EuroCham serves as the voice of European business in Myanmar. Its main mission is to significantly increase the presence of European responsible business in the country and to facilitate market access, particularly for European SMEs, by advocating for member interests with the government and organisations in Myanmar, the ASEAN region and Europe.

With a strong, growing network of partners, EuroCham offers on-the-ground assistance for European companies interested in commercial endeavours in Myanmar, whether in the form of advocacy, business services, research or business networking.

Myanmar currently finds itself at challenging political and economic crossroads. After opening up to the world in 2011 and holding its first elections for decades in 2015, interest within the European business community in the many underdeveloped economic sectors in the country has been gradually rising, despite the many difficulties Myanmar has been going through during these political transitions.

This business confidence survey provides key insights into the current business environment of Myanmar, as experienced by European companies. Furthermore, understanding which sectors are represented and how the companies feel about doing business in Myanmar are key economic indicators for the country’s business outlook.

Yangon, October 2018
It is with great pleasure that our EuroCham Board of Directors, Advocacy Groups, Partner Members, and EuroCham Members present our third Business Confidence Survey.

I would like to express my sincere thanks to all the European companies that have contributed to this survey. This insightful report would not have been possible without their input and support. I hope that these findings will further EuroCham’s efforts to monitor and improve the business climate in Myanmar and to strengthen cooperation with the Myanmar authorities.

I must also thank the EU Delegation for its continued support for EuroCham’s advocacy efforts promoting a better business climate.

As we can see from the survey results, the European business community continues to have high expectations for Myanmar’s relatively young consumer market which offers great potential for suppliers of goods and services. Through policy dialogues and events in Nay Pyi Taw and Yangon, EuroCham has been strengthening its engagement with the government, and other related stakeholders, in an effort to overcome the challenges faced by European businesses.

I am pleased to mention that many companies from a range of industries have joined EuroCham Myanmar and the number of our sector-specific Advocacy Groups has increased from five to eleven during the year 2017. Our Advocacy Groups include the following sectors: Agro-Business, Anti-Ilicit Trade, Automotive, Digital Innovation, Legal, Wine & Spirits, Construction, Garment, Energy, Logistics and Health. This clearly shows that EuroCham Myanmar has become an important platform for European companies in Myanmar where the voice of its members is well represented. Let me assure you that EuroCham will keep driving this momentum in the coming years.

Finally, I take this opportunity to wish you all success in the coming year 2019!

Sincerely yours,

David Levrat
Chairman of EuroCham Myanmar
Dear friends of Europe

This is a particularly challenging time for businesses operating in Myanmar. In the face of such challenges, I urge European businesses to remain resilient and continue to espouse the very best of European values including transparency, accountability and corporate social responsibility.

The third edition of the Business Confidence Survey illustrates trends and tendencies as perceived by European businesses. During a time of a volatile business climate, this survey serves as an indispensable source of information to those interested in EU-Myanmar trade and investment.

There remains great potential to strengthen economic ties between the EU and Myanmar. It must, however, be conducted in a transparent and sustainable way and the EU will continue to advocate for this.

With warmest regards,

Kristian Schmidt
Ambassador of the European Union to Myanmar
European Chamber of Commerce in Myanmar
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EuroChamMyanmar
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INTRODUCTION TO BUSINESS CONFIDENCE SURVEY

Business surveys provide essential information for short-term forecasting, economic surveillance and economic research. Moreover, they are widely used to detect turning points in the economic cycle. Surveys are, therefore, a key insight on top of official statistics, which often only become available after long delays, particularly in emerging markets.

The data generated through this third Business Confidence Survey is particularly useful for monitoring economic developments in Myanmar, which will be facilitated by publishing the results on an annual basis.

Survey objectives

• Measure European business sentiment on Myanmar’s economy
• Provide an overview of sector representation of European companies in Myanmar
• Investigate the issues and concerns faced in Myanmar by European businesses
• Budget 2017–18 and impact of economic restructuring
• Plot 2018–2019 investments, business strategies, expansions and manpower (a fiscal year in Myanmar runs between 1st April and 31st March)
• Detect ongoing trends based on the experiences of European companies.

This is EuroCham Myanmar’s third edition of the Business Confidence Survey (BCS) and we are very pleased with the increased number in responses, which allows us to get a reliable, in-depth overview of the business environment in Myanmar. We already look forward to the outcomes of future surveys which allow us to map out ongoing trends in more detail.
EXECUTIVE SUMMARY

METHODOLOGY

EuroCham Myanmar’s third Business Confidence Survey received 150 complete responses of European companies active in Myanmar. The companies were contacted through direct mail and the survey was distributed by the EU delegation, EU embassies and the bilateral European chambers.

The response number has increased from 70 to 150 respondents, with an increase in percentage of 114% compared to 2017, which indicates that the 2018 edition is a valuable follow-up for last year’s edition.

The construction and execution of this survey follows the standards and guidelines on how to develop a survey provided by the EU Commission and the Rotterdam Business School.

RESULTS

91% of the European companies tell us that their headquarter is in Yangon.

The most important reason for European companies to come and do business in Myanmar are the opportunities in Myanmar’s domestic market.

Most European companies remain positive on their expectations of operational change during the upcoming three years.

Compared to 2017, a larger share of European companies is planning to reinvest in Shan State and the Ayeyarwady region, however we noticed a decrease of companies interested in reinvesting in the Mandalay, Nay Pyi Taw and Tanintharyi regions.

Regulatory issues, lack of qualified labour force and legal uncertainty still remain the biggest challenges in Myanmar for European companies.
KEY FINDINGS

More small companies are entering the Myanmar market. 29% of the surveyed companies responded that they have a worldwide annual revenue less than €1m. In 2016 and 2017, only 12% and 9% responded that they have a worldwide annual revenue less than €1m.

In 2018, 32% responded that they have revenue less than €1m, an increase of 12% in comparison with 2016 and an increase of 15% in comparison with 2017.

81% of the European companies rates the Myanmar business environment as “poor” or “needs improvement” compared to 76% in 2017 and 67% in 2016.

45% of the European companies responded that in the last 12 months the overall business environment ‘decreased’ or ‘greatly decreased’ compared to 30% in 2017 and 18% in 2016.

Of all the respondents, 47% chose to set up their businesses in Myanmar as a local subsidiary, in the form of a Limited Company.

61% of the European companies’ main goal is to produce goods or services in Myanmar for the Myanmar market.

Economic nationalism in Myanmar negatively affected 48% of the surveyed companies. A positive decrease of 6% in comparison with 2017.

European companies were less negatively affected by protectionist policies in Myanmar and other countries compared to the previous years. Only 49% of the surveyed companies were affected negatively. A decrease of 17% in comparison with 2017.
37% of the surveyed companies in 2018 are profitable against 41% in 2017 and 50% in 2016.

42% of the surveyed companies were negative about the changes in the MMK appreciations. In comparison with last year, only 27% of the participants were negative about the changes in the MMK appreciations. A decrease of 15%.

73% of the European companies expect to provide more services during the upcoming three years, 64% indicated they expect their market share to increase. Whereas 67% expect an increase in profit during the upcoming three years. These figures decreased in comparison with 2017.

69% will increase their overall business activities in Myanmar, a decrease of 15% in comparison with 2017. In 2017, 84% wanted to increase their overall business activities in Myanmar.
1. **FIRMOGRAPHICS**

This chapter gives a representation of our respondents and in which sectors they are active in Myanmar. The form of legal representation and the location of their offices in Europe and Myanmar are also provided.
1.1 RESPONDENTS’ LOCATIONS

The respondents’ company headquarters are from the following countries (in alphabetical order):

Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, France, Germany, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland and the United Kingdom.

All Asian headquartered companies are either operated by Europeans that are doing business in Asia without a European HQ or most of their trading is with European countries, products or services. These other specific respondents are mostly based in Cambodia, China, Hong Kong, Myanmar (Burma), Singapore, South Korea, Thailand and Vietnam.
WHERE ARE THE EUROPEAN COMPANIES HEADQUARTERED IN MYANMAR?

In total 71% of the surveyed companies do not have any other offices besides their main office in Yangon. 22% have another office in the Mandalay Region, followed by 7–13% with offices in Shan State, Mon State and Nay Pyi Taw Union Territory.
Similar to 2017, the largest share of European companies decided to set up a local subsidiary in the form of a limited company in Myanmar. The second most popular choice among the respondents are installing a local representative office of foreign companies, installing a local branch of foreign company and joint venturing with local or a foreign business partner. Furthermore, “no legal entity, operates via intermediary” was the third most chosen option. *(EuroCham Myanmar, 2017)*

Noticeably, the percentages of local branch of a foreign company and joint venture between local and foreign business partners decreased by 6% in comparison with 2017. On the other hand, local representative office of foreign company increased by 6% in comparison with 2017.
1.3 EUROPEAN MARKET ENTRY OVER TIME

Among the surveyed companies, we can see that 5.3% set up their business in Myanmar before 1998 and decided to stay in Myanmar through the difficult times of economic sanctions and the oppressive military regime. Most noticeably, the percentage of respondents who are more than 20 years active in Myanmar decreased by 14.7% from 20% in 2017 to 5.3% in 2018. Furthermore, the amount of companies entered the market 6 to 9 years ago increased by 6% in comparison with 2017. However, our recent data still shows that most of the European companies entered the Myanmar market in the last 5 years. This remained the same in comparison with 2017. *(EuroCham Myanmar, 2017)*
1.4 PRIMARY BUSINESS ACTIVITIES OF THE RESPONDENTS

- **64.1%** Other service activities
- **27.3%** Others
- **6.7%** Human health and social work activities
- **7.3%** Professional, scientific and technical activities
- **3.3%** Financial and insurance activities
- **2.7%** Administrative and support service activities
- **4.8%** Real estate activities
- **4.8%** Public administration and defence; compulsory social security
- **7.4%** Water supply; sewerage, waste management and remediation activities
- **7.4%** Arts, entertainment and recreation
- **10%** Education

**1 PRIMARY BUSINESS ACTIVITIES OF THE RESPONDENTS**
3.3% Agriculture, forestry and fishing

12.0% Manufacturing
- 21.1% Manufacturing of beverages
- 15.8% Manufacturing of food products
- 15.8% Manufacturing of textiles
- 15.8% Manufacturing of wearing apparel
- 10.5% Manufacturing of machinery and equipment n.e.c.
- 5.3% Manufacturing of leather and related products
- 5.3% Manufacturing of chemicals and chemical products
- 5.3% Manufacturing of rubber and plastic products
- 5.3% Other manufacturing

6.7% Electricity, gas, steam and air conditioning supply

6.7% Construction
- 54.5% Construction of buildings
- 36.4% Specialised construction activities
- 9.1% Civil engineering

6.0% Wholesale and retail trade; repair of motor vehicles and motorcycles
- 44.4% Wholesale trade, except motor vehicles and motorcycles
- 33.3% Wholesale and retail trade and repair of motor vehicles and motorcycles
- 22.2% Retail trade, except motor vehicles and motorcycles

8.0% Transportation and storage
- 54.5% Warehousing and support activities for transportation
- 27.3% Water transport
- 18.2% Land transport and transport via pipelines

2.7% Accommodation and food service activities

7.3% Information and communication
2. CURRENT BUSINESS ENVIRONMENT

This chapter provides an overview of the change in revenue and personnel in the last year, next to showing their current numbers. It also shows their motivation for setting up their operations in Myanmar and how they rate the current business environment.
The share of companies employing less than 50 people has increased from 58.2% in 2016 and 50% in 2017 to 65.1% in 2018, whereas the share of companies employing between 50 and 250 employees decreased from 23.6% in 2016 and 30% in 2017 to 17.8% in 2018. Notably, the percentages of companies employing more than 50 employees has decreased.
The share of companies of which expatriates make up less than 5 percent of the total staff has increased by 7% from 37.1% in 2017 to 44.1% in 2018. In 2016 on the other hand, 54.5% of the companies had less than 5% of staff being a foreigner, 10.4% more than in 2018. Furthermore, companies employing between 5 and 10 percent have decreased by 9.1% from 25.7% in 2017 to 16.6% in 2018, whereas last year, the companies employing expatriates between 5 and 10 percent had increased by 14.8% in comparison with 2016. The only significant increase is the companies employing expatriates between 10 and 20 percent. This amount increased by 8.6% from 8.6% in 2017 to 17.2% in 2018. However, the difference with 2016 was only 4.5%. Between 20% and 50% remain almost the same and more than 50% decreased by 3.9% from 12.9% in 2017 to 9% in 2018. However, in 2016, only 5.5% had more than 50% expatriates in his company.

### LOCAL PERSONNEL HIRED IN THE LAST 12 MONTHS

![Bar chart showing local personnel hired in the last 12 months for companies of different sizes.](chart.png)

**Legend:**
- Blue: Less than 50
- Teal: Between 50 and 100
- Dark green: Between 100 and 1,000
- Light green: Between 1,000 and 5,000
- Grey: More than 5,000

### APPROXIMATE ANNUAL WORLDWIDE REVENUE

![Bar chart showing approximate annual worldwide revenue for companies of different revenues.](chart.png)

**Legend:**
- Blue: Less than €1m
- Teal: Between €1m and €10m
- Orange: Between €10m and €50m
- Pink: Between €50m and €500m
- Grey: More than €500m

### 2.2 REVENUE

---

22
The companies in 2018 responded completely different in comparison with the last two years. The amount of companies responding that they have a revenue less than €1m increased by 16.3% in comparison with 2016 and increased by 20.4% in comparison with 2017. Other major difference with the last two years is that the amount of companies responding that they have a revenue more than €500m decreased. Only 36.6% in 2018 responded that they have a revenue more than €500m. This is a decrease of 24.8% in comparison with 2017 and a decrease of 14.3% in comparison with 2016. Another big difference with the last two years is the increase in percentages of companies between the €1m and €10m. The percentage was 14.5% in 2018, whereas the other two years the percentages were 5.7% in 2017 and 9.1% in 2016. Between €10m and €100m remained the same and between €100m and €500m slightly decreased in comparison with the last two years.

There are many significant changes visible in the Approximate Annual Myanmar Revenue chart. The share of companies which replied N/A or generate less than €1m increased in comparison with 2017. However, in 2016, the “not applicable” option was chosen more often in comparison with 2017 and 2018. The most noticeable increase is the option “less than €1m”. In 2018, 31.7% responded that they have revenue less than €1m. A difference of 11.7% in comparison with 2016 and an increase of 14.6% in comparison with 2017. However, there was a decrease in the amount of companies generating a revenue between €1m and €10m. This percentage decreased by 7.6% from 40% in 2017 to 32.4% in 2018. Also, a difference of 4% was noted with 2016. Other significant decreases are the companies generating a revenue between €10m and €50m, between €50m and €250m, and more than €250m.
2.3 MOTIVATION FOR MARKET ENTRY

Top three reasons for market entry as stated by European companies in Myanmar:

<table>
<thead>
<tr>
<th>Overall rank</th>
<th>Overall ranking 2018</th>
<th>Companies which started operations in Myanmar during the last two years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Opportunities in Myanmar’s domestic market</td>
<td>Opportunities in Myanmar’s domestic market</td>
</tr>
<tr>
<td>2</td>
<td>Expanding or establishing regional base of operations</td>
<td>Economic reforms</td>
</tr>
<tr>
<td>3</td>
<td>Economic reforms</td>
<td>Expanding or establishing regional base of operations</td>
</tr>
</tbody>
</table>

The results of 2018 did not differ from the previous year. For most European companies, the opportunities in Myanmar’s domestic market are the most important reason to set-up operations in Myanmar. The second and third most important reasons are expanding or establishing regional based on operations and the economic reforms. The surveyed companies also considered Myanmar’s geographical location to be an important indicator.

Companies which started operations in Myanmar during the past two years also highly valued the opportunities in Myanmar’s domestic market. (*EuroCham Myanmar, 2017*) (*EuroCham Myanmar, 2016*)

2.4 OVERALL BUSINESS ENVIRONMENT RATING

The percentage of the surveyed companies that rated the business environment as poor or needs improvement increased by 5.7% from 75.7% in 2017 to 81.4% in 2018. In 2016, 67.3% rated the business environment poor or needs improvements. An increase of 14.1% compared to 2018. The “good/acceptable” option decreased in comparison with the last two years. Finally, in 2018, just as in 2016, some companies rated the business environment to be very good or outstanding, whereas this was not applicable for 2017.
The negative trend of the changing business environment continued in 2018. 45.5% of the surveyed companies responded that the business environment in Myanmar greatly decreased or decreased. In 2017, only 30% experienced a decrease of the business environment and in 2016 only 18%. On the other hand, 18.7% of the surveyed companies responded they experienced a positive change in the business environment. This is also a decrease of 7% in comparison with 2017 and a decrease of 12.2% with 2016. 32.4% responded that it remained the same, a decrease of 10.5% in comparison with 2017 and a decrease of 18.5% with 2016.
3. BUSINESS OUTLOOK

This chapter depicts the expectations of the respondents. It provides an insight of their profitability and operational change next to company goals and whether they will reinvest. The companies also shed light on how they feel about certain country developments.
3.1 PROFITABILITY

3.1.1 When companies expect to be profitable in Myanmar

The share of profitable companies has decreased from 50% in 2016 to 41.4% in 2017 to 37.7% in 2018. A total decrease of 12.3% in the last two years. 32.6% of the surveyed companies expect to be profitable within 2 years and 29.7% expect to be profitable after 2 years. In general, this is not a positive development due to the smaller share of profitable companies.
3.1.2 To what extent the companies are profitable

The extent of profitable companies in 2018 do not show large similarities to 2017 and 2016. Only 53.8% of the surveyed companies are profitable and meet budget expectations, whereas in 2017 and 2016, 58.6% and 61.5% respectively were profitable. Furthermore, 38.5% are profitable but not meeting their budget expectations. This is a small change in comparison to 2017 and 2016. In 2017, 34.5% and 30.8% in 2016 were profitable but not meeting budget expectations. Lastly, 7.7% are profitable and significantly exceeding budget expectations; not a big difference with 2017 or 2016.
3.2 COMPANY GOALS

The majority of European companies produces goods or services in Myanmar for the Myanmar market, with 61.2% of the surveyed companies responding with this answer. 3.6% responded that they produce goods or services in Myanmar for markets other than the EU. Another 9.4% produce goods in Myanmar for the EU market. Furthermore, 14.4% of the surveyed companies are active in Myanmar to sell European products in the domestic markets. The remaining 11.5% responded that they have other purposes to be active in the Myanmar. Common answers are providing services and products for the Myanmar and foreign markets and providing services to the EU.
3.3 EXPECTATION OF OPERATIONAL CHANGE

<table>
<thead>
<tr>
<th></th>
<th>Greatly decrease</th>
<th>Decrease</th>
<th>Remains the same</th>
<th>Increase</th>
<th>Greatly increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services provided</td>
<td>0%</td>
<td>2.2%</td>
<td>25.5%</td>
<td>62.8%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Market share</td>
<td>0.7%</td>
<td>5.8%</td>
<td>29.7%</td>
<td>55.8%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Competition from local firms</td>
<td>0%</td>
<td>5.1%</td>
<td>38.7%</td>
<td>49.6%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Profits</td>
<td>0%</td>
<td>10.9%</td>
<td>22.5%</td>
<td>58.0%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Overall Myanmar business activities</td>
<td>3.6%</td>
<td>4.3%</td>
<td>23.2%</td>
<td>59.4%</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

The majority of the European companies expect that their market share will increase or greatly increase in the coming years. However, in comparison with 2017, this percentage decreased by 6.2% from 70% in 2017 to 63.8% in 2018. Furthermore, 72.3% of the European companies expect that they will increase or greatly increase their services in the coming years. Last year, however, 84.3% expected that the services provided will increase. A decrease of 12%.

Most surveyed companies expect that their profits will increase the coming years. 66.7% of the surveyed companies expect an increase or greatly increase in profits in 2018, whereas in 2017, 72.9% expected their profits increase. A small decrease of 6.2%. Most noticeably, the surveyed companies do not expect that they will increase their overall Myanmar business activities. In 2017, 84.2% responded that they will increase their activities, in 2018 only 68.8% expect to increase their activities. A decrease of 15.4%. Lastly, the surveyed companies do not expect that the local competition will increase. Only 56.2% expect that the local competition will increase, a decrease of 10.9% in comparison with 2017. *(EuroCham Myanmar, 2017)*
### 3.4 COUNTRY DEVELOPMENTS

According to most respondents, the development of the minimum wage remained the same. Major changes did not occur for this question. Most surveyed companies experience a positive effect of legislative or regulatory changes. In 2018, 50% experienced a positive effect, compared to 2017 where only 41.4% experienced a positive effect. *(EuroCham Myanmar, 2017)*

According to the surveyed companies, the effects of tighter monetary policies barely influenced the development of the company. The results did not differ much from last year. Whereas in 2017 47.1% experienced negative effects in the country, in 2018 46.4% of the surveyed companies experienced negative effects. *(EuroCham Myanmar, 2017)*

Furthermore, most surveyed companies did not experience a negative nor positive change in the economic nationalism in other countries. According to the most respondents, it remained the same. 42% of the surveyed companies responded that it remained the same, whereas in 2017 47.1% responded with the same option. *(EuroCham Myanmar, 2017)*
Protectionist policies in Myanmar or other countries are still a burden for the surveyed companies. 48.5% of the surveyed companies experienced a negative or somewhat negative effect. However, this percentage greatly decreased by 16.7% in comparison with 2017. *(EuroCham Myanmar, 2017)*

Furthermore, the negative trend of the economic nationalism in Myanmar continues. 48.2% of the surveyed companies remained significantly or somewhat negative about the changes. In comparison with 2017, the percentage decreased slightly by 6.1%. *(EuroCham Myanmar, 2017)*

Moreover, most surveyed companies did face more difficulties with the increasing inflation and in the previous year the increasing inflation had already been a big burden. In 2018, 61.6% experienced a negative effect. This is an increase of 7.3% in comparison with 2017, when only 54.3% had a negative experience within the increasing inflation. *(EuroCham Myanmar, 2017)*

Lastly, in 2018, 41.6% of the surveyed European companies were negative about the changes in the MMK appreciations. In comparison with last year, only 27.2% of the participants were negative about the changes in the MMK appreciations. This change can be monitored due the fact that the MMK is weak in comparison with the dollar and euro. *(EuroCham Myanmar, 2017)*
3.5 REALISED & BUDGETED REINVESTMENTS

REALISED REINVESTMENTS VOLUME IN MYANMAR LAST FISCAL YEAR

<table>
<thead>
<tr>
<th>Percent</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>No investments made</td>
<td>30%</td>
<td>25%</td>
<td>40%</td>
</tr>
<tr>
<td>Less than €1m</td>
<td>35%</td>
<td>30%</td>
<td>20%</td>
</tr>
<tr>
<td>Between €1m and €10m</td>
<td>10%</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Between €10m and €50m</td>
<td>5%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Between €50m and €250m</td>
<td>0%</td>
<td>0%</td>
<td>5%</td>
</tr>
<tr>
<td>More than €250m</td>
<td>0%</td>
<td>0%</td>
<td>5%</td>
</tr>
</tbody>
</table>

BUDGETED REINVESTMENT VOLUME IN MYANMAR THE NEXT FISCAL YEAR

<table>
<thead>
<tr>
<th>Percent</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>No investments made</td>
<td>40%</td>
</tr>
<tr>
<td>Less than €1m</td>
<td>30%</td>
</tr>
<tr>
<td>Between €1m and €10m</td>
<td>15%</td>
</tr>
<tr>
<td>Between €10m and €50m</td>
<td>10%</td>
</tr>
<tr>
<td>Between €50m and €250m</td>
<td>5%</td>
</tr>
<tr>
<td>More than €250m</td>
<td>0%</td>
</tr>
</tbody>
</table>
BUDGETED REINVESTMENT VOLUME IN MYANMAR IN THE NEXT THREE YEARS

2018

- No investments made
- < €1m
- Between €1m and €10m
- Between €10m and €50m
- Between €50m and €250m
- > €250m
### 3.6 REINVESTMENT DESTINATIONS

79.7% of the respondents are planning to reinvest in the upcoming three years.

<table>
<thead>
<tr>
<th>Value</th>
<th>2018</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yangon Region</td>
<td>54.3%</td>
<td>54.3%</td>
<td></td>
</tr>
<tr>
<td>Mandalay Region</td>
<td>50.7%</td>
<td>54.3%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Shan State</td>
<td>26.8%</td>
<td>18.6%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Nay Pyi Taw Union Territory</td>
<td>15.9%</td>
<td>22.9%</td>
<td>-7.0%</td>
</tr>
<tr>
<td>Ayeyarwady Region</td>
<td>14.5%</td>
<td>12.9%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Thaninthary Region</td>
<td>10.1%</td>
<td>21.4%</td>
<td>-11.3%</td>
</tr>
<tr>
<td>Bago Region</td>
<td>9.4%</td>
<td>11.4%</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Magway Region</td>
<td>8.7%</td>
<td>11.4%</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Sagaing Region</td>
<td>8.7%</td>
<td>10.0%</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Kayin State</td>
<td>7.2%</td>
<td>10.0%</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Mon State</td>
<td>5.8%</td>
<td>11.4%</td>
<td>-5.6%</td>
</tr>
<tr>
<td>Chin State</td>
<td>3.6%</td>
<td>10.0%</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Rakhine State</td>
<td>3.6%</td>
<td>10.0%</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Kayah State</td>
<td>3.6%</td>
<td>7.1%</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Kachin State</td>
<td>2.2%</td>
<td>8.6%</td>
<td>-6.4%</td>
</tr>
</tbody>
</table>

In Shan state the interest increased by 8.2% in comparison with 2017. Also, the interest for the Ayeyarwady region increased by 1.6% in comparison with 2017. Unfortunately, the other regions in Myanmar saw a decrease in interest to be a potential reinvestment region. Only Yangon remained the same in comparison with 2017.
Areas for reinvestment according to percentage of respondents

- >50%
- 20–50%
- 10–20%
- 0–10%

Note: regions scoring 10% must be included in the 0-10% category.
3.7 COUNTRY CHALLENGES

TOP 5 CHALLENGES THAT HINDER OR LIMIT OPPORTUNITIES FOR GROWTH IN MYANMAR

<table>
<thead>
<tr>
<th>Overall rank</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regulatory issues</td>
<td>Regulatory issues</td>
<td>Regulatory issues</td>
</tr>
<tr>
<td>2</td>
<td>Legal uncertainty</td>
<td>Lack of qualified labour force</td>
<td>Lack of qualified labour force</td>
</tr>
<tr>
<td>3</td>
<td>Lack of qualified labour force</td>
<td>Legal uncertainty</td>
<td>Legal uncertainty</td>
</tr>
<tr>
<td>4</td>
<td>Financial infrastructure</td>
<td>Financial infrastructure</td>
<td>Financial infrastructure</td>
</tr>
<tr>
<td>5</td>
<td>Transportation infrastructure</td>
<td>Difficulty in market penetration</td>
<td>Local competition</td>
</tr>
</tbody>
</table>

Regulatory issues remain the biggest challenge for European companies to face in Myanmar. Other major challenges are the lack of qualified labour force as well as the legal uncertainty in Myanmar. Furthermore, many European companies still consider the financial infrastructure of Myanmar a challenge that hinders the opportunities to grow in Myanmar. A new challenge the surveyed companies face in Myanmar is the local competition.

Places 6, 7, 8 and 9 respectively consist of difficulty in market penetration, foreign competition, transportation infrastructure and energy infrastructure. Lastly, communication infrastructure and water management infrastructure are not considered as major challenges which limit or hinder growth.

3.8 EMERGENCY PREPARATIONS

HAS YOUR COMPANY MADE SPECIFIC PREPARATIONS FOR EMERGENCY SITUATIONS, SUCH AS A POTENTIAL OUTBREAK OF INFLUENZA OR AN EARTHQUAKE OR OTHER NATURAL DISASTER?

59% No
41% Yes

The share of companies which have prepared for emergency situations has slightly changed, in comparison with 2017 and 2016. In 2018, 41% of the surveyed companies filled with yes, in 2017 38.6% and in 2016 39.3%. Common emergency preparations among the companies which filled in ‘yes’ are evacuation plans, insurance policies, business continuity plans and emergency management plan.
CONCLUSION

EuroCham Myanmar believes this survey to be an accurate representation of the wishes and needs of the European business community in Myanmar.

The Myanmar domestic market is growing and therefore continues to attract many European companies to come to Myanmar. This survey was filled in by 150 companies, an increase of 114% in comparison with the survey of 2017. Remarkably, 29% of the surveyed companies responded that they have a revenue less than €1m. This is a clear indication that Myanmar is attracting more European SMEs.

Furthermore, 81% of the European companies highlighted a need for improvement of Myanmar’s business environment. 46% of the respondents highlighted that the overall business climate, worsened the last 12 months. Moreover, most companies have indicated that they have been negatively affected by protectionist policies, economic nationalism, inflation and MMK appreciations in Myanmar. The respondents have also identified their top five challenges they face while doing business in Myanmar which are; regulatory issues, lack of qualified labour force, legal uncertainty, financial infrastructure and local competition.

Compared to 2017, the share of profitable European companies has decreased from 41% to 38%. Furthermore, 33% expect to become profitable within two years. Most respondents have positively forecasted their market share, services provided and overall business activities in Myanmar for the upcoming three years. However, in comparison with 2017, companies are less interested to increase their operational activities in Myanmar.

The European business community respondents seem less committed to further reinvest in Myanmar, with an overall planned decrease of reinvestment in most regions. However, the Ayerwady region and Shan state have a growing share of companies planning to reinvest in these areas, whereas planned reinvestments in Mandalay region, Nay Pyi Taw Union Territory and Tanintharyi region decreased in comparison with last year.

Lastly, after analysing the country developments, it can be concluded that most respondents have a more negative perspective about the Myanmar market compared to the previous years. This has a negative effect on a country in transition, and most regions can expect a decrease of European (re)investments. However, 61% of the surveyed companies responded that they are here to produce goods for the Myanmar market and seem determined to stay. Also, smaller European companies are entering the Myanmar market. These are good indications that European companies trust the market and still see a potential future for their business in Myanmar despite the current political and economic challenges the country is facing.
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