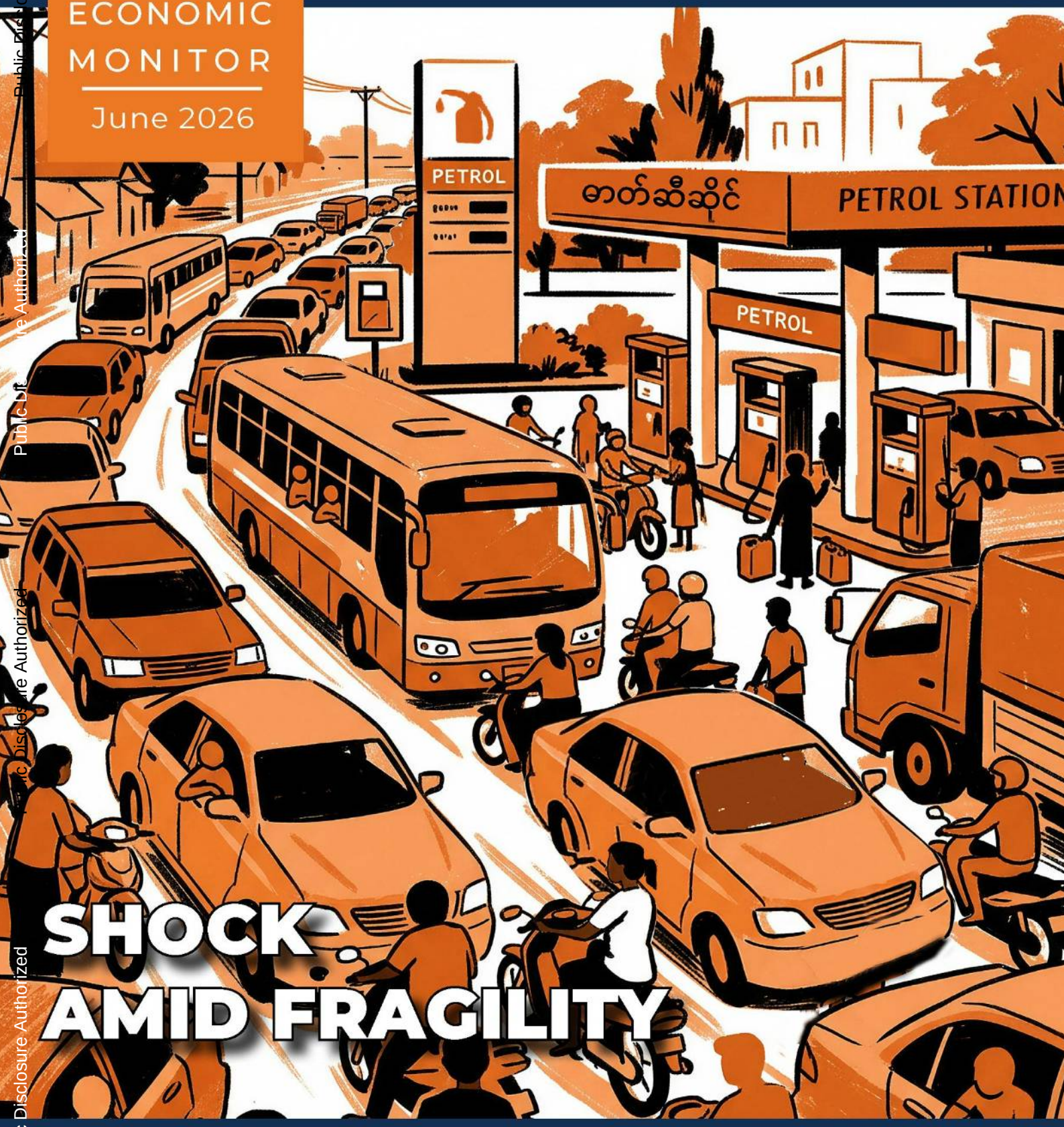
MYANMAR ECONOMIC MONITOR

June 2026



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MYANMAR ECONOMIC MONITOR

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SPECIAL FOCUS: MYANMAR'S BUSINESS ENVIRONMENT—FROM RULES TO UNCERTAINTY

June 2026

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Preface and Acknowledgements

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Abbreviations

ACLED	Armed Conflict Location and Event Data Project
bbl	Barrel of Crude Oil
BE	Budget Estimate
CBM	Central Bank of Myanmar
CIC	Currency in Circulation
CPI	Consumer Price Index
CPAT	Climate Policy Assessment Tool
CSO	Central Statistical Organization
DICA	Directorate of Investment and Company Administration
EAP	East Asia and Pacific
EU	European Union
EVI	Enhanced Vegetation Indices
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FX	Foreign Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
H1	The first six months of the year
H2	The second six months of the year
ILO	International Labour Organization
IPPs	Independent Power Producers
KIIs	Key Informants Interviews
LIFT	Livelihoods and Food Security Trust Fund
LNG	Liquefied Natural Gas
LPI	Logistics Performance Index
MACCS	Myanmar Automated Cargo Clearance System
MIC	Myanmar Investment Commission
MLCS	Myanmar Living Conditions Survey
MSME	Micro, Small and Medium Enterprises
MSPS	Myanmar Subnational Phone Surveys
NPL	Nonperforming loans
NTLs	Nighttime Lights
OGAs	Other Government Agencies
PMI	Purchasing Managers' Index
PTTEP	PTT Exploration and Production
RE	Revised Estimate
ROA	Return on Assets
ROE	Return on Equity
SMEs	Small and Medium-sized Enterprises
TA	Temporary Actual

TEU	Twenty-Foot Equivalent Unit
UK	United Kingdom
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees
USDA	United States Department of Agriculture
WDI	World Development Indicators
WFP	World Food Programme
YCDC	Yangon City Development Committee
YoY	Year-on-Year

Executive Summary

Prior to the Middle East conflict, Myanmar's economy was showing signs of stabilization, but activity remained weak and increasingly strained. Economic activity improved modestly through late 2025 and early 2026, supported by partial normalization after the March 2025 earthquake, some improvement in power supply, and pockets of resilience in manufacturing, construction, and services. Firms operated at higher capacity in March 2026 than in October 2025, with manufacturing and construction recording the clearest gains as energy constraints temporarily eased, while agriculture remained relatively resilient despite reduced cultivated area, input shortages, financing constraints, and conflict-related disruptions. However, these improvements had yet to translate into a durable rebound in output and earnings. Output, sales, and profits remained below pre-2021 and pre-earthquake benchmarks, while conflict, weak domestic demand, import restrictions, power shortages, labor market frictions, and limited policy space continued to weigh on activity. Real GDP is estimated to have contracted by 2.0 percent in FY2025/26, despite modest improvement in activity toward the end of the fiscal year.

The recent fuel shock has become the central macro amplifier of Myanmar's existing fragilities. Fuel supply disruptions linked to conflict in the Middle East sharply increased domestic fuel prices starting in March 2026, as import dependence, limited refining capacity, and scarce foreign exchange have left little room to cushion the external price shocks. The pass-through to the domestic economy has been rapid and broad. Higher fuel prices have raised transport and logistics costs, increased production and distribution costs, and intensified foreign exchange demand for fuel imports. This has pushed up inflation, weakened the kyat, and tightened already binding import and foreign exchange constraints. The shock has also further reduced households' real purchasing power and added pressure on firms already operating with weak demand, thin margins, and constrained access to inputs and finance.

Inflation has reaccelerated, driven primarily by higher fuel and transport costs. After easing through late 2025, inflation rose sharply again from March 2026, reaching 24.6 percent year-on-year in April. The acceleration was led by transport and other non-food components, reflecting the fuel shock's direct pass-through to mobility, logistics, and service costs. Food inflation also began to rise again as higher transport costs, supply chain disruptions, and localized shortages fed into staple food prices. Regions more exposed to fuel-dependent supply chains and local scarcities recorded the highest inflation rates. With policy responses focused on rationing and administrative controls, the authorities face difficult trade-offs: measures that conserve scarce foreign exchange and limit price pass-through can help stabilize supply in the short term, but they also risk worsening shortages, creating parallel markets, and sustaining inflationary pressures over time.

External pressures have intensified as higher fuel import costs strain foreign exchange availability and the kyat. Myanmar maintained a merchandise trade surplus in FY2025/26, supported by garment exports despite high reconstruction-related import demand. But this surplus masks rising external stress. Fuel import costs increased sharply after March, natural gas exports continued to weaken as output declined, and foreign direct investment remained subdued. After a period of relative stability in late 2025 and early 2026, the kyat came under renewed pressure from March as higher fuel import demand increased demand for foreign exchange. Parallel market premiums widened, signaling tighter foreign exchange conditions and renewed market segmentation. Remittance inflows continued to provide an important source of foreign exchange, but multiple exchange rates, administrative controls, and import licensing requirements continue to distort market signals, constrain business activity, and limit the economy's ability to absorb external shocks efficiently.

Headline labor market indicators have held up, but job quality has worsened, adding to household vulnerability. Headline labor force participation and employment rates have remained near pre-2021 levels, but aggregates mask a continued shift toward more informal, part-time, and casual work,

especially in urban areas. Firms report rising migration-related resignations, growing skill mismatches, and more difficulty hiring, reflecting the effects of military conscription, displacement, and weak labor market institutions. **E**mployment has been maintained more through adjustments in operating hours, job type, and informality than through robust demand for labor. This has helped prevent a sharper rise in unemployment, but it has also weakened earnings quality and productivity growth, leaving many workers more exposed to inflation and future shocks.

High poverty and low resilience mean macroeconomic shocks continue to translate into welfare losses. Poverty is estimated at 29.9 percent in 2025, only slightly lower than a year earlier and still far above pre-2021 trends. Poverty remains concentrated in conflict-affected and populous regions, while urban welfare remains particularly weak relative to pre-2021 benchmarks. Casual workers, urban industry workers, female-headed households, people with disabilities, and conflict-affected populations remain especially vulnerable. The fuel shock is likely to compound these pressures by raising transport and food costs, reducing real incomes, and forcing households—especially poorer ones—to cut essential spending.

Fiscal and financial constraints further limit the economy's shock-absorption capacity. The fiscal deficit is estimated to have widened to 5.5 percent of GDP in FY2025/26, driven by reconstruction spending, election-related outlays, and rising recurrent costs. Revenues were supported by non-tax income, particularly from state-owned enterprises, but tax collection remains weak, reflecting the fragile state of the private sector (see Part III). Budget deficit financing continued to rely mainly on domestic sources, with direct central bank financing declining somewhat while commercial bank financing increased, implying greater sovereign exposure for the financial sector. Public debt remains elevated, and fiscal space is limited. In the financial sector, targeted lending has supported some private activity and post-earthquake recovery but vulnerabilities remain significant. Profitability has weakened, capital buffers are thinning, and households continue to prefer cash over savings deposits, pointing to persistent fragility in financial intermediation. Together, these fiscal and financial constraints reduce the economy's ability to cushion further shocks and increase the risk that external pressures will feed more deeply into inflation, exchange-rate stress, and weaker growth.

Structural constraints continue to limit the economy's capacity to absorb shocks. Conflict remains a pervasive drag on production, trade connectivity, labor mobility, and investment. Although conflict intensity eased somewhat relative to late 2025, insecurity remains widespread and continues to fragment markets, raise logistics costs, and suppress demand. The lingering effects of the 2025 earthquake have become more localized, but firms in affected areas continue to operate at lower capacity and recovery remains uneven and largely self-financed. Power supply improved briefly in early 2026 but remains insufficient and unstable, forcing firms to rely on costly backup generation and limiting productivity. At the same time, declining natural gas production is reducing export earnings and weakening energy security. Taken together, these factors mean that even when activity rebounds temporarily, the economy remains highly vulnerable to renewed disruption because underlying buffers—energy, infrastructure, logistics, and institutional capacity—remain weak.

Recent macroeconomic developments signal growing tension in Myanmar's current policy mix. Fiscal policy has become more expansionary, with the deficit widening due to reconstruction, election-related spending, and rising recurrent costs, while tax revenue remains weak. Although direct central bank financing appears to have declined, broad money growth remained rapid with fiscal deficit financing increasingly anchored onto the banking system, contributing to continued monetary expansion alongside strong private credit growth. Exchange rate management has relied heavily on administrative controls, priority allocation of scarce foreign exchange, and partial rationing of key imports rather than market-clearing adjustment. Over time, the current policy mix will become more difficult to sustain as higher inflation erodes household purchasing power and weakens welfare, along with raising labor market stress, increasing firms' costs, squeezing profits, and weakening private sector activity.

The outlook points to continued stagnation under persistent domestic and external pressures. Real GDP growth is projected at 2 percent in FY2026/27, revised down from 3 percent previously, reflecting the effects of persistent domestic constraints and a less favorable external environment. Reconstruction activity and pockets of resilience in manufacturing and construction are expected to support growth, but gains will continue to be limited by weak domestic demand, high input costs, foreign exchange pressures, labor and power shortages, and ongoing conflict-related disruption. Given very limited household buffers, this partial growth rebound is not expected to translate into broad-based welfare recovery. Inflation is projected to remain high at 20 percent, while the current account is expected to shift from surplus to a deficit of 1.2 percent of GDP, as fuel imports become more expensive and export performance remains subdued. The fiscal deficit is expected to stay elevated at 5.2 percent of GDP, leaving little room for policy support.

Table ES 1: Selected macroeconomic indicators (annual percent change unless indicated otherwise)

	2019-20	*2020-21*	*2021-22*	*2022-23*	*2023-24*	*2024-25*	*2025-26*	*2026-27F*
Real GDP growth, at constant factor prices	6.6	-9.0	-12.0	4.0	1.0	-1.0	-2.0	2.0
Agriculture	2.2	-5.7	-12.8	-2.2	2.0	-3.8	-1.1	1.1
Industry	8.0	-11.8	-8.2	8.0	0.0	-0.2	-2.4	2.7
Services	7.8	-8.4	-14.7	3.9	1.4	-0.2	-2.0	2.0
CPI inflation, year average	9.1	2.3	9.6	27.2	27.6	29.6	21.1	20.0
Merchandise Trade balance (% of GDP)	-5.7	-2.4	-2.4	-5.5	-3.9	1.3	1.1	-3.4
Current account balance (% of GDP)	-1.8	0.1	-2.4	-3.8	-2.9	3.3	1.9	-1.2
Fiscal balance (% of GDP)	-6.2	-7.5	-2.2	-2.8	-2.8	-4.1	-5.5	-5.2
- Revenue (% of GDP)	22.8	16.4	16.5	21.3	19.9	23.1	24.8	24.3
- Expenditure (% of GDP)	-29.0	-23.9	18.7	-24.1	-22.7	-27.2	-30.3	29.5
Public debt (% of GDP)	42.9	54.2	60.1	58.8	62.2	62.4	62.8	64.5
Primary balance (% of GDP)	-6.8	0.0	-0.6	-0.9	-2.1	-3.0	-3.0	-3.0

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

Risks are tilted firmly to the downside as recent shocks could prove more persistent and more damaging than assumed. If fuel supply disruptions persist or global energy prices rise further, inflation could accelerate more than projected, foreign exchange shortages could intensify, and import compression could deepen. A further weakening of exports, especially natural gas, could add to external pressures. On the domestic side, renewed escalation in conflict, continued border disruptions, or further deterioration in power supply could raise costs, fragment markets, and weaken private sector activity. Given limited fiscal, financial, and household buffers, these shocks could have amplified effects across the economy. Myanmar's current policy mix could worsen these risks, raising the likelihood of weaker growth, greater macro-financial stress, and persistently high poverty. Upside risks are limited and would depend on more durable improvements in power supply, industrial activity, and logistics, or on a faster easing of external pressures. Overall, Myanmar's economy is not yet on a recovery path; it is stabilizing at low levels while a renewed fuel shock magnifies longstanding structural weaknesses and leaves the outlook highly vulnerable to further disruption.

Myanmar's Business Environment—From Rules to Uncertainty

Myanmar's private sector operates in a highly challenging and uncertain environment shaped by conflict, macroeconomic pressures, policy reversals, and weakening state capacity. Since 2021, these overlapping shocks have stalled recovery, weakened business confidence, and kept growth low

while poverty remained high. In this setting, the business environment has shifted from facilitation toward tighter control, greater discretion, and lower predictability. For firms, this has meant higher costs, greater compliance risk, and weaker incentives to invest, expand, or innovate.

Many of Myanmar's business constraints stem not from missing rules, but from weak implementation and poor service delivery. In business entry, competition policy, and commercial lending, Myanmar retains formal rulebooks that broadly align with international practice, and in some areas it compares reasonably well with regional peers. But fragmented institutions, uneven digital systems, discretionary enforcement, and weak coordination across agencies have created material bottlenecks, especially for small and medium-sized enterprises (SMEs) and foreign firms. These gaps have widened the distance between rules on paper and firms' experience in practice.

Myanmar performs reasonably well on business registration, access to information, and clarity of entry procedures, which helps domestic firms establish operations more quickly. Agencies such as the Directorate of Investment and Company Administration (DICA) and the Myanmar Investment Commission (MIC) are still viewed as more predictable and transparent than many others. However, these strengths are weakened by tighter conditions for foreign firms and by delays after entry. Import licenses, electricity connections, construction permits, and municipal permits all create delays and uncertainty that raise costs and discourage growth. These burdens fall disproportionately on smaller firms and contribute to a divide between firms that can navigate the system and firms that cannot.

Wider operating constraints also weigh heavily on firm performance. Unreliable electricity has become the most severe obstacle. Frequent and prolonged power cuts force firms to rely on generators and other off-grid power sources. These stopgap measures allow operations to continue, but they also raise costs, reduce productivity, and weaken incentives for new investment. Labor shortages are another major constraint. Nearly half of firms report difficulties hiring, mainly because of skills gaps, outward migration, and compulsory military service. Firms respond by raising wages and offering short-term training, but these steps increase costs while only partially easing labor shortages.

Macroeconomic conditions and trade policies now place heavy strain on firms. The move to a fixed exchange rate and tighter administrative controls has led to foreign currency shortages, and greater compliance risk. Exporters receive less favorable returns, while import-dependent firms face lengthy licensing procedures, caps on approvals, and discretionary valuation practices. Trade licensing and customs clearances have become major bottlenecks that disrupt supply, raise costs, and tie up working capital in licenses and excess inventories.

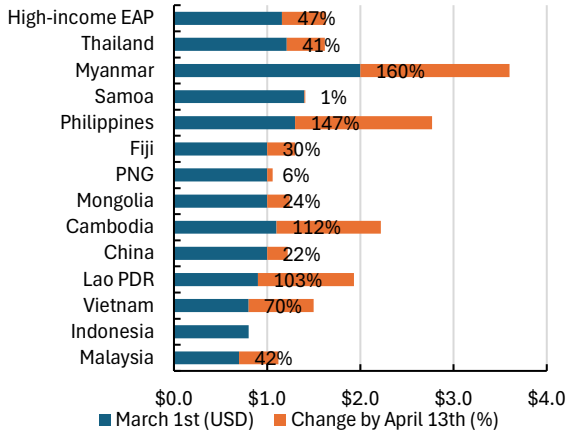
Weak implementation capacity also constrains competition and access to finance. Although the competition law is relatively strong on paper, enforcement remains weak, and merger reviews are slow and unpredictable. Most firms sell in local markets, face only a limited number of rivals, and experience weak competitive pressure. In finance, the formal rules are broadly adequate, but access to formal credit remains constrained. Bank lending often requires heavy collateral, approvals take time, and SMEs depend more heavily on non-bank lenders, often paying higher costs in exchange for faster and more reliable access.

Technology adoption among Myanmar firms remains shallow and uneven. Most firms use only basic machines or storage tools, while very few have adopted integrated digital systems or other professional digital tools. Weak digital skills, limited finance for these investments, unreliable power, and policy uncertainty all reduce incentives for deeper adoption. As a result, technology yields only modest efficiency gains rather than the larger productivity gains that broader digital upgrading could support.

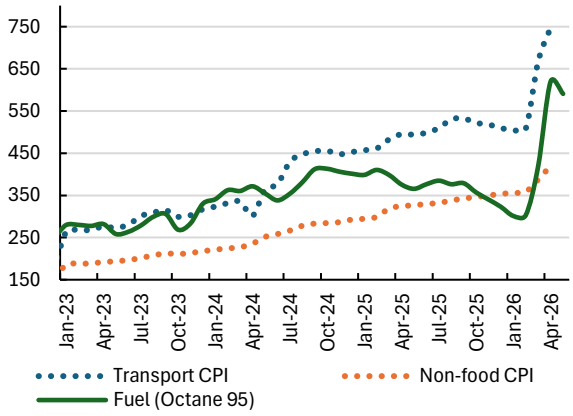
Overall, the findings point to a private sector focused more on survival than on growth. Uncertainty, administrative burdens, and infrastructure gaps now shape many business decisions. Firms rank political instability, power shortages, and transport disruptions among their most severe obstacles, while these constraints are amplified by discretionary policy implementation and weak coordination

across agencies. Better business outcomes will require a return to more predictable, proportionate, and coherent policy implementation, especially in macroeconomic management, trade processes, post-entry service delivery, and infrastructure reliability. Without that shift, Myanmar's formal regulatory strengths are unlikely to translate into stronger private investment, more competition, or a sustained recovery in productivity and growth.

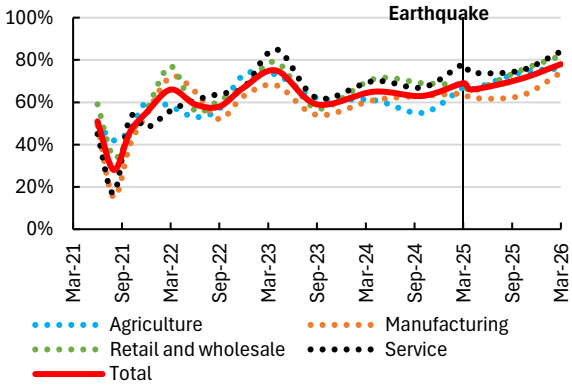
ES 1: Regional diesel price changes (USD and percent)



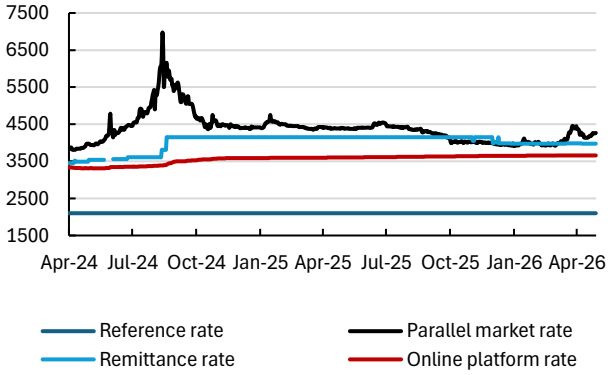
ES 2: Energy-related price index



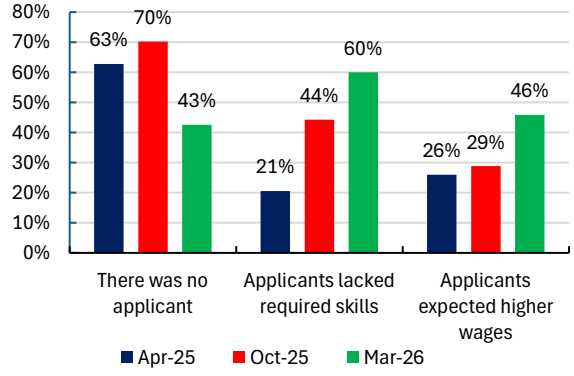
ES 3: Average firm capacity utilization (percent)



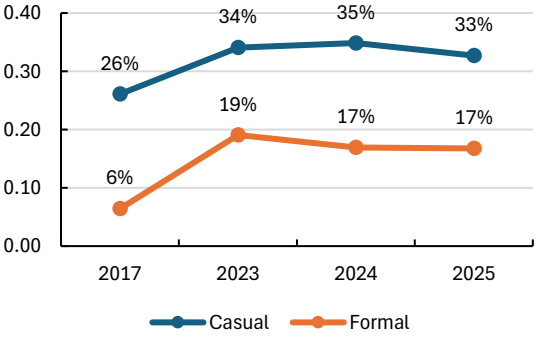
ES 4: Kyat per US dollar



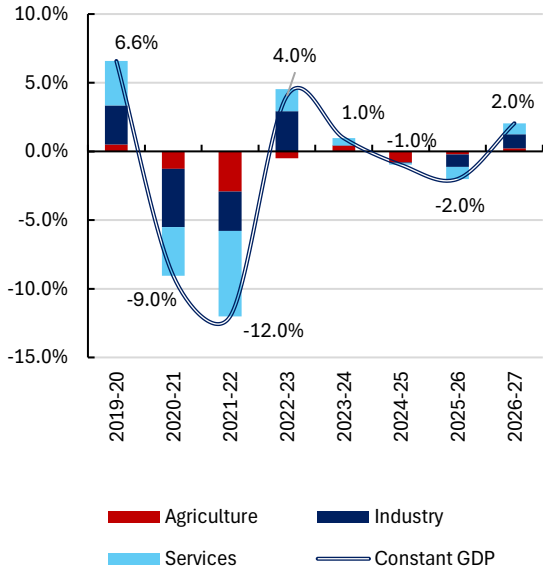
ES 5: High frequency labor market indicators (percent of firms reporting)



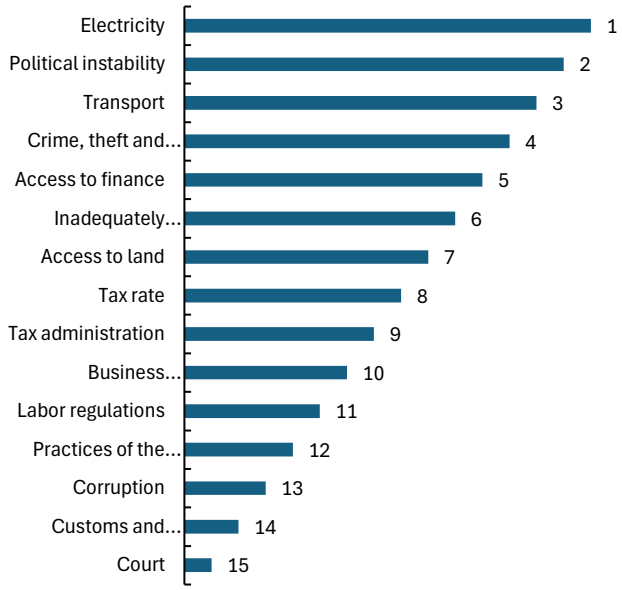
ES 6: Poverty rate by job type (percent)



ES 7: Real GDP growth (percent)



ES 8: Ranking of obstacles to firm operations

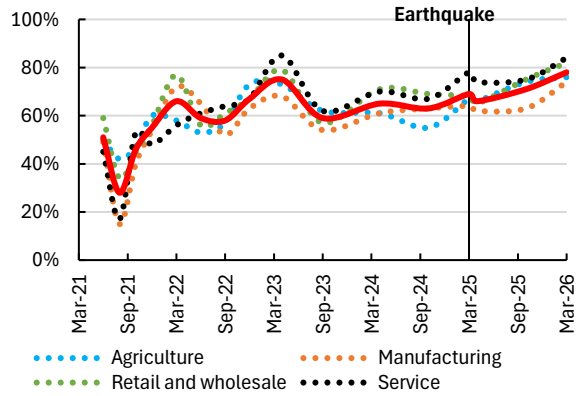


I. Recent economic developments

A. Global shocks and structural constraints continue to weigh on economic recovery

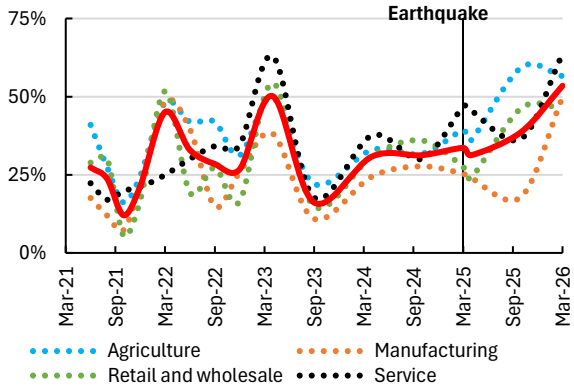
Myanmar's economy showed signs of a partial recovery through March 2026, although the improvement remained fragile, uneven, and incomplete. Economic activity strengthened modestly from late 2025, with firms reporting higher capacity utilization and smaller declines in sales and profits than in October 2025. Average operating capacity rose from 71 percent in October 2025 to 78 percent in March 2026, with broad-based gains across sectors. Manufacturing recorded the largest increase, rising by 11 percentage points to 74 percent, while agriculture, services, and retail and wholesale also improved (**Figure 1**). The share of firms operating at full capacity increased from 39 percent to 53 percent, returning to levels last recorded in March 2023 (**Figure 2**). These gains indicate that firms have continued to adapt to difficult operating conditions, but they have not translated into a broad-based recovery in sales or profitability because of weak demand, declining purchasing power, labor and input shortages, and logistics disruptions. Partial reopening of border crossings has also yet to generate a material increase in activity, while import restrictions continue to constrain access to production inputs. Conflict intensity has eased somewhat, but remains elevated. These partial gains were insufficient to offset persistent structural constraints and earthquake-related disruptions, and real GDP is estimated to have contracted by 2.0 percent in FY2025/26.

Figure 1: Average firm capacity utilization (percent)



Source: World Bank Firm Monitoring Surveys

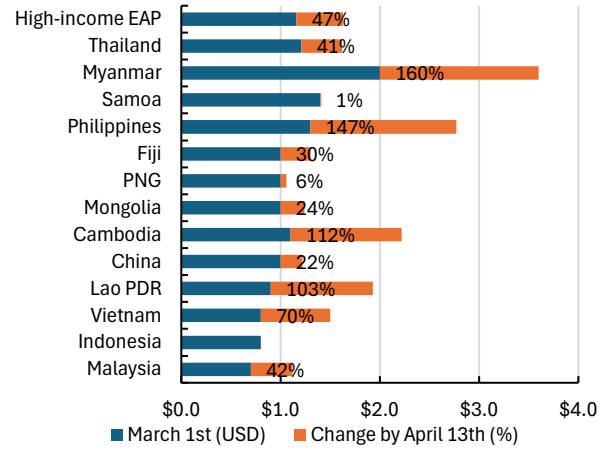
Figure 2: Share of firms operating at full capacity (percent)



Source: World Bank Firm Monitoring Surveys

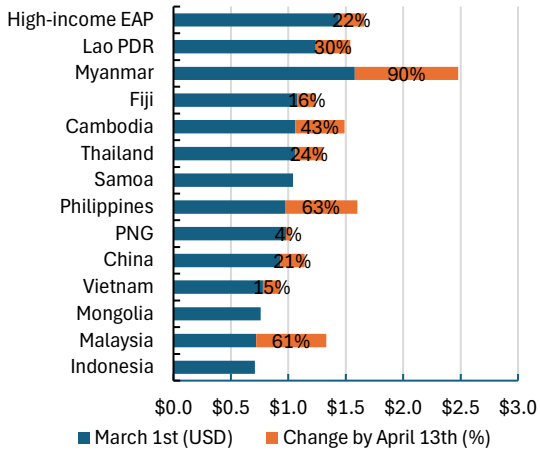
The conflict in the Middle East and associated global energy disruptions have rapidly translated into fuel price and availability pressures, reflecting Myanmar's dependence on imported refined fuels and limited capacity to absorb shocks. As global crude oil prices increased by 40–50 percent from January to April 2026, domestic fuel prices surged by 90–160 percent **(Figure 3 and 4)**. Nationwide rationing, conservation measures, and rising prices have disrupted mobility, logistics, and daily economic activity. Higher fuel prices have also raised transport and food distribution costs, intensifying cost-push inflationary pressures. At the same time, the higher fuel import bill has resulted in increased demand for foreign currency, leading to stricter import controls and the allocation of scarce foreign exchange reserves. Overall, the energy shock has become a wider economic disruption, causing fuel shortages, higher inflation, exchange rate pressures, and constraints on growth. Myanmar, unlike other net fuel importers, has binding foreign exchange constraints and few policy options. The delayed adjustment of natural gas export prices under existing contract arrangements constrains Myanmar's ability to use higher global gas prices to absorb the increase in fuel import costs.

Figure 3: Regional diesel price changes (USD and percent)



Source: World Bank Real-Time Fuel Tracker, Denko

Figure 4: Regional gasoline price changes (USD and percent)



Source: World Bank Real-Time Fuel Tracker, Denko

Domestic conflict remains a central constraint for firms and households across Myanmar. The number of reported incidents has decreased since October 2025, but conflict remains high in many regions (**Figure 5 and 6**). The Dry Zone (Sagaing, Magway) continues to register the highest incident concentration, but armed clashes have continued on multiple fronts, including the North (Chin, Kachin), South (Bago, Mon, Tanintharyi), and West (Rakhine). Frequent airstrikes and drone use in some regions are causing displacement and localized economic disruption. UNHCR estimates suggest that by May 2026 there were around 3.7 million internally displaced persons, up by 100,000 relative to December, with many lacking access to basic services and facing higher food and fuel costs, reinforcing vulnerability and weakening labor markets and demand in affected areas. Although there have been partial reopenings of key trade corridors, including some northern routes and a major Thai border crossing, land border trade flows have yet to recover. Barriers such as commercial trucking restrictions at the Thai border, permit requirements, informal checkpoints, tolls, and infrastructure damage continue to push up costs and uncertainty for traders. In addition, insecurity and illicit activity along border zones further complicate logistics.

Figure 5: Change in conflict intensity level (compared to the previous 6 months)

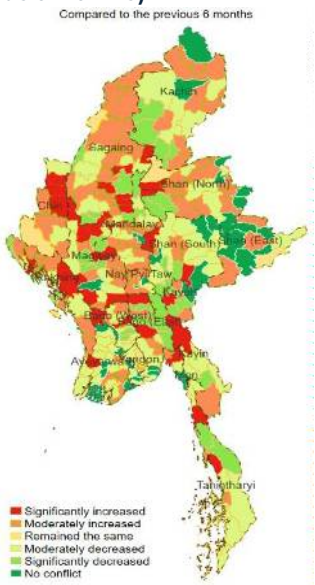
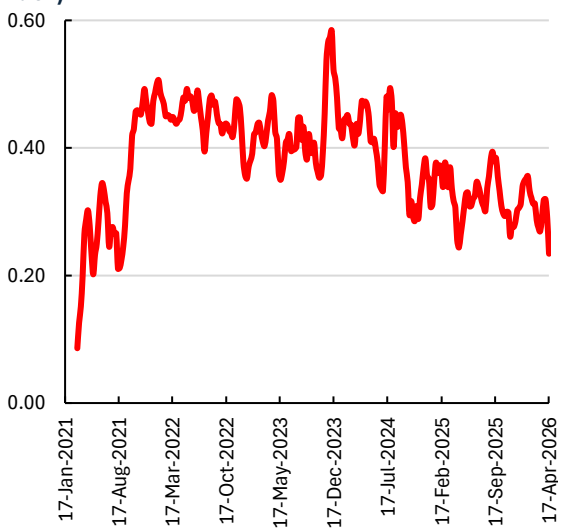


Figure 6: Conflict weekly trends (conflict intensity index)

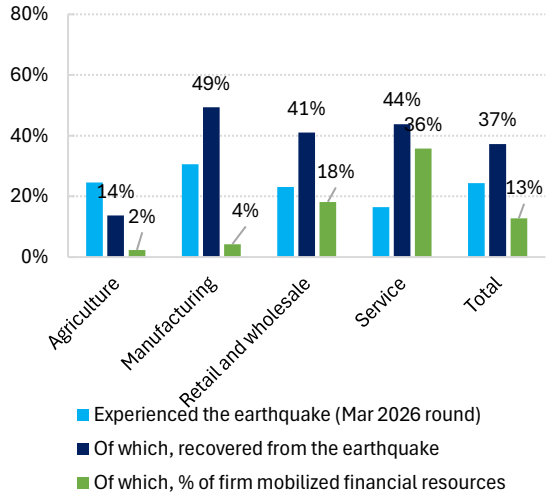


Source: WB staff calculations using data from the Armed Conflict Location and Event Data Project (ACLED)
Note: Conflict intensity trend reflects 4-week moving average. Conflict intensity is calculated as a geometric mean of events and fatalities. Events include battles, explosions and remote violence, protests, riots, and violence against civilians. Fatalities represent the total fatalities resulting from each event.

B. The impacts of the 2025 earthquake have largely subsided, but recovery remains uneven

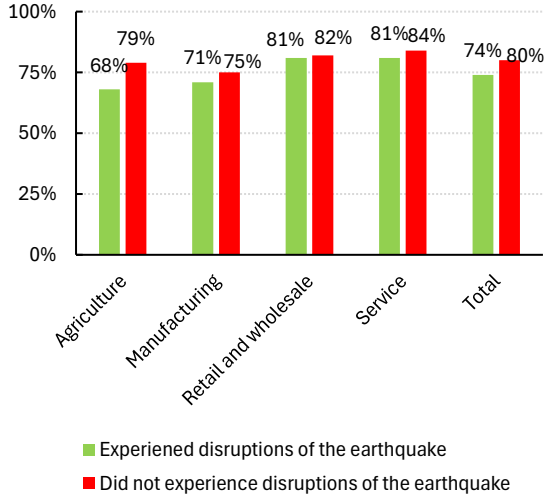
Earthquake-related disruptions have largely subsided, but recovery remains uneven across firms, sectors, and regions. In March 2026, 76 percent of firms reported no disruption, up from 70 percent in October, indicating that the remaining effects are increasingly concentrated among a narrower group of firms. Of the 24 percent still experiencing earthquake impacts, recovery rates were higher in manufacturing (49 percent), services (44 percent), and retail and wholesale (41 percent), but considerably lower in agriculture (14 percent; **Figure 7**). Regional divergences were also notable: recovery among affected firms reached 68 percent in Yangon, compared with only 32 percent in Mandalay and 29 percent in Chin and the Dry Zone. This uneven pace of recovery helps explain why firms still affected by the earthquake operated at lower capacity, averaging 74 percent, compared with 80 percent for those not impacted (**Figure 8**). While the overall effects of the earthquake are fading, it remains a relevant secondary shock rather than the main constraint facing firms.

Figure 7: Earthquake recovery indicators (March 2026, percent of firms reporting)



Source: World Bank Firm Monitoring Surveys

Figure 8: Average operating capacity of earthquake affected firms vs those unaffected (March 2026, percent)



Source: World Bank Firm Monitoring Surveys

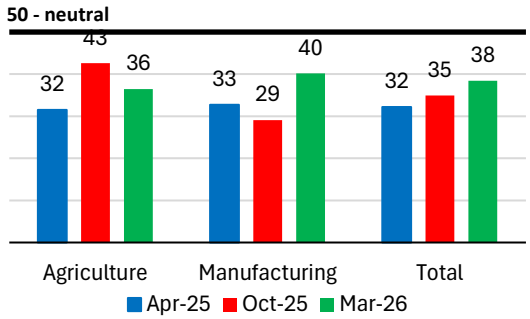
Firm responses suggest that recovery has relied mostly on self-adjustment efforts rather than formal support. Among affected firms, 27 percent repaired infrastructure at a cost of 30 percent of annual sales, while 13 percent mobilized financial resources. Insurance coverage is still very limited, as only 5 percent of companies possess natural disaster insurance. Public support for recovery appears minimal, with roughly 55 percent of firms depending on capital infusions to aid reconstruction efforts, and another 38 percent took loans.[1] For firms that have yet to recover, the outlook is still uncertain: half report that the timeline to full recovery is uncertain, while 31 percent expect it to take more than six months. Further, qualitative interviews indicate that firms are now more preoccupied by weak demand, cost pressures, labor shortages, conflict-related logistics issues, and policy uncertainty than by the direct legacy of the earthquake.

[1] World Bank Firm Monitoring Survey Results March 2026 (forthcoming).

C. Firms are experiencing a milder downturn instead of a broad-based rebound

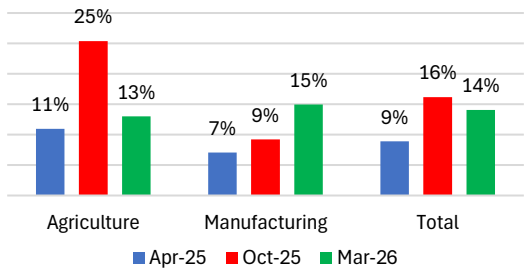
Production remained weak in March 2026, with the latest data pointing to a modest easing in the contraction rather than a broad-based rebound. The production diffusion index[2] increased from 34.9 in October 2025 to 38.4 in March 2026 (**Figure 9**), suggesting that output losses were slowing. However, this improvement was driven mainly by a smaller share of firms reporting production declines rather than a strong increase in firms reporting gains. Only 14 percent of firms reported higher production, down slightly from 16 percent, while nearly half reported unchanged output (**Figure 10**), indicating that the broader improvement in operating capacity had not translated into outright output expansion for many firms. Sectoral trends were also uneven. In manufacturing, the production index rose from 29.1 to 40.2, with 15.0 percent of firms reporting higher output, consistent with the sharp increase in capacity utilization. By contrast, the agricultural production index fell from 42.6 to 36.5, while the share of firms reporting higher output declined from 23 percent to 13 percent despite a modest improvement in capacity utilization. Overall, the production data point to a fragile and uneven improvement, with gains concentrated in manufacturing and continued weakness in agriculture.

Figure 9: Production diffusion index



Source: World Bank Firm Monitoring Surveys
Notes: The production diffusion Index is scaled 0–100, where 50 = neutral. Value below 50 means decreases and above 50 is an expansion

Figure 10: Share of firms reporting higher production levels (percent)

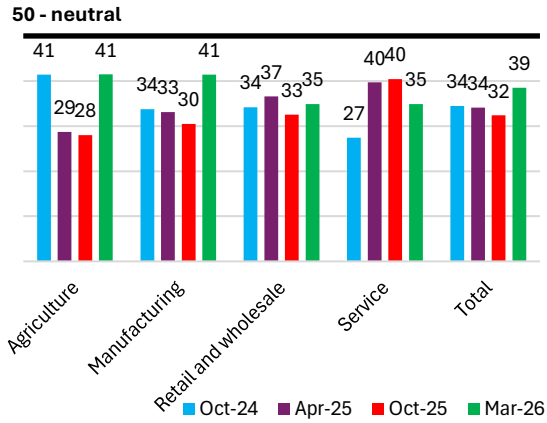


Source: World Bank Firm Monitoring Surveys

Sales and profits continued to decline in March 2026, although the contractions were less severe than in October 2025. The overall sales diffusion index rose from 32 in October to 39 in March, while average sales growth improved from -14 percent to -10 percent. Similarly, the profit diffusion index increased from 28 to 33, with average profit losses narrowing from -20 percent to -14 percent. Manufacturing and agriculture recorded the strongest relative improvements, with their sales diffusion indexes rising to 41 in March from 30 and 28, respectively, in October (**Figure 11).** Both sectors also posted stronger profit diffusion results (**Figure 12**). Retail and wholesale experienced smaller declines in sales and profits, while conditions in services continued to deteriorate on both measures. Qualitative interviews suggest that improvements in sales and profits were concentrated in reconstruction-related activities and essential goods, although both indexes remained in contractionary territory overall. Profitability continued to be squeezed by rising labor, fuel, and material costs, while weak consumer demand, labor shortages, power outages, and regulatory constraints continued to weigh on sales.

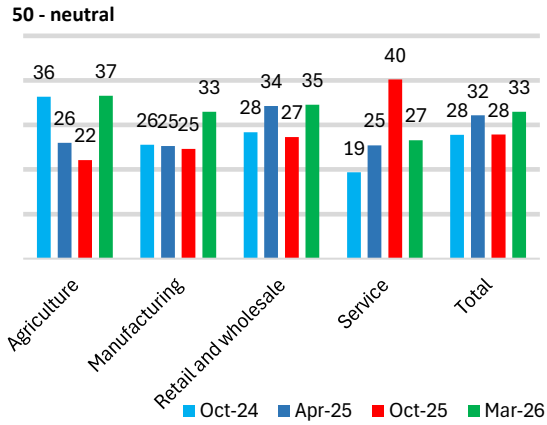
[2] The production diffusion index measures the direction of survey-on-survey production changes by assigning a weight of 100 to firms reporting increased production, 50 to those reporting no change, and 0 to those reporting decreased production, and then taking the weighted average across responses. The index therefore ranges from 0 to 100, with 50 indicating no overall change, values above 50 indicating expansion, and values below 50 indicating contraction in production.

Figure 11: Sales diffusion Index



Source: World Bank Firm Monitoring Surveys
Notes: The sales diffusion Index is scaled 0–100, where 50 = neutral. Below 50 reflects decreases and above 50 an expansion

Figure 12: Profit diffusion index



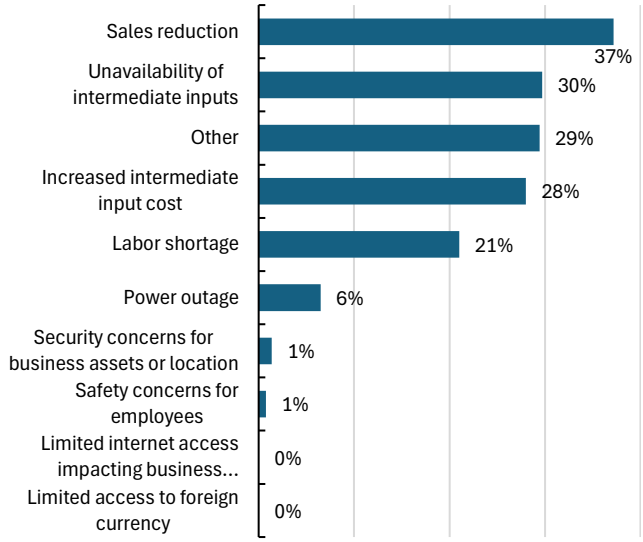
Source: World Bank Firm Monitoring Surveys
Notes: The profit diffusion Index is scaled 0–100, where 50 = neutral. Below 50 reflects decreases and above 50 an expansion

The partial improvement of sales and profits contrasts with the notable improvements in capacity utilization, reaching levels not seen since March 2023. Manufacturing experienced the greatest rise in full capacity utilization, increasing from 18 percent to 50 percent. In the services sector, full capacity utilization rose from 37 percent to 64 percent, whereas agriculture saw a slight decrease of 2 points to 57 percent. These improvements in capacity utilization point to economic resilience, as businesses are actively working to minimize production losses amidst ongoing difficulties. Despite these positive trends, the improvement suggests a lower and more fragile operating steady state than a full recovery. Persistent disruptions such as conflict, power outages, and regulatory challenges continue to affect the business landscape, while the impacts of the Middle East conflict have yet to fully materialize.

D. Persistent structural challenges are still hindering the expansion of the private sector

Persistent structural constraints are still hindering the expansion of the private sector. Firms cite reduced sales (37 percent), lack of intermediate inputs (30 percent), rising input costs (28 percent), labor shortages (21 percent), and power outages (6 percent) as the main barriers to full capacity utilization (**Figure 13**). In terms of major obstacles to business operations, conflict remained the overarching constraint— reported by 23 percent of firms (**Figure 14**), with its effects transmitted through weaker demand, tighter input availability, higher costs, and labor market frictions, all of which continue to suppress output growth. Weak sales emerge as another top obstacle to operations, suggesting that weak domestic demand is an important drag on production, likely reflecting the continued erosion of household purchasing power under persistent inflation. At the same time, input shortages and rising costs point to continued supply-side pressures, while labor shortages and unreliable electricity remain structural constraints that limit firms' ability to optimize operations even when demand conditions improve. Overall, the private sector is still constrained less by a single isolated factor than by the interaction of insecurity, weak demand, and persistent supply-side bottlenecks (see Part III).

Figure 13: Reasons for not operating at full capacity (percent of firms reporting)



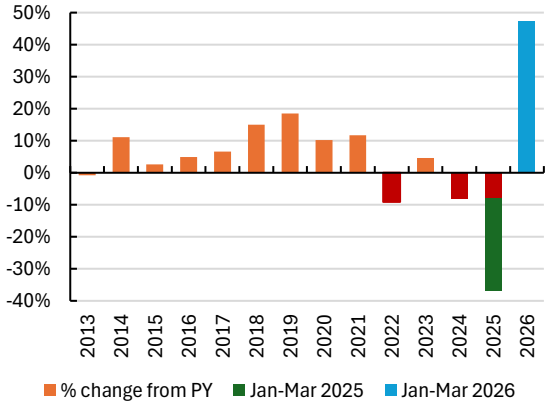
Source: World Bank Firm Monitoring Surveys

Figure 14: Biggest challenges to firm operations (ranking based on most cited responses; March 2026)

Source: World Bank Firm Monitoring Surveys

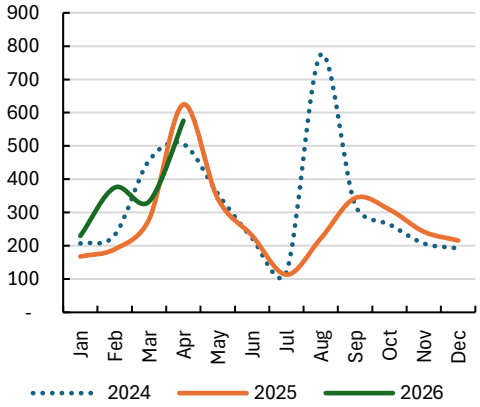
Nighttime Lights (NTLs), an indicator of economic activity, also points to a fragile and uneven recovery of economic activity. After rising through 2021, annual NTLs dropped by 9 percent in 2022, saw a brief 4.6 percent rebound in 2023, and fell again by about 8 percent per year in 2024–2025 (**Figure 15**). During the January–March 2025 earthquake period, NTLs dropped 29 percent following large-scale disruption in economic activity. Industrial zones experienced similar trends, with a 10.4 percent drop in 2022, a slight uptick in 2023–2024, and decline further in 2025 (–2 percent), though the decline was less severe than non-industrial areas (–11 percent). Monthly data show consistently low NTLs in 2025 compared to 2024 (**Figure 16**), tied to shocks like conflict and the March earthquake. However, early 2026 saw a brief rise in luminosity particularly in industrial zones, but this faded by March due to renewed power disruptions linked to the Middle East conflict.

Figure 15: Nighttime light trends (annual percent change)



Source: NASA BlackMarble

Figure 16: Monthly trends in nightlights

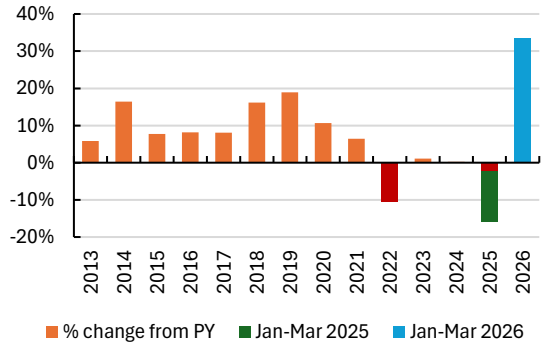


Source: NASA BlackMarble

The increase in industrial NTLs in early 2026 reflects an uptick in power supply from Independent Power Producers (IPPs) after LNG import restrictions were eased. This trend corresponded with fewer firms reporting power outages—down to 44 percent from 64 percent in October 2025—and a drop in financial losses from outages to 8 percent of monthly sales from 15 percent previously. However, in some regions like Rakhine, Kachin, Sagaing, and Magway, NTLs still lag 2024 levels due to ongoing conflict, indicating that the recovery is gradual and uneven (**Figure 18**). Power generation remained

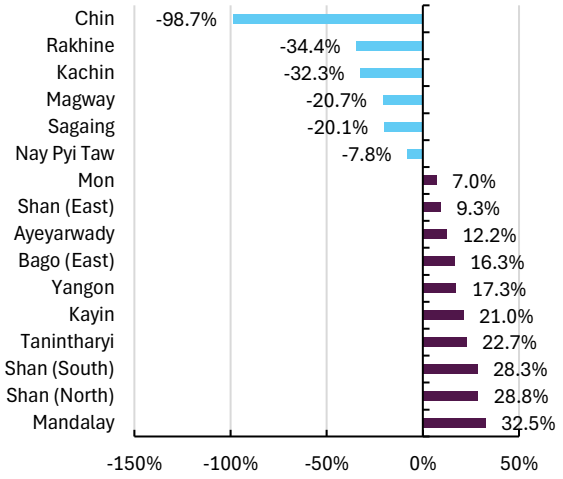
insufficient at roughly 3,000 MW per day[3], covering only half of daily demand and prompting continued rationing. More firms invested in backup generators (58 percent, up from 47 percent) and renewable energy systems (30 percent; **Figure 19**), highlighting risk mitigation efforts. The evidence points to a partial but weak rebound in power generation, with limited resilience in the power system, weighing on output, investment, and recovery prospects.

Figure 17: NTL trends in industrial zones (annual percent change)



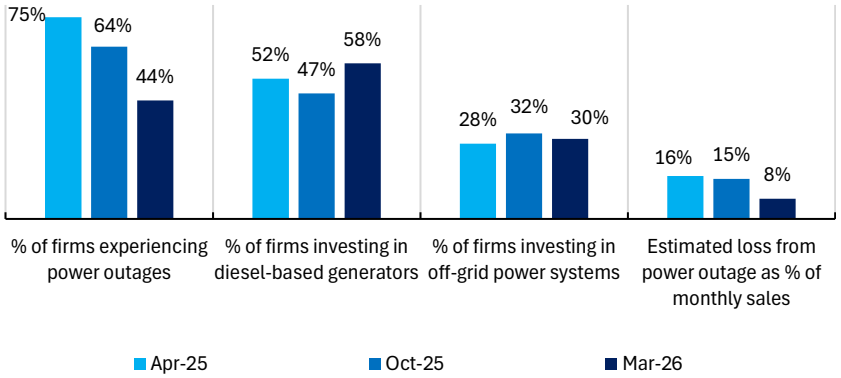
Source: NASA BlackMarble

Figure 18: Regional change in industrial NTLs (Jan–Mar, 2024 vs 2026, percent change)



Source: NASA BlackMarble

Figure 19: Power outages, losses, and firms' investment in alternative sources (percent of firms reporting)



Source: World Bank Firm Monitoring Surveys

E. Agricultural conditions are resilient, but production is constrained

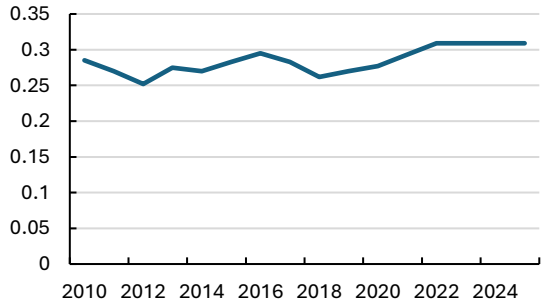
High-frequency Enhanced Vegetation Index (EVI)[4] show stable agricultural conditions, though output growth remains constrained. Since 2022, Myanmar's growing season EVI—typically measured from July to February—has held steady at around 0.31 (**Figure 20**). However, this stability should be viewed cautiously, as it likely results from adequate rainfall and irrigation maintaining vegetation health, even though farmers seem to be cultivating less land. At the same time, USDA estimates show that

3 Global New Light of Myanmar

[4] The Enhanced Vegetation Index (EVI) is a satellite-derived indicator of vegetation health and canopy greenness. It improves upon the older Normalized Difference Vegetation Index (NDVI) by correcting for atmospheric distortion and soil background effects, thereby providing greater sensitivity in areas of dense vegetation. EVI values typically range from -1.0 to +1.0, with values around 0.2 or below generally indicating sparse or stressed vegetation. The index is widely used in agricultural analysis and forecasting, drought monitoring, and deforestation assessment because it remains robust in high-biomass tropical environments without saturation.

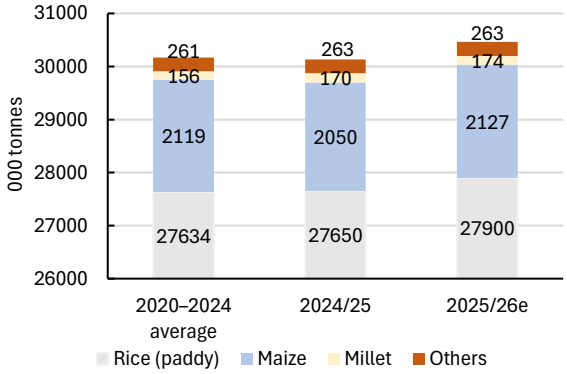
cereal output in FY2024/25 remained close to the 2020–2024 average, with only a modest increase in FY2025/26 (**Figure 21**), indicating that better vegetation conditions have not translated into a broad-based production recovery. Output therefore remains constrained by a smaller cultivated area **(Figure** 22), as well as frequent flooding, input shortages, including fertilizer and fuel, financing constraints, and conflict-related logistics and market disruptions.

Figure 20: Growing season median EVI (July–February, 2010–2025)



Source: NASA MODIS, 250m resolution

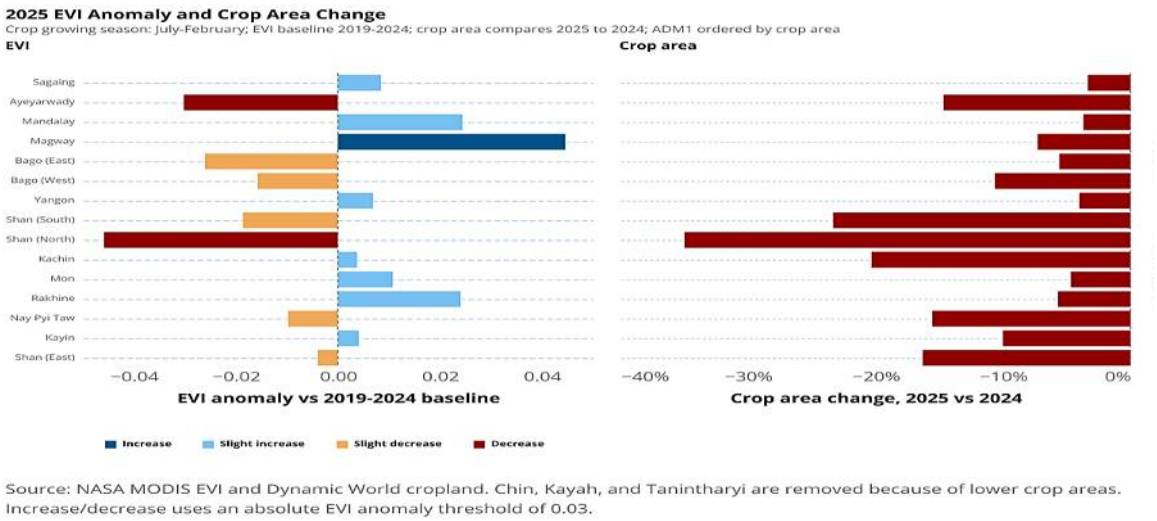
Figure 21: Cereal production (thousands of tons)



Source: USDA

Regional data also point to uneven conditions. Compared to the 2019–2024 baseline, EVI dropped in Ayeyarwady, Shan, Bago, and Nay Pyi Taw (**Figure 22**), likely indicating localized yield stress, even as rainfall in these areas was higher in 2025[5]. Central dry zone regions—Magway, Mandalay, and Sagaing—showed improved EVI, probably due to better moisture and irrigation, though this did not translate into increased production. Nationally, crop area dropped by 9.5 percent in 2025 versus 2024, with Shan seeing significant reductions. USDA data also reports less rice and corn being planted.[6] This trend shows that farmers are planting less, which explains why steady EVI levels have not resulted in significant output increases.

Figure 22: Regional EVI and crop area changes (percent)



Source: NASA MODIS, 250m resolution.

Agricultural firms showed modest improvement in capacity utilization in March 2026, with average operating capacity rising to 76 percent from 74 percent in October 2025 (Figure 1). However, the share operating at full capacity edged down slightly to 57 percent from 59 percent (**Figure** 2) while sales

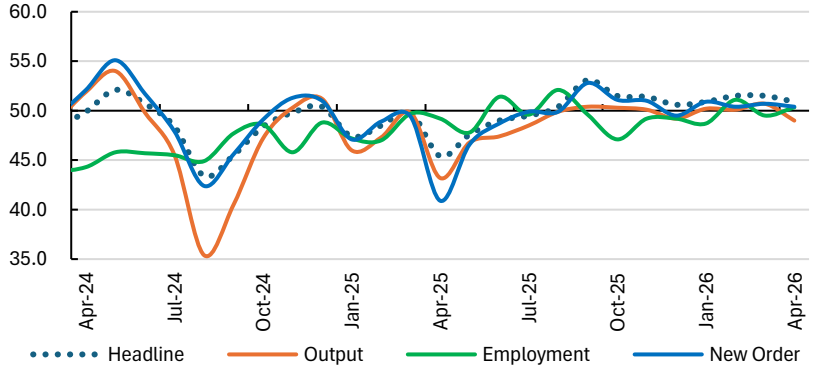
[5] NASA's CHIRPS rainfall data (2025)
[6] APEDA AgriExchange Market Report. https://agriexchange.apeda.gov.in/MarketReport/10258060520264211452121116.pdf

and profits remained contractionary, though the downturns were less severe. Average sales losses narrowed to -12 percent while average profit losses slowed to -21 percent.[7] Overall, firm survey results suggest that agriculture is stabilizing, though under pressure from constrained output and weak profitability.

F. Industrial activity partially improved as manufacturing and construction recorded growth

Myanmar's manufacturing PMI remained above the expansion threshold for nine consecutive months through May 2025 (Figure 23), indicating sustained—albeit fragile—improvement in operating conditions. Early in 2026, growth was supported by concurrent increases in output and new orders, reflecting a modest demand recovery and a boost in power supply, particularly in industrial zones. World Bank firm surveys show that manufacturing firms saw sharp gains, with average operating capacity rising from 63 percent in October 2025 to 74 percent in March and the proportion at full capacity increased by nearly threefold to 50 percent. Sales and profits contracted less, but by April, the PMI expansion softened as supply issues limited production and new orders. Business sentiment weakened due to inflation, fuel shortages, and material constraints. The May PMI shows that input costs surged to a 43-month high (**Figure 24**) due to raw material shortages, rising energy and transport costs, and ongoing US dollar scarcity. Manufacturers have responded by raising prices, albeit at a slower rate than input costs, reducing household purchasing power and demand. Firm survey results indicate that manufacturers raised prices by 14 percent, reflecting ongoing cost pressures amid a fragile recovery.

Figure 23: Manufacturing Purchasing Managers' Index

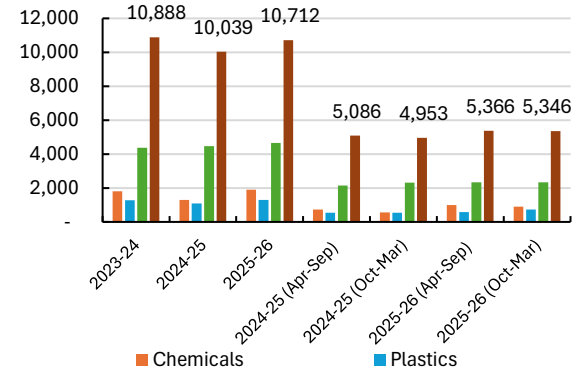


Source: S&P Global Market Intelligence.
Note: >50 indicates expansion, < 50 indicates contraction

Manufacturing remains under pressure from raw material shortages, mainly caused by import restrictions and foreign currency constraints. Imported inputs remained below FY2023/24 levels despite increasing in FY2025/26 (**Figure 25**), as the closure of the Thai–Myanmar border since late last year disrupted supply chains and increased production backlogs. In March 2026, stricter import rules and prioritization of currency for fuel imports amid rising fuel prices worsened input shortages. Purchasing activity has dropped for 32 straight months since July 2023. Input unavailability remains the sector's top challenge, cited by 48 percent of firms surveyed by the World Bank.

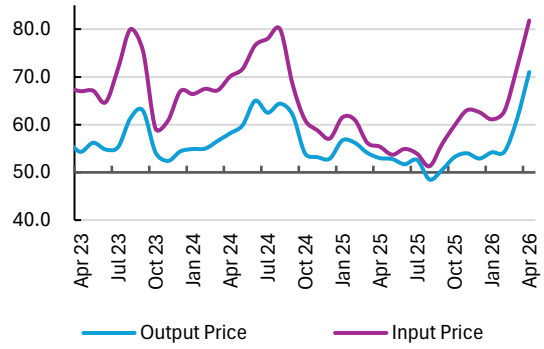
[7] World Bank Firm Monitoring Survey Results March 2026 (forthcoming).

Figure 24: Imported inputs for manufacturing (USD millions)



Source: S&P Global Market Intelligence.

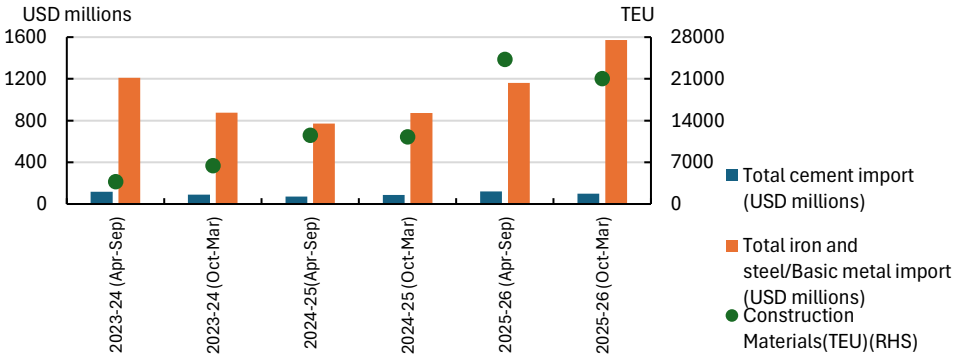
Figure 25: Input and output price indices of manufacturing



Source: S&P Global Market Intelligence.

The construction sector grew in late FY2025, but soaring costs and supply issues persisted. The expansion was largely fueled by post-earthquake reconstruction efforts, reflected in increased imports of cement and iron and steel bars imports (**Figure 26**). Key public infrastructure investments progressed over the year, with major initiatives including the reconstruction of airports, energy system upgrades, and road and rail improvements. However, since 2021, public infrastructure has experienced significant setbacks, with many projects having been paused or abandoned (**see Box 1**).

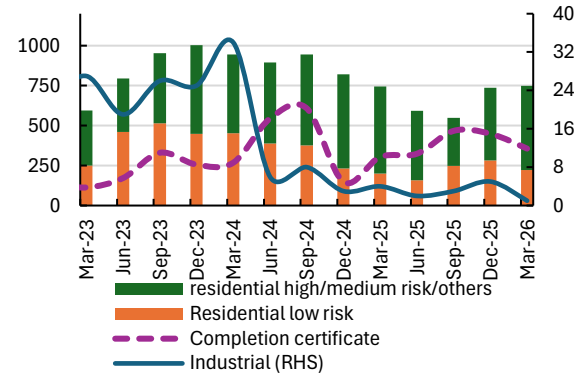
Figure 26: Imports of construction materials



Source: Haver.

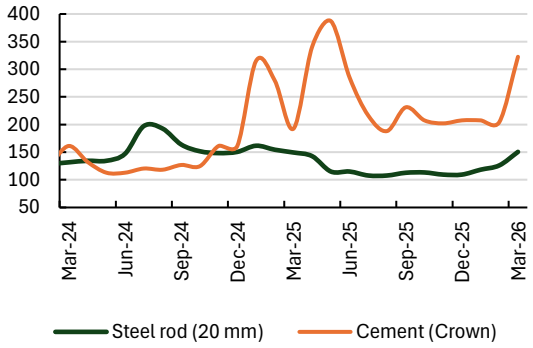
Residential construction improved in late FY2025/26, spurred by increased demand for affordable housing and reconstruction efforts. In Yangon, building permits rose by 18 percent (**Figure 27**). The March 2025 earthquake led to a 16 percent uptick in lower-risk construction following strict implementation of the 2025 building code, but overall activity remained below previous levels due to supply constraints and ongoing uncertainty. Raw materials shortages persisted due to import restrictions, weak domestic supply, currency volatility, and logistics problems. The conflict in the Middle East has increased transportation costs and worsened supply disruptions. By March 2026, cement prices rose 62 percent and iron and steel bars by 22 percent (**Figure 28**), squeezing developer margins, delaying projects, and raising end-user costs.

Figure 27: Construction permits issued in Yangon



Source: Yangon City Development Committee.

Figure 28: Construction price index (July 2023 =100)



Source: Frontier Market Research

Box 1. Infrastructure project trends in Myanmar: evidence from satellite data

Satellite-based monitoring of dam construction activity in Myanmar reveals a highly discontinuous, start-stop pattern in the implementation of infrastructure projects over recent years. At the aggregate level, decomposition of Synthetic Aperture Radar (SAR) backscatter signals[8], and coherence change detection of imagery, shows halted progress in two major dams - Upper Yeywa (280 MW, Shan State) and Tha Htay (Magway Region). The volatility points to fragmented, shock-sensitive implementation—consistent with conflict, logistics constraints, and environmental conditions and fits with the evidence of obstacles in the power sector, such as outages, financing constraints, and infrastructure damage, all slowing private sector growth.

Figure 29: Construction at Upper Yeywa Dam, Shan State

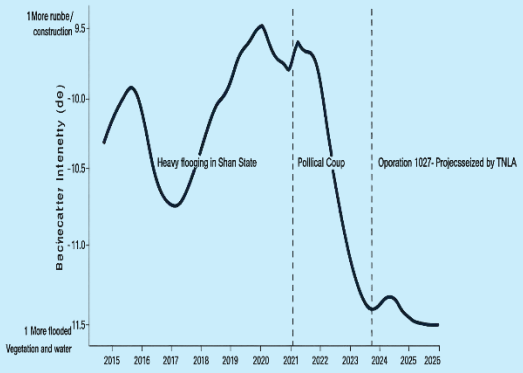
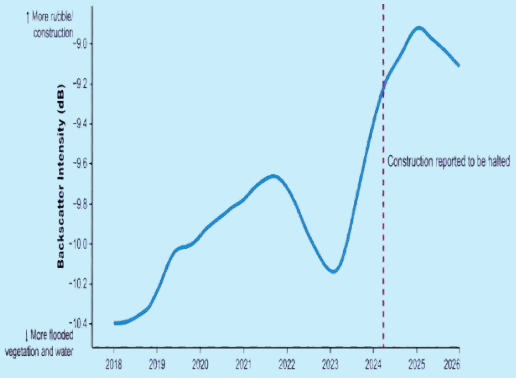


Figure 30: Dam construction activity at Tha Htay Dam, Magway Region



Source: Analysis conducted using SAR data from Sentinel-1A; reference images from LANDSAT, Google Earth and Sentinel-2 accessed using Google Earth Engine. Data available from October 2014 to January 2026. Monthly Median SAR Backscatter (150m Buffer) used a proxy for construction dynamics

At Upper Yeywa, SAR backscatter data shows a marked and sustained decline in construction following strong activity until 2020 (**Figure 29**). Construction decreased after the 2021 military takeover, falling sharply until 2023[9] due to conflict, with no recovery through 2026—signaling a lasting interruption and high risk of prolonged suspension for projects in conflict zones[10]. The Tha Htay dam underwent slow, irregular construction from 2019 to 2022, with satellite imagery suggesting that much of the work

[8] Synthetic Aperture Radar (SAR) is a remote sensing technology that uses radar signals instead of visible light to image Earth's surface from satellites. Unlike optical satellites, SAR operates in all weather and lighting conditions by emitting microwaves that penetrate clouds and darkness. The strength of the returned signal is called backscatter intensity.

[9] An earlier World Bank report also alludes to a similar slowdown in late 2022; World Bank. Myanmar Energy Sector Update: Energy Poverty Amid Plenty. Washington, DC: World Bank, June 2024.

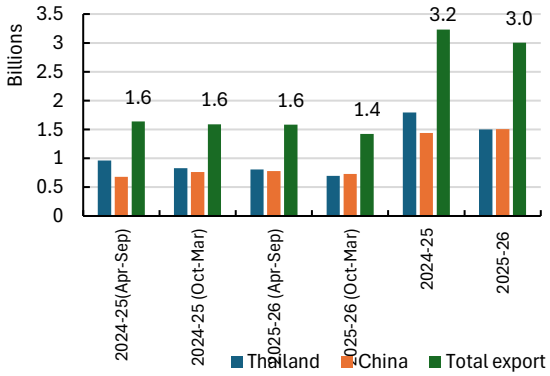
[10] Htet Nadi and Thant Zin. "Upper Yeywa hydropower project to be rebuilt following conflict-related destruction." *NP News*, March 9, 2026. https://www.npnewsmm.com/news/69ae957759d8671dac27a577.

involved ground excavation. Backscatter signals indicate a pickup in construction activity in 2023 (**Figure 30**), slowing in April 2024, around the same time clashes were reported near the site. Since July 2024, there has been no visible activity at the site. Even so, relative to 2018, the dam may be closer to completion than it was in 2022.

Frequent interruptions to major hydropower projects disrupt capital accumulation and reduce investment efficiency, driving up costs and degrading assets. Uneven progress across projects also intensifies regional disparities, further fragmenting economic activity. Overall, infrastructure project disruptions reflect and fuel weaker investment, persistent energy shortages, and reduced productivity, all of which have led to sluggish GDP growth and recovery.

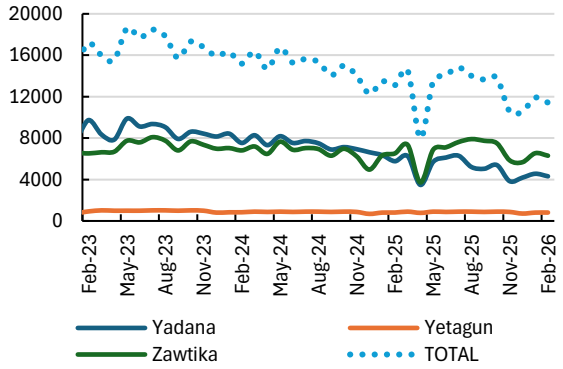
Natural gas production continued to decline during the second half of FY2025/26, reflecting reduced output from existing offshore operations. Export volumes from these offshore fields dropped by 10 percent in the latter half of the fiscal year, doubling the decrease seen in the first half (**Figure 31**). This trend reflected widespread production decreases at major fields like Yadana, Yetagun, and Zawtika (**Figure 32**), underpinned by dwindling gas reserves. By contrast, the Shwe gas field maintained steady output, leading to a 4.7 percent increase in gas exports to China. Onshore production stayed low, making up just 2 percent of total output, and was mostly used domestically—primarily for fertilizer production (30 percent), electricity generation (26 percent), and compressed natural gas supply (22 percent), with the rest going toward various smaller uses. Myanmar has been unable to benefit from rising gas prices caused by supply interruptions in the Middle East because its gas reserves are decreasing and it is bound by fixed-price contracts.

Figure 31: Natural gas export value (USD billions)



Source: Haver.

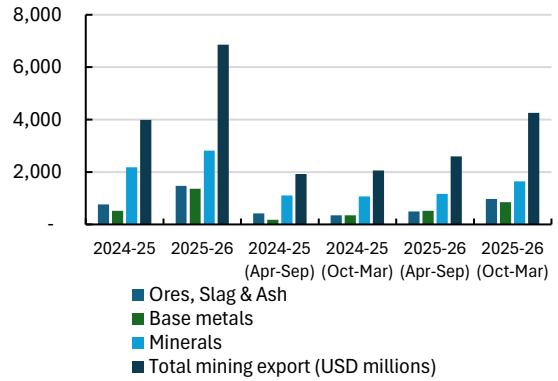
Figure 32: Natural gas export volumes to Thailand (million standard cubic feet per day)



Source: Thailand Custom Department.

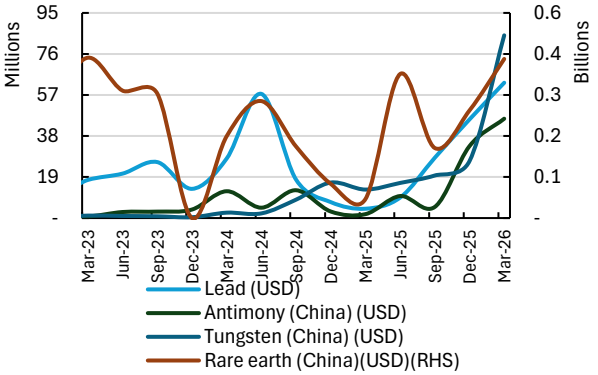
Natural gas exploration has gained momentum as production at existing offshore fields continue to decline. Three offshore development projects are in progress but may not fully reverse the downward trend in gas supplies. In the Gulf of Mottama, PTTEP's $2 billion M3 Block gas-to-power project focuses on domestic use, with plans linking it to a dedicated 600-megawatt plant. Gulf Petroleum Myanmar also plans to begin drilling in the same area (around M3 Block) in late 2026. A major deepwater drilling plan in Block M-15 in the Andaman Sea, could add up to 94.6 trillion cubic feet of recoverable reserves if confirmed, though significant output is not expected soon.

Figure 33: Mining export value (USD millions)



Source: Haver

Figure 34: Mining exports by product (USD millions and billions)



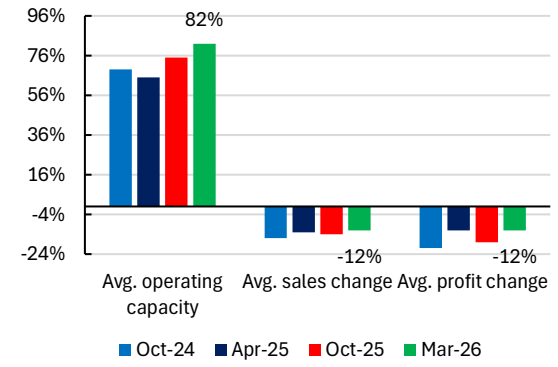
Source: Haver

Mining activity stayed strong, largely driven by increased demand from neighboring countries. However, much of this recent growth is not reflected in official records, highlighting continued expansion of unregulated extraction amid conflict and fragmented governance. Aggregate mining output has surged, with unofficial exports based on mirror trade data rising about 60 percent in late FY2025/26 and 72 percent year-on-year. Growth spans all subsectors: mineral products (over 55 percent of production) rose 22 percent, ore slags doubled, and basic metals climbed 65 percent (**Figure 33**). Copper, rare earths, antimony, tungsten, and lead saw increased exports, mostly reflecting widespread unregulated mining due to stronger regional demand (**Figure 34**).

G. The services sector shows modest gains, constrained by weak demand, logistics disruptions, and regulatory constraints

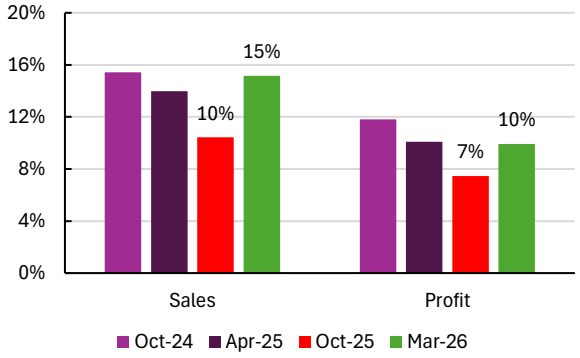
Retail and wholesale firms saw improving operating conditions, with average capacity rising to 82 percent from 75 percent, although the share at full capacity remained unchanged at 46 percent. However, sales and profit growth remained negative on average, underscoring a fragile improvement rather than a full recovery. The contractions became less severe, with both average sales and profits improving to -12 percent (**Figure 35**). The share of wholesale/retail firms reporting increases in both sales and profits also edged up, to 15 percent and 10 percent (**Figure 36**). Prices rose by 11 percent, indicating that cost and pricing pressures remained elevated even as business conditions improved somewhat. Wholesale and retail activity is constrained by ongoing conflict, lower household purchasing power due to high inflation, and supply shortages caused by import restrictions and cross-border payment difficulties.

Figure 35: Performance of the wholesale and retail sector (percent)



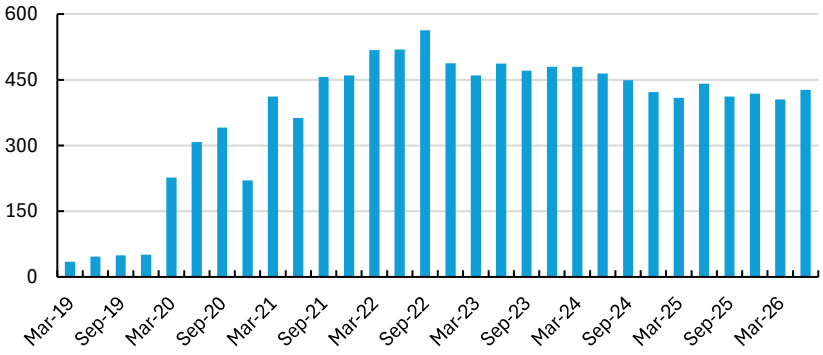
Source: World Bank's firm survey

Figure 36: Share of the wholesale/retail firms reporting increases in sales and profit(percent)



Myanmar's e-commerce sector remains small but diverse, with growth potential limited by structural challenges. The number of active online stores has dropped in the past six months due mainly to tighter regulations (**Figure 37**). Widespread use of digital tools and mobile wallets contrasts with declining quality of digital services, including slow internet speeds and shutdowns, which hampers online transactions. Poor connectivity has led to lower revenues and higher operational costs as businesses adopt workarounds to comply with VPN bans and implement enhanced cybersecurity, ultimately reducing competitiveness and offsetting the benefits of digital trade.

Figure 37: Number of active online stores

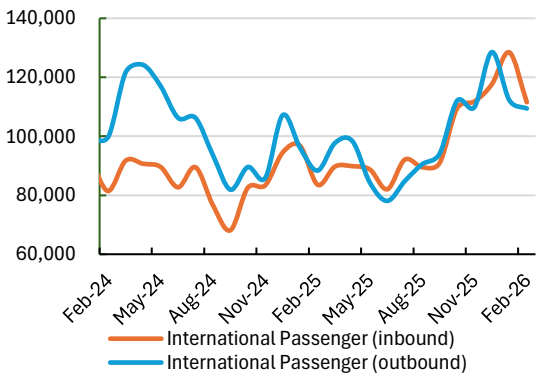


Source: Digital service providers.

Myanmar's air transport sector exhibited contrasting trends in 2025. International arrivals increased by 3.5 percent to 2.1 million passengers. This growth was primarily supported by the resumption of some previously suspended international air routes, an uptick in business travel, and diaspora visits, with December 2025 witnessing a peak of 226,334 passengers (**Figure 38**). Nevertheless, early 2026 saw international arrivals decrease to a monthly average of 120,000 passengers, due largely to rising airfares resulting from energy supply disruptions in the Middle East.

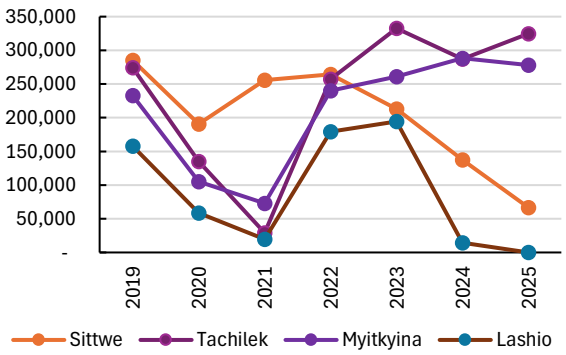
The tourism sector continues to face substantial structural constraints, as domestic travel declined by approximately 10 -12 percent, falling below 950,000 passengers. This contraction is attributable to ongoing conflict-related disruptions affecting internal connectivity. Domestic air networks have become increasingly fragmented, with key routes such as Thandwe and Lashio fully suspended, and Sittwe experiencing a significant 51.5 percent year-on-year decline in 2025 (**Figure 39**). Conversely, arrivals at Tachilek and Heho—the gateway to Inle Lake—increased by 13 percent and 14 percent, respectively, indicating isolated pockets of resilience. Overall, recent gains in international arrivals are nearly offset by losses in domestic travel, highlighting a structural imbalance that restricts broader economic connectivity and limits tourism multiplier effects.

Figure 38: International passengers (thousands)



Source: Department of Civil Aviation.

Figure 39: Domestic arrivals by selected locations (thousands)



Source: Department of Civil Aviation.

Freight transport showed a more uneven pattern, reflecting in part the impact of rising fuel costs. Air freight volumes, which had posted moderate gains earlier in FY2025/26, softened later in the year (**Figure 40**). Container freight followed a similar pattern: after a strong first half, volumes declined by 4 percent in the second half of FY2025/26 (**Figure 41**). Despite this, strong early-year gains led to a 26 percent year-on-year increase in annual container volumes. Transport conditions became more challenging in the last quarter of FY2025/26 due to the fuel crisis linked to the Middle East conflict. With fuel comprising 20–60 percent of transport costs, supply shortages and price jumps have forced operators to cut services, cancel routes, or shift to rail. Freight charges rose by roughly 40 percent—doubling in some cases—while logistics performance also declined (see Box 2), pushing up transit times and worsening supply chain bottlenecks for many businesses.

Box 2: Myanmar's standing on the 2025 Logistics Performance Index 2.0

The World Bank's LPI 2.0 assessment paints a sobering picture of Myanmar's trade logistics. Unlike the previous survey-based LPI, the 2.0 framework draws on observed shipment-level tracking data across 187 economies, measuring performance along two dimensions: connectivity (how many partner economies a country reaches directly) and time (how fast goods clear gateways), across three modes: maritime, aviation, and B2B postal.

Myanmar trails the East Asia & Pacific regional average on all six indicators and the global average on five of six. The only bright spot is B2B postal delivery time at 2.7 days, earning a global rank of 20 out of 187 and a 90th-percentile standing — a result driven by the relatively efficient handling of parcels, documents, and e-commerce shipments that matter most to SMEs.

Maritime connectivity stands at just 15 direct container-shipping partners versus a global average of 28 and a regional average of 31. More critically, container import dwell time surged to 15.8 days—up 4.4 days year-on-year—roughly double the global average and nearly three times the regional average of 5.8 days. This gap translates into a tariff-equivalent trade-cost penalty of 6–21 percent ad valorem relative to regional peers. Aviation connectivity suffered the sharpest decline, dropping from 43 to 28 direct air-cargo partners, pushing Myanmar to the bottom of the regional ranking (16th of 16). On the positive side, aviation import dwell time improved dramatically—falling 8.8 days to 4.8 days—though it still sits last regionally.

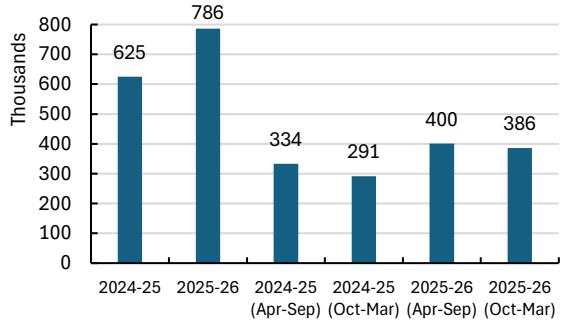
Table 1: LPI 2.0 Indicators, 2025

Indicator	Mode	Myanmar	EAP Average	Myanmar vs Region
Maritime partner economies	Maritime	15	31.2	▼ Below
Container import dwell (days)	Maritime	15.8	5.8	▼ Below
Aviation partner economies	Aviation	28	108.4	▼ Below
Aviation import dwell (days)	Aviation	4.8	1.7	▼ Below
B2B postal partner economies	Postal	35.5	59.9	▼ Below
B2B postal delivery (days)	Postal	2.7	5.8	▲ Above

Overall, Myanmar's poor logistics performance increases trade costs by causing delays and unpredictability, which in turn reduces foreign investment and discourages industries like garments and agriculture from joining regional value chains. With the rest of the East Asia region improving faster on the LPI, Myanmar risks being left in low-value trade, limiting export diversification, SME participation in cross-border e-commerce, and hampering GDP growth when economic recovery is needed.

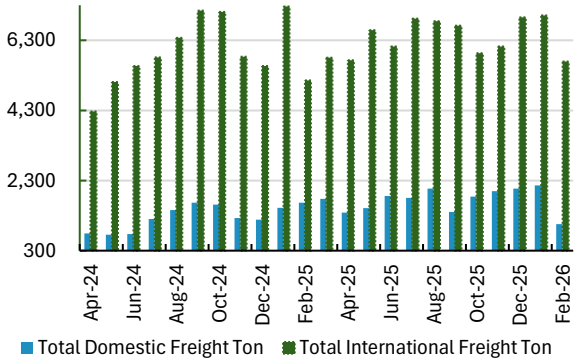
Source: WORLD BANK LOGISTICS PERFORMANCE INDEX 2.0 (2025)
Notes: Connectivity = partner economies reached directly (higher is better). Speed = mean dwell/delivery time in days (lower is better).

Figure 40: Laden container transport through Yangon ports (twenty-foot equivalent units, thousands)



Source: Shipping operators

Figure 41: Freight transport (tons)



Source: Department of Civil Aviation.

H. Labor market indicators have held up, but job quality is declining while skills shortages persist.

Recent household and firm surveys show that headline labor market indicators have steadied somewhat, but this should not be interpreted as a broad labor market recovery, with adjustments mainly seen in work hours, turnover, and contract types rather than widespread job losses. The 2025/26 Myanmar Subnational Phone Survey (MSPS) found that labor force participation and employment rates remain steady, near pre-2021 levels (**Table 2**). Firm monitoring data confirm this trend (**Figure 42 and 43**): full-time jobs are largely unchanged, layoffs remain at 4 percent, salary cuts are rare (1 percent), and fewer firms are reducing labor hours (10 percent, down from 15 percent).

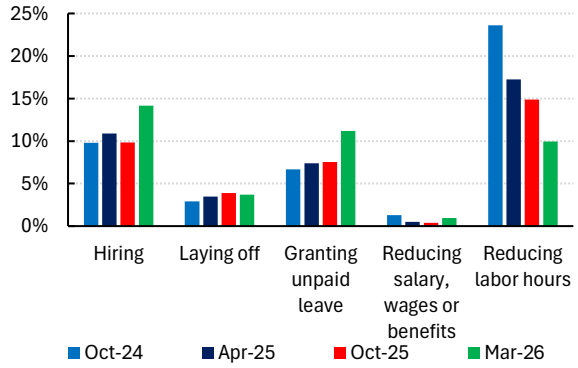
Table 2: Summary of key labor market indicators

	LFP rate	Employment rate	Share of wage employment	Share of formal employment among wage employment	Share of agricultural employment
2015	64.7	64.2	35.3		
2016			36.0		
2017	64.2	62.6	38.2	13.0	49.5
2018	62.4	61.9	34.4		
2019	60.5	60.3	35.1		
2020	60.2	59.3			
2021					
2022	58.6	54.5	28.9	24.2	42.9
2023	62.2	56.8	26.3	20.6	46.1
2024	62.9	60.9	25.3	26.2	45.8
2025	62.6	60.7	28.0	25.2	41.9
Sources:	WDI, MLCS, MSPS	WDI, MLCS, MSPS	WDI, MLCS, MSPS, modeled ILO	MLCS, MSPS	MLCS, MSPS

Notes: LFP and employment rates are expressed as a share of 15+ population.

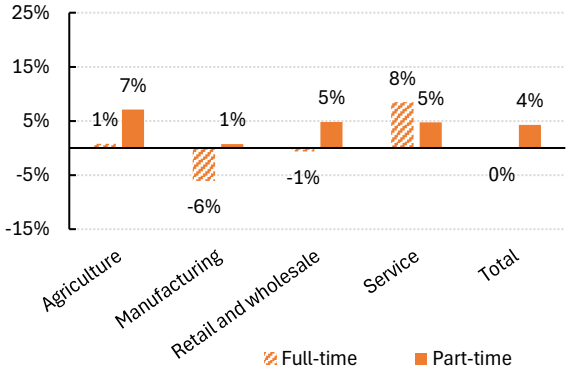
While employment rates appear stable, a shift toward less secure work is taking place, meaning that job quantity has held up more than job quality. According to the latest MSPS data, recent increases in wage employment are mostly due to a rise in informal jobs, as the proportion of formal positions has slightly declined (**see Table 2**). Firm surveys show similar trends: part-time work rose by 4.3 percent, whereas full-time employment stayed largely unchanged (**Figure 43**). Employment trends varied by sector, with full-time jobs increasing in services (up 8.4 percent) and decreasing in manufacturing (down 6.1 percent). Together, these findings indicate that while jobholding remains steady, job quality and security are declining for many workers.

Figure 42: High-frequency labor market indicators (percent of firms reporting)



Source: World Bank Firm Monitoring Surveys

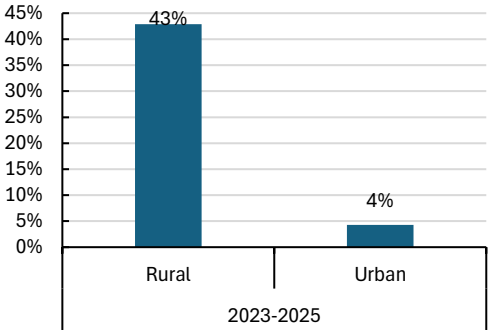
Figure 43: Average change in private sector employment (percent, year-on-year)



Source: World Bank Firm Monitoring Surveys

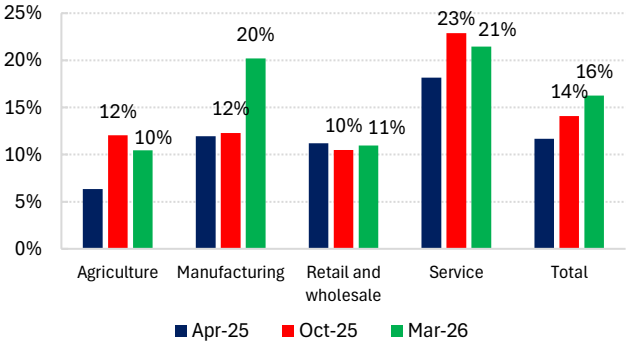
Household data show a growing shift into casual work and widening rural–urban earnings gaps, consistent with firms' increased reliance on flexible labor arrangements. More workers—especially in cities—are moving from steady wage jobs or stable self-employment into casual positions. The rise in earnings has not been uniform: between 2023 and 2025, rural casual workers saw daily earnings increase by about 43 percent, while urban casual workers experienced only a 4 percent gain (**Figure 44**), suggesting a more precarious adjustment. Casual workers continue to face poverty rates around double those of formal workers, with urban casual poverty still higher than it was in 2017 (see Section I). Gender gaps add to vulnerability: women make up 58.9 percent of urban casual workers (and 53.7 percent in rural areas; **Table 3**), and account for roughly 70–74 percent of people who are neither working nor in school in 2024–2025.

Figure 44: Increase in daily earnings among casual workers (percent, 2025)



Source: MSPS
Notes: Includes populations over 15 years of age.

Figure 45: Share of firms reporting employee resignations (percent)



Source: World Bank Firm Monitoring Surveys

Labor is shifting in ways that support employment but do little to raise productivity. MSPS data for 2025/26 shows that agriculture's employment share continues to fall, likely due to conflict, displacement, and migration (**Table 3**). Most workers move into urban services or industry—mainly construction and informal jobs—indicating a stress-driven shift to lower-productivity work rather than genuine growth in high-productivity sectors.

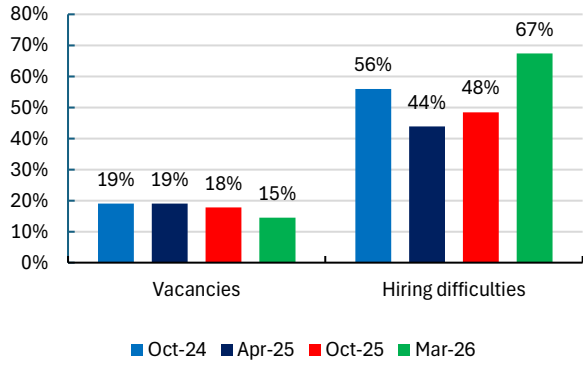
Table 3: Characteristics of casual workers (percent and mean, 2025)

	Casual		Formal	
	Rural	*Urban*	*Rural*	*Urban*
Female (%)	53.7	58.9	53.8	53.5
Age (mean)	39.4	39.2	36.2	39.2
Household size (mean)	5.0	5.1	4.2	4.5
High school education or higher (%)	21.5	35.0	76.2	87.7

Source: MSPS

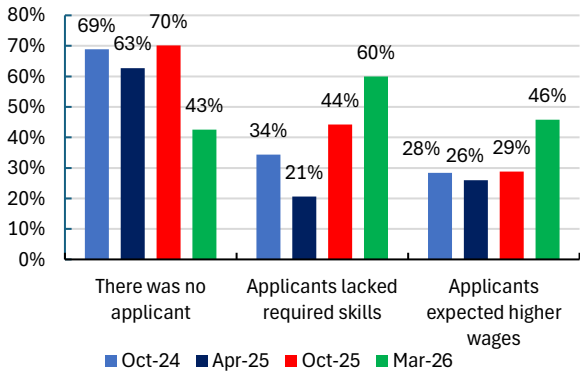
Firms report parallel labor market pressures. Migration-related resignations rose from 14 percent in October to 16 percent in March 2026 (**Figure** 45), with the highest concentration in services (21 percent) and the manufacturing sector (20 percent), which saw a notable decline in full-time employment. Resignation rates were particularly elevated in urban areas, reaching 22 percent in Yangon and 19 percent in Mandalay. Of those who resigned, 53 percent migrated internationally while 42 percent relocated within the country, resulting in localized shortages of labor and increased turnover. These shortages are further intensified by post-earthquake adjustments, displacement due to conflict, and ongoing uncertainty, all of which reduce the available workforce and skill pool. Overall, labor shortages point to a supply-side shock that constrains firms' ability to expand output and raise recruitment difficulty and turnover costs, putting upward pressure on nominal wages, even as inflation continues to erode real purchasing power.

Figure 46: Firms reporting vacancies versus hiring difficulties (percent)



Source: World Bank Firm Monitoring Surveys

Figure 47: Types of hiring challenges (percent of firms reporting)



Source: World Bank Firm Monitoring Surveys

Skill gaps are widening while job quality is declining, reflecting tougher recruitment in the private sector. MSPS data show that recent employment growth mainly benefited those with at least high school education, who moved from casual into formal work and enjoyed better job quality (**Table 4**). Those with only primary or middle school education remain mostly in casual work with little access to formal jobs. Firm surveys show a tighter skills market: job vacancies dropped from 18 percent to 15 percent, yet hiring difficulties rose from 48 percent to 67 percent (Figure 46). Key hiring challenges include skill mismatches (60 percent), higher wage expectations (46 percent), and lack of applicants (43 percent; **Figure 47**). Myanmar's labor market is now more segmented and under strain, especially for lower-quality and informal positions.

Table 4: Sectoral employment by education level (percent)

	Agriculture				Industry				Services			
	2017	*2023*	*2024*	*2025*	*2017*	*2023*	*2024*	*2025*	*2017*	*2023*	*2024*	*2025*
Up to primary	64.6	57.7	58.2	53.5	14	17.6	13.9	21.6	21.3	24.6	26.2	24.9
Up to middle	43.1	47.6	45.3	46	23.3	22.9	18.4	21.8	33.6	29.6	34.7	32.1
Up to high school	24.4	32.1	32.5	27.9	21.7	22	15.7	21.3	53.9	45.8	47.1	50.6
college and above	7.7	18	22.4	15.2	14.4	11.4	11.8	11.4	77.9	70.3	62.4	72.6
Total	**49.5**	**46.1**	**45.8**	**41.9**	**17.2**	**18.9**	**14.9**	**20.3**	**33.3**	**34.9**	**36.7**	**37.6**

Notes: Shares are a percentage of the employed population

Taken together, labor market trends largely explain broader macro outcomes. Labor shortages and skills mismatches are limiting firms' ability to translate higher operating capacity into stronger production, while the shift toward informal and casual work weakens earnings growth and leaves households more exposed to inflation. Firms have raised wages to retain workers, adding to inflationary pressures. Myanmar's recent labor market dynamic highlights that labor supply constraints have triggered production pressures and inflation risks, keeping poverty elevated (see Section I).

I. Poverty remains high and unevenly distributed, driven by persistent economic shocks and ongoing conflict

Poverty remains elevated, with only a modest decline in FY2025/26. National poverty is estimated at 29.9 percent in 2025—about 1.1 percentage points lower than FY2024/25, but still roughly 5 percentage points above 2017 levels and far above the pre-2021 trajectory (**Figure 48**). An estimated 16.4 million people remained below the national poverty line, down slightly from 17 million last year (**Figure 49**). This recent softening of the poverty headcount is best interpreted as a partial rebound from a low base rather than a sustained recovery. Counterfactual simulations suggest that if pre-crisis growth had continued, poverty would be about one-third of its present level, highlighting ongoing welfare gaps despite stabilization. Since 2023, poverty depth and severity have remained unchanged at around 8 percent and 3 percent.[11]

Figure 48: Poverty rate (percent)

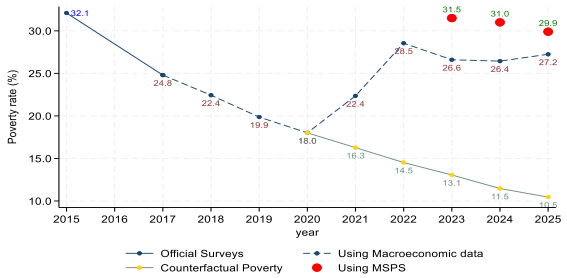
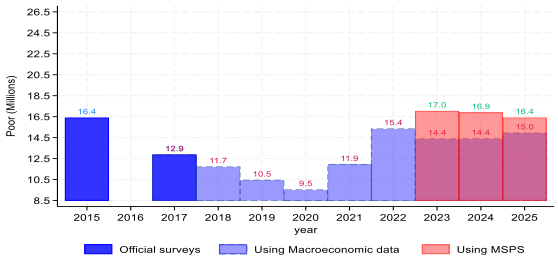


Figure 49: Number of poor (millions)



Notes: Official surveys refer to poverty rates from official household surveys conducted in 2015 and 2017. Due to the unavailability of updated household consumption surveys in Myanmar, updated poverty estimates have to rely on estimates of consumption. "Using Macroeconomic Data" shows poverty rates for years between 2017 and 2024 – see Box 1 of Sinha Roy and van der Weide (2024) for additional details. "Using MSPS" shows poverty rates for 2023, 2024 and 2025 relying on MSPS - see Appendix 1 1 of Sinha Roy and van der Weide (2024) for additional details. Real GDP per capita growth and population data are available from the Macro Poverty Outlook datasheets, accessible here: https://thedocs.worldbank.org/en/doc/b991970a7f5096ab093720e27d5f0b68-0500012021/related/data-mmr.pdf . Following the shift in the fiscal year definition introduced in October 2025 (*MPO Annual Meetings Report 2025*), GDP movements are reported one year earlier in the MPO series. Accordingly, the GDP decline shown as starting in 2020 in the MPO 2026 corresponds to 2021 in Figure 1a, explaining the difference between the two GDP growth series.

[11] World Bank Group (Forthcoming): Fragile Recovery, Uneven Gains: Poverty, Jobs, and Financial Inclusion in Myanmar (2025-26)

The modest poverty reduction observed in FY2025/26 was driven mainly by rural areas, while urban welfare remains substantially below pre-crisis benchmarks. Rural poverty fell by 1.3 percentage points, while urban poverty declined by only 0.3 points—reversing the 2024 pattern when urban areas saw larger reductions (**Figure 50**). In rural regions, welfare improvements were most pronounced among households with higher levels of consumption . In contrast, less affluent rural households continue to fall short of pre-2017 consumption benchmarks.

Urban consumption remains lower than in 2017 across the welfare distribution (**Figure 51**). Urban areas face broad, significant consumption losses, highlighting their vulnerability to shocks. If urban households had matched rural consumption growth this year, urban poverty would have dropped by another 0.25 percentage points, helping 0.8 million more people escape poverty[12].

Figure 50: Poverty headcount by location (percent)

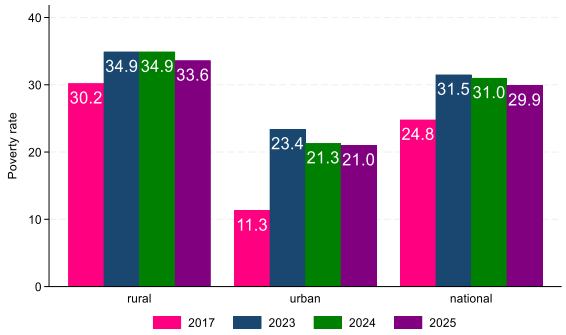
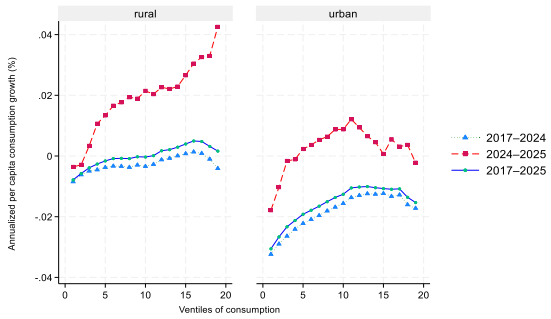


Figure 51: Annualized changes in consumption (ventiles)

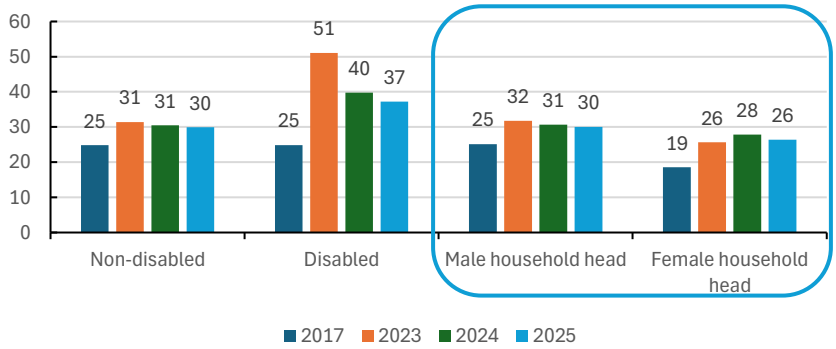


Source: MSPS and MLCS (2017)

Notes: Consumption growth is in annualized terms. Ventiles are 5th percentile of the consumption distribution. Individual-level sampling weights are used in the above figure.

Human capital and demographic characteristics remain important factors in explaining poverty outcomes, with modest progress seen among certain vulnerable populations. The largest reduction in poverty during FY2025/26 occurred among those with a high school education, dropping by roughly 3 percentage points. This shift brings the relationship between poverty and education closer to what it was before 2021[13], highlighting the value of human capital as a shock absorber. Among individuals with disabilities, poverty decreased to about 37 percent in FY2025/26, building on improvements noted since FY2024/25. Additionally, poverty rates for female-headed households fell to 26 percent after an increase the previous year (**Figure 52**).

Figure 52: Average poverty rate by household characteristics (percent)



Notes: Estimates are weighted using household-level sampling weights. Bars reflect the average household poverty rate for groups defined by individual characteristics – such as disability and sex of the household head.

[12] Counterfactual urban poverty is computed by applying ventile specific consumption growth observed among rural households between 2024 and 2025 to urban households ranked by 2024 consumption.

[13] World Bank Group (Forthcoming): Fragile Recovery, Uneven Gains: Poverty, Jobs, and Financial Inclusion in Myanmar (2025-26)

Labor market conditions continue to play a key role in poverty trends: casual workers and those employed in urban industries remain particularly at risk. In FY2025/26, the poverty rate among casual workers has been nearly double that of formal workers—33 percent compared to 17 percent (**Figure 53**). Additionally, poverty among urban casual workers is still about 13 percentage points higher than it was in 2017 (**Figure 54**), largely due to modest earnings growth of roughly 4 percent from 2023 to 2025, as opposed to about 43 percent for their rural counterparts[14]. Sectoral patterns show that urban industry workers, who make up around a quarter of the urban labor force, have faced significant setbacks, with poverty rates about 15 percentage points above 2017 levels, continuing to climb over the past year (**Figure 55**).

Figure 53: Poverty rate by job type (percent)

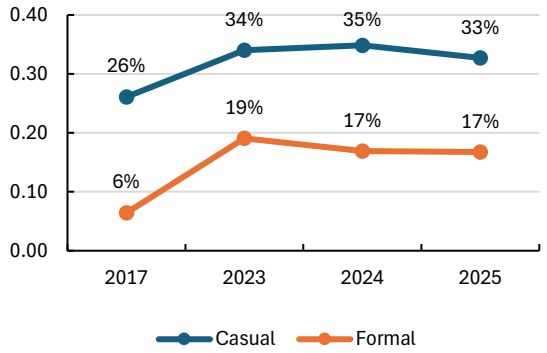
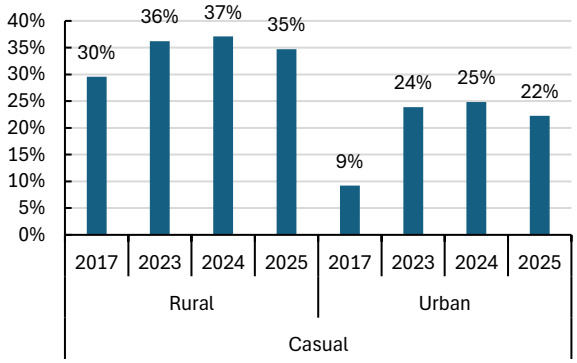
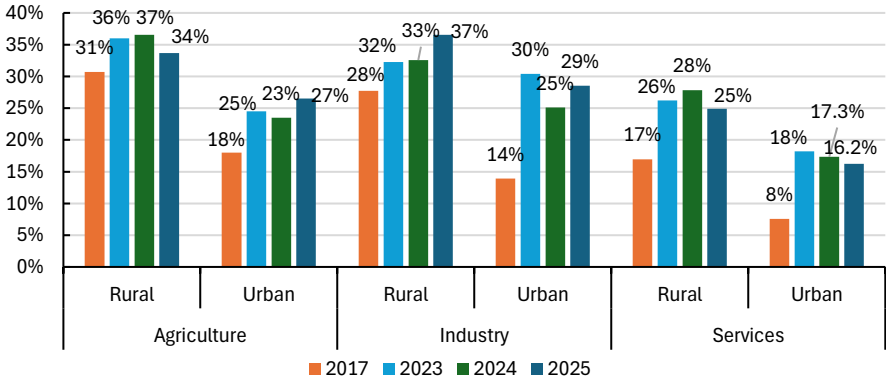


Figure 54: Poverty rate among casual workers (percent)



Source: MSPS and MLCS (2017)
Notes: An individual is classified as having a formal job if they are currently working and either have a written employment contract or receive a pension benefit through their job. Other workers are classified either as self-employed or casual workers. Includes populations over 15 years of age.

Figure 55: Poverty rate by sector of employment and location (percent)



Source: MSPS and MLCS (2017)
Notes: Samples include individuals above 15 years.

Poverty is increasingly linked to conflict and remains concentrated in specific regions. Highly conflict-affected areas such as Sagaing, Mandalay, Tanintharyi and Kayin saw poverty rise by around 15–20 percentage points over this period, while regions with comparatively lower conflict exposure, namely Ayeyarwady and Nay Pyi Taw, recorded stable or declining poverty rates (**Figure 56**). However, most poor are still concentrated in populous areas like Mandalay, which saw an increase from 0.8 million in 2017 to about 2 million in FY2025/26 (**Figure 57**), followed by Shan, Sagaing, Tanintharyi and Kayin—areas with high conflict since 2021. Progress has been uneven: for example, Ayeyarwady, an agricultural region with little conflict, saw a substantial decrease in poverty.

[14] World Bank Group (Forthcoming): Fragile Recovery, Uneven Gains: Poverty, Jobs, and Financial Inclusion in Myanmar (2025-26)

Figure 56: Changes in poverty headcount between 2017 and 2025 (percent)

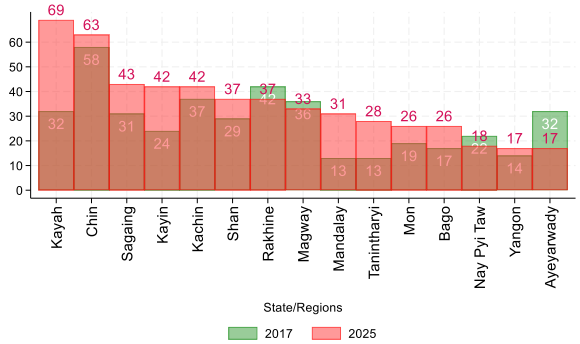
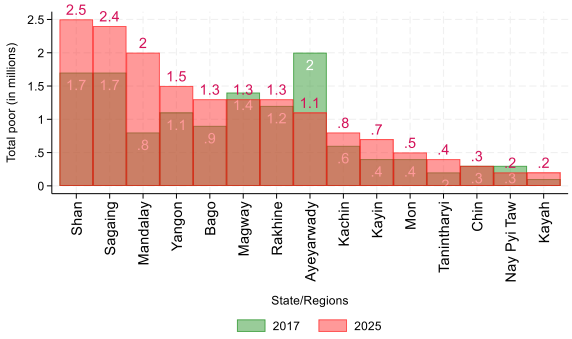


Figure 57: Changes in poor population between 2017-2025 (millions)



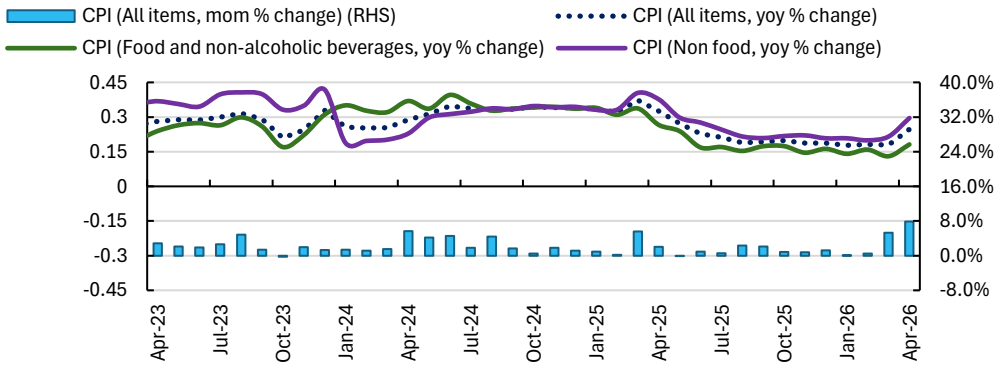
Source: MSPS and MLCS (2017)

Successive shocks have compounded welfare losses and increased near-term vulnerability. The March 2025 earthquake reduced average household consumption by around 3.1 percent and increased poverty by 2.4 percentage points in the hardest-hit regions such as Mandalay and Sagaing, with larger impacts in rural areas and closer to the epicenter, mainly through asset losses and disruptions to services-sector livelihoods. Looking ahead, poverty reduction is likely to remain constrained by the interaction of conflict- and earthquake-related disruptions and macroeconomic headwinds, including high inflation (food and fuel price pressures), exchange rate volatility, and chronic power shortages.

J. Fuel shock drives inflation and increases household vulnerabilities

After briefly easing in late FY2025/26, inflation surged again from March onward. Inflation averaged 18.5 percent year-on-year from October 2025 to February 2026, dropping from 19.8 percent to 18.2 percent, supported by stable exchange rates, improved domestic food supply, and favorable global commodity prices. However, by April 2026, inflation jumped to 24.6 percent as transport costs surged 50.6 percent year-on-year (**Figure 58**), driven by rising domestic fuel prices following energy disruptions in the Middle East. Month-to-month inflation rose by 7.9 percent in April 2026, marking the highest monthly increase in recent records. Further upward pressure came from health services (up 37.2 percent year-on-year) and education (up 34.3 percent year-on-year).

Figure 58: CPI inflation rate (percent)

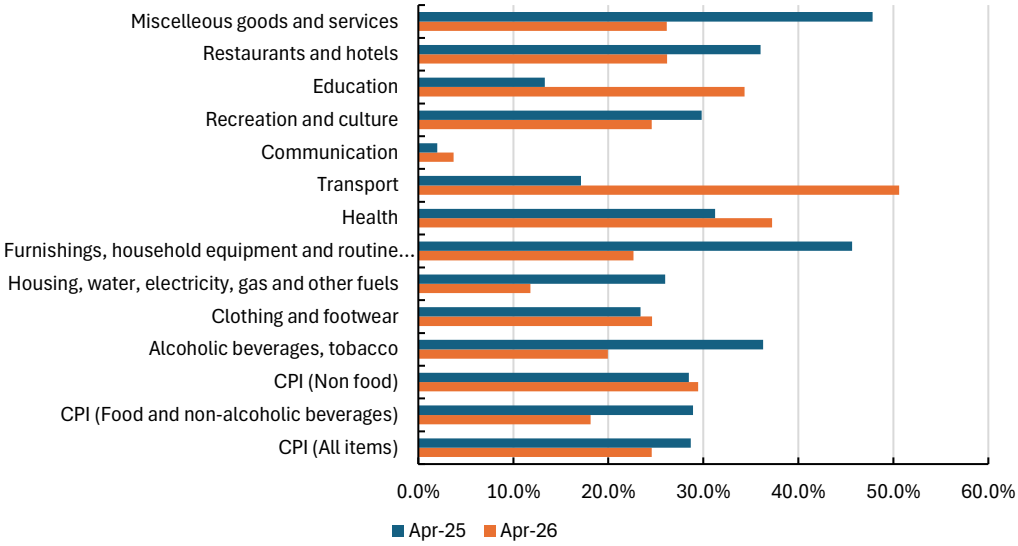


Source: CSO, CBM and ADB-World Bank staff.

Non-food inflation surged to 29.5 percent year-on-year in April 2026 from 21.5 percent in March, and significantly higher than the 19.9 percent recorded in February 2026. This sharp acceleration was led by transport costs, which recorded a month-on-month increase of 11.9 percent, reflecting the pass-through of higher global oil prices to domestic fuel costs. Fuel prices increased by 80–130 percent between February and April 2026, with petrol at Kyat 4,500/liter and diesel at Kyat 6,400/liter. Despite

rationing[15], shortages caused long lines and a black market for fuel with prices reaching MMK 10,000–12,000 per liter in March. Health services inflation stayed high as import restrictions continue to limit the availability of essential medical supplies. Furnishings and household equipment prices rose by 22.6 percent (**Figure 59**). Inflation for housing, water, electricity, and gas eased to 11.8 percent year-on-year in April 2026, down from 28.7 percent in October 2025, as the base effects from the previous year's electricity tariff adjustments dissipated. Month-on-month housing costs increased by 6.8 percent in April 2026, suggesting renewed pressures in the near term.

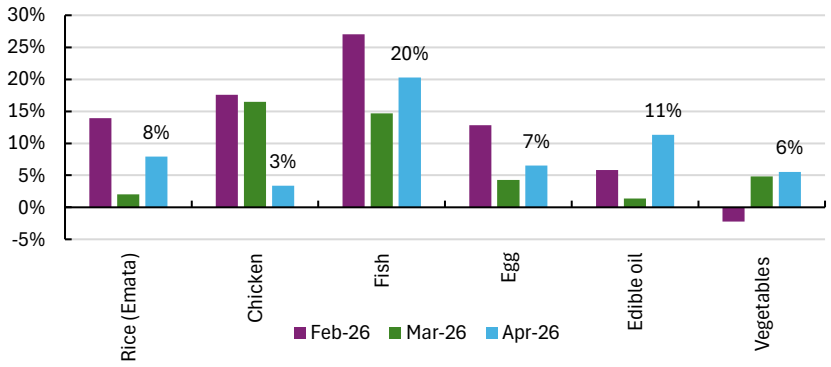
Figure 59: Inflation by categories (percent YoY)



Source: CSO, CBM and ADB-World Bank staff.

Food inflation rose to 18.1 percent year-on-year in April 2026 from 13.0 percent in March 2026, reversing the downward trend observed since late 2025. Month-on-month food prices rose by 7.2 percent, the highest since April 2025, due to supply chain disruptions from the global oil price shock. Still, food inflation stayed below the headline rate, indicating that the primary inflationary impulse in the current period is concentrated in the non-food segment, particularly transport and energy-related items. However, unweighted staple prices (fish, eggs, edible oil, and rice) increased markedly in April, between 7 and 20 percent (**Figure 60**), largely reflecting pass-through from rising transport costs.

Figure 60: Food price changes (percent YoY)



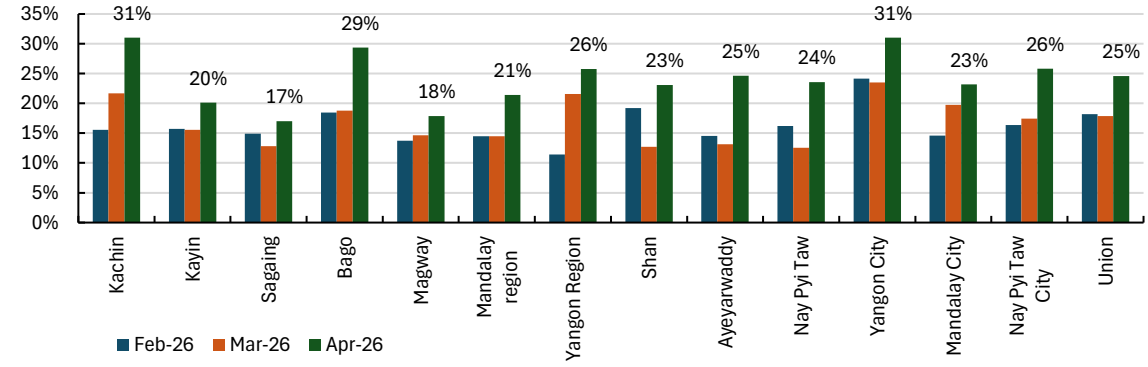
Source: ADB-World Bank price survey.

Regional price trends reflected a similar shift. After a period of gradual moderation between October 2025 and March 2026 — particularly in Sagaing, Shan, Ayeyarwady, Nay Pyi Taw, and Yangon - inflation

[15] Early in March, the Authorities introduced an even-odd license plate system, daily fuel purchase quotas with QR codes for verification as well as work from home mandates for public sector employees.

accelerated across all regions in April 2026 (**Figure 61**), driven by transportation restrictions and logistical disruptions. Kachin, Yangon City, and Bago recorded the highest year-on-year inflation, ranging between 29 and 31 percent, reflecting both their exposure to fuel-dependent supply chains and heightened local scarcity pressures.

Figure 61: Food inflation by region (percent YoY)



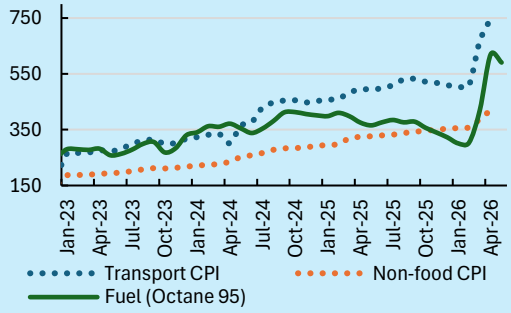
Source: ADB-World Bank price survey.

Box 3: Recent fuel price dynamics and transmission channels

Shock magnitude.

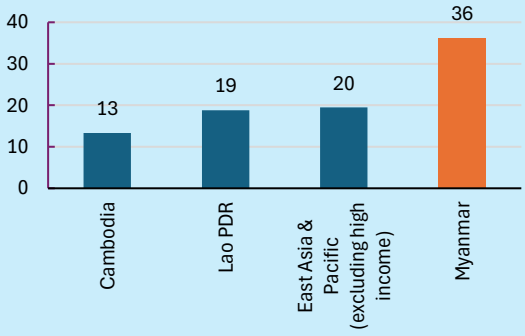
Myanmar faced one of the region's sharpest fuel price shocks in early 2026, with gasoline prices nearly doubling and diesel prices almost tripling compared to pre-February levels (**Figure 62**). These volatile increases were much greater than those in neighboring countries, due largely to limited fiscal space for price support and Myanmar's heavy reliance on imports—over 90 percent of its fuel is imported and 36 percent of merchandise imports (**Figure 63**), mainly from Singapore, which supplies more than 60 percent. With no local refining capacity, Myanmar's retail fuel prices mirror international benchmarks, making it difficult to cushion these shocks through domestic policies.

Figure 62: Energy-related price index



Source: CSO, World Bank/ADB Price Surveys and Denko

Figure 63: Fuel as a share of merchandise imports (percent)



Source: Data from database: World Development Indicators TM.VAL.FUEL.ZS.UN, as of 04/08/2026.

Transmission of the Shock to the Domestic Economy

Myanmar's fuel shock is affecting the economy through both price and quantity channels, summarized by direct and indirect impacts and domestic pass-through.

Inflation Dynamics

Rising fuel prices have driven up transport costs, heavily impacting household expenses and raising overall prices. Parallel markets add volatility and regional price differences, hitting urban commuters and vulnerable groups hardest. These pressures are expected to intensify, particularly as higher diesel and fertilizer costs push up food prices.

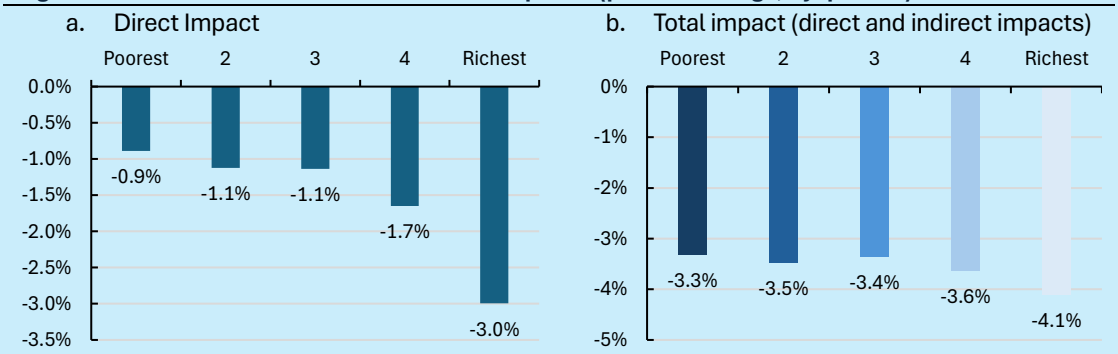
External Sector and Exchange Rate Pressures
Higher fuel import costs are worsening trade imbalances, increasing demand for foreign currency, and causing the kyat to depreciate—by about 7 percent in parallel markets recently. This has fueled a feedback loop: increased import demand raised FX pressure, weakening the currency, making imports costlier, further raising domestic prices.

Real Sector Impacts
Fuel shortages have disrupted transport, services, and flight schedules, with rationing measures restricted urban mobility. Agriculture faces rising input costs and potential declines in yields due to scarce diesel and fertilizers. In manufacturing, higher costs and supply chain issues threaten employment and output if conditions persist.

Macroeconomic Impacts
Fuel price hikes have quickly increased domestic inflation, especially via transport and non-food costs. Inflation has amplified exchange rate pressures, while effects of energy rationing are spreading to sectors like agriculture, manufacturing, and logistics.

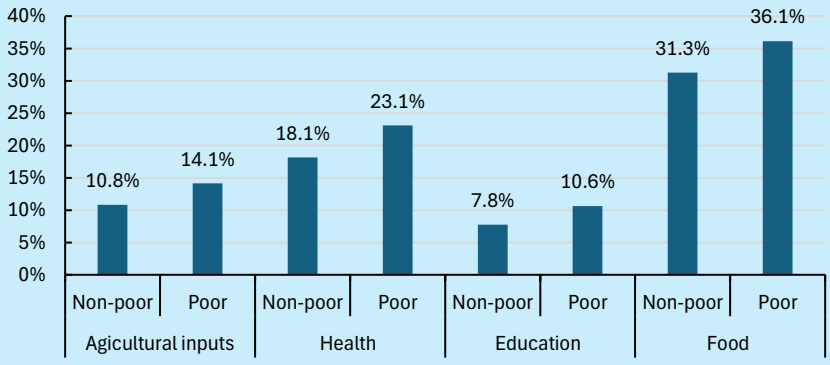
Distributional impacts.
Higher-income households face the largest welfare losses from fuel price hikes due to greater fuel use, with top earners spending three times more on fuel than the lowest earners (**Figure** 64). However, since fuel use is common across all income levels—about 70 percent of both poor and non-poor households owned motorcycles in 2025—even modest fuel price increases can significantly impact poorer households.

Figure 64: Welfare losses from increase in fuel prices (percent change, by quintile)



Source: EAPPOV harmonized survey based on the MLCS 2015, a Myanmar input-output table proxied using Cambodia's IO structure in the absence of an IO table for Myanmar, and harmonized statistics from the Climate Policy Assessment Tool (CPAT).

Figure 65: Decline in expenditure over the past 12 months (percent)



Source: Myanmar Subnational Phone Survey (MSPS) 2025/26. Households were asked whether, in the 12 months preceding the survey, anyone in the household had reduced expenditures on each listed item.

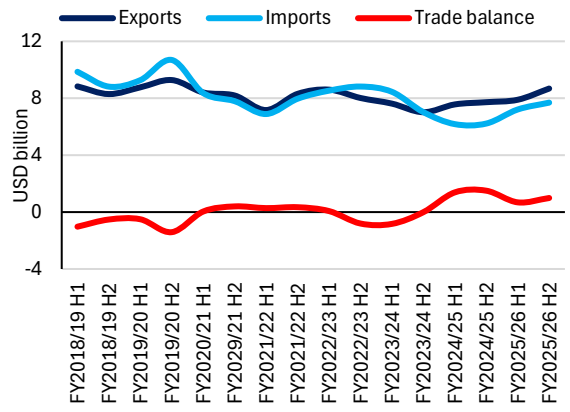
Coping and longer-term risks.
Indirect effects significantly increase welfare losses across all income groups. With a 50 percent fuel price hike fully passed through, households in the lowest quintile are estimated to lose about 3.3 percent of real consumption on average. Although wealthier households face larger absolute losses, poorer households experience more severe impacts relative to their income. Low-income households are more likely to cut essential spending (**Figure** 65), which may undermine long-term human capital and productivity.

Policy Response and Trade-offs
Myanmar's fuel rationing, work from home mandates and price controls have curbed demand but created shortages, inefficiencies, and parallel markets. Authorities face tough trade-offs: allowing full price pass-through could stabilize supply but risks higher inflation, while strict quantity rationing may worsen fuel shortages. Limiting imports to save foreign exchange can further restrict fuel availability and economic activity. Balancing these trade-offs is especially difficult when fiscal resources are scarce, institutions lack strength, and structural weaknesses persist.

K. Higher import costs raise external sector risks

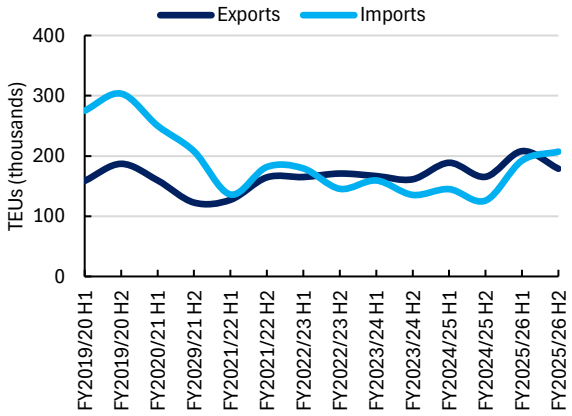
Myanmar maintained a trade surplus in FY2025/26, though it narrowed as imports increased over the same period. The surplus reached USD 0.9 billion in the second half of FY2025/26, up from USD 0.7 billion, but 35 percent lower year-on-year (**Figure 66**). Despite strict import controls, imports rose 6 percent in the second half and 23 percent year-on-year, driven by demand for construction materials and machinery after the earthquake. Container throughput at Yangon ports grew by 64 percent, driven mainly by increasing reconstruction-related imports. Strong export growth helped offset rising imports: total exports rose 9 percent in the second half and 11 percent year-on-year, led by garment manufacturing. Export volumes were 8 percent higher year-on-year but 16 percent lower than in the first half (**Figure 67**), explained largely by garment manufacturing.

Figure 66: Trade trends (USD billions)



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

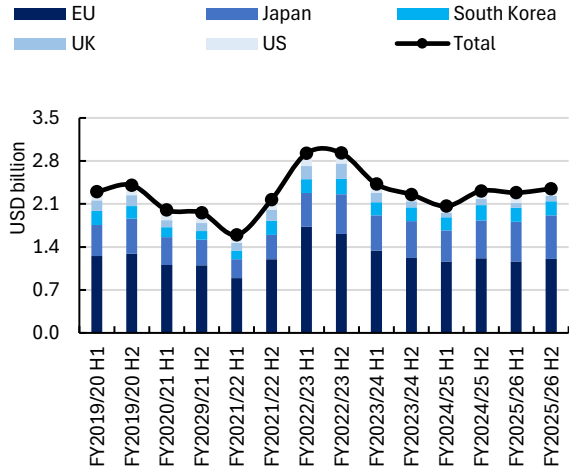
Figure 67: Exports and imports of laden containers through Yangon ports (TEU thousands)



Source: WB staff calculations using data from shipping operators

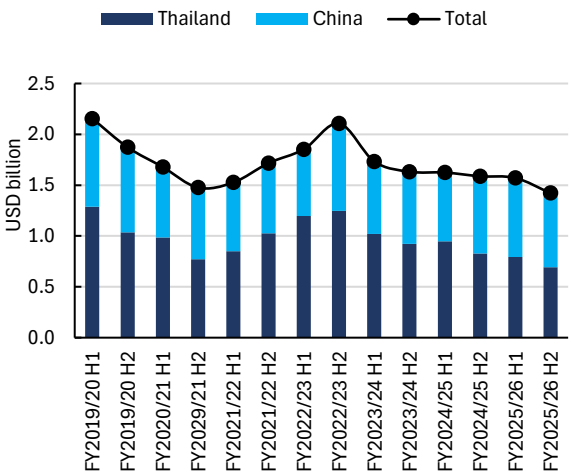
Manufacturing exports stayed strong in the second half of FY2025/26, supported by steady growth in garment exports. Shipments to major markets—the EU, Japan, South Korea, and the UK—rose 1.4 percent year-on-year, led by a 15 percent (USD 91 million) surge in exports to Japan (**Figure 68**). Exports to the EU remained stable, while those to the US fell 15 percent following higher tariffs[16], leading some Yangon factories to cut overtime, lay off staff, or suspend operations. Overall, containerized garment exports increased 6 percent by volume. In contrast, gas exports dropped 10 percent (**Figure** 69), with shipments to Thailand down 16 percent, mainly reflecting lower production volumes rather than price changes[17].

Figure 68: Garment exports to major markets (USD billion)



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

Figure 69: Myanmar's natural gas exports to Thailand and China (USD billion)



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

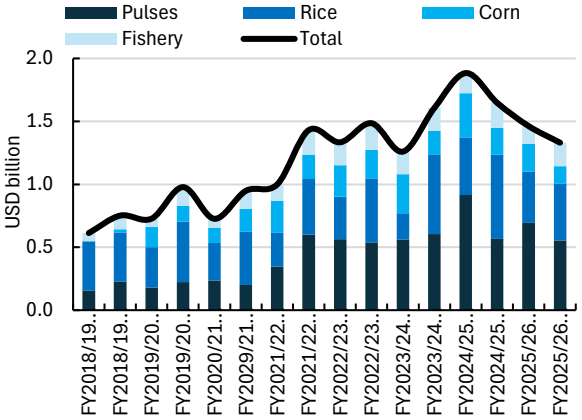
Agricultural exports continued to decline,driven by lower regional demand and weaker commodity prices (Figure 70). Rice exports dropped by 32 percent (USD 218 million) year-on-year amid falling global rice prices[18] and stronger competition from other major exporters. Corn exports fell by 36 percent overall as higher shipments to China (up 18 percent) could not offset a sharp decline in exports to Thailand , affected by both lower demand and stricter import requirements. Pulse exports also declined by 6 percent, reflecting a modest 2.5 percent growth to India but a steep 58 percent fall to China; this corresponded to a 15 percent reduction in containerized export volumes. Fishery exports were down 5.6 percent overall, driven by a 15 percent fall to Thailand, partially offset by a marginal 2 percent increase to China.

[16] https://www.business-humanrights.org/fr/derni%C3%A8res-actualit%C3%A9s/myanmar-factories-forced-to-close-leading-to-job-losses-for-workers-as-a-consequence-of-us-tariffs/

[17] Global gas prices fluctuated during late 2025 and early 2026 amid changes in seasonal demand, expanding LNG supply, and geopolitical developments. See International Energy Agency (IEA), Gas Market Report Q1 2026 and Gas Market Report Q2 2026 available at:
https://www.iea.org/reports/gas-market-report-q1-2026/executive-summary
https://www.iea.org/reports/gas-market-report-q2-2026/executive-summary

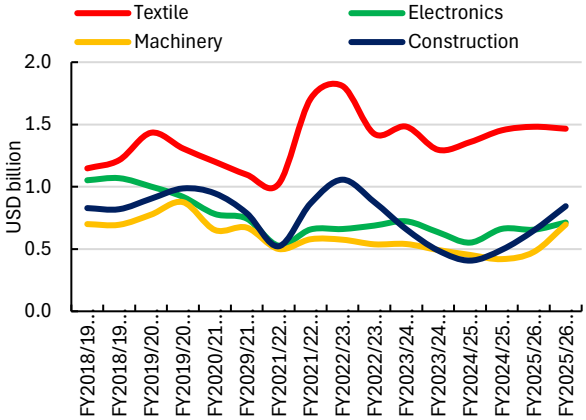
[18] https://ricenewstoday.com/global-rice-export-prices-soften-y-o-y-in-jan26-led-by-declines-in-everyday-grades/

Figure 70: Selected key agricultural and fishery exports to major destinations (USD billions)



Source: WB staff calculations and estimates 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 data cover 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 China, and fishery from Thailand and China.

Figure 71: Selected key imports from major partners (USD billions)



Source: WB staff calculations and estimates using data from China's General Administration of Customs and Thailand's Ministry of Commerce
Note: Textiles (HS 50 to 63, except HS 61 and 62), machinery (HS 84), electronics (HS 85) and construction materials (cement – HS 2523, and steel – HS 72 and 73) are from mirror data of China and Thailand exports to Myanmar.

Earthquake recovery activities drove imports in the second half of FY2025/26. Construction material imports, especially steel, increased by 71 percent due to ongoing reconstruction (**Figure 71**). Garment raw material imports—measured by laden containers—rose 29 percent, though their value grew only about 1 percent, driven mainly by imports from China and Thailand. Fertilizer import volumes climbed 29 percent year-on-year (**Figure 72**), reflecting Myanmar's reliance on imports, despite weaker agricultural exports. Conversely, fuel imports fell by 10 percent, led by a 27 percent drop in diesel, reflecting supply disruptions in the Middle East, shipping constraints, and local quantity rationing.[19]

Figure 72: Diesel, gasoline, and fertilizer imports (TEU thousands and metric tons)

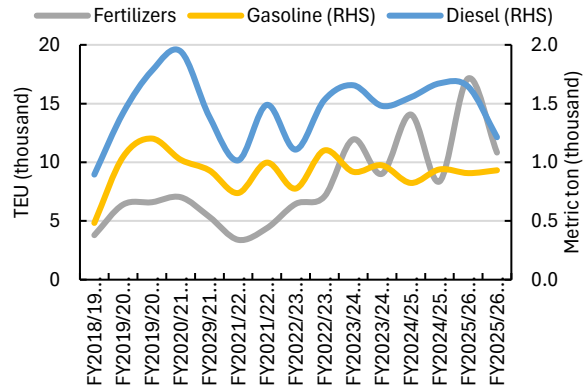
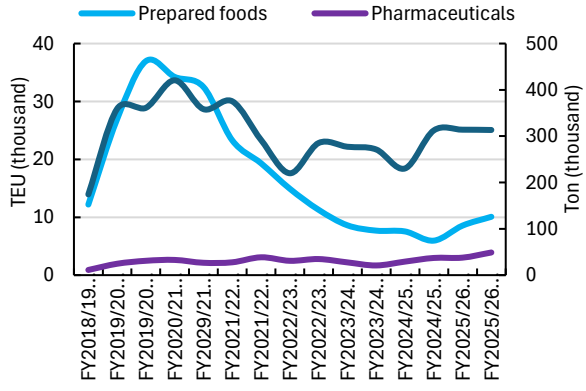


Figure 73: Selected consumer product imports (TEU thousands and metric tons)



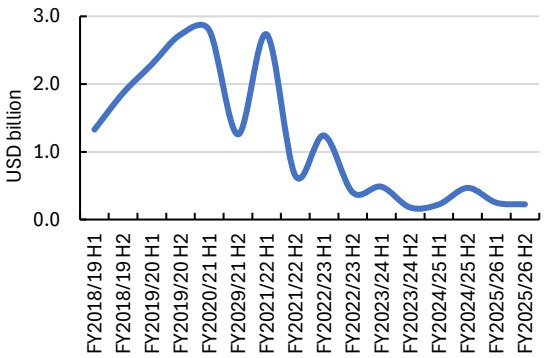
Source: Shipping operators

Capital and consumer product imports improved in the latter half of FY2025/26. Machinery imports rose by 66 percent year-on-year, partly driven by post-earthquake reconstruction, underscoring the partial stabilization of industrial activity and capital investment. Imports of electronics increased by 8 percent as households replaced items lost in the earthquake. Despite strict controls, prepared food and pharmaceutical imports grew by 69 percent and 32 percent, respectively, based on laden container

[19] https://www.reuters.com/business/energy/myanmar-junta-ration-fuel-private-vehicles-blaming-middle-east-shipping-2026-03-04/

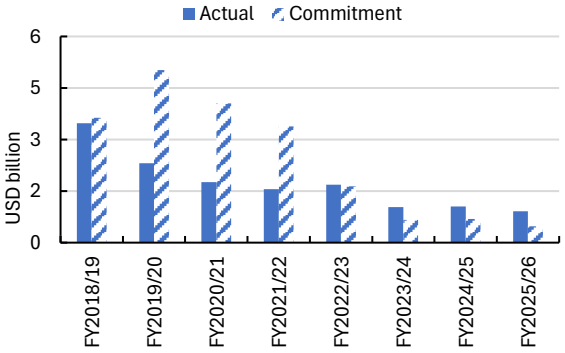
volumes (**Figure** 73), while edible oil imports remained stable, with only a 0.3 percent increase in volume. Overall, these patterns suggest that selected industrial inputs and essential items were being prioritized under the current import and foreign exchange control regime.

Figure 74: FDI commitment trends (USD billions)



Source: Directorate of Investment and Company Administration

Figure 75: FDI – actual and commitments (USD billions)



Source: Directorate of Investment and Company Administration and Quarterly Financial Statistics Bulletin 2025 Vol. III

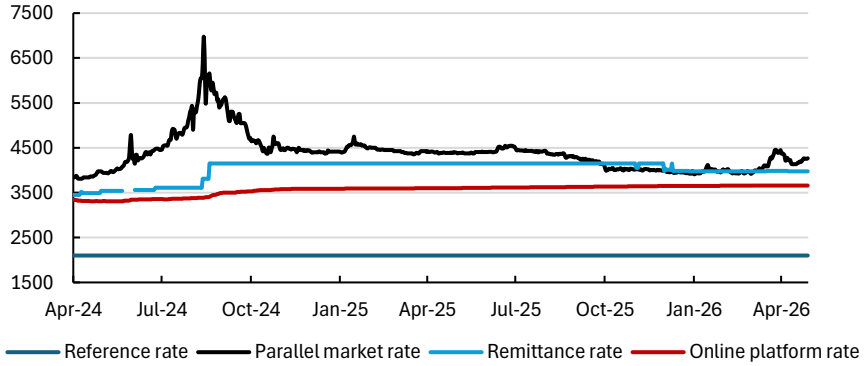
FDI commitments stayed low in the latter half of FY2025/26 (Figure 74), indicating weak investor confidence. Commitments totaled USD 224 million, down 52 percent year-on-year. Manufacturing made up more than half of the total commitments, with power at 26 percent and transport and telecommunications at 22 percent. China was the leading investor, followed by Singapore. Actual FDI inflows also dropped, estimated to be 13 percent lower than last year (**Figure 75**), reflecting weaker real capital inflows amid ongoing conflict, macroeconomic imbalances and regulatory frictions.

L. Kyat under pressure as import demand surges

The kyat experienced relative stability over the past year as foreign exchange availability improved. The gap between the parallel market rate and the CBM's online platform rate narrowed from 10.6 percent in October 2025 to 8.3 percent by February 2026 (**Figure** 76), supported by strong remittance inflows. This convergence was accompanied by a modest appreciation of the parallel market rate from approximately Kyat 4,021/USD to Kyat 3,958/USD during the same period, representing a 1.6 percent strengthening.

The fuel shock in March 2026 increased demand for foreign exchange, reversing prior FX easing. The parallel market rate depreciated by 8.9 percent, from Kyat 3,925/USD to Kyat 4,275/USD, as Middle East supply disruptions pushed up fuel costs. The parallel market premium over the online platform rate widened to 17 percent in May, signaling renewed market stress.

Figure 76: Kyat per US dollar

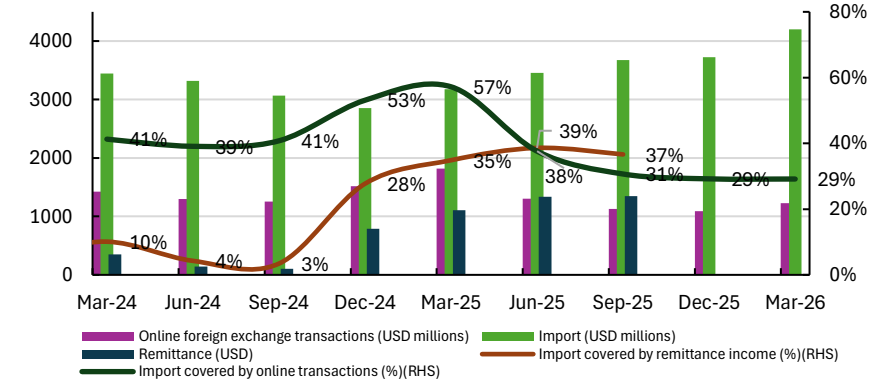


Source: CBM, Exchange market and World Bank staff

The remittance rate aligned with the parallel market rate in late 2025. By December 2025, the remittance rate (Kyat 3,985) matched the parallel market rate (Kyat 3,990), maintaining near parity through February 2026. This convergence signaled improved confidence in formal remittance channels and reduced fragmentation across market segments. Worker remittances climbed to USD 5.6 billion in 2025[20], equivalent to 35 percent of export receipts and 37 percent of foreign financing needs (**Figure 77**). Favorable exchange rates and regulations mandating that migrant workers send 25 percent of their income through official banking channels have boosted remittance inflows. Non-compliance with these rules can impact passport renewals and the ability to work abroad.

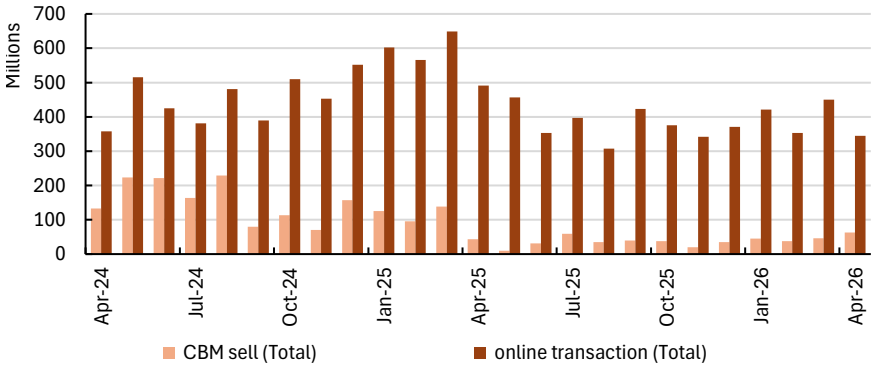
CBM forex sales through the online platform declined from peak 2024 levels, consistent with increased private sector forex availability. Monthly online platform CBM sales fell from a peak of approximately USD 229 million in August 2024 to around USD 35-46 million monthly during late 2025 and early 2026 (**Figure 78**). The reduction in official intervention reflects diminished pressure on the CBM to supply forex directly, as market-driven flows improved. However, CBM's monthly forex sales increased to USD 63 million in April, driven by higher fuel import costs.

Figure 77: Import demand met by online transactions and remittances (USD millions and percent)



Source: Central Bank of Myanmar

Figure 78: Online foreign currency transactions supplied by the Central Bank



Source: Central Bank of Myanmar

Authorities maintain broad currency and trade controls with incremental changes. The CBM eased the mandatory foreign currency conversion of export earnings at the official rate of 2,100 kyat per USD from 25 percent to 15 percent, with the rest converted at Kyat 3,600/USD, both below the parallel market rate. Myanmar now accepts foreign investment in US dollars or Chinese yuan via authorized banks, aiming to diversify its currency base. However, structural weaknesses persist. Multiple exchange rates and stringent administrative controls continue to exert distortionary impacts on the economy.

[20] https://www.bloomberg.com/news/articles/2026-05-14/myanmar-junta-s-forced-remittance-rules-pull-in-5-6-billion

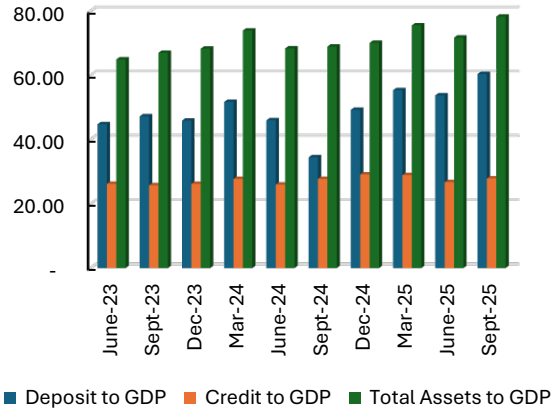
Strict trade licensing[21] and an "export first" policy increase business operating costs and push up prices. Overall, administrative controls on forex allocation continue to segment the market, limit efficient price discovery, and create arbitrage opportunities that distort resource allocation.

Taken together, external sector developments point to increased sustainability risks. Key signals highlight mounting pressure for a sharper exchange rate adjustment. A widening parallel market premium suggests that administrative exchange rate management is becoming harder to sustain and that demand for foreign currency is increasingly shifting outside formal channels. Greater reliance on priority foreign exchange allocation, tighter import licensing, or higher official foreign exchange sales to finance fuel and other essential imports would further strain already limited external buffers. These signals are especially concerning in Myanmar's current context, where higher fuel import costs, declining natural gas exports, subdued foreign direct investment, and constrained access to external borrowing are already weakening external sustainability. Although remittance inflows continue to provide important support, heavy dependence on them also underscores the narrow base of foreign exchange inflows. If the parallel market premium widens further, foreign exchange rationing intensifies, and import restrictions become severe, the current regime of segmented exchange rates and administrative controls may become increasingly difficult to sustain without greater inflation pass-through, weaker private sector activity, and sharper external adjustment pressures.

M. Myanmar's banking sector stability remains under strain amid policy uncertainty and regulatory frictions

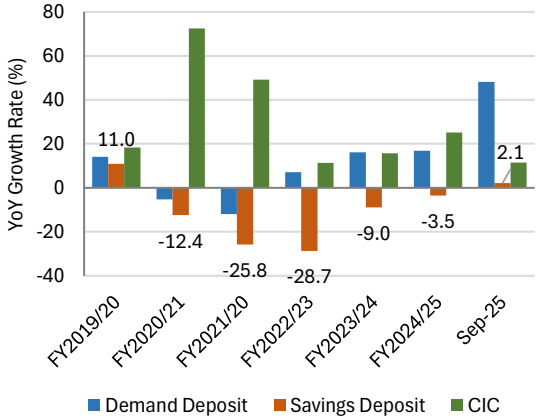
Total banking assets grew by around 10 percentage points to reach 78 percent of GDP in September 2025 (Figure 79), mainly fueled by an increase in private sector credit. During the same period, total deposits almost doubled from 34.2 percent in the previous year to 60 percent of GDP, signaling improving depositor confidence after the liquidity crises of 2021-2022. However, this apparent stabilization largely reflects corporate deposits, shaped by policies that mandate exporters to convert foreign currency earnings into Kyat, trapping liquidity in the system rather than reflecting voluntary deposit retention.

Figure 79: Banks' deposits, loans and assets (percent of GDP)



Source: CBM

Figure 80: Currency vs deposit growth rates (percent change YoY)



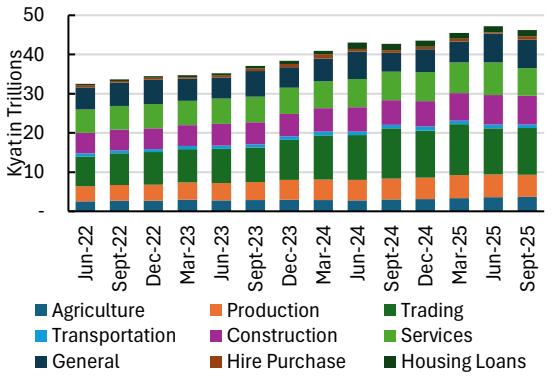
Source: CBM

By March 2025, retail savings deposits had declined for the fifth year in a row (Figure 80), with a modest annual increase of just 2 percent noted in September 2025—the first uptick in five years. This prolonged drop in savings indicates a breakdown in financial intermediation, as inflation continues

[21] Licenses issued from January 2026 are valid for 180 days.

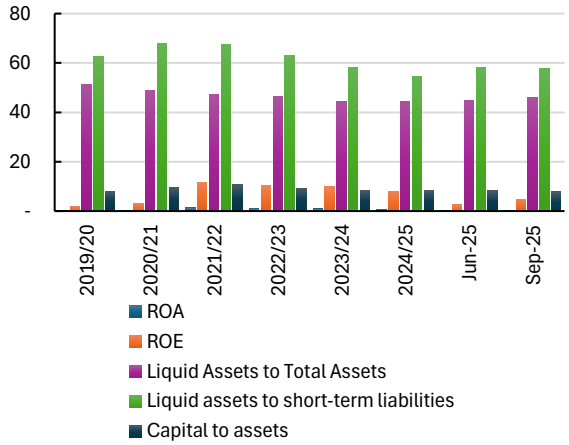
to outpace official interest rates, causing real returns on savings to remain deeply negative (**see Box 4**). Additionally, currency in circulation (CIC) rose by 11 percent year-on-year in September 2025 (driven both by central bank actions and the public's growing preference for holding cash). The high demand for cash explains both the surge in CIC and ongoing declines in retail savings, as households withdraw deposits to use cash in informal transactions. Taken together, these trends suggest that formal banking is effectively being used mostly for government-mandated transactions, while much of the productive economy now operates largely on a cash basis. At the same time, the financial system is becoming more digitally inclusive at the retail transaction level, though intermediation has remained weak (**see Box 5**).

Figure 81: Sectoral composition of private sector credit (trillions of Kyat)



Source: CBM

Figure 82: Selected financial soundness indicators (percent)



Source: CBM

Private sector credit expanded across multiple sectors due to renewed efforts to revive intermediation and post-earthquake recovery loans. Small and medium-sized enterprises (SMEs) lending rose 207 percent year-on-year in September, reflecting targeted support after the earthquake. Authorities launched state-backed subsidized loans for SMEs[22] through 18 private banks and one state bank. Compared with the previous year's level, lending to agriculture and construction increased by 22 percent and 17 percent (**Figure 81**), respectively, driven largely by earthquake recovery efforts. General loans also increased by nearly 50 percent, reflecting increased household financing likely to help households replace items damaged by the earthquake.

Box 4: Financial sector fragilities and systemic risk

Myanmar's banking sector risks becoming an amplifier of macroeconomic stress. Capital buffers have thinned below the minimum regulatory requirement, profitability has weakened, and real returns on savings remain deeply negative. At the same time, declining retail deposits and rising currency in circulation hinder financial intermediation and weaken confidence in Kyat-denominated financial assets. Although private credit has expanded in selected sectors, the banking system is also becoming more exposed to sovereign financing needs as domestic deficit financing increasingly relies on commercial banks. This strengthens sovereign-bank linkages in the context of already elevated public debt and persistent inflation.

[22] Large, state-backed loan envelopes—including an initial allocation of around K700 billion for reconstruction—were mobilized through a combination of Central Bank of Myanmar (CBM) resources and the Natural Disaster Management Fund. Loan schemes are offered at subsidized interest rates differentiated by use, including about 5 percent for MSME working capital and 3 percent for housing reconstruction, with typical maturities of three to five years.

Emerging financial sector vulnerabilities could interact in destabilizing ways. Continued inflation and negative real rates can further weaken deposit mobilization and increase cash preference, reducing the depth of formal intermediation. Greater sovereign exposure may crowd bank balance sheets toward government-related financing while reducing resilience to future shocks. At the same time, weak capital buffers and limited transparency on asset quality constrain the system's ability to absorb losses if macroeconomic conditions deteriorate further. Overall, Myanmar's financial sector is not only exposed to broader macroeconomic stress, but also transmitting shocks through reduced confidence, weaker intermediation and tighter links between fiscal strain and banking sector fragility.

Although banks have experienced strong credit growth, they still hold ample liquidity. Liquid assets to short-term liabilities held steady at about 57.8 percent, well above the required minimum of 20 percent. The loan-to-deposit ratio dropped from 83.9 percent to 51.5 percent due to policies requiring banks to keep specific Kyat balances and limiting withdrawals, which keeps deposits within the banks. While this should allow for more profitable secured lending, policy shifts and macroeconomic challenges have made it hard for banks to assess risks and borrowers. Interest rate caps and negative real rates and mandatory loan write-offs have squeezed profitability: ROE and ROA fell to 4.8 percent and 0.37 percent, respectively (**Figure 82**). The interest margin to gross income ratio dropped to 49.4 percent in September from 57.7 percent a year earlier.

Capital levels are thinning as the capital-to-assets ratio fell to 7.7 percent in September 2025, below the minimum requirement, highlighting increased vulnerabilities. Lack of comprehensive data on nonperforming loans compounds vulnerabilities and impedes effective credit risk mitigation strategies. CBM regulations rely heavily on overcollateralization for credit risk mitigation, with loans typically capped at 50–70 percent of forced-sale values despite a fourfold rise in property prices since 2021. As of September 2025, total loan loss provisions represented 3.1 percent of outstanding loans (0.9 percent of GDP).

Box 5: Financial access has widened but intermediation remains weak

Myanmar continues to lag East Asia and the Pacific (EAP) on key financial access indicators, despite some progress. In 2025–26, only about one-third of adults have a formal financial account (**Figure 83**), broadly in line with other fragility-affected countries but only about half the EAP average. Formal bank account ownership also remains uneven across gender, income groups, and locations, with lower access among women, poorer households, and people in more underserved states and regions.

Figure 83: Access to formal financial accounts

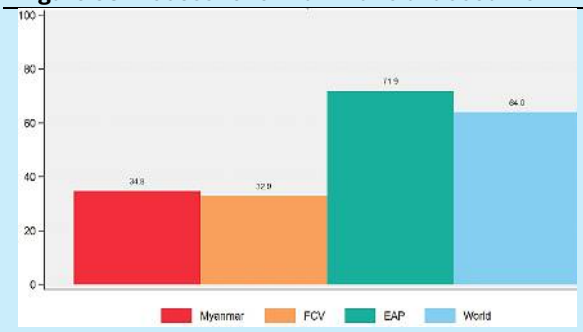
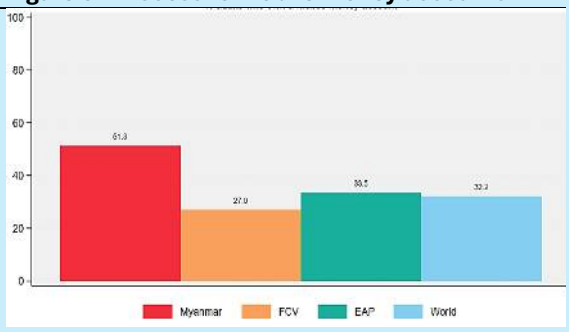


Figure 84: Access to mobile money accounts



Notes: Myanmar data is from MSPS 2025-26; Benchmark data is from FINDEX-2025. Formal financial accounts in MSPS include Banks, Microfinance Institutions (MFIs) and savings and credit cooperative societies. In Findex, the same include an account at a bank or at another type of financial institution, such as a credit union, a microfinance institution, a cooperative, or the post office (if applicable), or has a debit card.

Mobile wallets have expanded much more rapidly than formal bank accounts. While formal account ownership rose only modestly—from about 17.5 percent in 2017 to 26 percent in 2025-26—mobile money went from virtually nonexistent in 2017 to around half of adults by 2025–26 (**Figure** 84). Mobile money now exceeds formal account ownership in every state and region, and it has helped narrow gender and geographic gaps in access. This suggests that digital channels have been far more successful than traditional banking in overcoming infrastructure and last-mile barriers. This divergence also reflects weaker confidence in formal banking as withdrawal limits and high inflation have resulted in persistent negative year-on-year growth in retail savings deposits, reducing the attractiveness of bank accounts as stores of value.

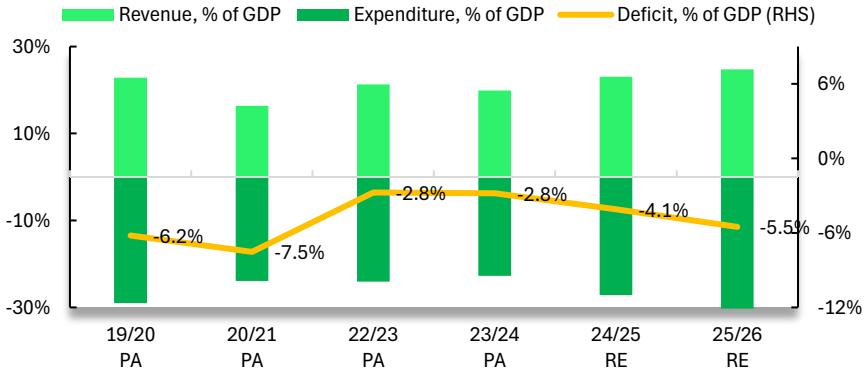
Despite the recent expansion of mobile wallets, financial sector deepening remains shallow. Mobile wallets in Myanmar function mainly as transaction tools, not as vehicles for savings or credit. Only a minority of wallet holders save through their accounts, and borrowing through mobile money is negligible. This likely reflects both product design choices and regulatory barriers that prevent mobile money providers in Myanmar from offering savings and credit instruments to their users. So while mobile money has rapidly widened access, it has not yet translated into the broader financial deepening—especially savings and credit access—that would be needed to strengthen resilience among poorer households. Overall, households are increasingly using mobile platforms for payments and transfers, but formal savings and credit intermediation remains shallow, especially for poorer households.

Source: MSPS 2025/26

N. Fiscal accounts face strain due to earthquake recovery and external shocks

Preliminary estimates suggest that the budget deficit rose to 5.5 percent of GDP in FY2025/26, up from 4.1 percent, exceeding the budgeted amount by 0.6 percentage points. The widening budget deficit was driven mainly by post-earthquake reconstruction, election-related spending, and a higher public sector wage bill following recent upward adjustments to emoluments aimed at offsetting the effect of elevated inflation. Amid higher expenditure needs, improvements in resource mobilization were largely due to an increase in nontax revenues **(Figure 85)**.

Figure 85: Fiscal trends (percent of GDP)



Source: https://www.cbm.gov.mm/, https://www.ird.gov.mm/ , WB staff estimates, PA = Provisional Actual, BE = Budget Estimate, RE = Revised Estimate, P= Projection

Total revenue is estimated to have risen to 24.8 percent of GDP in FY2025/26. Nontax revenue is estimated to have increased to 17.7 percent of GDP from 15.2 percent, driven by higher state-owned

enterprise income, particularly in energy, oil, and gas **(Figure 86)**. The exit of major foreign investors[23] boosted the State's share in the oil and gas sector, raising receipts despite lower production. Tax revenue is estimated to have dropped by 0.6 percentage points to 7.1 percent of GDP (**Figure 87**), reflecting reduced income tax collections. Income tax revenue is estimated to have decreased by 0.5 percentage points to 2.8 percent of GDP as private sector profits weaken amid a challenging business climate and sluggish economic growth. Commercial, specific goods, and "other" tax receipts remained steady at 2.0 percent, 1.1 percent, and 0.6 percent of GDP, supported by high taxes on alcohol, tobacco, jewelry, and levies on internet and sim cards.

Figure 86: Tax and nontax revenue (percent of GDP)

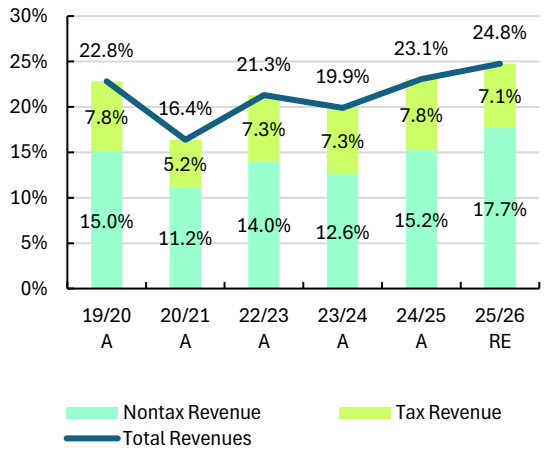
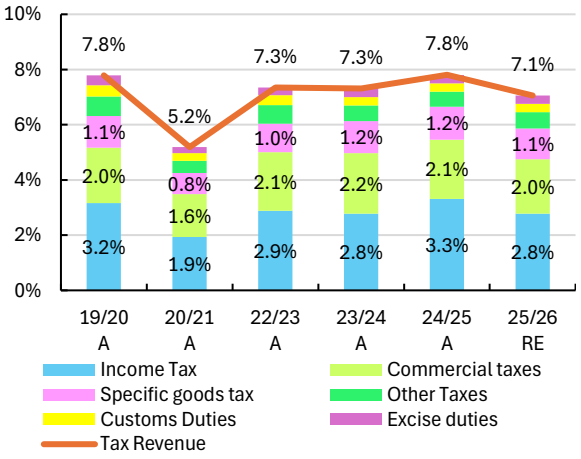


Figure 87: Tax revenue (percent of GDP)

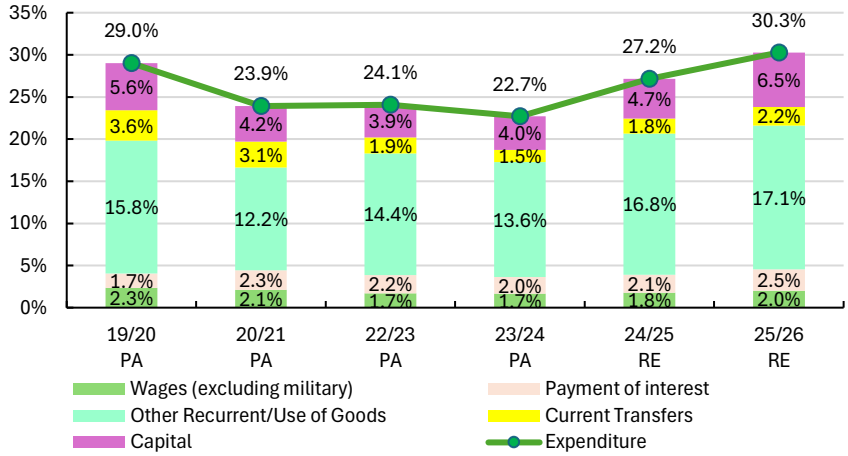


Source: https://www.cbm.gov.mm/, https://www.ird.gov.mm/, WB staff estimates, PA = Provisional Actual, BE = Budget Estimate, RE = Revised Estimate, P= Projection

Government expenditure increased markedly to 30.3 percent of GDP in FY2025/26, up from 27.2 percent, reflecting both post-earthquake reconstruction needs and election-related spending pressures. The increase was broad-based but driven mainly by higher capital expenditure and selected current spending categories, pointing to a combination of cyclical, shock-related demands and policy-driven pressures on the fiscal envelope (**Figure 88**). Capital expenditure rose from 4.7 to 6.5 percent of GDP and accounted for the largest share of the increase, reflecting stepped-up investment in the rehabilitation and reconstruction of public infrastructure, including airports, roads, schools, hospitals, and public housing. Current expenditure also increased, with other recurrent spending, including goods and services, rising from 16.8 to 17.1 percent of GDP and current transfers increasing from 1.8 to 2.2 percent of GDP, consistent with election-related activities and higher security spending.

[23] Companies such as TotalEnergies and Chevron withdrew from key offshore projects, with their equity stakes largely redistributed to remaining partners—including the state-owned Myanma Oil and Gas Enterprise (MOGE). This effective transfer of ownership has increased the State's direct participation in major gas fields, strengthening its claim on export revenues even as foreign participation has diminished.

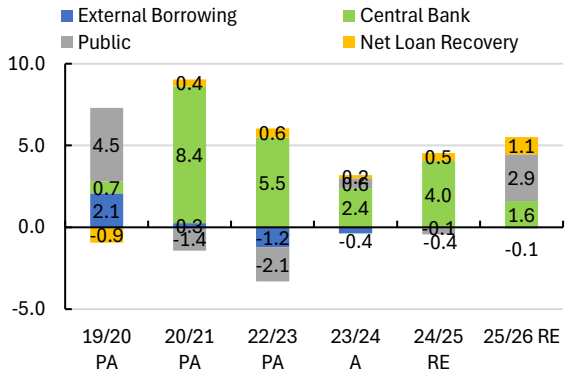
Figure 88: Composition of expenditure by economic uses (percent of GDP)



Source: https://www.cbm.gov.mm/, https://www.ird.gov.mm/ , WB staff estimates, PA = Provisional Actual, BE = Budget Estimate, RE = Revised Estimate, P= Projection

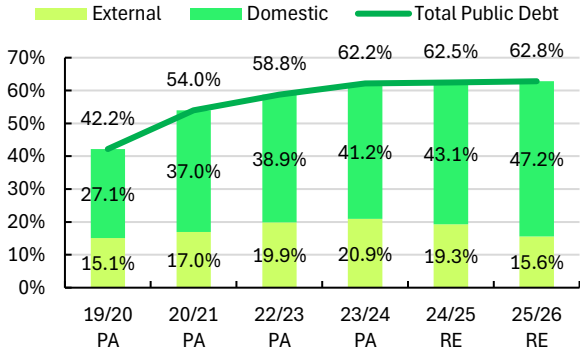
Additional fiscal pressures emerged from rising recurrent obligations. The wage bill increased modestly from 1.8 to 2.0 percent of GDP, reflecting adjustments in public sector compensation to partially offset elevated inflation. Meanwhile, interest payments rose from 2.1 to 2.5 percent of GDP, underscoring higher servicing costs on domestic debt, which constitutes the bulk of the interest burden. Overall, the composition of spending suggests a shift toward reconstruction-led capital expansion alongside structurally higher recurrent and financing costs, which may constrain fiscal space if revenue mobilization does not keep pace.

Figure 89: Deficit financing sources (percent of GDP)



Source: CBM and World Bank Staff

Figure 90: Public debt stock composition (percent of GDP)



Source: CBM and World Bank Staff

Deficit financing continued to rely predominantly on domestic sources, as net external financing remained negative, with external debt repayments exceeding new borrowing. Domestic financing has been undergoing a compositional shift: preliminary data show central bank funding is projected to drop sharply to 1.6 percent of GDP in FY2025/26 from 4.0 percent last year (**Figure 89**), partly alleviating monetization pressures. Meanwhile, financing from the domestic banking system—mainly commercial— is estimated to rise by around 2.9 percent of GDP, driven by moral suasion and limited investment options in a high-risk environment. Additional financing is expected to come from higher net recoveries of state loans to reach 1.1 percent of GDP (up by 0.6 percentage points), providing a modest supplementary source of funding. Overall, the financing pattern points to growing reliance on the domestic banking sector, reducing direct central bank financing but potentially increasing the exposure of the financial sector to sovereign risks.

Public debt remains elevated at around 63 percent of GDP in FY2025/26, with domestic debt accounting for 47.9 percent of GDP, driven by increased borrowing from the banking system.

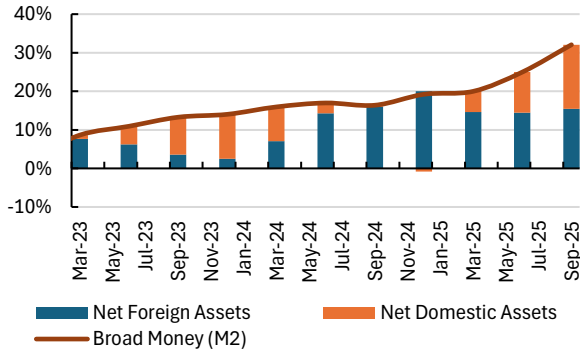
External borrowing is expected to decrease to 15.6 percent of GDP from 19.3 percent in the previous year as repayments continue to exceed new disbursements. International debt service obligations were estimated at around US$ 750 million in FY2024/25, down US$ 1 billion previously. Over two-thirds of external debt is owed to multilateral and bilateral creditors **(Figure 90)**.

Fiscal sustainability is weakening as large primary deficits persist and domestic borrowing continues to rise. Revenue performance improved recently, mainly because of stronger nontax receipts, but not enough to offset higher spending. As a result, fiscal deficits have widened and public debt—especially domestic debt—has continued to increase while external borrowing remains constrained. Interest payments absorbed 12.5 percent of total revenue in FY2025/26, only slightly below 13.2 percent a year earlier, reflecting the rising cost of servicing domestic debt. Financing patterns also add to the risk. Although central bank financing declined somewhat, greater reliance on commercial banks has strengthened sovereign-bank linkages and could raise borrowing costs over time. Higher domestic borrowing could crowd out private credit and put upward pressure on interest rates, weighing on economic activity. More broadly, rising debt service reduces fiscal space and limits Myanmar's ability to respond to shocks. Taken together, persistent primary deficits, rising interest costs, and growing dependence on domestic bank financing point to mounting fiscal sustainability risks, especially in the absence of stronger growth or credible fiscal consolidation.

O. Fiscal, monetary, and financial sector pressures are becoming more tightly linked

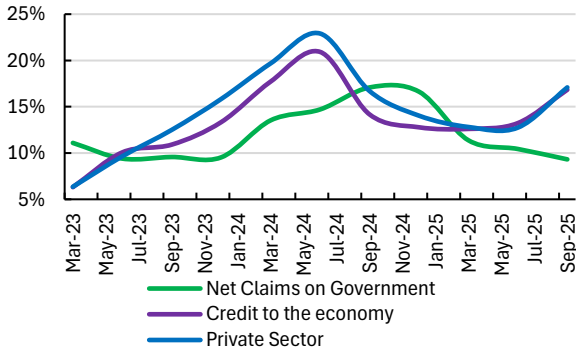
Over the past six months, the Central Bank of Myanmar kept its policy rate and other formal instruments unchanged, relying instead on administrative measures to manage foreign exchange and liquidity conditions. Key interventions included allocating foreign exchange to priority import sectors through the CBM online platform, relaxing mandatory foreign exchange conversion requirements for exporters, and consolidating oversight under the Foreign Exchange Supervisory Committee. Regulations requiring remittances through formal banking channels also helped sustain foreign exchange inflows. These measures appear to have supported selected priority payments and foreign exchange availability, but they did not amount to a tightening of aggregate monetary conditions. In practice, policy has leaned more on administrative allocation and market segmentation than on interest-rate adjustment to contain inflationary pressure.

Figure 91: Broad money growth and contributions to growth (percent)



Source: Central Bank of Myanmar

Figure 92: Government and private credit growth (percent)



Source: Central Bank of Myanmar

Although formal policy settings were unchanged, rapid money growth indicates that monetary conditions remained accommodative in practice. Broad money (M2) rose by 32 percent year-on-year by September 2025, up from 16 percent a year earlier **(Figure 91)**. Net domestic assets contributed about 17 percentage points to this increase, supported by stronger private sector credit, while net foreign assets also made a substantial contribution through robust remittance inflows and a current account surplus. Private sector credit grew by 17 percent year-on-year (**Figure 92**), reflecting stronger financing

demand from the real economy and post-earthquake lending support. At the same time, currency in circulation continued to expand, driven by deficit financing needs, rising informality, and a stronger preference for cash. Inflation remained high at around 24.6 percent, pushing real interest rates further into negative territory and reducing the appeal of kyat-denominated savings. Taken together, unchanged policy rates, rapid M2 growth, and elevated inflation suggest that formal interest rate policy has had limited traction relative to balance sheet expansion, administrative controls, and broader macro-financial pressures.

Deficit financing patterns indicate that fiscal, monetary, and financial sector pressures are becoming more closely intertwined. With net external financing negative and external debt repayments exceeding new borrowing, gross financing needs have continued to be met mainly through domestic sources. Although central bank financing of the deficit has declined somewhat, commercial bank financing has increased. This shift reduces direct central bank advances but does not eliminate inflationary pressure when deficits are still financed through domestic liquidity creation in an economy constrained by supply shortages, import compression, foreign exchange rationing, and weak confidence in financial assets. As a result, financial intermediation remains shallow, even as official banking aggregates continue to expand.

Myanmar's current monetary-fiscal policy mix underpins ongoing inflationary pressure and financial sector stress. First, sustained domestic financing of large fiscal deficits continues to add to inflation by supporting liquidity and demand while supply remains constrained by conflict, energy shortages, and import restrictions. Second, rising reliance on bank financing increases sovereign exposure on bank balance sheets and potentially shifts intermediation toward government-linked uses, even as households continue to prefer cash over deposits in the face of negative real returns. This helps explain the coexistence of rapid growth in currency in circulation, weak retail savings mobilization, and persistent financial fragility. Myanmar's large fiscal needs are currently met through a shallow financial system and accommodated by rapid monetary expansion, resulting in a reinforcing cycle of inflation, weaker monetary control, rising sovereign-bank risks, and greater macro-financial fragility.

II. Outlook and Risks

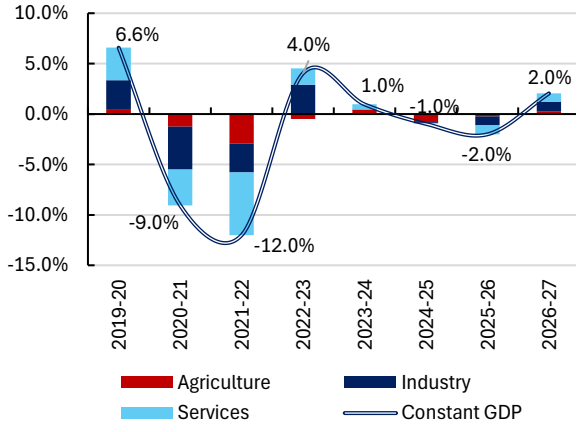
Myanmar's economy is projected to grow at 2 percent in FY2026/27 (Figure 93), revised down from an earlier estimate of 3 percent, reflecting a slow and fragile recovery constrained by both domestic and external headwinds. On the external side, elevated global fuel prices are increasing domestic production costs, which are being passed through to consumers and further eroding already weak real wages. Domestically, a challenging operating environment persists, characterized by import restrictions, conscription and migration-related labor constraints, price controls, kyat withdrawal limits, foreign exchange restrictions, and high electricity costs—all of which continue to weigh on private sector activity and investment.

Box 6: Baseline assumptions underlying the outlook

The baseline forecast assumes that global energy supply disruptions will continue to weigh on Myanmar through higher fuel import costs and weaker external demand, particularly for garments and agricultural exports. Domestically, regulatory responses—including fuel rationing and work-from-home mandates—are assumed to continue disrupting mobility, transport, and logistics, constraining a stronger rebound in services. Industrial activity is expected to be supported by improved operating capacity in manufacturing and continued post-earthquake reconstruction efforts, while agriculture is assumed to benefit from strong growth in SME lending, though output gains would remain modest because of shrinking cultivation area. More broadly, the baseline incorporates persistent structural constraints—including power outages, labor shortages, ongoing conflict, and regulatory frictions—which are expected to limit the pace of recovery and prevent a robust growth rebound.

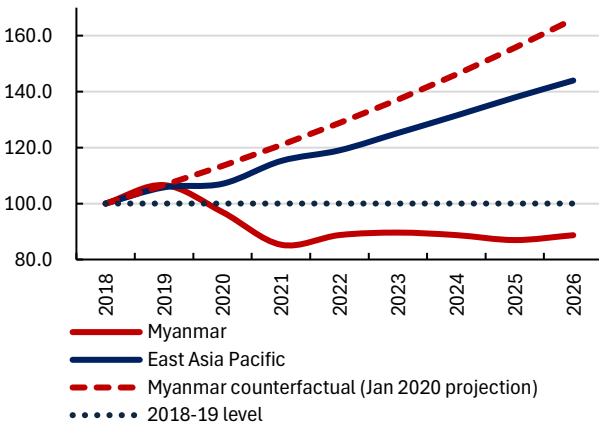
Growth is anticipated to be broad-based, but subdued, supported by improvements observed toward the end of FY2025/26 as firms adapt to ongoing shocks. Industrial activity is expected to benefit from a stabilizing manufacturing sector and continued post-earthquake reconstruction. Agriculture is expected to benefit from the ongoing surge in lending to SMEs, although elevated price pressures and shrinking cultivation are likely to cap output gains. Reflecting a subdued growth performance, real GDP is expected to remain about 11 percent below its pre-pandemic level (**Figure 94**). Overall, the near-term outlook is weak and cautious (**Box 6**), with businesses recovering gradually amid persistent macroeconomic and policy risks, including the ongoing fuel price shock, import controls and exchange rate restrictions.

Figure 93: Real GDP growth (percent)



Source: Planning department, WB staff estimate

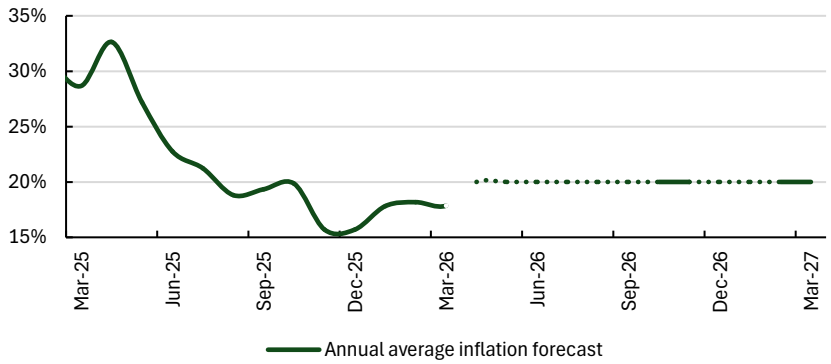
Figure 94: Real GDP estimates and projections (2018-19 = 100)



Source: Planning department and World Bank Staff estimate

Inflation is projected to remain elevated at 20 percent through FY2026/27, suggesting that the recent re-acceleration is likely to prolong, rather than interrupt, a high-inflation environment. Inflation had eased from above 30 percent in early FY2024/25 to around 18 percent by late FY2025/26, supported by a period of relative kyat appreciation, stronger domestic food supply, and improved food distribution as conflict intensity moderated in some areas **(Figure 95)**. The current shock has reversed part of that adjustment. Higher fuel import costs have increased demand for foreign exchange, widened parallel market pressures, and renewed depreciation pressure on the Kyat, reinforcing imported inflation through higher transport, logistics, and input costs. These effects are expected to feed further into food prices, particularly where fuel-dependent supply chains and domestic food distribution remain vulnerable. Renewed exchange rate pressures, persistent supply-side disruption, and continued deficit financing through the domestic banking system all point to sustained underlying price pressure. The current fiscal-monetary mix—characterized by large deficits, rapid money growth, and growing reliance on bank financing alongside administrative exchange controls—is likely to keep inflation more persistent over the medium term, even if the most acute fuel-price effects begin to ease.

Figure 95: Inflation forecast (percent)



Source: CSO and World Bank Staff

The fiscal deficit is projected to remain high at around 5.2 percent of GDP in FY2026/27, with the modest narrowing from the previous year reflecting a slower pace of spending growth rather than an easing of fiscal pressures. The projection is anchored mainly in relatively stable total revenues, supported by continued robust nontax receipts—particularly from state-owned economic enterprises in the oil and gas sector—even as tax revenue weakens further because of subdued private sector profitability and higher SME tax exemptions. On the expenditure side, the deficit narrows slightly because capital spending is expected to ease as upfront post-earthquake reconstruction outlays moderate. Current spending is projected to remain elevated, underpinned by higher wages, transfers, goods and services, and rising domestic interest costs. This means fiscal policy is still likely to remain expansionary in its macroeconomic effects, even with a slightly smaller headline deficit. At the same time, fiscal sustainability risks remain significant: the primary deficit is expected to stay at 3.0 percent of GDP (**Table 5**), public debt is already high, and continued reliance on domestic bank financing to meet gross financing needs will further tighten sovereign-bank linkages and could add to inflation and financial sector stress over time.

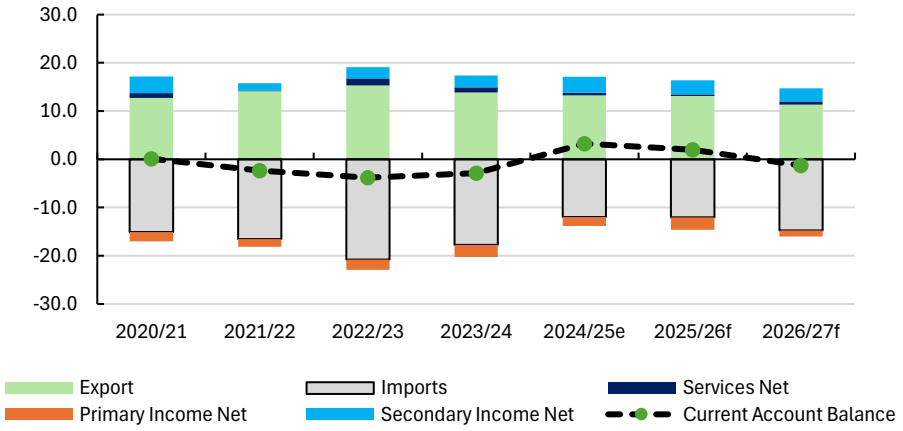
Table 5: Selected macroeconomic indicators (annual percent change unless indicated otherwise)

	2019-20	*2020-21*	*2021-22*	*2022-23*	*2023-24*	*2024-25*	*2025-26*	*2026-27F*
Real GDP growth, at constant factor prices	6.6	-9.0	-12.0	4.0	1.0	-1.0	-2.0	2.0
Agriculture	2.2	-5.7	-12.8	-2.2	2.0	-3.8	-1.1	1.1
Industry	8.0	-11.8	-8.2	8.0	0.0	-0.2	-2.4	2.7
Services	7.8	-8.4	-14.7	3.9	1.4	-0.2	-2.0	2.0
CPI inflation, year average	9.1	2.3	9.6	27.2	27.6	29.6	21.1	20.0
Merchandise Trade balance (% of GDP)	-5.7	-2.4	-2.4	-5.5	-3.9	1.3	1.1	-3.4
Current account balance (% of GDP)	-1.8	0.1	-2.4	-3.8	-2.9	3.3	1.9	-1.2
Fiscal balance (% of GDP)	-6.2	-7.5	-2.2	-2.8	-2.8	-4.1	-5.5	-5.2
- Revenue (% of GDP)	22.8	16.4	16.5	21.3	19.9	23.1	24.8	24.3
- Expenditure (% of GDP)	-29.0	-23.9	18.7	-24.1	-22.7	-27.2	-30.3	29.5
Public debt (% of GDP)	42.9	54.2	60.1	58.8	62.2	62.4	62.8	64.5
Primary balance (% of GDP)	-6.8	0.0	-0.6	-0.9	-2.1	-3.0	-3.0	-3.0

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

The current account is projected to shift from a surplus to a deficit of 1.2 percent of GDP, reflecting a marked deterioration in the trade balance. After two consecutive years of surpluses, even amid higher reconstruction-related imports, the trade balance is projected to move into a deficit of 3.4 percent of GDP in FY2026/27 **(Figure 96)**. This reversal is driven primarily by higher fuel import costs following energy supply disruptions in the Middle East, with the fuel import bill projected to rise by around 40 percent, while export performance remains subdued due to weak agricultural and natural gas exports. This deterioration would likely be larger in the absence of continued controls on other imports. Although remittance inflows through official channels are expected to remain supportive, widening parallel market premiums and increased CBM foreign exchange sales to support fuel imports point to tighter foreign exchange conditions and weakening external sector sustainability. These pressures are likely to be only partly offset by remittance inflows, particularly as services receipts remain constrained by transport and logistics disruptions linked to elevated fuel costs and ongoing conflict.

Figure 96: Current account (percent of GDP)



Source: Central Bank, World Bank staff estimate

Risks to the growth outlook are tilted to the downside, reflecting the possibility that recent shocks prove more persistent and more disruptive than assumed. If energy market disruptions linked to instability in the Middle East continue to persist, higher fuel import costs would further raise inflation, weaken real incomes, and intensify disruptions to transport, logistics, and production. External pressures could also deepen through the foreign exchange constraint: sustained high fuel import costs, weaker export earnings—particularly from agriculture and natural gas—and any slowdown in remittance

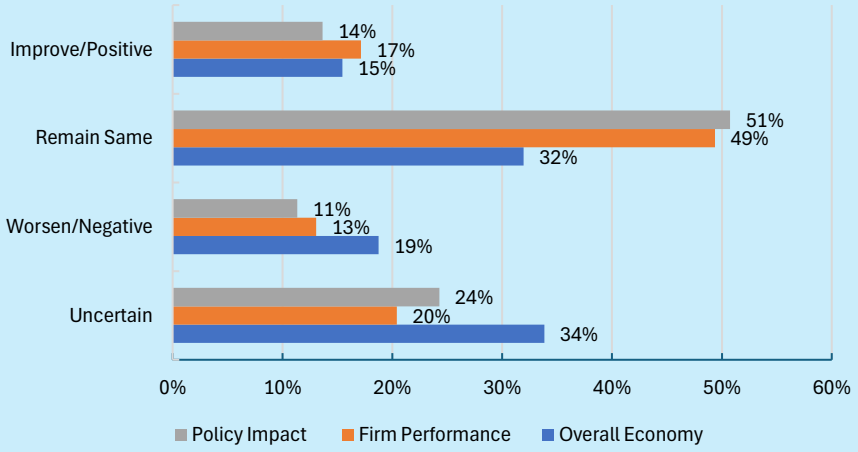
inflows would widen external imbalances in an economy that relies heavily on remittances and administrative foreign exchange allocation to sustain import capacity. In that scenario, pressures would likely show up in a wider parallel market premium, tighter foreign exchange rationing, higher CBM foreign exchange sales to support fuel imports, and deeper import compression, reinforcing input shortages, exchange-rate pass-through to prices, and the supply bottlenecks already constraining firm activity and investment.

Domestic risks also remain elevated. The baseline assumes no major deterioration in the conflict environment, but renewed escalation—or continued disruption to transport corridors, border trade, power supply, and fuel distribution—would further raise costs, weaken market access, and suppress private sector activity. These risks could be amplified by Myanmar's current policy mix. Expansionary fiscal policy, rapid money growth, and continued reliance on domestic bank financing are supporting demand and liquidity even as foreign exchange controls, import restrictions, and fuel rationing constrain supply and delay price adjustment. This combination could sustain inflationary pressures, widen parallel market premiums, weaken confidence in Kyat-denominated financial assets, and shift more of the adjustment burden onto firms and households through shortages, higher informal premia, lower real incomes, and persistent poverty. As inflation erodes purchasing power and bank financing of the fiscal deficit deepens sovereign-financial linkages, the policy mix could become harder to sustain and raises the risk of weaker growth, greater macro-financial stress and persistently high poverty. Upside risks remain limited and would depend mainly on more durable improvements in power supply, logistics, and operating capacity, or on a faster easing of external pressures than assumed in the baseline.

Box 7: The private sector remains cautious despite increased macro stress

The March 2026 round of the World Bank's firm survey points to a cautious business outlook, with a widening gap between firm-level resilience and weak macroeconomic sentiment (Figure 97). Uncertainty is high, with 34 percent of firms reporting that they are unsure about the economic outlook—the largest share of responses. Views on the overall economy are subdued, as negative expectations (19 percent) slightly exceed positive ones (15 percent). By contrast, firms are more confident about their own prospects: nearly half (49 percent) expect conditions to remain stable, and 17 percent anticipate improvement. This divergence suggests that firms view their own operations as more resilient than the broader economy, reflecting continued adaptation to a difficult operating environment.

Figure 97: Business sentiment in March 2026 (percent of firms reporting)



Source: World Bank Firm Monitoring Surveys

Expectations of policy stability are helping firms plan, but they are not generating optimism. A majority of firms (51 percent) expect no change in how the policy environment affects their operations,

while only 11 percent anticipate deterioration. This produces a modestly positive net policy outlook, suggesting continuity rather than reform momentum. Sentiment differs across regions and sectors: firms in Yangon and Mandalay are somewhat more positive, while uncertainty is higher in the Hilly Zone. Services firms show relatively stronger optimism, whereas manufacturing remains more cautious, consistent with ongoing input constraints and cost pressures[24]. Overall, firm sentiment appears stable but cautious, with businesses preparing for a gradual and subdued economic recovery while remaining exposed to persistent macroeconomic and policy risks, including the continuing effects of the fuel shock and the still-fading impact of the earthquake.

[24] World Bank Firm Monitoring Survey Results – March 2026 (Forthcoming)

Part III
Special Topic:
Myanmar's Business Environment
From Rules to Uncertainty

A. Introduction

The World Bank has been closely tracking Myanmar's private sector to better understand the pressures firms face and how they respond. The World Bank Firm Monitoring Survey (WBFMS) began in 2020 to track the effects of COVID-19 on firms and has since been run every six months to capture how major events affect businesses. The survey is nationally representative and covers 500 firms across Myanmar, selected by location, industry, and size. Key Informant Interviews (KIIs) add deeper evidence on what drives firm performance, what problems firms face, and how they cope. This special report draws on rounds 18, 19, and 20 to examine the main policy and regulatory factors shaping Myanmar's business environment and their wider economic effects. A strong business environment supports open markets, firm entry, innovation, and investment. The following analysis presents findings on the policy environment, business entry, finance—especially commercial lending—market competition, and the main obstacles to firm performance. The focus areas of this special topic—business entry, access to finance, and market competition—were deliberately selected based on the scope of the WBFMS and to align with the World Bank's Business Ready (B-READY) framework. The B-READY framework is a global initiative that assesses the regulatory environment and the effectiveness of public services that affect private sector activity across the life cycle of a firm, with a focus on both formal rules and their implementation in practice.

Box S. 1: Methodology

This analysis uses a mixed-methods approach to assess Myanmar's current business environment, combining quantitative data with qualitative evidence. It draws on four main sources: a structured firm survey, in-depth interviews with firms, indicator-based expert interviews aligned with the World Bank's B-READY methodology, and semi-structured expert interviews. The analysis focuses on key parts of the business environment, including business entry, market competition, commercial lending, technology use, and broader obstacles to firm operations.

The quantitative analysis uses the Myanmar Firm Monitoring Survey (Round 20, October 2025), which covers a nationally representative sample of 500 firms across five geographic zones: Yangon, Mandalay, the Chin and Dry Zone, the Delta and Coastal Lowland, and the Hilly Zone. It also uses qualitative insights from rounds 18 and 19. Round 20 includes firms from agriculture (11 percent), manufacturing (44 percent), retail and wholesale (14 percent), and services (31 percent). It also covers a broad range of firm sizes: micro (20 percent), small (39 percent), medium (28 percent), and large (12 percent). While the survey includes both formal and informal firms, business environment questions were asked only of formal or registered firms.

The survey draws on selected questions from the World Bank Enterprise Surveys for business entry, some operational issues, market competition, and commercial lending. This allows for indicative cross-country comparisons. At the same time, the survey was designed to track firm conditions in Myanmar and does not replicate the full Enterprise Surveys framework. Selected indicators are also paired with data from earlier rounds of the Myanmar Firm Monitoring Survey to show trends over time where relevant.

To complement the quantitative results, the analysis also draws on firm and expert interviews. A total of 30 in-depth interviews were conducted with firms. In addition, 22 expert interviews were carried out using two approaches: indicator-based interviews and in-depth interviews. Indicator-based interviews, aligned with the B-READY methodology, collected structured evidence on regulatory frameworks and how they work in practice. For business entry, the full B-READY module was applied. For market competition and commercial lending, the analysis used relevant submodules within broader topic areas. Nine interviews were assigned to this component, with three expert interviews for each theme to allow triangulation. The remaining 13 interviews were conducted as in-depth, semi-structured interviews to gather broader expert views across key topics. Experts were selected using predefined criteria guided by the B-READY methodology.

The analysis applies a common framework across all topics, centered on three areas: regulatory quality, the effectiveness of service delivery, and firm-level outcomes. This helps assess how rules on paper shape business conditions in practice.

Comparator countries were chosen based on data availability and relevance. They include Bangladesh, Cambodia, Viet Nam, and the Philippines—all lower-middle-income economies with recent World Bank Enterprise Surveys and inclusion in the latest B-READY report. Because the full B-READY framework was not implemented for Myanmar, the cross-country comparisons in this report are intended mainly for analytical benchmarking and should not be read as formal B-READY results for Myanmar.

1.1 Business Entry

A relatively strong business entry framework has not translated into smooth firm operations, as post-entry frictions and wider operating constraints continue to weigh on performance.

Myanmar performs fairly well on access to information, clear entry procedures, and digital public services for business entry compared with regional peers (Figure S.1 and Figure S.2). These results point to a relatively strong business registration framework, seen through available digital platforms and clearer guidance. But Myanmar still performs poorly in reducing entry restrictions, ranking last among comparator countries on that dimension. This creates a split system. Domestic firms can usually register in about 21 days, while foreign firms face timelines of about 90 days—the longest among peers (**Figure** S.3). Foreign firms also face higher entry costs than firms in East Asia, which makes Myanmar less attractive for foreign direct investment, already down since 2021. The evidence suggests that digital gains and clearer procedures are not enough when uneven rules and weak administrative support still block access. Expert interviews show that foreign firms and SMEs often struggle with entry and compliance because guidance is limited and administrative capacity is weak. These gaps can reinforce market concentration and slow broader economic dynamism. Closing them—especially by reducing restrictions and improving support for foreign firms and SMEs—will be important if Myanmar is to turn its digital strengths into more inclusive growth.

Figure S.1: Quality of regulations for business entry (score)

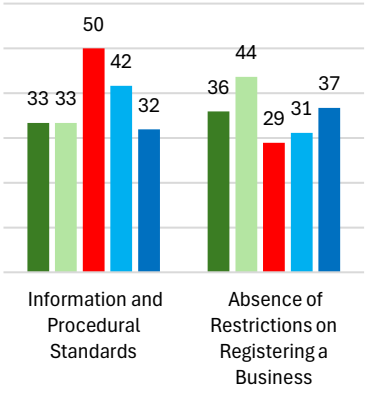


Figure S.2: Digital public services and transparency of information for business entry (score)

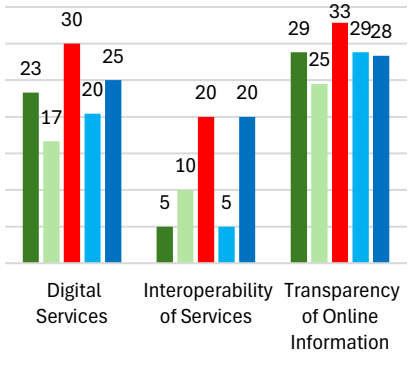
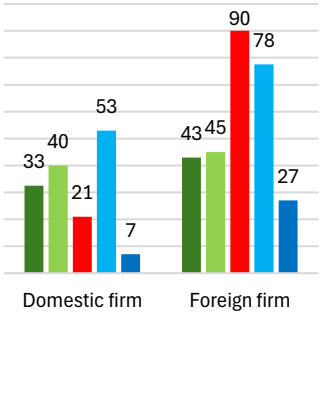


Figure S.3: Time to complete entry process (days)



Source: WB B-READY 2025, and Expert Interviews for Myanmar
Note: Maximum score for quality of regulations for business entry is 50; maximum score for absence of restrictions on registering a business is 50; maximum score for digital services is 50; maximum score for interoperability of services is 20; maximum score for transparency of online information is 40.

Although Myanmar's entry rules are fairly clear, post-entry processes remain uneven in practice. Firms usually obtain business licenses in about 13 days (**Figure** S.4), close to Viet Nam and only slightly slower than the Philippines. Construction permits take about 27 days (**Figure** S.5), longer than in Viet Nam but faster than in the Philippines and Bangladesh. The biggest bottlenecks appear in trade-related approvals and basic utilities. Import licenses take about 54 days on average, the slowest among regional peers and nearly five times longer than in Viet Nam (**Figure** S.6). New electricity connections also take about 60 days, compared with 19 days in the Philippines and 7 days in Viet Nam (**Figure** S.7). These delays weaken the gains from digital registration and clearer procedures. Long waits for import licenses and electricity connections raise costs, reduce competitiveness, and discourage foreign investment. They also tend to favor larger firms over SMEs and foreign entrants, which can increase market concentration. Easing these bottlenecks is important for broader access and more inclusive growth.

Figure S.4: Days to obtain business licenses or permits

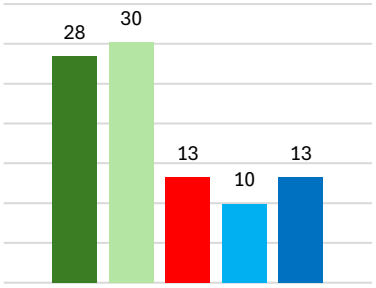


Figure S.5: Days to obtain a construction permit

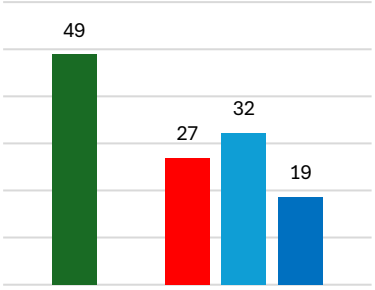
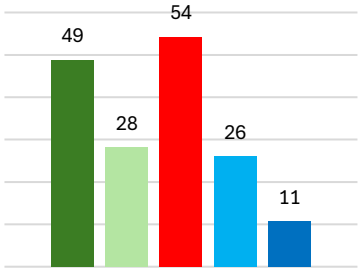
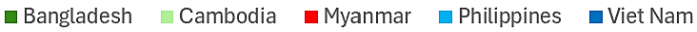


Figure S.6: Days to obtain an import license





Source: WB Enterprise Surveys: Bangladesh 2022, Cambodia 2023, Philippines 2023, Viet Nam 2023; Myanmar Firm Monitoring Survey Round 20 (October 2025).

Firms' views reinforce the evidence that post-entry problems persist, especially in import licensing. Most firms say business licenses and construction permits are fairly straightforward, but more than 40 percent report difficulties with import licensing (**Figure** S.8). This matches the qualitative evidence discussed earlier in the section. Firms report that the Ministry of Commerce licensing process has become more complex and time-consuming because policies change often, manual and digital steps are used inconsistently, and regulatory changes are not communicated clearly in advance. These problems reduce predictability and transparency and weigh most heavily on SMEs and foreign entrants. The result is higher compliance costs, narrower market access, and a weaker foundation for a competitive and inclusive business environment.

Figure S. 7: Days to obtain an electricity connection

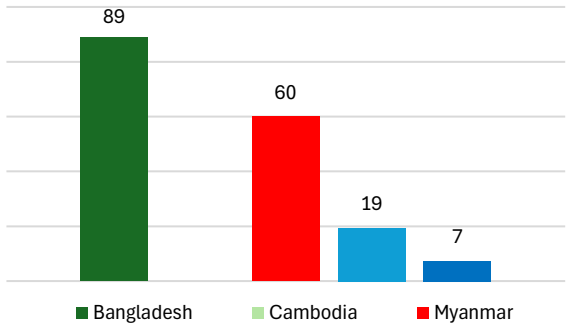
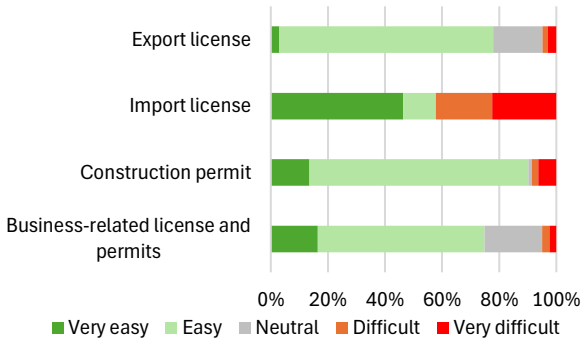


Figure S. 8: Ease of obtaining licenses and permits, by percent of firms



Source: WB Enterprise Surveys: Bangladesh 2022, Cambodia 2023, Philippines 2023, Viet Nam 2023; Myanmar Firm Monitoring Survey Round 20 (October 2025).

Qualitative evidence points to widening gaps in service quality across government agencies. Processes run by the Directorate of Investment and Company Administration (DICA) and the Myanmar Investment Commission (MIC) are generally seen as accessible, predictable, and transparent, helped by standardized procedures and stronger digital systems. By contrast, dealing with other agencies—especially municipal bodies such as the Yangon City Development Committee (YCDC) and the Central Bank of Myanmar (CBM) on foreign exchange matters—has become more complex and less predictable. Firms report less access, more manual steps, repeated document requests, and little advance notice of procedural changes. These problems are especially costly for smaller firms outside major commercial centers and for firms with limited administrative capacity. Partial digitalization across agencies keeps uncertainty high and leaves room for informal practices, underscoring the need for broader digitalization and stronger coordination.

1.1.1 Operating Constraints

Beyond regulation and post-entry procedures, firms face wider operating constraints that further weaken performance.

In addition to regulatory and licensing hurdles, firms in Myanmar face serious operating problems because electricity is unreliable. Recent data show that 64 percent of firms experience outages (**Figure** S.9)—more than in Cambodia, the Philippines, and Viet Nam, though slightly less than in Bangladesh. Outages are also unusually long. The median outage lasts four hours (**Figure** S.10), far longer than in peer countries, where interruptions are shorter or close to zero. As a result, nearly half of firms in Myanmar (47 percent) own or share a generator (**Figure** S.11), one of the highest rates in the region and almost three times the share in Viet Nam. Unreliable power raises costs, cuts productivity, and makes day-to-day operations harder to plan, strengthening the case for more reliable infrastructure and more dependable service delivery.

Figure S. 9: Percent of firms experiencing electricity outages

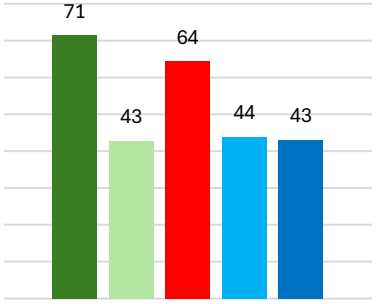


Figure S. 10: Duration of a typical electricity outage (hours, median)

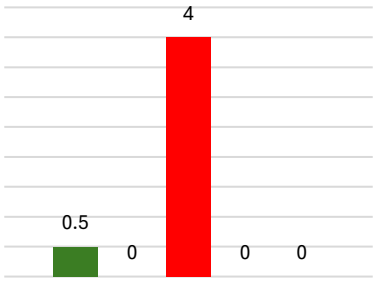
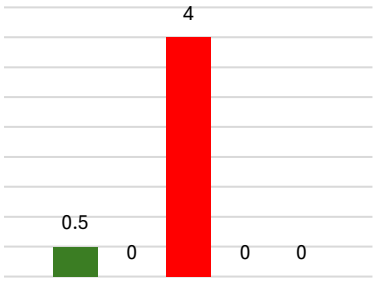
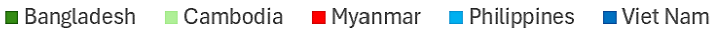


Figure S. 11: Percent of firms owning or sharing a generator





Source: WB Enterprise Surveys: Bangladesh 2022, Cambodia 2023, Philippines 2023, Viet Nam 2023; Myanmar Firm Monitoring Survey Round 20 (October 2025).

Labor shortages are becoming a growing business risk for firms in Myanmar. Nearly half of firms report hiring difficulties (**Figure** S.12), even though vacancy rates remain fairly low and stable. This suggests that the main problem is on the supply side: fewer qualified applicants and persistent skills mismatches, rather than weak labor demand (**Figure** S.13). Compulsory military service since early 2024 appears to have made these shortages worse, and many firms also report staff leaving because of outward migration (**Figure** S.14). Firms have responded by raising wages, offering bonuses, and providing short-term training, but these steps raise hiring costs and can reduce efficiency, especially for smaller firms. Labor shortages therefore add to other operating pressures, deepen infrastructure and regulatory bottlenecks, and weaken Myanmar's ability to attract investment and sustain growth.

Figure S.12: Percent of firms reporting vacancies and hiring difficulties

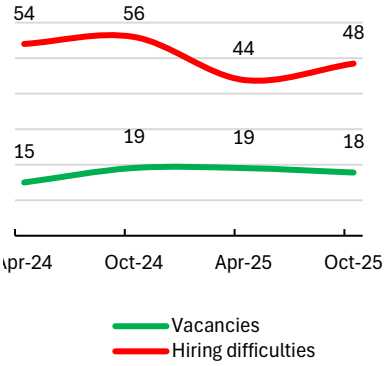


Figure S.13: Percent of firms reporting reasons for hiring difficulties

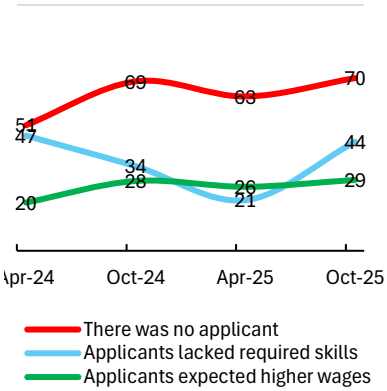
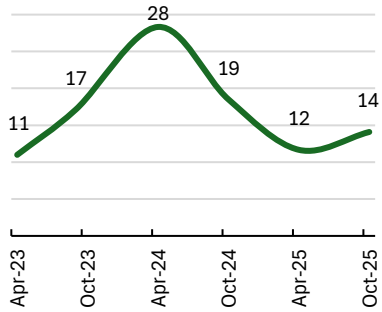


Figure S.14: Percent of firms reporting employee resignation due to migration



Source: WB Enterprise Surveys: Bangladesh 2022, Cambodia 2023, Philippines 2023, Viet Nam 2023; Myanmar Firm Monitoring Survey (various rounds)

Qualitative evidence also shows that labor market problems remain persistent and are tied to weak regulation and limited institutional capacity. Expert interviews suggest that Myanmar has a basic framework for labor relations, but laws are fragmented, enforcement is uneven, and coverage gaps remain. Compliance and awareness vary sharply by firm size and location. Larger firms in Yangon tend to comply more than SMEs and informal firms in other parts of the country. Enforcement is mostly reactive, triggered by complaints rather than routine oversight, which weakens job matching and employment stability. Public labor services—including inspections, social security, and job matching—also face resource constraints and uneven national reach. These weaknesses, compounded by conflict, make it harder for Myanmar to absorb shocks and address skills mismatches, leading to labor shortages, higher operating costs, lower productivity, and weaker investor interest. Without focused reforms—such as more consistent enforcement, wider service coverage, and stronger labor services—these labor market problems will continue to weigh on growth and competitiveness.

1.1.2 Policy Environment

From facilitation to friction: exchange rate controls, trade licensing, and customs clearance have become major sources of strain for firms and for the wider economy.

Exchange rate controls, trade licensing, and customs clearance have become some of the most binding constraints on private firms, especially micro, small, and medium-sized enterprises (SMEs). This marks a clear shift away from the more facilitative trade environment that existed before 2021 toward a system shaped by tighter control, more discretion, and greater uncertainty. Firms report that trade procedures are no longer predictable administrative steps. Instead, they have become risky and time-consuming bottlenecks that affect costs, working capital, and market access. The discussion below first sets out the broader macroeconomic implications of this shift and then examines the main policy channels through which these pressures now affect firms in practice.

Macro-structural implications

At the macro level, Myanmar's exchange rate and trade rules now add to inflation, restrict supply, and weaken productivity. The issue is not regulation by itself, but the increasingly unpredictable and discretionary way rules are applied, together with weak coordination across agencies in the trade process. Input costs keep rising, but weak demand limits firms' ability to pass those costs on, which further squeezes margins. This helps explain why inflation remains high even as domestic demand weakens.

Import-dependent firms now have to secure licenses early and hold extra inventory, tying up capital and reducing their ability to respond flexibly to demand. Delays in customs clearance,

including long inspections and weak agency coordination, add to shortages, uneven local availability, and price spikes.

Trade frictions have also reduced productivity because firms now spend more time and resources dealing with administrative barriers, relying on informal networks, and trying to survive rather than grow. This leads to misallocated resources, lower efficiency, and weaker performance in manufacturing and exports. SMEs are hit hardest, while market concentration rises because larger firms are better placed to navigate complex rules, and informality becomes more entrenched.

A return to a more rule-based policy framework, with controls proportionate to risk, could bring wider macroeconomic gains. It could ease inflationary pressure, improve supply reliability, and allow firms to shift resources away from administrative compliance and toward productive investment. These broader effects are closely linked to the exchange rate regime discussed next, since multiple exchange rates and related foreign exchange controls are among the main channels through which uncertainty, price distortions, and supply pressures now spread through the wider economy.

Multiple exchange rates distort prices and hinder investment.

In 2021, Myanmar replaced its managed float with a fixed exchange rate arrangement, leading to parallel exchange rates, foreign currency shortages, and greater Kyat volatility. Since then, the authorities have used a range of administrative measures to match foreign exchange supply and demand at regulated rates. These measures include requiring exporters to surrender foreign currency, using the CBM to sell foreign currency to importers, limiting offshore payments that are not trade-related, encouraging the use of currencies other than the U.S. dollar, and acting against dealers who do not follow regulated pricing. These steps have not solved the root causes of foreign currency shortages and Kyat volatility. Instead, they have distorted prices and raised uncertainty and compliance costs for firms that deal in foreign currency. The overvalued official rate and surrender requirements have also reduced exporters' competitiveness, in effect acting like a tax on exports and squeezing profit margins. These pressures then interact with the licensing regime discussed next, compounding firms' difficulties in securing imports, managing working capital, and planning production.

Trade licensing is tightening, raising business operating costs.

A major trend has been the return and expansion of licensing requirements, especially for imports. Goods that were once unlicensed now require automatic or non-automatic licenses, and imports face much tighter scrutiny than exports (see Table S.1). Import licenses are constrained by weekly caps on submissions, value limits per license, and approval times that can stretch from weeks to several months, and sometimes longer. In practice, this has created a quota-like system in which approval is uncertain and often weakly linked to a firm's past compliance or trade record. Valuation has also become more discretionary, with authorities increasingly using administrative reference values that may differ from market prices, directly raising duties and related costs. These restrictions are compounded by the documentary and coordination bottlenecks described below, which often turn licensing delays into wider production and supply disruptions.

Table S.1: HS lines of commodities that require trade licenses

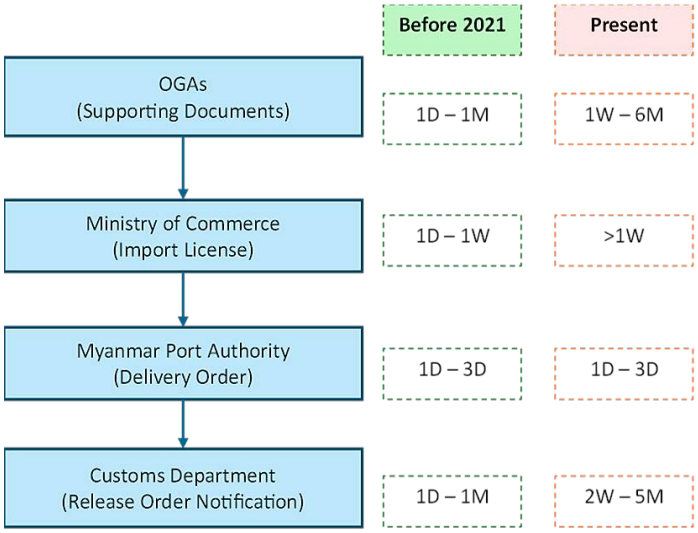
Import	Automatic License	72 HS lines
	Non-automatic License	11,777 HS lines
Export	Automatic License	10,293 HS lines
	Non-automatic License	1,556 HS lines

Source: World Bank Firm Monitoring Survey Round 18 - Firm Interviews

Red tape and bottlenecks multiply disruptions to production.

The trade licensing process now depends heavily on supporting documents from multiple Other Government Agencies (OGAs), including sector ministries, regional authorities, and specialized regulators. Compared with the pre-2021 period, firms now face more permits, endorsements, and test reports, even for major export goods and garment raw materials. Processing times at these agencies have grown much longer and often become the slowest step in the approval chain. A delay at one agency can hold up the whole application, while weak transparency and poor tracking leave firms with little information on status or timing. As a result, many traders now apply six months to one year in advance, tying up capital and reducing flexibility. A recurring structural problem is weak coordination between the Ministry of Commerce and the Customs Department, especially on valuation. Customs officials often disregard valuations approved during licensing, reopen negotiations, and trigger further inspections. This duplication not only lengthens clearance (see **Figure** S.15), but also raises exposure to informal payments, detention charges, and inventory losses. These problems carry directly into customs processing, where weak risk management and repeated checks further intensify delays and costs.

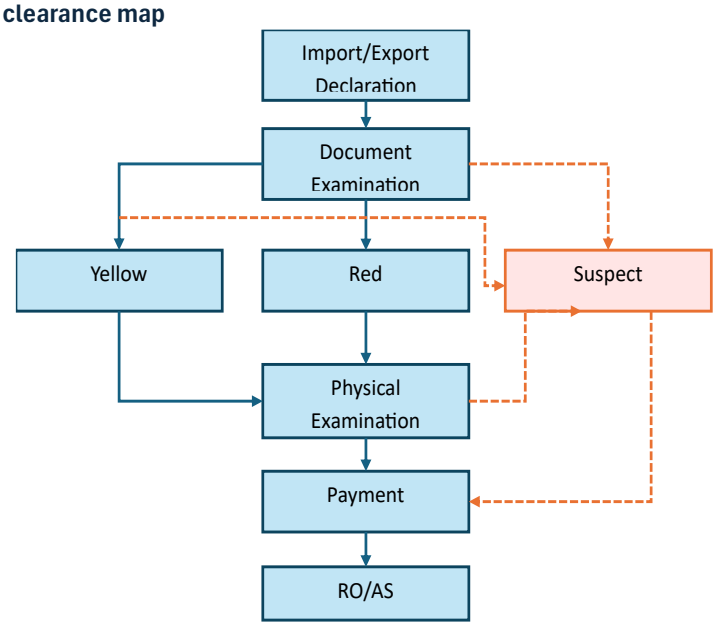
Figure S.15: High-level process map for import



Source: World Bank Firm Monitoring Survey Round 18 - Firm Interviews
Note: D=Day, W=Week, M=Month, Y=Year

New customs red-flag rules impede trade facilitation and raise business costs. **Customs clearance has also deteriorated.** Although the Myanmar Automated Cargo Clearance System (MACCS) remains in place, automated risk-based processing has fallen sharply. The green channel, which once allowed near-instant clearance, is now effectively inactive, and a large share of declarations are routed into "suspect" or red channels. The new "suspect" channel has greatly increased repeated document checks and physical inspections, even for goods that already have prior approvals. These inspections are labor-intensive, involve several authorities, and can stretch clearance from days to weeks or even months (see **Figure** S.16). The result is poor logistics performance (see Box 2 in Part 1), higher border costs, including administrative fees, demurrage, informal payments, and inventory losses, which firms report passing on, at least in part, to final prices. These trade frictions become even more severe when firms have to reroute shipments because of conflict-related border closures and transport disruptions.

Figure S.16: Customs clearance map



Source: World Bank Firm Monitoring Survey Round 18 - Firm Interviews

Conflict chokes trade routes, disrupting supply chains and production while raising costs.

Conflict-related border closures add a further layer of disruption to licensing and clearance problems by forcing traders to shift from land routes to sea routes or other less efficient alternatives. Some sea routes are cheaper, but they also involve longer lead times and more uncertainty. This disrupts supply chains and adds to the cost of already slow licensing and clearance processes.

1.2 Market Competition

A relatively strong legal framework has not produced effective competition, as weak enforcement and ineffective market interventions continue to limit competitive pressure and distort outcomes.

Myanmar has a fairly strong legal framework for market competition and compares well with regional peers on the quality of relevant regulations (Figure S.17). This suggests that Myanmar has put in place key legal foundations for competition policy that broadly align with good international practice and with the concepts reflected in the World Bank B-READY methodology. But good competition policy depends not only on laws, but also on public services and enforcement that are fast, transparent, and predictable. Myanmar performs much more weakly on these dimensions, with its competition authority lagging Bangladesh, Cambodia, and the Philippines (**Figure** S.18). The gap between relatively strong rules and weak institutional capacity points to a clear implementation problem. That gap can allow market power to become entrenched, weaken competition, and limit opportunities for SMEs. To turn legal strength into economic gains, Myanmar will need to improve institutional arrangements, streamline enforcement, and strengthen coordination across agencies. Doing so could help translate regulatory strengths into lower prices, more innovation, and wider market access for firms and consumers.

Figure S.17: Quality of regulations that promote market competition (score)

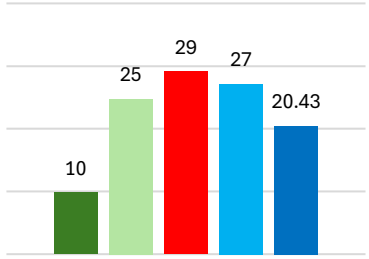


Figure S.18: Public services that promote market competition (score)

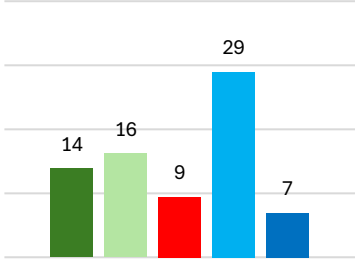
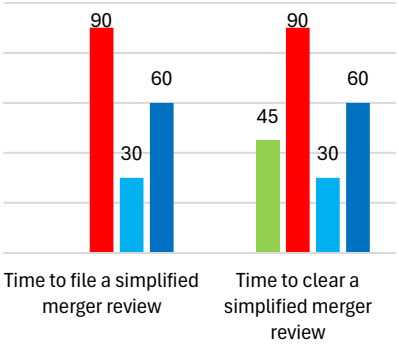


Figure S.19: Simplified merger review (days)



Source: WB B-READY 2025, and Expert Interviews for Myanmar
Note: Maximum score for quality of regulations that promote market competition is 33; maximum score for public services that promote market competition is 33.

Operational results highlight major weaknesses in the competition authority's ability to turn Myanmar's legal framework into practical outcomes. Myanmar has the longest processing times among peers for simplified merger reviews, both at filing and at clearance. Filing or clearing a merger review takes about 90 days in Myanmar (**Figure** S.19), compared with only 30 days in the Philippines and Viet Nam. Expert interviews suggest that these delays are driven less by case complexity than by manual and fragmented processes, weak coordination across agencies, centralized decision-making, and the lack of standard operating procedures. These weaknesses lead to case-by-case decisions, higher transaction costs, and more uncertainty for firms considering mergers or acquisitions. In practice, this means that operational weaknesses, more than flaws in the law, are the main obstacles to effective competition policy in Myanmar. Faster and clearer risk-based procedures could reduce uncertainty, lower business costs, and support a more dynamic market environment.

Figure S. 20: Main market for main product or service (percent of firms)

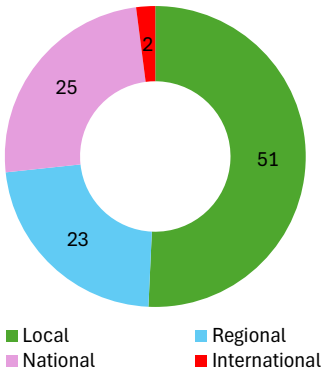


Figure S. 21: Percent of firms reporting more than five competitors in their main markets (percent)

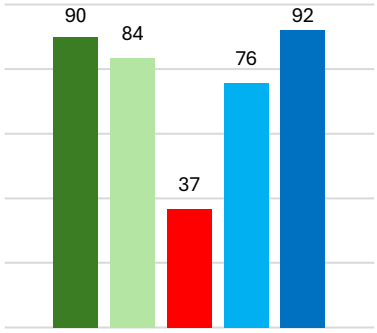
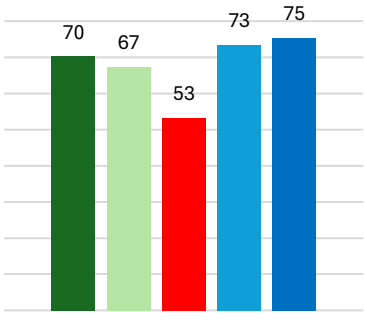
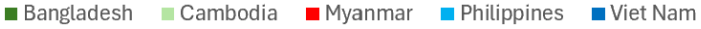


Figure S. 22: Change in the level of competition over the last year (index)





Source: WB Enterprise Surveys: Bangladesh 2022, Cambodia 2023, Philippines 2023, Viet Nam 2023; Myanmar Firm Monitoring Survey Round 20 (October 2025).
Note: The index measuring changes in the level of competition ranges from 0 to 100, where 50 denotes no change in competitive conditions. Lower values indicate decreasing competition and higher values indicate increasing competition, with the distance from 50 reflecting the magnitude of change.

Weak enforcement capacity also limits market dynamism and firms' ability to compete more broadly. Most firms still sell mainly in local markets. Only 2 percent sell to international buyers, while 51 percent sell only within municipalities, 23 percent operate at the state or regional level, and just 25

percent reach customers nationwide (**Figure** S.20). In addition, only 37 percent of firms report having more than five competitors, far below the shares seen in peer economies (**Figure** S.21). This suggests that competition in Myanmar remains thin. Competition levels have stayed broadly stable, with only a slight increase, while comparator countries have seen clearer gains in competitive pressure (**Figure** S.22). Together, these findings point to the need for reforms that strengthen market institutions, help firms expand their geographic reach, and increase contestability.

Qualitative evidence suggests that weak competition stems in large part from restricted access to markets in key sectors. In sectors such as aviation, timber, oil and gas, and mining—where state-owned enterprises remain dominant—competition rules are not enforced effectively, and entry barriers tend to favor a narrow set of firms. This weakens both contestability and competitive pressure. Preferential licensing and administrative approvals, often benefiting firms with established connections, further entrench local market structures and limit wider participation. Expert interviews also show how segmented markets—with uneven access, networks, and regulatory procedures—reduce direct competitive pressure. These findings suggest that reducing reliance on networks and preferential treatment will require more transparent implementation of rules across sectors which could improve contestability and create more space for new entrants.

Figure S. 23: Enforcement of competition regulations (percent of firms)

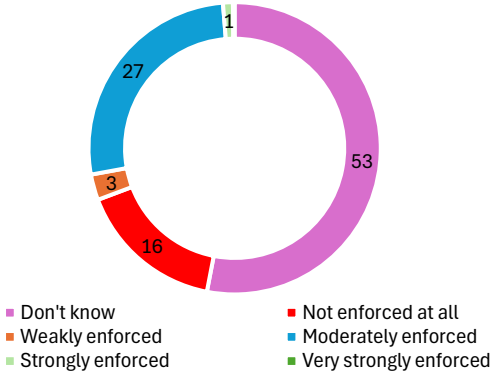
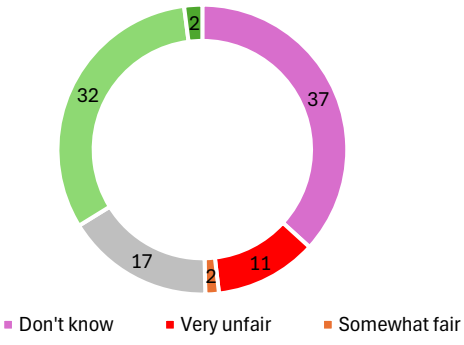


Figure S. 24: Fairness of competition and investment laws (percent of firms)



Source: Myanmar Firm Monitoring Survey Round 20 (October 2025).

Firms' views on competition and investment laws also point to persistent institutional weaknesses that affect business readiness. Survey results show that many firms are unsure how competition rules work in practice. More than half say they do not know how strongly these rules are enforced (**Figure** S.23). Only about 1 percent report strong enforcement, and reports of even moderate enforcement are rare. At the same time, 37 percent of firms are unsure whether these laws are fair, 32 percent say they are fair, and only 2 percent say they are very fair (**Figure** S.24). These views appear to reflect inconsistent implementation rather than weak laws on paper. The result is less predictability and, potentially, weaker incentives to invest.

Qualitative evidence reinforces that weak institutional arrangements continue to limit effective competition enforcement. The Myanmar Competition Commission mostly plays a supervisory role, while enforcement is delegated to line ministries. This weakens coordination, blurs accountability, and reduces the credibility of enforcement outcomes. Capacity and practice also vary across locations: enforcement tends to be more predictable in large cities such as Yangon, but more fragmented and discretionary in smaller cities. Weak enforcement also reflects limited demand from firms, which often prioritize business continuity over formal compliance when regulatory processes are opaque. Expert interviews highlight the strong role of individual officials' discretion in approvals, which can cause delays, encourage informal payments, and discourage firms from using formal enforcement channels. As a result, the Competition Law is used mainly to resolve isolated disputes rather than broader market distortions, leaving its pro-competition role narrow and underused.

1.3 Commercial Lending

Although formal rules for commercial lending are broadly adequate, access to credit remains limited because of institutional barriers, cautious lending practices, and firm-level constraints.

As in business entry, operations, and market competition, Myanmar has a reasonably complete set of formal rules for commercial lending. Its legal and regulatory framework aligns broadly with common standards among comparator economies and scores the maximum under B-READY indicators for regulatory quality (**Figure** S.25). This suggests that financing constraints stem less from gaps in formal rules than from weak implementation and limited use in practice. Well-designed rules do not automatically improve outcomes when implementation capacity is weak, coordination is poor, or incentives discourage formal engagement. In Myanmar, these gaps contribute to persistent informality in credit relationships, limited use of formal financial products by SMEs, and continued reliance on collateral-heavy or relationship-based lending. Improving access to finance will therefore require less new legislation and more progress in supervisory capacity, predictability, and consistent regulatory delivery for lenders and borrowers alike.

Figure S. 25: Quality of regulations for financial services (score)

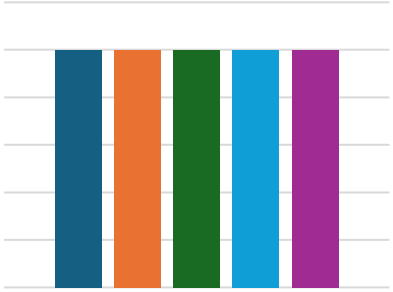


Figure S. 26: Percent of firms with a checking or savings account

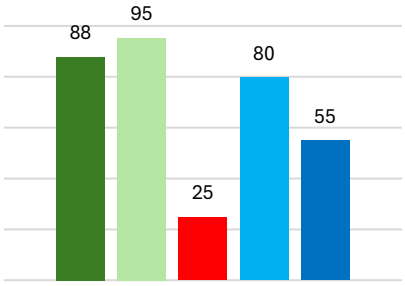
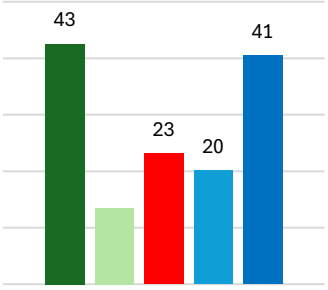


Figure S. 27: Percent of firms with a loan or line of credit



Bangladesh Cambodia Myanmar Philippines Viet Nam

Source: WB B-READY 2025; Expert Interviews for Myanmar; WB Enterprise Surveys: Bangladesh 2022, Cambodia 2023, Philippines 2023, Viet Nam 2023; Myanmar Firm Monitoring Survey Round 20 (October 2025).
Note: Maximum score for quality of regulations for financial services is 20.

In practice, outcomes in the formal financial system remain weak compared with several peers, showing a clear gap between adequate rules and effective use. Only about one-quarter of firms have a checking or savings account—the lowest share among comparators (**Figure** S.26). Credit access is also limited: just 23 percent of firms report having a loan or line of credit, well below levels in Bangladesh and Viet Nam (**Figure** S.27). The relatively low share of collateralized lending (26 percent) reflects greater reliance on microfinance and relationship-based lending, rather than broad access to bank credit (**Figure** S.28). Loan approval also takes time—around four weeks on average—which is longer than in the Philippines and Viet Nam and similar to Bangladesh (**Figure** S.29). This reduces firms' ability to respond to working-capital needs. Expert interviews also point to weak transparency in regulatory directives, especially limited public guidance and reliance on informal channels for clarification. This raises uncertainty for both lenders and borrowers. Together, these frictions weaken the link between a broadly sound regulatory framework and actual financing outcomes, suggesting that reforms should focus on transparency, predictability, and more consistent supervision.

Figure S. 28: Percent of loans requiring collateral

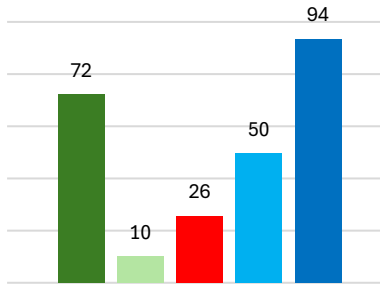


Figure S. 29: Time to obtain a loan (days)

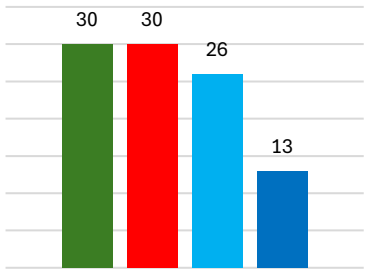
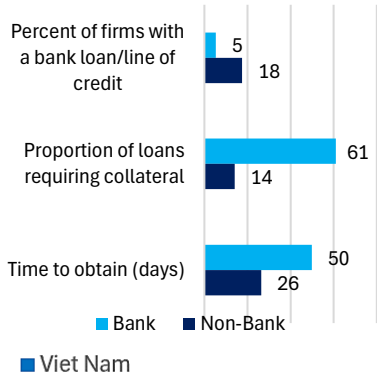
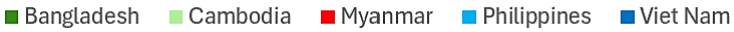


Figure S. 30: Credit access and terms by type of financial institution





Source: WB Enterprise Surveys: Bangladesh 2022, Cambodia 2023, Philippines 2023, Viet Nam 2023; Myanmar Firm Monitoring Survey Round 20 (October 2025).

The mix and terms of credit show more clearly how financing constraints play out in practice, indicating that both access to and utilisation of finance are as critical as the regulatory framework itself. Firms rely much more on non-bank financial institutions (18 percent) than on banks (5 percent), which reflects the tight constraints in bank lending (**Figure** S.30). Bank loans are heavily collateralized: 61 percent require collateral, compared with only 14 percent for non-bank lenders. This excludes many firms without enough fixed assets, especially SMEs. Expert interviews suggest that banks' conservative lending practices—strict collateral demands, cautious credit assessment, and a preference for established borrowers—reinforce these barriers. Process delays add to the problem. Firms report waiting about 50 days for a bank loan, roughly twice as long as for non-bank financing. As a result, many firms turn to non-bank lenders even when the interest rate is higher, because the money is faster and easier to obtain. This pattern points to structural weaknesses in bank-based intermediation and suggests that improving access to finance will require lower collateral intensity, faster approvals, and stronger risk-based lending that relies less on fixed assets.

Figure S. 31: Ease of obtaining a loan or line of credit, by percent of firms and sector

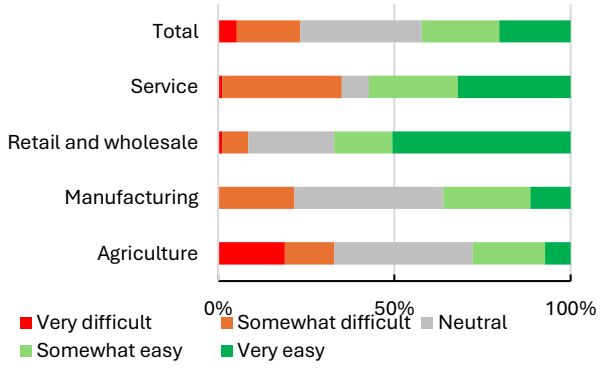
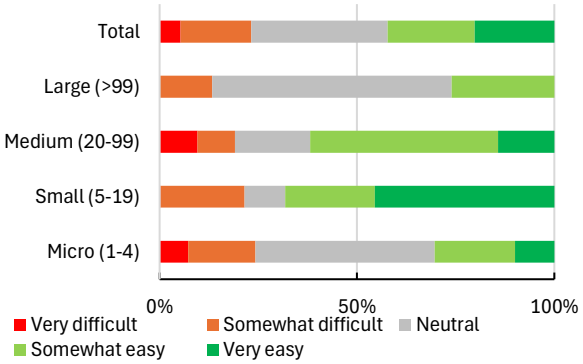


Figure S. 32: Ease of obtaining a loan or line of credit, by percent of firms and firm size



Source: Myanmar Firm Monitoring Survey Round 20 (October 2025).

Administrative and procedural frictions also shape how firms view the ease of getting credit, and these views differ by sector and firm size. Overall, views are mixed. While 42 percent of firms with loans say the process is somewhat or very easy, nearly one-quarter say it is difficult. Retail and wholesale firms are more likely to report easier access (**Figure** S.31), while manufacturing and services firms more often report difficulties, reflecting larger financing needs, heavier collateral demands, and longer approval times. A similar pattern appears by firm size. Small and medium firms—often using non-bank lenders—are more likely to report easier access (**Figure** S.32), while large firms report more difficulty, with only 26 percent describing the process as relatively easy despite closer links to banks.

Expert interviews point to documentation requirements, including financial statements, tax records, and collateral, as key barriers for SMEs, compounded by limited awareness of available products and procedures. Interviews also suggest that weak debt recovery and court enforcement may make lenders more risk averse, reinforcing high collateral demands and cautious approval practices. Taken together, these views reinforce the broader evidence that collateral intensity, procedural complexity, weak contract enforcement, and long approval times continue to constrain effective access to finance. This points to a practical reform agenda focused on simpler documentation, clearer lending procedures and supervisory guidance, stronger contract enforcement and debt recovery, and credit processes better tailored to firm characteristics.

B. Technology Adoption

Technology adoption remains limited in both depth and breadth, constraining productivity gains and wider digital transformation.

About 41 percent of firms report using some form of technology. Even so, adoption remains shallow and is concentrated in basic stand-alone tools rather than integrated digital systems. Firms mainly use technology for small efficiency gains, most often basic processing equipment (25 percent) and cold-chain or storage solutions (19 percent), rather than for deeper digital transformation (**Figure** S.33). Fewer than 10 percent use mobile-based business applications, and use of more advanced tools such as enterprise management systems, data analytics, or artificial intelligence is almost absent. This pattern suggests that weak adoption reflects not only limited access, but also low capability, high adjustment costs, and weak supporting inputs such as skills, finance, and reliable digital infrastructure. As a result, firms struggle to scale operations, improve coordination, or move into higher-value markets. The policy implication is that support should go beyond encouraging adoption itself and focus more on effective use—through stronger digital skills, easier financing for intangible investments, and a more reliable business environment that can support deeper technology deployment.

Figure S. 33: Percent of firms using technology

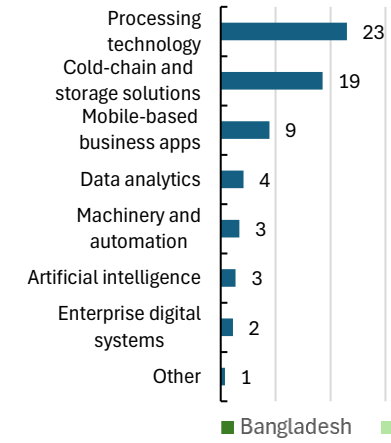


Figure S. 34: Percent of firms using digital platforms

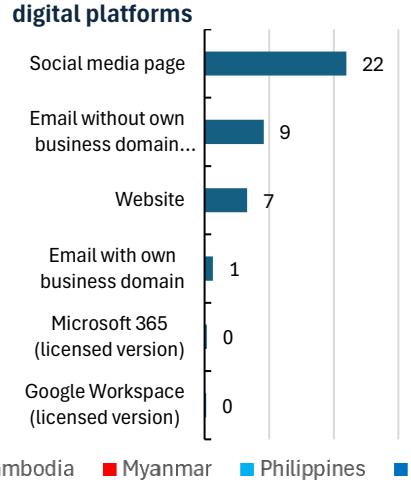
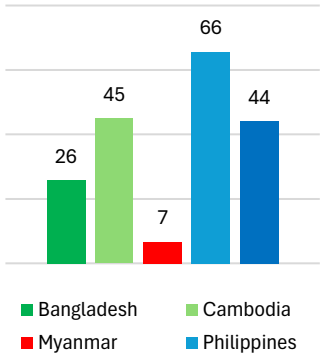


Figure S. 35: Percent of firms with a website



Source: WB Enterprise Surveys: Bangladesh 2022, Cambodia 2023, Philippines 2023, Viet Nam 2023; Myanmar Firm Monitoring Survey Round 20 (October 2025).

The use of digital platforms for business communication remains limited and is concentrated in low-cost, informal tools. Social media is the most common platform, used by 22 percent of firms, while the use of more formal digital infrastructure remains low (**Figure** S.34). Only 9 percent use a basic email account, and just 1 percent report having a dedicated business domain, showing very low levels of professional digital presence. Myanmar also ranks last among selected peers, with only about 7 percent of firms maintaining a website (**Figure** S.35). Use of licensed productivity and collaboration tools, such

as Microsoft 365 or Google Workspace, is also rare. This suggests that firms rely on accessible tools for basic communication but invest too little in the digital systems needed to support scaling, coordination, record-keeping, and integration into formal markets and value chains. The result is weaker productivity growth, more limited access to finance and markets, and deeper informality. Policy efforts should therefore focus not only on digital access, but also on the incentives, skills, and trust needed for firms to adopt and use professional digital tools as part of core business operations.

C. Cross-Cutting Obstacles to Firm Performance

Political instability and infrastructure gaps remain the most severe obstacles to firm operations.

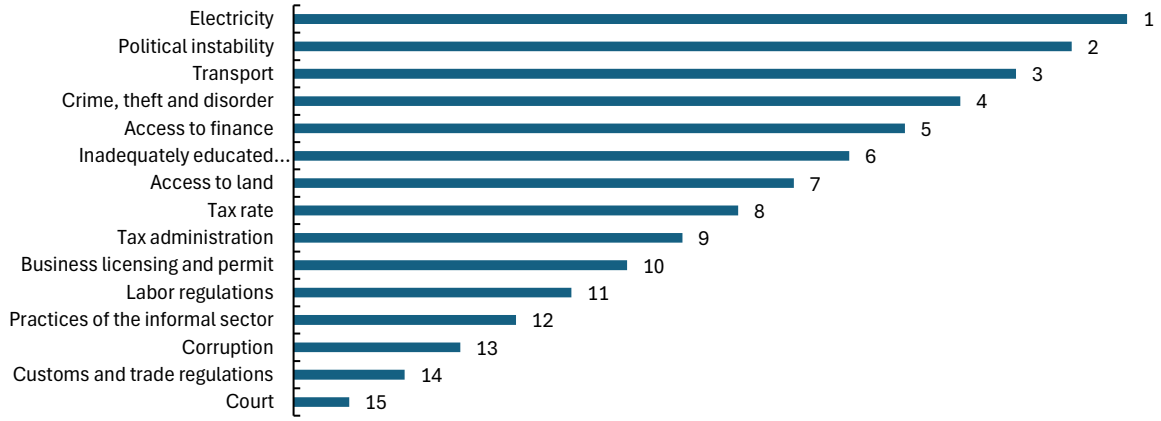
Firms in Myanmar operate in a highly constrained environment where contextual risks—not only market or regulatory frictions—shape day-to-day conditions and firm performance. These pressures weaken firms' ability to turn formal rules into real business activity.

Survey results show that electricity, political instability, and transport are the most severe obstacles to firm operations (Figure S.36), consistent with the findings in Section 2.1 on operating constraints. Electricity stands out as the single most binding constraint. Frequent and long power cuts have forced firms to invest in self-supply options such as diesel generators and, increasingly, off-grid solar. These measures help keep firms running, but they also raise both upfront and recurring costs, weigh most heavily on smaller and less-capitalized firms, and erode productivity gains that firms might otherwise achieve.

Political instability is the second most pressing obstacle. Ongoing conflict and policy uncertainty undermine firms' ability to plan, invest, and manage risk. They affect not only regulatory predictability, but also daily operations, supply chains, and labor availability. From a business readiness perspective, this instability weakens institutional credibility and reduces firms' incentives to formalize, expand, or make longer-term productivity-enhancing investments.

Transport ranks as the third major constraint, reflecting the interaction of conflict, rising fuel prices, fuel shortages, damaged infrastructure, and informal charges along transport corridors linked to security conditions. These factors increase logistics costs, disrupt market access, and reduce firms' competitiveness, particularly for manufacturing and agribusiness firms that rely on the physical movement of goods.

Figure S. 36: Ranking of obstacles to firm operations



Source: Myanmar Firm Monitoring Survey Round 20 (October 2025).
Note: Obstacles to operation are ranked by their mean score on a 0–4 scale, where higher values indicate more severe constraints.

Beyond infrastructure and political instability, firms also report limited access to finance, labor and skills gaps, tax rates and tax administration, and land and business permitting as major obstacles.

These problems reflect weaknesses in implementation, institutional capacity, and service delivery—not just gaps in formal rules. Limited access to finance, especially bank credit, reduces firms' ability to invest, manage risk, and adopt productivity-enhancing technologies. Labor and skills shortages make it harder for firms to upgrade production and respond to changing market conditions, reinforcing reliance on low-skill, low-productivity activities. Tax rates and tax administration are seen as burdensome not only because of cost, but also because of complexity, discretion, and compliance uncertainty, which discourage formalization and growth. Land access and business permits raise entry and expansion costs, especially where procedures are applied unevenly and administrative capacity is weak. Together, these obstacles interact with infrastructure and security pressures to weaken incentives for investment, formalization, and growth. The evidence therefore points to the need for more effective and predictable institutions across many dimensions of the business environment, not only stronger regulatory frameworks.

D. Conclusion

Overall, Myanmar's business environment is constrained less by weak formal rules than by declining implementation quality, weak policy coherence, and limited institutional effectiveness. Across business entry, trade, competition, finance, labor, and technology, firms face a widening gap between written rules and how those rules work in practice. Some agencies still provide predictable and digital services, but others rely on manual processes, weak coordination, and discretionary enforcement. These weaknesses have been amplified by macroeconomic controls, especially in foreign exchange and trade licensing, which have turned what were once administrative procedures into major operating risks. Combined with weak infrastructure, labor shortages, and conflict-related disruption, these conditions have pushed firms toward defensive strategies—holding extra inputs, generating their own power, relying on informal finance, and limiting market reach—rather than investing, innovating, and raising productivity.

Overall, the findings point to a business environment shaped more by uncertainty than by competition, and more by survival than by expansion. Market dynamism remains weak. Most firms operate locally, face limited competitive pressure, and rarely sell in international markets. Shallow technology use, limited access to formal finance, and uneven enforcement of competition rules further entrench this low-productivity pattern. Better firm outcomes will therefore require a shift —from adding more rules to restoring predictability, proportionality, and coordination in how rules are implemented. Re-establishing rule-based trade and foreign exchange processes, easing post-entry bottlenecks, improving service delivery, and addressing core infrastructure and labor constraints would reduce uncertainty and free up resources now absorbed by administrative compliance. Without such a shift, Myanmar's formal regulatory strengths are unlikely to translate into stronger firm performance, wider market participation, or a sustained recovery in private investment and growth.

E. Priorities

Given current conditions in Myanmar, priorities for action should be sequenced explicitly. Some actions could help ease firms' most pressing constraints in the immediate to near term, even in a fragile operating environment. Others would likely require greater stability, stronger institutional capacity, and a more predictable enforcement environment before they could be implemented effectively. The suggestions in Annex 2 aim to prioritize actions that could deliver practical relief to firms under current conditions, while distinguishing them from medium- to long-term measures that would depend on broader improvements in stability and institutional effectiveness. The proposed sequencing reflects the report's central finding: the most immediate gains are likely to come from improving implementation, coordination, transparency, and service delivery in areas that already place the greatest strain on firms. More ambitious reforms—particularly those requiring stronger enforcement credibility, wider institutional reach, or broader market normalization—remain important but are more likely to be feasible and effective over a longer horizon.

Annex 1. Trade processes in Myanmar: pre- and post-2021

Stage	Pre-2021	Post-2021
License coverage	Limited list of licensed items; many goods non-licensed	Licensing reinstated for most items; very wide HS coverage (especially imports)
License type	Clear distinction between licensed and non-licensed goods	Auto-license and non-auto license expanded; non-licensed category largely removed
Application frequency & value	No tight caps on number or value of applications	Caps on applications per week and per-license value (imports)
Supporting documents (OGAs)	Fewer agencies; standardized requirements	Multiple OGAs involved; new permits and endorsements added
License approval time	Days to weeks	Weeks to months; no visibility on timelines
Process transparency	Relatively predictable, rules-based	Discretionary, opaque, case-by-case
Customs clearance system	MACCS risk-based processing dominant	MACCS exists but manual intervention dominates
Green channel	Operational; near-instant clearance	Effectively suspended
Inspection intensity	Limited physical inspections	High frequency of red and “suspect” inspections
Valuation	Reference prices + contracts	Re-valuation at multiple stages; discretionary
Informal payments	Present but limited	Widespread
Average end-to-end time	Days to a few weeks	Weeks to months

Annex 2. Sequenced priorities

Time horizon	Priority area	Specific actions	Implementation conditions
Immediate to near term	Trade and foreign exchange administration	• Publish clearer guidance on foreign exchange procedures and documentation. • Remove licensing for low-risk imports where feasible. • Reduce duplicate approval steps across agencies and introduce a one-stop shop for trade licensing. • Introduce more consistent valuation practices.	Administrative action under current conditions
Immediate to near term	Post-entry facilitation	• Introduce digital application tracking. • Use standard checklists and clearer timelines. • Assign focal points for firms in key agencies.	Modest procedural change and coordination
Immediate to near term	Infrastructure reliability	• Improve predictability of load-shedding schedules. • Standardize electricity connection procedures. • Strengthen coordination on key transport routes.	Operational relief despite wider infrastructure gaps
Immediate to near term	Access to finance	• Improve clarity of Central Bank directives. • Standardize communication to lenders and borrowers. • Simplify loan documentation for smaller firms. • Encourage faster processing of lower-risk loans.	Supervisory and administrative improvement
Medium to long term (3–5 years)	Macroeconomic normalization	• Move toward a more rule-based foreign exchange regime and gradually phase out multiple exchange rates. • Reduce reliance on administrative controls. • Improve price signals and reduce discretionary allocation.	Greater macroeconomic stability and credibility
Medium to long term (3–5 years)	Labor market institutions and skills	• Expand labor market services beyond major cities. • Improve social security administration by revising regulations. • Strengthen firm-linked skills development.	Stronger implementation capacity and wider institutional reach
Medium to long term (3–5 years)	Competition enforcement	• Strengthen the operational autonomy of competition enforcement authorities. • Build technical capacity and procedural consistency. • Introduce risk-based merger review. • Apply rules more neutrally across sectors.	Greater stability and stronger enforcement institutions
Medium to long term (3–5 years)	Digital and financial deepening	• Support wider adoption of professional digital tools. • Strengthen credit information systems promote private credit reference bureaus. • Promote financial products better suited to SMEs. • Encourage less collateral-intensive lending approaches.	Better power reliability, trust, and market conditions

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