



2016

ANNUAL MEETINGS

International Monetary Fund
World Bank Group
Washington, D.C.

Governor's Statement No. 4

October 7, 2016

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

Statement by H.E. Kyaw Kyaw Maung,
Governor of the Fund for Myanmar

Mr. Chairman

Fellow Governors and

Distinguished Delegates

It is an honor for me and my delegation to participate in the 2016 Annual Meetings of the World Bank Group and the International Monetary Fund in Washington D.C.

The global growth has been restrained in the past few years and this trend might continue to persist in 2016. Substantial downside risks to growth remain, including weak demand, tighter financial markets, softening trade, persistently low oil and commodity prices, and volatile capital flows.

Against this backdrop, the ASEAN+3 region is expected to keep a relatively high growth rate and continue to serve as a major engine to global growth, thanks to regional constant structural reforms and effective implementation of macroeconomic policy. However, gloomy global outlook weigh on regional economic growth and risks are tilted to downside in the near future. Therefore, there is a need to implement a prudent monetary policy and fiscal adjustment to supporting both the recovery and long-term growth.

Mr. Chairman,

In addition to this, please allow me to briefly talk about the recent developments in our economy. Real GDP is expected to grow at 8.1 percent in 2016/17, as the impact of last year's floods dissipates while FDI and aid inflows are set to increase. Based on the budget estimates, the fiscal deficit for 2016/17 is projected to remain at 4.5 percent of GDP the same level as the last fiscal year, but with a pick-up in economic activity, the growth of credit to the private sector is likely to be stronger, generating inflationary pressures. Thus, despite diminished impact of the floods, inflation is expected to remain at around 9.8 percent in 2016/17.

The National Development Strategy Medium-term growth is projected to average 8.2 percent per year for the next 5 years. However, macroeconomic stability should still remain the priority given the challenging domestic and external environment. Since the transition, growth has accelerated buoyed by improved macroeconomic management, increased gas production and exports, and stronger performance in non-gas sectors as the economy opened up. Moving forward, inflation is expected to trend down below double digits particularly due to the full implementation of the cash reserve requirement and gradual reduction of deficit monetization. New Government of Myanmar presented 12 highlighting key points for developing a market-oriented system in all sectors and establishes an economic framework in support of national reconciliation. One out of them, to strengthen public financial management and work on fiscal prudence and macroeconomic stability is third priority.

In the area of monetary and exchange rate policies, Myanmar has achieved significant progress, including moving towards a managed float exchange rate system, and introducing the deposit auction and Treasury bill auction. The deposit auction introduced in 2013 allows market driven interest rates and more terms of deposits with greater participation by commercial banks and greater flexibility for the CBM to target specific types of banks in the deposit auctions. In addition, the authorities have also introduced a new reserve requirement for banks in April 2015, with full compliance by October, 2016. The introduction of Treasury bill auctions in January 2015, has reduced central bank financing of the fiscal deficit, thereby decreasing inflationary pressures stemming from fiscal expansion. Furthermore, treasury bond auctions launched in mid-September, 2016 and allowing the purchase of government securities by foreign banks will further promote the development of the Treasury bond market.

On the exchange rate regime, the authorities have taken steps to reduce the divergence between the official reference rate and market rate as well as to abolish multiple exchange rates starting from July 13, 2015. As a result, the divergence between the CBM reference rate and the market rate has narrowed and the exchange rate is smoothly fluctuating within +/- 2 percent. This will help deepen the foreign exchange interbank market.

With the growing economy, Myanmar's financial sector is rapidly expanding. Progress has been made in strengthening the supervisory framework, including upgrading prudential regulations, revising supervisory framework, developing supervisory techniques in line with international standards, and strengthening the capacity of supervisors through training and seminars with the assistance of international institutions, regional organizations and other development partners.

In order to achieve greater access to international markets, the CBM has, thus far, granted the banking license to thirteen foreign banks. The presence of foreign bank operations will also help to promote greater use of technology, encourage international standard practices in the banking industry and achieve greater access to international markets.

Myanmar has made significant progress in improving the financial infrastructure to strengthen the financial system and to modernize its financial framework. Several laws have been enacted, namely, the new Foreign Exchange Management Law (August 2012), the new Central Bank of Myanmar Law (July 2013), the Securities Exchange Law (July 2013), and the Financial Institutions Law (2016). Foreign Exchange Management Regulation was also issued in September 2014.

To develop greater financial access and promote a more inclusive financial system, the authorities have taken steps to expand the branch network of the banking system, encourage microfinance, and enhance innovations in ATMs, point-of-sale systems and mobile banking. Mobile Financial Services Regulation was issued by the CBM in January 2016 allowing the participation of mobile network operators in mobile money market and mobile payments. In addition, the payment and settlement systems will be further enhanced with the establishment of the CBM Net system.

A number of accomplishments have been made in the AML/CFT area. Anti-Money Laundering Law and the Counter Terrorism Law were enacted in 2014 and its accompanying regulations

have been issued in 2015. For the compliance by banks and financial institutions, CBM has issued a Risk Management Guidance Note and the updated risk based CDD Directive in 2015. As a result, FATF removed Myanmar from the list of countries under ICRG process in June 2016.

Myanmar authorities also place great importance on strengthening institutional foundation and capacity. Some programs are still ongoing and include, among others, introducing the “Modernizing the Funds, Payment and Securities Settlement Systems” project, developing the interbank foreign exchange market and money market, implementing new accounting standards and preparing a financial sector development master plan with the technical assistance from the regional and international community.

Mr. Chairman

In conclusion, I would like to take this opportunity to express again our sincere appreciation to the Management and staff of both institutions for their ongoing support for our country’s development efforts. I would like to extend my deep gratitude again to the IMF, World Bank and to all other development partners across the World, which has rendered cooperation to our country for our development purposes. Thank you.