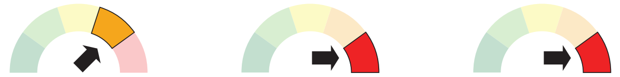
Myanmar
CRT-5

August 22, 2018

Region: Asia

Country Risk Criteria Procedures

Guide to Best's Country Risk Tiers



Economic Risk | Political Risk | Financial System Risk

- **Country Risk Tier 1** (CRT-1) Very Low Level of Country Risk
- **Country Risk Tier 2** (CRT-2) Low Level of Country Risk
- **Country Risk Tier 3** (CRT-3) Moderate Level of Country Risk
- **Country Risk Tier 4** (CRT-4) High Level of Country Risk
- **Country Risk Tier 5** (CRT-5) Very High Level of Country Risk

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Myanmar, a CRT-5 country, has a high level of economic risk and very high levels of political and financial system risk. Agricultural output will be threatened by rising sea levels and heavier-than-usual rainfalls. Human rights issues and the potential for increased military control continue to garner international attention.
- GDP growth in 2017 was 6.7% and is expected to rise over the medium term, while inflation declines gradually. Growth will be bolstered by governmental reforms.
- The countries pictured in the map hold a great deal of the world's economic potential.

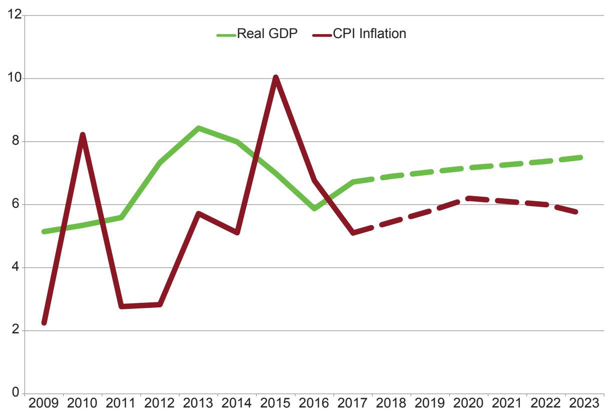
Vital Statistics 2017		
Nominal GDP	USD bn	66.54
Population	mil	52.6
GDP Per Capita	USD	1,264
Real GDP Growth	%	6.7
Inflation Rate	%	5.1
United Nations Estimates		
Literacy Rate	%	93.1
Urbanization	%	34.1
Dependency Ratio	%	49.1
Life Expectancy	Years	66.1
Median Age	Years	27.9
Insurance Statistics		
Insurance Regulator	The Insurance Business Supervisory Board under the Ministry of Planning and Finance	
Premiums Written (Life)	USD mil	13
Premiums Written (Non-Life)	USD mil	49
Premiums Growth (2016 - 2017)	%	14.3
Regional Comparison		
	Country Risk Tier	
Myanmar	CRT-5	
Bangladesh	CRT-5	
Bhutan	CRT-5	
China	CRT-3	
India	CRT-4	

Source: IMF, UN, Swiss Re, Axco and A.M. Best

Regional Summary: Eastern Asia

- Eastern Asia is home to some of the world's largest and most advanced economies. China (the second-largest economy in the world), Japan (third-largest), and South Korea (twelfth-largest) dominate much of Eastern Asia's economy as measured by gross domestic product (GDP) by the International Monetary Fund at year-end 2017.
- Tailwinds to the region include robust global growth and the resulting increase in demand for exports, growing domestic consumption, low interest rates, favorable labor market conditions, and government investment in infrastructure.
- Eastern Asia is particularly vulnerable to the rise in global trade protectionist policies and the resulting disruption in regional production networks. Additional risks for the region include an increase in geopolitical tensions, tighter global financial market conditions, potential capital outflows, exchange rate and financial market volatility, aging demographics and the resulting associated costs, government intervention in the private sector, and rising government debt levels.

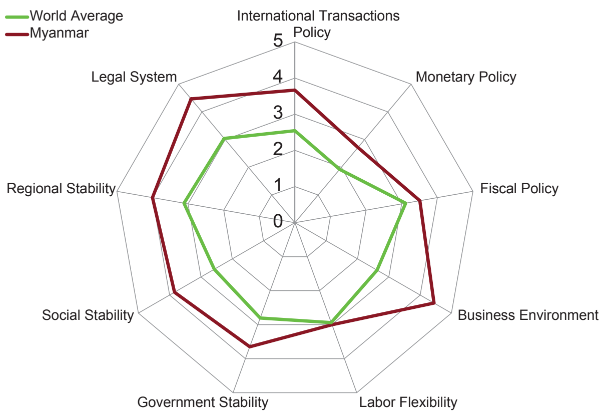
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

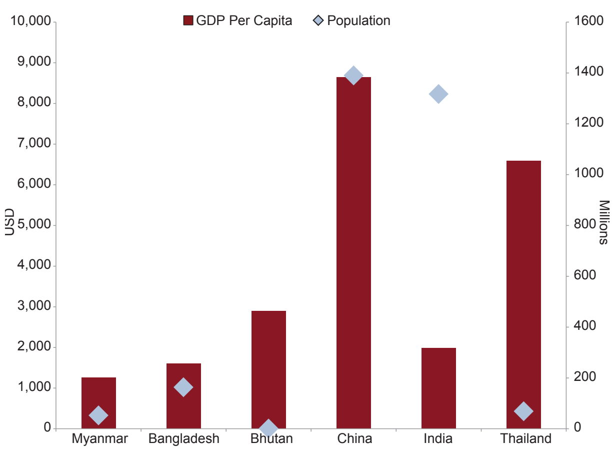
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

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. The reliance on agriculture, given the country's extreme susceptibility to natural disasters, leaves Myanmar's economy highly vulnerable.
- Global growth and rising commodity prices are supportive of Myanmar's economy. The removal of sanctions on Myanmar by Canada, the EU, Norway, and the US has boosted consumer demand and supported growth.
- 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.
- Infrastructure is inadequate in key sectors, including transportation and communication, which persistently hinders economic development.

Political Risk: Very 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. The main opposition to the NLD is unlikely to threaten its stability.
- 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.
- Militant ethnic groups' attacks often cause disruptions to business operations and damages on commercial assets. It is unlikely that significant progress towards peace agreements will be made in 2018. Anti-terrorism measures targeting militant groups have also displaced civilians.
- Protests are due largely to concerns regarding extractive industries, special economic zones, and land and compensation disputes, sometimes causing damage.

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% and is expected to remain so. The government is working to minimize tax evasion, which has increased revenues since 2011.
- Improving the banking sector's implementation capacity is crucial. Financial system risks include the potential for rapid credit growth and for the currency's depreciation.
- Further fiscal consolidation is needed to reduce the country's dependence on central bank funding to close the budget deficit and reduce imbalances.