

MYANMAR
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**SURVIVING,
NOT THRIVING**



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MYANMAR ECONOMIC MONITOR

SURVIVING, NOT THRIVING

Special focus on Myanmar's Agrifood Industry Resilience and Adaptability

December 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 a joint World Bank team from the Prosperity and Planet Vice Presidency. Parts 1 and 2 were prepared by a team comprising Kemoh Mansaray (Senior Economist, EEAM1), Thi Da Myint (Country Economist, EEAM1), Sutirtha Sinha Roy (Senior Economist, EEAPV), Csilla Lakatos (Senior Economist, EEAM1) and Aka Kyaw Min Maw (Consultant, EEAM1).

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Abbreviations

ACLED	Armed Conflict Location and Event Data Project
ADB	Asian Development Bank
BE	Budget Estimate
BOP	Balance of Payment
CAGR	Cumulative Annual Growth Rate
CBM	Central Bank of Myanmar
CMP	Cut-Make-Pack
CPI	Consumer Price Index
CSO	Central Statistical Organization
EAP	East Asia and Pacific
EU	European Union
EVI	Enhanced Vegetation Index
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
FGD	Focus Group Discussion
FSSC 22000	Food Safety System Certification 22000
FTE	Full Time Equivalent
FY	Fiscal Year (April to March)
FX	Foreign Exchange
GDP	Gross Domestic Product
GMP	Good Manufacturing Practice
GNI	Gross National Income
GVA	Gross Value Added
H1	The first six months of the fiscal year
H2	The second six months of the fiscal year
HACCP	Hazard Analysis and Critical Control Points
IDP	Internally Displaced Persons
ILO	International Labour Organization
IOER	Interest Bearing Excess Reserves
ISO 22000	Food Safety Management Standard
ITU	International Telecommunication Union
KII	Key Informant Interview
LNG	Liquefied Natural Gas
MFI	Microfinance Institution
MMK	Myanmar Kyat
MMSCFD	Million standard cubic feet per day
MRF	Myanmar Rice Federation
MoM	Month on Month
MSME	Micro, small, and medium enterprises
MSPS	Myanmar Subnational Phone Surveys
NDA	Net Domestic Asset
NFA	Net Foreign Asset
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
ROA	Return on Asset
ROE	Return on Equity
SEE	State-owned Economic Enterprise
SMEs	Small and Medium Enterprises
SQF	Safe Quality Food
TA	Temporary Actual
TEU	Twenty-foot equivalent container unit
UK	United Kingdom
UN	United Nations
USD	US dollar
VPN	Virtual Private Network
WB	World Bank
WFP	World Food Programme
yoy	year-on-year
YTP	Yatanarpon Teleport

Executive Summary

Economic conditions remain constrained due to the lingering effects of the March 2025 earthquake, ongoing conflict, subdued domestic demand, labor shortages, and persistent power outages. The recovery is fragile and uneven, with businesses and households directly affected by the earthquake continuing to face formidable obstacles. Only 45 percent of these firms have returned to pre-earthquake activity levels, with capital-intensive sectors such as manufacturing and agriculture lagging due to extensive physical damage, high reconstruction costs, and limited access to financial support. Household vulnerability and poverty have worsened. According to the September–November 2025 update of the World Bank’s Myanmar Subnational Phone Surveys (MSPS), the earthquake had a significant and enduring impact, affecting 16 percent of households across the country and almost 60 percent of households living close to the epicenter in Mandalay, Sagaing, and Naypyitaw. Consumption fell by nearly 2 percent nationwide, and poverty rose steeply in regions hit hardest by the quake. Only half of affected households have started repairs, with those in proximity to the epicenter being more likely to receive donor assistance. Losses of homes, assets, and jobs—especially in rural areas—have driven vulnerability, while informal work has increased in urban centers. Around 15 percent of households located near the epicenter experienced a loss of income or employment, highlighting the significant economic impact on people’s livelihoods.

Beyond the earthquake’s direct impact, broader constraints are weighing heavily on economic activity. Persistent conflict has worsened humanitarian needs and disrupted markets, with 3.6 million people internally displaced by November 2025. Food insecurity has intensified, affecting 12.4 million people, and 22 million now require humanitarian assistance. Power shortages remain a critical bottleneck, with nighttime light data from industrial zones indicating broad-based declines in real activity, particularly in manufacturing. Electricity generation continues to lag installed capacity, and frequent outages push firms toward costlier off-grid solutions. Weak domestic demand translated to reduced sales and profits, further suppressing business operations. The compounded effect of these factors has resulted in widespread market disruptions, shortages of essential goods, and elevated logistics costs, impeding the pace of recovery across all major sectors.

Labor market conditions have deteriorated further, marked by continued contraction in economic activity and a shrinking, less skilled workforce. The recent earthquake, sustained conflict and conscription have accelerated out-migration, worsening labor shortages, reducing rural employment, and leading to increased informality in urban areas. Firms face acute recruitment challenges, with skills mismatches and rising resignation rates, particularly in regions most affected by conflict, conscription and natural disasters. These labor shortages and skills gaps are constraining both short-term recovery and longer-term growth potential.

While some real-sector indicators show signs of recovery, economic activity remains well below pre-earthquake levels and pre-2021 potential. Average firm operating capacity has risen to 71 percent, yet this is still far from full utilization, and sectoral disparities persist. Manufacturing firms, in particular, continue to operate below full capacity, hampered by power shortages, weak demand, and ongoing disruptions to supply chains. Agricultural output showed some resilience, with improved vegetation indicators and higher operating capacity. However, falling global rice prices, higher input costs, and ongoing conflict pose risks to sustained recovery in agriculture. Reconstruction activity is concentrated in public infrastructure, with residential rebuilding sluggish due to financial and administrative bottlenecks. Aggregate output and employment remain significantly lower, with the economy expected to be 13 percent smaller than pre-pandemic levels.

Inflationary pressures, though slightly moderated, remain high and unanchored. Headline inflation eased to 19.8 percent year-on-year in October 2025, but price levels are still elevated (especially for non-food items) driven by import restrictions, energy tariffs, and persistent supply-side constraints. Cost-push factors, including higher logistics and energy costs, continue to drive inflation, while robust monetary expansion fueled by central bank deficit financing undermines price stability.

Amid these challenges, the financial sector has shown signs of resilience as confidence in banks has improved. Deposits and credit have grown steadily from FY2023/24 to FY2024/25, while liquidity remained strong, with the banking system weathering pressures from the earthquake, inflation, and ongoing

exchange controls. Non-performing loan (NPL) ratios have declined for a sample of banks representing 15 percent of system assets, reflecting restructuring efforts and improved collateral values. However, the absence of published NPL data hinders a comprehensive assessment of the quality of the banking sector's assets even as systemic vulnerabilities remain. In addition, the microfinance sector remained under pressure, with client numbers dropping by 27 percent to 2.8 million in FY2024/25.

In FY2024/25, the external sector was bolstered by robust trade performance and remittance inflows, supporting foreign exchange reserves and contributing to an appreciation of the kyat in the parallel market. However, the trade surplus narrowed in the first half of FY2025/26 (April – September) as imports surged to support reconstruction, while resilient garment exports and rising remittances helped offset weaknesses in agricultural exports and services. The gap between the official and parallel exchange rates narrowed as the exchange rate appreciated by about 13 percent against the US dollar during the year to October 2025, reflecting both tighter currency controls and improved forex inflows, though access to foreign currency remains highly regulated. The authorities have continued to tighten FX regulations by enforcing stricter import licensing, export-earnings repatriation, and crackdowns on illegal trade, resulting in a more complex process for accessing foreign currency.

Fiscal policy faces mounting pressures as under-execution of public spending is coupled with rising demand for reconstruction and humanitarian assistance. While total revenues have been buoyed by strong nontax collections from state economic enterprises (SEEs), expenditure execution remains constrained by weak administrative capacity and growing fragmentation in service delivery. The fiscal deficit is expected to widen, financed predominantly through central bank borrowing, raising concerns about further inflationary risks and macroeconomic stability.

Monetary policy tightening has been insufficient to contain broad money growth. Despite higher policy rates and new liquidity management tools, monetary aggregates have continued to expand rapidly, driven by a surge in net foreign assets, expanding commercial bank balance sheets, and ongoing central bank deficit financing. The persistent gap between monetary policy intent and outcomes underscores the challenges facing macroeconomic management in an environment of heightened uncertainty and structural fragility.

Myanmar's economic outlook remains challenging, with gradual recovery hampered by persistent structural constraints. Real GDP is projected to contract by 2.0 percent in FY2025/26—an upward revision from the previous -2.5 percent, due to early signs of recovery in the first half of FY2025/26. However, the overall pace of recovery remains sluggish, reflecting limited financial support and slow progress in returning households and businesses to pre-earthquake activity levels. Poverty is anticipated to rise by 2.4 percent, especially in rural areas and regions hardest hit by the earthquake.

Looking ahead, a moderate rebound of 3 percent is projected in FY2026/27, mainly driven by post-earthquake reconstruction, targeted support for affected sectors, and increased capital investment in public infrastructure. While recovery efforts are expected to stimulate growth in agriculture, services, and manufacturing, ongoing financing shortfalls, labor shortages, weak domestic demand, and structural bottlenecks are likely to restrain the pace and depth of economic recovery.

Table ES 1: Selected Macroeconomic Indicators (annual percent change unless indicated otherwise)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 ^e	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	-2.0	3.0
Agriculture	2.2	-5.7	-12.8	-2.2	2.0	-3.8	-1.1	1.4
Industry	8.0	-11.8	-8.2	8.0	0.0	-0.2	-2.4	4.1
Services	7.8	-8.4	-14.7	3.9	1.4	-0.2	-2.0	2.8
CPI inflation, year average	9.1	2.3	9.6	27.2	27.6	29.6	22.0	19.0
Trade balance (% of GDP)	-5.7	-2.4	-2.4	-5.5	-3.9	1.2	-2.2	-3.4
Current account balance (% of GDP)	-1.8	0.1	-2.4	-3.8	-2.9	3.2	0.4	-1.2
Fiscal balance (% of GDP)	-6.4	-7.6	-2.2	-2.8	-2.8	4.1	-4.9	-5.0
- Revenue (% of GDP)	22.7	16.3	16.5	21.3	19.9	23.1	22.3	22.9
- Expenditure (% of GDP)	29.0	23.9	18.7	24.1	22.7	27.2	27.2	27.9
Public debt (% of GDP)	42.2	54.0	54.2	58.8	62.2	62.4	62.5	63.5

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

Inflation is projected to remain above 20 percent in the near term, eroding real incomes and contributing to rising poverty. Average inflation is projected at 22 percent in FY2025/26 and remaining high at around 19 percent in FY2026/27. Although a stronger kyat and stable food and fuel prices—bolstered by humanitarian relief—should help moderate inflation, persistent shortages of nonfood essentials, higher energy costs, and increased central bank deficit financing are expected to sustain elevated price levels.

The fiscal deficit is projected to remain high, reaching 5.0 percent of GDP in FY2026/27, driven by increased capital expenditures for reconstruction. Total revenues are projected to stay robust due to strong nontax collections from SEEs supported by new oil and gas investments, offsetting declines in tax revenues from sluggish economic growth. Public debt is set to remain above 60 percent of GDP as domestic borrowing from the Central Bank continues to rise.

On the external front, the current account surplus is forecast to narrow to 0.4 percent of GDP as import growth—spurred by reconstruction and recovery—widens the trade deficit. Exports are expected to hold steady as robust garment exports offset declines in agriculture. Remittance inflows are expected to remain strong, supporting net secondary income, but services will continue to be hampered by conflict and weak tourism and transport activity. The current account is projected to shift to a deficit of 1.2 percent of GDP in FY2026/27 as import demand pressures persist.

Risks to the outlook are firmly tilted to the downside. Key vulnerabilities include the pace and adequacy of reconstruction in earthquake-affected regions, continued conflict—especially in the lead up elections—that could disrupt services and displace households, and the potential for new natural disasters. Further policy distortions, tighter trade and currency controls, and essential import shortages could exacerbate inflation and erode real incomes.

Myanmar’s Agrifood Industry Resilience and Adaptability

Myanmar’s agricultural sector remains a cornerstone of the national economy, employing over a third of the workforce and contributing around a quarter of gross value added (GVA). The food- and agro-processing industry plays a key role in the manufacturing sector, accounting for 27 percent of GVA and 22 percent of employment. However, the industry is punching below its weight, as deep-rooted structural constraints continue to undermine its true potential. Despite the sector’s size and diversity—spanning small to large and mature (10 or more years old) firms across rice milling, processed foods, animal products, and edible oil—its performance is persistently hampered by fundamental barriers that cut across all segments of the industry.

The most critical obstacles are chronic infrastructure deficits, especially unreliable electricity supply, which nearly all firms cite as the top barrier to operations. Daily power outages, unstable road networks, and inadequate cold-chain systems not only disrupt production and distribution but also damage product quality and limit the ability of firms to scale or adopt modern technologies. These infrastructure

shortcomings are exacerbated by an uncertain operating environment, where political instability and weak regulatory enforcement create ongoing risks for business continuity and investment.

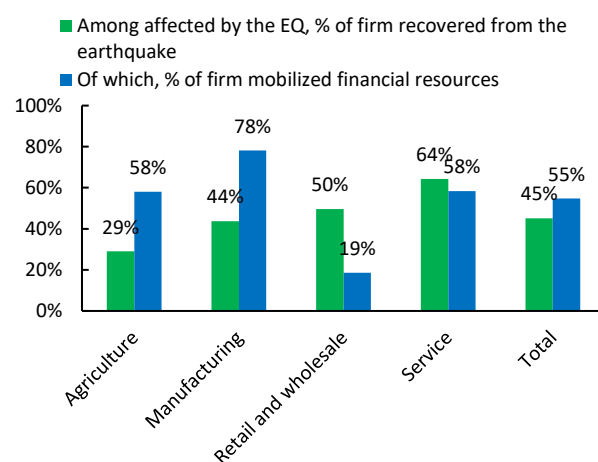
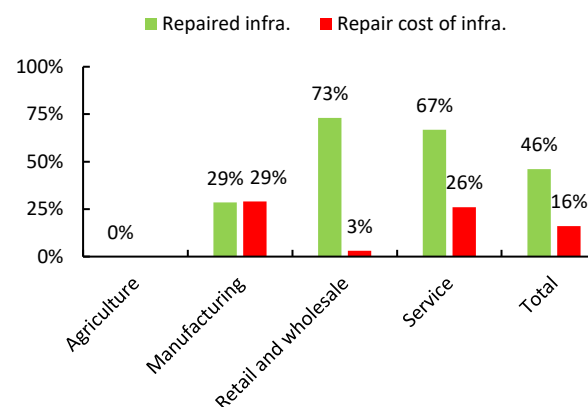
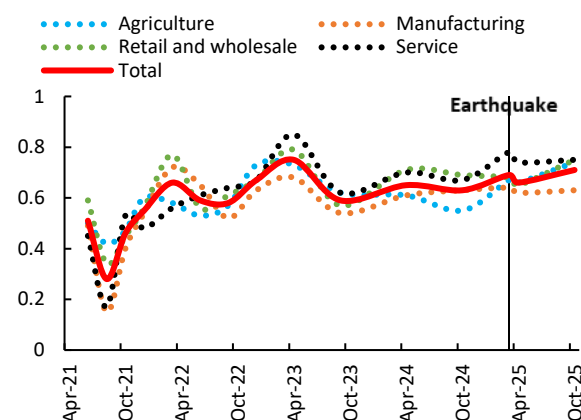
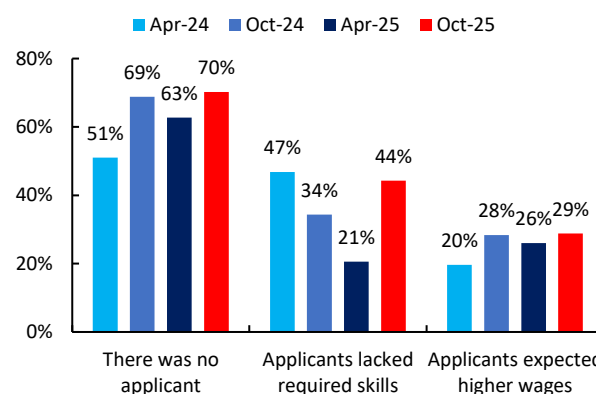
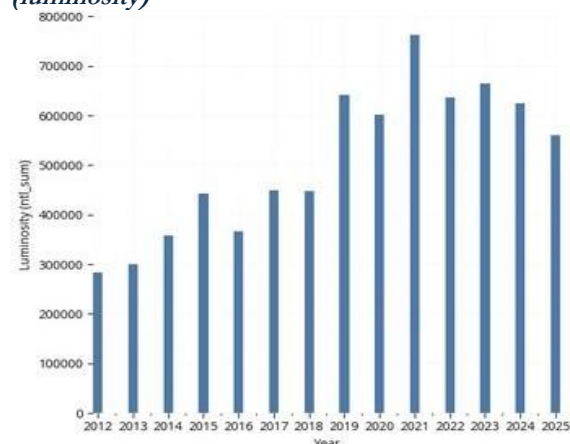
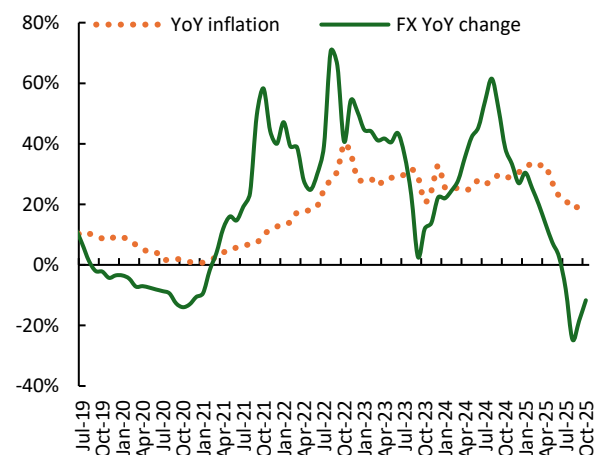
A complex and burdensome regulatory environment further adds to infrastructure challenges. Firms struggle with protracted certification processes and costly compliance requirements, resulting in low rates of both local and international food safety accreditation. Only 27 percent of firms possess local Food and Drug Administration (FDA) certification, and international certification is rare, reflecting both the complexity and costliness of procedures as well as a lack of technical knowledge and capacity. These regulatory obstacles—together with limited access to finance, persistent labor and skill shortages, and fragmented value chains—contribute to operational inefficiencies, low productivity, and constrained market access.

A significant gap exists between perceived international competitiveness and real export performance. While more than half of firms surveyed report a sense of competitiveness in international markets, this optimism is not matched by engagement: only 6 percent of agro-processing firms export. This gap between perceived potential and actual market participation is striking and underscores the need to address the fundamental market and regulatory constraints that prevent firms from translating their capabilities and aspirations into growth opportunities. Without tackling these structural impediments, the sector's optimism will remain unrealized, and Myanmar's food- and agro-processing industry will continue to underperform relative to its potential.

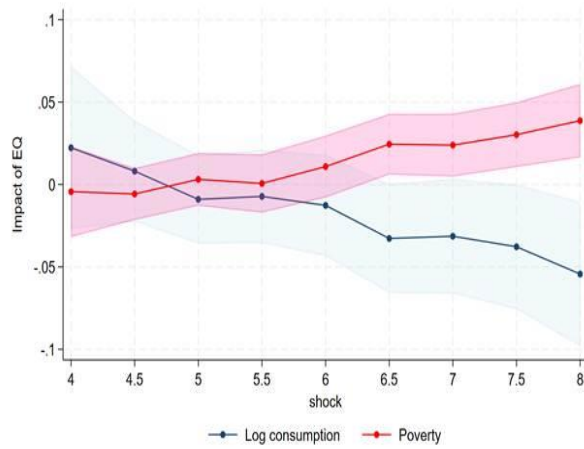
The food processing industry has remained resilient despite structural barriers and frequent shocks such as regular floods, and the recent earthquake. Most food-processing firms have continued operating and sustained workforce levels. However, capacity utilization remains below optimal levels at an average of just 58 percent while only a fraction of firms operated at full capacity due mainly to commodity price shocks and supply chain disruptions from conflict and natural disasters. Output grew modestly by 3.6 percent in FY2024/25, driven by edible oil and animal products value chains, while the processed foods segment saw a contraction. Younger firms exhibit greater output volatility and weak growth potential, while mature firms enjoy more stability. Medium-sized enterprises have been most resilient in boosting output. Revenue growth is uneven, with rice milling and processed foods leading in operational scale; however, animal product firms, despite impressive sales growth, face profitability challenges due to high input costs. Cost structures are heavily concentrated in raw materials—up to 94 percent of total expenditures—leaving firms highly exposed to commodity price shocks and supply chain disruptions.

Firm dynamics reveal that rice milling, and processed foods dominate employment and value creation, yet sector-wide productivity has declined amidst inflation, power outages, and policy constraints. Entry barriers remain high; few young firms achieve significant productivity gains, while older or larger firms are not consistently expanding employment or output. Most firms rely on internal funds for working capital and investment, as access to formal finance remains a significant bottleneck, particularly in rural areas. Technology adoption is moderate and highly uneven, with larger firms more likely to use modern equipment, while digitalization of business operations remains nascent.

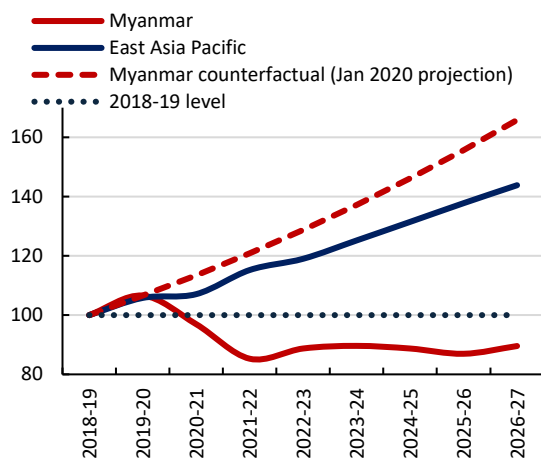
Targeted interventions are needed to strengthen the competitiveness and resilience of Myanmar's agrifood systems. Supporting the development of robust producer–processor linkages, upgrading storage and logistics infrastructure, and facilitating access to modern processing technologies can help stabilize input flows and reduce vulnerability to supply shocks. Additionally, expanding access to technical and vocational training, advisory services, and innovation hubs will equip agrifood enterprises with the skills needed to adopt new technologies, comply with quality standards, and respond effectively to evolving market demands. By fostering these enabling conditions, Myanmar's agrifood sector can better navigate ongoing uncertainties and lay the foundation for more sustainable inclusive growth and structural transformation.

ES 1: Recovery to pre-earthquake levels versus financial resources mobilized (percent of total)**ES 2: Recovered firms undertaking repairs versus repair costs relative to annual sales (percent of total)****ES 3: Average operating capacity (percent of total)****ES 4: Hiring challenges reported by firms with vacancies (percent of total)****ES 5: Nighttime lights in industrial zones (luminosity)****ES 6: Inflation and exchange rate (percent change yoy)**

ES 7: Earthquake's impact on consumption and poverty by shock levels



ES 8: Real GDP over time (index, 2018-19 =100)



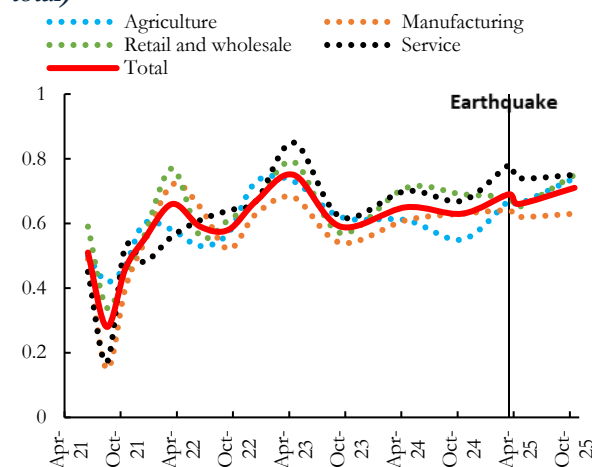
I. Recent Economic Developments

A. The modest post-earthquake recovery is hindered by high reconstruction costs and funding shortages

Myanmar has begun a slow recovery from the devastating March 2025 earthquake, but progress remains fragile. The kyat appreciated steadily through 2025 after last year's steep depreciation. Inflationary pressures have moderated, although price levels remain elevated. Real-sector indicators point to firms operating at higher capacity in October 2025 compared to April, with agriculture and manufacturing output and new orders rising since August. Freight transport strengthened over the six months to September 2025 as earthquake-related supply disruptions eased. Nonetheless, the recovery remains fragile and uneven, held back by limited reconstruction support, persistent conflict, unreliable electricity supply, labor shortages, and heightened policy uncertainty.

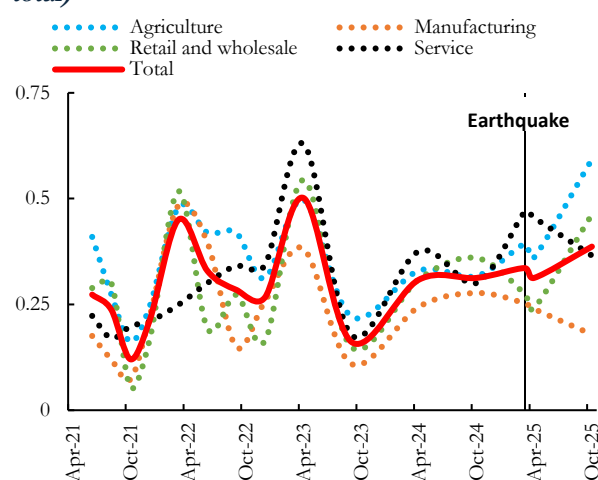
Economic activity has shown moderate signs of improvement since the March earthquake. Average operating capacity rose to 71 percent in October, 5 percentage points higher than in April 2025. Gains were broad-based across sectors (Figure 1). Around 40 percent of firms operated at full capacity, the highest share since April 2023 (Figure 2). The increase reflects easing price pressures, a stable exchange rate, and gradual recovery of domestic supply chains. Production strengthened, with 16 percent of firms reporting higher output, up from 9 percent in April. Agricultural firms recorded the largest improvement, with operating capacity increasing to 74 percent (an 8-point rise), supported in part by a resilient agrifood industry (see Part 3). Services and wholesale and retail trade firms operated at about three-fourths of capacity, while manufacturing capacity rose marginally to 63 percent.

Figure 1: Average operating capacity (percent of total)



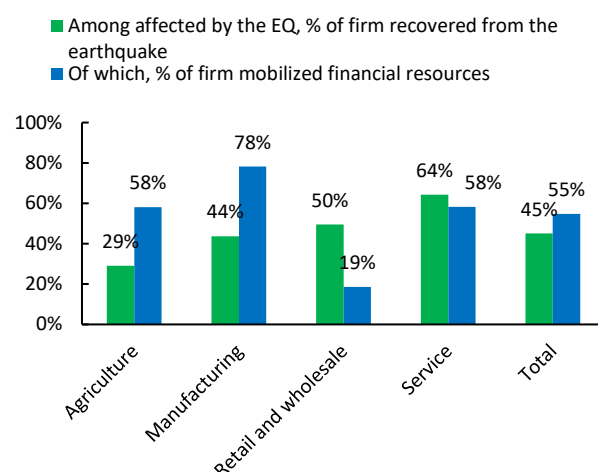
Source: World Bank Firm Monitoring Surveys

Figure 2: Firms operating at full capacity (percent of total)

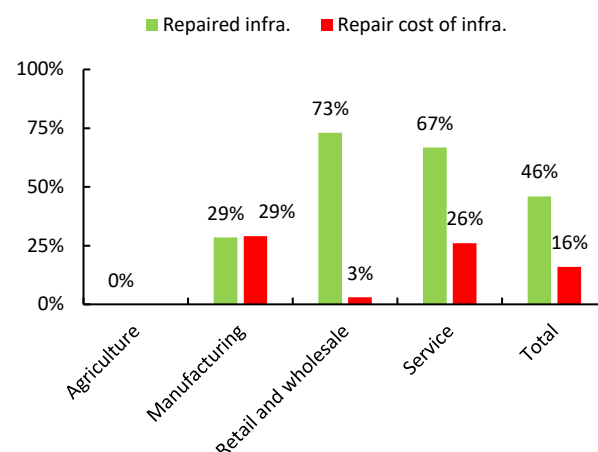


Source: World Bank Firm Monitoring Surveys

Thirty percent of firms directly impacted by the earthquake continue to face significant financial and operational constraints. According to the October 2025 World Bank Firm Monitoring survey, earthquake affected firms are operating at 64 percent capacity, 7 percentage points below the national average. Only 45 percent of firms have returned to pre-earthquake activity levels (Figure 3), primarily due to extensive physical damage, high reconstruction costs, and insufficient financing. While 55 percent of firms have secured additional resources through capital injections, loans, or assistance, sectoral disparities are significant. Manufacturing firms have mobilized more financing but have recovered more slowly than services firms because of their heavy reliance on fixed assets and damaged infrastructure. Only 29 percent of agricultural firms and 44 percent of manufacturing firms have recovered to pre-earthquake levels, compared with 64 percent of service firms and 50 percent of wholesale and retail businesses, reflecting the more limited direct physical impact on these sectors.

Figure 3: Recovery to pre-earthquake levels versus financial resources mobilized (percent of total)

Source: World Bank Firm Monitoring Survey (Round 20)

Figure 4: Recovered firms undertaking repairs versus repair costs relative to annual sales (percent of total)

Source: World Bank Firm Monitoring Survey (Round 20)

Reconstruction costs are substantial, and capital-intensive sectors face heavier burdens and slower recovery. Among firms that have fully recovered, 46 percent reported repairing damaged infrastructure, with expenses equivalent to 16 percent of annual sales (**Figure 4**). About 29 percent of manufacturing firms undertook repairs, while none of the agricultural firms did so, illustrating the prohibitive cost burden on small producers. In contrast, repairs in wholesale/retail (73 percent of firms) and services (67 percent of firms) were completed more quickly and at lower cost relative to sales, owing to more limited damage. Low disaster insurance coverage (only 6 percent of firms) further constrains rebuilding. Although the authorities launched an earthquake recovery program (**Box 1**), current allocations fall short of the scale of losses, delaying a broader rebound in productive capacity.

Box 1: Earthquake Recovery Programme

The authorities announced an earthquake recovery program worth around 2.8 trillion kyat (about US\$1 billion). This is significantly less than the GRADE assessment's estimated total damage of US\$11 billion.¹ Out of this amount, MMK 700 billion has been allocated for investment and reconstruction loans through the Central Bank of Myanmar's (CBM) stabilization fund. CBM's initiative includes providing concessional loans at reduced interest rates: 3% for reconstruction and renovation, 5% for MSME working capital, and 7% for heavy industries and the construction sector. The remaining 2.1 trillion kyat is designated to provide direct support to households, including cash benefits and construction materials.

Additionally, Myanmar has received substantial domestic and international assistance, amounting to 3,109 tons of emergency supplies, 1,070 relief workers, and 287 medical personnel. According to the Ministry of Information, emergency aid was delivered by about 26 nations via air, sea, and land. Major international support includes UN-led appeal amounting to \$240.0 million in emergency aid², \$103 million from Asian Development Bank (ADB) for humanitarian and long-term resilience, \$13.9 million from China, \$12.9 million from the United Kingdom, \$3 million in food and supplies from the Nippon Foundation, and MMK 3 billion in relief from Yoma Group.

Official estimates indicate that as of August 11, 2025, approximately MMK 1,652.6 billion has been spent from the National Disaster Management Fund on emergency aid, housing, and rehabilitation for quake-affected areas.

¹ Global Rapid Post-Disaster Damage Estimation (GRADE) Report: Myanmar Earthquake (March 28, 2025)

² The WB allocated \$34.85 million for earthquake response through UN agencies and public international organizations.

B. Earthquake recovery is lagging in hardest-hit areas, with asset losses driving rising poverty

The September–November 2025 update of the World Bank’s Myanmar Subnational Phone Surveys (MSPS)³ indicate that 16 percent of households in Myanmar were affected by the March earthquake, with the most severe impacts observed near the epicenter in Mandalay, Sagaing, and Naypyitaw. In areas closest to the epicenter, roughly 60 percent of households experienced disruptions, and a third of these households classified the impact as severe, highlighting severity peaks near the epicenter (Figure 5). About 20 percent of households reported residential damage (Figure 6), yet only half have begun repairs or reconstruction, reflecting typical recovery delays, with those in proximity to the epicenter being more likely to receive assistance.

Figure 5: Self-reported impact of earthquake by shake intensity

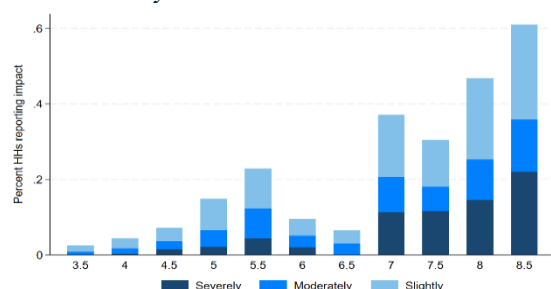
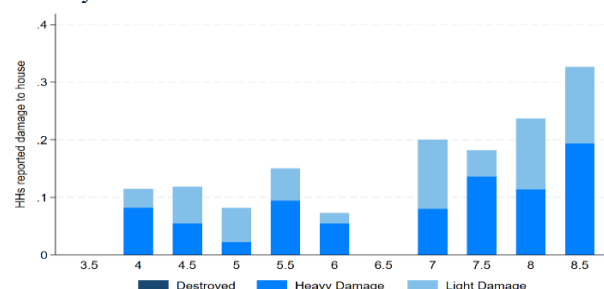


Figure 6: Impact on residential structure by shake intensity



Source: Myanmar Subnational Phone Surveys (MSPS) – Earthquake round. Estimates are unweighted. Figure 1.2 is conditioned on whether households were affected by the earthquake in March 2025.

Despite similar median reconstruction costs across regions (Figure 7), significant disparities exist in received support (Figure 8), especially outside the most affected zones. Over 60 percent of households near the epicenter reported losses of equipment and furniture, aligning with evidence that asset loss is a key driver of post-earthquake vulnerability. Non-agricultural businesses suffered the most due to decreased demand, while agricultural assets were less affected, illustrating sectoral differences in disaster sensitivity. Additionally, nearly 15 percent of households near the epicenter lost an income source or job, underscoring the broader economic consequences for livelihoods commonly observed in other post-earthquake contexts.

Figure 7: Repair or reconstruction rate (by shake intensity)

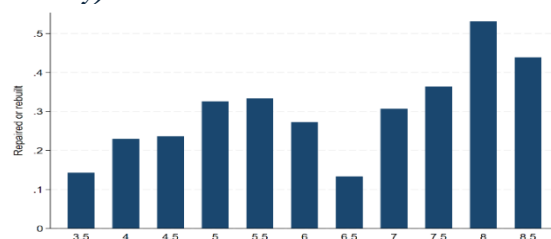
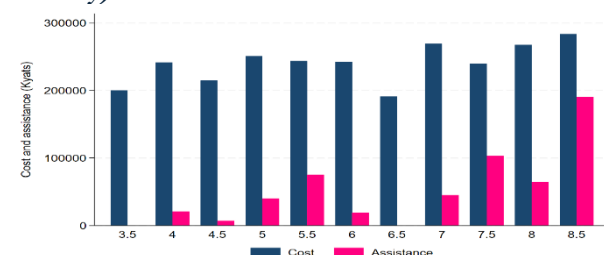


Figure 8: Cost and assistance received (by shake intensity)

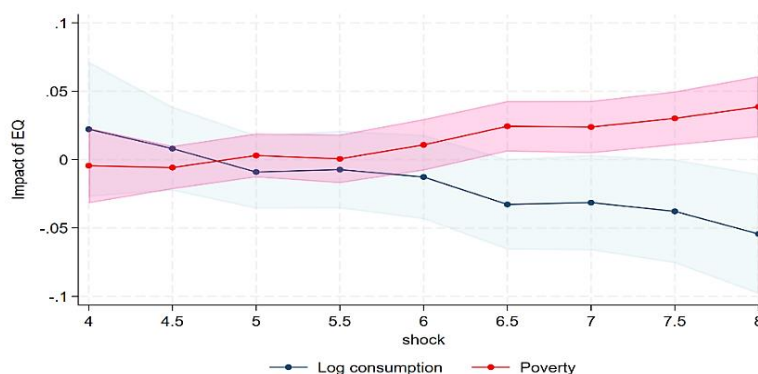


Source: Myanmar Subnational Phone Surveys (MSPS) – Earthquake round. Estimates are unweighted. Figure 2.1 is conditioned on whether households were affected by the earthquake in March 2025. Figure 2.2 is conditioned on whether the household undertook any repair or reconstruction since the earthquake.

³ The MSPS Update carried out follow-up interviews with households originally surveyed between December 2024 and March 2025 and re-contacted between September through November 2025

The earthquake caused a 1.9 percent reduction in average consumption (Figure 9) and a similar increase in poverty in the hardest-hit areas. When controlling for in-sample composition⁴, consumption fell by 3.1 percent and poverty rose by 2.4 percent among the same households surveyed before and after the quake. The increased poverty was linked to the loss of assets, diminished employment—particularly in the services sector—and reduced access to piped drinking water (Figure 10). Ownership of durable goods and access to public services also fell, while more households turned to less reliable water sources, mirroring patterns observed in other post-earthquake contexts where shocks to infrastructure and livelihoods exacerbate poverty and vulnerability. Overall, the findings highlight decreased consumption and rising poverty post-earthquake, mainly due to asset loss, disrupted livelihoods, and reduced access to vital public services.

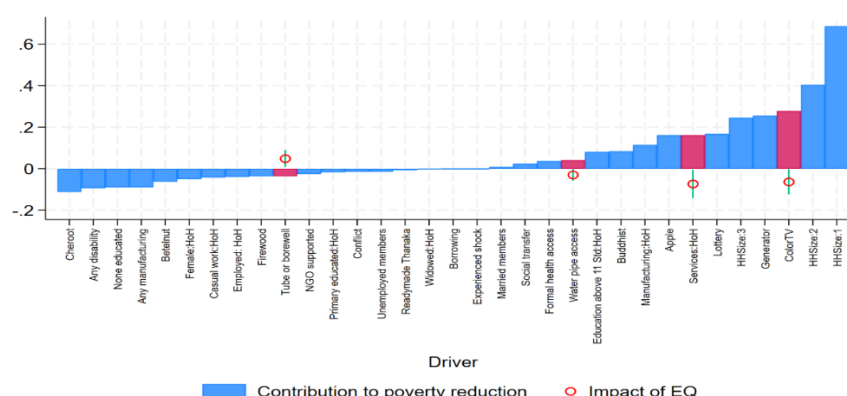
Figure 9: Earthquake's impact on consumption and poverty by shock levels



Source: Myanmar Subnational Phone Surveys (MSPS) – Earthquake round. Estimates are unweighted. Standard errors at 95 percent confidence level shaded in blue and red. All specification includes household and model fixed effects, where model one of 100 draws from the survey-to-survey imputation model (see Sinha Roy and van der Weide, 2023 Appendix 2 for details).

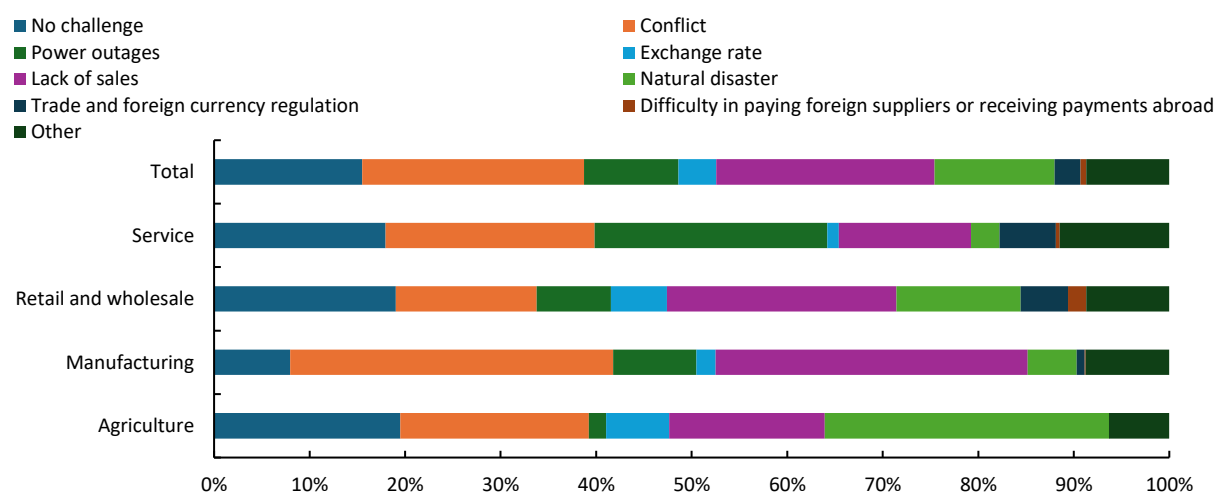
A more in-depth analysis reveals distinct distributional impacts of the earthquake based on households' pre-quake consumption levels and local exposure severity. In regions where shake intensity was below 6.5, changes in consumption and poverty were negligible. However, as intensity increased, so did negative outcomes: areas exposed to intensities above 8 experienced consumption drops exceeding 5 percent and poverty rates rising nearly 5 percentage points. Aid distribution was concentrated near the epicenter, underscoring persistent challenges in effectively targeting reconstruction support for communities with varied levels of damage. Eight months post-disaster, follow-up interviews indicated ongoing vulnerabilities in consumption, employment, and education, with recovery lagging among the hardest-hit households.

⁴ Controlling for in-sample composition is a statistical technique used to mitigate household selections bias when using two different household surveys: one before and after an event. The in-sample composition control technique is necessary because two surveys may not be perfectly comparable; it improves the external validity of the results.

Figure 10: Drivers of poverty reduction

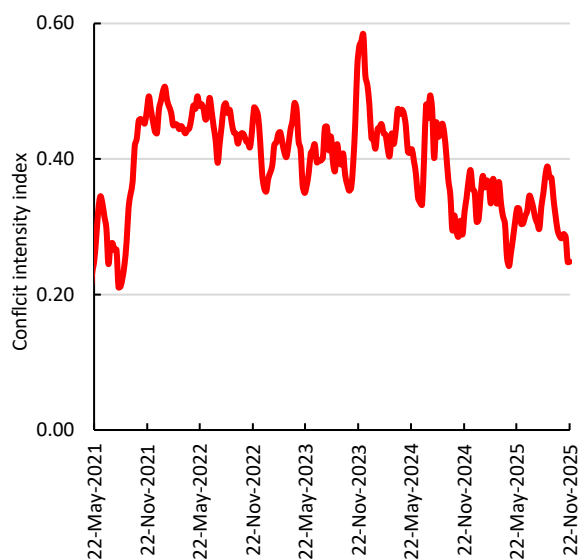
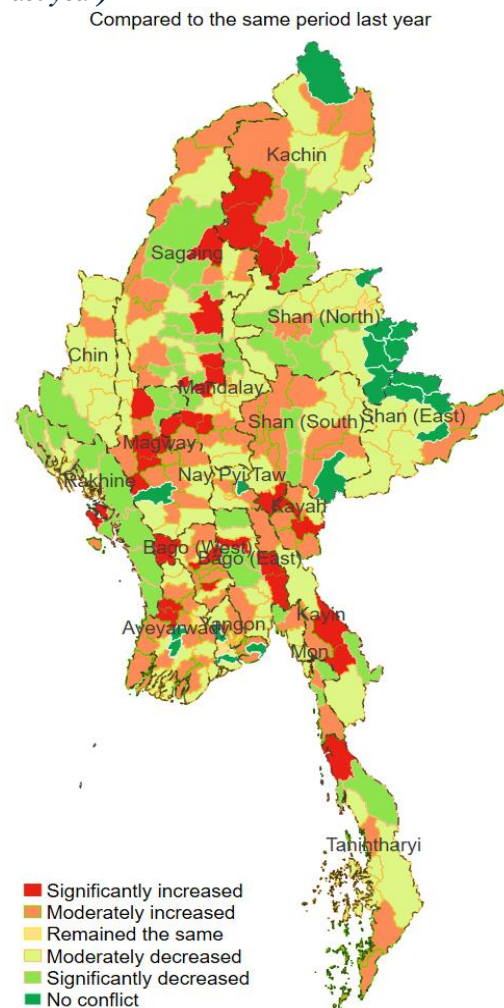
C. Businesses cite ongoing conflict, weak demand, and power shortages as their most pressing challenges

Three major obstacles stand out for businesses in Myanmar, with the first and most prominent being ongoing conflict (Figure 11). The conflict is worsening humanitarian conditions, disrupting markets, and complicating reconstruction efforts. Despite a decline in the aggregate conflict intensity index (Figure 12), fighting escalated in Kachin, Sagaing and southern Myanmar (Figure 13). Since September 2025, major offensives were launched by the military authorities to regain territory ahead of the December 28 elections. An additional 90,000 people have been displaced since July 2025, bringing total internally displaced persons (IDPs) to roughly 3.6 million as of November, with children making up one-third.⁵ Food insecurity has risen sharply: as of October, the World Food Programme (WFP) estimates 12.4 million people face acute food insecurity and 756,000 children are acutely malnourished. The United Nations estimates that around 22 million people now require humanitarian assistance. Conflict continues to disrupt cross-border flows, with key trade routes to China and Thailand closed. New controls introduced in mid-August have raised logistics costs and caused shortages of essential goods, including medical supplies and industrial inputs.

Figure 11: Challenges to firms' operations (percent of total)

Source: World Bank Firm Monitoring Survey (Round 20)

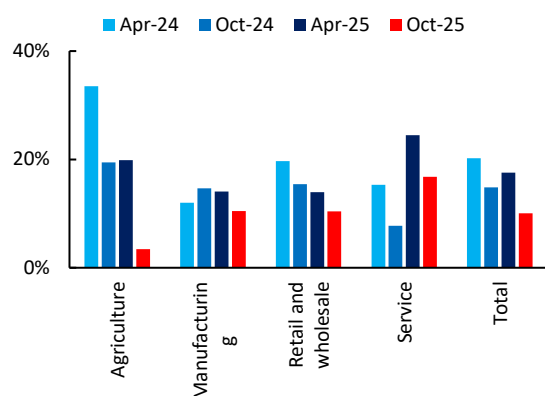
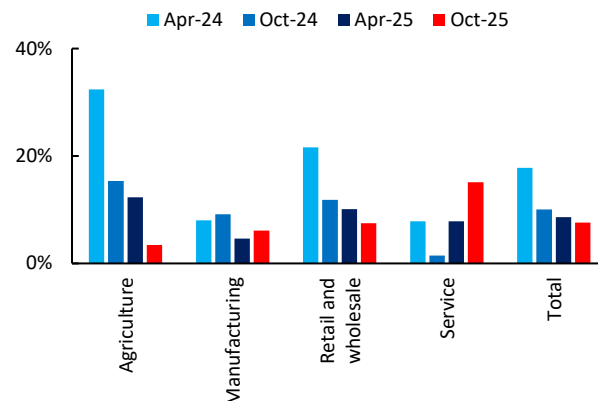
⁵ United Nations High Commissioner for Refugees (UNCHR) - Humanitarian Update November 2025.

Figure 12: Conflict weekly trends (conflict intensity index)*Figure 13: Change in conflict (January to October 2025 compared to the same period last year)*

Source: WB staff calculations using data from the Armed Conflict Location and Event Data Project (ACLED)

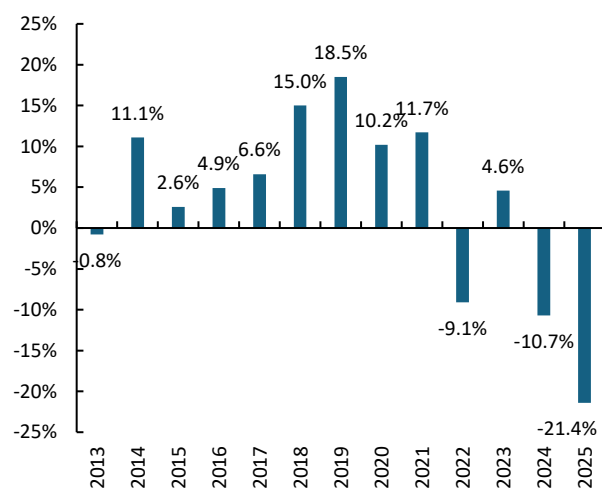
Note: Conflict intensity trend reflects 4-week moving average. Conflict intensity is calculated as a geometric mean of events and fatalities. Events include battles, explosions and remote violence, protests, riots, and violence against civilians. Fatalities represent the total fatalities resulting from each event.

Current conditions continue to significantly dampen domestic demand. Sales growth remained subdued: only 10 percent of firms reported higher sales in October, down from 18 percent in April (**Figure 14**). Profitability weakened further, with only 7 percent reporting profit increases compared with 9 percent in April (**Figure 15**). Services firms fared somewhat better, with 15 percent reporting higher profits. On average, sales fell by 14 percent and profits by 20 percent, reflecting higher operating costs, continued supply chain disruptions, weak demand and policy measures such as the closure of the Thailand-Myanmar land border since mid-August. Agriculture and trade showed relative resilience, but sustained recovery will depend on conflict dynamics, electricity reliability, and policy certainty.

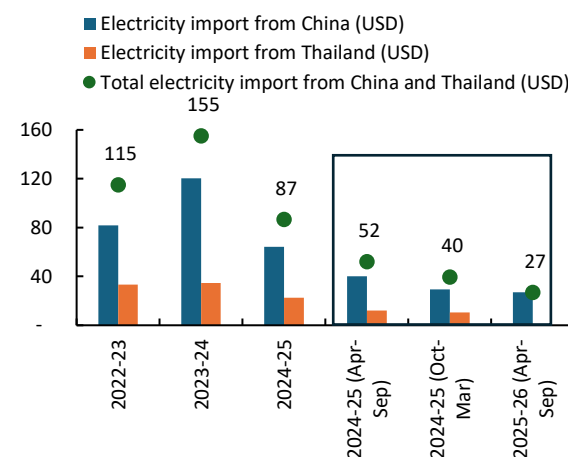
Figure 14: Firms reporting sales increase (percent of total)**Figure 15: Firms reporting profit increase (percent of total)**

Source: World Bank Firm Monitoring Surveys

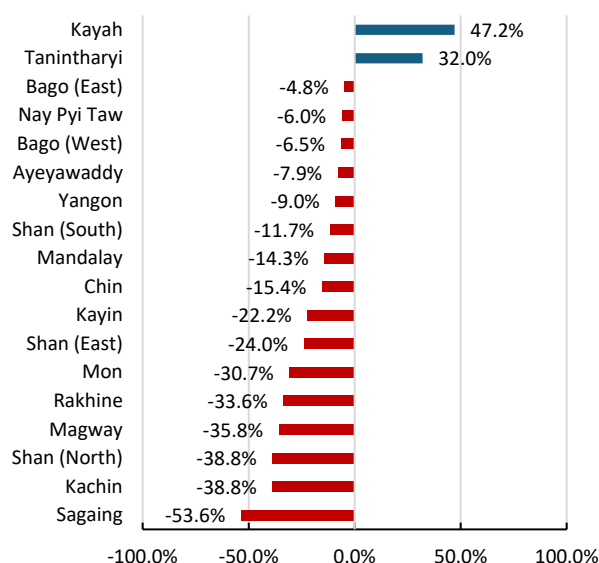
Power shortages continue to constrain economic activity. Nighttime lights (NTLs) data show sustained declines in luminosity of 9 percent in 2022, 10.7 percent in 2024, and 21.4 percent in the first nine months of 2025 (**Figure 16**). This is indicative of a broad-based decline in economic activity, particularly in manufacturing. Electricity generation averaged only 3,034 MW between January and September, far below the installed capacity of 6,880 MW, due to conflict-related damage to transmission lines, natural disasters, and reduced gas supply. Cross-border electricity imports fell 69 percent year-on-year (**Figure 17**). Nearly all regions reported marked declines in NTLs over the past year (**Figure 18**). In the October Firm Monitoring survey, 64 percent of firms reported outages (down from 75 percent in April), and firms increasingly relied on off-grid solutions: 32 percent adopted solar systems and 47 percent invested in diesel generators (**Figure 19**). Outage-related losses remain high at 15 percent of sales. The authorities plan to resume liquified natural gas (LNG) imports for the first time since 2022 to bolster gas-fired generation and stabilize supply.

Figure 16: Nighttime lights (percent change yoy)

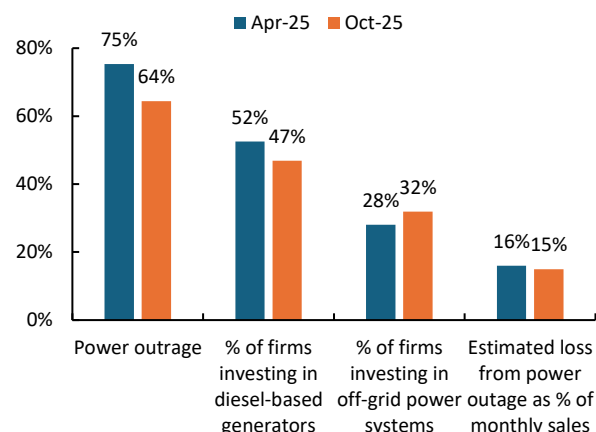
Source: NASA Black Marble

Figure 17: Electricity imports from China and Thailand (USD millions)

Source: Haver

Figure 18: Regional nighttime lights (percent change, Jan-Sep 2025 vs Jan-Sep 2024)

Source: NASA Black Marble

Figure 19: Power outages and firms' investment in alternative sources of power

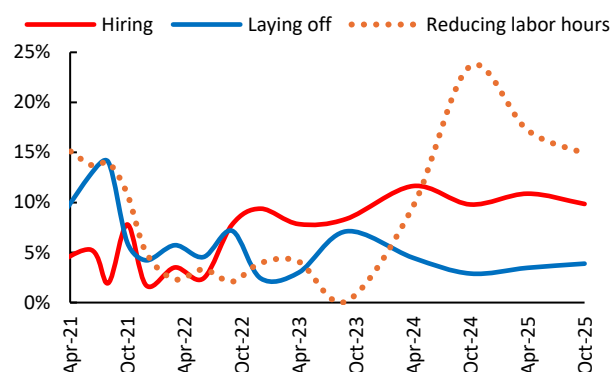
Source: World Bank Firm Monitoring Surveys

D. Labor market conditions continue to deteriorate as sustained emigration has further shrunk the supply of workers and skills

The earthquake resulted in a notable decline of approximately 6 percentage points in rural employment and labor force participation. While the overall composition of rural employment types (waged, self-employed or casual) remained reasonably large, the earthquake reduced the overall size of the rural labor market by 6 percentage points. In urban areas, total employment levels did not change; however, there was a 4-percentage point rise in unpaid or informal work, suggesting households adapted by reallocating labor to lower value-added activities.

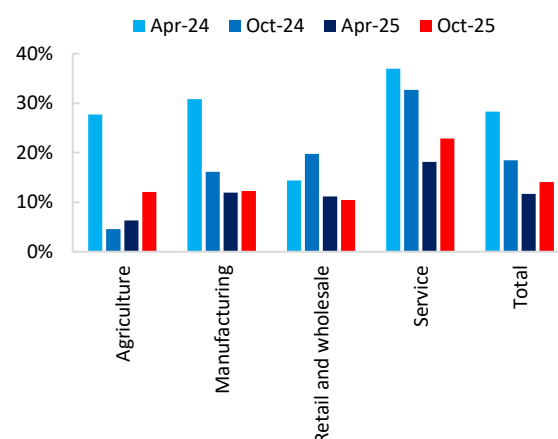
More generally, labor market pressures have persisted, reflecting rising resignations, migration, and a widening skills gap. Hiring activity softened as firms continued to face recruitment difficulties (Figure 20). The share of firms reporting vacancies edged down to 18 percent in October from 19 percent in April. Only 10 percent hired new staff, down from 11 percent in April. Staff resignations rose to 14 percent from 12 percent (Figure 21), driven in part by migration pressures linked to conscription and conflict. Resignation rates were highest in Mandalay (18 percent), the Delta and Coastal Lowlands (15 percent), and Yangon (14 percent). Of those resigning, 53 percent migrated abroad, and 37 percent relocated internally.

Figure 20: Firms reporting hirings, layoffs, and reducing labor hours (percent of total)



Source: World Bank Firm Monitoring Surveys

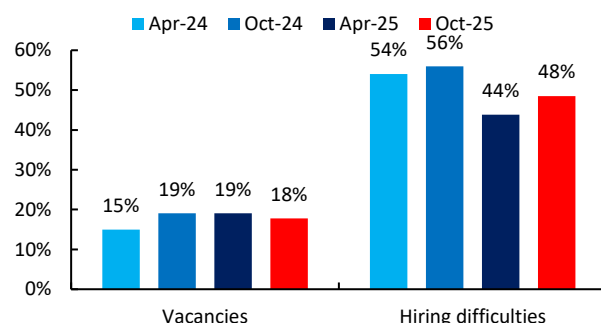
Figure 21: Firms reporting employee resignations (percent of total)



Source: World Bank Firm Monitoring Surveys

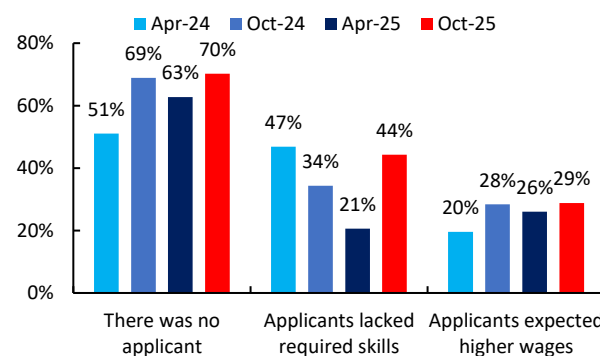
Hiring constraints persisted in October 2025, with nearly half of firms reporting recruitment difficulties, up from 44 percent in April (Figure 22). The most frequently cited obstacles were the lack of suitable applicants or candidates lacking the necessary skills (Figure 23), challenges that were particularly acute for highly skilled positions. At the same time, signs of stabilization emerged: the share of firms reducing working hours declined to 15 percent in October from 17 percent in April, consistent with the observed increase in operating capacity and production volumes. The manufacturing purchasing managers' (PMI) employment index improved from August through September before easing again in October, as hiring challenges resurfaced.

Figure 22: Firms with vacancies and proportion experiencing hiring difficulties (percent of total)



Source: World Bank Firm Monitoring Surveys

Figure 23: Types of hiring challenges reported by firms with vacancies (percent of total)



Source: World Bank Firm Monitoring Surveys

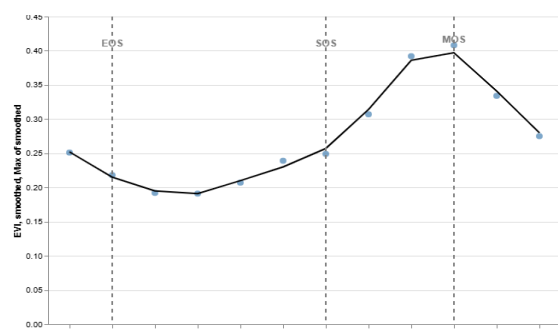
E. Stronger crop conditions face headwinds from low prices and conflict

Vegetation indicators signal stronger agricultural output, though regional disparities and price trends may weigh on yields. The Enhanced Vegetation Index (EVI)⁶ increased by 8.6 percent during the July–October period compared with last year, pointing to healthier vegetation and likely higher crop yields.

⁶ Numerous studies have successfully utilized EVI to predict yields of various crops, including maize, soybeans, and rice. For instance, Bolton and Friedl (2013) created a linear model using EVI to forecast soybean and maize yields in the Central United States. A study conducted in Thailand by Wijesingha et al. (2015) also found that maximum EVI had a correlation coefficient of 0.95 with rice yield, suggesting its potential utility for yield prediction.

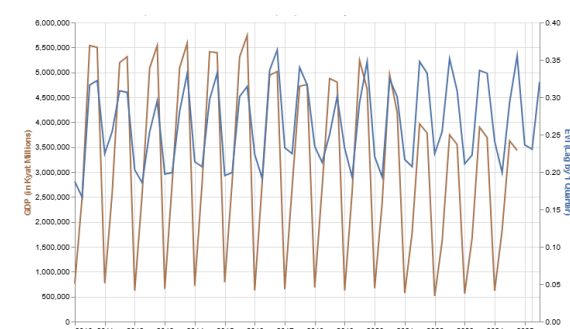
The EVI series captured key agricultural phenological stages, including start, middle, and end of season, aligning with standard monitoring practices (**Figure 24**). According to EVI data, the main season typically runs from July to February, peaking in October. Regional EVI patterns correspond closely with official cropland statistics in Sagaing, Ayeyarwady, and Bago, although satellite-based estimates were somewhat lower, particularly in Tanintharyi. Regression analysis confirms that lagged EVI is a robust and statistically significant predictor of agricultural GDP: a 1 percent rise in lagged EVI is associated with a 1.15 percent increase in agricultural GDP⁷, controlling for nighttime lights and in-season effects (**Figure 25**) (**Annex 1**).

Figure 24: Crop seasonality based on the Enhanced Vegetation Index (EVI)



Source: NASA MODIS. SOS = start of season; MOS = middle of season; EOS = end of season.

Figure 25: Agriculture GDP vs EVI over time (with 1 quarter lag)



Source: NASA MODIS

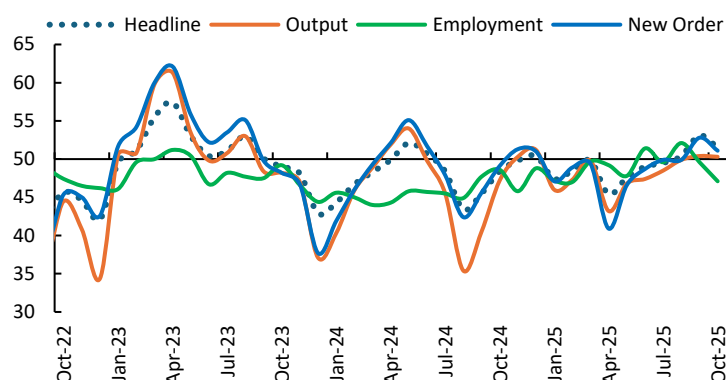
The October firm monitoring survey also points to improvements in agriculture, with operating capacity rising to 74 percent, up by 8 percentage points since April. However, a sharp decline in global rice prices, escalating input costs, and persistent conflict hinder the sector's performance. In Ayeyarwady, the main rice-producing region, the EVI fell by about 9 percent, indicating that lower global rice prices may already be influencing farmers' planting decisions.

F. Industrial activity has stabilized, yet power shortages, logistics disruptions, and weak capacity keep output below potential

Myanmar's manufacturing sector strengthened through November, with the PMI expanding for four consecutive months (**Figure 26**). Output and new orders increased, supported by rising demand for food products, textiles, and garments. Import substitution policies and targeted lending supported the food processing sector, though structural constraints continue to undermine performance (see Part 3). In garments, exits following U.S. tariff increases were offset by new entrants (**Figure 27 a/b**; mainly Chinese firms) leading to a net increase in active factories and a sharp increase in garments exports (Section C). Despite these gains, the sector continues to face significant constraints, including recurrent power outages, import restrictions, and operational disruptions linked to conflict and the recent earthquake. The closure of the Thai–Myanmar border and customs delays during September quarter have further raised delivery times and logistics costs. At the same time, manufacturers' buying activity has eased, and labor shortages have intensified, limiting the capacity to meet strengthening demand.

⁷ The coefficient of interest, EVI 1 Quarter Ago (log), has a 95% confidence interval of 0.849 to 1.380, indicating a strong and statistically significant positive relationship with agricultural GDP.

Figure 26: Myanmar Manufacturing Purchasing Managers' Indices (>50 indicates expansion, < 50 indicates contraction)



Source: S&P Global Market Intelligence.

Figure 27.a: Active and new factories

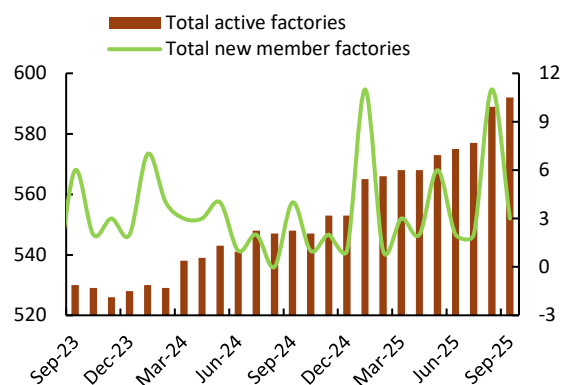
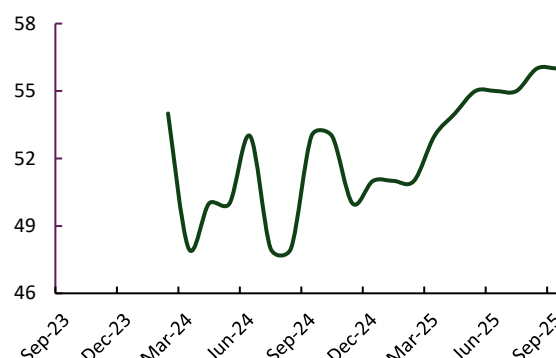


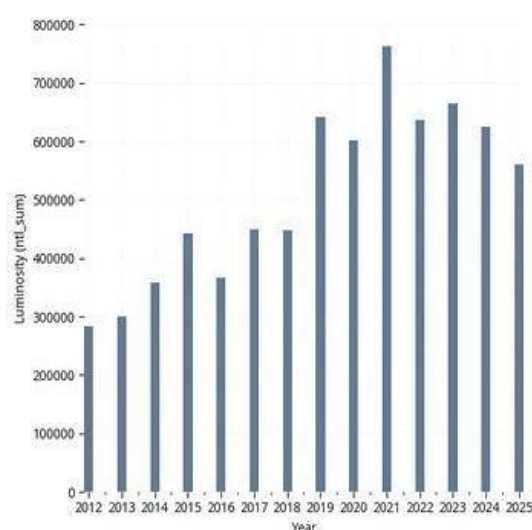
Figure 27.b: Temporarily closed factories



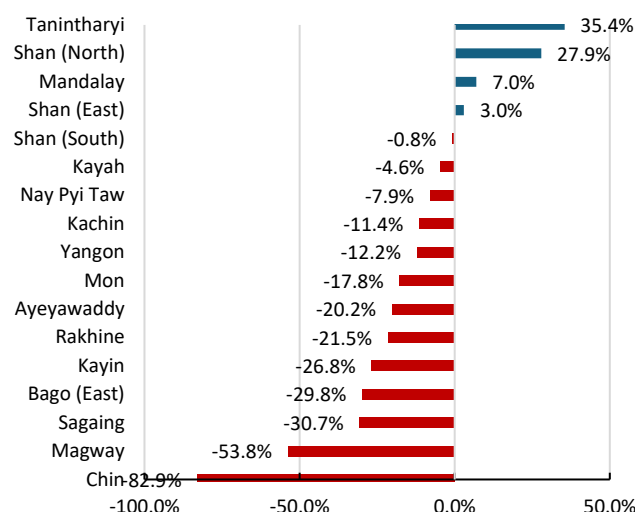
Source: Myanmar Garment Manufacturing Association.

Manufacturing production remains structurally weak, reflected in persistently low-capacity use and declining nighttime lights. Manufacturing firms operated at 63 percent capacity in October 2025, up only 1 percentage point since April. Nighttime lights data for industrial zones—strongly correlated with production activity⁸—have declined steadily since 2022 (**Figure 28**). Only a few zones, including Tanintharyi, Mandalay, and Shan (East), recorded increases in NTL in the nine months to September compared with the previous year (**Figure 29**). The overall decline indicates reduced electricity availability, shorter production shifts, and increased factory closures. Further, the share of manufacturing firms operating at full capacity fell to 18 percent in October from 24 percent in April, in contrast to rising full-capacity rates in other sectors. These trends indicate a protracted contraction rather than temporary disruption, with implications for jobs, exports, and supply chains.

⁸ Myanmar Economic Monitor June 2024.

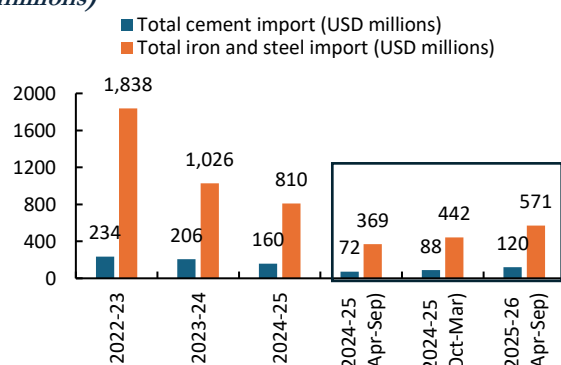
Figure 28: Nighttime lights in industrial zones

Source: NASA Black Marble

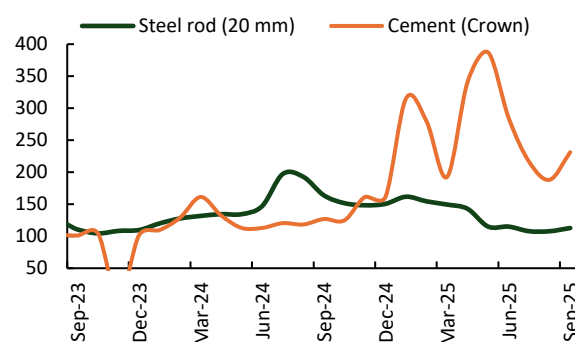
Figure 29: Regional Industrial Zone NTLs (percent change, Jan-Sep 2025 vs Jan-Sep 2024)

Source: NASA Black Marble

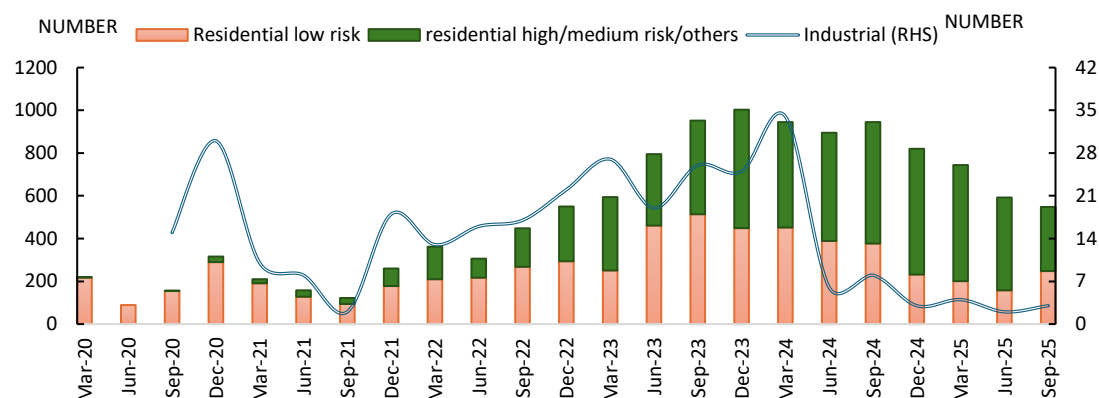
Construction activity presents a mixed picture in the aftermath of the earthquake. Aggregate activity has expanded, as evidenced by higher imports of construction materials (**Figure 30**), but growth remains concentrated in priority public works. Rebuilding efforts have focused on public infrastructure—housing for civil servants, administrative facilities, state-owned industrial sites, and select road and power projects. In contrast, progress in residential reconstruction across the hardest-hit areas remains slow. The World Bank's firm survey results indicate that fewer than half of affected firms have resumed repairs, with only 45 percent undertaking restoration of damaged facilities. Household survey data similarly show that only about half of affected households have resumed home repairs. Several factors continue to impede progress, including slow debris clearance, limited financial support, lengthy permitting procedures, and persistent labor shortages—despite daily wages have risen from an average of 10,000 to 25,000 kyats for laborers. Rising input costs have added further pressure. The cement price index, which fell sharply from its April peak immediately after the earthquake, has trended upward again since August (**Figure 31**). In Yangon, residential permit approvals declined sharply, falling by 57 percent from April to September compared with the same period a year earlier (**Figure 32**).

Figure 30: Imports of construction materials (USD millions)

Source: Haver

Figure 31: Construction materials price index (July 2023 = 100)

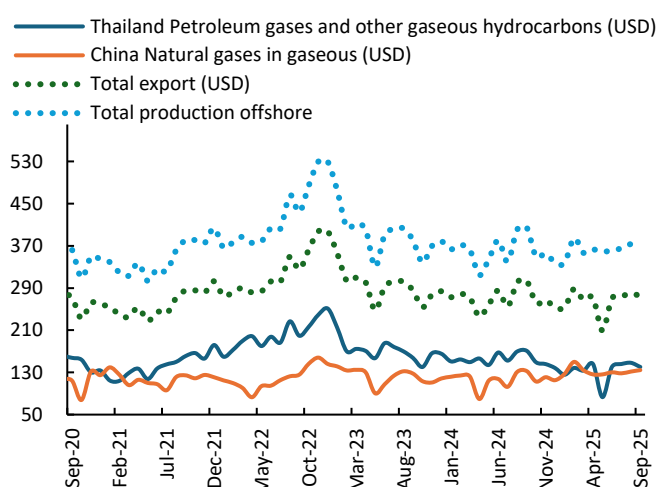
Source: Frontier Market Research

Figure 32: Construction permits issued in Yangon

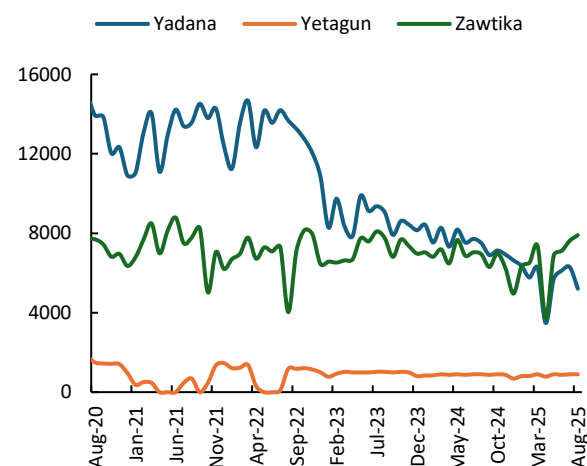
Source: Yangon City Development Committee.

Natural gas production increased modestly, but export earnings fell due to lower sales to Thailand.

Natural gas production rose by 3 percent between April and September, but export values declined by 3 percent (**Figure 33**). Exports to China (41 percent of total) rose by 15 percent, while exports to Thailand fell by 16 percent, reflecting reallocation of supply to domestic power generation and declining reserves. Average monthly exports to Thailand dropped to 4,293 million cubic feet, 3 percent below last year's levels (**Figure 34**). Producers are planning investments to stabilize supply, including infill drilling at the Yadana field and expansion at the M-9 Zawtika block.

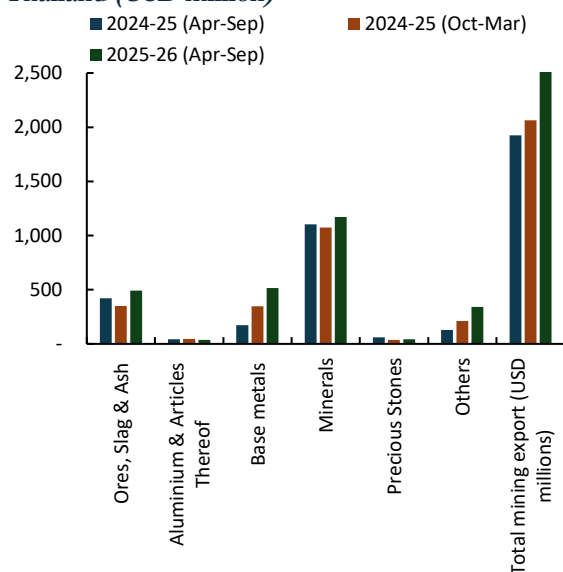
Figure 33: Natural gas exports (USD millions)

Source: Haver.

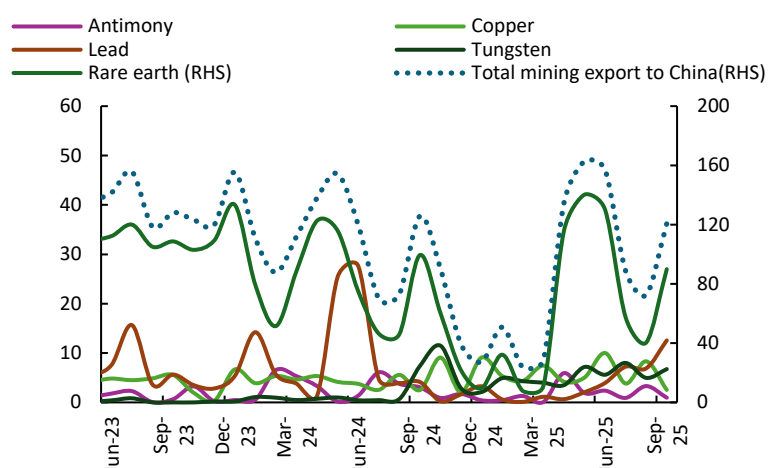
Figure 34: Export volumes to Thailand (million standard cubic feet per day)

Source: Thailand Custom Department.

Mining output expanded strongly, driven by rare earths and base metals, though much activity remains informal and environmentally damaging. Mining exports rose 26 percent from April to September compared with the previous six months, supported by demand from China and **Thailand** (**Figure 35**). Chinese customs data show rising imports of rare earths, antimony, lead, and tungsten from Myanmar (**Figure 36**), despite limited reflection in Myanmar's official trade data—indicating large-scale informal extraction. Tin production resumed after a two-year pause but remains outside official oversight, with output constrained by logistics issues, regulatory uncertainty, and Thailand's transit ban. Myanmar accounts for around 10 percent of global tin ore exports. Precious stones and zinc output increased by about 17 percent relative to last year. Unregulated mining continues to contribute to deforestation and water pollution.

Figure 35: Myanmar mining exports to China and Thailand (USD million)

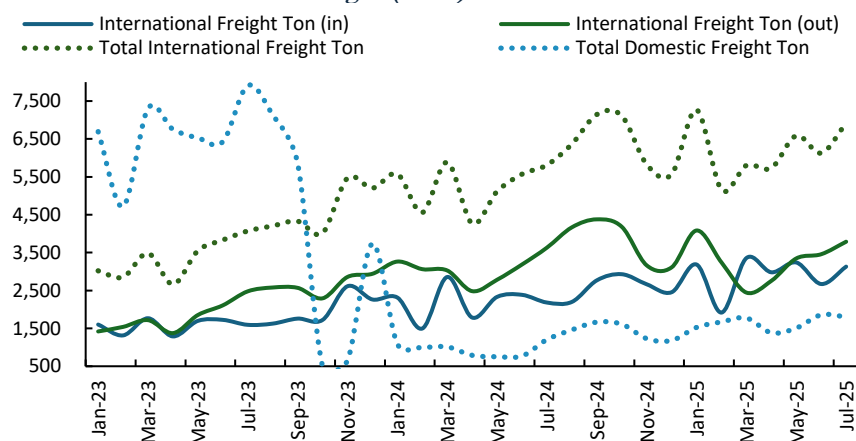
Source: Haver

Figure 36: Mining exports to China (USD million)

Source: China Customs Department.

G. Services performance has been mixed as maritime and air freight strengthened, while tourism, retail, and digital services lagged

Myanmar's transport sector is undergoing a modal shift toward air and sea freight due to conflict, border closures, and increased humanitarian supplies. International air cargo volumes rose by 22 percent year-on-year between April and July (**Figure 37**). Border restrictions with Thailand and China shifted high-value shipments to air and maritime transport. Container throughput grew 20 percent year-on-year from April to August, and scheduled container vessel calls increased by 20 percent, averaging 62 per month up from 51 last year. Domestic air freight volumes also rose as firms sought safer and more reliable transport options. Conflict-affected areas—including Homalin, Kyaukphyu, Mandalay, Monywa, Mawlamyine, Myeik, Myitkyina, and Sittwe—recorded strong increases in air cargo. These shifts have raised logistics costs, contributing to higher consumer prices and supply shortages.

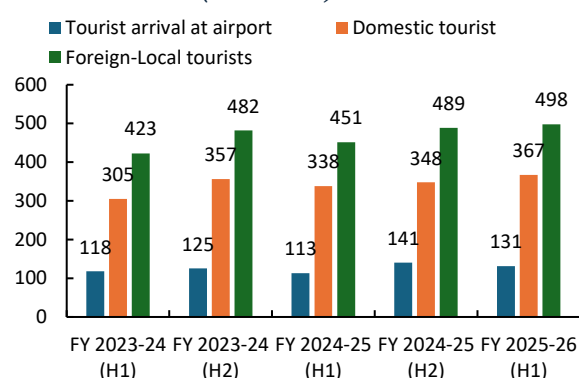
Figure 37: International and domestic air freight (Tons)

Source: Department of Civil Aviation.

Tourism activity remains depressed, with arrivals far below pre-pandemic levels. International air arrivals fell 7 percent from April to September (**Figure 38**). Overall international arrivals remain 75 percent below 2019 levels and well behind tourism recovery elsewhere in East Asia and the Pacific (**Figure 39**). Domestic air travel increased by 5 percent, reflecting the sector's reliance on local travelers. Conflict and political instability continue to deter visitors, keeping many hotels in major destinations such as Ngapali

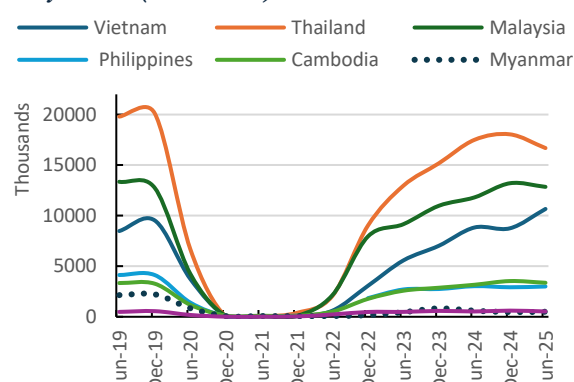
Beach, Bagan, Inle Lake, and the Myeik Archipelago either closed or operating seasonally. Firms prioritized liquidity management and risk mitigation while depending on domestic tourism for limited recovery.

Figure 38: International tourist arrival by air and domestic tourist (thousands)



Source: Tourism businesses.

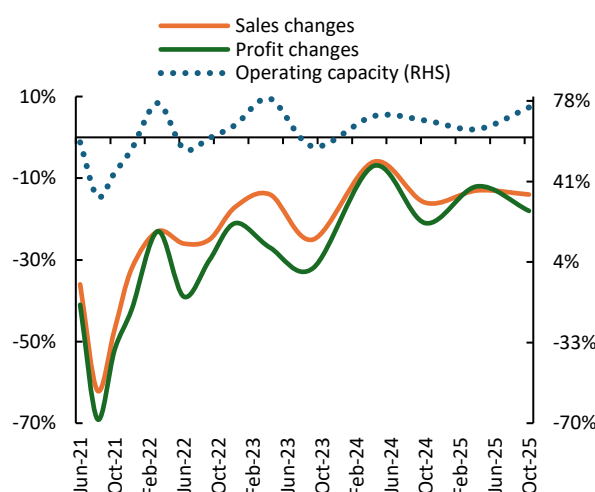
Figure 39: International tourist (bi-annual) arrivals to Myanmar (thousands)



Source: Haver.

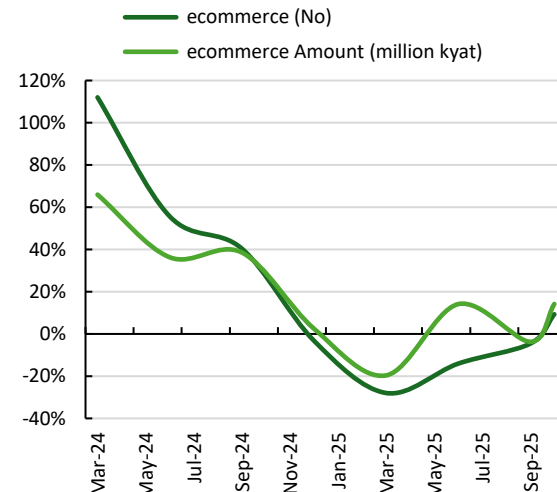
Wholesale and retail activity remains weak, pressured by high inflation, supply constraints, and reduced purchasing power. Wholesale and retail operating capacity rose to 75 percent in October (Figure 40), supported by the reopening of earthquake-affected markets. However, average sales fell 14 percent, matching April levels. The share of firms citing low sales as their main constraint rose to 24 percent, up from 15 percent. Price controls on essential goods reduced margins for retailers and wholesalers, while conflict and logistical disruptions continued to constrain supply. By October, half of wholesale and retail firms had returned to pre-earthquake levels. Traditional wholesale and retail trade⁹—accounting for roughly 90 percent of rural sales—faced shortages of imported inputs, stock constraints, and tighter border regulations. Domestic products, especially processed foods, now account for more than half of retail sales. E-commerce sales have been limited by connectivity challenges, import restrictions and regulatory barriers as transactions declined by 4 percent from July to September quarter compared to the same period last year (Figure 41).

Figure 40: Operating capacity, sales and profit changes (percent)



Source: World Bank firm survey.

Figure 41: E-commerce sales (year on year growth)

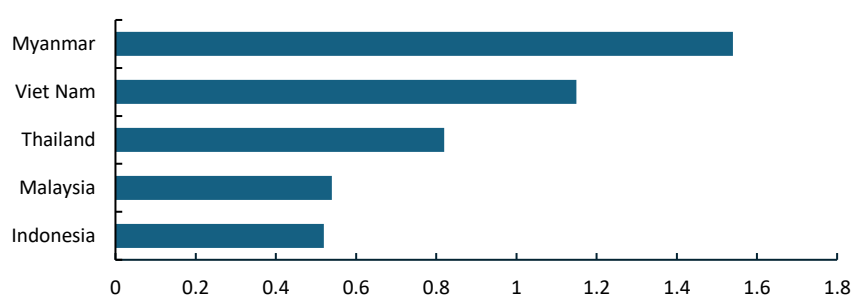


Source: Digital service providers.

⁹ Traditional wholesale and retail trade refers to whole and retail marketing and distribution channels that are outside modern, formal supermarkets and hypermarkets and typically include small, low-capacity or family-run shops or stores, stalls, street vendors, etc.

The digital sector has stalled, with high costs, regulatory uncertainty, and infrastructure weaknesses widening the digital divide. Once driven by rapid 4G expansion, Myanmar's telecommunications sector has stagnated under political instability, regulatory tightening, and frequent power outages. Only 44 percent of the population was online in January 2025, reflecting widening gaps in broadband access, affordability, and digital literacy. The March 2025 earthquake exposed significant vulnerabilities, causing a four-day nationwide internet blackout and an economic loss of US\$10.2 million¹⁰, excluding broader spillover effects. Mobile data and voice tariffs amount to 1.5 percent of GNI per capita—well above regional comparators (**Figure 42**). Regulatory changes, including restrictions on Virtual Private Network (VPN) use have increased compliance costs¹¹ and disrupted business operations. Market structure is shifting as smaller providers (e.g., YTP and GlobalNet) expand and major players exit (Axiata Group announced its departure citing deteriorating conditions). US sanctions imposed on Mytel in January 2025 add further risks. While modernization efforts on fiber optics, 5G, and digital payments continue, structural challenges threaten the sector's ability to support inclusive growth and broader digital transformation in Myanmar.

Figure 42: Mobile data and voice low-consumption basket (percent GNI per capita)



Source: International Telecommunications Union's (ITU)¹²

H. Despite easing price pressures, inflation remains high due to persistent supply side constraints

Inflation has eased since April 2025, reflecting currency appreciation and improved food supply conditions (Figure 43). End-period inflation declined to 19.8 percent year-on-year in October 2025, down from 29.7 percent in October 2024 (**Figure 44**). Average inflation fell from 27.9 percent in April–October 2024 to 23.1 percent in the same period of 2025. The decline was driven primarily by slowing food inflation, supported by a stronger Kyat, the strict enforcement of food price controls, increased humanitarian assistance in rural areas, and easing supply constraints in parts of the country. Food inflation decelerated sharply, while nonfood inflation remained elevated. Lower volatility in staple food prices and targeted relief measures helped moderate food costs. In contrast, average nonfood inflation increased to 26.3 percent from 25.6 percent in the same period last year. Price pressures were strongest in energy, health, transport, and tourism due to import restrictions and conflict-related disruptions. Month-on-month inflation shows

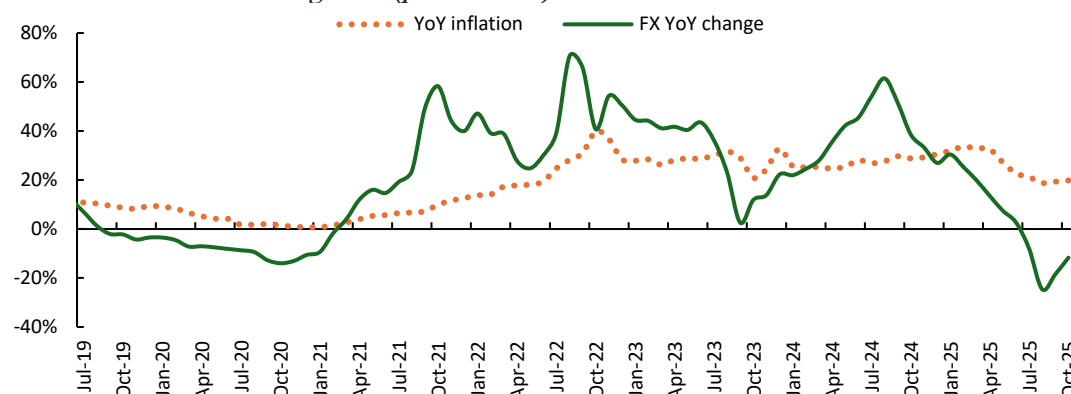
¹⁰ World Bank staff estimated economic loss from the earthquake using the Internet Society Pulse NetLoss Calculator (2024). The NetLoss Calculator uses an economic framework to estimate the impact of Internet shutdowns on a range of economic, social, and other outcomes and uses econometric tools to provide 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. See the [full methodology](https://pulse.internetsociety.org/en/netloss/) at <https://pulse.internetsociety.org/en/netloss/>

¹¹ The 2025 Cybersecurity Law introduced real-time monitoring across 13 networks serving over 33 million users, raising compliance costs for business.

¹² International Telecommunications Union's (ITU) mobile data and voice low-consumption basket is based on a monthly usage of a minimum of 70 voice minutes, 20 SMSs, and 500 MB of data using at least 3G technology.

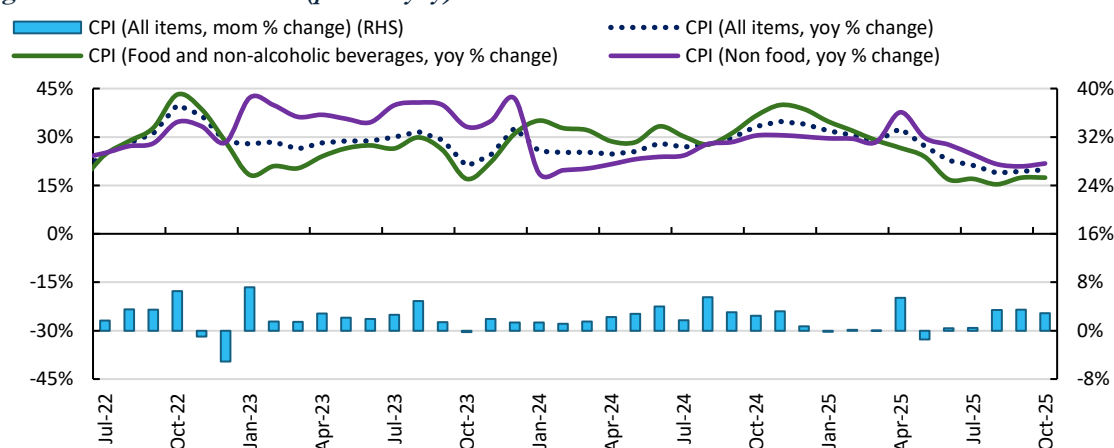
signs of disinflation, indicating moderating short-term price pressures despite persistent structural nonfood inflation.

Figure 43: Inflation and exchange rate (percent YoY)



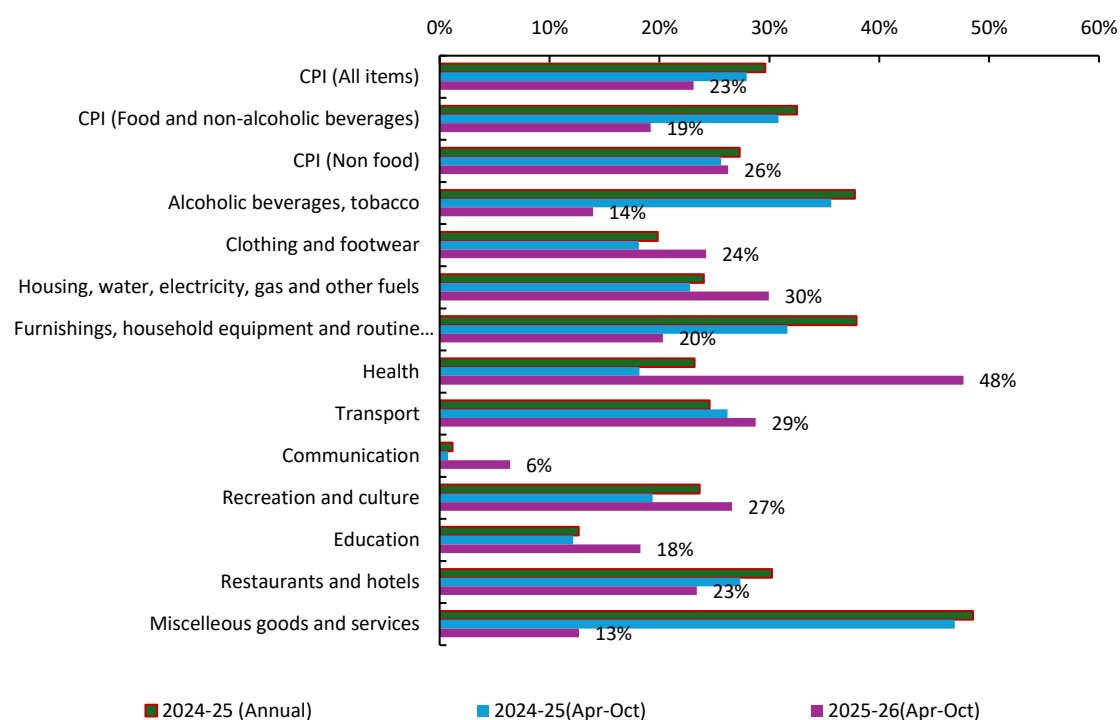
Source: Exchange market, CSO and ADB-World Bank price survey

Figure 44: CPI Inflation rate (percent yoy)



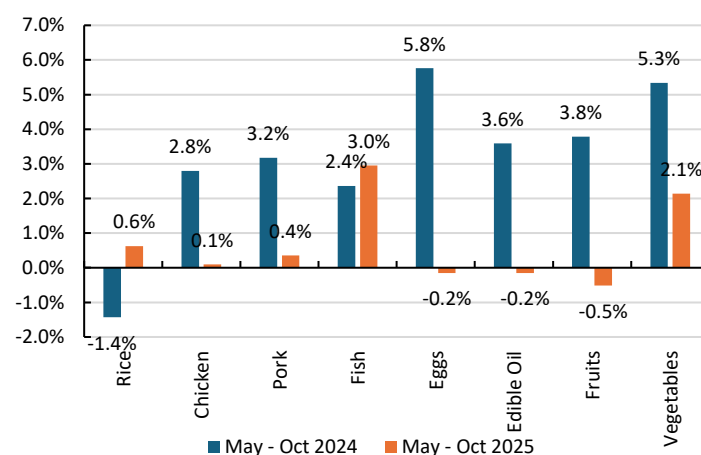
Source: CSO, CBM and ADB-World Bank staff.

Non-food prices rose due to import restrictions, conflict-related disruptions, and higher energy tariffs. Non-food prices have increased steadily over the past six months as import restrictions and conflict-related disruptions drove costs for health, housing, energy, transport, and recreation (**Figure 45**). Health sector inflation surged to 49 percent in April–September 2025, up from 17 percent a year earlier, due to shortages of drugs and medical supplies caused by import controls, border closures, and transport bottlenecks. Transport inflation increased to 31 percent, about 5 percentage points higher than a year ago, as higher logistics costs and passenger fares reflected greater security risks, multiple road tolls, and informal checkpoint payments. Rising internal displacement due to conflict and natural disasters raised demand for housing and contributed to higher rents. Electricity tariff adjustments in late 2024 and frequent power outages kept household and business energy costs high. As a result, inflation in housing and energy reached about 30 percent. Strong demand for recreation, cultural activities, and education services also contributed to higher prices in these sectors.

Figure 45: Inflation by categories (yoy, April-October)

Source: CSO and ADB-World Bank price survey

Food inflation showed clear signs of moderation between May and October 2025, as monthly price changes slowed across most food categories compared to the same period in 2024. Key staples such as eggs, edible oil, and fruits shifted from strong price increases last year to slight declines, reflecting improved supply conditions and easing cost pressures (Figure 46). Other categories, including chicken and pork, saw significant deceleration, with growth rates near zero. Fish remained an exception, posting a moderate price rise. Rice prices, which declined in 2024, turned slightly positive, suggesting stabilization. Overall, the broad-based slowdown in food price increases points to easing inflationary pressures, likely driven by improved production and supply chain normalization from earthquake disruptions.

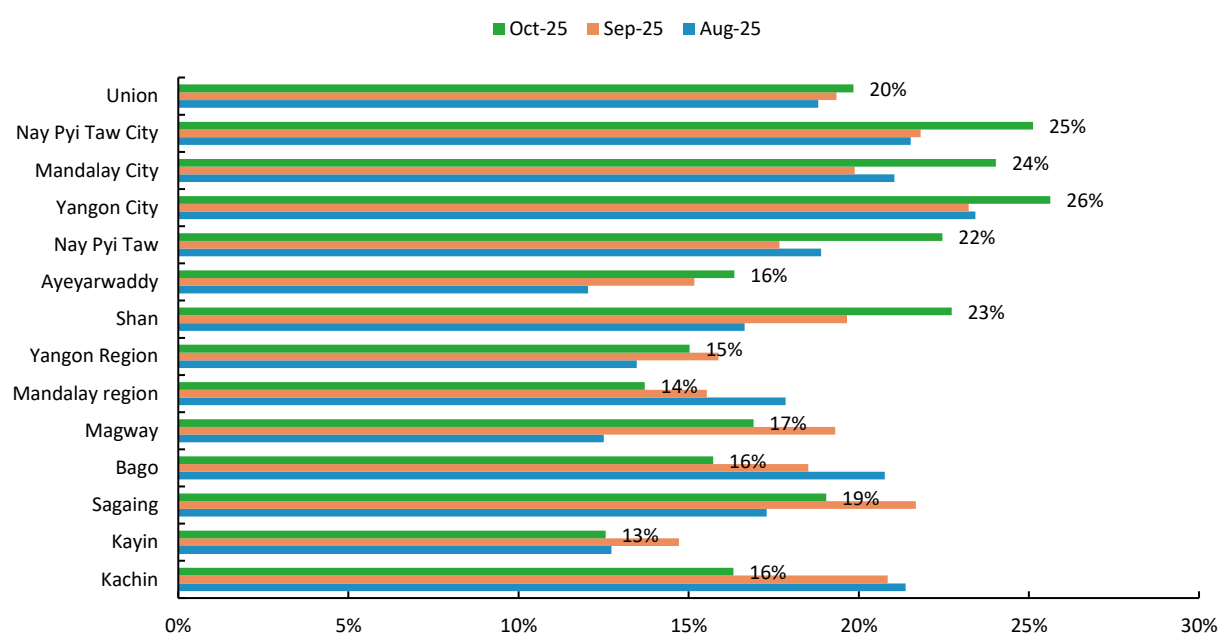
Figure 46: Average monthly food price changes (percent mom)

Source: ADB-World Bank price survey.

Inflation remained highest in major cities and conflict-affected regions, reflecting higher logistics costs and more frequent shortages. Subnational data show that inflation stayed elevated in major urban centers and conflict-affected regions. Headline inflation ranged between 21 and 26 percent in Yangon,

Mandalay, and Naypyitaw during April–September 2025 (**Figure 47**). The increase in these cities was driven mainly by higher non-food prices in health, recreation and culture, restaurants and hotels, and energy since May. Urban markets faced stronger price pressures than rural areas because of higher logistics, transport, and operating costs, as well as increased demand due to inflows of internally displaced persons. Conflict-affected areas such as Bago, Kachin, Magway, Shan, and Sagaing recorded headline inflation rates of 18–26 percent. These outcomes were driven by transport disruptions, conflict-related restrictions on commodity flows, and checkpoint delays. Both urban and conflict-affected areas experienced frequent shortages of essential items due to trade restrictions and logistics bottlenecks (see Box 2 on Market Functionality). By contrast, rural areas within Yangon, Ayeyarwady, and Mandalay Regions recorded inflation rates of 15 percent or lower between April and September 2025, reflecting more localized supply chains and lower consumption intensity.

Figure 47: Subnational inflation (percent)



Source: ADB-World Bank price survey

Box 2: Market Functionality and Price Trends

During the April–September 2025 ADB–World Bank price surveys, 21 commonly missing items were identified across 29 of the 30 townships covered. These items included seven food products—mainly fish, fruits, and vegetables—and fourteen non-food products, such as medical supplies, construction materials, detergents, and durable goods including televisions, motorcycles, and mobile phones. These products were absent from major markets for periods of up to three months, with most reappearing after around two months. The higher frequency and duration of shortages of non-food products contributed to non-food inflation rising to about 27 percent during the period. Health sector inflation reached 49 percent, driven largely by shortages of medical supplies. Although food inflation eased between April and September, prices for some staples, especially protein-rich items, remained elevated.

The rise in shortages in major markets nationwide was driven mainly by stricter import regulations, border closures aimed at curbing informal trade, and security-related disruptions affecting transport corridors. Earthquake-induced damage to factories also led to prolonged shortages of construction materials and detergents. These challenges were compounded by closure of the Thailand–Myanmar border at Myawaddy, limitations on air cargo and maritime imports, and more rigorous inspections of transported goods. These factors raised logistics costs and extended the duration of commodity shortages.

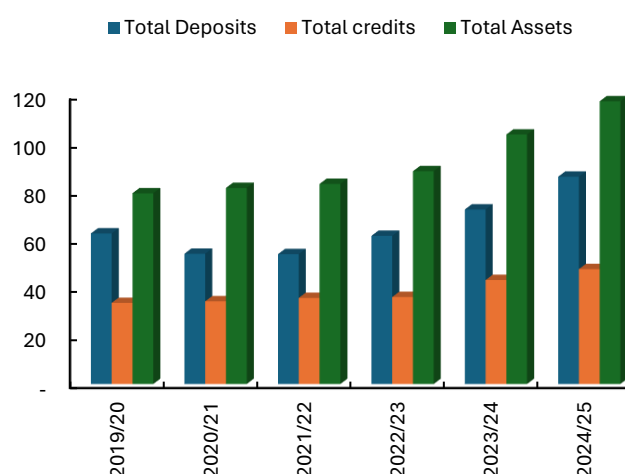
Commodity shortages were most severe in conflict-affected areas, where supply chains were disrupted by fighting, multiple checkpoint inspections and tolls, and quantitative limits on the transport of bulk goods such as rice, oil, fuel, and medicine. These conditions increased hardship for internally displaced persons and other vulnerable groups. Retailers responded by shifting to lower-quality domestic products, which eased some price pressures but did not fully offset the impact of strong demand in urban areas.

According to the World Food Programme's latest market functionality survey, local markets face substantial challenges that affect price formation. In July, only 20 out of 57 townships had fully functional markets, while 34 had limited functionality and 3—Sagaing in Sagaing Region and Namhsan and Namtu in Northern Shan—were rated as having poor functionality. Market ratings are based on scores for accessibility, availability, affordability, resilience, and infrastructure. Limited or poor market functionality was mainly due to access barriers and insecurity linked to armed conflict in parts of Sagaing, Northern Shan, and other regions. Vendors identified the increased presence of armed groups in local markets as a key obstacle to market access.

I. The financial sector stayed resilient amid challenges

Myanmar's financial sector appeared generally resilient despite intensifying macroeconomic and socio-political pressures. The country's ongoing inclusion on the Financial Action Task Force (FATF) blacklisting¹³ requires enhanced due diligence for cross-border transactions, raising costs for trade finance and capital flows. Conflict, foreign exchange controls, elevated inflation, and the March 2025 earthquake added pressure to systemwide liquidity and balance sheets. However, confidence in the banking system improved during FY2024/25, supported by continued growth in private credit and demand deposits (Figure 48).

Figure 48. Key bank aggregates (Kyat trillions)



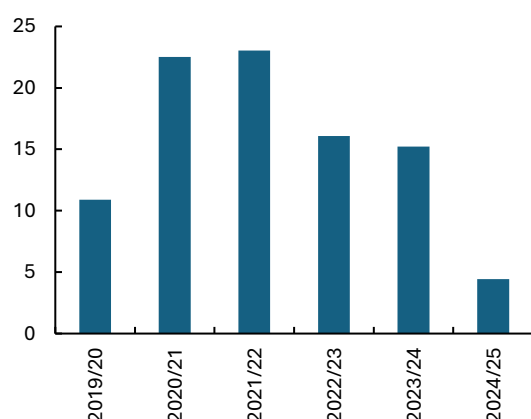
Source: CBM.

Bank asset quality is supported by restructuring and stronger collateral values, however, a comprehensive assessment of asset quality remains limited by lack of data. The NPL ratio for a sample of selected banks declined to 4.4 percent in FY2024/25 from 15 percent the previous year (Figure

¹³ In June 2025, Myanmar continued to be designated as a high-risk jurisdiction subject to a call for action, with five recommendations identified for implementation. As of the most recent review on October 24, FATF reported that Myanmar has satisfied only one of the five recommendations. Myanmar has amended its Counter-Terrorism Law, Trust Law, and enacted new legislation on confiscated assets. Myanmar has until February 2026 to enact the remaining four FATF recommendations or risk strict countermeasures.

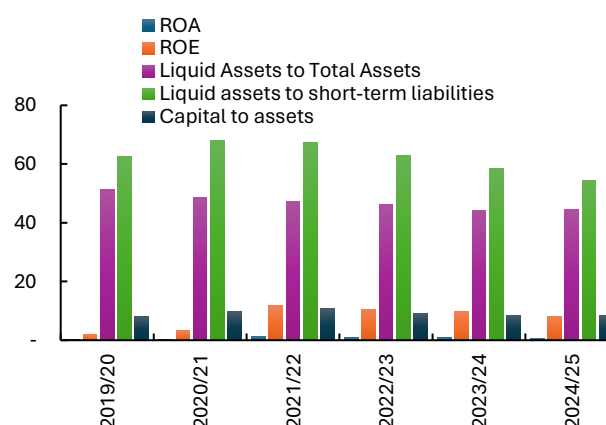
49). Improvements reflect write-offs and restructuring under the CBM's 2022 directive¹⁴, complemented by improved credit underwriting. Banks continue to rely heavily on collateral, typically valued at 50–70 percent of forced-sale value. Rising property prices since 2021 boosted collateral values and supported repayment. Total provisions increased to 1.6 trillion kyat (US\$762 million), compared with 1.5 trillion kyat (US\$714 million) the previous year.

Figure 49: Estimated NPL ratio (Percent)



Source: Public reporting from sample of commercial banks (2024/25 data covers for 4 banks representing 15 percent of banking assets), World Bank Staff estimates.

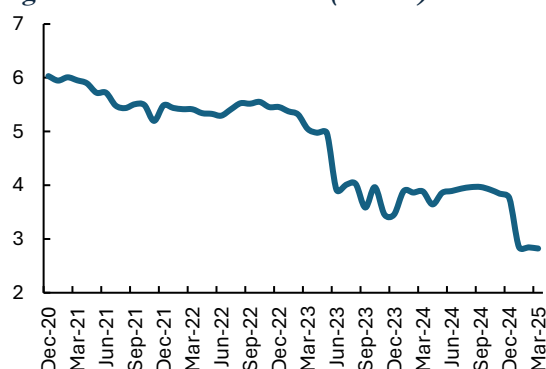
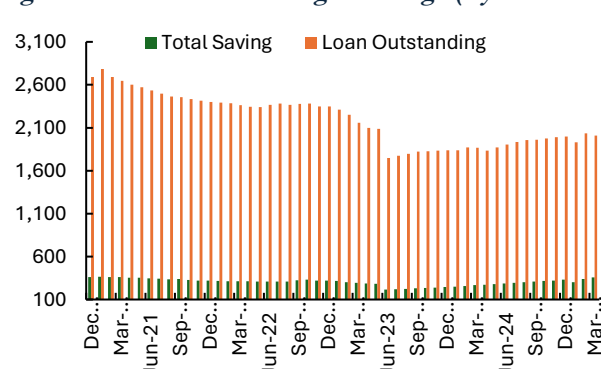
Figure 50: Financial Soundness Indicators (percent)



Source: CBM.

Liquidity conditions appear comfortable, although capital buffers have eroded and profitability declined. The average liquidity ratio reached 54.5 percent (well above the 20 percent minimum) indicating sufficient liquidity for further lending. The credit-to-deposit ratio remained moderate at 62 percent, down slightly from 64 percent (**Figure 50**). However, capital adequacy weakened: the capital-to-assets ratio fell to 8.3 percent from 9.6 percent, only marginally above the 8 percent regulatory minimum. Rapid credit growth and stagnant capital injections contributed to this decline. Bank profitability, demonstrated by the ROA and ROE, weakened in March 2025 reflecting higher loan-loss provisions, costs associated with rescheduling NPLs, and increased interest expenses on deposits.

¹⁴ In 2022, the CBM issued a “Notification on Restructuring and Write-off of Loans” which called on banks to have board approved policies governing loan provisioning, risk management of loans and investments and the procedures by which loans (other assets) are restructured and written off.

Figure 51: Number of clients (million)**Figure 52: Loans outstanding & savings (Kyat billions)**

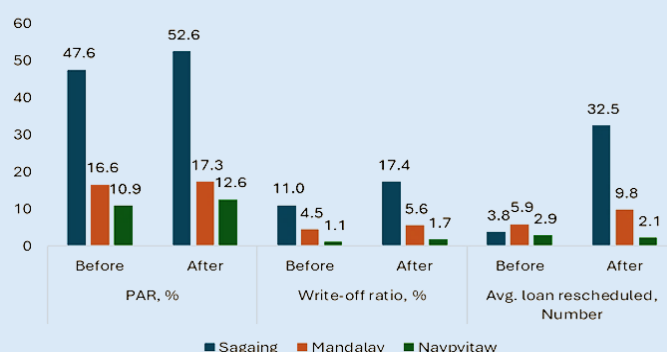
Source: FRD

The microfinance sector contracted sharply due to conflict, inflation, and the earthquake. The microfinance sector continued to face severe operational strain. Total clients declined by 27 percent—from 3.9 million to 2.8 million (**Figure 51**)—driven by conflict-related displacement and MFI closures. Despite reduced outreach, outstanding loans increased by 8 percent to 2,007 billion kyat, while savings grew by 35 percent to 358.7 billion kyat. The sector remains far smaller than in 2021, when it reached 6 million clients and 2,800 billion kyat in outstanding loans (**Figure 52**). Ongoing conflict and the recent earthquake have significantly impacted MFIs (**Box 3**), reducing outreach in conflict zones. Many MFIs shifted lending to safer regions and wrote off pre-June 2022 microloans from conflict areas. The current NPL ratio for new loans remains low, with repayment rates of 98 percent in non-conflict areas.

Box 3: Rapid Post-Earthquake Survey of MFIs in Myanmar¹⁵

The World Bank conducted a rapid post-earthquake survey¹⁶ to evaluate the earthquake's effects on the financial health, operations, and client portfolios of Myanmar's microfinance institutions (MFIs), and to identify recovery needs. Covering 37 out of 83 MFIs in affected regions, the survey employed quantitative questionnaires and interviews, comparing data from before (February 2025) and after (June 2025) the earthquake.

The findings confirm that the disaster exacerbated existing structural vulnerabilities. Financial stress intensified, with 56 percent of MFIs reporting a decline in total assets while liquidity ratios dropped from 46 percent to 36 percent. Loan portfolio quality deteriorated, especially in Sagaing, where the portfolio at risk (PAR) over 30 days increased from 48 percent to 53 percent (**Figure 53**). Write-off ratios rose from 11 percent to 17 percent. Agricultural borrowers faced the greatest repayment challenges, followed by those in trade/retail and services. The number of borrowers and average loan sizes declined, while operational capacity and staff morale were severely affected by fear, anxiety, and displacement.

Figure 53: Key Financial Indicators

Source: World Bank Staff and Myanmar Microfinance Association

¹⁵ The Rapid Post-Earthquake Survey of MFIs was carried out in collaboration with the Myanmar Microfinance Association.

¹⁶ The survey findings will be published in 2026.

Despite these pressures, most MFIs maintained operational continuity—78 percent of branches stayed open, and over half retained their workforce, although Sagaing saw notable reductions. Resilience was supported by diversified funding (43 percent benefited from parent organizations) and ongoing digital transformation, highlighting the importance of adaptable funding and technology. While a third of MFIs remain cash-based, digital payment adoption (KBZ Pay and Wave Money) was high.

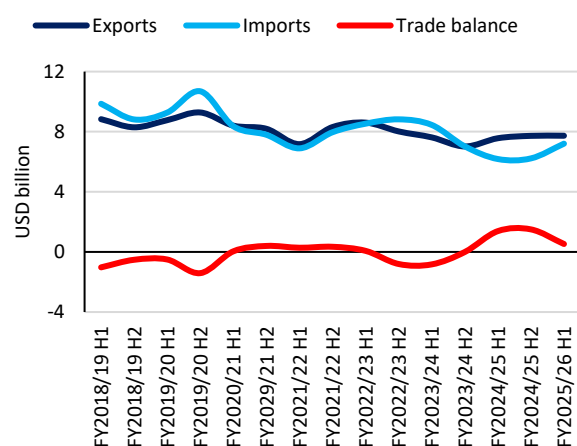
Adaptive strategies were adopted to post-earthquake recovery efforts. 60 percent of them involved modified repayment schedules, resulting in more rescheduled loans in Sagaing and Mandalay. New loans for recovery and renovations represented 23 percent of those strategies while 4 percent included emergency credit products. Institutions shifted toward individual lending to streamline post-disaster management, with 13 percent providing financial literacy training. MFIs identified renegotiated loan terms, emergency relief funding, and skills training as the most valuable support for client recovery.

While operations are gradually recovering, expansion remains constrained by a challenging environment and limited funding. 44 percent of MFIs plan geographic expansion, reflecting a cautious approach to branch expansion especially to high-conflict regions. In addition, only 20 percent are considering new products underscoring existing constraints. The sector remains focused on consolidation and recovery, as reported by 28 percent of MFIs. Notably, 83 percent of MFIs indicated they could operate for over six months without new capital, but 65 percent anticipate needing additional capital within the year. To enhance resilience, MFIs focus on bolstering operational capacity, advancing digitization, and improving credit information management. However, ensuring sustainable funding and implementing effective risk mitigation strategies through blended finance and credit guarantees remain critical challenges, consistent with best practices outlined in literature addressing disaster impacts on financial institutions.

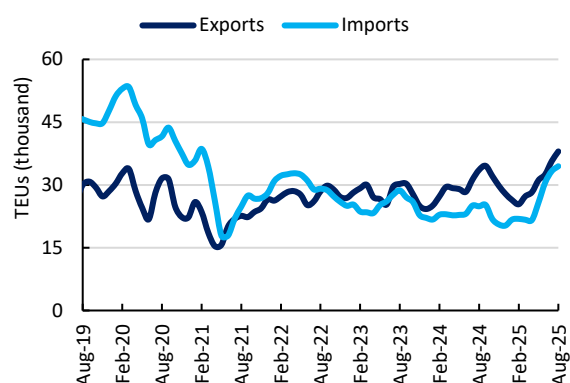
J. From deficit to surplus: trade compression and remittances revive the current account — yet external risks are mounting

The current account moved into surplus, supported by import compression and a sharp rise in remittances. The current account shifted from a deficit of 2.9 percent of GDP in the previous year to a surplus of 3.3 percent of GDP in FY2024/25. This turnaround was driven mainly by import compression and higher workers' remittances. Merchandise trade contributed a surplus of 1.3 percent of GDP, or about US\$1 billion, compared with a deficit of 4 percent of GDP in the previous year. Strict import licensing under the “export first policy” played a central role in compressing imports. Imports fell sharply to 12 percent of GDP in FY2024/25, down by 5 percentage points, while exports remained relatively resilient, holding at 13.3 percent of GDP and declining by only 0.7 percentage points. Strong agricultural export performance last year supported this resilience. Net secondary income increased to 3.3 percent of GDP, up 0.8 percentage points, driven by a 46 percent rise in remittance inflows to about US\$2.1 billion. Favorable exchange rates for remittances and tighter oversight of employment agencies encouraged greater use of official channels. Net services remained in surplus but declined to 0.6 percent of GDP from 1.1 percent, as prolonged conflict weighed on tourism and transport.

Myanmar maintained a trade surplus in the first half of FY2025/26 (April–September 2025), but the surplus narrowed significantly as surging imports exceeded modest export growth. The estimated trade surplus fell to about US\$0.67 billion, which is roughly 50 percent lower than a year earlier (**Figure 54**). This outcome reflected robust garments exports alongside a 17 percent increase in merchandise imports. Export volumes edged up by 11 percent, supported mainly by garments manufacturing. Import volumes rose by 23 percent, driven by reconstruction needs and sustained demand for intermediate goods such as fuel and fertilizers (**Figure 55**). Post-earthquake reconstruction, including heavy reliance on imported construction materials, added pressure on the trade balance despite broadly steady export performance.

Figure 54: Myanmar's trade trends (USD billion)

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

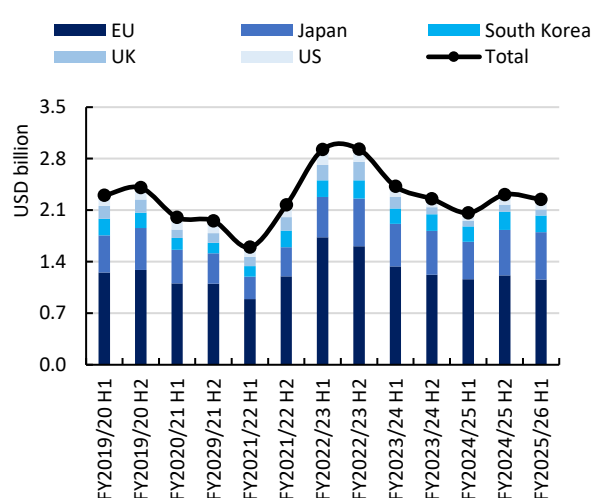
Figure 55: Exports and imports of laden containers through Yangon ports

Source: WB staff calculations using data from shipping operators

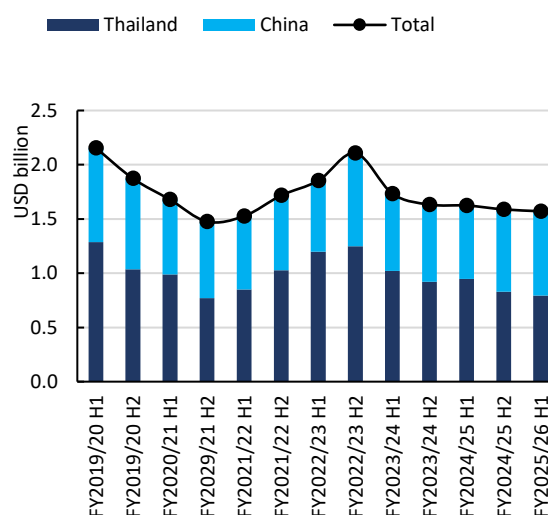
Note: Data is available only up August 2025.

Manufacturing exports remained robust in H1 FY2025/26, led by sustained growth in garments.

Garment shipments to the European Union, Japan, South Korea, the United Kingdom, and the United States rose by 10 percent year-on-year, equivalent to about US\$199 million (**Figure 56**). Exports to Japan increased by 26 percent, or about US\$133 million, and accounted for most of the overall gain. Exports to the European Union, which remains Myanmar's main garment destination, were broadly unchanged, easing by only 0.2 percent. Container shipment data indicates a 17 percent year-on-year increase in garment-laden container exports between April and August. The surge in garment exports was partly due to frontloading ahead of the August United States tariff deadline. In contrast, gas exports declined by 3 percent, or about US\$53 million, reflecting a 16 percent fall in shipments to Thailand and a 15 percent increase in exports to China (**Figure 57**). These shifts highlight changes in regional energy demand patterns and the impact of dwindling gas reserves.

Figure 56: Garment exports to major markets (USD billion)

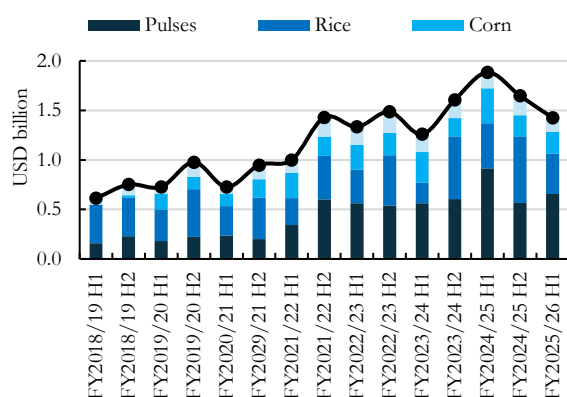
Source: WB staff calculations and estimates using data from Eurostat, Statistics of Japan, UK Office for National Statistics, US Census Bureau, and Korea Customs Service.

Figure 57: Natural gas exports to Thailand and China (USD billion)

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

Agricultural exports declined, reflecting weaker external demand and supply shocks in key markets. Agricultural exports fell in H1 FY2025/26 as major products recorded broad-based declines (**Figure 58**) in line with softer global demand. Myanmar Rice Federation (MRF) data show that rice exports dropped by 11 percent. Pulses exports weakened due to reduced demand from India, where shipments fell by 37 percent. Corn exports to Thailand fell by about 40 percent, driven by lower domestic output and declining Thai corn prices. Fishery exports also decreased, with shipments to China and Thailand down by around 12 percent, underscoring the sector's vulnerability to changing regional demand and supply conditions.

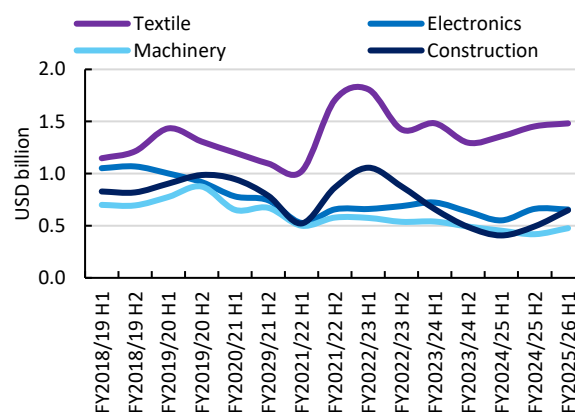
Figure 58: Select agricultural and fishery exports to major destinations (USD billion)



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

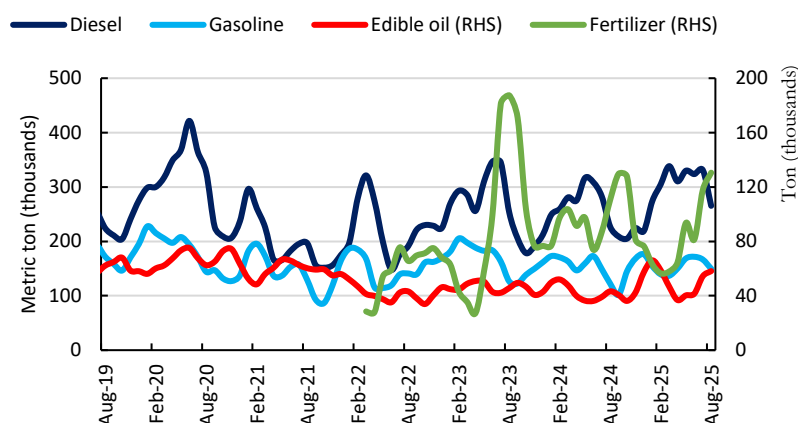
Figure 59: Select imports from major partners (USD billion)



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

Note: Textiles (HS 50 to 63, except HS 61 and 62), machinery (HS 84), electronics (HS 85) and construction materials (cement – HS 2523, and steel – HS 72 and 73) are from mirror data of China and Thailand exports to Myanmar.

Import growth was broad-based and driven mainly by intermediate goods for reconstruction and manufacturing. Recent data indicate that the increase in imports was driven mainly by intermediate goods, particularly textile raw materials and construction materials. Imports of key inputs for the cut-make-pack (CMP) garment industry grew by 9 percent year-on-year in H1 FY2025/26 (**Figure 59**). Imports of construction materials, especially steel, surged by 59 percent, reflecting substantial post-earthquake rebuilding needs. Fertilizer imports expanded by 23 percent, highlighting agriculture's reliance on imported inputs (**Figure 60**). Edible oil imports rose by 22 percent between April and August, reflecting Myanmar's dependence on imported palm oil to meet domestic consumption requirements. Fuel imports also increased, with diesel and gasoline volumes up by 10 percent and 14 percent respectively from April to August, driven by persistent power supply challenges and ongoing industrial activity. The widespread use of diesel generators remains a key feature of the energy landscape.

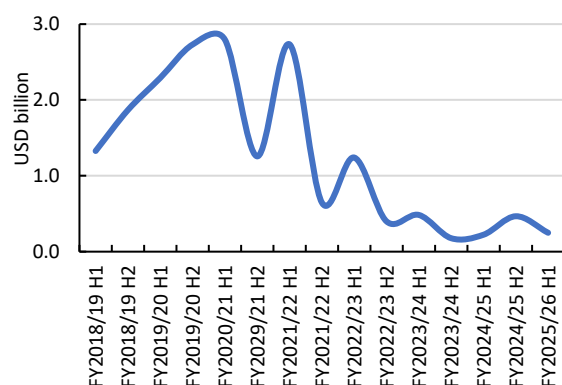
Figure 60: Diesel, gasoline, edible oil and fertilizer imports

Source: Shipping operators

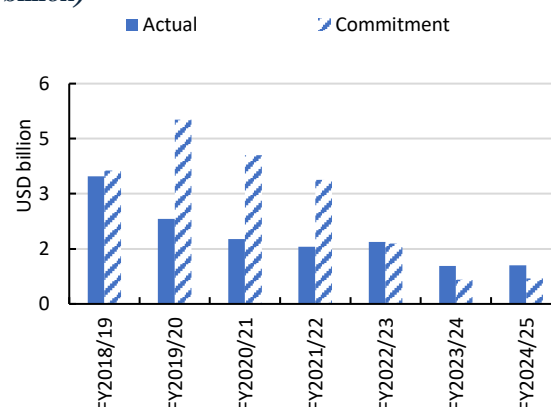
Note: Data is available only up to August 2025.

Capital and consumer goods imports also contributed to higher import volumes, although licensing restrictions curtailed some categories. Machinery imports, which are often used as a proxy for capital investment and industrial recovery, rose by 5 percent in H1 FY2025/26 (**Figure 59**). However, machinery imports remained significantly below pre-pandemic levels, suggesting that investment remains constrained. Electronics imports increased by 19 percent year-on-year, reflecting rising demand for technology and consumer electronics, including possible replacement of equipment damaged by the earthquake. Other consumer imports remained subdued due to strict enforcement of import licensing requirements. Reports point to persistent shortages of everyday imported goods in retail markets, which kept prices elevated. The suspension of imports of 35 consumer items and restrictions on large-vehicle crossings at the Myawaddy–Mae Sot border with Thailand further reduced border trade and exacerbated supply shortages.

FDI commitments edged up but realized inflows remained broadly flat amid continued investor caution. Foreign direct investment (FDI) commitments remained subdued in H1 FY2025/26 but recorded a modest year-on-year increase, consistent with cautious investor sentiment in the context of ongoing conflict and political uncertainty (**Figure 61**). Total commitments reached about US\$249 million in H1 FY2025/26, up 11 percent from the same period last year. Manufacturing and transport accounted for 53 percent and 33 percent of commitments respectively, making them the leading sectors. Singapore remained the largest investor with 47 percent of commitments, followed by China (21 percent), Hong Kong (16 percent), and Thailand (13 percent). This pattern underscores the continued importance of regional investors. Despite the modest rise in commitments, actual FDI inflows were broadly stagnant at about US\$1.04 billion in FY2024/25, up by only 1 percent year-on-year (**Figure 62**). This limited response highlights persistent investor hesitancy and the weak translation of commitments into real capital flows.

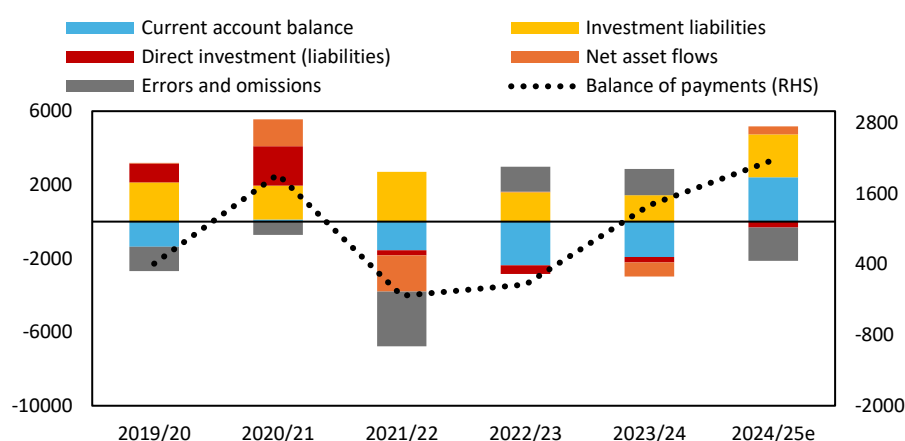
Figure 61: FDI commitment trends (USD billion)

Source: Directorate of Investment and Company Administration

Figure 62: FDI – actual and commitments (USD billion)

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

Balance of payments conditions improved on the back of a stronger current account, despite continued financial account deficits. According to official data, Myanmar's balance of payments (BOP) strengthened between FY2023/24 and FY2024/25 (**Figure 63**). The overall BOP surplus increased by 0.8 percentage points to 2.9 percent of GDP, or about US\$2.1 billion, exceeding pre-2021 levels. This improvement was driven primarily by a larger current account surplus, while the financial account remained in deficit. The financial account deficit narrowed to 2.1 percent of GDP in FY2024/25 from 2.8 percent in the previous year, supported by positive net asset flows. Persistent financial account deficits since FY2021/22, largely reflecting reduced FDI, have been offset by gradual strengthening of the current account. Errors and omissions in the BOP have remained consistently large, indicating substantial unrecorded cross-border transactions. These discrepancies point to the scale of informal sector activities, trade mis-invoicing, capital flight, and statistical gaps, and underscore both data challenges and the importance of the shadow economy.

Figure 63: Balance of Payments (USD million)

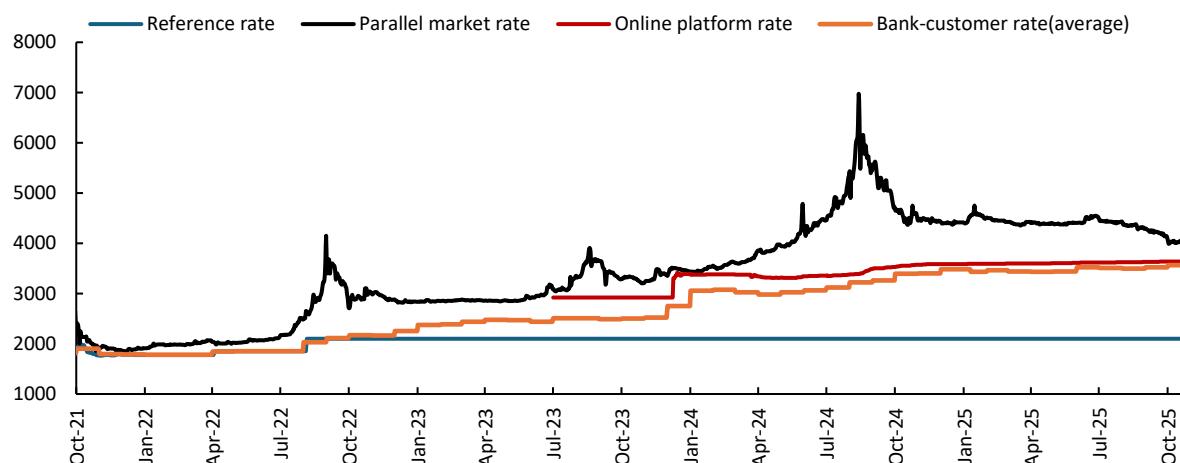
Source: CBM

K. The Kyat strengthened against major currencies

The Myanmar kyat appreciated by about 13 percent against the US dollar in the year to October 2025 in the parallel market, reversing last year's depreciation trend. Since June 2025, the parallel market exchange rate has appreciated by about 10–11 percent against the US dollar, the yuan, and the baht. These movements reflect tighter import controls, a weaker US dollar, crackdowns on parallel market traders,

and central bank foreign exchange sales. Since 2022, the kyat has remained significantly overvalued at the official rate of MMK 2,100 per US dollar, which is less than half the parallel rate (**Figure 64**). This misalignment undermines export competitiveness, encourages arbitrage, and contributes to chronic foreign currency shortages. The recent appreciation in the parallel market could further weaken exports by raising the relative price of Myanmar's goods, particularly in labor-intensive sectors such as garments that depend on cost competitiveness. At the same time, rising import demand related to earthquake reconstruction and still-elevated inflation are likely to generate renewed depreciation pressures in the coming months. The online platform rate for foreign exchange trade between exporters and importers depreciated by about 1 percent between June and October 2025. This movement reflected higher import demand that was only partly met by frequent Central Bank of Myanmar (CBM) forex sales and tighter trade restrictions.

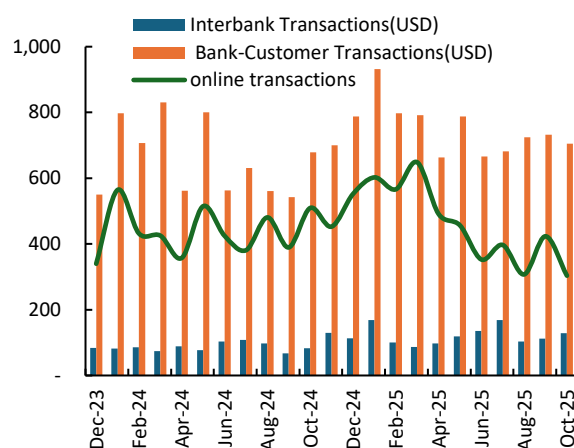
Figure 64: Kyat per US dollar



Source: CBM, Exchange market and World Bank staff

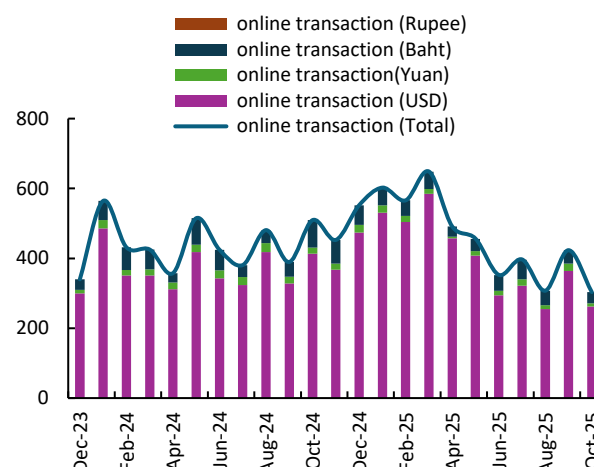
Foreign exchange market activity shifted away from the online platform as tighter import regulations constrained FX demand. The volume of online foreign exchange transactions declined as stricter import regulations limited the issuance of import licenses. Total online foreign exchange transactions from April to October amounted to about US\$2.7 billion, which was around 11 percent lower than in the same period a year earlier (**Figure 65**). Compared with the preceding seven months, online transaction volumes fell by about 27 percent. In contrast, bank–customer transactions increased gradually over the past six months, supported mainly by inflows of international aid. The US dollar accounted for about 86 percent of turnover on the online platform (**Figure 66**), although its share has been declining. Transactions in Thai baht rose to about 11 percent of total online turnover, making it the second most traded currency. In response to tighter import controls and the requirement to surrender export receipts, the CBM reduced its interventions, selling about US\$249 million between April and October (**Figure 67**), compared with US\$780 million in the previous seven months and US\$1.2 billion in the same period last year.

Figure 65: Interbank, bank-customer and online platform foreign exchange transactions (USD million)



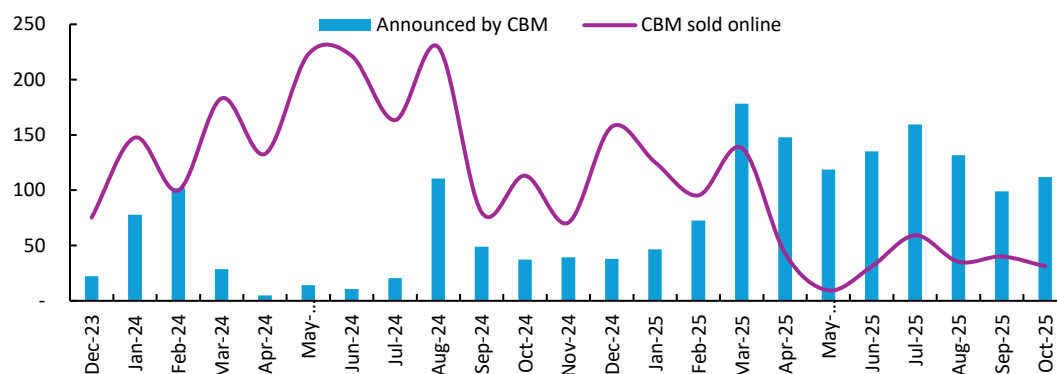
Source: The CBM

Figure 66: Foreign exchange online platform trade (USD million)



Source: The CBM

Figure 67: CBM interventions (USD millions)



Source: CBM.

Authorities tightened foreign exchange regulations to preserve scarce reserves and channel FX toward priority uses. Authorities strengthened measures to limit foreign currency outflows and boost inflows by enforcing export-earnings repatriation, applying stricter import licensing under the ‘export first policy’, and cracking down on illegal trade. The CBM revoked the registrations of 197 exporters that failed to repatriate earnings. In August, the authorities introduced new border trade licensing requirements, closed the Myawaddy–Mae Sot crossing, and increased cargo inspections at ports and airports. These steps aimed to restrict imports and improve control over cross-border transactions. As a result, access to foreign currency is now tightly regulated through a complex and lengthy approval process (see Box 4).

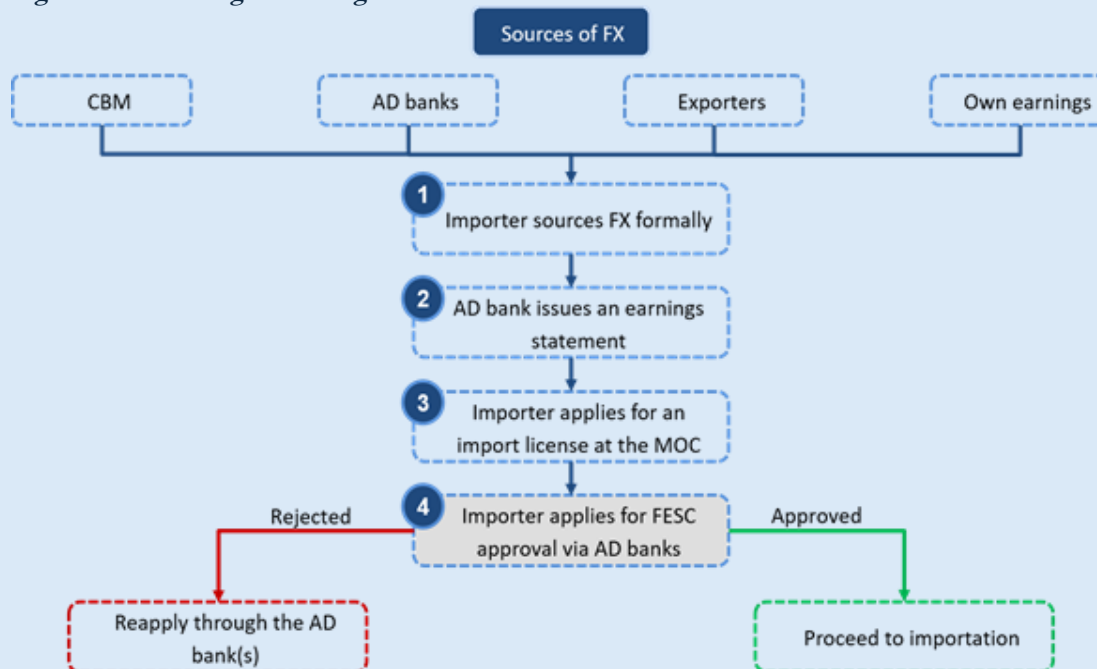
Box 4: Managing Access to Foreign Currency

Managing access to foreign currency has become increasingly complex, prompting firms to combine formal and informal channels. About one-third of businesses surveyed by the World Bank use foreign currency such as US dollars, Chinese yuan, and Thai baht for their operations. These firms rely on foreign exchange mainly to pay overseas suppliers, import raw materials and finished goods, and repatriate earnings.

Importers obtain foreign exchange through a mix of formal and informal channels, reflecting both constraints and adaptive responses in a challenging FX environment. Importers that rely on formal channels may obtain FX from the CBM, authorized dealer (AD) banks, or directly from exporters. Availability is limited, and authorities prioritize specific sectors and institutions (**Figure 68**). When an importer buys FX from an AD bank, the bank issues an earnings statement. The importer uses this statement to apply for an import license from the Ministry of Commerce (MoC). The import license is then submitted to the Foreign Exchange Supervisory Committee (FESC) to request transaction approval. This process can be lengthy and typically requires importers to secure foreign exchange in advance. Importers

may use their own export earnings or buy FX from exporters on the official online platform, with AD banks facilitating transactions at market-determined rates. The CBM supervises and approves transactions on the online platform, prioritizes particular sectors, and may restrict the use of export earnings for selected import categories.

Figure 68: Accessing FX through formal channels



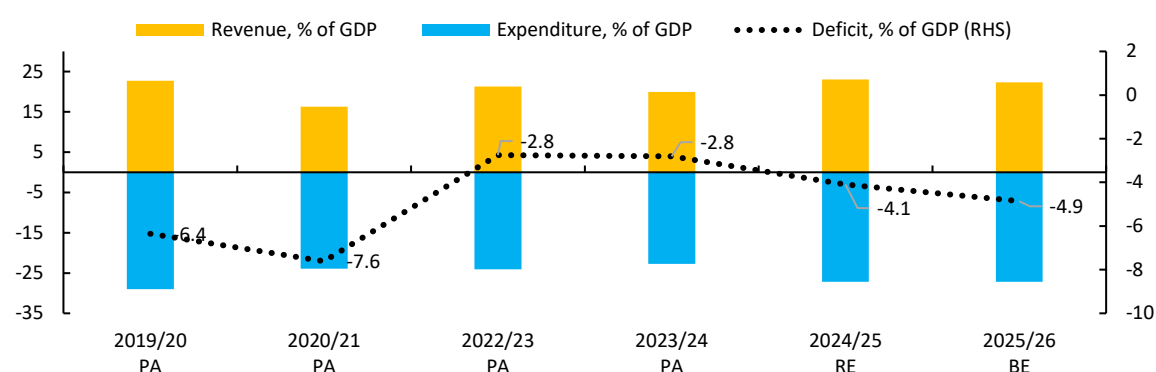
Due to Myanmar's limited FX availability, CBM also reserves FX for designated sectors such as fuel, pharmaceuticals, medical supplies, essential food products like cooking oil, and electric vehicles. Since 2021, CBM has classified exporters into exempted and non-exempted sectors. Exporters in non-exempt sectors are required to convert 100 percent of export earnings into kyat. Exporters in exempted sectors—specifically priority agriculture, garments, and agrifood manufacturing—must convert 25 percent of export earnings at the official CBM reference rate. They must sell the remaining 75 percent within one month through AD banks at the online platform rate of about MMK 3,600 per US dollar. Export earnings that are not sold within this period are automatically converted and sold to the authorities at the CBM reference rate.

Source: World Bank Firm Surveys – Qualitative Interviews

L. Fiscal accounts are under strain from earthquake recovery needs amid worsening public service delivery

Fiscal performance remained constrained by weak budget execution despite rising spending pressures. Provisional actuals indicate that the fiscal deficit held at 2.8 percent of GDP in the year ending March 2024, unchanged from the previous year and well below the 5.4 percent budget target. The under-execution reflected lower recurrent and capital expenditures. Spending on health and education continued to fall due to limited implementation capacity and higher defense spending as conflict escalated. Revised estimates show the fiscal deficit increasing to 4.1 percent of GDP in the year ending March 2025, below the 5.1 percent budget, as higher recurrent outlays were offset by strong nontax revenues. For FY2025/26, the deficit is projected at 4.9 percent of GDP (**Figure 69**), driven by earthquake recovery¹⁷ needs and election-related spending.

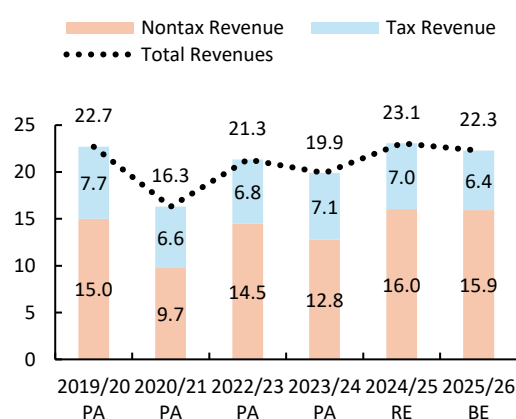
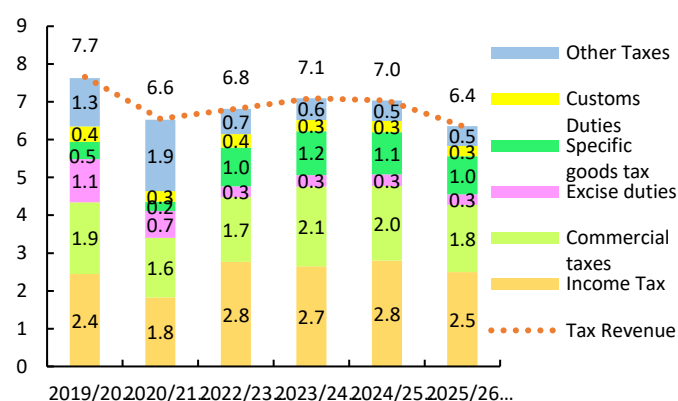
¹⁷ <https://www.gnlm.com.mm/mandalay-earthquake-damage-losses-and-response-report/> The authorities announced that over MMK1,652.57 billion was allocated for earthquake relief, including emergency food, aid for the injured, and housing reconstruction as of 11 August 2025.

Figure 69. Fiscal deficit trends (percent of GDP)

Source: <https://www.cbm.gov.mm/>, WB staff estimates, PA = Provisional Actual, BE = Budget Estimate, RE = Revised Estimate ¹⁸

Revenue performance strengthened despite weak economic conditions. Total revenue reached 19.9 percent of GDP in FY2023/24, slightly above budget estimates. Tax revenue amounted to 7.1 percent of GDP, outperforming budget estimates by 0.9 percentage points due to higher income and commercial tax collections. Nontax revenue stood at 12.8 percent of GDP but fell short of budget due to weaker-than-expected SEE performance (**Figure 70**). In FY2024/25, total revenue increased to 23.1 percent of GDP, surpassing the 20.4 percent budget target. Nontax revenues reached 16 percent of GDP, supported by high SEE receipts, particularly from oil and gas. Tax revenue remained at 7 percent of GDP, exceeding the 6 percent budget target. Recent tax increases on alcohol, tobacco, and jewelry supported collections (**Figure 71**). Survey data show that 23 percent of firms reported paying taxes in April/May 2025, up from 19 percent in October 2024.

Revenue prospects for FY2025/26 remain driven by nontax collections. Revenue is projected at 22.3 percent of GDP, supported by strong nontax receipts at 15.9 percent of GDP. Tax revenue is expected to fall to 6.4 percent of GDP, reflecting weaker income and commercial tax collections as economic activity remains subdued. New development works in the M-9 offshore block led by PTT Exploration and Production Public Company Limited (PTTEP), a Thai state-owned energy company, are expected to stabilize natural gas output and support oil and gas revenues.

Figure 70: Tax versus nontax Revenue (percent of GDP)**Figure 71: The composition of tax revenue**

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

Expenditure execution improved but remains constrained by weak administrative capacity. Total expenditure was 22.7 percent of GDP in FY2023/24, below the 25 percent budget due to underspending in both recurrent and capital budgets. Recurrent spending reached 18.7 percent of GDP, reflecting lower

¹⁸ World Bank staff estimates derived from the financial commission's data and media sources.

allocations for goods and services and current transfers. Service delivery constraints stemming from heightened conflict and political instability constrained current transfers (**Box 4**). Capital expenditure was 3.9 percent of GDP, below the 4.4 percent target, largely due to reduced health and education allocations and higher defense spending (**Figure 72**).

In FY2024/25, total expenditure increased to 27.2 percent of GDP, surpassing the budgeted 25.5 percent, largely driven by higher recurrent expenditures, particularly in goods and services (Figure 73). Recurrent expenditure rose to 22.5 percent, with goods and services accounting for 16.8 percent and current transfers contributing 1.8 percent. Relative to the previous year, interest payments remained stable at 2.1 percent, supported by elevated domestic interest payments (1.8 percent). Capital expenditure improved to 4.7 percent of GDP, up by about 1 percentage point, principally due to post-Typhoon Yagi rehabilitation efforts. Spending on health and education decreased by 0.1 percentage points to 2.1 percent of GDP compared to the previous year reflecting public service capacity constraints and adjustments made to accommodate increased defense spending.

For the current fiscal year ending March 2026, total expenditure is projected to remain roughly unchanged at 27.2 percent of GDP, sustained largely by earthquake recovery efforts and election related spending. Recurrent spending is projected to reach 22.9 percent of GDP, up 0.5 points, mainly due to higher goods and services purchases for earthquake recovery and elections. Capital expenditure, despite increased post-earthquake reconstruction needs, is expected to fall to 4.3 percent, down 0.4 points from the previous year.

Figure 72: Health and education spending (percent of GDP)

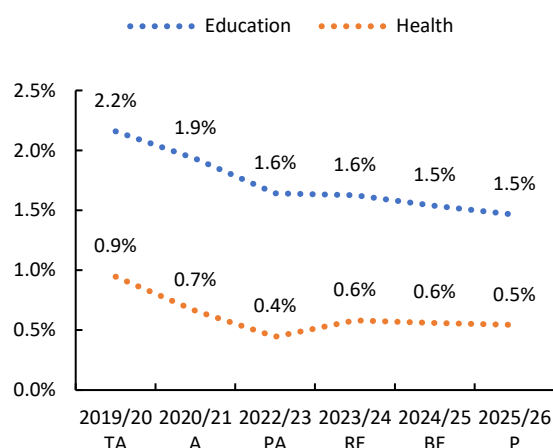
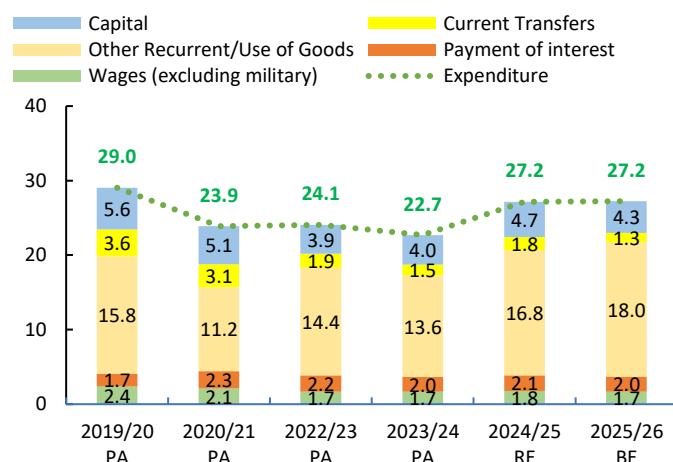


Figure 73: Composition of expenditure by economic use (percent of GDP)



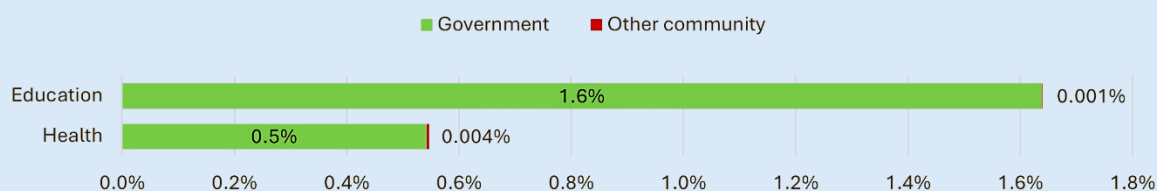
Source: <https://www.cbm.gov.mm/>, WB staff estimates, PA = Provisional Actual, BE = Budget Estimate, RE = Revised Estimate, P= Projection

Box 5: Emerging Subnational Governance and Service Delivery Constraints in Myanmar

Conflict in Myanmar has adversely impacted local governance capacity across staffing, finance, and management, resulting in weaker service delivery. Service delivery is severely limited in conflict zones and areas controlled by ethnic armed groups.

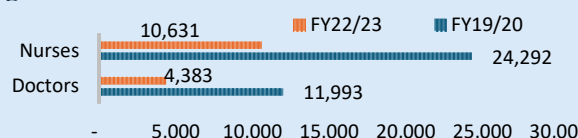
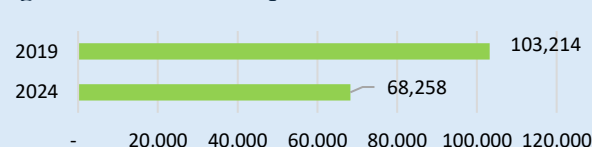
Since 2021, political instability and conflict have led to an increase in parallel systems and significant disparities in delivery of core services such as health and education. Local nonstate actors mainly manage service delivery in areas under their control but face limited funding and competing priorities, leading to low service provision. At the central level, health and education budgets have been cut in favor of defense spending in response to growing insecurity. Overall, combined spending on health and education has averaged about 2.1 percent of GDP since 2021 (**Figure 74**), down from about 3.1 percent of GDP prior to 2021.

¹⁹ World Bank staff estimates derived from the financial commission's data and media sources.

Figure 74: Average annual expenditure (2021-2024, percent of GDP)

Source: Citizen's Budget FY2024/25, WB staff estimates

Health and education services have become highly localized, with out-of-pocket health expenditures of households increasing by about 12.9 to 25.3 percent²⁰. The quality of education now varies considerably across regions, with families experiencing increased costs due to diminished support from central authorities; tuition fees for non-state schools have risen by 18 percent since 2021²¹. The health workforce has contracted by one third (Figure 75a) (Figure 75b). Although school enrollment has grown in middle and high school by approximately 10 percentage points in 2024/25 compared to 2022/23, students currently enrolled report lower achievement levels than those who dropped out in 2022—particularly in mathematics—suggesting that re-enrollment has not fully addressed existing learning gaps.

Figure 75a.: Health workforce**Figure 75b: Health care personnel**

Source: Global New Light of Myanmar. 1 August 2024

Local governance varies significantly in regions under EAO control, ranging from democratic and inclusive systems to more authoritarian models. Local nonstate actors generally have underdeveloped mechanisms for revenue generation and budget implementation. Financial management and reporting structures are undeveloped, with restricted information disclosure. At the central level, budget execution reports have not been published for over a year, and public consultation on national budgets has been limited.

Sectors such as mining, border trade, and narcotics continue to be significant sources of revenue for various local nonstate actors. Private and informal providers contribute to meeting service needs, for instance, 76 percent of Karen State residents utilize private solar power due to limited connection to the national grid. Regulatory uncertainty and opacity are rampant with significant potential for rent seeking and exploitation.

Fiscal financing remains dominated by central bank engagement, exacerbating macroeconomic vulnerabilities. Since 2021, the fiscal deficit has been financed primarily by CBM. CBM financing has declined from its peak of 8.4 percent of GDP in FY2020/21, but it remains the main financing source (Figure 76). In FY2024/25, the fiscal deficit reached 4.1 percent of GDP, of which 4.0 percent was financed directly by the CBM. Net loan recovery of 0.5 percent of GDP was largely offset by net public borrowing of -0.4 percent due to large redemptions of maturing securities. Net external borrowing remained negative at -0.1 percent of GDP as repayments continued to exceed new disbursements.

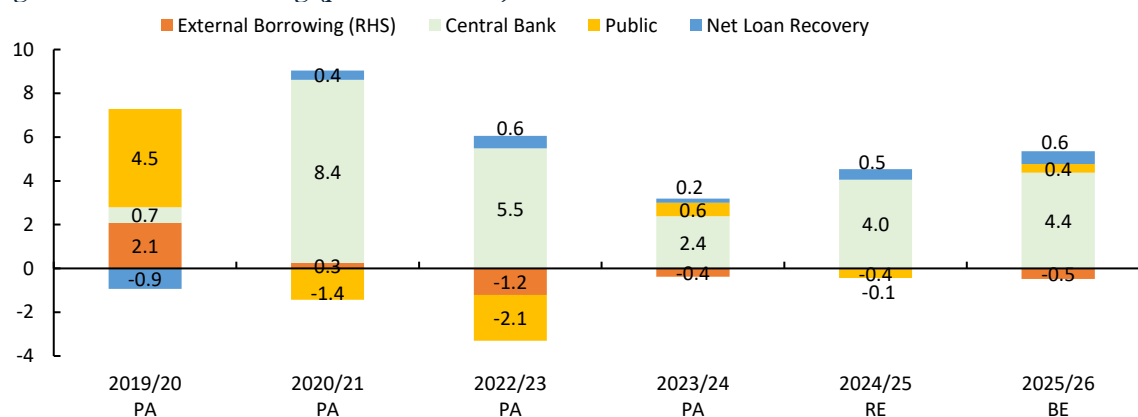
Reliance on central bank financing is expected to intensify in FY2025/26. The fiscal deficit is projected to widen to 4.9 percent of GDP, while CBM financing is expected to reach 4.4 percent of GDP, reflecting limited access to domestic and external borrowing. Public borrowing and net loan recovery are projected to increase in line with higher financing needs, while net external financing is expected to decline further to -0.5 percent of GDP due to ongoing borrowing constraints.

²⁰ Sources: Myanmar Fiscal Monitoring: Myanmar Budget Brief, World Bank (2025, March).

²¹ Source: State of education in Myanmar, World Bank. (2023, July)

Earthquake-related stimulus measures may heighten inflation risks without stronger fiscal transparency. In October 2025, the authorities introduced a 700-billion-kyat (US\$333.4 million, 0.4 percent of GDP) recovery and stability facility for homes, factories, and MSMEs in earthquake-affected areas. This initiative forms part of a broader US\$1 billion (1.8 percent of GDP) stimulus package aimed at earthquake recovery and reconstruction (see Box 1). Transparency challenges limit clarity on how these programs are reflected in the FY2025/26 budget. A supplementary budget has been announced to clarify reconstruction and recovery allocations, but details remain pending. Restricted access to external borrowing creates a high risk that these measures will be financed through monetary expansion. Such financing could worsen inflationary pressures and weaken macroeconomic stability.

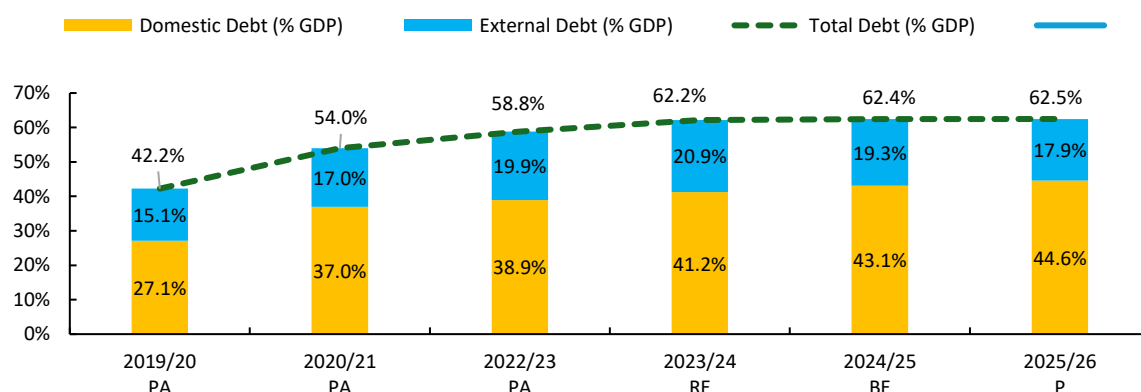
Figure 76: Deficit Financing (percent of GDP)



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

Public debt remains elevated and increasingly reliant on domestic financing. Public debt is projected at 62.5 percent of GDP in FY2025/26, up 0.1 percentage point from the previous year. Domestic debt is expected to rise to 44.6 percent of GDP, driven by increased CBM borrowing (Figure 77). External borrowing is expected to decrease by 1.4 percentage points as repayments continue to exceed disbursements. Over two-thirds of external debt is owed to multilateral and bilateral creditors.

Figure 77: The composition of public debt (percent of GDP)



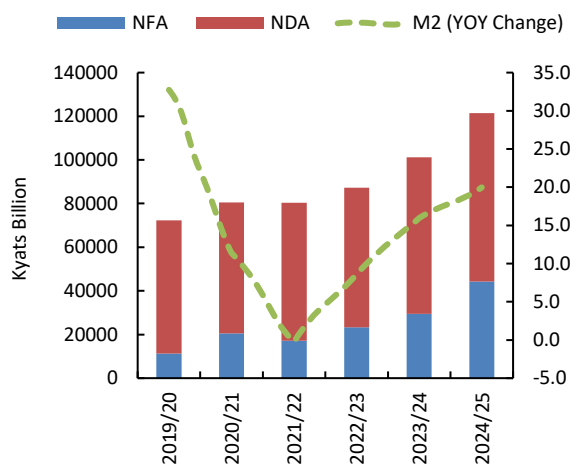
Source: <https://www.cbm.gov.mm/>, WB staff estimates, PA = Provisional Actual, BE = Budget Estimate, RE = Revised Estimate, P= Projection

M. Despite tighter policy, liquidity and money supply continue to expand strongly

Monetary policy tightening increased, though monetary aggregates continued to expand. The CBM introduced several measures to manage liquidity, including requiring banks to hold 28-day interest-bearing excess reserves (IOER) at a rate linked to the one-month money-market average as of October 3, 2025. Earlier in

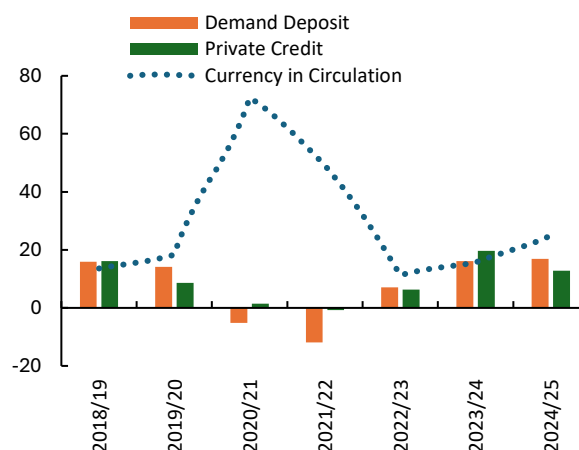
March 2025, the IOER rate was raised from 3.8 percent to 6 percent. These actions aim to support financial stability, and control inflation. However, broad money (M2) still expanded by 20 percent in FY2024/25, up from 15.9 percent last year (**Figure 78; Figure 79**), indicating a gap between policy intent and monetary outcomes.

Figure 78: Money supply trends (kyat billions and percent of total)



Source: CBM

Figure 79: Growth rates of money aggregates (percent)

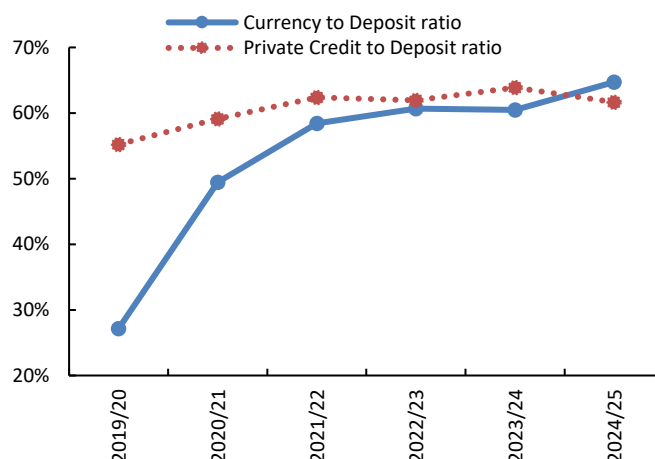


Source: CBM

Growth in net foreign assets remained the main driver of money supply expansion. M2 growth was supported by a 50 percent increase in net foreign assets (NFA), compared with 26.6 percent the year before. The increase reflected a strong current account surplus, driven by remittance inflows and a merchandise trade surplus. Net domestic assets (NDA) rose by 7.5 percent, down from 12 percent, with credit to authorities and the private sector contributing to expansion. Private-sector credit increased by 12.8 percent, down from 19.7 percent, supported by negative real borrowing costs as the maximum lending rate of 15 percent stayed below inflation.

Rising currency in circulation and demand deposits sustained monetary expansion. Currency in circulation increased by 25.1 percent in FY2024/25, compared with 15.7 percent the previous year. Increased monetary financing of the fiscal deficit supported this rise (see Section I). Demand deposits grew by 16.9 percent, aided by nominal deposit rates of 9–12 percent, although these remained below inflation. Since FY2020/21, currency has grown faster than deposits and private credit, raising the currency-to-deposit ratio from 0.4 to 0.6 (**Figure 80**). This shift indicates increased cash preference due to weak intermediation and limited trust in banks. The rapid rise in currency reduces the money multiplier and complicates monetary control.

Figure 80. Currency-to-Deposit vs Credit-to-Deposit



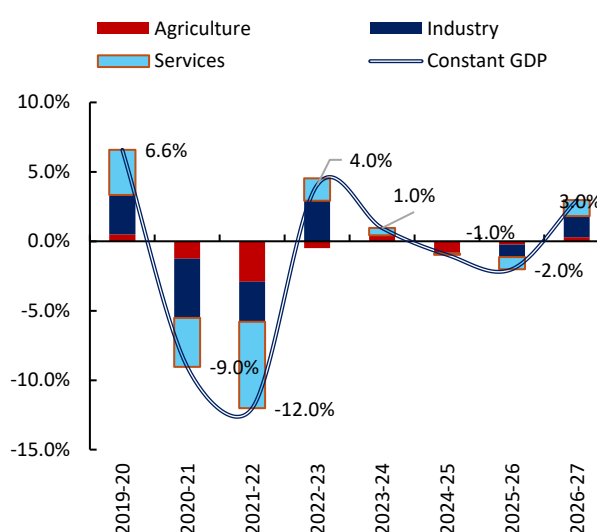
Source: CBM

II. Outlook and risks

Real GDP is projected to contract in FY2025/26 by 2.0 percent (Figure 81). This is a slight upward revision from the June 2025 MEM estimate of -2.5 percent. The revision reflects modest signs of recovery during the first half of the year. Household and firm recovery remains slow, with only 50 percent of households and 45 percent of businesses having returned to pre-earthquake conditions. Structural constraints persist across the economy, including unreliable power supply, ongoing conflict, and trade restrictions. Financing gaps, logistics bottlenecks, labor shortages, and weak domestic demand continue to weigh on activity. As a result, growth remains well below its pre-earthquake trajectory. The economy is expected to remain 13 percent smaller than its pre-pandemic size (Figure 82). The poverty rate is projected to rise by 2.4 percentage points, with rural areas most affected.

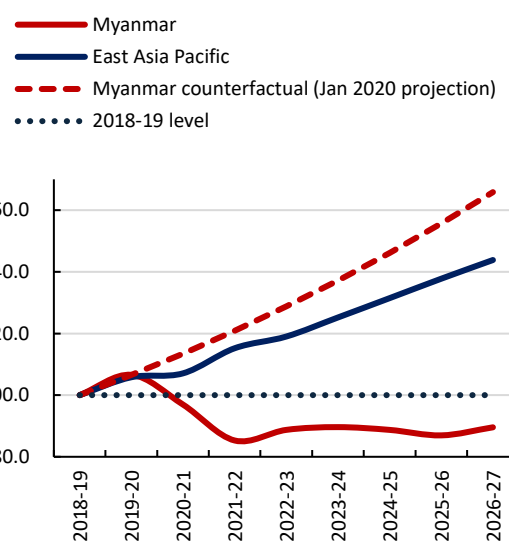
A moderate rebound is expected next year, but the recovery will remain constrained by structural weaknesses. Real GDP growth is projected to reach 3 percent in FY2026/27. Reconstruction spending is expected to accelerate, supporting agriculture, services, and manufacturing (Table 1). Additional public investment should stimulate activity through the rebuilding of damaged infrastructure. Recovery assistance to households and firms will support demand. However, limited access to reconstruction financing and persistent bottlenecks in energy, logistics, and labor markets will cap the pace and durability of the recovery.

Figure 81: GDP growth forecast (percentage points contribution to yoy growth)



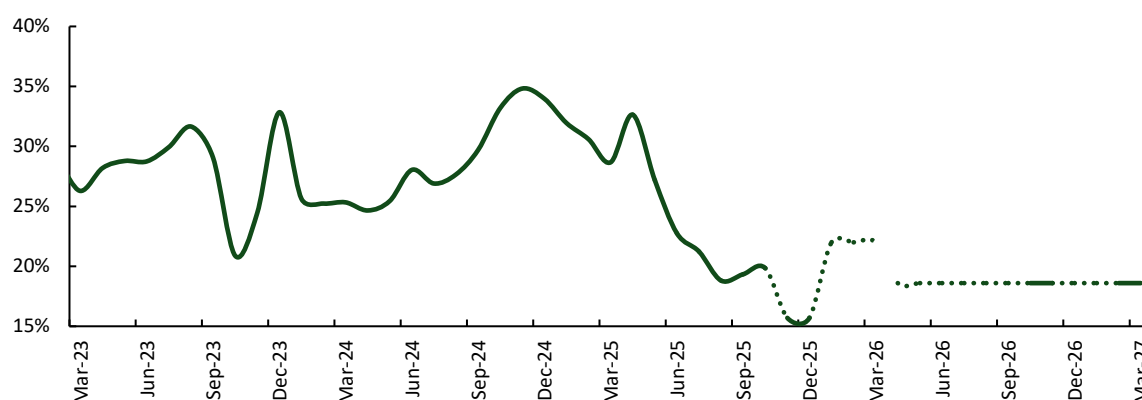
Source: Planning department, WB staffs' estimate

Figure 82: Real GDP over time (2018-19 = 100)



Source: Planning department, WB staffs' estimate

Inflation is projected to remain elevated despite currency appreciation and stable global prices. Average inflation is forecast at 22 percent in FY2025/26, down from 29 percent last year (Figure 83). A stronger kyat, stable food and fuel prices, and humanitarian relief should help moderate inflation. Persistent shortages of essential nonfood items and higher energy costs linked to power disruptions and tariff adjustments will maintain upward pressure on prices. Increased central bank deficit financing adds further inflationary risk. Inflation is projected to average 19 percent in FY2026/27.

Figure 83: Inflation forecast

Source: CSO and World Bank Staff

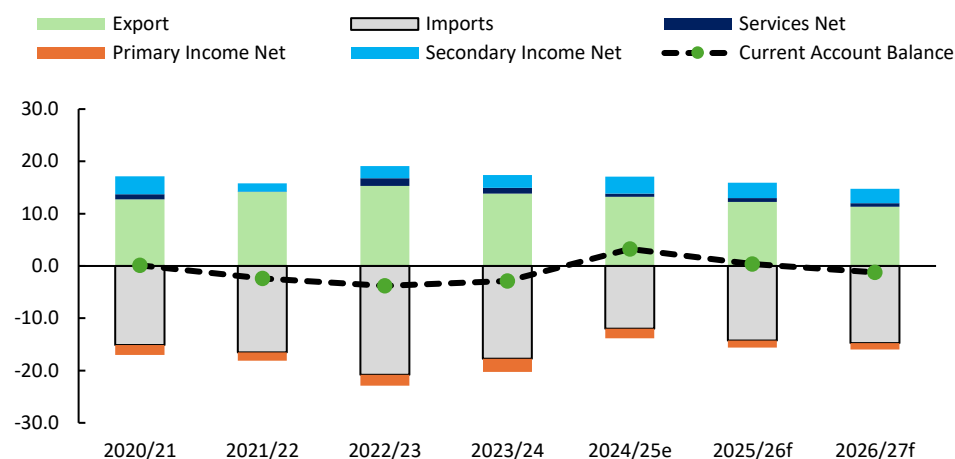
Fiscal pressures remain elevated as reconstruction needs rise. The fiscal deficit is projected at 5.0 percent of GDP in FY2026/27, increasing by 0.1 percentage point from the previous year. Total expenditure is expected to rise by 0.7 percentage points of GDP to 27.9 percent, driven by a 1.5 percentage point increase in capital spending for earthquake recovery. Revenues are projected to increase by 0.6 percentage points to 22.9 percent of GDP. Strong SEE nontax revenues will offset lower tax revenues. New investments in oil and gas will support overall revenue performance. Tax revenue is projected at 6.0 percent of GDP, declining by 0.4 percentage points, reflecting lower receipts from specific goods taxes and excises.

Table 1: Selected Macroeconomic Indicators (annual percent change unless indicated otherwise)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 ^e	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	-2.0	3.0
Agriculture	2.2	-5.7	-12.8	-2.2	2.0	-3.8	-1.1	1.4
Industry	8.0	-11.8	-8.2	8.0	0.0	-0.2	-2.4	4.1
Services	7.8	-8.4	-14.7	3.9	1.4	-0.2	-2.0	2.8
CPI inflation, year average	9.1	2.3	9.6	27.2	27.6	29.6	22.0	19.0
Trade balance (% of GDP)	-5.7	-2.4	-2.4	-5.5	-3.9	1.2	-2.2	-3.4
Current account balance (% of GDP)	-1.8	0.1	-2.4	-3.8	-2.9	3.2	0.4	-1.2
Fiscal balance (% of GDP)	-6.4	-7.6	-2.2	-2.8	-2.8	4.1	-4.9	-5.0
- Revenue (% of GDP)	22.7	16.3	16.5	21.3	19.9	23.1	22.3	22.9
- Expenditure (% of GDP)	29.0	23.9	18.7	24.1	22.7	27.2	27.2	27.9
Public debt (% of GDP)	42.2	54.0	54.2	58.8	62.2	62.4	62.5	63.5

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

The external position is expected to weaken as reconstruction drives import demand. The current account surplus is forecast to narrow to 0.4 percent of GDP in FY2025/26 (**Figure 84**). Rising imports linked to reconstruction are expected to return the trade balance to deficit. Exports are projected to remain broadly stable. Declines in agricultural exports are expected to be offset by strong garment exports. Net secondary income is expected to remain positive due to remittances, which are projected to exceed pre-pandemic levels for the second consecutive year. Net services trade is projected to remain weak, constrained by conflict related- disruptions in transport and tourism. As import demand continues to rise, the current account is projected to shift to a deficit of 1.2 percent of GDP in FY2026/27.

Figure 84: Current account (percent of GDP)

Source: CBM and World Bank Staff

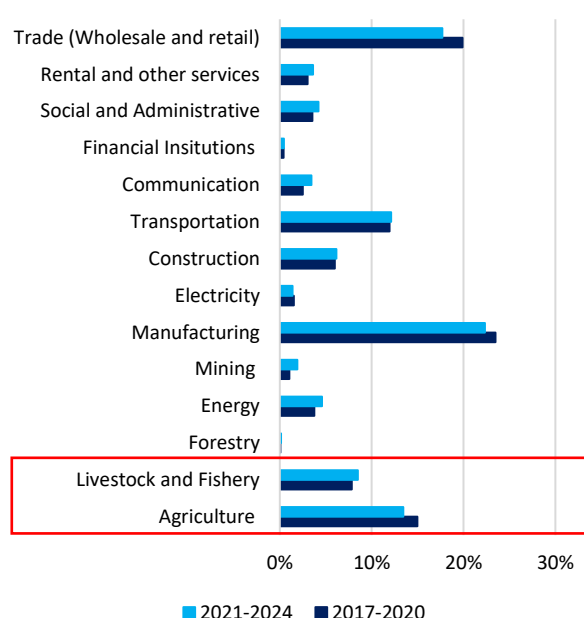
Risks to the outlook remain firmly tilted to the downside, reflecting deep structural and socio-political fragilities. Delays in reconstruction could reduce business activity, weaken household welfare, and prolong the slow recovery already underway. Rising insecurity, especially during elections, threatens service delivery and may intensify displacement. Additional natural disasters or tighter trade and currency controls could amplify shortages of essential imports, further raising inflation and eroding real incomes. Persistent policy distortions risk undermining investor confidence and limiting private sector participation in recovery efforts.

III. Special Topic – Surviving, Not Thriving: Myanmar's Agrifood Industry Resilience and Adaptability

A. Introduction and Background

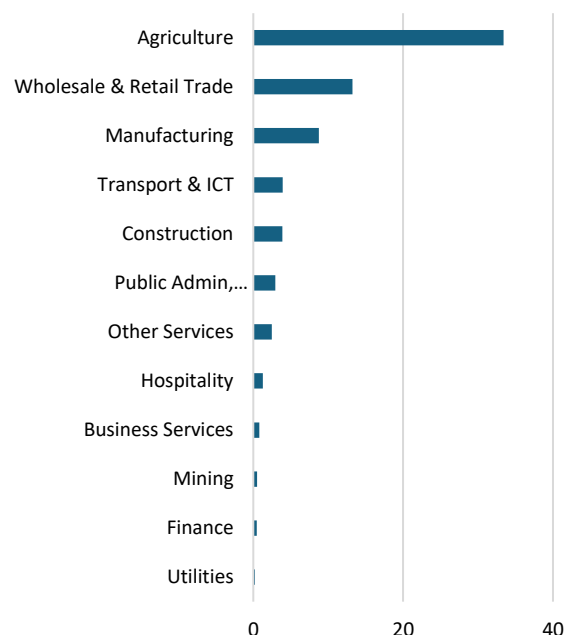
Myanmar's agricultural sector plays a pivotal role in the national economy, accounting for more than one-third of total employment and contributing approximately one-quarter of the gross value added (GVA) (Figure S. 1 and Figure S. 2). The sector is also a major foreign exchange earner, contributing about 18 percent of total export receipts. Myanmar's fertile land, plentiful freshwater, and prime location in Southeast Asia creates a strong potential for agriculture, especially for exporting rice, beans, pulses, and horticultural products. The country has diverse agro-ecological zones that allow for diversification beyond crops, including livestock and aquaculture. However, the agriculture sector has suffered from longstanding challenges that limit its potential and overall contribution to economic development.

Figure S. 1: Gross Value-Added share (% of total GVA), Selected Periods



Source: ILO and World Bank staff calculations

Figure S. 2: Sectoral employment share (% of total employment), 2024

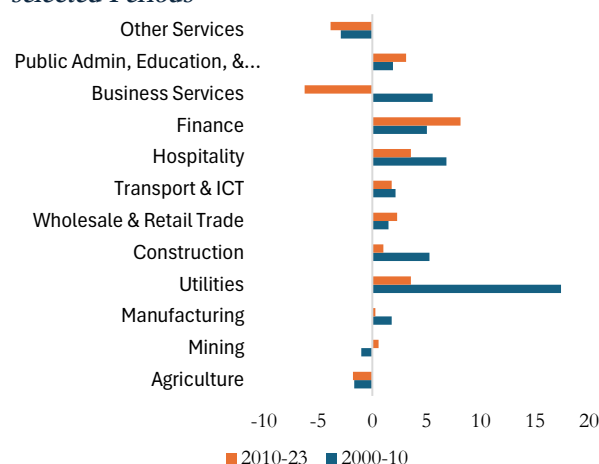


Source: ILO and World Bank staff calculations

Agricultural employment has declined (Figure S. 3) as workers have moved to other sectors while conflict has led to internal displacement and outward migration. (Figure S. 4) Since 2021, agriculture's contribution to overall GDP growth has also become negative (see Part I), marking a significant departure from historical trends when it was a primary driver of economic expansion. This shift reflects constraints such as the broader economic contraction caused by escalating conflict, frequent adverse weather events, and heightened macroeconomic volatility, including rising inflation as well as modest agricultural labor productivity growth. Breaking down overall labor productivity growth into improvements occurring within sectors and the effects of workers moving between sectors, show modest positive within-agriculture productivity growth, meaning farmers became more efficient over time (Figure S.4). However, static reallocation (movement toward higher- or lower-productivity sectors) is negative, indicating that labor movements into or within agriculture pulled down overall productivity—suggesting workers remained in, or shifted toward, a relatively low-productivity sector. Dynamic reallocation (movement into sectors with the fastest productivity growth) is also negative, implying that labor flows did not meaningfully align with

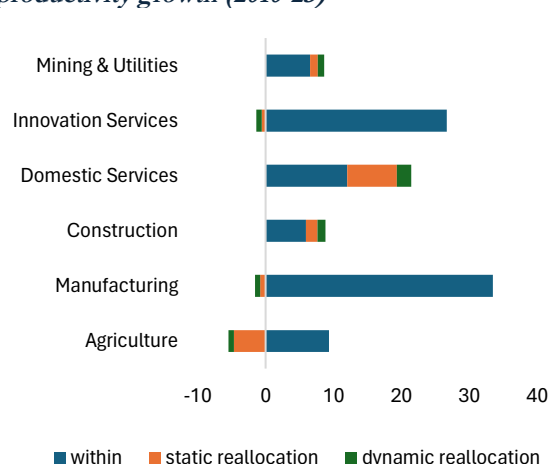
productivity-enhancing shifts, suggesting that structural change in agriculture contributed little to aggregate labor productivity growth.

Figure S. 3: Annual sectoral employment growth, selected Periods



Source: CSO and World Bank staff calculations

Figure S. 4: Shift-share decomposition²² of labor productivity growth (2010-23)



Source: World Bank staff calculations

A large agricultural workforce coexists with slow structural transformation underpinned by limited reallocation of workers to higher or fastest growing productivity sectors. This suggests that reallocating labor to manufacturing, and innovation services may contribute to increased overall productivity and faster structural transformation. With such a significant labor base, Myanmar's agrifood sector can scale production and improve productivity through agribusiness development and agro-food processing. Agribusiness and agro-processing create strong forward and backward linkages between farming and industry by transforming raw agricultural products into higher-value goods, enabling value addition, market diversification and job creation.

Myanmar's agribusiness and agro-processing sector accounted for 45 percent of manufacturing GVA prior to COVID-19, equivalent to about 9 percent of total GVA. But the agribusiness and agro-processing sector has faced new bottlenecks including trade and foreign exchange restrictions, imported input shortages, disruptions to power supply, conflict-related logistics challenges, and increased macroeconomic volatility. At same time the sector has benefited from import substitution policies including directed credit and severe limitation on the imports of key processed food stuff. This mixed picture calls for a systematic assessment of Myanmar's agribusiness and agro-processing sector.

The World Bank conducted a survey of the agribusiness and agro-processing industry from August to October, 2025, covering 400 firms in 7 regions, to establish an empirical baseline of the industry's scope and scale of operations, market size and performance and resilience parameters. This special topic presents the main findings of the survey including the sector's recent performance and market structure, labor market dynamics, competition, and supply chain linkages with agriculture, logistics, and retailing. The study reveals how agribusiness and agro-processing firms have adapted to economic shocks, highlighting private sector resilience and coping strategies. This is the first comprehensive industry study in more than a decade, addressing knowledge gaps about the role of the agro-processing industry in economic development particularly through nonfarm job creation, household income generation and social inclusion,

²² Shift-share decomposition breaks overall labor productivity growth into improvements occurring within sectors and the effects of workers moving between sectors. The within-sector component captures productivity gains generated by firms and workers becoming more efficient inside each sector. Static and dynamic reallocation measure how labor shifts across sectors—static reflects movement toward higher- or lower-productivity sectors, while dynamic reflects whether workers move into sectors with the fastest productivity growth.

as well as rural infrastructure investment. Agro-food processors and agribusinesses play a crucial role in stabilizing markets, increasing farm productivity, supporting farmers with resources and expertise, and boosting profitability and international trade competitiveness.

Box S 1: Methodology

The research adopted a mixed-methods approach, combining both quantitative and qualitative research techniques to generate a well-rounded understanding of the agro-food industry. Face-to-face interviews utilized a structured questionnaire to collect quantitative data on firm characteristics, operations, and performance, as well as perceptions of the business environment and regulatory landscape. Focused group discussions (FGDs) and key informant interviews (KIIs) collected qualitative insights from different food processing firms to complement the quantitative survey and capture issues not observed through structured questionnaires. The firms surveyed were businesses operating within the agriculture-based value chain. These enterprises receive agricultural or animal-based raw or intermediate products—including those from crops, livestock, forestry, and fisheries—and transform them into market-ready goods through processing, handling, packaging, or other activities that add value.

The quantitative survey covered 400 food processing firms from ten major value chains. These included rice milling, edible oil production, fruit and vegetable processing, confectionery and snack manufacturing, dairy products, soft drinks, processed meats, fish and aquaculture, and coffee, tea, and spices. A representative sampling frame containing business names, locations, contacts, and industry types was created from scratch to build a robust database reflecting Myanmar's diverse food processing sector. Samples for each sector were distributed using stratified sampling with the square root allocation (Penrose) method, ensuring proportional representation across industries and preventing over-representation of large sectors like rice milling. The square root allocation method enhanced statistical efficiency, covering smaller industries effectively. The main locations were the key economic hubs of Yangon, Mandalay, Bago, Mon, Naypyitaw, Magway, Shan, and Ayeyarwady – strategically selected²³ to provide a comprehensive overview of the sector's characteristics, challenges, and regional variations. Sampling areas were selected purposively, based on accessibility, travel limitations, and security. For instance, Rakhine State and parts of Sagaing Region were omitted due to conflict and post-earthquake issues. The mixed sampling approach was designed to maintain a degree of randomness throughout various value chains and geographic areas, while also ensuring adequate representation of firms of differing sizes.

A total of 10 FGDs were conducted to collect qualitative data including valuable insights into enabling business environment, constraints and broader systemic issues affecting the food processing ecosystem. Due mainly to their scale, one FGD was conducted for rice, edible oil, aquaculture, and fruits/vegetables subsectors, respectively. Three cross-cutting FGDs were held with upstream actors (e.g., producers, aggregators), input suppliers (e.g., equipment providers, logistics actors), and downstream stakeholders (e.g., distributors, retailers). Combined FGDs were organized for the remaining smaller subsectors, selected based on shared infrastructure needs (e.g., cold chain), similar distribution channels, or overlapping product characteristics. This grouping maintained sectoral relevance while ensuring efficiency and enabling discussion of cross-cutting issues. Industry experts and association representatives were also included in selected FGDs to deepen the understanding of each subsector.

For analytical purposes, the value chains were consolidated into four broader value chains. Key value chains initially surveyed included rice milling, edible oil, snack and confectionary, fruits and vegetables, meat processing, spices, tea and coffee, fishery products, soft drinks, and dairy products. To improve clarity and align categories with similarities in production processes, product characteristics, and sample-size distribution, these were regrouped into four value-chain groups: rice milling, edible oil, processed foods (combining snack and confectionary, fruits and vegetables, tea and coffee, spices, and soft drinks), and animal products (combining meat processing, fishery products, and dairy products).

²³ Food processing industries are concentrated mainly in major cities such as Yangon and Mandalay, while specific sub-sectors are located in specialized regions—for example, rice milling in Ayeyarwady and Bago, and seafood processing in Ayeyarwady, Tanintharyi, and Rakhine.

B. Industry Profile and Performance

B.1. Profile

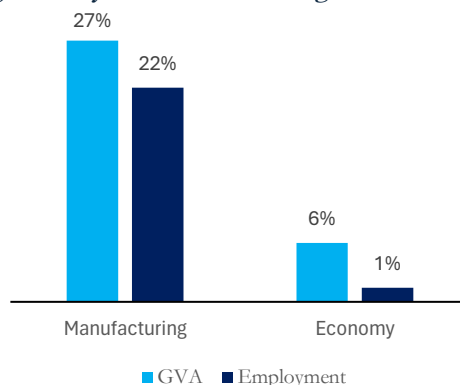
Myanmar's food-processing sector is broad and diverse, comprising both small and mature firms operating across multiple value chains and regions (Figure S. 5). Processed foods make up the largest segment (31 percent), followed by animal products (26 percent), rice milling (23 percent), and edible oil (20 percent). Most businesses are small, with 64 percent employing 5–19 workers, 26 percent employing 20–49, and only 10 percent classified as large (50+ workers). The sector shows maturity, as just 16 percent of firms are younger than five years, while about 60 percent have been in operation for at least a decade. Activity is geographically dispersed, with Yangon (27 percent), Ayeyarwady (22 percent), and Mandalay (19 percent) hosting the largest shares, and smaller proportions in Bago, Magway, Naypyitaw, and Southern Shan. Nearly all firms have domestic ownership (97 percent), and the majority operate as sole proprietorships or partnerships (88 percent). Export activity is limited, with only 6 percent of firms participating in international markets, indicating a strong domestic market focus. Female representation is notable, with 35 percent of firms female-owned and 37 percent led by a female top manager. The industry makes a significant contribution to the manufacturing sector—accounting for 27 percent of GVA and 22 percent of employment. At the economy-wide level, the food processing industry accounts for only 6 percent of total GVA and 1 percent of overall employment (Figure S. 6).

Figure S. 5: Food processing industry profile



Source: World Bank Food Processing Firm Survey 2025

Note: Firm size is defined as the number of full-time equivalent (FTE) employees, calculated as the total number of full-time employees and seasonal or temporary employees, weighted by their duration of employment. Exporting firms are defined as firms exporting at 10 percent of their sales (either directly or indirectly).

Figure S. 6: Food processing industry's contributions to gross value added (GVA) and employment

Source: WB staff estimates using World Bank Food Processing Firm Survey 2025, ILO and CSO

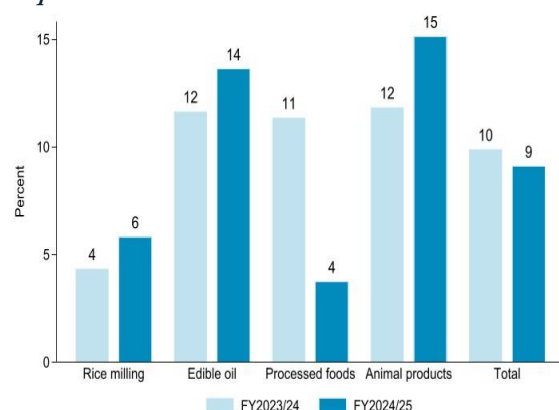
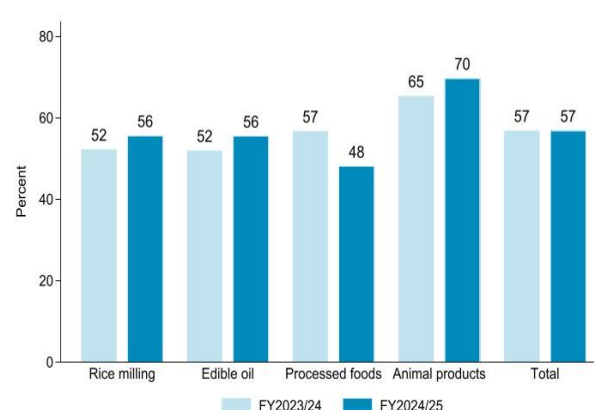
Note: GVA numerator is derived from the WB Food Processing Firm Survey 2025, and the denominator is derived from CSO sectoral GVA estimates for FY 2024/25. Employment numerator is derived from firm-reported averages for FY 2022/23–FY 2024/25, and the denominator is derived from the 2018 ILO Labour Force Survey.

B.2. Performance

Operating capacity remains persistently suboptimal across Myanmar's food-processing sector, with most firms operating well below their maximum production potential. In FY2024/25, only 9 percent of firms reached full capacity—a decline of approximately one percentage point from the previous year (**Figure S. 7**)—and this is notably lower than the 26 percent²⁴ observed in the broader manufacturing sector across the same period (see Part 1). The industry's average operating capacity remained roughly unchanged at 57 percent of the installed production potential over the past two years (**Figure S. 8**), and it still trails the 64 percent average for manufacturing in FY2024/25. Among value chains, animal-product firms report the highest operating capacity, nearly 70 percent, which is likely attributable to stronger market demand and more synchronized production cycles. In contrast, edible oil, rice milling, and processed foods exhibit only moderate or weak performance. No substantial variation across different firm age groups²⁵ is observed for operating capacity, indicating that maturity offers only marginal advantages in production efficiency (**Figure S. 9**).

²⁴ This reflects average of manufacturing firms in firm survey October 2024 and April 2024 rounds.

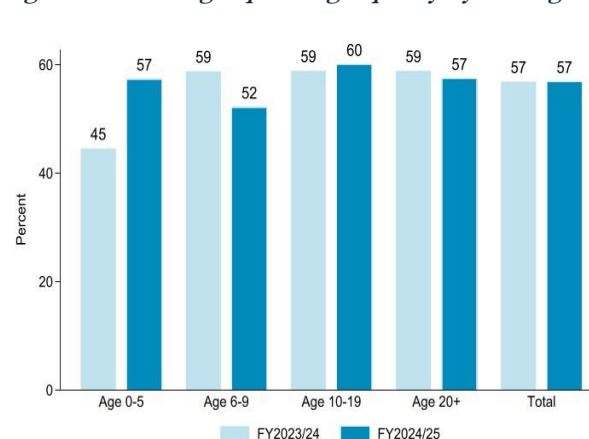
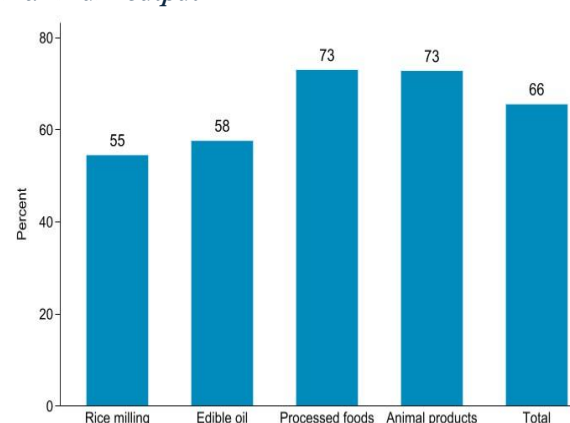
²⁵ Firms were grouped into four age categories: 0–5 years, 6–9 years, 10–19 years, and 20 years or older. Firms that are 5 years old or less are considered young, while those 10 or more years older are regarded as mature.

Figure S. 7: Share of firms operating at maximum output**Figure S. 8: Average operating capacity by value chain**

Source: World Bank Food Processing Firm Survey 2025

Note: Operating capacity is calculated as actual output as proportion of firms' maximum output

For the current fiscal year – FY 2025/26, firms are cautiously optimistic, targeting an average utilization rate (or target output as proportion of their maximum output) of 66 percent of their maximum output – 6 percentage points higher than the previous year (Figure S. 10). However, segment variation is observed. Likely attributable to tighter import restrictions and border control, processed food firms are the most optimistic ones – with an expected capacity rate of 73 percent, 25 percentage points higher than the previous year's level. Despite most value chains being optimistic, rice millers expect to utilize only 55 percent of their potential – one percentage point lower than the previous year's level, and consistent with rice export decline in the first half of FY 2025/26 (See Part 1). Despite the optimism, focus group discussions (FGD) reveal that the majority anticipate ongoing challenges, including frequent power outages, raw material shortages, labor supply constraints (see Part 1), and fluctuating demand—that continue to restrict their ability to operate at peak performance.

Figure S. 9: Average operating capacity by firm age**Figure S. 10: Average target output as proportion of maximum output**

Source: World Bank Food Processing Firm Survey 2025

Note: Operating capacity is calculated as actual output as proportion of firms' maximum output

Recent output performance demonstrates a modest improvement in FY2024/25, compared to a year prior. Overall, 39 percent of firms increased output; 29 percent maintained the previous year's levels, and 32 percent experienced declines. Industry output increased by 2 percent. Across value-chains, the analysis reveals strong growth in edible oil (8 percent), rice milling (7 percent) and animal products (6 percent), while processed foods contracted by 8 percent, primarily due to sharp declines in confectionery and snacks (–28 percent) (Figure S. 11).

Notably, firm age is a key determinant of output dynamics: young firms (0–5 years) experienced exceptional output growth of 25 percent, reflecting rapid scaling typical of early-stage expansion, whereas firms aged 6–9 years saw a contraction of 7 percent, and more mature firms (10–19 years and 20+ years) reported modest gains of 4 percent and 1 percent, respectively (**Figure S. 12**). This finding underscores greater growth volatility among firms; high growth younger firms contrast sharply with the relative stability of older enterprises. These results highlight the heterogeneity across different segments – value-chains or firm age, emphasizing the roles of scale, maturity, and market positioning in driving firm performance.

Figure S. 11: Change in output volume in FY2024/25 by value chain

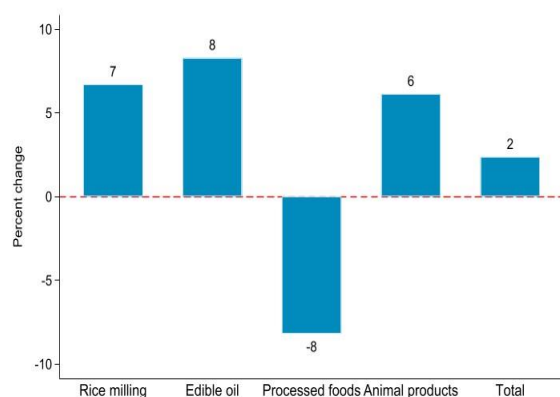
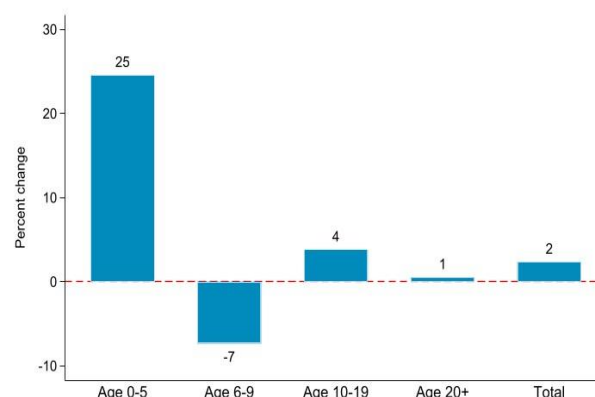


Figure S. 12: Change in output volume in FY2024/25 by firm age



Source: World Bank Food Processing Firm Survey 2025

Sales dynamics vary markedly across value chains, with all segments recording positive nominal growth (**Figure S. 13**) but contracting in real terms (**Figure S. 14**). Between FY2022/23 to FY2024/25, nominal average sales rose by 24 percent, from MMK 2.6 billion to MMK 3.5 billion. Across value chains, rice milling experienced the lowest cumulative annual growth rate (CAGR) growth rate of 15 percent, while processed-food firms achieved highest nominal CAGR growth of 27 percent, benefiting from increased consumer preference for packaged foods and enhanced domestic branding amidst import restrictions. Yet, inflation-adjusted sales declined slightly in every value chain (–1 to –2 percent), with a sharper contraction for rice milling (–11 percent), despite stable demand for local rice consumption. A similar pattern emerges across firm age groups. Young firms (0–5 years) achieved both the highest nominal expansion (35 percent) and the strongest real sales performance (5 percent), while older firms—particularly those aged 20 years or more—experienced sizable real declines despite nominal gains. The findings suggest that sales growth over the period has been driven primarily by younger firms, while inflationary pressures and rising input costs continue to erode real sales performance across most segments.

Figure S. 13: Sales growth by value-chain (CAGR, FY2022/23 to FY2023/24)

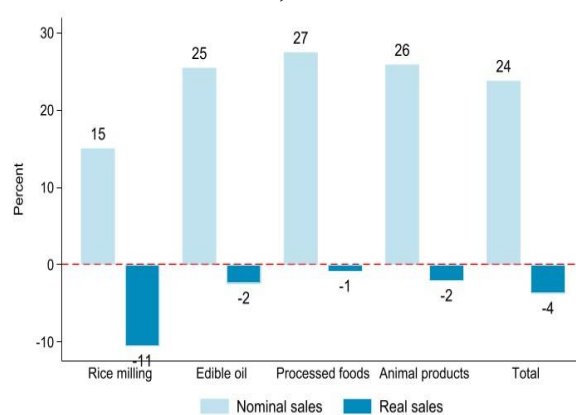
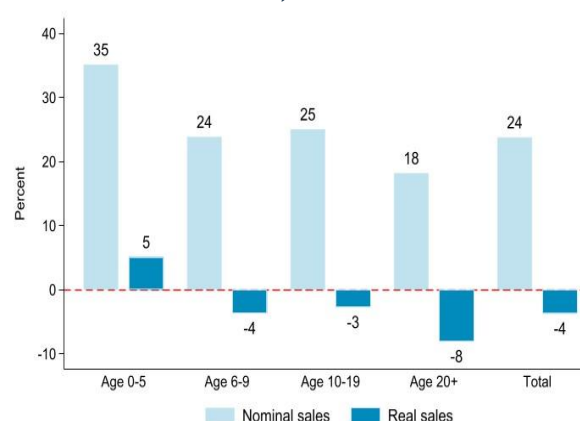


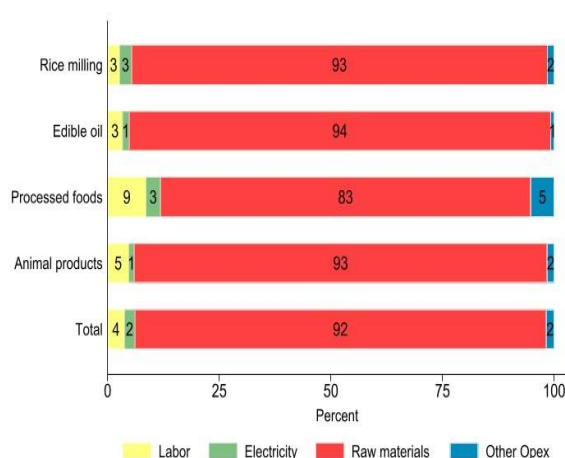
Figure S. 14: Sales growth by firm age (CAGR, FY2022/23 to FY2023/24)



Source: World Bank Food Processing Firm Survey 2025

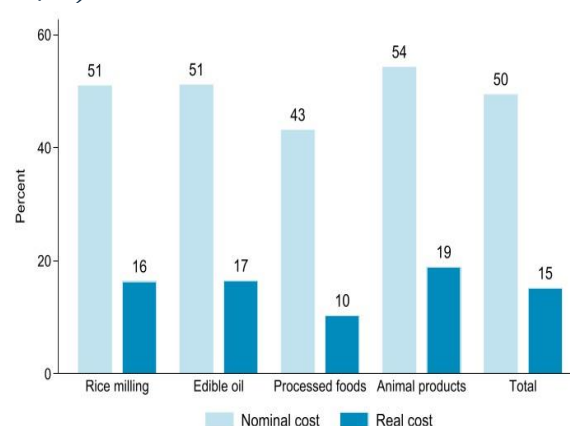
Cost structures across all value chains are overwhelmingly concentrated in raw material inputs, leaving firms highly exposed to commodity-price shocks and supply disruptions. Raw materials account for about 92 percent of total cost for an average food processing (**Figure S. 15**), with slight variations across different value chains. Rice millers and edible-oil processors allocate roughly 93–94 percent of their expenditures to raw paddy and oilseeds, respectively, while processed-food firms exhibit a slightly more diversified structure, with raw materials comprising about 83 percent of total costs and higher shares allocated to labor and other operating expenses. Animal-product processors are also raw-material intensive with raw materials accounting for 93 percent of total costs, reflecting the high cost of livestock feed and related inputs. FGDs further highlight that firms depend on imported materials, especially edible-oil and spice processors, face sharp cost spikes driven by currency depreciation, import licensing constraints, and disruptions at border checkpoints. Consistent with these pressures, total costs rose steeply between FY2022/23 and FY2024/25, with nominal costs increasing by around 50 percent and real costs by 15 percent (**Figure S. 16**), indicating that firms face persistent and broad-based input cost inflation.

Figure S. 15: Cost structure in FY2024/25 – by value-chain



Source: World Bank Food Processing Firm Survey 2025
Note: Water and internet costs are excluded from the chart as those represent negligible amount of total cost.

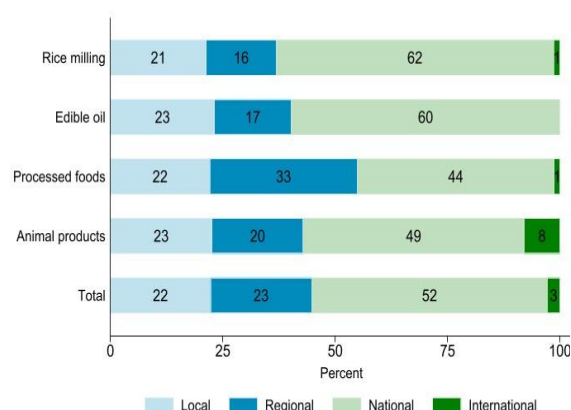
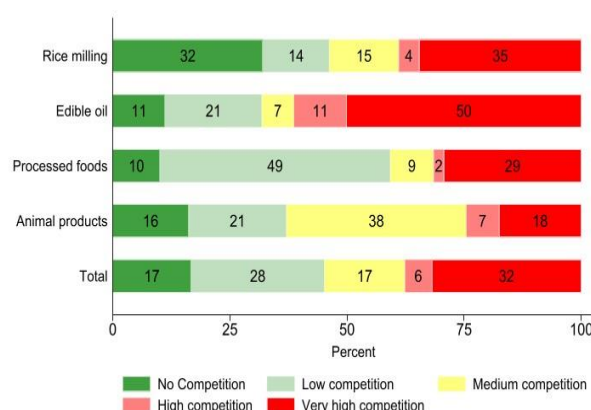
Figure S. 16: Cost growth (CAGR, FY 2022/23 – FY 2024/25)



Source: World Bank Food Processing Firm Survey 2025
Note: Cost is measured as the compounded annual growth rate (CAGR) over the past three fiscal years, while year-on-year growth is used for value-added.

C. Competition and Market Orientation

Myanmar's food-processing firms primarily are oriented toward domestic markets, with competitive pressure varying considerably across value chains. Around 52 percent of firms sell mainly to the national market (buyers across the whole country), while another 45 percent are concentrated in regional markets within their state or region or local markets within their municipality (**Figure S. 17**). Only about 3 percent sell directly to international buyers – semi-processed products like rice are exported through traders, likely leaving rice millers unaware of their products' export status. Among animal product processing firms, 8 percent of firms sell their products to intentional buyers, but challenges such as certification, unreliable cold storage, and rising input costs hinder competitiveness as indicated by FGDs. Only 1 percent of processed food firms sell their products to international buyers, attributable to issues such as inconsistent quality, poor infrastructure, manual production, and strict certification requirements. These obstacles result in high entry barriers and limited innovation in the sector.

Figure S. 17: Main product market – by the share of firms**Figure S. 18: Competition intensity – by the share of firms**

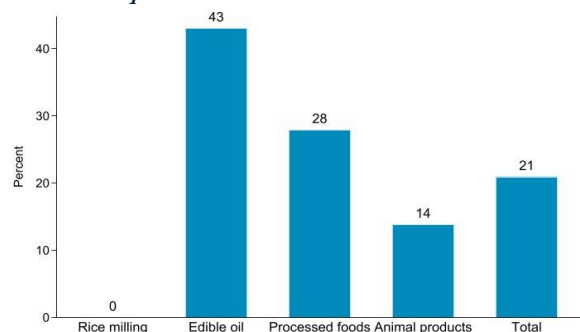
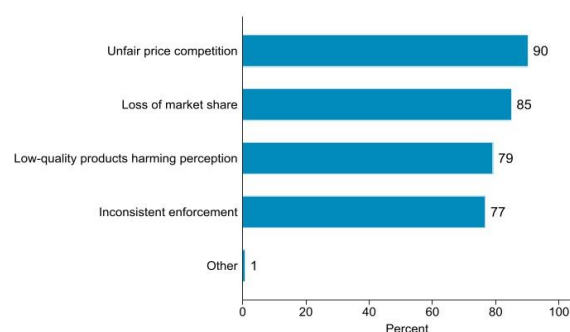
Source: World Bank Food Processing Firm Survey 2025

Note: Main product markets are categorized as local (sales within the firm's municipality), regional (sales within the same state or region), national (sales across Myanmar), and international (sales outside Myanmar).

Competition intensity is defined by number of competitors that firms have in their main market- no competition (0 competitor), low competition (1-5 competitors), medium competition (6-20 competitors), high competition (21-50 competitors) and very high competition (50+ competitors).

Competitive pressure within the main market is substantial but uneven across different value chains (Figure S. 18). Nearly 40 percent of firms report high or very high levels of competition (defined as more than 20 competitors), especially in the edible oil segments (50 percent). This edible oil value chain has a relatively fragmented market structure with heightened rivalry more prevalent. Processed foods also experience high competition, particularly from imported brands with better packaging, challenging domestic growth due to weak branding and limited retail access. Conversely, rice-milling firms face less competition and operate under more oligopsony conditions by selling through few traders.

Informal food imports affect a smaller share of firms overall but create substantial competitive pressure where they occur. About 21 percent of firms face competition from informal imports (Figure S. 19), but this rises sharply in edible oil (43 percent) and processed foods (28 percent). Among affected firms, the impacts are significant: 90 percent cite unfair price competition, 85 percent report loss of market share, and 79 percent say low-quality informal products harm consumer perceptions of domestic goods (Figure S. 20). Enforcement gaps at borders and marketplaces could intensify these pressures and make it difficult for compliant firms to compete on price or quality.

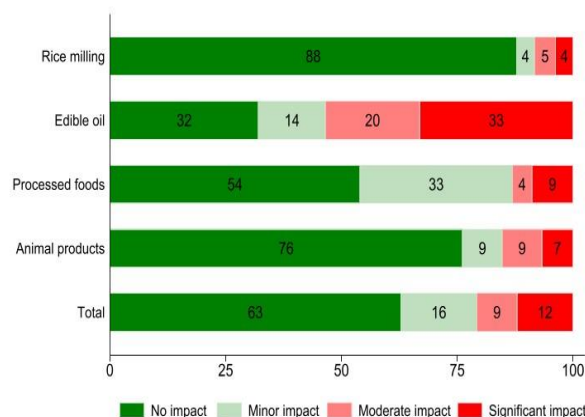
Figure S. 19: Share of firms facing competition from informal imports**Figure S. 20: Impacts of informal imports – by share of firms**

Source: World Bank Food Processing Firm Survey 2025

Most firms (63 percent) are unaffected by official imports; however, formal imports and import restrictions have varying impacts on Myanmar's food-processing sector. The edible oil value-chain appears to be most impacted by formal imports, attributable to Myanmar's reliance on imports of edible oil

(primarily palm oil due to cheaper prices) (**Figure S. 21**). Among the firms competing with formal imports, roughly one-third reported positive impacts of import restrictions – reflecting a spillover from import substitutions (**Figure S. 22**). These findings highlight how value chain structure and import dependence shape trade policy outcomes for agribusiness competitiveness.

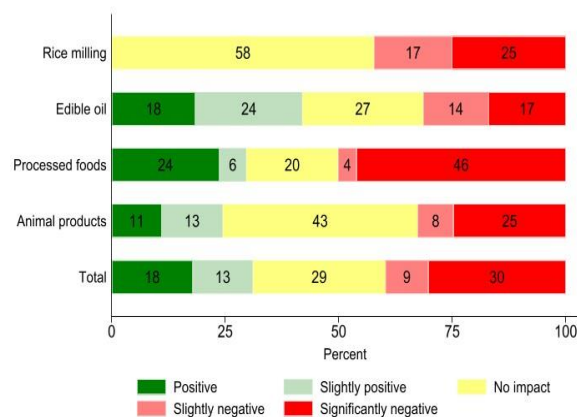
Figure S. 21: Impacts of competition from formal imports – by the share of firms



Source: World Bank Food Processing Firm Survey 2025

Note: Impacts are defined as follows: no impact (no competition with imported products), minor impact (some competition, but customers prefer our products), moderate impact (imported products affecting pricing and sales), and significant impact (severely reducing the market share).

Figure S. 22: Impacts of import restrictions – by the share of firms

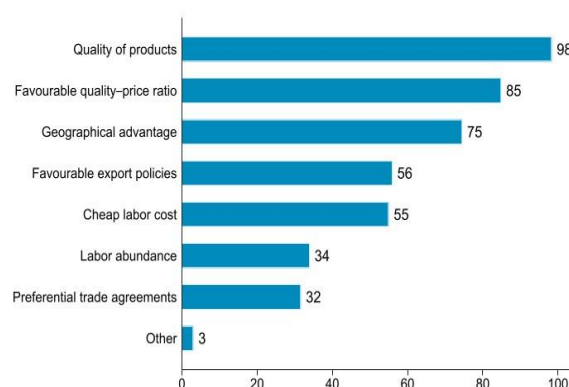


Source: World Bank Food Processing Firm Survey 2025

Note: Impacts are defined as follows: positive (increased production to substitute for imports), slightly positive (some benefits, but import substitution is limited), no impact – (import license control has no impacts), slightly negative (difficulty in sourcing imported raw materials), significantly negative (higher costs and supply shortages hurting performance).

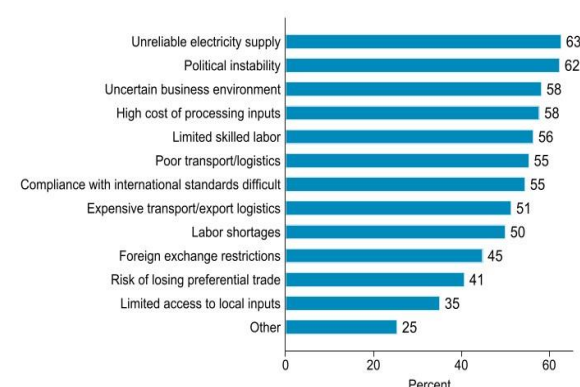
Despite a low level of engagement in international markets, many of Myanmar's food-processing firms remain optimistic about their global competitiveness, particularly in processed foods and animal products. About 65 percent of all food processing firms perceived that they are competitive in the international markets – citing product quality (98 percent), a favorable quality–price ratio (85 percent), and geographical advantage (75 percent) as major reasons (**Figure S. 23**). On the other hand, among firms expressing concerns about competitiveness, the most frequently cited constraints are infrastructure and the operating environment, especially unreliable electricity supply (63 percent), political instability (62 percent), and an uncertain business environment (58 percent) (**Figure S. 24**). This gap between perceived competitiveness and lower level of engagement in international markets reflects the need to address structural market and regulatory constraints to translate optimism into genuine growth.

Figure S. 23: Perceived reasons for being competitive in international market – by the share of firms



Source: World Bank Food Processing Firm Survey 2025

Figure S. 24: Perceived reasons for not being competitive in international market – by the share of firms

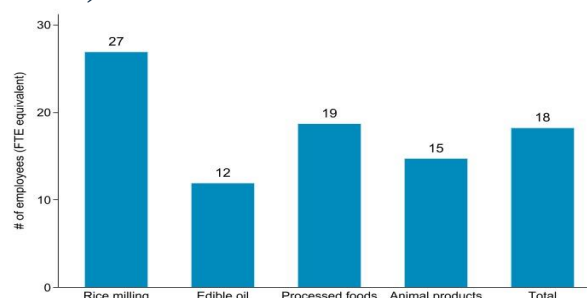


Source: World Bank Food Processing Firm Survey 2025

D. Employment and Job Creation

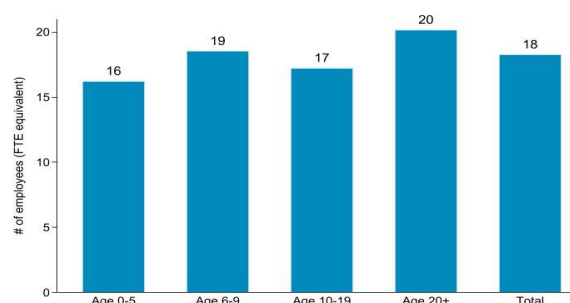
Rice-milling firms are the largest employers in the food-processing sector, operating with a significantly larger workforce than other value chains. An average rice miller employs around 27 full-time-equivalent (FTE) workers per firm, well above the industry average of about 18 FTEs (**Figure S. 25**). Food processors are the second largest employers with 19 FTEs, while animal-product firms (15 FTEs) and edible-oil processors (12 FTEs) operate with smaller workforce, reflecting their narrower production processes – especially for edible-oil processors who tend to be small and localized. By contrast, employment varies only modestly by firm age (**Figure S. 26**), with mature firms aged 20+ years employing only slightly more workers. The findings suggest that labor needs appear to be shaped by the nature of production than by the age or maturity of the firm.

Figure S. 25: Average employment (FTE) by value-chain (average between FY 2022/23 and FY 2024/25)



Source: World Bank Food Processing Firm Survey 2025

Figure S. 26: Average employment (FTE) by firm age (average between FY 2022/23 and FY 2024/25)



Seasonal employment is common in the food processing sector, with 50 percent of firms using temporary workers, especially during harvest and peak demand periods. Rice millers are the largest employer of seasonal hiring – with 85 percent of rice millers reporting seasonal hires, attributable to seasonal nature of rice harvest (**Figure S. 27**). On average, a food processor employs seasonal workers for about 5 months annually. Regionally, Ayeyarwady and Bago have the highest seasonal employment, reported by 87 and 67 percent of firms, respectively, attributable to concentration of rice millers in those areas (Figure S. 28). These seasonal employment dynamics, combined with the average length of seasonal work, suggest that many workers are likely agricultural laborers who shift to food processing after the harvest, and that mills located closer to farming areas may attract such workers—hinting at possible links between seasonality and underemployment in these regions. On the other hand, Mandalay and Yangon use fewer seasonal workers attributable to urban nature and concentration of processed food firms.

Figure S. 27: Share of firms reporting seasonal employment – by value chain

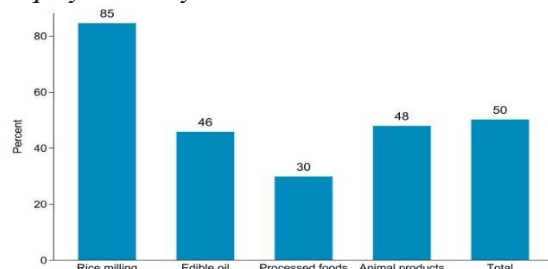
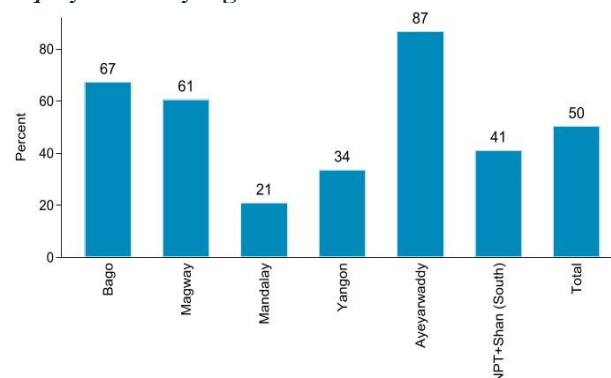


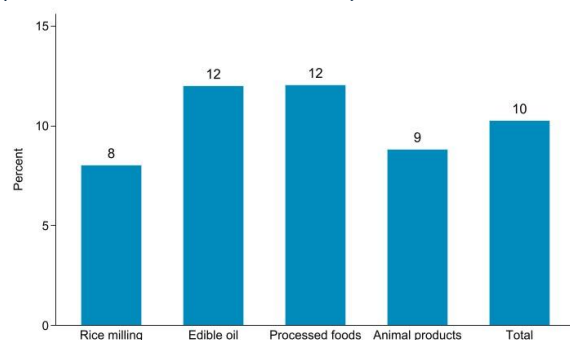
Figure S. 28: Share of firms reporting seasonal employment – by region



Source: World Bank Food Processing Firm Survey 2025

Net job creation remains positive across Myanmar’s food processing industry, though growth varies considerably by value-chain, firm age and region. Between FY2022/23 and FY2024/25, employment growth for the industry increased by CAGR 10 percent – mostly driven by processed food and edible oil firms (**Figure S. 29**). By firm age, young firms (0-5 years old) were the primary drivers of job growth with 31 percent growth, whereas older or more mature firms (10+ years) expanded more modestly, between 5 and 11 percent (**Figure S. 30**). Across regions, Magway was the major driver of job growth with 19 percent, attributable to concentration of edible oil firms in the region (**Figure S. 31**). In contrast, Bago and Naypyitaw/Shan (South) saw minimal gains of only 2–3 percent. These regional differences reflect the uneven operating environment, particularly local infrastructure, electricity reliability, and security conditions, which shape firms’ ability to expand their workforce.

Figure S. 29: Employment growth by value-chain (CAGR, FY2022/23-FY2024/25)



Source: World Bank Food Processing Firm Survey 2025

Figure S. 30: Employment growth by firm age (CAGR, FY2022/23-FY2024/25)

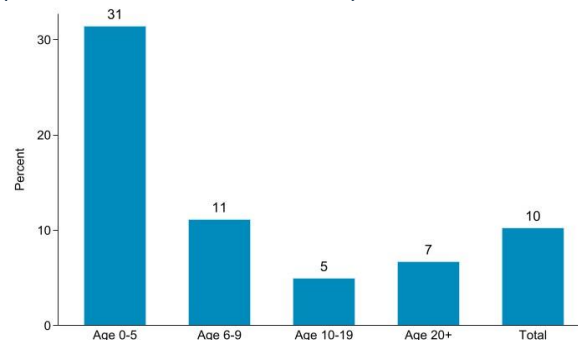
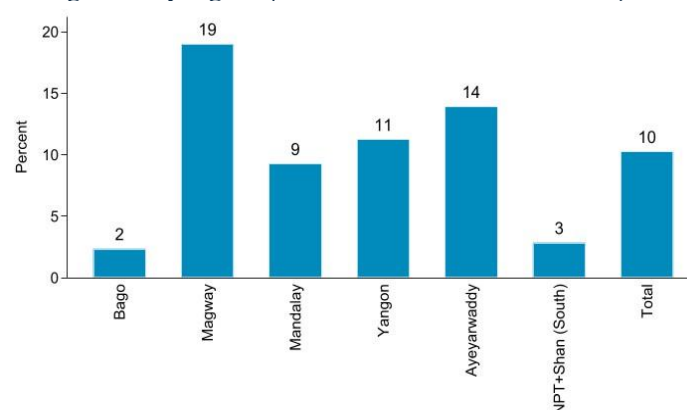


Figure S. 31: Employment growth by region (CAGR, FY2022/23-FY2024/25)



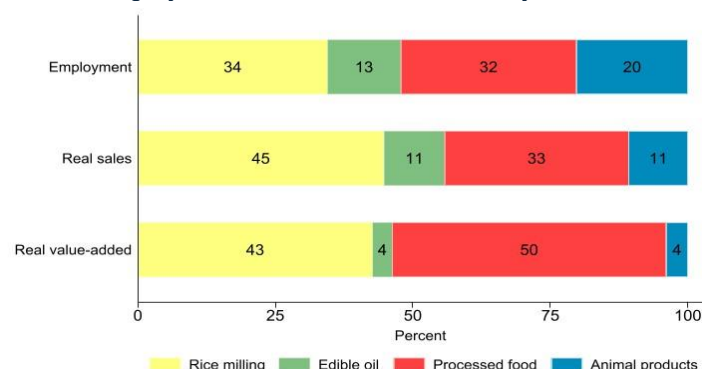
Source: World Bank Food Processing Firm Survey 2025

E. Firm Dynamics

The rice milling and processed foods value chains dominate Myanmar’s food-processing industry, accounting for most of the employment, output, and value creation (Figure S. 32). The rice milling value chain alone provides 34 percent of industry jobs and accounts for 45 percent of total sales, highlighting its scale and labor intensity. Processed foods employ a comparable proportion of the workforce (32 percent) and contribute 33 percent of sales, but they surpass rice milling in value-added, generating 50 percent of the sector’s total compared to rice milling’s 43 percent. In contrast, edible oil and animal product firms collectively comprise about one-third of employment, generate roughly 20 percent of sales, and contribute only 8 percent to total industry value-added, reflecting their lower capital intensity and narrower operational scope. This distribution underscores the sector’s reliance on rice milling and processed foods

for both job creation and economic value, while also illustrating the limited performance and productivity of edible oil and animal product firms.

Figure S. 32: Contribution to employment, sales and value-added by each value-chain

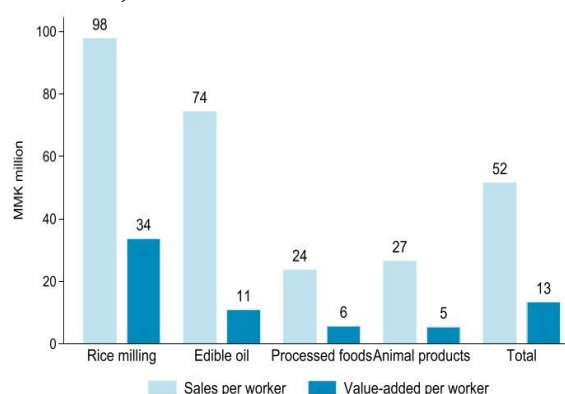


Source: World Bank Food Processing Firm Survey 2025

Note: Value-added is calculated as sales minus the total cost of raw materials, electricity and water.

Productivity, measured in real terms, exhibits significant variation across Myanmar's food-processing industry but has declined generally, reflecting industry-wide structural challenges. Real sales and value-added per worker consistently identify rice milling as the most productive value chain, followed by edible oil, with processed foods and animal products trailing (**Figure S. 33 and Figure S. 34**). Despite these relative differences, all segments—except for real value-added per worker in animal products—are experiencing negative productivity growth, with rice milling facing the sharpest contraction. This pattern indicates that even industry leaders are not insulated from adverse market conditions, such as inflation, power outages, policy constraints, and disruptions from conflict and natural disasters. The pervasive nature of these declines, spanning both high- and low-productivity segments, signals systemic constraints on firms' capacity to sustain or enhance productivity over time, consistent with findings from FDGs.

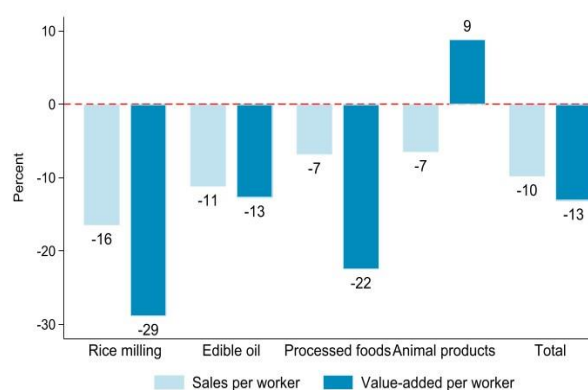
Figure S. 33: Real productivity level (in 2017 prices), three-year average (FY2022/23-FY2024/25)



Source: World Bank Food Processing Firm Survey 2025

Note: Productivity indicators are defined as sales per worker (FTE) and value-added per worker.

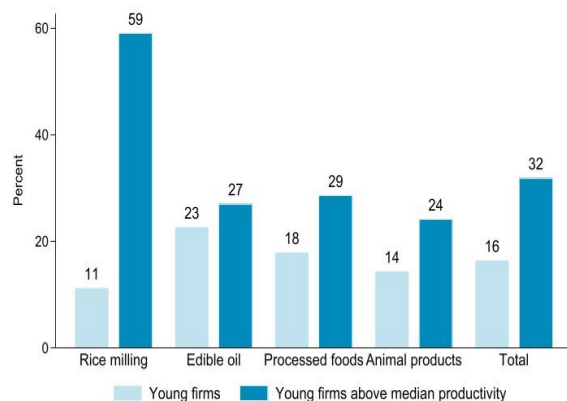
Figure S. 34: Real productivity growth (in 2017 prices) (CAGR, FY2022/23-FY2024/25)



Myanmar's food-processing industry is dominated by established firms, with just 16 percent being five years old or younger and only a third of these young firms achieving above-median productivity, underscoring significant entry barriers and market concentration (Figure S. 35). Edible oil features the highest share of young firms (23 percent) but a few are highly productive, likely reflecting policy-driven entry linked to import substitution and cheap financing amid persistent inefficiencies and import competition. In contrast, rice milling has the fewest young firms (11 percent), yet

these outperform their peers, a pattern shaped by entrenched networks and the established nature of Myanmar's staple supply chain. Overall, the small share of young firms—despite their strong performance—may reflect either challenges to new firm entry or limited incentives for entrepreneurs to start businesses in this industry.

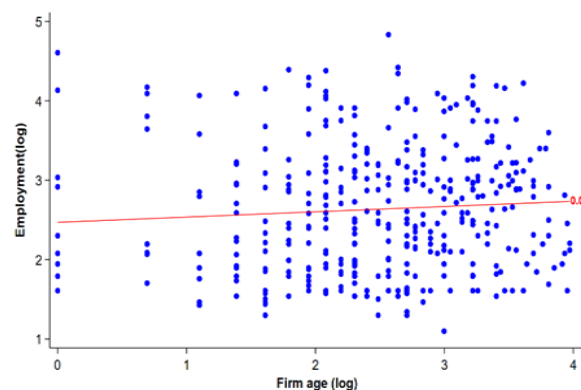
Figure S. 35: Share of young firms and those with above median labor productivity



Source: World Bank Food Processing Firm Survey 2025

Note: Young firms are defined as those under 5 years old.

Figure S. 36: Correlation between employment and firm age

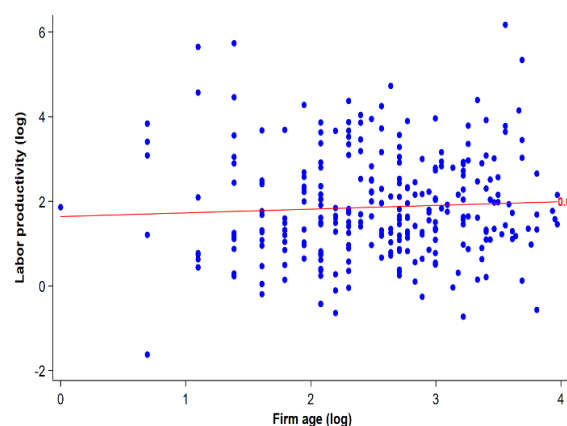


Source: World Bank Food Processing Firm Survey 2025

Note: The analysis presents a simple correlation, without controlling firm characteristics or additional explanatory variables.

Myanmar's food-processing firms demonstrate little growth in productivity or employment as they age, indicating persistent inefficiencies and constraints in firm upgrading and market functioning. Simple correlation analyses reveal no systematic link between firm age and performance (**Figure S. 36** and **Figure S. 37**). Both productivity and employment exhibit weak correlations with age, suggesting that older firms do not consistently outperform younger ones. This lack of lifecycle expansion may reflect underlying frictions—such as limited learning, low competitive intensity, and restricted access to investment—that impede firm growth and upgrading, consistent with findings from FGDs.

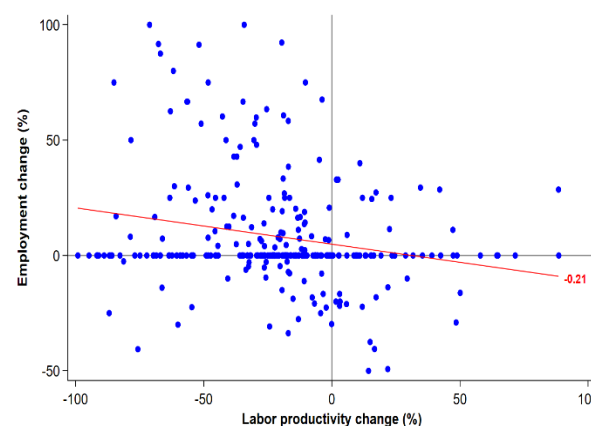
Figure S. 37: Correlation between labor productivity and firm age



Source: World Bank Food Processing Firm Survey 2025

Note: Labor productivity is defined as value-added per worker (full-time equivalent) in real terms. The analysis presents a simple correlation, without controlling firm characteristics or additional explanatory variables.

Figure S. 38: Correlation between employment change and labor productivity change

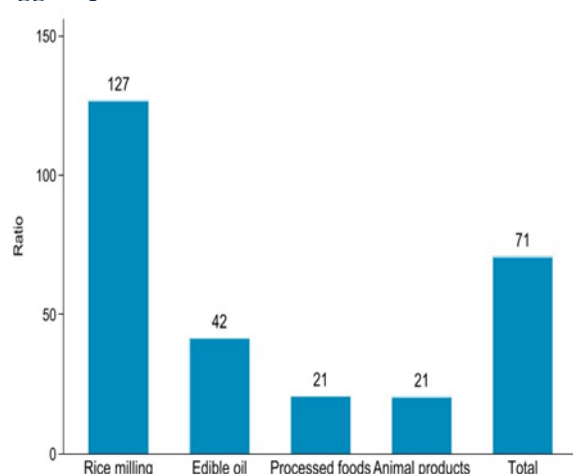


Source: World Bank Food Processing Firm Survey 2025

Note: Employment change is measured as the compounded annual growth rate (CAGR) over the past three fiscal years, while year-on-year growth is used for labor productivity change. The analysis presents a simple correlation, without controlling firm characteristics or additional explanatory variables.

Higher-productivity firms in Myanmar’s food-processing industry do not appear to be expanding their employment faster than less productive firms, and the substantial productivity gaps across the sector suggest that resources may be remaining in less efficient firms. The weak negative correlation (-0.21) between productivity and employment growth indicates that more productive firms are not absorbing labor more rapidly, which could reflect frictions in labor reallocation or differences in production structures—high-productivity firms may require fewer workers because they could be more mechanized or make greater use of productivity-enhancing technologies (**Figure S. 38**). At the same time, productivity dispersion is strikingly wide (**Figure S. 39**). Top performing firms are roughly 71 times more productive than the laggard firms, with the rice milling value chain exhibiting the greatest disparity—top performers are 127 times more productive than the laggard firms. Such pronounced gaps mirror patterns in many developing economies, where highly productive and low-performing firms coexist, often due to differences in capabilities, market power, and barriers to entry, as highlighted in the existing literature (Cusolito and Maloney 2018).²⁶

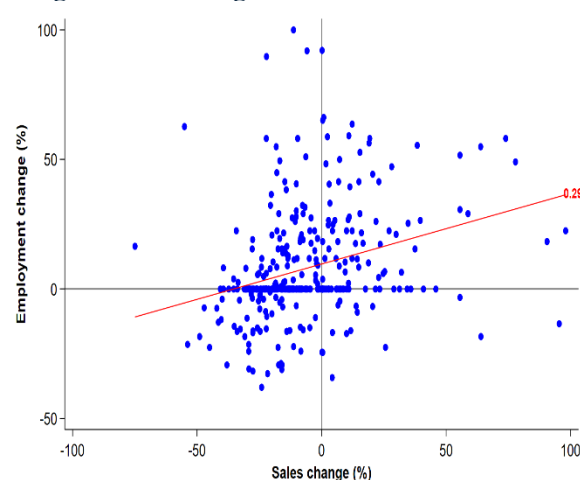
Figure S. 39: Productivity ratio between top and laggard performers



Source: World Bank Food Processing Firm Survey 2025

Note: Top and laggard performers are identified using value-chain-specific decile rankings, with productivity ratios comparing the average labor productivity of firms in the top (10th) and bottom (1st) deciles.

Figure S. 40: Correlation between employment change vs sales change



Source: World Bank Food Processing Firm Survey 2025

Note: Both employment and sales change (in real terms) are measured as the compounded annual growth rate (CAGR) over the past three fiscal years. The analysis presents a simple correlation, without controlling firm characteristics or additional explanatory variables.

Employment growth demonstrates only a modest and weakly positive correlation with sales growth (correlation coefficient: 0.29), reflecting patterns commonly observed in developing agricultural sectors. While some firms are able to translate increased sales into additional hiring, substantial variation exists, and many do not expand their workforce despite rising sales (**Figure S. 40**). This muted hiring response may reflect uncertainty and low-capacity utilization—firms may already have more workers than needed at current production levels and may not hire until they reach capacity limits or decide to expand. These dynamics may also be linked to difficulties in accessing skilled labor, which further discourages workforce growth even when sales improve. FDGs also highlight a difficult business environment where job creation often lags behind firm growth due to persistent market frictions and resource misallocation, limiting the sector’s potential for inclusive employment gains.

²⁶ Cusolito, Ana Paula, and William F. Maloney. 2018. *Productivity Revisited: Shifting Paradigms in Analysis and Policy*. Washington, DC: World Bank Group.

F. Finance, Investment and Technology

The use of formal financial services among Myanmar’s food-processing firms remains notably low, suggesting that access to finance is significantly constrained by both supply- and demand-side factors (Figure S. 41). Only 39 percent of firms report having a dedicated corporate bank account—a figure consistent with evidence that many small agricultural businesses rely on personal accounts or cash-based transactions to manage costs and navigate limited banking infrastructure. FGDs further reveal that firms, particularly in rural Ayeyarwady, Magway, and Shan South, frequently cite difficulties with depositing or withdrawing funds due to sparse branch networks and unreliable digital banking, reflecting common barriers in developing financial sectors. Access to credit is even more restricted, with only 4 percent of firms having overdraft facilities and only 3 percent having loans or lines of credit, underscoring the persistent challenges of collateral requirements, high transaction costs, and regulatory uncertainty that deter borrowing for investment and working capital needs.

Figure S. 41: Share firms utilizing formal financial services

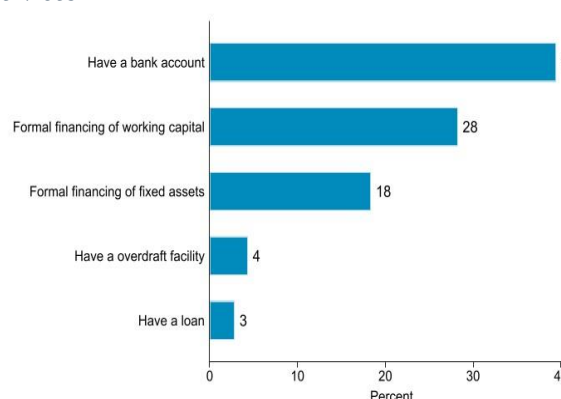
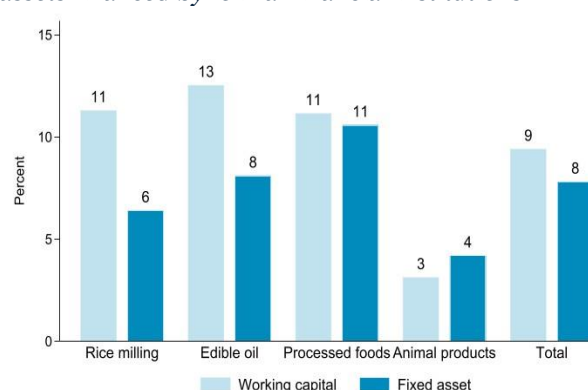


Figure S. 42: Proportion of working capital and fixed assets financed by formal financial institutions



Source: World Bank Food Processing Firm Survey 2025

Myanmar’s food processors remain heavily reliant on internal funds—over 80 percent of working capital and fixed asset purchases are self-financed—while formal finance covers only 9 percent of working capital and 8 percent of fixed asset investments (Figure S. 42). This reliance on internal resources partly reflects firms’ limited access to formal finance, likely driven by inadequate collateral, higher borrowing costs, and other constraints. Demand-side factors also likely play a role, as uncertainty and strong cash flows may make borrowing at high interest rates unattractive, reducing firms’ incentives to seek external finance for machinery, technology upgrades, or other productive investments. Even with the low usage of financing from financial institutions, about 64 percent of firms do not perceive access to finance as a major obstacle, a paradox frequently observed in developing agricultural sectors²⁷ where low engagement with formal lenders often masks underlying investment constraints and limit firms’ capacity to innovate, scale, and enhance productivity.

Technology adoption is moderately widespread across the sector, yet usage is uneven and strongly shaped by scale, product type, and the complexity of operations. While 57 percent of firms report utilizing at least one form of technology—primarily basic processing equipment (51 percent) and machinery or automation (24 percent). Adoption is substantially higher in value-added chains such as processed foods (77.8 percent) (Figure S. 43). Firm size is also a significant determinant: technology uptake rises from 58.48 percent among small firms to 83.38 percent for large firms, suggesting that larger firms have greater

²⁷ Beck, Thorsten, Asli Demirgüç-Kunt, and Vojislav Maksimovic. (2008). “Financing Patterns Around the World: Are Small Firms Different?” *Journal of Financial Economics*: 89(3), 467–487

capacity and resources to invest in new technologies, or that they became larger because they invested earlier in productive assets.

The use of advanced digital tools is nevertheless limited, mirroring global trends²⁸ where agricultural firms often face barriers such as high costs, lack of technical expertise, and uncertain returns on investment. Only 14 percent of firms employ mobile-based applications, and fewer than 10 percent utilize data analytics, enterprise digital systems, or artificial intelligence. Digitalization of basic business operations is also nascent (**Figure S. 44**); while 39 percent use social media for communication, adoption of professional digital solutions—like business-domain email, Google Workspace, Microsoft 365, or dedicated websites—remains below 12 percent. FDGs indicate that firms tend to prioritize basic, cost-effective technologies over more sophisticated solutions, often constrained by financial, informational, and infrastructural barriers. Overall, the sector’s reliance on low-cost tools signals uncertainties, which prevent planning and investing for the future.

Figure S. 43: The use of technology – by share of firms

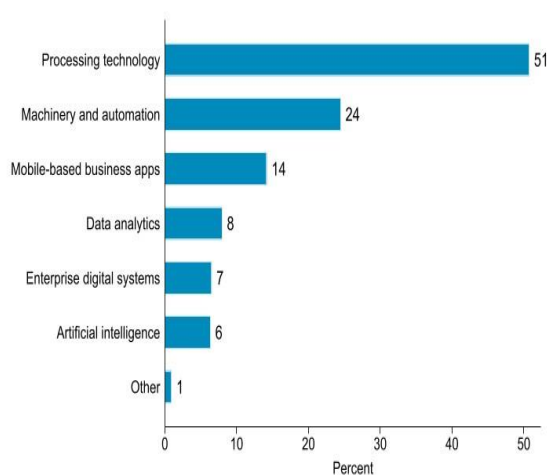
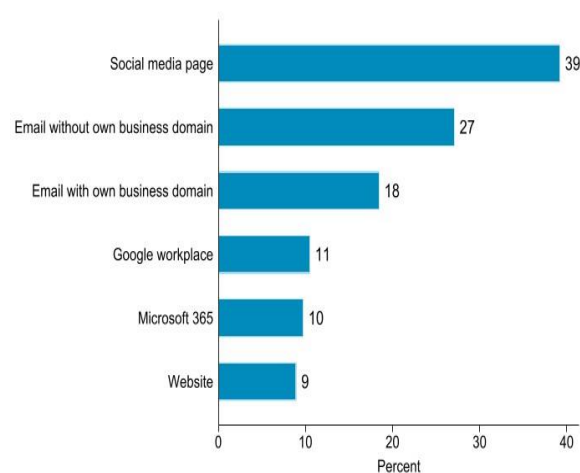


Figure S. 44: The use of digital tools – by share of firms



Source: World Bank Food Processing Firm Survey 2025

G. Food Safety and Certification

Food safety remains an issue for Myanmar’s agri-food sector, directly influencing economic prospects, and access to both domestic and international markets. Despite rising consumer demand and shifting dietary habits, foodborne risks continue to generate significantly often unrecognized costs for households and businesses. The sector grapples with a complex regulatory environment, low rates of certification, and operational barriers, with impacts differing by value chain and firm size. Only 27 percent of surveyed firms possess local Food and Drug Administration (FDA) Food Safety Certification (FSC) (**Figure S. 45**), with higher uptake in edible oil (40 percent) and processed foods (36 percent), but notably lower in perishable animal products (10 percent for fish, 3 percent for meat-derived products). While most firms (84 percent) find compliance with domestic food safety standards manageable, sub-sectors such as soft drinks and meat derivatives face steeper regulatory and cost challenges. For the majority, regulatory expenses are not burdensome (71 percent), but processed food and edible oil firms report higher cost pressures. Nearly half (47 percent) of firms undergo annual inspections, though oversight remains inconsistent, particularly for rice mills and edible oil processors, given lower food safety risks.

²⁸ World Bank. 2020. *Harvesting Prosperity: Technology and Productivity Growth in Agriculture*. Washington DC: World Bank Group

International certification adoption is minimal at just 5 percent of firms, primarily among larger, export-oriented firms in non-animal processed foods, and dairy value chains (Figure S. 46). Leading international certificates include HACCP, GMP, Halal, ISO 22000, FSSC 22000, and SQF. Most firms remain focused on domestic markets, citing limited perceived benefits in pursuing international accreditation. Key barriers to certification include insufficient technical knowledge, lack of trained personnel, complex and costly procedures, and infrastructural limitations. This landscape underscores the need for targeted investment, capacity building, and regulatory streamlining to foster safer, more competitive agri-food value chains in Myanmar. FDGs indicate that export ambitions are hampered by persistent quality issues, especially chemical residues and inconsistent supply. While domestic FDA inspections focus on hygiene, cleanliness, and pest control, export markets demand stricter standards and formal contracts.

Figure S. 45: Share of firms with local FDA certification by value chain

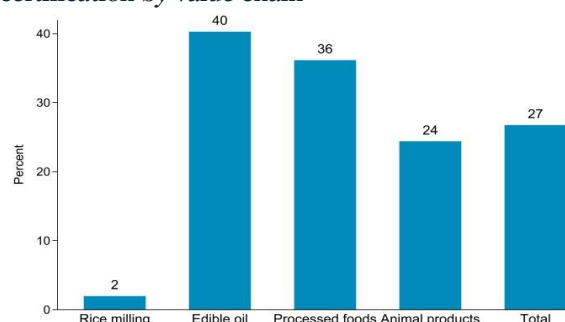
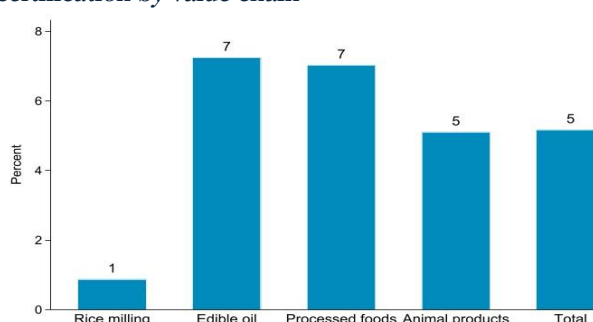


Figure S. 46: Share of firms with international certification by value chain



Source: World Bank Food Processing Firm Survey 2025

H. Resilience to Natural Disasters, Recovery Patterns, and Insurance Adoption

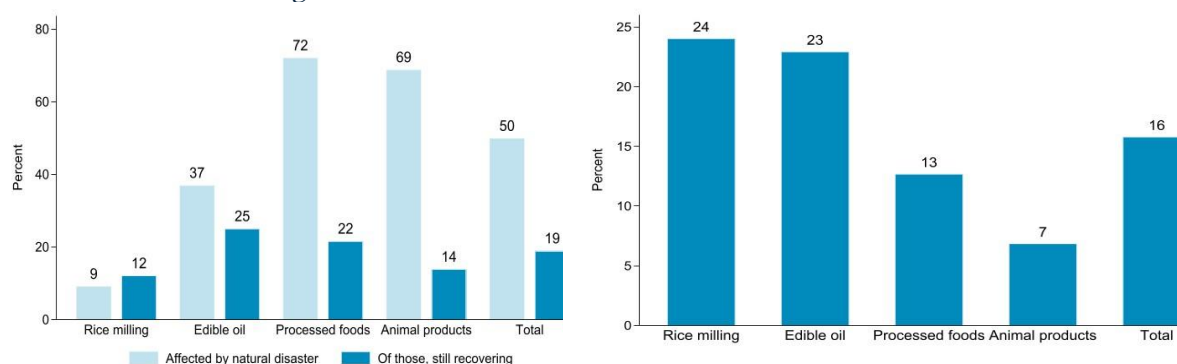
Myanmar's agri-food sector faces pronounced vulnerability to natural disasters, particularly flooding and earthquakes, which can severely disrupt agricultural firms by damaging infrastructure, disrupting supply chains, and causing significant financial losses. Within a 12 months period, half of Myanmar's food processing firms were impacted by major events—Typhoon Yagi (September 2024) or the March 2025 earthquake. About 30 percent experienced one event, while 18 percent endured both. Processed foods and animal product firms suffered higher rates of impact than rice milling or edible oil companies, reflecting their greater reliance on complex supply chains and sensitive inventories. The most common repercussions were declines in sales (87 percent) and operational interruptions (86 percent), with additional effects including inventory losses (44 percent), facility damage (43 percent), employee absenteeism (40 percent), and supply chain disruptions (39 percent). Processed foods and animal product firms were especially susceptible to workplace and inventory losses, while exporters faced higher exposure to inventory and physical losses due to their larger scale and mechanization. On average, affected firms estimated losses at 21.5 percent of annual sales, with processed foods reporting the highest average losses (24.6 percent), followed by animal-derived products (20.2 percent), edible oils (17.6 percent), and rice processors (16.5 percent).

Despite these substantial impacts, recovery rates were robust: 81 percent of affected firms had fully recovered by September 2025, with rice processors (88 percent) and animal product firms (86 percent) leading (Figure S. 47). However, only 16 percent of agri-food firms had disaster insurance (Figure S. 48)—higher than the broader private sector (6 percent),²⁹ but still low given the risks. Insurance coverage was most prevalent among large, established, export-oriented, and foreign-invested firms, and more common in rice processing (24 percent) and edible oils (23 percent). Premiums averaged 2.1 percent

²⁹ World Bank Firm Monitoring Survey (Round 20)

of annual sales, rising for small firms (2.7 percent), older firms (2.6 percent), and those in high-risk regions like Magway (3.5 percent). The main reasons for lacking disaster insurance were perceived low risk (43 percent), limited awareness, complex procedures, inadequate options, and high costs, echoing challenges widely noted in the private sector. Some firms opted for self-insurance (9 percent), while others cited negative past claims experiences (4 percent).

Figure S. 47: Share of firms affected by natural disaster vs those recovering **Figure S. 48: Share of firms with disaster insurance**



Source: World Bank Food Processing Firm Survey 2025

I. Obstacles to Firm Performance and Opportunities

I.1. Obstacles

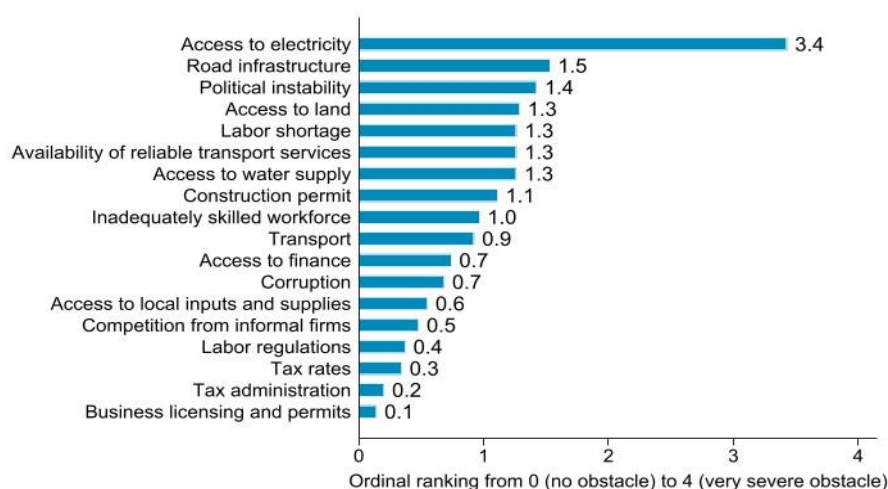
Myanmar's agro-processing firms face a complex web of constraints that severely limit growth and competitiveness. Chronic electricity shortages, unreliable infrastructure, and inadequate cold-chain systems disrupt production and restrict market reach, especially for perishable products. Firms grapple with raw material shortages, volatile input costs, limited access to finance, and skill gaps, while weak management practices and labor shortages further hinder efficiency. Market uncertainties, regulatory hurdles, and fragmented value chains complicate business operations and impede formalization. Compounded by frequent climate shocks and a lack of resources for resilient investments, these challenges collectively undermine productivity, product quality, and the ability of small and medium enterprises (SMEs) to scale and innovate.

Infrastructure and Utilities: Chronic electricity shortages and unstable power are the most critical barriers for agro-processing SMEs, disrupting production, damaging product quality, and hindering scale. Nearly all firms face daily outages, averaging 6–7 hours, forcing 73% to rely on costly generators for over half their energy needs. With frequent power outages, access to electricity is the top obstacle to firms' operations, with its average ordinal ranking far higher than all others (**Figure S. 49**). Unreliable power limits adoption of modern machinery, reduces food safety, and undermines competitiveness. Road infrastructure is the second-most severe constraint, with 78 percent of firms reporting that poor road access affected their ability to receive inputs or deliver goods in the past 12 months. Cold-chain infrastructure limitations further amplify these challenges. Among firms requiring cold storage or refrigerated logistics, only 23 percent currently have access, severely restricting the distribution of perishable goods such as dairy, seafood, and ready-to-eat salads, confining firms to local markets and increasing wastage.

Raw Materials and Inputs: More than half of firms struggle with raw material shortages, especially those dependent on highly seasonal or perishable goods like mango, chili, and milk. Seasonality and inconsistent quality force frequent production changes or shutdowns. Import restrictions and currency volatility worsen

input and packaging shortages, leading to redesigns, smaller batches, shorter shelf life, and sometimes temporary closures.

Figure S. 49: Obstacles to operation



Source: World Bank Food Processing Firm Survey 2025

Note: Obstacles to operation are ranked by their mean score on a 0–4 scale, where higher values indicate more severe constraints. Of the 24 obstacle variables, 18 are included in the analysis; the remaining six—covering more specialized issues such as cold-chain logistics, customs and border procedures, and trade-related requirements—are excluded from the ranking because they have a high share of missing responses by design, as firms answer only the issues they directly face.

Finance and Investment: Reliance on internal funds may prevent large-scale investment in capital-intensive machinery and modern technologies. Less than 40 percent of firms have bank accounts, and formal loans are limited—just 8 percent borrow for fixed asset purchases and 28 percent for working capital—due to high collateral requirements and documentation burdens. This results in persistent underinvestment, keeping firms small and dependent on labor-intensive processes. Lack of working capital forces firms to buy raw materials in small quantities, increasing vulnerability to price spikes, and inconsistent supply.

Labor and Skills: Over half of firms experienced technical skill gaps when hiring production workers, especially for specialized operations like drying, sterilization, and quality control. High turnover and migration reduce available workers and increase training costs, risking product quality. Weak managerial capacity and informal management styles limit efficiency and innovation.

Market and Demand: Volatile demand and price fluctuations—especially in rice and edible oils—lead to low utilization rates, negative productivity growth and discourage investment. Competition from cheap imports and unpredictable consumer behavior make planning difficult. Many small and medium-sized firms (SMEs) face barriers to accessing supermarkets chains due to delivery challenges, packaging inconsistencies, and strict cold-chain and food-safety requirements.

Regulatory and Institutional Issues: Complex regulations, long certification timelines, and costly facility upgrades delay formalization and product diversification. Difficulties in obtaining FDA approval and export certifications (HACCP, GMP, ISO) further limit market access. Weak coordination between value chain actors results in inconsistent inputs and fragmented operations.

Environmental and Climate Issues: Flooding, humidity, and extreme weather frequently disrupt production, especially for perishable goods. Nearly 40 percent of firms have been affected by natural disasters, leading to transport delays, increased spoilage, and unpredictable operating conditions. Most SMEs lack the resources to invest in resilient systems like cold storage, improved drying technologies, or proper natural disaster insurance.

I.2. Opportunities for upgrading

Despite persistent structural challenges, Myanmar’s agro-processing sector offers substantial opportunities for growth, diversification, and value addition across major value chains. The sector is buoyed by a large agricultural base, strong domestic demand, expanding urban markets, rising consumer interest in convenience foods, and a core of established agribusinesses. Even modest improvements in infrastructure—such as electricity supply, raw material supply, packaging, quality control, and workforce skills—could drive significant gains in productivity and market access.

Opportunities for Product and Market Expansion: Growing urban demand for convenience and health-oriented products has opened space for new product categories, including ready-to-eat salads, fruit snacks, herbal beverages, low-sugar drinks, and instant cooking aids. Local agribusinesses are innovating with dried vegetable powders, flavored teas, cold-pressed oils, and improved bakery items. With incremental improvements in technology and packaging, domestic firms can capture value in premium rice, single-origin coffee, artisanal teas, ethnic foods, and other high-margin segments currently dominated by imports. Each value chain presents unique opportunities, such as higher-grade milled rice and value-added rice products, premium and specialty edible oils, safer dairy items, frozen seafood, and artisanal snacks. These niches align with urban consumption trends and offer higher profitability compared to bulk commodities.

Enabling Competitiveness through Infrastructure and Branding: Upgrading packaging quality and brand identity is critical for agribusinesses to compete in modern retail channels, including supermarkets and online platforms. Shared packaging centers, professional design support, and improved labelling can help local producers increase shelf appeal and reliability, expanding their reach to institutional buyers and catering services.

Expansion of cold-chain infrastructures such as cold rooms, ice plants, and refrigerated transport—can transform the competitiveness of dairy, seafood, meat, and fruit processors, reduce spoilage, and enable year-round market access.

Unlocking Digital Opportunities: With better hygiene, packaging, moisture control, and traceability, Myanmar’s processed foods—especially spices, dried fruits, fish, coffee, and tea—can access formal urban markets. Support for certification (HACCP, GMP, ISO) and testing facilities will help agribusinesses meet food safety standards required by supermarkets and secure higher-value contracts. Digital channels, including social media and e-commerce platforms, offer low-cost pathways for agribusinesses to expand sales, improve inventory management, and connect with new consumer bases, particularly younger and urban populations.

Clustering, Coordination, and Technology Support: Developing processing clusters—where multiple firms share facilities for milling, storage, packaging, and testing—can lower investment barriers, improve economies of scale, and facilitate workforce training and quality standardization. Strengthening relationships between producers, aggregators, and processors through contract farming and cooperative models can stabilize input quality and supply, enabling better planning and upgrading.

Advisory services and innovation hubs: Establishing food-technology advisory services and innovation hubs will help agribusinesses close knowledge gaps, experiment with new products, improve quality, and comply with safety standards, making local products more competitive domestically and abroad.

Climate Resilience and Sustainable Growth: Investments in climate-resilient infrastructure—such as solar dryers, ventilated storage, waterproof facilities, and humidity control—will mitigate seasonal losses, support year-round processing, and reduce dependence on imports. These upgrades strengthen food system stability and environmental sustainability.

J. Conclusion

Myanmar's agrifood sector has demonstrated notable resilience in the face of persistent and multifaceted uncertainties—ranging from conflict and natural disasters to chronic infrastructure deficits and market disruptions. Despite structural barriers and frequent shocks, including regular floods and the recent earthquake, most food-processing firms have managed to sustain operations and maintain workforce levels, underscoring the sector's adaptability and capacity for recovery. However, this resilience is continually tested by ongoing challenges such as unreliable electricity, volatile input supplies, skill shortages, ongoing conflict, and fragmented supply chains. These structural vulnerabilities are likely to persist in the medium term, constraining productivity growth and limiting opportunities for value addition and market expansion.

To further strengthen the resilience and improve international competitiveness of Myanmar's agrifood systems, targeted interventions focused on improving the reliability and quality of raw material supply and enhancing workforce skills are essential. Supporting the development of robust producer–processor linkages, upgrading storage and logistics infrastructure, and facilitating access to modern processing technologies can help stabilize input flows and reduce vulnerability to supply shocks. Additionally, expanding access to technical and vocational training, advisory services, and innovation hubs will equip agrifood enterprises with the skills needed to adopt new technologies, comply with quality standards, and respond effectively to evolving market demands. By fostering these enabling conditions, Myanmar's agrifood sector can better navigate ongoing uncertainties and lay the foundation for more sustainable and inclusive growth and structural transformation.

Annex 1: Vegetation Conditions (EVI) as a Predictor of Agricultural GDP

Regression analysis utilizing the Enhanced Vegetation Index (EVI) demonstrates a robust and statistically significant association between vegetation conditions and quarterly agricultural GDP in Myanmar. In all model specifications, EVI—especially its lagged value—consistently stands out as a highly effective predictor of agricultural output, reflecting both biological growth dynamics and seasonal patterns within agricultural cycles.

Table A1. EVI Regression Results

Variable	Model 1	Model 2	Model 3	Model 4
EVI (log)	1.701*** (0.447)	1.574*** (0.332)	1.173*** (0.311)	-0.396*** (0.147)
NTL (log)			-0.937*** (0.220)	-0.540*** (0.086)
EVI 1 Quarter Ago (log)		2.414*** (0.321)	2.334*** (0.299)	1.115*** (0.132)
Crop Season (dummy)				1.484*** (0.086)
Observations	60	59	53	53
R ²	0.200	0.591	0.705	0.959
Adjusted R ²	0.186	0.576	0.687	0.956
Residual Std. Error	0.749	0.536	0.466	0.175
F-statistics	14.46*** (df=58)	40.38*** (df=56)	39.09*** (df=49)	283.82*** (df=48)

Note: *p<0.1, **p<0.05, ***p<0.01. Standard errors are in parentheses.

Models are estimated using quarterly data. EVI, lagged EVI (one-quarter lag), and NTL are included in log form. Crop season dummy equals 1 in quarters within the main agricultural season and 0 otherwise.

The simplest specification (Model 1) indicates that a 1% rise in current EVI leads to a 1.7% increase in agricultural GDP, highlighting the strong link between vegetation greenness and crop conditions. Including lagged EVI from the prior quarter raises the coefficient above 2.3% (Model 2 and 3), suggesting that earlier vegetation status is an even better predictor of agricultural output. This pattern matches real-world agricultural conditions, as factors like soil moisture, canopy growth, and increasing biomass develop gradually over weeks. As a result, delayed vegetation conditions often provide a more dependable indication of yield results and harvest quantities.

Adding nighttime lights (NTLs) does not reduce EVI's significance (Model 3 and 4); instead, NTL coefficients turn negative, indicating Myanmar's agriculture is mostly rural and less reliant on electricity. Vegetation-based indicators remain better for tracking agricultural production than luminosity data. Introducing a crop-season dummy further strengthens the model ($R^2 = 0.96$) and shows agricultural GDP follows seasonal patterns. In the complete model 4, lagged EVI remains significant, suggesting past vegetation conditions best predict future agricultural economic activity.

Overall, these findings (Model 4) show that EVI—especially its lagged values—is a strong and timely indicator of agricultural performance in Myanmar. By adding basic details about crop seasons, vegetation indices can account for most quarterly changes in agricultural GDP. As a result, EVI plays an important role in real-time monitoring, early warning systems, and short-term forecasts for agriculture.

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