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GDP Growth Rates: Myammar and Selected Asian Countries

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(a) Myanmar's good GDP performance

1. Table (1) gives GDP growth rates for the period 2000 to 2008 for 19 developing Asian countries, including Myanmar. The countries in the table are grouped into four categories, namely: (i) newly industrializing economies (NIEs) (ii) second tier NIEs;[2] (iii) other developing countries; and (iv) least developed countries.

2. Table (1) shows that GDP growth performance of Myanmar in real terms has been good compared to other countries in the region. According to official figures, Myanmar has achieved double digit GDP growth rates for every year for this period. The average growth rate of the country for the period was 12.6% per year. Since the average annual growth rates for the four categories of developing Asian countries ranged between 4.9% to 6.4% for this period, Myanmar's growth performance has been double the growth rates of these countries.

(b) *GDP growth using times series data*

3. Myanmar has a rich tradition of data collection and analysis in its earlier years. National accounts data for example, go as far back as 1948, when the country gained independence, and even beyond. Hence, in addition to cross section view given in table (1), the available time series data could also be used to review Myanmar's current economic performance as reflected in official statistics in the light of the country's experience of the past. This is given in table (2).

4. The time series data in table (2) cover the whole of Myanmar's post independence era, a period of 60 years, from independence in 1948 to fiscal year 2008/09. For convenience and ease of presentation, the data are arranged in six sections with each covering a decade – the nineteen-fifties, sixties, seventies, eighties, nineties and the new millennium.

(c) *Double digit real GDP growth, 1948 to 2008*

5. Table (2) shows that sustained double digit growth of real GDP began in fiscal year 1999/00 and so it has continued for 10 years up to fiscal 2008 (and may continue for several years more). Such sustained double digit growth represents a sharp break with the country's development experience in its entire post independence era.

6. Until 1999/00 that ushered in the new millennium, there has never been a double digit real GDP growth that extends over two consecutive years.

7. During the fifty years after independence and before onset of the new millennium, there have been 5 instances of double digit GDP growth – twice in the nineteen-fifties (1950 and 1956) and three times in the nineteen-sixties (1962, 1964 and 1967). In all these instances, a double digit growth year, has always been either immediately preceded by, or is

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[2]The three countries Indonesia, Malaysia and Thailand have often been designated as "second generation" or "second tier" NIEs. See Danny M. Leipzinger and Vinod Thomas, *The Lessons of East Asia: An Overview of Country Experience* (Washington, D.C.: World Bank, 1993).

followed by, a negative growth year. For instance, real growth of 12.9% in fiscal 1950 was preceded by a -5% real GDP decline in fiscal 1949 and a further -10% fall in fiscal 1948. Similarly, 13% growth in fiscal 1962 was followed by a decline of -6.1% in fiscal 1963.

8. For three decades preceding fiscal 1999/00, there has never been a single event of double digit real GDP growth.

(d) *GDP growth and gross domestic investment*

9. A related and another contentious issue regarding Myanmar's economic performance in the new millennium is that higher real GDP growth rates have been achieved with considerably lower gross domestic investment (GDI) to GDP ratios, compared to other countries in the region. This is illustrated in table (3). The table shows that while GDI/GDP ratio averaged 24.4% per year for the period 2000 - 2007 for other Asian countries, Myanmar's GDI ratio averaged 12.4% per year. This means, Myanmar has been able to achieve a real GDP growth rate that is double the rate of its neighbours, with half their GDI ratios.

10. How real GDP growth and the GDI ratio have changed in Myanmar over the past five decades and in the new millennium is summarized in table (4).

11. Table (4) reveals that in the nineteen-fifties, Myanmar was not a least developed country, and with a GDI ratio of 19%, achieved an average annual growth rate of about 6%.

12. Then in the following two decades (the nineteen-sixties and the seventies), as a consequence of command style economic management under military rule, self imposed isolation, and the "Burmese way to Socialism", the economy deteriorated. Real GDP growth was reduced to 3% to 4% per year, while GDI ratio fell to about 13%.

13. The decade of the 1980s was the worst in Myanmar's post independence history. Although the decade started off well in its first few years with real GDP growing at between 5% and 6.4% and GDI ratio reaching 21% - 22%, the political turmoil and social disturbances that followed in the latter half of the decade, overshadowed the good beginning.[3] So, for the decade as a whole, GDP growth only averaged 1.9% per year, slightly below the 2% growth rate of population. But the GDI ratio remained relatively high for this period, averaging 16% per year. We may also recall that in 1987, Myanmar applied for and was granted "least developed country" status by the United Nations, and in 1988 a new regime came to power that abandoned the "Burmese way to Socialism" and adopted the "market-oriented" approach for the country to become a modern developed nation.

14. Perhaps, a claim could be made that economic reforms in the first half of the 1990s enabled the country to attain a respectable 6% growth in this decade. But this better performance has been achieved with a lower GDI ratio of 13.6%.

15. What conclusion can then be drawn regarding Myanmar's growth experience from 1948 up to the end of the 1990s? If we wish to be unkind we can say, Myanmar for the most part, is actually a subsistence agricultural economy, relying on a few primary commodities, with a pre-industrial economic structure and that has no shock absorbers to cushion the impact of events originating from both within and outside the country. Thus, natural and man-made disasters, windfalls from the bounty of nature, and commodity booms that

[3]See U Myint, "Myanmar's GDP growth and investment: lessons from a historical perspective", in Monique Skidmore & Trevor Wilson, *Dictatorship, Disorder and Decline in Myanmar* (Canberra: Australian National University, 2008); pp. 51-60.

resulted from such events as the Korean War of the early 1950s, largely determined the state of the economy, rather than things like the GDI ratio.

16. However, the above unkind view can no longer hold with the official data of Myanmar's economic performance coming on stream in the new millennium. This is because global warming, a growing menace at present, has brought with it climate change that has made weather volatile and erratic. There is no way an agricultural country can have 10 years in a row of good harvests in the twenty-first century. So the fact that real GDP growth in Myanmar doubled from 6.1% in the 1990s to 12.6% with the onset of the new millennium, and this double digit growth was sustained for 10 years while the average GDI ratio fell to 12.4%, deserves some explanation. I suspect there are two reasons for this – politics and arithmetic.

17. Regarding politics, the decision-makers in Myanmar have a fixation with high GDP growth rates, which are believed to indicate the country's growing prosperity and well-being. Hence, these growth rates have become highly politicized, and in the process, creditability and good sense have fallen by the wayside.

18. As for arithmetic, the social and economic indicators for the country are expressed as a ratio of GDP. Now, when GDP that is used as a denominator in these indicators is padded, inflated and made to rise proportionately more than the numerator, this will introduce a downward bias to the indicators. Thus, it is not surprising that an unusually high real GDP growth rates as reflected in official national account statistics in the new millennium have led to a fall in the GDI ratio. I believe this also accounts for the pathetically low export/GDP ratio, industrial value added/GDP ratio, as well as many other social and economic indicators, that are below such indicators in the low income neighbouring countries.[4]

19. The above observations lead us to conclude that Myanmar has two choices, namely:

- Plan A: continue to stick with exceptionally high and unbelievable real GDP growth rates and the associated embarrassingly poor social and economic indicators; and
- Plan B: revise real GDP growth rates to more realistic, accurate and reasonable levels in accordance with international practice (using the UN's System of National Accounts -- SNA) and have less embarrassing social and economic indicators.

20. What to choose? I think we have stuck with Plan A long enough. It has been counterproductive. The good image that high growth rates are expected to convey has proved elusive. They are largely ignored and are probably thought not fit to be printed so do not appear in the major regional and world economic reviews and reports. On the other hand, the embarrassing social and economic indicators they generate get publicity, talked about, highlighted, and published. This is not good politics.

21. So it is time to move to Plan B. Improvement in quality, accuracy, creditability, reliability, timeliness and availability of economic and social statistical data and information will be an essential first step in building a modern developed nation. Otherwise, as pointed out by Professor David Dapice of Harvard University, we will be "navigating in the fog".

(e) *Reservations on Myanmar's growth performance*

22. Keeping the above comments in view, it is not difficult to understand why many

[4]For example, IMF in its 2009 report on Myanmar provides the following data*: Public health expenditure* (percent of GDP,2005): Myanmar (0.3), Bangladesh (0.8), Cambodia (1.5), Laos (0.7), and Viet Nam (1.5). *Public expenditure on education* (percent of GDP, 2004-06): Myanmar (1.3), Bangladesh (2.7), Cambodia (1.7), Laos (3.0) and Viet Nam (4.7).

observers, both within the country and abroad, have expressed reservations on Myanmar's official growth rates. IMF for example, has a conservative outlook regarding Myanmar's economic performance of recent years because it is of view that other regional countries in a similar situation as in Myanmar did not experience such robust growth over this period. IMF has defined similarity in terms of a low level of development, a large agricultural sector, a pervasive role of the state in the economy, and a recent history of conflict. Bangladesh, Cambodia, Laos and Viet Nam were identified as countries having such attributes. It was pointed out that Myanmar, despite its high official growth figures, did not fare well when social indicators are considered in comparison to these countries. It also did not measure up to these countries in terms of per capita GDP in US dollars. Moreover, IMF had difficulty reconciling Myanmar's high agricultural growth with its official figures on harvested acreage, irrigated area, and the reported decline in the use of fertilizers and pesticides. Similarly, high industrial growth does not seem to be consistent with the relatively low increase in industrial power consumption, manufacturing use of petroleum products and decline in capital goods imports. IMF concludes that all these imply an implausibly large increase in productive efficiency. IMF expected near zero growth for Myanmar in fiscal year 2003/04 based on its belief of constraints that will arise from a low level of imported inputs, structural rigidities, and delayed effects of sanctions and the banking crisis. In sharp contrast to IMF expectations, Myanmar authorities have estimated a 13.8% growth for this year.

(f) *Speculation on more realistic GDP growth rates*

23. The uneasiness of many observers with Myanmar's official GDP growth rates have led to speculation concerning what might be more realistic growth figures for the country. For instance, to give a recent example, the Myanmar authorities have estimated Myanmar's GDP to have grown 11.9% in real terms in fiscal 2007/08 and 10.7% in 2008/09. Other observers believe the figures are much lower. Thus, ESCAP considers the Myanmar economy to have grown 5.5% and 2.0% respectively in these two years.[5] Similarly, the IMF says growth rates for the two years are 5.5% and 4.5%, while the Economist Intelligence Unit of the London *Economist* magazine, comes up with estimates of 3.4% and 0.9% for the same years.

[5]ESCAP, *Economic and Social Survey of Asia and the Pacific* (Bangkok: ESCAP, On-line Edition, 2009); Statistical Annex, table 1., p. 174.

Table 1. **GDP Growth Rates, Selected Asian Countries: 2000 - 2008**
(percent increase over previous year)

Country/Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	00 - 08 (Avg.)
I. Newly Industrializing Economies (NIEs)										
(01). Rep. of Korea	8.5	3.8	7.0	3.1	4.6	4.1	5.1	5.0	5.0	5.1
(02). Hong Kong, China	10.2	0.5	1.9	3.2	8.1	5.7	7.0	6.3	4.5	5.3
(03). Singapore	9.7	-1.8	3.2	1.4	8.4	4.1	8.2	7.7	5.2	5.1
(04). Taiwan, China	5.8	-2.2	3.9	3.3	5.7	4.2	4.9	5.7	4.2	3.9
Average NIEs	***8.6***	***0.1***	***4.0***	***2.8***	***6.7***	***4.5***	***6.3***	***6.2***	***4.7***	***4.9***
II. Second Tier NIEs										
(05). Malaysia	8.9	0.3	4.1	5.3	7.1	5.7	5.9	6.3	5.4	5.4
(06). Thailand	4.8	2.2	5.3	6.9	6.1	5.6	5.1	4.8	5.0	5.1
(07). Indonesia	4.9	3.8	4.3	5.0	5.1	5.5	5.5	6.3	6.0	5.2
Average Second Tier NIEs	***6.2***	***2.1***	***4.6***	***5.7***	***6.1***	***5.6***	***5.5***	***5.8***	***5.5***	***5.2***
III. Other Developing Countries										
(08). China	8.0	7.5	8.3	9.3	9.5	8.5	11.1	11.4	10.0	9.3
(09). Viet Nam	6.1	5.8	6.4	7.1	7.5	7.6	8.2	8.5	7.0	7.1
(10). India	4.4	5.8	4.0	8.5	6.5	6.9	9.6	8.7	8.0	6.9
(11). Pakistan	3.9	1.8	3.1	5.1	6.4	7.0	6.6	7.0	6.3	5.2
(12). Philippines	4.4	1.8	4.3	4.7	6.1	5.0	5.4	7.3	6.0	5.0
(13). Sri Lanka	6.0	-1.5	4.0	5.9	5.5	5.2	7.7	6.7	6.0	5.1
Avg. Other Developing countries	***5.5***	***3.5***	***5.0***	***6.8***	***6.9***	***6.7***	***8.1***	***8.3***	***7.2***	***6.4***
IV. Least Developed Countries										
(14). Bhutan	5.5	7.1	6.7	6.5	7.0	8.0	7.8	17.0	14.4	8.9
(15). Laos	5.8	5.8	5.9	5.9	6.5	7.0	8.3	8.0	7.7	6.8
(16). Bangladesh	5.9	5.3	4.4	5.3	5.5	5.3	6.6	6.5	6.0	5.6
(17). Cambodia	7.0	5.6	5.5	5.2	6.0	2.3	10.8	9.6	7.5	6.6
(18). Nepal	6.0	4.8	-0.4	2.9	3.3	3.0	3.1	2.3	3.8	3.2
Avg. Least Dev. Countries	***6.0***	***5.7***	***4.4***	***5.2***	***5.7***	***5.1***	***7.3***	***8.7***	***7.9***	***6.2***
Avg. All selected (18 countries above)	***6.6***	***2.9***	***4.5***	***5.1***	***6.4***	***5.5***	***6.8***	***7.3***	***6.3***	***5.7***
(19). Myanmar	13.7	11.3	12.0	13.8	13.6	13.6	13.1	11.9	10.7	12.6

Source: Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries 2005* (Manila, Asian Development Bank, On-line Edition, 2005); Asian Development Bank, *Asian Development Outlook, 2008* (Manila, Asian Development Bank, On-line Edition, 2008).
Source: For Myanmar, Ministry of National Planning and Economic Development, Nay Pyi Taw.

Table 2. Myanmar: Real GDP Growth, 1948 – 2008

GDP Growth at 1947 constant prices, 1948/49 – 1960/61

(percent increase over previous year)

Fiscal Year	48/49	49/50	50/51	51/52	52/53	53/54	54/55	55/56	56/57	57/58	58/59	59/60	60/61
GDP growth rate (%)	-10.0	-5.1	12.9	6.0	7.2	4.5	5.4	3.8	10.7	-3.2	8.7	7.8	-0.7

GDP Growth at 1969 constant prices, 1961/62 – 1970/71

(percent increase over previous year)

Fiscal Year	61/62	62/63	63/64	64/65	65/66	66/67	67/68	68/69	69/70	70/71
GDP growth rate (%)	3.6	13.0	-6.1	10.1	-4.3	-4.1	10.1	3.3	5.0	4.1

GDP Growth at 1969 constant prices, 1971 – 1980

(percent increase over previous year)

Fiscal Year	71/72	72/73	73/74	74/75	75/76	76/77	77/78	78/79	79/80	80/81
GDP growth rate (%)	2.4	-1.0	2.6	2.7	4.2	6.1	6.0	6.5	5.2	7.9

GDP Growth at 1969 constant prices, 1981/82 – 1990/91

(percent increase over previous year)

Fiscal Year	81/82	82/83	83/84	84/85	85/86	86/87	87/88	88/89	89/90	90/91
GDP growth rate (%)	6.4	5.4	4.3	4.9	2.9	-1.1	-4.0	-11.4	3.7	2.8

GDP Growth at 1985 constant prices, 1991/92 – 2000/01

(percent increase over previous year)

Fiscal Year	91/92	92/93	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01
GDP growth rate (%)	-0.7	9.7	6.0	7.5	6.9	6.4	5.7	5.8	10.9	13.7

GDP Growth at 2000 constant prices, 2001/02 – 2008/09

(percent increase over previous year)

Fiscal Year	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09
GDP growth rate (%)	11.3	12.0	13.8	13.6	13.6	13.1	11.9	10.7

Source: Ministry of National Planning and Economic Development, Yangon & Nay Pyi Taw.

Notes: From fiscal year 06/07 onwards, 05/06 constant prices are used. Double digit growth years are shaded.

Table 3. Gross Domestic Investment, Selected Asian Countries: 2000 - 2007
(percent of GDP)

Country/Year	2000	2001	2002	2003	2004	2005	2006	2007	00 - 07 (Avg)
I. Newly Industrializing Economies (NIEs)									
(01). Rep. of Korea	28.3	27.0	26.1	29.4	30.2	30.1	29.9	29.4	28.8
(02). Hong Kong, China	28.1	25.3	22.8	21.9	21.8	20.5	21.7	20.9	23.4
(03). Singapore	32.0	26.5	23.7	15.6	19.4	18.6	20.1	20.7	22.1
(04). Taiwan, China	22.9	18.4	17.4	17.4	21.5	20.2	21.5	21.5	20.1
Average NIEs	***27.8***	***24.3***	***22.5***	***21.1***	***23.2***	***22.4***	***23.3***	***23.1***	***23.5***
II. Second Tier NIEs									
(05). Malaysia	27.2	23.9	24.0	21.6	22.6	19.8	20.9	21.9	22.7
(06). Thailand	22.8	24.1	23.8	24.9	27.1	31.6	28.4	26.6	26.2
(07). Indonesia	16.1	23.5	20.4	17.3	21.3	21.3	25.4	24.9	21.3
Average Second Tier NIEs	***22.0***	***23.8***	***22.7***	***21.3***	***23.7***	***24.2***	***24.9***	***24.5***	***23.4***
III. Other Developing Countries									
(08). China	36.3	34.2	35.2	38.0	39.3	43.5	44.5	43.3	39.3
(09). Viet Nam	23.9	31.2	33.2	35.4	35.5	35.4	36.8	41.6	34.1
(10). India	24.4	23.0	25.3	27.2	30.1	35.5	35.9	n.a.	28.8
(11). Pakistan	16.0	17.2	16.8	16.9	17.3	16.8	22.1	22.9	18.3
(12). Philippines	29.1	19.0	17.7	16.7	17.1	15.7	14.5	15.3	18.1
(13). Sri Lanka	28.1	22.0	21.3	22.3	25.8	27.0	28.0	27.9	25.3
Avg. Other Developing countries	***26.3***	***24.4***	***24.9***	***26.1***	***27.5***	***27.7***	***30.3***	***30.2***	***27.2***
IV. Least Developed Countries									
(14). Laos	20.5	21.0	21.2	21.2	22.0	22.0	n.a.	n.a.	21.3
(15). Bangladesh	23.0	23.1	23.1	23.4	24.0	24.4	27.4	24.5	24.1
(16). Cambodia	17.3	18.7	20.1	25.1	25.8	26.4	20.6	20.8	21.9
(17). Nepal	24.3	24.1	24.2	25.8	26.4	25.7	26.9	28.1	25.7
Avg. Least Dev. Countries	***21.3***	***21.7***	***22.2***	***23.9***	***24.6***	***24.6***	***25.0***	***24.5***	***23.5***
Avg. (17 countries listed above)	**24.4**	**23.6**	**23.1**	**23.1**	**24.8**	**24.7**	**25.9**	**25.6**	**24.4**
(18). Myanmar	12.4	11.6	10.4	11.0	12.0	13.2	13.7	15.0	12.4

Source: Asian Development Bank, *Asian Development Outlook, 2004, 2006 and 2009* (Manila: Asian Development Bank, On-line).
Source: For Myanmar, Ministry of National Planning and Economic Development, Yangon & Nay Pyi Taw.
Note: n.a. means not available.

Table 4. Myanmar: Real GDP Growth Rates and the GDI/GDP Ratio, 1950/51 - 2007/08
(percent)

Fiscal years	Average GDP growth rate	Average GDI/GDP ratio
1950/51 - 1959/60	5.8	18.9
1960/61 - 1969/70	3.0	12.7
1970/71 - 1979/80	3.9	12.8
1980/81 - 1989/90	1.9	16.1
1990/91 - 1999/00	6.1	13.6
1999/00 - 2007/08	12.6	12.4

Source: U Myint, "Myanmar's GDP growth and investment: lessons from a historical perspective", in Monique Skidmore & Trevor Wilson, *Dictatorship, Disorder and Decline in Myanmar* (Canberra: Australian National University, 2008); pp. 51-60.