Myanmar
CRT-5
August 22, 2019
Region: Asia

Country Risk Criteria Procedures
Guide to Best’s Country Risk Tiers

- Myanmar, a CRT-5 country, has high levels of economic and political risk and a very high level of financial system risk. Despite the global economic slowdown, growth in Myanmar is expected to remain strong, at around 6.7%, in 2019. Although the country has received international condemnation for its treatment of its minority Rohingya population, the impact of the humanitarian situation on foreign investment remains unclear.
- Expected to be around 6.5%, inflation is highly weather-dependent. Rising domestic demand, along with current account deterioration, also contribute to inflation.
- The countries pictured in the map hold a great deal of the world’s economic potential.

### Regional Summary: Eastern Asia

- Eastern Asia includes economies in various stages of development, from the MSCI-classified frontier market of Bangladesh to the MSCI-classified developed market of Japan.
- Growth in the region is facing several headwinds, including slowing exports, equity market corrections, decelerating global investment, and—especially important to both the region’s and the world’s economic outlook—a moderation of growth in China. China accounts for over half of the region’s GDP; the region as a whole accounts for around one-third of global economic growth.
- Despite weakening external conditions, many of the countries in the region have proven resilient in the face of headwinds. Inflation remains moderate and the region’s economic diversification has supported ongoing job creation. Governments have bolstered growth through stimulatory measures; growth has also been sustained through the rise of private consumption.
- In the face of external headwinds, monetary policy throughout the region has been loosening.
Economic Risk: High

• Myanmar’s economy is led by services, industry, and agriculture, with agriculture accounting for roughly a quarter of GDP and employing 70% of the population. Given the country’s extreme susceptibility to natural hazards, the reliance on agriculture leaves the economy highly vulnerable.

• With one of the lowest manufacturing costs in the region, the country’s garment industry has attracted a steady inflow of foreign direct investment. Investment in infrastructure is also expected to support growth. The current lack of adequate transportation and communication networks constrains development.

• Although poverty has declined, nearly one third of the population still lives in poverty, which is especially epidemic in rural areas. Life expectancy is low, and infant mortality and child malnutrition are high.

• Myanmar’s geographic position between China and India bodes well for its long-term economic outlook. Demographically, the country has a growing youth population, and is projected to maintain a higher working-age population for longer than peers such as Vietnam, Bangladesh, and Cambodia.

Political Risk: High

• The current government is led by the National League for Democracy, which controls both houses. The military still holds substantial political power, but relations between the two entities are generally benign. Legislative elections are upcoming in 2020.

• Efforts have been made to strengthen the judiciary, but it is still susceptible to corruption. Expropriation is uncommon, but state contract alteration risks are high. Contract enforcement in Myanmar is ranked 188 out of 190 countries by the World Bank.

• The bureaucracy lacks capacity and is therefore highly inefficient. The Ease of Doing Business index ranks Myanmar 171 out of 190 countries.

• Progress on resolving the ongoing refugee repatriation issue has stalled. The crisis has the potential to affect Myanmar’s concessional donor relationships and its status as an EU Generalised Scheme of Preferences country.

Financial System Risk: Very High

• The Ministry of Finance’s Insurance Business Regulatory Board is responsible for licensing insurers.

• The corporate tax rate is 25%. The government is working to minimize tax evasion. The country has one of the world’s lowest tax-to-GDP ratios, at 6.7%.

• The IMF has highlighted the fragility and systemic risks inherent in the country’s banking sector due to its credit boom. The IMF recommends encouraging recapitalization, as most banks are below minimum standards.

• The government is working to reduce central bank financing of the deficit.