

The Economy 191

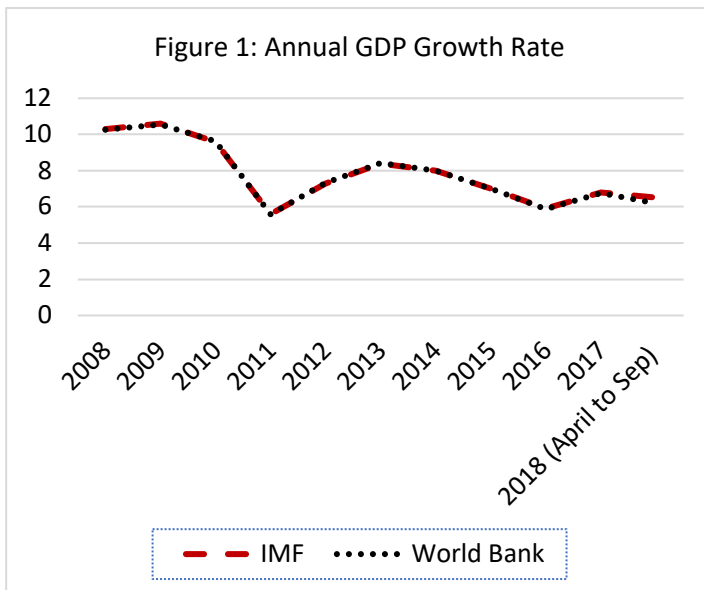
1. In Myanmar, political issues are always in high priority of the State not only in Colonial-era but also after independent era which was under the leadership of Anti-Fascist People's Freedom (AFPFL) party and till today in the hand of National League for Democracy (NLD) government regime, trying to solve generation by generation. That is right. However, the problem is that not only the political issues but also other problems are the problem of the state.

2. Myanmar was trying to get economic growth by many plans by different governments throughout the generations under their political beliefs. After the independent, there had two years plan, Pyidawtha Plan. Then, the various governments drew and implemented many plans under the military regime. It is difficult to show any positive transformative shift for the economy that which the government lifted the economy by their plan through the eras.

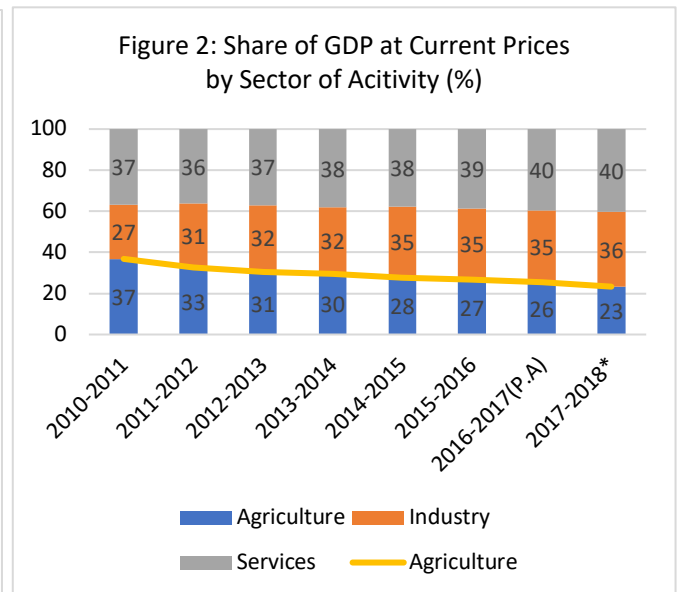
3. After the release of 12 points of economic policy in July 2016, the government introduced Myanmar Sustainable Development Plan (MSDP) document in August 2018. In this plan, there are a lot of goals and strategies to reach sustainable development. However, there are no timeline and deadlines for each goal and no consideration of the factors of political implications on the plan. Besides, this plan is the plan of deconcentration because, in the plan, the central government might cancel the project (over the 2-billion-kyat project) which is very beneficial for individual states or regions with the excuse of not being able to be beneficial and strategic for the whole country. Thus, MSDP is a not only technical issue, but also is politically-impacted. If so, according to the MSDP "It(Democracy) is the case that being a democracy brings the application to Myanmar the most powerful engine of economic growth known to human history.", one of the norms of democracy is "To promote the equity of opportunities all over the country", so the central body should not intervene in the process of struggling for economic growth or development by respective state or region government. We believe that it is in the realm of "States' Rights" by the norms of federalism and decentralization.

4. Our people suffered economic plight with different governments in different eras. They sacrificed their lives, their family members, spent most of their lives in the worst prisons and again their opportunity cost was the remaining family members tried to survive under the subsistent level in the dark years. However, now, what do they receive from the democratic government? They are not allowed to get even government minimum services, well-being, and affordable living standards till 2019.

5. However, in the U Thein Sein government era (2011-2015), he led the country to start the engine of economic growth with seriously and surrounded by think tanks and scholars beside his government. Under the U Thein Sein government, people felt the hope of their economic situation become better and freer to some extent, but they did still not believe the government because of not choosing by their vote even they have a chance to vote the 2015 general election.



Source: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2018&locations=MM&start=20>
 Note: Fiscal Year

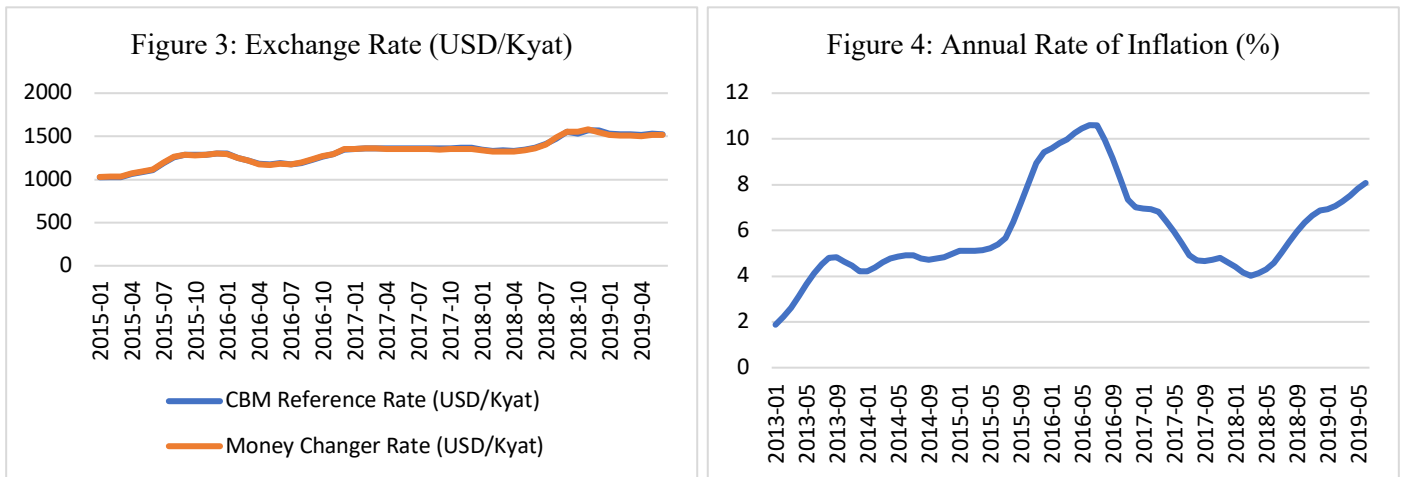


Source: CSO (Various Issues)
 Notes: 2017-2018 (End of March)

6. After the 2015 general election, the NLD party won landslide the election by their slogan “Time to change” during the economy still strong with the highest economic growth rate in ASEAN. Of course, in reality, they changed a lot and people though like “Dream do come true” they roar themselves of the politically misguided idea of “We waited 25 years to get true democracy government, why we can’t wait at least 5 years, which is truly elected by people (at 2015 general election)”. By the way, behind this idea, the government has an idea again: we cannot do much without getting absolute control of the government and parliament. There is no absolute power for every democratic government all over the world but “check and balance” in democracies.

Moreover, the NLD government led the country to political issues like changing the government structure, performing the Peace process, amending the Constitution and but not continue in the reforms of the economy and results is changing the economy to recession even they do not believe it. However, people are patient to wait for the government to focus on economic development.

7. According to MSDP (2018), "with 70 percent of our population living in rural areas, the majority of whom are dependent directly or indirectly in the agriculture sector, Myanmar's economy is highly agro-depend". However, according to figure (2), the share of the agriculture sector in GDP is decline average 1.5 percent year by year started 2013. Increasing the output of industry while decreasing in agriculture, it does not mean the transformation of the structure but just changing the shares of the sectors without enlarging the size of the economy. So, it means risk and loss.



Source: MOPF-NSDP

8. Along with this long-term growth, however, have been short-term fluctuations when major macroeconomic indicators have shown slowdowns or even outright declining performance over time frames of six months, up to several years, before returning to their long-term growth trend. Overview points of economic recession characteristic are (a) high unemployment not in terms of officially declared data of unemployment, but in terms of migration data (b) high-interest rate limit the liquidity, or the amount of money available to invest during the stagnation started at 2016 Yangon Region government suspended the construction sector, employment depends on construction sector and construction depend from Private Banks back up, (c) high inflation again after U Thein Sein government, because of external risk and exchange rate uncertainty, that highly impacts on purchasing power of low income households who are lowest minimum wage in ASEAN (d) GDP growth rate under pressure, GDP growth rate rise in 2011, 5.5 percent to 8.4 percent in 2013 and 5.8 percent in 2016, its 2.6 percent drop. Also, recovery again 6.7 percent in 2017. Decline 6.7 percent again to 6.2 percent in 2018. World Bank projected growth rate 6.5 percent in 2018/19(FY), in meanwhile, decline 0.5 percent and rise 0.3 again is not call recovery fully as World Bank said (World Bank MEM, June 2019), the economy needs more 0.2 percent to reach 6.7 percent in 2017 for recovery.

High-interest rate and Debt cycle under Pressure in Myanmar

9. On May 14, 2016, Yangon Region government suspended, without understanding the consequence of their action, construction development which higher than nine floors and more than 200 high-rises approved building included, employment depends on construction and construction depend from Private Banks back up.¹ Potential effect on the economy is that construction employs most in other job markets if developers cannot pay their loans to private banks till loans are mature. If they default loans, the banks will impact significantly of lack of money to generate, that effect will go to impact the whole country, when the private banks down, CBM² will back up, but the problem is CBM cannot provide the money for all construction developer need money at the same time. It found that loans for trade sector rank as first by 32.5 percent and for the construction sector stand as second by the share of 17.3 percent in the sectors which take loans from the private banks in 2018.

Table 1: Sectoral Loans by Private Banks, 2018

Sector	Kyat Million	Percentage
Agriculture	1,547,345	1.9%
Production	9,005,600	11.0%
Trading	26,736,118	32.5%
Transportation	1,796,004	2.2%
Construction	14,197,472	17.3%
Services	11,060,371	13.5%
General	11,890,244	14.5%
Hire Purchase	1,998,826	2.4%
Housing Loans	212,874	0.3%
SME loans	3,746,252	4.6%
Total	82,191,106	100%

Source: MOPF-NSDP

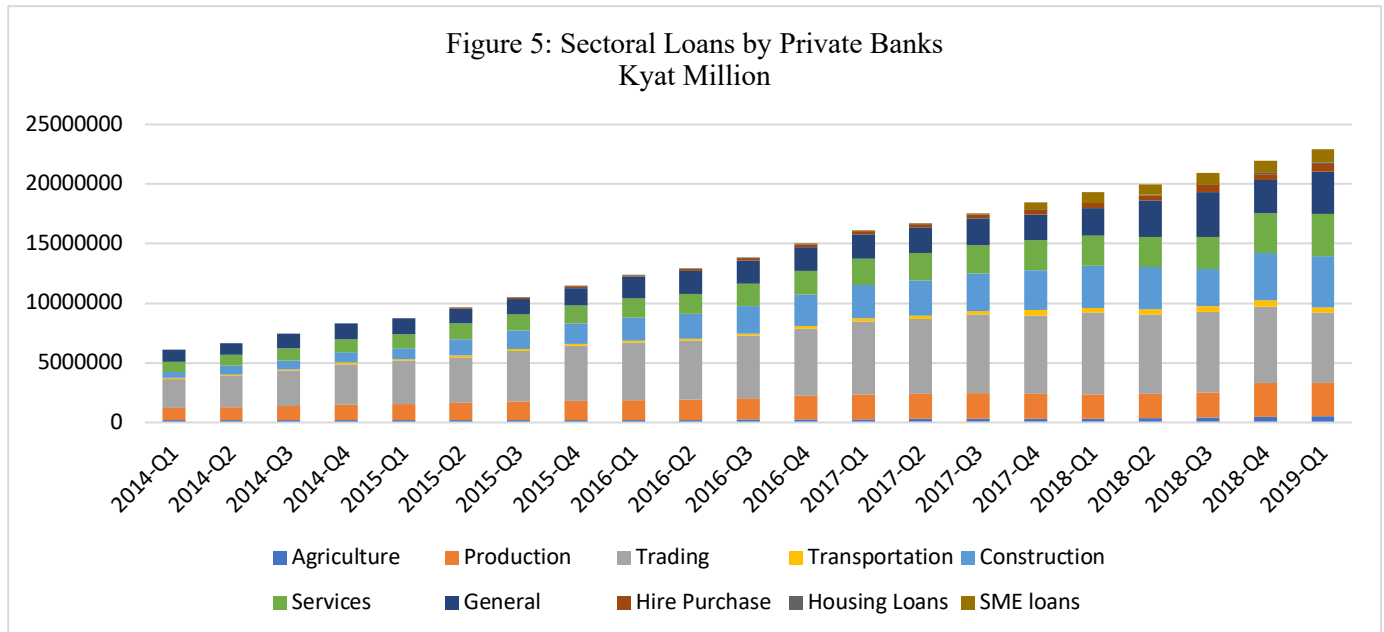
The one thing CBM should do is ease the lending interest rate or extend the loan maturity for a while, which goes to reduce the pressure of construction developers and job market stable. The uncertainty of the government on the economy creates the psychology insecurity for people and the elite. Overheating of debt default can create the economy down. We should not forget that the 2008 Global financial crisis started with bad mortgages. However, CBM has to make sure that 32.5 percent of the trading sector is working very well.

¹ <http://www.mmtimes.com/business/20585-thousands-of-jobs-at-risk-as-high-rises-suspended.html>

² Central Bank of Myanmar
The Economy 191, Inya Economics, Economic Briefing No. (2), 4 Sep 2019

The CBM has to examine whether the instability of construction sector impact on the trading sector or not because the construction is the most important one after the trading sector.

High inflation should not be the reason for not being able to reduce the lending interest rate by CBM. The problem is that CBM cannot reduce inflation rate alone, which are driven by food item, change the logistic system, and basic food pricing system by State and Region governments.



Source: MOPF-NSDP

10. So what is the problem? The problem is that the government does call the people to the political problem, which might take a thousand years. Just try to offer more effective and efficient public services in order to be people more educated and healthier, more export and more jobs, better living standards, and more welfare. So, the political leaders should concern that people cannot follow political arise on the street without their children are hungry at home, and they have to find a stable income and affordable job.

11. Economic problems can solve without political support. However, if the government accepts the ideology of “political” and “economics” cannot separate each other, it still works, but that should be real implemented a plan for economic development, not to create a new political issue by working for economic development. Also, recovery cannot be without doing anything.

12. To summarize, we do not doubt the current government has the ability and wiliness to lift the economy of the state. If so, MSDP is a living document, and please consider the above issues.

13. In Myanmar, to call the fire force phone number is 191. So, the government should concern, and analysis of the economy is on fire(recession) or not. If yes, called the economy 191.

References

<http://www.mmtimes.com/business/20585-thousands-of-jobs-at-risk-as-high-rises-suspended.html>

<http://www.mdi.org.mm/infographs/detail/68/project-bank>

<http://documents.worldbank.org/curated/en/326771560523871008/Building-Reform-Momentum>

CSO (Various Issues)