

Myanmar Economic Highlights in 2016

28 December 2016

Myanmar is experiencing a unique moment in history. The country began economic reforms in 2011, leading to Myanmar's reintegration with the international community. The democratically elected government, which came to power in 2016, issued a 12 point economic guideline designed to attract investment, ensure sustainability, increase employment and raise competition in Myanmar.

The Economist Intelligence Unit estimated Myanmar's real GDP growth at 7.9% in the 2016-2017 fiscal year, (FY) forecasting a quick growth to an annual rate of 9% between 2017-2018 FY to 2021-2022 FY.

Trading

- Myanmar's total foreign trade has reached 18.7 billion USD this fiscal year, as of 16 December 2016, down 344 million USD over the same period last year.
- The United States Trade Representative (USTR) announced on its official website that preferential tariffs under the Generalized System of Preferences (GSP) scheme were to be reinstated. This took effect on 13 November 2016 after a 27-year suspension.
 - Some 500 goods from Myanmar have been included in the US GSP export scheme. However, industrial figures predict that this will not see a rapid turnaround in profits due to the lack of international banking services. Moreover, Myanmar may have some catching up to do in terms of meeting international standards.
 - However, several local lenders have started negotiations with US peers and are hoping to see direct US-Myanmar transactions start in 2017 (The Myanmar Times, 15 December 2016).
- Nearly 600,000 tonnes of rice have been exported this fiscal year, as of mid-December 2016: about 110,000 tonnes down on last year's figure (Ministry of Commerce).
 - Myanmar exports rice mainly to China through Muse, but also to more than 30 other countries by sea.
- The Ministry of Commerce plans to restrict import of luxury goods including cosmetics in an effort to cut the country's substantial trade deficit.
 - The ministry also plans a tax on liquor and cigarettes sold at duty-free shops in airports.
 - In the 2015-2016 fiscal year, Myanmar's trade volume was 27.7 billion USD, and the export volume was 11.1 billion USD.
- The Myanmar government has announced a plan to ease trade restrictions on joint ventures between local business people and foreign investors (Ministry of Commerce).
 - As of July 2016, foreign companies were allowed to operate joint ventures with local companies to trade building materials, and from November 2016, they were allowed to do so in trading fertilizer, seeds, pesticides and hospital equipment.
 - The Ministry of Commerce released a notification on 22 November 2016, stating that it would no longer set the price for commodities when issuing licenses for exports and imports, but would instead approve licenses according to prices and values quoted in invoices and sale contracts.

Investment

- Myanmar has received a total foreign direct investment (FDI) of 3.46 billion USD this fiscal year 2016-2017 as of 17 December 2016.
 - Singapore stands as the largest foreign investor in Myanmar. However, the total FDI in this fiscal year was down by over 1 billion USD, compared with that of the same period last year, and was short of the targeted investment amount (Directorate of Investment and Company Administration - DICA).

- The telecom sector topped the foreign investment line-up of Myanmar with 47.07% of the total investment flowing into the country this fiscal year, followed by the industrial sector with 25.5% with the remaining investment going to the power, hotel and construction sectors.
- The Union Minister for Construction invites investors from Asia-Pacific countries to back urban and housing development projects in Myanmar through private-public partnerships.
- Japan is planning to increase cooperation with Myanmar in the business sector by making more investments (DICA).
- **Business Highlights**
 - Myanmar Awba Group has started work on building the IFC-financed agricultural pesticide factory, with phase one of construction scheduled to finish in April 2017.
 - The Ministry of Electricity and Energy has granted permits to 2,004 private fuel stations and six fuel storage and distribution depots. In addition, the ministry issued licenses for 14 fuel distribution vessels and 13 jet fuel distributions. The ministry has 12 fuel stations: 3 in Yangon, 2 in Mandalay and Bago, and 1 each in Kayah, Kayin, Chin, Shan State and Naypyitaw. With the aim of encouraging greater participation of the private sector in the state-owned entities, the ministry privatized 261 gas stations across the country.
 - German chemical company BASF plans to build its first manufacturing plant in Myanmar to produce tailor-made construction chemical solutions from the firm's Master Builders Solutions portfolio for the domestic building market.
- **Legal facilitation**
 - Myanmar Investment Law 2016
 - By-laws for the new investment law will be ready by the beginning of next fiscal year in April 2017.
 - The law gives the government power to direct investment via tax incentives into specific sectors and underdeveloped areas of the country.
 - Payment of Wage Law 2016
 - The government will soon issue by-laws for the implementation of key labour protection legislation.
 - Condominium Law 2016
 - The rules and regulations for the law were scheduled for the end of 2016.
 - Real Estate Service Legislation
 - The Myanmar Real Estate Services Association (MRESA) is discussing with the government's legal affairs commission for a formal draft of real estate service legislation.
 - Others
 - The Ministry of Information proposed new rules for advertising aimed at cracking down on poor-quality products and fake promotions.

Tourism

- The number of foreign travelers visiting Myanmar is down from 2015, but foreign investment in the tourism sector shows a 15% increase.
 - 3.1 million tourists visited Myanmar this year as of the end of September 2016, compared with 3.3 million tourists over the same period last year (Ministry of Hotels and Tourism).
 - Myanmar has increased the number of hotel rooms available for tourists from 9,132 at the end of 2015 to 11,207 at the end of November 2016 (Ministry of Commerce).
- More domestic and international flights are seen along with airport upgrades and renovation.
 - Japanese carrier All Nippon Airways (ANA) has invested in a new airline venture in Myanmar that aims to start international flights in 2018 (Mizzima)
 - KBZ group-owned airlines Myanmar Airways International (MAI) and Air Kanbawza (Air KBZ) started routes to new destinations this week: MAI now offers direct flights to Kolkata, India, while Air KBZ has become an international carrier and kicked off flights to Chiang Mai, Thailand (The Myanmar Times)

- Yangon International Airport opened Terminal 3: a new terminal for domestic flights, and Terminal 1 for international flights.

Conclusion

Myanmar's economy is poised to rebound from the impact of last year's floods but economic vulnerability remains. The country still needs to proactively pursue structural reforms and improve its physical and social infrastructure to strengthen external competitiveness. Maintaining macroeconomic stability, including keeping inflation low and avoiding Kyat overvaluation, will also be essential to export expansion.

References:

- The Economist Intelligence Unit : Country Report – Myanmar (December 2016)
- The Myanmar Times
- Myanmar Business Today
- Mizzima
- Eleven Media Group