



**UNDER EMBARGO UNTIL 12.00 HRS., BANGKOK TIME, THURSDAY, 28 APRIL 2016**

## MYANMAR

GDP (current US\$, billions):	\$64.33	Population (thousands):	53,437
Share of GDP in developing Asia-Pacific:	0.2%	GDP per capita (current US\$):	\$1,203.84
Share of GDP in South-East Asia:	1.7%	Average inflation (2015)	10.7%

- The economy in Myanmar expanded rapidly at a growth rate of 8.5% in 2015, the same pace as that in 2014, on the back of robust growth in the manufacturing, construction, tourism and natural gas sectors.
- Agricultural activity slowed, as severe floods in mid-2015 submerged more than 400,000 hectares of farmland and dampened farm output and rural incomes. Together with the floods, strong domestic demand and continued monetization of the fiscal deficit drove up inflation to 10.7% in 2015 from 5.9% in 2014.
- On the external front, exports of natural gas increased, but imports grew more rapidly, resulting in a wider current account deficit of 9% in 2015.
- Government spending grew rapidly in the lead up to the general election in November 2015. Recurrent spending, such as public sector wage bills, went up and led to the wider fiscal deficit of 5% of GDP in 2015. The shortfall would have been much higher if one-off receipts from telecom and gas companies had been excluded.
- Growth is expected to be high at 8-8.5% in 2016 and 2017. Myanmar stands to benefit from an expected relocation of foreign investment projects in the manufacturing sector around the region in search of lower labour costs.
- Monetary and fiscal policies are expected to be tightened slightly, given high inflation and growing external imbalances. The domestic currency has been under depreciation pressure, which resulted in the realignment of the reference exchange rate and the parallel market rate in July 2015, after efforts to ease depreciation pressure, for example by limiting cash withdrawal in the United States dollar, did not appear effective.
- The adoption of the financial sector law in January 2016, under which banks now face more stringent rules on reserve requirements, would also contribute to slower credit growth.
- The downside risk to the economic outlook is low natural gas prices, which would reduce export revenues and potentially lead to lower-than-expected foreign investment inflows in the energy sector. In the medium term, power shortages remain a key constraint on business activities.
- The 2015/16 budget outlines cuts in capital expenditures, which is somewhat in contrast to the priority given to infrastructure development in the country's medium-term plan. To enhance fiscal resources, there is room to improve the revenue potential of the extractive industry, for instance through centralizing the collection of gas-related revenue and increasing transparency. Tax administration can be strengthened, building on recent progress, including the operation of a large taxpayer office.