

Services snapshot

Myanmar



KEY SERVICES DATA¹, 2011

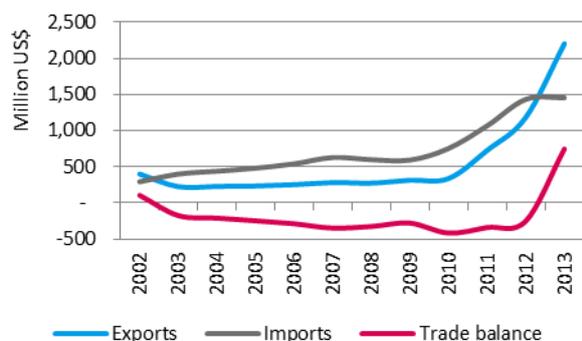
Services² share of industry value added 2012: **44 %**
 Services share of employment 1998: **25%**
 Trade in services³ contribution to GDP: **32%**
 Services share of total exports: **8 %**
 Services export composition: **travel (39%), other commercial services (37% of which 15 points are other business services), transportation (24%)**
 Services import composition: **transportation (70%), other commercial services (18% all of which are other business services), travel (12%)**
 Services exports 2013: **US\$ 2.2 billion**
 Services imports 2013: **US\$ 1.5 billion**
 Services trade surplus 2013: **US\$ 748 million**

SERVICES AT A GLANCE

Average GDP growth over the last decade was 18% p.a.; this is expected to decline over the next two years.⁴ In 2012, services accounted for 44% of GDP in value-added terms. Data on employment by industry is available only up until 1998. However, a trend can be inferred: agriculture's share of employment, though it is the largest, is decreasing and the services share of employment is becoming more important.⁵

The share of services in total exports has increased from 5% in 2009 to 8% in 2011.⁶ Over the same period, trade in services contribution to GDP has increased by 34% and in 2011 trade in services contributed as much as 1/3 of GDP.⁷ Myanmar services exports share in total LDC services exports is 2%. Over the 10 years to 2013 both services exports and imports have increased with imports exceeding exports until 2012 (see Figure 1). While services imports have increased gradually since 2000, services exports dropped below services imports in 2003 but then more than doubled in 2011 and doubled again in each of the two following years. **In 2013 the first trade surplus since 2002 was recorded (US\$ 748 million).** This evolution in services exports chiefly reflects trends in travel services exports and other business services exports. Both travel

Figure 1. Trends in services trade



services exports and other business services exports halved in 2003. While other business services exports commenced a gradual recovery in 2006, travel services exports did not recover until 2011 only, when they almost four-fold increased (see Figure 2).⁶ Since 2000, there have been a number of evident shifts in services export composition. From 2005 other business services started declining in relative importance and transportation services became more prominent. From 2011 transportation services started losing share and travel services gained share (see Figure 3a). Imports are traditionally dominated by transportation services with the exception of 2005 when other business services imports accounted for more than half of services imports.⁶

SERVICES SUBSECTORS

Travel services

Travel services are the largest services export: in 2011 travel services (a proxy for tourism) accounted for 39% of services exports, followed by other commercial services (37%) and transport services (24%). Travel services share of exports has fluctuated over the decade but by 2011 had doubled from a low in 2009 (see Figure 3a). Trade in Travel services is traditionally in net trade surplus. Between 2010 and 2011 the trade surplus increased more than eight fold, driven by dramatic export growth of almost four fold, whereas imports did not keep up (see Figure 4). The net surplus on services trade account was US\$ 157 million in 2011.⁶

The tourism sector is growing at a very fast pace: between 2012 and 2013 total earnings increased by 73%. Moreover the Ministry of Hotels and Tourism has been promoting alternative types of tourism such as eco-tourism.⁸ However, according to the World Travel & Tourism Council, travel is mostly domestic and the main source of tourism revenue is leisure travel spending. The Government still only allows free and unrestricted access to certain approved areas and the tight centralized planning and closed economy as well as political instability have been major barrier to tourists visiting the country.⁸

Figure 2. Services exports by subsectors



Figure 3. Composition of services exports (a) and imports (b)

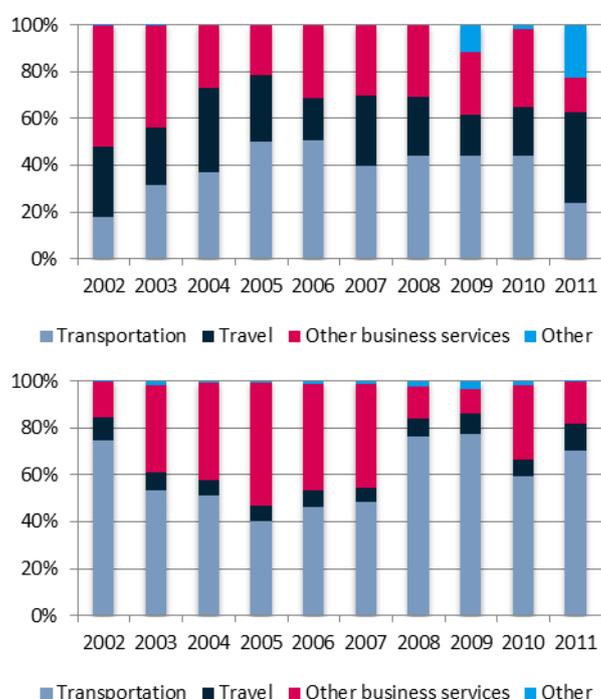
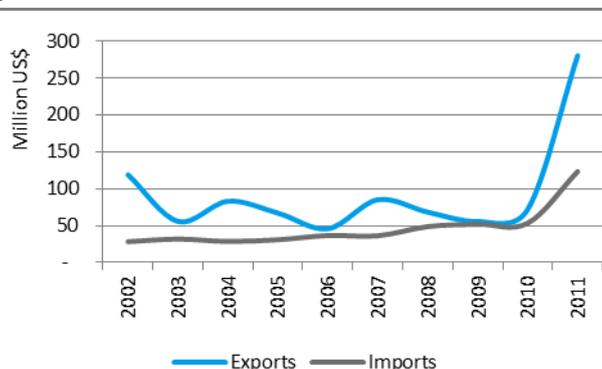


Figure 4. Travel services trade



In 2013, tourism and travel related services contributed 4% to GDP and supported 3% of total employment. Both shares are forecast to rise.⁹ After a slow increase since 2000, the number of international tourist arrivals doubled between 2012 and 2013 (see Figure 5).¹⁰ In 2013 tourists arriving in Myanmar mostly came from Asian countries (70% in 2013), in particular Thailand and China, followed by Europe (19%) (see Figure 6). Along with the rise in tourist arrivals, investment increased also, as the improved supply of accommodation demonstrates. The number of hotels, motels and guest houses rose by 17% in 2013. In 2013 one quarter of the tourist accommodation was located in the largest city and former capital, Yangon. The average length of stay in 2013 was 7 days, a decrease compared to 2011.⁸

Transportation services

Transport services are traditionally the largest services imports: in 2011 transport services accounted for 70% of services imports, followed by other business services (18%) and travel services (12%). This share has decreased since 2000 but the downward path has not been regular (see Figure 3b). In particular in 2005 transport services share of services imports (41%) was second to other business services imports share (53%) but since 2005 transport services have dominated the services import composition. Transport services are traditionally in net trade deficit. Between 2010 and 2011 the trade deficit doubled driven by a dramatic increase in imports of 70% whereas exports did not keep up (see Figure 7). The net trade deficit in 2011 was US\$ 577 million.⁶

Together with Cambodia, China, Lao People's Democratic Republic, Thailand, and Viet Nam, Myanmar is part of the Greater Mekong Subregion (GMS) that in 1992 entered into a program of subregional economic cooperation, assisted by the Asian Development Bank (ADB). The GMS Program has invested around US\$ 15 billion in projects in the transport sector (roads, airports, railways, power facilities, tourism infrastructure and communicable disease prevention). In particular for Myanmar, the

Figure 5. International tourist arrivals

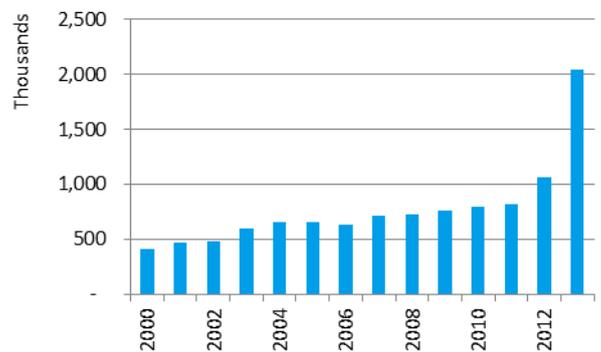


Figure 6. International tourist arrivals by origin, 2013

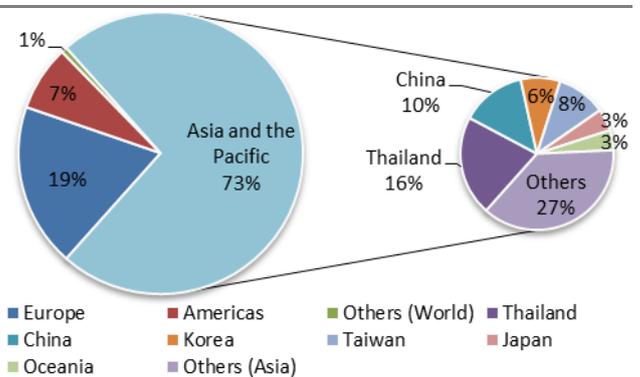


Figure 7. Transportation services trade

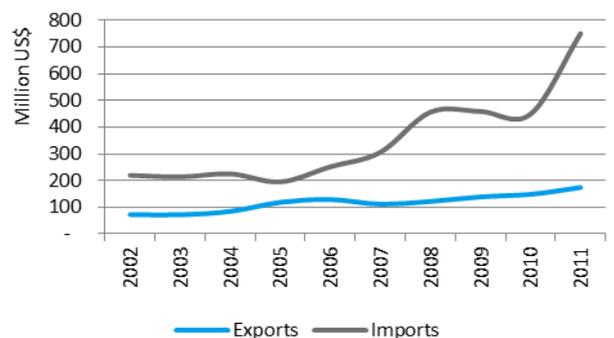
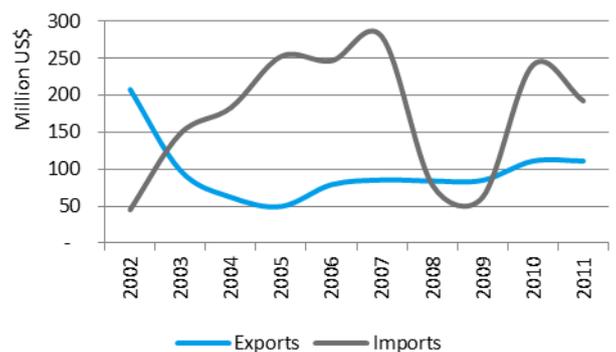


Figure 8. Other business services trade



GMS Program transport sector projects covered the telecommunications system.¹¹

Other business services

Other business services include merchandising and other trade-related services, operational Leasing (rental), miscellaneous business, professional, and technical services.¹² In 2011 other business services accounted for 15% of services exports and 18% of services imports. Between 2002 and 2003, other business services exports decreased by 53% whereas imports more than doubled. Between 2003 and 2007, trade deficits were recorded every year. Between 2007 and 2008, other business services were in net trade surplus given the 72% decrease in imports whereas the exports kept growing. In 2009 imports peaked up but only temporarily, whereas exports are on a gradual growth path (see Figure 8 on previous page).⁶

The reason for such a drop in other business services imports in mid-2007 could be related to the increase in economic sanctions as a consequence of the government violent repression of the 2007 civil resistance and anti-government protests begun in August 2007 after the rise in diesel and petrol prices.

FOREIGN DIRECT INVESTMENT (FDI)

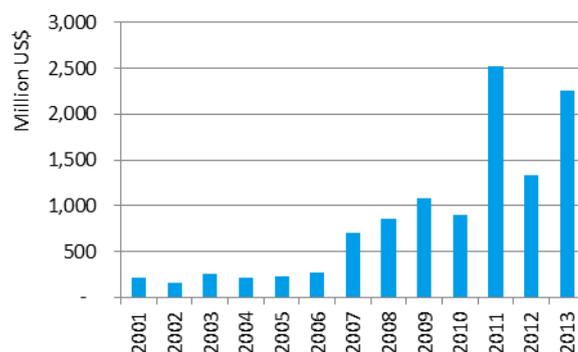
In July 2012 the US broadly eased restrictions on new investment flows and the export of financial services to Myanmar. Actual FDI inflows are typically well below the level of approved FDI contracts, partly as a result of circuitous contractual arrangements and difficulties with foreign currency arrangements. There have been few substantial foreign investments in the services sectors except in the hotel industry, where the foreign investment regime has been liberalized.¹³

The major sector receiving FDI is energy-related

resources. Power and Oil and Gas together account for 80% of total FDI. Among the leading investors are China, Thailand and Hong Kong, China.¹⁴

With a ranking of 177th out of 189 countries in the World Bank Ease of Doing Business index 2014, Myanmar ranks last among the 25 East Asia & Pacific countries.

Figure 9. FDI net inflows



FOOTNOTES / SOURCES

1. Key data derived from: United Nations Statistics Division – National Accounts Official Country Data, ILO—Key Indicators of the Labour Market (KILM) - Table 4a, IMF—World Economic Outlook Database April 2015, WTO Trade Profile, ITC Trade Map.
2. The services percentage of industry value added includes construction and utilities.
3. All trade data is for commercial services. Data for all figures derived from Trade Map (ITC, UNCTAD, WTO joint database), United Nations Statistics Division – National Accounts Official Country Data.
4. IMF—World Economic Outlook Database April 2015.
5. ILO—Key Indicators of the Labour Market (KILM) - Table 4a.
6. ITC Trade Map.
7. ITC Trade Map, IMF—World Economic Outlook Database April 2015.
8. Ministry of Hotels & Tourism, Myanmar.
9. World Travel and Tourism Council – Travel and Tourism, Economic Impact, Myanmar (2015).
10. World Bank – World Development Indicators.
11. Asian Development Bank - Infrastructure Development in the Greater Mekong Subregion, Infographic (2012).
12. Under Balance of Payment Manual 10; merchandising will no longer be classified under services exports.
13. ASEAN Secretariat Services Diagnostic and Needs Assessment Study – Myanmar Summary
14. OECD (2012)



For additional information

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