

# MYANMAR

## Key conditions and challenges

**Table 1** 2020

Population, million	54.4
GDP, current US\$ billion	79.9
GDP per capita, current US\$	1468.5
Lower middle-income poverty rate (\$3.2) <sup>a</sup>	14.9
Upper middle-income poverty rate (\$5.5) <sup>a</sup>	54.3
School enrollment, primary (% gross) <sup>b</sup>	112.3
Life expectancy at birth, years <sup>b</sup>	66.9

Source: WDI, Macro Poverty Outlook, and official data.

Notes:

(a) Most recent value (2017), 2011 PPPs.

(b) Most recent WDI value (2018).

*In February 2021, the military assumed power in Myanmar, and economic activity has been heavily affected by protests, worker strikes, and military actions; reductions in mobility; and the ongoing disruption of critical public services in addition to banking, logistics, and internet services. These impacts have hit an economy already suffering from the pronounced second surge in COVID-19 cases that began in September 2020. As a result, poverty is likely to increase, and macro-fiscal and financial risks have risen sharply.*

In February 2021 the military assumed power in Myanmar, setting back the country's democratic transition, immediately impacting an economy that had already been weakened by COVID-19, and significantly increasing the uncertainty around the outlook. Domestic activity and trade have been hit by reduced mobility, protests, worker strikes, and the ongoing disruption of key services. While the longer-term implications are difficult to predict at this point, the near-term outlook has worsened considerably. Much will depend on the evolution and persistence of the protests and so-called Civil Disobedience Movement, the actions of the military authorities, and the responses of foreign governments and international investors.

Beginning in late 2020, the surge in COVID-19 cases and second wave of strict containment measures had already struck Myanmar's economy hard. But events since February are likely to have a much larger economic impact in FY2021 (year ended September). Taken together, these shocks have weakened domestic demand and trade, and disrupted businesses' operations and the supply of labor and inputs. Previous gains in poverty reduction are likely to have been substantially unwound. With savings already drained, many poor households have been forced to reduce consumption to

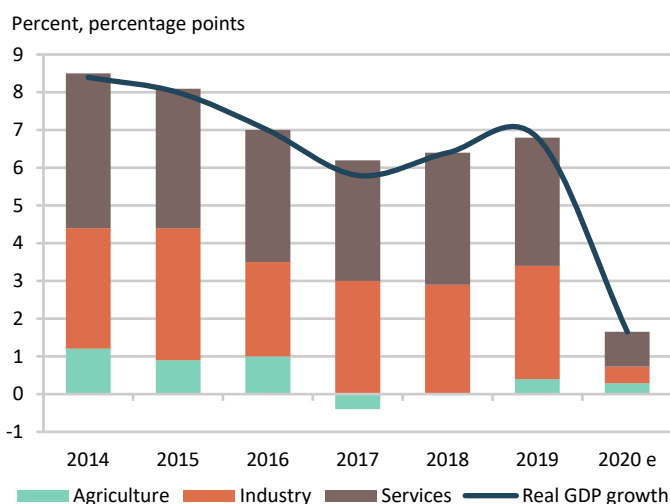
cope with income losses. Negative impacts on physical and human capital accumulation will likely constrain the capacity of the economy to grow over the longer-term. At the same time, financial sector risks have been heightened by banking staff shortages, elevated withdrawals, and the debt servicing and cash flow challenges faced by firms.

The fiscal position, already weakened by COVID-19, will be further strained by recent events as they disrupt revenue collection and financing. Fiscal policy is structurally constrained by low revenue collection, with tax revenues at around 6 percent of GDP among the lowest in the world. With limited deficit financing options, low revenues restrict the ability of the government to respond to shocks and limit the envelope for spending on critical public services, which tend to benefit poorer households more.

## Recent developments

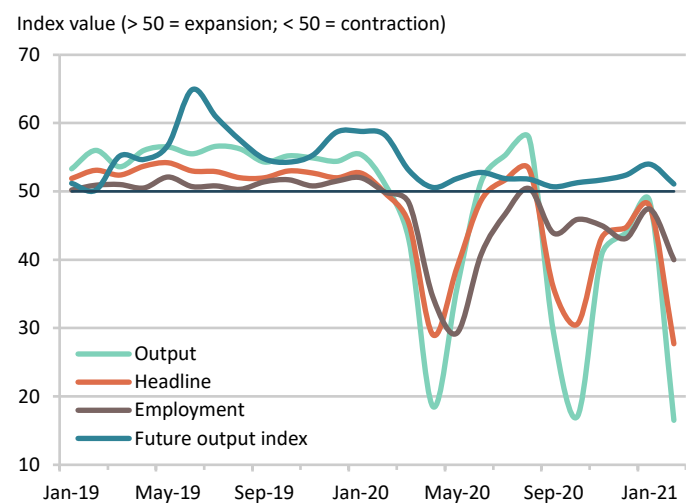
Myanmar's economy is estimated to have grown by 1.7 percent in FY2020, a sharp slowing from 6.8 percent the previous year. In FY2021, the second wave of COVID-19 appears to have had a larger and longer-lasting economic impact than the first. Mobility indicators declined sharply in September and recovered only slowly, remaining significantly below pre-pandemic levels in January 2021. The manufacturing Purchasing Managers' Index (PMI) indicated conditions worsened in each of the months from September 2020

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



Sources: Ministry of Planning and Finance and World Bank staffs estimate.

**FIGURE 2 Myanmar / Manufacturing purchasing managers' index (PMI)**



Sources: IHS Markit.

to February 2021. Financial vulnerabilities associated with outstanding loans have increased, and half of all firms reported cash flow shortages in December 2020. As of November, more than a third of households' main earners had lost their jobs; of those still working, about half reported earning lower incomes. Workers in the transport and tourism sectors were hardest hit, with 60 percent not working. The agriculture sector has been more resilient, with far fewer workers experiencing a reduction in incomes.

Economic policy measures cushioned some of the economic and social impacts of the pandemic, but were likely insufficient to prevent a substantial increase in poverty. These measures included cash and in-kind transfers to households, soft loans to affected businesses, capital spending, and tax breaks and deferrals. While cash assistance had reached almost half of all households by November, the transfers fell short of meeting needs and food security remains a concern. The fiscal deficit widened to 6.5 percent of GDP in FY2020 as public spending increased.

The economic impacts of recent military actions and ongoing protests have been pronounced. The kyat has depreciated against the US dollar, and the prices of

fuel and some other basic items have risen. Banks have closed and internet and logistics services have also been severely disrupted. This has worsened the operating environment for businesses, which are struggling to make and receive payments, transport their goods to markets, and access necessary inputs. Workplace mobility declined to around 60 percent below baseline levels in mid-March (from around 25 percent below baseline at the end of January). Several foreign investors are reviewing their activities in Myanmar, and some have halted operations.

## Outlook

The economic outlook is highly uncertain, with a wide range of possible scenarios. Any future recovery in domestic activity will likely be contingent on a rebound in mobility and the restoration of key services. The trade and foreign investment outlook will depend on the reactions of international investors and governments. Moreover, the threat of COVID-19 will rise to the extent that domestic efforts to tackle the pandemic continue to be interrupted.

The second surge in COVID-19 cases was previously expected to lead to a continuation of very modest (though still positive) growth in FY2021, but events unfolding since the beginning of February are likely to instead result in a substantial economic contraction this year. These more recent events will compound the existing welfare challenges faced by the poorest and most vulnerable, and will likely result in a sharp increase in poverty, heightened food security risks, and deeper destitution for those already poor. The success of the dry season harvest and farmers' continued ability to trade will be critical for the large share of households relying on agriculture for all or part of their income.

There is also the risk of significant impacts on the external and fiscal accounts. A sharp reduction in exports and/or foreign investment would put further pressure on the exchange rate and the balance of payments, with foreign exchange reserves – estimated at 4.7 months of imports as of September 2020 – providing a smaller than optimal buffer. Further declines in revenue collection would result in additional pressure on public finances, increasing the fiscal deficit further, while a realization of financial risks could have significant impacts on the real economy.

**TABLE 2 Myanmar / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f
<b>Real GDP growth, at constant market prices</b>	5.8	6.4	6.8	1.7	-10.0
<b>Real GDP growth, at constant factor prices</b>	5.8	6.4	6.8	1.7	-10.0
Agriculture	-1.5	0.1	1.6	1.2	-7.4
Industry	8.7	8.3	8.4	1.3	-10.3
Services	8.3	8.7	8.4	2.3	-11.1
<b>Inflation (Consumer Price Index)</b>	4.7	5.9	8.5	6.4	6.0
<b>Current Account Balance (% of GDP)</b>	-6.5	-4.2	-2.6	-3.7	-5.4
<b>Fiscal Balance (% of GDP)<sup>a</sup></b>	-2.6	-2.9	-3.8	-6.5	-8.9
<b>Public Sector Debt (% of GDP)<sup>a</sup></b>	38.4	40.3	38.8	40.6	51.6
<b>Primary Balance (% of GDP)<sup>a</sup></b>	-1.3	-1.4	-2.3	-4.8	-6.7
<b>Lower middle-income poverty rate (\$3.2 in 2011 PPP)<sup>b,c</sup></b>	14.9	13.0	11.2	10.9	14.3
<b>Upper middle-income poverty rate (\$5.5 in 2011 PPP)<sup>b,c</sup></b>	54.3	51.0	47.4	46.8	53.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.  
Notes: e = estimate, f = forecast.

(a) Fiscal balances are reported in fiscal years (October 1st -September 30th).

(b) Calculations based on 2017-M LCS. Actual data: 2017. Nowcast: 2018-2021.

(c) Projection using neutral distribution (2017) with pass-through = 0.7 based on GDP per capita in constant LCU.