



ပြည်ထောင်စု သမ္မတမြန်မာနိုင်ငံ  
ကုန်သည်များနှင့် စက်မှုလက်မှုလုပ်ငန်းများ အသင်းချုပ်

THE REPUBLIC OF THE UNION OF MYANMAR FEDERATION OF CHAMBERS OF COMMERCE AND INDUSTRY

# BUSINESS SENTIMENT SURVEY

May 2018

UNDERTAKEN BY UMFCCI LOCAL INDUSTRIES DEVELOPMENT COMMITTEE

SUPPORTED BY  **MMRD**  
RESEARCH DIVISION

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# Executive Summary

- **1,464 Observed Businesses-** Business Sentiment Survey for May 2018 was done by observing 1,464 businesses.
- **Businesses are Not Well-** The study finds that the condition of the businesses has generally worsen compared to the studies in 2016 and 2017.
- **Taxation and Tariffs-** become the major problem for most businesses in 2018.
- **Understanding on Taxation-** has slightly increased in 2018. However, most businesses are still limited to having only some understanding on taxation.

# Executive Summary

- **Confidence in Future Business Growth-** The study reveals that the confidence level of the businesses are gradually decreasing from 2016 to 2018.
- **Taxation reduced the Confidence-** The major reason for not being confident is concerned with higher taxation rates. Businesses perceived that the taxation rates are higher than the reasonable rates.
- **The increased workload and documentation due to tax-** for arranging tax payments also reduced the confidence level of the businesses.
- **Need to increase dialogue with Public Sector-** The businesses proposed that UMFCCI should prioritize on increased dialogue with public sector (government) for long term development of goals.
- **Strong Economic Infrastructure is still in Need-** The businesses proposed the government should prioritize on building strong economic infrastructure and financial resources.

**PART (A):**  
**Overview of Business  
Sentiment Survey**

# Business Sentiment Survey is...



The study on **the condition of the businesses** in Myanmar.



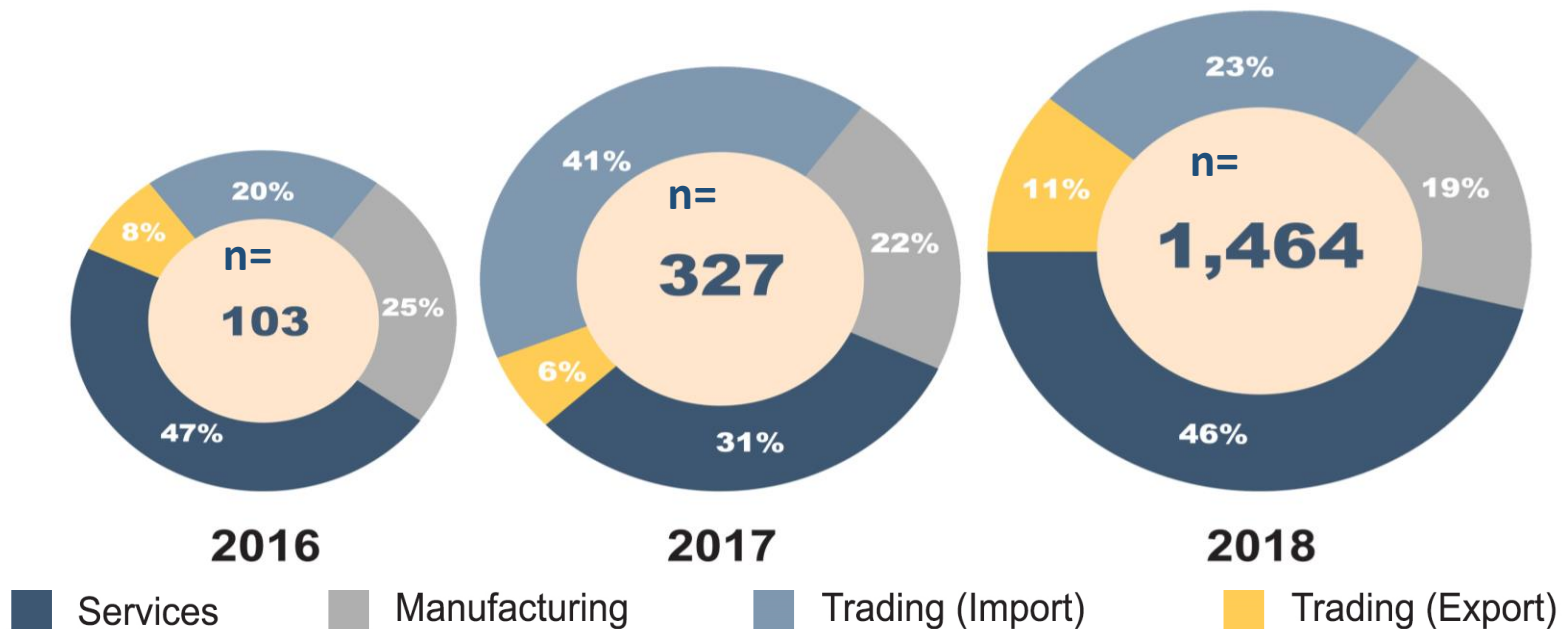
The study to identify **the major problems** which hinder business growth.



The study to highlight the **proposed actions** to be done to create a better business climate.

# How the Study was Done...

- **Three Business Sentiment Surveys** have already done in 2016, 2017 and 2018.
- The study used both **Online Survey** and **Face-to-Face interviews** with businesses.
- The study covered **1,464 businesses** in 2018, which is a dramatic increase from only 103 in 2016.
- The survey included **17 questions** for capturing multiple aspects of the businesses.



## **PART (B):**

# **Condition of the Businesses**



# How Are Businesses Currently Doing in General...

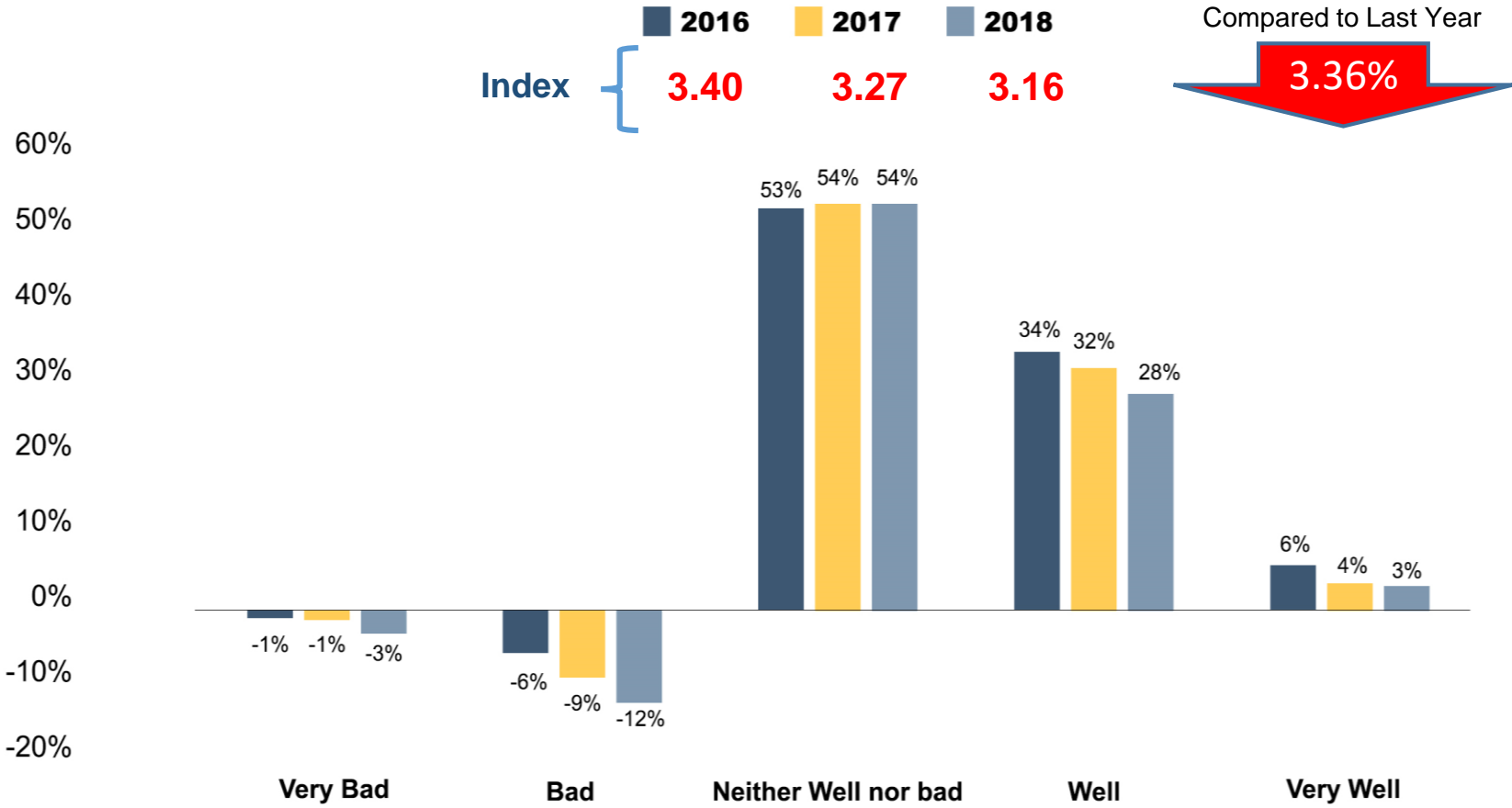
Q2. How WELL is your business doing?

Frequency Distribution on the Business Performance for 2018.



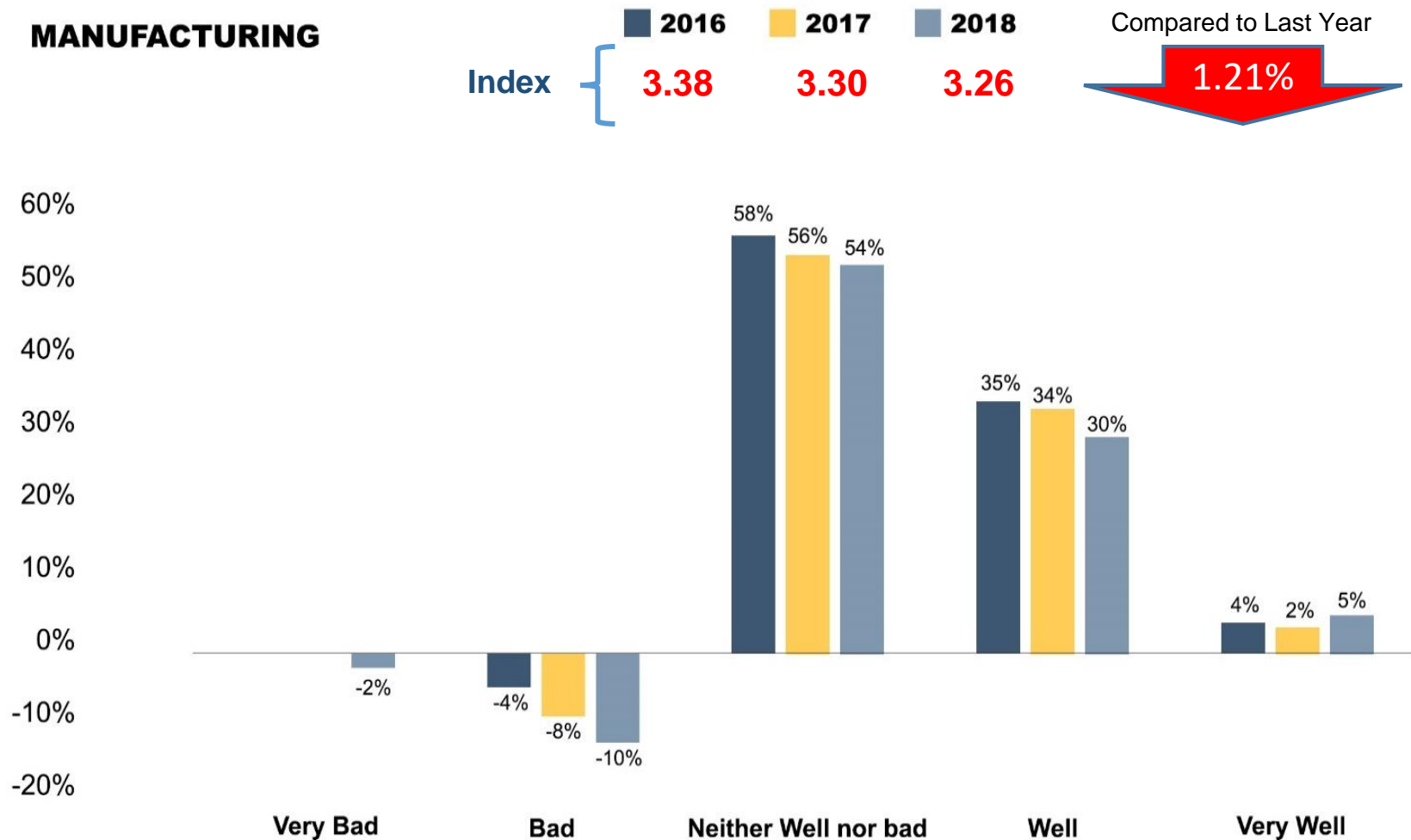
- The study in 2018 suggested that most businesses are **stagnant (neither well nor bad)**.
- Statistically, the data suggested it is **95% confident** that the true population of businesses will respond between 3.12 and 3.21 (95% Confidence Interval), which is close to neither well nor bad.

# Annual Indicators Highlight Businesses Get Worse...



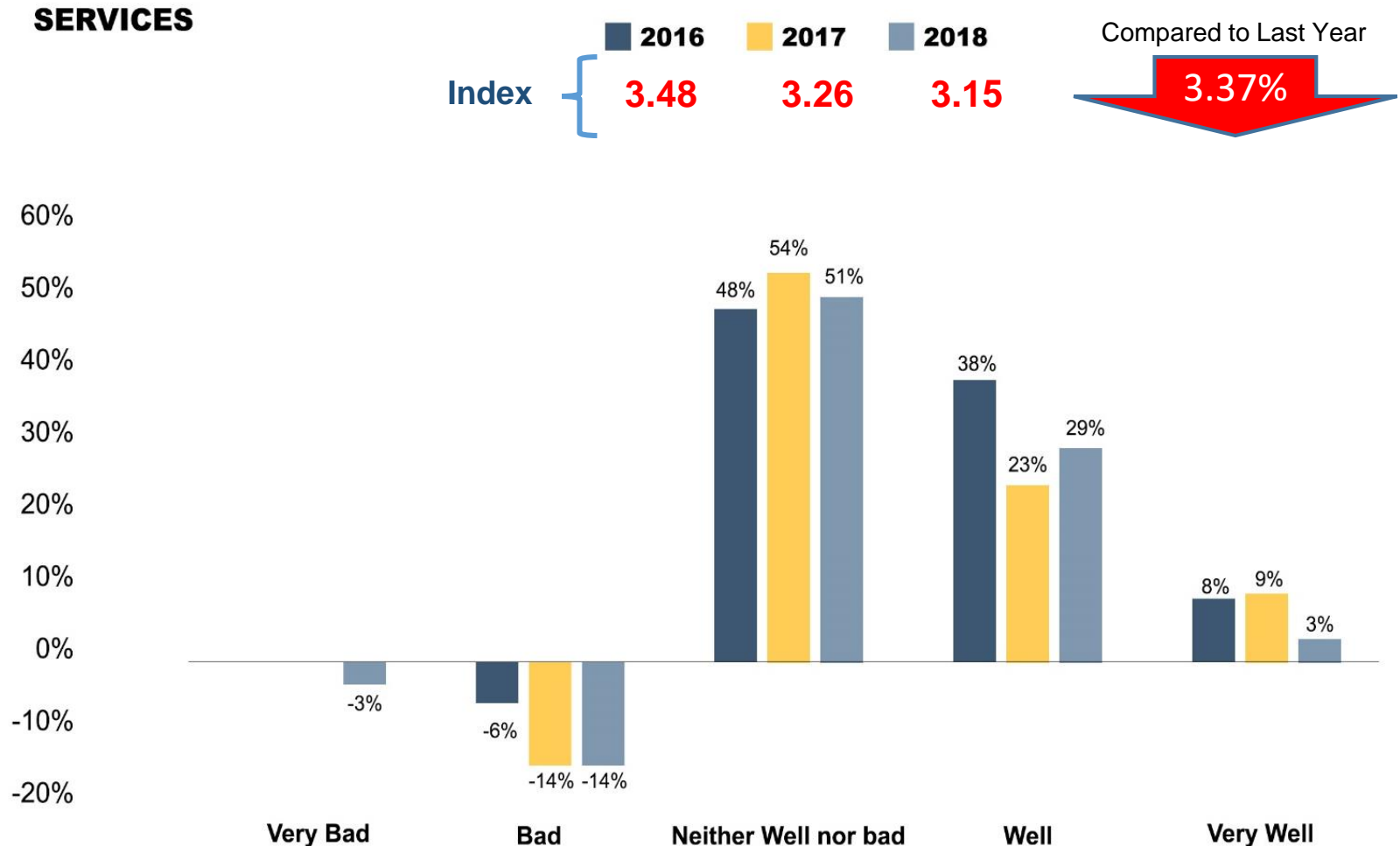
- The yearly trends demonstrated that the businesses which said “**Very Bad**” and “**Bad**” have increased over the last three years
- Whereas “**Well**” and “**Very Well**” responses have decreased.

# Manufacturing Sector Faced a Decline...



- **Manufacturing** sector decreased marginally compared to last year.
- The overall index indicates that the wellness is down by 1.21%..

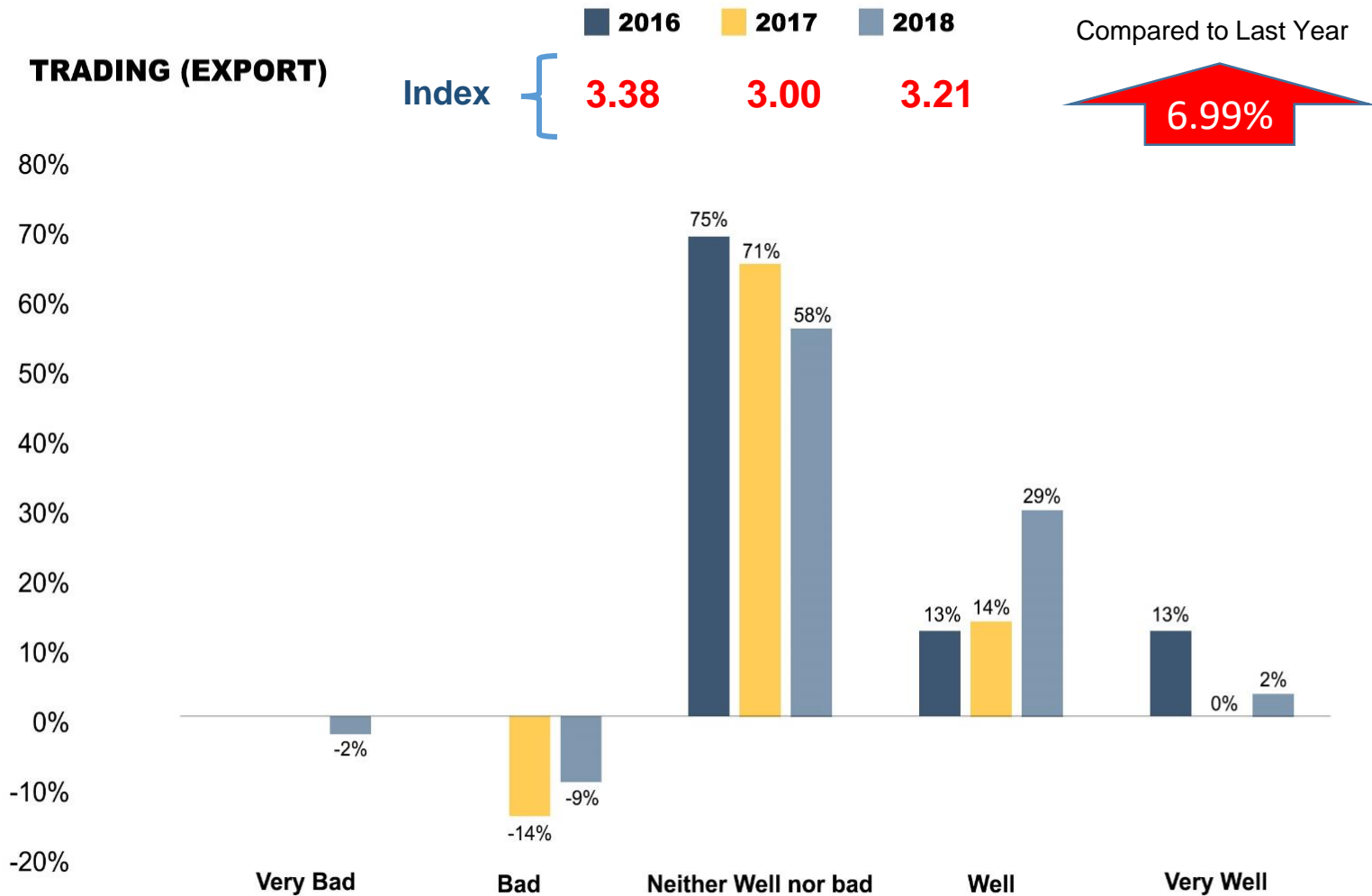
# Services Sector also Trended Downward...



- **Services** sector also faced a decline in the last three years.
- The overall index indicates that the wellness is down by 3.37% compared to 2017.

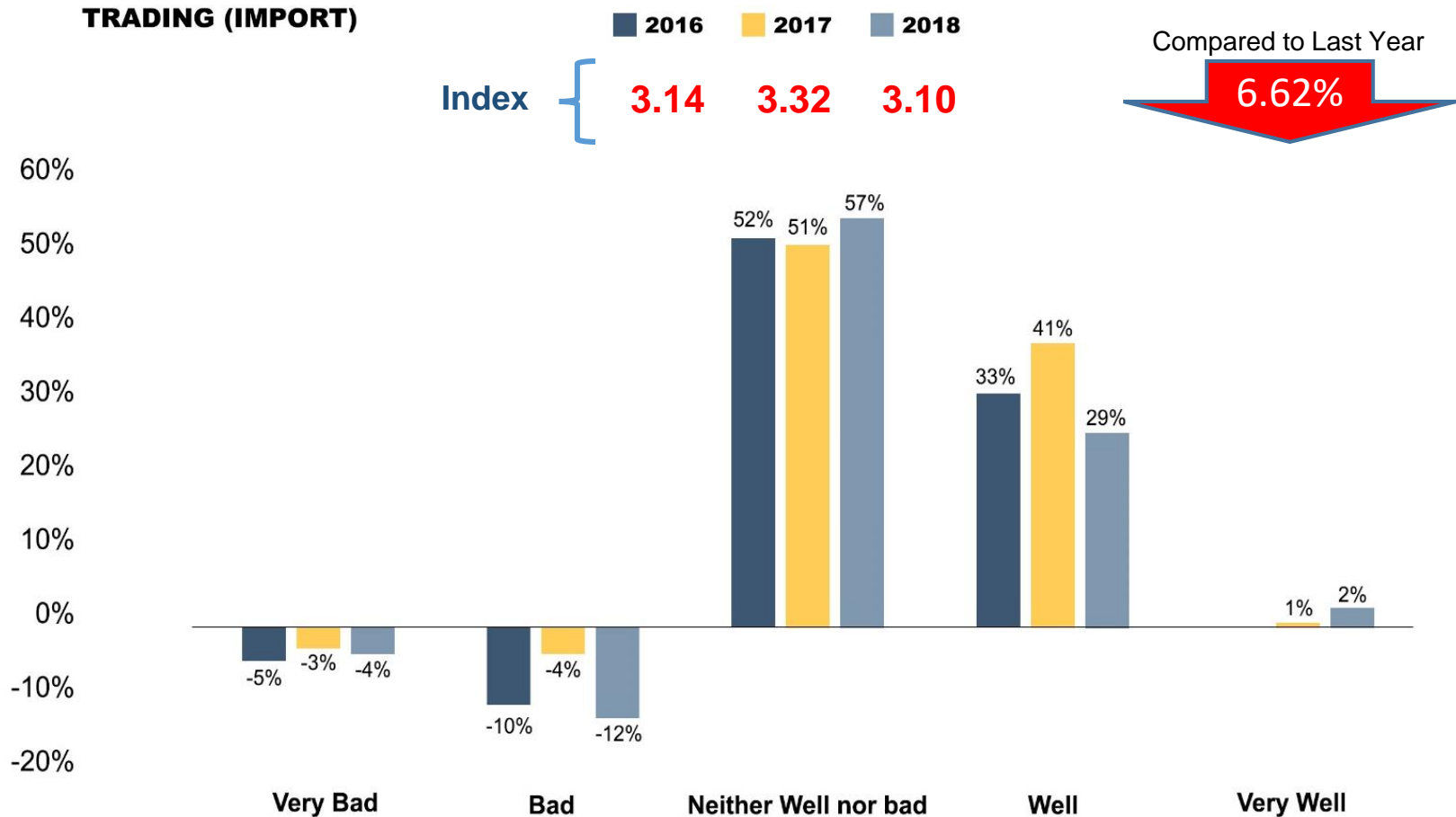
# Trading (Export) Sector Rose Compared to 2017...

Q2. How WELL is your business doing?



- **Trading (export)** sector rose in 2018 compared to 2017.
- The sector rose about 6.99% between 2017 and 2018

# Trading (Import) Sector Experienced a Fall...

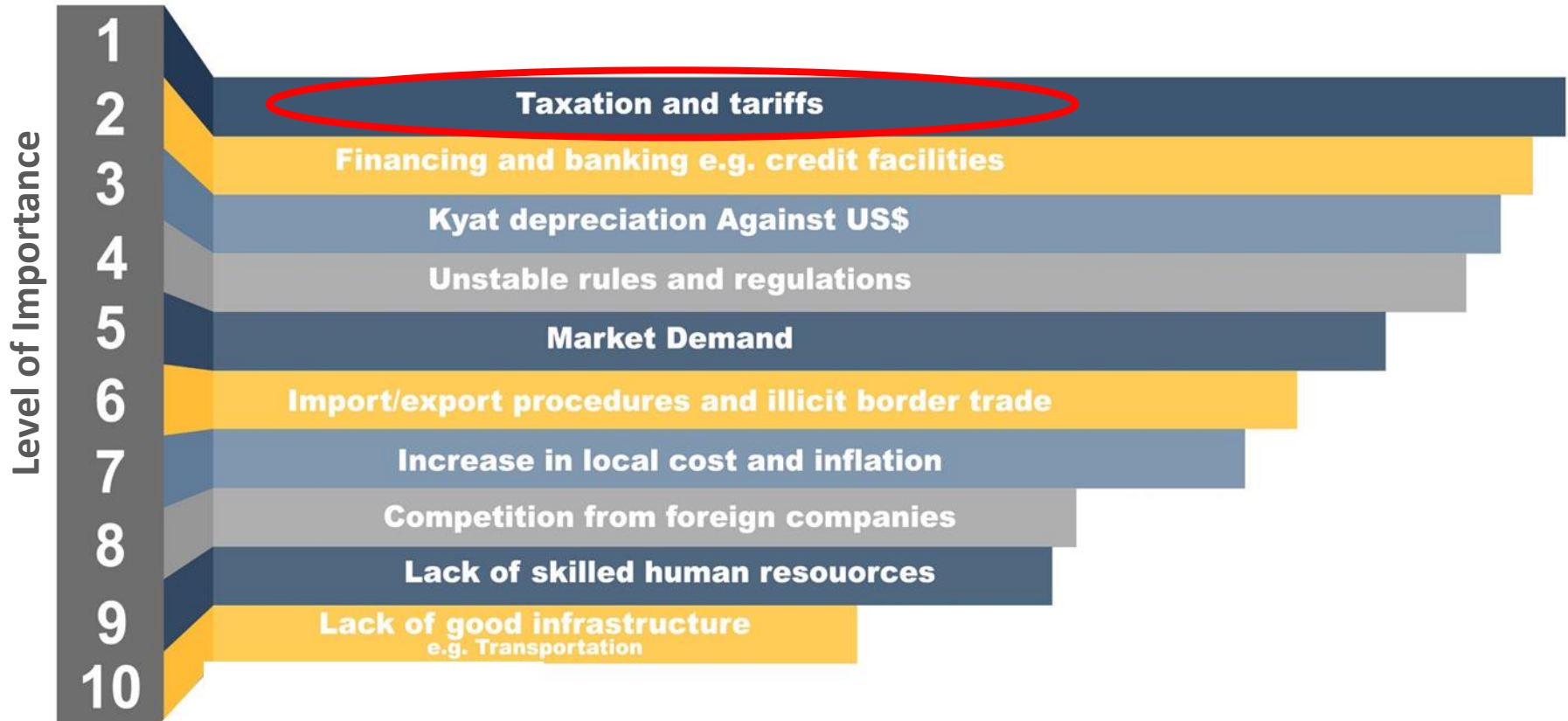


- **Trading (import)** sector decreased the largest fall between 2017 and 2018, compared to other industries.
- The overall index indicates that the wellness is down by 6.62 % in the last three years. **14**

**PART (C):**  
**Major Problems**

# Taxation and Tariffs Become a Major Problem in 2018...

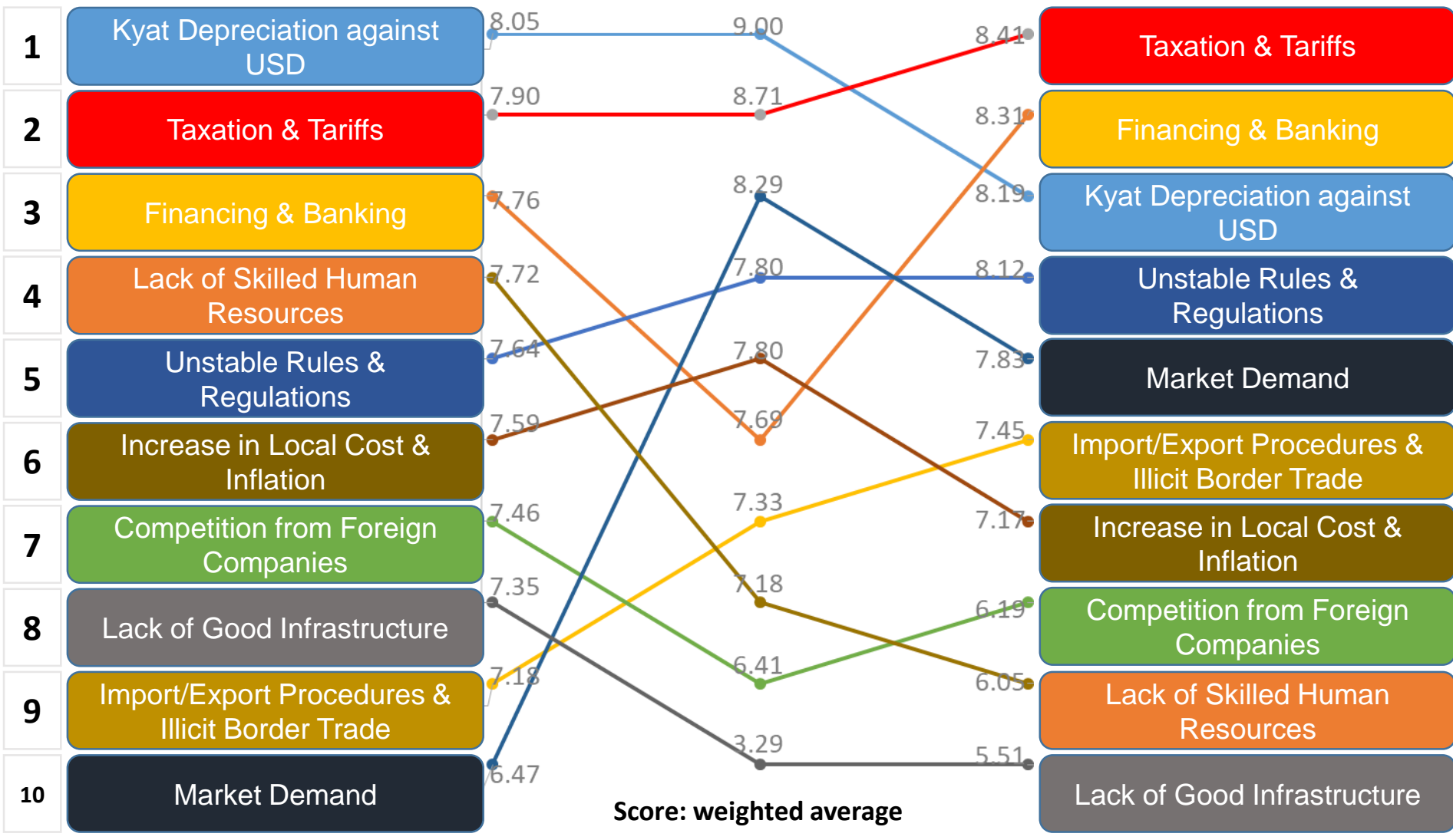
Q3. For Those that said, Neither Well or Bad, Bad, Really Bad what are the MAIN reasons?



Score: weight average



# Kyats Depreciation Slumped to Third in 2018...



Score: weighted average

2016

2017

2018

# Mapping of the Major Problem by Industries (2018)...

- Taxation and tariffs is the major problem in three out of four industries in 2018...

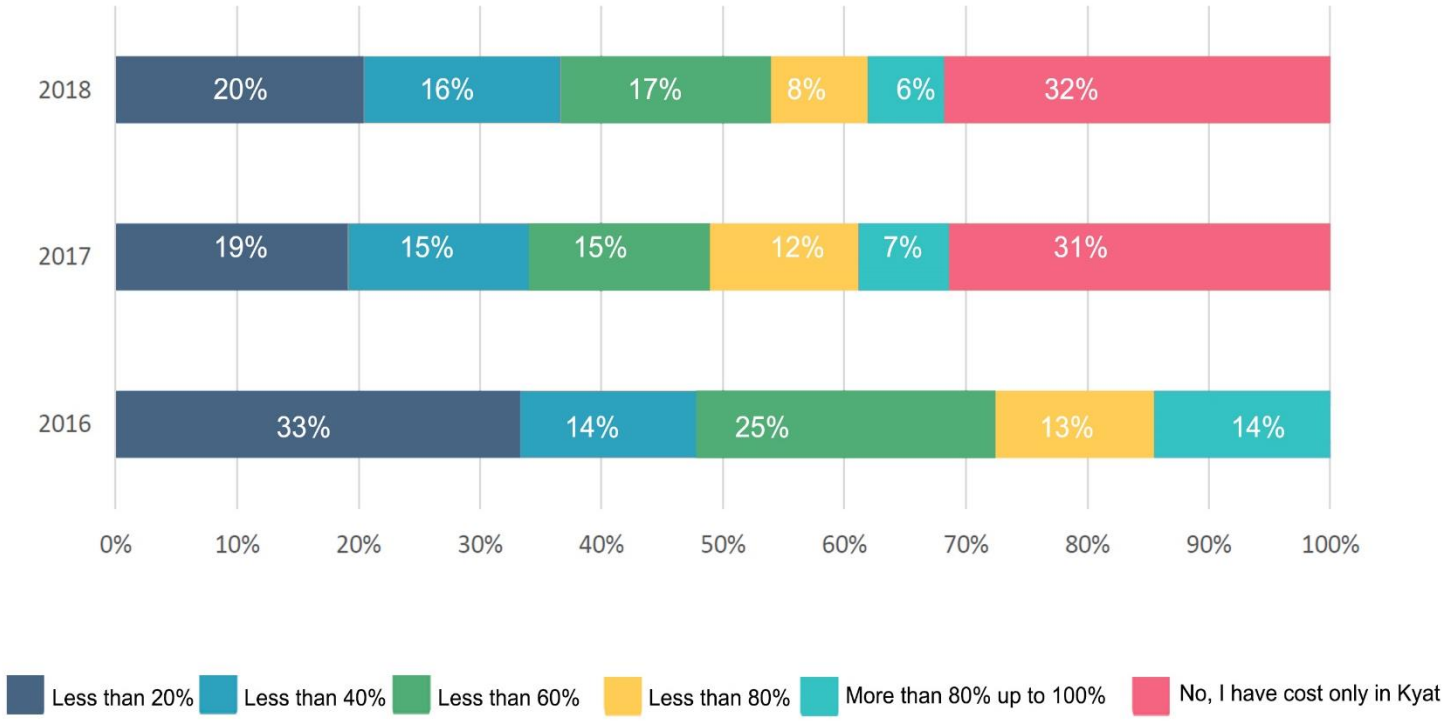
Problem Areas	Manufacturing	Services	Trading (Export)	Trading (Import)
Taxation and Tariffs	8.52	8.11	9.05	8.84
Unstable Rules and Regulations	8.07	8.03	8.27	8.46
Market Demand	7.54	7.42	8.11	8.11
Lack of Skilled Human Resources	6.57	6.25	6.18	5.00
Lack of good infrastructure	5.77	5.6	5.67	4.89
Kyat Depreciation against US\$	8.68	8.2	8.00	8.02
Increase in Local Cost and Inflation	7.8	6.64	7.26	7.03
Import/Export procedures and illicit border trade	7.9	6.9	7.82	7.61
Financing and Banking	8.39	8.07	8.85	8.6
Competition from foreign companies <i>Score: Weighted Average</i>	6.58	6.37	6.25	6.06

## **PART (D):**

# **Implications of US Dollar**

# Total Cost in USD in the Last 12 Months...

Q5. What % percentage of your Total COST in the last 12 months uses US\$?



- The cost in USD in businesses decreased in 2017 and 2018.

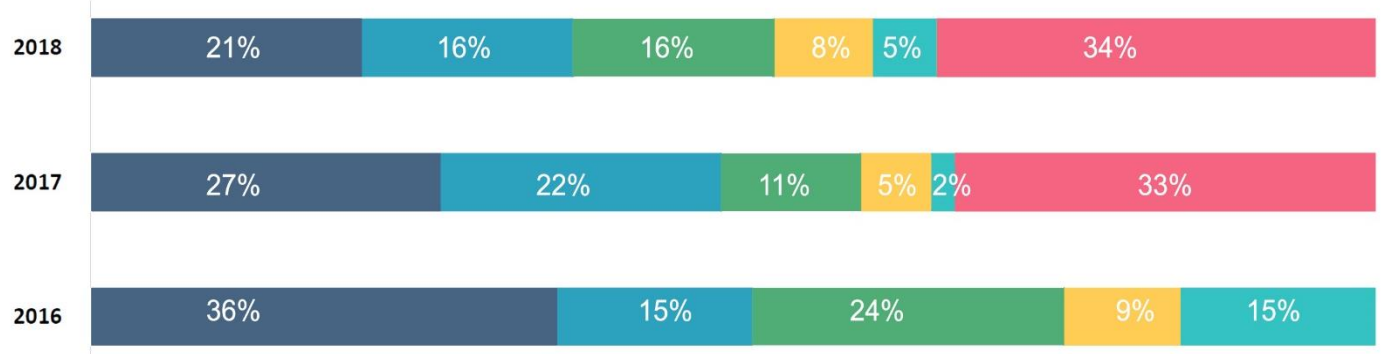
# Total Cost in USD in the Last 12 Months...

Q5. What % percentage of your Total COST in the last 12 months uses US\$?

## Manufacturing



## Services

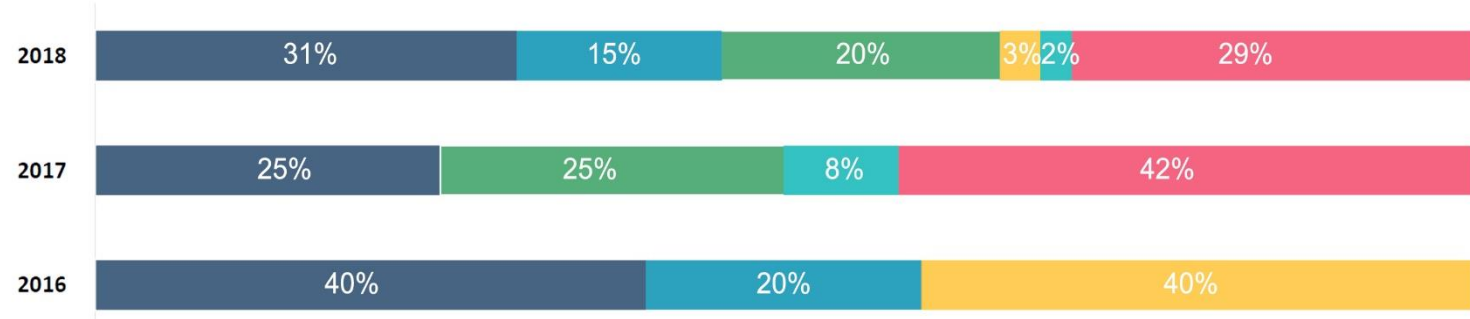


Less than 20%
  Less than 40%
  Less than 60%
  Less than 80%
  More than 80% up to 100%
  No, I have cost only in Kyat

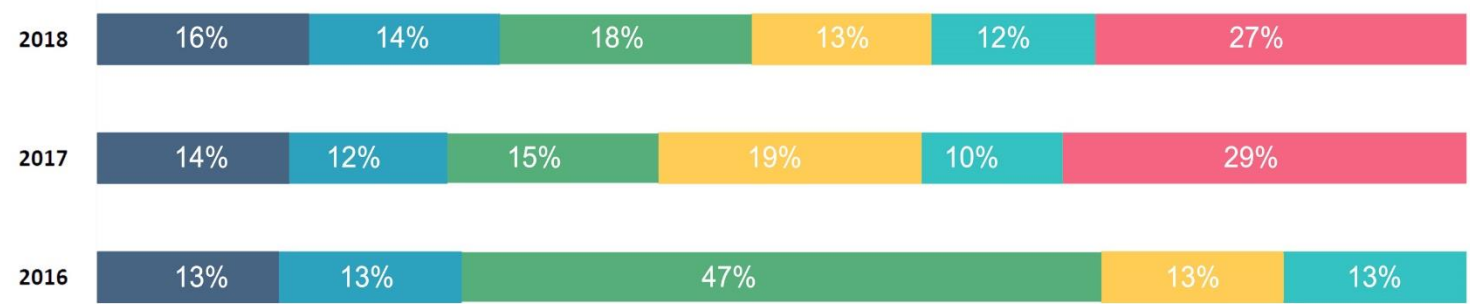
# Total Cost in USD in the Last 12 Months...

Q5. What % percentage of your Total COST in the last 12 months uses US\$?

## Trading (Export)



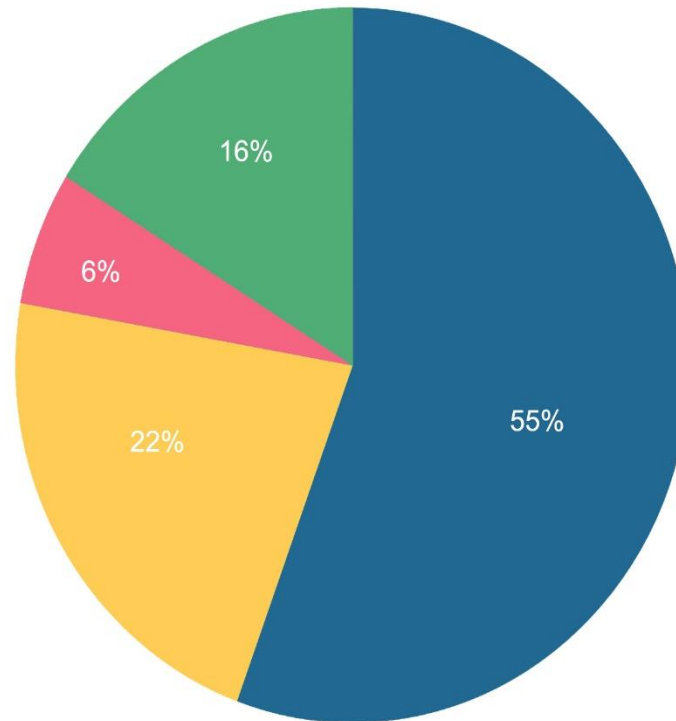
## Trading (Import)



Less than 20%
  Less than 40%
  Less than 60%
  Less than 80%
  More than 80% up to 100%
  No, I have cost only in Kyat

# The Major Use for USD...

Q6. What is the Major Use for US\$?

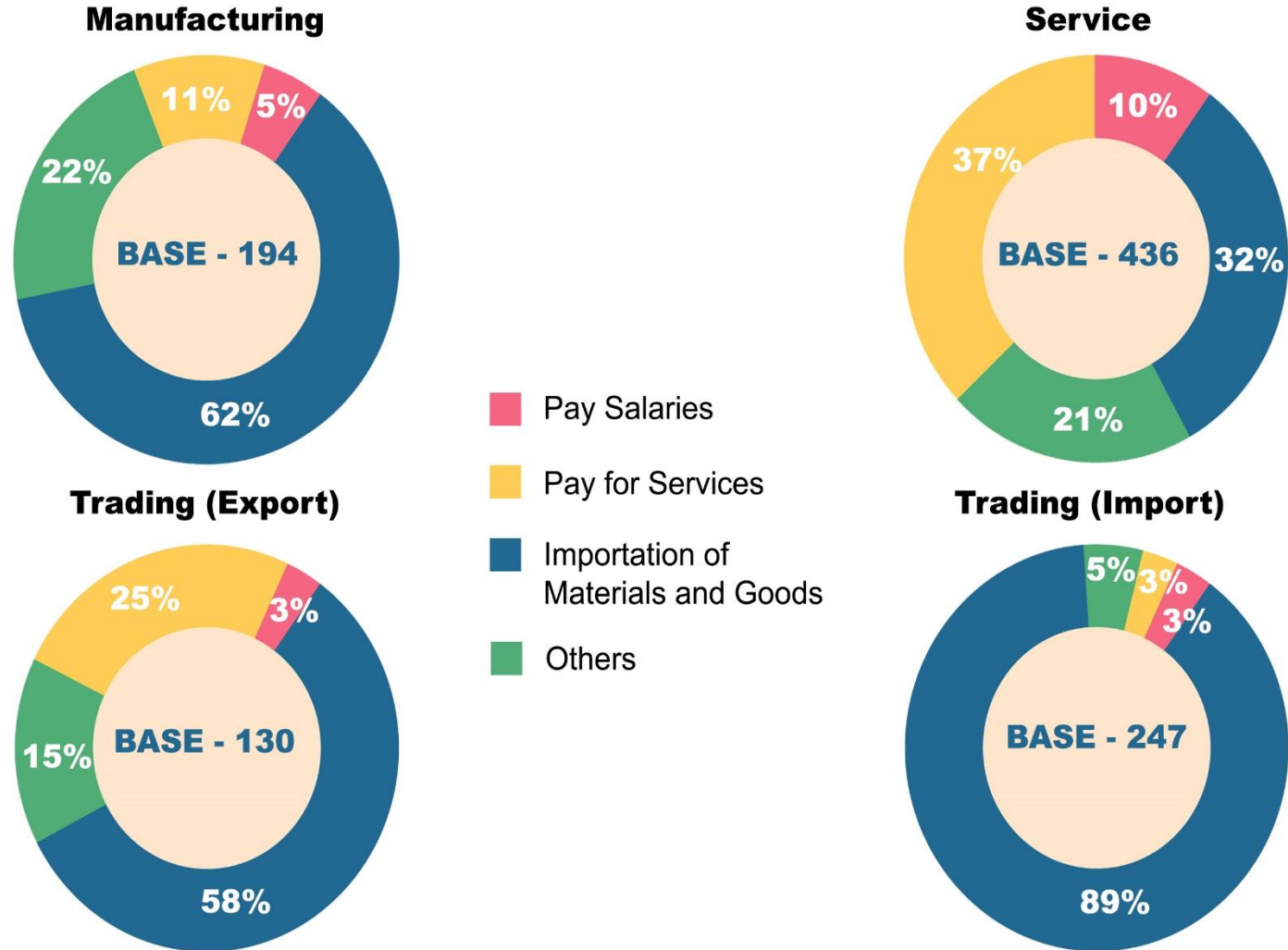


■ Pay Salaries   ■ Pay for Services   ■ Importation of Materials and Goods   ■ Others ( Please specify )

- Most businesses use USD for importing materials and goods from other countries.

# The Major Use for USD...

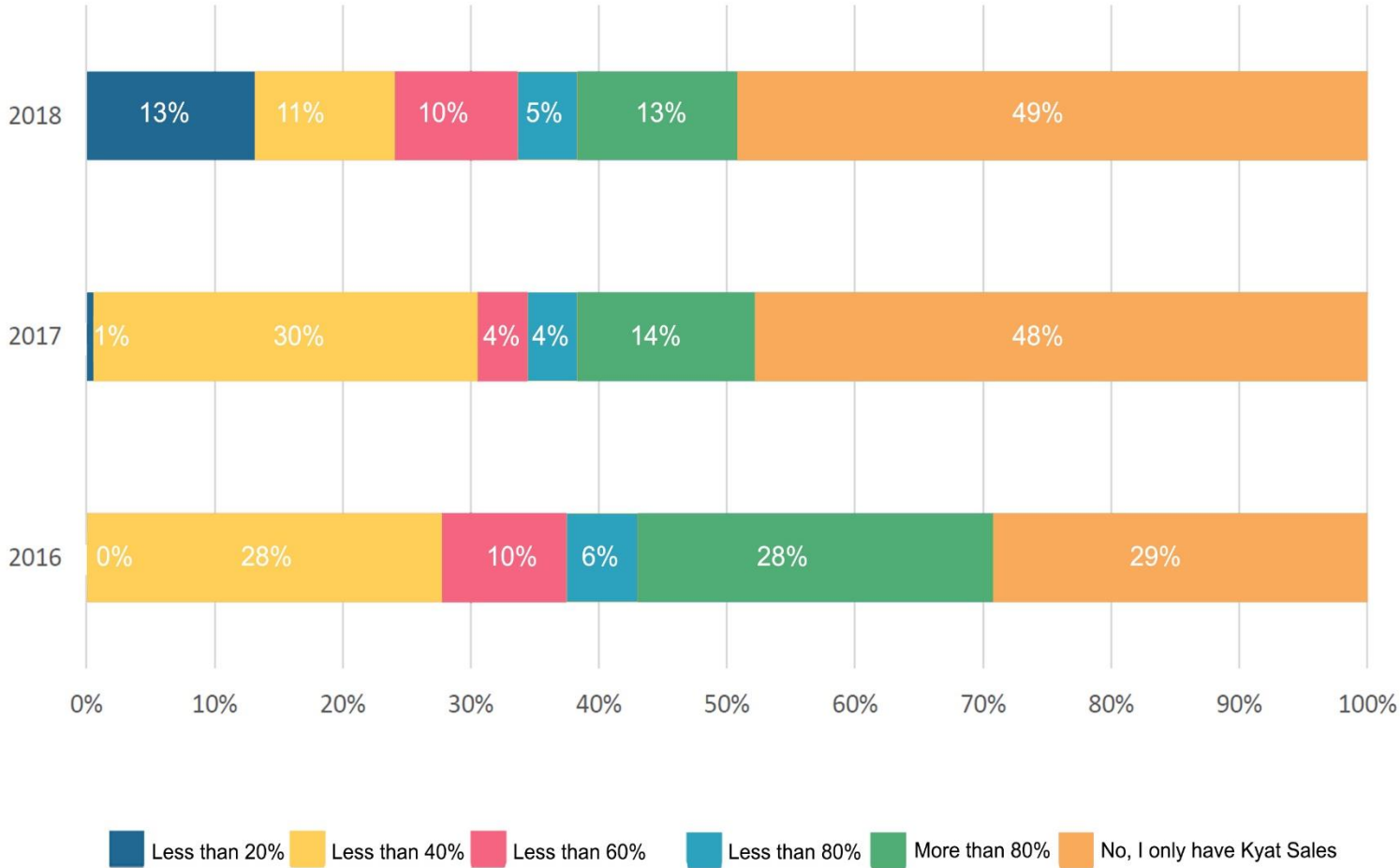
Q6. What is the Major Use for US\$?





# Percent of Sales a Year in USD...

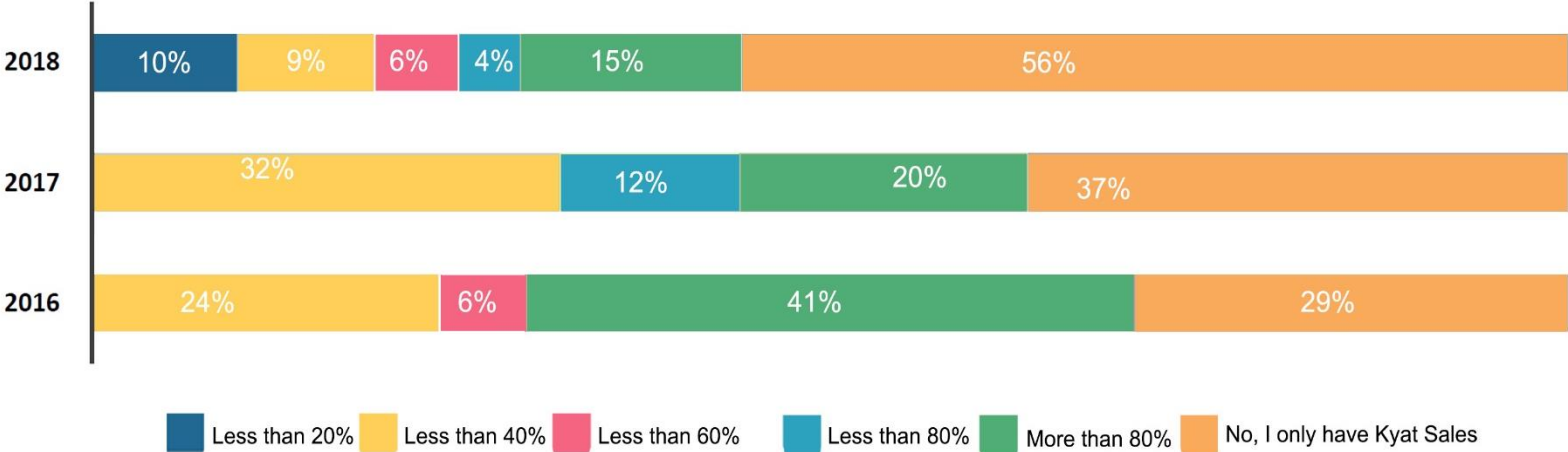
Q7. What % of your Sales a year are in US\$?



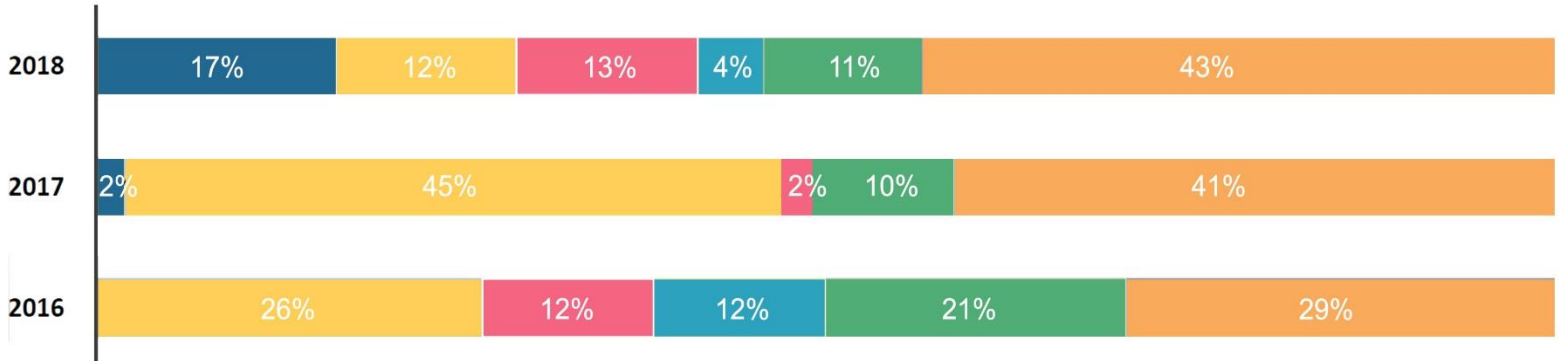
# Percent of Sales a Year in USD...

Q7. What % of your Sales a year are in US\$?

## Manufacturing



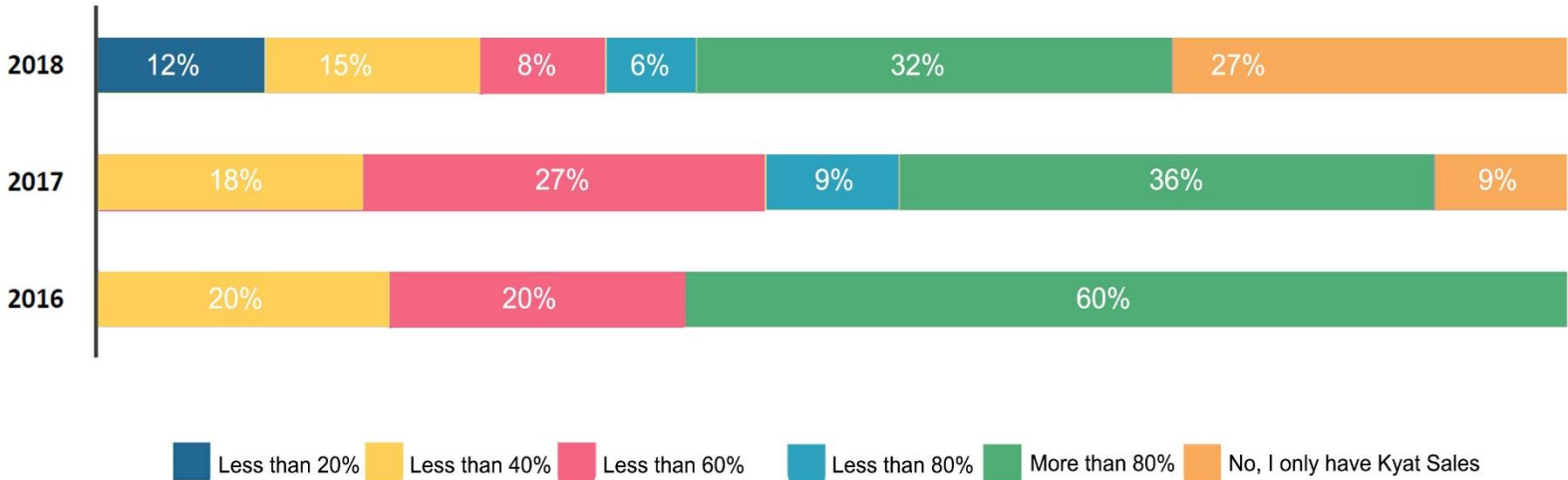
## Services



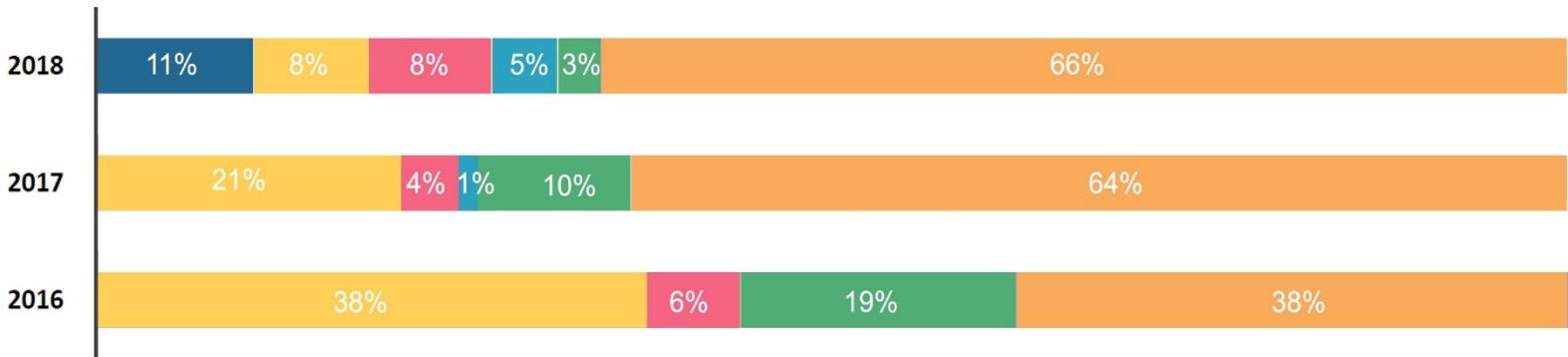
# Percent of Sales a Year in USD...

Q7. What % of your Sales a year are in US\$?

## Trading (Export)

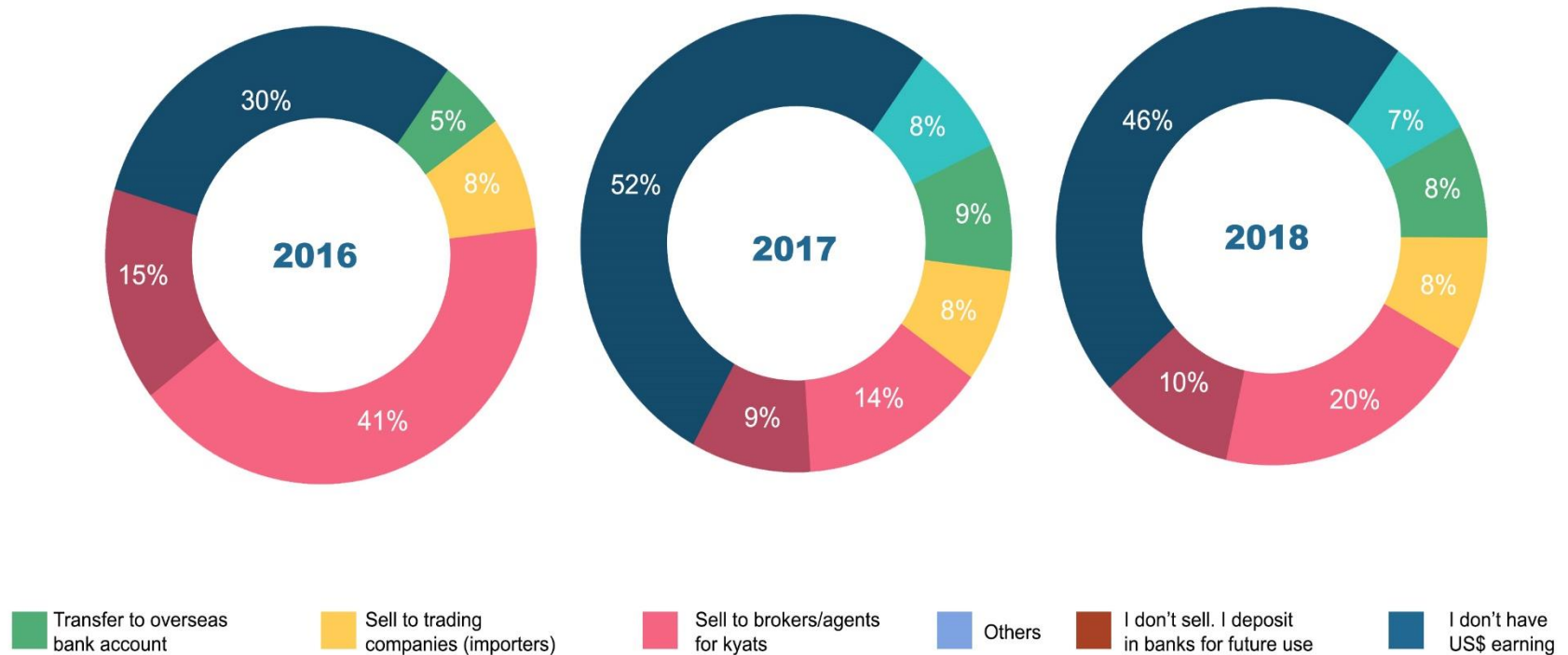


## Trading (Import)



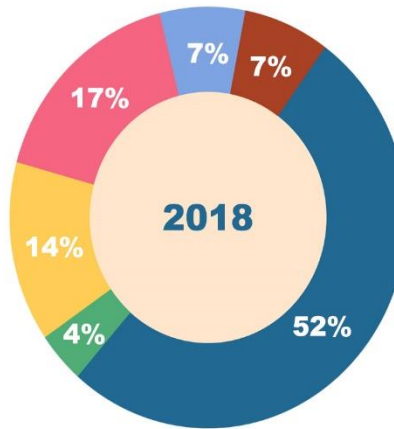
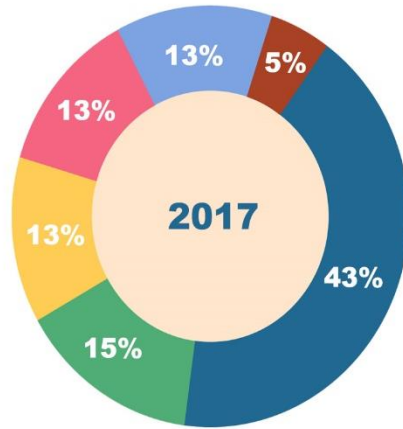
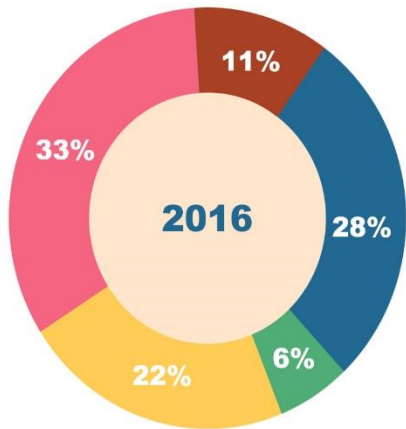
# Ways of Selling USD Earnings into Kyat...

Q8. How do you sell your US\$ Earnings into Kyat?



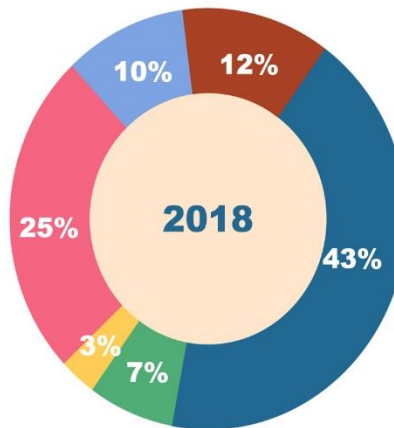
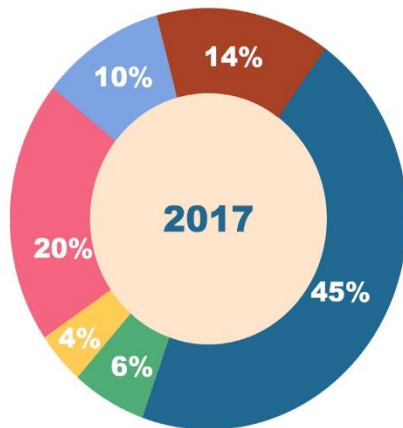
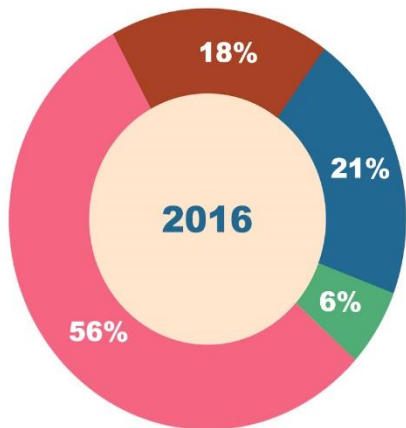
# Ways of Selling USD Earnings into Kyat...

Q8. How do you sell your US\$ Earnings into Kyat?



## Manufacturing

- Transfer to overseas bank account
- Sell to trading companies (importers)
- Sell to brokers/agents for kyats
- Others
- I don't sell. I deposit in banks for future use
- I don't have US\$ earning

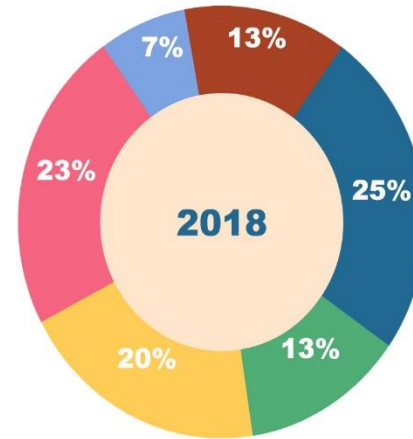
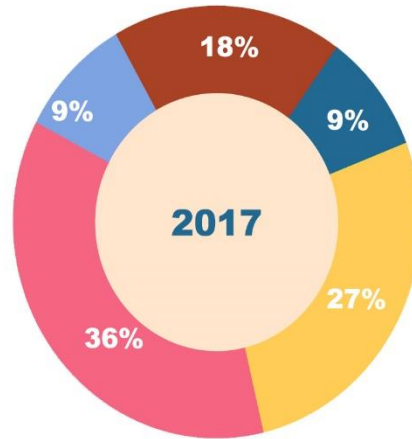
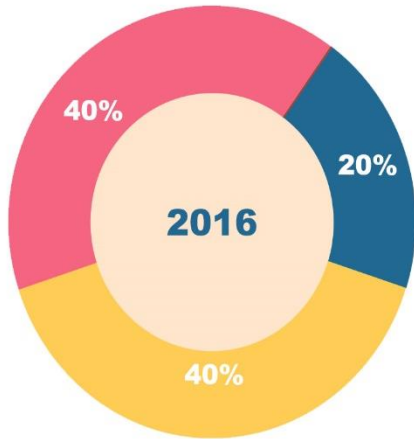


## Services

- Transfer to overseas bank account
- Sell to trading companies (importers)
- Sell to brokers/agents for kyats
- Others
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- I don't have US\$ earning

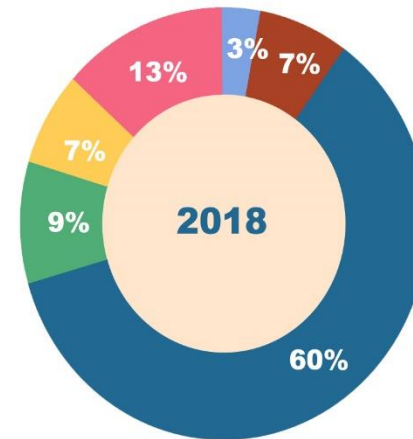
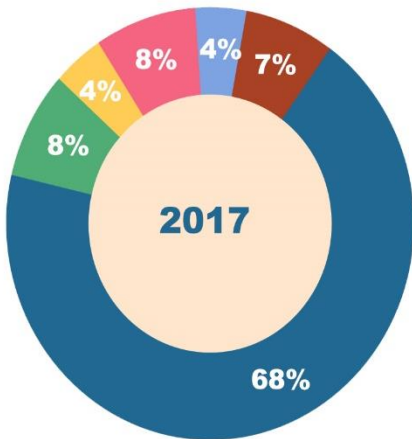
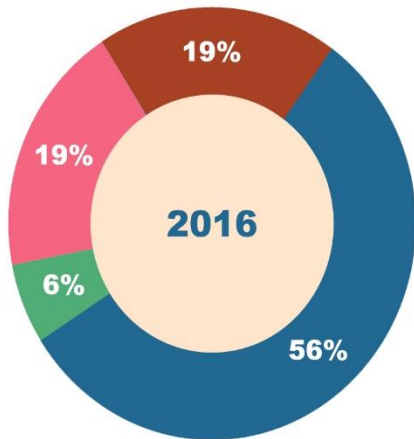
# Ways of Selling USD Earnings into Kyat...

Q8. How do you sell your US\$ Earnings into Kyat?



## Trading (Export)

- Transfer to overseas bank account
- Sell to trading companies (importers)
- Sell to brokers/agents for kyats
- Others
- I don't sell. I deposit in banks for future use
- I don't have US\$ earning

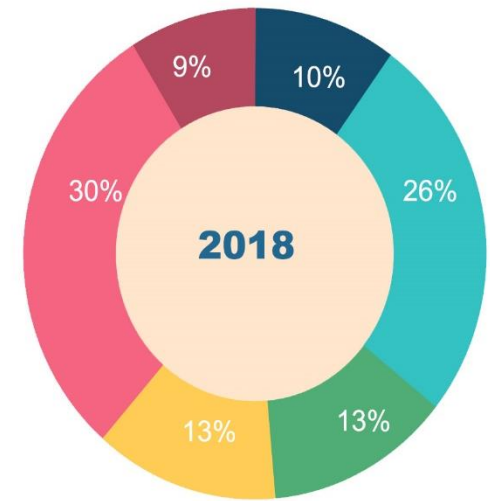
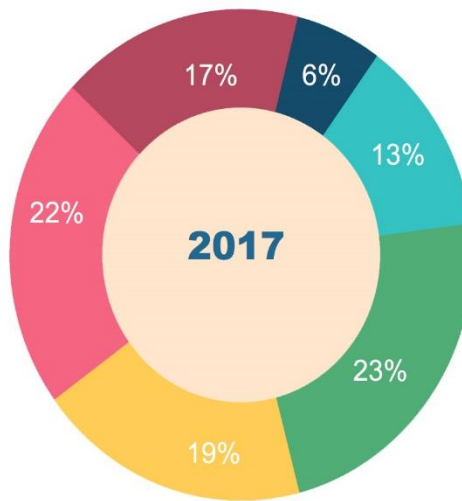
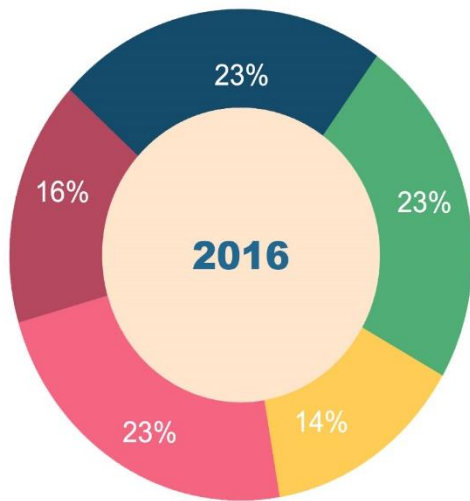


## Trading (Import)

- Transfer to overseas bank account
- Sell to trading companies (importers)
- Sell to brokers/agents for kyats
- Others
- I don't sell. I deposit in banks for future use
- I don't have US\$ earning

# Ways of Sourcing USD for Import...

Q9. Where do you get US\$ for import?

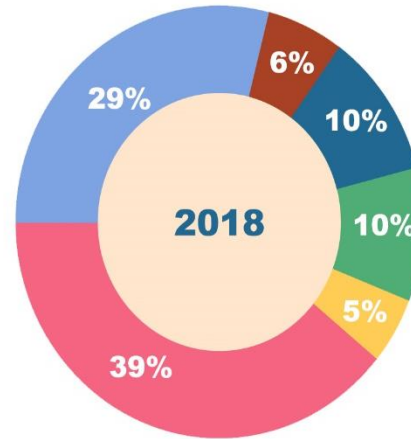
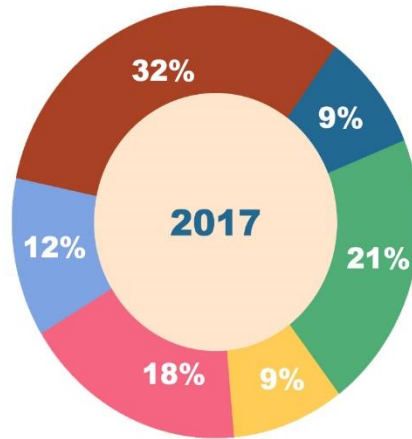
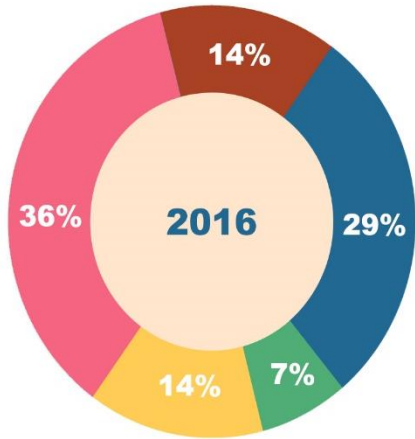


Legend for sourcing methods:

- Broker/ Agents (Green)
- Foreign exchange couners (Yellow)
- From Banks (Pink)
- I don't do any import (Blue)
- Other trading companies (exporters) (Red)
- Own account (Dark Blue)

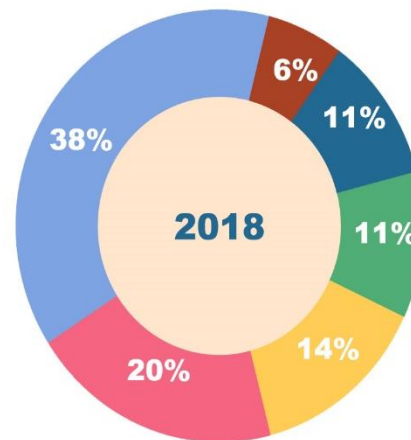
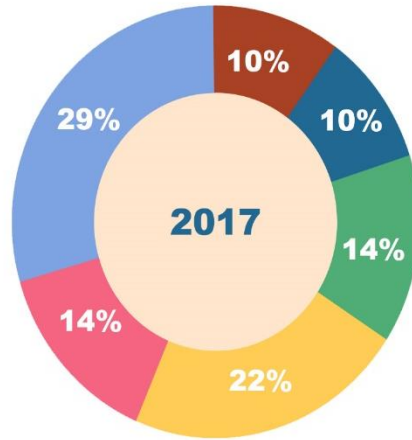
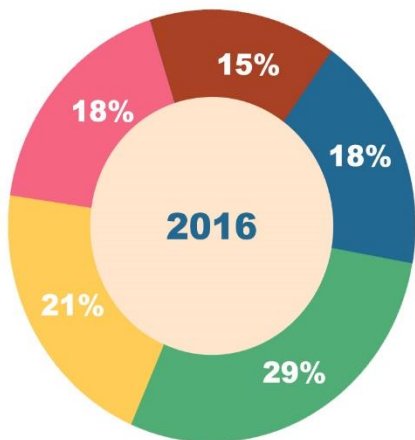
# Ways of Sourcing USD for Import...

Q9. Where do you get US\$ for import?



## Manufacturing

- Broker/ Agents
- Foreign exchange couners
- From Banks
- I don't do any import
- Other trading companies (exporters)
- Own account



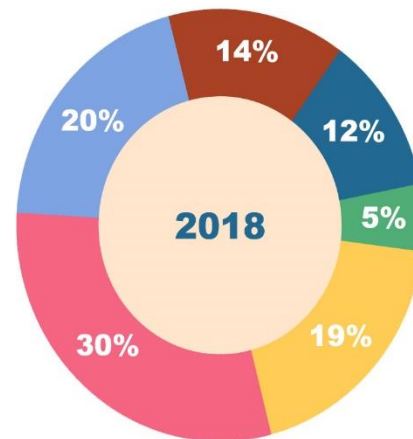
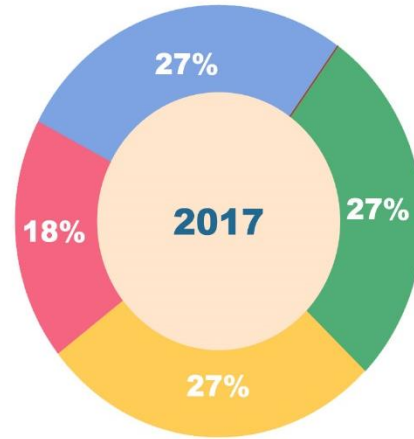
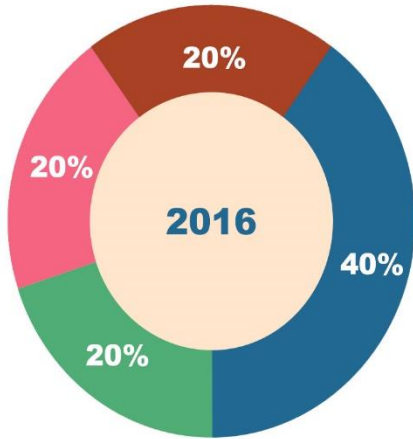
## Services

- Broker/ Agents
- Foreign exchange couners
- From Banks
- I don't do any import
- Other trading companies (exporters)
- Own account



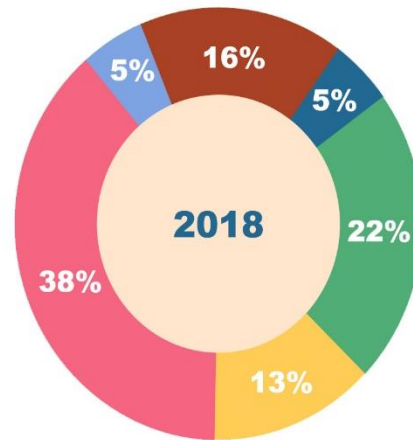
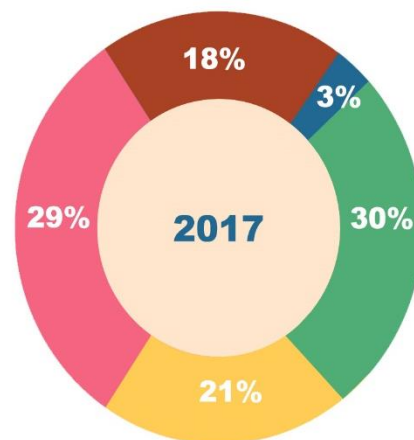
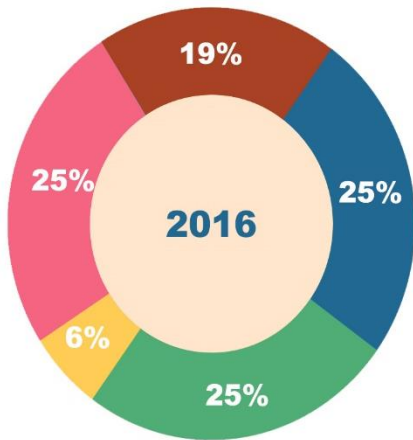
# Ways of Sourcing USD for Import...

Q9. Where do you get US\$ for import?



## Trading (export)

- Broker/ Agents
- Foreign exchange couners
- From Banks
- I don't do any import
- Other trading companies (exporters)
- Own account

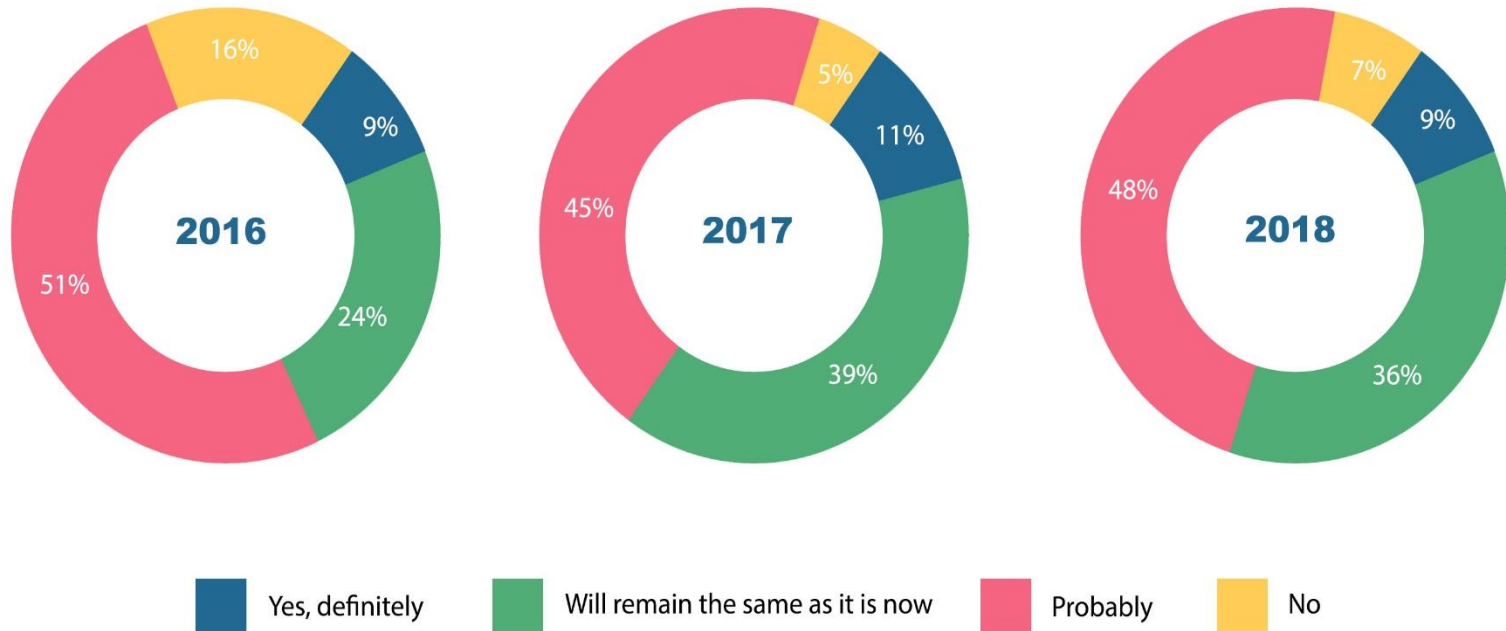


## Trading (Import)

- Broker/ Agents
- Foreign exchange couners
- From Banks
- I don't do any import
- Other trading companies (exporters)
- Own account

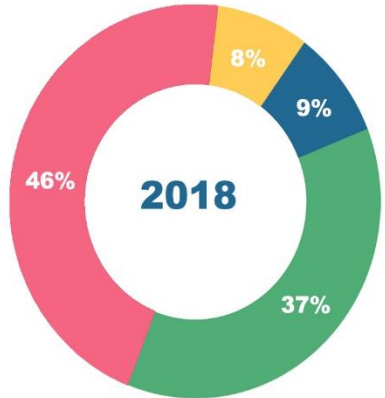
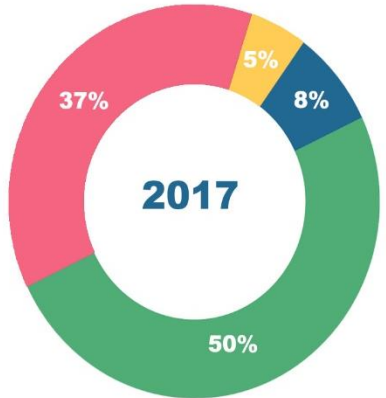
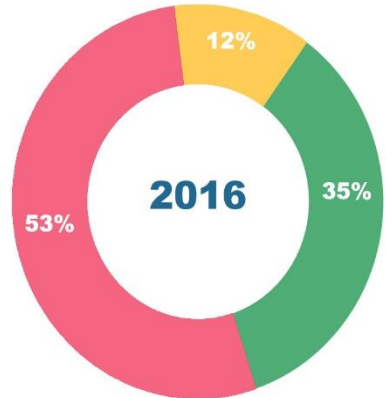
# Perspective on Kyat Value will Decline in Next 3 Months...

Q13. Do you think the Kyat will continue to fall in the next 3 months?



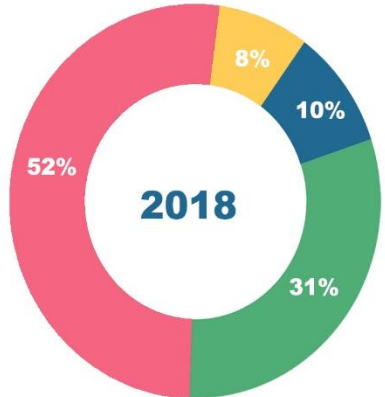
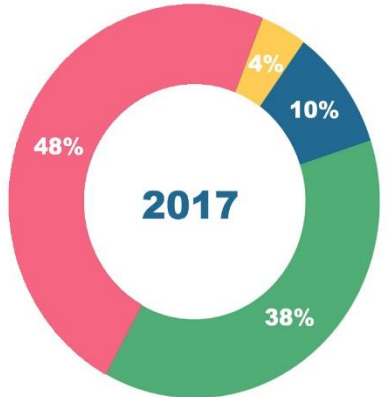
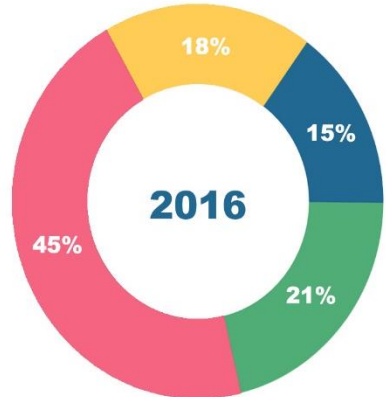
# Perspective on Kyat Value will Decline in Next 3 Months...

Q13. Do you think the Kyat will continue to fall in the next 3 months?



## Manufacturing

- Yes, definitely
- Will remain the same as it is now
- Probably
- No

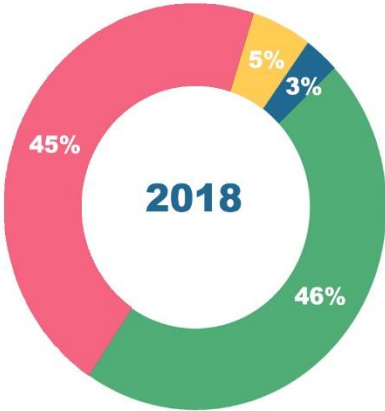
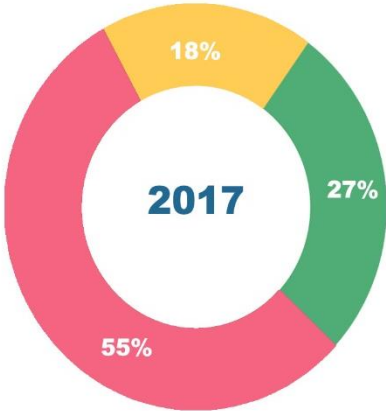
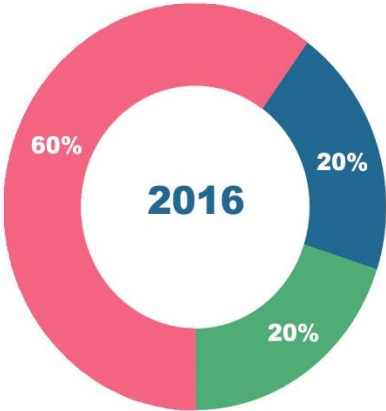


## Service

- Yes, definitely
- Will remain the same as it is now
- Probably
- No

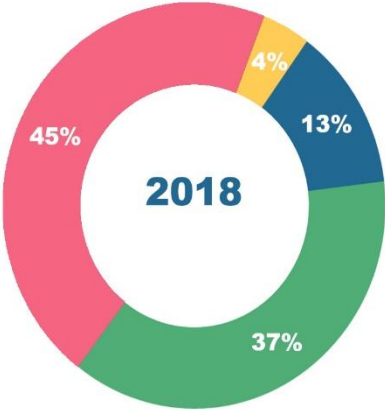
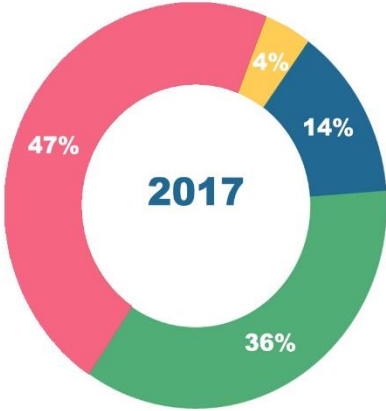
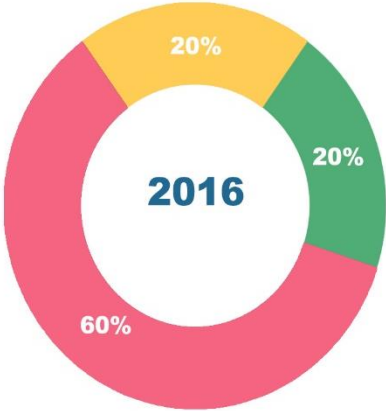
# Perspective on Kyat Value will Decline in Next 3 Months...

Q13. Do you think the Kyat will continue to fall in the next 3 months?



### Trade (Export)

- Yes, definitely
- Will remain the same as it is now
- Probably
- No

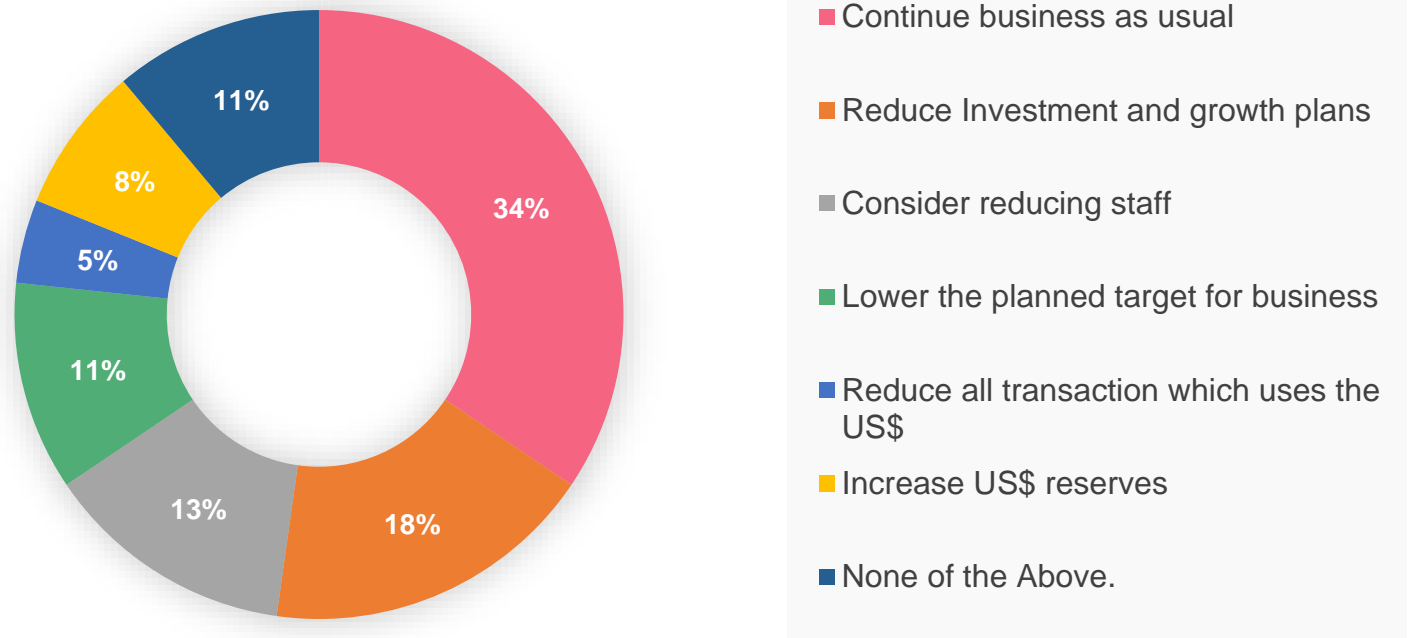


### Trade (Import)

- Yes, definitely
- Will remain the same as it is now
- Probably
- No

# Measures to Buffer Kyat Decline...

Q14. For those that said the Kyat will continue to fall, which of the following measures will you be undertaking to continue to run your business?

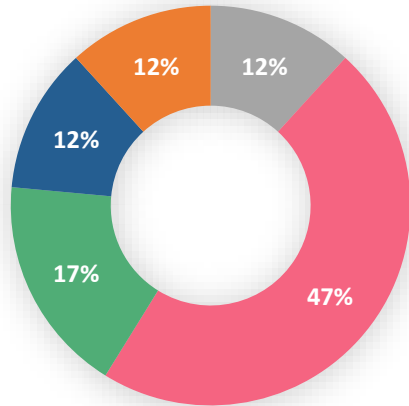


- Most businesses seem to have no specific plan to buffer kyat decline.

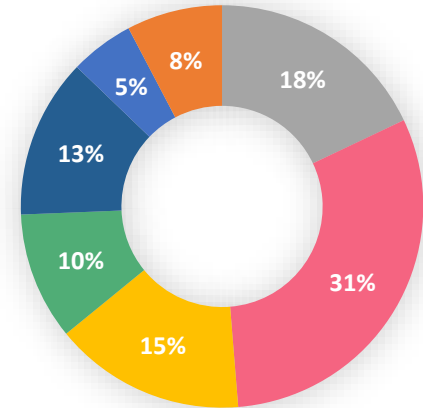
# Measures to Buffer Kyat Decline...

Q14. For those that said the Kyat will continue to fall, which of the following measures will you be undertaking to continue to run your business?

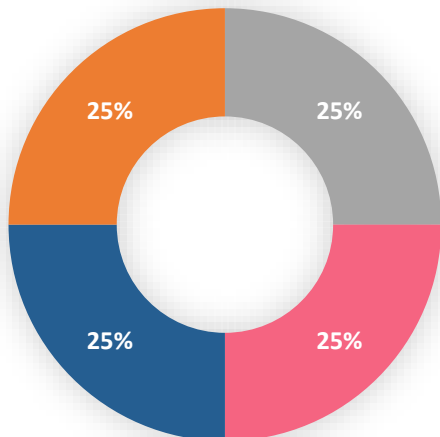
## Manufacturing



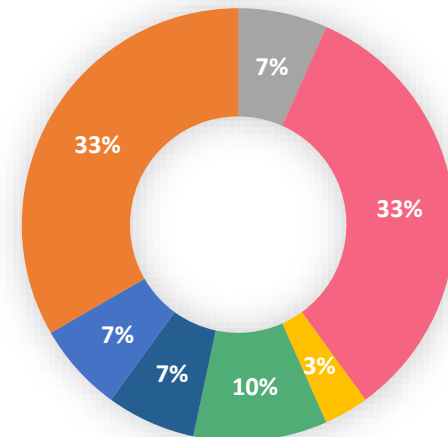
## Services



## Trade (Export)



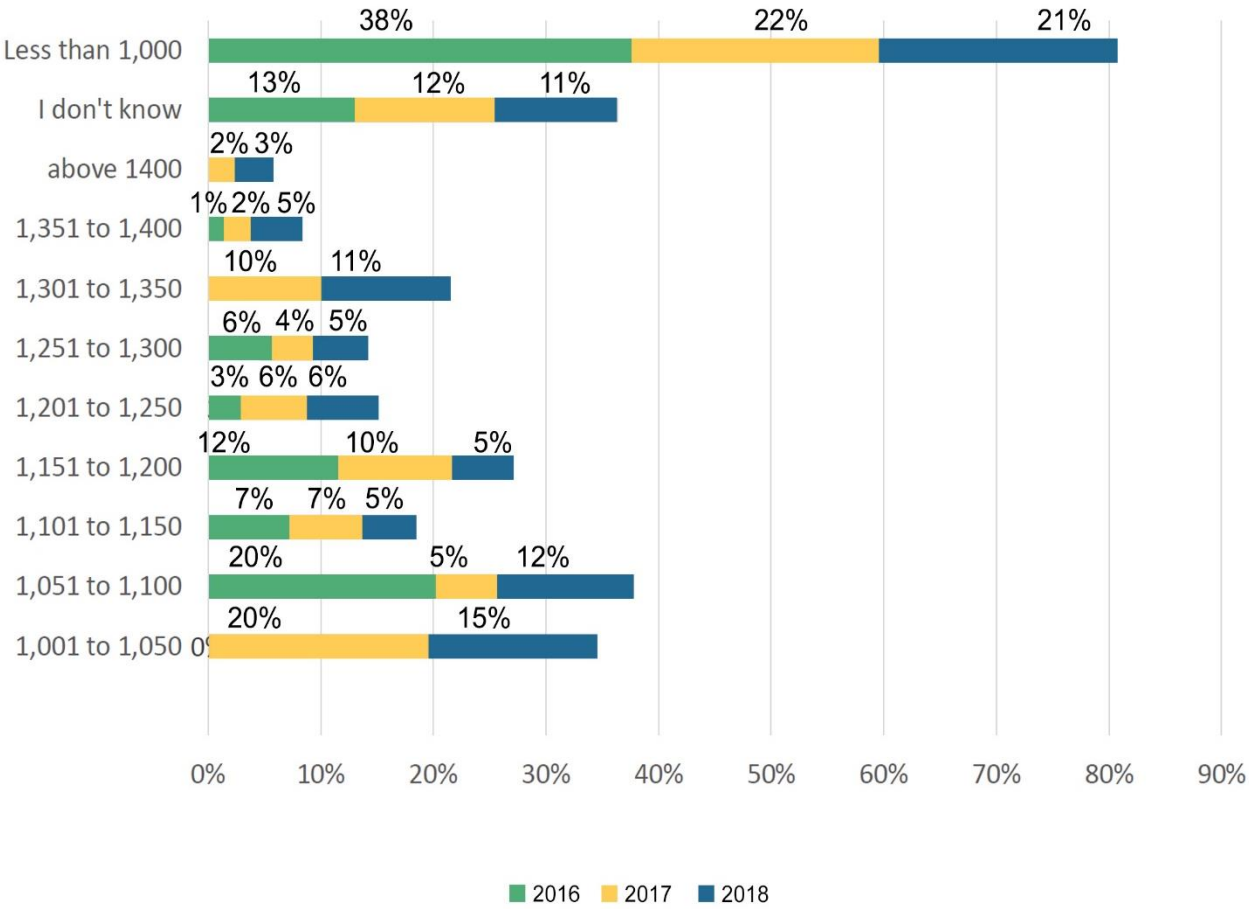
## Trade (Import)



- Continue business as usual
- Reduce Investment and growth plans
- Consider reducing staff
- Lower the planned target for business
- Reduce all transaction which uses the US\$
- Increase US\$ reserves
- None of the Above.

# Preferred Exchange Rate of Kyat to USD...

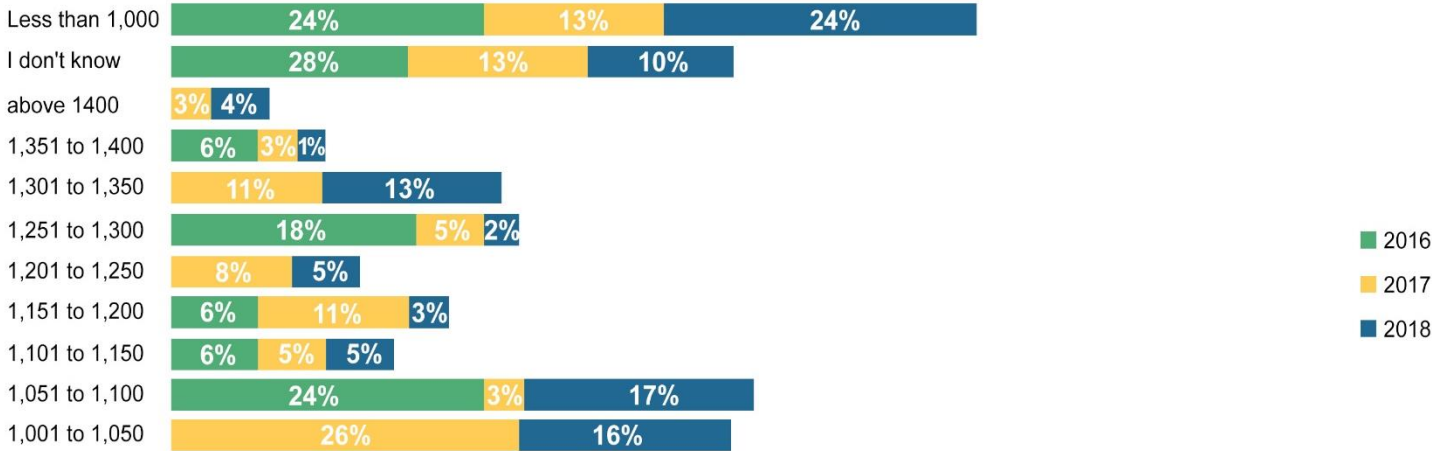
Q15. Which of the following Kyat to US\$ rate be best for your businesses to develop.



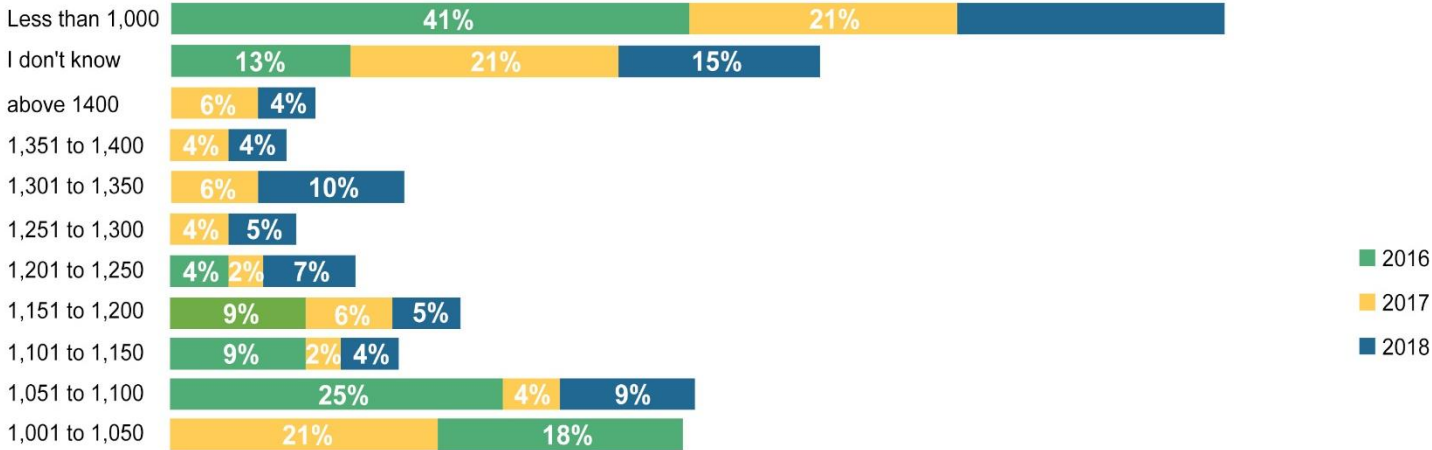
# Preferred Exchange Rate of Kyat to USD...

Q15. Which of the following Kyat to US\$ rate be best for your businesses to develop.

## Manufacturing



## Services

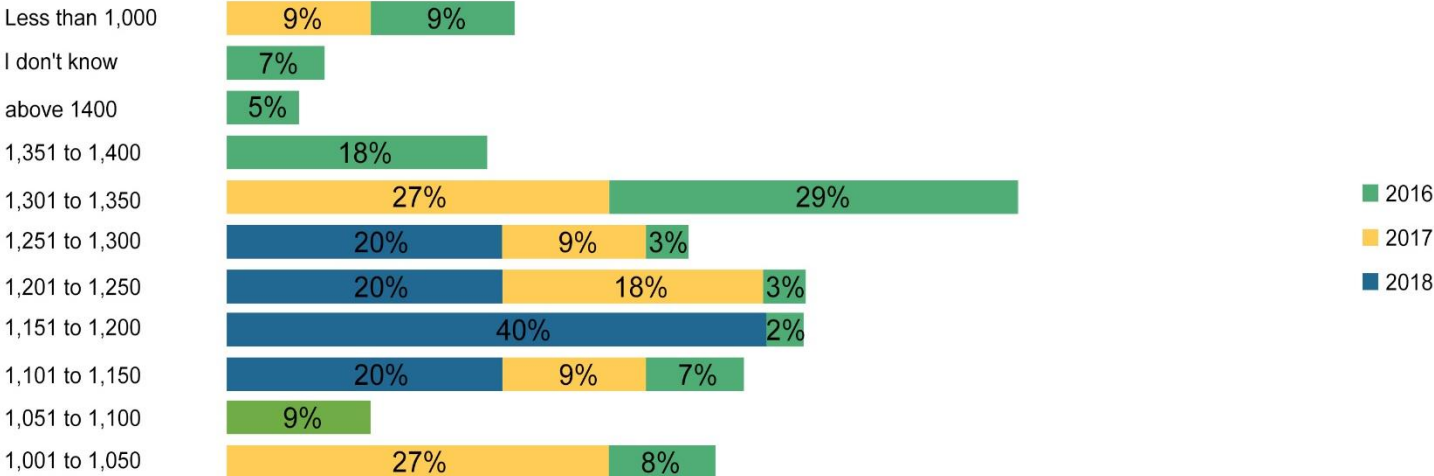




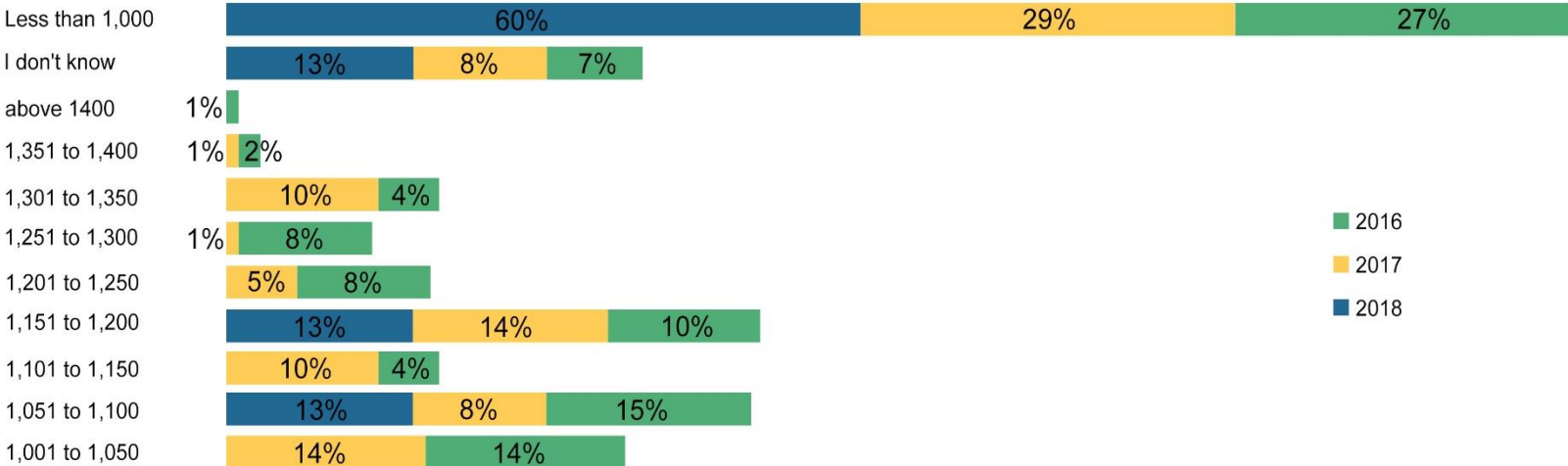
# Preferred Exchange Rate of Kyat to USD...

Q15. Which of the following Kyat to US\$ rate be best for your businesses to develop.

## Trading (Export)



## Trading (Import)

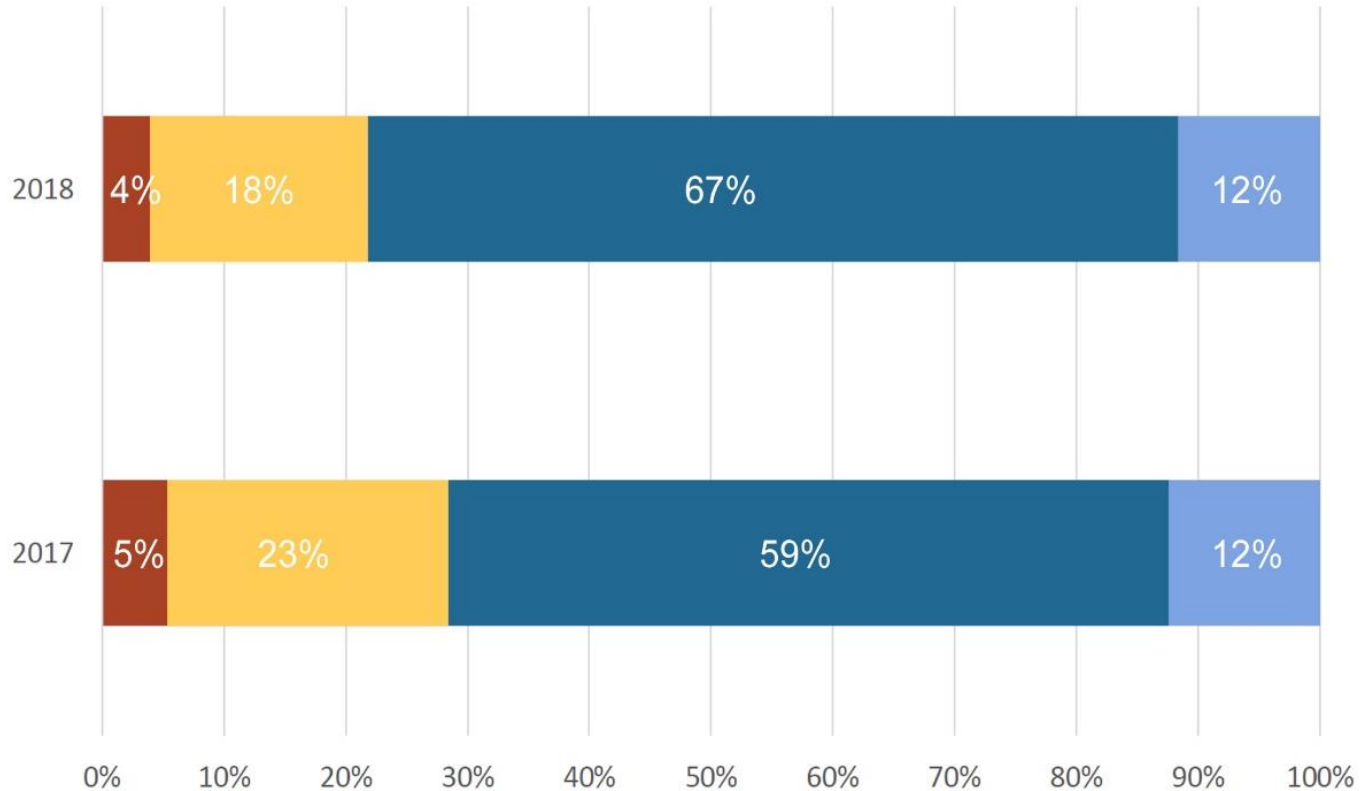


## **PART (E):**

# **Understanding on Taxation**

# Degree of Understanding on Taxation...

Q12. How well do you understand about government Taxation Law?



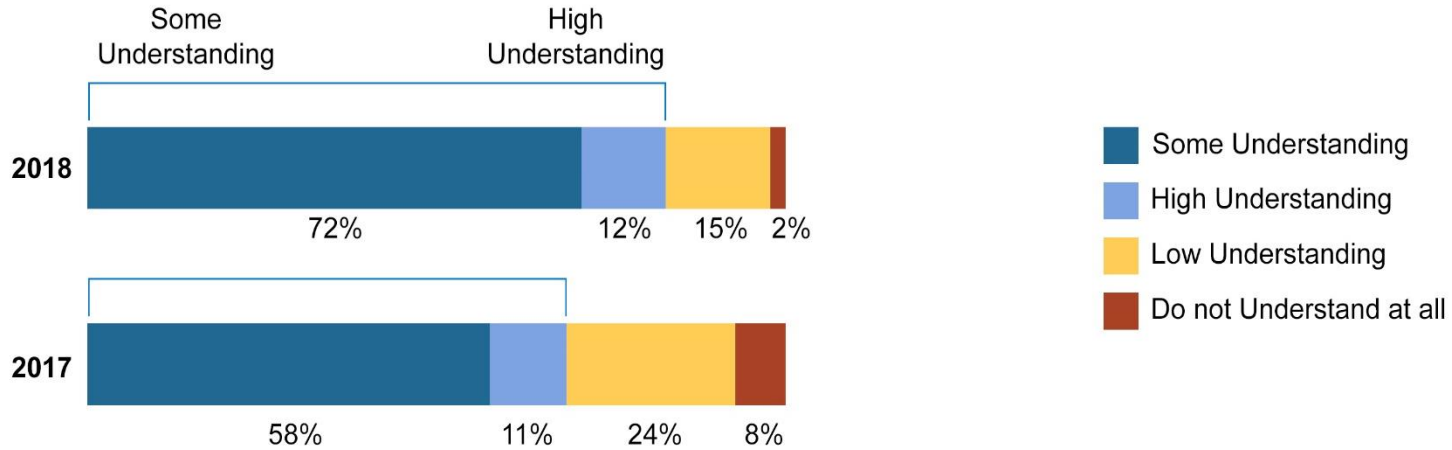
Do not Understand at all    Low Understanding    Some Understanding    High Understanding

- Understanding on taxation has slightly increased in 2018 compared to 2017.
- However, the understanding is still limited and has to be improved in most businesses.

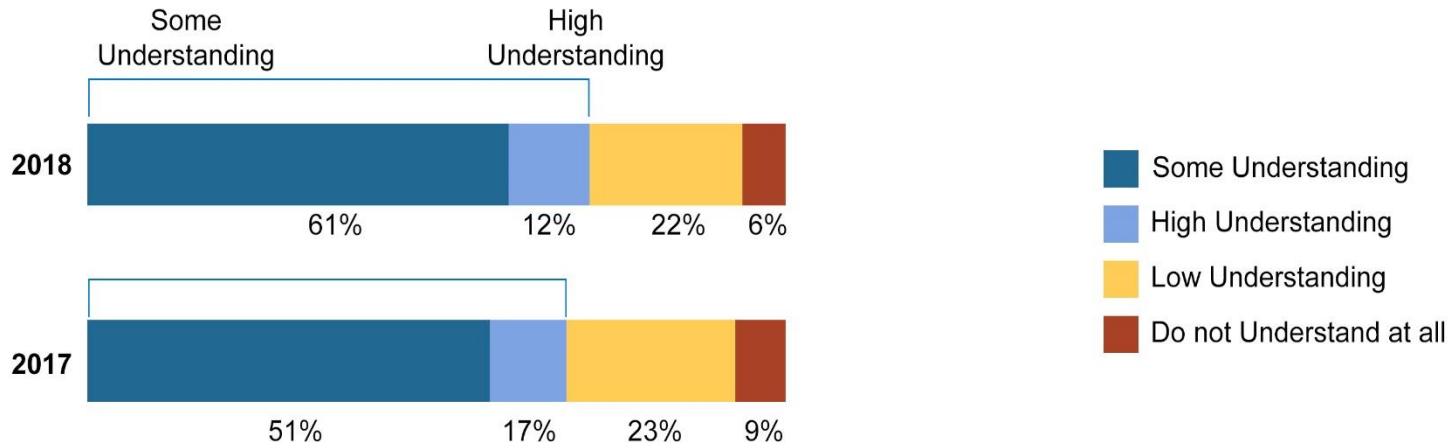
# Degree of Understanding on Taxation...

Q12. How well do you understand about government Taxation Law?

## Manufacturing



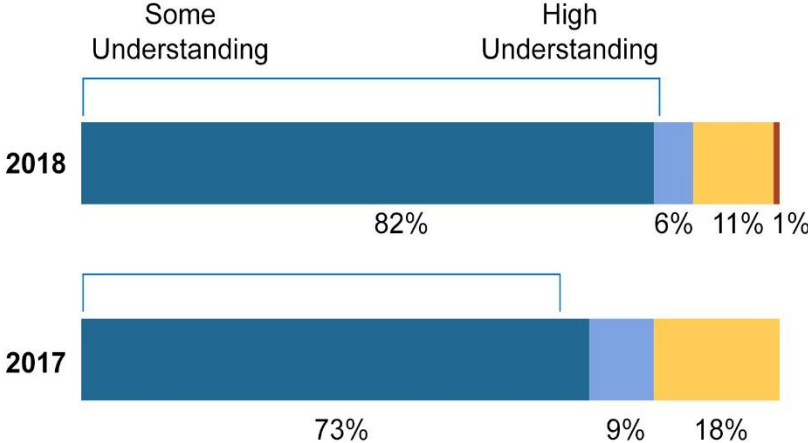
## Service



# Degree of Understanding on Taxation...

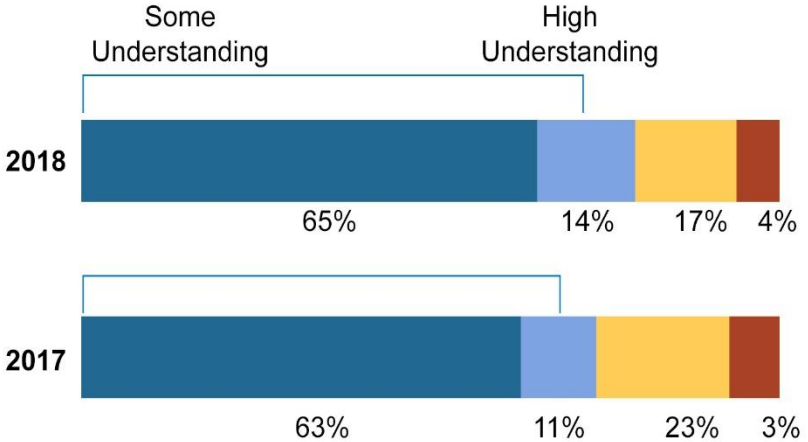
Q12. How well do you understand about government Taxation Law?

## Trading (Export)



- Some Understanding
- High Understanding
- Low Understanding
- Do not Understand at all

## Trading (Import)



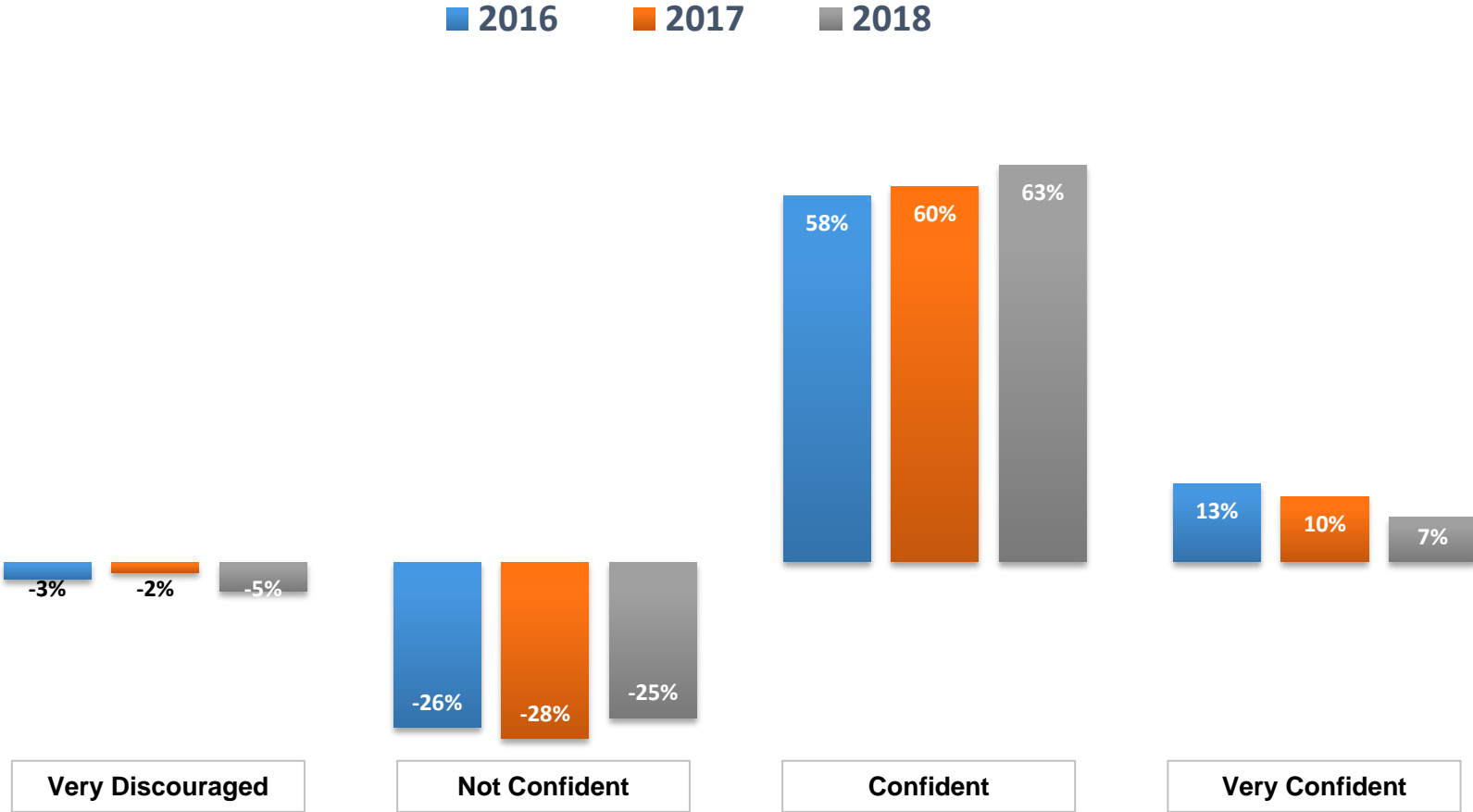
- Some Understanding
- High Understanding
- Low Understanding
- Do not Understand at all

**PART (F):**

**Confidence in Business Growth**

# Confidence Level in Future Business Growth...

Q10. How confident are you that your business will develop in the next 12 months?



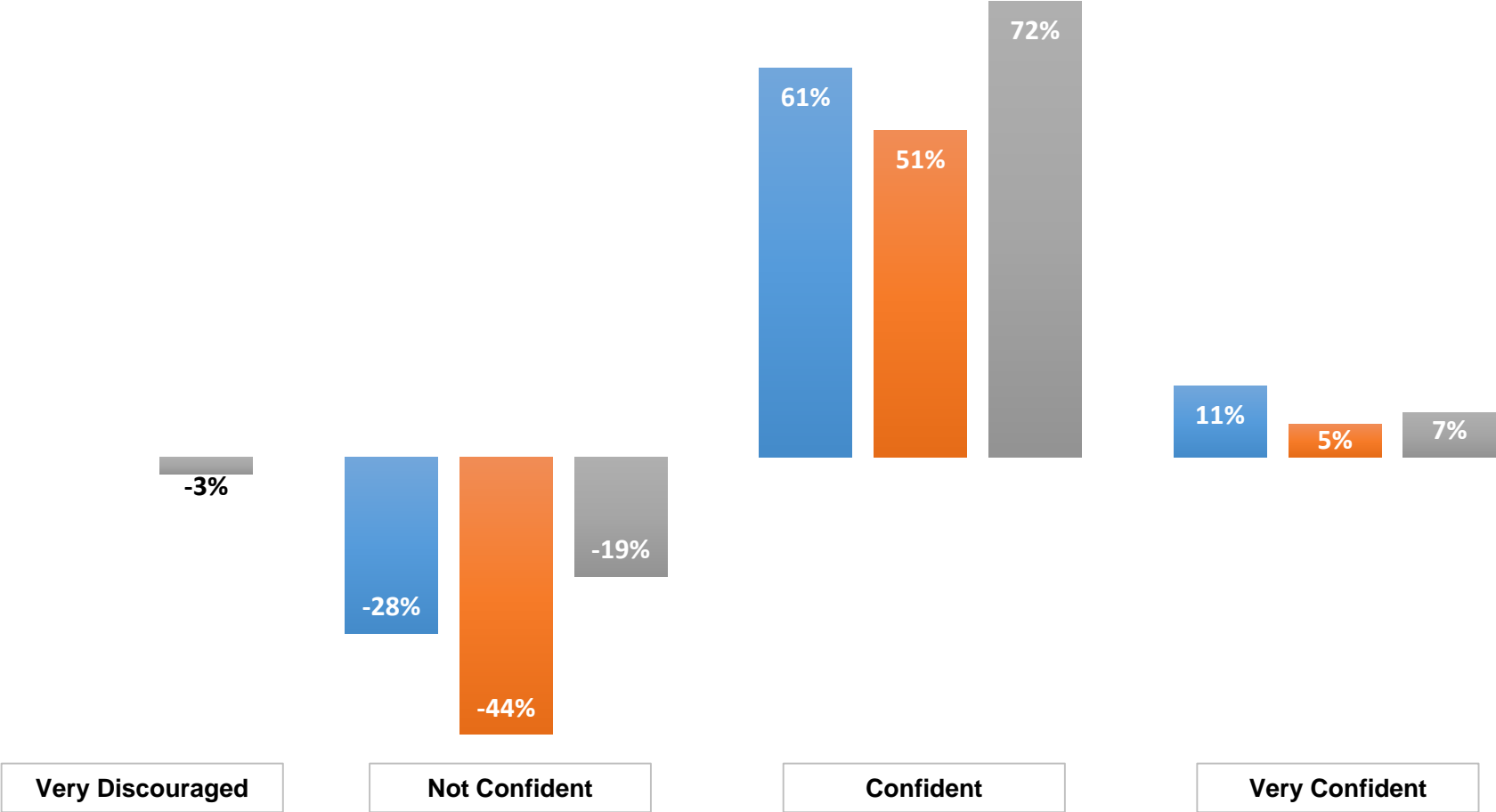
- If the data are indexed, the figures suggest that the confidence level is down by 2.15% compared to 2017.

# Confidence Level in Future Business Growth...

Q10. How confident are you that your business will develop in the next 12 months?

## Manufacturing

■ 2016 ■ 2017 ■ 2018



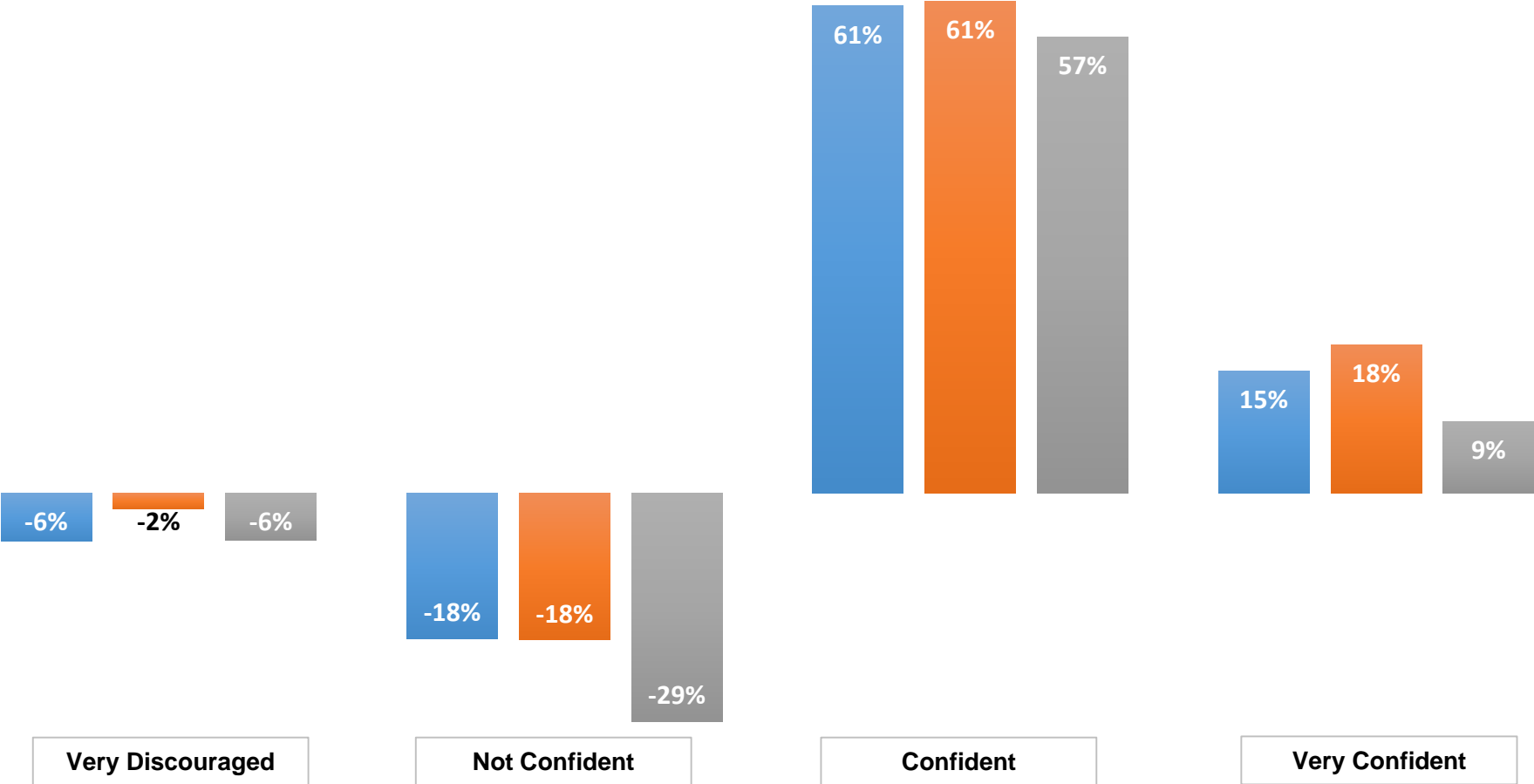


# Confidence Level in Future Business Growth...

Q10. How confident are you that your business will develop in the next 12 months?

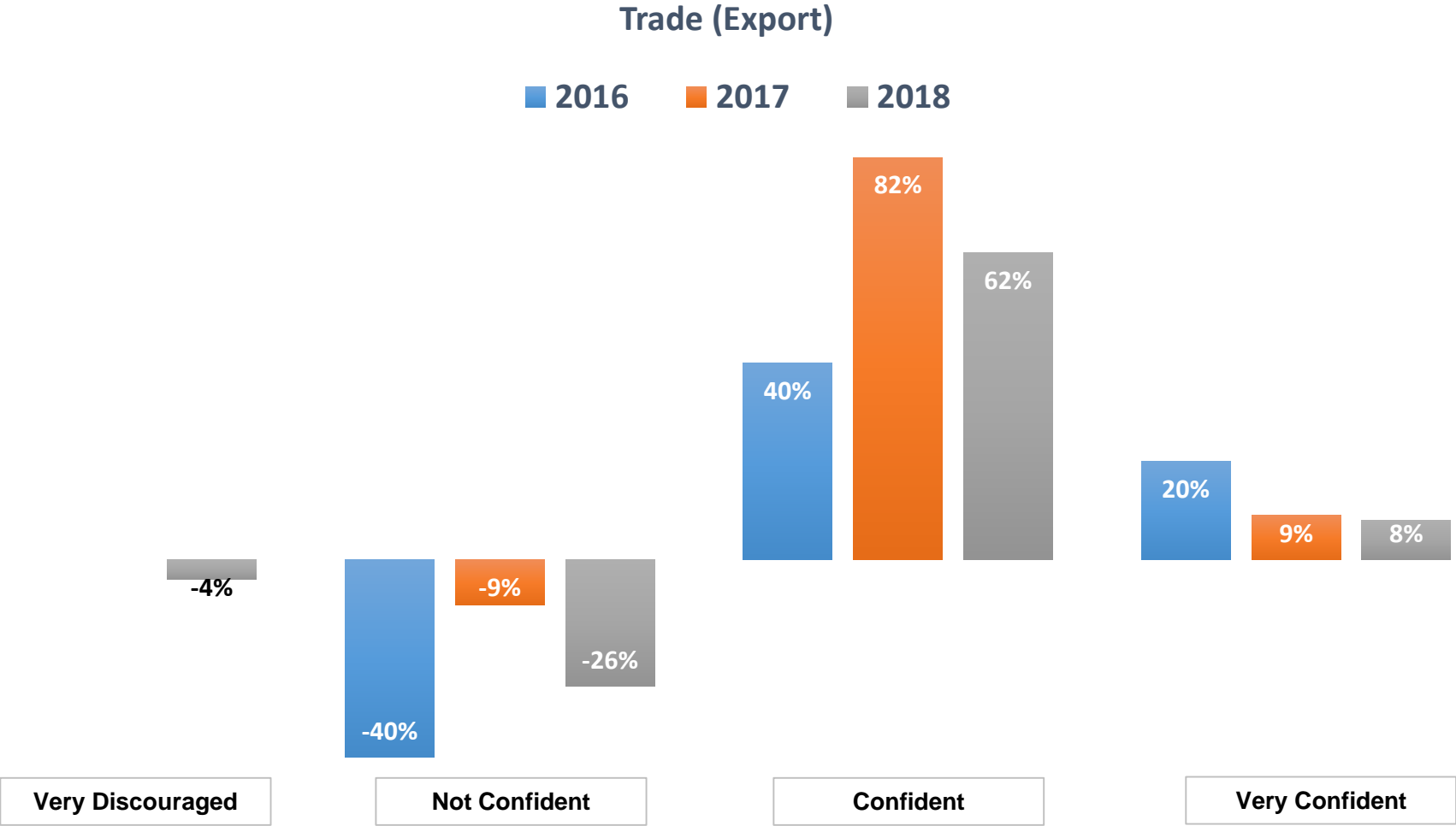
Services

■ 2016 ■ 2017 ■ 2018



# Confidence Level in Future Business Growth...

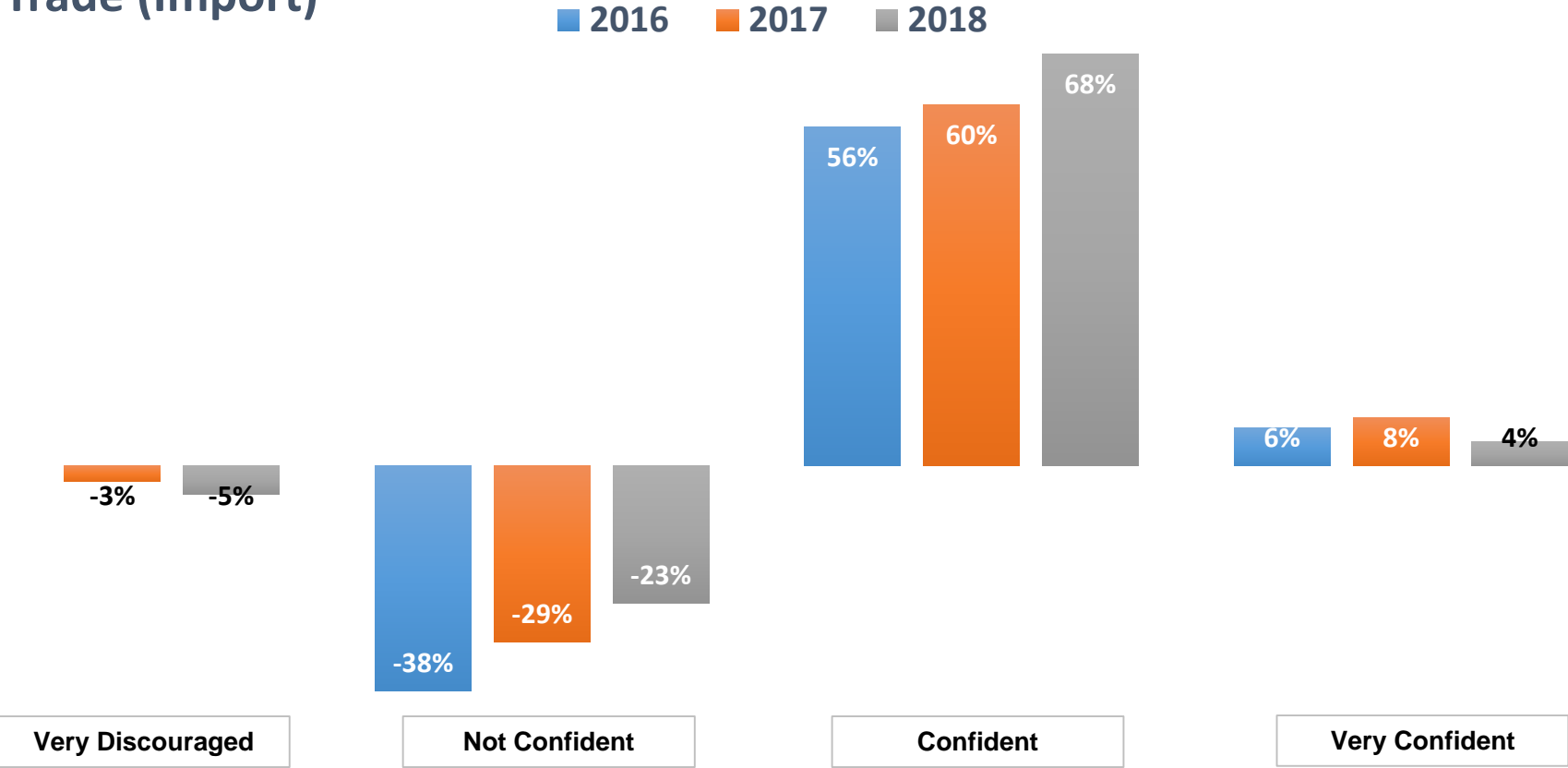
Q10. How confident are you that your business will develop in the next 12 months?



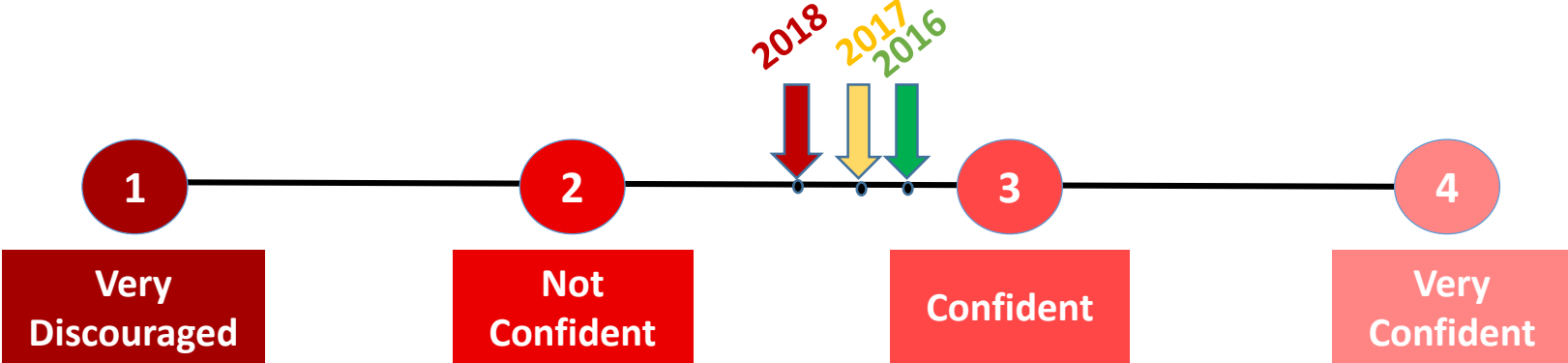
# Confidence Level in Future Business Growth...

Q10. How confident are you that your business will develop in the next 12 months?

## Trade (Import)



# Indexing on Confidence Level...



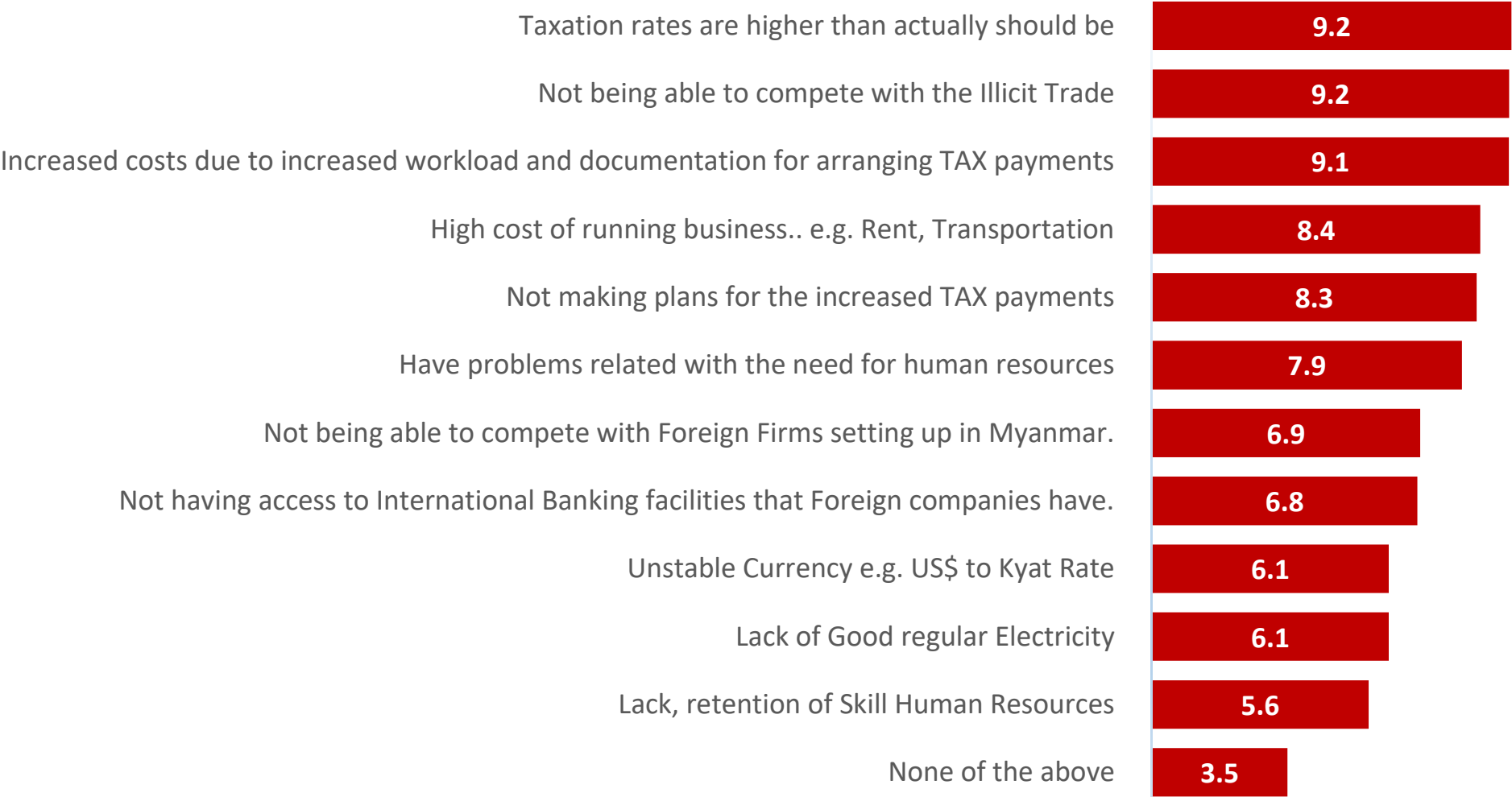
	2016	2017	2018
<b>All Sectors</b>	<b>2.81</b>	<b>2.79</b>	<b>2.73</b>
Manufacturing	2.83	2.62	2.83
Services	2.85	2.96	2.69
Trade (Export)	2.80	3.00	2.74
Trade (Import)	2.69	2.73	2.71

Compared to Last Year  
**2.15%**

- The index illustrates that the confidence level of the businesses in their growth has decreased gradually during the last three years.
- The figures suggest that the businesses still have to move forward (about 9.89% from current confidence level) to gain confidence in their business growth.

# Main Reasons for Not Confident...

Q11. If you said that you was not confident or very discouraged what is the major reason?



# Mapping the Major Reasons for Not Confident...

Reasons	Manufacturing	Services	Trading (Export)	Trading (Import)
<b>** Taxation rates are higher than actually should be</b>	8.6	<b>8.93</b>	<b>10.67</b>	9.31
Not being able to compete with the Illicit Trade	9.48	8.87	8.79	9.54
<b>** Increased costs due to increased workload and documentation for arranging TAX payments</b>	<b>9.5</b>	8.62	9.33	<b>9.69</b>
High cost of running business.. e.g. Rent, Transportation	7.94	8.61	9.1	8.06
Not making plans for the increased TAX payments	7.77	8.57	7.4	8.51
Have problems related with the need for human resources	8.67	8.1	6.58	7.49
Not being able to compete with Foreign Firms setting up in Myanmar.	6.62	7.08	5.83	7
Not having access to International Banking facilities that Foreign companies have.	5.81	6.7	7.27	7.57
Unstable Currency e.g. US\$ to Kyat Rate	5.21	5.25	7.62	7.37
Lack of Good regular Electricity	6.9	5.73	8.36	5.11
Lack, retention of Skill Human Resources	5	6.03	5.93	4.98

Score: weighted average

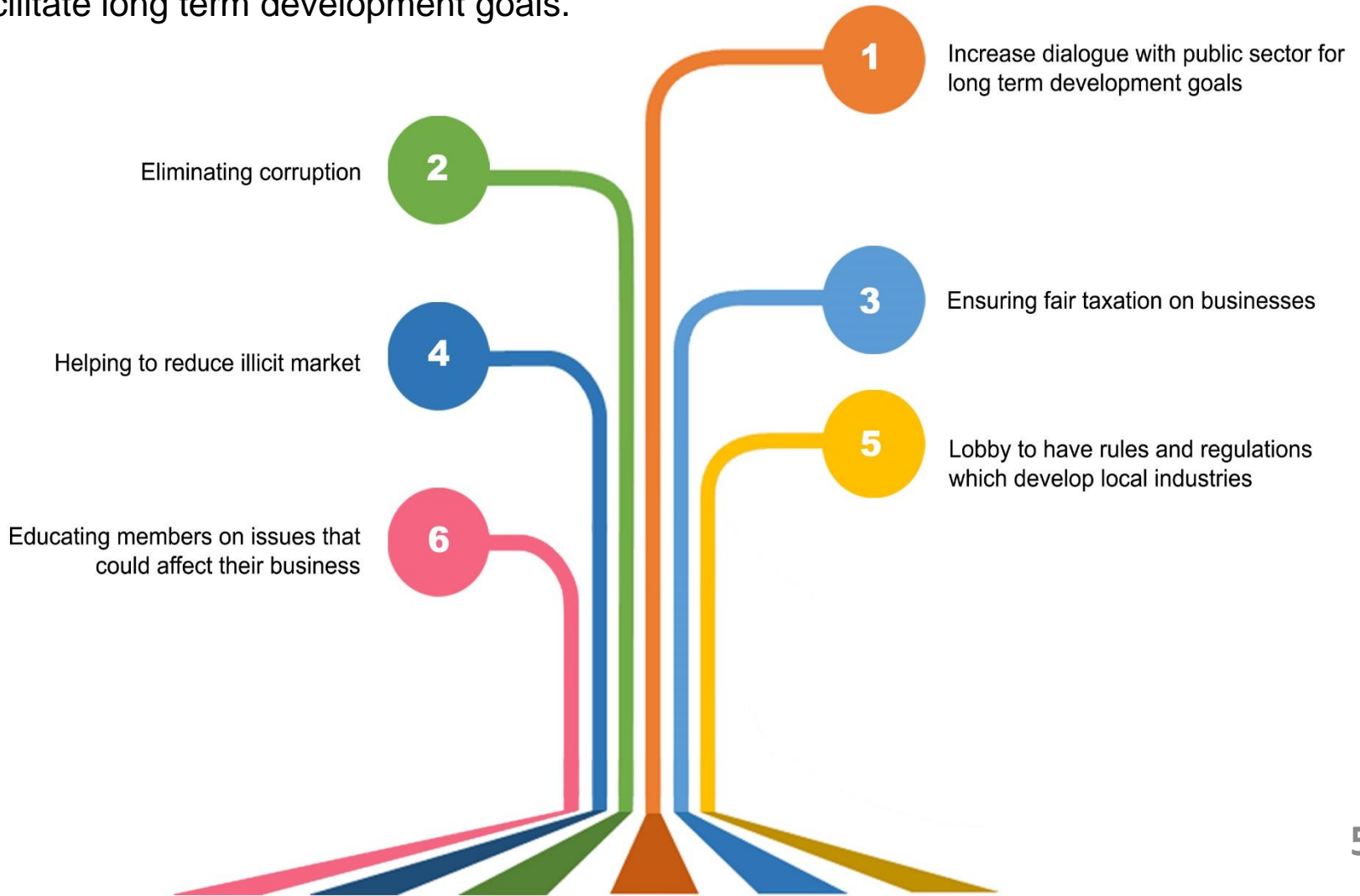
## **PART (G):**

# **Required Prioritization for Businesses**

# Activities for UMFCCI to Prioritize...

Q16. Which of the following activities should UMFCCI be Prioritizing on?

- Businesses proposed UMFCCI to have more engagement with public sector (government) to facilitate long term development goals.





# Mapping the Activities for UMFCCL to Prioritize...

Activities	Manufacturing	Services	Trading (Export)	Trading (Import)
**** Increase dialogue with Public Sector for long term development goals by Focus on dealing with Major complaints from Trade Association.	4.5	4.36	4.82	4.41
Eliminating Corruption	4.16	4.26	4.54	4.23
Helping to reduce the Illicit Market	4.07	3.66	4.18	3.9
Educating Members on issues that could affect their business.	3.03	3.49	3.71	3.5
Lobby to have rules and regulations which develops local industries.	3.58	3.65	3.88	3.31
Ensuring fair taxation on businesses	3.88	3.76	4.23	4.12

Score: weighted average

# Major Areas to be Prioritized by the Government...

Q17. Which of the government 12 pillars of Strategies should be prioritized in order of ranking?



# Mapping the Major Areas to be Prioritized by the Government...

Government Actions	Manufacturing	Services	Trading (Export)	Trading (Import)
<b>*** To prioritize the development of a strong economic infrastructure</b>	<b>9.99</b>	<b>9.52</b>	<b>10.4</b>	9.69
To develop human resources committed for strengthening national economy	9.41	9.42	9.76	9.42
<b>*To build national financial resources</b>	9.8	9.48	9.03	<b>9.72</b>
To support agriculture and livestock sectors	7.68	6.94	9	7.61
To reform state-owned enterprises	8.44	7.56	8.77	8.72
To create job opportunities for the domestic and migrant workers and repatriates	7.46	7.47	8.61	7.73
To enact separate policies for welcoming foreign direct investment	7.29	7.05	7.76	6.86
To streamline the tax system to boost public revenues	5.64	5.59	6.76	6.18
To develop the businesses for international trends	4.59	4.73	6.17	4.4
To promote monetary and fiscal stability by creating a financial system	6.96	7.11	5.83	6.92
To institute systems, rules and regulations for intellectual property	4.3	4.74	4.78	4.64
To develop metropolitan areas	4.79	4.93	4.78	4.94

Score: weighted average

## **PART (H):**

# **Key Findings & Conclusion**

# What the Study has Discovered...



The study finds the condition of the businesses in Myanmar has gradually declined during the last (3) years.



In 2016 and 2017, Kyat Depreciation was the major problem.

However, in 2018, taxation has become the major problem for the businesses.



Compared to 2016 and 2017, the confidence level in business growth has been lower in 2018.



Out of top (5) reasons for not being confident, (3) reasons were concerned with taxation.

# Recommendations...

- To restore the current condition for better business climate the following areas have to be focused by the government:



## **Taxation and Tariffs**

- Understanding on taxation still has to be promoted
- 



## **Financing and Banking**

- Credit facilities should be made available for local businesses.
- 



## **Kyat Depreciation**

- Will have to keep a stable exchange rate and reduce inflation
- 



## **Unstable Rules and Regulations**

- Timely information on the changes in rules and regulations has to be disseminated.
- 



## **Illicit Trade Regulations**

- Illicit trade harms import and export businesses and tight regulatory measures must be in place to restrain illicit trade.