

April 2021

Myanmar: Analysis of the Economic Fallout & Food Insecurity in the Wake of the military takeover



**World Food
Programme**



Situation since 1 February

- Significant economic disruption caused by socio-political crisis following military coup, including:
 - Closure of most healthcare service providers and educational institutions
 - Disruptions in operations of approx. 2,000 private banks
 - Challenges in sending remittances to/within Myanmar
 - Closure of factories
 - Decline in new business registrations
 - Limited transport and freight, increasing logistic costs
- An estimated 90% of national government activity has ceased
- All cash/in-kind transfers to poor households as part of government social protection scheme to mitigate socio-economic impact of COVID-19 have ceased
- World Bank forecasts that Myanmar's GDP could contract by 10% in 2021

Background - Economy

- Low-middle income country and emerging economy dominated by the garment industry, oil and gas, gemstones, infrastructure, tourism – illegal drug trade also significant
- Remittances are an important source of income for millions
- International trade relations and foreign investment highly regional
- COVID-19 has significantly impacted the economy, reducing domestic consumption and exports, and resulting in significant job losses
- Prior to COVID-19, approx. 1/4 of the population lived in poverty and 1/3 was considered vulnerable to poverty, with an expected increase due to the pandemic:
 - UNDP Household Vulnerability Survey (Dec 2020) indicated 80% of households had lost nearly 50% of their monthly income between 2019 and 2020

Background – Food Security



- Prior to COVID-19, an estimated 4% of population (**2.1 million people**) had insufficient food consumption, an additional 21% had borderline food consumption
- In June 2020, WFP estimated that **758,000 people** were at risk of falling into food security due to the COVID-19 pandemic
- Combining baseline and COVID impact, food insecure people estimated at **2.8 million** prior to 1 Feb
- Even prior to COVID, a healthy, nutritious diet remained unattainable to millions – in 2019, only 4/10 HHs could afford a diet meeting nutritional needs, while 9/10 HHs could afford a diet meeting energy needs (Fill the Nutrient Gap Study)

Impact on food security in the short run

- Assumption: The major impact on food insecurity runs through loss of income, which limits household economic access to food
- Two key ways of experiencing income losses:
 - Lost jobs – with a focus on the working poor, who (along with dependents) are most likely to be at risk of food insecurity through job loss
 - Lost remittances – approx. 2.2 million people below poverty line receive remittances, and will be at risk of food insecurity without them
- WFP estimate: lost jobs and remittances will likely make **1.5 million people food insecure in 3 months; 3.4 million in 6 months**
- Likely more severe in urban areas, where manufacturing, construction and service sectors employ more people

Additional factors affecting economy/food security

➤ Shorter-term food security impact

- **Inflationary pressure** – price monitoring since Jan/Feb shows increases in average retail price of rice (5%), cooking oil (18%) and fuel (20%)
 - Likely to hit poor populations hardest, as HHs living below poverty line spend approx. 65% of income on food
- **Weakening local currency** – in formal markets, MMK has lost 6.5% against USD since military takeover
- **Disruption in trade** – labor strike; exports estimated at 10% of normal; reduced personnel at ports/customs; delays in clearance of imports
 - Heavy impact on job losses in manufacturing sector, which accounts for 10% of jobs in country
- **Population displacement** – increased conflict in border and ethnic minority areas
 - Displaced people likely to also become more food-insecure

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Additional factors affecting economy/food security

- Longer-term economic impact
 - **Food security of smallholder farmers** – 80% of Myanmar farms are smallholder – disruptions to banking sector, including microfinance institutions, likely to have heavy impact on smallholder activities by impeding access to credit and limiting ability to purchase agricultural inputs
 - **Challenges in agricultural systems** – farmers may face challenges in hiring laborers to harvest summer rice in mid-March in the Delta region and prepare land for main rice crop in May/June
 - **Slump in foreign investment** – investment forecast to drop by 20% in 2021/22
 - **Looming economic recession** – economy forecast to contract by 10% in 2021 (World Bank)

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Next steps

- High uncertainty around political trajectory
- WFP continues to monitor overall economic and market situation
- WFP will undertake HH data collection to better understand impact on HH food security
- Explore more comprehensive remote modelling approach using HH data to estimate food security impacts