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MYANMAR

January 2021

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 January 12, 2021, following discussions that ended on November 24, 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 December 21, 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.

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PRESS RELEASE

PR21/9

IMF Executive Board Approves a SDR 258.4 Million Disbursement under the Rapid Credit Facility and Purchase under the Rapid Financing Instrument to Myanmar to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- *Myanmar's economy has been hit hard by the second wave of the COVID-19 pandemic, which has inflicted large economic and social costs and strained the nation's healthcare system.*
- *To address Myanmar's urgent balance-of-payments needs, the IMF has approved the second emergency financial assistance equivalent to about US$350 million under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI).*
- *The IMF assistance will aid Myanmar's COVID-19 policy measures aimed at minimizing the pandemic's economic and social impact while supporting the vulnerable.*

Washington, DC – January 13, 2021: The Executive Board of the International Monetary Fund (IMF) approved a disbursement of SDR 86.1million (16.67 percent of quota) under the Rapid Credit Facility (RCF), and a purchase of SDR 172.3 million (33.33 percent of quota) under the Rapid Financing Instrument (RFI). This will help meet the urgent balance-of-payments needs arising from the COVID-19 pandemic, especially the government's recovery measures to ensure macroeconomic and financial stability while supporting affected sectors and vulnerable groups. The IMF emergency financing will also catalyze additional support from the international community.

This is the second IMF emergency financial assistance under the RFI/RCF for Myanmar since the outbreak of the pandemic: on June 26, 2020, the IMF Executive Board approved a disbursement of US$356.5 million (see IMF Press Release No. 20/247). Today's additional financing brings the total IMF financial assistance provided to Myanmar to address COVID-19 pandemic to about US$700 million.

While the impact of COVID-19 outbreak was less severe than expected, the second wave of the pandemic had hit Myanmar hard, inflicting large economic and social costs and straining the frail healthcare system. Economic growth is projected at 3.2 percent for FY2019/20 (starting October 1), a sharp decline from 6.8 percent in FY2018/19. For FY2020/21, growth is expected to fall to 0.5 percent. The economic fallout will be felt disproportionally by lower income groups, SMEs, and those in conflict regions. Growth is expected to rebound to 7.9 percent in FY2021/22 reflecting the gradual recovery and strong base effects. At the same time, permanent losses in medium-term output are expected, raising concerns of increased poverty.

In response to the second COVID-19 wave, the government is formulating the Myanmar Economic Resilience and Reform Plan (MERRP). The plan builds on last April's emergency relief measures under the COVID-19 Economic Relief Plan (CERP), which aimed at preserving macroeconomic stability and mitigating the impact of the pandemic on the population. The MERRP extends relief measures while adding macroeconomic and financial stability measures to guide the recovery. The IMF emergency assistance, together with additional external support and the Debt Service Suspension Initiative, would cover higher social spending needs under continued strains on revenues and mitigate the risk of excessive monetary financing.

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

"Myanmar's economy is suffering from a second COVID-19 wave, resulting in extensive lockdowns, declines in tourism, and supply chain disruptions.

"The authorities remain committed to protecting the most vulnerable. In this regard, last year they enacted the COVID-19 Economic Relief Plan (CERP) featuring important emergency fiscal, financial, and monetary measures. The CERP will be followed by the Myanmar Economic Resilience and Reform Plan (MERRP). Both plans prioritize increasing healthcare spending, tax relief measures, and transfers to vulnerable households. It is important that these programs are extended equitably across the country, including in conflict regions and ethnic minorities.

"The accommodative monetary policy stance is appropriate and the Kyat is adjusting flexibly, with limited rules-based interventions managing excessive short-term volatility. Once conditions allow, efforts should focus on enhancing the effectiveness of the monetary policy framework and further building external buffers.

"Further strengthening the banking sector's stability is key to underpin the recovery. The authorities are committed to monitoring non-performing loans (NPLs) and accelerating the preparation of contingency plans to better manage banking sector stresses, should they materialize. They intend to conduct targeted asset quality reviews of systemically important banks, followed by a comprehensive strategy for NPL resolution and bank recapitalization. Addressing remaining gaps in the AML/CFT framework is also crucial.

"The Rapid Credit Facility and Rapid Financing Instrument will help address Myanmar's urgent financing needs related to the COVID-19 shock. The authorities' progress in enhancing spending transparency is commendable and they are committed to further enhance governance, transparency, and accountability to ensure the appropriate use of this emergency financing. Moreover, they continue to leverage capacity development and technical assistance from the Fund 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-andcovid19/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

MYANMAR

December 21, 2020

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

EXECUTIVE SUMMARY

Context: With the economy already slowing due to the COVID-19 pandemic in FY2019/20, a more intense second wave has hit Myanmar hard, inflicting large economic and social costs and straining the frail healthcare system. The needed strict lockdown measures have hurt manufacturing and spending further, while weak external demand has weighed on exports and tourism, though the kyat continued to appreciate as remittances remained robust. In FY2020/21, growth will decelerate further to 0.5 percent and open up external and fiscal financing gaps of about US$1 billion. The IMF's RCF/RFI disbursement of 50 percent of quota (SDR 258.4 million) in June helped support the authorities' policy response for FY2019/20, particularly for social and health spending, kept monetary financing within target, and catalyzed financing from external partners, including through the Debt Service Suspension Initiative (DSSI).

Policy Response: The authorities reiterated their commitment to the policies discussed in IMF Country Report 20/215 following the outcome of the November elections. In response to the second wave, the new administration is drawing up the Myanmar Economic Resilience and Reform Plan (MERRP) that builds on the emergency fiscal, financial and monetary measures under April's COVID-19 Economic Relief Plan (CERP). The MERRP extends relief measures while adding macroeconomic and financial stability measures to guide the recovery. Additional tax and utility deferrals, soft loans, and cash transfers are planned to support affected sectors and vulnerable groups, along with a continuation of measures to support credit and liquidity. Myanmar has made significant progress in implementing the spending transparency commitments made in the LOI for the first RCF/RFI request and efforts are ongoing to extend support equitably across the country, including to conflict regions and ethnic minorities.

Request for Fund Resources: The authorities have requested additional Fund assistance to be used as budget support in FY2020/21. 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. The access level would cover 38 percent of the external financing gap and is expected to catalyze external support. The authorities have requested debt service suspension under the DSSI. Public debt 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 Johannes Wiegand

An IMF team consisting of S. Peiris (head), J. De, P. Deb, D. Muir, S. Nadeem, and U. Rawat (all APD), Y. Xiao (FAD), 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 November 18−24, 2020. Advisors from the IMF Capacity Development Office in Thailand (CDOT) joined the technical discussions. A. Mahasandana (Executive Director) and M. Soe (OED) participated in the discussions. Ms. Dao and Ms. Tanseco assisted in preparing this report.

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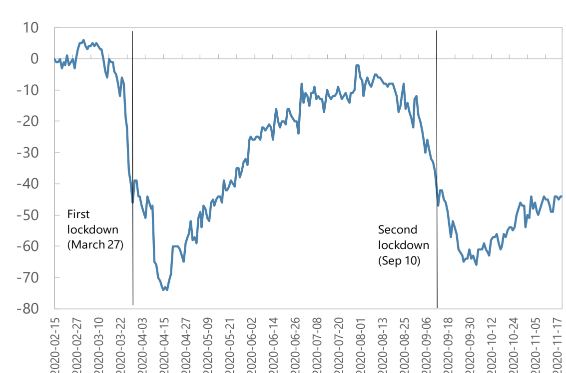
CONTEXT

1. **In response to the COVID-19 outbreak in March/April, the IMF Board approved Myanmar's RCF/RFI request on June 26, 2020 to meet urgent external and fiscal financing needs** (IMF Country Report 20/215). The first wave of infections in March prompted strict containment measures that were gradually relaxed as the spread of the virus abated (Text chart 1). Nevertheless, the resulting growth slowdown and policy response in FY2019/20 generated external and fiscal financing needs.[1] The RCF/RFI disbursement of 50 percent of quota (SDR 258.4 million) helped meet the financing gap while limiting excessive monetary financing, mobilized health and social spending, catalyzed external financing (including from ADB and Japan), and allowed Myanmar to avail of the DSSI.

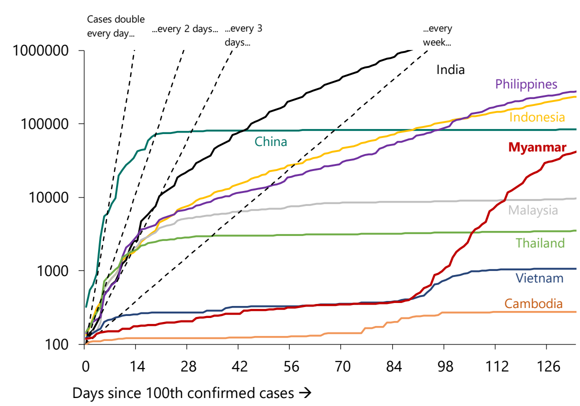
2. **Myanmar is now facing a more intense second wave**. As of December 2, Myanmar had reported 92,189 cases and 1,972 fatalities, as the caseload rose over tenfold since end-August (Text chart 2). The outbreak was concentrated in the commercial center Yangon, but has spread to other areas, stretching the limited testing and health system capacity (Figure 1). Containment measures included restrictions on factories (impacting the export-dependent garment sector) and intra- and inter-city movement, though some domestic mobility restrictions were eased prior to the November 8 elections (Text chart 1); restrictions on international flights continue to be in place (Figure 2).

Text Figure 1. Myanmar: Retail and Recreation Mobility
(Percentage change relative to baseline)



Sources: Google COVID Community Reports

Text Figure 2. Myanmar: Cumulative Confirmed Cases, Selected Asia
(Log scale)



Sources: Johns Hopkins University; and IMF staff calculations.
Note: As of 12/01/2020.

3. **The governing National League for Democracy (NLD) comfortably won the November general elections and policy continuity is expected**. A new Parliament and Cabinet are to be sworn in by March and April 2021, respectively, with limited changes expected to key positions. However, the growing impact of COVID-19 and continued discontent of ethnic groups in parts of

[1] The 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.

the country where elections were not held due to security reasons resulted in disenfranchisement of certain groups. This, along with long-standing ethnic tensions and regional disparities, may necessitate a decisive and more inclusive policy response. As a fragile state facing internal conflict and continued international scrutiny over the ongoing humanitarian crisis in Rakhine State, execution of the needed policy agenda will be challenged by capacity and governance weaknesses.

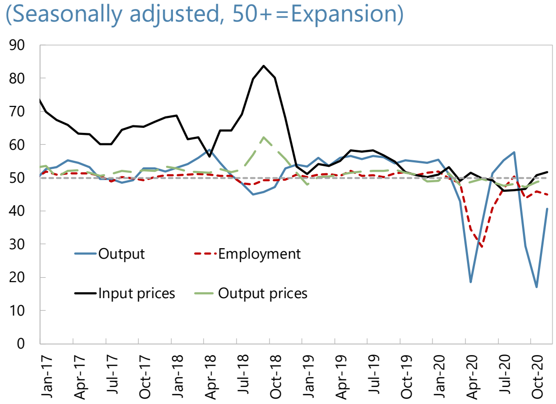
IMPACT OF THE PANDEMIC AND OUTLOOK

A. Impact of the COVID-19 Outbreak and Response

4. **The impact of the first COVID-19 outbreak was less severe than expected**. With the first wave of infections quickly contained, GDP growth in the first three quarters of FY2019/20 was stronger than expected. Preliminary estimates suggest that Q4 growth weakened bearing the impact of the September's second wave (Text chart 3). Overall, growth is projected at 3.2 percent for the year (relative to 1.4 percent at the first RCF/RFI request), a sharp decline from 6.8 percent in FY2018/19. Inflation continued to fall to 2 percent y/y in September on lower food and fuel prices. The current account deficit was lower than expected at 3.5 percent of GDP as gas exports and remittances held up better than expected. The REER has also continued to appreciate (10.4 percent y/y to August), reflecting a contained trade balance and higher remittances. Remittances transferred through the banking system partly reflect a switch to formal channels due to reduced transfer costs as well as temporary factors (Text chart 4). The stronger than expected current account, the RCF/RFI disbursement, and the asymmetric FX intervention strategy helped raise gross international reserves to US$6.7 billion (4.7 months of imports) as of September 2020. However, reserves remained below the US$6.84 billion (5 months of imports) projected in IMF Country Report 20/215, as approved disbursements from ADB, JICA and the World Bank are now expected in FY2020/21.

Text Figure 3. Myanmar: PMI

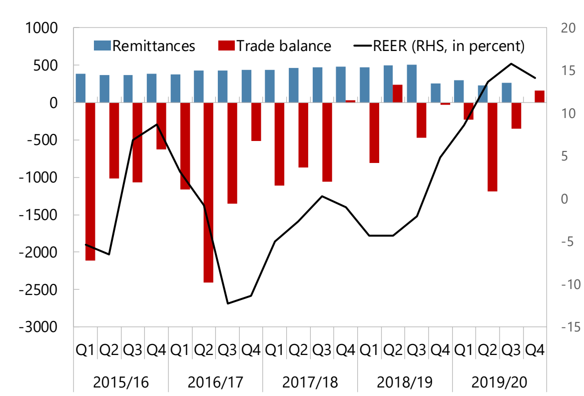
(Seasonally adjusted, 50+=Expansion)



Sources: IHS Markit; and Haver Analytics.

Text Figure 4. Myanmar: Remittances, trade balance and kyat appreciation

(In millions of U.S. dollars)



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

5. **Credit growth is slowing while deposits have held up**. The extended phase-in period for compliance with prudential regulations to August 2023 and the temporary reduction in the reserve requirement ratio has eased pressure on banks. All banks unwound their reliance on the discount

window, which they tapped in response to tightened liquidity conditions during March-April 2021. Nevertheless, with the weak economy, private sector credit growth continues to slow, reaching 12.2 percent y/y as of end-July 2020 from 16.1 percent in September 2019 driven by a deceleration in construction and agriculture. Deposit growth has remained robust at about 19 percent as of end-August. Broad money growth has remained in line with the 15 percent target reflecting slowing private sector credit, while reserve money growth has been stronger than anticipated (16.2 vs. 9 percent targeted) driven by demand for cash.

6. The fiscal deficit for FY2019/20 was likely lower than expected and monetary financing was curtailed below target. Tax revenues held up better than anticipated, especially in the last quarter, despite the weak economic environment and relief measures. Gas revenues were also stronger than expected while spending underperformed due mainly to capital budget execution delays. As a result, the fiscal deficit is estimated to be about 1 percent of GDP lower than projected in the last RCF/RFI request. A supplementary budget introduced spending re-allocation to establish a COVID-19 Contingency Fund. As planned, the RCF/RFI first disbursement helped finance COVID-19 related expenditures (Text table 2). With the RCF/RFI disbursement and increased domestic bank financing, and notwithstanding lower external financing, preliminary estimates suggest that financing by the Central Bank of Myanmar (CBM) of the deficit was limited at about MMK 700 billion (3.6 percent of previous year's reserve money), below the MMK 1.3 trillion ceiling. In anticipation of the pickup in spending at the end of the fiscal year, the Treasury was successfully able to issue T-bills to banks, avoiding the spike in monetary financing that occurred in late FY2018/19. The estimated savings from the DSSI in FY2019/20 were lower than expected (US$114 million vs. US$322 million estimated), reflecting ongoing negotiations with creditors.[2]

7. As the economy faces the second wave, the authorities have announced the Myanmar Economic Resilience and Reform Plan (MERRP). The still evolving plan extends the CERP's main elements while adding broader policy priorities to complement the Myanmar Sustainable Development Plan (MSDP). Macrofinancial policies to secure stability and aid the recovery including further monetary easing if conditions require, advancing tax reforms, and leveraging mobile financial services and digital payments to facilitate the scaling up of cash transfers. Other measures undertaken include the extension of electricity tariff exemptions for households and continued tax deferrals for small businesses and vulnerable sectors.

B. Outlook and Risks

8. The latest outbreak will weigh heavily on FY2020/21 growth. The baseline assumes that, consistent with the experience of other similar Asian economies, the second wave is contained, and restrictions gradually eased, with a recovery in economic activity beginning by the end of 2020. However, given the importance of the first quarter in growth contributions and consistent with cross country models of the impact of lockdowns calibrated for Myanmar, growth is expected to fall to

[2] The authorities continue to negotiate and sign bilateral debt suspension agreements with various Paris Club creditors. As of October, Germany has signed an agreement while Austria, Finland, France, Japan, Korea, Netherlands and the UK are in various stages of negotiations. The authorities are also in discussions with China and India. Debt suspension in FY2020/21 covers eligible debt service due from October 2020 to June 2021 and assumes comparability of treatment among creditors.

0.5 percent for FY2020/21 compared to 6 percent previously.[3] As before, the economic fallout will likely be disproportionality felt by lower income groups, SMEs with volatile income and limited cash buffers and those in conflict regions. Inflation will gradually rise to 5.4 percent by the end of the fiscal year as growth recovers and given higher food and fuel prices. Growth is expected to rebound to 7.9 percent in FY2021/22 reflecting the gradual recovery and strong base effects, though there will be permanent losses in medium term output risking poverty gains, owing to the impact of the second wave and economic scarring, compounded by macrofinancial fragilities (Figure 3).

9. The current account deficit is expected to widen from 3.5 to 4.4 percent of GDP. Exports, particularly garments, are projected to decline due to continued disruptions in production and weak external demand, while imports are expected to rise including from COVID-related imports of medical supplies and rising capital goods. Tourism receipts are expected to remain weak, while remittances are expected to fall as migrant workers face uncertainty due to prolonged lockdown. On the financing side, FDI will pick up as projects slowly resume, as suggested by approvals data, while external financing is expected to be bolstered by disbursements approved in the previous fiscal year. In sum, an external financing gap amounting to 1.1 percent of GDP (US$1 billion) is expected in FY2020/21 (vs. 1 percent of GDP or US$0.8 billion expected in IMF Country Report 20/215, Text Table 1).

10. With the economic recovery impeded by the second wave, FX reserves need to be bolstered to adequate levels. Although reserves rose from 4 months of imports at end-FY2018/19 to 4.7 months of imports at end-FY2019/20, they remain below the recommended adequacy range and level envisaged in the first RCF/RFI.[4] Given fresh strains on the already fragile economy, ongoing uncertainty around the resolution of the pandemic, and Myanmar's lack of market access, reserves should rise modestly to 5 months of imports or 12 percent of broad money. Absent additional financing, reserves would remain at 4.7 months of imports in FY2020/21; Fund financing would help lift this to desired levels, while potentially catalyzing additional external financing in the near term. Should there be a shortfall in external financing, planned capital spending projects could be postponed. Over the medium term, maintaining reserves at 5 months of imports will depend on adhering to the post-crisis macroeconomic framework as per Table 6 and continued concessional external borrowing.

11. Continued strains on revenues and higher needed spending will widen the fiscal deficit in FY2020/21, requiring additional financing. Subdued gas exports and tax relief measures will weigh on revenues (about ½ percent of GDP compared to previous year), while policies to mitigate the outbreak's economic impact and bolster healthcare and infrastructure (at a larger scale than in FY2019/20, see ¶15), as well as the decision to extend the FY2019/20 budget execution to end-2020, are expected to raise expenditures by about ½ percent of GDP. In sum the FY2020/21 fiscal deficit will widen by about 1 percent of GDP over the previous year to nearly 6 percent of GDP, opening up

[3] The economic impact of the lockdowns, including the second wave, is calibrated using the Pandemic Impact Framework Tool developed by IMF's Research Department. The tool is available here: Economic Impact of the Coronavirus.

[4] 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.

a fiscal financing gap of 1.1 percent of GDP (US$1 billion). IMF financing, together with additional external support and the DSSI, would mitigate the risk of excessive monetary financing and finance needed social spending to respond to the second wave of infections.

12. Risks to debt sustainability remain contained. Despite the expected increase in the current account and budget deficits and additional borrowing, external and public debt should remain robust to shocks and the overall risk of debt distress low. In present value terms, the external debt to GDP ratio is expected to decline from 11.3 percent in FY2019/20 to 9.3 percent by FY2029/30, while the public debt to GDP ratio should stabilize after peaking in 2026, starting at 36.1 percent in FY2019/20 and ending at 35.3 percent in FY2029/30 (see DSA for more detail).

Text Table 1. Projected Financing Gap in FY2020/21

(In percent of GDP, unless otherwise indicated)

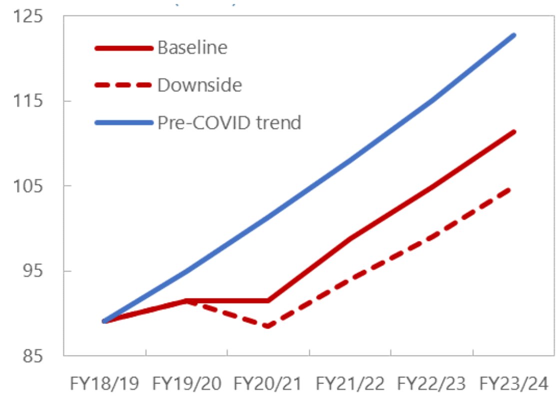
Balance of Payments	RCF/RFI	Current Projection	Change	Fiscal Accounts	RCF/RFI	Current Projection	Change
Current Account	-4.2	-4.4	-0.1	Revenues	14.7	15.1	0.4
				o/w COVID-19 response	-0.1	-0.3	-0.2
Financial inflows	-4.4	-4.8	-0.4	Recurrent expenditure	14.1	14.7	0.6
FDI	-2.9	-2.8	0.2	o/w COVID-19 response	0.9	1.3	0.5
Portfolio investment, net	0.0	0.0	0.0	Net Acquisition of nonfinancial assets	6.3	6.3	0.0
Other investment, net[1/]	-1.5	-2.0	-0.5	Overall balance (net lending/borrowing)	-5.8	-6.0	-0.2
BOP financing gap	0.2	0.4	0.2	Pre-covid financing	4.8	4.9	0.1
Change in reserves (- accumulation)	-1.2	-1.6	-0.4	Net acquisition of financial assets	0.1	0.1	0.0
				Net incurrence of liabilities	4.9	5.0	0.1
				Foreign borrowing	0.9	1.5	0.6
				Domestic borrowing	4.0	3.5	-0.5
Residual BOP financing gap	1.0	1.1	0.1	Residual fiscal financing gap	1.0	1.1	0.1
Identified financing	0.5	0.9	0.4	Identified financing	0.5	0.9	0.4
IMF	0.0	0.4	0.4	IMF	0.0	0.4	0.4
DSSI	0.1	0.4	0.3	DSSI	0.1	0.4	0.3
Other	0.4	0.0	-0.4	Other	0.4	0.0	-0.4
Unidentified financing	0.5	0.3	-0.2	Unidentified financing	0.5	0.3	-0.2

1/ Includes ADB, JICA, and World Bank loans (0.7 percent of GDP) approved in FY19/20 but to be disbursed in FY20/21.

13. The prolonged outbreak will further raise credit risks and recapitalization needs in the banking sector. The forbearance period on compliance with prudential regulations is too long and will ultimately raise recapitalization costs unless critical banking sector reforms are brought forward and sequenced appropriately depending on how the pandemic evolves. A healthy and well capitalized banking system is a pre-requisite to minimize scarring from the pandemic and support a sustained recovery over the medium term.

14. Risks remain tilted heavily to the downside (Annex 1). Prolonged prevalence of the virus that requires more frequent or severe lockdowns would bring the economic recovery to a standstill, raising economic and human costs and risks of social pressures. In such an adverse scenario, assuming lockdowns need to be maintained until March 2021, growth could fall by an additional 3½ percentage points in FY2020/21 (Text chart 5). Although the near-term growth impact is driven by the lockdown measures, such disruptions are likely to interact with banking system fragilities and further depress demand and credit growth (Figure 3 and DSA; see also IMF Country Report 20/88), potentially requiring public recapitalization of one or more systemic banks and resulting in further scarring. The effects of such an interaction would be long-lasting, with a slow recovery of output relative to the baseline, and potentially require additional Fund support. On the upside, the swift availability of an effective vaccine could provide a boost to demand and sentiment.[5]. On the external front, a more prolonged global outbreak could keep external demand subdued, bringing supply chain disruptions, weak remittance inflow and FDI, and tighter and more volatile financial conditions.

Text Figure 5. Myanmar: Real GDP Index, Baseline vs. Downside Scenario



Source: IMF staff calculations.

POLICY ISSUES AND DISCUSSIONS

A. Fiscal Policy

15. Increased fiscal spending should be focused on containing the fallout of the virus' second wave, boosting healthcare, and providing transfers to affected and vulnerable groups. A large fiscal response is ideal given the second wave and its likely impact on the population and economy. However, since the large downward revision to growth is temporary and a recovery is expected in Q2, and given the authorities' capacity to quickly implement countercyclical spending increases is constrained, a larger spending increase than projected in ¶11 to mitigate the sharp fall in demand may not be feasible. However, additional fiscal stimulus would be required should growth fall further. In FY2019/20, in response to COVID-19, revenue measures, budgeted expenditure, health services expansion, and support to household and businesses amounted to 1.2 percent of GDP. Going forward, the authorities have included 2.2 percent of GDP in COVID-19 related measures in the FY2020/21 budget toward health spending, greater appropriations to social sectors, and relief for vulnerable households and businesses, while extending the existing tax relief and household electricity tariff exemptions to December 2020 (Text Table 2). Part of the additional spending will be financed through expenditure reallocation and budget support from ADB and JICA. A Steering Committee will be formed to guide and monitor recovery plan implementation, as well as coordinate with development partners providing support.

[5] The authorities have submitted application for access through the COVAX Advance Market Commitment to cover 20 percent of the population on a subsidized basis (expected to be prioritized for the most vulnerable and elderly, subject to logistics). In addition, they are in discussion with the ADB and World Bank for cost share contributions to purchase supplemental – above the 20 percent allocation – via the COVAX facility, which would cover 40 percent of the population by end-2021. Moreover, an additional 20 percent coverage is planned for 2022 through additional purchases.

Text Table 2. Myanmar: Estimated Costs of Major Fiscal Measures in FY2019/20 and FY2020/21

		2019/20		2020/21	
		US$ millions	% of GDP	US$ millions	% of GDP
Revenue	Tax waiver and credits, household electricity tariff relief	190	0.2	266	0.3
Expenditure		564	0.7	1134	1.4
Health	Health facilities, medical products for COVID-19	189	0.2	232	0.3
Social assistance	Cash transfers, food, cash-for-work, pension support, health benefit extension	310	0.4	404	0.5
Other	Support for agriculture and businesses	65	0.1	52	0.1
Lending	On lending to support SME, MFI, small farmers, trade financing	212	0.3	481	0.6
Total		966	1.2	1881	2.2

16. Social protection remains inadequate and should be expanded (Figure 4). Full implementation of the 2012 Social Insurance law should be pursued to gradually establish a safety net for formal workers. In response to COVID-19, the government expanded the existing Maternity and Child Cash Transfer (MCCT) program in July 2020 and initiated general food and cash transfers to the vulnerable population including informal workers (see Box 1). The additional MCCT distributions have been concentrated in regionally disadvantaged and conflict regions such as Chin and Rakhine according to UNICEF data. Preliminary regional distribution information on the unconditional cash transfers show that the government may have achieved its objective of a broad coverage aiming for nearly half the population with small ($15–20) multiple distributions of roughly the same amount per recipient household in all regions. The cash transfers have covered all regions including ethnic minority regions, albeit with an uneven distribution. An external survey also showed a wide distribution across urban, rural and different types of households with nearly half of all households confirming receipt of cash transfers, although asset rich households also appear to be receiving significant transfers, suggesting scope for improved targeting of the poor.

17. To fill the fiscal financing gap, external concessional borrowing should be prioritized to limit excessive monetary financing. Gross CBM financing of the fiscal deficit for FY2020/21 is projected at around 4 percent of previous years' reserve money and 20 percent of total domestic financing; keeping it at a prudent level as observed in FY 2019/20. In staff's view, CBM financing should be limited to below 5 percent of previous year's reserve money and gradually phased out thereafter to safeguard external stability.[6] These constraints on financing highlight the need to carefully track spending execution and prepare contingency plans to rationalize expenditures and mobilize revenues if the yet to be identified financing is not forthcoming or in case the adverse scenario materializes.

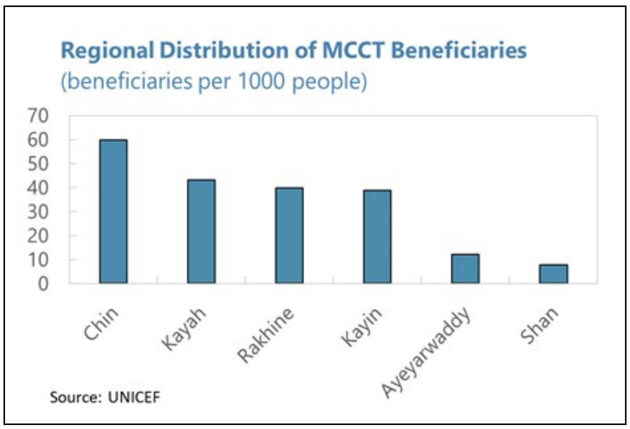
[6] The 5 percent target is based on Myanmar's historical experience with inflation and FX depreciation episodes; and incorporates observed non-linearities in the data.

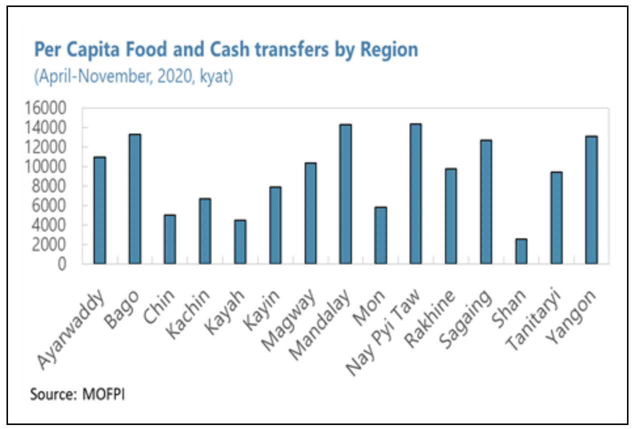
Box 1. Cash and In-Kind Transfers in Response to COVID-19 Crisis

To ease the impact of COVID-19, CERP envisages cash and in-kind transfers to the most vulnerable and affected households including internally displaced persons (IDPs). The authorities' capacity to reach targeted households is constrained: formal social safety nets are limited, a comprehensive database of potential beneficiaries in the informal sector is lacking, target households are geographically dispersed, a large share of households do not have access to bank accounts, and the government has limited experience in large scale cash transfers.

Against this background, the authorities aimed to first to provide immediate in-kind transfers to the most vulnerable households and then provide cash transfers through mobile financial services with as wide a coverage as possible in small amounts, in line with international best practice. To screen for eligibility, the General Administration Department (GAD) conducted questionnaire-based means-tests to assess household vulnerabilities based on socioeconomic status. For eligible households, cash transfers were implemented through electronic payment system (mobile app), where beneficiaries could collect payments at nearby agents, as well as direct cash payments.

Since April, the government has spent over 400 billion kyat (⅓ percent of GDP) in transfers, reaching 5.6 million households, about half of total households in Myanmar. The programs have reached all regions —experience of the Maternity and Child Cash Transfer (MCCT) program indicates the capacity to reach the conflict regions such as Chin, Rakhine and Shan states, as well as the population affected the most by COVID-19 infections and restrictions (such as in the Yangon area). An independent survey by the International Food Policy Research Institute indicates that poverty has risen sharply due to COVID-19, and that cash and food transfers have reached both the rural areas and poor households, albeit with limited progressivity.





- In Myanmar New Year holidays lockdown period (April 10-20), in-kind assistance of five basic foods (rice, edible oil, salt, onion and peas) worth 71.1 billion kyat was provided to 5.3 million households.
- During June-July 2020, GAD provided two cash transfers for households without regular income totaling 218.1 billion kyat of 20,000 kyat ($15) per household, reaching 5.4 million households, followed by another cash such transfer in September worth 113.5 billion kyat for 5.6 million households.
- The Ministry of Social Welfare, Relief and Resettlement provided cash assistance of 30,000 kyat ($20) each to pregnant women and children under age 2 at IDP camps in Kachin and Shan states, senior citizens aged 85 and above, and 457,000 pregnant women. The cash for works program started in June in some regions for small farmer families.

A new round of cash transfer has started in mid-November with an allocation of 164 billion kyat. These transfers have targeted those regions most affected by the second wave of the virus spread. Going forward, larger scale transfers would make a greater dent in mitigating poverty while a further expansion of MCCT would reach the most vulnerable. The eligibility criteria for such programs should be further refined with the support of development partners such as ADB and the World Bank to better target the poor only and reach all regions of the country including conflict areas.

18. The authorities will avail of the extended DSSI, with potential external debt service savings of US$367 million in FY2020/21. This is higher than the US$67 million expected due to the extension of the DSSI to June 2021. Staff assesses the increase in gross financing needs following the expiration of the DSSI to be manageable. The authorities commit to the DSSI requirements as under the previous RCF/RFI (¶5, Letter of Intent (LOI), Appendix 1).

19. The authorities have undertaken several measures to boost spending efficiency and support good governance (see IMF Country Report 20/215; ¶6 LOI), including:

- *Improved accounting, monitoring and reporting of COVID-related expenditures*. Quarterly reports on the Ministry of Planning, Finance and Industry (MOPFI) website on all COVID-related expenditures have been published online.

- *Audit COVID-related expenditures*. An agreement between the Office of the Auditor General for Myanmar (OAGM) and MOPFI has been reached on financial auditing of CERP-related expenditures using a risk-based approach with development partner assistance, and a report is to be disseminated as scheduled by March 2021.

- *Strengthen procurement disclosure*. A report with the information agreed on procurement contracts above MMK 100 million and ex-post delivery has been published on the MOPFI website within the three-month deadline, with unit prices where such a breakdown is available. The coverage of procurement information disseminated will be widened beyond COVID-spending to mid-sized procurements, starting with a few key ministries on a pilot basis, with the assistance of the World Bank under the PFM II operation being negotiated.

- *Debt transparency*. The authorities have and will continue publishing comprehensive public debt data through their annual Government Debt Report in accordance with the Public Debt Management Law including information on external debt guarantees.

20. Efforts to improve cash management and coordination between Treasury and CBM should continue. This will help support debt management and reduce the risk of surges in monetary financing. Recent progress includes development of a cash planning model and initial steps in the development of a Treasury Single Account-lite in collaboration with the World Bank.

21. There is a need to develop a framework for analyzing, monitoring, and reporting fiscal risks. This could prioritize an initial assessment of risks from macro critical state economic enterprises (SEEs) and public private partnerships (PPPs), government contracts, and domestic debt guarantees to produce a fiscal risk statement, to be reported annually to Parliament by the end of the fiscal year, while putting in place a database to begin recording and publishing contingent liabilities. Additional risks from COVID-19 measures (e.g., soft loans and credit guarantees) and the banking sector should be carefully monitored.

22. Well-sequenced tax and PFM reforms will support rising development expenditures needs over the medium term. COVID-related tax and tariff exemptions should be temporary. Given capacity constraints and the administrative reforms already underway, the near term focus should be on the Income Tax Law (ITL), followed in due course by the envisaged commercial tax amendment and the transition to the VAT over the medium term in sync with the rollout of Integrated Tax Administration System. The petroleum and mining fiscal regime should continue to be strengthened with elements of best practices embodied in the tax legislation, including in the ITL, supported by the new model production sharing contracts. The next phase of PFM reforms building on the findings of the Public Expenditure and Financial Accountability Framework should progress, particularly through the World Bank's PFM project.

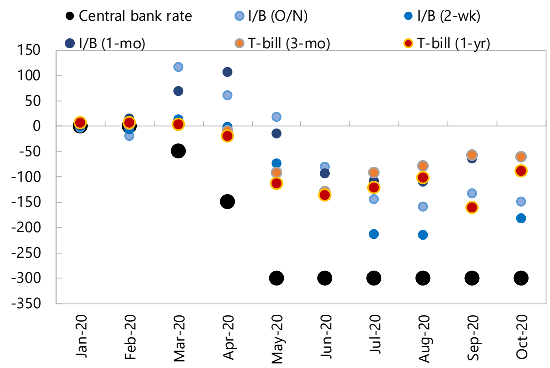
B. Monetary and Exchange Rate Policy

23. The CBM has maintained an appropriately accommodative stance. The policy rate has been cut by a cumulative 300 bps since the initial outbreak to 7 percent. The CBM has also extended the temporary reduction in the reserve requirement (RR) ratio to end-March 2021, temporarily suspended deposit auctions and raised the weight of long-term government securities in banks' liquidity ratio calculations to facilitate domestic debt issuance and liquidity, and introduced an FX swap facility for foreign banks. The temporary reduction in the RR ratio and higher weight on long-term government securities should be unwound when conditions permit as they are not appropriate from a prudential perspective. With the policy rate cuts yet to fully pass-through to the economy (Text chart 6), and in view of a subdued and uncertain outlook, the monetary stance remains appropriate, and should be reviewed periodically. Should growth decline further, deeper cuts in the interest rate will need to be carefully weighed against the risk of eroding depositor confidence. Given Myanmar's experience with reserve money growth, the targeted decline in monetary financing to below 5 percent of last year's reserve money will help realize the 2020/21 monetary aggregates targets and preserve external stability.

24. Monetary operations should be upgraded to ensure ample liquidity while strengthening the monetary policy framework. The monetary policy framework should be clarified by articulating a broad inflation objective and constituting a monetary policy committee to periodically review and communicate the policy stance. The CBM should further refine the operational framework by facilitating credit auctions and repos, improving deposit auctions, clearly distinguishing the discount window from an emergency liquidity assistance (ELA) facility, and introducing an interest on excess reserves framework when conditions permit; while strengthening liquidity forecasting to guide interbank rates.

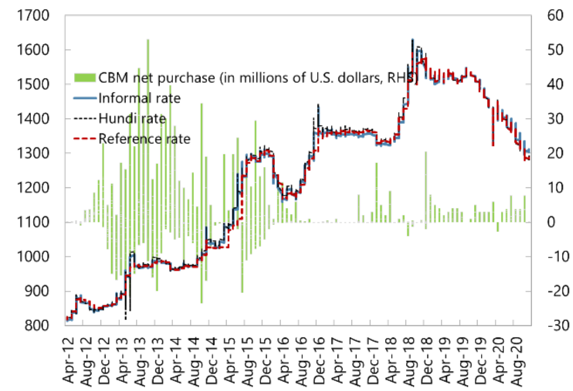
25. Exchange rate flexibility will help cushion against the external shock, while FX reserves should increase. FX purchases activated by the recently adopted intervention rule supported by Fund TA is to be commended (Text chart 7). The recent appreciation pressures may turn out to be temporary as imports recover and remittances fall back. With the exchange rate broadly aligned with fundamentals (see IMF Country Report 20/88) and reserve coverage remaining inadequate, FX intervention should continue and potentially be expanded to support reserve accumulation and limit excessive exchange rate volatility and disorderly market conditions. This would also provide a buffer in case of any shortfall or delay in external financing.

Text Figure 6. Myanmar: Interest Rates: Cumulative Change since Dec 2019
(In basis points)



Source: Central Bank of Myanmar.

Text Figure 7. Myanmar: FX Intervention
(Kyat/U.S. dollar)



Source: Central Bank of Myanmar.

C. Financial Sector Policies

26. The phased-in compliance with prudential regulations should be based on the progression of COVID-19. Giving banks flexibility on meeting prudential requirements up to August 2023 may undermine confidence in the banking system and raise further potential public recapitalization needs. The CBM should require banks to design policies and procedures for approving, monitoring and prudently and proactively restructuring loans related to COVID-19, based on forward looking assessments of economic conditions and borrowers' credit risk profiles. It should also clarify the need to differentiate clearly between borrowers who are suffering from temporary setbacks due to COVID-19 and borrowers who are unviable irrespective of COVID-19. To this end, loans that were classified as NPLs as of March 31, 2020 should maintain their classification even if they have been restructured after March 31, 2020. The authorities should ideally conduct an impact analysis, develop a gradual transition period, reinstate loan loss provisioning and other prudent requirements, and require capital improvement plans as soon as the health crisis subsides.

27. Banks' asset quality and solvency positions should continue to be examined closely for further deterioration and NPLs addressed as soon as feasible. CBM's supervision department has already identified legacy NPLs and is assessing compliance with prudential benchmarks on a quarterly basis. Supervisors should also introduce enhanced monitoring of banks (particularly of weak or vulnerable institutions) including on liquidity, the quality of restructured and moratoria loans, and the related income accrual. Banks transitioning to International Financial Reporting Standards (IFRS) 9 should be required to also report under the old CBM standard to support supervisors' assessments of banks' true capital positions. The CBM should also closely follow aggregate trends in these areas.

28. A comprehensive strategy to address nonperforming loans should be advanced. The immediate priority should be to assess banks' true positions through a targeted asset quality review (AQR) by international auditors of systemically important banks. Following this, a comprehensive strategy for NPL resolution should be devised entailing a combination of measures. An asset management company (AMC) may not be a feasible policy option under this strategy since there are a number of preconditions for an AMC to operate effectively, which are not yet met in Myanmar. Now is the right time both to prepare for the AQR and to start building a strong resolution framework, including facilitating alternative recovery options since the insolvency framework remains inadequate. An interagency financial sector committee—including high level representatives from the CBM and MOPFI—would support the development of a comprehensive strategy for banking sector reform. The Fund and the World Bank stand ready to assist.

29. Contingency arrangements should also be urgently prepared to address potential banking sector stress. These would help support liquidity provision in the system and maintain stability in the payments system, both of which are critical for ensuring financial stability and supporting bank intermediation. To this end, the CBM should set up an emergency liquidity assistance (ELA) for viable but illiquid banks on a secured basis in close coordination with the MOPFI.

30. The authorities continue to progress on addressing gaps in the AML/CFT framework, despite challenges presented by COVID restrictions. In response to Myanmar's placement on the Financial Action Task Force Gray List, recent efforts on the time bound remedial Action Plan include the development of risk assessment tools for banks, new regulations for banks, and training, with the support of development partners including the Fund. The Financial Intelligence Unit is to be operationally transferred to the MOPFI in an effort to strengthen its operational independence.

MODALITIES OF IMF SUPPORT UNDER THE RCF/RFI

31. Staff views the second RCF/RFI as essential. The immediate and sizable 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 mitigate the adverse socioeconomic costs of the pandemic and catalyze additional external financing.

32. Staff considers an access of 50 percent of quota (SDR 258.4 million or about US$356.51 million) under the RCF/RFI to be appropriate, given the economic impact of the pandemic. Of this, SDR 86.13 million (16.67 percent of quota) is from PRGT resources and SDR 172.27 million (33.33 percent of quota) is from GRA resources. Fund financing would amount to 38 percent of Myanmar's external financing gap in FY2020/21 and will encourage engagement from other external partners.

33. Myanmar is assessed as having a low risk of debt distress and an adequate capacity to repay the Fund. The risks of external and overall debt distress continue to be assessed as low. However, prevailing downside risks present vulnerabilities; under an alternative scenario involving a prolonged outbreak interacting with banking sector fragilities, the risk of debt distress would rise to moderate. Staff assesses Myanmar's capacity to repay the Fund as adequate: peak liabilities to the Fund would amount to 0.9 percent of GDP or 8.7 percent of gross international reserves (Table 8).

34. The purchase and disbursement will be channeled to the CBM to be on-lent to the MOPFI for budget support. The authorities have committed to a safeguards assessment of the CBM and will 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. The authorities confirm that an updated Memorandum of Understanding between CBM and MOPFI regarding their respective roles and responsibilities for servicing financial obligations to the IMF has been signed.

STAFF APPRAISAL

35. The COVID-19 outbreak continues to pose significant human and economic costs to Myanmar. The second wave has strained the frail healthcare system and still low international reserves and amplified financial sector vulnerabilities already pressured by the first wave. Additional policy measures are urgently required to mitigate the socioeconomic costs of the virus, particularly for vulnerable groups. Recent containment measures and subdued external demand would result in Myanmar's growth falling sharply to 0.5 percent in FY2020/21. The fiscal and current account deficits would widen, resulting in sizable BOP and fiscal financing needs of US$1 billion (1.1 percent of GDP) for the fiscal year.

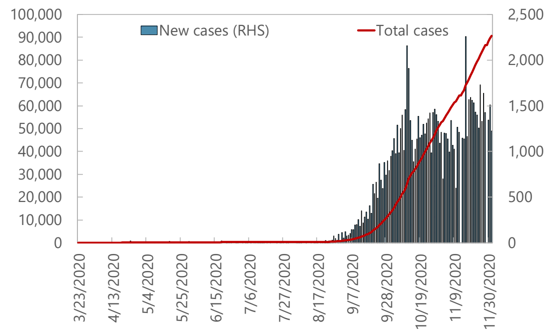
36. Staff supports the authorities' policy intentions as outlined in the LOI. In the near term, efforts should be focused on containing the spread of the virus, directing policies to boosting health and social spending and providing relief to affected groups, including in the conflict regions, while safeguarding external and financial stability. The authorities' commitments on fiscal and debt reporting, procurement disclosure, and auditing, 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 stress.

37. Staff supports the authorities' request for a second disbursement/purchase under a 1:2 blend of the RCF and RFI of SDR 258.4 million (50 percent of quota). The COVID-19 shock has created actual and urgent BOP needs. Budget support would enable the authorities to direct resources toward the needed containment measures and associated policy response, while supporting macro-financial stability. Myanmar has made significant strides in implementing the spending transparency commitments made in the LOI for the first RCF/RFI request and efforts are being made to extend support equitably across the country, including to conflict regions and ethnic minorities. Fund financing would also catalyze additional external financing. Despite significant uncertainty around the outlook, Myanmar's debt remains sustainable and its capacity to repay the Fund is adequate (Tables 7 and 8).

Figure 1. Myanmar: Health Sector

Myanmar is experiencing a more intense second wave of COVID-19…

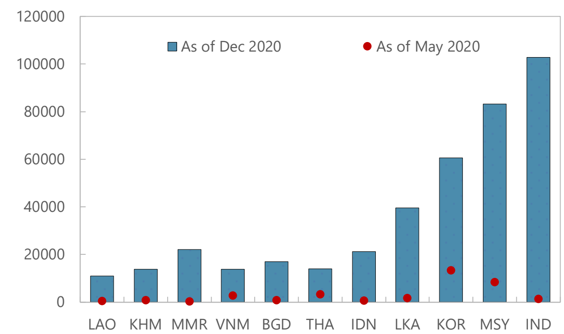
Myanmar: Total and New Cases of COVID-19
(Persons)



Sources: World Health Organization; and CEIC Data Co.

…and although testing capacity has been significantly expanded, it remains low.

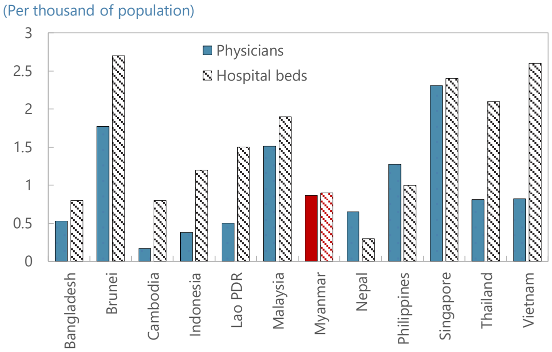
COVID-19: Tests per million population



Source: Worldometer
Note: As of October 29, 2020

Health care provision is inadequate…

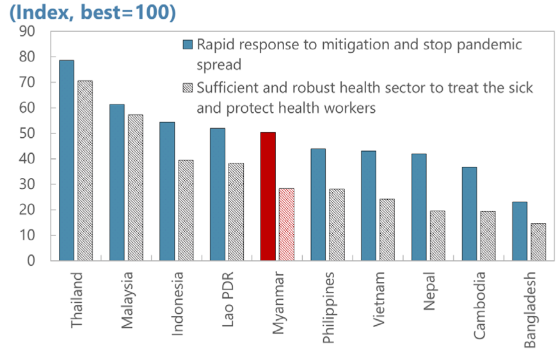
Hospital Beds and Physicians
(Per thousand of population)



Source: World Bank.

…and health care system preparedness is assessed as low.

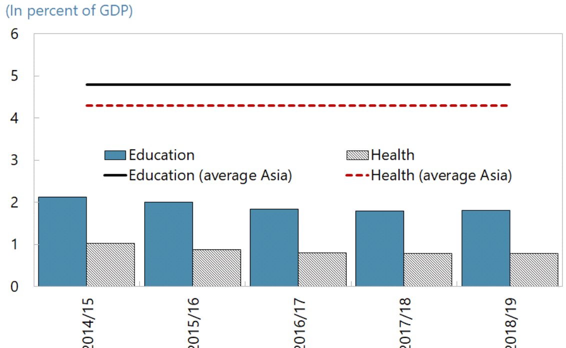
Myanmar: Health System Preparedness (Index, best=100)



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

Health and social spending still lag behind peers…

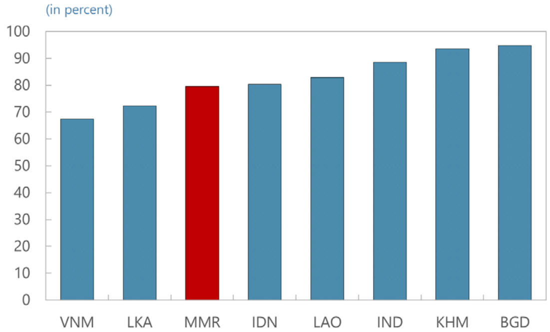
Union Government Spending on Education and Health
(In percent of GDP)



Source: Myanmar authorities.

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

Share of informal employment
(in percent)

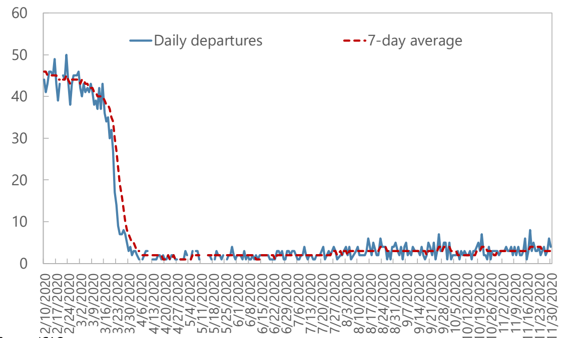


Note: Figures by latest year available: 2019 for IDN, VNM; 2018 for IND, MMR, THA; 2017 FOR BGD, LAO, LKA; 2012 FOR KHM.
Source: ILOSTAT

Figure 2. Myanmar: Macroeconomic Developments

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

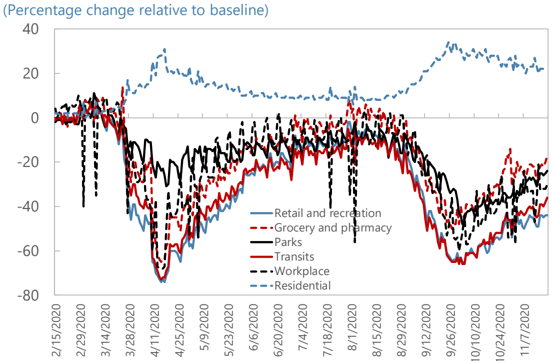
Myanmar: Daily Flight Departures



Source: ICAO.
Note: Departures for Yangon Airport; does not include relief and medical evacuation flights or other special flights approved by the Department of Civil Aviation.

and domestic demand will slow as containment measures set in…

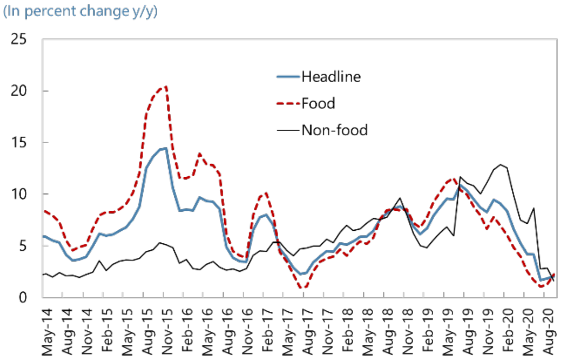
Myanmar: Mobility Changes
(Percentage change relative to baseline)



Sources: Google COVID Community Reports

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

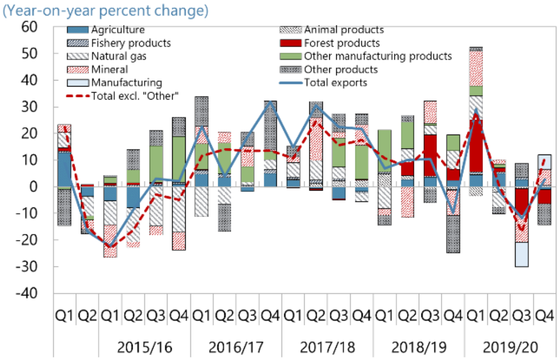
Inflation
(In percent change y/y)



Sources: Myanmar authorities; and IMF staff estimates.

Exports appear to have begun recovering after the first wave …

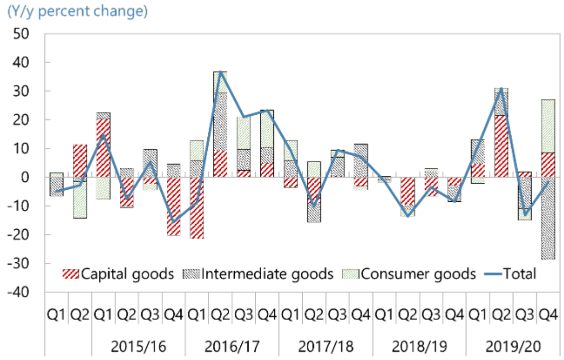
Goods Exports
(Year-on-year percent change)



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

…while imports picked up at the end of the year

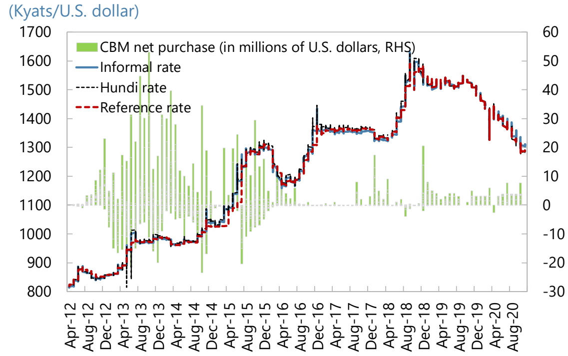
Goods Imports
(Y/y percent change)



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

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

Foreign Exchange Intervention
(Kyats/U.S. dollar)

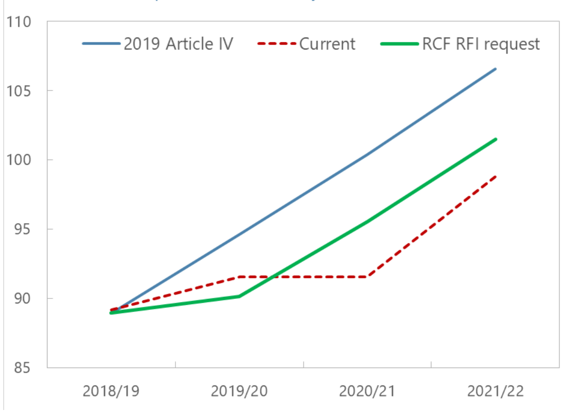


Source: Central Bank of Myanmar.

Figure 3. Myanmar: Macrofinancial Impact of COVID-19

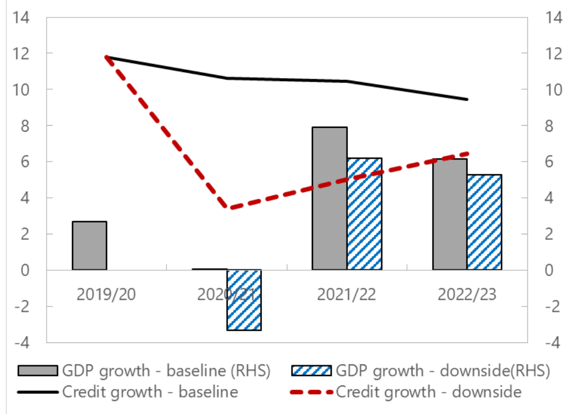
With the second wave, GDP growth is expected to fall even lower than the pre-COVID-19 baseline over the medium term…

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



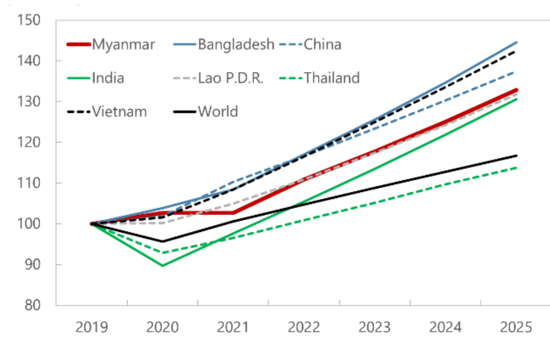
…and could fall more sharply in an adverse scenario where banking sector fragilities crystalize, as consistent with the experience of other financially shallow countries.

GDP and Credit Growth: Baseline vs. Adverse Scenario
(In percent)



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

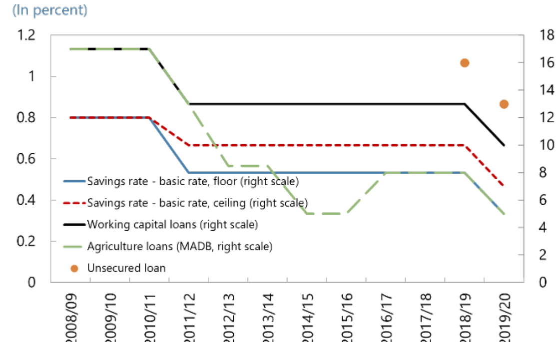
Baseline Real GDP: Myanmar vs October 2020 WEO
(2019=100)



Sources: WEO; and IMF staff calculations.

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

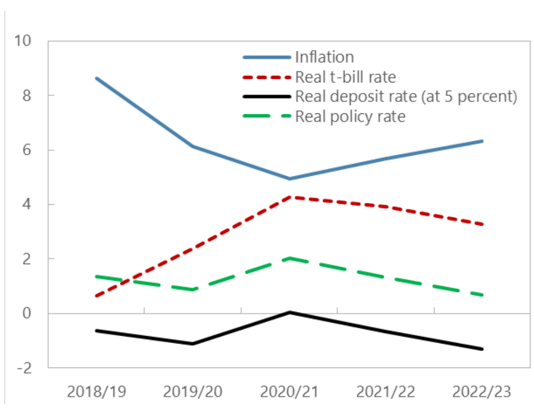
Retail Saving and Lending Interest Rates
(In percent)



Source: Central Bank of Myanmar.

…shifting real deposit and lending rates downward…

Inflation and Real Interest Rates
(in percent)



.. and while deposits have remained robust, credit growth is slowing.

Credit to the private sector and deposits
(y/y percent change)

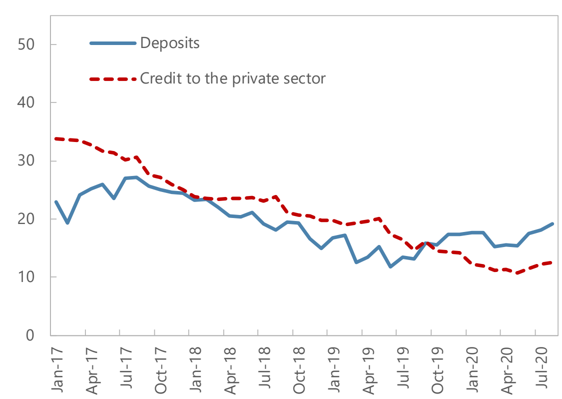
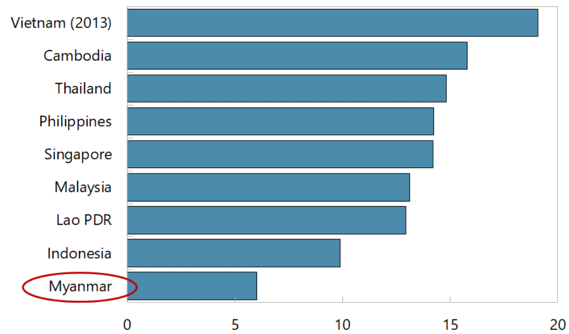


Figure 4. Myanmar: Macro-Fiscal and Monetary Developments

Tax revenue low is relative to peers…

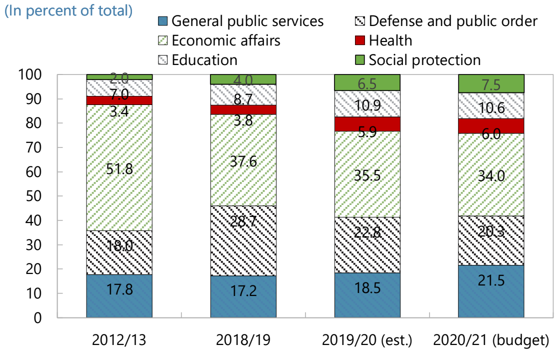
Tax Revenue, 2017
(In percent of GDP)



Sources: World Bank; and IMF staff estimates.

…while social spending remains limited.

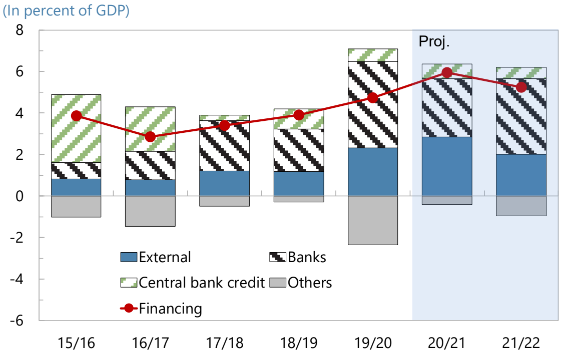
Spending Composition
(In percent of total)



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 as domestic bank financing has gradually picked up…

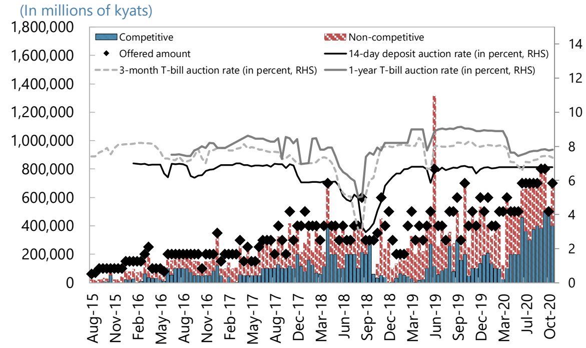
Fiscal Financing
(In percent of GDP)



Sources: Myanmar authorities; and IMF staff estimates.

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

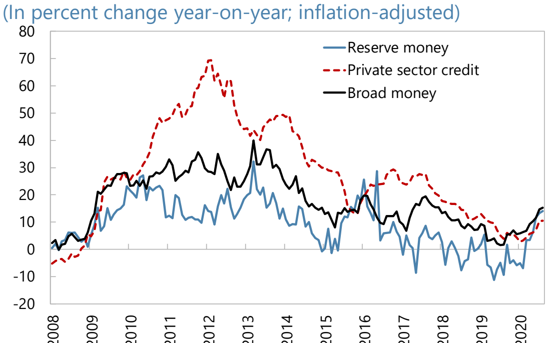
Myanmar: T-bill Auctions (Issued vs. Offer) and Rates
(In millions of kyats)



Sources: CBM/MOPFI; and IMF staff estimates.

Monetary aggregates have been contained.

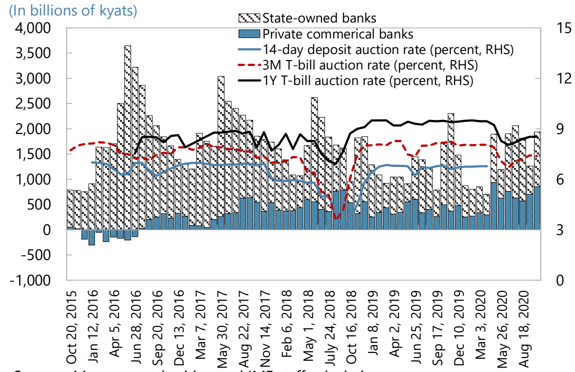
Reserve and Broad Money, and Private Sector Credit
(In percent change year-on-year; inflation-adjusted)



Sources: Myanmar authorities; and IMF staff estimates.

Interbank liquidity has built up following a tightening in March/April.

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	2017/18	2018/19	2019/20	2019/20	2020/21	2020/21
	Est.	Est.	Proj.	RCF/RFI	Proj.	RCF/RFI	Proj.
Output and prices							
Real GDP [2]	5.8	6.4	6.8	1.4	3.2	6.0	0.5
CPI (end-period; base year from 2014/15=2012)	3.4	8.6	9.5	4.4	3.3	7.2	5.4
CPI (period average; base year from 2014/15=2012)	4.6	5.9	8.6	5.9	6.1	6.3	5.0
Consolidated public sector [3]				(In percent of GDP)			
Total revenue	17.9	17.6	16.3	14.8	15.6	14.7	15.1
Tax revenue	7.2	7.1	6.6	6.0	6.5	6.1	6.5
Social contributions	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.4	0.3	0.4	0.4	0.5	0.4	0.3
Other revenue	10.3	10.1	9.3	8.3	8.5	8.1	8.2
Total expenditure	20.8	21.0	20.3	20.6	20.3	20.5	21.1
Expense	14.3	13.9	13.5	14.2	14.2	14.1	14.7
Net acquisition of nonfinancial assets	6.4	7.1	6.8	6.4	6.1	6.3	6.3
Gross operating balance	3.6	3.7	2.9	0.7	1.4	0.6	0.4
Net lending (+)/borrowing (-)	-2.9	-3.4	-3.9	-5.8	-4.7	-5.8	-6.0
Total public and publicly guaranteed (PPG) debt	38.5	40.4	38.8	43.6	38.2	45.8	42.9
Money and credit				(Percent change)			
Reserve money	8.0	4.6	11.3	14.5	14.6	13.6	13.2
Broad money	21.4	18.6	15.4	14.1	15.4	15.1	11.8
Domestic credit	22.3	21.4	17.9	15.8	17.2	16.0	12.9
Private sector	27.6	21.1	16.1	14.4	12.3	13.2	10.9
Balance of payments [4]				(In percent of GDP)			
Current account balance	-6.8	-4.7	-2.8	-4.0	-3.5	-4.2	-4.4
Trade balance	-7.6	-5.2	-3.2	-3.3	-3.4	-4.1	-3.5
Financial account	-8.5	-5.9	-4.0	-4.7	-4.2	-5.3	-4.8
Foreign direct investment, net [5]	-5.8	-4.8	-3.1	-2.7	-2.5	-2.9	-2.8
Overall balance	0.5	0.5	0.3	0.7	0.8	1.1	0.4
CBM reserves (gross)							
In millions of U.S. dollars	5,142	5,462	5,668	6,840	6,772	7,733	7,859
In months of prospective GNFS imports	3.2	3.8	3.9	5.0	4.7	5.0	5.0
As a share of broad money	15.2	15.6	13.8	13.8	12.2	13.0	13.0
Total PPG external debt (billions of U.S. dollars)	9.1	9.8	10.1	12.0	11.1	13.5	12.9
Total PPG external debt (percent of GDP)	15.0	16.4	14.8	16.9	12.6	17.4	14.1
Exchange rates (kyat/$, end of period)							
Official exchange rate	1,357.7	1,551.5	1,533.0	...	1,322.5	...	...
Parallel rate	1,350.9	1,563.6	1,533.1	...	1,333.5	...	...
Memorandum items:							
GDP (billions of kyats)	82,700	92,789	105,259	112,999	115,526	128,239	122,844
GDP (billions of US$)	61.3	66.7	68.8	...	81.6	...	...
GDP per capita (US$)	1,267	1,279	1,242	1,321	1,321	1,440	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 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 2. Myanmar: Summary Operations of the Nonfinancial Public Sector, 2015/16–2020/21 1/

(Consolidated accounts, in billions of kyats)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Est.	Est.	Proj.	Proj.	Proj.	Proj.
	(In billions of kyats)					
Revenue	14,811	16,358	17,209	18,010	18,593	**22,054**
Taxes	5,913	6,604	6,912	7,494	8,030	9,920
On income, profits, and capital gains	1,888	1,938	2,198	2,368	2,518	3,313
On property	39	40	37	40	43	49
On goods and services	3,431	3,966	4,154	4,512	4,859	5,857
On international trade & transactions	495	588	464	509	541	621
Other taxes	60	71	59	65	69	79
Social contributions	78	110	130	143	152	174
Grants	332	277	415	596	307	366
Other revenue	8,487	9,366	9,752	9,776	10,104	11,594
Property income	1,222	1,735	1,756	1,927	2,049	2,351
Sales of goods and services 2/	7,265	7,631	7,997	7,849	8,055	9,243
Expenditure	17,174	19,515	21,321	23,488	25,904	**29,454**
Expense	11,846	12,916	14,171	16,449	18,113	19,949
Compensation of employees	3,014	3,598	3,723	4,086	4,345	4,986
Purchases/use of goods & services	6,227	6,579	7,639	8,384	9,161	10,089
Interest	1,135	1,687	1,588	1,873	2,122	2,728
External	235	463	235	232	159	311
Domestic	900	1,224	1,353	1,641	1,964	2,417
Subsidies and transfers	0	64	53	231	246	0
Social benefits	711	784	971	1,527	1,993	1,864
Other expense	759	205	197	347	246	282
Net acquisition of nonfinancial assets	5,328	6,599	7,150	7,039	7,792	9,505
Balances						
Gross operating balance	2,965	3,442	3,038	1,561	481	2,105
Net lending/borrowing	-2,364	-3,157	-4,112	-5,478	-7,311	-7,399
Net acquisition of financial assets	-203	-13,478	-533	1,558	100	79
Domestic	-212	-13,482	-533	1,557	100	78
Currency and deposits	-304	-13,494	-542	66	33	17
Central Bank	0	-327	-674	0	0	0
Commercial banks	-305	-13,168	132	66	33	17
Loans	-59	-41	-7	1,429	0	0
Equity	152	54	16	62	67	62
External	8	3	0	1	1	1
Equity	8	3	0	71	53	62
Net incurrence of liabilities	2,160	-10,321	3,579	7,036	7,411	**7,478**
Domestic	2,009	-10,758	2,981	5,508	4,317	5,883
Securities	2,000	1,993	2,987	5,508	4,317	5,883
Central bank	1,782	237	1,009	700	863	751
Commercial banks	1,132	2,263	2,144	4,808	3,453	5,133
Nonbanks	-914	-506	-167	0	0	0
Loans	10	-12,751	-6	0	0	0
External	151	437	598	1,528	3,094	1,595
Of which: Loans	650	1,114	1,262	2,690	3,502	2,854
Of which: Exceptional financing (RCF/RFI)	...	...	...	506	506	
Of which: Exceptional financing (DSSI)	...	...	...	162	533	

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 accounts, in percent of GDP)

	2015/16	2016/17	2017/18	2018/19	2019/20	2019/20	2020/21	2020/21
	Act.	Est.	Est.	Proj.	RCF/RFI	Proj.	RCF/RFI	Proj.
				(In percent of GDP)				
Revenue	19.6	17.9	17.6	16.3	14.8	15.6	14.7	15.1
Taxes	7.1	7.2	7.1	6.6	6.0	6.5	6.1	6.5
On income, profits, and capital gains	2.4	2.3	2.1	2.1	1.7	2.1	1.7	2.1
On goods and services	3.9	4.1	4.3	3.9	3.8	3.9	3.8	4.0
On international trade & transactions	0.6	0.6	0.6	0.4	0.4	0.4	0.4	0.4
Other taxes	0.1	0.1	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	0.1	0.1
Grants	0.5	0.4	0.3	0.4	0.4	0.5	0.4	0.3
Other revenue	11.9	10.3	10.1	9.3	8.3	8.5	8.1	8.2
Property income	1.4	1.5	1.9	1.7	1.3	1.7	1.3	1.7
Sales of goods and services 2/	10.5	8.8	8.2	7.6	7.0	6.8	6.9	6.6
Expenditure	23.4	20.8	21.0	20.3	20.6	20.3	20.5	21.1
Expense	16.0	14.3	13.9	13.5	14.2	14.2	14.1	14.7
Compensation of employees	3.4	3.6	3.9	3.5	2.8	3.5	2.8	3.5
Purchases/use of goods & services	8.2	7.5	7.1	7.3	8.6	7.3	8.4	7.5
Interest	1.3	1.4	1.8	1.5	1.6	1.6	1.7	1.7
External	0.3	0.3	0.5	0.2	0.2	0.2	0.2	0.1
Domestic	1.0	1.1	1.3	1.3	1.5	1.4	1.5	1.6
Subsidies and transfers	0.4	0.0	0.1	0.1	0.2	0.2	0.2	0.2
Social benefits	0.9	0.9	0.8	0.9	1.0	1.3	1.1	1.6
Other expense	1.8	0.9	0.2	0.2	0.1	0.3	0.1	0.2
Net acquisition of nonfinancial assets	7.4	6.4	7.1	6.8	6.4	6.1	6.3	6.3
Balances								
Gross operating balance	3.5	3.6	3.7	2.9	0.7	1.4	0.6	0.4
Net lending/borrowing	-3.9	-2.9	-3.4	-3.9	-5.8	-4.7	-5.8	-6.0
Net acquisition of financial assets								
Domestic	0.9	-0.3	-14.5	-0.5	0.2	1.3	0.1	0.1
Currency and deposits	0.6	-0.4	-14.5	-0.5	0.1	0.1	0.0	0.0
Central Bank	0.5	0.0	-0.4	-0.6	0.0	0.0	0.0	0.0
Commercial banks	0.1	-0.4	-14.2	0.1	0.1	0.1	0.0	0.0
Loans	0.2	-0.1	0.0	0.0	0.0	1.2	0.0	0.0
Equity	0.1	0.2	0.1	0.0	0.1	0.1	0.1	0.1
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Net incurrence of liabilities	4.8	2.6	-11.1	3.4	5.9	6.1	5.9	6.0
Domestic	4.7	2.4	-11.6	2.8	3.5	4.8	4.0	3.5
Securities	4.0	2.4	2.1	2.8	3.5	4.8	4.0	3.5
Central bank	3.3	2.2	0.3	1.0	1.2	0.6	0.9	0.7
Commercial banks	0.8	1.4	2.4	2.0	2.4	4.2	3.2	2.8
Nonbanks	-0.1	-1.1	-0.5	-0.2	0.0	0.0	0.0	0.0
Loans	0.7	0.0	-13.7	0.0	0.0	0.0	0.0	0.0
External	0.1	0.2	0.5	0.6	2.4	1.3	1.9	2.5
Loans	0.8	0.8	1.2	1.2	2.7	2.3	2.0	2.9
Of which: Exceptional financing (RCF/RFI)	...	...	...	...	0.5	0.4	0.0	0.4
Of which: Exceptional financing (DSSI)	...	...	...	...	0.5	0.1	0.1	0.4
Memorandum items:								
Primary balance	-2.6	-1.5	-1.6	-2.4	-4.2	-3.1	-4.1	-4.2
Functional breakdown of public sector expenditure								
Economic affairs	11.0	9.7	9.6	8.7	10.4	7.2	9.9	7.2
Social services	5.0	4.5	4.9	4.9	5.5	5.9	6.2	6.2
Of which: education	2.1	2.0	2.0	2.0	2.1	2.2	2.3	2.2
Of which: health	1.0	0.9	1.0	0.9	1.3	1.2	1.7	1.3
Defense	4.1	3.7	3.7	3.3	2.6	2.3	2.4	2.1
Total public and publicly guaranteed (PPG) debt	38.3	38.5	40.4	38.8	42.7	38.2	44.7	42.9
Of which: held by CBM	16.1	15.8	16.5	14.6	15.0	14.3	14.1	14.5
Of which: other and external	22.2	22.6	23.9	24.2	27.6	23.9	30.6	28.4
Total domestic public debt	22.2	23.4	24.0	24.0	25.8	25.6	27.3	28.8
Total external PPG debt	16.1	15.0	16.4	14.8	16.9	12.6	17.4	14.1
Of which: Arrears	0.0	0.0	0.0	0.0		0.0		0.0
GDP (in billions of kyat)	74,216	82,700	92,789	105,259	112,999	115,526	128,239	122,844
CBM financing (share of reserve money)	17.5	11.6	1.4	5.8	6.7	3.6	4.4	3.9
CBM financing (share of domestic financing)	70	89	-2	34	33	13	21	20

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 Act.	2017 Est.	2017/18 Est.	2018 Est.	2018/19 Est.	2019/20 RCF/RFI	2019/20 Proj.	2020/21 RCF/RFI	2020/21 Proj.	2021/22 Proj.	2022/23 Proj.	2023/24 Proj.
	(In millions of U.S. dollars)											
Current Account	-4,162	-3,974	-3,139	-3,144	-1,945	-2,785	-2,829	-3,218	-3,688	-3,547	-3,591	-3,682
(In percent of GDP)	-6.8		-4.7	-4.7	-2.8	-4.0	-3.5	-4.2	-4.4	-3.8	-3.5	-3.3
Trade balance	-4,643	-4,636	-3,471	-3,471	-2,219	-2,292	-2,762	-3,098	-2,977	-3,087	-3,180	-3,247
(In percent of GDP)	-7.6		-5.2	-5.2	-3.2	-3.3	-3.4	-4.1	-3.5	-3.3	-3.1	-2.9
Balance on goods	-5,816	-5,816	-4,362	-4,362	-2,978	-2,395	-3,483	-2,937	-3,236	-3,462	-3,684	-3,894
(In percent of GDP)	-9.5		-6.5	-6.5	-4.3	-3.4	-4.3	-3.9	-3.8	-3.7	-3.6	-3.5
Merchandise exports f.o.b.	9,475	9,475	11,226	11,226	10,463	9,165	10,636	10,302	10,835	11,982	12,984	14,944
Merchandise imports f.o.b.	15,291	15,291	15,587	15,587	13,440	11,560	14,119	13,239	14,071	15,444	16,668	18,838
Balance on services	1,173	1,181	890	890	759	103	722	-162	259	376	505	647
(In percent of GDP)	1.9		1.3	1.3	1.1	0.1	0.9	-0.2	0.3	0.4	0.5	0.6
Exports of services, total	3,730	3,742	4,428	4,428	4,624	3,195	3,904	3,116	3,553	3,802	4,068	4,353
Imports of services, total	2,557	2,561	3,537	3,537	3,865	3,092	3,183	3,278	3,294	3,426	3,563	3,706
Primary income balance	-1,649	-1,622	-1,960	-1,960	-2,023	-2,156	-2,249	-2,156	-2,314	-2,374	-2,511	-2,644
(In percent of GDP)	-2.7		-2.9	-2.9	-2.9	-3.1	-2.8	-2.8	-2.7	-2.5	-2.5	-2.4
Receipts	1,168	1,168	1,264	1,264	1,467	1,492	1,192	1,492	1,216	1,246	1,280	1,319
Expenditures	2,817	2,789	3,224	3,224	3,490	3,647	3,441	3,647	3,530	3,620	3,792	3,962
Secondary income balance	2,131	2,283	2,292	2,288	2,297	1,662	2,182	2,036	1,603	1,914	2,100	2,209
(In percent of GDP)	3.5		3.4	3.4	3.3	2.4	2.7	2.7	1.9	2.0	2.1	2.0
Capital and Financial Account	-5,189	-4,334	-3,952	-3,952	-2,737	-3,282	-3,464	-4,046	-4,056	-4,069	-4,697	-5,462
(In percent of GDP)	-8.5		-5.9	-5.9	-4.0	-4.7	-4.2	-5.3	-4.8	-4.3	-4.6	-4.9
Capital account	1	1	1	1	0	0	0	0	0	0	0	0
Financial account (+ = net increase / - = net decrease)	-5,190	-4,335	-3,952	-3,952	-2,737	-3,282	-3,464	-4,046	-4,056	-4,069	-4,697	-5,462
(In percent of GDP)	-8.5		-5.9	-5.9	-4.0	-4.7	-4.2	-5.3	-4.8	-4.3	-4.6	-4.9
Direct investment	-3,563	-2,959	-3,229	-3,230	-2,131	-1,865	-2,059	-2,216	-2,341	-2,908	-3,632	-4,482
(In percent of GDP)	-5.8		-4.8	-4.8	-3.1	-2.7	-2.5	-2.9	-2.8	-3.1	-3.6	-4.0
Assets	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities	3,563	2,959	3,229	3,230	2,131	1,865	2,059	2,216	2,341	2,908	3,632	4,482
Portfolio investment	5	5	-1	-2	-30	0	0	0	0	0	0	0
(In percent of GDP)	0		0	0	0	0	0	0	0	0	0	0
Assets	36	36	-1	-2	-30	0	0	0	0	0	0	0
Liabilities	31	31	0	0	0	0	0	0	0	0	0	0
Other investment	-1,631	-1,380	-721	-721	-575	-1,417	-1,405	-1,830	-1,715	-1,161	-1,064	-980
(In percent of GDP)	-2.7		-1.1	-1.1	-0.8	-2.0	-1.7	-2.4	-2.0	-1.2	-1.0	-0.9
Assets	-986	-986	-417	-417	474	0	281	0	0	0	0	0
Liabilities	645	394	304	304	1,050	1,417	1,685	1,830	1,715	1,161	1,064	980
Of which: MLT debt disbursements	482	482	801	801	825	1,653	1,240	1,986	2,062	1,897	1,939	1,979
Of which: repayments due	-370	-370	-487	-487	-434	-632	-632	-647	-647	-837	-875	-999
Net errors and omissions	-147	-147	-493	-488	-586	0	0	0	0	0	0	0
(In percent of GDP)	-1.2		-0.7	-0.7	-0.9	0	0.0	0	0.0	0.0	0.0	0.0
Overall balance with program	306	215	320	320	205	496	635	829	368	522	1,106	1,780
(In percent of GDP)	0.5		0.5	0.5	0.3	0.7	0.8	1.1	0.4	0.6	1.1	1.6
Financing	-306	-215	-320	-320	-205	-496	-635	-829	-368	-522	-1,106	-1,780
Change in Reserves (+ accumulation)	306	215	320	320	205	1,174	1,104	893	1,087	517	1,070	1,593
IMF disbursement (US$ million)[2]	…		…		…	357	357	…	357	…	…	…
IMF Repayments	…		…		…	-1	-1	-3	-5	-5	-36	-187
DSSI (US$ millions)[3]	…		…		…	322	114	67	367	…	…	…
Memorandum items:												
GDP (in millions of U.S. dollars)	61,267	61,332	66,699	66,699	68,802	69,939	81,554	75,887	…	…	…	…
Level of gross reserves (end of period)	5,142	5,132	5,462	5,462	5,668	6,840	6,772	7,733	7,859	8,376	9,446	11,038
Reserves (months of imports of G&S)	3.2	3.2	3.8	3.8	3.9	5.0	4.7	5.0	5.0	5.0	5.0	5.0
Reserves (in percent of broad money)	15.2		15.6	15.6	13.8	15.2	12.2	15.7	13.0	12.8	13.4	14.5
Total financing gap (US$ millions)	…		…		…	1,676	…	794	1,090	…	…	…

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/

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

	2016/17 Act.	2017/18 Act.	2018/19 Act.	2019/20 Proj.	2020/21 Proj.	2021/22 Proj.	2022/23 Proj.	2023/24 Proj.
Central Bank of Myanmar								
Net foreign assets	6,519	8,010	8,113	8,754	9,353	9,822	10,932	12,987
Foreign assets	6,999	8,544	8,659	9,765	10,853	11,371	12,442	14,036
Foreign liabilities	480	534	546	1,011	1,500	1,549	1,510	1,049
Net domestic assets	10,043	9,317	11,604	13,348	15,671	18,537	20,772	22,633
Net domestic credit	13,346	14,066	16,065	17,156	19,592	22,605	25,025	27,076
Net claims on central government	13,099	13,662	15,346	16,510	17,862	18,606	18,837	18,551
Net claims on deposit money banks	247	404	719	646	1,730	3,999	6,188	8,525
Other items net	-3,303	-4,749	-4,461	-3,808	-3,921	-4,068	-4,252	-4,443
Reserve Money	16,562	17,327	19,291	22,102	25,024	28,359	31,704	35,621
Currency in circulation	12,227	13,652	15,491	17,748	20,095	22,773	25,459	28,604
ODC liabilities	4,335	3,675	3,800	4,354	4,929	5,586	6,245	7,016
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	12,279	13,133	14,123	15,850	18,518
Foreign assets	12,737	14,702	15,351	17,431	18,663	20,726	22,602	26,064
Foreign liabilities	3,829	3,861	3,999	5,153	5,529	6,602	6,752	7,547
Net domestic assets	37,030	43,640	51,957	60,257	67,998	77,630	87,148	97,321
Net domestic credit	36,324	44,081	51,973	60,921	68,781	78,543	88,103	98,318
Net claims on government	15,730	19,115	22,923	28,431	32,748	38,631	44,365	50,672
CBM	13,099	13,662	15,346	16,510	17,862	18,606	18,837	18,551
Deposit money banks	2,631	5,453	7,578	11,921	14,885	20,025	25,528	32,120
Net credit to the economy	20,594	24,966	29,050	32,490	36,033	39,912	43,737	47,646
Other items net	706	-441	-16	-664	-783	-913	-954	-997
Broad money	45,938	54,480	62,883	72,536	81,131	91,753	102,999	115,838
Narrow money	14,641	17,192	19,608.7	22,618.7	25,298.9	28,611.2	32,117.8	36,121.6
Currency in circulation	9,973	11,504	13,063.4	15,068.7	16,854.2	19,060.9	21,396.9	24,064.3
Transferrable Deposits	4,668	5,688	6,545.4	7,550.1	8,444.7	9,550.4	10,720.8	12,057.3
Other deposits	31,297	37,288	43,275	49,917	55,832	63,142	70,881	79,717
Memorandum items:								
Money multiplier	2.8	3.1	3.3	3.3	3.2	3.2	3.2	3.3
Velocity	1.8	1.7	1.7	1.6	1.5	1.5	1.6	1.6
Reserve money (y/y percent change)	8.0	4.6	11.3	14.6	13.2	13.3	11.8	12.4
Broad money (y/y percent change)	21.4	18.6	15.4	15.4	11.8	13.1	12.3	12.5
Credit to private sector (y/y percent change)	27.6	21.1	16.1	12.3	10.9	10.8	9.6	8.9
Net credit to central govt. (y/y percent change)	15.6	21.5	19.9	24.0	15.2	18.0	14.8	14.2
Credit growth (y/y percent change)	22.3	21.4	17.9	17.2	12.9	14.2	12.2	11.6
Deposits (y/y percent change)	25.7	19.5	15.9	15.4	11.8	13.1	12.3	12.5
Reserve money (in percent of GDP)	20.0	18.7	18.3	19.1	20.4	20.1	19.8	19.7
Broad money (in percent of GDP)	55.5	58.7	59.7	62.8	66.0	65.1	64.5	63.9
Credit to private sector (in percent of GDP)	24.9	26.9	27.6	28.1	29.3	28.3	27.4	26.3
Credit to central government (in percent of GDP)	19.0	20.6	21.8	24.6	26.7	27.4	27.8	28.0
Deposits (in percent of GDP)	43.5	46.3	47.3	49.7	52.3	51.6	51.1	50.6
Credit to economy/deposits (in percent)	57.3	58.1	58.3	56.5	…	…	…	…
Nominal GDP (in billions of kyat)	82,700	92,789	105,259	115,526	122,844	140,961	159,799	181,245

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.

Table 6. Myanmar: Medium-Term Projections 2016/17–2025/26 1/

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Act.	Act.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Output and prices				(Percent change)						
Real GDP (staff working estimates) 2/	5.8	6.4	6.8	3.2	0.5	7.9	6.2	6.3	6.3	6.4
CPI (end-period; base year=2012)	3.4	8.6	9.5	3.3	5.4	5.9	6.7	6.7	6.7	6.7
CPI (period average; base year=2012)	4.6	5.9	8.6	6.1	5.0	5.7	6.3	6.3	6.3	6.3
Consolidated public sector 3/				(In percent of GDP)						
Total revenue	17.9	17.6	16.3	15.6	15.1	15.6	16.5	16.8	17.1	17.4
Tax revenue	7.2	7.1	6.6	6.5	6.5	7.0	7.4	7.7	8.0	8.3
Social contributions	0.1	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	0.5	0.3	0.3	0.3	0.3	0.3	0.3
Other revenue	10.3	10.1	9.3	8.5	8.2	8.2	8.6	8.6	8.6	8.6
Total expenditure	20.8	21.0	20.3	20.3	21.1	20.9	21.1	21.1	20.9	20.6
Expense	14.3	13.9	13.5	14.2	14.7	14.2	14.3	14.4	14.1	14.0
Net acquisition of nonfinancial assets	6.4	7.1	6.8	6.1	6.3	6.7	6.7	6.7	6.7	6.5
Gross operating balance	3.6	3.7	2.9	1.4	0.4	1.5	2.1	2.4	3.0	3.4
Net lending (+)/borrowing (-)	-2.9	-3.4	-3.9	-4.7	-6.0	-5.2	-4.6	-4.3	-3.8	-3.2
Total public and publicly guaranteed (PPG) debt	38.5	40.4	38.8	38.2	42.9	44.0	45.2	46.2	46.7	46.8
Money and credit				(Percent change)						
Reserve money	8.0	4.6	11.3	14.6	13.2	13.3	11.8	12.4	9.7	7.1
Broad money	21.4	18.6	15.4	15.4	11.8	13.1	12.3	12.5	10.5	7.5
Domestic credit	22.3	21.4	17.9	17.2	12.9	14.2	12.2	11.6	10.4	9.2
Private sector	27.6	21.1	16.1	12.3	10.9	10.8	9.6	8.9	8.7	8.5
Balance of payments 4/				(In percent of GDP, unless otherwise indicated)						
Current account balance	-6.8	-4.7	-2.8	-3.5	-4.4	-3.8	-3.5	-3.3	-3.7	-3.4
Trade balance	-7.6	-5.2	-3.2	-3.4	-3.5	-3.3	-3.1	-2.9	-3.3	-3.0
Exports	15.5	16.8	15.2	13.0	12.8	12.8	12.7	13.4	14.7	15.6
Gas exports	5.1	5.3	5.7	3.9	3.6	3.0	2.8	2.7	2.5	2.5
Imports	25.0	23.4	19.5	17.3	16.6	16.5	16.3	16.9	18.7	19.4
Financial account	-8.5	-5.9	-4.0	-4.2	-4.8	-4.3	-4.6	-4.9	-5.0	-5.5
Foreign direct investment, net 5/	-5.8	-4.8	-3.1	-2.5	-2.8	-3.1	-3.6	-4.0	-4.1	-4.0
Overall balance	0.5	0.5	0.3	0.8	0.4	0.6	1.1	1.6	1.2	2.1
CBM reserves (gross)										
In millions of U.S. dollars	5,142	5,462	5,668	6,772	7,859	8,376	9,446	11,038	12,295	14,949
In months of total imports	3.2	3.8	3.9	4.7	5.0	5.0	5.0	5.0	5.0	5.0
External debt										
Total external PPG debt (billions of U.S. dollars)	9.1	9.8	10.1	11.1	12.9	13.9	15.0	16.0	17.0	18.2
(In percent of GDP)	15.0	16.4	14.8	12.6	14.1	13.8	13.7	13.5	13.2	13.0
Exchange rates (kyat/$, end of period)										
Official exchange rate	1,358	1,552	1,533	1,322	...	...	...	...	...	...
Parallel rate	1,351	1,564	1,533	1,334	...	...	...	...	...	...
Memorandum items:										
GDP (billions of kyats)	82,700	92,789	105,259	115,526	122,844	140,961	159,799	181,245	205,600	233,370
GDP (billions of US$)	61.3	66.7	68.8	81.6	...	...	...	...	...	...
GDP per capita (US$)	1,267	1,279	1,242	1,321	1,440	1,593	1,718	1,807	1,901	2,000

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: Gross External Financing Needs and Sources, 2018/2019–2023/2024 1/

(In millions of U.S. dollars)

	18/19	19/20	20/21	21/22	22/23	23/24	Total program period
		Projections					
Gross external financing needs	**-2,966**	**-3,461**	**-4,335**	**-4,383**	**-4,466**	**-4,681**	
Current account balance	-1,945	-2,829	-3,688	-3,547	-3,591	-3,682	-17,337
Medium and long-term loans (principal payments)	-434	-632	-647	-837	-875	-999	-3,989
Gross external financing sources	**3,171**	**4,096**	**4,703**	**4,906**	**5,571**	**6,461**	**28,907**
Capital account balance	0	0	0	0	0	0	0
Direct investment: net	2,131	2,059	2,341	2,908	3,632	4,482	17,554
Portfolio investment: net excluding redemptions	30	0	0	0	0	0	30
Medium and long-term loans: net excluding principal payments [1/]	1,010	2,037	2,362	1,997	1,939	1,979	11,324
Short-term loans: net excluding principal payments	0	0	0	0	0	0	0
Use of international reserves ("+" is accumulation)	**205**	**1,104**	**1,087**	**517**	**1,070**	**1,593**	**5,576**
Exceptional financing	**0**	**471**	**724**	**0**	**-30**	**-182**	**982**
Use of IMF credit	0	357	357	0	-30	-182	501
Purchases	0	357	357	0	0	0	714
Repurchases	0	0	0	0	30	182	213
Debt rescheduling or refinancing (DSSI) [2/]	0	114	367	0	0	0	481
Memorandum items							
Committed amounts	0	479	954	116	23	0	1,573
IMF	0	357	357	0	0	0	714
World Bank	0	76	58	53	23	0	210
Others	0	46	539	63	0	0	649
Disbursed amounts [3/]							
IMF	0	357	0	0	0	0	357
World Bank	0	76	0	0	0	0	76
Others	0	46	0	0	0	0	46
Gross international reserves	5,668	6,772	7,859	8,376	9,446	11,038	

Source: IMF staff estimates and projections.

1/ Includes Covid-19 related financing from multilateral and bilateral donors in FY20/21.

2/ Reflects ongoing negotiations with creditors and assumes an extension of the initiative until June 2021.

3/ Disbursed amount to be updated pending confirmation from donors.

Table 8. Myanmar: Indicators of Capacity to Repay the Fund

(in millions of SDRs, unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Repayment based on prospective credit											
(In millions of SDRs)											
Total Principal	**0.0**	**0.0**	**21.5**	**107.7**	**172.3**	**68.9**	**34.5**	**34.5**	**34.5**	**34.5**	**8.6**
Of which: Rapid Credit Facility	0.0	0.0	0.0	0.0	0.0	25.8	34.5	34.5	34.5	34.5	8.6
Of which: Emergency Assistance	0.0	0.0	21.5	107.7	172.3	43.1	0.0	0.0	0.0	0.0	0.0
Total Charges and interest	**3.5**	**4.2**	**4.2**	**3.7**	**1.9**	**0.5**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Total Outstanding Fund obligations based on existing credit											
In millions of SDRs	258.4	258.4	236.9	172.3	86.1	68.9	51.7	34.4	17.2	0.0	0.0
In millions of USD	356.2	361.1	332.5	242.9	121.7	97.5	73.1	48.7	24.4	0.0	0.0
In percent of government revenue	2.8	2.5	2.0	1.3	0.6	0.4	0.3	0.2	0.1	0.0	0.0
In percent of exports of goods and services	2.5	2.3	1.9	1.3	0.5	0.4	0.3	0.2	0.1	0.0	0.0
In percent of GDP	0.4	0.4	0.4	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0
In percent of IMF Quota	50.0	50.0	45.8	33.3	16.7	13.3	10.0	6.7	3.3	0.0	0.0
Total Outstanding Fund obligations based on existing and prospective credit											
In millions of SDRs	516.8	516.8	495.3	387.6	215.3	146.4	112.0	77.5	43.1	8.6	0.0
In millions of U.S. dollar	712.5	722.3	695.2	546.4	304.3	207.3	158.5	109.7	61.0	12.2	0.0
In percent of government revenue	5.6	4.9	4.1	2.9	1.5	0.9	0.6	0.4	0.2	0.0	0.0
In percent of exports of goods and services	5.0	4.6	4.1	2.8	1.3	0.8	0.7	0.4	0.2	0.0	0.0
In percent of GDP	0.9	0.9	0.7	0.5	0.3	0.2	0.1	0.1	0.0	0.0	0.0
In percent of IMF quota	100.0	100.0	95.8	75.0	41.7	28.3	21.7	15.0	8.3	1.7	0.0
Memorandum items:											
Exports of goods and services (in millions of US$)	14,388.0	15,783.7	17,051.6	19,296.3	22,549.3	25,842.3	24,115.6	26,291.7	28,997.4	31,665.9	34,520.1
Government revenue (in millions of US$)	12,798.0	14,664.2	16,792.9	18,644.2	20,695.6	22,979.2	25,401.9	28,063.9	30,935.8	34,088.3	37,470.1
Gross international reserves (in millions of US$)	7,859.0	8,375.8	9,445.6	11,068.5	12,325.0	14,948.2	15,538.4	16,407.8	17,475.5	18,302.5	19,043.0
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]

	Risks	Likelihood	Potential Impact	Policy Response
		(Red= high likelihood; Yellow = medium likelihood; Green = low likelihood)		
Domestic	**Unexpected shift in the Covid-19 pandemic**			
Domestic	**Downside**: The disease proves harder to eradicate (e.g., due to difficulties in finding/distributing a vaccine), requiring more containment efforts and impacting economic activity directly and through persistent behavioral changes (prompting costly reallocations of resources).	High	**High.** A prolonged prevalance of the virus could require more severe and more frequent containment efforts and weaker external demand. This could result in weakened domestic demand, export, tourism, remittances and FDI flows.	In the near term, efforts should be focused in boosting health and social spending, targeted toward the most vulnerable 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.
Domestic	**Upside**: Recovery from the pandemic is faster than expected due to the discovery of an effective and widely available vaccine and/or a faster-than-expected behavioral adjustment to the virus that boosts confidence and economic activity.	Low	**Medium-High.** Faster recovery in domestic demand, exports, tourism and remittances would boost growth and help strenghen the reserves position. Asset positions in the financial sector could likely improve.	Accelerate tax reform to boost spending while strengthening social spending to support inclusion. Continue with financial sector reform, including accelerating compliance with prudential requirements.
Domestic	Macro-financial spillovers in the event of banking sector distress and delayed recapitalization.	High	**High.** 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.
Domestic	Slow progress in resolving the Rakhine state humanitarian crisis.	High	**High.** 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.
Domestic	Increased monetary financing of fiscal deficit if there is shortfall in financing.	High	**Medium.** 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.
Domestic	Slippages in implementing needed reforms from limited institutional capacity.	Medium-High	**Low-Medium.** The public sector is unable to cope with speed of reform, leading to slippages; Growth effects compounded by weaker business confidence. Failure to progress on the remedial Action Plan in response to the Financial Action Task Force gray list 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; Address AML/CFT vulnerabilities, including risk-based supervision.
External	Accelerating de-globalization	High	**Medium.** 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	Higher frequency and severity of natural disasters related to climate change	Low-Medium	**High.** 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.

Source: IMF staff.

[1] Myanmar Selected Issues 2018; IMF Country Report No. 18/91.

[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.

Appendix I. Letter of Intent

December 18, 2020

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

Dear Ms. Georgieva,

We would like to thank the IMF for their swift disbursement of our request for emergency financing under the Rapid Credit Facility/Rapid Financing Instrument (RCF/RFI) in June 2020. This disbursement has been critical in allowing us to respond to the pandemic in FY2019/20. Under our COVID-19 Economic Relief Plan (CERP), we have undertaken several measures, such as a cash and in-kind transfers to vulnerable groups to most regions of the country including internally displaced camps, instituted tax payment deferrals and moratoriums on utility payments for households, and provided soft loans for MSMEs and affected sectors as outlined in the Letter of Intent (LOI), dated June 12, 2020. The Central Bank of Myanmar (CBM) has maintained its measures to ease financial conditions to support the economy as outlined in our previous LOI. The RCF/RFI has also catalyzed additional financing from other external donors including the Asian Development Bank, the World Bank, and Japan.

However, Myanmar is currently experiencing a second, more intense wave of COVID-19 infections with large impacts on human health and the economy. We have undertaken strict containment measures to curb the spread of the virus, which will hit hard processing and manufacturing sector and services sector including cut-make-pack (CMP), domestic tourism, transportation, and trading in perishable goods. On the external side, global demand remains weak and uncertain, and tourism has come to a standstill. This economic shock will exacerbate the heavy burden already being borne by lower income households, vulnerable groups and small businesses, risking even wider layoffs and business closures, while our limited healthcare system is being stretched.

As mentioned in our LOI, we had expected a balance of payments (BOP) and fiscal financing gap in FY2020/21, particularly if the outbreak intensifies. Unfortunately, domestic and global conditions have worsened since June, there remains considerable uncertainty around the length of the pandemic, and the road to our domestic economic recovery seems to be longer. We need to continue implementing the CERP, and its follow up plan, the Myanmar Economic Resilience and Reform Plan (MERRP) to respond to immediate needs through the next fiscal year FY2020/21 and beyond. Further financing to strengthen our external buffers will be critical to maintaining macrofinancial stability. Accordingly, we expect a BOP financing gap of US$1 billion in FY2020/21.

We also expect a further deterioration in our fiscal position in 2020/21. We expect revenues to remain weak due to adverse economic conditions, while our expenditures will rise to support our policies to mitigate the impact of the virus on the most vulnerable groups and building up our healthcare infrastructure. This will widen the fiscal deficit by about 1 percentage point of GDP this year, leaving a financing gap of US$1 billion for FY2020/21.

External financing will be critical to meeting these financing needs. Domestic bank financing remains limited by capacity and could crowd out credit to the private sector. We would also like to preserve our progress in limiting monetary financing, as per the action plans withing the CERP and MERRP, and as done so by reducing CBM financing below target in 2019/20 partly as a result of the first RCF/RFI disbursement. Thus, additional RCF/RFI financing would help finance part of the temporary increased budget and current account deficit for the current fiscal year, while catalyzing support from other multilateral and bilateral creditors and reducing the risk of inflationary and external pressures monetization may bring. We will continue to avail of the Debt Service Suspension Initiative (DSSI) extension to June 30, 2021, supported by the G-20 and Paris Club.

While continuing to implement the measures outlined in our June 12 LOI, we reiterate our strong commitment to ensuring that crisis resources are used transparently and effectively, including from the RCF/RFI disbursement and DSSI. We have made progress in this regard and will continue to strengthen public financial management as follows:

- *Fiscal accounts and budget monitoring*. We have published on the MOPFI website the first quarterly budget monitoring report (FY2019/20 Q3) identifying COVID-19 related spending with the agreed upon timeliness (3 months of the end of the quarter) along with consolidated GFS accounts. We will continue to work with the World Bank and Fund CD to improve the coverage of COVID-related spending and track-expenditures on a more timely basis through technological solutions and adopt a new chart of accounts in FY2021/22.

- *Strengthening procurement transparency*. We have published on the MOPFI website information on procurement contracts on COVID-19 related spending 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 where available and overall contract amount along with the ex post delivery reports.

- *Enhancing auditing*. We have reached an agreement with the Office of the Auditor General for Myanmar (OAGM) to conduct a financial audit of COVID-19 related spending and are on track to disseminate a report within 6 months of the end of the fiscal year by March 2021. The Office of the Auditor General is benefiting from CD from ADB, WB and Norway, and will also undertake risk-based audits of broader spending from FY2020/21. The external audit will be assisted by existing internal audit teams monitoring such expenditure through the implementation of the draft Internal Audit Manual with Fund CD.

- *Improving cash management and coordination between Treasury and CBM*. The coordination committee has been operationalized and work is underway to upgrade the cash flow management implemented by the treasury under the FSDP project with World Bank support, as well as coordination with Myanmar Economic Bank and CBM on TSA lite with Bank and Fund CD.

- *Debt transparency*. We have completed the DSSI Reporting Form using current and FY2020/21 budget data and will continue publishing comprehensive public debt data through their annual Government Debt Report in accordance with the Public Debt Management Law as done in August 2020 for FY2018/19.

We are also taking broader measures to strengthen fiscal sustainability, transparency and governance. To set the foundation for a strong recovery and achieve the goals of the MSDP, we remain committed to ensuring debt sustainability is preserved, and fiscal risks are carefully managed and reported. We intend to continue with reforms, benefitting from capacity development provided by the IMF and other development partners, on strengthening tax administration, enacting the draft income tax law and rationalizing tax incentives, amending the commercial tax law as a transition step to introducing a VAT and strengthening the fiscal regime for natural resource management including developing new model Production Sharing Contracts.

We remain committed to our fiscal policy supporting the economy through to a strong recovery. The FY2020/21 budget is expansionary with special emphasis to enhance inclusivity. We intend to continue cash and in-kind transfers to the most affected and vulnerable groups, in all areas of the country, while progressively improving targeting with the support of the ADB and World Bank; soft loans and guarantees for SMEs in affected and priority sectors supported by the JICA two-step loans and the ADB funded guarantee agency to be set up, as well as moving to the next phase of PFM reforms in line with the PEFA findings with World Bank support.

We are also committed to continue developing the government securities market, improve cash management and coordination between MOPFI and CBM, reducing reliance on monetary financing, and further liberalizing interest rates and strengthening the monetary transmission mechanism. As outlined in our last LOI, we will continue to work toward upgrading the monetary policy framework, including strengthening our operational toolkit with the use of credit auctions and repos, clarify the framework for the use of the discount window and emergency liquidity assistance (ELA), and the introduction of interest on excess reserves when conditions permit, with technical assistance from the IMF.

On the financial sector, we have extended the phase in period for full compliance with the 2017 prudential regulations to end-August 2023 to allow banks time to restructure in response to the uncertain impact and duration of the COVID-19 shock. Nevertheless, we continue to benchmark banks’ performance against these standards to measure the compliance gap and will incentivize banks to comply fully with the prudential regulations as soon as possible. Private domestic banks will be allowed to restructure or reschedule loans and assets impaired by COVID-19 and we are working to collect information on classifying loans affected by COVID-19 for differential treatment. State banks will continue their ongoing restructuring process guided by the World Bank’s restructuring options. We will ensure that banks continue reporting their loan portfolios according to loan classification requirements in place prior to the COVID-19 and legacy NPLs reported prior to March 2020 are gradually recovered or fully provisioned. To facilitate the assessment of asset quality and solvency of the banking system, the necessary steps will be taken to carry out Asset Quality Reviews of the largest banks and adequate preparations made to strengthen the resolution framework. Any NPL resolution or bank recapitalization strategy will be undertaken in a manner consistent with reducing fiscal costs and in consultation with the World Bank and the Fund through a joint committee of the CBM and MOPFI. At the same time, we are committed to accelerating the preparation of contingency plans to better manage banking sector stress, should it materialize including setting up an ELA facility in the CBM with IMF technical assistance.

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 SDR 86.13 million (16.67 percent of quota) from PRGT resources and SDR 172.27 million (33.33 percent of quota) from GRA resources. The IMF assistance, to be used as budget support, will help us meet the urgent BOP needs and mitigate the near-term pressure on balance of payments and on the budget. The IMF's assistance is also expected to catalyze additional external financing to meet current and future needs.

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.

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. The Union Government does not intend to introduce or intensify exchange and trade restrictions and other measures or policies that would exacerbate Myanmar’s 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/

Soe Win
Union Minister
Ministry of Planning, Finance and Industry

/s/

Kyaw Kyaw Maung
Governor
Central Bank of Myanmar

INTERNATIONAL MONETARY FUND

MYANMAR

December 21, 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, Johannes Wiegand (IMF), and Marcello Estevão (IDA)

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

Risk of external debt distress:	Low
Overall risk of debt distress:	Low
Granularity in the risk rating:	Not applicable
Application of judgement:	No

Myanmar's risks of external debt and overall debt distress continue to be assessed as low, and there is adequate capacity to repay the Fund. An intense second wave of the COVID-19 pandemic has hit Myanmar hard, inflicting large economic and social costs while straining the already frail healthcare system. Strict lockdown measures are hurting manufacturing and domestic spending, while weak external demand continues to weigh on exports and tourism. Continued strains on revenues and higher spending will widen the fiscal deficit in FY 2020/21, requiring additional financing. The authorities have requested a second disbursement from the IMF (US$356.5 million - 50 percent of quota), to be used as budget support in FY 2020/21, for urgent balance of payments needs. They are beginning to benefit from debt service suspension under the DSSI. The authorities should limit central bank financing of the fiscal deficit and gradually phase it out thereafter. Carefully tracking spending execution to ensure that additional loan financed COVID-19 related spending is smoothing the impact on firms and households will be important. The current economic conditions highlight the need for contingency planning in case a more prolonged global outbreak of COVID-19 results in more adverse macro-financial outcomes. Debt management capacity needs strengthening, and the authorities should remain vigilant about borrowing that leads to a rapid debt buildup. Strengthening the business environment and governance, including in the natural resource sector, would raise the investment outlook and potential growth.

[1] The DSA follows the IMF-World Bank Staff Guidance Note on the Application of the Joint Fund-Bank Debt Sustainability Framework (DSF) for Low-Income Countries (LICs) (February 2018). Myanmar's debt-carrying capacity remains medium as its Composite Indicator is 2.73, which is based on the October 2020 WEO and the 2019 CPIA released in July 2020.

PUBLIC DEBT COVERAGE

1. **The coverage of public sector debt used in the DSA is fully consolidated public sector debt, government-guaranteed debt and social security funds**. SOE debt is on lent and is therefore included in the coverage of public external debt. SOEs cannot borrow from external creditors by law, so in practice there is no non-guaranteed SOE debt.[2] The coverage of debt is unchanged from the previous DSA published as part of the 2019 Article IV consultation.

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	X
3	Other elements in the general government	
4	o/w: Social security fund	X
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

2. **Contingent liabilities from PPPs and shocks to the financial sector have been included in the analysis**. Off-balance sheet liabilities related to PPPs and PPAs are approximately 3.2 percent of GDP. Using the standard methodology under the IMF/WB LIC DSA framework translates this to a shock of 1.09 percent of GDP as part of the contingent liabilities.[3] The extension of the phase-in period for compliance with the 2017 prudential regulations could postpone banking sector restructuring and raise potential public recapitalization costs while potentially limiting access to finance. The standard shock covering 5 percent of GDP has been added to the analysis to account for potential recapitalization needs.

Myanmar: Coverage of Contingent Liabilities

1	The country's coverage of public debt	The central, state, and local governments plus social security, central bank, government-guaranteed debt			
		Default		Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	0.0	By law: SOEs cannot borrow directly
4	PPP	35	percent of PPP stock	1.1	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			6.1	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

[2] The 2017 public debt management law states that SOEs (referred to in Myanmar as State Economic Enterprises - SEEs) can borrow directly from state-owned banks or benefit from on-lending by the government. By law, SOEs cannot borrow directly from external creditors.

[3] A PPP shock in the LIC DSA framework is applicable only when the PPP capital stock is larger than 3 percent of GDP; per the latest data from the World Bank's PPP database, Myanmar PPP stock is estimated to be 1.42 percent of GDP.

BACKGROUND ON DEBT

3. **Myanmar's public debt has been within a tight range as a share of GDP since 2014**. Total public debt has varied between 35.4 and 40.0 percent of GDP. External debt similarly has been around 16 percent of GDP, with some repayments starting in FY 2018/19, as domestic debt has taken on a greater role. However, financing by the Central Bank of Myanmar (CBM) has been a key part of domestic debt issuance before FY 2019/20.

4. **Myanmar's total public debt is estimated to be 38.6 percent of GDP as of end-June 2020**.[4] Public debt in this DSA covers public domestic debt (60.5 percent of total public debt) and public and publicly guaranteed (PPG) external debt (39.5 percent of total public debt).[5] Domestic debt comprises T-bills and T-bonds, a large share of which—mostly 3-month T-bills—is held by the CBM. Most PPG external debt is held by bilateral creditors amongst which China and Japan are the largest creditors. The International Development Association (IDA) and the Asian Development Bank (ADB) are the largest multilateral creditors.

Text Table 1. Total Public and Publicly Guaranteed Debt

Estimated at end-June 2020	USD billion	In percent of total
Bilateral Creditors	**8.4**	**30.3**
Paris Club	5.0	18.0
Of which: Japan	3.5	12.7
Non-Paris Club	3.4	12.2
Of which: China	3.1	11.3
Multilateral Creditors	**2.5**	**9.2**
Of which: ADB	0.6	2.2
Of which: IDA	1.5	5.6
Of which: IMF	0.4	1.3
Commercial Creditors	**0.0**	**0.1**
Domestic Debt	**16.7**	**60.5**
T-Bills	11.4	41.2
T-Bonds	5.3	19.2
Total Public Debt	**27.6**	**100.0**

5. **The IMF approved a disbursement of fifty percent of quota (US$356.5 million) in June 2020**. To help meet the urgent balance-of-payments and fiscal needs arising from the COVID-19 pandemic and support the government's plans to boost spending especially on health and social safety nets. SDR 86.1 million (about US$118.8 million) was disbursed under the IMF's Rapid Credit Facility (RCF), and a purchase of SDR 172.3 million (about US$237.7 million) was approved under the IMF's Rapid Financing Instrument (RFI). The IMF emergency financing also catalyzed additional support from the international community, including under the Debt Service Suspension Initiative (DSSI) supported by the G-20 and the Paris Club.

6. **The authorities continue to negotiate debt service suspension under the DSSI, supported by the G-20 and Paris Club**. Debt service suspension, under the DSSI, was previously estimated to be US$322 million in FY 2019/20 and US$67 million in FY 2020/21. Reflecting the outcome of ongoing negotiations with creditors and the recent extension of the initiative until June 2021, suspended debt service is now projected to be US$114 million and US$367 million in FY 2019/20 and FY 2020/21 respectively.[6] It covers 38.5 percent of the expected external financing

[4] Myanmar's fiscal year has changed from April-March, to October-September. Following a six-month transition period, from April 1, 2018 to September 30, 2018, the new fiscal year started October 2018. In this DSA, the first year of projection (2020) is equivalent to FY2019/20. FY2019/20 covers the period October 2019–September 2020.

[5] For Myanmar, the external debt definition used in this DSA is based on residency.

[6] The authorities continue to negotiate and sign bilateral debt suspension agreements with various Paris Club creditors. As of October, Germany has signed an agreement while Austria, Finland, France, Japan, Korea, Netherlands and the UK are in various stages of negotiations. The authorities are also in discussions with China and India. Debt

(continued)

gap in FY 2020/21 with the rest expected to be covered by leveraging co-financing from the IFIs including the IMF, ADB and World Bank.

7. Total private external debt is estimated to be 10.4 percent of GDP as of FY 2019/20. The estimated total private external debt stock has been revised based on the intensive ongoing TA in external sector statistics. Thus, total external debt, the sum of PPG external and private external debt, is estimated to be 23.1 percent of GDP as of FY 2019/20.

8. While reliance on CBM financing persists, it is expected to be below the authorities' target set for FY 2019/20. CBM financing of the fiscal deficit was limited at MMK 800 billion (4.1 percent of previous year's reserve money), below the authorities' MMK 1.3 trillion ceiling in the FY 2019/20 Supplementary Budget, reflecting the lower fiscal deficit and increased domestic bank financing. Gross CBM financing of the fiscal deficit for FY 2020/21 is projected at around 4 percent of previous years' reserve money and 20 percent of total domestic financing; keeping it at a prudent level as observed in FY 2019/20.

9. New loans, on concessional terms, with bilateral and multilateral creditors have been signed. This financing will finance infrastructure and other projects ranging from power, electrification, and transportation to health. During FY 2019/20 loans totaling approximately US$1.9 billion were signed, as of June 2020. In accordance with the DSSI, the authorities commit to contract no new non-concessional debt during the suspension period while meeting reporting requirements.

BACKGROUND ON MACRO FORECASTS

10. The assumptions in the baseline scenario are from the macroeconomic framework presented in the staff report. The baseline assumes that, consistent with the average experience of Asian economies, the second wave is contained, and restrictions gradually eased, with a recovery in economic activity beginning by December 2020. However, given the importance of the first quarter in growth contributions and consistent with cross country models of the impact of lockdowns calibrated for Myanmar, growth is expected to fall to 0.5 percent for FY 2020/21 compared with the previously projected 6 percent (at the time of first disbursement of the RCF/RFI). Growth is expected to rebound in FY 2021/22 reflecting the gradual recovery and strong base effects. However, over the medium term, permanent losses in output from the impact of the second wave and economic scarring, compounded by macro-financial fragilities is expected. Reflecting this, the average medium-term growth has been revised down by 0.4 percent relative to what was previously projected. The current account deficit is projected to gradually decline to 3.3 percent of GDP, over the medium term, reflecting a pickup in external demand and in gas exports related to the development of the A6 block, keeping reserves at 5 months of import coverage. The fiscal deficit is projected to decrease and remain around 4 percent of GDP in the medium term, with primary deficit around 2 percent of GDP, reflecting continued efforts in revenue mobilization and prudent spending.

suspension in FY2020/21 covers eligible debt service due from Oct 2020-Jun 2021 and comparability of treatment amongst creditors.

11. The main assumptions in the baseline are:

- **Real GDP growth**. The impact of the first COVID-19 wave was less severe than expected. With the first wave of infections quickly contained, GDP growth in the first three quarters of FY 2019/20 was stronger than expected. However, Q4 growth is expected to be weaker bearing the impact of the September's second wave. This second wave will weigh heavily on FY 2020/21 growth. Overall, growth is projected at 3.2 percent for FY 2019/20, a sharp decline from 6.8 percent in FY 2018/19. It is expected to fall to 0.5 percent for FY 2020/21 and rebound to 7.9 percent in FY 2021/22.

- **Inflation**. Headline inflation continued to fall, due to lower food and fuel prices, and is projected to reach 3.3 percent (end-period) year-over-year at end-September 2020. Inflation will gradually rise to 5.4 percent by the end of FY 2020/21 due to higher rice and fuel prices.

- **Current account**. The current account deficit, in FY 2019/20, was lower than expected at 3.5 percent of GDP (versus 4 percent) as gas exports and remittances held up better than expected. In FY 2020/21, exports, particularly garments, are projected to decline due to continued disruptions in production and weak external demand. Gas exports are also projected to decline given declining production projections. Imports are expected to rise including from COVID-related imports of medicines and medical equipment and rising capital goods. Tourism receipts are expected to remain muted, while remittances are expected to soften. The deficit is expected to widen to 4.4 percent of GDP in FY 2020/21.

- **External financing**. The IMF has provided financing with a first disbursement (50 percent of quota) under the RCF/RFI, that was disbursed in June 2020. A second disbursement (50 percent of quota) is expected in January 2021. IMF financing has helped catalyze additional external financing from multilateral and bilateral donors and support under the DSSI. While the disbursements were approved in FY 2019/20, they are assumed to be disbursed in FY 2020/21 under the baseline. The Asian Development Bank has approved US$250 million, under its COVID-19 Active Response and Expenditure Support Program, while the World Bank has approved US$50 million in emergency health financing and has activated an additional US$110 million under Contingent Emergency Response Components of projects, with more under discussion, to help the authorities respond to COVID-19. In addition, Japan has provided US$289 million as part of JICA's COVID-19 Crisis Response Emergency Support Loan for Myanmar. Project financing is currently in place and is expected to remain stable. FDI inflows have declined in FY 2019/20, however, the recent pick up in capital imports, in FY 2019/20:Q3, suggests a slight recovery in FDI inflows in FY 2020/21 which is also suggested by an uptick in the FDI approvals data.

- **Fiscal**. The fiscal deficit at 4.7 percent of GDP in FY 2019/20 was lower than expected reflecting under-execution of spending partially off-setting weak tax revenue collection. Spending underperformed due mainly to capital budget execution delays, keeping the fiscal deficit 1 percent of GDP lower than expected. In FY 2020/21, containment and tax relief measures will weigh on revenues (about ½ percent of GDP), while policies to mitigate the outbreak's economic impact and bolster healthcare are expected to raise expenditures by ¾ percent of GDP. Additional spending may be required should the lockdown persists, or future waves materialize. The fiscal deficit is projected to widen to 6 percent of GDP, in FY 2020/21, opening a fiscal financing gap of about US$1 billion (1.1 percent of GDP).

- **Public debt**. Total public debt, in FY 2019/20, has been revised down to 38.2 percent of GDP mostly reflecting the recent appreciation of the kyat. Going forward, the recent appreciation pressures may turn out to be temporary as imports recover and remittances fall back as migrant workers run down their savings and face uncertainty. The previous DSA had estimated total public debt in FY 2019/20 to be 42.7 percent of GDP.

Text Table 2. Myanmar: Baseline Macroeconomic Assumptions

(in percent of GDP, unless otherwise noted)

						Historical	Baseline	Previous DSA
	FY2019/20	FY2020/21	FY2021/22	FY2022/23	FY2023/24	FY2014/15-FY2018/19	FY2019/20-FY2023/24	
Real GDP growth (in percent)	3.2	0.5	7.9	6.2	6.3	6.6	4.8	5.2
Inflation (percent change, y/y)	6.1	5.0	5.7	6.3	6.3	7.7	5.9	6.2
Primary fiscal balance	-3.1	-4.2	-3.3	-2.6	-2.3	-1.9	-3.1	-3.4
Overall fiscal balance	-4.7	-6.0	-5.2	-4.6	-4.3	-3.4	-5.0	-5.3
Current account balance	-3.5	-4.4	-3.8	-3.5	-3.3	-4.4	-3.7	-4.1
Foreign direct investment (FDI)	4.7	5.0	5.0	5.0	5.0	5.1	3.2	3.4

Source: IMF staff estimates.

12. Realism of the baseline. The PPG external debt-to-GDP ratio follows a similar path compared to the previous DSA (published 2020) but is shifted downwards compared with the DSA from five years ago (published 2014) given the large amount of debt relief received in 2013. Cross country experience suggests that the baseline fiscal expansion is feasible (Figure 4).[7] Myanmar needs a reasonable adjustment of its primary balance over the next 3 years of 1.5 percent GDP, even with very weak GDP growth. It is well below the top quartile of countries more likely to experience fiscal adjustment challenges.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

13. The LIC DSF determines the debt sustainability thresholds by calculating a composite indicator (CI).[8] The CI is based on a weighted average of several factors such as the country's real GDP growth, remittances, international reserves, and world growth and the CPIA score. The calculation of the CI is based on 10-year averages of the variables, across 5 years of historical data and 5 years of projection, and the corresponding CPIA. For Myanmar, based on its CI score of 2.73, the final debt

[7] Public/Private investment rate charts are not available. Technical assistance from the IMF and various development partners is ongoing to strengthen macroeconomic data.

[8] The CI included in this analysis is based on the IMF's 2020 October WEO dataset and the World Bank's 2019 CPIA (released July 2020). More details about the CI can be found in the new LIC-DSF guidance note: https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/02/14/pp122617guidance-note-on-lic-dsf.

carrying capacity classification for this DSA is medium. A summary of the thresholds used in the exercise are included in the table below.

Myanmar: Composite Indicator and Thresholds

Country	Myanmar
Country Code	518

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Medium	Medium 2.73	Medium 2.72	Medium 2.72

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

14. Given Myanmar's vulnerability to natural disasters, staff conducted a tailored stress test. Myanmar is exposed to a range of natural disasters accompanied by high economic and social costs, with significant impact on the poor and most vulnerable. Historically, these losses have been estimated to be around 2 percent of GDP annually (between 2006–15) and were also highlighted in the 2018 DSA, as the largest shocks that affect debt sustainability (IMF/WB DSA 2018). Annual expected losses from natural hazards are among the highest of all countries in Southeast Asia (World Bank, GFDRR). Myanmar experiences a 5 percent decrease in GDP, with the interactions with the real GDP and export growth shocks retained at their default values.

15. A customized scenario is also included and analyzed separately. It is an illustrative exercise focused on the impacts of a prolonged COVID-19 outbreak on Myanmar. It is a 3.5 percent decrease in real GDP in FY2020/21 relative to the baseline scenario to represent additional impacts of lockdowns and the pandemic, combined with a 5 percent of GDP shock to contingent liabilities to capture resulting recapitalization needs in the banking sector.

DEBT SUSTAINABILITY

A. External Sector Debt Sustainability Analysis

17. All external PPG debt indicators remain below the policy relevant thresholds in the baseline scenario (Figure 1 and Table 1). These thresholds include the present value (PV) of the external-debt-to-GDP ratio, the PV of the external-debt-to-exports ratio, the external-debt-service-to-exports ratio, and the external-debt-service-to-revenue ratio. The PV of PPG external debt-to GDP ratio is gradually declining from 11.3 percent of GDP in FY 2019/20 to around 9.2 percent of GDP in FY 2029/30. Both debt service-to-exports and debt service-to-revenue ratio decline starting 2026 reflecting the end of repayment period under the DSSI.

18. Standardized stress tests show that an export slowdown shock has the greatest impact. It increases the PV of external debt-to-GDP ratio, the external debt-to-exports ratio and the debt service-to-exports ratio the most highlighting the need to expand the export base. The standardized stress test also show that the debt service-to-revenue ratio is most affected by depreciation (Table 3).

B. Public Sector Debt Sustainability Analysis

19. The PV of total public debt-to-GDP ratio lies below the public debt benchmark of 55 percent (Figure 2 and Table 2). It peaks in FY 2023/24. The debt service to revenue ratio also remains contained over the projection period.

20. The standardized sensitivity analysis shows that the natural disaster shock has the greatest impact. The natural disaster shock pushes the PV of public debt-to-GDP in FY 2025/26 to reach 49.4 percent of GDP, but still below the indicative threshold (Table 4).[9]

CUSTOMIZED SCENARIO ANALYSIS

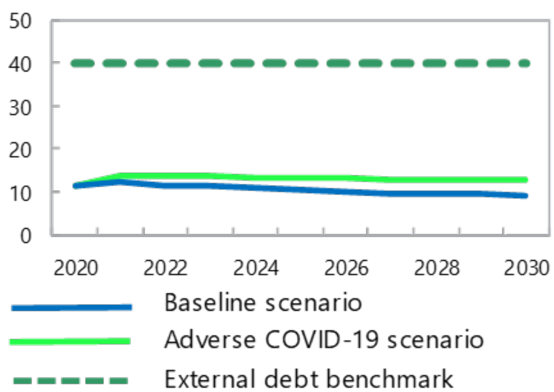
21. A more prolonged global outbreak of COVID-19 could result in more adverse economic outcomes that interact with banking sector fragilities. A customized adverse scenario, which considers the macroeconomic impact from assuming lockdowns need to be maintained until March 2021, reflects the impact of this downside risk. In such an adverse scenario, where containment takes longer with a more persistent downturn, growth could fall by an additional 3½ percentage points in FY 2020/21 while the external position could be severely impacted from disruptions in the export-oriented sectors due to containment restrictions thereby lowering reserve coverage. This could potentially result in the realization of contingent liabilities (around 5 percent of GDP) arising from recapitalization needs in the banking sector and thus increase the debt stock. The effects of such an interaction would be long-lasting (as credit sharply declines based on the

[9] The natural disaster shock is a one-off shock of 10 percentage points of GDP to debt-GDP ratio in the second year of the projection period. Real GDP growth and exports are lowered by 1.5 and 3.5 percentage points, respectively, in the year of the shock.

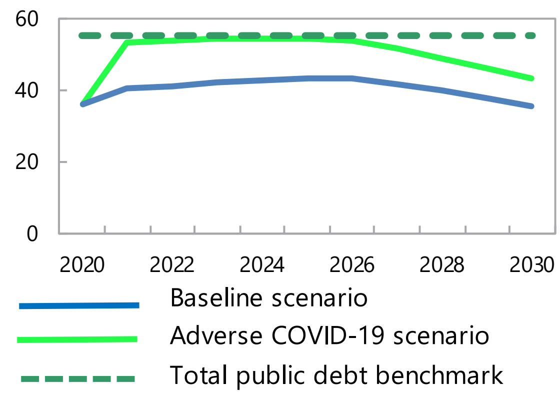
experience of other financially shallow countries that experienced credit booms), with a slow recovery of output relative to the baseline.[10]

22. Under the customized adverse scenario, the PV of the debt ratios would rise but remain under their indicative thresholds. The PV of the external debt-to-GDP ratio would deteriorate to some degree, remaining well below the threshold (Text Chart 1). Given the recapitalization needs of the banking sector by the government, the PV of public debt-to-GDP ratio would be expected to deteriorate significantly in the short term, but still below the indicative threshold (Text Chart 2).

Text Figure 1. PV of the External Debt-to-GDP Ratio
(In percent)



Text Figure 2. PV of the Public Debt-to-GDP Ratio
(In percent)



RISK RATING AND VULNERABILITIES

23. Myanmar's risk of external debt distress is low as is the overall risk of debt distress. The immediate and sizable balance of payments 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 its adverse socio-economic costs, as well as improved fiscal and external balances. This support has catalyzed additional financing from other multilateral institutions and bilateral creditors and has allowed Myanmar to participate in the DSSI. Despite the increased borrowing and larger gross financing needs, staff assess that external and public debt remains robust to shocks. Furthermore, IMF financing, together with additional external support and the DSSI, is expected to help mitigate the risk of excessive monetary financing and a decline in needed social spending.

24. The authorities should be prepared to take contingency fiscal measures, including delays in lower-priority capital spending, in case the unidentified financing needs cannot be filled. It is recommended that monetary financing be limited and gradually phased out to minimize risk to external stability and an inflation spiral. Debt service suspension negotiations, under the DSSI, should continue with all eligible creditors with the view of the extension of the initiative to

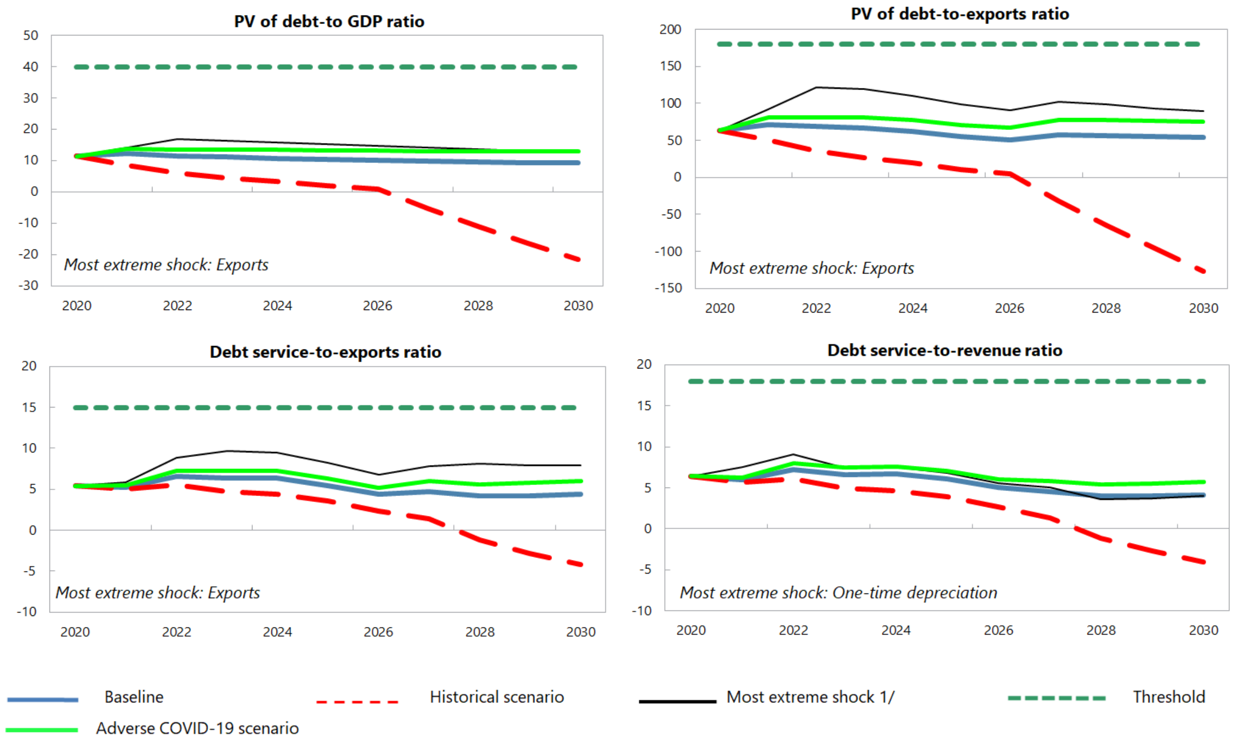
[10] See Text Chart 5 of the accompanying Staff Report for a comparison of real GDP in the baseline and adverse scenarios.

June 2021. In the extractives sector, reform of the petroleum model production sharing contract will be important. The need for contingency planning to respond to potential banking stress remains key. Staff scenario analysis highlights that larger than expected contingent liabilities arising from the banking system could severely impact debt sustainability. The authorities should remain vigilant of the potential impact of a more prolonged global outbreak which could interact with banking sector fragilities and result in more adverse economic outcomes. Over the medium term, strengthening the business environment and governance would raise the investment outlook and potential growth. There is scope for significant reform of the mining sector's fiscal regime and raising revenues. Over the longer term, fiscal and external buffers need to be strengthened to accommodate and account for natural disasters, which in turn will also strengthen debt sustainability.

Authorities' Views

25. The authorities broadly agreed with staff's assessment of debt sustainability. In the context of the prolonged COVID-19 shock, the authorities appreciated the staff analysis and presentation on the risks. They noted external financing would be critical to meeting their financing needs. They reiterated that they would like to preserve progress in limiting monetary financing as per the action plans within the CERP (COVID-19 Economic Recovery Plan) and MERRP (Myanmar Economic Resilience and Reform Plan). In their view, additional RCF/RFI financing would help finance part of the temporary increase in the budget and current account deficit for the current fiscal year, while catalyzing support from other multilateral and bilateral creditors. The authorities noted they would continue to avail themselves of the Debt Service Suspension Initiative (DSSI) extension to June 30, 2021, supported by the G−20 and Paris Club.

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	1.6%	5.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	28	20
Avg. grace period	7	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, 2020–30 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	15%	15%
Domestic medium and long-term	66%	66%
Domestic short-term	19%	19%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.6%	5.0%
Avg. maturity (incl. grace period)	28	20
Avg. grace period	7	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.

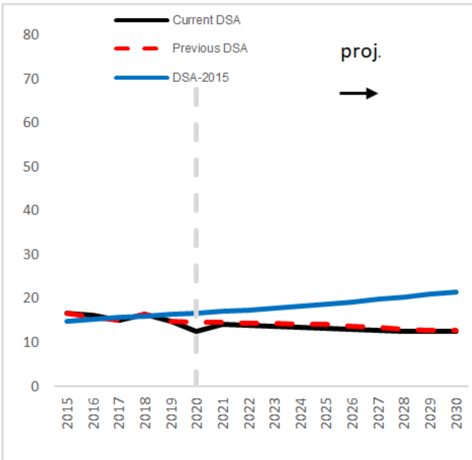
Sources: Country authorities; and staff estimates and projections.

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.

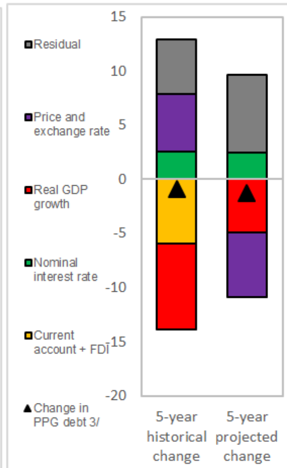
Figure 3. Myanmar: Drivers of Debt Dynamics—Baseline Scenario

External debt

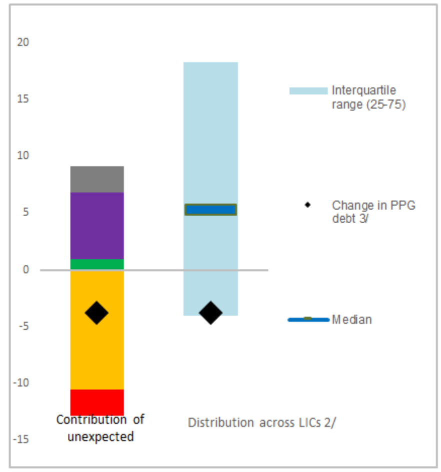
Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)

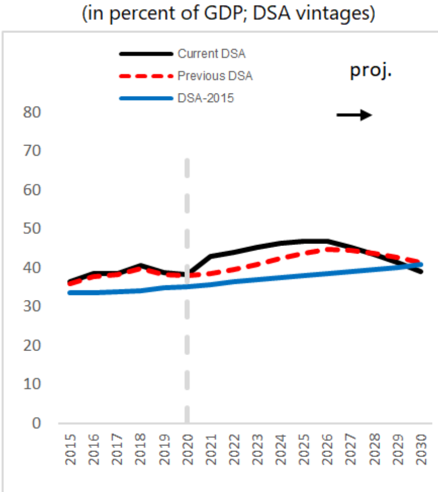


Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

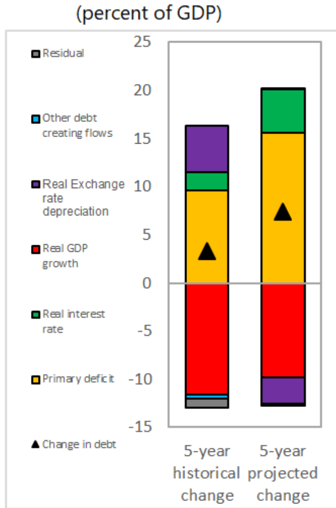


Public debt

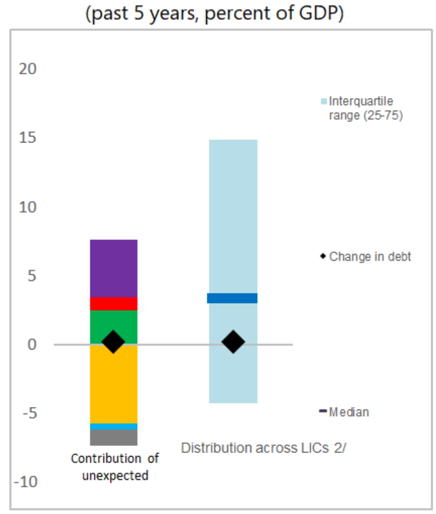
Gross Nominal Public Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)



Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)



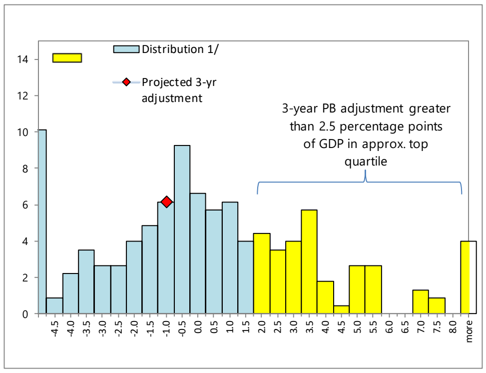
1/ Difference between anticipated and actual contributions on debt ratios.

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.

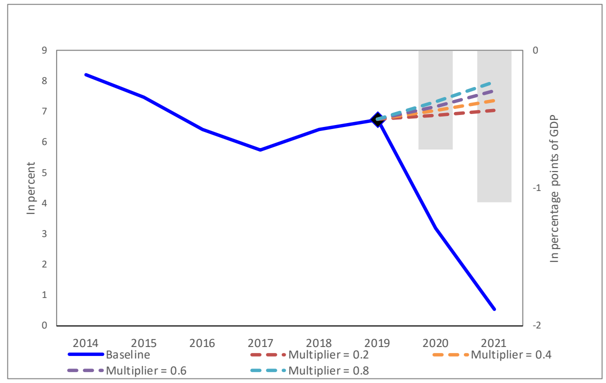
Figure 4. Myanmar: Realism Tools

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/



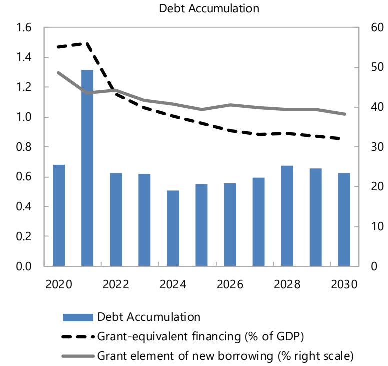
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

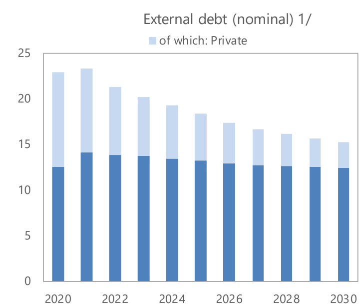
Table 1. Myanmar: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(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/	29.0	31.1	28.2	22.9	23.3	21.3	20.2	19.2	18.3	15.2	13.2	19.4	18.8
of which: public and publicly guaranteed (PPG)	15.0	16.4	14.8	12.6	14.1	13.8	13.7	13.5	13.2	12.4	13.2	13.7	13.1
Change in external debt	7.7	2.1	-2.9	-5.3	0.4	-2.0	-1.1	-0.9	-0.9	-0.4	-1.0		
Identified net debt-creating flows	0.6	-2.5	-1.2	0.2	1.5	-1.0	-1.3	-1.9	-1.5	3.8	4.5	-2.4	0.8
Non-interest current account deficit	6.3	4.1	2.1	2.9	3.9	3.3	3.1	2.9	3.3	8.3	9.0	2.1	5.0
Deficit in balance of goods and services	7.6	5.2	3.2	3.4	3.5	3.3	3.1	2.9	3.3	8.2	8.9	1.3	5.0
Exports	21.6	23.5	21.9	17.8	17.0	16.8	16.7	17.4	18.6	17.1	18.4		
Imports	29.1	28.7	25.2	21.2	20.5	20.1	19.8	20.3	21.9	25.2	27.3		
Net current transfers (negative = inflow)	-3.5	-3.4	-3.3	-2.7	-1.9	-2.0	-2.1	-2.0	-1.9	-1.6	-1.3	-2.1	-1.9
of which: official	-0.4	-0.2	-0.4	-0.5	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3		
Other current account flows (negative = net inflow)	2.2	2.3	2.2	2.2	2.2	2.0	2.0	2.0	1.9	1.7	1.4	2.9	2.0
Net FDI (negative = inflow)	-5.8	-4.8	-3.1	-2.5	-2.8	-3.1	-3.6	-4.0	-4.1	-3.9	-4.1	-4.1	-3.6
Endogenous debt dynamics 2/	0.1	-1.7	-0.3	-0.2	0.4	-1.2	-0.8	-0.8	-0.7	-0.6	-0.4		
Contribution from nominal interest rate	0.5	0.6	0.7	0.6	0.5	0.5	0.5	0.4	0.4	0.3	0.2		
Contribution from real GDP growth	-1.2	-1.7	-2.0	-0.8	-0.1	-1.7	-1.2	-1.2	-1.1	-0.9	-0.7		
Contribution from price and exchange rate changes	0.8	-0.7	1.1	...	...	...	...	...	...	...	...		
Residual 3/	7.1	4.6	-1.7	-5.5	-1.1	-1.0	0.1	1.0	0.6	-4.2	-5.5	3.9	-2.0
of which: exceptional financing	0.0	0.0	0.0	-0.1	-0.4	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	12.7	11.3	12.2	11.6	11.2	10.7	10.3	9.2	9.3		
PV of PPG external debt-to-exports ratio	...	...	58.1	63.5	71.6	68.6	66.9	61.8	55.6	53.9	50.4		
PPG debt service-to-exports ratio	4.5	5.2	4.2	5.4	5.3	6.6	6.4	6.4	5.5	4.4	3.8		
PPG debt service-to-revenue ratio	5.5	7.1	5.7	6.4	6.0	7.2	6.6	6.7	6.1	4.1	3.5		
Gross external financing need (Million of U.S. dollars)	4557.2	3761.8	3639.1	5157.4	5722.0	4886.6	4077.7	3263.2	3698.1	12617.6	25192.0		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.8	6.4	6.8	3.2	0.5	7.9	6.2	6.3	6.3	6.2	5.2	6.6	5.6
GDP deflator in US dollar terms (change in percent)	-3.6	2.3	-3.4	14.9	3.1	2.8	2.5	2.5	2.5	2.3	2.1	2.3	3.7
Effective interest rate (percent) 4/	2.3	2.4	2.3	2.5	2.2	2.4	2.3	2.2	2.1	1.9	1.8	4.2	2.1
Growth of exports of G&S (US dollar terms, in percent)	2.6	18.5	-3.6	-3.6	-1.0	9.7	8.0	13.2	16.9	9.2	8.2	7.6	7.2
Growth of imports of G&S (US dollar terms, in percent)	14.7	7.2	-9.5	0.0	0.4	8.7	7.2	11.4	17.9	9.7	8.5	13.4	9.6
Grant element of new public sector borrowing (in percent)	...	...	...	48.6	43.5	44.2	41.8	40.9	39.4	38.2	34.6	...	41.4
Government revenues (excluding grants, in percent of GDP)	17.5	17.3	16.0	15.1	14.9	15.4	16.2	16.5	16.8	18.1	20.2	16.8	16.6
Aid flows (in Million of US dollars) 5/	657.5	1221.4	1373.4	1569.8	1872.6	1734.9	1530.4	1490.5	1539.2	2036.1	3540.3		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.5	1.5	1.2	1.1	1.0	1.0	0.9	0.8	...	1.1
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	59.3	48.1	50.6	49.0	48.9	48.2	48.8	44.9	...	50.3
Nominal GDP (Million of US dollars)	61,267	66,699	68,802	81,554	84,555	93,726	102,049	111,204	121,199	185,406	402,666		
Nominal dollar GDP growth	2.0	8.9	3.2	18.5	3.7	10.8	8.9	9.0	9.0	8.7	7.4	9.0	9.5
Memorandum items:													
PV of external debt 7/	...	...	26.2	21.7	21.4	19.1	17.6	16.5	15.4	12.0	9.3		
In percent of exports	...	...	119.5	121.6	125.8	113.1	105.5	95.2	83.0	70.2	50.4		
Total external debt service-to-exports ratio	32.2	27.3	28.5	33.5	33.3	29.9	26.9	23.4	20.4	14.2	7.3		
PV of PPG external debt (in Million of US dollars)			8764.2	9233.8	10305.3	10835.5	11416.0	11931.5	12541.0	17066.3	37312.6		
(PVt-PVt-1)/GDPt-1 (in percent)				0.7	1.3	0.6	0.6	0.5	0.5	0.6	0.8		
Non-interest current account deficit that stabilizes debt ratio	-1.4	2.0	5.0	8.2	3.5	5.3	4.2	3.8	4.3	8.7	10.0		

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.

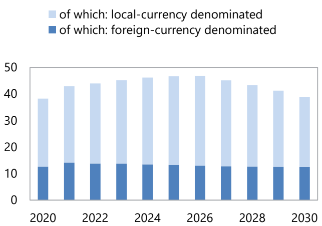
Table 2. Myanmar: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

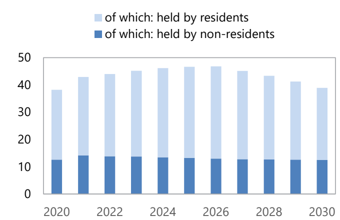
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	**38.5**	**40.4**	**38.8**	**38.2**	**42.9**	**44.0**	**45.2**	**46.2**	**46.7**	**38.9**	**19.6**	**35.3**	**43.5**
of which: external debt	**15.0**	**16.4**	**14.8**	**12.6**	**14.1**	**13.8**	**13.7**	**13.5**	**13.2**	**12.4**	**13.2**	**13.7**	**13.1**
Change in public sector debt	0.1	1.9	-1.7	-0.5	4.7	1.1	1.2	1.0	0.5	-2.3	-1.6		
Identified debt-creating flows	**0.0**	**1.2**	**-1.1**	**1.9**	**4.6**	**1.2**	**1.3**	**1.2**	**0.8**	**-2.3**	**-1.6**	**-0.5**	**0.3**
Primary deficit	**1.5**	**1.6**	**2.4**	**3.1**	**4.2**	**3.3**	**2.6**	**2.3**	**1.9**	**-0.2**	**-0.7**	**1.9**	**1.8**
Revenue and grants	17.9	17.6	16.3	15.6	15.1	15.6	16.5	16.8	17.1	18.4	20.5	**17.0**	**16.9**
of which: grants	0.4	0.3	0.4	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3		
Primary (noninterest) expenditure	19.4	19.2	18.7	18.7	19.4	19.0	19.1	19.1	19.0	18.2	19.8	**19.0**	**18.8**
Automatic debt dynamics	**-1.3**	**-0.3**	**-3.5**	**-1.2**	**0.5**	**-2.1**	**-1.3**	**-1.1**	**-1.1**	**-2.1**	**-0.9**		
Contribution from interest rate/growth differential	-2.0	-1.8	-2.5	-1.2	0.5	-2.1	-1.3	-1.1	-1.1	-2.1	-0.9		
of which: contribution from average real interest rate	0.1	0.5	0.1	0.0	0.7	1.1	1.3	1.5	1.6	0.3	0.1		
of which: contribution from real GDP growth	-2.1	-2.3	-2.6	-1.2	-0.2	-3.1	-2.6	-2.7	-2.7	-2.4	-1.0		
Contribution from real exchange rate depreciation	0.7	1.4	-1.0	...	...	...	...	...	...	...	...		
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**	**0.8**	**-0.6**	**-2.4**	**0.0**	**-0.1**	**-0.1**	**-0.2**	**-0.2**	**0.0**	**0.0**	**1.3**	**-0.3**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**36.7**	**36.1**	**40.1**	**40.9**	**41.9**	**42.7**	**43.2**	**35.3**	**15.6**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**224.7**	**231.6**	**264.7**	**261.3**	**254.4**	**254.9**	**252.8**	**191.9**	**76.2**		
Debt service-to-revenue and grants ratio 3/	**32.4**	**33.5**	**32.9**	**36.3**	**53.2**	**61.6**	**70.9**	**76.2**	**81.4**	**51.9**	**16.2**		
Gross financing need 4/	7.1	7.4	7.8	8.7	12.2	12.9	14.3	15.1	15.8	9.3	2.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.8	6.4	6.8	3.2	0.5	7.9	6.2	6.3	6.3	6.2	5.2	**6.6**	**5.6**
Average nominal interest rate on external debt (in percent)	2.3	3.6	2.0	1.6	1.0	1.6	1.5	1.5	1.5	1.6	2.0	**4.4**	**1.5**
Average real interest rate on domestic debt (in percent)	0.1	0.8	-0.2	0.1	3.1	4.2	4.6	5.4	5.4	1.4	1.8	**-1.7**	**3.1**
Real exchange rate depreciation (in percent, + indicates depreciation)	4.7	10.0	-6.3	...	...	...	...	...	...	...	...	**0.9**	**...**
Inflation rate (GDP deflator, in percent)	5.4	5.4	6.3	6.4	5.8	6.4	6.7	6.7	6.7	6.5	6.3	**5.3**	**6.5**
Growth of real primary spending (deflated by GDP deflator, in percent)	-7.3	5.4	4.2	3.0	4.0	5.6	6.9	6.5	5.7	5.5	5.8	**12.0**	**5.3**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	1.4	-0.4	4.1	3.7	-0.4	2.2	1.4	1.3	1.4	2.1	0.9	**1.7**	**1.8**
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	11	12	12	11	11	10	10	10	10	9	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	11	9	6	4	3	2	1	-5	-11	-16	-22
A2. Adverse COVID-19 shock	11	14	14	14	13	13	13	13	13	13	13
B. Bound Tests											
B1. Real GDP growth	11	12	12	12	11	11	10	10	10	10	9
B2. Primary balance	11	12	12	12	11	11	11	10	10	10	10
B3. Exports	11	14	17	16	16	15	15	14	14	13	13
B4. Other flows 3/	11	15	17	16	16	15	15	14	13	13	12
B5. Depreciation	11	15	11	11	11	10	10	10	10	10	10
B6. Combination of B1-B5	11	15	15	15	14	13	13	13	12	12	11
C. Tailored Tests											
C1. Combined contingent liabilities	11	13	13	12	12	12	12	11	11	11	11
C2. Natural disaster	11	13	13	12	12	12	12	12	11	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	64	72	69	67	62	56	51	58	57	55	54
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	64	50	36	26	19	11	4	-31	-65	-96	-127
A2. Adverse COVID-19 shock	64	81	81	81	77	71	67	78	77	76	76
B. Bound Tests											
B1. Real GDP growth	64	72	69	67	62	56	51	58	57	55	54
B2. Primary balance	64	73	71	70	65	59	54	62	61	59	58
B3. Exports	64	92	122	119	110	99	91	102	98	94	90
B4. Other flows 3/	64	87	100	97	90	81	74	83	80	76	73
B5. Depreciation	64	72	54	52	48	44	40	46	46	45	45
B6. Combination of B1-B5	64	91	85	92	85	76	70	79	76	73	71
C. Tailored Tests											
C1. Combined contingent liabilities	64	77	75	74	69	63	59	68	67	65	64
C2. Natural disaster	64	79	77	76	71	65	61	70	70	69	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.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	5	5	7	6	6	5	4	5	4	4	4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	5	5	6	5	4	4	2	1	-1	-3	-4
A2. Adverse COVID-19 shock	5	5	7	7	7	6	5	6	6	6	6
B. Bound Tests											
B1. Real GDP growth	5	5	7	6	6	5	4	5	4	4	4
B2. Primary balance	5	5	7	7	6	6	5	5	4	5	5
B3. Exports	5	6	9	10	9	8	7	8	8	8	8
B4. Other flows 3/	5	5	7	8	8	7	5	7	7	6	6
B5. Depreciation	5	5	7	6	6	5	4	4	3	3	3
B6. Combination of B1-B5	5	6	8	8	8	7	6	7	6	6	6
C. Tailored Tests											
C1. Combined contingent liabilities	5	5	7	7	7	6	5	5	5	5	5
C2. Natural disaster	5	5	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	6	6	7	7	7	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	1	-1	-3	-4
A2. Adverse COVID-19 shock	6	6	8	7	8	7	6	6	5	5	6
B. Bound Tests	6	6	8	7	8	7	6	6	5	5	6
B1. Real GDP growth	6	6	7	7	7	6	5	5	4	4	4
B2. Primary balance	6	6	7	7	7	6	5	5	4	4	4
B3. Exports	6	6	8	8	8	7	6	6	6	6	6
B4. Other flows 3/	6	6	8	8	8	7	6	6	6	6	6
B5. Depreciation	6	8	9	7	8	7	6	5	4	4	4
B6. Combination of B1-B5	6	6	8	8	8	7	6	6	5	5	5
C. Tailored Tests											
C1. Combined contingent liabilities	6	6	7	7	7	6	5	5	4	4	5
C2. Natural disaster	6	6	7	7	7	6	5	5	4	4	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

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	36	40	41	42	43	43	43	42	40	38	35
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	36	36	36	37	38	39	40	40	40	40	40
A2. Adverse COVID-19 shock	36	53	54	54	54	54	54	51	49	46	43
B. Bound Tests											
B1. Real GDP growth	36	41	43	44	46	47	47	46	44	43	41
B2. Primary balance	36	41	43	44	45	45	45	44	42	40	37
B3. Exports	36	42	46	46	47	47	47	45	43	41	38
B4. Other flows 3/	36	43	46	47	47	48	48	46	43	41	38
B5. Depreciation	36	39	38	38	37	36	35	32	29	26	22
B6. Combination of B1-B5	36	39	40	40	41	41	41	40	38	36	34
C. Tailored Tests											
C1. Combined contingent liabilities	36	46	47	47	48	48	48	46	44	42	40
C2. Natural disaster	36	46	47	48	49	49	49	48	46	44	42
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	232	265	261	254	255	253	249	236	222	208	192
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	232	237	232	225	227	229	232	227	223	220	217
A2. Adverse COVID-19 shock	36	56	76	86	92	98	102	74	71	66	62
B. Bound Tests											
B1. Real GDP growth	232	270	274	269	273	273	271	260	248	235	221
B2. Primary balance	232	273	277	269	269	266	261	247	233	218	202
B3. Exports	232	276	291	282	281	278	272	258	242	226	208
B4. Other flows 3/	232	281	292	283	282	279	273	258	243	226	209
B5. Depreciation	232	259	245	230	222	212	201	181	162	142	121
B6. Combination of B1-B5	232	261	258	245	245	242	238	225	212	198	182
C. Tailored Tests											
C1. Combined contingent liabilities	232	305	298	288	287	283	278	263	248	232	215
C2. Natural disaster	232	303	298	290	290	288	284	270	257	242	226
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	36	53	62	71	76	81	85	62	59	55	52
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	36	50	56	64	69	74	79	57	57	56	55
A2. Adverse COVID-19 shock	36	56	76	86	92	98	102	74	71	66	62
B. Bound Tests											
B1. Real GDP growth	36	54	64	74	80	86	91	68	65	62	59
B2. Primary balance	36	53	64	75	80	85	89	65	62	58	55
B3. Exports	36	53	62	72	77	83	87	63	61	57	54
B4. Other flows 3/	36	53	62	72	78	83	87	64	61	58	54
B5. Depreciation	36	50	58	65	70	75	78	56	53	49	45
B6. Combination of B1-B5	36	51	60	69	74	79	83	60	57	54	50
C. Tailored Tests											
C1. Combined contingent liabilities	36	53	71	80	85	91	95	69	66	62	58
C2. Natural disaster	36	54	71	80	86	92	96	71	68	64	61
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 Min Han Soe, Advisor to Executive Director
January 12, 2021

On behalf of the Myanmar authorities, we would like to express our gratitude to the Board and the Management for the swift disbursement under the Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) in June 2020. We also thank Mr. Peiris and the Myanmar mission team for the constructive engagement and continuous support during these challenging times. The Fund's emergency financial assistance and policy advice are instrumental in supporting Myanmar in overcoming the severe shocks aggravated by the COVID-19 pandemic. The second wave of infections has put further pressure on the health system and the economy resulting in additional financing needs. The Myanmar authorities have therefore requested a second RCF/RFI disbursement to help close the FY 2020/21 financing gap and further catalyze external financing, thereby contributing to mitigate the impact of the virus while setting the groundwork for a resilient recovery.

Adverse Effects of COVID-19 and disruptions to the economy

Following the moderation of the infection rate under the initial outbreak of COVID-19 in early March, Myanmar has been hit by a more severe second wave which has led to a resurgence in the number of infected patients since end-August. Since the outset of the pandemic, the authorities established a National-Level Central Committee to facilitate swift treatments of the infected people and imposed necessary measures to stem the spread of the virus. However, the second wave of the pandemic has caused the caseload to accumulate over tenfold since end-August, with 126,345 reported positive cases and 2,728 fatalities as of early January 2021.

The authorities have given priority to containing the pandemic and protecting lives and livelihoods through several measures. The government has expanded the measures to tackle second wave transmission by issuing stay-at-home orders, closing of schools, transport and hospitality services, and firms as well as imposing restrictions on international travel and factories. As a result, business closures and unemployment have significantly risen, and the poverty gap has widened sharply. To support the affected sectors and vulnerable groups, the authorities have launched relief measures comprising of cash and in-kind transfers, pandemic prevention, control and treatment activities all together amounting to 1.9 percent of GDP in FY 2019/20. Given the weak economic environment and pandemic-related disruptions in the economy, Myanmar's fiscal deficit is expected to widen significantly.

Fund's assistance and the authorities' measures to tackle the pandemic

The first RCF/RFI disbursement facilitated financial support to vulnerable households to a large extent, while the authorities were focusing on cash and in-kind transfers. The first disbursement under the RCF/RFI arrangement helped finance COVID-19 related expenditures and thereby avoided a larger fiscal gap and resorting to non-concessional financing while limiting financing from the CBM. In addition, the authorities launched the COVID-19 Economic Relief Plan (CERP) in April 2020 to provide cash and in-kind transfers to the most vulnerable and affected households, including internally displaced persons. As of November 2020, total cash and in-kind transfers of about 500 billion kyat (around US$375 million) have been provided to affected households. Going forward, the authorities envisage to continue larger scale transfers to deal with rising poverty posed by the COVID-19 crisis.

The authorities expressed their strong commitments to implement economic relief measures in line with the Fund's suggestions while putting large emphasis on vulnerable groups. They have been drafting the Myanmar Economic Resilience and Reform Plan (MERRP) since the early FY 2020/21 to enhance the implementation of the CERP. Under the MERRP, relief measures such as additional tax and utility deferrals, soft loans and cash transfers to affected sectors and households, and macroeconomic and financial stability measures will be introduced.

Economic Performance and Outlook

Myanmar's economy was affected largely by the pandemic in FY 2019/20, and the second wave of the outbreak is impeding the economic recovery in FY 2020/21. Myanmar's economic growth for FY 2019/20 is estimated at 3.2 percent, a significant decline from 6.8 percent in FY 2018/19. In FY 2020/21, the adverse impacts of the second wave during the first quarter is expected to contribute to the decline in the annual GDP growth to 0.5 percent, despite the gradual lifting of restrictions in the end of 2020 and commencing the vaccination program in early February 2021 to support economic recovery.

While near term economic stability has improved, the outlook on external stability poses increasing risk. Inflation fell to 2 percent year-on-year in September from 9.1 percent in March owing to lower food and fuel prices. Nevertheless, inflation is projected to rise gradually to 5.4 percent by the end of FY 2020/21 due to the rebound in economic activities as the economy reopens and increasing food and fuel prices. The current account deficit declined to 3.5 percent of GDP in FY 2019/20 from a previous estimate of 4.0 percent, reflecting lower than expected imports and higher personal remittances. International reserves, although still below the desired level, improved to 4.7 months of imports in FY 2019/20 from 4 months of imports in the previous year, and is expected remain at this level in the near term unless additional financing is secured. Accordingly, the prospect of external stability is projected to weaken going forward, reflected in the expected widening of the current account deficit to 4.4 percent of GDP in FY 2020/21. The weak external demand and disruption in production of export manufacturing companies are expected to weigh on exports while imports are projected to rise on the back of higher COVID-19 related imports.

The fiscal position for FY 2019/20 has been favorable but it is expected to deteriorate in FY 2020/21 due to higher pandemic-related spending and lower revenue. In FY 2019/20, higher than anticipated tax collections and stronger gas revenues helped to maintain the fiscal deficit at 4.7 percent of GDP. However, the containment measures and the economic support package as well as a weaker economic outturn are expected to result in the widening of the fiscal deficit to 6 percent of GDP, creating a fiscal financing gap amounting to 1.1 percent of GDP (US$1 billion) in FY 2020/21.

Risks are tilted to the downside. The authorities realize the staff's assessment of the risk to the economy. The prolonged pandemic together with the global economic downturn and lower foreign exchange inflows can further constrain economic growth. In addition to domestic economic disruptions, the external sector is expected to worsen owing to subdued external demand and global supply chain disruptions, and lower remittance and FDI inflows into the economy. Moreover, the protracted and severe second wave of the COVID-19 crisis may generate scarring affects that would adversely affect livelihoods and hamper potential growth in the longer term. As these drawbacks exacerbate the existing inefficiencies of a low-income developing economy, Myanmar's economic growth could decline by an additional 3.5 percentage points in FY 2020/21 according to the downside scenario.

The Myanmar Government has requested additional Fund assistance under the RCF and RFI amounting to SDR 258.4 million (50 percent of quota) to partially close the current account and fiscal financing gaps. The authorities are committed to using these funds to partly support the temporary increase in the government spending and current account deficits in FY 2020/21. They also commit to implement a comprehensive set of measures to strengthen healthcare, protect the socio-economic well-being of those affected by the pandemic, reduce scarring affects and support a steady recovery once the pandemic subsides. The additional Fund support will also help limit monetization, hence mitigate rising inflationary and external pressures. Moreover, the Fund financing will help catalyze further concessional financing from other multilateral and bilateral development partners, including the World Bank, Asian Development Bank and Japan International Cooperation Agency.

The authorities continue to request the extended debt service suspension from 14 creditors, including members of the G20 and the Paris Club under the Debt Service Suspension Initiative (DSSI). As the estimated savings under the DSSI in FY 2019/20 amounted to US$114 million, the authorities have extended requests to sign debt suspension agreements with Paris Club creditors as well as individual creditors. As of December 2020, the bilateral agreement with four Paris Club creditors have been signed and negotiations with four other creditors are underway.

Policy implementations of the authorities

The Myanmar authorities have been focusing their near-term fiscal spending on the pandemic relief and will shift to gradual fiscal consolidation when the crisis abates. Given the severe economic impact of the second wave of the pandemic, the authorities implemented crisis mitigating measures such as tax exemptions, expansion of social and health care services and direct support to households and businesses. Furthermore, the existing Maternity and Child Cash Transfer (MCCT) program has been expanded since June to cover most vulnerable groups and concentrate on people from disadvantaged and conflict regions. The additional public spending on the pandemic relief measures is estimated to rise to 2.3 percent of GDP in FY 2020/21. The authorities also applied to access COVID-19 vaccines through the COVAX Advance Market Commitment and are in discussion with development partners to seek support for the purchase of the vaccine for the Myanmar population. The purchase contract for the first batch of the vaccines from India has already been signed.

The authorities commit to promote efficient allocation of scare resources and good governance on the use of public funds. To ensure the efficacy of fiscal expenditures and limit CBM financing to around 5 percent of the previous year's reserve money and 20 percent of total financing in FY 2020/21, the authorities have introduced various safeguard measures to preserve efficient resource allocation and strengthen the governance framework. This includes improving business protocol such as accounting, monitoring and reporting of the pandemic related expenditures, and enhancing disclosure and audit procedure for COVID-19 related spending. They also plan to establish a Steering Committee with the development partners to closely monitor and effectively manage the recovery financing.

Various measures to strengthen public finance will be introduced to improve fiscal prudence going forward. The authorities plan to develop a cash planning model and Treasury Single Account-lite, framework for analyzing, monitoring and reporting of fiscal risks as well as enhance the well-sequenced tax and Public Finance Management (PFM) reforms.

The authorities commit to maintain public debt sustainability. Notwithstanding the total public debt accumulating due to the pandemic-related spending, Myanmar maintains public debt sustainability with a low overall risk of debt distress. The December 2020 DSA showed that Myanmar has adequate capacity to repay the Fund as peak liabilities to the Fund will account for 0.9 percent of GDP or 8.7 percent of gross international reserves. The authorities commit to pursue prudent fiscal policy and steadfast fiscal reforms to gradually bring down the fiscal deficit, preserve public debt sustainability and ensure that the CBM financing will be limited to below 5 percent of the previous year's reserve money and to be gradually phased out when the situation permits.

On the monetary front, CBM will maintain an accommodative monetary policy stance to support economic performance while strengthening its monetary operations. In pursuing the monetary easing stance, the CBM agrees on the need to closely monitor inflationary pressures as the inflation outlook is subject to large uncertainties, especially those related to the pandemic and its implications on economic activities. They also agree to allow exchange rate flexibility to continue its role as a shock absorber and commit to rules- based FX intervention introduced in early FY 2019/20 to facilitate building adequate international reserves. The authorities will continue to enhance monetary operations, including the use of credit auctions and repos and the introduction of interest on excess reserves, with technical assistance from the IMF. The authorities also commit to improve public cash management and reduce reliance on monetary financing through enhancing the coordination between MOPFI and CBM.

Financial sector stability is regarded as a top priority. The authorities commit to strengthen financial sector stability and accelerate preparation of contingency plans for managing banking sector stress. The prolonged COVID-19 crisis could raise credit risks in the banking sector, hence the CBM has strengthened the commercial banks' recapitalization measures by closely monitoring the progress of the commercial banks' recapitalization plan. They have been assessing banks' compliance with prudential benchmarks on a quarterly basis and have identified legacy NPLs with technical assistance from the Fund. In 2020, some of these commercial banks managed to recapitalize and thereby fulfilled CBM's capital requirements. The authorities also commit to continue the ongoing process of restructuring state banks under the World Bank's assistance. Moreover, with the Fund technical assistance, the CBM has agreed to conduct asset quality and solvency assessment on the commercial banks with high NPLs and plans to introduce enhanced measures to safeguard financial stability.

The authorities continue the ongoing structural reform agenda under the Myanmar Sustainable Development Plan (MSDP). As this long-term development plan aims at improving the business climate, the steadfast implementation of structural policy reforms is critical to advance progress towards inclusive and private sector led growth. The authorities have also introduced various measures to facilitate trade and investment, including the reduction of customs duties, streamlining bureaucratic procedures, and launching online platform and virtual marketplace for domestic and international trade. Moreover, the authorities have scaled up current structural reforms in governance, anti-corruption, and the AML/CFT framework. They also introduced a time bound remedial Action Plan, in response to Myanmar being included on the FATF Grey list. This entails the development of risk assessment tools for banks, new regulations for banks and non-bank financial institutions, and AML/CFT trainings. In addition, remittance business licenses are granted to non-bank companies to monitor and conduct personal and family remittance transactions in accordance with the AML/CFT legal framework and requirements.

Conclusion

The Myanmar authorities have reaffirmed commitment to preserving macroeconomic and financial stability and endorsed advancing reforms towards sustainable and inclusive growth. Given that the prolonged COVID-19 pandemic results in additional challenges to the reform progress, the second disbursement through the RCF and RFI arrangement will support the economy in its development path. Moreover, the Fund arrangements will catalyze further financing support from donors and creditors and are instrumental to the authorities' effort to mitigate the impact of COVID-19 and sustain the growth momentum, while preserving policy buffers. The authorities are deeply grateful for the Fund's continued support in these difficult times.