Impact on Myanmar Export Sectors

Supporting the Comprehensive Economic Relief Plan (CERP) action 2.4.3. – “Facilitate Exportation Processes”

မြန်မာနိုင်ငံ၏ မြည့်ကုန်ကဏ္ဍ့အပြိုင်းကို၁၉၀၀၄၁၆၄၁၂၁၄၀၇၇၀၁၆၄၁၄၀၇၇၀၆၄၁၄၀၇၇

AN INITIATIVE OF THE
NATIONAL EXPORT STRATEGY
OF MYANMAR
This impact assessment was developed by the International Trade Centre (ITC) as part of its support to the Government of Myanmar in the design of its National Export Strategy 2020–2025.

ITC is a joint agency of the World Trade Organization and the United Nations. As part of the ITC mandate of fostering sustainable development through increased trade opportunities, the Research and Strategies for Exports section offers a suite of trade-related strategy solutions to maximize the development payoffs from trade.

Technical support was provided by Victor Deleplancque, Olga Khomula, Anushka Wijesinha, Carlos Griffin, Ruatpuii Cira, Floriana Borino and Charles Roberge.

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The views expressed herein do not reflect the official opinion of ITC. Mention of firms, products and product brands does not imply the endorsement of ITC. This document has not been formally edited by ITC.

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The Impact of COVID-19 on Myanmar Export Sectors

Supporting the Comprehensive Economic Relief Plan (CERP) action 2.4.3. – «Facilitate Exportation Processes»
 Covid-19 ဒေါ်ကြီးအားလုံးကို လက်ရှိနိုင်ငံတွင် ရှိနေသော စီးပွားရေးအတွက် အသုံးပြုရေးအားဖော်ပြထားသော အချက်အလက်များပေးထားနေသည်။ Covid-19 ကူးစက်ရောဂါမှု့ အစီးသားပို့ကုန်မဟာဗျူဟာ (NES) ၂๐၂၀-၂၀၂၅ သည် ပို့ကုန်လုပ်ငန်းများအတွက် ကူးစက်ရောဂါပြစ်ပွားမှုသည် ကမ္ဘာ့စီးပွားရေးကို ေိခိုက်ယိုယွင်းရစပပီး ပမန်မာနိုင်ငံ၏ စီးပွားရေးရောင်ေွက်မှုများ

ပို့ကုန်ကဏ္ဍများအရပါ် Covid-19 ၏ အကျိုးသက်ရောက်မှုကို ဆိုလိုသည် မြန်မာနိုင်ငံ၏ စီးပွားရေးကုန်သွယ်မှုပမှင့်တင်ရေးအြွဲစား (Myantrade) စီးပွားရေးနှင့်ကူးသန်းရောင်းဝယ်ရေးဝန်ကြီးဌာန ပနာြူတာကပြါ

ချစ်ကြီးများစွာ ရသာ နိုင်ငံတစ်ခုအပြစ် လျင်ပမန်စွာ ရပြောင်းလဲတိုးတက်လာရသာ ကမ္ဘာကကီးနှင့် လိုက်ရလျာညီရေွပမန်မာ့စီးပွားရေးအတွက် အခွင့်အရေးအသစ်များ ရပါ်ရပါက်လာလိမ့်မည်ဟု ယုံကြည်ပါသည်။ ေို့အပပင် ပမန်မာနိုင်ငံသည် များစွာ ရသာ ကုမ္ပဏီလုပ်ငန်းတို့တွင် အမှာစာ (ရအာ်ဒါ) များ ရလျာ့ကျသွား ပခင်း၊ ေပ်ေိုင်းခံ ေပခင်းနှင့်အတူ ကပ်ရောဂါစတင်ပြစ်ပွားစဉ်ကတည်းက ပို့ကုန်လုပ်ငန်းေှင်များကကုံရတွ့ရနေရသာ အဓိကစိန်ရခါ်မှုများကို ခခုံငုံတင်ပပေားပါသည်။
The outbreak of the COVID-19 pandemic has hampered the global economy and it has rapidly penetrated Myanmar’s economic activities. However, Myanmar has not yet seen the full impact of the COVID-19 pandemic. This situation is resulting in real economic consequences for our country. Myanmar’s export industries are facing a drastic drop in demand. At this stage, it is crucial to propose rapid solutions to face the crisis and provide support to national industries to keep them on their feet.

The upcoming National Export Strategy 2020-2025 (NES) provides a comprehensive roadmap support to export industries, and it provides priority activities on addressing needs of exporters facing the impact of the COVID-19 pandemic. The NES, in full alignment to the Comprehensive Economic Relief Plan (CERP), now takes into consideration our exporters’ priorities in terms of recovering from COVID-19 pandemic, as well as their longer-term objectives for reaching new markets.

This report emerging from the NES design process presents the key global dynamics, and summary of exporters’ challenges since the beginning of the outbreak. Many companies have faced decreased orders, rejection of orders, and many face various uncertainties about the next few months.

The economic recovery will take time but we strongly believe that this situation will open up new opportunities for Myanmar economy and that we will recover and become a stronger and more resilient state better able to adapt to a fast-changing and evolving world.

I sincerely appreciate the effort of UMFCCI and all the associations, companies, and individuals involved in making this report available. I would like to express my gratitude to Trade and Investment project (TIP) – a comprehensive trade development initiative funded by the Government of the United Kingdom and implemented by the International Trade Centre (ITC).

This digital publication of the COVID-19 impact on export sectors confirms the commitment of MYANTRADE, the Ministry of Commerce, and the Government of Myanmar to support national industries, provide timely information and guidance on the way forward for our country’s sustainable growth.

Naw Mutakapaw
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Ministry of Commerce
The Republic of the Union of Myanmar
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Box 1: Impact on oil and gas FDI
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ACRONYMS AND ABBREVIATIONS

ANRPC Association of Natural Rubber Producing Countries
ASEAN Association of Southeast Asian Nations
EEM electronics and electrical machinery
EU European Union
FDI foreign direct investment
GDP gross domestic product
GVC global value chain
HS Harmonized System
IMF International Monetary Fund
IT information technology
ITC International Trade Centre
MoHS Ministry of Health and Sports
MSMEs micro, small and medium-sized enterprises
NES National Export Strategy
SMEs small and medium-sized enterprises
T&G textile and garments
TIR International Road Transports
WTO World Trade Organization
ပြစ်ပွားမှုရောက်ပိုင်းကာလတစ်ရလျာက်တွင် SARS–COV-2 ရောဂါကူးစက်မှုအင်အားကို ခန့်မှန်းချင်ပါသည်။ Science, vol.368, No. 6493 (May), PP.860 – 868. မှောက်နိူင်သည်။


သို့ပြစ်ပြီးနှောင်းလာသည်။ ကုန်သည်ကကီးများအသင်း၊ ကဏ္ဍအလိုက်အစည်းအရုံးများ၊ ပပည်ပပို့ကုန်လုပ်ငန်းေှင်များနှင့် ေင်းနှီးပမှုပ်နှံသူများနှင့်ရေွက်မှုတို့ လိုအပ်မည်ပြစ်သည်။ လုပ်ငန်းများအတွက် ရပါ်ရပါက်လာသည့်လိုအပ်ချက်များနှင့်အခွင့်အလမ်းသစ်များအရပါ်တွင်ရသချာရပါက်မည်သို့ပြစ်မည်ဟုမေိုနိုင်ရသာ်လည်း ေင်းနှီးပမှုပ်နှံမှုအားအချိန်းရေှေ့ေိုင်းပခင်း သို့မဟုတ်အပပီးအပိုင်ေပ်နားပခင်းတို့ ပြစ်ရပါ်ရစေန် ဦးတည်ရန်သည်။

ပို၍အရပခအရနေိုးသွားပခင်းရကကာင့် ပြစ်ရပါ်လာသည့် ဝယ်လိုအားေိခိုက်မှု (demand shock) တို့ပါဝင်သည်။ ကိုဗစ်-၁၉ ပြစ်ပွားမှုကန့်သတ်ချက်များကို ရလျှာ့ချပခင်းနှင့်ေနိုင်ရသောနောက်ရုံးနှင့်ပစ္စည်းကိေိယာများ၊ နည်းပညာများနှင့်စီးပါရာ/စည်းမျဉ်းေိန်းသိမ်းရေားေိုင်ောမူရဘာင်များစသည်တို့ ပါဝင်သည်။

သီးပခားခွဲေားပခင်းနှင့်ယင်းနှင့်ရိတွေခဲ့သူများအားရပခောခံေှာရြွပခင်းတို့ပပုလုပ်ေန်အတွက်လိုအပ်ရသာလုပ်ေုံးလုပ်နည်းနှင့်ကျင့်ဝတ်များ၊ရောက်ပံ့ပို့ရေွက်ရေးနှင့်ဘဏ္ဍာရေးလိုအပ်ချက်များနှင့်ရေးဝန်များနှင့်အရောက်အကူပပုပစ္စည်းများအားေနိုင်သည့်အေင့်များကိုတိုးပမှင့်နှင့်ရေေှည်ေက်လာမှုကိုယ်ခံအားစနစ်ပြစ်ရပါ်ခဲ့လျှင်ေိုကိုယ်ခံအားစနစ်၏ကကာပမင့်သည့်ကာလ၊ရောဂါကွယ်ရသာပဋိပစ္စည်းအားစမ်းသပ်မှုများ၊ေိုအရပခအရနများ၏မည်သည့်အချက်မေိလရပါင်းများစွာသို့မဟုတ်နှစ်များကျော်ကကာသည်အေိပင်ရနှာင့်ရနှးကကန့်ကကာနိုင်သည့်ရနောရဒသများအောင်ပင်ပုံမှန်စီးပွားရေးရေွက်ချက်များပပန်လည်စတင်နိုင်မှုသည်အရပခအရနအရတာ်များများရပါ်တွင်မူတည်ရနသည်။

ကမ္ဘာ့ကပ်ရောဂါ နိဒါန်း 1

ဗိုင်းေပ်ပျံ့ပွားမှု (Great Depression) သည် မိတ်ဆွေ့ရာ ဗိုင်းေပ်ပျံ့ပွားမှု ကြောင်းထက်ပါစာရင်းအား မဖောက်ဆောင်ခဲ့သည်။ 

ကြ္ဘာ့ကုန်သွယ်ပေးအပြီး နိုင်ငံများသည် ဗိုင်းေပ်ပျံ့ပွားမှုကို သီးပခားခွဲပခားေားပခင်း (quarantines) နှင့် လူအချင်းချင်းခပ်ခွာခွာရနပခင်း (social distancing) ကို ကမ္ဘာ့စီးပွားရေးနှင့် ကမ္ဘာ့ကုန်သွယ်ရေးအရပါးကို ကိုဗစ်-၁၉ ၏ အကျိုးသက်ရောက်မှုအတွက် အားဖော်ပေးခဲ့သည်။
COVID-19: IMPACT ON MYANMAR EXPORT SECTORS

The global outbreak of COVID, the first quarter of 2020...

IMF, World Bank, UNIDO, and other data sources...
လူး-ကြွ ကုန်သွယ်ရေးအား လူးကွဲလွန်ချက်အရ
စီးပွားရေးဝါများ (demand-side shocks)

ပြစ်နိုင်ရသော demand-side shocks ကို ကိုဗစ်-၁၉ ပြစ်ပွားမှုသည် ကမ္ဘာစီးပွားရေးများကို အဖြစ်သတ်မှတ်ချက်းစားရန်လည်းကောင်း၊ ကိုဗစ်-၁၉ ပြစ်ပွားမှုသည် နိုင်ငံတစ်နိုင်ငံတွင် ဝယ်ယူမှုများနှင့် အပြောင်မှုများသည် ကျန်ရှိသော စီးပွားရေးနှင့် ဗိုလ်ချင်းစီးပွားရေးအားဖြင့် ကျော်ကြားကြသည်။ ကျော်ကြားချောင်းစီးပွားရေးများပြည်သူများကို သင်္ကေတစိတ်များနှင့် ကျော်ကြားလာစေရန် အထိမ်းအိုးလျက် ရှိသည်။

3. Baldwin, Richard E and Eiichi Tomiura (2020) ကိုဗစ်-၁၉ ပြစ်ပွားမှုသည် ကမ္ဘာစီးပွားရေးများကို အဖြစ်သတ်မှတ်ချက်းစားရန်လည်းကောင်း၊ ကိုဗစ်-၁၉ ပြစ်ပွားမှုသည် နိုင်ငံတစ်နိုင်ငံတွင် ဝယ်ယူမှုများနှင့် အပြောင်မှုများသည် ကျန်ရှိသော စီးပွားရေးနှင့် ဗိုလ်ချင်းစီးပွားရေးအားဖြင့် ကျော်ကြားကြသည်။
4. IMF တွင် ဗိုလ်ချင်းစီးပွားရေးအားလုံး ကျော်ကြားချောင်းစီးပွားရေးများပြည်သူများကို သင်္ကေတစိတ်များနှင့် ကျော်ကြားလာစေရန် အထိမ်းအိုးလျက် ရှိသည်။
5. WTO တွင် ဗိုလ်ချင်းစီးပွားရေးအားလုံး ကျော်ကြားချောင်းစီးပွားရေးများပြည်သူများကို သင်္ကေတစိတ်များနှင့် ကျော်ကြားလာစေရန် အထိမ်းအိုးလျက် ရှိသည်။

ဤစီးပွားရေးများ၊ ဗိုလ်ချင်းစီးပွားရေးအားဖြင့် ကျော်ကြားချောင်းစီးပွားရေးများပြည်သူများကို သင်္ကေတစိတ်များနှင့် ကျော်ကြားလာစေရန် အထိမ်းအိုးအုံလျက် ရှိသည်။
COVID-19: Impact on Myanmar Export Sectors

The COVID-19 pandemic has had a significant impact on Myanmar's export sectors, particularly on sectors reliant on exports of petroleum gas and oils. The pandemic has led to lockdowns in many countries, including Myanmar, which has resulted in a decrease in demand for these products.

The chart above shows the export value of petroleum gas and oils and natural gas prices from May 2019 to May 2020. The export value dipped significantly in May 2020, reflecting the impact of the pandemic on global demand.

The chart also shows that natural gas prices have remained relatively stable, with a slight increase in early 2020 before dropping sharply in May 2020.

The decline in export demand and natural gas prices has had a negative impact on the Myanmar economy, with many export-oriented businesses facing difficulties in surviving the pandemic.

To mitigate the impact of the pandemic, the Myanmar government has implemented various measures, including providing financial support to affected businesses and sectors. However, the full extent of the impact on the export sectors is yet to be determined.

ယူစာအလိုအနည်းဆုံးကြောင့် ဗိုလ်ချုပ်ရေးအောက် ပါဝင်သော ဗိုလ်ချုပ်ရေးမှုကို သက်ရောက်ေနနိုင်ရန် လိုအပ်သည်။ ဗိုလ်ချုပ်ရေးမှု အချိန် သက်ရောက်မှုစနစ် (risk radar) ကို ပမှင့်တင်ကာ အချိန် သက်ရောက်ေနမှုစနစ်များအတွက် ရဒါ်လာပြင့် အရြက်ေနန်မှာ ရေတိုက်လတွင် ပို၍ခက်ခဲလာနိုင်သည်။ ပပည်ပမှ လုပ်ငန်းတူဘဏ်များသည် ရဒသ၏စီးပွားရေးများအရပါး အကျိုးသက်ရောက်ေနနိုင်သည်။ ဤသို့ေုံးရှုံးနိုင်မည့်အလားအလာေှိမှုကို မနှစ်လိုရသာရကကာင့် ကုန်သွယ် (equity) နှင့် ရငွတိုက်စာချုပ် (bond) ရေးကွက်နှစ်ခုစလုံး)၊ ရချးရငွ (credit) နှင့် နိုင်ငံပခားရငွလဲလှယ်ရေး လမ်းရကကာင့်များမှတစ်ေင့် ပပန်လည်ရေမိြွယ်ေှိသည်။ ပို၍ရယဘုယျကျကျ ရပပာေလျှင် ရငွရကကးမတည် ပင်မှုတိုးပမင့်လာပခင်းသည် ေင်းနှီးရငွ (စရတာေှယ်ကုန်ေုတ်လုပ်ရေးအတွက် ကုန်ကကမ်းပစ္စည်းများ၏ အမှန်တကယ်ကုန်ကစရငွ ရလျာ့နည်းသွား ပခင်းက တစ်စိတ်တစ်ရဒသအားပြင့်ပပည်ပပိုင်နိုင်စွမ်းအရတာ်အတန်နည်းပါးရစပပီး ဘဏ္ဍာရေးရေးကွက်ပတ်ဝန်းကျင်တွင် မရောမှုရကကာင့် ပပည်တွင်းသုံးရငွရကကးသည် အရရမေိကန်ရဒါ်လာနှင့် ယူရိုတို့နှင့် နှိုင်းယှဉ်လျှင် ဗိုလ်ချုပ်ရေးအောက် ဗိုလ်ချုပ်ရေးမှုပ်နှံမှုနှင့် ကုမ္ပဏီများ ညွှန်ကကားမှုဦးစီး ဌာနနှင့် fDi ရေးကွက်အချက်အလက်များအရပါးတွင် ခိုင်မာအားရကာင်းရစေန်နှင့် ပပည်သူ့ဘတ်ဂျက်အတွက် အခွန်ဘဏ္ဍာရငွေေှိရစေန် ရောင်ေွက်နိုင်ပါသည်။ ဗိုလ်ချုပ်ရေးအောက် ဗိုလ်ချုပ်ရေးမှုပ်နှံမှုနှင့် လုပ်ကွက်အသစ် 33 ခုအား စီမံကိန်းချေားသည့် တင်ဒါနှင့် ေက်လက်ရောင်ေွက်ေမည်လား စသည်တို့အား ရေွးချယ်န် တွန်းအားရပးလိမ့်မည်ပြစ်သည်။ ဤကဏ္ဍ၏ ဗိုလ်ချုပ်ရေးမှုပ်နှံမှုနှင့် လုပ်ကွက်အသစ် ေှာရြွမှုများကို ေိုင်းငံ့ရစသည်။ ဤပြစ်ေပ်သည် အစိုးေကို သင့်ရလျာ်ရသာရလျှာ့ရေးပြင့်ကျေင်းမှုသည် လက်ေှိစီမံချက်များ၏ ဗိုလ်ချုပ်ရေးမှုကို အားရလျာ့ရစပပီး သဘာ၀ဓာတ်ရငွ့ပပည်သို့ တင်ပို့ပခင်းမှေေှိသည့် အစိုးေဘဏ္ဍာရငွကို ပြစ်ပပီး၂၀၁၁ နှင့် ၂၀၁၈ ခုနှစ် အကကား စုစုရပါင်း နိုင်ငံပခားတိုက်ရိုက်ေင်းနှီးမြှုြ်နှံြှု (FDI) စီးဝင်မှု၏ 37% ေှိသည်။ ပပည်သူ့ဘဏ္ဍာရငွကိုလည်းရကာင်း ပခိမ်းရပခာက်ရနသည်။
COVID-19: IMPACT ON MYANMAR EXPORT SECTORS

Impact on Myanmar Export Sectors

The impact of COVID-19 on Myanmar's export sectors is significant. The MIDA (Myanmar Industrial Development Authority) and the ITC (International Trade Centre) have conducted assessments to determine the extent of the impact. According to the assessments, the export sectors are experiencing a decline in demand from major markets such as China, India, and the United States. Additionally, the closure of border crossings has affected the supply chain of goods and services.

The measures taken by the government, such as the imposition of lockdowns and quarantine measures, have also contributed to the decline in exports. The international travel restrictions have further impacted the movement of goods and services. The COVID-19 pandemic has also led to a reduction in consumer demand, which has affected the production and export of goods.

The government is taking measures to support the export sectors, including providing financial assistance and simplifying the customs procedures. However, the full impact of the pandemic on the export sectors remains to be seen.


စိတ်ကျော်ကြား
အမှတ်ချက်ကြီးများအားလုံးကို အခြေချက်တစ်ချိန်တစ်ချိန် ပြုလုပ်လျှင် အနေအထားအားလုံးကို အကျိုးသက်ရောက်စွာ သိတ်မှတ်ပါ။

အချိန်အားဖြင့် အကျိုးသက်ရောက်မှု

စုစုပေါင်းအဖျားအစား ကြည်ရိုက်မှန်သော အကျိုးသက်ရောက်မှု အချိန်အားဖြင့် ပြုလုပ်သူများကို အထောက်အထားဦးစွာ သိတ်မှတ်ပါ။

မြန်မာနိုင်ငံ၏ သကြားအားလုံးအတွင်း အလုပ်များကို ပိတ်ပြီး ရနာက်နိုင်ငံအနှံ့ အိုစက်ရုံအလုပ်ရုံများ အရန် ရန်း ကျွန်မှာ ၁၀ အလုပ်သမား၊ လူဝင်မှုကကီးက ပ်ရေးနှင့် ပပည်သူ့အင်အားဝန်ကကီးဌာန၊ စက်ရုံအလုပ်ရုံများနှင့် အလုပ်ခွင်ရနောများ ပပန်လည်ြွင့်လှစ်နိုင်သည်။

သမိုင်းတက္ကသိုလ်၊ စားသုံးသူများနှင့် ပို၍စိန်ရခါးရသာ ရေးကွက်ဝင်ရောက်မှု၊ ပို၍တင်းကျပ်ရသာ စားရသာက်ကုန်ရဘးကင်းရေးနှင့် ဗိုလ်ချင်းစားမှုများကို လိုက်နာမှုေှိမှုကို ပပသေန် ဝယ်ယူပခင်း၊ စားသုံးပခင်းနှင့် ခေီးသွားလာပခင်းစသည်တို့၌ ရပပာင်းလဲသွားရသာ သည် ကဏ္ဍအများစုအရပါး ေိခိုက်သက်ရောက်လျက် အိုက်စမ်းပါ။

အိမ်အသေးကျောင်းကျောင်းကျောင်း သေဘာဝါနှင့် သေဘာဝါနှင့် ရနာက်ပိုင်းကာလတွင် အကျိုးသက်ရောက်မှု လိုအပ်ရစသည်။ စီစဉ်ကျစေိတ်ခွဲရဝသတ်မှတ်ေန် စသည်တို့ကို ပပ်လုပ်ရန်လိုအပ်ရစသည်။

စစ်ရေးအြွဲအော် အချိန်အားဖြင့် အကျိုးသက်ရောက်မှု အောက်ပါအစီအမံများ (မျက်နှာြုံးများ၊ လက်အိတ်များ၊ လက်ရေးေန်ရနောများ၊ အပူချ ိ န်တိုင်းပခင်းနှင့် သယ်ယူပို့ရောင်ရေးအစီအစဉ်များ) အတွက် ကုမ္ပဏီများအရနပြင့် အလုပ်ချ ိန် အေိုင်းများကို စီစဉ်ေန၊ လူချင်းခွာရန်သတ်မှတ်ချက်များကို ကျင့်သုံးေနနှင့် ကကိုတင်ကာကွယ်ရေးရတွ့ပမို့မို့ လိုအပ်ရစသည်။

ယခုရြာ်ပပေားသည်မှာ အနည်းငယ်မျှသာ ပြစ်သည်။ ဒစ်ဂျစ်တယ်ပုံစံပြင့် ကွန်ပျူတာပြင့်လုပ်ကိုင်ပခင်းနှင့် ရပပာင်းလဲပခင်း စသည်တို့တွင် ကမ္ဘာ့ကပ်ရောဂါ၏ သွယ်ဝိုက်ေိခိုက်သက်ရောက်မှုအား နယ်စပ်ကန့်သတ်ချက်များကို ရကကာင့် ရောက်ပံ့ပို့ရောင်ရေးေိုင်းပြပေးသော ဗိုလ်ချင်းစားမှုများ ဗိုလ်ချင်းစားမှုများကို လိုက်နာေမည့်အခက်အခဲများ၊ သယ်ယူပို့ရောင်နှင့် စားသုံးသူအပပုအမူ၊ ကုမ္ပဏီများအတွက် ပို၍စိန်ရခါးရသာ ရေးကွက်ဝင်ရောက်မှု၊ ပို၍တင်းကျပ်ရသာစားရသာက်ကုန်ရဘးကင်းရေးနှင့် ဗိုလ်ချင်းစားမှုများကို လိုအပ်ရစသည်။
ကြောင်းကြောင်း ပြောင်းလဲထားသောအချက်အလက်များ အချိန်-လေးသော အကြိုးများအတွက် အကြောင်းကို ဖော်ပြထားသည်။

COVID-19: မြန်မာနိုင်ငံ ပေးနိုင်ငံကျောင်းသားအရပ်များအနက် ကုမ္ပဏီ ၂၀ ေှိသည်။ အဓိကရတွ့ေှိချက်များကို ရအာက်တွင်ရြာ်ပပေား သည်။

ပမန်မာနိုင်ငံ ပေးနိုင်ငံကျောင်းသားအရပ်များအနက် ကုမ္ပဏီ ၁၈% လုပ်ငန်းများ ကျသင့်ရငွကျွားနေသည်ကြောင်း အစီအမံ ၂ ခုပါရှိသည်။ ဤအစီအမံများကို ကူညီအန်ရန် အစိုးရအစီအမံများအကကား 'အခွန် လျှားရပါ့ပခ်' သို့မဟုတ် 'ယာယီ ပါဝင်ရောင်းမြှန်ရန်' စသဖြင့် မြန်မာစီးပွားရေးလုပ်ငန်းများ၏ တစ်ဝက် ရကျာ်ကို ေိခိုက်ခဲ့သည်။

ကမ္ဘာ့စီးပွားရေး ကျေင်းမှုနှင့် ပေးနိုင်ငံလက္ခဏာများလည်း ေိသည်။ အဘယ့်ရက်ကာင့် ေိသားေးပြောက်နေသော စီးပွားရေးလုပ်ငန်းများ၏ ၃၆% ကုမ္ပဏီတစ်ဝက် ရကျာ်က စစ်တမ်းရနာက်ပိုင်း ၃ လအတွင်း အဝယ်အမှာစာများ ရလျားနည်းသွား လိမ့်မည်ဟု ရမျှားမှန်းတွေ့သည်။

ကဏ္ဍသည် အများေုးေိခိုက်ပပီး ယင်း၏ရနာက်၌ အေည်အလိပ်နှင့် အဝတ်အေည် (T & G) လုပ်ငန်းကဏ္ဍက ဒုတိယလိုက်သည်။ (ပုံ ၄)

စီးပွားရေးလုပ်ငန်းများ၏ ၃၀% နီးပါးသည် ပပင်းေန်စွာေိခိုက်ခဲ့ပပီး ၄၆% သည် အသင့်အတင့် ေိခိုက်ခဲ့သည်။ ကမ္ဘာလှည့်ခေီးသွားလုပ်ငန်း ြှတ်ချက်။

အင်တာဗျူးရပြေိုသူများအား 'ကိုဗစ်-၁၉ ကမ္ဘာ့ကပ်ရောဂါရကကာင့် သင်၏ စီးပွားရေးလုပ်ငန်းရောင်ေွက်မှု များ မည်သို့ေိခိုက်သနည်း'

ပြုပြင်ထားသော ကြောင်းကြောင်း ပြောင်းလဲထားသောအချက်အလက်များ အချိန်-လေးသော အကြိုးများအတွက် အကြောင်းကို ဖော်ပြထားသည်။

蒲甘铁 အဖွဲ့အစည်းမှာ မြန်မာပြည်နယ်ဦး၀ီးရှိတ်မှားပြီး လူနောက်နေရာတွင် ပြောင်းလဲနေသည်။
ဗျားရပြော်သူများအား "သင်၏ ေိပ် ေုံးရြာက်သည် ၅ ဦးသည် ရနာက်လာမည့် သုံးလပတ်အတွက်ပေမလှိုင်းကို ေည်ညွှန်းသည်။ ဤေန်းစစ်ရလ့လာချက်တွင် ကုန်ေုတ်လုပ်ရေး ကဏ္ဍကိုသာ ေည့်သွင်းစဉ်းစားသည်။ (supply chains) အတွင်း၌ ေပ်မံ၍ ကျဉ်းရပမာင်းရအာင် ချုံ့ေားသည်။ ကနဦးပပင်းေန်စွာေိခိုက်မှု (initial shock) ေိုသည်မှာ ကိုရိုနာဗိုင်းေပ်ပျံပွားမှုကို ဟန့်တာေန်အတွက်သွင်းအားစုများအား ကနဦးတိုက်ရိုက်ပပင်းေန်စွာေိခိုက်မှု (initial direct shock) အား အကဲပြတ်ေန်းစစ်ပခင်းအားပြင့်ေန်းစစ်ရလ့လာချက်ကို ကုန်ပစ္စည်းရပို့မှုကွင်းေက်များများေုတ်လုပ်ောတွင်အသုံးပပုသည့် သွင်းအားစုများနှင့်ပပ ည်တွင်းရောင်းချသည့် ကုန်ပစ္စည်းများေုတ်လုပ်ောတွင်အသုံးပပုသည့် သွင်းအားစုများပြစ်သည်။ ကုန်ေုတ် လုပ်ရေး သွင်းအားစုများအပြစ် အဓိပ္ပာယ်သတ်မှတ်သည်။ ဤေန်းစစ်ရလ့လာချက်မှာြယ်ေုတ်ေားသည့်အောများမှာအပပီးသတ်ကုန်ပစ္စည်းများ (final goods) အပ ပီးသတ်ကုန်ပစ္စည်ဗိုင်းပပည်တွင်းသို့တင်သွင်းပခင်းအရပါ်တွင်စူးစိုက်ရလ့လာသည်။ အနည်းေုးနိုင်ငံ ၃ နိုင်ငံ (သို့မဟုတ်နယ်စပ်ပြတ်ရကျာ်မှု ၂ ခု)တွင်တည်ေှိသည့်ေုတ်လုပ်ရေးတွင်အသုံးပပုသည့်အီလက်ရောနစ်ပစ္စည်းကိေိယာများ (၂.၇ % US$ ၃.၇ သန်း)တို့ပါဝင်သည်။ US$ ၁၈.၆ သန်းရလျာ့နည်းကျေင်းခဲ့သည်) သစ်ေုတ်ကုန်များနှင့်ဟင်းသီးဟင်းေွက်ကုန်ပစ္စည်းများ (၁၂.၂ % US$ ၁၆.၈ သန်း)နှင့်သဘာဝောဘာရစ်နှင့်ောဘာ(စုစုပေါင်းပပတ်ရတာက်မှု၏ ၁၃.၅ %ကကားသုံးကုန်များ (intermediates)များပပည်ပတင်ပို့မှုတွင်အပခားအမျိုးသားပပည်ပပို့ကုန်ရလျာ့ကျမှု ၂၀.၀ %ရမျှာ်မှန်းေားသည့် ရလျာ့ကျမှုကကားသုံးကုန် (intermediates)များပပည်ပတင်ပို့မှုတွင်ရမ၂၀၂၀တွင်ရကာက်ခံသည်။}

**ကဏ္ဍ (intermediates) အား ပြားပြည်ပ်တွင် သုံးစွဲသည်**

ITC ကိုဗစ်အား ကုန်ေုတ်လုပ်ရေးအတွက် ကမ္ဘာလုံးြိုးပမှင်းကွင်းေက်များ (GVCs) အား ပမ်းတခါခါပေးနေသော အရာယှဉ်အားဖြင့် လိုအပ်သော အရာယှဉ်များ (core-assembled products) အားများကျပ်နေသော (final goods) အားကို ကားသုံးကုန် (intermediates) များကို ပပည်ပတင်ပို့မှုတွင် ပေါ်တန်းစေပြီး ရမ၂၀၂၀တွင် ရကာက်ခံသည်။
COVID-19: IMPACT ON MYANMAR EXPORT SECTORS

The impact of COVID-19 on Myanmar's export sectors is significant, with a 47% decrease in exports valued at US$24.3 million. This decrease is particularly pronounced in the sectors of textiles, clothing, and footwear. As a result, EU countries, along with China and ASEAN, have seen a decline in exports, with the EU accounting for 57% of the decrease. The chart below illustrates the impact on various export sectors:

- Apparel
- Natural latex & rubber
- Non-ferrous metals
- Wood & vegetable material
- Chemicals
- Wood products
- Mineral products
- Plastics & rubber
- Ferrous metals
- Jewellery & precious metal articles
- Machinery
- Optical products & medical instruments
- Miscellaneous manufactured products
- Electronic equipment
- Other textile products
- Other miscellaneous products

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The ultimate economic impacts of the COVID-19 pandemic remain highly uncertain. Even in places where social distancing measures successfully limit the spread of the virus, the resumption of normal economic activity depends on a number of factors, any of which have the potential to cause delays of months or even years. These factors include the duration of immunity, if any, for the recovered; the time needed to develop and widely distribute antibody tests, therapeutics and vaccines; the logistical and financial feasibility of increasing and sustaining levels of medical equipment, staff and facilities; and the development and widespread adoption of protocols, equipment, technologies and legal/regulatory frameworks for tracking and isolating the infected, and contact tracing.

At the same time, containment measures triggered by the spread of the virus are having a large economic impact. These measures include wide-ranging restrictions on transportation and labour mobility, as well as plant closures and overall reduced activity, which are spilling into global and regional supply chains through different channels. These include a supply shock as production falls due to significant supply chain disruptions and cutbacks in many sectors, as well as demand shocks caused by reduced purchases by both enterprises and households, amplified by the contraction of available income. The economic uncertainty generated by the COVID-19 outbreak is leading to reduced or delayed consumption of goods and services, and delayed or foregone investment.

While these uncertainties do not allow confident assertions about the pandemic’s consequences for trade in Myanmar, it is nevertheless possible to:

1. Identify unfolding consequences and options to mitigate negative impacts
2. Identify a range of possible consequences for which contingency plans may be needed.

Considering Myanmar’s limited fiscal space, successful management of the economic response to the pandemic will require exceptional proactivity, creativity and coordination. Economic recovery should be adjusted and resources reoriented based on the emerging needs of industries and new opportunities. Consultation with chambers of commerce, sector associations, exporters and investors will provide the information needed by Government to adjust its response.

COVID-19 IMPACT ON THE GLOBAL ECONOMY AND WORLD TRADE

The world will face an economic downturn worse than the Great Depression

As countries implemented quarantines and social distancing practices to contain the spread of the virus, many cities and countries around the world went into lockdown. The resultant collapse in activity hit economies with unprecedented force and speed. In its April 2020 World Economic Outlook, the International Monetary Fund (IMF) projects global growth to fall to -3% in 2020, a downgrade of 6.3 percentage points from January 2020 (IMF, 2020). Growth in advanced economies is projected at 6.1% while emerging and developing economies—with normal growth levels well above advanced economies—are projected to have negative growth rates of -1.0% in 2020 (-2.2% excluding China) (IMF, 2020). Supported by policy actions taken around the world to cushion the impact of the crisis, global growth is projected to rebound to 5.8% in 2021. However, economic activity will remain below the level initially projected before the COVID-19 outbreak.

While the full extent of the COVID-19 impact on Myanmar is yet to be seen, the country is expected to suffer economically as a result of reduced domestic consumption and a downturn in trade. Economic growth is expected to drop to 1.8% in 2020 (IMF estimates—see Figure 1). In particular, Myanmar will likely be hit by the sudden slowdowns— and associated fall in foreign direct investment (FDI)—observed in the services and industry sectors which were driving the structural transformation of the economy. The economic downturn will also inevitably contribute to reducing domestic consumption, which remains the main driver of economic growth in Myanmar (Figure 2). The anticipated increase in unemployment and subsequent contraction of available income will also lead to lower household consumption. The IMF anticipates a rapid economic recovery over the medium term as gross domestic product (GDP) growth is expected to rebound to 7.5% in 2021.
While all industries have been affected, the manufacturing sector has been hit particularly hard by lockdown measures. According to the United Nations Industrial Development Organization, global manufacturing output growth registered a sharp decline of 6.0% in the first quarter of 2020. This is the first decline of such magnitude since the financial crisis of 2008/09. During the first quarter of 2020, China, the world’s largest manufacturer, registered an unprecedented decline in manufacturing output of 14.1% (United Nations Industrial Development Organization, 2020). As the majority of countries halted their economic activities from March 2020 onwards (China went into lockdown sooner), a massive decline in manufacturing output is expected in industrialized economies and in most developing countries in the second quarter of 2020 (United Nations Industrial Development Organization, 2020).

Plummeting manufacturing output in industrialized countries translated to severe supply-side disruptions in the domestic manufacturing sector in Myanmar. As the COVID-19 outbreak is hitting major industrialized countries, including China, the United States and European Union (EU) Member States, direct supply disruptions are hindering manufacturing production. A supply chain contagion effect is amplifying this direct supply shock as manufacturing sectors in less affected nations such as Myanmar find it harder to acquire the necessary imported industrial inputs to manufacture its export products. This is especially impacting the textile and garments (T&G) industry in Myanmar because over 90% of raw materials for cut-make-pack garment activities are imported from China.

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The COVID-19 pandemic represents unprecedented disruption to world trade

International trade is one of the leading mechanisms through which the virus damages domestic economies and spreads internationally (Baldwin and Tomiura).\(^9\) By their very nature, trade flows are susceptible to demand and supply shocks, as purchases in one country and production in another may fluctuate significantly. In addition to these shocks, the COVID-19 outbreak is generating global economic uncertainty which has already translated into contracted global demand, raising the likelihood of a global recession.\(^10\)

As production and consumption are scaled back across the globe, the COVID-19 outbreak led to a 3% drop in global trade values in the first quarter of 2020 (United Nations Conference on Trade and Development, 2020). This downturn is expected to accelerate during the second quarter of 2020 because most of the impact of measures to halt the spread of the pandemic will affect global trade then, with an estimated quarter-on-quarter decline of 26.9% (United Nations Conference on Trade and Development, 2020). In 2020, world merchandise trade is set to plummet by between 13% and 32% (World Trade Organization (WTO), 2020). This broad range reflects the high uncertainty regarding the duration and gravity of the pandemic. Estimates of the expected recovery in 2021 are equally uncertain, with outcomes depending largely on the duration of the outbreak and the effectiveness of policy responses (WTO, 2020).\(^11\)

This economic downturn, exacerbated by the exposure of Myanmar to the slowdown in China, is likely to have a major and long-lasting impact on the economy of Myanmar.

Weaker regional and global demand will result in a deceleration of export growth in Myanmar. A decline in global demand is inevitable as advanced economies, hit hard by COVID-19, fall into a recession (hardest-hit nations include the G7 plus China). Demand-side shocks in these economies, especially China, Myanmar’s largest trading partner, will spill over to the Myanmar economy via trade and production links because imports will fall. Export earnings in key strategic sectors including natural gas, tourism, T&G and agricultural products are therefore likely to be severely impacted in the short-to-medium term.

Movement restrictions and border closings have resulted in a fall in border trade, especially for agricultural products exports. Strong cross-border links with China, Myanmar’s largest trading partner (capturing about half of all agricultural products exports) will result in significant adverse effects in the short run, especially for commodity exporters. Myanmar exporters of perishable raw materials such as fresh fruit and vegetables and livestock have been particularly impacted. In addition, stricter food safety requirements from importing countries should be expected as cross-border trade gradually resumes. China has already been introduced more stringent phytosanitary import requirements and controls which could severely impact trade, including informal trade. Other key trading partners in the Association of Southeast Asian Nations (ASEAN) region are also expected to tighten such measures and inspections.

The fall in exports causes financial distress for exporters. Delays in receiving payments, buyers requesting extended credit periods, and potential order cancellations or buyer defaults are causing major financial problems. Companies may shut down due to the lack of demand while still having to pay workers and service debt, with the consequence of mass bankruptcies among households and firms.

The drop in hydrocarbon prices is a double-edged sword, reducing Myanmar’s external oil bill while decreasing the revenues generated from natural gas exports. Brent oil prices have dropped dramatically following the contraction of global demand, from about US$65 per barrel in early January 2020 to as low as US$20 in April 2020, its lowest level ever. In early June 2020, Brent oil futures recovered to US$40 as investors factored in the reduced lockdowns in most countries and resulting expectations of higher demand for oil. Similarly, natural gas prices hit record lows, with little demand support on the horizon. While declining hydrocarbon prices may provide some relief and reduce the country’s oil expenditure as well as moderating inflation, it will also deeply impact the country’s natural gas exports (Figure 3).

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10. – The World Economic Outlook published by the IMF in April 2020 projects global growth in 2020 to fall to -3%.

COVID-19: IMPACT ON MYANMAR EXPORT SECTORS

**Figure 3:** Natural gas prices and exports of hydrocarbons in Myanmar 2010–2020 (US$ billions)

<table>
<thead>
<tr>
<th>Index (2010=100)</th>
<th>Exported value, US$ billions</th>
</tr>
</thead>
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<tr>
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</tr>
<tr>
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<td>may-19</td>
<td>125</td>
</tr>
<tr>
<td>may-20</td>
<td>125</td>
</tr>
</tbody>
</table>

**Natural gas prices**

**Petroleum g as and oils exp orts (HS27)**

- Mirror data used for 2019 exported value.

**Source:** World Bank Commodity Price Data (The Pink Sheet), updated 2 June 2020; and United Nations Comtrade data.

**Box 1: Impact on oil and gas FDI**

Low oil and gas prices threaten new and existing FDI projects in Myanmar, as well as public revenue from natural gas sales and the tender of new blocks. The oil and gas sector is Myanmar’s most attractive by value, accounting for 37% of total FDI inflows between 2011 and 2018. The fall of global petroleum prices will discourage output by existing projects, reduce Government revenues from natural gas exports and pause new exploration. It will also force the Government to choose between proceeding with a planned tender of 33 new blocks at likely discounted prices or waiting and postponing revenue. During any downturn in this sector’s investment and production, the Government can still strengthen the sector for FDI and improve its potential to generate revenue for the public budget.


The appreciation of the Myanmar kyat negatively impacts the competitiveness of Myanmar exports. Because of the uncertainty surrounding the global financial market, the local currency is strengthening against the United States dollar and the euro. The appreciation of the kyat makes Myanmar exports relatively less competitive and could lead to a reduction in export earnings. However, this impact is likely to be partly offset by the decrease in the real cost of importing commodities and raw materials for manufacturing. More generally, increased financial volatility may affect the region’s economies through capital (both equity and bond markets), credit and foreign exchange channels. It may also become harder in the short term to obtain dollar credit for trade transactions, due to intense risk aversion by financial markets. Counterpart banks overseas will raise their risk radar and turn off providing counterpart facilities to some Myanmar banks and this will affect domestic traders.
Box 2: COVID-19 impact on FDI in Myanmar

Major disruptions in FDI into Myanmar are to be expected as the outbreak affects views on future business activity. A number of FDI projects are expected to be suspended or postponed as a consequence of drops in aggregate demand, amplified by uncertainty and resulting in investment delays by firms. Major decline is likely in the tourism sector, due to the current and anticipated delayed impact of travel restrictions. Investment projects in the natural gas sector will also likely be stifled as the drop in hydrocarbon prices will inevitably discourage investment in the short-to-medium term. Investments in the T&G industry, mainly originating from China, are also likely to halt, at least in the short run.

The T&G industry, Myanmar’s most attractive sector for FDI (by number of projects), is at major risk of collapse, threatening 350,000 jobs. Fully 30% of Myanmar’s announced FDI projects between 2011 and 2018 were in garment assembly.1 T&G is a globally diffuse sector with high sensitivity to lead times and cost efficiencies, particularly in the low-margin segment occupied by Myanmar.

The halt to tourism virtually eliminates the near-term potential to attract hotel operators, deprives food businesses of demand, and deprives Myanmar of an important image-building tool. The Asian Development Bank estimates that Myanmar will see a decline in tourist revenue of US$53 million per month, at least until September 20202

Food and agribusiness offer the best opportunities to FDI but require Government intervention. Food has perhaps the most stable demand of any good during the pandemic. Consumer demand within Myanmar and regionally persists, particularly for rice, fruits, vegetables and oilseeds in southwest China; grains and seafood in Thailand; and vegetables in India. FDI projects in Myanmar’s food and agribusiness sector, existing and planned, remain attractive in principle. However, investors deciding whether to proceed with a project or divert their resources elsewhere will place a premium on predictability of supply chains, distribution channels and trade logistics.

FDI in critical infrastructure is at risk of long delays and potentially cancellation. Infrastructure projects undertaken as part of the China-Myanmar Economic Corridor may be paused for months to years or even abandoned. The most immediately anticipated projects include the Kyaukphyu deep sea port, the Muse-Mandalay railway, the New Yangon Development Project, three border economic zones in Kachin and Shan states, the Myitsone hydropower project and the Kyaukphyu-Kunming railway line. Most of these already faced considerable challenges in terms of local buy-in, environmental concerns and potential to aggravate regional tensions.

FDI will not return to Myanmar as quickly as it leaves. In a period of nascent economic recovery, even cash-flush investors are likely to be more cautious than before the pandemic, building stronger safety nets in case of a pandemic resurgence and waiting for signs that the economic recovery is real and sustained.

Myanmar’s Union Government, possibly through the Myanmar Investment Commission’s Monitoring and Working Group for COVID-19 economic impacts, should aim to keep abreast of developments in leading export markets and FDI source countries.

1.– ITC calculations based on Myanmar Directorate of Investment and Company Administration and FDI Markets data for the period January 2011 to September 2018.
CURRENT SITUATION IN MYANMAR’S KEY ECONOMIC SECTORS AND TRADE SUPPORT FUNCTIONS

Overall impact

Most export sectors are – and will be – affected by the COVID-19 crisis and post-recovery period. An indirect impact of the pandemic will be seen in changed consumer behaviour in buying, eating and travelling; more challenging market access for companies; difficulties complying with stricter food safety and hygiene requirements; logistical problems with transportation and border restrictions; digitization and changing of manufacturing practices, to name a few.

Guidelines and prevention measures for factories and worksites issued by the Ministry of Health and Sports (MoHS) on 30 March and 19 April 2020 are impacting most sectors. These require companies to arrange shifts, apply social distancing requirements and assign costs for preventive measures (masks, gloves, washing areas, thermo-scanning and transportation arrangements).

Ministry of Labour, Immigration and Population factory and worksite reopening conditions require companies to demonstrate compliance with MoHS guidelines. This will delay various operations, as the factories cannot be open before an inspection is completed and permissions granted. While awaiting inspection teams, all payments need to be continued without production being possible.

After shutting down during the Thingyan holiday period, factories across the country were required to suspend operations for an additional 10 days and to introduce virus preventive measures for workers in line with the instructions of MoHS. On 19 April, the Ministry of Labour, Immigration and Population announced that factories were only allowed to reopen after the Thingyan holiday period once COVID-19 preventive measures set by MoHS had been introduced and an inspection conducted.

COVID-19 impact on Myanmar export sectors

A survey assessing the impact of COVID-19 on export sectors was conducted in May 2020. A total of 266 companies across the National Export Strategy (NES) priority sectors responded to the survey, with a minimum 20 respondents per sector. Key findings are presented below.

- Nearly 30% of businesses were strongly affected, while 46% were moderately affected. The tourism sector was affected the most, followed by the T&G sector (Figure 4). The rubber sector, almost entirely dependent on its export activities for revenue generation, is also strongly impacted. Smaller entities also appear to be significantly more affected.
The survey shows that 50% of Myanmar companies faced reduced demand from their top five customers, while 18% had to cope with cancelled or returned orders (see figure 5).

More than half of companies anticipate orders will decrease in the three months following the survey. Among them, 19% expect a severe decline of more than 20%. There are also signs of uncertainty associated with the global economic downturn, as 36% of the businesses could not confirm their order book for the following three months.

Some 40% of the companies interviewed reported having difficulty exporting their products as a consequence of the crisis. Purchasing inputs was also challenging in 34% of cases, whether sourced from abroad (18%) or domestically (16%).

Delays due to increased border checks/closures have affected more than half of the surveyed businesses operating internationally. Other major procedural issues cited include additional sanitary regulations and procedures (22%) and difficulties in logistics arrangements and shipping (20%).

Among the Government measures to help cope with the crisis, ‘tax waivers or temporary tax breaks’ (26%), ‘financial programmes’ (24%) and ‘rent subsidies or waiver/postponement of utility bills’ (18%) were the three most preferred measures. This outcome highlights the financial distress caused by COVID-19 and the need for a financial/fiscal stimulus package to cushion the impact.

**Figure 4: Impact of COVID-19 on Myanmar businesses, by sector**

*Note:* Respondents were asked ‘How have your business operations been affected by the COVID-19 pandemic?’

Figure 5: Top five buyers’ commitments for the second quarter of 2020, by sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of Domestic Issues</th>
<th>Number of International Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology</td>
<td></td>
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<tr>
<td>Electrical and Electronic</td>
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<tr>
<td>Textile and Apparel</td>
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<tr>
<td>Tobacco</td>
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<tr>
<td>Forestry and Logging</td>
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<tr>
<td>Primary and Food Products</td>
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<tr>
<td>Hotel and Catering Services</td>
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<tr>
<td>Tourism</td>
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Note: Respondents were asked ‘Have your top five customers committed to any of the following for the next quarter?’ (Multi-select).

Anticipated reduction of exports of intermediates

According to an forecasting analysis of global value chains (GVCs) for manufacturing conducted by ITC and assuming a two-month shutdown in all partner countries due to COVID-19, the projected reduction in exports of intermediate inputs from Myanmar amounts to US$137.6 million.\(^1\) The apparel sector is by far the most impacted industry, alone accounting for 20.0% of the expected reduction in exports with an anticipated loss of US$27.6 million (see Figure 6). Other NES sectors have been severely hit by the crisis, including natural latex and rubber (accounting for 13.5% of total disruption with a US$18.6 million reduction in exports of intermediates), wood products and vegetable materials (12.2%; US$16.8 million) and electronic equipment (2.7%; US$3.7 million).

\(^{12}\) This analysis focuses on exports/imports of manufacturing inputs within supply chains, defined as inputs used in production located in at least three countries (or crossing two borders). Excluded from this analysis: final goods, inputs that go into final goods, and inputs that go into goods that are sold domestically. The analysis is further narrowed within supply chains by evaluating the initial direct shock to manufacturing inputs. The initial shock refers to the first wave of the shock, caused by Government-ordered factory shutdowns in partner countries to ensure social distancing to prevent the spread of the coronavirus. Only the manufacturing sector is considered in this analysis.

According to this analysis, trade disruption with China is responsible for more than 47% of the total anticipated reduction of exports of intermediates from Myanmar, especially affecting sales from the rubber, apparel, chemicals and minerals sectors. Responsible for an anticipated loss of US$24.3 million, the EU—including the United Kingdom—is the second largest source of disruption, of which 57% concerns exports of inputs from the apparel industry.
An initial brief assessment of the COVID-19 impact on key sectors is presented hereafter.

**Electronics and electrical machinery**

In Myanmar’s electronics and electrical machinery (EEM) sector – an emerging industry with great potential – COVID-19 caused sharp supply shortages for imported inputs, followed by a demand collapse that triggered order cuts and cancellations. Labour constraints due to the lockdown and logistics difficulties affected factory operations but these have gradually eased. Beyond the immediate demand shock, the medium-term outlook for the sector remains promising, with greater demand for digitization following COVID-19. With supply chain de-risking efforts likely to accelerate across Asia, Myanmar must focus on improving investment climate conditions to attract FDI that is now looking for new locations. Meanwhile, a focus on building domestic capabilities by leveraging public procurement opportunities, particularly in the energy sector, could become a key priority in helping the industry overcome the fallout of the crisis.

**IMPACT OF THE COVID-19 OUTBREAK ON MYANMAR’S ELECTRONICS AND ELECTRICAL MACHINERY SECTOR**

The EEM industry, whose operations are globalized and rely on production inputs from a handful of countries, including China, was most exposed to the initial supply chain disruptions triggered by COVID-19. EEM production was halted because of the logistics slowdown and unavailability of the workforce across the globe. Measured by the Grubel-Lloyd index of intra-industry trade (i.e., supply chain connectivity), China’s integration in GVCs for electrical machinery is a high 0.425. According to the Electronic Components

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**Figure 6**: Estimated reduction of exports of intermediates by importing partner countries, 15 most impacted sectors (US$ millions)

Source: ITC GVC analysis.
Industry Association – a global industry group – as many as 60% of respondents to their member survey report that they do not have ‘adequate visibility on the supply chain and are unable to quantify the impact of the crisis’.15

In the Myanmar COVID-19 impact survey,16 67% of respondents reported their business was ‘moderately’ or ‘strongly’ affected by COVID-19, and 62% of firms reported difficulties importing inputs from abroad. Among them, over three-quarters (77%) indicated facing this during March and April and beyond, while less than a quarter (23%) reported that they had not faced difficulties earlier but had begun to since mid-May. Industry consultations indicated that while there were sufficient supplies up to the Thingyan holiday period, afterwards foreign and domestic supply chain shortages occurred.

Demand shocks followed the supply-side shocks. As the outbreak spread and most countries went into lockdown, demand in key markets for Myanmar – i.e., Japan, China, Hong Kong (China), Singapore, the Republic of Korea, Europe, the United Kingdom and the United States – collapsed. The shutdown of retail shops and showrooms, as well as many e-commerce companies pausing the delivery of non-essential items (including most electronics products), is affecting demand. According to the survey, 38% of companies reported a reduction in their order book of more than 10%. Industry players report that customer orders up to June are being fulfilled and some new orders came in due to shifts from regional locations like the Philippines and Malaysia, as factories there remained shut. Beyond June, the outlook seems uncertain as a majority of survey respondents (48%) were unable to indicate the outlook for orders. Overall, demand is expected to be subdued for the next 12 months.

GVC analysis provides some quantitative indications of the impacts of EEM sector disruption. Assuming a two-month shutdown in all partner countries, the projected reductions in Myanmar’s exports of electrical machinery and electronic equipment (as intermediates) amount to US$5 million and US$3.7 million respectively, across Harmonized System (HS) 85 and 84 product categories. The expected impacts are mainly to the markets of China, Japan, Malaysia, Thailand, Singapore, the United States, Hong Kong (China), Viet Nam, Germany, Indonesia, the United Kingdom, Chinese Taipei and the Republic of Korea.

In the domestic market, manufacturers have noted that demand has remained buoyant but retail and distribution have been affected. Although there has been some trend towards online purchases, this has been limited for goods in this sector.

Figure 7: Projected reduction of exports of intermediate inputs in the EEM sector in Myanmar, top 10 most affected markets (US$ thousands)

Source: ITC GVC analysis.
The impact on operations has been driven by not only the shortage of raw materials from abroad but also domestic lockdown conditions. There have been some labour supply shortages because workers from different states have not yet returned in full back to Yangon and areas with EEM factories. Some 38% of survey respondents reported temporarily reducing employment but none indicated workers had been laid off. An overwhelming 65% of respondents also indicated that they did not envisage business closure, while 10% and 15% expected closure in one and three months, respectively.

Factories must strictly adhere to Government orders prior to restarting production. Ministry of Labour teams inspect and then provide formal clearance to recommence operations. In some cases, factories have been shut for between three days and one week until this inspection is done and clearance granted. Industrialists have reported a sharp increase in costs – 15%–20% associated with COVID-19 safety measures such as extending production lines and installing plastic dividers (to enable social distancing), as well as renting private transport for workers. Government officials have observed that some less well-resourced factories have not been able to adjust to the new requirements and follow Government guidelines for reopening.

Trade logistics have also been difficult. Air cargo capacity has been cut due to the reduced number and suspension of flights. The COVID-19 impact survey revealed that 21% of reported cases were delays due to increased border checks and border closures, while 14% were difficulties in logistics arrangements and shipping.

OUTLOOK FOR THE ELECTRONICS AND ELECTRICAL MACHINERY INDUSTRY: RISKS AND OPPORTUNITIES

In the short term, all discretionary spending will decline, affecting products in the EEM space. However, because electronics offer several benefits as an enabler and a meta resource, increased use of cell phones; information, communications and technological equipment; servers; hand-held devices and scanners is to be anticipated in the near future. For instance, Myanmar’s existing competency in manufacturing temperature sensors for household kitchen appliances could be leveraged to cater to the medical sector, as temperature checks are becoming ubiquitous globally. Meanwhile, the electrical equipment sector caters mainly to two areas, i.e. infrastructure (which is dependent on Government spending, for instance on electrification programmes) and real estate development (which will most likely stay subdued for some time).

Appetite for new investments is unlikely to grow in the near future as existing global capacities are already underutilized and firms focus on conserving cash. Domestic players observed that investors are reluctant to engage in expansion plans to take advantage of supply chain shifts, instead adopting a wait-and-see approach. Moreover, there is a likelihood of dumping practices by countries with large excess capacity once production and exports fully resume; a concern that Myanmar’s industry and Government authorities must guard against.

In the medium term, though, renewed investor appetite to find alternative and additional production bases is to be anticipated, as part of an active supply chain risk diversification and de-concentration strategy. The exclusive focus on cost efficiency in the supply chain is making way for a focus on resilient supply chains. A key feature of this will be risk mitigation and geographical diversity. For instance, a ‘China + 1’ strategy could be adopted by manufacturers, which refers to the practice of international businesses active in China coupling their investments with a second facility, generally in another Asian economy. This could be an opportunity for Myanmar to position itself as a viable manufacturing and export destination in this sector but will require early implementation of the recommendations contained in the Myanmar NES 2020–2025. The country has strategic geographical, social and economic advantages that need to be leveraged without delay as the opportunity window is short and the competition fierce.

Globally, assembly and manufacturing activities in the EEM industry could be subject to a shift closer to final markets and to large finished goods manufacturers. Therefore, as India and China are expected to continue to dominate the final goods markets, Myanmar should aim to invite a few key brands and anchor firms to invest and assemble in the country. The upstream and downstream supply chains, at least partially, would follow the leaders.

As the next round of minimum wage negotiations edge closer, new pressure will emerge. Industrialists are concerned that cost pressures they face may not be sufficiently taken into consideration in deciding the new wage rates. A truly collaborative and evidence-based process would need to be adopted to protect both firms and workers.

ELECTRONICS AND ELECTRICAL MACHINERY SECTOR’S IMMEDIATE RESPONSES TO THE PANDEMIC

Among the Government measures introduced to cope with the crisis, ‘tax waivers or temporary tax breaks’ was the most popular among surveyed
companies (33%), indicating a need to identify solutions to ease the financial burden faced by EEM businesses.

To provide a rapid response to industry’s development, the following interventions should be prioritized.

1. Protecting the health of workers while production activities get back up and running should be a primary focus of industry players and Government authorities alike. Most factories have adopted new hygiene measures, introduced private transport for workers, adjusted factory floor plans to adhere to social distancing. The Government may need to consider an income tax double deduction on the additional costs incurred by firms.

2. Provide advice to businesses on how to manage production and productivity to adjust to likely changes in supply chain dynamics. Priority focus training areas would include top management on reworking business models for more digitized supply chains, and capacity-building of management teams on quick response manufacturing and improving manufacturing competitiveness.

3. Some economic relief measures would need a closer look if they are to benefit the sector. The current tax deferral scheme (monthly commercial and income tax deferred to September 2020) is purportedly aimed primarily at small and medium-sized enterprises (SMEs). The scope of the scheme may need to be expanded to larger entities. Additionally, there is a need to consider a grace period or instalment scheme for payment of deferred income taxes.

4. Public procurement can provide vital leverage for domestic firms to enhance their abilities. Industry players have repeatedly advocated for reconsidering procurement rules and reforming tender processes (legal and commercial terms) to make reputed domestic players more eligible for public contracts, especially in the growing energy sector.

5. The focus on establishing industrial standards and enhancing quality testing and certification will enhance Myanmar’s international attractiveness for EEM manufacture.

6. Start-ups and innovative ventures must be encouraged to take advantage of the new medium-term opportunities in the EEM market brought on by the heightened demand for digitization. In particular, young people entering the sector must be promoted.

7. Industry stakeholders reiterated that the formation and active involvement of a Sector Development Committee is more important than ever, in order to build strong public–private coordination to handle all matters relating to the sector’s recovery from the COVID-19 crisis.

Information technology services

Myanmar’s information technology (IT) sector has played a critical role in the country’s COVID-19 response and recovery efforts. This has ranged from enabling working from home to developing contact-tracing apps to stem the spread of the virus, to leveraging e-commerce to meet consumer needs during the lockdown period. Yet the industry is facing a challenging time as new contracts will shrink in the short term, resulting in critical cash flow constraints that existing financial relief schemes are only partly covering. The outlook is nevertheless bright for the IT services sector, with many opportunities emerging due to a heightened focus on digitization brought on by the pandemic. In order to fully take advantage of these opportunities, Myanmar needs to focus on strengthening its information security and privacy credentials, craft and promote a strong sector destination brand, double down on improving soft skills, and ensure tax and regulatory concerns are quickly resolved.

**IMPACT OF THE COVID-19 OUTBREAK ON MYANMAR’S IT SERVICES SECTOR**

While the services sector will be heavily impacted by COVID-19, the WTO nevertheless noted that ‘some services may benefit from the crisis’, with reference to the IT services sector. The WTO further observed that ‘demand […] has boomed as companies try to enable employees to work from home and people socialize remotely’. Businesses in diverse sectors and of diverse sizes have come to rapidly rely on digital technology practically overnight as the pandemic triggered lockdowns, curfews and stay-home orders around the world.

The global economic fallout of COVID-19 is having obvious impacts on the cash flow of clients of IT services. The WTO noted that ‘some services may benefit from the crisis’, with reference to the IT services sector. The WTO further observed that ‘demand […] has boomed as companies try to enable employees to work from home and people socialize remotely’. Businesses in diverse sectors and of diverse sizes have come to rapidly rely on digital technology practically overnight as the pandemic triggered lockdowns, curfews and stay-home orders around the world.

services exporters around the world. There is an ongoing slowdown and softening of export services and product sales as all end markets are dealing with the immediate shock and undoubtedly postponing purchases. Industry experts anticipate a cut of 30%–40% in sales, globally, over the next six months. Industry sources further observed that there have been temporary shutdowns of some businesses, some temporary reduction of salaries and probable reduced employment in the short term.

Myanmar firms in the sector reported that their clients are focusing on controlling capex and conserving cash. IT services firms are consequently affected as clients are reducing person days/hours contracted and delaying or suspending outstanding payments due to cash flow issues. Customized work that customers had already allocated budgets for has been largely unaffected but the concern is that new customers have been non-committal and undecided, putting new contracts on hold.

From the outset, IT services firms in Myanmar have taken the right steps to ensure the safety of their staff, enabling them to work from home wherever possible. Industry players noted that even once lockdown measures are eased, they will continue remote work for some time to avoid any risk of COVID-19 cases and subsequent office shutdown. Most businesses have adopted business continuity plans in the event that a patient is found among the workforce, and have split teams into two groups that work on alternate days.

New trends and responses have emerged in the domestic landscape as businesses have embraced various online cloud platforms and remote meeting tools. The Myanmar Computer Federation worked closely with Government and formed a ‘COVID-19 Tech Support Team’, comprised largely of volunteer tech talent. There has also been some new online content development, especially in the e-learning space. The MICT Park in Yangon has offered 20% rent subsidies for all tenants, and the Government concessionary loan scheme is operational for micro, small and medium-sized enterprises (MSMEs), albeit no specific scheme is available for the IT sector.

OUTLOOK FOR THE IT SERVICES SECTOR: RISKS AND OPPORTUNITIES

There will be heightened domestic demand for digital commerce and remote operations-related IT products and services in the medium term. The COVID-19 crisis has accelerated demand for digital transformation, especially among legacy businesses. Digital transformation projects that save costs for businesses will remain important as businesses focus on consolidation, survival and driving new competitiveness. Even as capex budgets are slashed in the short term, digital transformation projects that can demonstrate financial benefits and quicker return on investment will be prioritized by some clients.

The disruptive effects of COVID-19 have underscored the need to move to digital-friendly business models for many industries. Many industries will want to accelerate their digital transformation initiatives to recover lost time, to lower the cost of customer service and to de-risk their traditional business models. To survive the crisis, firms globally will need to increase their productivity, in particular through the development of automated systems and by making staff remote-capable. Most global jobs will first move from in-person to remote-domestic, and in time they will go from remote-domestic to remote- overseas. Myanmar must be ready to position itself as a high value–low cost option to capitalize in areas of focus. Moreover, as noted in a recent report by Deloitte Consulting, “most organizations do not have a tech stack in place for a reliable business continuity plan. Due to enhanced remote work scenarios, IT departments will play a larger role in future business continuity plans and will need help from IT service providers in specialized software, setting up a resilient, flexible and secure network, disaster recovery systems and IT security.”

In the medium term, the IT services sector worldwide is expected to be shaped by the emergence of several trends to which Myanmar firms will have to adjust rapidly:

- Virtualization of events, activities and interactions driving higher demand for digitization services
- Acceleration of automation of processes and services
- Heightened focus on and demand for customer intimacy/centricity
- Acceleration of digital transformation by legacy businesses (e.g. Japan, Europe).

IT SERVICES SECTOR’S IMMEDIATE RESPONSES TO THE PANDEMIC

Among the Government measures introduced to cope with the pandemic, ‘tax waivers or temporary tax breaks’ was the most popular among surveyed companies in the IT sector (33%), followed by ‘rent subsidies or waiver/postponement of utility bills’ (20%). This indicates that, while economic prospects are bright, businesses from the sector have nevertheless suffered during the lockdown period.

To provide a rapid response to support the sector’s development, the following interventions should be prioritized.

1. Government relief measures need to be adjusted to the industry’s needs. Several stakeholders noted that the existing relief programmes are not well suited to IT businesses and reiterated the need for immediate payroll financing as well as project financing in the medium term to ease current cashflow issues and prepare for the next stage of growth.

2. Privacy and information security need to be an industry-wide concern that receives Government support. Several entrepreneurs in the sector noted that customer concerns on intellectual property, data privacy and information security have heightened due to the current work-from-home conditions. While individual firms have been seeking legal advice on data privacy and convincing customers that Myanmar has the legal tools to deal with their concerns, more systematic measures need to be taken to strengthen this area. The industry can learn from the case of India, where efforts to address global customers’ concerns around privacy and data protection were tackled by the private sector itself through the ‘India INC’ campaign, led by their industry body, the National Association of Software and Services Companies. The Government could consider tax rebates for security and quality audits as well as for obtaining certifications for information security management and IT governance in enterprises.

3. In order to capitalize on new opportunities in the area of digitization services, workers from the IT services industry in Myanmar would need to accelerate improving their soft skills. A particular focus should be given to understanding client needs, problem-solving and communication skills. Customers are already expecting IT services companies in Myanmar to provide more mature services, in particular by playing a consulting role and co-creating solutions. Overseas clients are also increasingly expecting Myanmar service providers to work independently and integrate seamlessly with their teams in other countries. Insufficient communication skills in the sector are currently holding this process back.

4. The IT services sector and Government institutions should identify champion companies that are best equipped to take advantage of emerging opportunities and provide them with the required resources (i.e. affordable financing, market links, talent pipeline, etc.). As part of this effort, resolving outstanding tax and regulatory bottlenecks faced by the industry is essential, as highlighted in NES Plan of Action for the Myanmar IT services sector.

5. Industry stakeholders and international experts have reiterated the need to craft and promote a strong sector brand and invest in digital channels. This would play a vital role in propelling the country onto the global stage of service delivery locations.

Food processing

Food products being essential items, the demand shock triggered by Government measures to halt the spread of the pandemic all over the world was less severe than for other non-essential items. The industry was nevertheless severely affected by supply chain disruptions for some products and the impossibility for a number of food processors of sourcing necessary ingredients for the manufacture of processed food. From a demand perspective, once past the panic buying phenomenon at the start of the outbreak, sales of processed food fell due to lockdowns and closure of restaurants, schools, etc. The industry is now anticipating a reduction in consumption as a result of the global economic slowdown caused by the pandemic. Food processing segments are affected to varying degrees by the current events and their consequences, non-essential products being the most affected.
IMPACT OF THE COVID-19 OUTBREAK ON MYANMAR’S FOOD PROCESSING SECTOR

Overall, being mainly domestic-driven, the food processing industry in Myanmar was not as severely impacted by the fall in international trade as other export-led sectors in the country. A survey conducted with 23 small, medium and large companies from the industry indicates that only 13% of the respondents consider that their business operations have been ‘highly’ affected by the COVID-19 pandemic, while 61% have been ‘moderately’ impacted.

From a supply perspective, the food processing industry has experienced some disruptions. A number of companies have been unable to source some ingredients used to manufacture final products. While road transportation is progressively getting back to normal, securing domestically produced raw material supply from rural areas proved difficult due to delivery and transportation delays. For imported inputs, in addition to international flight disruption, professionals from the sector also reported some delays in Customs clearance due to reduced Customs staff during the lockdown. This situation has forced food processors to use existing stocks, when possible.

The most significant impact for Myanmar food processors has been the contraction of domestic sales as a result of the measures imposed by the Government to combat the virus. The most visible impact has been the cancellation of orders from the public sector, in particular with the closing of schools, universities and cinemas, which are major consumers of processed food, including snack food and soft drinks. The reduction of activity in the tourism industry also contributed to lower demand for processed food. In addition, logistics difficulties led to supplies to most states and regions being temporarily halted, further contributing to the reduction in domestic sales (the activity was mainly limited to Yangon Region). Reduced logistics services were cited by 23% of survey respondents as the most significant difficulty caused by the COVID-19 crisis.

International sales, although still relatively limited, were severely impacted during the first quarter of 2020 with border closures and movement restrictions imposed by governments. Movement of people and goods at crossing points with China, India and Thailand have consequently been suspended, causing major trade disruption as a large proportion of packaged food exported is moved to neighbouring countries by land routes, particularly to Thailand and China. Some 68% of the processors surveyed indicated that they are facing reduced demand from foreign buyers.

Export procedures also appear to have been a major factor of trade disruption. Measures implemented by the Government to combat the virus resulted in delayed inspection procedures and longer administrative processes, exacerbated by insufficiently developed e-Government services. This factor was confirmed by 48% of survey respondents from the sector, who cited increased administrative bottlenecks as the major disruptive factor caused by COVID-19.
While few businesses seem to be at risk of permanently shutting down because of the crisis, food processors are nevertheless facing cash flow issues. As there were virtually no sales or income for food processors in April, it is anticipated that companies will face difficulties purchasing intermediate inputs for the production of final products in the coming months as cash flow problems arise. The situation is exacerbated by the fact that businesses were asked to pay their workers in April, when most factories were closed.21

OUTLOOK FOR THE FOOD PROCESSING INDUSTRY: RISKS AND OPPORTUNITIES

The economic slowdown and anticipated rise in unemployment in Myanmar will result in a contraction of disposable income, in turn leading to reduced household consumption. This will mainly affect non-essential products such as snack food. The expected drop in remittances from Myanmar citizens abroad will exacerbate the situation.

A slowdown in international sales is also to be expected as a result of the economic downturn that is already affecting most economies. According to the survey, 68% of the respondent companies anticipate a reduction in orders – irrespective of their origins – for the next three months, confirming the expectations that demand for processed food will not rebound in the short term due to the inevitable economic slowdown and the reduced consumption associated with it. However, the reduction in orders is anticipated to be moderate: half the survey respondents foresee a decrease not exceeding 10%. In the same vein, almost half (48%) of the professionals from the sector also indicated that their top customers would reduce their orders for the next quarter.

Ensuring food safety along the food supply chain and being able to demonstrate compliance with export market requirements is needed more than ever to increase Myanmar exports of food products. While cross-border trade is gradually resuming, Chinese authorities have already tightened border controls regarding quality and sanitary and phytosanitary measures and the conformity of the associated certificates. Because a number of traders do not comply with these requirements, this results in trade disruptions as non-compliant shipments are blocked at the border (as of May 2020, only 25% of exports were going smoothly, according to the Myanmar Food Processors and Exporters Association).

Besides the primary processes of production and distribution, the nature of doing business has also changed.22 Offices are closed and staff are typically working from home as most countries in the world have imposed quarantine measures, though with different degrees of strictness. This changes the way of communicating with customers, which may continue and become the new normal. Against this backdrop, sales staff and purchase managers have had to reassess their priorities. Securing the existing flow of goods is now the highest priority and new projects have to wait.23 Online grocery shopping has grown substantially during the pandemic, urging the country to take rapid actions to facilitate the development of e-commerce activities and boost sales. Some 52% of Myanmar food processors that took part in the COVID-19 impact survey have adopted online sales strategies to cope with the crisis, the highest occurrence among all sectors surveyed.

FOOD PROCESSING INDUSTRY’S IMMEDIATE RESPONSES TO THE PANDEMIC

‘Tax waivers or temporary tax breaks’ (28%) and ‘financial programmes’ (23%) were perceived as the most helpful Government measures introduced to cope with the crisis, in particular to ease cash flow problems. However, accessing COVID-19-related assistance programmes has proven difficult for most businesses from the food processing industry (59%).

To provide a rapid response to support the industry’s development, the following interventions should be prioritized:

1. Trade finance to support companies is the top priority in the short term (six months) for payment clearance, to avoid delayed payments and businesses going bankrupt. According to the survey, 70% of businesses from the sector favour financial programmes such as a low interest credit lines, loan repayment deferrals or credit guarantees as priority Government measures that would be most helpful to cope with the crisis.

2. Introduce an income tax rebate for exports of food products using exclusively (or in large proportion) locally produced ingredients. This would encourage food processors to source locally produced

21. – The Government provides 40% of the social security fees for workers from factories and workshops that are temporarily suspended for health inspections.


23. – Ibid.
agricultural inputs (e.g. sugar, corn, wheat, etc.) and support strengthening and structuring of the supply chain. Sourcing large amounts of raw material at a relatively low price would also allow the industry to increase the quantity produced and reduce unit costs through economies of scale. Increased volumes would, in turn, improve the capacity of Myanmar processors to compete with imported food products in the domestic market.

3. Improve the quality of the products produced locally to compete more effectively with food imported from neighbouring countries in the domestic market. To improve the compliance of Myanmar food products with international quality and food safety standards, the establishment of private international service providers in the field of conformity assessment should be encouraged to improve businesses’ access to such services.

4. Encourage and support small-scale FDI projects, in particular from Thailand, possibly through joint ventures. The aim would be to benefit from Thai technologies in food processing and benefit from the opportunities offered by the Thai market, possibly taking advantage of their well-established export channels.

Fisheries

Since the outbreak of the COVID-19 pandemic, the fisheries sector has been affected worldwide, although to varying degrees. The closure of certain establishments and companies, as well as movement restrictions, are greatly disrupting supply chains, leading to a sharp drop in global demand. The imbalances between falling consumption and an overabundance of fresh produce in various markets are resulting in a generalized drop in prices. Supply chains in developing countries are particularly affected due to a lack of adequate infrastructure. These include storage limitations and limited ability to chill or freeze a large proportion of fisheries products.

IMPACT OF THE COVID-19 OUTBREAK ON MYANMAR’S FISHERIES SECTOR

In developed countries, consumers’ need to store food as a consequence of the pandemic led to a shift in demand from fresh seafood products to packaged, frozen and non-perishable products. Prices have dropped and logistical difficulties along the supply chain remain, including border restrictions and health inspection delays. Aquaculture harvest is also delayed due to labour shortages caused by the implementation of social distancing measures in many countries. The unpredictable duration of the pandemic and the various measures that countries adopt in regard to production and trade add to the uncertainty about the future development of the sector globally.24

In Myanmar, production activities such as catching and aquaculture are threatened by a general slowdown in foreign trade as well as by the closure of restaurants and hotels, and the temporary shutdown of most processing plants. Both inshore and offshore fishing activities slowed down considerably as a result and a number of fishers have been forced to sell their vessels, although it is hard to get accurate data at this early stage. The curfew put in place by the Government as well as social distancing measures are also severely impacting these activities, as a number of processing plants were closed and additional protective measures were put in place to reduce the risk of the virus spreading. According to private sector associations, about 6,000 people lost their jobs in fishing and 4,000 in activities related to the fisheries sector (e.g. fishing landing sites, auctions, etc.). Processing plants reduced employment by about 25%, resulting in 1,000 job losses.

Limited supply of inputs, feed, fish seed and materials such as ice or packaging also threaten productive and processing activity. According to the ITC Myanmar COVID-19 impact survey, 68% of companies operating in the fisheries sector faced input sourcing constraints in March and April.25 In the case of aquaculture, a large proportion of fish stocks have had to be kept longer than originally planned, which increases both the costs and risks of production. In Ayeyarwady and Tanintharyi Regions, a number of shrimp farms are planning to reduce their stocking rate and even considering temporary shutdown due to the delayed harvest and restocking as a result of restricted transportation, reduced market price and a fall in orders from international buyers.


Most companies face logistics constraints to produce and export due to constrained supply of inputs and additional bottlenecks with transportation. Companies reported difficulties obtaining inputs and exporting because of reduced logistics services (31%). Some 22% of reported cases cited reduced investment and 20% increased administrative bottlenecks. They are greatly affected by an increase in lead times, particularly with regard to transport because of long delays at the border, but also in the transfer of goods because of precautionary measures. Companies also faced difficulties arising from procedural obstacles resulting from the pandemic. According to the survey, delays due to increased border checks/closures (21%) and problems in logistics arrangements and shipping (18%) were the most cited issues, followed by additional sanitary regulations/procedures (13%) and non-sanitary regulations/procedures (16%). These delays weigh heavily on the competitiveness of businesses as they result in higher production costs.

The fall in exported volume coupled with a collapse in prices is having disastrous consequences on the level of national production. The situation has deteriorated considerably since April because exports of most fisheries products have stopped. Trade with Bangladesh, the EU, Australia and the United States has been virtually suspended, while Thailand and India temporarily closed their borders with Myanmar. China, on the other hand, continued to import very low value-added products such as small fish and shrimp at relatively low prices. Most companies have faced reduced demand from their buyers as a result of the COVID-19 crisis, with 68% of the businesses surveyed reporting reduced or cancelled orders.

The full impact of the global pandemic on the Myanmar fisheries sector remains uncertain but companies have started to experience order reduction or cancellation. According to the Myanmar COVID-19 Impact Survey, 45% of companies have been moderately affected, while 27% stated that they have been strongly affected by the pandemic since its eruption at the beginning of 2020. Most companies (76%) did not envisage a permanent shutdown of their business, while 19% of companies expressed the possibility of a shutdown within a month and 5% in the coming months.

OUTLOOK FOR THE FISHERIES SECTOR: RISKS AND OPPORTUNITIES

Rapid adaptation to the pandemic and post-pandemic era will define the success of measures put in place by the Government. In the aftermath of the crisis, a number of changes to business models are to be expected. These include the emergence of new products and new market destinations, as well as a possible increase in domestic demand and changes in consumers’ patterns (e.g. higher demand for frozen seafood and canned products, less demand in luxurious seafood, etc.).

According to survey respondents, 27% of companies increased their marketing efforts but no companies used online selling to cope with the crisis.

It is expected that demand will pick up as soon as borders open again because most of the global market will still require supply. Myanmar will have to adjust rapidly to additional food safety measures and requirements implemented by importing countries, as well as changing global patterns and consumer preferences. To cope with the impact of COVID-19, it will be necessary to keep the trade open, disseminate timely information and provide support to companies for export.

**FISHERIES SECTOR’S IMMEDIATE RESPONSES TO THE PANDEMIC**

Among the Government measures required to cope with the crisis, ‘tax waivers or temporary tax breaks’ was the most popular among surveyed companies (30%). Reduction of tariffs on imported inputs was also among the top three most valuable measures (29%), as well as ‘rent subsidies or waiver/postponement of utility bills’ (24%). However, 36% of companies found it difficult to access information about and benefits of COVID-19-related Government SME assistance programmes.

To provide a rapid response to support the sector’s development, the following interventions should be prioritized.

1. Ensure efficient broodstock management and hatcheries development to have sufficient supply of broodstock, post-larvae, live food, etc. for aquaculture development.
2. Create better links between producers and processing companies. This can be achieved through contract farming and clustering of aquaculture farmers and fishing vessel owners with processing plants to reduce production risks, price and marketing costs, and ensure increased production of high-quality products. Financial support and technical guidance should be provided to farmers.
3. Introduce national standards on Good Aquaculture Practices to provide clear guidelines and codes of conduct for aquaculture, and implement the National Aquaculture Development Plan.
4. Encourage domestic market consumption of both freshwater and marine products to make up for the first wave of export restrictions to neighbouring countries due to border closures.
5. Upgrade the Department of Fisheries Laboratory on quality, nutritional value and safety parameters according to the National Residue Monitoring Plan (EU requirement). Increase laboratories’ capacities and facilities for diagnostics and testing services for aquaculture products, in compliance with ISO 17025.
6. Increase private sector awareness of emerging global trends and importing countries’ requirements and regulations.
7. Accelerate negotiation of bilateral trade agreements and continue trade negotiations with new partners (Gulf Cooperation Council and others); explore opportunities for trade negotiation with the Russian Federation; and finalize the memorandum of understanding signature process with China.
8. Expand outreach to new markets, support the participation of companies in trade fairs and arrange business-to-business meetings to increase access to the market for certain products.
9. Form a sector development committee to guide sector reorganization strategically and plan implementation of strategic programmes.

**Forest products**

Measures introduced to prevent the spread of COVID-19 are having substantial impacts on the tropical timber sector, with thousands of workers laid off worldwide and plummeting global demand for these non-essential items. The anticipated slowdown in the construction industry worldwide will also create a medium-term demand shock. While limited production of outstanding orders could resume as restrictions on people’s movements are progressively eased, a quick recovery in international demand is unlikely because many buyers have delayed or cancelled orders.

**IMPACT OF THE COVID-19 OUTBREAK ON MYANMAR’S FOREST PRODUCTS SECTOR**

Given its high dependence on export activities, the forest products industry in Myanmar is very exposed to the demand shocks observed in key international markets. Businesses from the sector report a sharp drop in export revenues as most orders from international buyers have been either cancelled or put on hold, particularly from the markets most affected by COVID-19 such as the United States and Europe (Italy, United Kingdom, Spain, France). In these countries, the retail
market for furniture and wood products has come to a standstill. A slowdown in demand from neighbouring countries is also being observed, especially in India and China. A survey conducted with 25 small, medium and large forest products manufacturers in Myanmar indicates that 78% of businesses are facing reduced demand from foreign partners.

Containment measures triggered by the spread of the virus are also creating major supply chain disruptions. These measures are spilling over globally as production falls due to significant supply chain disruptions and cutbacks taking place in the industry. Because Myanmar mainly exports intermediate products such as sawn wood or sheets for veneering, the shutdown of manufacturing facilities using these inputs to produce finished goods in partner countries is having a severe impact on the country’s exports, even though Myanmar has been relatively spared by the pandemic itself.

According to a study conducted by ITC and assuming a two-month shutdown in all partner countries due to the pandemic, the projected reduction in exports of intermediate inputs of wood products and vegetable material from Myanmar due to supply chain disruption amounts US$16.8 million. The most impacted intermediate inputs (used to produce other products) include wood charcoal (accounting for 27% of the expected reduction in exports), sawn wood (27%) and sheets for veneering (14%) (see figure 8). According to the study, trade disruption with China is responsible for 84% of the total anticipated reduction of exports of intermediate inputs. Very much dependent on the tourism sector, the rattan and bamboo and handicraft segments also anticipate a reduction of 60%–80% of their sales, according to their respective private sector associations.

### Figure 8: Estimated reduction of exports of intermediate wood products and vegetable materials due to supply chain disruption, by importing partner countries (US$ millions)

<table>
<thead>
<tr>
<th>Wood charcoal</th>
<th>Sawn wood</th>
<th>Sheets for veneering</th>
<th>Wood continuously shaped</th>
<th>Windows</th>
<th>Bamboos</th>
<th>Basketwork, wickerwork</th>
<th>Wood in the rough</th>
<th>Rattans</th>
<th>Doors</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Thailand</td>
<td>USA</td>
<td>India</td>
<td>EU</td>
<td>RoW</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US$ millions</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: ITC GVC analysis.

As a result of the fall in orders, the forest products industry in Myanmar is experiencing cutbacks in production, cash flow problems and layoffs of workers. Because the sector is largely export-driven, the sharp reduction in export earnings results in most manufacturers being at risk of no longer being in the position to make advance payments due to insufficient cash flow. Complete closures of manufacturers seem inevitable in the near future. Overall, 72% of the businesses interviewed believed their business operations have been ‘moderately’ affected by the COVID-19 pandemic, while 8% have been ‘strongly’ impacted.

Containment measures introduced by the Government of Myanmar are having a significant impact on forest products manufacturers, in particular in accessing wood resources domestically. The Myanmar Timber Enterprise postponed teak and other hardwood tenders, resulting in wood supplies being completely cut off.27 Log imports by private operators being subject to high Customs duties (i.e. 15%) as well as other taxes, manufacturers are currently unable to source timber and are relying on stocks. This situation was

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27.– As of 1 June 2020, there have been no announcements of future open tender sales by Myanmar Timber Enterprise.
confirmed by 68% of sector survey respondents, who indicated facing input sourcing constraints over the two months prior to the survey and continue to. Supply disruptions have also been observed in the rattan and bamboo segment, in particular as Government measures to halt the spread of the pandemic coincided with the harvest period for rattan and bamboo.

Difficulties in obtaining the various permits and authorizations from Government offices have been reported, mainly due to delays in inspections for permissions approval. Similarly, time-consuming Customs clearance procedures – as well as delays – have been observed due to shortages of Customs staffs. The survey confirmed that 52% of businesses suffered from increased administrative bottlenecks during the lockdown period.

While necessary, the introduction of COVID-19 preventive measures in factories is also negatively impacting the industry’s productivity. In particular, arranging workers’ shifts and reorganizing the workspace to comply with social distancing measures is likely to represent challenges for manufacturers in the short-to-medium term. Movement restrictions also continue to prevent a number of workers from reaching their workplace.

OUTLOOK FOR THE FOREST PRODUCTS INDUSTRY

A sharp drop in demand for forest products, especially wooden furniture, is to be expected in the short term as the purchase of these non-essential items can be delayed by most consumers. Demand from neighbouring countries, including India and China, is not expected to rebound significantly in the coming months. The retail market for furniture and wood products in the United States and Europe is also likely to face a slowdown as a result of the economic downturn.

The pandemic may lead to export market shifts to which manufacturers in Myanmar will have to adjust. While the ultimate impacts on demand trends remain highly uncertain, potential market opportunities may arise in countries and regions that have been less affected by COVID-19, including Scandinavian countries, the Middle East and South Africa.

A delayed impact on the sector’s sales is also feared as orders are generally made for a period of several months (very few new orders have been placed since March 2020). As a result, the vast majority of the forest products manufacturers surveyed in Myanmar anticipate a reduction in orders for the next three months because a large proportion of customers have already reduced their orders for the next quarter. However, this reduction is expected to be moderate: 72% of the survey respondents foresee a decrease not exceeding 5%. Most sector businesses anticipate a rapid recovery: 52% of the respondents do not foresee the reduced demand from foreign markets exceeding one month.

FOREST PRODUCTS SECTOR’S IMMEDIATE RESPONSES TO THE PANDEMIC

Among the Government measures introduced to cope with the crisis, ‘tax waivers or temporary tax breaks’ was the most popular among surveyed companies (29%), followed by ‘financial programmes’ (e.g. low interest credit line, loan repayment deferral or credit guarantees – 26%) and ‘rent subsidies or waiver/postponement of utility bills’ (23%). This outcome clearly indicates the urgent need for a financial stimulus package from the Government to cushion the impact of the crisis and ease cash flow problems. The survey also highlights the difficulties currently faced by the industry in accessing information about and benefits
from Government COVID-19-related assistance programmes, a view shared by 74% of respondents.

To provide a rapid response in supporting the sector’s development, the following interventions should be prioritized.

1. Advocate for the immediate waiver of the 10% special goods tax and 2% advanced income tax for forest products exports. 28
2. Increase the COVID-19 Fund – established at the Myanmar Economic Bank and currently worth MMK 100 billion (US$70 million, 0.1% of GDP) – to at least 2%–3% of GDP, also considering the forest products sector as a priority for financial support.
3. Strengthen coordination and communication between the Government and private sector associations regarding the management of the COVID-19 crisis. The Sector Development Committee, acting as a public–private dialogue platform, could be instrumental in this regard.
4. Additional financial support from the Government is required to cover wages paid. 29 Support for MSMEs is also needed, including for those operating in the informal sector. See Comprehensive Economic Recovery Plan activity 2.1.5. ‘Tax Credits (Fiscal Stimulus)’ to allow for a deduction equal to 125% of wages paid.
5. Extend payment deadlines (or allow delayed payment terms) for log buyers through Myanmar Timber Enterprise tenders for the period May–December 2020, at no additional cost. This measure would lessen the financial impact of pandemic control measures on businesses.
6. Ease regulations and procedures for exports to stimulate export activities. Potential intervention areas include removing licensing restrictions and forest products’ legality certification for rattan and bamboo finished products and handicrafts, reducing the release time for export licences and simplifying regulations and procedures for exports.
7. Realign Myanmar technical standards requirements to conform to international standards, with a view to boosting exports when market demand picks up.
8. Take advantage of this slow period to complete forest inventories (including rattan and bamboo) and make the information publicly available.
9. Explore potential shifts in key markets and market reorientation for exports of forest products from Myanmar as a result of the pandemic.
10. Public procurement can also provide a vital leverage for domestic firms to enhance their abilities and generate alternative sources of revenue. Advocating for a review of procurement rules and reforming tender processes to make reputed domestic players more eligible for public contracts could be envisaged in this regard.

**Textiles and garments**

The containment measures triggered by the spread of COVID-19 caused sharp supply shortages in Myanmar’s T&G sector, followed by a demand collapse triggering order cancellations, suspensions and cuts. The situation resulted in the shutting down of dozens of factories in quick succession, leaving thousands of mostly female workers unemployed. Initial estimates suggested that over 25,000 workers from more than 40 factories lost their jobs early in the crisis (as at the end of March 2020, Delegation of the EU to Myanmar). As the economic downturn caused by the pandemic continues to affect global demand for clothing, more layoffs are to be expected. Meanwhile, heightened pressures from retailers and consumers for sustainable fashion will continue to weigh on the country’s T&G manufacturing sector. The sector can survive and thrive through the COVID-19 crisis by focusing on sustainable and ethical manufacturing, and improving investment climate conditions to attract foreign investors looking for new locations.

**IMPACT OF THE COVID-19 OUTBREAK ON MYANMAR’S TEXTILE AND GARMENTS INDUSTRY**

The T&G industry, whose operations are globalized and which relies heavily on the production of inputs from a handful of countries, particularly China, was most exposed to the initial supply chain disruptions triggered by COVID-19. As the outbreak spread and most countries went into lockdown, demand collapsed...
in key markets for Myanmar, including Japan, Europe and the United States, adding a demand shock to the supply chain disruptions.

Given that clothing products are considered discretionary and non-essential, the global industry for clothing is particularly vulnerable to economic downturns. As retail outlets remained closed for a relatively long period of time and unemployment and underemployment affect spending ability, sales of new clothing are expected to remain muted throughout 2020. Estimates suggest that as much as US$297 billion will be wiped off the global clothing market in 2020, a 15.2% decline compared with 2019. More than 70% of European and American consumers expect to cut back spending on apparel, compared with an overall 40%–50% drop in global discretionary spending.

An analysis assuming a two-month shutdown in all partner countries due to the pandemic projected a reduction in Myanmar’s exports of garments (as intermediates) of US$27.6 million, or 38% of the estimated reduction of exports of intermediates for the whole economy. The contractions are largely attributable to the HS 62 category – products like men’s and women’s wind-jackets, overcoats and capes; men’s and women’s shorts and trousers; and some categories of baby garments and accessories. Just 20 product categories (at the HS six-digit level) account for nearly 60% of the projected reduction. The most impacted trading relationships for Myanmar would be with China, Germany, Spain, Turkey, Italy, France and the Netherlands (see figure 9). The projected reduction in the textiles segment amounts to US$3.7 million.

Figure 9: Projected reduction of exports of intermediate apparel inputs from Myanmar, top 15 most affected markets (US$ millions)

Source: ITC GVC analysis.

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According to an ITC COVID-19 impact survey, 68% of T&G firms surveyed reported being ‘strongly affected’ by the crisis. This is more than double the average of 30% recorded across all sectors surveyed, and second only to the tourism sector. Some 86% of survey respondents also asserted that their top five customers had reduced or cancelled orders for the next quarter, in particular with the prevalence of ‘return orders’ (23%). A high proportion of respondents in the sector (46%) believe that the demand reduction in the top five foreign markets would last 3–12 months, while only 5% believe it will last more than a year. Half of respondents were unable to indicate the duration of the impacts, signifying the continued uncertainty being faced by firms in the T&G sector.

Labour impacts have come in the form of job cuts, reduced working hours and reduced overtime. Even as the lockdown has eased and factories have been allowed to operate under strict health guidelines (by mid-May, around 80% of capacity was operating), overtime has been prohibited and this is reportedly having a big impact on worker incomes. According to the firm-level survey, 23% of firms reported having implemented temporarily reduced employment and 13% reported they had laid off employees – the highest among all sectors.

The collapse of the industry has important implications for socioeconomic inclusion, given the high prevalence of women (approximately 84% in garments and 75%–77% in the textiles sector) and MSMEs (around 31% in garments and over 81% in textiles) in the T&G workforce, including a large number of migrant workers from other states and regions of Myanmar.

Immediate labour impacts have been eased, in part, with donor assistance. The EU launched a 5 million euro (MMK 7.9 billion) Myan Ku or ‘Quick Assistance’ fund to provide income support for up to 80,000 of the country’s T&G sector workers who have lost their jobs, the first phase of which got under way in early May. Meanwhile, some of the world’s largest fashion brands, including H&M, Inditex (owners of Zara), Next, C&A, Bestseller and Tchibo, have signed on to an agreement with suppliers and trade unions (Industrial Workers Federation of Myanmar, affiliated to the IndustriALL Global Union) to protect garment factories and workers in Myanmar from the worst impacts of the pandemic.

As the next round of minimum wage negotiations edges closer, new pressures will emerge. Factory owners are concerned that cost pressures they face may not be sufficiently taken into consideration in deciding the new wage rates. A truly collaborative and evidence-based process will need to be adopted to protect both firms and workers.

OUTLOOK FOR THE TEXTILE AND GARMENTS INDUSTRY: RISKS AND OPPORTUNITIES

In Myanmar, the fallout of the pandemic is even more pronounced because T&G – the country’s most prominent export-oriented manufacturing sector in recent years – has recently plugged into GVCs. While the full impacts are yet to be felt, industry stakeholders expect the fast fashion segment to be worst affected, and to a lesser extent casual wear. They also note that there are orders for 2–3 months in the pipeline, with minimal pricing pressures so far. On the production side, Myanmar has somewhat gained from the continued lockdown in some competitor locations and there was a momentary jump in orders placed in Myanmar due to fewer factories being in operation and less choice for buyers. Myanmar manufacturers consider Cambodia to be their nearest competitor, as buyers had reportedly already begun pulling out from this country even before the COVID-19 outbreak, a trend that will likely accelerate. Meanwhile, a handful of factories have pivoted to producing personal protective equipment as demand for medical garments has spiked. As Myanmar has been producing outerwear and products with synthetic fabrics, this could be a continued opportunity.

The outlook for orders in the short term looks rather bleak. According to the survey, 55% of respondents from the sector reported that orders were down by more than 20%, while a further 23% said that they still do not know the full extent of the order impact. On the risk of business closure, survey respondents in the T&G sector were the most concerned, with 68% indicating that they face the risk of a permanent shutdown. This was the second highest among all sectors surveyed (after tourism).

Yet industry leaders in Myanmar observed that by mid-May, some orders to Europe had begun picking up. This was primarily from mid-range buyers rather than the larger brands, and from relatively smaller markets like Belgium, Poland and Ukraine. Buyers have indicated that they do not want to have their shelves empty when customers do eventually come back out shopping. Additionally, industry leaders observe that they are unlikely to see the typical ‘seasonal trends’ over the next six months, and instead buyers are likely to stock up as needed even outside of seasonality, with normalization anticipated by around the northern hemisphere spring of 2021. A survey among 2,000 British consumers conducted in early May also provides further encouraging signs of a post-lockdown demand bump. Among consumers who said they planned to shop for non-essential items immediately after COVID-19 restrictions were lifted, 66% reported that clothing would be a priority purchase, well above other spending categories like footwear (29%) or DIY and gardening products (27%). As more people pivot their entertainment to spend time and money outdoors and engage in outdoor leisure activities, the sportswear and athleisure categories are likely to gain further prominence.

Experts suggest that Chinese investment in Myanmar may intensify as China will aggressively look for overseas production bases. Myanmar’s strategic location and its abundant and cheap labour force should be a strong factor in attracting new foreign investment. These opportunities will need to be pursued proactively by investment promotion authorities like the Myanmar Directorate of Investment and Company Administration and the Myanmar Investment Commission, while ensuring that investment climate issues that FDI investors are concerned about are addressed. Many areas identified in the NES T&G Plan of Action, such as commercial tax anomalies for domestic sourcing of raw materials, would need fast resolution.

TEXTILE AND GARMENTS INDUSTRY’S IMMEDIATE RESPONSES TO THE PANDEMIC

Among the Government measures introduced to cope with the crisis, ‘tax waivers or temporary tax breaks’ was the considered the most helpful among T&G manufacturers (27%), followed by ‘financial programmes’ (24%) and ‘rent subsidies or waiver/postponement of utility bills’ (21%). This clearly indicates the need for a financial stimulus package to cushion the impact of the crisis on the industry.

To provide a rapid response to support the industry’s development, the following interventions should be prioritized.

1. Protecting the health of workers, while production activities get back up and running, should be a primary focus of industry players and Government authorities alike. Most factories have adopted new hygiene measures, introduced private transport for workers and adjusted factory floor plans to adhere to social distancing, and are regularly in contact with public health inspectors to ensure compliance with Government regulations.

2. Firms will need advice on how to manage production and productivity while taking safety precautions. The industry will need to adjust to likely changes in supply chain dynamics, for instance quicker response times and smaller minimum order quantities at higher quality. As such, the industry will also need to start working on reskilling and upskilling members of the workforce that have lost jobs or may not have the optimal skills, especially in the context of greater digitization of processes and a rise in e-commerce as a sales channel deployed by Myanmar’s current buyers. Another focus area includes the training of top management on reworking business models for more digitized supply chains and building the capacity of management teams on quick response manufacturing.

3. Relief measures aimed at keeping the industry buoyant will need to continue and deepen in order to protect firms and workers. The focus on tax measures highlighted by the survey reflects the desire to introduce waivers and breaks on taxes, including duties and commercial tax.

4. Pre-existing tensions regarding sustainability and waste management in the global garment industry have come further to the fore, with greater calls for introspection regarding manufacturing practices and consumption patterns. These shifts could signal that manufacturers like Myanmar could be under greater pressure from changing buyer patterns and heightened focus on smaller inventories and sustainable supply chains. Programmes that have supported the industry to become more sustainable, including SMART Myanmar and others, would need to expand and accelerate.

Rubber

‘The outbreak of the COVID-19 pandemic put the world rubber industry into one of the worst crises in the past few decades and pushed the stakeholders in the whole value chain into chaos and hopelessness’. This statement from the Secretary-General of the Association of Natural Rubber Producing Countries (ANRPC) provides an overview of the dramatic impact of the COVID-19 outbreak on the rubber sector. The economic slowdown observed in many industrialized countries has resulted in a sharp decrease in demand for rubber products, especially from the automotive industry, the largest consumer of natural rubber. Rubber producing countries have therefore suffered a very heavy blow, especially those who do not have the capacity to produce value added manufactured products, such as Myanmar.

IMPACT OF THE COVID-19 OUTBREAK ON MYANMAR’S RUBBER SECTOR

The economic crisis is exposing the extreme vulnerability of the Myanmar rubber sector to demand shocks in partner countries. Being inextricably linked to GVCs, the halt in orders from foreign manufacturers is having a devastating impact on the entire rubber supply chain in Myanmar, which is almost exclusively dependent on its exports of intermediate inputs, namely ribbed smoked sheets and technically specified rubber, for revenue regeneration. Some 80% of respondents to an ITC survey of 24 rubber sector manufacturers in Myanmar indicate facing reduced orders from international buyers. Even more worrying is that the impact of the outbreak remains highly uncertain: 65% of the companies interviewed were unable to estimate the length of the disruption for their international transactions.

According to a study shedding light on how, within global supply chains, Myanmar’s export of intermediate products reacts to a two-month shutdown of manufacturing facilities in partner countries, the projected export reduction for the natural latex and rubber sector amounts to US$18.6 million (see figure 10). Calculations indicate that rubber is the second hardest-hit sector in terms of export reduction after the apparel industry. The most affected intermediate inputs (used to produce other products) in the sector include ribbed smoked sheets (accounting for 52% of the expected reduction in exports) and natural rubber in primary forms (non-smoked: 42%). The high dependency on the Chinese market was also highlighted by the analysis, that country being responsible for 84% of the anticipated reduction of exports of intermediate products. After temporarily closing its borders with Myanmar during the peak of the epidemic, transactions with China have been slowly resuming since early May, though with small volumes traded.
This difficult situation has been exacerbated by declining rubber prices, as international demand contracts (Figure 11). Technically specified rubber 20 is currently traded at US$ 1.12 per kg, its lowest level since early 2016. Because of lower rubber prices, sales of technically specified rubber and ribbed smoked sheets are currently not commercially viable without aid to cover production costs and revenue for the producers. As highlighted by ANRPC, natural rubber prices started recovering in the last week of April, driven by the positive sentiment generated by the relaxation of COVID-19 containment measures and lockdowns and the reopening of economic activities in many countries.

The fall in rubber orders is having dramatic socio-economic consequences in Myanmar. The entire rubber value chain is affected by the current crisis because factories have been forced to suspend their purchase of latex from smallholders. This has generated significant loss of income and unemployment at both factory and farmer levels. In the initial phase of the outbreak, the collection of latex from smallholders by factories was also considerably affected due to the risk of infection. However, the impact in terms of job loss is difficult to estimate as it is hard to get accurate data at this early stage. Overall, no less than 95% of respondents believe that their business operations have been either ‘strongly’ (38%) or ‘moderately’ (58%) affected by the pandemic.

The introduction of Government measures to halt the spread of the pandemic has also affected the rubber supply chain. Workers are still facing difficulties getting to production sites to work due to movement restrictions imposed by the Government.
OUTLOOK FOR THE RUBBER SECTOR: RISKS AND OPPORTUNITIES

It is in its Natural Rubber Trends and Statistics report for May 2020, ANRPC scaled down the outlook for world consumption, which is expected to fall by 6.0% to 12.904 million tons in 2020. This rather pessimistic outlook is largely driven by dampened vehicle sales in Q1 2020, with spillover into Q2 as well, with unfulfilled order deliveries due to production slowdowns, shat-tered supply chains and postponed new car model launches.36

According to ANRPC, recovery is nevertheless un-der way and is likely to continue, albeit at a slow pace and subject to a set of risk factors. This positive trend is expected to progressively push rubber prices up. Overall, high uncertainty prevails in the rubber sector in Myanmar, as highlighted by 87% of survey respond-ents indicating they have no visibility on orders in the three months following the survey.

RUBBER SECTOR’S IMMEDIATE RESPONSES TO THE PANDEMIC

Among the Government measures introduced to cope with the crisis, ‘financial programmes’ such as low interest credit lines, loan repayment deferrals or credit guarantees were the most popular among sur-veyed companies (33%), followed by ‘rent subsidies or waiver/postponement of utility bills’ (24%). This high-lights the need for a financial stimulus package to support financially drained businesses in the rubber sector. The survey further indicates that 75% of respondents are facing difficulties accessing information about and benefits from the Government’s COVID-19-related as-sistance programmes.

To provide a rapid response to support the sector’s development, the following interventions should be prioritized.

1. Provide temporary soft loans to rubber processors, traders and exporters at low interest rates with in-ventory as collateral. Loans would be repaid as the situation improves.
2. Introduce an immediate waiver of the advance 2% tax on exports. A reduction in advance income tax-es imposed on companies is also recommended. The application of these taxes and fees on exports results in further deterioration of the profitability of rubber exports.
3. Initiate negotiations with some ASEAN and neigh-bouring countries to sell rubber through govern-ment-to-government initiatives and boost sector sales.
4. Take advantage of this slow period to restructure the sector, in particular by enacting the Rubber Law to regulate the sector’s activities and form a rubber board, following a holistic approach (already in the NES Plan of Action for the sector).

Rice

Lockdown measures across Asia resulted in most of the world’s largest rice net exporters, including Myanmar, freezing their overseas shipments to ensure sufficient stocks of rice for domestic consumption. Among the largest rice exporters, Thailand is the only country that remained open for trade operations as its regional competitors closed down international rice sales. These export restrictions coupled with increased demand resulted in a surge in rice prices across the region. These favourable market conditions are in stark contrast to most commodities, whose prices have gen-erally collapsed following the onset of the COVID-19 pandemic. However, export quotas are currently pre-venting most rice exporters from fully taking advantage of this bright economic outlook.

IMPACT OF THE COVID-19 OUTBREAK ON MYANMAR’S RICE SECTOR

As a response to the COVID-19 outbreak, the Government of Myanmar imposed export restrictions on rice for food security purposes. As of April 2020, the Ministry of Commerce temporarily halted the issu-ance of new rice export licences to maintain market stability and ensure the building of sufficient rice re-serves for food security purposes. This decision was mainly motivated by the sudden surges in domestic demand spurred by fears of shortages during the pan-demic. Concerned with the export restrictions brought about by the measure, the Myanmar Rice Federation and rice exporters later negotiated the introduction of
a quota system with the Ministry of Commerce. Under this scheme, more than 2 million tons of rice will be allocated for export in the current fiscal year, of which 10% will be retained as food reserves and sold to the Ministry of Commerce at an agreed price to build up a ‘rice buffer stock’. Allocated quotas for border trade and sea trade will be negotiated monthly, based on the latest developments on the COVID-19 outbreak, to keep rice reserves stable.

Market conditions have been favourable since the beginning of the COVID-19 outbreak. Rice orders have been on the increase, driven by sudden surges in domestic demand in most Asian countries. In particular, surging demand from China has been observed since the beginning of the year in order to secure domestic supplies and bolster rice stocks in the wake of its COVID-19 shutdowns. An ITC survey conducted with 23 small, medium and large companies from the rice sector confirmed these good market conditions: 83% of respondents indicated that their top customers have either maintained (50%) or increased their orders (33%).

Surging demand and slashed exports – caused by both export restrictions and supply disruptions – are leading to inflated prices for rice across the region. The surging demand for rice from China has arguably been the principal driver in boosting global prices since the beginning of 2020. The price of Thai white rice 5% broken, which is an Asian export benchmark, went up by 37%, year-on-year, at the end of April 2020, to reach US$564/ton, a seven-year high (Figure 12). Driven by the progressive relaxation of COVID-19 containment measures and lockdowns and the reopening of economic activities across countries, rice prices started to drop at the end of April 2020.

**Figure 12: Evolution of international rice prices May 2019 to May 2020 (US$ /ton)**

Constrained by the export restrictions imposed by the Government, Myanmar rice exporters are not in a position to take full advantage of these opportunities. Being indirectly hit by the crisis, 70% of surveyed businesses from the rice sector indicate that their operations have been ‘moderately’ affected by the pandemic, while 17% have been ‘strongly’ impacted.

Logistical constraints linked to quarantine and hygiene measures had negative impacts on trade. Reduced logistics services have resulted in an increase in transportation prices, a shortage of available containers and insufficient manpower (only 50% of labourers can work due to COVID-19 restrictions) which led to delaying the whole process of exporting. The survey conducted with businesses from the sector confirms this analysis: all respondents considered reduced logistics services as the most disruptive factor faced during the crisis.

Measures to combat the virus have caused few disruptions to production, despite the fact that the harvesting season for summer paddy coincided with the peak of the outbreak.
OUTLOOK FOR THE RICE SECTOR: RISKS AND OPPORTUNITIES

The outlook for rice exporters is somewhat positive because large regional net rice importers are setting about ensuring sufficient rice stocks for their domestic consumption. Countries including China, Indonesia, Malaysia and the Philippines are planning to beef up current rice stocks, that, in the case of Indonesia, exceed estimated consumption for the year.

Market conditions are expected to remain favourable, driven by a dynamic demand. While rice prices are expected to decrease in the coming months as containment measures progressively relax, rice prices across Asia are likely to remain relatively attractive.

For Myanmar operators, taking full advantage of these bright export prospects will depend, to a large extent, on the allocated quotas for exports negotiated monthly. Uncertainty currently prevails in the sector because the export quota system makes it difficult for businesses to plan for future sales. This lack of visibility was apparent from the survey analysis: 91% of rice sector respondents indicated that they do not know what their order book will look like in the three months following the survey.

RICE SECTOR’S IMMEDIATE RESPONSES TO THE PANDEMIC

To provide a rapid response to support the sector’s development and fully take advantage of emerging opportunities, the following interventions should be prioritized.

1. Immediate storage facilities are required to keep the rice buffer stock. Support the creation of storage facilities to handle and maintain national rice stocks. Because public authorities do not have sufficient facilities, the Government is currently renting private sector storage facilities to store national rice reserves.

2. Develop small-scale storage and drying facilities at community level. This will not only enable export continuation but reduce volatility and shocks and stabilize domestic market prices.

3. Develop contract farming schemes for seed multiplication, in particular with the view to plant 400,000 acres for the upcoming monsoon planting season, through collaboration between the Myanmar Rice Federation and the Department of Agriculture.

4. For micro enterprises involved in rice farming, the longer-term intervention of the Government will be key to their viability. The economic devastation arising from the COVID-19 outbreak should ensure that Government support for rice growers will remain an essential and increasing feature of national food security in the years to come.

Beans, pulses and oilseeds

The impact of the global outbreak of COVID-19 on the beans, pulses and oilseeds sector is generally less than on other agricultural sectors, in particular those dealing with perishable produce or primarily serving the food service sector. Global demand has remained intact because the supply of food and feed is vital for any society. Still, the importance of the sector for global food supply makes it vulnerable to Government policies, as highlighted by the recent announcement by Indian authorities that they will reduce the time allocated to Myanmar to fill its 400,000-ton Indian import quota of black gram from one year to three months.

IMPACT OF THE COVID-19 OUTBREAK ON MYANMAR’S BEANS, PULSES AND OILSEEDS SECTOR

The global demand for beans, pulses and oilseeds has remained largely stable, as these products are essential ingredients for the human diet and for animal feed. An ITC survey of 21 small, medium and large companies from the sector confirms this trend, as 57% of respondents consider that their business operations have only been ‘slightly’ impacted by the pandemic, with just 10% reporting ‘strong’ disruption of their activities. Further, only 48% of the businesses surveyed reported reduced demand from foreign markets, a relatively low percentage compared with most other sectors.
The main impact on the availability of products comes from border closures, in particular with India, as well as logistical restrictions on trucking and shipping, although these have generally been temporary and partial. Land borders with India – by far the largest importer of pulses from Myanmar – and China were closed during the peak of the pandemic and the imposed lockdowns, causing temporary disruptions in trade operations. Myanmar exporters also mention that inland freight prices have significantly increased as trucking became scarcer and more difficult. More than half of sector respondents indicated that the pandemic affected their ability to export products.

From a production perspective, the measures introduced by the Government to combat the virus have not caused major disruptions, despite the fact that the harvesting season for the winter crop coincided with the peak of the pandemic outbreak in February and March. While the total production will also depend on the harvest of the monsoon crop, professionals from the sector anticipate the 2020 production to be normal, provided that there is limited climate change impact.

While necessary, the introduction of COVID-19 preventive measures is impacting the sector’s productivity. Arranging workers’ shifts and reorganizing workspaces to comply with social distancing measures are likely to create challenges for exporters in the short-to-medium term. Movement restrictions also continue, as of early June, to prevent a number of workers from reaching their workplaces. These measures are thought to be responsible for a significant increase in production costs, including labour costs. Sector professionals are concerned that the anticipated loss of competitiveness resulting from this negative impact on productivity will harm the sector’s exports while market conditions are favourable.

OUTLOOK FOR THE BEANS, PULSES AND OILSEEDS SECTOR: RISKS AND OPPORTUNITIES

The most severe impact of the COVID-19 pandemic may hit the sector with a delay, as India recently announced it was reducing Myanmar’s window to export 400,000 tons of black gram from one year to three months. From the original schedule of end of March 2021, the Indian import quota is now due to lapse in August 2020. This new policy is unfavourable to Myanmar as the sector will most likely be unable to fill this quota within the allotted time. This measure will potentially result in significant loss of export earnings because Myanmar exports the bulk of locally harvested black gram to India. The high exposure of the sector to India’s volatile policies highlights the urgent need for Myanmar to seek new export markets and diversify into alternative crops.

37. – Some 30% of pulses are planted in monsoon and 70% are planted as winter crops.
Government policies restricting trade will remain a major focus of attention in the near future, as well as the free flow of goods, in connection to Government restrictions on people and transport.38

The economic slowdown and the anticipated contraction of disposable income in Myanmar may also lead to a slight decrease in household consumption. However, reductions in food consumption are expected to affect non-essential products more severely than staple foods such as beans and pulses.

Nevertheless, market conditions are anticipated to remain favourable. As demand is expected to remain strong, bean prices in international markets are likely to remain relatively attractive in the short-to-medium term.

**BEANS, PULSES AND OILSEEDS SECTOR’S IMMEDIATE RESPONSES TO THE PANDEMIC**

Financial programmes such as low interest credit lines, loan repayment deferrals or credit guarantees were cited as the most helpful Government measure introduced to cope with the crisis (by 29% of the total response). Support for the self-employed was also cited by 18% of the sector’s businesses, reflecting the need to support the many individual companies that operate in the beans, pulses and oilseeds sector.

To provide a rapid response to support the sector’s development, the following interventions should be prioritized.

1. Advocate for the working out of arrangements with India to extend the recently reduced window to fill the 400,000-ton Indian import quota for Myanmar black gram to safeguard the long-term interests of both nations.
2. Pursue, more than ever, product and market diversification efforts to reduce the sector’s vulnerability to changing government policies in traditional markets and fully take advantage of potential new market opportunities.
3. Ensure the timely and effective provision of farm inputs to farmers to maintain existing production areas in anticipation of the upcoming monsoon and winter planting seasons.

**Trade in a new reality**

The multilateral trading system is confronted with challenges never faced before. The world is facing a new reality following the COVID-19 pandemic. Borders remain mostly closed, trade has almost halted, many MSMEs are on edge with a higher than ever risk of closure, and employees are working reduced shifts or may even have lost their employment. Most projections anticipate a possible return to a ‘new normal’ by late 2021, if not later.

Myanmar might be slightly better positioned than other emerging economies. Official data report few cases of COVID-19; the economy has not fully halted as the pandemic partially rolled out during the Thingyan holiday; economic growth is still mainly based on domestic demand; borders in Asia are gradually opening up; and according to most estimates, economic growth is expected to remain positive in 2020, at 1.8% (IMF estimates – see Figure 1). Along with challenges, the situation brings new opportunities for Myanmar exporters to innovate and potentially gain critical shares in destination markets.

Many new realities will need to be considered by exporters when designing their market entry strategies. Following are some elements to consider in planning export operations.

1. Sanitary measures – There are new ‘social distancing’ measures that enterprises are required to implement in order to continue production and services. This affects costs and efficiency. New models will be needed to optimize productivity.
2. Quality standards – Importing countries will most certainly be applying more stringent quality and sanitary measures to reduce potential transmission chains and ensure goods are safe for consumers. This will require Myanmar companies to increase their compliance with global standards. Myanmar quality institutions will also need to improve
standard setting, testing and certification. It is thus critical to increase access to accredited conformity assessment bodies to ensure the compliance of export products, especially food products, with more stringent food safety and quality requirements.

3. Regionalization and reshoring of supply chains – According to a number of analysts, the supply shock on GVCs caused by COVID-19 implies manufacturers will aim to bring production of inputs closer to assembly factories as a means of reducing disruption in supply of parts.

4. Environmental protection – The movement for increased sustainability in trade was initiated before the pandemic. The crisis has only accelerated the ambition of consumers, and many governments, to condition ‘recovery packages’ to ecological transition and green growth. In Europe, there is growing pressure to tax imports based on their carbon footprint. This new non-tariff measure means that Myanmar exports will become less competitive if their carbon footprint is high.

5. Market intelligence – In a world changing fast, it will be important to improve commercial intelligence services for exporters in order to keep abreast of new developments in partner countries, especially as public health concerns are rising, and identify new market opportunities as new prospects may arise in the aftermath of the crisis.

6. E-commerce – The growth in digital solutions and limited ability of movement will create greater demand for e-commerce solutions. This is a time for IT and logistics companies to work hand in hand to better connect producers and consumers.

Most export sectors will be affected by the COVID-19 crisis and post-recovery period, either through direct impacts caused by the reductions in trade, or through adjusting products and services to a new global trading system that will evolve over the months to come.


Supporting the CERP Action 2.4.3 – “Facilitate Exportation Processes”