INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/215

MYANMAR

July 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND PURCHASE UNDER THE RAPID FINANCING INSTRUMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR MYANMAR

In the context of the Requests for Disbursement Under the Rapid Credit Facility and Purchase Under the Rapid Financing Instrument, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 26, 2020, following discussions that ended on June 1, 2020, with the officials of Myanmar on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility and the Rapid Financing Instrument. Based on information available at the time of these discussions, the staff report was completed on June 16, 2020.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for Myanmar.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

PR20/247

IMF Executive Board Approves a US$ 356.5 Million Disbursement to Myanmar to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- The IMF Executive Board approves the 72th request for emergency financial assistance to help its member countries address the challenges posed by COVID-19.
- Myanmar's economy has been severely impacted by the COVID-19 pandemic. The global shock has led to a sharp decline in exports, remittances and tourist arrivals. Domestic activity has been constrained by the required lockdown measures.
- To address the urgent balance-of-payments and fiscal needs, the IMF has approved US$ 356.5 million emergency assistance for Myanmar under the Rapid Credit Facility and the Rapid Financing Instrument.
- This will support the government's COVID-19 Economic Relief Plan that aims at minimizing the pandemic's impact by stimulating the economy and boosting expenditures especially on health and social safety nets.

Washington, DC – June 26, 2020. The Executive Board of the International Monetary Fund (IMF) approved a disbursement of SDR 86.1 million (about US$118.8 million or 16.67 percent of quota) under the Rapid Credit Facility (RCF), and a purchase of SDR 172.3 million (about US$ 237.7 million or 33.33 percent of quota) under the Rapid Financing Instrument (RFI). This will help meet the urgent balance-of-payments and fiscal needs arising from the COVID-19 pandemic, support the government's plans to boost spending especially on health and social safety nets. The IMF emergency financing will also catalyze additional support from the international community, including under the Debt Service Suspension Initiative (DSSI) supported by the G-20 and the Paris Club.

The COVID-19 pandemic is severely impacting the Myanmar economy despite the limited domestic outbreak so far. Disruptions have hit hard households and businesses, including in the agriculture sector, which comprises a fifth of the economy and over half of employment. The external position is deteriorating due to the collapse in global demand for garments and gas, weak tourism and remittance inflows and lower foreign direct investment. Domestic demand has weakened as the necessary measures to control a domestic outbreak have affected economic activities. As revenues fall and expenditures rise, the fiscal deficit is increasing, putting pressure on funding and public debt.

The authorities have put in place their Covid-19 Economic Relief Plan that aims at preserving macroeconomic stability and mitigating the impact of the pandemic on the population. In addition to increasing health expenditures, the government is expanding food distribution and cash transfer programs to the most vulnerable and supporting businesses and farmers across all regions of the country. The authorities remain committed to promoting strong and inclusive growth while bolstering macroeconomic and financial sector stability and improving governance.

The IMF continues to monitor Myanmar's situation closely and stands ready to provide further advice and support if needed. The authorities have expressed interest in exhausting the 100 percent of quota annual access limit under the RCF/RFI (about US$ 700 million) and have committed to put in place targeted governance, transparency and accountability measures to ensure the appropriate use of emergency financing. Myanmar has accepted the obligations of Article VIII of the IMF's Articles of Agreement, reinforcing its commitment to maintaining an exchange system free of restrictions on payments for current international transactions.

Following the Executive Board discussion of Myanmar's request, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

The Myanmar economy is being impacted by the outbreak of COVID-19 through a sharp decline in tourism and remittances and supply chain disruptions. Support under the Rapid Credit Facility and Rapid Financing Instrument will help address Myanmar's urgent financing needs related to COVID-19 shock, and catalyze support from development partners, including with the DSSI. The authorities remain committed to protecting the most vulnerable and have enacted the COVID-19 Economic Relief Plan (CERP) featuring important emergency fiscal, financial, and monetary measures.

In the near term, fiscal spending should focus on containing the spread of the virus, boosting healthcare, and supporting the most vulnerable. It is important that the authorities give priority to external concessional financing to limit the risks associated with excessive monetary financing. When conditions permit, the focus should shift to enhancing revenue mobilization and PFM reforms.

The current accommodative monetary stance is appropriate. However, monetary policy should actively manage inflation expectations and a liquidity squeeze. Greater exchange rate flexibility will help cushion against external shocks. When feasible, it will also be important to strengthen external buffers in line with the FX intervention rule.

The authorities have announced policies to support bank lending. It is recommended that forbearance should be shortened in line with the duration of the COVID-related economic slowdown. The authorities should also monitor the NPLs and consider a comprehensive NPL resolution strategy. Addressing gaps in the AML/CFT framework will be important going forward.

The authorities are committed to implementing good governance, transparency, and accountability measures to ensure the appropriate use of this emergency financing. They continue to engage on capacity development and technical assistance with the IMF and other development partners to further their reforms.

More information

For information on the emergency financing requests approved by the IMF Executive Board, please see a link to the IMF Lending Tracker: https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19.

For upcoming discussions on the emergency financing requests, please see a link to the calendar of the IMF Executive Board meetings:
https://www.imf.org/external/NP/SEC/bc/eng/index.aspx

INTERNATIONAL MONETARY FUND

MYANMAR

June 16, 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND PURCHASE UNDER THE RAPID FINANCING INSTRUMENT

EXECUTIVE SUMMARY

Context: The COVID-19 pandemic is expected to hit hard Myanmar's economy via weaker exports, tourism, remittances and domestic demand. The economic and social costs of a widespread outbreak could be large, against the backdrop of a frail healthcare system and inadequate social safety nets, as well as already low international reserves and a fragile banking system. The measures to contain and alleviate the effects of the pandemic open up sizeable BOP and fiscal financing gaps in the near term.

Policy Response: The authorities aim to bolster healthcare spending and mitigate the economic impact of the pandemic, while laying the groundwork for the recovery. Under the COVID-19 Economic Relief Plan (CERP), the authorities have enacted important emergency fiscal, financial and monetary measures and are planning several others. The Central Bank of Myanmar (CBM) has cut the policy interest rate by a cumulative 300 bps since mid-March and temporarily reduced the reserve and liquidity requirements for banks. The authorities have provided banks further forbearance from prudential requirements to encourage credit provision. The monetary stance is appropriate; however, the forbearance period should be shortened. The kyat has been allowed to adjust flexibly, with limited rules-based intervention to manage excessive volatility.

Request for Fund Resources: The authorities have requested Fund assistance, to be used as budget support, to mitigate the economic impact of COVID-19. Staff assesses that Myanmar meets the eligibility requirements for the blend Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) and supports a purchase and outright disbursement of SDR 258.4 million (50 percent of quota) on account of present and urgent balance of payments needs from a sudden and exogenous shock and the infeasibility of an Upper Credit Tranche (UCT) program at this time. Myanmar is a presumed blender based on the income criteria and access under the RCF and RFI will blend RCF/RFI resources in the ratio of 1:2. The access level would cover 21 percent of external financing gap and is expected to catalyze multilateral and bilateral support. The authorities have requested debt service suspension under the Debt Service Suspension Initiative (DSSI), supported by the G-20 and Paris Club. Public debt (about 40 percent of GDP) is assessed as sustainable with low risk of debt distress, and there is adequate capacity to repay the Fund.

Approved By
Kenneth H. Kang and Bjoern Rother

An IMF team consisting of S. Peiris (head), J. De, P. Deb, S. Nadeem (all APD), Y. Xiao (FAD), Y. Hul and R. Zandvakil (both ICD), S. Iorgova (MCM) and N. Saker (IMF Resident Representative) and K. Tun (Resident Representative Office) held discussions with the Myanmar authorities by teleconferences led by Union Minister of Planning, Finance and Industry U Soe Win, and Central Bank of Myanmar Governor U Kyaw Kyaw Maung and other senior government officials during May 27–June 1, 2020. Advisors from the IMF Capacity Development Office in Thailand (CDOT) and resident FX operations advisors joined the technical discussions. A. Mahasandana (Executive Director) and A. Srisongkram (OED) participated in the discussions. Ms. Dao and Ms. Tanseco assisted in preparing this report.

CONTENTS

CONTEXT 4

IMPACT OF THE PANDEMIC AND OUTLOOK 4
A. Initial Impact and Response 4
B. Outlook and Risks 5

POLICY ISSUES AND DISCUSSION 8
A. Fiscal Policy 8
B. Monetary and Exchange Rate Policy 11
C. Financial Sector Policies 12

MODALITIES OF IMF SUPPORT UNDER THE RCF/RFI 13

STAFF APPRAISAL 14

FIGURES
1. Health Sector 15
2. Macroeconomic Developments 16
3. Macrofinancial Impact of COVID-19 17
4. Macro-Fiscal and Monetary Developments 18

TABLES
1. Selected Economic Indicators, 2016/17–2020/21 19
2. Summary Operations of the Nonfinancial Public Sector, 2015/16–2020/21 (Consolidated account, in billions of kyats) 20
3. Summary Operations of Nonfinancial Public Sector, 2015/16–2020/21 (Consolidated account, in percent of GDP) 21
4. Balance of Payments, 2016/17–2023/24 22

5. Monetary Survey, 2016/17–2023/24 ____ 23
6. Medium-Term Projections, 2016/17–2024/25 ____ 24
7. Indicators of Capacity to Repay the Fund ____ 25

ANNEX

I. Risk Assessment Matrix ____ 26

APPENDIX

I. Letter of Intent ____ 27

CONTEXT

1. **Prior to the onset of the COVID-19 pandemic, Myanmar's growth had been moderating**. Though previously bolstered by a first wave of reforms following the liberalization of the 2000s, the economy had been facing headwinds from slowing investment inflows and credit due to weakening real estate prices and bank deleveraging. External buffers continue to be inadequate, while the risk of systemic banking sector stress remains elevated. The health care system is frail with uneven provision and social safety nets are underdeveloped, while the informal economy accounts for the majority of employment (Figure 1). Progress towards resolving the humanitarian crisis has stalled in the runup to the election scheduled for November 2020, and the security situation has deteriorated in several border areas.

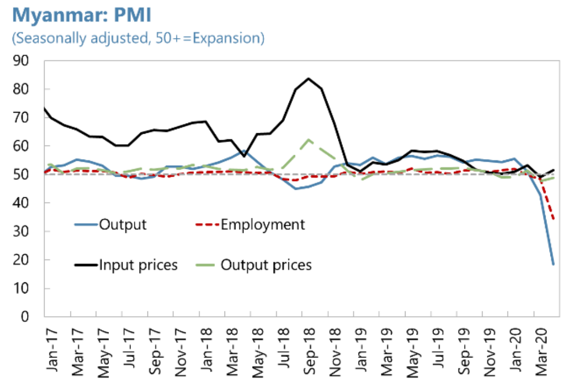
2. **The country has advanced important reforms in recent years, but faces challenges due to structural and capacity constraints**. Myanmar is the largest recipient of Fund Capacity Development (CD), which has been instrumental in supporting key reforms in revenue administration and public financial management (PFM) and the monetary and exchange rate policy framework. However, important challenges remain, notably on further raising tax revenue, chronic budget under-execution due to limited absorptive capacity, banking sector vulnerabilities, and weak cash management.[1] As a fragile state transitioning to a more open economy and democracy after decades of isolation under military rule, longstanding institutional weaknesses have created governance vulnerabilities that will take time to address.

IMPACT OF THE PANDEMIC AND OUTLOOK

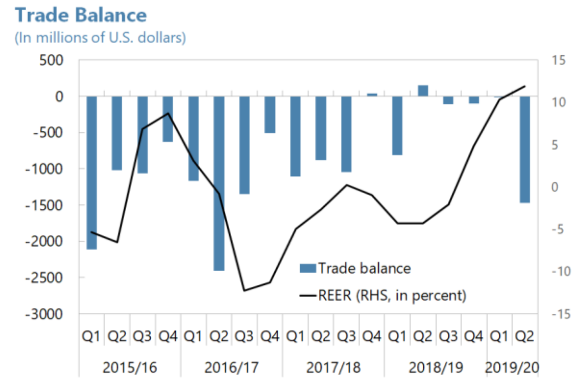
A. Initial Impact and Response

3. **The Myanmar economy is being deeply affected by the outbreak**. As of June 11, 2020, Myanmar had reported 249 cases and 6 fatalities—a very low incidence relative to the size of the population and in view of porous regional borders (Figure 1). This may also reflect limited testing capacity that is mostly focused on major urban areas and is now being ramped up. From the onset of the outbreak, tourist arrivals have sharply declined, and supply chains have been disrupted in the labor-intensive garment sector (about one-fourth of exports), cross-border trade and agriculture (half of employment) (Figure 2). This has resulted in widespread layoffs and factory closures. Virus containment measures adopted in March have further curtailed domestic demand, while magnifying preexisting weaknesses in the real estate and construction sectors. Inflation fell to 6.6 percent in March from 8.8 percent at end-2019. Meanwhile, unlike other currencies in the region, the kyat has appreciated, likely reflecting strong export performance through March, as the fall in gas export contract prices are reflected with about a 6-month lag, and import compression has narrowed the trade balance. Reserves edged up to US$6.1 billion as of May 2020.

[1] The new fiscal year covers the period starting October 1 to September 30. This report uses this definition of the fiscal year for both historical data and projections.



Sources: IHS Markit; and Haver Analytics.



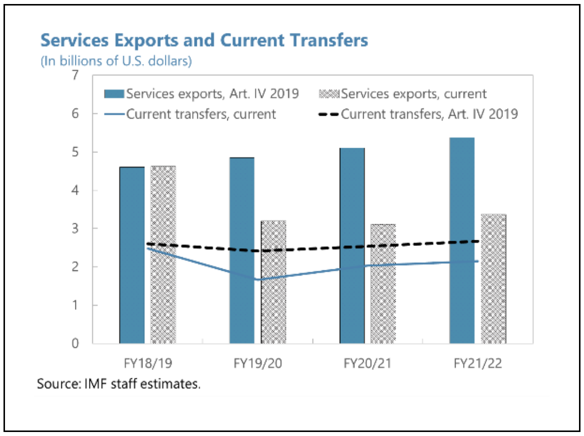
Sources: Myanmar authorities; CEIC Data Co.; and IMF staff estimates.

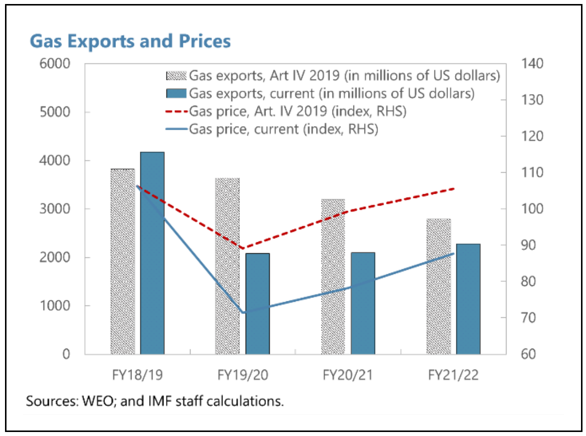
4. **The authorities have responded with a COVID-19 Economic Relief Plan (CERP)**. The plan comprises several emergency fiscal, financial and monetary measures, including higher health spending. With the help of development partners, the plan is still being fully costed and sequenced and is expected to evolve as priorities are budgeted, funded and implemented. At the same time, to ease financial conditions, the CBM cut the policy interest rate by a cumulative 300 bps since mid-March, temporarily lowered the reserve requirement ratio and eased liquidity requirements, and paused deposit auctions.

B. Outlook and Risks

5. **The economy is expected to weaken substantially as a result of the COVID-19 shock**. Assuming a localized outbreak that is largely contained by Q3 FY2019/20, output growth is still expected to slow down to 1.4 percent, 5 percentage points below pre-COVID-19 estimates.[2] This is due, in large part, to the reduction in domestic production following the introduction of regional containment measures, and further weakened by the sharp contraction in global demand. The costs are likely to be disproportionality felt by SMEs and vulnerable groups with limited cash buffers as well as those in conflict regions. Economic activity is expected to start recovering gradually from Q1 FY2020/21 (October-December 2020), led by a recovery in domestic demand and export-oriented production with growth reaching 6 percent by end-FY2020/21. However, in level terms, output will remain below that projected pre-COVID into the medium term. Inflation in FY2019/20 is expected to decline to 5.9 percent with the fall in commodity prices and subdued domestic demand.

[2] Pre-COVID-19 estimates are based on the data published in the recently concluded 2019 Article IV consultation (IMF Country Report No. 19/100).





6. The external position is projected to deteriorate. The current account deficit is expected to widen from 2.6 to 4.0 percent of GDP in FY2019/20. Exports (led by garments and gas) are projected to decline sharply due to supply chain disruptions, weak external demand and lower international gas prices. Import compression will result especially from lower intermediate imports, while COVID-related imports of medicines and medical equipment are expected to rise. Tourism receipts have collapsed and remittances are expected to weaken, with migrants in neighboring countries expected to return. On the financing side, FDI will slow as projects are delayed. As a result, an external financing gap amounting to US$1.7 billion is expected in FY2019/20 and US$0.8 billion in FY2020/21 (see Text Table 1).

7. The crisis environment calls for a strengthening of international reserves. Given the uncertain length of the pandemic, lack of market access, and heightened external and banking sector vulnerabilities, bringing reserves from the already low pre-COVID level of 3.4 months of imports to an adequate level—about 5 months of imports or 20 percent of broad money—will be critical to maintaining stability.[3] Although FX reserves have recently increased, in part due to the asymmetric FX intervention strategy, the increase in coverage largely reflects import compression, which is projected to unwind. Without additional external support, reserve coverage would fall to below 4 months of imports and 12 percent of broad money. Fund financing would help fill some of the gap in FY2019/20 and catalyze additional external financing in the near term, including support from the Debt Service Suspension Initiative (DSSI). Additional Fund financing may be required to fill in the external financing gap in FY2020/21 depending on the impact of the pandemic. Over the medium term, maintaining reserves at about 5 months of imports will depend on adhering to the post-crisis macroeconomic framework as per Table 6 (including efforts to rebuild revenue and slower growth of monetary aggregates) and continued concessional external borrowing of more than $1.5 billion each year.

[3] Staff estimate optimal reserve coverage for Myanmar to be around 5–6 months of import coverage based on past analysis (see IMF Board Paper and Country Report No. 17/30) as well as the Reserve Adequacy Metric for Credit Constrained Economies and LICs.

Text Table 1. Macroeconomic Developments: 2020 Article IV Consultation vs. Post COVID-19[1]

(In percent of GDP, unless otherwise indicated)

	Est. FY2018/19	Projections FY2019/20 Pre-COVID19	FY2019/20 Current baseline	FY2019/20 diff.	FY2020/21 Pre-COVID19	FY2020/21 Current baseline	FY2020/21 diff.	FY2021/22 Pre-COVID19	FY2021/22 Current baseline	FY2021/22 diff.
Real Sector										
Real GDP growth (in percent)	6.5	6.4	1.4	-5.1	6.0	6.0	-0.1	6.2	6.2	0.0
CPI inflation (in percent, period average)	8.6	7.9	5.9	-2.0	6.9	6.3	-0.6	6.4	6.3	-0.1
Consolidated Nonfinancial Public Sector										
Revenue and grants	16.0	18.1	14.8	-3.2	18.1	14.7	-3.4	18.4	15.2	-3.2
of which: grants	0.4	0.4	0.4	0.0	0.4	0.4	0.0	0.4	0.4	0.0
Expenditure	20.0	22.1	20.6	-1.5	22.5	20.5	-2.0	22.9	20.5	-2.4
of which: Expense	13.4	15.0	14.2	-0.8	15.1	14.1	-1.0	15.3	13.9	-1.3
of which: net acquisition of non-financial assets	6.6	7.2	6.4	-0.7	7.4	6.3	-1.0	7.6	6.5	-1.0
Overall fiscal balance	-4.0	-4.1	-5.8	-1.7	-4.4	-5.8	-1.4	-4.4	-5.3	-0.8
Total public and publicly guaranteed (PPG) debt	38.3	37.9	42.7	4.7	38.5	44.7	6.1	39.5	46.1	6.6
Balance of Payments										
Current account balance	-2.6	-3.2	-4.0	-0.8	-3.5	-4.2	-0.8	-4.0	-4.2	-0.2
Merchadise exports	15.3	15.5	13.1	-2.4	15.0	13.6	-1.4	15.1	14.1	-0.9
Merchadise imports	19.6	20.2	16.5	-3.7	20.0	17.4	-2.6	20.4	18.1	-2.3
Services (net)	1.1	1.0	0.1	-0.9	1.0	-0.2	-1.2	0.9	0.0	-0.9
Gross official reserves (US$ millions)[2]	5,667	5,936	6,840	905	6,376	7,733	1,357	7,040	8,217	1,177
(In months of next year's imports of GNFS)	4.5	3.4	5.0	1.5	3.3	5.0	1.7	3.3	4.8	1.5
Gross Reserves (without arrangement; US$ millions)	5,667	5,936	5,206	-730	6,376	5,772	-604	7,040	6,330	-710
(In months of next year's imports of GNFS)	4.5	3.4	3.8	0.3	3.3	3.8	0.4	3.3	3.7	0.4
Total financing gap (US$ millions)	-	-	1,676	1676	-	794	794	-	-	-
(In percent of GDP)	-	-	2.4	2.4	-	1.0	1.0	-	-	-

Sources: Authorities; and IMF staff estimates.

1/ 2019 Article IV Consultation took place in December 2019 and the Board meeting took place on February 28, 2020.

2/ Includes external financing support by multilateral, including IMF, bilateral donors and the DSSI to support policies to address impact of the global COVID-19 pandemic.

8. The fiscal impact of the pandemic, especially on the revenue side, will widen the deficit and thus give rise to additional financing needs. Announced measures to bolster the capacity of the weak healthcare system and mitigate the economic impact of the pandemic to the most vulnerable households and firms is expected to raise expenditures by around 1 percent of GDP for the remainder of FY2019/20, and 1–2 percent of GDP in FY2020/21, although spending needs could increase significantly if the outbreak worsens. On the revenue side, weaker economic activity, targeted tax relief measures and falling gas prices will lower tax buoyancy and reduce revenues by nearly 1½ percent of GDP. This will widen the fiscal deficit by nearly 2 percent of GDP over the previous year to 5.8 percent of GDP in FY2019/20 and FY2020/21, opening up a fiscal financing gap of US$1.7 billion (2.4 percent of GDP) in FY2019/20 and US$0.8 billion (1 percent of GDP) in FY2020/21 (Text Table 2), which drives the external financing gap. IMF financing, together with additional external bilateral support and the DSSI over the coming months, would alleviate the risks of a retrenchment in social spending and/or

Text Table 2. Projected Financing Gap in FY2019/20

Balance of Payments: COVID-19 Impact (in Percent of GDP)

	2020 2019 Article IV	2020 Current Projection	2020 Change
Current Account	-3.2	-4.0	-0.8
Financial inflows	-3.6	-3.3	0.3
FDI	-3.1	-2.7	0.4
Portfolio investment, net	0.0	0.0	0.0
Other investment, net[1/]	-0.5	-0.6	-0.1
BOP financing gap	0.4	-0.7	-1.1
Change in reserves (- accumulation)	-0.4	-1.7	-1.3
Residual BOP financing gap	0.0	2.4	2.4
Identified financing		1.8	
IMF		0.5	
DSSI		0.5	
Other		0.8	
o/w World Bank		0.1	
o/w Asian Development Bank		0.2	
Unidentified financing		0.6	

Fiscal Accounts: COVID-19 Impact (in Percent of GDP)

	2020 2019 Article IV	2020 Current Projection	2020 Change
Revenues	18.1	14.8	-3.3
o/w COVID-19 response		0.1	
Recurrent expenditure	15.0	14.2	-0.8
o/w COVID-19 response		0.9	
Net Acquisition of nonfinancial assets	7.2	6.4	-0.8
Overall balance (net lending/borrowing)	-4.1	-5.8	-1.7
Pre-covid financing	4.1	3.6	-0.5
Net acquisition of financial assets	-0.2	-0.2	0.0
Net incurrence of liabilities	4.2	3.7	-0.5
Foreign borrowing	1.1	0.2	-0.9
Domestic borrowing	3.1	3.5	0.4
Residual fiscal financing gap	0.0	2.4	2.4
Identified financing		1.8	
IMF		0.5	
DSSI		0.5	
Other		0.8	
o/w World Bank		0.1	
o/w Asian Development Bank		0.2	
Unidentified financing		0.6	

1/ Excluding IFI loans for COVID-19 response.

monetary financing, which could threaten price and external stability. The authorities are prepared to take contingency fiscal measures, including delays in lower priority capital spending, in case the unidentified financing needs could not be filled.

9. Risks to debt sustainability remain contained. Despite the increase in the budget and current account deficits and additional borrowing, external and public debt should remain robust to shocks. Relatively low starting levels would keep external and public debt below their respective risk thresholds and would hence keep the overall risk of debt distress low.

10. The outbreak is expected to weigh on asset quality in the banking sector and stall progress on bank recapitalization. Prior to the outbreak, banks had been making progress, though uneven, in addressing legacy loans and moving toward prudent loan classification, provisioning and capitalization. Now, the CBM has extended the phase-in period for compliance with prudential regulations by three years to end-August 2023 to support bank credit to curtail the impact of COVID-19—a policy that, if not shortened, could postpone critical banking sector reforms. The deterioration in the debt repayment capacity of households and corporates as the pandemic works its way through the economy coupled with extended regulatory forbearance, could further raise nonperforming loans (NPLs) and recapitalization costs while potentially limiting access to finance for vulnerable groups. Credit growth though slowing remains fairly robust at 13.9 percent y/y as of January 2019, and deposits have held up thus far, but increased cash demand could pose pressure on bank liquidity and market interest rates.

11. Risks are tilted heavily to the downside (Annex 1). A more prolonged outbreak with community spread that necessitates more severe lockdowns and slows the reopening of the economy would constrain activity further, leading to large economic and human costs. Such protracted economic disruptions could interact with banking system fragilities and further depress demand and credit growth, potentially requiring public recapitalization of one or more systemic banks. In such an adverse scenario, growth could fall by an additional 2½ percentage points in FY2019/20 as credit sharply declines based on the experience of other financially shallow countries that experienced credit booms (Figure 3) as well as compromise reserve coverage. The effects of such an interaction would be long-lasting, with a slow recovery of output relative to the baseline and other countries simulated in the April 2020 WEO scenario box. On the external front, a more prolonged global outbreak could keep external demand subdued with extended supply chain disruptions with weak FDI and tighter and more volatile financial conditions.

POLICY ISSUES AND DISCUSSIONS

A. Fiscal Policy

12. In the near-term, fiscal spending should be focused on containing the spread of the virus, boosting healthcare, and providing transfers to affected and vulnerable groups. It will be important to leverage development partner support, given the limited capacity to absorb and implement the planned increase in health and social spending. As part of the CERP, the authorities have announced, among others:

- The reallocation of up to 10 percent of budgeted expenditures to COVID-19 related spending within line ministries and the COVID-19 Contingency Fund (in progress);

- Tax relief and deferments, duty suspensions on medical goods and supplies imports, and partial exemption of household electricity tariffs (implemented);

- Expansion of quarantine facilities, immediate import of required medical-related products for COVID-19 prevention, control and treatment, improving health sector human resources, and upgrading existing health facilities partly funded by emergency health financing projects by the ADB, UN and the World Bank (in progress);

Text Table 3. Estimated Fiscal Costs of Major Action Plans of CERP

		2019/20		2020/21	
		US$ millions	% of GDP	US$ millions	% of GDP
Revenue	Tax waiver and credits, household electricity tariff relief	99	0.14	213	0.28
Expenditure		416	0.60	501	0.66
Health	Health facilities, medical products for COVID-19	115	0.16	109	0.14
Social assistance	Cash transfers, food, cash-for-work, pension support, health benefit extension	302	0.43	348	0.46
Other	Support for productivity enhancement in businesses	0	0.00	44	0.06
On lending	On lending to support SME, MFI, small farmers, trade financing	186	0.27	355	0.47
Total		701	1.00	1070	1.41

- Establishing cash and/or in-kind transfer programs to affected and vulnerable households covering all possible regions of the country by various means, including informal workers through mobile payments, with the first phase based on the food rationing scheme database (in design stage);

- A MMK 500 billion fund to provide soft loans to the private sector for working capital through the state-owned Myanmar Economic Bank (MEB) (in progress);

- A credit guarantee scheme for SMEs and high growth sectors to be established conditional on maintaining employment (in design stage with ADB assistance); and

- Prioritizing ready, high impact public investments, and streamlining approvals for private investments and PPPs (in progress).

13. **To fill the fiscal financing gap, the authorities intend to prioritize external concessional borrowing to limit the risks associated with excessive monetary financing**. The scope for additional domestic financing is limited, given the small absorptive capacity of the banking sector and the potential crowding out of needed credit, as well as the destabilizing risks of excessive monetization, given Myanmar's experience. Gross CBM financing of the fiscal deficit for FY2019/20 is capped at MMK 1.3 trillion (under 7 percent of previous years' reserve money) based on the latest supplementary budget for FY2019/20 approved by Parliament. In staff's view, CBM financing should be limited to around 5 percent of previous year's reserve money in FY2020/21 and continue to be gradually phased out thereafter, to avoid the risk of an inflation and exchange rate spiral. These constraints on financing highlight the need for contingency planning to rationalize expenditures and mobilize revenues if the yet to be identified financing is not forthcoming or in case the adverse scenario materializes. It will also be important to carefully track spending execution.

14. The authorities also intend to avail of the DSSI. The DSSI is estimated to create savings of US$322 million and US$67 million in external debt service in FY2019/20 and FY2020/21 respectively, and will be NPV neutral. It would contribute 19 percent of the financing gap in FY2019/20. Staff's assessment is that the increase in gross financing needs following the expiration of the DSSI would be manageable. In accordance with the DSSI, the authorities commit to contract no new non-concessional debt during the suspension period while meeting reporting requirements (see ¶15 and Letter of Intent (LOI, Appendix 1)).

15. There is an urgent need to strengthen social safety nets and build on the good progress on public financial management (PFM) reforms. Social protection coverage is very limited according to the World Bank, and the authorities should explore fully operationalizing the 2012 Social Security Law. The 2020 public financial accountability assessment (PEFA) noted good progress and should be leveraged to effectively respond to COVID-19 by catalyzing development partner assistance and efficient budget execution.

16. Key fiscal-structural reforms should be accelerated to boost spending efficiency, support good governance, and manage fiscal risks.[4] To ensure that the additional funding is transferred quickly and efficiently for COVID-19 response and closely monitored, as well as meet transparency requirements of the DSSI, and in view of existing capacity constraints and governance and corruption vulnerabilities, the authorities plan to (see LOI, ¶11–12):

- Enact a FY2020/21 budget with greater appropriations to social sectors and COVID-19 relief.
- *Publish quarterly consolidated GFS accounts with economic classification, and quarterly budget monitoring reports* identifying CERP-related spending on the MOPFI website within 3 months of the end of each quarter with World Bank and Fund CD.
- *Improve cash management and coordination between Treasury and CBM,* which will support debt management and reduce the risk of surges in monetary financing, as seen in end-FY2018/19.
- *Strengthen procurement transparency.* The authorities commit to adhere to transparency practices in procuring and awarding contracts related to COVID-19 related spending, including publishing, within 3 months of being signed, on the MOPFI website information on procurement contracts above MMK 100 million, including the names of the awarded companies and their beneficial owners, the specific nature of the goods and services procured, their price per unit, and overall contract amount. The same website will also publish ex post delivery reports.
- *Enhancing auditing.* The Office of the Auditor General for Myanmar (OAGM) will conduct a targeted audit of COVID-19 related spending, and disseminate a report within 6 months of the end of the fiscal year. This will be supported by ADB and World Bank TA, and assisted by existing internal audit teams monitoring such expenditure through the implementation of the draft Internal Audit Manual with Fund CD.

[4] See *Myanmar—Staff Report for the 2019 Article IV Consultation*.

- *Debt transparency.* The authorities will continue publishing comprehensive public debt data through their annual Government Debt Report in accordance with the Public Debt Management Law.

- *Managing fiscal risks*. The MOPFI should track government external loans and guarantees to understand its risk exposure, as well as strengthen fiscal risk management capacity. The authorities are committed to incorporating competitive bidding processes for the new project bank including by setting up a PPP unit in MOPFI, and will annually report performance via a fiscal risk report to Parliament beginning FY2020/21.

17. As the recovery sets in, efforts to enhance revenue mobilization and PFM reforms will continue. This includes the planned implementation of the recently enacted Tax Administration law and submitting the draft Income Tax Law (ITL) to Parliament in FY2020/21 to be effective in FY2021/22. The COVID tax relief measures should be considered as temporary and be safeguarded with a sunset clause as the economy begins to recover (end-FY2020/21). The MOPFI intends to move to the second phase of automation to unify budget and financial reporting, with Fund and World Bank assistance, including a unified chart of accounts by December 2020. The next phase of PFM reforms building on the findings of the PEFA is planned with development partner assistance.

B. Monetary and Exchange Rate Policy

18. CBM responded quickly to the COVID-19 shock, appropriately easing the monetary stance. The bank rate has been cut thrice by a cumulative 300 bps, also moving downward the deposit rate floor and lending rate caps proportionally. The CBM has also temporarily lowered the reserve requirement ratio from 5 to 3.5 percent up to end-September 2020, paused deposit auctions, and raised the weight of long-term government securities in banks' liquidity ratio calculations to facilitate domestic debt issuance and liquidity.

19. Monetary policy and operations would need to be actively managed to anchor inflation expectations and avoid a liquidity squeeze. The current policy (bank) rate of 7 percent is sufficiently accommodative and further interest rate reductions should be assessed against macroeconomic developments and financial stability considerations. The FY2019/20 CBM financing ceiling of 6.7 percent of reserve money is above recent levels, but is unlikely to raise inflationary pressures given reserve money growth is relatively contained. To manage liquidity conditions, CBM should now clarify the operational framework for credit auction and discount window facilities and strengthen liquidity forecasting to guide interbank rates.

20. Exchange rate flexibility will help cushion against the external shock. The recently introduced FX intervention rules should continue to be adhered to help limit excessive exchange rate volatility in view of systemic risks in the banking system, while building reserves as the opportunity arises to strengthen external buffers over the medium term.

C. Financial Sector Policies

21. The authorities have announced various policies to support bank lending. Banks are now allowed to restructure and reschedule MSME loans without classifying these as NPLs, if interest and principal are received on a timely basis. The phase-in period for full compliance with prudential regulations—on capital adequacy, NPL provisioning, and large exposures—has been extended by three years to avoid triggering corrective supervisory actions. The CERP intends to partially guarantee new loans to SMEs and severely impacted sectors (see ¶12), and proposes an asset management company (AMC) to absorb banks' troubled assets.

22. The provision of funding to affected groups should be done mostly via public interventions. The emphasis should be on supporting businesses and individuals affected by the pandemic via well-designed public interventions, including via guarantees and publicly-funded loans. The establishment of a state guarantee agency, with the help of the ADB, is still at its infancy and more attention should be placed on operationalization and ensuring the soundness of the underwriting process.

23. The phase-in period for compliance with the CBM's prudential regulations should be aligned with the COVID-19 impact, and asset classification requirements upheld. In staff's view, while extending the compliance period is warranted under the current circumstances, it would likely raise the cleanup costs of NPLs and potential public recapitalization needs. The three-year extension appears excessive and could be shortened in line with the duration of the COVID-19 related economic slowdown. The CBM will closely monitor banks' progressive steps towards full compliance with all prudential regulations and, importantly, uphold the loan classification requirements in place prior to the COVID-19 and preclude the misuse of COVID-19 related restructuring provisions (LOI, ¶8). Banks will be provided incentives to fully comply with prudential regulations ahead of schedule.[5] Banks' loan portfolios should continue to be examined to avert further deterioration of asset quality and solvency positions. The adoption of any mechanisms for NPL clean-up and/or bank recapitalization should be undertaken in a manner consistent with reducing fiscal costs and in consultation with the World Bank and the Fund (see LOI, ¶10).

24. An AMC is only one alternative for restructuring problem portfolios, but potentially large fiscal costs make it less desirable than other options. To protect the public sector balance sheet, asset transfers and their subsequent management would require transparent market-based valuation and specialized expertise and tools, which Myanmar currently does not have. Timely and credible capital restoration plans from banks, and comprehensive asset quality reviews (AQRs) will first be required to assess banks' true condition and ascertain asset valuations. Once such assessments are complete, the comprehensive NPL resolution strategy should be considered.

[5] Banks with an NPL ratio above 5 percent are currently not allowed to distribute profits to shareholders; that provision should remain and potentially be supplemented by removing any existing tax disincentives through the adoption of the new ITL. Specifically, given asset quality problems and very low provisioning levels in the banking sector, the authorities should permit bank provisions to be tax deductible as an incentive for banks to build up adequate provisioning. Such a step, however, should be introduced in line with prudent fiscal considerations.

25. The authorities should closely monitor banks' liquidity situation and advance contingency arrangements to address potential banking sector stress. This will help support liquidity and keep the payment system stable, which is critical to ensure financial stability and support bank intermediation. The authorities should require banks to develop liquidity contingency plans, and set up an ELA to insolvent institutions on a secured basis.

26. The authorities have reaffirmed their commitment to addressing gaps in the AML/CFT framework in response to the Grey Listing by FATF. While the implementation period has been extended by four months due to COVID-19, the authorities have made progress on the time bound remedial Action Plan agreed with the Asia Pacific Group, and have been positively rerated on five technical compliance areas.

MODALITIES OF IMF SUPPORT UNDER THE RCF/RFI

27. Staff views the RCF/RFI as essential. The immediate and sizable balance of payments (BOP) needs caused by the sudden and exogenous shock of the COVID-19 pandemic qualifies Myanmar for emergency financing from the Fund. The RCF/RFI would support the authorities' efforts to contain the outbreak and mitigate the adverse socio-economic costs. An upper credit tranche (UCT) facility is not feasible at present, given the uncertain nature of the shock, and the focus on near-term stabilization relative to medium term policies. IMF support would catalyze additional financing from other multilateral institutions and bilateral creditors, and allow Myanmar to avail of the DSSI. Myanmar has no arrears to external bilateral, multilateral, or private creditors.

28. Staff considers an immediate access of 50 percent of quota under the RCF/RFI to be appropriate. Given the scale of the economic impact owing to the pandemic, access to the RCF/RFI in the amount of 50 percent of quota (SDR 258.4 million or about US$356.51 million) is appropriate at this stage. Of this, 16.67 percent of quota (SDR 86.13 million) would be drawn from PRGT resources and 33.33 percent of quota (SDR 172.27 million) from GRA resources. This would amount to 21.3 percent of Myanmar's external financing gap in FY2019/20. Fund financing is expected to unlock US$900 million in financing from other sources, including the DSSI, in FY2019/20. Staff assess the current access level to IMF resources as appropriate; if financing needs were to increase significantly in the next fiscal year, further assistance from the IMF may be sought.

29. Myanmar's is assessed as having a low risk of debt distress and an adequate capacity to repay the Fund. Myanmar's risks of external debt and overall debt distress continue to be assessed as low. While the overall debt outlook remains positive, rapidly evolving circumstances present several vulnerabilities. Under an alternative adverse scenario, which accounts for the downside risk of a prolonged pandemic that interact with banking sector fragilities, the risk of debt distress would rise to moderate. Staff assesses Myanmar's capacity to repay the Fund as adequate: at its peak, liabilities to the Fund would amount to 0.5 percent of GDP or about 5.6 percent of gross international reserves (Table 7).

30. The purchase and disbursement will be channeled to the CBM to be on-lent to the MOPFI for budget support. The authorities commit to undergoing a safeguards assessment of the CBM, which would need to be completed before Executive Board approval of any subsequent arrangement, and to provide Fund staff with the most recent central bank external audit reports and authorize the external auditors of the CBM to hold discussions with staff. The authorities confirm that a Memorandum of Understanding between CBM and MOPFI related to the uses of the funds and their respective roles and responsibilities for servicing financial obligations to the Fund has been signed.

STAFF APPRAISAL

31. The COVID-19 outbreak presents large human and economic costs for Myanmar. Given weaknesses in the healthcare system, and already low international reserves and heightened financial sector vulnerabilities, additional policy measures are urgently required to contain the spread of the virus and mitigate its economic and social costs, particularly to vulnerable groups. The measures undertaken to contain the spread of the virus, in conjunction with subdued global demand, would result in Myanmar's growth contracting sharply to 1.4 percent in FY2019/20. As a result, the fiscal and current account deficits would widen, resulting in sizable BOP and fiscal financing needs over the next 18 months (about 2.4 percent of GDP in FY2019/20).

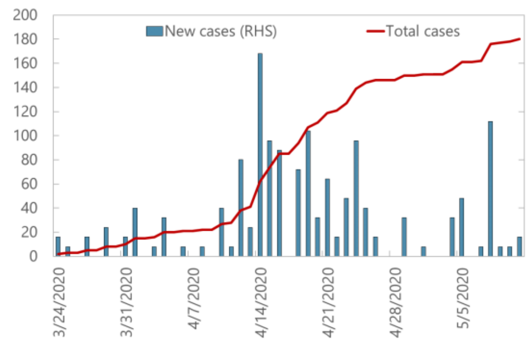
32. Staff supports the authorities' policy intentions as outlined in the LOI. In the near term, efforts should be focused on containing the spread of the virus, directing policies to boosting health and social spending and providing relief to affected sectors, while safeguarding external and financial stability over the medium term. The authorities' commitments on auditing, debt and procurement transparency, as well as consolidated GFS fiscal reporting, together with continued engagement with Fund CD and development partners, should enhance spending efficiency. Over the medium term, efforts should continue to address fragilities in the banking system, raise tax revenues, and strengthen reserve coverage while preparing contingency measures in the event of future stress.

33. Staff supports the authorities' request for a disbursement/purchase under a 1:2 blend of the RCF and RFI of SDR 258.4 million (50 percent of quota). Staff assesses the COVID-19 shock as having a severe impact on Myanmar's economy, creating actual and urgent BOP needs. Direct budget support would enable the government to quickly marshal resources towards the healthcare response and effectively target vulnerable groups. Fund financing would also catalyze additional external financing and allow Myanmar to avail of the DSSI. Despite significant uncertainty around the outlook, Myanmar's debt remains sustainable and its capacity to repay the Fund is adequate under the policies committed by the authorities in the LOI.

Figure 1. Myanmar: Health Sector

Myanmar's COVID-19 case count is relatively low…

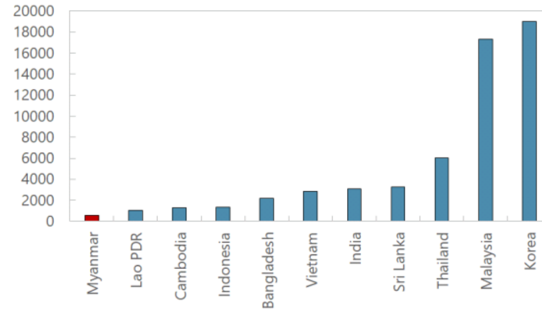
Myanmar: Total and New Cases of COVID-19
(Persons)



Sources: World Health Organization; and CEIC Data Co.

…although testing has been limited.

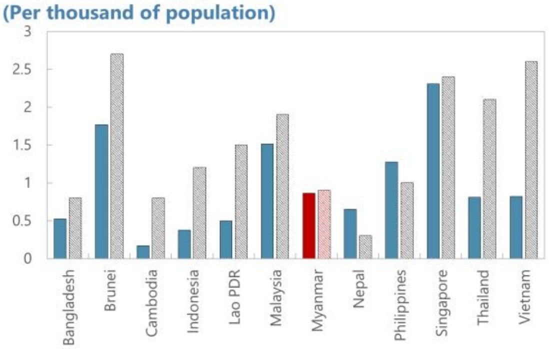
COVID-19: Testing Capacity
(Tests by million population)



Source: Worldometer.
As of June 4, 2020.

Health care provision is inadequate…

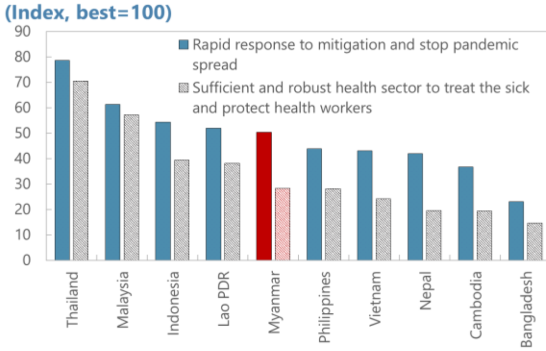
Hospital beds and physicians
(Per thousand of population)



Source: World Bank.

and the health care system preparedness is assessed as low.

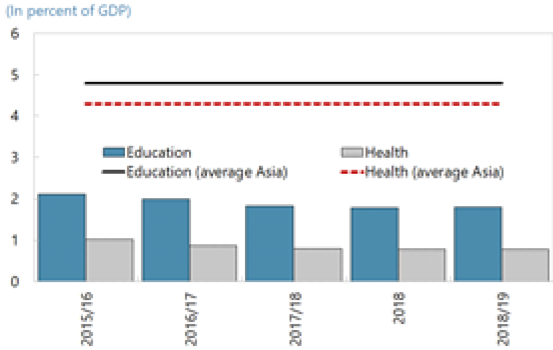
Myanmar: Health System Preparedness
(Index, best=100)



Source: John Hopkins' *Global Health Security Index*.

Health and social spending still lag behind peers…

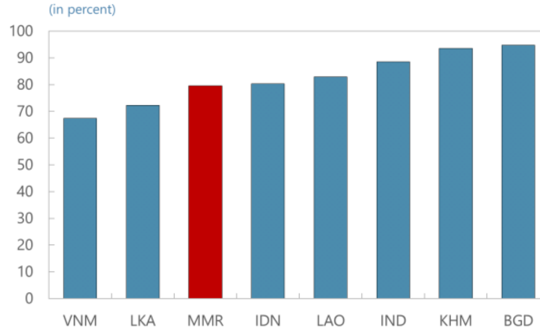
Union Government Spending on Education and Health
(In percent of GDP)



Source: Myanmar authorities.

…as the economy is characterized by a high degree of informality.

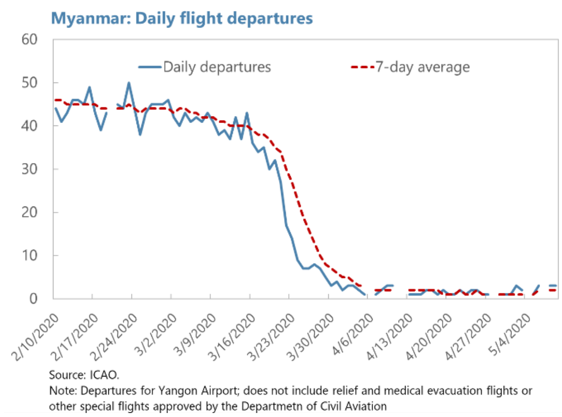
Share of informal employment
(in percent)



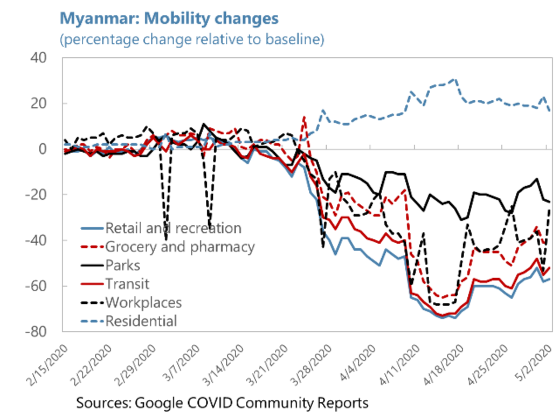
Note: Figures by latest year available: 2019 for IDN, VNM; 2018 for IND, MMR, THA; 2017 FOR BGD, LAO, LKA; 2012 FOR KHM.
Source: ILOSTAT

Figure 2. Myanmar: Macroeconomic Developments

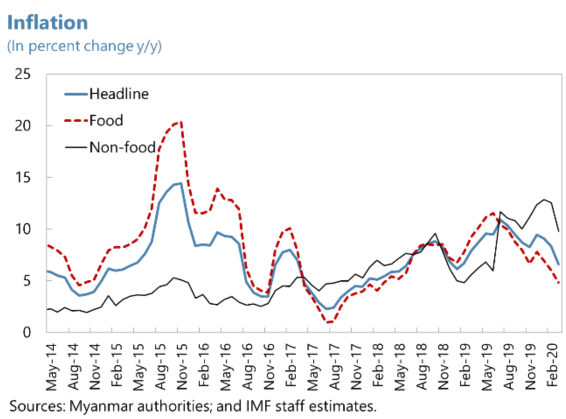
With the outbreak of the pandemic, tourism inflows have come to a halt …



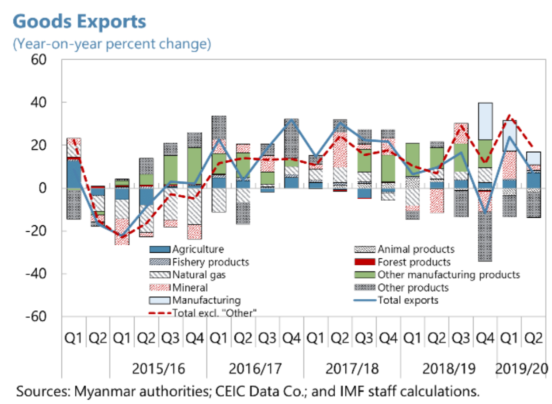
and domestic demand will slow as containment measures set in…



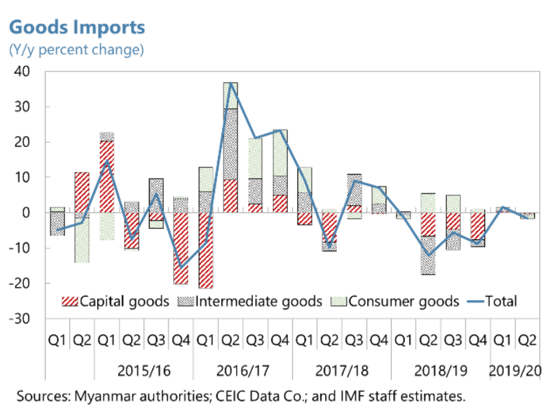
which, along with declining global commodity prices, has led inflation to weaken.



Exports had held up the first half of the fiscal year…



…but there is evidence of broad-based import compression



…as the kyat has appreciated, and reserves have held up.

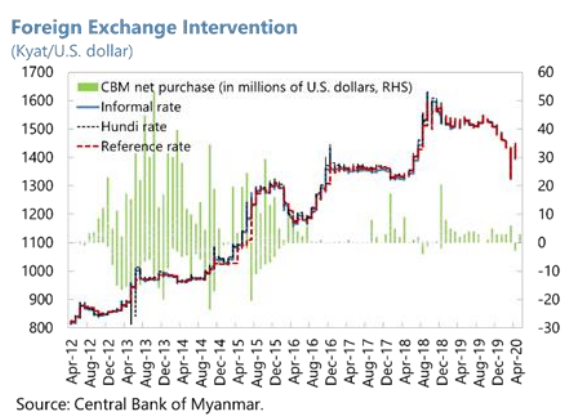
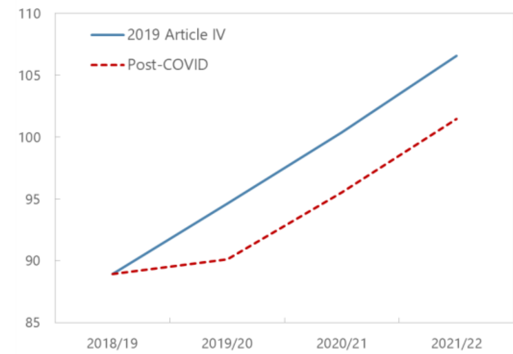


Figure 3. Myanmar: Macrofinancial Impact of COVID-19

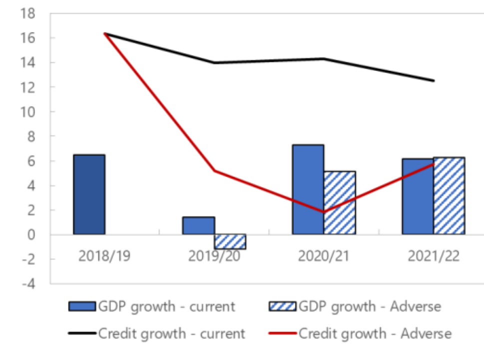
GDP growth is now expected to remain below the pre-COVID-19 baseline over the medium term…

Myanmar GDP
(Constant 2015/16 prices, in billions of kyats)



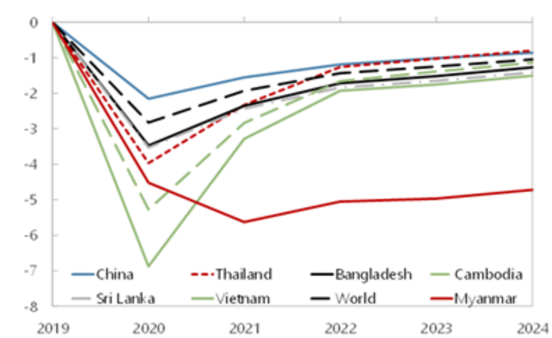
And could fall more sharply in an adverse scenario where banking sector fragilities crystalize.

GDP and Credit Growth: Baseline vs. Adverse Scenario
(In percent, credit growth on RHS)



A prolonged COVID-19 outbreak could affect Myanmar more severely than peers, given vulnerabilities.

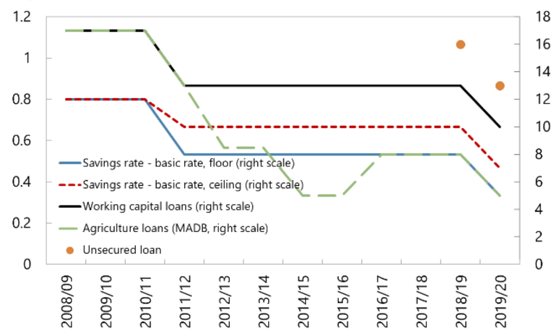
Real GDP in Adverse Scenarios: Myanmar vs April 2020 WEO
(Deviations from April 2020 WEO baseline; in percent)



Sources: IMF's World Economic Outlook; and IMF staff estimates.

Retail rates have declined as the CBM cut the policy rate…

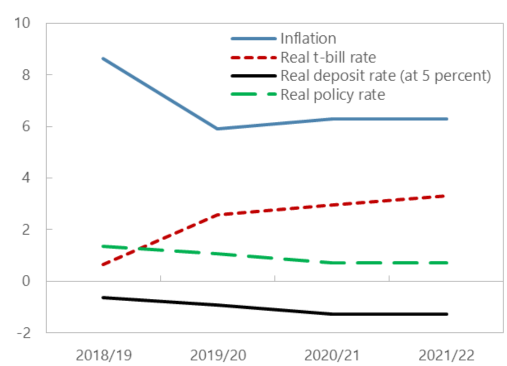
Retail Saving and Lending Interest Rates
(In percent)



Source: Central Bank of Myanmar.

…shifting real deposit and lending rates downward…

Inflation and Real Interest Rates
(in percent)



…while deposits and credit growth have remained somewhat robust.

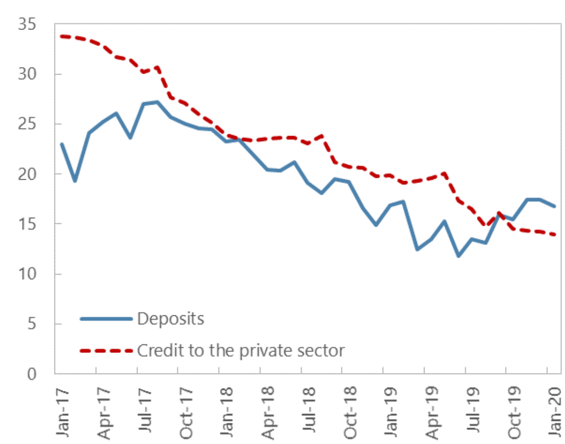
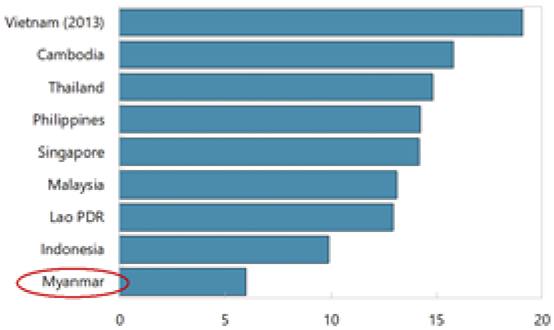


Figure 4. Myanmar: Macro-Fiscal and Monetary Developments

Tax revenue low is relative to peers…

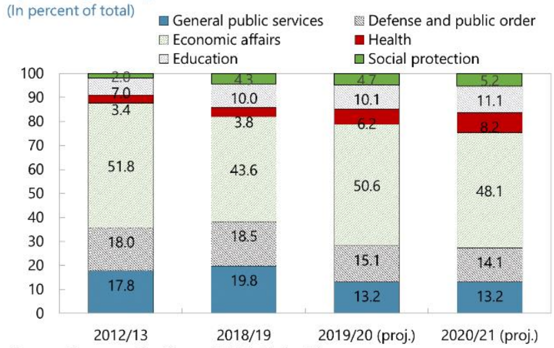
Tax Revenue, 2017
(In percent of GDP)



Sources: World Bank; and IMF staff estimates.

…while social spending has been limited.

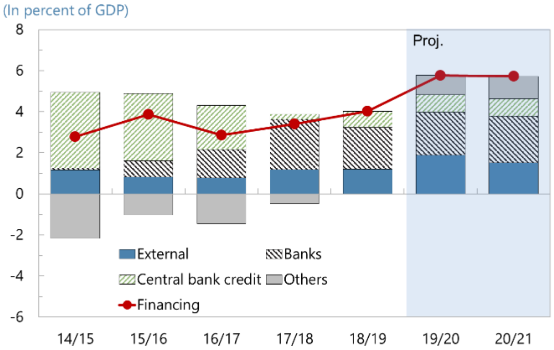
Spending Composition
(In percent of total)



Sources: Myanmar authorities; and IMF staff calculations.
Note: Economic affairs includes infrastructure investment and SOE operations

CBM financing had been declining over the last few years…

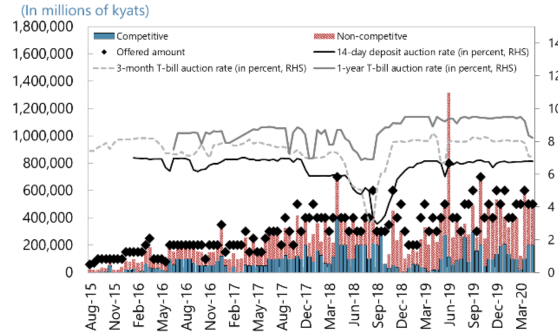
Fiscal Financing
(In percent of GDP)



Sources: Myanmar authorities; and IMF staff estimates.

…with government securities auction volumes gradually increasing, as rates move in line with inflation.

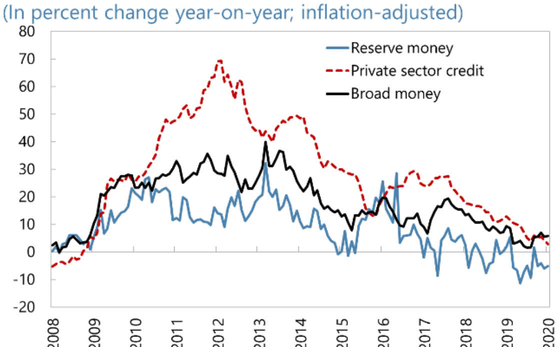
Myanmar: T-bill Auctions (Issued vs. Offer) and Rates
(In millions of kyats)



Sources: CBM/MOPF; and IMF staff estimates.

Monetary aggregates have been declining.

Reserve and Broad Money, and Private Sector Credit
(In percent change year-on-year; inflation-adjusted)

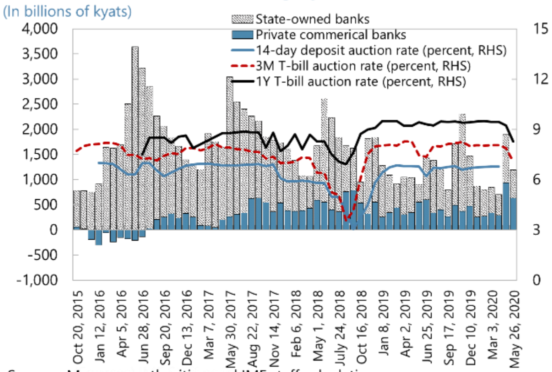


Sources: Myanmar authorities; and IMF staff estimates.

Interbank liquidity has held up thus far.

Excess Reserves in the Banking System and Auction Rates
(in billions of kyats, and percent)

Excess Reserves in the Banking System and Auction Rates
(In billions of kyats)



Sources: Myanmar authorities; and IMF staff calculations.

Table 1. Myanmar: Selected Economic Indicators, 2016/17–2020/21 1/

	2016/17 Est.	2017/18 Est.	2018/19 Proj.	2019/20 Proj.	2020/21 Proj.
Output and prices					
Real GDP [2]	5.8	6.4	6.5	1.4	6.0
CPI (end-period; base year from 2014/15=2012)	3.4	8.6	9.5	4.4	7.2
CPI (period average; base year from 2014/15=2012)	4.6	5.9	8.6	5.9	6.3
Consolidated public sector [3]			(In percent of GDP)		
Total revenue	17.9	17.6	16.0	14.8	14.7
Tax revenue	7.2	7.1	6.6	6.0	6.1
Social contributions	0.1	0.1	0.1	0.1	0.1
Grants	0.4	0.3	0.4	0.4	0.4
Other revenue	10.3	10.1	8.9	8.3	8.1
Total expenditure	20.8	21.0	20.0	20.6	20.5
Expense	14.3	13.9	13.4	14.2	14.1
Net acquisition of nonfinancial assets	6.4	7.1	6.6	6.4	6.3
Gross operating balance	3.6	3.7	2.6	0.7	0.6
Net lending (+)/borrowing (-)	-2.9	-3.4	-4.0	-5.8	-5.8
Total public and publicly guaranteed (PPG) debt	38.4	40.3	38.8	42.7	44.7
Money and credit			(Percent change)		
Reserve money	8.0	4.6	11.3	14.5	13.6
Broad money	21.4	18.6	15.4	14.1	15.1
Domestic credit	22.3	21.4	17.4	15.8	16.0
Private sector	27.4	21.2	16.4	14.4	13.2
Balance of payments [4]			(In percent of GDP)		
Current account balance	-6.8	-4.7	-2.6	-4.0	-4.2
Trade balance	-7.5	-5.2	-3.2	-3.3	-4.1
Financial account	-8.4	-5.9	-4.1	-4.7	-5.3
Foreign direct investment, net [5]	-5.8	-4.8	-3.1	-2.7	-2.9
Overall balance	0.5	0.5	0.3	0.7	1.1
CBM reserves (gross)					
In millions of U.S. dollars	5,141	5,462	5,667	6,840	7,733
In months of prospective GNFS imports	3.2	3.8	4.6	5.0	5.0
As a share of broad money	15.2	15.6	13.8	15.2	15.7
Total PPG external debt (billions of U.S. dollars)	9.1	9.8	10.1	11.5	12.9
Total PPG external debt (percent of GDP)	15.0	16.3	14.8	16.2	16.9
Exchange rates (kyat/$, end of period)					
Official exchange rate	1,360.0	1,560.0	1,533.0	…	…
Parallel rate	1,350.9	1,563.6	1,533.1	…	…
Memorandum items:					
GDP (billions of kyats)	82,700	92,789	105,012	112,999	128,239
GDP (billions of US$)	61.5	67.1	68.5	…	…
GDP per capita (US$)	1,267	1,279	1,242	1,321	1,440

Sources: Data provided by the Myanmar authorities; and IMF staff estimates and projections.

1/ From 2018/19 onwards the fiscal year was changed to an October 1 to September 30 format. This table uses the new fiscal year definition for both historical data and projections.

2/ Real GDP series is rebased to 2015/16 prices by the authorities.

3/ Union and state/region governments and state economic enterprises. Revised to reflect Government Finance Statistics Manual 2014

4/ The balance of payments data has been revised according to the BPM6 methodology.

5/ FDI from 2017/18 onwards reflects improved forex transaction data collection, which has caused a break in the data series.

Table 2. Myanmar: Summary Operations of the Nonfinancial Public Sector, 2015/16–2020/21 1/

(Consolidated accounts, in billions of kyats)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Act.	Est.	Proj.	Proj.	Proj.	Proj.
			(In billions of kyats)			
Revenue	14,520	14,811	16,358	16,785	16,758	18,852
Taxes	5,294	5,913	6,604	6,912	6,794	7,774
On income, profits, and capital gains	1,772	1,888	1,938	2,198	1,921	2,180
On property	33	39	40	67	72	81
On goods and services	2,918	3,431	3,966	4,124	4,238	4,874
On international trade & transactions	474	495	588	464	499	566
Other taxes	98	60	71	59	64	72
Social contributions	63	78	110	130	140	159
Grants	346	332	277	368	452	513
Other revenue	8,817	8,487	9,366	9,375	9,372	10,406
Property income	1,045	1,222	1,735	1,317	1,417	1,608
Sales of goods and services 2/	7,772	7,265	7,631	8,058	7,955	8,797
Expenditure	17,391	17,174	19,512	21,011	23,300	26,283
Expense	11,890	11,846	12,913	14,029	16,012	18,141
Compensation of employees	2,555	3,014	3,598	2,790	3,115	3,535
Purchases/use of goods & services	6,058	6,227	6,579	8,685	9,685	10,734
Interest	967	1,135	1,684	1,588	1,834	2,179
External	214	235	460	235	193	314
Domestic	722	900	1,224	1,353	1,641	1,864
Subsidies and transfers	260	0	64	0	226	256
Social benefits	684	711	784	894	1,075	1,348
Other expense	1,366	759	205	72	78	88
Net acquisition of nonfinancial assets	5,501	5,328	6,599	6,982	7,287	8,142
Balances						
Gross operating balance	2,630	2,965	3,445	2,756	746	711
Net lending/borrowing	-2,871	-2,364	-3,154	-4,226	-6,542	-7,431
Net acquisition of financial assets	663	-203	-13,478	-527	180	131
Domestic	652	-212	-13,482	-536	176	125
Currency and deposits	421	-304	-13,494	-542	66	33
Central Bank	369	0	-327	-674	0	0
Commercial banks	52	-305	-13,168	132	66	33
Loans	125	-59	-41	-7	49	26
Equity	107	152	54	13	62	66
External	11	8	3	9	4	6
Equity	11	8	3	9	71	53
Net incurrence of liabilities	3,534	2,160	-10,324	3,699	6,721	7,562
Domestic	3,454	2,010	-10,758	3,100	3,976	5,186
Securities	2,961	2,000	1,993	3,106	3,976	5,186
Central bank	2,428	1,782	237	798	1,300	1,104
Commercial banks	590	1,132	2,263	2,144	2,676	4,082
Nonbanks	-57	-914	-507	164	…	…
Loans	494	10	-12,751	-6	…	…
External	79	150	434	599	2,746	2,376
Of which: Loans	608	648	1,107	1,264	3,068	2,584
Of which: Exceptional financing (RCF/RFI)	…	…	…	…	577	0
Of which: Exceptional financing (DSSI)	…	…	…	…	520	113

Sources: Data provided by the Myanmar authorities; and IMF staff estimates and projections.

1/ Revised to reflect Government Finance Statistics Manual 2014 classification. From 2018/19 onwards the fiscal year was changed to an October 1 to September 30 format. This table uses the new fiscal year definition for both historical data and projections.

2/ Includes proceeds from SEEs' commercial activities.

Table 3. Myanmar: Summary Operations of the Nonfinancial Public Sector, 2015/16–2020/21 1/

(Consolidated account, in percent of GDP)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Act.	Est.	Proj.	Proj.	Proj.	Proj.
			(In percent of GDP)			
Revenue	19.6	17.9	17.6	16.0	14.8	14.7
Taxes	7.1	7.2	7.1	6.6	6.0	6.1
On income, profits, and capital gains	2.4	2.3	2.1	2.1	1.7	1.7
On goods and services	3.9	4.1	4.3	3.9	3.8	3.8
On international trade & transactions	0.6	0.6	0.6	0.4	0.4	0.4
Other taxes	0.1	0.1	0.1	0.1	0.1	0.1
Social contributions	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.5	0.4	0.3	0.4	0.4	0.4
Other revenue	11.9	10.3	10.1	8.9	8.3	8.1
Property income	1.4	1.5	1.9	1.3	1.3	1.3
Sales of goods and services 2/	10.5	8.8	8.2	7.7	7.0	6.9
Expenditure	23.4	20.8	21.0	20.0	20.6	20.5
Expense	16.0	14.3	13.9	13.4	14.2	14.1
Compensation of employees	3.4	3.6	3.9	2.7	2.8	2.8
Purchases/use of goods & services	8.2	7.5	7.1	8.3	8.6	8.4
Interest	1.3	1.4	1.8	1.5	1.6	1.7
External	0.3	0.3	0.5	0.2	0.2	0.2
Domestic	1.0	1.1	1.3	1.3	1.5	1.5
Subsidies and transfers	0.4	0.0	0.1	0.0	0.2	0.2
Social benefits	0.9	0.9	0.8	0.9	1.0	1.1
Other expense	1.8	0.9	0.2	0.1	0.1	0.1
Net acquisition of nonfinancial assets	7.4	6.4	7.1	6.6	6.4	6.3
Balances						
Gross operating balance	3.5	3.6	3.7	2.6	0.7	0.6
Net lending/borrowing	-3.9	-2.9	-3.4	-4.0	-5.8	-5.8
Net acquisition of financial assets						
Domestic	0.9	-0.3	-14.5	-0.5	0.2	0.1
Currency and deposits	0.6	-0.4	-14.5	-0.5	0.1	0.0
Central Bank	0.5	0.0	-0.4	-0.6	0.0	0.0
Commercial banks	0.1	-0.4	-14.2	0.1	0.1	0.0
Loans	0.2	-0.1	0.0	0.0	0.0	0.0
Equity	0.1	0.2	0.1	0.0	0.1	0.1
External	0.0	0.0	0.0	0.0	0.0	0.0
Equity	0.0	0.0	0.0	0.0	0.1	0.0
Net incurrence of liabilities	4.8	2.6	-11.1	3.5	5.9	5.9
Domestic	4.7	2.4	-11.6	3.0	3.5	4.0
Securities	4.0	2.4	2.1	3.0	3.5	4.0
Central bank	3.3	2.2	0.3	0.8	1.2	0.9
Commercial banks	0.8	1.4	2.4	2.0	2.4	3.2
Nonbanks	-0.1	-1.1	-0.5	0.2	0.0	0.0
Loans	0.7	0.0	-13.7	0.0	0.0	0.0
External	0.1	0.2	0.5	0.6	2.4	1.9
Loans	0.8	0.8	1.2	1.2	2.7	2.0
Of which: Exceptional financing (RCF/RFI)	...	...	...	...	0.5	0.0
Of which: Exceptional financing (DSSI)	...	...	...	...	0.5	0.1
Memorandum items:						
Primary balance	-2.6	-1.5	-1.6	-2.5	-4.2	-4.1
Functional breakdown of public sector expenditure						
Economic affairs	11.0	9.7	9.6	8.8	10.4	9.9
Social services	5.0	4.5	4.9	4.7	5.5	6.2
Of which: education	2.1	2.0	2.0	2.0	2.1	2.3
Of which: health	1.0	0.9	1.0	0.8	1.3	1.7
Defense	4.1	3.7	3.7	3.1	2.6	2.4
Total public and publicly guaranteed (PPG) debt	38.0	38.4	40.3	38.8	42.7	44.7
Of which: held by CBM	16.1	15.8	16.5	14.4	15.0	14.1
Of which: other and external	21.9	22.6	23.8	24.4	27.6	30.6
Total domestic public debt	22.2	23.4	24.0	24.0	26.4	27.8
Total external PPG debt	15.7	15.0	16.3	14.8	16.2	16.9
Of which: Arrears						
GDP (in billions of kyat)	74,216	82,700	92,789	105,012	112,999	128,239
CBM financing (share of reserve money)	17.5	11.6	1.4	4.6	6.7	5.0
CBM financing (share of domestic financing)	70	89	-2	26	33	21

Sources: Data provided by the Myanmar authorities; and IMF staff estimates and projections.

1/ Revised to reflect Government Finance Statistics Manual 2014 classification. From 2018/19 onwards the fiscal year was changed to an October 1 to September 30 format. This table uses the new fiscal year definition for both historical data and projections.

2/ Includes proceeds from SEEs' commercial activities.

Table 4. Myanmar: Balance of Payments, 2016/17–2023/24 1/

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Act.	Est.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.
	(In millions of U.S. dollars)							
Current Account	-4,164	-3,144	-1,776	-2,785	-3,218	-3,453	-3,670	-4,007
(In percent of GDP)	-6.8	-4.7	-2.6	-4.0	-4.2	-4.2	-4.1	-4.1
Trade balance	-4,644	-3,471	-2,219	-2,292	-3,098	-3,326	-3,667	-4,003
(In percent of GDP)	-7.5	-5.2	-3.2	-3.3	-4.1	-4.0	-4.1	-4.1
Balance on goods	-5,817	-4,362	-2,978	-2,395	-2,937	-3,317	-3,910	-4,498
(In percent of GDP)	-9.5	-6.5	-4.3	-3.4	-3.9	-4.0	-4.3	-4.6
Merchandise exports f.o.b.	9,475	11,226	10,463	9,165	10,302	11,728	13,199	14,402
Merchandise imports f.o.b.	15,291	15,587	13,440	11,560	13,239	15,045	17,109	18,900
Balance on services	1,173	890	759	103	-162	-9	243	495
(In percent of GDP)	1.9	1.3	1.1	0.1	-0.2	0.0	0.3	0.5
Exports of services, total	3,730	4,428	4,624	3,195	3,116	3,367	3,721	4,111
Imports of services, total	2,557	3,537	3,865	3,092	3,278	3,376	3,477	3,616
Primary income balance	-1,650	-1,960	-2,042	-2,156	-2,156	-2,275	-2,275	-2,400
(In percent of GDP)	-2.7	-2.9	-3.0	-3.1	-2.8	-2.7	-2.5	-2.4
Receipts	1,168	1,264	1,448	1,492	1,492	1,536	1,536	1,582
Expenditures	2,817	3,224	3,490	3,647	3,647	3,811	3,811	3,983
Secondary income balance	2,129	2,288	2,484	1,662	2,036	2,148	2,272	2,397
(In percent of GDP)	3.5	3.4	3.6	2.4	2.7	2.6	2.5	2.4
Capital and Financial Account	-5,189	-3,952	-2,804	-3,282	-4,046	-3,939	-4,571	-5,269
(In percent of GDP)	-8.4	-5.9	-4.1	-4.7	-5.3	-4.8	-5.1	-5.3
Capital account	1	1	0	0	0	0	0	0
Financial account (+ = net increase / - = net decrease)	-5,190	-3,952	-2,804	-3,282	-4,046	-3,939	-4,571	-5,269
(In percent of GDP)	-8.4	-5.9	-4.1	-4.7	-5.3	-4.8	-5.1	-5.3
Direct investment	-3,563	-3,230	-2,131	-1,865	-2,216	-2,821	-3,479	-4,296
(In percent of GDP)	-5.8	-4.8	-3.1	-2.7	-2.9	-3.4	-3.8	-4.4
Assets	0	0	0	0	0	0	0	0
Liabilities	3,563	3,230	2,131	1,865	2,216	2,821	3,479	4,296
Portfolio investment	5	-2	-30	0	0	0	0	0
(In percent of GDP)	0	0	0	0	0	0	0	0
Assets	36	-2	-30	0	0	0	0	0
Liabilities	31	0	0	0	0	0	0	0
Other investment	-1,631	-721	-642	-1,417	-1,830	-1,118	-1,092	-973
(In percent of GDP)	-2.7	-1.1	-0.9	-2.0	-2.4	-1.3	-1.2	-1.0
Assets	-986	-417	479	0	0	0	0	0
Liabilities	645	304	1,121	1,417	1,830	1,118	1,092	973
Of which: MLT debt disbursements	482	801	825	1,653	1,986	1,554	1,564	1,568
Of which: repayments due	-370	-487	-434	-632	-647	-805	-842	-967
Net errors and omissions	-719	-488	-822	0	0	0	0	0
(In percent of GDP)	-1.2	-0.7	-1.2	0	0	0	0	0
Overall balance with program	307	320	205	496	829	486	902	1,262
(In percent of GDP)	0.5	0.5	0.3	0.7	1.1	0.6	1.0	1.3
Financing	-307	-320	-205	-496	-829	-486	-902	-1,262
Change in Reserves (+ accumulation)	307	320	205	1,174	893	484	869	1,140
IMF disbursement (US$ million)[2]	…	…	…	357	…	…	…	…
IMF Repayments	…	…	…	-1	-3	-3	-33	-122
DSSI (US$ millions)[3]	…	…	…	322	67	…	…	…
Memorandum items:								
GDP (in millions of U.S. dollars)	61,504	67,145	68,538	…	…	…	…	…
Level of gross reserves (end of period)	5,141	5,462	5,667	6,840	7,733	8,217	9,086	10,226
Reserves (months of imports of G&S)	3.2	3.8	4.6	5.0	5.0	4.8	4.8	5.0
Reserves (in percent of broad money)	15.2	15.6	13.8	15.2	15.7	15.2	15.3	15.8
Total financing gap (US$ millions)	…	…	…	1,676	794	…	…	…

Source: Data provided by the authorities; and IMF staff estimates.

1/ Revised according to the BPM6 methodology. From 2018/19 onwards the fiscal year was changed to an October 1 to September 30 format. This table uses the new fiscal year definition for both historical data and projections.

2/ Accessed under the RCF/RFI at 50 percent of quota (SDR 258.4 million or about US$356 million).

3/ Debt service suspension under the Debt Service Suspension Initiative (DSSI), supported by the G-20 and Paris Club has been requested. Given the duration of the initiative, it is estimated to create savings in external debt service in FY2019/20 and FY2020/21 respectively.

Table 5. Myanmar: Monetary Survey, 2016/17–2023/24 1/ 2/

(In billions of kyat at end-period, unless otherwise indicated)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Act.	Act.	Act.	Proj.	Proj.	Proj.	Proj.	Proj.
Central Bank of Myanmar								
Net foreign assets	6,519	8,010	8,113	8,721	9,583	10,042	10,996	12,511
Foreign assets	6,999	8,544	8,659	9,834	10,728	11,213	12,083	13,224
Foreign liabilities	480	534	546	1,113	1,145	1,171	1,087	713
Net domestic assets	10,043	9,317	11,178	13,362	15,497	18,264	20,701	22,529
Net domestic credit	13,346	14,066	15,853	18,220	20,621	23,591	26,231	28,270
Net claims on central government	13,099	13,662	15,134	17,000	18,104	18,852	19,076	18,846
Net claims on deposit money banks	247	404	719	1,220	2,517	4,739	7,155	9,424
Other items net	-3,303	-4,749	-4,675	-4,859	-5,124	-5,328	-5,530	-5,742
Reserve Money	16,562	17,327	19,291	22,083	25,080	28,306	31,697	35,040
Currency in circulation	12,227	13,652	15,491	17,733	20,140	22,730	25,453	28,138
ODC liabilities	4,335	3,675	3,800	4,350	4,940	5,576	6,244	6,902
Transferrable deposits	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Monetary survey								
Net foreign assets	8,908	10,841	11,353	12,169	13,539	14,488	16,087	18,218
Foreign assets	12,737	14,702	15,351	17,333	18,900	20,883	22,599	25,637
Foreign liabilities	3,829	3,861	3,999	5,164	5,361	6,394	6,512	7,419
Net domestic assets	37,030	43,640	51,531	59,575	69,029	80,208	91,642	103,441
Net domestic credit	36,324	44,081	51,761	59,914	69,487	80,784	92,240	104,062
Net claims on government	15,730	19,115	22,711	26,687	31,873	38,331	45,100	52,718
CBM	13,099	13,662	15,134	17,000	18,104	18,852	19,076	18,846
Deposit money banks	2,631	5,453	7,578	9,687	13,769	19,478	26,024	33,872
Net credit to the economy	20,594	24,966	29,050	33,227	37,614	42,453	47,140	51,344
Other items net	706	-441	-230	-339	-458	-576	-598	-621
Broad money	45,938	54,480	62,883	71,744	82,569	94,696	107,729	121,659
Narrow money	14,641	17,192	19,608.7	22,371.7	25,747.2	29,528.8	33,592.9	37,936.7
Currency in circulation	9,973	11,504	13,063.4	14,904.1	17,152.8	19,672.2	22,379.6	25,273.5
Transferrable Deposits	4,668	5,688	6,545.4	7,467.6	8,594.4	9,856.7	11,213.2	12,663.2
Other deposits	31,297	37,288	43,275	49,372	56,822	65,167	74,136	83,723
Memorandum items:								
Money multiplier	2.8	3.1	3.3	3.2	3.3	3.3	3.4	3.5
Velocity	1.8	1.7	1.7	1.6	1.6	1.5	1.5	1.5
Reserve money (y/y percent change)	8.0	4.6	11.3	14.5	13.6	12.9	12.0	10.5
Broad money (y/y percent change)	21.4	18.6	15.4	14.1	15.1	14.7	13.8	12.9
Credit to private sector (y/y percent change)	27.6	21.1	16.1	14.9	13.2	12.9	11.0	8.9
Net credit to central govt. (y/y percent change)	15.6	21.5	18.8	17.5	19.4	20.3	17.7	16.9
Credit growth (y/y percent change)	22.3	21.4	17.4	15.8	16.0	16.3	14.2	12.8
Deposits (y/y percent change)	25.7	19.5	15.9	14.1	15.1	14.7	13.8	12.9
Reserve money (in percent of GDP)	20.0	18.7	18.4	19.5	19.6	19.4	19.2	18.7
Broad money (in percent of GDP)	55.5	58.7	59.9	63.5	64.4	65.0	65.3	65.0
Credit to private sector (in percent of GDP)	24.9	26.9	27.7	29.4	29.3	29.1	28.6	27.5
Credit to central government (in percent of GDP)	19.0	20.6	21.6	23.6	24.9	26.3	27.3	28.2
Deposits (in percent of GDP)	43.5	46.3	47.4	50.3	51.0	51.5	51.7	51.5
Credit to economy/deposits (in percent)	57.3	58.1	58.3	…	…	…	…	…
Nominal GDP (in billions of kyat)	82,700	92,789	105,012	112,999	128,239	145,709	165,018	187,036

Sources: Central Bank of Myanmar; and IMF staff estimates and projections.

1/ From 2018/19 onwards the fiscal year was changed to an October 1 to September 30 format. This table uses the new fiscal year definition for both historical data and projections.

2/ From 2012/13, foreign assets and liabilites are valued at the reference rate (before: at official exchange rate).

Table 6. Myanmar: Medium-Term Projections 2016/17–2024/25 1/

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Output and prices					(Percent change)				
Real GDP (staff working estimates) 2/	5.8	6.4	6.5	1.4	6.0	6.2	6.3	6.4	6.5
CPI (end-period; base year=2012)	3.4	8.6	9.5	4.4	7.2	6.2	6.1	6.1	6.1
CPI (period average; base year=2012)	4.6	5.9	8.6	5.9	6.3	6.3	6.1	6.1	6.1
Consolidated public sector 3/					(In percent of GDP)				
Total revenue	17.9	17.6	16.0	14.8	14.7	15.2	16.0	16.3	16.6
Tax revenue	7.2	7.1	6.6	6.0	6.1	6.6	7.0	7.3	7.6
Social contributions	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Other revenue	10.3	10.1	8.9	8.3	8.1	8.1	8.5	8.5	8.5
Total expenditure	20.8	21.0	20.0	20.6	20.5	20.5	20.9	20.9	20.8
Expense	14.3	13.9	13.4	14.2	14.1	13.9	14.2	14.3	14.1
Net acquisition of nonfinancial assets	6.4	7.1	6.6	6.4	6.3	6.5	6.6	6.6	6.7
Gross operating balance	3.6	3.7	2.6	0.7	0.6	1.3	1.8	2.0	2.5
Net lending (+)/borrowing (-)	-2.9	-3.4	-4.0	-5.8	-5.8	-5.3	-4.9	-4.6	-4.2
Total public and publicly guaranteed (PPG) debt	38.4	40.3	38.8	42.7	44.7	46.1	47.4	48.6	49.4
Money and credit					(Percent change)				
Reserve money	8.0	4.6	11.3	14.5	13.6	12.9	12.0	10.5	9.5
Broad money	21.4	18.6	15.4	14.1	15.1	14.7	13.8	12.9	11.1
Domestic credit	22.3	21.4	17.4	15.8	16.0	16.3	14.2	12.8	11.5
Private sector	27.4	21.2	16.4	14.4	13.2	12.9	11.0	8.9	8.5
Balance of payments 4/					(In percent of GDP, unless otherwise indicated)				
Current account balance	-6.8	-4.7	-2.6	-4.0	-4.2	-4.2	-4.1	-4.1	-4.1
Trade balance	-7.5	-5.2	-3.2	-3.3	-4.1	-4.0	-4.1	-4.1	-4.2
Exports	15.4	16.7	15.3	13.1	13.6	14.1	14.6	14.6	14.6
Gas exports	5.1	5.2	6.1	3.0	2.8	2.8	3.5	3.2	2.7
Imports	24.9	23.2	19.6	16.5	17.4	18.1	18.9	19.2	19.4
Financial account	-8.4	-5.9	-4.1	-4.7	-5.3	-4.8	-5.1	-5.3	-5.2
Foreign direct investment, net 5/	-5.8	-4.8	-3.1	-2.7	-2.9	-3.4	-3.8	-4.4	-4.5
Overall balance	0.5	0.5	0.3	0.7	1.1	0.6	1.0	1.3	1.1
CBM reserves (gross)									
In millions of U.S. dollars	5,141	5,462	5,667	6,840	7,733	8,217	9,086	10,226	11,326
In months of total imports	3.2	3.8	4.6	5.0	5.0	4.8	4.8	5.0	5.0
External debt									
Total external PPG debt (billions of U.S. dollars)	9.1	9.8	10.1	11.5	12.9	13.6	14.3	14.9	15.7
(In percent of GDP)	15.0	16.3	14.8	16.2	16.9	16.3	15.7	15.0	14.4
Exchange rates (kyat/$, end of period)									
Official exchange rate	1,360	1,560	1,533	…	…	…	…	…	…
Parallel rate	1,350	1,563	1,533	…	…	…	…	…	…
Memorandum items:									
GDP (billions of kyats)	82,700	92,789	105,012	112,999	128,239	145,709	165,018	187,036	212,268
GDP (billions of US$)	61.5	67.1	68.5	…	…	…	…	…	…
GDP per capita (US$)	1,267	1,279	1,242	1,321	1,440	1,593	1,718	1,807	1,901

Sources: Data provided by the Myanmar authorities; and IMF staff estimates and projections.

1/ From 2018/19 onwards the fiscal year was changed to an October 1 to September 30 format. This table uses the new fiscal year definition for both historical data and projections.

2/ Real GDP series is rebased to 2015/16 prices by the authorities.

3/ Union and state/region governments and state economic enterprises. Revised to reflect Government Finance Statistics Manual 2014 classification.

4/ The balance of payments data has been revised according to the BPM6 methodology.

5/ FDI from 2017/18 onwards reflects improved forex transaction data collection, which has caused a break in the data series.

Table 7. Myanmar: Indicators of Capacity to Repay the Fund

(in millions of SDRs, unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Repayment based on prospective credit											
(In millions of SDRs)											
Total Principal	**0.0**	**0.0**	**0.0**	**21.5**	**86.1**	**64.6**	**17.2**	**17.2**	**17.2**	**17.2**	**17.2**
Of which: Rapid Credit Facility	0.0	0.0	0.0	0.0	0.0	0.0	17.2	17.2	17.2	17.2	17.2
Of which: Emergency Assistance	0.0	0.0	0.0	21.5	86.1	64.6	0.0	0.0	0.0	0.0	0.0
Total Charges and interest	**1.0**	**1.8**	**1.8**	**1.8**	**1.4**	**0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Of which: Rapid Credit Facility	0.2	1.8	1.8	1.8	1.4	0.5	0.0	0.0	0.0	0.0	0.0
Of which: Emergency Assistance	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Principal and Charges and interest											
In percent of government revenue	0.0	0.0	0.0	0.2	0.5	0.4	0.1	0.1	0.1	0.1	0.1
In percent of exports of goods and services	0.0	0.0	0.0	0.1	0.5	0.3	0.1	0.1	0.1	0.1	0.1
In percent of GDP	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Total Outstanding Fund obligations based on existing and prospective credit											
In millions of SDRs	258.4	258.4	258.4	236.9	150.7	86.1	68.9	51.7	34.4	17.2	0.0
In millions of U.S. dollar	356.9	358.5	359.8	330.7	211.0	121.0	96.8	72.6	48.4	24.2	0.0
In percent of government revenue	3.4	3.2	2.9	2.3	1.3	0.7	0.5	0.3	0.2	0.1	0.0
In percent of exports of goods and services	2.9	2.7	2.4	2.0	1.1	0.6	0.4	0.3	0.2	0.1	0.0
In percent of GDP	0.5	0.5	0.4	0.4	0.2	0.1	0.1	0.1	0.0	0.0	0.0
In percent of IMF quota	50.0	50.0	50.0	45.8	29.2	16.7	13.3	10.0	6.7	3.3	0.0
Memorandum items:											
Exports of goods and services (in millions of US$)	12,360.2	13,418.3	15,095.3	16,920.0	18,513.0	20,235.4	22,084.4	24,163.7	26,436.5	30,218.6	33,192.5
Government revenue (in millions of US$)	10,372.3	11,155.8	12,601.3	14,463.9	16,077.3	17,888.0	19,889.4	22,019.6	24,509.1	26,806.5	29,619.2
Gross international reserves (in millions of US$)	6,840.4	7,733.4	8,217.0	9,086.0	10,225.9	11,326.4	12,563.9	13,807.3	15,330.1	16,789.2	18,197.9
IMF quota (in millions of SDR)	516.8	516.8	516.8	516.8	516.8	516.8	516.8	516.8	516.8	516.8	516.8

Source: IMF staff estimates and projections based on an October to September fiscal year.

Annex I. Risk Assessment Matrix 1/

	Shocks and Likelihood *(Red= high likelihood; green = low likelihood)*	Potential Impact *(Red= high; green=low)*	Policy Response
	Prolonged Covid-19 outbreak	A prolonged outbreak, including from large numbers of returning migrant workers, could accelerate the spread of the outbreak. Weaker export, tourism, remittances and FDI flows. Weakened domestic demand due to containment measures.	In the near term, efforts should be focused in boosting health and social spending, targeted toward the most vulberable groups, while mitigating against the economic costs of the pandemic. Tap external concessional borrowing to preserve external and fiscal buffers. Accelerate banking sector contingency plans.
	Macro-financial spillovers in the event of banking sector distress and delayed recapitalization.	Fears of bank fragility could lead to bank runs/collateral fire sales; Likely credit crunch, if weak banks cut back on lending while adjusting to new regulations; Contingent fiscal liabilities related to recapitalization and/or possible liquidity support; Pressure for further exchange rate depreciation and FX reserve depletion.	Implement contingency plans and encourage timely recapitalization; Move down the resolution ladder for non systemic banks; Continue to strengthen financial regulations and supervision to ensure financial stability and deepening while improving credit risk management of banks; Strengthen macroeconomic policy frameworks to increase responsiveness to shocks. A flexible market-determined rate will help limit reserve losses and incentive to convert to FX, but an external financing backstop would also be important to anchor expectations and respond to disorderly market conditions. Under a deeper systemic crisis a tighter macro policy stance alongside a resort to partial deposit freezes or guarantees may be needed.
	Slow progress in resolving the Rakhine state humanitarian crisis.	FDI and external financing could be strained. The risk of broader economic sanctions including potential loss of trade preferences. Delays overall economic reforms.	If development partner financial assistance is disrupted, rationalize public expenditures while preserving humanitarian spending and social sector spending; Resist monetization of fiscal deficit; Allow the exchange rate to adjust to any external financing shortfalls and actively build up reserves where circumstances allow.
	Increased monetary financing of fiscal deficit if there is shortfall in financing.	Sharp and persistent increases in monetary financing could put pressures on inflation, lead to a loss of monetary control, and reduce credibility in the monetary regime.	Tap external concessional borrowing, followed by gradually increased issuance of Treasury bills and bonds domestically with due regard to crowding out risks. Consider reallocating nonessential expenditure to preserve social spending until financing is secured.
	Slippages in implementing needed reforms from limited institutional capacity.	The public sector is unable to cope with speed of reform, leading to slippages; Growth effects compounded by weaker business confidence. A listing of Myanmar by the Financial Action Task Force (FATF) could create financial stability risks.	Well-tailored TA programs that focus on staff training to raise institutional capacity; Coordinate TA programs with international donors and streamline and adjust the scope of the programs, if necessary; Further promote operational autonomy of the CBM.
External	More protectionism.	Weaker export growth and lower investor confidence, which could significantly reduce GDP growth and contribute to kyat depreciation.	Allow greater exchange rate flexibility to absorb external shocks; Continue with structural reforms to diversify exports and trading partners; Improve business environment to attract more FDI from other sources.
External	Oversupply in energy markets.	Low energy prices and high price volatility could affect gas revenues (X percent of government revenues, Y of exports); this could be somewhat offset by the fuel import bill (28 percent of imports)	Allow greater exchange rate flexibility to absorb external shocks. Continue with revenue mobilization efforts.
External	Higher frequency and severity of natural disasters	It is estimated that natural disasters in Myanmar have generated a direct economic loss of 1.82 percent of GDP every year (2006–15) on average. In addition human costs, natural disasters effect debt sustainability through damaging long-term growth and increasing borrowing for reconstruction needs from damage to infrastructure and capital.[1]	Identify and explicitly integrate risks into fiscal frameworks and budget planning; Build policy and financial buffers to enhance resilience to shocks; Enhance preparedness and invest in infrastructure that can better cope with natural hazards.
1/ Myanmar Selected Issues 2018; IMF Country Report No. 18/91.			

Source: IMF staff.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Appendix I. Letter of Intent

June 12, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva:

The novel coronavirus COVID-19 global pandemic has impacted the Myanmar economy and its people. Our economy is being affected through a sharp decline in tourist arrivals and remittances and supply chain disruptions, which have resulted in layoffs and factory shutdowns. Demand for our exports will remain weak, as Europe and other Asian economies that have been deeply affected will recover only gradually. On the domestic front, we have taken measures to contain the spread of the virus. Nevertheless, we anticipate that the disruptions will hit hard households and businesses, including in the agriculture sector, which comprises a fifth of our economy and over half of employment. We also face the impact of the sharp decline in gas prices on our government revenues and exports. Altogether, GDP growth in FY2019/20 is uncertain and could fall significantly, with a slow recovery thereafter. The outlook is subject to sizable downside risks, depending on the duration and severity of the pandemic.

Due to the sudden COVID-19 pandemic, we are experiencing an urgent balance of payments (BOP) and fiscal financing needs over the next 18 months. Exports, particularly of our garments sector (cut, make, pack) (28 percent of exports) and gas (23 percent of exports), are expected to decline sharply, due to supply chain disruptions and weak external demand on one hand, and low international gas prices on the other. Imports of medical goods and equipment will rise as we mobilize to strengthen our healthcare provisions. Tourism has come to a standstill with no clarity on its normalization, and remittance flows are expected to fall (by 10 percent) as overseas workers abroad face uncertain prospects. Altogether, our current account deficit will widen significantly. On the financing side, FDI investment will slow as projects are delayed. Accordingly, we expect a BOP financing gap of US$2–3 billion over FY2019/20 and FY2020/21.

We also expect a deterioration in our fiscal position. Prior to the outbreak we were undertaking reforms to modernize our tax system and improve public financial management (PFM) to support the goals of the Myanmar Sustainable Development Plan (MSDP), while preserving debt sustainability. We were also expanding our still nascent government securities market. However, with the COVID-19 pandemic, we expect a shortfall in revenues as households and firms are hit by the growth slowdown, and gas revenues decline due to the global energy price shock. At the same time, we will need to urgently increase spending to support our intended policy measures, including on social spending targeted to the most vulnerable groups. This will widen the fiscal deficit by about 2 percentage points of GDP over the next 2 years, and we will face a financing gap of US$2–3 billion over FY2019/20 and FY2020/21.

External financing will be critical to meeting these financing needs. We cannot expect domestic banks to finance a much larger amount of the budget deficit than last year, as we are careful not to crowd out credit which is needed to support the economy. We would also like to guard against the risks of excessive monetization, and preserve the progress made over the last few years. Thus, we aim to limit central bank financing to about MMK 1.3 trillion in FY 2019/20 consistent with our broader monetary targets, and continue to gradually phase out monetary financing thereafter as the economy begins to recover. In light of these considerations, IMF RCF/RFI financing would help finance part of the temporary increased budget and current account deficit, while catalyzing support from other multilateral and bilateral creditors and reducing the risk of inflationary and external pressures monetization may bring.

Our priority is to urgently increase fiscal spending to boost health and social spending, and help mitigate against the economic effects of the pandemic, particularly to affected groups in all regions. Furthermore, we aim to support priority sectors and vulnerable households and SMEs with limited cash flows that are susceptible to a fall in demand and a credit squeeze in this uncertain economic environment. To this end, on April 27, the Ministry of Planning, Finance and Industry (MOPFI) announced the COVID-19 Economic Relief Plan (CERP), comprising key measures to alleviate the economic impact of the pandemic as well as set the foundations for a quick and robust recovery:

- A Supplementary Budget for FY2019/20 and directive reallocates up to 10 percent of 2019/20 Budget Estimate (except of loans and grants) to COVID-related spending within line ministries' and the COVID-19 Contingency Fund;
- The immediate waiver of specific goods tax, customs duty and commercial tax on critical medical supplies and products related to the prevention, control and treatment of COVID-19;
- Income and commercial tax payments due in the second and third quarters of FY2019/20 have been made extendable to end of the fiscal year, and an exemption for the 2 percent advance income tax on exports to the end of the fiscal year has been announced;
- Low interest loans of up to MMK 500 billion is being channeled to the private sector through the state-owned Myanmar Economic Bank, and a credit guarantee scheme for loans extended to SMEs and high growth sectors, contingent on retaining employment, is being established;
- Electricity bills for up to150 units free per months for month of April and May and up to 75 units free for June; and
- Establish cash and/or in-kind transfer programs for affected and vulnerable households covering all possible regions of the country as practically as possible by various means that include mobile payments, with the first phase based on the food ration database and next benefiting from new targeting approaches.

Additional measures include exemption of license renewal fees in the tourism sector, reduced customs duties for COVID-19 Medical Supplies operating with the Myanmar Automated Cargo Clearance System and Manual Processes, providing 40 percent of the social security fees for about

1.3 million insured workers from factories and workshops that had to temporarily suspended for health inspections; and strengthening the National Food Reserve by MMK 38 billion.

At the same time the Central Bank of Myanmar (CBM) is working to ease financial conditions to provide credit to support the economy. The measures implemented thus far include reducing the bank policy rate by a cumulative 300 basis points; a temporary reduction in banks' statutory reserve requirement ratio from 5 percent to 3.5 percent until September 2020; a temporary change in weights of longer-term government securities in the liquidity ratio; and ceasing deposit auctions to encourage liquidity in the interbank market. The kyat has been allowed to adjust with limited intervention, in line with the FX intervention rule to build adequate FX reserves. We plan to clarify the framework for credit auctions, the discount window, and emergency liquidity assistance. We will continue to upgrade the monetary policy framework, including the introduction of interest on excess reserves, with technical assistance from the IMF.

Before the COVID-19 outbreak, we had been making progress in the conversion of overdrafts to term loans and increasing capitalization by most banks.. We have extended the phase in period for full compliance with 2017 prudential regulations—including on capital adequacy requirement, full provisioning of NPLs, and meeting large exposure limits—by three years to end-August 2023. While banks have a three-year period to become fully compliant, the CBM will benchmark performance against those standards (including those for Loan classification) to measure the compliance gap and prevent any backsliding from what has been already achieved in terms of compliance. In addition, banks will be given incentives to comply fully with the prudential regulations in a shorter time span and those banks with high NPLs will not be allowed to make dividend payments to shareholders. Banks will be allowed to restructure or reschedule loans and assets impaired by the consequences of COVID-19 and be asked to separate those COVID-19 impaired loans from other loans in order to be given a different treatment.

As we undertake these policies in response to the pandemic and to stabilize the economy in the near term, we recognize this could be an opportunity to set the foundations for a robust recovery that can help us achieve the goals of the MSDP, while ensuring that debt sustainability is preserved, and fiscal risks are carefully managed and reported. We must put in place robust debt management strategies and sound risk management practices in order to protect the financial condition of our government. We intend to continue with reforms, benefitting from capacity development and technical assistance provided by the IMF and other development partners, on strengthening tax administration, enacting the draft income tax law and rationalizing the tax code, and moving to the next phase of PFM reforms. We are also committed to continue developing the government securities market, improve cash management and coordination between the Treasury and CBM, reducing reliance on monetary financing, and further liberalizing interest rates and strengthening the monetary transmission mechanism.

We will ensure that banks continue reporting their loan portfolios according to loan classification requirements in place prior to the COVID-19 to facilitate the assessment of asset quality and government interventions to support credit provision. Credit guarantee schemes to SMEs not exceeding MMK 1 million will be transparently provided through a new government guarantee agency with the support of the Asian Development Bank (ADB) and with due regard to bank credit risk management practices and reporting. At the same time, we are committed to accelerating the preparation of contingency plans to better manage banking sector stress, should it materialize. Any decision and mechanisms to absorb NPLs and/or recapitalize banks will be undertaken in a manner consistent with reducing fiscal costs and in consultation with the World Bank and the Fund. Regarding Anti Money Laundering and Combatting the Financing of Terrorism, we will continue to work with the Asia Pacific Group on the agreed time bound remedial Action Plan to remove Myanmar from its enhanced monitoring list.

Against this background, the Union Government of Myanmar requests emergency financing from the IMF in the equivalent of SDR 258.4 million, equivalent to 50 percent of quota, with a 1:2 blending ratio, under the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) with 16.67 percent of quota, SDR 86.13 million, from PRGT resources and 33.33 percent of quota, SDR 172.27 million, from GRA resources. The IMF assistance, to be used as budget support, will help us meet the urgent BOP needs from lost exports, remittances, tourism income, and investment flows as a result of the COVID-19 pandemic and mitigate the near-term pressure on balance of payments and on the budget. The IMF's assistance is also expected to catalyze additional financial assistance in the form of concessional loans from the World Bank, the ADB, and bilateral partners to meet current and future needs. We intend to request additional RCF/RFI financing up to 100 percent of quota (SDR 516.8 million or about US$700 million) to fill in the potential external financing gap in FY2019/20 and FY2020/21 as the impact of the pandemic and financing needs becomes clearer.

We also intend to avail of the Debt Service Suspension Initiative (DSSI), supported by the G-20 and Paris Club. We commit to spend the freed resources on health and economic relief spending identified in the CERP and monitor and report such expenditures. We will continue to publish quarterly consolidated GFS reports including a breakdown of health and social spending. We will also publish quarterly budget monitoring reports identifying CERP-related spending, with a lag of no more than three months at the end of each quarter. We will disclose all government and government guaranteed debt contracted by the consolidated public sector to the IMF and World Bank Group and will continue to submit to Parliament and publish online the Annual Debt Report in accordance with the Public Debt Management Law. We also commit to contract no new non-concessional debt during the suspension period, other than agreements under this initiative or in compliance with limits agreed under the IMF Debt Limit Policy (DLP) or WBG policy on non-concessional borrowing.

The MOPFI and CBM have finalized a Memorandum of Understanding on their respective roles and responsibilities for servicing financial obligations to the IMF. Myanmar commits to undergo a safeguard assessment, provide IMF staff with access to CBM's most recently completed external audit reports, and authorize its external auditors to hold discussions with IMF staff. In addition to our continuous efforts to strengthen the effectiveness of the anti-corruption and governance frameworks, we are committed to ensuring that crisis resources are used transparently and effectively. Toward that end, we will publish on the MOPFI website (i) quarterly reports on all COVID-19 related expenditure; (ii) the results of a targeted audit of COVID-19 related expenditures by the Office of the Auditor General for Myanmar (OAGM) within 6 months of the end of the fiscal year; (iii) information on procurement contracts on COVID-19 related expenditure within 3 months of being signed above Kyat 100 million, including the names of the companies awarded and their beneficial owners, the specific nature of the goods or services procured, price per unit, and the overall contract amount; and, (iv) reports of ex post validation of delivery related to (iii). The ADB will also assist us in publishing CERP progress reports.

CBM affirms that it will support the recovery efforts by maintaining an accommodative monetary stance while safeguarding domestic and external stability, with periodic reviews of its monetary stance. In its capacity as the counterparty for IMF lending to Myanmar, the resources provided under the RCF/RFI will be lent to the MOPFI. Furthermore, on June 9, 2020, we notified the Fund of our acceptance of the obligations under Article VIII sections 2, 3, and 4 of the Fund's Articles of Agreement. The Union Government does not intend to introduce measures or policies that would exacerbate balance of payments difficulties, including not to introduce exchange and trade restrictions that would compound these difficulties.

We authorize the IMF to publish this Letter of Intent and the staff report for the request for disbursement under the RCF/RFI.

Sincerely yours,

/s/	/s/
Soe Win Union Minister of Planning, Finance, and Industry	Kyaw Kyaw Maung Governor, Central Bank of Myanmar

MYANMAR

June 16, 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND PURCHASE UNDER THE RAPID FINANCING INSTRUMENT—DEBT SUSTAINABILITY ANALYSIS[1]

Approved By
Kenneth H. Kang and Bjoern Rother (IMF) and Marcello Estevão (IDA)

Prepared by the staffs of the International Monetary Fund and the International Development Association

Risk of external debt distress:	Low[2]
Overall risk of debt distress:	Low
Granularity in the risk rating	Not applicable
Application of judgement:	No
Macroeconomic projections	The main changes in the current macroeconomic assumptions, compared with those in the 2019 DSA, stem from the estimated impact of COVID-19 (see text table for detailed comparison). Assuming a localized outbreak, real GDP growth is expected to slow down considerably to 1.4 percent in FY19/20. The current account deficit is expected to widen due to lower garments and gas exports, higher medical imports, and weaker tourism and remittances. FDI is expected to slow as projects are delayed. Inflation is expected to decline reflecting commodity prices and subdued domestic demand. The fiscal stimulus required to manage the impact of the pandemic together with weak revenues will widen the budget deficit by about 2 percent of GDP annually over the next two years. A gradual recovery starting Q1 FY20/21 is projected.[3]
Financing strategy	To keep adequate reserves given uncertainties around the length of the pandemic and preexisting financial sector vulnerabilities, an external financing gap amounting to US$1.7 billion is expected in FY19/20. The external gap, which is expected to fill the fiscal gap, will be filled by a mix of external financing (IMF, the World Bank, ADB, EU and Japan, and the DSSI). Such a strategy will help reduce pressure on monetizing the deficit and risks of disorderly external market conditions.

[1] This joint World Bank/IMF DSA has been prepared in the context of the 2020 request for emergency financing from the IMF (RCF/RFI). The macro framework underlying this DSA is the same as that included in the staff report of the 2020 RCF/RFI request which reflects recent global developments. The current macroeconomic framework reflects currently available information. However, updates with respect to economic impact and policy response to the COVID-19 crisis are rapidly evolving and risks are tilted to the downside. Public debt covers the consolidated public sector debt, central bank debt borrowed on behalf of the government, government-guaranteed debt and social security funds. SOE debt is on lent and is therefore included in the coverage of public external debt.

[2] The LIC DSF determines the debt sustainability thresholds by calculating a composite indicator (CI). Based on the CI score (2.72), for Myanmar, the final debt carrying capacity classification for this DSA is medium. This is based on the October 2019 WEO and CPIA 2018.

[3] Myanmar's fiscal year is on October-September basis. All tables and figures are on a fiscal year basis. In the DSA standard tables, for example, 2019 refers to FY2018/19 and ends in September 2019.

Myanmar's risk of external and overall debt distress continues to be assessed as low. External debt indicators are projected to continue on a downward trend; however, rapidly evolving circumstances have raised the projected FY 2019/20 deficit and public debt levels, and made prominent several vulnerabilities (see text table). The IMF's RCF/RFI financing arrangement and the Debt Service Suspension Initiative (DSSI), supported by the G-20 and the Paris Club, will enable a quick increase in priority spending in response to the effects of the pandemic. The DSA shows that, under the baseline, which reflects the COVID-19 shock, all external public and publicly guaranteed (PPG) debt indicators remain below their policy relevant thresholds and benchmarks. A slowdown in exports and the aftermath from a natural disaster are shocks that worsen the debt outlook the most.[4]

Under the baseline, the magnitude of a shock from contingent liability through the financial sector is assumed to be the default 5 percent of GDP. A more prolonged global outbreak could result in more adverse economic outcomes that interact with banking sector fragilities. This could potentially result in the realization of contingent liabilities arising from recapitalization needs. An adverse scenario, which considers the macroeconomic impact from such an assumption, reflects the impact of this downside risk. Here, the PV of public debt-to-GDP ratio deteriorates significantly. It also raises the PV of public debt-to-GDP ratio under the most extreme shock, and breach its benchmark (55 percent) in the medium term suggesting a possible worsening of the risk rating from low to moderate (see figure).

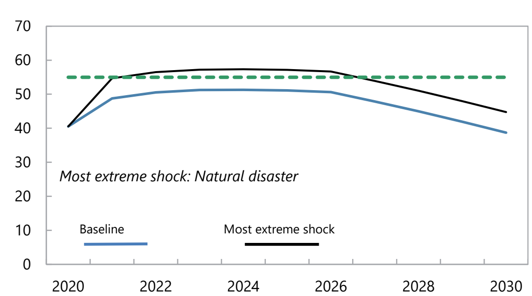
It is imperative that the authorities address the immediate gross financing needs arising from the impact of the COVID-19 crisis, without resorting to potentially more destabilizing central bank financing given Myanmar's experience. At the same time, there may be limited potential to borrowing from domestic banks given vulnerabilities and the risks of crowding out needed credit. Thus, external financing on concessional terms, and the DSSI, will be key to support the policy stimulus while containing risks to price and external stability.[5] *Over time, to avoid an excessive recourse to central bank financing, the authorities should embark on a medium-term revenue strategy underpinned by a revenue target and comprehensive tax policy reforms building on recent administrative reforms. The authorities should remain vigilant of the potential impact from the fragilities in the banking system and put in place a framework for better monitoring and managing fiscal risks including from PPPs. Strengthening debt management capacity remains priority.*

Key Macroeconomic Assumptions, FY2020-24 (Average)

	Baseline	Previous DSA
Real GDP growth (in percent)	5.2	6.3
Inflation (percent change, y/y)	6.2	6.7
Primary fiscal balance (in percent of GDP)	-3.4	-2.5
Overall fiscal balance (in percent of GDP)	-5.3	-4.4
Current account (in percent of GDP)	-4.1	-3.9
FDI (in percent of GDP)	3.4	3.5

Source: IMF staff estimates.

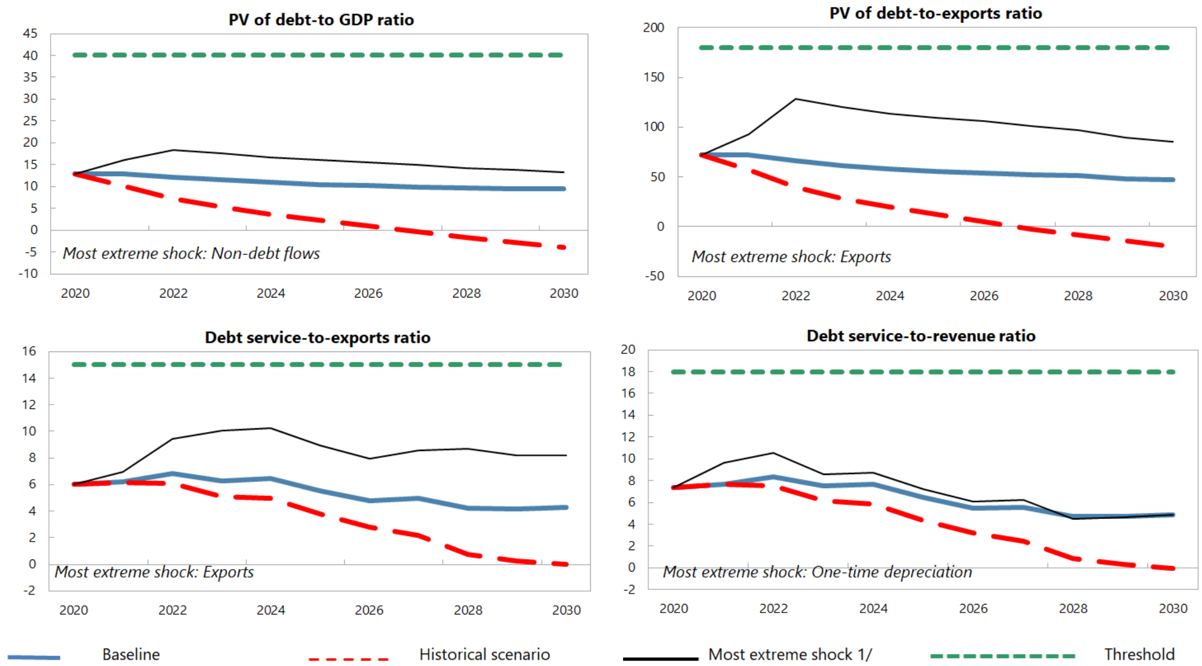
PV of PPG Debt-to-GDP Ratio (Adverse Scenario)



[4] Public/Private investment rate charts are not available in the current DSA from data limitations. Technical assistance from the IMF and various partners continue is ongoing to strengthen macroeconomic data.

[5] Based on data provided on mission, the DSSI is estimated to suspend US$322 million and US$67 million in external debt service in FY2019/20 and FY2020/21 respectively. It would contribute 19 percent of the financing gap in FY2019/20. The savings from suspended debt service in FY2019/20 and FY2020/21 under the DSSI and the related debt service considering this suspension have been incorporated into the macro framework and the DSA.

Figure 1. Myanmar: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2020–2030 1/ 2/



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	Yes	No
Commodity price	n.a.	n.a.
Market financing	n.a.	n.a.

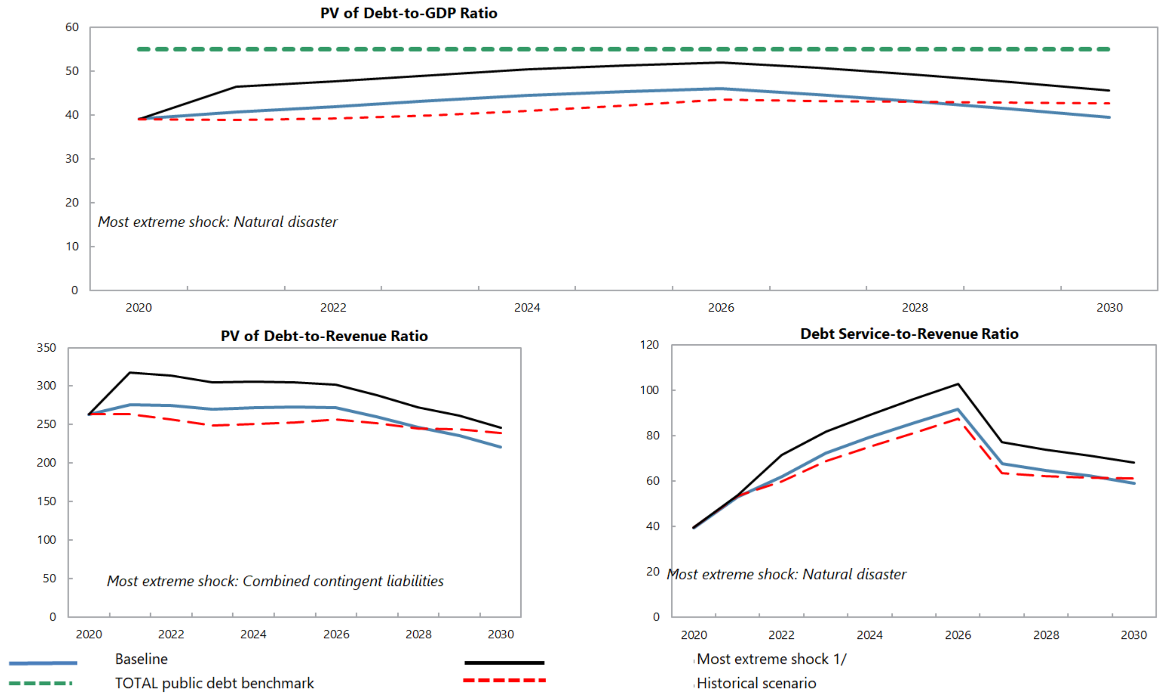
Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.0%	5.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	25	20
Avg. grace period	6	5

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.
2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Myanmar: Indicators of Public Debt Under Alternative Scenarios, 2020–2030 1/



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	14%	14%
Domestic medium and long-term	67%	67%
Domestic short-term	19%	19%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.0%	5.0%
Avg. maturity (incl. grace period)	25	20
Avg. grace period	6	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	1.2%	3.0%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	0.3%	0.3%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

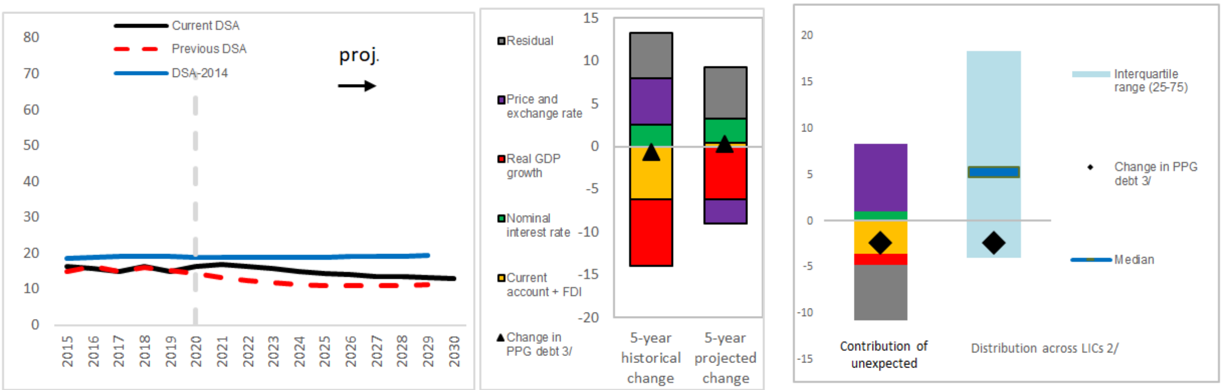
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Myanmar: Drivers of Debt Dynamics—Baseline Scenario

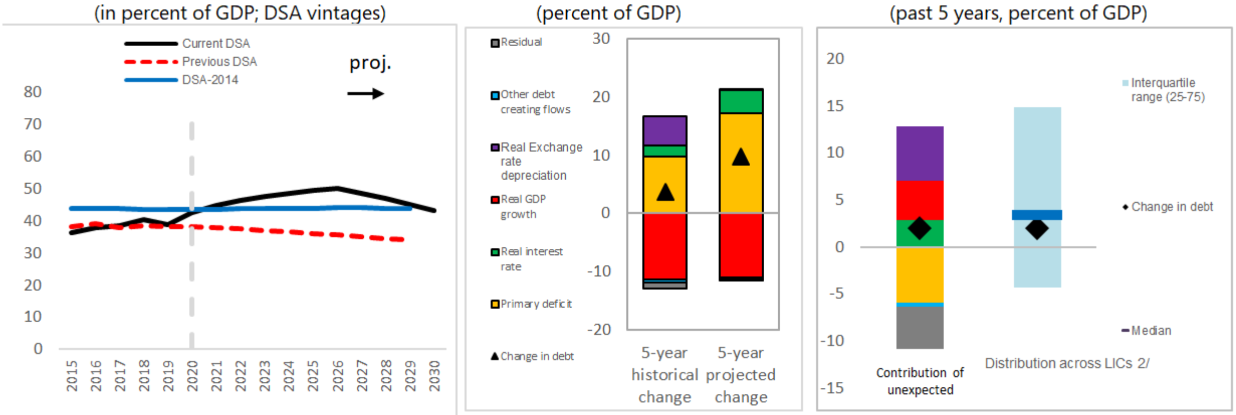
External Debt

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



Public Debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-creating flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



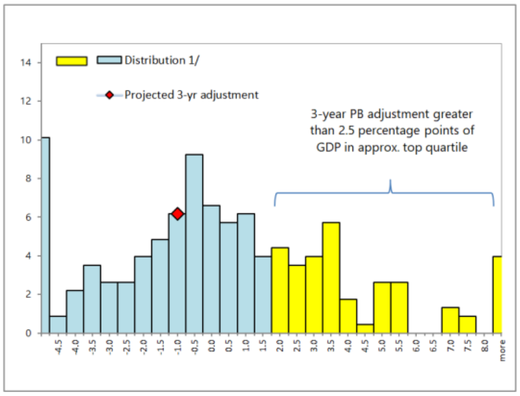
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

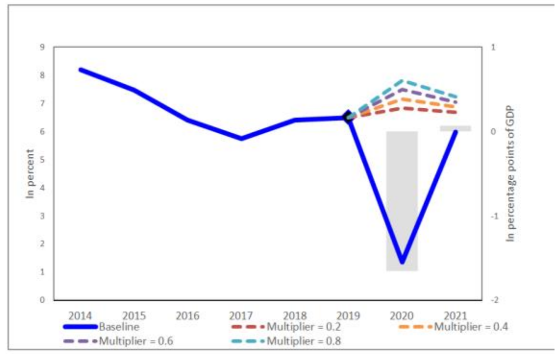
Figure 4. Myanmar: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



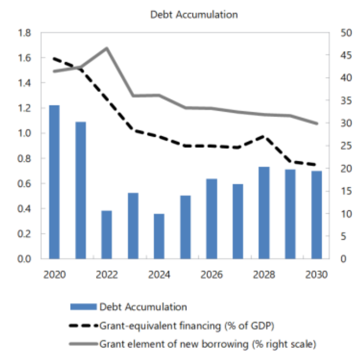
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

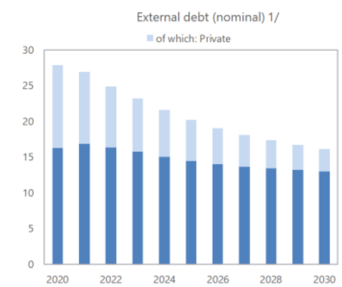
Table 1. Myanmar: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	28.9	30.9	27.7	27.9	26.9	24.9	23.2	21.6	20.2	16.1	12.7	**19.3**	**21.1**
of which: public and publicly guaranteed (PPG)	15.0	16.3	14.8	16.2	16.9	16.3	15.7	15.0	14.4	12.9	12.7	**13.6**	**14.7**
Change in external debt	8.0	2.0	-3.2	0.2	-1.0	-2.0	-1.7	-1.6	-1.4	-0.6	-1.3		
Identified net debt-creating flows	0.6	-2.6	-1.1	0.9	-0.2	-0.8	-1.2	-1.6	-1.7	-0.8	-0.6	**-2.4**	**-0.9**
Non-interest current account deficit	6.3	4.1	1.9	3.3	3.6	3.6	3.5	3.6	3.7	4.1	4.1	**2.1**	**3.7**
Deficit in balance of goods and services	7.5	5.2	3.2	3.3	4.1	4.0	4.1	4.1	4.2	4.6	4.9	**1.3**	**4.2**
Exports	21.5	23.3	22.0	17.7	17.7	18.2	18.7	18.8	18.8	19.9	22.4		
Imports	29.0	28.5	25.2	20.9	21.8	22.2	22.8	22.8	23.0	24.6	27.3		
Net current transfers (negative = inflow)	-3.5	-3.4	-3.6	-2.4	-2.7	-2.6	-2.5	-2.4	-2.3	-1.9	-1.5	**-2.1**	**-2.3**
of which: official	-0.4	-0.2	-0.6	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3		
Other current account flows (negative = net inflow)	2.2	2.3	2.3	2.4	2.2	2.1	2.0	2.0	1.8	1.4	0.8	**2.9**	**1.8**
Net FDI (negative = inflow)	-5.8	-4.8	-3.1	-2.7	-2.9	-3.4	-3.8	-4.4	-4.5	-4.3	-4.3	**-4.1**	**-3.9**
Endogenous debt dynamics 2/	0.1	-1.8	0.1	0.3	-0.9	-0.9	-0.9	-0.9	-0.9	-0.7	-0.5		
Contribution from nominal interest rate	0.5	0.6	0.7	0.6	0.6	0.6	0.5	0.5	0.4	0.3	0.2		
Contribution from real GDP growth	-1.2	-1.7	-2.0	-0.4	-1.5	-1.5	-1.4	-1.4	-1.3	-1.0	-0.7		
Contribution from price and exchange rate changes	0.8	-0.7	1.3	...	...	...	...	...	...	...	...		
Residual 3/	7.4	4.6	-2.1	-0.8	-0.8	-1.2	-0.5	0.1	0.3	0.3	-0.7	**3.8**	**-0.1**
of which: exceptional financing	0.0	0.0	0.0	-0.5	-0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	11.8	12.8	12.8	12.1	11.5	10.9	10.4	9.4	9.4		
PV of PPG external debt-to-exports ratio	...	...	53.7	72.4	72.3	66.2	61.6	58.1	55.6	47.1	41.7		
PPG debt service-to-exports ratio	4.5	5.2	4.2	6.0	6.2	6.8	6.3	6.5	5.5	4.3	3.4		
PPG debt service-to-revenue ratio	5.5	7.0	5.9	7.4	7.7	8.4	7.6	7.7	6.4	4.9	3.9		
Gross external financing need (Million of U.S. dollars)	4559.5	3766.4	3470.5	4887.8	5057.5	4715.7	4139.7	3697.5	3478.3	4136.5	4807.8		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.8	6.4	6.5	1.4	6.0	6.2	6.3	6.4	6.5	6.4	5.5	**6.6**	**5.9**
GDP deflator in US dollar terms (change in percent)	-3.7	2.6	-4.2	0.7	2.4	2.9	2.6	2.6	2.6	2.4	2.2	**2.3**	**2.4**
Effective interest rate (percent) 4/	2.4	2.4	2.3	2.3	2.5	2.5	2.3	2.3	2.2	2.1	1.9	**4.2**	**2.3**
Growth of exports of G&S (US dollar terms, in percent)	2.4	18.5	-3.6	-18.1	8.6	12.5	12.1	9.4	9.3	9.8	8.4	**7.6**	**7.8**
Growth of imports of G&S (US dollar terms, in percent)	14.7	7.2	-9.5	-15.3	12.7	11.5	11.8	9.4	10.0	10.0	8.9	**13.4**	**8.4**
Grant element of new public sector borrowing (in percent)	...	...	...	41.5	42.3	46.5	36.0	36.1	33.3	29.9	29.6	**...**	**35.9**
Government revenues (excluding grants, in percent of GDP)	17.5	17.3	15.6	14.4	14.3	14.8	15.6	15.9	16.2	17.5	19.6	**16.8**	**16.0**
Aid flows (in Million of US dollars) 5/	658.5	1222.7	1342.5	1484.1	1740.4	1606.1	1171.8	1177.1	1136.6	1308.7	2783.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.6	1.5	1.3	1.0	1.0	0.9	0.7	0.7	**...**	**1.1**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	48.6	50.0	55.9	48.0	48.9	47.3	41.6	40.6	**...**	**47.8**
Nominal GDP (Million of US dollars)	61,504	67,145	68,538	69,939	75,887	82,900	90,396	98,631	107,756	166,395	373,168		
Nominal dollar GDP growth	1.8	9.2	2.1	2.0	8.5	9.2	9.0	9.1	9.3	8.9	7.8	**8.9**	**8.4**
Memorandum items:													
PV of external debt 7/	...	...	24.7	24.4	22.8	20.6	19.0	17.5	16.2	12.6	9.4		
In percent of exports	...	...	112.4	138.1	129.0	113.2	101.3	93.1	86.3	62.9	41.7		
Total external debt service-to-exports ratio	32.2	27.3	28.5	35.7	33.9	30.4	26.2	24.1	21.7	13.4	6.3		
PV of PPG external debt (in Million of US dollars)			8107.6	8944.4	9704.2	9993.5	10429.1	10752.0	11246.3	15631.0	34957.6		
(PVt-PVt-1)/GDPt-1 (in percent)				1.2	1.1	0.4	0.5	0.4	0.5	0.7	0.8		
Non-interest current account deficit that stabilizes debt ratio	-1.7	2.1	5.1	3.2	4.6	5.6	5.2	5.1	5.1	4.7	5.4		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

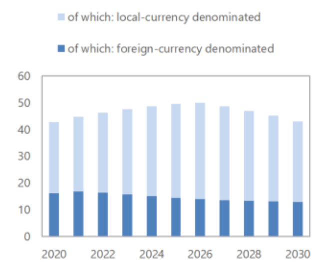
Table 2. Myanmar: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

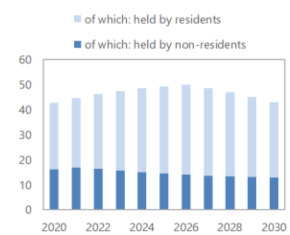
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	38.4	40.3	38.8	42.7	44.7	46.1	47.4	48.6	49.4	43.0	26.1	35.2	46.6
of which: external debt	15.0	16.3	14.8	16.2	16.9	16.3	15.7	15.0	14.4	12.9	12.7	13.6	14.7
Change in public sector debt	0.5	1.9	-1.5	3.8	2.0	1.4	1.3	1.1	0.8	-2.0	-1.4		
Identified debt-creating flows	0.4	1.1	-0.8	3.6	1.9	1.6	1.4	1.3	1.0	-2.0	-1.4	-0.5	0.4
Primary deficit	1.5	1.6	2.5	4.2	4.1	3.4	2.9	2.6	2.3	0.3	-0.2	1.9	2.2
Revenue and grants	17.9	17.6	16.0	14.8	14.7	15.2	16.0	16.3	16.6	17.8	19.9	17.0	16.4
of which: grants	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3		
Primary (noninterest) expenditure	19.4	19.2	18.5	19.0	18.8	18.6	18.9	18.9	18.9	18.1	19.7	18.9	18.6
Automatic debt dynamics	-0.9	-0.4	-3.3	-0.6	-2.1	-1.8	-1.5	-1.3	-1.3	-2.3	-1.2		
Contribution from interest rate/growth differential	-1.9	-1.8	-2.5	-0.6	-2.1	-1.8	-1.5	-1.3	-1.3	-2.3	-1.2		
of which: contribution from average real interest rate	0.2	0.5	0.0	0.0	0.3	0.9	1.3	1.6	1.7	0.4	0.3		
of which: contribution from real GDP growth	-2.1	-2.3	-2.5	-0.5	-2.4	-2.6	-2.7	-2.8	-3.0	-2.7	-1.4		
Contribution from real exchange rate depreciation	0.9	1.4	-0.8	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-0.2	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	0.0
Privatization receipts (negative)	-0.2	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	0.1	0.7	-0.7	0.3	0.1	-0.1	-0.1	-0.2	-0.2	-0.1	0.0	1.3	-0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	35.9	39.0	40.6	41.8	43.1	44.3	45.3	39.4	22.6		
PV of public debt-to-revenue and grants ratio	...	...	224.4	263.3	275.8	275.0	269.6	272.0	272.9	221.2	113.7		
Debt service-to-revenue and grants ratio 3/	32.4	33.4	33.7	39.6	53.0	62.2	72.4	79.3	85.6	59.2	25.8		
Gross financing need 4/	7.1	7.4	7.9	10.0	11.8	12.8	14.5	15.5	16.5	10.8	4.9		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.8	6.4	6.5	1.4	6.0	6.2	6.3	6.4	6.5	6.4	5.5	6.6	5.9
Average nominal interest rate on external debt (in percent)	2.3	3.6	2.0	1.1	1.6	1.7	1.6	1.6	1.6	1.9	2.1	4.4	1.6
Average real interest rate on domestic debt (in percent)	0.1	0.8	-0.2	0.3	1.5	3.4	4.7	5.4	5.5	1.5	1.8	-1.7	3.0
Real exchange rate depreciation (in percent, + indicates depreciation)	6.2	9.8	-5.3	...	...	...	...	...	...	...	...	0.9	...
Inflation rate (GDP deflator, in percent)	5.4	5.4	6.3	6.2	7.1	7.0	6.5	6.5	6.5	6.3	6.1	5.3	6.6
Growth of real primary spending (deflated by GDP deflator, in percent)	-7.3	5.4	2.5	4.1	4.9	5.1	8.1	6.6	6.5	5.7	6.1	11.9	5.7
Primary deficit that stabilizes the debt-to-GDP ratio 5/	1.0	-0.3	4.0	0.3	2.1	1.9	1.6	1.5	1.5	2.3	1.2	1.6	1.9
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central, state, and local governments plus social security, central bank, government-guaranteed debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Myanmar: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–30

(In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	13	13	12	12	11	10	10	10	10	10	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	13	10	7	5	4	2	1	0	-2	-3	-4
B. Bound Tests											
B1. Real GDP growth	13	13	12	12	11	11	10	10	10	10	10
B2. Primary balance	13	13	12	12	11	11	11	10	10	10	10
B3. Exports	13	15	18	17	17	16	15	15	14	14	13
B4. Other flows 3/	13	16	18	18	17	16	15	15	14	14	13
B5. Depreciation	13	16	12	11	11	10	10	10	10	10	10
B6. Combination of B1-B5	13	16	17	16	15	15	14	14	13	13	12
C. Tailored Tests											
C1. Combined contingent liabilities	13	14	13	13	12	12	12	11	11	11	11
C2. Natural disaster	13	14	13	13	12	12	12	12	12	11	11
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	72	72	66	62	58	56	54	52	51	48	47
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	72	57	40	28	19	12	5	-2	-8	-14	-20
B. Bound Tests											
B1. Real GDP growth	72	72	66	62	58	56	54	52	51	48	47
B2. Primary balance	72	73	68	64	61	58	57	56	55	52	50
B3. Exports	72	93	129	120	114	109	106	102	97	89	85
B4. Other flows 3/	72	91	101	94	89	85	83	79	76	69	66
B5. Depreciation	72	72	52	49	46	44	42	41	41	39	39
B6. Combination of B1-B5	72	95	88	96	91	87	84	80	78	72	69
C. Tailored Tests											
C1. Combined contingent liabilities	72	77	72	68	65	63	62	61	60	57	56
C2. Natural disaster	72	79	73	69	66	65	64	63	62	59	58
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	6	6	7	6	6	6	5	5	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	6	6	6	5	5	4	3	2	1	0	0
B. Bound Tests											
B1. Real GDP growth	6	6	7	6	6	6	5	5	4	4	4
B2. Primary balance	6	6	7	6	7	6	5	5	4	4	5
B3. Exports	6	7	9	10	10	9	8	9	9	8	8
B4. Other flows 3/	6	6	8	8	8	7	6	7	7	6	6
B5. Depreciation	6	6	7	6	6	5	4	4	3	3	3
B6. Combination of B1-B5	6	7	9	8	9	8	7	7	7	6	7
C. Tailored Tests											
C1. Combined contingent liabilities	6	6	7	7	7	6	5	5	5	5	5
C2. Natural disaster	6	6	7	7	7	6	5	5	5	5	5
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	7	8	8	8	8	6	5	6	5	5	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	7	8	8	6	6	4	3	2	1	0	0
B. Bound Tests											
B1. Real GDP growth	7	8	9	8	8	7	6	6	5	5	5
B2. Primary balance	7	8	8	8	8	7	6	6	5	5	5
B3. Exports	7	8	9	9	9	8	7	7	7	7	7
B4. Other flows 3/	7	8	9	9	9	8	7	8	8	7	7
B5. Depreciation	7	10	11	9	9	7	6	6	4	5	5
B6. Combination of B1-B5	7	8	10	9	9	8	7	8	7	7	7
C. Tailored Tests											
C1. Combined contingent liabilities	7	8	9	8	8	7	6	6	5	5	5
C2. Natural disaster	7	8	9	8	8	7	6	6	5	5	5
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18
Memorandum item:											
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Myanmar: Sensitivity Analysis for Key Indicators of Public Debt 2020–30

(In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	PV of Debt-to-GDP Ratio										
Baseline	39	41	42	43	44	45	46	45	43	41	39
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	39	39	39	40	41	42	43	43	43	43	43
B. Bound Tests											
B1. Real GDP growth	39	41	44	46	47	49	50	49	48	46	45
B2. Primary balance	39	42	44	46	47	48	48	47	45	43	41
B3. Exports	39	42	48	49	50	51	51	49	47	45	43
B4. Other flows 3/	39	44	48	49	50	51	51	50	48	45	43
B5. Depreciation	39	40	40	39	39	39	38	36	33	30	27
B6. Combination of B1-B5	39	40	41	41	42	43	44	43	41	39	38
C. Tailored Tests											
C1. Combined contingent liabilities	39	47	48	49	50	51	51	49	48	46	44
C2. Natural disaster	39	46	48	49	50	51	52	51	49	47	45
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
	PV of Debt-to-Revenue Ratio										
Baseline	263	276	275	270	272	273	272	260	246	235	221
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	263	264	257	249	251	253	257	251	245	244	239
B. Bound Tests											
B1. Real GDP growth	263	281	287	285	290	293	294	284	272	263	251
B2. Primary balance	263	284	291	285	286	286	285	272	257	246	232
B3. Exports	263	289	314	306	306	305	302	288	271	258	242
B4. Other flows 3/	263	298	316	307	307	306	303	289	272	259	242
B5. Depreciation	263	273	261	247	241	234	226	208	189	173	153
B6. Combination of B1-B5	263	272	271	258	261	262	260	249	235	225	211
C. Tailored Tests											
C1. Combined contingent liabilities	263	317	313	305	305	304	302	288	273	261	246
C2. Natural disaster	263	315	313	306	308	309	307	295	281	270	256
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	40	53	62	72	79	86	92	68	65	62	59
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	40	54	60	69	75	81	87	63	62	62	61
B. Bound Tests											
B1. Real GDP growth	40	54	64	76	83	91	97	74	71	69	67
B2. Primary balance	40	53	64	76	83	90	96	72	68	65	62
B3. Exports	40	53	63	74	81	87	93	70	67	65	61
B4. Other flows 3/	40	53	63	74	81	87	93	70	68	65	62
B5. Depreciation	40	50	60	68	74	79	84	62	59	56	52
B6. Combination of B1-B5	40	51	60	70	77	83	89	66	63	60	57
C. Tailored Tests											
C1. Combined contingent liabilities	40	53	72	82	89	95	102	76	72	69	66
C2. Natural disaster	40	54	71	82	89	96	103	77	74	71	68
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Statement by Alisara Mahasandana, Executive Director for Myanmar;
and Acharawat Srisongkram, Advisor to Executive Director
June 26, 2020

On behalf of the Myanmar authorities, we would like to thank Mr. Peiris and his team for their close engagement and continued support during these challenging times. We also thank the Board and Management for the prompt consideration of Myanmar's request for emergency financing under the RCF and RFI, which is instrumental to the authorities' effort in mitigating the impact of COVID-19 and maintaining macroeconomic stability going forward.

The Myanmar Government is requesting for disbursement under the RCF and RFI in the amount totaling SDR 258.4 million (50% of quota). The intention is to use the RCF/RFI proceeds for budget support to implement a comprehensive set of measures to strengthen healthcare, protect the socio-economic well-being of those affected by the pandemic, and support a steady recovery once the pandemic subsides. The authorities hope the initial amount of 50% of quota would catalyze concessional financing from the World Bank, ADB, and bilateral development partners. The authorities see as a prudent approach to only request additional financing up to a total of 100% of quota once financing needs become clearer.

The authorities have also requested debt service suspension from 14 creditors, including members of G20 and the Paris Club under the Debt Service Suspension Initiative (DSSI). As of June 13, 2020, the Memorandum of Understanding with 8 Paris Club creditors have been signed and the bilateral agreements for implementation in the process of being signed. 1 of the 6 other creditors have also agreed to implement the DSSI so far.

The authorities have sent a letter to the Managing Director expressing their readiness to accept Article VIII of the IMF Articles of Agreement. Myanmar has made significant progress toward satisfying Article VIII obligations over the years. The Central Bank of Myanmar (CBM) abolished its pegged exchange rate system and moved to a managed floating regime in 2012, and removed almost all current account restrictions through the implementation of the 2012 Foreign Exchange Management Law. The authorities also removed the exchange restriction arising from the tax certification requirement for transfers of net investment income abroad by revising the relevant provision in the new investment law, and abolished trading band on FX market (reference exchange rate ± 0.8%) in 2018, which allowed the exchange rate in the formal market to be fully determined by market mechanism. The CBM also moved to a market-based Reference Exchange Rate in February 2019, which removed the difference between reference exchange rate and market exchange rates. More recently the CBM has implemented the one-way FX auction mechanism with clear internal guidelines that eliminates multiple currency practice which arose from the previous multi-price foreign currency auction.

Impact of COVID-19

Prior to COVID-19, the Myanmar economy grew 6.8% in FY2018/2019 driven by a recovery in the agriculture sector and was expected to record 7.0% growth in FY2019/2020 supported by investment and infrastructure spending. Inflation was expected to average at 8.43% in FY2019/2020. Economic growth for the first and second quarter of FY2019/2020 has recorded 6.5% and 5.3% respectively. Average inflation reached 9.1% in March 2020.

Following the first confirmed cases of COVID-19 in Myanmar in early March, the Myanmar government has rolled out a number of measures in response.

- The National-Level Central Committee for COVID-19 Prevention, Control and Treatment was created to facilitate coordination between relevant government agencies.

- The COVID-19 fund of MMK 100 billion was established and is being used to provide concessional loans to CMP (cutting, making, packaging) businesses in the garment sector, hotels and tourism companies and SMEs which are suffering the most negative economic consequences.

- The government has also extended the tax payment period for the income tax and commercial tax for FY2019/2020 until the end of the fiscal year, exempted the 2% advance income tax on exports until the end of the 2019/2020 fiscal year, reduced the interest rate including for agriculture loans, lifted import license fees for pharmaceutical and pharmaceutical raw materials.

- To support people's well-being, the government has subsidized 5 basic commodities for people who do not have regular income. The government exempted household electricity bills up to 150 units in April and May and up to 75 units in June. The Government has increased its stockpile of rice (50000 tons) and palm oil (12000 tons) to ensure domestic food security should the pandemic persist longer than expected. Medical equipment used in the treatment and prevention of COVID-19, medicines and other essential supplies were declared as special goods with measures taken to prevent price speculation.

- Travel restrictions, border closure, and bans on mass public gatherings were put in place to contain the spread of COVID-19. Citizens were urged to stay home during the 10-day Thingyan Festival holiday (Myanmar New Year). The stay-at-home order was first announced on April 18, 2020 for seven townships in the Yangon region where most of the confirmed COVID-19 cases were found. This was later extended to include three more townships in Yangon and one township in the Sagaing Region in the north-western part of Myanmar. As of June 14, the reported number of confirmed COVID-19 cases is 261 which is significantly lower compared to other countries in the region. The stay-at-home order was gradually lifted and now only two townships in Yangon remains under partial lockdown.

Disruptions in economic activities as a result of the containment measure, together with weakened external demand and falling commodity prices have taken a heavy toll on the economic outlook and are expected to result in a large BOP financing gap of about USD 2.5 billion over the next 2 years in FY2019/2020 and FY2020/2021. The current account deficit is expected to widen significantly from 2% of GDP to 4.5% of GDP in FY2019/2020. This is driven by a sharp decline in exports of key goods namely garment and gas (which comprises about 50% of total exports) as well as tourism receipts and remittance flows, while imports will pick up from purchases of medical supplies. FDI flows will also slowdown further as investment projects are delayed by the disruption.

On the whole, the authorities expect GDP growth to slow down to 4-5% in FY2019/2020 followed by a gradual recovery in FY2020/2021. Compared to staff's forecast of 1.4% in FY2019/2020, the authorities are more optimistic about the remaining two quarters of the fiscal year as the partial lockdown is concentrated in the urban areas in Yangon and thus would have a smaller impact on overall growth. Nevertheless, there is broad agreement that the outlook is still subject to significant downside risks and uncertainties, and must be closely monitored.

Policy responses

The near-term priority for macroeconomic policies is to mitigate the impact of COVID-19 and support the economic recovery. The COVID-19 Economic Relief Plan (CERP) launched by the Ministry of Planning, Finance, and Industry (MOPFI) on April 27, 2020 is a comprehensive package of measures to achieve those goals.

On the fiscal front, key actions taken include the recently approved supplementary budget for FY2019/20 and reallocation of up to 10% of FY2019/2020 budget estimate (except of loans and grants) towards COVID-19 related spending, tax credits and deductions, and waiver of taxes and custom duties on supplies and products critical to the prevention and treatment of COVID-19. The CERP also entails further actions to support the private sector and household income. These include further increasing the size of the COVID-19 Fund used to provide soft loans for businesses, credit guarantees schemes to support employment retentions among SMEs and high-growth sectors, and direct cash transfers to vulnerable households and those affected by COVID-19. These cash transfers also include support for vulnerable groups such as the elderly, internally displaced persons camps, local farmers, and those at the grassroot level. The authorities will leverage technology to ensure that these transfer programs are well-targeted, particularly through mobile payment which is widely used in Myanmar.

Fiscal deficit in FY2019/2020 is expected to widen to MMK 6.5 trillion or 5.46% of GDP. In financing this deficit, the share of CBM financing is expected to rise to about

MMK 1.3 trillion. The authorities are keenly aware of the risk this poses to inflation and commit to phase out CBM financing when the crisis abates. To prevent unexpected surge in CBM financing, the authorities are offering higher yields on government securities and will be working closely with commercial banks to ensure steady market demand for government bills/bonds. The authorities also plan to delay low-priority spending to make room for COVID-19 related spending if the pandemic persist longer than expected and additional financing needs were to arise. The authorities remain committed to medium-term fiscal sustainability and will continue to advance fiscal reforms under the Myanmar Sustainable Development Plan (MSDP) as the pandemic subsides. These includes modernizing the Income Tax Law and designing a value added tax, as well as adopting a computerized system for tax administration, with the aim of better managing revenue risks, improving integrity of the tax system, and strengthening domestic revenue mobilization.

The CBM has eased their monetary policy stance by cutting the policy rate by a cumulative 300 basis points since March 12, 2020. This is complemented by temporary reduction in the reserve requirements. The liquidity ratio calculation is also temporarily altered to lessen the haircut ratio applied to treasury bonds with more than one year (from 50% to 10%). Deposit auctions are also temporarily suspended. The authorities expect inflation to be largely contained in the near-term. The impact of the one-time electricity tariff hike that resulted in a sharp spike in inflation last year will dissipate by July 2020. Meanwhile, the economic slowdown is likely to keep a lid on inflation. Nevertheless, the CBM agrees on the need to closely monitor inflationary pressure as the inflation outlook is subject to large uncertainties, especially those related to the pandemic and its implications to economic activities. Exchange rate flexibility continued to play an important role as a shock absorber. FX intervention has been limited and adheres to the established FX intervention rule to build adequate FX reserves. The authorities will continue to upgrade monetary operations, including the introduction of interest on excess reserves, with technical assistance from the IMF.

Financial sector policies are focused on facilitating credit provision and smooth functioning of the banks, while ensuring a robust regulatory framework.

- Prior to COVID-19, NPLs in the banking system started to stabilize around 20%. The banking sector made good progress in converting overdraft loans to term loans and were broadly on track to bring overdraft loans down to 20% of total loans by July 2020. However, the pandemic is likely to result in some setbacks as the authorities anticipate a slight increase in NPLs and possible delays in meeting the overdraft conversion target.

- Against this backdrop, the CBM has extended the deadline for meeting the 2017 prudential regulations by up to 3 years from August 2020 to August 2023. This is to facilitate bank credit during the ongoing crisis and allow sufficient time for banks to build their capital buffers in compliance with the prudential regulation. To ensure banks remain prudent during the extension and avoid backsliding on the progress made so far, the CBM will ask banks to conduct a preliminary assessment of their compliance gap and to present their proposed compliance plan by the end of the three year period. The CBM will examine and rectify as necessary their self-assessment presented by banks and will monitor their progress toward full compliance over time.

- Banks will also be allowed to restructure or reschedule loans impaired by the consequences of Covid-19. To ensure that this opportunity is not misused for legacy NPLs, loan classification will remain unchanged and a directive will be issued to separate COVID-19 impaired loans from other loans to be given different treatment.

- The authorities will continue to work closely with the IMF mission team on the implementation of financial sector reform and contingency planning to preserve financial stability as agreed during the 2019 Article IV consultation

The authorities remain fully committed to the structural reform agenda under the MSDP. Improving business climate is essential to foster a robust recovery and will lay the groundwork towards realizing the MSDP's goal of more inclusive and private sector led growth. Strengthening governance, continuing the fight against corruption, and strengthening the AML/CFT framework remain high on the reform priority. To similar ends, the authorities are committed to ensuring transparency and accountability of crisis spending. They will closely monitor budget spending and publish a report on COVID-19 related expenditures as well as the audit results and information on large procurement contracts. They will continue to pursue further reform progress where possible as the crisis abate.

Conclusion

The Myanmar authorities remain fully committed to preserving macroeconomic and financial stability and will continue to advance reforms towards sustainable and inclusive growth as the crisis abates. The COVID-19 pandemic is an unprecedented shock that poses a threat to the reform progress made over the years. To this end, Fund support through the RCF and RFI will catalyze additional financing supports from donors and creditors, and is instrumental to the authorities' effort to mitigate the impact of COVID-19 and sustaining growth momentum, while preserving policy buffers. The authorities are deeply grateful for the continued support from the Fund and other partners in these difficult times.