

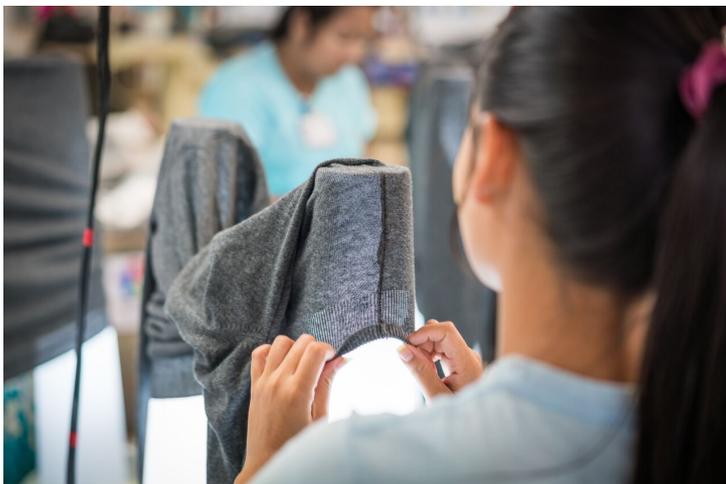
## Growth amidst uncertainty

In 2018, despite a slowdown in new factory registrations, apparel exports from Myanmar skyrocketed by 75% to reach 5.3 billion USD

The Myanmar Garment Manufacturers Association registered a marked slowdown in new member companies in mid-2018. Interviews with investors revealed the humanitarian crisis in Rakhine State to be the most significant factor contributing to this reduction in new investments, as investors weighed political risks more carefully.

Nevertheless, apparel exports grew rapidly from the hundreds of factories already established and expanded during recent years, especially those who have set-up since the reinstatement of EU “everything but arms” (EBA) trade preferences in 2013. The European Union, as a trading bloc, maintained its position as lead export destination for Myanmar apparel products. Following the EU, Japan, Korea, the USA and China held the next positions respectively. Among EU countries, exports to Germany came out highest, by far, receiving 907 million USD of apparel & footwear product shipments from Myanmar.

Total Myanmar apparel & footwear exports - including HS 61, HS 62, HS 64 and HS 42 product groups - summed to **5.3 billion USD** for the calendar year 2018, as Myanmar overtook several countries, including Sri Lanka, Thailand and Tunisia and advanced to become the world’s 10th largest apparel & footwear exporter. Garment exports alone, HS 61 and HS 62 products, totaled 4.6 billion USD.



A garment worker inspects the seams on a sweater at Prosperity Knitwear, one of Myanmar’s 625 garment, textile, footwear and handbag factories.

### Top 20 export markets for Myanmar apparel & footwear products in 2019\*

1	<b>Japan</b>	1,073,678,000
2	<b>Germany</b>	906,955,000
3	<b>Korea</b>	446,077,000
4	<b>Spain</b>	340,452,000
5	<b>United Kingdom</b>	328,828,897
6	<b>Netherlands</b>	326,522,000
7	<b>USA</b>	324,285,000
8	<b>France</b>	278,997,000
9	<b>Italy</b>	227,710,000
10	<b>Denmark</b>	147,524,900
11	<b>China</b> (including Hong Kong and Taipei)	125,976,624
12	<b>Belgium</b>	85,323,000
13	<b>Canada</b>	76,414,000
14	<b>Switzerland</b>	63,468,000
15	<b>Russia</b>	62,869,000
16	<b>Poland</b>	52,398,000
17	<b>Austria</b>	55,366,000
18	<b>Sweden</b>	44,918,000
19	<b>Mexico</b>	38,465,000
20	<b>Norway</b>	35,396,000

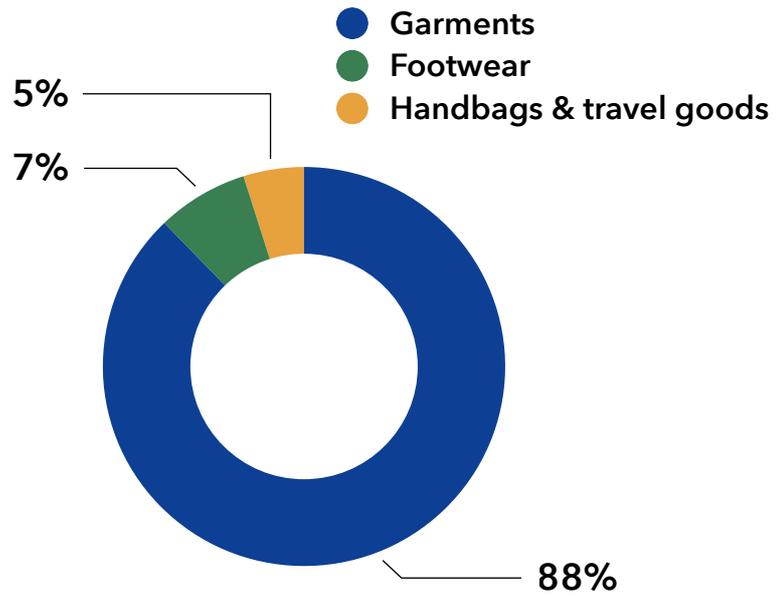
\*HS 61, HS 62, HS 64 and HS 42 product groupings. Data extracted from ITC Trademap and UN Comtrade databases. Exports to the EU as a trading bloc equaled 2.75 billion USD, more than half of overall apparel exports.

SMART Myanmar is a European Union funded project implemented by sequa gGmbH in partnership with the Myanmar Garment Manufacturers Association, the Foreign Trade Association of German Retailers and the Association of Development Financing Institutions in Asia and the Pacific. SMART is further co-funded by the German Federal Ministry Ministry for Economic Cooperation and Development.

One of the fastest growth categories, **in percentage terms**, for Myanmar in 2018 were handbag, backpack and luggage exports (HS 42). The proximate reasons for this are mainly two: First, handbags and backpacks qualify for the United States' more restrictive GSP trade preferences. Whereas the EU grants zero tariff benefits to all products with only weapons excluded, the USA does not. Second, the trade war between the United States and China has resulted in 25% tariffs being imposed on handbag exports from China to the USA. Therefore - especially when combined with other factors such as low labour costs - it is suddenly significantly more profitable for some investors to manufacture bags and travel goods in Myanmar than in China. As a result, foreign investors have been rushing to scope the market and set-up handbag and luggage factories in Myanmar.

In terms of total export **volume**, the product category enjoying the most growth was once again various types of structured jackets and coats.

Along with factory and export growth, the number of workers directly employed in the industry increased to approximately 562,500\* by February, 2019. Over 90% of workers in the industry are young women.



To learn more about SMART Myanmar visit:  
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*\*SMART Myanmar estimates employee numbers by compiling data from the Myanmar Garment Manufacturers Association, the Directorate of Investment and Companies Administration, the Ministry of Industry, the Myanmar Industries Association and the Thilawa SEZ Management Committee. Across these sources there were known to be 625 independent factory facilities larger than 100 employees with est. median size of 900.*

*The statements in this research note represent the views of SMART Myanmar and do not necessarily reflect the views of the European Union.*



A bird's eye view of the wastewater treatment plant of Reebblue, a denim jeans factory participating in SMART Myanmar's Chemical Management & Detox Program. In cooperation with the German Partnership for Sustainable Textiles, SMART Myanmar's local engineers and trainers have conducted on-site capacity building programmes on chemical management, including safe handling, disposal and reduction with 14 factories.