dun & bradstreet

Country Insight Snapshot
Myanmar
August 2017

OVERVIEW

OVERALL COUNTRY RISK RATING: DB6a

R

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.

Rating Outlook: Stable   →

CORE OUTLOOK

+ Labour costs are low by regional standards, and Myanmar is close to a huge potential market of several hundred million consumers.

+ Tourism, natural gas, garment and electronics manufacturing, telecoms and retail will grow significantly.

- Ethnic tensions have boiled over in Rakhine State and a violent military crackdown appears to have killed hundreds of Rohingya Muslims. The government's response has been muted.

- The country is highly vulnerable to natural disasters. Flooding in 2015-16 destroyed much of the rice crop and displaced millions of people.

- Infrastructure is mostly in a very poor state, and modernising it will take many years. Institutions remain weak and ineffective.

KEY DEVELOPMENT

Trade and import regulations are liberalised further, while an investment protection agreement with Singapore is also underway.

CREDIT ENVIRONMENT OUTLOOK   **R**

Trend: Stable   →

Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK   **R**

Trend: Stable   →

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK   **R**

Trend: Improving   ↗

Key Development has had a positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK   **R**
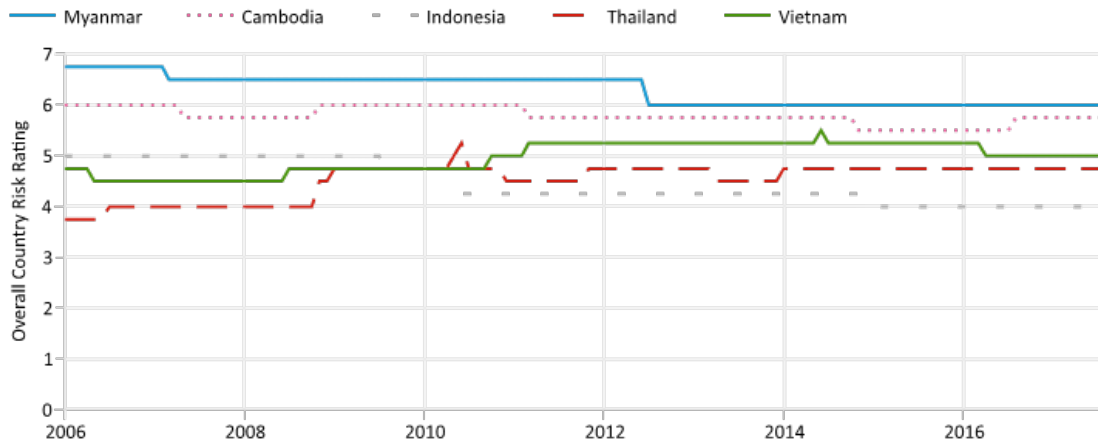
Trend: Stable   →

Key Development has had a neutral impact on the outlook.
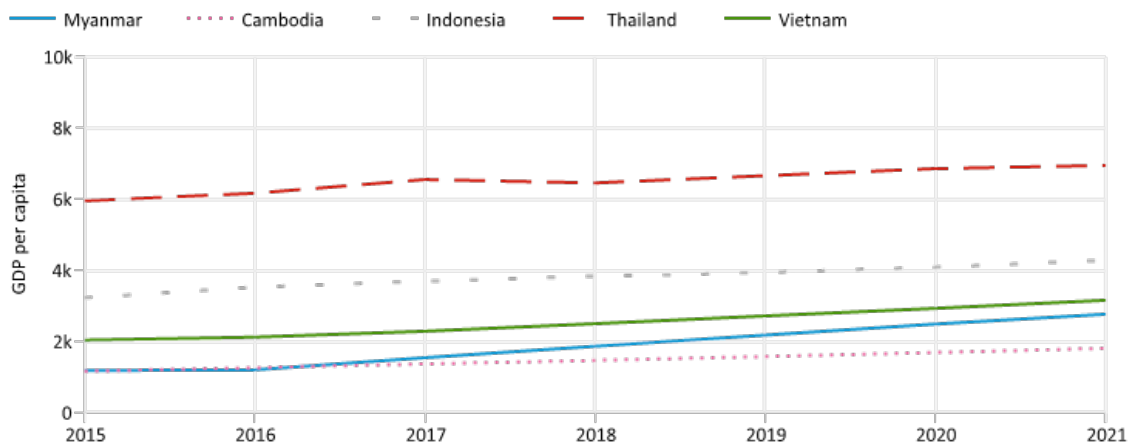
KEY INDICATORS

Rating History and Comparison
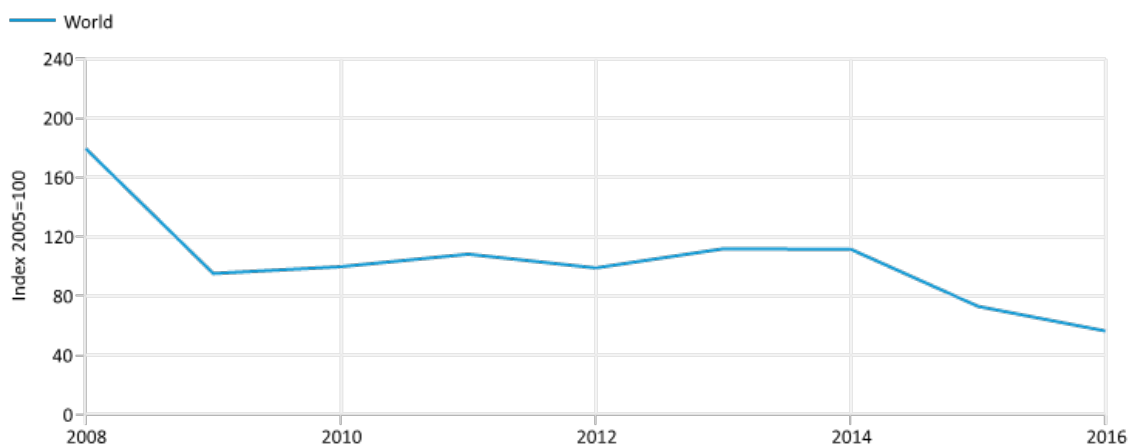

Source : Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons

Source : Haver Analytics/Dun & Bradstreet

Natural Gas Price (Index: 2005=100)

Source : World Bank/Dun & Bradstreet

Economic Indicators

Indicator	2014	2015	2016	2017f	2018f	2019f	2020f	2021f
C/A balance % GDP	-2.9	-4.0	-3.1	-7.0	-5.6	-5.3	-4.8	-3.8
Debt Service Ratio, %	0.5	0.5	3.5	3.6	3.3	3.1	3.1	3.1
Govt balance, % GDP	-0.9	-4.1	-4.7	-4.7	-4.5	-4.5	-5.0	-5.0
Inflation, annual avge %	7.1	10.0	6.7	7.5	7.6	7.4	7.8	7.6
Real GDP Growth, %	8.0	7.3	6.3	6.4	7.1	7.5	7.8	7.9

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Myanmar is undergoing seismic political, economic and social change, and remains a challenging place to do business. The country's long-neglected infrastructure is now being upgraded, particularly in and around Yangon. Substantial foreign investment has brought mobile-phone coverage to half the population in under two years, and the penetration rate is expected to reach 90% by 2020. Port developments and special economic zones such as Japan-backed Thilawa near Yangon and China-backed Kyaukpyu in the northwest are under way, but several years from completion. The new NLD government will attempt to tackle corruption and strengthen institutions, but progress will be slow. There are considerable opportunities for those with good local connections and who are willing to invest in training. Tourism is growing swiftly, while the textiles sector will continue to attract investment from international brands seeking low labour costs and an alternative to Bangladesh and China.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: CLC

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: CiA

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30 days

Normal period of credit associated with transactions with companies in the stated country.

**Local Delays: 2-3 months**

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 1-3 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.
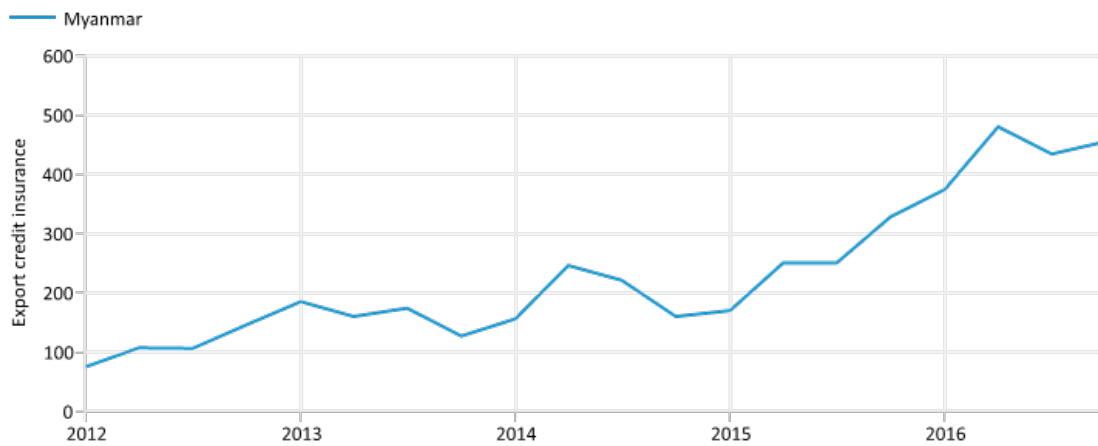
Exchange Rate
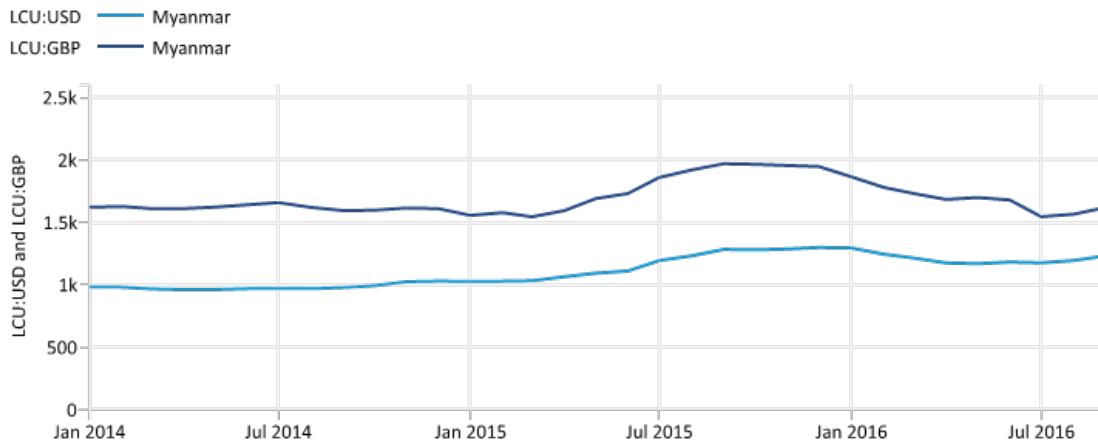
Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Burmese kyat

Credit Conditions

Source : Export Credit Agencies

Insured export credit exposures, short-term, USDm

RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Trade and import regulations liberalised

The Ministry of Commerce announced a further liberalisation of trade and import regulations in July, allowing foreign companies to trade and import construction materials, fertilisers, hospital equipment, pesticides and seeds. The move will boost agriculture and construction and should help strengthen overall economic growth in 2018-19.

Myanmar's exporters will also benefit from a sizeable increase in concessional funding through the Asian Development Bank (ADB) over the next four years. The Bank will help facilitate trade through its infrastructure projects, with a focus on energy and transport, which remain undeveloped in many parts of the country. It will also help Myanmar to meet the WTO's trade facilitation standards. The ADB and Myanmar's Trade Promotion Department (Myantrade) are particularly keen to develop exports of rice, beans and pulses, fishery products and garments in key neighbouring markets such as China and Thailand. Negotiations over an agreement on investment promotion and protection between Myanmar and Singapore got under way in early August. The agreement, which should be finalised by the end of 2017, aims to fully protect bilateral investments and increase investor rights. Singapore is the second-largest foreign investor in Myanmar, behind China, with investments valued at USD16.7bn spread through 230 projects (Q2 2017). Similar agreements with the EU and Hong Kong are also under discussion, with the EU deal expected to be signed in early 2018.

Business Regulatory Environment

Visitor numbers pick up

More than 1.75m tourists visited Myanmar in Q1-Q2 2017, according to the directorate of Hotels and Tourism, an impressive 24% y/y rise. The data will reassure the government and investors, who were concerned when the number of visitors unexpectedly dropped to 2.9m in 2016, from 4.6m in 2015. This was, however, partly explained by a change in the accounting system - from recording all arrivals at ports, airports and border crossings to only counting visitors holding a visa. Myanmar's Hotels and Tourism directorate said the change meant the real annual decrease in 2016 had been a more modest 6%. Widespread flooding and ongoing instability in Myanmar's northern and western provinces are likely to have been contributing factors. The authorities expect visitor numbers to exceed 3m in 2017, but even at that level many hotel rooms will be left empty. A frenzy of hotel construction has been driven by what now seem highly optimistic projections (a target of 7.5m visitors by 2020 in the tourism industry's Masterplan of 2013). The tourism industry has also been damaged by reports of poorly regulated construction and problems with garbage disposal and inadequate infrastructure in historic and scenic locations such as Bagan and Inle lake. The authorities want to promote sustainable tourism that both protects sensitive landscapes and helps lifts rural communities out of poverty. Eco-tourism in the picturesque Myeik Archipelago has been earmarked as a priority this year.

COUNTRY PROFILE AND STATISTICS

Overview

Situated between the Indian subcontinent and Thailand, Burma was renamed Myanmar by its ruling junta in 1988. Separatist insurgencies, socialist autarky in 1962-88 and botched free-market reforms in the 1990s depressed the economy, and failure to service debt in the 1990s cut multilateral financing. The annulment of the 1990 general election made Myanmar a pariah in Western capitals: US investment sanctions imposed from 1997 were joined by US trade sanctions in 2003.

Following the general elections in 2010, President Thein Sein spearheaded significant economic reforms, leading to a lifting of international sanctions and a surge in investment. The economy has expanded rapidly from a very low base and there are considerable opportunities in the medium term, although the challenges of rural poverty, long-neglected infrastructure, corruption and weak institutions are immense. The country's bountiful natural resources are being exploited, while tourism, telecoms, construction and garment manufacturing are booming. The NLD-led civilian government will attempt to increase the pace of economic reforms and gradually strengthen Myanmar's institutions.

Key Facts

Key Fact	Detail
Head of state	President HTIN KYAW
Capital	Naypyidaw/Pyinmana
Timezone	GMT +06-30
Official language	Burmese
Population (millions)	52.9
GDP (USD billions)	64.0
GDP per capita (USD)	1,211
Life expectancy (years)	66.2
Literacy (% of adult pop.)	93.1
Surface area (sq km)	676,580

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2012	2013	2014	2015	2016
Real GDP growth (%)	7.3	8.4	8.0	7.3	6.3
Nominal GDP in USDbn	80	62	66	63	64
Nominal GDP in local currency (bn)	51,259	58,013	65,262	72,780	79,976
GDP per Capita in USD	1,569	1,208	1,277	1,195	1,211
Population (year-end, m)	51.0	51.4	51.9	52.4	52.9
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	-2.0
Current Account (% of GDP)	-1.6	-0.6	-2.9	-4.0	-3.1
FX reserves (year-end, USDbn)	7.0	8.6	2.0	3.8	4.4
Import Cover (months)	9.2	8.8	1.7	2.8	3.4
Inflation (annual avge, %)	2.8	4.3	7.1	10.0	6.7
Govt Balance (% GDP)	0.9	-1.3	-0.9	-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	83	101	119	137	153
Nominal GDP in local currency (bn)	88,286	98,147	109,412	122,546	137,252
GDP per Capita in USD	1,553	1,875	2,189	2,498	2,775
Population (year-end, m)	53.4	53.9	54.3	54.8	55.3
Exchange rate (yr avge, USD-LCU)	1,065.0	972.0	920.0	895.0	895.0
Current Account in USDbn	-5.8	-5.7	-6.3	-6.6	-5.8
Current Account (% of GDP)	-7.0	-5.6	-5.3	-4.8	-3.8
FX reserves (year-end, USDbn)	3.9	4.4	5.3	5.9	6.4
Import Cover (months)	2.4	2.3	2.4	2.4	2.5
Inflation (annual avge, %)	7.5	7.6	7.4	7.8	7.6
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)	1,553	1,377	3,703	6,561	2,298
Country Population (m)	53.4	16.1	264.0	69.0	95.5
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	2.5 - 3.5	3.0 - 6.5

Source : Various sources/Dun & Bradstreet

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