



MACQUARIE
University

Post-COVID Economic and Financial Policy in Myanmar

Financial Sector Working Group

British Chamber of Commerce Myanmar, August 19, 2020

SEAN TURNELL

sean.turnell@mq.edu.au



Covid-19 and Myanmar – Econ Impact

- The public health impact of Covid-19 has been less than feared
- But econ hit severe. Still growing, but just 0.5%. (?) Rebound 2021, 7.2% (?).
- Govt revs ↓10%, Remittances↓18%, CAD↑, BD↑...
- CERP – k2.6tn, 2.3% of GDP (but Myanmar's tax take is <7% of GDP. Not the small number it might appear.

Covid-19 and Myanmar – Green Shoots

- Myanmar's PMI: April 29.0, May 38.9, June 48.7, July 51.7.
- Domestic investment is actually up year on year as at August, FDI likewise ahead of estimates (@\$5bn ytd).
- Singular, Super Kyat – ↑10.6% nom, ↑15%+ real from one year ago
- BUT...many risks to the downside (dom/int); many sectors down, with no sunrise in sight.
- Election (but a double coincidence of wants?)

Don't Let Crisis Go to Waste

In practical terms:

- **Push on with CERP initiatives, use as platform to do difficult things (eg. with respect to conflict areas).**
- **Return to reform path. Productivity Champion – Comb Govt for the Rules and Regs holding Myanmar back. Project Bank.**
- **But – combine with extra resources to health, education, and other vehicles for equality of opportunity. UHC as demonstrable core.**

Macro-Financial Reform

Where to get these financial resources?

1. A comprehensive solution to Myanmar's public finances:

a) Tax Reform (for revenues and simplicity, flat, low, min exemptions – comm, income, uni tariff,

b) Bond Market Reform

- Market determined yields
- Openness and clarity on borrowing requirements, instrument types and volumes on offer
- Issue 10 year bond by syndication, actively build a yield curve

Macro-Financial Reform

Where to get these financial resources? (cont...)

- c) Constructive CBM Recourse – reinforcing rather than undermining the above.**
 - Myanmar's unfortunate monetary history, vs. the clear reality that, with respect to monetary orthodoxy, we are most certainly not in Kansas anymore
 - Barrier via Section 91b) of Central Bank of Myanmar Law (2013)
 - Secondary market QE/'Yield Control' – avoids 91b), maintains a fig-leaf for modesty, and may help keep an orderly market

NEVER AGAIN

China Exim Bank – Cooperative Micro Capital Loan

\$400m \$US (in *value...*for largely domestic spending)

4.5%p.a, plus Management fee of 1%p.a on first \$100m, 0.5% on remainder

\$84.53m paid in interest already

@\$35million to come

Factor in exchange rate losses....

Macro-Financial Reform

Where to get these financial resources? (cont...)

2. A Comprehensive Solution to Myanmar's Financial Sector

- a) Continue the progress on a reformed state-owned 'anchor' agribank
- b) Liberalise interest rates while maintaining prudential scrutiny on banks. Prepare an AMC, deposit insurance, develop the repo/interbank market
- c) Flesh out the eco-system around the great success of mobile money in Myanmar. What are the barriers?
- d) New MFI law, liquidity facility, deposit insurance
- e) State Development Banks. First moves, stopping the capital drain, lessening the divides.