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 coastal 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

- All Surveys: 40%
- Mon State: 49%
- Delta Region: 16%
- Dry Zone: 30%
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

Delta

Real daily wages (MMK)

<table>
<thead>
<tr>
<th>Year</th>
<th>Real Daily Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>+8%</td>
</tr>
<tr>
<td>2013</td>
<td>+32%</td>
</tr>
<tr>
<td>2016</td>
<td>+32%</td>
</tr>
</tbody>
</table>

Dry Zone

<table>
<thead>
<tr>
<th>Year</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>+20%</td>
</tr>
<tr>
<td>2014</td>
<td>+15%</td>
</tr>
<tr>
<td>2016</td>
<td></td>
</tr>
</tbody>
</table>
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 renatal and transport business
Household Income Components (HHs with ag land)

- Delta: $794 / $373
- Dry Zone: $387 / $287
Household Income Components (landless HHs)

- **Crops**: 44%
- **Livestock**: 2%
- **Fishing/aquaculture**: 2%
- **Ag wages**: 17%
- **Non-ag wages**: 5%
- **Salaried employment**: 7%
- **Non-farm business**: 16%
- **Resource extraction**: 8%
- **Remittances**: 13%

**Delta**

- Mean: $331
- Median: $259

**Dry Zone**

- Mean: $414
- Median: $280
Household Income Components (land terciles)

Dry Zone

- **Tercile 1 (low)**
  - Crops: 32%
  - Livestock: 7%
  - Ag wages: 29%
  - Non-ag wages: 5%
  - Resource extraction: 5%
  - Livestock: 5%
  - Aquaculture: 1%
  - Salaried employment: 9%
  - Remittances: 12%

  **Mean & median total income per capita**
  - $347 / $257

- **Tercile 2**
  - Crops: 49%
  - Livestock: 8%
  - Ag wages: 15%
  - Non-ag wages: 2%
  - Resource extraction: 5%
  - Livestock: 5%
  - Aquaculture: 1%
  - Salaried employment: 7%
  - Remittances: 11%

- **Tercile 3 (high)**
  - Crops: 66%
  - Livestock: 11%
  - Ag wages: 7%
  - Non-ag wages: 5%
  - Resource extraction: 5%
  - Livestock: 5%
  - Aquaculture: 5%
  - Salaried employment: 5%
  - Remittances: 5%

  **Mean & median total income per capita**
  - $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.