Country Insight Report
Myanmar

July 2017

Written 27 July 2017

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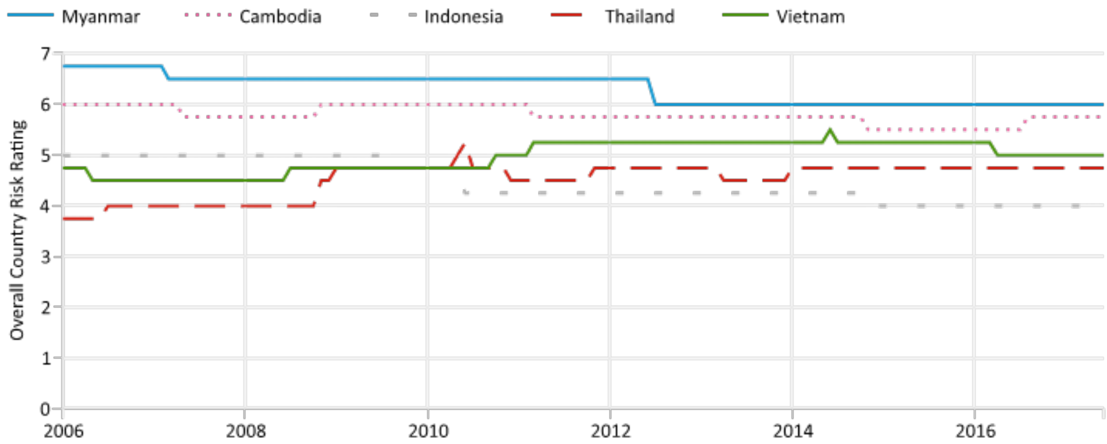
OVERALL COUNTRY RISK RATING: DB6a

Very high risk : Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.

R

Rating Outlook: Stable

Rating History



Source : Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

KEY HEADLINES

CREDIT ENVIRONMENT OUTLOOK

R

Trend: Stable

- Credit risks will remain very high in Myanmar, with major structural problems, including widespread corruption, weak institutions and risks of association.
- The rate of domestic credit growth has risen swiftly from a very low base and will continue to increase, but credit availability will remain limited.

SUPPLY ENVIRONMENT OUTLOOK

R

Trend: Stable

- Infrastructure is generally very poor, but foreign investment is starting to make an impact, notably in mobile telecommunications.
- Road travel between Yangon, Naypyidaw and Mandalay is adequate; rail travel is slow, but set to be modernised by substantial Japanese investment.
- Many supply chains will remain subject to bottlenecks.

MARKET ENVIRONMENT OUTLOOK

R

Trend: Improving

- A series of ambitious political and economic reforms has begun to transform Myanmar.
- The economy could quadruple its 2010 size by 2030, but only if its institutions and infrastructure are comprehensively renewed.
- Domestic consumption is very low, but an urban middle class is emerging quickly.

POLITICAL ENVIRONMENT OUTLOOK

R

Trend: Stable

- Violence in Rakhine province involving Rohingya Muslims and the Myanmar Army intensified in late 2016 and sparked international condemnation.
- Malaysian Prime Minister Najib Razak criticised de facto leader, Aung San Suu Kyi, for allowing "genocide" and vowed to defend Muslims and Islam.
- Aung San Suu Kyi remains very popular in Myanmar; the Rohingya crisis underlines the continued strength and autonomy of the military.

KEY RECOMMENDATIONS

- Allow for considerable bureaucratic delays at ports and airports in the short term.
- Be aware that finding a reliable local partner is essential, but requires extensive networking and rigorous due diligence.
- Note that providing training and technical assistance for local firms is key to any lasting joint venture.

GLOBAL INSIGHT

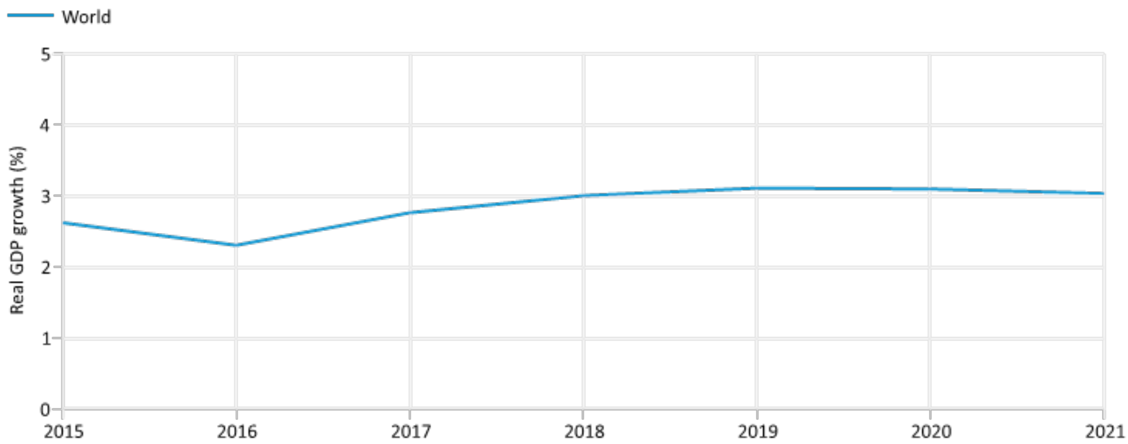
Trend:	Stable

Headline Global Issues

- Data suggests that OECD economies are poised for further recovery.
- UK sentiment is already diverging from that of France and Germany.
- Extended oil production cuts may yet fail to stabilise oil prices.

GLOBAL OUTLOOK

Global Growth Forecast



Source : Haver Analytics/Dun & Bradstreet

Global Economic Outlook: Global growth edges up despite unknowns

Global economic growth appears to be strengthening after slowing to 2.3% in 2016 (from 2.6% in 2015). We are currently forecasting growth of 2.8% in 2017; the highest since 2011, albeit still below the levels seen prior to the outbreak of the global financial crisis in 2008. Fundamentals are improving in the euro zone and the US, with inflation at last returning towards central bank targets. However, on the downside, there is still considerable uncertainty about China's ability to avoid a significant downturn as its financial imbalances plague decision-makers. Moreover, other factors are ensuring that uncertainty remains elevated. Although political uncertainty is lower than at the start of the year, the US administration still faces significant domestic pressures, and the shape of the UK's exit from the EU will not be clarified in the short term, keeping business uncertainty high - which will not be resolved soon. In addition, forthcoming elections in Italy, which include an anti-EU party, put further pressure on the EU. Meanwhile, as the global economy improves, the impact of the necessary normalisation of central banks' policies is far from clear.

Commodity Prices

Commodity	Feb 2017	Mar 2017	Apr 2017	2016	2017f	2018f	2019f	2020f	2021f
Aluminium (USD/tonne)	1,856	1,901	1,931	1,604	1,870	1,750	1,775	1,750	1,805
Copper (USD/tonne)	5,941	5,821	5,697	4,866	5,920	5,820	5,910	6,010	6,350
Gold (USD/ounce)	1,234	1,231	1,266	1,248	1,259	1,283	1,321	1,350	1,363
Oil (USD/barrel)	56.0	52.6	53.9	44.0	52.0	53.1	56.0	63.0	75.0
Cocoa (USD/tonne)	2,376	2,408	2,212	3,216	2,200	2,249	2,300	2,350	2,350
Coffee (US cents/lb)	164.0	158.5	155.4	155.5	210.0	218.0	216.0	214.0	214.0
Phosphate (USD/tonne)	98	98	96	112	98	103	107	109	113
Platinum (USD/ounce)	1,007	962	960	987	1,106	1,087	1,080	1,086	1,099
Soybeans (USD/tonne)	427	404	389	406	375	380	416	438	449

Source : World Bank/Dun & Bradstreet

Exchange and Interest Rates

Metric	Feb 2017	Mar 2017	Apr 2017	2017f	2018f	2019f	2020f	2021f
EUR-USD	0.94	0.94	0.93	0.92	0.9	0.88	0.86	1.19
JPY-USD	112.91	112.92	110.09	110.0	112.0	110.0	105.0	105.0
GBP-USD	0.8	0.81	0.79	0.78	0.77	0.79	0.78	0.76
BRL-USD	3.11	3.13	3.14	3.19	3.35	3.5	3.65	3.79
CNY-USD	6.87	6.89	6.89	6.91	7.01	7.09	7.5	7.78
BOJ Interest Rate (EOP)	-0.05	-0.06	-0.07	-0.3	-0.1	0.1	0.3	0.5
ECB Key Interest Rate (EOP)	0.0	0.0	0.0	0.0	0.1	0.25	0.75	1.5
US Federal Funds Rate (avg)	0.63	0.76	0.88	1.63	2.5	3.25	3.5	3.75

Source : Dun & Bradstreet, Haver Analytics, Federal Reserve Board, European Central Bank, Bank of Japan

Key Risk: OECD poised for further recovery but oil price lacks traction

Data for OECD countries, with the exception of the UK, has generally been encouraging. In Germany, wages for negotiated contracts covering 17m workers rose 2.8% y/y in Q1, while French consumer confidence hit a ten-year high shortly after France’s presidential election. Meanwhile, freight shipped by all modes of transport in the US has been rising y/y since October; the US S&P/Case Shiller home price index rose 5.9% y/y in March, its fastest pace since July 2014; and Japan’s job market, as expressed in its jobs-to-applicants ratio, hit a more than 43-year high in February. However, inflation in Germany fell to 1.4% y/y in May, its lowest in 2017, and sentiment in the broader EU fell in May, compared with April, as the UK's deteriorated.

OPEC and non-OPEC producers alike agreed in May to extend output cuts to end-Q1 2018. However, oil prices fell after this news as the market closed positions taken to prepare for deeper cuts. Indeed, US and OECD oil/product inventories were at record levels again in May. The key producers are trapped, as their finances cannot bear the USD30/barrel prices required to prevent the US shale industry from investing in rigs. Meanwhile, Permian basin rigs in the US are highly productive thanks to a multi-layer geology and can still produce at prices that are unacceptable fiscally to the traditional producers in Europe and the Middle East. Further oil price falls are therefore possible, which may then discourage inventory building and chip away at economic growth globally.

Recommendations

- Expect non-US central banks to keep lagging the Federal Reserve in normalising interest rates upwards.
- Note that short-term volatility due to political risk factors may be a poor guide to medium-term trends.
- Assess the contribution of demographic trends to the viability of your medium-term strategic sales plans.
- Look for opportunities in markets with good country risk fundamentals that were left behind by the boom of 2010-15.
- Maintain underwriting standards and limit medium-term exposure, even if your sector exhibits historically low volatility.
- Factor in USD volatility to receivables management and assessment of customer cashflow.

REGIONAL INSIGHT

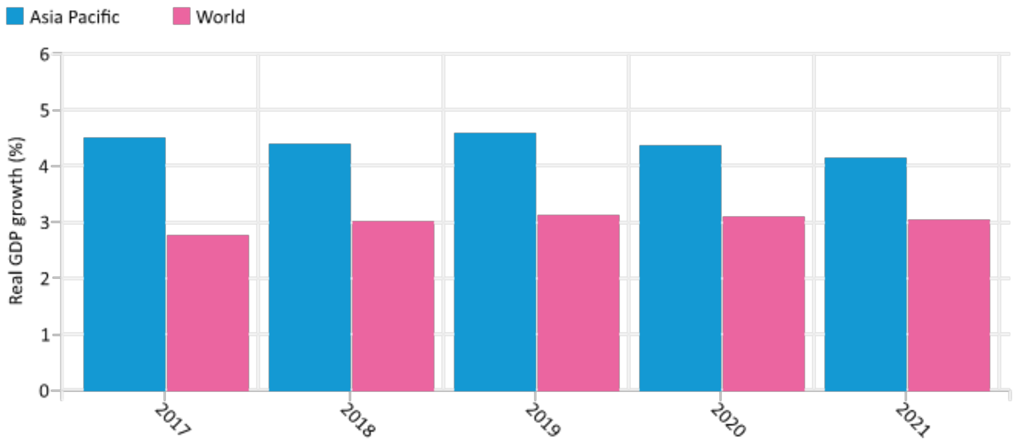
Trend:	Stable	→

Headline Regional Issues

- Pressure on regional currencies was limited in Q2, with risk assets broadly rebounding.
- Expectations are that US monetary and fiscal policy surprises will be manageable.
- China remains dependent upon policy-led investment, but capital controls are successfully keeping domestic asset markets strong.
- Corporate credit quality in China could still deteriorate, as the country attempts to increase the cost of capital gradually to rein in credit growth and prevent capital flight.

REGIONAL OUTLOOK

Regional Growth Forecast

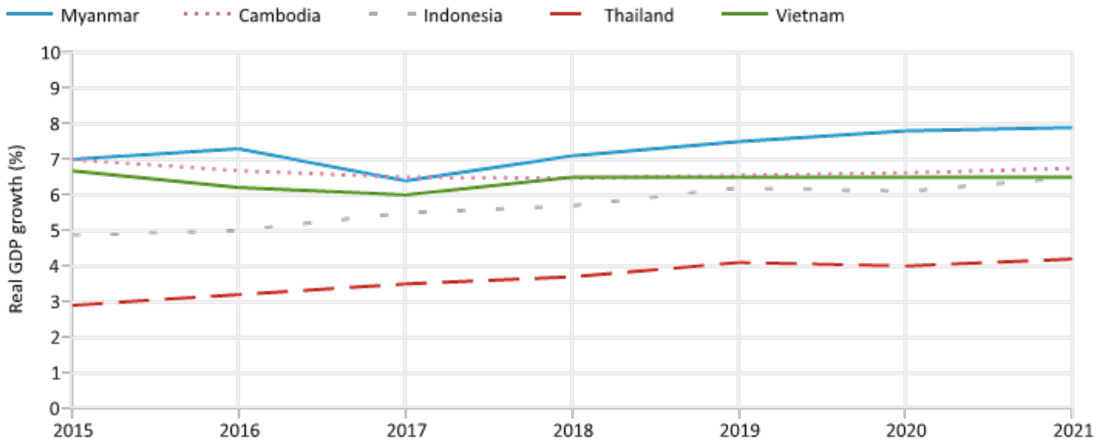


Source : Haver Analytics/Dun & Bradstreet

Our overall regional indicator for Asia-Pacific remains set on a 'stable' trend. The jump in Asian bond yields after the US election had been broadly reversed outside China by June, with ten-year benchmark government bond yields for most Asia-Pacific emerging countries falling by at least 50 basis points (0.5 percentage points) from end-2016. Meanwhile, the MSCI EM Asia stock market index was up close to 22% year-to-date by the start of June; and few currencies felt substantial with sustained selling pressure in Q2, with the Indian rupee and Thai baht strengthening against the US dollar. Together with the moderating or stable trend anticipated for benchmark crude oil prices, the short-term outlook indicates modest inflation pressures across the region, and little obvious pressure on balance of payments and bond markets. The somewhat mediocre outlook for US real GDP growth will also curb the potential for an exchange rate shock led by US policy normalisation.

China is the exception, with its government bond yields up by more than 50 basis points across the maturity curve since end-2016, and interbank rates edging up in line with a regulatory 'storm' of policies designed to check high-risk credit creation, ameliorated by periodic central bank liquidity injections. This presages tighter credit conditions and more costly finance for companies, potentially curbing profits and real estate prices, and increasing business failures. The downgrade to China's long-term local currency government debt in May by Moody's Investor Service, seemed to trigger heavy FX market intervention by China's central bank into June, supporting the yuan to counter any hits to sentiment in mainland asset markets. Nevertheless, China's 'old economy', outside of the beleaguered north-east, was still powering ahead in Q2, thanks to relentless policy-led investment. High real estate prices supported consumer confidence, despite new restraints after outstanding mortgage finance rose 37% in 2016.

Outlook for Key Regional Countries



Source : Haver Analytics/Dun & Bradstreet

Regional countries' net international investment positions look less vulnerable than in previous decades, and their associated international balance sheets less 'pro-cyclical' - as in less likely to amplify an external or domestic shock into a bigger shock to their currency, economic activity and the balance of payments. In fact, most Asia-Pacific countries' current account deficits have been well under 2.0% of GDP, and look less exposed than the UK's current account deficit.

However, the broadly reassuring vista may not be all it seems. India's reported growth of 7.0% y/y in Q4 real GDP relied heavily on supply-side data, when anecdotal evidence indicated a fall in consumption demand after the November demonetisation of 86% of the paper currency. Key activity gauges such as crude oil imports, and cement and non-durable consumer goods production, remained weak in Q1 2017. Corporate credit quality was already shaky before demonetisation. As of end-September 2016, almost a quarter of India's manufacturing sector bank loans were non-performing or had been restructured.

Meanwhile, in China, periodic spikes in interbank rates, that are likely to recur in 2017, could trouble the vulnerable mid-size banks dependent on non-deposit finance, and ultimately restrict credit growth, encouraging more corporate failures. The large state-owned banks could simply expand market share, and may benefit from rising net interest margins, helping to stabilise the financial system as a whole. However, more corporate defaults can be expected in 2017, as many high-risk investment assets have been misleadingly marketed as low-risk, and there are many hidden inter-company corporate debt guarantees that could cause defaults to rip through the system.

Finally, there is the uncertainty for Asian policymakers around US trade and security policies, which remain wildcards. The scope for a trans-Pacific fracas in trade is unclear, and seems to have reduced since the early weeks of the new US administration, but could still ultimately be substantial over a medium-term timeframe, threatening thousands of supply chains built up over the past two decades. Finally, on the security front, North Korea's accelerating nuclear arms and missile development programme could yet trigger a crisis in peninsular relations in 2017-18.

Recommendations

- Expect to see a continued divergence of collection patterns for manufacturing and services sectors, and for consumer/downstream and upstream firms.
- Use a mix of credit insurance, guarantees and documentary credit and collection terms across sectors.
- Expect robust official attempts to prevent China's yuan from touching the CNY7:USD threshold by end-2017 through the use of new capital controls.

COUNTRY INSIGHT HEADLINES

CREDIT ENVIRONMENT OUTLOOK

R

Trend: Stable

Current Issues

- Credit risks are improving but will remain very high amid widespread corruption, weak institutions and risks of association.
- Domestic credit growth has risen rapidly since early 2010 and will continue to do so, but local banks still have very limited capacity.
- A gradual loosening of controls on lending interest rates will improve access to credit for small- and medium-sized enterprises (SMEs) and the agricultural sector in 2017-18.
- 13 foreign banks have now been given independent operating licences.

Risks and Opportunities

- The financial sector is being modernised, but the regulatory system remains weak and disjointed.
- Comprehensive reforms and adequate supervision of the banking sector will take many years to develop.
- Private-sector credit is growing from a very low base, but the foreign banks granted licences will in the short term only be able to lend to foreign companies and local banks.

Trade Terms

Description	
Minimum Terms	CLC
Recommended Terms	CiA
Usual Terms	30 days

Source : Dun & Bradstreet

Export Credit Cover

Agency	Cover
US Eximbank	ST/MT public sector cover available
Atradius	Cover available subject to approved CLC, no discretionary limits
ECGD	Cover may be available on request
Euler Hermes UK	Restrictions will apply

Source : Export Credit Agencies

Recommendations

- Exercise caution when dealing with all firms outside the major FX-earning sectors.
- Be aware that restrictions on FX transactions by foreign nationals have been relaxed.
- While credit cards are becoming more common in the major cities, cash remains dominant; US dollar bills will be required for some time.

SUPPLY ENVIRONMENT OUTLOOK

R

Trend: Stable

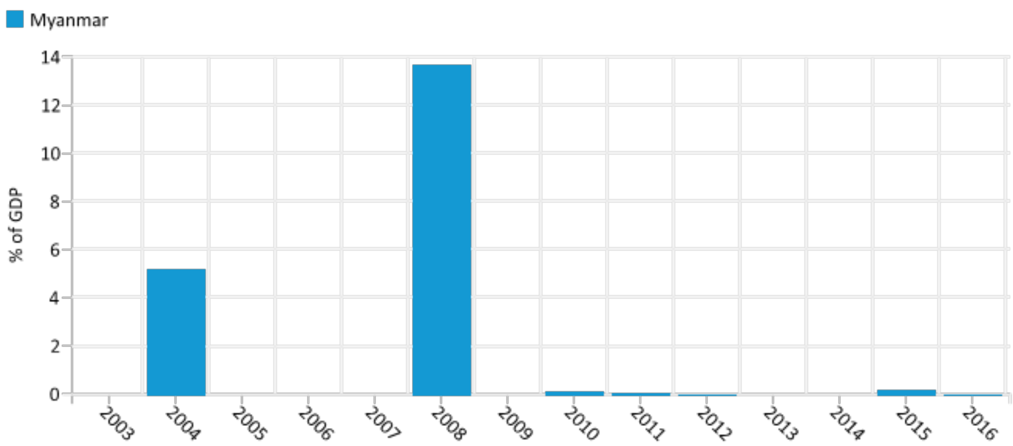
Current Issues

- Myanmar's infrastructure is generally in a very poor state, but investment in transport and communications is rising rapidly.
- Yangon International Airport is notorious for delays; a South Korean firm is leading a USD1.1bn scheme to grow its capacity to 8.0m passenger transits by 2019.
- Supply chains are subject to bottlenecks; electricity black-outs are common and will remain a serious issue into the medium term.

Risks and Opportunities

- New infrastructure and three Special Economic Zones will gradually improve logistics and better connect Myanmar to the region.
- Myanmar is highly vulnerable to tropical storms, floods, wild fires and earthquakes.
- Massive flooding in 2015 destroyed almost 3.0m hectares of crops, devastating rural communities across the country and fuelling inflation.

Natural Disaster Impact



Source : D. Guha-Sapir, R. Below, Ph. Hoyois - EM-DAT: International Disaster Database – www.emdat.be – Université Catholique de Louvain

Recommendations

- Allow for considerable bureaucratic delays at ports and airports in the short term.
- Be aware that businesses located outside Naypyidaw will require back-up generators and water supplies into the medium term.

MARKET ENVIRONMENT OUTLOOK

R

Trend: Improving

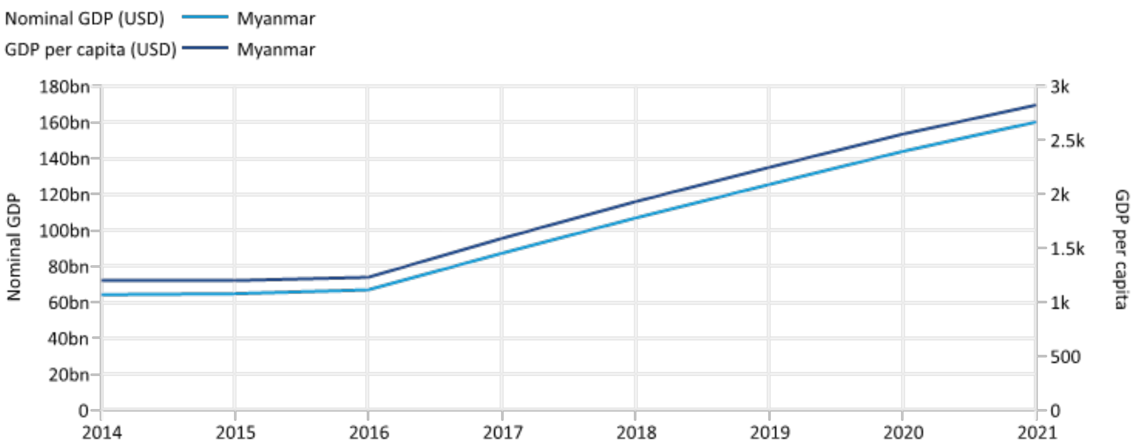
Current Issues

- Rich in resources, with a sizeable emerging middle class and located in a dynamic region, Myanmar's economy could quadruple in size by 2030 from 2010 levels.
- The requirement for import and export licences on 600 products has recently been lifted, which augurs well for developing stronger trade links.
- Under the EU's Generalised System of Preferences (GSP), Myanmar now has access to the EU for all its exports, except arms and ammunition.

Risks and Opportunities

- Much of the country's infrastructure remains rickety, corruption is widespread and institutions are seriously under-resourced and inefficient.
- The NLD-led government will continue to push much-needed reforms to strengthen institutions and tax laws; education will be significantly developed.
- Rapid progress in constructing the mobile-phone network will provide a substantial boost for local and international businesses and the overall economy in the forecast period.

Nominal GDP and GDP per capita



Source : Haver Analytics/Dun & Bradstreet

Recommendations

- Finding reliable local partners is crucial; expect it to be time-consuming and expensive.
- Note that, in the short term, consumer goods offer the best opportunities, along with the hospitality industry in the major cities.
- Note that natural resources, garment manufacturing, financial services and ecotourism will offer considerable opportunities in the medium term.

POLITICAL ENVIRONMENT OUTLOOK

R

Trend: Stable

Current Issues

- Tensions in Rakhine State, north-west Myanmar rose sharply in late 2016, with reports of violent clashes involving Rohingya Muslims and the army.
- Reports of villages being torched, mass arrests and gang rape led to widespread international condemnation, notably from Malaysia.
- State Counsellor Aung Sang Suu Kyi has faced criticism for her response to the crisis.

Risks and Opportunities

- NLD leader Aung San Suu Kyi is a popular and a capable leader; she is expected to make steady progress in reforming Myanmar's weak institutions and rickety infrastructure.
- The military remain a powerful force; unelected military representatives take up a quarter of parliamentary seats and control key ministries.
- The Rohingya crisis has raised regional tensions but other international relations are improving; the US has signalled it will lift all remaining sanctions.

Political Freedom

Location	Electoral Process	Pluralism and Particip.	Function'g of Govt.	Freedom of Express'n and Belief	Assoc. and Org. Rights	Rule of Law	Personal Autonomy and Individual Rights
Asia Pacific	7	10	6	10	7	8	10
OECD Average	12	15	11	15	11	14	14

Source : Freedom House

Higher score = greater degree of freedom

Recommendations

- Expect the remaining economic sanctions to be gradually withdrawn under the NLD-led government.
- Ensure that your operations are adequately backed by political risk insurance; FDI is eligible now that Myanmar has joined the World Bank's Multilateral Investment Guarantee Agency (MIGA).

DETAILED ANALYSIS

The following sections analyse in more detail the nine core elements that influence the risks and opportunities involved when doing business in/with a given country.

The core categories that we analyse as part of our broader risks and opportunities model are as follows:

Short-Term Economic Outlook

Long-Term Economic Potential

Market Potential

FX Risk

Transfer Risk

Business Regulatory Environment

Business Continuity

Political/Insecurity Risk

Expropriation/Nationalisation Risk

Descriptions for each of these categories can be found in the User Guide section of this report.

SHORT-TERM ECONOMIC OUTLOOK

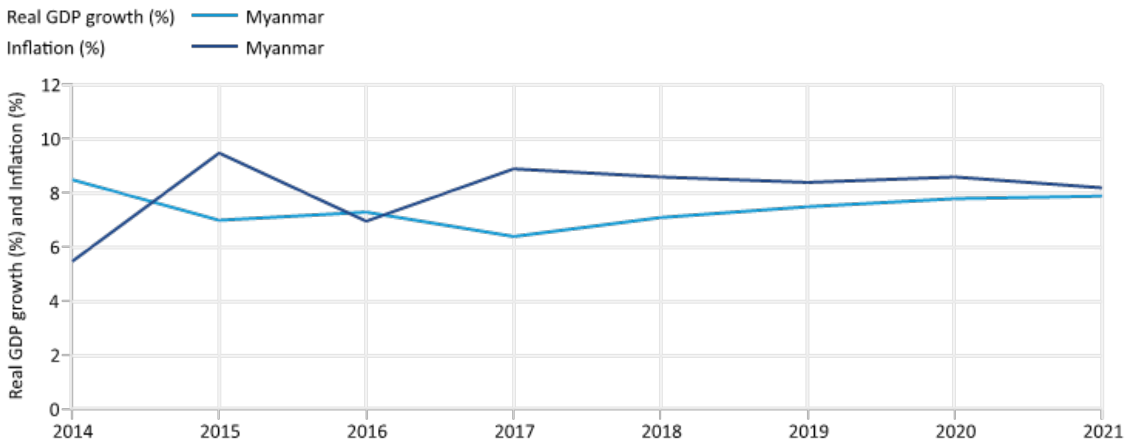
After decades of mismanagement, conflict and isolation, Myanmar is propelling itself into an era of dramatic renewal and development. The nominally civilian government installed in March 2011, led by President Thein Sein, embarked on an ambitious programme of political and economic reforms. They will continue under the NLD-led government installed in Q1 2016. Myanmar's location at the heart of one of the world's most dynamic economic regions and its wealth of natural resources augur well, but the downside risks are considerable.

While real GDP expanded by an estimated 8.0% y/y in fiscal year (April/March) 2014/15, buoyed by natural gas sales, construction, services and tourism, it slipped to 7.3% in 2015/16 and further to 6.3% in 2016/17. This partly reflects devastating floods in September and October 2015 that raised food prices, combined with considerable uncertainty surrounding the general election. Falling gas prices have also been a factor; natural gas is a major export, accounting for 40% of total export revenue in 2012/13, and vulnerable to fluctuations in international prices. We expect the economy to pick up in the short term, but risks include the very limited capacity of Myanmar's institutions, the slowdown in China's economy and still-low international prices for natural gas. Macroeconomic imbalances have increased considerably over the past year; the fiscal deficit rose to 4.1% of GDP in 2015/16, 5.3% of GDP excluding one-off receipts (from telecom licences and signature bonuses gas contracts) and will only gradually narrow in the short term. The current account deficit is expected to have widened to more than 6.0% of GDP in fiscal 2016/17, largely reflecting a spiralling trade deficit.

Risks and Opportunities

- Macroeconomic reforms are beginning to bear fruit, in the form of a more independent central bank, a floating exchange rate and a gradually narrowing budget deficit.
- Economic prospects are broadly favourable, with strong gas exports, rising investment, construction and booming tourism.
- Garment manufacturing is growing rapidly and offers opportunities, along with food, retail, telecoms, hotels and hospitality.

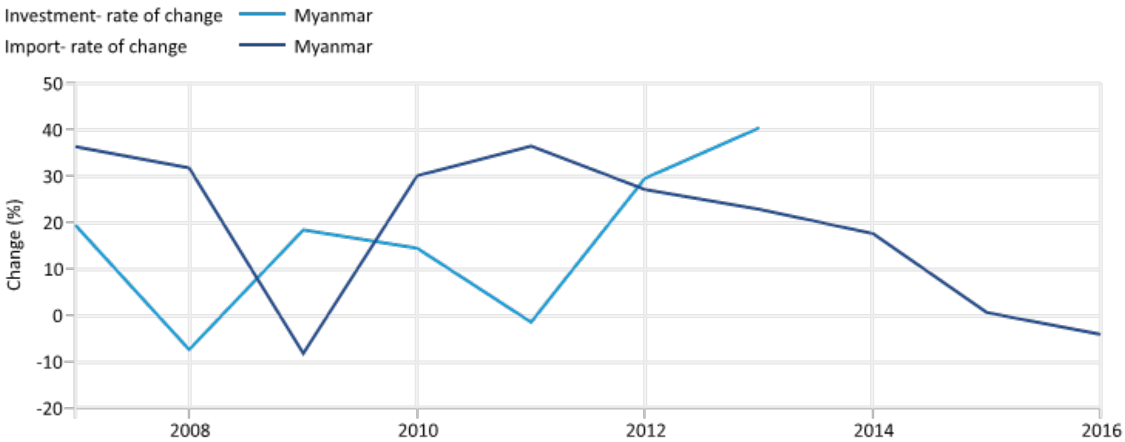
Real GDP Growth and Inflation



Source : Haver Analytics/Dun & Bradstreet

Myanmar suffers from high structural inflation and is exposed to fluctuations in the prices of imported fuels and local agricultural produce. Inflation has dropped from double-digit levels, in part thanks to a stabilisation of rice prices in 2015. Rice supplies were undermined by serious flooding earlier in 2015 and rice exports were temporarily banned. Nevertheless, the risk of future rises in inflation is considerable in 2017 and 2018, given the combination of: a fast-growing money supply as demand for credit rises; recent hikes in electricity and commodity prices; spiralling rents and property prices in the main cities; and volatile rice supplies. Inflationary pressures rose in 2016 and are likely to see CPI inflation rise above 7.0% in 2017.

Investment and Imports



Source : Dun & Bradstreet, Haver Analytics/Dun & Bradstreet

Investment is rising rapidly from a low base and will continue to do so in the short and medium term, amid ongoing reforms and the removal of restrictions (such as the recent removal of the requirement of import and export licences on some 600 products). The Myanmar Investment Commission reported that FDI doubled from the previous year to reach USD8.1bn in 2014-15. It decelerated in 2015, in part owing to the slowdown in China, then picked up to a record high of USD9.4bn in 2015-16. We expect it to grow steadily in the forecast period, buoyed by a new investment law, signed in October 2016. The majority of FDI is still from China, followed by Thailand, South Korea and Singapore, and is primarily channelled into the energy sector, followed by manufacturing (mostly garments) and telecoms. Imports have been increasing steadily in recent years and are expected to surge as economic reforms take hold and international ties strengthen. China is the main source of imports, accounting for around 44% in 2015, notably textiles, refined fuel, transport equipment and steel.

Recommendations

- Monitor the government's reforms closely, as there is still no clear master plan for growth and investment.
- Keep an eye on the passing of a Special Economic Zone Law, amendments to the Foreign Investment Law and the continued delays to the Mining Law.
- Note that inflationary pressures are building as domestic demand grows, and following widespread flood damage to rice and vegetable crops in 2015-16.

LONG-TERM ECONOMIC POTENTIAL

Myanmar's economy has the potential to expand fourfold by 2030 from its 2010 size, with annual GDP growth rates of 7.5% possible, albeit from a low base. The country has a wealth of natural resources including gas, oil, gemstones, copper, zinc, teak, arable land and abundant water supplies. The long coastline, river systems, mountains and forests rich in wildlife have considerable tourism potential.

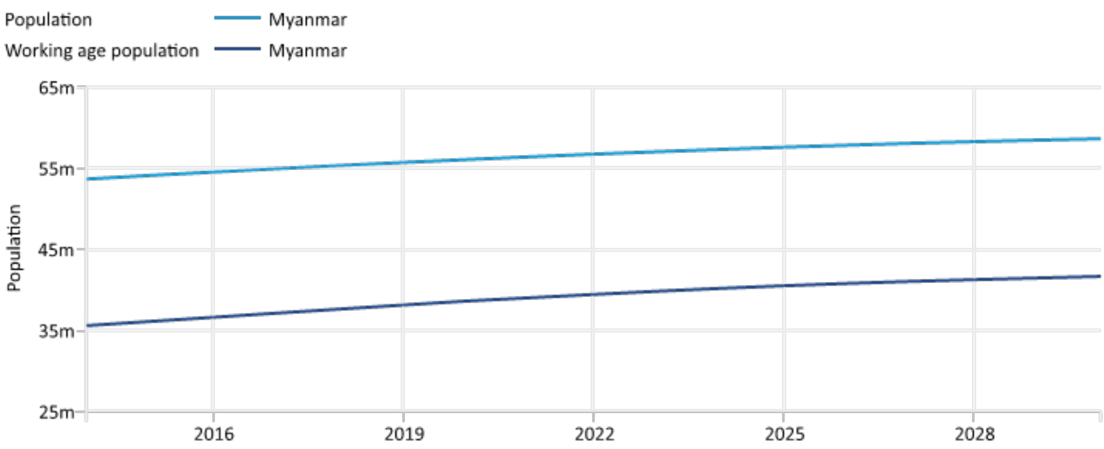
Labour costs are low by regional standards (in Yangon around one-fifth of those in Bangkok) and Myanmar is close to a huge potential market of several hundred million consumers. Manufacturing offers great potential, particularly in labour-intensive sectors such as textiles and furniture, although this will require a sharp rise in productivity and massive investment in the country's institutions and infrastructure, including residential and commercial property, the education system, road and rail networks, power stations, and water-treatment systems.

Risks and Opportunities

- Risks are substantial: much depends on the ability of the government to reform key institutions, curb corruption and rein in ethnic violence.
- A quarter of the population is in poverty, and tensions will rise if measures to improve access to land and to provide jobs do not materialise.
- Myanmar's economy can potentially grow by an average of 7.5% per year over the next 20 years, but only if it invests substantially in its infrastructure and institutions.

Human Capital

Population Dynamics



Source : UNPOP

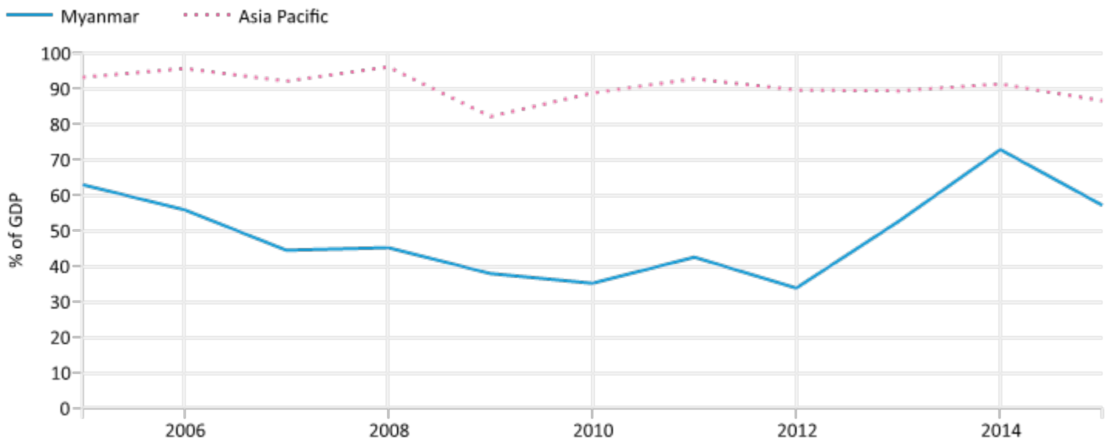
Results from Myanmar's first national census since 1983 put the population at 51.5m; well below a recent estimate of 60.0m. The authorities faced criticism, however, for excluding the Muslim Rohingya minority from the north-west of the country, who are thought to number around 1.3m. Population growth is thought to be relatively low (around 0.9% per year), with declining fertility rates. Traditional family structures remain strong and people generally remain economically active in old age. The UN anticipates that by 2050 almost 25.0% of the population will be more than 60 years old, compared with an estimated 8.5% in 2012. On this basis, Myanmar's population is ageing, and will have less of a demographic dividend than some other countries in the region. Education was neglected for decades and Myanmar's skill gap has been identified as one of the most severe barriers to the country's economic development. Strengthening schools, universities and technical colleges is now firmly on the government's radar, which presents opportunities for training providers, equipment suppliers and international qualification bodies.

Physical Capital

Investment is beginning to flow into Myanmar's long-neglected infrastructure, but bringing it up to the standards of comparable countries in the region will take years, if not decades. Major improvement is required in roads, railways, ports, power stations and IT infrastructure. Myanmar currently has only one road that would be classified as a motorway or expressway, linking Yangon with the capital Naypyidaw. A 20-year masterplan for building an integrated road network has been developed with a consortium of Korean engineering firms. Construction will begin this year. The country's long-neglected 5,000km rail network is attracting considerable investment, while power shortages are a major issue in Myanmar and will remain so for years to come.

Openness

Exports and Imports



Source : IMFDOT/Haver

After decades of isolation, Myanmar has been open to international trade since 2011 when trading partners such as the EU began to lift sanctions (April 2013). While the US has eased sanctions, some remain, mostly concerning financial institutions and individuals including Htun Myint Naing, better known as Steven Law, who owns Asia World Port. A member of ASEAN and the WTO, Myanmar has free-trade agreements (FTAs) with Bangladesh, China, India, Israel, Pakistan and Sri Lanka. FDI has risen swiftly from a low base, which will continue as the country modernises. The thirst for construction materials, machinery, oil, telecommunication equipment and vehicle parts and an undiversified export base of natural gas, timber products and rice augur ill for the trade balance. The government recognises the need to diversify exports and to help local businesses become more competitive, but only gradual reforms can be expected. Plans to simplify tariffs and streamline customs procedures will help.

Competitiveness/Institutional Strength

Starved of investment for decades, Myanmar's institutions are very weak and even with the openness and dynamism promised by the new NLD government, reform will take many years. Public institutions are often slow and bureaucratic. The legal environment is complicated and unclear, while the banking sector is only beginning to develop; it remains largely a cash-based economy. Nevertheless, the gradual process of institution-building offers considerable opportunities, especially financial services, healthcare and education and skills.

Recommendations

- Early movers should see rewards, but be prepared to make a long-term commitment to Myanmar to realise commercially meaningful returns.
- Look for opportunities in which Myanmar might 'leapfrog' other nations through technology and improving labour conditions while wages remain low.
- Note that a new investment law, ratified in 2017, and a new mining law will offer considerable opportunities to foreign investors.

MARKET POTENTIAL

Myanmar's market potential is enormous and even in the short term there are considerable opportunities for foreign investors, now that sanctions have largely been lifted. While the country's middle class is small, it is expanding rapidly in the three largest cities: Yangon (estimated population 5.0m), Mandalay (1.3m) and the capital, Naypyidaw (1.0m).

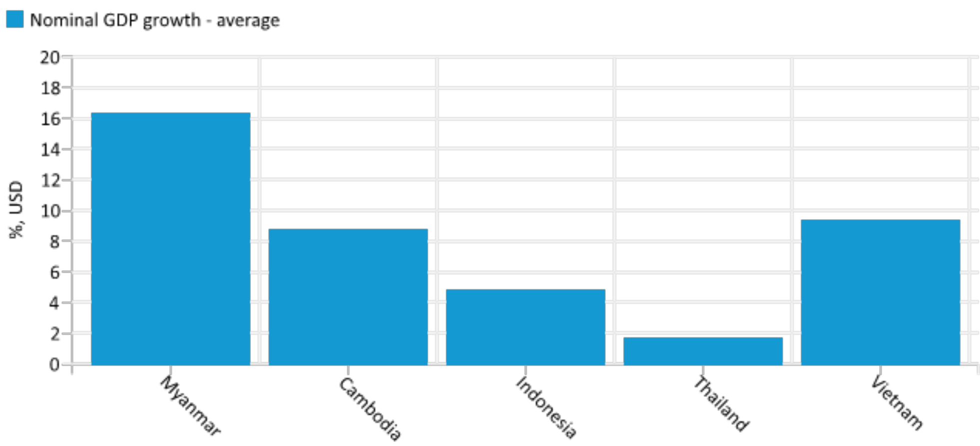
There is already a shortage of hotels and restaurants to cater for the numerous trade delegations, and real estate prices in Yangon have soared. The much-delayed 2012 Foreign Investment Law (FIL) allows extendable 50-year leases and investment with 100% foreign ownership for the majority of business activities, including power generation, infrastructure projects, agriculture, manufacturing and hospitality. Even retail and wholesale activities have been opened to foreign investment, with some conditions: food and beverage production, petrochemicals, mining and property development require a local partner. The Myanmar Investment Law (MIL), which came into force in April 2017, synchronises domestic and foreign investment regulations and protections across a range of asset classes, including shares and property.

China has been the dominant foreign investor over the past 20 years, notably in hydropower plants, gas pipelines, roads and railways. Large-scale Chinese investment will continue, but FDI from Singapore, Thailand, South Korea and Japan is on the rise. Record investment from Singapore in 2014 and 2015 was reportedly buoyed by US firms, which registered there to avoid restrictions from the US authorities on forging ties with businesses connected to the former junta. Manufacturing is expanding swiftly, with labour-intensive sectors such as textiles, footwear, toys, jewellery performing strongly, along with food processing and beverages.

Risks and Opportunities

- The 2012 FIL is surprisingly liberal, extending to land-use rights.
- The 2017 MIL will help lift FDI, after a substantial drop in 2016-17, mostly due to falling international oil and gas prices.
- A Special Economic Zone Law allows for income-tax exemptions for up to seven years for local and foreign investors and up to eight years for constructors.
- Domestic credit is growing quickly, but remains limited, estimated at just 25% of GDP, compared with 117% in Thailand.

Average Nominal GDP Expansion, 2017-21



Source : Dun & Bradstreet

After decades of isolation, Myanmar, led by President Thein Sein, launched a series of transformative economic and political reforms in 2010. The economy has expanded rapidly, with foreign investment flowing in: FDI reached almost USD10bn in 2015-16, much of it channelled into the energy, textiles and fisheries sectors. Oil and gas exploration has grown swiftly in the Bay of Bengal, although recent falls in international prices prompted a decline in investment in 2016-17. China is the largest investor, although inflows slowed in 2015, followed by Thailand. Both countries signed a memorandum of understanding with Myanmar in July 2015 to develop the USD2.0bn Mon Tong dam in northern Shan State. Western firms that have made substantial investments in manufacturing facilities include Coca Cola, Unilever, General Electric and Cisco, which is opening two IT-oriented academies.

Myanmar's planned special economic zones (SEZ) will be crucial for developing industries. Construction got under way at the Thilawa deep-water site near Yangon in 2014. Thilawa is being developed by a consortium of Japanese and Myanmar companies, including Mitsubishi Corp., Marubeni Corp. and Sumitomo Corp. The first phase, which includes automobile and electronics factories, opened in September 2015. Several Thai-Myanmar joint ventures have been delayed by political turmoil in Thailand, however, including the Dawei port complex, although prospects have improved since Japan's pledge to join the development.

Construction of the Kyaukpyu SEZ, in troubled Rakhine State, was repeatedly delayed but received government approval in December 2015, with tenders awarded to a consortium led by the CITIC Group. The government hopes to create some 58,000 jobs at the complex, with Chinese investment, mainly in the fisheries products and textiles sectors. The SEZ could boost Myanmar's GDP by as much as USD10bn a year, but there are formidable risks, given ethnic tensions in the region and the potential of disputes over land and environmental issues.

Main Restrictions on Imports

Tariff Barriers	Myanmar	Cambodia	Indonesia	Thailand	Vietnam
Overall Weighted Mean Tariff	4.6	4.9	2.3	3.5	3.1
Manufactures Weighted Mean Tariff	5.8	4.1	2.9	2.8	2.7
Primary Products Weighted Mean Tariffs	1.6	8.3	1.2	5.6	4.6
Overall MFN Tariff	10.5	30.6	7.7	15.7	20.0
Manufactures MFN Tariff	7.7	31.6	8.3	14.5	18.8
Primary Products MFN Tariff	32.0	24.4	2.4	23.1	28.1
Services Restrictiveness Index	25.9	23.7	50.0	48.0	41.5

Source : Haver Analytics/World Bank

Myanmar follows the harmonised system. There are 22 bands of tariff rates, ranging from zero to 40%. The lowest rates are applied to raw materials and agricultural implements. The tariff averages 15% for most industrial inputs, machinery and spare parts. As part of its accession to the ASEAN FTA, Myanmar committed to reduce all external tariffs to zero for ASEAN members (and also for China) by end-2015.

Recommendations

- Expect some reforms in the banking system to be surprisingly rapid and innovative, comparable to Kenya's M-Pesa system of mobile finance.
- Look for opportunities in sectors facilitated by cheaper and more readily available mobile telecommunications.
- Be aware of Myanmar's potential as a tourist destination; the number of visitors has surged in recent years although they slipped to 2.9m in 2016.

FX RISK

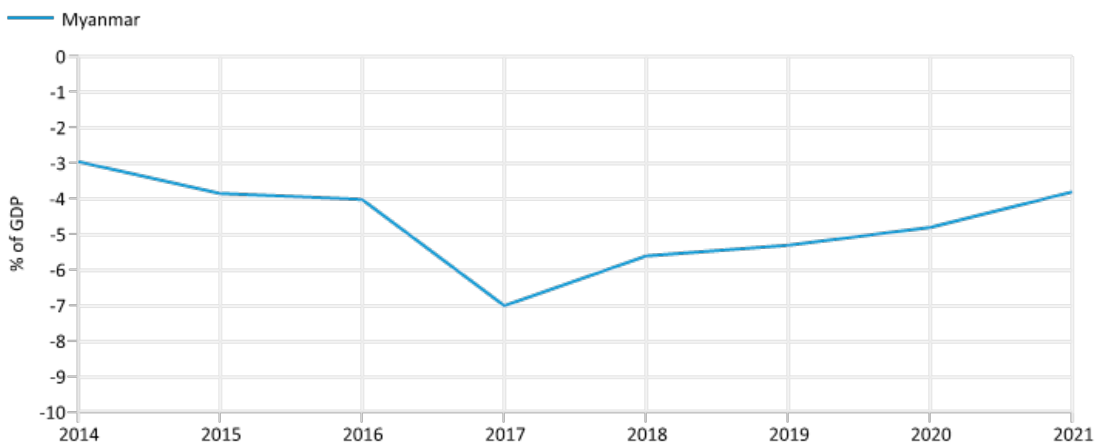
Myanmar's external position is much improved on past years. However, the trade deficit widened for the second successive year to USD5.4bn in fiscal (April-March) 2016/17, amid soaring imports and flat exports. The kyat rallied strongly in early 2016, becoming the best performing currency in Asia in the first half of the year. It has since depreciated against the US dollar, amid increasingly challenging conditions for many manufacturers, especially in the export-dependent textile sector.

Foreign reserves remain low, equivalent to slightly under three months of imports of goods and services, well below the usual IMF-recommended benchmark adequate level. The current-account deficit largely reflects a rising trade deficit as investment has been buoyed by the unification of the exchange rate since 2012, which includes a trading band allowing fluctuations of up to 2.0% either side of a reference rate. It is expected to widen to around 7.0% of GDP in 2017, after reaching 3.0% of GDP in 2016. Exchange-rate pressures could return in the short term, stoking inflation. Yet the risk of debt distress remains low, provided that debt restructuring with Paris Club creditors proceeds as envisaged.

Risks and Opportunities

- The kyat remains volatile; it was among the region's best performing currencies in H1 2016, but has since lost ground amid a widening trade deficit and the strong dollar.
- The currency weakness has sparked a debate about whether or not officials should intervene, for example to stem the flow of luxury imported goods.
- Myanmar's financial institutions are gradually being reformed; in 2013, the central bank was granted autonomy from the Ministry of Finance and Revenue.
- Treasury securities auctions were introduced in 2015, paving the way for a non-inflationary alternative to central bank deficit financing.

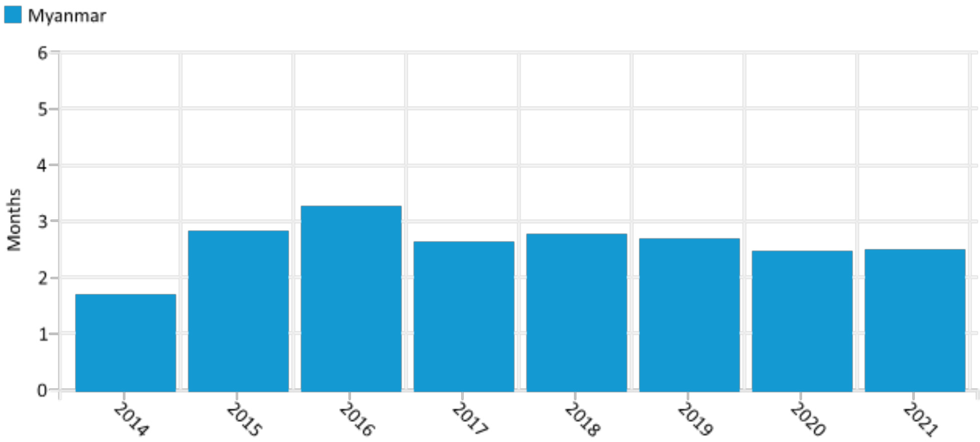
Current Account Balance



Source : Haver Analytics/Dun & Bradstreet

The wider current account deficit - as investment rises in line with economic opportunities, after long being held back under the junta - underlines the country's need for export-led investment. The current account deficit contributed to a significant devaluation of the kyat against the US dollar in 2015. The currency rallied strongly in the first half of 2016 before coming under pressure. Imports of all categories, particularly consumer goods and construction materials, will continue to increase swiftly in the short term.

Import Cover



Source : Haver Analytics/Dun & Bradstreet

Myanmar's international reserves covered just 80-100 days' imports of goods and services in recent months, a situation that is likely to deteriorate in the short term. Daily auctions in dollar volumes have also declined and the nascent interbank market has not been able to pick up the slack in 2017. Broad money and private-sector credit are continuing to grow rapidly, faster than a narrow base of available FX. Rising expenditure on healthcare and education, and only slowly increasing tax revenue, point to another budget deficit, reaching almost 5% of GDP in fiscal 2017/18. However, a recent joint World Bank-IMF debt-sustainability analysis concluded that Myanmar was at low risk of debt distress (assuming it clears arrears to multilateral institutions).

Recommendations

- Bear in mind that reforms to Myanmar's financial system are at an early stage and that regulations governing state banks and FX operations remain limited or basic in scope.
- Be aware that macroeconomic and external imbalances have risen in recent months; the economy is growing robustly but there are signs of overheating.

TRANSFER RISK

Transfer risk is high in Myanmar, but it will decline as essential structural reforms take effect. Though FX reserves are rising (from a very low base), local firms have often faced difficulties in obtaining FX, which can mean substantial delays between the time a shipment is provisionally ordered and the date the importer pays. The banking sector received a boost in 2014, when Myanmar Oriental Bank (MOB) became the first local bank to join the IFC's Global Trade Finance Programme (GTFP). Yoma Bank has since also joined the GTFP as an issuing bank. This type of facility will issue guarantees for LCs and boost capacity to cover the payment risks of exporters' banks while granting trade financing to local firms. A second round of foreign bank licensing is under way, with provisional approval granted to four banks from India, South Korea, Taiwan and Vietnam. Branches of South Korea's Shinhan Bank and The Bank for Investment and Development in Vietnam (BIDV) opened in late 2016. Overall, financial sector reforms are continuing steadily, but further steps are required to reduce systemic risks, including regulations to implement the new Financial Institutions Law.

Risks and Opportunities

- The FX regime is being liberalised: private commercial banks are conducting FX operations and volumes traded in the daily central bank auctions are increasing.
- Reintegration with the global economy will gradually reduce transfer and convertibility risk, but the banking sector remains extremely underdeveloped.
- Outstanding domestic credit is rising, but remains extremely limited, estimated at just 25% of GDP, compared with 117% in Thailand.

Transfer Situation

Type	Delay
FX/Bank Delays	1-3 months
Local Delays	2-3 months

Source : Dun & Bradstreet

Financial Sector/Capital Flows Provisions

Provision	Active
Restrictions on Inward Direct Investment	Yes
Special Treatment for Deposits held by Non-Residents	Yes
Special Treatment for Deposits in Foreign Currency	No
Special Treatment for Lending to Non-Residents	No

Source : International Monetary Fund

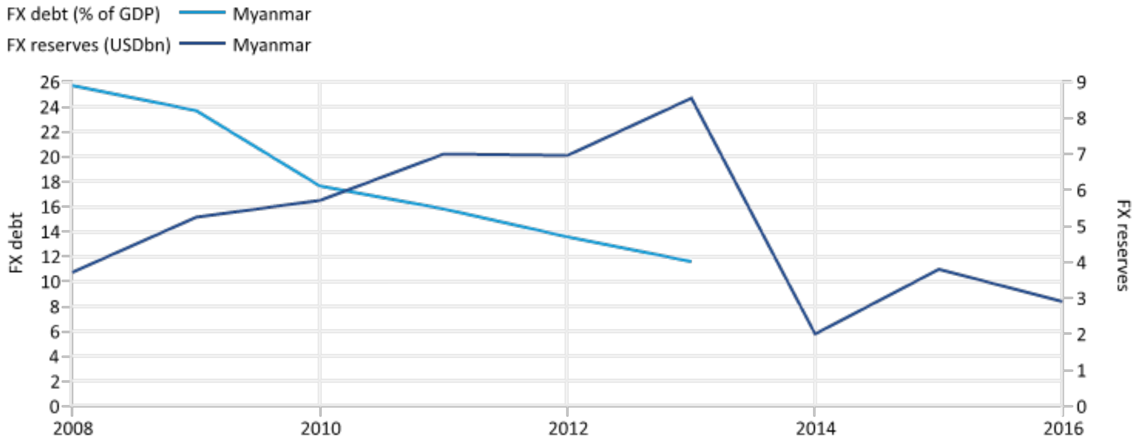
Trade Payment Restrictions

Trade Payment Restriction	Myanmar	Asia Pacific	OECD Average
Restrictions on non-Residents' Accounts	0	0.18	0.06
Restrictions on Payments for Imports	3	1.18	0.06
Restrictions on Payments for Invisible and other Current Transfers	3	1.55	0.35

Source : International Monetary Fund

A reformed, fully independent central bank is clearly vital to future macroeconomic stability, and significant progress has been made. The president signed a new Central Bank Law in July 2013, which has ushered in a new nine-member board and is bringing more openness and transparency. The IMF is assisting in developing monetary policy instruments, starting with deposit auctions and a treasury bill market, which opened in early 2015. This is providing a framework for reducing central bank deficit financing and paving the way for eventual interest-rate liberalisation. However, periodic FX illiquidity can create unpredictability.

Total Foreign Debt and Foreign Reserves



Source : Haver Analytics/Dun & Bradstreet

Myanmar's total external debt stock is estimated to have risen to USD9.7bn in 2016-17 (15.3% of GDP). Much of it was borrowed from China and Japan between 1962 and 1988. Japan has since agreed to write off 60% of the USD6.6bn owed to it and Norway has cancelled all debt owed by Myanmar, while other Paris Club creditors intend to write off 50% of debts in two phases. A recent joint World Bank-IMF debt sustainability analysis concluded that Myanmar is at low risk of debt distress in the short and medium term, provided that the debt restructuring with Paris Club creditors proceeds as envisaged.

Recommendations

- Be aware that the Treasury Department forbids US citizens from doing business with 100 or so Myanmar citizens closely associated with the former regime.
- Bear in mind that regulations governing state banks and FX operations remain limited or basic in scope.
- Screen payments at source, as well as at the bank transfer stage.
- Note that Myanmar is now eligible for programmes from the Overseas Private Investment Corporation, the development finance arm of the US government.

BUSINESS REGULATORY ENVIRONMENT

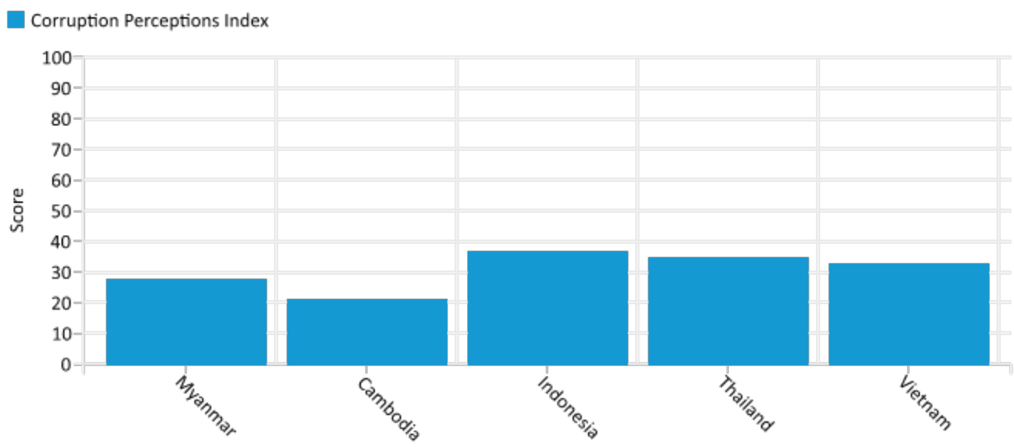
Myanmar's business environment remains unfavourable, but it is improving steadily and will continue to do so under the new NLD-led government. Several new committees have been formed through which businesses can lobby for improvements in government services; regional authorities are increasingly able to approve these requests without higher authorisation from Naypyidaw.

Corruption is rampant and the financial system is rudimentary, but gradually opening up. Nine foreign banks were granted licences in October 2014, although they are heavily restricted and limited to one branch each. A further four foreign banks were granted preliminary approval in 2016. The Bank for Investment and Development of Vietnam (BIDV) opened a branch in Yangon in July, followed by South Korea's Shinhan Bank in November. The judicial system remains weak and ineffective. Myanmar is ranked 170th out of 190 countries in the World Bank's *Doing Business 2017* report, a slight decline on the previous year, and well below other countries in the region. Enforcing contracts and protecting minority investors are particularly difficult in Myanmar, compared with other countries. However, there have been considerable improvements in the past year in terms of starting a business and dealing with construction permits. Getting credit continues to be challenging, and for this indicator Myanmar slipped one place in the ranking.

Risks and Opportunities

- The antiquated legal system is being modernised, but there is still a shortage of well-trained lawyers.
- A new arbitration law brings Myanmar in line with the UN Commission on International Trade Law (UNCITRAL) Model Law on International Commercial Arbitration.
- The 2017 MIL synchronises rights for foreign and domestic investors.
- There is still no specific bankruptcy law that is modern and relevant; an area of deficit the authorities are aware of but will take time to address.

Corruption Perceptions Index, 2016



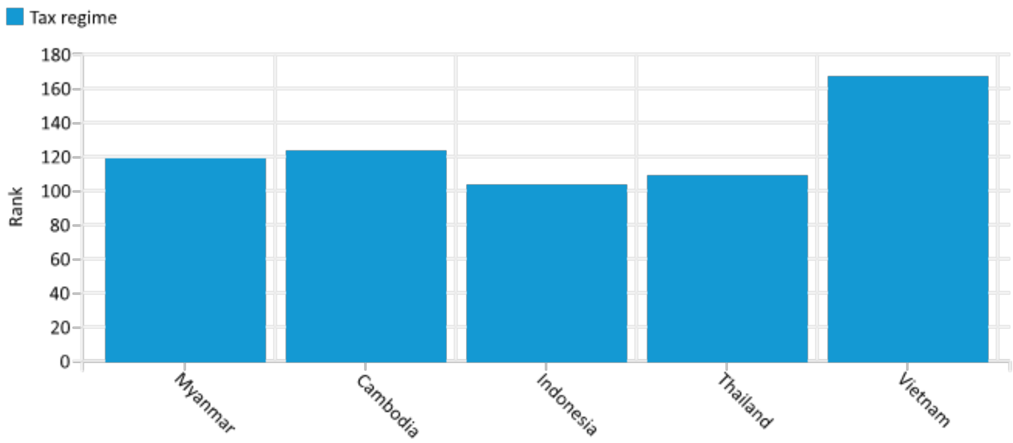
Source : Transparency International, 'Corruption Perceptions Index'

Note: 100 = least corrupt, 0 = most corrupt

Myanmar's public sector is considered to be among the most corrupt in the world: it is ranked a lowly 136th out of 176 nations in Transparency International's 2016 *Corruption Perceptions Index*. Bribes are commonplace and getting business contracts still often requires personal connections with senior military officers. The judiciary is far from independent, and while there is a legacy of British common law, the most basic precepts of a true justice system, such as property rights, are absent.

There are still allegations over the confiscation of private property by Myanmar’s military. In 2016, for example, the Karenni Social Development Centre alleged that around 10,000 acres of ancestral farming land had been confiscated by the Burmese military. However, the situation is gradually improving and the country has risen in the *Corruption Perceptions Index* in the past two years, with an anti-corruption law coming into effect in September 2013. A 15-member anti-corruption commission, which formed in 2014, requires all government officials to declare their assets. In her successful campaign for the NLD in 2015, Aung San Suu Kyi pledged to form a government free from corruption that would empower workers and end reliance on foreign aid.

Ease of Paying Taxes, 2017



Source : World Bank, 'Doing Business Report'

Ranking: Low score = best, High score = worst

In its quest to simplify Myanmar's antiquated, inefficient tax system and broaden the tax base, the government has brought in myriad reforms over the past three years; most recently the Union Tax Law 2015, which spans income tax, commercial tax and stamp duty. Conditions for foreign investors have broadly improved; all can now offset corporation tax, branches are no longer subject to income tax at 35%, and capital gains tax for non-residents has been cut to 10%, while personal income tax for non-resident expatriates is now capped at 25%. The Internal Revenue Department has established a Large Taxpayers Office (LTO) and asked the general public to inform them about tax evaders. In the World Bank's *Doing Business 2017* report, the indicator of 'paying taxes' is ranked relatively favourably by Myanmar's standards (119th out of 190 countries), although this is a deterioration from 117th in 2016.

Recommendations

- Expect to be confronted with corruption in a variety of official spheres, including public procurement, tax and customs.
- Note that a new 11-member Myanmar Investment Commission (MIC) has been formed, based on those in Thailand and Singapore.
- Providing training and technical assistance for local firms will be key to any lasting joint venture.

BUSINESS CONTINUITY

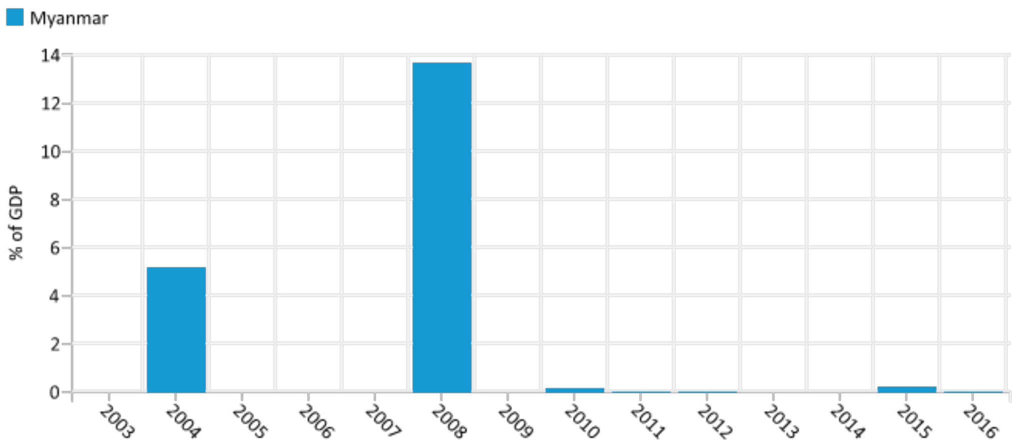
Myanmar is modernising rapidly, but its long period of isolation and mismanagement has left a highly inadequate infrastructure. Bringing the road, rail, water and sewage networks up to the standard of neighbouring countries such as Thailand will take many years and in the meantime infrastructure issues will impact heavily on business continuity. Just 34% of the population has access to grid electricity and 38,000 villages have no electricity at all. Power cuts are frequent in Yangon, with even the biggest and most centrally-located companies reliant on generators. The government has identified electricity provision as a priority. This will require an expansion of hydropower plants and renewables, as well as major investment in coal and gas-fired power stations.

Myanmar's unreliable and prohibitively expensive telecommunications infrastructure is being transformed. In 2013, a Telecommunications Law was approved, and in 2014 two operators (Telenor from Norway and Ooredoo from Qatar) obtained licences to provide mobile phone services in Myanmar. Within three years, there were around 46m mobile subscribers, with penetration surging from 7.0% in 2013 to 85% in 2016. A fourth company, Myanmar National Tele & Communications (MNTC) was awarded a licence in January 2017 and is expected to begin operations in early 2018. It is a collaboration between Vietnam's military-owned Viettel (49%), a consortium of 11 local firms and a subsidiary of the military-controlled Myanmar Economic Corporation.

Risks and Opportunities

- A major lack of institutional capacity and poor road, rail, port and electricity infrastructure makes responding to disasters challenging.
- Myanmar’s telecommunications infrastructure is being transformed at breakneck speed; there are now more than 33m mobile-phone subscribers.
- While the rate of road deaths is low for the region, accidents are rising as more vehicles take to the roads, which are mostly in poor condition and unlit.

Natural Disaster Impact

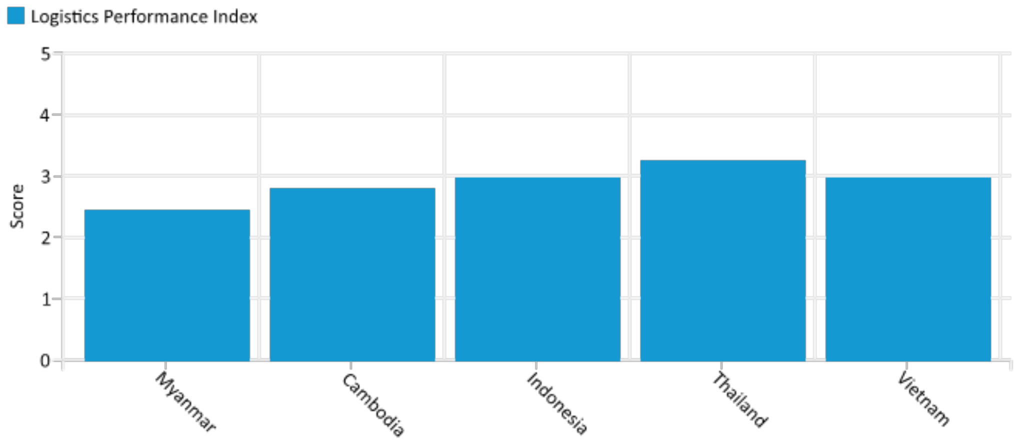


Source : D. Guha-Sapir, R. Below, Ph. Hoyois - EM-DAT: International Disaster Database – www.emdat.be – Université Catholique de Louvain

Disaster Risk: Myanmar’s vulnerability to natural disasters was cruelly exposed in May 2008, when Cyclone Nargis devastated the densely populated Irrawaddy Delta region. An estimated 138,000 people were killed and 55,000 went missing. The UN estimates that as many as 2.4m people were affected; the situation was reportedly made worse by the practice of cutting mangroves to produce charcoal. Myanmar has a tropical, monsoonal climate. The country has experienced increasingly volatile weather in recent years, swinging between drought and floods. Severe flooding between July and September 2015 left more than 100 dead, and devastated more than 3.0m hectares of arable land across 12 of the country's 14 states. Climate-change projections broadly envisage a slow and continuous rise in ambient temperatures, the increased frequency of extreme weather events, and sea-level rise.

Water stress is a growing issue (there has been a steady drop in rainfall in the annual monsoon from an average of 145 rainy days 35 years ago to 105 rainy days a year), leading to severe shortages for consumption and agriculture, with central and western districts worst affected. In the aftermath of Cyclone Nargis, Myanmar developed a disaster-risk reduction plan with the UN Office for Disaster Risk Reduction (UNISDR). A disaster-risk reduction working group is organised through the Myanmar Information Management Unit (MIMU) under the UN Resident and Humanitarian Co-ordinator. Other natural hazards include tsunamis, landslides and forest fires.

Logistics Performance Index, 2016



Source : World Bank

Note: 1 = worse performance, 5 = better performance

Myanmar's performance in logistics is the poorest in the region; unsurprising, given the country's prolonged isolation and its neglected infrastructure. Only Bhutan and Laos ranked lower in the World Bank's *Logistics Performance Index 2016*. However, the situation is improving rapidly in the corridor between Yangon, Naypyidaw and Mandalay: the country's first motorway opened there in 2011. Yangon International Airport's capacity is being expanded by 40% to process 3.8m passengers a year (albeit with no clear time frame), while Hanthawaddy International Airport, in Bago Region around 80km north of Yangon, should be operational in December 2019.

The railway linking Yangon and Mandalay will benefit from a USD1.7bn modernisation scheme in the coming years, and a USD700m upgrade of Yangon's circular railways has been announced; the work is expected to take place in 2017-18, with assistance from the Japan International Co-operation Agency (JICA). Transport on inland waterways (primarily the Irrawaddy and Chindwin) has considerable potential; there are currently 218 inland waterway ports, but none is able to handle containers. China, which has been investing heavily in Myanmar's infrastructure in recent years, is on the verge of completing a new deep-water port at Kyaukpyu on the west coast; a key location in that it is the terminus of new gas and oil pipelines to China's Yunnan province. A rail link to China is possible in the medium term, but progress in this respect is threatened by ethnic and communal violence in Rakhine and Shan states.

Recommendations

- Monitor government reforms closely; amendments to the 2013 Foreign Investment Law mean there are fewer restrictions, but ambiguities remain.
- Be aware that while several large infrastructure projects are under way, many are likely to be hampered by delays.
- Expect mounting delays at Yangon's International Airport; its expansion and modernisation will not be completed until 2019.

POLITICAL/INSECURITY RISK

The overall risk of insecurity and civil disorder has decreased, but the situation remains tense in several regions, particularly in the north and west. Reports suggest at least 237 Rohingya Muslims have been killed in Rakhine State and over 140,000 displaced by extremist Buddhist mobs in the past three years. The situation has deteriorated since October 2016, following attacks by Rohingya on Burmese military posts and a brutal response; a UN report in February 2017 outlined widespread human rights violations including killings, mass gang rape, beatings and torching homes. The Rohingya number around 1.3m. Some have been in Myanmar for generations; others arrived more recently from neighbouring Bangladesh. All have been denied citizenship, rendering them stateless.

The region has been on the international radar since around 2014 amid reports that tens of thousands of Rohingya were attempting to flee Myanmar in rickety fishing boats. The government had previously dismissed claims of human rights abuses, but said the latest allegations were extremely serious and promised to look into them.

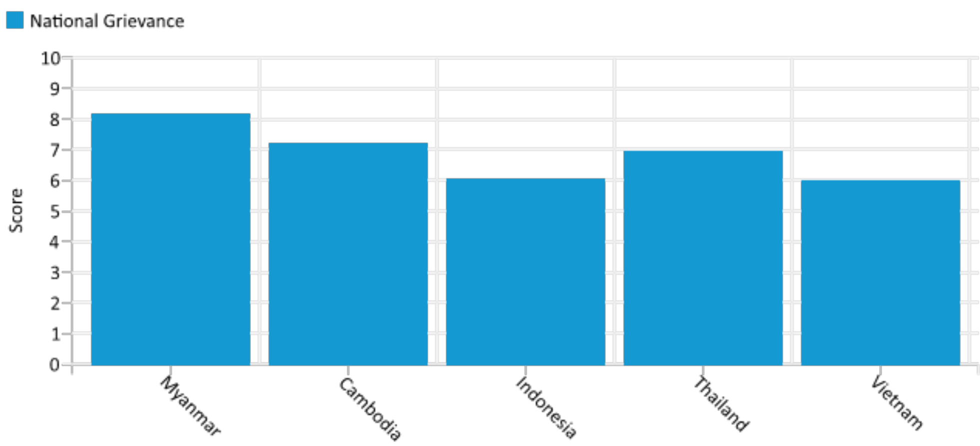
Inter-ethnic tensions and the risk of civil disorder are likely to remain very high in Rakhine State, as well as parts of Kachin State and Shan State, in the short term. Progress on any rail link to China will be threatened by ongoing ethnic and communal violence in Rakhine and Shan states. Risks are considerably lower in larger cities, but still potentially high. Prospects for the medium term depend on the ability of the new government led by the NLD to deliver economic development in these regions and on moves to ensure a legal identity for all people in the country.

Risks and Opportunities

- Civil protests and local disputes can turn violent but most visits to the large cities are trouble-free.
- Rakhine State was hit by a new wave of violence in October 2016, forcing tens of thousands to flee to Bangladesh. The UN accused security forces of serious rights abuses.

The risk of terrorist attacks is moderate in the largest cities, where visits are usually safe and trouble-free, although peaceful demonstrations can turn violent. Inter-ethnic conflict and terrorism is a much higher risk in central and northern Rakhine State, parts of Kachin State and Shan State, and in the central towns of Meiktila, Mahlaing and Tharzi. These places should be avoided, along with other border areas, where travel is, in any case, highly restricted.

Level of National Grievance, 2016



Source : Fund for Peace, 'Failed States Index'

Note: 1.0 = lowest grievance, 10.0 = highest grievance

Deep and longstanding divisions remain between the government and separatists in Shan State and Kachin State, despite a 'nationwide' ceasefire agreement signed by the previous government in October 2015. Fighting continued in 2016 between the Ta'Ang National Liberation Army (TNLA), which was not invited to sign the peace deal, and the Restoration Council of Shan State, a signatory to the ceasefire agreement. Equally worrying is the rise in tensions between Buddhist extremists, generally linked to either the Mabatha or the 969 Movement, and the Muslim minority, notably in Rakhine State, but also elsewhere. The Fund for Peace's *Failed States Index* measures 'national grievance', and in this category Myanmar continues to perform poorly, ranked below most neighbouring countries, although above Bangladesh and Sri Lanka.

Recommendations

- Undertake due diligence on local partners' records on corruption and human rights.
- Take concrete steps to prevent and address any abuses; transparency is key.

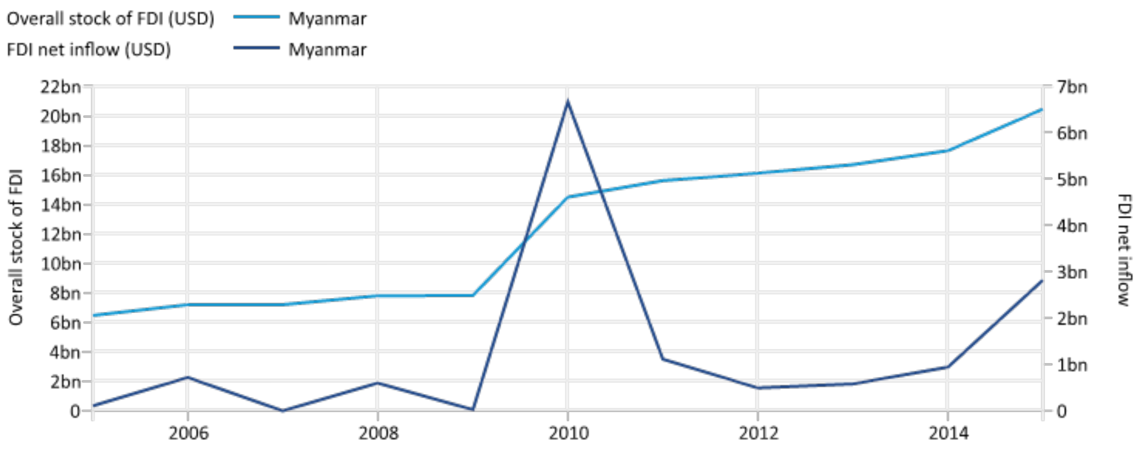
EXPROPRIATION/NATIONALISATION RISK

The risk of expropriation remains high, given the pervasive presence of the military, with its poor track record on respecting property rights and nationalising without offering compensation. The 2012 FIL prohibits nationalisation and states that foreign investments approved by the MIC will not be nationalised during the term of their investment. But the rule of law is weak and smaller enterprises continue to face the risk of being forced out by the still-powerful system of patronage. Under the NLD-led government, expropriation risk will gradually fall as institutions, including the press, become stronger and more energetic.

Risks and Opportunities

- The Foreign Investment Law (2012) guarantees against nationalisation and that approved investment activities will not be terminated 'without sufficient cause'.
- The state-owned Myanmar Oil and Gas Enterprise (MOGE) has not been reformed; it continues to be involved in all exploration projects.
- A raft of new laws and regulations were passed during 2016, which augurs well for a gradual reduction in expropriation risk.

Foreign Direct Investment



Source : UNCTAD

Myanmar's FDI stocks have accumulated steadily since 2001. They reached USD4.1bn in 2014, according to the Myanmar Directorate of Investment and Company Administration, and doubled to USD9.8bn in 2015-16. However, the picture darkened in 2016-17, with a sharp drop in FDI to USD6.6bn. It mainly reflects a slump in overseas investment in oil and gas, from previously high levels, following falls in international prices. Other sectors, such as transport and communications, fared better, with their contribution to overall FDI more than doubling to 46% in 2016-17. Reforms, including the 2017 MIL, will streamline regulations on both domestic and foreign investment. Infrastructure, energy supply and mining offer opportunities, along with labour-intensive manufacturing such as textiles, footwear, toys and jewellery, although there are substantial risks. Recent investment deals underline a strong interest in brewing, telecommunications, IT and toiletries. A new, much discussed, mining law should clarify the situation on production-sharing contracts for potential foreign investors, but it has been repeatedly delayed.

Myanmar's legal system is weak and far from independent, but the country has embarked on a range of reforms since 2011, including the Foreign Investment Law, which came into force in November 2012 and was updated in March 2013 and August 2014. It outlines permitted sectors for investment (except for agriculture, livestock, fisheries and manufacturing and services 'which can be carried out by citizens'), foreign ownership restrictions, and tax and duty incentives. A new investment law was passed by the legislature in 2016 and will be implemented from April 2017; it will promote and facilitate foreign and domestic investment and open more sectors to private investment.

In July 2013, Myanmar acceded to the New York Convention, which is a significant step towards creating a legal environment that is attractive for foreign investment, although the government now needs to enact arbitration legislation within its domestic laws. Myanmar is party to a number of multilateral investment treaties, including the ASEAN Comprehensive Investment Agreement (ACIA) and the ASEAN-Australia and New Zealand FTA. It has also signed bilateral investment agreements with six countries, including China, India and Thailand.

Recommendations

- Be aware of the reputational risk of operating in Myanmar, and carefully select local partners.
- Be aware that Amnesty International continues to report human rights violations, including unlawful killings and destruction of property and livelihoods.
- Consider that laws regulating land tenure and environmental controls are weak and poorly implemented, particularly outside the largest cities.

PERSPECTIVES

The following sections provide an overview of the broader/longer-term factors that influence the way that business is done in Myanmar. These factors provide the foundations upon which the economy is built and the frameworks within which business is done, and provide a richer insight into the background influences that lie beyond the raw data and focused insight that is supplied elsewhere in the report.

THE ECONOMY

Economic Overview

At the time of independence in 1948, Myanmar's economy was considered to have the greatest potential of any country in Southeast Asia. It is rich in agricultural potential, precious stones and natural gas. However, more than half a century of civil war, the socialist economic autarchy that followed, the shift to corrupt military rule since 1988, and previous failed free-market reforms have all had a detrimental impact.

The military junta effectively cemented its power base well before the ostensible return to civilian rule by asset-stripping the state via rigged privatisations. According to official statistics, more than 260 state-owned properties were privatised in 2009. These included airlines and media companies, buildings (including many former government offices in Yangon), factories and land-plots, hydro-electric power plants and mines; 380 small gold mines were partly or totally privatised, along with more than 500 ruby and jade mines, including the large Mogok and Mongshu mines. Much of the country's infrastructure is in a very poor state of repair, although investment is now flowing.

Despite this problematic background, an economic revolution to match the one being seen in the political sphere is under way. In 2012, Myanmar removed its system of multiple exchange rates by unifying the official and black-market exchange rates for the kyat, effectively seeing a massive devaluation of the currency. This has forced greater transparency on both the government and state-owned enterprises. However, the challenges involved in this transition are enormous and akin to those faced by the former communist countries in the early 1990s.

Economic Framework

Industrial Relations and the Labour Market

It is thought that several million Myanmarese were drafted into forced labour, typically to build public works projects, such as the new administrative capital, Naypyidaw. The International Labour Organisation (ILO) has reported that this is tantamount to slavery and even includes walking ahead of troops in landmine-infested areas. However, in October 2011, new labour laws allowed unions to be formed and, following a joint initiative with the ILO to end forced labour within two years, the ILO withdrew all remaining sanctions on Myanmar's participation in June 2013.

More than 1.0m Myanmar citizens are thought to be working in Thailand. A recent investigation by Britain's Guardian newspaper revealed that large numbers of Myanmar migrants working in Thailand's fish- and shrimp-processing industry are being enslaved. Some have described horrific conditions, including 20-hour shifts, regular beatings, torture and execution-style killings.

Fiscal Framework

Myanmar runs persistent fiscal deficits. Fiscal revenues were long depressed by the torpor of the domestic economy and the fact that local government administrations are still devoting their energies to political and security issues rather than to tax collection, or are diverting incomes via embezzlement and extortion.

While economic and institutional reforms are gradually strengthening the fiscal framework, fiscal risks have increased amid spending pressures including sharp rises in public sector pay, from very low levels. The fiscal deficit rose to 4.8% of GDP in 2015/16, from 3.0% a year earlier, and we expect it remain high in the short term. Reforms to the taxation system through the 2014 Myanmar Revenue Law will gradually lead to higher collection rates of income tax and corporate taxes.

Monetary Regime

Myanmar has historically suffered from a high structural level of inflation. The local basket of goods of a typical household has a high food and fuel component, leaving Myanmar highly exposed to fluctuations in the price of food and energy commodities. The uncompetitive state of domestic industries has also meant that the country's terms of trade have declined steadily, so increasing imported inflation. The Central Bank of Myanmar Law, enacted in July 2013, paves the way for greater autonomy, providing a central bank that is operationally independent in setting monetary policy, but co-ordinates closely with the Ministry of Finance, which is responsible for fiscal policy. There is much to be done to strengthen the CBM's supervisory capacity, particularly with regard to money laundering.

Exchange Rate Regime

In April 2012, Myanmar began to unify its exchange-rate regime, effectively allowing the official rate to move to the black-market rate. This is a hugely positive step in that the previous parallel exchange-rate system encouraged corruption and rent-seeking behaviour that was harmful to real economic growth. Indeed, state enterprises, individuals and firms close to the junta exploited the official rate (for example, by siphoning off natural gas revenues, which were recorded at a fraction of their real value). This kept privileged sections of the state sector dominant in foreign-trade activity, subsidised inefficient state enterprises and starved the private sector of imports.

Myanmar is rapidly opening up to international trade following the lifting of most economic sanctions, including a ban on US imports from Myanmar and the reinstatement of trade preferences under the EU's Generalised System for Preferences for least-developed countries. The requirement for import and export licences has been removed on some 600 products. Nevertheless, smuggling of consumer goods continues and narcotics and other illegal goods are still exported across remote borders.

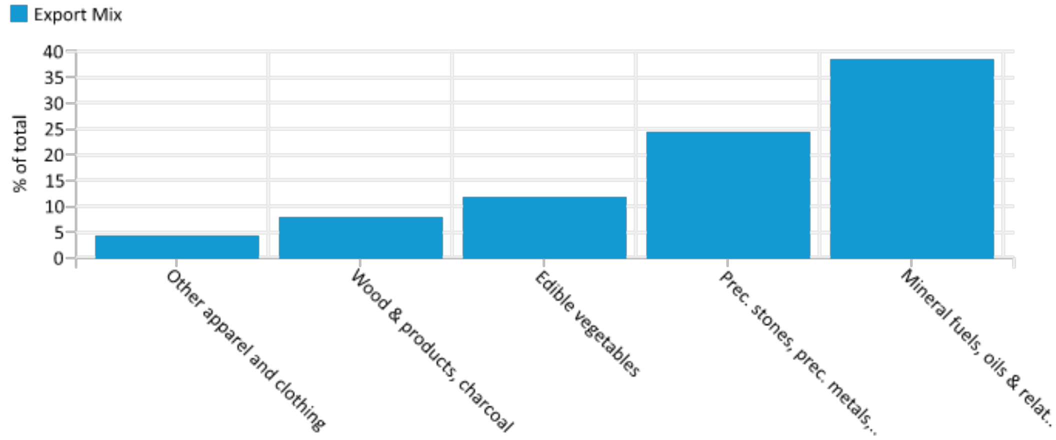
Export Profile

Overall, Myanmar is primarily an exporter of produce and raw materials. In recent years, natural gas, tropical hardwood, garments, pulses, beans and rice have been the main exports, with natural gas accounting for around 40% of total exports. In fiscal (April-March) 2013/14, natural gas exports amounted to USD3.2bn, representing a doubling in just seven years, and Myanmar is now ranked as the world's tenth-largest exporter of natural gas. In 2015, several major corporations including BG, Shell and Chevron were granted licences to explore several deep-water blocks in the Bay of Bengal, but the pace of exploration slowed amid a 30% drop in natural gas prices.

Other key exports include teak (of which Myanmar is the world's largest exporter) and gemstones (Myanmar produces 90% of the world's rubies). Meanwhile, estimates suggest that exports of meth-amphetamines and opium (primarily grown and produced in Shan State) could together net up to USD500m a year, more than any export apart from gas and logging.

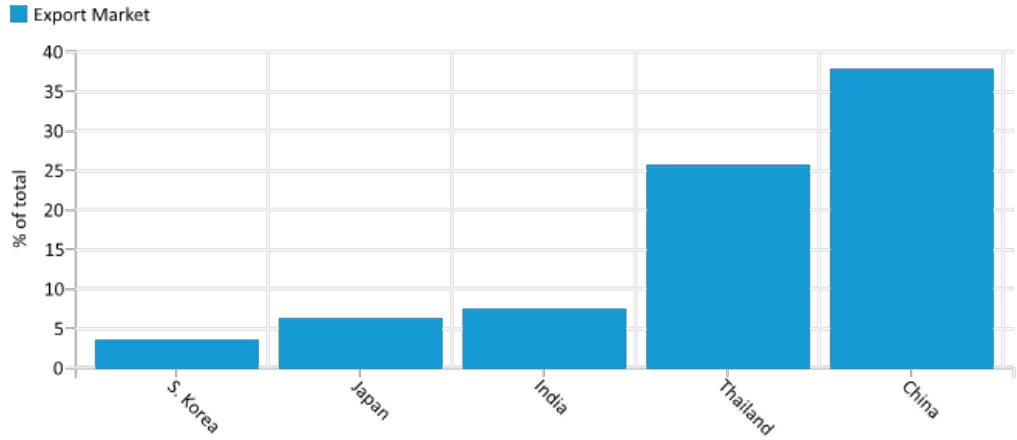
Thailand is the largest export market, dominated by natural gas, which is transported through the Yadana and Yetagun pipelines. India is the second-largest importer of Myanmarese goods after Thailand, with China a close third.

Export Mix (Top 5)



Source : Comtrade/Dun & Bradstreet

Export Markets (Top 5)

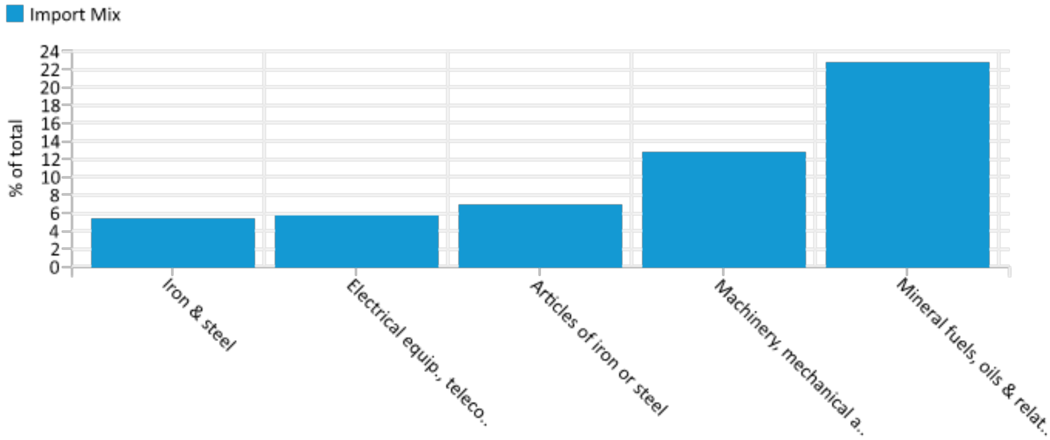


Source : IMF DOTS/Dun & Bradstreet

Import Profile

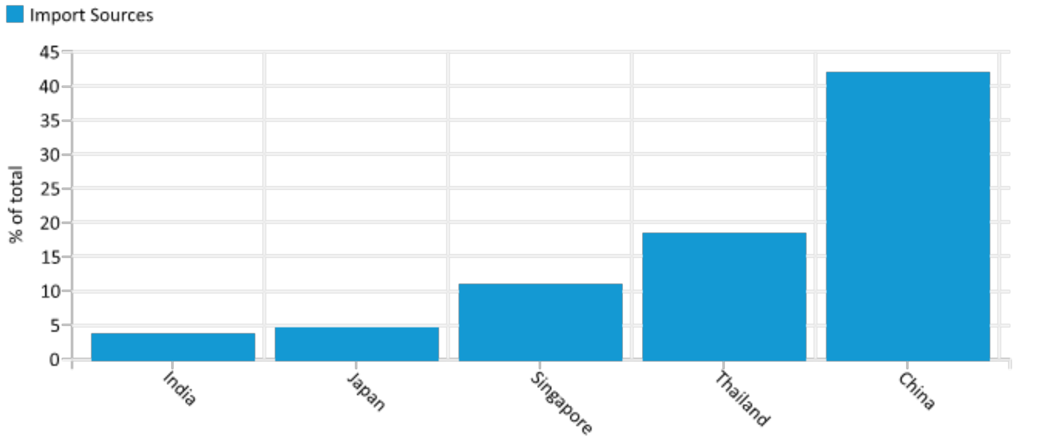
Imports have risen sharply in recent years, up from an estimated value of USD7.5bn in 2010-11 to USD16.3bn in 2014-15, and they will continue to increase as the country opens up and modernises. Exports were flat last year; the country registered a trade deficit amounting to USD4.9bn in 2014-15. The lion's share of imports originates in China, which in 2014 accounted for around 42% of the total, mostly intermediate inputs such as textiles or steel, as well as refined fuel. China is also the most important single source of the armed forces' basic defence goods, including ammunition and military trucks. Thailand is another major source of consumer items and Singapore of refined fuels (Myanmar is entirely dependent on imports to meet its refined fuel needs).

Import Mix (Top 5)



Source : Comtrade/Dun & Bradstreet

Import Sources (Top 5)



Source : IMF DOTS/Dun & Bradstreet

POLITICS

Myanmar has undergone a seismic political transition. The introduction of a formal constitution and national elections from late 2010 was initially regarded as merely placing a civilian veneer over continued junta rule. However, under the leadership of President Thein Sein the country moved from a military dictatorship to a limited democracy, albeit one in which the armed forces retained an important political role. In April 2012, a series of by-elections were held, with the NLD taking 92.5% of the available seats, and Aung San Suu Kyi gaining a seat in parliament for the first time. The general election of November 2015 was easily won by the NLD and was considered to have been broadly free and fair. Suu Kyi's party took almost 80% of the eligible seats and secured a majority in both legislative chambers. The NLD performed surprisingly well in rural areas, where the military-backed USDP had been expected to win seats.

Suu Kyi is constitutionally barred from standing for president, although she is ruling through a proxy candidate: Htin Kyaw, a childhood friend and long-time confidant, was installed as Myanmar's first civilian president in April 2016. Suu Kyi serves as State Counsellor (a newly created position similar to that of prime minister, enabling the holder to work across both the legislative and executive branches of government), Minister of the President's Office and Minister of Foreign Affairs. She also remains the leader of the NLD. The military, which retains a block of 25% of seats in parliament, will continue to play a major role in Myanmar's political scene.

Constitutional Arrangements

A new military-drafted constitution came into effect after elections in November 2010, which were held under its rules. This constitution was overwhelmingly supported in a national referendum in mid-2008 (92% voted 'yes'), although observers complained that the referendum was rigged by the junta, with 'no' campaigners beaten or arrested. The 2008 constitution promises a return to 'genuine multiparty democracy', where all ethnic groups are represented. Despite its democratic rhetoric, the constitution also reflects the interests of the army's inner elite; key ministries such as defence, home affairs and border affairs are reserved solely for the commander-in-chief of the armed forces, taking them outside government control. At the same time, 25% of seats in legislative bodies at all levels, from villages to the People's Assembly, are reserved solely for appointed representatives from the armed forces. Furthermore, the charter disallows any possible charges being brought against the junta for their previous actions. The civil service also remains entirely politicised, with army officers or loyalists prevalent at every administrative level to ensure military scrutiny and control.

Political Parties

Union Solidarity and Development Party (USDP): The USDP was established in June 2010 as the successor to the United Solidarity and Development Association (USDA), a pro-junta 'civil society' association and recruiting ground for loyalist vigilantes that often took on a policing role, attacking demonstrators, organising patriotic rallies and informing on dissidents.

The USDP has around 23m members, about two-thirds of Myanmar's electorate. Army personnel and civil servants are encouraged to join; ethnic minorities have minimal representation. The USDP is represented at each administrative level in every state, division, town and village, constituting an additional instrument for internal control. In effect, it is the civilian arm of the Myanmarese military. Notably, however, USDP members of parliament have displayed some surprising independence during debates, showing that the party is not entirely monolithic.

National League for Democracy (NLD): The NLD has been led since 1988 by Aung Sang Suu Kyi, the daughter of Myanmar's first post-independence leader. In the 1990 election, the NLD won 392 of the 492 seats available, although it was never allowed to join the government. In recognition of her fight for democracy, Aung San Suu Kyi was awarded the Nobel Peace Prize in 1991. She was placed under house arrest for the majority of the past 20 years, while other senior party members have also been either constantly harassed or arrested.

The NLD boycotted the 2010 election in spite of significant pressure from relatively younger, more moderate members for it not to do so in order to maintain a stake in the political process. However, alongside the political reforms introduced in 2011 the NLD has since reversed this stance, and Aung San Suu Kyi was elected to parliament in an April 2012 by-election. The party's overwhelming victory in the November 2015 election has reinforced its centrality to the country's future; in February 2016, it began the process of installing the first democratically-elected government.

National Democratic Force (NDF): The NDF was formed by NLD members who wished to take part in the 2010 election and it has the same policy aims.

Interest Groups

Ethnic Minorities

Myanmar is home to some 135 different ethnic minorities and 60-70 different languages are spoken. Non-Burmans are estimated to comprise between 30% and 40% of the population and relations between ethnic minorities are often as prickly as they are with the Burman majority. The new constitution ostensibly offers these groups limited autonomy and representation in the senate. However, few minorities seem to have much faith that these promises will be met.

Karen: The Karen are primarily Christian, number close to 1.0m and inhabit three zones along the Thai border. The Karen rejected the Union of Burma, and proved to be key players in the civil war that plagued the country after independence in 1948. The Karen National Liberation Army's military threat has diminished since its long-time leader, Bo Mya, died in 2006. In late 2011, Myanmar's government and the Karen National Union (KNU) agreed to a ceasefire and pledged to open communication offices and allow passage through territories.

Shan: The Shan, who led the second most serious insurgency, share a common cultural and linguistic affiliation with Thais. The Shan State Army (SSA) fought the Yangon army until a ceasefire in 1989. Nonetheless, the insurgency continued until 1995, when drug lord Khun Sa made a deal with the junta. An insurgent wing continued to fight as the Shan State Army-South, but a peace deal was finally struck in December 2011.

Kachin: The Kachins, from Burma's north, are majority Christian and again have long resisted Burmese rule. From mid-2011, there has been renewed fighting in Kachin state between government forces and the Kachin Independence Army (KIA), which ended a 17-year ceasefire; fighting was sparked by a dispute over control of the area surrounding the Chinese-run Taping hydropower project.

Rohingya: An estimated 1.3m Rohingya Muslims live in Rakhine province, bordering Bangladesh, with which they have strong cultural links. They have long been persecuted: in 1982, they were stripped of their citizenship and restrictions were placed on their right to travel within Myanmar or own property. Radical Buddhist leaders have reportedly incited Buddhist mobs to attack Rohingya in recent years; since 2011 hundreds of thousands have fled the country and around 140,000 Rohingya are reported to be displaced within Rakhine State.

Chinese: The Chinese have been in Myanmar for centuries, but immigration greatly increased in the 1990s across porous northern borders and a pro-China foreign policy. Mandalay, other northern towns and towns in Shan State are now home to large numbers of Chinese immigrants.

Wa: The Wa are a hill-dwelling people who, through their 20,000-strong military wing, the United Wa State Army (UWSA), have controlled a region along the Chinese border for almost 20 years. The area is informally referred to as 'Wa State' and has its own 'capital', Pangsang.

Oligarchs

The junta's corrupt privatisation programmes over the course of 2009-11 effectively asset-stripped the state and potentially created the foundations for a Russian-style oligarchy, given the concentration of key economic assets in the hands of a small ex-military clique. Nonetheless, the opening up of the economy does potentially also offer real opportunities for businesspeople not close to the previous regime.

International Environment

Myanmar's recent political and economic reforms have ushered in a new era of openness. International relations will steadily improve under the NLD-led government. The US and EU have lifted most sanctions, and relations with Japan, Thailand and other ASEAN members, which were cordial under the junta, have strengthened since 2011. Myanmar successfully handled the chairmanship of ASEAN for the first time in 2014. China has long been the largest foreign investor and it will continue to be a key ally and trading partner, but the days of Myanmar being effectively a client state are over. Tensions have risen over joint infrastructure projects and there have been reports of growing anti-Chinese sentiment. The NLD government will be warier of China-backed investments than previous administrations.

COMMERCIAL CULTURE

The economic reforms under way in Myanmar augur well for a steady improvement in the business climate (although the climate remains highly unfavourable). The military is still a powerful force in all areas of life, and cultivating relationships with senior or ex-military figures continues to be important for securing business contracts.

The 2012 Foreign Investment Law contains a guarantee against nationalisation, and a guarantee that approved investment activities will not be terminated during the contract period 'without sufficient cause'. It also guarantees that, after the expiry of the investment period, the investor can remit overseas its investment gains in the same foreign currency that it brought in at the outset.

Nine foreign banks have now entered the local market, and the IMF is advising the government on a series of measures to increase macroeconomic stability. However, credit protection remains weak and there is still no bankruptcy law. The first stock exchange opened in December 2015, with six local firms lined up to list. It will not be open to foreign investors and local-foreign joint ventures until the new Myanmar Companies Act is passed, expected in 2017. The Act will remove some burdens on SMEs. Myanmar will remain among the world’s most challenging commercial environments in the short to medium term.

Infrastructure

Much of Myanmar’s infrastructure is in a poor state. In many instances, it is still a legacy from the British occupation that ended in 1948. Only around 3,500km of the country’s roads are paved, although there have been recent improvements, notably a four-lane expressway linking Yangon, Naypyidaw and Mandalay, completed in 2011.

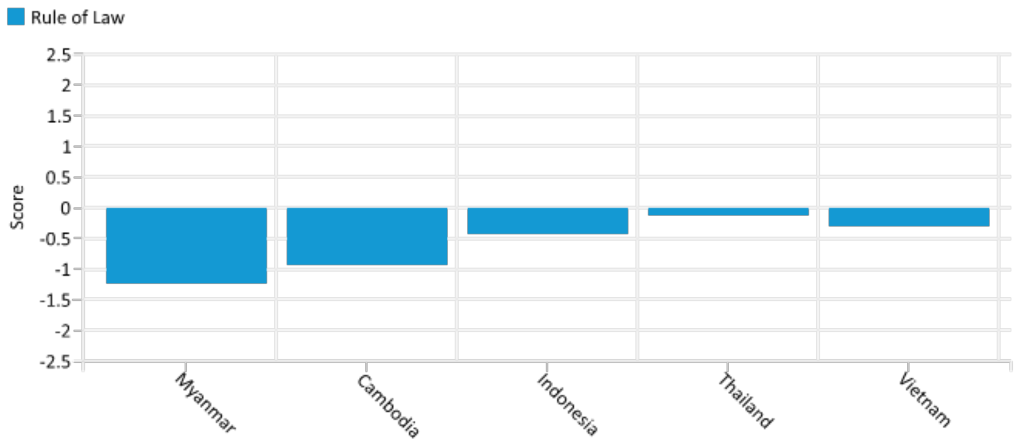
The rail network covers around 5,000km, much of which is in a poor state of repair, but it has benefited from relatively new rolling stock imported from China and India over the past decade. The 47km Yangon Circular Railway is to get a USD700m upgrade, with technical and financial assistance from the Japan International Co-operation Agency (JICA), as well as the line between Yangon and Mandalay. Myanmar is rapidly modernising its airports; a new one opened at Naypyidaw in 2011 and in 2013 the government awarded a USD1.1bn contract to construct a new airport at Yangon to a South Korean consortium.

In Yangon, power cuts of up to 19 hours per day are routine. Despite the abundance of gas reserves (mainly offshore), energy availability will remain a key constraint on GDP growth over the medium term as the country attempts to bring electricity to all towns and villages by 2030. The majority of the country's new electricity supply will be generated by hydro and natural gas plants, which are expensive and time-consuming to design and construct. The country is highly dependent on hydro-electric power, with 18 plants providing almost 70% of the electricity supply. It is thus vulnerable to droughts. The government is keen to develop the considerable potential for more hydropower, but there are ecological and political risks: some major projects are in or near former zones of Karen separatist activity. The 7GW Tasang Dam will be built on the Salween River with Thai and Chinese involvement, but construction is expected to take 12 years. The Thai authorities have urged their Myanmar counterparts to speed up work on the USD12bn scheme as part of Thailand’s target to buy 10,000MW of electricity from Myanmar.

Telecommunications are being transformed amid massive investment by Norway's Telenor, Qatar's Ooredoo and state-owned Myanmar Posts and Communications (MPT), which has partnered with Japan's KDDI Corp. Mobile phone networks have undergone very rapid development since licences were given to Telenor (Norway) and Ooredoo (Qatar) in 2014. By August 2016, the penetration rate had reached 86%, up from just 7.0% in 2013, and Myanmar has been labelled the world's fourth-fastest growing telecoms market. A fourth company, Myanmar National Tele & Communications (MNTC) has been granted a licence and will begin operations in early 2018. It is a collaboration between Vietnam's military-owned Viettel (49%), a consortium of 11 local firms and a subsidiary of the military-controlled Myanmar Economic Corporation.

Legal and Regulatory Environment

Rule of Law, 2015



Source : World Governance Indicators/World Bank

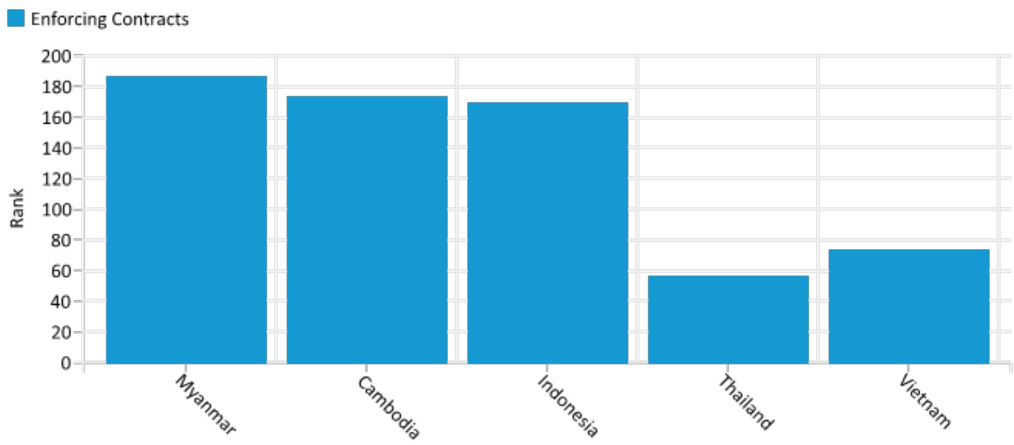
Note: -2.5 = worse performance, +2.5 = better performance

Judicial Environment

Myanmar's regulatory environment is undergoing sweeping reform and the Supreme Court has, for the first time, called for the judiciary to be independent of other branches of government. It has pledged to work with the International Court of Justice (ICJ) to build capacity and independence, but instilling the rule of law and ensuring human rights is an immense task that will require a concerted, systematic effort. The new Competition Law, enacted in February 2015, is clearly a step in the right direction, but corruption remains deep-seated and business licensing procedures are frequently haphazard, arbitrary, prone to change and expensive.

Enforcement of Contracts / Arbitration

Enforcing Contracts, 2017



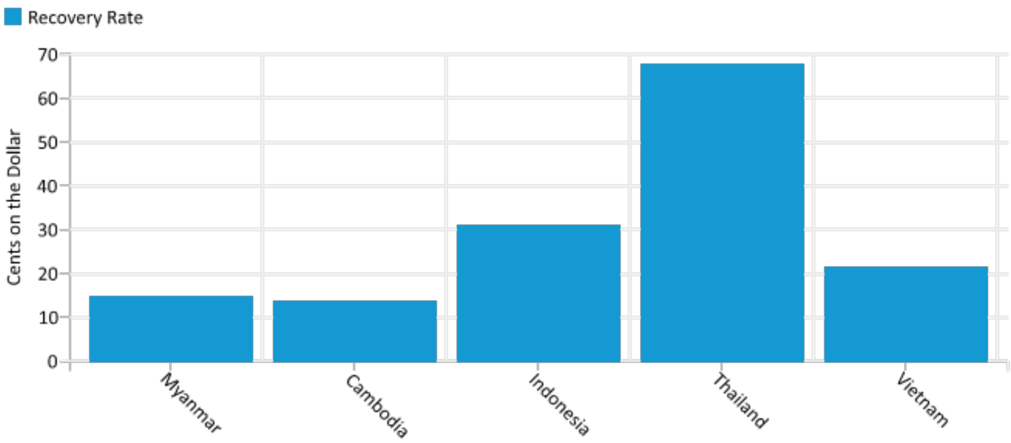
Source : World Bank 'Doing Business Report'

Ranking: Low score = best, High score = worst

Myanmar continues to perform very poorly on the enforcement of contracts, although there will be a gradual improvement under the new NLD government as long-overdue reforms to the judicial system get under way. The new Myanmar Investment Law, which entered into force in April 2017, brings rights for domestic and foreign investors together under one regulatory roof and will help raise confidence and strengthen FDI inflows. The World Bank ranks Myanmar in 188th place for this indicator in its *Doing Business 2017* report; only Bangladesh and Timor-Leste are ranked lower.

Bankruptcy and Insolvency

Recovery Rate, 2017



Source : World Bank, 'Doing Business Report'

Laws on bankruptcy and insolvency are archaic, for instance the Myanmar Insolvency Act of 1920 and the Yangon Insolvency Act of 1909. They contain sections dealing with a hierarchy of creditors, with, for example, the government, local authorities, the central bank and state-owned financial institutions given priority over payments. The foundations for widespread legislative reform are being laid, however, and laws on bankruptcy and insolvency are expected to be brought in line with international standards by 2020.

Corporate Governance

To promote private-sector development an amended companies act was introduced in 1989 and a Myanmar Chamber of Commerce was re-established in the same year, albeit with an executive committee nominated by the government. Private entrepreneurs are now permitted to form partnerships and limited companies, which can operate as legal entities. A raft of new laws is paving the way for liberalisation and opportunities in sectors including financial services, such as the Securities Exchange Law, and licences for private insurance firms and telecommunications (October 2013). A revised mining law, originally proposed in 2013, was finally passed in late 2015; details of its implementation are still being worked out. A new competition law was enacted in February 2015, which aims to protect public interests from monopolistic acts and prevent unfair competition, although so far there are only foundations in place for a regulatory body with investigative and adjudicative powers. The Myanmar Investment Law, which came into force in April 2017, synchronises regulations on domestic and international investment for the first time. A new application scheme means quicker approval for investments and there are opportunities for tax-breaks and subsidies.

Corruption

Myanmar has a reputation of being one of the most corrupt countries in the world, but that is beginning to change amid the government's reforms. The country has risen to 136th out of 176 nations in Transparency International's 2016 *Corruption Perceptions Index*. A new anti-corruption law came into effect in September 2013, which provides for a 15-member anti-corruption executive and requires all officials to declare their assets. It is a positive step, and the new NLD-led government has pledged to tackle corruption, but a long road lies ahead.

Sanctions

Most countries have lifted sanctions against Myanmar, recognising the country's transition from military dictatorship to a civilian rule that has released thousands of political prisoners. In April 2013, the EU lifted sanctions, although an arms embargo remains in place. The US has ended most of its sanctions over the past year, permitting companies to invest and allowing imports from Myanmar. However, the Treasury Department forbids US citizens from doing business with 100 or so Myanmar citizens it labels 'specially designated nationals' closely associated with the former military regime. Furthermore, the new Yangon Stock Exchange (YSX) is technically under US sanctions as it is majority-owned by the Myanma Economic Bank, a sanctioned entity.

STATISTICAL REFERENCE

Key Indicators and Forecasts

Historical Data

Metric	2012	2013	2014	2015	2016
Real GDP growth (%)	6.4	8.5	8.0	7.3	6.3
Nominal GDP in USDbn	75	59	64	65	67
Nominal GDP in local currency (bn)	47,850	54,756	63,323	75,414	83,737
GDP per Capita in USD	1,421	1,107	1,204	1,204	1,233
Population (year-end, m)	52.5	53.0	53.4	53.9	54.4
Exchange rate (yr avge, USD-LCU)	640.7	933.6	984.3	1,162.6	1,248.9
Current Account in USDbn	-1.3	-0.4	-1.9	-2.5	-2.7
Current Account (% of GDP)	-1.7	-0.7	-2.9	-3.8	-3.0
FX reserves (year-end, USDbn)	7.0	8.6	2.0	3.8	2.9
Import Cover (months)	9.2	8.8	1.7	2.8	3.3
Inflation (annual avge, %)	1.5	5.5	5.5	9.5	7.0
Govt Balance (% GDP)	-1.2	-3.7	-5.2	-4.1	-4.7

Source : Haver Analytics/Dun & Bradstreet

Forecasts

Metric	2017f	2018f	2019f	2020f	2021f
Real GDP growth (%)	6.4	7.1	7.5	7.8	7.9
Nominal GDP in USDbn	87	107	126	144	160
Nominal GDP in local currency (bn)	93,061	103,954	115,506	128,798	143,532
GDP per Capita in USD	1,593	1,934	2,251	2,559	2,829
Population (year-end, m)	54.8	55.3	55.8	56.2	56.7
Exchange rate (yr avge, USD-LCU)	1,065.0	972.0	920.0	895.0	895.0
Current Account in USDbn	-6.1	-6.0	-6.7	-6.9	-6.1
Current Account (% of GDP)	-7.0	-5.6	-5.3	-4.8	-3.8
FX reserves (year-end, USDbn)	3.1	3.9	4.5	4.7	4.7
Import Cover (months)	2.6	2.8	2.7	2.5	2.5
Inflation (annual avge, %)	7.5	8.6	8.4	8.6	8.2
Govt Balance (% GDP)	-4.7	-4.5	-4.5	-5.0	-5.0

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Myanmar	Cambodia	Indonesia	Thailand	Vietnam
Income per Capita (USD)	1,204	1,172	3,245	6,023	2,048
Country Population (m)	53.9	15.6	257.6	68.0	93.4
Internet users (% of population)	21.8	19.0	22.0	39.3	52.7
Real GDP Growth (% p.a., 2017 - 2026)	5.5 - 8.0	4.5 - 6.0	5.0 - 8.0	1.0 - 4.0	3.0 - 6.5

Source : Various sources/Dun & Bradstreet

USER GUIDE

Ratings and Indicators

Traffic Light System

The traffic light system used in this report gives you a speedy way of assessing the balance of risks and opportunities in a given country or category of analysis for that country. Three traffic lights are used:

G Green: indicates that positive factors/influences dominate.

A Amber: indicates that there is a balanced mixture of negative/positive factors/influences.

R Red: indicates that negative factors/influences dominate.

The traffic light indicators act as a quick guide to the overall balance between the detailed analytical components covered elsewhere in the report. This allows you to rapidly identify areas of concern or promise, which you can then explore further, either elsewhere in the report or via the content of the other products in our portfolio. You should always use the more detailed analysis as the basis for any further investigation/assessment/decision-making.

Dun & Bradstreet Risk Indicator

Dun & Bradstreet's Country Risk Indicator provides a comparative, cross-border assessment of the risk of doing business in a country. The risk indicator is divided into seven bands, ranging from DB1 to DB7. Each band is subdivided into quartiles (a-d), with 'a' representing slightly less risk than 'b' (and so on). Only the DB7 indicator is not divided into quartiles.

The individual DB risk indicators denote the following degrees of risk:

DB1	Lowest Risk	Lowest degree of uncertainty associated with expected returns, such as export payments and foreign debt and equity servicing.
DB2	Low Risk	Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.
DB3	Slight Risk	Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.
DB4	Moderate Risk	Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.
DB5	High Risk	Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high-return transactions only.
DB6	Very High Risk	Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.
DB7	Highest Risk	Returns are almost impossible to predict with any accuracy. Business infrastructure has, in effect, broken down.

HEADLINE CATEGORY DESCRIPTIONS

These headline categories combine the analysis from a number of detailed categories in order to provide focused analysis of business-critical issues.

Credit Environment Outlook

This category assesses the factors that affect the country's credit environment, and helps cross-border traders and investors understand the level of risk related to non-payment or delayed payment.

Supply Environment Outlook

This category covers the factors that could disrupt supply chains associated with the country, thus allowing cross-border traders and investors to assess risks in this area.

Market Environment Outlook

This category provides an assessment of the factors affecting the market environment over the short- to long-term; this assessment will help businesses involved in cross-border trade and/or investment to make informed decisions about increasing, maintaining or decreasing business links in a country.

Political Environment Outlook

This category helps cross-border traders and investors to understand the risks associated with expropriation/nationalisation, and also takes account of intentional human actions that could affect the quality of the business environment.

DETAILED ANALYTICAL CATEGORY DESCRIPTIONS

These analytical categories provide our most detailed, in-depth coverage of the core components of risks and opportunities associated with a given country. Together, they embody our broadest, deepest assessment of a country's risk and opportunity environment.

Short-term Economic Outlook

Analyses the economy/business cycle over the next 2-8 quarters, identifying recession, recovery, growth or stagnation. Helps businesses anticipate the impact of short-term developments in the sphere of aggregate supply and demand.

Long-term Economic Potential

Assesses long-term economic prospects over the next 5-15 years on the basis of trends in the physical environment, natural and human capital, and demographics and labour supply. Helps businesses foresee the long-term impacts on market potential of factors such as ageing, resource depletion and innovation.

Market Potential

Covers the ability of foreign providers of goods and services to access a target country's markets. This helps businesses understand the practical and regulatory barriers, as well as incentives and opportunities.

FX Risk

Looks at the risk of lack of FX, significant devaluation or depreciation, or any instability of the exchange rate over the next 90-180 days. This helps businesses anticipate the pressures facing customers billed in foreign currency, or the risks if their receivables are in local currency.

Transfer Risk

Covers the risk of existing or new regulations, requirements or other government actions preventing, delaying or burdening cross-border transactions. This helps businesses to anticipate risks related to cross-border payments arising from the regulatory environment.

Business Regulatory Environment

Assesses the risks and opportunities in the business environment associated with regulations, institutions and business culture. This helps businesses assess how intangible aspects of the business environment can facilitate business operations or otherwise.

Business Continuity

This category looks at factors that could affect the physical supply chain due to the effects of natural phenomena or other unintended consequences. This helps businesses anticipate the likely/current impacts of extreme weather, seismic activity and inadequate/improved infrastructure.

Political / Insecurity Risk

This covers the risk of disruption of business operations and the services of a functioning economy due to the negative effects of intentional human action on civil peace and internal/cross-border security. This helps businesses to understand the context and risk spectrum for threats arising from social and political disturbances.

Expropriation / Nationalisation Risk

This category assesses the risk of forcible/compulsory, full/partial loss of control or ownership of assets at the hands of a sovereign government, and whether or not there is compensation or judicial redress. This helps businesses understand the country’s track record in this respect and highlights the risks posed by acts of expropriation/nationalisation.

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