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Myanmar

Impacts of COVID-19 on Economy, Agri-Food System, Jobs & Incomes

Feed the Future Myanmar Agriculture Policy Support Activity (MAPSA) Policy Note

Updated: May 22, 2020

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This policy note was prepared by Xinshen Diao, Nilar Aung, Wuit Yi Lwin, Phoo Pye Zone, and James Thurlow from International Food Policy Research Institute (IFPRI), and Khin Maung Nyunt from Myanmar Development Institute (MDI). We acknowledge COVID-19 pandemic-related insights and information provided by individuals from the public and private sectors whom we interviewed in the recent weeks on the current situation in Myanmar, and the helpful comments and suggestions from colleagues of the MAPSA team.

Disclaimer: This work was undertaken as part of the Myanmar Agriculture Policy Support Activity (MAPSA) through the CGIAR Research Program on Policies, Institutions, and Markets (PIM) led by the International Food Policy Research Institute (IFPRI). Funding support for this study was provided by the CGIAR Research Program on Policies, Institutions, and Markets, the United States Agency of International Development (USAID) and the Livelihoods and Food



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This document is based on a MAPSA policy paper “Assessing the Impacts of COVID-19 on Myanmar’s Economy – A Social Accounting Matrix (SAM) Multiplier Approach,” which updates the previous assessment dated April 30, 2020



1 Preview of Results

Lockdown Imposes Heavy Economic Costs

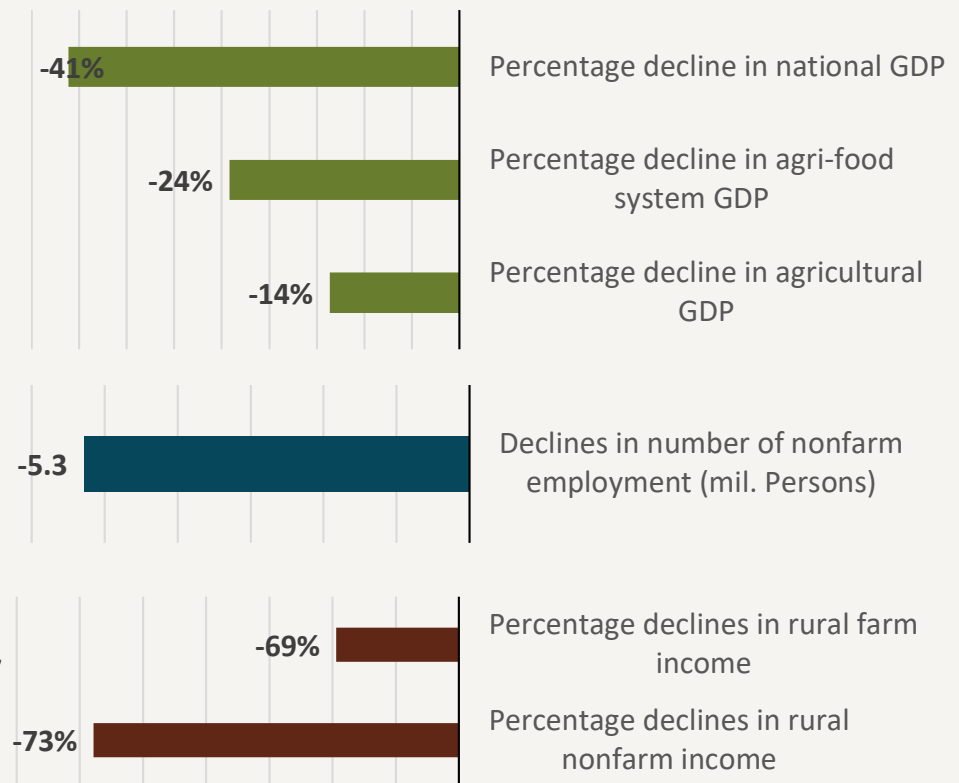


Updated: May 06, 2020

- **National GDP is estimated to fall by 41% during the 2-week lockdown**
(compared to a no-COVID situation)
- **Food system is adversely affected by falling consumer & export demand**
(14% AgGDP decline and 24% AFS GDP decline, despite exemptions for agriculture)
- **Nonfarm jobs fall by 5.3 million during the lockdown**
- **Rural household income is negatively affected during the lockdown**
(69% Rural farm household income fall and 73% nonfarm household income fall)

Economic impacts during 2-week lockdown period

(compared to a no-COVID situation)



Economic losses Likely to Persist Throughout 2020



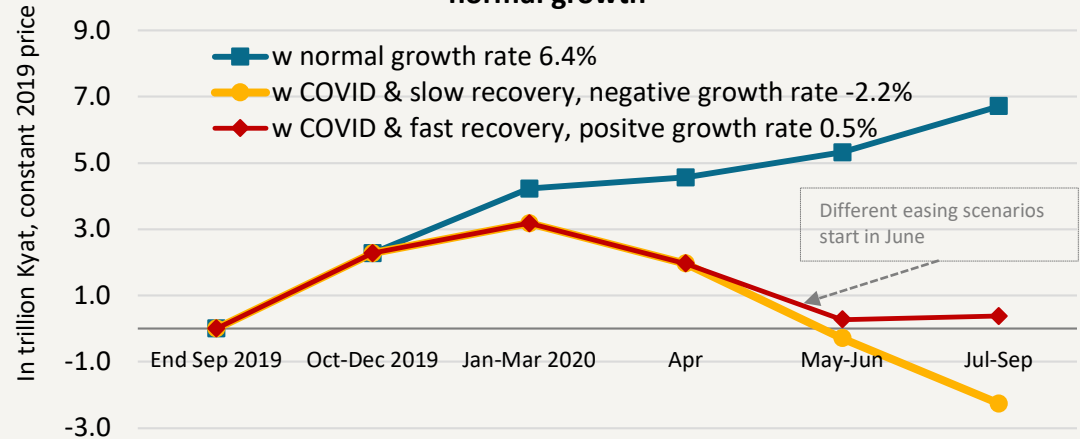
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- Economy is gradually reopened & some restrictions are eased
- But economic losses are Huge, at 6.4 – 9.0 trillion Kyat in 2020

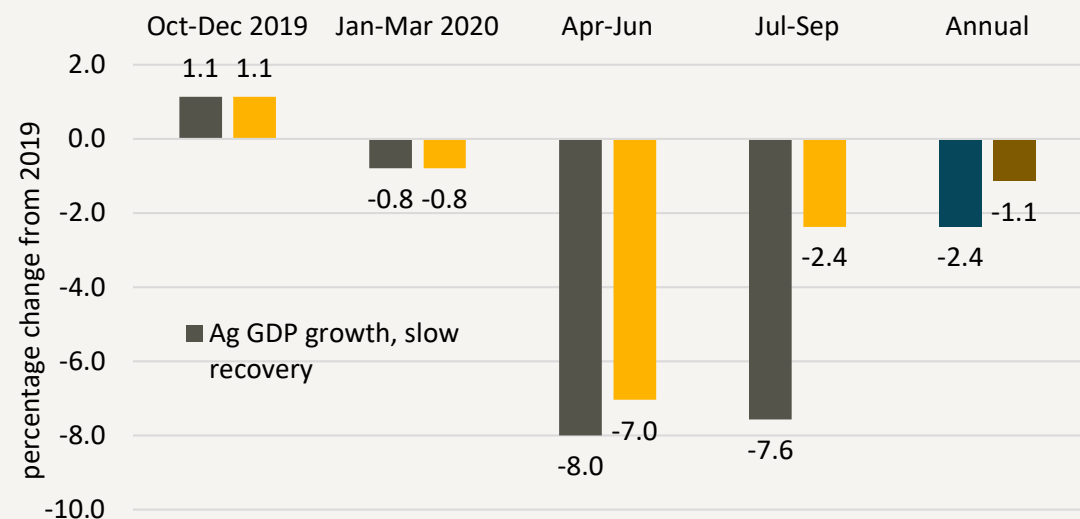
(A recession is possible and fast recovery can only lead to a stagnant growth in 2020)

- Agricultural growth is negative even with fast recovery

Losses in GDP are 6.4 - 9.0 trillion Kyat in 2020 from projected normal growth



Agricultural GDP growth, compared with same period in 2019



Source: Myanmar SAM Multiplier Results



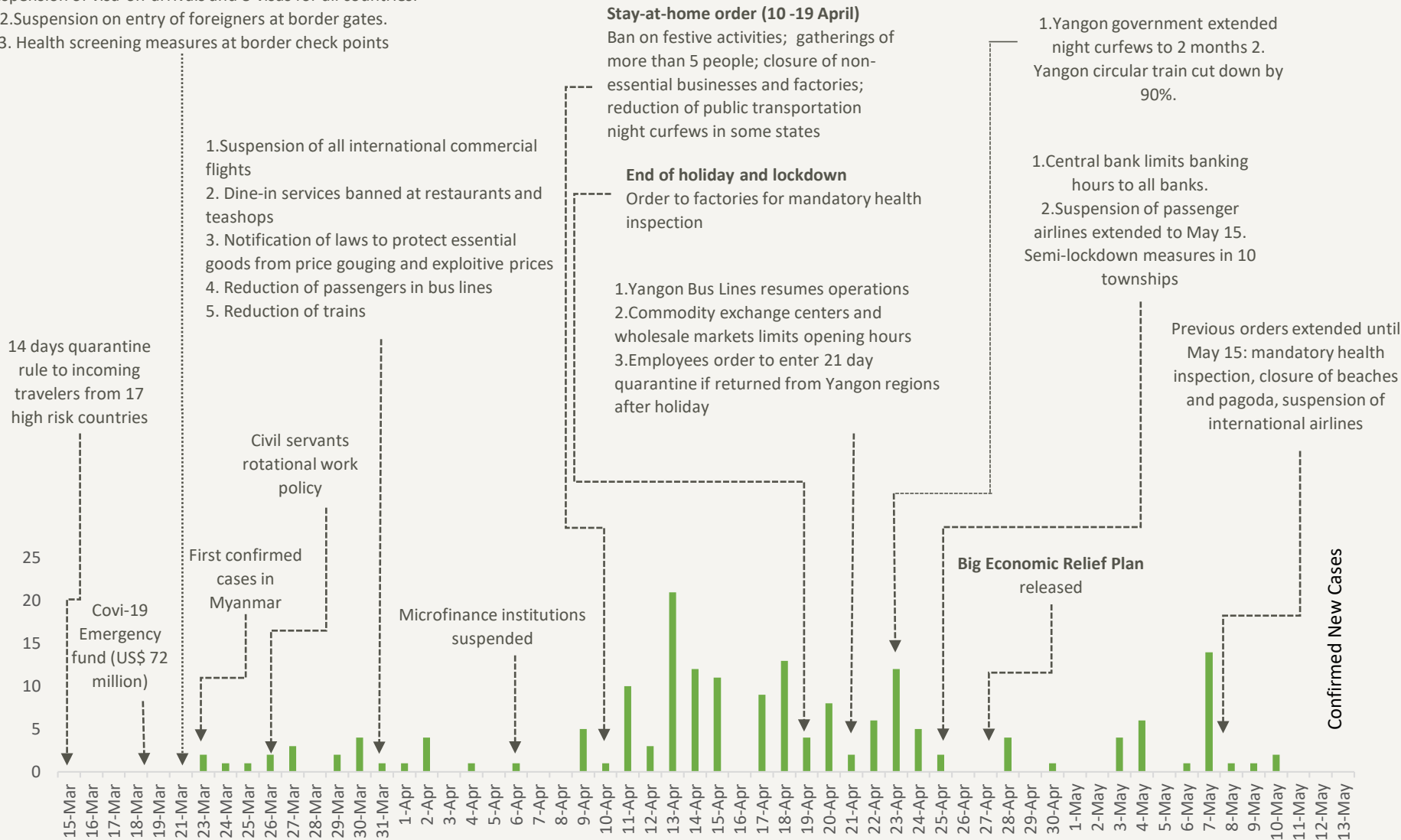
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COVID-19 Outbreak & Lockdown Policies in Myanmar

COVID-19 Cases & Policy Timeline



1. Suspension of visa-on-arrivals and e-visas for all countries.
2. Suspension on entry of foreigners at border gates.
3. Health screening measures at border check points



Sectors Affected by Lockdown Policies (1)



Updated: May 06, 2020

Sector	Lockdown restrictions or exemptions in targeted regions	Directly Affected?
Agriculture	<ul style="list-style-type: none"> Farming activities are in essential sectors and exempted Reduced trading volumes due to closure of restaurants and food services Suspended development projects and reduced extension activities External shocks from trading countries (mainly China and India) Monsoon lending may be hurt as microfinance activities suspended 	Minimal
Mining	<ul style="list-style-type: none"> Many mining blocks and extracting activities were ordered to close without registration in last two years prior Covid-19; existing mines allow to operation during lockdown period 	Minimal
Manufacturing	<ul style="list-style-type: none"> Food processing & medicines exempted (essential sector) Movement restrictions have affected operations even for essential sectors Nonfood producing companies closed during lockdown and factories required mandatory inspection post-lockdown in 4 weeks until May 15 before reopen 	High
Utilities	<ul style="list-style-type: none"> Electricity & water distribution exempted (essential sector) Three hydro power construction projects delayed, but no major effect on current capital 	Minimal
Construction	<ul style="list-style-type: none"> Construction projects/sites closed, including most public works Lockdown policies placed in the busiest season. Projects will be delayed as the monsoon comes and workforce were reduced. The industry have underlying conditions that are sensitive to economic shocks and disruptions; projects are contracted with deadlines, banks loans are limited for the sector, mortgage system is underdeveloped, high reliance on real-estate industry which is currently frozen. Proper relief channel has not been identified yet. Covid-19 loan program highly excludes the sector. 	High
Wholesale & retail trade services	<ul style="list-style-type: none"> Retailers of essential goods exempted, with limited trading times Social distancing restrictions may have affected some markets Reduced customers and trade volumes due to travel restrictions and 	Some
Transportation, storage & cargo	<ul style="list-style-type: none"> Air travel closed; cargo/freight transport exempted (essential sector) Inter-district passenger transit suspended over a month. Urban passenger transit reduced to 25%. Interstate train routes reduced and inter-city circular trains cut by 50-90% in numbers for a month and half. 	High

Sectors Affected by Lockdown Policies (2)



Updated: May 06, 2020

Sector	Lockdown restrictions or exemptions in targeted regions	Directly Affected?
Banking, finance & insurance	<ul style="list-style-type: none"> • Banks operating through digital platforms • Transactions volume decreased; lower credit collected; lower or delayed repayment from loan side • Microfinance institutions suspended and ordered not to collect repayment with 'force' • Other financial institutions closed or teleworking (e.g., insurance) 	Some
Professional & business services	<ul style="list-style-type: none"> • Almost all closed or teleworking (e.g., legal, accounting services) • Activities involving in-person field visits affected (e.g., engineers) 	Some
Public admin & law enforcement	<ul style="list-style-type: none"> • Public services & agencies remain open, but most staff teleworking • Police & security services exempted (essential) 	Minimal
Education services	<ul style="list-style-type: none"> • Closure of public schools consistent with school breaks lasting to June • Private schools that have different school break period and vocational trainings and non-formal schools all closed • Potential impacts of prolonged closure after June is large as the system is not ready for online learning • All private schools closed but with some online materials 	Minimal
Health services	<ul style="list-style-type: none"> • Health services exempted (essential) • Elective operations reduced but rising number of COVID patients 	Minimal
Sports & entertainment	<ul style="list-style-type: none"> • Sports & outdoor entertainment banned • Some activities operating (e.g., newspapers, radio & TV) • Famous tourists closed until May 15 	High
Other services	<ul style="list-style-type: none"> • In-person religious gatherings banned • Informal repair firms limited due to movement restrictions 	High

Global & Other Nationwide Shocks



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Sector	Lockdown restrictions or exemptions in targeted regions	Directly Affected?
Export demand	<ul style="list-style-type: none">• Reduced international tourism & business travel• Lower export demand for mineral exports• Lower export demand for agricultural, other products	High
Remittances	<ul style="list-style-type: none">• More than 1 mil immigrants in Thailand, China and other Asian countries lose jobs and returned home. Declines in remittances sent by nationals working abroad are large• Lower payment remittance through trade transactions	High



3 Measuring Economic Impacts

Economywide Multiplier Analysis



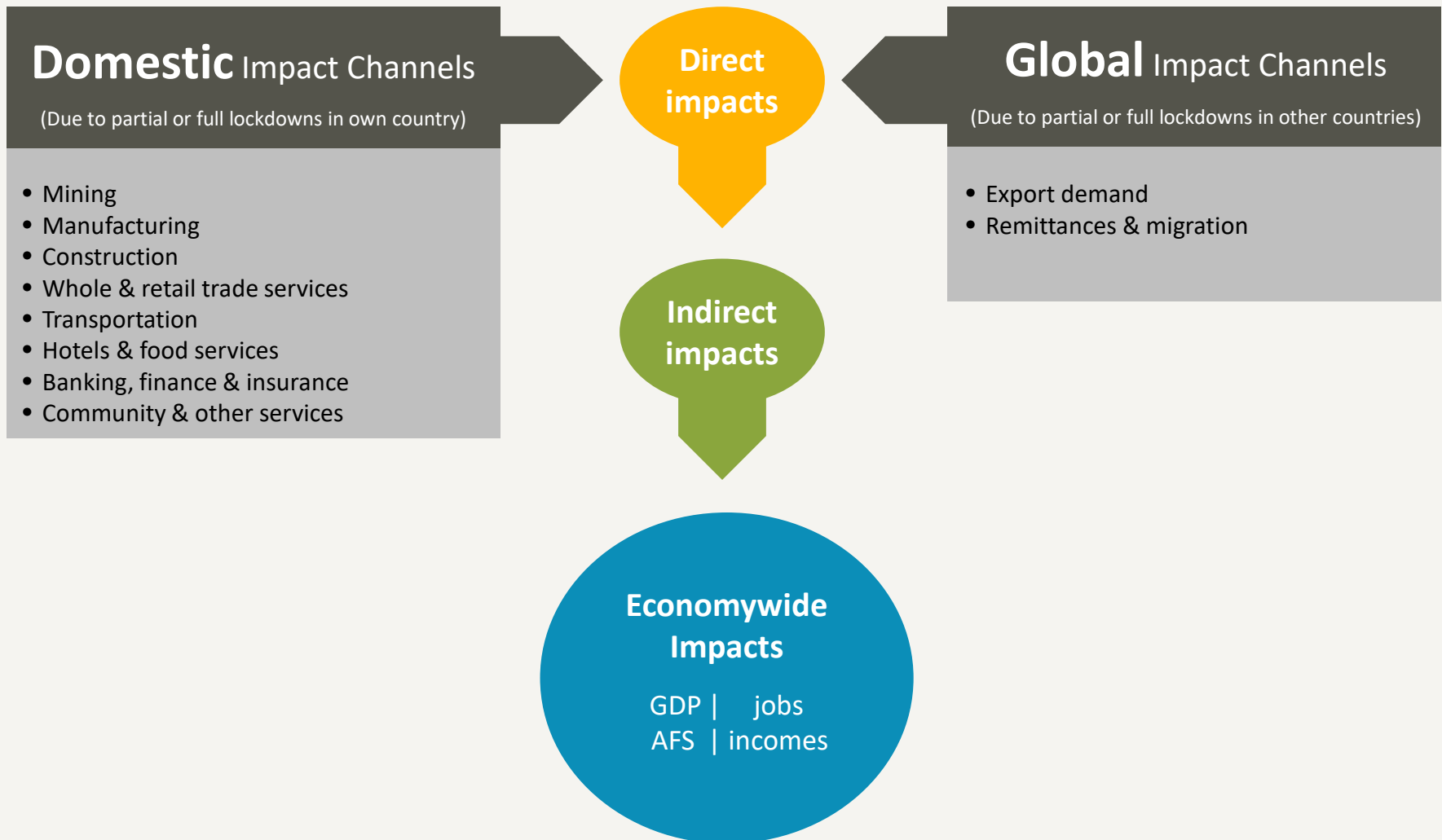
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- **Lockdown policies & shocks have direct impacts on the operation of certain sectors**
(e.g., closing factories, restricting travel, etc.)
- **But they also generate indirect impacts on other sectors involved in supply chains**
(i.e., input suppliers & downstream users)
- **Multiplier analysis uses sector input-output data to measure direct & indirect impacts throughout & across supply chains**
(Includes impacts on GDP, jobs & household incomes)
- **Myanmar model based on 2015 SAM**
(Scaled to 2019 GDP & employment levels)

Framework for Analyzing COVID-19



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Impact Channels & Shocks



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- **Lockdowns are simulated using a range of impact channels**
 - Shocks to each channel are imposed on the model & impacts are simultaneously traced across all supply chains
- **Multiplier model separates entire Myanmar's economy into 63 sectors**
- **Size of shocks is estimated by IFPRI staff and collaborators based on interviews with experts**

Impact channels used to replicate lockdowns	
1	Closing mining operations
2	Closing non-essential manufacturing operations
3	Closing most construction sites/activities
4	Closing non-essential wholesale/retail trade
5	Transport/travel restrictions
6	Closing hotels, bars and restaurants
7	Closing non-essential business services
8	Restricting domestic workers & other services
9	Reduced export demand
10	Falling foreign remittances

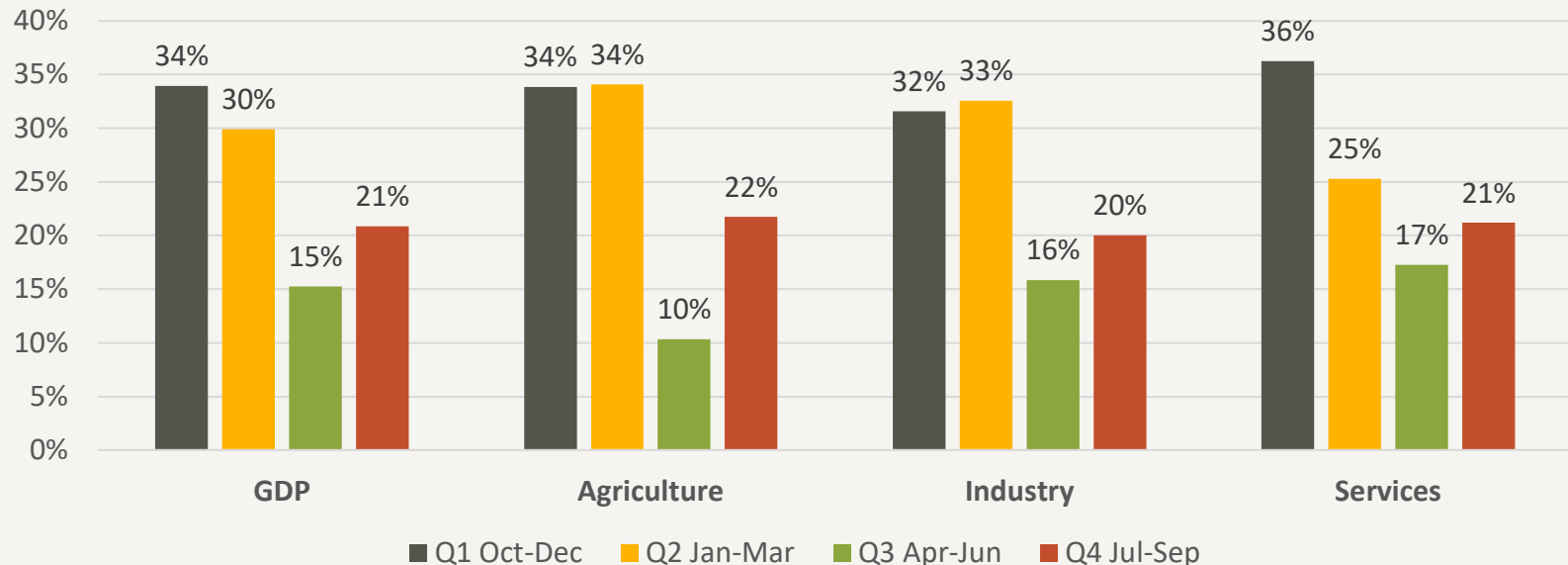
Adjusting for Seasonality



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- All shocks are nationwide given the scope of the government's lockdown directive
- Shocks weighted by importance of quarterly GDP for each sector
 - First half of year is more important for the economy

Share of GDP in 2019 produced in each quarter for the three aggregate sectors



Scenarios



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1. Impacts during the lockdown period

- 2 weeks in April

2. Impacts throughout 2020 by quarter during both pre- & post-lockdown periods

- We compare a faster vs. slower easing of restrictions in post-lockdown period





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Economic Impacts During the Lockdown Period

GDP Losses During Lockdown



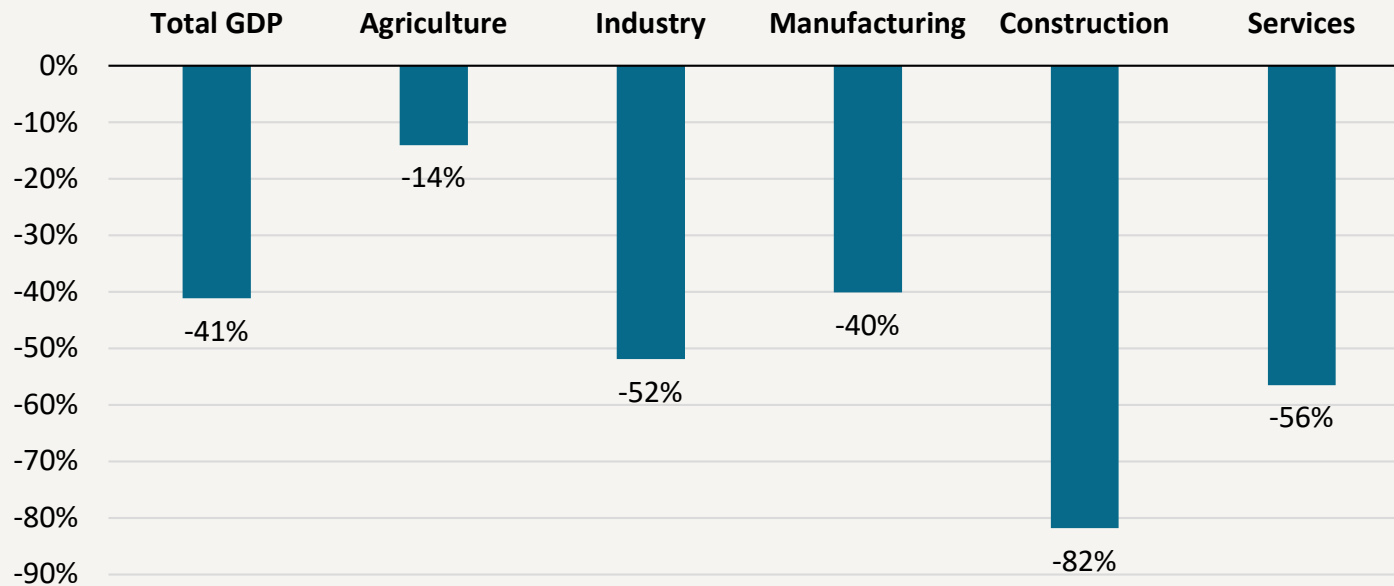
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National GDP drops 41% during the 2-week lockdown

(Largest declines are services and construction)

Change in total & sectoral GDP during lockdown period (%)

(changes are relative to a no-COVID situation)



Sources of GDP Losses

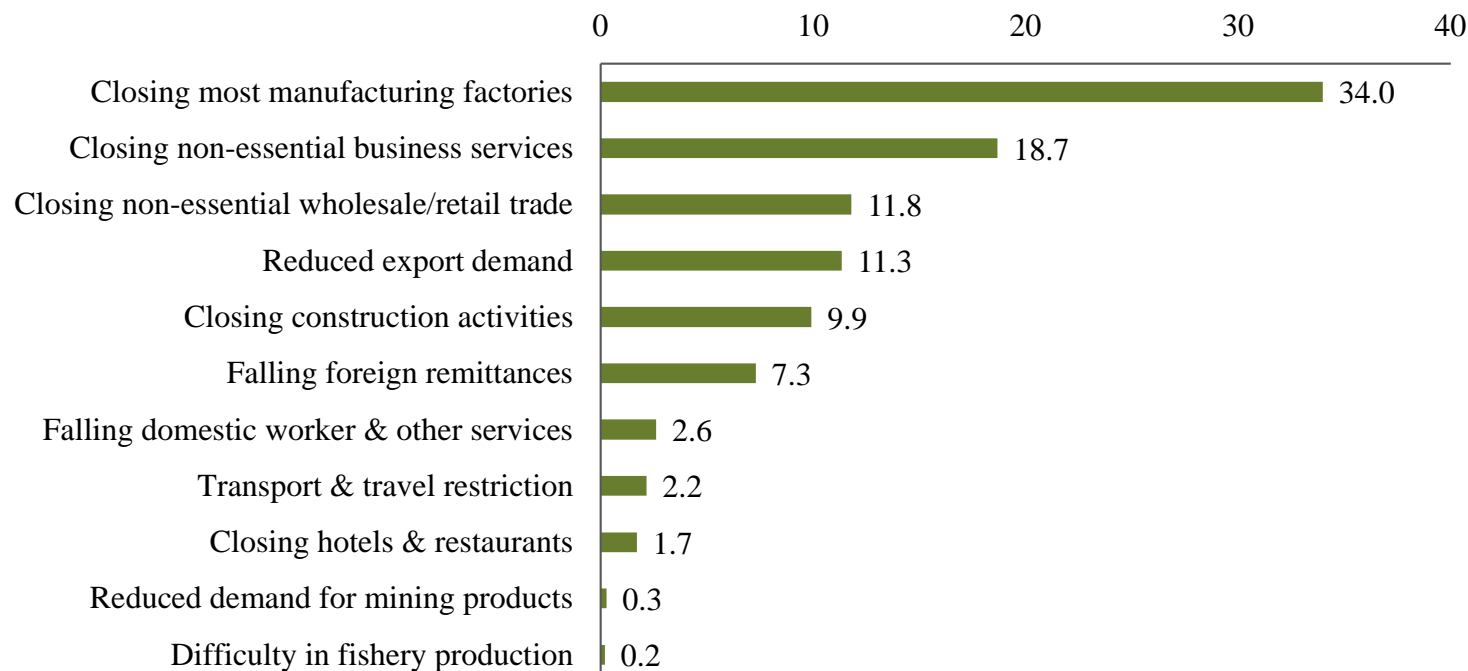


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Closing manufacturing factories & non-essential businesses account for more than 50% of GDP losses

(Limiting trade operations, falling export demand, and closing construction activities together are another third)

Contribution of lockdown restrictions & shocks to loss in total GDP during 2-week lockdown (% | sums to 100)



Impacts on the Agri-Food System

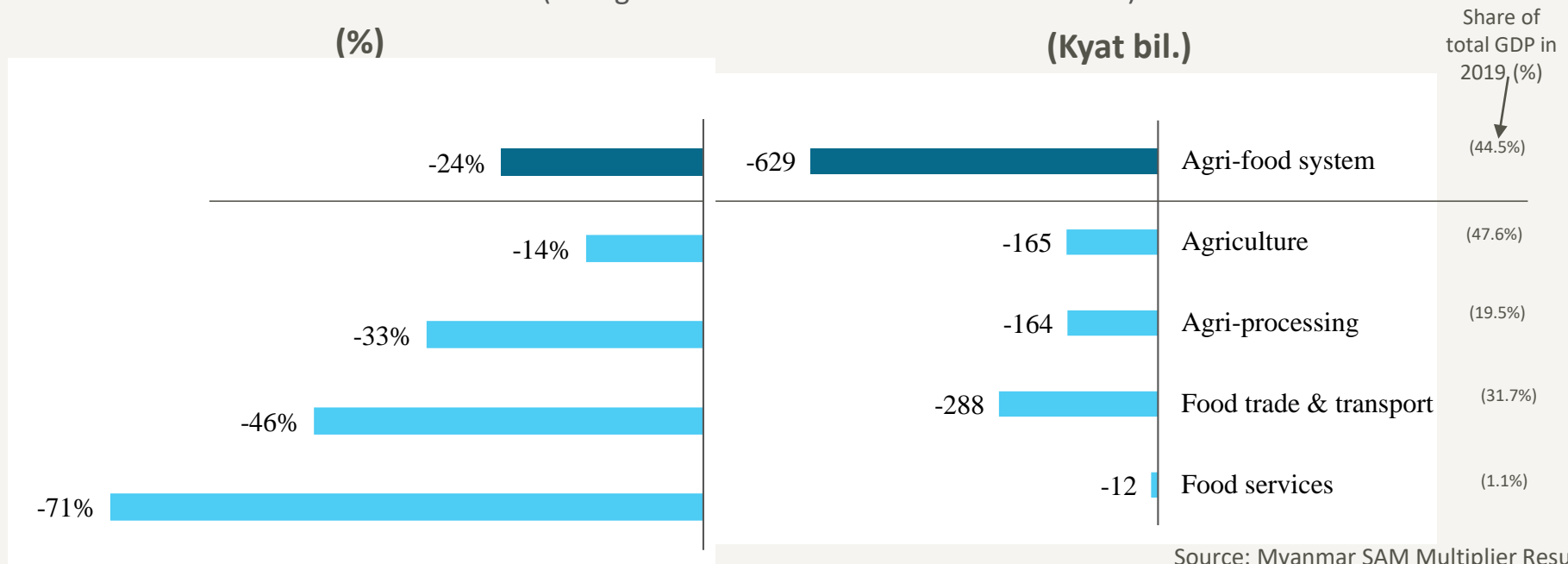


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Food supply is exempt from most restrictions, but it is still indirectly affected by falling intermediate demand from other sectors, falling in exports & lower consumer incomes

(Food services sector is directly affected by the closing of hotels, restaurants & bars, but this is a small component of the overall agri-food system)

Change in agri-food GDP during lockdown period
(changes are relative to a no-COVID situation)



Source: Myanmar SAM Multiplier Results

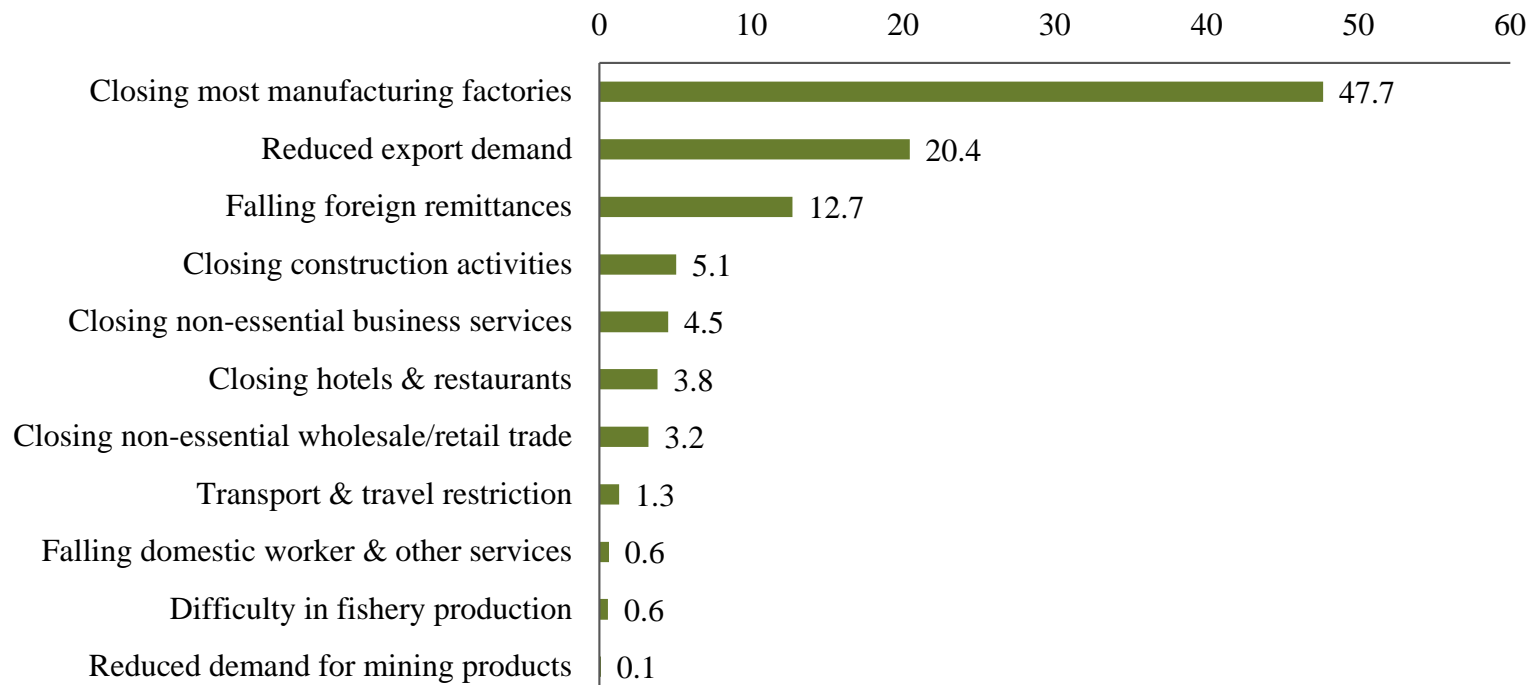
Sources of Agri-Food System GDP Losses



Updated: May 06, 2020

Agri-food system is badly affected by closing down manufacturing, falling export demand and remittances

Contribution of lockdown restrictions & shocks to loss in agri-food GDP during 2-week lockdown ((% | sums to 100)

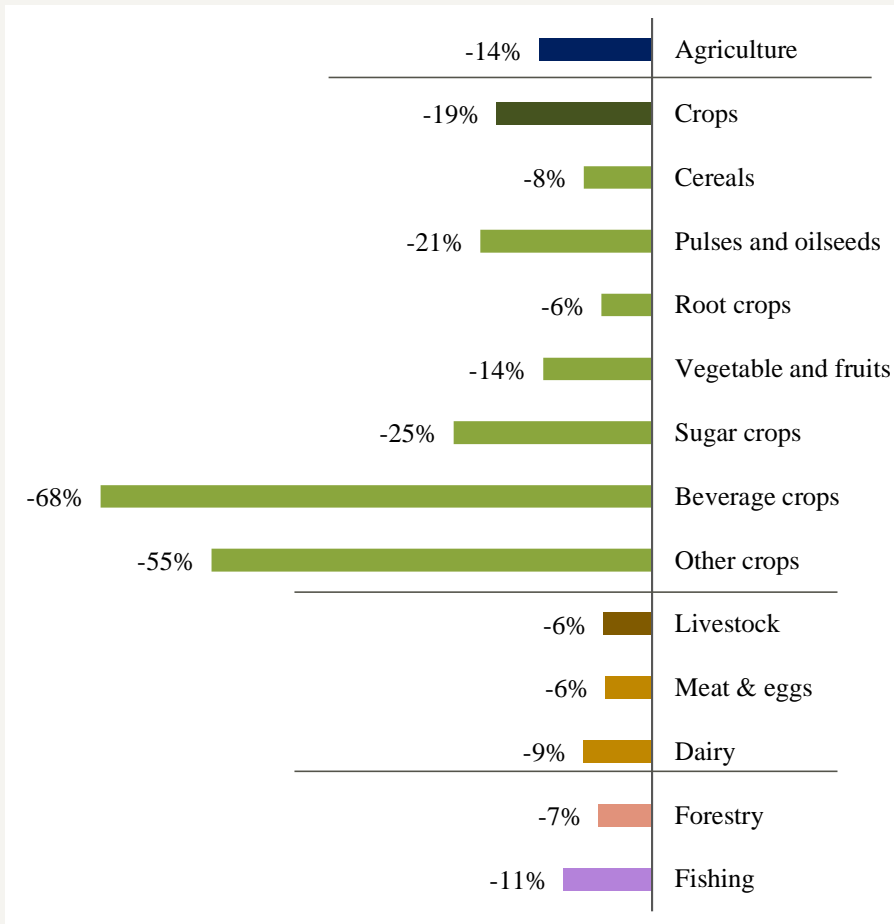


Unpacking Agricultural and Manufacturing GDP Impacts

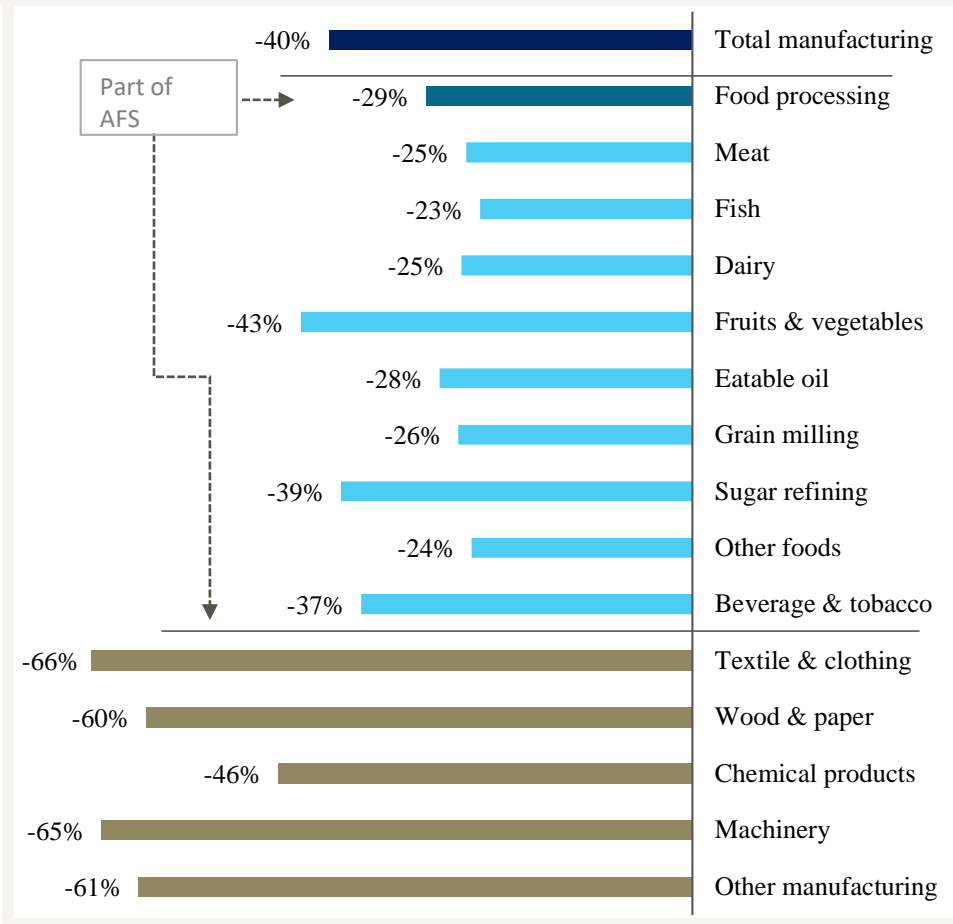


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Change in agricultural sector value-added during the lockdown (%)
(relative to a no-COVID situation)



Change in manufacturing sector value-added during the lockdown (%)
(relative to a no-COVID situation)



Impacts on Nonfarm Employment

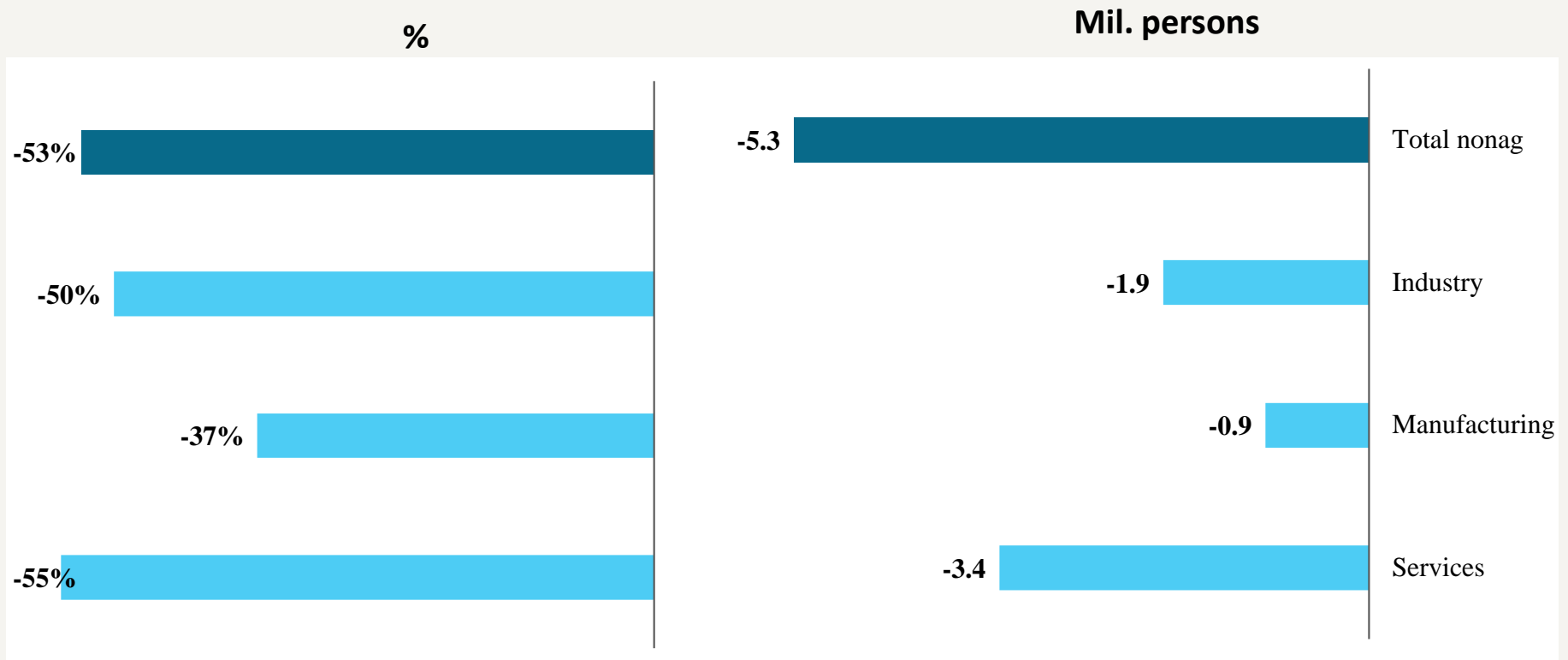


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5.3 million people are predicted to lose their jobs during two-week lockdown periods

(Including self-employed nonfarm businesspeople whose businesses are shut down)

Change in nonfarm employment during 2-week lockdown (%)
(relative to a no-COVID situation)



Source: Myanmar SAM Multiplier Results



5

Economic Impacts in 2020 Under Fast & Slow Recovery

Easing of Restrictions & Recovery



Updated: May 06, 2020

Predicting Myanmar's "post-lockdown" period is challenging

Consider two stylized scenarios:

Faster recovery: Economy rebounds strongly in Q4 & largely returns to normal by Sep 2020

Slower recover: Modest rebound throughout post-lockdown period

		Faster recovery	Slower recovery	Global shocks
Q1	Oct	No shocks in pre-COVID-19 period		
	Nov			
	Dec			
Q2	Jan	Falling exports due to China's outbreak		
	Feb			
	Mar			
Q3	Apr	Full lockdown period lasts 2 weeks in April, followed by direct shocks eased by 25% in both scenarios		Falling exports & remittances
	May			
	Jun	Direct shocks eased by 75% in first 2-weeks (transport, hotels/bars by 50%) & 90% in the last 2-weeks (transport, hotels/bars by 70%)	Direct shocks eased by 25% in first 2-weeks & 75% in the last 2-weeks (trade, transport, hotels/bars by 50%)	Falling exports eased by 50%
Q4	Jul	Direct shocks eased by 90% (transport, hotels/bars by 70%)	Direct shocks eased by 75% (trade, transport, hotels/bars by 50%)	Falling exports eased by 75% under fast recovery; 50% under slow recovery
	Aug			
	Sep	Direct shocks eased by 100% (trade by 90%; transport, hotels/bars by 70%)		Remittance shock eased by 50% under fast recovery

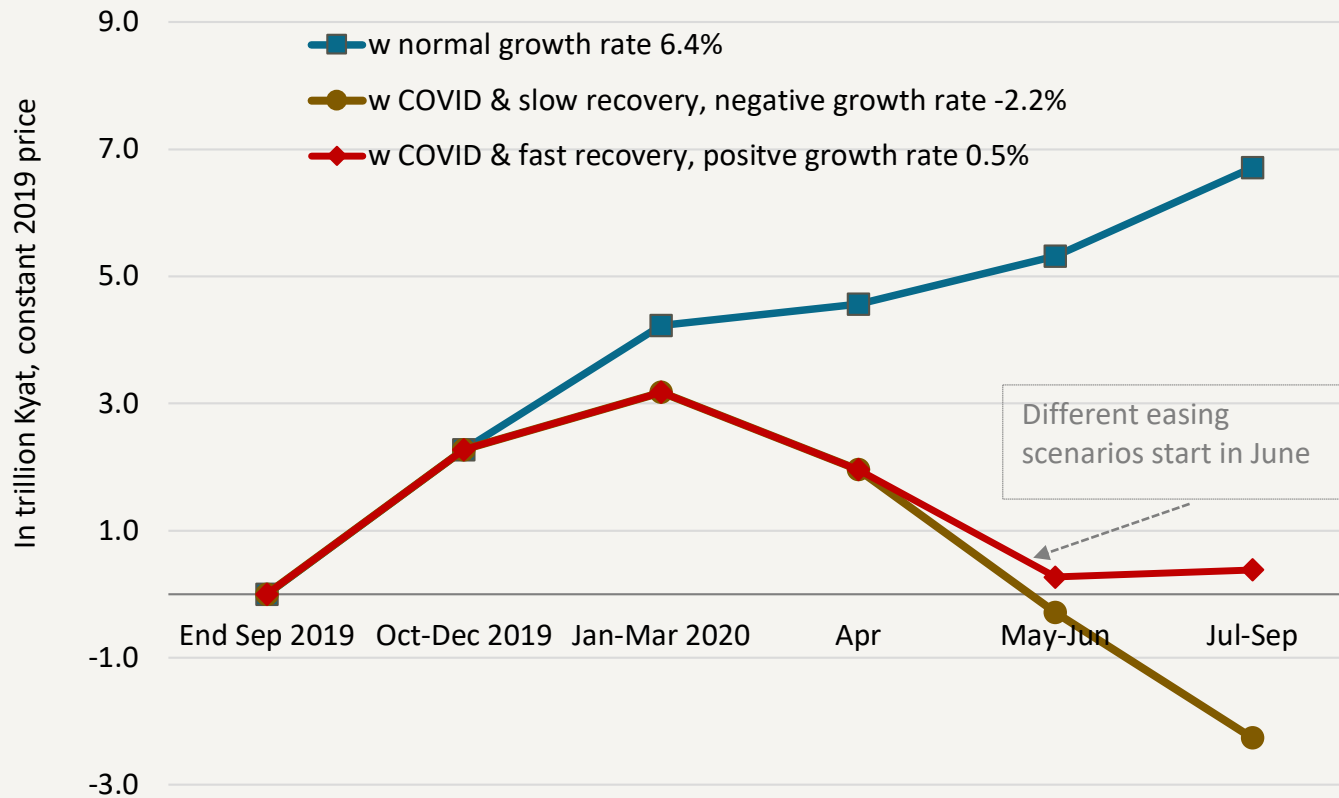
GDP Impacts with Recovery Scenarios (1)



Updated: May 06, 2020

Losses in GDP can be 6.4 to 9 trillion Kyat in 2020 from projected normal growth

Cumulative changes in 2020 GDP from 2019 with and without COVID-19



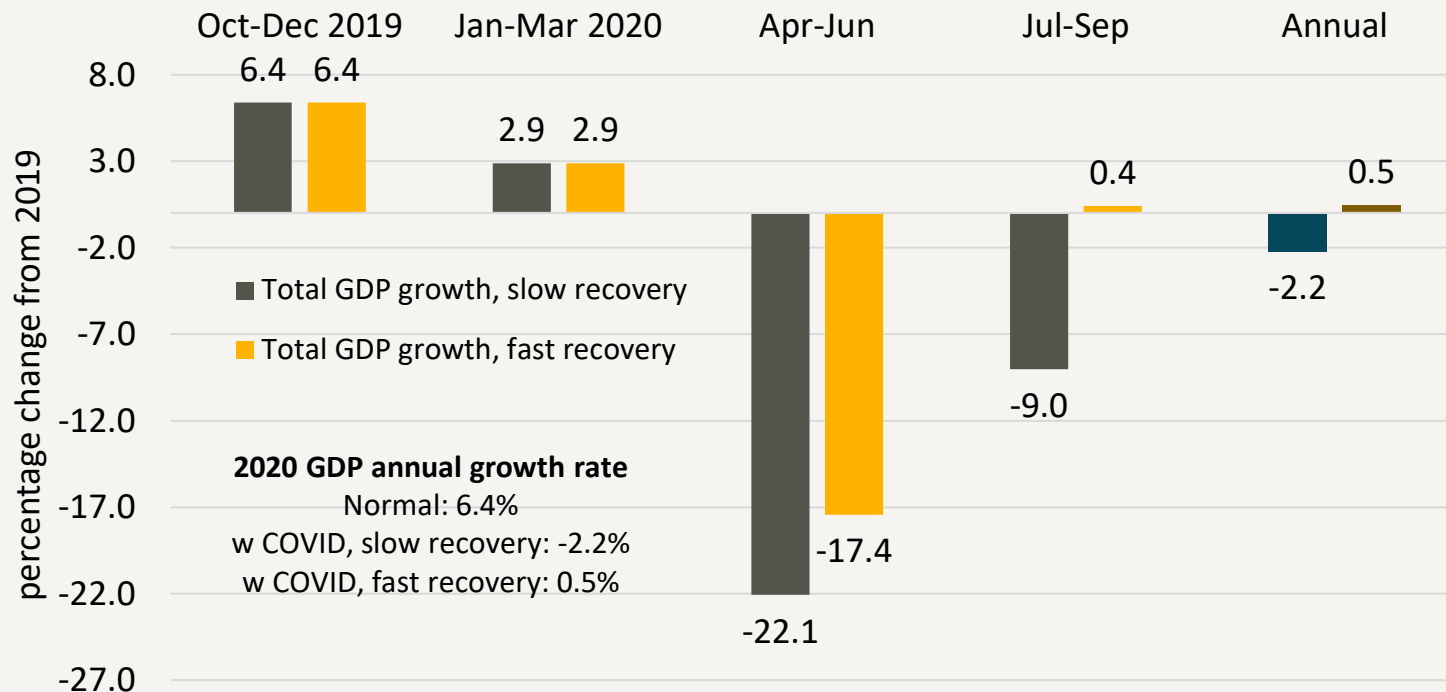
GDP Impacts with Recovery Scenarios (2)



Updated: May 06, 2020

COVID-19 will push Myanmar's economy into either a recession or stagnant growth in 2020

Quarterly & annual national GDP growth rate with fast or slow easing of restrictions
(compared with same period in 2019)



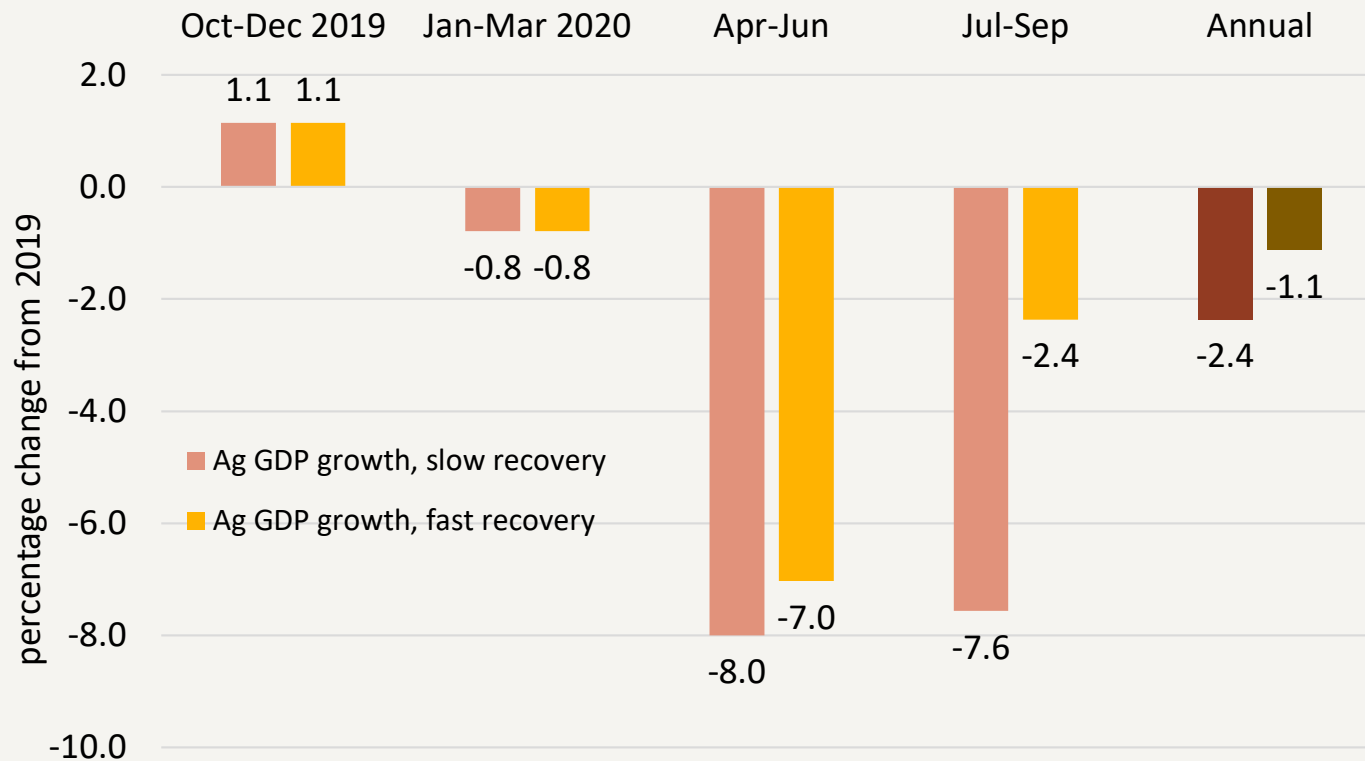
AFS Impacts with Recovery Scenarios (1)



Updated: May 06, 2020

Agricultural growth will be negative in 2020 even with fast recovery

Quarterly & annual agricultural GDP growth rate with fast or slow easing of restrictions
(compared with same period in 2019)



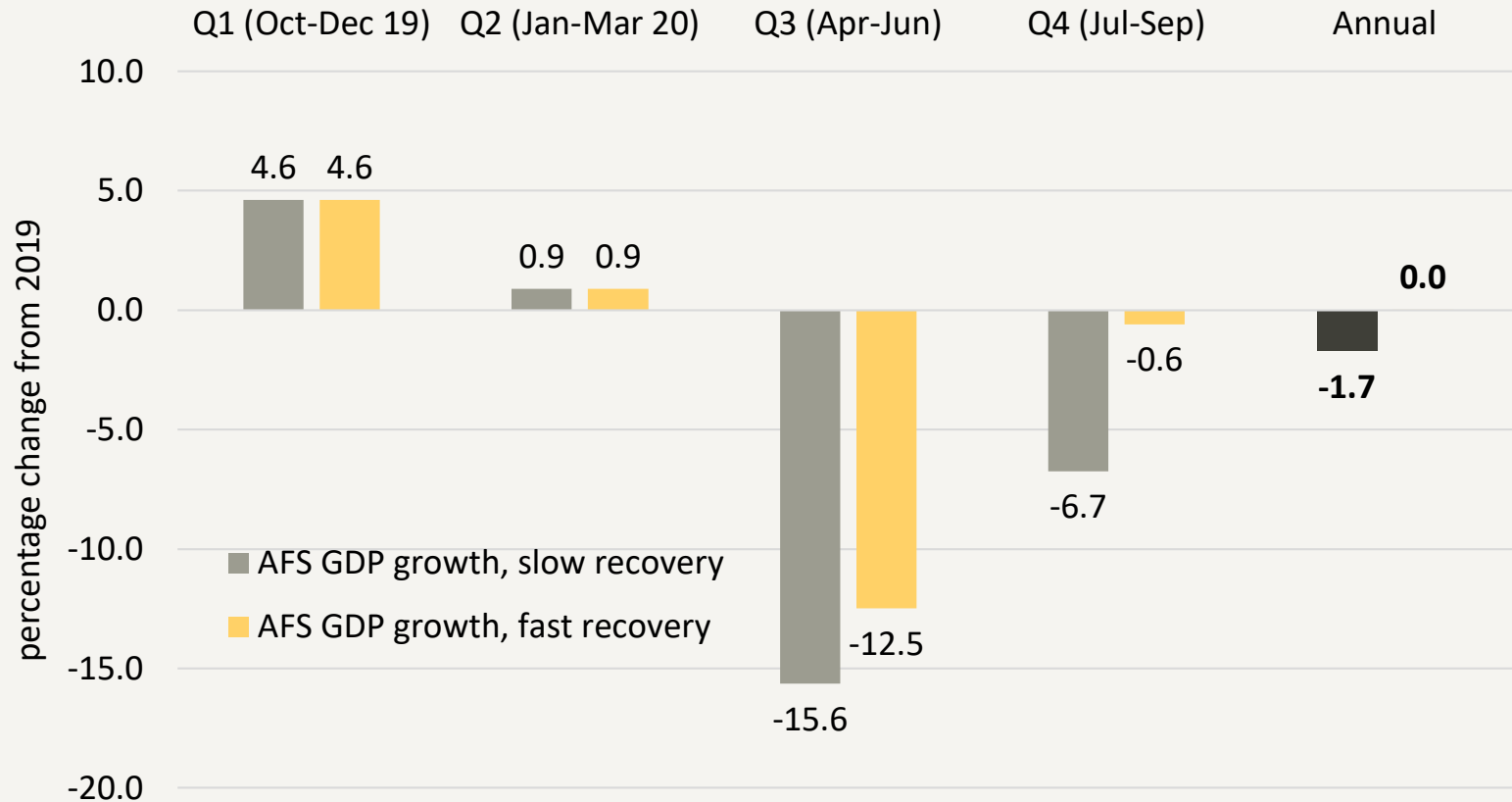
AFS Impacts with Recovery Scenarios (2)



Updated: May 06, 2020

Agri-food system growth will be either negative or zero in 2020

Quarterly & annual AFS GDP growth rate with fast or slow easing of restrictions
(compared with same period in 2019)



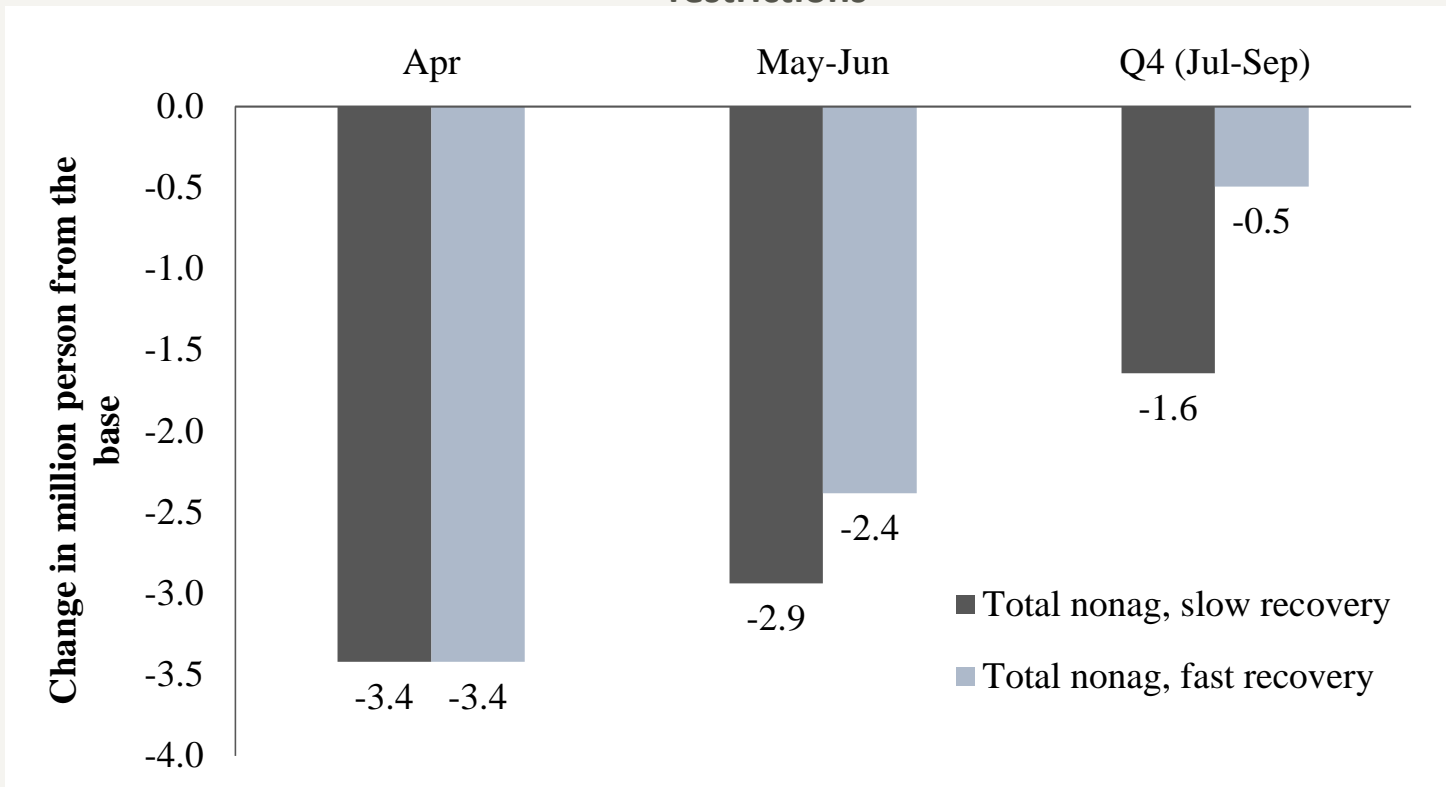
Employment Impacts with Recovery Scenarios



Updated: May 06, 2020

Fast recovery allows additional 1.1 million people returning to their nonfarm jobs or businesses. However, the total nonfarm employment in 2020 will still be 500 thousand less than in 2019

Predicted change in nonfarm employment (million persons) with fast or slow easing of restrictions



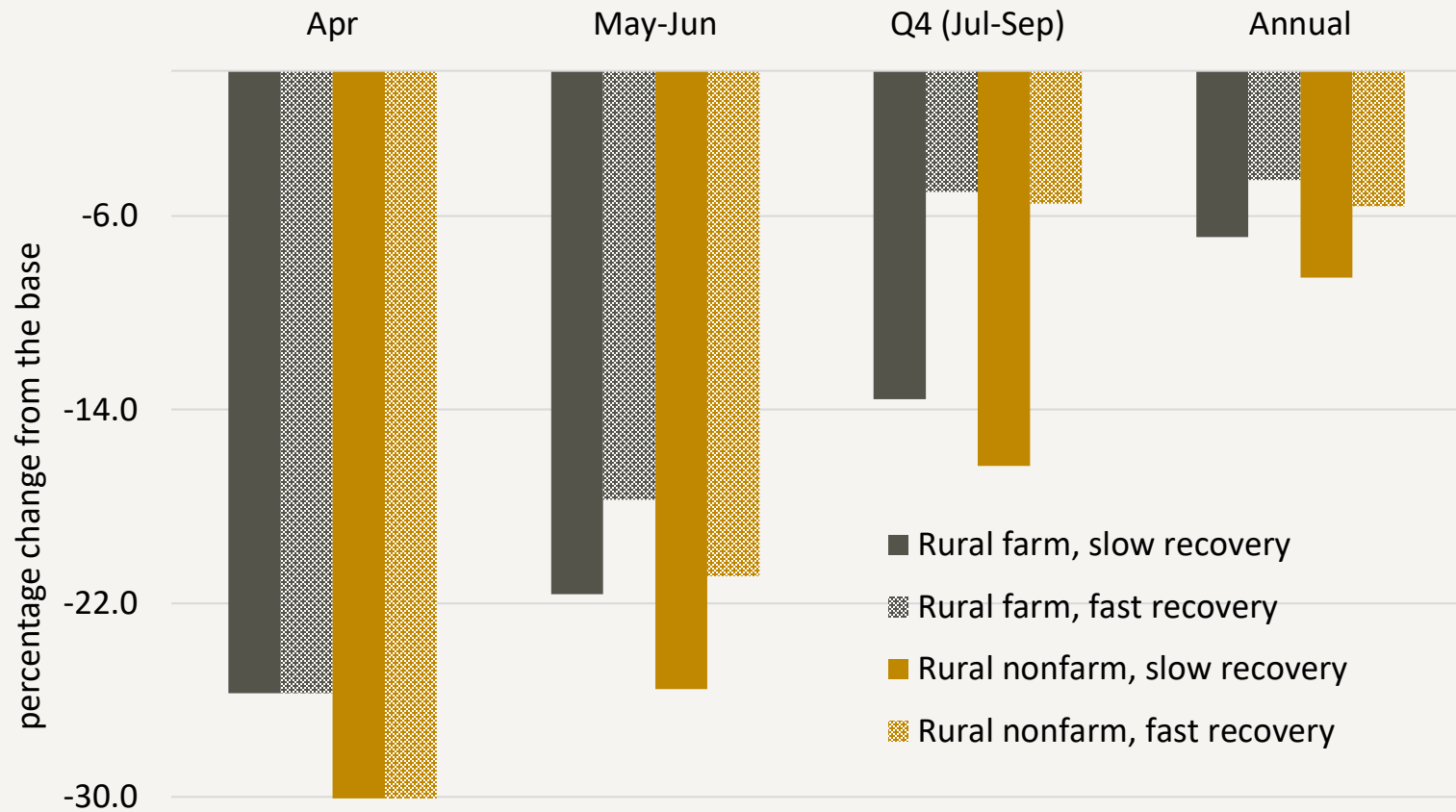
Rural Household Income Impacts with Recovery Scenarios



Updated: May 06, 2020

Rural nonfarm household income falls more than income for farm households, but fast recovery allows their income to recover faster

Predicted change in rural farm and nonfarm income with fast or slow easing of restrictions





6 Policy Remarks

Policy Remarks



- **Reopening manufacturing sector is crucial for both Myanmar's broad economy and agri-food system recovery.**

Manufacturing has the strongest linkage effects with both upstream primary agriculture and downstream transportation, trade and other services. Without an almost return-to-normal manufacturing, the economy is unlikely to return to its recent high growth trajectory.

- **Continued policy support to the Agri-food system is also critical.**

Excluding agriculture and some agribusiness from the April lockdown and post-lockdown restrictions helps lower the negative impact of COVID-19 not only on agriculture but also on the broad economy.

- **Expanding the coverage of social protection programs is important.**

The vulnerable households to the COVID shocks include those that have relatively low income and rely on informal nonfarm businesses in both rural and urban areas. Substantial reduced income sources will cause many of them to fall into poverty.

- **The country may need a larger size of stimulus package.**

The recently released the government's comprehensive and sensible economic relief plan (CERP 2020) is estimated at around 2.8 trillion Kyat. Considering the losses of national GDP that are 6.4 – 9.0 trillion by the end of FY 2020 in our model analysis, the size of this economic stimulus package might be too modest to help the economy return to its growth trajectory in 2021.



Detailed Assumptions About Production & Demand Shocks

See the Policy Paper for details