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

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Challenges faced *by* firms *in* 2021

ROUND 7 RESULTS

High-level Findings

76%

of firms reported more severe impacts in the aftermath of the February coup than what they experienced in 2020 due to COVID-19

63%

Although temporary closures were slightly lower than in December 2020, firms reported operating at only 63 percent of their full capacity on average in June 2021

57%

Only around half of all firms reported being confident that they would remain in business in the next month, and only a quarter believed they could recover to pre-February levels by the end of 2021

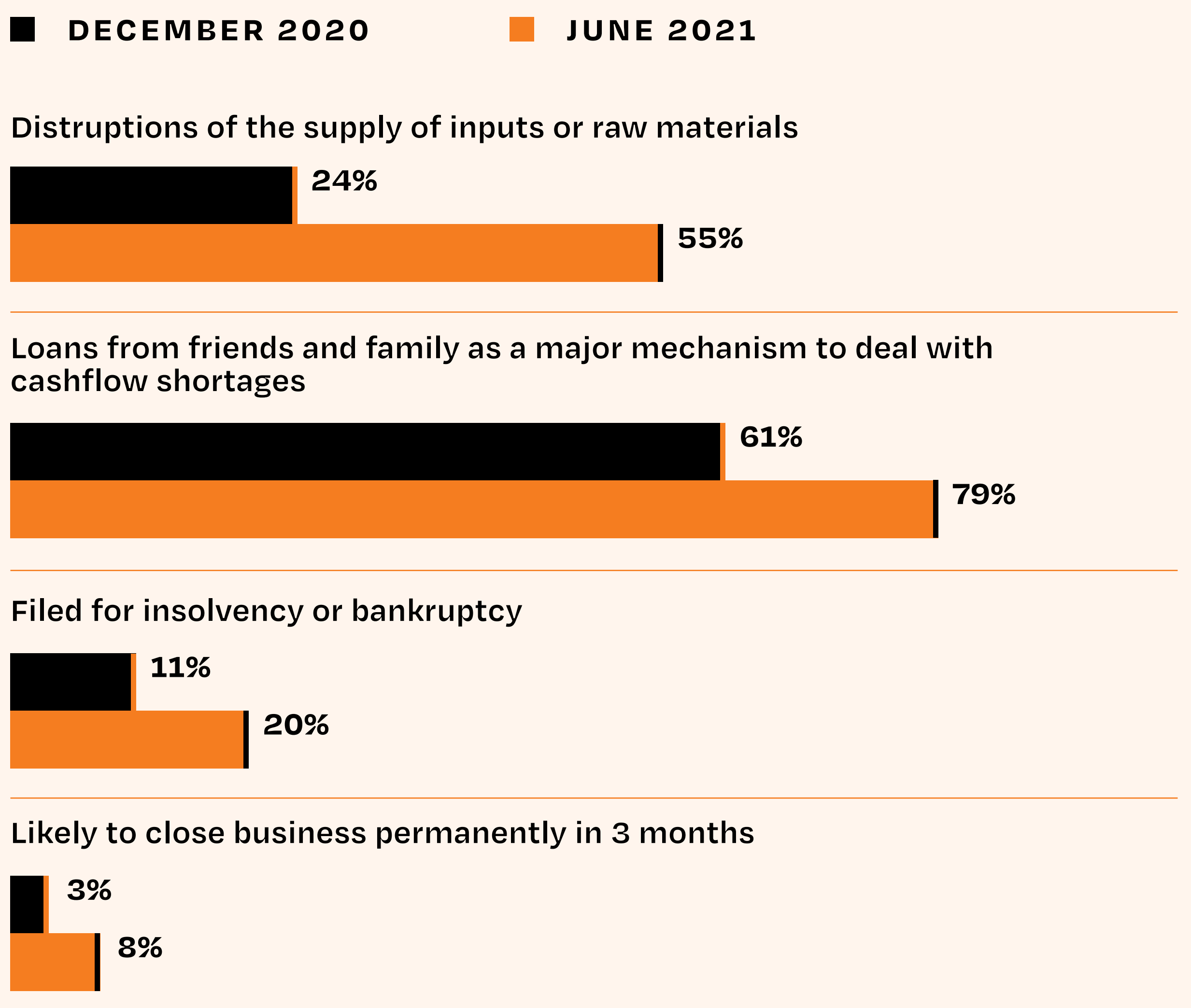
Lack of internet access has reportedly become a major challenge for firms since February 2021

Survey results indicate that the impact of the coup was worse than that of COVID-19 last year, exposing firms to a range of operational challenges and weakening their performance

Results from the Myanmar COVID-19 Monitoring Platform (firm survey round 7) indicate that firms' operations have been disrupted in the aftermath of the February 2021 coup (Figure 1). Supply chain disruptions have become a pressing issue for firms in the coup aftermath. In June 2021, the share of firms reporting disruptions to the supply of inputs or raw materials was 55 percent, more than 2 times higher than that reported in December 2020. Among firms experiencing cashflow issues, loans from friends and family as a major mechanism to deal with cashflow shortages increased from 61 percent in December 2020 to 79 percent in June 2021. This suggests that banking disruptions have further limited firms' access to formal financial channels, causing firms to seek financial access more through informal channels. Moreover, the number of firms that filed for insolvency or bankruptcy increased from 11 percent in December 2020 to 20 percent in June 2021. Operational challenges have deteriorated firms' expectations as an increasing number of firms reported that they were likely to close business permanently in the next 3 months.

Note The latest survey was administered between June 1, 2020 and June 18, 2020 and covered a nationally representative sample of 500 firms. The figures show the results of Round 6 (December 2020) and Round 7 (June 2021).

FIGURE 1 SHARE OF FIRMS REPORTING DISRUPTIONS OF THE SUPPLY OF INPUTS OR RAW MATERIALS, LOANS FROM FRIENDS AND FAMILY AS A MAJOR MECHANISM, FILED FOR INSOLVENCY OR BANKRUPTCY, AND LIKELY TO CLOSE BUSINESS PERMANENTLY IN 3 MONTHS



Note: Questions are designed slightly differently for December 2020 and June 2021. For December 2020, firms were asked to report how they had been impacted since the beginning of COVID-19 and while for June 2021, firms reported how they had been impacted since February 2021.

Source: The World Bank's COVID-19 firm survey round 7.

FIGURE 2 SHARE OF FIRMS REPORTING TEMPORARY CLOSURES – BY REGION

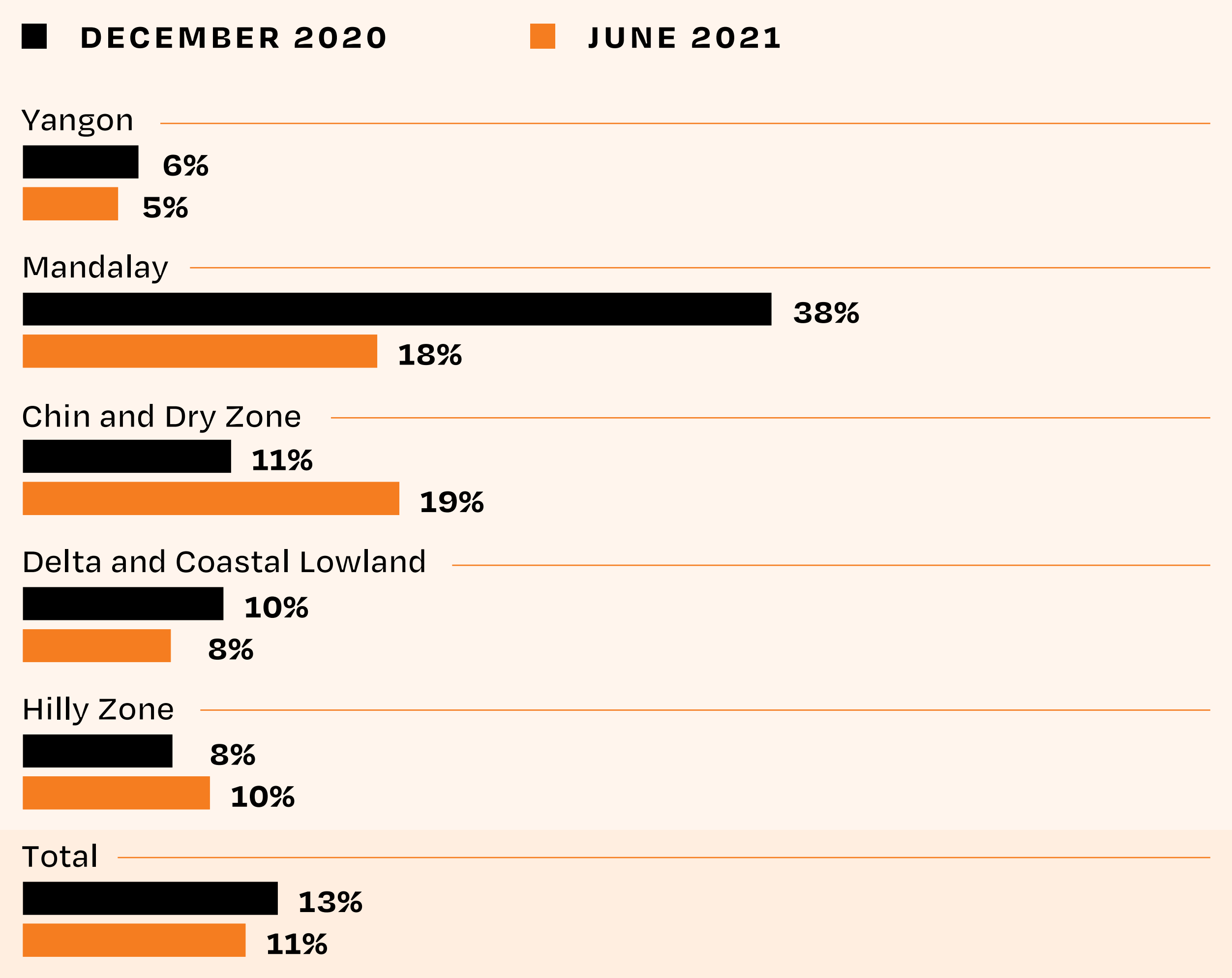
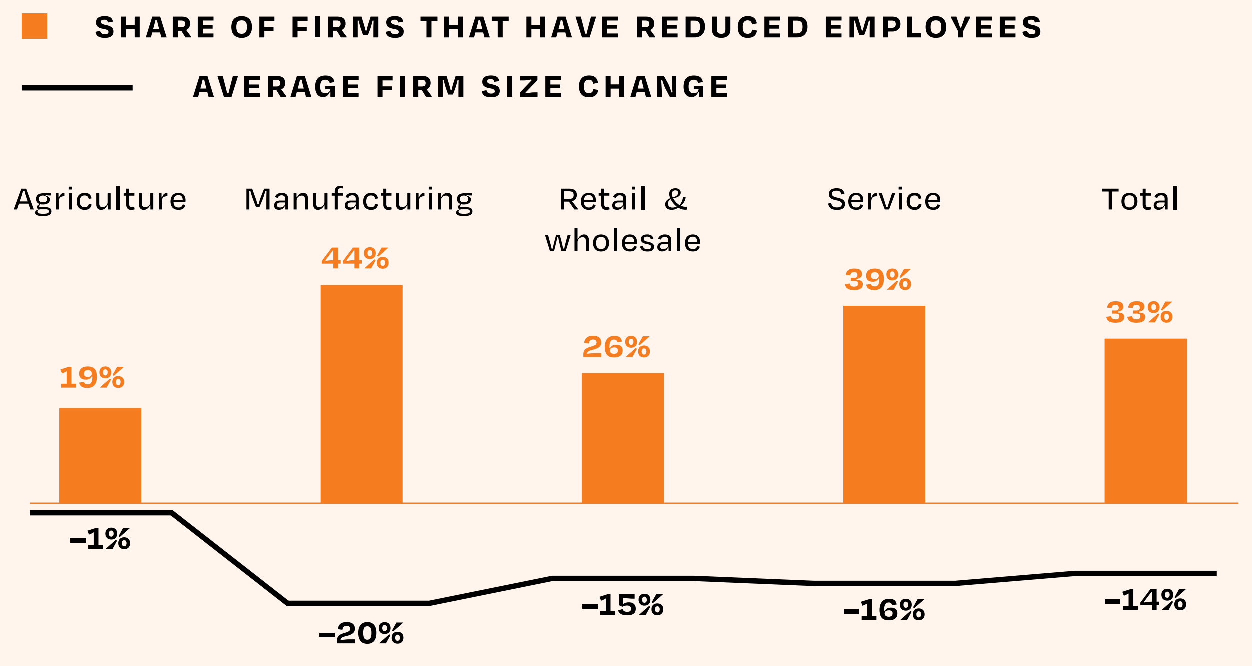


FIGURE 3 SHARE OF FIRMS REPORTING REDUCTIONS IN EMPLOYEES IN JUNE 2021 – BY SECTOR, AND AVERAGE FIRM SIZE CHANGE – BY SECTOR



Source: The World Bank's COVID-19 firm survey round 7

1 States and regions are grouped into zones based on their economic and geographic characteristics. Two of the five zones are single regions, Yangon and Mandalay. The Hilly Zone includes the states of Kachin, Kayah, and Shan. The Delta and Coastal Lowland Zone includes Ayeyarwaddy region, Rakhine region, Mon state, Bago region, Tanintharyi region, and Kayin state. Chin and the Dry Zone includes Chin state, Sagaing region, Magwe region, and Nay Pyi Taw

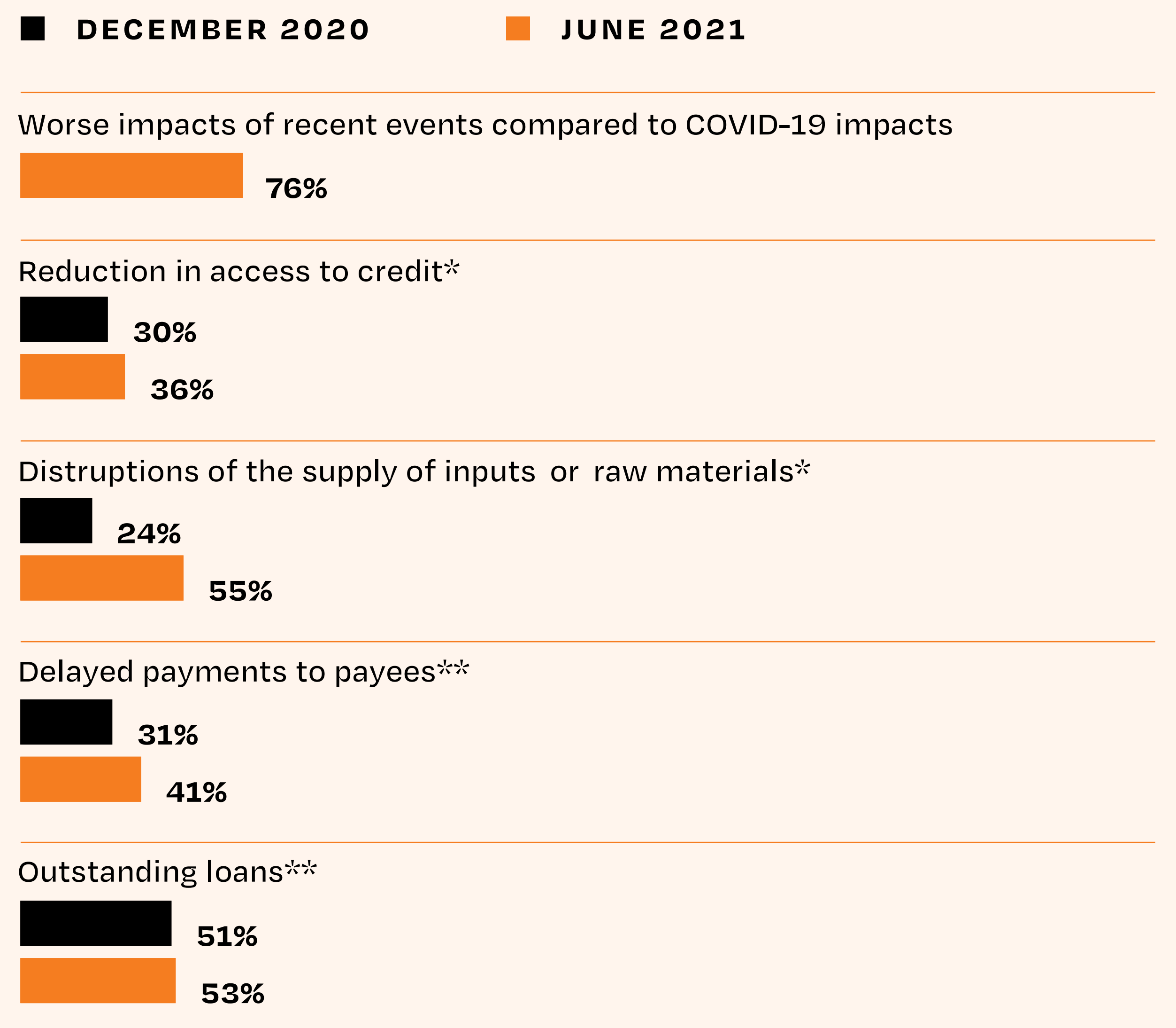
A Operational Status

While fewer firms were temporarily closed in June 2021 than in December 2020, firms have reported reducing the number of employees since February

Fewer firms reported temporary closures compared to December 2020, spurred by a large increase of firms re-opening in Mandalay, while temporary closures in Chin and the Dry Zone[1] increased significantly. In June 2021, only 11 percent of firms—compared to 13 percent in December 2020—were temporarily closed, and those firms have been closed for 14.5 weeks on average since February 2021. However, there were varying degrees of closures across Myanmar (Figure 2). Mandalay saw a large decrease in reported closures: 18 percent of firms reported closures in June, less than half of the 38 percent in December when stricter stay-home restrictions were imposed. On the other hand, Chin and the Dry Zone experienced a significant increase in temporary firm closures in June (from 11 to 19 percent), and firms in this zone have temporarily closed for 18.5 weeks on average—significantly higher than the national average of 14.5 weeks. Firms in the Hilly Zone experienced a slight increase in temporary closures. The increase in temporary closures in both regions is likely to be attributable to conflict and security concerns, while the resurgence of COVID-19 cases is likely to drive up closures significantly in July and August.

Since February 2021, a third of firms have reduced employees. Firms across all sectors have reduced employees, however, manufacturing firms reported the largest employment impacts (with 44 percent of firms reporting reduced employee numbers), followed by service firms (39 percent), retail and wholesale firms (26 percent), and agriculture firms (19 percent) (Figure 3). Likewise, manufacturing firms have experienced the largest firm-size reduction (in terms of the number of employees) with an average 20 percent decrease, while agricultural firms have only experienced an average firm-size reduction of 1 percent. As the agricultural sector has the weakest productivity of all sectors in the Myanmar economy, this may imply a labor shift from more productive sectors to less productive sectors, which could hamper the structural transformation of the economy and the skill development of employees to the extent it persists.

FIGURE 4 SHARE OF FIRMS REPORTING BUSINESS PERFORMANCE – BY TOTAL



Note: *Question is designed slightly differently for December 2020 and June 2021. For December 2020, firms were asked whether they have experienced difficulties (indicators with *) since the beginning of COVID-19, while for June 2021, firms were asked to respond with regard to difficulties experienced since February 2021 instead of COVID-19.

** Firms were asked to report on the last completed month. In the chart, for December 2020, the last completed month is November 2020; for June 2021, it was May 2021.

Source: The World Bank's COVID-19 firm survey round 7

B Business Performance

Firms have faced increased challenges since February, and performance has worsened

More than three-quarters of firms across the country said the impact of the February 2021 coup was worse than what was experienced during COVID-19 last year (Figure 4). More than half of firms reported having outstanding loans in June (53 percent). The share of firms experiencing disruptions to the supply of inputs and raw materials increased from 24 percent in December 2020 to 55 percent in June 2021. In addition, the aftermath of the coup has exposed firms to financial difficulties. For instance, 41 percent of firms delayed payment to payees such as suppliers, a 10-percentage point increase since December 2020, in part reflecting banking sector issues. Moreover, 36 percent of firms experienced reduced access to credit in June 2021, a 6-percentage point increase since December 2020.

The firms that remained open did not operate at their full capacity, with average production levels lower than two-thirds normal activity, with the Mandalay region worst affected. Despite 89 percent of firms reporting that their businesses were open, firms operated only at an average of 63 percent of their capacity. In Mandalay, firms operated only at 50 percent capacity in June 2021 (Figure 5), although temporary closures were lower than in December 2020. Given operational challenges, firms have experienced declines in

FIGURE 5 AVERAGE OPERATION CAPACITY OF FIRMS IN JUNE 2021 – BY REGION

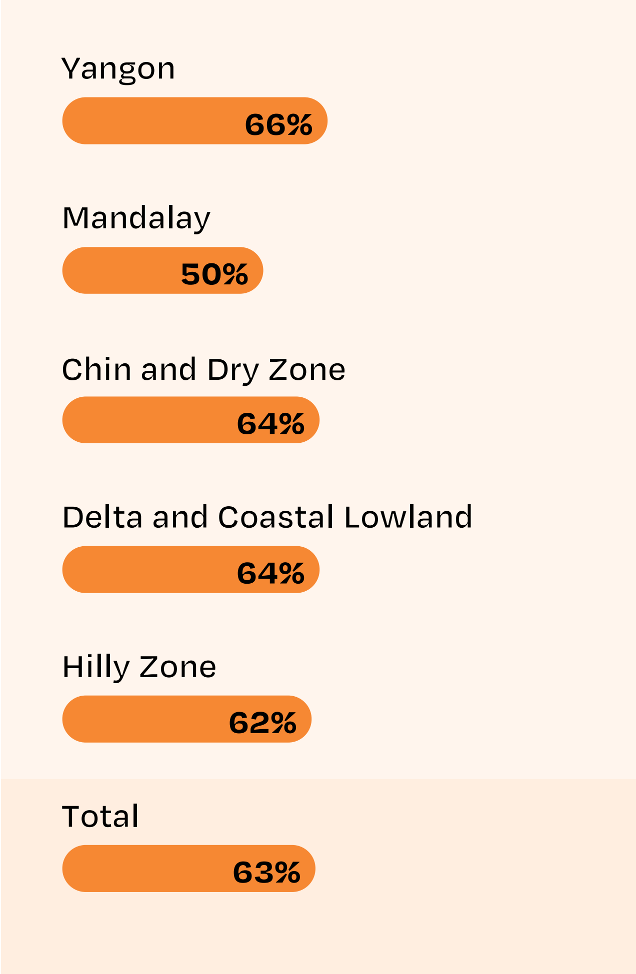


FIGURE 6 SHARE OF FIRMS REPORTING SALES AND PROFIT DECLINE, AND AVERAGE SALES AND PROFIT DECLINE IN JUNE 2021

Note: Firms were asked to report on the last completed month. In the chart, for June 2021, the question asked respondents to report their findings for May 2021.

Source: The World Bank's COVID-19 firm survey round 7

both sales and profits. Compared with January 2021, 57 percent of firms experienced a sales decline and 58 percent of firms experienced a profits decline in June 2021 (Figure 6). Average sales decline was 38 percent, and average profit decline was 59 percent.

Given supply chain and banking disruptions, access to inputs and raw materials has become a growing concern. Since February 2021, 55 percent of firms have experienced disruptions to their supply of inputs or raw materials, more than double the 24 percent reporting the same in December 2020. By sector, agriculture saw a significant increase in reported disruptions where 67 percent of firms reported inputs or raw materials disruptions, more than double the 30 percent of firms reporting the same in December (Figure 7). These disruptions to inputs (mainly seeds and fertilizer) may have a material impact on the agricultural sector given Myanmar's status as a major agricultural producer of products such as rice and maize in the monsoon season, commencing in late May. Operations could be delayed and employment opportunities reduced, given that agricultural firms are typically small, informal and employ casual labor. Furthermore, because Myanmar's manufacturing firms rely on imports for raw materials, supply chain and banking disruptions have caused disruptions of inputs or raw materials. Consistent with that, 43 percent of manufacturing firms experienced disruptions in June 2021, compared to 37 percent of firms in December 2020. Likewise, the share of firms reporting disruptions in the retail and wholesale sectors and the service sector increased. In terms of firm size, larger firms experiencing disruption have increased significantly: 71 percent of medium firms reported disruptions representing a significant increase from the 13 percent observed in December 2020, while 74 percent of large firms reported disruptions, as compared with 17 percent observed in December 2020 (Figure 8).

FIGURE 7 SHARE OF FIRMS EXPERIENCING DISRUPTIONS OF SUPPLY OF INPUTS OR RAW MATERIALS – BY SECTOR

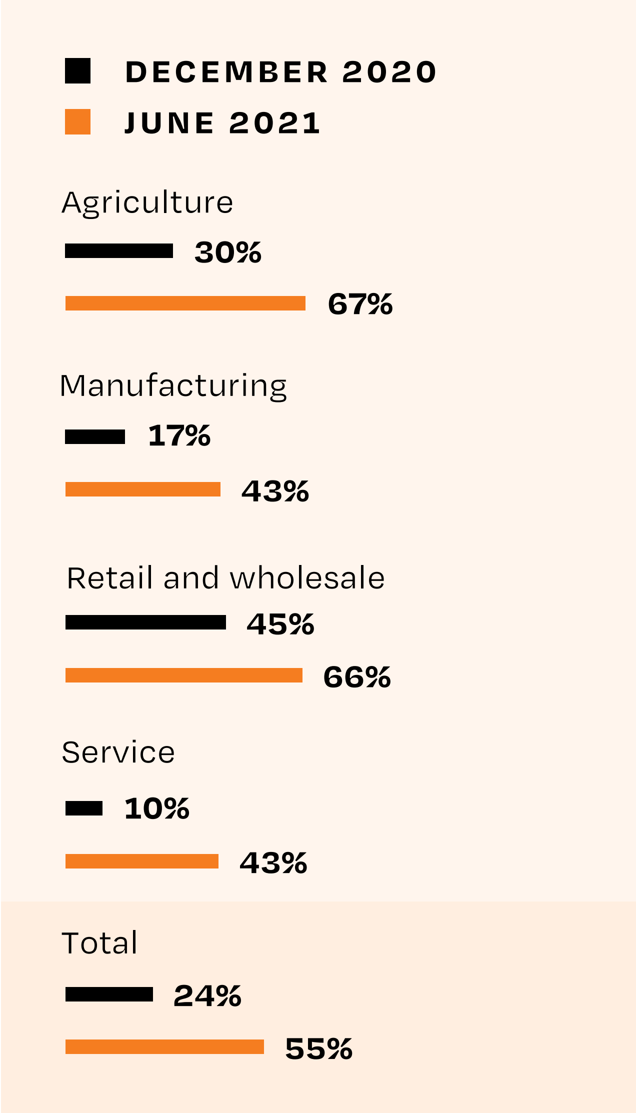
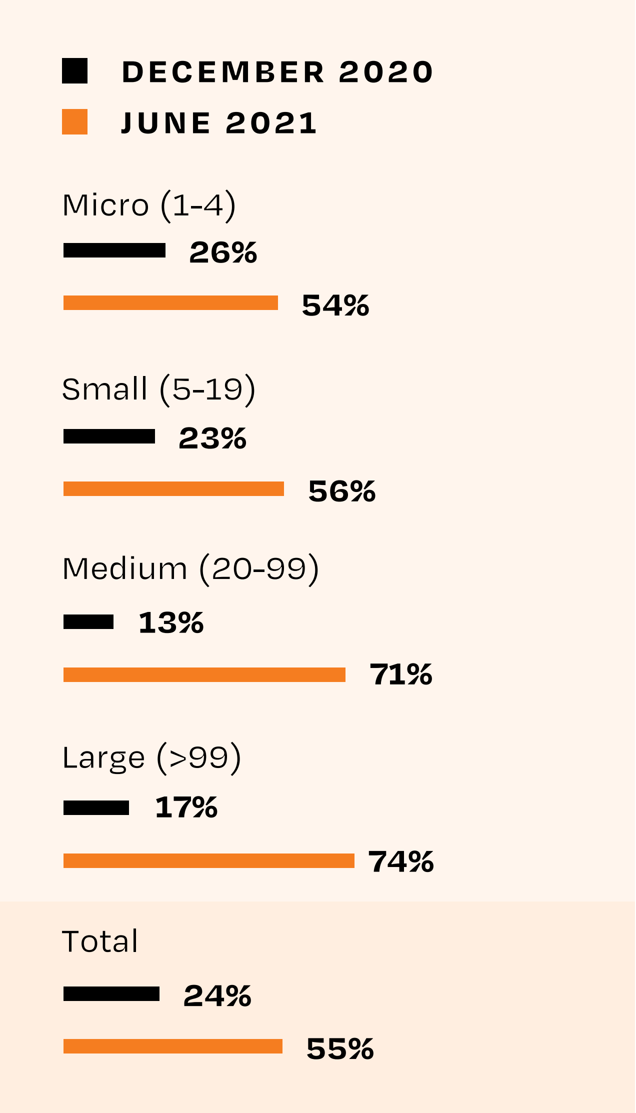


FIGURE 8 SHARE OF FIRMS EXPERIENCING DISRUPTIONS OF SUPPLY OF INPUTS OR RAW MATERIALS – BY FIRM SIZE



Note: Questions were designed slightly differently for December 2020 and June 2021. For December 2020, firms were asked whether they have experienced disruptions since the beginning of COVID-19, while for June 2021, firms were asked about disruptions experienced since February 2021 as opposed to the beginning of COVID-19.

About half of all firms have experienced difficulty making payments to suppliers and employees since February 2021. Limited banking access has been the main reason that firms have found it hard to make payments (rather than reduced revenue; Figures 9 and 10). The exception was the agricultural sector, where 50 percent of firms experienced payment difficulties due to reduced revenue, compared to 45 percent due to limited banking access (Figure 9). This could be in part attributable to the fact that agricultural firms have less access to banking services than other firms.

Faced with limited access to financing from banking and non-banking institutions, firms have increasingly relied on loans from family and friends as a major source of financing. The number of firms with outstanding loans from all sources grew by 2-percentage points in June 2021 compared to that observed in December 2020. 38 percent of firms reported outstanding loans from friends and family, compared to 26 percent observed in December 2020 (Figure 11). However, the survey results show a 2-percentage point increase for firms with outstanding loans from commercial banks and a 5-percentage point decrease in firms with outstanding loans from non-banking financial institutions in June 2021, compared with what was observed in December 2020.

Reflecting wide-spread liquidity shortfalls, a growing share of firms has delayed payments. In June 2021, 31 percent of firms delayed payments to suppliers; almost two times higher than that observed in December 2020. In addition, the share of firms delaying payments to other payees have also increased since December 2020, including to tax authorities (by 2-percentage points), banks and non-bank institutions (by 3-percentage points), and employees (by 5-percentage points) (Figure 12).

FIGURE 9 SHARE OF FIRMS REPORTING DIFFICULTY MAKING PAYMENTS DUE TO REDUCED REVENUE AND LIMITED BANKING ACCESS IN JUNE 2021 – BY SECTOR

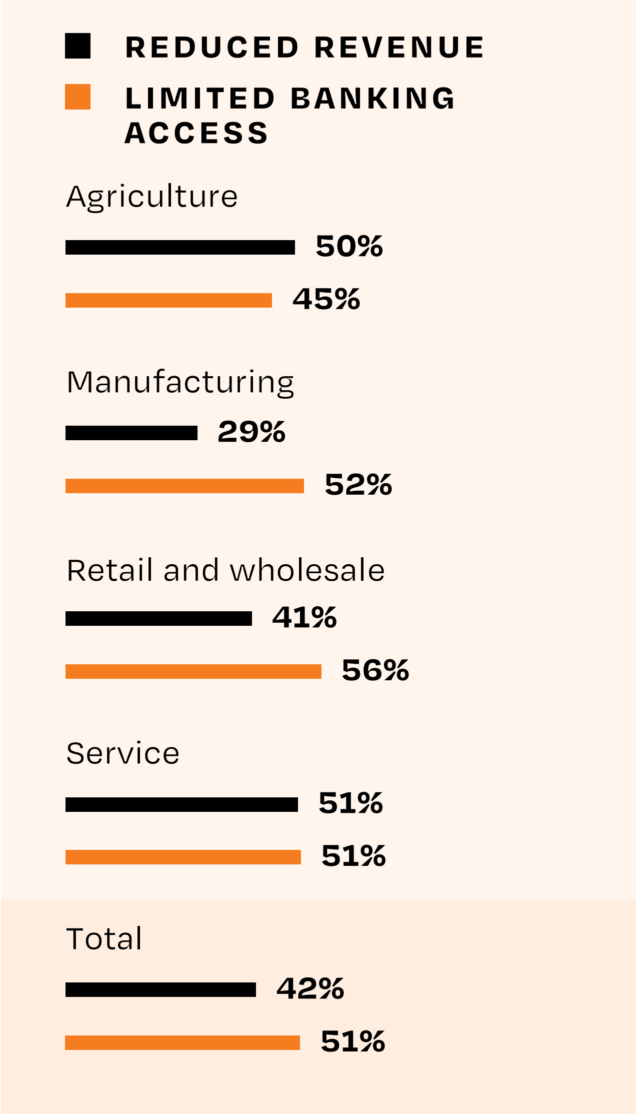


FIGURE 10 SHARE OF FIRMS REPORTING DIFFICULTY MAKING PAYMENTS DUE TO REDUCED REVENUE AND LIMITED BANKING ACCESS IN JUNE 2021 – BY FIRM SIZE

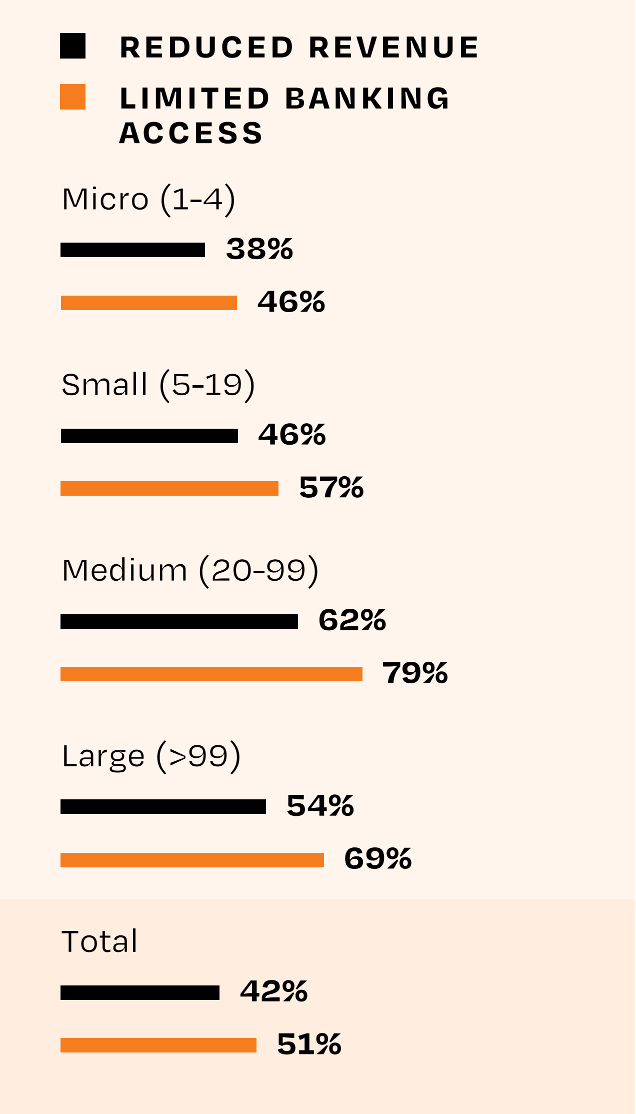


FIGURE 11 SHARE OF FIRMS WITH OUTSTANDING LOANS FROM EACH LENDER

	DECEMBER 2020	JUNE 2021
Commercial banks	15%	17%
Non-banking finanical instiutions	19%	14%
Friends and family	26%	38%

FIGURE 12 SHARE OF FIRMS REPORTING DELAYED PAYMENTS TO EACH PAYEE

	DECEMBER 2020	JUNE 2021
Suppliers	17%	31%
Tax authorities	10%	12%
Banks and non-bank institutions	7%	10%
Employees	4%	9%

Note: Firms were asked to report on the last completed month. In the chart, for December 2020, the last completed month is November 2020; for June 2021 it was May 2021.

FIGURE 13 SHARE OF FIRMS REPORTING ADJUSTMENTS MADE SINCE FEBRUARY 2021

Changed its production or services offered partially or completely	37%
Switched from online/digital to traditional platforms	30%
Started or increased delivery or carry-on	21%
Shifted focus to refurbishments and renovations	19%
Shifted focus to improving internal systems and operations	18%
Provided discounts and promotions	16%
Upskilling or training employees	12%
Shifted focus to marketing activities	12%
Started or increased remote work arrangement for its workforce	11%
Shifted focus to new activities unrelated to core business	11%

FIGURE 14 SHARE OF FIRMS REPORTING LACK OF INTERNET ACCESS – BY SECTOR

Agriculture	84%
Manufacture	78%
Retail & wholesale	68%
Service	82%
Total	78%

FIGURE 15 SHARE OF FIRMS REPORTING LACK OF INTERNET ACCESS – BY SIZE

Micro (1-4)	78%
Small (5-19)	78%
Medium (20-99)	80%
Large (>99)	60%
Total	78%

Source: The World Bank's COVID-19 firm survey round 7

C Adaptations

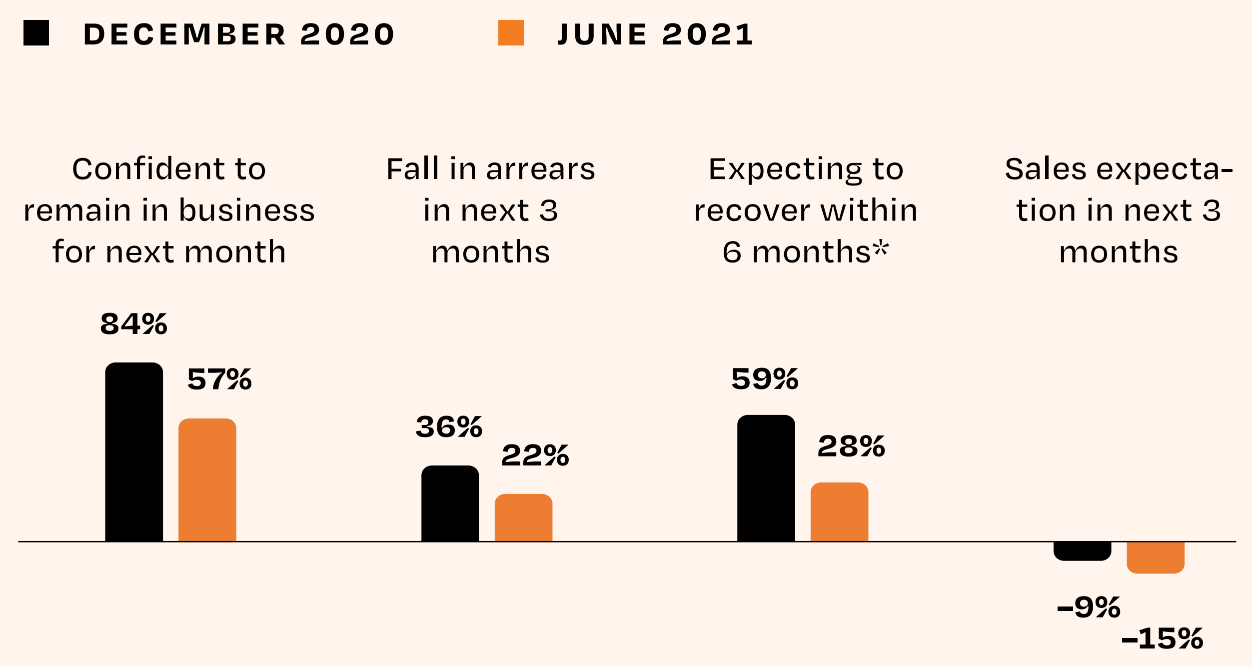
The majority of firms have not yet adjusted their operations in response to the aftermath of the coup, and the lack of internet access has been a major challenge for online services and digital financial services

The majority of firms have not yet adjusted their operations since February 2021. In June, 37 percent of firms changed their production or services offered partially or completely. Given limited internet access, 30 percent of firms switched from online/digital to traditional platforms. For adjustments related to business performance improvement, 19 percent of firms shifted focus to refurbishments and renovations, and 18 percent of firms shifted focus to improving internal systems and operations. Despite sales reduction being a major issue, a lesser number of firms adjusted activities directly related to improving sales, with 16 percent of firms reporting discounts and promotions, and 12 percent of firms reporting a shift to focus on marketing activities. Only 11 percent of firms reported that they have shifted focus to new activities unrelated to their core business (Figure 13).

Lack of internet access has been a major challenge for firms to access online and digital financial services since February 2021. 78 percent of firms reported lack of internet access as a major challenge for online and digital financial services. Across sectors, retail and wholesale firms were less adversely affected than other firms, with 68 percent of the firms reporting lack of internet, 10-percentage points less than the national average (Figure 14). Larger firms tended to be less affected with only 60 percent of large firms reporting a lack of internet access (Figure 15). This could be partly explained by the fact that large firms were able to afford the use of fiber-optic broadband services which were the least disrupted, while smaller firms would rely more on mobile data which suffered greater disruptions.

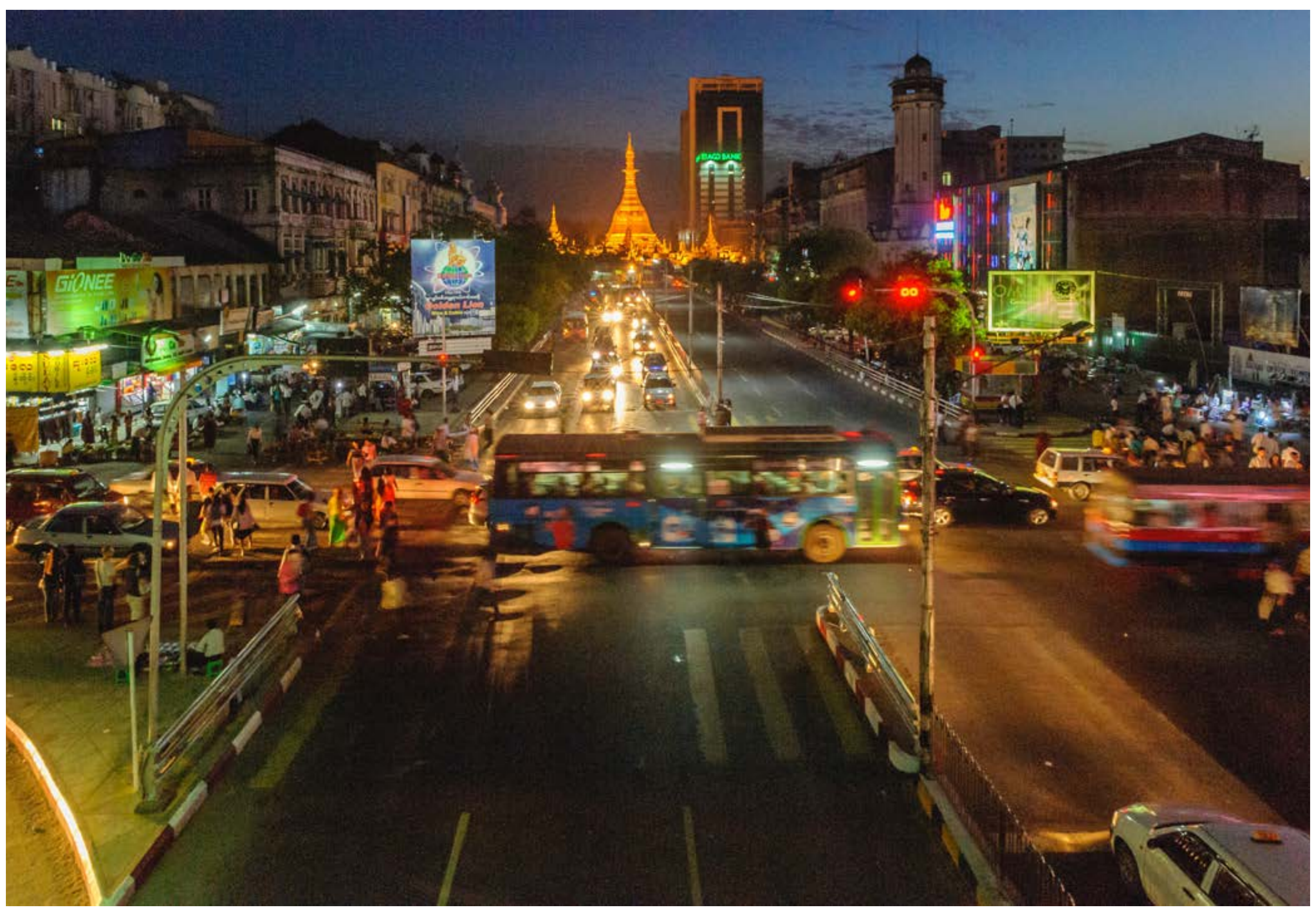
78%
reported lack of internet access as a major challenge for online and digital financial services

FIGURE 16 FIRMS' EXPECTATIONS TO REMAIN IN BUSINESS FOR THE NEXT MONTH, EXPECTING TO FALL IN AREARS IN THE NEXT 3 MONTHS, EXPECTING TO RECOVER WITHIN THE NEXT 6 MONTHS, AND AVERAGE SALES DECLINE IN THE NEXT 3 MONTHS



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

Source: The World Bank's COVID-19 firm survey round 7



D Business expectations

Business expectations have deteriorated

Firms' future expectations remain negative and have further declined. In June 2021, only 57 percent of firms were confident to remain in business for the next month—a large decline of 27-percentage points—compared with that observed in December 2020 (Figure 16). In addition, only 28 percent of firms expected to recover to levels seen before February 2021 within the next 6 months (in December 2020, 59 percent of firms had expected to recover back to pre-COVID-19 levels within the next 6 months). Firms expect that sales would decline by another 15 percent on average in the next 3 months compared to same period last year (when firms in Myanmar struggled with the second wave of COVID-19). These results indicate that firms' expectations about the evolution of the business environment, even when compared with the already bleak outlook last year, were further worsened in the aftermath of the coup.

57%

of firms were confident to remain in business for the next month