

RESEARCH REPORT: MYANMAR

FOREIGN COMPANIES’ TRENDS AFTER 2020-2021 FISCAL YEAR

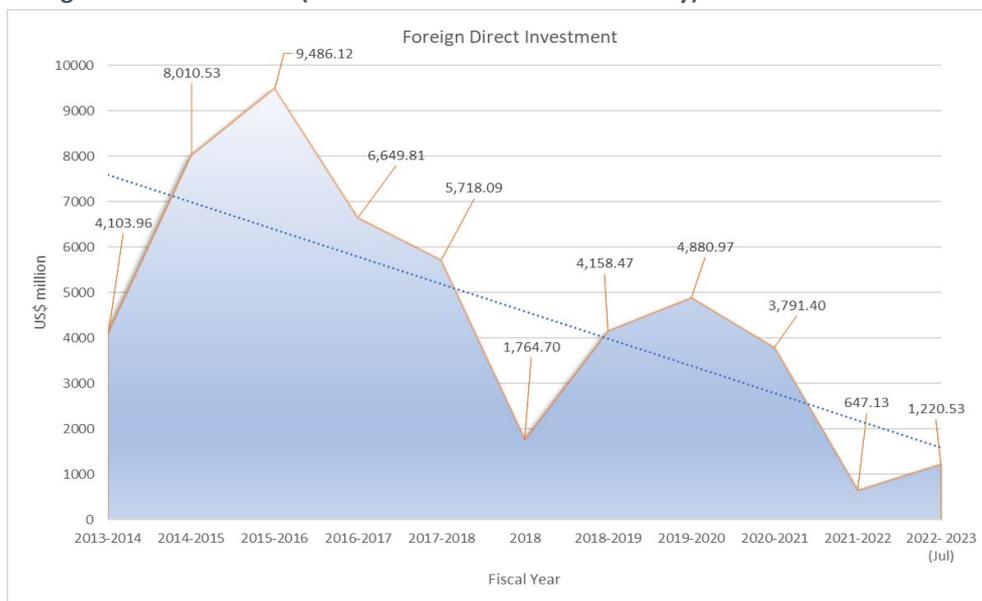
Introduction

The research report on Foreign Companies’ Trends after 2020-2021 Fiscal Year is prepared by Japan Valuers (Myanmar) Co., Ltd. It is intended to bring greater understanding on the current real estate market which has been significantly affected by the foreign companies’ activities on their investment plans, followed by the COVID-19 global pandemic and political incident happened in February 2021.

Foreign Direct Investment Trends in Myanmar

Foreign investment is a key driver of growth in Myanmar. Myanmar has been facing devastating economically downfall as whole range in all sectors due to the impacts hindered by COVID-19 global pandemic and Myanmar’s February 1, military coup. Due to a strong negative impact on the economy by the political instability, numbers of companies had to halt their business highlighting the heavy toll of political turmoil on the economy. Moreover, a serious shortage of foreign currency was ongoing as a significant concern for the business continuity for both local and international companies. The struggles concerning the scarcity of foreign currency seemed unlikely to be resolved in the near term since then. Potential foreign investors were then forced to reconsider their investment plans due to the enormous disrupted activities in social lives, international pressure and heightened security risks, that had been witnessed in the country. The plunge in foreign direct investment had heavily skewed to the downside of the country’s real estate sector, which can be briefly categorized as (i) Residential, (ii) Commercial, (iii) Industrial and (iv) raw land market.

Figure 1: Foreign Direct Investment (From 2013-2014 to 2022-2023 July)



Source: Directorate of Investment and Company Administration

After 2018-mini budget year, foreign direct investment (FDI) in Myanmar reached the highest in 2019-2020 fiscal year with USD4,880.97 million, which is 17% increase compared with previous year. Despite of COVID-19 pandemic, the country secured 98 percent of its foreign investment target in 2020. After the political turn-down in 2021, the FDI was recorded the lowest in a decade with USD647.13 million. Nearly two dozen of investments started to withdraw their businesses in Myanmar, concerning human rights violations, which in turns jeopardized the country's economy. Although FDI increased substantially in 2022-2023 fiscal year with USD1,220.53million due to a few investments entering the country, it is still 68% drop to be compared with the country's FDI in 2020-2021 fiscal year.

Foreign Companies' trends after 2020-2021 fiscal year

Table 1: Withdrawal/ suspended investments from Myanmar after 2020-2021 fiscal year

No.	Enterprise	Investment Capital	Condition	Country
1	Amata Corporation	USD 1 billion	Suspended	Thai
2	Electricite de France	USD 1.5 billion	Suspended	France
3	Sembcorp	USD 230 millions	Suspended	Singapore
4	Toyota	USD 52.6 millions	Suspended	Japan
5	Telenor	Sold with USD 105 million	Withdrawal	Norway
6	Petronas	-	Withdrawal	Malaysia
7	Myanmar Metals	-	Withdrawal	Australia
8	Woodside	-	Withdrawal	Australia
9	Kirin	-	Withdrawal	Japan
10	Lim Kaling	-	Withdrawal	Singapore
11	KOI Bubble Tea Shop	-	Withdrawal	Taiwan
12	Auntie Anne	-	Withdrawal	United States of America
13	Bridgestone	-	Suspended	Japan
14	Metro	-	Closed	Germany
15	British American Tobacco Ltd	-	Withdrawal	England
16	Kempinski Hotel	-	Closed	Germany
17	Adani Groups	USD 290 millions	Suspended	India
18	Pandaw River Cruises	-	Stopped	Scotland
19	Total Energies	-	Withdrawal	French
20	Chevron	-	Withdrawal	United States of America
21	Mitsubishi, Petronas	-	Withdrawal	Japan
22	Tesco	-	Withdrawal	United kingdom
23	BDS Smart City Co., Ltd.	USD 746.08 millions	Withdrawal	Malaysia
24	Emerging Towns & Cities (ETC) Singapore	-	Trading suspension	Singapore
25	Crystal Jade	-	Withdrawal	Singapore
26	Eneos	USD 29.1 millions	Withdrawal	Japan
27	AEON	USD 180 millions	Suspended	Japan
28	Hong Kong & Shanghai Hotels	USD 130 millions	Suspended	Hong Kong
29	Petronas	-	Withdrawal	Malaysia
30	PTTEP	-	Withdrawal from Yetagun gas field	Thailand
31	Suzuki	USD 35 million	Suspended	Japan
32	Ooredoo	-	Withdrawal	Qatari

Source: Media and Press release from Independent Organizations.

Note: Data collected by JV MYANMAR.

Table 2: New Entry/ Expansion of investment in Myanmar after 2020-2021 fiscal year

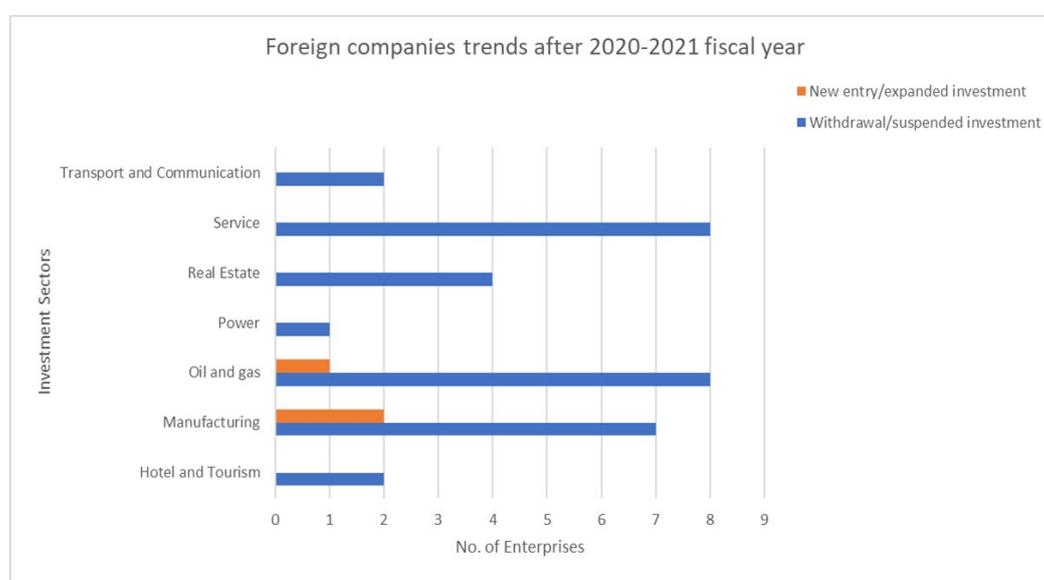
No.	Enterprise	Investment Capital	Condition	Country
1	Scolar	-	Investment	United States of America
2	PTTEP	-	Business Expansion	Thailand
3	Honeys Holdings	US\$ 11 million	Business Expansion	Japan

Source: Media and Press release from Independent Organizations.

Notes: Data collected by JVMYANMAR.

Numbers of major investors had left and closed their businesses in the country with total numbers recorded at 32 as of August, 2022. Major oil and gas companies such as Total Energies, Woodside, Chevron, Mitsubishi and Petronas withdrew their investments in Myanmar gas projects. Real Estate development, named Yangon Amata Smart and Eco City (YASEC) by Amata corporation (Thailand company) was suspended. Amata was to develop industrial zone which would have a total land area of 800 hectares, valued at US\$1 billion. The industrial zone was aimed to attract foreign investors to get access for a growing market. USD180 million, 5-story shopping mall development project in Dagon Seiken Township by AEON was also suspended. Furthermore, Housing and mixed development projects by BDS Smart City Co., Ltd, a subsidiary of Malaysia Berjaya Land Bhd (BLand) had completely withdrawn from the country. BLand project was expected to develop on 74-hectares of land worth an estimated \$746.08 million in Yangon’s Dagon Seikkan Township. The project would have included affordable housing, medium-range apartments, high-end condominiums, commercial units, hospitals, schools and community centers. Moreover, the exit of major investors in service sectors also significantly impacted on the retail and office market growth in the country, especially in Yangon Real Estate market.

Figure 2: Foreign companies’ trends after 2019-2020 fiscal year



Source: Directorate of Investment and Company Administration

The entry numbers of foreign investments and factory expansions are relatively low compared with the business withdrawal from the country. A new U.S-based company, Scoular

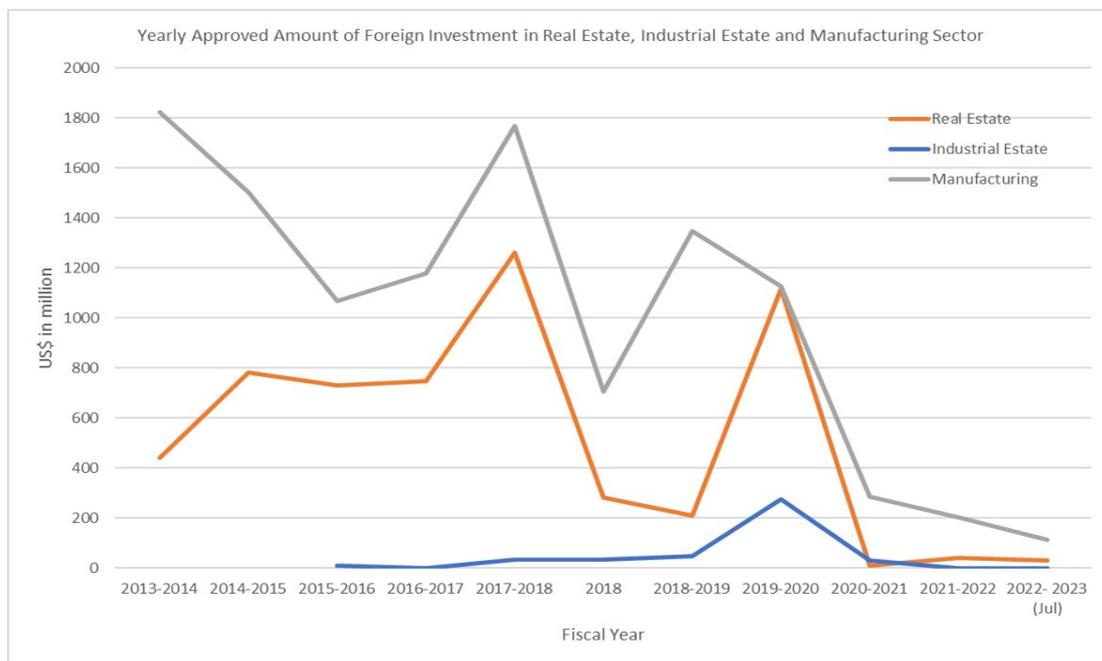


entered Myanmar in 2022 to open their fishmeal facility in Thilawa Industrial Zone as an additional investment in Asia. Moreover, as a positive business contribution, Japan garment retailer, Honeys Holdings expanded its factory in Mingalardon township in Yangon.

Trend’s Impacts on real estate, industrial estate and manufacturing sectors

The effects of heightened political risks and business uncertainties on investments are large. According to the data released by Directorate of Investment and Company Administration, although Myanmar’s real estate attracted US\$ 1,115.957 million in 2019-2020 fiscal year, the number dropped dramatically to nearly US\$ 10 million in 2020-2021, followed by a weak upward trend afterwards. Industrial estate investment was also down- as a remarkable and rapid fall from US\$273.49 million in 2020 to US\$28.21 million in 2021, with zero investment in 2022. Potential real estate investments in Myanmar, total worth of over US\$ 2 billion, were postponed to enter the country in February 2021.

Figure: Yearly Approved Amount of Foreign Investment in Real Estate, Industrial Estate and Manufacturing Sector (From 2013- 2014 to 2022-2023 July)



Source: Directorate of Investment and Company Administration

Manufacturing sectors gradually decreased from a deep fall in 2020-2021 fiscal year, the FDI remains with US\$111.507 million in 2022. A significant decrease of investment in manufacturing sector brought huge impacts on industrial real estate sector. There were also some factories under manufacturing sector, suspended their operations in Thilawa Special Economic Zone (SEZ). The factories suspended/closed in 2021 include giant investors such as Toyota, Suzuki and Metro. However, the entry of Scoular investment to open fishmeal facility and the factory expansion of Honey’s Holdings garment retailer will be an upward addition to the occupancy rate in the Yangon industrial market. According to the latest data released by Myanmar Investment Commission (MIC), there were 12 local, joint venture and foreign investments in 2021 under power, oil and gas, manufacturing and construction sector. This



could spur economic and property developments going forward. It is undeniable that the country's stability and the extent of normalcy restored from COVID-19 pandemic are the key drivers to return to Myanmar's growing real estate market.

Summary and Recommendation

There has been a remarkable shrink in market trend and real estate growth due to the exit of foreign companies in Myanmar. The investor's confidence and market's stability play critical roles to bring international businesses to the country. Furthermore, it can be said that the extent of development in real estate sector provides a general sense of the country's economic direction for the certain time period. The research on foreign companies' trends is attempted to grasp on the overview of Myanmar's economy, which bonded profoundly with real estate development in the country. Therefore, further detailed approach to understand on commercial estate, residential estate and land sale market are exceptionally accounted to judge the critical real estate market trends that has been witnessed in Myanmar, after 2020-2021 fiscal year. These specific topics shall all be covered on the next coming reports.
