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Myanmar's Economy: Post-coup Trajectory and Future Prospects

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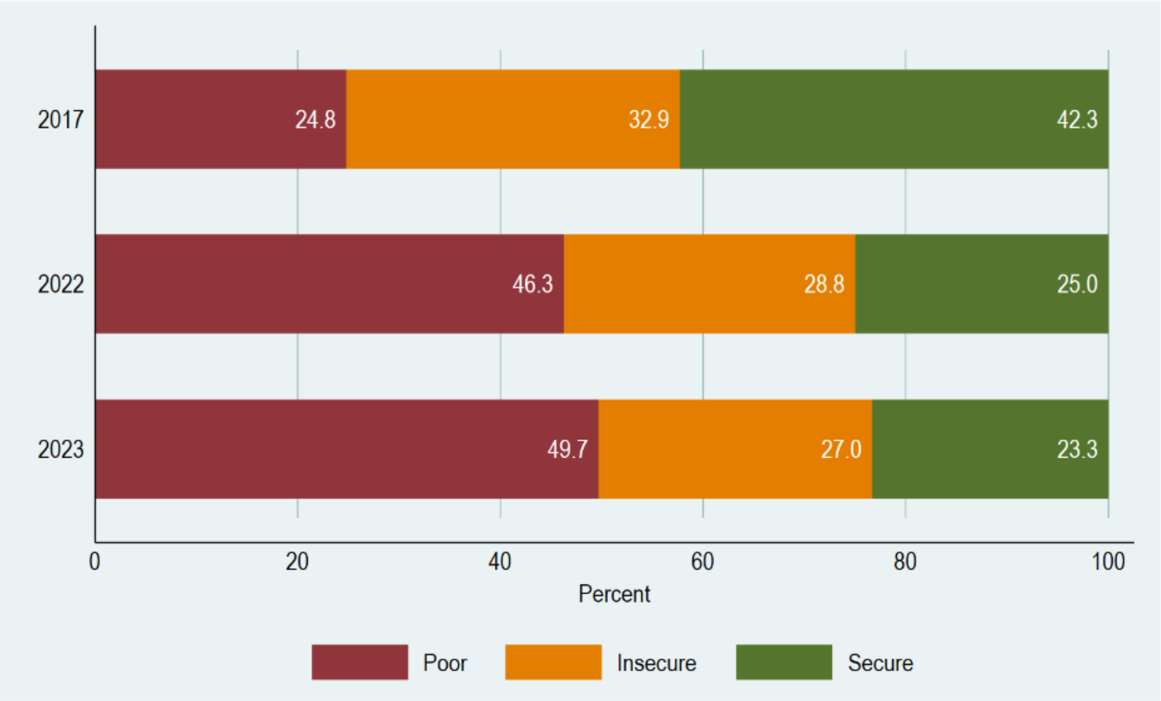
The Headlines…

- Post-coup economy is stagnant & vulnerable; not collapsing but not recovering
  - GDP declined 2% in FY25/26; projected to increase 2% in this fiscal year (earthquake recovery)
  - *GDP in 2026 remains below pre-coup levels*
- Some indicators of stability; often contrived/temporary: FY24/25 trade surplus
- Economy not delivering for Myanmar’s people
  - 50% of households are poor; 25% are “near-poor. real wages and incomes are down. Prices have quadrupled.
- Intractable issues remain: inflation, stagnant/declining real incomes, outmigration, eroding business operating environment
- New regime’s “100-Day Plan” - no major economic reforms. Not Thein Sein V.2.

Poverty

Headcount for poor and near-poor (UNDP)



- Poverty estimates:
  - In 2024, 77% of households are poor or near-poor.
  - In 2017, 58% were poor or near poor.
- Poverty increasing, but less quickly
- Even the most affluent areas are seeing poverty spike:
  - Poverty rate in Yangon up from 10% of the urban population in 2017 to 43% in 2024.

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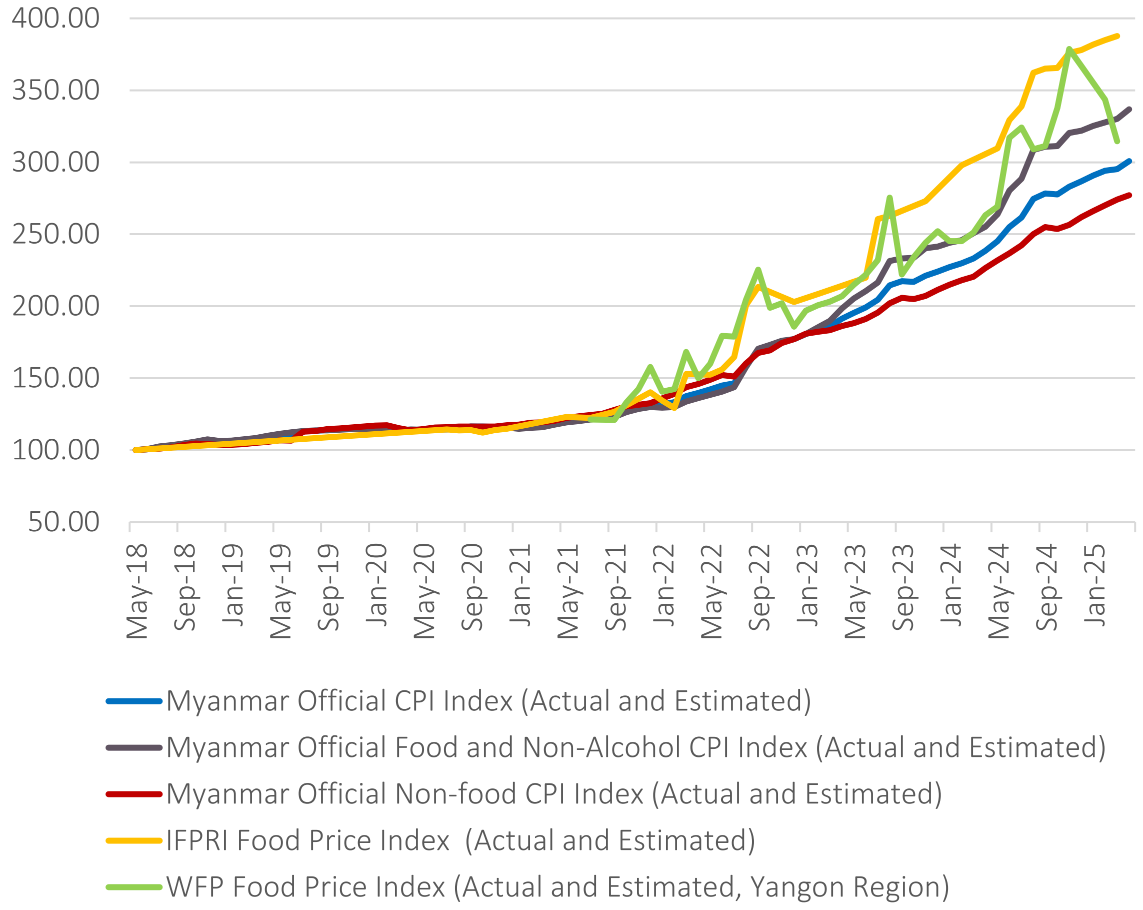
UNDP, “An update of household well-being status” 2024;

Prices and inflation

- Prices since the coup: more than tripled
  - Average inflation: 1.8% every month since coup
- Annual inflation is high, though fell in late 2025:
  - April 2025: 34% year-over-year
  - April 2026: 25% year-over-year
- Drivers: money printing, conflict, energy shock from Iran war, trade restrictions (scarcity), etc.
- Regime has adopted many price controls
  - Rice, eggs, meat, fish + key imports (fertilizer, etc.)
  - Partially implemented; not viable for farmers/businesses
- Shortages of goods becoming more common
  - Affecting consumers & industry -> harming real economy



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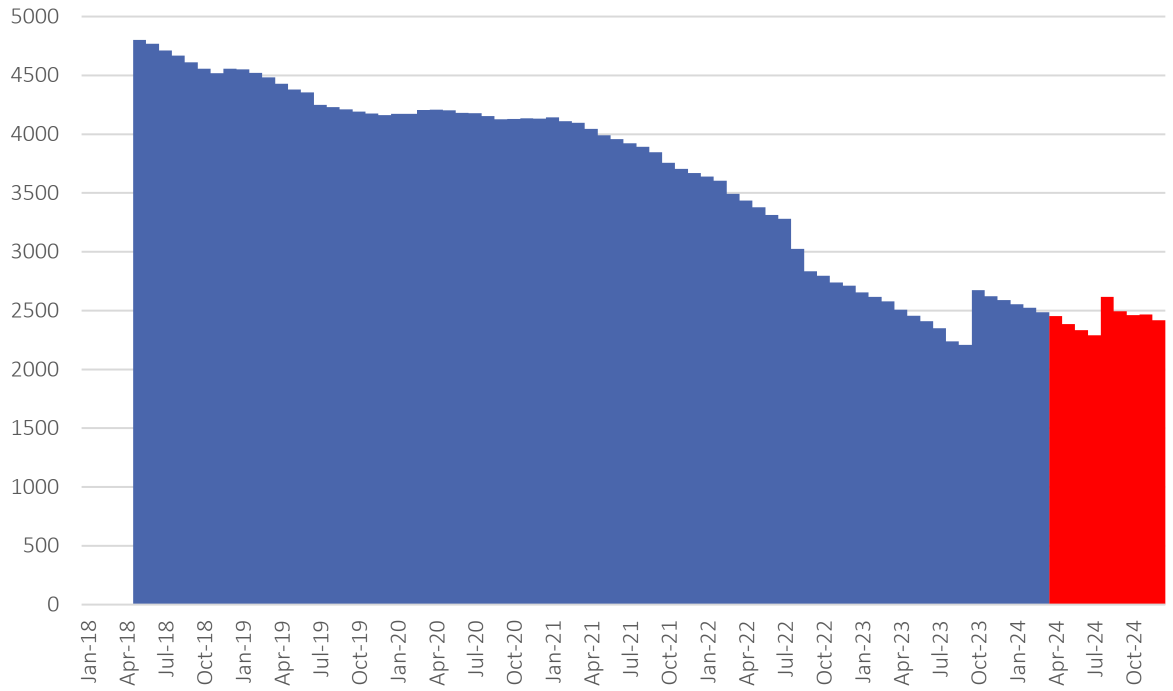
Incomes and Wages

Decline in inflation-adjusted minimum wage (MMK)



- Inflation-adjusted wages & incomes are down.
- According to SAC data, minimum wage down over 50% in real terms since 2018
  - Equal to 2,420 MMK in 2018 kyat
- July 2026: Minimum wage 4,800 MMK/day, mandatory allowance 3,000 MMK/day.
- Market – especially labor shortages - is driving wage increases.
- Bestseller (garment brand) reports 2026 average total compensation of 500,000 MMK/month

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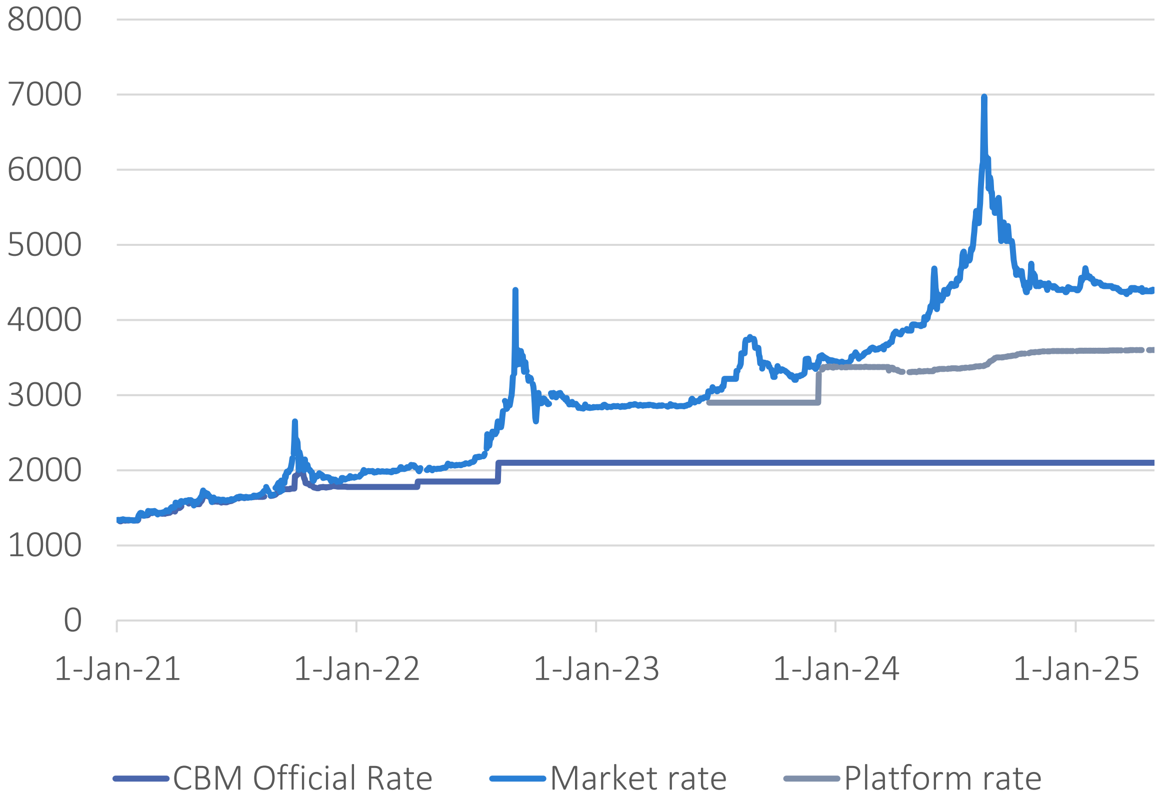
Exchange Rates

- Multiple exchange rates continue
  - Official rate: 2,100 MMK/USD
  - Platform rate: 3,658 MMK/USD
  - Migrant worker rate: 3,975 MMK/USD
- Do not reflect market conditions.
  - Shortages, rationing, etc. are evidence of this.
- Causes distortions & inefficiencies; facilitates corruption
- Not compliant with IMF Articles of Agreement and free trade agreements



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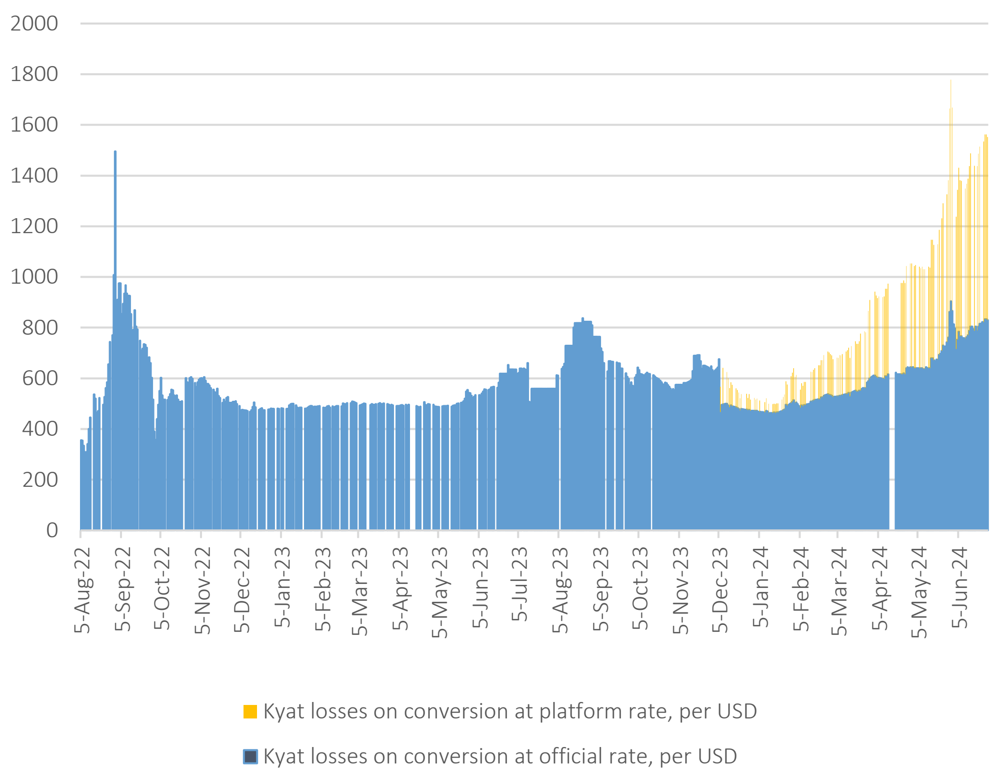
Exchange Rates

- Exchange rates overvalued:
  - Hurts export-oriented industries & their workers.
  - Incentivizes informality.
- Multiple exchange rates -> military resourcing and control strategy
- Fixed, overvalued exchange rates and forced conversion give military access to ‘cheap’ forex.
  - Individual/business losses from forced forex sale - 6.4 trillion kyat ($1.8 bn) (mid 2023-mid 2024)
- Exporters lost 1,553 MMK for every dollar converted (2024)

Exporter losses due to forced conversion, MMK/USD



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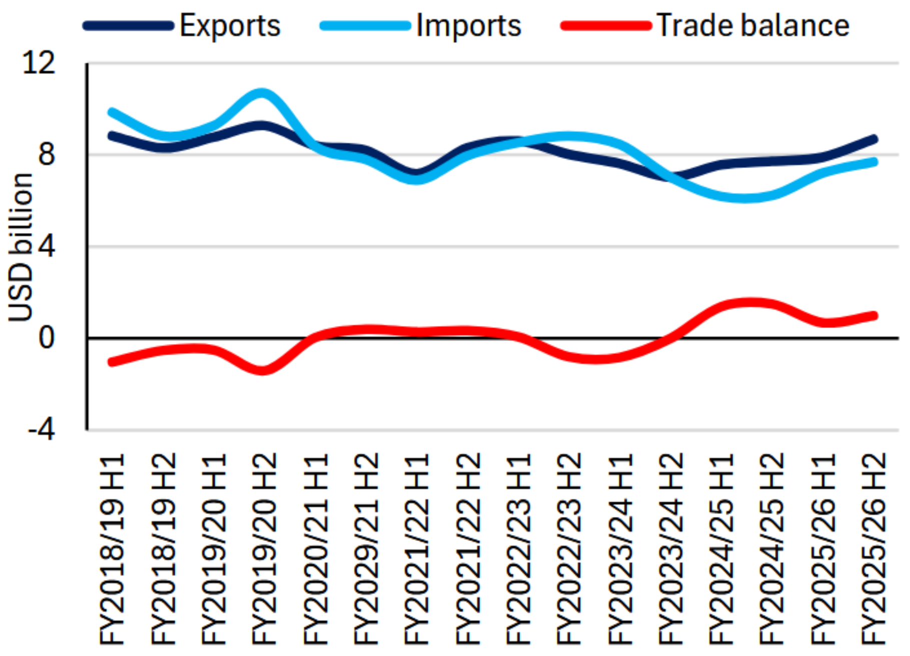
Trade

- Trade surplus in FY25/26 - $900m
- In 2025, official data shows that:
    - Exports tracking behind 2024 levels in all quarters.
    - Imports are up in Q2 and Q3 – earthquake response(?).
- Exports are flat (in USD terms) since 2018, while imports are down.
    - … but in real terms (e.g. after USD inflation), trade is down.
- Import and export licensing constrains trade.
    - Import licenses and forex are scarce –> import compression
- Non-essential imports continue to fall: prepared food items down 40% year on year

Trade Balance (WB)



Source: World Bank Myanmar Economic Monitor June 2026

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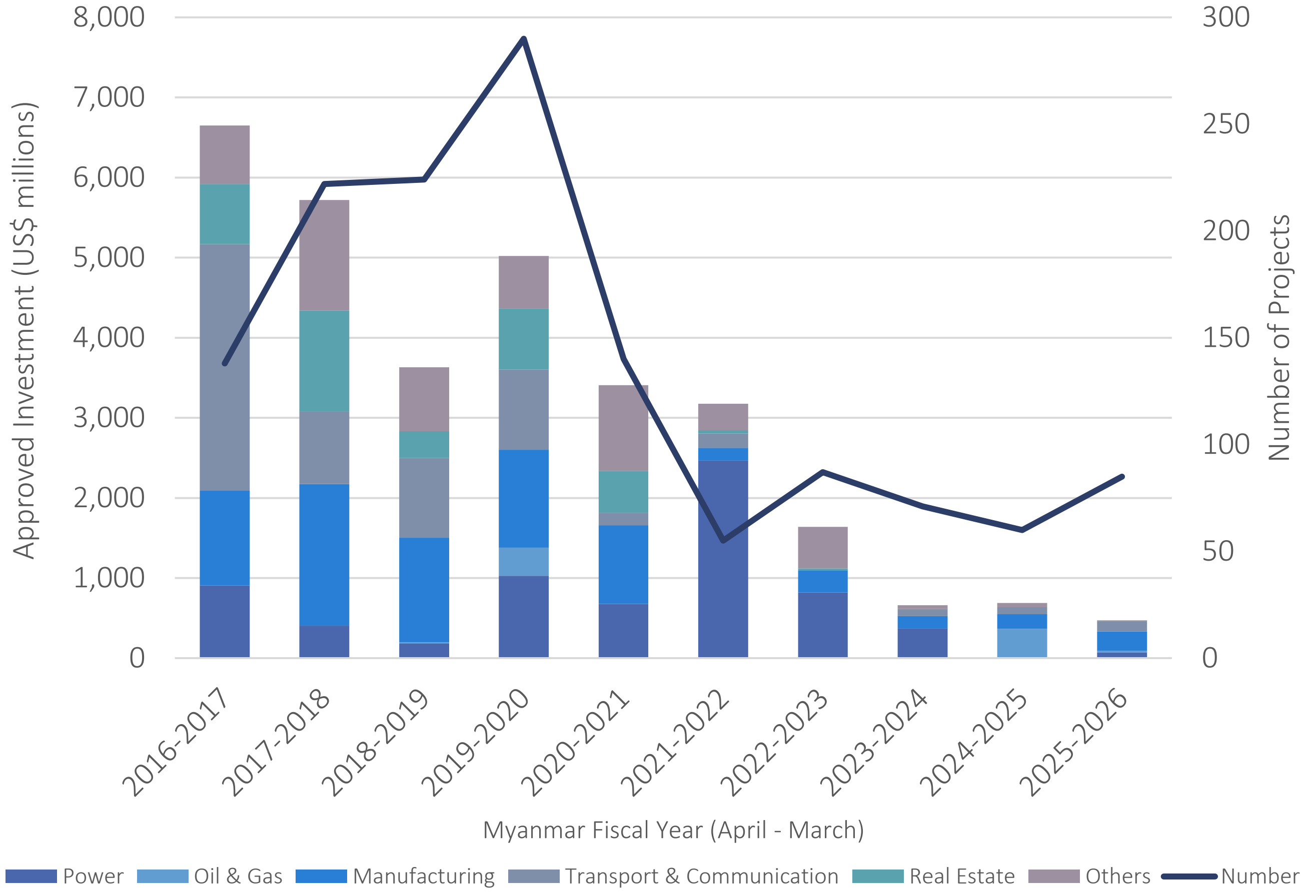
Investment & Private Sector

- Approved FDI low: $472m in FY 25/26
  - Much lower than NLD years ≈ $5 bn per year
  - Some investment is from "trapped capital"
- Why so low? Capital controls, difficult operating environment, conflict.
- Renewed interest in state-linked projects – China, Russia
- Divestments continue, slower than 2021-22.
- Business performance steadily declining (WB)
  - Sales were down 10% year on year
  - Average losses 14%, compared to 20% the year prior
- Business expectations "historically muted"



Source: DICA & Author's calculations

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Post-coup Divestments, by Sector

(partial list)

Manufacturing

posco
KIRIN
BAT
Beiersdorf
Nestlé
RMH Singapore PTE Ltd.
Honor Apparel
SYSMM Apparel
Hong Miao Garment
Wellgreen Outdoor
Myanmar Shoe Dynasty Co
GTGI Huasheng
Primseng Guy
Evertex Myanmar Garment
All Rich Garment
Myanmar Unique
Haubo Times
He Shan
North Shore

*select list of manufacturing closures; MGMA reports over 200 closures since the COVID pandemic

Oil and Gas

PETRONAS
TOTAL
MITSUBISHI
PUMA ENERGY
Woodside
OR
Chevron
JX Nippon Oil & Gas Exploration

Services

METRO
Auntie Anne's
KOI Thé
JOOX
ANZ
airbnb

Transport & Communications

telenor
ooredoo
adani

Real Estate

ÆON MALL
BERJAYA
AMATA
ETC
EMERGING TOWNS & CITIES SINGAPORE LTD
新世界地产集团有限公司

Power

VPOWER GROUP
丸紅株式会社 Marubeni
eDF

Hotels and Tourism

SAVOY
Kempinski
HOTELIERS SINCE 1897
BELMOND
PANDAW
Keppel

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Economies in non-state-controlled areas

- Economic performance in non-state-controlled areas – difficult to measure; volatile
  - Price instability, food insecurity, etc.
- Economic prospects are very limited – conflict; remote geography; lack of market access; poor infrastructure; historical marginalization; lack of competition
- ERO economic governance exists but is often rudimentary
  - Taxation is widespread; some business registration & licensing; land registration, etc.
- Resistance economic governance suffers from shortcomings:
  - Locally focused – limited “federal” economic vision and collaboration on typical federal economic powers
  - Continued use of kyat -> suffer from depreciation, which is an implicit tax to SAC.

Drivers of Myanmar's Economic Performance & Key Implications

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Economic Policies

- The military regime's economic policies are the key drivers of Myanmar's economic problems.
  - Conflict, sanctions, etc. are secondary drivers.
- Key economic policies that drive Myanmar's economic situation include:
  - Deficit monetization (e.g. money printing)
  - Capital controls (e.g. restrictions on outward transfers)
  - Exchange rates (multiple rates, overvaluation)
  - Forced forex surrender requirement
  - Requirement for CBM approval to purchase forex
  - Trade licenses & export-first requirement
  - Price controls

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Public response to regime policies

- The public and business community respond to regime economic policies:
  - Save money in land, buildings, gold, jewelry and business inventories (e.g. dead capital).
    - Reduces kyat-denominated savings at banks -> reducing available credit.
  - Use offshore entities and informal money transfer systems
    - Avoids forex losses through regime's financial system –> reduces forex through that system
  - Migrate to other countries
  - Use informal markets when regime controls create scarcity, arbitrate opportunities, etc.
- These actions are rational and benefit people's welfare and livelihoods …
  - … but they affect the economy and exacerbate the consequences of (ill-informed) policies.

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The political economy of Myanmar's policies

- The military regime "uses economic governance, policy, and coercion to ensure the regime's survival and continued political primacy".
- Many economic policies are not the result of incompetence – they are political.
  - *Because policies have political – not technical – roots, the hope that technocrats can fix Myanmar's economic challenges is overblown.*
- Economic policies are not designed for growth or development.
- Economic policies harming Myanmar's economy are here for the long-term.
  - Implication -> this is not an 'economic crisis'. This is the new economic normal.

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It's the economic system

- The military's money (& power) come primarily from controlling the economic system:
  - **$3.6b in 2024** from money printing and forced forex conversion + multiple exchange rates.
  - Natural resources are an important source of money for the military.
- The coup (control of economic institutions) changed the military's funding model:
  - *Why brew beer and sell it to make money…. When you can (literally) make money?*
- MEC and MEHL are NOT major revenue sources for the military
  - Claims of $18bn in dividends in 1990s and 2000s are wrong; actual dividends were $112mn.

Conflict and sanctions

- Conflict affects Myanmar’s economic performance – directly and indirectly
  - Direct effects:
    - Increases logistics costs, due to increased time, risk, and costs (such as checkpoints)
    - Disrupts trade routes -> business disruption, shortages of inputs, consumer goods, etc.
    - Diverts public spending to military purposes
    - Conscription -> migration, labor shortages, and reduced working hours
  - Indirect effects: motivates economic policies
- Sanctions have some economic effect: Bank de-risking, reputational risk, divestment
- But…. sanctions cannot cut regime’s access to forex. Why?
  - Regime obtains forex via forced conversion of funds already in Myanmar – e.g. beyond sanctions.

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Myanmar's Economic Prospects

Economic prospects: The current trajectory

- Continued stagnation. Long-term challenges; vulnerable to shocks.
  - Damaging economic policies (multiple exchange rate system, trade licenses, etc.) remain in place.
  - Poverty, inflation & outmigration remain high; livelihoods & businesses struggle.
- Post-coup economic bump? Possible, too early to say (again, not Thein Sein v.2).
  - Potential uptick in investment based on state contracts (power sector) and G2G deals
  - Growth in market-driven FDI, private capital-intensive investment, or long-term investment unlikely
- Disconnect between high inflation and flat exchange rates is not sustainable.
  - Incomes in export-oriented sectors (ag, garments) are flat while living costs rise.
  - … Without policy changes, a new crisis is a matter of when, not if.


What will shape economic prospects?

- Myanmar’s economic prospects are highly uncertain - shaped by key factors:
  - Global economic trends and shocks
  - Myanmar’s political & conflict trajectory
  - Economic policy changes
  - China’s economic and political role in Myanmar
  - ASEAN’s engagement with Myanmar
  - Approach of Western countries

Factors Shaping Economic Prospects

- Global economic trends: oil/fertilizer price spikes, rice prices, etc.
- Economic policy changes: does the regime realize policies are not working and adjust?
  - They have repeatedly done this to forced forex conversion requirements
- ASEAN’s engagement with Myanmar:
  - Many economic policies do not align with ASEAN Free Trade Agreement, ASEAN Comprehensive Investment Agreement, etc. -> harm ASEAN businesses
  - Does ASEAN connect political ‘normalization’ with economic ‘normalization’/compliance?

Western Countries: A New Approach?

- Western countries – misunderstood regime’s sources of money & power
  - Overemphasized military companies and sanctions & underemphasized economic policies.
  - Result is contradictory policies: Continued trade which indirectly supports the military; political engagement and (some) aid that supports resistance
- Do Western countries take a new approach to Myanmar?
  - How can countries respond to a regime that uses the global economic system to retain power and continue conflict? Are there consequences for their violations of treaties and FTAs?
  - How can countries support the livelihoods of Myanmar people when the regime’s economic system is the main reason for economic decline and poverty?
- Do Western countries reconsider their strategy to regime’s role in global institutions?
  - Financial Action Task Force – is hundi a money laundering risk or coping strategy (or both)?

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