

Myanmar's Rural Economy: A Case Study in Delayed Transformation



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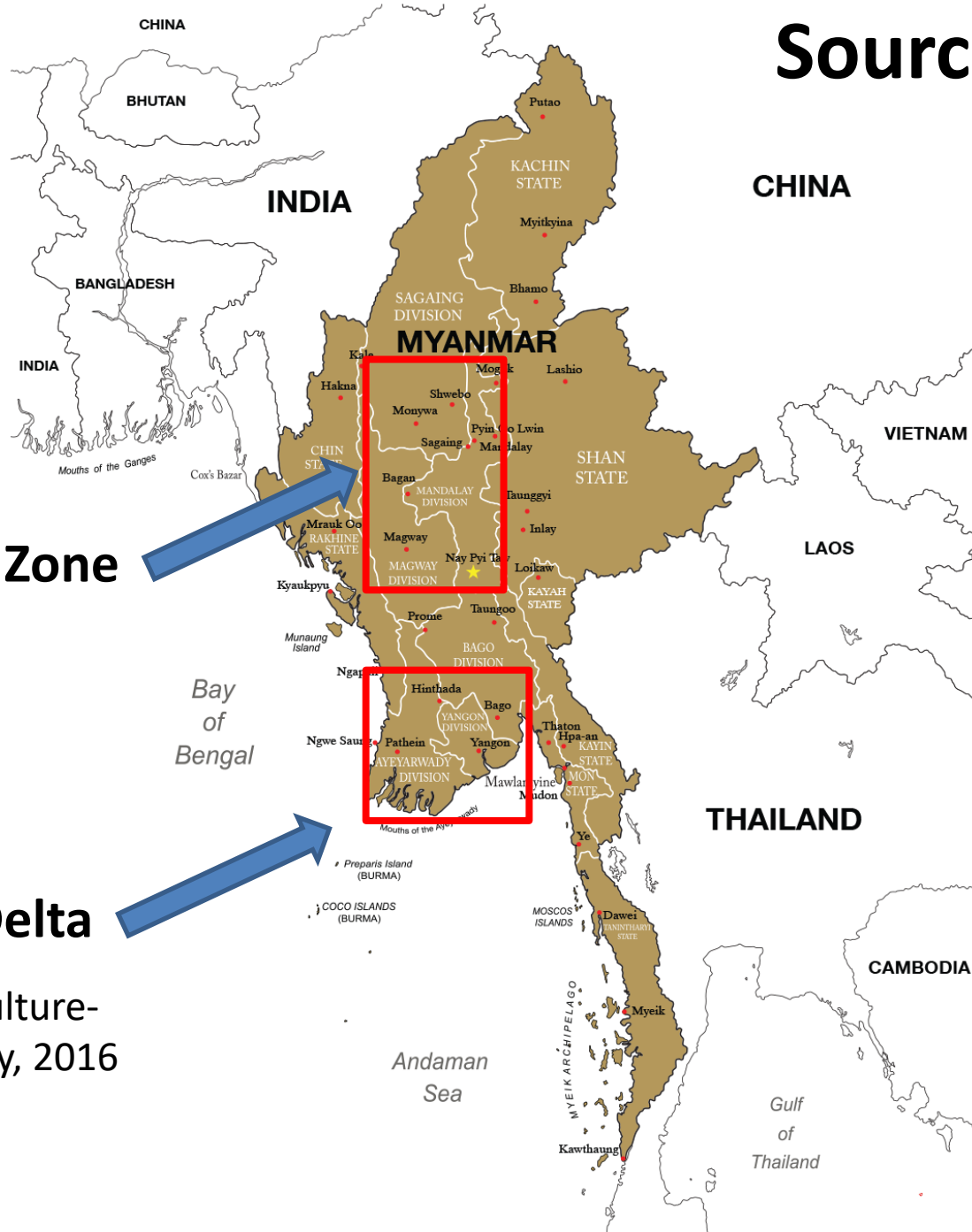
Introduction

- Introduce political & economic reforms in 2011
- Agricultural sector contributes to 37.8 % of GDP
- Population: 51.49 million (2014 Census)
- 70% of total population live in rural area
- Least developed economy in SE Asia
- Poverty rate:
 - ❖ 44% in costal and 40% in hilly areas
 - ❖ 32% in Dry Zone and 26% in Delta areas
- Low rural wages, surplus agricultural labor, poor rural infrastructure, a lack of service providers, a poor regulatory environment, lack of access to long-term capital by farmers, and very low levels of agricultural mechanization (World Bank, 2016).

Conceptual Framework

1. Enabling conditions and constraints that shape recent changes in Myanmar's rural economy
2. The evolution of markets for factors and services
3. Changes in the agricultural sector of the rural economy
4. Changes in the non-farm sector of the rural economy
5. Rural household income composition

Sources of Data



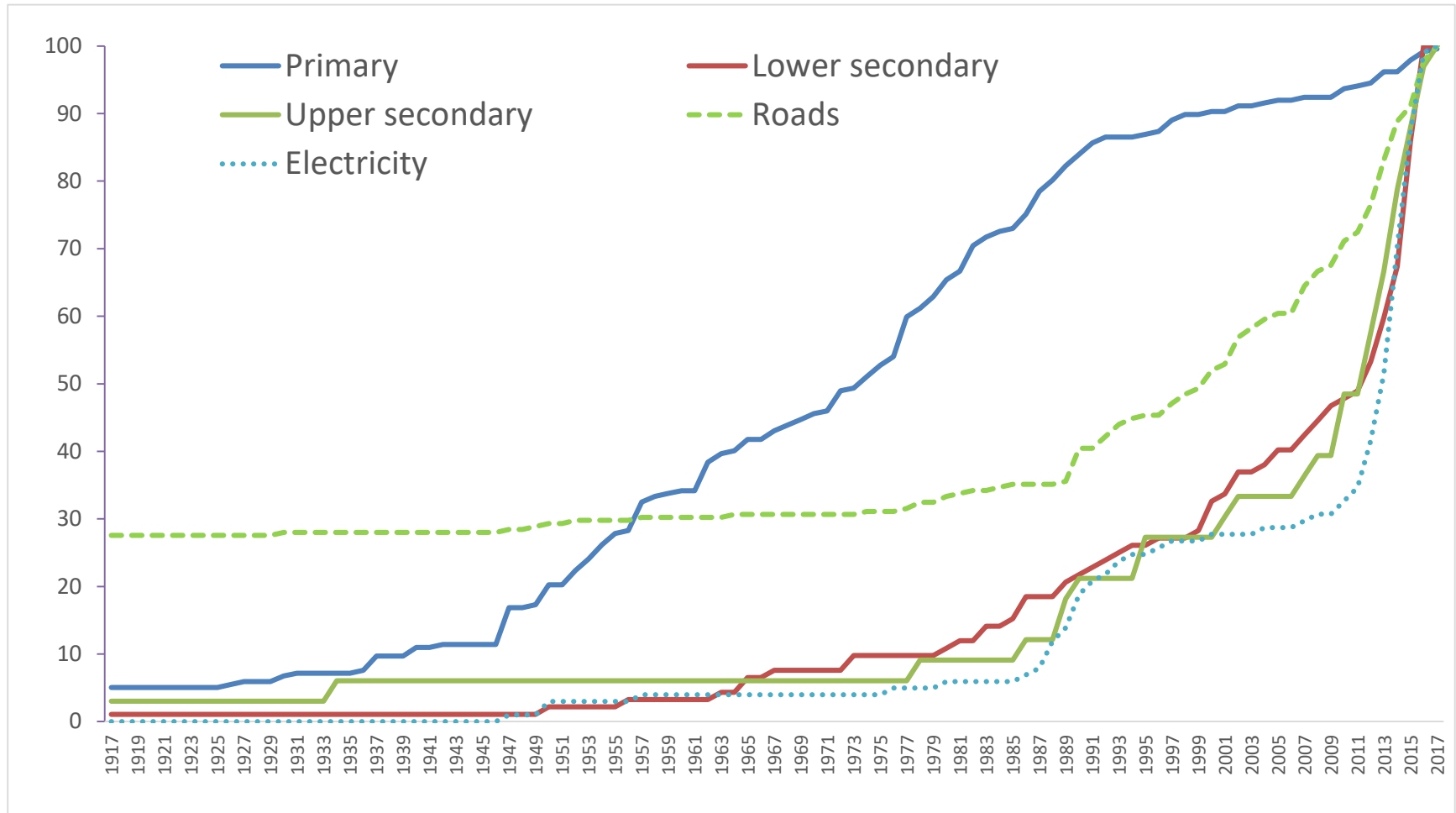
Dry Zone

Rural Economy
and Agriculture
Dry Zone Survey,
2017 (1100 HH)

Delta

Myanmar Aquaculture-
Agriculture Survey, 2016
(1600HH)

Levels of investment in infrastructure significantly increased since 2011.



Cumulative share of schools, roads and electricity connections established in surveyed communities, by year (1917-2017).

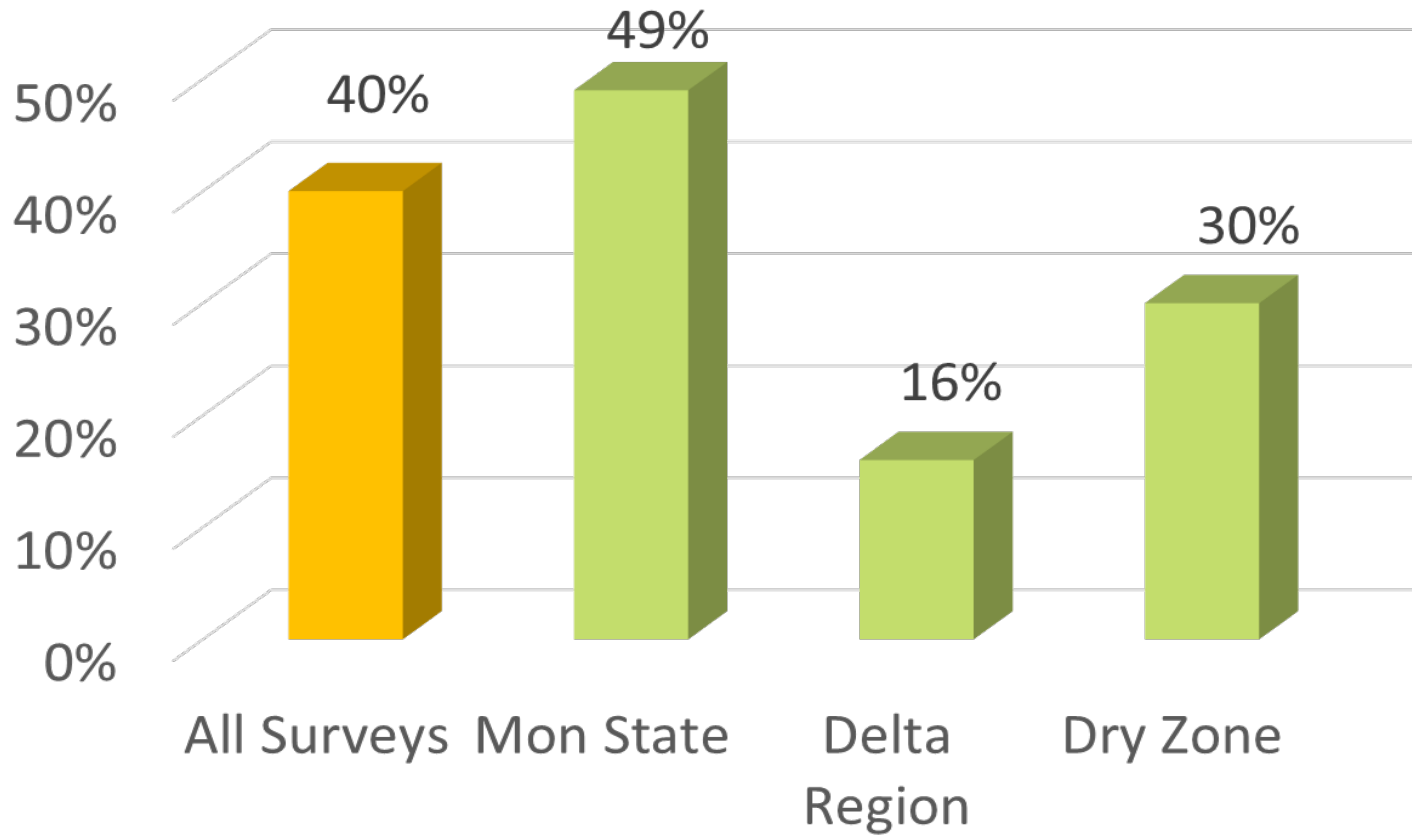
Markets for rural factors and services

Land access

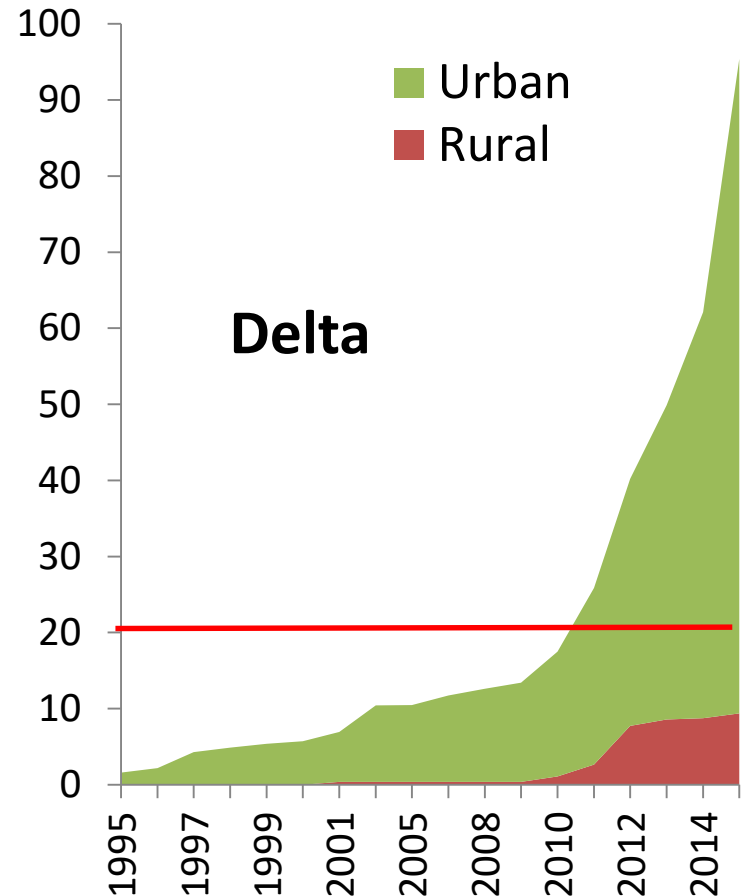
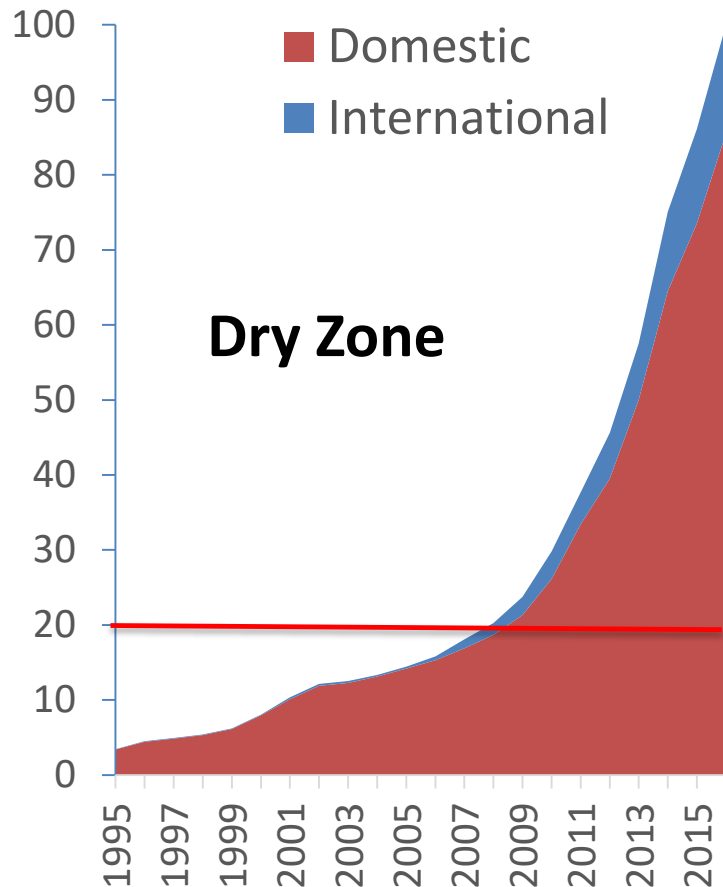
- ❖ High rates of landless : 68% in Delta, 40% in the Dry Zone.
- ❖ Dry Zone: Households in Tercile 1 has access 4%, and Tercile 3 has 80% of all cultivable farmland.
- ❖ Delta: households in Tercile 1 has 3%, and Tercile 3 has 69 % of all cultivable farmland.

Rural labor markets

Share of Households with a migrant

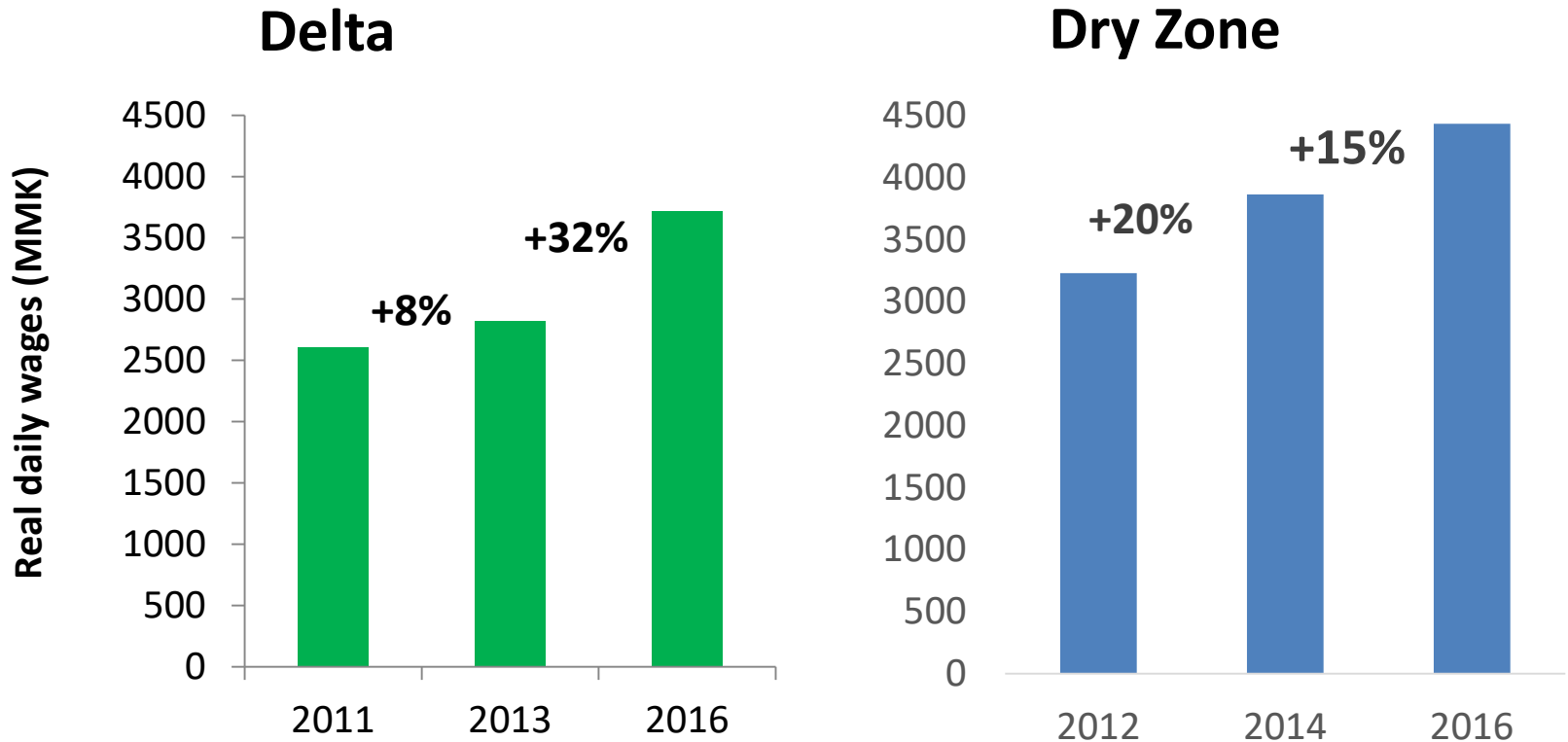


Accelerating migration



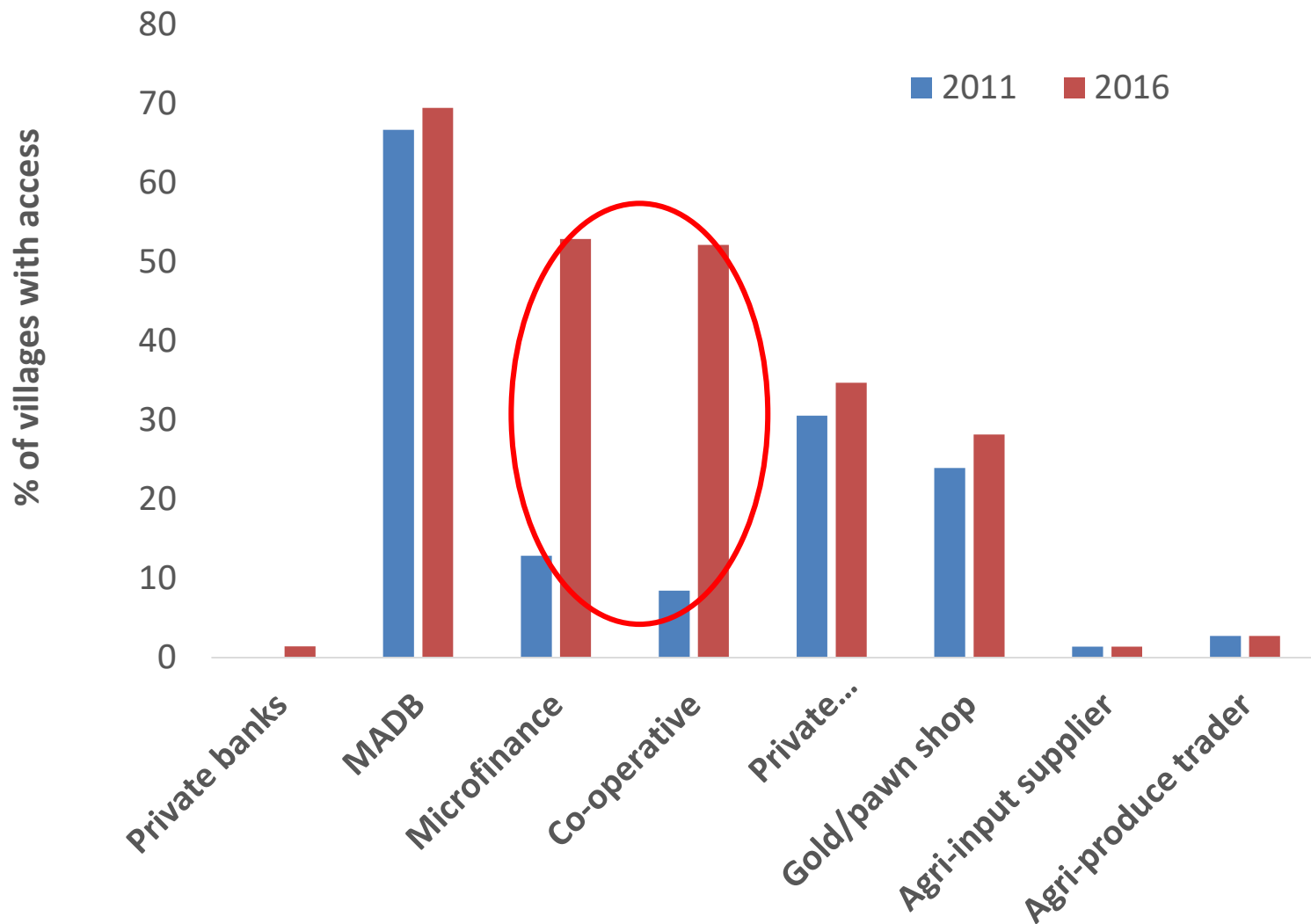
**Cumulative share of all long-term migrants by year first migrated (%)
1995-2014/15**

Migration is driving large rural wage increases



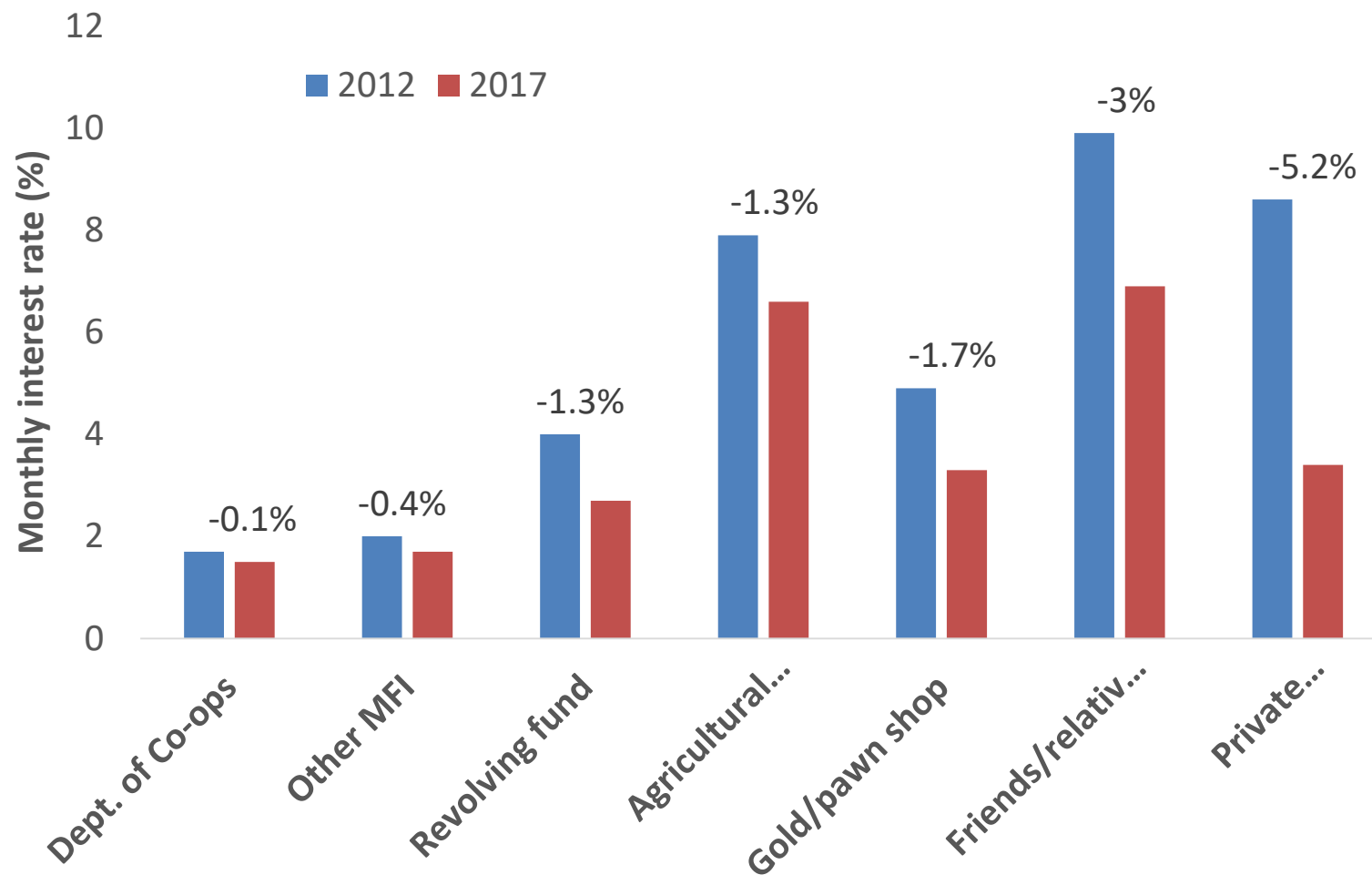
Change in real daily wages for male casual workers

Sources of credit diversifying



Share of villages with credit access by source, 2011 & 2016 (MAAS)

Credit becoming much cheaper as sources diversify

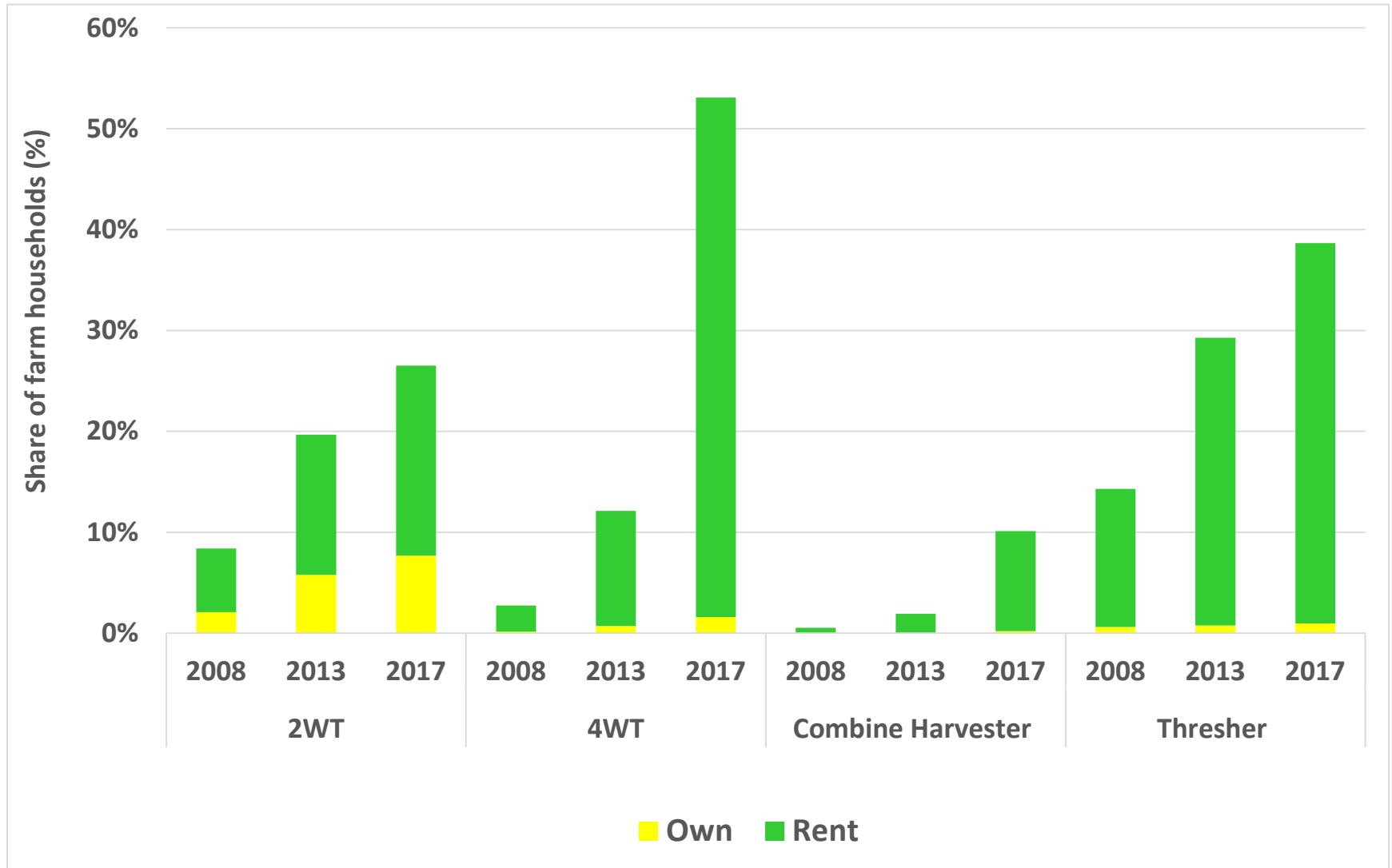


Monthly interest rates from informal lenders and microcredit providers, 2012 & 2017 (READZ)

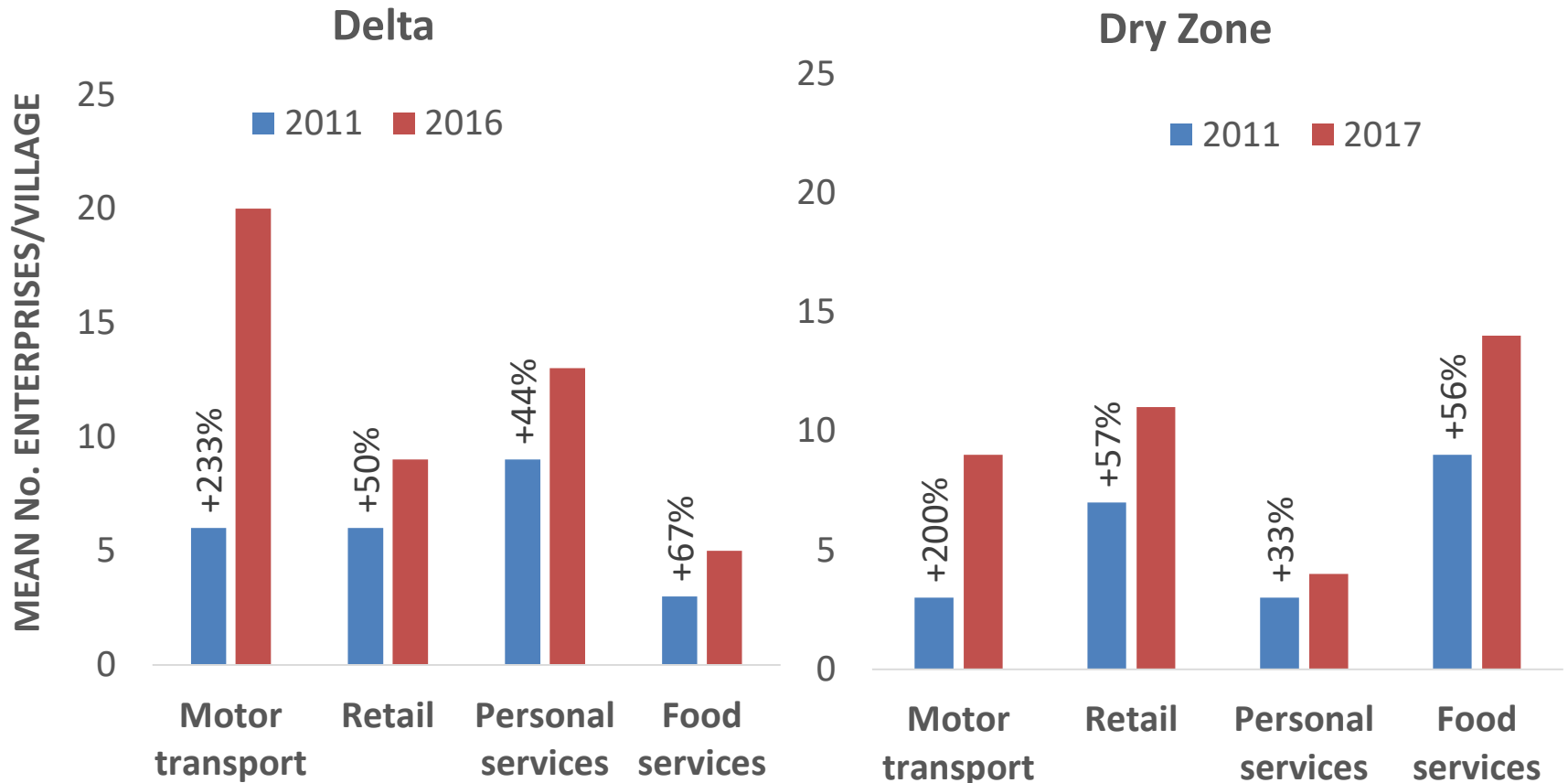
Farm mechanization services

- Demand side:
 - ❖ Rising wages and labor shortages
- Supply side:
 - ❖ expansion of hire purchase financing provided by private banks since 2013
 - ❖ ability for farmers to use land use certificates as loan collateral since 2012
 - ❖ falling real costs of imported machines

Share of farmers using machinery, by machine type, year and ownership status (READZ)



Rural non-farm economy growing rapidly



Mean numbers of non-farm enterprise per village by type, 2011 & 2016/17 (MAAS & READZ)

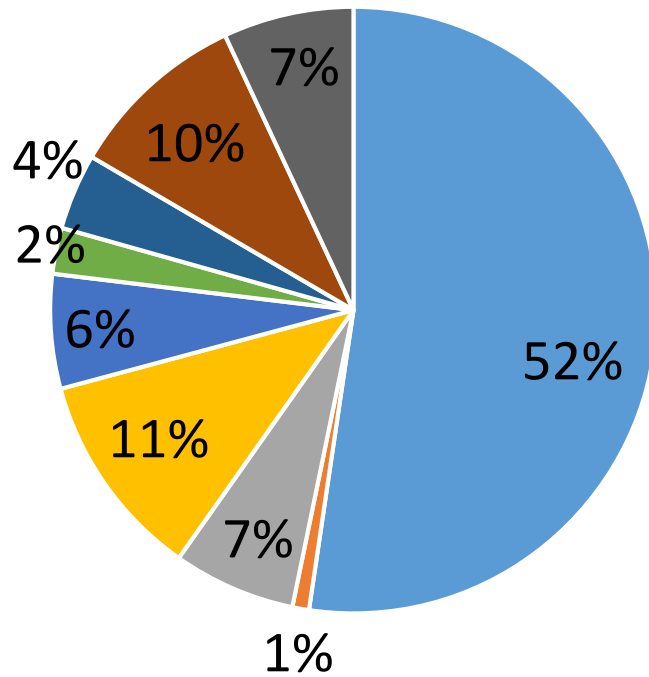
Agricultural machinery rental and transport business



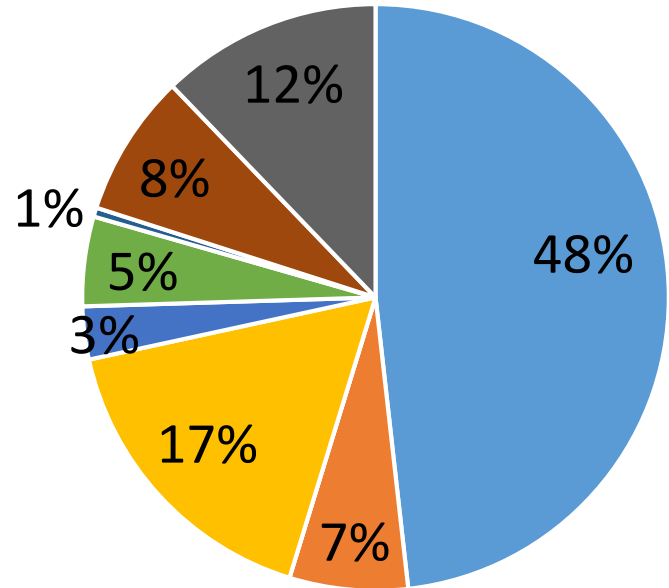


Household Income Components (HHs with ag land)

- Crops
- Livestock
- Fishing/aquaculture
- Ag wages
- Non-ag wages
- Salaried employment
- Resource extraction
- Non-farm business
- Remittances



Delta
\$794 / \$373

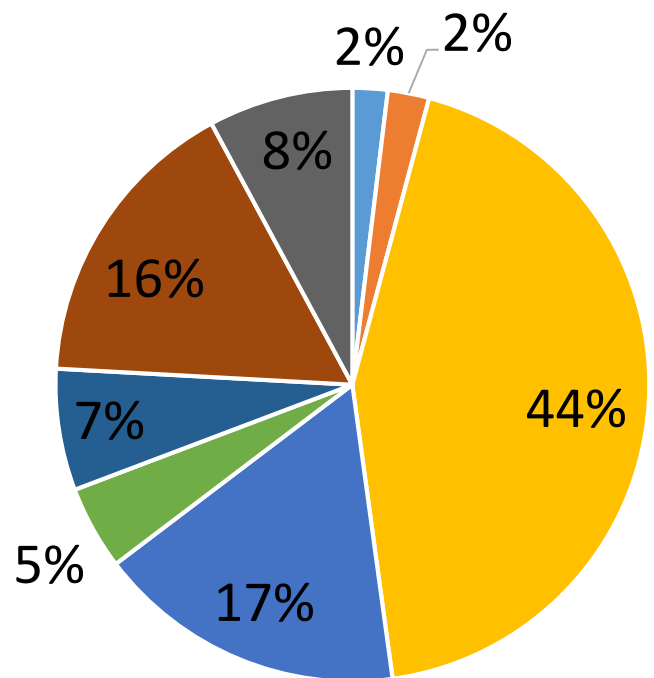


Dry Zone
\$387 / \$287

Mean & median
total income per
capita

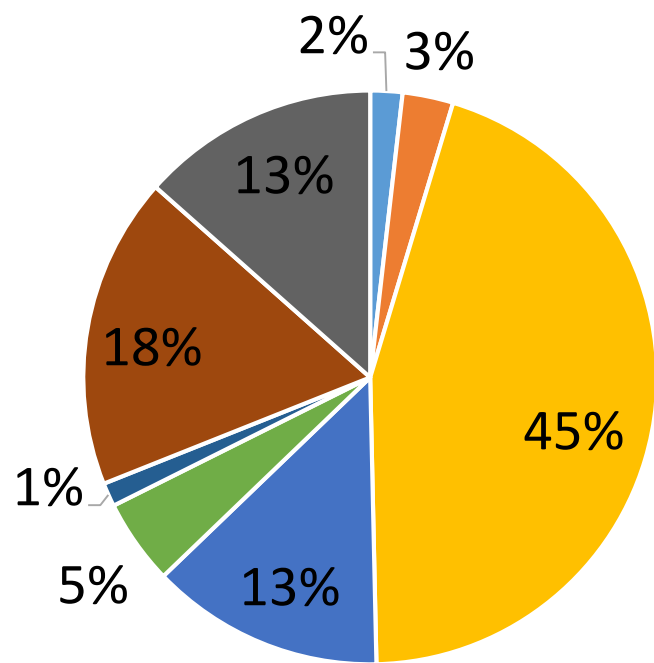
Household Income Components (landless HHs)

- Crops
- Livestock
- Fishing/aquaculture
- Ag wages
- Non-ag wages
- Salaried employment
- Resource extraction
- Non-farm business
- Remittances



Delta

\$331 / \$259



Dry Zone

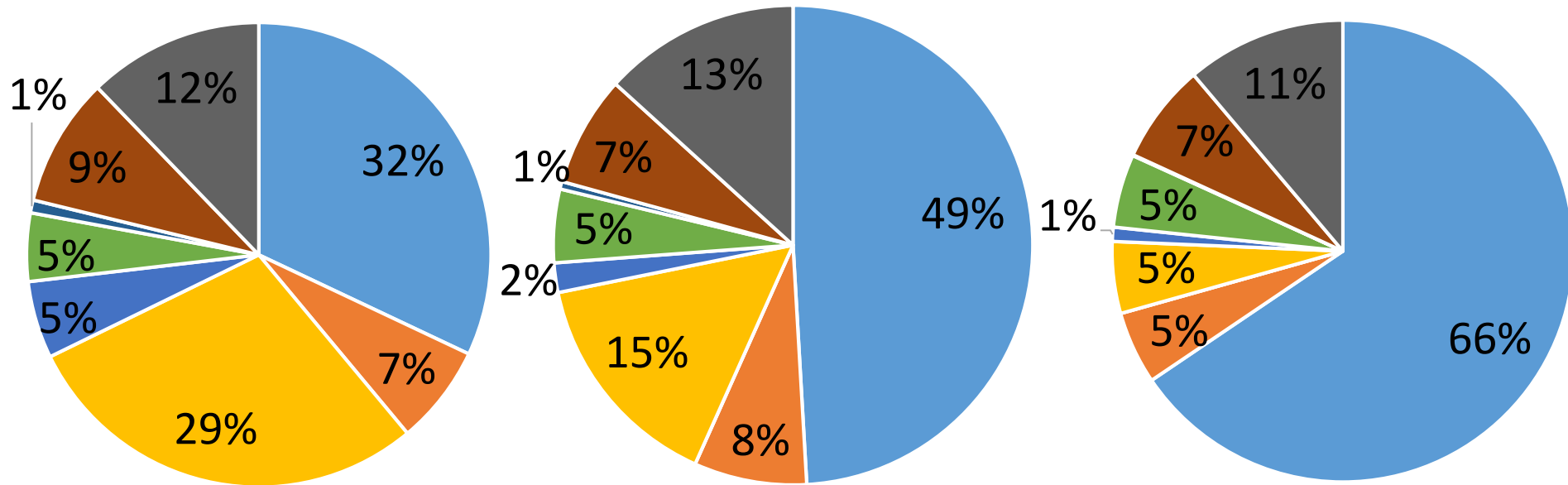
\$414 / \$280

Mean & median
total income per
capita

Household Income Components (land terciles)

Dry Zone

- Crops
- Livestock
- Aquaculture
- Ag wages
- Non-ag wages
- Salaried employment
- Resource extraction
- Non-farm business
- Remittances



Tercile 1 (low)

\$347 / \$257

Mean & median
total income per
capita

Tercile 2

\$366 / \$290

Tercile 3 (high)

\$450 / \$322

Conclusions

- Migration from Delta and Dry Zone accounts for 80% from around 2010 onwards.
- The growth of agricultural mechanization is linked closely to migration and rising real wages.
- Construction of rural roads, secondary school, and electrification sharply increase since 2011.
- Numbers of non-farm enterprises have increased significantly over the past five years.
- Access to credit from microfinance institutions and cooperatives has improved dramatically.