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EUROPEAN CHAMBER OF COMMERCE IN MYANMAR

The European Chamber of Commerce in Myanmar (EuroCham Myanmar) serves as the voice of European business in Myanmar. Its main mission is to 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 Myanmar 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, November 2019



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EUROCHAM CHAIRMAN OF THE BOARD

We are delighted to share with you the results of our fourth Business Confidence Survey. It is an important milestone for EuroCham. Indeed, it reflects how European companies perceive the business environment in Myanmar. 74 companies contributed to this survey, and I am thankful for their support: this survey would not have been possible without their support and input.

European investors are confident about Myanmar's long-term potential, and the perception of the business environment is better this year: almost two-thirds of European Companies consider that the business environment in Myanmar has improved or remained the same compared to last year. Likewise, we notice a 25% increase from last year regarding their satisfaction. This confidence of European businesses can also be seen elsewhere: they are starting to expand their footprint in the country by investing in developing their business in new areas like Mandalay and Shan State.

However, their willingness to invest further has hindered. 42% of the companies surveyed do not plan to invest next year. The challenges limiting Myanmar's potential for growth are quite similar compared to last year: lack of clarity and efficiency of the regulatory frameworks, legal uncertainty, lack of skilled people, etc. However, it is essential to note that a new risk is rising for European companies doing business here: reputational risk related to the crisis in Rakhine, and the situation of Human Rights in the country. Addressing these issues is fundamental for unlocking Myanmar's potential, especially for long-term investors like European Companies. Why?

European Business is creating long-term value. 68% of the companies surveyed are serving the Myanmar market either by importing European products or solutions here or by producing a variety of goods and services locally. This creates economic value and also contributes to creating social value as well. How? First, European companies are creating jobs. 26% of them have a workforce of at least 250 people. They sustain at least 10,000 jobs directly and support indirectly 200,000 livelihoods. Second, they invest massively in building the skills of their people: 48% of the companies in our survey provide their employees with at least 40 hours of training yearly.



European companies are key to support the Government to deliver the Myanmar Sustainable Development Plan. At EuroCham, we are committed to advocating for better business practices in Myanmar. We aim to foster a better level playing field that will reinforce the confidence and trust of investors and businesses in Myanmar.

Last, let me take this opportunity to wish you all success in the coming year 2020!

Sincerely yours,
Nicolas Delange
 Chairman of EuroCham Myanmar

EU AMBASSADOR TO MYANMAR

Dear Friends of Europe,

Since 2011, the European Union has increasingly re-engaged with Myanmar, including in its trade and investment relations, as the country embarked on its journey of reform towards democratisation, peace and socio-economic recovery. In 2013, the EU lifted sanctions and reinstated unilateral trade privileges deriving from the EU Generalised Scheme of Preferences (GSP). Under the so-called "Everything But Arms" (EBA) arrangement, exporters from Myanmar enjoy duty-free and quota-free access to a European market of over 500 million consumers for all Myanmar products except for arms and ammunitions, and dual-use goods. Today, the EU – Myanmar bilateral trade in goods is at an all-time high, amounting to 2.9 billion Euro in 2018. Interestingly, the EU is Myanmar's trade partner who also provides the biggest trade surplus (1.7 billion Euro in 2018).

Amidst sluggish global trade growth, Myanmar's economy continues to expand, and it is forecasted that this trend will continue. It is also encouraging to note the positive developments in Myanmar's business climate this year. The World Bank named Myanmar as one of the top 20 improvers in Doing Business 2020 and the country moved up six places to 165 on the Bank's 2020 Ease of Doing Business ranking, highlighting reforms which provide an enabling environment for starting a business and greater protections for minority investors. This positive development is well reflected in this edition of the Business Confidence Survey, which shows European businesses' satisfaction with the overall business environment in Myanmar increasing in comparison to last year.

However, on the political and human rights front, it may be understated to say that the situation in Myanmar remains challenging. The UN Independent International Fact-Finding Mission (IFFM) concluded in its 2018 report that many of the violations and human rights abuses committed in Kachin, Shan and Rakhine States between 2011 and 2018, principally by the Myanmar security forces, amount to the gravest crimes under international law. In response, the EU imposed targeted restrictive measures on senior officers in Myanmar's security forces in June 2018. In addition, the EU is reconsidering the EBA benefits it



provides Myanmar and has therefore stepped up its monitoring of the country's compliance with fifteen fundamental UN and ILO conventions. The FFM also published a report in August this year detailing the economic interests and ties of Myanmar's military that concerned many in the business community. In the face of such challenges, I urge European businesses to remain resilient, conduct full due diligence when entering business relationships, and continue to espouse the very best of European values, including transparency, accountability and corporate social responsibility.

In this volatile business climate, EuroCham's Business Confidence Survey serves as an indispensable source of information for those interested in EU-Myanmar trade and investment. Given that it is conducted annually, it illustrates trends and tendencies as perceived by European businesses. In addition, it can serve as a reference in bilateral trade and investment dialogue between the EU and Myanmar, as well as for the EU's development assistance to promote a more open and inclusive business environment.

The EU remains committed to engaging with Myanmar and we hope to support European businesses to do the same. I, therefore, also want to extend my sincere gratitude to the companies and respondents contributing to this year's survey.

With warmest regards

H.E. Kristian Schmidt
 Ambassador of the European Union to Myanmar

Myanmar and Asia in Focus



With a team of more than 50 European and Myanmar lawyers and internationally trained professionals in our office in Yangon, Luther has the competence and expertise necessary to comprehensively assist and advise our clients on all aspects of corporate and commercial law as well as regulatory compliance, including:

- Legal advice
- Tax advice
- Incorporation services
- Corporate secretarial services
- Bookkeeping and accounting
- Tax compliance
- HR administration and payroll
- Payment administration

Our Myanmar clients comprise of international and multinational private investors, MNCs and SMEs, Myanmar businesses and conglomerates as well as embassies, state owned enterprises, international development organizations and NGOs.

With 13 European and 7 Asian offices and partner firms, Luther is one of the top addresses among German commercial law firms. Knowledge of the market in which our clients are active is a prerequisite for providing successful advice. That's why our lawyers and tax advisors, in addition to their specialized legal knowledge, also focus on advising clients from particular industries.



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INTRODUCTION

PURPOSE OF THE SURVEY

EuroCham Myanmar's Business Confidence 2019 aims to capture the current business sentiments of European companies operating in Myanmar. The results might be helpful for short-term forecasting, economic surveillance and economic research. The companies' sentiments might detect turning points in the economic cycle before these are captured by tangible performance indicators. This survey, therefore, provides keys insight on top of official statistics.

The data generated through the fourth edition of EuroCham's Business Confidence Survey is particularly useful for monitoring the day-to-day impact of economic and regulatory developments which can change frequently in the fast-moving market Myanmar.

METHODOLOGY

To capture the business sentiment of European businesses in Myanmar, EuroCham Myanmar designed a questionnaire consisting of 29 questions. The first part of the questionnaire asks about the general information of the company such as the legal entity in Myanmar, investment and operating motivations, and the primary business sectors the company is operating in. Part two focuses on operating activities including business and recruitment plans, as well as financial performance and satisfaction of the current business environment. The final part aims to capture companies' expectation on the future business environment in Myanmar, as well as providing an overview of systematic challenges European companies face. Over a time-span of six weeks (September 2019 to October 2019) the questionnaire was sent electronically to European businesses operating in Myanmar, or local ventures that represent European businesses.

In detail, the objectives of this survey are to:

- Make a snapshot of the business sentiment of European businesses in Myanmar;
- Establishing an understanding of the issues and concerns faced by European businesses in Myanmar;
- Monitor the expectations of budget plans for the years 2018-19, and what has been the impact of legislative framework;
- Assess the projections for future investments for the years 2019-20, including investments, business strategies, expansions and manpower.

This is EuroCham Myanmar's fourth consecutive edition of the Business Confidence Survey. We are very pleased with the participation of European businesses, which allows us to get a reliable, in-depth overview of the business environment in Myanmar to map out ongoing trends.

To ensure a higher response-rate, EuroCham Myanmar sent weekly reminder e-mails, and approached relevant recipients directly via phone calls or in person through EuroCham's advocacy groups. The chamber reached out to a total of 900 business contacts, of which 95 filled out the questionnaire on a one-person-per-business basis. Since this survey aims at capturing the business sentiment of European businesses and/or exclusive local distributors of European brands, the received answers were filtered for survey takers that do not fulfil these requirements. The final number of eligible replies were therefore 74. This represents 50% of all foreign-companies registered according to the Directorate of Investment and Company Administration. 50% of the replies came from EuroCham Myanmar member companies.

EXECUTIVE SUMMARY

In the 2019 edition of EuroCham Myanmar's Business Confidence Survey, 74 companies participated and shared their business projections and sentiment of doing business in Myanmar.

46% of European companies are registered in Myanmar as a local subsidiary in the form of a Limited Liability Company. The second most chosen legal entity are joint ventures between a European company and a local partner (15%). 8% do not have a physical representation in Myanmar and operate via intermediaries.

The majority of responding companies (38%) belong to a parent company that reports more than EUR 1 billion in global revenues. In Myanmar, 30% of the survey takers have revenues between EUR 1 million and EUR 10 million. This indicates that the local economy not yet favours small- and mid-sized enterprises, as business activities require many resources and long-term planning, which is rather executed by multinational corporations.

The responding businesses operate in a wide variety of industries including the healthcare sector (13%), the construction sector (11%), consumer goods sector (11%), business services (8%), and logistics (8%). The main motivation to establish an office in Myanmar is to serve the local market and produce locally (38%) or import European products (30%).

The majority of European organisations in Myanmar (35%) provide work for 6 to 20 employees. Except for this size, each company size – from less than 5 employees to more than 1,000 employees – is represented almost equally.

In total, the survey recipients provide direct jobs for 10,000 to 35,000 workers, and through their engagement with suppliers support 200,000 to 430,000 livelihoods indirectly. 48% of all surveyed companies provide at least 41 hours of training per year to the employees which is on par with international standards.

More than one-third (38%) of survey respondents say that the local business environment greatly improved or improved over the last 12 months. This marks an 19%-point increase from last year. Similarly positive are European businesses in evaluating the current business environment today, compared to last year's Confidence Survey. 29% perceive it as very satisfying (1%) or satisfying (28%), while only 3% shared this view in 2018.

The survey respondents have a positive outlook regarding their business in terms of services provided, market share, profits and the company's overall business activities in Myanmar. The main challenges European businesses face are related to regulatory frameworks, Myanmar's image in the global press and society, and legal uncertainty. Compared to last year, operational challenges like the lack of qualified labour force decreased in the ranking from the second most pressing challenge in 2017 and 2018 to the fourth main challenge this year.

KEY RESULTS

Chapter One – Firmographics:

Of the responding 74 companies...

Value	Insight
93%	...have at least one office in Yangon.
26%	...have no other office, other than in Yangon.
46%	...are a local subsidiary in form of a limited liability company (Ltd.).
15%	...have a joint venture with a local business partner.
46%	...are in Myanmar since 2 to 5 years.
8%	...operate in Myanmar since more than 20 years.
13%	...are active in the healthcare sector.
4%	...are specialised in digital services.

Chapter Two – Current Business Environment

Value	Insight
38%	...produce in Myanmar for the local market.
30%	...import products/services from the European Union for the Myanmar markets.
35%	...have a staff-size of 6 to 20 employees, and 5% have more than 5,001 workers.
44%	...offer more than 41 yearly training hours for their employees.
38%	...represent a parent company that has more than EUR 1 billion in global revenues.
30%	...have revenues between EUR 1 million and EUR 10 million in Myanmar.
35%	...are profitable.
35%	...have the sentiment that the business environment improved. (in 2018: 16%)
27%	...are satisfied with the business environment. (in 2018: 2%)

Chapter Three – Business Outlook

Value	Insight
82%	...state that they are increasing or greatly increasing services they provide.
20%	...had investment between EUR 1 million and EUR 10 million in the last fiscal year. (in 2018: 15%)
19%	...plan to expend their business to the Mandalay region, and 18% focus on Yangon.
The #1	...challenge are regulatory frameworks.
49%	...have contingency plans in the case of natural disasters.
50%	...do not have contingency plans for political instability.

1 FIRMOGRAPHICS

1.1 RESPONDENT'S LOCATION

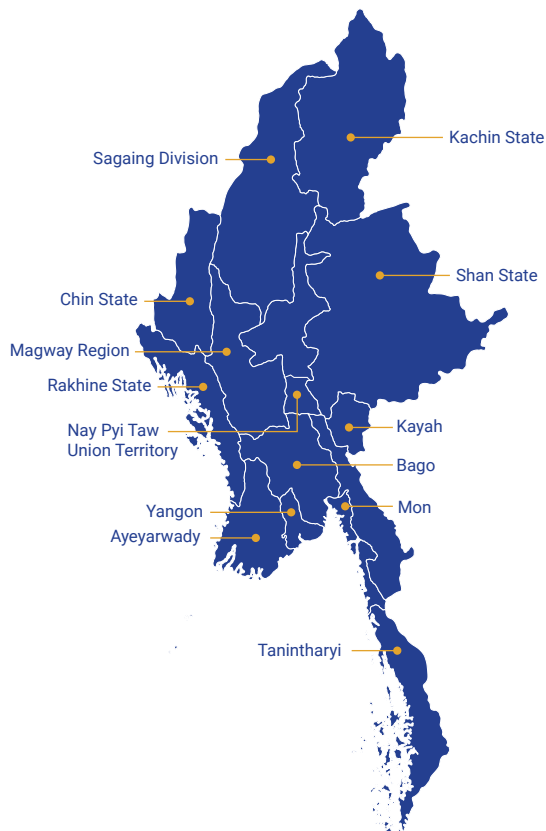
The respondents' company headquarters are from the following countries (in alphabetical order): Belgium, Cyprus, Denmark, France, Germany, Italy, Netherlands, Norway, Slovenia, Spain, Sweden, Switzerland, and the United Kingdom.

Q: WHERE IS YOUR PARENT OR **HOLDING COMPANY LOCATED ?**

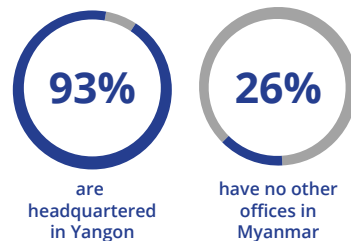


Q: WHERE IS YOUR **COMPANY HEADQUARTERED IN MYANMAR?**

Q: WHERE DOES YOUR **COMPANY HAVE OFFICES IN MYANMAR?**



OF OUR RESPONDENTS

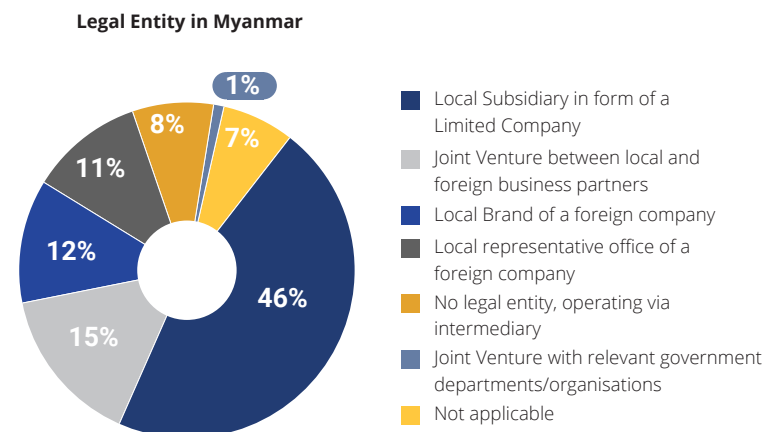


State/Region	Percentage
Yangon	93%
Mandalay Region	19%
Naypyidaw	8%
Shan State	8%
Mon State	6%
Ayeyarwady Region	6%
Magway Region	5%
Taninthayi Region	4%
Sagaing Region	3%
Bago Region	3%
Kachin	2%
Kayin State	2%
Rakhine State	2%
Chin State	1%
Kayah State	1%
No other office	26%
Not applicable	4%

Respondents who are operating directly in Myanmar, are mainly located in Yangon. 26% of these companies do not operate in other locations, which indicates that Yangon is still the major economical hub even though the capital was moved to Naypyidaw more than 12 years ago. Though the majority does not have other offices outside Yangon, it becomes clear that companies start to expand to other parts of the country: Mandalay Region (19%) develops into the second strongest market after Yangon, followed by Naypyidaw (8%), and Shan State (8%). Especially the trust in Shan State sends positive signals to the region, as a formal economy is necessary to replace informal/illegal business activities, and give people and companies the opportunity to engage in legal and government-supported work.

1.2 LEGAL REPRESENTATION

Q: PLEASE SELECT YOUR COMPANY'S **LEGAL ENTITY AS SEEN IN MYANMAR.**



Similar to 2018, most European companies decide to set up a local subsidiary in the form of a limited liability company (Ltd.) in Myanmar. According to the Myanmar Companies Law, if foreign ownership exceeds 35% in a corporation, it is considered as foreign-owned. This means, that businesses that were founded by European expatriates who seek to leverage their experience and knowledge of the local business ecosystem, and who are not governed by parent companies abroad, are also considered as foreign companies.

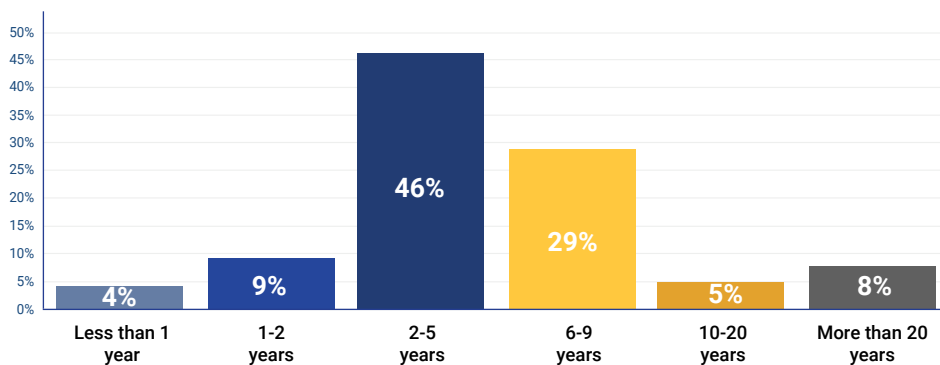
8% of the recipients operate via an intermediary and do not have own legal entities in Myanmar. An example for this structure are companies like BMW or Mercedes-Benz, who have exclusive distributors that by law are a Myanmar companies that operate under the foreign brand's name.



1.3 EUROPEAN MARKET ENTRY OVER TIME

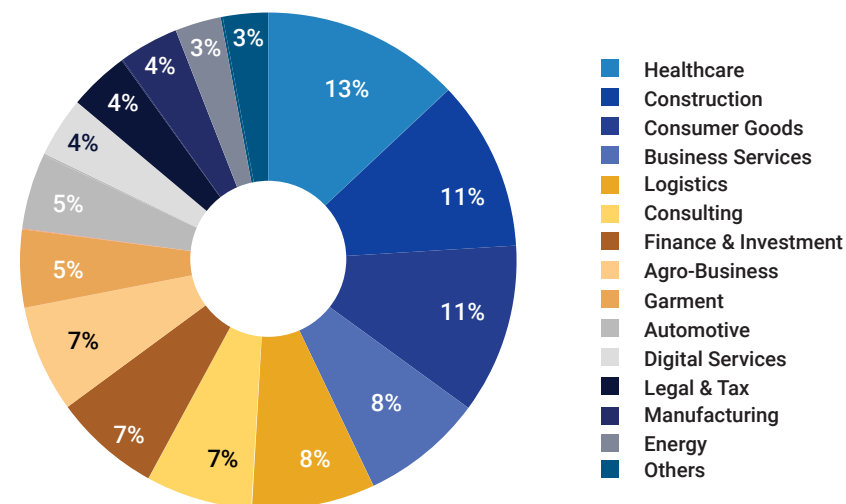
Myanmar opened to the global economy eight years ago in 2011. One-third of the surveyed companies took the opportunity to gain first-mover advantages, and started operations in the first years of opening. The majority of respondents, followed five to two years ago in order to capture the fast growth, a continuously more stable business environment and increasing spending power of the local population. 8% of the respondents operate in Myanmar since more than 20 years and went through historical political and economic changes.

Q: HOW LONG HAS YOUR COMPANY BEEN ACTIVE ON A BUSINESS LEVEL IN MYANMAR?



1.4 PRIMARY BUSINESS ACTIVITIES

Q: WHICH CATEGORY BEST DESCRIBES THE PRIMARY FOCUS OF YOUR BUSINESS ACTIVITIES IN MYANMAR?



The Government of Myanmar has amongst the lowest healthcare spending in the world, and lacks related infrastructure. This presents a big opportunity for private healthcare providers to serve high-income demographics who trust European labels over local companies. A high percentage of construction companies are an indicator of the fast growth in a frontier market, that is about to catch-up on basic road and transportation infrastructure, as well as real estate. The low digitalisation-rate in Myanmar makes it difficult to retrieve market information about industries and companies.

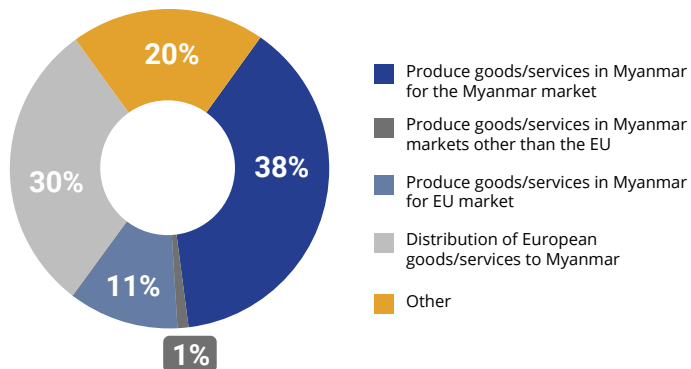
Newly entering companies might therefore rely on local partners and the established business relationships who are often build on trust. Early-movers captured this advantage and started to turn their experience and network into a business. This could explain the relatively high share of business and consulting services, and finance and investment activities (combined 22%) offered by European companies and individuals – as well as the low company representation offering Digital Services (4%).

1.5 MOTIVATION FOR MARKET ENTRY AND COMPANY GOALS

Q: ACCORDING TO IMPORTANCE, **PLEASE RANK THE REASON FOR YOUR COMPANY TO SET UP OPERATIONS IN MYANMAR.**

Rank	Motivation
1	Access to Myanmar's domestic market
2	Expanding or establishing regional base of operations
3	Business climate (compared to neighbouring countries)

Q: WHAT IS YOUR COMPANY'S **MAIN GOAL IN MYANMAR ?**



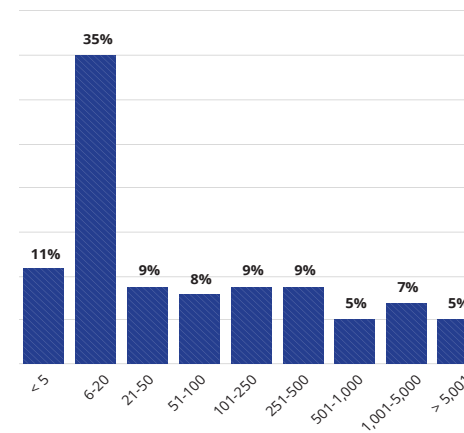
European businesses seek the customers on the domestic market. Respondents of the survey used the comment section to elaborate their decision in more detail. In general, the companies value the growth potential in various sectors, the experience in manufacturing (especially of garments), and the availability of human capital in regards of low wage-levels. Furthermore, the size and young age of the population build make Myanmar an attractive strategic market.

Especially for logistics companies, Myanmar's geographical location between China, Thailand and India, is an important argument to open offices to provide their services globally.

2 CURRENT BUSINESS ENVIRONMENT

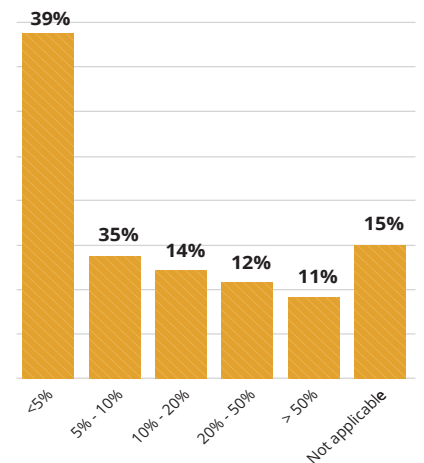
2.1 EMPLOYMENT

Q: **HOW MANY PERSONNEL IS CURRENTLY EMPLOYED AT YOUR COMPANY IN MYANMAR?**



Q: OUT OF YOUR TOTAL NUMBER OF EMPLOYEES IN MYANMAR, **HOW MANY ARE FOREIGN PASSPORT HOLDERS AND/OR EXPATRIATES?**

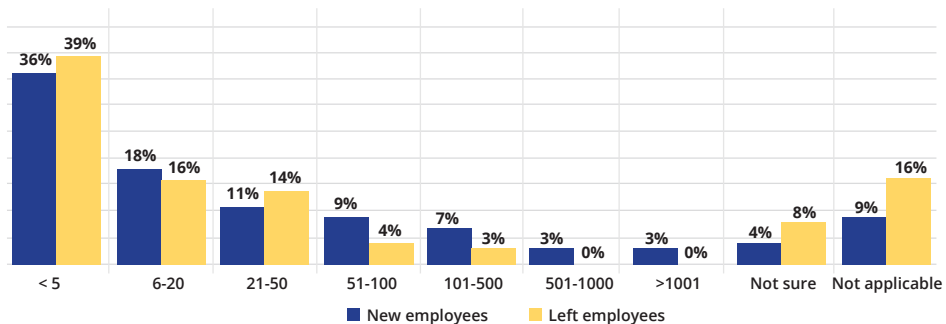
Percentage of expatriates of the total employees





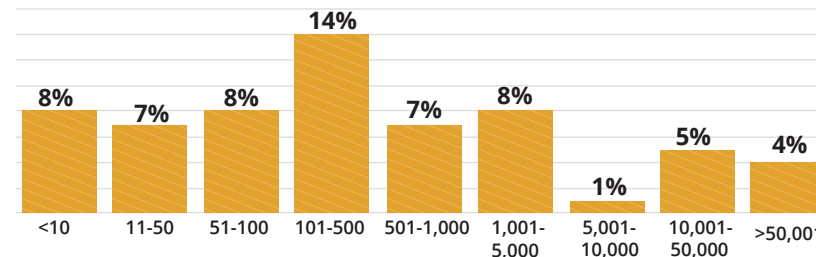
Overall, European businesses have representations of all sizes in Myanmar, ranging from small offices to large enterprises with more than 5,000 employees. The majority of European businesses, though, have a staff-size between 6 and 20, of whom less than 5% are non-Burmese. The positive influence of European business on the local labour market can be further derived from looking at the commitment of the companies on training and retaining their workers. Since the majority of respondents operate offices with small staff-sizes, it is likely that turn-over rates, as well as the number of new hires are rather low. Regarding bigger companies that require more hires, the survey indicates a net-increase in number of employees, translating in more working opportunities for local workers, as well as higher retention rates and job security. Based on the estimations of the survey takers, European businesses account for 10,000 to 35,000 jobs directly, and through their engagement with business customers or suppliers, support an estimated 200,000 to 430,000 livelihoods indirectly. In addition to that, 48% of the respondents say that they provide at least 41 hours of training per year to their employees. This number is comparable to the USA, where businesses provide on average 48 yearly training hours per employee (Training Magazine, 2018).

Q: HOW MUCH LOCAL PERSONNEL HAS YOUR COMPANY HIRED IN THE PAST YEAR?

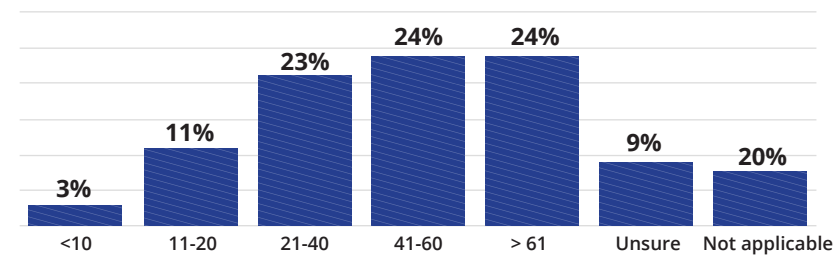


Q: HOW MUCH LOCAL PERSONNEL HAS LEFT YOUR COMPANY IN THE PAST YEAR?

Q: HOW MANY INDIRECT LIVELIHOODS ARE SUPPORTED BY YOUR ORGANISATION?

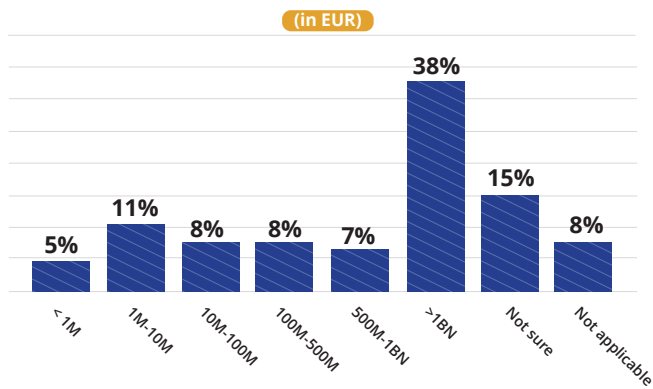


Q: HOW MANY HOURS OF TRAINING DOES YOUR COMPANY PROVIDE TO ITS EMPLOYEES?

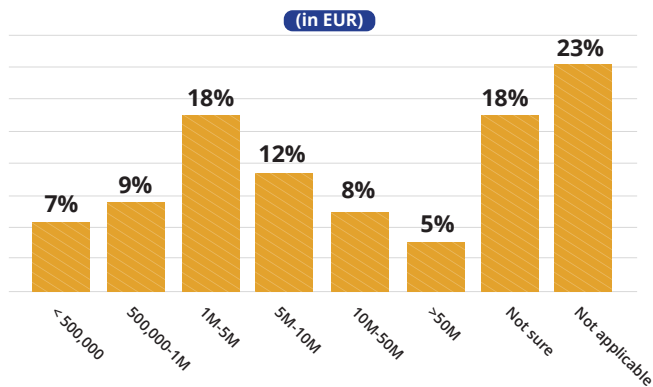


2.2 FINANCIAL INFORMATION

Q: WHAT IS YOUR COMPANY'S/GROUP'S
APPROXIMATE ANNUAL WORLDWIDE REVENUE?

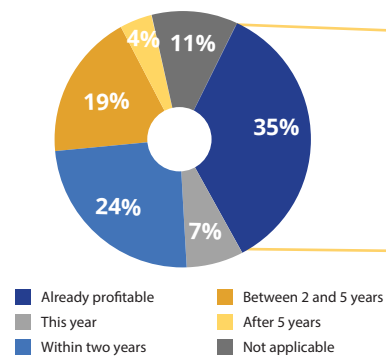


Q: WHAT IS YOUR COMPANY'S/GROUP'S
APPROXIMATE ANNUAL MYANMAR REVENUE?

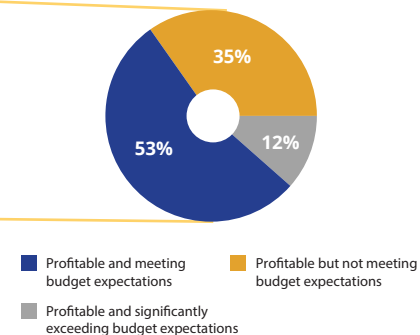


38% of survey takers represent global corporation with many resources to make strategic investments. In Myanmar, however, 30% record revenues between EUR 1 million and EUR 10 million. Investments in Myanmar have therefore strategic characteristics and by now don't contribute significantly to the parent companies' financial performance. This doesn't mean that the local representations don't have profits. In fact, 42% of the respondents say that their company is already profitable (35%), or will be profitable this year (7%). Out of the 35% that are already profitable, 53% meet their expected budget, and 12% exceed it.

Q: WHEN DOES YOUR COMPANY **EXPECT**
TO BE PROFITABLE IN MYANMAR?

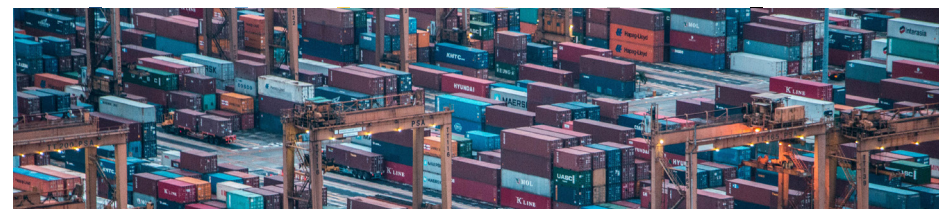
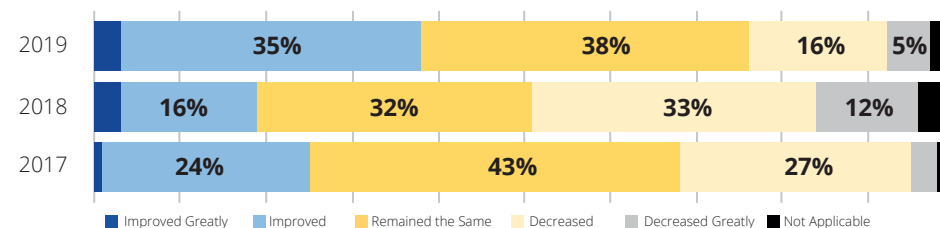


Q: YOU HAVE SELECTED THAT **YOUR**
COMPANY IS ALREADY PROFITABLE,
TO WHAT EXTENT?



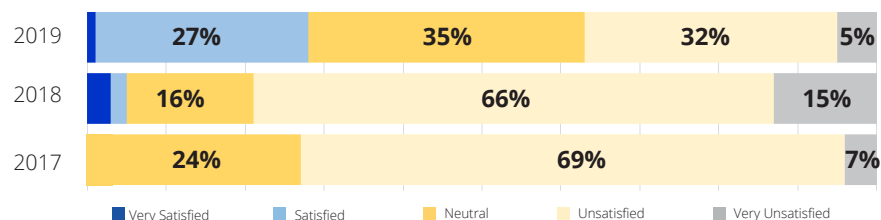
2.3 OVERALL BUSINESS ENVIRONMENT RATING

Q: COMPARED TO 12 MONTHS AGO,
IN YOUR OPINION THE OVERALL BUSINESS ENVIRONMENT IN MYANMAR:





Q: HOW SATISFIED ARE YOU WITH THE
OVERALL BUSINESS ENVIRONMENT IN MYANMAR?



Overall, the survey takers perceived that the business environment improved (24%) or remained the same (43%) over the last 12 months. This marks an increase of 11%-points compared to last year, where only 56% of the respondents expressed their positive feeling about a changing business environment in Myanmar.

Furthermore, after survey recipients expressed their discontent about the overall business environment in 2018, the current sentiment is rather optimistic. 28% are very satisfied (1%) or satisfied (27%) with the overall business environment in Myanmar. This represents a 25%-point increase from last year, where only 3% evaluated the business environment as (very) satisfying.

3 BUSINESS OUTLOOK

3.1 EXPECTATION OF OPERATIONAL CHANGE

Q: WHAT IS YOUR EXPECTATION OF
OPERATIONAL CHANGE OVER THE NEXT THREE YEARS?

	Greatly Decrease	Decrease	Remains the Same	Increase	Greatly Increase
Service Provided	0%	3%	11%	66%	16%
Market Share	0%	7%	18%	55%	16%
Competition from local firms	0%	5%	38%	39%	11%
Profits	4%	4%	15%	58%	14%
Overall Myanmar Business Activities	1%	5%	18%	58%	16%

The majority of the European companies expect their market share to increase or greatly increase in the coming years. Furthermore, 82% of the European companies expect that they will increase (66%) or greatly increase (16%) their services in the coming years. Most surveyed companies expect that their profits will increase in the coming years, or at least stay the same. It is noteworthy that in 2018, only 9% of the companies expected their overall Myanmar business activities to greatly increase. One year later the share of companies makes up 16%.

In general, the distribution of the replies mirrors last year's sentiment on the operational change for the companies. Survey takers mainly share a positive outlook regarding services provided, market share, profits and overall business activities. Simultaneously, they also expect the local competition to increase.

3.2 COUNTRY DEVELOPMENTS

Q: HOW DO YOU EXPECT THE FOLLOWING
DEVELOPMENTS TO AFFECT YOUR BUSINESS IN MYANMAR IN THE NEXT YEAR?

	Significant negative effect	Somewhat negative effect	Remain about the same	Somewhat positive effect	Significant positive effect	Uncertain	Not applicable
Economic nationalism in Myanmar	14%	32%	39%	7%	3%	4%	1%
Economic nationalism in other countries	1%	26%	36%	14%	4%	5%	14%
Protectionist policies in Myanmar or other countries	18%	39%	27%	7%	0%	5%	4%
Tight monetary policies	9%	30%	41%	11%	3%	4%	3%
Appreciation of Myanmar Kyat	4%	18%	47%	18%	4%	5%	4%
Inflation of Myanmar Kyat	14%	42%	32%	5%	0%	5%	1%
Other legislative or regulatory changes	5%	31%	22%	27%	5%	7%	3%
Increasing production costs (e.g. minimum wage)	9%	38%	41%	3%	1%	1%	7%

Albeit European businesses have a positive sentiment regarding the overall business environment, they don't fully support changes in legislative and regulatory matters. As foreign companies in Myanmar, they are exposed to protectionist policies by Myanmar and neighbouring countries that aim to increase the competitiveness of local companies.

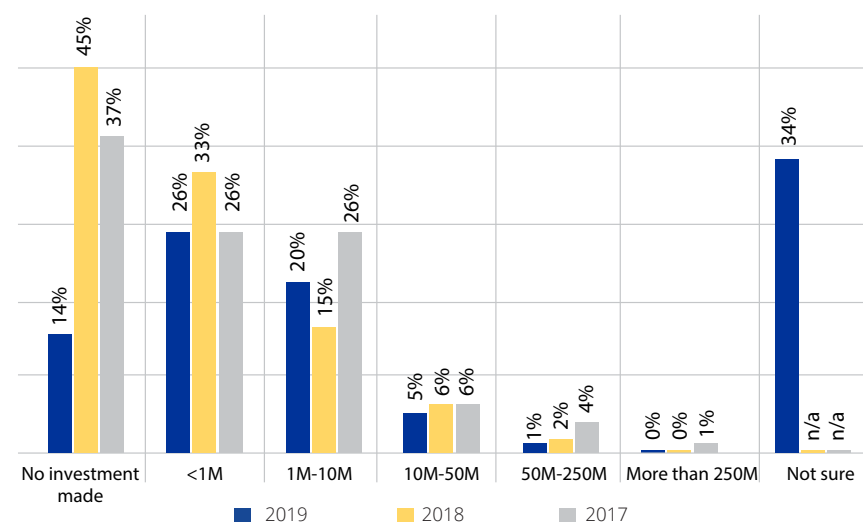
Regarding financial policies, survey takers expect negative effects. This could either be due to the lack of financial policies, or financial policies with undesired effects. Especially the inflation of the Myanmar Kyats poses threats in the eyes of the survey takers as it increases the prices of products and services in Myanmar. This means, that similar products can be imported from neighbouring countries at a lower price, and create serious channel conflicts to companies producing both in Myanmar and neighbouring countries.

The exact opposite mechanism is presented by the appreciation of the Myanmar Kyat. As seen in chapter one, 38% of European businesses target the local market through local production. For these companies, an appreciation of the currency will increase the price of imports and make locally produced products more competitive.

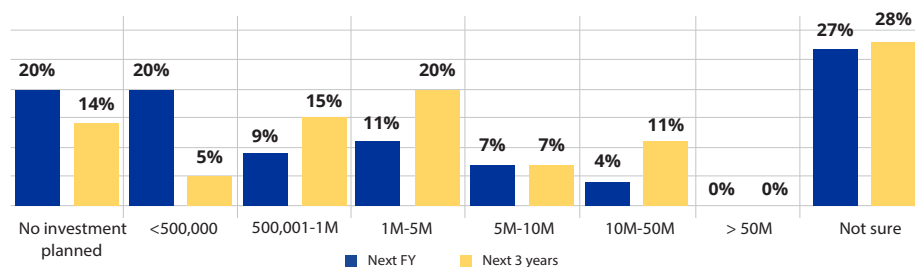
The increase in production costs is perceived to have negative impact on businesses today. Increase of minimum wages, for example, have positive societal effects in the long-run, but don't offer immediate benefits for businesses.

3.3 REALISED & BUDGETED REINVESTMENTS

Q: FOR THE LAST FISCAL YEAR (1ST OF APRIL 2018 - 31ST OF MARCH 2019),
WHAT WAS YOUR COMPANY'S REALISED REINVESTMENT VOLUME IN MYANMAR?



Q: FOR THE NEXT FISCAL YEAR (1ST OF OCTOBER 2019 - 30TH OF SEPTEMBER 2020),
WHAT IS YOUR COMPANY'S BUDGETED REINVESTMENT IN MYANMAR?



European businesses operating in Myanmar mainly record commitment to investments in a range up to EUR 10 million. A possible explanation can be the relatively small average staff-size of the local office, as well as a tendency to work with sub-contractors or joint-venture partners, which already own the factories or assets. In the long-term, companies indicate an increasing willingness to increase the investment amount. In detail, while 18% plan to invest between EUR 1 million and EUR 10 million within the next fiscal year, 27% plan to invest similar volumes within the next three fiscal years.

3.4 REINVESTMENT DESTINATIONS

The destinations of future investments are analogous with the location of current offices of European businesses. The most prominent investment destinations are Mandalay Region, Yangon Region, and Shan State. It is noteworthy, that Yangon Region is not the number one named location for business expansion measured in investment destination. Furthermore, the new capital Nay Pyi Daw does not appear to be an attractive expansion market. It is Mandalay Region who appears to strengthen its status as Myanmar's second most important market.



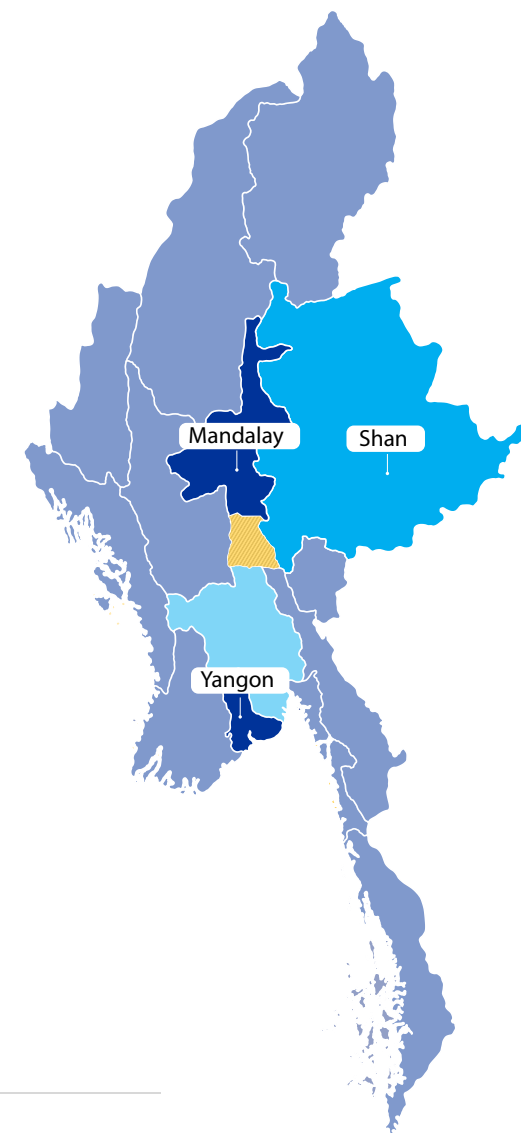
Q: FOR FUTURE REINVESTMENTS, IN WHICH AREAS OF MYANMAR
WILL YOU LIKELY EXPAND IN THE NEXT THREE YEARS?

Region	Percent
Mandalay Region	19%
Yangon Region	18%
Shan State	13%
Bago Region	6%
Naypyitaw Union Territory	5%
Ayeyarwady Region	4%
Taninthayi Region	4%
Magway Region	4%
Rakhine State	4%
Mon State	3%
Sagaing Region	3%
Kachin State	3%
Chin State	2%
Kayin State	2%
Kayah State	2%
No plans to expand	6%

Areas for reinvestment according to percentage of responses

- >15%
- 15-10%
- 10-5%
- 5-0%

■ Naypyidaw Union Territory



3.5 COUNTRY CHALLENGES

Q: PLEASE SELECT AND RANK **5 CHALLENGES**.

Overall Rank	2019	2018	2017
1	Regulatory issues	Regulatory issues	Regulatory issues
2	Negative press about Myanmar and human rights	Lack of qualified labour force	Lack of qualified labour force
3	Difficulty in market penetration	Legal uncertainty	Legal uncertainty
4	Lack of a qualified labour force	Financial infrastructure	Financial infrastructure
5	Legal uncertainty	Local competition	Transportation infrastructure

Overall, regulations are the main challenges European businesses face that hinder further growth. In detail, survey takers mention time-consuming red-tape processes, and weak law enforcement, usually caused by bureaucracy and/or corruption. Especially important for companies selling consumer goods is the image of Myanmar in the global society and inside consumers' heads. Moreover, survey takers mention that negative appearance of Myanmar in the global press shies away international investors and can hinder interactions with global business partners who look to limit their connection to countries that carry reputational risks.

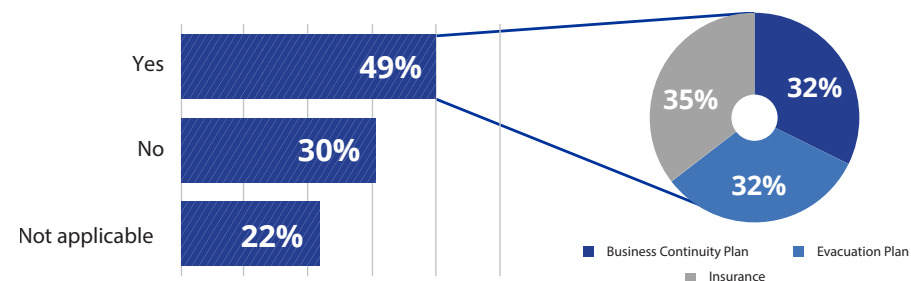
Compared to the last two years, the lack of a qualified labour force poses a decreasing challenge for companies. It is likely, however, that companies have more direct influence in tackling this challenge by providing training and retaining qualified workers. Changes in regulations, on the other hand, are much more difficult to influence and are therefore a much bigger challenge. For this reason, operational challenges might remain significant for European businesses, but responding companies might prefer to communicate systematic challenges as more hindering.



3.6 EMERGENCY PREPARATIONS

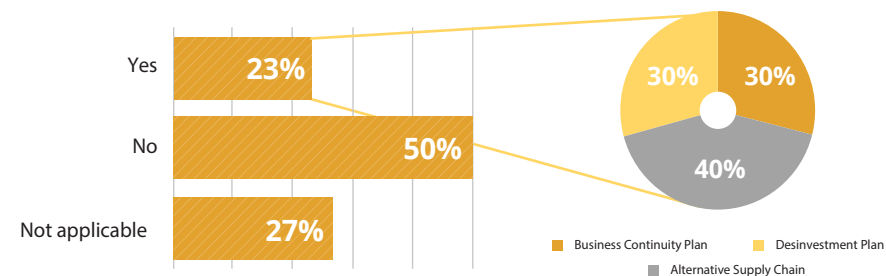
Q: HAS YOUR COMPANY MADE SPECIFIC PREPARATIONS FOR EMERGENCY SITUATIONS, **SUCH AS A POTENTIAL OUTBREAK OF INFLUENZA OR AN EARTHQUAKE OR OTHER NATURAL DISASTER?**

Q: IF YES, **WHAT KIND OF PREPARATION?**



Q: HAS YOUR COMPANY MADE **SPECIFIC PREPARATIONS FOR EMERGENCY SITUATIONS TO POLITICALLY OR CHANGES IN REGULATIONS?**

Q: IF YES, **WHAT KIND OF PREPARATION?**



49% of the survey takers say that they have plans in the case of environmental disasters, which is very relevant in Myanmar. Preparation for scenarios such as outbreak of diseases, or earthquakes include business continuity plans, evacuation plans and insurance policies. Regarding political risks, which includes social unrest and drastic changes in policies by the ruling government, European companies admit to be much less prepared. Only 23% of the respondents say that they have plans addressing such scenarios. Of these, one-third say that this is covered in des-investment plans.

CONCLUSION

The fourth edition of EuroCham's Business Confidence Survey captures the sentiment of 74 European businesses operating in Myanmar, and provides an updated picture on the scale and characteristics of the companies' involvement.

European companies from all sizes and sectors are active in Myanmar and show strong interest in serving the local market. The fact that 15% of all respondents are operating in joint ventures with local partner, but more so the focus on producing in Myanmar for the local market, indicates that European companies value Myanmar as a business location and its tremendous growth potential. While the majority of survey takers still focus their business activities on the country's economic capital Yangon, there is a trend of expansion into other regions of the country, especially Mandalay, Nay Pyi Taw, and the Shan Region.

With their engagement in the country, the companies offer work opportunities for the local workforce and provide a multitude of jobs. Especially medium-sized and large-sized companies have a positive net-hiring rate, supporting the companies' optimistic growth projections expressed in the survey. This year's respondents are committed to invest in their employees by providing a significant amount of training hours per year. Since workers in Myanmar tend to switch companies frequently, the positive net-hiring ratio and the number of training hours indicate that European companies offer more than 'a job' but create work environments and offer employment-packages that are valued by workers.

Financially, a third of the responding companies have local revenues between EUR 1 million and EUR 5 million. Only 42% of all survey takers report profits already, or expect to have profits this year. This shows that Myanmar is still a strategic market and asks for patience from the investing companies. Investors, on the other hand, acknowledge the need for long-term planning and expect future increases in the company's business activities, market share, and profits. Also the overall business environment is expected to increase by most companies.

Compared to last year, European businesses are much more satisfied of how the business environment has changed during the last 12 months. In 2018, only 56% said that the environment improved or remained the same, while this year this number reached 67%. A noticeable jump can be seen in the evaluation of the current business environment: Almost one-third of the survey takers are very satisfied or satisfied, compared to only 3% in last year's survey.

The main challenges for European companies evolve around regulatory issues and the image of Myanmar in the global community. Respondents express time-intensive bureaucratic processes, not clearly defined laws and regulations, and weak enforcements as on-the-ground challenges.

Overall, European businesses show an increased satisfaction in the development of Myanmar's business environment and are optimistic about their companies' future business activities.



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