

6. Waves of disease, waves of poverty: New evidence on the economic impacts of COVID-19 and political instability in Myanmar

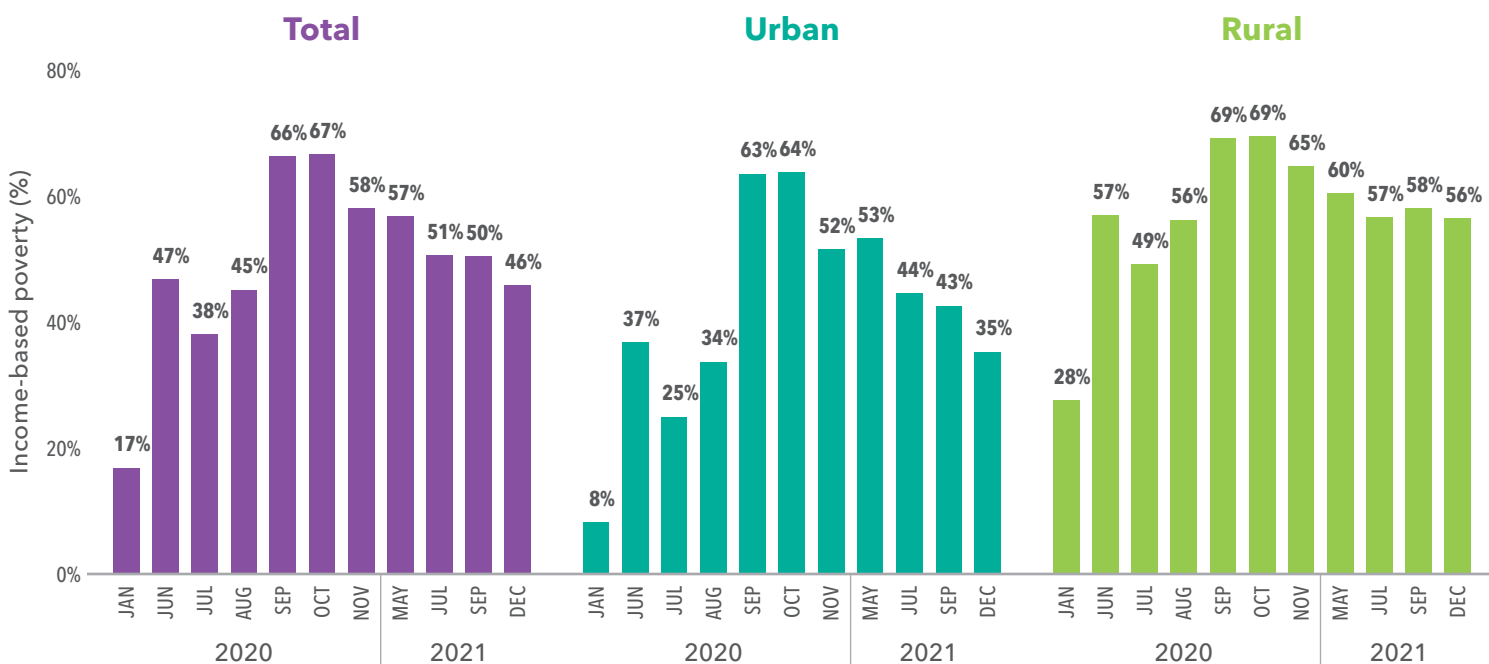
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COVID-19-related trade disruptions hit several sectors in Myanmar as early as January 2020, but it was the appearance of the country's first cases in March 2020 and the subsequent lockdown in April that really hurt the economy. Nonessential businesses shut down, workers and traders could not leave home, and demand for labor dried up. The initial COVID-19 prevention measures worked well – resulting in only a few hundred infections in a country of over 50 million by June – but led to a sharp spike in poverty rates followed by a modest economic recovery in mid-2020. However, by September 2020, the country had faced a second, far worse phase of the crisis, with another wave of infections emerging in Rakhine in August 2020 and quickly spreading out of control to Yangon and other regions. Myanmar went from a few hundred confirmed cases in early August to more than 80,000 by late November (though this was surely a large underestimate, given low testing rates), despite widespread lockdown measures starting in mid-September. Then, just as the economy was showing signs of recovery in early 2021, the military took control of the government on February 1, 2021, sparking wide-scale protests and strikes, withdrawal of major foreign investments, crippling financial instability, and a collapse of economic confidence. To make matters worse, mid-2021 saw the Delta wave sweep through Myanmar, producing even higher rates of infection.

Updated results from 10 rounds of a high-frequency IFPRI survey show the severity of these four distinct shocks and their aborted recoveries. In addition, simulation results suggest that lockdowns have especially disastrous impacts on poverty and should be accompanied by larger and better-targeted cash transfers if Myanmar is to successfully contain the economic destruction wreaked by COVID-19. However, social protection – along with so many other essential government services – has also collapsed, leaving the impoverished population of Myanmar to rely largely on their own coping mechanisms, even as international donors and local nongovernmental institutions help as best they can.

The study, from IFPRI's Myanmar Agricultural Policy Support Activity ([MAPSA](#)), used both surveys and simulations to understand the multifaceted disruptions of COVID-19 in Myanmar. From June 2020 onward, we surveyed 1,000 mothers in urban Yangon (Myanmar's largest city and commercial center), and 1,000 mothers in the rural dry zone (a major agricultural production center to the northwest of Yangon). The COVID-19 Rural and Urban Food Security Survey ([C19-RUFSS](#)) covered a wide range of welfare measures in addition to access to COVID-19 emergency response interventions, and continued to track respondents by phone (despite some attrition), even when they migrated away from their original townships. Strikingly, around 14.3 percent of the sample have migrated away from their original dwelling, both permanently (8.5 percent) and temporarily (5.8 percent).

FIGURE 1 Trends in income-based poverty prevalence, January 2020 to December 2021, at the US\$1.90/day poverty line



Source: COVID-19 Rural and Urban Food Security Survey.

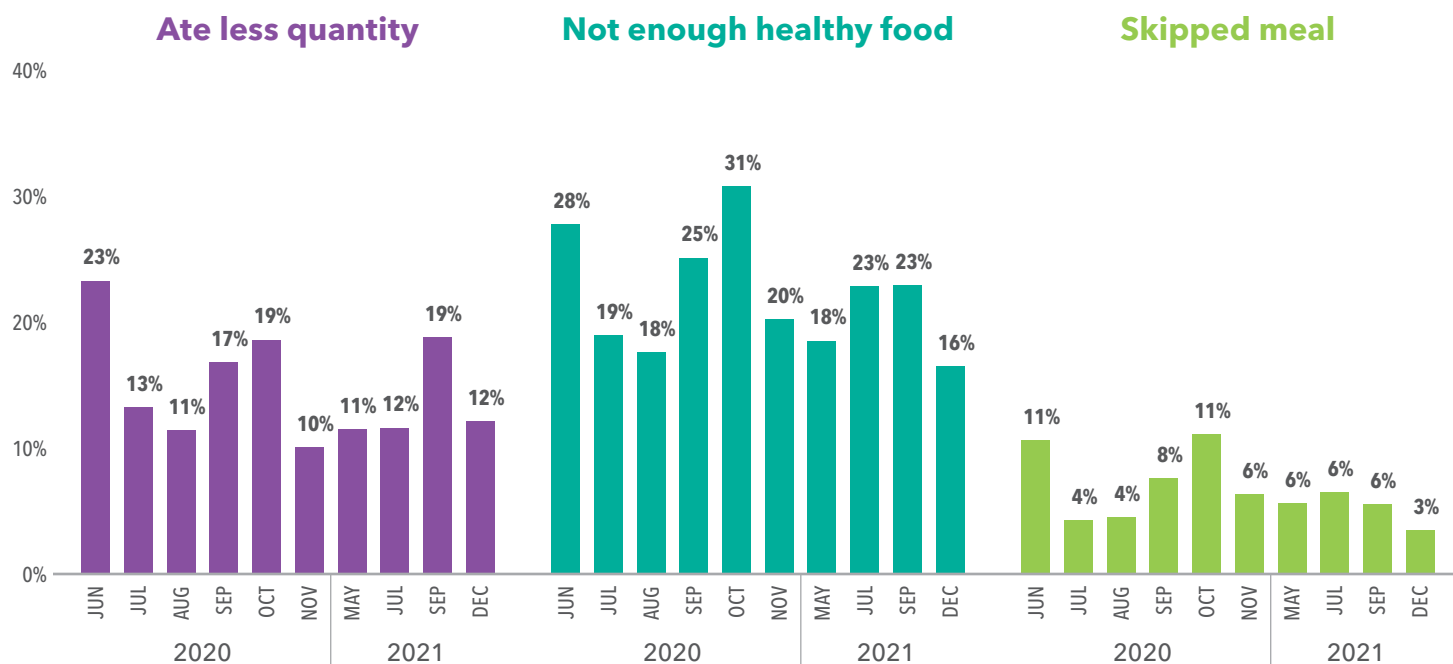
Note: January 2020 estimates of monthly income are based on recalled income responses. All other monthly estimates are based on recalled income in the month prior to the survey.

However, the geographic and demographic limitations of this survey prompted us to also use a micro-simulation analysis of a nationally representative household survey from 2015, in which pre-COVID-19 livelihoods were negatively shocked with lockdowns and trade and remittances disruptions, but also positively shocked with different levels of household cash transfers. Hence the phone survey tells us what is happening on the ground in 2020 and 2021, while the simulations illustrate potential impacts on poverty under more hypothetical but realistic lockdown scenarios, and under different hypothetical economic and social protection scenarios.

Survey-based evidence on poverty in Myanmar in 2020

The monthly phone survey suggests that income-based poverty (at the US\$1.90/day poverty line) soared between January and June 2020 during the first wave of COVID-19 disruptions (Figure 1), especially in Yangon where only 8 percent of surveyed households were poor in January, but 37 percent were poor in June. In the rural sample, pre-COVID poverty was higher than in Yangon (28 percent in January) and also increased dramatically, to 57 percent in June 2020. Both rural and urban samples saw some improvement in mid-2020, but when the second wave of COVID-19 broke out in August 2020, poverty started to rise again. By October 2020, with infections peaking and stringent COVID-19 measures again

FIGURE 2 Trends in food insecurity experiences and poor maternal dietary diversity in urban and peri-urban Yangon, June 2020 to December 2021



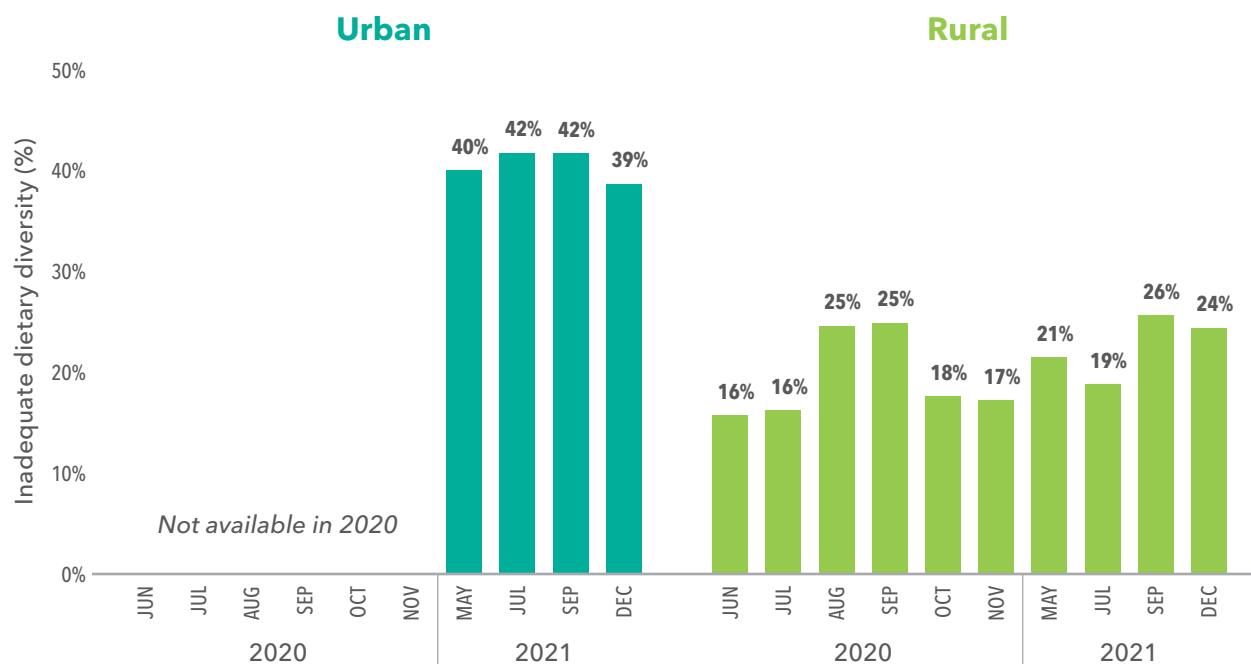
Source: COVID-19 Rural and Urban Food Security Survey.

being implemented, income-based poverty was as high as 69 percent in the rural sample and 64 percent in the urban sample. By November, poverty rates were starting to fall, and the economy continued to improve into early 2021. However, the February 1 military takeover caused another economic crisis. When we surveyed households again in May 2020, poverty was still 60 percent in the rural sample and 53 percent in the urban sample. Since then, poverty has remained disturbingly high in the rural sample, but fallen to 35 percent in the urban sample (still five times the level prior to COVID-19).

These poverty trends are also mirrored by rising rates of food insecurity ([Figure 2](#)) and poor maternal dietary diversity ([Figure 3](#)), especially in Yangon ([Figure 2](#)). In the wake of the first wave, 23 percent of mothers reported eating lower quantities of food and 28 percent reported not eating enough healthy food, while 11 percent skipped meals. We saw numbers fall in mid-2020 but rise again in late 2020 as the second wave of infection hit and in September 2021 when the third wave peaked, although we also note some lean season effects in the rural sample.

In [Figure 3](#), we also see some signs of lean season effects in the rural sample, with inadequate dietary diversity among mothers always higher in August and September. However, the most striking result is that maternal dietary diversity is much poorer in the Yangon sample, with around 40 percent of mothers having poor diets in 2021 (the indicator is not available in 2020 in the urban sample).

FIGURE 3 Inadequate dietary diversity among mothers by urban and rural areas, June 2020 to December 2021



Source: COVID-19 Rural and Urban Food Security Survey.

Simulation-based evidence on poverty in Myanmar in 2021

With poverty rates still so high in the wake of multiple shocks, what can be done reduce poverty in the near future? [Microsimulations](#) can shed light on how poverty reacts to different degrees of COVID-19 disruption and different doses of accurately targeted cash transfers. The greater challenge, given the political situation in Myanmar, is for donors to find the funds and program modalities to effectively deliver social protection to a sufficient number of impoverished people.

The simulations use an expenditure-based poverty measure at \$2.50/day. Consistent with the survey evidence, this measure rises dramatically during lockdowns, especially in urban areas. Nationally, under this measurement, extreme poverty was 9.8 percent prior to COVID-19, but the simulation shows it rising to 31.6 percent, and urban poverty rising from just 2.7 percent to 24.7 percent during strict lockdowns.

To address the economic impacts of the lockdowns, the previous democratically elected government had provided several rounds of cash transfers of steadily increasing amounts, with around 20,000 kyat (about \$15.50) given to households in September. Our phone survey evidence suggests just under half of all households received these transfers in September 2020, so perfect targeting in

the simulations is an unrealistic scenario. Nevertheless, the microsimulation evidence shows that perfectly targeted 20,000 kyat transfers have only a moderate impact on extreme poverty, which falls by 18 percent – from 31.6 to 25.9 percent. It takes a 60,000 kyat transfer to halve poverty during a lockdown. Once a lockdown ends, however, the evidence suggests the situation is quite different – even 20,000 kyat transfers help bring extreme poverty much closer to pre-COVID poverty rates in those circumstances.

What are the implications for social protection in Myanmar?

While Myanmar has already experienced several waves of COVID-19, it may yet experience further waves, particularly with the Omicron variant spreading. Moreover, economic recovery has clearly been stalled by the dire political situation and related economic turmoil. International agencies need to aid recovery in the medium to longer term, but they also must help build up resilience in the shorter term and scale up emergency assistance for the most impoverished and food insecure populations. Should further COVID-19 shocks strike, agencies should aim to give larger cash transfers during lockdowns, both because so many households earn zero income when stay-at-home orders are in place and because more generous transfers might also improve adherence to the restrictions, thus curbing spread of the disease. These agencies should also provide extra protection to nutritionally vulnerable households with pregnant women or young children.

Our research indicates that Myanmar is in a dire economic situation that will require dramatic changes in the way the polity and economy is managed. On the social protection front, the most important task for donors is to scale up social protection, then to identify the most effective and innovative delivery mechanisms given the challenges of military rule. Closer monitoring and evaluation is also essential to ensure interventions deliver desired results. Without these urgent steps, Myanmar's repeated waves of disease, poverty, and political instability could well be a tsunami of untold misery.

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