

# **Economic Impact of COVID-19 on Myanmar and 2020-2021 Business Forecast**

**Zaw Min Win**

**President**

**UMFCCI**

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# Presentation Outline



- **1. Update situation of Myanmar**
- **2. The role of UMFCCI to COVID-19**
- **3. Our opinion of Business situation & the most affected by COVID-19**
- **4. Sharing challenges of doing the business in Myanmar during and after COVID-19**
- **5. The measure for Economic recovery and Economic stimulation**
- **6. Foreseen situation & the new business strategy for post-COVID-19  
New Normal**

## **1.1 Update situation of Myanmar - Health**



- **Corona Virus (Covid-19) Pandemic was first exposed in the city of Wuhan, China in late 2019 and then spread quickly across the world in the first month of 2020.**
- **Globally 10.4million COVID-19 infected cases & 507,528 deaths, recovered 5.6million (as of 30<sup>th</sup>, June issue )**
- **Myanmar – as of 30th June: 299 cases, 221 recovered & 6 deaths.**
- **Thanks to the timely prudent measures taken by the government, observed by the people, the spread of the COVID-19 has been moderately contained and special credit has to be given to Myanmar's Ministry of Health and Sports and its doctors, nurses and volunteers.**

## 1.2 Update situation of Myanmar - Economy

- **Myanmar's GDP growth is estimated to drop from 6.8 percent in FY2018/19 to 0.5 percent in FY2019/20. according to the World Bank's Myanmar Economic Monitor**
- **The IMF has stated that Myanmar will have a real GDP growth of 1.8% in 2020**
- **Industry (manufacturing) and services (retail, hospitality and transport) are most affected, while agriculture and ICT sectors have remained resilient.**
- **According to the Ministry of Labour as of end April, 175 factories had stopped operations since the virus outbreak in December. Over 60,000 people are unemployed". We believe that this estimate has been increasing by June, now over 5,600 workplaces across Myanmar are closed and nearly 250,000 became unemployed.**

## 1.3 Update situation of Myanmar - Economy

- **Apart from direct unemployment, there are two other factors that will increase complexity;**
- **Underemployment**
  - ❖ **Working hours have been reduced and hence, household incomes will decrease.**
- **Returning Myanmar Migrant workers from overseas.**
  - ❖ It would be difficult to get overseas employment in the near future.
  - ❖ Hence, Myanmar have to focus on creating employment for them
  - ❖ Overseas remittances will not be as high as before and this will impact rural incomes and spending power.
  - ❖ Both unemployment and underemployment will have an impact on ability to spend.



## 1.4 Update situation of Myanmar - Economy

- According to our latest quarterly Business Sentiment survey as of 22-Jun covering 533 companies;
- 94% of businesses were affected, 37% of which were severe. Only 6% were not affected
- 88% of businesses reported revenue decreased more than expected. Extent of decline ranges from -5 to over -60%
- 62% has low business confidence for the next quarter
- Estimate that the health crises of Covid will be manageable in 3<sup>rd</sup> Quarter (July – September). However the economic crisis will take more time.



## 2. The role of UMFCCI to COVID-19

UMFCCI has taken a Proactive Role in response to Covid 19 initiatives

- Engage with
  - Union and Regional Governments through PSDC Framework of Govt.-Private Cooperation
  - Covid Crisis Response Teams
  - Businesses
- Formed Social and Economic Response Committees
- Social Committee
  - Raising Fund for Donations
  - Health awareness campaign at the businesses and factories
- Economic Committee
  - UMFCCI Social and Economic Stimulus Proposal
  - Response to the Comprehensive Economic Recovery Plan of the Government Covid-19 MMK. 100 Billion Loan Program Task Force
  - Online Virtual interviews with State Counselor, Minister of MIEFER and Dy Minister of MOPF
  - UMFCCI Webinar series of sector wise one to one panel discussion (Gov & Private)

## 3.1 Our opinion of Business situation ---the most affected sectors by COVID- 19

- Every business was affected to different degrees.
- The initial impact to businesses were;
  - Cash flow and working capital shortages
  - Supply chain disruptions leading to not being able to produce and sell
- The second phase
  - Declining global demand have negatively impacted in industrial sector
  - Sharp decline in demand due to drop in spending power and restrictions on business operations
  - Reduced working hours and layoffs





## 3.2 Our opinion of Business situation ---the most affected sectors by COVID- 19

### **Most Affected**

- Manufacturing Industries
- Tourism and Hotels
- CMP and Exports
- Restaurants and dine out centres
- Shopping and Retail
- Education and schools

### **Least Affected**

- Agriculture
- Pharmaceuticals and medical supplies
- Food and Beverage
- Telecommunications
- Delivery services



## 4.1 Sharing Challenges of doing the business in Myanmar During and post COVID-19)

### 1. Dealing with Demand Shock

- Demand just stopped suddenly
- This placed great stress on working capital and business continuity

### 2. Government directives

- First experience for Myanmar government and businesses to a unprecedented pandemic like Covid
- Directives on lockdowns, quarantines, relaxations and operation procedures directed by MoHS across the country



## 4.2 Sharing Challenges of doing the business in Myanmar During and post COVID-19



### 3. Human Resources

- During the Myanmar Songkran/Water Festival Holiday in April, most of the employees went back to their hometown for Stay Home (reunion with their families).
- It was a challenge to bring them back with the quarantine regulations
- Challenge for companies to retain talent and skilled workers since they cannot afford to pay.

### 4. Logistics and Supply Chain

- Disruption of regional/global supply chains
- Different directives by different regional governments made free flow of goods difficult

# Challenges of doing the business in Myanmar During and post COVID-19)

5. Increasing compliance costs
  - Social distancing
  - Protective measures (Masks, sanitizers, face shields, physical distancing, etc) as guidelines given and enforced by the MoHS.



## 5.1 The measure for Economic recovery and Economic stimulation (Government)

**Government's response to the crisis through this Covid 19 emergency fund and comprehensive Economic Relief Plan (CERP)**

### **1. MMK. 100 Billion (~USD 67million) Loan Program for the Business**

- CMP, SMEs, Tourism and Hotels industry
- Received 4259 applications in a period of 10 days
- Providing essential food and cash to all grass roots people all over the countries

### **2. Comprehensive Economic Recovery Plan (CERP) linked with MSDP**

- CERP is well crafted, consists of 7 Goals, 10 strategies, 36 action plans and 76 actions, which include measures to offer relief and initiate a resilient recovery, including tax relief, credit for businesses, food and cash, to households, as well as policies to facilitate trade and investments.



## **5.2 The measure for Economic recovery and Economic stimulation (Government)**

**Depending on the effectiveness of social and economic stimulus, resumption of business activities, control employment and support domestic demand, economic recovery will be faster.**



## 5.3 The measure for Economic recovery and Economic stimulation (UMFCCI Suggestion)



1. Deferrals (Commercial and Income Tax)
2. Wage Subsidies and Working Capital Cash Transfers
3. Loan Programs
4. Reduction, suspension, deferral, subsidy or rebates for government expenses

## 5.4 The measure for Economic recovery and Economic stimulation (UMFCCI Suggestion)



5. Support human resource development through training subsidies
6. Credit Guarantee Insurance and Credit Guarantee Agency
7. Support Digitalization: The State Counsellor has supported the ICT digitalization of the economy inline with of the ASEAN 4.0 IR as a mean of wayout from COVID-19 and genda equality and women's empowerment at the recent 36<sup>th</sup> ASEAN Summit Video Conferencing.



# 6.1 Foreseen situation & the new business strategy for post-COVID-19 New Normal

## New Normal

### 1. Shift to digital

- E-Commerce and Mobile-Commerce
- Work from home
- Online payments

### 2. Increase automation in both work places as well as personal lives

### 3. Supply chain realignment – instead of just one large supplier, businesses will diversify or buy closer to home.

### 4. Increase is competitive intensity

### 5. As digital economy takes hold, consumers will want broader and faster service deliveries



## 6.2 Foreseen situation & the new business strategy for post-COVID-19 New Normal

- Union Minister for Investment and Foreign Economic Relations noted that investment policies have been (reviewed) revised to ensure a level playing field for all investors and to create a favourable, predictable and friendly investment climate in Myanmar.
- Providing a secure, conducive investment enabling environment which eases the cost of doing business, boosts investor confidence and increases efficiencies.



## 6.3 Foreseen situation & the new business strategy for post-COVID-19 New Normal

- IPR (Investment Policies Review) covers additional areas such as connectivity, green growth supportive investment frameworks, fostering secure and well-defined land rights and enhancing the role of economic zones.
- Currently approved FDI in the first 8 months was USD 4.39 bill. & will meet to the target of USD 5 bill.
- We warmly welcome the Thais FDI and JV to do business together in Myanmar.



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## THANK YOU

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