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Statement by the Hon. **KYAW KYAW MAUNG**,
Governor of the Fund for **MYANMAR**

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**Mr. Chairman,
Fellow Governors,
Distinguished Delegates,
Ladies and Gentlemen**

It is an honor for me to participate in the 2018 Annual Meetings of the Boards of Governors of the International Monetary Fund and the World Bank Group in Bali, Indonesia.

First of all, I would like to convey my sincere appreciation to the Government of Indonesia, the Managing Director of the IMF and the President of the World Bank Group for warm hospitality and excellent arrangement for this Meeting.

Dear Mr. Chairman,

The Global Economy

While a favorable global economy with firmer growth at 3.9 percent in 2018 forecasted by the IMF, trade protectionism and tightening in global financial conditions combined with the uncertainty of the geopolitical tensions are posing significant risks to the contraction of global demand and then to the global economic outlook. Although risks to the global economic outlook are more balanced than before, important downside risks remain.

Recent Economic Development of Myanmar

I would like to take this opportunity to share some recent major developments in Myanmar. In order to achieve sustainable development, Myanmar Government has been in the process of implementing the "Myanmar Sustainable Development Plan-MSDP (2018-2030)" in which there are five goals related to Peace, National Reconciliation, Security and Good Governance; Economic Stability and Strengthened Macroeconomic Management; Job Creation and Private Sector-Led Growth; Human Resources and Social Development; and Natural Resources and the Environment for Posterity of the Nation. Implementing the MSDP, which offers the much-needed comprehensive and prioritized policy reform agenda, provides policy certainty. To ensure a strong support and contribute to accomplishing policy priorities of the Government, the Central Bank of Myanmar (CBM) continues steadfastly to place best efforts by implementing various policies initiatives towards price and exchange rate stability, monetary stability, financial sector stability and efficient payments and settlement system.

Myanmar's economy was expected to grow by 7.1 percent in the first 6 months of FY2018/2019 and 7.4 percent in FY2018/2019 driven by increasing agricultural and manufacturing sectors as well as expanding government expenditure. However, due to the negative impact of external factors, normalization of US's monetary policy and its attempts to correct persistent trade deficit with China, the domestic factors of, but not limited to, weak macroeconomic fundamentals and recent heavy rain and massive floods, Myanmar's economy is expected to grow somewhat lower than the previous estimation. Government budget deficit is projected to increase from 4.3 percent in FY2017/2018 to 4.6 percent in FY2018/2019. Current account deficit is also expected to be wider than previous year.

With a view of that foreign investment is crucial for economic development of the country, Myanmar has made infrastructure reforms in order to attract foreign investment. Of these reforms, the Investment Law was enacted in 2016. Moreover, in December 2017, Myanmar Companies Law was enacted, which was effective on August 1, 2018. Myanmar investment climate has improved as Myanmar scored 3.32 point out of 7 in the competitiveness index on the 2017/2018 Global Competitiveness Report published by the World Economic Forum, compared to 3.22 in 2014 and 3.23 in 2015.

Given this, combined with the adverse effect of currency speculation, Myanmar's Currency, MMK, has sharply depreciated against the USD and other major currencies since June, 2018. Notwithstanding the limited foreign exchange reserves and narrow base of export sector, the CBM has tried to control the situation, such as allowing more flexibility in the foreign exchange market by removing the trading band of ± 0.8 percent in foreign exchange auction, intervening in the foreign exchange interbank market in order to help stabilize the exchange rate, and initiating the bilateral currency swap arrangement between the CBM and domestic private banks to provide short-term liquidity in the foreign exchange market through licensed banks operating in MMK. Besides, illegal currency traders seeking profits by speculation are taken with administrative measures, subject to existing laws. As a result, the depreciation of Myanmar Currency, MMK, has been under control.

Consumer Price Inflation is projected to increase at around 6.0 percent largely due to the government budget deficit and pass-through effect of the sharp depreciation of Myanmar currency. To contain the expected rise of inflation, the CBM has been stepping up in mopping up the excess local currency liquidity by conducting deposit auction, phasing out the CBM's monetary financing, and conducting T-Bills and T-Bonds auctions in cooperation with Ministry of Planning and Finance.

Let me turn to the financial sector development in Myanmar. Banking sector is getting healthy due to its efforts to comply with new prudential regulations with respect to Liquidity Requirement, Asset Classification and Provision, Large exposure and Capital Adequacy Ratio following the Central Bank of Myanmar Law in 2013 and Financial Institutions Law in 2016. With a view to have sound banking system, the CBM is now in the process of enacting new five directives related to Directors of Bank, External Auditors, Fit and Proper Criteria, Related Parties and Acquisition of Substantial Interest.

The CBM has stepped up in liberalizing the banking sector to the foreign banks in order to better serve the needs of foreign investors and facilitating their operations in Myanmar. At present, there are thirteen foreign banks' branches have been operating in Myanmar. Myanmar is now planning to allow more foreign banks to open the branches in Myanmar, and the existing foreign banks' to branches extend the greater range of banking products and services in Myanmar.

With a view of that financial innovation provides new opportunities for the people especially living in remote areas to access formal financial services at a lower cost. Myanmar has also placed emphasis to develop a modern information technology based efficient and secured banking system. To this end, the CBM has also allowed banks to operate mobile banking, internet banking and digital banking in order to support facilitate the efficient payment and settlement system and thus contribute to

improvements in Financial Inclusion, which resulted in the obvious improvements in the areas of mobile banking and digital banking.

Myanmar has been striving to address the AML-CFT deficiencies expressed in the Myanmar National Risk Assessment Report-NRA (2018) which has already been adopted. Drafting Committee of National Strategy on Anti-Money Laundering and Countering the Financing of Terrorism was formed in September, 2018, and the committee is now in the process of formulating the national strategies to solve the deficiencies in the NRA report.

Engagement with the Fund and the Bank

The International Monetary Fund has been providing technical assistance to the CBM in the areas of Monetary Policy Operation, Foreign Exchange Management, Accounting, Auditing, Financial Market Development and Currency Management. The CBM is coordinating and collaborating with the Fund and the Bank to contribute into the implementation of the Sustainable Development Goals (SDGs).

Dear Mr. Chairman,

In conclude, on behalf of Government of the Republic of the Union of Myanmar, I would like to express my sincere appreciation to the Fund's and the Bank's staff for their significant engagement with Myanmar and support of valuable technical assistance. We will continue to work closely with the Fund and the Bank in order to promote the effective cooperation and collaboration. We look forward to receiving the continued support from the Fund and the Bank.

Thank you!