



Myanmar economic situation and perspectives - January 2021-

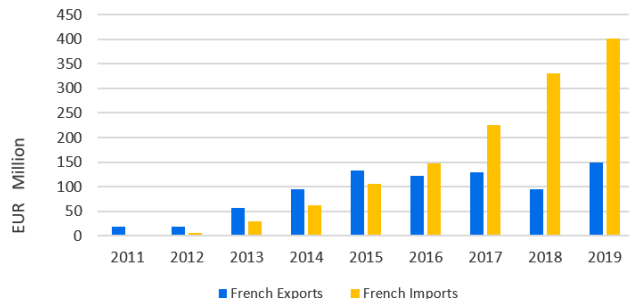
Michel Cywinski, Head of the Economic Department
Embassy of France in Myanmar

Myanmar in a nutshell

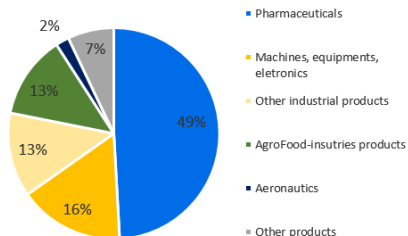


French presence in Myanmar

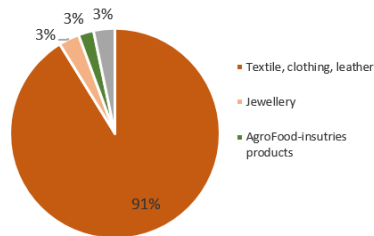
Bilateral Trade: EUR 551 Million



French exports: EUR 149 M



French imports: EUR 402 M



USD 558 million in stock in 2020

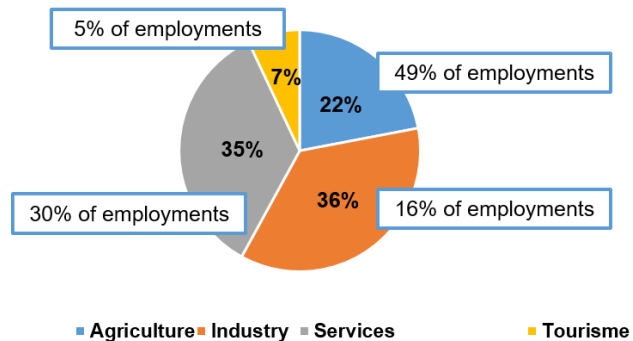


1,600 jobs created by French companies in Myanmar

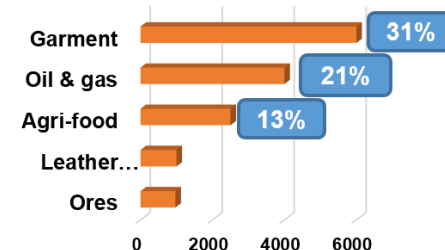
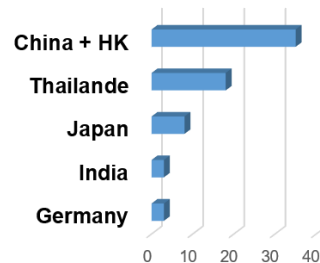


50 French subsidiaries, including MNCs, SMEs, representative offices

Myanmar economy before Covid-19 crisis



Top 5 exports' partners - 2019 (%)



Two main economic zones : Yangon & Mandalay

Source : WB/ ILO Myanmar

Covid-19 crisis and measures

➤ Transmission channels :

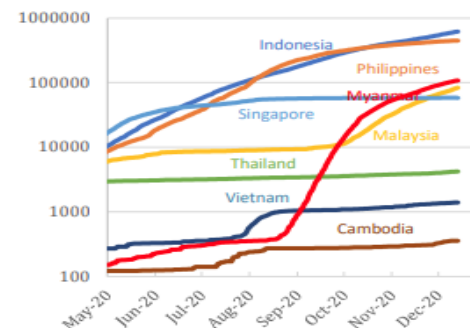
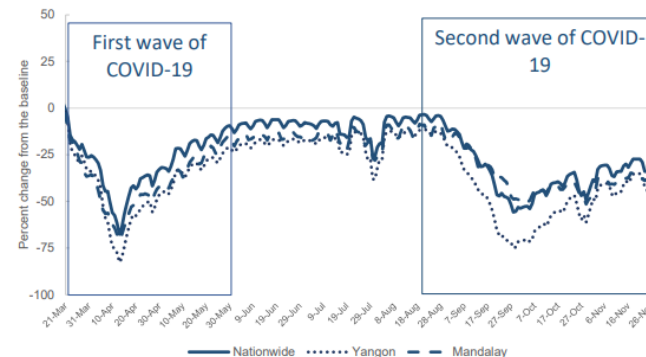
□ External transmission channels : 15%

- Disruption to **supply chain**, i.e. inputs from China
- Reduced **trade** of goods and services, i.e. reduced exports and international tourism activities
- Reduced **remittances**
- +/- reduced **FDI inflows**
- [Falling **commodity prices**, i.e. gas prices (20% of Myanmar total exports)]

□ Domestic transmission channels : 85%

- **Mobility restrictions** since late March
- Change of **consumer behaviors**

Google mobility data (5-day moving average) and Containment measures in Myanmar



Economic impacts – key sectors

☐ Service sector strongly impacted Tourism, hotels, restaurants

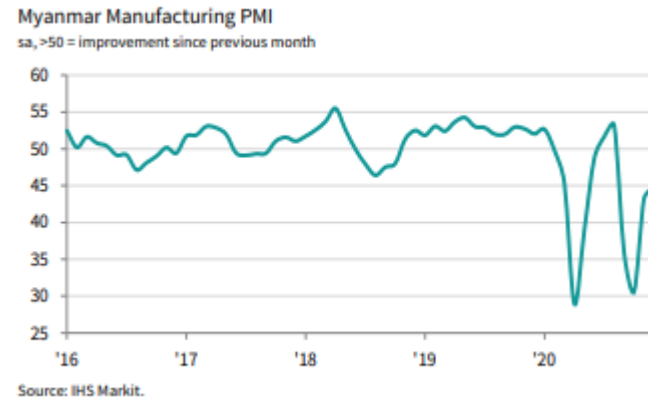
- Transportation

☐ Drop of manufacturing sector's growth

- Disruption of supply chain i.e. PMI index
- Slowing global demand

☐ Agrifood sector unequally affected but will be in 2021

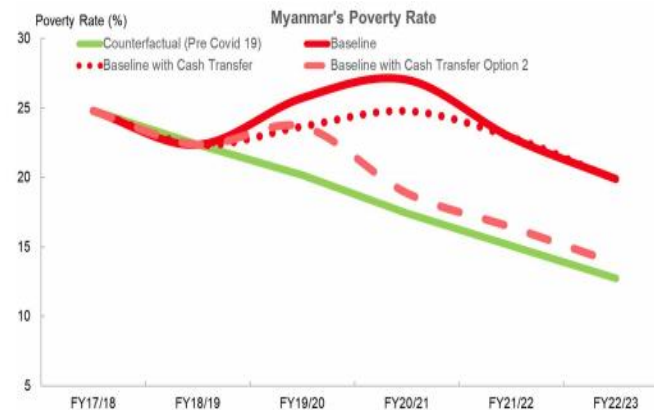
- Fall of seasonal fresh products exports and fishery products
- Increasing exports of cereals



Economic impacts

☐ Huge social impact

- **Strong informal employment** in the affected sectors i.e. in construction, manufacturing and tourism sectors, informal employment share in total employment is above 80%
- **Destruction of 7 M jobs**, 37% of total jobs before the crisis according to ILO
- + 5% increase of poverty rate



Source : World Bank

Covid-19 Economic Relief Plan

Monetary stimulus

- ❖ Lowering bank deposit and lending rates by 3%
- ❖ Lowering minimum reserves requirement for banks from 5% to 3,5%
- ❖ Conduction of credit auctions

Support to the private sector

- ❖ Covid-19 fund of \$70M expendable up to \$350M to provide 1 year 1% loans to SMEs and affected businesses in CMP garment, hotel and tourism, manufacturing, agribusiness sectors
- ❖ Guarantee 50% of any new bank loan to Myanmar companies for working capital
- ❖ Promote investments, expedite investment approval processes and solicitation of RE projects and strategic infrastructure projects

Flexibility for the banking sector

- ❖ 3 years postponement of the deadline for domestic banks to align with international prudential rules
- ❖ Creation of an Asset Management Company for potential NPLs held by banks

Social measures

- ❖ In-kind food transfers to low-income households
- ❖ Cash transfer to vulnerable households (20 000 mmk to 5,5M people planned in the first tranche)
- ❖ Subsidies of 150 first power units for households from April to December (\$259M)

➡ Budget : Approximately Bn 2 USD / 3% of GDP

- ❑ A comprehensive plan but...
- ❑ No direct measures to support employment and poor consideration of informal employment
- ❑ Fragilities of the banking sector

Myanmar Economic Recovery and Reform Plan (Project)

1) Strengthen the macroeconomic environment (25)

- ❖ Manage Inflation and Maintain Monetary Stability
- ❖ Stabilize the Exchange Rate Strategy
- ❖ Strengthen the Fiscal Position of Government

2) Strengthen private sector participation and promote private sector-led growth (70)

- ❖ Enhance Domestic Productive Capacity in Myanmar
- ❖ Create an Enabling Environment for Investment
- ❖ Enhance Accessibility to Finance and Information
- ❖ Diversification and Internationalization of Markets for Myanmar
- ❖ Nurture Human Capital for Recovery
- ❖ Effective Utilization of Public Assets and the Digitalization of Public Information
- ❖ Promote Value-Added Industries
- ❖ Promote Key Infrastructure Development
- ❖ Promote Innovation and Digitization as an Engine of Recovery

3) Promote inclusive growth through agriculture development (19)

- ❖ Policies for Agricultural Sector Development

4) Promote financial sector stability (12)

- ❖ Strengthen the Banking and Financial System

5) Facilitate reverse migration (5)

- ❖ Job Matching for Returning Migrants

6) Mitigate economic shocks and aftershocks impacting most vulnerable groups (4)

- ❖ Extend Cash Transfer and Other Relief Measures based on Emerging and Evolving Needs



6 goals/ 16 strategies/ 135 measures

Forecast – IFIs scenarii

GDP Growth

		2020				2021			
		Initial	1st update	2nd update	Last forecast	Initial	1st update	2nd update	Last Forecast
IMF		6,4%	1,4%	2%	3,2%	6%	6%	5,7%	0,5%
ADB		6,8%	1,8%	1,8%	1,8%	-	6%	6%	6%
World Bank	Baseline scenario	6,4%	0,5%	0,5%	1,7%	6,5%	7,6%	5,9%	2%
	Worst case scenario	-	-2,5%	-0,9%		-	7,2%	3%	

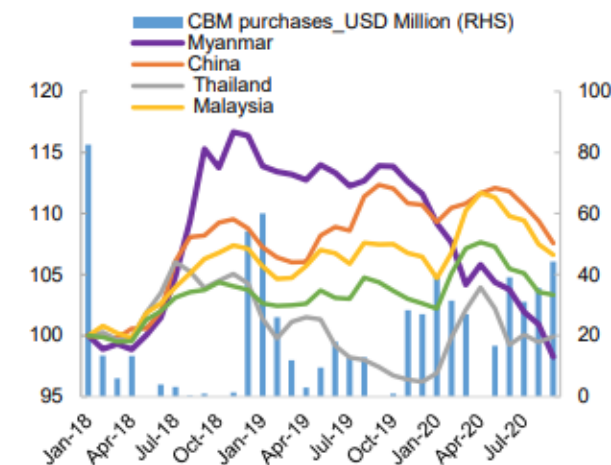
Other indicators

		2020			2021		
		Fiscal deficit	Public debt	Current deficit	Fiscal deficit	Public debt	Current deficit
IMF		4,7%	38,2%	3,5%	6%	42,9%	4,4%

Forecasts

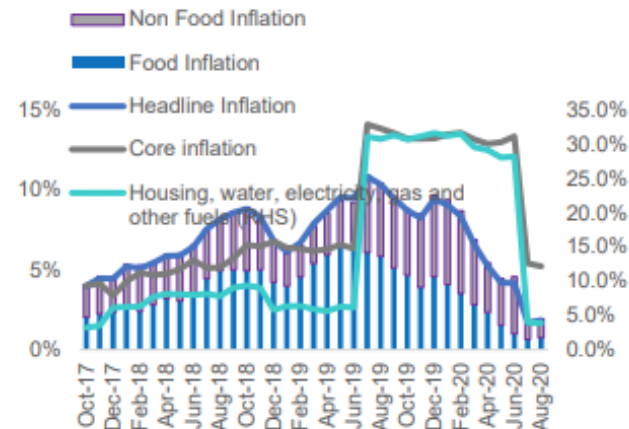
MMK appreciation is slowing down

(LHS: Exchange-rate index, January 2018=100;
CBM purchases: US\$ million)



Source: CBM

Inflation is slowing down



Source: Central Statistical Organization

RCEP : not a panacea but some opportunities

- ❑ Global economic agreement : FTA + IP, procurement, competition disputes...
- ❑ 15 countries : 30% worldwide population, 30% GDP, 28% trade
- ❑ Impact on Myanmar : to be or not to be in the regional chain values

- FTA



- Reduction of non tariff barriers



- Rules of origins



Opportunities : what can we expect ?

Market opportunities

- ❖ Infrastructure (energy, utilities, transport, SEZ) – BRI?
- ❖ Agro-equipement - seeds - animal food
- ❖ E-Commerce & E-Government
- ❖ Medical equipment
- ❖ Consumer goods - processed food, tourism

Major trends

- A young and potentially productive population
- 10 million Myanmar people will reach middle class status by 2024, demand is expected to grow

Conclusion

- ❑ An economy less impacted in 2020 due to a limited international openness and a resilient agricultural sector... but 2021 will be flat
- ❑ Urgent reforms are still needed according to the IFIs
- ❑ An ambitious recovery plan focused on private sector and agriculture – RCEP?
- ❑ Basics needs remain (infrastructure, agriculture) and existing trends will continue (E-Economy, consumer goods)



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Merci pour votre attention !

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