Myanmar COVID–19 Monitoring

BRIEF №11

27 January 2021

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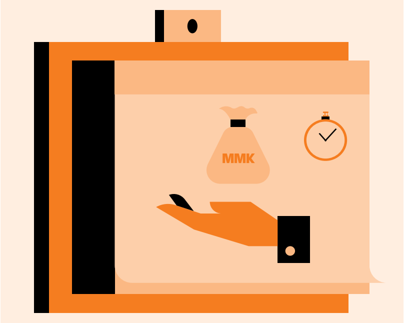
The Firm –Level Impacts *of the* COVID–19 Pandemic

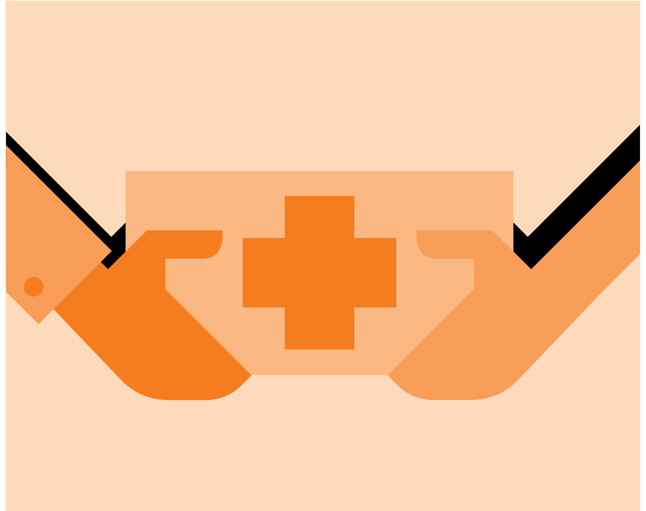
ROUND 6 RESULTS DECEMBER 2020

Temporary closures decreased across Myanmar in December 2020. Yangon saw a large decline in temporary closures while they increased in Mandalay. Across sectors, only agricultural firms reported more temporary closures

Half of all firms report cash flow shortages in December 2020



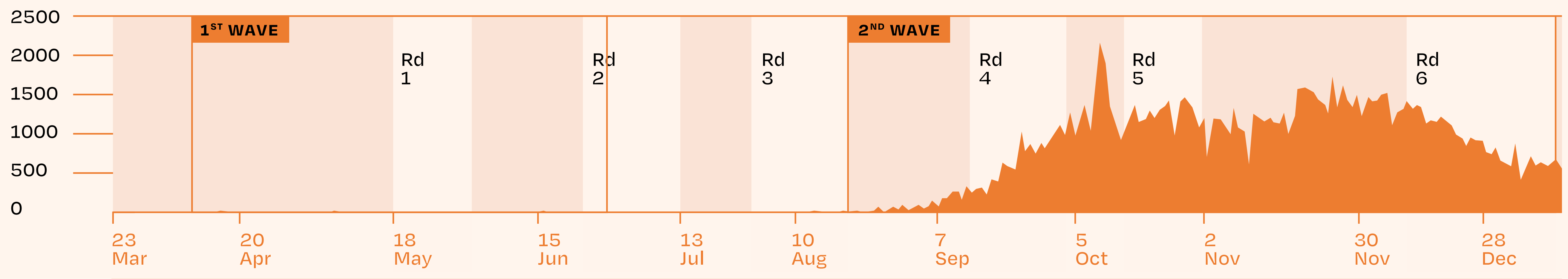
More than half of all firms have outstanding loans, double the levels two months ago



Though most firms are aware of government COVID-19 support loans, only a small share have taken steps to apply

FIGURE 1 NUMBER OF COVID-19 CASES IN MYANMAR ACROSS TIME

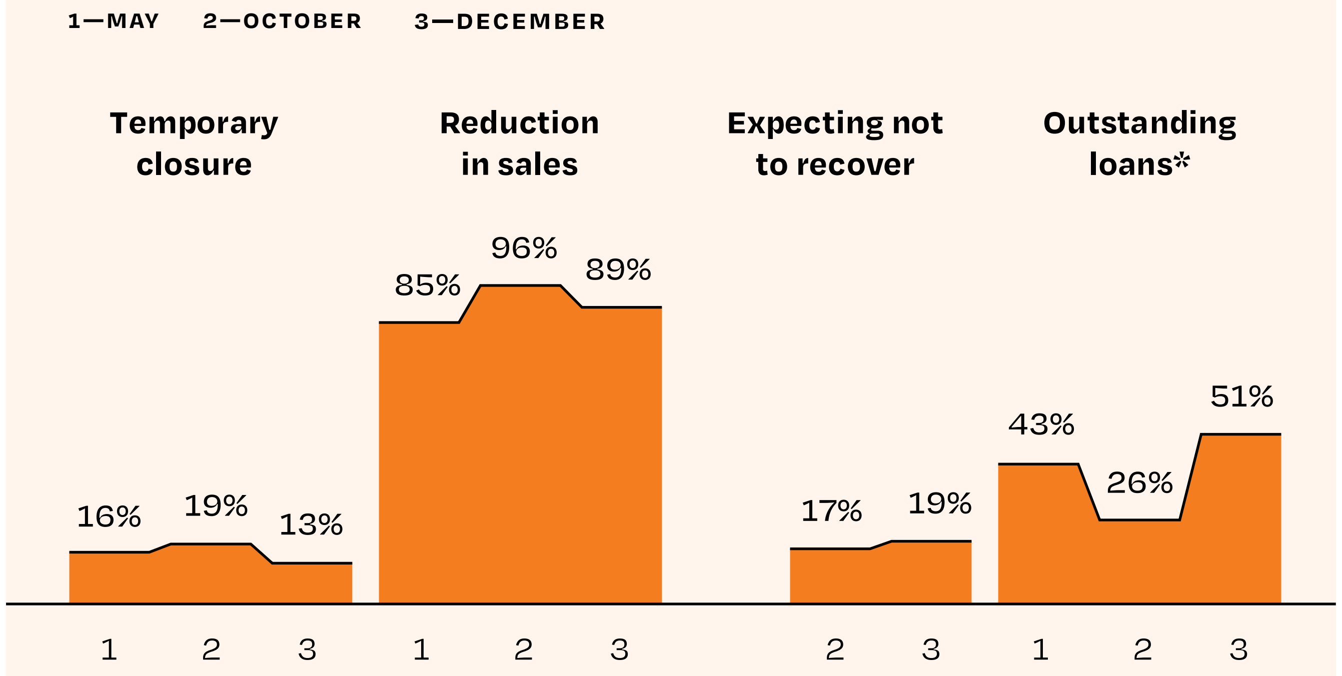
Daily confirmed cases are declining in Myanmar



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

FIGURE 2 SHARE OF FIRMS REPORTING TEMPORARY CLOSURES, REDUCTION IN SALES, EXPECTING NOT TO RECOVER, AND WITH OUTSTANDING LOANS

An increased reliance on loans while more firms continue to reopenexpecting not to recover, and with outstanding loans



* Indicator is lagged as the question designed for this indicator asked about the last completed month. In the chart, for May, the last completed month is March, for October it was September and for December was November.

Since the beginning of the second wave in late August, the number of daily confirmed COVID-19 cases in Myanmar exponentially increased and peaked in early October. Since December, case numbers have been trending downwards, returning the case load to levels last observed in September 2020 (Figure 1).

There were fewer temporary closures in December, but more than half of all firms relied on loans to combat the financial pressures of the pandemic in December. Fewer firms (13 percent) were temporarily closed, less than that observed in October (19 percent) and during the first wave (16 percent in May) (Figure 2). While reduction in sales continue to be the most pressing issue reported by most firms, the recent survey findings indicate that this is improving with 96 percent of firms reporting sales reductions in October compared to 89 percent in December. In parallel, there was an increased reliance on loans, with 51 percent of firms having outstanding loans in December, double that observed in October (25-percentage point increase) and higher than the first wave (8-percentage point difference). With respect to recovery, 19 percent of firms reported having positive expectations in December, comparable to the 17 percent observed in October.

A Operating Status

Fewer firms reported temporary closures spurred by a large increase of firms re-opening in Yangon. In December, only 13 percent of firms (compared to 19 percent in October) were temporarily closed, a share that is lower than that observed in the first wave (16 percent in May). Regional differences associated with mandates were driving varying degrees of closures across Myanmar. Yangon saw a drastic decrease in reported closures: 6 percent of firms reported closures in December representing a 36-percentage point decrease from the 48 percent in October. Conversely, Mandalay experienced an increase in temporary firm closures in December (from 24 to 38 percent), attributable to stricter stay-at-home orders introduced from December 5th through the 18th (Figure 3).

Agricultural firms were the only firms to report more temporary closures in December, from 7 to 14 percent. However, services firms continued to report the highest proportion of closures (22 percent of all services firms), although this share has experienced slight decline in the second wave from 39 percent in May to 36 percent in October. Manufacturing, retail, and wholesale closures declined between October and December (from 19 to 8 percent and 17 to 12 percent, respectively) (Figure 4). Large firms reported a sizable decline in temporary closures, from 35 to 10 percent). Medium-sized firms—which had previously increased its share of closures by 25-percentage points since the first wave—reversed its trend by December, seeing a decrease of 14-percentage points from 37 to 23 percent. Small firms also reversed their trend with fewer closures between October and December.

FIGURE 3 SHARE OF FIRMS REPORTING TEMPORARY CLOSURES – BY REGION

A large share of firms in Yangon reopened while firms in Mandalay reported increased closures

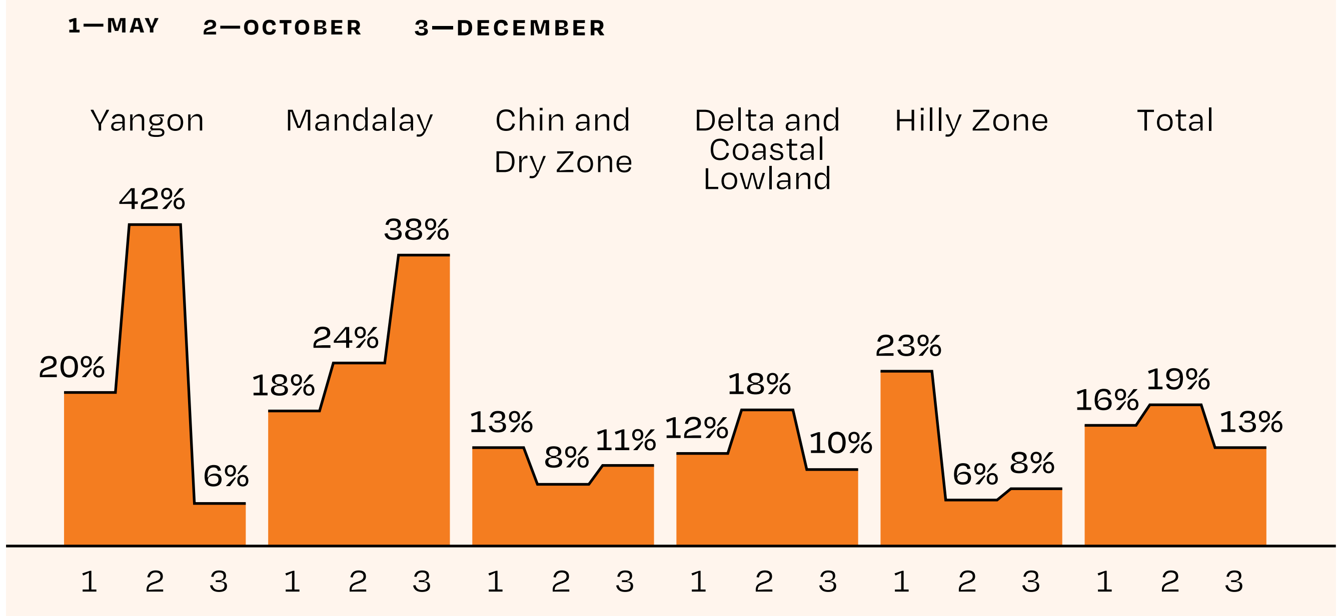
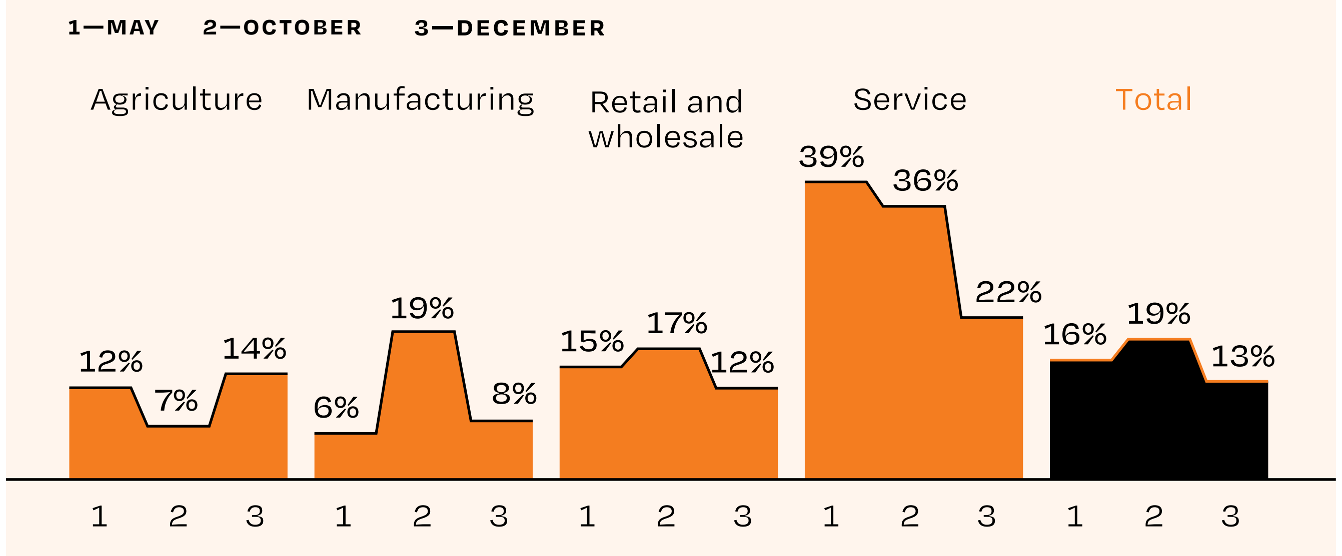


FIGURE 4 SHARE OF FIRMS REPORTING TEMPORARY CLOSURES – BY SECTOR

Only agricultural firms reported increases in temporary closures



B Business Performance

As observed in the first wave, half of all firms report being impacted by cash flow shortages. While one-quarter of firms in the October survey reported cash flow shortages, this share had effectively doubled to 49 percent by December, comparable to the findings of the first wave (51 percent in May). Reduction in access to credit remains the third most-pressing issue reported by 30 percent in December (a 5-percentage point increase since October) followed by difficulties in making payments on loans and credits reported by a quarter of firms in December (Figure 5). Previously, cash flow shortages were observed to be greater issue for fully female-owned firms. However, by December this was no longer the case, with a reduction in sales becoming a greater issue among fully female-owned firms (Figure 6).

The share of firms relying on loans to weather the impacts of the pandemic doubled by December. With the prolonging of the pandemic, more firms needed loans to fund operations. Over half of firms reported outstanding loans in November, compared to a quarter of firms in September, a share that exceeds the proportion from the first wave (43 percent in May). Previously, firms across all sectors reported declines in outstanding loans between March and September; however, by November, firms across all sectors experienced increases in outstanding loans. Agriculture, manufacturing and services firms saw increases close to 30-percentage points and retail, and wholesale firms experienced a 20-percentage point increase. Higher shares of agricultural firms held outstanding loans from commercial banks (a 23-percentage increase from 7 to 30 percent since September) and more manufacturing firms reported outstanding loans from non-banking financial institutions (representing a 16-percentage point increase since September). Further, of the 26 percent of firms that reported more outstanding loans from family and friends, the highest shares were observed among agricultural firms (36 percent) (Figure 7). To an extent, seasonality contributes to these findings, as some firms (for instance, those in the construction, food and beverage industries) may begin or increase their business activity following the rainy season. As firms are increasingly cash-limited, they will continue to see declines in their investments: by December, one-third of firms reported such declines, an issue that is growing and most pronounced among services firms (Figure 8).

FIGURE 5 OPERATIONAL IMPACT OF COVID-19 ON FIRM – BY TOTAL

Since the onset of COVID-19, reduction in sales remains the top reported impact by firms, and cash flow shortages have again become a principal issue for half of firms

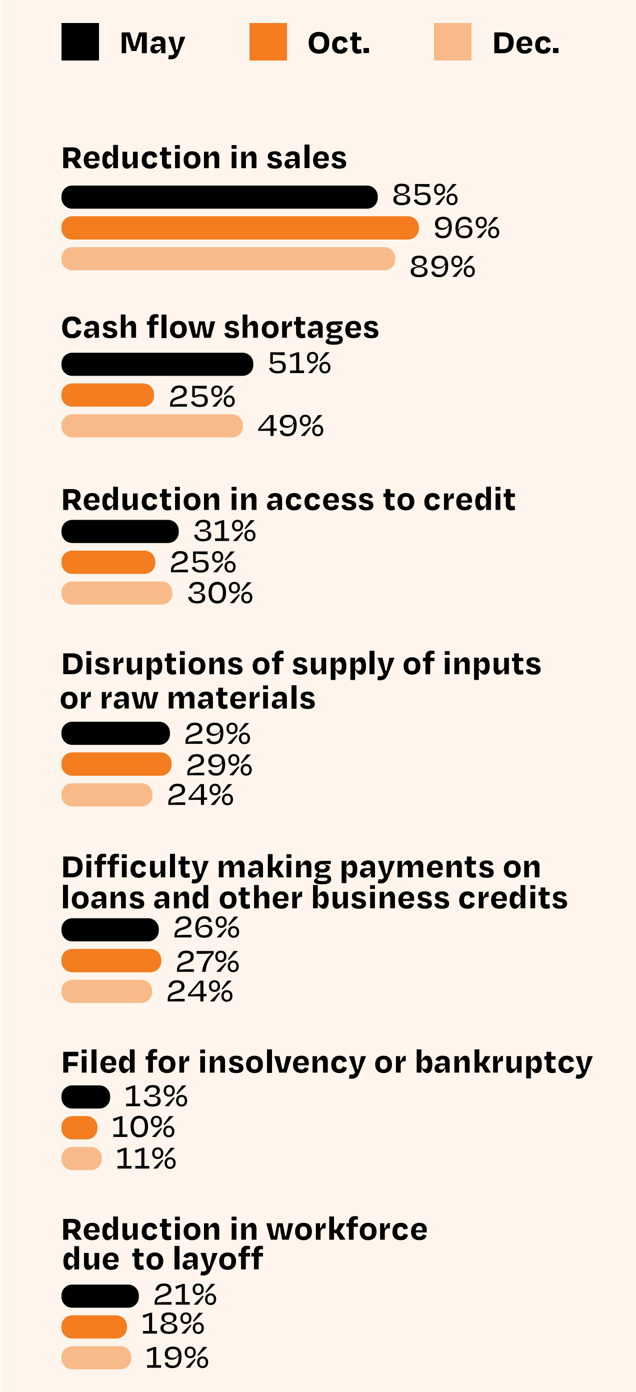
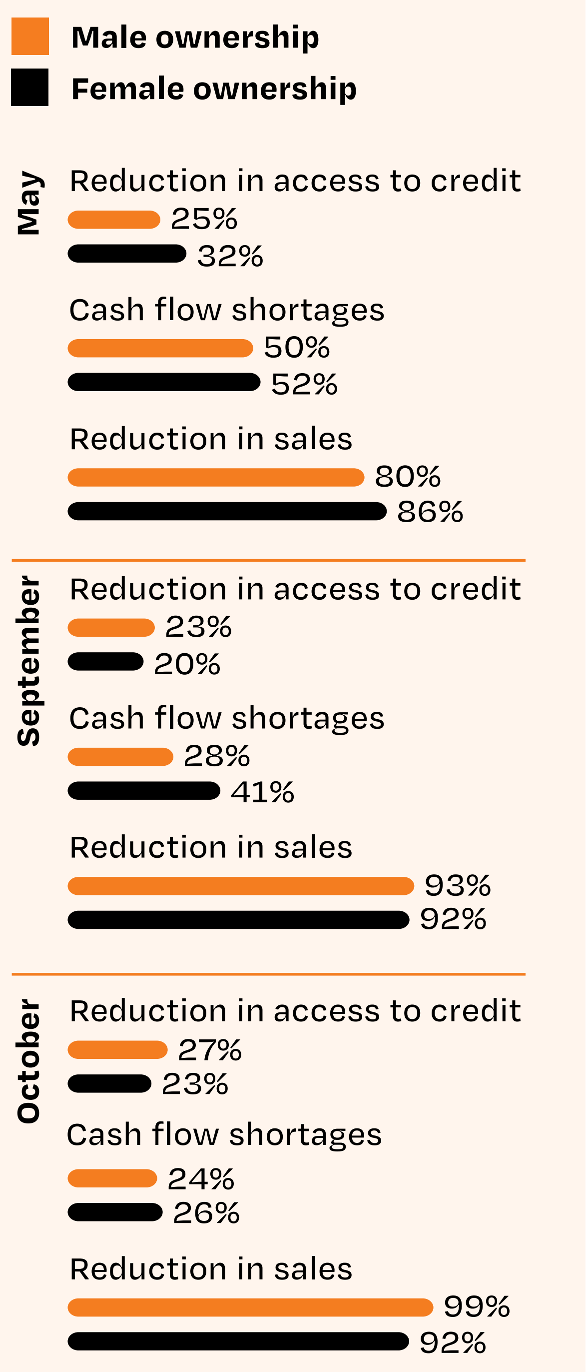


FIGURE 6 OPERATIONAL IMPACT OF COVID-19 – BY GENDER OWNERSHIP

Reduction in sales became a greater operational impact for fully female-owned firms



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The share of firms relying on loans to weather the impacts of the pandemic doubled by December

FIGURE 7 SHARE OF FIRMS REPORTING OUTSTANDING LOANS – BY SECTOR

More than half of firms reported having outstanding loans

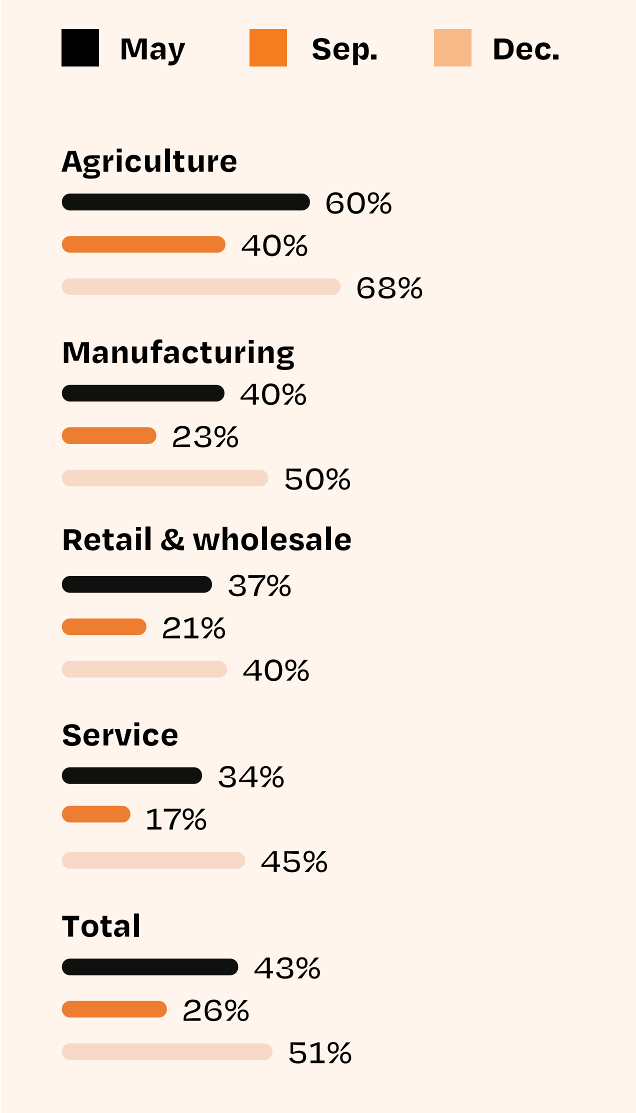
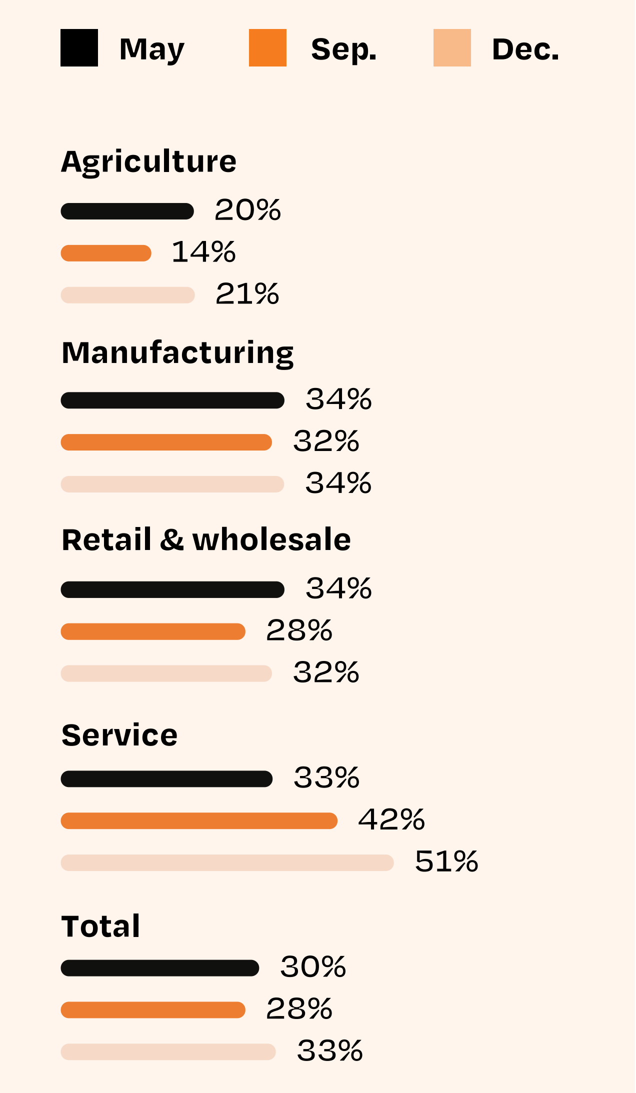


FIGURE 7 SHARE OF FIRMS REPORTING DECLINES IN INVESTMENTS – BY SECTOR

Share of firms reporting declines in investments – by sector



–11%

of agricultural firms expecting to fall into arrears in December

C Business Expectations

Expectations for business recovery worsened for firms as the pandemic persists. Relative to results from the first wave, firms in all sectors—other than those in services—have become less optimistic of their likelihood of recovery. However on positive developments, the latest survey indicated that only 4 percent of firms lacked confidence of remaining in business for the next month, indicating that firms have adopted adaptations to their operations, and developed some degree of resilience and confidence of their month-to-month survival as they learn to adjust to the ongoing pandemic. Sales expectations in the next three months remain negative albeit there were some improvements on reported sales expectations from previous survey rounds: in October, the average sales decline was expected to be 26 percent lower than the same period a year ago, a share that improved by 17-percentage points to 9 percent by December (Figure 9).

Fewer agricultural firms expect to fall into arrears over the next three months. By December, an average of 36 percent of firms expected to fall into arrears in any of their outstanding liabilities over the next quarter, representing little to no change from October (35 percent) and May (36 percent) (Figure 10). As the second-wave continues, the anticipation of arrears became a more pronounced concern principally for manufacturing firms (a 9-percentage point increase from October to December), while to a lesser extent, firms in the retail, and wholesale sectors (increasing from 23 to 25 percent). Agricultural firms reported the greatest improvement with 47 percent reporting an expectation to fall into arrears in December, as compared to 58 percent in October. Large firms reported the greatest improvement in their expectations of falling into arrears, with 48 percent of large firms reporting such expectations in October declining to just 19 percent of large firms reporting the same in December.

FIGURE 9 SHARE OF FIRMS REPORTING BUSINESS EXPECTATIONS – BY SHARE OF FIRMS

There has been a marked improvement in sales expectations over the next three months between survey rounds

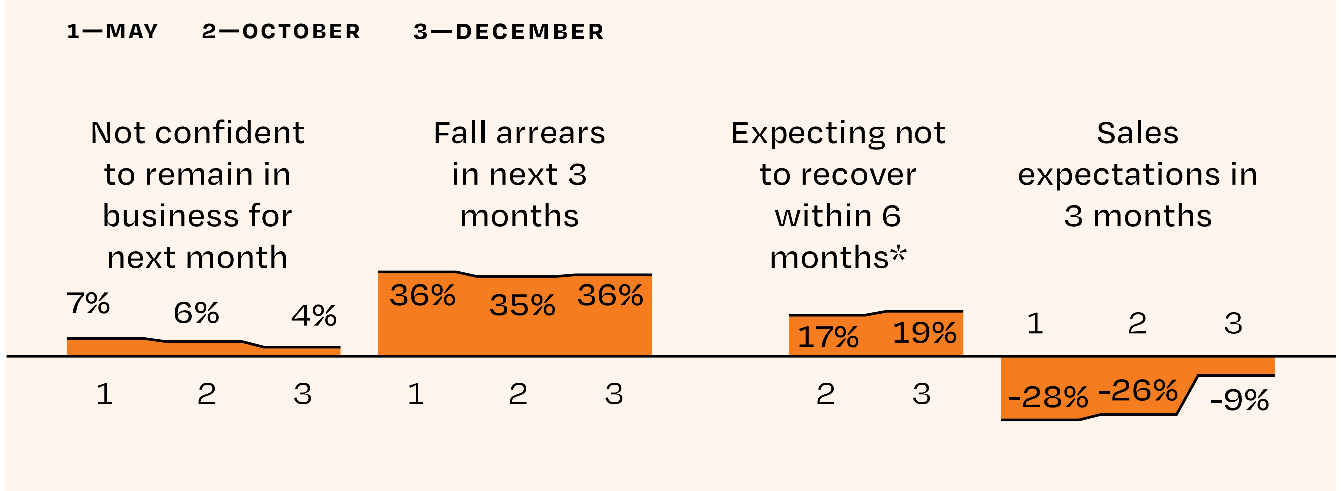
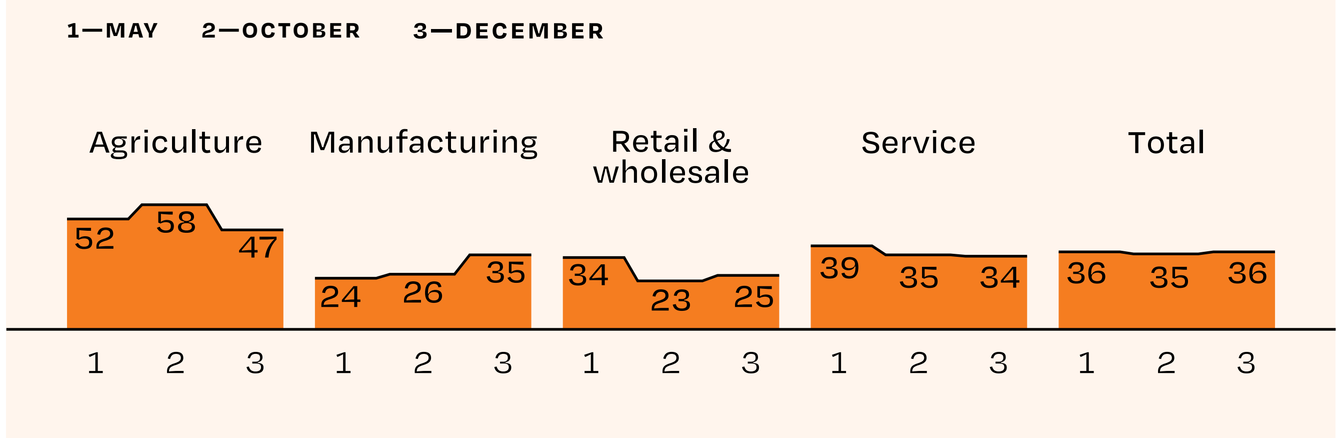


FIGURE 10 FIRMS REPORTING EXPECTATIONS TO FALL INTO ARREARS IN NEXT 3 MONTHS – BY SECTOR

Agricultural firms improved in their expectations of falling into arrears, while manufacturing firms notably worsened their outlook



D Policy & Adaption

More than half of firms reported that access to loans/credit guarantees remained the most pressing form of government support. Awareness of the government's COVID-19 loans programs was only 61 percent of firms (Figure 11). Services and medium firms were the most aware (81 and 85 percent, respectively) while agricultural firms were the least (40 percent). While service and agricultural firms were the most likely to apply for such loans (at 30 percent and 26 percent, respectively), only one in five firms overall applied for the loans. Application rates were the highest among services (30 percent) and medium (43 percent) firms (Figure 13). For those firms that did apply, 69 percent were successful in their application. Of the 17 and 26 percent (respectively) of micro and agricultural firms applied for the loans, 90 and 79 percent (respectively) of these firms received the loans (Figure 12). In the case of large firms—which enjoy better access to formal channels of information and to resources—all those which applied were ultimately successful in receiving funding (Figure 13).

ONLY 61%

of firms are aware of the governments COVID-19 loans programs.

FIGURE 11 SHARE OF FIRMS REPORTING AWARENESS OF COVID-19 LOAN – BY SECTOR

More than half of firms are aware of government's COVID-19 loan schemes

Agriculture	Manufacturing	Retail & Wholesale	Service	Total
40%	68%	59%	81%	61%

FIGURE 12 SHARE OF FIRMS APPLYING AND RECEIVING COVID-19 LOAN – BY SECTOR

The majority of firms that applied successfully received government COVID-19 loans

	Applied COVID-19 loan	Received COVID-19 loan
Agriculture	26%	79%
Manufacturing	68%	66%
Retail & Wholesale	8%	66%
Service	30%	67%
Total	20%	69%

FIGURE 13 SHARE OF FIRMS APPLYING AND RECEIVING COVID-19 LOAN – BY SIZE

Most firms that applied for government's COVID-19 loan received the loan

	Applied	Received
Micro (1-4)	17%	90%
Small (5-19)	23%	49%
Medium (20-99)	43%	57%
Large (>99)	26%	100%
Total	20%	69%

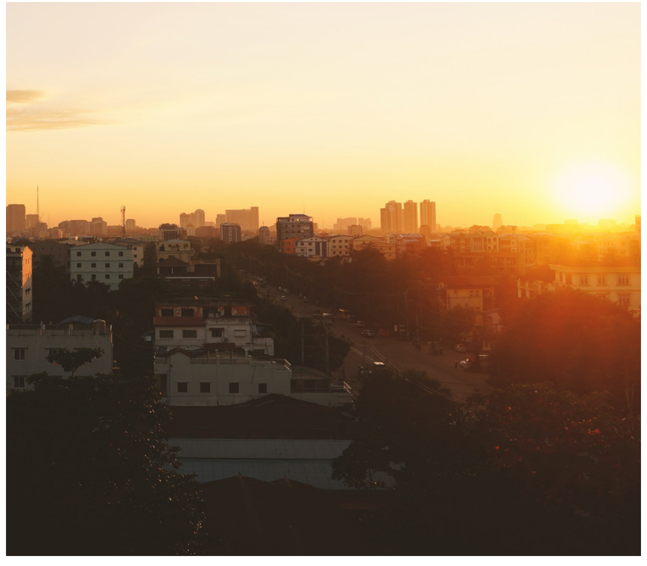
FIGURE 14 MAJOR REASONS FOR NOT APPLYING FOR SUPPORT – BY FIRM SIZE OF FIRMS

A lack of awareness on how to apply remains the top reason why firms failed applying

Reason	Share
Does not know how to apply	20%
Lack of access to authorities or agents	10%
Not qualified	10%
Do not understand the application form	9%
Does not have formal documents to apply	8%
Requirements are too stringent	7%
Have not had time	1%
Tried to access but rejected	1%

Not knowing how to apply remains the top reason why firms are not applying for loans. One-fifth of firms continue to state a lack of awareness of the application process as the main deterrent to applying, representing no change from the fifth survey round. The persistency of low procedural awareness indicates that there is scope for further outreach, training and awareness of government support programs. Lack of access to authorities or government agencies (10 percent) and lack of qualification (10 percent) were equally reported as the second-most pronounced deterrent (Figure 14).

Hilly Zone, Chin and Dry Zone saw improvements in the share of firms adopting online/digital platforms. Overall, in December, 25 percent of firms in Myanmar reported having adopted new technologies, (Figure 15). Services firms continue to see the highest proportion of adoption (34 percent) and the share of retail and wholesale firms has steadily increased with time (24 percent in May to 31 percent in December). Agricultural firms continue to see a digital divide, reporting the lowest shares of adoption (remaining at the 10 percent noted in October), largely attributable to the labor-intensive nature of agricultural work as compared to other sectors (Figure 16).



25%

of firms in Myanmar reported having adopted new technologies in December

FIGURE 15 SHARE OF FIRMS ADOPTING ONLINE/DIGITAL PLATFORMS – BY REGION

A quarter of firms in all regions are adopting online/digital platforms to mitigate the impacts of COVID-19

	May	October	December
Agriculture	5%	10%	10%
Manufacturing	26%	38%	25%
Retail and Wholesale	24%	29%	31%
Service	17%	34%	37%
Total	19%	28%	25%

FIGURE 15 SHARE OF FIRMS ADOPTING ONLINE/DIGITAL PLATFORMS – BY SECTOR

Agriculture saw the lowest share of firms adopting digital/online platforms

	May	October	December
Yangon	37%	42%	25%
Mandalay	27%	30%	25%
Chin and Dry Zone	10%	21%	25%
Delta & Coastal Lowland	13%	29%	24%
Hilly Zone	19%	17%	25%
Total	19%	28%	25%