

AUGUST EDITION

COVID-19 SURVEY REPORT



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Introduction

Since the first positive cases of COVID-19 in Myanmar were found in late March 2020, the number of confirmed cases gradually rose as many citizens returned to the country amid of the global outbreak. To avoid further outbreak and spread of the virus, the government responded with the implementation of precautionary measures such as

- The restriction of international commercial passenger flights
- Limiting the social gatherings
- Semi-lockdown and curfew in Yangon Region where the confirmed cases were the highest

The restrictions in country were gradually eased since mid-May until late August, allowing operation of government offices, companies and factories, public, private and monastery schools and restaurants which are strictly following the guidelines of the Ministry of Health & Sports (MOHS). The ban on international commercial passenger flights has been constantly postponed and has been restricted until at least 31 October 2020. Compared to the global situation, Myanmar was able to halt the outbreak in the country, counting a total number of cases by 409 with 333 recovered cases and 6 deaths as of 21st August 2020. However, in late August 2020, a rise in confirmed cases was noted. Rapid local transmission cases, from Rakhine State and then to other States and Regions including Yangon, initiating the restrictions to reinforced. Consequently, the government gradually increased the scope of the stay at home order for the whole Yangon Region (excluding Coco Island) to only allow workers to go to essential businesses such as medicine, food, drinking water, financial services, daily personal-use products, telecommunication and logistics. As of 30th September 2020, it was reported that there were 13,373 total confirmed cases with 310 total deaths and 9,618 patients were still receiving treatment.

The outbreak of COVID-19 has disrupted the global economy and impacted Myanmar to a great extent. The evolution of the disease is highly uncertain which makes it difficult for policy makers to formulate an appropriate macroeconomic policy response, making the economic impact hard to predict. This led EuroCham Myanmar to initiate a survey among its members, to uncover the first impacts on the European businesses operating in Myanmar. Published in March 2020, the survey reported that European firms in Myanmar were mostly affected by supply chain and logistic disruption.

Additionally, the survey reported that European firms requested government for:

1. Faster import procedures and customs clearance procedures to support the import/export industries cope with the sudden drop in trades.
2. Subsidies and relief for import and export companies to maintain a strong and steady supply chain.
3. Corporate tax rebate for the year 2020 to ensure sufficient treasury for concerned companies.

The findings of the survey were published online, and shared to the European Delegation in Myanmar and the European Union Trade Delegation operating from Thailand, serving Myanmar. Additionally, findings were shared to Myanmar counterparts, such as the then newly initiated Myanmar Economic Recovery Committee, formed on 13 March 2020. The Committee, chaired by U Thaung Tun, Union Minister of Foreign Economic Relations, comprises of different members including Ministry of Planning and Finance and Industry, Ministry of Commerce, Ministry of Hotel and Tourism and Ministry of Transport and Telecommunication.

The findings of the first edition of EuroCham Myanmar survey were shared to the government and the Committee, to initiate a discussion on how to best mitigate the impacts on business in Myanmar.

In late April 2020, the government of Myanmar adopted the COVID-19 Economic Recovery Plan (CERP) mitigate the impacts of the pandemic on the country's economy. It is a comprehensive recovery plan which is valid until December 2020, including measures to improve macroeconomic environment through monetary stimulus, ease the impact on workers, private sector and households and increase access to COVID-19 response financing.

In July and August 2020, EuroCham Myanmar initiated this second survey, aiming to uncover to what extent the CERP has positively mitigated the impact on the economy, and researching to what extent the situation for European businesses in Myanmar has positively or negatively developed in the recent months under the regulations.

Executive Summary

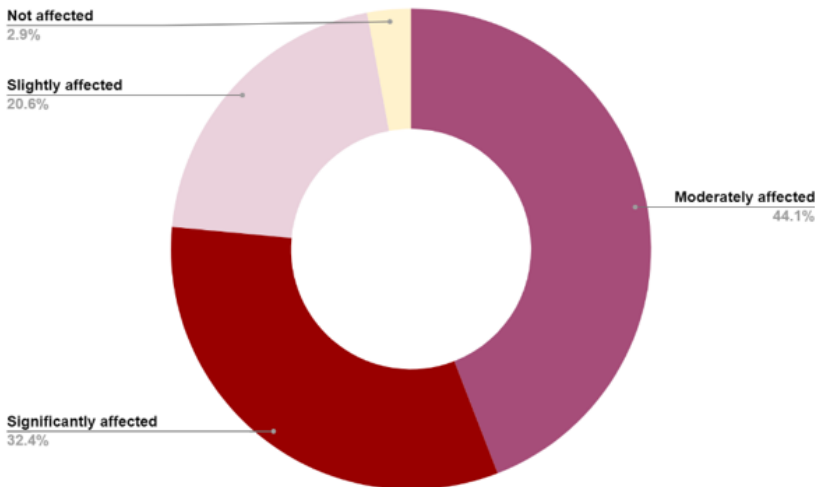
The second survey of EuroCham Myanmar on the impacts of COVID-19 on European businesses in Myanmar was conducted by EuroCham Myanmar to compare the current situation and impacts of COVID-19 with the early pandemic period. This study surveyed 34 representatives of European businesses active in Myanmar in July and August 2020 to assess their level of expected economic impact of the COVID 19 outbreak.

75% of the respondents claim that they are either significantly or moderately affected by COVID-19, which is 14 points higher than in March, nevertheless, 60% of European businesses claim to have adapted significantly or moderately compared with the early pandemic period. Indeed, more than 80% of the respondents are confident to operate along with the MOHS guidelines and restrictions, compared with only 57% in March. Regarding the impact of the CERP, 80% of the European businesses argue that their businesses are slightly or not mitigated by CERP.

European businesses share their opinions for various sectors across trade and investment, financial measures, government administration, travel restrictions and labour.

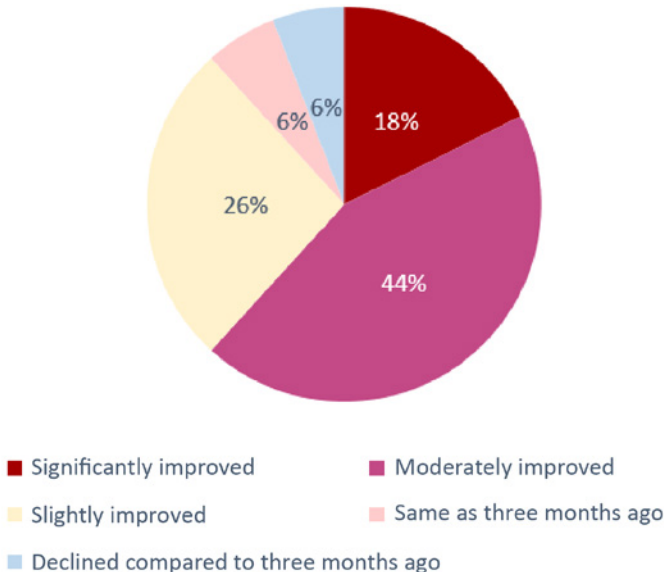
Quantitative Findings

How is your organisation currently affected by COVID-19?



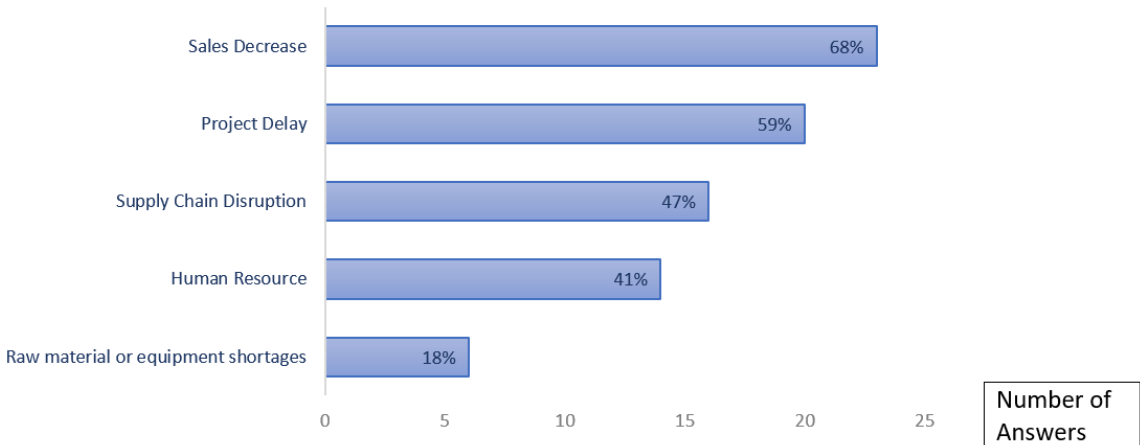
More than 75% of the European businesses are either significantly or moderately affected by COVID-19 currently. The negative effects on European businesses are 14 points higher than in March 2020.

Do you see any improvement in your organisation compared with the situation three months ago?



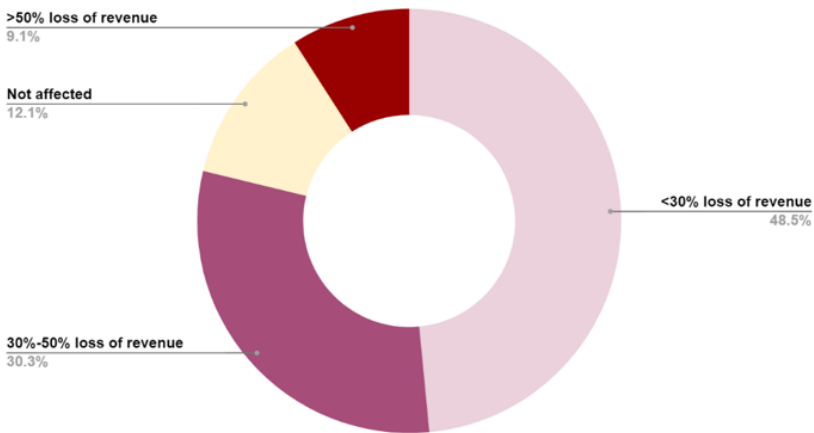
Over 60% are showing resilience declaring their situation has either significantly or moderately improved compared to 3 months ago (March 2020). Over 10% find their situation similar or more challenging than back in March 2020.

What aspects of your business are affected by the COVID 19 outbreak?



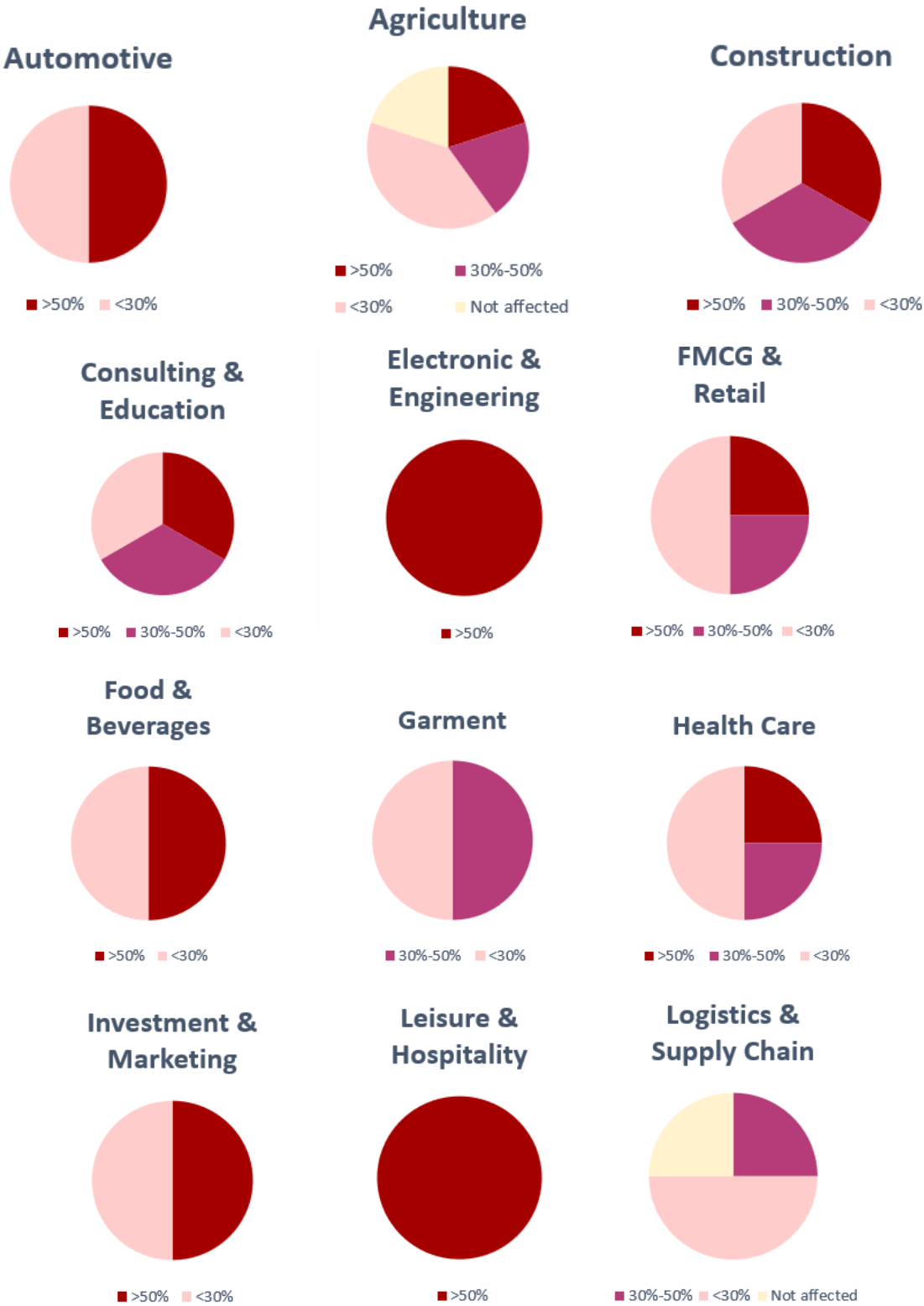
Most of the respondents experience a decrease of sales, some delays in their on-going and upcoming projects and a disrupted supply chain. They are suffering from the lack of visibility and demand, but also the impact on their suppliers and their clients. Internally, European companies are facing human resource issues like absence of staff and issues to bring back foreign employees. In addition to above mentioned effects, some of the European businesses are also impacted due to closure of borders and restriction of public events. Some respondents claimed that COVID-19 even impacts their construction of CAPEX projects. Do you see any improvement in your organisation compared with the situation three months ago?

What is your current cumulative impact of the COVID-19 on your organisation?



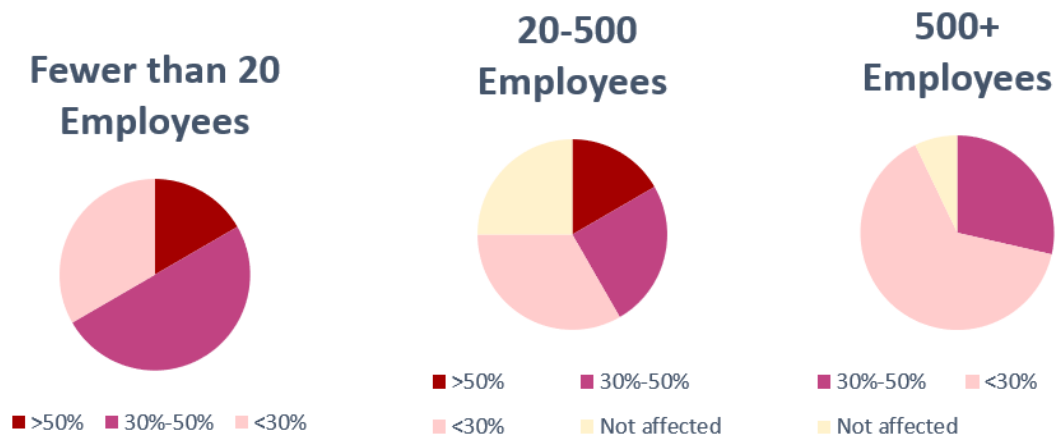
Almost 80% of the respondents estimate their loss of revenue to range up to 50%, which is a similar estimation to the March survey.

Believed Potential Revenue Loss According to Industry Group



Automotive is still one of the most affected industry as in EuroCham Myanmar’s first survey. The hospitality sector, electronic and engineering, food and beverages, and the investment and marketing industries also count among the most affected sectors in the second quarter of 2020 by expecting revenue losses to reach over 50%. The logistics and supply chain sector and health care sector seem to be more spared from the crisis.

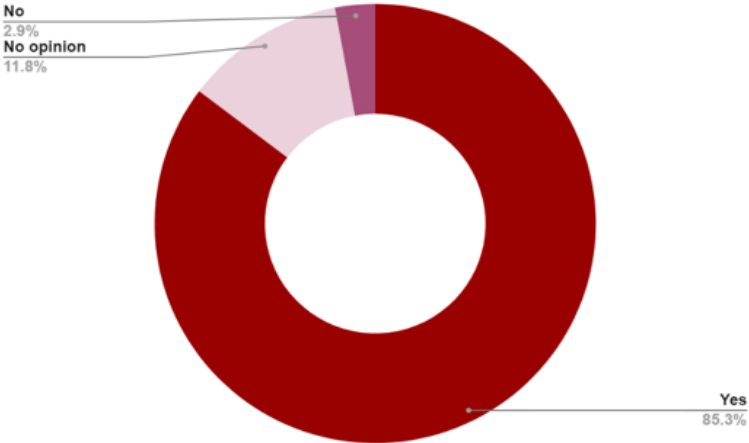
Revenue loss across companies’ sizes: Expected cumulative impact on revenue in different sized companies



The small companies are the most impacted with more than half expecting to have a loss averaging from 30% to above 50% while large companies would better mitigate the impact with a majority estimating less than 30% loss. Medium companies’ responses are more diverse, probably depending on the sector they work in.

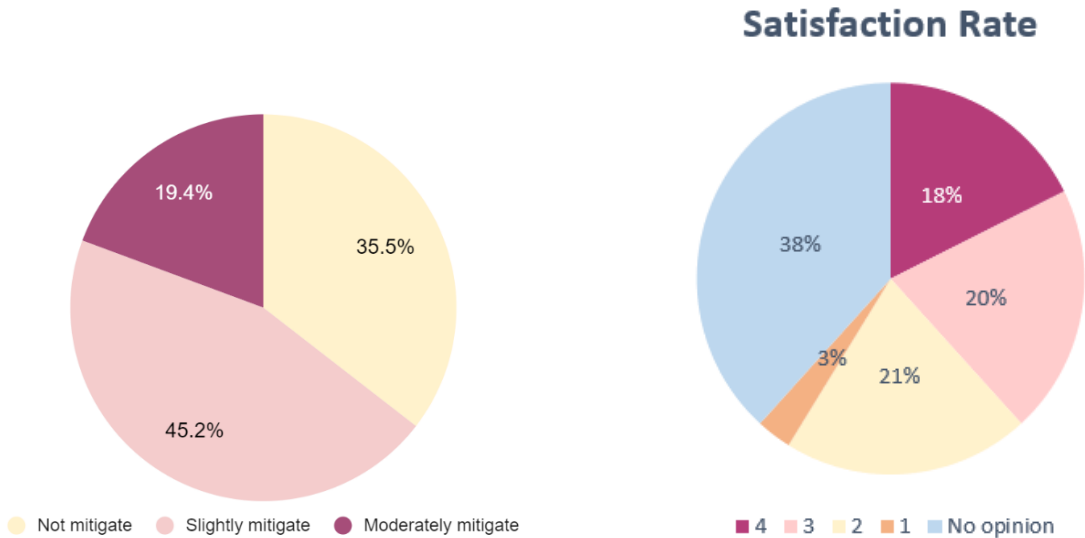
More than 80% of the respondents, which is 32% higher than the response in previous survey, are confident to be able to operate according to the government preventive measures against COVID-19, which is 28 points higher than the response in previous survey.

In your opinion, is your organisation able to operate according to the government preventive measures against COVID-19 (MoHS guidelines, inspections, etc)?



More than 80% of the respondents, are confident to be able to operate according to the government preventive measures against COVID-19, which is 28 points higher than the response in previous survey.

To what extent can the COVID-19 Economic Recovery Plan (CERP) mitigate the economic impact on your organisation?



Only 18% of the respondents mentioned that COVID-19 Economic Recovery Plan (CERP) moderately mitigates the economic impacts of the pandemic. A vast majority (80%) of the European businesses found that the CERP either slightly or does not mitigate.

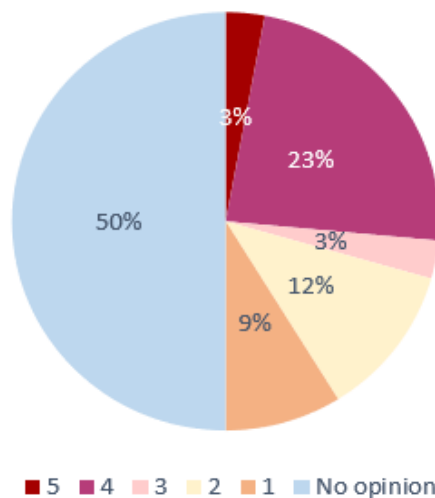
Only 18% of the European businesses rated CERP as 4 on a 1 to 5 scale. For the trade and investment sector, the European businesses recommend to support supply and logistics chains, reopen borders with strict measures, and to create flexible investment plan with good infrastructure. The respondents also recommend to facilitate foreign business by waiving withholding tax for imports and foreign workers personal tax for six months. For the banking sector, the respondents recommend to have less cash used and to reduce bank charges for cashless transaction. The respondents' suggestions for labor sector include creation of unemployment fund and postponing workers' minimum wages increase to next year. In addition, European businesses recommend to support farmers better in terms of finance or input.

How would you rate the MOPFI Tax Relief measures in 1 to 5 scale? (1 for less satisfied to 5 for very satisfied)

On 17th June 2020, the Ministry of Planning, Finance, and Industry (MoPFI), issued an order to clarify the COVID-19 Economic Relief Plan (CERP) tax reliefs. The order further details the conditions and procedures for taxpayers to claim the tax benefits in the framework of the CERP.

In the survey we asked respondents to what extent the announced tax relief measures were satisfactory in supporting their business operations.

Satisfaction Rate



Among the half of respondents who ranked the MOPFI Tax Relief, half of them assessed 4 or 5 on a scale of 5, showing high satisfaction towards the initiative. European businesses recommend the tax relief to be more attractive in terms of incentives and inclusive for all businesses including SMEs. In addition, they recommend that some commercial taxes should be eliminated during the pandemic period instead of proposing deferral or reduction.

How would you rate National Tourism Guideline in 1 to 5 scale? (1 for less satisfied to 5 for very satisfied)

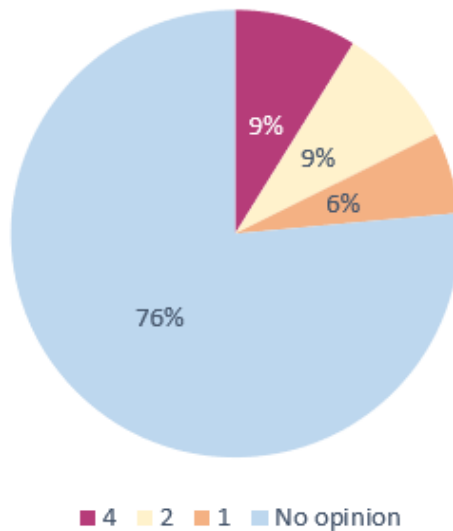
On 17 June 2020, the Ministry of Hotel and Tourism issued a National Tourism Guidelines for COVID-19 Safe Services. The Guidelines concern the transportation, accommodation, and food sectors. It includes specific procedures for each sector, for instance,

- measures to carry out at the arrival
- sightseeing in the town and in the country
- detailed guidelines for visitors, taxi drivers, rental owners, and express owners.

Those guidelines are meant to ensure safety to both tourism employees and visitors.

In the survey we asked respondents to what extent the announced measures were satisfactory in supporting their business operations.

Satisfaction Rate



Among the quarter of respondents who ranked the National Tourism Guideline, most of them gave no opinion and the majority of the rest ranked only 1 or 2 for the guideline. Suggestions from the assessors are for the government to promote with concrete actions and fundings the domestic tourism for Myanmar nationals and foreign residents in Myanmar and to consider allowing people to travel back to Myanmar with strict measures. In addition, they recommend to implement travel bubbles with ASEAN countries as soon as possible via coordinated actions and communications, as regional economic cooperation plays an important role in Myanmar's economic growth.

Qualitative Findings

Discussions points by participating businesses

Trade & Investment

European businesses recommend to improve tax revenues by clamping on anti-illicit trade. European businesses encourage regional economic cooperation with ASEAN and East Asian countries through “green lanes border crossing”. Some of the respondents point out that unless there is support and security for the foreign investment management staff, it can have effect on investment sector. In addition, European businesses encourage to focus on infrastructure improvement to get ready for future investment.

Government Administration

European businesses encourage the enforcement to upload rules of law during this pandemic time. They also support standardisation of rules and regulations to reduce red-tape system. The respondents recommend that the government’s actions to control the pandemic should be practicable on ground and to set clear Time Action Calendar for the businesses to be able to prepare. In addition, European businesses also suggest to have more clarity on restrictions.

Financial Measures

European businesses suggest to consider liberalisation of lending conditions of local and foreign banks in Myanmar. The liberalisation may include the removal of interest rate caps for lending and uncollateralised lending, project financing, asset-based financing and etc.

Travel Restrictions

European businesses highly encourage to allow business related people to travel back to Myanmar, with home quarantine and clear regulations for business continuity and possibility of further investment.

Labour

European businesses express the struggle resulted from unlawful demand of multiple labour unions. Respondents mention that it is difficult to enforce MOHS guidelines without the cooperation from local employees.



The voice of European business in
Myanmar

ADVOCACY

BUSINESS SERVICES

EVENTS

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