

Supply potential of the garments sector in Myanmar

Last updated:

11 April 2018

This factsheet provides importers with information on the supply potential within the Apparel / Garments sector for this specific developing country (both on country and sector level), CSR, technological developments and the support structure in the DC in question. The Key Performance Indicators provide you with practical outsourcing insights.

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1. There are numerous reasons why Myanmar is an interesting sourcing country for garment businesses in Europe, such as:

- high-quality workmanship due to many years of experience in manufacturing for high-quality markets including Japan and Korea;
- favourable labour costs;
- new investment law in force which strongly promotes foreign investment;
- high level of international support from different governments to provide technical assistance, training and market access support;
- dynamic and involved sector association with strong membership;
- substantial experience in outerwear manufacturing.

2. Base data country

Capital: Nay Pyi Taw (Naypyidaw)

Largest city: Yangon (Rangoon)

Official language: Burmese

Other recognised languages: Jingpho, Kayah, Karen, Chin, Mon, Rakhine, Shan

Government: Parliamentary government took power in March 2011

Currency: Kyat (K) (MMK)

Exchange rate: USD 1 = MMK 1350 (09-2017)

Time zone: GMT +6.30

Calling code: +95

Population: 52,890,000 (Sept. 2017 est.)

Religion: Buddhist 89%, Christian 4% (Baptist 3%, Roman Catholic 1%), Muslim 4%, Animist 1%, other 2%

Climate:

Tropical monsoon, humid summers, less cloudy, scant rainfall, mild temperatures, lower humidity during winter

Location:

Myanmar is situated in south-east Asia and is bordered on the north and northeast by China, on the east and southeast by Laos and Thailand, on the south by the Andaman Sea and the Bay of Bengal, and on the west by Bangladesh and India.

3. Economic data

GDP growth: 8.1% (GDP: US\$ 68.3 billion)

Population: 52.9 million

Export garments 2015: US\$ 1.8 billion

Export garments 2016: US\$ 2.1 billion

Garment sector share of total exports: 7%

Foreign direct investment: US\$ 6.7 million

Inflation rate: 9.8%

Number of workers in the garment industry: 340,000; 90% are women, most of them aged between 18 and 27. 35% of the total population is of working age, making it the 19th-largest working age population in the world.

Wages

Factory workers are paid US\$ 2.8 per day, excluding overtime. The low average wage in Myanmar means that production costs are also low. This situation creates interesting opportunities for buyers seeking cost reductions.

Average monthly salary

- Entry positions ¢70
- Operators ¢115
- Supervisors ¢260
- Managers ¢440

Working hours

50 hrs per week, 62 hrs with overtime

Location of garment industry

The vast majority of Myanmar garment manufacturers are concentrated in industrial zones in and around Yangon. These zones have access to the ports in Yangon within 1 or 2 hours' road transport.

On a smaller scale, garment manufacturers are also located in Bago and Patheingyi, further inland, in Mandalay.

Ease of access for the industry through Yangon and Thilawa ports

There are several other ports across Myanmar. Those around the Yangon Division support ease of movement for the garment industry located in and around Yangon.

Currently, only small vessels are capable of transporting containers from Myanmar. These shipments are transported from Myanmar to Singapore and then consolidated.

Yangon ports

Bo Aung Kyaw: military port, rarely used for business;

Asia World and MIP ports: privately owned and significantly investing in modernisation to meet international standards in near future.

Thilawa port

MITT: This is a deep-sea port 25 km south of Yangon. It is owned by Hutchison Port Holdings (HPH). The facility is adjacent to the soon-to-be-developed special economic zone (SEZ) in the Thanlyin-Kyauktan area. An SEZ is a geographical region that is designed to export goods and provide employment. SEZs are exempt from federal laws regarding taxes, quotas, FDI bans, labour laws and other restrictive laws in order to enable the manufacture of goods in the SEZ at a globally competitive price.

Other ports of interest

Other ports of interest include:

- Bassein (located near Patheingyi);
- Port of Sittoung;
- Port of Moulmein.

Fabrics and trims from China are currently also transported over land (truck). This mode of transport takes approximately 12 days.

Number and type of garment companies

Garment manufacturers active in the value chain according to the MGMA Garment Directory 2017.

- SOEs (State Owned Enterprises): 9 manufacturing companies;
- Joint Ventures with MTI (Myanmar Textile Industry)/UMEHL (Union of Myanmar Economic Holdings Limited): 2 manufacturing companies;
- Joint Ventures with private companies: 34 manufacturing companies;
- 100% Foreign Companies: 224 manufacturing companies;
- Local Private Companies: 161 manufacturing companies.

Note: The figure for Local Private Companies might be grossly overestimated, as a lot of companies are registered as “local” but not with a majority stake. The Vice-Chair of MGMA estimates that 20% of all garment manufacturers are really locally owned.

4. Trade agreements and key economic relations

WTO

Myanmar has been a member of the World Trade Organisation since 1995. Recent steps include the opening of a new WTO reference centre in the capital, inaugurated on 21 February 2013. Located on the ground floor of the Ministry of Commerce, it is accessible to government officials from all ministries and the public in general.

European Union-Myanmar

Duty-free export to European Union under the EBA scheme. “As a Least Developed Country (LDC), Myanmar/Burma benefits from the most favourable regime available under the EU's [Generalised Scheme of Preferences \(GSP\)](#), the Everything But Arms (EBA) scheme. Myanmar/Burma was reinstated into the GSP tariff preferences on 19 July 2013.”

European Union-ASEAN

Benefits from overall European Union-ASEAN trade relations. “Myanmar/Burma is one of the 10 members of the Association of Southeast Asian Nations (ASEAN). ASEAN as a group is the European Union's third largest trading partner outside Europe, after the United States and China. Co-operation is maintained through the European Union-ASEAN Dialogue, which includes discussions on trade and investment issues at ministerial and senior economic officials' level.”

For more information on the relations between the European Union and Myanmar, see the website of the

[European Commission](#).

USA

The United States has restored full diplomatic relations and has re-established a US Agency for International Development (USAID) mission in the country, easing financial and investment sanctions against Burma. President Obama's trip to Burma in November 2012, the first visit of a sitting US President, demonstrated the United States' continuing support to Burma in its political and economic reform efforts. The military government changed the country name to "Myanmar" in 1989. It remains US policy to refer to the country as Burma in most contexts.

Others

Myanmar chaired the ASEAN association for the year 2014 (it is the norm under the ASEAN charter for the chair to rotate among the member countries).

5. Main export markets

In 2016–2017, Myanmar's garment exports were expected to reach a total value of US\$ 1,855 billion, the Ministry of Commerce is reported to have stated on the [Fashion United website](#). This figure is an increase of over 85% compared to the year before, when apparel exports rose by 145% to US\$ 1 billion. The government aims to raise exports to US\$ 4 billion by 2020.

Around 33 per cent of the country's CMP products were exported to Japan in 2015–2016. Europe and South Korea accounted for 25% each compared to 2.4% each for the US and China, the Myanmar Garment Manufacturers Association (MGMA) has reported. Japan and Korea apply strict controls. Every garment has to be checked before shipment and professional quality control companies inspect the complete manufacturing process.

6. Main product categories

Men's clothing

Men's clothing represented the main export product category in 2010–2012, followed by women's overcoats, capes and wind jackets.

Knits/wovens

Exports from Myanmar are made up of over 80% woven product categories and 20% knit categories. Before 2003, knitwear was exported largely to US. After 2003, the focus of exports changed to wovens (to Japan and Korea).

Unique Selling Points (USPs)

High quality of workmanship is found across the majority of exporting factories. This is due to years of experience in working for strict Japanese and Korean clients with 100% QC control. All segments of products (low, mid, mid-high) are currently produced in Myanmar. The majority of factories focus on the middle to high segments. A variety of product categories can be and are manufactured. A key product category of interest: jackets (sports jackets, down jackets, cargo pants, cargo jackets).

Type of garment export business: CMP

The type of export currently the norm is known as CMP (Cut-Make-Pack). Due to a very restrictive banking system, the lack of a domestic textile industry and restrictions on textile imports (unless for re-export), factories are able to work only as "workshops" where they can conduct sewing operations. In this type of export, all materials – including threads, buttons, zips, labels, linings and even the packaging – are imported and have to be provided by the buyer/client. The local factory is able to assemble the predesigned article, package it and

export it. All documentation and paperwork needs to be organised either by the buyer/client or through domestic/regional agents. Several factories are trying to move towards FOB, but this is currently not very competitive for the majority of locally owned companies.

7. Main competitors

Key competitors in the region include Bangladesh, Cambodia, Vietnam, Thailand, China and Laos. Myanmar has an advantage in workmanship and the ability to create complex products.

Sector trends and developments

Key trend towards compliance: The majority of locally owned garment manufacturers are not certified by internationally recognised standards or guidelines such as BSCI, SA 8000, WRAP, ETI, and so on. While their production and quality of workmanship is relatively high, their social and environmental compliance standards are not. MGMA and its member companies have made achieving internationally recognised standards a very high priority, but this is a process that will take time and investments. Several initiatives have been taken by the European Commission, the German and Dutch governments, as well as several other international development agencies and governments.

European Union–Myanmar trade and relations: “The European Union seeks active collaboration with the Myanmar authorities, to assist in the reform process and to contribute to political, economic and social development. Areas of cooperation are human rights, trade and responsible investment, biodiversity and deforestation, as well as health and education.

The first European Union–Myanmar Task Force took place from 13 to 15 November 2013 in Yangon and Nay Pyi Taw, Myanmar. It was made up of several high-level events, providing a forum for debate on the progress made. It covered challenges faced by Myanmar, economic opportunities and the European Union’s contribution. The goal of the Task Force is to bring together leading political, developmental and economic figures from both sides, as well as civil society groups and NGOs, to discuss Myanmar’s ongoing social, political and economic transition, which includes facilitating and delivering comprehensive European Union support at all levels.

FDI and foreign relations linked to garment industry: Myanmar is slowly opening up to FDI as well as various levels of joint ventures and foreign ownership in the garment industry. According to Myanmar’s official statistics from January 2017, the European Union was the fourth-largest foreign investor in 2016. Cumulative existing investments originating from the European Union amounted to US\$ 4.8 billion (or 8.2% of total), behind China (US\$ 18.4 billion or 31%), Singapore (US\$ 15.7 billion or 27%) and Hong Kong (US\$ 7.4 billion or 13% of total).

Myanmar International Textile and Garment Industry Exhibition: The MTG is scheduled to be held for the sixth time from 8 to 11 December 2017. The 2016 edition (MTG 2016), with 160 exhibitors from 16 countries displaying a broad range of their latest products and technologies at 320 booths in the Myanmar Event Park (MEP), served as an important trading platform for textile companies from around the world. The 2016 event attracted almost 10,000 visitors. The event was organised by Yorkers Trade & Marketing Service Co., Ltd., Hong Kong and the Myanmar Garment Manufacturers Association (MGMA), with the support of the Republic of the Union of Myanmar Federation of Chambers of Commerce and Industry (U.M.F.C.C.I.).

8. Which challenges does the Myanmar garment sector face?

- Factory efficiency and productivity need to be improved in order for the sector to increase competitiveness.
- Factories must switch from the Cut-Make-Pack (CMP) system to Free On Board (FOB), taking on greater responsibility for production (for more details, read the [MGMA statement on this transition](#)).
- There is a lack of knowledge on European Union standards.
- There are not very many BSCI certified factories yet; buyers can stimulate growth in this area.
- All fabrics and trims need to be imported.

9. SWOT analysis

Below is a SWOT analysis overview of strengths, weaknesses, opportunities and threats related to the Myanmar garment industry from the perspective of a European buyer.

Figure 1: SWOT analysis of Myanmar garment industry

Strengths	Weaknesses
1. High quality of workmanship and manufacturing of garments	1. Access to credit for both investment and operation by Myanmar businesses remains problematic due to restrictive lending by Myanmar banks
2. Very high interest and desire to move into FOB export among local garment manufacturing factories	2. Low efficiency/productivity
3. Many years of experience in manufacturing complex products for a high-quality market (Japan and Korea)	3. Land price and cost are erratic and very high
4. GSP European Union (duty-free under EBA scheme)	4. Power shortages and uncertainty
5. Lead times competitive with other south-east Asian competitors	5. Unskilled and low middle management expertise in factories
6. Relatively good infrastructure and roadways	6.
7. Internet and connectivity greatly improved and easily available	7. Lack of social and environmental compliance in factories
8. Growing number of university graduates with foreign language ability	8. Ability to operate under CMP export terms only (no experience in FOB export)
9. Dynamic and interested sector association backed by strong membership (MGMA)	9. Lack of textile knowledge and sourcing skills required for FOB and full package export

10. Increased interest of European Union buyers keen to guide and support interested factories through the period of change towards FOB	10. Low knowledge of European Union market requirements
11. Presence of several sea ports, including development of deep-sea port	11. Low availability of expertise
12. High availability of workers	
13. Favourable minimum wage	
Opportunities	Threats
1. Withdrawal of sanctions and normalisation of trade relations internationally	1. Political uncertainty, potential changes in policies at macro level
2. High levels of FDI investments, joint ventures and international interest since mid-2013	2. Lack of capacity within the country to absorb and sustainably implement changes within a short period towards FOB and competitive export procedures
3. Myanmar chaired ASEAN in 2014, benefiting from many conferences and meetings across the country as well as gaining new knowledge and momentum	3. Factories may not be able to achieve required levels of compliance for EU standards (within the short term)
4. Several industrial zones with incentives for foreign ownership and investments in garment sector	4. Relatively risky production base due to lack of transparency with limited track record in Europe
5. Increased presence of international delegations, missions and consulates	5. Long period of time required (due to complex paperwork) to get all workers registered in garment factories with correct age (especially women workers)
6. High levels of international commitment shown by several governments including European Union to provide technical assistance, training and market access support	6. No textile industry present in country to support garment production

7. Garment industry is a priority sector for Myanmar government	7. Foreign investors taking over the business, resulting in a loss of inherent drive and authenticity
8. European Union agents and sourcing companies have set up presence and operations in Myanmar to facilitate trade with European Union buyers already	

10. Business contacts and references

Associations and Chambers

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