

BEW update November 2004

In BEW issue #1 2004 I supplied data on Purchasing Power Parity (PPP) estimates of GDP per capita for Burma and Thailand for the period 1980-2000. In addition, I explained the methodology used to derive the required PPP deflators. The purpose of this note is to update that data set in the light of freshly available statistical information and to comment on the implications thereof.

The Asian Development Bank's *Key Indicators 2004* is now available online.¹ With this release official data on Burma's rate of inflation for 2001 (as measured by the Implicit Price Deflator for GDP) is finally available. **It indicates that the official inflation rate was 40.9%.** This value can be used for the generation of a PPP deflator for GDP for Burma for 2001.

The IPD series for Burma has been subject to a base change between 2000 and 2001, apparently at the initiative of the Central Statistical Office in Rangoon. The IPD value for 2001 is expressed in terms of a 1995/1996 base whereas earlier values use a 1985/86 base. For the purposes of this update I converted the pre-2001 series to the new 1995/96 base, and converted the Thai IDP series similarly from its existing 1988 base.²

Table 1 shows the evolution of per-capita income in Burma and Thailand over the period 1986-2001. The first two columns show per capita GDP in nominal terms in local currency units (kyat, baht). The next two columns show real GDP per capita measured in terms of local currency units at constant national 1995/96 prices (1995/96 kyat, 1995/96 baht). The next two columns show real GDP per capita in international dollars, i.e GDP per per capita in PPP terms. The final column puts the PPP numbers to their intended use (income comparisons) showing the ratio of Thailand's GDP per capita PPP to that of Burma's in each year.

I draw your attention to the fact that, for Burma, real GDP per capita measured in kyat *fell* between 2000 and 2001. No doubt this reflects the continuation of chronic inflation. Two further points are germane. First, as I indicated in BEW #1 2004, Burma's inflation record includes the 'hummingbird' episode in 2000 where inflation appears to have dipped from in excess of 20% pa to just above zero (negative in CPI terms for Rangoon) and then rebounded to above 40% pa. This kind of inflation behaviour is singular, to say the least, and barely credible. **Factoring in consistent chronic inflation throughout 2000-2001 would imply another year of negative growth in real GDP per capita.**

Secondly, as shown by both myself and Alison Vicary in BEW #2 2004, Burma's real growth figures are highly suspect, and almost certainly dramatically overstated. As a result, the gap between Burma and Thailand in PPP terms must be assumed to be significantly wider than the official figures suggest. **Given that there is no reason to believe that inflation has moderated in the intervening period, we must conclude that Burma's economic position relative to Thailand has been worsening steadily for the last five years.**

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¹ Key indicator data for ADB member countries available from http://www.adb.org/Documents/Books/Key_Indicators/2004/default.asp (accessed 16/11/04).

² Note that changes of base do not affect the generation of PPP deflators which depends on relative changes rather than the numerical levels values of IPD series.

Table 1: Selected per capita output magnitudes

Year	<i>Burma</i>	<i>Thailand</i>	<i>Burma</i>	<i>Thailand</i>	<i>Burma</i>	<i>Thailand</i>	Ratio of PPP (Th/B)
	Nominal GDP		Real GDP (1995/96)		PPP GDP (current)		
1986	1562	21584	14808	34752	585	2580	4.4
1987	1783	24331	13942	37408	569	2860	5.0
1988	1941	28712	12123	41678	500	3313	6.6
1989	3114	33633	12339	46006	543	3727	6.9
1990	3726	39104	12453	50571	569	4175	7.3
1991	4496	44307	12142	54186	575	4651	8.1
1992	5891	49410	13070	57830	633	5077	8.0
1993	8357	54563	13607	61829	691	5532	8.0
1994	10764	61815	14357	66579	781	6019	7.7
1995	13517	70474	15073	71887	778	6637	8.5
1996	17379	76847	15752	75365	829	7094	8.6
1997	24126	78093	16359	73597	875	7051	8.1
1998	33426	75594	16671	65217	901	6410	7.1
1999	44579	75026	18130	67451	994	6477	6.5
2000	50927	78891	20214	69982	1131	6715	5.9
2001	68902	81601	19406	70900	1112	6869	6.2