

SNAPSHOT OF MARKET ACTORS' PERSPECTIVES: RAKHINE STATE RETAILERS (APRIL 2-8, 2021)

Mercy Corps - Market Analysis Unit

April 23, 2021

During April 2-8, 2021, Mercy Corps' Market Analysis Unit (MAU) conducted phone interviews with retailers in Rakhine State to measure the impact of recent events on supply chains for common household goods. Data are based on a convenience sample of 160 active retailers in eight townships, most of whom sell within marketplaces in towns. The study focuses on retailers of products tracked in the MAU's monthly Market Price Reports.

Key Highlights

- **Nine in ten respondents faced major livelihood challenges in the past month**, often related to poor demand, limited supply, rising prices, or poor access to cash and credit;
- **Seventy percent of respondents saw reduced customers and spending last month**;
- **More than one-third of respondents report limited supply and larger lead times**, particularly for non-food-items (NFIs) sourced from outside of Rakhine State;
- **One-quarter of retailers expect to face limited supply next month**, particularly for NFIs like hygiene and kitchenware but also food items like cooking oil and packaged foods;
- **Half of retailers say they may raise prices this month on NFIs and certain foods**, such as cooking oil and locally-produced rice and fish;
- **Half of retailers say their access to cash is sustainable for two months or more**;
- **One-third of retailers expect to earn less income this month than last.**

I. Overall Challenges

Ninety-four percent of respondents faced at least one significant challenge in the past thirty days, most often related to **poor demand, inadequate supply, rising prices, or limited access to cash and credit**. Many respondents reported challenges related to poor demand (72%) and costly supplies (66%). Less common but still substantial were difficulties accessing cash (44%), credit (38%) and supply of goods (36%). Other challenges were notable but affected fewer than a quarter of all respondents, including market closures (18%), poor product quality (16%) and limited transportation (14%).

Many respondents cited political events and Covid-19 as sources of challenges in the past thirty days. Fifty-six percent of respondents said recent political events contributed to the challenges they faced, while 39% said the same of Covid-19. Armed conflict was not a major source of recent challenges, with just 14% citing this.

II. Recent Changes

Customer Behavior – **More than two-thirds of respondents reported reduced customer traffic and spending in the past thirty days compared to the month prior**. Seventy-one percent of respondents said they received fewer customers than the previous month. Roughly the same portion also said individual customers visited their sales location less frequently and spent

less money overall. The remaining respondents said conditions were unchanged, and very few reported increases. Responses were fairly similar across vendors of different product categories.

Supply of Goods – Many respondents experienced reduced supply, growing lead times, or rising prices in the past thirty days, particularly for NFIs. Fifty-three percent of respondents said price increases from suppliers have become more common, and 38% said lead times have grown. Forty-four percent said they have more difficulty getting the volume of inventory they would like from their supplier. On this point there were some differences between retailers of food and NFIs. Although the two groups of vendors had similar views on changes in the volume of available supply, NFI retailers more often reported rising prices and growing lead-times. Fifty-nine percent of NFI retailers reported growing lead-times (compared to just 18% for food retailers) and 59% reported frequent price-hikes (compared to 43% of food retailers).

III. Future Expectations

Respondents were generally optimistic about Covid-19 and even armed conflict, while many expected political events to remain the same or worsen in the next thirty days. Half of all respondents declined to share their expectations for Covid-19, conflict and political events.¹ Among those who did respond, just 5% expect the political environment to improve (compared to 56% who said this of armed conflict and 78% who said this of Covid-19). Conversely, the portion of respondents who believe Covid-19 or armed conflict will worsen this month was negligible, yet 29% believed political events would worsen (65% expected circumstances to remain unchanged).

Supply of Goods – One-quarter of respondents believe they may face limited supply of goods in the coming month—particularly for NFIs. Twenty-seven percent said they may be unable to get the supply volumes they want in the next thirty days, compared to 63% who do not expect problems. Retailers of NFIs far more often expressed concerns about available supply (40%) compared to food retailers (8%). Retailers concerned about the supply of NFIs emphasized kitchenware, hygiene goods, clothes and other items sourced from Sittwe, Yangon and Mandalay. Food retailers concerned about supply most often identified cooking oil and packaged foods like noodles and coffee, items which they say they source from Sittwe or Yangon.

Price of Goods – More than one-quarter of respondents expect to raise prices for their goods in the next thirty days and others say they are considering doing so. Twenty-nine percent of respondents plan to raise prices in the next thirty days and 19% say they may do so (31% say they will not). Products identified for price increases included the NFIs mentioned above as well as cooking oil from Yangon and Mandalay and locally-sourced fish and rice.²

Income and Access to Cash – One-third of respondents expect their income to worsen in the next thirty days, although most do not face immediate cash shortages. Thirty-seven percent of respondents believe their income this month will be worse than last, in contrast to just 8% who believe it will be better (33% say it will be the same). However, most respondents do not appear to be facing immediate cash shortages.³ Thirty-five percent of respondents said they expect to be able to operate their business for three months or longer if their current access to cash remains the same. An additional 13% said they could operate for two months more and 13% said they could operate for just one month more.

¹ Nonresponse may be due to question sensitivity, uncertainty about views, or other reasons.

² This question was formatted as an open question, with the referenced products being those most frequently referenced.

³ It is important to note the high nonresponse rate for this question (37%). It is possible that respondents who chose not to answer are more often those in weaker cash position due to social desirability bias.

IV. Implications

Market Uncertainty – Continued political uncertainty may further limit the supply of critical goods from central Myanmar. Disruptions to imports and shipping may reduce supply during monsoon season when Rakhine State is more reliant on food imports.

Rising Consumer Prices – Supply shortages and further price hikes by suppliers could lead to higher local retail prices for key household goods. Price increases for oil, packaged foods and critical NFIs arriving from central Myanmar may increasingly strain household budgets.

Market Functionality – Limited access to cash may eventually force some retailers out of the market. Retailers who lack working capital may exit the market, interrupting local distribution channels necessary for reaching urban and rural households.

Box 1. Respondent Characteristics

Data in this snapshot are based on interviews with 160 retailers. The following summary of their vending practices provide context for data in this snapshot.

- **Townships** – The sample consisted of retailers from eight townships: Minbya (31), Mrauk U (30), Pauktaw (24), Sittwe (19), Rathedaung (18), Maungdaw (17), Kyauktaw (13) and Ponnagyun (8).
- **Products** – Forty-one percent of respondents sell food items only, 37% sell NFIs only, and 23% sell both. This was generally true across townships. Common foods sold included meats (31%), oil (23%), rice (18%), pulses (14%), vegetables (13%) and other foods (23%). This product-mix varied slightly by township, but meat, oil and rice were common among retailers in all locations.
- **Product Origin** – Roughly 70% of respondents sell goods they believe are produced within their own townships and/or neighboring townships, while 32% sell products imported to Rakhine State from elsewhere in Myanmar. Imports likely skew heavily toward NFIs.⁴
- **Supply** – Eighty-seven percent of all respondents purchase supplies from traders. Among food retailers, 69% purchase from traders, while just 26% purchase directly from farmers. Three-quarters of respondents restock inventory at least every two weeks.
- **Sales Channels** – Eighty-four percent of respondents are market-based, while 14% have shopfront sales locations. Fewer than 5% are mobile and very few sell in multiple location types (e.g., both shop and market).
- **Customers** – Most respondents sell to multiple types of customers, but households are most common. Ninety-four percent of respondents sell to households, while 65% sell to traders (i.e., resellers who supply smaller markets) and 30% sell to restaurants. This varied little by township.

⁴ Fifty-two percent of NFI retailers said they sell goods produced in other states, compared to just 13% of food vendors.

V. Selected Charts

Charts 1-2. Overall Challenges

Chart 1. Challenges, by Type (Past 30 Days)

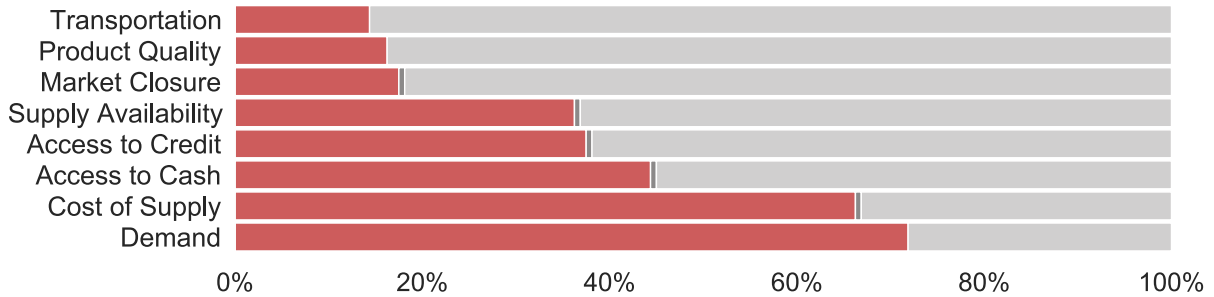
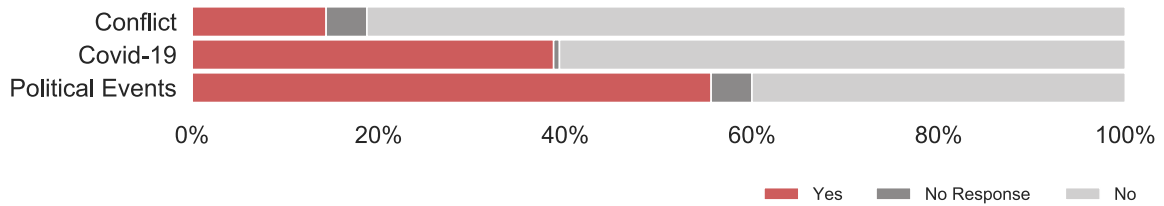


Chart 2. Challenges, by Source (Past 30 Days)



Charts 3-4. Recent Changes

Chart 3. Changes in Supply of Goods (Past 30 Days)

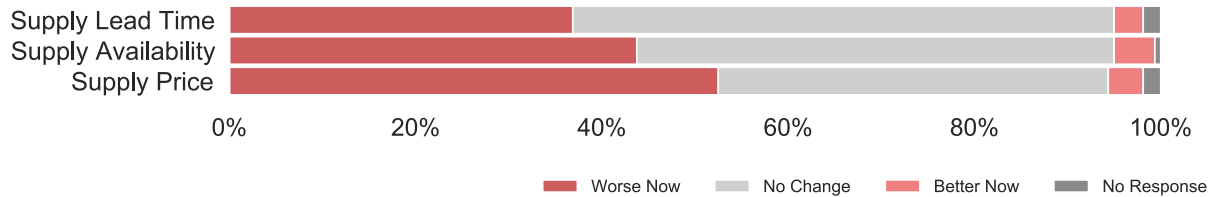
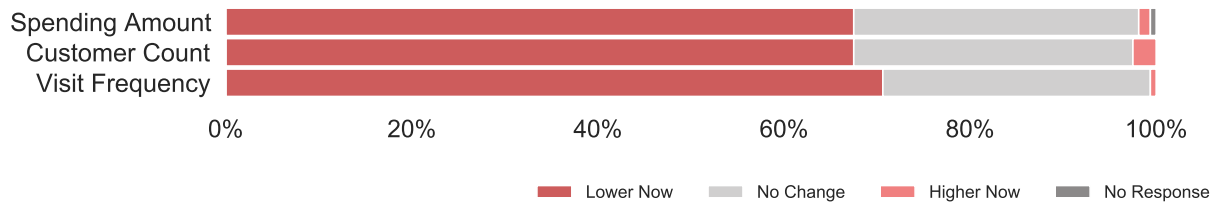


Chart 4. Changes in Customer Behavior (Past 30 Days)



Charts 5-6. Future Expectations

Chart 5. Expected Change in Income (Next 30 Days)

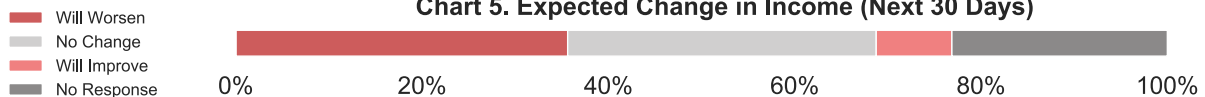
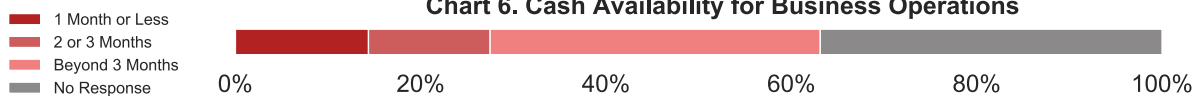


Chart 6. Cash Availability for Business Operations



Mercy Corps' Market Analysis Unit (MAU)

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

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

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