UNITED NATIONS ESCAP
Economic and Social Commission for Asia and the Pacific

ECONOMIC AND SOCIAL SURVEY OF ASIA AND THE PACIFIC 2014

Regional Connectivity for Shared Prosperity

UNDER EMBARGO UNTIL 07.00 GMT, WEDNESDAY, 6 AUGUST 2014

MYANMAR

Country briefing notes

Economic growth accelerated

- GDP growth accelerated to 7.5% in the fiscal year 2013 (ending March 2014), driven by natural gas exports and higher investment in the energy sector. Growth is expected to increase further to 7.8% in 2014, driven by new investments.

- Improved business confidence following recent reforms has attracted foreign investment in telecommunications, infrastructure and garments, among others. This was reflected in increased capital imports, new business registrations, and rapid credit growth in the private sector.

Inflation picked up

- The annual inflation rate rose to 5.8% in 2013, driven by higher food prices and demand-side pressures from an influx of investments. Inflationary pressure from the central bank's lending to the Government has subsided.

Trade deficit offset by FDI inflows

- Natural gas exports remained strong. A surge in capital goods imports to support new investments contributed to a widening of the current account deficit in 2013, to 4.9% of GDP from 4.4% of GDP in 2012.

- FDI inflows have increased steadily in recent years, to $2.6 billion in 2013 from less than $1 billion in 2009. Still, as a share of GDP, FDI stocks stood at about 25% in 2013, compared with 60% in Cambodia and 28% in Lao PDR.

- Moreover, FDI is highly concentrated in natural resource sectors. There is ample room to boost FDI in non-resource sectors as economic reforms continue. In particular, integration into regional and global supply chains would require FDI into manufacturing.

Policy developments and challenges

- The fiscal budget, discussed in the parliament for the first time, was equivalent to one-third of GDP in 2013. Spending on education and health care services were raised by 30% and 78% respectively, albeit from a low base.

- Higher social spending should help to enhance social outcomes. For example, Myanmar's average years of schooling stood at 3.9 years in 2012, compared with an average of 7.2 years in East Asia and the Pacific.

- With increased expenditures, the budget deficit widened to 4.9% of GDP in 2013, from 3.9% of GDP in 2012. Going forward, strengthening tax revenues is a priority. The IMF estimate puts Myanmar's tax-to-GDP ratio at about 7% and non-tax revenues including net transfers from state enterprises at 15-16%.

- The Government is promoting private sector participation in infrastructure projects. In 2013, telecommunication licenses were granted to two foreign companies to provide the full range of public fixed and mobile services nationwide. This should help enhance the telecommunication facilities, which are still limited. For example, the mobile phone penetration is estimated at only 11% in Myanmar, the fourth-lowest rate in the world.

- Amidst a surge in new businesses, particular attention was given to environmental and social impacts. The Environmental Conservation Law of 2012 stipulates that every company doing business in Myanmar must carry out environmental and social impact assessments.

- The Rural Development and Poverty Reduction Strategy aims to bring poverty incidence down to 16% by 2015, from 26% in 2013, in line with the Millennium Development Goals (MDGs).

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