MYANMAR

Table 1	2020
Population, million	54.8
GDP, current US$ billion	62.7
GDP per capita, current US$	1144.2
Lower middle-income poverty rate ($3.2)[a]	15.0
Upper middle-income poverty rate ($5.5)[a]	54.3
School enrollment, primary (% gross)[b]	112.3
Life expectancy at birth, years[b]	67.1
Total GHG Emissions (mtCO2e)	245.4

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2017), 2011 PPPs.
(b) WDI for School enrollment (2018); Life expectancy (2019).

The military takeover in February 2021 and a subsequent surge in COVID-19 cases have severely impacted Myanmar's economy, with GDP projected to fall by 18 percent in FY2021 and poverty expected to rise sharply. Economic activity has been heavily affected by reductions in mobility, incomes, and employment, ongoing security concerns, and the disruption of banking, transport, and telecommunications services. The deterioration in the business environment and the impacts of these dual shocks on human and physical capital accumulation are likely to undermine Myanmar's longer-term growth potential.

Key conditions and challenges

The rapid rise in COVID-19 cases in June and July 2021 has had severe public health impacts, while at the same time exacerbating many of the most damaging economic impacts of the February coup. Despite limited testing, reported case numbers peaked at over 5000 per day in the second half of July, and the test positivity rate rose to over a third, suggesting widespread community transmission. The capacity of the health system to provide treatment has been constrained by shortages of oxygen and other medical supplies, price increases, and a lack of medical personnel, in part due to participation in the Civil Disobedience Movement (CDM). Although case numbers and positivity rates have declined since July, stay-at-home directives and other restrictions have remained in place through August and September. Together with precautionary behavior and ongoing security concerns, these have constrained mobility and led to additional disruptions to businesses' operations and the supply of labor and inputs.

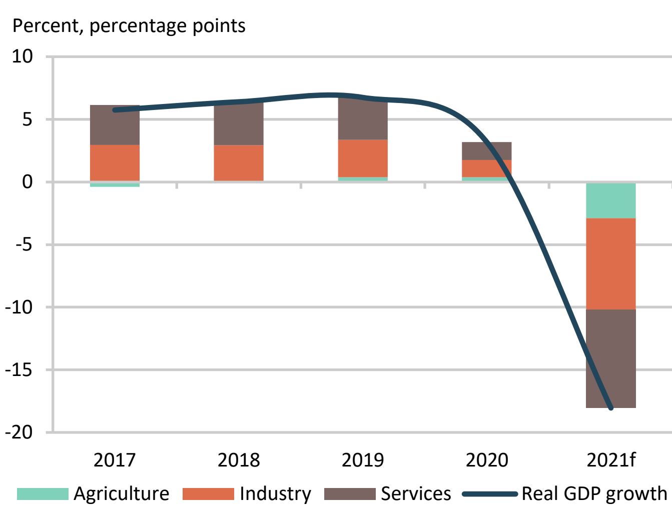
Financial sector disruptions and cash shortages have made it more difficult for businesses to access credit and pay employees and suppliers. Despite interventions from the Central Bank of Myanmar (CBM), including a resumption in the printing of kyat banknotes, physical currency remains in short supply and trust in the banking system has deteriorated. In response, informal systems have emerged to allow customers to withdraw bank deposits and make and receive payments. US dollars have also become increasingly difficult to access, due in part to increased precautionary demand for safer assets and a reduction in foreign financing. The CBM has sold US dollars into the market and deployed various other measures to manage the exchange rate and alleviate foreign currency shortages. Nevertheless, as of mid-September the official kyat reference rate had depreciated by around 24 percent against the US dollar since the end of January, and the spread between official and unofficial market rates has widened and become more volatile.

Tax and non-tax revenue collection have fallen due to the shrinking economic base and the CDM-related non-payment of taxes and electricity bills. With limited deficit financing options, the reduction in revenues will limit fiscal space for spending on critical public services, unless the government reverts to large-scale CBM financing which could undermine macroeconomic stability.

Recent developments

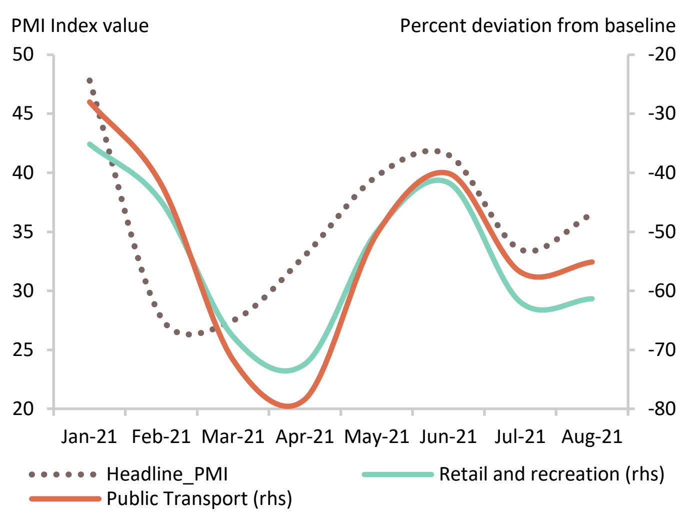
GDP is estimated to have fallen by 18 percent in FY2021, a sharp contrast to the 3.2 percent growth reported in FY2020. Despite some signs of improving conditions in May and June, overall economic activity has remained weak throughout the period since the February coup, and the

FIGURE 1 Myanmar / Real GDP growth and contributions to real GDP growth by sector



Sources: Ministry of Planning and Finance and World Bank staff estimates.

FIGURE 2 Myanmar / Manufacturing purchasing managers' index (PMI) / Mobility (month average)



Sources: Google COVID-19 Community Mobility Reports and IHS Markit.

third wave of COVID-19 has had severe additional economic impacts in the September quarter. Mobility to retail and recreation outlets and public transport venues had recovered to around 40 percent below pre-COVID baselines by the end of June, but subsequently dipped to around 70 percent below baseline levels in July. The manufacturing Purchasing Managers' Index (PMI) indicates that output, new orders and employment contracted for the twelfth consecutive month in August 2021, with the third wave of COVID-19 forcing factory closures and further weakening demand.

Logistics and trade constraints – including those associated with COVID-19 related land border closures – have restricted exports, and together with the exchange rate depreciation have raised the prices of imported inputs. Fuel prices are up by around two thirds since the end of January. But weaker demand, particularly for discretionary purchases, is likely to have partly offset these inflationary pressures. International trade has been disrupted, with exports and imports declining by 16 percent and 25 percent respectively in the first ten months of FY21, while FDI commitments have also fallen.

The economic consequences of these dual shocks – the military coup and COVID-19 – will be hugely damaging to livelihoods, which for many were already under severe strain. Many households are experiencing declines in income due to loss of employment or reduced work hours and wages, while the prices of some food staples and fuel have risen substantially. Even in October 2020, around half of all households had reported reducing their consumption in response to the second wave of COVID-19: with savings now drained even further, additional declines in household consumption are expected, with corresponding impacts on nutrition and food security.

Outlook

While the outlook remains extremely uncertain, the impacts of these dual shocks are likely to persist well into 2022, and any subsequent economic recovery is expected to be slow. Firm surveys indicate that private sector confidence is extremely weak. In a nationally representative survey of five hundred Myanmar firms conducted in June, only 57 percent were confident of remaining in business over the next month, and only 28 percent expected to recover to pre-coup levels by the end of the year. In the near-term, the outlook will depend on the evolution of COVID-19 cases and containment measures, the actions of the military authorities, developments in the political and security situation, and the responses of the private sector, external investors and trading partners.

Welfare impacts will be particularly severe. Increased poverty is anticipated as the labor market impacts of the shrinking economy channel through to households. The predicted poverty rates (based on international poverty lines) come with a high degree of uncertainty – if inequality were to rise, the rates could be considerably higher. Inflation and credit/liquidity constraints will further compound food security risks, particularly for the poor who rely on limited savings. Moreover, COVID-19 remains a significant health risk, with only around 5 percent of the population fully vaccinated as of early September, and treatment options still difficult to access. The compounded welfare challenges will likely result in Myanmar's poorest being forced into deeper destitution.

Over the longer term, recent events may also limit Myanmar's longer-term growth potential. Most indicators suggest that private investment has fallen markedly, and firms are devoting scarce resources to dealing with operating constraints and security concerns, reducing their productivity. Lost months of education due to school closures are also likely to have substantial longer-term impacts on human capital and productive capacity.

TABLE 2 Myanmar / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2016	2017	2018	2019	2020 e	2021 f
Real GDP growth, at constant market prices	7.0	5.8	6.4	6.8	3.2	-18.0
Real GDP growth, at constant factor prices	7.0	5.8	6.4	6.8	3.2	-18.0
Agriculture	3.4	-1.5	0.1	1.6	1.7	-13.2
Industry	8.3	8.7	8.3	8.4	3.8	-20.2
Services	8.4	8.1	8.7	8.3	3.4	-18.7
Inflation (Consumer Price Index)	10.0	4.7	5.9	8.5	5.8	6.0
Current Account Balance (% of GDP)	-3.7	-6.8	-4.7	-2.8	-3.4	-1.0
Fiscal Balance (% of GDP)[a]	-4.2	-2.6	-2.9	-3.8	-6.5	-8.5
Primary Balance (% of GDP)[a]	-3.1	-1.3	-1.4	-2.3	-4.8	-6.7
Lower middle-income poverty rate ($3.2 in 2011 PPP)[b,c]		15.0	13.1	11.4	10.7	17.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[b,c]		54.3	51.1	47.7	46.5	58.4
GHG emissions growth (mtCO2e)	-2.5	5.1	0.8	1.0	0.2	-9.3
Energy related GHG emissions (% of total)	13.9	18.4	18.9	20.0	20.6	14.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.
(a) Fiscal balances are reported in fiscal years (October 1st -September 30th).
(b) Calculations based on EAPPOV harmonization, using 2017-MLCS.Actual data: 2017. Nowcast: 2018-2020. Forecast are from 2021to 2023.
(c) Projection using neutral distribution (2017) with pass-through = 0.7 based on GDP per capita in constant LCU.