MYANMAR ECONOMIC MONITOR

DEC 2024

COMPOUNDING CRISES

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Compounding Crises

Special Focus: International Migration from Myanmar

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Preface and Acknowledgements

The Myanmar Economic Monitor (MEM) is published semiannually and produced by the World Bank's Myanmar office. This edition was prepared by a joint World Bank team from the Prosperity and Human Development Global Practices. Parts 1 and 2 were prepared by Kemoh Mansaray (Senior Economist, EEAM1), Thi Da Myint (Country Economist, EEAM1), Kim Alan Edwards (Program Leader and Senior Economist, EEADR), and Aka Kyaw Min Maw (Consultant, EEAM1). Part 3 was prepared by Yashodhan Ghorpade (Senior Economist, HEASP) and Soonhwa Yi (Senior Economist, HEASP), with advice from Kenichi Nishikawa Chavez (Program Leader, HEADR), Manuel Salazar (Practice Manager, HEASP) and Sandor Karacsony (Senior Economist, HEASP).

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Abbreviations

ACLED	Armed Conflict Location and Event Data Project
ATM	Automated Teller Machine
bbl	Barrel of Crude Oil
BE	Budget Estimate
BOP	Balance of Payment
CBM	Central Bank of Myanmar
CI	Certificate of identification
CPI	Consumer Price Index
CSO	Central Statistical Organization
DOE	Department of Employment
EAP	East Asia and Pacific
EPS	Employment Permit System
FAO	Food and Agriculture Organization of the United Nations
FCV	Fragility, Conflict and Violence
FDI	Foreign Direct Investment
FY	Fiscal Year
GARCH	Generalized Autoregressive Conditional Heteroskedasticity
GDP	Gross Domestic Product
H1	The first six months of the fiscal year
H2	The second six months of the second year
ICT	Information and Communication Technology
IDP	Internally Displaced Persons
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
IOM	International Organization for Migration
IPC	Integrated Food Security Phase Classification
ISCO	International Standard Classification of Occupations
IZ	Industrial Zones
MEM	Myanmar Economic Monitor
MHWS	Myanmar Household Welfare Survey
MMK	Myanmar Kyat
MOC	Ministry of Commerce
MOL	Ministry of Labor
MOPF	Ministry of Planning and Finance
MOU	Memorandum of Understanding
MRA	Myanmar Recruitment Agent;
MSPS	Myanmar Subnational Phone Surveys
ND-GAIN	Notre Dame Global Adaptation Initiative
NEET	Number of people not in Employment, Education, or Training

NPL	Nonperforming loans
NTLs	Nighttime Lights
NV	National Verification
OECD	Organization for Economic Cooperation and Development
PA	Provisional Actual
PEO	Provincial Employment Office
PMI	Purchasing Managers' Index
POS	Point-of-Sales
Q1	First Quarter
Q2	Second Quarter
Q3	Third Quarter
Q4	Fourth Quarter
RE	Revised Estimate
RHS	Right Hand Side
ROA	Return on Assets
ROE	Return on Equity
RRR	Required Reserve Ratio
SEE	State-owned Economic Enterprise
SSW	Specified Skilled Worker program
TA	Temporary Actual
TEU	Twenty-foot equivalent container unit
THB	Thai Baht
TITP	Technical Intern Training Program
TRA	Thai Recruitment Agent
UN	United Nations
UNDESA	United Nations Department of Economic and Social Affairs
UNHCR	United Nations High Commissioner for Refugees
USD	US dollar
USDA	U.S. Department of Agriculture
VPN	Virtual Private Network
WB	World Bank
WDR	World Development Report
WFP	World Food Programme
WITS	World Integrated Trade Solution
yoy	year-on-year

Executive Summary

Economic conditions have deteriorated further in the past six months, with recent devastating floods adding to ongoing challenges associated with armed conflict and macroeconomic volatility. In conjunction with heavy monsoon rains, Typhoon Yagi, which struck Myanmar in early September, triggered flooding which is estimated to have affected 2.4 million people (4.4 percent of the population) across 192 townships.[1] About 20 percent of total built-up structures (more than half a million buildings) and nearly 10 percent of Myanmar's roads were affected by the floods, alongside damages to other infrastructure. Results from the September/October round of the World Bank Firm Survey indicate that more than a third of firms were affected by these floods, including more than half of all agricultural firms. Typhoon Yagi, Cyclone Mocha in May 2023, and the widespread impacts of related floods are stark reminders of natural disaster risks in Myanmar which are expected to worsen further with climate change. International benchmarking indicates that despite its high climate vulnerability Myanmar's disaster preparedness is relatively low, amplifying social and economic risks.[2]

The level and intensity of armed conflict remains high, severely affecting lives and livelihoods, disrupting production and supply chains, and heightening uncertainty around the economic outlook. The UN estimates that 1.5 million people have been displaced since October 2023, increasing the total number of internally displaced people to 3.5 million (about 6 percent of the population). More than half of Myanmar's 330 townships are in active conflict with martial law imposed in 61 townships.[3] Among other impacts, conflict has restricted access to several townships, complicating the response to recent flooding. Border trade has continued to witness significant disruptions with six out of eight customs posts along the China and Thailand border closed.

Conflict-related disruptions to trade and logistics, sharp kyat depreciation, and the stepped-up enforcement of import licensing rules have led to increasingly severe shortages and higher prices. The kyat lost 40 percent of its value against the US dollar on parallel markets over the first eight months of 2024. While the exchange rate subsequently stabilized, inflation remains elevated due to the lagged passthrough effects as well as domestic supply and logistics disruptions caused by conflict and Typhoon Yagi. The latest available CPI data indicates that prices rose by 25.4 percent over the year to March 2024, but more recent data suggests a faster increase in prices in the period since. The WFP food price index increased by over 60 percent during April – September 2024 while fuel prices increased by 25 percent over the same period. Price rises have been particularly steep in conflict affected areas, with food and fuel prices more than doubling in Rakhine and northern Shan State over the year to September. Restrictions on the issuance of import licenses and stricter enforcement of these license requirements have added to pressure on availability and prices of imported goods, with imports falling by 11 percent in the six months to September 2024 (compared with the same period a year earlier). The authorities have imposed price ceilings on essential commodities such as rice, edible oil and petroleum products, but these have generally exacerbated shortages at controlled prices, triggering much higher prices in parallel markets.

Persistent power restrictions have created further challenges for businesses and households. Reflecting the impacts of power supply constraints and weaker economic activity, night light luminosity across Myanmar's industrial zones shrank by about 7 percent in the nine months to September 2024 compared with a year earlier,

[1] World Bank Staff staff estimates from Damage Assessment Note (forthcoming)
[2] Using rankings from the 2022 ND-GAIN (Notre Dame Global Adaptation Initiative) country index. Myanmar ranks next to Haiti on both vulnerability to the impacts of climate change and readiness to cope with these impacts.
[3] UN High Commissioner for Human Rights, October 2024, UNHCR Myanmar Displacement Update, November 2024.

while there was a 24 percent decline in non-industrial areas. Night light luminosity in some states and regions fell particularly sharply, including Rakhine, which saw a reduction of more than half, and Chin, Kachin and Kayin, where night-time lights declined by more than a third.

Sectoral indicators of production reflect the effects of this increasingly challenging economic environment. Estimates from the FAO and USDA indicate that crop production is likely to decline in FY2024/25, with flooding directly damaging rice paddies, pulses, and oilseeds, while triggering additional shortages of key inputs including fertilizer and seeds. The manufacturing Purchasing Managers' Index has signaled contraction in the manufacturing sector in each of the four months between July and October, in marked contrast to the same period in 2023. While some parts of the domestically oriented manufacturing industry have gained from import restrictions, these manufacturers are also severely constrained by shortages of imported raw materials. As of September 2024, imports of construction materials from China had fallen by about a quarter since earlier in the year. Several key public infrastructure projects have been delayed or paused. Retailers and wholesalers are facing challenging conditions due to the difficulties of importing stock and the impact of high inflation and weak economic activity on real household incomes. Domestic air travel fell by 22 percent (year on year) between April and August 2024 due mainly to insecurity at several tourist destinations, especially in Rakhine and Northern Shan, while international arrivals declined by 30 percent over the same period. The spread of conflict to resource rich areas in Kachin, Kayah, Shan, and Sagaing has prompted a decline in mining outputs. Measures of sales and profits have fallen across the board, and labor demand has weakened: nearly a quarter of firms surveyed by the World Bank in October 2024 reported reducing employees' hours in the previous month, up from 10 percent in April and zero in September 2023, while online job postings have declined from already low levels.

Myanmar households have been hard hit by these cumulating shocks. Recent surveys by IFPRI, WFP and FAO indicate a continued deterioration in food security. 14.3 million people (25 percent of the population) were experiencing acute food insecurity as of October 2024, up from 10.7 million people a year earlier, driven mainly by food price inflation and supply shortages. Typhoon Yagi on its own is estimated to have pushed about 1 million people into acute food insecurity. Locations with high conflict intensity such as Shan, Kachin and Rakhine have recorded about 80 – 180 percent increase in average food prices over the year to September while Chin and Sagaing have seen between 50 – 60 percent increase in average food prices over the same period. Forced displacement has reduced income earning opportunities and depressed consumption: IDPs have unemployment rates that are about 3 times that of non-displaced households.

Considering these severe challenges, we now expect GDP to contract by 1 percent in the current year ending March 2025, a downward revision from our previous projection of 1 percent growth (Table ES 1). Even assuming no further escalation in conflict, growth is expected to remain subdued the following year. This baseline forecast is predicted on a broad-based slowdown across productive sectors. Agriculture production is now expected to fall in FY2024/25 reflecting crop and livestock losses due to monsoon flooding and Typhoon Yagi. The manufacturing and services sectors are projected to contract slightly, given persistent shortages of raw materials, imported inputs and electricity, weak domestic demand, and the ongoing impacts of conflict and economic uncertainty. Wholesale and retail trade is facing particular challenges given downward pressure on household incomes and upward pressure on consumer prices. The forecast implies that GDP in 2025 would be around 11 percent lower than in 2019, indicative of the persistent impacts of recent shocks to both the supply and the demand side of the economy.

Inflation is expected to remain high this year at 26 percent in annual average terms, underpinned by pass-through from rapid exchange rate depreciation, shortages of essential products, and an increase in electricity tariffs. Inflationary pressures are projected to persist next year, driven by strict controls on imports, trade and transport disruptions from conflict, persistent exchange rate volatility, and continued reliance on central bank financing of budget deficits.

Table ES 1: Selected Macroeconomic Indicators (annual % change unless indicated otherwise)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25F	2025-26F
Real GDP growth, at constant factor prices	6.6	-9	-12	4	1	-1	2
Agriculture	2.2	-5.7	-12.8	-2.2	2.0	-3.8	1.9
Industry	8.0	-11.8	-8.2	8.0	0.0	-0.2	2.0
Services	7.8	-8.4	-14.7	3.9	1.4	-0.2	2.1
CPI inflation, year average	9.1	2.3	9.6	27.2	27.5	26.0	30.0
Trade balance (% of GDP)	-5.6	-2.9	-2.4	-5.5	-4.0	-2.2	-3.3
Current account balance (% of GDP)	-1.8	-0.4	-2.4	-3.5	-2.2	-1.2	-2.3
Fiscal balance (% of GDP)	-6.2	-7.6	-2.2	-2.8	-5.3	-5.4	-5.8
- Revenue (% of GDP)	22.4	16.2	16.5	21.3	19.7	21.9	23.2
- Expenditure (% of GDP)	28.6	23.8	18.7	24.1	25.0	27.4	29.0
Public debt (% of GDP)	42.2	54.0	54.2	58.8	61.8	62.0	60.5

Note: April-March fiscal year, so "2024-25" denotes the current year ending March 2025.

Import controls are expected to partially cushion external sector pressures. During FY24, the current account and trade deficits are projected to narrow to 1.2 percent and 2.2 percent of GDP respectively, due largely to a sharp contraction in imports. Ongoing weakness in tourism as well as conflict-related disruptions to transport are expected to continue to depress services receipts. Myanmar's large and growing migrant workforce (see Part III) should sustain remittance inflows, though policy interventions to tax and enforce repatriation of a proportion of foreign worker incomes are likely to incentivize increased flows through informal channels.

The overall budget deficit is projected to widen from 5.4 percent of GDP in FY2024/25 to 5.8 percent of GDP in FY2025/26, driven mainly by increased spending. Total expenditure is projected to increase by about 1.6 percentage points to 29.0 percent of GDP reflecting anticipated increases in spending on wages, goods and services and infrastructure. Revenues are also projected to increase by 1.3 percentage points to 23.2 percent of GDP, driven by recent revenue administration measures, an increase in tax rates (including for cigarettes and alcohol) and more stringent enforcement including a crackdown on smuggling. Deficit financing is expected to remain largely from the Central Bank. Public debt (more than two thirds of which is domestic and denominated in kyat) is projected to remain above 60 percent of GDP, with the impacts of weaker economic activity and relatively high fiscal deficits being broadly offset by high inflation.

The risks to this already bleak outlook are tilted to the downside. A further escalation in conflict, including in the run up to possible elections in 2025, or another severe natural disaster could depress output across a range of sectors. Such shocks could also result in more prolonged disruptions to transport and logistics networks and border trade. Additional restrictions on trade, foreign exchange, or other financial sector services could further erode business confidence and increase operating costs. Any one of these risks, if realized, could exacerbate raw material shortages, disrupt firms' operations and accelerate input and output price inflation. Over the medium to long-term, a continuation of the currently high rate of food price inflation and the steady upward trend in food insecurity could push more households into poverty.

Given ongoing conflict, elevated risks, and the precarious state of the Myanmar economy, migration – both within Myanmar and internationally – has become an increasingly important coping mechanism. Part III of this Monitor focuses on the drivers and challenges associated with international migration from Myanmar in recent years. World Bank-ILO surveys indicate that migrants to Thailand and Malaysia tend to earn between two and three times their income in Myanmar, while migrants to Japan and Korea can earn more than 10 times their previous incomes. These migrant workers bring complementary skills

and fill labor shortages in destination countries, while sending remittances home which benefit around 7.5 percent of all households in Myanmar, accounting for around two-thirds of recipient household incomes on average. At the same time, out-migration poses some risks to Myanmar's longer-term development. Labor shortages in some areas have already emerged due to workers migrating internationally. According to survey results, around 30 percent of higher-skilled workers in fields such as engineering, ICT, administrative services and construction-related fields are both willing and able to migrate abroad, with potential implications for Myanmar's stock of human capital.

Much of the recent out-migration from Myanmar has occurred under duress, reducing the potential gains from migration and increasing costs. In recent years migration has been spurred by 'push factors' including elevated conflict, the threat of conscription, declining real incomes, and reduced economic opportunities. These factors often mean that relocations are hurried and poorly planned, with the implication that migrants are less able to look for a suitable job and come under pressure to accept work that they may be overqualified or underpaid for. Moreover, in part because of increased demand, the estimated costs of formal migration to Thailand have risen to 2.5 months of earnings between 2018 and 2024, significantly higher than the equivalent costs faced by workers from Cambodia and Lao PDR. At the same time, rules and regulations around the remittance of migrants' incomes to Myanmar have become increasingly onerous, disincentivizing the use of formal channels for both migration and remittances. Together, these factors have meant that Myanmar migrants are more likely to use lower-cost irregular channels to migrate to Thailand, despite increased risks of exploitation and hardship, and the higher earnings potential of regular migration.

Reforms in countries which receive migrants from Myanmar have the potential to improve economic outcomes for both migrants and the destination economies. To the extent that push factors continue to drive out-migration and administrative requirements relating to remittances remain restrictive, it will be difficult for Myanmar people to realize the full benefits of migration. Given their economic contributions, destination countries such as Thailand – which hosts around 70 percent of Myanmar's migrants – could adopt several measures to expand regular migration and thus raise the net gains. These include increasing the flexibility of conditions faced by Memorandum of Understanding (MOU) workers (e.g. extending contract periods and allowing for changes in employers), facilitating seasonal labor movements, streamlining and digitizing the MOU process, and taking steps to allow the economic integration of Myanmar refugees.

Figure ES1: Conflict intensity and major events

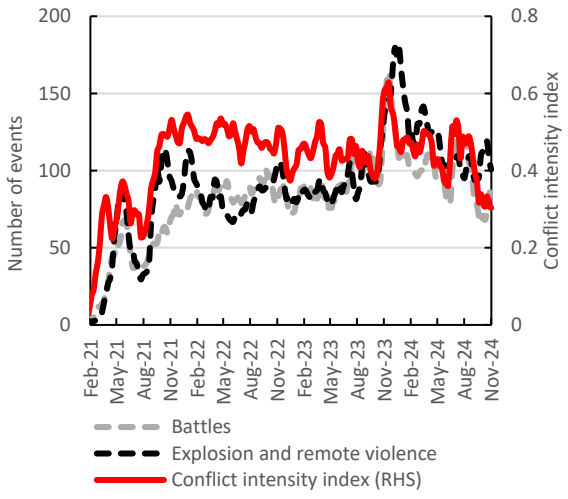


Figure ES2: The share of firms impacted by the flood in September 2024

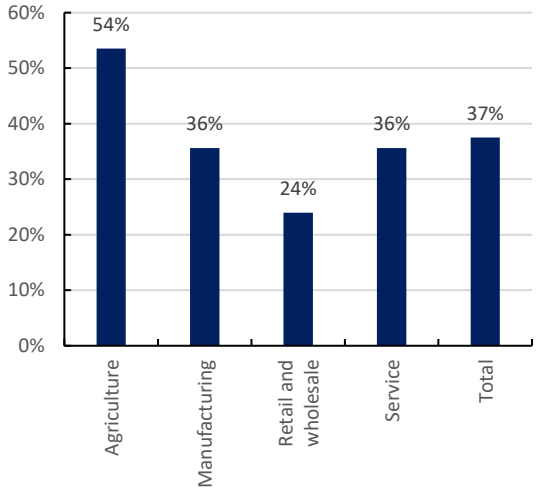


Figure ES3: % change in NTLs: nine months to September 2024 versus year earlier

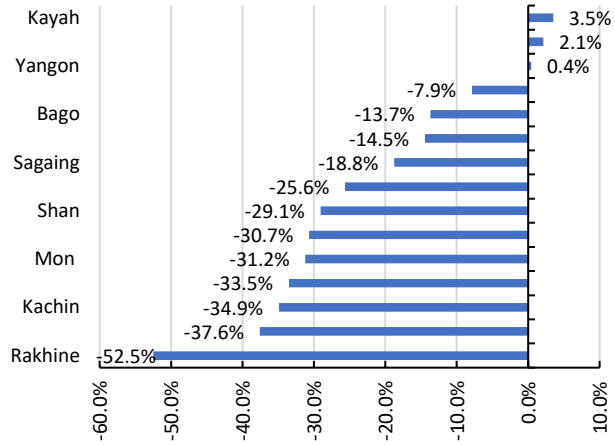


Figure ES4: Firms' average operating capacity

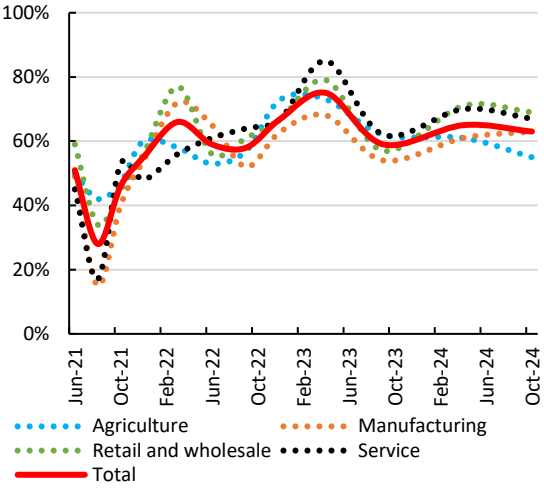


Figure ES5: Kyat per US dollar exchange rates

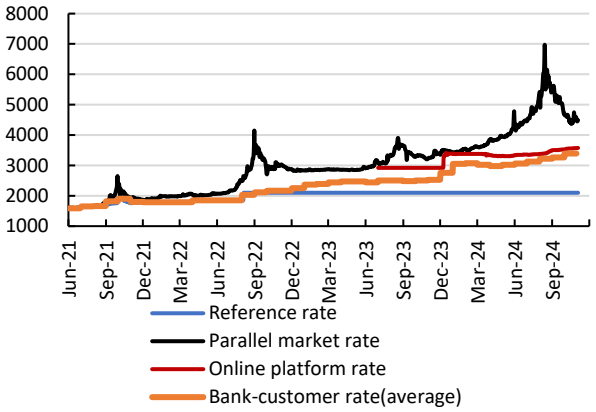


Figure ES6: Food Price Indexes (Mar 2022 = 100)

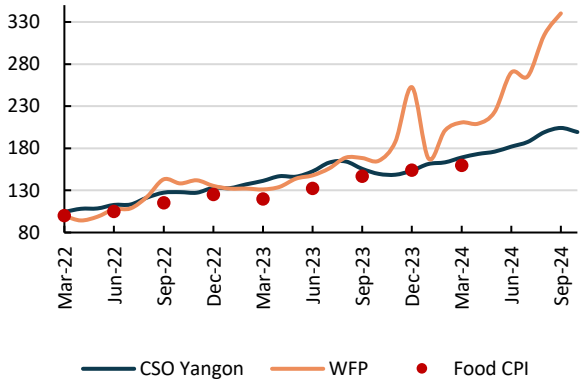


Figure ES7: Prevalence of acute food insecurity in Myanmar (million people)

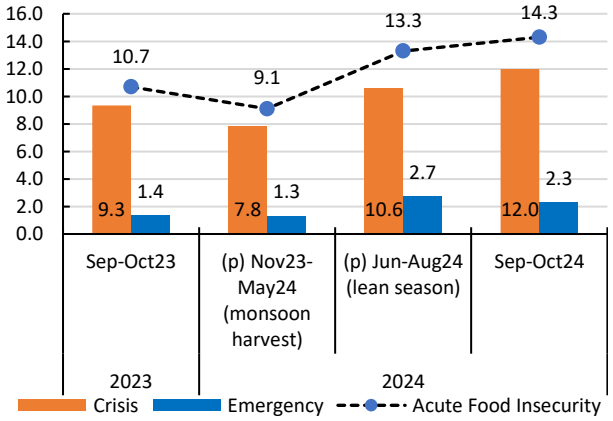
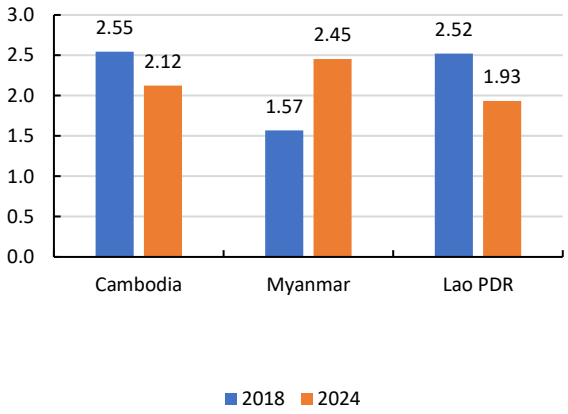


Figure ES8: Costs of migrating to Thailand (in months of earnings in Thailand)



I. Recent Economic Developments

A. Myanmar's households and firms have been buffeted by multiple shocks

Conflict, inflation, and trade restrictions have weighed heavily on economic activity and household welfare over the past six months. The level and intensity of conflict (**Figure** 1) has increased in Rakhine, Shan North, Kayah, Sagaing and Mandalay in 2024 (**Figure** 2), among other parts of the country. The conflict has displaced large segments of the population, disrupting livelihoods and hindering economic activity. The UN estimates that 1.5 million people have been displaced since October 2023, increasing the total number of internally displaced people to 3.5 million[4] (about 6 percent of the population). Border trade has continued to suffer significant disruptions with six out of eight customs posts along the China and Thailand border closed. Trade with Bangladesh and India has also seen disruptions with the escalation of conflict in Rakhine State. Stricter enforcement of import license requirements, in conjunction with these trade and logistics disruptions, has resulted in local shortages of key commodities, driving up prices for both businesses and households. The increased prevalence of checkpoints and tollgate fees has further exacerbated increases in logistics costs. In addition to its impact on trade and transport, conflict has affected agricultural production, domestic tourism, mining activity, and construction of infrastructure projects.

Figure 1: Weekly trends of conflict intensity and major events

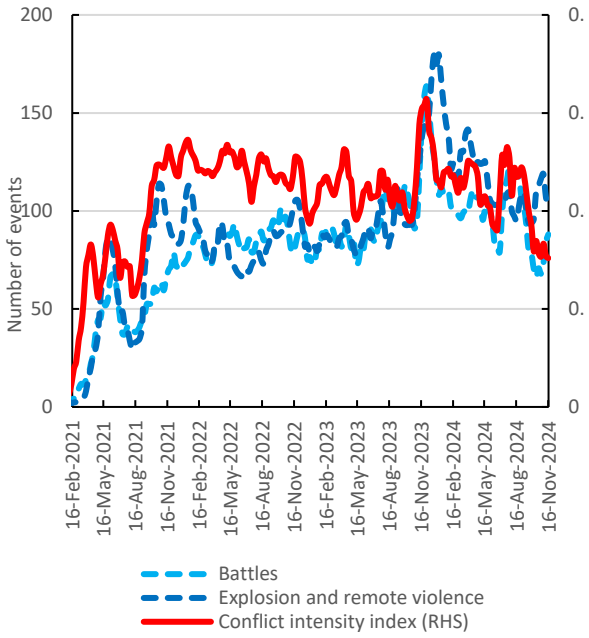
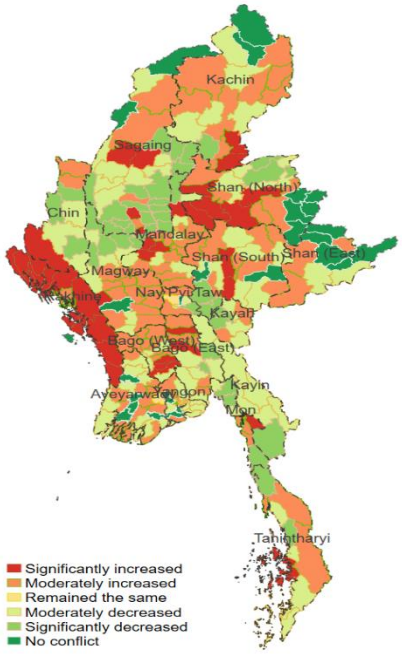


Figure 2: Change in conflict intensity at township level in 2024 (January to October), compared to the same period last year

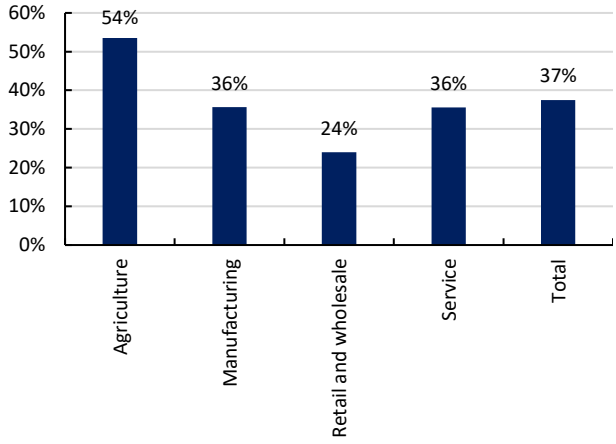


Source: WB staff calculations using data from the Armed Conflict Location and Event Data Project (ACLED)
Note: The data reflect a 4-week moving average. Conflict intensity is calculated as a geometric mean of events and fatalities. Events include battles, explosions and remote violence, protests, riots, and violence against civilians. Fatalities represent the total fatalities resulting from each event. The chart on the right shows the normalized value of the conflict intensity index between 0 and 1.

[4] UNHCR

Livelihoods and economic activity were severely disrupted by heavy monsoon floods and Typhoon Yagi, which struck in September. Over two million people were left homeless across 192 townships, buildings and infrastructure were damaged, and around 3.5 percent of Myanmar's cropland was flooded.[5] The Food and Agricultural Organization of the United Nations (FAO) projects that crop production will decline by about 5 percent in FY2024/25 because the floods coincided with the growing and harvesting period of key crops including rice and maize, while about 34 percent of farmers have reported significant losses of agricultural assets, particularly stored seeds and fertilizers.[6] The impact of the floods on crop production caused a further deterioration in the level of acute food insecurity, which increased to 25 percent of the population (14.3 million people) in September 2024 from 19 percent (10.7 million people) a year earlier: approximately one million people became food insecure due to Typhoon Yagi.[7] Typhoon Yagi also caused damage to infrastructure including transport networks, disrupting production and creating shortages of essential products including food and fuel in several parts of the country (Box 1). Results from the September/October round of the World Bank Firm Survey indicate that about 37 percent of firms were affected by recent flooding **(Figure 3)**, with agricultural firms particularly severely affected (54 percent).

Figure 3: Share of firms impacted by flooding in September 2024



Source: World Bank firm monitoring surveys

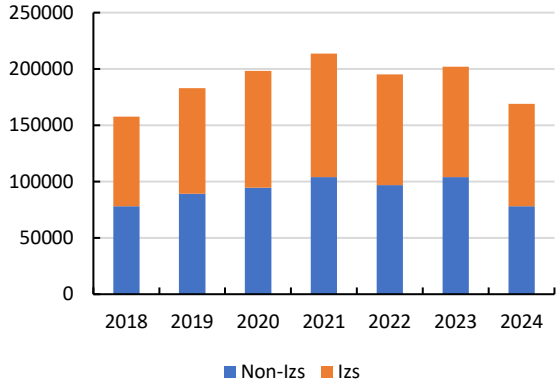
Macroeconomic volatility increased markedly during 2024 as the kyat depreciated rapidly, fueling inflation and straining real household incomes and consumption. The kyat lost 40 percent of its value against the US dollar on parallel markets over the first eight months of 2024. While the exchange rate subsequently stabilized, inflation remains elevated due to the ongoing passthrough effects of exchange rate depreciation as well as the domestic supply shortages caused by disruptions to border trade, Typhoon Yagi, and trade restrictions. Headline inflation reached 25.4 percent year-on-year (YoY) as of end-March 2024, while the WFP food price index increased by over 60 percent between April and September 2024. Fuel prices have increased by about 25 percent over the same period. Conflict affected areas, especially Rakhine and Shan State (North), have suffered from particularly rapid price increases.

5 World Bank Staff staff estimates from Damage Assessment Note (forthcoming)
6 FAO. (2024a). Floods Impact in Myanmar, July-September 2024: The impact of the floods on agriculture and livelihoods. Food and Agriculture Organization (FAO).
7 FAO– PC (2024) IPC Food Insecurity Update for Myanmar

Power shortages remain a major hurdle to business operations, especially in the manufacturing sector. 65 percent of firms surveyed by the World Bank in September/October reported experiencing frequent unplanned power blackouts over a 3-month period while about 54 percent of firms reported investing in expensive diesel-based generators to maintain operations (compared to just 23 percent for other off-grid power systems including renewables). Using nighttime lights (NTLs) as a proxy for electricity supply and economic activity indicates a marked decline in 2024. Total luminosity in industrial zones (IZ) shrank by 7 percent (YoY) during the nine months to September 2024, while in non-IZ areas NTLs declined by 24 percent (**Figure 4**). Luminosity also fell in all states and regions except for Yangon, Ayeyarwady and Kayah[8] (**Figure 5**). Electricity generation has been affected by disruptions to power plants, transmission and distribution networks, shortages of spare parts, reduced investment in operation and maintenance, and aging hydropower infrastructure (which makes up by 45 percent of total generating capacity). The construction of new hydropower plants has been delayed due to conflict and limited access to external funding; no new gas fired thermal power plant has been planned in the last three years, and regional power interconnection projects with Laos, China, and India have seen little progress. Electricity imports from China to Myanmar border areas declined markedly in 2024.

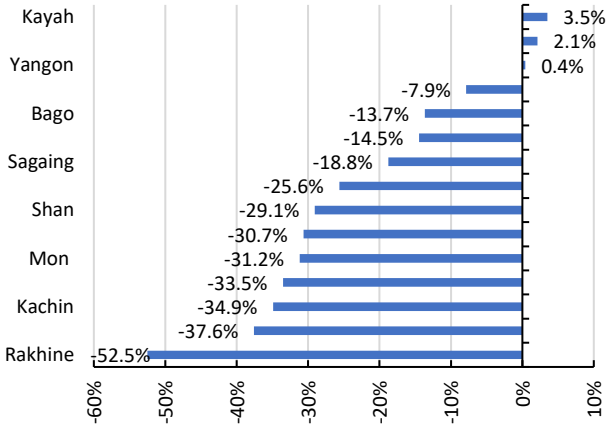
Additionally, internet outage incidents have risen sharply with the imposition of various restrictions and controls, significantly impacting the economy. There were 20 incidents of shutdowns over the year to October 2024, lasting between 30 minutes to over 59 days[9], with the cost to businesses estimated at US$163 million (0.3 percent of GDP). This was a substantial increase from the estimated cost of US$17.3 million between April and September 2023 [10].

Figure 4: NTLs in IZ and non-IZ locations (January to September)



Source: NASA Black Marble and World Bank Staff

Figure 5: Change in NTLs: nine months to September 2024 versus year earlier



Source: NASA Black Marble and World Bank Staff

[8] Kayah has been severely affected by conflict, suggesting that the increase in NTLs could be picking up activity at IDP camps or conflict related explosions.

[9] Internet Outage Detection and Analysis (2024)

[10] World Bank staff estimates using the Internet Society Pulse NetLoss Calculator (2024). The NetLoss Calculator uses an economic framework to estimate the impact of Internet shutdowns on a range of economic, social, and other outcomes and uses econometric tools to provide an estimate of the economic impact of a given shutdown. The methodology relies on publicly available datasets to calculate the economic impact of an Internet shutdown.

Box 1: Impact of Typhoon Yagi and related Monsoon Floods

Between September 8 and 12, 2024, Myanmar experienced devastating destructions from a series of flash floods and landslides triggered by Typhoon Yagi – a severe tropical storm system that passed through the country from its northeast border with China. Typhoon Yagi caused heavy rains, flash floods and extensive landslides across Myanmar and other countries in the region. Preliminary assessments by the World Bank using geospatial data[11] indicates that the storm caused massive population displacement and widespread destruction of crops and livestock, residential houses and public infrastructure including roads, bridges and telecommunication. While the monetary value of the damages is yet to be estimated, Typhoon Yagi is poised to become the second most severe based on lives lost[12] and the inventory of damages assessed so far (Table 1).

Table 1. Summary of damages from Typhoon Yagi by sector (all of Myanmar).

Sector	Baseline (National)	Flooded/Affected (National)	Flooded % (National)
Urban areas (ha)	1,487,531,940	9,923	1.57%
Cropland (ha)	13,852,159	480,296	3.47%
Population (persons)	53,976,055	2,378,957	4.41%
Built structures (count)	2,960,384	585,164	19.77%
Roads (km)	23,942	2192	9.15%
Bus stations	481	92	19.13%
Railway (km)	246	37	15.24%
Railway stations	550	91	16.55%
Airports	17	2	11.76%

Source: Based on geospatial analysis conducted by the team.

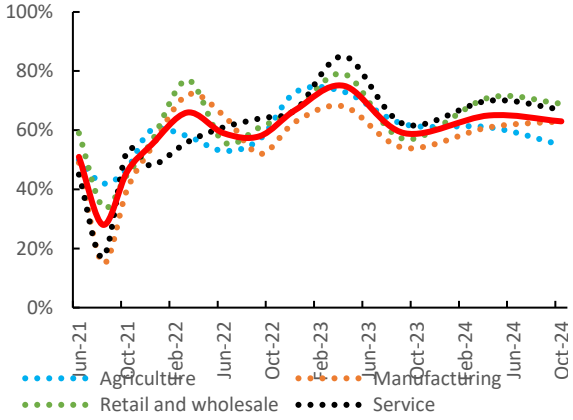
A geospatial analysis of flooded areas (from September 3 to 26) shows that 192 out of 330 townships in the country experienced some level of flooding with 93 of the affected townships experiencing floods larger than 1,000 hectares[13]. Around 2.4 million people were estimated to be affected by the floods. 114 townships had more than 5,000 people exposed to floods, 70 townships had more than 10,000 people exposed to floods, and 5 townships had more than 50,000 people exposed to floods. Across the country, a total of 585,164 buildings were affected by flooding, representing about 20 percent of total built-up structures. In terms of infrastructure damages, 136 townships had more than 5 kilometers of roads damaged, 31 townships more than 20 kilometers, and 3 townships more than 40 kilometers. Damages to telecommunications and energy infrastructure complicated the efforts to identify needs, coordinate aid distribution, and disseminate information.[14]

This analysis suggests that about 480,295 hectares or 3.47 percent of cropland was flooded nationally between September 3 and 26.[15] The floods caused extensive damage to rice paddies, pulses, and oilseeds, critical to Myanmar's food supply and export potential, and have had particularly severe impacts on poorer and vulnerable populations. Some townships experiencing significantly high levels of conflict in Magway, Kayin, and Shan also suffered major flood damages. Conflict caused delays in emergency response and the delivery of humanitarian assistance. Months after the floods, access remains challenging in some areas.[16]

B. Recent indicators of economic activity have weakened further

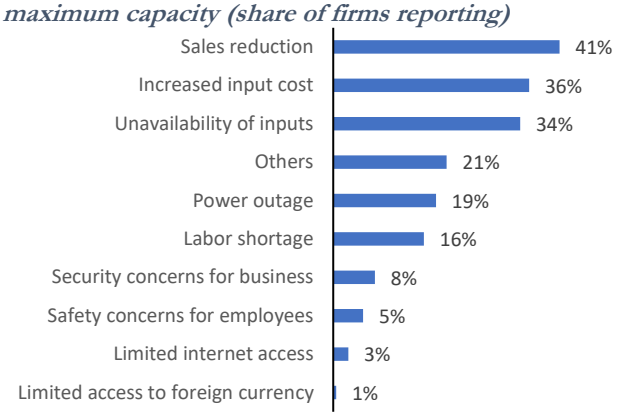
Sectoral indicators of production largely suggest a further decline in activity from what were already weak levels earlier in the year. Reports from the September/October 2024 round of the World Bank Firm Survey indicate that firm sales and profitability have worsened: sales reportedly declined by an average of 18 percent over the year to September (compared with a 6 percent decline reported in April) while profits fell by 25 percent on average. Agricultural firms reported particularly sharp reversals in what was previously comparatively good performance. On average, firms reportedly operated at 63 percent of their capacity in September/October 2024, about 2 percentage points below April levels and 4 percentage points higher than the same period last year (**Figure 6**). Only about 30 percent of surveyed firms reported operating at their full capacity, citing reduction in sales as the major reason, followed by increased input costs and unavailability of inputs **(Figure 7)**.[17] The share of firms reporting difficulties in accessing foreign exchange increased to 17 percent from 11 percent in April while the share of firms reporting lack of sales increased by 2 percentage points to 23 percent, with domestic demand constrained by high and rising consumer prices.

Figure 6: Firms' operations as a proportion of their capacity



Source: World Bank firm monitoring surveys
Note: Firms were asked to report on the last completed month. "Service" refers to non-retail and wholesale services.

Figure 7: Reasons for not being able to operate at maximum capacity (share of firms reporting)



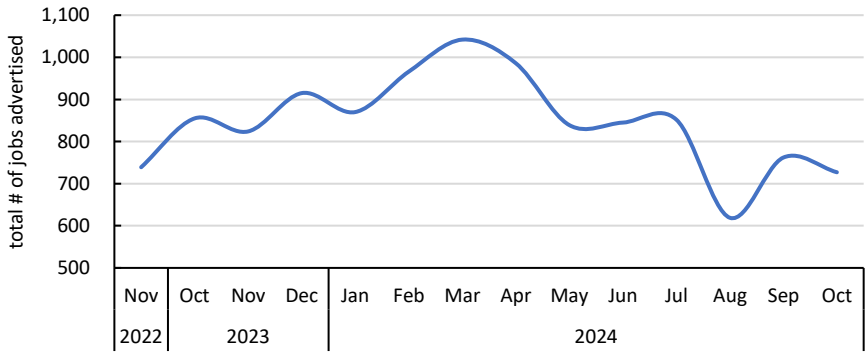
Source: World Bank firm monitoring surveys
Note: Firms were asked to report on the last completed month. "Service" refers to non-retail and wholesale services.

[11] UNOSAT Sentinel-1 flood maps (World Bank Group, 2024) and other data sources were utilized to analyze the flood impact from Typhoon Yagi. Other data source included "Built-up" – Land cover map (ESA WorldCover, 2020, v200), "Cropland" – Land cover map (ESA WorldCover, 2020, v200), and Spatial Distribution of Population, Myanmar (WorldPop, 2020), among others.
[12] According to the authorities, the event resulted in 433 deaths and 79 missing as of end-September – https://x.com/IrrawaddyNews/status/1839982219076743659
13 Central Myanmar (namely Nay Pyi Taw, Shan, and Kayah) was the worst affected part of the country, followed by Mandalay, Magway, Bago, and Ayeyarwady Regions; Shan, Mon, Kayah, and Kayin States
14 IFRC
15 Some reports cite that 21 percent of Myanmar's total arable land has been flooded – FAO. (2024a). Floods Impact in Myanmar, July-September 2024: The impact of the floods on agriculture and livelihoods. Food and Agriculture Organization (FAO).
16 UNHCR Flash Update – UNHCR Flood response, 27 October 2024.
[17] There is also evidence to suggest that firms' maximum operating capacity has itself declined since 2021 – World Bank Firm Monitoring Surveys (Round 10 to 18).

Conflict and floods were reported to be major drivers of operational disruptions. 18 percent of firms cited conflict as their biggest challenge, just 1 percentage point below April levels. About 37 percent of surveyed firms indicated that their operations were either directly or indirectly impacted by floods with agricultural firms disproportionately impacted (53 percent) while only 63 percent of affected firms expected to make a full recovery from the floods before the end of 2024.

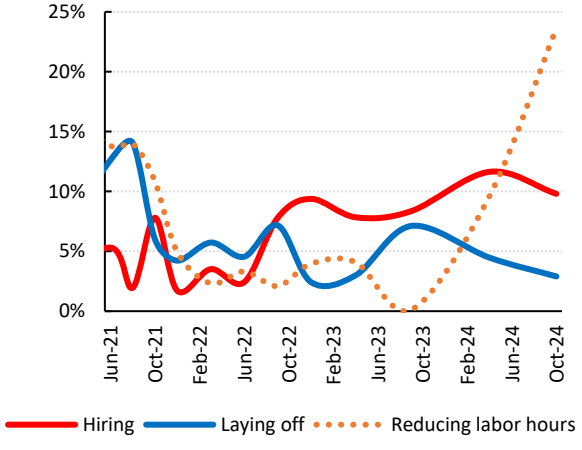
The labor market remains soft, with firms reducing hiring and labor hours. The total number of online job postings declined during the past six months (**Figure 8)**, remaining well below pre-pandemic levels. Results from the latest round of the World Bank's firm monitoring survey indicate that the share of firms that reduced their labor hours increased markedly to 23 percent from about 10 percent in April (**Figure 9**). At same time, the share of firms reporting new hirings fell by about 2 percentage points to 10 percent in September/October, while firms reduced their full-time employees by 7 percent on average but increased part-time employees by 4 percent. On the supply side, firms continued to be affected by employee resignations due to migration, driven by the desire to escape conflict or conscription or to seek better wages and more favorable employment terms (see Part III). However, the share of firms reporting employee resignations due to migration declined to 18 percent from 28 percent in April (**Figure 10**).

Figure 8: Number of online job postings



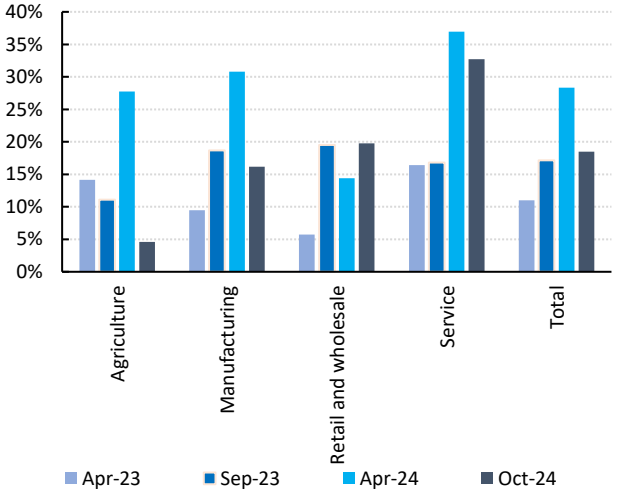
Source: World Bank staff online data collection and calculations

Figure 9: Share of firms reporting hiring, laying off, and reducing employees' hours



Source: World Bank firm monitoring surveys

Figure 10: Share of firms reporting employee resignations

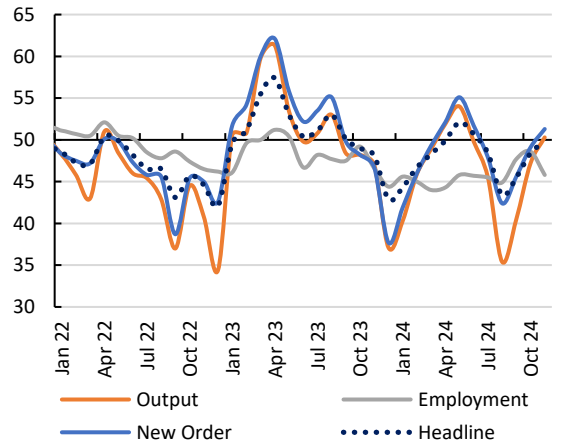


Source: World Bank firm monitoring surveys

Agriculture has been hit by back-to-back monsoon floods in 2023 and 2024 and continues to be affected by the impact of conflict on production and supply chains. FAO predicts that total cereal output will drop by 4.8 percent in FY2024/25 driven mainly by a 5.2 percent dip in rice production.[18] The USDA also estimates that total crop production including rice, corn, peanut and bean will decline by 2.1 percent in 2024/25 due mainly to the impact of recent floods. While farmers continue to face challenges in accessing fuel and agrochemicals, recent floods have caused additional input shortages, particularly for fertilizers and seeds. Results from the September/October round of the World Bank Firm Survey show that agricultural firms were on average operating at just 55 percent of their capacity, 6 percent lower than in April 2024. Unlike April when sales and profits of agricultural firms increased, both fell sharply during the latest survey round, by 16 and 24 percent, respectively, while about 53 percent of agricultural firms reported that they were affected by recent floods. Conflict and insecurity remained the biggest challenge to agriculture affecting about a quarter of firms surveyed (26 percent) given its disruptive impact on both input and output supply chains.

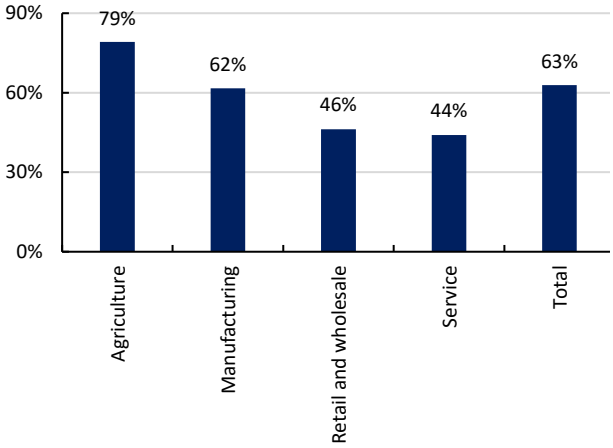
After expanding moderately in May and June, the manufacturing purchasing managers index has returned to contractionary territory since July. The pace of the manufacturing downturn nonetheless slowed in November with the PMI reaching close to neutral levels (49.8 percent), reflecting an increase in new orders for the first time in four months (**Figure 11**). Output reached neutral levels in November, after five successive months of contraction, supported by underlying demand trends. However, the overall PMI was weighed down by the lingering impact of the floods and high staff turnover, reflecting continued resignations. Over a third of the manufacturing firms (36 percent) surveyed by the World Bank in the September/October survey round reported that recent flooding affected their operations while only about 62 percent of those affected expected to make a full recovery by the of 2024 (**Figure 12**:). Results from the firm survey also suggest that manufacturing activity remained subdued during the past six months as the average operating capacity increased by just 2 percentage points to 63 percent reflecting the pick-up of purchasing activity especially in the food processing sector and moderate motor vehicle production (**Figure 13**). Although some parts of the food processing, personal care, clothing and automobile sectors have benefited from reduced competition from imports, manufacturing activity continues to be constrained by raw material shortages, logistics disruptions, and increased energy costs due to reliance on diesel generators (**Figure 14**).

Figure 11 : Manufacturing Purchasing Managers' Index (>50 indicates expansion, < 50 indicates contraction)



Source: S&P Global Market Intelligence

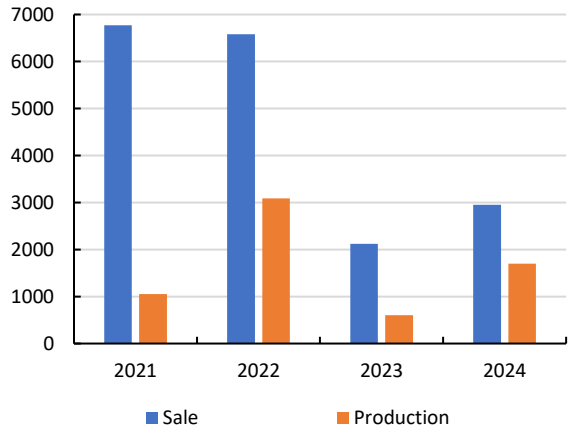
Figure 12: Of those impacted by flood, the share of firms expecting to recover in the next three months



Source: World Bank survey

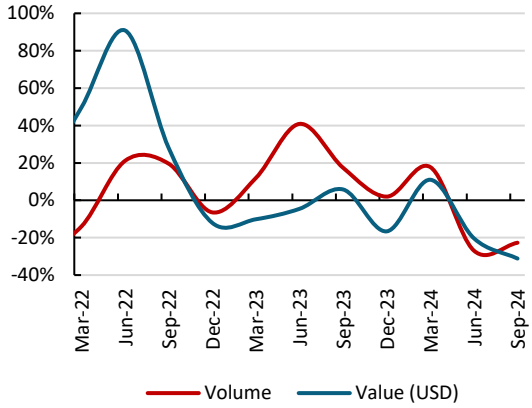
18 FAO (2024) GIEWS Country Brief: Myanmar, October 15.

Figure 13: Motor vehicle production and sales (numbers)



Source: ASEAN automotive association

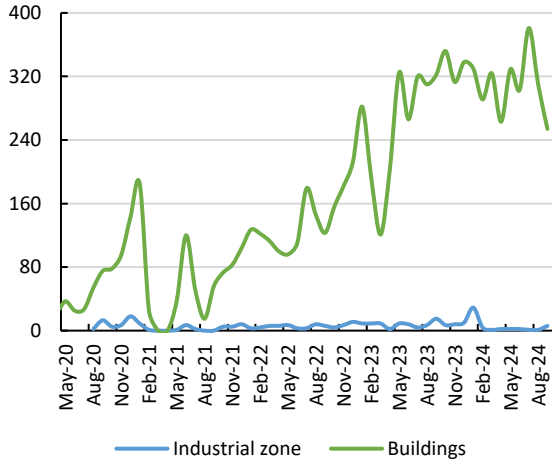
Figure 14: Imported manufacturing raw materials (yoy change)



Source: China custom department
Note: Cloth, fuel, plastic materials were used as imported raw materials

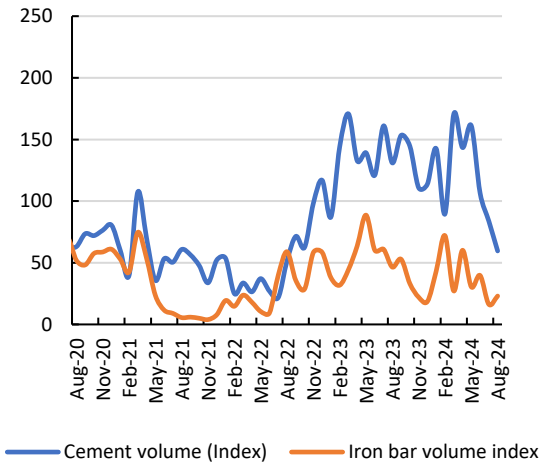
After experiencing a boost early in 2024, construction activity has retreated since June. Residential construction permits for Yangon[19] declined by 18 percent between July and September (**Figure 15**) while imports of construction materials (cement and iron bar) also fell by 25 percent and 9 percent over the same period (**Figure 16**). Several factors have contributed to this decline including inaccessibility of import licenses, sharp depreciation of the kyat, and disruption of border trade. Prices of imported inputs have increased sharply, with cement and steel rod prices rising by 20 and 40 percent respectively over the year to September 2024 (**Figure 17**).

Figure 15: Total number of construction permits issued in Yangon



Source: Yangon City Development Committee

Figure 16: Construction materials import volumes from China (index, Sept 2019 = 100)

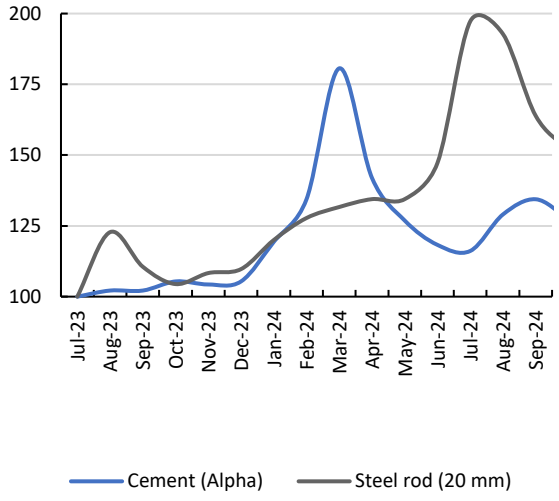


Source: China Custom department

19 Yangon accounts for about half of the total residential buildings in Myanmar.

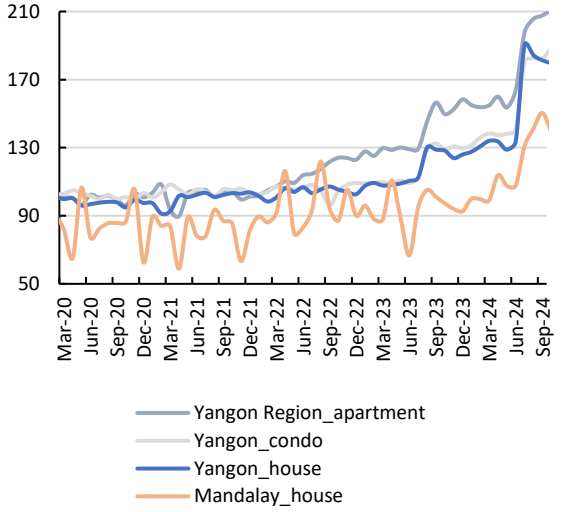
Public infrastructure projects have been significantly affected by the escalation of conflict with several key projects being delayed or paused – including planned China CITIC deepwater port in Kyaukphyu and the Indian Kaladan project. While demand and prices of residential buildings in Yangon have increased (**Figure 18**) – due partly to the influx of internally displaced persons as well as the use of real estate as a safe-haven asset – this has not necessarily translated to increased residential construction and supply. In fact, Myanmar nationals are increasingly turning abroad for real estate purchases: media reports suggest that Myanmar nationals ranked second in 2024 in terms of total ownership of Thai real estate, investing about US$100 million in 643 condo units, surpassing 2023 levels by about US$25 million[20].

Figure 17: Price of construction materials (index, July 2023 = 100)



Source: Frontier

Figure 18: Real estate prices (index, Nov 2018=100)



Source: IMyanmar house

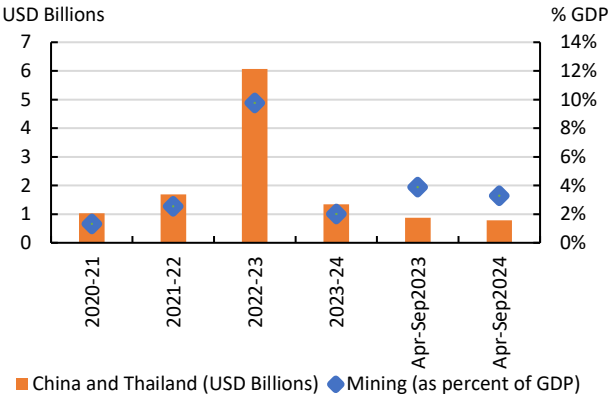
Mining sector output has been significantly affected by the escalation of conflict in resource rich areas such as Kachin, Kayah, Shan, and Sagaing. Between April to September, total mining exports to China and Thailand fell by 11 percent compared to the same period of the last year (**Figure 19**:). Jade and rare earth exports to China, which accounts for about 60 percent of mining exports, fell by about 22 percent. Copper, gold, precious metals, and tungsten production also dropped as mining operations and trade in northern Myanmar were disrupted, with substantial areas now under the control of ethnic armed groups. The escalation of conflict has led to an increase in informal or illicit mining activities which pay little consideration to social and environmental protection.

Myanmar's natural gas production and exports have continued to decline. In the six months to September 2024, the volume and value of gas exports to Thailand and China, which together account for 80 percent of Myanmar's total gas production, decreased by 8 percent year-on-year (**Figure 20**) reflecting dwindling reserves and a lack of upstream investments. Production fell by 13 percent at the Yadana gas field and by 6 percent at Zawtika (**Figure 21**). However, production from the Shwe field increased by 3 percent following the completion of infill wells by POSCO International in April, partially offsetting the overall decline of gas output. Since 2021 global energy giants including Total and Chevron have exited Myanmar's energy

20 A report by the Real Estate Information Center (REIC) showed that in the first half of 2024, 638 condo units worth 3.24 billion baht (US$98.42 million) were transferred nationwide to Myanmar nationals.

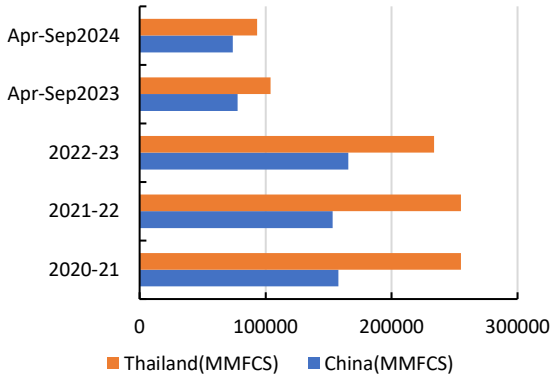
sector, dampening the outlook for production. As existing gas fields approach the end of the production cycle, natural gas production is unlikely to see a significant boost without additional foreign investment.

Figure 19: Mining exports to Thailand and China (USD billions)



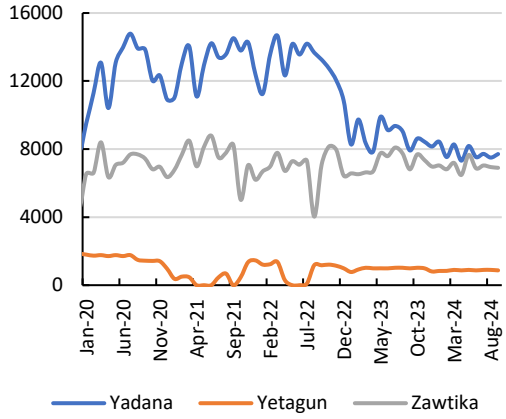
Source: Haver and China Customs department

Figure 20: Natural gas export volume



Source: China Customs, Thailand Ministry of Energy, WB estimate

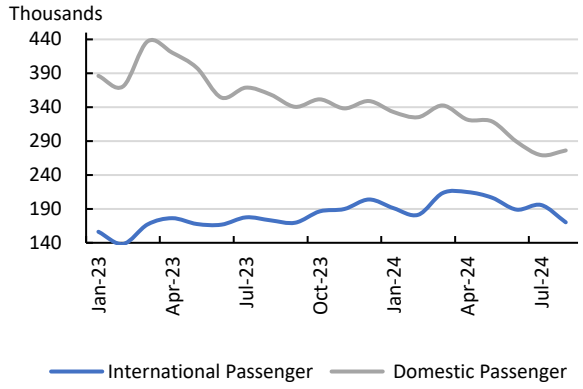
Figure 21: Export to natural gas by gas field (MMSCFD)



Source: Thailand Ministry of Energy

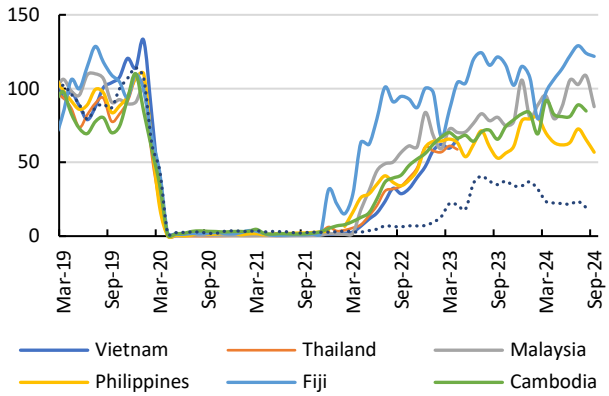
The services sector continues to suffer from weaknesses in tourism, trade and transportation as conflict and political instability persist. Domestic air travel fell by 22 percent (YoY) between April and August due mainly to insecurity at several tourist destinations, especially in Rakhine and Northern Shan. International arrivals also declined by 30 percent (YoY) over the same period. International arrivals at land border areas, which comprise about 80 percent of total arrivals, fell by 34 percent while air arrivals (comprising 20 percent of total international arrivals) dropped by 4 percent (**Figure 22**). International arrivals currently stand at about 20 percent of pre-pandemic levels, in stark contrast to other countries in the region (**Figure 23**).

Figure 22: Passenger travel by Air (number)



Source: Department of Civil Aviation and the Ministry of Hotels and Tourism

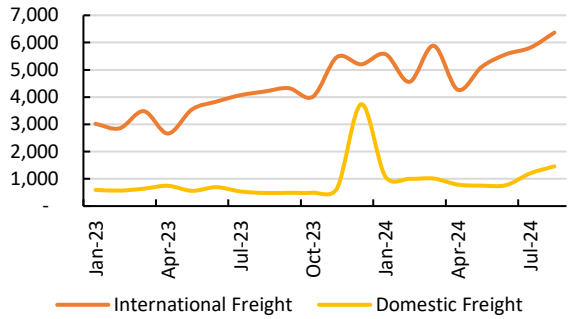
Figure 23: International arrivals (Jan 2019 =100)



Source: Haver analytics.

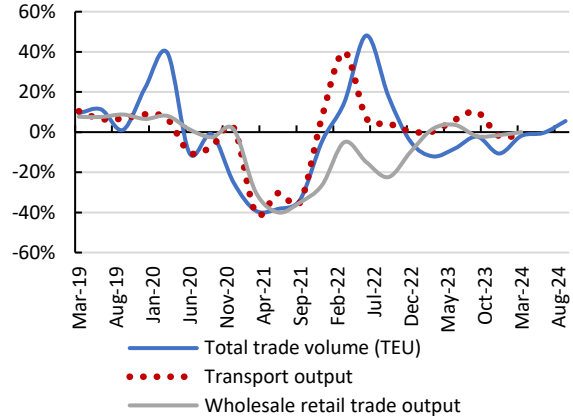
Conflict and heavy monsoon rains have caused major disruptions to freight transportation. Nevertheless, the demand for air and maritime freight transport has shown resilience as businesses sought to avoid the disruptions caused by land conflict. Compared to the same period last year, domestic and international air freight increased markedly between April and August (**Figure 24**). However, freight costs have increased sharply, especially for land freight where tariffs make up over 50 percent of the total land transport cost. Rail transport tariffs have risen by more than 15 percent, while truck transport tariffs have surged by almost 40 percent[21] reflecting high fuel prices and multiple road toll fees. Higher fuel prices, which account for one-third of the total operating costs, along with other operational expenses, have squeezed the profit margins of transport operators despite the increase in the freight charges. Overall, the output of the transport sector has been largely driven by trade volumes (**Figure 25**), suggesting that recent trade disruptions could adversely impact the transport sector.

Figure 24: Freight transport by Air (ton)



Source: Department of Civil Aviation and the Ministry of Hotels and Tourism

Figure 25: Trade volume (TEU[22]) versus transport and wholesale & retail trade output (yoy change)



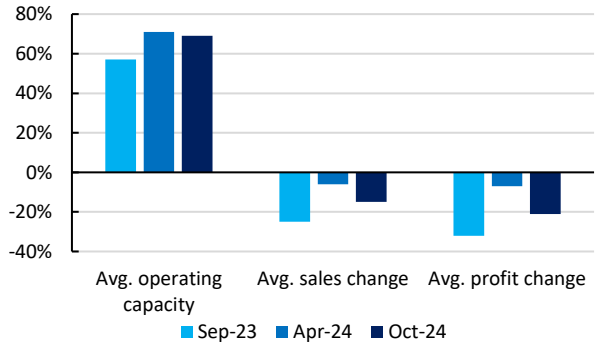
Source: Planning department, WB staff estimate

21 World Bank's team's discussions with transport businesses.
22 Twenty-foot equivalent container unit

Wholesale and retail trade has weakened further over the past six months due largely to high inflation, the distortionary effects of price controls, supply chain disruptions, and weak domestic demand. Results from the September/October round of the World Bank firm survey indicate that wholesale and retail trade firms operated at 69 percent of their capacity in September (**Figure 26**), 2 percentage points lower than in April, underpinned by the reduction of sales due to high consumer prices and reduced demand. The disruption of supply chains from conflict, import restrictions and flooding affected purchasing activity, weakened inventories, and lengthened delivery lead times, while high inflation depressed household consumption. About 28 percent of wholesale/retail firms report lack of sales as their biggest challenge. Moreover, price controls have meant that some retailers have been compelled to sell at a loss. Fixed administrative prices have been set for items such as fuel, edible oil, gold, rice, eggs, and others, with penalties applied to retail businesses that sell these goods at market prices. These controls have decreased the profit margins of businesses, making it difficult for them to continue operating, while also triggering shortages of some essential products.

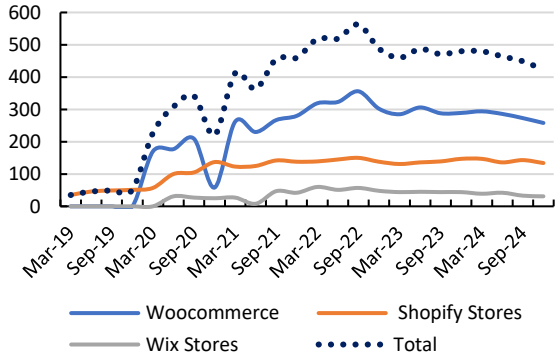
Similar to traditional retail activity, Myanmar's e-commerce sector has also regressed since 2022, with regulatory hurdles posing challenges. The ban on VPNs and sharp increase in internet shutdowns as well as new licensing requirements for e-commerce businesses have led to a reduction in the number of online stores, costing the country about 0.3 percent of GDP per annum. Internet restrictions have also led to a decrease in social media users engaging in online sales and social network-based businesses, adversely impacting market growth and potential (**Figure 27**). In addition, the annual growth rate of unique mobile internet subscribers has dropped from 8.2 percent December 2023 to 3.5 percent in September 2024. The annual growth rate of mobile connections has also fallen, from 4.6 percent in December 2023 to under 2 percent in September 2024[23].

Figure 26: Average operating capacity, sales and profit changes of retail firms



Source: World Bank Firm Monitoring Surveys

Figure 27: Number of active online stores by platform (year on year changes)



Source: ecommerce statistics

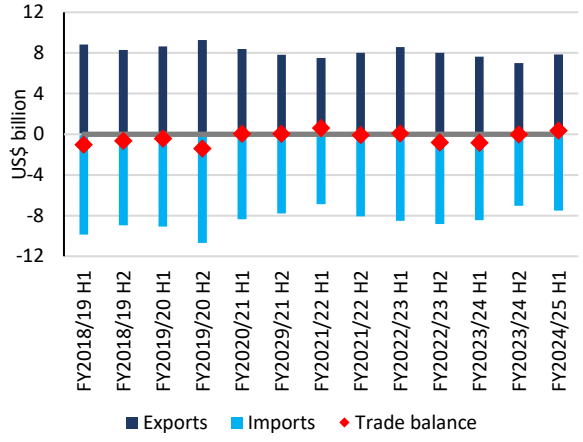
C. External trade has been hampered by conflict and policy restrictions

Myanmar's trade remained weak in the first half of FY2024/25 (FY2024/25 H1), spanning April to September 2024 (Figure 28). Based on mirror data (see Box 2) from Myanmar's major trade partners, goods exports are estimated to have increased by 3 percent compared to the same period last year, but remain well below pre-pandemic levels in US dollar terms. Goods imports are estimated to have declined by 11 percent. Land trade was particularly affected by ongoing border disruptions, as 6 out of 8 official customs posts along

23 GSMA Intelligence (2024)

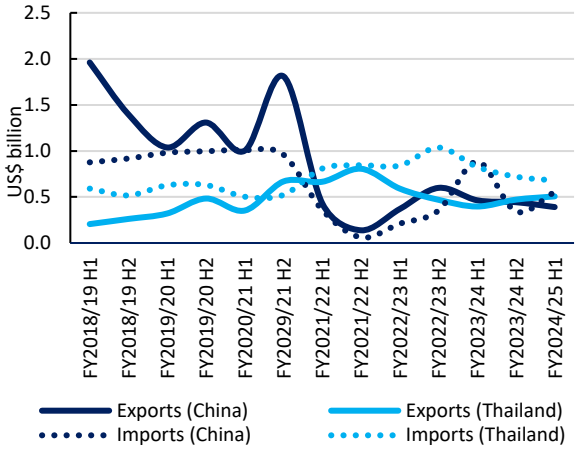
the Thailand and China border have been closed. Excluding natural gas, total trade (imports plus exports) with China and Thailand via land borders fell by 17 percent in the first half of FY2024/25 compared to the same period last year. This decline was driven by a 28 percent drop in imports, while exports grew by 4 percent, supported by a 22 percent increase in corn exports to Thailand. With imports falling sharply, Myanmar's trade balance is estimated to show a surplus of US$ 354 million in the first half of FY2024/25.

Figure 28: Myanmar's trade trends



Source: WB staff estimates using data from Myanmar's Ministry of Commerce, statistical agencies, Customs, and trade-related departments of Myanmar's major trade partners

Figure 29: Land border trade trends



Source: WB staff estimates using data from UN Comtrade, China's General Administration of Customs, and Thailand's Ministry of Commerce
Note: Data excludes natural gas exports

Box 2: Methodology for Estimating Trade Data

Myanmar's Ministry of Commerce (MoC) stopped publishing trade statistics on its website since mid-2024. In this MEM, mirror data[24] from Myanmar's major trading partners has been used to monitor Myanmar's external trade developments. About 88 percent of Myanmar's exports go to Thailand, China, the EU, Japan, India the U.S., the UK, and South Korea **(Figure 30)**, while 90 percent of imports come from China, Singapore, Thailand, Malaysia, Indonesia, South Korea, India, and Vietnam **(Figure 31)**. Historical trends indicate that Myanmar's reported exports and its partners' recorded imports were generally consistent **(Figure 32).** However, since 2021, Myanmar appears to have underreported its exports to major partners, primarily exports to China, although this gap narrowed in 2023. Conversely, Myanmar's imports from its major partners have historically been underreported or unrecorded **(Figure 33),** particularly those from its two largest partners, China and Thailand.[25] More recently, this gap has remained, while Myanmar's recorded imports and its partners' recorded exports have generally followed the same trend.

Data from various sources are used to estimate Myanmar's recent trade trends. These include monthly historical data from Myanmar's Ministry of Commerce (MOC) up to May 2024, annual data from the World Integrated Trade Solution (WITS) up to 2023, monthly data from UN Comtrade up to December 2023, and monthly data from major trade partners through their customs, commerce, or

[24] Mirror data has limitations, including because not all of Myanmar's trade partners publish high-frequency trade data.
[25] For further details, see World Bank, 2022. Myanmar Trade and Investment Update (April – September 2022) and World Bank, 2024. Supply Chain Disruptions, Thick Borders, and Food Insecurity.

statistical sources. Container data from shipping operators also supplements data gaps not covered by the above sources.

Figure 30: Myanmar's export share by major partners

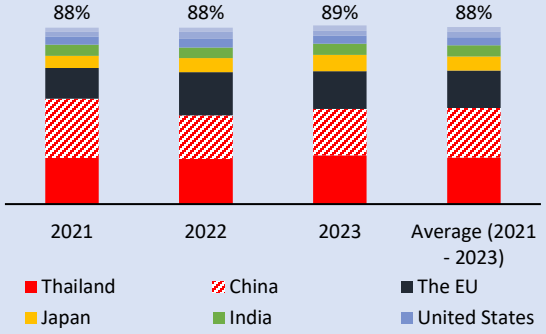
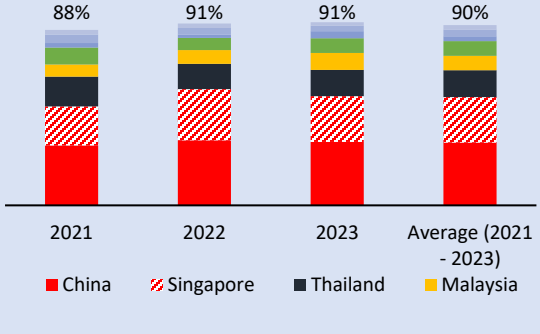


Figure 31: Myanmar's import share by major partners



Source: WB staff calculations using data from World Integrated Trade Solution (WITS)

Figure 32: Comparison of Myanmar's recorded exports and partners' recorded imports

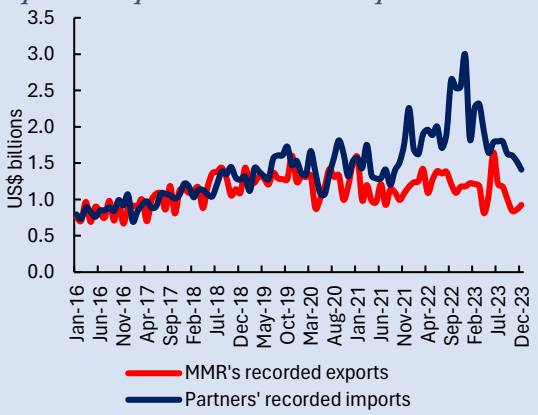
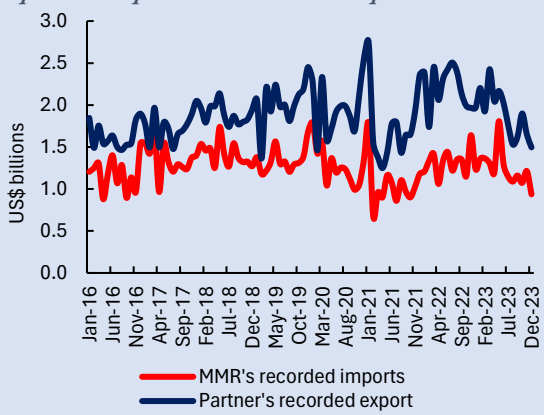


Figure 33: Comparison of Myanmar's recorded imports and partners' recorded exports

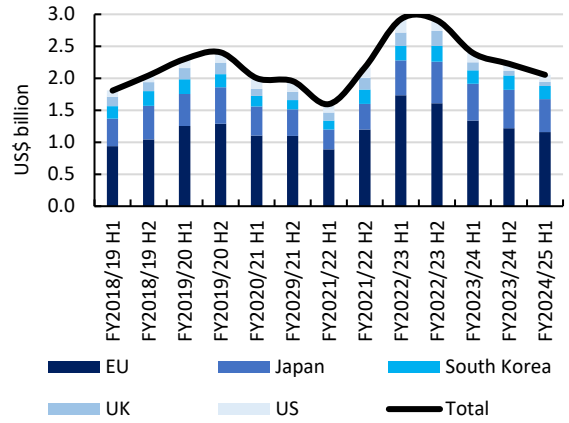


Source: WB staff calculations using data from UNComtrade

Manufacturing exports remained weak in FY2024/25 H1 due mainly to a decline in garments and natural gas exports, which together account for about 90 percent of total manufacturing exports and more than half of total goods exports. Mirror analysis suggests that total garments and natural gas exports are estimated to have declined by 11.5 percent in FY2024/25 H1 compared to the same period last year. Garment exports to major international markets—the EU, Japan, South Korea, the UK, and the US[26]—fell by 14 percent (**Figure 34**), driven by lower demand across all major markets except South Korea.[27] Gas exports to China and Thailand declined by 5 and 10 percent, respectively, resulting in an overall 8 percent decline (approximately US$134 million) in FY2024/25 H1 compared to the same period last year (**Figure 35**), explained largely by weak production at major gas fields (see Section B).

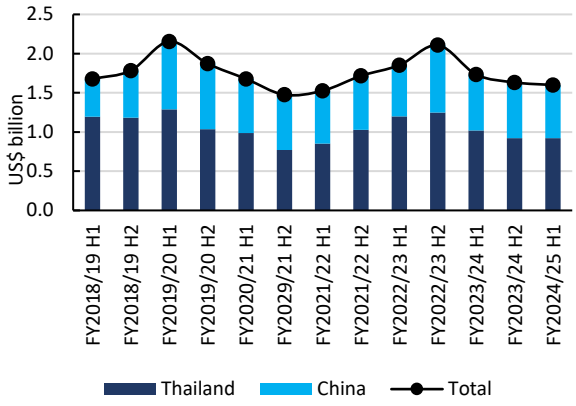
[26] Altogether, these markets account for about 90 percent of Myanmar's total garment exports over the past three years between 2021 and 2023.
[27] https://www.mckinsey.com/industries/retail/our-insights/state-of-fashion

Figure 34: Garment exports to major markets



Source: WB staff calculation using data from Eurostat, Statistics of Japan, UK Office for National Statistics, US Census Bureau, and Korea Customs Service

Figure 35: Gas exports to Thailand and China

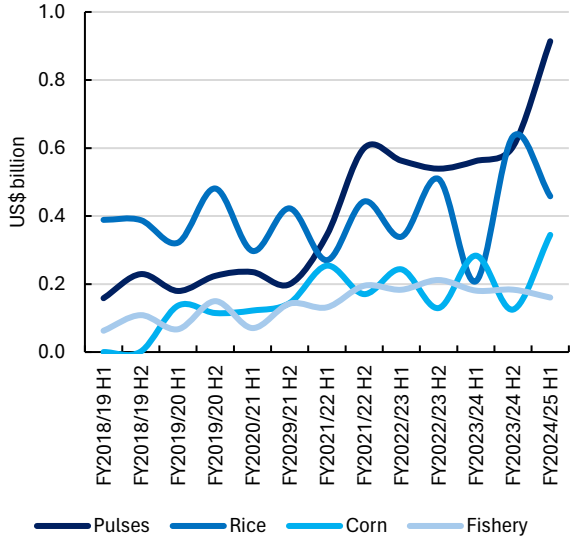


Source: WB staff calculation using data from China's General Administration of Customs and Thailand's Ministry of Commerce

Agricultural exports increased in FY2024/25 H1, driven by increases across all major agricultural products. Data from the Myanmar Rice Federation shows that rice exports surged by 120 percent in value terms and 102 percent in volume terms reflecting favorable global prices (which increased by 2 percent over past six months) and strong external demand **(Figure 36)**.[28] Conflict and the associated disruption of transport networks has constrained internal distribution of rice and other cereals from agricultural heartlands in lower Myanmar (Yangon, Ayeyarwady, Bago and Magway) to upper Myanmar (Chin, Shan (North) and Kachin), depressing domestic consumption and creating surplus stocks for exports. India and China remained the main destinations of Myanmar's pulse exports, accounting for more than half of the total pulse exports. Data from India's Ministry of Commerce and Trade indicates that India's pulse imports from Myanmar increased by 80 percent (or about US$ 300 million) in the FY2024/25 H1 compared to the same period last year. Likewise, Chinese imports of Myanmar's pulses increased by 28 percent (or US$ 52 million). Corn exports to Thailand also rose by 22 percent. However, fisheries exports to China and Thailand remained low, declining by 11 percent over the six months to September compared to the same period last year.

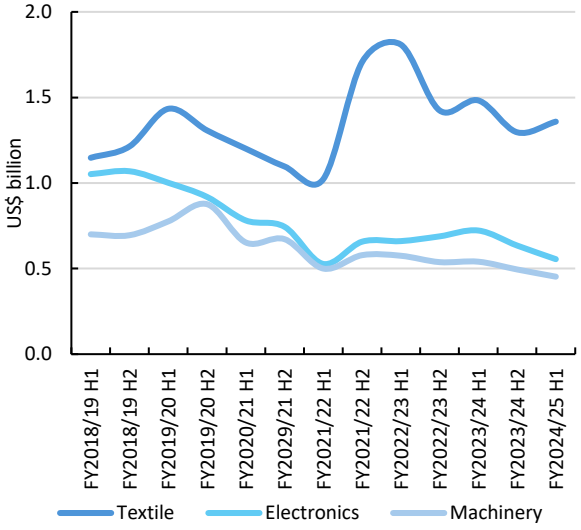
[28] FAO rice price index available at https://www.fao.org/markets-and-trade/commodities/rice/fao-rice-price-update/en

Figure 36: Selected agricultural and fishery exports to major destinations



Source: WB staff calculation using data from Myanmar Rice Federation, China's General Administration of Customs, Thailand's Ministry of Commerce, and India's Ministry of Commerce and Industry
Note: Rice export covers Myanmar's total rice exports, whereas other exports are mirrored using imports of the major partners – pulses from India and China, corn from Thailand, and fishery from Thailand and China

Figure 37: Major imports from major partners

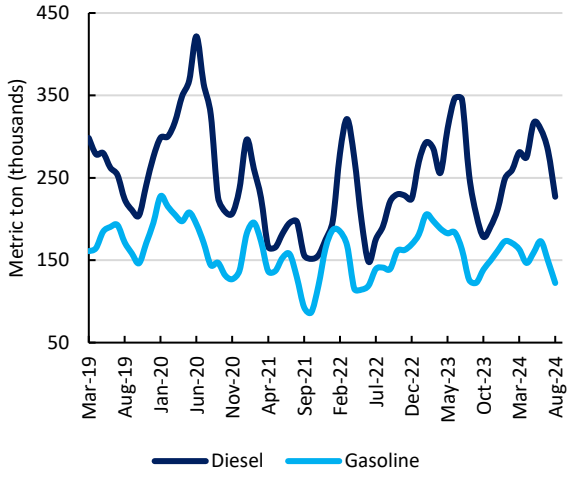


Source: WB staff calculation using data from China's General Administration of Customs, Thailand's Ministry of Commerce, Singapore's Department of Statistics, and Malaysia's Department of Statistics.
Note: Textiles (HS 60 to 63, except HS 61 and 62), machinery (HS 84), and electronics (HS 85) are from mirror data of China and Thailand exports to Myanmar

Imports remained subdued during FY2024/25 H1, reflecting constraints imposed by stricter enforcement of import licenses regulations,[29,30] land border disruptions from conflict, and reduced domestic demand. Available data on exports to Myanmar reported by its key partners suggests that imports of all major products declined. Imports of textiles (primarily for cut-make-pack inputs for garments), electronics (as a proxy for consumer products), and machinery (as a proxy for capital goods) all declined in FY204/25 H1 compared to the same period last year **(Figure 37).** Also, the available data from shipping operators indicates that Myanmar's diesel and gasoline import volumes (the top import of Myanmar) through Yangon seaport, declined by 12 percent and 13 percent, respectively, in the past five months to August 2024, compared to the same period last year **(Figure 38).** Import volumes of consumer products also remained weak, with palm oil, prepared food, and pharmaceutical imports remaining at low levels in recent months **(Figure 39**).

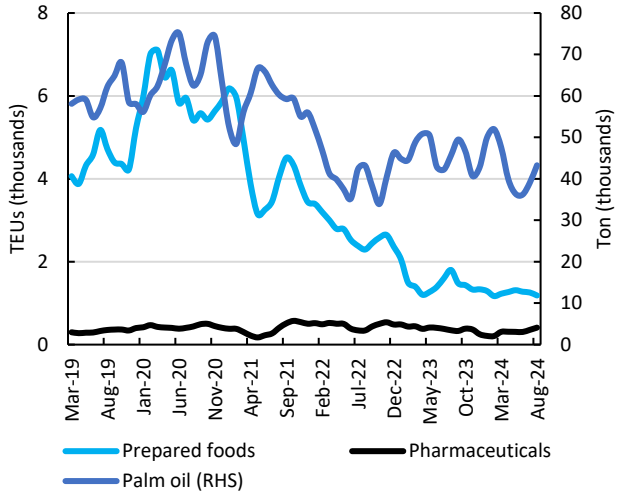
[29] Stricter enforcement measures, commencing on July 1, 2024, included inspections and legal actions against goods without proper import licenses, according to Newsletter No. 3/2024 issued by the Department of Trade on May 30, 2024.
[30] An example of such measures includes authorities inspecting markets, warehouses, and retail stores, and seizing products that were imported informally as reported in "Black market clash: Regime raids target illegal imports".

Figure 38: Diesel and gasoline import trends



Source: Shipping operators

Figure 39: Selected consumer import trends



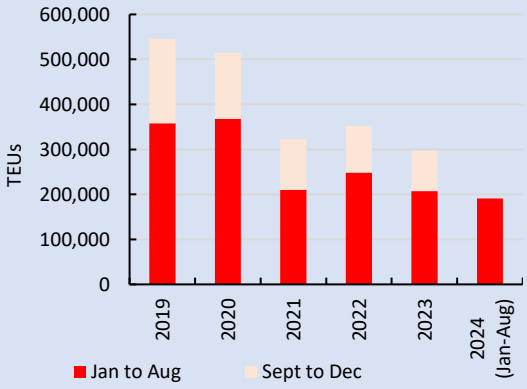
Source: Shipping operators

Note: Data reflects a 3-month moving average and is available up to August 2024.

Box 3: Myanmar's seaport trade volume trends and shifting patterns

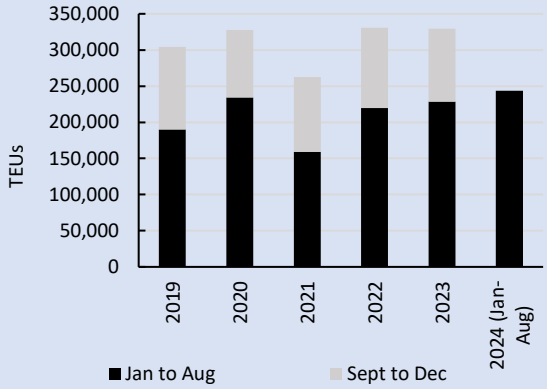
Seaport container traffic indicates that Myanmar's external trade volumes have remained weak. Compared to the same period last year, total imports of laden containers through Yangon ports fell by 8 percent during January – August (**Figure 40**) while containerized cargo exports through Yangon ports increased by about 7 percent over the same period. Compared to 2019 levels, containerized imports through Yangon seaports have dropped by 47 percent as of August 2024 while container laden exports increased by 28 percent over the same time frame (**Figure 41**). During the eight months to August, edible oil, prepared foods and pharmaceutical imports through the Yangon seaport declined by 10, 15 and 13 percent, respectively.

Figure 40: Import of laden containers (TEU)



Source: Shipping operators.

Figure 41: Export of laden containers (TEU)

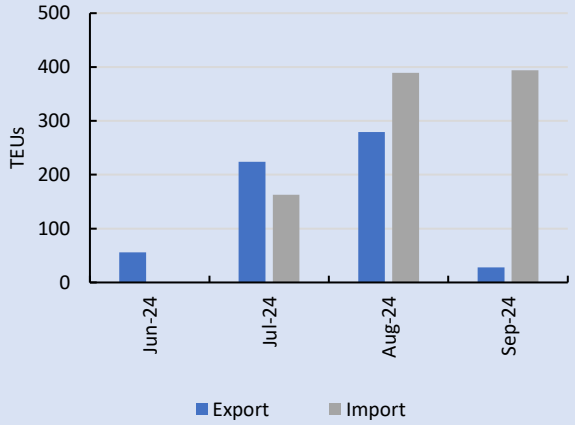


Source: Shipping operators.

On the other hand, the increase in export volumes has been driven mainly by the diversion of agricultural exports to sea routes. The escalation conflict at borders including Myawaddy, the primary hub for border trade with Thailand, triggered diversion of trade flows from land to sea. From June 2024

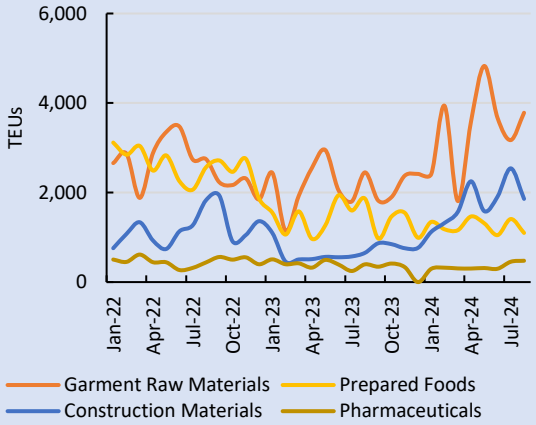
onwards, a new route was launched, allowing the use of barges to load containers from Yangon to Ranong (Thailand) for the first time, providing an alternative to land border trade with Thailand (**Figure 42**). Since its introduction, the frequency of the barges has increased, contributing to a pick-up in export volume. Agriculture products such as maize and pulses are the major export products along the new trade route. Compared to the January – August 2023, the volume of yellow maize exported by bulk vessels increased by nearly five-fold while containerized beans and pulses export via Yangon rose by around 102 percent, reflecting the shift to maritime transport routes due to high level of conflict along land transport corridors. Total rice export volume via containers also rose by about 70 percent over the same period. However, container exports volumes on the Yangon – Ranong route dipped in September possibly due to the impact of Typhoon Yagi. At same time import volumes along the same route have increased sharply since July (**Figure 43**).

Figure 42: Export and import of laden containers (TEU) from Yangon to Ranong route



Source: Shipping operators

Figure 43: Volume of imports from shipping operators (TEU)



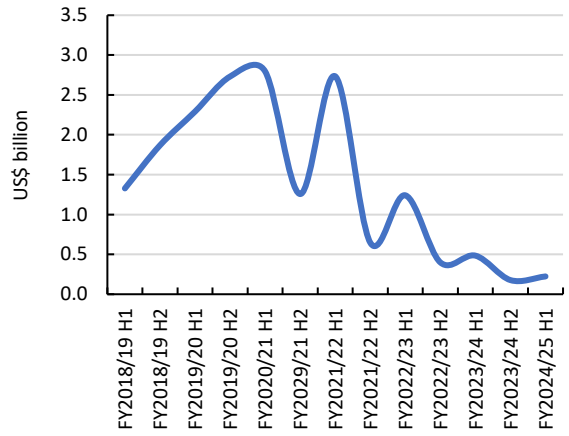
Source: Shipping operators

Although agricultural exports have increased, exporters are constrained by severe shortages of 20-foot containers available for exports reflecting the restrictions on imports. As of August 2024, the import of empty 20-foot containers has increased by 36 percent (YoY) compared to the same period last year. Imports of empty 20-feet containers are nearly nine times greater than 2019 levels, imposing a significant cost burden on businesses.

Foreign direct investment (FDI) commitments stood at US$223 million (0.3 percent of GDP) in the six months to September 2024 (Figure 44). Although FDI commitments increased slightly compared to the second half of last year (FY2023/24 H2), they were about half the level of the first half of FY2023/24 (0.6 percent of GDP). The transport and telecommunications sector led FDI commitments, accounting for 39 percent (about US$88 million[31]), followed by manufacturing at 36 percent and other services at 20 percent. Singapore was the top investor in the six months to September 2024, contributing 39 percent of total commitments, followed by Thailand (20 percent) and China (19 percent). With declining FDI commitments, actual FDI flows have also decreased in recent years **(Figure 45).**

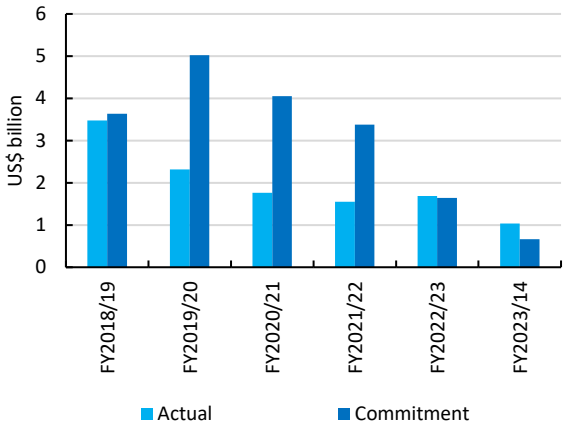
[31] According to data from the DICA, most of the foreign direct investment (FDI) commitments in the transport and telecommunications sector—approximately US$83 million—seem to represent additional investments in existing projects.

Figure 44: FDI commitments trend



Source: Directorate of Investment and Company Administration (DICA)

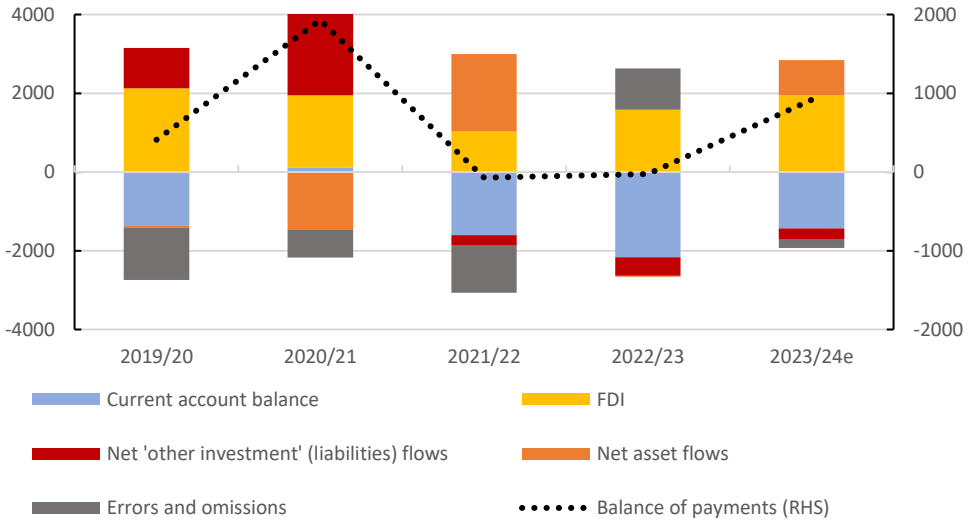
Figure 45: FDI commitments and actuals



Source: Directorate of Investment and Company Administration (DICA) and Quarterly Financial Statistics (QFS) bulletins

Recent CBM estimates indicate an improvement in the balance of payments (BoP) in FY2023/24, driven largely by import compression. Compared to the previous year, the overall BoP had a surplus of US$916 million (1.4 percent of GDP), up from a deficit of US$26 million (0.04 percent of GDP) in FY2022/23, driven primarily by a significant reduction in the current account deficit (**Figure 46**). The current account deficit declined from US$2,165.3 million (3.5 percent of GDP) in FY2022/23 to US$1,429.6 million (2.2 percent of GDP) in FY2023/24. This improvement is largely attributed to a sharp decline in imports, which fell by 8.5 percent, to US$11,840.8 million (18.3 percent of GDP) in FY2023/24. However, exports also fell by 1 percent of GDP during the same period reflecting the reduction of manufacturing exports including garments and natural gas.

Figure 46: Balance of payments (USD)

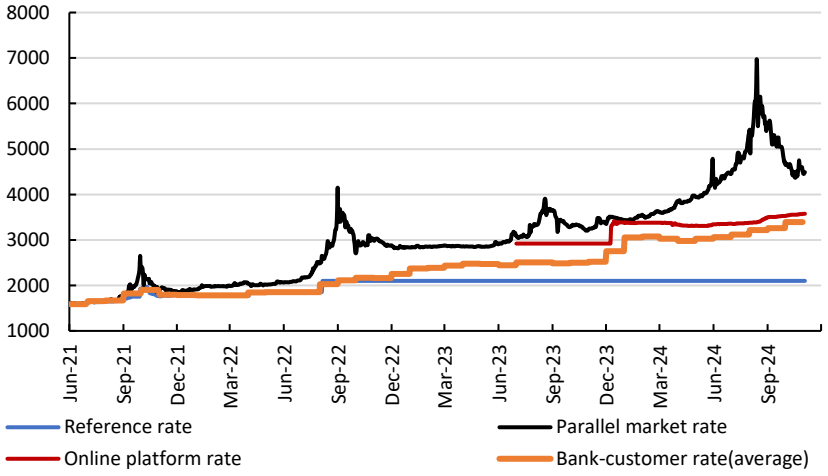


Source: CBM

D. The kyat experienced substantial volatility over the past six months

The Myanmar kyat hit its lowest point in 2024, depreciating by approximately 40 percent against the USD in the parallel market during the eight months to end-August 2024 (Figure 47). The kyat also slid against other major currencies like the Chinese yuan and Thai baht in the parallel market. This depreciation was driven by reduced foreign exchange receipts following the disruption of border trade and the stepped-up enforcement of import restrictions, as well as increased seasonal demand for foreign exchange, particularly in July and August.[32] At the same time, confidence in the Myanmar kyat continues to be eroded by high inflation, political uncertainty and financial sector vulnerabilities. The gap between the official fixed reference rate (2100 kyat per USD) and the parallel market rate exceeded 200 percent in August. However, the kyat has stabilized since September, appreciating back to mid-year levels, with reduced seasonal demand and news of financial support from China for public infrastructure projects appearing to support the kyat exchange rate.[33] There have been several such large swings in the market value of the kyat since 2021. Empirical estimates indicate that volatility of the kyat, measured by the conditional variance of the nominal market exchange rate, increased to 2.34 percent during 2020 – 23 compared to 0.14 percent during the previous 5 years (Box 4). High inflation, policy shocks, weak economic activity, and increased government expenditure (financed largely by the central bank) are major drivers of exchange rate volatility in Myanmar (**Annex 1**).

Figure 47: Kyat per US dollar exchange rates



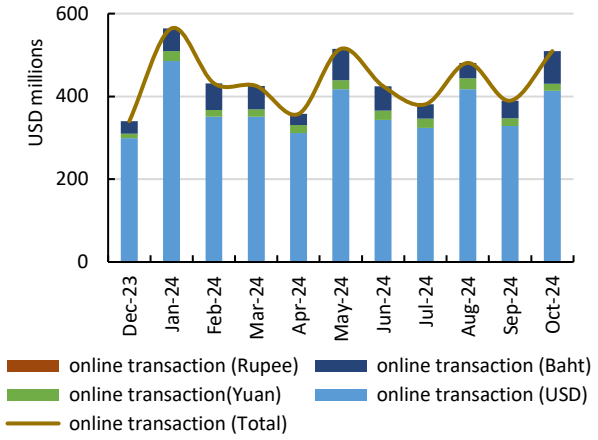
Source: CBM, Exchange market and World Bank staff

Since July, the Central Bank of Myanmar (CBM) has rolled out several measures aiming to stabilize the exchange rate. The foreign exchange surrender requirement (at the official reference rate) was reduced from 35 percent to 25 percent of export earnings. The CBM increased the remittance exchange rate by 9 percent, narrowing the gap with parallel market rate to encourage migrant workers to send money back to Myanmar through official channels. The CBM has also promoted increased usage of Thai Baht and Chinese

[32] Discussion with the private sector indicates seasonal supply chain patterns whereby demand for raw material imports peaks before the heavy monsoon rains.
[33] https://myanmar-now.org/en/news/china-to-give-myanmar-junta-1-billion-yuan-in-aid-for-election-other-projects/

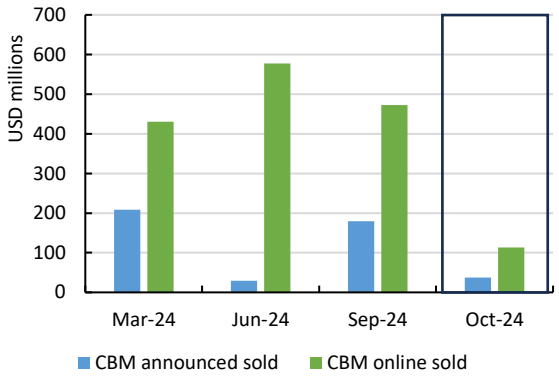
Yuan on its online platform (**Figure 48**). The CBM continued to enforce strict foreign exchange controls through several administrative actions including blacklisting businesses that fail to repatriate their export earnings and severely restricting the issuance of import licenses. Overseas employment agencies have faced stiff penalties (including deregistration) for failing to provide evidence that overseas workers have remitted 25 percent of their foreign incomes via official channels. Exchange rate constraints were the second biggest challenge reported by firms surveyed by the World Bank in September/October, cited by 17 percent of firms, up by 6 percent compared with April.

Figure 48: Foreign exchange online platform trade



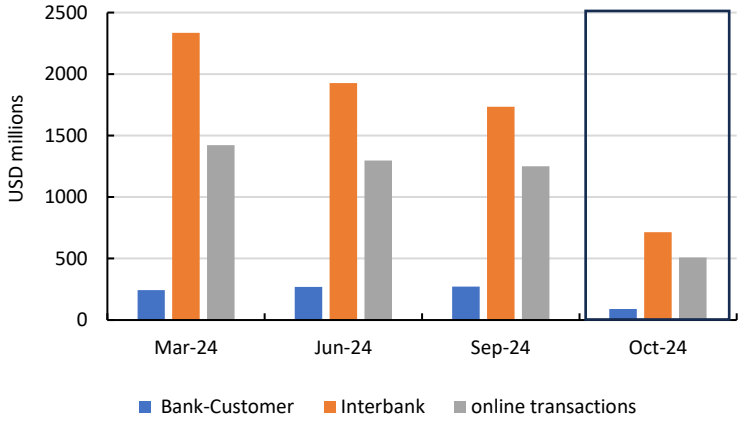
Source: The CBM

Figure 49: CBM interventions[34]



Source: The CBM.
Note: Mar-24, Jun-24 and Sep-24 show quarterly data, Oct-24 is for the month.

Figure 50: Interbank, bank-customer and online platform foreign exchange transactions



Source: CBM. Mar-24, Jun-24 and Sep-24 show quarterly data, Oct-24 is for the month.

[34] CBM "announced selling" refers to CBM interventions in the foreign exchange market, including sales of foreign currencies to priority sectors, such as petrol and edible oil importers. CBM "online selling" refers to the amount sold by CBM on the online platform to traders, via authorized dealers.

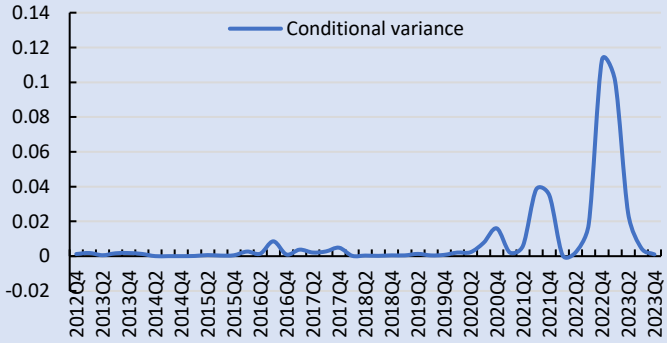
The CBM has continued to intervene in the foreign exchange market by selling foreign currency directly on its online platform (Figure 49) and by strictly regulating the rates at which foreign exchange transactions take place within Myanmar. Foreign exchange sales by the CBM declined to US$586 million between July – October, 23 percent lower than the amount sold during the preceding four months (March – June). Transactions on the interbank foreign exchange market as well as bank-to-customer forex sales have also declined steadily since March (**Figure 50**), reflecting increased constraints in accessing foreign currency.

Box 4: Drivers of exchange rate volatility in Myanmar

Myanmar's exchange rate has experienced significant volatility since 2020/21. In 2021, the authorities replaced the 'managed float' exchange rate regime with 'fixed' exchange rate regime, but Myanmar Kyat has continued experiencing large depreciation episodes. Using quarterly data for the period 2010 – 2023, we analyzed the volatility of the nominal market exchange rate – that is, by examining if there is volatility clustering (or ARCH effects) in the residual of the nominal exchange rate series (**Figure 51**). We also identified the key drivers of exchange rate changes and volatility using a GARCH (Generalized Autoregressive Conditional Heteroskedasticity) model.

The results indicate that higher inflation leads to currency depreciation, due mainly to the reduced purchasing power of the currency and potential impacts on household or investor confidence. Specifically, the exchange rate depreciates by roughly 0.98 percent within a quarter when inflation increases by 1 percent. This finding indicates a vicious cycle of inflation and exchange rate depreciation as earlier research for Myanmar has shown significant passthrough from exchange rate depreciation to inflation.[35]

Figure 51 : Nominal Exchange Rate Volatility



Source: Output using Eviews 13

Policy shocks during 2020 and 2021 – captured by a dummy variable in the model – were associated with a 2.36 percent depreciation in quarterly exchange rates. Policies enacted during 2020 and 2021 may have been perceived as destabilizing, given the market reactions.

[35] World Bank June 2023 Myanmar Economic Monitor – found that with a one percentage point shock to the exchange rate estimated to increase inflation on average by 0.50 percentage points over the next one to two quarters.

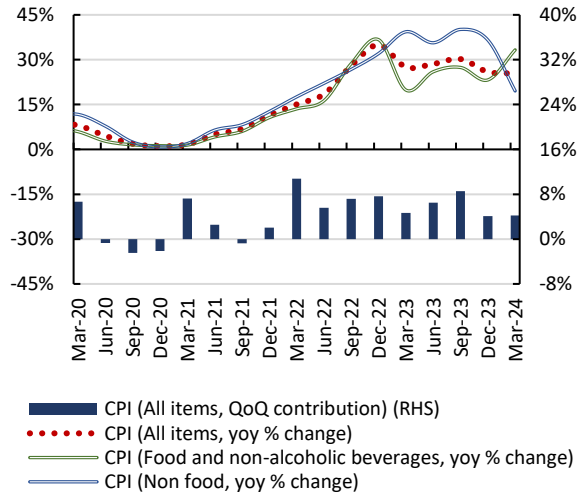
The estimated impacts of government expenditure, economic openness, and GDP growth on the exchange rate are comparatively small, but in the expected direction. Increases in government spending are associated with exchange rate depreciation (likely attributable to concerns around deficit monetization), while increases in economic openness and GDP growth are associated with exchange rate appreciation.

On exchange rate volatility, the modelling indicates that past shocks significantly influence current volatility, confirming the presence of volatility clustering. This means that periods of high volatility tend to be followed by high volatility and vice versa. However, kyat exchange rate volatility is not persistent over the longer-term.

E. Consumer price inflation remains high driven by rising food prices

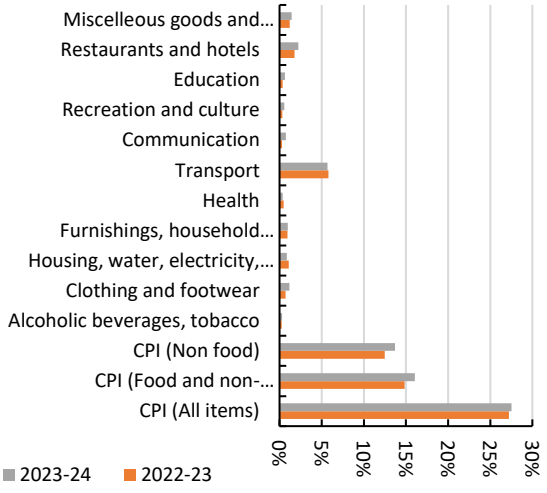
Headline inflation increased by 25.4 percent over the year to March 2024 (FY2023/24), moderating from 27.5 percent in March 2023 (Figure 52). The average inflation rate in FY2023/24 was 27.5 percent, barely unchanged from the previous year, underscoring the persistence of inflationary pressures since 2022 which have been driven by increasing food and transport prices (**Figure 53**) and passthrough from exchange rate depreciation. Food inflation increased to 33.3 percent over the year to March 2024, from 19.9 percent over the previous year, driven mainly by disruptions in the local supply of agricultural products.

Figure 52: CPI inflation



Source: CSO

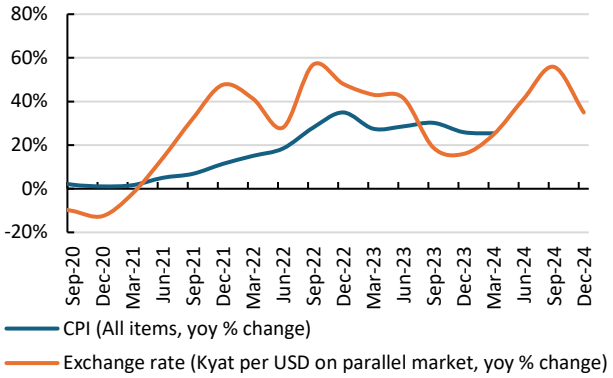
Figure 53: Contribution to CPI inflation (annual average)



Source: CSO

The spate of exchange rate depreciation between June and August has kept food prices elevated in more recent months. The World Food Program (WFP) index increased by over 60 percent between April and September 2024, indicating a continuous deterioration in food affordability due to supply disruptions and exchange rate pressures (**Figure 54**). Key staples such as vegetables, edible oil, fish, meat, beans, and pulses experienced significant price hikes. Similarly, the Yangon food price index rose by 18 percent in the six months to September and by 31 percent year-on-year (**Figure 55**), reflecting foreign exchange constraints and domestic production disruptions caused by import restrictions and recent flooding.

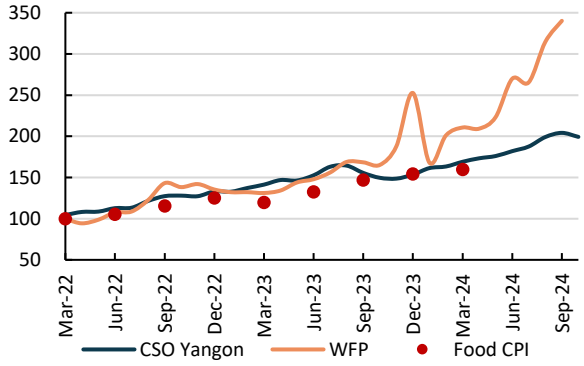
Figure 54: CPI inflation vs changes in USD/kyat exchange rate



Source: CSO, Exchange market

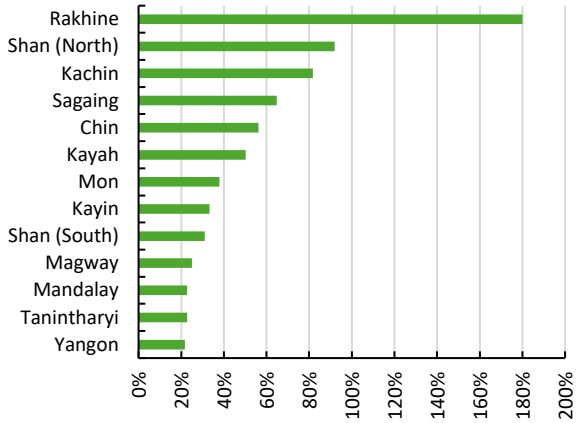
There is significant variation in food and retail fuel prices across Myanmar, with particularly large increases in conflict-affected areas (Figure 56). Over the year to September 2024, food prices rose by around 30 percent in Mon, Kayin, and Shan (south), and by around 50 percent in Kayah, Chin, and Sagaing, and by 80 – 180 percent in high-conflict areas such as Kachin, Shan (north), and Rakhine. In contrast, price increases in Yangon and Mandalay have been more moderate. High food prices in conflict areas like Chin, Sagaing, Kayin, Kachin, and Rakhine reflect road blockages, transport infrastructure disruptions, rising logistics costs due to tolls, checkpoint fees, tariff costs, and informal payments, and the direct impacts of conflict. Rapid food price inflation has outpaced both wages and incomes[36], making some food items increasingly inaccessible for many households and worsening acute food insecurity (see Section F).

Figure 55: Food Price Indexes (Mar 2022 = 100)



Source: CSO, WFP, and World Bank Staff

Figure 56: Average food prices by region (change over the year to September 2024)



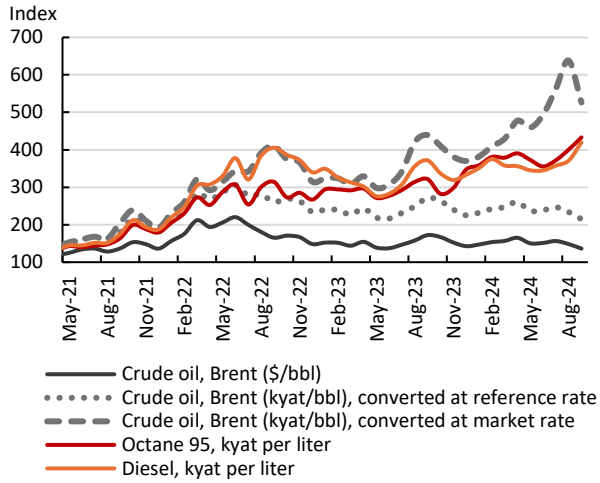
Source: World Food Program

Note: Average food price changes include cereal, meat, fish, eggs, oil and fats, pulses and nuts, vegetables and fruits.

[36] International of Food Policy Research Institute (IFPRI): Food Security and Nutrition in Myanmar: Findings from the April-July 2024 Round of the Myanmar Household Welfare Survey, September 19, 20224.

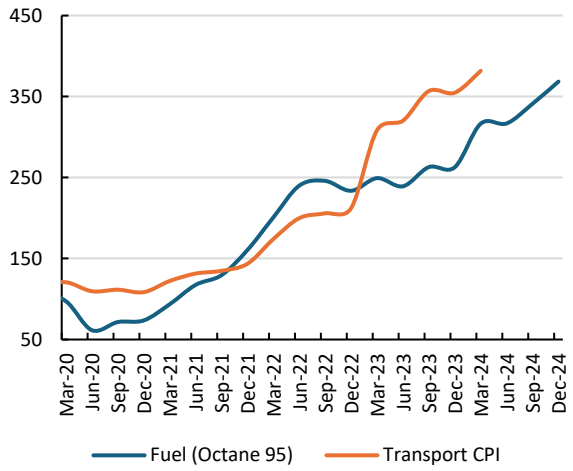
Nonfood inflation increased by 20.0 percent in FY2023/24, down from its peak of 39.5 percent last year driven mainly by deflation in communication prices and subdued inflation in health, education, and recreation and culture prices. However, transport inflation remained high, contributing about 70 percent of the increase in nonfood inflation and reflecting rising fuel prices. While global fuel prices have been relatively stable, local fuel prices increased 37 percent (YoY) and by 25 percent between April and September 2024 (**Figure 57**), due largely to passthrough from exchange depreciation and the disruptions from conflict and flooding. The upward revision of reference fuel prices in August due to exchange rate depreciation pressures could keep transport inflation elevated (**Figure 58**) in the coming months.

Figure 57: Domestic and global fuel prices (index, January 2021 = 100)



Source: World Bank commodity price, Denko

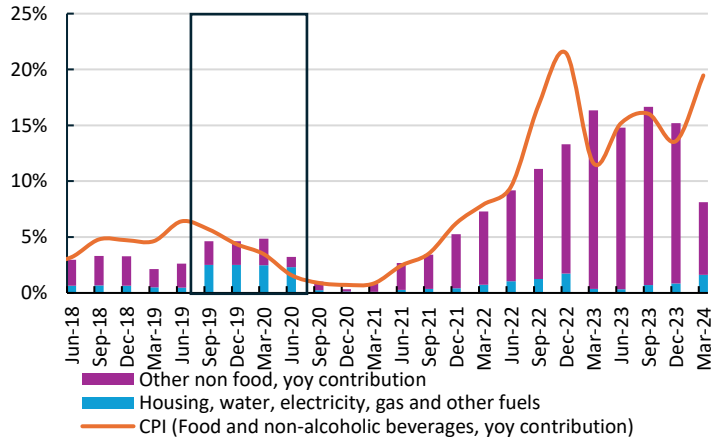
Figure 58: Transport CPI vs fuel prices (index, Mar 2015 = 100)



Source: Denko, CSO

The hike in electricity tariffs since the beginning of September will have also kept nonfood inflation elevated. Some tariff lines, especially for high volume commercial users, were increased by about 100 percent in an attempt to boost financial sustainability of the energy sector and reduce the fiscal burden on the budget. The last electricity tariff increase of 2019 led to a fivefold increase in energy inflation – electricity, water and gas account for about 19 percent of the nonfood CPI basket – driving up non-food inflation from 2.6 percent (yoy) in June 2019 to 4.6 percent (yoy) by December of the same year (**Figure 59**).

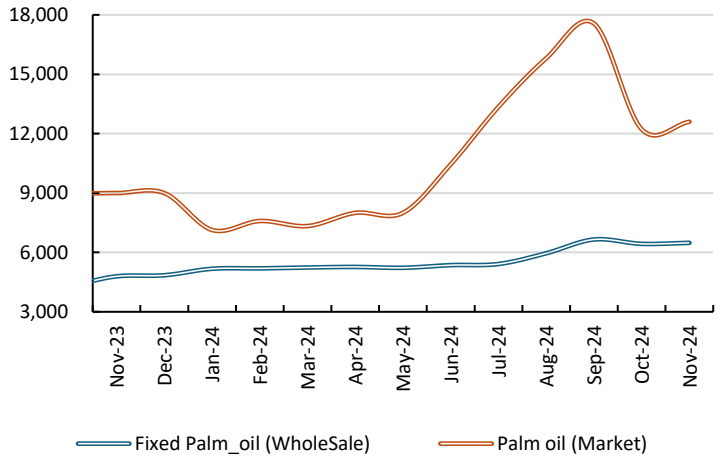
Figure 59: Inflation contributions of utilities and other items



Source: CSO

The authorities continue to implement various price control measures in response to increases in prices of essential commodities, particularly food items. The regulated prices of rice[37], edible oil, and gold have been strictly enforced since July through a range of actions including blacklisting business enterprises, arresting and detaining noncompliant traders and retailers, and suspending rice warehouse operations. Price ceilings on gold were introduced in 2024 as gold prices skyrocketed due to increased demand by households seeking to protect their portfolio from high inflation and exchange rate volatility. However, these actions have disrupted goods markets, causing dealers to hoard rather than sell goods to avoid punishment, which in turn has exacerbated shortages and led to the emergence of illegal/parallel markets with higher prices. For instance, the gap between market prices and reference prices for gold and edible oil has widened significantly (**Figure 60**), underscoring the distortionary impact of regulated price caps which fail to account for market fundamentals.

Figure 60: Regulated and market prices of palm oil



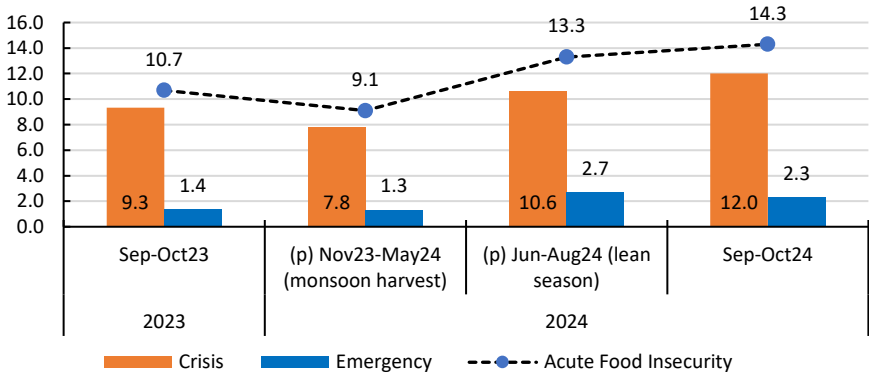
Source: social media

F. Livelihoods have felt the brunt of these compounding crises

Myanmar households have been hit by the combination of conflict, floods and macroeconomic shocks including high inflation and rapid exchange rate depreciation. Recent surveys by IFPRI, WFP and FAO indicate a continued deterioration of food security reflecting this combination of shocks. Survey results suggest that 14.3 million people (25 percent of the population) were experiencing acute food insecurity as of October 2024, up from 10.7 million people just one year earlier. About 2.3 million of those in acute food insecurity were assessed to be in extreme levels of acute malnutrition and requiring urgent humanitarian assistance, while the remaining 12 million people were assessed to be in crisis, experiencing significant food shortages that negatively impact their livelihood and health status (**Figure 61**). This sharp increase over the past year has been driven mainly by food price inflation and food supply shortages. Typhoon Yagi is estimated to have pushed about 1.4 million people into acute food insecurity.

[37] Price ceilings on rice limit profit margins to between 5-10 percent for supermarkets and 10-20 percent for convenience stores.

Figure 61: Prevalence of acute food insecurity in Myanmar (million people)



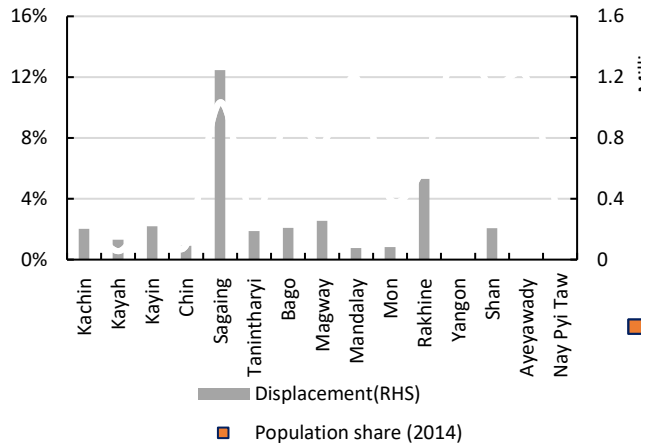
Source: FAO/WFP (2023, 2024) - https://www.ipcinfo.org/ipc-country-analysis/population-tracking-tool/pt/

Food affordability has deteriorated as food price inflation continues to outpace wages and nominal incomes. Locations with high conflict intensity such as Shan, Kachin and Rakhine have recorded over 100 percent (yoy) increase in average food prices as of September while Kayah, Chin and Sagaing have seen 50 to 60 percent (yoy) increases in average food prices (Figure 56). According to IFPRI[38], the cost of a common diet increased by 41 percent between July – September 2024 compared to same period last year while real household income declined by 7 percent nationally over the same period. The drop in household real incomes was more pronounced in urban areas (15 percent) compared to rural areas (4 percent). Wage earners are among the most vulnerable household groups in Myanmar, with urban laborers suffering more from rising costs of diets. The purchasing power of daily urban construction wages and rural agricultural wages relative to diet costs declined by about 14 and 4 percent[39], respectively. When adjusted for the cost of one kilogram of rice, urban construction wages have fallen by 25 percent and rural agricultural wages have fallen by 14 percent.

Conflict and insecurity have worsened livelihoods by displacing a significant segment of the population, reducing income earning opportunities and depressing consumption. The escalation of conflict since military coup of 2021 has led to a hike in forced internal displacement, with share of internally displaced persons (IDPs) increasing to 3.5 million (6 percent of the population) as of October 2024 compared to about 0.32 million (0.6 percent of the population) before February 2021. Since 2021, a significant portion of the population in Kayah, Sagaing, Chin, Kayin, Rakhine, Tanintharyi, Magway, and Kachin have experienced forced displacement (**Figure 62**). Before the coup, forced displacement was predominantly observed in Rakhine, Kachin and Chin. IDPs have unemployment rates that are about 3 times that of non-displaced households with male IDPs are more likely to be unemployed than females (**Figure 63**). Unemployment is also high for IDPs in rural areas and locations with high conflict intensity such as Kayah[40]. Most IDPs rely on casual wages, but their average monthly wages are about 80 percent lower than non-displaced workers. Consumption data shows that IDP households are disproportionately affected by high food and fuel prices and allocate more of their budgets to food and fuel, resulting in a higher poverty rate for IDPs (48 percent) than non-IDPs.

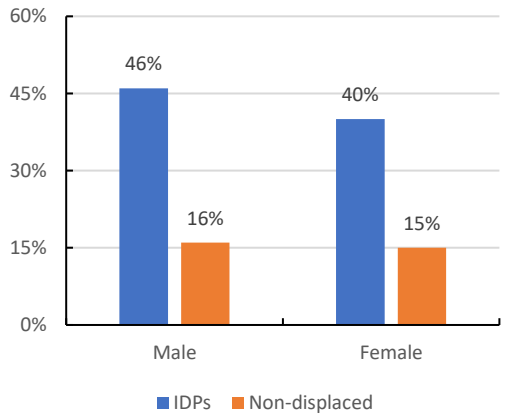
[38] IFPRI (2024) Community and Household Shocks Findings from the seventh round of the Myanmar Household Welfare Survey (January–June 2024)
[39] IFPRI (2024) Community and Household Shocks Findings from the seventh round of the Myanmar Household Welfare Survey (January–June 2024)
[40] World Bank (2024) – Populations in Peril: Decoding Patterns of Forced Displacement in Myanmar

Figure 62: Total Internally Displaced Persons (millions) vs share of population



Source: Population census and UNHCR

Figure 63: Unemployment rates among working age IDPs and non-displaced populations



Source: MSPS 2023/24. Estimated using adjusted population weights

Households are stretching coping mechanisms to withstand the impact of cumulative shocks. In the first half of 2024, almost two-thirds of households reported spending savings or selling assets or borrowing to access food.[41] Migration (regular and irregular) has also been an important coping strategy used by households. A recent World Bank survey of high-skilled youth[42] indicates that the deterioration in living standards and the desire to escape economic distress were the primary reasons for wanting to migrate (see Part III).

G. Financial sector vulnerabilities persist

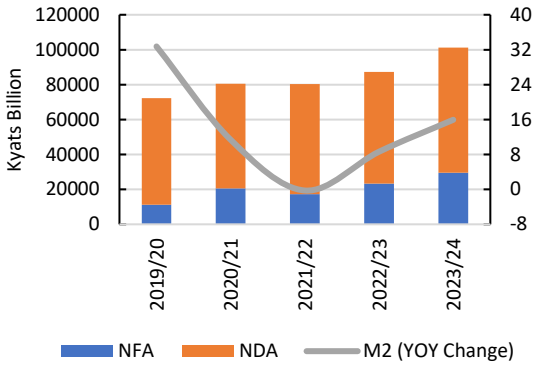
The financial sector has been hit by some turbulence during 2024. In early July, bank ATMs across major cities suspended dispensing cash following a surge in withdrawals by depositors, evoking memories of the 2021 liquidity crunch. As banks faced liquidity constraints following a steep decline in deposits, withdrawal limits were imposed on savings and time deposits. This episode coincided with regulatory actions taken by the authorities[43] and a sharp depreciation of the kyat. Discussions with private banks suggest liquidity constraints have eased somewhat since mid-September, with many banks recording gradual recovery of deposits especially after recent flooding.

The CBM introduced several measures in an attempt to respond to rapidly rising inflation. Following an increase in the minimum reserve requirement ratio (RRR) from 3.5 to 3.75 percent in May, the CBM raised its policy interest rate from 7 to 9 percent, effective September 1, 2024. The minimum deposit rate was also increased from 5 to 7 percent to encourage banks to offer attractive rates to depositors, while the maximum lending rate was raised to 15 percent to respond to high inflation. However, with inflation averaging 27.5 percent as of March 2024, both real deposit and lending interest rates remained negative. Moreover, given fiscal deficit financing needs, it is unclear to what extent the CBM's recent policy actions will affect the money supply growth, which has averaged 12 percent per year since FY2021/22 (**Figure 64**), reflecting increased fiscal deficit

[41] IFPRI (2024) - Findings from the seventh round of the Myanmar Household Welfare Survey (January–June 2024)
[42] WB Survey of High-Skilled Youth working in Myanmar (Q1 2024)
[43] On July 10, the authorities summoned all bank CEOs and board chairpersons to Naypyitaw, fueling speculation and reducing confidence in the banking sector.

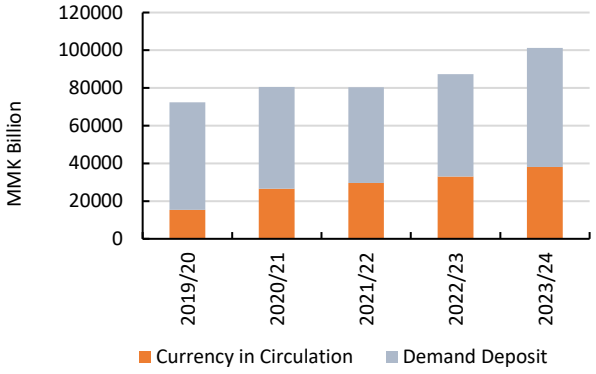
financing needs. Both net foreign assets and net domestic assets have grown by an average of 31 and 14 percent, respectively, over the past two years. On the liabilities side, currency in circulation and demand deposits have increased by about the same pace since FY2022/23, roughly 12 percent on average, though demand deposits may decline in FY2024/25 due to the run on banks in July (**Figure 65**).

Figure 64: Money Supply Trends



Source: CBM and World Bank Staff estimates

Figure 65: Currency in Circulation Vs Demand Deposit



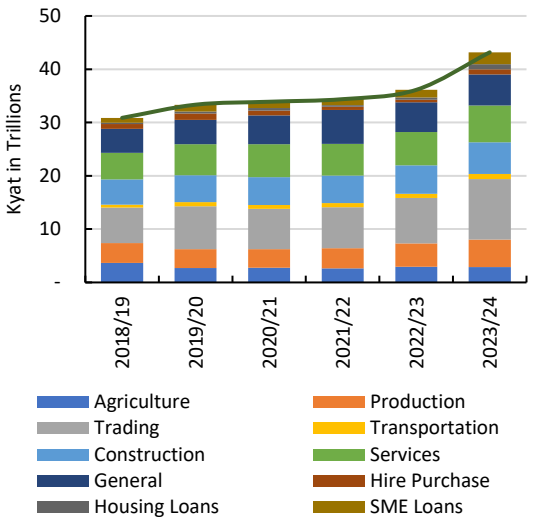
Source: CBM

Credit to the private sector has seen a steady upward trend since FY2022/23 (Figure 66). Bank loans increased by 19.5 percent to 43.2 trillion kyat (31.0 percent of GDP) in FY2023/24 compared to a moderate 5 percent increase (to 36.1 trillion kyat or 28.8 percent of GDP) in FY2022/23. The expansion of private credit was driven mainly by increases in trading loans, though there were also substantial increases in housing and mortgage loans, hire purchase loans, and micro small and medium-sized enterprise loans. Credit has expanded despite the increase in lending rates because real rates remain firmly negative, while macroeconomic volatility has driven demand for real estate as a safe haven asset. With housing loans growing rapidly in FY2023/24, seven banks were penalized by the CBM in early July for exceeding the prudential regulatory limit of 5 percent of a bank's total lending portfolio.

The banking system continues to face significant risks underpinned by weak capital adequacy and high nonperforming loans (NPLs). Banks' average capital adequacy ratio (CAR) fell from 9.3 percent as of end-March 2023 to 8.5 percent in same period this year, closer to the 8 percent regulatory minimum (**Figure 67).** The drop of the CAR suggests that risky assets were increasing faster than banks' capital, in line with the expansion in credit. While no recent information is available on the ratio of NPLs to total loans, it is unlikely to have significantly declined from an estimated 20 percent in March 2023[44]. Banks' profitability also weakened in FY2023/24 reflecting a decline in both assets (ROA) and return on equity (ROE). ROA fell from 0.97 percent in March last year to 0.84 percent as of March 2024, while ROE declined from 10.48 percent to 9.89 percent over the same period, underpinned by increased loan-loss provisions as well as costs associated with rescheduling legacy NPLs.

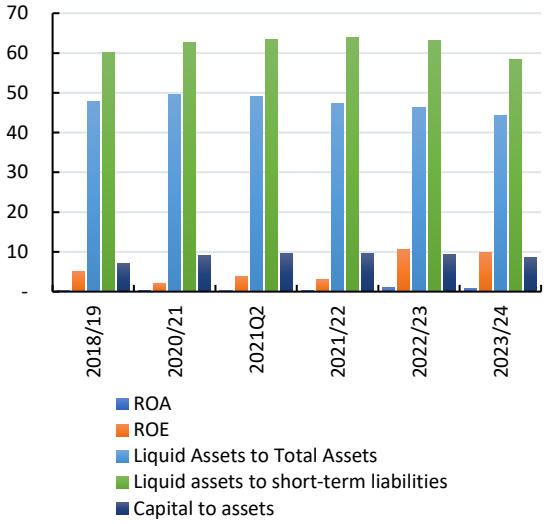
[44] This NPL ratio was estimated from a sample of banks that publicly disclosed their financial statements. CBM hasn't disclosed NPLs since 2021.

Figure 66: Composition of Bank Credit



Source: CBM

Figure 67: Key Financial Soundness Indicators

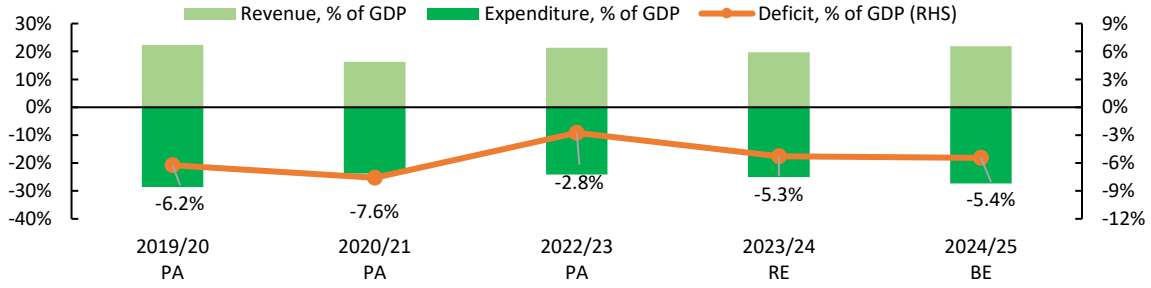


Source: CBM

H. Fiscal pressures remain elevated

The overall fiscal deficit is projected at 5.4 percent of GDP in the year ending March 2025[45] (Figure 68), similar to the previous year, and driven by increased recurrent speeding needs. Although revenues are projected to recover from a marked reduction last year, emerging spending priorities including public sector wage increases, higher pension and energy costs, as well as office expansion and civil works are projected to increase expenditure.

Figure 68. Fiscal Deficit Trends (% of GDP)



Source: MOPF - https://www.mopf.gov.mm/; WB staff estimates. PA = Provisional Actual, BE = Budget Estimate, RE = Revised Estimate

Total revenue is expected to improve to 21.9 percent of GDP in FY2024/25 from about 19.8 percent last year driven mainly by nontax receipts which are programmed to increase by 1.9 percentage points to 15.5 percent of GDP (Figure 69). Nontax revenue continues to account for about two-thirds of total revenue with revenues from State-owned Economic Enterprises (SEE), including those in the oil and gas sectors, comprising a significant share. Tax revenue is expected to remain relatively flat, improving marginally

[45] Budget projections by the authorities from MOPF's 2024 Fiscal Policy Statement and the Central Bank of Myanmar Quarterly Financial Statistics Bulletin 2023 VII and 2024 VI.

by 0.3 percentage points to 6.5 percent of GDP due to moderate increases in income, commercial, and specific goods taxes (**Figure 70**), underpinned by subdued economic activity. During the September/October round of the World Bank firm monitoring survey only about 19 percent of firms reported paying taxes compared to 21 percent in April.

Figure 69: Tax Versus Nontax Revenue (% of GDP)

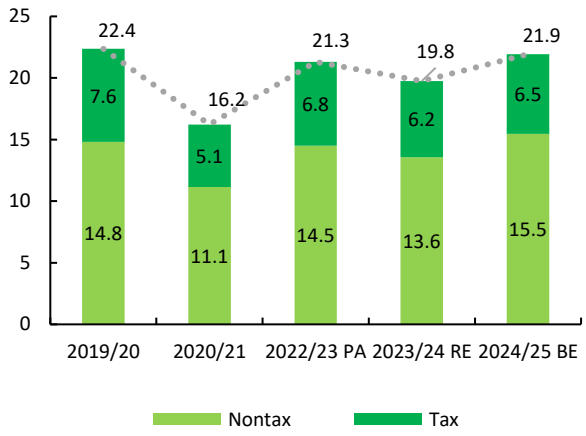
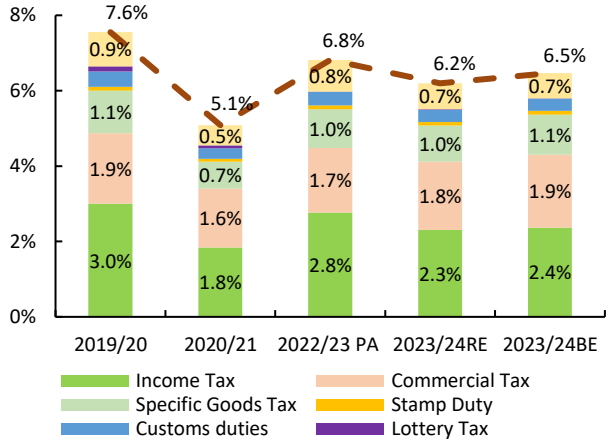


Figure 70 : Tax Revenue Composition (% of GDP)



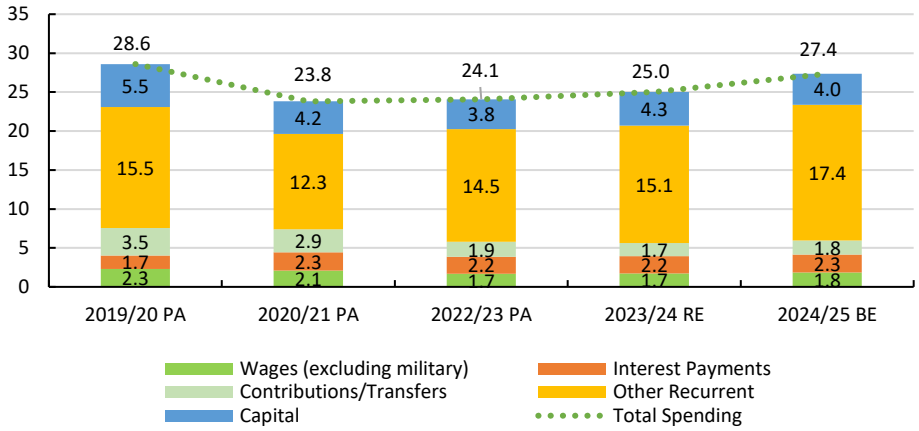
Source: https://www.mopf.gov.mm/; WB staff estimates.
Note. PA = Provisional Actual, TA = Temporary Actual, BE = Budget Estimate, RE = Revised Estimate.

Total expenditure is expected to increase to 27.4 percent of GDP in FY2024/25 (Figure 71), up by 2.3 percentage points compared to FY2023/24 driven by an increase in recurrent spending. Recurrent spending is expected to have increased by about 2.6 percentage points to 22.9 percent of GDP due mainly to an increase in the public sector wage bill and current transfers, and a steep rise in 'other recurrent spending' which includes spending on public goods and services especially security as well as contingent funding for emergencies, among others (Figure 82). During FY2024/25, the authorities increased the salaries and allowances[46] of public sector workers which is expected to yield a 0.1 percentage point increase in the wage bill[47], up to 1.8 percent of GDP. While the contingent budget for emergencies was increased about threefold, it represents only about 0.5 percent of total budget or 0.15 percent of GDP, up from 0.08 percent of GDP a year earlier. This allocation is likely insufficient, in light of the severe floods and landslides triggered by Typhoon Yagi. Spending on core social services is expected to remain low, with health and education spending projected to increase marginally by 0.1 percentage points to 2.3 percent of GDP in FY2024/25, still well below FY2019/20 levels (3.1 percent of GDP).

Capital expenditure is projected to decline by about 0.3 percentage points to 4.0 percent of GDP due to planned cutbacks in public infrastructure projects, including a pause in high conflict areas. While the FY 2024/25 budget included commitments to construction of new hospitals, schools and university buildings, spending on other infrastructure including roads and bridges was expected to decline.[48]

[46] A 30,000-kyat monthly allowance was introduced in October 2023 followed by an additional 30,000-kyat motivation allowance beginning in August 2024
[47] The wage bill excludes salaries and allowances of the Ministry of Defense which are not disclosed.
[48] MOPF Fiscal Policy Statement – FY2024/25, https://www.mopfi.gov.mm/

Figure 71: Composition of Expenditure by Economic Uses, (% of GDP)



Source: MOPF - https://www.mopfi.gov.mm/; Fiscal Policy Statement, Central Bank of Myanmar Quarterly Financial Statistics Bulletin 2023 VII and 2024 VI and the Monetary Policy Implementation Report (April 2023 to September 2023); World Bank Staff estimates.
Note: The Ministry of Defense's wages and salaries are not included in the Wages and Salaries.

Budget execution has continued to show signs of improvement over the past two years. Revised estimates for FY2023/24 indicate an uptrend (**Figure 72**), indicating an improvement in budget execution following the sharp decline in FY2020/21, when over 25 percent of the budget went unspent. However, the higher execution rate doesn't necessarily reflect improved performance management as the cost of budget delivery has increased sharply because of high inflation. Moreover, although revenue collection exceeded budget targets by 14 and 9 percent respectively in FY2022/23 and FY2023/24 (**Figure 73**), it has declined as a share of GDP. High inflation has meant that despite nominal increases, revenue collection as a share of GDP remains below the 2019/20 levels.

Figure 72: Expenditure outturn (% of the budget estimate)

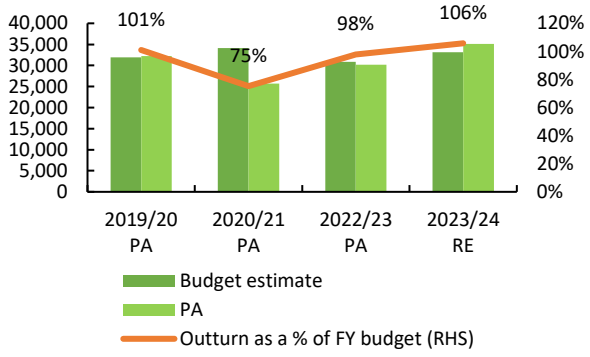
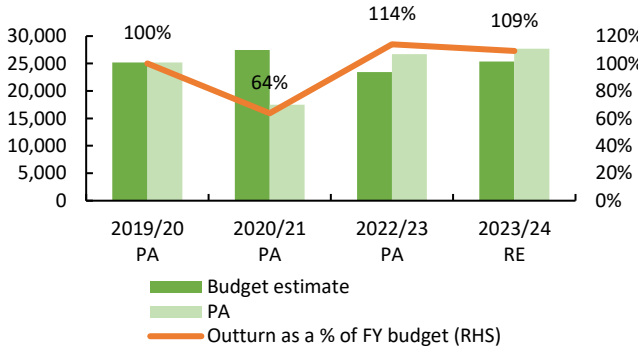


Figure 73: Revenue outturn (% of the budget estimate)

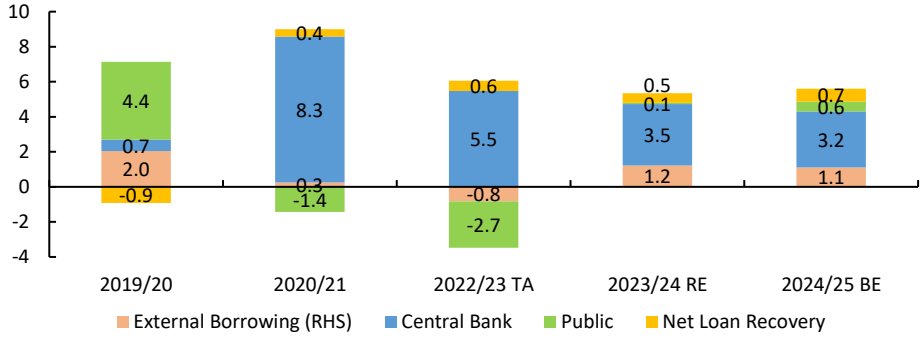


Source: https://www.mopf.gov.mm/; WB staff estimates. Note. PA = Provisional Actual, BE = Budget Estimate, RE = Revised Estimate.

Deficit financing continues to be dominated by domestic sources, which have represented about 80 percent of total borrowing (about 4.3 percent of GDP) since FY2023/24. Limited access to external borrowing has forced the authorities to finance the fiscal deficit from domestic sources, largely from the central bank. Financing by the CBM is expected to represent about 71 percent (or 3.2 percent of GDP) of total domestic borrowing in FY2024/25, down slightly from about 85 percent (or 3.5 percent of GDP) last year.

This indicates a significant shift in the domestic financing landscape because prior to 2021, financing by the central bank was just about 16 percent (0.7 percent of GDP) of total domestic borrowing (**Figure 74**). Financing from public sources has declined from a high of 4.4 percent in FY2019/20 to just 0.1 percent of GDP in FY2023/24 although it is projected to increase to 0.6 percent of GDP in FY2024/25, reflecting a significant undersubscription for government securities since the military coup. External financing has declined by about half from about 2.0 percent of GDP in FY2019/20 to barely 1 percent of GDP since FY2023/24 underscoring increased external borrowing constraints since 2021.

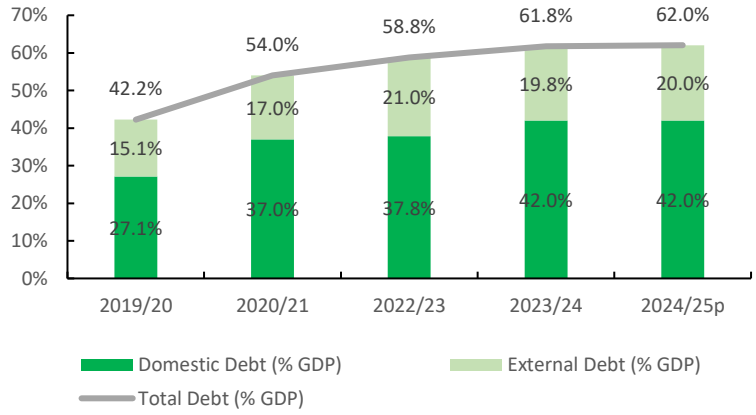
Figure 74: Deficit Financing Sources (% of GDP)



Source: MOPF - https://www.mopfi.gov.mm/; WB staff estimates. Central Bank of Myanmar Quarterly Financial Statistics Bulletin 2023 VII and 2024 VI and the Monetary Policy Implementation Report (April 2023 to September 2023);

Public debt is expected to remain elevated at about 62 percent of GDP in 2024/25, driven by high fiscal deficits, the significant contraction in GDP in wake of the military coup, and exchange rate valuation effects. External debt is projected to remain contained at approximately 20 percent of GDP in 2024/25, with about 70 percent held by bilateral creditors and the remainder by multilateral creditors (**Figure 75**). Domestic debt has increased from about 27 percent of GDP to 42 percent in FY2023/24.

Figure 75: Public Debt Stock Composition (% of GDP)



Source: MOPF - https://www.mopfi.gov.mm/; Central Bank of Myanmar Quarterly Financial Statistics Bulletin 2023 VII and 2024 VI and the Monetary Policy Implementation Report (April 2023 to September 2023); and WB staff estimates.

II. Outlook and Risks

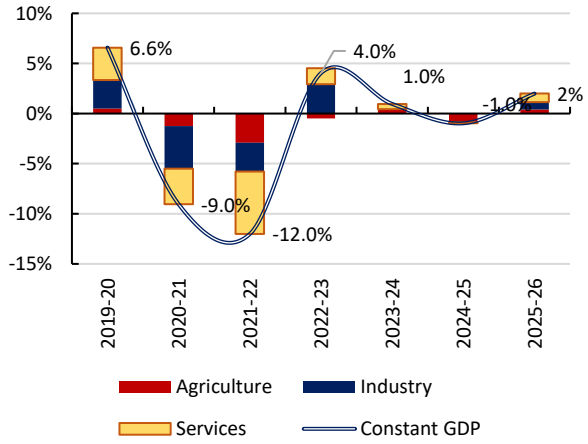
The economic outlook is clouded by the aftermath of Typhoon Yagi, increased macroeconomic volatility and the continued escalation of conflict. Compared to our projection in the June 2024 MEM, the GDP forecast for FY2024/25 has been revised downwards (**Figure 76**). We now expect real GDP to contract by about 1 percent in the fiscal year ending March 2025, reflecting a contraction in the agriculture sector due to the typhoon and recent flooding, and persistent constraints on the manufacturing and services sectors including raw material shortages, lack of sales, power outages, and conflict. Sustained high inflation and exchange rate depreciation pressures, as well as an unpredictable policy environment have weakened the business environment and reduced foreign investment. This projection implies that GDP would remain 11 percent below FY2018/19 levels in the current year (**Figure 77**), indicative of the cumulative impacts of recent crises. Growth is expected to remain subdued at about 2 percent in FY2025/26 predicated on a gradual recovery across all sectors.

Table 2: Selected Macroeconomic Indicators (annual % change unless indicated otherwise)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25F	2025-26F
Real GDP growth, at constant factor prices	6.6	-9	-12	4	1	-1	2
Agriculture	2.2	-5.7	-12.8	-2.2	2.0	-3.8	1.9
Industry	8.0	-11.8	-8.2	8.0	0.0	-0.2	2.0
Services	7.8	-8.4	-14.7	3.9	1.4	-0.2	2.1
CPI inflation, year average	9.1	2.3	9.6	27.2	27.5	26.0	30.0
Trade balance (% of GDP)	-5.6	-2.9	-2.4	-5.5	-4.0	-2.2	-3.3
Current account balance (% of GDP)	-1.8	-0.4	-2.4	-3.5	-2.2	-1.2	-2.3
Fiscal balance (% of GDP)	-6.2	-7.6	-2.2	-2.8	-5.3	-5.4	-5.8
- Revenue (% of GDP)	22.4	16.2	16.5	21.3	19.7	21.9	23.2
- Expenditure (% of GDP)	28.6	23.8	18.7	24.1	25.0	27.4	29.0
Public debt (% of GDP)	42.2	54.0	54.2	58.8	61.8	62.0	60.5

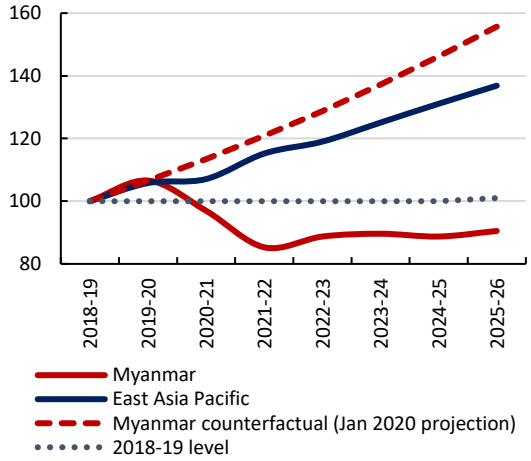
Note: April-March fiscal year, so "2024-25" denotes the current year ending March 2025.

Figure 76: GDP forecast



Source: Planning department, WB staffs' estimate

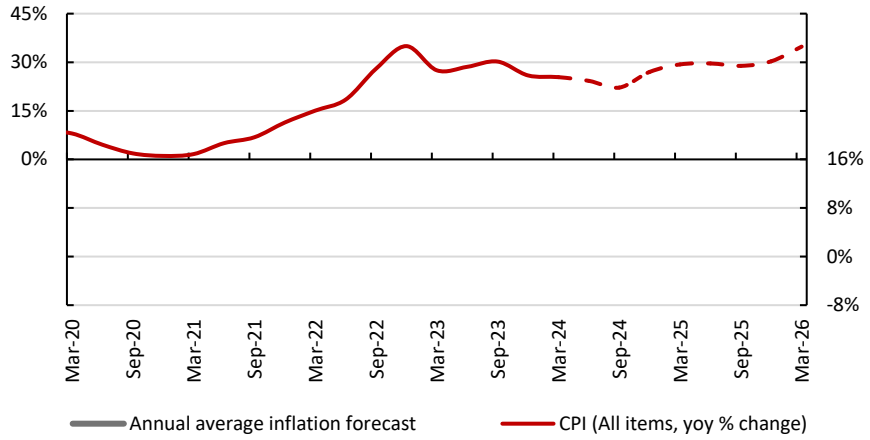
Figure 77: Real GDP estimates and projections (2018-19 =100)



Source: Planning department and World Bank Staff

Inflation is expected to remain high in FY2024/25, at around 26 percent (Figure 78), underpinned by shortages of essential products due to import restrictions and the impacts of conflict and flooding, the recent increase in energy tariffs, and passthrough from rapid exchange rate depreciation. The recent increase in electricity prices is expected to raise operating costs for businesses, forcing a passthrough to consumers and contributing to further inflation. Relatively high inflation is expected to persist next year (increasing to about 30 percent). High inflation is expected to be driven by ongoing domestic supply constraints caused by import controls, trade and transport disruptions from conflict, exchange rate volatility and continued reliance on central bank financing of budget deficits.

Figure 78: Inflation forecast

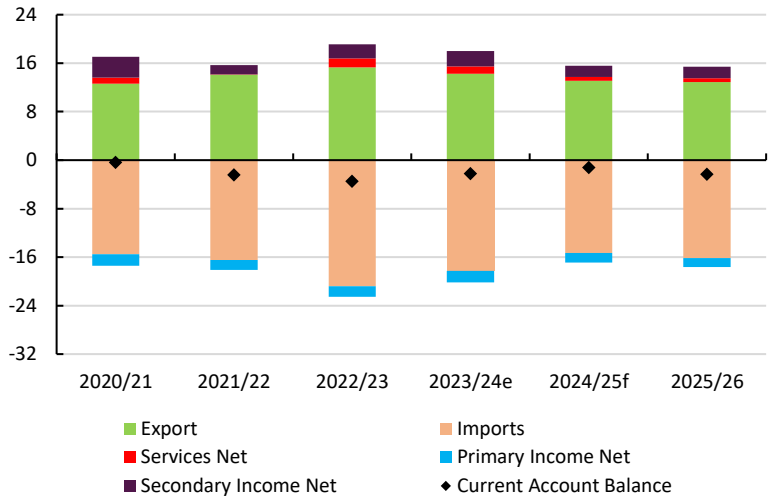


Source: CSO and World Bank Staff

Strict control over imports is expected to partially cushion external sector pressures. The current account deficit is projected to decline to 1.2 percent of GDP in FY2024/25 compared to 2.2 percent last year (**Figure 79**) driven mainly by an expected improvement in the trade deficit. The trade deficit is projected to moderate to 2.2 percent from 4.0 percent last year due largely to an anticipated contraction of imports (nearly 10 percent) reflecting limitations on the issuance of import licenses. However, imports are expected to recover modestly next year as the authorities respond to shortages of essential products. On the other hand, exports are projected to weaken further while conflict-related disruptions to transport and tourism are expected to continue to depress services receipts. Myanmar's large and growing migrant workforce is likely to keep remittance incomes relatively strong though a large part of these inflows is likely to come through informal channels. In FY2025/26, the trade and current account deficits are projected to rise to 3.3 and 2.3 percent of GDP.

The overall budget deficit is projected to increase by 0.4 percentage points to 5.8 percent of GDP next year (FY2025/26), driven mainly by increased expenditure needs. Total expenditure is projected to increase by about 1.6 percentage points to 29.0 percent of GDP reflecting anticipated increases in spending on wages, goods and services and infrastructure. The wage bill is projected to rise on account of planned and ongoing recruitments in the health, education, energy and social protection sectors while procurement of new goods and services for security and administrative purposes including elections would further increase expenditure. Rehabilitation works on infrastructure (including bridges, roads, schools and hospitals) in flood affected areas are expected to boost capital spending. Revenues are projected to increase by 1.3 percentage to 23.2 percent of GDP – partly offsetting the pressure on budget – driven by recent revenue administration measures, increases in excise tax rates and stringent enforcement measures including crackdown on illegal trade smuggling. Public debt is projected to remain above 60 percent of GDP.

Figure 79: Current account (% of GDP)



Source: Central Bank, World Bank staffs' estimate

The risks to the already bleak outlook are tilted to the downside. A further escalation in conflict, including in the run up to possible elections in 2025, or another severe natural disaster could depress output across a range of sectors. Such shocks could also result in more prolonged disruptions to transport and logistics networks and border trade. Additional restrictions on trade, foreign exchange, or other financial sector services could further erode business confidence and increase operating costs. Any one of these risks, if realized, could exacerbate raw material shortages, disrupt firms' operations and accelerate input and output price inflation. Over the medium to long-term, a continuation of the currently high rate of food price inflation and the steady upward trend in food insecurity could push more households into poverty.

III. International Migration from Myanmar

I. Background

International migration has expanded dramatically in recent years. As of 2020, approximately 3.16 million individuals born in Myanmar were living abroad, equivalent to 5.5 percent of its population, according to World Bank's estimate (World Bank WDR 2023 migration database).[49] This includes some 1.3 million refugees and asylum seekers from Myanmar living abroad**:** over 964,000 in Bangladesh (predominantly Rohingya), 168,000 in Malaysia, 90,000 in India, and 81,000 in Thailand.[50] The total number of emigrants from Myanmar, including refugees, increased by 46 percent between 2010 and 2020. Few emigrants have higher education – around 96 percent of the total stock of emigrants in 2020 had completed secondary schooling or less, according to the WDR 2023 migration database. They primarily reside in nearby destinations, with most in Thailand (50 percent), followed by Bangladesh (24.5 percent)[51] and Malaysia (9.5 percent) (UNDESA 2020), possibility owing to their budget constraints and the demand for labor in neighboring countries.[52] Official remittances from migrant workers were estimated at around $1.47 billion in FY2023/24, or about 2 percent of GDP in 2023, a 12 percent drop from FY2019/20 ($1.7 billion in 2019) (World Bank, June 2024), while remittances to other developing countries have surpassed pre-pandemic levels.[53]

Historically the pronounced differences in employment and wage prospects between Myanmar and migration destinations have been the core motives for migration: these gaps have widened in recent years. Income gaps between Myanmar and other countries like neighboring Thailand and Malaysia have been widening due to Myanmar's economic and political instability – e.g., the per-capita GDPs of Thailand and Malaysia are 3 to 8 times that of Myanmar, underlining the role of pronounced disparities in employment and wages in driving migration (**Figure 80**). Sustained economic growth in destination countries, both pre- and post- COVID-19 pandemic has spurred labor demand, attracting migrants from Myanmar. Migrants from Myanmar tend to be younger, and employed at the lower end of the wage distribution, compared to the native working population of host countries. These complementarities enable them to fill critical labor shortages.

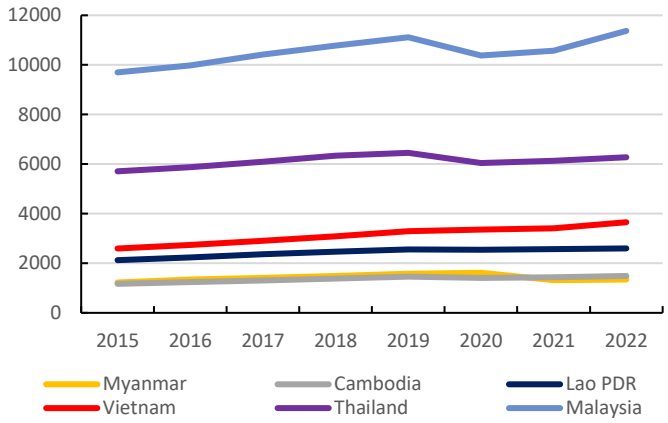
49 3.71 million, including those who obtained citizenship in their countries of residence, according to the UN DESA migration database.

50 Source: https://www.unhcr.org/refugee-statistics/download accessed on 15 October 2024.

51 Comprising mainly refugees

52 Literature suggests that poor and low-educated individuals tend to migrate to neighboring countries, while better-off and high-skilled migrants travel farther.

Figure 80. GDP per capita (constant 2010 US$)



Source:https://wits.worldbank.org/CountryProfile/en/Country/BY-COUNTRY/StartYear/2010/EndYear/2022/Indicator/NY-GDP-PCAP-KD#

In recent years, forced and distress-related motives have become more salient in addition to traditional drivers of economic migration, exerting more pressure on people to emigrate. Push factors, including political instability, economic slowdown and uncertainty, violent conflict, and other shocks including natural disasters have intensified the interest in migration. Migration is also being pursued as a means to escape the military conscription law that was revived and announced in February 2024. Faced with bleak economic and security prospects, larger numbers of individuals are attracted to potential opportunities abroad, even if they come at high economic and personal costs.

A recent WB survey[54]of high-skilled youth (i.e. with university or higher education) living and working in Myanmar found very high levels of interest in emigration. 52 percent of all respondents, among both men and women, expressed a willingness to migrate abroad.[55] Even though only a small share of those keen to migrate may be able to,[56] this indicates a high willingness to leave. Among those who would like to migrate, about half expressed an interest in wanting to migrate with other family members. Destination countries offering regular labor migration pathways, on the other hand, often do not allow migrants to accompany their family members and, hence, these pathways tend to be dominated by young men, leaving family members behind. A higher interest in wanting to migrate with family members indicates that some of the interest in emigration could be driven by safety concerns in addition to economic motives. When those who expressed a willingness to migrate were asked their motives for wanting to migrate, economic motives related to taking up work and improving one's standard of living were mentioned by over 40 percent of respondents (**Figure 81**). At the same time, a third of respondents also mentioned wanting to escape economic distress, while 15 percent mentioned other difficulties.[57] This reflects mixed motivations underlying the high willingness to migrate,

[54] The Survey on Emigration Intentions of High-skilled Youth in Myanmar was conducted in Q1 of 2024. It is a nationally representative telephonic survey of working youth between 20-45 years of age that have at least a university degree. More details described in Ghorpade, Imtiaz, and Han (2024).

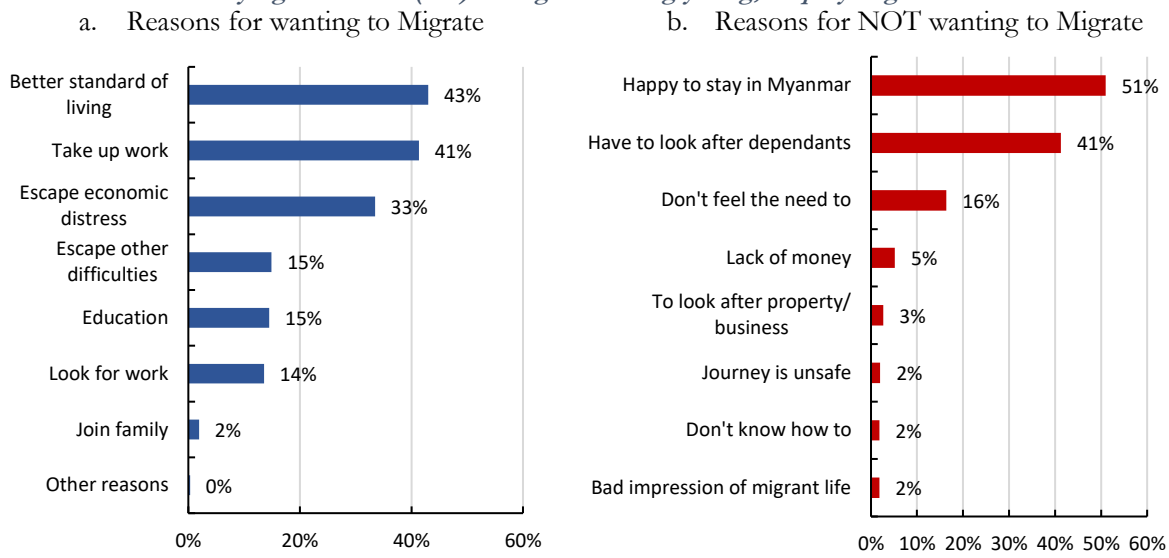
[55] As large numbers of high-skilled youth have been reported to have emigrated out of Myanmar since 2021, those interviewed in the survey in Q1 of 2024 may be relatively less mobile than the entire high-skilled youth population at the start of 2021. The reported willingness for emigration is therefore likely an underestimate for the pre-2021 population.

[56] Only 15 percent of those willing to migrate did in fact simultaneously have a valid passport and the financial and social network resources needed to migrate.

[57] These are immediate responses to an open-ended question on the motives to migrate. Other motives may underlie initial responses, but these could not be probed further due to limitations of time in the short phone survey.

comprising both pull and push factors. Among those who said they did not want to migrate, about 40 percent mentioned having to look after dependents as a constraint.

Figure 81. Reasons underlying intentions (not) to migrate among young, employed graduates



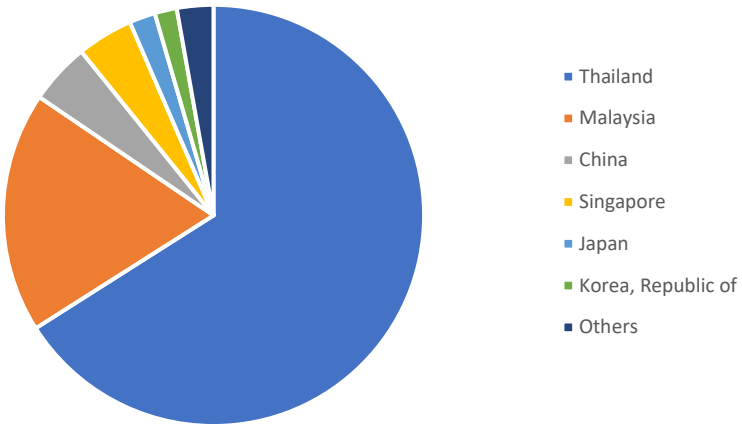
Source: Authors' calculations based on WB Survey of High-Skilled Youth working in Myanmar (Q1 2024). Open-ended question allowing multiple responses to be coded.

J. Migration flows and channels

Thailand is the most common destination for international migrants from Myanmar. According to the UN data (September 2024),[58] about 55.8 percent of all migrants from Myanmar leave for Thailand (**Figure 82**). They originate mainly from Kayin, Mon, Tanintharyi, Shan South and Bago East states. Many migrants – especially those not moving through the Memorandum of Understanding (MOU) process tend to move first to border states within Myanmar before crossing over to Thailand, in what is often termed as 'step migration' (World Bank 2020). They also tend to stay and work in provinces of Thailand that are close to the Myanmar border. In contrast, those who move under the MOU process typically move to Bangkok and its environs. After Thailand, the next most common migration destinations include Malaysia (21.4 percent), Singapore (8 percent), China (5.7 percent), Japan (3.4 percent), and the Republic of Korea (2.1 percent).

[58] This data, while the best available, may underestimate outmigration, as the data collection excludes Yangon and Mandalay areas.

Figure 82. Migrant Destinations from Myanmar (labor migration flows 2021- early 2024)



Source: UN Data (September 2024)

As in other countries in the region, formal channels for labor migration have been established through bilateral arrangements with destination governments. These pathways offer three types of labor migration opportunities: (i) temporary labor migration to Japan (Specified Skilled Worker program, SSW), Korea (Employment Permit System, EPS), Malaysia,[59] and Thailand, primarily offering low/ semi-skilled employment opportunities in typically labor-intensive sectors like construction, manufacturing and agriculture; and (ii) trainees in Japan (Technical Intern Training Program, TITP), focusing on skills development. Unlike Cambodia, Myanmar is yet to fully benefit from seasonal employment in Korea (primarily in the agriculture sector), addressing peak labor demand[60]. In addition, Chinese firms in border towns hire Myanmar workers, largely in the manufacturing sector, benefiting from the proximity to Myanmar and for the higher demand for lower-cost labor. As emigrant data indicates, a small number of Myanmar people leverage higher-skilled migration pathways offered by destination countries through unilateral policymaking.

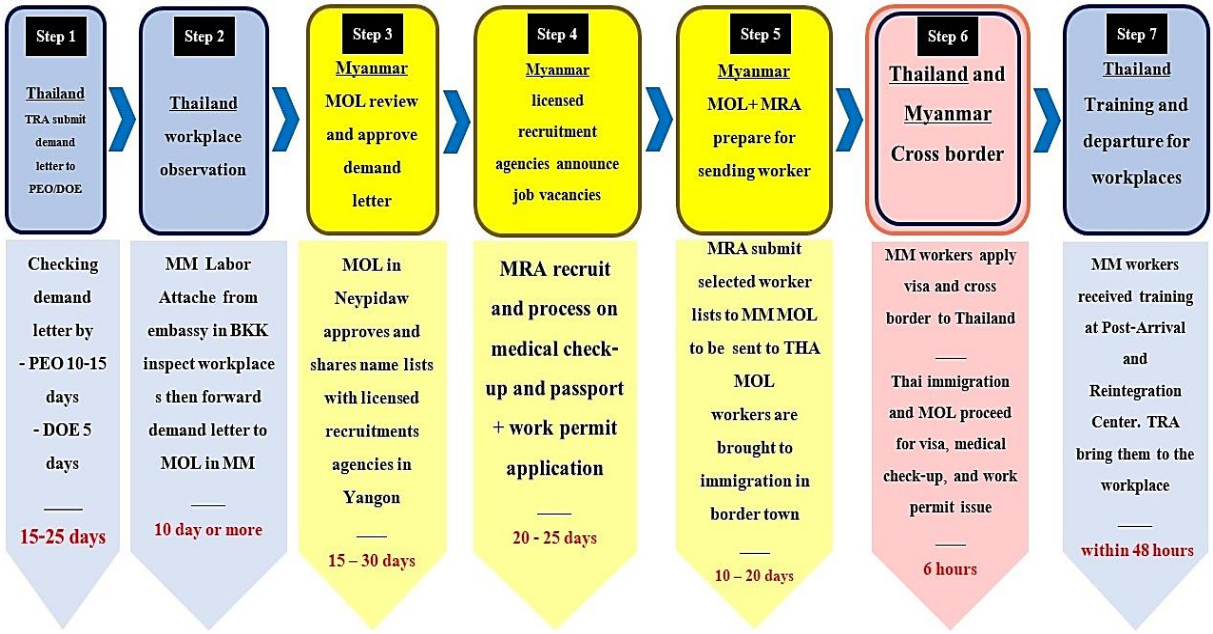
Of these official labor mobility programs, the Thailand Memorandum of Understanding (MOU) pathway offers the highest number of employment opportunities (**see Table 2**). The MOU is for low-skilled occupations for a two-year period with possibilities to renew for an additional two years. After the completion of the terms of employment as in other labor mobility programs, MOU workers are expected to return. In case of reapplying for an MOU job, the MOU returnees are required to do so 30 days after return. Switching employers during the contract is subject to employers' approval, creating a power imbalance and impacting worker protections and work conditions.

Many Myanmar migrants in Thailand perceive MOU-migration to Thailand as more complex and costlier than irregular border crossings (World Bank 2024)**.** The MOU process can take up to 100 days, while irregular border crossings can be much quicker according to focus group discussions with Myanmar migrants in Thailand (**Figure 83**). The Myanmar authorities authenticate employer demand for Myanmar workers and register overseas workers, while leaving job advertisement and job-matching (i.e., the recruitment

[59] Recently, Malaysia temporarily suspended temporary labor migration under MOU arrangements , owing to reaching foreign worker camps and concerns over rising cases of irregular migration (https://hrsea.economictimes.indiatimes.com/news/industry/malaysia-freezes-new-foreign-worker-quotas-as-2-5-million-cap-approaches/114998277 https://myanmarlabournews.com/en/posts/temporary-suspension-of-sending-myanmar-mou-workers-to-malaysia).
[60] Only one position has been availed of through this channel

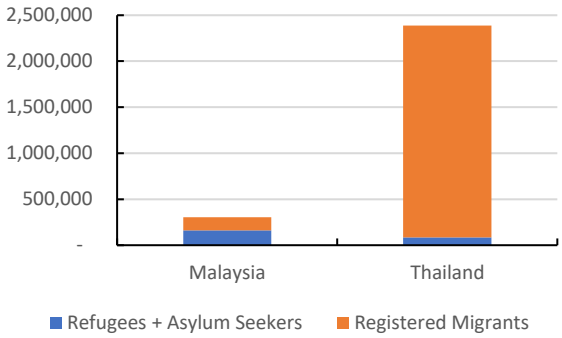
process) to private recruiters in Myanmar. Once contacted and matched for a job by a recruiter, the worker must register as an overseas worker, attend an official labor contract signing ceremony, undergo medical check-ups, receive a training on Do's and Don'ts in Thailand, and schedule a date for border crossing. Upon crossing, the worker is received by a Myanmar labor attaché. The process requires a final labor migration documentation package with four approval stamps from various agencies in both Thailand and Myanmar.

Figure 83. Thailand-Myanmar MOU Process with Timeframe



Source: Authors' illustration based on information obtained during key informant interviews with Thailand Department of Employment and Testaverde et al (2020).
Note: TRA: Thai Recruitment Agent; MRA: Myanmar Recruitment Agent; PEO: Provincial Employment Office; DOE: Department of Employment; MOL: Ministry of Labor

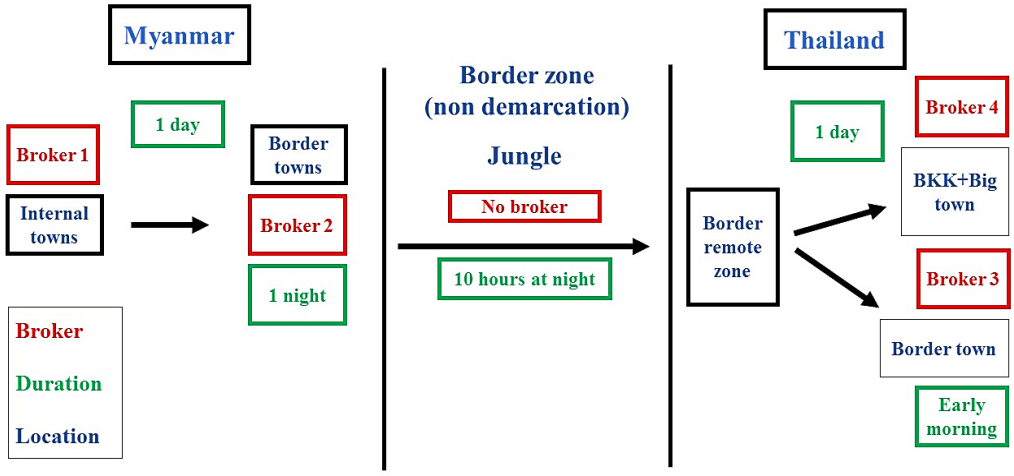
Figure 84. Registered Migrants and Refugees/ Asylum Seekers from Myanmar in Thailand and Malaysia



Source: (Figure 96) Authors' calculations using Department of Employment (DOE), Ministry of Labor, Thailand = ILO (2024)[61] and UNHCR data,[62]

[61] ILO (2024) TRIANGLE in ASEAN: Quarterly Briefing Note accessed online at https://www.ilo.org/sites/default/files/2024-07/QBN%20Q3-Q4%202023_MALAYSIA%20final.pdf
[62] Data on estimated number of Myanmar migrant workers in Malaysia taken from https://www.ilo.org/sites/default/files/2024-07/QBN%20Q3-Q4%202023_MALAYSIA%20final.pdf for 2019

Figure 85. Irregular Border Crossing from Myanmar to Thailand: Routes and Duration



Source: Authors' illustration

The number of registered Myanmar migrants in Thailand rose by 18 percent to 2.3 million in February 2024 compared to 2019 (Thailand Ministry of Labor) (Figure 84). Their share in the total documented migrant population also increased from 65 percent in 2019 to 76 percent in 2024 (February). During the pandemic, many Myanmar migrants returned home owing to lost jobs or fear of infection, with some estimates suggesting around 200,000 returnees (World Bank 2024).

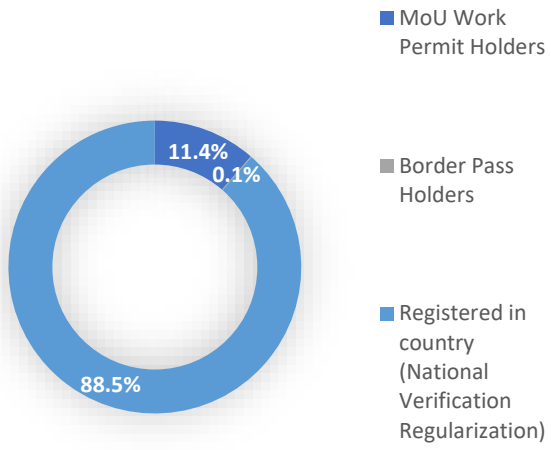
However, the use of regular pathways remains limited and has declined in corridors like Thailand, despite strong demand. The number of MOU migrant in Thailand dropped from 1 million in 2019 to around 282,000 in 2023 **Table 2**) and fell further to 262,000 in 2024 (February), accounting for 11 percent of total registered Myanmar migrants. As of February 2024, border pass holders stood only at 2,509 (less than 1 percent). Females account for 70 percent of border pass holders but only 39 percent of MOU migrants.

The overwhelming majority of Myanmar migrants in Thailand have entered without MOU or border pass-related documents – often using brokers to cross borders (**Figure 85**). Some regular migrants like MOU workers become irregular when they change employers without authorization or overstay their visas. Many of them are later regularized through Thailand's National Verification (NV) process. As of February 2024, 2.04 million irregular migrants[63] (or 88.5 percent of the total registered Myanmar migrants) have become regularized under the NV (**Figure 86**). This number of regularized migrants marks a striking increase from fewer than 800,000 in 2019. Thai news outlets report a sharp rise of irregular Myanmar migrants, especially youth (ILO 2024). During the 2020 – 2022 period, the Thai government issued 11 ad hoc cabinet resolutions that allow irregular migrants to register according to DOE.[64] However, some measures imposed by the Myanmar authorities, like taxing the income of Myanmar migrants, are likely to discourage irregular migrants from obtaining a certificate of identification (CI), pushing them to remain in irregular status.

[63] Some 44 percent of the irregular migrants who became regularized are females.
[64] The NV process entails verifying the nationality of irregular migrants and providing them with official identification cards (aka pink cards, costing THB80, processed in less than 30 days) and work permits. For those who do not have a Myanmar official identification card or a household registration document, irregular migrants need to obtain a certificate of identification (CI) which legalizes their stay in Thailand. The NV process, though less costly, is time sensitive, as applicants need to pay fees and submit required documents within a window offered.

Estimates suggest that around 40 percent of Myanmar migrants in Malaysia are irregular. According to an estimate reported in the press,[65] there are about 800,000 migrant workers from Myanmar in Malaysia of which around 300,000 are undocumented. An earlier study in Malaysia (Yi *et al.,* 2020) estimated that irregular foreign workers comprised about 43 percent of the total foreign migrant workforce in 2017 (from all countries of origin combined), although several caveats apply in attempting such an estimation.

Figure 86. Registered Migrant Workers from Myanmar in Thailand: by Category



Source: IOM (2024)

Table 3. Regular labor migrant flows to Thailand are yet to recover to the pre-pandemic level.

	Korea (flow)				Japan (stock)		Thailand (stock)
	E7 (skilled visa)	E8 (seasonal worker)	E9 (EPS)	E10 (seafarer)	TITP	SSW I	MOU
2019	3	0	1,346	111	13,118	.	1,005,848
2020	0	0	0	97	.	.	416,616
2021	0	0	28	68	.	.	324,869
2022	6	0	1,088	106	.	.	351,183
2023	59	1	1,710	135	26,352	11,873	282,516

Sources: Korea=Ministry of Justice, Japan=Immigration, Thailand=Ministry of Labor, various years.

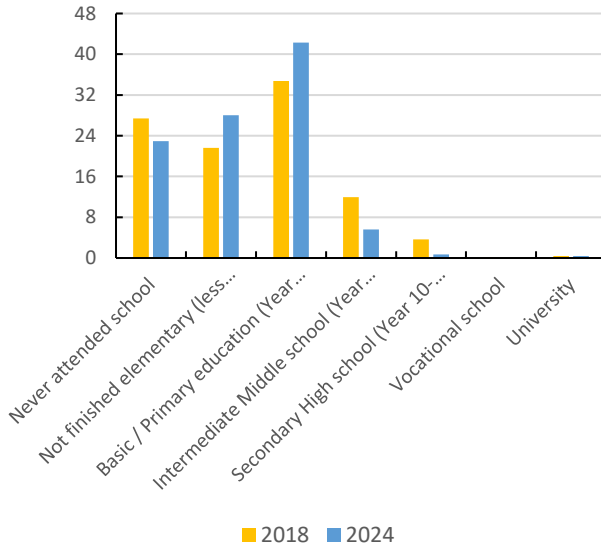
Myanmar migrants to Thailand are typically low-skilled and many are unemployed before leaving Myanmar. According to the Thai Department of Employment, women make up nearly half of the registered migrant workers from Myanmar (February 2024). The average age of Myanmar migrant workers in Thailand has increased from 30 years in 2018 to 32.5 years (according to ILO and World Bank-ILO surveys in 2018 and 2024 respectively). Myanmar workers in Thailand are typically low-skilled, a situation partly shaped by the migration system itself: about a quarter of them have no formal education, while most of the remainder hold only basic primary education or less (**Figure 87.a**). About a third of Myanmar migrants in Thailand were unemployed before leaving Myanmar. Compared to those surveyed in 2018, the share of Myanmar migrants who worked for an employer in Myanmar prior to migrating dropped in 2024 (**Figure 87.b**), suggesting a growing reliance on migration as an alternative to limited job opportunities in Myanmar. Although three-fourths

[65] https://www.irrawaddy.com/news/burma/one-myanmar-migrant-killed-while-fleeing-dozens-detained-in-malaysia-crackdown.html#google_vignette

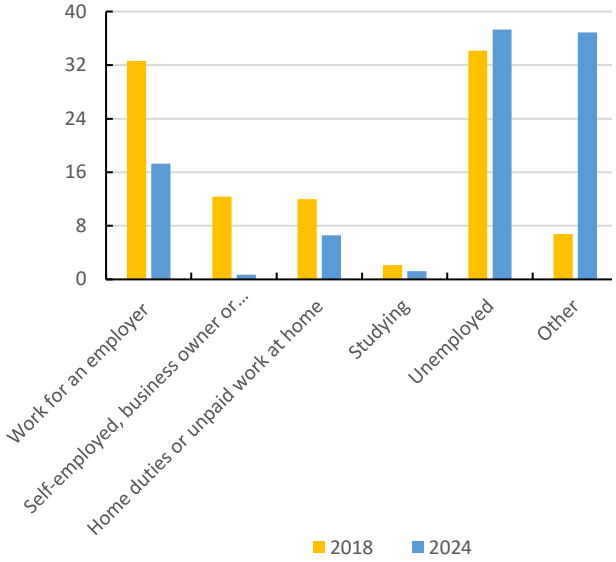
of migrants surveyed by IOM reported earning higher incomes than in Myanmar, 36 percent reported earnings below the minimum wage. A study of Myanmar migrants in Thailand by UNDP also found that undocumented migrants tend to be younger and have lower levels of education.[66]

Figure 87. Myanmar workers in Thailand

a. Primarily low-skilled and …



b. …unemployed prior to leaving for Thailand



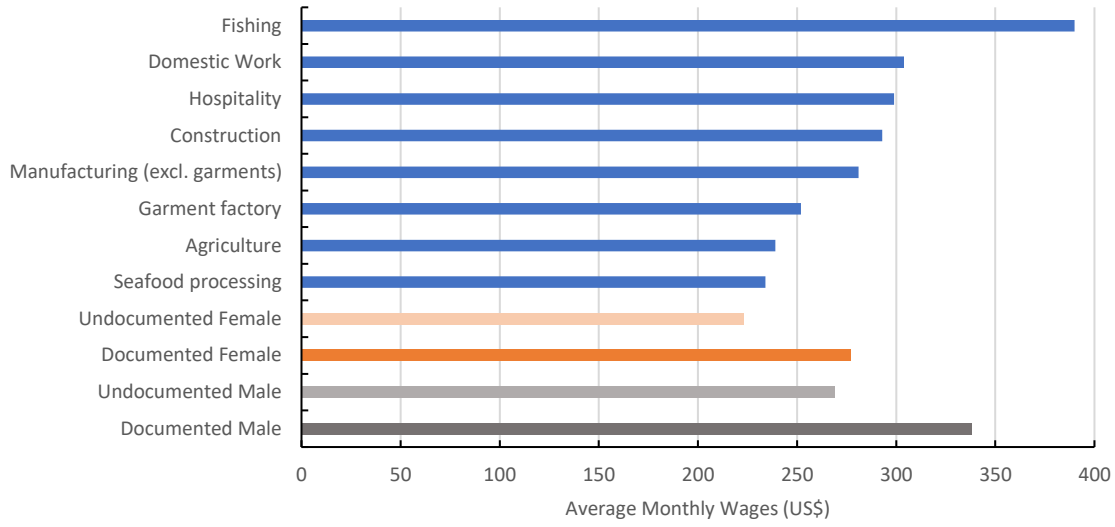
Source: Myanmar, Cambodia, Lao migrant survey data. ILO for 2018 and World Bank and ILO for 2024. 'Other' includes those Not in Education, Employment, or Training (NEET)

Notes: Surveys were conducted among migrant workers in low-skilled occupations in Thailand as the regular MOU pathway allows employment in low-skilled segments and limited to those who had arrived in Thailand either during the survey year or the preceding year.

On average, documented migrant workers from Myanmar in Thailand earn about 25 percent more than undocumented workers. A recent survey among migrant workers from Myanmar in Thailand shows that undocumented male workers earn 26 percent and undocumented female workers 24 percent lower than their documented compatriot workers (**Figure 88**). These are crude differences that do not account for differences in age, experience, and education levels between documented and undocumented workers,[67] but indicate the likely advantages of being a documented worker. We also see in Figure 9 that the fishing sector offers among the highest wages to migrant workers (although it also entails longer working hours and tougher work conditions). Seafood processing and agriculture are among the lowest paid sectors for Myanmar migrants. In focus group discussions with migrants from Myanmar in Thailand conducted by the World Bank in 2022, wage differentials between regular and irregular migrant workers emerged as a reason why irregular migrants discourage prospective migrants from crossing borders irregularly.

[66] UNDP (2024) Survey of Myanmar Migrants to Thailand. Internal Presentation – April 2, 2024.
[67] These three factors tend to be lower for undocumented workers

Figure 88. Average Monthly Wages of Myanmar Migrants in Thailand; by sector and documentation status



Source: UNDP (2023)

K. Benefits of Migration

Migration results, foremost, in benefits to the migrants themselves through better employment and earnings. Migrants leverage spatial disparities in wages to enhance their earnings. Even when costs of living may be higher in destination areas, migrants may experience substantial real wage increases when income differences outstrip differences in costs of living. Myanmar workers in Thailand tend to earn 1-1.7 times more than they did in Myanmar before migrating (according to the ILO and World Bank-ILO surveys in 2018 and 2024 respectively); but their average earnings in 2024 are lower than in 2018 (both before and after migration) (**Figure 89.a**). In contrast, Cambodian migrants in Thailand saw higher average earnings in 2024. Despite Thai employers showing a preference for Myanmar workers over Cambodians (World Bank 2024), this disparity may indicate that Myanmar workers may have weaker bargaining power, perhaps owing to the irregular status of many.[68] Workers heading to Japan or Korea are expected to earn significantly more – 10 times or more compared to before migrating (**Figure 89.b**).

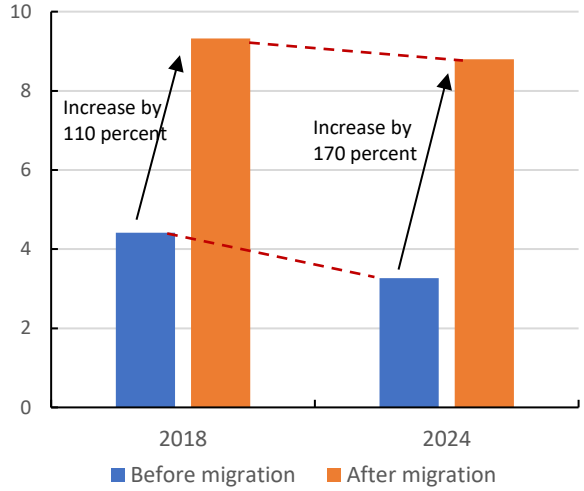
In addition to higher wages, migration may offer other benefits to workers that they may value, including better conditions of work and living, access to improved facilities for health and (children's) education, and the opportunities for professional growth and development. Korea's immigration system allows low-skilled foreign workers under EPS to upgrade their visa status to a semi-skilled category which offers benefits such as family accompaniment and pathways to permanent residency, provided workers meet certain qualifications. This framework incentivizes both workers and employers to invest in skills development. Similarly, in Japan, trainees under TITP can transition to SSW (category I). For qualified workers, migration may offer the means to secure jobs that make the best use of their skills which may be few in number in

[68] Focus group discussions with Myanmar workers in Thailand in 2022 suggest that irregular Myanmar laborers earn THB 180-200/day, while regular Myanmar workers do THB 331/day or THB 400-550/day in construction (World Bank 2024).

countries of origin; thereby helping avoid 'brain waste.'[69] An example of skilled jobs available to Myanmar workers includes those in the shipbuilding industries in Japan and Korea, albeit small in terms of the level of uptake by Myanmar workers (based on Japan's and Korea's immigration data).

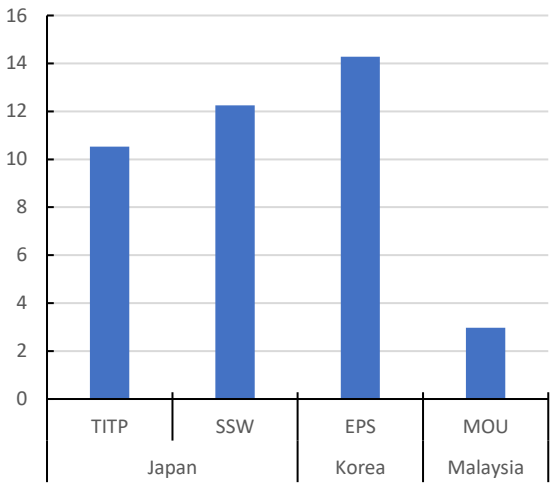
Figure 89. Wage gains from Migration

a. Migrants earn 1-1.7 times more in Thailand than in Myanmar before migrating, but earnings in 2024 are lower than in 2018.



Source: Myanmar, Cambodia, Lao migrant survey dataset, ILO (2018) and World Bank-ILO (2024).

b. More than 10 times wage gains in Japan and Korea



Source: Japan=Nihon Edutech (Indicative base salary), Korea=MOEL (Minimum wage), Malaysia=MOHR (Minimum wage).
Notes: (i) an average pre-migration earnings of Myanmar migrants in Thailand used as the basis to derive wage gains; (ii) the average 2023 exchange rates of the USD to the relevant currencies applied.

Migrants often acquire skills during migration, which can also benefit Myanmar when they return. A survey of migrants from Myanmar to Thailand and Malaysia documented a noticeable transition from low-skilled work pre-departure to semi-skilled and skilled work during migration.[70] When migrants return to Myanmar to work, they bring in new skills including language and business skills, as well as technical skills related to specific industries.[71] Return migration has also been found to promote business activity, as the experience of migration equips workers with savings and skills that they can invest in small businesses.[72]

Remittances sent by migrant workers account for a large share of recipient households' income and are critical for their day-to-day expenditures, investments in homes, farms, and businesses, financing human capital investments, and for savings for exigencies. Overall, in November 2023, about 7.5 percent of all households in Myanmar reported receiving remittances from abroad (**Figure 90**). Urban households reported slightly higher rates of receipt compared to rural households. While the share of households receiving remittances increased from 5.6 percent in February 2022 to 8.1 percent at the end of 2023 in rural areas, it has

[69] In some countries, doctors emigrate due to difficult working conditions like weak hospital facilities (including the limited number of beds), calling for better public policies (World Bank WDR 2023).
[70] Harkins, Lindgren, and Suravoranon, 2017.
[71] Min Zar Ni, 2018; World Bank and CESD, 2018)
[72] Harkins, Lindgren, and Suravoranon, 2017

stayed close to 6 percent in urban areas (despite initial declines in 2022). Remittances account for around two-thirds of recipient households' income, a large and relatively steady source of sustenance for family members who remain behind (**Figure 91**). We also observe pronounced spatial patterns in the receipt of remittances. A much higher share of households in states close to the border with Thailand (Kayah, Kayin, Mon, and Tanintharyi), as well as Chin and Rakhine states receive remittances compared to those in the Northern and Central parts of Myanmar (**Figure 92**).[73]

Figure 90. Share of Households that received remittances from abroad, Feb 2022 – Nov 2023

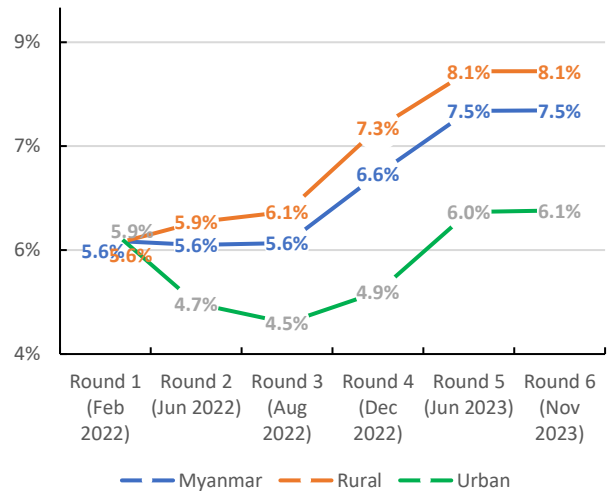
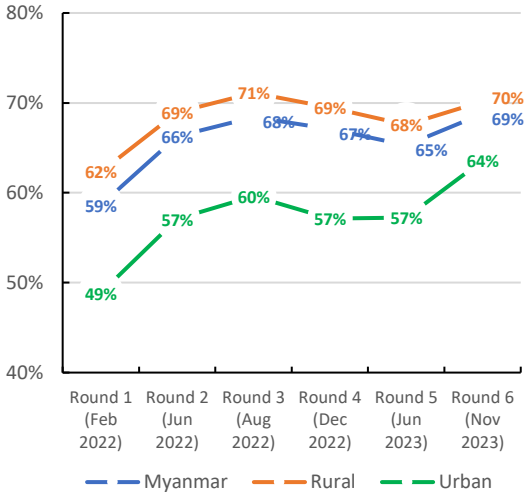
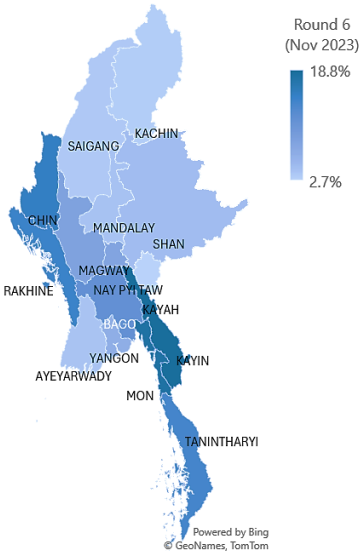


Figure 91. Share of remittances from abroad in recipient households' income, Feb 2022 – Nov 2023



Source: Authors' calculations using MHWS data (Rounds 1 – 6) – IFPRI (2024)

Figure 92. Share of Households that received remittances from abroad by State/Region: Nov 2023



Source: Authors' calculations using MHWS data (Round 6) –IFPRI (2024)

[73] The former send higher numbers of migrants to Thailand per World Bank survey of Thai employers of Myanmar migrants

Box 5: Challenges in Measuring Household Remittance Receipts in Myanmar

Measuring households' receipts of remittances from abroad can be particularly challenging in a data-scarce and complex operating environment. In addition to usual challenges in deviations in estimates from different data sources such as household surveys, central bank estimates and data from retail banks and/ or money transfer agents, conflict, instability and economic uncertainty further complicate the assessment of remittances.

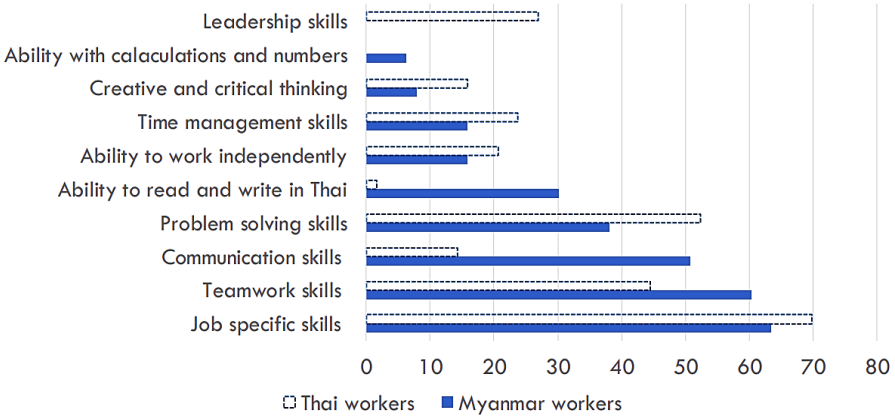
Data from the Central Bank, which is often used to measure at least a large part of remittances in more stable settings can become especially unreliable when a large deviation between the official and market exchange rates of the MMK prompts senders and recipients of remittances to switch to informal means of money transfer that circumvent the official rate. As formal bank transfers are replaced by informal means such as hundi or the circulation of foreign currency notes (especially of the THB and USD brought in by returning travelers and migrants in person) that can be exchanged at the market exchange rate, data from the Central Bank becomes a less reliable measure of remittances receipts even at the aggregate level.

Computing remittance data from household surveys may be fraught with other challenges. Respondents may be unwilling to report the receipt of remittances, or to under-report their value especially when the administration takes steps to crack down on migration. Such pressures may have intensified more after the announcement of military conscription and accompanying measures to stem emigration earlier in the year. Underreporting may also be prompted by fears of extortion especially in insecure areas.

Even where households do report remittance receipts, they may be unwilling to report the use of informal money transfer methods when authorities may be seen as actively discouraging them. Finally, in such settings, money transfer agents may also be hesitant to share aggregate data on remittance flows to avert allegations of circumventing official regulations. As such, any data on remittances in fragile settings should be treated with considerable caution.

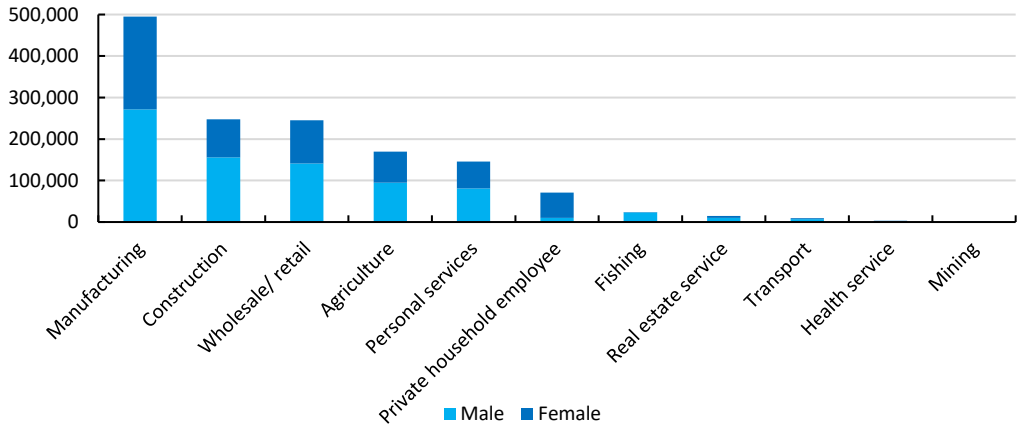
Migration from Myanmar is also beneficial to the labor market and the economy of destination countries. Migrants often bring skills that are complementary to those of the national workforce in countries such as Thailand. Thai employers seek Myanmar workers, as they face difficulties in findings local recruits. For instance, after Thailand resumed economic activities following the COVID-19 pandemic, the monthly demand for Myanmar workers surged to around 400,000 in September 2020, a significant rise compared to an average monthly demand of less than 50,000 in 2019 (World Bank 2024). Thai employers value job-specific, teamwork and communication skills in Myanmar workers, while considering leadership, problem solving and time-management skills more critical for Thai workers. This reflects the latter's roles in supervisory or managerial positions and underscores the complementary roles of the two segments of the workforce in the Thai economy (**Figure 93**). As also seen in Malaysia (World Bank 2019), such complementarity in turn can increase the paid employment and productivity of Thai workers and can eventually increase income per capita, while plugging shortages of labor in key sectors in Thailand (e.g., manufacturing and construction; see (**Figure 94**) and OECD/ILO 2017). The demographic profile of migrants, typically comprising younger individuals who can work, is also complementary to that of nationals, especially in destinations such as China, Japan, Korea, Thailand, and Malaysia that are experiencing ageing. Migration acts as a critical means to address labor shortages arising from population ageing and is especially valuable for the care economy and labor-intensive industries that cannot be automated easily.

Figure 93. Thai employers' preference for the skills highlights complementarity between Thai and Myanmar workers (% of Thai employers responding these skills as important).



Source: World Bank 2024, based on Thai employer surveys in 2023.

Figure 94. Many Myanmar workers work in the manufacturing sector (as of end 2023).



Source: World Bank 2024 based on Thailand Ministry of Labor, Department of Employment 2024

L. Factors Limiting Gains from Migration

Migration always implies some costs for migrants and their families. Previous studies in Myanmar documented how migration enticed some students to discontinue their studies to migrate abroad, undermining human capital development.[74] Family disintegration and separation owing to migration can have mixed effects on dependents left behind, including children. For instance, a global review of the effects of migration on children found that while remittances may improve financial security, the absence of parents can worsen children's cognitive and noncognitive development, as well as their nutritional well-being.[75] The migration of men can reshape household dynamics, with women shouldering increased responsibilities in the household, while gaining greater autonomy. Family reconstitution due to migration can also result in 'skip generation' households marked by grandparents and grandchildren residing together when working-age adults have migrated.[76]

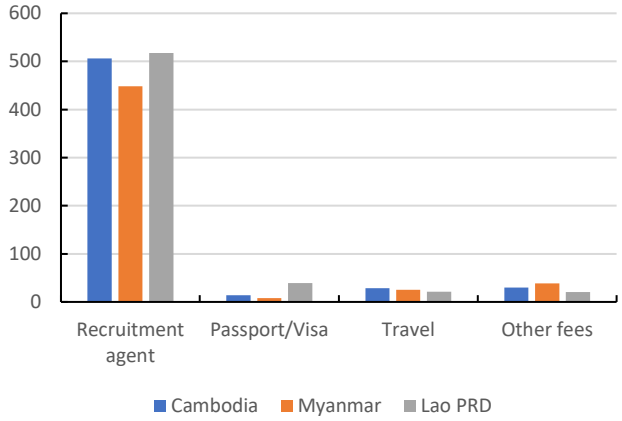
Outflows of workers can have complex effects on labor markets and the economy. While evidence is relatively thin, literature suggests that they may reduce unemployment pressures, especially in sending localities and certain sectors, and increase wages for stayers with similar skills, but could also create unemployment among stayers with complementary skills. Furthermore, outflows of high-skilled workers, albeit limited in Myanmar, can undermine innovation and productivity. Nonetheless, higher rates of returns on education from migration could incentivize more investment in education, potentially leading to brain gain and fostering a skilled human capital pool that attracts foreign direct investment and supports the development of a new competitive advantage, as seen in the nursing sector in the Philippines (see World Bank WDR 2023 and World Bank 2025, forthcoming). At destination, migrants may not be able to readily integrate in society and may experience discrimination, hostility, and mistrust, from communities and authorities, potentially leading to frustration and disappointment. They may also not have recourse to protection and labor rights, especially when they are undocumented.[77] Episodes of failed migration, can also be financially damaging, emotionally frustrating and have scarring effects on economic life and future endeavors to migrate.

Migration costs limit formal mobility, particularly for the poor and the low-skilled. The estimated costs of formal migration to Thailand for Myanmar workers currently stand at 2.5 months of earnings, meaning that Myanmar migrants typically use lower-cost informal channels to migrate to Thailand, despite the higher earnings potential of regular migration (Testaverde et al. 2020; ILO 2020; World Bank 2024). In contrast, those migrating to Korea through the EPS program incur only 1.3 months of their Korean earnings in costs, thanks to public job matching (World Bank 2023). While cost components vary by corridor, for the Myanmar-Thailand corridor, recruitment costs comprise some 90 percent of migration costs (**Figure 95.a**). While formal migration costs for Cambodian and Laotian migrants to Thailand have declined, Myanmar workers face increased costs (**Figure 95.b**), likely due to rising migration demand due to political instability in Myanmar. Language requirements for labor migration programs in both Japan and Korea impose additional time and financial burdens on potential migrants, although language proficiency may boost productivity and lower integration cost incurred by migrants in the destinations.[78] Rising costs of migration reduce the benefits to migrants, leaving them with lower incomes to spend, invest, or remit back to Myanmar.

[74] Soe Ling Aung, 2014; Min Zar Ni, 2018; World Bank and CESD, 2018
[75] Cortini et al. (2023); World Bank and CESD (2018)
[76] Knodel et al. (2015)
[77] ILO (2015a)
[78] Increasingly, European destination countries like Germany require language proficiency prior to migrating for employment.

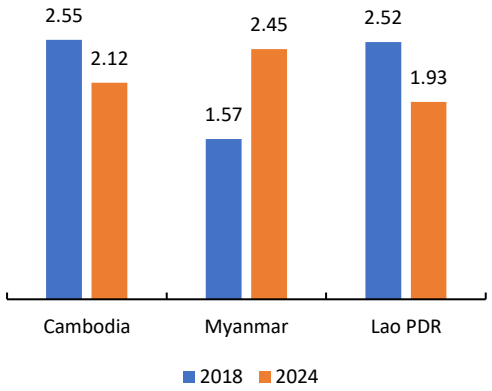
Figure 95. Low-skilled migrants incur out-of-pocket migration cost

a. Much goes to recruitment agents and …
(migration cost by item in USD)



Source: World Bank-ILO 2024

b. … cost to migrating to Thailand rose for Myanmar workers, unlike other counterparts (migration cost in months of earnings in Thailand)



Source: ILO 2020; World Bank-ILO 2024
Note: Migration cost includes recruitment fees, documentation-related fees, medical exams, and international and domestic travels.

Migration under duress can be skill-biased, resulting in a disproportionate outflow of high-skilled workers and students from Myanmar. Bleak economic prospects, combined with political and economic uncertainty and exposure to violence may prompt university students, professionals and high-skilled employees to consider employment opportunities abroad. A recent study by the World Bank on emigration in Myanmar shows that political instability and conflict have considerably intensified the propensity to migrate among working graduates, and that these pressures are unlikely to be reversed by economic growth alone (Ghorpade, Imtiaz, and Han, 2024). The resulting loss of qualified persons, referred often to as 'brain drain' for the country of origin, can harm economic growth, productivity, and employment. To the extent they result in labor shortages, outflows of high-skilled workers can have a wider effect on the economy, as they can discourage investments in sectors that depend heavily on high-skilled workers, and subdue demand for complementary groups, including lower-skilled workers. In more stable settings, the emigration of high-skilled workers can potentially raise the returns to training in higher education in specific fields of study, and therefore offset such 'brain drain' by encouraging future cohorts of students to invest in critical skills. In the current situation in Myanmar, however, the loss of skilled workers is not being compensated with investments in higher education.

According to survey results, Myanmar is quite likely to experience a sharp loss of human capital in Engineering, ICT, administrative services and construction-related fields to emigration in the next few years. As **Table 3** below indicates, a very high share (over 30 percent) of workers with university or higher education employed as managers or professionals (considered high-skilled occupations) in the construction, hospitality, and administrative and support services sectors are both, willing, and quite likely able to emigrate abroad. About a quarter of graduates working in mid-skilled occupations in Information and Communication, and Professional, Scientific, and Technical Services are also willing and able to migrate, representing likely acute shortages of skilled manpower in the future. When analyzing the propensity to migrate by graduates' field of study, we find that among graduates in engineering, manufacturing, and construction-related fields 30 percent of those working as managers and professionals and 18 percent of those working in mid-skilled occupations, are willing and able to migrate abroad (Table 3). Graduates working in mid-skilled occupations with degrees in ICT, engineering, social sciences, health, and business-related fields are next in terms of the likelihood of

emigrating. In contrast those with degrees in fields related to agriculture and education are least likely to emigrate.

Table 4. Share of High-skilled Youth who are Willing and Able to Migrate, by Sector of Employment

Sector of Employment	Mid-skilled Occupations	High-skilled Occupations	N
Administrative and support services	6%	40%	38
Accommodation and food services	11%	33%	85
Construction	10%	31%	74
Information and communication	23%	17%	43
Professional, scientific and technical	28%	9%	30
Other services	11%	20%	144
Households as employers	6%	22%	94
Manufacturing	8%	17%	85
Wholesale/ retail trade and repair	7%	17%	503
Agriculture+	6%	15%	251
Education	14%	3%	484
Water supply; sewerage, waste management	14%	0%	10
Finance and insurance	8%	6%	184
Electricity, gas, steam and related	13%	0%	36
Health and social work	9%	3%	123
Extraterritorial organizations	11%	0%	27
Transportation and storage	9%	0%	57
Mining and quarrying	8%	0%	18
Arts, entertainment and recreation	8%	0%	15
Public administration	3%	0%	93
Real estate activities	0%	0%	6

Source: Authors' calculations based on WB Survey of High-Skilled Youth working in Myanmar (Q1 2024)
Notes: Willingness to migrate is indicated by the respondent when asked if they would wish to migrate. Ability to migrate is proxied by a respondent simultaneously (i) owning a valid passport, (ii) being able to access resources needed to migrate, and (iii) having access to social networks that can help with international migration. Following the ISCO 1-digit classification of sectors, managers and professionals are treated as "high-skilled" occupations, and elementary occupations as "low-skilled" occupations. All other occupations are "mid-skilled."

Table 5. Share of High-skilled Workers who are Willing and Able to Migrate, by Field of Study

Field of Study	Mid-skilled Occupations	High-skilled Occupations	N
Engineering, Manufacturing and	18%	30%	95
Social Sciences, Journalism and Information	8%	18%	190
Health & Welfare	8%	8%	85
Business, Administration and Law	7%	8%	118
Arts and Humanities	9%	5%	190
Natural Sciences, Mathematics and Statistics	8%	4%	845
Information and Communication	10%	0%	35
Agriculture	4%	0%	85
Education	0%	0%	34

Source: Authors' calculations based on WB Survey of High-Skilled Youth working in Myanmar (Q1 2024)

When migrants leave under duress, either due to economic compulsions or the fear of violent conflict, they may be less able to look for a suitable job and are under pressure to accept work for which they may be overqualified or underpaid for. Urgent, hurried, and poorly planned relocations can force distressed migrants to take any work they can find, even if it means accepting jobs for which they are overqualified or where they are paid less. They may also be more likely to undertake irregular channels that offer lesser security and protection. Distressed and forced migrants may leave without adequate preparation for life in destination areas, and experience adversities including unanticipated family separation, psychological trauma, the loss of assets and other resources, diminished economic and career prospects, and financial hardship.[79] The recent World Bank study on high-skilled youth in Myanmar shows that graduates usually will take up a lower-skilled job only if they are offered a higher wage than what they would for a job similar to their current occupation. However, those in conflict-affected townships are willing to accept such jobs with about 35 to 40 percent lower wage increment compared to that for graduates from more peaceful areas. This dampening effect of conflict on the increment required to take on a lower-skilled job is more pronounced among women, ethnic and religious minorities, and those with weaker migration networks.

Restrictive rules and regulations pertaining to migrants' incomes and their remittance to Myanmar may have pronounced unintended effects that reduce the potential gains from migration for migrants, their family members, and the economy in general. Several such measures have been announced in recent years. These include, forcing remitters to use formal banking channels, enforcing foreign exchange conversion at the official rate,[80] mandating a minimum share of migrant earnings to be sent back to Myanmar as remittances,[81] unilateral announcements for taxation of migrants' income abroad. These have often been accompanied by the announcement of strict punitive measures (such as a refusal to renew work permits or offer other consular services),[82] even if evasion and limited enforcement may limit their application. However, such measures may have unintended negative effects. As long as the difference between the official and the market exchange rate of the kyat is large, migrants will have an incentive to use informal money transfers mechanisms such as hundi over formal bank transfers. Increasing pressure to use formal channels could have an opposite effect whereby hundi agents experience greater risks of crackdown[83] and extortion from authorities and therefore charge remittance senders and recipients higher commissions. Such measures would result in lower net remittances to the intended recipient and a real loss of benefits, even as they create greater incentives for corruption to bypass regulations. Other measures that impose tax burdens on migrants working abroad (in the absence of double tax avoidance agreements) can deepen the financial difficulties that many (especially lower-skilled) migrant workers experience abroad. Onerous administrative requirements or restrictions on the issuance or renewal of passports and work permits can force workers to seek irregular work, which in turn can result in lower net wages and increase migrants' exposure to exploitation, abuse, and hardship. These unintended effects would lower the potential benefits of migration to workers, their families, and to the economies of the Myanmar and destination countries.

[79] Brell et al. (2020), Zorlu et al. (2016); Nikolov et al. (2022)
[80] The official exchange rate diverges sharply from the market rate; enforcing the form, even if possible, would entail large real losses for remittance senders and recipients https://www.irrawaddy.com/news/burma/junta-makes-second-grab-at-empty-wallets-of-myanmar-migrant-workers.html
[81] https://www.rfa.org/english/myanmar/2024/10/24/myanmar-migrant-workers-laos/
[82] https://www.irrawaddy.com/news/burma/myanmar-junta-enforces-rule-requiring-migrant-workers-to-remit-25-of-pay.html
[83] "CBM intensifies crackdown on illegal Hundi businesses" https://cdn.digitalagencybangkok.com/file/client-cdn/gnlm/wp-content/uploads/2024/01/14_Jan_24_gnlm.pdf

M. Conclusion

While it is well documented that international migration offers immense benefits to migrants, their families, and the economies of Myanmar and destination countries, adverse developments in Myanmar in recent years have reduced the potential benefits that migration can generate. The larger role of distress-induced and forced migration in recent years, prompted by the bleak economic and political situation in Myanmar, has led to greater reliance on irregular migration, lower use of formal remittance channels,[84] higher outflow of both high- and low-skilled workers from Myanmar (causing skills shortages and productivity losses in Myanmar), and lower reservation wages and worse skill-appropriate job matching among emigrants at destination. Irregular migration often leads to lower wages, exclusion from labor and social protections, and increased vulnerability to human rights violations. These outcomes in turn reflect lower benefits and higher costs of migration, resulting in lower net gains for all stakeholders. Several policy distortions may be contributing to limiting potential gains from migration. For instance, the divergence between the official and market exchange rates creates unintended incentives for migrants to use informal money transfer channels. Coercive measures to limit informal transfers may also be counterproductive. Similarly, onerous administrative requirements and costs on migrants, such as proposals to tax migrant incomes or make it harder for them to renew work authorizations may encourage irregular migration and remittances through informal channels. To the extent these continue, it will be difficult for migrants to realize the full benefits from migration. A few policy interventions in destination countries could, however, mitigate the loss in benefits from migration, for migrants and their families, as well as for the origin and destination country economies. We now discuss these sequentially.

- **Align migration policies with current and future labor demand.** Migration frameworks misaligned with labor market demand contribute to irregular migration, as evidenced by Myanmar migrants in Thailand who are employed irrespective of their legal status (World Bank 2024). Countries facing significant irregular migration, like Thailand and Malaysia, should base migration policies on robust analyses of market trends and skills needs to better align migrant labor supply with demand. Better migration data collection through effective inter-agency collaboration is essential for designing evidence-based and responsive migration policies, especially in countries with irregular migration. Examples of matching policies with labor demand in the Myanmar-Thailand corridor include:
    - Extend the initial MOU labor contract period from 2 to 3 years, given that an average employment duration of Myanmar workers is 3 years (World Bank 2024). This improves workforce stability, reduces recruitment and training costs, and lowers operational disruptions for businesses. For workers, longer contracts enhance job security, supporting skill development and contribute to higher productivity and innovation in industries.
    - Ease conditions for MOU workers to change employers to better respond to labor market demand. Destination countries are increasingly enabling low-skilled workers to switch employers (e.g., in the same sector), to better meet fluctuating labor demands, reduce the risk of exploitation by limiting employer control, and ultimately to reduce irregular migration.
    - Introduce a scheme to address seasonal labor demand to facilitate regulated, short-term labor migration from Myanmar to Thailand.[85] This can be done by expanding the duration (e.g., less than one year) and locations of work under the existing border pass system. This would provide a legal channel to meet Thai employers' seasonal needs in sectors and industries with seasonality, ensuring timely and adequate workforce availability during peak periods.

[84] Many remittance senders and recipients encounter difficulties in accessing remittance portals; making them more accessible to migrants, including offering them in the Myanmar language could increase usage and uptake.
[85] Currently there is no established regular channel for Myanmar workers to meet Thai employers' demand for periods longer than a week but shorter than two years.

- **Streamline and digitize the MOU process.** The key priorities include: (i) expediting approval for employers' worker demand letters by digitizing and automating the application and review processes, (ii) shortening the time to issue work permits, enhancing the overall efficiency of the hiring process, (iii) publishing approved job vacancies on a job portal to reduce the time spent by the Myanmar labor attaché in Thailand to validate the labor demand, and (iv) undertaking targeted information campaigns to ensure Myanmar communities are informed about benefits and procedures of the MOU.
- **Enhance opportunities for better economic integration of refugees from Myanmar:** The lack of a clear legal framework for Myanmar refugees limits their access to the formal labor market, and compels them to work informally In destination countries such as Malaysia, Bangladesh, and Thailand, granting refugees the right to work could formalize their employment, meet labor demand, reduce exploitation, and pursue self-reliance, while formally contributing to the host economy. Accompanying measures, such as active labor market programs including skills training and access to education, health, social protection, and financial services, can enhance their economic contributions, integration, and well-being.

Annex 1: Exchange rate volatility Model and Results

A common approach for determining the volatility of an exchange rate series is the through autoregressive conditional heteroskedasticity (ARCH) or the generalized autoregressive conditional heteroskedasticity (GARCH). The following multivariate GARCH (1, 1) specifications is estimated to examine how key macroeconomic variable influence the exchange rate:

$$\Delta logEXR = \beta_0 + \beta_1 INF + \beta_2 \Delta logGSE + \beta_3 \Delta logGDP + \beta_4 \Delta logGLD + \beta_5 \Delta \log OPN + \beta_6 Policy\_Dummy + \varepsilon_t \quad (1)$$

$$\delta_t^2 = \alpha_0 + \sum_{i=1}^{p} \alpha_1 \varepsilon_{t-1}^2 + \sum_{i-j}^{q} \beta_j \delta_{t-1}^2 \quad (2)$$

where ΔlogEXR is the change in log nominal exchange rates, INF is inflation defined as the change in the log of the consumer price index (CPI), ΔlogGSE is the change in change in government spending on goods and services, ΔlogGDP is the change in the log of gross domestic product (GDP), ΔlogGLD is the change in the log of real gold prices in US dollars, ΔlogOPN is change in the log of openness defined as export plus imports, and a Policy_Dummy to capture policy shocks influencing the exchange rate. ε_t is the error term to capture unexplained deviations, ε_{t-1}^2 is the conditional heteroscedasticity (ARCH) term and δ_{t-1}^2 is the GARCH while β_i and α_i are coefficients.

To test whether the exchange rate variable meets the prerequisite of the ARCH/GARCH model, that is, if there is volatility clustering or ARCH effects in the error term, we estimate a univariate autoregressive (AR) equation for the exchange rate variable including a constant and specific number of lags of the exchange rate, selected using information criteria (AIC and BIC).

$$\Delta logEXR = \emptyset_0 + \emptyset_1 EXR_{t-1} + \emptyset_2 EXR_{t-2} + \cdots + \emptyset_n EXR_{t-n} + \varepsilon_t \quad (3)$$

We estimated equation (2) up to six lags but the AIC and SIC favored an AR model with three lags.

Table 1: ARCH Lagrange Multiplier Test Results

Heteroskedasticity Test Null Hypothesis: No ARCH effect			
F-Statistics	**7.3147**	Probability value: F.stat.(1, 51)	0.0093
Obs*R-squared	**6.6481**	Probability value. Chi-Square (1)	0.0099

The significant p-values in the ARCH-Lagrange multiplier (LM) test (both for the F-statistic and Chi-Square) indicate that the hypothesis Ho of 'no ARCH effect' is to be rejected, suggesting the presence of ARCH effects. This means that there is volatility clustering in the residuals of the AR model, implying that large changes in the exchange rate are likely to be followed by large changes (either positive or negative), while small changes are equally followed by small changes. Figures 1also confirm volatility clustering in the nominal market exchange rate series.

Since ARCH effects are present in our univariate AR model for the exchange rate, an ARCH or GARCH estimation would be appropriate for modeling the conditional variance of exchange rate changes, as both ARCH and GARCH can account for time-varying volatility. However, we estimate a GARCH model, because it can capture both the ARCH effects (short-term shock impact) and GARCH effects (long-term volatility persistence), providing a more accurate representation of the exchange rate's volatility dynamics. We there proceed with estimating GARCH (1, 1) model of equation (1) and (2).

Table A1: Results of GARCH (1, 1) Estimation of ΔlogEXR

Variables	Coefficients	Standard error (SE)	z-Statistics	Probability
Mean Equation				
Constant	0.000694	0.002852	0.243386	0.8077
INF	0.987684	0.210767	4.686144	0.0000
Δ*logGSE*	0.090231	0.018799	4.799695	0.0000
Δ*logGDP*	-0.058475	0.015861	-3.686656	0.0002
Δ*logGLD*	-0.439354	0.051745	-8.490733	0.0000
Δ*logOPN*	-0.079865	0.013761	-5.803865	0.0000

Policy_Dummy	0.023604	0.011428	2.065477	0.0389
Variance Equation				
Constant	5.60E-06	7.69E-05	0.072888	0.9419
RESID(-1)^2 or $\boldsymbol{\varepsilon_{t-1}^2}$	1.991723	0.668563	2.979109	0.0029
GARCH(-1) or $\boldsymbol{\delta_{t-1}^2}$	0.016518	0.053906	0.306419	0.7593
R-squared	0.316834			
Adjusted R-squared	0.208966			
Akaike info criterion	3.157099			
Schwarz criterion	-2.755618			
S.E. of regression	0.073549			

The model's overall fit, reflected in an R-squared value of 0.3168, though slightly low, emphasizes that while the model captures meaningful patterns of volatility and mean behavior. Moreover, R-squared in GARCH models is typically less critical as the focus is on modeling conditional variance rather than maximizing explained variance. Overall, the diagnostics confirm that the GARCH model appears to be well-specified, as there is no remaining autocorrelation in the standardized residuals. We also fail to reject the null hypothesis that the residuals are normally distributed which implies that the standardized residuals are approximately normally distributed, which is desirable for a well-specified GARCH model. The ARCH test results imply that there are no remaining ARCH effects implying that the specified GARCH model adequately captures the conditional variance structure of the exchange rate changes.

Table A2: GARCH (1, 1) Misspecification Test

Tests	F-statistics	P-value
ARCH Lagrange Multiplier Test Results ***Null Hypothesis (H_0): There are no ARCH effects***	0.295569 *Obs*R-squared (0.307480)*	0.5895 *0.5792*

**means significant at 5% percent level, i.e, reject the null hypothesis

	Jarque-Bera Statistics	P-value
Histogram Normality Test ***Null Hypothesis (H_0): Residuals are normally distributed***	1.803044	0.405951

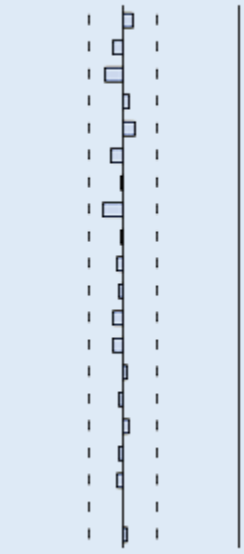
Skewness = 0.032648; Kurtosis= 2.021552

Autocorrelation Tests - Q-statistic (Ljung-Box test)

Null Hypothesis (H_0): No autocorrelation

The autocorrelation and partial autocorrelation plots show low values for most of the lags, with many of the bars falling within the confidence bounds (indicated by the dotted lines). This indicates that there is little to no significant autocorrelation in the residuals at these lags, which suggests that the model has adequately captured the time-dependent structure of the data, i.e., the GARCH model has adequately captured the conditional heteroskedasticity in the data

Date: 11/18/24 Time: 12:26
Sample (adjusted): 2012Q4 2023Q4
Included observations: 45 after adjustments



	AC	PAC	Q-Stat	Prob*
1	0.084	0.084	0.3354	0.562
2	-0.084	-0.092	0.6824	0.711
3	-0.164	-0.151	2.0367	0.565
4	0.058	0.079	2.2074	0.698
5	0.106	0.072	2.7998	0.731
6	-0.099	-0.136	3.3350	0.766
7	-0.022	0.033	3.3631	0.850
8	-0.183	-0.184	5.2700	0.728
9	-0.010	-0.028	5.2759	0.810
10	-0.060	-0.078	5.4900	0.856
11	-0.028	-0.064	5.5377	0.902
12	-0.095	-0.108	6.1124	0.910
13	-0.098	-0.088	6.7471	0.915
14	0.036	-0.018	6.8368	0.941
15	-0.034	-0.084	6.9206	0.960
16	0.051	-0.007	7.1103	0.971
17	-0.048	-0.064	7.2873	0.980
18	-0.059	-0.129	7.5625	0.984
19	0.006	-0.031	7.5659	0.991
20	0.025	-0.059	7.6179	0.994

*Probabilities may not be valid for this equation specification.

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