Government capital receipts	0.9	0.8	0.8	0.8	0.8
Other Union Government receipts	3.9	2.9	7.8	3.2	9.8
Representative Bodies receipts	0.1	0.1	0.1	0.1	0.0
Public Debt Account receipts	0.2	0.2	0.1	0.1	0.1
State Lottery	1.5	2.2	3.7	3.5	4.2
Foreign grants 1/	1.1	0.6	1.6	0.6	0.6
(In percent of GDP)					
Total revenue and grants	6.7	6.8	8.0	7.2	7.3
Tax revenue	3.5	3.7	4.1	3.1	3.3
Taxes on Income	1.3	1.2	1.4	1.1	1.3
Income Tax	0.7	0.8	1.0	0.0	1.1
Profit tax	0.6	0.4	0.4	0.0	0.3
Commercial tax	1.2	1.2	1.6	1.2	1.5
Taxes on property use	0.1	0.1	0.1	0.1	0.1
Customs Duties 2/	0.8	1.0	0.8	0.4	0.3
Other 1/	0.1	0.2	0.2	0.0	0.1
Nontax revenue	3.0	3.1	3.7	4.0	3.9
Transfers from SEEs	1.7	1.9	2.4	3.1	2.7
Other	1.3	1.1	1.3	0.9	1.2
Foreign grants 1/	0.2	0.1	0.1	0.1	0.0

Sources: Budget Department, Ministry of Finance and Revenue; and staff estimates.

1/ Valued at the official exchange rate.

2/ Including excise duties.

Table 21. Myanmar: Union Government Expenditure by Functional Classification, 1995/96-1998/99 1/

(In billions of kyats)

	1995/96.	1996/97	1997/98	1998/99 Budget	1998/99 Staff Est.
Total expenditure 2/	64.8	76.6	97.9	72.1	114.6
Current expenditure	33.5	39.0	48.0	49.3	62.7
General Services	3.2	3.3	5.1	4.1	4.9
SPDC etc.	0.7	0.6	0.9	0.9	1.0
Home	2.2	2.4	2.7	2.8	3.5
Information	0.2	0.2	0.2	0.3	0.3
Foreign Affairs	0.1	0.1	1.2	0.2	0.2
Defense	10.7	13.1	14.7	16.2	17.8
Economic Services	5.8	7.2	10.0	10.1	12.7
Agriculture and Forestry	3.0	4.3	5.0	5.7	6.6
Industry	0.1	0.0	0.0	0.1	0.1
Mines	0.1	0.1	0.1	0.1	0.1
Transport and Communications	0.2	0.2	0.3	0.3	0.3
Public Works and Housing	1.7	1.9	3.8	3.1	4.6
Trade	0.0	0.0	0.1	0.1	0.1
Co-operatives	0.2	0.3	0.3	0.3	0.3
Planning and Finance	0.6	0.4	0.6	0.5	0.6
Social Services	7.7	7.8	8.9	9.2	10.3
Education	4.5	4.9	5.3	5.7	6.4
Health	1.0	1.1	1.6	1.3	1.6
Pensions and Gratuities	1.9	1.6	1.7	1.8	2.0
Labour	0.0	0.0	0.0	0.1	0.1
Social Welfare	0.2	0.2	0.3	0.2	0.3
Total interest payments	4.2	6.1	7.8	9.0	11.0
Other current expenditure 3/	1.9	1.5	1.5	0.8	6.1
Capital expenditure	31.2	37.6	49.9	22.8	51.9
Representative Bodies	0.5	0.3	0.6	0.3	0.8
General Services	1.1	1.5	1.4	0.8	1.3
Defense	13.1	11.3	15.5	8.3	18.2
Economic Services	12.9	15.3	24.5	9.6	24.5
Agriculture and Forestry	6.7	7.0	8.2	3.9	6.9
Industry	0.0	0.0	0.0	0.0	0.0
Mines	0.0	0.0	0.0	0.0	0.0
Transport and Communications	1.5	1.4	2.2	2.2	5.1
Public Works and Housing	4.5	6.6	13.9	3.2	12.3
Planning and Finance	0.2	0.2	0.2	0.2	0.2
Social Services	3.3	7.4	6.6	3.3	4.6
Education	2.0	5.4	4.7	2.3	3.2
Health	1.3	2.0	1.9	1.0	1.3
Other 4/	0.3	1.9	1.3	0.4	2.4

Sources: Budget Department, Ministry of Finance and Revenue; and staff estimates.

1/ On a cash basis, except for interest payments.

2/ Excludes off-budget expenditures.

3/ Includes contributions to international organizations, Reserve Fund, and unallocated expenditure.

4/ Includes net lending.

Table 22. Myanmar: Union Government Expenditure by Functional Classification, 1995/96-1998/99 1/

(In percent of GDP)

	1995/96	1996/97	1997/98	1998/99 Budget	1998/99 Staff Est.
Total expenditure 2/	10.7	9.7	8.8	6.4	7.3
Current expenditure	5.6	4.9	4.3	4.4	4.0
General Services	0.5	0.4	0.5	0.4	0.3
SPDC etc.	0.1	0.1	0.1	0.1	0.1
Home	0.4	0.3	0.2	0.2	0.2
Information	0.0	0.0	0.0	0.0	0.0
Foreign Affairs	0.0	0.0	0.1	0.0	0.0
Defense	1.8	1.7	1.3	1.4	1.1
Economic Services	1.0	0.9	0.9	0.9	0.8
Agriculture and Forestry	0.5	0.5	0.5	0.5	0.4
Public Works and Housing	0.3	0.2	0.3	0.3	0.3
Other	0.2	0.1	0.1	0.0	0.0
Social Services	1.3	1.0	0.8	0.8	0.7
Education	0.7	0.6	0.5	0.5	0.4
Health	0.2	0.1	0.1	0.1	0.1
Pensions and Gratuities	0.3	0.2	0.2	0.2	0.1
Labour	0.0	0.0	0.0	0.0	0.0
Social Welfare	0.0	0.0	0.0	0.0	0.0
Total interest payments	0.7	0.8	0.7	0.8	0.7
Other current expenditure 3/	0.3	0.2	0.1	0.1	0.4
Capital expenditure	5.2	4.8	4.5	2.0	3.3
Representative Bodies	0.1	0.0	0.1	0.0	0.1
General Services	0.2	0.2	0.1	0.1	0.1
Defense	2.2	1.4	1.4	0.7	1.2
Economic Services	2.1	1.9	2.2	0.9	1.6
Agriculture and Forestry	1.1	0.9	0.7	0.4	0.4
Public Works and Housing	0.7	0.8	1.3	0.3	0.8
Other	0.3	0.2	0.2	0.2	0.3
Social Services	0.6	0.9	0.6	0.3	0.3
Education	0.3	0.7	0.4	0.2	0.2
Health	0.2	0.3	0.2	0.1	0.1
Other 4/	0.1	0.2	0.1	0.0	0.2

Sources: Budget Department, Ministry of Finance and Revenue; and staff estimates.

1/ On a cash basis, except for interest payments.

2/ Excludes off-budget expenditures.

3/ Includes contributions to international organizations, Reserve Fund, and unallocated expenditure.

4/ Includes net lending.

Table 23. Myanmar: Sectoral Breakdown of SEEs' Financial Position, 1995/96-1998/99 1/

	1995/96	1996/97	1997/98	1998/99 Est.
	(In millions of kyats)			
Agriculture and forestry	-3,868	-5,418	-16,422	-16,476
Current balance	-3,207	-4,520	-14,500	-10,468
Capital expenditure	661	898	1,922	6,008
Fisheries and pearls	-158	-122	-152	-28
Current balance	-119	-1	-100	5
Capital expenditure	39	121	52	33
Industrial	1,775	564	5,118	-2,572
Current balance	2,164	1,613	6,202	-1,083
Capital expenditure	389	1,049	1,084	1,489
Minerals	-342	-1,909	-2,237	-2,376
Current balance	-185	-1,223	-1,914	-1,724
Capital expenditure	157	686	323	652
Construction	-402	-161	-395	-999
Current balance	38	144	-295	-851
Capital expenditure	440	305	100	148
Power	-1,002	-1,985	-3,784	-4,201
Current balance	343	516	366	-1,158
Capital expenditure	1,345	2,501	4,150	3,043
Transport	-3,817	-8,808	-7,501	-7,899
Current balance	968	8	1,694	-422
Capital expenditure	4,785	8,816	9,195	7,477
Trade council	-5,778	-13,065	-26,383	-36,929
Current balance	-4,999	-12,319	-25,745	-36,600
Capital expenditure	779	746	638	329
Other	622	1,854	4,179	2,061
Current balance	1,236	2,416	4,738	2,456
Capital expenditure	614	562	559	395
Total SEEs				
Current balance	-3,761	-13,366	-29,554	-49,845
Capital expenditure 2/	9,209	15,684	18,023	19,574
Overall balance	-12,970	-29,050	-47,577	-69,419
	(In percent of GDP)			
Total SEEs				
Current balance	-0.6	-1.7	-2.7	-3.2
Capital expenditure 2/	1.5	2.0	1.6	1.3
Overall balance	-2.1	-3.7	-4.3	-4.4

Sources: Budget Department, Ministry of Finance and Revenue; and staff estimates.

1/ Current surplus is recorded on a cash basis before payments of interest but after contributions to the Union Government.

2/ Gross capital expenditure excluding capital revenue.

Table 24. Myanmar: Monetary Survey, 1995-99 1/

	1995	1996	1997	1998	1999
	March				
	(In millions of Kyats, end-of-period)				
Net foreign assets	-9,048	-10,354	-10,835	-9,263	-7,959
Domestic credit	163,170	229,738	297,660	382,412	486,254
Claims on public sector (net)	134,695	184,156	219,002	263,681	319,691
Claims on private sector	28,475	45,582	78,658	118,731	166,563
<i>Of which</i> : by private banks	4,630	14,355	33,255	55,977	96,790
Other items (net)	-197	-13,229	-19	-4,007	-7,450
Broad money (at official exchange rate)	153,882	206,133	286,806	369,151	470,896
Narrow money	116,081	146,736	198,416	259,148	307,567
<i>Of which</i> : Currency outside banks	106,291	131,730	175,528	223,249	259,894
<i>Of which</i> : FECs outside banks	62	103	205	258	252
Quasi-money	37,801	59,397	88,390	110,003	163,329
<i>Of which</i> : FC-denominated deposits	516	546	523	916	933
Reserve money	110,167	160,452	207,375	249,337	300,778
<i>Of which</i> : Currency in circulation	108,388	136,430	183,782	236,854	277,886
Broad money (at market exchange rate) 2/	164,193	219,357	305,285	412,391	530,208
<i>Of which</i> : FECs outside banks and FC deposits	10,889	13,874	19,208	44,414	60,497
	(Annual percentage change)				
Domestic credit	25.7	40.8	29.6	28.5	27.2
Claims on public sector (net)	24.6	36.7	18.9	20.4	21.2
Claims on private sector	31.3	60.1	72.6	50.9	40.3
<i>Of which</i> : by private banks	182.9	210.1	131.7	68.3	72.9
Broad Money (at official exchange rate)	41.3	34.0	39.1	28.7	27.6
Narrow Money	40.3	26.4	35.2	30.6	18.7
Quasi-money	44.4	57.1	48.8	24.5	48.5
<i>Of which</i> : FC deposits	10.0	5.8	-4.2	75.1	1.9
Reserve money	31.7	45.6	29.2	20.2	20.6
<i>Of which</i> : Currency in circulation	41.2	25.9	34.7	28.9	17.3
Broad money (at market exchange rate) 2/	39.8	33.6	39.2	35.1	28.6
	(Contribution to annual growth of broad money, in percent)				
Domestic credit	30.7	43.3	33.0	29.6	28.1
Claims on public sector (net)	24.4	32.1	16.9	15.6	15.2
Claims on private sector	6.2	11.1	16.0	14.0	13.0
Memorandum items	(In percent)				
Broad money multiplier	1.40	1.28	1.38	1.48	1.57
Velocity	3.1	2.9	2.8	3.0	3.3
Currency/broad money	69.1	63.9	61.2	60.5	55.2
FECs+FC deposits/broad money 2/	6.6	6.3	6.3	10.8	11.4
FC deposits/total deposits 2/	17.2	13.7	11.1	19.3	18.5
Credit to private sector/domestic credit	17.5	19.8	26.4	31.0	34.3
Credit by private banks/domestic credit	2.9	6.4	11.7	15.4	21.6
Private bank deposits/total deposits	13.0	25.6	37.6	45.9	56.0

Sources: Central Bank of Myanmar and staff estimates.

1/ FEC denotes Foreign Exchange Certificates and FC denotes foreign currency denominated deposits.

2/ FECs and FC deposits valued at FEC market exchange rate.

Table 25. Myanmar: Monetary Authorities' Accounts, 1995-99

	1995	1996	1997	1998	1999
	March				
	(In millions of Kyats, end-of-period)				
Foreign assets (net) 1/	5,727	4,319	3,886	3,640	4,927
Domestic credit (net)	131,042	181,280	229,003	270,837	324,003
Claims on central government (net)	124,979	174,548	208,547	252,942	304,152
Claims on deposit money banks	6,063	6,732	20,456	17,895	19,851
Other items (net)	1,833	1,804	1,172	1,443	-359
<i>Of which</i> : Capital accounts	1,088	1,082	1,681	2,882	4,876
Reserve money	110,167	160,452	207,375	249,337	300,778
<i>Of which</i> : Currency issued	108,388	136,430	183,782	236,854	277,886
<i>Of which</i> : FECs issued 2/	67	170	401	694	952
Other (nonreserve) liabilities to deposit money banks	26,382	25,145	24,539	24,438	25,703
Foreign liabilities	1,985	1,794	2,147	2,160	2,093
Memorandum items:	(In millions of U.S. dollars)				
FECs issued, in millions of Kyats 3/	67	170	401	694	952
FECs in banks	5	67	196	436	700
FECs in circulation	62	103	205	258	252
FECs issued, in millions of US dollars, at official rate 3/	11	27	63	109	150
FECs in banks	1	11	31	69	110
FECs in circulation	10	16	32	41	40

Sources: Central Bank of Myanmar and staff estimates

1/ Comprises accounts of the Central Bank of Myanmar and the short-term foreign assets of the Myanmar Foreign Trade Bank, with a contra-entry included in Other (nonreserve) liabilities to deposit money banks.

2/ FEC denotes Foreign Exchange Certificates.

3/ Based on the banks' balance sheets.

Table 26. Myanmar: Bank Deposits and Loans, 1995-98

	1995	1996	1997	1998
	March			
	(In millions of Kyats)			
Deposits and savings certificates	47,689	75,111	110,042	145,789
Demand and Time deposits	11,215	18,020	25,067	41,144
Savings deposits	31,818	51,647	77,694	96,265
Savings certificates	4,656	5,444	7,281	8,380
Loans (incl SEE)	28,538	46,872
SEE	77	48
Loans	28,461	46,824	77,066	114,629
Cooperatives	5,774	5,944	5,817	5,502
Working capital	5,730	5,916	5,797	5,481
Term loans	44	28	20	21
Private sector	22,687	40,880	71,249	109,127
Agriculture	1,550	3,454	3,918	3,504
Other	21,137	37,426	67,331	105,623
<i>Of which : Extended by private banks</i>	4,262	13,400	31,273	51,310
	(Annual percentage change)			
Deposits and savings certificates	43.7	57.5	46.5	32.5
Demand and Time deposits	43.3	60.7	39.1	64.1
Savings deposits	47.6	62.3	50.4	23.9
Savings certificates	22.0	16.9	33.7	15.1
Loans	29.4	64.5	64.6	48.7
SEE	352.9	-37.7
Cooperatives	-6.3	2.9	-2.1	-5.4
Working capital	-6.1	3.2	-2.0	-5.5
Term loans	-24.1	-36.4	-28.6	5.0
Private sector	43.3	80.2	74.3	53.2
Agriculture	7.8	122.8	13.4	-10.6
Other	46.8	77.1	79.9	56.9
<i>Of which : Extended by private banks</i>	167.9	214.4	133.4	64.1
	(Share of total deposits, in percent)			
Deposits and savings certificates	100.0	100.0	100.0	100.0
Demand and Time deposits	23.5	24.0	22.8	28.2
Savings deposits	66.7	68.8	70.6	66.0
Savings certificates	9.8	7.2	6.6	5.7
	(Share of total loans, in percent)			
Loans	100.0	100.0	100.0	100.0
Cooperatives	20.3	12.7	7.5	4.8
Working capital	20.1	12.6	7.5	4.8
Term loans	0.2	0.1	0.0	0.0
Private sector	79.7	87.3	92.5	95.2
Agriculture	5.4	7.4	5.1	3.1
Other	74.3	79.9	87.4	92.1
<i>Of which : Extended by private banks</i>	15.0	28.6	40.6	44.8

Source: Central Bank of Myanmar.

Table 27. Myanmar: Selected Interest Rates, 1995-99

	1995	1996	1997	1998	1999
	March				
Average inflation	22.4	21.8	20.0	33.9	50.0
Central bank rediscount rate	11.0	12.5	15.0 1/	15.0	12.0 7/
Treasury bills and bonds					
Three-month treasury bills	4.0	4.0	4.0	4.0	4.0 7/
Three-year treasury bonds	10.0	10.0	13.5 1/	13.5	10.5 7/
Five-year treasury bonds	10.5	10.5	14.0 1/	14.0	11.0 7/
Deposit rates					
Call deposits	3.0	3.0	6.0	6.0	5.0 8/
Fixed-term deposits					
Three months	8.5	9.5	12.0 1/	12.0	10.0 7/
Six months	9.0	10.0	12.5 1/	12.5	10.5 7/
Nine months	9.5	10.5	13.0 1/	13.0	11.0 7/
Savings bank accounts					
Basic rate	10.0	10.0 -	12.0 1/	12.0	10.0 7/
Savings certificates					
Twelve-year maturity	12.0	12.0	15.0 1/	15.0	12.0 7/
Lending rates					
Cooperatives					
Working capital loans 2/	16.5	16.5	16.5	16.5	15.0 7/
Term loans	15.0	15.0	15.0	15.0	14.5 7/
Private sector					
Agriculture					
To village banks 3/	13.0	13.0	13.0	13.0	13.0
To farmers 4/	18.0	18.0	18.0	18.0	17.0 7/
House repair and other loans 5/	15.0	15.0	15.0	15.0	15.0
Small personal loans	36.0	36.0	36.0	36.0	36.0
Trade 6/					
Working capital loans	16.5	16.5	18.0 1/	18.0	15.0 7/
Term loans	14.5	14.5	16.5 1/	16.5	14.5 7/

Source: Central Bank of Myanmar

1/ Effective from April 1, 1996.

2/ Overdrafts are charged an additional 0.5 percent.

3/ Lending rate of the Myanmar Agricultural Development Bank.

4/ Relending rate of village banks.

5/ For government employees, the rate is generally reduced to 5 percent. Moreover, a special program of interest-free housing loans for civil servants was in place during 1990-93.

6/ For financing of domestic and foreign trade of joint ventures and private entrepreneurs.

7/ Effective from April 1, 1999.

8/ Effective from June 1, 1999.

Table 28. Myanmar: Government Treasury Bonds 1993/94-1998/99

(In millions of Kyats)

	3-year bonds			5-year bonds		
	Sales	Redemptions	Outstanding	Sales	Redemptions	Outstanding
1993/94	36.0	0.0	36.0	6.8	0.0	6.8
1994/95	47.0	0.0	83.0	7.3	0.0	14.1
1995/96	824.7	0.0	907.7	48.7	0.0	62.8
1996/97	1,898.5	36.0	2,770.1	492.1	0.0	554.9
1997/98	2,423.1	47.4	5,145.8	1,787.3	0.0	2,342.1
1998/99	10,477.0	823.9	14,798.9	15,175.6	6.8	17,510.9

Source: Central Bank of Myanmar

Table 29. Myanmar: Balance of Payments, 1994/95-1998/99

(In millions of U.S. dollars)

	1994/95	1995/96	1996/97	1997/98	1998/99 Staff est.
Trade balance	-497	-935	-1,064	-1,280	-1,346
Exports, mainly f.o.b.	917	897	929	1,011	1,134
Imports, mainly c.i.f.	1,414	1,832	1,993	2,291	2,480
Services (net)	89	60	107	106	228
Receipts	295	402	485	554	611
Payments	-205	-342	-378	-449	-382
<i>Of which</i> : Interest due	-75	-70	-64	-73	-73
Private transfers (net)	322	460	457	465	515
Current account balance (excluding grants)	-86	-415	-500	-710	-603
Official grants	107	132	109	259	99
Nonmonetary capital movements	-10	211	102	318	325
Long-term capital (net)	-145	-110	-211	-99	39
Disbursements	101	120	59	171	300
Repayments due	-246	-230	-270	-270	-261
Foreign direct investment	138	324	316	419	288
Other capital (net)	-3	-3	-3	-2	-3
Errors and omissions (net)	-129	53	-39	-66	47
Overall balance	-117	-18	-329	-198	-132
Financing	117	18	329	198	132
Net International Reserves (- increase)	-87	19	193	-43	-64
Gross reserves (- increase)	-87	45	93	-44	-64
Short-term liabilities	0	-25	99	0	0
Net increase in arrears	204	-1	136	242	196
Memorandum items:					
Current account balance (percent of merchandise exports)	-9	-46	-54	-70	-53
Gross reserves (end of period)	426	381	288	331	395
In months of merchandise imports	3.6	2.5	1.7	1.7	1.9
Net Reserves, end-period	401	381	188	232	296
Total debt	5,565	5,479	5,503	5,647	5,882
External debt to exports of goods & services	4.6	4.3	3.9	3.6	3.4
Arrears outstanding 1/	1,600	1,480	1,455	1,608	1,913

Source: Central Bank of Myanmar

1/ Includes valuation adjustments.

Table 30. Myanmar: Merchandise Exports, 1994/95-1998/99

(Value in millions of U.S. dollars; volume in thousand metric tons unless otherwise noted)

	1994/95	1995/96	1996/97	1997/98	1998/99
Total exports, mainly f.o.b.	917.4	896.9	928.5	1010.8	1134.0
Rice and rice products	197.9	78.2	21.3	6.1	39.5
Unit value	190.1	220.9	228.8	215.5	321.1
Volume	1,041.0	354.0	93.1	28.3	123.0
Teak	161.8	160.6	144.6	112.1	135.8
Unit value	1,078.7	1,369.1	1,042.5	812.3	822.5
Volume (000 cubic tons)	150.0	117.3	138.7	138.0	165.1
Base metals and ores	10.3	12.5	5.6	4.8	2.5
Unit value	189.3	365.5	341.5	184.6	390.6
Volume	54.4	34.2	16.4	26.0	6.4
Pulses and beans	135.7	241.5	215.2	225.5	181.6
Unit value	319.4	396.2	361.8	293.3	292.1
Volume	424.9	609.6	594.8	768.9	621.6
Fish and fish products	35.6	28.3	37.2	46.6	51.3
Unit value	495.8	820.3	1,134.1	1,176.8	1,122.5
Volume	71.8	34.5	32.8	39.6	45.7
Hardwood	18.3	25.9	22.1	24.9	33.6
Unit value	219.4	310.9	169.0	161.8	142.8
Volume (000 cubic tons)	83.4	83.3	130.8	153.9	235.3
Rubber	20.8	32.0	28.9	21.5	16.1
Unit value	870.3	1,311.5	1,137.8	990.8	542.1
Volume (000 cubic tons)	23.9	24.4	25.4	21.7	29.7
Animal feedstuffs	3.5	4.6	2.0	0.4	0.1
Unit value	96.2	71.7	127.4	54.8	111.1
Volume	36.4	64.2	15.7	7.3	0.9
Other	333.5	313.3	451.6	568.9	673.5
<i>Of which</i> : Border trade	75.4	35.1	85.7	227.1	300.7

Source: Central Statistical Organization.

Table 31. Myanmar: Imports by Major Categories, 1994/95-1998/99 1/

	1994/95	1995/96	1996/97	1997/98	1998/99
(In millions of U.S. dollars)					
Imports (mainly c.i.f., customs basis)	1,414.2	1,832.0	1,992.8	2,291.2	2,480.0 2/
Capital goods	494.6	648.1	797.6	991.9	1,389.6
Construction materials	80.1	189.8	236.1	281.1	...
Machinery	186.7	141.9	251.9	407.6	...
Transportation	212.3	289.2	284.4	247.9	...
Other	15.5	27.2	25.2	55.3	...
Intermediate goods	314.7	422.7	515.3	538.4	317.0
Raw materials	262.6	358.4	447.5	456.3	...
Tools and spare parts	51.5	63.7	66.8	81.7	...
Fuels	0.6	0.6	1.0	0.4	...
Consumer goods	604.9	761.2	679.9	760.9	773.4 2/
Food	201.8	285.3	128.2	243.2	...
Durable goods	57.7	130.8	125.9	99.0	...
Textiles	52.9	52.2	75.9	119.2	...
Medicines	2.9	3.6	25.5	29.9	...
Other	289.6	289.3	324.4	269.6	...
(Percentage share in total imports)					
Memorandum items:					
Capital goods	35.0	35.4	40.0	43.3	56.0
Intermediate goods	22.3	23.1	25.9	23.5	12.8
Consumer goods	42.8	41.6	34.1	33.2	31.2

Sources: Central Statistical Organization, and staff estimates.

1/ At official exchange rate.

2/ Staff estimate.

Table 32. Myanmar: Trade Indices, 1993/94-1997/98

	1993/94	1994/95	1995/96	1996/97	1997/98
(1985/86 =100)					
Exports					
Value	118.6	161.5	154.2	141.3	142.5
Unit value	68.9	91.3	107.9	101.5	91.5
Volume	172.2	176.9	142.8	139.3	155.7
Imports					
Value	165.0	162.7	214.5	245.2	278.4
Unit value 1/	145.9	163.2	168.4	208.0	230.1
Volume	113.1	99.7	127.4	117.9	121.0
Terms of trade	47.2	55.9	64.1	48.8	39.8
(Changes in percent)					
Exports					
Value	11.3	36.2	-4.5	-8.4	0.8
Unit value	-6.6	32.5	18.2	-5.9	-9.9
Volume	19.2	2.7	-19.3	-2.5	11.8
Imports					
Value	46.3	-1.4	31.8	14.3	13.5
Unit value 1/	4.1	11.9	3.2	23.5	10.6
Volume	40.5	-11.8	27.8	-7.5	2.6
Terms of trade	-10.4	18.4	14.7	-23.9	-18.4

Source: Central Statistical Organization.

1/ On the basis of export unit value indices of trading partners.

Table 33. Myanmar: Direction of Trade, 1994/95-1998/99

(As percent of total exports and imports)

	1994/95		1995/96		1996/97		1997/98		1998/99	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Industrial countries	12.3	31.0	13.2	35.3	17.4	34.3	14.6	23.1	15.2	18.8
European Community	1.8	4.3	3.0	6.6	5.1	4.0	6.4	3.6	4.3	2.5
Of which:										
Germany	0.4	1.6	0.7	3.0	0.8	1.1	1.0	1.1	0.6	0.5
United Kingdom	0.5	0.5	0.8	0.5	1.1	0.4	1.5	0.6	1.2	0.6
Japan	4.9	23.6	5.1	24.3	6.9	20.9	3.8	15.3	4.1	12.7
United States	5.0	1.2	4.3	3.5	4.7	7.7	3.5	2.3	3.2	1.3
Other	0.6	1.9	0.8	0.9	0.7	1.7	0.9	1.9	3.6	2.3
Asia (except Japan)	71.2	63.7	78.8	64.1	73.4	65.2	78.9	76.1	67.8	81.2
China	5.1	12.2	3.9	13.9	6.1	9.5	10.6	9.4	11.2	10.2
Hong Kong SAR	5.0	3.0	7.1	1.6	7.5	2.7	5.8	2.6	4.3	3.3
Indonesia	15.6	3.9	5.9	3.4	2.6	2.7	1.9	4.8	2.0	7.5
India	12.9	3.7	20.6	3.4	16.9	5.1	22.6	4.5	9.8	2.5
Korea	0.7	4.7	1.4	3.9	0.9	3.7	0.8	5.5	1.8	5.2
Malaysia	1.9	9.4	2.9	6.0	5.6	5.9	2.6	7.0	4.9	7.1
Singapore	16.4	14.6	19.6	17.7	18.4	23.7	13.2	31.1	9.4	30.6
Thailand	10.0	10.0	10.6	12.8	9.9	10.1	11.9	9.8	6.3	12.7
Other	3.6	2.2	6.8	1.4	5.5	1.8	9.5	1.4	18.1	2.0
Africa and Middle East	5.7	1.7	1.0	0.1	1.5	0.3	1.0	0.6	1.5	0.0
Other	10.8	3.6	7.0	0.5	7.7	0.2	5.5	0.2	15.5	0.0
Memorandum item:										
Asia (including Japan)	76.1	87.3	83.9	88.4	80.3	86.1	82.7	91.4	71.9	93.9

Source: Central Statistical Organization.

Table 34. Myanmar: Border Trade Flows, 1994/95-1998/99 1/

(In millions of U.S. dollars)

	1994/95	1995/96	1996/97	1997/98	1998/99
Total flows					
Exports	75.4	35.1	85.7	227.1	300.7
Imports	240.0	239.0	249.3	232.8	250.3
China					
Exports	44.5	26.0	51.0	92.6	95.8
Imports	111.2	152.2	127.2	122.4	122.9
Thailand					
Exports	29.7	2.4	14.2	57.0	34.9
Imports	115.2	67.0	101.3	89.3	123.3
India					
Exports	0.8	1.5	2.9	11.0	1.8
Imports	11.6	17.5	12.6	18.7	3.8
Bangladesh					
Exports	0.4	5.2	17.6	66.5	168.2
Imports	2.0	2.3	8.2	2.4	0.3

Source: Central Statistical Organization.

1/ At official exchange rate.

Table 35. Myanmar: Exports and Imports by Sector, 1994/95-1998/99

(In percent of total)

	1994/95	1995/96	1996/97	1997/98	1998/99
Imports	100	100	100	100	100
Private sector	64	66	77	71	67
Cooperative sector	1	1	1	0	0
Public sector	35	33	22	29	33
Exports	100	100	100	100	100
Private sector	50	53	65	74	69
Cooperative sector	2	2	2	2	0
Public sector	48	45	33	24	31

Source : Central Statistical Organization.

Table 36. Myanmar: Services Account, 1994/95-1998/99

(In millions of U.S. dollars)

	1994/95	1995/96	1996/97	1997/98	1998/99
Receipts	294.5	401.8	484.8	554.3	610.6
Nonfactor services	286.1	383.8	478.5	546.5	598.5
Transportation and insurance	3.3	5.6	7.5	9.1	10.9
Travel	143.7	188.9	209.1	176.5	224.9
Government services	13.7	12.1	10.6	14.4	15.2
Other	125.4	177.2	251.3	346.5	347.5
Factor services					
Investment income	8.4	18.0	6.3	7.8	12.1
Payments	205.3	341.5	377.6	448.7	382.4
Nonfactor services	130.3	271.5	314.0	375.7	309.2
Transportation and insurance	21.0	35.1	32.5	23.9	30.9
Travel	13.7	19.4	31.7	38.5	28.8
Government services	11.8	14.6	10.7	15.9	15.9
Other	83.8	202.4	239.1	297.4	233.6
Factor services due	75.0	70.0	63.6	73.0	73.2
<i>Of which: Actual payment</i>	75.5	140.4	26.0	18.8	19.7
Net receipts	89.2	60.3	107.2	105.6	228.2
Private transfers, net	321.6	460.2	457.2	464.8	514.6

Source: Central Bank of Myanmar.

Table 37. Myanmar: Use of Official Grants, 1994/95-1998/99

(In millions of U.S. dollars)

	1994/95	1995/96	1996/97	1997/98	1998/99
Total official grants 1/	107.3	132.3	108.7	258.8	99.0
By type					
For current expenditure 2/	86.1	116.0	101.8	254.0	95.6
For capital expenditure	21.2	16.3	6.9	4.8	3.4

Source: Data provided by the Myanmar authorities.

1/ As shown in the balance of payments table.

2/ Reflects debt relief grants from Japan.

Table 38. Myanmar: Approved and Actual Foreign Direct Investment Inflows, 1994/95-1998/99

(In millions of U.S. dollars)

	1994/95		1995/96		1996/97		1997/98		1998/99	
	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/
Solely foreign-owned venture	246.1	47.6	453.7	210.7	1374.6	159.5	518.7	166.2	32.4	169.2
Joint venture	65.0	30.8	181.3	106.6	1,031.8	107.5	316.3	253.5	22.0	109.0
Other	1,040.0	56.8	33.2	0.3	407.8	1.7	177.9	1.7	0.0	0.0
Total	1,351.9	135.2	668.2	317.6	2,814.2	268.7	1,012.9	421.4	54.4	278.2

Source: Data provided by the Myanmar authorities.

1/ Projects approved by the Myanmar Investment Commission under the provisions of the 1988 Foreign Investment Law; those permits that have been withdrawn or cancelled are adjusted. Exclusive of drawback items.

2/ Investment actually disbursed on projects approved under the Foreign Investment Law. Foreign direct investment on projects not approved under the Law is excluded from this Table but included in the authorities' balance of payment accounts.

Table 39. Myanmar: Foreign Direct Investment by Industry, 1994/95-1998/99

(In millions of U.S. dollars)

	1994/95		1995/96		1996/97		1997/98		1998/99	
	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/
Agriculture	0.0	0.0	0.0	0.0	6.0	0.0	5.7	0.0	0.0	0.0
Manufacturing	76.3	13.8	21.3	30.6	923.5	25.3	319.2	40.9	43.2	10.7
Oil and gas	1039.5	47.4	14.8	189.2	695.6	53.7	172.1	11.3	0.0	67.6
Mining	0.5	9.5	155.8	10.9	178.3	7.3	3.3	52.6	4.9	76.0
Fishery	148.2	6.7	13.1	2.7	17.5	0.9	5.8	4.5	4.8	0.0
Hotels and tourism	86.1	56.6	79.2	70.5	114.9	141.4	274.9	111.4	1.6	46.2
Transport	1.3	1.0	118.9	6.3	47.9	18.0	106.3	48.3	0.0	36.9
Real estate	0.0	0.0	251.5	7.3	623.5	15.6	122.2	22.1	0.0	40.4
Industrial estate	0.0	0.0	12.0	0.0	181.1	6.5	0.0	128.9	0.0	0.0
Other	0.0	0.0	1.7	0.0	25.9	0.0	3.4	1.4	0.0	0.4
Total	1351.9	135.2	668.2	317.6	2814.2	268.7	1012.9	421.4	54.4	278.2

Source: Data provided by the Myanmar authorities.

1/ Projects approved by the Myanmar Investment Commission under the provisions of the 1988 Foreign Investment Law; those permits that have been withdrawn or cancelled are adjusted. Exclusive of drawback items.

2/ Investment actually disbursed on projects approved under the Foreign Investment Law. Foreign direct investment on projects not approved under the Law is excluded from this Table but included in the authorities' balance of payment accounts.

Table 40. Myanmar: Foreign Direct Investment by Country, 1994/95-1998/99

(In millions of U.S. dollars)

	1994/95		1995/96		1996/97		1997/98		1998/99	
	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/	Approved 1/	Actual 2/
Australia	1.0	0.0	1.8	2.8	10.1	0.0	42.0	0.0	0.0	0.0
Austria	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.1	0.0	0.0
Bangladesh	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Canada	0.0	0.0	3.0	0.8	7.5	0.2	5.3	0.0	0.0	0.0
China	4.4	0.1	0.2	3.1	23.1	2.2	0.5	0.4	2.7	0.0
Denmark	0.0	0.0	13.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	455.0	25.0	0.0	86.9	5.4	15.3	0.0	9.8	0.0	46.4
Germany	0.0	0.0	0.0	0.0	15.0	2.9	0.0	0.7	0.0	0.0
Hong Kong SAR	6.1	6.5	0.0	5.7	0.0	7.3	56.9	4.4	8.0	8.5
India	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.5	0.0
Indonesia	0.0	0.0	0.0	0.0	210.9	0.0	25.4	0.2	1.1	0.0
Israel	0.0	0.0	0.0	0.0	0.0	0.0	2.4	1.1	0.0	0.0
Japan	0.0	0.5	18.7	0.4	72.1	6.6	26.9	11.6	8.9	9.8
Republic of Korea	0.2	1.8	0.0	1.4	9.0	0.4	29.7	3.5	0.2	7.0
Macau	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Malaysia	15.8	1.2	157.7	5.7	235.1	5.5	124.8	2.9	0.0	20.2
The Netherlands	3.0	0.3	0.0	2.0	154.8	0.2	0.0	0.2	1.0	0.0
Panama	0.0	0.0	0.0	0.0	0.0	0.0	30.5	0.4	-1.4	0.4
The Philippines	6.7	3.0	0.0	3.2	0.0	0.0	140.0	0.0	0.0	0.0
Singapore	55.1	42.0	288.0	55.5	611.3	132.0	270.6	307.5	14.2	87.9
Sri Lanka	1.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0
Thailand	199.8	18.0	10.2	32.4	605.7	38.5	210.4	26.4	10.8	0.6
United Kingdom	599.8	20.3	160.3	87.6	512.2	54.1	47.5	51.8	4.4	96.4
United States	4.0	16.4	14.8	30.2	341.0	3.0	0.0	0.4	0.0	1.0
Total	1,351.9	135.2	668.2	317.6	2,814.2	268.7	1,012.9	421.4	54.4	278.2

Source: Data provided by Myanmar authorities.

1/ Projects approved by the Myanmar Investment Commission under the provision of the 1988 Foreign Investment Law; those permits that have been withdrawn or cancelled are adjusted. Exclusive of drawback items.

2/ Investment actually disbursed on projects approved under the Foreign Investment Law. Foreign direct investment on projects not approved under the law is excluded from this table but included in the authorities' balance of payments accounts.

Table 41. Myanmar: External Medium- and Long-Term Public Debt,
and Debt Service Payments, 1994/95-1998/99 1/

(In millions of U.S dollars)

	1994/95	1995/96	1996/97	1997/98	1998/99
Total debt outstanding (end of period)	5,565	5,479	5,503	5,647	5,882
Concessional loans	4,821	4,871	4,304	3,920	4,037
Bilateral	3,651	3,694	3,176	2,853	2,973
<i>Of which:</i>					
Japan	2,839	2,813	2,377	2,155	2,239
Germany	522	568	514	452	469
Multilateral	1,169	1,178	1,128	1,067	1,064
<i>Of which:</i>					
IDA	755	797	765	719	720
AsDB	466	356	343	321	319
Suppliers' credit	211	138	421	360	455
Commercial banks	134	144	318	406	450
Short-term 2/	346	326	461	960	941
Debt service payments (cash basis) 3/	117	301	191	104	135
Amortization	42	161	164	80	116
Interest payment	75	140	27	24	19
Debt service payments (due) 3/	321	300	341	312	327
Amortization	246	230	272	252	261
Interest payments	75	70	69	59	67
Total debt outstanding/exports of goods and nonfactor services	4.6	4.3	3.9	3.6	3.4

Sources: Data provided by the Myanmar authorities, and staff estimates.

1/ Data on debt service payments may differ from those implied by commitments and arrears data in the balance of payments.

2/ Includes interest arrears and some principal arrears.

3/ Medium- and long-term debt, including Trust Fund loans and excluding arrears on principal repayments.

Table 42. Myanmar: External Arrears, 1994/95-1998/99 1/

(In millions of U.S. dollars)

	1994/95	1995/96	1996/97	1997/98	1998/99
Stocks 2/					
Total	1,599.5	1,479.6	1,454.7	1,607.8	1,912.8
Principal	1,253.8	1,153.3	1,109.3	1,225.9	1,454.0
Interest	345.7	326.3	345.4	381.9	458.8
Bilateral 2/	1,198.3	1,046.8	1,123.0	1,139.4	1,374.6
Principal	965.1	831.4	871.7	883.1	1,064.5
Interest	233.2	215.3	251.4	256.3	310.1
Private creditors 2/	401.2	432.8	331.5	454.7	490.2
Principal	288.8	321.8	237.6	332.7	356.9
Interest	112.5	111.0	93.9	122.0	133.3

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

1/ End of period. Includes valuation adjustments.

2/ Stock figures and flow figures derived from the balance of payments may not be consistent, owing mainly to lags in recording payments and valuation adjustments.

Table 43. Myanmar: International Reserves, 1994/95-1998/99

(In millions of U.S. dollars)

	1994/95	1995/96	1996/97	1997/98	1998/99
Net international reserves	400.5	381.1	188.4	231.7	295.7
Assets	425.9	381.1	287.8	331.3	395.1
Gold	98.2	91.4	80.5	69.9	64.6
SDRs	0.1	0.3	0.1	0.1	0.7
IMF position	0.0	0.0	0.0	0.0	0.0
Foreign exchange	327.6	289.4	207.2	261.3	329.8
Liabilities	25.4	0.0	99.4	99.6	99.4
Memorandum items:	(In months of merchandise imports)				
Gross reserves	3.6	2.5	1.7	1.7	1.9
Net reserves	3.4	2.5	1.1	1.2	1.4

Source: Central Bank of Myanmar.