Insights based on data from the first three rounds of high frequency surveys of May, June and August 2020 and the community assessment of July 2020.[1]

Current situation & implications *for* household welfare

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01 Context

While Myanmar responded early and decisively to the COVID-19 pandemic thereby limiting adverse health impacts, evidence from the Myanmar COVID-19 Monitoring Platform shows that impacts on households' welfare were significant. Border movement restrictions starting in February and a complete lockdown between March and April forced non-essential businesses to cease operations and prevented people from traveling to work. Meanwhile, about 100,000 economic migrants returned from Thailand alone. As a result, in May 2020, about 54 percent of households' main workers reported not working and about 16 percent of firms had temporarily closed. The easing of restrictions between May and August contributed to a partial rebound of the economy, which is still suffering from the impact of reduced global demand, border trade disruptions, and potential changes in consumer behaviors.

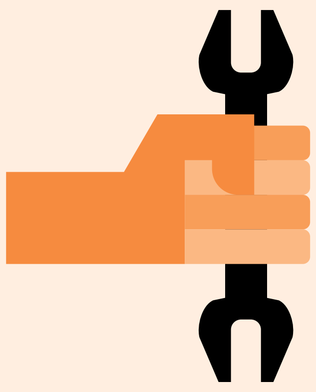
Strict stay-at-home orders were introduced in Rakhine State in mid-August, followed by similar orders in Yangon Region and several other townships across the country since the end of September. These orders remain in place as of mid-October. Mobility and business activity restrictions are similar to those imposed in March and April at the outset of the pandemic. The current situation is exacerbated by a worrying health crisis. The rapidly increasing number of COVID-19 cases creates additional pressures for the Government to respond to a complex set of economic and health needs and poses high levels of uncertainty and risks for households, with respect to both their incomes and their physical and mental health.

MAY 2020 ↓

54%
households' main workers reported not working

16%
of firms had temporarily closed

02 Employment & labor incomes



Although there were signs of economic recovery as restrictions eased since May, 7 percent of firms were still temporarily closed in August. Households were directly affected, with some 15 percent of households' main workers still unable to secure employment. Over one third of those who were working reported earning lower incomes than the period before the crisis. Those at the lower end of the consumption distribution[2] were more likely than others to have their income remain lower in June than prior to the current crisis. The situation is expected to exacerbate the impact on people's work and earnings in the following ways:

1 For details on the surveys see World Bank Myanmar COVID-19 Monitoring Platform.

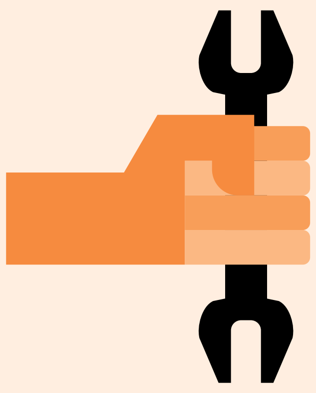
2 Using a consumption aggregate predicted with multiple imputations and stepwise regressions, we divide the consumption distribution in five continuous intervals (quintiles).

02

RETAIL TRADE Households engaged in the retail trade who were adversely affected in the April lockdown have not had the opportunity to recover, and in August 48 percent still reported lower earnings. On the scale of the impact, 80 percent of household businesses in the retail sector had no earnings at all between March and May. Currently, most of these businesses are closed again, especially in Yangon and other areas subject to the stay-at-home order. Businesses dependent on trade face restrictions in entering Yangon. Even those businesses in areas unaffected by those strict restrictions but which rely on trade with China and Thailand (for example, Kayin State) face similar trade disruptions today as in March and April. Such disruptions riddle business with uncertainties as to their sales and acquisition of inputs, while placing a range of other sectors supporting trading activities (including transportation, food and accommodation, and so on)at risk.

TOURISM The local outbreak and international travel restrictions in all likelihood will delay the opening of the peak tourist season (November-February). Workers dependent on tourism incomes (relatively few and generally better-off)—will therefore continue to work and earn less.

MANUFACTURING While some factory workers may have received partial advance payments to cover for the initial two-week stay-at-home orders announced in September, this relief is not widespread and insufficient for covering living expenses for the entire period. Formal workers are eligible to receive social protection payments, however in practice, many do not. Workers involved in the manufacturing of garment who lost their jobs since March are eligible to receive EU-funded cash transfers. The cash-transfer program has paid some 30,000 beneficiaries in August and has been extended to November. It remains to be seen whether the garment industry will fully recover in the short- to medium-term, as this is highly dependent on global demand following the pandemic.



INFORMALITY High levels of informality and casual employment likely provided flexibility for the labor market to recover rapidly between May and August. However, the large cohort of informal and casual workers will likely be adversely impacted again. These workers—generally among the poorest—will be pushed further into deprivation as they continue to be the most vulnerable to shocks with limited cash-savings and coping mechanisms, in conjunction with an absence of labor and social security or formal contractual protections. These underlying labor market weaknesses are especially widespread in Rakhine State, compounding the vulnerabilities generated by a context of conflict and the stay-at-home order. The consequences for household welfare are expected to be dire and potentially give rise to extreme levels of deprivation.

03

Returning migrants & remittances

Between late March and the end of June 2020, about 136,000 migrants returned from Thailand and China through official border crossings; more migrants are likely to have entered undetected.[3] This migratory influx coincided in rural areas with the return of domestic migrants during the first lockdown around the Thingyan period. Tensions mounted in some receiving communities around quarantining arrangements for migrant returnees. Further, persistent border closures have resulted in these returnee migrants remaining in Myanmar to date, increasing the supply of underutilized labor and intensifying competition for limited jobs. As a result, and as suggested by the community assessments, there has been an increased likelihood of employers reducing wages being paid. This could also account for the lower incomes reported between May and August. In addition, fewer domestic and international migrants put pressures on households' welfare due to the reduction of sources of income and an increase in the number of dependents to provide

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3 International Labour Organization. "COVID-19: Impact on migrant workers and country response in Myanmar." June 22, 2020. https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-yangon/documents/briefingnote/wcms_754998.pdf

for. In May, 12 percent of households reported that they had received remittances in the last 12 months, however remittances in May were lower for 73 percent of households who still received them. Remittance flows seem to have improved in August, likely driven by domestic migrants' return to economic centers in the period preceding the second wave. In the wake of the current crisis, it is unlikely that remittances will return to pre-crisis levels soon—particularly those sourced from abroad—thereby continuing to deprive mostly rural and poorer households from a critical source of income.

04 Agriculture

During the first period of strict containment measures in Myanmar, agricultural work did not act as a sufficient buffer to impacts on household welfare as it did in the other countries in the East Asia and Pacific region. Households' main workers employed in this sector were more affected by job losses and income reductions than those reliant on other sectors. According to the household survey, in May 2020, 45 percent of farmers were unable to perform their normal activities. The community assessment revealed that this was due to challenges in purchasing inputs required for their production and pandemic-related mobility limitations that obstructed access to agricultural fields. Despite these obstacles, the agricultural sector has continued to assist many households to partially recover economically once containment measures were relaxed, allowing their main workers to return to work.

The agricultural sector remains highly vulnerable. First, disruptions in planting and cultivation, in conjunction with low rainfalls and unfavorable weather conditions are expected to affect the harvest for key crops such as rice over the coming months. The community assessment highlights how communities that were already more vulnerable to weather shocks and had a history of low-yield harvests appear to be the most adversely affected by current conditions. Second, travel restrictions that accompany the current wave of COVID-19 could again prevent farmers to reach markets to sell produce, both domestically and internationally. In that vein, major markets' activities are disrupted: as of early October, the Paddy Rice Exchange Centers in Yangon are open only three days a week, whereas the Mandalay Beans and Pulses Exchange market and the Zegyo market are again closed until further notice. Border trade disruptions, reported in late September and October at the borders with China and Thailand, have resulted in delays or the inability to trade goods.

MAY 2020 ↓

45%

of farmers were unable to perform their normal activities

05 Food Security

As of June, households had not reported major concerns about accessing main food items (rice, ngapi, or chicken), however nearly 1 out of 5 households reported having eaten less in the preceding week in May and June because of COVID-19 coping and expense reduction mechanisms. While food shortages do not appear to be a major worry thus far, data from the community assessment suggests that remote communities are found to be more concerned about securing food supplies. Below average rainfall patterns in key rice producing areas, coupled with little access to inputs (seeds and fertilizers) during the planting season may lead to low rice yields; a concern given the lack of diversification in other crops. Combined with lower imports of foodstuffs, this could translate into both worsening livelihoods for farmers and casual agricultural labor, but also an escalation of food security concerns among households. Food insecurity could also be impacted by income losses, driven by recent lockdowns. A shortage of money to buy food is seen as a major worry more frequently in conflict-affected communities, raising concerns about those in the already poor and lockdown-affected Rakhine State.

MAY–JUNE 2020 ↓

17%—18%

households reported having at least one adult who ate less

06

Health

Myanmar now faces a health crisis on top of an economic slowdown. The recent outbreak has potentially dire consequences for people's welfare, with disproportionate effects on the poor and most vulnerable.

> The recent outbreak has potentially dire consequences for people's welfare, with disproportionate effects on the poor and most vulnerable

RISK OF EXPOSURE could be lowered across the board. Although as many as 95 percent of households in August were familiar with and had adopted behaviors to mitigate the spread of COVID-19, these were mostly limited to handwashing and use of masks and gloves. Few households reported adopting adequate distancing, with only 41 percent avoiding gathering and 11 percent maintaining distance during conversing. The risk of exposure is higher among poorer households. The poor are largely unable to adopt social distancing and prevention measures, given more crowded living conditions and lower access to adequate water, sanitation and hygiene (WASH). For example, in 2017, households in the top quintile were twice as likely as those in the bottom quintile to have a safe water source on their premises. Households in Rakhine State, particularly affected by the current outbreak, have among the worst WASH conditions in the country, heightening health risks in one of the most deprived and fragile states of the country. Similar concerns apply to urban slums around Yangon, the region most affected by the second wave.

ACCESS to health services for diagnosis and treatment of COVID-19 or other conditions may be limited, especially for the least well-off and remote communities. Even preceding the pandemic, poorly resourced health posts and other primary care facilities in rural areas limited access to affordable treatment at the local level. The 2017 Myanmar Living Conditions Survey (MLCS) data also point to high rates of foregone care. The community assessment reveals that travel restrictions and absenteeism of health workers fearing infection further hindered access to health services since March 2020. Similar considerations discourage people from seeking care for other diseases, with repercussions on human capital in the medium- to longer-term.

AFFORDABILITY does not appear to be a barrier to seeking treatment for COVID-19 as it is for some other health conditions. Little information is available on out-of-pocket expenditures for COVID-19 hospitalizations, but it appears that patients are generally not charged for treatment and quarantining. Nevertheless, seeking care does entail foregoing labor income for the vast majority of patients.

MENTAL HEALTH. Although a specialized diagnostic assessment is not available, there are indications of the severe stress that the social and economic implications of COVID-19 pose on individuals and households. More than a third of households are somewhat or very worried about their finances. Severe stress could have potential longer-term implications for mental health as well as for intra-household relations.

07

Education

Schools have already remained closed for seven months, with little prospects of reopening in the short term. In a context of high dropout rates, especially among the lower wealth quintiles,[4] it is highly likely that reduced household incomes will act as a push factor for more households to keep children out of school to reduce expenses or in favor of paid work—a strategy reportedly considered by many in the communities surveyed. Children who did not benefit from private tuition or support during school closures may also struggle to keep up with lessons and be disincentivized from staying in school once reopened. Where available, online learning is also likely to increase inequalities, as it may not be available to poorer children. These potential drivers of increased dropouts may be compounded by a fear of contracting COVID-19. As the first wave

4 Central Statistical Organization (CSO), UNDP and WB (2020) "Myanmar Living Conditions Survey 2017: Socio-economic Report", Nay Pyi Taw and Yangon, Myanmar: Ministry of Planning, Finance and Industry, UNDP and WB.

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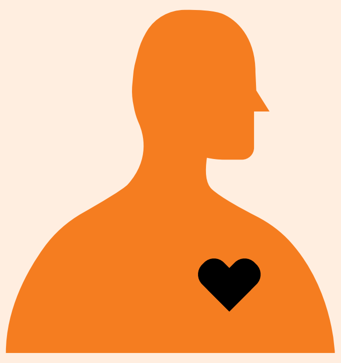
of contagion and lockdown came to a close, families started to worry more about income losses and children's education. There is currently no data from available surveys on the impact of school closures on female labor force participation, but evidence from a UNICEF rapid assessment conducted in April suggests that women may be disproportionately affected due to their assumption of additional childcare responsibilities.

08

Coping mechanisms & indebtedness



In the immediate aftermath of the April lockdown and ensuing economic crisis, households adopted risky and unsustainable coping mechanisms to buffer the shock. About half resorted to reducing food or non-food consumption in May, with the figure progressively declining to about 30 percent in August, likely associated with people returning to work. The need to repay debt, invest in inputs for the new agricultural season, and the more prolonged nature of the crisis may contribute toward a greater reliance on borrowing, pawning, purchasing on credit, and selling assets in June compared to May. Households in the bottom welfare quintiles had fewer mechanisms to cope with shocks and a greater share of them had already experienced difficulties with respect to food security. But even among the relatively wealthier who are initially able to rely on savings, many may face greater difficulties as savings diminish.

While August saw a return of job opportunities, a third of households remained worried about their financial situation. Even before the second wave hit, the inability to repay debt was high. The cycle of indebtedness, described by the community assessment respondents as "a way of life in Myanmar" is extremely worrying: many households accumulate ever more expensive loans to repay previous lower-interest ones, often pawning and losing their productive assets. The poor and near-poor are particularly at risk of relying on informal lenders with higher interest rates.[5] The second wave of restrictions and a prolonged economic crisis will likely push additional households to continue reducing consumption, divesting from human capital and productive assets with implications in the long term.

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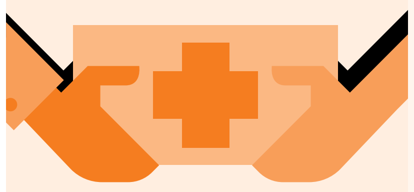
Government assistance to vulnerable households



The Government rapidly stepped up efforts to protect the most vulnerable—first with the Thingyan food distribution, electricity subsidies, and top-up to existing cash transfers which included maternal and child cash transfer and social pensions. It subsequently introduced a cash assistance program targeted to the poorest households reaching about 5.7 million affected households. Indeed, the high-frequency survey found that more households (18%) have benefitted from government assistance in August than in previous months. However, government assistance overall did not primarily reach the least well-off. Evidence from June indicates that food assistance was more likely to reach the bottom consumption quintile but was offset by the electricity subsidy overwhelmingly being directed to richer households. In August, cash assistance failed to effectively reach those households who were most

5 Ibid

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in need, as 17 percent of both households in the bottom quintiles and top quintile received such support from government. The share was higher in the middle of the consumption distribution (19%). As the impacts of the second wave materialize, poorer households urgently need prioritized support: they are expected to suffer the greatest relative loss in income, be less able to resort to savings, and have available fewer coping mechanisms. The support received thus far is insufficient to ensure households do not resort to damaging coping mechanisms.

Further, the generosity of cash transfers remains low. For example, the one-off top-up transfer amount among beneficiaries of the maternal and child cash transfer (MCCT) program and the Ngwe Bike program (covering pregnant women and children under two in areas where MCCT is not available) was 30,000 kyats. This amount is roughly equivalent to only 12 percent of estimated 2019 monthly consumption of a bottom 40 household, and thus does not provide adequate relief for the many months it is intended to cover. Most villages studied in the community assessment received some form of aid, but those villages did not consider the degree of aid to be a sufficient source of support for families during the April-May lockdown period or thereafter. A recipient of the 15,000 kyats cash transfer noted: "What can be done with this amount of money? I mean thank you, but it is like ringing a bell with a leaf – no sound comes out."

An agenda *for* policy as *the* second wave hits

While a new wave of strict containment measures will likely affect businesses and jobs in similar ways as in the past, the economic and labor context is now more fragile, implying that the rebound for households could be slower. Optimism about business prospects has noticeably declined, also due to widespread perceptions that the crisis—now involving a visible health threat—will be prolonged. There is some evidence that firms that had re-opened in May—particularly in agriculture and manufacturing—had again suspended operations in August ahead of the second wave. Consumer behaviors and demand may be affected in more permanent ways, impacting retail and the manufacturing sectors through declined global demand in, for example, garments and apparel. Mounting debts and more limited options for borrowers are expected to add stressors to firms and households' vulnerabilities going forward. Dangerous coping strategies, including reducing food consumption, will have long-term repercussions if not mitigated.

In this context, interventions to support firms and household business to generate jobs—including in the informal and agriculture sectors—need to be implemented with a greater focus on protecting and creating job opportunities for the most vulnerable. Extremes of inequalities risk widening. The poor are expected to be pushed further into deprivation through more persistent income declines, lower access to an adequate diet, and detrimental coping mechanisms. Those just above poverty are at high risk of falling into poverty as labor markets take time to recover and buffers to absorb shocks falter. With urgency, the Government can utilize its available fiscal resources more effectively through the provision of social assistance on a needs basis. However, the impacts of such interventions will only be tangible if financial assistance programs are more generous and better targeted to those most adversely affected.