

Country Market Profile: Burma (Myanmar)

Euromonitor reports that the military takeover in 2021 in Burma swept years of economic progress away, aggravating economic growth. The political crisis resulted in hampered industrial activities, a widening budget deficit, retreating foreign direct investment (FDI) and limited employment opportunities, yet increasing trade ties with China. Over the medium term, Burma's economy is set to grow at a slower pace compared to the regional average, while inflationary pressures are expected to intensify and further financial instability to persist.

- Following real contraction at 1.5% in 2021, Burma's economy is expected to expand by an average annual real rate of 2.8% over the medium term.
- Inflation in Burma is forecast to increase to 6.4% in 2022 from 5.1% the year before.
- As Burma's exports increased by 10% and imports rose by 13.4% during 2021, the country remained a net importer.
- As the foreign direct investment (FDI) inflows into Burma decreased over 2020, the FDI intensity reached 2.6% of gross domestic product (GDP).
- Public debt in Burma rose to 50.1% of GDP in 2021 from 42% in 2020, compared to the regional average of 94.7%

Burma is an attractive destination for FDI, primarily because of its vast natural resources, a youthful workforce, and its good strategic location within Asia Pacific. Efforts have been made to open the economy to foreign investors, particularly in the retail and insurance sectors. In 2020, Myanmar's FDI inflows suffered over delayed projects and the drop in global and domestic demand and consumption. Investor confidence was mainly hindered by the uncertainty surrounding the duration and outcome of the COVID-19 pandemic.

Nonetheless, according to the State Counselor, Burma managed to acquire the majority of its foreign investment target, despite the adverse economic landscape and the health crisis. In terms of foreign investment performance, Burma achieved better results, compared to some other countries in the region. This partially relates to recessions in neighboring countries that were much harder hit by the COVID-19 pandemic, the more optimistic economic recovery forecasts for Myanmar, and simplified investment rules and regulations. FDI intensity equated to 3.7% of GDP in 2019, indicating that it is crucial to economic development.

The total population has been slowly rising over time, reaching 57.5 million in 2022 (CIA World Factbook Est.). This was an increase of roughly 10.8 million over 2000. The median age in 2022 was 29.2 years. The number of those over 65 years of age amounted to 3.4 million in 2022, equivalent to 6% of the total population.

Positively, Burma's young and emerging urban middle class are open to new products and trends. In Burma's fiscal year (FY) 2020/2021 (October to September), Burma's total foreign

trade was US\$30 billion, 18% lower than FY 2019/2020, in which the United States had a 3% market share (Ministry of Commerce).

Burma's biggest trading partners are China, Thailand, Singapore, Japan, and India. Direct U.S. investment is relatively low, but many U.S. investors and businesses invest via Singapore or via joint ventures. Burma boasted the highest GDP growth rate in Asia after it adopted open-market policies in 2012. Burma's GDP peaked at \$81.3 billion in 2020 with a GDP per capita of \$1,530 (IMF).

Burma's projected GDP growth rate, however, dropped dramatically in 2021 to -17.9% with a projected GDP of US\$66.7 billion in 2021. The World Bank forecasts that poverty levels in 2021 will likely be more than double what they were 2019. Burma's job market lost around 1 million jobs, and those with a job are likely to experience declined incomes due to reduced hours and wages.

USDA'S Office of International Affairs, OAA, in Rangoon reports that since Burma initiated a series of political and economic reforms in 2011, U.S. agricultural exports have grown over 80-fold, reaching a record US\$174 million in 2019 and US\$167 million in 2020 despite the COVID-19 situation. Political unrest following the coup d'état in February 2021, a severe COVID wave, and logistical challenges have since led to disruptions in the trade and banking sectors.

The value of Burma's kyat currency has depreciated significantly since the military coup. The black market value of kyat went from 1,330 kyat per dollar in February to around 2,500 kyat per dollar in October 2021 with dramatic fluctuation every month. The volatile exchange rate coupled with global logistical challenges has led to rapid price increases up to 50% for imported products. Physical currency continues to be in short supply, and access to banking and payment services remains limited despite interventions from the Central Bank of Burma. Farmers are experiencing lower wholesale prices for crops, higher input prices, and limited access to credit.

FAS Rangoon advises that even though there are a limited number of new importers in 2021, existing importers are still looking for high quality U.S. brands either through direct importation or importation via third countries. U.S. exporters should first check with the related importers or FAS Rangoon office as necessary to keep updated about the market situation.

Market Opportunities and Key Issues in the Burmese Food Market

Market Opportunities

- A dynamic, eager, and young population is willing to try new products and is receptive to trends that fit their increasingly westernized lifestyles.
- The extended time at home has created demand for new consumer-oriented products.
- U.S. products have a good reputation among experienced food and beverage importers.

- Burma generally has tariffs that are comparable or lower than that of other countries in the region.

Key Issues

- Disruptions in the banking sector made transferring money more difficult.
- Consumers have reduced purchasing power due to a loss of income among workers.
- U.S. goods are more expensive due to the depreciation of the kyat against the U.S. dollar.
- Shipping costs are higher.
- There are limited direct shipping lines from the United States.
- There is a lack of transparency and predictability in Burma's regulations.
- U.S. and EU sanctions made exporters less confident in doing business in Burma.
- There is limited communication between the U.S. government and the military regime.

U.S. exports of agricultural products totaled US\$91.7 million, a decline of 45% from that of 2020. Total U.S. consumer food exports to Burma dropped 30% to US\$4.9 million in 2021. That represented only 5% of the agricultural total. Burma imported US\$8.5 million in processed foods from the U.S. in 2021, and a decrease of 45%. Top processed food exports to Burma in 2021 included:

- Food Preparations & Ingredients
- Non-alcoholic Beverages
- Processed/Prepared Dairy Products
- Processed Vegetables & Pulses
- Condiments, Sauces, Jams & Jellies
- Snack Foods
- Alcoholic Beverages
- Chocolate & Confectionery

Retail Sector Highlights:

Euromonitor reports that the packaged food sales in the Burma retail sector will reach US\$3 billion in 2022. That is growth of 35.4 or US\$806 million from that of 2018. They also forecast packaged food retail sales in Burma to reach US\$3.6 billion by 2026. That represents growth of 17.7% or US\$546 million from 2022. High growth package food items in the forecast include:

- Ice Cream
- Confectionery
- Savory Snacks
- Baby Food
- Sweet Biscuits, Snack Bars and Fruit Snacks
- Processed Meat, Seafood and Alternatives to Meat

FAS Rangoon reports that retail sales in the packaged food market in Burma are expected to reach over US\$3.1 billion in 2021. This reflects approximately 82% growth within the past 5 years due to the allowance of 100% foreign-owned retailers and wholesalers. However, retail and wholesale trade have been continuously affected by demand, disruptions to key business services, and security concerns during the COVID-19 second wave, third wave and, the military coup.

Reduced operation hours and nighttime curfew restrictions led market vendors and shops to open late and close early, reducing their income earning capacity. Logistics constraints and kyat currency depreciation have raised the cost of imported stock and put pressure on margins. Despite the shops being closed, online sales doubled compared to pre-COVID levels. Online grocery sales of both fresh and processed products have expanded rapidly via Facebook and mobile applications. Due to difficulty in importing directly from United States, transshipment and border trading became popular again.

Online sales within the retail sector continue to increase, facilitated by inexpensive mobile connections. Consumers are still interested in foreign consumer brands, but the foreign and domestic retailers have faced serious business challenges. German-based Metro Wholesale Burma opened in September 2019, but exited the market in October 2021. Many planned foreign investments, including United Kingdom-based Tesco and Japanese-based Aeon mall projects, were suspended in 2021. However, the French retail franchise, Carrefour Easy Convenience Stores (named “Easy Marts” in Burma), which opened in 2020, grew to 20 outlets by October 2021. Burmese-owned “1 Stop Supermarket” also expanded rapidly to seven supermarket-sized outlets and one hundred smaller-format convenience stores.

Best Product Prospects:

FAS Rangoon reports that top U.S. consumer-oriented agricultural exports to Burma include prepared foods, canned foods, non-alcoholic beverages, snack foods, dairy products, processed vegetables, fresh fruits, beef products, condiments and sauces, and wine. The actual volume of U.S. agricultural products that end up in Burma is higher than official statistics indicate due to transshipped products through Singapore and other countries, as well as from border trading. U.S. products, such as tree nuts and processed fruits, are shipped in bulk to other countries, such as Malaysia and Thailand, where they are repackaged and exported to Burma for consumer or commercial distribution. There will be opportunities to replace some of these indirect exports when the country’s political situation is better again in near future.

Food Service Sector Highlights:

FAS Rangoon reports that there are more than 2,000 registered hotels and guesthouses across the country, with most located in Yangon, Mandalay, Naypyidaw, Bagan, and Nyaungshwe. Foreign invested hotel projects are led by Singapore, Thailand, and Vietnam. Burma’s annual tourism revenue reached US\$2.8 billion in 2019, and then plummeted by 80% the following year

after most international flights were banned in March 2020. Before the February coup plunged the country into chaos, the industry had been hoping for a recovery in 2021. The food service sector nearly collapsed as many importers and distributors must now strategically shift business-to-business marketing to business-to-consumer marketing starting in 2020.

Due to the double challenge of COVID-19 and the military coup, half of the country's hotels and guest houses have suspended operations. Of the 483 hotels registered in Yangon, 225 have now ceased operations. The hotel closures include the five-star Sule Shangri-La, which announced it would close in January just before the coup. The Sedona Hotel remains open to current guests but has stopped receiving new guests and suspended meal services. Peninsula Hotel suspended a US\$130 million Yangon project for a year as of May 2021. Kempinski group, Europe's oldest luxury hotel chain, announced ceasing operations in October 2021. The hotels that have remained open have done so by downsizing and slashing costs while providing quarantine services for people returning to Burma on relief flights.

There are more than 8,000 restaurants in Yangon according to the Health Department of the Yangon City Development Committee (YCDC). A wide array of restaurants, cafes, and bars are expanding in Burma, specializing in American, Chinese, French, German, Indian, Italian, Japanese, Korea, Latin, Vietnamese, and Thai cuisine recent years. Since the country's lockdown during the first COVID-19 wave in April, food delivery services played a key role in Burma's restaurant sector, but many restaurants with high investment costs closed during the COVID-19 pandemic. During post-coup, five Asian and two American F&B franchise brands, including Auntie Anne's, announced their exit from the Burmese market. The remaining foreign brands continue to operate and have adopted a wait and see approach.

Best Product Prospects:

FAS Rangoon reports that although total U.S. consumer-oriented export volumes remain low, the hotel and restaurant sector's increased demand for high-value U.S. products drove export growth in 2019. However COVID-19 and coup hit this sector hard in 2020-2021, resulting in reduced imports.

Food Processing Sector Highlights:

FAS Yangon reports that Burma's food industry is comprised of 26,000 registered businesses, which accounts for 54% of the manufacturing industry, approximately 60% of them are small businesses. Domestic production includes spirits, beer, soft drinks, bakery products, instant noodles, coffee, tea, and ready-to-eat traditional foods. Almost 90% of food processing sales are major focus for domestic market.

The production of many manufacturing businesses and factories were badly impacted in the second half of 2021 due to the COVID-19 third wave and political situation, decline in demand, raw material shortages, and unfavorable exchange rate movements against the dollar. The

international players which entered Burma in recent years faced many dilemmas as they sought to import products to Burma and gradually expand their operations to food processing and packaging, beverage manufacturing, and quick service restaurant segments.

Almost a quarter of all factories in the Japan backed Thilawa Special Economic Zone (SEZ) in Yangon suspended operations post-coup. Nearly 30 of the 122 factories, most domestic suppliers as well as Japanese firms, in the SEZ are not currently operating. On November 2021, the military-controlled Burma Economic Holding filed to close its brewery business including Myanmar Beer, Adman Gold, and Black Shield as well as Kirin Beer due to 50% sale drop as a consequence of public boycott since the military take-over in February. Instant noodle maker Acecook Co. halted production and sent its Japanese staff back home in consideration of their safety.

Best Product Prospects:

FAS Rangoon reports that products with U.S. export potential for this sector include feed ingredients, including soybean meal, distiller's dried grains with solubles, and soybeans account for two thirds of U.S. agricultural exports. U.S. wheat exports to Burma have also increased rapidly.