

Where We Work

PUBLICATION | JUNE 27, 2023

Myanmar Economic Monitor June 2023: A fragile recovery. Key Findings



© Zaw Win Naing / World Bank

Key Findings

- Economic conditions in Myanmar have stabilized in the first half of 2023. Exchange rates have remained steady, while inflation in food and fuel prices has

eased. Most indicators suggest economic activity is slowly increasing, albeit from a very low base. Manufacturing output and new orders have risen quickly, sales of domestic products have picked up, while passenger and freight transport volumes are rising. Although agricultural production seems to have weakened, profitability is improving as farmgate prices rise and input costs ease, and this is likely to prompt higher production in coming seasons. Firms across all sectors report operating at higher capacity in the last quarter, with companies in non-retail services performing best. Retail sector performance has also improved, with sales picking up and firms sourcing more goods locally.

- However, several factors are constraining the pace of this recovery. Household incomes remain weak, limiting the ability of domestic demand to drive growth. High prices and shortages resulting from import restrictions make it difficult for many businesses to source essential inputs, while power outages have become prominent. Investment remains weak, with new business registrations at a low level. Other than in the agriculture sector, reported profits continue to decline as the conflict raises costs and limits activity in some areas. Overall, the economy is still operating well below pre-pandemic levels, in sharp contrast to the rest of the region.
- Policy changes continue to create uncertainty and obstacles for doing business, with further regulations and restrictions introduced on international trade and financial transfers. Exporters face challenges from waning external demand, overvalued official exchange rates, exchange conversion requirements, and the higher cost and reduced availability of imported inputs. With exports declining and imports remaining stable, Myanmar returned to a trade deficit in the six months to March 2023.
- The labor market remains weak, with declining employment rates especially marked in states and regions more affected by conflict. Declining productivity and low labor demand have put significant downward pressure on wages, which dropped by an average of 15% in real terms between 2017 and 2022.
- GDP is projected to increase by 3% in the year to September 2023, still around 10% lower than in 2019. The absence of a more pronounced rebound is indicative

of the severe supply and demand constraints that continue to limit economic activity. Compared with our projections in January, we now expect moderately stronger growth in the industrial and services sectors, but further contraction in agriculture. Over the next one to two years, the baseline projection is for the economy to continue to expand slowly.

- With the exchange rate and food and fuel prices stabilizing, average inflation is projected to ease to 14% in the twelve months ending September 2023, and to decline further in the following year. But supply shortages and increased reliance on central bank financing of budget deficits are likely to keep inflation higher than it otherwise would be over the medium term. States and regions worse hit by conflict and transport disruptions will be more susceptible to bouts of inflation.
- Myanmar's current account deficit is expected to widen to almost 6% of GDP in the year ending September 2023, up from 3.6% in the previous year. Exports are projected to remain subdued through to September 2024 as global demand remains tepid, but an increase in remittances is expected to provide some support.
- The fiscal deficit is estimated to have widened to 5.4% of GDP in the year ended April 2023, reflecting modest increases in spending and reductions in revenue. Lower non-tax receipts have been broadly offset by increased energy and tax revenues while expenditure growth has been driven by defense spending and State Economic Enterprises, particularly in the energy sector. Budget execution has improved but spending on education and health has declined to below 3% of GDP. With declines expected in both spending and revenues, the budget deficit is projected to widen further in the coming year. Total public debt is expected to stabilize at just above 60% of GDP, with high rates of inflation acting to contain the ratio of domestic public debt to GDP.
- Risks around these projections include worsening conflict, a further slump in electricity generation, persistence of inflationary pressure, and further deterioration in the business environment. The destruction caused by Cyclone Mocha in May was an unwelcome reminder of Myanmar's ongoing vulnerability to natural disasters.

Employment, incomes and coping mechanisms

- The recently launched Myanmar Subnational Phone Survey (MSPS), shows that employment growth has been weak over the entire 2017 to 2023 period, with the dual shocks of COVID-19 and the 2021 military coup likely to have partially reversed previous growth. While around 9 million people were added to Myanmar's working age population between 2017 and 2022, employment only grew by 2 million over the period, with the employment rate falling by around nine percentage points. Since 2019 labor productivity has declined by around 10% due to disruptions to the business environment.
- In turn, wages in the manufacturing, mining, construction, retail, and other services sectors have seen pronounced declines, although agriculture wages have remained more stable. Wages have fallen in almost all states and regions, with notable declines in Yangon, Tanintharyi and Kayah.
- The weakening labor market, plus the sharp rise in inflation, has put significant pressure on household incomes. The combination of less employment, fewer hours worked, and increasing incidence of casual work and self-employment has reduced the earning capacity of many families. At the of end 2022, almost half of Myanmar households reported decreasing incomes over the past year, while only 15% reported an increase.
- High food inflation and reduced incomes mean that food security and nutrition worsened further during the first half of 2023. According to a May 2023 [World Bank survey](#), 48% of farming households worry about not having enough food to eat, up from about 26% in May 2022. A recent FAO and WFP assessment estimates that 29% of households are moderately or severely food insecure. The World Bank Farm Survey also shows a remarkable drop in the consumption of nutritious foods such as milk, meat, fish, and eggs.
- As a result, Myanmar's progress against malnutrition seems to have halted or reversed. Coping mechanisms have been stretched by the cumulative impact of shocks to incomes, employment and prices with more than half of households forced to reduce assets, increase borrowing, and/or reduce spending. Such coping strategies can have damaging impacts on welfare in the short term, and

also affect longer-term earning capacity to the extent that children are withdrawn from school, investments in health or agricultural inputs suffer, or productive assets are sold. Some families also use long term migration as a coping strategy, usually within Myanmar but sometimes abroad.

RELATED

[Download Report](#)

[Press Release](#)

[Executive Summary \(Burmese\)](#)

[Myanmar Economic Monitors](#)

[World Bank Myanmar Monitoring Platform](#)

[About](#)

[Data](#)

[Research and Publications](#)

[Learning](#)

[News](#)

[Projects and Operations](#)

[Countries](#)

[Topics](#)

FOLLOW US



NEWSLETTER

[SUBSCRIBE HERE](#)

This Site in:

ENGLISH ▼

[Legal](#) | [Privacy Notice](#) | [Site Accessibility](#) | [Access to Information](#) | [Jobs](#) | [Contact](#)

[SCAM ALERTS](#) | [REPORT FRAUD OR CORRUPTION](#)



WORLD BANK GROUP

| IBRD

IDA

IFC

MIGA

ICSID

© 2023 The World Bank Group, All Rights Reserved.