

NAVIGATING ECONOMIC UNCERTAINTY: THE EFFECTS OF EXCHANGE RATE VOLATILITY ON BUSINESS PERFORMANCE IN POST-COUP MYANMAR

Tha Pye Nyo, Researcher, Unaffiliated, Myanmar
Sumyatnoe Wai, New York Institute of Technology, New York, U.S.A.
Ye Myo Htet, University of Canterbury, Christchurch, New Zealand
Brang Moon San, University of Milan, Milan, Italy
Wai Yan Tin Htwe, Researcher, Unaffiliated, Myanmar

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ABSTRACT

This study investigates the multifaceted challenges that businesses operating in post-coup Myanmar encounter, with a specific focus on the impact of exchange rate volatility. This study aims to identify the specific channels through which exchange rate volatility influences business performance in Myanmar and to propose strategies that businesses can employ to mitigate its negative effects. The study employs a qualitative research approach, using in-depth interviews with a diverse range of stakeholders to gather insights into the effects of exchange rate volatility on business performance. Additionally, secondary data from existing publications, reports, and news media outlets complement the primary data collection. The research explores the impact on business operations in Myanmar. Traders face a number of challenges, including adapting to regulatory changes and coping with limited access to US dollars, which disrupt trade activities significantly. Retail businesses, in particular, grapple with disruptions in their supply chains, uncertainty among consumers, and pricing challenges due to the depreciation of the Myanmar kyat relative to the US dollar. This prompts them to make strategic adjustments. The banking sector also faces hurdles, including managing liquidity in a complex environment, dealing with currency mismatches, and adapting to evolving regulations, all exacerbated by a shortage of US dollars. The study highlights the adaptive strategies employed by these stakeholders, such as actively managing currency fluctuations by exporters and importers, rethinking pricing strategies among retailers, and placing a greater emphasis on risk management in the banking sector. In conclusion, it highlights the importance of collaboration among stakeholders to stabilize exchange rates, align fiscal and monetary policies, and promote economic growth driven by exports. Furthermore, it emphasizes the crucial role of international organizations in providing technical and financial support, as well as advocating for transparent governance. In sum, this study provides comprehensive insights into the complex relationship between exchange rate volatility and business performance in post-coup Myanmar. It offers valuable guidance for businesses, policymakers, and international entities as they navigate the challenges of economic uncertainty and work towards contributing to the nation's long-term growth and stability.

Keywords: Exchange Rate Volatility; Economic Uncertainty; Political Instability; Financial Markets; Myanmar Economy.

1. INTRODUCTION

In recent years, Myanmar has experienced significant political and economic turmoil, with the most recent coup d'état in 2021 resulting in a major shift in the country's governance and economic landscape. As the nation grapples with the challenges of post-coup recovery, businesses operating in Myanmar face an environment of heightened economic uncertainty. One of the key manifestations of this uncertainty is exchange rate volatility, which can have profound implications for business performance.

Exchange rate volatility refers to fluctuations in the value of a country's currency relative to other