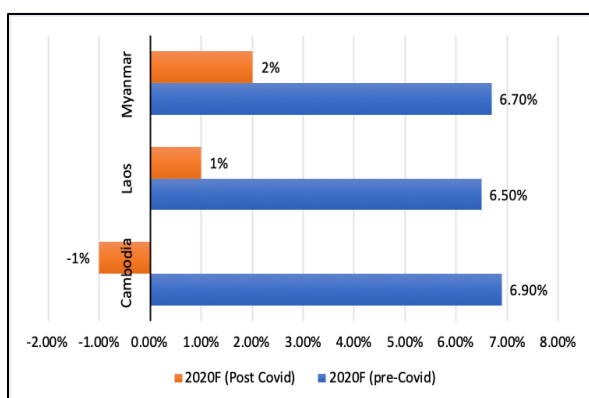


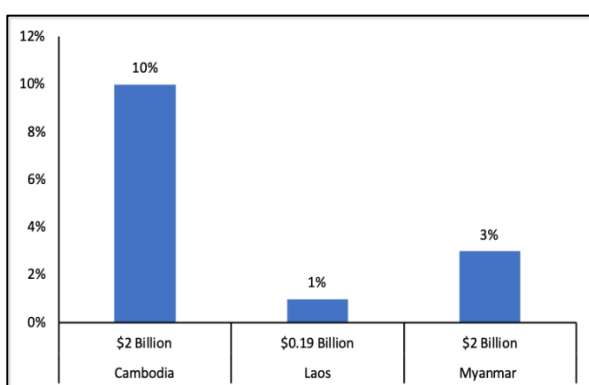
## Regional Insights – Cambodia, Lao PDR & Myanmar

Fig 1: GDP Growth Revisions for 2020



Source: World Bank, May 2020

Fig 2: Economic Stimulus Packages Relative to GDP



Source: Centre for Strategic and International Studies, 2020

*“When the pandemic struck, many emerging and developing economies were already vulnerable due to record-high debt levels and much weaker growth. Combined with structural bottlenecks, this will amplify the long-term damage of deep recessions associated with the pandemic. Urgent measures are needed to limit the damage, rebuild the economy, and make growth more robust, resilient and sustainable.”*

-Ceyla Pazarbasioglu, World Bank Group Vice President for Equitable Growth, Finance and Institutions.

The nations of Cambodia, Laos and Myanmar (CLM) jointly constitute a population of over 80 million people spanning across a territory of a million square kilometres. As diverse as they are in their cultures, languages and demographic makeup, the countries exhibit similar patterns of industrialisation and economic activity. With strong cultural ties (and shared borders for Laos and Myanmar) with China, the impact of Covid-19 was felt across all sectors in these economies. Though their case counts are among the lower ones within ASEAN, the economic impact of the pandemic may be harder to recover from, given the export and tourism-oriented nature of their economies. As of 22<sup>nd</sup> June, Cambodia has no new cases since Mid-May with a total of 129 cases and zero deaths. Myanmar’s tally comes up to 290 cases with 6 deaths, and Laos has a mere 19 cases and zero deaths, with no new cases since April.

### Cambodia

Covid-19 hit Cambodia’s main growth drivers of tourism, manufacturing exports and construction, which make up 70% of the GDP and constitute 40% of the working population. Consequently, the World Bank revised its growth forecast between -1% to -2.9%, the lowest in over two decades. The ADB, while slightly more optimistic with 2.3% growth forecast still warns of increased unemployment by 1.76 million jobs and a 3-11% increase in the poverty rate. The textiles and footwear industry in particular, which brought in 17% of real GDP growth in 2019, was dealt several blows as their main markets of US and the EU cancelled orders in addition to the EU withdrawing Cambodia’s tariff preferences due to violation of civil and political rights.

### Lao PDR

While Laos was able to avoid a health crisis, the economic impacts of the pandemic will result in the country’s slowest growth rate in 30 years of negative 1.8 to 1% , according to the World Bank. Resting on weak macro-fundamentals of high fiscal deficits (8.8% of GDP) and public debt (68% of GDP), the government’s ability to stimulate the economy is limited. Furthermore, the return of 100,000 Laotian migrant workers from neighbouring countries has reduced foreign remittances by US\$125 million, pushing 96,000 people into poverty. Since majority of the workforce are from the informal sector, government coverage is also limited in its ability to identify and compensate workers.

### Myanmar

Despite the shared border with China, Myanmar’s low cases did raise concerns of inadequate testing and caused the IMF to revise its forecast to 1.8%. Myanmar had been enjoying a construction boom in 2019, with an expansion of 8.1% due to increased foreign investment from China. Though the Myanmar Investment Commission approved projects of over US\$555 million, there will be delays due to foreign investor outbreaks. This is compounded by Myanmar’s limited fiscal capacity to stimulate the economy given its high deficit. However, it is due to receive an additional \$2 billion in emergency loans, which can help the nation weather the most severe period of the pandemic in the fourth quarter of 2020, according to leader Aung San Suu Kyi.

### Recovery Prospects by 2021

All three nations are expected to recover by 2021, with growth forecasts of between 5-6%. They have also implemented economic stimulus packages (Fig 2), with similar measures of income tax waivers, credit restructuring, interest rate cuts, SME support and wage subsidies for affected industries. However, there remain issues with implementation particularly for assistance programmes targeting vulnerable households – issues of civil unrest in Myanmar, undocumented workers and corruption hinder the institutional capacities of the countries. With over 70% of the garment workers being women, the wage losses caused due to disrupted supply chains can set back gender parity in the countries unless gender-sensitive policies are put in place to protect the workers.

At the ASEAN+3 Summit held in April, the Cambodian Health Minister underscored the importance of adopting a regional approach to achieve mutually beneficial results. The countries have also received financial aid from the World Bank, the IFC and the IBRD. Going forward, the countries should promote the digitalisation of their workforce, accelerating the process of increasing mobile phone and cellular penetration over the last decade. Additionally, major construction programmes in the region such as the Yangon Elevated Expressway and the US\$8-10 billion Dawei Special Economic Zone should be expedited as soon as possible to restore jobs and bolster domestic demand. Cambodia, Laos and Myanmar stand to gain a lot from economic integration and should push for the same within ASEAN so as to enable a speedy recovery.