

## Manufacturing Sector Brief

# MYANMAR



## COUNTRY OVERVIEW

Myanmar is a lower-middle-income country in Southeast Asia with a population of 54 million (2019) and over 65% of the population living in rural areas. Its economy is dependent on the abundant natural resources such as precious stones (particularly rubies and jade), timber (notably teak), petroleum and natural gas. Agriculture accounts for 23.6% of employment and 25.5% of value added according to 2016 World Bank report. Main economic sectors in Myanmar are: mining, energy, manufacturing and construction.

World Bank data shows that approximately 85% of Myanmar's present population is between the ages 15 and 65yrs with a significant number of semi-skilled workers.

P.R China is Myanmar's main trade partner and main destination for export. Other markets include neighbours Thailand and India and Japan. Myanmar's main exports are liquid natural gas, precious stones, copper cathode and rice. Myanmar is one of the few countries neighbouring two large markets – India and China.



## MANUFACTURING SECTOR OVERVIEW

Among the three main economic sector manufacturing contributes to about 24.7% of Myanmar's GDP in 2019. During the period of 2016- 2017, Myanmar received USD 1.8 billion foreign investment in the manufacturing sector. Key manufacturing sub-sectors are focused in garment and textiles, agricultural processing, automotive parts manufacturing, and canning and bottling.

Investments in the manufacturing sector is concentrated in special economic zones which are better served by supporting infrastructure such as roads and access to ports for example in Yangon and Mandalay. Investors are key target group for the Myanmar's National Export Strategy (2020-2025) which includes strategies manufacturing sub-sectors such as machinery & electrical equipment, textile and garment, forest products, agro-food processing and fisheries.

Table 1: Economic Sector and contribution to GDP in 2019  
(Source World Bank data)

● Economic Sector	● Percent GDP contribution
Agriculture	22.2
Industry	35.9
Manufacturing	24.7
Services	41.9

The manufacturing sector is also characterized by low technology application, manual and hence low productivity levels. With limited integration in the global value-chain and link to major sector-based investors for example in the garment and food processing sector, there is limited transfer of knowledge and know-how.



## SUBSECTOR/SEGMENT

Current investment focus is in the textile and garment manufacturing sector which also employs at least half a million people. Top exporters in the **garment and textile** sector are Honey Garment Industry Limited, Manufacturer GFT Enterprise Company Limited, Korea Link Industrial Co. Ltd., Dong Long (Myanmar) Garment Co., Ltd. The Myanmar Garment Manufacturer's Association (MGMA) represents the interest of the sector players. Textile and garment manufacturers are mainly located in Bago, Patheingyi, Hpa-An and Greater Yangon.

As Myanmar's export of agriculture products are concentrated in unprocessed commodities such as rice, beans and pulses there are opportunities to expand its agri-food manufacturing base provided the supporting system and infrastructure is in place. Investors should note the government's intention to put in place policy measures to support value-addition in the agri-food sector and promote agri-food processing. Currently the sub-sector is dominated by MSMEs and caters mainly for domestic market. Main products include sugar, beer, soft drinks, spices and instant coffee.



## GEOGRAPHICAL PRESENCE

Being part of the Greater Mekong Sub-region, Myanmar also adopted the strategy of establishing special economic zones to develop infrastructure and attract investment in key economic sectors including manufacturing. Main SEZs are Thilawa, Dawei and Kyaukphyu which have received support and investments from both governments and private sector like Japan, Thailand and P.R. China.

The Thilawa and Dawei SEZ remains attractive to investors in the manufacturing of garments, bottles, construction materials, food, steel, fertiliser, auto parts, agricultural machines, medicine and medical equipment.

Yangon's connectivity with neighbours Thailand (especially Bangkok) makes it an important investment area especially in the manufacturing sector.

The government has several industrial expansion plans in the pipeline which includes expansion of the manufacturing sector as well. Businesses and investors can expect upgrading of infrastructure and physical connectivity for example in Southern Myanmar, linking Myanmar to regional markets and beyond.



## BRIEF PROFILE OF MSMES IN THE SECTOR

While data are scarce on the number of MSMEs in Myanmar reports suggest that around 127 000 enterprises are registered with various government agencies, of which 99.4% are MSMEs. About 50% of MSMEs are concentrated in agri-food manufacturing.

Table 2: MSMEs by Sector in Myanmar (%) (Source ADB SME Monitor Data)

● SMEs by sector (% share)	● 2017	● 2018	● 2019
Food and beverages	58.4	57.3	56.7
Construction materials	8.6	8.9	9.1
Mineral and petroleum products	6.3	6.6	6.8
Garments	1.2	1.4	1.6
Others	25.5	25.9	25.9



## POLICIES AND REGULATIONS

Businesses intending to expand into Myanmar in the manufacturing sector should consider the government's policies related to the pharmaceuticals, foodstuffs, textiles, ceramics, paper, chemicals products, construction materials and heavy industrial products.



## NATIONAL STRATEGY

Business can expect improvements as the government plans to address several challenges through targeted industrial development strategies in central and southern Myanmar such as electricity, poor transportation infrastructure, high land prices and skilled labour.

Other policies to look out for are:

- the new Labour Organisation Law 2012, which among other things relaxed controls on the rights of labour to unionise.
- Minimum Wage Law 2013 – on minimum wage for workers and quality working conditions; and
- Payment of Wages Law 2016



## INVESTMENT AND MARKET ENTRY OPPORTUNITIES

Pro-investment measures have been implemented by the government of Myanmar including Myanmar Investment Law (MIL) and Special Economic Zone Law (SEZ Law). Investors can expect simplification of business approval processes, online company registration and minimizing restriction on foreign companies. Investors who invest and operate businesses located in SEZs can avail of certain privileges, described in MIL and SEZ Law.

Investors can also benefit from income tax exemptions based on the investment zones and reliefs on customs duty and other internal tax. The following are the examples of domestic manufacturing sectors which the investors could consider –

- Labour-intensive industries in second-tier cities (e.g. Patheingyi, Bago, Hpa An) in areas such as production of garments and shoes, or assembling of toys and stationery articles
- Agro-processing industries
- Production of building materials strongly demanded by the national construction industry (e.g. cement, bricks, steel, glass, paints, doors, windows)
- Gemstone processing industries (e.g. jade, sapphires, rubies) to establish value-adding production such as design, cutting and polishing
- Capital-intensive industries (e.g. automotive, land machinery) particularly at locations with good access to international and national markets (e.g. SEZs)
- Wood-processing industry particularly based on hardwood and bamboo (e.g. furniture production)
- Developing the paper and cardboard industry
- High-tech industries (e.g. in Yangon, Nay Pyi Taw, Bago and Mandalay) based on local, regional and global demand and the opportunities through the proximity of international airports
- Chemical industries (e.g. pharmaceutical and plastic articles) based on local and regional demand
- Industrial services (e.g. waste water management, recycling, training)



## KEY CONSIDERATIONS

Myanmar's manufacturing sector has several favourable characteristics to support growth and value – addition namely:

- Competitive cost of labour
- Access to two of the biggest market in Asia (P.R China and India)
- Supporting government policies and development of special economic zones

About three-quarters of the growth projected for Myanmar's manufacturing sector will likely come from productivity improvements. Some textile and garment manufacturers in the country are already applying advanced manufacturing processes by installing looms with air jets that can weave at 2,000 picks a minute, versus the conventional 200 picks a minute.

Innovations across manufacturing sector in Myanmar correspond with increase access to affordable financing.



## ISSUES AND CHALLENGES

Investment in the manufacturing sector should consider several challenges the biggest being inadequate and underdeveloped infrastructure. Business operations face power disruptions. Smaller factories especially need to maintain back-up generators which is often unsuitable for large scale manufacturing.

The cost of labour is among the lowest in the region but mostly low-skilled.

Investors should take note of the prohibitive entry cost and procedures to start and run a business in addition to cumbersome export and import procedures.



## RECOMMENDATIONS

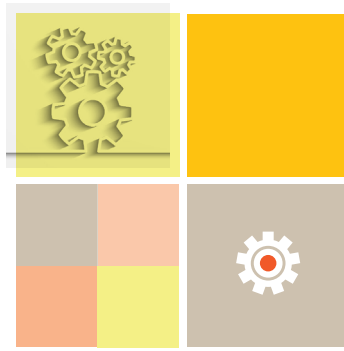
Investors may want to consider establishing partnership with the government to boost productivity in the manufacturing through technical and vocational education and training (TVET).

The Phandeeyar accelerator program in Yangon supports new local technology entrepreneurs by investing in their businesses, training them, and helping build a pool of local technology talent. This is among the government supported MSMEs start-up accelerator programmes which may be of interest to investors. These programmes include innovative financial incentives, policies and regulations to scale up adoption of new and effective technologies.



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