



**COVID-19
RESPONSE**

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Socio-Economic Impact of COVID-19 in Myanmar

Understanding the socio-economic impacts of COVID-19 across sectors, population groups, gender, and geographic areas is essential for designing effective policies and measures to mitigate the impact of the pandemic and recover better. To contribute to an increased evidence-base and inform policymaking, the UN Organizations in Myanmar are currently undertaking a multitude of socio-economic impact assessments. These range from forecasts of trends and scenarios and assessments of policy needs and responses, to deep dives into sectoral impacts and the impacts of specific population groups. This monthly digest aims to summarize the key findings of these assessments as the pandemic unfolds and more and more analysis becomes available. The assessments presented are part of the UN's COVID-19 response as outlined in the [UN's Framework for the Socio-Economic Response to COVID-19 in Myanmar](#).

Summary of Socio-Economic Impacts of COVID-19 in Myanmar in 2020

This last issue of the Monthly Digest for 2020 summarizes the findings of assessments featured in previous issues to provide an overview of how the socio-economic impacts of COVID-19 have evolved over the course of the year. The first section on the Macroeconomic Environment summarizes the findings from the World Bank's Myanmar Economic Monitor December 2020 and its outlook for 2021.



Macroeconomic Environment¹

Impact on economic growth

- Before the COVID-19 outbreak both the World Bank and the IMF estimated **GDP growth** of above **6%** for

FY2019/20.² By June 2020, the forecasts were down to 0,5% (WB) and 1,8% (IMF). In December 2020, the World Bank estimates that Myanmar's economy grew with **1.7%** in FY2019/20.

- **Economic recovery** is expected to take longer than earlier estimates suggested due to the rapid spread of the virus in the second half of 2020 and the associated containment measures. In June 2020 both the World Bank and IMF expected a recovery in 2020/21 and that growth levels would return to the pre-pandemic path of fast and steady growth from FY2021/22. In December 2020, the World Bank estimates that growth in FY2020/21 will be only **2%**, but that GDP growth will recover to **8%** in FY2021/22.

Trade and Investments

- **Trade increased** in FY2019/20 despite the pandemic. Compared to FY18/19, the total trade volume increased by **6%** (US\$2.2 billion).

¹ This section summarizes the findings from: World Bank. (2020). "Myanmar Economic Monitor: Coping with COVID-19". December 2020.

² Myanmar's financial year runs from October – September. FY2019/20 is therefore October 2019 to September 2020.

The increase in trade was the result of strong growth in trade in the first half of FY2019/20 (before the pandemic). The trade deficit widened to 2% of GDP.

- Foreign Direct Investment (FDI) commitments increased by 32.9% in FY2019/20 compared to the previous year. However, the pandemic may still negatively impact the actual FDI inflows.

Inflation and exchange rates

- Inflation declined to 1.8% year on year (yoy) in August from 9.1% (yoy) in January due to a reduction in food, energy and electricity prices.
- Despite the widening trade deficit the Myanmar Kyat has continued to strengthen against the US dollar over the course of 2020, undermining the competitiveness of export industries.

Public Finances

- The budget deficit is projected to widen to 8.1% of GDP in FY20/21 from 7.1% of GDP in FY19/20, due to declining revenues and increase in spending.
- Revenue collection is expected to have increased in FY19/20 to 19.6% of GDP compared with 17.4% in FY18/19. The increase is due to increases in revenue from the Union government and State Economic Enterprises. Revenue collection is expected to decline in FY20/21.
- The injection of a supplementary budget of 1.7 trillion kyat (1.5% of GDP), brought Government spending to 26.7% of GDP in FY2019/20 (expansion from 21% of GDP in FY18/19).
- The approved budget expenditures for FY2020/21 increased by 1.2% compared to FY2019/20 to 34.1 trillion kyat (increase driven by external financing for COVID-19 response). As budget proposals were

submitted by line ministries already in March/April, many do not include COVID-19 response expenditures.



Businesses and Employment

Business closures and job disruptions

- The impact assessments show that both business operations and employment recovered relatively quickly after the first round of containment measures (April-May), but were hard hit again during the second round of containment measures starting from September.
- The World Bank's nationwide firm level survey in April showed that about 16% of firms had temporarily closed and about 54% of households' main workers did not work. Once restrictions eased, most firms reopened and workers could return to their employment. By August, the share of firms that were closed were down to 7% and the share of households' main workers that did not work were down to 15%. By October, these figures had again gone up. 19% of manufacturing firms were closed in and that nearly one-third of households' main workers were out of work.³
- Sector specific surveys have found similar results. FAO's study of COVID-19 impacts on fisher communities found that the impact of COVID-19 had eased significantly between April and August. In April 47% of communities reported experiencing impacts on normal operations, in August this was down to 14%.⁴
- Impact assessments including ILO's study of COVID-19 impacts on employment and labour market, shows that business in urban area, in particular Yangon and Mandalay, have been

³ World Bank. (2020). Myanmar COVID-19 Monitoring Platform: Firm-level impact of Covid-19 (1st-4th survey round).

⁴ FAO. (2020) "Impact of the Covid-19 Pandemic on Fishing and Aquaculture Communities". September 2020.

the hardest hit, as containment measures in these areas have been relatively stricter compared to other parts of the country.⁵

- **Informal and casual workers** have been found to be the most adversely impacted by the economic slowdown.
- A UNDP survey in **Rakhine State** found that casual labour opportunities had been reduced by **70%** during the first round of containment measures.⁶ Similarly, a study conducted by UN-Habitat in April showed that **81%** of the **households in informal settlements** (whose members are mostly in informal employment) had at least one member who lost their job in the month preceding the survey.⁷

Impact on sales and profit and prospects for recovery

- Most firms have experienced a **decrease in sales and profit** throughout the year, including during the period of between June and August when restrictions were eased.
- In the World Bank's firm level survey **89%** of firms reported a **reduction in sales** in June (82% reported reductions in profit), in August this was only slightly down to **81%** (reductions in profit was down to 72%). In October, **almost all firms reported a reduction in sales.**⁸
- With prolonged periods of reductions in profits, **the prospects for businesses to survive is decreasing.** In October **35%** of firms in the World Bank's firm level survey

expected to fall into arrears in the next three months.⁹

Impact across sectors

- The sectors in which business have been most affected include manufacturing, retail, services, tourism and transport.¹⁰
- In a survey on businesses operating in export sectors conducted by ITC in May, **87%** of **tourism companies** and **68%** of **garment and textile companies** claimed to have been "strongly affected" by the pandemic. Companies in the food processing and forest industries reported less impact compared to other sectors.¹¹

Female business owners and employment

- Several impact assessments have shown that **Women** (who represent 60% of all workers in vulnerable employment in Myanmar and 86% of workers in the manufacturing) have been **disproportionately impacted** by the pandemic.
- In August, the World Bank's firm level study shows that **female-owned firms were almost twice as likely to be temporarily closed** (9%) compared to male-owned firms (5%).¹²
- The CARE Rapid Gender Analysis of COVID-19 in Myanmar highlights that **90.7%** of women who work are in the informal employment, which means that they do not have access to

⁵ ILO (2020). "COVID-19 Impact on Employment and Labour Market in Myanmar". July 2020.

⁶ UNDP (2020). "Rapid Socio-Economic Impact Assessment of COVID-19 on Rural Communities in Rakhine". September 2020.

⁷ UN-Habitat. April 2020. "Impact of Covid-19 on residents of informal settlements"

⁸ World Bank. (2020). Myanmar COVID-19 Monitoring Platform: Firm-level impact of Covid-19 (1st-4rd survey round).

⁹ World Bank. (2020). Myanmar COVID-19 Monitoring Platform: Firm-level impact of Covid-19 (1st-4rd survey round).

¹⁰ ILO (2020). "COVID-19 Impact on Employment and Labour Market in Myanmar", ILO Liaison Office for Myanmar, July 2020.

¹¹ ITC. July 2020. "COVID-19 Impact on Myanmar's Export Sectors"

¹² World Bank. (2020). Myanmar COVID-19 Monitoring Platform: Firm-level impact of Covid-19 (3rd survey round).

social protections and are therefore highly exposed to the economic downturn.¹³

- The UN-Habitat study of residents in informal settlements showed that job loss among females were 13.2 % higher than for men during the first round of containment measures.¹⁴
- Impact assessments also show that the burden of domestic work has increased for women. In UNICEF's rapid household survey in April, 73% of women reported an increase in their load of household work.¹⁵ A UNDP study of COVID-19 impacts in rural areas in Rakhine, similarly found that women disproportionately bore the double burden care for family members and out-of-school children.¹⁶



Agriculture and Food Security

Agriculture

- Despite having been relatively more resilient in terms of output compared to industry and services (agriculture output grew by an estimated 1.2 percent in FY19/20¹⁷ and surveys find that COVID-19 has had little impact on areas planted¹⁸), agriculture workers have seen significant impacts in terms of job losses and income reductions, in particular during the first round of containment measures in April and May.
- In the World Bank's nationwide household survey from May 2020, 45% of farmers reported unable to perform their normal

activities, mainly due to supply chain disruptions and challenges in purchasing inputs.¹⁹

- Geographically targeted studies documented even greater impacts. UNDP's rapid assessment of the socio-economic impacts of Covid-19 on farmers in Mandalay Region in the Dry Zone undertaken in May and June, shows that agricultural activities has been drastically affected by Covid-19, with crop farmers relatively more affected than livestock farmers. 75% of farmers reported decreased production levels due to Covid-19. Yields decreased for about 50% of all farmers, with livestock farmers much less affected. 99% of all farmers reported a decrease in income. The majority of farmers report that their household incomes had fallen between 40% to 50%.²⁰

Food Security

- While food insecurity did not seem to be a major concern during and after the first round of containment measures, it increased significantly in the second-half of 2020.
- In UNICEF's Rapid Monitoring of Household-level Changes conducted in April, close to 50% of respondents reported that daily consumable items had become more expensive. However, this seems to have had little effects on peoples eating habits, as in May, 80% of respondents reported no change

¹³ CARE International and UN Women. (2020). "CARE Rapid Gender Analysis of COVID-19 in Myanmar". August 2020.

¹⁴ UN-Habitat. (2020). "Impact of Covid-19 on residents of informal settlements". April 2020.

¹⁵ UNICEF. (2020). "Impact of Covid-19 on children and their families. Results from the April and May survey round". June 2020.

¹⁶ UNDP. (2020). Rapid Socio-Economic Impact Assessment of COVID-19 on Rural Communities in

Rakhine, United Nations Development Programme Myanmar, September 2020

¹⁷ World Bank. December 2020. "Myanmar Economic Monitor: Coping with COVID-19".

¹⁸ FAO. (2020). "COVID-19 impact on sustainable agriculture". September 2020.

¹⁹ World Bank. (2020). Myanmar COVID-19 Monitoring Platform: Household-level impact of Covid-19 (3rd survey round).

²⁰ UNDP. September 2020. "COVID-19 and Rural Farmers in the Dry Zone of Myanmar"

in what they are eating as compared to before the pandemic.²¹

- The limited impact on food security was confirmed by the World Bank's nationwide household survey in June, in which households did not report major concerns about accessing main food items.²²
- Geographically targeted surveys also found similar results. In UNDP's survey of COVID-19 impacts on rural communities in Rakhine no food shortages were reported in May and June.²³
- However, the situation seems to have worsened significantly after the second round of containment measures. The World Bank's household level survey shows that the share of households experiencing moderate to severe food insecurity went from up from 12% to 25% between August and October.²⁴



Household incomes and poverty

Household incomes

- While jobs were relatively quick to recover after the first round of containment measures, incomes were not. The World Bank's household survey shows that more than one third of those that were working in August reported lower earnings levels as compared to before the

pandemic. Lower earnings were particularly common among workers in retail trade (48%).²⁵

- A UNDP survey in Rakhine State showed that among people who were still in employment by June wage earnings had fallen by 63% on average. The same study also found that the income of fisherfolk and farmers is estimated to have fallen by an average of 56%.²⁶
- FAO's survey of fishing communities showed that in August 86% of communities were still experiencing a decrease in household income. Ayeyarwaddy region reported the largest drop in income.²⁷
- Household incomes, in particular in rural areas, have also decreased due to the decline in remittances as migrant workers have returned to their home communities. In IOM's survey on migration in the context of COVID-19 only 10% of returning migrants reported (in June/July) that their households were receiving the same amount of remittances as before the pandemic. Households in the Southeast and Ayeyarwady region were found to have seen the largest decline in remittances.²⁸
- 94 % of households in informal settlements in Yangon reported a fall in income over the March April (out of which 90 % of

²¹ UNICEF. (2020). "Impact of Covid-19 on children and their families." Results from the April and May survey round.

²² World Bank. (2020). Myanmar COVID-19 Monitoring Platform: Household-level impact of Covid-19 (2nd survey round).

²³ UNDP. September 2020. "Rapid Socio-Economic Impact Assessment of COVID-19 on Rural Communities in Rakhine". The survey was conducted in May and June of 2020.

²⁴ World Bank. (2020). Myanmar COVID-19 Monitoring Platform: Household-level impact of Covid-19 (3rd and 4th survey round).

²⁵ World Bank. (2020). Myanmar COVID-19 Monitoring Platform: Household-level impact of Covid-19 (3rd survey round).

²⁶ UNDP. September 2020. "Rapid Socio-Economic Impact Assessment of COVID-19 on Rural Communities in Rakhine". The survey was conducted in May and June of 2020.

²⁷ FAO. September 2020. "Impact of the Covid-19 Pandemic on Fishing and Aquaculture Communities"

²⁸ International Organization for Migration. November 2020. "Rapid Assessment of impacts on returning migrants"

households reported having no alternate sources of income).²⁹

Estimated impact on poverty levels

- The significant fall in people's income levels is expected to drive up poverty rates.
- The World Bank estimates that in the absence of a sustained policy response poverty rates could increase from 22.4% in 2018/19 to 27% in FY20/21, with poverty rates returning to its pre-crisis level in FY21/22 at the earliest. However, with well-designed policy responses targeting the poor and most vulnerable, the increase in poverty rates can be mitigated.³⁰



Government Response

Focus of the Response

- The COVID-19 Economic Relief Plan (CERP) released in April outlines the Government's immediate response to the socio-economic impacts of COVID-19.
- The cost of the COVID-19 Economic Relief Plan (CERP) has been estimated at between 2.9 to 3.7 trillion kyat (2.5 percent to 3.2 percent of GDP). By the end of September 2020, the Government had disbursed around 1.9 trillion kyat (1.7 percent of GDP) on the CERP.³¹
- Spending under the CERP has thus far been allocated as follows: Soft loans and business credits (52%); Cash transfers to households (17%); Medical equipment and infrastructure (14%); Electricity subsidy (6%); In-kind transfer to households (6%); In-kind transfers to farmers (5%).³²

Effectiveness in terms of targeting the most vulnerable

- The World Bank's firm and household surveys show that the government assistance to firms and households could be better adapted to reach the ones most in need.
- The number of firms applying for government support has increased during the course of the year. In May, 10% of firms applied for Government support and in October this figure was 23%. At the same time only 52% of firms were aware of any government support in October. Firms that did not apply were more likely to be experiencing greater profit declines than those firms that applied, indicating that the most vulnerable firms have less access to support.³³
- The cash assistance program has reached about 5.7 million affected households by August. However, it did not primarily reach the poorest households as 17% of both households in the bottom quintiles and top quintile received such support from government.³⁴
- Food assistance was more likely to reach the bottom consumption quintile. In April, 60% of households in informal settlements reported receiving food assistance from the government.³⁵ In a survey of COVID-19 impacts in rural communities in Rakhine all low-income households in the surveyed

²⁹ UN-Habitat. April 2020. "Impact of Covid-19 on residents of informal settlements"

³⁰ World Bank. (2020). "Myanmar Economic Monitor: Coping with COVID-19". December 2020.

³¹ World Bank. December 2020. "Myanmar Economic Monitor: Coping with COVID-19".

³² World Bank. December 2020. "Myanmar Economic Monitor: Coping with COVID-19".

³³ World Bank. (2020). Myanmar COVID-19 Monitoring Platform: Firm-level impact of Covid-19 (2nd to 4th survey round).

³⁴ World Bank. (2020). Myanmar COVID-19 Monitoring Platform: Household-level impact of Covid-19 (2nd to 4th survey round).

³⁵ UN-Habitat. April 2020. "Impact of Covid-19 on residents of informal settlements"

communities reported receiving food packages distributed by the government.³⁶

- The electricity subsidy was found to overwhelmingly benefit richer households.³⁷

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³⁶ UNDP. September 2020. “Rapid Socio-Economic Impact Assessment of COVID-19 on Rural Communities in Rakhine”. The survey was conducted in May and June of 2020.

³⁷ World Bank. (2020). “Myanmar Economic Monitor: Coping with COVID-19”. December 2020.