

**EXECUTIVE  
BOARD  
MEETING**

SM/20/42  
Correction 3

March 25, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Myanmar—Staff Report for the 2019 Article IV Consultation**

Board Action: The attached corrections to SM/20/42 (2/12/20) have been provided by the staff:

**Evident Ambiguity** **Pages 1 and 58**

Questions: Mr. Peiris, APD (ext. 34761)  
Mr. De, APD (ext. 34869)  
Ms. Nadeem, APD (ext. 37091)





# MYANMAR

## STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION

February 11, 2020

### KEY ISSUES

**Disclaimer:** The Staff Report prepared by a staff team of the IMF for the Executive Board's consideration on February 28, 2020. The staff report reflects discussions with the Myanmar authorities during December 5 – 19, 2019 and is based on the information available as of February 11, 2020. It focuses on Myanmar's near and medium-term challenges and policy priorities and was prepared before COVID-19 became a global pandemic and resulted in unprecedented strains in global trade, commodity and financial markets. It, therefore, does not reflect the implications of these developments and related policy priorities. These developments have greatly amplified uncertainty and could heighten downside risks around the outlook. Staff is closely monitoring the situation, including related policy responses from the authorities, and will continue to work on assessing its impact in the Myanmar economy.

**Context:** The economic outlook has weakened in the face of stronger domestic and external headwinds, and growth remains below potential. The envisaged fiscal stimulus in the FY2019/20 is appropriate given the cyclical weakness with monetary policy anchoring inflation and external stability. Systemic risks in the banking system continue to be elevated, raising the urgency for comprehensive financial sector reform and contingency planning to preserve financial stability. The planned scaling up of infrastructure investments presents an upside risk if well managed.

**Medium term prospects:** Although long-term prospects remain favorable, near-term growth is likely to remain below potential as the correction in real estate market and continued uncertainty weighs on investor sentiment in the runup to the 2020 elections. Starting FY2020/21, bank deleveraging will further slow credit and constrain GDP growth as borrower's true ability to repay is revealed with term loans coming due and banks restructure in earnest. Inflation is expected to fall to 6 percent to 7 percent range in the medium term as the impact of one-off increase in electricity tariff abates.

#### **Policy Recommendations:**

- Fiscal and structural reforms will be important to boost medium-term growth, including implementation of the Myanmar Sustainable Development Plan (MSDP). Lasting progress on peace and stability remains critical to realize Myanmar's growth potential and poverty reduction. Associated fiscal risks must be prudently managed.



## IMF Executive Board Concludes 2019 Article IV Consultation with Myanmar

FOR IMMEDIATE RELEASE

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**On February 28, 2020** the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Myanmar.<sup>1</sup>

Economic activity in FY2018/19 remained below levels seen in the last decade. Growth is expected to be subdued at 6.5 percent in FY2018/19, up slightly from 6.4 percent in FY2017/18 on account of a modest fiscal stimulus and one-off increase in gas exports. Domestic demand remains weak reflecting slowing credit growth, a correction in real estate prices and declining investments. Subdued economic activity has narrowed the current account deficit as imports fell while exports, especially textiles, held up despite global headwinds. The narrower deficit offset weaker FDI and other inflows allowing reserves and the kyat to stabilize. Headline inflation stood at 8.6 percent at end-September due to one-off factors such as higher electricity tariffs and food and fuel prices.

Medium-term growth is likely to remain subdued. Growth in FY2019/20 is expected to moderate slightly to 6.4 percent as continued uncertainty weighs on investor sentiment in the runup to the November 2020 elections. This slowdown is despite the fiscal stimulus envisaged in the FY2019/20 budget, which is appropriate given cyclical weakness. Starting FY2020/21, bank deleveraging is likely to slow credit and GDP growth as legacy problems are addressed. Inflation is expected to fall to 6–7 percent range in the medium term as recent one-off factors abate.

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<sup>1</sup>Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

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