

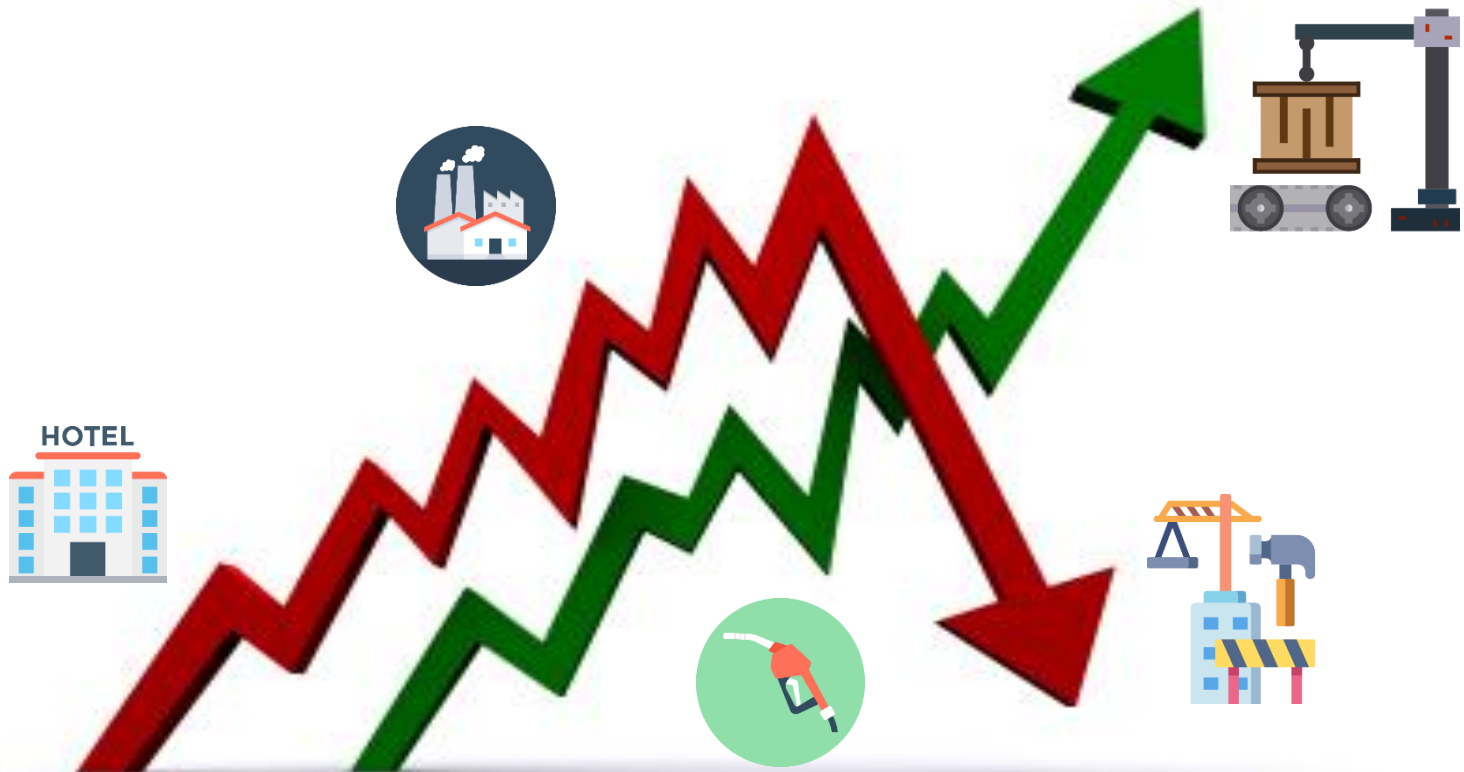


ပြည်ထောင်စု သမ္မတမြန်မာနိုင်ငံ
ကုန်သည်များနှင့် စက်မှုလက်မှုလုပ်ငန်းရှင်များအသင်းချုပ်

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

Business Sentiment Survey Summary - 2018 Q3

Undertaken by UMFCCI Local Business Development Committee





Presentation Flow

1. What is Business Sentiment Survey?
2. How are Businesses Doing?
3. Reasons for Not Doing Well
4. Confidence in Business Growth in Next 12 Months
5. Reason for Not Being Confident
6. Kyat Depreciation against USD
7. Level of Understanding on Taxation
8. Money supply from informal market
9. The Key Areas to be Prioritized by UMFCCI
10. Major Findings



1. What is Business Sentiment Survey?

- This survey is the tool to measure the sentiment of businesses in Myanmar.
- Conducted five surveys – 1st survey in Feb 2016; 2nd survey in June 2017; 3rd survey in May 2018, 4th survey in August 2018 and 5th survey in November & December 2018.
- Done with email invitations. 21 questions are included in the survey and it took 10 minutes on average to complete the survey.
- Contacted **31,552 businesses** of which **2,369** responded.

	2016	2017	2018 1st QTR	2018 2nd QTR	2018 3rd QTR
	n=103	n=327	n=1,464	n=2,535	n=2,369
Manufacturing	25%	22%	19%	17%	19%
Services	47%	31%	46%	48%	48%
Trading (Export)	8%	6%	11%	9%	10%
Trading (Import)	20%	41%	23%	23%	23%

- **A sample of 2,369 is a figure that can be heeded.**
- **Next Survey is expected to weld more.**

Manufacturing

Top 10 Businesses respondent for Manufacturing Sector













Top 10 Businesses Respondents		Percentage
1.	Clothing & Garment 	28%
2.	Food & Beverages 	16%
3.	Construction Materials 	10%
4.	Consumer Goods 	8%
5.	Agricultural Products 	6%
6.	Electrical Goods 	6%
7.	Printing & Publishing 	3%
8.	Household Goods 	2%
9.	Machinery & Equipment 	2%
10.	Mining 	2%

n = 432

Services



















Top 10 Businesses respondent for Service Sector

Top 10 Businesses Respondents		Percentage
1.	Hotel & Tourism	 24%
2.	Construction Services	 23%
3.	Logistics and Transportation	 9%
4.	Education Services	 8%
5.	Legal and Business Services	 7%
6.	Telecommunication	 6%
7.	Entertainment	 5%
8.	Banking and Finance	 3%
9.	Healthcare Services	 3%
10.	Catering Services	 1%

n = 1072

Export and Import Sector



No.	Export Sector		Import Sector	
1.	Rice		Construction Materials	
2.	Garment		Car Accessories	
3.	Pulse & Beans		Garment	
4.	Fisheries		Agriculture & Livestock	
5.	Wood		Phone Accessories	
6.	Rattan		Electrical Equipment	
7.	Bamboo		Medicine	
8.	Ginger		Machinery Equipment	
9.	Handicrafts		Engine Oil & Lubricants	
10.	Food and Beverages		FMCG Products	



n=782

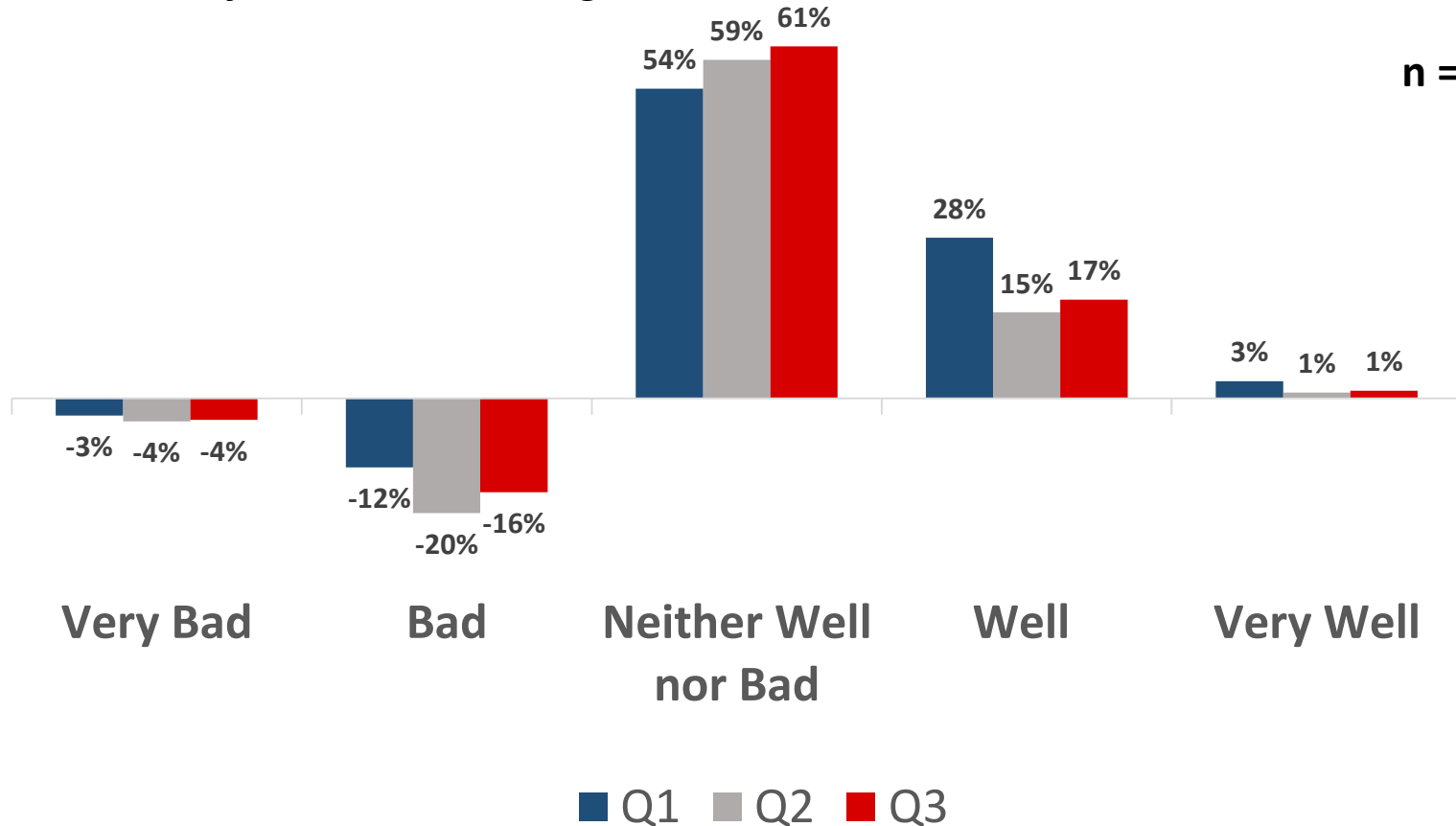
Source:
Taken from
in-depths
interview of
300
respondents

2. How are Businesses Doing?



Q4. How WELL is your business doing?

n = 2,233



- Businesses appear to show more development compared to the second quarter.
- Decreasing transportation cost takes effect on every businesses to enhance.

2. How are Businesses Doing?



Q4. How WELL is your business doing?

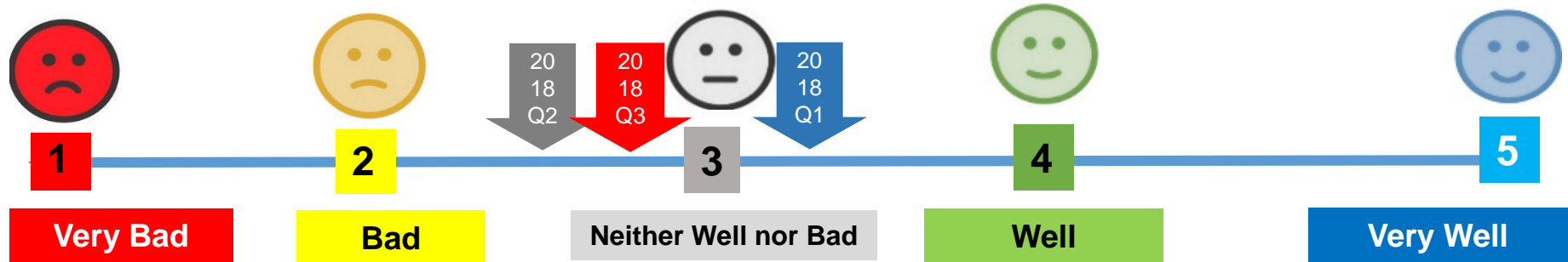
	Overall Business Conditions within 3 years (5 surveys)				
	2016	2017	2018		2018
			Q1	Q2	Q3
Very Bad	1%	1%	3%	4%	4%
Bad	6%	9%	12%	20%	16%
Neither well nor bad	53%	54%	54%	59%	61%
Well	34%	32%	28%	15%	17%
Very Well	6%	4%	3%	1%	1%

n = 2,233



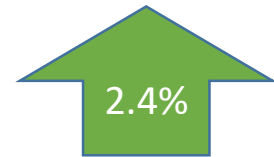
2. How are Businesses Doing?

Q4. How WELL is your business doing?



YEAR	2016	2017	2018 (Q1)	2018 (Q2)	2018 (Q3)
Sample n=	103	327	1,464	2,535	2,369
ALL	3.40	3.28	3.17	2.89	2.96
Manufacturing	3.38	3.30	3.26	2.96	3.06
Services	3.48	3.26	3.15	2.89	2.96
Trading (Export)	3.38	3.00	3.21	2.85	3.00
Trading (Import)	3.14	3.32	3.10	2.85	2.86

Compared to second quarter



Performance Increased

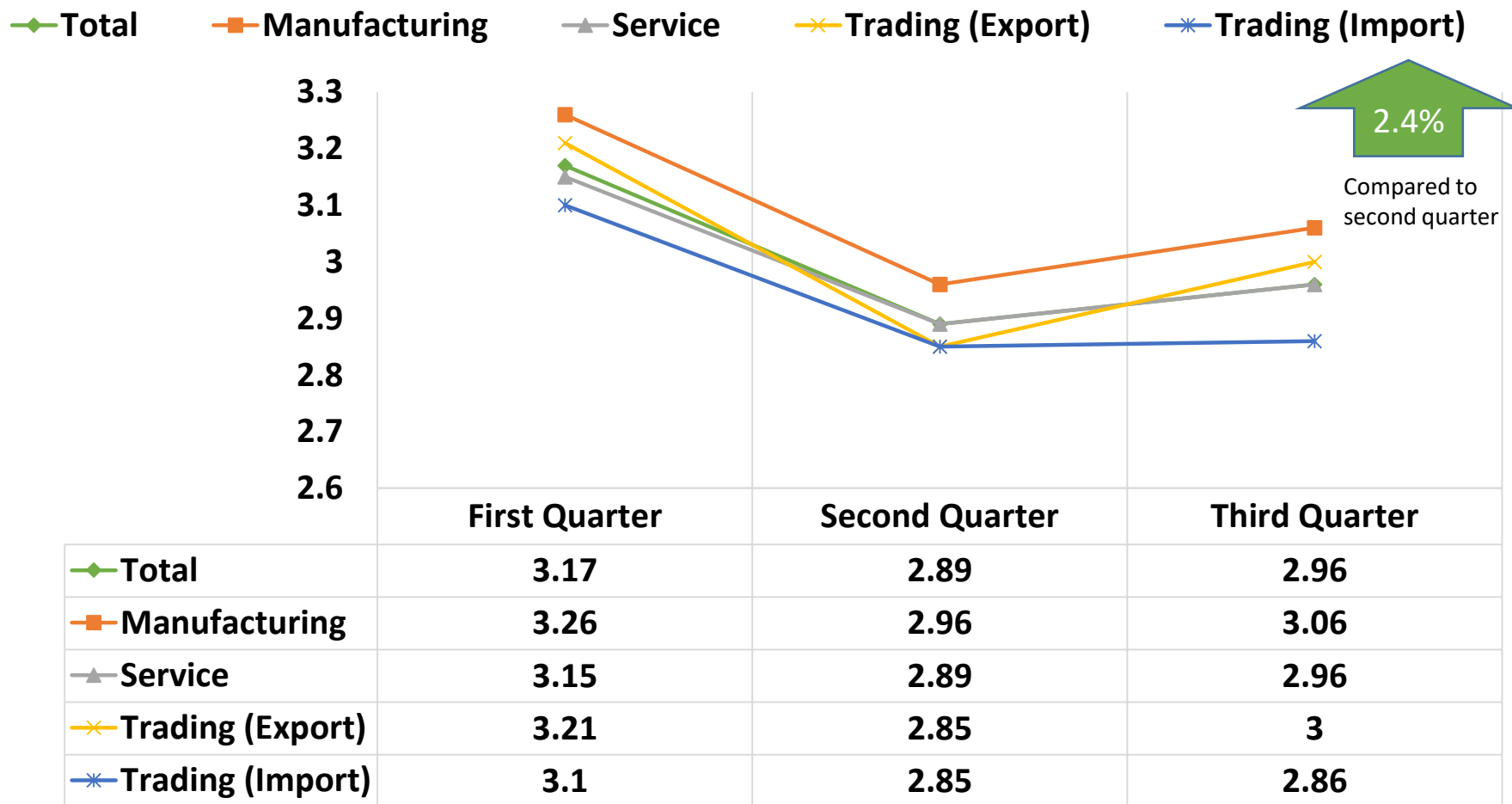
n = 2,233

- Every type of business improve in performances better than 2018 2nd Quarter Survey.
- Businesses in every industry continue to rise, with **Trading(Export)** the best.
- Business in Myanmar seems to be headed to the positive condition.



2. How are Businesses Doing?

Q4. How WELL is your business doing?



Every Type of Business INCREASE



n = 2,233

3. Reasons for Not Doing Well



Q5. For those that said, Neither Well or Bad, Bad, Very Bad what are the MAIN reasons?













	Q1		Q2		Q3
1	Taxation & Tariffs	1	Kyat Depreciation against USD	1	Kyat Depreciation against USD
2	Financing & Banking	2	Financing & Banking	2	Financing & Banking
3	Kyat Depreciation against USD	3	Taxation & Tariffs	3	Taxation & Tariffs
4	Unstable Rules & Regulations	4	Unstable Rules & Regulations	4	Unstable Rules & Regulations
5	Market Demand	5	Market Demand	5	Market Demand
6	Increase in Local Cost & Inflation	6	Increase in Local Cost & Inflation	6	Increase in Local Cost & Inflation
7	Competition from foreign Companies	7	Import/Export Procedure & Illicit Border Trade	7	Import/Export Procedure & Illicit Border Trade
8	Lack of Good Infrastructure	8	Competition from foreign Companies	8	Competition from foreign Companies
9	Import/Export Procedures & Illicit Border Trade	9	Lack of Skilled Human Resources	9	Lack of Skilled Human Resource
10	Lack of Skilled Human Resource	10	Lack of Good Infrastructure	10	Lack of Good Infrastructure
11	Labor Relations	11	Labor Relations	11	Labor Relations

n =1,475



3. Reasons for Not Doing Well

Q5. For those that said, Neither Well or Bad, Bad, Very Bad what are the MAIN reasons?

Reasons	Scores Q1	Scores Q2	Scores Q3
 Kyat Depreciation against US\$	8.19	10.93	10.45
 Financing and Banking e.g Credit Facilities	8.31	10.34	9.25
 Taxation and Tariffs	8.41	9.99	9.17
 Unstable Rules and Regulations	8.12	9.87	8.84
 Market Demand	7.17	9.42	8.56
 Increase in Local Cost and inflation	7.83	9.67	8.41
 Import/export procedures and Illicit Border Trade	7.45	8.95	8.11
 Competition from Foreign Companies	6.19	8.15	7.23
 Lack of Skill Human Resources	6.05	7.75	6.38
 Lack of good Infrastructure e.g. Transportation	5.51	7.04	5.94
 Labor Relations (Disputes)	-	4.90	3.96
 None of the Above	-	3.40	2.29

n = 1,475

Manufacturing



Q5. For those that said, Neither Well or Bad, Bad, Very Bad what are the MAIN reasons?

		First Quarter	Second Quarter	Third Quarter	Comparison between Second and Third Quarter
1	Kyat Depreciation against USD	8.68	10.31	10.38	1%
2	Financing and Banking	8.39	9.96	9.34	-6%
3	Taxation and Tariffs	8.52	9.91	9.23	-7%
4	Increase in Local Cost and Inflation	7.8	10.14	8.83	-13%
5	Unstable Rules and Regulations	8.07	9.52	8.46	-11%
6	Market Demand	7.54	9.51	7.84	-18%
7	Import/export procedures and Illicit Border Trade	7.9	8.96	7.79	-13%
8	Competition from Foreign Companies	6.58	7.99	6.97	-13%
9	Lack of skilled human resources	6.57	8.28	6.97	-16%
10	Lack of good infrastructure e.g. Transportation	5.77	7.87	6.23	-21%

n = 274

- Manufacturing sector indicate that a solid improvement in operating conditions across the country.
- The expansion of the industry was driven by the fastest rises in output and new orders.
- Businesses are still unstable because of the impact of exchange rate fluctuation.

Services



Q5. For those that said, Neither Well or Bad, Bad, Very Bad what are the MAIN reasons?

		First Quarter	Second Quarter	Third Quarter	Comparison between Second and Third Quarter
1	Kyat Depreciation against USD	8.2	10.34	9.88	↓ -4%
2	Financing and Banking	8.07	9.61	9.17	↓ -5%
3	Unstable Rules and Regulations	8.03	10.14	9.11	↓ -10%
4	Taxation and Tariffs	8.11	8.23	8.91	↑ 8%
5	Market Demand	7.42	8.41	8.9	↑ 6%
6	Increase in Local Cost and Inflation	6.64	10.41	8.41	↓ -19%
7	Competition from Foreign Companies	6.37	6.93	7.71	↑ 11%
8	Import/export procedures and Illicit Border Trade	6.9	10.04	7.4	↓ -26%
9	Lack of skilled human resources	6.25	9.34	6.83	↓ -27%
10	Lack of good infrastructure e.g. Transportation	5.6	8.35	6	↓ -28%

n = 705

- The overall business performance of service sector increases but there are some weaknesses in understanding of the government taxation law.
- Transportation is better as the fuel prices are lower than before.

Trading (Export)



Q5. For those that said, Neither Well or Bad, Bad, Very Bad what are the MAIN reasons?

		First Quarter	Second Quarter	Third Quarter	Comparison between Second and Third Quarter
1	Kyat Depreciation against USD	8	11.41	9.84	↓ -14%
2	Taxation and Tariffs	9.05	10.78	9.5	↓ -12%
3	Financing and Banking	8.85	10.89	9.34	↓ -14%
4	Import/export procedures and Illicit Border Trade	7.82	9.96	9.13	↓ -8%
5	Market Demand	8.11	10.12	9.1	↓ -10%
6	Unstable Rules and Regulations	8.27	9.77	8.95	↓ -8%
7	Increase in Local Cost and Inflation	7.26	9.38	8.48	↓ -10%
8	Competition from Foreign Companies	6.25	8.33	7.47	↓ -10%
9	Lack of good infrastructure e.g. Transportation	5.67	7.48	6.91	↓ -8%
10	Lack of skilled human resources	6.18	6.71	6.25	↓ -7%
n = 146					

- Manufacturing, Mining, Agriculture & Livestock helped mainly in enhancement of the Trading industry.
- Demand has risen especially in garment industry from Europe and Japan because of the cheap sources of labour.

Trading (Import)



Q5. For those that said, Neither Well or Bad, Bad, Very Bad what are the MAIN reasons?

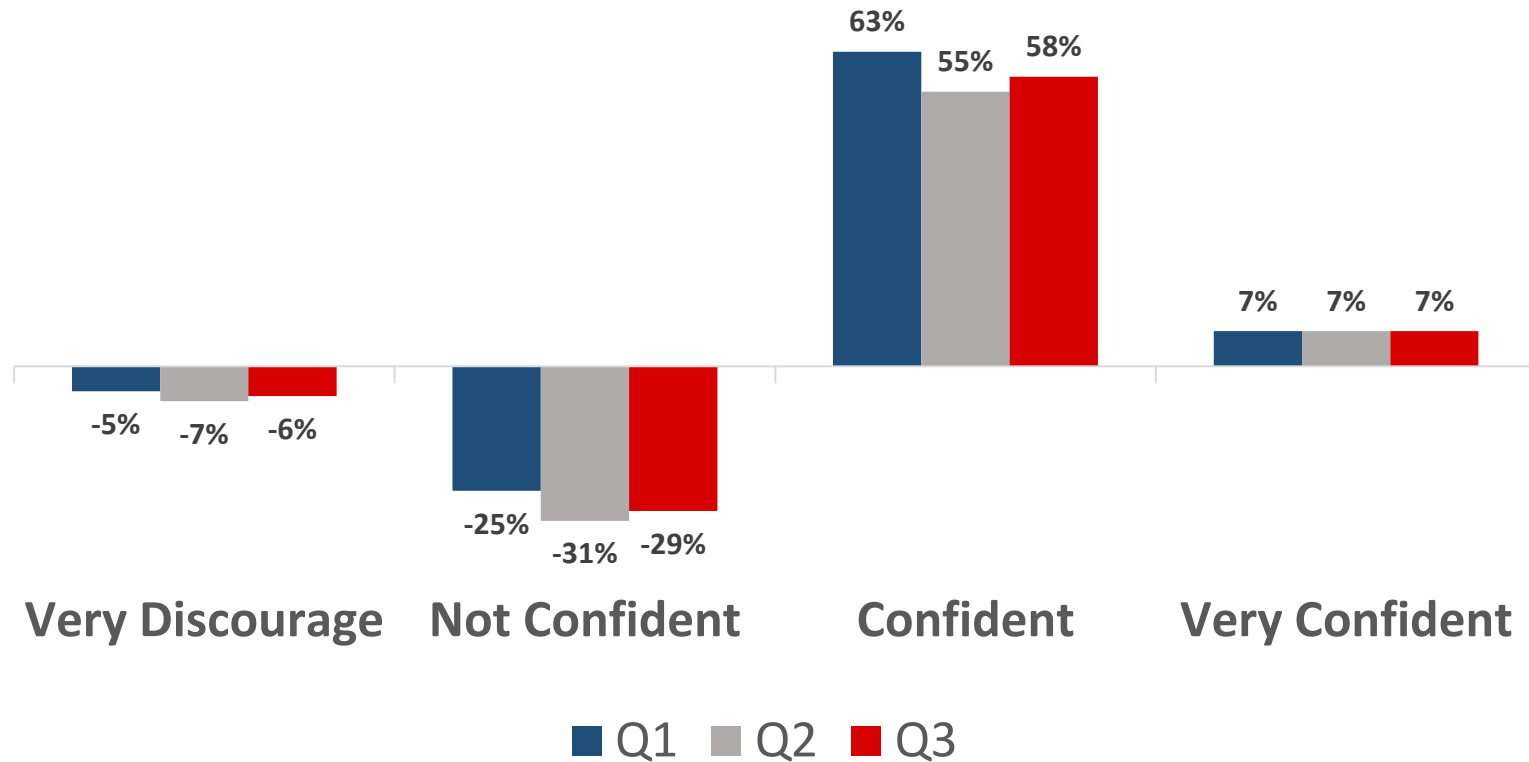
		First Quarter	Second Quarter	Third Quarter	Comparison between Second and Third Quarter
1	Kyat Depreciation against USD	8.02	11.85	11.29	↓ -5%
2	Taxation and Tariffs	8.84	10.33	9.49	↓ -8%
3	Financial and Banking	8.6	10.24	9.22	↓ -10%
4	Import/export procedures and Illicit Border Trade	7.61	9.57	8.83	↓ -8%
5	Unstable Rules and Regulations	8.46	9.62	8.72	↓ -9%
6	Market Demand	8.11	9.08	8.42	↓ -7%
7	Increase in Local Cost and Inflation	7.03	9.16	8.29	↓ -9%
8	Competition from Foreign Companies	8.11	7.83	6.7	↓ -14%
9	Lack of good infrastructure e.g. Transportation	4.89	6.59	5.38	↓ -18%
10	Lack of skilled human resources	5	6.73	5.32	↓ -21%
	n = 350				

- Import sector improve significantly as the lower in cost of transportation charges.
- Increasing of market demand also state that the productivities are higher.



4. Confidence in Business Growth in Next 12 Months

Q12. How confident are you that your business will develop in the next 12 months?



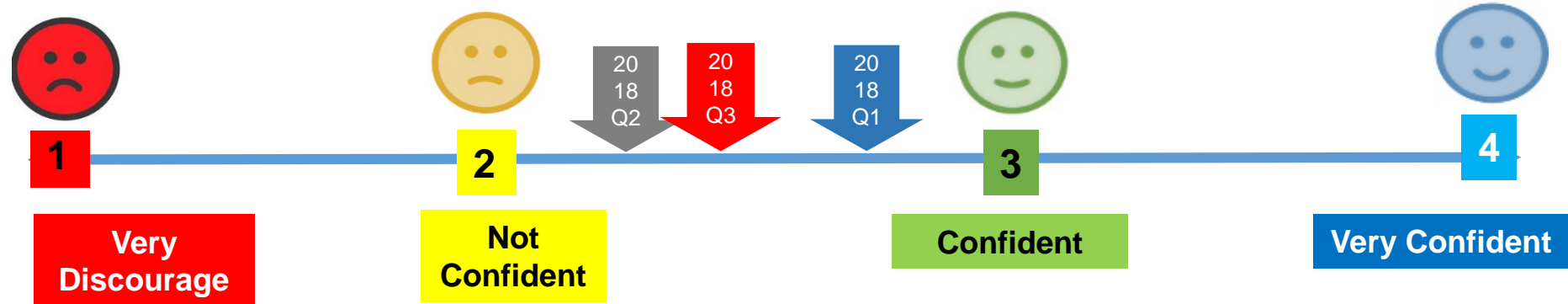
n = 1,697

- Indexing on the level of confidence in business growth in next 12 months indicates that the confidence level in 2018 3rd Quarter has 1.14% increased compared to 2nd Quarter Survey.

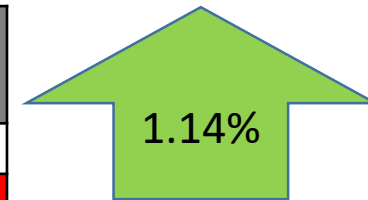


4. Confidence in Business Growth in Next 12 Months

Q12. How confident are you that your business will develop in the next 12 months?



YEAR	2016	2017	2018 (Q1)	2018 (Q2)	2018 (Q3)
Sample n=	103	327	1,464	2,535	2,369
ALL	2.81	2.79	2.73	2.63	2.66
Manufacturing	2.83	2.79	2.73	2.61	2.68
Services	2.85	2.96	2.83	2.69	2.68
Trading (Export)	2.80	3.00	2.74	2.50	2.71
Trading (Import)	2.69	2.73	2.71	2.59	2.58



Compared to Second Quarter



n = 1,697

- Indexing on the level of confidence in business growth in next 12 months indicates that the index score of 3rd Quarter Survey increased for the first time starting from 2016 to this 2018 3rd Quarter Survey.



4. Confidence in Business Growth in Next 12 Months

Q13. If you said that you were not confident or very discouraged what is the major reason?

No.	Main Reasons	Q1(n=262)	Q2(n=658)	Q3(n=556)
1	Taxation rates are higher than actually should be	9.2	12.47	11.50
2	Increased costs due to increased workload and documentation for arranging TAX payments	9.1	12.23	11.38
3	High cost of running business .. E.g. Rent, Transportation	8.4	11.72	11.24
4	Unstable Currency e.g. US\$ to Kyat Rate	6.1	11.43	10.93
5	Not making plans for the increased TAX payments	8.3	11.88	10.82
6	Decreasing Purchasing Power		11.38	10.73
7	Not being able to compete with the Illicit Trade	9.2	11.68	10.61
8	Have problems related with the need for human resources	7.9	11.1	10.2
9	Not being able to compete with Foreign Firms setting up in Myanmar.	6.9	10.14	9.09
10	Not having access to International Banking facilities that Foreign companies have.	6.8	9.99	8.91
11	Lack of Good regular Electricity	6.1	9.78	8.82
12	Unstable Rules and Regulations		9.92	8.79
13	Lack, retention of Skill Human Resources	5.6	8.85	8.13
14	Slow rate of infrastructure development		7.13	6.92

Score: weighted average



5. Reason for Not Being Confident

Q13. If you said that you were not confident or very discouraged what is the major reason?

Ranked in order of weighted score 1 to 14

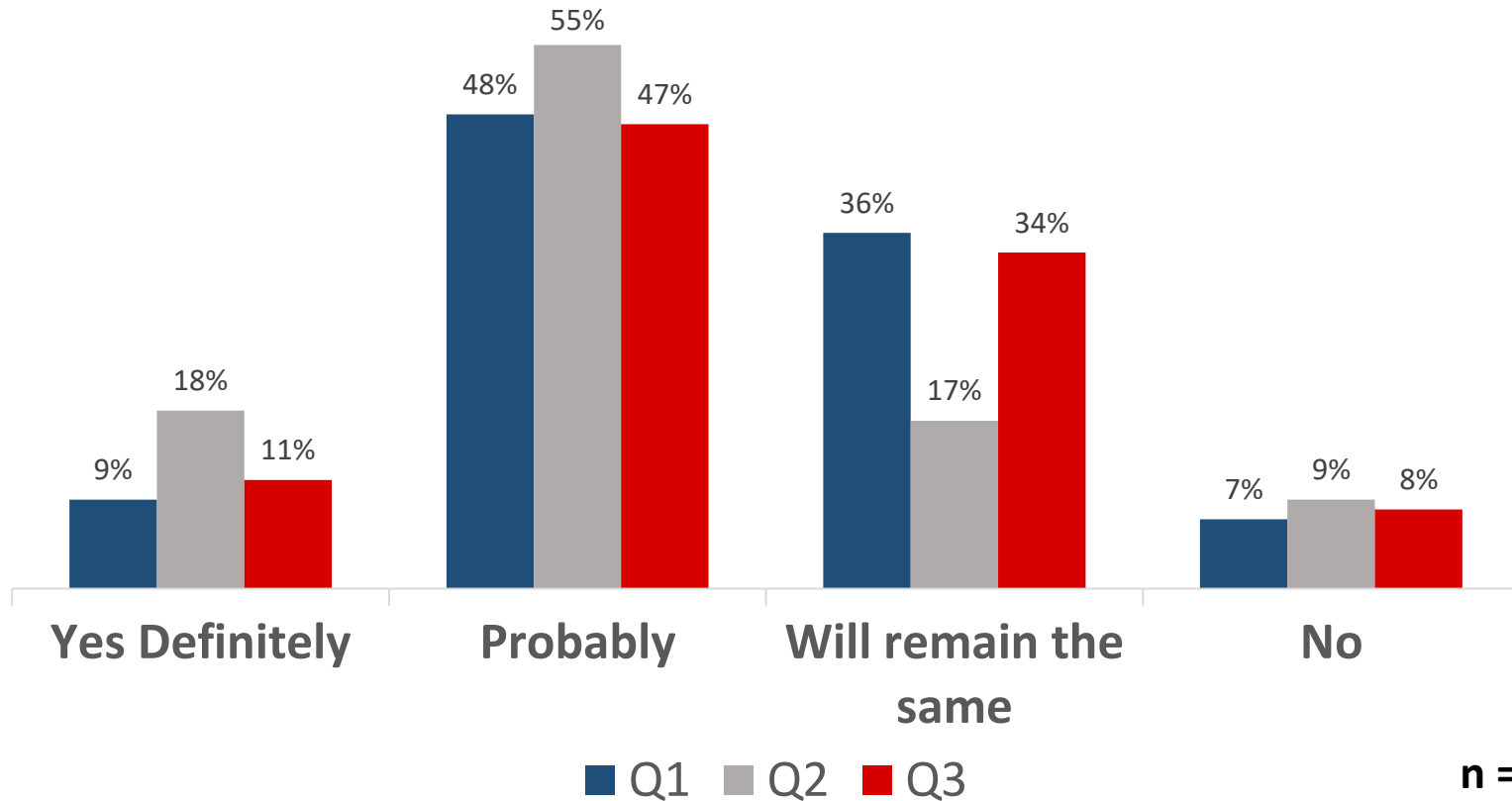
	Total	Manufacturing	Service	Trading (Export)	Trading (Import)
1	Taxation rates are higher than actually should be	Unstable currency e.g. US\$ to Kyat rate	Taxation rates are higher than actually should be	Not being able to compete with illicit trade	Unstable currency e.g. US\$ to Kyat rate
2	Increase Cost due to increase workload and documentation	High cost of running business (rent, transport)	Increase Cost due to increase workload and documentation	Increase Cost due to increase workload and documentation	Not being able to compete with illicit trade
3	High cost of running business (rent, transport)	Increase Cost due to increase workload and documentation	High cost of running business (rent, transport)	High cost of running business (rent, transport)	Increase Cost due to increase workload and documentation
4	Unstable currency e.g. US\$ to Kyat rate	Lack of good regular electricity	Not making plans for the increased TAX payments	Taxation rates are higher than actually should be	Taxation rates are higher than actually should be
5	Not making plans for the increased TAX payments	Taxation rates are higher than actually should be	Decreasing purchasing power	Decreasing purchasing power	Decreasing purchasing power

	Total	Manufacturing	Service	Trading (Export)	Trading (Import)
6	Decreasing purchasing power	Not making plans for the increased TAX payments	Have problems related with the need for labor	Not making plans for the increased TAX payments	High cost of running business(rent, transport)
7	Not being able to compete with the illicit trade	Decreasing purchasing power	Not being able to compete with illicit trade	Have problems related with the need for labor	Not making plans for the increased TAX payments
8	Have problems related with the need for labor	Have problems related with the need for labor	Unstable currency e.g. US\$ to Kyat rate	Unstable currency e.g. US\$ to Kyat rate	Have problems related with the need for labor
9	Not able to compete with foreign firms	Not being able to compete with the illicit trade	Not able to compete with foreign firms	Not have access to int'l banking facilities	Not able to compete with foreign firms
10	Not have access to int'l banking facilities	Lack, retention of skilled human resources	Unstable rules and regulations	Lack of good regular electricity	Unstable rules and regulations
11	Lack of good regular electricity	Not have access to int'l banking facilities	Not have access to int'l banking facilities	Lack, retention of skilled human resources	Not have access to int'l banking facilities
12	Unstable rules and regulations	Unstable rules and regulations	Lack, retention of skilled human resources	Unstable rules and regulations	Lack of good regular electricity
13	Lack, retention of skilled human resources	Not able to compete with foreign firms	Lack of good regular electricity	Not able to compete with foreign firms	Lack, retention of skilled human resources
14	Slow rate of infrastructure development	Slow rate of infrastructure development	Slow rate of infrastructure development	Slow rate of infrastructure development	Slow rate of infrastructure development



6. Kyat Depreciation against USD

Q14. Do you think the Kyat will continue to fall in the next 3 months?

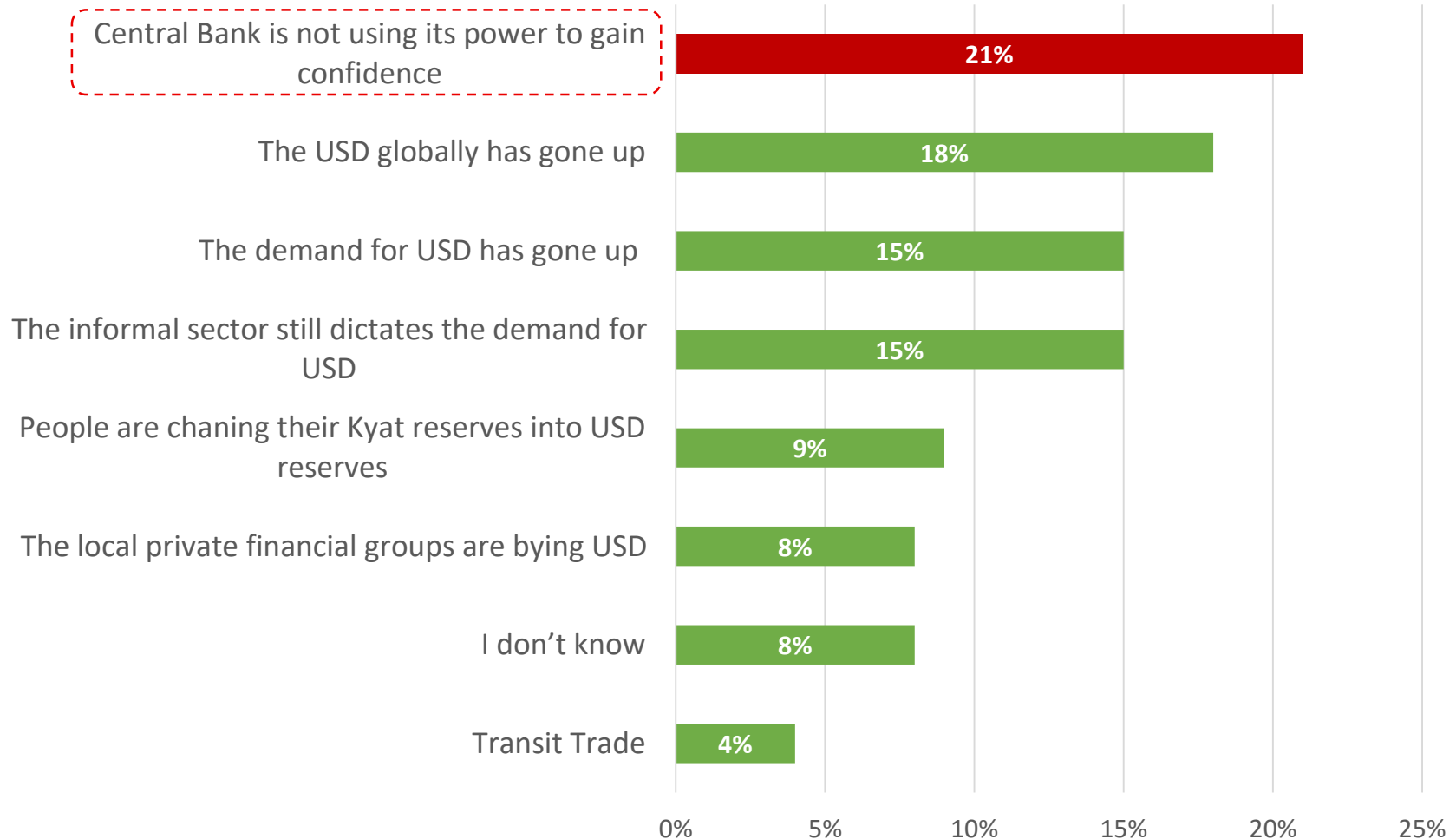


- Over 11% of the respondents think Kyat value will continue to fall in the next 3 months.
- It seems that businessmen are more confident in Kyat value comparing to 18% of the 2nd Quarter Survey.
- A vast majority believes that Central Bank is responsible for the falling of Kyat value.



6. Kyat Depreciation against USD

Q17. The Kyat value against US\$ has fallen drastically over the last year, much more than our neighboring countries. What do you think is the major reason for this?

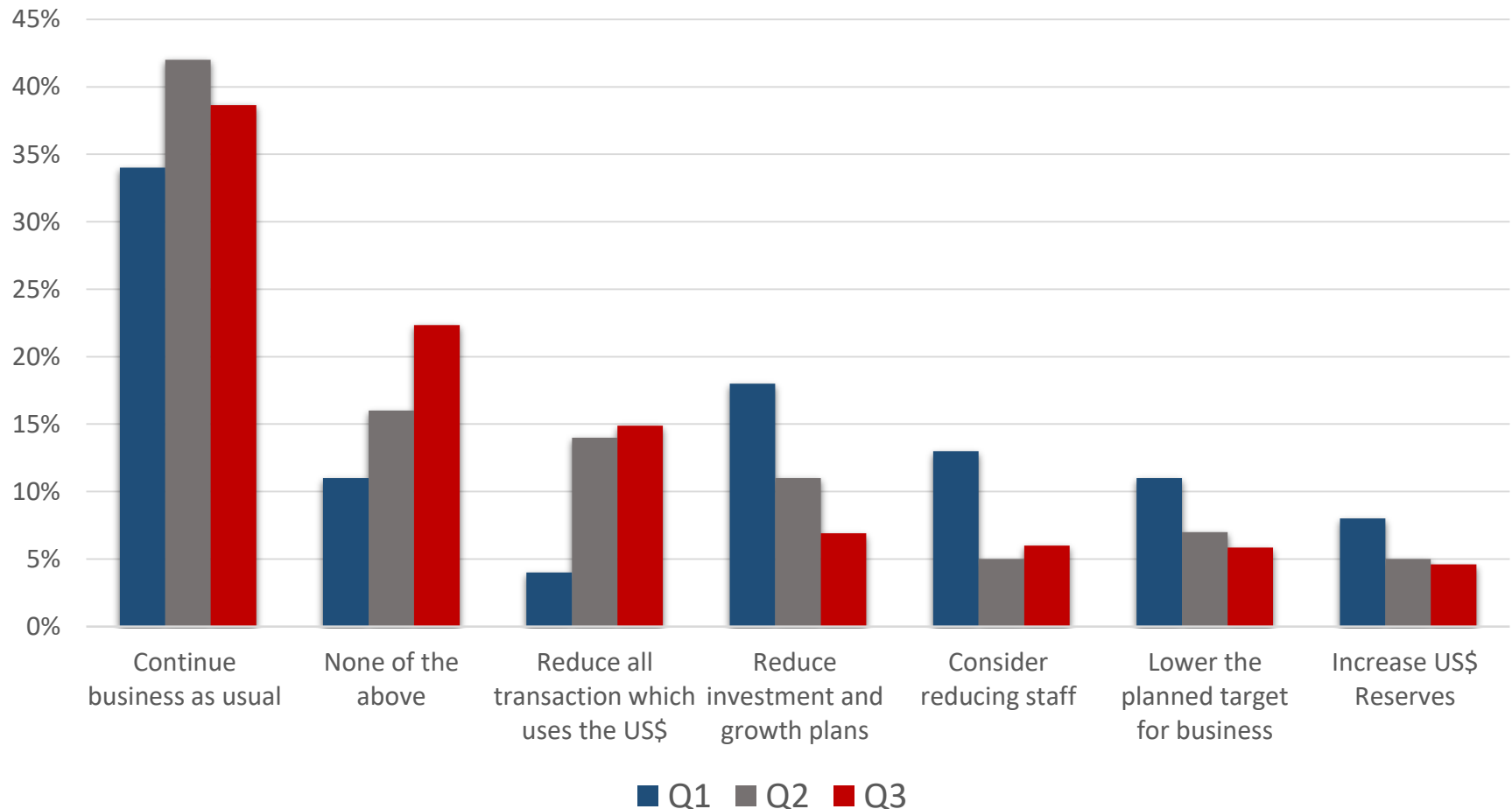


n = 2,971



6. Kyat Depreciation against USD

Q15. 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?

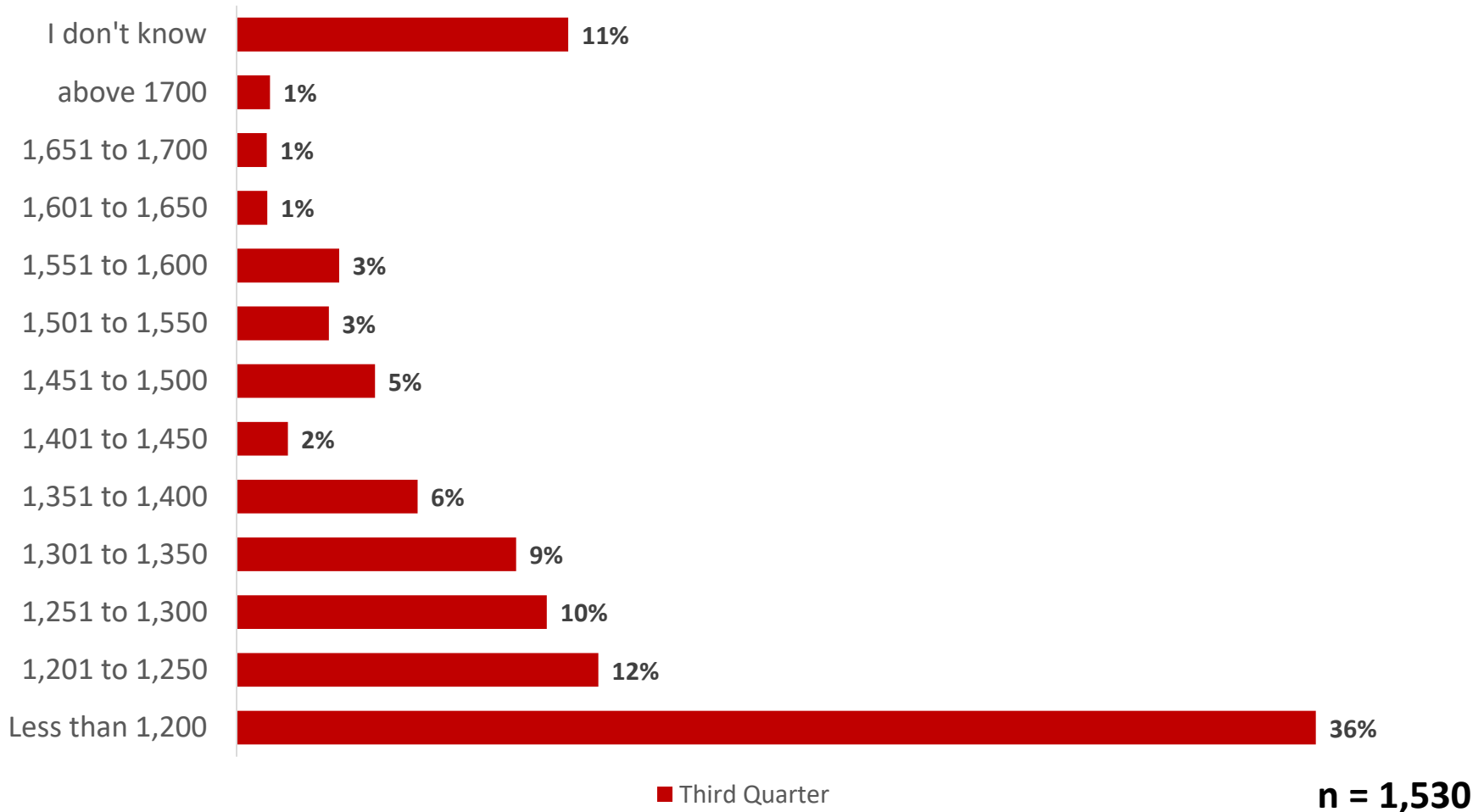


n = 1,483

6. Kyat Depreciation against USD



Q16. Which of the following Kyat to US\$ rate be best for your businesses to develop?

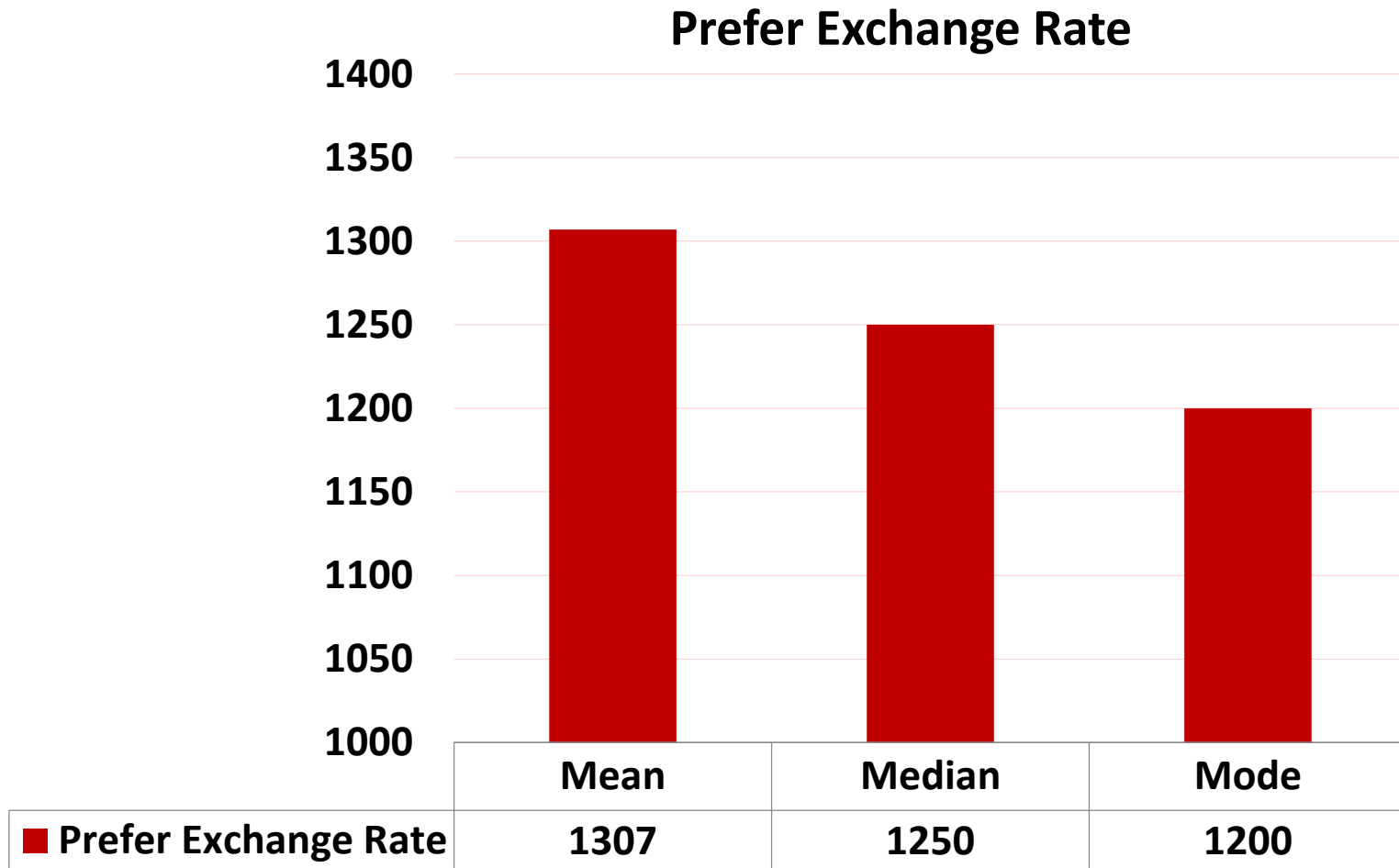


- Most of the local businessmen would prefer a dollar rate between 1,200 and 1,350 kyats, whilst others prefer it less than 1,200 kyats.

6. Kyat Depreciation against USD



Q16. Which of the following Kyat to US\$ rate be best for your businesses to develop?

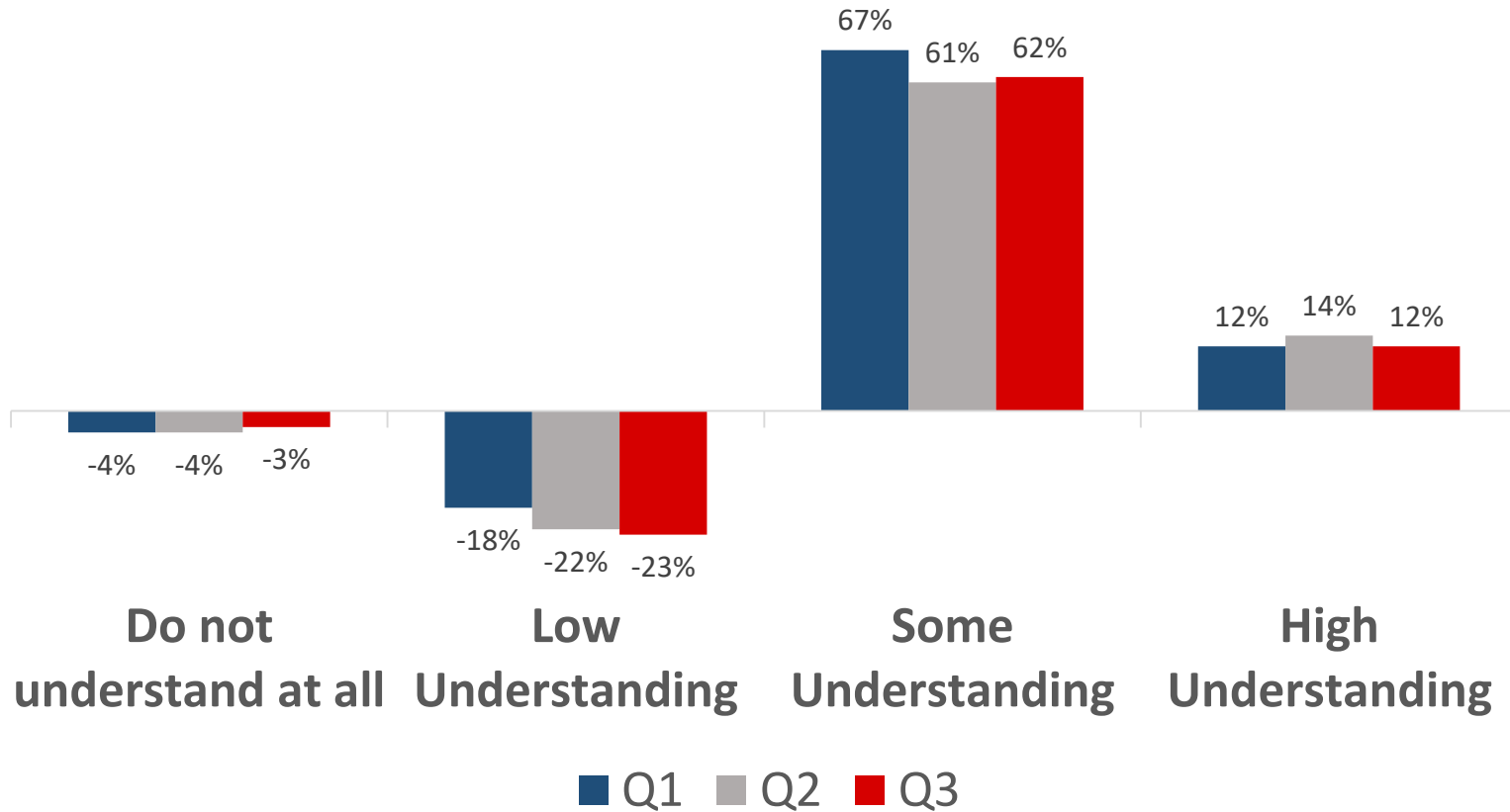


n = 1,361



7. Level of Understanding on Taxation

Q20. How well do you understand about government Taxation Law?



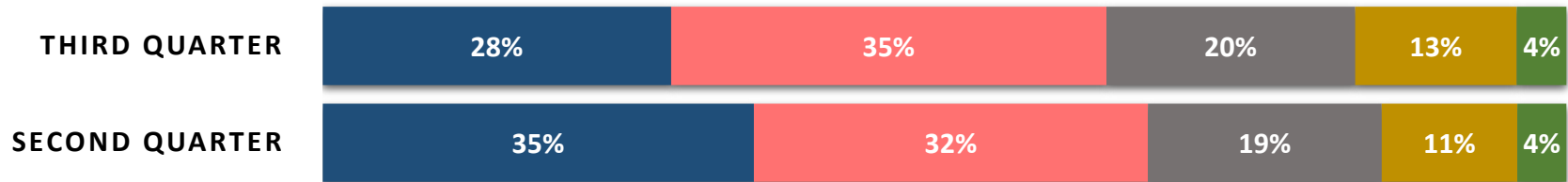
n = 1,529

- According to 3rd Quarter Survey, we can see there are still weaknesses in understanding on government taxation law.

8. Money supply from informal market



Q18. Where do you think the money supply from informal market comes from?



■ I don't know

■ Informal Exports/Imports

■ Jade, Gems and Jewellery

■ Myanmar Overseas Workers

■ Others

n = 2,057

- According to 3rd Quarter Survey, nearly 35% of the money supply from informal market comes from informal exports and imports.
- It shows that informal exports and imports are even growing bigger than 32% of the 2nd Quarter Survey.

9. What UMFC CI Should Do



Q21. Which of the following activities should UMFC CI be Prioritizing on?



	Q1		Q2		Q3
1	Increase dialogue with public sector	1	Increase dialogue with public sector	1	Increase dialogue with public sector
2	Eliminate Corruption	2	Eliminating corruption	2	Eliminating corruption
3	Help to reduce the illicit market	3	Ensuring fair taxation on businesses	3	Help to reduce the illicit market
4	Ensure fair taxation on businesses	4	Helping to reduce illicit market	4	Lobby to have rules and regulations which develop local industries
5	Lobby to have rules and regulations which develop local industries	5	Lobby to have rules and regulations which develop local industries	5	Ensure fair taxation on businesses
6	Educate members on issues that could affect their businesses	6	Educating members on issues that could affect their business	6	Educating members on issues that could affect their business

n = 1,498

10. Major Findings



1. Business performances are **improving for the first time** in 2018 3rd Quarter Survey comparing to last 3 years ago.
2. Every type of business shown **better results** than 2018 2nd Quarter Survey.
3. Although business performances are improving, **“Exchange Rate Fluctuation”** is still quite a threat to businessmen on upholding their businesses.
4. Most of the local businessmen are starting to believe in their business growth in next 12 months.

10. Major Findings



5. **“Taxation”** is still the major problem of losing business confidence.

6. The government should be focused on these major steps to maintain the business performance;
 - (1) Kyat Depreciation
 - (2) Financing and Banking
 - (3) Taxation and Tariffs
 - (4) Unstable Rules and Regulations
 - (5) Market Demand

7. 2018 3rd Quarter Business Sentiment Survey indicate that business in Myanmar **seems to be headed to the positive condition** in last three years.



ပြည်ထောင်စု သမ္မတမြန်မာနိုင်ငံ
ကုန်သည်များနှင့် စက်မှုလက်မှုလုပ်ငန်းရှင်များအသင်းချုပ်

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

Thank you for your attention

