

Myanmar Economic Overview (as of 28 January 2016)

Key Points

- Myanmar's economy grew at 8.5% in real terms in 2014/15, but growth is projected to moderate to 6.5% in 2015/16 due to floods and slowing investment.
- Economic reforms have supported consumer and investor confidence despite ongoing business environment and socio-political challenges.
- Rapidly rising demand for investment-related imports has widened the current account deficit. This, together with the general strengthening of the US Dollar, has put pressure on Myanmar's exchange rate.
- Rapid growth in credit to the private sector has fueled monetary expansion.
- Inflation is estimated to have reached around 10% this year till July.
- Medium-term economic growth prospects remain strong, assuming continued progress on reforms.

(Source: World Bank)

Trade

Myanmar's **total trade volume during 2015-16 FY, as of 28 August 2015, was USD 11,193.794 million**: the export volume was only USD 4,549.957 million compared to the import volume of USD 6,643.837 million, according to the Ministry of Commerce of Myanmar.

The **foreign trade volume was USD 10,383.666 million**, and is comprised of export USD 3,958.523 million and import USD 6,425.143 million, over the same period during 2014-15 FY (Ministry of Commerce of Myanmar)

Myanmar's total border trade with Bangladesh, China, India and Thailand has reached USD 2.48 billion, with an export volume of USD 1.597 billion and import volume of USD 884 million during this fiscal year to the end of August. Myanmar export USD 1.48 billion worth of goods to China and import USD 618 million. Trade between Myanmar and Thailand over the same period was USD 349 million of which import from Thailand accounted for USD 259 million. Myanmar's export volume to India was USD 16 million, and import volume was USD 6 million. Trade volume with Bangladesh was over US 3 million, where export to Bangladesh was USD 3.3 million, while USD 30,000 worth of goods were imported from Bangladesh. (Myanmar Times: 3 Sept 2015)

Trends

	2012-2013 FY	2013-2014 FY	2014-2015 FY
Trade Balance	-91.90	-2,552.5	-4,109.5
Export	8,977.0	11,207.0	12,523.72
Import	9,068.9	13,759.5	16,633.10

Source: Central Statistic Organization (CSO), Ministry of National Planning and Economic Development of Myanmar
Myanmar Financial Year (FY) starts from 1st April to 31st March.

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Investment Trends

- a) Japanese bank Sumitomo Mitsui Banking Corporation is testing the use of forward exchange rate contracts in Myanmar, in response to clients eager for a way to hedge against Kyat volatility (The Myanmar Times):
 - The Myanmar Kyat plunged more than 20% against the dollar over the past year.
 - The forward exchange rate contracts will be available to Japanese and other countries' businesses operating in Myanmar (Mizzima).
- b) The Union Budget Bill of Myanmar for 2016-17 fiscal year, with an estimated revenue of 17.448 trillion Kyat and spending of 20.742 trillion Kyat, has been passed (Eleven Media Group).
- c) Japanese firms to compete in Myanmar's fertilizer market against Thai and Chinese firms:
 - Japanese industrial conglomerate Marubeni will spend 17 million USD to build agricultural fertilizer factories in Myanmar. Located in Thilawa SEZ, the first factory is scheduled to go into production in April 2017.
 - Marubeni predicts that Myanmar's fertilizer demand will double over the next ten years as domestic agriculture seeks to boost productivity and efficiency.
 - Another Japanese firm Mitsui plans to enter Myanmar's fertilizer market with a factory designed specifically to help rice farmers (Mizzima Issue 4, Vol. 5 Jan 28 2016).
- d) Parliament passes condominium law of Myanmar: foreigners will now have the right to buy up to 40% of condominium apartments in any given blocks, provided that the apartments are on the sixth floor or above (The Myanmar Times).
- e) An ambitious new economic zone at Myanmar's largest trading point with China in Muse, Shan State, has been opened with high hopes for business opportunities (officials and residents, The Myanmar Times):
 - Discussions are underway to build a 210-acre dry port two miles north of Muse.
- f) Rising fuel consumption, increasing number of vehicles, and tourism:
 - Business Monitor International (BMI) predicts that Myanmar's consumption of transport fuel (particularly gasoline and diesel) will grow by 65% over the next ten years, and that the increase will rise from 45,300 barrels per day (bpd) in 2015 to 74,400 bpd by 2024.
 - Surging domestic demand has overwhelmed the country's three small refineries, which can now only meet about 30% of diesel and gasoline needs. The other two thirds has to be imported, raising end-user costs (Mizzima Issue 4, Vol. 5 Jan 28 2016).

FDI by Sector

Sr. No	Sector	No. of Projects	Amount (USD Mil)	% of Total
1	Oil and Gas	93	18,718.361	40.40
2	Power	8	13,341.542	27.30
3	Manufacturing	493	5,012.276	10.26
4	Transport & Communication	20	4,576.992	9.37
5	Mining	10	2,341.218	4.79
6	Hotel and Tourism	42	2,010.464	4.11
7	Real Estate	20	1,735.958	3.55
8	Agriculture	14	214.005	0.44
9	Livestock & Fisheries	16	193.423	0.40
10	Industrial Estate	3	189.113	0.39
11	Other Services	40	529.291	1.08
Total		759	48,862.643	100.00

Source: Directorate of Investment and Company Administration (DICA) of Myanmar (as of 31 December 2015)

XISTING ENTERPRISES (AS OF 31/ 12/ 2015)

(US \$ in million)

Sr. No	Country	Existing Enterprises		
		Number	Approved	%
			Amount	
1	China	90	15,274.19	31.16
2	Singapore	153	11,480.42	23.42
3	Hong Kong	99	7,175.77	14.64
4	U.K	48	3,406.68	6.95
5	Republic of Korea	108	3,324.68	6.78
6	Thailand	51	3,216.57	6.56
7	Malaysia	25	1,065.02	2.17
8	The Netherlands	10	747.49	1.52
9	India	21	726.15	1.48
10	Viet Nam	10	691.57	1.41
11	France	3	537.61	1.10
12	Japan	72	506.00	1.03
13	Canada	5	167.00	0.34
14	Russia Federation	2	156.33	0.32
15	Republic of Liberia	4	94.00	0.19
16	Brunei Darussalam	16	79.20	0.16
17	Luxembourg	3	72.63	0.15
18	Mauritius	3	45.75	0.09
19	Indonesia	4	39.58	0.08
20	Samoa	3	35.39	0.07
21	Switzerland	2	30.21	0.06
22	Australia	3	27.00	0.06
23	Panama	1	26.51	0.05

24	Sweden	1	26.00	0.05
25	Taiwan	6	14.30	0.03
26	Norway	1	12.25	0.02
27	Philippines	2	11.80	0.02
28	United Arab Emirates	2	7.17	0.01
29	Germany	2	6.19	0.01
30	Qatar	2	6.10	0.01
31	U.S.A	1	4.65	0.01
32	Republic o the Marshall Island	1	4.50	0.01
33	Bangladesh	1	2.36	0.00
34	South Africa	1	1.31	0.00
35	Sri Lanka	1	1.25	0.00
36	Austria	1	1.00	0.00
37	Laos	1	0.09	0.00
Total		759	49,024.71	100.00

Source: Directorate of Investment and Company Administration (DICA)

Currency

The capital accounts at domestic banks are controlled, but there are a number of informal channels where foreign exchange flows can force the currency to move beyond the control of the Central Bank of Myanmar, said Deputy Governor U Set Aung (Myanmar Business Today: 2 Sept 2015). The Myanmar Kyat has fallen by 24 % against the US Dollar this year. Myanmar's trade deficit, which has surpassed USD 2 billion during the first four months of 2015-16 FY, has been one factor causing the value of Myanmar's currency to fall drastically. During fiscal year 2013-14, the fiscal deficit was \$2.5 billion, and had grown to 4.9 billion in 2014-15 FY.

Currency Exchange Rates (US Dollar Vs Myanmar Kyat)

2013		
No	Month	1 USD= Kyats
1	January	854
2	February	859
3	March	877
4	April	886
5	May	926
6	June	964
7	July	988
8	August	973
9	September	972
10	October	972
11	November	976
12	December	986

2014		
No	Month	1 USD= Kyats
1	January	980
2	Feb	982.9
3	March	968.3
4	April	962.3
5	May	963.6
6	June	971.4
7	July	972.9
8	August	973.5
9	September	983.76
10	October	997.92
11	November	1,027.31
12	December	1,040.73

2015		
No	Month	1 USD= Kyats
1	January	1,031.4
2	Feb	1,033
3	March	1,066
4	April	1,082
5	May	1,119.65
6	June	1,185
7	July	1,226.24
8	August	1,266.73
9	September	1,274
Average		1,142.67

Average	936	Average	985.39
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Source: Proven Technology Industry Co., Ltd (the company's record of daily exchange rates)

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Tourism statistics as of 31 Dec 2015 (Ministry of Hotels and Tourism)

	Hotels, Motels & Guest	
1	Houses	1,279 hotels
2	Number of Rooms	49,946 rooms
3	International Tourist Arrival	4.46 million

Thai tourist arrivals in Myanmar	- 204,539 people
International Investment in Hotels and Tourism sector	- 2,678.3804 million USD
Thai Investment in Hotels and Tourism sector	- 343.130 million USD
	(12.81% of international investment)

Trends

- a) Myanmar's tourism is picking up speed after the election: tourists from the US, UK and Australia are found to be increasingly frequent visitors
(Eleven Media Group: <http://elevenmyanmar.com/tourism/post-election-tourism-booms>)
- b) Visa system falls in line with other ASEAN Member States
 - Out of 12 types of visa now on offer, only four can be obtained on arrival – such as business, workshop, crew (for ships and aircraft), and 24-hour transit
 - Business visa costs 50 USD and is valid for 70 days, tourist visa is 20 USD and is valid for 28 days
 - Website : www.mip.gov.mm

New Laws and Regulations with an Impact on Myanmar's economy		
1	Myanmar Security Exchange Law	Enacted: 2013 - Objectives: to support the effective development of a market economic system. - Yangon Stock Exchange (YSX) was launched on 9 December 2015, and is operated by Myanmar Economic Bank (MEB) in partnership with Japan Exchange Group. (ownership - MEB 51% and Japan companies 49%) - Trading to start in March 2016
2	Minimum Wage Law	Enacted: March 2013 - Minimum wage – Kyat 3,600 per 8 hour working day (approved on 28 August 2015). Effective as of 1 September 2015. - This law would not be applicable to enterprises employing fewer than 15 workers and small-scale family businesses.
3	Small and Medium Enterprise Law	It is expected to come into effect before the end of the 2015-16 fiscal year

4	Union Tax Law	<p>Effective as of April 2015</p> <ul style="list-style-type: none"> - Commercial Tax (CT) - shorter list of CT exempt service activities - Personal Income Tax (PIT) - salary of non-resident foreigners now subject to graduated rate of 0-25% (instead of flat rate of 35%) - Corporate Income Tax (CIT) - CIT rate for non-residents reduced from 35% to 25% - Capital Gains Tax (CGT) - CGT rate for non-residents reduced from 40% to 10%. - Income from property - 10% CIT rate on income from lease of land, rental of buildings, and rental of apartments
5	New Investment Law	<p>Myanmar's new Investment Law, which consolidates the Myanmar Citizens Investment Law and Foreign Investment Law of Myanmar, is to be developed by the Directorate of Investment and Company Administration (DICA) in cooperation with the International Finance Corporation (IFC)</p> <ul style="list-style-type: none"> - Myanmar government aims to ratify the law before the end of its term in 2016.
6	Registration of Organization Law (also known as Associations Registration Law)	<p>Enacted: 18 July 2014</p> <ul style="list-style-type: none"> - Local and foreign non-government organizations are permitted to register under this law - It intends to provide free formation and movement of organizations, as well as regulations on the relationship between NGOs, INGOs and relevant government ministries

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Sources:

(World Bank: <http://www.worldbank.org/en/news/press-release/2015/10/05/growth-in-myanmar-economy-likely-to-moderate-in-2016-says-world-bank-report>)

(The Myanmar Times: <http://www.mmtimes.com/index.php/business/18584-japanese-bank-tests-kyat-currency-hedge.html>)

(Eleven Media Group: <http://elevenmyanmar.com/local/parliament-approves-budget-bill>)

(The Myanmar Times: <http://www.mmtimes.com/index.php/business/18636-parliament-passes-condominium-law.html>)

(The Myanmar Times: <http://www.mmtimes.com/index.php/business/18677-dry-port-discussions-under-way-on-china-border.html>)

(The Myanmar Times: <http://www.mmtimes.com/index.php/business/18640-high-hopes-for-business-zone-on-china-myanmar-border.html>)