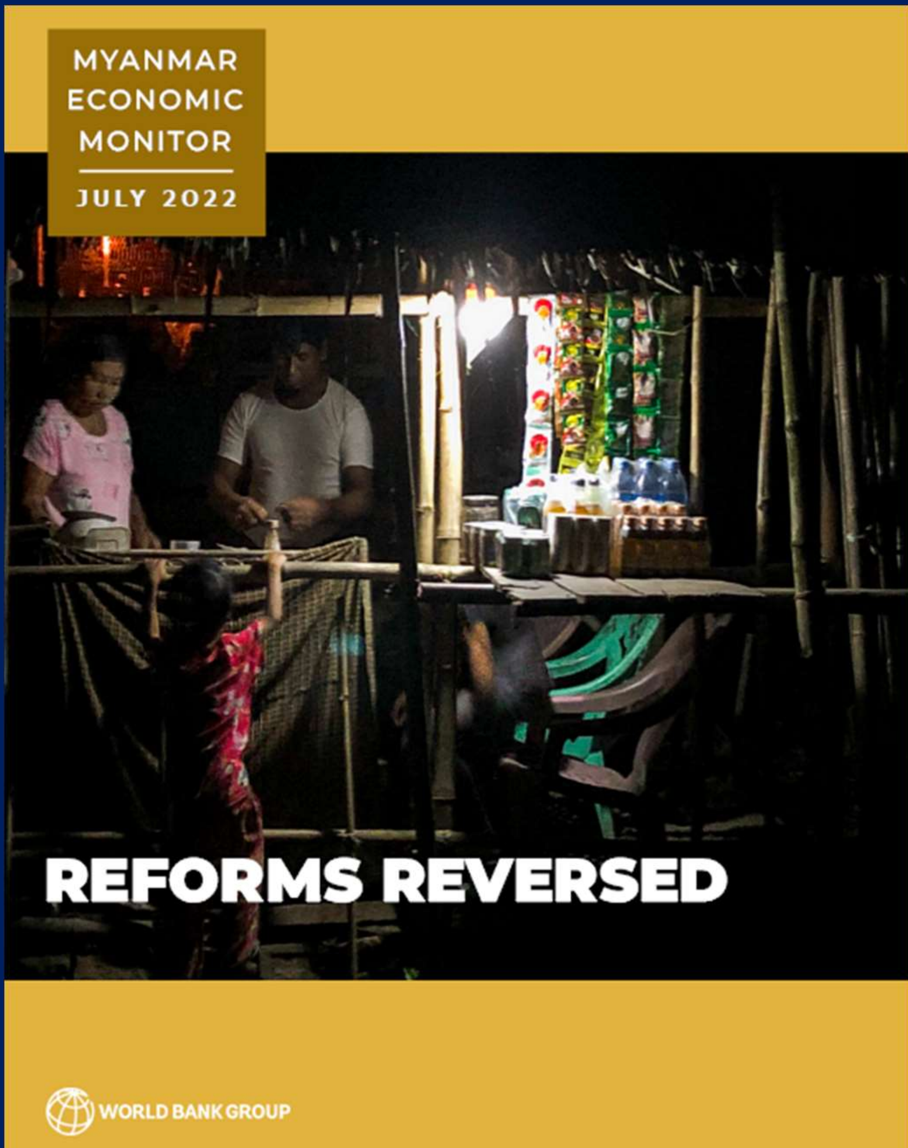


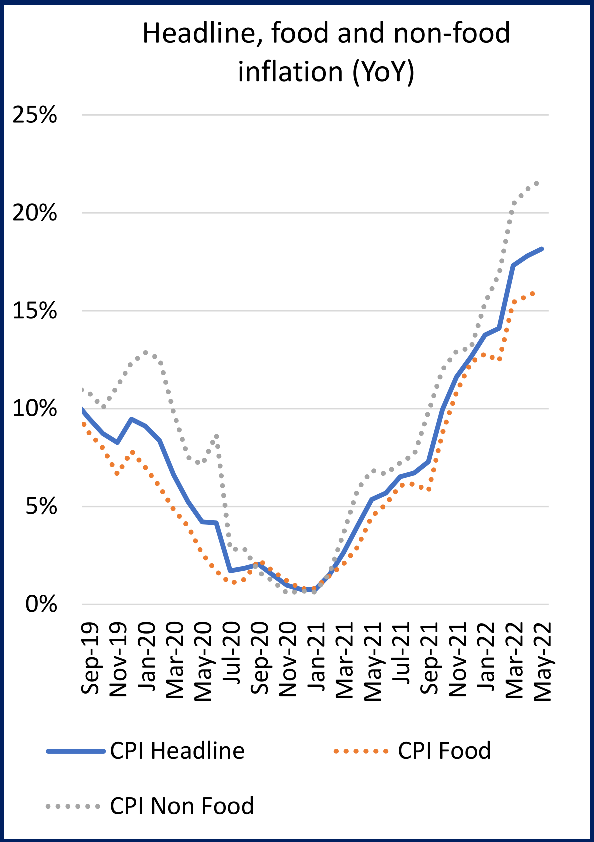
Myanmar Economic Monitor

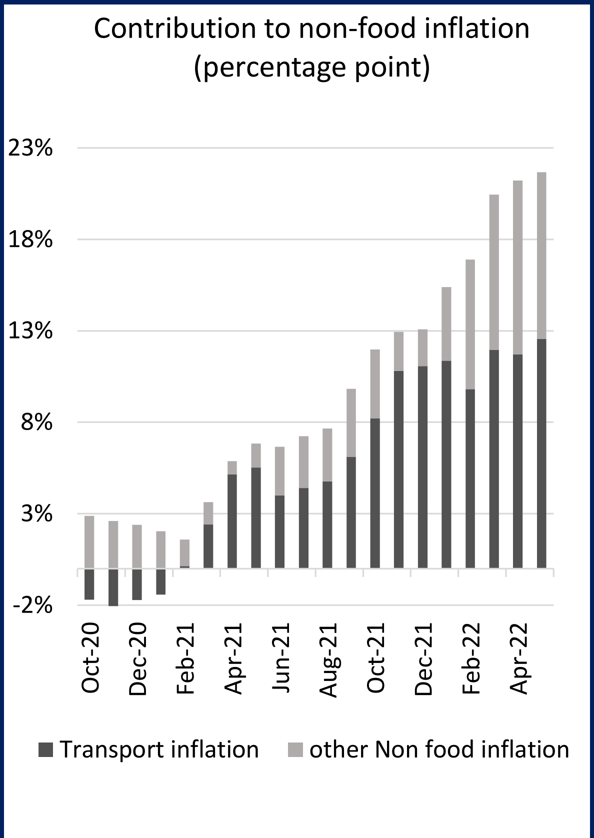
Presentation as of September 2022

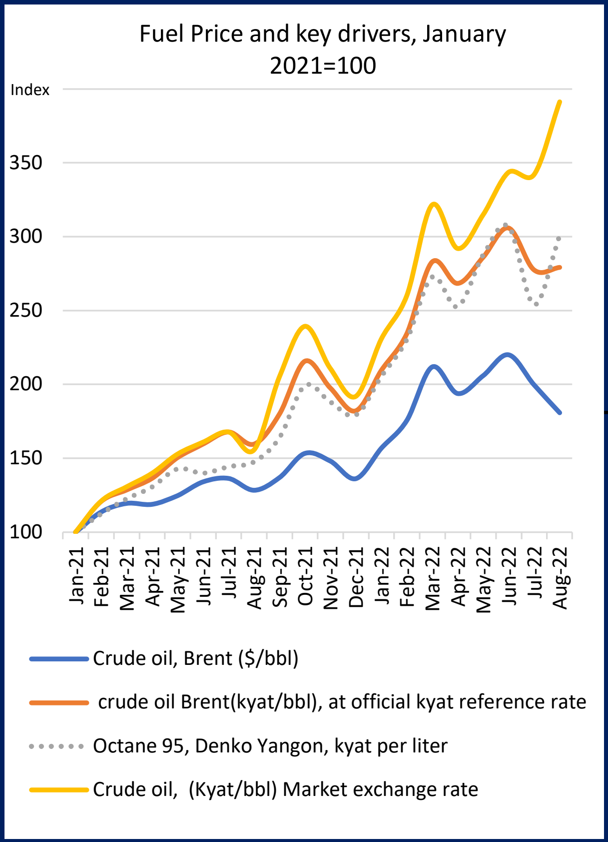
WORLD BANK GROUP

The Myanmar economy has been subject to additional stresses in 2022

The Ukraine war has added to pressures on inflation







Balance of payments pressures have worsened, while recent trade and fx restrictions are impeding external adjustment

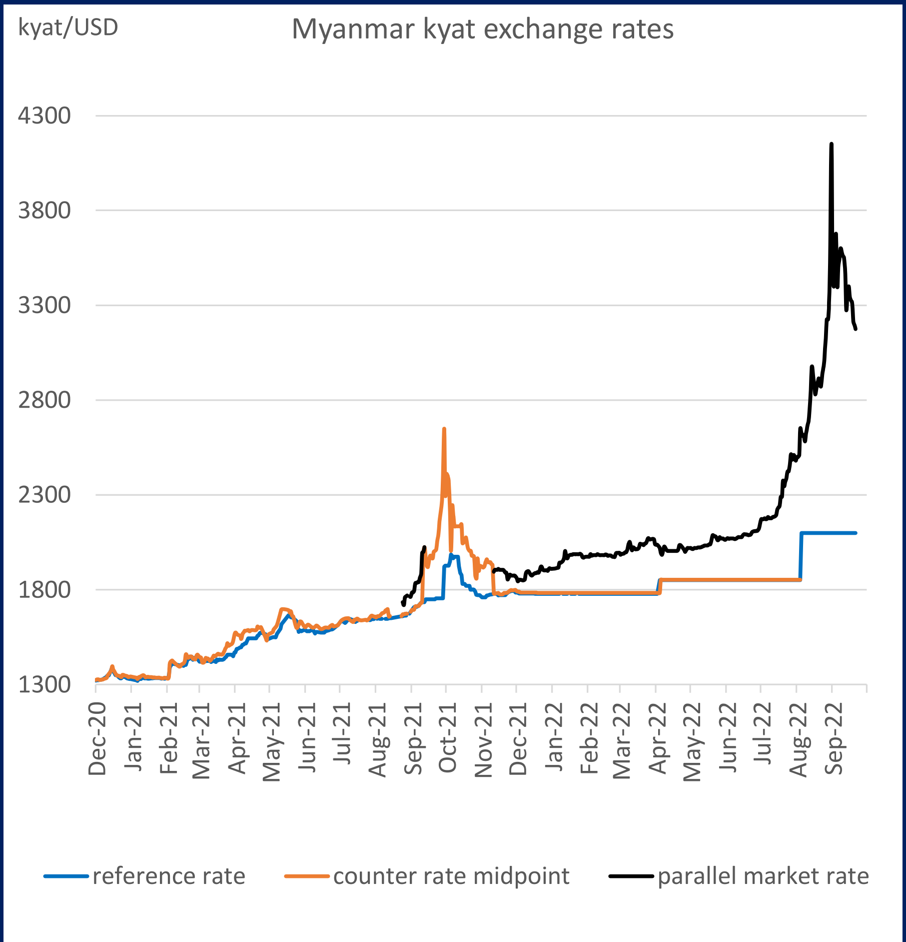
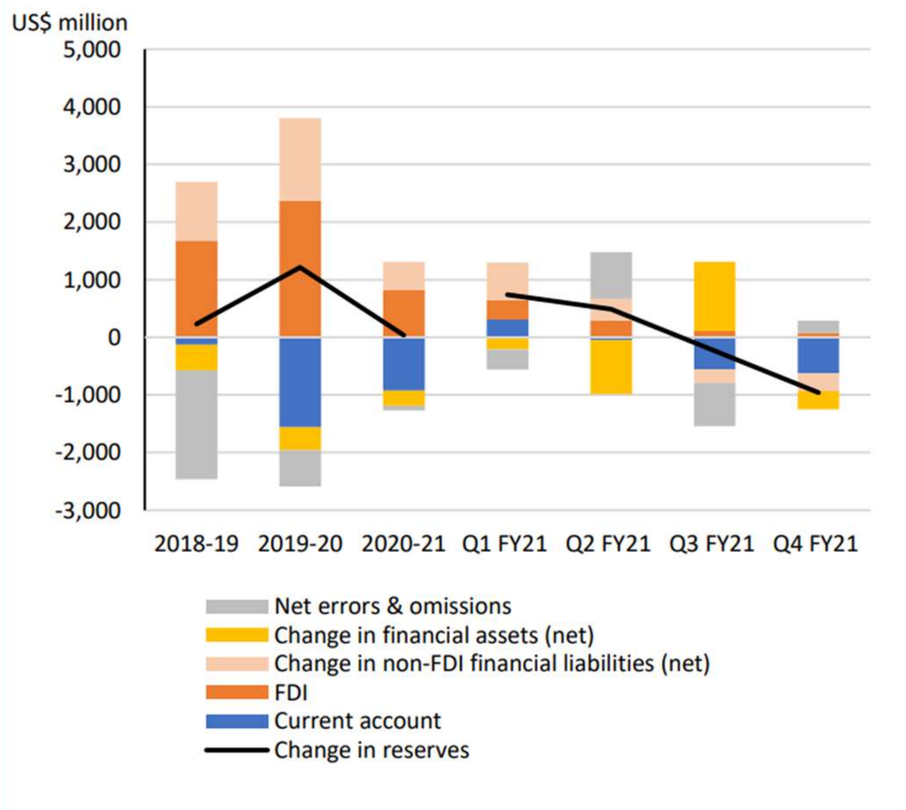


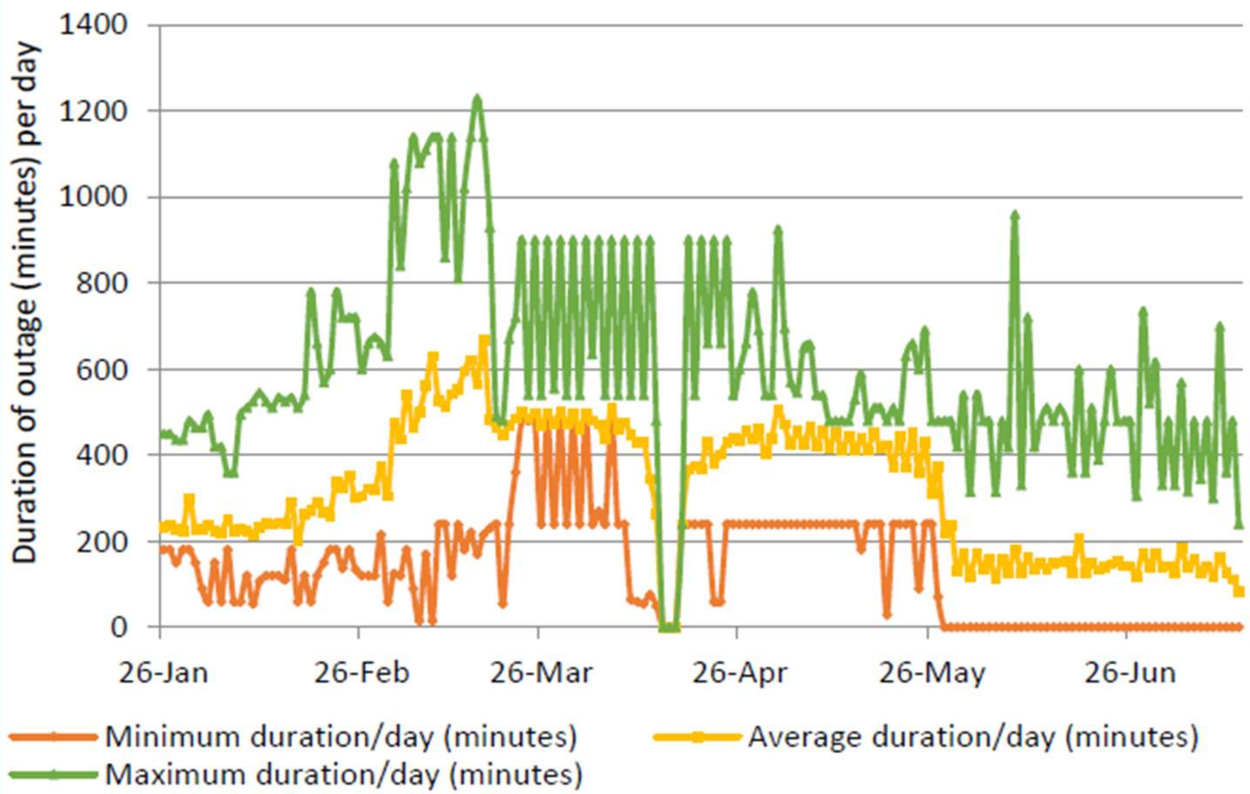
Figure 40: Balance of payments



Source: Central Bank of Myanmar

Electricity outages have been an ongoing constraint this year

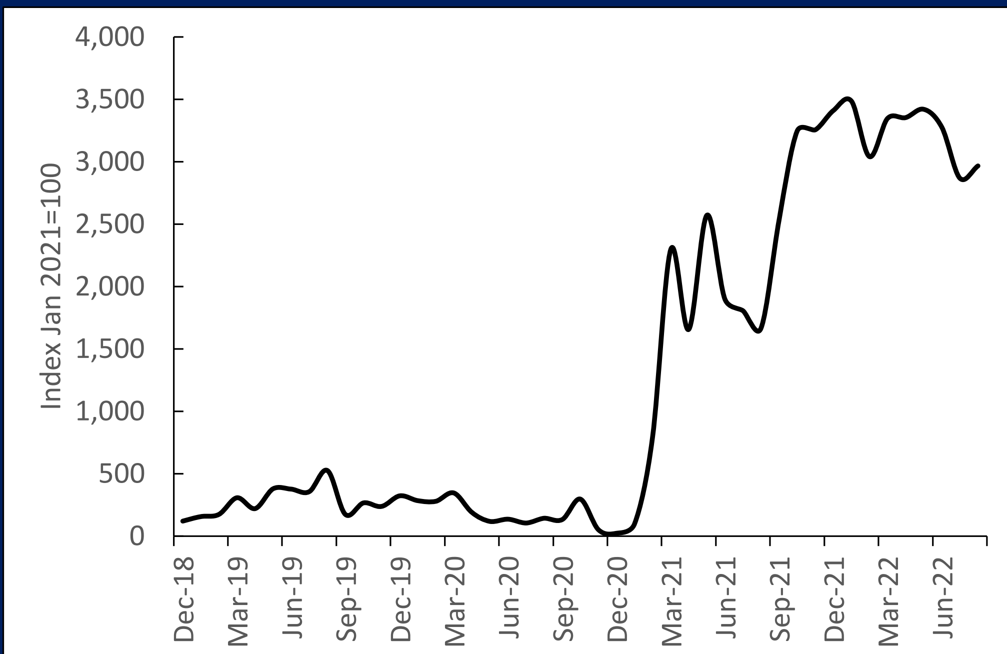
Figure 1: Electricity outages in Yangon



Source: World Bank monitoring team

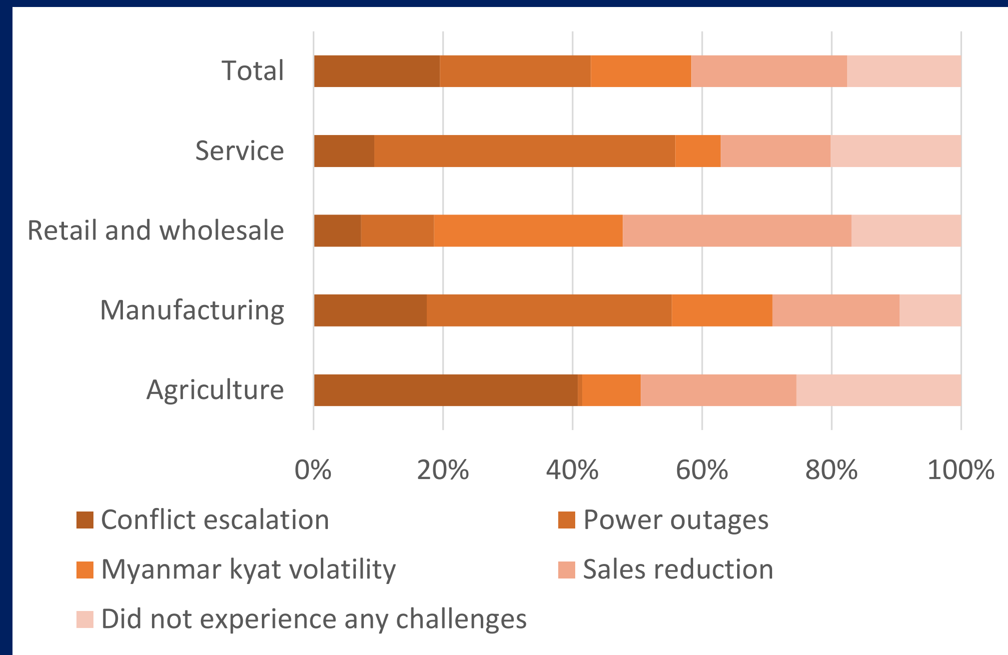
Conflict has remained elevated

Conflict intensity in Myanmar



Source: WB staff calculation using data from the Armed Conflict Location & Event Data Project (ACLED)

Operational challenges for firms in May 2022

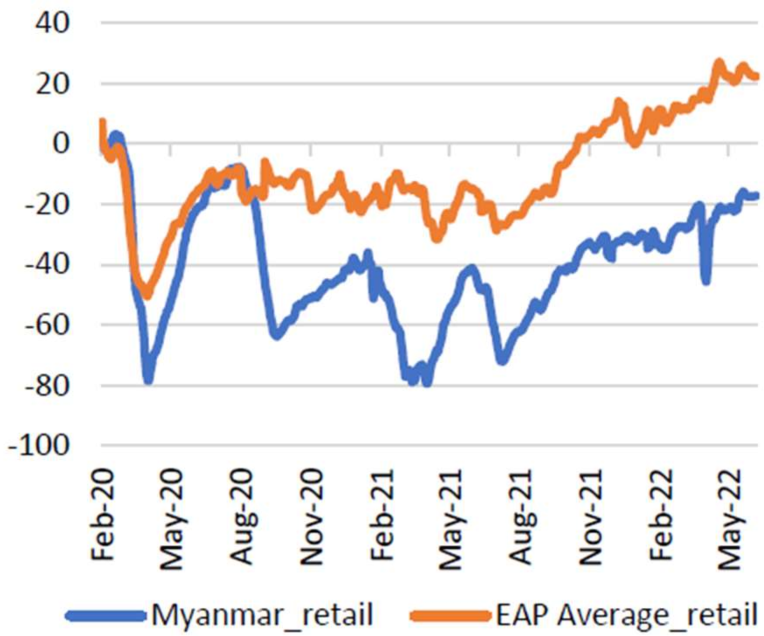


Source: World Bank's Firm Monitoring Survey Round 12

Despite these constraints, evidence of recovery in some areas since last year

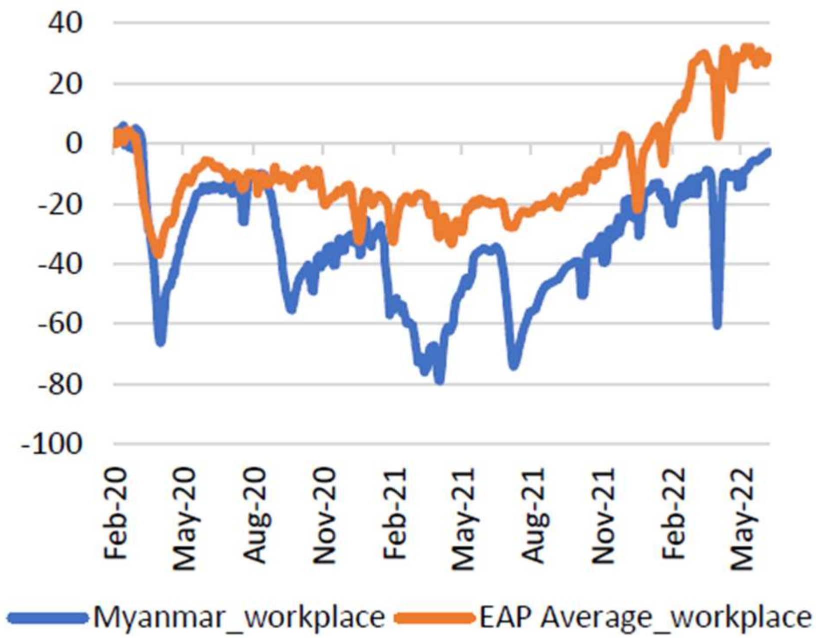
Mobility has picked up

Figure 7: Retail mobility



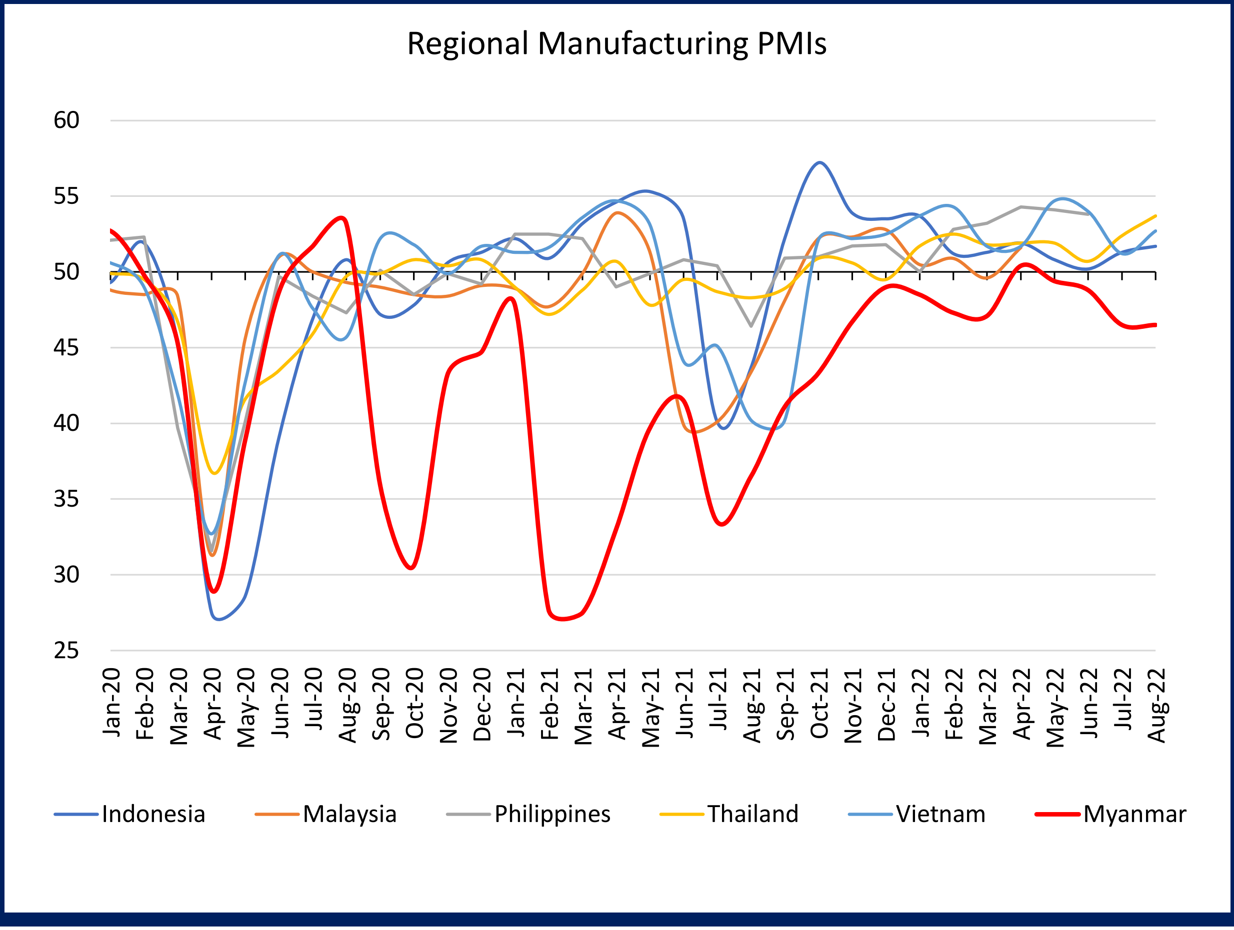
Source: Google COVID-19 community mobility report
Note: 7-day moving average series. EAP average includes Indonesia, Malaysia, Philippines, Thailand, Vietnam, Cambodia, Lao PDR, Mongolia, Myanmar, Fiji and PNG

Figure 8: Workplace mobility



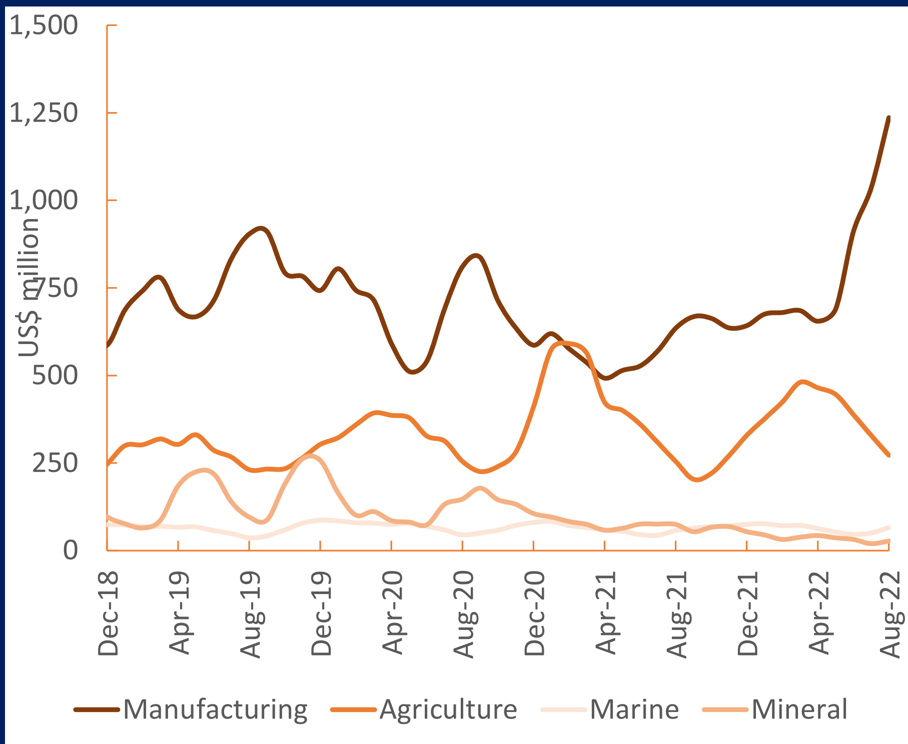
Source: Google COVID-19 community mobility report
Note: 7-day moving average series. EAP average includes Indonesia, Malaysia, Philippines, Thailand, Vietnam, Cambodia, Lao PDR, Mongolia, Myanmar, Fiji and PNG

Manufacturing output and employment seemed to be stabilizing, though recent months have seen a return to contraction



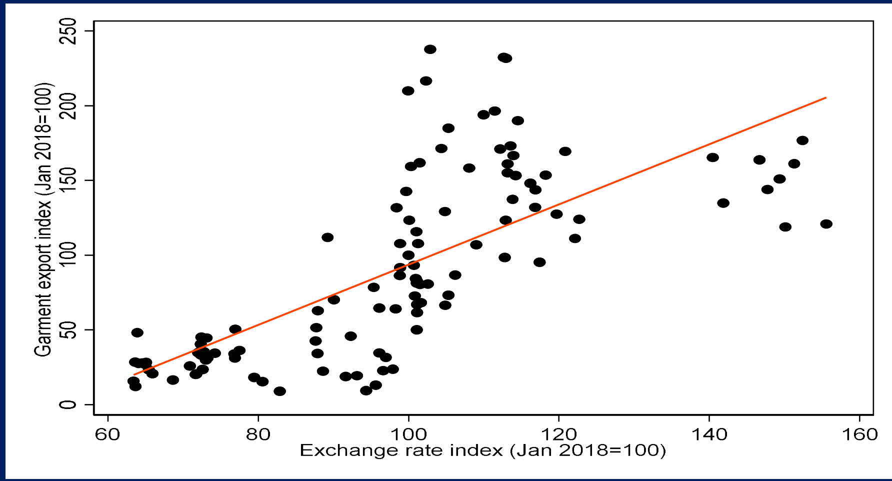
Manufacturing and to a lesser extent agriculture exports have shown resilience

Myanmar's major export trends (3 month moving average)

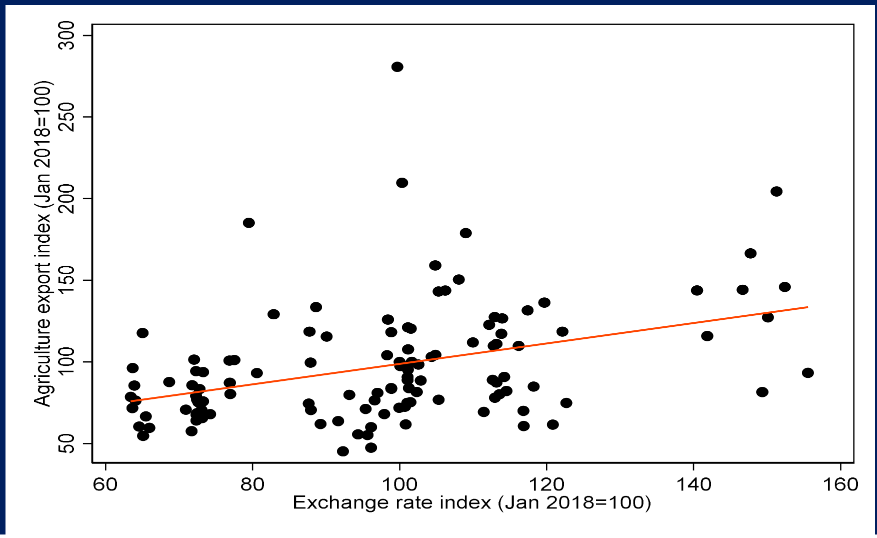


Source: CEIC, Ministry of Commerce and Money Exchangers

Relationship between garment exports and exchange rate



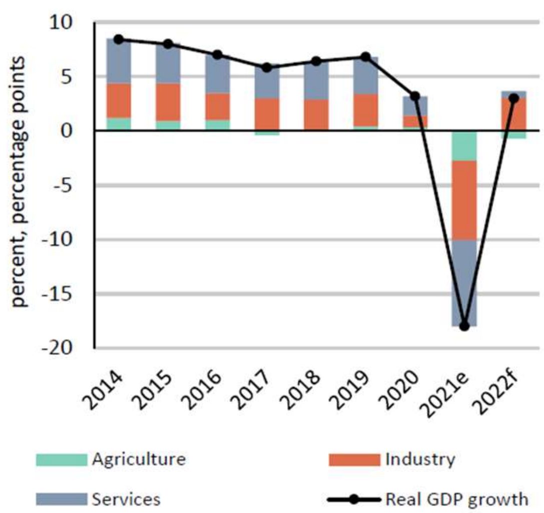
Relationship between agricultural exports and exchange rate



But the economy remains fragile

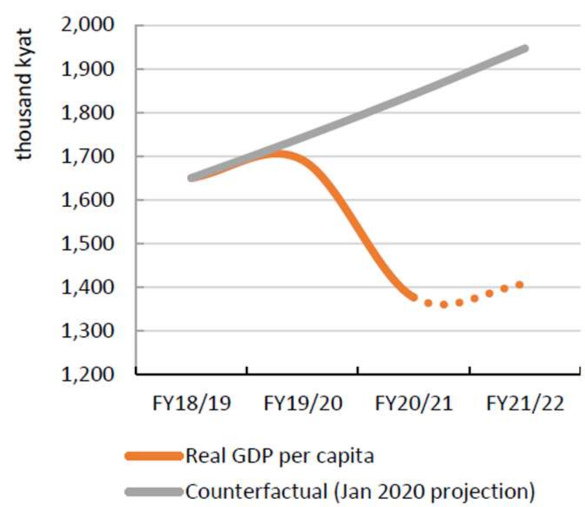
The absence of a substantial rebound in FY2022 is indicative of severe supply- and demand-side constraints

Figure 59: Real GDP growth and contributions to growth by sector (percent, percentage points)



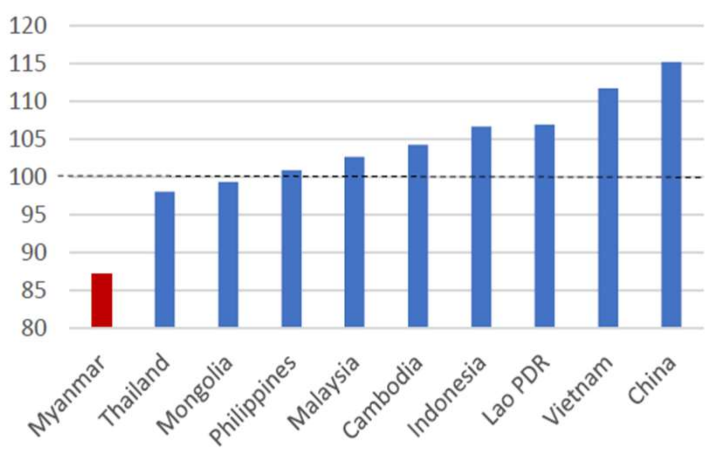
Source: Ministry of Planning and Finance and World Bank projections.

Figure 60: Real GDP per capita (constant FY2018/19 prices)



Source: Ministry of Planning and Finance and World Bank projections.

Figure 62: Forecast real GDP level in 2022 (2019 = 100)



Source: Global Economic Prospects, June 2022
Notes: Real GDP level in 2019 is indexed as 100. f = forecast.

Household incomes, consumption and welfare remain under significant pressure

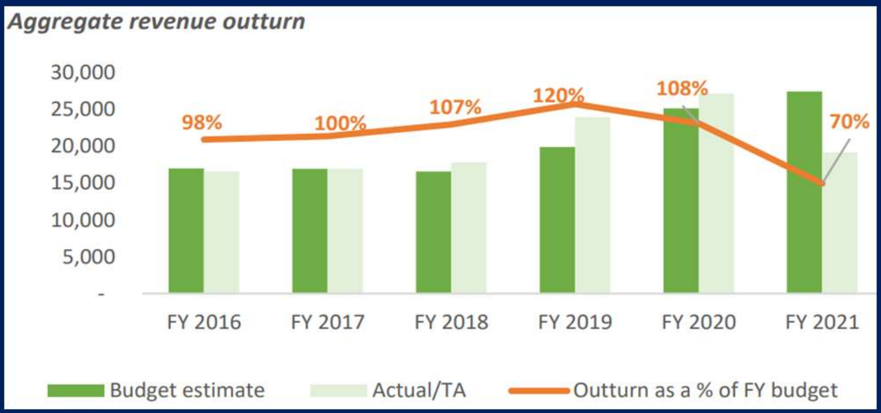
- Over half of all households in Myanmar report reduced household income in February 2022 relative to January 2021, while only 13 percent reported an increase.

- Our simulations indicate that about 40 percent of Myanmar's population is living below the national poverty line in 2022, which is a doubling of the pre-pandemic rate and a return to levels last seen a decade ago.

Figure 57: Percent of households by coping mechanism and quintile

Source: World Bank high frequency household surveys

The fiscal situation has worsened



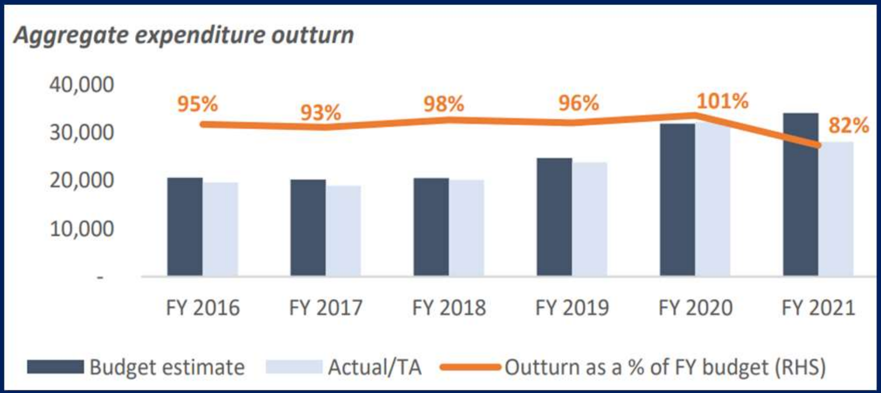


Figure 52. Expenditure execution: Spending as percentage of budget, FY2012-21

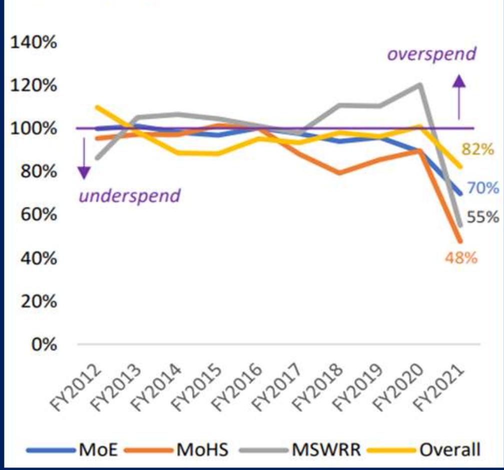
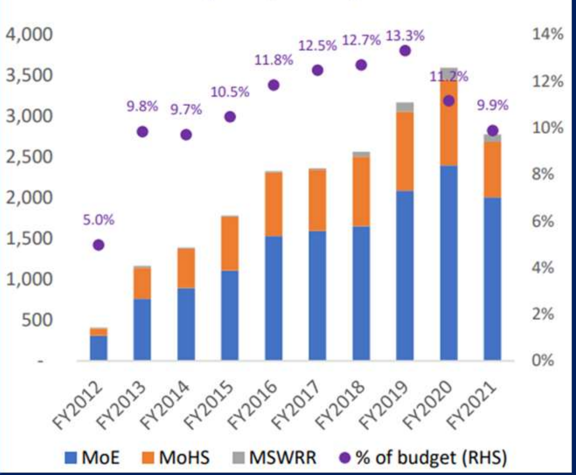


Figure 53. Expenditure in social sectors (MMK, million)



And the outlook is bleak

Several **downside risks**:

- Balance of payments and exchange rate
- Further escalation of conflict
- Resurgence of COVID-19 or natural disaster

Recent **reform reversals** are likely to inhibit potential growth, worsen macroeconomic instability, and impair the efficient allocation of resources:

- Abandonment of managed float
- FX surrender requirements
- Heavy-handed approach toward promoting import substitution and self-sufficiency
- Monetization of the fiscal deficit, and de-prioritization of the social sectors
- Return to a system of governance in which the authorities have more discretion over the application of rules, and more control over the allocation of resources.