

LEADING OFF

In an effort to curb skyrocketing apartment rental prices, the government of Myanmar is preparing to benchmark the price of units, a senior official told lower parliament according to media reports.

The proposed scheme will regulate how much apartments will be rented for according to townships, the official said, adding that landlords in Myanmar are known to rack up the cost of units when they see short-term leases grow in price.

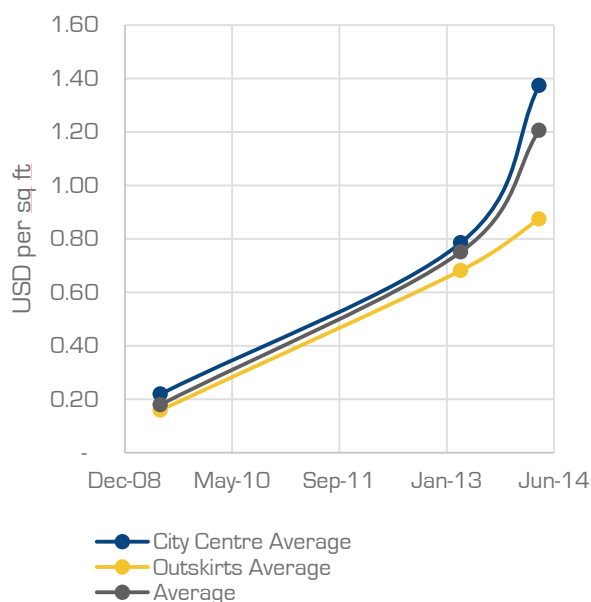
According to our data, there has been a 414% increase in land costs in Yangon from 2009 through to the end of 2013.

In recent years, Yangon has seen a spike in development of new condominium and upscale skyscraper projects. Nevertheless, rental prices have continued to grow as experts warn that more supply is needed.

As of the end of last year, there were nearly US\$750 million invested in construction sector by Myanmar nationals with another \$40 million in foreign capital.

At the same time, there were a total of 1600 condominium units in Yangon spread over 300,000 square metres.

Rental apartments



Home ownership in Yangon is comparable to those in neighbouring countries – 84% are owner-occupiers, and 66% owns the land. This means 18% (83,200 families) lives in non-landed homes, i.e., condominiums and apartments.

Ambitious construction projects in Yangon include the \$94 million Star City project across the Bago River will bring more than 9000 units, while the HAGL Centre in Bahan township and the Pyidawthar Project will bring another 2800.

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Myanmar Overview

Population	60 million
GDP (kyats, bn)	53,501
GDP (US\$bn)	59
GDP per capita (USD)	915
GDP per capital ppp (USD)	1400
GDP (Agriculture, %)	31%
GDP (Agriculture, US\$bn)	18

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2014 SECTOR BRIEF

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BANKING

Tay Za reconsidering sale of AGD Bank majority sale

Local tycoon Tay Za is “reconsidering” the sale of his majority stake in Asia Green Development (AGD) Bank to the family of late General Ne Win, according to the local media. Last month, the Htoo Group chairman said he was selling his 60% stake in the company due to the impact of US sanctions against him, but during a conference this week he said he was now having second thoughts, though he did not say why. Fifteen percent of the bank’s shares were already transferred to the family of Ne Win in July. Sanctions against Tay Za have left AGD Bank in a lurch as it will not be able to offer services for US-based credit cards such as Master Card.

IMPORT/EXPORT

US Treasury Dept to waive timber sanctions for one year

Certain US companies have been granted a one year license to do business with several Myanmar-based companies, according to local media reports. The licence allows members of timber group International Wood Products Association to import products from the state-run Myanma Timber Enterprise. It will be the first time in six years that business will be conducted between the two sides in the timber industry.

TOURISM

Tourism surges 43% in first half of 2014, says ministry

The number of tourists travelling to Myanmar has grown 43% to reach 1.6 million from January through June, according to data released by the Ministry of Hotels and Tourism. Of the total number of travellers, the majority came from China, Japan and Thailand, accounting for 71% of the figure. In 2012, revenues from tourism reached just over US\$500 million, or 1% of the gross domestic product. That number is expected to increase however as the government is now expecting 5 million visitors next year.

AGRICULTURE

Domestic tobacco production to grow 27% this year

Cigarette manufacturers have paid taxes to produce an additional 27.4 million packs of cigarettes for the 2014-15 fiscal year, up 27% compared to last year, an official told local media. Manufacturers will now produce a total of 461.8 million packs, the official said. The uptick in production comes following the entrance of international brands Lucky Strike and Mild Seven, which now manufacture tobacco locally for the domestic market. The Internal Revenue Department collected US\$31.96 million in taxes for the 362.5 million packs of cigarettes produced last year.

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Tourists by Entry Point

Yangon	53%
Eastern Border	22%
Southeastern Border	17%
Northeastern Border	5%
Mandalay	3%

➤ On a side note:

Given that the rice production remains self-sufficient, Myanmar's agriculture has more room to diversify into higher value-added crops and food according to market demands. This will make its growth sustainable and give it more flexibility to become a dynamic sector.

- *Source: NCRA'S Agriculture Sector Brief*

Amid heavy flooding, federation to release rice reserves

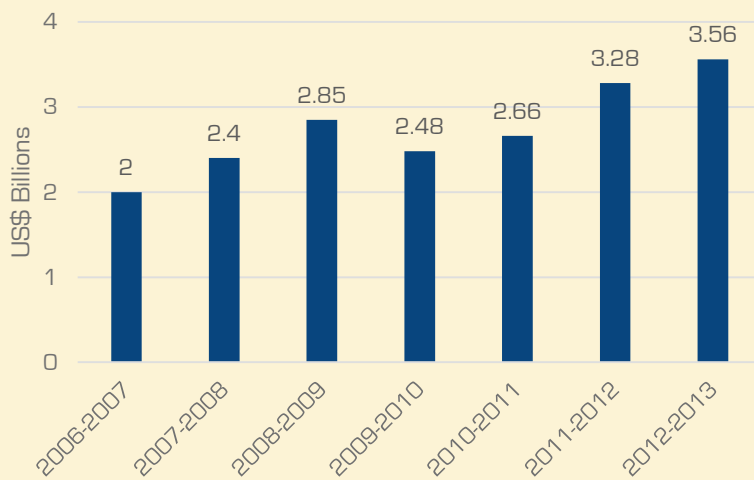
With monsoon rains flooding of rice fields across Myanmar and affecting local supply, the Myanmar Rice Federation (MRF) is preparing to release rice reserves into the domestic market an official told local media. According to the official, MRF will oversee the shipment of 60,000 bags of rice per pay into Yangon, up from 50,000. According to local farmers, Around 1,000 acres of rice fields in Hlegu Township in Yangon region have been flooded for the past month, forcing seed prices and production costs to double.

EXTRACTIVES

Myanmar, India ink oil survey wells deals with MOGE

Russia’s Bashneft International B.V. has signed an agreement with the Myanma Oil and Gas Enterprise (MOGE) worth US\$38.3 million for the distribution of the Block EP-4 oil well, the company announced this week. Bashneft International B.V., a wholly owned subsidiary of JSOC Bashneft, signed a production sharing contract for oil from the block that will see Bashneft as the 90% owner and operator of the project, while Sun Apex Holdings Ltd. from Myanmar will hold the remaining 10%, according to the statement. Under the agreement for Block EP-4, the partners shall implement a three-year geological exploration program, which may be extended for another three-year period and includes seismic surveys and drilling of two exploration wells. Bashneft originally gained the right to conclude the Production Sharing Contract for Block EP-4 in October 2013, when it won a tender to operate in the onshore blocks. The signing bonus for the new project will total \$ 4 million. In addition to the deal with Bashneft, the MOGE signed a separate production sharing contract with India’s state-run ONGC Videsh Ltd., for two blocks won during the same tender last year, according to Indian media. Those contracts were signed between OVL, MOGE and Machine & Solutions Co Ltd (M&S), the local partner.

Revenues to Myanmar from Gas Exports



Source: MOGE Press Releases; NCRA Research

Oil and Gas Sector Overview

Proven Gas Reserves	20 tcf
Estimated Gas Reserves	80 tcf
Estimated Oil Reserves	3.2 bn barrels
Onshore Oil Production	7,750 bpd
Offshore Oil Production	10,484 bpd
Onshore Gas Production	56 mmcf
Offshore Gas Production	815 mmcf
Export revenues (2013)	USD 3.5 bn

➤ **On a side note:**

The Myanmar Ministry of Energy (MOE), on behalf of the Myanmar Government, announced the winning bidders for the 18 oil and gas blocks in the Myanmar Onshore Blocks Second Bidding Round - 2013 on October 10, 2013.

There are fifty-three onshore blocks, twenty-five offshore (shallow water) blocks, and twenty-six offshore (deep water) blocks.

However, since the Myanmar government lacks the technical expertise to explore and access the fields, most of them are unexplored until recently.

- *Source: NCRA'S Oil & Gas Sector Brief*

Click here to see the Oil & Gas sector brief.

Thailand's PTTEP signs exploration deal with MOGE

Thai-listed PTT Exploration and Production Plc (PTTEP) and its investment partners have signed a production-sharing agreement with Myanmar Oil and Gas Enterprise (MOGE) for onshore exploration and production rights for the MOGE 3 block., according to The Bangkok Post. As per the terms of the deal, four exploration wells will be planned for the MOGE 3 block at an initial cost of US\$72 million over the first three years, with PTTEP South Asia Ltd as the operator. The same firm also has an 85% share in the block, while Palang Sophon Offshore Pte Ltd and Win Precious Resources Pte Ltd holds 10% and 5% respectively.

MISCELLANEOUS

Inflation creeps up to 9% despite market reforms, study

Myanmar is experiencing a growing rate of inflation that will reach 9% in the medium term, according to a financial assessment of Myanmar by Netherlands-based forecasting firm Mantis. The study shows that higher food prices and the depreciation of the kyat are the two factors most closely associated with growing inflation. According to government data, Myanmar's inflation reached just over 7% at the turn of the year, a figure that is considered moderate by experts. Still, international financial institutions have warned that Myanmar's growing inflation problem could have a serious impact on the poor, who end up paying more for staples such as rice.

Myanmar in talks to get first-ever credit rating

A government official said that Myanmar is currently in talks with Standard Chartered Plc. to receive its first ever credit ratings, according to media reports. The move, which could help pave the way for a global-bond sale, which would be the first time Myanmar has done so. It may also help alleviate concerns by foreign investors that the country is somewhat of a "black box" as the country looks to repair its reputation following 60 years of isolation.

Investment laws to be merged into single document

Myanmar will merge its Foreign Investment (FIL) and Myanmar Citizens Investment Laws (MCIL) in accordance with an agreement reached by ASEAN member states to adopt a singular investment law. According to officials, the idea of merging the rules is to spur investment growth by making the rules more transparent. The bill is currently being drafted by the Myanmar Investment Commission and is expected to be enacted sometime in early 2015.

➤ On a side note:

Since the multiple informal foreign exchange rates were unified in a managed float in 2012 at Kyat 818/US dollar, the Kyat has steadily depreciated against the US dollar

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LEGAL CORNER

Myanmar government enacts amendments to anti-corruption law

New amendments were enacted on July 24 to Myanmar's 2013 Anti-Corruption Law. Looking back to last year, we will remember that the Anti-Bribery Bill was adopted in Parliament in February 2013 and sent to the President's Office to be signed and enacted.

The President had sent the Bill back to Parliament with 12 amendment suggestions of which only two were adopted at the time, including the changing of the name from Anti-Bribery Law to Anti-Corruption Law. With the latest amendments, Myanmar's Anti-Corruption Law has now broadened its scope by amending what was previously referred to as "anti-bribery" within the text of the law, to "anti-corruption". The law now encapsulates a broader spectrum of activities that could be interpreted as corruption.

On August 8, President U Thein Sein accordingly decreed an Order No.19/2014 which states that the Bribery eradication commission formed under President's Office Order 6/2014 to be renamed as the "Anti-Corruption commission" in accordance with the amendments to the Anti-corruption law.

Other relevant amendments of the Anti-Corruption law brings forth an upgrade to the portfolios of the staff in the standing committee, working group, preliminary and the investigation team, along with all the staff from the commission office, to that of civil servants, with the chairman and the secretary being accorded status of Union minister and deputy minister.

Khin Thandar is a legal advisor with DFDL Myanmar.

UPCOMING EVENTS / TENDERS

Click the hyperlinks to access official the announcement

- Myanma Electric Power Enterprise tender for Construction of Gas Pipeline in Thilawa – Aug. 21st
- Bid Evaluation and Awarding Committee Interest to invest in Kyauk Phyu SEZ – Aug. 25th
- Ministry of Energy tender to supply oil, fuels, natural gas and other liquid fuels – Aug. 25th
- Ministry of Energy, Myanma Oil and Gas Enterprise tender to supply items - Aug. 25th
- Ministry of Health tender for FDA approved medical supplies – Aug. 27th
- Ministry of Energy's tender to develop electric power stations – Aug. 29th
- Ministry of Railway Transport's tender for projects in Mandalay and Yangon – Aug. 29th
- Ministry of Energy's MOGAS tender deadline – Aug. 31st
- Ministry of Transport, Myanmar Railway tender to build Dry Ports tender deadline August
- Ministry of Electric Power, Myanmar Electric Power Enterprise tender for electric power plant projects – Sept. 4th
- The Southeast Asia Offshore Summit – Sept. 8th – 10th
- Myanmar Investment Conference – Sept. 25th - 27th
- Ministry of Rail Transport tender for Heavy Machinery/Equipment – Sept. 26th
- 2nd Annual Myanmar Consumer Summit – Oct. 27th – 28th
- Kyauk Phyu SEZ 3rd round tender deadline Nov.