



Myanmar Research Series

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The wholly underdeveloped construction industry in Myanmar demonstrates a much broader trend of almost fifty years of economic neglect by the military junta. Local construction companies are often either owned by the government or are businesses on preferential terms with the leaders within the administration. They tend to lack the technical expertise and experience in undertaking large and complex construction projects. The political and economic reform process is now well underway and there is burgeoning interest among foreign investors, it is distinctly probable the construction industry will become a primary beneficiary.

Construction & Infrastructure in Myanmar



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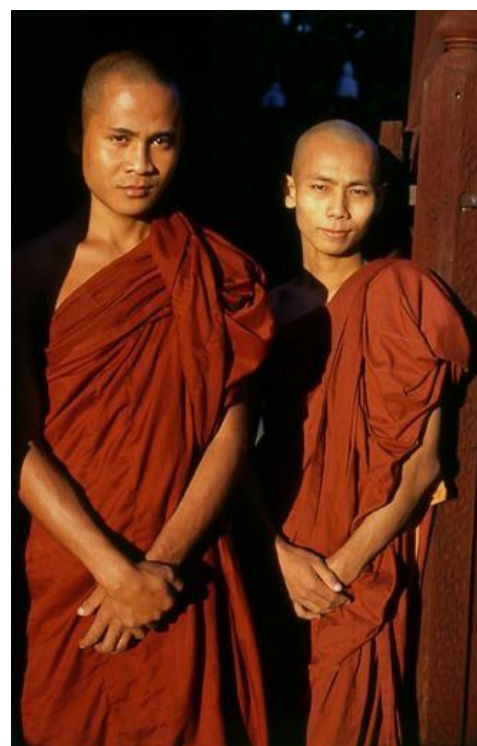
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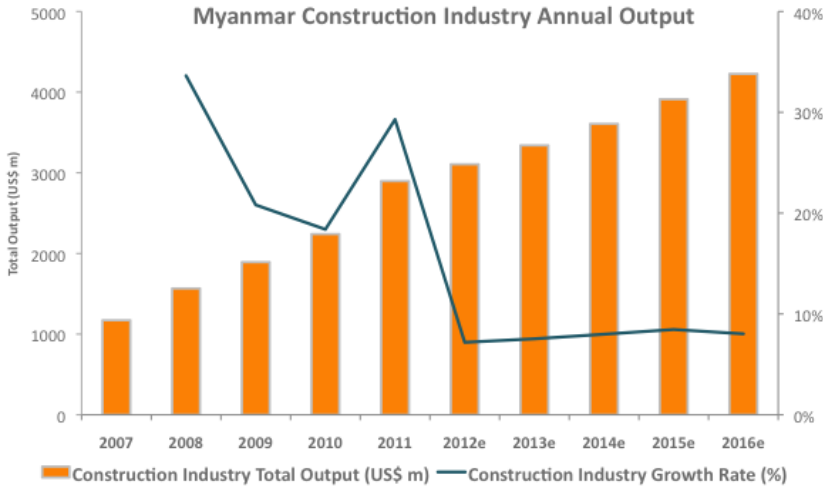
Note:

The CAGR calculation for the forecast period includes the base year, 2011, and spans 2011–2016. The review period is from 2007 to 2011 inclusive.

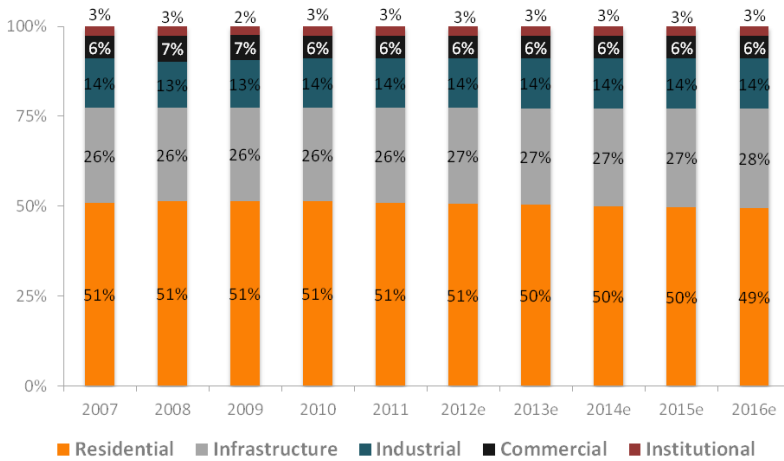
All data are collected in local currency at current prices and converted into US dollars. All data are presented in USD unless otherwise stated. This serves the purposes of presenting our analyses given the significant fluctuations in the Kyat over the years, as well as the fact that construction materials, mainly imported from abroad, make up the largest component of construction costs. Conversions into US dollars of current, historical and forecast data are made by taking a yearly average exchange rate.

All data are sourced from New Crossroads Asia, Myanmar Ministries and Timemetric.

MYANMAR CONSTRUCTION INDUSTRY



Myanmar Construction Industry Sector Contribution 2007 - 2016e



Industry Overview

- The Myanmar construction industry is currently valued at close to US\$3bn and is expected to achieve an 8% CAGR and a total of 46% growth over the next 5 years to US\$4.2bn in 2016.
- To date, the country has faced trouble achieving its economic growth potential, in part due to the mismanagement of national finances. Myanmar's expenditure on military is large, amounting to 20–25% of the total annual budget, and the country is also affected by external debt, tax evasion and corruption.
- The construction industry is driven largely by the residential and infrastructure sectors which in total make up almost 80% of the total industry value.

	Myanmar Construction Industry Output by Sector (US\$ m)				
	2007	2008	2009	2010	2011
Institutional	31	39	49	60	77
Commercial	83	108	121	140	182
Industrial	152	208	260	310	398
Infrastructure	305	406	493	590	765
Residential	601	806	970	1,143	1,476
Total	1,173	1,567	1,893	2,241	2,898

	Forecast Myanmar Construction Industry Output by Sector (US\$ m)				
	2012e	2013e	2014e	2015e	2016e
Institutional	82	88	95	102	110
Commercial	195	210	228	247	268
Industrial	428	462	501	545	590
Infrastructure	828	900	981	1,073	1,171
Residential	1,572	1,680	1,803	1,945	2,088
Total	3,106	3,340	3,607	3,913	4,227

Industry Growth

Myanmar Construction Industry Output Growth (in USD)			CAGR for Myanmar's construction industry as a whole (in USD)	
CAGR by sector (%)	Actual CAGR	Forecast CAGR	2007-2011	2011-2016
	2007-2011	2011-2016	25.4%	7.8%
Residential	25.2%	7.2%		
Infrastructure	25.8%	8.9%		
Industrial	27.2%	8.2%		
Commercial	21.6%	8.0%		
Institutional	25.4%	7.4%		

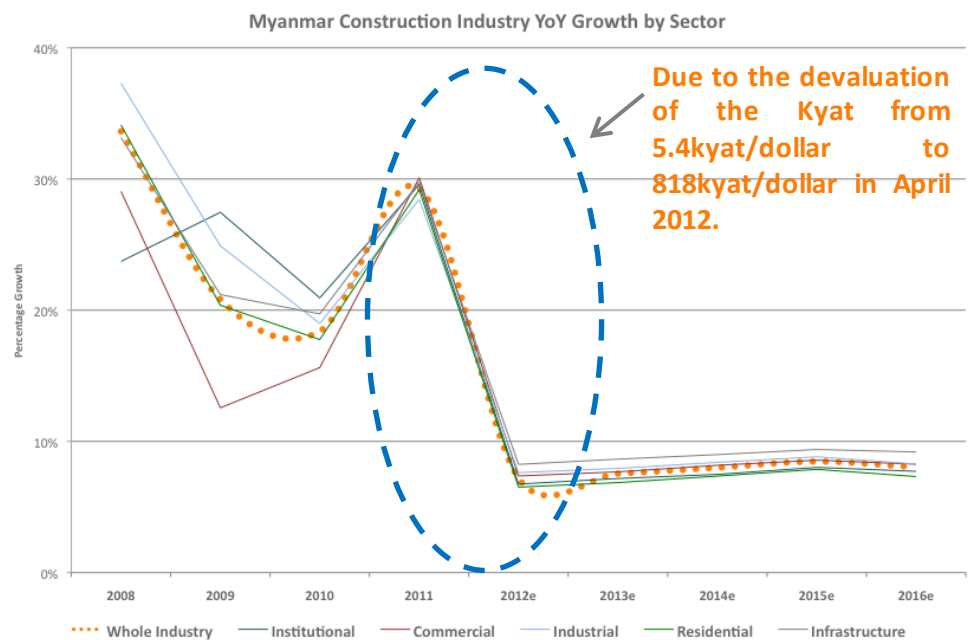
Myanmar Construction Industry Output Growth (in Kyats)			CAGR for Myanmar's construction industry as a whole (in Kyats)	
CAGR by sector (%)	Actual CAGR	Forecast CAGR	2007-2011	2011-2016
	2007-2011	2011-2016	11.5%	7.8%
Residential	11.3%	7.2%		
Infrastructure	11.8%	8.9%		
Industrial	13.3%	8.2%		
Commercial	7.0%	8.0%		
Institutional	11.4%	7.4%		

Industry growth:

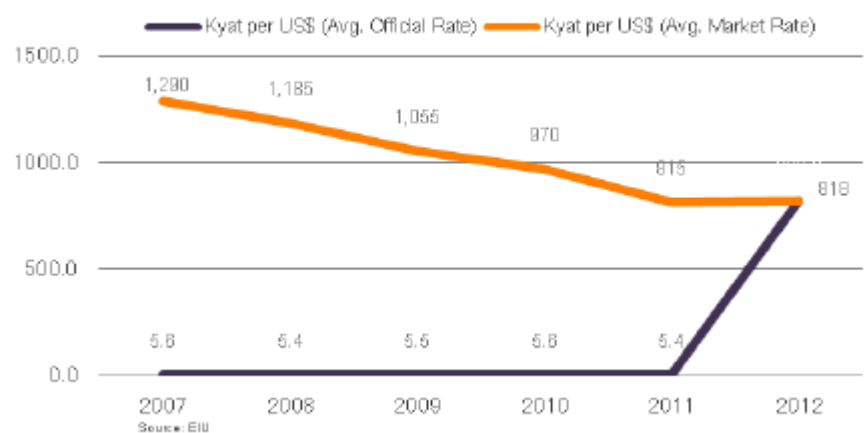
- The construction industry is expected to grow a CAGR of 7.8% in USD and kyat terms over the next 5 years.
- In the last 5 years, the industry grew a CAGR of 11.5% in kyat terms and 25.4% in USD terms.
- While the forecasted growth in USD terms appears as a significant deceleration compared to the last 5 years growth, this is due to the devaluation of the Kyat by the Central Bank of Myanmar in April this year from 5.4kyat/dollar to 818kyat/dollar.
- In kyat terms, the next 5 years growth is expected to decelerate from the last 5 years' 11.5% CAGR.
- Although the industry grew robustly the last 5 years, this is large due to:

The increase in the number of investment opportunities in energy and public infrastructure projects, in particular, large rail, pipeline and hydropower projects that attracted US\$20bn in FDI in 2011. We expect the pace of new opportunities to moderate but still grow a healthy 9% a year.

- The infrastructure sector is expected to experience the fastest growth over the next 5 years, due to the government's focus on developing the infrastructure to support the nation's growth.

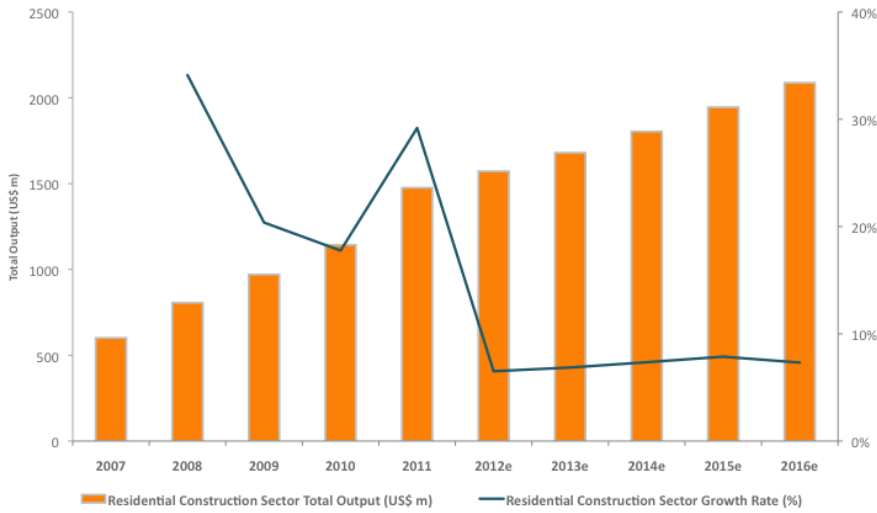


Historical Exchange Rate

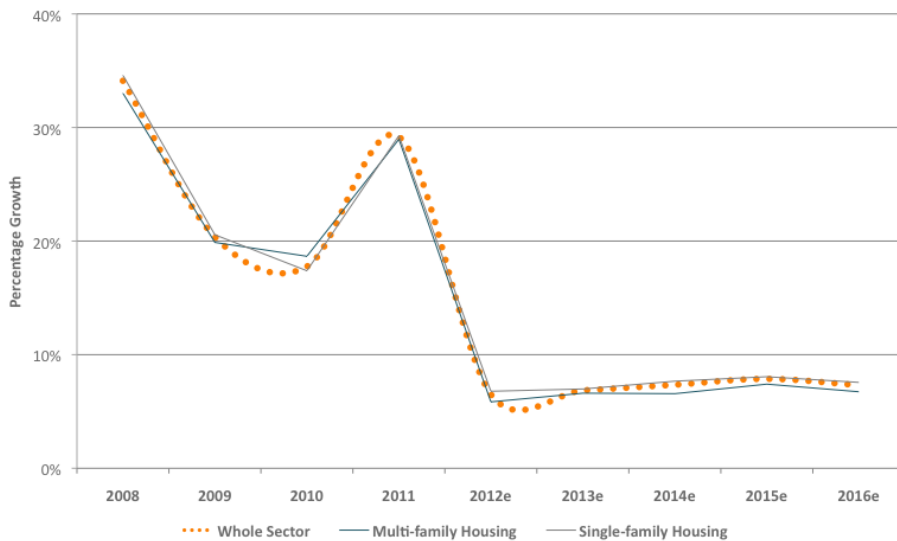


MYANMAR RESIDENTIAL CONSTRUCTION SECTOR

Residential Sector - Annual Construction Output



Residential Construction Sector YoY Growth by Category



Residential Sector Review		
	In USD	In Kyat
2007-2011 CAGR	25.20%	11.30%
2011-2016 CAGR	7.18%	7.18%
2011 Sector value	US\$ 1.46b	
2011 Contribution to total industry value	51.00%	

Residential Sector Overview

Residential construction is the largest market in the Myanmar construction industry with a value of US\$1.5B, and accounting for 51% of total Myanmar construction output.

Strong long term price support due to significant housing supply shortages experienced in Myanmar.

- In Yangon, the demand for affordable housing is 200,000 units every year, although the supply only provides 20,000 units.
- Shortage exists across all residential sectors, in particular the lower- and middle-income group. To address this, **several construction companies have started to develop low-cost affordable housing projects.**
- The government-funded social housing program is not significant in Myanmar, although it is expected to develop over the forecast period.

Buoyant Residential Demand

With the formation of a new ruling government in 2010–2011, the Myanmar residential construction market registered **renewed confidence among investors.** Following the election in Myanmar, **land prices increased alongside the rising levels of foreign investment.**

Although Myanmar is still largely a cash-based market, several monetary policy changes by the central bank such as the **reduction of bank interest rates from 17% to 13%** for lending in FY2011 helped boost demand.

Current demand is also being driven by consumers keen to take advantage of the county's **current real estate tax of 15%, with this rate expected to be increased to 50% over the next 5 years.**

Since foreigners are not legally able to own land in the country, the rising number of visits of foreign business people will also support Myanmar's residential construction market, as foreign businessmen tie up with local developers and businessmen to buy land and build residential houses.

