



SURVIVAL GAME

COVID-19 IMPACT ON MYANMAR'S BUSINESSES

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Economics

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Private Sector Development Program (PSD)

Established in 2017, Inya Economics created a Business unit intending to offer unique research and necessary services to Myanmar's Businesses. Later in 2019, it was modified as the Private Sector Development Program (PSD) while PSD services to the businesses, particularly market research, consumer insight, customized research, impact evaluation, and consulting services for businesses.

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Executive Summary

This brief report was conducted with an aim to sense the situations of businesses during the COVID-19 pandemic to an extent by such actors including the government, the civil society organizations, the researchers and the public, as well as to be able to make necessary responses. It is written to help researchers and the general public understand and respond to a certain extent. It highlights the impacts of the businesses during the pandemic.

Growing domestic demand is the key to growing aggregate demand. Foreign demand has declined due to the COVID-19 epidemic. It is important to ensure that domestic demand is strong enough to revive overall domestic demand. This is because, while most businesses are affected by the COVID-19 pandemic, the fact that agriculture which has a strong domestic demand is growing shows that ensuring domestic demand is a major contributor to the overall recovery in aggregate demand.

Declining external demand has significantly hurt most businesses in the regions and states in their revenue and produced uncertainties about new investment orders.

In most of the businesses surveyed, layoffs were more common in labor-intensive businesses. The government has been unable to provide timely replacement work for the laid-off staff, and there are still many obstacles and difficulties to overcome. At the same time, employees who have lost their jobs during this pandemic are more likely to live on the job site and face debt because of restrictions on repatriation.

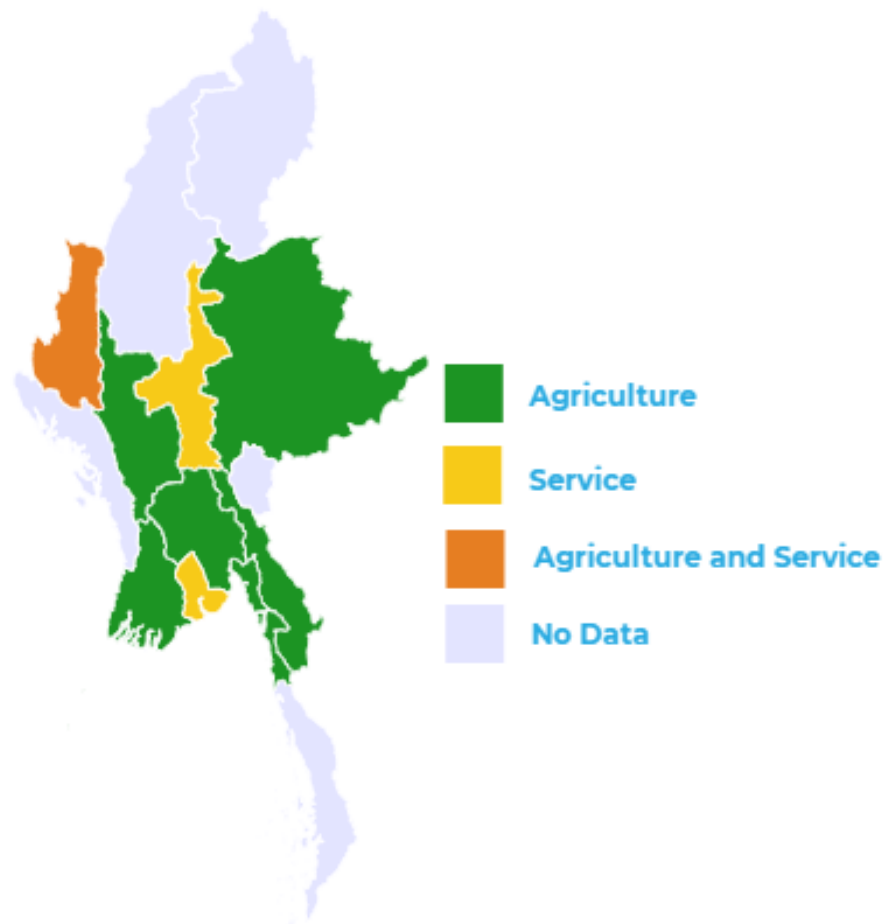
Therefore it is very important that the government assists its major businesses in each region and state during and in the aftermath of the pandemic.

Banning mass gatherings is essential in preventing the spread of COVID-19 while it is equally vital to speed up the economic recovery by ensuring that domestic and foreign trade flows and trade is not disrupted.

Research Methodology Summary

This report is based on qualitative interviews with the owners or the people in charge at the managing level from 17 types of businesses in 9 states and regions after the systematic screening and studies of the businesses who own the largest GDP share under the three major sectors of Myanmar's GDP: agriculture, industry and service. Not only such businesses in states and regions participated in the key informant interviews from July to August 2020 but also other relevant articles were explored in this research. The businesses studied in each state and region are as follows:

Illustration of States and Regions participated in the research interviews and their sectors



No.	State/Region	Sector	Types of Business	Domestic Market	Foreign Market
1.	Ayeyarwady	Agriculture	Rice Mill	Yangon, Mandalay, Myeik, Myawaddy, Northern Shan State, Eastern Shan State, Payathonzu, Kawthaung, Muse, Mawlamyine	China, Thailand
2.	Bago	Agriculture	Pulses production, Sugarcane	Rakhiine	Bangladesh, India, UAE
3.	Magway	Agriculture	Pulses and oilseeds businesses, onion and garlic businesses	Mandalay	Japan, India
4.	Chin	Agriculture and Service	Elephant Foot Yam, Cultivation, Hotel Business	Yangon, Mandalay, Pakokku	China, Japan, European and Asian countries
5.	Kayin	Agriculture	Rubber Industry	Yangon, Mandalay	Japan, Korea
6.	Mandalay	Service	Businesses that depend on tourism sector		
7.	Mon	Agriculture	Rubber Industry	Mandalay	China, Singapore
8.	Yangon	Service	Clothing Industry, Restaurant and Food Service Industry, Shopping Malls, Electronic Business	Mandalay, Kalay, Nangsan Taunggyi, Pyinoolwin, Monywa, Lower Myanmar	Southeast Asia, Japan, India
9.	Shan	Agriculture	Tea Leaves Industry, Coffee Industry	Mandalay, Monywa, Taunggoo, Yangon	China, America, Germany, Singapore, Malaysia, Japan, Korea, Australia, New Zealand, Thailand, Britain

Note: The local and international market bases of these businesses are in accordance with the key informant interview results.

1. Brief Study on COVID-19 waves in Myanmar

On March 11, 2020, the World Health Organization declared Coronavirus as a pandemic and since early March, Myanmar has been preparing for the Pandemic. The virus had reached the country on March 23 as its first wave after the two individuals returning from abroad were confirmed to be tested positive. As the number of positive cases has declined, it can be said that the government kept its first outbreak to a level that is under well control. However in the second week of August 2020, the second wave began with a first domestic transmission after a passenger on a flight from Rakhine State to Yangon was tested positive. This wave is much worse than the first one, adding that it coincided with the holding of the general elections in November 2020. Hence, the government's stay-at-home orders to prevent crowds have yet been effective.

As a response to the COVID-19 impacts, the government released the "Overcoming as One: COVID-19 Economic Relief Plan-CERP" on 27 April 2020 as a short-term plan. It is also creating the Myanmar Economic Resilience and Reform Plan for a mid-term. Since its first outbreak until December 2020, the government has spent nearly 3,000 billion kyat to mitigate the impacts of the pandemic, with other concessions, accounting for about 4% of gross domestic product (GDP).

2. Impact on Myanmar's Businesses

2.1 Ayeyarwady Region

2.1.1 Impact on the rice mills from Ayeyarwady Region

The major business of the Ayeyarwady Region is agriculture. As Myanmar's agricultural products are mainly exported to China, China's unwillingness to buy these products due to the COVID-19 pandemic became a huge negative impact to the farming sector of the Ayeyarwady Region. This especially happens when domestic demand has declined. Therefore, rice mills from Ayeyarwady Region were researched to identify these effects.

First of all, employees become victims of the pandemic. During the key informant interviews, it is found that only half of the workers can be hired during the pandemic. Employers have reduced their employees.

Box 1

"Only half of the milling process can be operated with the strategy of day shift and night shift. Workers have to be managed in this way. Sales are going slow." (A rice mill owner from Ayeyarwady Region)

Second one is the demand shock is fitted. The demand shock in both foreign and local markets not only causes an oversupply but also a crisis in the cash flow. The impacts of COVID-19 also shuts many factories down. At first, the businessmen guessed a steady demand of the staple food, but the decrease in demand within Yangon region was beyond the expectation. Yangon's declining demand affects the businesses of the other regions because Yangon is the most effective area by COVID-19 and has more than half of the aggregate demand of the whole economy.

Thirdly, rice factory owners are facing the financial crisis due to the demand decreasing. Due to a decline in sales, a delay in cash flow, and availability of raw materials, the factories are in a struggle to run in normal. COVID-19 loans reached to a few firms or business from the government.

Box 2

“Among the businesses that do not operate anymore, there are many businesses that had to close because of the market failures during the COVID-19 pandemic.” (A rice mill owner from Ayeyarwady Region)

Box 3

“During the COVID-19 era, money has to be taken out from one's own property mostly.” A rice mill owner from Ayeyarwady Region)

Figure 1. Illustration of product flow into the local and foreign markets (Ayeyarwady Region)



2.2 Bago Region

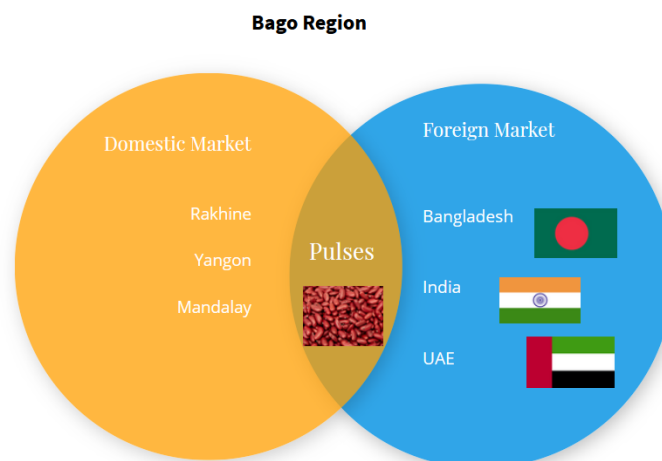
2.2.1 Impact on the pulses production in Bago Region

In Bago Region, the pulses production is one of the main businesses. This also makes profits from exporting. The whole world practices home stay and lockdown measures, and not only Myanmar but also countries across the world suspended their local and international trading. The COVID-19 effects to the pulses from Bago Region were researched.

Pulses traders are facing the foreign markets cracked due to road and transportation closures. Legumes are mainly exported to Rakhine, and then to Bangladesh. At the moment, cash flow from foreign is suspended because the government has prohibited border trading to control the COVID-19 pandemic. Hence, this causes the pulses to face reduction in income.

Box 4
“Although the raw materials are getting rich, it has not been good when demands decline.” (A pulses commodity market owner from Bago Region)

Figure 2. Illustration of product flow into the local and foreign markets (Bago Region)



2.2.2 Impact on the sugarcane in Bago Region

Sugarcane industry is also processed in Bago Region. Sugar is not yet exported to foreign markets. Besides, sugar from Thailand penetrates the domestic market, which results in price volatility of Myanmar sugar in the domestic market. Furthermore, their demands are also declining during the COVID-19. Therefore the impacts of COVID-19 on the sugarcane businesses from Bago Region were also studied.

COVID-19 led to stop the processing of some restaurants. Sugar is an ingredient in food processing. However consumers only focus on the staple foods during the COVID-19 period, which indirectly resulted in a demand decline in sugar. At this rate, the sugar factories are buying the canes from the sugarcane traders at a reduced price. Moreover, a lack of fixed price on the sugarcane by the factories, the traders are worried whether to continue selling their canes or not.

Due to the COVID-19 Social Distancing Policy, the owners have to reduce the labor. The reduced labor affected sugarcane agriculture. Sugarcane is seasonal crop and is needed to harvest on time, but the hiring labor is limited by social distancing rules, which happen low efficiency to owners.

Box 5

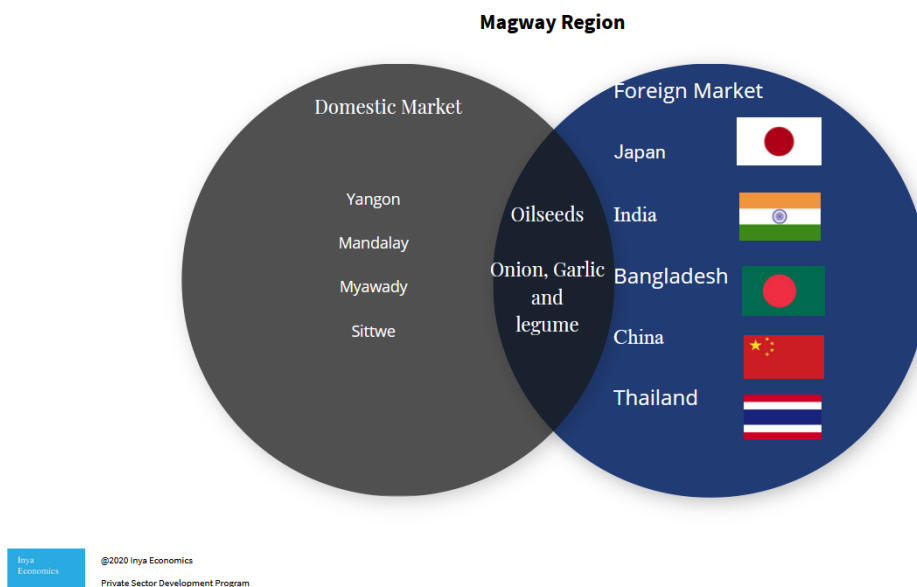
“COVID-19 restrictions shut restaurants down. Then, sugar factories buy our raw materials at a low level of price, which doesn't cover our cultivation costs.” (An agriculture Company owner from Bago Region)

Box 6

“There are difficulties when workers have left. Insufficient labor problems result as it is a seasonal crop.” (An agriculture Company owner from Bago Region)

2.3 Magway Region

Figure 3. Illustration of products flow into the local and foreign markets (Magway Region)



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2.3.1 Impact on the pulses and oilseeds businesses from Magway Region

It has been said that Magway Region is Myanmar's largest oil pot. As the saying goes, a lot of oilseeds crops like sesame and groundnut are widely getting from that region. Pulses and oilseeds are having the great markets in both local and foreign areas. China, Japan and India are the foreign exporting markets. But now, these markets cannot be exported anymore during the COVID-19 pandemic. Therefore the businesses from Magway Region were studied to identify the pandemic impacts on them.

The COVID-19 pandemic led to suspension of foreign exporting, which consequently produced price falling for the pulses and oilseeds businesses.

To prevent the spread of the Coronavirus, border crossings are blocked and foreign exporting is temporarily on hold. The declining demands end up in price falling. During the COVID-19 period, the prices dropped by more than 10,000 kyats or nearly 20,000 kyats. As a result, the buyers are hesitating to buy the crops while the sellers cannot keep selling when there are big differences in the price.

Box 7

"When border roads are blocked, price falling will happen because products cannot be exported anymore." (A groundnut farmer from Magway Region)

Farmers are being exploited by the local purchasers as an effect of price falling. There has been a crop surplus in the domestic as soon as the foreign markets collapsed. That led to a price fall. At that time, the local buyers are starting to collect the cheap crops expecting to get more profits in the future by reselling them at a higher price. Meanwhile farmers cannot enjoy such high profits, instead they have to sell their crops at that trending price to get their processing costs back and to be able to cultivate again. Merchants obtain profits from such situations while farmers struggle to make ends meet as they have to at lower prices.

Box 8

“There are domestic purchasers but they would like to exploit the farmers.” (A responsible person of Myanmar Sesame Farmer Association from Magway Region)

2.3.2 Impact on the onion and garlic businesses from Magway Region

In Magway Region, the onion and garlic businesses are one of the widely doing businesses. It is a crop that can be grown with little dependence on the weather and with just enough water. On the other hand, it is a crop that is subject to frequent price fluctuations. It is mainly exported to China, Thailand and Bangladesh. Such markets are currently limited due to crops unable to reach those markets because of the COVID-19 restrictions. Therefore the onion and garlic businesses from Magway Region were interviewed to track the pandemic impacts on them.

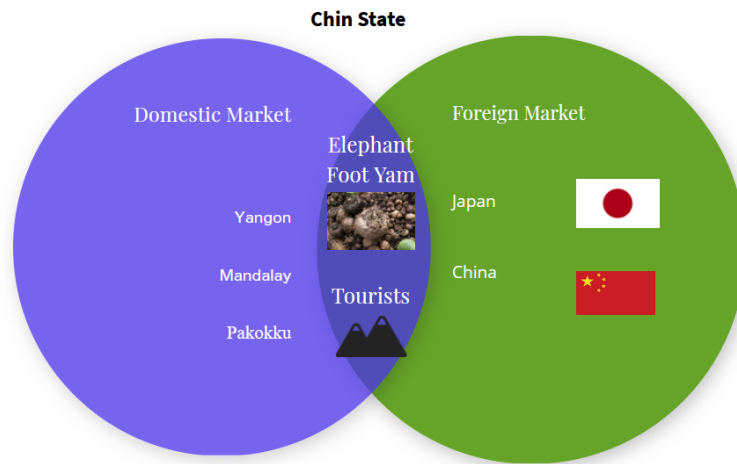
Facing difficulties in distributing to the local and foreign markets has affected the farmers and the traders. Sales were dull when foreign markets halted during the pandemic. Although the domestic markets still existed, exports could not be processed due to travel restrictions in some areas. Furthermore sales were also slowing as the traditional festivals and entertainment events like donation festivals were temporarily banned in the country, which indirectly created a crop surplus followed by price falling. Prices fell down by about half than the original price.

Box 9

“I think price fallings resulted from the limited foreign exports. Normally they are worth MMK 700 or MMK 800, but it is currently 400 kyats, which shows that prices are falling down by half. At the same time, local demands are declining.”
(An onion and garlic Commodity Market owner from Magway Region)

2.4 Chin State

Figure 4. Illustration of product flow into the local and foreign markets (Chin State)



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2.4.1 Impact on elephant foot yam cultivation in Chin State

In Chin State, elephant foot yam cultivation has recently expanded as one of its major crops and is mainly exported to China. China's sudden stoppage of importing Myanmar's agricultural products after the outbreak of the COVID-19 pandemic had a major impact on Chin laborers and the state's agricultural sector. Therefore this survey report tries to cover the impacts on the elephant foot yam farmers and traders within Chin State.

The very first impact is commodity surplus and damaged goods for the traders. The border travel restrictions led to supply decline to China. As a result, local merchants face the slow commodity flow and failure at financial and human resources since the elephant foot yam are not durable goods.

Second, it affected the laborers. Most of the farm owners reduce their staffs due to the declining demand which indirectly resulted from low income flows.

Box 10

"As a result of restrictions in transportation, sometimes no entry at borders, most crops became waste." (An elephant foot yam trader in Chin State)

Box 11

"The owners do not afford to hire workers due to low income." (A farm owner in Chin State)

Third, the shortage of demand impacts the price of the commodity wherein the traders suffer losses. If factories and industries from China cannot run in the COVID-19 period, there will be a lack of demand for elephant foot yam that can make farmers struggle.

Box 12

"Prices started to fall down in the first wave of the pandemic, it even reached 1,500 MMK. It is an extraordinary process." (A merchant of elephant foot yam in Chin State)

2.4.2 Impact on hotel industry in Chin State

Chin State used to be a state with a poor transportation system to visit in Myanmar, but nowadays the improved transportation system drive tourism sector growth. Chin state receives increased numbers of local and foreign visitors, hiking teams, NGOs, students and teachers from the international schools year by year. However, travel restrictions during the COVID-19 period have hugely affected its hotel and tourism sector and this research tries to see such impacts.

First of all, tourism decline contributes to low income of the hotel industry. Keeping destinations closed to both local and international visitors makes many hotels face financial problems to run the businesses. According to the key informant interviews, the immediate impact on the hotel industry is the cost of preparing for the travel season.

Second, the hotel employees suffer from financial difficulties due to staff reduction and salary reduction brought by financial losses and layoffs during this pandemic.

Third, most hotels are facing an uncertain future. Most hotel owners face how to solve their uncertain future and recover their business because they don't know how long the COVID infections period, lockdown period, and COVID vaccine can be used.

Finally, some hotels are facing the high gap between income and expenditure. During the pandemic, some hotels face financial scarcity because they give some training to their employees when there were no visitors, and the training costs a lot.

Box 13

"The top impact is low income." (A hotel owner in Chin State)

Box 14

"The pandemic affected the employment opportunities of the local people. At this moment, even the current employees cannot receive full salary." (A hotel owner in Chin State)

2.5 Kayin State

2.5.1 Impacts on rubber industry in Kayin State

Kayin State is one of the most cultivated and produced rubber in Myanmar. Only 8% of the rubber produced from all over Myanmar is used for domestic production and most of the rest are exported to China. Some well-qualified rubber can export to China. The demand for rubber from foreign countries was declined during the pandemic. We observed the impact on the rubber business in Kayin state by asking some rubber merchants and rubber landowners.

The first impact is less demand for rubber that causes the surplus commodity in the storage. Some foreign factories shut down and the rubber trade also declined. Therefore, the rubber commodities were surplus in the hands of merchants and rubber landowners.

Secondly, the oversupply from Myanmar and the demand fall short from both foreign and local makes the rubber price declining. As a consequence of the pandemic, there were travel restrictions, border-crossing restrictions, and the shutdown of factories. These difficulties cause the gap between the excess supply and demand shortage and finally, the rubber price falls excessively.

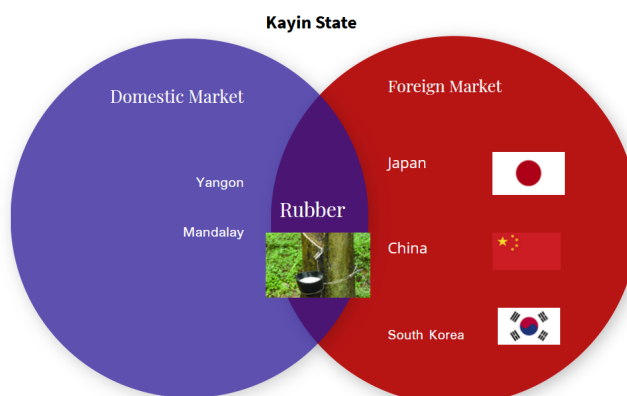
Box 15

"The sales are froze during the pandemic. The factories were stopped and the commodities were full in storage." (A rubber businessperson in Kayin State)

Box 16

"Rubber sales and demand fall and the price also declines dramatically." (A rubber businessperson in Kayin State)

Figure 5. Illustration of product flow into the local and foreign markets (Kayin State)



2.6 Mandalay Region

2.6.1 Impact on tourism-dependent businesses in Mandalay Region

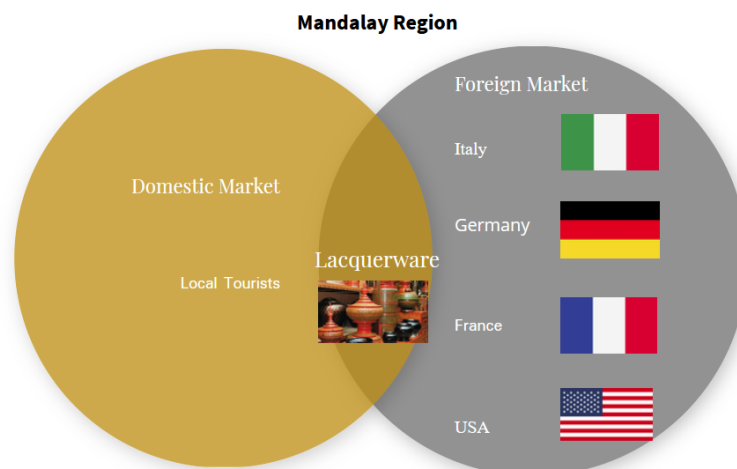
In Mandalay, with a recent influx of foreigners, the tourism industry and others that rely on tourism are also expanding. As Mandalay is Myanmar's second largest city, handicraft industries, silk industries and other industries are booming. The COVID-19 cut off the transportations and had a significant impact on tourism and other handicraft industries. The impact was asked to tour operators and artisans in Mandalay.

The first impact is that there is an absence of tourists visiting Mandalay. Due to COVID-19, cross-border, domestic and international travel have been suspended, reducing the number of clients. Therefore, as a result, many businesses that rely on tourists have become economically strained.

Box 17
"Due to COVID-19, Arrival Visa was closed for three months. Since our business is a market that depends on foreigners ,sales are down." (A Mandalay's artisan)

Box 18
"As tourists and also Burmese didn't come and buy during the pandemic, the sales dropped. It has not been sold for 5 months." (A Mandalay's Lacquerware businessman)

Figure 6. Illustration of product flow into the local and foreign markets (Mandalay Region)



Despite these economic difficulties, entrepreneurs are trying to adapt to other forms of domestic demand through practical solutions. Online shopping is also very crucial during COVID.

Second, workers are affected by the pandemic. In the wake of the economic crisis workers in the factories and workshops were laid off. So, the workers' living conditions have been strained by reduced wages. But the employers are helping them as much as they can.

Box 19

"Because of COVID-19, the tourism was suspended. We have no sales as it is a global issue. From there, we decided to start going to the local market and started making local products. During this period, we are selling items online."(A Mandalay's Lacquerware businessman)

Box 21

"The whole city was in trouble because of COVID-19. Weaving machines and stuff can be no longer provided. We have to buy what we can afford to support our workers these days."(A weave owner from Mandalay)

Box 20

"The factory mainly produces wedding LONGYI. There is no wedding during COVID-19, so it has to be reduced. However, the shop has to possess multiple designs." (A weave owner from Mandalay)

2.7 Mon State

2.7.1 Impact on rubber industry in Mon State

Mon State is the most cultivated state of rubber in Myanmar. China is the main country to trade with Myanmar and rubber from Mon State is mostly exported to China. Most rubber plants from Mon State are long-lived, weak in technology, and problems in quality and that's why they can only be exported to China. Rubber is an essential material in making social utensils. However, the rubber price falls not only in Myanmar but also in the Global Market. Moreover, there is a huge impact on the rubber during the pandemic. Therefore, we asked some rubber firms to examine the impacts.

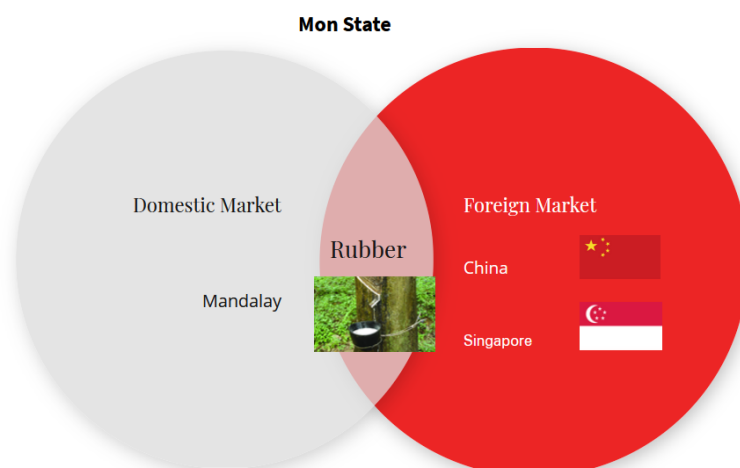
The first impact is that there is border cross restriction between China and Myanmar and that causes less demand and declining rubber prices. Although the supply of rubber is increasing during the pandemic, there is a shortage of demand and a decline in rubber price due to transportation restrictions and factory operations were stopped.

The second impact is that the rubber farmers stopped their operations because of the financial difficulty. During the pandemic, there is declining rubber price, a decline in sales, and surplus inventory goods. Moreover, some of the rubber landowners give up their property because they have no income flow and cannot afford to hire workers.

Box 22
"There are no comings and goings across borders. There is also no demand and some buy at a discount." (A rubber businessman in Mon State)

Box 23
"Some owners stopped their business." (A rubber businessperson in Mon State)

Figure 7. Illustration of product flow into the local and foreign markets (Mon State)



2.8 Yangon Region

2.8.1 Impact on service businesses in Yangon

Yangon is known as the commercial city of Myanmar. Clothes shops, restaurants, shopping malls, electronic stores, etc., can be found widely in Yangon. COVID-19 has had a profound effect on Yangon which is the largest city of Myanmar.

First, businesses are experiencing financial difficulties during the Covid-19 period. As businesses become more and more difficult, incomes are declining and living standards are tight. As they struggle to make ends meet, they have to rely on loans.

The second impact is transportation delays. Traveling during the COVID-19 period was very difficult. In some areas, it was restricted, resulting in delays in the transportation of goods

Third, not just employers but also employees are affected. In the wake of the economic crisis workers in the factories and workshops were laid off. So, the workers' living conditions have been strained by reduced wages. But the employers are helping them as much as they can..

Box 24

"We practice payment installment agreements but there are failures to pay installments by their specified due dates during this period."

(A agricultural machineries owner from Yangon)

Box 25

"They provide loans to farmers. With limited income, the farmers are unable to pay their debts due to lack of money.(An agricultural machineries owner from Yangon)

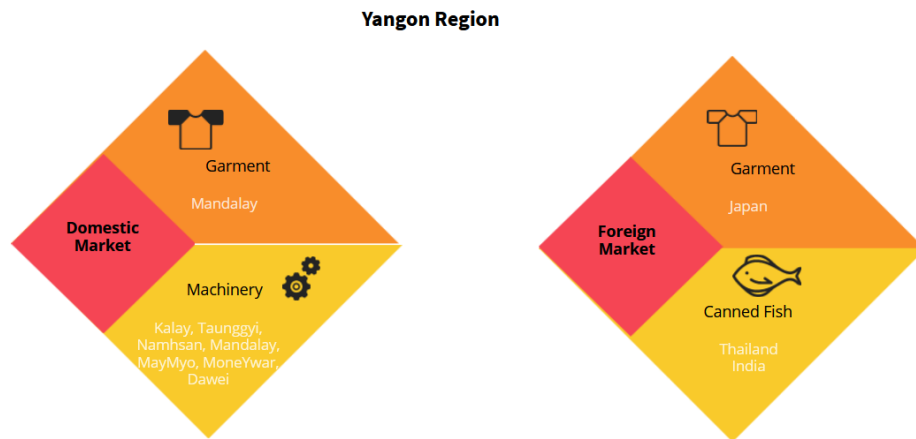
Box 27

"We have to support our staff with rice and household expenses, We have to run our but with an amount that I can afford." (Food entrepreneur in Yangon)

Box 26

"Because of the road closure, people are not allowed to enter. So, our machinist can't go there even to fix the machines. So, when the machines broke down, we have to talk on the phone since the villagers do not let us talk in person." (A agricultural machineries owner from Yangon)

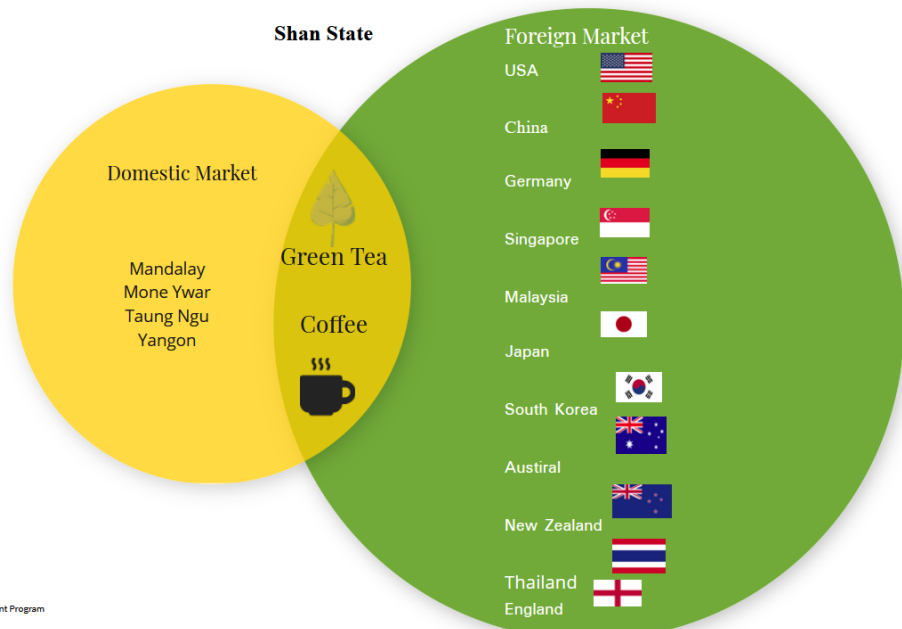
Figure 8. Illustration of product flow into the local and foreign markets (Yangon Region)



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2.9 Shan State

Figure 9. Illustration of product flow into the local and foreign markets (Shan State)



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2.9.1 Impact on Tea Leaves Industry in Shan State

Shan State, also known as the mountainous region of Myanmar, is a major tea-growing region, with much evidence that it has been planting for many years. In other countries, only one type of tea is used, but in Myanmar tea culture, two types of tea can be found: wet tea (laphat so) and dried tea.

Wet tea is mainly concentrated in the domestic market, while dried tea is distributed both to the domestic and foreign markets. China, a tea culture flourished neighbor of Myanmar, is the largest buyer of Myanmar tea while a small amount of organic tea is exported to the United States and Germany.

The COVID-19 pandemic affected the tea leaves industry as Myanmar's local economy declined. **The nationwide economic downturn has severely affected the tea leaves industry, particularly the rural tea farmers.** The factory owners were unable to buy and store raw tea leaves from the farmers due to the financial crisis during the COVID-19 period. For the farmers, the sales of tea leaf declined about double. However, the businessmen buy and store a small amount tea out of sympathy for the convenience of the farmers.

As a change caused by the COVID-19, demand and business percentages are declining. Some companies cancel their preorders due to trading and distribution hardship produced by the pandemic. At present, the number of time that pre-orders were canceled and the order numbers were decreased double than the previous years

Box 28

"Normally, iwe used to buy them for MMK 1,000, but because of the pandemic, we can only buy for MMK 500. Although we are not sure when they will be sold out but we are just compassionately buying for the convenience and livelihoods of the farmers." (A tea businessman from Shan State)

Box 29

"We are experiencing where business owners who used to buy 2 tons of tea leaves now end up buying only 1 ton, or stop buying at all." (A tea business owner from Shan State)

Although the tea leaves industry was operating normally in 2018-2019, it has significantly declined from 2019 to 2020 due to COVID-19. **There has been a reduction in production due to lack of demand in the industry.** Consequently, job opportunities are also dwindling. Especially day laborers face livelihood problems. Owners also lost their hopes to expand their businesses.

Box 30

"COVID-19 almost makes the business collapse. No profits can be made nor expand the business." (A tea business owner from Shan State)

2.9.2 Impact on Coffee Industry in Shan State

Myanmar coffee, which has long been grown in Shan State, is now gaining a foothold in the global coffee community. Most coffee growers in Myanmar grow a type of coffee called Arabica.

According to Myanmar's geography, Arabica coffee can be grown above 3,500 degrees above sea level at temperatures between 15 and 24 degrees Celsius. So Arabica coffee is mostly grown in the Shan Plateau, which is colder than other states in Myanmar.

Coffee from Shan State is being sold all over Myanmar and exported to many countries such as Germany, Japan, Hong Kong, Thailand, United States, Singapore, Malaysia, Korea, Australia, New Zealand and England as foreign markets. The main products distributed to foreign markets are organic coffee products.

As the coffee industry in Shan State expanded not only domestically but also internationally, the economy of the coffee industry was relatively good before COVID-19, but declined considerably during the COVID-19 period. Therefore, during this period, research was conducted on the impact on the coffee industry in Shan State.

Due to the income crisis, the buyers are increasingly looking for the cheaper products. Therefore, in the past, the production of specialty coffee, which focused on quality, was shifting to commercial coffee.

Box 31

"In the past, we only sold specialty coffee, but now we are thinking of commercial coffee." (A Shan State's Coffee Entrepreneur)

Box 32

Box 33 Yes, we have to make changes. Salaries have been reduced. Some people get fired. (A Shan State's coffee businessman)

Second, workers are affected by the pandemic. Businesses had to reduce staff's salaries and some were fired due to difficulties in running their businesses during the epidemic. **As a flexible change, products are increasingly being targeted at online marketing and telemarketing.**

Not only did domestic demand dwindle, but foreign orders also fell sharply. Buyers from overseas markets are buying three times less than before and there are also moments when orders are canceled as well. According to business owners, contracts with foreign countries have been terminated in some businesses. As a result, 50% of the business's products are unsold.

Exports were cut off as airports were closed and travel was restricted to control the spread of Covid. Producers want to expand their business, but at the moment, they are waiting for the situation to get better without COVID-19.

Box 33

Yes, we have to make changes. Salaries have been reduced. Some people get fired. (A Shan State's coffee businessman)

Box 34

The main reason for the drop in purchases is due to Covid. Demand is also reduced. Because the company from the United States that bought three containers in the previous year and two years ago can only buy one this year. (A Coffee Entrepreneur from Shan State)

3. Policy Recommendations

Policy Goals	To increase domestic demand	To reduce unemployment rate	To mitigate Negative Spillover Effect	To protect the vulnerable groups
Recommendation	To provide more assistance to the key businesses in each state and region	To create alternative jobs for blue collar and white collar workers	Needs for uninterrupted domestic and international trade flow	To support more comfortable ways for the vulnerable groups

(a) At a time of declining foreign demand, ensuring continuous flow of trade is vital to increase domestic demand. It is important have a clear understanding of the human behaviors that can happen mass gatherings and the sale of non-infectious goods and services. While restricting movement, it must consider ways not to halt the trade flow. On the other hand, while trading and distributing goods, the businesses should strictly comply the statements of the Ministry of Health and Sports that aims to prevent the spread of coronavirus which includes staying six feet apart and washing hands. Otherwise, uneven bans on the flow of goods and services just to prevent the spread not only hinder economic recovery but also make businesses more heavily indebted and suffer from the risk of losing their business.

(b) Unemployment and inability to create alternative jobs. According to the study, half of the workforce in different states and regions are being laid off due to the pandemic. In addition to the government's failure to provide the stipend and to create alternative jobs, these workers cannot return home because of the travel restrictions, and instead they are stranded on the site and highly indebted.

(c) It is required to divide define the major products and businesses in each state and region. In this way, the states and regions' economic pillars will become strengthened. Up to December 2020, the government has spent nearly 4% of gross domestic product (GDP) to rehabilitate the economy, however there is no upturn in the aggregate domestic demand and on the other hand, it is experiencing dollar depreciation due to the suspension of foreign exports. Meanwhile increasing government loans to the key businesses by region and state can be a way to accelerate gross domestic demand as this report observed that businesses that are strong demand both in local and international markets are quickly recovering.

(d) **Long-time existing businesses should be more encouraged than the new ones.** Whether assisting or easing the SMEs or the large enterprises, the government should focus on the existing businesses as they can help to make the economic recovery easier. At a time of great uncertainty, as local and foreign businesses and investors are carefully monitoring the harmful impacts to their investment, working on raising the investments in the well-established businesses may be a more practical solution.

(e) **During this Pandemic, the businesses in different regions and states turn to digital marketing and social media to survive.** The Government should not see these attempts from a taxing perspective, instead needs to support more convenient ways for them.

(f) **Yangon's sickness is the whole country's sickness.** Yangon is the commercial capital of Myanmar and has been the country's hotspot of COVID-19 infections and the pandemic impacts. The slowdown in Yangon's economic growth immediately affects other regions and states. Therefore, the highly populated Yangon region should make efforts to reduce the spread rate of COVID-19 as well as to increase the domestic demand in order to run businesses efficiently while providing more Government loans to the businesses with the cost-effective and proportionate approaches is providing opportunities to run their businesses smoothly. In this way the unemployment issue can be prevented to an extent. To keep its business afloat by providing more credit to cost-effective businesses that can prevent unemployment and boost domestic demand to keep its businesses afloat. Unemployment will also be maintained to some extent.

(g) **The revitalization of small and medium-sized enterprises during the COVID-19 period is directly related to the income of households.** Instead of completely shutting down the SMEs for health reasons, the government should ease and provide incentives for reopening in accordance with COVID-19 preventive measures and guidelines.

SURVIVAL GAME

COVID-19 IMPACT ON MYANMAR'S BUSINESSES

“BECAUSE OF LOCK-DOWN IN COVID-19 PANDEMIC,
I LOST THE WAY AND FUTURE”.

A HOTEL OWNER IN CHIN STATE

Inya
Economics

JANUARY 2021