

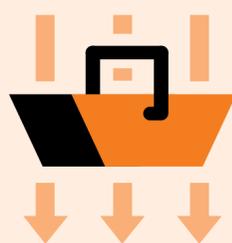


The Firm –Level Impact of the COVID-19 Pandemic

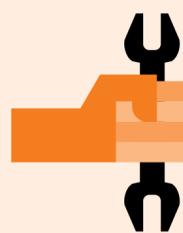
Summary of Results from Round 4
11 SEPTEMBER – 1 OCTOBER 2020



The economic impact of the second wave of cases and stay-at-home orders on firms appears worse than the first wave



Reduction in sales remains the number one concern of firms



Large and service sector firms report escalation in adverse impacts from COVID-19



Firms report less confidence in remaining open for business and are not well-prepared to withstand a second wave

The economic impact of the second wave of the COVID-19 pandemic has been significantly more severe on businesses than the first wave, according to the World Bank's firm-level survey. The latest survey, the fourth in a series of eight surveys planned, was administered between September 11 2020 and October 1 2020 and covered a nationally representative sample of 500 firms (Box 1). The fourth round of the survey overlaps with the beginning of the second-wave of COVID-19 cases and re-introduction of stay-at-home orders that started initially in Rakhine in late August and then in Yangon in early September. Firms are not well-prepared to withstand the second wave. In relation to firms' preparedness for the second wave of COVID-19 transmissions in Myanmar, firms across all sectors (66 percent) reported that they were not ready, and agricultural, micro, and smaller firms were found to be the least prepared (73, 68, and 64 percent, respectively). The survey found that, on average, 83 percent of firms in Myanmar reported negative impacts, an increase from the 75 percent reported in August. Firms of all sizes experienced a rise in temporary closures in September as the government imposed a stay-at-home order for all businesses, except essential ones, in Yangon on 24 September to limit the acceleration in COVID-19 cases. As compared to August, all sectors except those in agriculture, saw a rise in firms temporarily closing (Figure 1). Notably, medium and large firms went from nearly eliminating temporary closures during July and August¹ to experiencing a drastic rise in temporary closures in September: an increase of 32 percentage points for medium firms and 47 percentage points for large firms. Across regions, Yangon, with most cases and the strictest stay-at-home orders, experienced the greatest increase in temporary closures between August and September (a 36 percentage point increase). Chin and Dry Zone, as well Mandalay, experienced smaller increases in temporary closures (about 6 to 8 percentage point increases, respectively). The lowest increase and share of temporary closures were reported by firms in the Hilly Zone, from 7 percent in August to 9 percent of firms in September. Relative to the first set of lockdown measures introduced to prevent the spread of COVID-19 in March, all regions, except Mandalay and Delta and Coastal Lowland, saw a greater share of temporary firm

FIGURE 1 PERCENTAGE OF FIRMS REPORTING TEMPORARY CLOSURES – BY SECTOR

After nearly fully opening up in August, firms increased their temporary closures

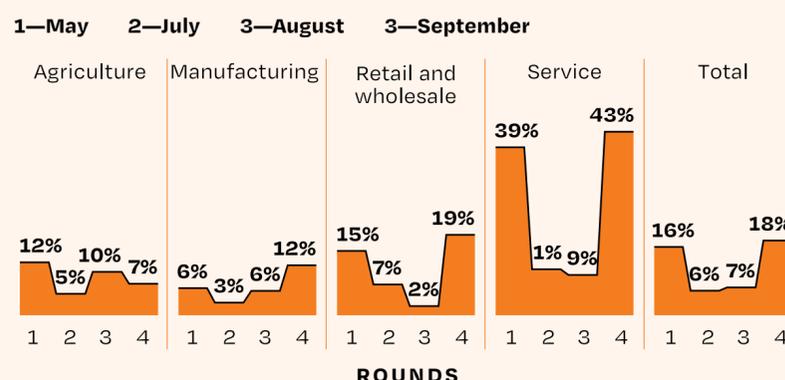
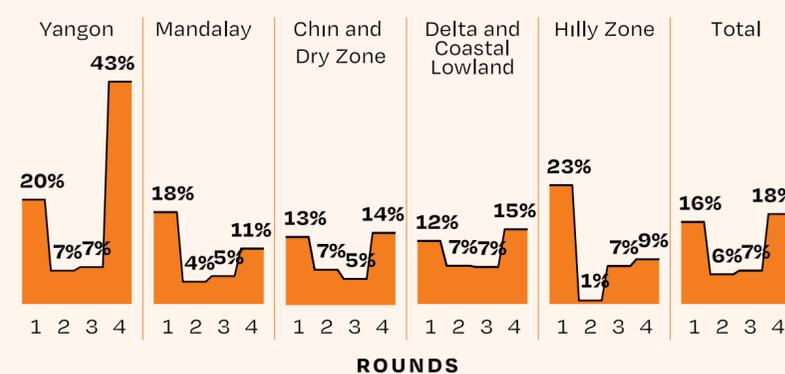


FIGURE 2 SHARE OF FIRMS REPORTED TO BE CLOSED-BY GEOGRAPHICAL AREA

Firm closures were greatest in Yangon



1 Less than five percent of medium-sized firms and less than one percent of large firms saw temporary closures in July and August.

2 The survey was nationally representative and included firms from a wide range of sectors. Whereas firm-level sur-

veys 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. Round 4 data was

collected from September 11 to 1 October 2020.

3 The round 4 data includes 401 of the same firms that were surveyed in round 3. The remaining firms have been substituted due to attrition reasons.

closures during the second wave (Figure 2).

Reduction in sales remains the number one concern of the firms. The share of firms reporting a reduction in sales was 93 percent in September, a 12 percentage points increase from August. Reductions in sales is the number one concern of micro, small, and medium firms, whereas this is less of a concern for large firms (a decline of 17 percentage points relative to August). While cash flow shortages persist as the second most pressing issue affecting and reported by 34 percent of firms in September, this represents a minor improvement relative to the 38 percent of firms reporting the same in August.

Issues related to capital, however, appears to be a growing problem for a greater share of firms in September, as more report filing for insolvency and bankruptcy (6 percentage point increase), laying off workers (4 percentage point increase) and experiencing difficulties with making payments on loans and credit facilities (8 percentage point increase) since August (Figure 4). On gender differences, the most significant disparity between male- and female-owned firms related to cash-flow, where 41 percent of female-owned firms reported cash-flow shortages compared to 28 percent of their male-owned counterparts (Figure 5).

Large and service sector firms reported significant escalation in adverse impacts from COVID-19 in September. In September, half of surveyed firms in agriculture and about a third of retail and wholesale firms reported the likelihood of falling into arrears within the next three months. This marks a deterioration from August when this prevalence of this concern had more than halved for larger firms (from 56 to 22 percent). Large and services firms reported the lowest degree of confidence in remaining open the following month, with this figure rising by 15 and 9 percentage points from August to September, respectively. Proportionally, large firms were also more likely to report reductions in access to credit (increase of 21 percentage points) relative to firms of other sizes. Compared to other sectors, agricultural firms were observed to disproportionately experience reductions in access to credit, possibly linked to their higher rates of informality becoming a factor in accessing credit during the second-wave of cases (from 19 percent in August to 31 percent in August) (Figure 6 and Figure 7).

With the onset of the second wave, firms reported less confidence that they will remain open for business. Firms in September expressed less confidence regarding their likelihood of remaining operational in one month, compared to August. This lack of confidence is more pronounced in agriculture and services, where, since August, firm confidence has fallen by 22 and 18 percentage points, respectively (Figure 8). Further, apart from those in manufacturing, firms of all sectors and sizes reported lower expectations of recovery with 58 percent of firms reporting such expectations in September as compared to 67 percent in August (Figure 9). While firm optimism around recovery rose in August, this

BOX 1 WORLD BANK'S COVID-19 BUSINESS PULSE SURVEYS IN MYANMAR

The World Bank has been undertaking firm-level surveys in Myanmar to understand the impact of the COVID-19 pandemic. Four rounds of nationally representative surveys have been administered in May, July, August and September of this year. The fourth-round survey includes responses from 500 firms spanning a wide range of industries and firm sizes, as well as the formal and informal sectors. Out of those 500 firms, 401 firms were also surveyed in the third-round. This note provides a snapshot of how the business operation of these firms have changed since the onset of the pandemic.

FIGURE 3 CASES ROSE EXPONENTIALLY BETWEEN ROUNDS 3 AND 4 OF THE SURVEY

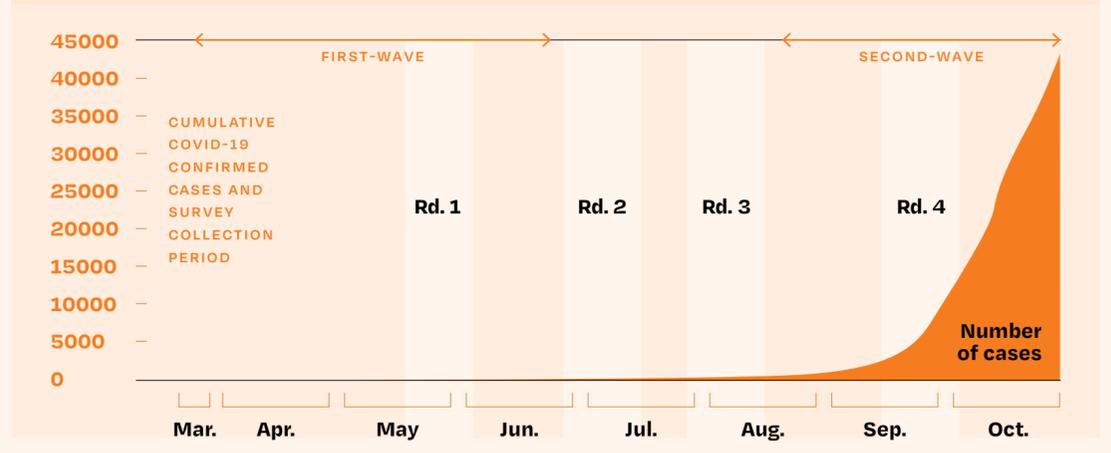


FIGURE 4 OPERATIONAL IMPACT OF COVID-19 ON FIRMS

Reduction in sales remained the top issue for firms



FIGURE 5 OPERATIONAL IMPACT OF COVID-19 ON FIRMS - BY GENDER OWNERSHIP - SEPTEMBER 2020

Female-owned businesses reported greater cash flow shortages

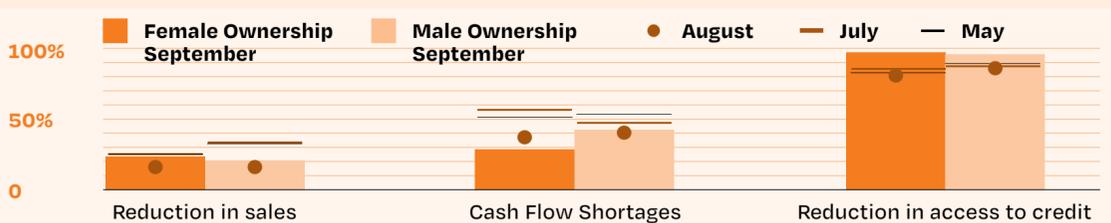
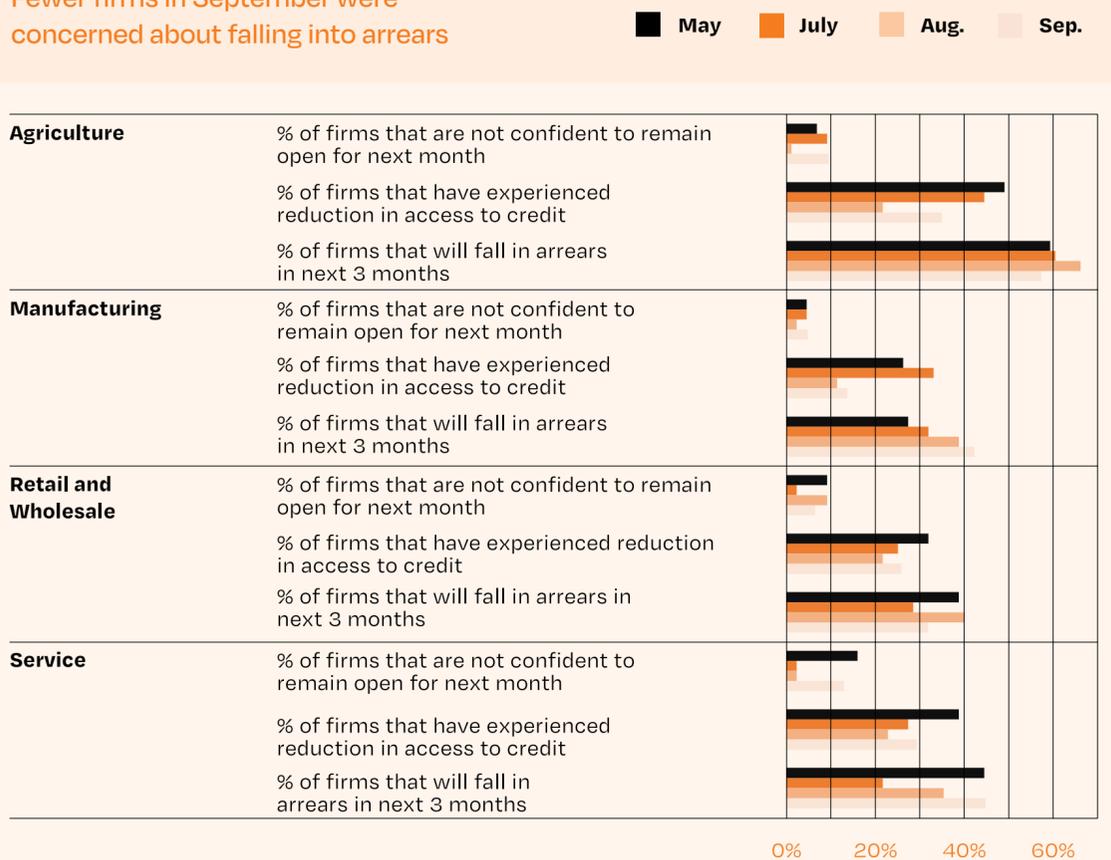


FIGURE 6 COVID-19 IMPACT - BY SECTOR

Fewer firms in September were concerned about falling into arrears



trend was reversed by September, following the second wave of COVID-19 and associated stay-at-home orders in Myanmar.

There appears to be a decline in firm awareness of government support programs in September relative to August. While more than half of firms are aware of government support for COVID-19, this share dropped from 61 percent of firms in August to 54 percent by September (Figure 10). This decline may be a result of ambiguities of continued or new support programs in the second wave of the pandemic. As with previous months, a large proportion (45 percent) of firms in September reported that their priority need for government intervention is access to loans or credit guarantees. Across firm size, all types of firms experienced a slight decrease in adaptation except for small size firms. Seventy-one percent of firms were satisfied with government policies, support and measures in relation to the pandemic and more than half (54 percent) believe that the government has led a good balanced response. However, the level of satisfaction with the government's support is lower than average among large firms (34 percent) (Figure 11).

Small number of firms were able to prepare for the impacts of the second wave. Of the preparedness measures adopted by firms, 18 percent reported implementing policies or enforcing social distancing and other safety measures at the workplace, 15 percent secured materials through its supply chain to continue operations, 4 percent of firms both rotated employees for shift-work and separately, secured additional finances to mitigate bankruptcy risk, and 1 percent invested in IT and related remote work equipment (Figure 12). As firms prepare for the rise in COVID-19 cases, most firms reported preferring restrictions on travel (69 percent), the size of gatherings (57 percent) and the enforcement of late-night curfews (47 percent) to measures such as forced reduction in business operating hours (Figure 13).

As confirmed infection rates rose between August and September, more firms in Myanmar reported restrictions as a concern. When asked about second wave restrictions, 39 percent of firms reported they are 'very concerned', with most concern noted among service (45 percent) and medium-sized firms (43 percent). Declining sales continue to be the area of business most impacted by the second wave, reported by 56 percent of firms. Firms in Hilly Zone reported the highest concern over sales decline (77 percent) while firms in Yangon expressed the greatest concern (46 percent) over temporary business closures Figure 14. More than half of the firms in the services sector are likely to temporarily close their businesses, while agricultural firms reported being the least likely to temporarily close. While sales decline reportedly has major impacts for smaller firms, temporary business closures are likely to have the greatest material impact on larger firms.

Firms' coping mechanisms to COVID-19 have remained similar between August and September. By September, more firms (5 percentage points higher) have increased

FIGURE 7 COVID-19 IMPACT - BY SIZE

Agricultural firms disproportionately experienced reductions in access to credit

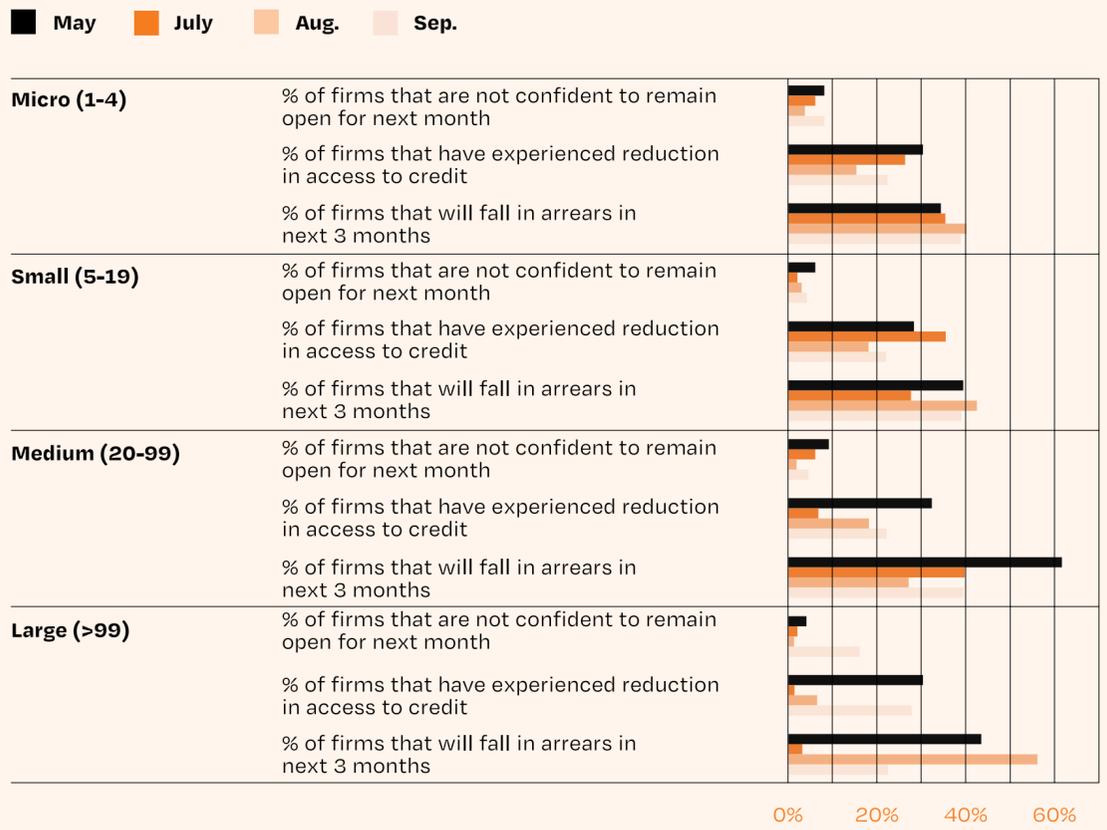


FIGURE 8 SHARE OF FIRMS REPORTING LESS CONFIDENCE THAT THEY CAN REMAIN OPEN BY THE NEXT MONTH - BY SECTOR

As COVID-19 persists firms report less confidence in remaining open

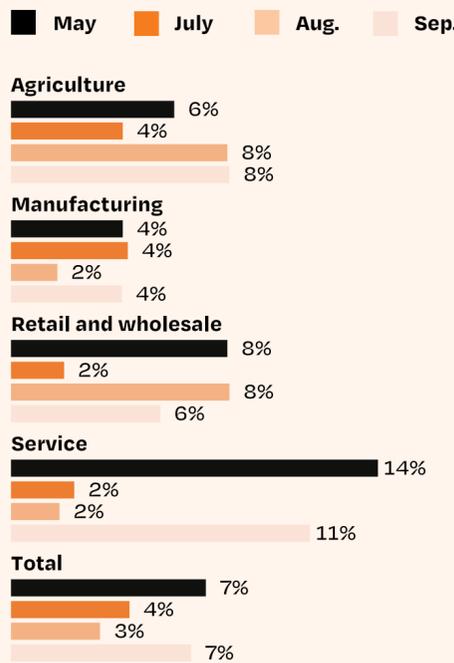


FIGURE 9 SHARE OF FIRMS EXPECTING THAT THEY WILL RECOVER FROM COVID-19 - BY SECTOR

Compared to the first wave, fewer firms expect to recover

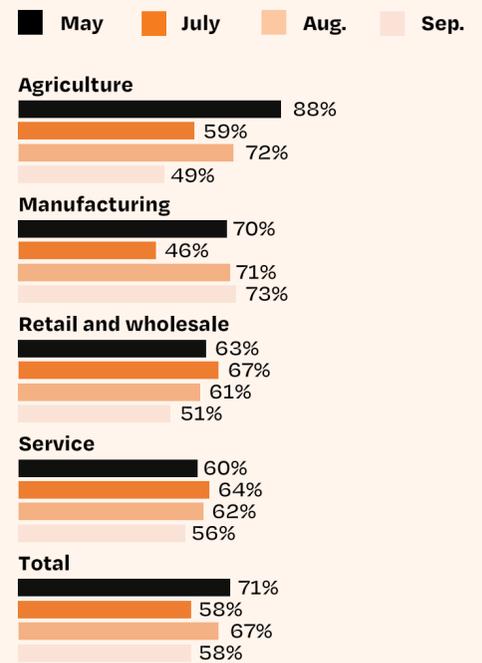


FIGURE 10 SHARE OF FIRMS AWARE OF GOVERNMENT SUPPORT - BY SIZE

More than half of firms are aware of government support

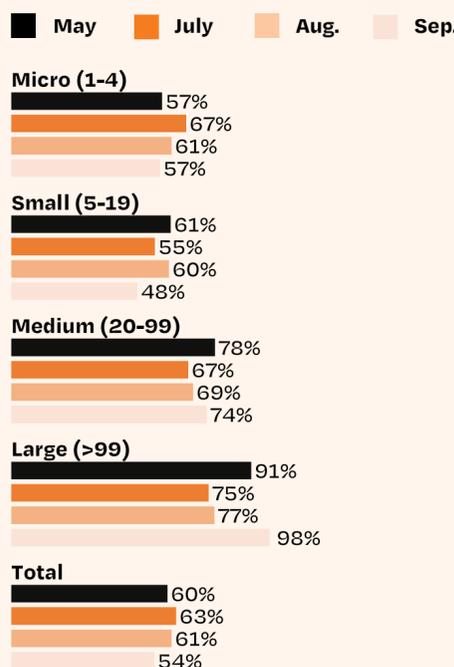
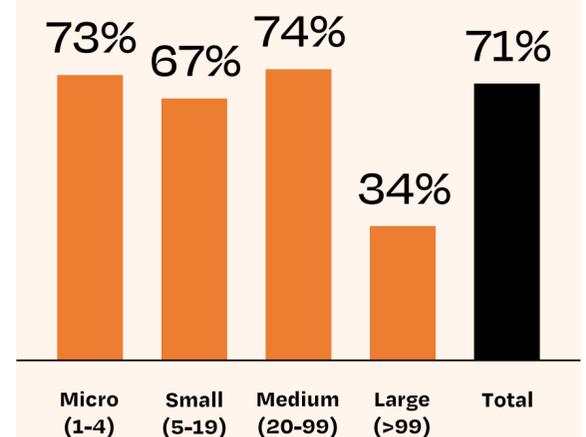


FIGURE 11 SHARE OF FIRMS SATISFIED WITH THE GOVERNMENT'S HANDLING OF COVID-19 - BY SIZE

All but large firms are satisfied with the government's handling of COVID-19



or commenced remote work. Digital adaptation is growing but remains underdeveloped: 28 percent of firms responded that they do not have any challenges with selling goods or services online. Nearly one in five firms reported that their greatest challenge firms face is the lack of IT capacity and technological skills.

While overall online and digital platform adaptation for major business functions were lower in September, adaptation rates among the manufacturing and retail and wholesale firms slightly increased. Agricultural and micro firms, however, were less likely to rely on digital platforms to combat the restrictions. However, the adaptation of agricultural and micro firms continues to be much improved since May (12 and 17 percentage point increases respectively).

With the second wave, firms are also reporting increases in their adoption of customer and employee safety measures. The top safety provision by firms directed at customers and employees remains (in this order): the provision of hand sanitizers and cleaning supplies (up 17 percentage points), ensuring the wearing of masks (increased about 20 percentage points) and social distancing (around 80 percent of surveyed firms). Interestingly, more than half of firms reported disinfecting workplaces for customer safety reasons while 69 percent stated doing so as an employee safety measure (Figure 15 and Figure 16)



FIGURE 14 SHARE OF FIRMS REPORTING SALES DECLINES AND TEMPORARY CLOSURES AS MAJOR CONCERNS FROM SECOND WAVE – BY GEOGRAPHICAL REGION

Firms in Yangon reported greatest concerns for temporary closures as an impact of the second wave



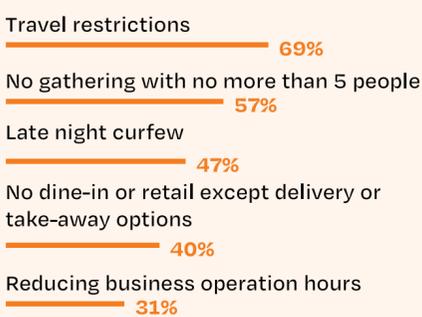
FIGURE 12 FIRMS PREPARED FOR THE SECOND WAVE WITH SOCIAL DISTANCING AND SAFETY MEASURES

Preparedness measures adopted by firms



FIGURE 13 MOST FIRMS PREFER THAT TRAVEL RESTRICTIONS BE REINSTATED

Firms' support of Government COVID-19 mitigation strategies



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

FIGURE 15 ADOPTED CUSTOMER SAFETY MEASURES BY REPORTED FIRMS

Firms improved customer safety in September



FIGURE 16 FIRMS IMPROVE SAFETY MEASURES FOR THEIR EMPLOYEES IN SEPTEMBER

Adopted employee safety measures by reported firms

