The economy performed better in 2017/18 amidst uncertainty.

- A stronger-than-expected global economic recovery in 2017 provided a boost to global trade.
- Myanmar’s economy saw a broad based recovery in growth led by agriculture and manufacturing while services growth declined slightly as tourism was affected by Rakhine uncertainties.
- Inflation moderated, the current account and fiscal deficits narrowed and the Kyat strengthened slightly within the year.

While the economic outlook remains positive, domestic risks in particular have intensified.

- Rising input costs, policy uncertainty and the perception of slowing reforms and banking sector uncertainty.
- Revenue leakage and low budget execution hinder basic service provision and infrastructure and hence productivity.
- The external environment may deteriorate due to 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
- Coordinate implementation and raise awareness of the Investment law and companies act to generate FDI and knowledge, and employment.
- Use evidence that ownership, firm size and stable electricity provision affect firm productivity.
- Access to credit is reported as improving, but the road to financial stability and inclusion will be bumpy.
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...

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

In developing East Asia and Pacific (EAP), economic growth strengthened slightly in 2017.
A broad based a broad based pick up in growth.

Real GDP growth and sector contribution

Output, Employment, Price PMI
Strong export performance narrowed the trade and current account deficits, and FDI flows picked up to cover.
Export growth led by natural gas prices, volatile, garments and agriculture

Rice - Acceleration of exports and diversification of destinations (m tons)
Inflation fell on average, and within the year, before picking up in August, driven by food prices.
Actual fiscal deficit may be considerably lower than the budget

Fiscal balances, Percent of GDP
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
## Favorable medium-term economic outlook

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<tbody>
<tr>
<td>Real GDP growth (% change)</td>
<td>7.0</td>
<td>5.9</td>
<td>6.4</td>
<td>6.8</td>
<td>6.9</td>
<td>7.1</td>
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<tr>
<td>CPI Inflation (end of period)</td>
<td>8.4</td>
<td>7.0</td>
<td>5.2</td>
<td>4.9</td>
<td>5.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Current account balance (% of GDP)</td>
<td>-7.2</td>
<td>-5.3</td>
<td>-4.7</td>
<td>-4.7</td>
<td>-4.1</td>
<td>-3.8</td>
</tr>
<tr>
<td>Fiscal balance (% of GDP)</td>
<td>-5.1</td>
<td>-3.0</td>
<td>-4.7</td>
<td>-4.8</td>
<td>-4.4</td>
<td>-4.4</td>
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But downside risks have intensified

Uplside
- Global growth surprise
- MSDP implementation

Downside
- Uncertain global trade policy
- Slower than expected banking reforms
- Slower than expected budget execution

External risks
- Domestic risks
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
Buttress macroeconomic stability

• **MSDP** offers the much-needed unifying and coherent roadmap for reforms

• Key fiscal priority for Myanmar: to break out of the cycle of low revenue and low and inefficient public spending

• Could consider a fiscal strategy to increase spending on critical \textit{priorities for growth}, such as capital investments in energy and transport, and for inclusive development, such as on education and health

• Good progress in improving transparency in the extractives sector, however, \textit{more can be done under the Extractives Industry Transparency Initiative}
Improve operating environment for the private sector

Perception of bureaucratic inertia, centralized decision making, and emerging protectionism are bottlenecks to improving the operating environment for the private sector

- **Coordination across government departments** to implement recent new economic legislations (e.g., Company Law, Investment Law)
- Consider using indicators in Ease of Doing Business as *measurable targets* for reforms and establish a *mechanism to monitor reform progress*, and to facilitate *consultations with the private sector*.
- **Further liberalize sectors**: such as insurance and banking services for foreign investments along with implementation of prudential regulations
- Ministries to *develop communication strategies for public outreach/coherence in message* (policy reforms)