



Karzo Business and Logistics Report June 2021

Welcome to the Business and Logistics Report for June 2021 compiled by Karzo in collaboration with the British Chamber of Commerce.

With the ongoing political instability throughout the country the short-term outlook remains very challenging. According to the [World Bank](#) Myanmar's economy is expected to shrink by 10% this year, a sharp reversal from the October 2020 prediction of 5.9% growth. [Myanmar's PMI](#) has plunged to 27.7 with many factories grinding to a halt. With the continuing global Covid-19 pandemic, the [blocking of the Suez Canal by vessel Ever Given in May](#) and a general lack of [vessel capacity](#), Myanmar is facing a raw material and import/export crisis that is starting to impact all sectors in some way. We discuss these topics and other areas below.

Business Sector Update and Outlook

- **Construction** – The hardest hit of all sectors seeing many projects completely stopped or temporarily halted such as the [Yoma Peninsula](#) in Yangon. The start of rainy season in June until October also causes this sector to see a general downturn in project continuation.
- **Garment** – A lack of raw materials and the inability to reliably export is causing many companies such as [H&M, Primark and Benetton](#) to halt and move production of their CMP business temporarily to other ASEAN countries. According to a Karzo source the garment sector is down 30% on this time last year. The outlook for Q3 & Q4 is not promising. TEU exports in May for garments alone were 3,898 down from 4,741 in April. (source Myanmar Port Authority - MPA)
- **Agri** – This sector has benefited greatly from [international investment](#) and accounted for [21.5% of GDP in 2018](#). Exports now are a major problem with high global shipping costs and a lack of reefer containers making exports expensive and impacting hugely on margins. Rising costs of fertilizer and logistics are also causing food prices to escalate but rice has only seen a small rise of between \$5 - \$15 per mT for broken and long grain.
- **FMCG including Soft Drinks and Alcoholic Beverages** – Imports of raw materials and finished goods is now starting to impact this sector. Refined sugar and malt imports, cans and bottle procurement are at low levels according to Karzo's clients.
- **Animal Feed & Fertilizer** – A lack of raw materials is causing animal feed and fertilizer prices to rise. Soy Bean Meal, Wheat Grain and Urea imports are continuing but many vessels are delayed and stocks are lower as demand outstrips supply. Cash price per kg for SBM is approx MMK 1,600 double pre February 1st prices. Corn is mostly being exported to Thailand where cash can be paid and animal feed companies are reporting issues in procurement in Myanmar due to cashflow issues and the inability to compete with Thai buyers.

General Logistics Overview

With lower volumes and the onset of rainy season general cargo truck capacity is not an issue. The Karzo June rate for a 22 wheeler (35mT max load) Yangon to Mandalay is currently at MMK 18,500 per mT, a reduction of 30% from May's price of MMK 26,000. June 2020 saw an average of MMK 29,000 per mT. There is a tenuous link with fuel prices and it is supply and seasonality that have a much larger impact. Warehousing capacity has increased dramatically since March, April capacity issues due to the garment export backlog which has now cleared. Several areas throughout the country remain no-go zones and lead times are extended due to increase roads checks and monsoon. Curfew times remain at 10pm in most places with several Yangon townships under martial law with 8pm curfew. Most trucking routes remain OK with little or no congestion. Container trucking supply is good and all Yangon regional trucking is generally operating well.

Land Borders – Thailand, China, India

- Myawaddy (TH) remains fully open and currently there are no major issues despite regional clashes between the Tatmadaw and KNU forces. Both rely heavily on this border functioning and so it is in no one's interest to see it closed or operating slowly. Despite efforts to ban certain FMCG products from this border and reduce black market activity (approx 50% of goods come over by one or 40 river crossing points) there seems to be no change to volumes or an increase in these products coming to the Yangon Ports where duties would have to be paid. Volumes remain high as this corridor is now being used as an alternative to the Yangon Ports.
- Muse (C) Main Ruili border remains closed. Lwegel (C) is open for rice exports only. Pang Seng (C) is handling all cargo and operating at a maximum of 80 trucks per day according to our sources. Turnaround time is approximately a week and a return trip to and from Mandalay approximately 3 weeks.
- Tamu (IN) Closed
- Tachielek (TH) – Open to local businesses and traders only

Ports and Vessel Updates

All Yangon Ports are open with normal operations. Imports and Exports remain lower than 2020 comparisons due to fewer vessels calling and the ongoing global shipping capacity and price increases. Ocean freight costs in February from Yangon to Europe's main ports was \$3,000 – \$3,500 per TEU and is now between \$6,000 - \$8,000 depending on the shipping line and spare capacity. On a positive note, Maersk have announced three new vessels especially for Myanmar [Maersk Norberg](#), [Maersk Narvik](#) and [Maersk Nesna](#).

Combined Yangon Port Data

2021	Vessel Calls (YGN)		TEU	
	Export	Import	Export	Import
Jan	53	53	36,589	40,684
Feb	51	54	31,298	41,467
Mar	32	31	16,511	20,397
Apr	29	27	26,688	14,868
May	34	35	29,222	19,647

(source MPA)

Fuel

The current price for Premium Diesel is MMK 1005/Lt. A decrease of 2% from last month but an increase of 62% from June 2020's prices of MMK 550/Lt when global oil prices were at lows with the Covid -19 pandemic. Fuel stocks remain at normal levels with the arrival of several vessels this month. Demand remains low with the onset of monsoon and sectors generally seeing lower volumes. (source Max Energy)

Banking and FX

Banking remains a major problem throughout the country with personal withdrawal limits set at MMK 200,000 per week. Business regardless of size are allowed only withdrawals MMK 5,000,000 per week. Overnight queues at ATMs are a common sight and most ATMs are empty. This has led to money handlers charging up to 12% for cash exchanges on the ground – now a criminal offence. Tokens are required for appointments and many branches remain closed. Cashflow for many companies continues to be a major challenge with many suppliers now asking for upfront payments. FX has stabilized recently with exchanges now offering USD at MMK 1,600, the high being around MMK 1,725 in April.