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

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

Mr. Chairman,
Fellow Governors,
Distinguished Delegates,
Ladies and Gentlemen.

It is an honor and a great pleasure for me to present the Government of the Republic of the Union of Myanmar at the 2015 Annual meetings of the Boards of Governors of the World Bank and International Monetary Fund and to speak at very auspicious event of the Fund and Bank Annual Meetings.

Since we are living in a very evolving market environment and globally, we noted that Global economic prospects have improved again but the road to recovery will remain bumpy. Global growth is projected at 3.3 percent in 2015, with a gradual pickup in advanced economies and a slowdown in emerging market and developing economies. In 2016, the global economic growth is expected to strengthen to 3.8 percent.

Nevertheless, the underlying drivers for a gradual acceleration in economic activity in advanced economies - easy financial conditions, more neutral fiscal policies in the euro area, lower fuel prices, and improving market confidence and labor market conditions - remain intact. In emerging market economies, the continued growth slowdown reflects several factors, including lower commodity prices and lighter external financial conditions, structural bottlenecks, rebalancing in China, and economic distress related to geopolitical factors. A rebound in activity in a number of distressed economies is expected to result in a pickup in growth in 2016.

In addition to this, please allow me to briefly talk about the recent developments in our economy. Myanmar economy is forecast to grow by 9.1 percent this year and expected to remain strong in FY 2015/16, at 9.3 percent led by strong domestic demand. Fiscal deficit is contained at 5 percent of GDP and indirect deficit financing is taken place through treasury bills auction. In the 2014-15 fiscal year, Myanmar received US$8 billion in FDI, mainly due to strong FDI inflows to energy and manufacturing industries, surpassing the targeted amount of the government’s Long Term Foreign Direct Investment Plan, which was set at $4 billion. In 2013, the government announced a much longer list of permitted areas for tourists to visit without, and in some cases with, prior permission. As a result of these changes, the country has recently seen an unprecedented growth in international tourist arrivals. Visitor numbers surpassed the 1 million mark in 2012 and arrivals reached 3 million in 2014.

The average CPI inflation, which increased slightly to 5.9 percent in FY 2014/15, is expected to rise further as a result of strong domestic demand from expansionary fiscal policy and rapid growth in credit to the private sector. The effects of the recent severe floods which destroyed large areas of paddy fields could also pose an upside risk to inflation in FY 2015/16.

Myanmar authorities continued to pursue reform measures and initiatives to develop the financial sector. This include strategies to: foster monetary development with a new Foreign Exchange Management Law; new Central Bank of Myanmar Law together with greater autonomies; further open the banking sector to foreign participation; restructuring of the tax system; more transparent and efficient budget system; and develop the country's capital market with the launch of a stock exchange expected in late 2015.

Further, I wish to sketch out our country's financial sector liberalization and reform process. Central elements have been the adoption of a managed floating exchange regime, which replaced a highly overvalued official exchange rate, and the establishment of a functioning formal foreign exchange market. Trade and financial liberalization has moved forward rapidly with the dismantling of trade barriers and the opening of the banking sector. This year marks the entry of nine foreign banks and the operation of the Thilawa Special Economic Zone (SEZ), which will provide an initial platform for Myanmar's rapid export-oriented growth.

We all are very much aware that development of a modern, well-regulated and supervised financial sector is critical to finance investment, reduce monetization, and transmit the CBM's monetary policy. Since the transition to a modern financial system is complex, the changes required in the financial sector are wide-ranging, will take time, and require significant capacity building – in the Central Bank of Myanmar as well as in private and state - owned banks, in particular in regulation and supervision. We therefore need to prioritize in key areas such as – licensing and foreign bank entry, regulating foreign exchange positions, establishing market-determined interest rates, modernizing prudential regulations and developing supervisory capacity and addressing AML/CFT deficiencies.

In conclusion, Mr. Chairman, I wish to express again our deep appreciation and best wishes to the managements and staff of the Fund/ Bank for their ongoing and kind assistance to suit Myanmar's situation as well as staffs for their valuable expertise and contribution to the successful Annual Meetings.

Thank you.