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Myanmar economic recovery falters as conflict and inflation weigh

Broad-based slowdown anticipated across productive sectors

YANGON, December 12, 2023—Little economic growth is expected in Myanmar in the near term, as rising conflict, trade and logistics disruptions, kyat volatility and high inflation combine to negatively impact businesses and households, the World Bank's semi-annual *Myanmar Economic Monitor* said.

Myanmar's economy is projected to grow by just 1% over the year to March 2024, according to the report, *Challenges amid conflict*. Conflict has escalated across much of Myanmar since October, leading to the displacement of an estimated half a million people, disrupting key overland trade routes and increasing logistics costs.

Even if conflict does not escalate further, growth is expected to remain subdued over the rest of 2024 and into 2025 given a broad-based slowdown across productive sectors including agriculture, manufacturing, and trade. The size of Myanmar's economy remains around 10% lower than it was in 2019, leaving it the only economy in East Asia that has not returned to pre-pandemic levels of economic activity.

Consumer prices rose by almost 29% in the 12 months ending in June this year, and the more recent drop in the value of the kyat and escalation in conflict have led to further price rises in the months since. Household incomes continue to be severely strained. In surveys conducted by IFPRI in mid-2023, 40% of households reported earning less than in the previous year, with median real incomes declining by around 10 percent. Measures of food insecurity have also worsened.

“The economic situation has deteriorated, and uncertainty about the future is increasing,” said **World Bank Country Director for Myanmar, Cambodia, and the Lao PDR, Mariam Sherman.** “High food price inflation has had a particularly severe impact on the poor, who spend a larger portion of their income on food, and who tend to live in areas where prices have risen at a faster pace."

Indicators of business activity have worsened since mid-2023. Firms reported operating at just 56% of their capacity in September, down 16 percentage points from March. Weakness in sales has been a major challenge, particularly for retailers.

A special section of the report explores the scope for Myanmar’s garment industry to continue to drive growth in employment and incomes, as it has done for much of the past decade. However, conflict, high logistics costs, trade and foreign exchange restrictions, and electricity disruptions have raised the cost of doing business and reduced the sector’s international competitiveness.

“With the operating environment deteriorating and uncertainty about the future increasing, Myanmar’s garment firms have been forced to focus on survival rather than investment and growth,” said **World Bank Program Leader and Senior Economist for Myanmar, Kim Alan Edwards.** “The scarring effect of recent developments is likely to curtail Myanmar’s longer-term development potential, in the garment industry and across the broader economy”.

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