



WORLD BANK GROUP

Myanmar Economic Monitor

May 2018

Growth Amidst Uncertainty

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May 17, 2018

Key Takeaways

The economy performed better in 2017/18 amidst uncertainty.

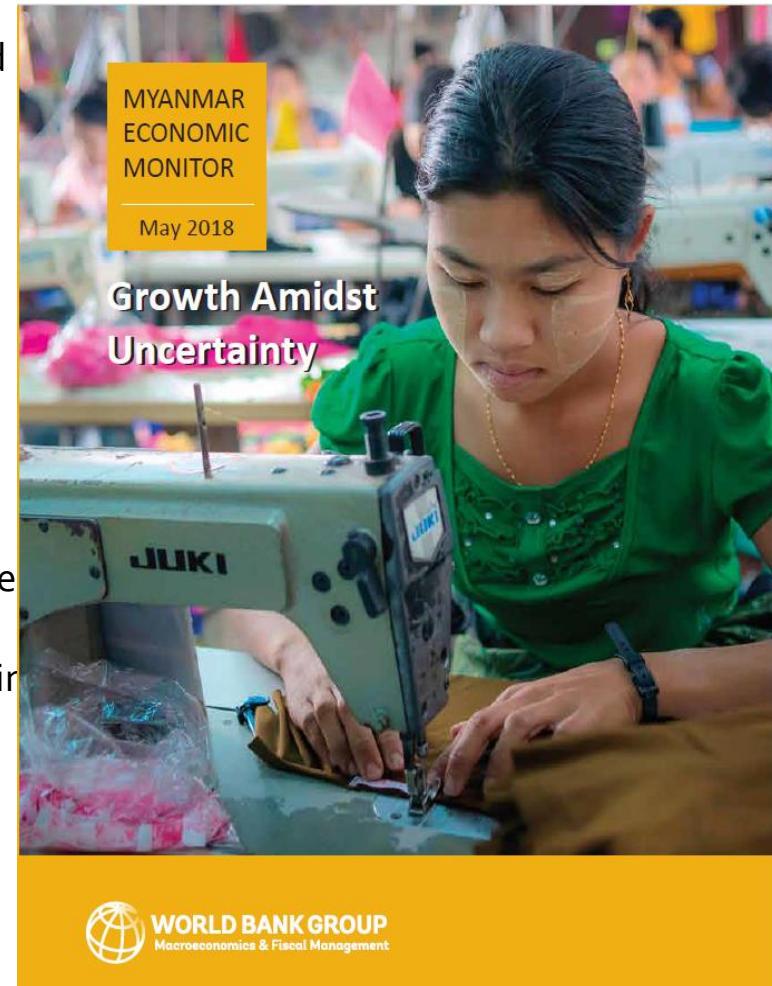
- A stronger-than-expected global economic recovery in 2017 provided a boost to global trade.
- Myanmar's economy saw a broad based recovery in growth led by agriculture and manufacturing while services growth declined slightly as tourism was affected by Rakhine uncertainties.
- Inflation moderated, 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.



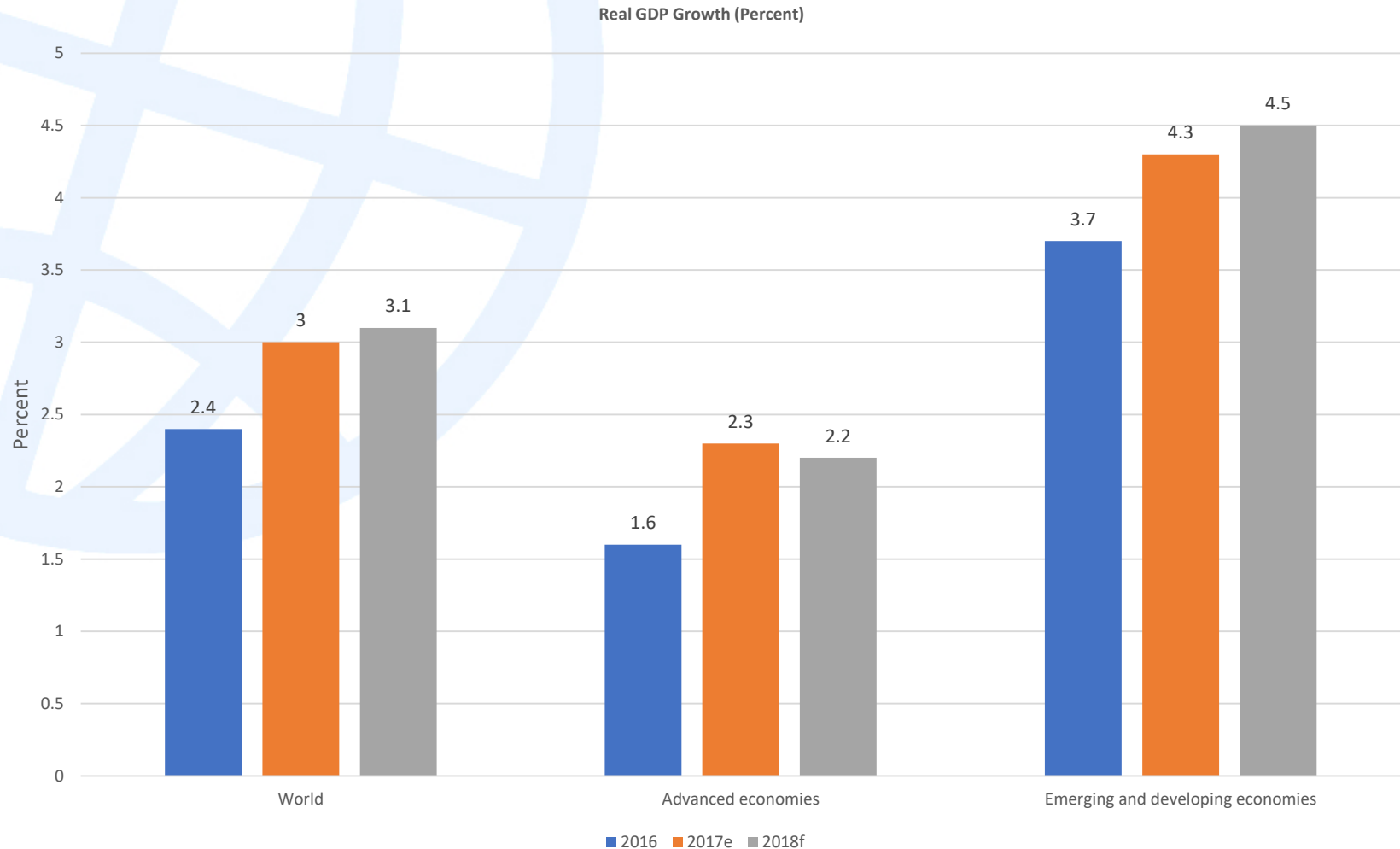


The economy performed better in 2017/18 than 2016/17

The outlook remains positive, but risks have intensified

Government reforms can raise the outlook and economic potential

Global conditions improved, providing a favorable environment...



Source: World Bank Global Economic Prospects January 2017

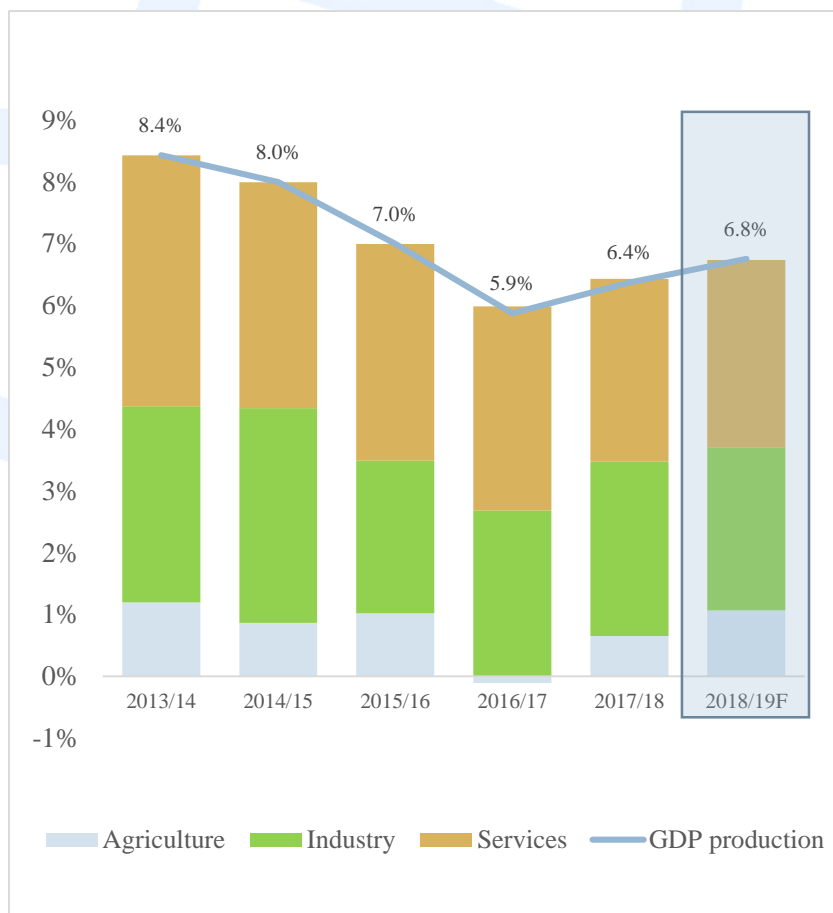
Myanmar capitalized on global recovery, but is losing its lead in the region.

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

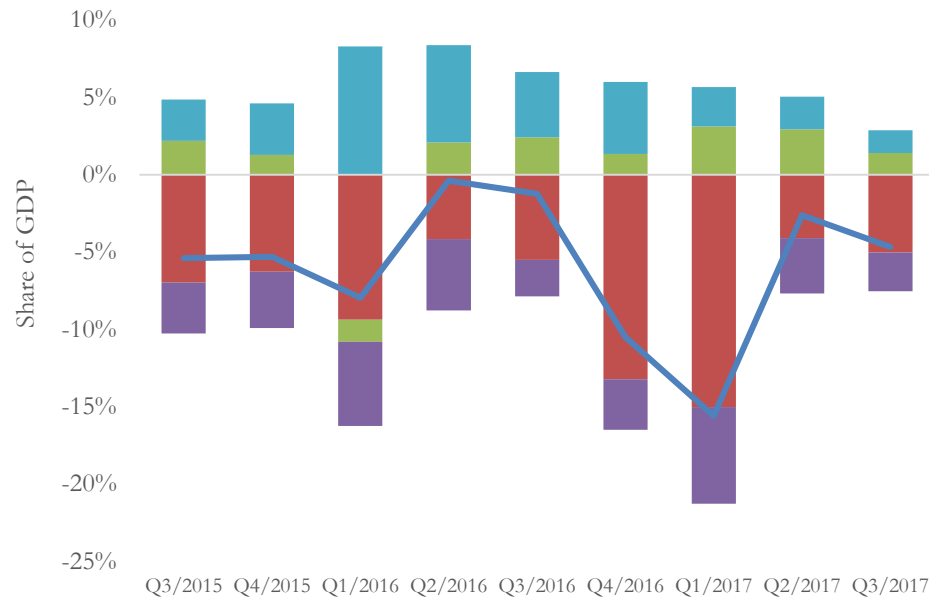


Output, Employment, Price PMI



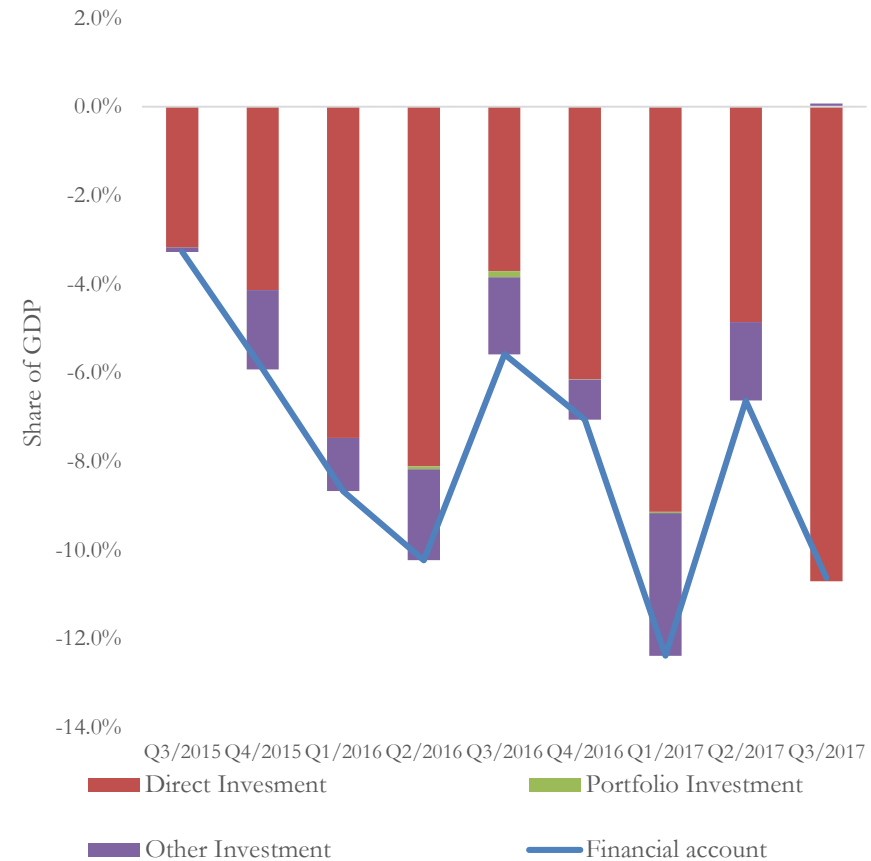
Strong export performance narrowed the trade and current account deficits, and FDI flows picked up to cover.

Current account



Trade balance
Primary income balance
Services balance
Secondary income balance
Current account

Financial Account

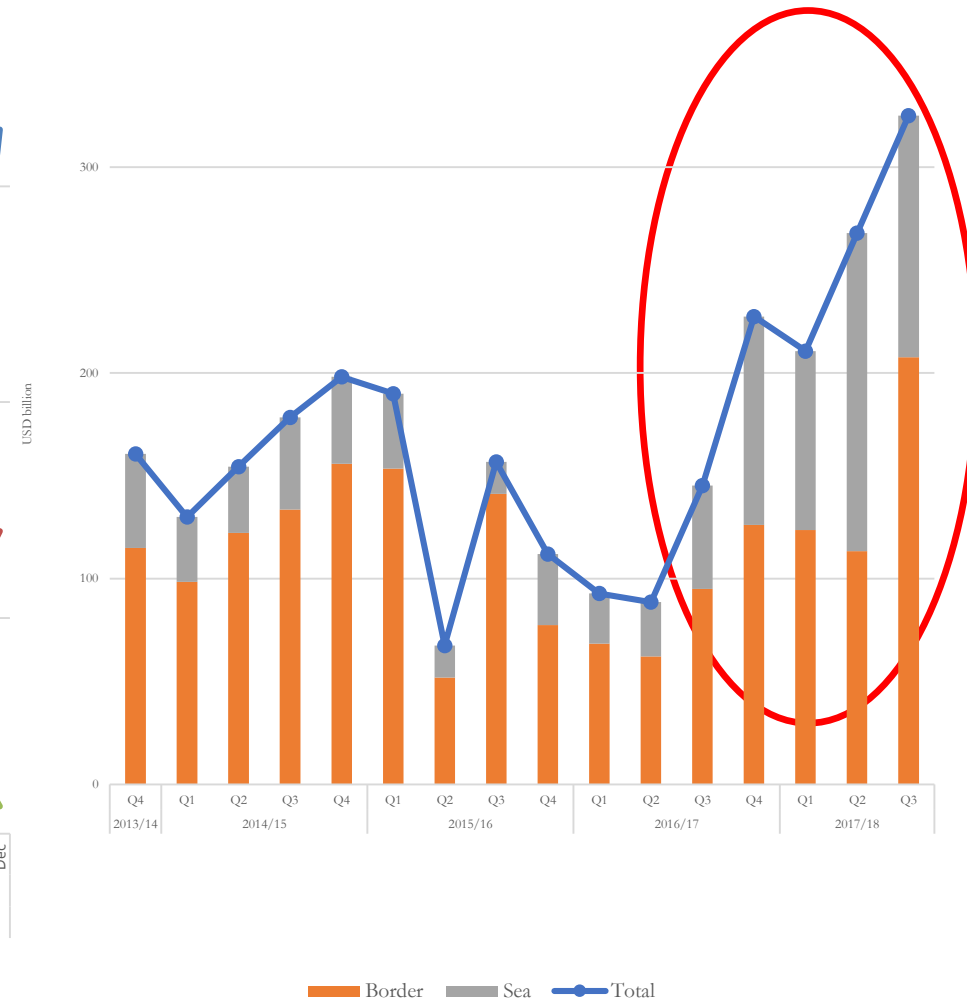
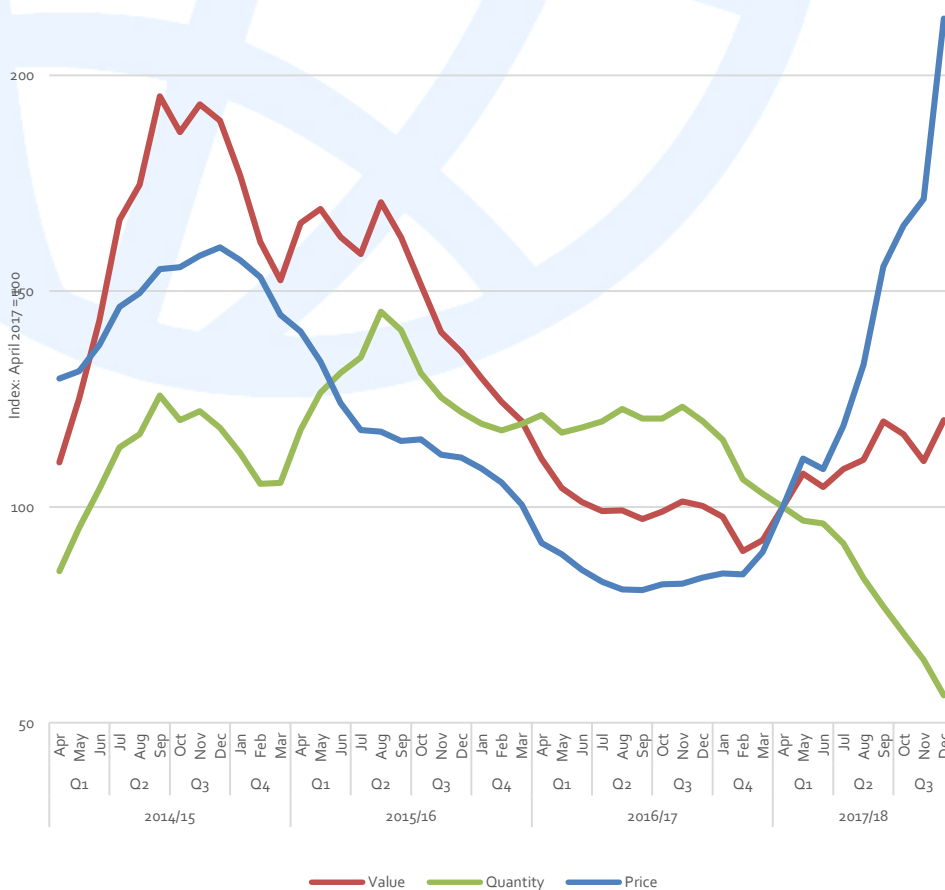
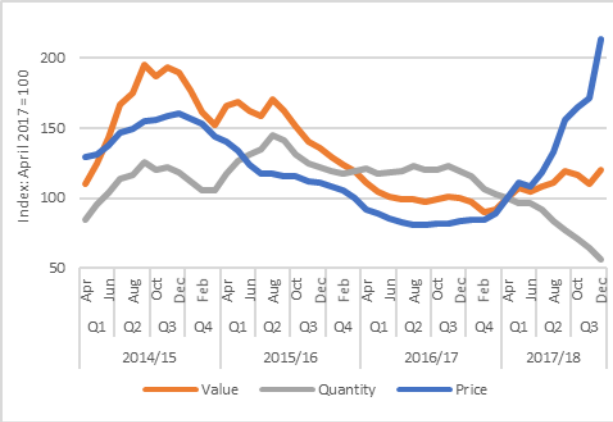


Direct Investment
Portfolio Investment
Other Investment
Financial account

led by natural gas prices atile, garments and agriculture

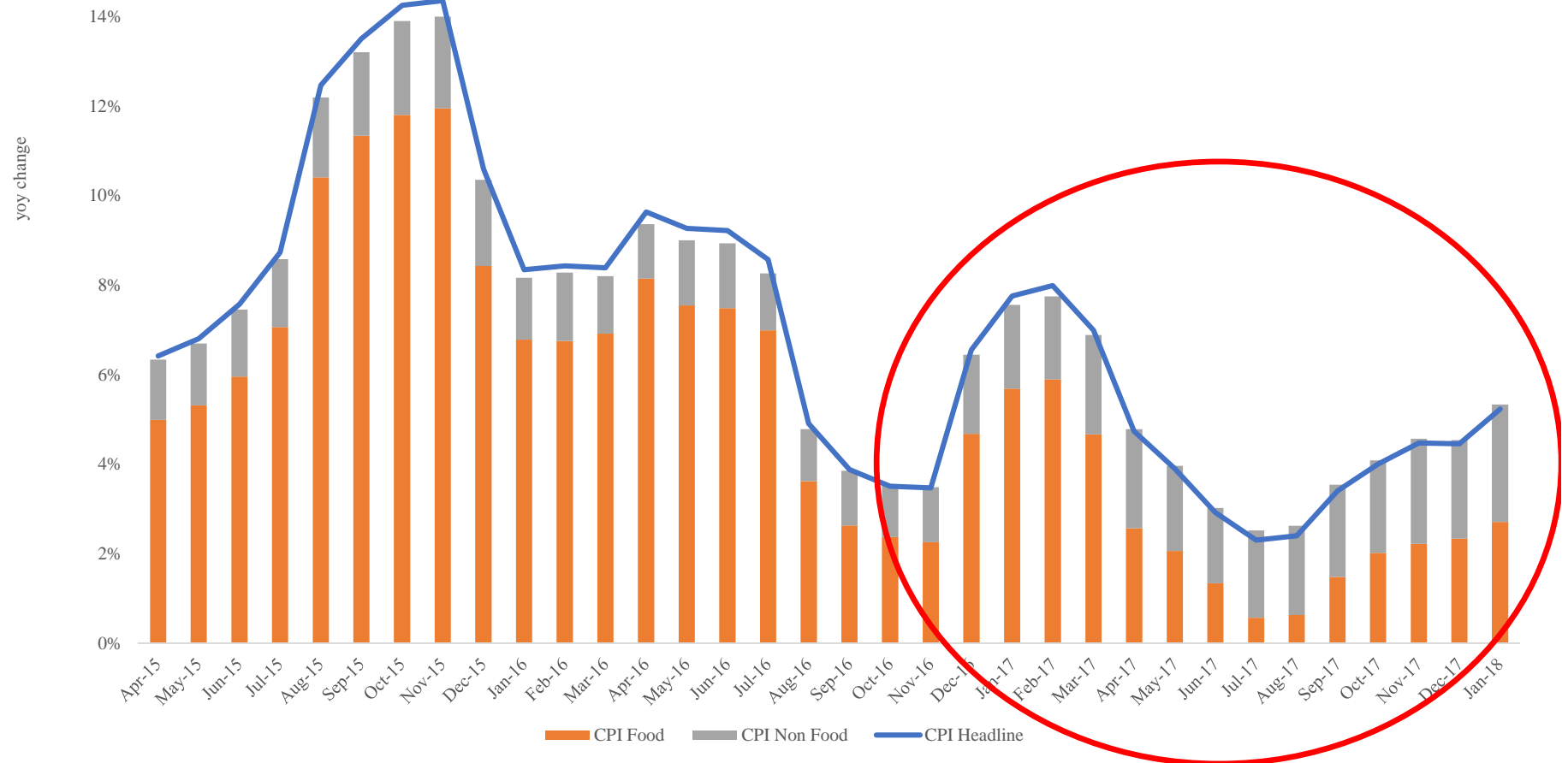
nd prices

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



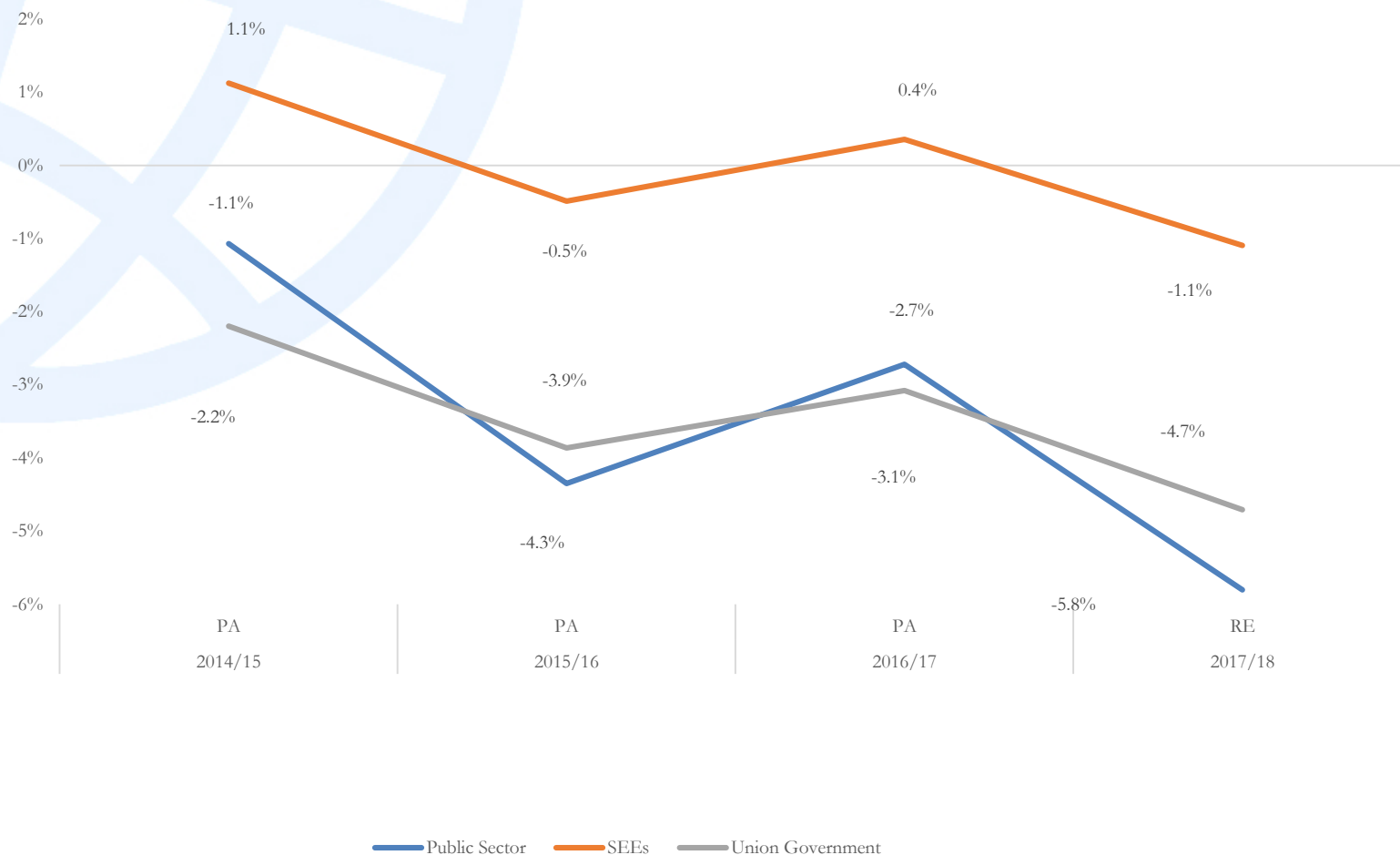
Inflation fell on average, and within the year, before picking up in August, driven by food prices

Inflation drivers



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

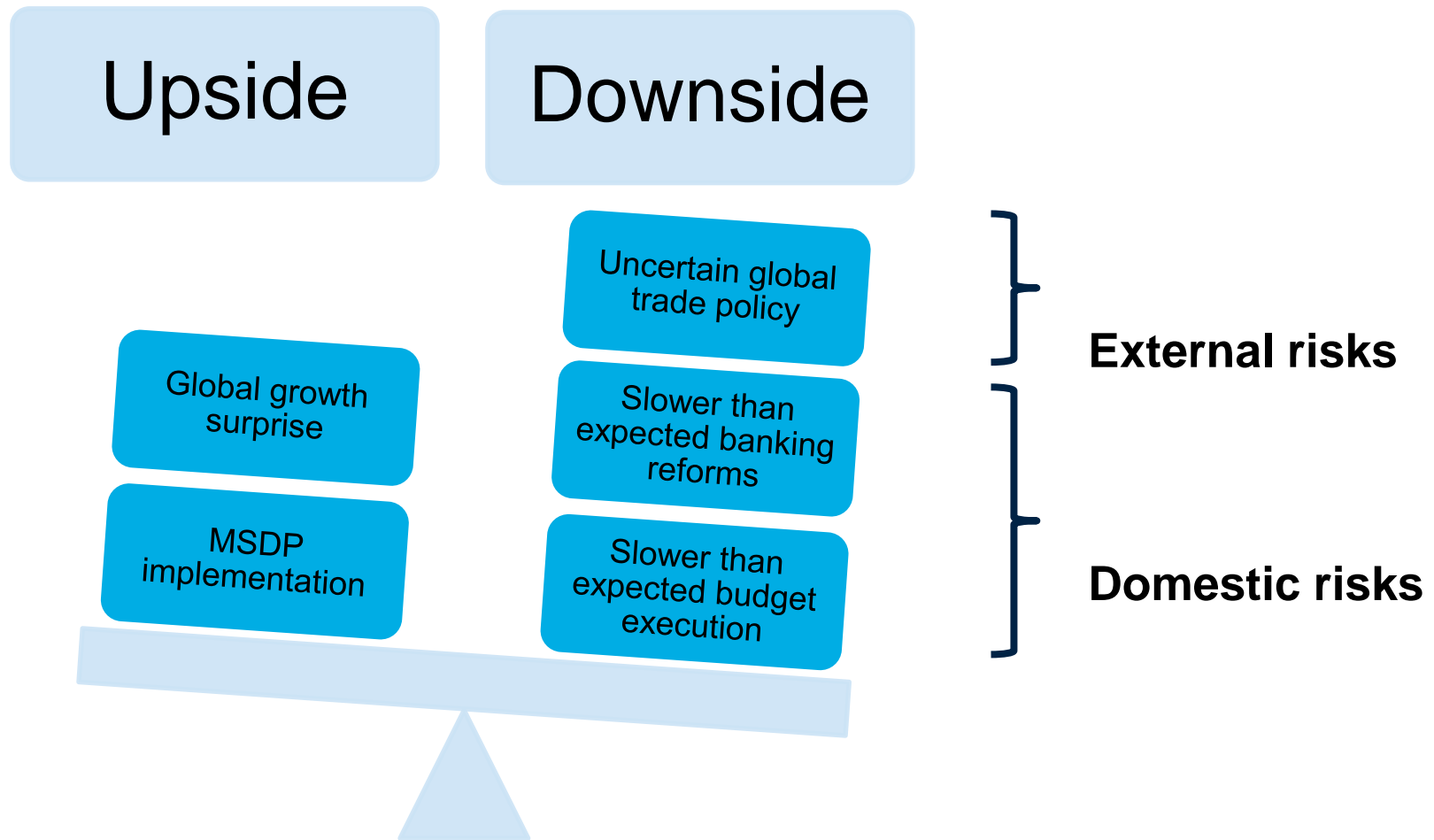
The outlook remains positive, but risks have intensified

Government reforms can raise the outlook and economic potential

Favorable medium-term economic outlook

	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	5.3
Current account balance (% of GDP)	-7.2	-5.3	-4.7	-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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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 ***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, ***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)