



The Firm -Level Impact of the COVID-19 Pandemic

Summary of Results from Round 3
29 JULY – 18 AUGUST 2020

The World Bank commissioned a firm-level survey to provide quantitative evidence of the impact of the COVID-19 pandemic. Three rounds of data have been collected in May, July and August, using a nationally representative¹ World Bank survey providing data on the impact of the COVID-19 pandemic. The survey includes responses from 500 firms² spanning a wide range of industries and firm sizes, as well as the formal and informal sector. This note provides a snapshot of how firms' outcomes and responses to the pandemic have changed throughout the months of May to August.

The share of temporarily closed firms increased slightly in August. During this month, an average of 7 percent of firms were temporarily closed representing a slight increase as compared to July. Except for firms in the Chin and Dry zone, the share of closed firms increased across every geographical area. Results by sector are mixed: while service and retail firms recovered, there was an increase in the share of agriculture and manufacturing firms remaining temporarily closed. In August, firms in the agriculture sector were the worst affected by COVID-19 (Figure 1), with 10 percent of those firms still closed.

The overall negative impact of COVID-19 remains significant, but most areas show improvement. Reduction in sales due to the pandemic remains the area in which firms were most adversely affected. In June, 81 percent (Figure 3) of the firms in our sample reported experiencing a reduction in sales. Following sales reduction, the next most commonly reported impacts were – in order of prevalence – a reduction in production, difficulty selling products or services to customers, and cash flow shortages. However, the shares of firms reporting these impacts has improved since May. Except for the areas of sales and production reduction, less than half of firms now report being affected in each of the other impacted areas. For example, only 16 percent of firms reported a reduction in access to credit in August – a figure half of what was reported in July, representing a marked improvement.

Female-owned firms are more likely to report negative effects from COVID-19. The negative impact of COVID-19 in terms of cash flow shortages, reduction in sales and temporary closures have, on average, affected female owned firms more dramatically than those owned by males (Figure 4). However in the month of August, the same share of female and male owned firms experienced a reduction in access to credit: a material change compared to the previous months. Reduction in access to credit is the area where women had been disadvantaged the most compared to their male business owner counterparts, but in August there is evidence of recovery with regard to access to credit channels. That said, female-owned firms remain almost twice as likely to be temporarily closed at 9 percent compared to only 5 percent for male-owned firms.



Figure 1 Share of firms reporting temporary closures – by sector

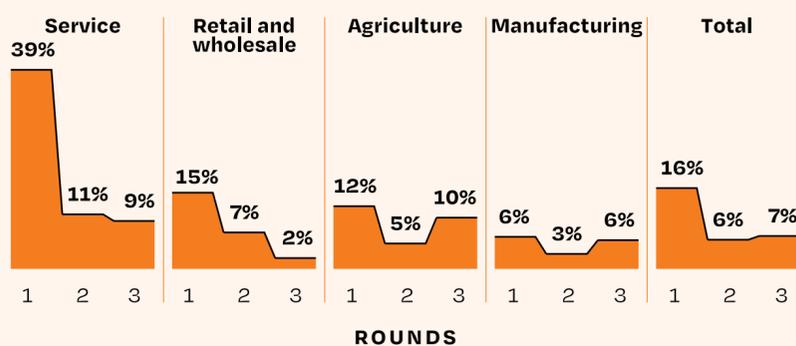


Figure 2 Share of firms reporting temporary closures – by geographical zone

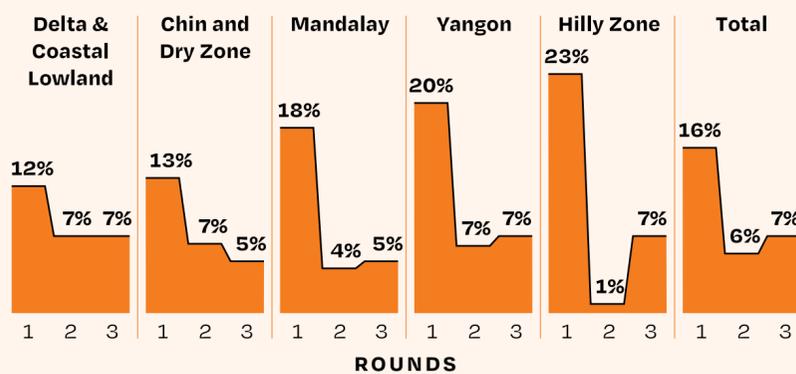
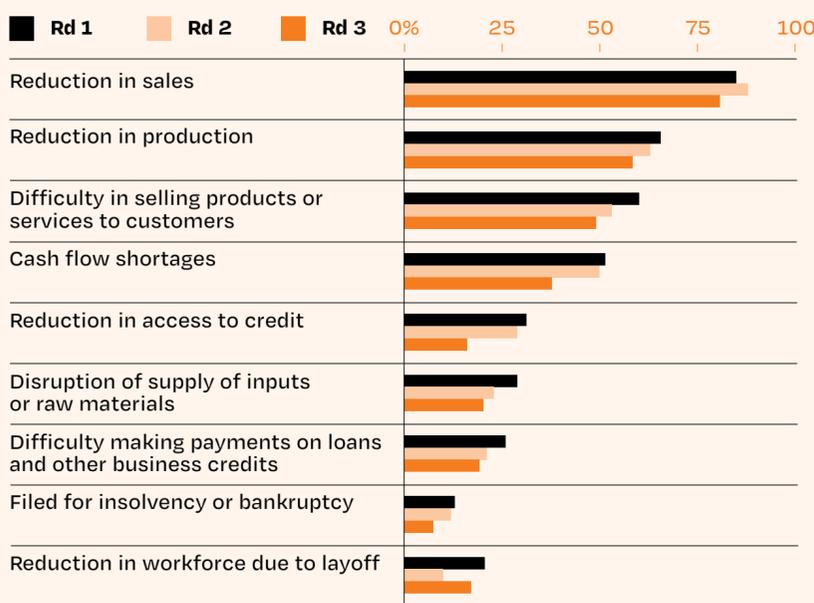


Figure 3 Impact of COVID-19 on firms



Note:
Round 1=May
Round 2=July
Round 3=August

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

1 The survey was nationally representative and included firms from a wide range of sectors. Whereas firm-level surveys 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.
2 The third round of data includes 390 of the same firms that were surveyed in round 2. Due to attrition, the remaining firms have been substituted to meet sample needs.

COVID-19 caused both sales and profit decline for the majority of firms since its onset in March. Between the months of May and June, the share of firms reporting a profit loss compared to the same period last year improved by almost 10-percentage points (Figure 5), bringing the share of firms losing profits to 72 percent. However, this is a higher share of firms compared to March. While firms across all sectors fared better in June than in May, firms in the agriculture and manufacturing sector performed better at the earlier stages of the pandemic in March as well (Figure 5). Focusing on size (Figure 6), medium sized firms again represent the group of most affected firms in terms of profit loss. While micro and small firms are performing better than in May with a smaller share reporting loss of profits, medium and large firms are faring worse than in both prior survey rounds. At the earlier stages of the pandemic, large firms appeared to be those least affected by COVID-19 in terms of profit losses, however their resilience has been tested as the effects of the pandemic continue. For example, only 50 percent of large firms in March reported profit loss compared to the same period last year, by June this figure reached 81 percent. On average, for firms reporting a loss in June, this represented a 57 percent decrease compared to the same period last year, with medium, manufacturing and service firms reporting the highest profit loss between 62-63 percent.

Among firms experiencing cash flow shortages, loans from friends and family continues being the main mechanism to deal with this shortcoming. Firms relied on taking out loans from friends and family, followed by non-banking institutions, as only 8 percent of firms resort to commercial banks. Like in May, firms in the agriculture sector continue being those taking out the most loans (Figure 7 and 8) to deal with cash flow shortages. While firms across most sectors reduced the need for loans between the month of May and June, the share of service firms requesting a loan increased by 8 percentage points from family and friends and by 3 percentage points from non-banking institutions. Overall, the use of loans from each reported source (of family, non-banking institutions, and commercial banks) decreased between the months of May and June, signaling a reduced reliance on loans to deal with cash shortages, thus an improvement compared to the previous month.

In August there was a further increase in firms adopting adjustment measures to respond to operational and financial impacts of COVID-19. Over one-third of firms adopted online and digital platforms for major business functions, representing over a 10 percentage point increase compared to July (Figure 9). This measure saw the largest increase in adoption rate and went from being one of the least utilized adjustment mechanisms to the most, with 34 percent of firms adopting some form of digitization to generate business. While over half of the firms still continued their conventional production and service delivery model, these two areas also experienced a change. Although more moderately than the adoption of an online or digital

Figure 4 Impact on firms by owner's gender in August

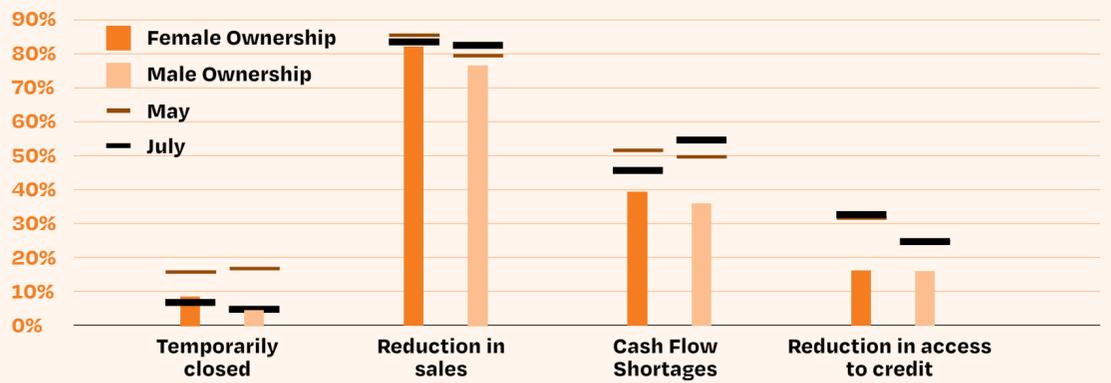


Figure 5 Share of firms reporting a decrease in profits – by sector



Figure 6 Share of firms reporting a decrease in profits – by firm size

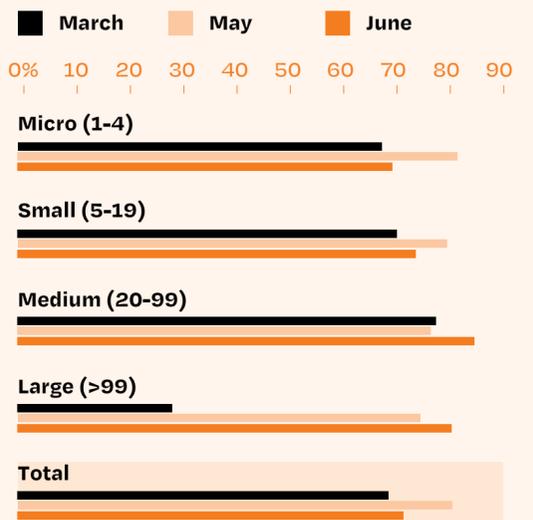
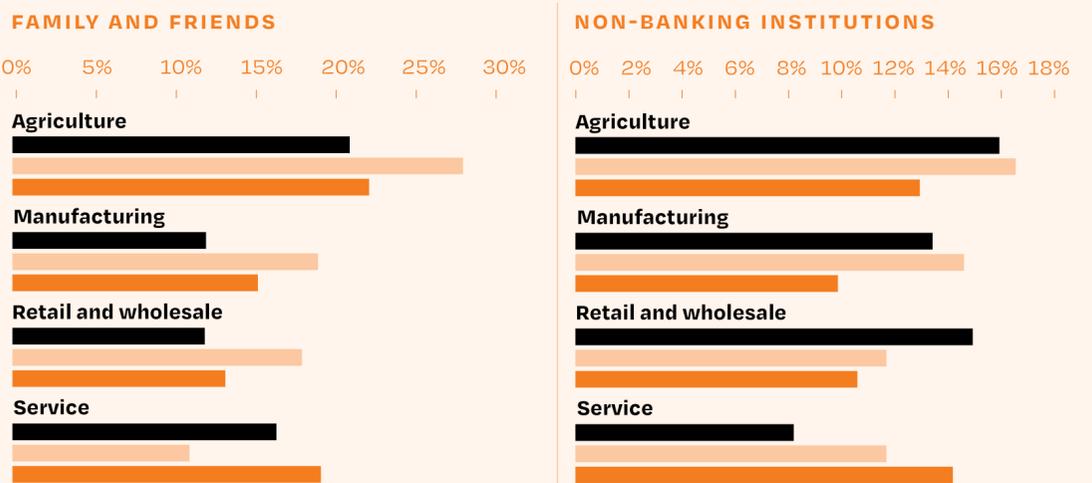


Figure 7&8 loan sources



Note: For questions on sales, profits, loans and delays the recall period is lagged so firms have time to have completed their bookkeeping accounts and for Round 3 they were asked to answer for June. All other questions are contemporaneously asked and are reported as August for Round 3.

Figure 9 Share of firms reporting major adjustment mechanisms

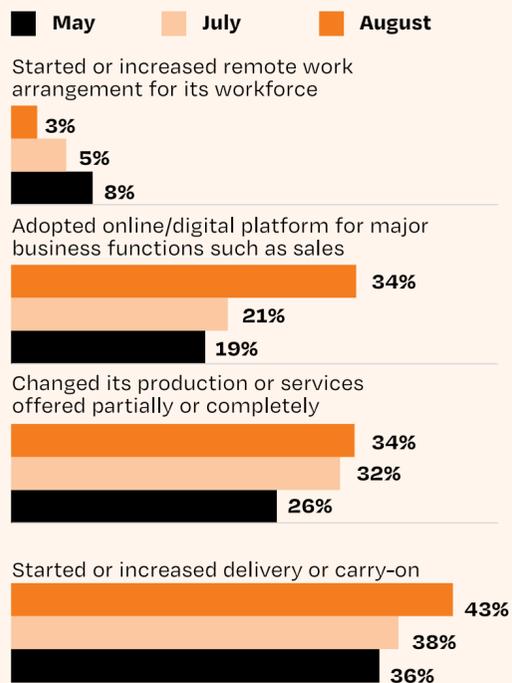


Figure 10 Most urgent government policy response



platform, change in production and services and the start or increase in delivery of their products increased by 2 and 5 percentage points respectively. Remote working saw a further reduction as only a very small share of firms (3%) still uses this modality for their operations. While the use of firm-level adjustment mechanisms has increased, there has instead been a slight decrease in the share of firms adopting measures to ensure customer and employee safety, with regular workplace disinfection being the only measure that saw an increase in June.

In August, 61 percent of firms reported being aware of economic support programs offered by local and national governments, but only 20 percent of firms applied. The disparity between firms aware of government support programs and those which have applied is still large, despite the small increase in firms applying between July and August. By far, firms emphasized access to loans and credit guarantees as the most urgently needed form of government support, although with a slight decrease compared to the previous month. Tax deferral or tax relief is increasingly gaining support by firms as a policy priority, with 17 percent of firms reporting tax related interventions as one of the most needed (Figure 10).

August saw an increase in the share of firms reporting a fear of falling in arrears in the next 3 months. While large firms had been the best positioned in respect of being able to meet repayment obligations in July, August saw a 53 percentage point increase in those firms reporting a likelihood of falling into arrears in the subsequent months. This finding represents the largest single increase in reported COVID-19 negative impacts due to by firms across the entire data collection period, and was commonly reported across every sector (Figure 11). Similarly, all firms – regardless of sector of operation – feared falling in arrears now more than in July, albeit to a lesser degree than large firms. However, on average and regardless of size and sector, almost the entirety of firms reported a confidence to remain operational for the following month. The share of firms lacking that confidence reduced across the board except for small firms that saw a small percentage point increase. The share of firms experiencing a reduction in access to credit has also improved in August, with the exception of large and medium firms that saw a 5 and 11 percentage point increase in reporting this set-back respectively. Firms in the agriculture sector continue being those most affected, as on average, more firms in this sector reported adverse implications of COVID-19 to a greater degree than firms across any other area (Figure 12).

