Myanmar COVID-19 Monitoring

BRIEF
№3

2 September 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 Impact of the COVID–19 Pandemic

Summary of Results from Round 2

25 JUNE — 17 JULY 2020

The World Bank commissioned a firm-level survey to provide quantitative evidence of the impact of the COVID-19 pandemic. Two rounds of data have now been collected for the months of March and May using a nationally representative[1] World Bank survey providing information on the impact of the COVID-19 pandemic. The survey includes 500 firms[2] spanning a wide range of industries and firm sizes, as well as the formal and informal sector. This note provides a snapshot of how the firms' outcomes and response to the pandemic have changed between the months of March and May.[3]

Firms gradually returned to normal operation in May. Only an average of 6 percent of firms were temporarily closed in March, a 10-percentage point improvement as compared to March. Firms in the service sector were the most significantly affected by COVID-19 (Figure 1), and while those firms are showing signs of incremental recovery to a greater degree to other sectors, 11 percent of service-sector firms still remain closed. Firms estimated that it would take them an average of 8 weeks to resume operations. For retail and wholesale firms however, this number is five times higher than it was in March, at 15 weeks. Firms in the hilly zone[4] recovered the most with only 1 percent remaining temporarily closed, a 22-percentage point improvement as compared to March. Although substantially fewer than in March, 7 percent of firms in the delta and coastal lowland, Chin and dry zone and Yangon remain closed.

Female-owned firms are more likely to report negative effects from COVID-19. The negative impact of COVID-19 in terms of reduced access to credit, cash flow shortages, reduction in sales and temporary closure has, on average, affected women entrepeneurs more harshly than male owners (Figure 4). Reduction in access to credit is the key differentiator between women and male business owners, where women fare significantly worse than their male counterparts.

COVID-19 caused both sales and profit decline for the majority of firms since the onset in March. Between the months of March and May the share of firms reporting a profit loss compared to the same period last year increased by 13 percentage points to 80 percent (Figure 5). In March, medium sized firms were the hardest hit, but in May, a larger share of micro and small firms reported profit losses (Figure 6).

Among firms expriencing cash flow shortages, loans from friends and family was the principal mechanism to mitigate business capital risk during both months. Firms in the agricul-

Figure 1 Share of firms reporting temporary closures – by sector

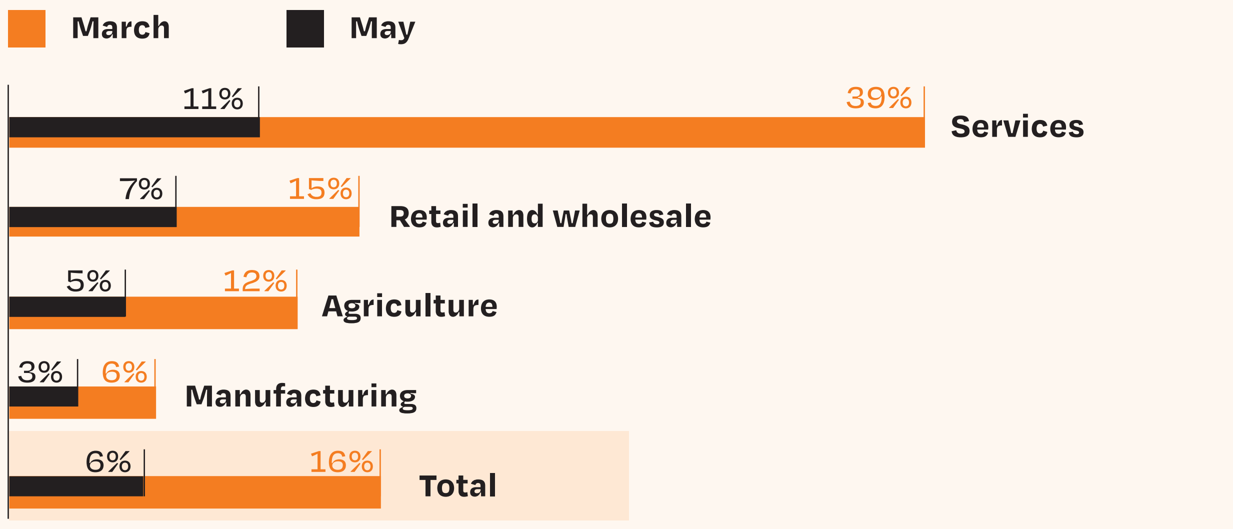
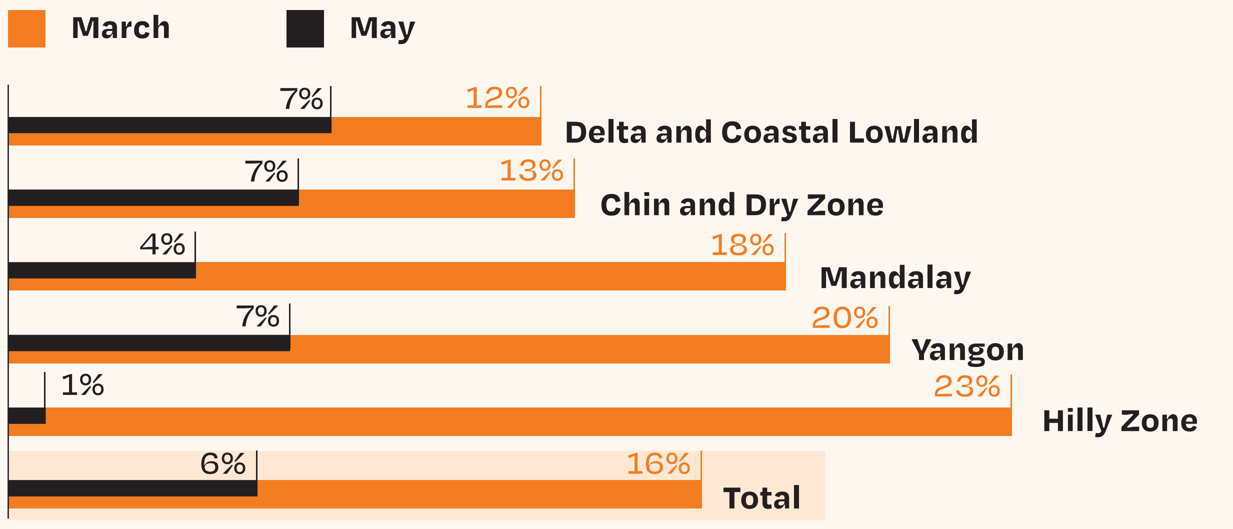
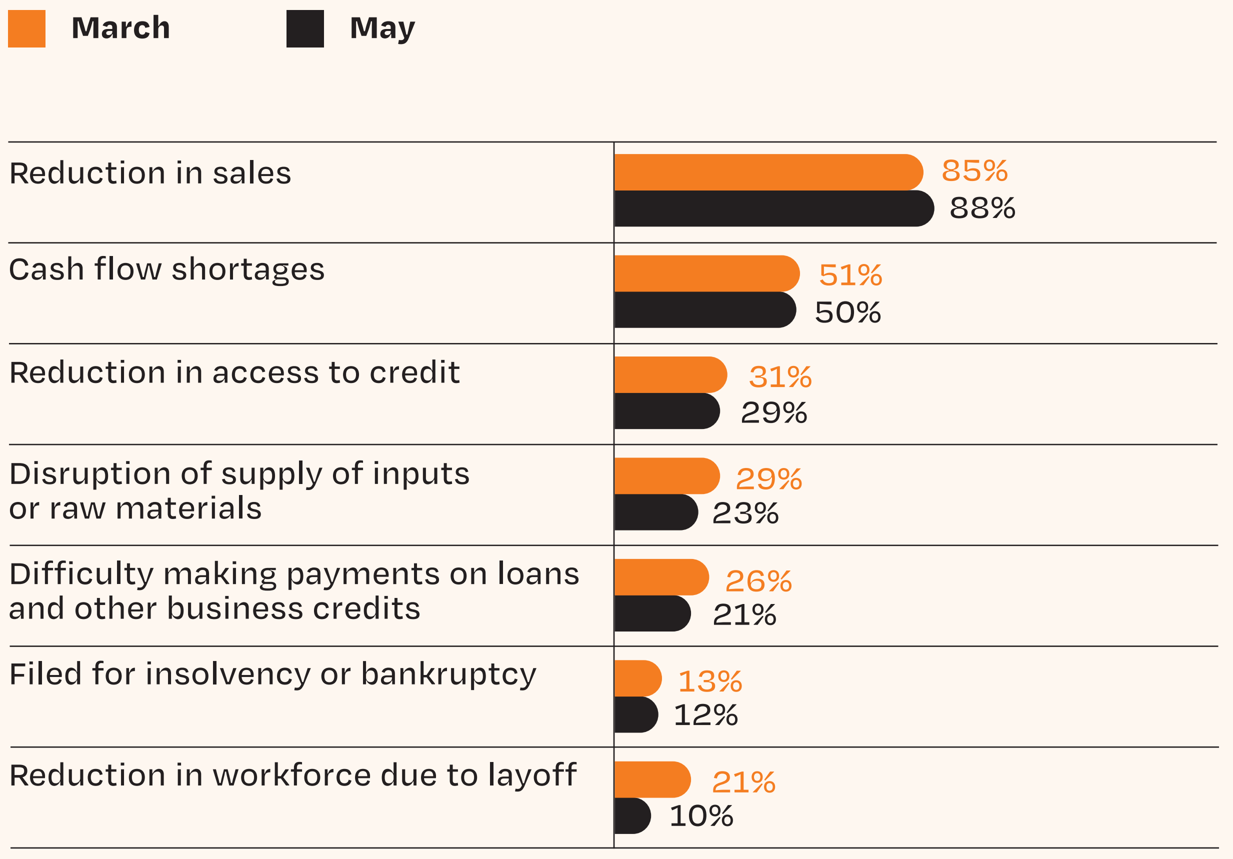


Figure 2 Share of firms reporting temporary closures – by geographical zone



The overall negative impact of COVID-19 remains significant and unchanged across the two months. The large majority of firms, 88 percent (Figure 3), report experiencing a reduction in sales due to the pandemic. Following sales reduction, cash flow shortages and reduction in access to credit were the next most commonly reported impacts. The shares of firms reporting these shortcomings have slightly improved from one round to the next, but they still affect over 50 percent of firms for reduction in sales and cash flow shortages. Only 10 percent of firms in May reported laying off employees, less than half the firms reporting the same in March.

Figure 3 Impact of COVID-19 on firms



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

1 The survey was nationally representative and included firms from a wide range of sectors. Whereas firm-level surveys in Myanmar tend to focus on the manufacturing, retail/wholesale, and service sectors, the World Bank survey provided a more accurate cross-section of Myanmar's firms that encompassed the agricultural sector, small and medium enterprises (SMEs), and informal firms.
2 The second round of data includes 353 of the same firms that were surveyed in round 1, the remaining firms have been substituted due to attrition reasons.
3 Firms were not surveyed in April as firms do not operate in full capacity in that month due to Thingyan holidays.
4 States and regions are grouped into zones based on their economic and geographic characteristics. Two of the five zones are single regions - Yangon and Mandalay. The Hilly Zone includes the states of Kachin, Kayah, and Shan. The Delta and Coastal Lowland Zone includes Ayeyarwaddy region, Rakhine state, Mon state, Bago region, Tanintharyi region, and Kayin state. Chin and the Dry Zone includes Chin state, Sagaing region, Magwe region, and Nay Pyi Taw.

ture sector took out the most loans (Figure 7) to deal with cash flow shortages, preferring family and friends over banks and non-banking institutions in the month of May. Only firms in the service sector resorted to non-banking institutions for loans more readily than family and friends. Overall, the use of loans from commercial banks from firms decreased between the month of March and May in each sector, while the use of non-banking institutions and family and friends as loan sources, increased between the two months.

May saw an increase in firms adopting adjustment measures to respond to operational and financial impacts of COVID-19. Starting or increasing delivery services was the most common adjustment mechanism adopted by firms in response to COVID-19 – with 38 percent firms adopting this measure (Figure 8). Although the majority of firms continued their conventional production or services delivery model, over one-third of firms changed their production or service delivery to adapt to COVID-19 in May, a 6-percentage point increase with respect to March. The adoption of digital platforms or online systems to perform business functions and the use of remote working arrangements remain the least utilized adjustment mechanisms. Only 21 percent of firms were using digital platforms during the last month, and even fewer (5 percent) had remote working arrangements, a further reduction compared to March. Agricultural and micro-sized firms remain by far the least likely to report adopting new mechanisms to cope with pandemic impacts. Overall there has also been an increase in the measures adopted to ensure customer and employee safety, with firms providing and mandating the use of sanitizing products and masks being the two most commonly adopted mechanisms.

More than half of the firms were aware of economic support programs offered by local and national governments, but only 17 percent of firms applied for them, a 7 percentage-point increase compred to March. Access to loans and credit gurantees (51 pecent) was highlighted by firms to be the most urgently needed form of government support, followed by tax deferrals or tax relief (12 percent), and utility subisidies (9 percent).

While in March fewer small and micro firms reported being negatively impacted by COVID-19, in May smaller sized firms were significantly worse off than large firms. Only 3 percent of large firms in May reported a risk in falling in arrears over the following three months, compared to 40 and 35 percent of medium and micro firms, respectively (Figure 9). Over one-third of small firms have experienced a reduction in access to credit, compared to only 1 percent of large firms experiencing this setback in May. However, on average and regardless of size, the vast majority of firms surveyed expressed confidence to remain operational for the next month. Firms in the agriculture sector have been affected the most dramatically by the pandemic, as more firms in this sector reported overall operational and financial difficulties than other sectors. While in May, an average of one-third of the firms reported falling in arrears over the next three months (Figure 10), this figure was over 50 percent for agriculture firms. In addition, 39 percent of agriculture firms have experienced a reduction in access to credit, while the share of firms in other sectors that has experienced a similar reduction in access remains below 30 percent.

Figure 4 Impact on firms by owner's gender – May

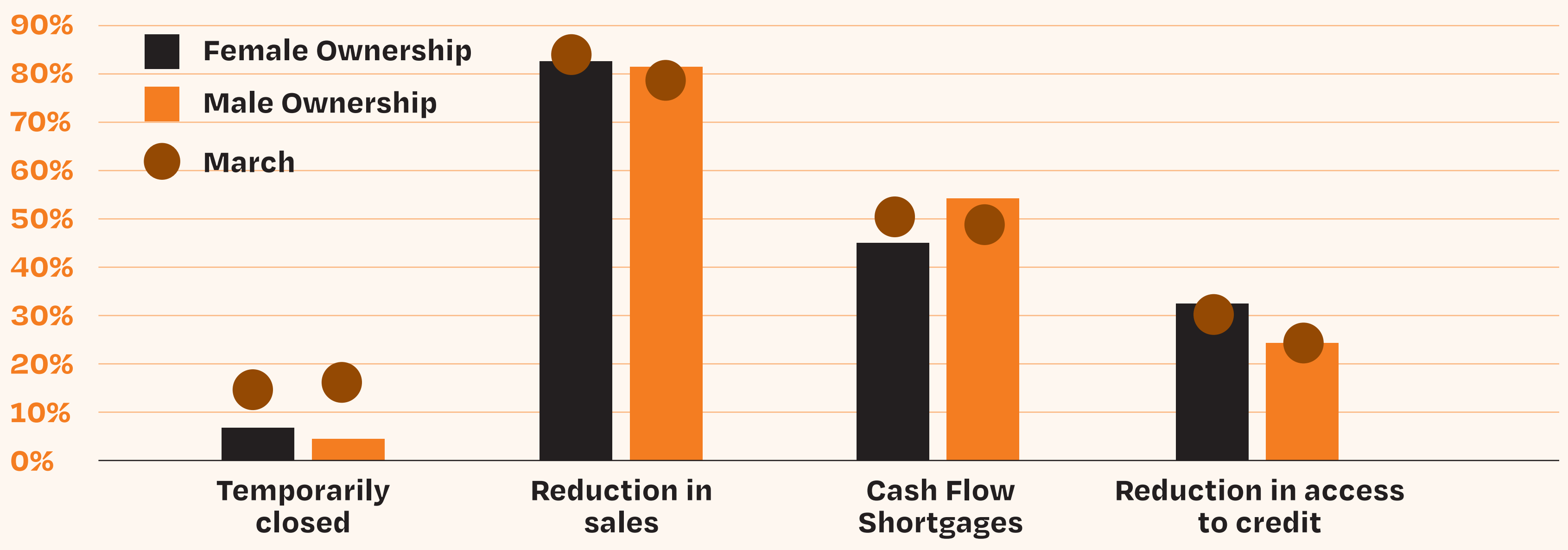


Figure 5 Share of firms reporting a decrease in profits – by sector

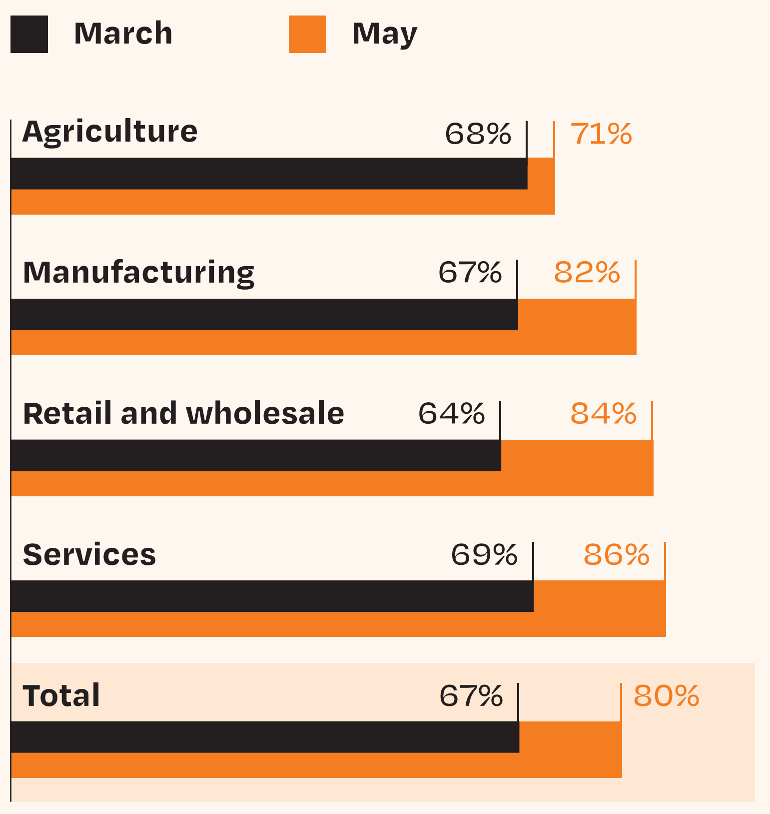


Figure 6 Share of firms reporting a decrease in profits – by firm size

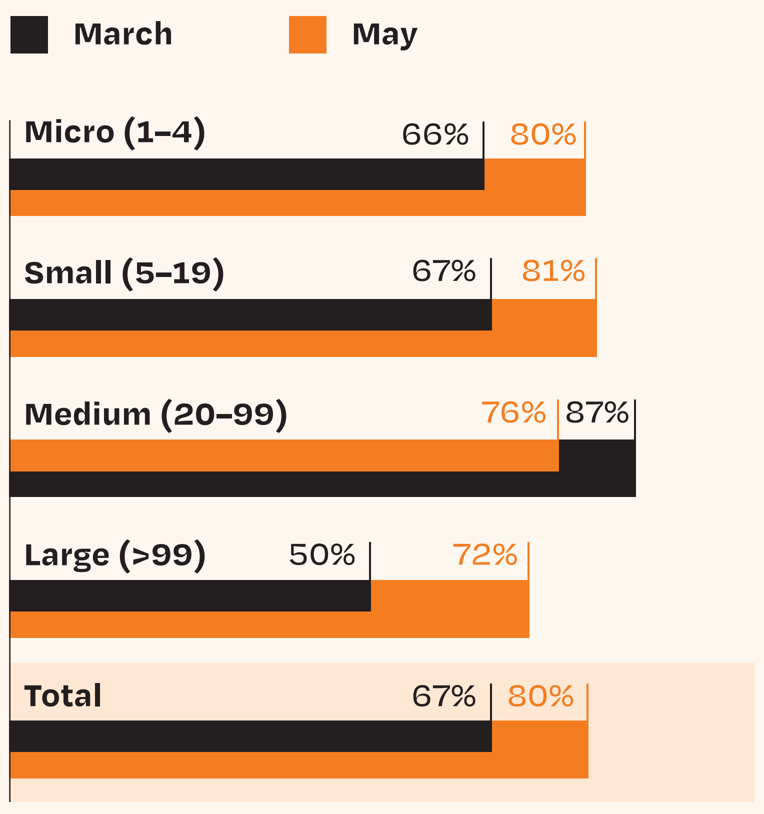


Figure 7 Loans from friends and family was the main mechanism for dealing with cash flow shortage

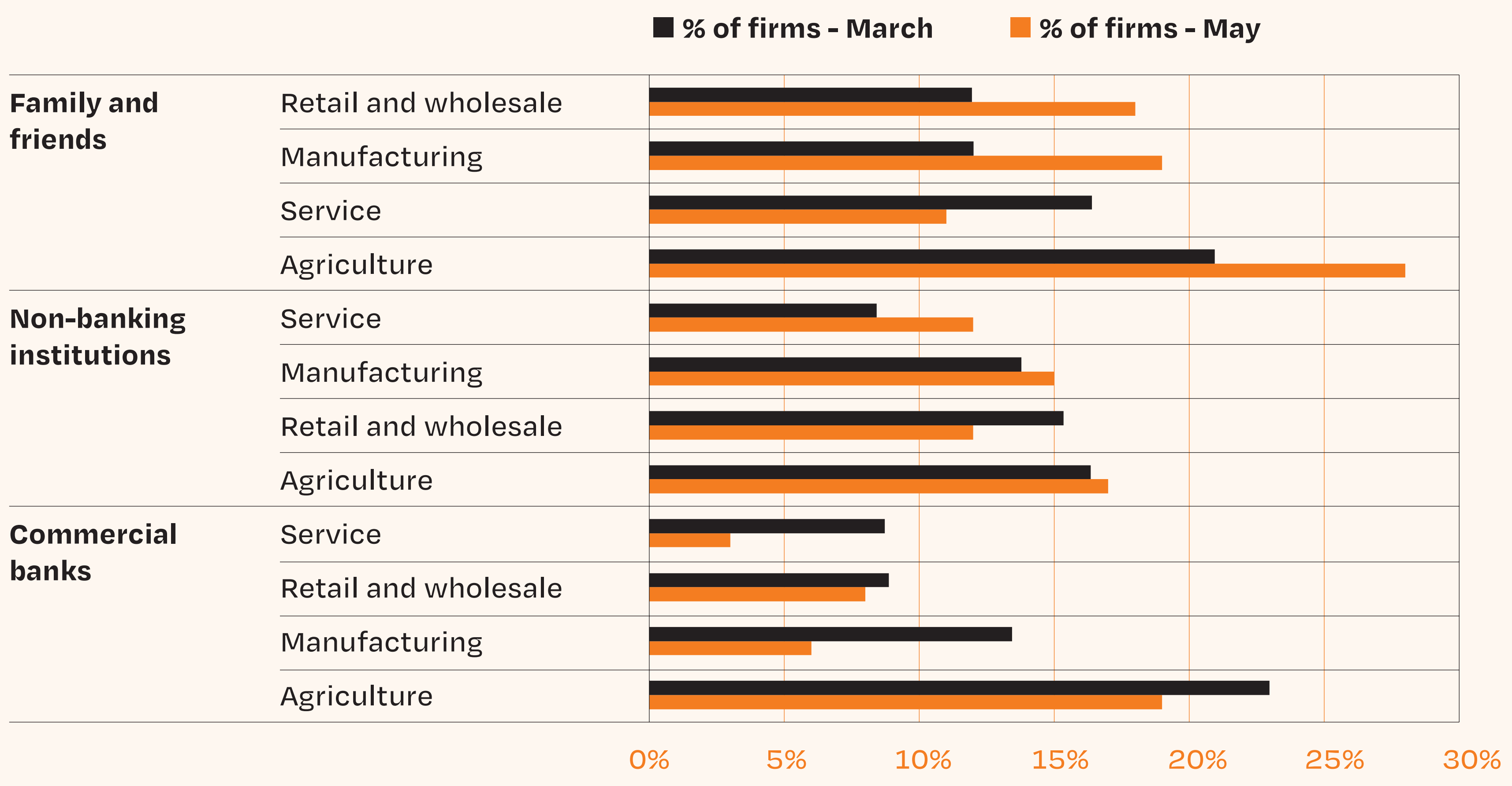


Figure 8 Share of firms reporting major adjustment mechanisms

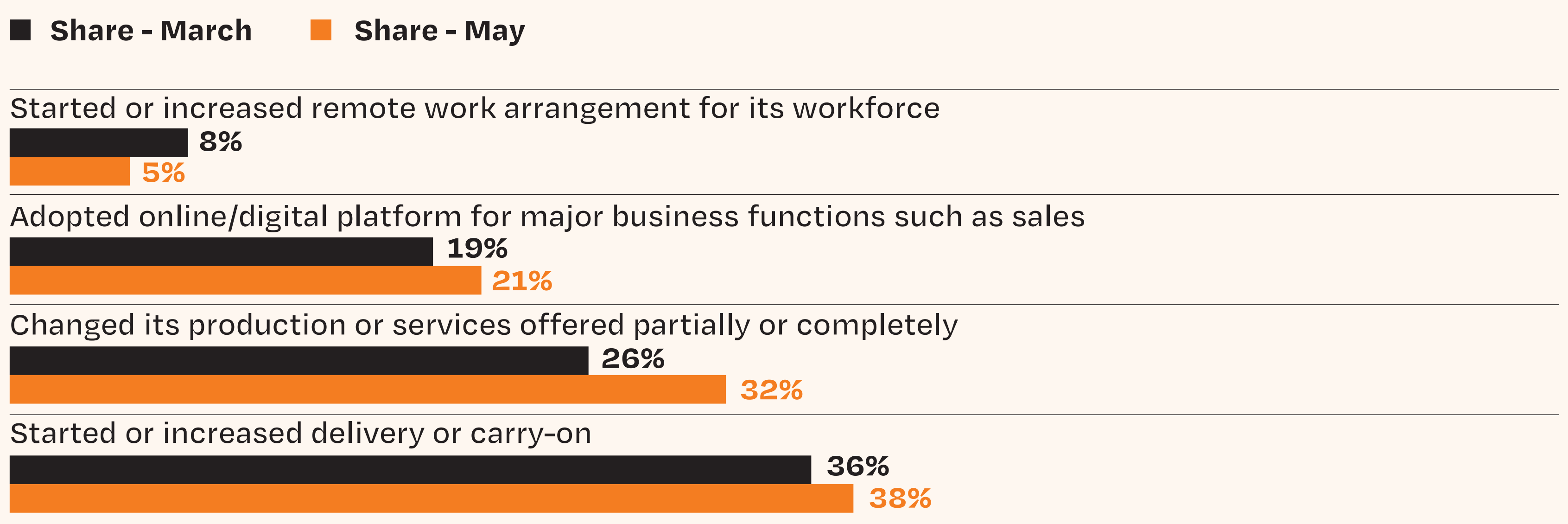


Figure 9 COVID-19 impact - by firm size (May 2020)

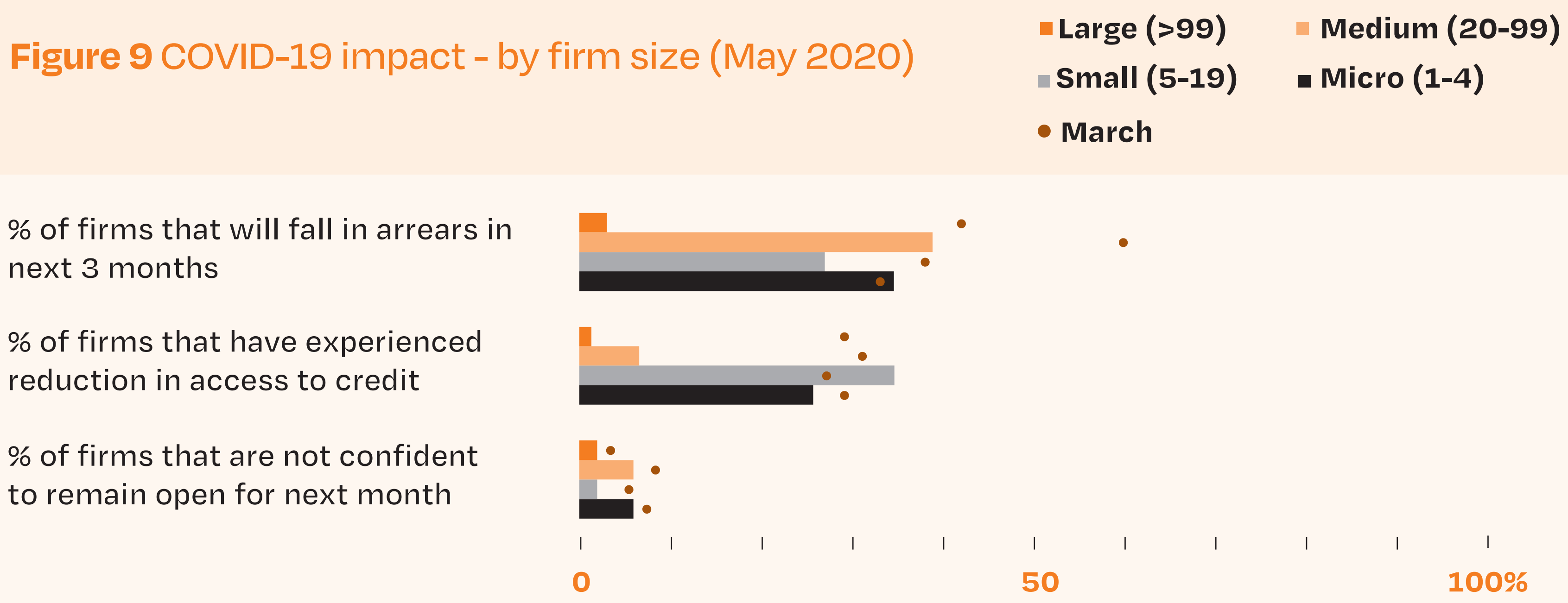
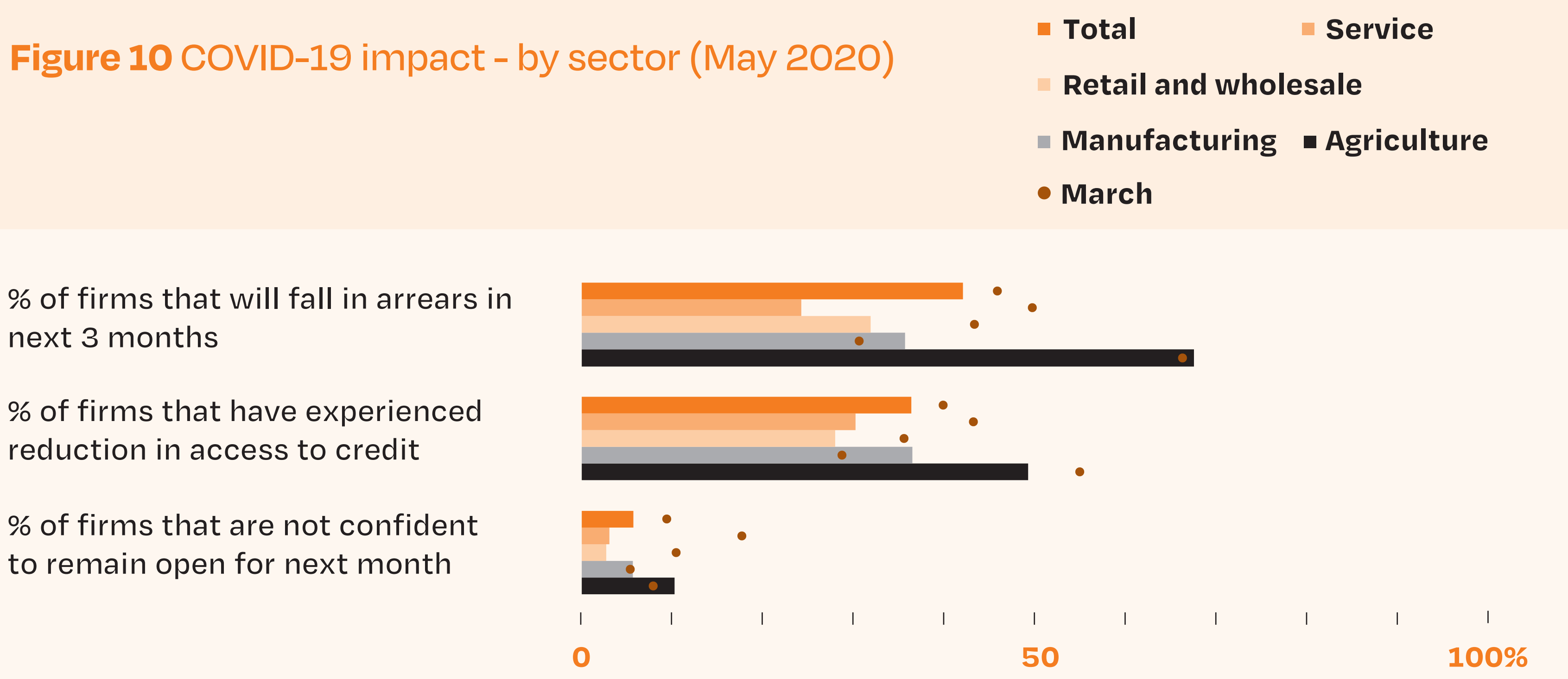


Figure 10 COVID-19 impact - by sector (May 2020)



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