

MYANMAR  
ECONOMIC  
MONITOR

JULY 2022



**REFORMS REVERSED**

# Myanmar Economic Monitor July 2022

Presentation to the Foreign Chambers  
of Commerce in Myanmar

27 July 2022

The Myanmar economy has been subject to additional stresses in the first half of 2022

# The Ukraine war has driven a further rise in inflation

Figure 18: Headline, food, and non-food inflation (yoy)

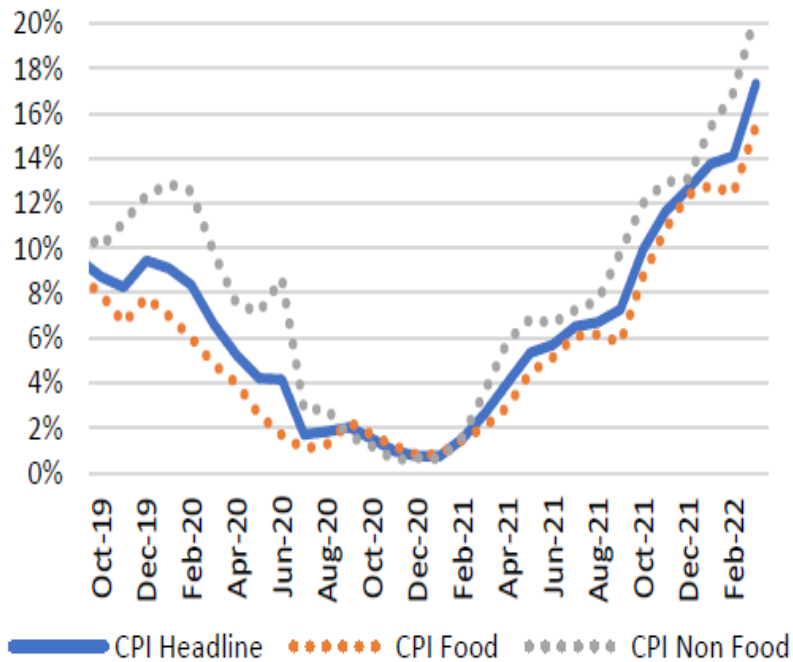


Figure 19: Contributions to non-food inflation (percentage points)

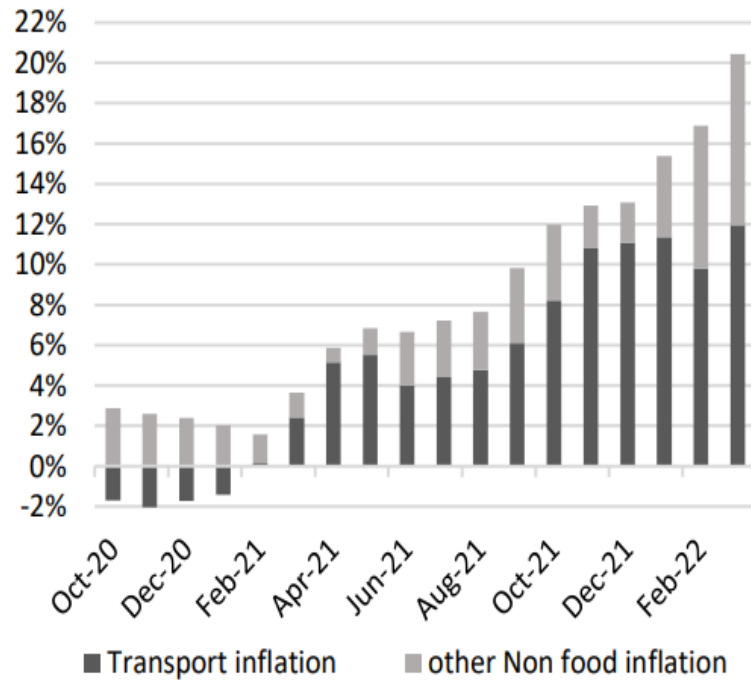
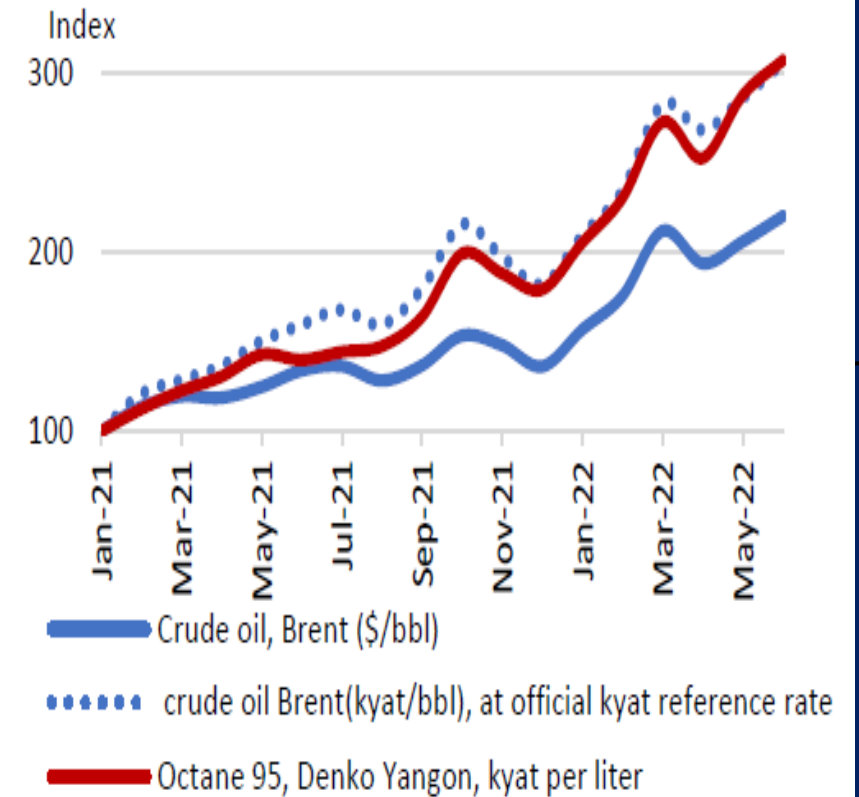


Figure 20: Fuel prices and key drivers, January 2021 = 100

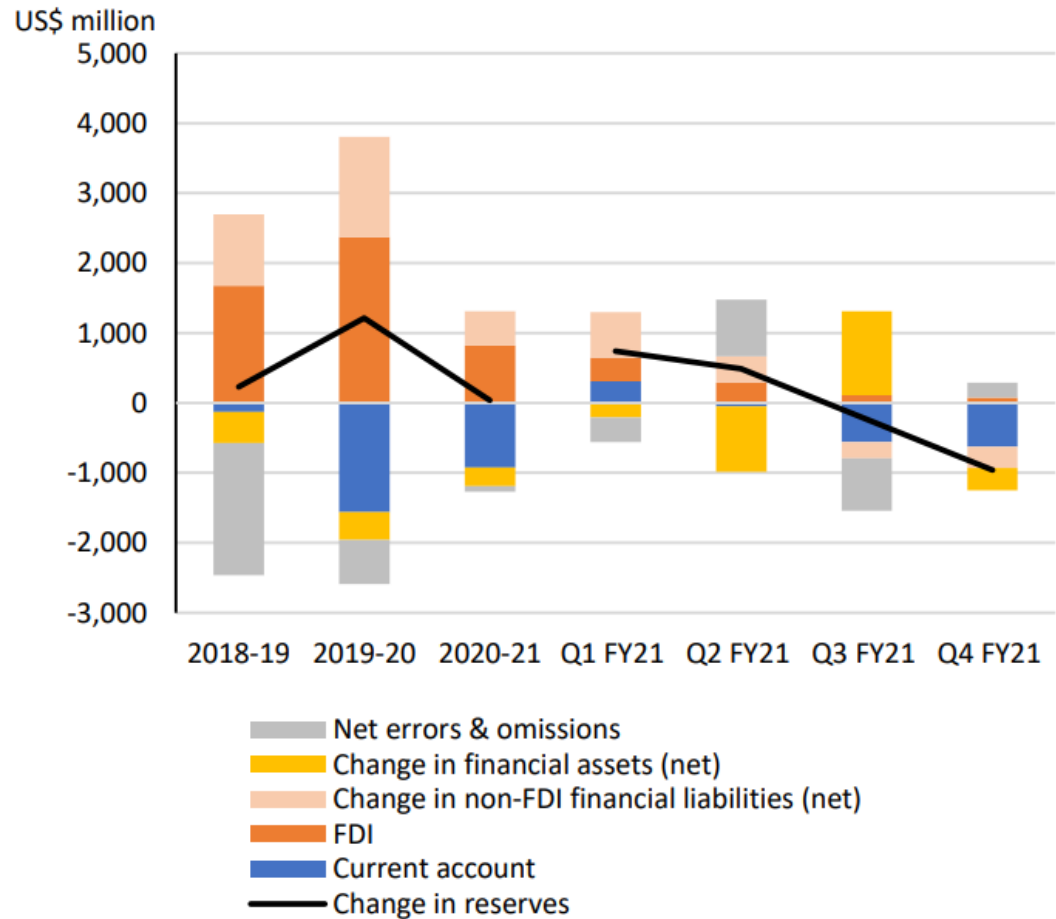


Source: Central Statistical Organization

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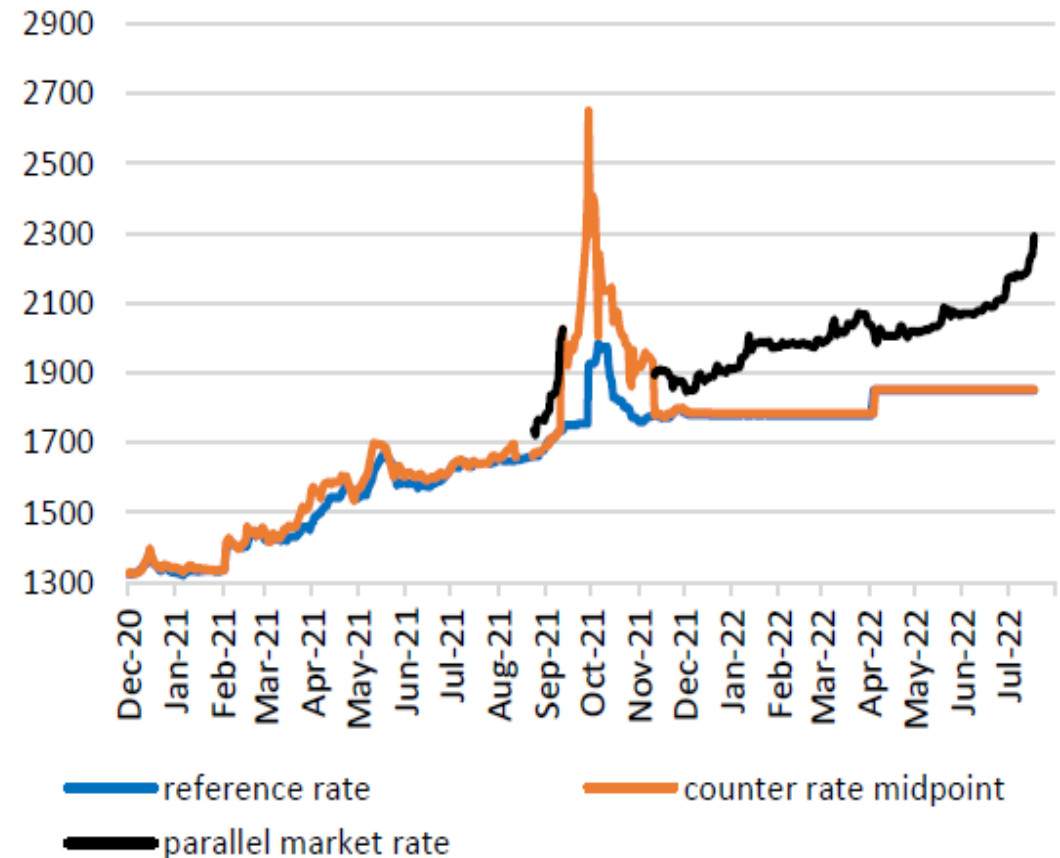
# Balance of payments pressures have worsened, while recent trade and fx restrictions are impeding external adjustment

Figure 40: Balance of payments



Source: Central Bank of Myanmar

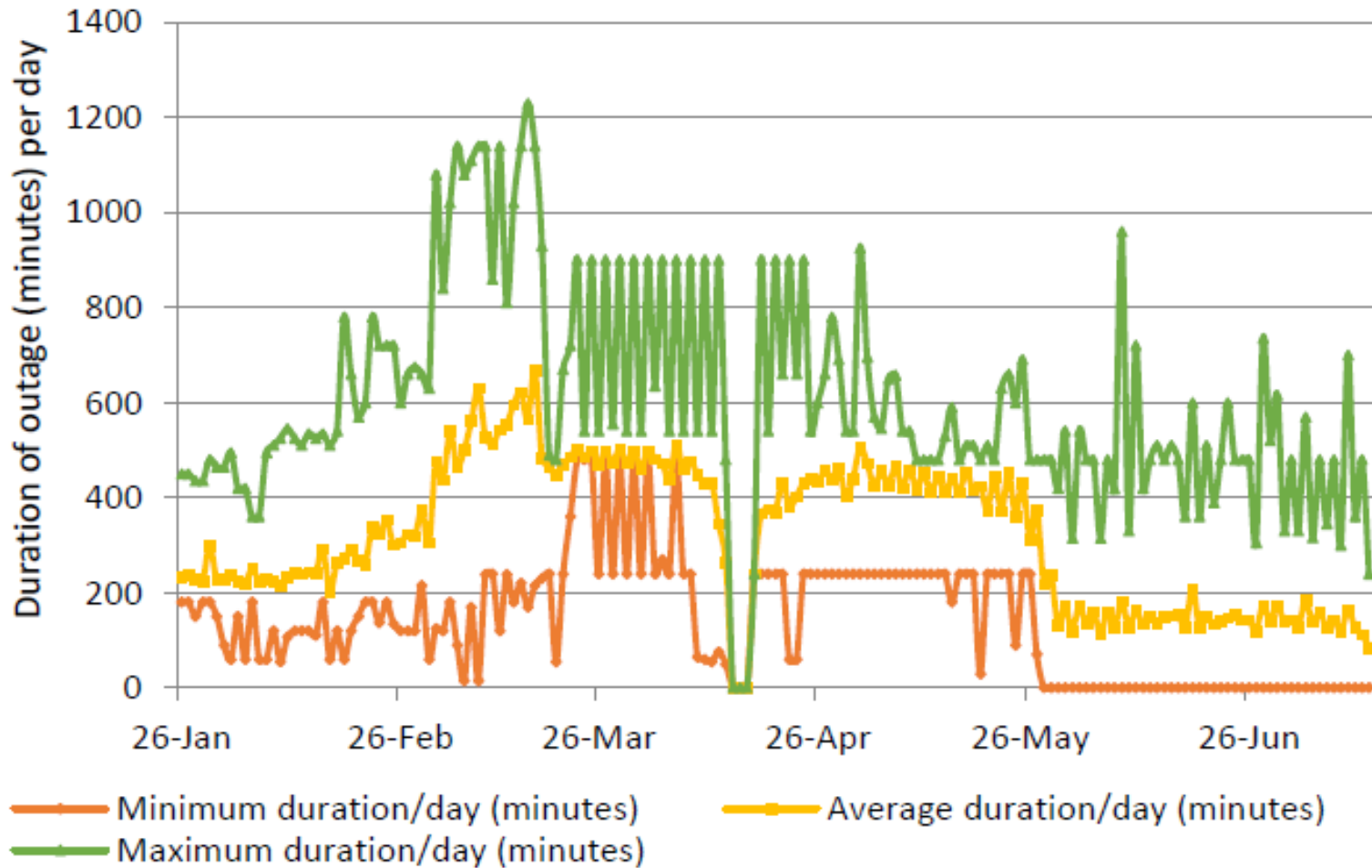
Figure 43: Myanmar kyat exchange rates



Source: Central Bank of Myanmar; Money Exchangers

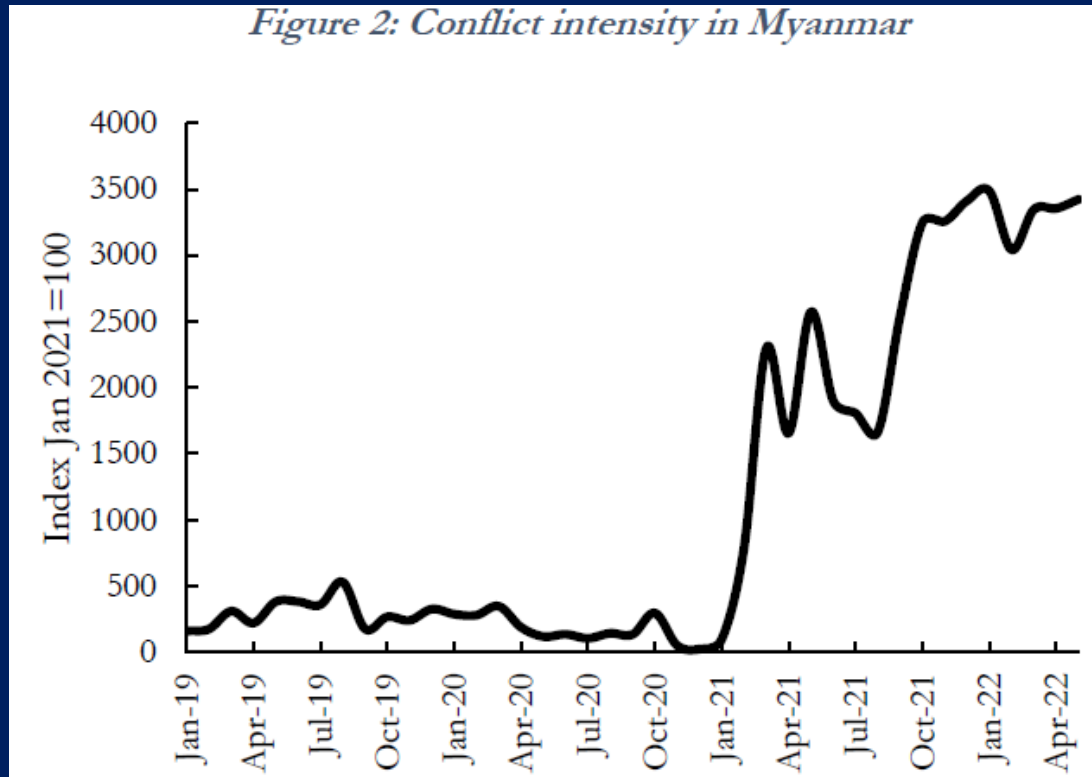
# Electricity outages have been an ongoing constraint this year

*Figure 1: Electricity outages in Yangon*



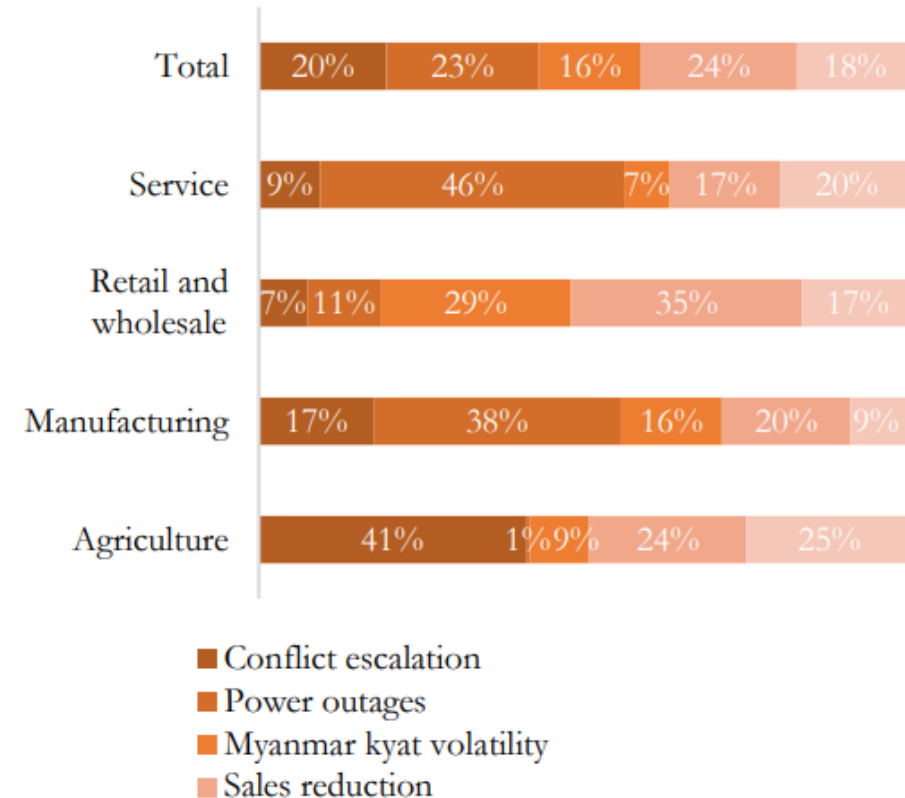
Source: World Bank monitoring team

# Conflict has remained elevated



Sources: Armed Conflict Location and Event Data Project (ACLED)

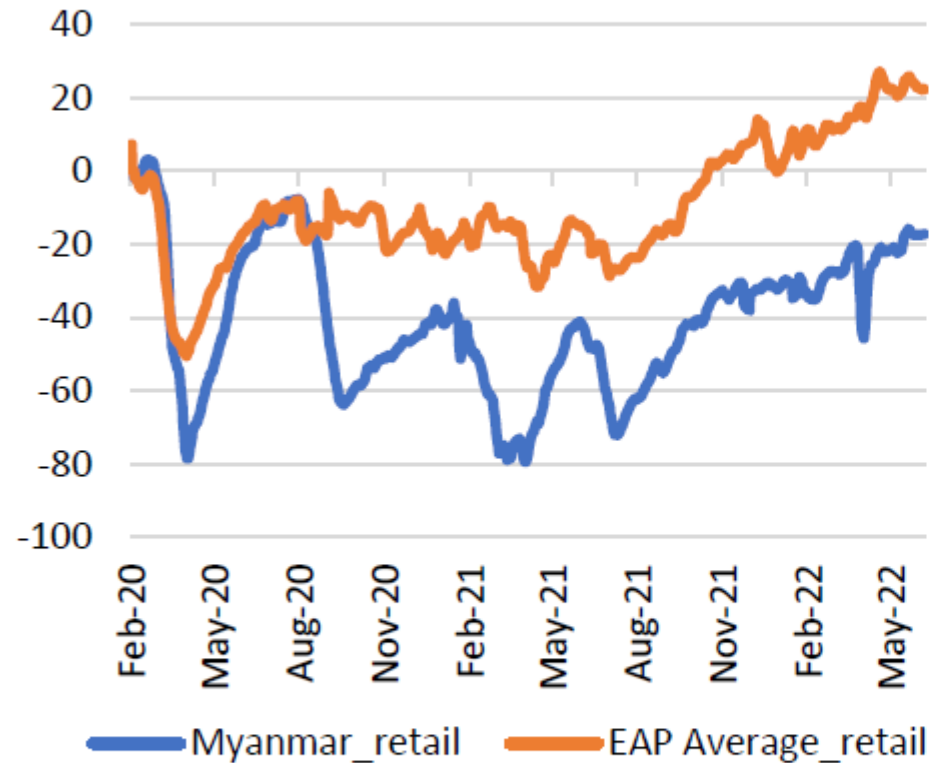
*Figure 6: Challenges to firms' operations, May 2022*



Despite these constraints, evidence of recovery in some areas since last year

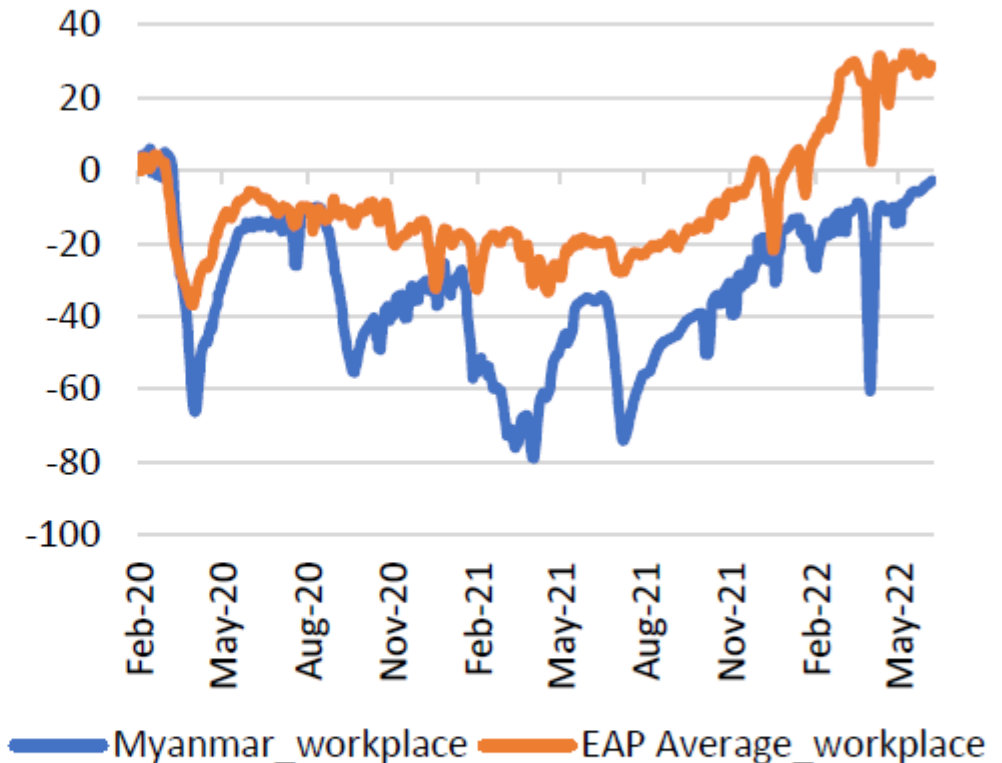
# Mobility has picked up

Figure 7: Retail mobility



Source: Google COVID-19 community mobility report  
Note: 7-day moving average series. EAP average includes Indonesia, Malaysia, Philippines, Thailand, Vietnam, Cambodia, Lao PDR, Mongolia, Myanmar, Fiji and PNG

Figure 8: Workplace mobility



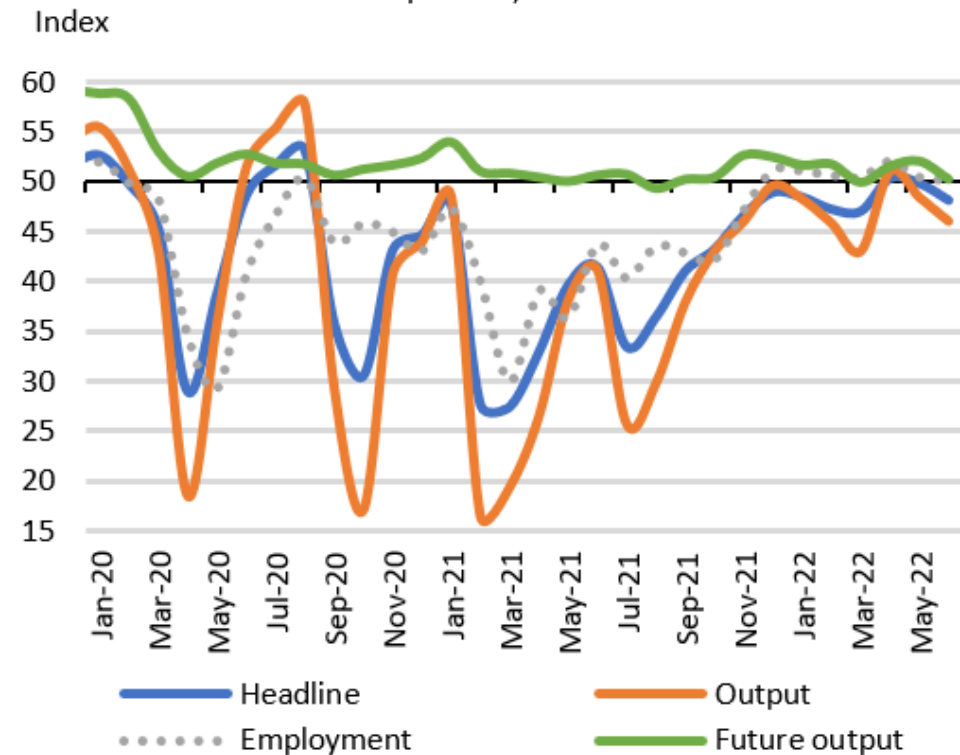
Source: Google COVID-19 community mobility report  
Note: 7-day moving average series. EAP average includes Indonesia, Malaysia, Philippines, Thailand, Vietnam, Cambodia, Lao PDR, Mongolia, Myanmar, Fiji and PNG



# Manufacturing output and employment looks to have stabilized

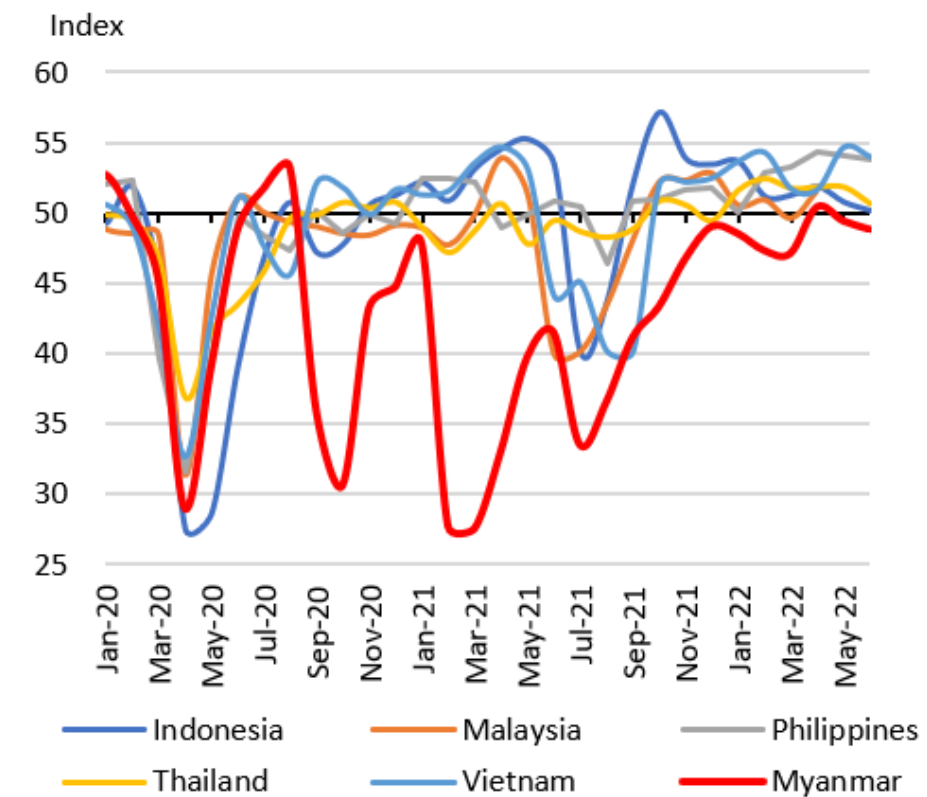
Figure 7: Manufacturing Purchasing Managers' Index

>50 indicates expansion, <50 indicates contraction



Source: IHS Markit

Figure 8: Regional Manufacturing PMIs



Source: IHS Markit

# Manufacturing and to a lesser extent agriculture exports have shown resilience

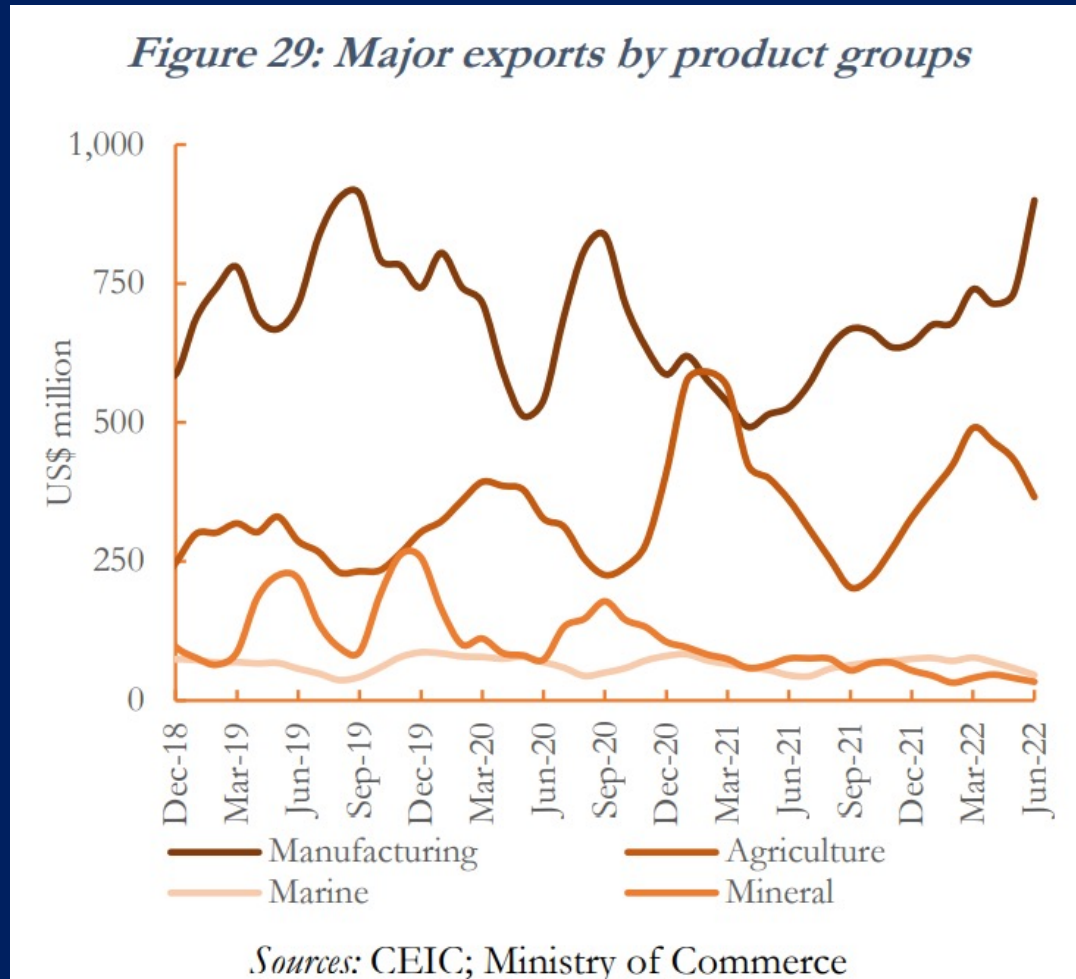


Figure 41: Relationship between garment exports and exchange rate

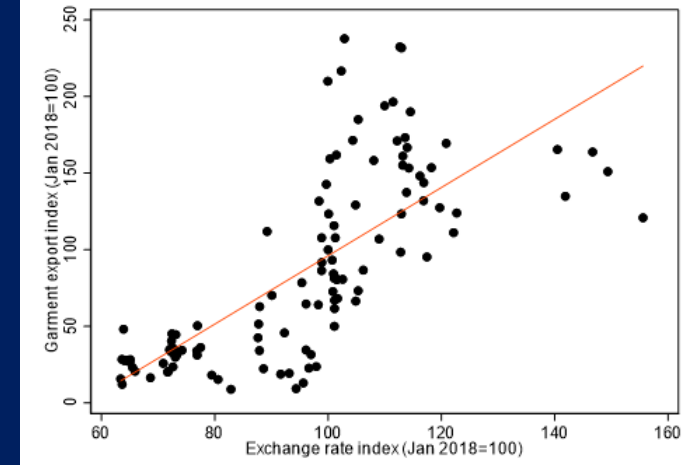
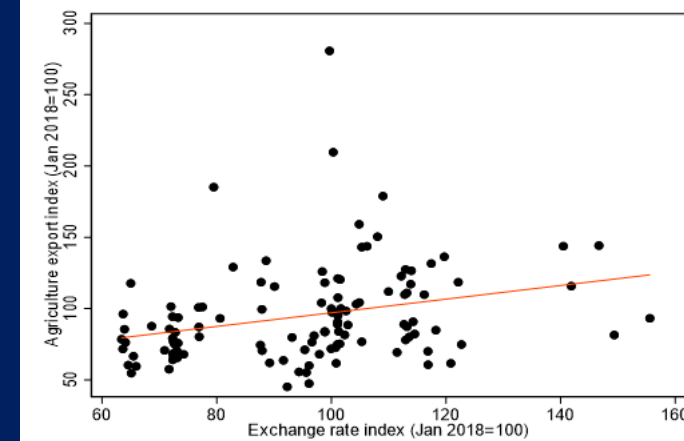


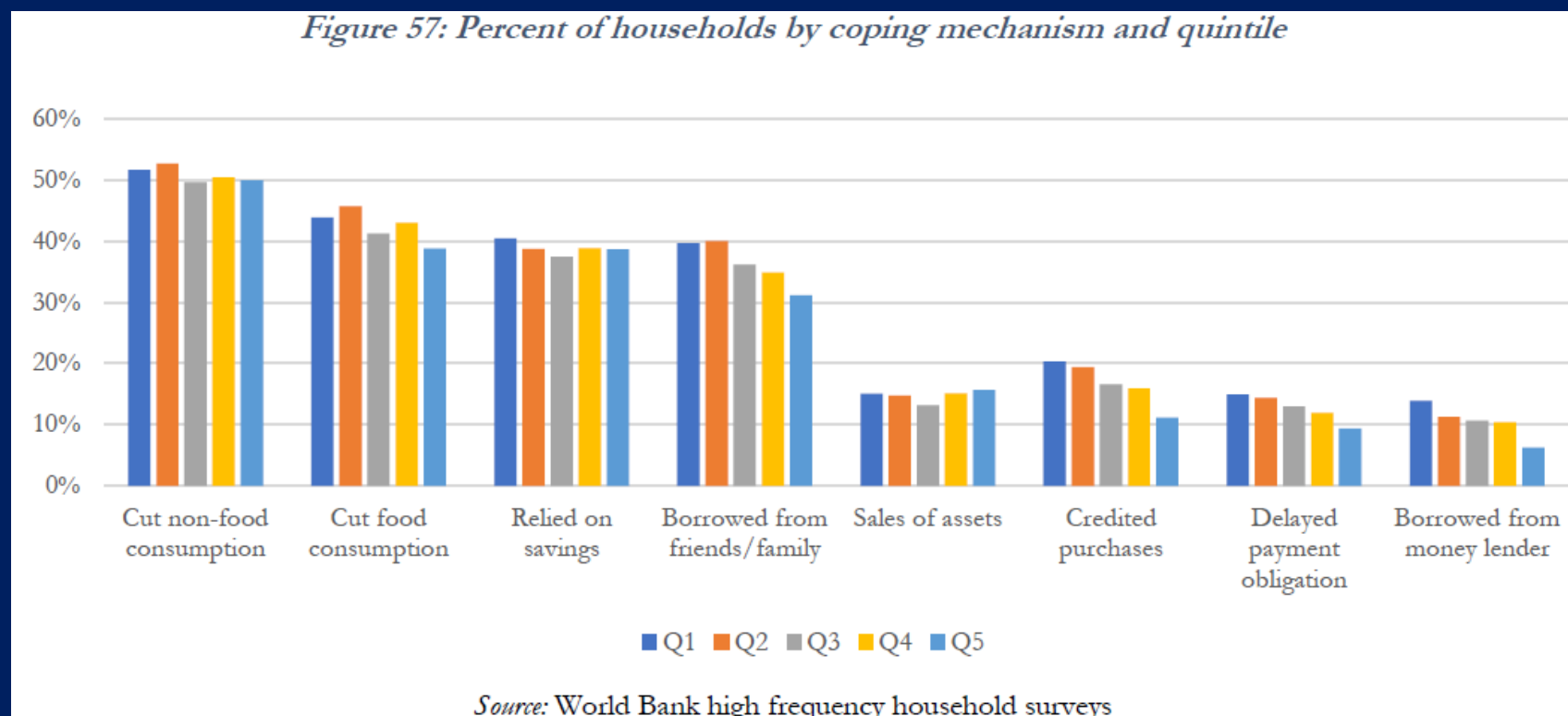
Figure 42: Relationship between agriculture exports and exchange rate



But the economy remains fragile

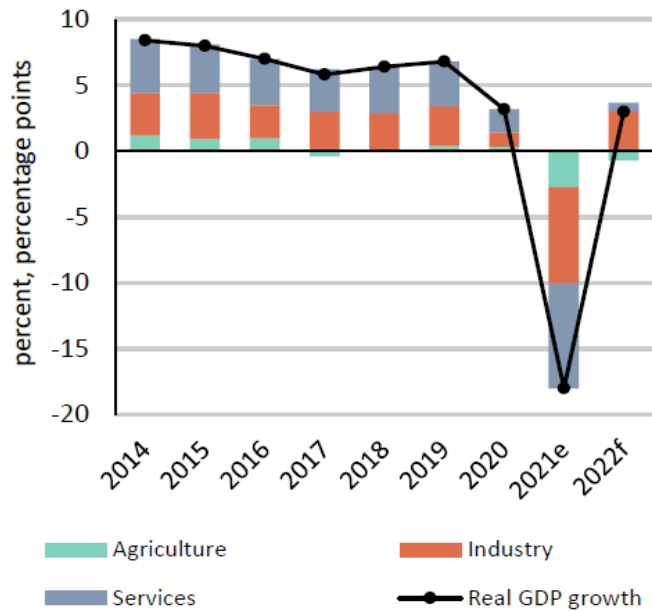
# Household incomes, consumption and welfare remain under significant pressure

- Over half of all households in Myanmar report reduced household income in February 2022 relative to January 2021, while only 13 percent reported an increase.
- Our simulations indicate that about 40 percent of Myanmar's population is living below the national poverty line in 2022, which is a doubling of the pre-pandemic rate and a return to levels last seen a decade ago.



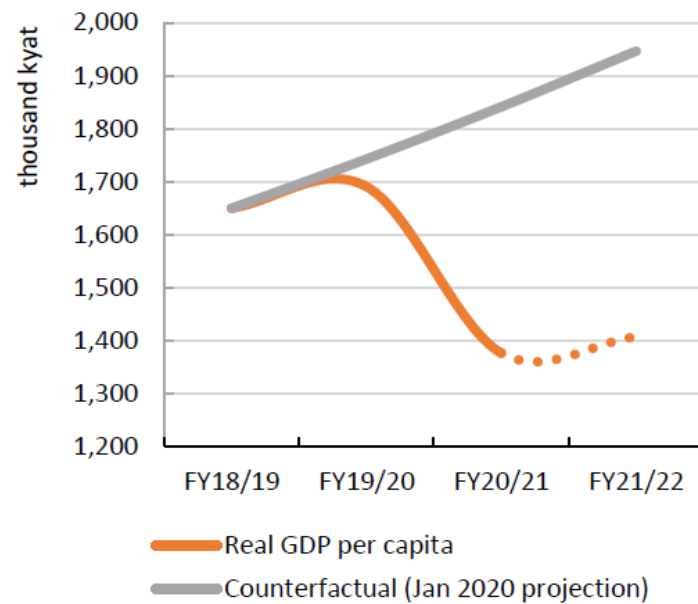
# The absence of a substantial rebound in FY2022 is indicative of severe supply- and demand-side constraints

Figure 59: Real GDP growth and contributions to growth by sector (percent, percentage points)



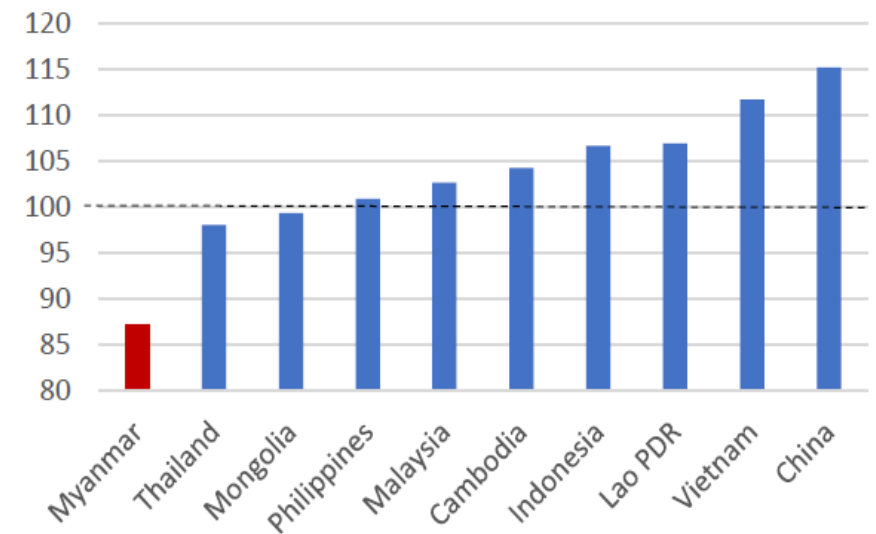
Source: Ministry of Planning and Finance and World Bank projections.

Figure 60: Real GDP per capita (constant FY2018/19 prices)



Source: Ministry of Planning and Finance and World Bank projections.

Figure 62: Forecast real GDP level in 2022 (2019 = 100)



Source: Global Economic Prospects, June 2022  
Notes: Real GDP level in 2019 is indexed as 100. f = forecast.

# And the outlook is bleak

Easy to think of **downside risks**:

- Balance of payments and exchange rate
- Further escalation of conflict
- Resurgence of COVID-19 or natural disaster

Recent **reform reversals** are likely to inhibit potential growth, worsen macroeconomic instability, and impair the efficient allocation of resources:

- Abandonment of managed float
- FX surrender requirements
- Heavy-handed approach toward promoting import substitution and self-sufficiency
- Monetization of the fiscal deficit, and de-prioritization of the social sectors
- Return to a system of governance in which the authorities have more discretion over the application of rules, and more control over the allocation of resources.