



## Myanmar Market Update: 2020

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# Myanmar's Economy in Seven

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Special Economic Advisor to the State Counsellor



## 1. What's Done, What's Done to Not Do



## 2. Macroeconomic stability, Budget Deficit

- Initial conditions/measures
- LR Solutions
  - Bond Market
  - Taxation (rationalize Comm Tax base, export, cap goods deduct; income tax, withholding; uniform tariff)
- Spending – See PB below!



### 3. Macro-prudential Stability, Banking

- July 2017 Prudential Reforms
- Implementation Struggle
- Foreign Progress (Yoma, A-Bank, Hana, new banks, 'green loans')
- Other FI advances
  - Mobile money
  - MFIs



## 4. Project Bank

- LR + mild fiscal Stimulus
- SOE Reform

## 5. Rakhine

- Restoration infra + monetary econ
- Second round, credit, agri
- Doing business, SEZ metrics



## 6. China

- Paukphaw to “Communities with a Shared Destiny”
- CMEC
- Coronavirus, zero dollar, rare earths, diversification

## 7. Myanmar's triple transition to 'Normality'



**Thank You!**

**Tim Vistarini**

Counsellor, Development & Economics,  
Australian Embassy

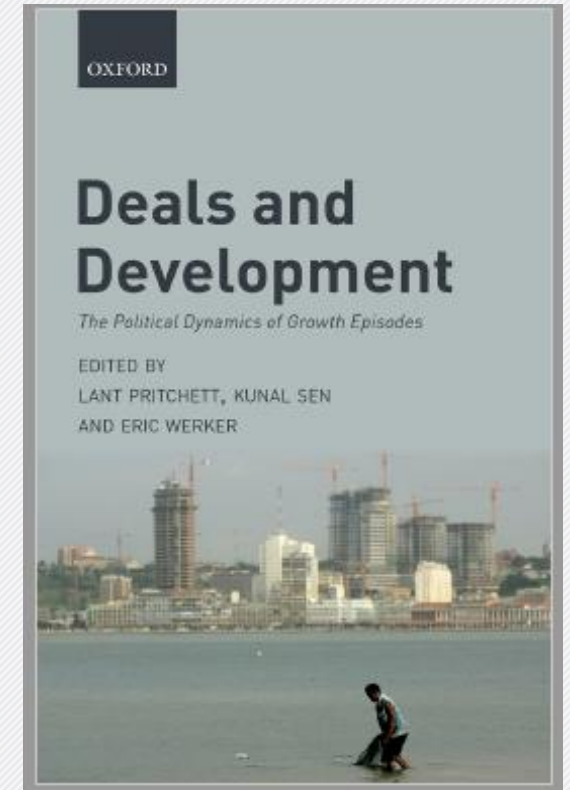


# There is no formula but we know the ingredients

- Sustained high growth is difficult to achieve and our knowledge is incomplete. 13 countries grew at 7% pa for 25 years post WWII.

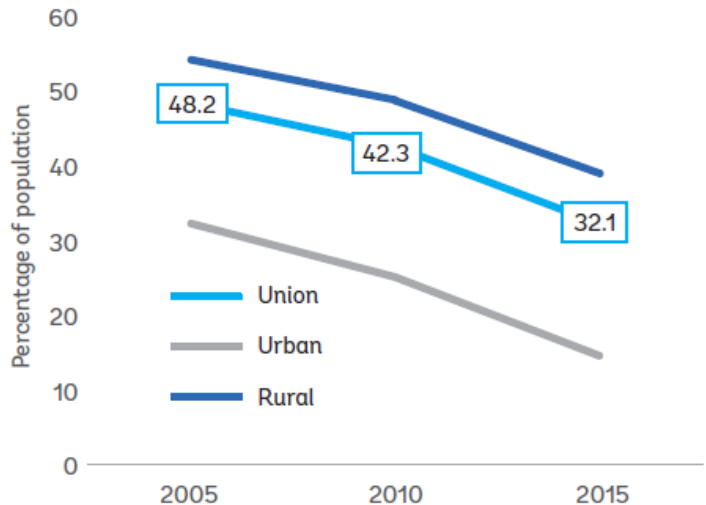
## *What do we know about countries that do well?*

- Fewer disruptions to growth more important than fastest growth episodes
- Managing bottlenecks and crises – positive feedback loop from negative episodes to improved policies and institutions
- Relative stability
- Leadership, coalitions, adaptation
- Ideas matter: shared national identity and common purpose, strong elite vision
- While corruption is almost inevitable at early stages of development, assets fall into productive hands in developmental states
- Shift from deals to rules takes many decades:
- disordered to ordered deals, personalized decision-making to impersonalized institutions



# GROWTH HAS NOT BEEN HIGHLY INCLUSIVE

Figure 1-13 | Poverty headcount using the national poverty estimate, 2005–2015

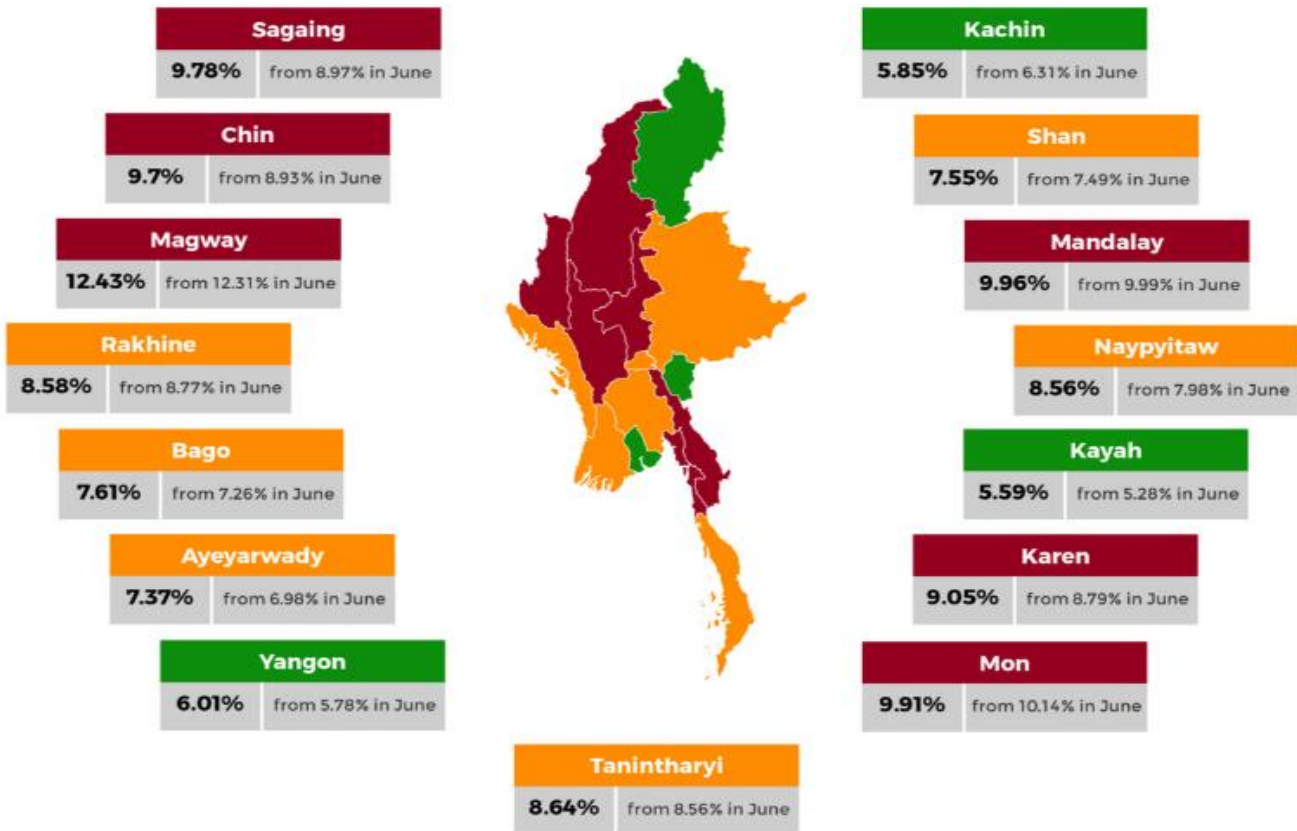


Source: MOPF and World Bank 2017a.

Source: WB SCD, 2019

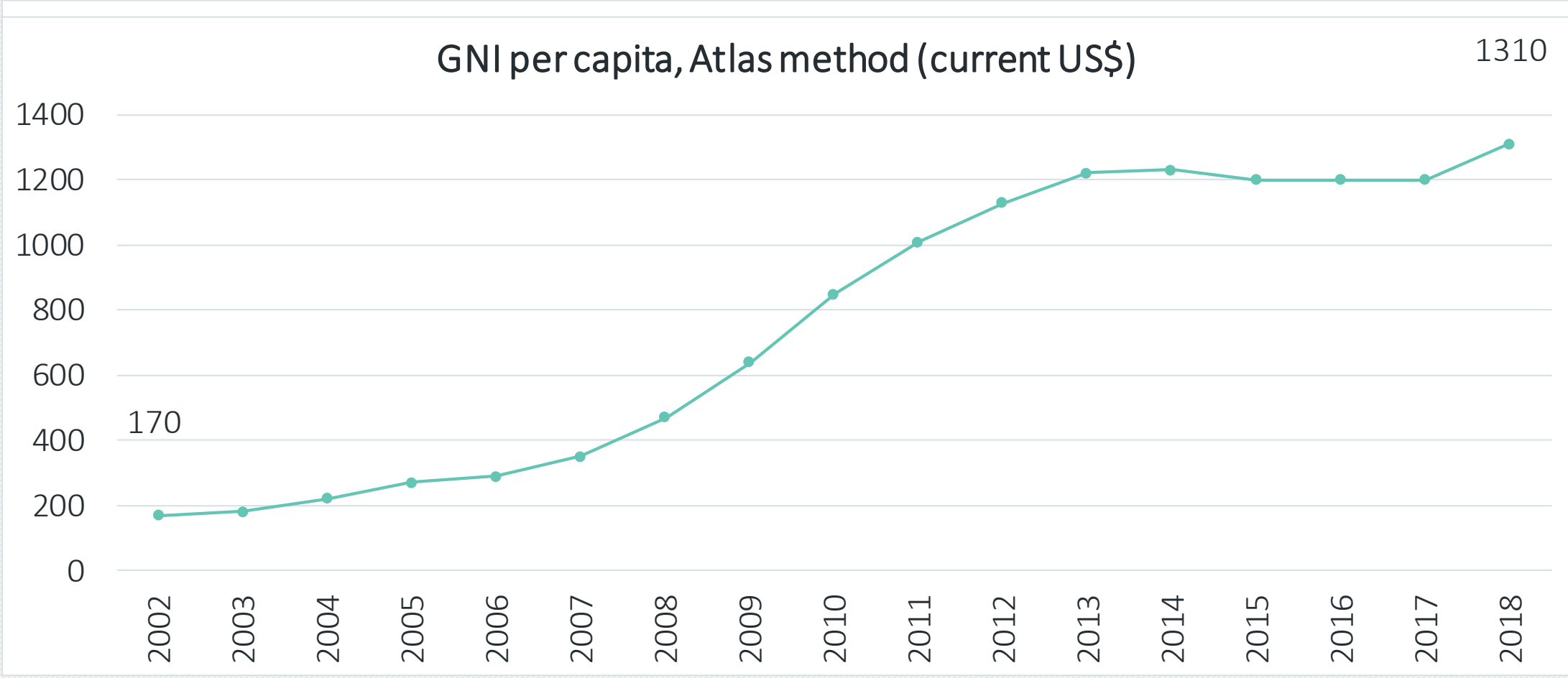
## Inflation in Myanmar's Regions and States

Myanmar's regions and states don't all experience inflation in the same way.



Source: Myanmar Central Statistical Organisation, 2019

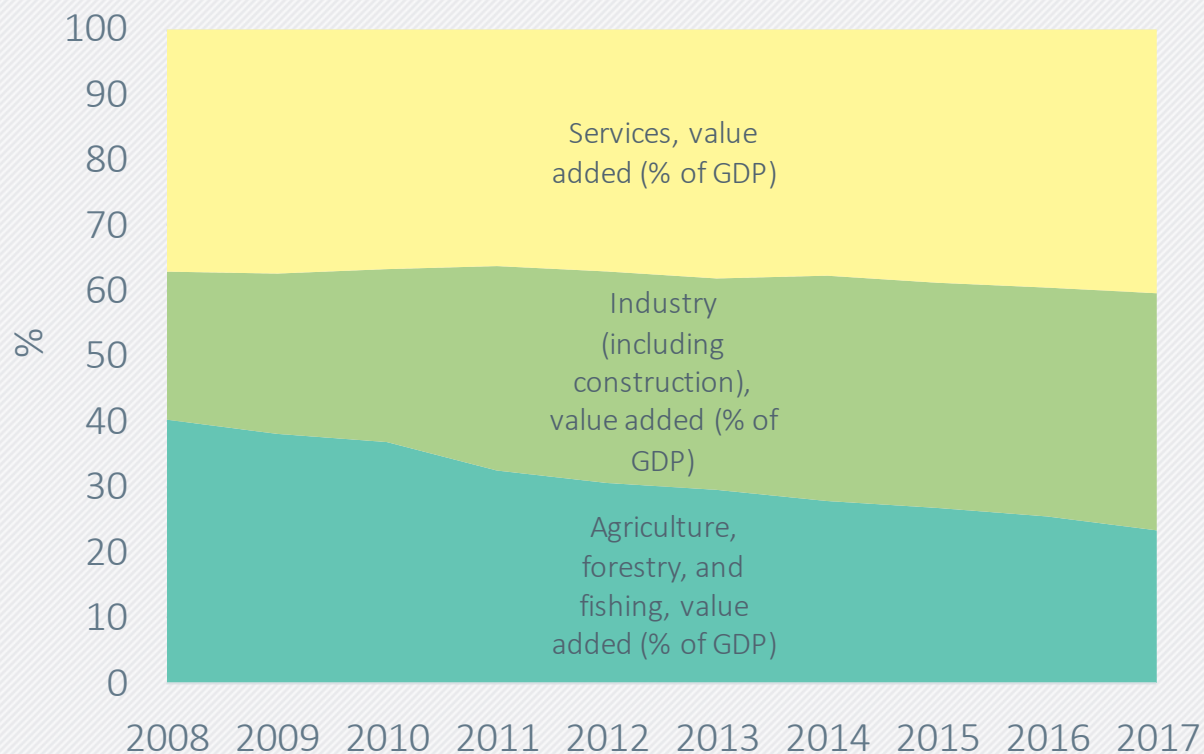
# MYANMAR'S ECONOMIC TRAJECTORY – VERY GOOD



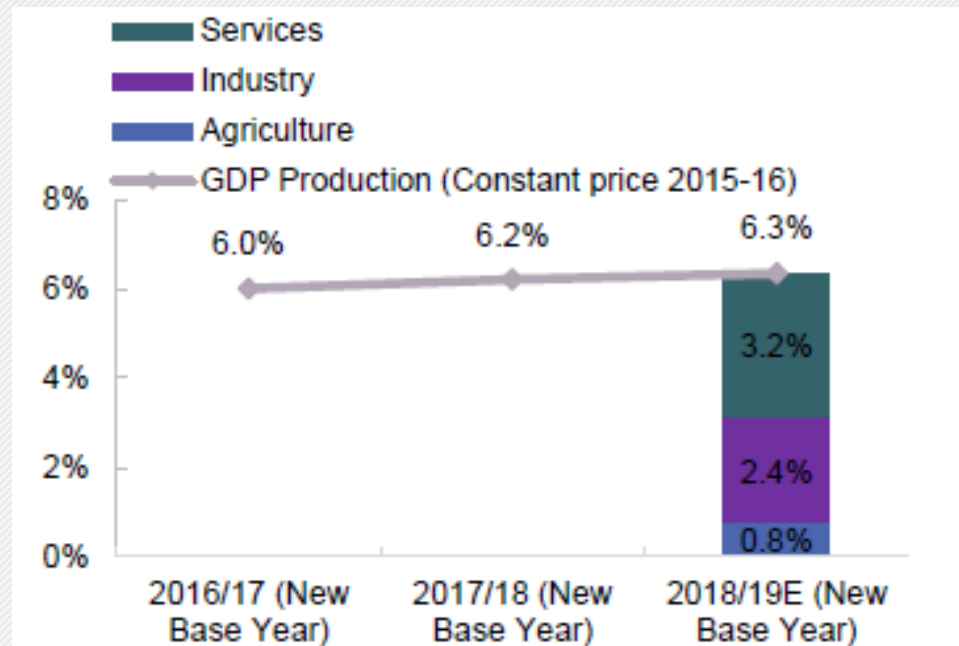
Source: World Bank

# ECONOMIC GROWTH SINCE LIBERALISATION HAS BEEN DRIVEN BY THE INDUSTRY AND SERVICES SECTORS

Sector Shares in Myanmar



Real GDP (% change and contribution)



Source: MoPFI, Planning Department

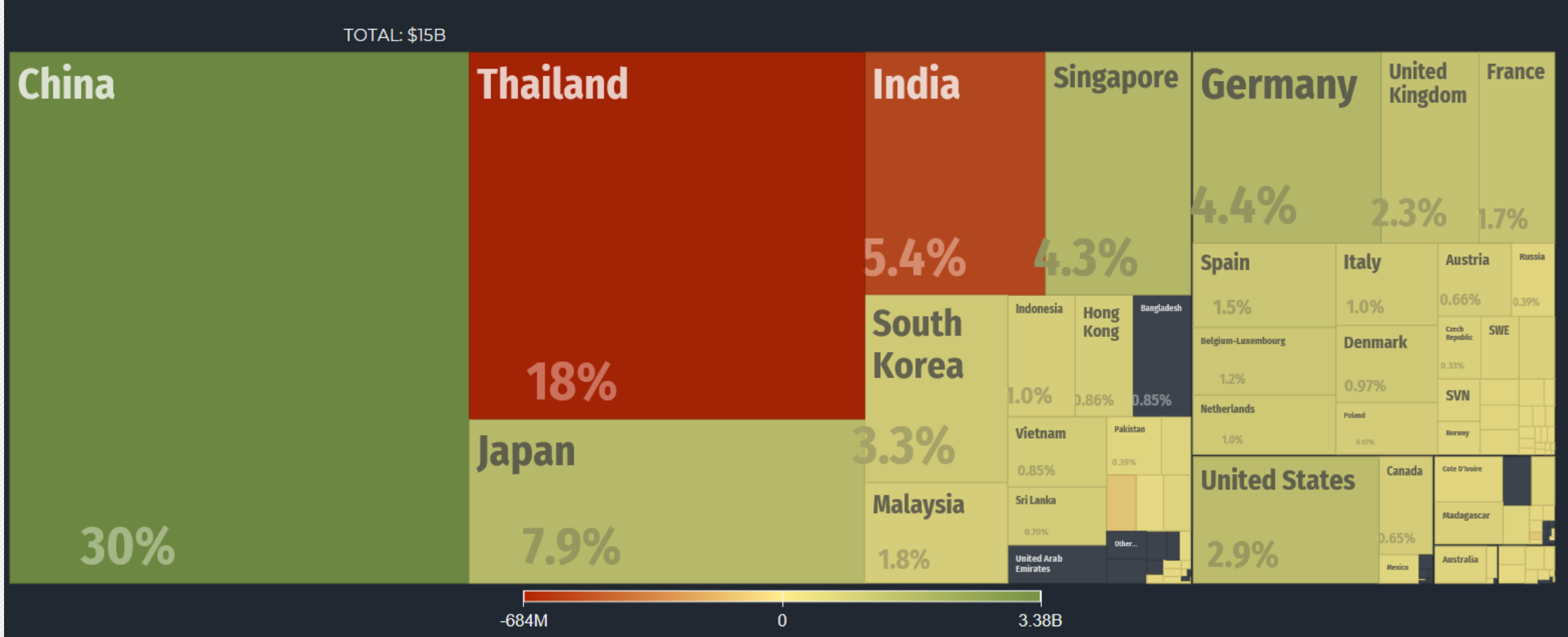
Note: 2018/19 sector contributions to growth do not add up to aggregate growth rate due to rounding.

# STRUCTURE OF THE ECONOMY: EXPORT PRODUCTS 2007

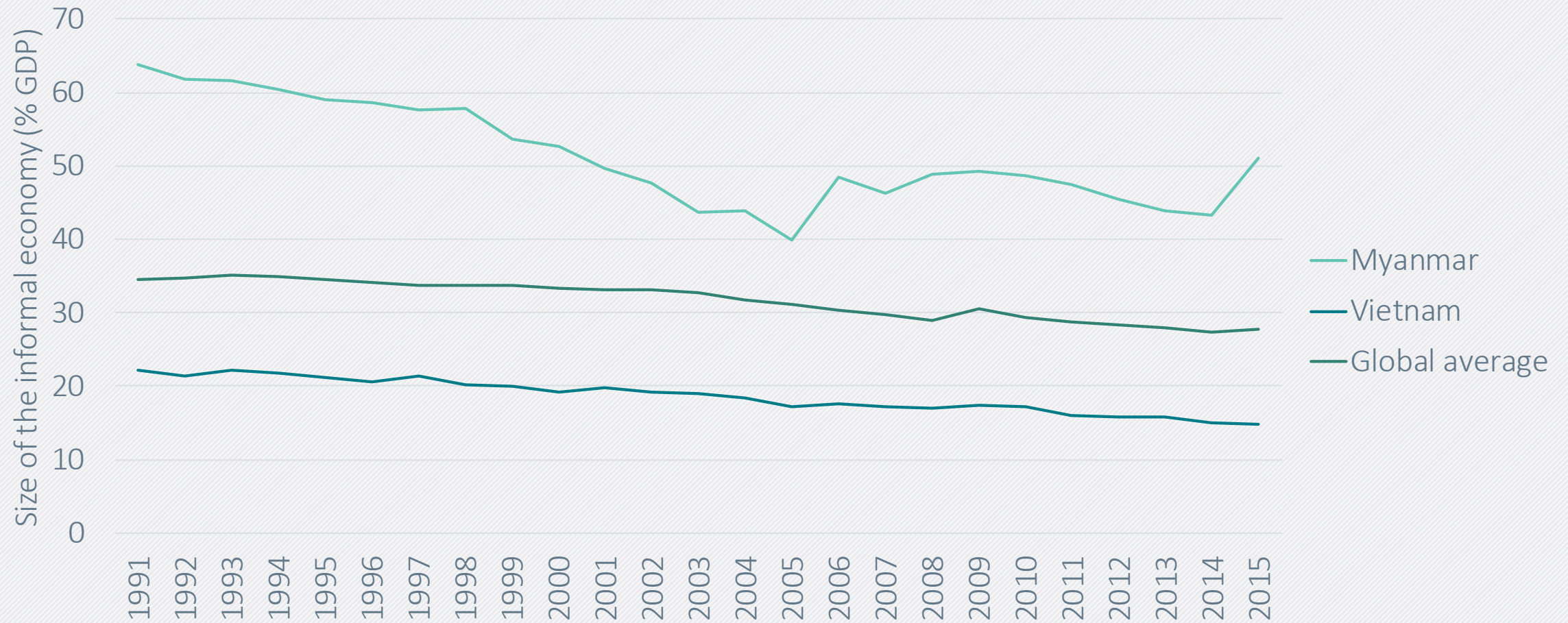


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# STRUCTURE OF THE ECONOMY: EXPORT DESTINATIONS 2017



## THE INFORMAL/ILLICIT ECONOMY IS ~~LARGE~~ HUGE (WE THINK)



# STRENGTHENED FUNDAMENTALS MASK THE FACT THAT MYANMAR'S PUBLIC SECTOR REMAINS SMALL RELATIVE TO NEED, HAMPERED BY LOW REVENUES

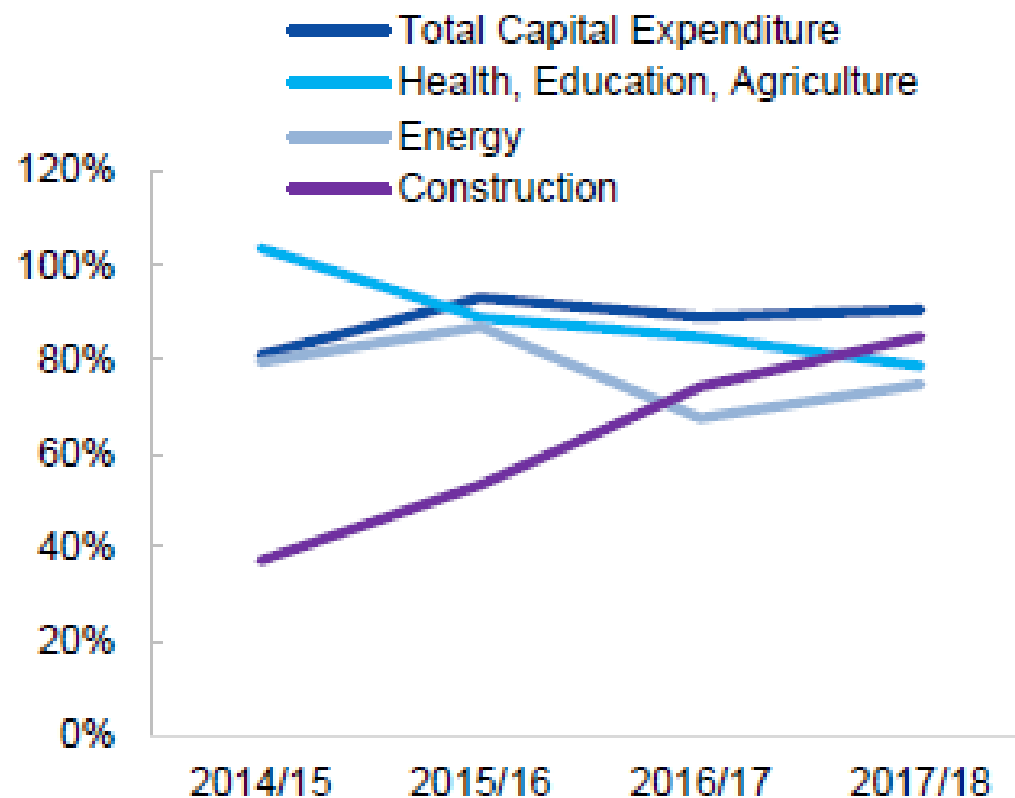
(% of GDP)

|                            | 2017/18 | 2018/19 | Changes |
|----------------------------|---------|---------|---------|
|                            | PA      | RE      |         |
| Consolidated Public Sector | 16.4    | 16.8    | 0.4     |
| SEE Operations             | 8.0     | 8.6     | 0.6     |
| Union Government           | 9.9     | 9.8     | -0.1    |
| Tax                        | 6.4     | 6.1     | -0.3    |
| <i>o/w Income</i>          | 2.4     | 2.2     | -0.2    |
| <i>o/w Commercial</i>      | 2.1     | 2.0     | -0.1    |
| Non-Tax                    | 3.2     | 3.0     | -0.2    |
| Grants                     | 0.2     | 0.7     | 0.5     |

Source: MOPFI; World Bank staff calculations

# BUDGET EXECUTION FACES CHALLENGES

**Figure 38: Capital Execution Rate by Ministry**  
*(percent share of budgeted capital expenditure)*



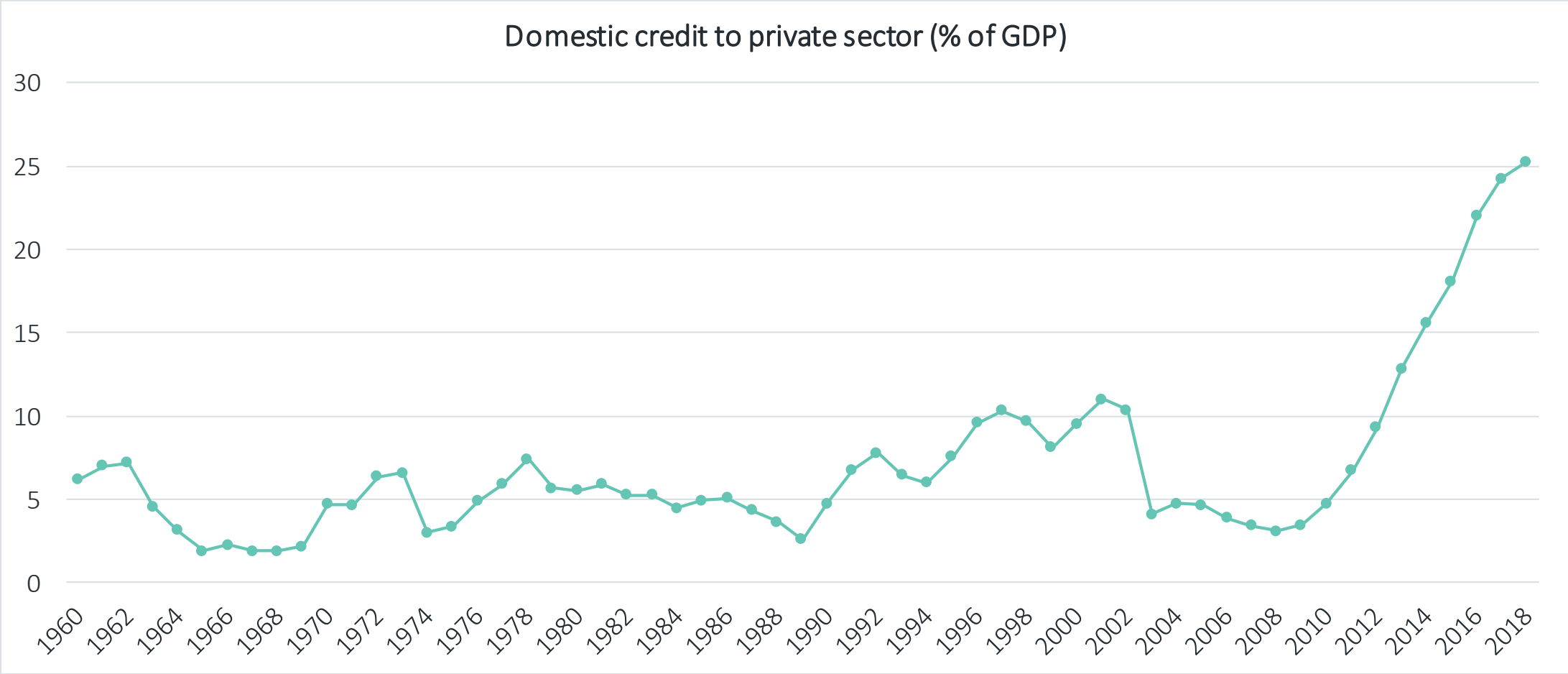
Source: MOPFI; World Bank staff calculations

Source: WB MEM, Dec 2019

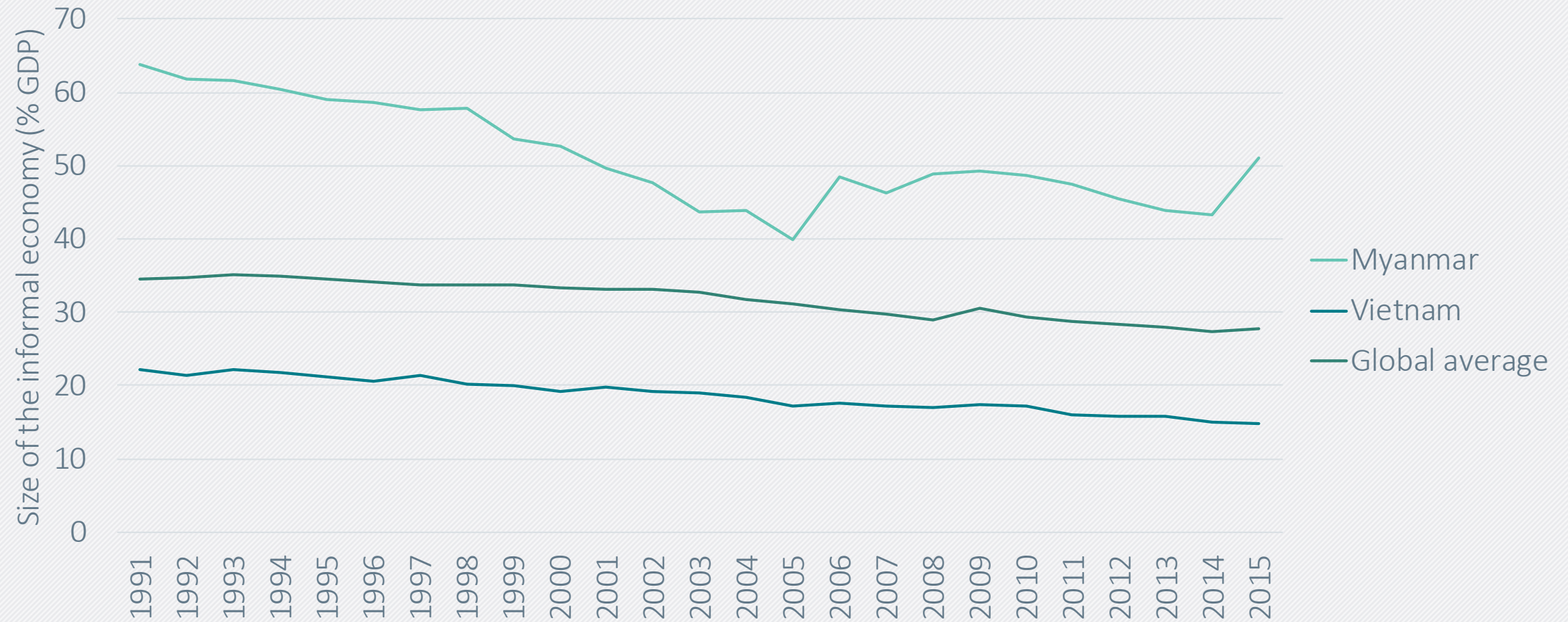
# MYANMAR: APPLYING THE THEORY

- **Undergoing multiple transitions**, in a difficult neighbourhood, at a difficult time
  - Other aspects of state formation: administrative capability, national identity (ideas matter)
- **Bounty of natural endowments** (hydrocarbons, oil and gas, precious gems, fisheries, forests); fertile agricultural soils; a youthful population; strategic location between China and India, proximity to 40% of the world's population thus access to markets.
- **Capital-poor** (deficit of physical infrastructure; productivity enhancing technology; human capital)
- **Multiple paths to growth** (Extractives; Enhanced agricultural productivity; Industry (manufacturing, garments); Service sector: Tourism, hospitality; Remittances), fewer to inclusive growth;
- **Complexity**: scale of the illicit economy, underlying institutional structures, incentives, networks opaque; ongoing conflicts since
- **Fluidity**: business not entrenched (crony capitalists agents of the military in the economy, not wielding independent power), Tatmadaw itself, political party formation in its infancy
- **Vulnerability to shocks**: natural disasters (2<sup>nd</sup> most severely impacted in world 1998-2018), climate change, commodity cycle, political shocks, new patterns of conflict that impact FDI

# IMPROVING BUT STILL POOR INVESTMENT CLIMATE



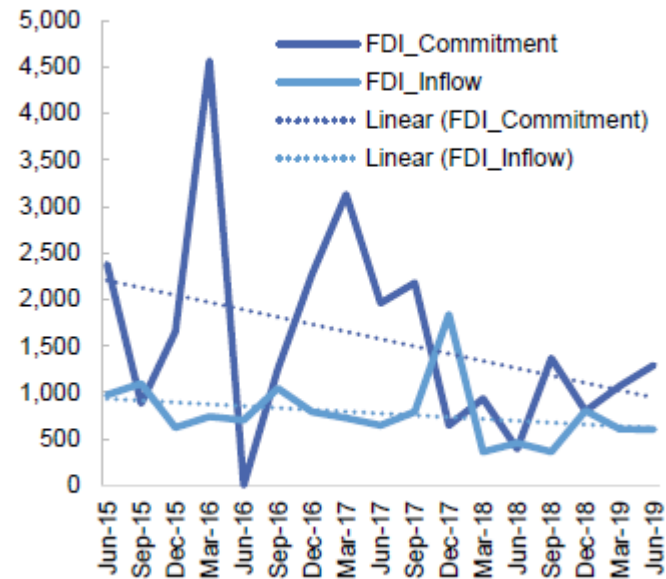
## THE INFORMAL/ILLICIT ECONOMY IS LARGE



# EXTERNAL FACTORS CONTINUE TO POSE DOWNSIDE RISKS TO THE ECONOMY, BUT THE MEDIUM TERM OUTLOOK REMAINS STRONG

Slowing global and regional growth, may be transmitted to Myanmar through the trade channel by slowing external demand as well as reduced inbound foreign direct investment.

(US\$ million)



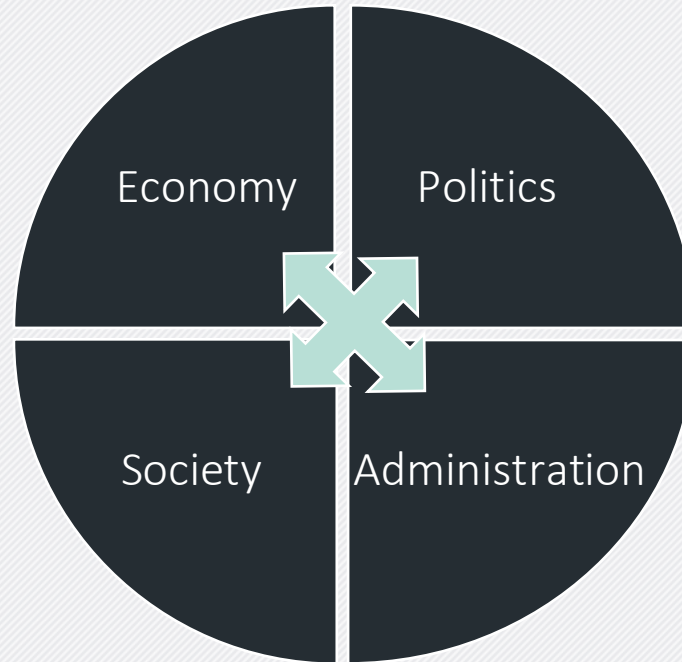
Source: DICA

(Percent, % of GDP)

|                                           | Outlook  |          |          |
|-------------------------------------------|----------|----------|----------|
|                                           | 2018 /19 | 2019 /20 | 2020 /21 |
| Real growth                               | 6.3      | 6.4      | 6.5      |
| Consumer price inflation (period average) | 8.5      | 7.5      | 7.0      |
| Current account deficit (% of GDP)        | 2.0      | 2.5      | 3.5      |
| Budget deficit (% of GDP)                 | 3.2      | 3.4      | 3.4      |

Source: World Bank staff estimates

## Development doesn't happen evenly: leads and lags



**Security**

**Growth**

**Equity**

# KEY ISSUES FOR MYANMAR'S DEVELOPMENT

## Growing a productive economy

- Expanding economic opportunities
- Capturing national wealth for public good
- Reducing poverty and improving livelihoods
- Improving infrastructure and connectivity
- Building climate resilience and natural disaster management
- Improving human capital

## More accountable politics and state-citizen relations

- Renegotiating citizen-state relations and government accountability
- Improving civil liberties and freedoms
- Managing and preventing conflict
- Expanding the notion of national identity and managing diversity
- Strengthening civilian control of the state

## Social inclusion and equal opportunity

- Improving the rights and recognition of minority groups
- Improved access and outcomes for minority groups
- Improving gender equality

## Administrative capability of the state

- Low state capacity (service delivery)
- Which capacities at centre?
- Downstream service delivery

**Thank You!**