



**ANNUAL
MEETINGS**
2020 | VIRTUAL
INTERNATIONAL MONETARY FUND
WORLD BANK GROUP

Governor's Statement No. 12
October 15, 2020

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

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Governor of the Fund for Myanmar

Mr. Chairman,

Fellow Governors,

Distinguished Delegates,

Ladies and Gentlemen

It is my honor and pleasure to deliver this statement and be a part of 2020 Annual Meetings of the Boards of Governors of the International Monetary Fund and the World Bank Group.

I would like to convey my sincere and deep appreciation to Ms. Kristalina Georgieva, Managing Director of the International Monetary Fund and Mr. David Malpass, President of the World Bank Group for hosting this Virtual Annual Meetings of the International Monetary Fund and the World Bank Group.

Global Economy

The projection of global economic growth is revised upward to -4.4 percent in 2020 from -4.9 percent, previously projected in June, due to better-than expected second quarter GDP outturns, mostly in advanced economies, and indicators showing stronger recovery in the third quarter, according to the International Monetary Fund.

In the Asia-Pacific region, many countries were able to contain the impact of the first wave of the pandemic. However, some countries are still striving to contend with more severe impacts stemming from the second wave or localized outbreaks of the pandemic.

Recent Economic Development in Myanmar

Though economic activity remained below potential, Myanmar's economy grew by 6.8 percent in FY 2018-2019, and 6.0 percent in the first half of FY 2019-2020 due largely to the fiscal stimulus and increase in gas export. Although Myanmar were able to contain the impacts of the first wave of the pandemic caused by imported cases, we are now striving to contend with impacts of the second wave which deeply affected our economy.

Real GDP growth in FY 2019-2020 is expected to be much lower than 4.3 percent, which was previously projected in June 2020, because of the wider current account deficit, dramatic increase in fiscal deficit, a substantial impact on travel and tourism, a

drastic fall in remittances and supply chain disruptions, together with sluggish domestic economic activities stemming from increased pandemic containing lockdown measures applied throughout the country.

Inflation fell to 6.43 percent in August from 9.16 percent in January 2020 mainly as a result of weak domestic demand arising from COVID-19. The current account deficit is projected to widen by sharp decline in export, higher imports especially for COVID-related medicines and medical equipment and plunge in remittance flows.

Myanmar launched COVID-19 Economic Relief Plan (CERP) in April 2020 aiming to mitigate the economic and social impacts of an outbreak of the pandemic, which consists of emergency fiscal, financial and monetary measures and other necessary measures. It is also the foundation for the economic recovery, and the policy measures and goals set out in CERP are in line with the Myanmar Sustainable Development Plan-MSDP (2018-2030) which is based on the 2030 Global Agenda for sustainable development.

Monetary and Financial Policy Responses to Economic Impacts of COVID-19

Let me turn to the monetary policy measures that we have eased, which is also in line with the goals of CERP. To support the economy, the Central Bank of Myanmar has cut the policy interest rate three times by a cumulative 300 basis points from 10 percent to 7 percent in 2020. Moreover, to ensure sufficient liquidity in the domestic financial system, the Central Bank of Myanmar has also reduced the minimum reserve requirement ratio by 1.5 percent (from 5.0 percent to 3.5 percent). In addition, the deposit auction was temporarily halted to support adequate liquidity in the domestic banking system. In addition, the Central Bank of Myanmar raised the weight of long-term government securities in banks' liquidity ratio calculations to facilitate domestic debt issuance and liquidity. Besides, the forbearance period for banks to compile with four prudential regulations, including on capital adequacy requirement, full provisioning of NPLs, and meeting large exposure limits, enacted in July 2017, has been extended by 3 years from 2020 to 2023.

We have been making efforts to make sure the convenient payment services in transferring financial support to affected businesses, enterprises and the most vulnerable and affected households. In doing so, the Central Bank of Myanmar has allowed mobile service operators to increase the daily transaction limit on mobile financial services, and arranged well-planned cash management in order to prevent cash shortage. Moreover, banks are also allowed to restructure and reschedule existing loans extended to MSMEs.

On AML/CFT issues, Myanmar has been striving to address the AML/CFT deficiencies expressed in the Myanmar National Risk Assessment Report-NRA (2018) which has already been adopted. National Strategy on AML/CFT has been adopted on 23 May 2019 and five working committees were formed for the implementation of five strategic areas of strengthening policies, instructions and legal frameworks, effective functioning of FIU, effective implementation on preventive measures for banks and financial

institutions and DNFBPs, capacity development of law enforcement agencies and enhancing internal and international cooperation.

Myanmar is actively working closely with APG to be unlisted of the FATF's list of jurisdictions under increased monitoring. Myanmar has also made its progress on AML/CFT compliance in the area of CDD measures, politically exposed persons, cross-border correspondent banking, money and value transfer services and beneficiary ownership issues since the mutual evaluation has been made by APG in 2017 and APG re-rated them to higher level respectively.

Fiscal Policy Responses to Economic Impacts of COVID-19

To mitigate the impacts of pandemic, on revenue side, the government provides exemptions and subsidies of household electricity charges, deferment of income and commercial tax payments, exemption of the 2 percent advance income tax on export, waiver of specific goods tax, customs duty and commercial tax on critical medical supplies and products related to the prevention, control and treatment of COVID-19, exemption of fees for renewal license of hotels and tourism businesses for one year and reduced custom duties for businesses operating with the Myanmar Automated Cargo Clearance System.

On expenditure side, as part of implementing the CERP, the government has established COVID-19 Fund and supported the financing to the affected businesses, enterprises and the most vulnerable and affected households. The government also allocated about 550 billion kyat to provide two months' salaries as the interest-free loans to permanent government employees. Moreover, the government would guarantee 50 percent of new loans made by private banks to enterprises which are not beneficiaries of the government COVID fund.

Engagement with the Fund and the Bank

Given the limited space of international reserve, still nascent government securities market and shortfalls in revenue mainly due to slow domestic economic activities, the urgent need to increase in spending to support people, businesses and the economy has brought about the significant financing gap. This gap has been bridged by both internal financing sources and external financing sources, such as from World Bank, International Monetary Fund, Asian Development Bank (ADB) and Japan International Cooperation Agency (JICA). The International Monetary Fund provided the emergency financing to Myanmar under the Rapid Financing Instrument (RFI) and the Rapid Credit Facility (RCF) with the amount of SDR 258.4 million (50 percent of quota) to enhance the Myanmar authorities' efforts to contain the impacts of COVID-19 shock and stimulus the affected economy. The Bank supports Myanmar COVID-19 emergency response project with the credit of USD 50 million and the grant of USD 7.674 million. Furthermore, ADB provides quick-disbursing budget support with a loan of USD 250 million. JICA also provides concessional COVID-19 Crisis Response Emergency Support Loan with the amount of Japanese Yen 30 billion (approx. USD 280 million).

Conclusion

I would like to take this opportunity to express my sincere appreciation to the International Monetary Fund and World Bank, ADB, JICA and other development partners for providing us the emergency financing to restrain the economic impacts stemming from COVID-19, motivate business and economic activities and protect the livelihoods of the vulnerable people.

We will continue to work closely with the Fund and the Bank in order to recover the domestic economy in the short period. We look forward to receiving the continued supports and assistances from the Fund and the Bank.

Thank you and wishing all of you in good health!