COVID 19's Economic Impact on Myanmar Tourism and SMEs

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COVID-19 in Myanmar

- Only 6 deaths
- Comparing to seriously hit countries, it’s insignificant
- Only 51451 people out of 54 million inhabitants were tested

Sources: World Health Organization (WHO) 2020.
Coronavirus brought catastrophic impact on Myanmar economy

With health measures on top of sharply declining demand, businesses face the challenges of daily operating cost, monthly salaries, and monthly bills

One out of three small and medium-sized businesses filed for closure and Nearly two-fifth of are reported unlikely to get the cash to survive for next four months

Massive laid off workers

Most workers Return home to villages and added financial pressure on rural economy

inbound tourism and outbound tourism came to a standstill with zero revenue and Uncertainty of tourist ever coming back

Uncertainty of demand and employment problem, garment factories closed down

Migrant workers returning home from Thailand, Malaysia, Singapore, and many more countries

More than 90% of the businesses in Myanmar ineligible for any loans by any Myanmar banking standard or even by the stimulus package

projects valued in the billions of dollars are likely to be paused or reconsidered with Virus Outbreaks in countries of key investors.

The real estate sector in Yangon and Countrywide saw a severe decline in transactions, Many properties listed for sale but no buyers

Creates aggregate shocks, wounded businesses, households and individual incomes.
- Myanmar has 65808 registered companies and probably more than 40000 unregistered businesses firms, of which 95% of them are SMEs and MSMEs, 4000 businesses were funded
- SMEs have - only small reserves, limited working capital, rely solely upon demand for their products and services
- such a prolonged period of reduced economic activity with no demand
- Despite all the government support, the real number of businesses tormented by a cash-flow crisis is much wider.
- 29% of Businesses already closed down while 50% of all the businesses are re-structuring and 20000 SMEs will be out of business
- Government is also not blessed with enough funds to help protect and buffer SMEs from such economic shocks,
- Worst contraction in 25 years
- Growth is estimated to drop to 0.5 percent in FY2019/20,
- Weakening consumer demand
- the unemployment rate could rise up to (10% to 25%) 0.5 Million to 1.5 Million
- COVID 19 could easily outweigh and undermine the well-intended stimulus plan
- workers are exiting the workforce and The fall of SMEs could have a strong impact on national economies, as well as on growing poverty, food insecurities, inequalities
- the economic shock of COVID 19 in Myanmar could become structural

Source: World Bank 2020
Economic Impact of COVID 19 in Myanmar

2 out of 5 Businesses Closed down
1 Million workers laid off
Consumer Confidence in the market: Down
Aggregate Demand: Down
Productivity down
GDP, Export, Import, Investment down

Over two years: become Structural

Modified from source: Asia Foundation 2020, World Bank 2020
Possible Timeline of the Impact

Modified from Source: World Bank, OECD 2020
The Virus's Impact on SMEs and MSMEs

Source: Asia Foundation, 2020
Myanmar Government's Approach to Covid 19 Crisis

- COVID-19 Economic Relief Plan (CERP) unfolded seven goals, 10 strategies, 36 action plans and 76 sub-actions
- to stimulate economic activities by stimulus packages for employees, businesses, and households and to ease banking regulations.
- It sets up a fund of 100 + 100 billion kyats (USD 71.43 Million), 0.01% of GDP, for local businesses,
- helps each poor household with rice and beans and 40000 kyats (USD 28.6).
- central banks of Myanmar reduced 3% interest rates in total and keeping the exchange rate more or less stable by buying out millions of USD reserves
- A real commitment of the young democratic government
Stimulus Package and It’s effect

Have not heard of it, 67.1%
Have heard of it, but did not apply, 26.9%
Have applied for a loan and waiting for the result, 2.6%
Have received a loan from it, 0.1%
Applied for a loan but it was rejected, 0.9%
Tried to apply for it but it was too difficult to do so, 2.3%
Other, 6.1%

Source: Asia Foundation, 2020
COVID 19 Economic Relief Plan And Its Effectiveness

- Too modest for an impact
- No check and balance mechanism on awarding permissions, and no proper guide lines for distribution of aids
- No establishments of tax breaks, tax holiday,
- No import substitutions and forward looking export oriented strategies,
- No stimulation or incentives for local production in Myanmar SMEs
- most importantly did not stress enough on the unemployment issue, i.e., how to absorb them in different industries.
- No comprehension of the extent of such a large-scale real economy freeze
- hard to launch
- harder to get through the layered bureaucratic systems
- hardest to reach the targeted bottom of the pyramid and the most vulnerable ones because of the limited fund and the extent of the estimation of the impact
Winners and Losers Aftermath of Covid 19

**Thriving Industries With Crisis**
- E-commerce
- Online payment providers
- Medical store, medical equipment
- Medicine
- Telecom, communication provider
- Food deliveries, door to door deliveries
- Internet service provider
- Rice and Bean Traders, vendors
- Retail for Essentials

**Functioning Industries After Lockdown**
- Private schools
- Food outlets and restaurants
- Local transport media
- Agriculture
- Construction
- Metals and mining Markets

**Vulnerable Industries With Less Demand**
- Retail (Non-food)
- Exports
- Imports
- Real estate
- Software and IT
- Service Companies
- Local Flights
- Oil and Gas
- Luxury goods
- Logistics
- Clothing

**Hardest Hit Industries**
- Entertainment
- Tour Agencies
- Lodging, Hotels
- Tourist Transport
- Cruise Lines
- International Flights
- Cinema
- Automotive Manufacturer
- Car Dealers
- Car Brokers
- Garment Manufacturer
- Apparel Manufacturer

Source: World Bank, Asia Foundation, Myanmar Times 2020
4000 businesses with proper documents

68000 registered+ 40000 unregistered

Micro entrepreneurs

Normal Employees

Casual and Temporary Workers

Home Returnees (migrant workers - almost 300,000)

Informal Economy Workers

Garment & Appreal sector (almost 400,000)

Workers in Tourism (almost 1 Million)

Unemployed workers

People Under Poverty Line and disabled persons

Modified from Source: The Irrawaddy, 2020
Most employees (more than 90%) do not have saving accounts

Myanmar had one out of four people under poverty line before the crisis

A sharp decline in international remittances can be expected and that could directly reduce household income

With almost 300000 migrant workers returning home a sharp decline in international remittances can be expected and that could directly reduce household income, gradual

About 4000 local companies were lucky enough to receive the stimulus support out of almost 100000 formal and informal firms.

Those who get loans with 1% interest may extend their benefits to their employees while many other firms have no other choice but to lay off workers.
Local freelance tour guides, tourist transport drivers, horse/bull cart drivers from Innwa, Mingun and Bagan, Boat drivers of Inle lake and Taungthaman lake, souvenir vendors of touring villages, village trekking guides and service providers in Pindaya, Kalaw, Thibaw, Chin state, Loaikaw, Tachilake, Kyaingtong and so on.

- Informal economy workers,
- Casual and temporary workers,
- Young workers, whose employment prospects are more sensitive to fluctuations in demand;
- Older workers, who even in normal times face difficulties in finding decent work opportunities
- Home returnees (local migrant workers)
- Micro-entrepreneurs and the self-employed
Tourism in Myanmar
Sea, Sand, Snow, Sunshine, Strong Culture
COVID 19’s Impact on Tourism Economy

- Entire tourism industry came to a standstill.
- Even after the beginning of July, with international flights under suspension, the cancellation of major festivals and events, the closure of tourism sites and attractions, postponements for tour plans and trips, asking for refunds and restrictions on public gatherings (indoor and outdoor),
- jobs for low skilled workers, higher skilled jobs, many seasonal, part-time jobs
- 3188 licensed tour companies and 98% of them are SMES.
- Myanmar has 1984 hotels which offer almost 80000 rooms.
- Very profound impacts for the Myanmar’s tourism sector, Overall revenue will be significantly reduced from 60% to 80%
Myanmar Tourism’s Contribution (2019)

- **CONTRIBUTION OF TRAVEL & TOURISM TO GDP**
  - Total T&T GDP = USD 3,671.1 MN

- **2019 Travel & Tourism GDP growth vs real economy GDP growth**
  - +4.5% vs +6.3%

- **CONTRIBUTION OF TRAVEL & TOURISM TO EMPLOYMENT**
  - 1,073,500 JOBS
  - 4.8% of total employment

- **INTERNATIONAL VISITOR IMPACT**
  - 10.3% of total exports
  - Visitor spend (10.3% of total exports) (USD 1,669.7 MN)

Source: World Travel & Tourism Council 2020
1. Interdependent with long value chain

2. A Quick recovery is unlikely and last industry to be on track

3. 80% less of international visitors in 2020 and 40% to 60% less in 2021 and a loss of between USD 2 to 3 billion in export revenues from tourism

4. With weak international demand, recovery to pre-crisis levels may take two years or more

5. Half of Tourism SMEs will not survive after 2020, half a million employees need protection
Scenario 3: International tourist arrivals start to recover in November 2021, based on limited recovery in international tourism before the end of the year (-90%).

Source: Tradingeconomics.com, Ministry of National Planning and Economic Development, Myanmar
Myanmar Tourism Before the Crisis

Source: Asean Dashboard 2018
Yearly Tourist Arrivals (2019)

<table>
<thead>
<tr>
<th>Who Comes to Myanmar as Tourist</th>
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<tbody>
<tr>
<td>North Americans</td>
</tr>
<tr>
<td>Other Americans</td>
</tr>
<tr>
<td>West Europe + Switzerland</td>
</tr>
<tr>
<td>East Europe + Russia</td>
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<tr>
<td>Africa</td>
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<tr>
<td>Middle East</td>
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<td>Asia</td>
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<td>Oceania</td>
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<tr>
<th>Yearly Tourist Arrivals</th>
<th>2018</th>
<th>2019</th>
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<tr>
<td>North Americans</td>
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<td>Other Americans</td>
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<td>West Europe + Switzerland</td>
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<td>East Europe + Russia</td>
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<td>Total Tourist Arrivals</td>
<td>1386596</td>
<td>1930723</td>
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<table>
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<tr>
<th>Types Of Visa</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tr>
<td>Tourist</td>
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<td>Business</td>
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<td>Others</td>
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<td>2737180</td>
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<tr>
<td>Total</td>
<td>3443133</td>
<td>3543178</td>
<td>4364101</td>
</tr>
</tbody>
</table>

Source: Ministry of Hotel and Tourism 2020
Tourism Sector Competitiveness

The tourism sector competitiveness is ranked 134 out of 141 countries (WEF, 2015)

The real tourism economic drivers, western tourist arrivals decline sharply by 2017 after the image of Myanmar was defamed

Numbers of Chinese tourists, interested in trading jade were surging

Overall Travel & Tourism Competitiveness Ranking

Myanmar is currently not a competitive tourist destination (rank 134 of 141 countries)

Source: World Economic Forum 2015
Myanmar’s Country Image: In The Eyes Of A Foreign Visitor

- Not a rosy picture in a tourist's eyes.
- Immense criticism on the topic of humanitarian front such as Rohingya
- Prices are expensive,
- Corrupted government,
- un-ethical to visit
- Safety and health care standard very low
does not have a ‘brand’, not any people knows

Other than cultural sites, not much products diversification
Myanmar, however, has great potential to build a good image internationally because its greatness is immense, its land beautiful and diverse, its scenery stunning, its people most welcoming and its reality is 100 times better than the image, every tourist who has been to Myanmar agreed on that fact.

**Myanmar’s Country Image: In The Eyes Of A Foreigner & SWOT Analysis**

**STRENGTHS**
- Diverse Culture
- Ethnic and Tradition
- Long coastal line and beaches
- Snow capped mountains
- Variety of Trekking and nature
- Many Religious Monuments
- Bagan
- Lakes and surrounding people
- People with welcoming hearts
- Beautiful scenery
- Old world atmosphere

**WEAKENESSES**
- Incompetency
- Lacking societal inclusiveness, policies, strategy and targets
- Poor Tourism Infrastructure
- Lack of strategic promotions
- Low human capabilities
- Lack of diversified products
- Expensiveness (Hotel, Flights)
- Lack of fun filled activities
- Lack of accommodation in remote areas
- Lack of destination development strategies
- Lack of care for biodiversity and ecosystem
- Lack of economic redistribution system

**OPPORTUNITIES**
- 3.5 Million to 10 million arrivals with right policies and promotions
- Diversify products for different types of tourists
- More regions to open for tourist
- Homestay
- Can become one of the Asia’s highlight
- Create fun filled activities

**THREATS**
- Bad country image
- No Countrywide Promotions
- Wars
- Negative International Media Coverage
- Lacking leadership
- Neglecting Negative Impacts of tourism
Crisis Respond by Ministry of Hotel and Tourism

- i) survival, ii) reopening, iii) re-launching.
- In the “survival” stage, taxes will be relaxed, license fees will be reduced, rental fees will be postponed and loans will be provided for the hotels and tourism businesses.
- In the “reopening” stage - with standard operating procedure (SOP) for the health and safety of travelers and staff.
- The “re-launching” stage is aimed at communication and promotion as well as providing incentives to investment.
- However, there are immense amount of criticism on this ambitious plan.

- Some of the Complaints from Local Businesses were
  - problems with loan applications process, only 20% of the companies could apply because of the documents needed.
  - Some were granted only as much as 10% of the applied loan amount.
  - Total (Stimulus Plan) loan amounts are very small relatively.
  - Takes time up to three months from the application.
  - Taxes are not yet relaxed effectively.
  - Incentives are not known to any tourism investment or investors yet.
  - Lacking check and balance mechanism and result oriented management system.
Forecast

- based on information available on 10th July 2020, overall tourism revenue is expected a combined drop of USD 2 billion in absolute terms for domestic and international tourism in 2020, down 65% compared to 2019.
- International arrivals in 2020/21 are expected to fall by 60% to 80% compared to 2019.
- A pessimist scenario with a contraction during the second and third quarters would mean a combined drop of USD 3.0 billion, or 90% in domestic and international tourism compared to 2019.
Looking Ahead : Tourism Sector (Near Term Solution)

- The demand for tourism is falling with potential tourists having financial troubles due to the crisis.
- The lower spending patterns are to be expected such as midscale and economy hotels.
- Therefore, eventual impacts will depend not only on the length of the pandemic, which will have ramifications for business survival, but also potential long-term changes in travel.
- Myanmar is not perceived as cheap and fun filled tourist destination and having no ‘brand’.
- It is expensive and politically corrupt and therefore, considered as unethical to visit.
- Potential to become one the rising star in Asia with up to 10 million tourists arrivals within 2 to 3 years' time
- For near term solution, government can think of China and Thailand and create ‘travel bubble’
  Think domestic tourism improvements for generating some revenue.
- To ignite the change of the national image and to attract more tourists requires much more effort than unrealized policies
- But to constructively put efforts in urgent recuperation plan to create employment and economic development
Looking Ahead: SMEs & Overall Economy

- The economic impact - gradual and non-linear process over two years,
- long term Lower aggregate demand may pressurize Myanmar recent improvements and threatens Myanmar’s recent progress in poverty reduction
- Urban households are highly exposed to health and economic effect of Covid-19
- Anticipated decline in remittance could directly reduce rural household income
- A distinctive permanent impact on consumer behavior changes may be moving to online, with a greater emphasis on hygiene and healthy living, and higher use of cashless and contactless payment methods
Looking Ahead: SMEs & Overall Economy

- Majority of firms were not able to adopt innovation to combat Covid-19 & Low availability of fund
- Tightly regulated loan products to borrow for SMEs
- It is predicted that 20 to 25 percent of all SMEs will not be able to survive the next year
- Job markets containing a large number of informal workers ineligible for protection
- Those terminated were having negative psychological effects, such as mental distress, losing self-control, financial worries and frustration
- Agriculture sector experienced the most cash flows shortages and reduction in access to credit
- Firms with female-participation were worse hit.
- Majority (more than 90%) of firms did not apply (or not eligible) for any government support
- Policy Priorities should be
  i. To Create jobs so as to absorb the entire unemployed work force affected by the COVID 19 (1 million jobs) is the single most urgent problem.
  ii. Serve the un-served “middle segment”
  iii. Make funds available for SME firms
Upside & Downside

**Upside**
- Covid 19 controlled
- Reform Process Quicken
- 1st Ever Relief Plans (for the people)
- Businesses tend to become more efficient, digitalized, risk mitigation plans

**Downside**
- Extended Timeframe of Crisis
- Large scale economy freeze
- Lower Consumer confidence
- Lower aggregate demand
- Soaring Unemployment
- Economic Contraction
- Collapse of many SMEs

At the very unlikely event, the virus might even rewrite the history of Myanmar’s governance, boost the economy, become competitive in tourism and other SME sectors.
Mitigating COVID19's Economic Shock for SMEs and Employment

1. Create jobs and Help thriving SMEs and businesses to absorb the unemployment (up to 1 million)
2. SME's Problem
   (a) Shortage of capital: Central Bank of Myanmar can issues loans to private banks who in turn issue loans to industrial conglomerates, SMEs with least collateral requirements or without any as was the case in Japan after world war two, and authorize banks to fund viable project loans even without collateral
   (b) Incentives for local produce and government backing; also by encouraging local SMEs to create products that are imported, get business expansion loans
2. Export oriented and import substitution programs with incentives to local firms
3. Not just by the stimulus fiscal instruments such as government projects, roads, infrastructure but also encouraging local production in large scale
5. Real tax cuts for local businesses
6. Subsidy increases for farmers and poor households
7. Not regarding innovation in the frame of only ecommerce, and e-payment
8. Can we abruptly become a more business/investment friendly country?
   Forget 'business as usual' thinking. Forget the daily normal bureaucratic steps. We have to be proactive in strategically luring the moving manufacturers out of China recently such as Germany and Japan by offering whatever they need in cheapest possible way
   (a) Open a new one stop investment department that will not just do the necessary licensing but also give away anything that investors will need such as land, electricity, water
   (b) Give Tax incentives
   (c) Promise them with protection of their wealth and rights
   (d) Strengthen backward linkages from FDI into the indigenous economy
   (e) Inform or pitch them professionally, government to government as well as government to businesses.
   (f) Setting-up a business-friendly financial system
   (g) Set up a vendor development programme to support the matchmaking process between foreign customers and local suppliers.
1. Initiative to create positive 'Myanmar's Tourism Image', promotions, campaigns, (such as ads in paid foreign medias)
2. Make Myanmar Tourism competitive in pricing, (hotels, flights, transports, etc)
3. Promote strategically & intensively with activities adapted to the various markets. (strategically targeting at the high value markets such as Europe)
4. Diversify and Create different types of products 'unique travel bubble' (more fun filled programs, infrastructure)
5. Create the right framework conditions, and Integrated and coherent policy for the societal inclusiveness with all stakeholders participation
6. Build a supportive environment by modernizing regulatory frameworks to promote fair competition and encourage innovation through travel-tech incubators, accelerators, mentoring opportunities and other non-tech initiatives (e.g. tourism networks) to encourage uptake, and promote a digital mindset.
7. Facilitate strategic leadership appointments such as ‘Chief tourism entrepreneurs’ with specific mandate to evolve tourism business ecosystems and span boundaries between tourism, tech and other sectors. These trusted intermediaries should be leaders and strategic thinkers, not associated with any ties of the government nor the age nor any associations
8. Targeted and nuanced approaches to regulation, funding, investment and incentives should be based on a better understanding of the different needs of digital native businesses and traditional tourism businesses
9. Support accessibility and affordability of digital technologies, tools and solutions for tourism SMEs, including initial investment and ongoing costs.
10. Encourage public-private partnerships and collaborations between traditional SMEs and digital native enterprises and education institutions to enhance knowledge sharing, innovation and diffusion.
11. Bring together actors with diverse and complementary expertise spanning tech, tourism and other sectors, to create a dynamic digital business environment in which both start-ups and existing tourism businesses can thrive.
12. Train tourism professionals in the country for research and development
13. Make policies effective, result oriented management
14. Establish Check and Balance mechanism
15. Understand ecological foot prints of tourism
16. Micro management task forces is urgently needed for destination managements; Establish Safety regulations for all tourist other than COVID 19, cleaning all the tourist destinations and the river banks, enforcement on money changers to take the stained, folded notes, seek proper help from police other than disturbing tourists, international language signs for easy accessibility, so on……
Thank You!

Any Questions?

ASEAN Visitor Arrivals Dashboard, 2018. Total visits to ASEAN selected countries and original countries. Available at: <https://data.aseanstats.org/dashboard/tourism> [Accessed 9 July 2020].


