At a glance

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European Parliament

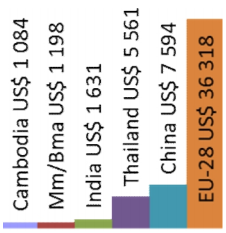
Myanmar/Burma: The next tiger?

Decades of economic mismanagement have left formerly wealthy Myanmar/Burma one of the poorest countries in the world. However, prospects have brightened recently – foreign trade and investment are booming, growth is accelerating and decrepit infrastructure is being rebuilt, giving the country a chance of becoming the next south-east Asian 'tiger' economy.

Economic data

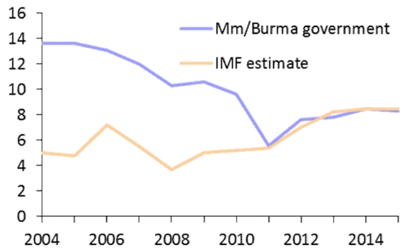
Per capita GDP

(current US$)



Data: World Bank.

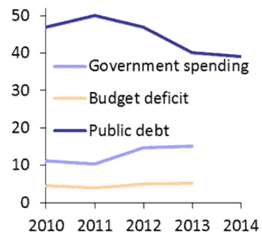
GDP % annual growth



IMF; Asian Development Bank (ADB).

Public finances

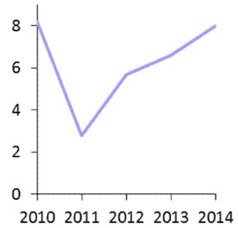
(% GDP)



IMF; ADB.

Inflation

(% consumer price change)



IMF.

Per capita GDP. Myanmar/Burma was recently upgraded by the World Bank from 'low-income' to 'lower middle income'. However, it remains on the UN's list of 48 Least Developed Countries and is considerably poorer than most of its neighbours. An estimated 26% of the population lives in poverty.

GDP growth. Optimistic but unreliable government statistics show double-digit growth through much of the 1990s and 2000s, whereas the IMF estimates that growth averaged a fairly sluggish (by developing country standards) 4.6% between 2002 and 2010, picking up since then to around 8% a year.

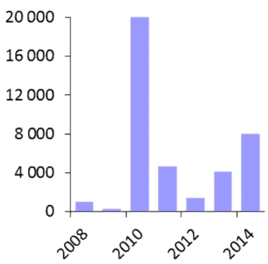
Government spending. Still relatively low (15% of GDP in 2013, compared to 20% in Thailand), but rising fast, due to massively increased infrastructure and social expenditure.

Budget deficit. Necessary as this higher expenditure is in order to make up for decades of under-investment, it makes it difficult to cut the budget deficit of around 5% GDP, comparable to other developing countries in Asia. The deficit is also explained by low tax revenue – just over 7% of GDP in 2014, due among other things to wide-ranging tax exemptions and inefficient tax collection.

Public debt. In 2014, 39% of GDP (external debt: 18% GDP), lower than in previous years thanks to substantial debt relief given to the country in 2013; overall, the IMF considers Myanmar/Burma to be 'at low risk of debt distress'.

Foreign investment

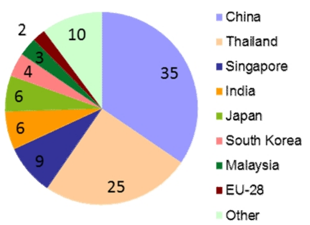
(US$million)



Data: Myanmar/Burma government.

Main trading partners

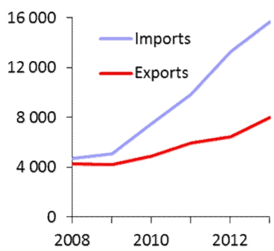
(% total foreign trade)



DG Trade, European Commission.

Foreign trade

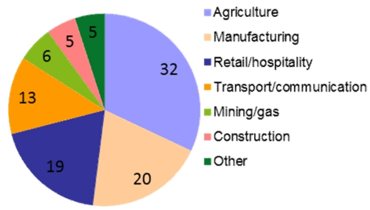
(€million)



DG Trade.

Main economic sectors

(%GDP)



Asian Development Bank.

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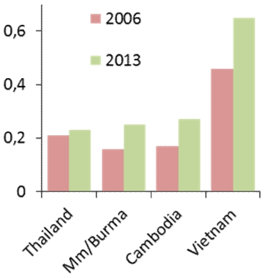
PE 569.041

Foreign direct investment (FDI). Rising levels of FDI (setting aside 2010, a year of anomalously high investment) are credited by the government with powering recent economic growth. In 2014, the most investments came from Singapore (52% of total FDI during the last three years), the UK (9%) and Hong Kong (6%), mainly in the power sector (41%), followed by oil and gas (31%), and manufacturing (9%).

Foreign trade. As an ASEAN country, Myanmar/Burma has free trade agreements with most of its south-east/east Asian partners, accounting for the bulk of its foreign trade. It also enjoys tariff- and quota-free access to EU markets under Everything but Arms; however, the EU-28 combined are only its eighth largest trade partner, accounting for 2.2% of total trade. Most exports are primary products (oil and gas, wood products, gemstones) with the exception of textiles; imports are mainly manufactured goods. Exports are growing fast, but – driven by strong growth in domestic demand – imports are rising even faster (28% a year), resulting in a widening trade deficit.

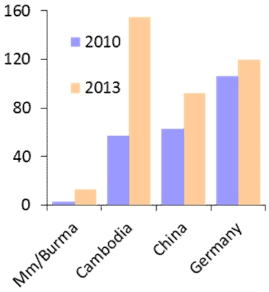
Road density

(km roads/km^2 country land area)



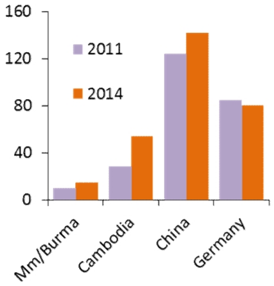
Mobile phone subscriptions

(per 100 population)



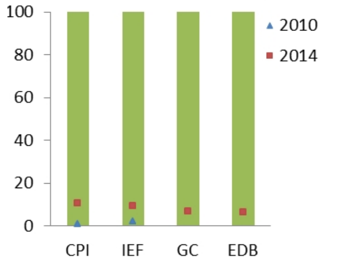
Domestic credit to private business

(%GDP)



Country's position in international rankings

(100= top place; 0= bottom of ranking)



2010 data not available for GC, EDB

Data: Asian Development Bank (road density); World Bank: mobile phones, business credit; CPI: Corruption Perception Index; IEF: Index of Economic Freedom; GC: Global Competitiveness; EDB: Ease of Doing Business.

Infrastructure. Lack of infrastructure is a serious barrier to economic development, with poor road and rail networks, erratic power supply, limited access to internet (just 1% of the population) and phones; in 2014 Myanmar/Burma was the least technologically developed country in the world. However, the situation is improving rapidly on most fronts (e.g. over 60 000 km of new roads built since 2006, an increase of 60%; mobile phone coverage increased from 1% in 2010 to 13% in 2013, and 25% in 2014).

Business environment. As well as deficient infrastructure, businesses are hampered by corruption, red tape, and a severe lack of credit. The World Bank rates Myanmar/Burma as the hardest country in the world in which to start up a company; in most international rankings, it is in the bottom 10% of countries, although where data from previous years are available, a clear improvement can be seen.

Economic reforms

The improving economic situation has to do with growing international confidence in Myanmar/Burma since it began its transition in 2010 from military dictatorship to democracy, the lifting of most western sanctions in 2012, and finally an ambitious economic reform programme launched by the current government. Numerous measures include massive increases in infrastructure and social expenditure, liberalisation of the banking sector, legislation to encourage foreign investment, floating of the kyat (the national currency), a more independent role for the country's central bank, and the opening of a Yangon Stock Exchange (scheduled for late 2015).

Economic outlook

Economic growth will be driven by rapid expansion of oil and gas production, tourism (visitor numbers have quadrupled since 2010), textiles (in 2014, an average of one new garments factory opened every week) and telecommunications, among others. As the economy opens up, Myanmar/Burma should benefit from its geographical location at the interface between China, India and the dynamic ASEAN economies, not least thanks to the ASEAN Economic Community and its single market launched in 2007. However, economic progress will also depend on continuing reforms, and these in turn are contingent on the outcome of the November 2015 elections. If the country can avoid a re-run of 1990, when the military's refusal to recognise the opposition NLD's electoral victory led to political and economic isolation, growth could potentially continue at around 8% for many years to come.