



The Firm-Level Impact of the COVID-19 Pandemic

Summary of Results from Round 1
18 MAY 2020 — 03 JUNE 2020



The World Bank commissioned a firm-level survey to provide quantitative evidence of the COVID-19 pandemic. The nationally representative survey¹ included 500 firms spanning a wide range of industries and firm sizes, as well as the formal and informal sectors. The first round was completed in May, and seven subsequent rounds conducted between June and December 2020 will provide continuous in-

formation on the evolving impact of the COVID-19 pandemic.

Overall, 16 percent of firms reported temporarily closing their operations for an average of eight weeks, and representatives of closed firms estimated that an average of four weeks would be required to resume their operations. Firms in the service sector were worst hit by COVID-19, with 39 percent of respondents reporting temporary closures (Figure 1). The three most commonly reported impacts of COVID-19

were lower sales, cashflow shortages, and reduced credit access. Overall, 83 percent of firms experienced reduction in sales, 51 percent of firms experienced cash flow shortages and 29 percent of the firms experienced reduction in access to credit (Figure 2).

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.

Figure 1 Share of firms reporting temporary closures

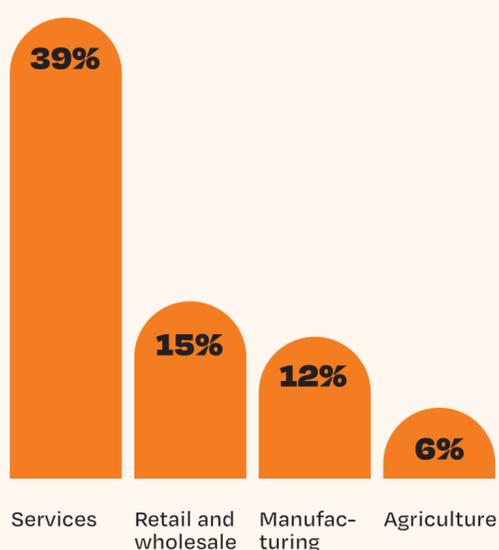
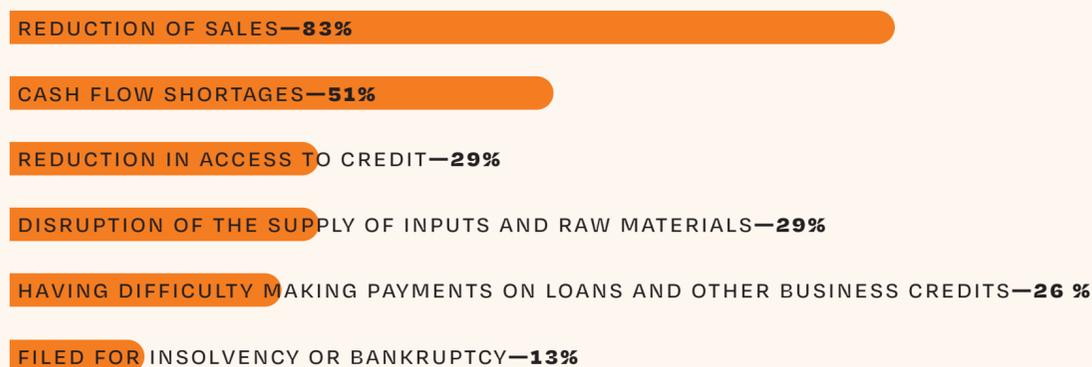


Figure 2 Effects of COVID-19 on firm operations



Agriculture firms were the most likely to report cashflow shortages and diminished access to credit, reflecting their greater vulnerability to economic crises. Cashflow shortages affected one-half of firms across the country, but this share rose to two-thirds among agriculture firms (Figure 3). In addition, 42 percent of agriculture firms experienced a reduction in access to credit, versus 29 percent of all firms, due to their financial insecurity, frequent informality, and general lack of access to finance compared to firms in other sectors. On gender-imbalances, female-owned firms were more likely to report diminished sales (86 percent), cashflow shortages (52 percent), and reduced access to credit (32 percent) than their male-owned counterparts (Figure 4). This pattern reflects underlying challenges facing female entrepreneurs in Myanmar, and it underscores the importance of crafting COVID-19 response programs that effectively reach vulnerable firms, including female-owned firms and SMEs, which face especially severe challenges during economic crises.

Among the firms experiencing cashflow shortages, loans from friends and family was the principal mechanism to deal with operational cashflow shortages. Some 60 percent of firms reported loans from friends and family as the major mechanism for mitigating operational cash shortages (Figure 5). Firms' profits are down 69 percent compared to the same quarter last year and the average decline in profits was

55 percent (Figure 6). It is projected that 36 percent of firms expect to fall into arrears in the next three months, with over half of those working in agriculture (Figure 7).

Most firms were not able to adapt operations to the 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 impacts - with 36 percent of firms reporting introducing this measure (Figure 8). Most firms continue their conventional production or services delivery model as only 26 percent of firms reported a partial or complete change to existing operating models. Only 19 percent of firms adopted digital platforms or online systems to perform business functions, and a mere 6 percent embraced remote-work arrangements. Agriculture and micro-sized firms were the least likely to report adopting new mechanisms to cope with COVID-19.

More than half of the firms were aware of economic support programs offered by local and national governments, but most had not applied for government support. While 60 percent of firms were aware of programs designed to mitigate the impact of COVID-19 on firms, only 9 percent of firms reported applying for public support. Most firms suggested that access to loans and credit guarantees, tax deferrals, or tax relief were the most urgently needed forms of government support (Figure 9).

Figure 3 Most commonly reported impacts of COVID-19 by sector



Figure 4 Most commonly reported impacts of Covid-19 by Female Ownership

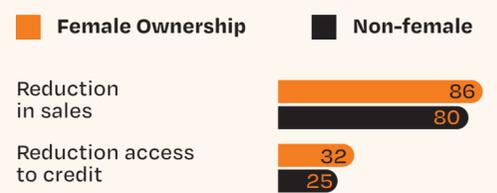
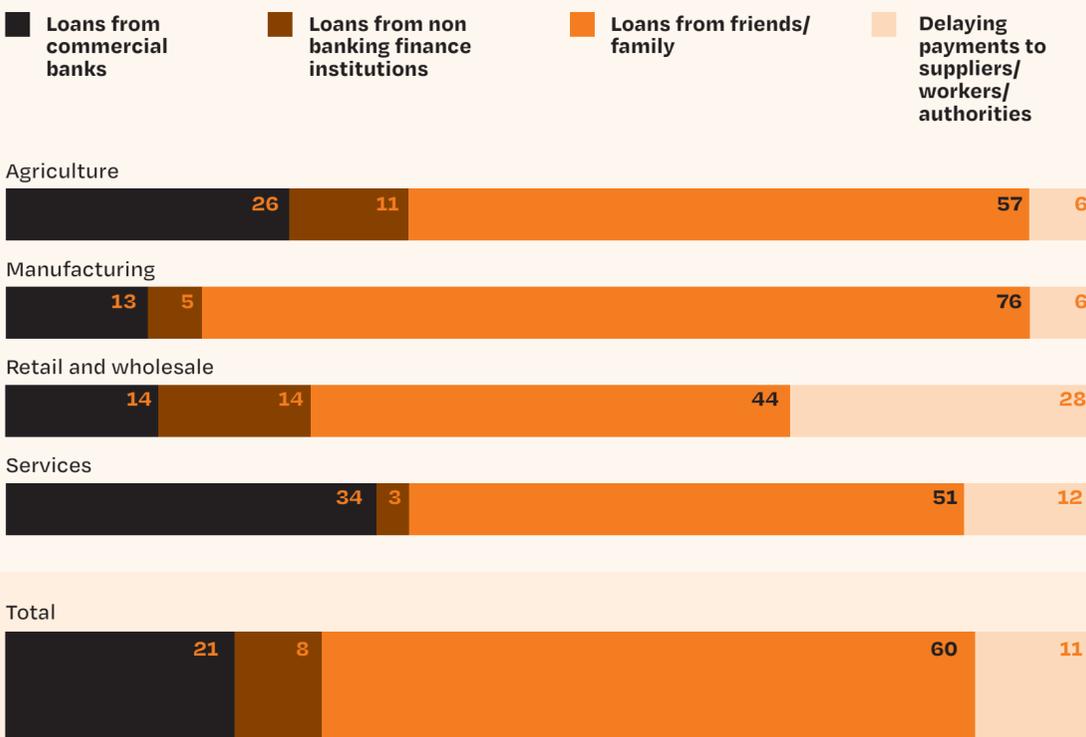


Figure 5 Most commonly reported impacts of COVID-19 by sector



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

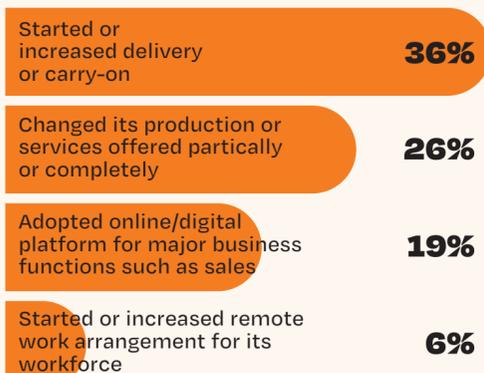
Figure 6 Firms who saw a reduction in profits compared to last year



Figure 7 Firms who believed they would go into arrears in 3 months by sector



Figure 8 Most common ways firms have adapted to COVID-19



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

Figure 9 Most urgent government policy response



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