



Results from Myanmar Firm Monitoring

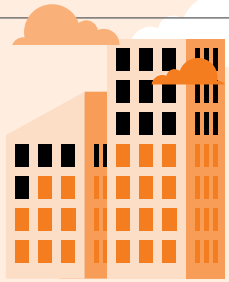
ROUND 12 RESULTS



High-level Findings

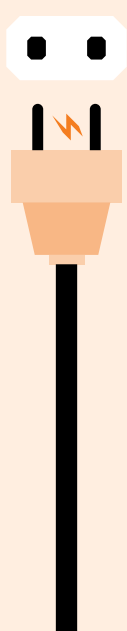
Results from Myanmar Firm Monitoring Survey
Round 12 conducted in June 2022

Operating Capacity Declined



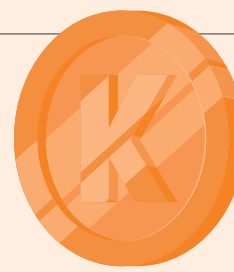
On average, firms operated at 59 percent of their capacity in June 2022—above 2021 levels, but still representing a decline from 66% in March 2022.

Disruptive Power Outages



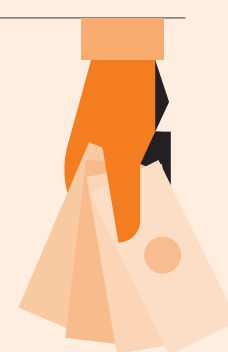
About half of all firms reported that power outages remained a concern for business operations.

Weakened Kyat



Depreciation of the kyat against the US dollar remained a concern for about half of firms.

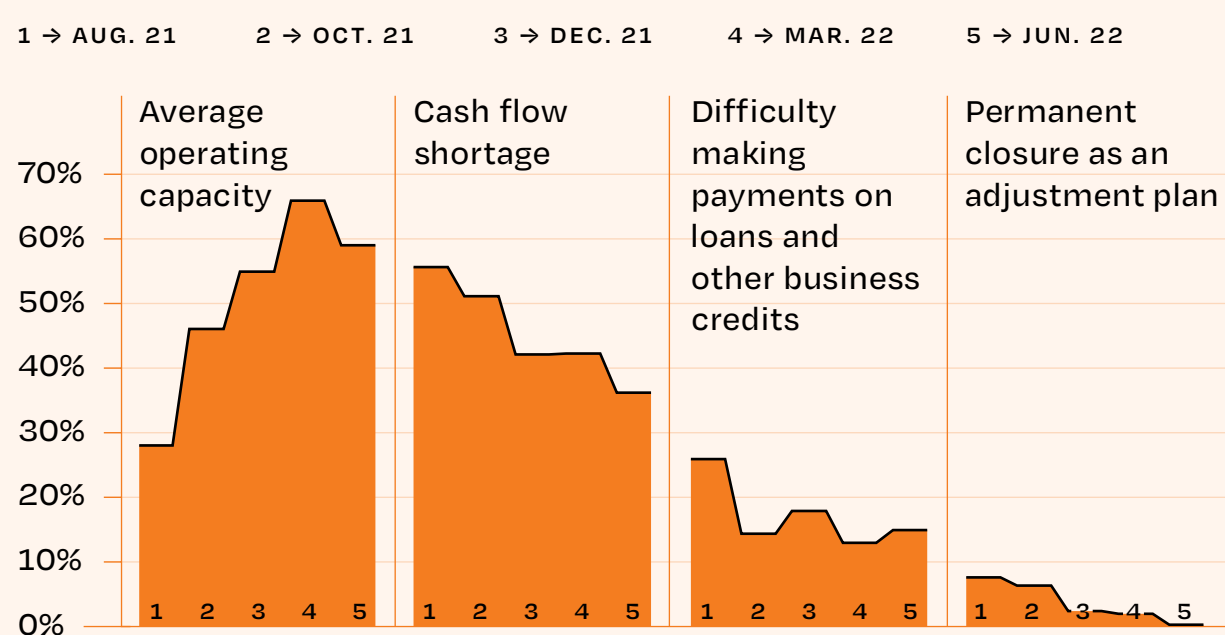
Continued Price Pressure



Fifty-six percent of firms raised prices in the three months to June 2022, resulting in a 16 percent average price increase over that period.

Note The latest survey was administered between May 11, 2022, and June 9, 2022, and covered a nationally representative sample of 500 firms. The period for the latest survey is referred to as June 2022. Figures show the results of Round 8 (August 2021), Round 9 (October 2021), Round 10 (December 2021), Round 11 (March 2022), and Round 12 (June 2022). Round 12 includes 203 of the same firms that were surveyed in Round 11. Due to attrition, the remaining firms have been substituted to meet sample needs. The reasons for high attrition rates are incomplete appointments (representing appointments that were continually rescheduled during the data collection period resulting in replacement with new firms), and declined appointments (representing unavailable respondents who declined to participate in survey rounds by noting there had been no significant changes in business operations from the prior round).

Figure 1 The business environment remained challenging in June 2022



Source: World Bank Firm Survey (Round 12)

1 Time period for questions related to firms' business operations for the last completed month in this round is April. Hence, the seasonality factor (April with a longer public holiday period than the other months) is likely to contribute to firms' performance and operations.

Firms continued operating in a challenging business environment, but few firms were considering closing.

Partly due to seasonality,¹ the average operating capacity of all firms declined in June 2022 (from March 2022) but remained higher than in 2021 (Figure 1). The share of firms reporting difficulty making repayments on loans and other business credits increased slightly to 15 percent (up from 13 percent in March 2022) but remained lower than the 2021 average. However, the share of firms experiencing cash flow shortages continued to decline in June 2022. Despite operating in an uncertain business environment, very few firms consider permanent business closure as an option, even if the current situation does not improve within the next three months.

Figure 2 Firms' operating status

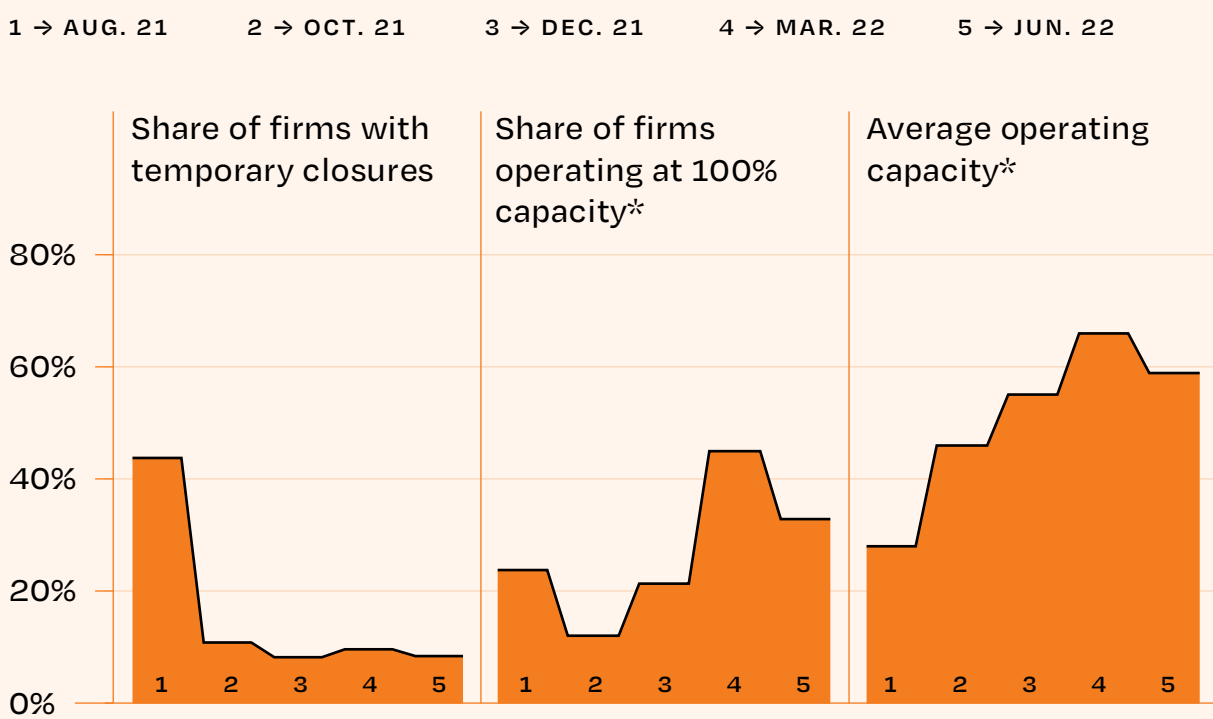
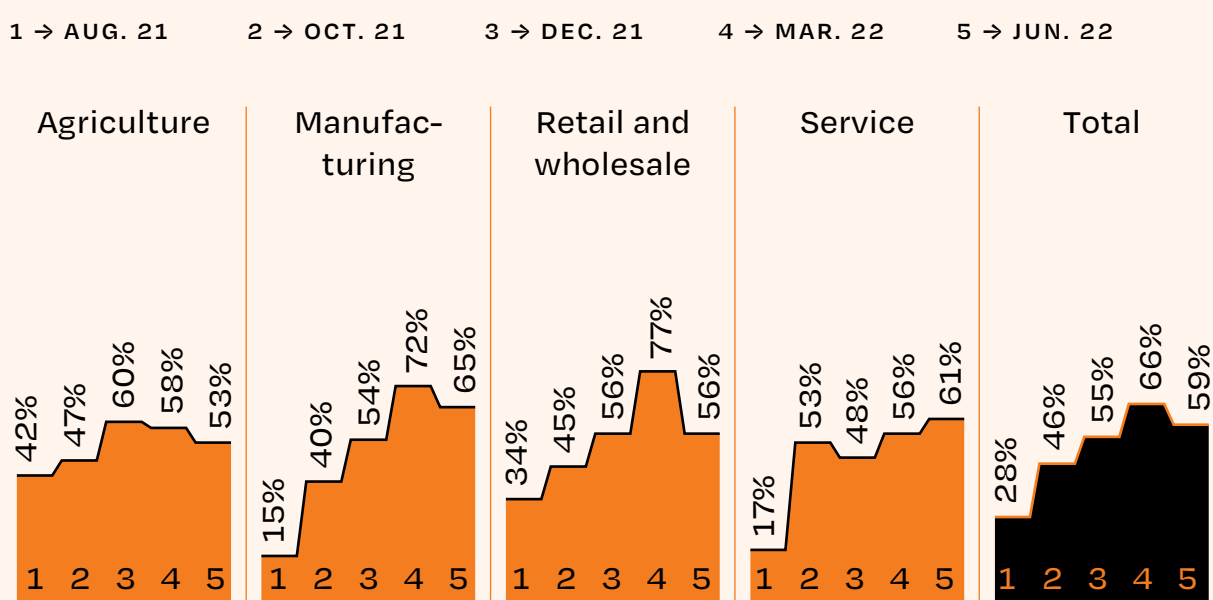


Figure 3 Average operating capacity of firms (by sector)



Note: *Firms were asked to report on the last completed month. An average operating capacity across all firms is reported in this brief, as compared to reporting an average operating capacity of only those firms that were operational in previous briefs.

Figure 4 Challenges reported by firms not being able to operate at full capacity

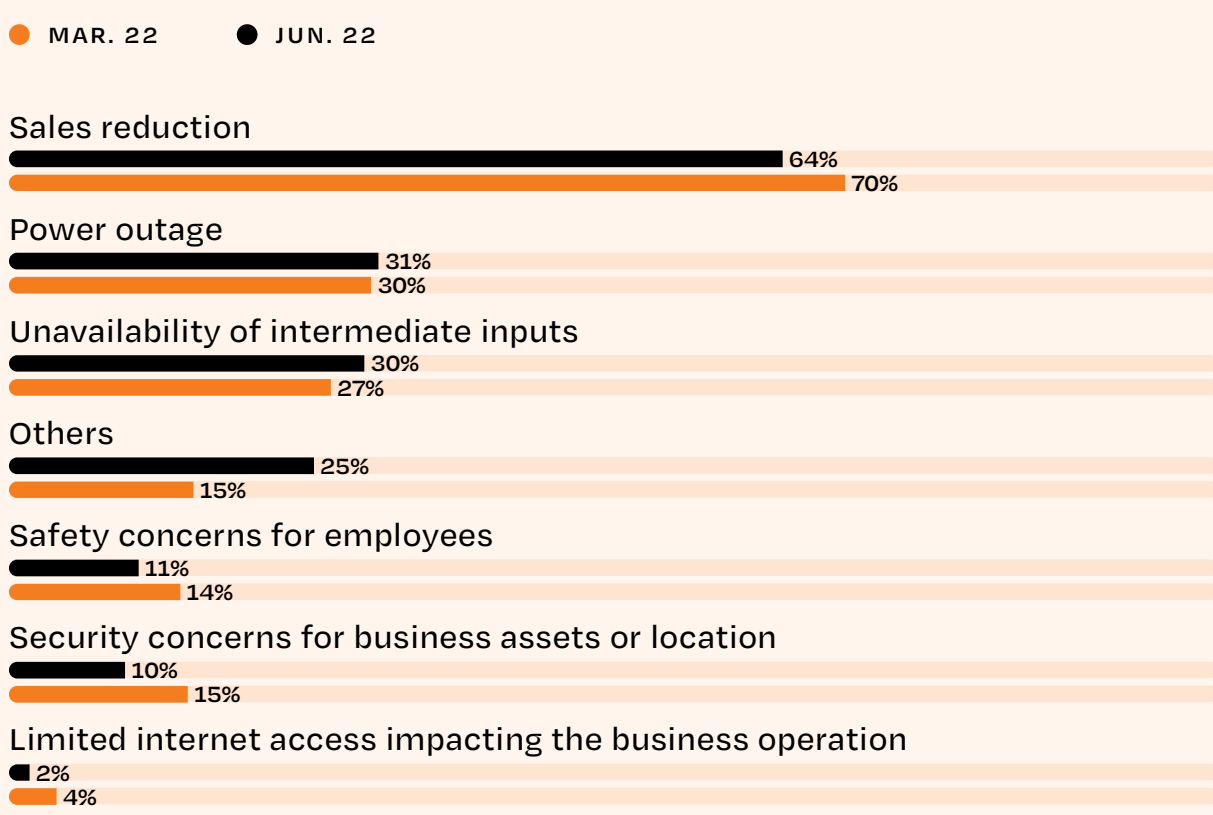
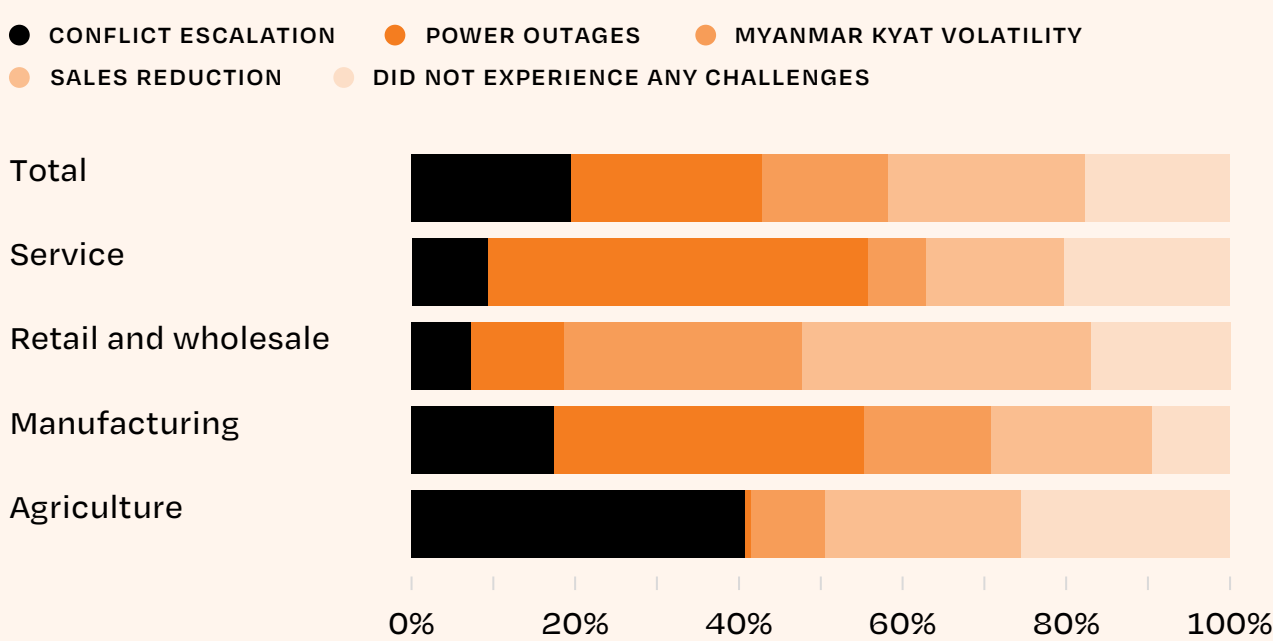
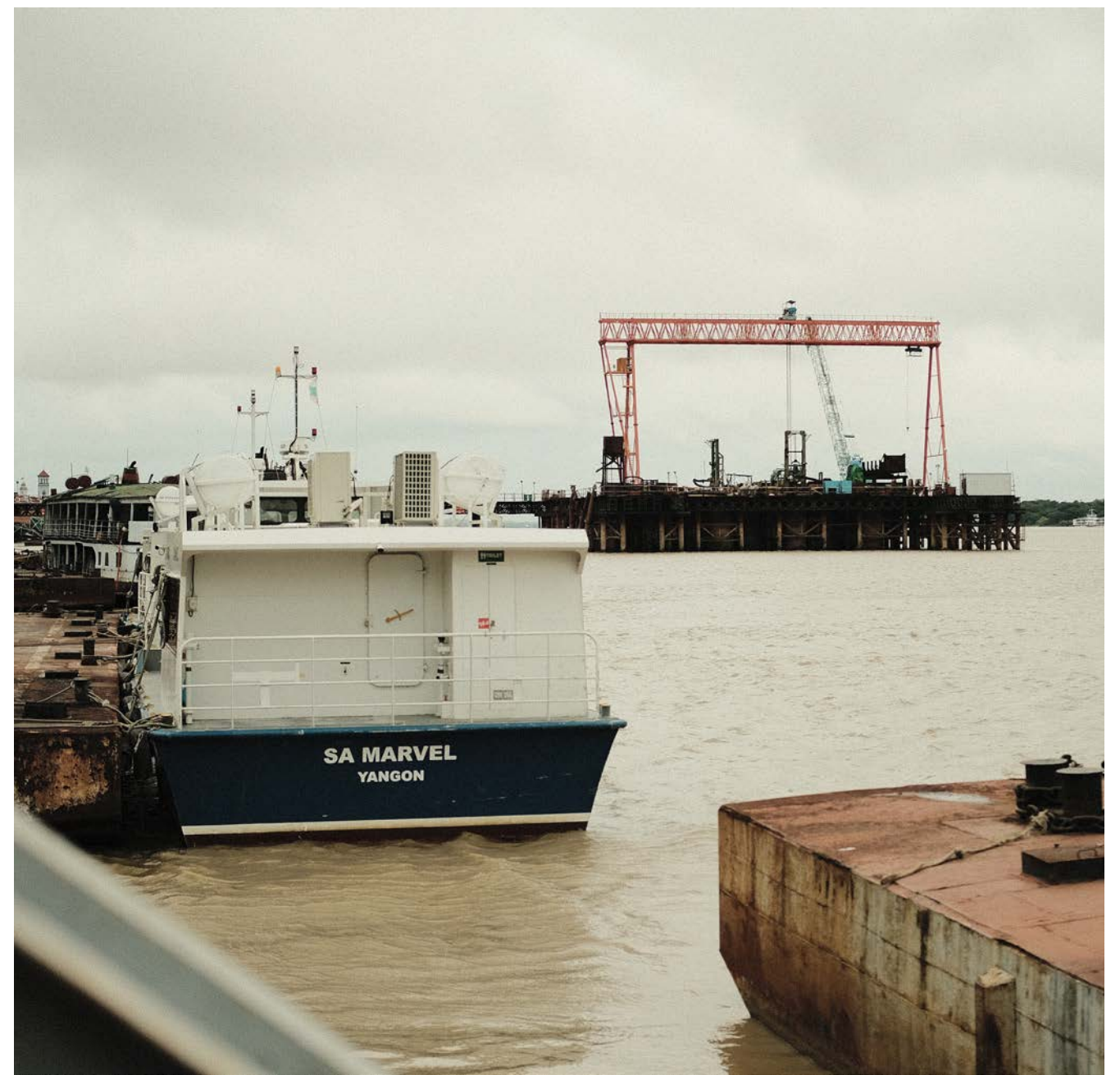


Figure 5 Share of firms reporting the biggest challenge for their operations in the last completed month



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

Source: World Bank Firm Survey (Round 12)



With continued demand & supply-side constraints, firms' operational levels modestly declined in June 2022 but remained higher than in 2021.

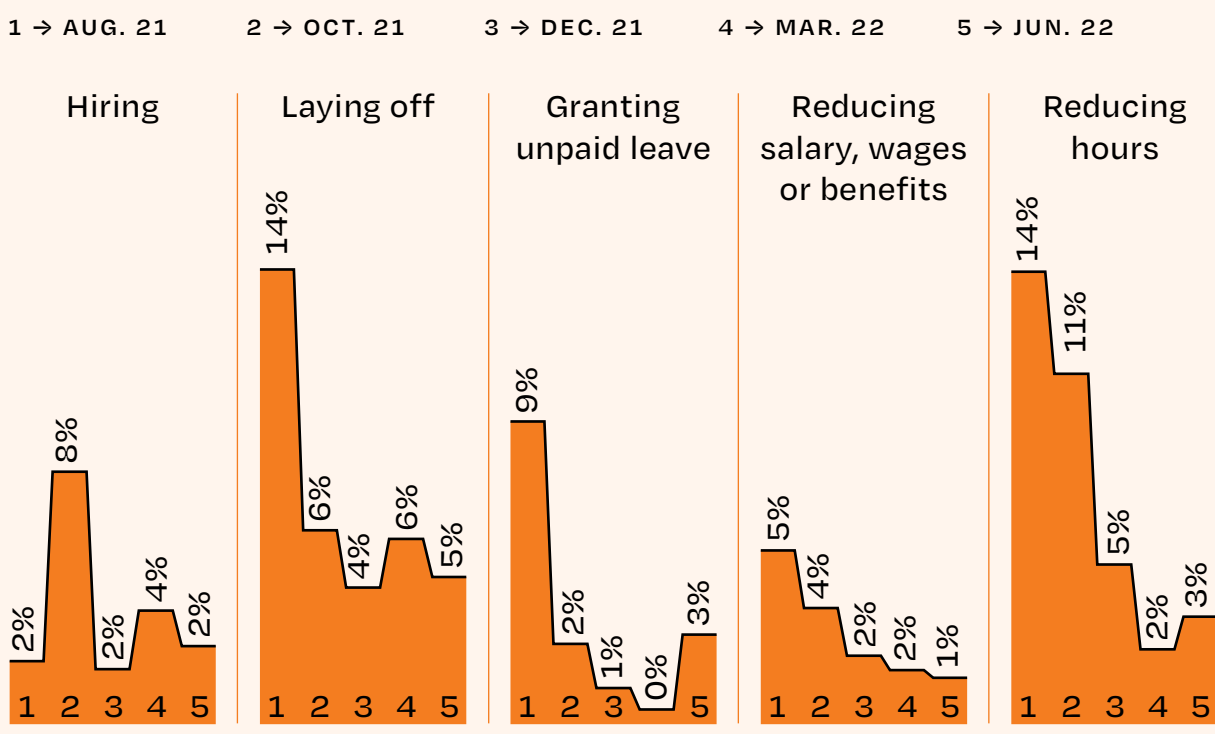
1

Firms' operational levels modestly declined (Figure 2). In June 2022, temporary closures fell to only 8 percent of firms. Despite a sowing period for monsoon rice (a major agricultural crop), agricultural firms were the primary drivers of overall temporary closures, with 20 percent reporting closures, likely impacted by increased logistics and input costs and conflict escalation. With seasonality affecting operational hours, only 33 percent of firms operated at full capacity in June 2022—12 percentage points lower than in March 2022. Consequently, the average operating capacity across all firms declined to 59 percent in June 2022, down from 66 percent in March 2022. With a relatively higher share of firms reporting temporary closures, the average operating capacity of agricultural firms was only 53 percent—the lowest compared with firms in other sectors (Figure 3). Although there was an overall decline in average operating capacity, service firms' average operating capacity continued to improve in June 2022.

Both demand and supply constraints remained for firms (Figure 4). Of the firms still unable to operate at full capacity in the last completed month, about two-thirds reported that the reduction in sales was their most significant constraint. However supply-side constraints remained important, with about one-third of firms reporting power outages and the unavailability of intermediate inputs as major challenges. Across all firms, conflict escalation, power outages, kyat volatility, and sales reduction were operational challenges in the last completed month, but there were variations across sectors (Figure 5). Conflict escalation was the biggest concern for agricultural firms, while power outages were more significant for service and manufacturing firms. Sales reduction and kyat volatility were the biggest challenges for retail and wholesale firms.

The labor market remained broadly stable in June 2022 (Figure 6). Because of seasonality, hiring activities were slightly lower, with only 2 percent of firms reporting new hires. In addition, the reported percentage of firms granting unpaid leave and reducing employee work hours picked up again. This is attributed to seasonality, as employees take more days off during this time with public holidays in April. More employees being likely to take leave and firms reducing labor hours mirror a decline in operating capacity. However, the June 2022 results indicate a modest decline in reports of layoffs and salary/wage reductions. Overall, the labor market conditions were generally stable, despite some disruptions resulting from seasonality factors.

Figure 6 Share of firms reporting labor challenges



Note: Firms were asked to report the last completed month

Figure 7 Sales impacts on firms

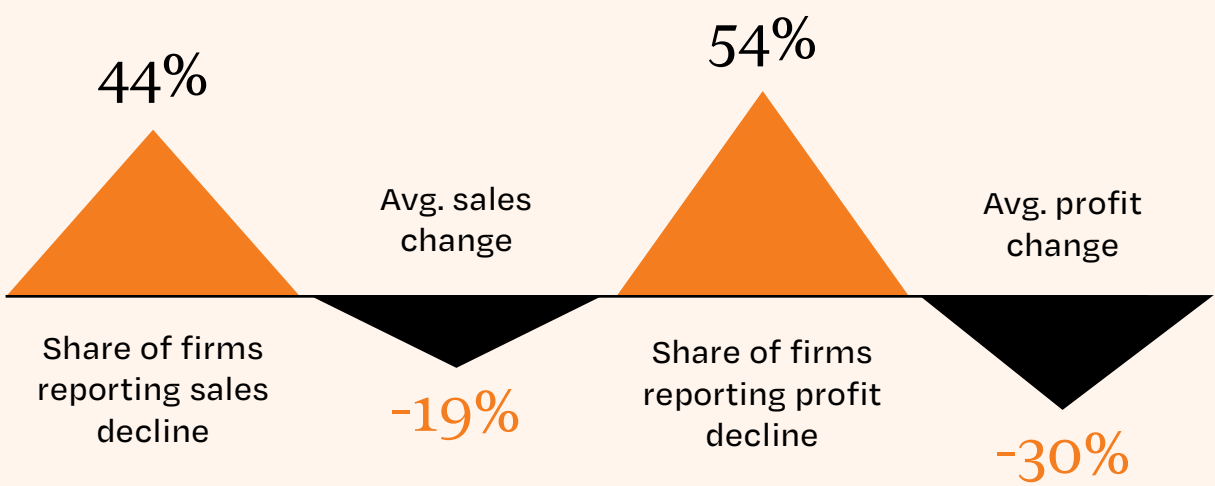
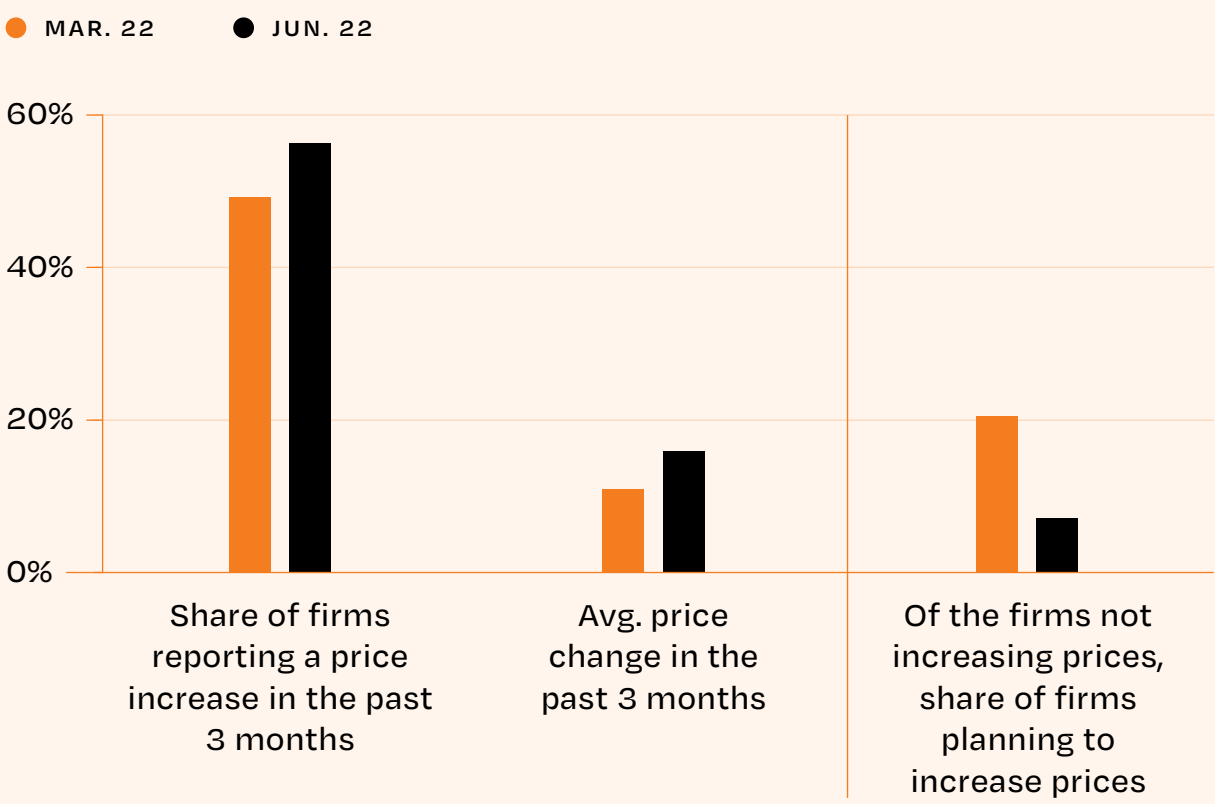
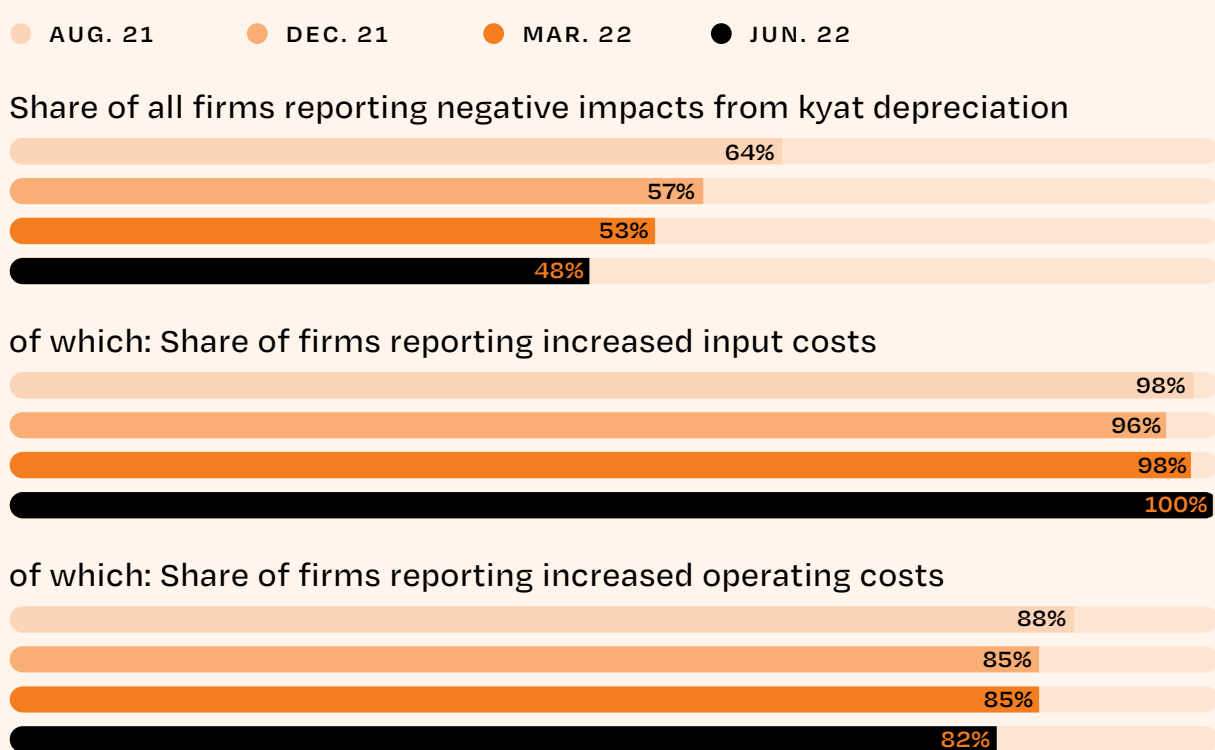


Figure 8 Share of firms reporting price impacts



Note: Firms were asked to report the last completed month

Figure 9 Share of firms reporting kyat depreciation



Source: World Bank Firm Survey (Round 12)

Sales decline, inflationary pressure & exchange-rate depreciation continued.

02

Sales and profit remained lower in June 2022 (Figure 7). With reduced operating capacity, 44 percent of firms reported lower sales in June 2022 than the same period last year. Consequently, average sales across all firms were 19 percent lower than in the same period last year. Worsening conflict, continued power outages, and foreign-exchange restrictions introduced in April 2022 all likely contributed to the sales decline. Across sectors, retail and wholesale firms suffered the most-severe sales impacts, with 66 percent of firms reporting sales declines at an average of 26 percent. Also, 54 percent of firms reported profit reductions, resulting in an average profit reduction of 30 percent. By region, a higher share of firms in Yangon reported profit reductions than in other parts of the country, at 61 percent. Firms in this region are more integrated with international trade and, therefore, more susceptible to higher imported input costs (due to higher global prices, kyat depreciation, and logistics constraints). Chin and the Dry Zone experienced the highest average profit reduction, with 34 percent, suggesting that the conflict escalation in these regions impacted firms' profitability.

Inflationary pressures continued to increase (Figure 8). In the three months to June 2022, 56 percent of firms reported an increase in prices, with their primary reason being the necessity to cover high intermediate and input prices. While only 27 percent of large firms increased prices, more than half of smaller firms did. As a result, the average price increase across all firms was 16 percent. Further increases could be expected in the near term, given increased input costs primarily due to the kyat depreciation.

Despite a modest decline, negative impacts from the kyat depreciation remained in June 2022 (Figure 9). About half of firms still experienced negative impacts of the kyat depreciation against the US dollar. Of these firms, almost all experienced increased input costs. Moreover, 82 percent of these firms also reported an increase in operational costs, with service firms being hit the hardest with increases in their operational costs reported by 92 percent. This will impact firms' decisions on their output prices and efforts to control costs, including staffing decisions.

44%

of firms reported lower sales in June 2022 than the same period last year.



Figure 10 Share of firms reporting power outages to business operations

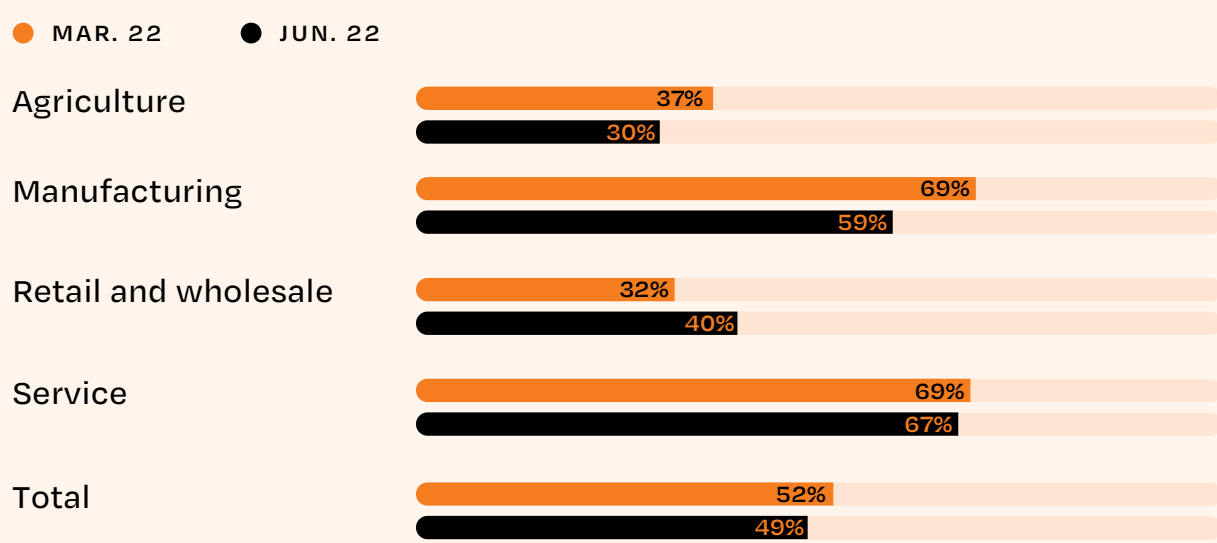


Figure 11 Share of firms reporting how they have managed power outages

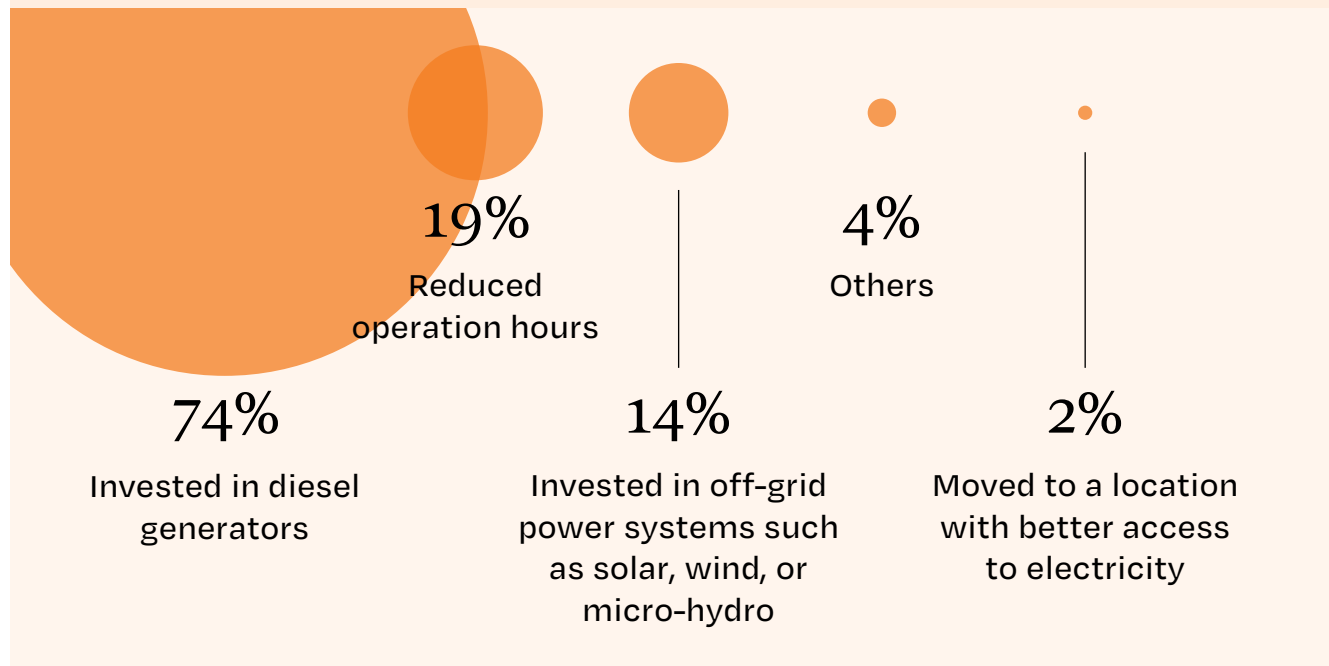
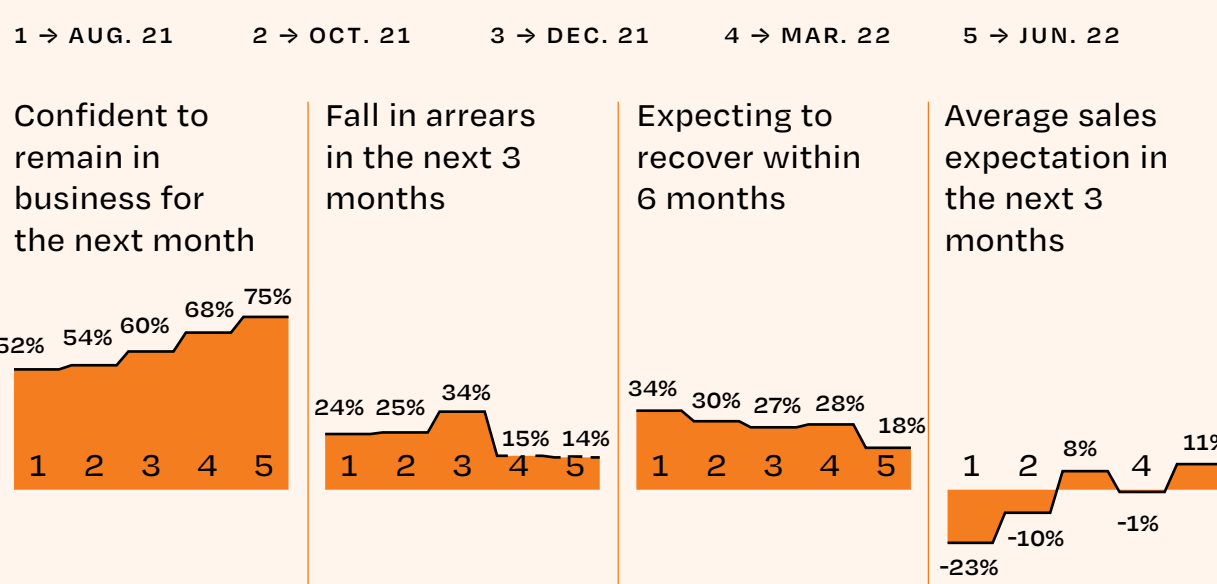


Figure 12 Firms' business expectations

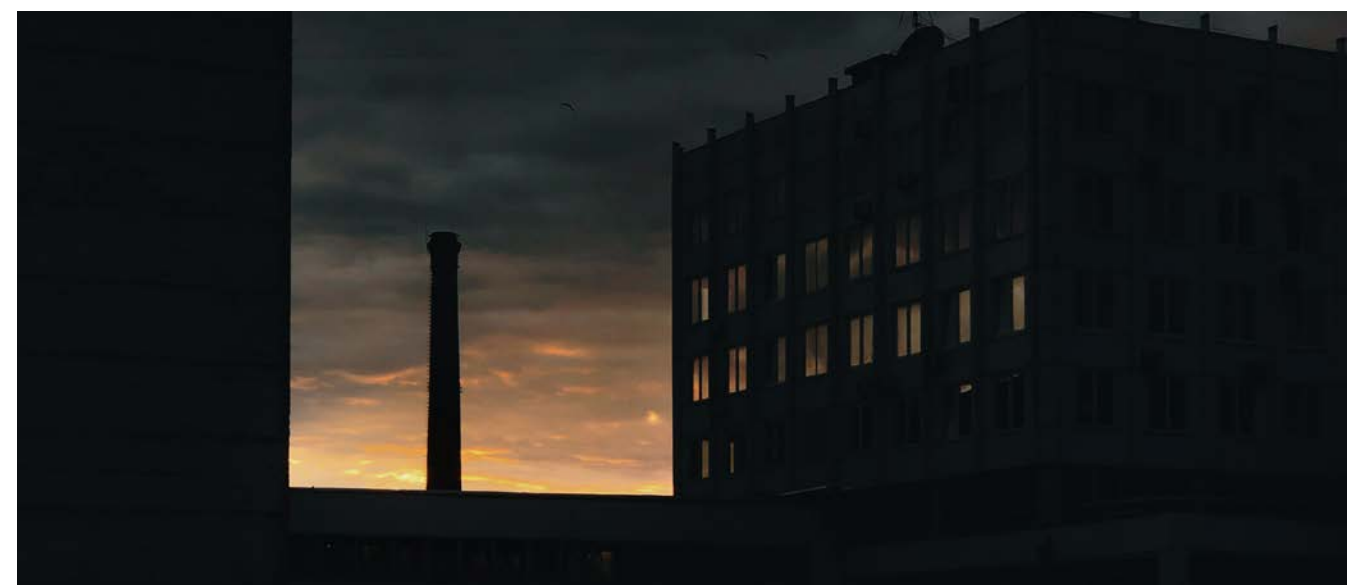


Blackouts remained a concern for firm performance & operations.

3

Power outages remained a critical issue for firms' operations (Figure 10). Half of the firms reported that these outages were disruptive to their business operations, with sectoral and regional differences. Despite a decline from March, roughly two-thirds of firms in the manufacturing and service sectors still experienced outages as disruptive to their operations. More firms in the retail and wholesale sector reported impacts as well. With their relatively lower electricity consumption, the agricultural sector remained the least affected by outages. Firms in Yangon continued to experience more-disruptive power outages than firms in other regions – reflecting a concentration of firms in the manufacturing and service sectors (which tend to consume more electricity) in Yangon.

Due to the vital role of electricity in business operations and performance, 80 percent of firms have already managed to find a solution to recurring power outages (Figure 11). However, they incurred additional costs, with 74 percent of these firms opting to invest in diesel-based generators, adding further capital and operational expenses (and increasing vulnerability to higher fuel prices). Of the firms not yet able to manage power outages, 52 percent do not have plans to address the issue.



50%

of the firms reported that power outages were disruptive to their business operations.

75%

of firms in June 2022 reported confidence about staying in business for the next month.



Business expectations remain slightly improved from rock bottom levels for the short term, but challenges persist.

4

Survey results suggest that short-term business expectations have slightly improved, but challenges persist (Figure 12). In June 2022, 75 percent of firms reported confidence about staying in business for the next month—reflecting a continued improvement since mid-2021. Also, the share of firms expecting to fall into arrears in the next three months remained lower than in 2021. Moreover, firms expected their sales to increase by 11 percent in the next three months compared to the same period last year. Despite optimistic expectations for the short term, only 18 percent of firms expect a recovery in the next six months to levels that existed before February 2021. Almost half of the surveyed firms expressed uncertainty as to whether if they can recover to their pre-February 2021 levels. This suggests that long-term uncertainty remains for firms' operations; nevertheless, they have better business expectations for the next three months. In addition, firms reported that power outages, lack of demand, conflict escalation, and kyat volatility would remain challenges for their operations in the next three months. Consistent with these findings, only 7 percent of firms reported plans to invest and expand their business in 2022—half the number in March 2022.

Figure 13 The most frequently used methods for transactions

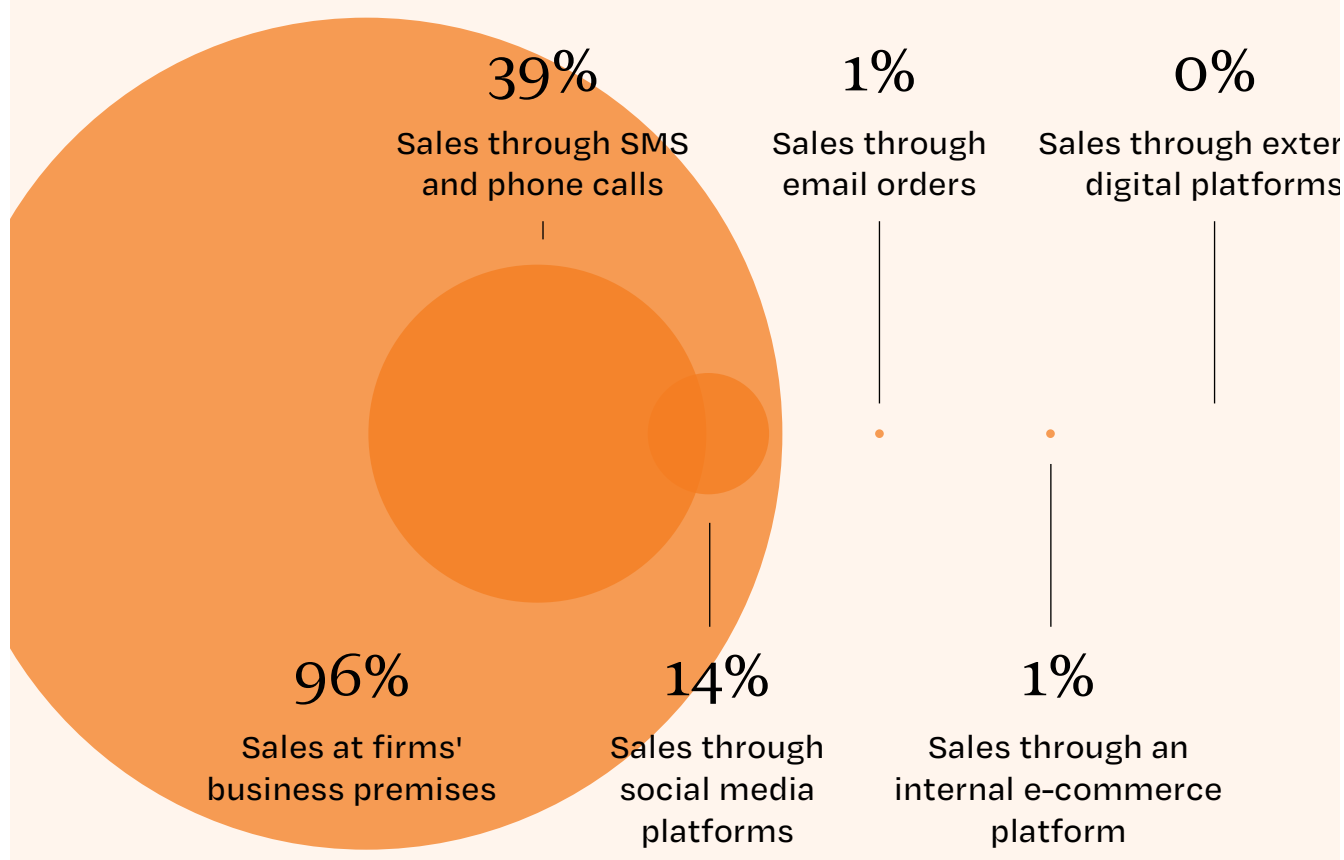
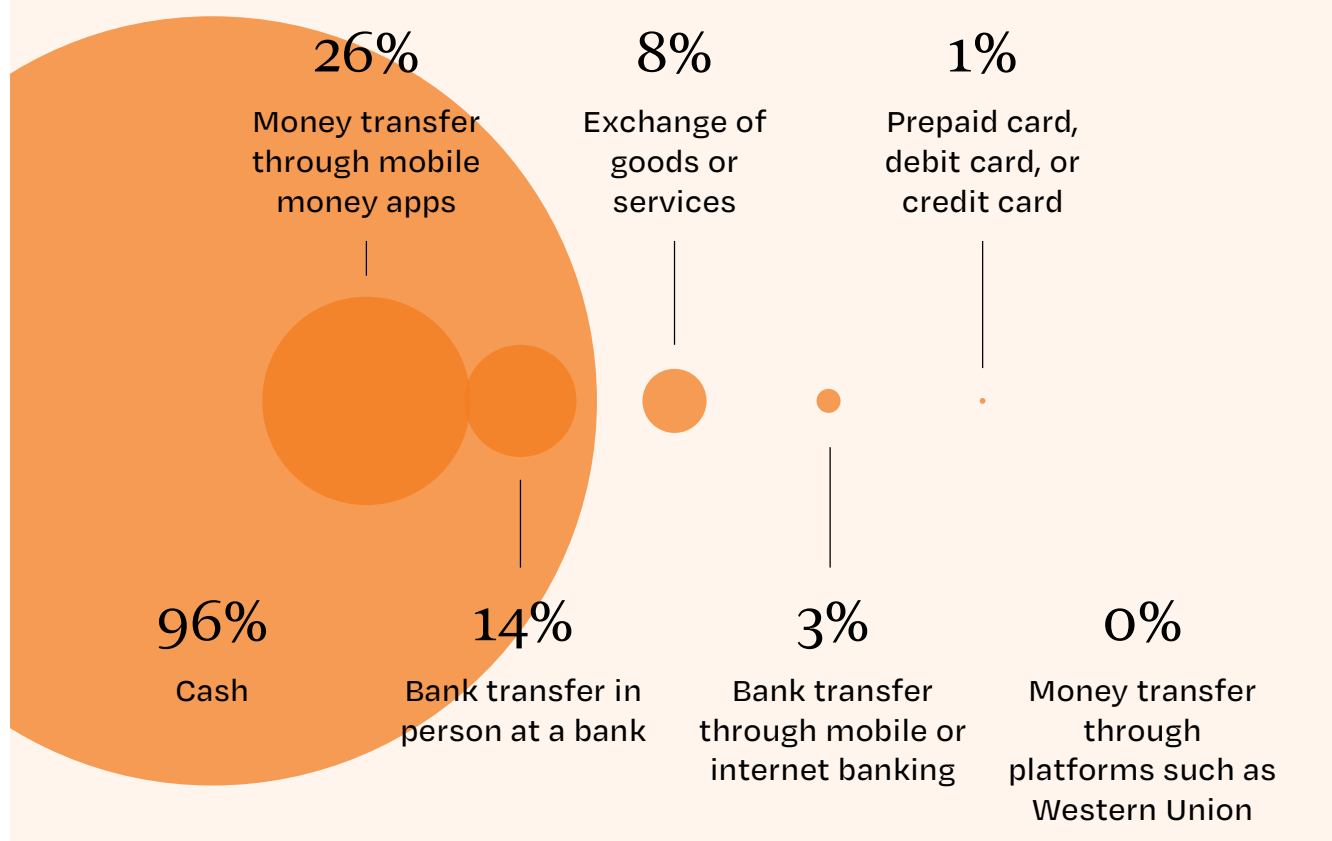


Figure 14 The most frequently used methods for sales payments



Source: World Bank Firm Survey (Round 12)

² According to DataReportal, Myanmar's mobile connections as a percentage of its total population was found to be 126% in January 2020.

³ According to DataReportal, there were 22 million social media users in Myanmar with 41 percent of social media penetration rate in January 2020.

Firms primarily relied on traditional methods for sales transactions & payments.

5

The use of digital technology for payments and transactions is quite limited. Survey results suggest that firms frequently used traditional systems such as selling at business premises, text messages (SMS), and phone calls (Figure 13). Despite Myanmar's high mobile usage rate,² only one-third of firms reported using SMS or phone calls for sales transactions. Likewise, only 14 percent of firms reported using social media platforms for sales, although roughly 40 percent of the population is on social media.³ The share of firms using other modern digital mechanisms (such as e-commerce platforms) remained negligible. Also, digital technology is still limited in sales payments, with cash being the most frequently used payment method (Figure 14). While mobile money applications have been in place for several years, only about a quarter of firms used them for transfers of sales payments. The use of other digital payment mechanisms, such as mobile banking and debit/credit cards, also remained limited. The low level of digital technology usage for sales transactions and payments suggests that most of Myanmar's firms may not have the capacity to adopt digital tools for business operations. In addition, internet disruptions or banking sector disruptions could hamper firms' attempts to embrace modern digital technology.

80%

of firms have already managed to find a solution to recurring power outages.

