This publication has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of EuroCham Myanmar and can in no way be taken to reflect the views of the European Union.
EuroCham serves as the voice of European business in Myanmar. Its main mission is to significantly increase the presence of European companies 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 businesses interested in commercial endeavours in Myanmar, whether in the form of advocacy, business services, research or networking.

Myanmar currently finds itself at a political and economic crossroads. After opening up to the world in 2011 and holding its first credible elections for decades in 2015, interest within the European business community in the many underdeveloped economic sectors in the country is on the rise.

Now that Myanmar is in the process of re-entering into the global community, there could be no better time or opportunity for the European business community – and particularly, European SMEs – to invest in one of the fastest-growing economies in the world.

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 is a key economic indicator for the Myanmar business outlook.

Yangon, December 2016
Dear business colleagues in Myanmar,

EuroCham is on the move. We are growing a bigger presence in Myanmar amongst government authorities, not only in Yangon, but also with our staff in Naypyidaw.

I am excited to present to you EuroCham Myanmar’s first ever Business Confidence Survey. As you may know, Myanmar is entering the world stage. Many fellow European companies have grasped the business opportunities that Myanmar has to offer. However, not much is clear on how and where the European businesses in Myanmar operate, and more importantly, what obstacles and opportunities they see down the road. The Business Confidence Survey gives us the right means to focus our efforts where they are needed most.

I would like to thank the many companies that contributed to this survey. You are from all over Europe and from many different sectors. Thanks to your contributions we have been able to develop a solid and representative overview of the state of play for European business in Myanmar.

Wishing you successful business in the coming year!

Sincerely yours,

David Levrat

Chairman of the board of the European Chamber of Commerce in Myanmar
Dear friends of Europe,

With great pleasure, I received EuroCham’s first business confidence survey. The results of this survey are noteworthy and are an important source of information for anybody interested in EU-Myanmar business relations.

Myanmar’s opening-up has had a very positive effect on the country’s trade relations with the EU. More and more European businesses are willing to invest in this ‘last frontier market’ of ASEAN. I am delighted to see that European companies - leading both in know-how and corporate social responsibility - are prominent players in Myanmar's economic development.

The companies currently active in Myanmar, who responded to this survey, have been important door-openers for other European SMEs that are now looking to invest in this fascinating Asian market.

This is only the beginning. I very much look forward to an ever-strengthening relationship between European companies and Myanmar.

Sincerely yours,

Roland Kobia

Ambassador of the European Union to Myanmar
Your partner in one of the world’s fastest growing economies

European Chamber of Commerce in Myanmar
271-273 Bagayar Street
Sanchaung Tsp, Yangon, Myanmar

+95 9 45058 2335

info@eurocham-myanmar.org

www.eurocham-myanmar.org

eurocham.myanmar

eurocham-myanmar

EuroChamMyanmar
# TABLE OF CONTENTS

Introduction: Business Confidence Survey ................................................. 6

Executive summary .................................................................................. 7
Methodology .............................................................................................. 7
Key findings ............................................................................................... 8

1. Firmographics ...................................................................................... 9
   1.1. Respondents locations ................................................................. 10
   1.2. Legal representation .................................................................. 12
   1.3. European market entry over time .............................................. 13
   1.4. Primary business activities ....................................................... 14

2. Current business environment ............................................................... 16
   2.1. Employment .............................................................................. 17
   2.2. Revenue .................................................................................... 19
   2.3. Motivation for market entry ...................................................... 21
   2.4. Overall business environment rating ........................................ 22

3. Business outlook .................................................................................. 23
   3.1. Profitability ............................................................................... 24
   3.2. Company goals ......................................................................... 26
   3.3. Expectation of operational change ........................................... 27
   3.4. Country developments ............................................................... 28
   3.5. Realised & budgeted reinvestments .......................................... 30
   3.6. Reinvestment destinations ......................................................... 32
   3.7. Country challenges ................................................................... 34
   3.8. Emergency preparations ............................................................ 35

Conclusion .............................................................................................. 36
INTRODUCTION: 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 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
- Get an overview of sector representation of European companies in Myanmar
- Investigate the issues and concerns faced in Myanmar by European businesses
- Budget 2015-2016 and impact of economic restructuring
- Plot 2016-2017 investments, business strategies, expansions and manpower (a fiscal year in Myanmar runs between 1st April and 31st March)

This is EuroCham Myanmar’s very first Business Confidence Survey (BCS) and we are very satisfied with the high number of respondents, enabling us to provide you with an in-depth overview of the Myanmar business environment. We look forward to next year’s survey outcome, where we hope to see a further increase of the positive results already reported, indicating Myanmar’s improving business environment.
EXECUTIVE SUMMARY

METHODOLOGY

In EuroCham Myanmar’s first BCS, we contacted 103 European companies active in Myanmar and received 56 complete responses, which gives the survey a completion rate of 57.7%.

\[
\text{Sample Size} = \frac{z^2 \times p(1-p)}{e^2} \left(1 + \frac{z^2 \times p(1-p)}{e^2N}\right)
\]

From the population size of 103 and the survey sample size of 56, we have attained a confidence level of 95%, and a 9% margin of error on the statistical truth of the results.

The construction and execution of this survey follows the standards and guidelines on how to develop a survey provided by the EU Commission\(^1\) and the Rotterdam Business School.

RESULTS

The respondents tell us that 98% of European businesses in Myanmar have their headquarters in Yangon. 46% of the European companies currently active in Myanmar started their operations after 2011.

The sector in which European companies employ the most local personnel is manufacturing.

Over the last 12 months, 31% of businesses state that the business environment has improved. 61% feel it has remained about the same.

Regulatory issues and legal uncertainty remain the biggest challenges in Myanmar.

The biggest reason for European companies to come and do business in Myanmar is the opportunities in Myanmar’s domestic market.

\(^1\)http://ec.europa.eu/economy_finance/db_indicators/surveys/method_guides/index_en.htm
KEY FINDINGS

82% of European companies active in Myanmar employ fewer than 250 people and have a local annual turnover of less than 50 million euro. Almost all of these companies represent either local offices or subsidiaries of larger European corporations and multinationals.

Of all the respondents, 48% chose to set up business in Myanmar as a local subsidiary, in the form of a Limited Company.

Furthermore, 16% of European companies still operating in the market now were already active in Myanmar before 1996.

54% of the European companies in Myanmar employ fewer than 5% of expatriates or foreign passport holders as a percentage of their total staff. 16% employ between 20-50% expatriates or foreign passport holders.

One third of the companies in the survey stated that they feel the business environment has improved over the last 12 months. However, 58% say it needs more improvement.

Only 9% rate the current business environments as poor. The numbers show us that, despite the call for improvement, much progress is being made and a positive trend can be seen.

Another indicator for economic progress is that 50% of the European companies here are already profitable, and another 46% expect to be profitable within the next two to five years.

57% feel that the coming regulatory and legislative changes will have a positive effect on their business for the coming year. Many respondents identified ever-increasing inflation as the main negative factor for their profitability.
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

COUNTRIES THAT CONTRIBUTED TO THE SURVEY

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

Austria, Belgium, Burma, Cyprus, Denmark, France, Germany, Ireland, Italy, Netherlands, Spain, Sweden, Switzerland, Thailand, United-Kingdom and Vietnam.

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.
In total, 61% of the companies surveyed do not have any other offices besides their main office in Yangon. 34% have another office in Mandalay region, followed by 11-13% with offices in Naypyidaw Union Territory, Shan State and Mon State.
Almost half of the European companies in the survey chose to set up business in Myanmar as a local subsidiary, in the form of a Limited Company. The second most popular choice is installing a local branch of their company in Myanmar. Another 20% operate as a joint venture with either the government or a local partner, and 13% make use of a local representative (office). This last type of legal representation is not allowed to perform direct commercial or revenue-generating activities in Myanmar. Representative offices most commonly perform marketing or liaison activities on behalf of the head office.
Among the respondents, we can see that some companies set up their business in Myanmar before 1996 and decided to stay in Myanmar through the difficult times of economic sanctions and the oppressive military regime. Some companies tried to enter the market between 1996 and 2011 but the amount of new companies dwindled over time in parallel with the worsening of the political scene. Our data shows that most of the currently active companies in Myanmar entered the market in 2011, as the country opened for investments again. European companies and investors are still entering the market since.

Data shown in a graph over time
1.4. PRIMARY BUSINESS ACTIVITIES

- Administrative and Support Service Activities: 1.8%
- Wholesale and Retail trade: Repair of Motor Vehicles and Motorcycles: 3.6%
- Information and Communication: 3.6%
- Financial and Insurance Activities: 3.6%
- Agriculture, Forestry and Fishing: 3.6%
- Mining and Quarrying: 5.4%
- Electricity, Gas, Steam and Air Conditioning Supply: 5.4%
- Other Service Activities: 7.1%
  - Other personal service activities: 75.0%
  - Activities of membership organisations: 25.0%
- Professional, Scientific and Technical Activities: 8.9%
  - Other professional, scientific and technical activities: 60.0%
  - Activities of head offices; management consultancy activities: 40.0%
Transportation and Storage is the biggest represented sector among our survey respondents. Manufacturing is the second biggest sector, followed by Construction. Accommodation and Food Service Activities together with Professional, Scientific and Technical Activities are the joint-fourth biggest sectors.
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.
82% of European companies active in Myanmar employ fewer than 250 people and have an annual turnover, within Myanmar, of 50 million euro or less.

The companies that employ more than 250 people, right up to those employing more than 5,000 people, are creating an incredible amount of jobs for local personnel as their staff headcount is mostly made up of less than 5% foreign passport holders and expatriates. Most of those jobs are in the Manufacturing sector (beverages, food products and textiles). Other sectors such as Accommodation, Food Service Activities, Construction, Mining and Quarrying, Professional, Scientific and Technical Activities, Wholesale and Retail Trade plus the Repair of Motor Vehicles and Motorcycles, and Financial and Insurance Activities make up for the remainder of sectors employing large numbers of local personnel. Their reasons for setting up operations in Myanmar are to expand or establish a regional base of operations.
The average among European companies that employ foreign passport holders or expatriates is 12.5% of their staff. Most companies employ less than 5%. Large enterprises only employ 3% expatriates or foreign passport holders in Myanmar.

LOCAL PERSONNEL HIRED IN THE LAST 12 MONTHS
Revenue made in Myanmar is still a small percentage of the total worldwide revenue generated by the European companies active in Myanmar. It will be interesting to see if that percentage grows, and by how much. This information will be available in next year’s business confidence survey.
The opportunities offered by Myanmar’s domestic market is the main reason for European companies to set up operations in Myanmar, one of the last frontier markets with the highest percentage of prospected GDP growth in the world\(^2\), which also provides an unexplored market of over 53 million inhabitants.\(^3\)

The second and third reasons are the expansion or establishment of a regional base of operations, and the ongoing economic reforms that will stimulate FDI and a promising future. Survey respondents also stated that the untapped potential within the energy sector, particularly “hydropower, oil reserves”, together with a low electrification rate in comparison with neighbouring countries and the lack of strong local competition, provides foreign investors with an ‘early mover’ advantage.

\(^2\) IMF prospected growth of GDP per country (April 2016)
\(^3\) Census by World Bank and DICA on population count (2014)
58% of the companies surveyed stated that the business environment needs improvement. Only a low 9% rate it as a poor place to do business, and 32% consider the environment to be good/acceptable to outstanding. Considering the planned reinvestments by European companies, they expect to see those improvements realised in the coming years.
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.
Half of the respondents are already profitable at this point. 26% expect to be profitable within the next two years, and another 20% believe their businesses will be profitable somewhere in the next five years. 4% are not expecting any returns in the coming five years and are working towards a more long-term investment plan.
61% of the profitable companies are meeting their budget expectations, and 8% are even significantly exceeding their budgeted profit expectations. 31% are profitable, but not yet meeting their budget expectations.
The clear majority of companies are producing goods or services in Myanmar for the Myanmar market. 4% are solely exporting from Myanmar to the EU and another 8% are producing goods and services in Myanmar for the EU market. 4% are exporting from Myanmar, but not to the EU. In total, 27% of respondents said that their goals were different than the ones we provided, because they were globally operating companies. Most of these companies are importing goods into the Myanmar market or taking care of product distribution. Some are here for logistical purposes only, and others are producing oil/gas for Myanmar and other countries when the domestic need is fulfilled.
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>0.0%</td>
<td>0.0%</td>
<td>17.6%</td>
<td>74.5%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Market share</td>
<td>0.0%</td>
<td>3.9%</td>
<td>33.3%</td>
<td>52.9%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Competition from local firms</td>
<td>0.0%</td>
<td>2.0%</td>
<td>43.1%</td>
<td>47.1%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Profits</td>
<td>0.0%</td>
<td>3.9%</td>
<td>23.5%</td>
<td>62.7%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Over all Myanmar business activities</td>
<td>0.0%</td>
<td>3.9%</td>
<td>13.7%</td>
<td>76.5%</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

This chart paints a positive picture of growth for the coming three years, and shows that the European business community is keen on expanding their services and overall business activities within Myanmar. The feeling about local competition is a mixed one, with some expecting to see an increase and others expecting it to remain the same over the next three years.
Our survey respondents have told us that they feel that the legislative and regulatory changes will have a positive effect on the economy (from slight to significant). The appreciation of the Myanmar Kyat (MMK) is also viewed as a positive development. The increasing inflation and tight monetary policies are a slight concern to the European business environment, followed in importance by economic nationalism and protectionist policies in Myanmar or other countries.

The Respondents are divided in their opinion about what an increase of minimum wage standards will mean for their business activities. A quarter of the respondents view this as a negative development and an opposing quarter believes this to be positive.

### 3.4. COUNTRY DEVELOPMENTS

<table>
<thead>
<tr>
<th>Economic nationalism in Myanmar</th>
<th>Significant negative effect</th>
<th>Somewhat negative effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protectionist policies in Myanmar or other countries</td>
<td>9.8%</td>
<td>33.3</td>
</tr>
<tr>
<td>MMK appreciations</td>
<td>3.9%</td>
<td>15.7</td>
</tr>
<tr>
<td>Tight Monetary policies</td>
<td>3.9%</td>
<td>37.3</td>
</tr>
<tr>
<td>Increasing inflation</td>
<td>7.8%</td>
<td>45.1</td>
</tr>
<tr>
<td>Increasing minimum wage standards</td>
<td>2.0%</td>
<td>25.5</td>
</tr>
<tr>
<td>Other legislative or regulatory changes</td>
<td>5.9%</td>
<td>9.8</td>
</tr>
<tr>
<td>Economic nationalism in other countries</td>
<td>0.0%</td>
<td>15.7</td>
</tr>
<tr>
<td>Remain about the same</td>
<td>somewhat positive effect</td>
<td>Significant positive effect</td>
</tr>
<tr>
<td>-----------------------</td>
<td>--------------------------</td>
<td>------------------------------</td>
</tr>
<tr>
<td>27.5%</td>
<td>9.8%</td>
<td>3.9%</td>
</tr>
<tr>
<td>27.5%</td>
<td>9.8%</td>
<td>5.9%</td>
</tr>
<tr>
<td>29.4%</td>
<td>27.5%</td>
<td>5.9%</td>
</tr>
<tr>
<td>25.5%</td>
<td>13.7%</td>
<td>7.8%</td>
</tr>
<tr>
<td>29.4%</td>
<td>5.9%</td>
<td>0.0%</td>
</tr>
<tr>
<td>37.3%</td>
<td>21.6</td>
<td>5.9%</td>
</tr>
<tr>
<td>13.7%</td>
<td>35.3%</td>
<td>21.6%</td>
</tr>
<tr>
<td>41.2%</td>
<td>7.8%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>
The respondents to this survey said they are planning to reinvest anywhere between 70 million euro and 540 million euro into Myanmar over the next year. For the next three years, they have budgeted a minimum of 660 million euro up to 1.39 billion euro in total.
3.6. REINVESTMENT DESTINATIONS

LIKELY GEOGRAPHICAL ZONES FOR FUTURE REINVESTMENTS

<table>
<thead>
<tr>
<th>Value</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yangon Region</td>
<td>64.0%</td>
</tr>
<tr>
<td>Mandalay Region</td>
<td>52.0%</td>
</tr>
<tr>
<td>Shan State</td>
<td>18.0%</td>
</tr>
<tr>
<td>Naypyidaw Union Territory</td>
<td>16.0%</td>
</tr>
<tr>
<td>Taninthayi Region</td>
<td>12.0%</td>
</tr>
<tr>
<td>Bago Region</td>
<td>12.0%</td>
</tr>
<tr>
<td>Magway Region</td>
<td>12.0%</td>
</tr>
<tr>
<td>Rakhine State</td>
<td>12.0%</td>
</tr>
<tr>
<td>Ayeyarwady Region</td>
<td>10.0%</td>
</tr>
<tr>
<td>Mon State</td>
<td>8.0%</td>
</tr>
<tr>
<td>Sagaing Region</td>
<td>6.0%</td>
</tr>
<tr>
<td>Kayah State</td>
<td>4.0%</td>
</tr>
<tr>
<td>Chin Staet</td>
<td>4.0%</td>
</tr>
<tr>
<td>Kayin State</td>
<td>4.0%</td>
</tr>
<tr>
<td>Kachin State</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Yangon and Mandalay can expect the most reinvestments over the coming years. Shan State and Nay Pyi Daw are also popular places of interest for European reinvestment.
Areas for reinvestment according to percentage of respondents:

- > 60%
- 30-60%
- 15-30%
- 5-15%
- 0-5%

Naypyidaw
Union Territory
### 3.7. COUNTRY CHALLENGES

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

<table>
<thead>
<tr>
<th>Overall Rank</th>
<th>Challenge</th>
<th>Rank Distribution</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regulatory issues</td>
<td></td>
<td>475</td>
</tr>
<tr>
<td>2</td>
<td>Legal uncertainty</td>
<td></td>
<td>445</td>
</tr>
<tr>
<td>3</td>
<td>Lack of qualified labour force</td>
<td></td>
<td>398</td>
</tr>
<tr>
<td>4</td>
<td>Financial infrastructure</td>
<td></td>
<td>275</td>
</tr>
<tr>
<td>5</td>
<td>Transportation infrastructure</td>
<td></td>
<td>265</td>
</tr>
</tbody>
</table>

Regulatory issues and legal uncertainty are the biggest challenges European companies face in Myanmar. There was only one vote separating the first and second challenge in this year’s top 5. The lack of qualified personnel availability is in third place, with far more votes than the fourth and fifth placed challenges, financial and transportation infrastructure issues. Places 6, 7 and 8 consist, respectively, of foreign competition, energy infrastructure and local competition.

Another interesting find is that the possible challenge of ‘Insufficient Intellectual Property Rights Protection’ was rated very low and is not considered a high priority challenge according the European companies in this survey.
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?

60.8% No
39.2% Yes

There is a lot of room for improvement here, as we can see that 60.8% of European companies in Myanmar have no preparations in place in case of force majeure. The 39.2% that have prepared have done so through the following means:
CONCLUSION

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

The results indicate that European companies are generally positive about the future for their businesses in Myanmar. Furthermore, the respondents believe that the country shows promise for the coming years, and they are planning on reinvesting.

However, the business environment of Myanmar for foreign direct investment is still in need of improvement. European companies can support these efforts by providing examples for standardisation in - among others - CSR, safety regulations and sustainability.

Because of the positive business prospects, EuroCham believes that businesses not yet active in Myanmar should be encouraged and inspired to contemplate possible investment in the last frontier market in South East Asia.

Likewise, the results are effectively a compliment for the newly-appointed government, and hopefully an encouragement to continue the difficult work of changing Myanmar into a welcoming market for foreign direct investment. EuroCham is determined to continue as a constructive partner to Myanmar’s government, helping to achieve its economic objectives.
THANK YOU TO OUR PARTNER MEMBERS

Platinum Members

Prestige Automobiles

bmwmyanmar.com

Sheer Driving Pleasure

Gold Members

Gold Members

Silver Members

Silver Members
It enables and supports companies in expanding their businesses in existing markets and launching into new ones. DKSH offers sourcing, marketing, sales, distribution and after-sales services.

DKSH provides its partners with fundamental expertise and on-the-ground logistics, covering Asia Pacific, Europe, and the Americas with a comprehensive network of 770 business locations operated by 28,300 specialists.

DKSH was founded in 1865. With strong Swiss heritage, the company has a long tradition of doing business in and with Asia and is deeply rooted in communities and businesses across Asia Pacific.
ACKNOWLEDGEMENTS

EuroCham Myanmar thanks the European businesses that completed this survey, next to the EU delegation and EU member states and the bilateral chambers – the French Myanmar Chamber of Commerce & Industry, the British Chamber of Commerce Myanmar, the German Myanmar Business Chamber and the Chamber of Commerce Italia – Myanmar – for their support in this business confidence survey.

Special thanks to Rutger Vonk, for his support and execution of this project.