

SOUTHEAST MYANMAR (OCT. 2021)

RAPID MARKET ASSESSMENT

Mercy Corps – Market Analysis Unit

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During October 26-30 2021, the Market Analysis Unit (MAU) interviewed market actors in Southeast Myanmar to better understand market functionality and inform Cash and Voucher Assistance (CVA) programs.¹ Data are based on market observations and key informant interviews with 15 traders located primarily in Loikaw and Hpruso (Kayah State), Taungoo (Bago Region) and Hpapun Townships (Kayin State).² The MAU utilized the Mercy Corps Market Assessment Stoplight (MAST) tool. MAU reports are available online at www.themimu.info/market-analysis-unit.

Key Highlights

- Markets in all four townships were experiencing decreased business activity in October due to disruptions in transportation channels and ongoing safety concerns;
- Supply chains continued to be disrupted with most traders reporting fewer suppliers in their region;
- Most respondents said their stocks were depleted, resulting in a shortage of goods. Volatile and escalating supplier prices posed challenges for most traders, especially in Hpruso and Loikaw;
- Markets in Loikaw, Taungoo, and Hpapun may benefit from demand-supportive, market-based modalities such as CVA. However, agencies must ensure participants can safely access markets;
- The Hpruso market was not functioning well in October, with in-kind assistance recommended to humanitarian actors instead;
- Humanitarian agencies are advised to look for opportunities to support market actors directly in order to mitigate the long-term effects of the deteriorating business environment.

Background

The impacts of armed conflict and COVID-19 continued to significantly affect regions in northern Kayah and Kayin states in late 2021. Kayah has been experiencing an increased frequency of armed clashes in recent months, forcing thousands of people to flee their homes—totaling 125,000 displaced at the end of 2021.^{3,4} In Kayin State, ongoing clashes continued to displace an increasing number of individuals, with the UNHCR estimating nearly 50,000 IDPs across the state since the crisis began.⁵ These ongoing tensions have been further amplified by the spread of COVID-19, leading to disrupted transportation channels while limiting people's mobility and ability to obtain essential goods.

This rapid assessment provides information useful in deciding if a market-based approach is suitable and whether the preferred delivery modality should be CVA or in-kind assistance. CVA is appropriate where markets

¹ As sample sizes are small, caution should be exercised when interpreting township comparisons. They are provided only when marked differences are observed.

² Markets actors were interviewed in the main markets of Thiri Mingalar (Loikaw), Myo Ma (Hpruso), Na Htet (Taungoo) and Zay Gyi (Hpapun - Kamarmaung).

³ 'Thousands Flee as Myanmar Regime Resumes Raiding Resistance Groups', The Irrawaddy, November 25, 2021.

⁴ 'Humanitarian Needs Overview', OCHA, December 2021.

⁵ 'Myanmar Humanitarian Update No. 13', OCHA, December 9, 2021.

are functioning and retailers have the capacity to absorb the demand created in the local market by the injection of CVA. In short, the markets need to have the desired quality and quantity of goods that program participants need in order to meet basic needs and programmatic objectives. While some general market access findings are presented here, humanitarian actors should consider the ability of program participants to safely access markets, particularly with respect to vulnerable groups. This is best assessed through ongoing discussions with the affected populations, as it is highly contextual and dependent on the location of program participants.

General Activity and Access to Market

Overall, markets in all four townships experienced decreased levels of activity in October due to safety concerns and transportation disruptions (in part due to checkpoints), which have led to unstable supply chains and rising prices. As a result, most interviewed traders expressed a decrease in the average number of customers they served per day. Although all traders stated that customers were still able to access main markets across the four townships, the severity of armed conflict in the regions of Hpruso and Loikaw made it unsafe and challenging for many to access marketplaces. The Thiri Mingalar market in Loikaw was forced to limit operating hours, causing further accessibility difficulties for both traders and customers and resulting in decreased sales for businesses. In addition, traders in both Hpruso and Taungoo observed diminished customer traffic compared to before February 2021. Interestingly however, three markets maintained a consistent number of vendors since then, excepting Hpruso. In Hpruso, traders stated that several stores had ceased operations—partly due to the frequent presence of security forces within the market—leading many vendors to relocate their businesses.

Table 1: Basic Market Characteristics (October 2021)

Market Township and Location	Hpapun - Kamarmaung	Taungoo	Loikaw	Hpruso
Market Name	Zay Gyi Market	Na Htet Market	Thiri Mingalar Market	Myo Ma Market
Size of Market	> 200 shops	> 200 shops	>200 shops	20 -200 shops
Types of Actors/Markets Present	Some established traders; mix of stores	Mix of goods and services; wholesalers are present	Mix of goods and services; wholesalers are present	Limited - small traders with fresh vegetables and a few items
Market Frequency	Daily	Daily	Daily	Every Five Days
Degree of Activity in the Market	Market thriving; many traders and customers	Market thriving; many traders and customers	Market slow; few traders and a few items	Market slow; few traders and a few items

Current Inventory and Prices

Compared to other locations, traders in Loikaw and Taungoo experienced diminishing stock levels and a shortage of goods. The respondents who reported shortages of essential foods and NFIs were mostly food vendors, general retailers and one pharmacy (Table 2). Supply chain disruptions were mostly attributed to transportation difficulties, including those instigated by checkpoints and other safety concerns.

Most traders—primarily in Hpruso and Loikaw—said that volatile and/or escalating prices set by their suppliers were the primary cause of inventory fluctuations. This further compounded transportation challenges, making it difficult for most traders to determine the working capital required to maintain day-to-day operations.

Table 2: Products in Short Supply (October 2021)

Category	Products in Short Supply
Essentials	Cooking Oil
	Chickpeas
Vegetables	Various including beans, ladyfinger and corn
Other Food Items	Flour
	Instant Noodles
	Cooking Ingredients (various including fish paste, soup powder, etc.)
Medicine	Vitamins (various)
NFIs	Candles

Operational and Logistical Challenges

Traders from Loikaw particularly expressed concerns with maintaining business operations at pre-COVID levels. Respondents from the Thiri Mingalar market attributed their decreased business activity primarily to lower demand as well people's limited access to market. Other factors impacting businesses in Loikaw—and one trader in Hpruso—included challenges obtaining inventory, the increased cost of goods, decreased demand and difficulties accessing credit.

Transportation disruptions negatively impacted supply chains, with the majority of traders (excepting Taungoo) reporting decreases in the number of wholesalers and retailers regionally.⁶ Bottlenecks due to the ongoing crisis, transportation disruptions and checkpoints affected supply chains across southeast Myanmar. This has hindered the movement of goods in and out of marketplaces overall, threatening the sustainability of businesses.

Implications

Market Functionality – Escalating political turmoil coupled with the protracted COVID-19 pandemic could further jeopardize fragile market systems. The stress on the supply of some essential foods and NFIs, if prolonged, could have adverse cascading effects across both businesses and households, rendering them unable to sustain operations and resulting in shortages across the region.

Business Environment – Transportation disruptions and safety concerns will exacerbate uncertainties regarding the sustainability of businesses. Existing challenges, including poor infrastructure (e.g., deteriorating or limited roads, limited transportation options) and limited supply chains need to be addressed in order to curtail the effects of the ongoing crisis. These issues—although present prior to the political crisis and pandemic—are further exacerbated by ongoing travel restrictions and consequent transportation disruptions. Humanitarian actors should look for ways to reestablish and/or diversify supply chains to help existing market actors weather this period of uncertainty where possible. Interventions could include grants to traders, transportation subsidies and/or connections with microfinance institutions.

Diminishing income levels – Ongoing market and livelihood disruptions could deplete businesses' safety nets, perpetuating further negative coping mechanisms including the sale of assets, higher levels of debt, or closing/relocating their business. Immediate assistance is needed in order to provide the basic essentials required to sustain households. Humanitarian actors should seek to stimulate demand where possible, either

⁶ Although respondents from Taungoo did not explicitly acknowledge decreases in the number of wholesalers or retailers, 40% of these traders expressed a lack of routine truck transportation as the primary reason for challenges with restocking their inventory.

through multipurpose cash assistance or restricted assistance in markets where only select items are available.

Consideration for CVA and In-Kind Assistance

Cash and Voucher Assistance (CVA) – Dwindling income levels suggests that CVA could potentially have a greater impact than in-kind assistance for regional businesses. The markets of Hpapun (Kamarmaung), Loikaw and Taungoo would especially benefit from CVA support, under the assumption that it will still be possible to transport goods into these regions. Although mobility and safety concerns still exist, several key factors indicate these markets in particular may be capable of increasing their resilience to ongoing barriers. As traders in these markets were optimistic in their ability to replenish supplies should there be a corresponding increase in demand, cash and/or vouchers would enable traders and other business owners to restock their inventory—without incurring (or passing on) drastic price increases—while shortening lead times. However, it should be noted that access to market and safety issues may continue to impact vendors and customers, with a possible rising number of COVID-19 cases and subsequent mobility restrictions affecting access to cash.⁷ Local procurement in these markets and distribution via in-kind modality is another option if program participants face barriers to safely accessing the market. Cash-based assistance should take into consideration the potential impact of fluctuating exchange rates and inflation on program participant purchasing power, especially if transportation disruptions persist. This may require an increase in the transfer value to meet program objectives.

In-Kind Assistance – Diminishing inventory levels, especially for essential foods and NFIs, suggests that in-kind assistance may be more effective than cash-based assistance in Hpruso Township until regular distribution and supply channels are reestablished. As of October, Hpruso had experienced more severe barriers compared to the other three townships, leading to a drastic reduction in the number of businesses—this meant that traders still operating had difficulties meeting the basic needs and demands of their customers. This could be attributed to a higher frequency and impact of conflict in this area at the time, with some traders reporting supply chain breakdowns due to checkpoints. In-kind food assistance would alleviate the pressures of limited market supply and access, enabling program participants to meet basic needs in the near term.

MAST Analysis

Table 3 below summarizes market-based programming considerations generated from the study’s findings which are intended to add to the resilience of businesses and households in the outlined regions. This MAST assessment will help humanitarian actors consider the key criteria in implementing either CVA or in-kind assistance. To indicate whether minimum market requirements for cash or voucher programming have been met, considerations have been categorized by color as follows:

- **Green:** Go Ahead. Carry out program market monitoring and reconsider design if changes occur;
- **Yellow:** Consult local / technical experts to gather further information. Continue monitoring for changes;
- **Red:** Bring in an expert or revisit later. Consider in-kind assistance for basic needs response.

⁷ It is recommended that continuous assessment of cash distribution methods and subsequent consequences be undertaken in these regions prior to and during execution, allowing for flexibility (for example, issues such as the limited capacity of financial institutions, potential theft or misuse of cash, etc.).

Table 3. Summary of MAST Analysis.

CVA Consideration	Hpapun (Kamarmaung)	Taungoo	Loikaw	Hpruso
Free movement of goods / supplies in and out of the area	<ul style="list-style-type: none"> No foreseen movement restrictions for goods/supplies in and out of the area; Traders confident in their ability to restock or increase supplies; Market is well integrated (connected) to unaffected or functioning markets; Good marketplace competition. 			<ul style="list-style-type: none"> Some checkpoints or permits required, but goods move in and out; Intermittent conflict or disruption to movements.
Supply can meet minimum demand	<ul style="list-style-type: none"> Volume of market activity is higher than projected minimum demand; Retailers/shops in the area are willing and able to restock key goods without raising prices over 10% (estimated inflation, adjusted based on context); and/or takes over one week to restock (adjusted time based on “typical” restocking periods). 			<ul style="list-style-type: none"> Supply is too low to meet the projected demand; Retailers/shops unable or unwilling to meet anticipated demand without raising prices over 20% (estimated inflation, adjusted based on context); and/or takes over three weeks to restock (adjusted time based on “typical” restocking periods).
Target population can safely meet needs through markets	<ul style="list-style-type: none"> Priority goods/services are still available; No physical barriers to markets (i.e. conflict, checkpoints, poor roads, etc.); This area is currently experiencing a high frequency of conflict; Target group(s) can still reach cash points. 	<ul style="list-style-type: none"> Priority goods/services are still available; Access issues have been identified for some groups and/or locations.⁸ 	<ul style="list-style-type: none"> Priority goods/services are still available; Access issues have been identified for some locations; There is still a high frequency of checkpoints in the region; Target group(s) can still reach cash points. 	<ul style="list-style-type: none"> Priority goods or services not available in the market. Target group(s) can't access markets due to issues such as movement restrictions, physical mobility issues, markets too far, etc.

⁸ For example, beneficiaries may not always be able to access markets themselves and might need to order goods from other local individuals (e.g. transportation service providers) or request goods from neighbors/relatives who are able to access the market.

Mercy Corps' Market Analysis Unit (MAU)

The Market Analysis Unit provides development practitioners, policymakers and private sector actors in Myanmar with data and analysis to better understand the impacts of Covid-19, conflict and other crises on:

- Household purchasing power, including coping mechanisms, safety nets and access to basic needs;
- Supply chains, including trade, cross-border dynamics and market functionality (particularly as it relates to food systems);
- Financial services, including financial services providers, household and business access to finance and remittances; and
- Labor markets (formal and informal), with a focus on agricultural labor and low-wage sectors (e.g., construction, food service).

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