October 2021 – March 2022

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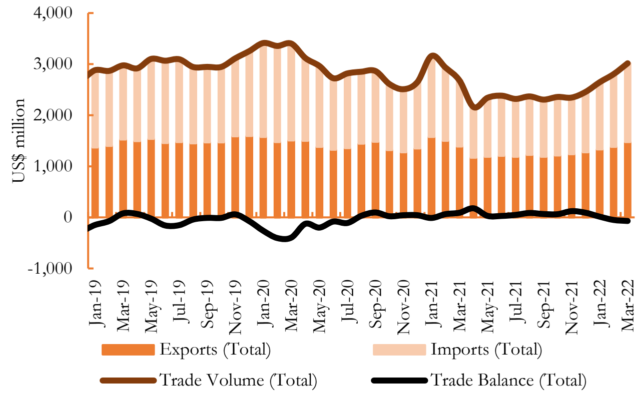
Myanmar Trade & Investment Update

After stabilizing at relatively low levels in late 2021, Myanmar's international trade increased in the first three months of 2022. Manufacturing and agriculture exports have increased since mid-2021, with total exports rising to around pre-coup average levels in nominal US dollar terms. A substantial rise in intermediate imports since late 2021 has contributed to overall import growth. Despite modest stabilization in recent months, foreign direct investment (FDI) commitments remained well below pre-coup levels. The number of company registrations steadily increased throughout the six months to March 2022 but was 3 percent lower than the same period last year. Starting from November 2021, import license liberalization reform was reversed, and starting from May 2022, about 81 percent of tariff lines will be subject to import licenses.

International Trade[1]

After stabilizing at relatively low levels in late 2021, Myanmar's international trade increased in early 2022. Compared with the same period last year, exports declined by 0.7 percent, but imports increased by 2 percent in the six months to March 2022 (Figure 1). Overall, Myanmar's international trade increased by 1 percent (or US$109 million) compared with the same period last year but remained about 18 percent lower than in the six months to March 2020 (which was pre-coup and also largely unaffected by the covid pandemic). Despite an increase in imports and a decline in exports, Myanmar continued to run a narrow trade surplus (around 0.3 percent of GDP) over these six months.

Figure 1: Myanmar's trade stabilization continued in the first three months of 2022



Source: CEIC and Ministry of Commerce
Note: Data reflects a 3-month moving average.

Figure 2: Despite a recovery for sea-bound exports, land border exports remained below pre-coup levels

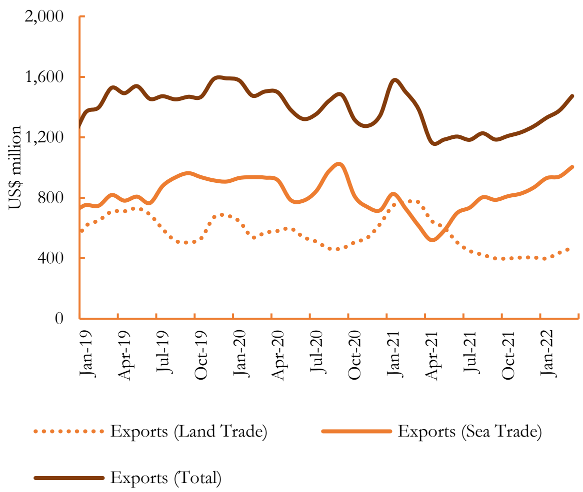
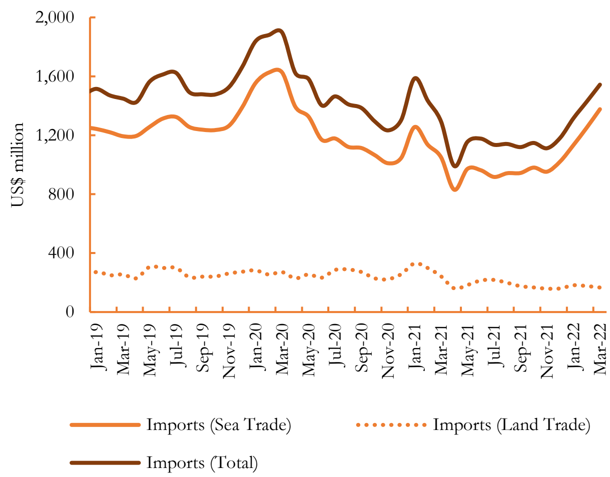


Figure 3: Sea-bound imports recovered, but land imports remained lower in the six months to March 2022



Source: CEIC and Ministry of Commerce
Note: Data reflects a 3-month moving average.

While sea-bound trade returned close to a historical average level, land trade remained lower in the six months to March 2022. Compared with the same period last year, sea-bound trade increased by 27 percent, but land trade declined by 43 percent in the six months to March 2022. Despite increased logistics costs, sea-bound exports continued to pick up (Figure 2). Likewise, sea-bound imports increased (Figure 3) and

[1] All figures related to trade in this note are from CEIC and the Ministry of Commerce (MOC). Monthly figures up to December 2021 are from CEIC and figures from January 2022 to March 2022 are from the MOC's website – which gathers data from the Customs Department under the Ministry of Planning and Finance (MOPF). Monthly figures from MOC are extracted from weekly cumulative figures; hence, data from the past three months are best considered as patterns and trends. Data published on the MOC's website are the only high-frequency publicly available trade data. However, data from MOC tends to have a slight discrepancy when compared with data from the Ministry of Planning and Finance (MOPF) – which is available through CEIC and typically lags three months. The MOC also has a disclaimer on its website for potential data discrepancies when compared with data from the MOPF.

contributed to overall import growth. Notwithstanding the reopening of Muse's Kyin San Kyawt and Chin Shaw Haw border posts in late November 2021, land trade with China declined by 78 percent (or US$2.8 billion) in the six months to March 2022 as closures of other border posts continued. While exports to China through land trade modestly recovered since November 2021 (Figure 4), imports from China further declined (Figure 5). Despite the intensified conflict in border areas with Thailand (especially in Myawaddy), land trade with Thailand increased by 28 percent (or US$571 million) – primarily due to increased trade in the period between October 2021 and January 2022 (Figure 4 and Figure 5). Myanmar's agricultural exports (such as beans and pulses, chili, and onion) and garment exports[2] to Thailand increased in the six months to March 2022. Despite a steady increase since October 2021, imports from Thailand declined in March 2022 due in part to increased import license requirements and the kyat depreciation against the Thai Baht. Consequently, only construction-related materials and essential consumer products are now imported from Thailand through the land border, and food and beverage imports have declined.

Figure 4: Exports to major partners through land borders

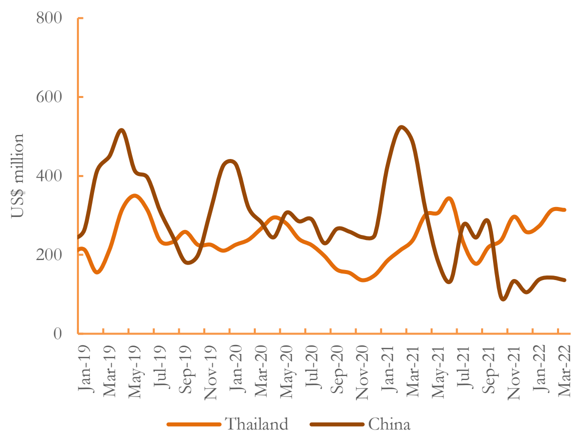
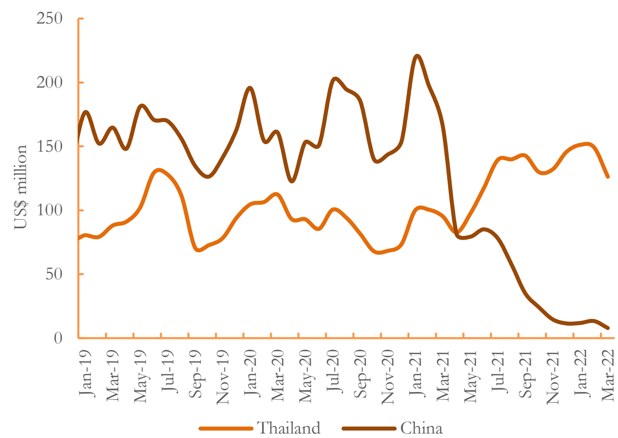


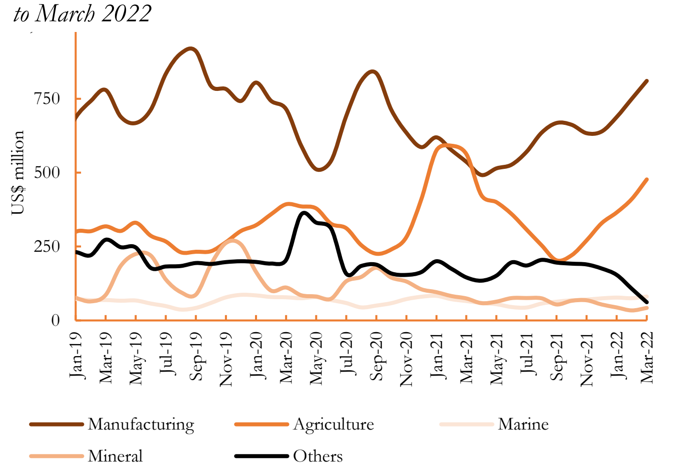
Figure 5: Imports from major partners through land borders



Source: CEIC and Ministry of Commerce
Note: Data reflect a 3-month moving average.

Manufacturing exports drove an overall pickup of exports in the six months to March 2022 (Figure 6). Manufacturing exports have recovered and reached levels in recent months, last seen in late 2020. In the six months to March 2021, manufacturing exports increased by 14 percent compared to the same period last year. The increase in overall manufacturing exports was attributable to the recovery and resilience of garment exports, accounting for more than half of total manufacturing exports, in part aided by a weaker kyat during that period (Figure 7). However, continued logistics disruptions, increased freight charges, increased

Figure 6: Manufacturing and agricultural exports increased in the six months to March 2022



Source: CEIC and Ministry of Commerce
Note: Data reflects a 3-month moving average.

[2] Anecdotal evidence suggests that some garment exports were transited through the Myawaddy border post and then shipped to their final destinations to avoid difficulties in vessel bookings. Hence, Thailand may not be the final destination for such garment exports.

cost of associated inputs,[3] and power outages remain challenges for the industry. The US dollar value of natural gas exports has also increased since mid-2021, reflecting higher global gas prices. However, through much of the second half of 2021, gas export volumes were lower than during the same period last year (Figure 8).

Figure 7: Garment exports

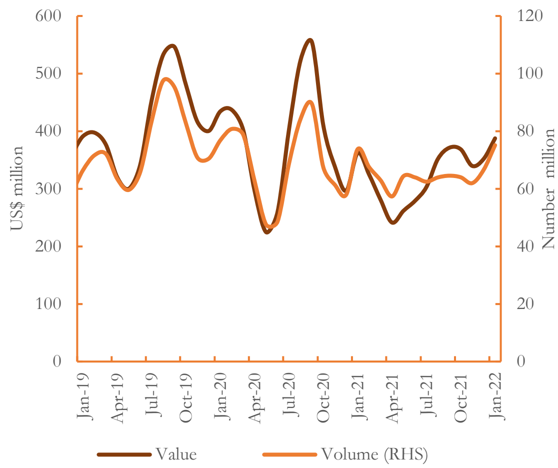
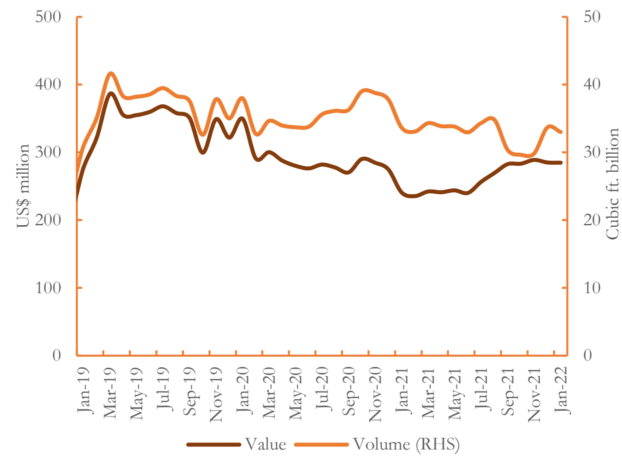


Figure 8: Natural gas exports

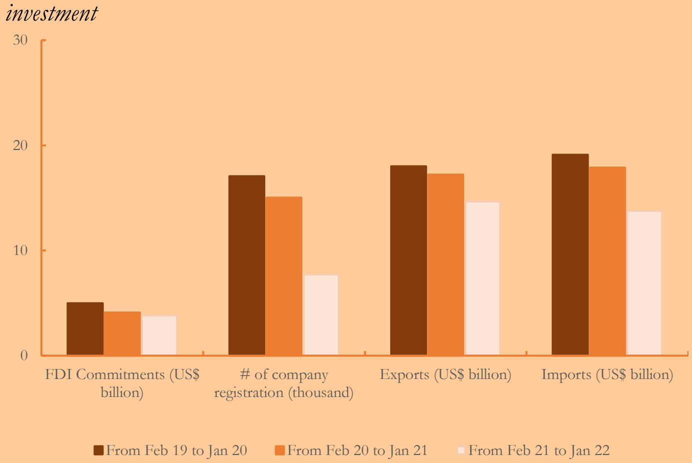


Source: CEIC
Note: Data reflects a 3-month moving average and is available up to January 2022.

Box 1: Myanmar's trade and investment – one year after the February 2021 coup

The February 2021 coup negatively impacted Myanmar's trade and investment (Figure 9). Myanmar's trade contracted by 19 percent (or US$6.7 billion) between February 2021 and January 2022, compared to the previous 12-month period. Exports and imports declined by 15 percent (or US$2.5 billion) and 23 percent (or US$4.1 billion), respectively. Likewise, FDI commitments decreased by 7 percent (or US$284 million), and the decline in actual FDI inflows is likely to have been steeper given the departures of foreign firms. Company registrations declined by about half, reflecting a dampened business environment.

Figure 9: The February 2021 coup negatively impacted Myanmar's trade and investment



Source: CEIC, DICA, and Ministry of Commerce

Agricultural exports have steadily increased since late 2021 and recovered to average historical levels in the first three months of 2022 (Error! Reference source not found.**).** Rice and maize were significant drivers of the increase in overall agricultural export as both products (not just in value but also in volume) have increased since the last quarter of 2021 (**Error! Reference source not found.** and Figure 11)**.** Maize exports could likely increase further in the first three months of 2022, given Thailand's tax exemption on maize imports between February and August. Myanmar exports about 75 percent of its total maize exports to Thailand, which

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[3] Most Myanmar garment factories operate on a cut-make-pack (CMP) model, which does not require firms to incur costs for major inputs such as fabrics as covered by buyers. However, firms still need to rely on imports for certain accessories such as garment marker pens and carton boxes.

imposes 20 percent and 73 percent tariff rates on in-quota and out-of-quota maize imports, respectively, during its corn season. In addition, increased global food prices and kyat depreciation likely contributed to the competitiveness of Myanmar's agricultural exports. For instance, rice exporters enjoyed an all-time high export price, and export prices for some beans and pulses also increased. Agricultural exports are also reaching new markets. For instance, rice has entered the Sri Lanka market since late November 2021, and rice exports to Sri Lanka are likely to increase given a bilateral agreement between Sri Lanka and Myanmar to export 100,000 tons of white rice and 50,000 tons of brown rice in 2022 and 2023. Besides rice market expansion, Vietnam has become a new market for Myanmar sugar, with the first batch of exports in late 2021.

Figure 10: Major agricultural exports (by volume)

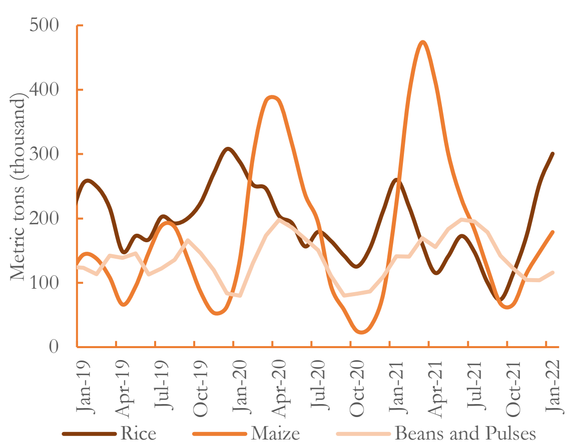
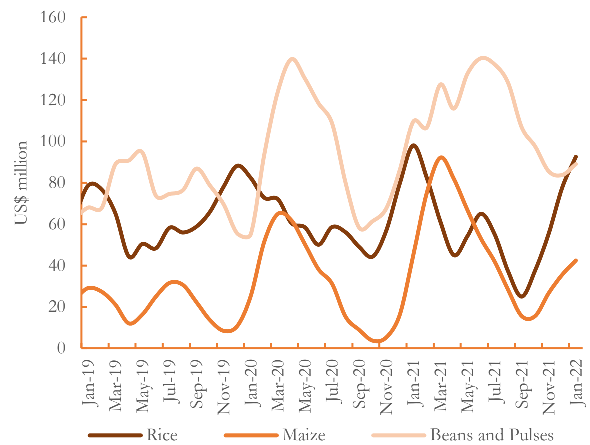


Figure 11: Major agricultural exports (by value)



Source: CEIC
Note: Data reflects a 3-month moving average and is available up to January 2022.

However, challenges remain for agricultural exports. Increased logistics costs (driven by increased fuel cost) and inputs costs (due partly to kyat deprecation) continue to act as a constraint. Moreover, border restrictions remain with conflict escalation on the Myanmar-Thailand border and limited trade with China across the land border. Notwithstanding the reopening of Muse's Kyin San Kyawt and Chin Shaw Haw border posts in late November 2021, agricultural exporters to China faced increased trade and compliance costs due to new Customs regulations[4] and mandatory quarantine requirements imposed by Chinese authorities. Anecdotal evidence suggests that logistics cost has already doubled, and those exporting perishable products are the most affected.[5]

Box 2: Data discrepancies in Myanmar's trade data

Despite recent statistics and data capacity improvements, discrepancies exist in Myanmar's trade data. This brief broadly analyzes the differences among selected data sources – mirror data from the World Integrated Trade Solution (WITS); official trade data from the Ministry of Planning and Finance (MOPF) (used as the primary data source in this analysis and elsewhere); and current account exports and imports data sourced from the Central Statistical Organization (CSO).

Export data series from the WITS and the MOPF follow the same trend; however, the CSO data is relatively flat (Figure 12). The gap between the WITS and MOPF data has been fairly narrow, within a range of +/-10 percent since 2016. The difference could be partially attributable to different recording

[4] From January 2022, only businesses registered under the General Administration of Customs of the People's Republic of China (GACC) can export food products (including many agricultural products) for food safety controls.
[5] For instance, watermelon exporters reported that fruits were decayed at border posts before transferring to China due to increased trade times – resulting in financial loss for the exporters.

methods – FOB (free on board) in MOPF data and CIF (cost, insurance, and freight) in the WITS mirror data. A significant discrepancy was observed only in 2014 – likely attributable to Myanmar's jade exports to China – and not otherwise recorded in Myanmar data sources. However, the gap between the WITS data and the CSO data has historically been much larger, ranging from 20 percent to 58 percent – suggesting that the CSO data largely under-records or under-reports Myanmar exports.

Figure 12: Export trends from different sources

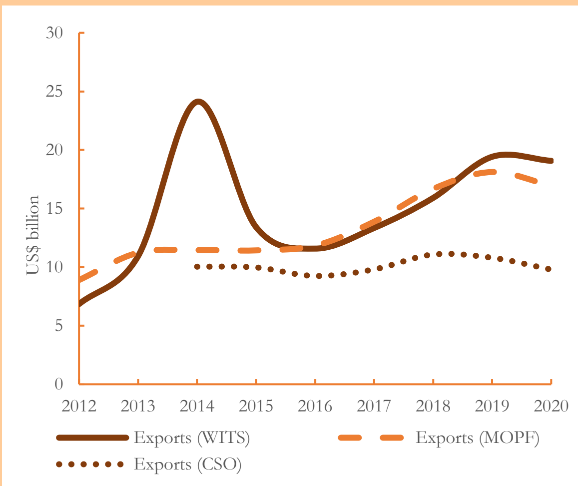
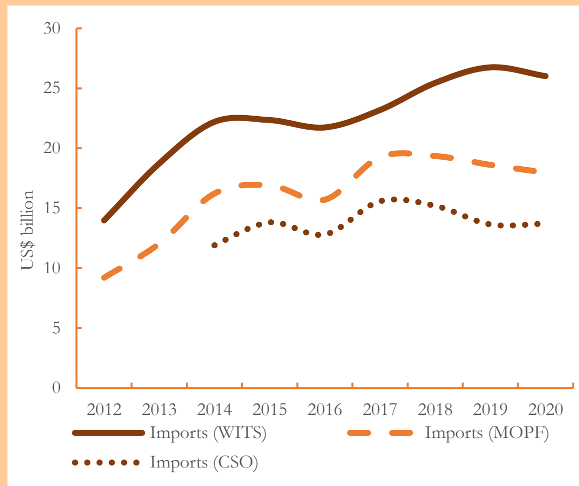


Figure 13: Import trends from various sources



Source: CEIC and WITS

All data series followed the same import trend, but there is a sizeable gap between the WITS and local data (Figure 13). The WITS and MOPF data gap range from 17 percent to 36 percent, suggesting MOPF data under-records imports. The gap between mirror data and CSO data for imports is even larger – ranging from 33 percent to 49 percent.

Further analysis of data discrepancies is required. One way to better understand the differences is to analyze trade data at the product and country levels – examining which products or country-trade data is under-recorded in local data sources. Given the unavailability of granular trade data (even at the harmonized system (HS) 2-digit level) from publicly available local sources, a feasible option is to exploit data from the WITS and examine differences between the WITS reporting and mirror data. Further analysis on this issue will be presented in the following trade and investment notes or elsewhere available through the Myanmar Monitoring Platform.

The increase in imports since late 2021 has been driven by intermediate imports (Figure 14). Compared to the same period last year, the value of intermediate imports was 39 percent higher in the six months to March 2022, driven by cut-make-pack (CMP) products and refined mineral oil (Figure 15). The increase in CMP imports was consistent with the increase in garment exports. At the same time, power outages in recent months may have also increased the volume of refined mineral oil imports, with electricity consumption more dependent on diesel-based generators. But most of the rise in intermediate imports since late 2021 is likely to have been driven by an increase in the prices of intermediate imports, primarily refined mineral oils, due mainly to the impact of the Russia-Ukraine war. Consumer product imports increased by 8 percent in the six months to March 2022 compared with the same period last year. The growth was primarily driven by late 2021 when consumer imports returned to historical average levels. However, consumer product imports trended downward in the first three months of 2022, partly due to recent steps to restrict imports through licensing requirements effective from January 2022 for most products. The kyat depreciation may have also reduced the affordability of consumer product imports. Despite a modest sign of recovery in recent months, capital imports in the six months to March 2022 were just half of the same period last year, having dropped significantly since early 2021.

Figure 14: Intermediate imports attributed to an overall increase in imports

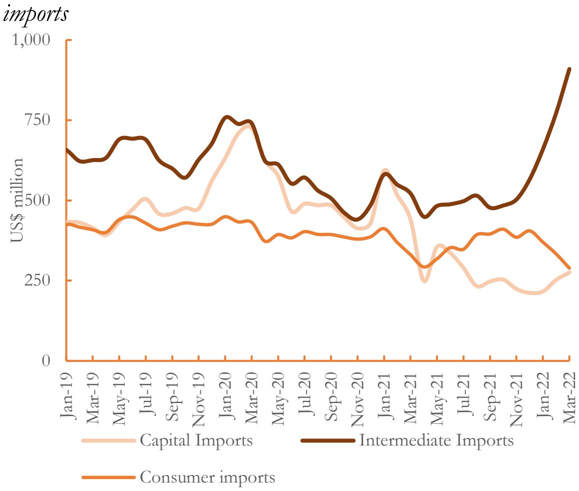
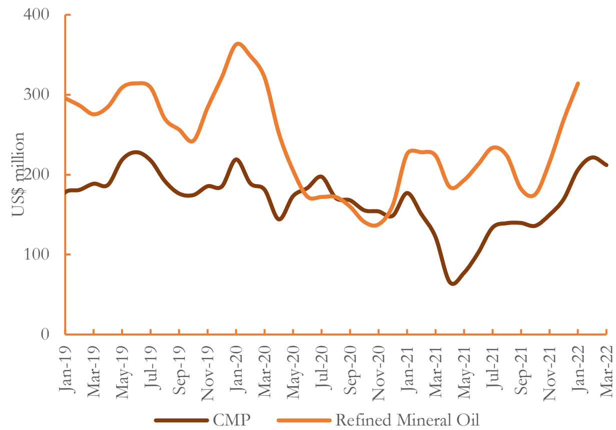


Figure 15: Trends of major intermediate imports

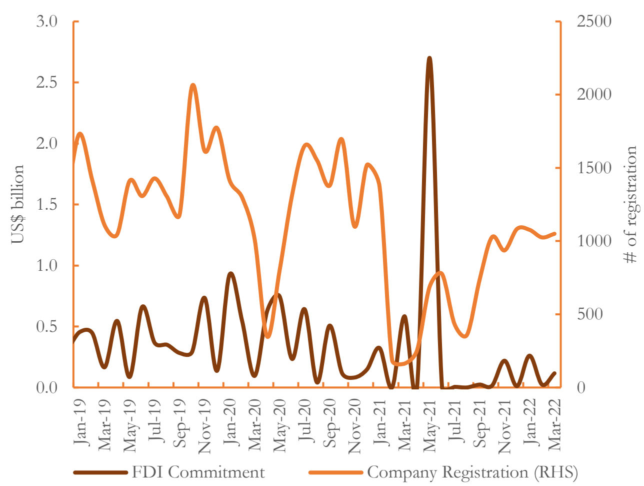


Source: CEIC and Ministry of Commerce
Note: Data for refined mineral oil is available up to January 2022.

Foreign Direct Investment

Foreign direct investment (FDI) commitments remained lower than pre-coup levels in the six months to March 2022, but the number of company registrations stabilized (Figure 16). FDI commitments of US$647 million were about half of the same period last year. Singapore was the top investor in the six months to March 2022 with 46 percent (or US$297 million) of the total FDI commitments in 2 projects, followed by China (with 22 percent or US$142 million) and Hong Kong (with 17 percent or US$109 million) (Figure 17). US$647 million – about half of the same period last year. By industry, other services and manufacturing dominated total FDI commitments with 34 percent (or US$220 million across three permitted projects) and 31 percent (or US$203 million in 40 projects), respectively (Figure 18). The number of company registrations steadily increased between October 2021 and March 2022 and was 3 percent lower than last year. At the same time, the departure of international firms continued. (**Error! Reference source not found.**).

Figure 16: FDI commitments and the number of company registrations remained to stabilize



Source: DICA

Figure 17: FDI commitments by country in the six months to March 2022

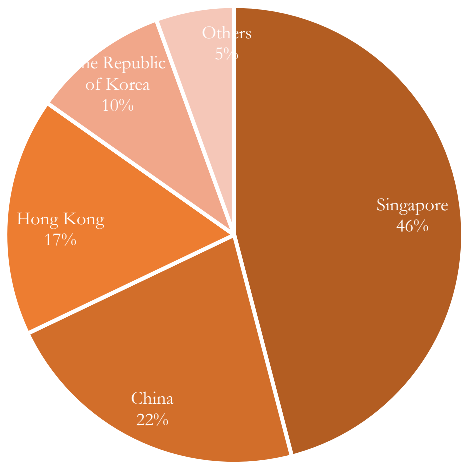
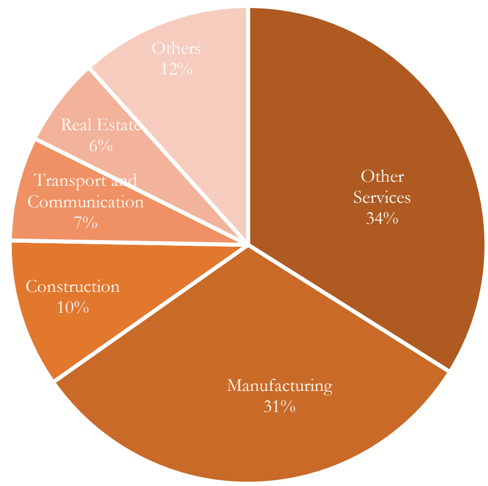


Figure 18: FDI commitments by sector in the six months to March 2022



Source: DICA

Policy Update

Most products are now subject to import licenses. In November 2021, the Ministry of Commerce (MOC) announced that 3,070 tariff lines at the harmonized system (HS) 10-digit level were added to the current list of tariff lines subject to import licenses – resulting in a total of 7,001 tariff lines (or about 63 percent of total tariff lines) being subject to import license requirements. The MOC further issued three additional newsletters in January and March 2022. As a result, 9,099 import items (or about 81 percent of total tariff lines) require an import license effective from May 2022, a significant reversal of previous import license liberalizations as only 35 percent of import items required a license before November 2021. In addition, the MOC also issued newsletter no. (3/2022), adding 12 tariff lines at HS 10-digit level related to maize products to the list of items subject to an export license from April 2022. The reversal of trade license reforms will impact trade facilitation, increasing trade and compliance costs for traders. It may also increase costs of critical inputs for Myanmar's export sector and therefore harm export competitiveness.

The Central Bank of Myanmar (CBM) allowed Thai baht and Chinese yuan as official settlement currencies for land border trade payments. In December 2021, the CBM allowed the yuan as an official currency for border trade payments with China. Likewise, in March 2022, the CBM allowed baht/kyat direct payments for land trade through Thailand. The intention was to promote trade facilitation between Myanmar and its major trade partners and reduce reliance on the US dollar.

Outlook

Despite recent improvements, challenges remain for Myanmar's external trade performance. Foreign exchange restrictions imposed in April have resulted in a shortage of US dollars available at the official exchange rate, constraining imports while at the same time reducing the kyat equivalent of exporters' foreign currency earnings. Anecdotal evidence indicates that many businesses are struggling to deal with the recent increase in import license requirements. Moreover, maize products – one of Myanmar's major agricultural exports – became subject to export licenses starting from April 2022, invariably adding further trading costs for exporters. Further conflict escalations in late March 2022 resulted in the closure of the Myawaddy-Kawkareik Asian Highway, which disrupted trade and logistics flows. Consequently, a decline in trade with Thailand through the Myawaddy border gate is likely in the near term. Foreign exchange restrictions, further licensing requirements for imports, border disruptions, and temporary import bans on particular consumer products through land borders all have the potential to weaken trade from April onwards.

Appendix 1: List of firms leaving or suspending their businesses in Myanmar

Table 1: Firms leaving or suspending businesses operations in Myanmar between February 2021 and March 2022

Company/Individual	Origin	Industry	Description
Kirin Holdings Co. Ltd	Japan	Food and Beverage Products	Kirin Holdings Co. Ltd, a Japanese drink giant, announced the termination of its joint venture (JV) partnerships with the military-controlled Myanmar Economic Holding Ltd (MEHL). The company holds 51 percent of Myanmar Brewery and Mandalay Brewery through the JV partnerships. In February 2022, Kirin confirmed to withdraw its operations in Myanmar and would now seek to sell its stakes in Myanmar Brewery Ltd and Mandalay Brewery Ltd, despite its will to remain in the country.
Lim Kaling	Singapore	Food and Beverage Products	Lim Kaling announced intentions to withdraw his investment from Virginia Tobacco Group, where he is a minority shareholder through RMH Singapore Pte Ltd, which owns 49 percent of the firm, with the remainder owned by Myanmar Economic Holding Ltd (MEHL).
Amata Corporation	Thailand	Real Estate	Thailand's Amata corporation, a real estate developer, suspended its US$1 billion real estate project in Myanmar.
Woodside	Australia	Mining and Quarrying	In February 2021, Woodside suspended its operations and fully de-mobilized its offshore exploration drilling team in Myanmar. In January 2022, Woodside announced to withdraw its interest in Myanmar.
Petronas	Malaysia	Mining and Quarrying	PC Myanmar Limited (PCML), a subsidiary of Petronas, declared Force Majeure at its Yetagun field due to depletion of gas production. PCML has temporarily halted production at the field until further notice. It holds 40.9 percent of the Yetagun gas project, along with Myanma Oil and Gas Enterprise (20.5 percent), a Japanese consortium led by the Japanese government, and Nippon Oil Exploration (19.3 percent), PTTEP (19.3 percent). In February 2022, PCML announced to sell its 40.9% stake to exit Myanmar.
Électricité de France (EDF)	France	Mining and Quarrying	EDF suspended a US$1.5 billion hydropower dam project – still at an early stage and operated by a consortium including EDF, the Japanese Marubeni conglomerate, and Ayeyarhinthar, a local conglomerate.
AEON	Japan	Retail and Wholesale	AEON postponed the construction of a shopping mall in Myanmar. The project, worth US$180 million, was approved last year. It is a joint-venture partnership with Japanese AEON owning 70 percent.
Toyota	Japan	Manufacture of Motor Vehicle	Toyota postponed the plan to open a new plant in Myanmar. It announced a plan to build the US$52.6 million production plant in 2019, and it had planned to commence operations of its first production plant in the country in February 2021.
Sembcorp	Singapore	Real Estate/Industrial Estate	Sembcorp suspended an industrial park project worth US$230 million. The project received investment approval in 2020, but the company will wait until the political situation stabilizes before proceeding.
Hongkong and Shanghai Hotels	Hong Kong	Accommodation	Hongkong and Shanghai Hotels, operator of the Peninsula chain, suspended construction of the Peninsula Yangon project for a year. The project is worth US$130 million. Hongkong and Shanghai Hotels owns 70 percent of the project. In March 2022, the firm wrote off its about US$90 million-worth project.
Telenor	Norway	Telecommunications	Telenor announced that it reached an agreement to sell the entire stake of its Myanmar operations to the

			Lebanese M1 group for US$105 million. In March 2022, the sales was finally approved by the authorities. M1 and its local partner - Shwe Byain Phyu – have completely acquired Telenor's Myanmar operations.
KOI	Taiwan	Food and Beverage Service	KOI bubble tea, a Taiwan-based bubble tea shop, ceased operations in June 2021.
Bridgestone Corporation	Japan	Manufacture of rubber products	Bridgestone Corporation, the world's largest tire and rubber company, halted its operations in July 2021.
Auntie Anne's	United States	Food and Beverage Service	After two years in the country, Auntie Anne's, a US pretzel retailer, cased its branches in August 2021.
Metro	Germany	Retail and Wholesale	Metro, a German retail and wholesale giant, announced to cease its operation starting from October 2021.
Myanmar Metals	Australia	Mining and Quarrying	Myanmar Metals, an Australian-based mining company, announced selling its 51 percent stake in the Bawdwin project.
VPower Group	Hong Kong	Mining and Quarrying	Hong-listed Vpower Group announced it was pulling out of two of its nine power projects.
British American Tobacco	United Kingdom	Food and Beverage Products	A global cigarette giant, British American Tobacco, announced to cease its operations by the end of 2021.
Kempinski Hotels	Switzerland	Accommodation	In October 2021, Kempinski Hotels, a luxury hotel management company headquartered in Geneva, Switzerland, closed its operations in Nay Pyi Taw.
Adani Ports and Special Economic Zone Limited	India	Logistics	In October 2021, Adani announced to withdraw its plan to build a container port in the owned military-owned Ahlone port in Yangon by June 2022.
Telenor	Norway	Telecommunications	Following its announcement to exit Myanmar's telecommunications industry in July 2021, Telenor also agreed to sell 51 percent of its share in Wave Money, a mobile financial service company, to Yoma Strategic Holdings in January 2022.
TotalEnergies	France	Energy	TotalEnergies announced it would withdraw from the Yadana field and the Moattama Gas Transportation Company (MGTC) as an operator and a shareholder in January 2022. TotalEnergies holds 31.24 percent of the Yadana project
Chevron	United States	Energy	Along with TotalEnergies – a major shareholder of Yadana field and MGTC, Chevron also announced it would exit the country in January 2022. Chevron holds 28.26 percent of the Yatana field and MGTC.
Mitsubishi	Japan	Energy	In February 2022, Mitsubishi announced to sell its 1.93 percent of stakes from the Yetagun gas field along with Petronas, a major stakeholder. Mitsubishi is a part of a Japanese consortium that holds 19.3 percent stakes in the Yetagun gas field.