MYANMAR

STRATEGY SUPPORT PROGRAM RESEARCH NOTE 70 DECEMBER 2021

Community perceptions of the economic impacts of Myanmar's health and political crises

Insights from the National COVID-19 Community Survey – September 2021

Key findings

- Ninety-two percent of urban communities and 90 percent of rural communities experienced a decline in income of at least 20 percent compared to a year before due to lower income from both non-farm employment and crop farming.
- Compared to data collected in 2020 survey rounds, we see a shift towards reduction in food expenditures and selling agricultural and non-agricultural assets in 2021. Fifty-four percent of communities reduced food expenditure to cope with declining income in September 2021, compared to 17 percent in September 2020.
- Twenty-seven percent of communities experienced closed banks and 12 percent of communities reported cash shortage at their local ATMs.

Recommended actions

- Implement measures such as cash and food assistance as well as cash- and food-for-work schemes to limit the need to rely on negative coping mechanisms that jeopardize current and future income-generating opportunities, food security, and health.
- Avoid or minimize further disturbances in access to cash or loans, including disruptions that hamper access to microfinance services.

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Introduction

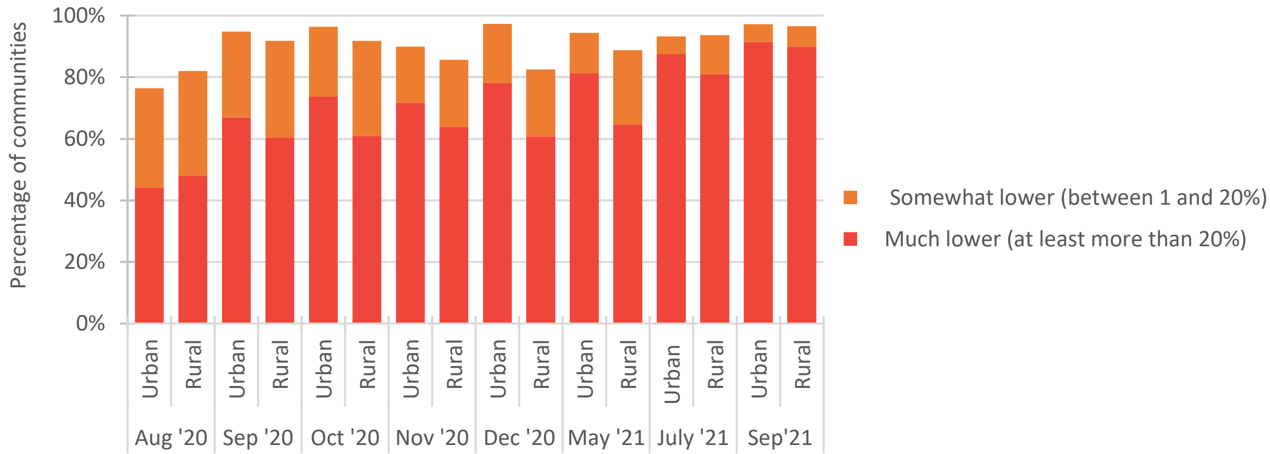
This Research Note highlights findings from nine rounds of the National COVID-19 Community Survey (NCCS). The NCCS was originally designed to monitor the economic and social impacts of the COVID-19 crisis in Myanmar. The questionnaire was administered to respondents from rural and urban communities throughout the entire country and highlights the impacts that respondents observe in their own community. Due to travel restrictions and limitations on gatherings, the questionnaire was conducted by phone with one or two respondents who shared perceptions and estimates related to the community. [1]

This report focuses on the economic impacts following the onset of the pandemic and the coup. The dataset consists of an unbalanced panel with a varying number of communities in each survey round as some respondents dropped out during one or multiple survey rounds whereas other respondents joined. The estimates in this report are based on the full sample of respondents interviewed in each survey round. In September 2021, enumerators received responses from 451 communities, including 106 urban and 345 rural communities. Most respondents were in the Dry Zone (n=154), followed by the Delta (n=123), the northeast (Kachin and Shan; n=103), the southeast (Tanintharyi, Mon, Kayah, and Kayin; n=52), and the west (Chin and Rakhine; n=19).

Effects of the pandemic and the political crisis on income

An increasing share of communities experienced large declines in income since the beginning of the pandemic in 2020. Figures 1 shows the share of communities in which respondents reported lower incomes compared to one year ago. Data from the 2020 survey rounds therefore compares to 2019, prior to the pandemic. However, the data from the three survey rounds conducted in 2021 should be compared to 2020, the first year of the pandemic, and prior to the onset of the political crisis.

Figure 1: Percentage of communities facing decrease in income compared to a year before



Source: NCCS phone survey (August 2020-September 2021)

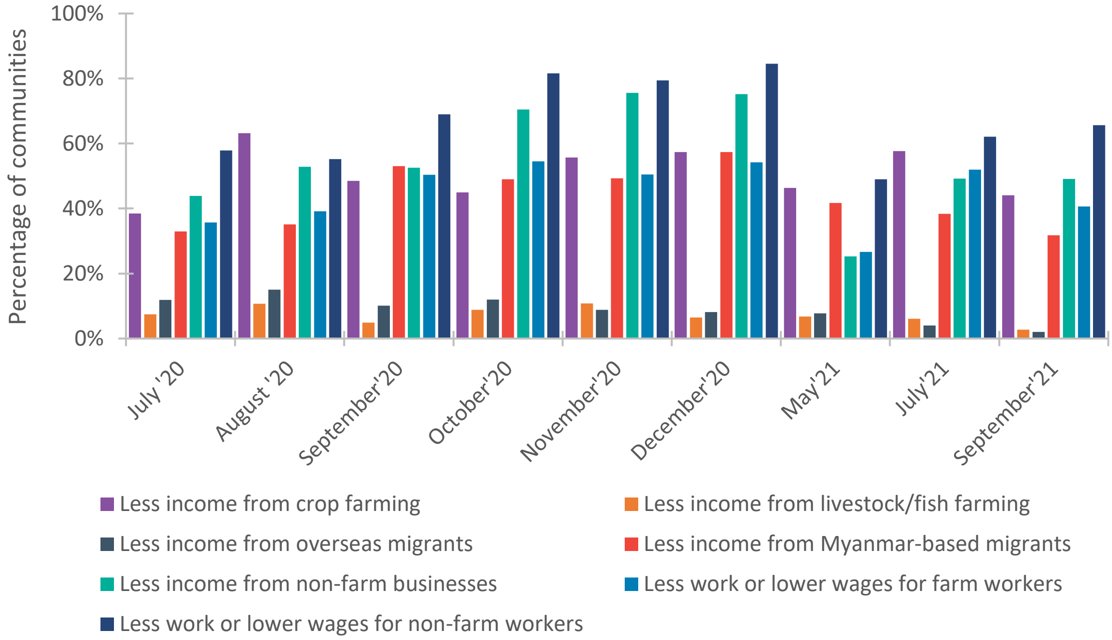
In August 2020, 44 percent of urban communities and 48 percent of rural communities reported incomes of at least 20 percent lower in the past month compared to incomes a year before. By September 2021, more than 90 percent of all rural and urban communities reported much lower monthly income than the year before (Figure 1). This suggests a strong and continuing decline in incomes in 2021. The percentage of communities experiencing somewhat lower income (between 1 and 20 percent) and those who experienced no difference in their income levels declined sharply over time. While 32 percent of urban communities reported somewhat lower income in August 2020,

[1] The first round of this telephone survey was conducted in late June/early July 2020 and focused on impacts since January 2020. Five subsequent rounds followed monthly until December 2020/January 2021. These survey rounds assessed the communities' experiences in each month prior to the interview. Three more survey rounds were conducted in May, July, and September 2021. Similar to the previous surveys, the recall period was also the month prior to the interview.

only 6 percent claimed to have experienced a small decline in income by September 2021. Less than 3 percent of all respondents reported that incomes had not declined in their communities.

Respondents who reported lower incomes in their communities than last year were asked to report which sources of income had declined. Incomes from non-farm self- or wage employment were highly affected. The most prevalent reason for lower income mentioned by respondents was less work or lower wages for nonfarm workers (66 percent in September 2021) (Figure 2). In nearly half of all communities, respondents also mentioned lower income from non-farm businesses. Moreover, 44 percent of communities experienced income reduction from crop farming and 41 percent of communities reported less work or lower wage for farm workers in September 2021. Further, 32 percent mentioned lower income derived from domestic migrants' remittances as a reason for decline in income.

Figure 2: Reasons contributing to decreased income among all communities

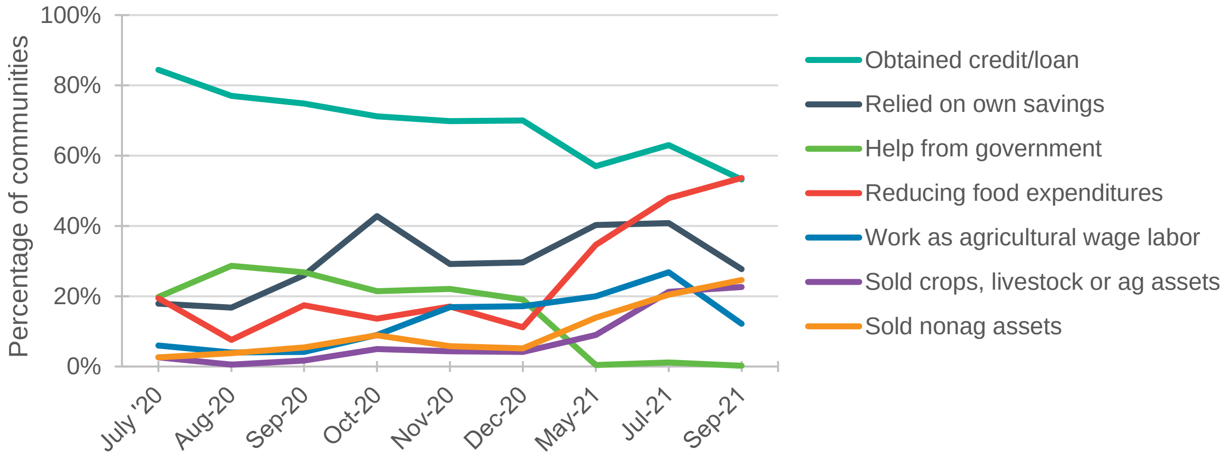


Note: July 2020 survey round inquired about reasons contributing to decreased income since January 2020 while the subsequent survey rounds inquired about reasons for decline in income compared to the same month one year ago.
Source: NCCS phone survey (July 2020-September 2021)

Coping mechanisms for decline in income

To cope with the decline in income, communities resorted to several strategies. Communities most frequently resorted to obtaining credits and loans, relying on their own savings, and reducing food expenditures. Compared to July 2020 when 84 percent of communities took loans and credits to cope with decline in income, only 53 percent of communities were using this coping strategy in September 2021 (Figure 3). On the other hand, while only 17 percent of communities reduced food expenditures to cope with income losses in September 2020, as much as 54 percent reduced food expenditures in September 2021. Moreover, coping strategies such as selling crops and livestock as well as agricultural and nonagricultural assets have also become a common practice in 2021 (23 percent and 25 percent respectively in September 2021). On the other hand, assistance from the government has become almost nonexistent, which provides a stark contrast to 2020 (up to 29 percent of communities used government transfers as a coping mechanism in August 2020).

Figure 3: Main coping mechanism applied by all communities

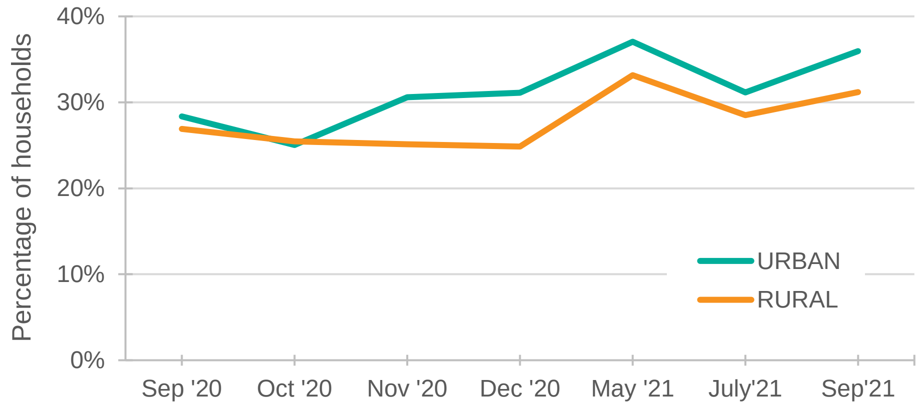


Note: July 2020 survey round inquired about coping strategies related to income losses since January 2020 while the subsequent survey rounds inquired about strategies related to income losses in the past month compared to a year ago. Source: NCCS phone survey (July 2020-September 2021)

Extreme poverty experienced by communities

Extreme poverty in this survey refers to households that are running short of food or suffering from hunger and food insecurity, and are in urgent need of assistance. When respondents were asked to estimate the proportion of households considered to be extremely poor in their communities, 28 percent of urban and 27 percent of rural households were reported as extremely poor in September 2020 (Figure 4). A year later, 36 percent of households in urban and 31 percent of rural households were estimated to be extremely poor. The proportion of households reportedly experiencing extreme poverty is trending upwards overtime.

Figure 4: Proportion of extreme poor households among communities

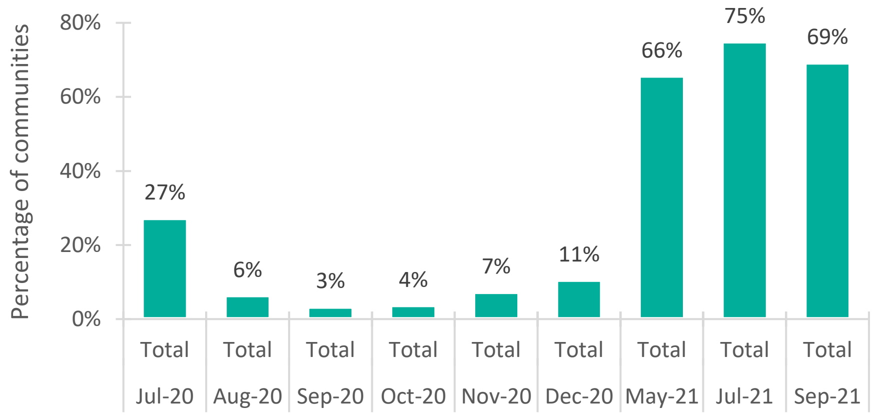


Source: NCCS phone survey (September 2020-September 2021)

Communities still experience problems accessing financial services in September 2021

The percentage of communities reporting difficulties accessing banks and other financial institutions in the past month fluctuated greatly over time (Figure 5). Between January and July 2020, 27 percent of communities experienced difficulties in accessing financial services. In September 2020 only 3 percent of communities experienced problems. However, one year later (September 2021), 69 percent of communities reported limited access to financial institutions. Reduced access to financial services were a common occurrence for both urban and rural communities in 2021, with 80 percent of urban and 66 percent of rural communities reporting problems with accessing banks and other financial institutions in September 2021.

Figure 5: Percentage of communities reporting difficulties in accessing any financial services

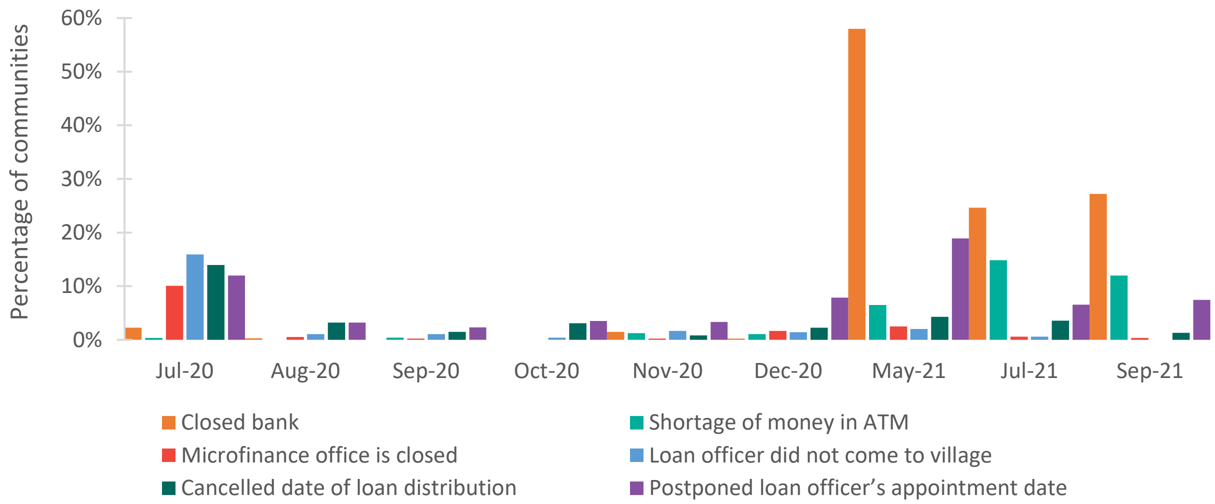


Note: July 2020 survey round specifically inquired about problems related to assessing banks or other financial institutions since January 2020 while the subsequent survey rounds inquired about problems faced in the past month. Source: NCCS phone survey (July 2020-September 2021)

Factors contributing to financial access related difficulties

Many communities reported issues related to obtaining microfinance loans and loan appointments during the beginning of the pandemic. While these issues subsided towards the second half of 2020, most likely due to financial institutions adapting to pandemic-era operation requirements, banks closed and loan offers began postponing appointments again in 2021. Bank closures were common in both urban and rural communities, 52 percent and 60 percent respectively in May 2021. Following the first few months of the political crisis, in May 2021, communities reported loans officers postponing loan appointments (21 percent in urban communities and 18 percent in rural areas). While none of the communities experienced closed banks or ATM cash shortages in September 2020, 27 percent of communities faced closed banks and 12 percent of communities reported cash shortage at ATMs in September 2021 (Figure 6).

Figure 6: Factors contributing to financial access related difficulties

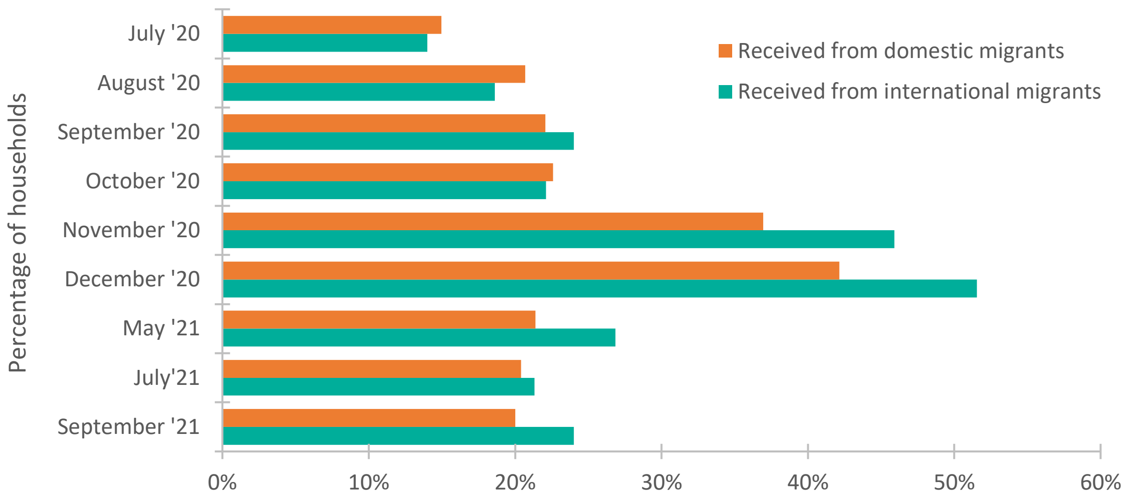


Note: July 2020 survey round specifically inquired about problems related to assessing banks or other financial institutions since January 2020 while the subsequent survey rounds inquired about problems faced in the past month. Source: NCCS phone survey (July 2020-September 2021)

Remittances

Respondents were asked to estimate the share of households in the community that received domestic or international remittances in the past month and to assess whether income from remittances was affected during the crises. The estimated percentage of households receiving remittances remained relatively stable since the first round of the survey in July 2020. In September 2020, community respondents estimated that 24 percent of households in the communities received remittances from an international migrant, while 22 percent received remittances from a domestic migrant (Figure 7). In November and December 2020, remittance levels were higher compared to the rest of the survey rounds. Fifty-two percent and 42 percent of households reported receiving international and domestic remittances in December 2020, respectively. This could either be related to the time of year (the end of the year, when traditionally more remittances are being sent), economic recovery in migrant-hosting communities, or a combination of both. In September 2021, 24 percent and 20 percent of households were estimated to have received international and domestic remittances, respectively, similar as the year before.

Figure 7: Percentage of households in communities reportedly receiving remittances



Note: July 2020 survey round specifically inquired about remittances in the month of January 2020 while the subsequent survey rounds inquired about remittances received in the past month. Source: NCCS phone survey (July 2020-September 2021)

Recommended actions

- Since the beginning of the COVID-19 pandemic, respondents have been reporting decreasing incomes. Households have been resorting to unsustainable coping strategies such as reducing food expenditures and selling crops, livestock, and agricultural and non-farm assets. Though these coping strategies allow households to maintain their food security, they undermine the resilience of households to future shocks and places them at risk for malnutrition, deepening poverty, and loss of livelihoods. As government assistance has become nonexistent, community assistance programs that provide food, cash, and nutrition support are needed.
- Access to banks and financial institutions remains problematic in many communities. Reduced access to cash, loans, and credit may limit farming and non-farming operations in these communities, thus reducing local production, income, and purchasing power. Increasing access to financial services is critical to protect the operational capacity of farm and non-farm enterprises.

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