Flash Note #8: MYANMAR’S LATEST TRADE OUTCOMES AS THE IMPACT OF COVID 19 EMERGES

Myanmar’s trade in the first six months of FY 2019/20 is 18 percent higher compared to the same period last year despite the COVID-19 pandemic. Land border trade with China increased by 6 percent overall as it bounced back in March 2020, following the border closures with China in late January and early February. Overall, imports were larger than exports, driving up the trade deficit to US$ 1.28 billion, 62 percent higher than the same period last year. To mitigate impacts of the COVID-19 on trade, the Government of Myanmar has waived the 2 percent advance income tax for exports until the end of this fiscal year.

Key Takeaways

- Despite the COVID-19 pandemic, Myanmar’s trade has increased by US$ 2.75 billion in the first six months of FY 2019/20, which is 18 percent higher compared to the same period last year, possibly signaling economic resilience. Increased exports are a direct boost to the economy. Increased imports are a direct drag on the economy, but the type of imports may signal strong domestic consumption and investment.
- Exports were US$ 1.13 billion (or 16 percent) higher compared to the same period last year and Imports were US$ 1.62 billion (or 20 percent) higher.
- The trade deficit was US$ 1.28 billion, 62 percent higher than the same period last year. The increase in the value of imports may be associated with the 8.8 percent appreciation of Myanmar Kyat against US dollar in the current fiscal year – while the price of imports in Kyat terms has fallen, the fact that imports are cheaper may have induced more imports
- Despite COVID-19 outbreak in China and trade disruptions in late January and early February at the border, land border trade with China increased by 6 percent overall. China remains the major land border trade partner for Myanmar – accounting for about half of the land border trade. Both exports and imports bounced back in March 2020 – thanks to Chinese increasing demand for melons and sugar, resumption of rice exports to China and resumption of raw material imports from China.
- The increases in exports and imports were broad based. Exports of Myanmar’s major product groups such as manufacturing goods, mineral goods and agricultural goods increased in this fiscal year and import of all product groups also increased.
- Looking to the second half of the fiscal year, non-food exports (including gas) are likely to be affected by the appreciation of the exchange rate and lower global demand for exports.
- On March 18, 2020, the GOM announced that the 2 percent advance income tax on exports were waived until the end of this fiscal year.

Overview of exports and imports

Amidst COVID-19 pandemic, overall Myanmar’s trade has increased in the first six months of FY 2019/20 (from October 1 to March 13). Compared to the same period in FY 2018/19, trade volume increased US$ 2.75 billion (18 percent).

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1 Period-over-period (POP) analysis for Myanmar exports and imports is conducted to analyze how COVID-19 has impacted trade performance of Myanmar in the first six-month of FY 2019/20 (from October 1 to March 13) by
The trade deficit was US$ 1.28 billion, and the deficit was 62 percent higher than the same period last fiscal year. Despite both exports and imports increasing relative to the same period last year, net exports gap widened further as exports grew (16 percent US$ 1.13 billion) by less than the increase in imports (20 percent US$ 1.62 billion) (Figure 1). The appreciation of the Myanmar Kyat (MMK) against US dollar (USD) in the current fiscal year (8.8 percent increase) may explain some of the increase in imports.

Trade volumes increased through seaport (or oversea) and land border trade. Figure 1 presents that exports and imports through land border posts increase by 7 percent and 32 percent respectively, and overall, trade volume through land border posts increase about 14 percent. Currently, trade through land border posts contributes about 27.6 percent of total trade.

Trade through land border posts
The 14 percent increase in land border trade was driven by all neighboring countries, except India. The majority of the increase in land border trade (about 47 percent out of the total increase through border trade) was via border posts with Bangladesh (especially Sittwe). Bangladesh’s trade share is only about 6 percent of total land border trade, however, in the current fiscal year it increased by US$ 290 million – an astonishing 30 times increase compared with the same period last fiscal year, mainly driven by imports, accounting for 93 percent of the trade volume. The sharp increase is due to a very low trade volume in the same period of last year – only about US$ 9.7 million. Previously, border trade with Bangladesh ranged between US$ 10 and 20 million with an exception of FY 2018 where trade volume was about US$ 263 million. Myanmar’s land border trade with China and Thailand increased by 6 percent and 11 percent respectively. However, land border trade with India decreased by US$ 13 million – representing a 15 percent decline (Figure 2 and Figure 3).
China remained Myanmar’s major partner for land border trade despite the COVID-19 pandemic leading to the closure of Muse-Ruili (also known as Shwe Li) border checkpoint\(^3\) and restrictions of transportation routes\(^4\) in late January which caused difficulties for Myanmar to import raw materials for garment CMP (cut make pack) products and export vegetable and fruit products. In the current fiscal year, Myanmar’s land border trade with China remained strong with US$ 2.74 billion, accounting for 56 percent of the land border trade, and Muse alone accounts for about half of the total land border trade (same as usual). While exports to China declined by US$ 160 million\(^5\) between January 27 and February 5, 2020 due to trade disruption, border trade at Muse increased 7 percent in exports. However, the decline in trade during the late January and early February was offset by increased exports and imports in the late February and March as trade resumed from February 13\(^6\). Daily data from Department of Customs shows that trade at Muse picked up again starting from the third week of February with imports reaching its peak on March 14 (Figure 4). This can be explained by an increase in raw material imports for CMP products – with 70 trucks per day coming into Myanmar during the second week of March, compared to

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30 per day in the previous week and about 2-3 per day in the last week of January\(^7\). In addition, the resumption of rice exports to China in March\(^8,9\) and China’s increasing demand for melon and sugar starting from the second of February\(^10\) further offset the trade disruption caused by the pandemic.

**Figure 4: Daily trade at Muse**

![Graph showing daily trade trends](image)

*Note: Five-day moving average is used to smooth the trends*

*Source: Department of Customs*

**Trade by product groups**

**Myanmar’s exports were dominated by manufacturing goods with 56 percent of total exports, followed by agricultural products with 22 percent and minerals with 13 percent.** Among these major product groups, mineral exports increased by US$ 601 million, 133 percent higher than the previous year. Manufacturing goods (which include natural gas and garments) also performed well in this fiscal year with a US$ 577 million increase, which is 14 percent higher. While agricultural exports to China declined during late January and early February, the overall exports still rose by US$ 351 million, which is 23 percent higher than the previous year. The increase in agricultural products would have been even higher if corn exports to Thailand were not negatively impacted by exchange rate increases. The exports of animal products decline significantly (80 percent) but their impact does not contribute much to overall exports due to their low share.

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Myanmar’s imports were dominated by capital and intermediate goods – accounting for 38 percent and 34 percent respectively of total imports share, followed by consumer goods (17 percent) and CMP (11 percent) (Figure 6). Capital goods imports increased by US$ 1.16 billion, representing a 46 percent increase compared to last year. Myanmar had difficulties in importing CMP raw materials from China in late January and early February, but despite the disruption, CMP imports still increased by US$ 39 million, 4 percent higher than the last year.

Policy responses
To mitigate the impacts of COVID-19 on trade, the Government of Myanmar (GOM) has initiated certain policy responses. On March 18, 2020, the GOM announced that the 2 percent advance income tax levied on exports were waived until the end of this fiscal year. In addition, to respond to the shortage of raw materials for CMP products, the Ministry of Commerce worked together with the Myanmar Garment Manufacturers Association, the Chinese embassy in Myanmar and the China Enterprises Chamber of Commerce to secure raw materials from China by air. While Myanmar imports raw materials for CMP products by air, land border and sea - air is the most time efficient way to obtain materials without delay. This collaborative effort reduced some of the burden facing garment manufacturers and employees as already 20 garment factories had to shut down due to a shortage in raw materials.

11 https://www.globalnewlightofmyanmar.com more raw materials arrive in myanmar for garment factories/