MYANMAR
ECONOMIC
MONITOR

JUNE 2025

ECONOMIC AFTERSHOCKS

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Economic aftershocks

June 2025

Preface and Acknowledgements

The Myanmar Economic Monitor (MEM) is published semiannually and produced by the World Bank's Myanmar office. This edition was prepared by the World Bank's Prosperity comprising by Kemoh Mansaray (Senior Economist, EEAM1), Kim Alan Edwards (Program Leader and Senior Economist, EEADR), Thi Da Myint (Country Economist, EEAM1), Sutirtha Sinha Roy (Senior Economist, EEAPV) and Aka Kyaw Min Maw (Consultant, EEAM1).

Substantive inputs to this MEM were provided by Shigeyuki Sakaki (Program Leader, IEADR), Yashodhan Ghorpade (Senior Economist, HEASP), Valens Mwumvaneza (Senior Agriculture Economist, SEAAG), Myoe Myint (Senior Energy Specialist, IEAE1), Ildrim Valley (Public Sector Specialist, EEAG1), Pike Pike Aye (Public Sector Management Specialist, EEAG1), Smita Wagh (Senior Financial Sector Specialist, EEAF1), Nang Htay Htay (Financial Sector Specialist, EEAF1), Karima Ben Bih (Senior Disaster Management Specialist, IDURM), Myoe Myint (Senior Energy Specialist, IEAE1), Khin Aye Yee (Operations Officer, IEAU1), Harshita Agrawal (Consultant, DEADD), Theingie Han (Consultant), Mateo Ambrosio Albala (Consultant, SEAAG), Simon Bilo (Consultant, HEASP), Muhammad Saad Imtiaz (Consultant, HEASP), Nay Nwe Linn Maung (Consultant, SEAAG), Simon Bilo (Consultant, HEASP), Felix Haas (Consultant, EEAM1), Myint Kyaw (Operations Officer), Win Htein Lin (Consultant, IEADR), Sai Yazar Htun (Consultant), Khin Thida Maw (Country Officer, IFC), Ye Thu Aung (Country Officer, EACMM).

This edition of the MEM was developed and prepared under the overall guidance and supervision of Melinda Good (Division Director, Myanmar and Thailand), Sebastian Eckardt (Practice Manager, EEAMI), Benu Bidani (Practice Manager, EEAPV) and Anne Tully (Country Manager, Myanmar).

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Abbreviations

ACLED	Armed Conflict Location and Event Data Project
ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BE	Budget Estimate
BOP	Balance of Payment
CBM	Central Bank of Myanmar
COICOP	Classification of Individual Consumption According to Purpose
CPI	Consumer Price Index
CSO	Central Statistical Organization
EAP	East Asia and Pacific
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
H1	The first six months of the fiscal year
H2	The second six months of the second year
HIES	Household Income and Expenditure Survey
IDP	Internally Displaced Persons
MI	Multiple Imputation
MMK	Myanmar Kyat
MMSCFD	Million standard cubic feet per day
MOC	Ministry of Commerce
MoM	Month on Month
MOPF	Ministry of Planning and Finance
MSME	Micro, small, and medium enterprises
MSPS	Myanmar Subnational Phone Surveys
NPL	Nonperforming loans
NTLs	Nighttime Lights
PA	Provisional Actual
PMI	Purchasing Managers' Index
PTTEP	PTT Exploration and Production Public Company Limited
Q1	First Quarter
Q2	Second Quarter
Q3	Third Quarter
Q4	Fourth Quarter
RE	Revised Estimate
RHS	Right Hand Side
SEE	State-owned Economic Enterprise

TA	Temporary Actual
TEU	Twenty-foot equivalent container unit
UK	United Kingdom
US	United States
UN	United Nations
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
UMODC	United Nations Office on Drugs and Crime
USD	US dollar
WB	World Bank
WFP	World Food Programme
yoy	year-on-year

Executive Summary

The impacts of the March earthquake are continuing to disrupt lives and livelihoods, exacerbating the already very difficult economic conditions. On March 28, a 7.7-magnitude earthquake struck central Myanmar, only six months after Typhoon Yagi had caused extensive destruction across parts of the country. Official reports (as of late April) indicate the earthquake caused around 3,800 fatalities, with over 5,000 injuries, over 207,000 displaced and hundreds still missing.[1] The earthquake impacted over 17 million people, with nine million severely affected across 57 townships in Mandalay, Sagaing, Bago, Nay Pyi Taw Union Territory, and Magway. Together, the affected states and regions represent about one-third of Myanmar's GDP. The economic and social impacts have been extensive, including production and supply chain disruptions, factory and market closures, and labor shortages. Total damages to physical assets – including residential buildings, public infrastructure, and heritage sites – are estimated at US$11 billion (14 percent of GDP or 5 percent of the total capital stock).[2]

The World Bank estimates that economic output losses attributable to the earthquake will be equivalent to around 4 percent of GDP (US$2.6 billion) in the year ended March 2026. The worst-affected regions (Mandalay and Nay Pyi Taw) are expected to lose about a third of their production between April and September, with significant losses also in Sagaing and Bago. Activity is expected to partially recover in the second half of the year, supported by reconstruction efforts. According to the April/May World Bank Firm Survey, around a quarter of all firms experienced operational disruptions due to the earthquake, including over half of firms in the Mandalay region. These disruptions encompassed damage to workplaces or factories (reported by 54 percent of affected firms), sales reductions (39 percent), disruptions in operations and supply chains (23 percent), and employee losses and absenteeism (15 percent). Firms affected by the earthquake operated at 58 percent capacity on average, 11 percentage points below the average for the non-affected firms.

The economic aftershocks of the earthquake have struck on the back of ongoing challenges from conflict. Since the first quarter of 2025, the already widespread conflict has spread further to Ayeyarwaddy region, an important agricultural area. The United Nations estimates that a total of 3.5 million people (around 6 percent of the population) have been displaced by conflict as of May 2025, up from 3.4 million as at the end of 2024[3]. Conflict continues to disrupt critical trade routes and economic activity in affected areas.

Meanwhile, three quarters of firms surveyed by the World Bank in April reported experiencing power outages in April 2025, up from 42 percent during the same period last year. The losses attributed to these outages were on average equivalent to 16 percent of monthly sales. Power generation has been impacted by reduced gas-powered supply, increased reliance on aging hydropower infrastructure, disruptions to transmission networks, shortages of spare parts, and reduced investment in operation and maintenance. The earthquake damaged power lines, substations, and transformers. From January to May 2025, nighttime luminosity dropped by 15 percent compared to the same period in 2024, consistent with reduced economic activity and power cuts.

[1] AHA Centre https://ahacentre.org/situation-update/situation-update-no-10-m7-7-mandalay-earthquake-23-april-2025/
[2] Global Rapid Post-Disaster Damage Estimation (GRADE) Report: Myanmar Earthquake (March 28, 2025)
[3] UNCHR, Myanmar Emergency Overview Map, June 3, 2025

Recent data indicate declines in economic activity across all sectors. The manufacturing purchasing manager's index (PMI) indicates that manufacturing production has contracted since the beginning of 2025, with a particularly steep decline in April following the earthquake. Reductions in output, new orders, and employment have come on the back of business closures, weak demand and raw material shortages. Agricultural productivity has been affected by flooding and ongoing conflict, with rice production declining to 16.3 million tons in the year-ended March 2025, down from 17.2 million tons in previous year[4]. Labor shortages and damage to irrigation and storage facilities from the earthquake led to considerable losses in crops and livestock feed production. The service sector continues to face challenges from disruptions to transport and logistics, while high and rising prices continue to erode households' purchasing power. Within the ASEAN region, Myanmar continues to record the weakest post-pandemic recovery in tourism, with international tourist arrivals at approximately 30 percent of their 2019 levels. Across firms in all sectors, sales and profits have reportedly declined by an average of 14 and 17 percent, respectively, over the year to April 2025.

Import compression and a pick-up in agricultural exports resulted in a trade surplus of 2 percent of GDP in the six months to March 2025. Tight restrictions on import licenses, the re-introduction of an 'export first' policy limiting foreign exchange access to non-exporting firms, and conflict-related disruptions at land borders all contributed to a 12 percent decline in merchandise imports in the six months to March 2025 (compared with the same period the previous year). The lack of access of many firms to imported inputs continues to be a major constraint on production. Nevertheless, merchandise exports rose by 7 percent, supported by an increase in agricultural exports. Continued disruptions along the Myanmar–Thailand border, especially at the Myawaddy–Mae Sot crossing, have caused a significant shift in trade from land to sea routes.

Inflation has accelerated, further straining household incomes and welfare. Recent World Bank price monitoring surveys[5] indicate that headline inflation rose to 34.1 percent over the year to April 2025, up from 24.7 percent over the previous year. This pick-up was primarily driven by conflict-related supply chain issues, import restrictions, and earthquake-induced shortages in affected areas like Mandalay and Sagaing, as well as lagged pass-through impacts from previous kyat depreciation. Food inflation remained high at 29.5 percent, while non-food inflation rose sharply from 21.6 percent to 36.4 percent, mainly because of increased transportation costs from logistics disruptions and high fuel prices. Inflation is higher in conflict-affected regions such as Kachin, Magway, Bago, and Sagaing, exacerbated by road blockages, tolls and checkpoint fees. Continued price increases have further strained household budgets, deepening food insecurity.

Reflecting tight foreign exchange and trade controls, the kyat has stabilized against the US dollar on parallel markets since October 2024. The kyat's stability can be attributed to the implementation of a range of restrictions on imports (including the 'export first policy'), strict regulations on foreign currency transactions, crackdowns on parallel market activities, and the Central Bank of Myanmar (CBM)'s forex sales. The authorities have intensified efforts to crackdown on unlicensed money changers by carrying out regular spot checks and enforcement actions against online foreign currency traders. Nevertheless, the existence of multiple exchange rates continues to distort prices and deter investment.

[4] FAO (2025a) Crop Prospects and Food Situation – Triannual Global Report. No. 1, March.
[5] The World Bank and the Asian Development Bank (ADB) launched high-frequency price surveys in early 2025 to monitor inflation trends in real time.

Recent labor market outcomes have been uneven: while employment had risen over the 2024 calendar year, most of the increase was in non-wage jobs, and workers continued to move away from higher value-added activities toward agriculture. The 2024-25 Myanmar Subnational Phone Survey (MSPS) showed that employment increased to 60.9 percent of the working-age population in 2024, up from 56.8 percent in 2023. Although 2.1 million more people were employed in 2024, only about 300,000 of those were in salaried work, pointing to the growing dominance of casual or self-employment. This is consistent with the shift of labor from industrial and services sectors to agriculture, particularly among workers with higher education. Between 2023 and 2024, the proportion of college-educated individuals employed in agriculture increased from 18 percent to 22.4 percent, while the share of employment in services decreased from 70.3 percent to 62.4 percent. At the same time, the April/May firm survey indicates that labor shortages continue to constrain firms, with 12 percent of firms reporting staff resignations. Conflict, natural disasters, and the threat of conscription have all acted to drive the movement of workers into less secure and lower productivity jobs. The impacts of the earthquake and associated business closures are likely to have exacerbated these trends.

Poverty remains high, especially among internally displaced populations (IDPs) and in conflict-affected areas. MSPS results indicate that Myanmar's poverty rate stood at 31.0 percent in 2024, similar to 2023 and higher than the most recent official estimate of 24.8 percent in 2017[6]. The poverty rate for IDPs was 47.0 percent, largely unchanged from 2023. Household consumption continues to be affected by declining job quality and falls in real income, with nominal wages failing to keep pace with inflation. Approximately 17 million people are projected to be below the national poverty line in 2024, similar to the levels observed in 2015. After more than doubling between 2017 and 2023, the urban poverty rate declined by around 2 percentage points to 21.3 percent in 2024, while rural poverty remained unchanged at 34.9 percent. Changes in poverty at the state and region level show a strong positive correlation with the incidence of conflict.

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[F]	2026-27[F]
Real GDP growth, at constant factor prices	6.6	-9.0	-12.0	4.0	1.0	-1.0	-2.5	3.0
Agriculture	2.2	-5.7	-12.8	-2.2	2.0	-3.8	0.1	1.4
Industry	8.0	-11.8	-8.2	8.0	0.0	-0.2	-3.7	4.1
Services	7.8	-8.4	-14.7	3.9	1.4	-0.2	-2.6	2.8
CPI inflation, year average	9.1	2.3	9.6	27.2	27.6	28.8	31.0	28.0
Trade balance (% of GDP)	-5.6	-2.9	-2.4	-5.5	-4.0	-2.2	-3.6	-5.6
Current account balance (% of GDP)	-1.8	-0.4	-2.4	-3.5	-2.2	-1.2	-2.2	-3.8
Fiscal balance (% of GDP)	-6.3	-7.6	-2.2	-2.8	-5.4	-5.1	-6.9	-6.4
- Revenue (% of GDP)	22.7	16.3	16.5	21.3	20.0	20.4	22.4	25.4
- Expenditure (% of GDP)	29.0	23.9	18.7	24.1	25.4	25.5	29.3	31.8
Public debt (% of GDP)	42.8	54.2	54.2	58.8	62.2	62.4	62.5	63.0

Note: April-March fiscal year, so "2025-26" denotes the current year ending March 2026.

There has been a notable decline in literacy and numeracy proficiency across all ages. Enrollment has increased across all age groups, rising by around 10 percentage points in 2024 compared to 2022, although enrollment rates of younger children have not yet recovered to pre-pandemic levels. But literacy and numeracy

[6] 2017 Myanmar Living Conditions Survey (MLCS)

scores declined significantly between 2022 and 2024. In fact, controlling for age, children enrolled in school in 2024 reported lower scores than children who had dropped out in 2022, especially in math. If unaddressed, these learning losses are likely to have longer term implications for human capital and lifetime earnings.

The near-term outlook remains bleak. The real GDP growth forecast for FY2025/26 has been revised downward from 2 percent (in the December 2024 MEM) to a contraction of 2.5 percent, mostly due to the impacts of the earthquake. This implies that real GDP will remain 13 percent below pre-pandemic levels. Temporary shutdowns of businesses due to physical damage from the earthquake have severely impacted production and sales in affected areas, especially in manufacturing, construction, and services. These impacts are anticipated to moderate in coming months as businesses find ways to resume operations, though effects of phyiscal damages are likely to persist through to the end of the year. Simulations indicate that poverty across Myanmar could increase by a further 2.8 percentage points due to the earthquake, further increasing household vulnerability.

Looking ahead to FY2026/27, growth is expected to pick up to 3 percent, with production recovering from the current weak base. By early 2026 most businesses are expected to be operating at pre-earthquake levels. Reconstruction efforts aimed at replacing damaged infrastructure may provide additional support to activity, though financial constraints, logistics challenges and supply chain disruptions are likely to slow progress. Meanwhile, ongoing supply- and demand-side constraints – power outages, labor shortages, trade and exchange rate restrictions, and persistent weakness in consumption and investment – will limit the extent of any recovery.

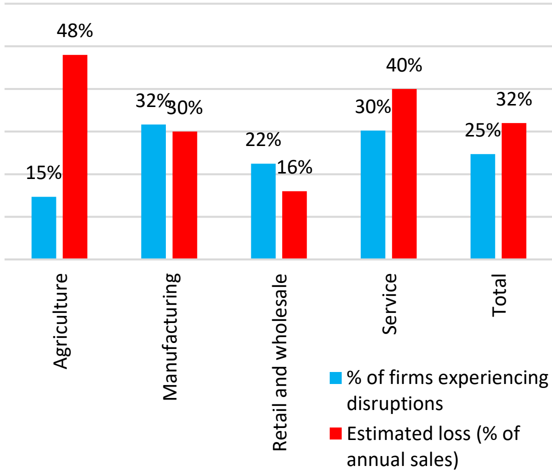
Inflation is expected to remain high at around 31 percent in FY2025/26 due to supply chain disruptions associated with earthquake impacts and conflict-related logistics challenges. While exchange rates have stabilized recently, energy tariff increases have raised business costs, contributing to inflation. Price pressures will be further exacerbated by shortages of consumer items and imported inputs which are subject to trade restrictions.

The overall budget deficit is projected to widen to 6.9 percent of GDP by the end of March 2026, up from 5.1 percent of GDP in FY2024/25. This assumes that spending on reconstruction and rehabilitation efforts will rise through the year. Non-tax revenues, including grants to aid recovery efforts, are also projected to increase. Deficit financing is expected to remain largely from the Central Bank, continuing the trend observed over recent years. Public debt is expected to stay around 63 percent of GDP, with the impacts of increased domestic (kyat) borrowing, subdued economic growth, and exchange rate valuation effects on the stock of external debt being broadly offset by faster domestic inflation.

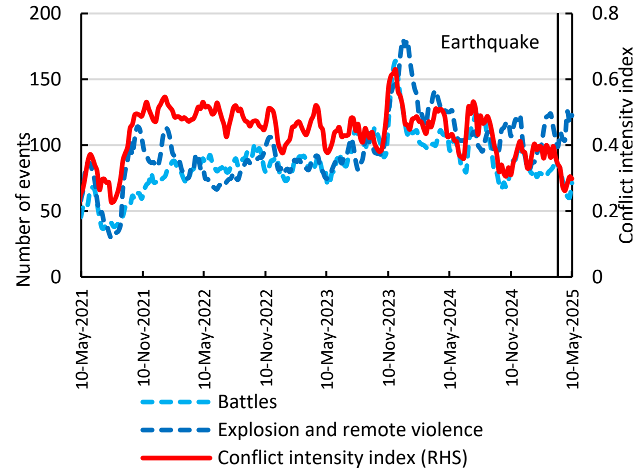
The outlook is subject to significant downside risks. The post-earthquake resumption of business operations in hard-hit areas could be delayed for a range of reasons, including if earthquake-affected firms and communities receive inadequate or delayed support. Other risks involve increased conflict ahead of proposed elections or another natural disaster. Additional trade and foreign exchange restrictions could worsen shortages of basic commodities including imported raw materials, raise consumer prices, and reduce business confidence.

The medium to long-term prospects for living standards are at risk of further decline. Learning losses experienced by current students could result in reduced human capital and a 7 to 15 percent reduction in future lifetime incomes. Recent employment trends show a decline in formal sector opportunities, with more educated workers moving into agriculture and out of higher productivity sectors. Such trends threaten Myanmar's long-term development and poverty reduction prospects. Even with some economic recovery next year, households affected by conflict and earthquake impacts are likely to face significant longer-term challenges.

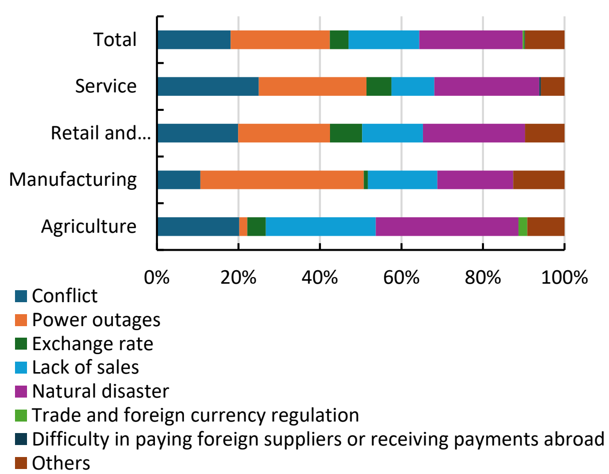
ES 1: Share of firms reporting operational disruptions due to the earthquake in March 2025 and their estimated loss (% of annual sales) – by sector



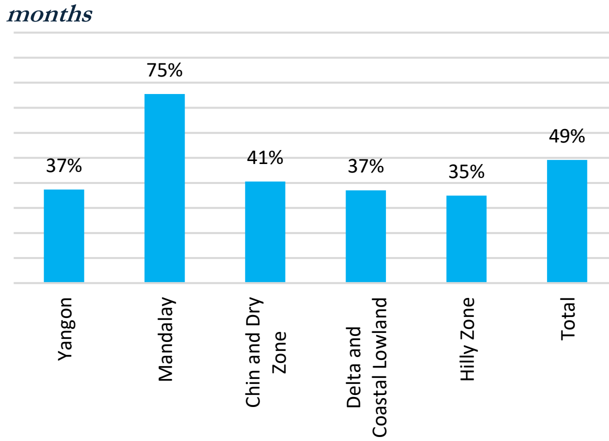
ES 2: Weekly trends of conflict intensity and major events



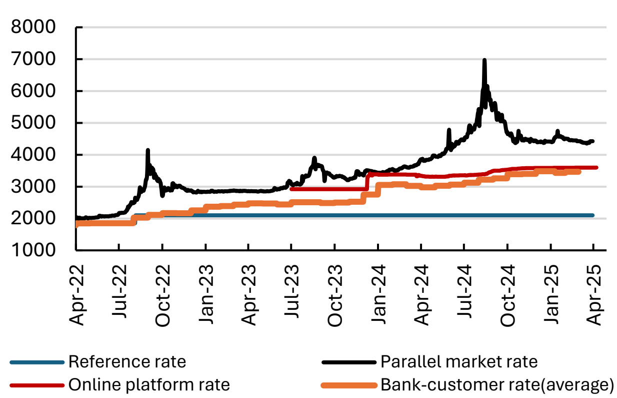
ES 3: Challenges to firms' operations (share of firms reporting) in April 2025



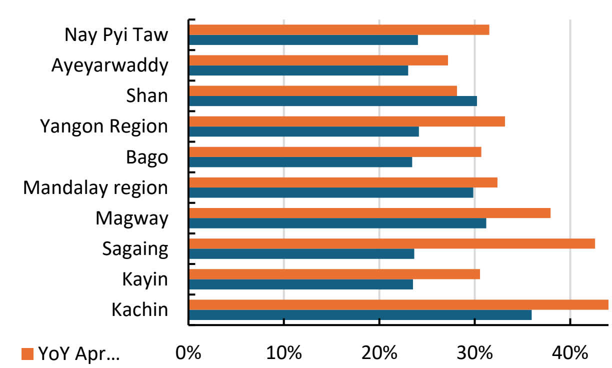
ES 4: Share of earthquake-affected firms expecting recovery to pre-earthquake levels within the next six months



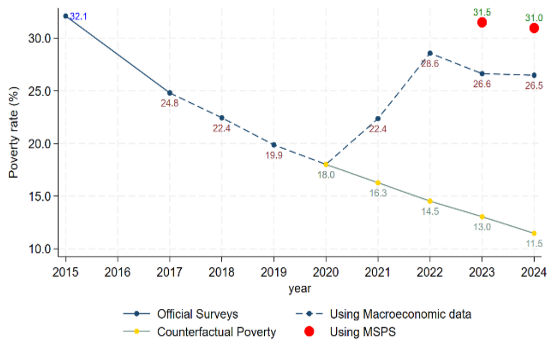
ES 5: Kyat per US dollar exchange rates



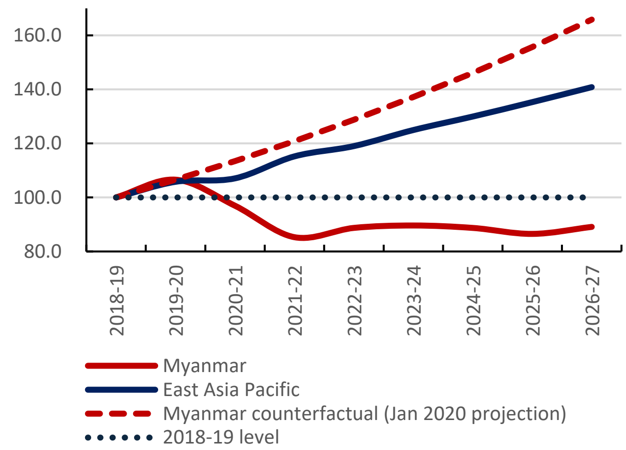
ES 6: Inflation by state and region



ES 7: Poverty Rate (%)



ES 8: Real GDP estimates and projections (2018-19 =100)



I. Recent Economic Developments

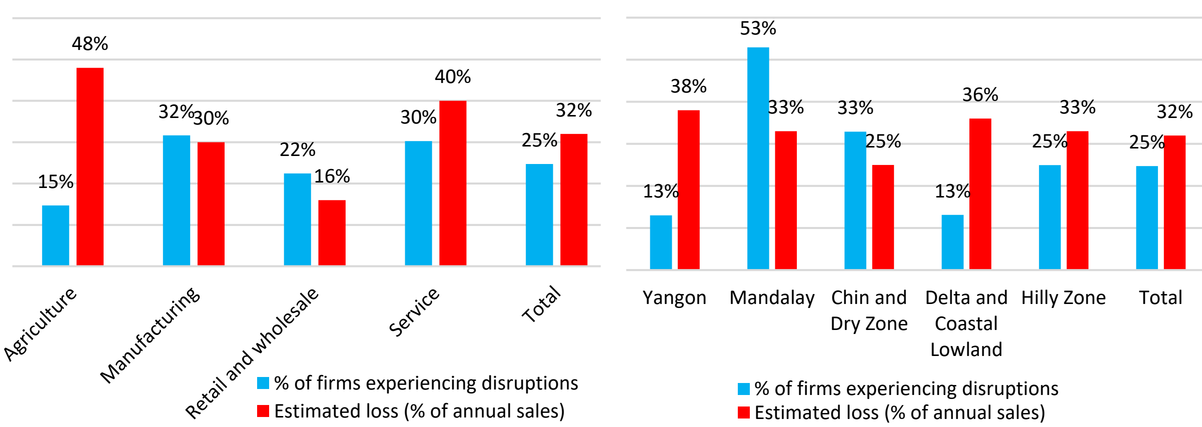
A. The March earthquake devastated lives and livelihoods and exacerbated existing economic challenges.

A 7.7-magnitude earthquake struck central Myanmar six months after Typhoon Yagi had caused extensive destruction across parts of the country, worsening an already critical situation marked by high inflation, power outages and increased poverty and food insecurity. This was the most severe earthquake since 1912, causing significant loss of life and damages. Official reports indicated 3,800 fatalities, over 5,000 injuries, and 207,000 displaced persons, though actual numbers may be higher[7]. UN OCHA estimates that the earthquake affected over 17 million people, with nine million severely impacted in Mandalay, Sagaing, Bago, Nay Pyi Taw Union Territory, and Magway, representing 57 out of 330 townships and accounting for about a third of GDP.

The total damage to physical assets is estimated at US$10.97 billion (14 percent of GDP or 5 percent of the total capital stock)[8]. Residential buildings suffered US$4.97 billion in damage, affecting households already facing elevated poverty, weak labor markets, and high inflation. Public infrastructure damage amounted to US$3.36 billion, disrupting health and education services as well as economic activities. Non-residential buildings, including heritage sites, suffered estimated damages of US$2.63 billion, impacting tourism and social services.

Figure 1: Share of firms reporting operational disruptions due to the earthquake and their estimated losses

a. By sector ***b. By zone***



Source: World Bank firm monitoring surveys
Note: States and regions are classified into zones based on economic and geographic features. The two single-region zones are Yangon and Mandalay. The Hilly Zone includes Kachin, Kayah, and Shan. The Delta and Coastal Lowland Zone consists of Ayeyarwaddy, Rakhine, Mon, Bago, Tanintharyi, and Kayin. The Chin and Dry Zone includes Chin, Sagaing, Magwe, and Nay Pyi Taw.

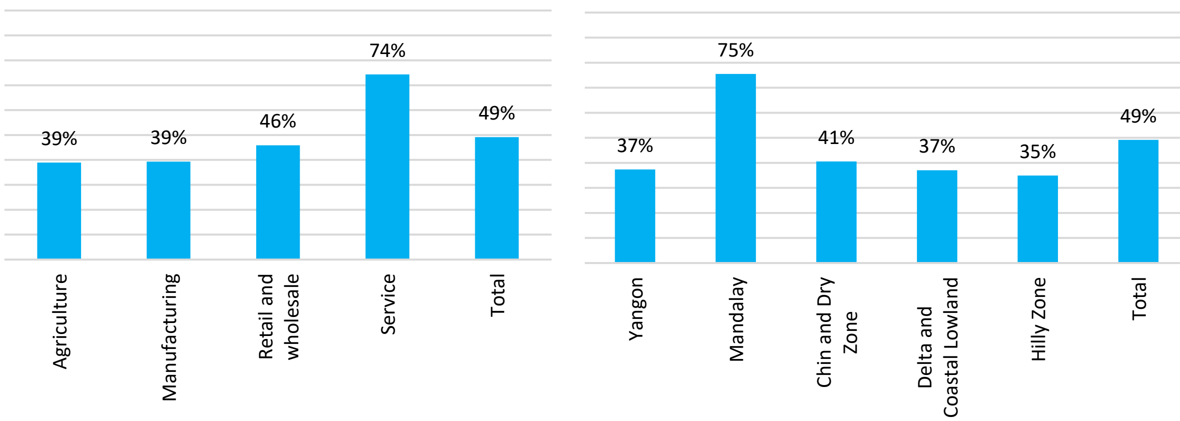
[7] AHA Center – https://ahacentre.org/situation-update/situation-update-no-10-m7-7-mandalay-earthquake-23-april-2025/
[8] Global Rapid Post-Disaster Damage Estimation (GRADE) Report – Myanmar Earthquake - March 28, 2025

The World Bank estimates that the reduction in economic output attributable to the earthquake will be equivalent to around 4 percent of GDP in the year ended March 2026. The worst-affected regions (Mandalay and Nay Pyi Taw) are expected to lose about a third of their production between April and September, due to disruptions like factory closures and labor market shocks. There will also be significant losses in Sagaing and Bago. Activity is expected to partially recover in the second half of the year, as businesses resume operations, supported by reconstruction efforts.

The April/May World Bank Firm Survey shows that 25 percent of firms faced operational disruptions, with the most affected sectors being manufacturing (32 percent) and services (30 percent) (Figure 1). Mandalay experienced the most severe impact, with 53 percent of firms reporting earthquake impacts (Figure 1), which is consistent with it having the largest share of physical damage[9]. Affected firms reported workplace damage (54 percent), sales losses (39 percent), operational disruptions (23 percent), and employee absenteeism (15 percent). Total reported losses due to the earthquake across affected firms averaged around a third of annual sales. Around half of firms expect to recover within six months, though many are uncertain about funding for reconstruction (Figure 2)**.**

Figure 2: Share of earthquake-affected firms expecting recovery to pre-earthquake levels within the next six months

a. By sector ***b. By zone***



Source: World Bank firm monitoring surveys *Source*: World Bank firm monitoring surveys

The earthquake significantly reduced the operating capacity of manufacturing and retail/wholesale firms. Nationwide, firms operated at an average of 66 percent of their capacity after the earthquake, 3 percentage points lower than indicated in March 2025 (**Figure 3**). Firms affected by the earthquake reported operating at 58 percent of capacity on average, 11 percentage points below the average of the non-affected firms. Before the earthquake, operating capacity had increased from 63 percent in October to 69 percent in March 2025, as businesses in the agriculture and services sector gradually recovered from the impacts of Typhoon Yagi in September. The share of firms operating at full capacity fell to 31 percent in the aftermath of the earthquake, from 34 percent in March 2025 (**Figure 4**). Some firms were yet to fully recover from Typhoon Yagi when the earthquake struck.

[9] World Bank GRADE Report – March 28 Earthquake

Figure 3: Average firm operating capacity

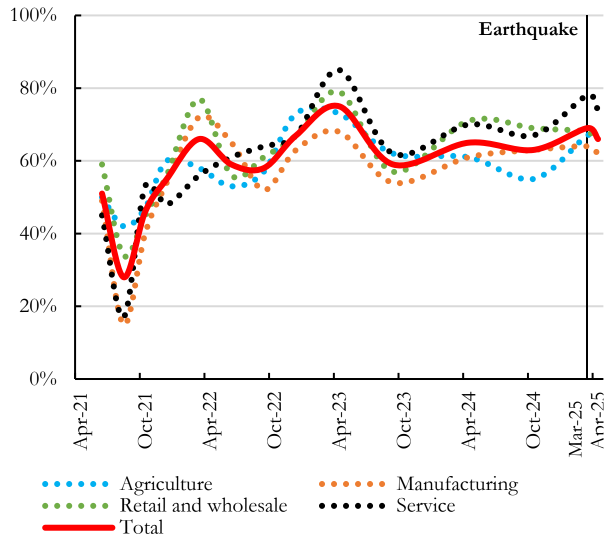
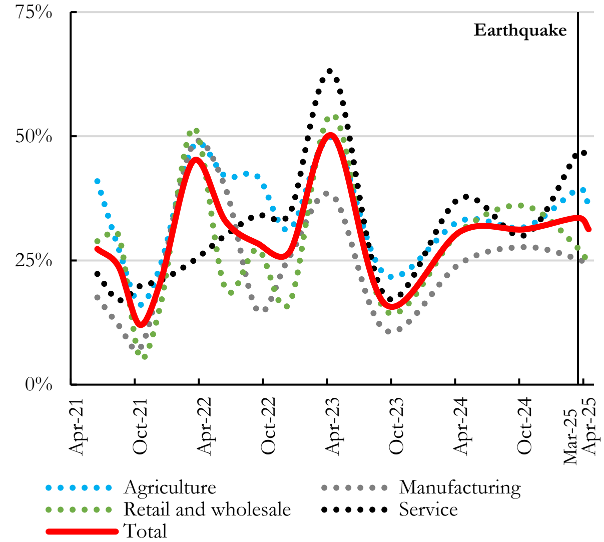


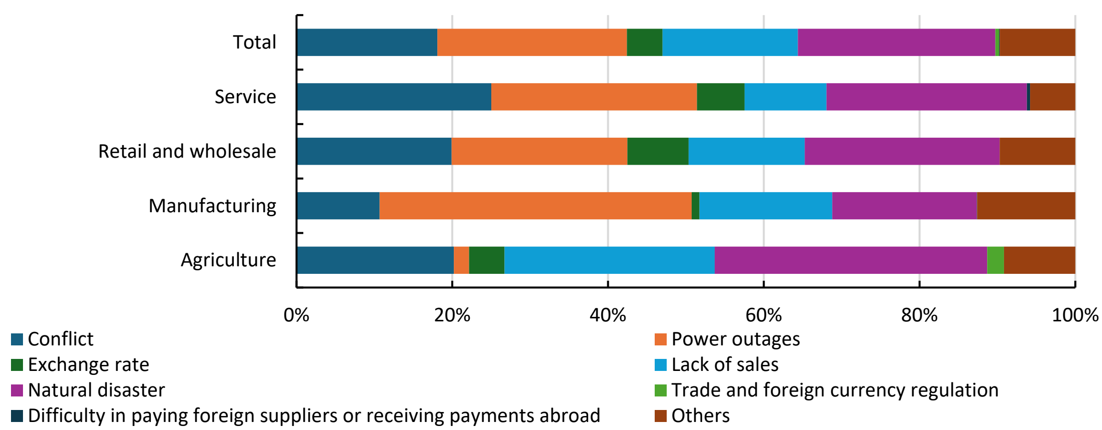
Figure 4: Share of firms operating at full capacity



Source: World Bank firm monitoring surveys
Note: Firms were asked to report on the last completed month. "Service" refers to non-retail and wholesale services. In April 2025 round, follow-up questions related to operating capacity was asked to firms affected by the earthquake to estimate the operating capacity in April (one month after the earthquake). We assumed that non-affected firms' operating capacity in April remained the same as in March.

In April 2025, sales and profits dropped by 14 percent and 17 percent, respectively, compared to the same period last year. These sustained decreases in sales and profitability could force businesses to reduce their operations or withdraw from the market entirely, worsening unemployment and household incomes. Approximately 25 percent of the surveyed firms identified increased vulnerability to natural disasters as the primary operational challenge impacting sales and profitability (**Figure 5**). This was followed by power outages, reported by 24 percent of firms, conflict cited by 18 percent, and lack of sales noted by 17 percent. The findings suggest a worsening business climate with firms grappling with compounding shocks including natural disasters, unreliable power supply, conflict and reduction in sales from high inflation and policy restrictions.

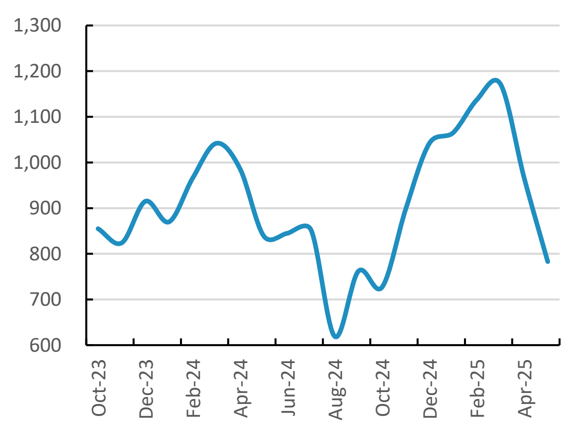
Figure 5: Challenges to firms' operations (share of firms reporting) in April 2025



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

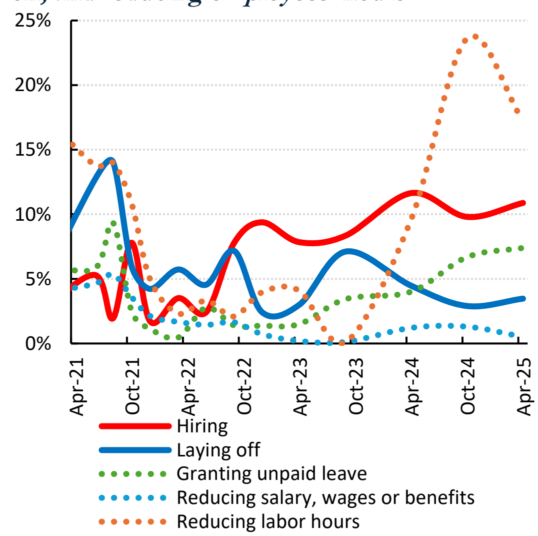
Recent trends in Myanmar's labor market have been uneven. Total online job postings increased from January through March 2025 but dropped after the earthquake, to be currently just below 50 percent of February 2021 levels (**Figure 6**). However, postings for education, teaching, and childcare professionals are higher, possibly suggesting a shift from public to private social services. Results from the World Bank's April/May firm survey indicate that 17 percent of firms reduced labor hours in April 2025 (**Figure 7**). Firms continue to reduce labor hours due to power outages and other constraints on production, which have worsened post-earthquake. On the other hand, firms are facing difficulties retaining and attracting skilled workers due to labor movements and outward migration: 12 percent of firms reported resignations while 11 percent of firms reported hiring new workers. Reports indicate that a significant proportion of worker resignations are motivated by a desire to avoid conscription. In May, the PMI employment index dropped to 47.8, a three-month low, reflecting a combination of staff retention and other supply-side challenges post-earthquake.

Figure 6: Number of online job postings



Source: World Bank staff online data collection and calculations

Figure 7: Share of firms reporting hiring, laying off, and reducing employees' hours



Source: World Bank Firm Survey

Compounding the earthquake's impact, conflict levels remained high over recent months. Initially moderating in early 2025, the conflict intensity rose again in recent months, despite ceasefire announcements after the earthquake (**Figure 8**). Rakhine, Kachin, Sagaing, Magway, Bago, Chin, Shan, Kayin, and now Ayeyarwaddy, an agricultural hub, face intense conflict (**Figure 9**). The UN estimates 3.5 million displaced as of May 2025, around 6 percent of the population. Conflict continues to disrupt transport, agriculture, tourism, mining, and border trade. While border crossings with China such as Chinshwehaw and Namti have reopened, other crossings with Thailand and China remain closed.

Figure 8: Weekly trends of conflict intensity and major events

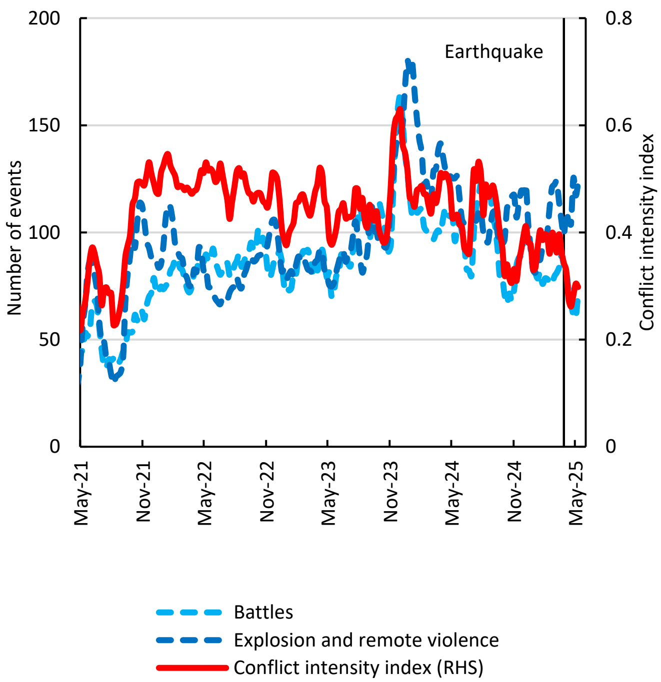
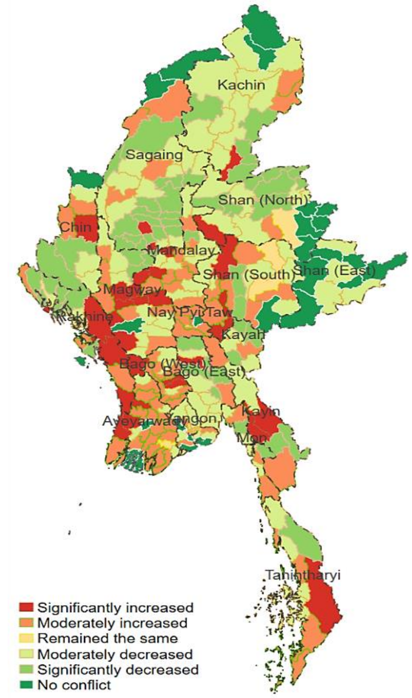


Figure 9: Change in conflict intensity at township level in the six months to March 2025, compared to the same period last year

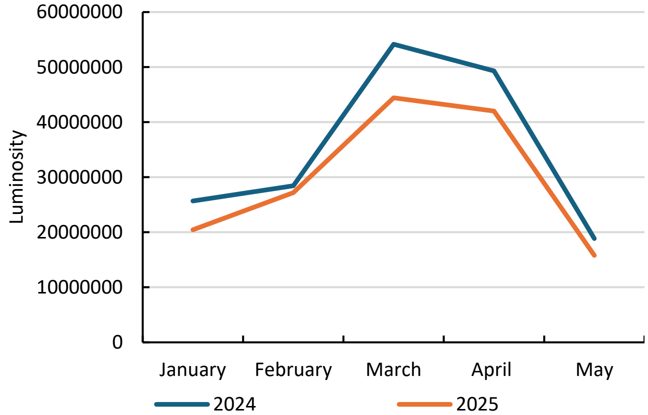


Source: WB staff calculations using data from the Armed Conflict Location and Event Data Project (ACLED)
Note: The data reflect a 4-week moving average. Conflict intensity is calculated as a geometric mean of events and fatalities. Events include battles, explosions and remote violence, protests, riots,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

Amid acute supply constraints high inflation persists, impacting livelihoods, and poverty levels. Recent World Bank price surveys show headline inflation at 34.1 percent over the year to April 2025, up from 24.7 percent over the same period last year, driven by rising food prices due to conflict-related supply chain issues, shortages related to import restrictions, and the earthquake which exacerbated shortages of basic commodities in hard-hit areas such as Mandalay and Sagaing. Prices have remained relatively high in conflict-affected regions including Kachin, Magway, Bago, and Sagaing, some of which were also impacted by the devastating earthquake (refer to Section D for subnational price trends). High inflation and ongoing labor market disruptions have reduced household consumption, keeping poverty rates high (Section G).

Power supply constraints continue to hinder business operations, worsened by damage to generation and transmission infrastructure from the earthquake. In January 2025, the daily demand of 4,400 megawatts far exceeded the daily generation of 1,700 megawatts, highlighting a major constraint on production, particularly in manufacturing and services. This is also evidenced in night-time luminosity (based on satellite data) which decreased by 15.1 percent in the five months to May 2025 compared to the same period in 2024 (**Figure 10**). Myanmar's energy generation has been impacted by reduced gas-powered supply, increased reliance on aging hydropower infrastructure, disruption to transmission and distribution due to conflict and natural disasters, frequent shortage of key spare parts, and reduced investment in operation and maintenance. Additionally, regional power interconnection projects with Laos, China, and India have seen little progress while electricity imports from China to border areas have declined markedly recent months. The recent earthquake has further diminished energy supply, damaging power lines, substations, transformers, and related equipment with some regions including Yangon being out of power up to a week after the earthquake. At the same time, electricity tariffs have nearly doubled since September 2024, significantly raising operating costs for businesses.

Figure 10: Nighttime luminosity



Source: NASA Black Marble and World Bank Staff

B. Real-time indicators of economic activity declined sharply after the earthquake

Myanmar's agricultural productivity has been significantly impacted by persistent flooding and ongoing conflict over the past year, with the recent earthquake exacerbating these challenges. Rice production fell to 16.3 million tons in 2024/25, down from 17.2 million tons in 2023/24 and below the 2020-22 benchmark of 16.4 million tons, due to adverse weather conditions, restricted field access, and conflict disruptions in Rakhine, Kayin, and Kayah. According to a February 2025 FAO survey, 63 percent of rice farmers reported harvest reductions due to waterlogging. Maize production also faced constraints, declining to 2.85 million tons in 2024/25 from 3.1 million tons in the previous year, primarily due to flooding, irregular rainfall, and conflicts in Kayah, Kachin, and Shan which disrupted planting activities. Limited access to high-yield hybrid corn seeds forced farmers to use lower-quality varieties, impacting yields, while conflict in the northern regions caused farmers to shift to illegal opiate-based crops (see Box **1**) or more profitable crops such as chili peppers and pulses.

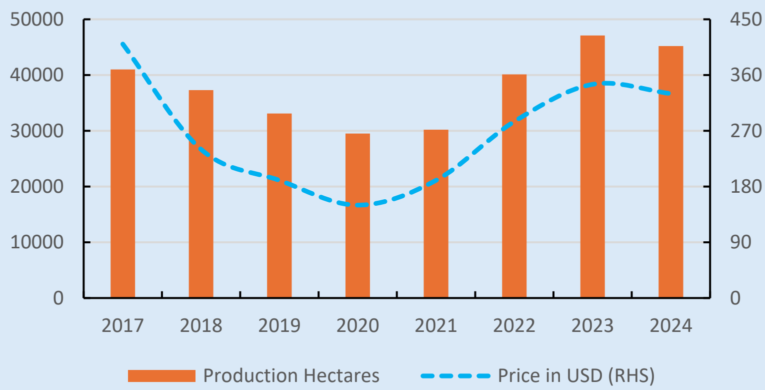
Despite the decline in production, agriculture exports have risen, with rice exports increasing by 27 percent in volume terms to 2.2 million metric tons, reflecting continued strong external demand and subdued domestic consumption. Rice exports make up only 14 percent of total production, and domestic consumption has dropped recently freeing surplus stocks for exports. Logistics disruptions have constrained internal distribution from lower Myanmar to upper Myanmar, resulting in higher domestic rice prices. Many households have been forced to reduce consumption or rely on less nutritious staples, deepening food insecurity and malnutrition[10].

[10] FAO (2025) Food Price Monitoring and Analysis (FPMA) Bulletin: Monthly report on food price trends, 14 April, #3.

Box 1: The opium industry in Myanmar

Illegal activities in Myanmar, such as opium cultivation, scam operations and large-scale illicit mining, have increased significantly since 2021. Data from UNODC indicates that between 2017 and 2020, poppy cultivation declined by about 30 percent to 29,500 hectares, driven by several factors including falling global farmgate prices, intensified law enforcement efforts, and improved opportunities within the formal economy, particularly due to higher prices for cash crops. The cultivation of opium poppies has subsequently risen by 53 percent, driven by weaker law enforcement and high levels of conflict and insecurity.

Figure 11: Area under poppy cultivation vs average farm gate prices of dried opium in Myanmar



Source: UNODC and World Bank Staff

The increase in conflict and economic disruption since 2021 worsened an already tenuous situation for many rural communities and coincided with greater levels of poppy cultivation and opium production. Recent surveys by UNODC[11] indicate that cultivation is predominantly concentrated in Shan State, accounting for approximately 88 percent of total production, followed by Kachin State (9 percent). Smaller, rapidly growing opium poppy farms have been observed in Chin (832 ha) and Kayah (521 ha). Meanwhile, farmgate prices have nearly doubled, rising from under US$200 per kilogram in 2020 to about $330 per kilogram in 2024 (**Figure 11**), primarily driven by changes in local and regional demand. In 2023, Myanmar became the world's largest opium producer, with cultivation in Afghanistan falling between 2022 and 2023. Clearance of stocks of Afghan opiates avoided an opiate shortage so far, but effects in the global heroin markets will likely manifest in the coming years.

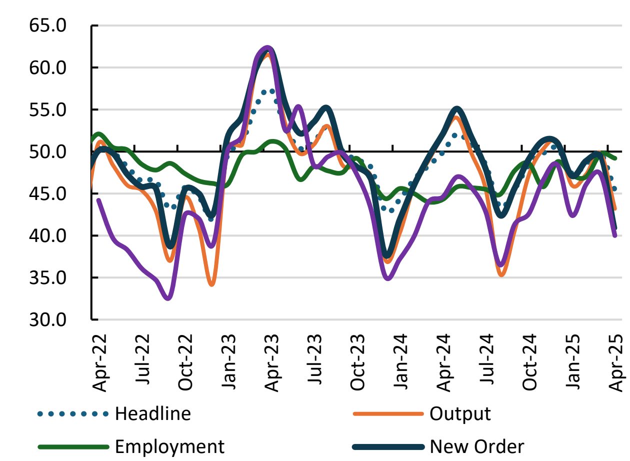
The total value of Myanmar's opium economy in 2024, including the conversion of opium to heroin and its distribution both internationally and domestically, is estimated to range from USD 0.59 billion to USD 1.57 billion during 2021-23 (about 0.9 to 2.4 percent of GDP on average). Approximately 92 percent of opiates originating from Myanmar are trafficked to international markets, with the remainder consumed within the country. Based on midpoint estimates, opium poppy growers retain only 35 percent of the final revenue (net of production costs), whereas individuals engaged in heroin production and drug trafficking secure the remaining 65 percent.

Opium poppy cultivation in Myanmar is nearly entirely performed by smallholder farmers who do not typically generate higher earnings from poppies, but lack viable alternatives. Farmers typically grow opium poppy on 0.5-hectare plots, with 80 percent lacking formal land rights. Poppy farms tend to be located in remote areas: 87 percent of villages where poppy cultivation takes place lack paved roads, fewer than 18 percent have electricity, 6 percent have no school, and only one third have a clinic. UNODC reports show poppy households also tend to earn less than non-poppy households: non-poppy households earn about USD 1121 from formal agriculture and USD 1113 from non-farm activities on average, while poppy-involved households receive USD 825 and USD 965 for farm and nonfarm activities, respectively. Despite these low earnings, farmers continue to grow poppy due to limited profitable legal alternatives, unreliable infrastructure and lack of market access for legal cash crops, and the large lump-sum harvest payout which can help with debt servicing needs. Informal financing and inputs are readily provided by buyers of illicit crops, making poppy a viable cash crop.

The March 28 earthquake caused significant disruption to agriculture, affecting harvests and infrastructure. Regions impacted by the earthquake produce one-third of Myanmar's cereal output, with around 3.7 million hectares exposed: Sagaing (1.5 million ha), Mandalay (1.4 million ha), Shan (431,000 ha), and Magway (389,000 ha). Labor shortages in these worst-hit areas disrupted the harvesting of offseason rice and maize crops, which account for 15 percent of annual output (FAO, 2025d). This could lead to significant production losses for rice and maize as well as cotton which is grown in the affected areas. Damage to irrigation infrastructure like the Kyaukse Kinta Dam and Sinthay Diversion Weir threatens water access for the 2025 monsoon season, potentially lowering cereal yields. Additionally, damage to storage and production facilities in Mandalay and Taunggyi may reduce livestock feed production by up to 15 percent.

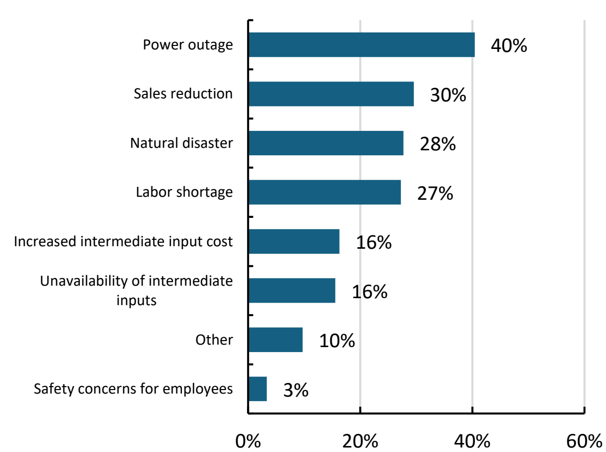
The manufacturing sector continues to suffer from weak demand and supply chain disruptions. The manufacturing purchasing manager's index (PMI) has been contracting since July 2024, except for December, due to declining new orders and raw material shortages. The PMI fell to 45.3 in April 2025 (**Figure 12**) marking the worst decline in eight months with reductions in output, new orders, and employment. The decline in manufacturing persisted in May, with the PMI recorded at 47.6 as operating conditions stayed weak. The quake exacerbated pre-existing challenges of weak demand and raw material shortages, leading to business closures and reduced output and new orders. Labor shortages, worsened by conscription threats, have persisted since February 2024, and the earthquake further disrupted staffing as workers moved away from affected areas to seek opportunities elsewhere. The World Bank's April firm monitoring survey highlights ongoing issues faced by the manufacturing sector including power outages, sales reduction, natural disasters, conflict-related supply chain disruptions (**Figure 13**), delays in import licenses, and extended supplier delivery times. Additionally, 32 percent of manufacturing firms reported earthquake impacts, with total losses at 30 percent of annual sales. While the automobile and garment sectors have increased production[12] (**Figure 14**), other sectors like food processing have been constrained by significant import restrictions on raw materials with imported manufacturing inputs declining by 25 percent year-on-year (**Figure 15**)

Figure 12 : Manufacturing Purchasing Managers' Index (>50 indicates expansion, < 50 indicates contraction)



Source: S&P Global Market Intelligence

Figure 13: Challenges faced by the manufacturing sector (percent of firms reporting)

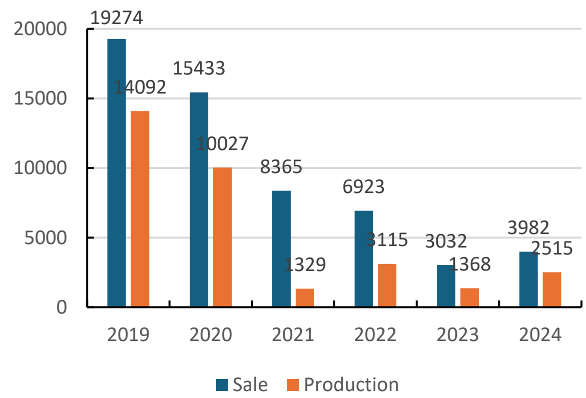


Source: World Bank firm survey

[11] UNODC Myanmar Opium Surveys in 2020, 2021, 2022, 2023 and 2024

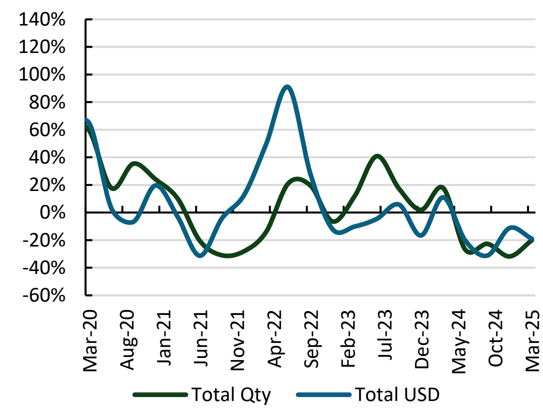
[12] CMP related imports do not require import licenses.

Figure 14 : Motor vehicle production and sales (numbers) (January to November)



Source: ASEAN automotive association

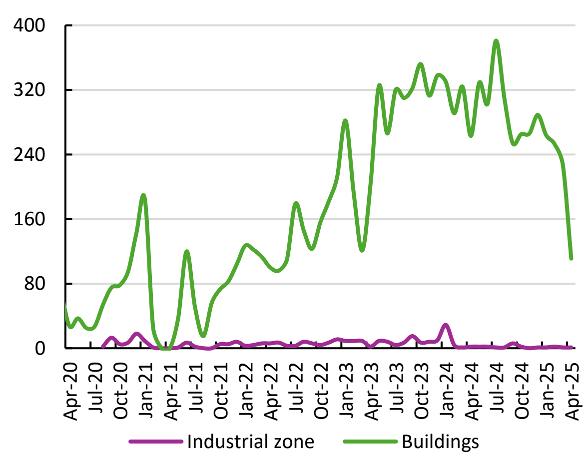
Figure 15: Imports of manufacturing raw materials (yoy change)



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

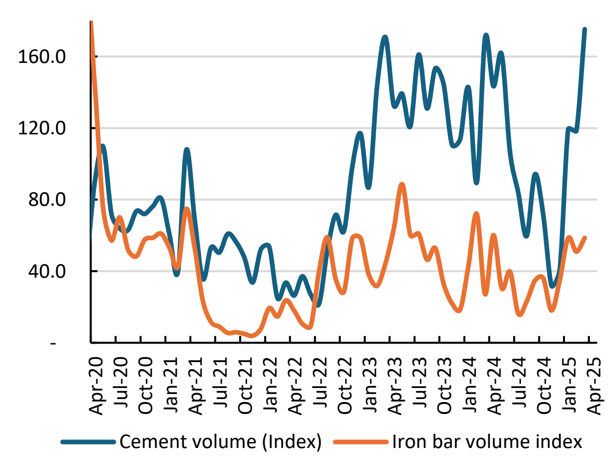
Construction exhibited uneven trends as public projects progressed, while private residential construction declined. From October 2024 to April 2025, private residential construction permits in Yangon, making up about half of total activity, fell by an average of 9 percent monthly (**Figure 16**). Factors contributing to this decline include restrictions on bank lending to the real estate sector, foreign exchange constraints, increased demand for public works, and border trade disruptions. At the same time, work on public construction projects such as roads, bridges, cement plants, and airfields increased in the six months to March, primarily due to rehabilitation efforts to repair damage caused by Typhoon Yagi. Consequently, the volume of imported construction materials has risen since October 2024 (**Figure 17**). The recent earthquake exacerbated the strain on private construction activities, causing damages to capital and inventories of construction materials. Real estate prices ticked down in the aftermath of the earthquake (Figure 18).

Figure 16: Construction permits issued in Yangon



Source: Yangon City Development Committee

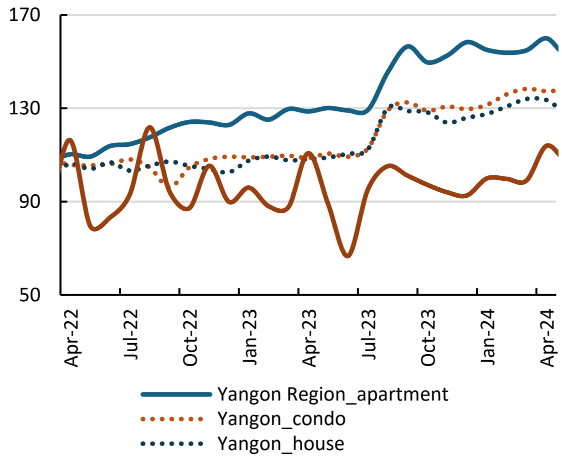
Figure 17: Construction materials import volumes from China (index, Sept 2019 = 100)



Source: China Custom department

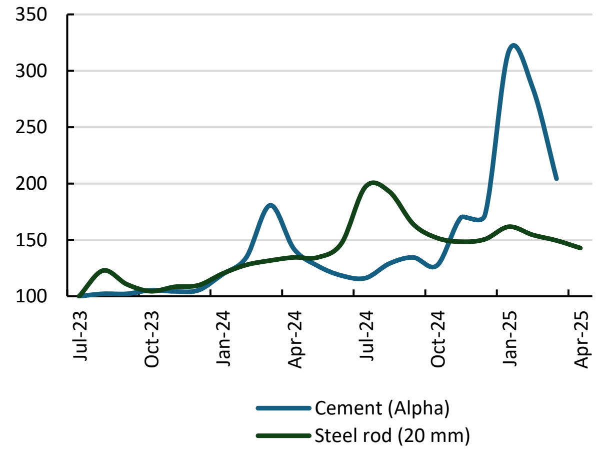
Construction material prices, including cement and steel, rose over 60 percent between October and April, reflecting the limitations on import licenses and supply chain disruptions. Despite the relaxation of import restrictions on construction materials in the aftermath of Typhoon Yagi and recent earthquake, prices remain relatively high (**Figure 19**), which could potentially delay reconstruction efforts.

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



Source: IMyanmar house

Figure 19: Price of construction materials (index, July 2023 = 100)

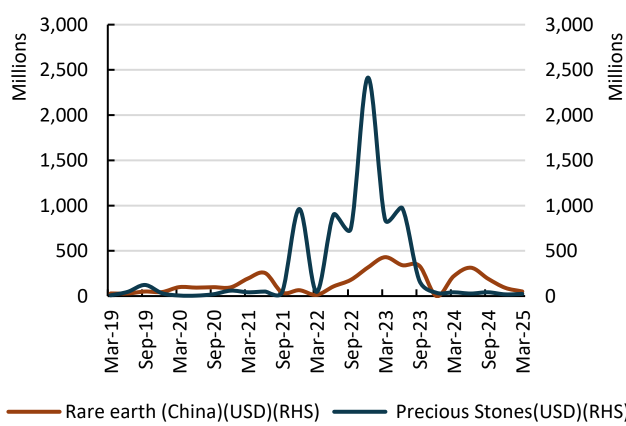


Source: Frontier Market Research (FMR)

The extractives sector faced a steady decline. From October 2024 to March 2025, total mineral exports dropped by 12 percent to US$1.9 billion compared to the same period the previous year (**Figure 20**). Key mining exports like ores, slags, precious stones, and rare earths, which make up 67 percent of total mining exports, fell by about 40 percent from October 2024 to March 2025 due to ongoing conflicts (**Figure 21**). Energy production has also faced challenges, with natural gas exports declining by 8 percent in the fiscal year ending March 2025 compared to the previous year. (**Figure 22**). This downturn is primarily due to reduced output from the Yadana, Zawtika, and Yetagon fields (**Figure 23**), the latter of which is nearing depletion after over two decades of operation. Yadana output is also expected to decline to low levels over the next decade. In response to these challenges, new exploration and development initiatives have been launched, supported by foreign investment from Thailand, including a commitment of USD 7.9 billion from PTT Exploration and Production Public Company Limited (PTTEP). The planned project is aimed at expanding production at Zawtika and exploring opportunities at Yadana.

Figure 20: Mining exports to China & Thailand (USD billion)

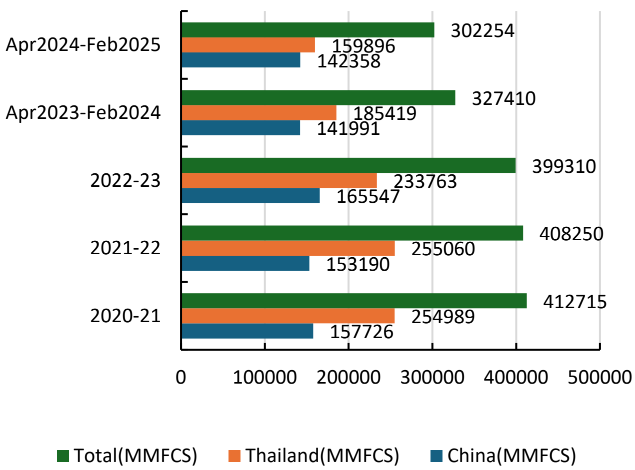
Figure 21: Mining export to China (USD million)



Source: Haver Analytics

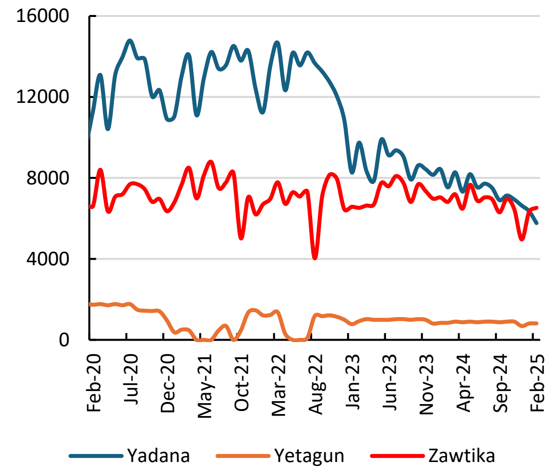
Source: China custom department

Figure 22: Natural gas export volumes (MMFCS)



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

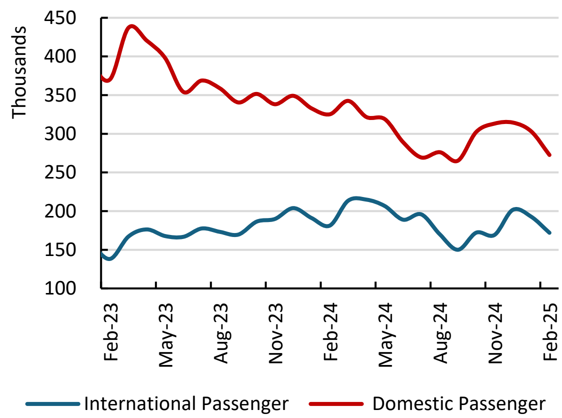
Figure 23: Natural gas exports by field (MMSCFD)



Source: Thailand Ministry of Energy

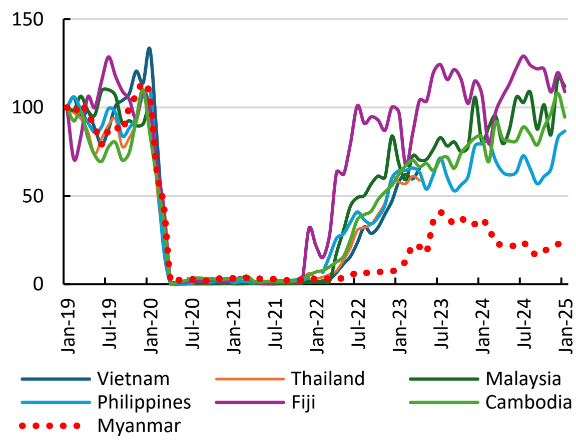
The service sector faces challenges from weak tourism, disruptions to transport and logistics, and reductions in real incomes. Despite a seasonal increase in tourist arrivals from October 2024 to March 2025, the overall number of arrivals remained 35 percent lower in FY2024/25 compared to the previous year. International arrivals posted an average increase of 11 percent, but they remain approximately 30 percent of their 2019 levels (**Figure 24**). Within the ASEAN region, Myanmar continues to record the weakest post-pandemic recovery in tourist arrivals (**Figure 25**). This is largely due to the escalation of conflict following the coup, which has resulted in a sharp decline in international visitors, leading to hotel closures and operational suspensions by international airlines. Domestic arrivals at local airports have declined since January 2025 as conflict escalated in Rakhine State and regions bordering Ayeyarwady. Conflict has disrupted tourism in areas once popular with both domestic and international visitors. Additionally, the recent earthquake has caused significant damage to religious and historical sites in the Mandalay, Sagaing, and Shan regions, further exacerbating challenges in the tourism sector and potentially impacting short to medium-term revenue prospects. Official estimates indicate that over 5,000 religious buildings and over 5,000 pagodas were damaged by the earthquake.

Figure 24: Passenger travel by air (number)



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

Figure 25: International arrivals (Jan 2019 =100)



Source: Haver analytics

The freight transportation sector showed resilience until the March 2025 earthquake (Figure 26). Before the earthquake, air freight demand was strong despite higher costs, driven by the need to avoid disruptions to land freight due to conflicts. Between October 2024 and February 2025, domestic air freight grew by 4 percent and international air freight by 25 percent year-on-year, especially in conflict-affected regions like Khamti, Kalay, and Mandalay. However, maritime transport has declined by 13 percent since October 2024. The earthquake damaged roads, railway lines, airports, and major highways between Yangon and Mandalay, including bridges. While temporary repairs have been made, transport and domestic logistics remain disrupted.

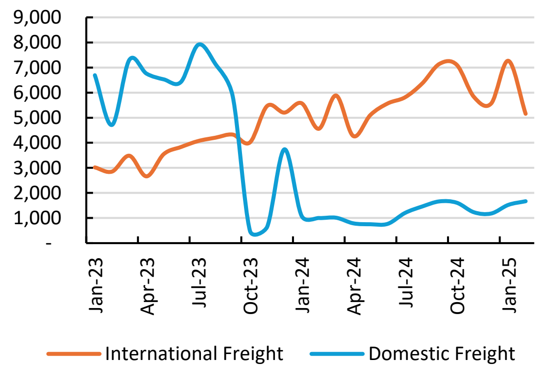
Signs of improvement in the wholesale/retail trade sector were interrupted by the earthquake. Firm operations in this sector rose to 78 percent of capacity on average in March 2025 from 67 percent in October 2024 (Figure 27), as firms recovered from the impacts of Typhoon Yagi. However, about 22 percent of firms impacted by the earthquake were from the wholesale/retail sector, with losses from workplace damage, operational disruptions, sales reduction and employee absenteeism estimated at 16 percent of annual sales. Reports indicate that about 30 major marketplaces in the affected areas recorded damage from the earthquake, leading to temporary closures[13]. Despite the earthquake's impact, the e-commerce sector recorded sales increases due to reliance on social media platforms for sales and marketing. However, internet restrictions have limited the growth of e-commerce, affecting online sales and new business development.

Myanmar's telecoms sector is constrained by restrictive policies that hinder the development of its digital economy. The growth of internet access has stagnated, with mobile connections falling from 3.9 percent in January 2024 to just 1.3 percent by December 2024, while households' broadband penetration remained low at only 8.1 percent. In conflict-affected areas, internet shutdowns increased in the six months to March 2025, with the total number of shutdowns rising by 48 percent, affecting 36 townships from 26 in the first half of FY2024/25. The telecoms sector faced further constraints after the March 28 earthquake, which resulted in a four-day internet blackout due to extensive damage to infrastructure, causing an estimated GDP

[13] World Bank Price Monitoring Survey, April 2025

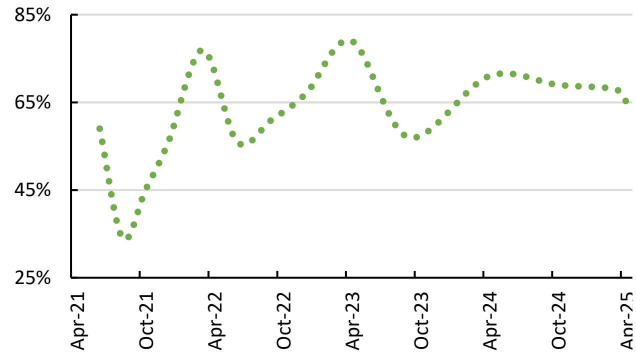
loss of USD 10.2 million. Prior to the earthquake, businesses faced substantial internet disruptions, resulting in an estimated loss of about USD 1.6 billion in 2024[14].

Figure 26: Air freight transport (tonnes)



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

Figure 27: Operations of retail and wholesale firms (as percent of capacity)



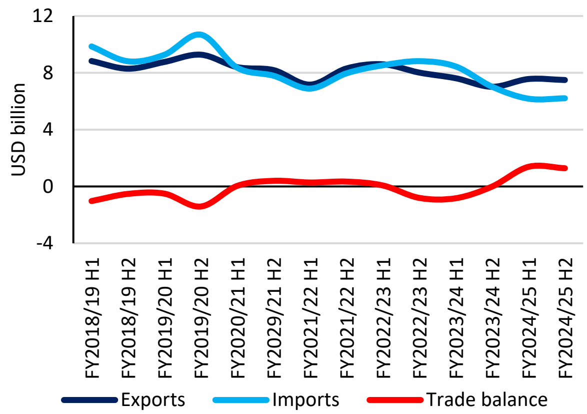
Source: Planning department, WB staff estimate

C. Tight import controls and strength in agricultural exports led to a trade surplus

The trade balance shifted into surplus, driven by robust agricultural exports and a slowdown in imports. Myanmar's trade surplus is estimated to have reached USD 1.3 billion in the second half of FY2024/25 (covering the period from October 2024 to March 2025), from a trade position that was close to balance in the same period last year. This was driven mainly by strong agricultural exports and a sharp contraction of imports (Figure 28). Total merchandise exports improved by 7 percent in the second half of FY2024/25 while merchandise imports declined by 12 percent. In volume terms, exports of laden containers through the port of Yangon increased by 3 percent while container imports fell by 7 percent (Figure 29). This continued decrease in imports reflects tight restrictions on import licenses as well as persistent disruptions at land borders due to conflict (Box 2).

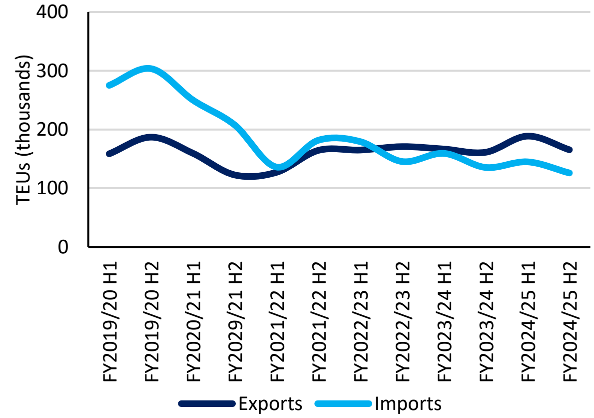
[14] World Bank staff estimates using the Internet Society Pulse NetLoss Calculator (2024). The NetLoss Calculator uses an economic framework to estimate the impact of Internet shutdowns on a range of economic, social, and other outcomes and uses econometric tools to provide an estimate of the economic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

Figure 28: Myanmar's trade trends (in value)



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

Figure 29: Exports and imports of laden containers through Yangon ports



Source: WB staff calculations using data from shipping operators

Box 2: A shift in trade pattern between Myanmar and Thailand

Ongoing conflict along Myanmar's border with China and Thailand since late 2023 has impeded land border trade. This resulted in a diversion of trade from land crossings to sea routes, with increased outbound volumes through Yangon ports. This transition has become more pronounced since mid-2024, highlighted by the introduction of container shipping routes connecting Yangon with Thailand's Kawthaung and Ranong regions.[15] As a result of this shift, Myanmar's exports to Thailand via road fell by 67 percent in 2024 compared to 2023, while exports by sea decreased by only 19 percent (**Figure 30**). The change was even more significant for imports: road imports dropped by 81 percent, whereas sea imports increased by 37 percent (Figure 31).

Figure 30: Myanmar's exports to Thailand via sea and land

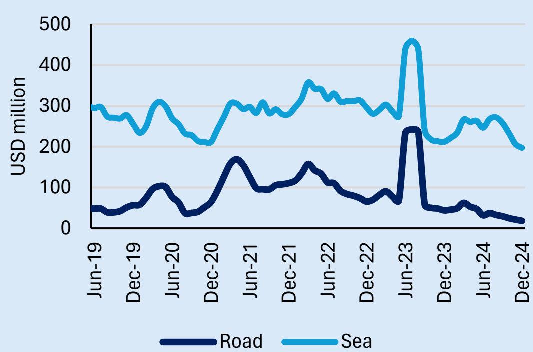
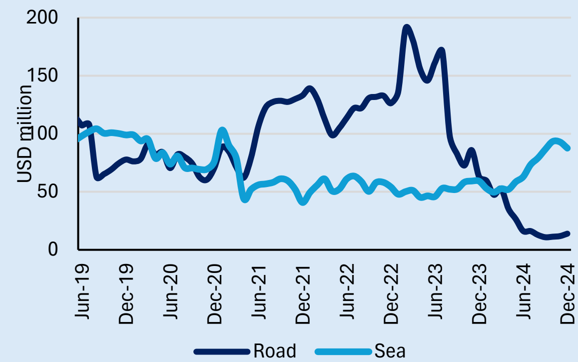


Figure 31: Myanmar's imports from Thailand via sea and land



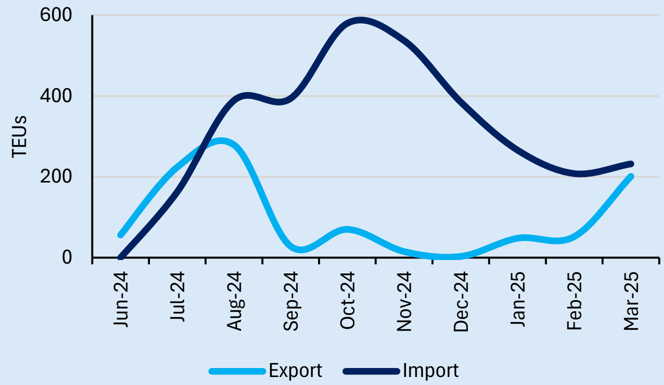
Source: Data from UNComtrade
Note: Trade through air and natural gas exports via pipelines is excluded in the charts.

According to official statistics from the Port Authority of Thailand, Ranong Port has experienced significant growth in the past year. Between October 2023 and September 2024, Ranong port recorded a

[15] https://www.gnlm.com.mm/container-vessels-boost-myanmar-thai-border-trade/

69 percent increase in ship arrivals, 111 percent rise in container traffic, and a 251 percent surge in cargo throughput, driven mainly by trade with Myanmar. Available data from shipping operators indicate that both exports and imports of laden containers via the Yangon–Ranong route began to rise again in early 2025 (Figure 32).

Figure 32: Export and import of laden containers (TEU) via Yangon to Ranong route

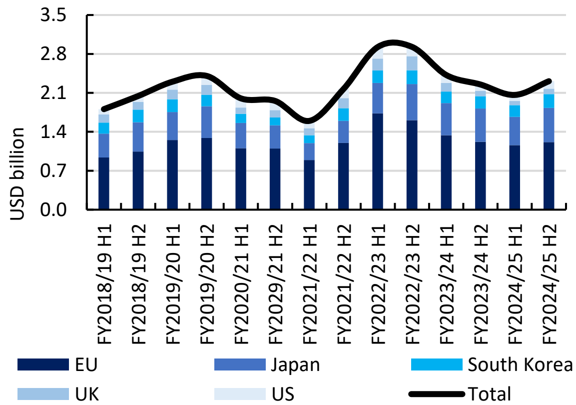


Source: Shipping operators

Disruptions to border trade have raised trade and logistics costs, contributing to sustained high inflation. Results from the World Bank firm monitoring survey indicated that 55 percent of firms faced increased operational costs in April/May. Among them, around half cited logistics expenses as a reason for the increase in operational costs. As a result, 38 percent of firms raised their prices. Despite the shift to sea trade, consumer import prices remain high, while firms continue to face constraints in accessing key imported inputs.

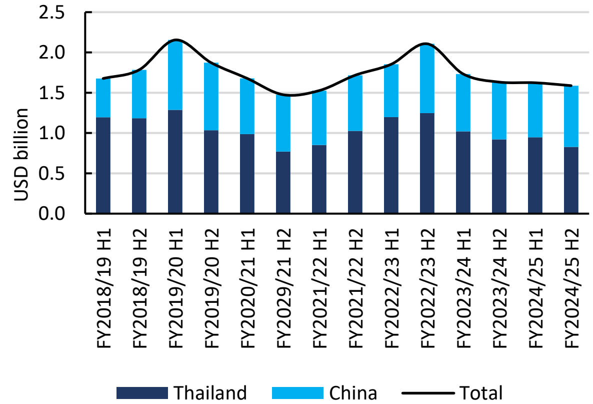
Manufacturing exports, consisting mainly of garment and natural gas exports, were relatively stable in the six months to March 2025. Garment exports to major international markets—the EU, Japan, South Korea, the UK, and the US—increased by 3 percent compared to the same period last year (Figure 33), driven by an uptick in demand from all major markets except the EU. Garment exports to the EU fell by 1 percent reflecting lower prices and the exit of major European brands from Myanmar. The overall increase in garment exports is largely due to increased demand in Asian markets, particularly Japan and South Korea. In contrast, gas exports declined by 3 percent, with an increase in exports to China more than offset by a decrease in exports to Thailand (Figure 34).

Figure 33: Garment exports to major markets



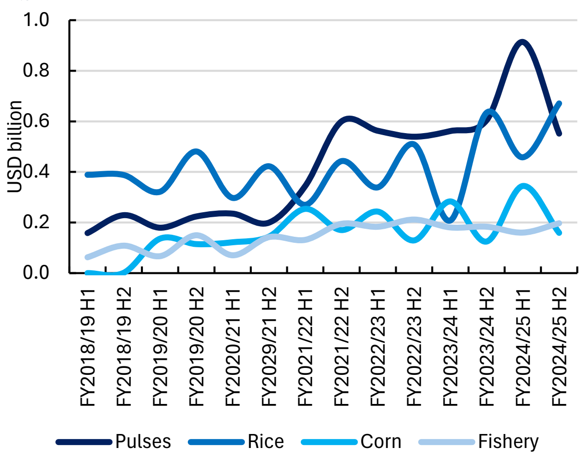
Source: WB staff calculation using data from Eurostat, Statistics of Japan, UK Office for National Statistics, US Census Bureau, and Korea Customs Service.

Figure 34: Myanmar's natural gas exports to Thailand and China



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

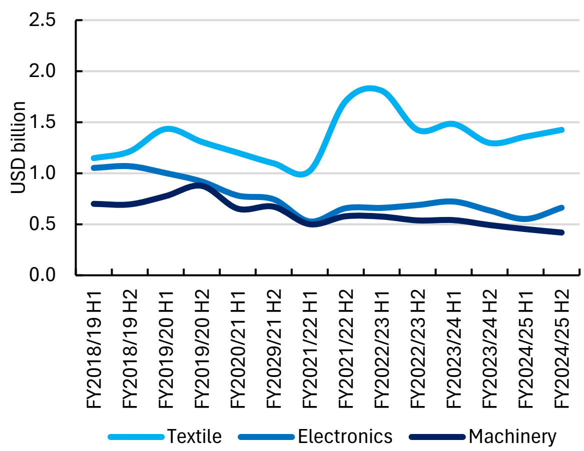
Figure 35: Selected key agricultural and fishery exports to major destinations



Source: WB staff calculation using data from Myanmar Rice Federation, China's General Administration of Customs, Thailand's Ministry of Commerce, and India's Ministry of Commerce and Industry

Note: Rice export covers Myanmar's total rice exports, whereas other exports are mirrored using imports of the major partners – pulses from India and China, corn from Thailand, and fishery from Thailand and China.

Figure 36: Selected key imports from major partners



Source: WB staff calculation 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), and electronics (HS 85) are from mirror data of China and Thailand exports to Myanmar.

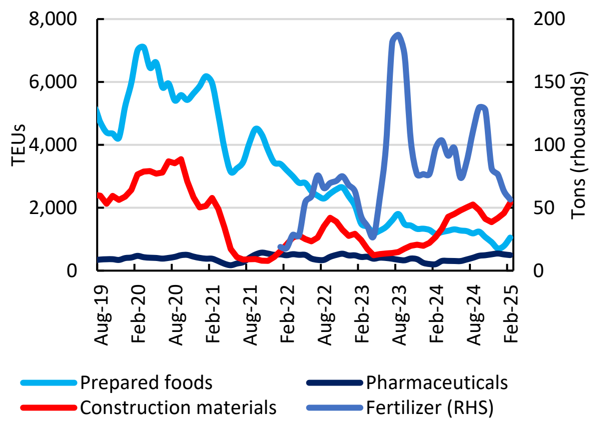
Agricultural exports increased in FY2024/25 H2, driven by growth across major agricultural products, which supported overall export performance. Despite a decline in global rice prices,[16] data from the Myanmar Rice Federation indicates that rice exports rose by 6 percent in value and 27 percent in volume, reflecting continued strong external demand (Figure 35). Meanwhile, Myanmar's pulse exports declined in

[16] https://www.fao.org/markets-and-trade/commodities/rice/fao-rice-price-update/en/

FY2024/25 H2 compared to the same period last year, influenced by a 13 percent decrease in India's pulse imports. However, export of pulses to China increased by about 9 percent in FY2024/25 H2 reflecting increased demand. Additionally, corn exports to Thailand increased by 27 percent, and fishery exports to both China and Thailand rose by 7 percent.

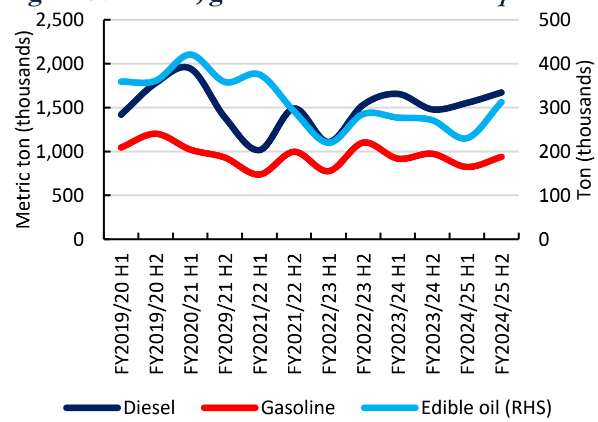
Due to tighter enforcement of import license regulations, total imports fell further in FY2024/25 H2 compared to last year (Figure 36). Imports of non-high priority products under the Ministry of Commerce's three-tier system dropped significantly.[17] Prepared food imports fell by 40 percent in volume due to tighter inspections and low prioritization for import licenses (Figure 37). Machinery imports, representing private sector capital goods, decreased by 15 percent in value. Fertilizer imports, a high-priority agricultural input, fell by 37 percent in volume, raising concerns about potential shortages for the upcoming growing season.

Figure 37: Selected import trends



Source: WB staff calculation 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), and electronics (HS 85) are from mirror data of China and Thailand exports to Myanmar.

Figure 38: Diesel, gasoline and edible oil imports



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

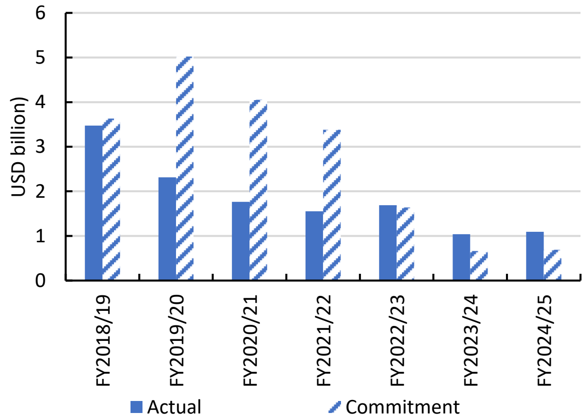
By contrast, imports of several essential goods in the high priority group increased. Fuel imports rose by 5 percent, with diesel up 13 percent but gasoline down 4 percent (Figure 38). Edible oil imports went up 15 percent as import restrictions were eased to prevent shortages. Pharmaceutical imports surged 46 percent, highlighting health needs. Construction material imports, a medium priority, increased 51 percent, driven mainly by infrastructure spending needs. Textile imports for the garment industry rose 10 percent in value, matching increased garment exports.

[17] The Ministry of Commerce of Myanmar has established three priority categories for imports: the first priority includes essential goods such as pharmaceuticals, fuel, fertilizers, and industrial raw materials; the second priority covers infrastructure and industrial materials; and the third priority includes consumer and commercial goods. This policy is intended to stabilize domestic supply and conserve foreign currency but has also resulted in reduced imports and shortages of non-priority goods, which are not easily substituted by domestic production.

D. Foreign direct investment commitments improved in the second half of FY2024/25

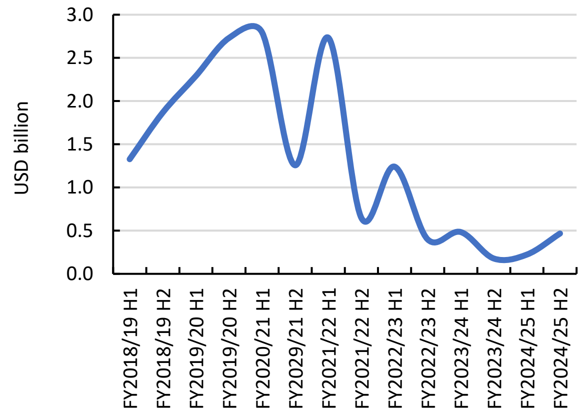
Both actual FDI inflows and commitments remained very weak in FY2024/25 compared to previous years (Figure 39). Foreign direct investment (FDI) commitments totaled USD 467 million in the six months to March 2025 (Figure 40), driven primarily by an injection of USD 357 million from Singapore to an existing project in the oil and gas sector which was approved in December 2024.

Figure 39: FDI – actual and commitments



Source: Directorate of Investment and Company Administration and Quarterly Financial Statistics Bulletin 2024 Vol. II
Note: Actual FDI for FY2024/25 is annualized based on the first quarter of FY2024/25.

Figure 40: FDI commitment trends

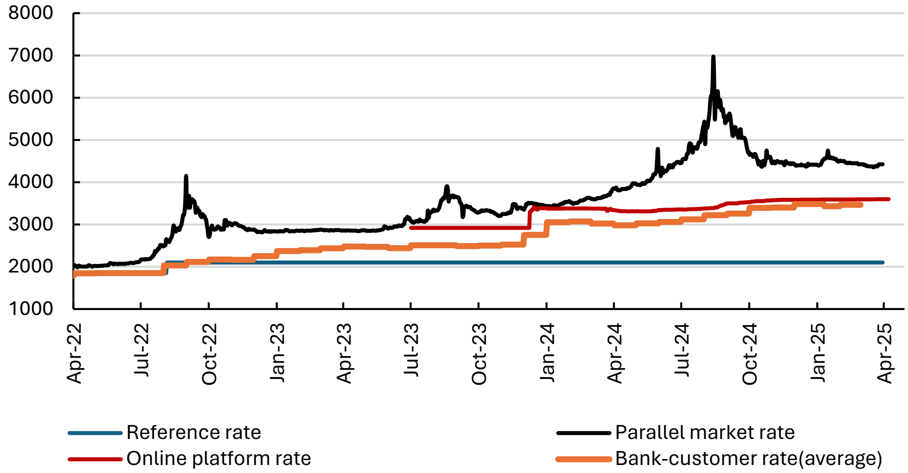


Source: Directorate of Investment and Company Administration

E. The kyat has remained broadly stable, largely due to restrictions on foreign currency transactions

After substantial depreciation from January to September 2024, the exchange rate has stabilized at about 4,400 kyat per USD since October (Figure 41). This stability is partly attributable to developments in the current account, with the trade surplus increasing to USD 1.3 billion due to robust agricultural exports and stringent import controls. The relative stability of the kyat against the USD can be further explained by continuous interventions by the CBM through forex sales, and the enforcement of restrictions on foreign currency transactions – including the export first policy, the prohibition of parallel market trading, and efforts to reduce reliance on USD payments by promoting the use of the Thai Baht and Chinese Yuan. In mid-2024, the Ministry of Commerce (MOC) implemented the "Export First Policy (**Box 3**)," requiring importers to provide proof of export earnings to obtain an import license. The policy has reduced demand for foreign exchange and made it more difficult for domestically oriented businesses without export earnings to obtain imports. The authorities have also intensified efforts to crackdown on unlicensed money changers and transactions at non-authorized exchange rates by carrying out regular spot checks, arrests, and detention of online foreign currency traders. As of January 2025, the authorities were prosecuting 26 individuals for illegal currency transactions.

Figure 41: Kyat per US dollar exchange rates



Source: CBM, Exchange market and World Bank staff

Box 3: Myanmar's export first policy

In 2024, the Ministry of Commerce implemented the "export first policy," requiring businesses to provide proof of export earnings as a prerequisite for obtaining an import license. The intent is to decrease the demand for foreign currencies, reduce the trade deficit, and stabilize the kyat. The export first policy has been imposed in Myanmar previously: prior to 2011, Myanmar's foreign trade was largely balanced due to the enforcement of this policy, but (as is the case currently) it also coincided with a segmented foreign exchange market involving multiple exchange rates.

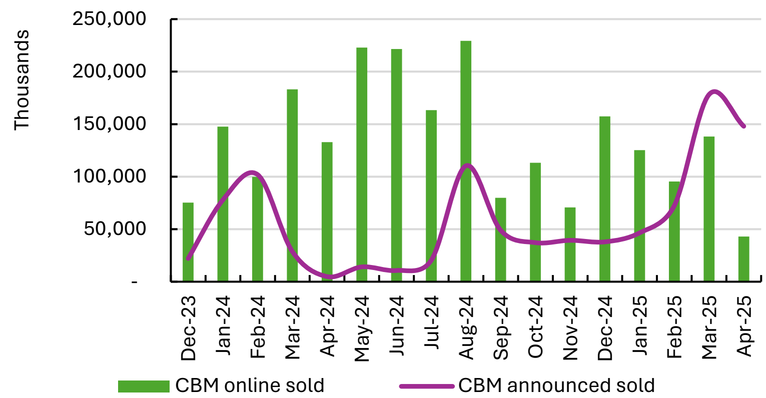
Firms also report that the "export first policy" has led to higher business operation costs and shortages of imported inputs and finished goods. Domestically oriented businesses without export earnings struggle to obtain import licenses due to their inability to meet the policy's requirements. Many importers have needed to collaborate with exporters in order to meet their import needs. These partnerships often involve complex arrangements, such as purchasing export earnings or forming alliances with export-focused businesses, with some exporters demanding commissions or fees for collaborating with importers.

Overall the 'export first policy' has complicated trade for importers, leading to additional operational hurdles, increased costs, and inefficiencies that disrupt the flow of goods into the country. As higher costs associated with imports are passed on to consumers, inflation has risen, evidenced by persistently high levels of prices over the past year, imposing costs on both businesses and consumers.

Source: World Bank Firm Monitoring Surveys – Key Informant Interviews

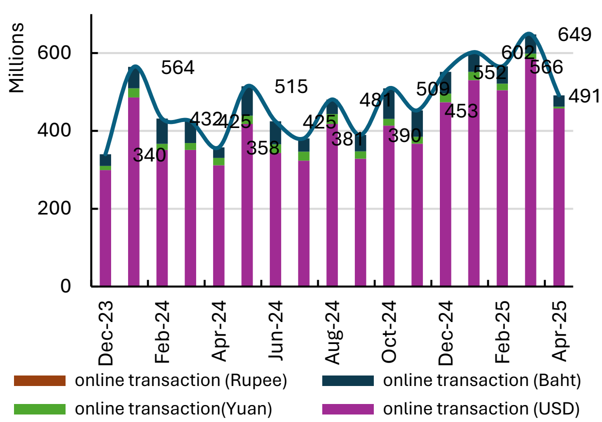
The Central Bank of Myanmar (CBM) has reduced its interventions. From November 2024 to April 2025, CBM sold USD 629 million, covering 21 percent of foreign exchange demand on the online trading platforms. However, compared to the previous six months, forex sales by the CBM decreased by 39 percent, mainly due to a general decline in forex demand resulting from reduced imports following strict import controls. Since March 2025, the actual volume of foreign exchange sold by CBM on the online platform has been consistently lower by 30 to 80 percent than the committed announced selling amount (**Figure 42**). Despite a drop in CBM's forex sales, transactions on the online platform grew by 23 percent (**Figure 43**) due to increased transactions both among banks and between customers and banks. Bank-to-customer forex sales and interbank transactions increased by 24 and 9 percent, respectively during the six months to April reflecting the boost to exports receipts but also a relaxation of foreign exchange surrender requirements for garments exporters (**Figure 44**).

Figure 42: CBM interventions



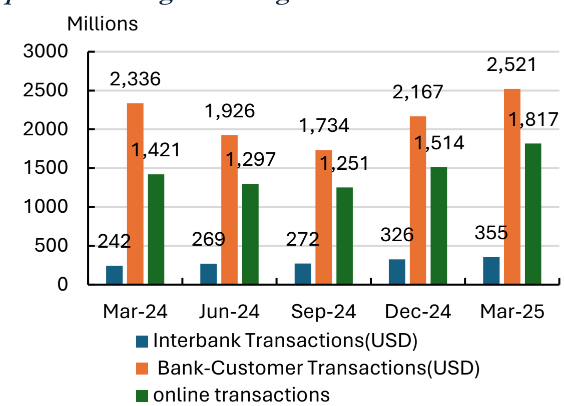
Source: CBM.

Figure 43: Foreign exchange online platform trade



Source: The CBM

Figure 44: Interbank, bank-customer and online platform foreign exchange transactions

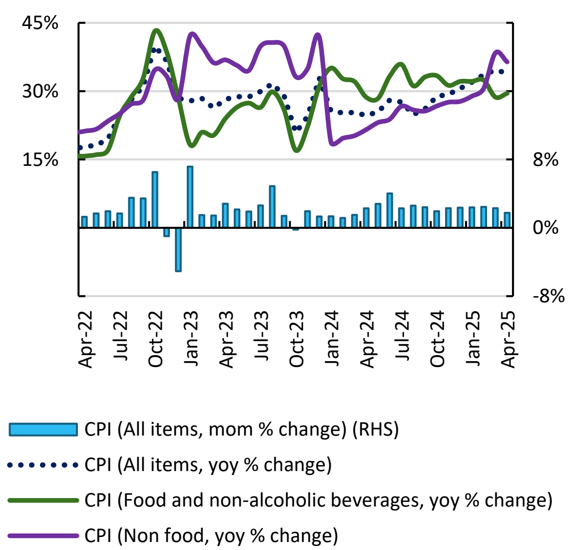


Source: The CBM

F. Inflation remained high due to ongoing supply chain issues and policy restrictions

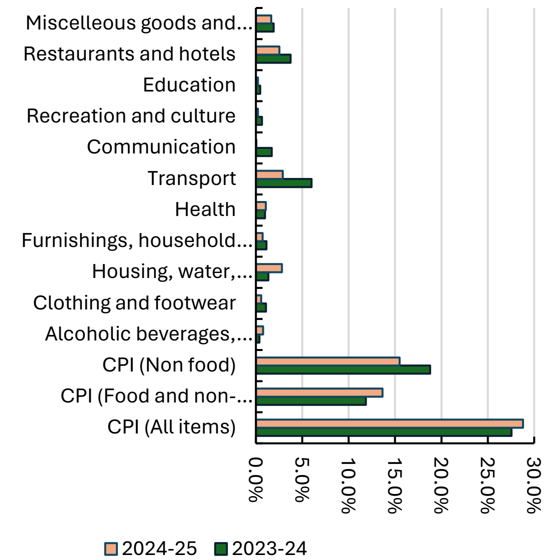
Headline inflation remains elevated. The World Bank's April price monitoring survey **(Box 4)** indicates that headline inflation increased to 34 percent over the year to April 2025 from 24.7 percent in April 2024 and 28.1 percent in June 2024 (**Figure 45**). Food inflation remained high at 29.5 percent (compared to 28.7 percent in April last year) as increased conflict, natural hazards and policy restrictions disrupted supply chains and caused commodity shortages. The nonfood inflation rate rose significantly from 21.6 percent in April 2024 to 36.4 percent, primarily due to the sharp increase in transportation costs (**Figure 46**). This increase in transport costs was driven by higher energy tariffs and disruptions to major transport corridors, which prompted a shift from land to sea transport, thereby raising sea freight charges.

Figure 45: CPI inflation



Source: CSO and World Bank Staff estimate

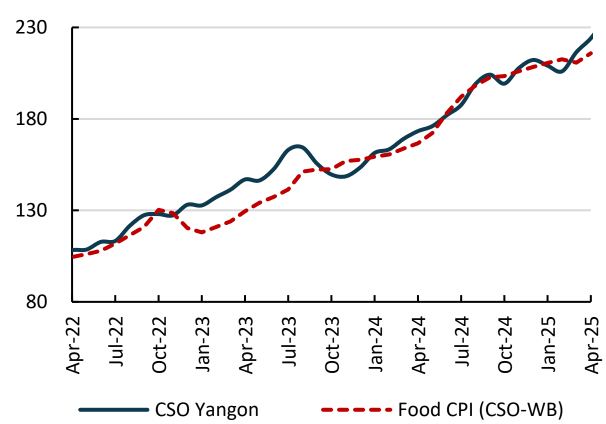
Figure 46: Contribution to CPI inflation (annual average)



Source: CSO and World Bank Staffs' estimate

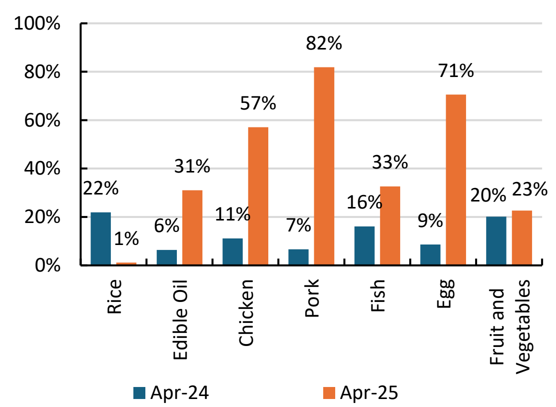
Sustained high food inflation has been driven by price increases in essential staples such as edible oil, chicken, pork, eggs, fruits, and vegetables. CSO Yangon prices and World Bank price surveys both indicate food prices have been increasing rapidly since mid-2024, which was the date of the last official CPI estimate (**Figure 47**). Most major staple products, excluding rice, have seen a year-on-year price increase of between 20 to 80 percent in April 2025. Despite regulatory price enforcement, edible oil inflation has accelerated from 6 percent in April 2024 to 31 percent in April 2025, primarily due to domestic production shortfalls and import constraints. Fruit and vegetable prices have increased by 22.6 percent (**Figure 48**), slightly up from 20.1 percent last year, mainly due to supply chain issues. In contrast, rice prices have only increased by 1.5 percent in April 2025, reflecting stable domestic supply, strict regulatory price enforcement, and reduced demand.

Figure 47: Food price indices (Mar 2022 = 100)



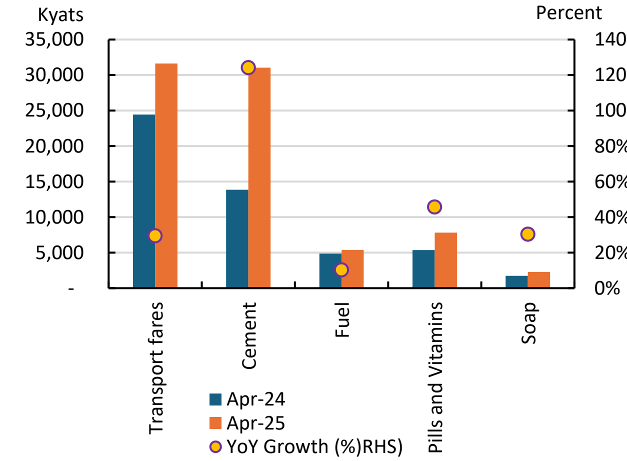
Source: CSO, WFP and World Bank staffs' estimate

Figure 48: Average price changes of key staples – April 2024 vs April 2025 (yoy percent)



Source: World Bank Staff

Figure 49: Average prices of key nonfood products – April 2024 vs April 2025



Source: World Bank Staff

Non-food inflation, accounting for 58 percent of the total consumption basket, has been primarily driven by rising costs in transport, healthcare, restaurants, hotels, and energy. In April 2025, the costs of electricity, water, and gas, which make up 22 percent of the non-food Consumer Price Index (CPI) basket and 12 percent of the overall CPI basket, increased sharply by 32 percent year-on-year due to a substantial hike in tariffs. Authorities introduced new electricity tariff lines, raising them by approximately 100 percent for high-volume users to improve the financial sustainability of the energy sector and alleviate the fiscal burden on the budget. Among key nonfood items, cement, health and transportation costs increased significantly in April (**Figure 49**), primarily due to the disruptive effects of an earthquake and ongoing supply shortages, driven by strict import license restrictions, transport infrastructure issues, and rising logistics costs from tolls, checkpoint fees, informal payments, and the impacts of conflict. Domestic fuel prices rose more moderately, by 9.9 percent year-on-year in April.

Box 4: High Frequency Price Surveys for an alternative Consumer Price Index (CPI)

Since 2021, official statistics from several public agencies[18] have been delayed, at times by more than 12 months. At the time of writing the latest available official CPI data is from June 2024, whereas previously CPI data was typically available within four months.

Given the importance of reliable and timely price data, the World Bank and the Asian Development Bank (ADB) launched high-frequency price surveys in early 2025 to monitor inflation trends in real time. Price monitoring surveys are conducted monthly in 10 of the 15 regions, covering 30 townships and the major cities of Yangon, Mandalay, and Naypyitaw. The selection of townships and outlets was based on their socio-economic and demographic characteristics, ensuring representativeness and comparability with historical data. Price data is collected for 141 essential items from the CSO's list of 271 items. These include 63 food items and 78 non-food items (Table 1). To date, price data has been collected for April and May 2025, including in areas affected by the recent earthquake.

[18] Central Bank of Myanmar (CBM), Central Statistics Organization (CSO), Ministry of Planning and Finance (MOPF), and Ministry of Commerce (MOC)

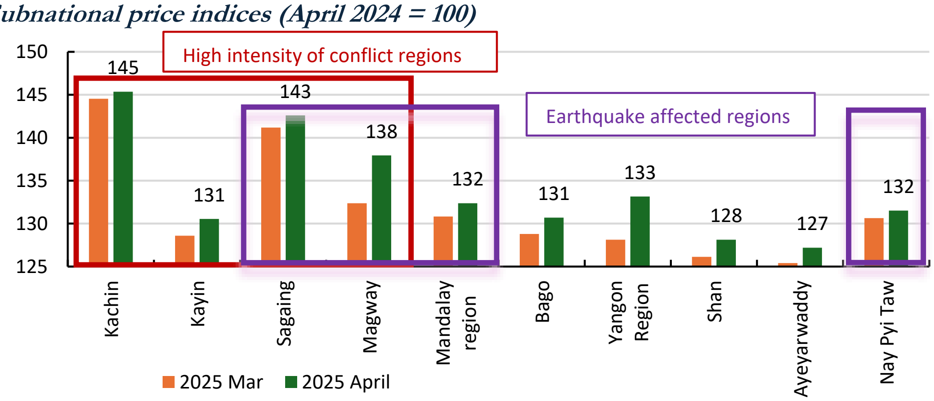
National and subnational headline, food and nonfood inflation are calculated using the UN's Classification of Individual Consumption According to Purpose (COICOP). For consistency with the CSO's price index and to integrate CSO's series with new data, the price data for each item is weighted according to the CSO's 2017 CPI weights, which are based on the 2017 Household Income and Expenditure Survey (HIES). HIES represents the most recent consumption pattern of households and is therefore used as the base year for prices and quantities of food and non-food items. CPI weights indicate the relative significance of each item in the basket by reflecting their share of total household expenditure. Weights by item groups are updated based on the 2025 price data of 141 selected items across various cities and regions while inflation was computed using Laspeyres' Price Index. Utilizing CSO's data available up to June 2024, and recalculating the weights for the 141 items based on CSO's 2017 base year weights, year-on-year inflation was determined as the difference between the newly reported April CPI 2025 data and the April 2024 CPI data. This analysis was conducted across the 12 COICOP categories and spanned 10 states and regions, and 3 cities.

Table 1: Item Selection and estimation of weights based on the CSO's 2017 weights

Code No.	Items Group	# of Items (WB/ADB)	# of Items (CSO)	CSO weights 2017=100	WB/ADB 2025 adjusted weights
		141 items	271 items	271 items	141 items
01	Food And Non-Alcoholic Beverages	63	102	42.80	41.86
	Non-Food Items	78	169	57.20	58.13
02	Alcoholic Beverages, Tobacco	6	18	2.08	2.07
03	Clothing And Footwear	12	21	3.11	3.03
04	Housing, Water, Electricity, Gas and Other Fuels	8	17	12.75	11.59
05	Furnishings, Household Equipment and Routine Household Maintenance	13	34	2.72	3.05
06	Health	4	10	5.52	8.05
07	Transport	10	18	10.61	10.61
08	Communication	3	7	3.57	3.83
09	Recreation And Culture	4	6	1.19	1.06
10	Education	2	3	1.57	1.58
11	Restaurants And Hotels	8	17	9.75	8.98
12	Miscellaneous Goods and Services	8	18	4.34	4.28
	Total	**141**	**271**		

Source: CSO and re -calculated by WB and ADB staff

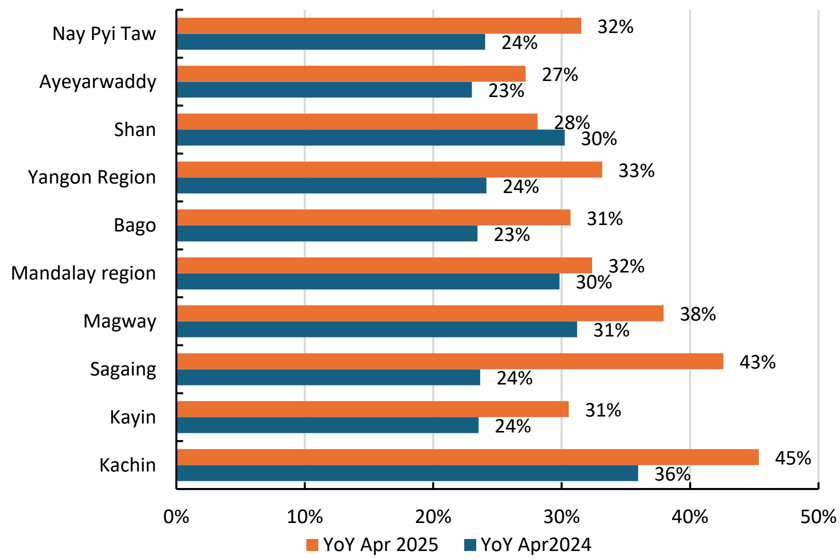
Figure 50: Subnational price indices (April 2024 = 100)



Source: World Bank staff estimate

Regions affected by conflict and earthquakes have experienced significant price increases. Kachin, which is heavily impacted by conflict, and Sagaing and Magway, both facing severe disruptions due to conflict and earthquakes, have seen notable surges in price levels (**Figure 50**). The prices in these areas rose by 38 to 45 percent over the year to April 2025 (**Figure 51**). The observed price pressures can largely be attributed to road blockages, disruptions in transport infrastructure, and rising logistics costs stemming from the ongoing conflict and earthquake impacts.

Figure 51: Inflation by state and region



Source: World Bank staff

G. Poverty remains elevated and the earthquake will have triggered a further rise

After declining between 2015 and 2020, poverty subsequently increased sharply and remained at high levels prior to the earthquake. As reviewed in Sinha Roy, et al (2025), poverty rose from 24.8 percent in 2017 to 31.5 percent in 2023 and is estimated to have remained elevated at 31.0 percent in 2024 (**Figure 52a**). This left about 17 million people (**Figure 52b**) below the national poverty line in 2024. The depth and severity of poverty, which measure how far the consumption of the poorest households is from the poverty line, are projected to be 8 percent and 3 percent respectively in 2024-25 (the survey was conducted between December 2024 to March 2025), indicating a general stagnation in poverty levels prior to the earthquake.

The recent earthquake will have worsened poverty significantly. Household consumption is estimated to have dropped by 3.9 percent after the earthquake. The impact varied due to differences in building and infrastructure quality as well as household capacity to handle losses. Those without savings, informal borrowing options, or liquid assets needed to cut back their consumption more significantly.

Figure 52a: Poverty rate (%)

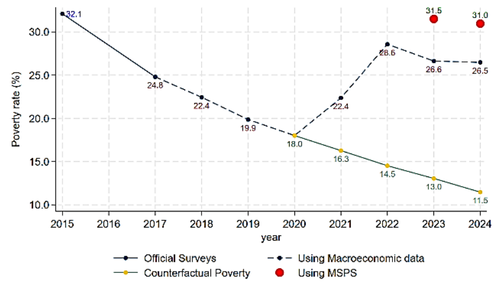
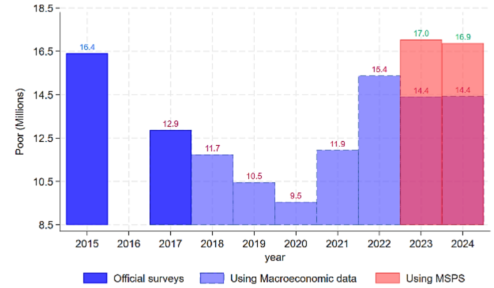


Figure 52b: Number of poor people (in millions)



Notes: "*Official surveys*" refer to poverty rates from official household surveys conducted in 2015 and 2017. *"Using Macroeconomic Data"* show poverty rates for years between 2017 and 2024. The *"Using MSPS"* shows poverty rates for 2023 and 2024 relying on MSPS – se Appendix 1 for additional details. Real GDP per capita growth and population data are available from the Macro Poverty Outlook datasheets, accessible here: https://www.worldbank.org/en/publication/macro-poverty-outlook/mpo_eap

Myanmar's urban areas experienced significant increases in poverty between 2017 and 2023, but there was a slight moderation in 2024. Urban poverty decreased to 21.3 percent in 2024 from 23.4 percent in the previous year (**Figure 53a**), reflecting better employment opportunities and higher wages for workers with college education (**Box 5**). Conversely, rural poverty remained concentrated in villages and has become more entrenched, stabilizing at relatively high rates of 34.9 percent in 2024, primarily due to impacts on consumption from informal employment and weak earnings. The severity of rural poverty is approximately 1.6 times higher than in 2017, while the severity of urban poverty has nearly tripled (**Figures 53b and 53c**).

While wealthier urban households saw a stronger rebound in consumption in 2024, consumption for all household groups remains below its 2017 level.[19]. The richest and poorest urban households faced the sharpest declines from 2017 to 2023. By 2024, wealthier urban households recovered partially, but poorer households showed minimal improvement. In rural areas, consumption gains remained modest due to the disruptive impact of conflict, but higher-income rural households experienced slightly stronger growth. Similarly, individuals with higher education experienced slightly stronger consumption growth from 2023 to 2024, yet their consumption levels remain well below those seen in 2017 (**Figure 53c**). Poverty rates among college-educated individuals also remain significantly higher in 2024 than in 2017. These uneven recovery patterns have led to increased inequality. The Gini coefficient rose from 2023 to 2024, reaching 28.5 nationally, 25.4 in rural areas, and 31.4 in urban areas, nearing 2017 urban inequality levels.

[19] World Bank (2025, Forthcoming): Triple Burden: Poverty & Labor Markets, Natural Disaster, and Learning Losses in Myanmar

Figure 53a: Rural vs urban poverty (%)

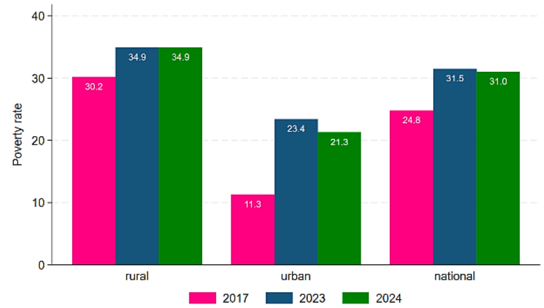
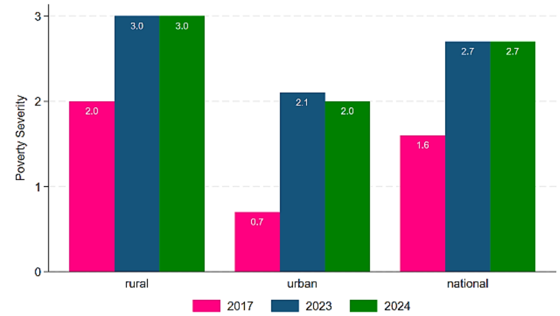
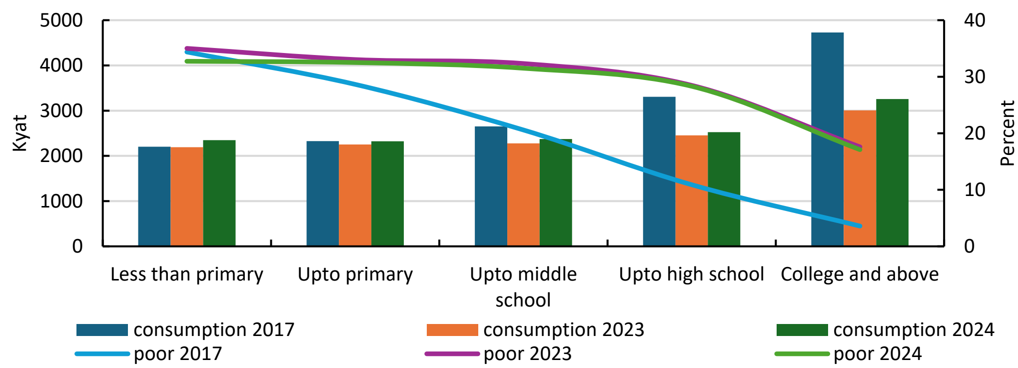


Figure 53b: Severity of poverty – rural vs urban



Notes: Due to the unavailability of updated household consumption surveys in Myanmar, updated measure of poverty has to rely on estimates of consumption. This process can be summarized as follows, with more details available in appendix 1 of Sinha Roy, et al (2024): for each household in the 2023 and 2024 MSPS surveys, we impute 100 consumption values using Stata's Multiple Imputation (MI) command. Each repetition reflects 100 draws of model parameters from their posterior distribution and a draw from a random normal error term. Each consumption value, corresponding to each repetition, yields 100 estimates of poverty, poverty gap, and squared poverty gap in the MSPS. Individual sampling weights are used in calculations. The figures reported in the above figure are based on a simple average across 100 repetitions. Spatially deflated poverty lines for 2023, reflecting changes in relative price differences across states and regions due to ongoing conflict conditions, have been used in the above calculations.

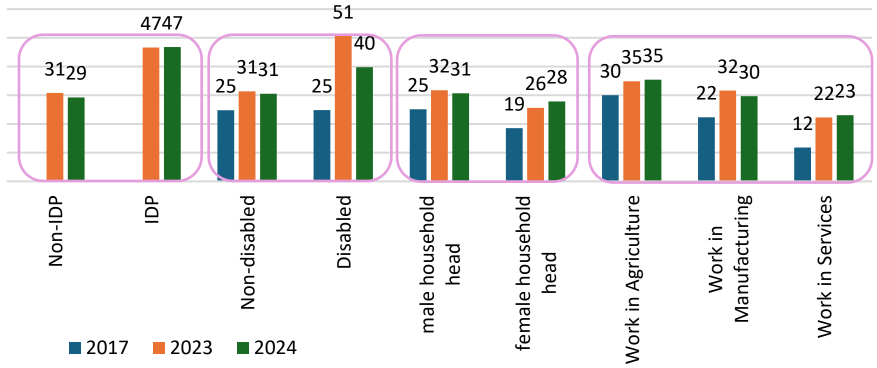
Figure 53c: Mean daily consumption expenditure (kyat) and poverty rate (%) by education attainment



Notes: Consumption values are in real terms. Estimates are weighted by household-level sampling weights.

Poverty remains high among Myanmar's most vulnerable groups—internally displaced persons (IDPs), persons with disabilities, casual workers in service industries, and female-headed households. In 2024, poverty among IDPs was 47 percent, significantly higher than 29.2 percent among non-IDPs, with the gap unchanged since 2023 (**Figure 54**). Poverty for people with disabilities increased from 24.8 percent in 2017 to 51.1 percent in 2023, then decreased to 39.8 percent in 2024, still above the 30.5 percent for non-disabled individuals. Agricultural worker poverty rose from 30.0 percent in 2017 to 35.4 percent in 2024, with no change since 2023. Service sector worker poverty nearly doubled from 11.8 to 23 percent. Female-headed households saw a 9.3 percentage point increase in poverty between 2017-2023, compared to 5 points for male-headed households, resulting in greater poverty among female-headed households by 2024.

Figure 54: Average poverty rate (%) by household characteristics



Notes: Estimates are weighted using household-level sampling weights. Bars reflect the average household poverty rate for groups defined by individual characteristics—such as IDP status, disability, sex of the household head, and sector of employment (agriculture, manufacturing, services).

Prior to the earthquake, poverty increased across several states and regions of Myanmar, spanning from the northwest (Sagaing) through the northeast (Shan, Kachin) to the southeast (Kayah, Kayin, Tanintharyi). Ayeyarwady was the sole state or region that has experienced a significant reduction in poverty since 2017. In 2017, six states and regions—Chin, Rakhine, Kachin, Magway, Kayah, and Sagaing—had poverty rates exceeding 30 percent (**Figure 55**). By 2024, this figure had expanded to ten, with Kayin, Tanintharyi, Shan, and Mandalay added to the list. Certain areas experienced significant increases: for instance, poverty rates in Tanintharyi and Mandalay more than doubled from below 15 percent in 2017. Between 2023 and 2024, poverty rose slightly in Kayah, Rakhine, Shan, Magway, and Ayeyarwady, and decreased in other states and regions.

Figure 55: Changes in poverty headcount between 2017 and 2024

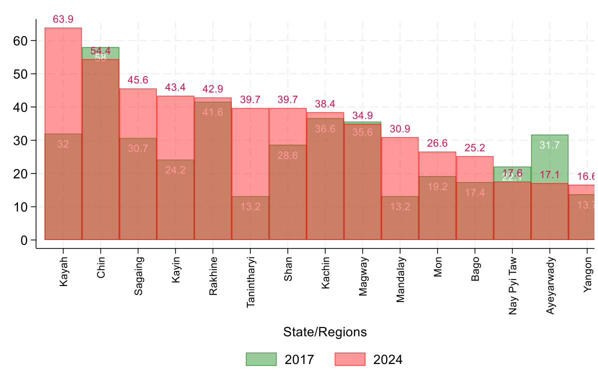
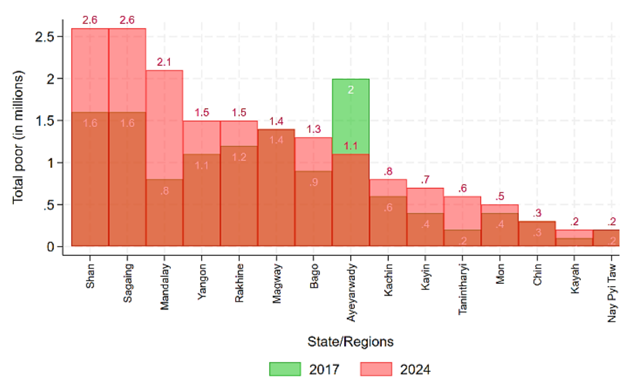
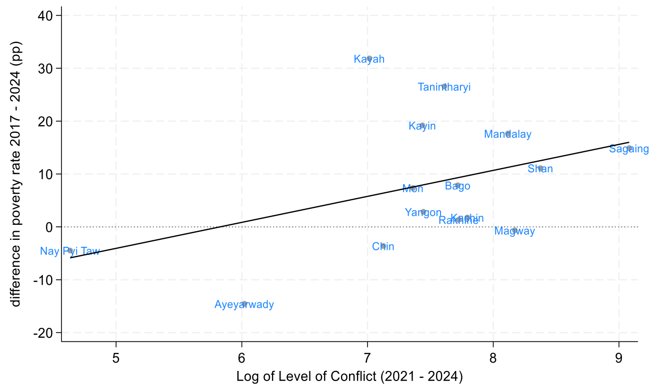


Figure 56: Changes in poor population (in millions) between 2017 and 2024



Poverty trends at the state and region level show strong correlation with exposure to conflict, suggesting that the escalation of conflict since the coup has pushed more households into poverty. The two states and regions (Ayeyarwady and Naypyitaw) experiencing the least conflict since 2017 also exhibit overall declines in poverty between 2017 and 2024 (**Figure 56**). A systematic comparison of conflict intensity, proxied by the number of conflict events recorded between 2021 and 2024, and changes in poverty rates since 2017 reveals a positive association: regions and states with higher levels of conflict tend to exhibit greater increases in poverty **(Figure 57**).

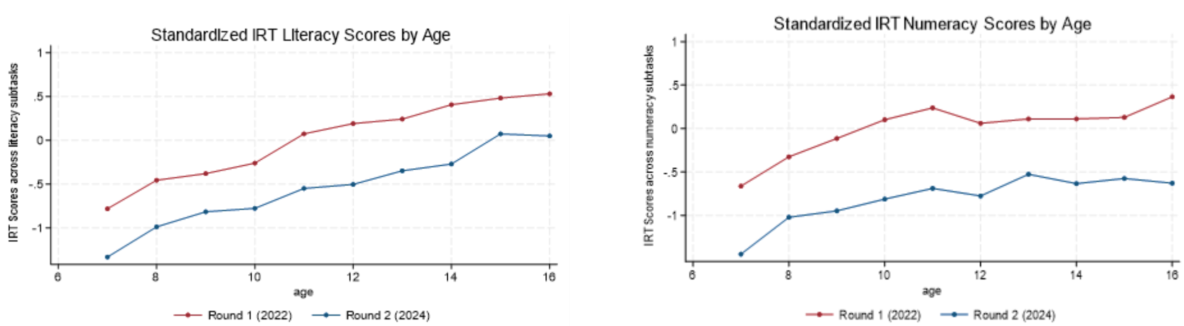
Figure 57: Poverty change (2017-2024) versus exposure to conflict (2021-2024)



Notes: Number of conflict events came from ACLED (Armed Conflict Location and Event Data), counting the total number of Battles, Explosions/Remote Violence, and Violence against civilians from January 2021 to December 2024 (Raleigh, 2023).

Amidst high poverty levels, learning proficiency in literacy and numeracy has decreased across all ages between 2022 and 2024 (Figure 58). Enrollment has increased across all age groups, rising by around 10 percentage points in 2024 compared to 2022, although enrollment rates of younger children have not yet recovered to pre-pandemic levels. But children enrolled in school in 2024 reported lower scores than those who had dropped out in 2022—especially in math, indicating that re-enrollment hasn't closed learning gaps. The MSPS 2024/25 results reveal that those out of school in 2024 had the lowest scores, even after factoring in age, gender, parental education, and wealth. Mathematics proficiency declined significantly across age groups, with smaller declines in Myanmar language proficiency among younger students. Girls outperformed boys in both literacy and numeracy skills, and children from educated households performed better. On the whole, parental education, school attendance, and the child's gender are the most significant predictors of learning outcomes. The observed levels of learning losses could significantly impact the lifetime earnings of future generations.

Figure 58: Average proficiency rates in literacy and numeracy by age, 2022 and 2024



Box 5: Myanmar's Labor Market Trends – insights from the MSPS

The 2024-25 MSPS indicated that employment rose to 60.9 percent of the working-age population in 2024, an increase from 56.8 percent in 2023. While 2.1 million additional individuals were employed in 2024, only approximately 300,000 of these positions were salaried, highlighting the increasing prevalence of casual or self-employment. Women and formal sector workers faced the most strain. Wage employment fell from 26.3 in 2023 to 25.3 percent in 2024, remaining well below 2017 levels, at 38.2 percent of total employment. Additionally, informality among female workers has increased as the share of women in salaried jobs fell from 35 percent in 2017 to just 23 percent in 2024, below 27 percent for men in 2024.

Rising casual employment and declining formal job opportunities show a shift of labor from industrial and services sectors to agriculture, especially among workers with higher education (Table 2). The share of individuals with college education employed in agriculture increased from 18 percent in 2023 to 23.2 percent in 2024 while the share employed in services dropped from 70.3 percent to 64.6 percent. Conversely, for those with primary education or less, agricultural employment fell sharply between 2017 and 2023 before stabilizing in 2024 due to rising input costs. Overall, better-educated workers have regained employment at their pre-coup level, which helps to explain a boost in consumption levels and a drop in urban poverty (Section E). At the same time the less educated have been left behind, with constrained consumption levels and high poverty.

Table **2**: Sectoral employment shares by education

	Agriculture			Industry			Services		
	2017	**2023**	**2024**	**2017**	**2023**	**2024**	**2017**	**2023**	**2024**
up to primary	64.6	57.7	59.2	14	17.6	14.1	21.3	24.7	26.7
up to middle	43.1	47.6	46.0	23.3	22.9	18.7	33.6	29.6	35.3
up to high	24.4	32.2	34.1	21.7	22.0	16.4	53.9	45.8	49.4
college and above	7.7	18.1	23.2	14.4	11.4	12.2	77.9	70.5	64.6

Notes: Shares are a percentage of the employed population

H. The financial sector faces multiple challenges.

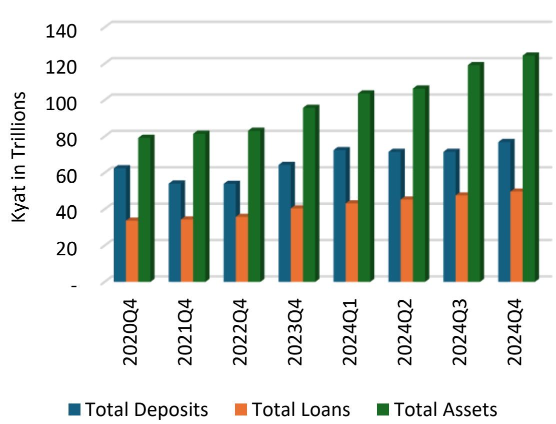
Macroeconomic volatility, conflict, international financial restrictions, and natural disasters have severely strained Myanmar's financial sector. Myanmar continues to be designated as a high-risk jurisdiction by the Financial Action Task Force (FATF) due to significant deficiencies in its anti-money laundering and countering the financing of terrorism (AML/CFT) efforts. Additionally, the sector is burdened with high nonperforming loans (NPLs), foreign currency shortages, cash liquidity issues, and an unpredictable economic policy environment. The recent earthquake also impacted around 80 bank branches prompting the Central Bank of Myanmar (CBM) to issue emergency directives instructing banks to submit contingency plans to restore provision of financial services in the affected areas and subsequently maintain uninterrupted operations.

Before the earthquake, CBM increased the interest rates on excess reserves (between MMK 7 and 50 billion) from 3.8 to 6 percent to reduce currency circulation, encourage banks to hold more reserves, and control inflation. In response to previous policy rate increases by the CBM[20] and to mobilize deposits within a challenging context, major banks offered higher interest rates on various term deposits. For instance,

[20] CBM raised its policy interest rate from 7 to 9 percent, effective September 1, 2024

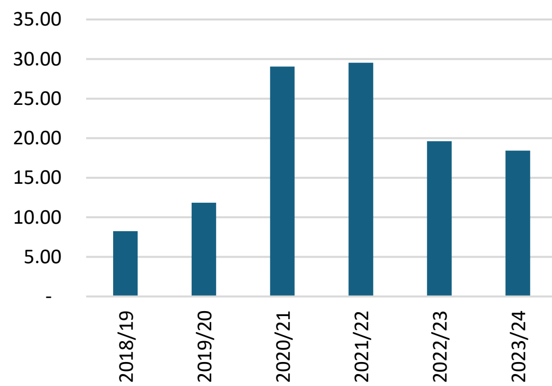
six-month fixed deposit rates have increased from approximately 5 to 7 percent to a range of 11.0 percent to 11.75 percent, while twelve-month rates now range from 11.5 percent to 12.0 percent. The maximum lending rate remains at an average of about 15 percent. While the increase in deposit rates represents efforts to mop up liquidity by boosting bank deposits, real deposit and lending rates continue to be negative due to persistent high inflation.

Figure 59: Bank deposits, loans and assets (% of GDP)



Source: CBM and World Bank staff estimates

Figure 60: NPL ratio (selected Myanmar banks)



Source: World Staff estimates from published financial statements of banks

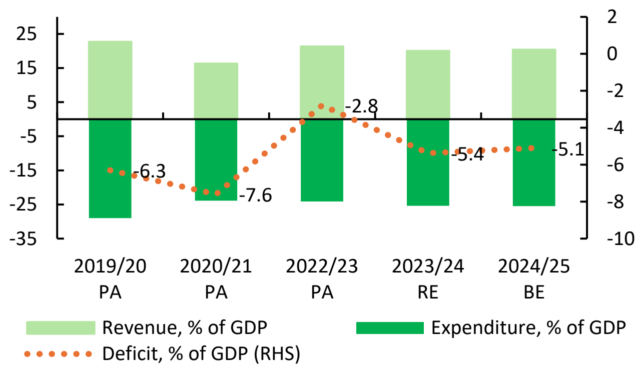
Credit to the private sector maintained its upward trend despite recent monetary policy tightening actions by CBM. As of December 2024, credit grew by 22.8 percent year-on-year, reaching 30.6 percent of GDP, equivalent to 49.6 trillion kyat (**Figure 59**). This growth is attributed to new loans extended to micro, small, and medium enterprises (MSMEs), as well as to the trading and housing sectors, along with increased hire purchase arrangements. The increase in private credit facilitated an expansion in total banking system assets by 12.5 points, reaching 84.1 percent of GDP (124.5 trillion kyats) over the six months leading up to December 2024. After declining from June through September due to macroeconomic volatility and a brief bank run in July, total deposits rebounded by 7.6 percent in December 2024, driven by favorable term deposit rates and changes in depositor behavior after Typhoon Yagi.

The banking sector remains exposed to risks, manifested in significant levels of non-performing loans. Data from published financial statements of selected commercial banks show a high NPL ratio of 18.4 percent in FY2023/24, still above the single-digit prudential limit but slightly improved from 20.1 percent in the previous year (**Figure 60**). High NPLs have been influenced by various factors, including legacy loans that defaulted during COVID-19 and increased macroeconomic volatility and conflict. High NPLs have constrained profitability and raised solvency concerns. To address high NPL risks, banks have restructured loans and rescheduled troubled loans, including legacy non-performing assets as per CBM's November 2022 directive. CBM also mandates banks to allocate 2 percent of their loan portfolio for general provisions and another 2 percent for specific reserves. By June 2024, banks had set aside about 1.6 trillion kyat (US$762 million) for loan losses, equivalent to about 3.4 percent of the total outstanding loans.

I. Fiscal deficit has remained large due to increased spending needs.

The fiscal deficit is estimated at 5.1 percent of GDP in the year ending March 2025, down by 0.3 percentage points, due to increased recurrent spending. In FY2024/25, improved revenue efforts and increased nontax revenues are expected to have raised total revenue to 20.4 percent of GDP, while total expenditure stayed high at 25.5 percent of GDP (**Figure 61**).

Figure 61. Fiscal deficit trends (% of GDP)



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

Total revenue rose from 20.0 percent of GDP in FY2023/24[21] to about 20.4 percent, driven mainly by an increase in nontax revenues. Nontax revenue including grants, contributing about two-thirds of total revenue, is expected to have increased by 0.8 points to 14.4 percent of GDP (**Figure 62**), driven by a boost to revenues from State-owned Economic Enterprises (SEEs), especially in oil and gas sectors. Tax revenue is expected to have decreased by about 0.2 points to 6.0 percent of GDP in FY2024/25 (**Figure 63**), underpinned by modest declines in income and other taxes reflecting weak economic growth. During the April/May round of the World Bank firm monitoring survey about 23 percent of firms reported paying taxes compared to 19 percent in October last year.

Figure 62: Tax versus nontax revenue, % of GDP

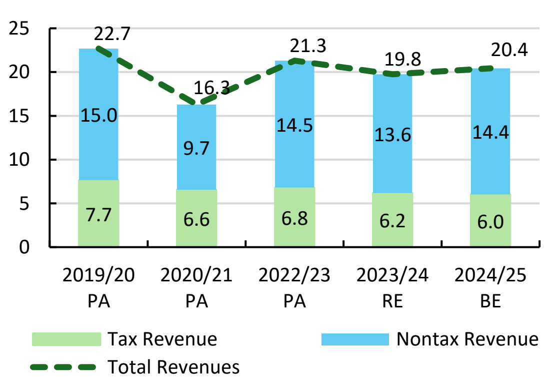
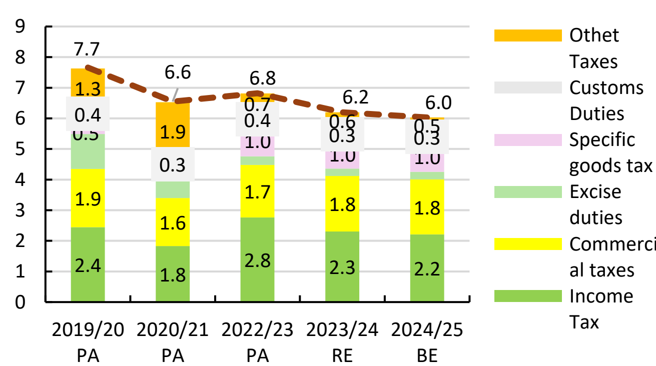


Figure 63: Tax revenue composition

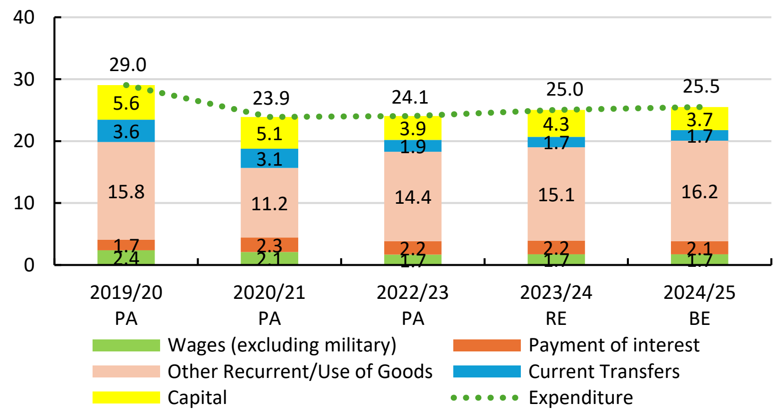


Source: https://www.mopf.gov.mm/ ; WB staff estimates.
Note. PA = Provisional Actual, BE = Budget Estimate, RE = Revised Estimate

CBM estimates

Total expenditure is estimated to have increased to 25.5 percent of GDP in FY2024/25, up by 0.5 percentage points, driven by an increase in recurrent spending. (Figure 64). Recurrent spending is estimated to have increased by approximately 1.1 percentage points to 21.8 percent of GDP, primarily due to expenditures on goods and services for reconstruction and rehabilitation efforts following Typhoon Yagi. Interest payments are estimated to stay high at 2.1 percent, with domestic payments accounting for 90 percent of the total interest cost. Capital spending is estimated to be about 3.7 percent of GDP, driven mainly by spending on other infrastructure including roads and bridges, in support of rehabilitation efforts after Typhoon Yagi.

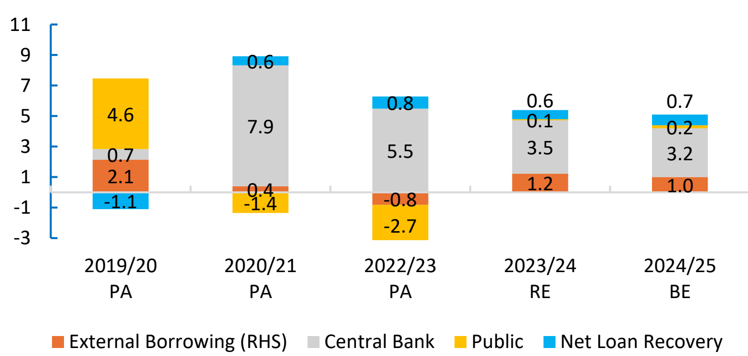
Figure 64: Composition of expenditure by economic uses, % of GDP



Source: MOPF - https://www.mopfi.gov.mm/ ; Fiscal Policy Statement, Central Bank of Myanmar Quarterly Financial Statistics Bulletin 2024 II; World Bank Staff estimates. ***Note***: The Ministry of Defense's wages and salaries are not included in the Wages and Salaries.

The fiscal deficit is anticipated to be primarily financed through domestic sources, continuing the trend observed over recent years. This reflects the growing challenges in securing international financing following the 2021 military coup. Approximately 3.2 percent of GDP of the total budget deficit is expected to be financed by the Central Bank, down slightly from 3.5 percent last year's (**Figure 65**). Financing from the non-bank public is expected to be just 0.2 percent of GDP, reflecting lower demand for government securities post-military coup. External financing including new borrowing from China is expected to stay at 1.0 percent of GDP in FY2024/25, down slightly by 0.2point.

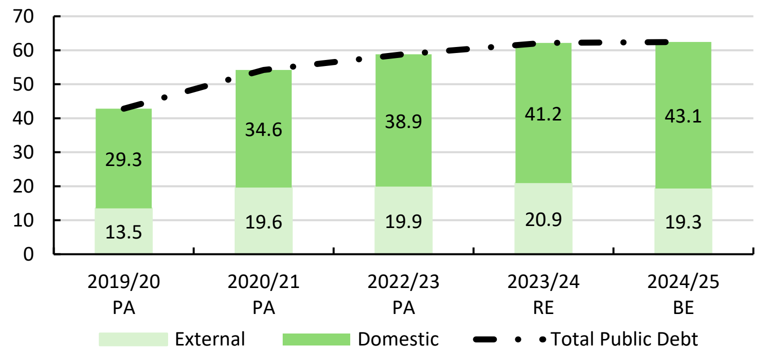
Figure 65: Deficit financing sources % of GDP



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

Public debt is expected to remain around 62 percent of GDP due to increased domestic borrowing, especially from the banking system (**Figure 66**). Domestic debt is projected to rise 1.9 points to about 43.1 percent of GDP in FY2024/25, driven by increased borrowing from the banking system. External debt is projected to moderate to about 19.3 percent of GDP due to a lack of access to international financing since the 2021 military coup. About 70 percent of this debt is from bilateral creditors and the rest from multilateral creditors.

Figure 66: Public debt stock composition (% of GDP)

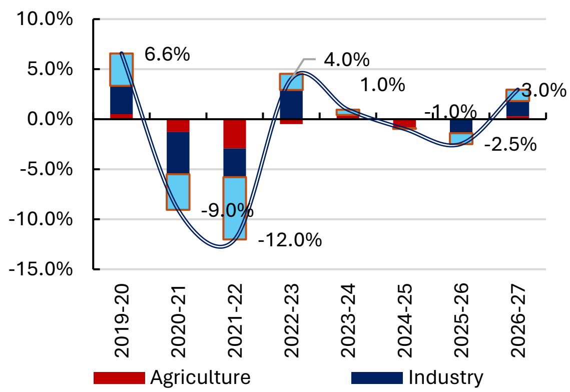


Source: MOPF - https://www.mopfi.gov.mm/; Central Bank of Myanmar Quarterly Financial Statistics Bulletin 2024 II and the Monetary Policy Implementation Report (April 2023 to September 2023); and WB staff estimates.

II. Outlook and Risks

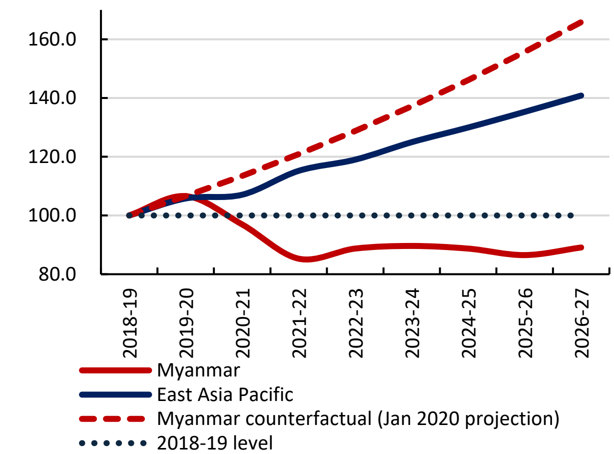
The economic outlook faces challenges and uncertainty, with slow recovery prospects. The March 2025 earthquake worsened an already fragile economic situation. The real GDP growth forecast for the fiscal year 2025/26 has been revised downward from 2 percent in the December 2024 MEM to a contraction of 2.5 percent in real GDP (**Figure 67**). This means that real GDP will remain 13 percent below FY2018/19 levels in the current year (**Figure 68**). The forecast reflects both the damage caused by the earthquake and the associated broad-based disruption of economic activities including construction, manufacturing, and services such as transport and logistics.

Figure 67: GDP forecast



Source: Planning department, WB staffs' estimate

Figure 68: Real GDP estimates and projections (2018-19 =100)



Source: Planning department, WB staffs' estimate

In the worst earthquake-hit areas, GDP is anticipated to drop by around a third in the first two quarters of FY2025/26 due to production halts, physical damage, and supply disruptions, heavily affecting manufacturing and services. Half of the firms surveyed by the World Bank in April/May do not expect recovery within six months, citing significant losses (32 percent of annual sales) and inadequate reconstruction support. Many businesses have remained closed after the earthquake due to lack of funding for repairs, labor deficits, and market disruptions. Foreign aid inflows are minimal compared to the needs, making it challenging for Myanmar to begin reconstruction. The rainy season has dealt a further blow to reconstruction efforts, which won't fully start until after the rains in November. However, economic activity could approach pre-earthquake levels by the end of FY2025/26 as most businesses resume operations and reconstruction activities begin.

The recent earthquake has worsened poverty significantly. Due to damage and output loss from the earthquake, household consumption is expected to decline by 3.9 percent, about 1.5 times the projected annual GDP loss. As a result, poverty is expected to increase by up to 2.8 percentage points, with rural areas hardest hit (**Table 3**). Socioeconomically vulnerable households with poor sanitation or water supply and in the bottom expenditure quintile, face greater adverse impacts. Furthermore, households facing larger consumption shocks are more likely to reduce spending on essentials such as food and transport, while those experiencing smaller impacts from the earthquake are more likely to draw on savings. This could in turn further increase their vulnerability to future shocks[22].

Table 3: Estimates of poverty increases due to the earthquake

	Pre-earthquake	Post-earthquake	
		survey based loss estimate[23]	losses calibrated to changes in GDP
Rural poverty	**34.9%**	37.9%	37.0%
Urban poverty	**21.3%**	23.6%	22.8%
National poverty	**31.0%**	33.8%	32.9%

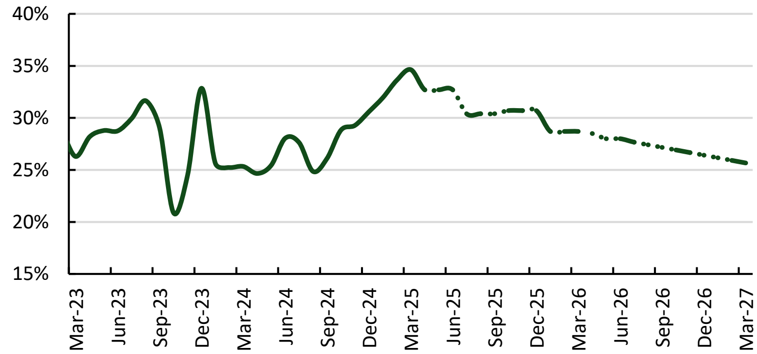
Looking ahead to FY2026/27, growth is expected to rebound to 3 percent (Table 4), driven by broad-based recovery across key sectors. Reconstruction efforts aimed at replacing damaged public and residential infrastructure are anticipated to bolster the construction and manufacturing industries while simultaneously supporting services such as trade, logistics, and public administration. The recovery is expected to be gradual due to fiscal constraints on reconstruction financing, structural challenges withs power supply and an unfavorable business environment caused by conflict, restrictive economic policies and frequent market interventions including price and exchange rate control.

Inflation is expected to remain high at around 31 percent in FY2025/26 (Figure 69), primarily due to the impacts of the recent earthquake and ongoing supply chain issues. Price pressures will be further exacerbated by shortages of essential products resulting from import restrictions and conflict-related trade disruptions. While exchange rates have stabilized since September 2024, recent increases in energy tariffs are driving higher operating costs for businesses, which are then passed on to consumers. Inflation is expected to remain high, down only slightly to 28 percent over the year to March 2027, as the impact of electricity tariff hikes wanes while supply chains improve as a result of earthquake recovery efforts. Sustained high inflation is expected to reduce consumption and retail sales, negatively impacting economic activities and livelihoods.

[22] Note that the estimated consumption impacts presented in this analysis capture only a subset of the broader losses experienced by households following the earthquake. These figures do not account for additional hardships such as the loss of family members, physical injuries, damage to homes, reduced access to adequate WASH facilities, increased exposure to diseases, and other vulnerabilities. Since modeling the effects of these channels on consumption and poverty is inherently difficult, the reported estimates are likely to be a lower bound of the earthquake’s total impact on household welfare.

[23] "Survey-based loss estimates" rely on households’ self-reported income losses, which are proxied using the extent of building damage in each township observed via remote sensing. This approach yields an estimated consumption loss of 3.9 percent and one measure of poverty. In contrast, "GDP-calibrated loss estimates" use the overall GDP loss of 2.5 percent to predict post-earthquake consumption across all households and derive an alternative poverty estimate.

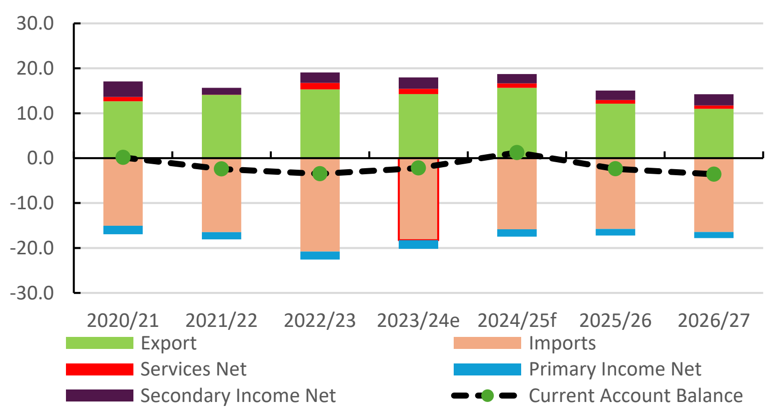
Figure 69: Inflation forecast



Source: CSO and World Bank Staff

A current account deficit of 2.2 percent of GDP is expected in FY2025/26, rising further to 3.8 percent in FY2026/27, due to increased imports (Figure 70). The trade deficit is anticipated to increase to 3.6 percent in FY2025/26 and 5.6 percent by FY2026/27, primarily driven by an increase in capital imports such as machinery and equipment required for reconstruction activities following the relaxation of import restrictions on construction materials post-earthquake. Exports are likely to be constrained by elevated trade uncertainty, contributing to the trade deficit. An increase in official flows post-earthquake and remittances from migrant workers are expected to enhance net secondary incomes, thereby partially mitigating the impact of the expanding trade deficit on the current account. Net service receipts will continue to be affected by reduced tourism revenue and transportation challenges resulting from ongoing conflicts, which impact cross-border transport routes.

Figure 70: Current account (percent of GDP)



Source: Central Bank, World Bank staffs' estimate

The budget deficit is expected to stay above 6 percent of GDP for the next two years, primarily due to higher spending on reconstruction and rehabilitation efforts. The World Bank estimates recovery spending could rise by 3.8 percent of GDP due to reconstruction needs. While the public infrastructure damage alone is estimated at $3.36 billion (4.1 percent of GDP), total reconstruction costs, including demobilization and building back better, may be twice that amount. Total spending is projected to reach 31.8 percent of GDP by FY2026/27. Capital expenditure on infrastructure such as roads, bridges, schools, hospitals, airports, and office complexes is expected to reach about 5 percent of GDP. At same time, total revenue is projected to reach 25.4 percent of GDP by FY2026/27 driven partly by foreign aid flows in support of reconstruction efforts and increased nontax receipts from particularly from SEEs. Public debt is expected to remain high at about 63 percent of GDP, attributed to the anticipated widening fiscal deficit, weak economic growth, and exchange rate valuation impacts. However, sustained high inflation rates will continue to cushion the impact of rising domestic debt.

Table 4: Selected macroeconomic indicators (annual % change unless indicated otherwise)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25[F]	2025-26[F]	2026-27[F]
Real GDP growth, at constant factor prices	6.6	-9.0	-12.0	4.0	1.0	-1.0	-2.5	3.0
Agriculture	2.2	-5.7	-12.8	-2.2	2.0	-3.8	0.1	1.4
Industry	8.0	-11.8	-8.2	8.0	0.0	-0.2	-3.7	4.1
Services	7.8	-8.4	-14.7	3.9	1.4	-0.2	-2.6	2.8
CPI inflation, year average	9.1	2.3	9.6	27.2	27.6	28.8	31.0	28.0
Trade balance (% of GDP)	-5.6	-2.9	-2.4	-5.5	-4.0	-2.2	-3.6	-5.6
Current account balance (% of GDP)	-1.8	-0.4	-2.4	-3.5	-2.2	-1.2	-2.2	-3.8
Fiscal balance (% of GDP)	-6.3	-7.6	-2.2	-2.8	-5.4	-5.1	-6.9	-6.4
- Revenue (% of GDP)	22.7	16.3	16.5	21.3	20.0	20.4	22.4	25.4
- Expenditure (% of GDP)	29.0	23.9	18.7	24.1	25.4	25.5	29.3	31.8
Public debt (% of GDP)	42.8	54.2	54.2	58.8	62.2	62.4	62.5	63.0

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

The current outlook faces several significant downside risks. The earthquake’s impact on production may persist for longer than expected. Delays in recovery efforts and inadequate coordination of reconstruction programs may hinder the recovery process and adversely affect near-term growth prospects and livelihoods. Other risks involve a possible increase in conflict leading up to planned elections in late 2025 or early 2026, and the possibility of another natural disaster disrupting transport, logistics, and border trade. Additional restrictions on trade and foreign exchange transactions could lead to shortages of key inputs, higher consumer prices, and reduced business confidence.

The medium to long-term prospects for living standards show risks of further decline. Households have faced considerable strain from the combined impact of conflict and natural disasters and have depleted savings and accumulated substantial debt. Over the longer term, learning losses – if unaddressed – could result in substantial reductions in human capital and a 7 to 15 percent reduction in future income. Moreover, formal sector opportunities are decreasing, while informal and low-skill employment has risen. Highly educated workers continue to move into agriculture and face increased informality, suggesting that the structural transformation that was previously an important driver of Myanmar’s growth is now reversing. Migration, once a source of upward mobility, is now associated with increased economic insecurity, with migrants facing poverty rates comparable to non-movers. These trends pose significant risks for Myanmar’s long-term prospects for development and poverty reduction.

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