Myanmar COVID–19 Monitoring

BRIEF №13

01 OCTOBER 2021

MYANMAR COVID-19 MONITORING OF FIRMS draws from a monthly survey of enterprises undertaken by the World Bank Macro, Trade and Investment Global Practice to provide regular updates on enterprises' activities. 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

EMAIL → MYANMAR@WORLDBANK.ORG

THE WORLD BANK
IBRD • IDA

Results *from* Myanmar COVID-19 Monitoring Platform

ROUND 8 RESULTS

High-level Findings

93%
of firms reported negative impacts from the third wave of COVID-19, which has caused further disruptions to the business environment

70%
Sales compared to January 2021 are down for four out of five firms, by an average of 70 percent

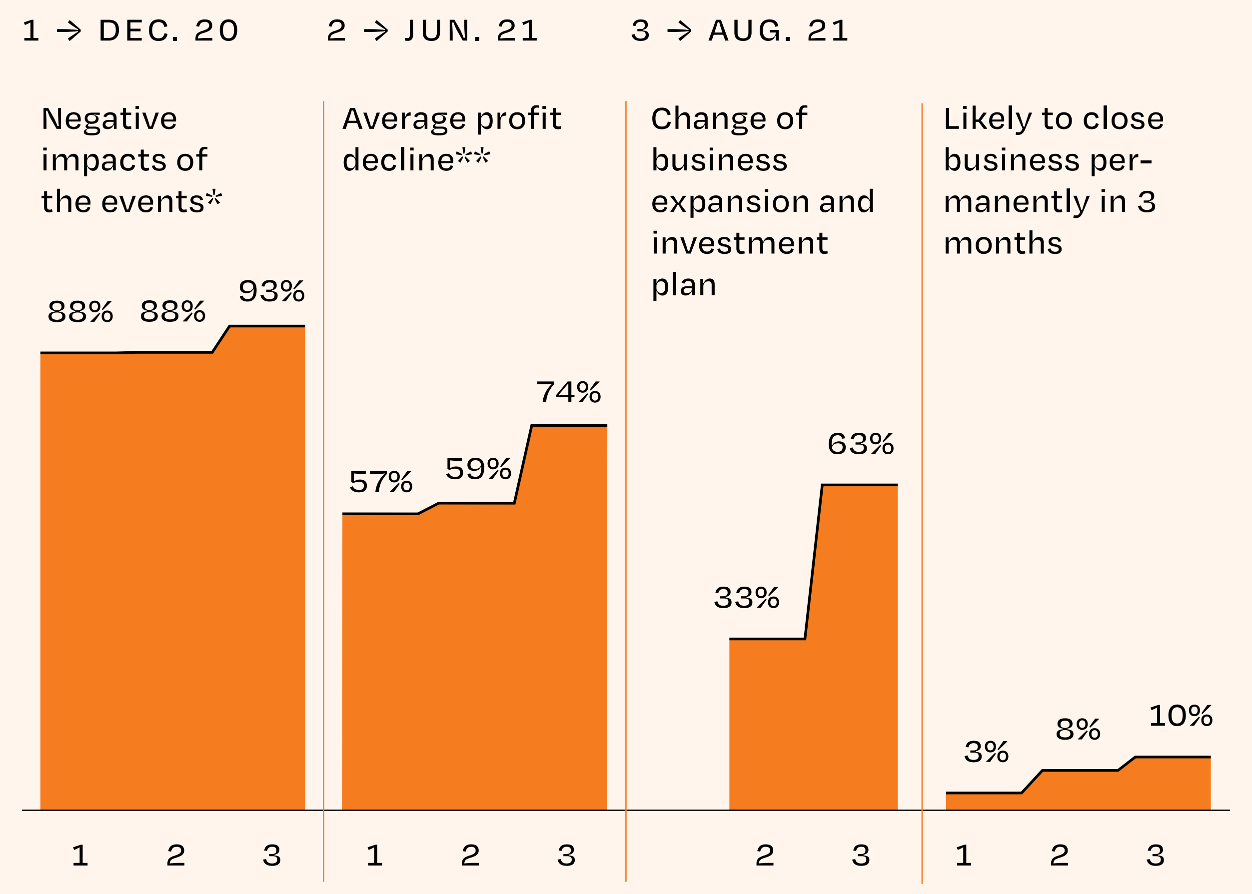
4×
The share of firms reporting temporary closures quadrupled between June and August 2021

52%
Business expectations have fallen to new lows with only 52 percent of firms confident that they will stay in business over the next month

Note The latest survey was administered between August 9, 2021 and August 27, 2021 and covered a nationally representative sample of 500 firms. The figures below show the results of Round 6 (December 2020), Round 7 (June 2021), and Round 8 (August 2021). Round 8 includes 303 of the same firms that were surveyed in Round 7. Due to attrition, the remaining firms have been substituted to meet sample needs.

Survey results indicate that the COVID-19 third wave further disrupted firms' operations – which were already weakened in the aftermath of the February 2021 coup.

Figure 1 Negative impacts reported by firms



Note: *Questions are slightly different for each round. For December 2020, firms were asked to report how they were impacted by the second wave of COVID-19, for June 2021 by the coup, and for August 2021 by the third wave of COVID-19.

** Firms were asked to report about the last completed month.

Source: The World Bank's COVID-19 Firm Survey Round 8

Results from the Myanmar COVID-19 Monitoring Platform (firm survey round 8) indicate that the COVID-19 third wave significantly affected firms' operations (Figure 1). The impacts of the February 2021 coup and the resurgence of COVID-19 in mid-2021 were greater than the impacts of the pandemic in 2020. 93 percent of firms reported negative impacts of the COVID-19 third wave in August 2021. More firms experienced a decline in profits compared to January 2021, and on average, firms' profits decreased by 74 percent – 15 percentage points worse than that observed in June 2021. The share of firms reporting a change of business expansion and investment plan almost doubled. Since operational challenges have dampened firms' expectations, an increasing number of firms reported that they were likely to close business permanently in the next 3 months.

93%
of firms felt negative impacts of the COVID-19 third wave in August 2021

Figure 2 Share of firms reporting temporary closures – by sector

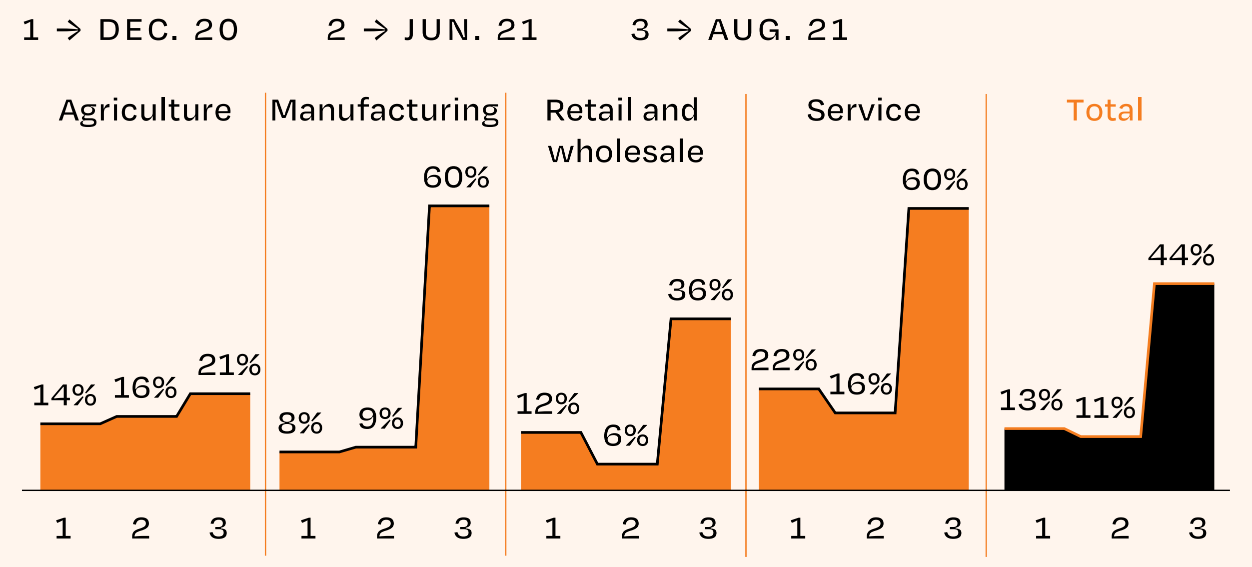
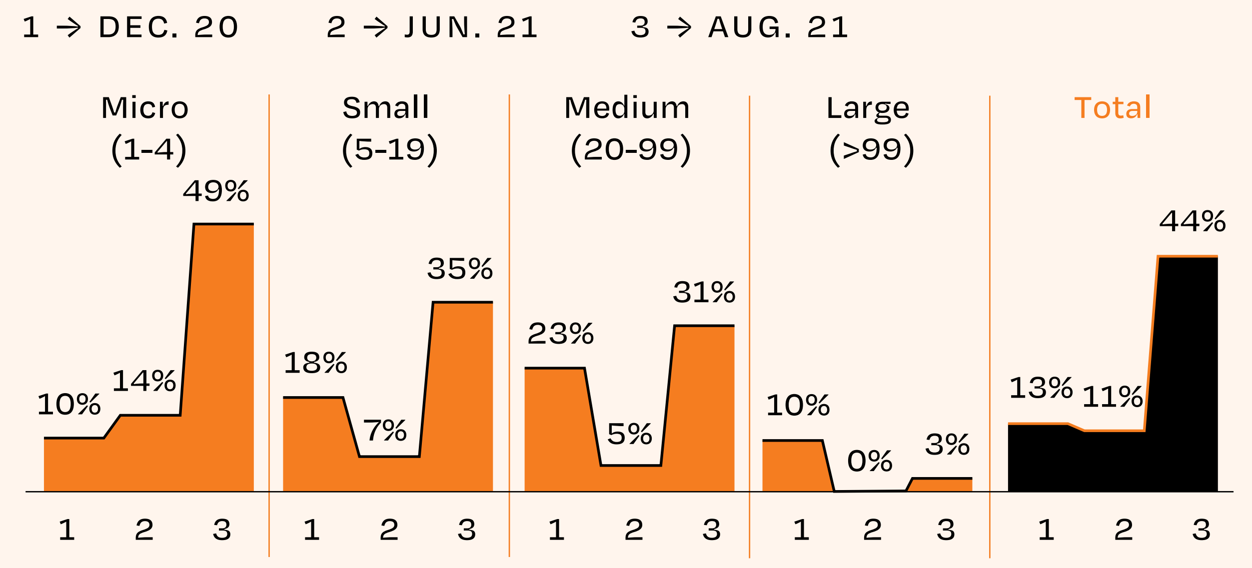


Figure 3 Share of firms reporting temporary closures – by firm size



Source: The World Bank's COVID-19 Firm Survey Round 8

Figure 4 Average operating capacity – by sector

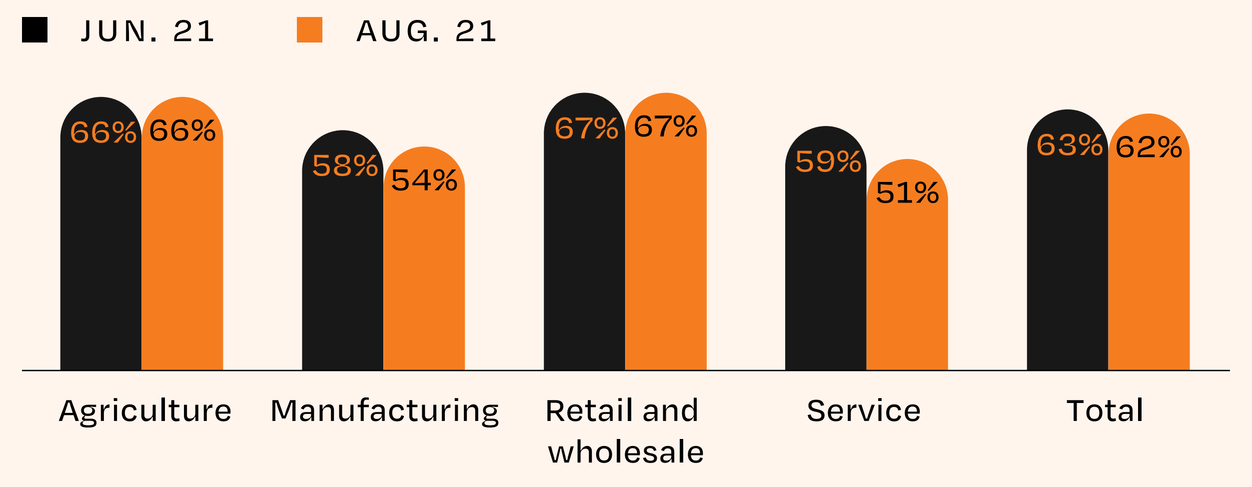


Figure 5 Average operating capacity – by firm size

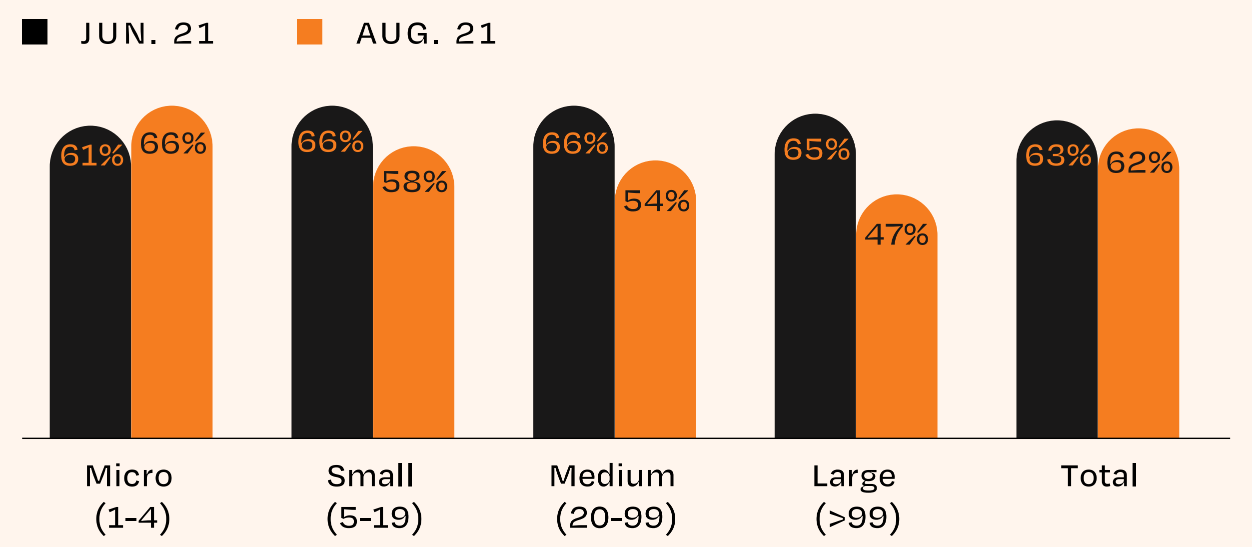
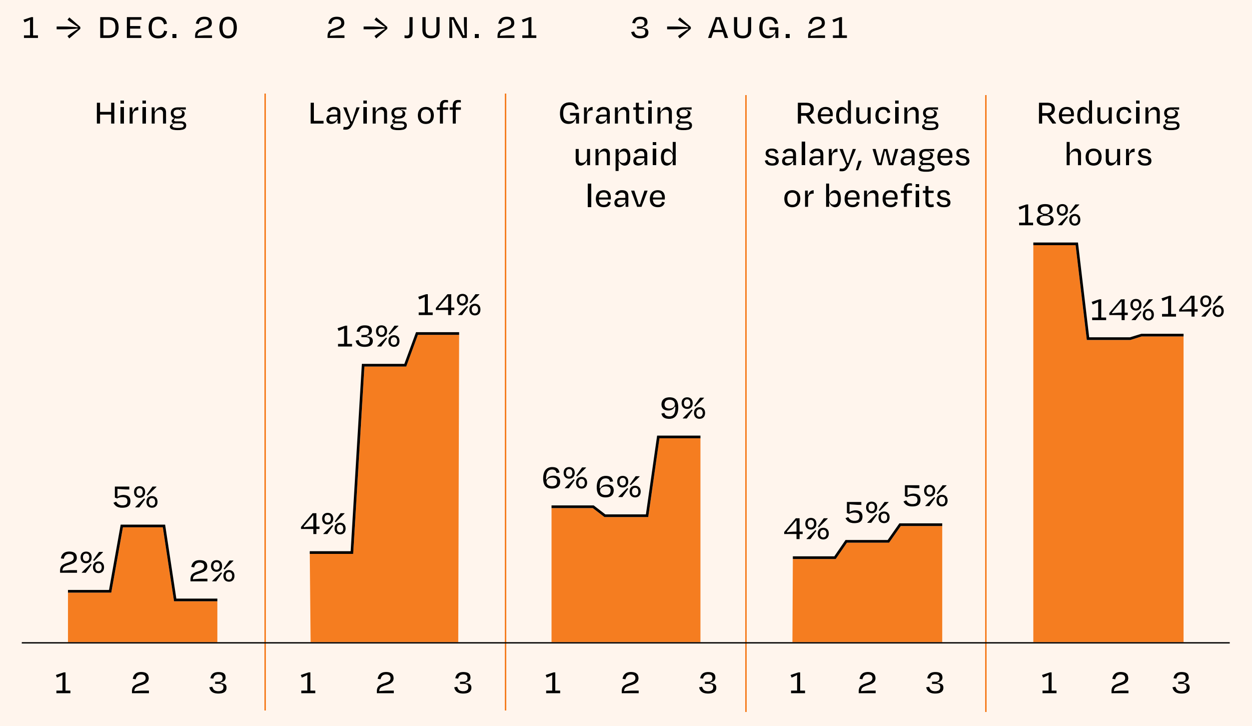


Figure 6 Share of firms reporting labor impacts in August 2021



Note: Firms were asked to report about the last completed month.

Source: The World Bank's COVID-19 Firm Survey Round 8

Operational Status

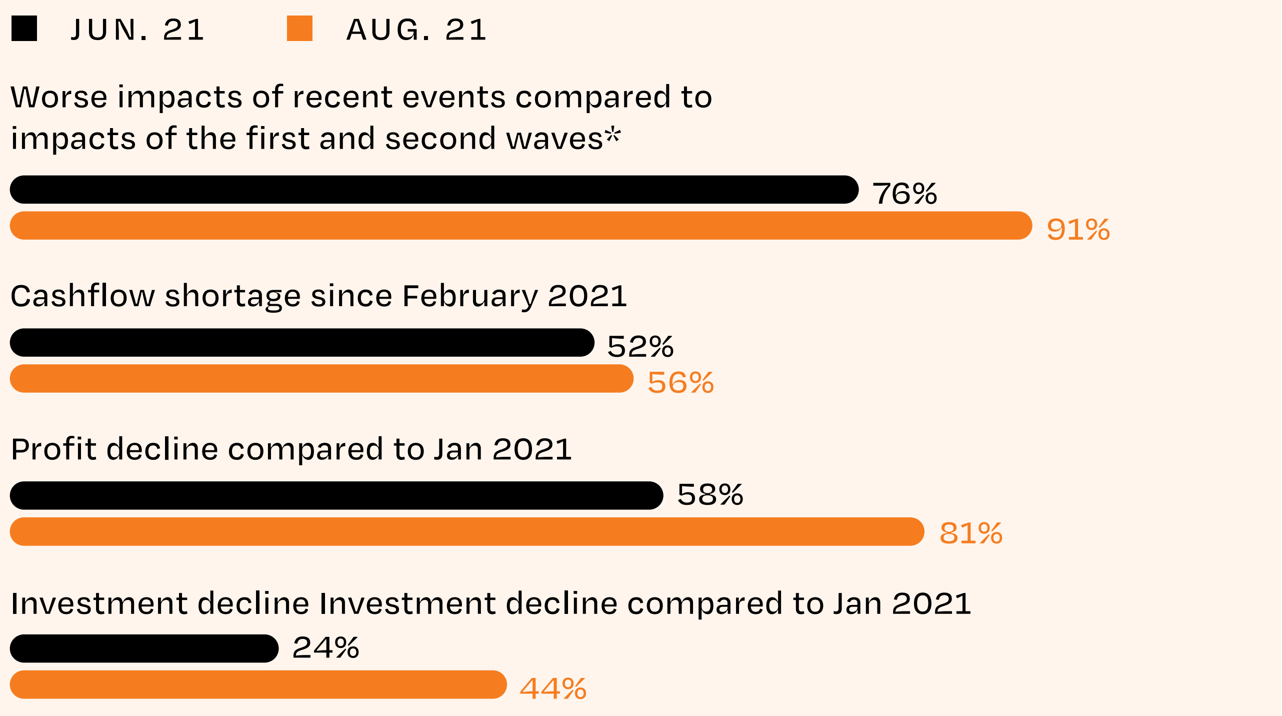
Temporary closures were four times higher in August 2021, and firms' operating capacity remained well below full capacity

The COVID-19 third wave led to a rapid increase in temporary closures with almost half of firms temporarily closing down. In August 2021, 44 percent of firms temporarily closed – four times higher than that observed in June 2021 and December 2020. Agricultural firms were least impacted with 21 percent of firms temporarily closed – less than half of the national average (Figure 2). By firm size, large firms continued to be the least affected by temporary closures. Only 3 percent of large firms temporarily closed, compared with 49 percent of micro firms in August 2021 (Figure 3).

Firms that remained open operated well below their full capacity. In August 2021, the firms that were not temporarily closed operated only at 62 percent of their capacity – one-percentage point lower than in June 2021. Across sectors, lower operational capacity was driven by manufacturing and service firms. Average operating capacities of manufacturing and service firms decreased by 4 and 8 percent respectively compared to June 2021 (Figure 4). However, the average operating capacity for agricultural firms and retail and wholesale firms remained unchanged. Despite 97 percent of large firms reporting that their businesses were open, their average operating capacity was the lowest – at less than 50 percent of full capacity in August 2021 (Figure 5). Moreover, average operational capacity of large firms was 18-percentage points lower than in June. Likewise, average operating capacity of small and medium firms also decreased in August 2021, however, average operating capacity of micro firms increased slightly.

Further negative employment impacts were observed in August 2021 (Figure 6). With the resurgence of COVID-19, only 2 percent of firms reported hiring in August 2021 – 3 percent lower than that observed in June 2021. The share of firms reporting layoffs slightly increased to 14 percent. Other labor adjustments reported by firms included the granting of unpaid leave to employees (9 percent of firms) and reducing salaries, wages or benefits (5 percent of firms) (Figure 6).

Figure 7 Share of firms reporting challenges



Note: *Question is designed slightly differently for June and August. For June, firms reported whether they experienced worse impacts of the coup compared to the COVID-19 impacts while firms reported the combined impacts of the third wave and coup for August compared to the COVID-19 impacts during the first and second waves

Source: The World Bank's COVID-19 Firm Survey Round 8

Figure 8 Share of firms reporting sales decline compared to January 2021 – by firm size

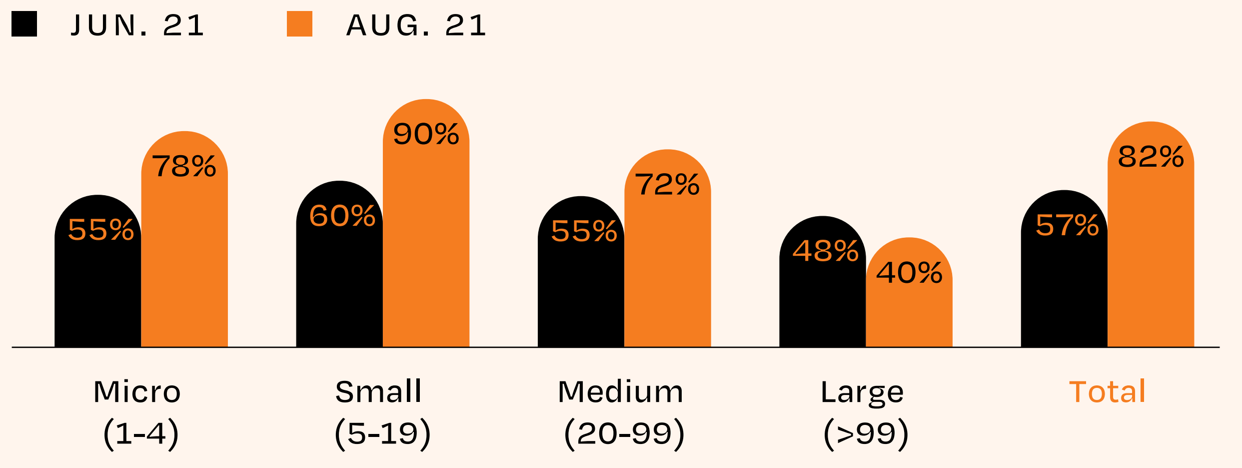


Figure 9 Average sales decline – by firm size

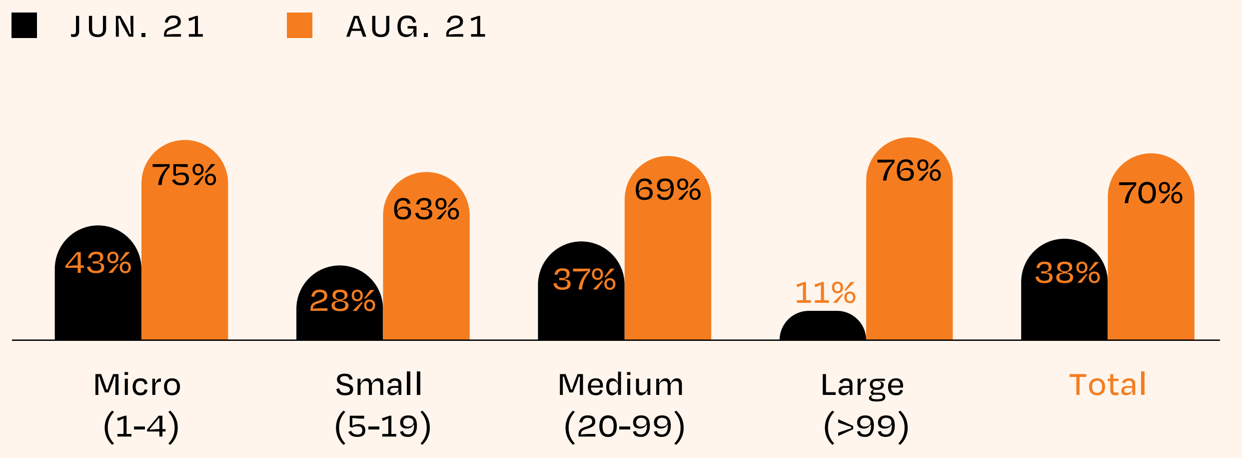


Figure 10 Share of firms with outstanding loans from each lender

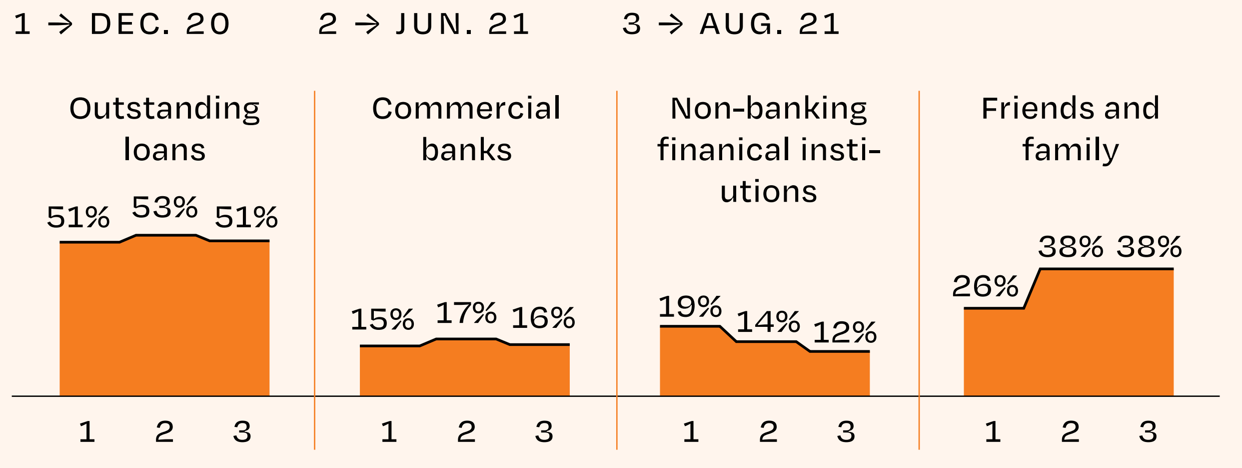
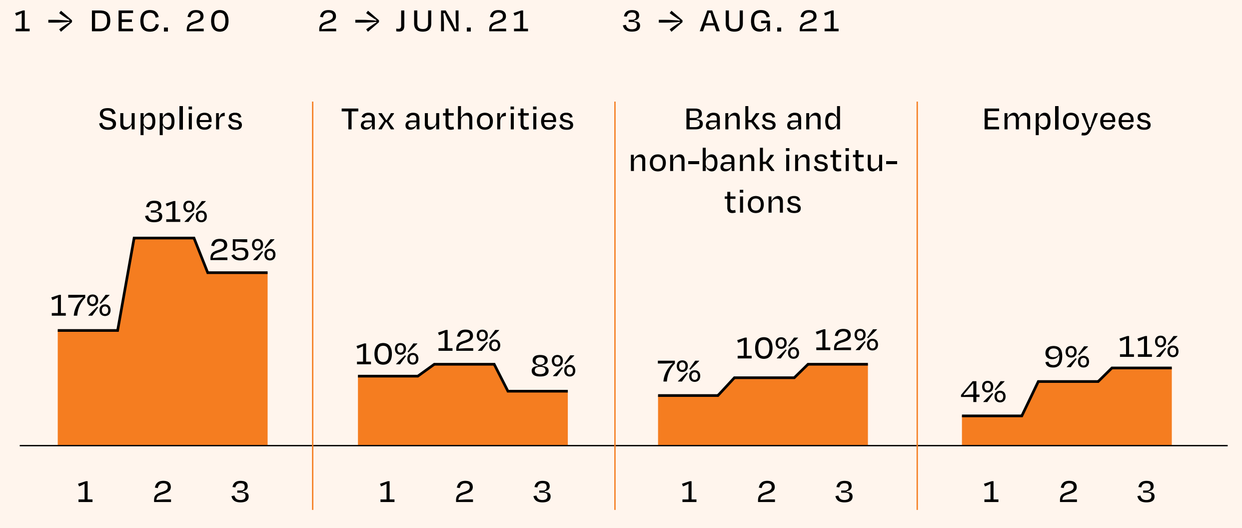


Figure 11 Share of firms reporting delayed payments to each payee



Note: Firms were asked to report about the last completed month.

Source: The World Bank's COVID-19 Firm Survey Round 8

Business performance

Business performance further deteriorated in August

Almost all firms reported that the combined impacts of the third wave and the coup were worse than what they experienced during COVID-19 last year (Figure 7). The share of firms experiencing cashflow shortages since February 2021 increased from 52 percent in June 2021 to 56 percent in August 2021. Disruptions to operations led 81 percent of firms to report a decline in profits compared to January 2021, 23 percentage points higher than that observed in June 2021. Similarly, in the month of August there was a sharp increase in the share of firms reporting a decline of investment since January.

Sales declined for the majority of firms in August. Compared to their sales in January 2021, 82 percent of firms experienced a decline in August 2021, significantly higher than the 57 percent of firms reporting sales decline in June 2021(Figure 8). While an increasing number of smaller firms experienced sales decline, the share of large firms reporting sales decline in August decreased by 8-percentage points compared to that observed in June 2021. However, among the large firms' that reported a decline, average sales were down by 76 percent – seven times higher than June 2021, and the highest among other firm sizes (Figure 9). The decrease in sales for firms during the third wave of COVID-19 reveals yet another blow to firm performance after an already weakened bottom-line in the aftermath of the coup.

Given limited access to financing from banking and non-banking institutions, loans from family and friends remained a major source of financing for most firms. The number of firms with outstanding loans from all sources decreased by 2-percentage points in August 2021 compared to that observed in June 2021. The decline could be driven by lesser access to finance from commercial banks and non-banking financial institutions while financing from family and friends remained as a major source (Figure 10). The survey results showed a 1-percentage point decrease for firms with outstanding loans from commercial banks and a 2-percentage point decrease in firms with outstanding loans from non-banking financial institutions in August 2021, compared with what was observed in June 2021.

More firms continued to delay payments to financial institutions and employees. While suppliers remained as the major payee experiencing delays, the share of firms delaying payments to suppliers decreased from 31 percent in June 2021 to 25 percent in August 2021 (Figure 11). However, it was still higher than the 17 percent observed in December 2020. Despite a decline in delayed payments to suppliers, more firms are delaying payments to financial institutions and employees. In August 2021, 12 percent of firms delayed payments to banks and non-bank institutions – 2 percentage points higher than that observed in June and almost two times higher than that observed in December 2020. In addition, the share of firms delaying payments to other employees increased by 2-percentage points compared to June 2021 and has increased almost threefold since December 2020.

82%

of firms experienced a decline in August 2021

Figure 12 Share of firms reporting adjustments made since February 2021

Figure 13 Share of firms reporting use of online services and digital financial services – by sector

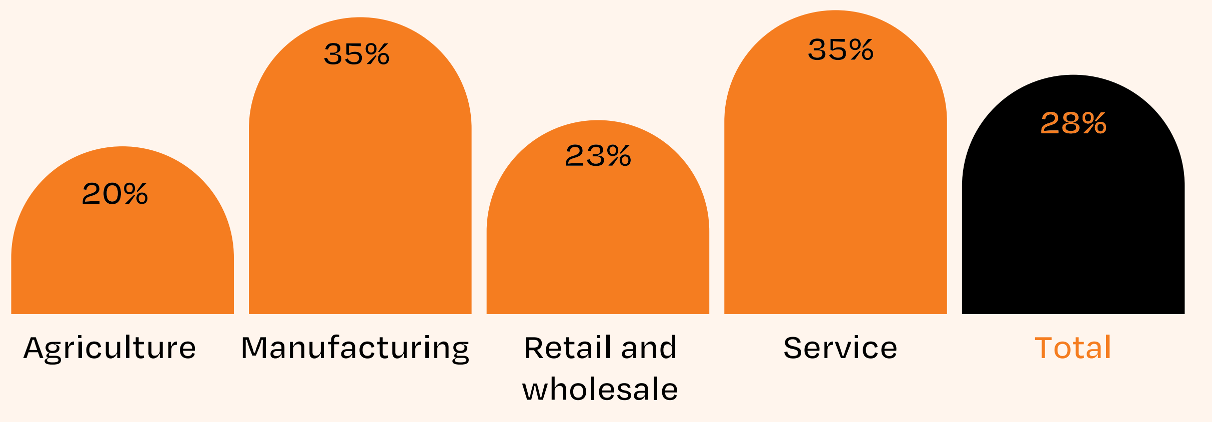


Figure 14 Share of firms reporting use of online services and digital financial services – by region

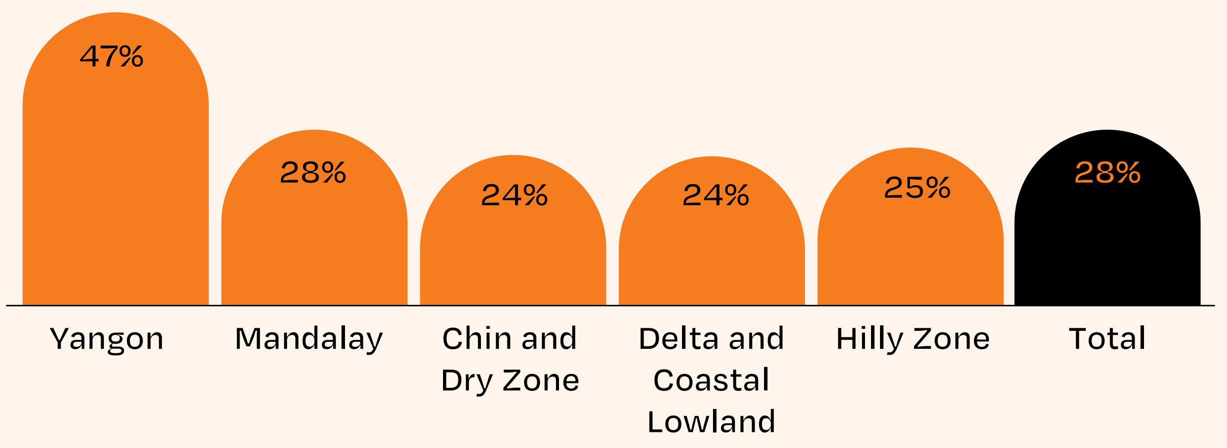
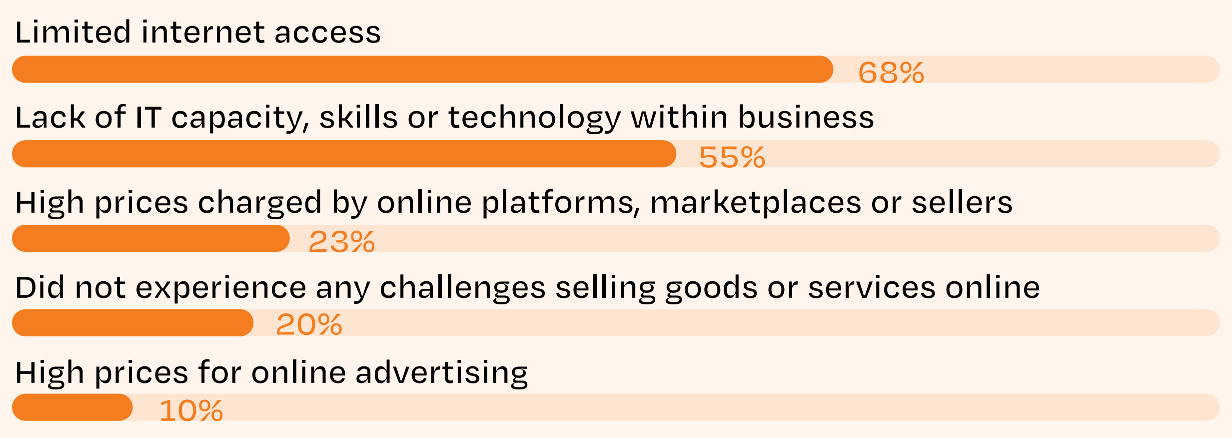


Figure 15 Share of firms reporting major challenges for use of online services and digital financial services



Source: The World Bank's COVID-19 Firm Survey Round 8

Adaptations

Firms' ability to adjust their operations remained lower, and fewer firms used online services and digital financial services for their business operation

Findings from August indicate that firms' ability to adjust to operate under a challenging environment remained limited. Since the third wave brought restrictions on firms' operations, delivery or carry-on became a major adjustment mechanism (with 33 percent of firms) in August (Figure 12). Change of production or services offered partially or entirely was a second major adjustment of 25 percent of firms. While there were stay-at-home restrictions, only 13 percent of firms started or increased remote work arrangements for their respective workforces in August. Adjustments related to business performance improvement further declined in August, where 11 percent of firms shifted focus to refurbishments and renovations (compared to 19 percent observed in June), and 9 percent of firms shifted focus to improving internal systems and operations (compared to 18 percent in June). Despite sales reduction being a major issue, a lesser number of firms adjusted activities directly related to improving sales compared to June 2021, with 13 percent of firms reporting discounts and promotions, and 9 percent of firms reporting a shift to focus on marketing activities.

Less than a third of firms used online and digital financial services. Only 28 percent of firms reported that they used online services and digital financial services for their business – indicating limited digital literacy especially of smaller firms. This could be in part attributable to limited internet access, which has increasingly become a concern for Myanmar firms' access to digital services. Across sectors, only 20 percent of agricultural firms and 23 percent of retail and wholesale firms used online services and digital financial services for their business operations, lower than the share of firms in the manufacturing and service sectors (Figure 13). This suggests that firms in less productive and formalized sectors experience more challenges in digitalizing parts of their business functions. Across regions, firms in Yangon were ahead of those in other regions for adoption of online and digital financial services (Figure 14) suggesting a sizeable regional gap between Yangon, the major commercial region, and other parts of the country.

Limited internet access and lack of IT capacity, skills or technology have posed major challenges for firms to adopt online and digital financial services since February 2021. Among the firms that used online and digital financial services, 68 percent of firms reported limited internet access as a major challenge to use these services (Figure 15). Lack of IT capacity, skills or technology within the business has been a second major challenge reported by 55 percent of firms. While both issues were major challenges for smaller firms, only limited internet was reported as the major challenge for large firms to use digital related services for their business operations (Figure 16) while only 11 percent of large firms reported lack of IT capacity, skills or technology as a major challenge (Figure 17). This indicates that there is a need for digital literacy for smaller firms to transform their businesses while limited internet access would remain as a major challenge.

Only

28%

of firms reported that they used online services and digital financial services for their business – indicating limited digital literacy especially of smaller firms

Figure 16 Share of firms reporting limited internet access as a major challenge to use online services and digital financial services – by firm size

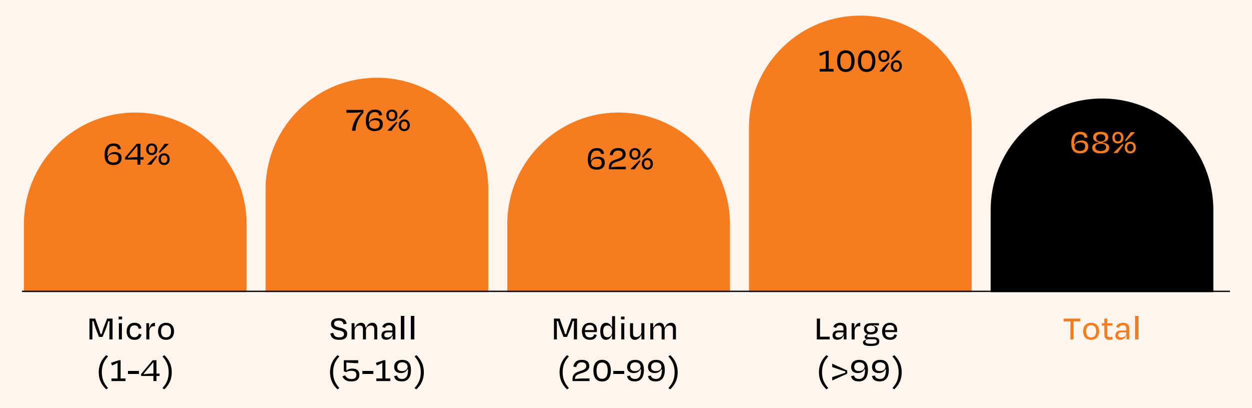


Figure 17 Share of firms reporting lack of IT capacity, skills, or technology within business as a major challenge to use online services and digital financial services – by firm size

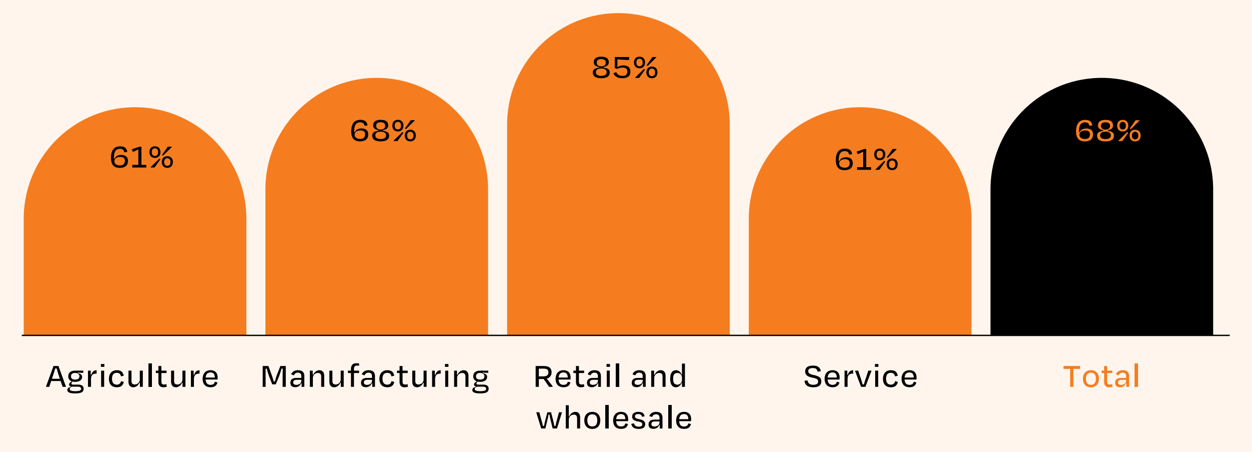
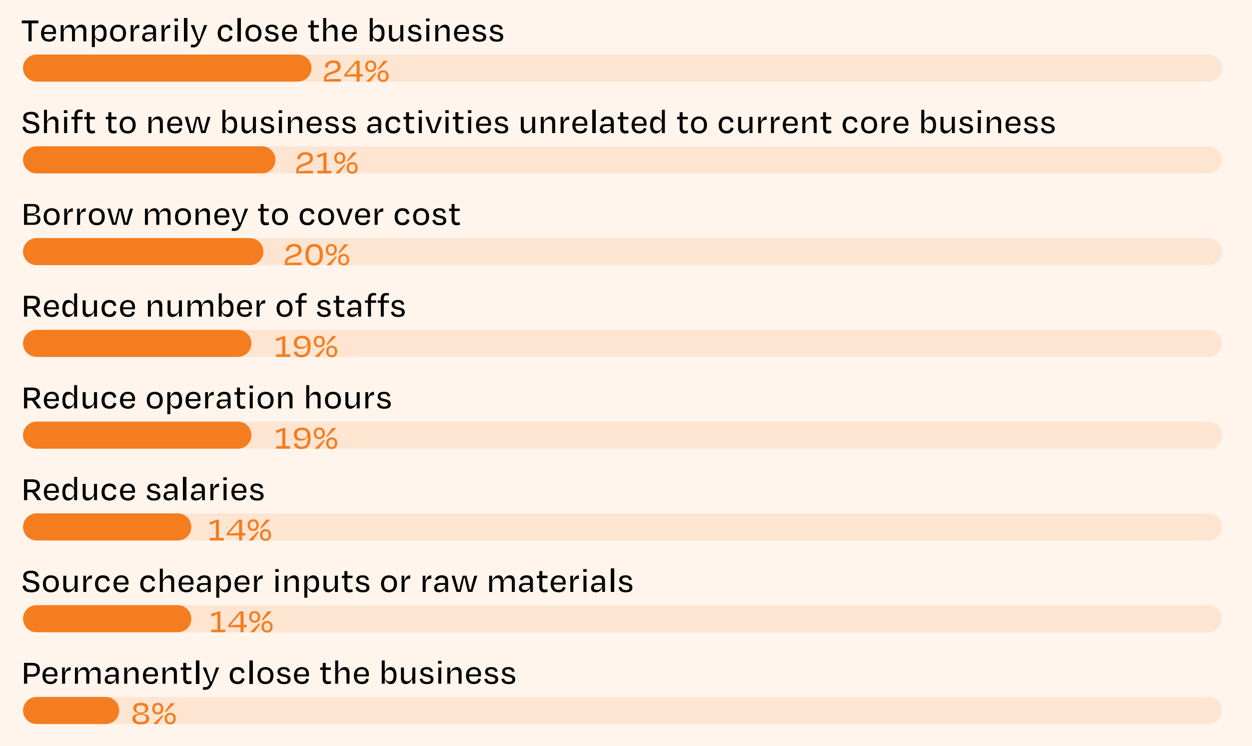


Figure 18 Share of firms reporting adjustment plan if the situation does not improve in next 3 months



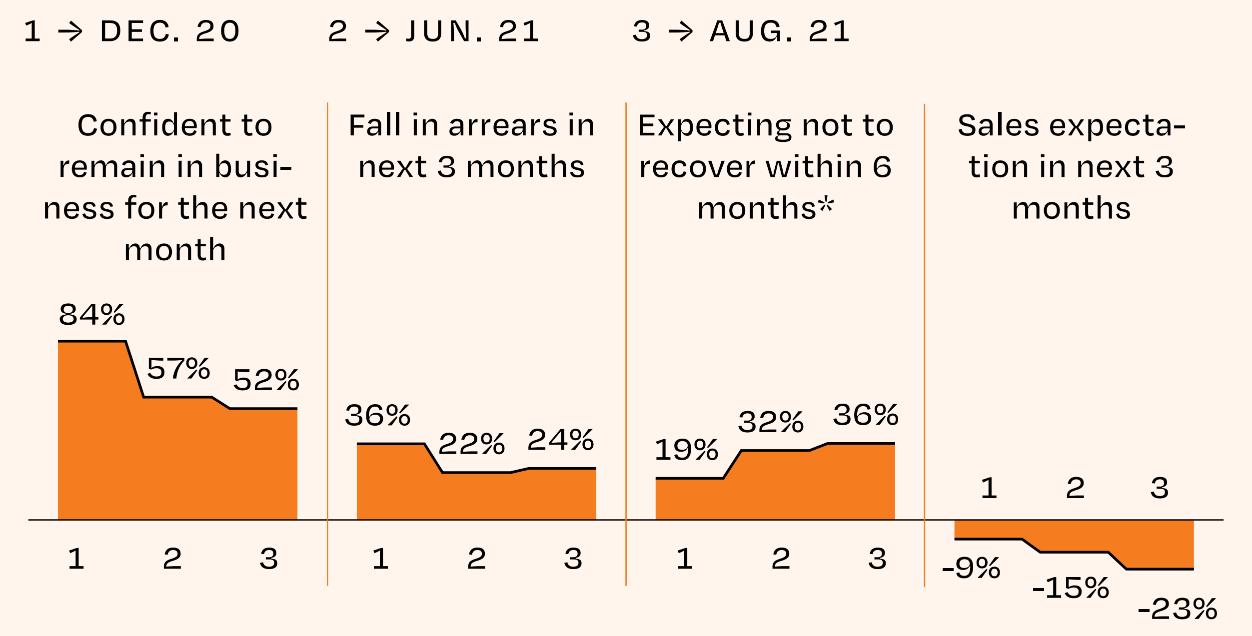
Source: The World Bank's COVID-19 Firm Survey Round 8

A further deterioration of the business environment is likely if the situation does not improve in the next three months. Temporary closures (24 percent) were the most reported adjustment mechanism that firms would adopt if the situation does not improve in the three months, followed by operational pivots to new business activities unrelated to their current core business (reported by 21 percent of firms) if the situation does not improve in the next three months (Figure 18). To avoid cashflow shortages, 20 percent of firms intend to borrow money to cover costs. This could likely increase reliance upon friends and family as a major source of financing given disruptions to formal financial access. Further employment impacts are also likely if there is no improvement given that 19 percent of firms reported plans to reduce employees and operational hours, while 14 percent of firms plan to reduce salaries which could result in lower consumer spending. As part of cost reductions, 14 percent of firms reported to source cheaper inputs or raw materials. Eight percent of firms reported closure of business as the last resort adjustment mechanism.

24%

Temporary closures (24 percent) were the most reported adjustment mechanism that firms would adopt if the situation does not improve in the three months

Figure 19 Firms' expectations to remain in business for the next month, expecting to fall in arears in the next 3 months, expecting not to recover within the next 6 months, and average sales declines in the next 3 months



Note: *Question is designed slightly differently for each period. For December 2020, firms were asked to report their expectations to recover back to pre-COVID-19 levels while for June and August 2021, firms reported their expectation to recover back to levels prior to February 2021.

Source: The World Bank's COVID-19 Firm Survey Round 8

Business Expectations

04

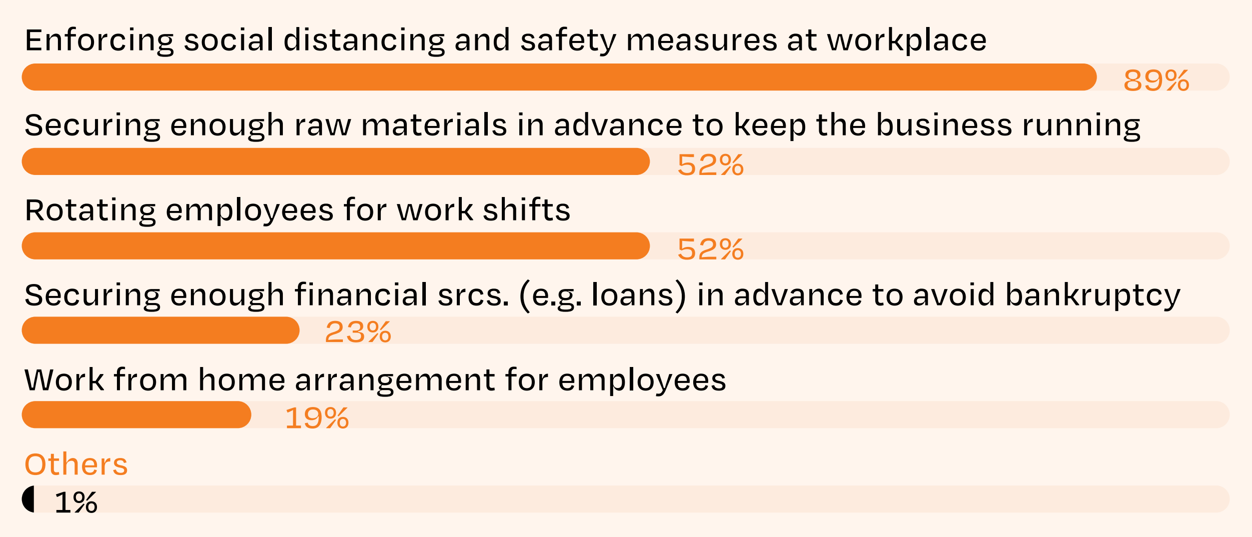
Business expectations have fallen to new lows

Firms' future expectations have continued to decline. The share of firms with confidence to remain in business for the next month continued to decline from 84 percent in December 2020, to 57 percent in June and to 52 percent in August 2021 (Figure 19). Firms expecting to fall in arrears in next 3 months slightly increased from 22 percent in June to 24 percent in August 2021. In addition, 36 percent of firms did not expect to recover to levels seen before February 2021 within the next 6 months – 4-percentage points higher compared that observed in June 2021. Firms reported an expectation that sales would decline by an average of 23 percent in the next 3 months compared to same period last year (when firms in Myanmar struggled with the second wave of COVID-19).

52%

The share of firms with confidence to remain in business for the next month in August 2021

Figure 20 Share of firms reporting limited internet access as a major challenge to use online services and digital financial services – by firm size



Source: The World Bank's COVID-19 Firm Survey Round 8

15%

Despite a large number of temporary closures, 15 percent of firms reported that their employees were absent from work due to contracting COVID-19

Businesses' resilience against COVID-19

5

The COVID-19 third wave brought further pressure to businesses in an already constrained environment

Given the already deteriorating business environment, firms' ability to respond to the third wave was limited. Despite a large number of temporary closures, 15 percent of firms reported that their employees were absent from work due to contracting COVID-19. Of those firms that have been operating under the COVID-19 impacted environment since 2020, only 14 percent reported preparedness measures to stay resilient against the third wave – indicating that majority of firms remained vulnerable to further pandemic shocks. A variation across firm sizes was also observed as more than half of large firms made preparations against the third wave – significantly higher than the national average of 14 percent. This suggests that smaller firms are more vulnerable than larger firms to withstand shocks. Among the firms that prepared for the third wave, enforcing social distancing and safety measures at workplaces was the major preparation that firms made to build resilience (Figure 20). While social distancing and safety measures at the workplace are important for the health and safety of employees, preparations related to business performances were relatively weak. About half of firms reported securing enough raw materials in advance to remain operational and less than a quarter of firms secured sufficient finance to avoid bankruptcy. Only 52 percent of firms reported employee rotations to avoid COVID-19 spreading and only 12 percent of firms reported working-from-home arrangements as major preparations for their business. Firms –particularly manufacturing firms that operate 24 hours a day – may have experienced difficulties in employee roster rotations given imposed lockdown-related curfews and other security concerns. Not being able to use online and digital services, limited internet services and lack of IT capacity are some of the structural challenges why firms could not adopt work-from-home arrangements.