

Analysis of myanmar's macroeconomic development

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Abstract. In recent years, the total GDP of myanmar has been increasing year by year. The year of 2018, the CPI growth rate reached 6.9%, although, the GDP growth rate of myanmar has increased to 6.8%, High economic growth and high inflation coexist. Myanmar's unemployment rate is at a low level, stable at less than 2 percent. The import and export trade is in deficit. The net inflow of FDI is at a relatively stable low level. But there has been a big increase since 2010. In terms of international balance of payments, since 2012, with a large influx of foreign investment into myanmar's infrastructure and other industries, the import demand for machinery and equipment has expanded significantly, and myanmar's current account deficit has significantly expanded.

1 Introduction

The Republic of The Union of Myanmar is located in southeast Asia on the western Indo-China Peninsula. It borders China's Tibet and Yunnan provinces in the north and northeast, Laos and Thailand in the east, And India and Bangladesh in the west^[1]. It covers an area of 678,500 square kilometers and has a population of 51.419 million. Superior natural conditions, rich resources, forest coverage rate of about 50%, is the world's largest teak production country. Ninety-five percent of the world's jade, tree jade produced in Myanmar, enjoys high reputation in the world. However, due to years of civil war, coupled with sanctions by western countries, Myanmar's industrial and agricultural development is slow, and the economic foundation is extremely weak. In December 1987, it was listed as one of the least developed countries in the world by the United Nations^[2].

Since 2011, the Myanmar government has actively integrated into the international community, vigorously promoted economic development while carrying out democratic reform, and myanmar has entered a period of rapid economic growth. GDP has grown at an average annual rate of 7.5% in the last three years, thanks largely to government investment in infrastructure, rapid manufacturing growth and a surge in tourism. At the same time, western sanctions against the government have been gradually reduced as it steps up democratization. After Myanmar's transition from military to constitutional government in 2011, the EU provided a large amount of assistance to Myanmar to promote its political and economic reform and development.

China and Myanmar established a comprehensive strategic partnership of cooperation in 2011, and friendly exchanges and cooperation in various fields have been continuously strengthened^[3]. Myanmar supports and actively participates in the "One Belt And One Road"

initiative. It is also an important member of regional cooperation mechanisms such as the bangladesh-china-india-myanmar economic corridor and the lancang-mekong river, and an important participant in china-asean connectivity. China and Myanmar enjoy good complementarity and cooperation prospects in such fields as infrastructure construction, agriculture, electricity, mining and tourism^[4]. In 2017, the Chinese government expressed its willingness to work with Myanmar to explore the construction of a "man-shaped" China-Myanmar economic corridor starting from Yunnan province in the north, passing through the China-Myanmar border to Mandalay in the south, and then extending east and west to Yangon New City and Kyaukpyu Special Economic Zone, respectively. The Myanmar government has responded positively, saying that the initiative of china-Myanmar Economic Corridor has many similarities with Myanmar's national development plan. We hope to solve the problems of backward transportation and electricity in Myanmar through joint efforts^[5].

This paper mainly analyzes the macroeconomic development of Cambodia in recent years from the aspects of economic growth, unemployment rate, price level, import and export trade, foreign investment and international balance of payments.

2 Economic Growth

As shown in table 1, myanmar's nominal GDP and real GDP both increased year by year from 2012/13 (April 2012-march 2013) to 2017/18 (April 2017-march 2018). The nominal GDP increased from 51,259.26 billion kyat in 2012/13 to 91,282.59 billion kyat in 2017/18, and the real GDP increased from 4,508.66 billion kyat in 2012/13 to 63,895.31 billion kyat in 2017/18.

From 2012/13 to 2013/14, the GDP growth rate increased from 7.3% to 8.4%, but after 2013/14, the GDP

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growth rate decreased year by year, from 8.4% in 2013/14 to 5.9% in 2016/17. The economy grew by 5.9% in 2016/17 because of poor harvests and uncertainty over the policies of the newly elected government. In fy2017/18, myanmar's GDP growth rate was 6.7%, up from 2017. In an effort to liberalize the economy, the government has revised its economic development strategy to minimize the number of state-owned enterprises and encourage the development of the private sector. The new company law, which took effect in August 2018, liberalizes sectors that previously restricted foreign investment, such as the import and export industry, the insurance industry and the securities and exchange market. The new law will boost myanmar's attractiveness as an investment destination. Investment in myanmar is expected to pick up further, and the establishment of a number of special economic zones in myanmar will overcome the lack of business environment, take advantage of low labor costs, attract overseas manufacturing, economic growth is expected to further improve^[6].

Table1. Economic growth data of myanmar in recent years

The fiscal year	Nominal GDP(100 million kyat)	Real GDP(100 million kyat)	GDP growth rate (%)
2012/13	512592.6	450806.6	7.3
2013/14	580116.3	488791.6	8.4
2014/15	652618.9	527850.5	8.0
2015/16	727140.2	564762.3	7.0
2016/17	797209.0	598038.0	5.9
2017/18	912825.9(About \$67.3 billion)	638953.1 (About \$47.1 billion)	6.8

Source: central bureau of statistics under the ministry of planning and finance
 Note: real GDP is based on the 2010-2011 fiscal year.

From 2000 to 2007, the growth rate of per capita GDP in myanmar was above 10% (including per capita GDP in constant price). GDP per capita growth declined after 2008, but remained high, rising 5.4% in 2017. Adjusted net national income per person rose from \$188 in 2000 to \$1,708 in 2018. At present, myanmar is still a low-income developing country with a weak foundation for development, and its macroeconomic strength will remain low in the medium term. The year of 2018, the CPI growth rate reached 6.9%, although, the GDP growth rate of myanmar has increased to 6.8%, High economic growth and high inflation coexist. Myanmar's unemployment rate is at a low level.

3 Unemployment Rate

Myanmar's unemployment rate is at a low level, stable at around 0.78% from 2014 to 2017, but in 2018, myanmar's unemployment rate is higher than previous years, rising to 1.56% (see figure 1). The IMF forecasts that myanmar's population will continue to grow from 53 million in 2019 to 54.7 million in 2024, with population growth of 0.4 and 0.5 percent, respectively.

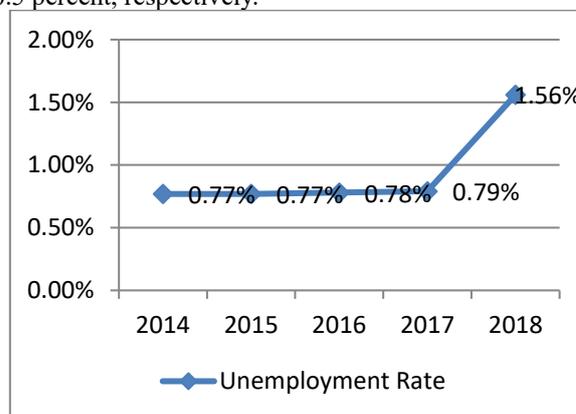


Fig1. Changes in myanmar's unemployment rate from 2014 to 2018

Source: central bureau of statistics under the ministry of planning and finance

4 Price Level

As can be seen from figure 2, the price level of myanmar fluctuates. Influenced by the financial crisis of the United States in 2008, the year-on-year CPI growth rate of myanmar dropped sharply in 2008. The government adjusted monetary policy and other means, CPI growth began to pick up in 2009. Myanmar's heavy dependence on imports of commodities such as oil over the past decade has led to high inflation, which averaged 10 per cent a year in 2015. Myanmar's inflation rate was 6.8 percent in 2016 and 5.19 percent in 2017, and the imf forecasts it will be between 5.5 percent and 6.2 percent in 2019-2022. Despite myanmar's growing economy and rising wages, inflation in 2017 and 2018 was significantly higher than the region's average of 3.1%^[7].

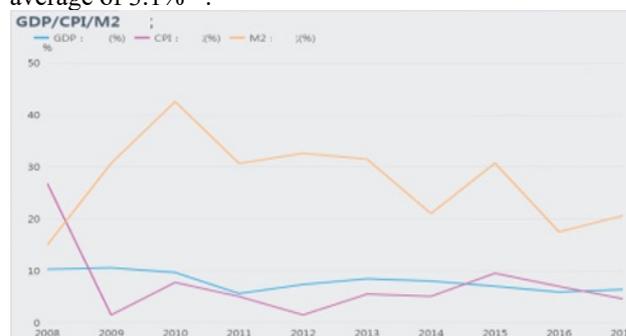


Fig2. Changes in year-on-year CPI growth in myanmar from 2008 to 2017

Source: central bureau of statistics under the ministry of planning and finance

In June 2019, the year-on-year growth rates of myanmar's overall CPI and core CPI were 9.5 percent and 6.3 percent respectively, both down slightly, but still at a high level since mid-2017. CPI growth for food and non-alcoholic beverages was 11.6% year on year, up from the previous month^[8]. Non-food items grew 6.0% year on year,

down from the previous month. In June 2019, the year-on-year growth rates of communications, clothing and footwear in the cpi basket were 8.8% and 10.0% respectively, up from may. Prices of housing, water, electricity and fuel, and health care increased by 8.3% and 4.6%, respectively. Prices of furniture, household equipment and maintenance increased by 6.1%, slightly down. The year-on-year growth rate of education price was 4.2%, which continued to decline. The year-on-year growth rates of transportation, leisure and cultural prices were 4.1% and 5.2% respectively, which were all down to different degrees from may^[9]. Year-on-year growth in restaurant and hotel prices was basically stable at 12.9%.

5 Import and Export Trade

As can be seen from figure 3, the import volume and export volume of myanmar increased year by year from 2000 to 2018. Since 2012, myanmar has exported more than it imported, suggesting it has been running a trade deficit in recent years^[10]. China is myanmar's largest trading partner. Myanmar mainly exports seafood, agricultural products and forest products to China and imports machinery and equipment, personal items and electronic instruments from China^[11].

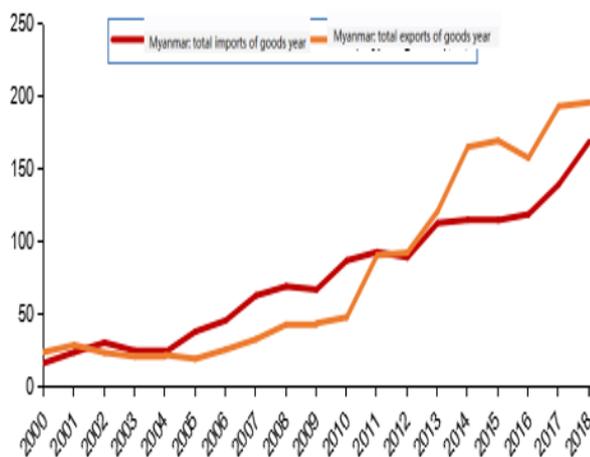


Fig3. Myanmar's import and export trade from 2000 to 2018 (\$100 million)

Source: Wind database

In May 2019, monthly export growth slowed to zero year on year. Monthly import growth turned from negative to positive at 3 per cent. Monthly exports to China fell 3 per cent from a year earlier. Monthly import growth from China turned from negative to positive at 11 per cent year-on-year. In May 2019, the monthly trade deficit was \$520 million, significantly widening. On a three-month moving average basis, the monthly trade deficit widened^[12]. The monthly trade deficit with developed economies was \$130 million, a marked increase. The monthly trade deficit with emerging and developing economies widened to \$390m.

6 Foreign direct investment

In terms of foreign direct investment, about 80% of myanmar's total foreign direct investment is concentrated

in the oil and gas, power, mineral resources and other industries^[13]. As can be seen from figure 4, from 2000 to 2006, net fdi inflows to myanmar were at a relatively stable low level. However, after 2010, net fdi inflows to myanmar increased significantly. In February 2019, the total amount of foreign investment in xidian was 450 million us dollars, of which Singapore invested the most, 150 million us dollars. Then there is Hong Kong, with \$100m.

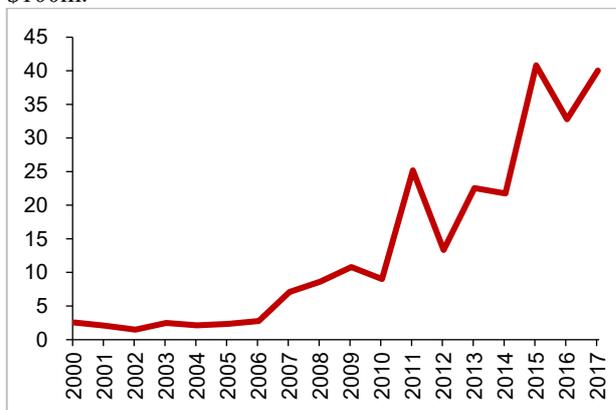


Fig4. Net inflows of foreign direct investment in Myanmar from 2000 to 2018 (\$100 million)

Source: Wind database

7 Balance of payments

In terms of the balance of payments, as shown in table 2, from 2014 to 2017, myanmar's current account was in deficit, and the current account deficit in 2017 widened to us \$4.50 billion from us \$1.761 billion in 2016. Myanmar's massive current account deficit is unlikely to narrow in the medium term. Since 2012, with a large influx of foreign investment into myanmar's infrastructure and other industries, the import demand for machinery and equipment has expanded significantly, and myanmar's current account deficit has significantly expanded^[14]. In 2018, the index was 7.2 percent, about 5.1 percentage points higher than in 2012, mainly due to an increase in the merchandise trade deficit. In 2019-2022, Burma's current-account deficit level is expected to gradually expand to about 7.9%, mainly due to foreign company investment of infrastructure projects to promote the demand for imports of machinery and equipment, raw materials, expected gas exports and tourism revenue growth is not enough to offset the above import spending expands, the international balance of payments will rely mainly on foreign direct investment and foreign aid into the cover^[15].

Total reserves (including gold) are low, at around \$5 billion a year and \$5.646 billion in 2018. Official reserves stood at \$5.41bn in March 2019, down slightly from February. Official foreign exchange reserves are equivalent to 3.5 months of imports, up slightly from February.

Table2. 2014-2018 myanmar's balance of payments situation (unit: \$)

	2014	2015	2016	2017	2018
Current account balance	-21.29	-28.38	-17.61	-45.04	--
Total reserves (including gold)	45.09	45.99	48.86	52.14	56.46

Source: Wind database

8 Conclusion

Overall, the economy is growing at a steady pace, with services and industry still the main drivers. The latest monthly CPI growth rate fell from a year earlier, leaving little room for inflation to rise thanks to the central bank's monetary policy. Recently, myanmar's trade deficit has widened, and the intensity of attracting foreign investment has also increased. In the future, myanmar's economy will continue to maintain a high level of growth.

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