MYANMAR

OCTOBER 2023

COUNTRY REPORT

MYANMAR
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KEY TAKEAWAYS

MOST LIKELY REGIMES & THEIR PROBABILITIES	
18-MONTH	Military 55%
FIVE-YEAR	Military 50%

FORECASTS OF RISK TO INTERNATIONAL BUSINESS				
	TURMOIL	**FINANCIAL TRANSFER**	**DIRECT INVESTMENT**	**EXPORT MARKET**
18-MONTH	High	D (D+)	C+	D+
FIVE-YEAR	High	D+	C+	C-

( ) Indicates change in rating
* Indicates forecast of a new regime

KEY ECONOMIC FORECASTS			
	REAL GDP GROWTH (%)	**INFLATION (%)**	**CURRENT ACCOUNT ($bn)**
2018-2022(AVG)	0.1	8.0	-1.60
2023(F)	2.1	14.8	-1.50
2024-2028(F)	2.2	9.0	-1.25

CONFLICT WILL PERSIST

A low-intensity civil war triggered by the military's removal of the democratically elected NLD government headed by State Counselor Aung San Suu Kyi in February 2021 continues to grind on with no end in sight. The junta led by Gen. Min Aung Hlaing has made little headway in its effort to assert control in the roughly one-half of the country where dozens of armed groups aligned to varying degrees with the opposition shadow National Unity Government (NUG) wield de facto authority, abetted—although not always formally—by ethnic armed organizations that have battled the military for decades.

The ASEAN regional bloc has failed to reach consensus on a strategy for resolving the conflict, and the broader international community has largely ignored the conflict in Myanmar, content to let ASEAN take responsibility for imposing order among its own, while focusing on other crises, notably the war in Ukraine. The US, the EU, the UK, and Canada have imposed targeted sanctions aimed at starving the junta of financing for its military campaign, but there is limited overlap of targets and neither the US nor the UK has sanctioned the Myanma Oil and Gas Company, the largest single source of foreign-currency earnings.

In the absence of official recognition by foreign governments, the NUG has had to be creative when it comes to generating financing, including solicitation of private donations, the auctioning of land and other military-owned assets in areas under its control, and the sale of shares in future development projects to be undertaken once the NUG ascends to national power. The funds raised have helped to better outfit the dozens of scattered People's Defense Forces units.

The armed groups allied with the NUG lack the structural connections or fire power to challenge the military for control in population centers, but the NUG contends that it is expanding its reach in more remote areas. Reports that the military has responded to recent ambushes with indiscriminate bombing campaigns that have resulted in significant civilian casualties, presumably with the aim of weakening support for the political opposition among rural inhabitants, lends credence to that claim.

Although the sanctions imposed to date fall short of what the NUG is seeking from the international community, they are clearly having an effect, as are efforts by the opposition and their foreign allies (including the Burman diaspora) to pressure companies to steer clear of Myanmar by organizing boycotts and publicizing abuses committed by the junta. The most recent official data points to a sharp drop in FDI in 2023.

While sanctions and reputational concerns may partly explain the trend, an inadequate power supply, shortages of foreign exchange, and barriers to trade are no doubt factors, as well. Doubts about the competence of the junta to manage the economy and evidence of rampant corruption are also deterrents. Last month, Army Chief of Staff Lt. Gen. Moe Myint Tun and Lt.-Gen. Soe Htut were replaced on the SAC and removed from all official positions following their arrest on corruption charges. The move was part of a broader crackdown on finance and trade officials, exporters, businesses, and currency traders as the junta scrambles to halt outflows of foreign exchange that have sent the kyat into a tailspin, resulting in soaring prices for imported staples.

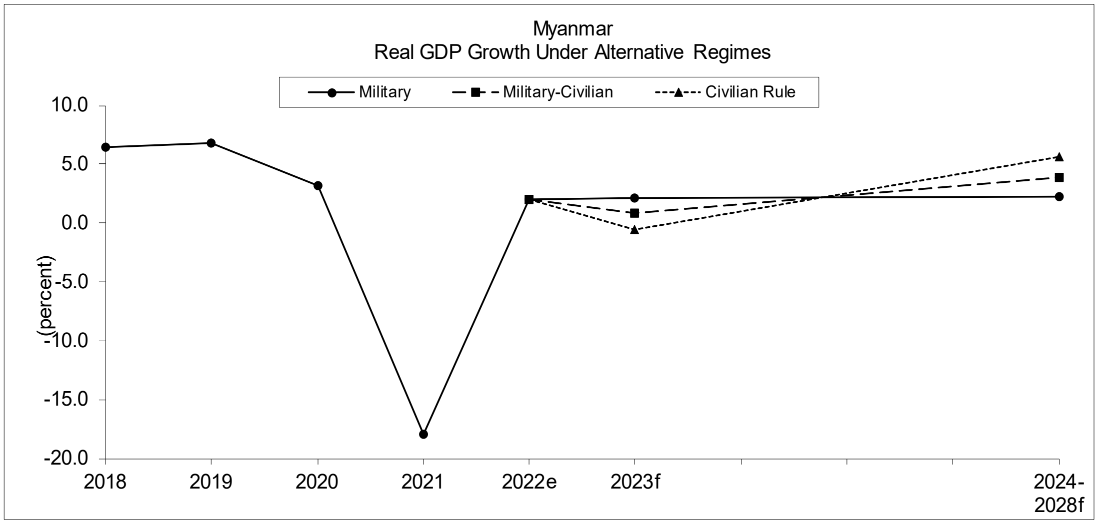
The economy posted positive real growth in the fiscal year to September 2022, with construction activity resuming in the more secure areas of the country and manufacturing growing again. However, a less favorable base effect, high inflation, sub-par agricultural output in rural conflict zones, and a lack of investment are all clouding the prospects for sustaining the recovery from the deep downturn in 2020/2021. Although the economy is forecast to expand in real terms in the 2023/2024 fiscal year (which under changes introduced by the SAC will run from April to March), nominal GDP will remain far below the pre-coup level, and a renewed contraction cannot be ruled out.

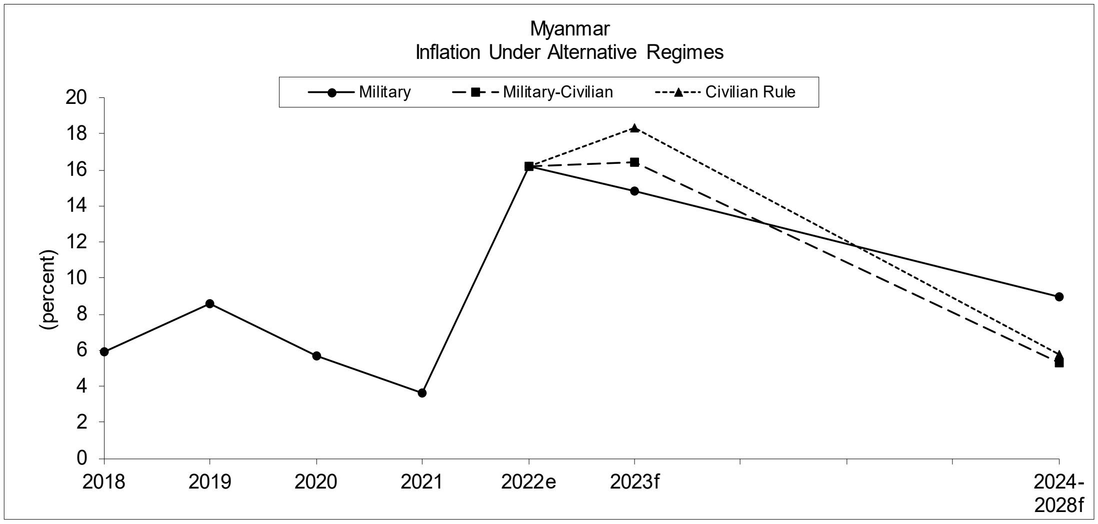
ECONOMIC FORECASTS FOR THE THREE ALTERNATIVE REGIMES									
	Military			Military-Civilian			Civilian Rule		
	GROWTH (%)	INFLATION (%)	CACC ($bn)	GROWTH (%)	INFLATION (%)	CACC ($bn)	GROWTH (%)	INFLATION (%)	CACC ($bn)
2023	2.1	14.8	-1.50	0.9	16.4	-1.70	-0.5	18.3	-1.85
2024-2028	2.2	9.0	-1.25	3.9	5.3	-2.65	5.6	5.8	-3.30

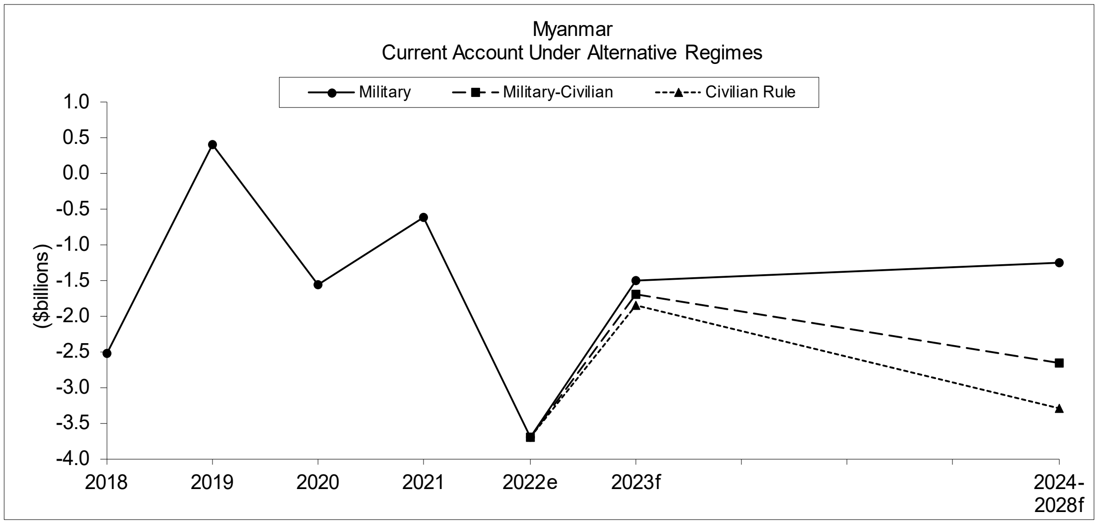
REGIME, BUSINESS & INVESTMENT FORECASTS

SUMMARY OF 18-MONTH FORECAST				
REGIMES & PROBABILITIES		Military 55%	Military-Civilian 40%	Civilian Rule 5%
RISK FACTORS	**CURRENT**			
Turmoil	High	SLIGHTLY MORE	Same	SLIGHTLY MORE
Investment				
Equity	High	Same	LESS	SLIGHTLY LESS
Operations	Very High	SLIGHTLY MORE	SLIGHTLY LESS	LESS
Taxation	Moderate	Same	Same	Same
Repatriation	High	SLIGHTLY MORE	LESS	Same
Exchange	High	SLIGHTLY MORE	LESS	SLIGHTLY LESS
Trade				
Tariffs	High	Same	LESS	Same
Other Barriers	Very High	Same	SLIGHTLY LESS	Same
Payment Delays	High	SLIGHTLY MORE	Same	Same
Economic Policy				
Expansion	Very High	SLIGHTLY MORE	Same	SLIGHTLY LESS
Labor Costs	Low	Same	Same	Same
Foreign Debt	Very High	Same	SLIGHTLY LESS	LESS
SUMMARY OF FIVE-YEAR FORECAST				
REGIMES & PROBABILITIES		Military 50%	Military-Civilian 40%	Civilian Rule 10%
RISK FACTORS	**BASE**			
Turmoil	High	Same	SLIGHTLY LESS	LESS
Restrictions				
Investment	High	Same	SLIGHTLY LESS	LESS
Trade	High	Same	LESS	LESS
Economic Problems				
Domestic	High	Same	SLIGHTLY LESS	LESS
International	Very High	Same	Same	SLIGHTLY LESS

* When present, indicates forecast of a new regime


Myanmar
Real GDP Growth Under Alternative Regimes
Military
Military-Civilian
Civilian Rule
(percent)
10.0
5.0
0.0
-5.0
-10.0
-15.0
-20.0
2018
2019
2020
2021
2022e
2023f
2024-2028f


Myanmar
Inflation Under Alternative Regimes
Military
Military-Civilian
Civilian Rule
(percent)
20
18
16
14
12
10
8
6
4
2
0
2018
2019
2020
2021
2022e
2023f
2024-2028f


Myanmar
Current Account Under Alternative Regimes
Military
Military-Civilian
Civilian Rule
($billions)
1.0
0.5
0.0
-0.5
-1.0
-1.5
-2.0
-2.5
-3.0
-3.5
-4.0
2018
2019
2020
2021
2022e
2023f
2024-2028f

Myanmar
Econometric Data

	2013-2017 Average	2018-2022 Average	2013	2014	2015	2016	2017
Domestic Economic Indicators							
GDP (Nominal, $bn)	61.27	69.71	59.18	63.15	62.66	60.09	61.27
Per Capita GDP ($)	1169	1266	1150	1216	1196	1136	1148
Real GDP Growth Rate (%)	7.2	0.1	7.9	8.2	7.5	6.4	5.8
Inflation Rate (%)	6.6	8.0	6.4	5.7	7.3	9.1	4.6
Capital Investment ($bn)	13.13	16.25	10.89	13.12	13.55	14.06	14.01
Capital Investment/GDP (%)	21.4	23.4	18.4	20.8	21.6	23.4	22.9
Budget Revenues ($bn)	12.58	10.66	12.55	14.19	13.41	11.76	10.97
Budget Revenues/GDP (%)	20.5	15.2	21.2	22.5	21.4	19.6	17.9
Budget Expenditures ($bn)	14.12	14.70	13.61	15.02	15.16	14.08	12.72
Budget Expenditures/GDP (%)	23.0	21.1	23.0	23.8	24.2	23.4	20.8
Budget Balance ($bn)	-1.54	-4.04	-1.06	-0.83	-1.75	-2.32	-1.75
Budget Balance/GDP (%)	-2.5	-5.8	-1.8	-1.3	-2.8	-3.9	-2.9
Money Supply (M1, $bn)	9.76	15.71	8.39	7.87	8.06	11.91	12.57
Change in Real Wages (%)	0.6	-1.5	0.4	4.0	-0.8	0.0	-0.7
Unemployment Rate (%)	4.5	1.8	4.0	15.4	0.8	1.2	1.0
International Economic Indicators							
Foreign Direct Investment ($bn)	3.32	1.58	2.25	2.18	4.08	3.28	4.80
Forex Reserves ($bn)	5.70	6.19	8.89	4.48	4.97	5.18	4.98
Gross Reserves (ex gold, $bn)	5.70	6.19	8.89	4.48	4.97	5.18	4.98
Gold Reserves ($bn)	0.30	0.33	0.29	0.30	0.28	0.30	0.31
Gross reserves (inc gold, $bn)	6.00	6.52	9.18	4.78	5.25	5.48	5.29
Total Foreign Debt ($bn)	9.59	9.91	10.22	8.84	9.53	9.15	10.20
Total Foreign Debt/GDP (%)	15.7	14.2	17.3	14.0	15.2	15.2	16.7
Debt Service ($bn)	0.48	2.11	0.40	0.21	0.32	0.66	0.80
Debt Service/XGS (%)	3.0	13.1	2.9	1.3	1.9	4.0	4.7
Current Account ($bn)	-2.59	-1.60	-0.39	-2.49	-3.23	-1.94	-4.92
Current Account/GDP (%)	-4.2	-2.3	-0.7	-3.9	-5.2	-3.2	-8.0
Current Account/XGS (%)	-15.7	-10.0	-2.8	-15.7	-19.2	-11.7	-28.9
Exports ($bn)	9.69	10.11	9.40	10.03	9.98	9.25	9.81
Imports ($bn)	12.73	13.20	9.52	11.90	13.82	12.81	15.58
Trade Balance ($bn)	-3.03	-3.09	-0.12	-1.87	-3.84	-3.56	-5.77
Exports of Services ($bn)	3.46	4.24	2.75	3.13	3.79	3.80	3.82
Income, credit ($bn)	0.80	1.10	0.24	0.79	0.85	0.95	1.15
Transfers, credit ($bn)	2.09	2.22	1.57	1.96	2.19	2.53	2.22
Exports G&S ($bn)	16.04	17.67	13.96	15.91	16.81	16.53	17.00
Liabilities ($bn)	0.57	0.72	0.92	0.72	0.45	0.38	0.36
Net Reserves ($bn)	5.43	5.80	8.26	4.06	4.80	5.10	4.93
Liquidity (months import cover)	5.5	5.4	10.4	4.1	4.2	4.8	3.8
Currency Exchange Rate	1113.827	1523.914	907.160	975.993	1101.078	1235.076	1349.830
Currency Change (%)	-9.1	-5.0	-7.8	-7.1	-11.4	-10.8	-8.5
Social Indicators							
Population (million)	52.41	55.03	51.45	51.92	52.40	52.89	53.37
Population Growth (%)	0.9	0.8	0.9	0.9	0.9	0.9	0.9
Infant Deaths/1000	42	36	44	43	42	41	40
Persons under Age 15 (%)	26	25	27	26	26	26	26
Urban Population (%)	30	31	29	30	30	30	31
Urban Growth (%)	2.3	0.8	0.9	4.4	0.9	0.9	4.3
Literacy % pop.	85	88	84	84	85	86	86
Agricultural Work Force (%)	50	47	52	51	50	49	50
Industry-Commerce Work Force (%)	17	18	17	17	17	17	16
Services Work Force (%)	33	35	31	32	33	34	34
Unionized Work Force (%)	0	0	0	0	0	0	0
Energy - total consumption (10^{15} Btu)	0.46	0.61	0.35	0.41	0.46	0.51	0.57
Energy - consumption/head (10^{9} Btu)	0.01	0.01	0.01	0.01	0.01	0.01	0.01

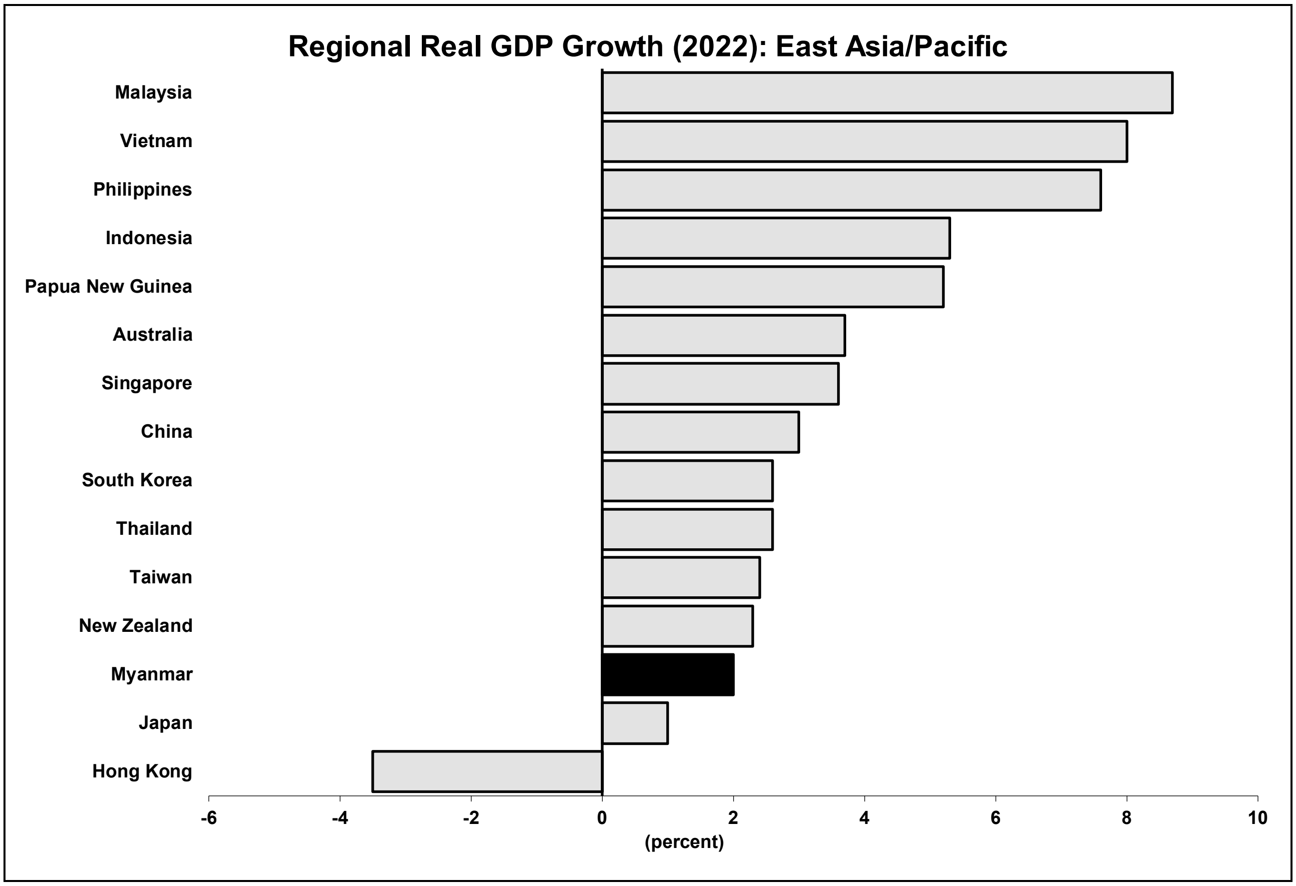
Note: fiscal year beginning April 1 through 2017; ending September 30 as of 2018

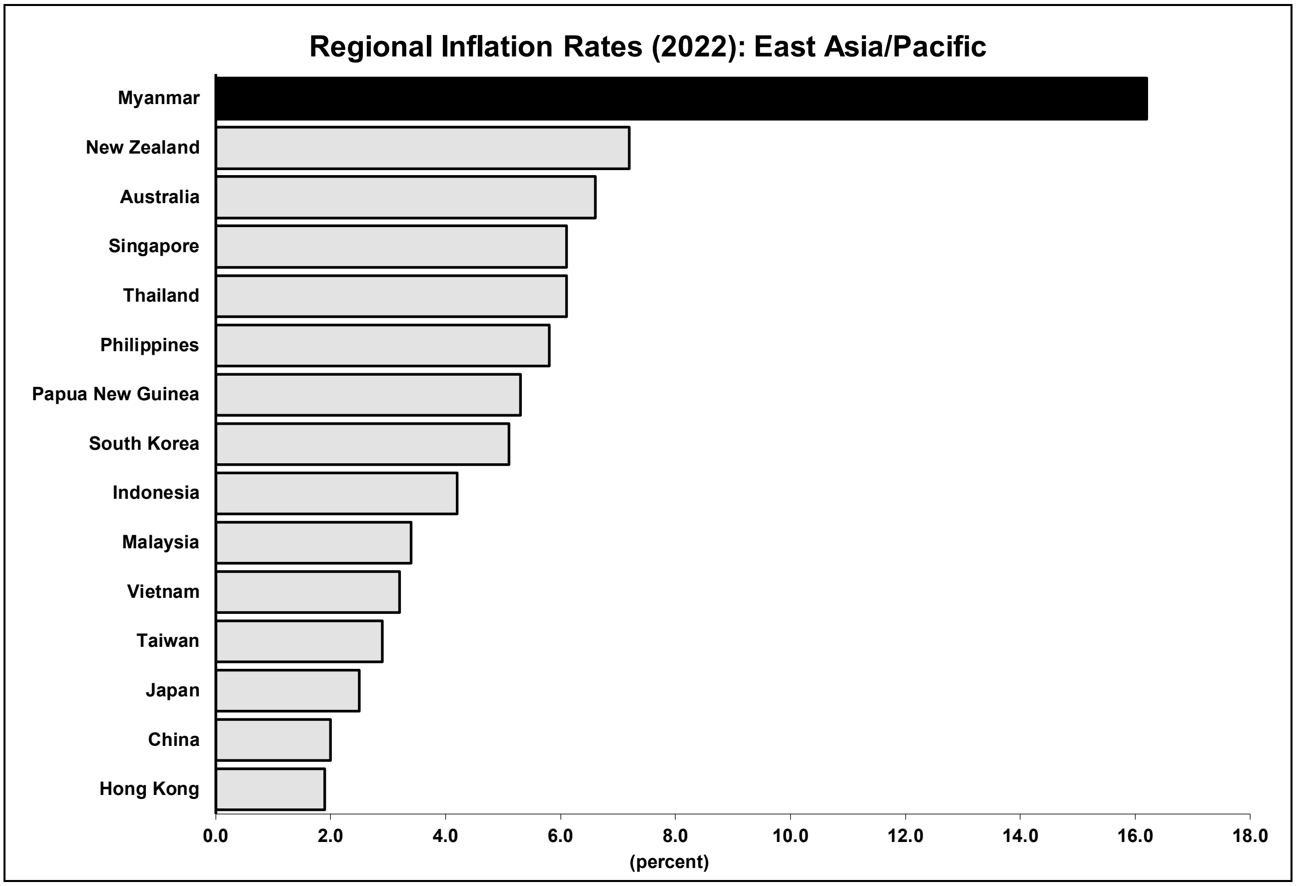
Myanmar
Econometric Data

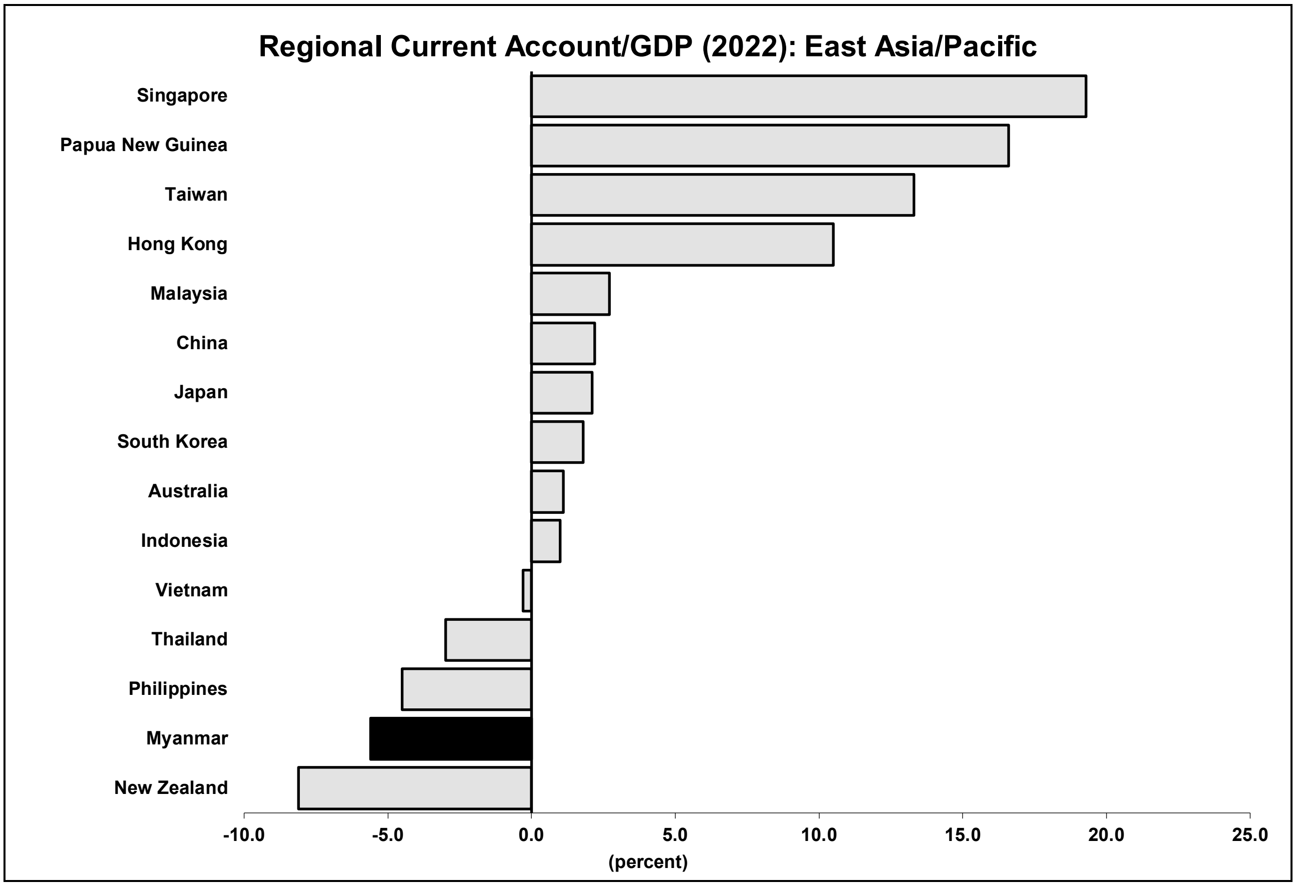
	2013-2017 Average	2018-2022 Average	2018	2019	2020	2021	2022
Domestic Economic Indicators							
GDP (Nominal, $bn)	61.27	69.71	67.18	68.80	81.26	65.16	66.16
Per Capita GDP ($)	1169	1266	1248	1269	1435	1184	1194
Real GDP Growth Rate (%)	7.2	0.1	6.4	6.8	3.2	-17.9	2.0
Inflation Rate (%)	6.6	8.0	5.9	8.6	5.7	3.6	16.2
Capital Investment ($bn)	13.13	16.25	14.80	16.35	17.96	17.85	14.30
Capital Investment/GDP (%)	21.4	23.4	22.0	23.8	22.1	27.4	21.6
Budget Revenues ($bn)	12.58	10.66	11.82	11.21	13.00	8.54	8.73
Budget Revenues/GDP (%)	20.5	15.2	17.6	16.3	16.0	13.1	13.2
Budget Expenditures ($bn)	14.12	14.70	14.11	13.97	17.55	15.70	12.17
Budget Expenditures/GDP (%)	23.0	21.1	21.0	20.3	21.6	24.1	18.4
Budget Balance ($bn)	-1.54	-4.04	-2.29	-2.76	-4.55	-7.16	-3.44
Budget Balance/GDP (%)	-2.5	-5.8	-3.4	-4.0	-5.6	-11.0	-5.2
Money Supply (M1, $bn)	9.76	15.71	12.54	11.85	12.42	22.09	19.67
Change in Real Wages (%)	0.6	-1.5	-2.0	-1.3	-0.4	1.9	-5.8
Unemployment Rate (%)	4.5	1.8	1.0	1.6	1.9	2.0	2.3
International Economic Indicators							
Foreign Direct Investment ($bn)	3.32	1.58	1.77	1.71	2.20	1.01	1.22
Forex Reserves ($bn)	5.70	6.19	5.39	5.66	6.77	7.27	5.87
Gross Reserves (ex gold, $bn)	5.70	6.19	5.39	5.66	6.77	7.27	5.87
Gold Reserves ($bn)	0.30	0.33	0.28	0.28	0.29	0.40	0.38
Gross reserves (inc gold, $bn)	6.00	6.52	5.67	5.94	7.06	7.67	6.25
Total Foreign Debt ($bn)	9.59	9.91	5.67	10.00	11.10	12.08	10.68
Total Foreign Debt/GDP (%)	15.7	14.2	8.4	14.5	13.7	18.5	16.1
Debt Service ($bn)	0.48	2.11	0.84	1.12	2.81	2.84	2.94
Debt Service/XGS (%)	3.0	13.1	4.3	5.1	15.0	20.5	20.6
Current Account ($bn)	-2.59	-1.60	-2.53	0.40	-1.56	-0.62	-3.70
Current Account/GDP (%)	-4.2	-2.3	-3.8	0.6	-1.9	-1.0	-5.6
Current Account/XGS (%)	-15.7	-10.0	-12.9	1.8	-8.3	-4.5	-26.0
Exports ($bn)	9.69	10.11	11.08	10.80	9.81	9.47	9.38
Imports ($bn)	12.73	13.20	15.20	13.65	13.72	10.66	12.77
Trade Balance ($bn)	-3.03	-3.09	-4.12	-2.85	-3.91	-1.19	-3.39
Exports of Services ($bn)	3.46	4.24	4.66	7.01	4.34	2.27	2.94
Income, credit ($bn)	0.80	1.10	1.30	1.36	1.31	0.64	0.88
Transfers, credit ($bn)	2.09	2.22	2.53	2.74	3.30	1.49	1.05
Exports G&S ($bn)	16.04	17.67	19.57	21.91	18.76	13.87	14.25
Liabilities ($bn)	0.57	0.72	0.39	0.34	0.71	1.23	0.92
Net Reserves ($bn)	5.43	5.80	5.28	5.60	6.35	6.44	5.33
Liquidity (months import cover)	5.5	5.4	4.2	4.9	5.6	7.2	5.0
Currency Exchange Rate	1113.827	1523.914	1381.160	1529.876	1416.564	1514.030	1777.940
Currency Change (%)	-9.1	-5.0	-2.3	-9.7	8.0	-6.4	-14.8
Social Indicators							
Population (million)	52.41	55.03	53.85	54.22	56.64	55.03	55.42
Population Growth (%)	0.9	0.8	0.9	0.7	4.5	-2.8	0.7
Infant Deaths/1000	42	36	39	38	36	35	34
Persons under Age 15 (%)	26	25	26	25	25	25	25
Urban Population (%)	30	31	31	31	31	31	31
Urban Growth (%)	2.3	0.8	0.9	0.7	0.8	0.7	0.7
Literacy % pop.	85	88	87	88	88	89	89
Agricultural Work Force (%)	50	47	49	48	47	47	46
Industry-Commerce Work Force (%)	17	18	18	18	18	18	18
Services Work Force (%)	33	35	33	34	35	35	36
Unionized Work Force (%)	0	0	0	0	0	0	0
Energy - total consumption (10^{15} Btu)	0.46	0.61	0.63	0.67	0.62	0.56	0.58
Energy - consumption/head (10^{9} Btu)	0.01	0.01	0.01	0.01	0.01	0.01	0.01

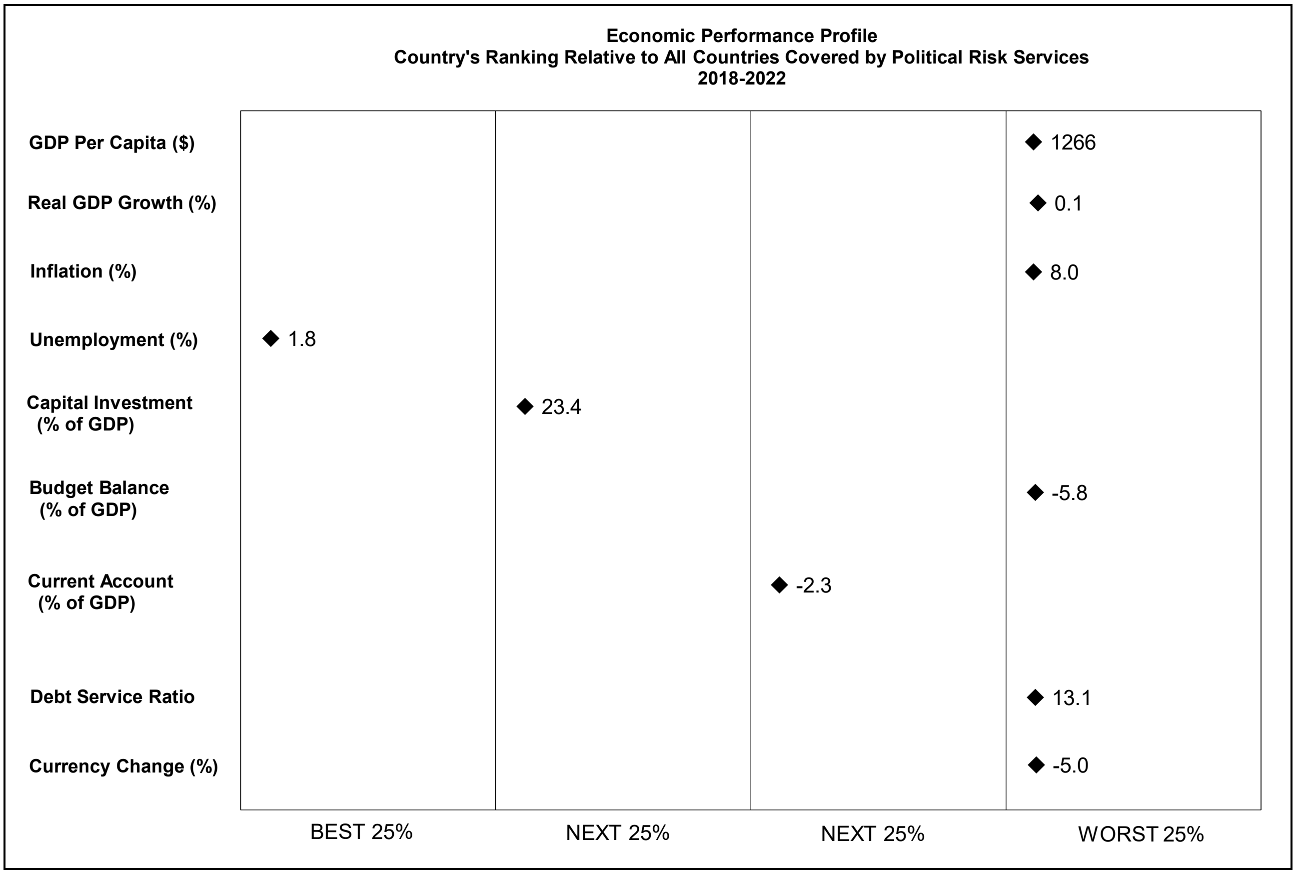
Note: fiscal year beginning April 1 through 2017; ending September 30 as of 2018

INTRA-REGIONAL COMPARISONS






Regional Current Account/GDP (2022): East Asia/Pacific
Singapore
Papua New Guinea
Taiwan
Hong Kong
Malaysia
China
Japan
South Korea
Australia
Indonesia
Vietnam
Thailand
Philippines
Myanmar
New Zealand
-10.0
-5.0
0.0
5.0
10.0
15.0
20.0
25.0
(percent)


Economic Performance Profile
Country's Ranking Relative to All Countries Covered by Political Risk Services
2018-2022
GDP Per Capita ($)
1266
Real GDP Growth (%)
0.1
Inflation (%)
8.0
Unemployment (%)
1.8
Capital Investment (% of GDP)
23.4
Budget Balance (% of GDP)
-5.8
Current Account (% of GDP)
-2.3
Debt Service Ratio
13.1
Currency Change (%)
-5.0
BEST 25%
NEXT 25%
NEXT 25%
WORST 25%

GEOPOLITICAL & ECONOMIC ANALYSIS

DIM PROSPECTS FOR RESTORING STABILITY

A low-intensity civil war triggered by the military's removal of the democratically elected National League for Democracy (NLD) government headed by State Counselor Aung San Suu Kyi in February 2021 continues to grind on with no end in sight. The State Administration Council (SAC), the junta led by Gen. Min Aung Hlaing, has made little headway in its effort to assert control in the roughly one-half of the country where dozens of armed People's Defense Forces (PDFs) that are aligned to varying degrees with the opposition shadow National Unity Government (NUG) wield de facto authority, abetted—although not always formally—by ethnic armed organizations (EAOs) that have battled the military for decades.

The Association of Southeast Asian Nations (ASEAN), a powerful 10-member regional bloc that includes Myanmar, has failed to reach consensus on a strategy for resolving the conflict. ASEAN has agreed to exclude Myanmar from participation in the organization's events pending progress on fulfilling the terms of the April 2021 Five-Point Consensus (FPC), which include full cessation of hostilities, the establishment of a dialogue between the SAC and the NUG, and the appointment of a special envoy. However, Brunei, Cambodia, and Laos oppose harsher penalties, as has Thailand, which has repeatedly undermined the bloc's attempts to marginalize the junta.

The recent installation of a new Thai government that is not under the sway of that country's military establishment may help to stiffen ASEAN's resolve. At the conclusion of its annual summit in early September, the bloc released a statement that for the first time explicitly blamed the junta for perpetuating the deadly violence that has claimed an estimated 30,000 lives (including as many as 4,000 civilians) and displaced upwards of 2 million people, and the members agreed that Myanmar will not take its turn in the bloc's rotating presidency (scheduled for 2026) if the SAC fails to initiate a peace process in the interim.

However, the FPC remains the benchmark for good faith, which many of the regime's critics consider to be too low a bar, and there is still no indication of anything close to unanimity with regard to imposing heavier penalties if the junta resists. For its part, the SAC appears to be unmoved by the moderate increase in pressure, having dismissed the recent declaration as "not objective."

The broader international community has largely ignored the conflict in Myanmar, content to let ASEAN take responsibility for imposing order among its own, while focusing on other crises, notably the war in Ukraine. The US, the EU, the UK, and Canada have imposed targeted sanctions aimed at starving the junta of financing for its military campaign, but there is limited overlap of targets and neither the US nor the UK has sanctioned the Myanma Oil and Gas Company, the largest single source of foreign-currency earnings.

US President Joe Biden has been granted expanded authority to impose penalties on the junta under legislation signed in late 2022, but Biden's decision to skip the recent ASEAN summit suggests that Myanmar is not a priority. Democracy activists and rights groups have pleaded for action by the UN with little success, and with war between Israel and Hamas threatening to unleash stability across the Middle East and North Africa, it seems doubtful that Myanmar will move higher on the global diplomatic agenda anytime soon.

The NUG's effort to drum up external support has included the recent issuing of an apology to the minority Muslim Rohingya population that was brutalized by the armed forces and paramilitary groups while the NLD headed the government in 2016–2021, recognition of the jurisdiction of the International Criminal Court (ICC), and pledges to mete out justice to PDF fighters accused of committing abuses. However, in the absence of official recognition by foreign governments, the NUG has had to be creative when it comes to generating financing, including solicitation of private donations, the auctioning of land and other military-owned assets in areas under its control, and the sale of shares in future development projects to be undertaken once the NUG ascends to national power.

The various schemes have generated an estimated $150 million, most of which goes toward ensuring the provision of public services, including education, electricity, some healthcare, and humanitarian aid, as part of the NUG's strategy of building goodwill and bolstering its popular legitimacy in the territory under its control. The funds have helped to better outfit the dozens of scattered PDF units that are sorely lacking in weapons and other supplies, but military forces allied with the NUG lack the structural connections or fire power to challenge the military for control of population centers.

Even so, the NUG contends that it is expanding its reach in more remote areas, and reports that the military has responded to recent ambushes with indiscriminate bombing campaigns that have resulted in significant civilian casualties, presumably with the aim of weakening support for the political opposition among rural inhabitants, lends credence to that claim.

DETERRENTS TO INVESTMENT

Although the sanctions imposed to date fall short of what the NUG is seeking from the international community, they are clearly having an effect, as are efforts by the opposition and their foreign allies (including the Burman diaspora) to pressure companies to steer clear of Myanmar by organizing boycotts and publicizing abuses committed by the junta. India's Adani group recently sold its interest in an ongoing port project for the bargain price of $30 million amid complaints by investors that the company was propping up Myanmar's military, and Germany's ND SatCom, a leading exporter of defense-related communications, is under investigation for supplying equipment to the junta in violation of EU sanctions.

US sanctions against two state-owned banks—Myanma Foreign Trade Bank (MFTB) and Myanma Investment and Commercial Bank (MICB)—have contributed to worsening foreign-exchange shortages, and the regime's access to external financing will be further constrained after Singapore's United Overseas Bank announced the cessation of all dealings with Myanmar's banks as of September 1, a move aimed at limiting the reputational damage from revelations that Singapore has served as a key conduit for Myanmar's weapons purchases.

Figures provided by Myanmar's Directorate of Investment and Company Administration (DICA) suggest that the government approved $5.6 billion of foreign direct investment (FDI) between the February 2021 coup and October 2022, with the energy sector attracting more than two-thirds of the total. However, those numbers do not reflect the departure of five major energy firms—France's Total, US-based Chevron, Australia's Woodside, Japan's Mitsubishi, and Malaysia's Petronas—beginning in late 2021.

In any case, the most recent figures from DICA point to a sharp drop in FDI in 2023. The government reported just $650 million in the first seven months of the calendar year, a decrease of more than 60% from the same period in 2022. While sanctions and reputational concerns may partly explain the trend, an inadequate power supply, shortages of foreign exchange, and barriers to trade are no doubt factors, as well.

DAMAGED ECONOMY

Doubts about the competence of the junta to manage the economy and evidence of rampant corruption are also deterrents. The military regime has appointed generals or close allies of the junta to the central bank board and other agencies responsible for implementing economic policy, with predictably poor results.

Last month, Army Chief of Staff Lt. Gen. Moe Myint Tun and Lt.-Gen. Soe Htut were replaced on the SAC and removed from all official positions following their arrest on corruption charges. Moe Myint Tun had been serving as the chairman of the Myanmar Investment Commission, among other duties, and Soe Htut had headed the Ministry of Home Affairs since 2020. The move was part of a broader crackdown on finance and trade officials, exporters, businesses, and currency traders as the junta scrambles to halt outflows of foreign exchange that have sent the kyat into a tailspin, resulting in soaring prices for imported staples.

Another top figure in the junta, Gen. Yan Naung Soe, was removed as joint secretary of the Central Committee on Ensuring the Smooth Flow of Trade and Goods, which is responsible for making available foreign currency for international transactions. He and Moe Myint Tun are rumored to have made millions by selling dollars, which have traded at an official rate of MMK2100 since August 2022, at the inflated black-market rate, which hit MMK3900 in August, prompting the government to tighten restrictions on access to foreign exchange.

A regime desperate to replenish its foreign-currency reserves has imposed a requirement that a minimum of 25% of remittances sent home by Myanmar workers employed overseas be channeled through the domestic banking system, under threat of non-renewal of licenses to work outside the country. The rule means that a significant portion of remittances will be exchanged at the official rate, rather than the much higher rate in the informal market.

Other measures include the reintroduction of a 10% tax on income earned in foreign countries and tighter restrictions of the possession of dollars in Myanmar. The government has also offered incentives to remit US dollars, for example, the waiver of fees for licenses to import goods, with the value of permitted imports determined by the amount of dollars transferred.

However, officials appear to be fighting a losing battle, and a slew of new tax measures and hikes in utility rates points to worsening fiscal strains that will compound economic risks in the near term. No official inflation data has been released since mid-2022, when the year-on-year figure rose to just under 20%, but the widening gap between the official and parallel exchange rates in recent months is indicative of rising costs for basic goods.

The economy posted positive real growth in the fiscal year to September 2022, with construction activity resuming in the more secure areas of the country and manufacturing growing again. However, a less favorable base effect, high inflation, sub-par agricultural output in rural conflict zones, and a lack of investment are all clouding the prospects for sustaining the recovery from the deep downturn in 2020/2021.

The manufacturing purchasing managers' index (PMI) has been running near or above the 50.0 level dividing expansion from contraction for most of the year, but disruptions to the power supply and difficulty obtaining imported inputs will limit the potential for improvement. Although the economy is forecast to expand in real terms in the 2023/2024 fiscal year (which under changes introduced by the SAC will run from April to March), nominal GDP will remain far below the pre-coup level, and a renewed contraction cannot be ruled out.

The current account deficit swelled to 5.6% of GDP last year, reflecting the negative impact of higher global prices for food and fuel on the imports bill. Import controls and lower prices will help to narrow the shortfall, but a lack of foreign currency will hamper efforts to maintain a stable exchange rate. Spending restraint reduced the budget deficit to a still large 5.2% of GDP last year, and expenditures on security and losses from corruption will pose obstacles to further improvement in the near term.

INTERNATIONAL COUNTRY RISK GUIDE (ICRG) RATINGS

PRS' Country Reports and Economic Forecasts (CREF) and the International Country Risk Guide (ICRG) have been independently back-tested for accuracy and relevance for over 40 years.

In a landmark 2014 study published in the International Journal of Business Studies* – using data on political risk clams and a unique textual-based database of risk realizations – both CREF and ICRG forecasts were found to have "predictive power for both political risk insurance claims as well as political risk events measured by news coverage."

It is therefore instructive to present the scores from Table 1 of the ICRG for a complimentary look at the composite risk scores – calculated by using a combination of the overall political, financial, and economic risk metrics – for the 141+ countries covered each month. Please contact custserv@prsgroup.com for more information.

TABLE 1
COUNTRY RISK, RANKED BY COMPOSITE RISK RATING
OCTOBER 2023 VERSUS NOVEMBER 2022

RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
	Very Low Risk				
1	Norway	86.0	87.0	-1.0	2
1	Switzerland	86.0	87.3	-1.3	1
3	Luxembourg	85.8	86.0	-0.3	3
4	Denmark	84.8	84.3	0.5	6
5	Taiwan	84.5	84.3	0.3	6
6	Singapore	84.3	85.8	-1.5	4
7	Ireland	83.8	82.3	1.5	8
8	Saudi Arabia	82.5	85.5	-3.0	5
9	Brunei	81.8	79.5	2.3	16
10	Canada	80.8	82.0	-1.3	10
10	Iceland	80.8	80.5	0.3	14
10	Qatar	80.8	78.8	2.0	17

* C Harvey, et al., "Political Risk Spreads," Journal of International Business Studies, (2014), 471-493.

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING OCTOBER 2023 VERSUS NOVEMBER 2022					
RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
13	United Arab Emirates	80.5	82.3	-1.8	8
14	Netherlands	80.3	79.8	0.5	15
15	Kuwait	80.0	80.8	-0.8	13
	Low Risk				
16	Japan	79.8	76.3	3.5	26
16	Sweden	79.8	81.0	-1.3	12
18	Korea, Republic	79.5	77.8	1.8	22
19	Australia	79.3	81.3	-2.0	11
19	Botswana	79.3	77.0	2.3	24
21	Finland	78.8	78.3	0.5	20
21	New Zealand	78.8	76.0	2.8	27
23	Germany	78.5	78.8	-0.3	17
24	Hong Kong	78.0	74.0	4.0	36
25	Trinidad & Tobago	77.0	77.5	-0.5	23
26	Bahamas	76.8	71.0	5.8	55
26	Portugal	76.8	75.5	1.3	31
28	Austria	76.5	78.5	-2.0	19
28	Oman	76.5	78.3	-1.8	20
30	Czech Republic	75.8	75.5	0.3	31
31	Kazakhstan	75.5	76.0	-0.5	27
32	Guyana	75.3	75.8	-0.5	30
33	Uzbekistan	74.8	73	2.3	43
34	Belgium	74.5	74.5	0.0	35
34	Italy	74.5	73.5	1.0	38
36	Malaysia	74.3	73.5	0.8	38
37	Croatia	73.8	73.8	0.0	37
37	Libya	73.8	70.8	3.0	59
37	Malta	73.8	74.8	-1.0	34

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING OCTOBER 2023 VERSUS NOVEMBER 2022					
RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
37	Panama	73.8	73.5	0.3	38
37	Slovenia	73.8	73.0	0.8	41
37	United Kingdom	73.8	76.8	-3.0	25
37	Uruguay	73.8	75.3	-1.5	33
44	Azerbaijan	73.3	72.5	0.8	43
45	Costa Rica	73.0	72.0	1.0	48
46	Latvia	72.8	71.5	1.3	52
47	Jamaica	72.5	72.3	0.3	46
47	Spain	72.5	72.8	-0.3	42
49	Dominican Republic	72.3	72.5	-0.3	43
50	Brazil	71.8	70.0	1.8	65
50	Chile	71.8	71.8	0.0	49
50	France	71.8	72.3	-0.5	46
50	Israel	71.8	76.0	-4.3	27
54	Bulgaria	71.5	70.8	0.8	59
54	Philippines	71.5	70.8	0.8	59
54	Poland	71.5	71.0	0.5	55
54	Vietnam	71.5	70.8	0.8	59
58	Hungary	71.0	71.5	-0.5	52
58	India	71.0	70.3	0.8	63
60	Guatemala	70.8	71.0	-0.3	55
60	Thailand	70.8	65.0	5.8	88
62	United States	70.5	71.8	-1.3	49
63	China, Peoples' Rep.	70.0	69.5	0.5	67
Moderate Risk					
64	Cyprus	69.8	70.0	-0.3	65
64	Gabon	69.8	66.5	3.3	84
64	Lithuania	69.8	70.3	-0.5	63

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING OCTOBER 2023 VERSUS NOVEMBER 2022					
RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
67	Bahrain	69.3	68.8	0.5	71
68	Estonia	69.0	71.5	-2.5	52
68	Indonesia	69.0	68.3	0.8	73
68	Papua New Guinea	69.0	69.3	-0.3	68
71	Greece	68.8	68.0	0.8	76
71	Mexico	68.8	68.3	0.5	73
73	Congo, Republic	68.5	64.3	4.3	94
73	Iraq	68.5	71.0	-2.5	55
73	Peru	68.5	68.0	0.5	76
76	Namibia	68.3	71.8	-3.5	49
76	Slovakia	68.3	68.8	-0.5	71
78	Algeria	67.8	69.3	-1.5	68
79	Romania	67.3	66.8	0.5	82
80	Ecuador	67.0	68.3	-1.3	73
80	Gambia	67.0	65.0	2.0	88
80	Honduras	67.0	66.8	0.3	82
83	Morocco	66.8	64.5	2.3	92
83	Russia	66.8	66.0	0.8	87
85	El Salvador	66.5	63.8	2.8	98
85	Mongolia	66.5	65.0	1.5	88
85	South Africa	66.5	67.3	-0.8	80
88	Tanzania	66.3	65.0	1.3	88
89	Armenia	66.0	60.0	6.0	110
90	Serbia	65.8	67.3	-1.5	80
91	Guinea-Bissau	65.3	64.0	1.3	96
91	Paraguay	65.3	64.3	1.0	94
93	Jordan	65.0	64.5	0.5	92
94	Albania	64.8	67.8	-3.0	79

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING OCTOBER 2023 VERSUS NOVEMBER 2022					
RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
95	Iran	64.3	66.5	-2.3	84
96	Bolivia	64.0	66.5	-2.5	84
96	Cote d'Ivoire	64.0	62.3	1.8	105
98	Colombia	63.8	64.0	-0.3	96
98	Nicaragua	63.8	62.8	1.0	101
100	Bangladesh	63.5	62.5	1.0	103
100	Togo	63.5	63.3	0.3	100
102	Madagascar	63.0	62.5	0.5	3
103	Zambia	62.3	62.8	-0.5	101
104	Ghana	62.0	58.8	3.3	115
105	Cuba	61.8	69.3	-7.5	68
106	Cameroon	61.5	60.3	1.3	108
107	Moldova	61.3	59.0	2.3	114
107	Ukraine	61.3	51.8	9.5	133
109	Angola	60.5	68.0	-7.5	76
110	Mozambique	60.0	54.5	5.5	128
110	Uganda	60.0	59.3	0.8	113
		High Risk			
112	Guinea	59.8	57.3	2.5	124
112	Tunisia	59.8	61.3	-1.5	107
114	Belarus	59.3	57.0	2.3	126
114	Senegal	59.3	58.3	1.0	119
114	Suriname	59.3	58.5	0.8	117
117	Burkina Faso	59.0	59.5	-0.5	111
118	Myanmar	58.3	55.8	2.5	127
119	Ethiopia	58.0	58.5	-0.5	117
120	Mali	57.8	58.8	-1.0	115
121	Zimbabwe	57.5	61.5	-4.0	106

TABLE 1 COUNTRY RISK, RANKED BY COMPOSITE RISK RATING OCTOBER 2023 VERSUS NOVEMBER 2022					
RANK IN 10/23	COUNTRY	COMPOSITE RISK RATING 10/23	COMPOSITE RISK RATING 11/22	10/23 VERSUS 11/22	RANK IN 11/22
122	Egypt	57.3	57.8	-0.5	123
123	Congo, Dem. Republic	57.0	60.3	-3.3	108
123	Sierra Leone	57.0	53.5	3.5	131
125	Haiti	56.8	54.3	2.5	129
125	Kenya	56.8	58.3	-1.5	119
127	Argentina	56.3	63.8	-7.5	98
128	Nigeria	56.0	59.5	-3.5	111
129	Yemen, Republic	55.8	48.3	7.5	138
130	Turkey	55.5	54.3	1.3	129
131	Liberia	55.0	58.0	-3.0	121
131	Venezuela	55.0	58.0	-3.0	121
133	Sri Lanka	54.5	48.5	6.0	137
134	Malawi	52.3	51.0	1.3	134
135	Somalia	51.8	52.0	-0.3	132
		Very High Risk			
136	Korea, D.P.R.	49.3	51.0	-1.8	134
136	Pakistan	49.3	51.0	-1.8	134
138	Niger	47.8	57.3	-9.5	124
139	Syria	44.5	43.8	0.8	139
140	Sudan	43.5	43.0	0.5	140
141	Lebanon	34.8	41.3	-6.5	141