

Myanmar's Gold Market

Like many Asian countries, gold is a popular investment and used as a store of wealth in Myanmar, particularly as a slowdown in other areas of the economy, including the property market, are pushing local investors to invest in gold. The gold market in Myanmar is very liquid, but it is illegal to export Myanmar gold.

The supply chain in Myanmar comprises wholesalers, providers, jewellers, retailers, miners and refiners, including four major refiners and 25 small refiners, with wholesale markets located in Yangon and Mandalay. Three associations support the supply chain: Myanmar Gold Development Public Company, Myanmar Gold Entrepreneurs Association, and Yangon Gems & Jewellery Entrepreneurs Association.

However, the infrastructure for gold trading is still not developed. Many activities, including settlement procedures, are currently not regulated. Refining levels are also below international standards (the quality gold is typically 99%, not "Four Nine"). As standardisation is not strict, the purity of gold varies depending on source. The distribution of gold demand is as follows – store of wealth: 55%; jewellery: 40%; industrial: 5%.

The wholesale market in Yangon, located at 42 Shwe Bhone Thar Street, managed by the Myanmar Gold Entrepreneurs Association.

All market players (floor traders) are members of the Myanmar Gold Entrepreneurs Association. The association has about 300 members, who pay a membership fee of 500,000 kyat (US\$382) per year. All trades are done by open outcry on the floor. There is no booth, and a pit only on the floor. Traders use mobile phones to contact external parties and as there is no proper clearing system, trades are not recorded. As such, a lot of the traders work on the basis of trust. Settlement takes place physically in another location by COD.

Myanmar has an independent gold market, so gold prices are not necessarily determined by international prices. However, trading prices closely reflect international market prices, and it appears that traders refer to international spot prices at the time of opening as a benchmark, converting it to local units and currency. Besides, international news broadcast on TV gives local players an idea of the international market, which influences trading decisions. During our visit to the Myanmar Gold Entrepreneurs Association, there was a power failure, but surprisingly, trading continued under such conditions.

Gold bar retail market

Retail gold bars are traded in Myanmar using local scales: Kattha (Ticals) = 16.3293 g, Petha = 1.02058 g, Yway lay = 136.078 mg, and the local currency (kyat). Transactions may not be entirely transparent, and prices may differ among shops and in different regions. Three brands are prominent in the market, namely, Academy, Aung Thamradi and Ba Than.



Academy 10 Ticals Bar



Aung Thamardi 10 Ticals Bar

Investment in mining

The Myanmar government encourages foreign and local investors to invest in the mining sector, subject to 5% royalty upfront and a production sharing of about 30% of net output. Investors can enter a mining sector with a foreign direct investment or through a joint investment with a local company. Besides this, the Myanmar government also encourages the establishment of refinery plants as well as smelters with the latest technology. Investment information details are at the Ministry of Mines website (<http://www.mining.gov.mm/>).

The size of the gold mining market is anybody's guess. There are currently 5 to 6 blocks of large-scale mining rights granted to a few big companies at Waphyutaung Area, Yamethin Township, Mandalay Region. Collectively, they could be around 5-10 tonnes of output annually. There are about 472 small-scale mining companies registered with the Mining Ministry.

Myanmar Gold Development

Myanmar Gold Development (MGD), the commercial arm of the Myanmar Gold Entrepreneurs Association (MGEA), was set up on 27 June 2012, with an authorised capital of 1 trillion kyat (US\$1.1 billion). Shares will be sold for 100,000 kyat each and investors who buy at least 250 shares are eligible to sit on its board of directors. MGD currently has 12 shareholders.

MGD was set up to prepare for new foreign direct investment by bringing together small and medium-sized enterprises into a public company, Chairman U Khin Maung Han said at its launch in 2012. He said that MGD would also increase public investment opportunities, boost the economy and increase the number of opportunities for the mining industry to work with foreign companies to improve its capabilities. MGD has been active in trying to build a modern gold trading mechanism for the Myanmar gold market that would service the gold mining sector and help the central government to account for local gold production with a proper export channel.

In 2017, after a long period of overseas market visits and consultation, MGEA advised the government to create a central trading platform. Known as the Myanmar Gold Market Centre (MGMC), the platform aims to improve the quality of gold products and bring pricing in line with international standards.

While the MGEA will restrict trading to local investors initially, it has publicly announced an interest in bringing in foreign investors at a later stage.

Physical gold transactions in Mandalay and Yangon are currently not tightly regulated and are self-regulated by the two respective associations, with no strict standard on locally produced gold. Advancements are set to be made in various areas to raise the level and standards of trade. The intention is to put official trademarks on gold bars, and MGEA is pressing the government to regulate taxes on gold, all of which will aid the development of the initiative of creating a vibrant domestic gold market.

The numerous hurdles to the development of the gold market mostly mirror those faced by the Yangon Stock Exchange, such as raising accounting standards, following international best practices, recruiting experienced technical staff and local traders, as well as recruiting enough market participants, but these are steps in the right direction.

Note: The current infrastructure and supply chain for gold are for domestic trading only as the import and export of gold are currently prohibited under the laws of Myanmar.

Wholesale market specification

Trading hours 11:00 – 16:30

Minimum trade unit: 1 bar = 10 Kattha (Ticals) = 163.293 g

Normal trade size: 1 to 5 bars

Volume of a day trade is about 1 tonne.

US\$1 = 1,186 kyat (22 July 2016)

International 1 oz = US\$1,327

Myanmar 1 oz = US\$1,322

Economic Data (2014)

Population: 51 million

GDP: 8.5%

GDP/P: US\$1,228

CPI: 5.9%

Exports: US\$11 billion

Imports: US\$16 billion

Foreign reserves: US\$5 billion

Source: FOCUSECONOMICS

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