



The Opening Up Of Myanmar – The Last Economic Frontier of Asia : Challenges and Opportunities

VPC REGIONAL CONFERENCE

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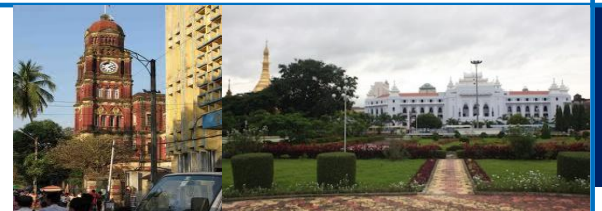
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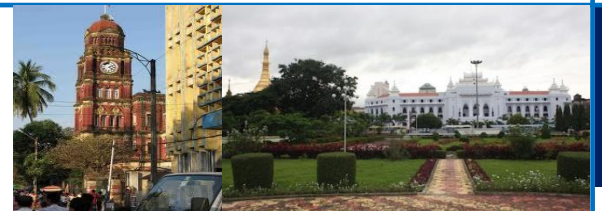
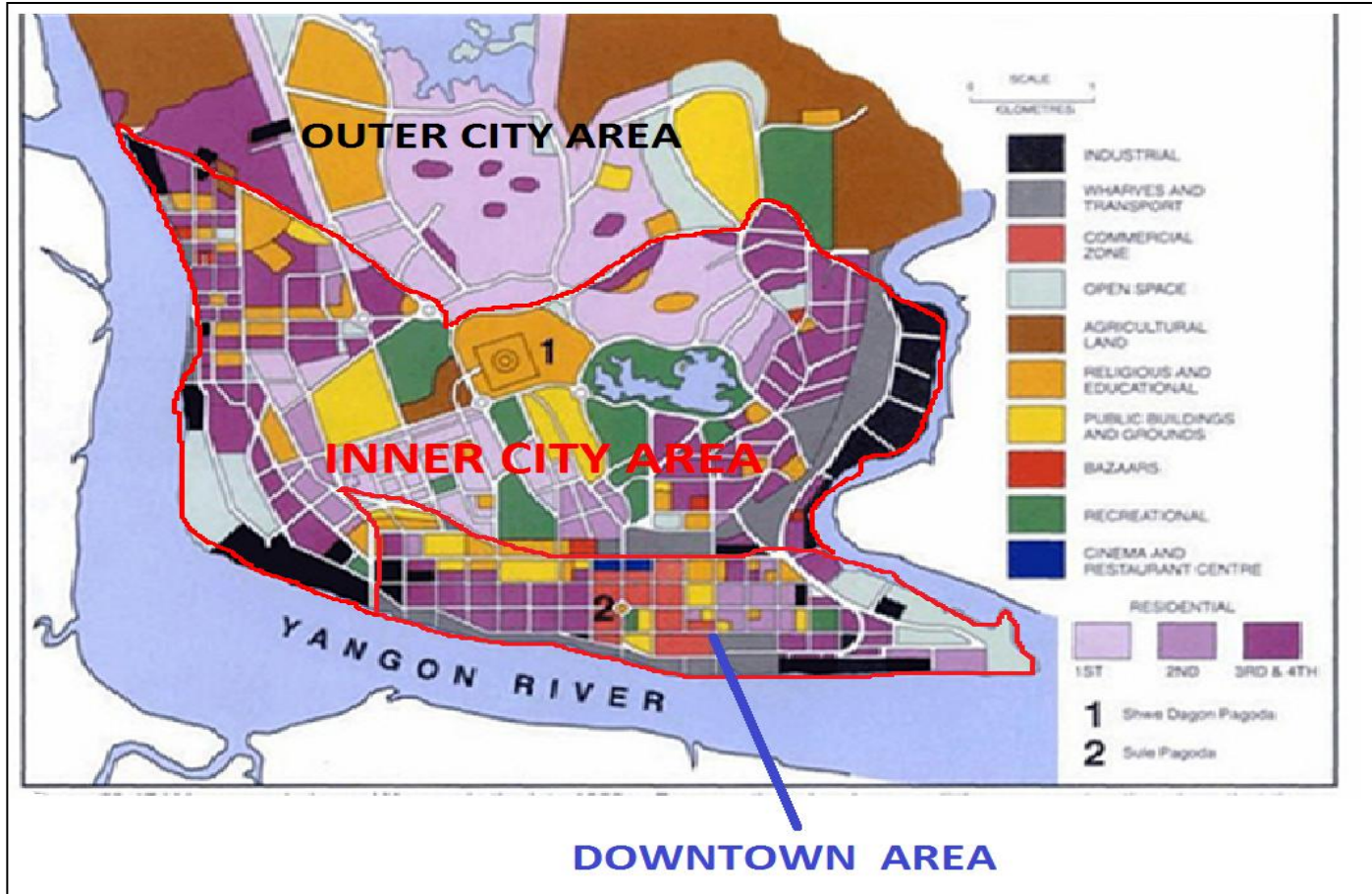
A . General



- Land Area : 676,552 sq.km.
- Population : 62.4 million (IMF 2011 Estimate)
- Capital : NayPyiTaw
- Commercial Capital : Yangoon
- Population Density : 75 per sq.km.
- Agriculture : Employs 63% of total workforce and contributes 36.4% of GDP.
- Races : 135 national races
- 48% of population is below 45 years old.



Yangon City



B. Historical Background

- A British colony from 1824 until 1948.
- National Hero : Aung San who fought for Independent.
- July 1947 : General Aung San assassinated.
- Jan 1948 : Burma achieved Independence.
- 1948 – 1962 : Burma – A democratic state.
- 1962 : Military coup by General Ne Win.
- 1962 – 1987 : Ne Win lead Myanmar into isolation with his “Burmese Way to Socialism”.



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13 - Aung San Suu Kyi released from house arrest



1 - Senior General Than Shwe resigns from politics



30 - Thein Sein becomes president of the civilian government



B. Historical Background

- 1988 : Nationwide pro-democracy demonstrations led by Aung San Suu Kyi.
- 1990 : General Elections won by Aung San Suu Kyi's party, National League for Democracy. But not recognised by the Military.
- 1989 – 2010 : Aung San Suu Kyi under house arrest.
- 2010 : Aung San Suu Kyi released from house arrest.
- 2010 : General Elections. Thein Sein became President and initiated political and economic reforms
- April 2011 : New civilian government formed.



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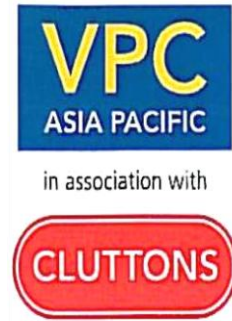
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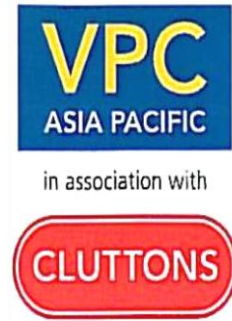
C. Reforms Initiated By New Civilian Government



- Released and amnesty to thousands of political prisoners.
- Relaxed media censorship.
- Improved labour and union laws.
- Drafted new foreign investment laws.
- Enacted Special Economic Zone Laws.
- Allowed NLD to run for Parliament.
- Introduced managed float of its currency, the Kyat.
- Signed Peace agreements with ethnic minorities.



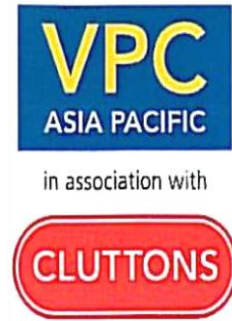
C. Reforms Initiated By New Civilian Government



- Increased Budget Spending on Education & Health.
- Welcome Myanmarese living abroad to return to invest and work.
- Signed Agreements with Foreign firms to develop new onshore oil and gas fields.
- End of local press censorship.
- April 2012 : 1st Draft of a new Foreign Investment Law released
- 2013 : Central Bank will introduce an independent monetary policy.



D. World's Response



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E. Economic Facts



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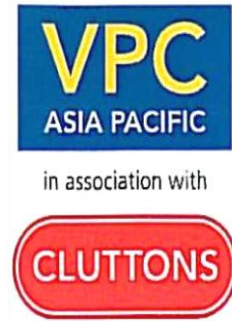
- Myanmar :-
 - i. One of the richest country in Asia in the 1940s.
 - ii. One of the poorest and least developed country in Asia since 1962.
 - iii. Rich in natural resources : Petroleum, timber, tin, antimony, zinc, copper, tungsten lead, coal, marble, limestone, precious stone and natural gas.
- GDP : US\$45 billion (2010), US\$52 billion (2011)
- GDP Growth rate : 6% (2012), 6.3% (2013), Average 8% for the next decade. (ADB Estimate)

- Per Capital Income :

	<u>US\$</u>
2009 :	596
2010 :	759
2011 :	857



E. Economic Facts



- Isolated : Economy was isolated and subject to economic sanctions by US and many Western countries for 50 years.
- Unemployment Rate : 4%
- Basic Infrastructure : Lacking after years of stagnation and isolation.
- Workforce : Lack of education and technical skills.
- Foreign Debt : US\$11 billion.
- Inflation : 2011 (4.2%), 2012 (5.8%)
- Join ASEAN in 1997.



E. Economic Facts



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Foreign Investments

- Japan, China, Thailand & South Korea companies dominate foreign direct investments in the country, as most Western firms are shut out of the market by US and EU sanctions.
- China is the largest foreign investor, followed by Thailand.
- FDI Inflows:

2008	2009	2010
US\$976 M	US\$579 M	US\$756 M

- Myanmar : 2nd lowest per capital income in Asia after Afghanistan.
- Banking :
 - Deposit rate : 8%
 - Lending rate : 13%



F. Challenges



1. Economic Sanctions

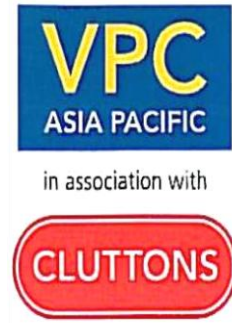
- Not fully lifted out yet.
- Still under The Office of Foreign Assets Control, USA.
- Will take another 1 – 2 years before full economic sanctions is lifted.

2. Foreign Investment Law

- Still in its Draft stage.
- Now in its Final Version.
 - (a) Equity : Local 50%, Foreigners 50%.
 - (b) Under new law, it allows foreigners to lease land for an initial period of 50 years, with an option to renew.
 - (c) Reforms may include 5-year tax holiday.
 - (d) May allow Foreigners to buy condominiums.



F. Challenges



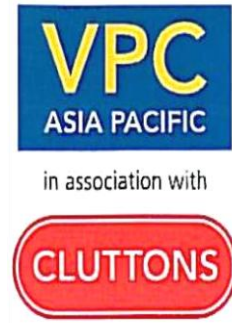
- A clash of local business interest and foreign investment interest.
- Need a balance between foreign investments and job .
- Parliament sitting in Oct expected to approve the Final Draft.

3. Currency Risk

- Previously, there was dual exchange rate with an official exchange rate and black market rate.
- In April 2012 : Currency unification at a rate of 820kyat = 1 USD.
- However, there is still fluctuations.



F. Challenges



4. Risk in Land Matters

- No proper Land Code.
- No proper land registration.
- Foreigners cannot buy or own property. Can only lease the land for 35 years and joint venture.
- In Myanmar, all lands are owned by the Government. Land are in turn leased to the private sector for 30, 60 or 90 years.
- For condominium, no laws on strata title. Affect property management.



F. Challenges



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5. Poor and Inadequate Infrastructure

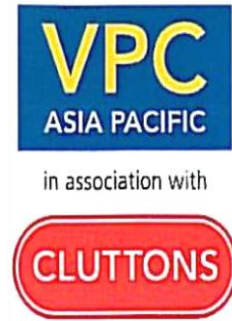
- Inadequate power supply. Big buildings and hotels need to have its own private generator.
- Poor and inadequate infrastructure will hinder foreign investments.

6. Political Risks

- Political and economic reforms are now going full stream. No turning back.
- However, Parliament is still controlled by the Army.
- Need to amend the Constitution to reduce the powers of the Army.
- Tussle between the hardliners and reformers.



G. Opportunities



A. RICH IN NATURAL RESOURCES

- Country is rich in natural resources which is untapped, after 50 years of isolation.
- Burma produces precious stones such as sapphires, rubies, pearls and jade. 90% of the world's rubies come from Myanmar.
- Foreign firms had won Tender to develop 18 new onshore oil & natural gas blocks.
- Foreign mining companies are investing in new mining concessions through production sharing or profit sharing arrangements with local companies.



G. Opportunities



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B. UNTAPPED & UNDERDEVELOPED MARKETS

a) Infrastructure

- Foreign firms are queuing up for opportunities to develop Highways, Power Supply, Ports, Railway in Myanmar.
- Burma is not linked by highways and railways to its neighboring countries – China, India and Thailand.
- Trade with the neighbours will be much improved, with the highways and railways link.

b) Banking System

- In its infancy.
- ATMs only introduced in May 2012.
- Many new banking licenses will be issued.
- Opportunities to modernize the banking industry and introduce new banking products.
- New insurance licenses will also be issued.



G. Opportunities



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B. UNTAPPED & UNDERDEVELOPED MARKETS

c) Telecommunication

- Myanmar only has 1.24 mobile phone subscriptions and 0.034 fixed broadband internet subscriptions per 100 people.
- Under the Information and Communications Technology (ICT) Master Plan, many opportunities to develop telecommunications and ICT infrastructure.
- Only 2.5% of population are telephone subscribers.

d) Tourism

- Big shortage of hotel rooms and most hotels are fully booked.
- Tourism products – Few & undeveloped.
- With the lifting of economic and political sanctions, tourists are once again returning to Myanmar.
- Tourism earnings in 2011 : only US\$319 million.
- Tourist Arrivals : 2010 – 791,505
2011 – 816,369



G. Opportunities



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B. UNTAPPED & UNDERDEVELOPED MARKETS

e) Industries

- Hardly any industrial estate. Opportunities to develop industrial estates and parks.
- Currently, very small industrial base and most export earnings are from extractive industries, such as natural gas and precious stones.

f) Plantation

Rubber

- With strong demand from China, opportunities to develop rubber plantations.

Teak

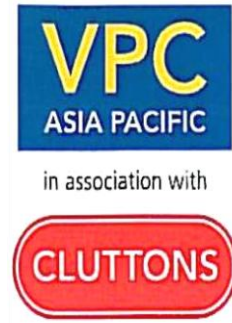
- Myanmar climate supports teak cultivation. Since 2006, the private sector are allowed to develop teak plantations.

Agro-based Industrial

- Measures by the Government to attract foreign companies to develop agro-based industries.



G. Opportunities



C. HUGE POPULATION

- Huge market of over 60 million.
- Young consumer population.

D. DAWEI PORT AND SPECIAL ECONOMIC ZONE

- A project of the Myanmar Govt. completing in 2015, it includes a 160km 8-lane highway and rail link to the Thai border.
- An industrial estate in the Special Economic Zone will facilitate petrochemical, oil & gas and light and medium industries.
- Foreign banks will be able to operate in the Special Economic Zone.



G. Opportunities



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E. OPPORTUNITIES IN THE PROPERTY MARKET

(i) Hotels

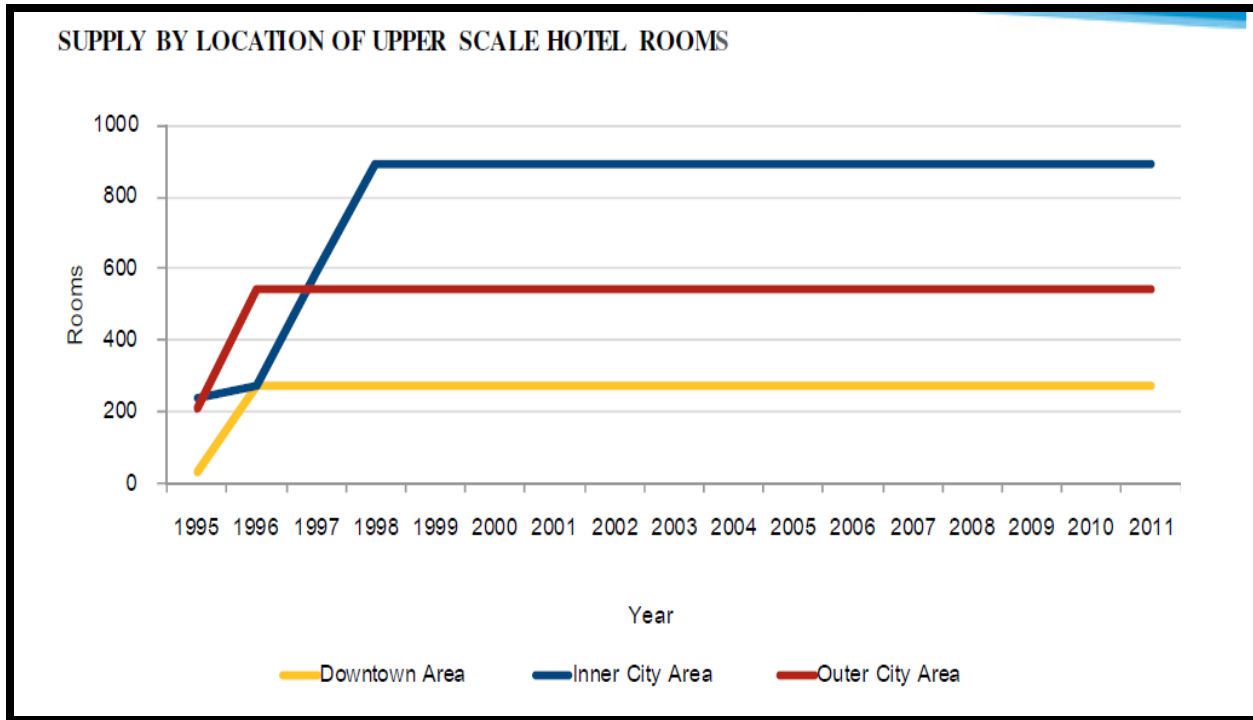
- Big shortage of hotels in Yangon. Less than 2,000 rooms in the 5-star hotel category and for whole country, only 25,000 rooms.
- No new supply for the past 10 years. Hence, hotel rates had doubled over the past one year.
- Although, there are a few hotels under construction, including a Starwood hotel, Shangri-la Hotel, Soffitel and Marriott.
- Demand for not only 5 star hotels but also 2-4 star hotels.
- Myanmar is hosting SEA Games in 2013 and ASEAN Summit in 2014, will create more demand for hotel rooms.



G. Opportunities



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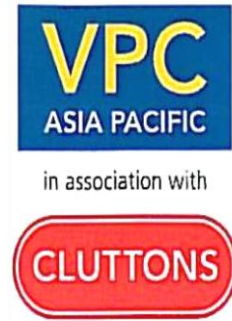


Source: Colliers International

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G. Opportunities



E. OPPORTUNITIES IN THE PROPERTY MARKET

(ii) Office Buildings

- Only two Grade A office buildings in Downtown Yangon.
- In Yangon, only about 60,000 sq.km of office supply.
- With the sudden influx of new investments, office rentals had doubled to US\$60 psm within a year.
- Demand for new office buildings.



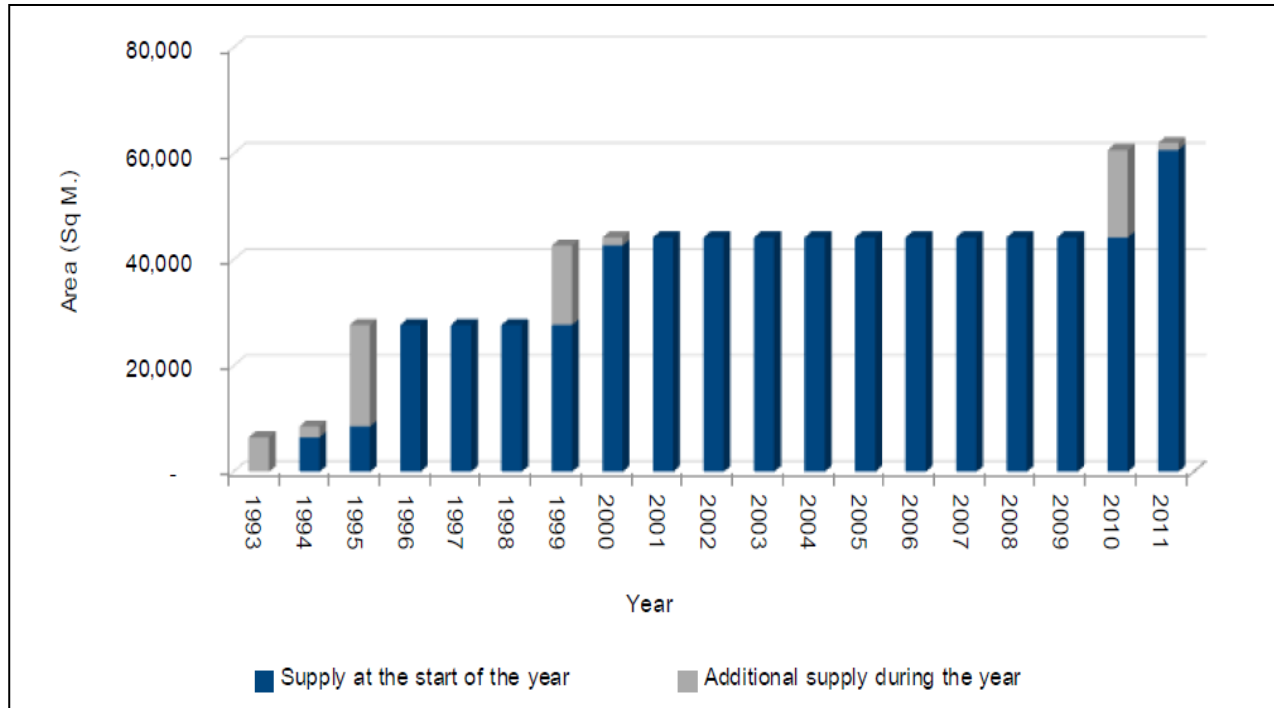
G. Opportunities



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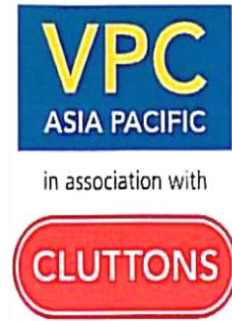
HISTORICAL SUPPLY OF OFFICE BUILDING IN MYANMAR



Source: Colliers International



G. Opportunities



E. OPPORTUNITIES IN THE PROPERTY MARKET

(iii) Residential Accommodation

- With the opening up of Myanmar and the sudden rush to enter Myanmar to set up businesses and to invest, there is a big shortage of good residential accommodation and for the six months, house rents had skyrocketed.
- There is a urgent need to build quality houses and apartments to cater for the sudden influx of foreigners into Myanmar.
- Hence, there are opportunities to build houses and apartments for lease and also to purchase old villas to refurbish and rent.



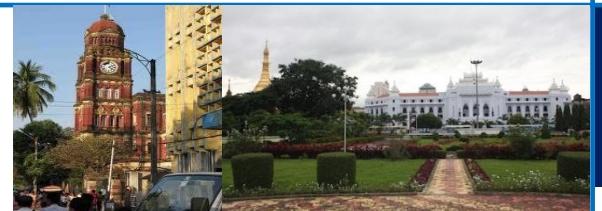
G. Opportunities



E. OPPORTUNITIES IN THE PROPERTY MARKET

(iii) Residential Accommodation (con't)

- Existing supply of service apartments in Yangon – Only about 730 units. No new supply for the past 10 years.
- Foreigners cannot own properties. However, regulations may be relaxed to allow foreigners to buy condominium apartments.



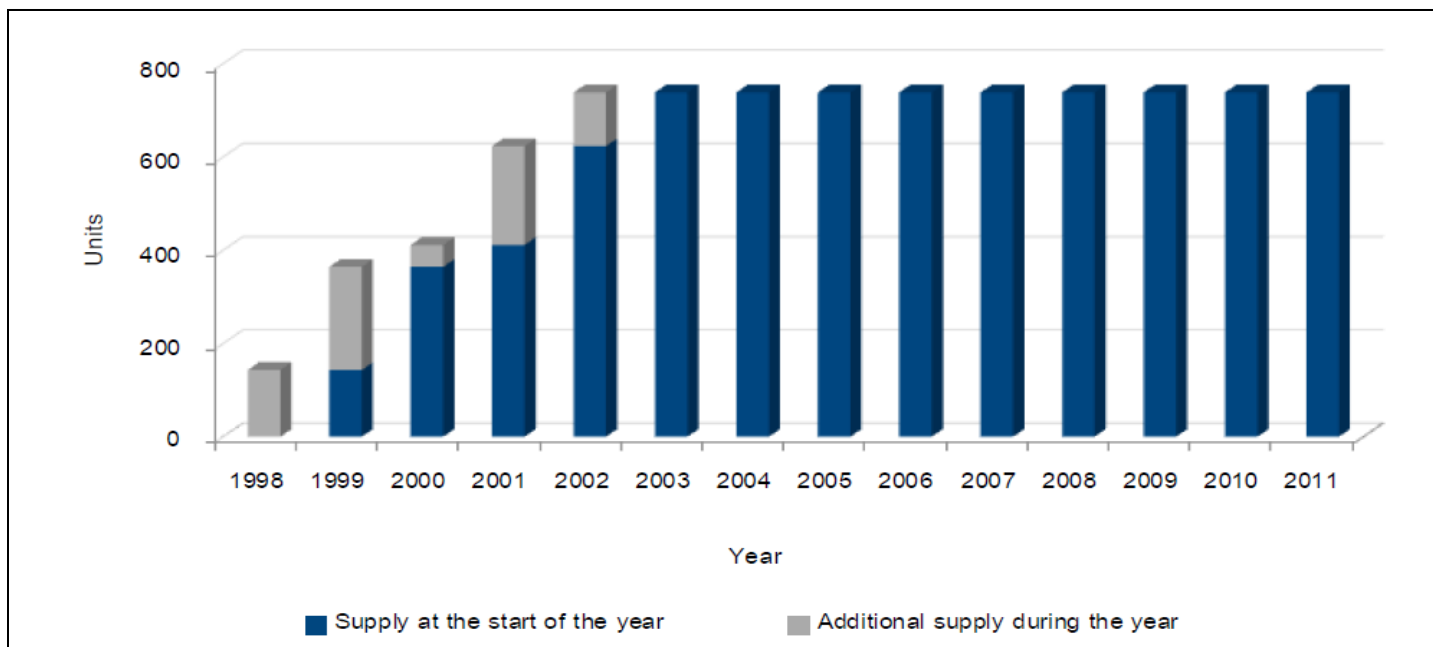
G. Opportunities



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HISTORICAL SUPPLY OF SERVICED APARTMENT IN MYANMAR



Source: Colliers International



G. Opportunities



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E. OPPORTUNITIES IN THE PROPERTY MARKET

(iv) Industrial Estates

- Stagnant supply of industrial estates for the last 5 years at 5,500 hectares.
- With a low industrial base and high young consumer market, there are many opportunities to set up low cost consumer-based industries and opportunities to develop industrial estates within the Special Economic Zones.
- In conclusion, the last wave of construction boom in Yangon was in the 1990s. Many buildings in Yangon dates back in the colonial era. The opening up of Myanmar will see a new wave of construction and property boom.



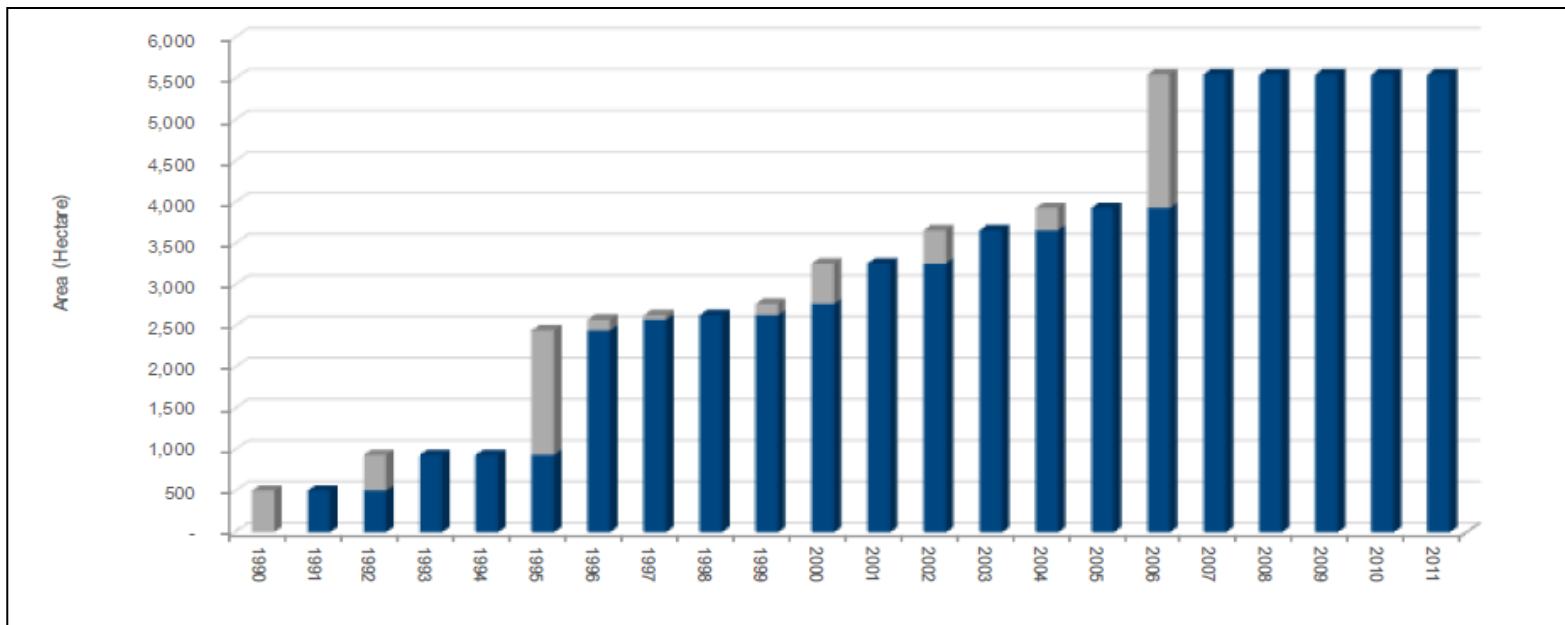
G. Opportunities



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HISTORICAL SUPPLY OF INDUSTRIAL ESTATES IN MYANMAR



Source: Colliers International



H. Property Market



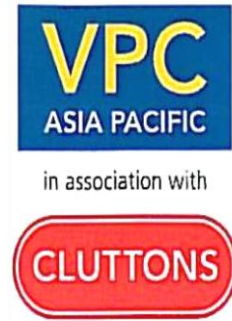
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- Land Prices : Expensive by Asian standards. Owing to the Economic sanctions, the rich are not allowed to take money outside the country. Hence, the rich invested in property and gold. Property prices are expected to go up much further.
- The Government is releasing more lands by TENDER for redevelopment.



I. New Foreign Investments



- Japan's 7 Eleven stores will be opening.
- Ajinomoto to restart Myanmar plant in 2013.
- Singha plans Myanmar Brewery.
- A Japanese consortium is jointly developing a Special Economic Zone at the outskirts of Yangoon.
- FELDA Global Ventures is in talks to buy 30,000 hectares in Myanmar to grow sugar cane.

(Cash rich : RM4.5B Funds)

- Parkson Retail Asia Ltd opening its maiden shopping mall in FMI Centre in Yangoon by March 2013.
- * Parkson (70%) has signed a MOU with Yoma Strategic Holdings Ltd (20%) and First Myanmar Investment Co. Ltd. (FMI) 10% to develop shopping malls in Myanmar.



THANK YOU

