



WORLD BANK GROUP

Myanmar Economic Monitor **May 2018**

Growth Amidst Uncertainty

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Key Takeaways

The economy performed better in 2017/18 amidst uncertainty.

- Myanmar's growth picked up to 6.4 percent led by agriculture and manufacturing, and helped by strong global economic recovery
- Inflation moderated to 5.5 percent. Current account and fiscal deficits narrowed and the Kyat strengthened slightly.

While the economic outlook remains positive, risks have intensified.

- Rising input costs, policy uncertainty and the perception of slowing reforms.
- Uncertainty in global trade policy and commodity price volatility.

The government has the reform tools to improve the outlook

- Implement the Myanmar Sustainable Development Plan
- Implement effectively and raise awareness of the Investment Law and Companies Act to generate FDI and knowledge, and employment.



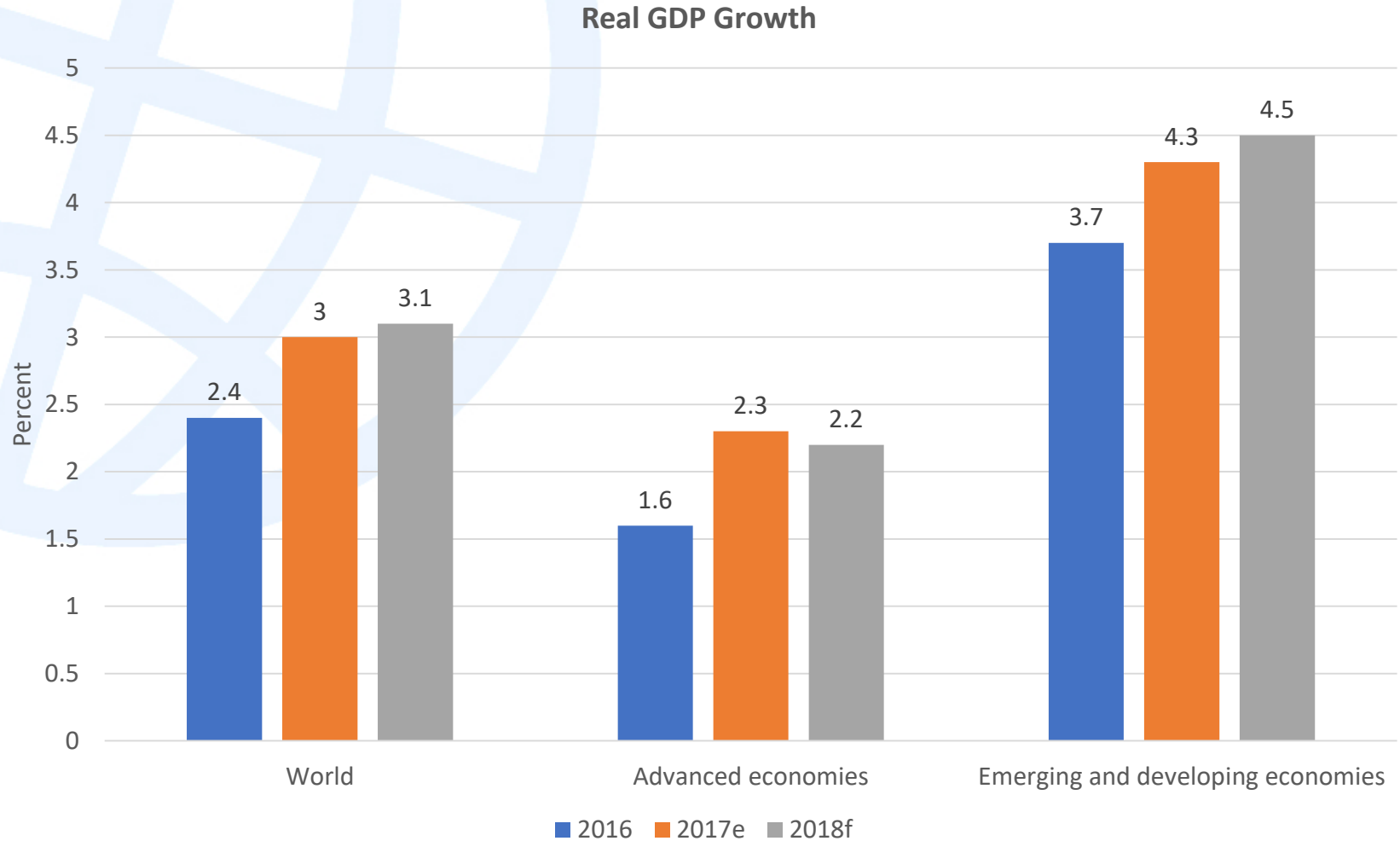


The economy performed better in 2017/18 than 2016/17

The outlook remains positive, but risks have intensified

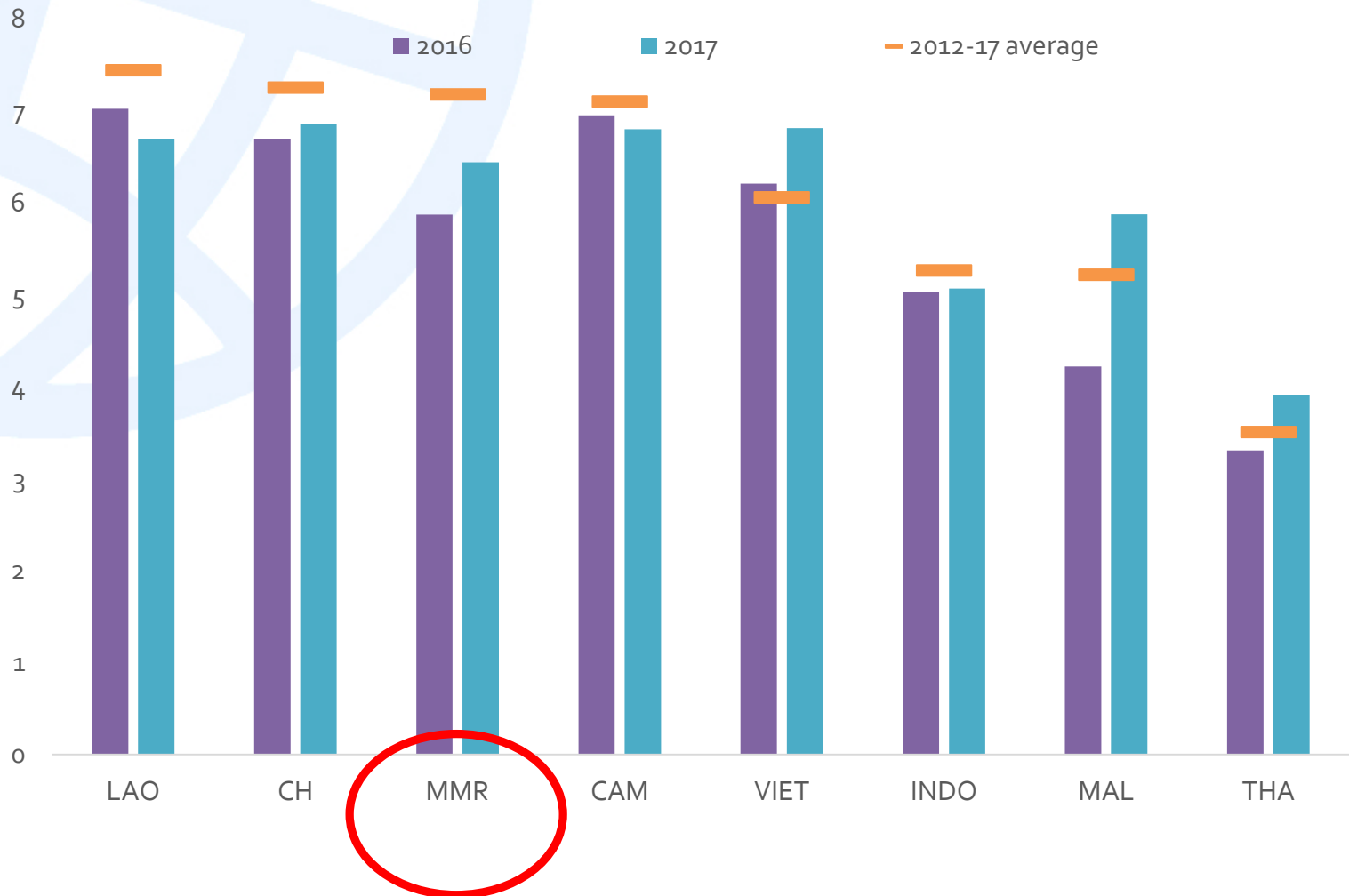
Government reforms can raise the outlook and economic potential

Global conditions improved, providing a favorable environment



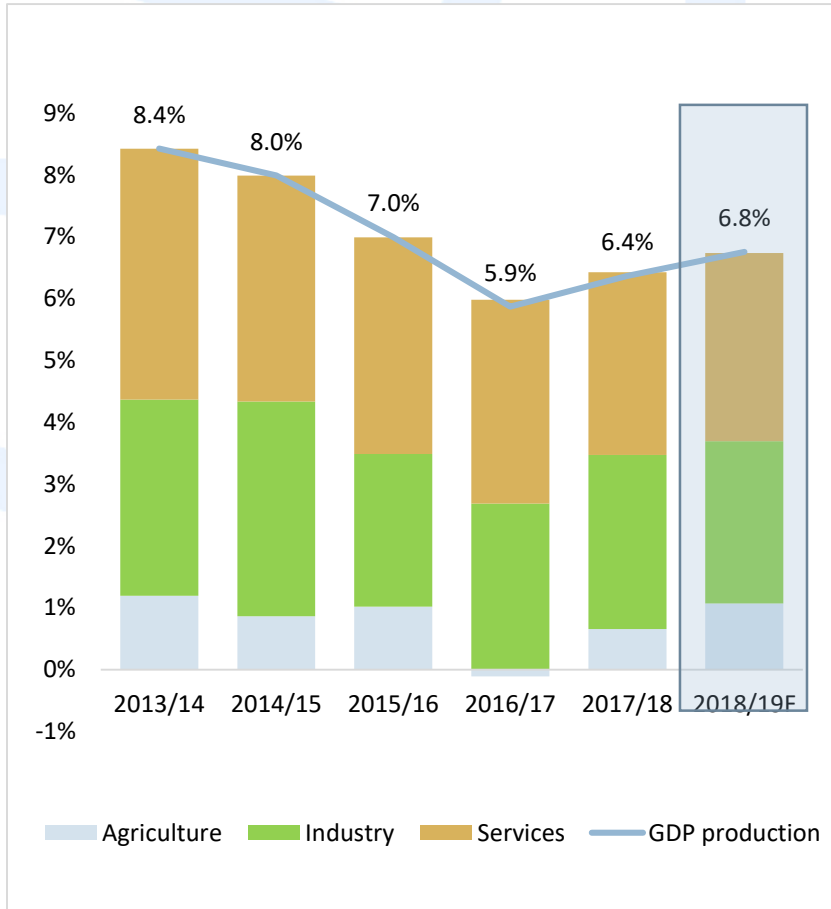
Source: World Bank Global Economic Prospects January 2017

Myanmar capitalized on global recovery, but is losing its lead in the region

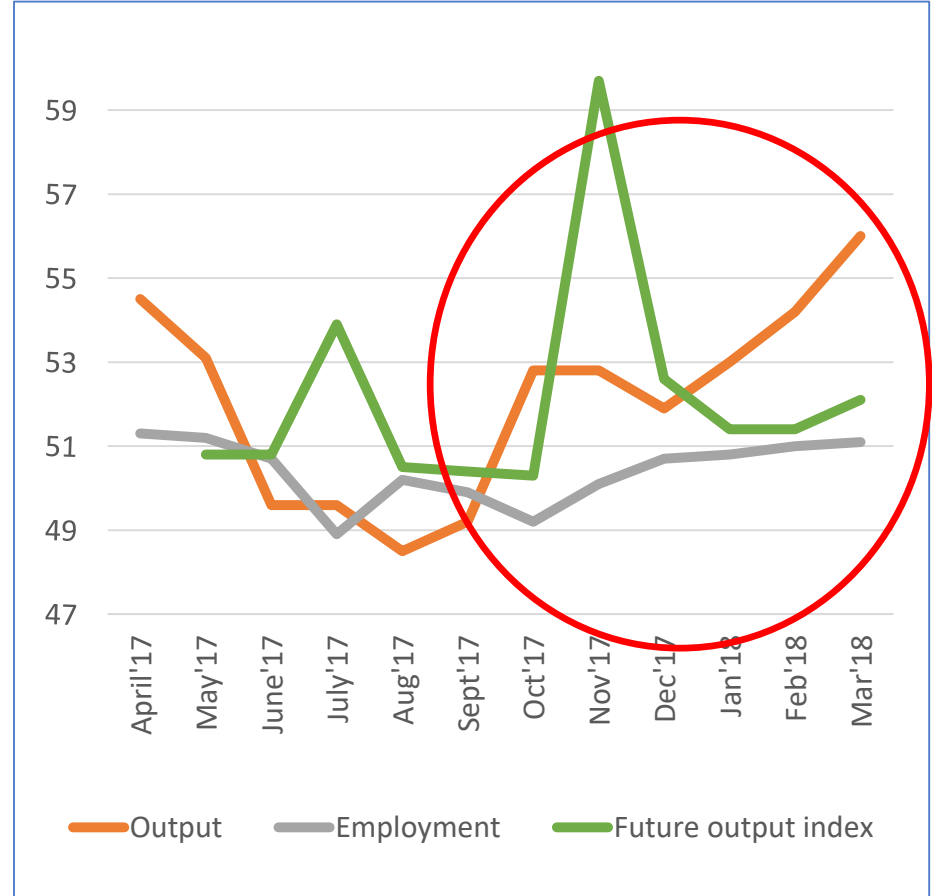


Growth was broad based

Real GDP growth and sector contribution

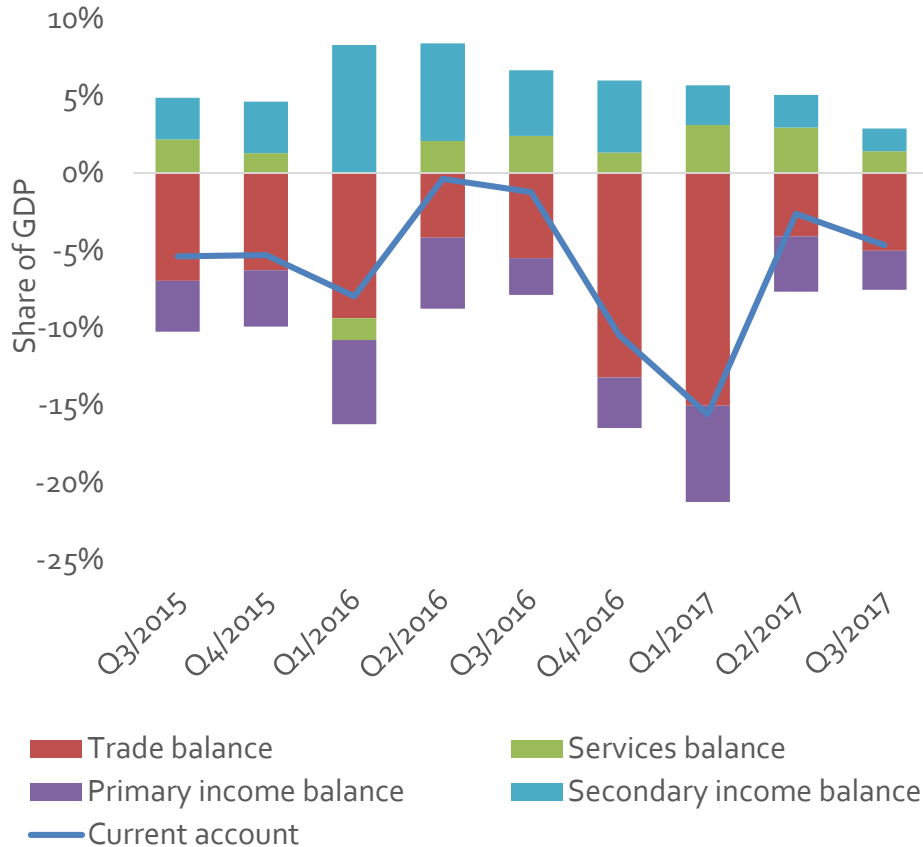


Output, Employment, Future output PMI

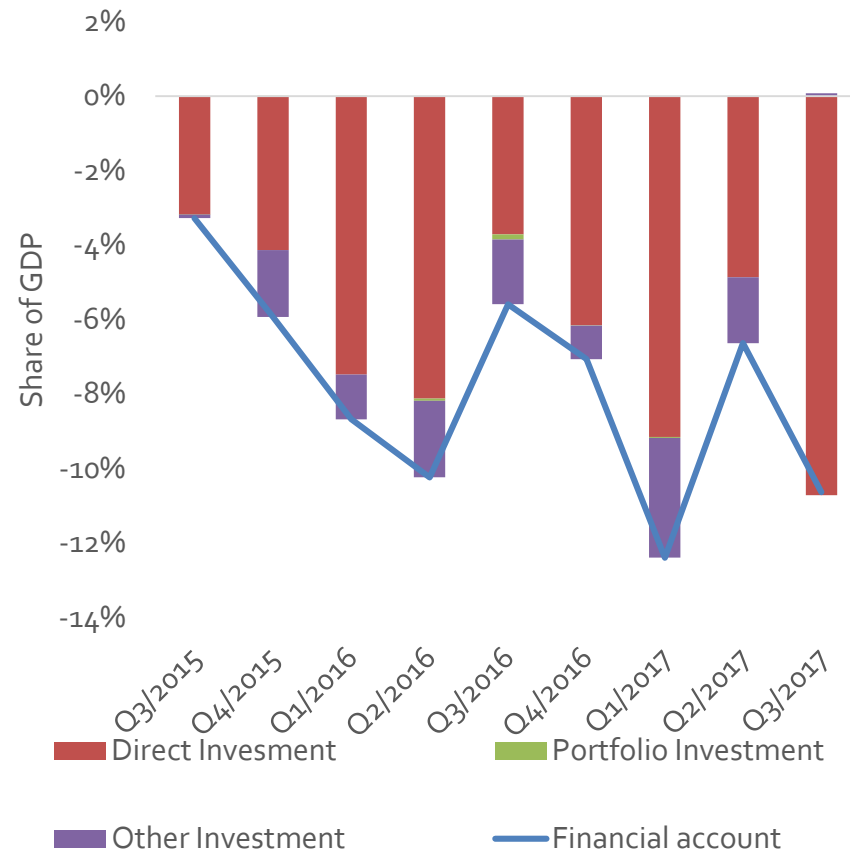


Strong exports narrowed the trade and current account deficits and FDI flows picked up

Current account

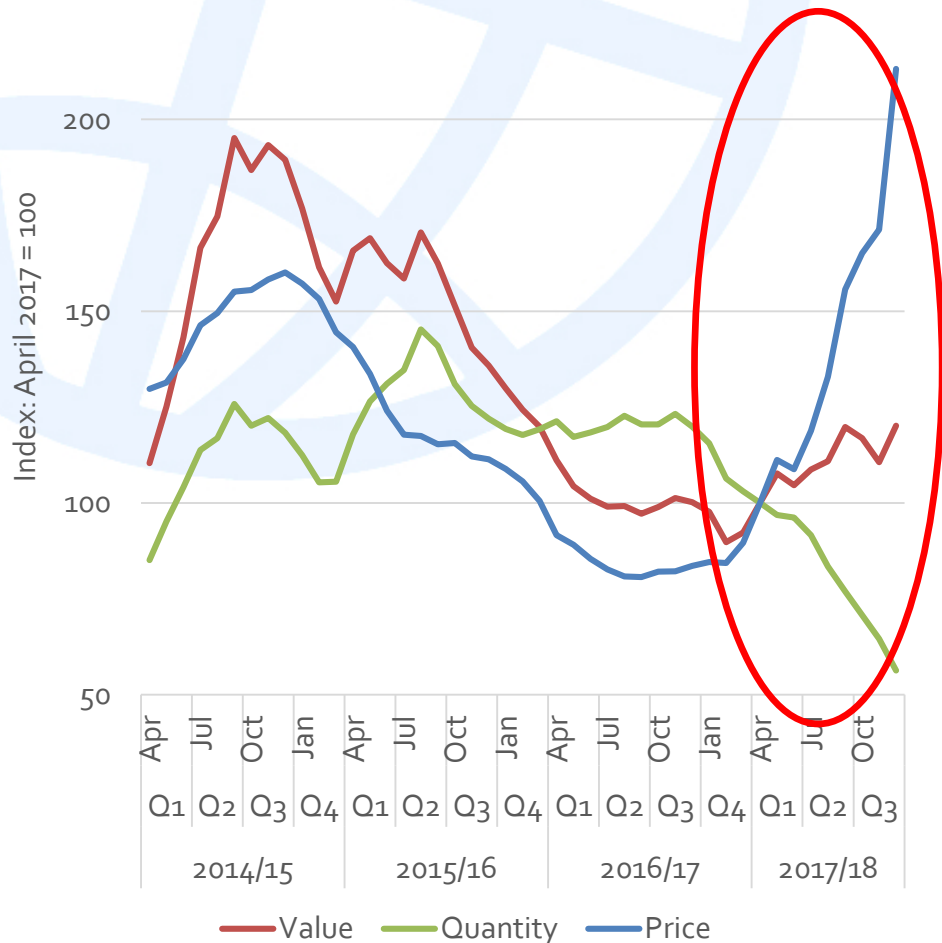


Financial Account

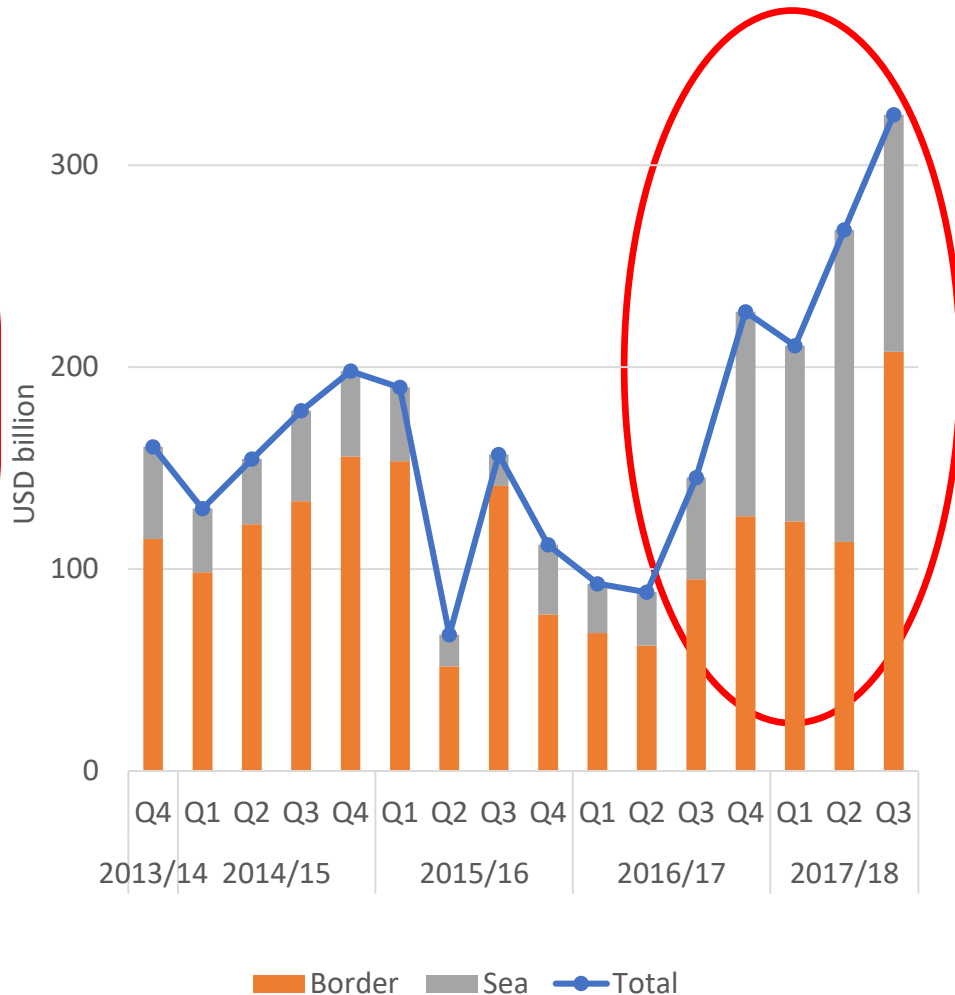


Export growth was led by natural gas, garments and agriculture, with access to new markets

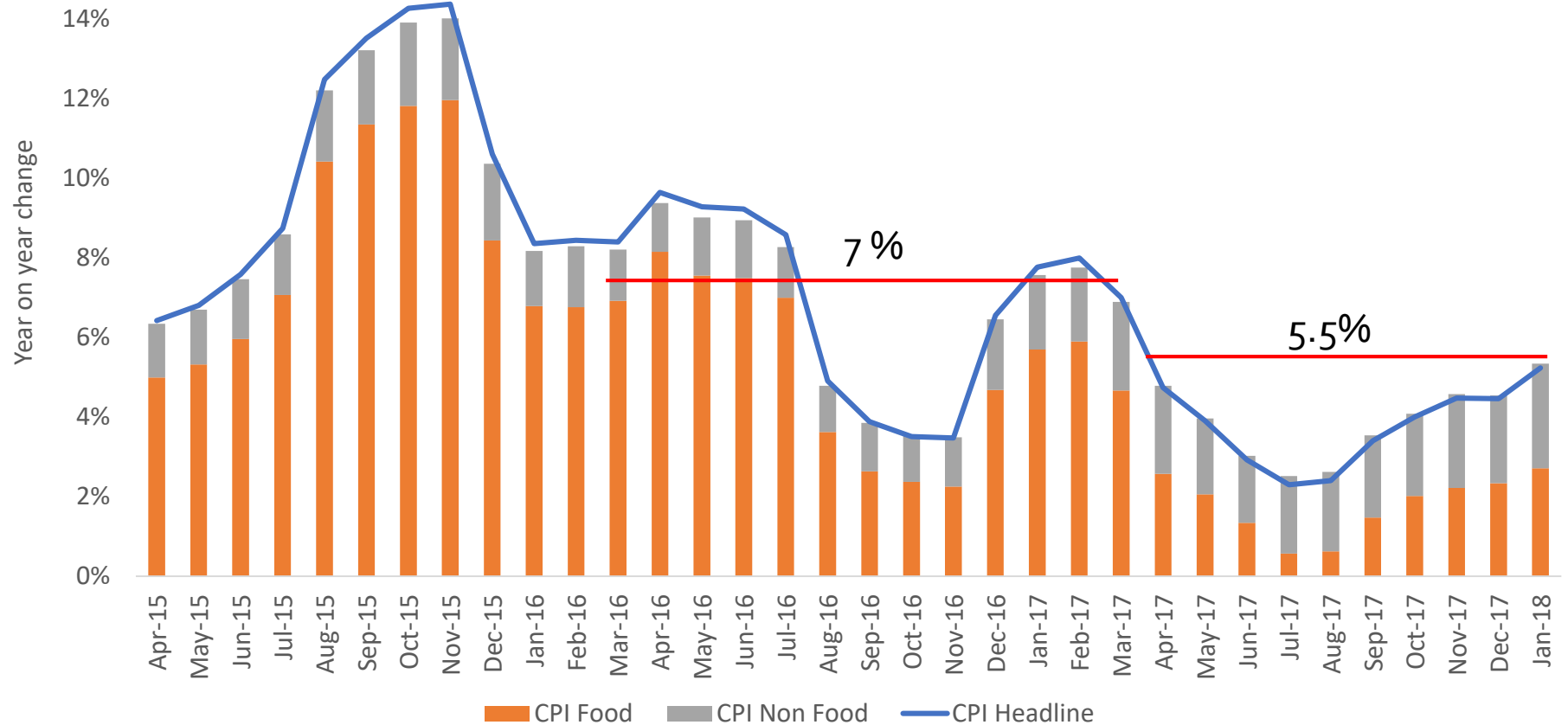
Natural gas exports: Quantities and prices



Rice - Acceleration of exports and diversification of destinations (m tons)

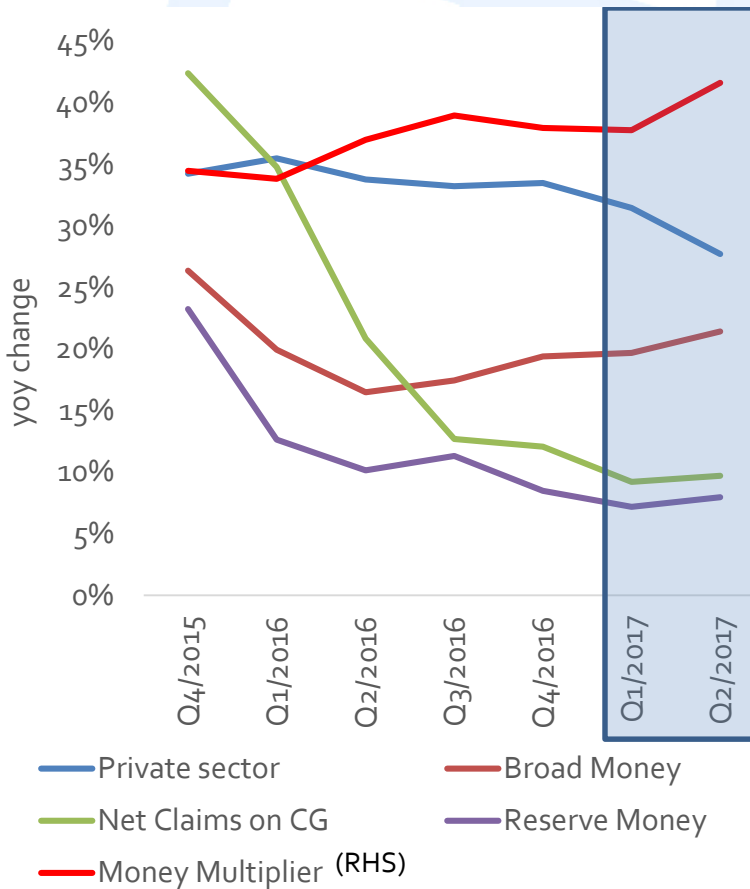


Inflation fell in early 2017, but picked up since August driven by food prices

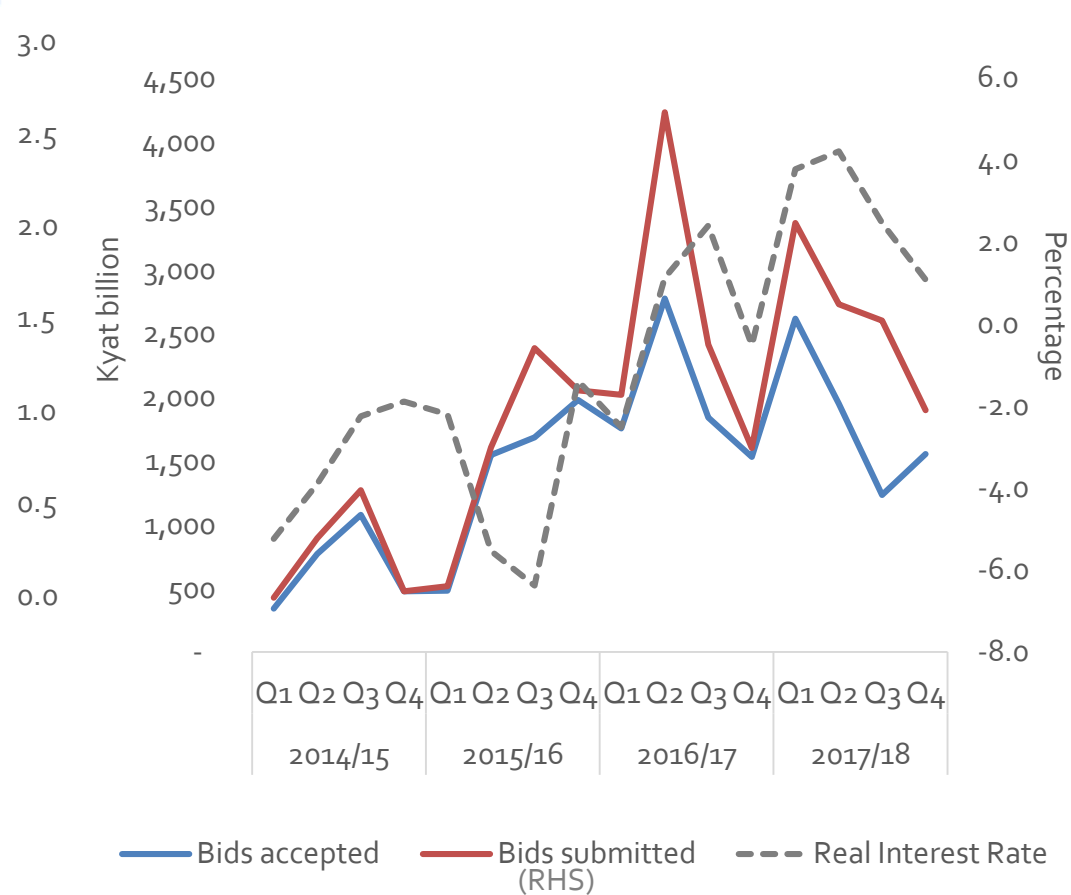


Broad money growth increased, as CBM reduced its intervention through the deposit auctions

Money growth

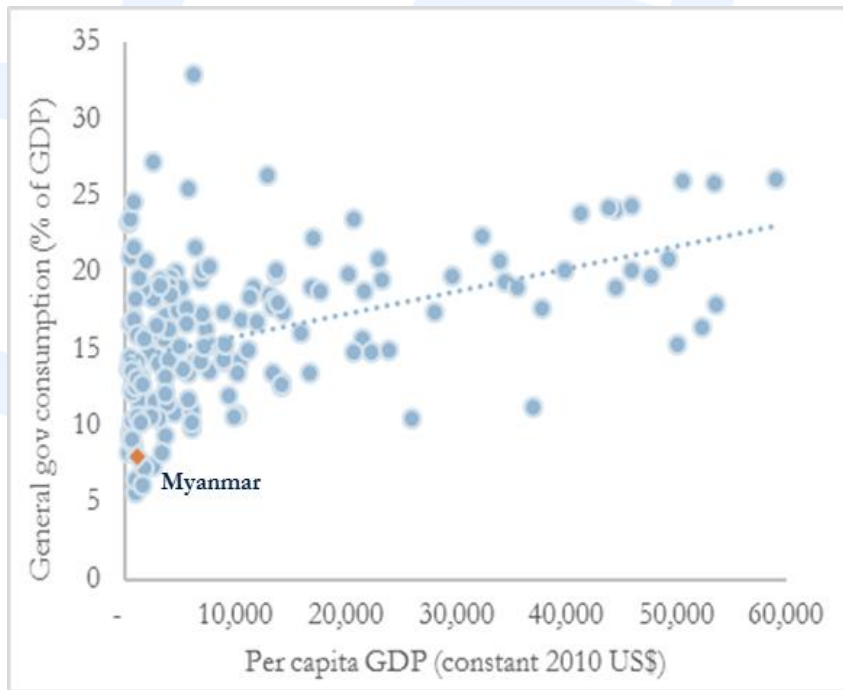


CBM Deposit Auctions

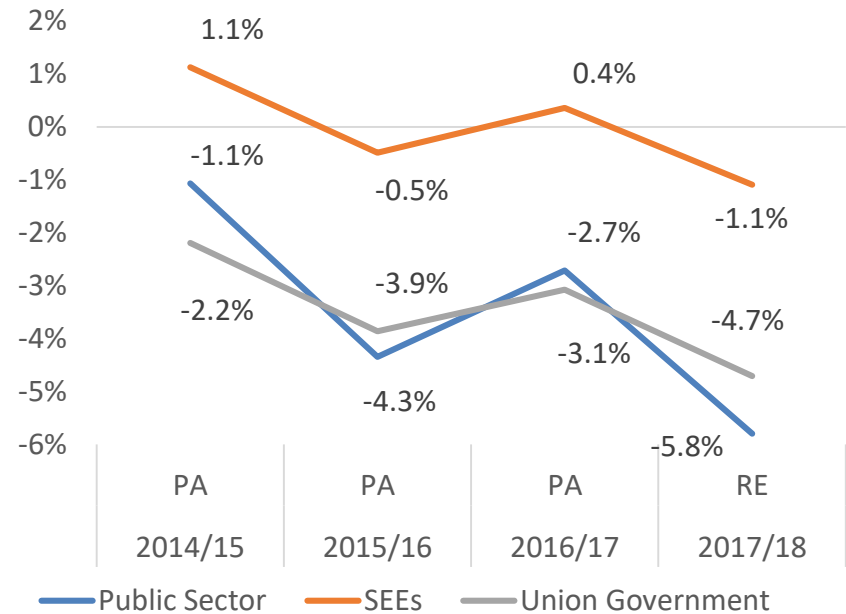


Government size remains small and actual fiscal deficit may be considerably lower than the budget

Size of general government v per capita GDP, Myanmar in global perspective, 2016.



Fiscal balances, Percent of GDP





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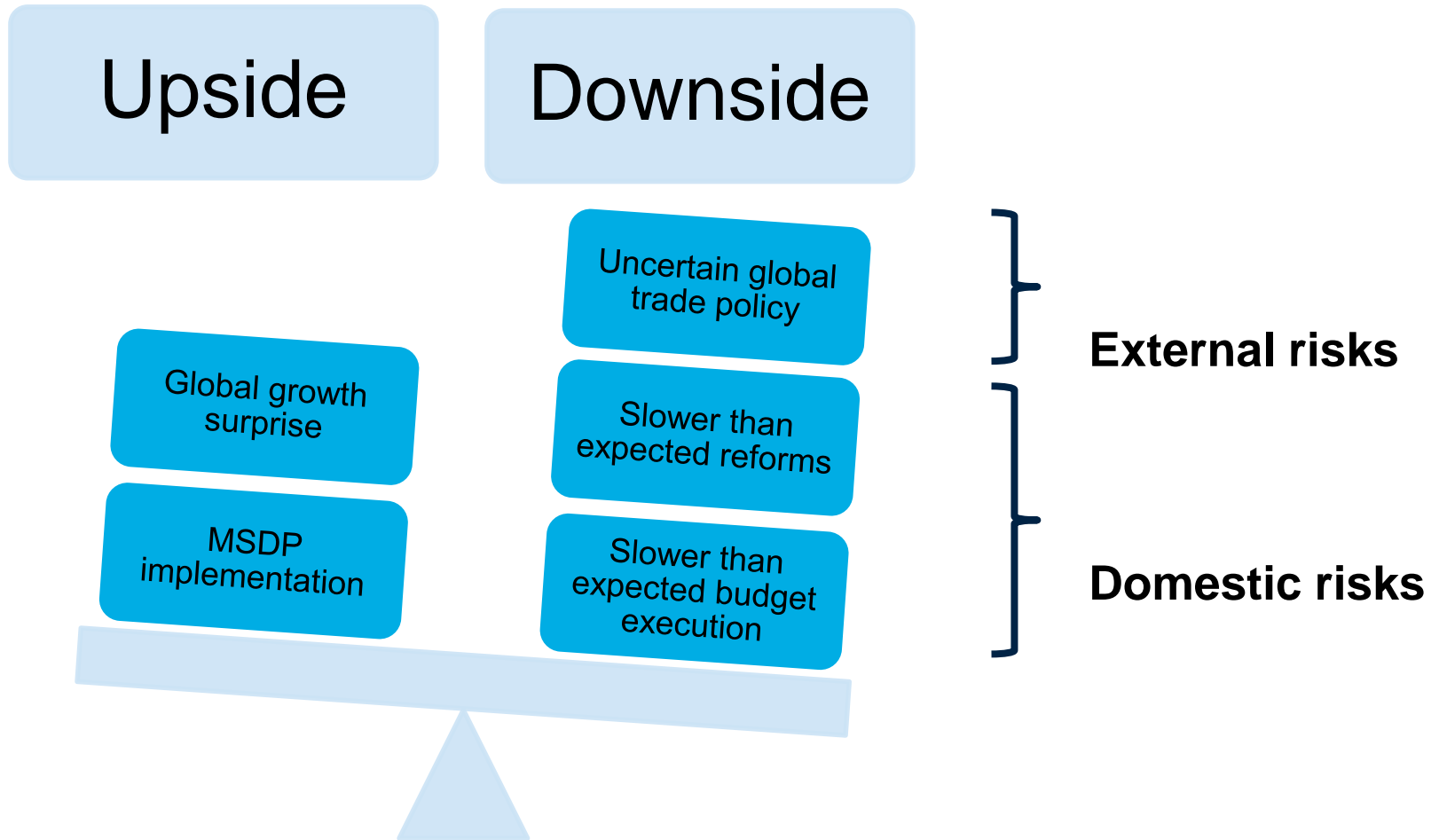
The outlook remains positive, but risks have intensified

Government reforms can raise the outlook and economic potential

Favorable medium-term economic outlook

	2015	2016	2017	2018	2019	2020
Real GDP growth (% change)	7.0	5.9	6.4	6.8	6.9	7.1
CPI Inflation (end of period)	8.4	7.0	5.2	4.9	5.3	6.0
Current account balance (% of GDP)	-7.2	-6.4	-5.9	-4.7	-4.1	-3.8
Fiscal balance (% of GDP)	-5.1	-3.0	-4.7	-4.8	-4.4	-4.4

But downside risks have intensified





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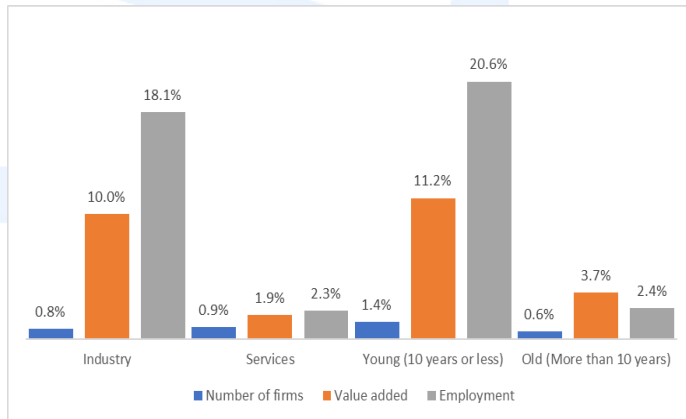
Government reforms can raise the outlook and economic potential

Government has the right tools for reform

- **MSDP** offers the much-needed unifying and coherent roadmap for reforms
- By **raising more and spending better**, Myanmar can use its budget for addressing priorities under the MSDP, such as investments in energy, transport, education and health
- Myanmar can **attract more investment**, both foreign and domestic, by implementing the new Investment Law and the Companies Act, tracking doing business reforms and, providing a secure transactions framework, and further liberalizing key sectors such as Insurance
- **Four C's** critical for reforms going forward: coordination, consultation, certainty and communication

Raising labor productivity will require a better allocation of factors and a focus on infrastructure

Foreign firms as a share of total:

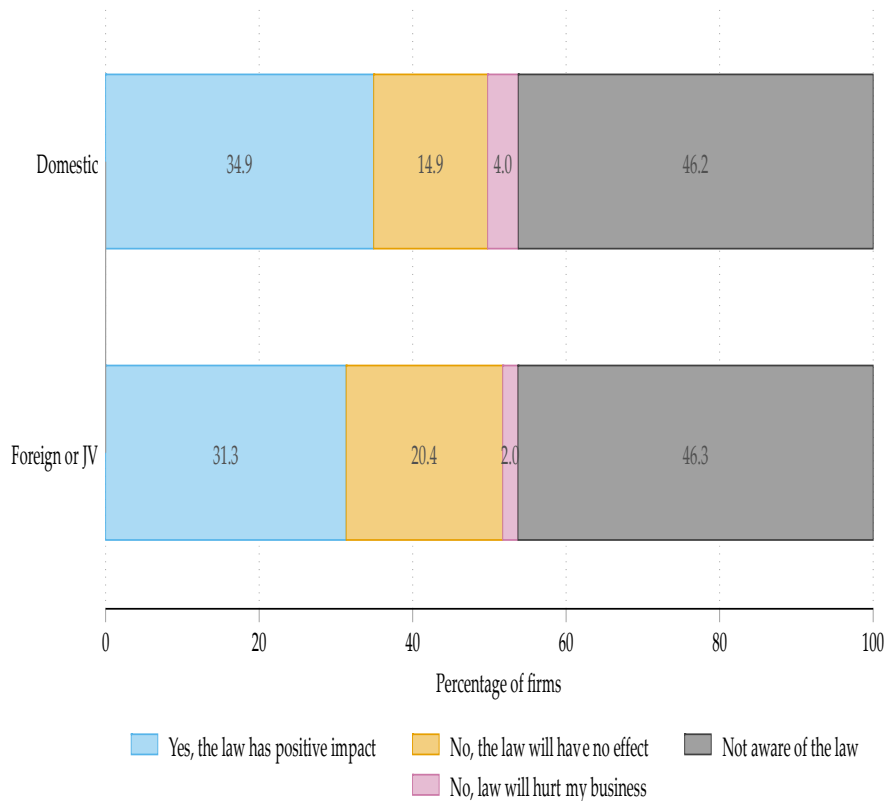


- **The private sector in Myanmar has changed a lot:** 40% of firms are less than 10 years old. There are few foreign firms but they represent 20% of formal employment and of exports.
- **Young firms in manufacturing also tend to be very large** – whether because they are new domestic or foreign ventures or because they have recently been privatized
- **There is a lot of dispersion in labor productivity** and reallocation should go further to allow productive small firms to grow more and unproductive large firms to shrink
- One important factor that seems to explain labor productivity is **access to electricity**



Investment Law is a milestone to attract FDI. Implementation and awareness is key

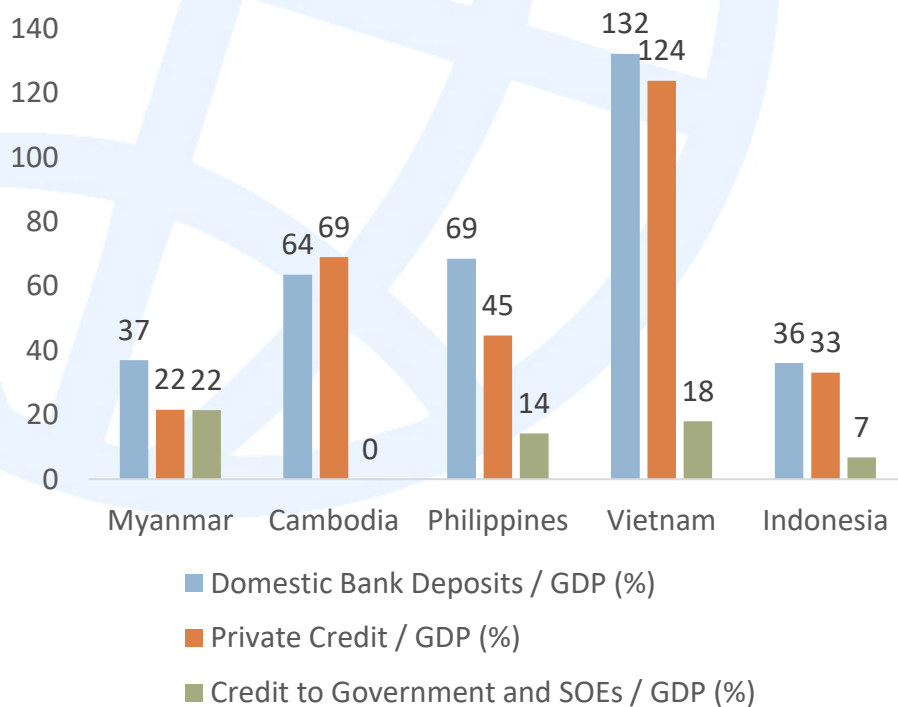
Do you feel businesses in your sector will benefit from the New Investment Law?



- New **Investment Law** well received, especially by foreign investors who account for up to a fifth of exports and of formal employment.
- **Awareness** of law still low, not yet fully implemented.
- The main changes include lower entry barriers, more streamlined procedures, a dedicated mechanism to mediate investor disputes, and more selective investment incentives.
- Complementary reforms remain important to improve investors' **access to factors** such as land, infrastructure, skilled labor, and quality domestic inputs.

Making Finance Work for All

Financial depth: Myanmar and Comparators, 2016



- Myanmar's financial system significantly underserves large parts of the private sector and general public.
- Recent changes have yielded significant gains, including on financial access
- Road ahead is a balancing act between financial stability with significantly expanding outreach and the range of available instruments.
- Reforms needed are complex and simultaneous – important that they are clearly articulated and focused on bringing benefits of more effective financial services to the general public



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