Myanmar COVID–19 Monitoring

BRIEF №9

24 November 2020

MYANMAR COVID-19 MONITORING draws from a monthly survey of households and enterprises undertaken by the World Bank Poverty and Equity and Macro, Trade and Investment Global Practices with support from Myanmar Central Statistical Organization (CSO) to provide regular updates on households' living conditions and enterprises' activities. It also includes a community assessment led by the Social Development Global Practice. Myanmar COVID-19 Monitoring was generously supported through the Trust Fund for Statistical Capacity Building (TFSCBIII) by the United Kingdom's Foreign Commonwealth and Development Office, the Government of Korea, and the Department of Foreign Affairs and Trade of Ireland. Additional support was provided by the governments of Australia, Denmark, Finland, and Sweden.

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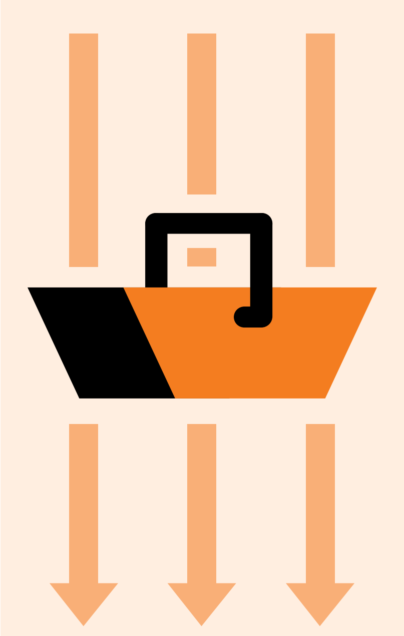
The Firm–Level Impacts *of the* COVID–19 Pandemic

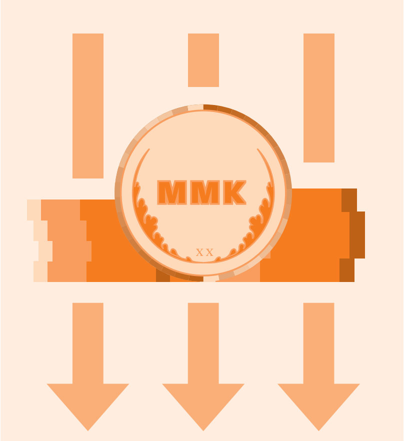
ROUND 5 RESULTS 13 — 28 OCTOBER 2020

The impacts of the second-wave of stay-at-home measures are deeper and larger than the first-wave

Close to half of all firms in Yangon were temporarily closed in October and there was a small increase in temporary closures nation-wide driven by small sized firms and those in the manufacturing sector



Almost all firms now report a reduction in sales as the number one concern



Around one-third of firms have reduced their investments during COVID-19, with service sector worst affected

Since the second wave, fewer firms expect to recover with just over half expecting to recover from the pandemic

NOTE → The latest survey, the fifth in a series of eight surveys planned, was administered between October 13 2020 and October 28 2020 and covered a nationally representative sample of 500 firms. The figures below show the results of Round 1 (which was during the initial round of stay-at-home measures in May), Round 4 (September) and Round 5 (October). We have not shown Round 2 and Round 3 for visual reasons in the figures.

A Operating status

The economic impact of the second wave of the COVID-19 pandemic remains significantly more severe on businesses than the first, according to the World Bank's firm-level survey. As government stay-at-home orders persist, the overall share of temporary closures among firms has slightly increased in October. Manufacturing firms were the firms to report an increase in their closures in October, from 12 to 19 percent (Figure 2). The share of temporary closures declined for retail and wholesale (by 2 percentage points) and services (by 7 percentage points). Medium and Large firms continue to have the higher rates of temporary closures as they are more closely regulated by authorities to observe stay-at-home orders. Large firms saw fewer closures in October (12 percentage point improvement), but around 1 in 3 remain temporary closed. Small firms were the firms to experience a rise in temporary closures since September (6 percentage points).

Different regional mandates have yielded varying degrees of temporary closures across Myanmar with almost half of all firms in Yangon temporarily closed, double the national average. Yangon continues to see the highest proportion of temporary closures at 42 percent, but the share of firms reporting closures in Mandalay more than doubled between September and October (from 11 to 24 percent). These results reflect a stay-at-home order introduced in certain townships of Mandalay in October. Temporary Closures in Hilly Zone and Chin and Dry Zone reported the lowest shares of closures in Myanmar (8 percent and 6 percent of firms, respectively) and temporary closures in both regions improved in October (Figure 2).

FIGURE 1 THE IMPACTS OF THE SECOND WAVE ARE LARGER THAN THE FIRST WAVE BUT MORE FIRMS ARE APPLYING FOR GOVERNMENT SUPPORT

Share of firms reporting temporary closures, reduction in sales, expecting not to recover, applying for government support and stating they are unprepared for the second-wave

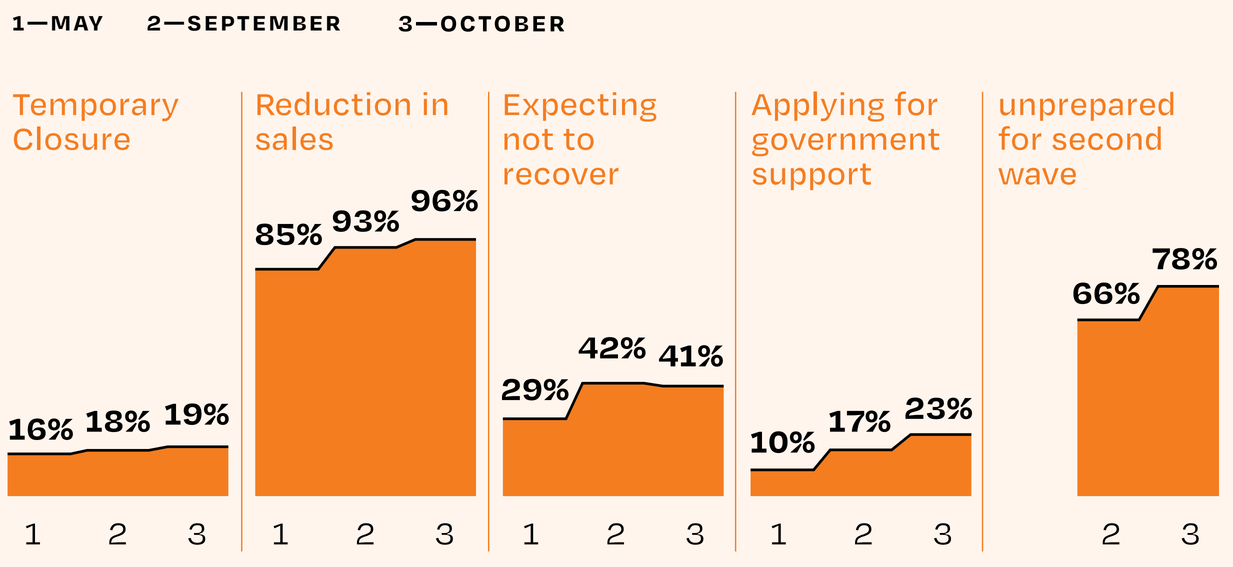
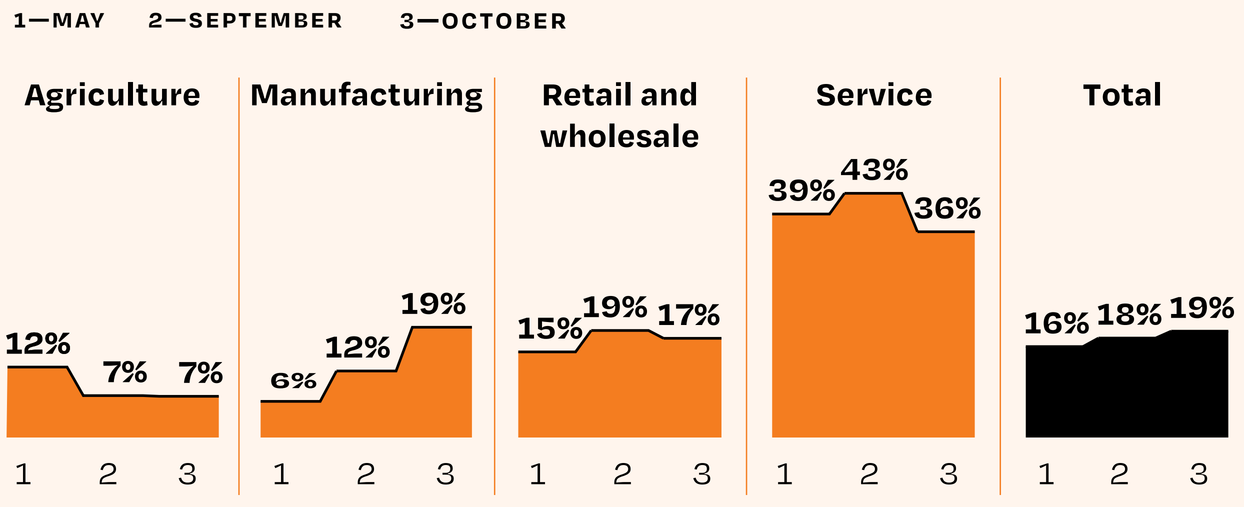


FIGURE 2 FIRMS SAW A SLIGHT INCREASE IN TEMPORARY CLOSURES IN OCTOBER – DRIVEN BY MANUFACTURING

Share of firms reporting temporary closures – by sector



B Business Performance

Firms reported fewer negative impacts from COVID-19 in October, but the vast majority of firms remain adversely affected by the pandemic. The majority of firms (87 percent) reported negative impacts of COVID-19 in October, a share that declined 6 percentage points since September. At 97 percent, nearly all firms in Mandalay reported negative impacts of COVID-19 in October. This is the highest share reported of any region in that period, followed closely by Yangon (93 percent). The least impacted firms were those in Hilly Zone and yet, even here, more than three in four firms reported negative impacts.

Reduction in sales remains the top concern for nearly all firms. In October , the survey saw reduction in sales as a concern for 96 percent of firms at a rate 11-percentage points higher than in May (Figure 4). The greater share of firms reporting reductions in sales in October than May reflects the harsher impact of the second wave (Figure 3).

Firms are now less concerned with cash flow shortages and more concerned with disruptions in supply of inputs. Consistently, since May, the second greatest concern for firms has related to experiencing cash flow shortages. However, this concern shifted to disruptions of supply of inputs or raw materials by October with 29 percent of firms (nearly a 10 percentage point increase since September) reporting supply disruptions as a concern. The third most common issue in October was difficulty making repayments on loans (27 percent), followed by a quarter of firms reporting cash flow shortages and reduction in access to credit (Figure 5). With regards to gender differences, cash flow shortages continue to be worse for fully female-owned firms. There was also a deterioration in access to credit in October for fully-female owned firms while there has been little variation for fully-male owned firms since May (Figure 6).

Almost half of service sector firms reported a decline in total investments in September, compared to the same month last year. In September, 42 percent of service firms reported a decline in total investments compared to the same month last year, higher than the nation-wide average of 28 percent. Agricultural firm investments remain the least affected with only 14 percent reporting a decline in September, a large improvement since July (23 percentage point decline from 37 percent) (Figure 7). Future sales expectations in the next 3 months also remain negative with the average sales decline expected to be 26 percent lower than the same period a year ago, slighlty better than was expected last month. Firms in the service sector expect the decline to be 41 percent on average, while those in retail and wholesale expect a 21 percent decline.

FIGURE 3 ALMOST HALF OF ALL FIRMS IN YANGON ARE TEMPORARILY CLOSED, DOUBLE THE NATIONAL AVERAGE

Share of firms reporting temporary closures – by region

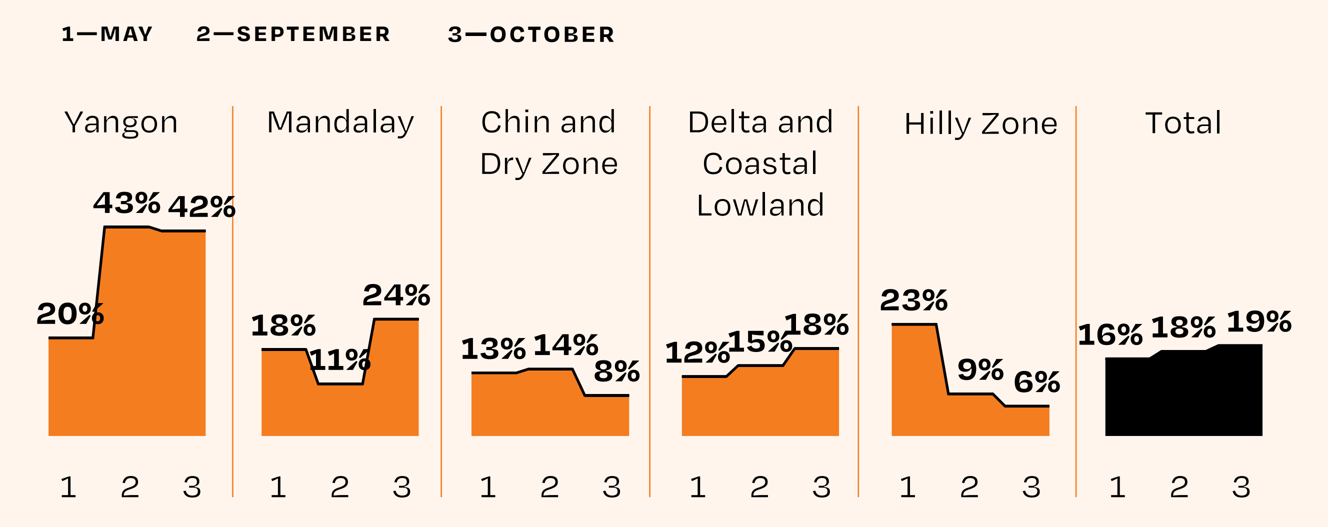


FIGURE 4 SINCE THE ONSET OF COVID-19, REDUCTION IN SALES REMAINS THE TOP REPORTED IMPACT BY FIRMS

Operational impact of COVID-19 on firm – by total

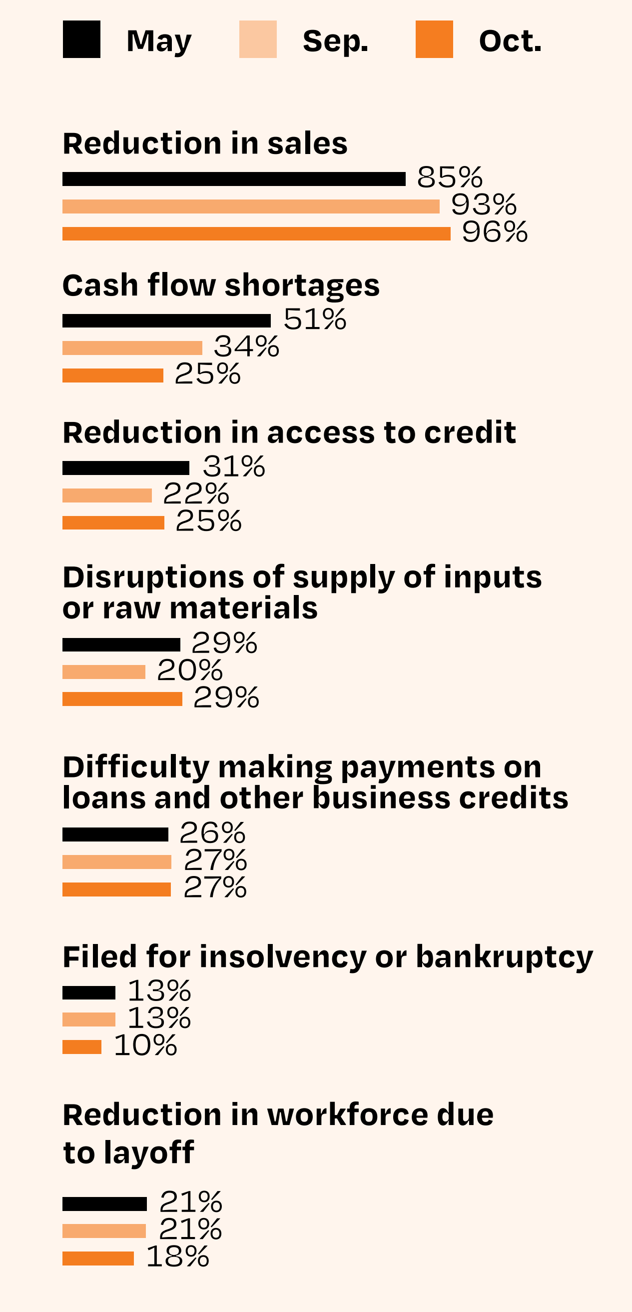


FIGURE 5 MORE FIRMS REPORTED REDUCTION IN SALES DURING THE SECOND WAVE

Share of firms reporting reduction in sales – by sector

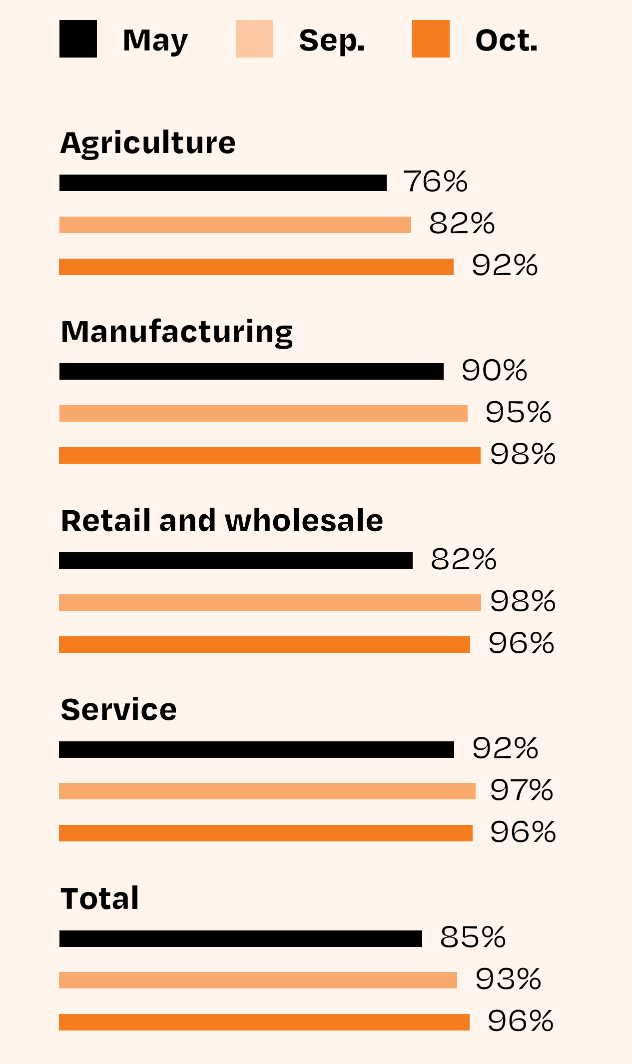


FIGURE 6 CASH-FLOW SHORTAGE IS A GREATER OPERATIONAL IMPACT FOR FEMALE-OWNED FIRMS

Operational Impact of COVID-19 on firms – by gender ownership

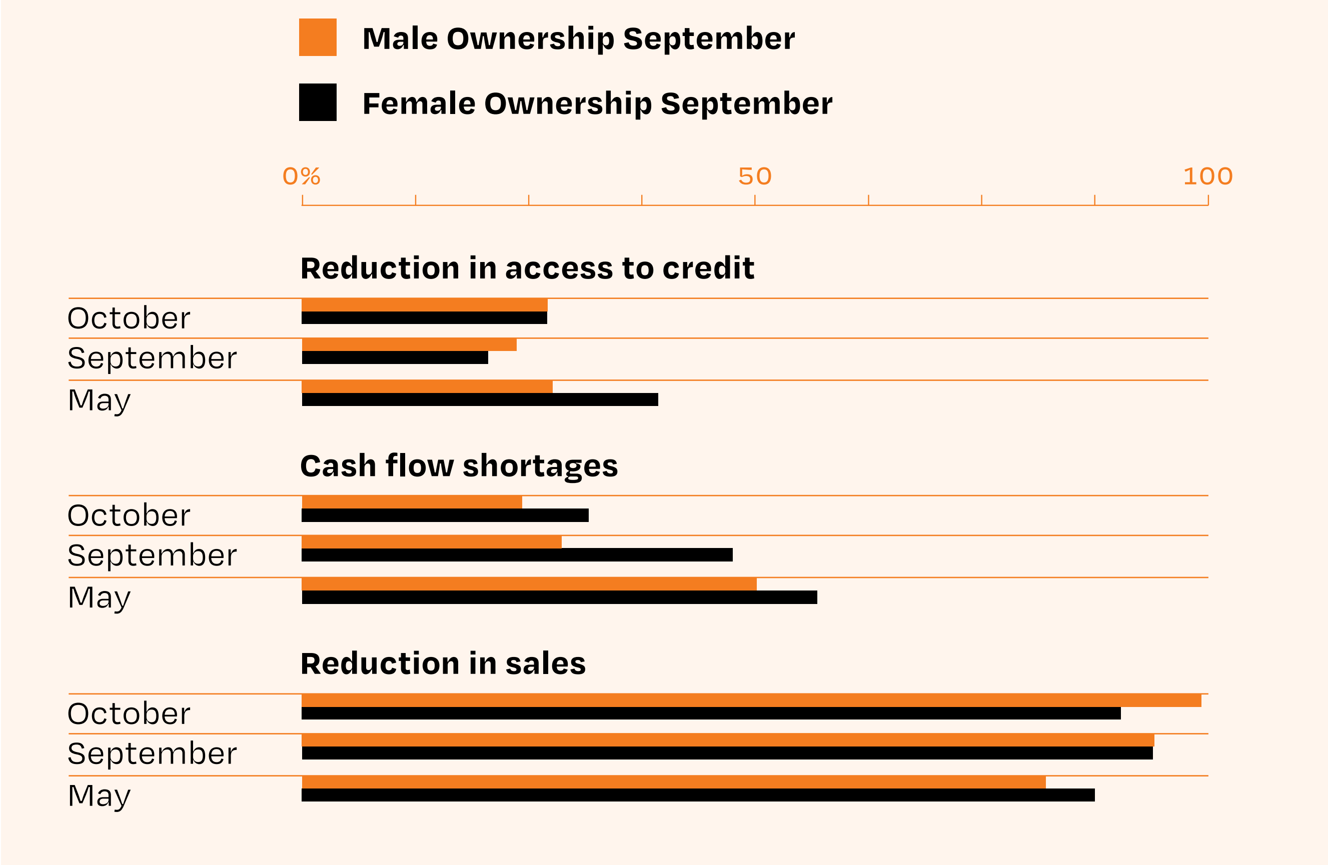
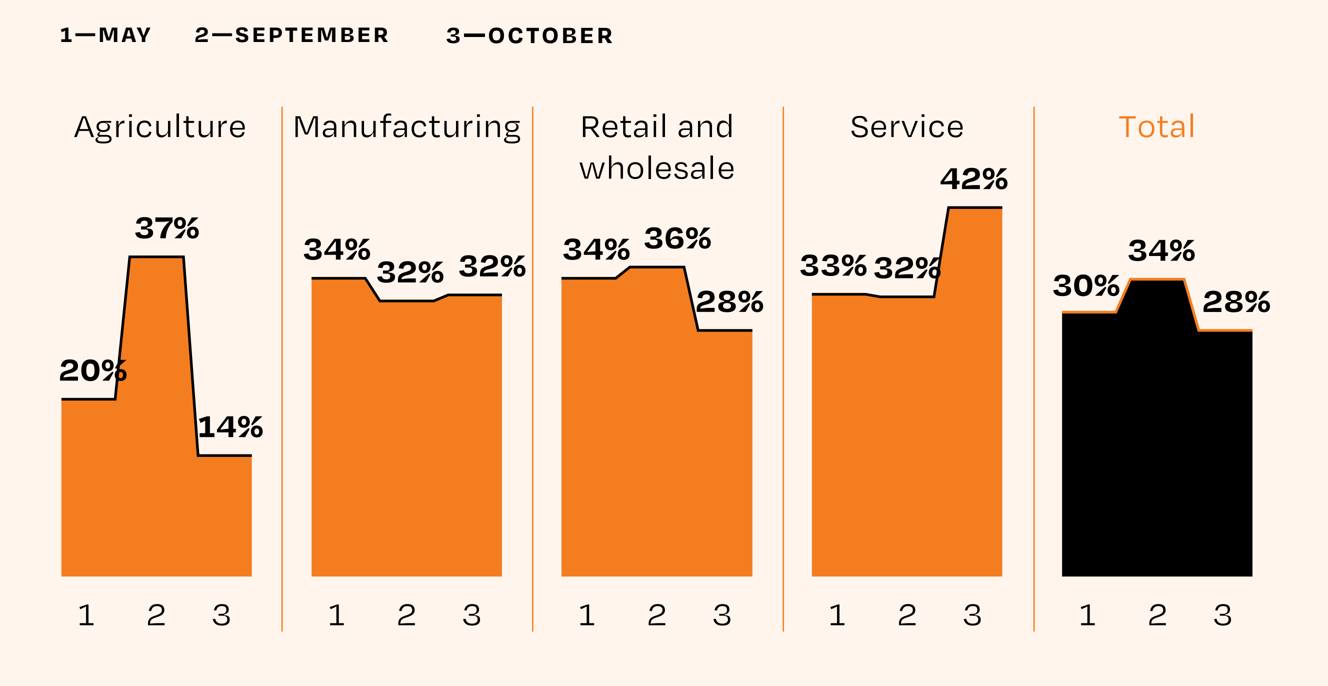


FIGURE 7 ALMOST HALF OF SERVICE SECTOR FIRMS REPORTED A DECLINE IN TOTAL INVESTMENTS IN SEPTEMBER, COMPARED TO THE SAME MONTH LAST YEAR

Share of firms reporting declines in investments– by sector



C Business Expectations

More than half of firms in agriculture expect to fall into arrears over the next three months. By October, 35 percent of firms expected to fall in arrears in any of their outstanding liabilities in the next 3 months. The number of agricultural firms reporting anticipating falling into arrears increased (from 50 to 58 percent of firms), with more than half of firms now anticipating arrears (Figure 8). Other sectors saw an improvement in the share of firms anticipating arrears. Relative to September, a greater share of large firms anticipated falling into arrears – from 22 to 48 percent – at proportions comparable to those observed in the first-wave.

Expectations of a recovery among firms remain below levels seen during the first-wave in May. In October, about half of firms in manufacturing and service sector did not expect to recover but there was an improvement in agriculture with a decrease in the number of firms that do not expect to recover from the impacts of COVID-19 (Figure 9). Relative to the first wave, the latest survey results suggest that firms remain less optimistic of recovery during the second wave (the share of expectant firms not expecting for recovery was 29 percent in May – compared to 41 percent in October).

FIGURE 8 MORE THAN HALF OF AGRICULTURAL FIRMS ANTICIPATE FALLING INTO ARREARS IN NEXT 3 MONTHS

Firms expecting to fall into arrears in next 3 months– by sector

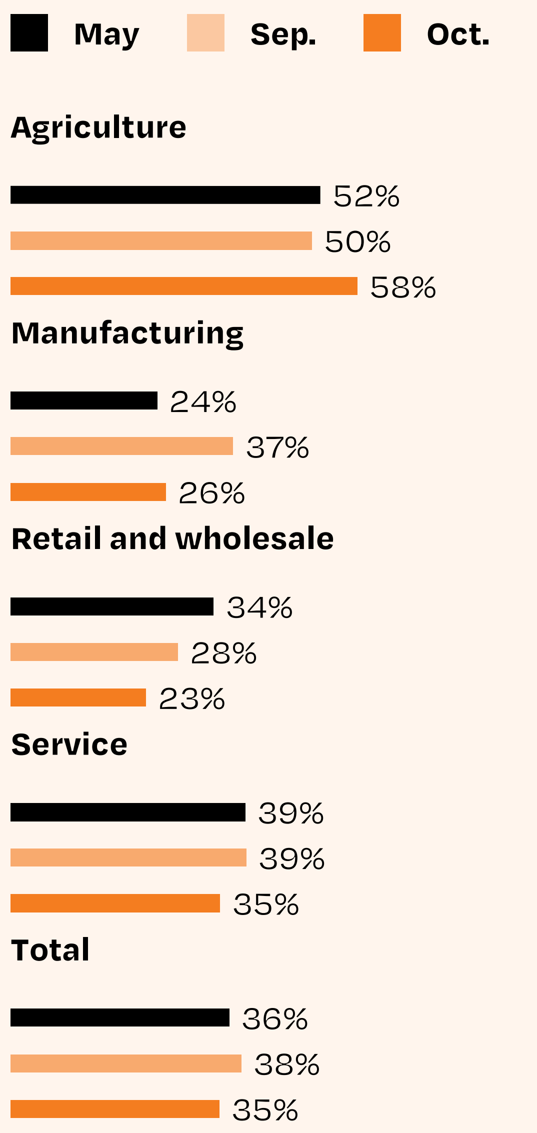
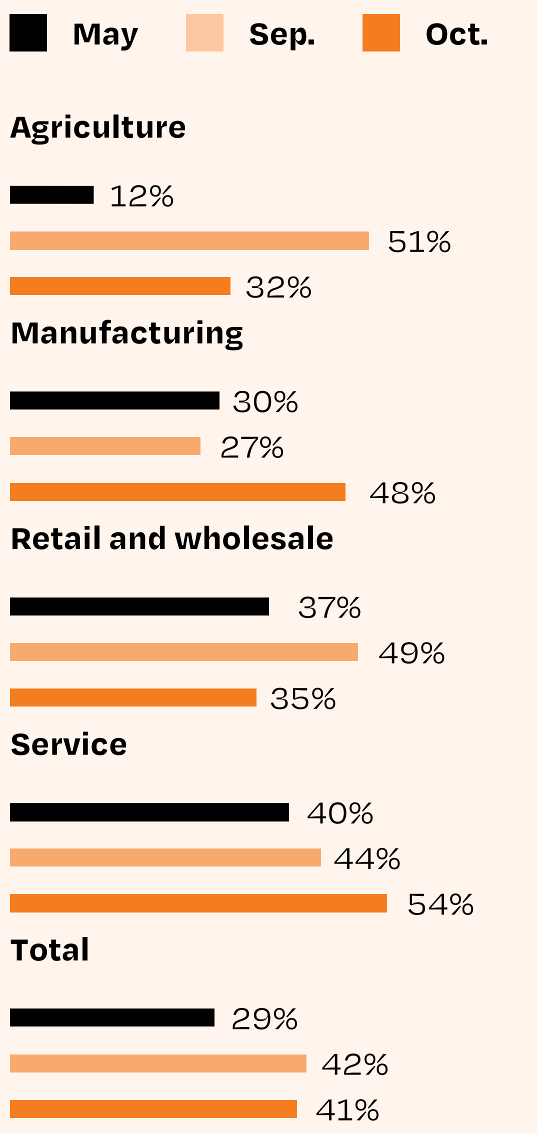


FIGURE 9 FEWER MANUFACTURING AND SERVICES FIRMS EXPECT TO RECOVER FROM THE PANDEMIC

Share of firms expecting business recovery from pandemic – by sector



D Policy & Adaption

About half of firms reported access to loans/ credit guarantees as the most needed government support. While access to loans/ credit guarantees was also the number one priority for firms in September, the proportion then was 45 percent of firms. This share had increased by 8 percentage points to 53 percent of firms in October. Tax deferral, deduction or relief was the second most requested policy priority for firms in October with 11 percent of firms.

More firms applied for government support in October. At 23 percent, the share of firms was 6 percentage points more than the 17 percent of businesses applying for support in September. Almost half of firms in agriculture have applied for government support (Figure 10). In asking why firms were not applying for government support, the latest survey revealed that the top reason was due to firms not knowing how to apply (21 percent of firms), followed by the fact that they did not qualify for the support (9 percent of firms), did not understand the application form (9 percent) and did not have formal documents to apply (9 percent of firms) (Figure 11).

A large digital divide continues in the adoption of online/digital platforms between sectors, firm sizes and regions. Agricultural firms reported the lowest share of digital adoption (10 percent in October) while 34 percent of firms in the services sector adopted

FIGURE 10 MORE FIRMS APPLIED FOR GOVERNMENT SUPPORT

Share of firms applying for government support – by sector

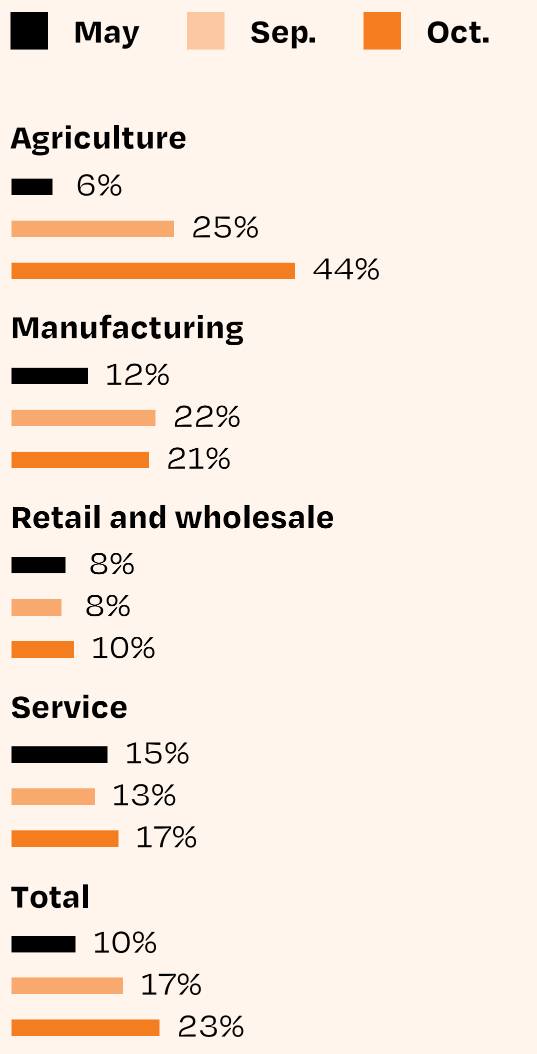
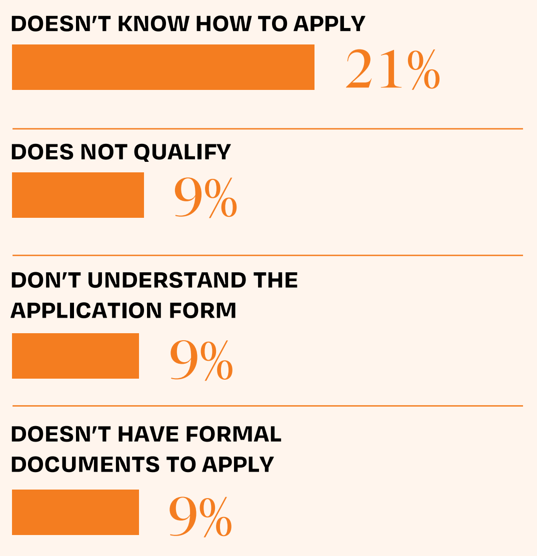


FIGURE 11 NOT KNOWING HOW TO APPLY WAS THE TOP REASON WHY FIRMS REFRAINED FROM APPLYING

Major reasons for not applying for government support – by share of firms



digital platforms. Large and Medium sized firms are twice as likely than Small and Micro firms to adopt digital platforms. Large differences prevail across regions too, with 42 percent of firms in Yangon adopting digital platforms, more than double the adoption rates in the Hilly Zone and Chin and Dry zone. Access to IT skills remains a challenge with 25 percent of firms in Agriculture reporting a lack of IT capacity and technological skills to combat COVID-19 compared with 13 percent nationally.

FIGURE 12 AGRICULTURE SAW THE LOWEST SHARE OF FIRMS ADOPTING DIGITAL/ONLINE PLATFORMS

Share of firms adopting online/digital platforms – by sector

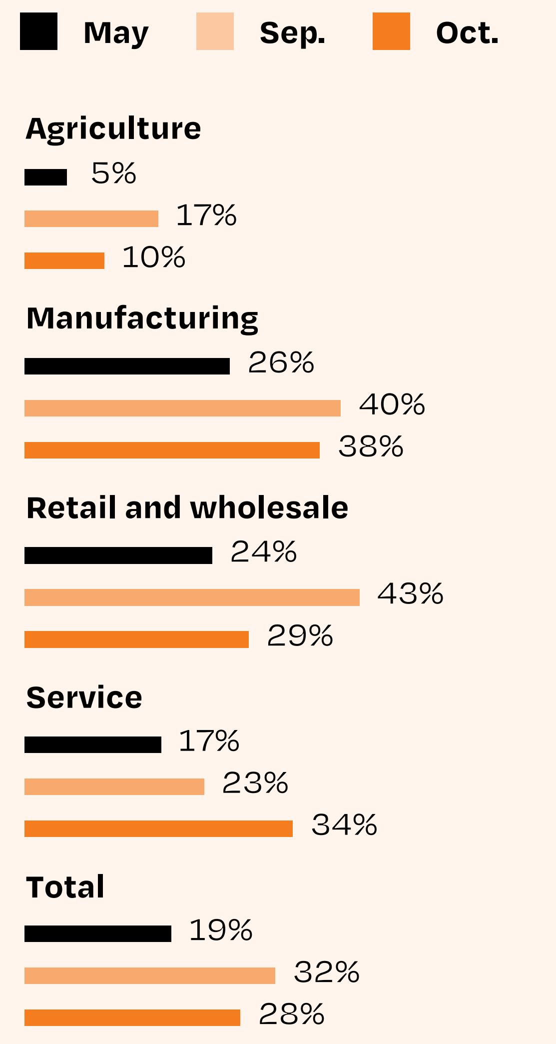
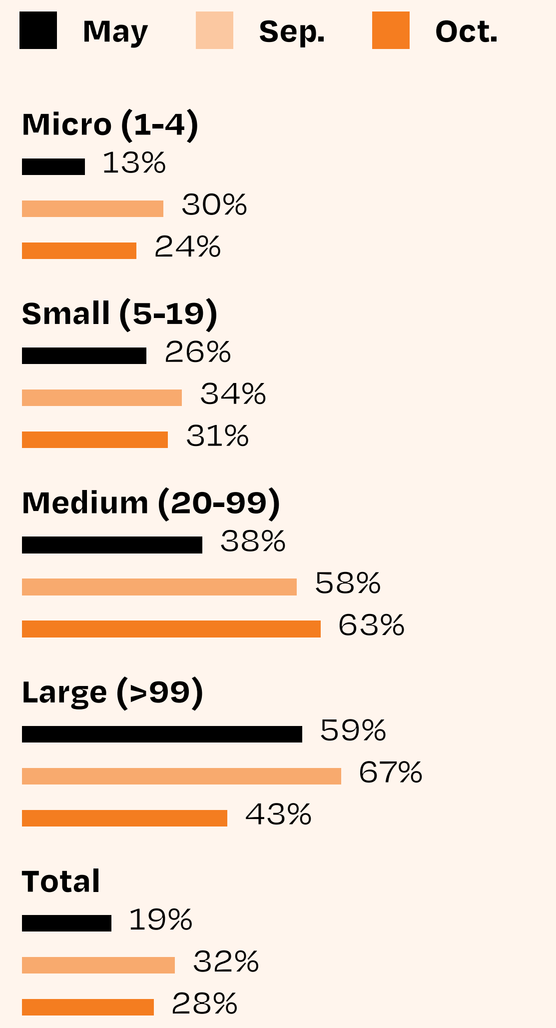


FIGURE 13 FIRMS IN YANGON ARE TWICE AS LIKELY TO USE ONLINE/ DIGITAL PLATFORMS THAN THOSE IN THE HILLY ZONE OR CHIN AND DRY ZONE

Share of firms adopting online/digital platforms – by region



E Second-wave preparedness

Firms remain unprepared as the second wave continued into October. By October, more firms (from 66 to 78 percent) reported they were unprepared for the second wave (Figure 14). The level of unpreparedness worsened for firms of all types, ranging from a 12 (manufacturing) to 14 (agriculture) percentage point increase since September. By firm size, Micro and Small firms continue to hold the highest shares of unpreparedness (at 81 and 76 percent; 12-13 percentage point increases since September, respectively) (Figure 15). Large firms remain the best prepared firms; however, by October, even this group had seen an increase in unpreparedness from 27 to 35 percent (7 percentage point increase) since September.

Source: The World Bank's COVID-19 firm survey

FIGURE 14 ACROSS ALL SECTORS, MOST FIRMS WERE UNPREPARED FOR THE SECOND WAVE

Share of firms reporting being unprepared for second wave of COVID-19 – by sector

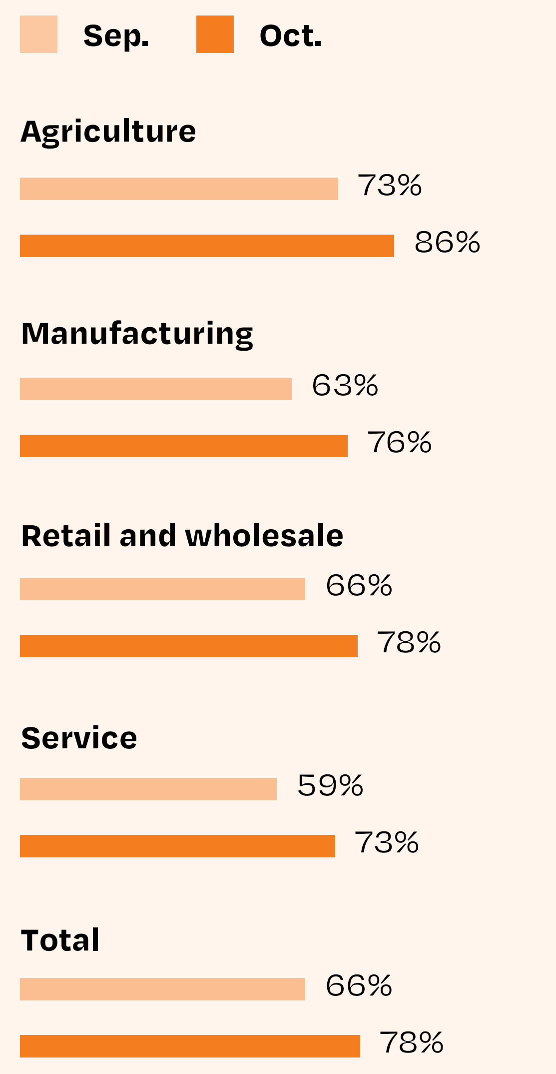


FIGURE 15 LARGE FIRMS REPORTED THE LOWEST SHARE OF UNPREPAREDNESS

Share of firms reporting being unprepared for second wave of COVID-19 – by size