

MYANMAR BUSINESS ENVIRONMENT INDEX (MBEI) COVID-19 IMPACT ON BUSINESSES: A SUMMARY OF THE SECOND SURVEY

THE ASIA FOUNDATION

NOVEMBER 18, 2020



The Asia Foundation (the Foundation) carried out two nationwide telephone surveys of businesses in Myanmar in 2020 to better understand the economic impact of Covid-19. The first survey was conducted between April 28 and May 10, and the second between September 28 and October 12. These surveys assessed how the pandemic has affected businesses' profitability, workforce, and access to finance, as well as whether businesses have benefited from some government policies. Both surveys were conducted as part of the Myanmar Business Environment Index (MBEI) project. The two Covid-19 surveys used elements from the most recent MBEI survey (MBEI 2020) to assess how the business environment has changed since the MBEI survey was completed in February 2020. All the elements of the MBEI project are funded by UK Aid through the DaNa Facility.

KEY FINDINGS

As the Covid-19 pandemic continues, the prospects for businesses' sales revenue and profitability remain bleak in Myanmar. The Foundation's second survey on the impact of Covid-19 on businesses found that the effects of the pandemic are becoming increasingly divergent, with some businesses less affected and better able to adapt, while others remain closed, report no sales, and their owners worry about the future of their business.

- Thirty-six percent of businesses reported being closed at the time of the survey in September–October 2020, up from 28 percent when the Foundation's first survey was conducted in April–May 2020.
- Conversely, in comparison with April–May, when 24 percent of businesses reported being fully operational, in September–October, this percentage had risen to 34 percent.
- About 9 percent of businesses never opened at all between May and September 2020. About 40 percent of the businesses that were open at any time during this period received a government inspection that allowed them to open.
- Lack of customers and safety concerns remained the two most frequent reasons for not operating as usual. By September, shortages of supplies and cash flow concerns had become far less common reasons for businesses not to operate as usual.
- Almost one third of survey respondents believed that it would take at least six months before they could resume normal operations.
- At the time of their interview for the second survey in September–October, the proportion of respondents reporting no sales revenue at all had increased from 22 percent in April–May to 31 percent.
- Almost two thirds of businesses in the accommodation and transportation industries reported zero sales revenue, while only 9 percent of the businesses manufacturing food and beverages reported the same.
- There is now a greater geographic difference in the businesses reporting zero sales revenue, with over half of those in the urban townships in the Yangon and Mandalay Regions reporting zero sales revenue, while in northern hills this applies to only 11 percent of businesses. A possible reason for this geographic difference is variation in stay-at-home and other Covid-19 related measures.

- The profitability of businesses remained at around the same level in the second survey, as in the first, with over half of businesses reporting a loss.
- Businesses see their future as brighter, with 30 percent believing that Covid-19 poses no risk to their survival. In April–May 2020, only 12 percent considered this to be the case. This, together with the fact that a large percentage of businesses remained fully operational (34 percent, compared to 24 percent) indicates that they may have learned how to adapt to the Covid-19 situation. There is no evidence yet of large numbers of businesses permanently closing down due to Covid-19.
- Transportation and storage businesses face the highest risk to their survival, with 75 percent of owners reporting that Covid-19 poses a moderate or high risk. Textile and garment manufacturing and accommodation services are the next highest categories that have owners considering their business at risk (59 percent and 54 percent, respectively).
- While the average number of employees, overall, did not drop significantly between when the 2020 MBEI survey was conducted (November 2019 to February 2020), and when the second Covid-19 survey was conducted (September–October 2020), some industries had lost a considerable number of employees. The September–October survey shows that the average number of employees had dropped the most in the accommodation and textile industries. However, in the wholesale and retail industries, the number of employees had increased since the MBEI 2020 survey.
- The average number of female employees dropped by 10 percent between the first Covid-19 survey in April–May 2020, and the second in September–October, and manual laborers still made up about three quarters of all of those who had been laid off. However, only 5 percent of businesses had plans to lay off more workers.
- In the second Covid-19 survey, the trend of more businesses taking out loans appeared to have stopped, while the number of businesses reporting that they could not access a loan had continued to grow.
- Businesses have become more aware of government Covid-19 support policies such as the emergency loan for small and medium-sized enterprises (SMEs) and textile and tourism industry firms, as well as tax deferrals and exemptions for all registered businesses. Thus far, tax deferrals and exemptions have benefited more businesses than is the case with the government’s emergency loans. However, with the exception of the electricity subsidy, fewer than 10 percent of businesses had benefitted from any type of government support.
- In September–October, the proportion of businesses engaged in remote work had clearly increased from 9 percent in April–May to 35 percent. Business owners also reported that workplace safety practices—measuring employees’ and customers’ body temperature and requiring employees to wear a mask—had become more prevalent.

RECOMMENDATIONS

- Continue to ensure that government policies supporting businesses during Covid-19 are adequate to match the needs of all businesses.
- In designing and targeting government policies to support businesses, consider geographic differences in the incidence of Covid-19 cases, and the application of government regulations.
- Make sure that the frontline government officials who deal with businesses on tax issues are fully aware of the available deferrals, and that they actively help businesses to apply for them.
- Consider providing additional targeted support for specific industries where greater Covid-19 impact and related government restrictions are clearly evident.
- Make further efforts to ensure that the transport of goods, nationwide, remains efficient to help the whole economy to better withstand the prolonged crisis.
- To better understand the special needs of vulnerable populations, continue to study the impact of the pandemic with respect to factors such as gender, age, and employee skill level.
- Continue to monitor the impact of Covid-19 on businesses.

The full report [Myanmar Business Environment Index: Covid-19 Impact on Businesses](#), can be found on [asiafoundation.org](#). To request copies of the report, please contact country.myanmar.communications@asiafoundation.org.