



Media Release

RAM Ratings reaffirms Myanmar's $gB_{2(pi)}$ rating

RAM Ratings has reaffirmed Myanmar's respective global- and ASEAN-scale ratings at $gB_{2(pi)}$ /stable and $seaB_{1(pi)}$ /stable. The ratings largely reflect the country's challenging macroeconomic environment, underdeveloped market institutions and an ongoing civil conflict, all of which exacerbate its susceptibility to shocks. These factors are partially offset by the country's economic potential in the form of untapped natural resources and favourable demographics.

Myanmar's economy is estimated to have expanded at a slower pace of 7.0% in fiscal year ending March 2016 (FY 2015: 8.4%) due to floods in mid-2015 (which the World Bank estimates caused economic damage of up to 3.0% of GDP), weaker commodity prices and increased investor risk aversion in the lead up to the country's historic elections in November 2015. Myanmar's underdeveloped economy – characterised by low private-sector savings, inadequate infrastructure and insufficient institutional capacity – compounds the effects of adverse shocks.

Myanmar's macroeconomic vulnerabilities have also caused some past reform measures to stall. "Examples include interventions in the currency market through administrative means when low commodity prices widened the country's trade deficit, and continued monetising of the Government's fiscal deficit by the Central Bank of Myanmar when financing conditions were unfavourable," notes Esther Lai, RAM's Head of Sovereign Ratings. Consequently, we continue to expect some temporary reversals of market reforms, particularly during periods of heightened adversity.

That said, Myanmar's current policy orientation, which emphasises national reconciliation and market reforms, is appropriate. Key legislation passed since our last review includes the Condominium Law, the Banking and Financial Institutions Law and the Mining Law, which allow for increased foreign participation in the economy and enhance regulatory powers of the authorities. Moreover, Myanmar's proposed 12-point economic plan formalises the Government's objective of realising market reforms. However, operational details of the plan are limited and subject to substantial execution risk.

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