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# The Present and Upcoming Economic Impacts of Corona Virus COVID-19 in Myanmar

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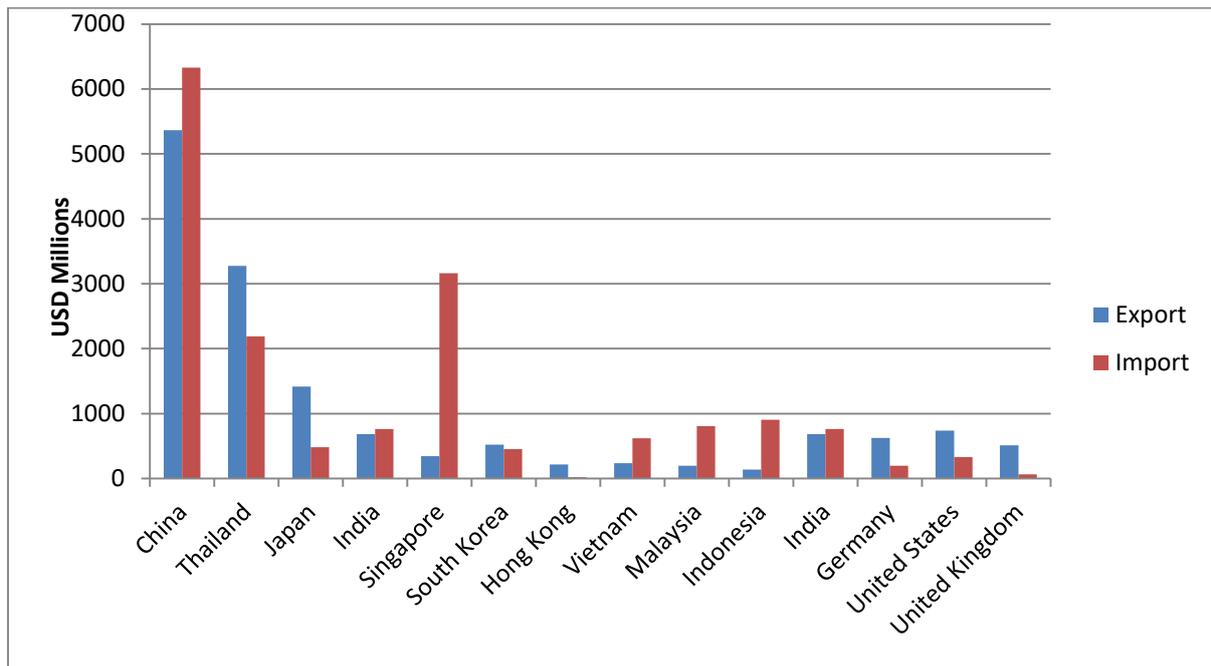
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## Overview

Corona Virus 2019 (COVID-19) is an infectious disease which is caused by a virus closely related to SARS virus. The initial infected cases were first identified around December 2019 in Wuhan, capital of Hubei province in China. Afterwards, the disease spreads to 92 countries and territories with result of more than 100,000 infected cases (BNO News, March 2020). The economic impacts of COVID-19 at the beginning were vague. However, the world began to see the impacts as infected cases in China rose and many cities were under quarantine. As the infection spread widely across the world, the world financial market suffers 5 Trillion USD loss in the market recently due to the outbreak (Forbes, 2020). The economists warn that there is a possible global depression to be followed as the result of the outbreak. China economy has been slow due to COVID-19 outbreak and GDP growth of China expects to decline in the first quarter of 2020. As China is one of the largest players in global supply chain with 2.5 Trillion USD global exports, the world economy depends on this global supply chain is greatly disrupted and China economy accounted for 16% of the global economy (CNN, 2020). For example, Myanmar garment industry depends on China for its supplies. Moreover, the oil prices are declining each day at global financial market and Myanmar oil and gas sector might suffer from the declining prices (Myanmar Times, 2020). In addition, Myanmar also suffers from economic impacts as China is closest neighboring country and one of the biggest trading partners of Myanmar. According to Myanmar Ministry of commerce, China is the biggest trading partner of Myanmar followed by Thailand, Singapore, Japan, South Korea and India (Myanmar Ministry of Commerce data). The trading through MUSE trading gate alone earned 4.9 billion USD in 2018-2019 (Myanmar Ministry of Commerce data). Due to the COVID-19 outbreak, the fruits and vegetables trade and marine products trade are stalled at the trading gates and Myanmar is losing the revenue from the trading gates every day (Myanmar Now, 2020). These economic impacts might be possibly repeated with top trading partners if the outbreak hits hard. The following figure shows that the revenues of trade between Myanmar and its top trading partners countries.

**Figure 1: Myanmar's Top Trading Partners Countries 2018-2019**



*\*Based on the export/import data available from Myanmar Ministry of Commerce for the year 2018-2019*

## The Nature of COVID-19 Disease

Corona Virus 2019(COVID 2019) is caused by SAR COV- 2 virus which is closely related to SARs virus. The virus presumably came from animal origin and mutated on animals and jumped to human. The infection spread from one person to another via respiratory droplets from airway which are produced during coughing or sneezing. The incubation time is 1 to 14 days. There are also asymptomatic cases (non symptoms showing) reported in many infected countries. The symptoms of the disease include, fever, dry cough and shortness of breath including rare symptoms of diarrheas and sore throat (Wang et. al, 2020). The virus infected 80,000 people in China alone and its mortality rate jumped from 2.9 percent to 3.4 percent which WHO confirmed the rate recently (Science Direct, 2020). Unfortunately, the mortality rate is volatile since the world is in the midst of the infectious disease outbreak, getting the fixed numbers of the rate would need more research. The basic reproductive number R0 varies by different studies as well (World Economic Forum, 2020). Basic reproductive number R0 indicates how contagious an infectious disease is.

## Present Economic Impacts of COVID-19 in Myanmar

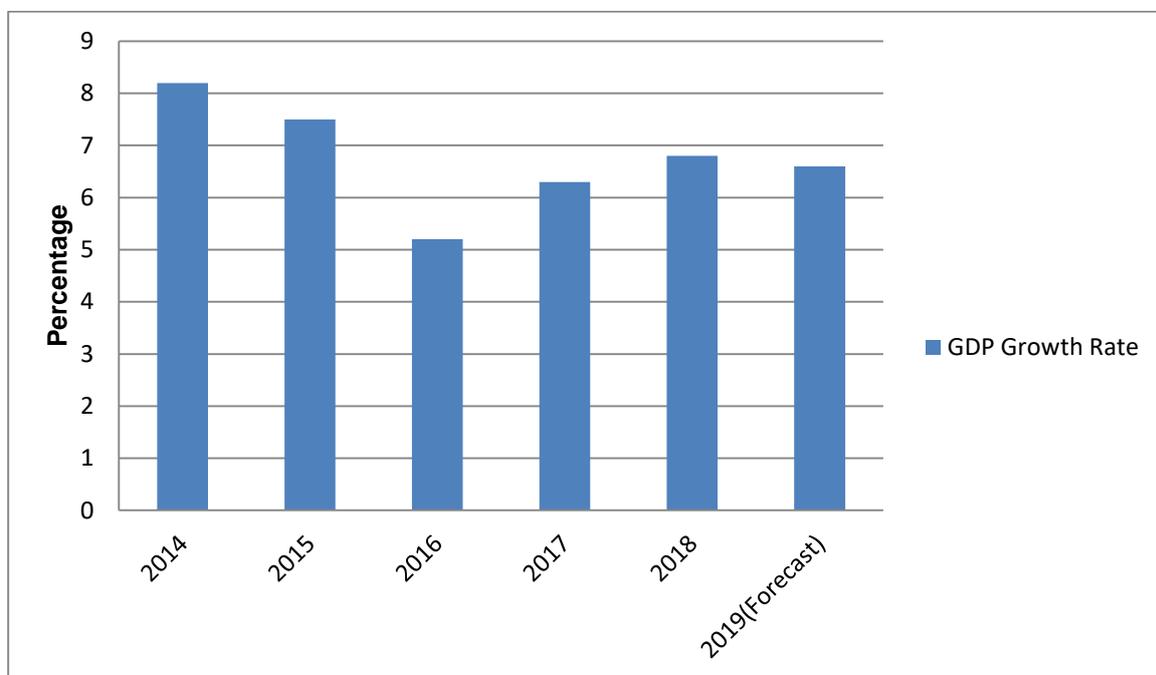
In “Black Swan Theory” by Nassim Nicholas Taleb, the “Black swan” represents a rare and unpredictable event is occurring in the history which is non-computable and plays a massive role in history and has a severe consequence. According to Forbes magazine, the black swan event derived from a common perception of European explorers who thought all swans were white and when the black swan discovery was made by the Dutch explorer Willem de Vlamingh in Australia, the other explorers were shocked and confused due to their previous perception about Swans.(Forbes, 2020) The outbreak of corona virus COVID 2019 is often marked as a black swan event by the world financial market and media due to its severe consequences on jobs loss, unstable stock market and global economy slowdown. Although COVID-19 has not reached its peak yet, its consequences on economy is already here. Fear plays as a most important factor is economic impacts of an infectious disease outbreak according to Lee and McKibbin in their research article on “Estimating the Global Economic Costs of SARs”. Fears resulted in unstable world financial market or even could lead to a crash of the market since the market is volatile (Lee & McKibbin, 2004). Investors are also human who fears of the unknown, unforeseen future that an infectious disease outbreak might cause. Fears also play a role when concerning general public. Fears of infection lead to the general public to panic-buying in attempt to avoid crowd which could lead to a shortage of supplies in the nation. The fluctuation of foreign exchange rates has been damaging export sector and agriculture sector which is linked to export sector closely (Myanmar Times, 2020). Because of uncertainty in global financial market caused by the corona virus outbreak worldwide), Myanmar Kyat is strengthening against other foreign currency such as U.S dollars or Euros. The revenue of the export sectors may reduce due to the fluctuation and medium and small enterprises across garment, tourism, export and agriculture will affect from it. Moreover, it will affect the earnings of Myanmar migrants’ workers.

In this chapter, only current visible economic impacts will be put into a focus since Myanmar has so far no confirmed cases. Later in the next chapter, possible economic impacts will be discussed in case of future scenarios. Myanmar GDP growth rate is projected as 6.6 percent in 2019 and forecasted to grow to 6.8 percent in 2020(Asia Development Bank, 2019) However, current economic impacts of corona virus (COVID-19) outbreak may change that fact. Myanmar GDP is composed to Industry, Services and Agriculture sectors. According to 2017 estimate GDP composition, Services sector attributed to 40.3 percent, Industry sector with 35.6 percent and Agriculture sector with 24.1 percent perceptively to Myanmar GDP (theodora.com, 2020).

The very first economic impact which Myanmar encountered due to the COVID-19 outbreak was in mid-January when the trade in border trading gates was slow. Then, China closed its borders with Myanmar in order to contain corona virus outbreak in the country later in February (The Irrawaddy, 2020). Muse border trading gate which accounted for more than 50 percent of the total value of border trading gates loses 8 million USD a day alone now (The Irrawaddy, 2020). Exports to China dropped by 160

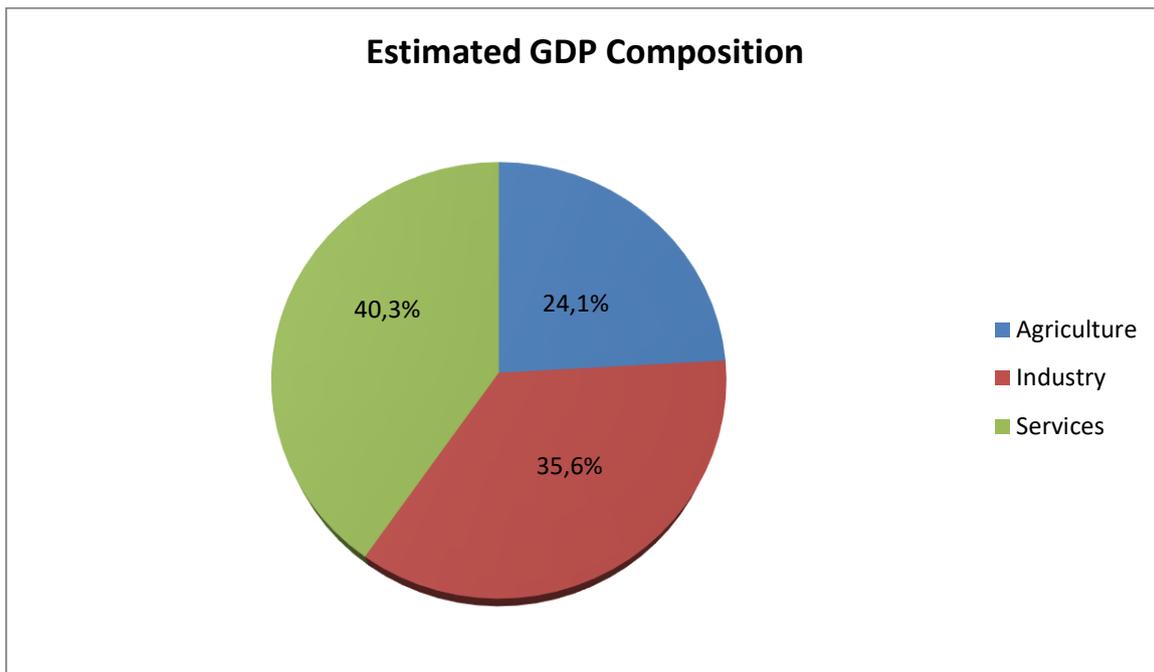
million USD between January 27 and February 5 at the borders trade in Shan and Kachin states (Myanmar Now, 2020). Perishable horticulture products such as water melon and musk and marine products as shrimps, eels and crabs were left unsold at the gate due to the lack of potential buys. Trucks loads of water melons were sent back and the melon trade is 95 percent down at the Muse gate (The Irrawaddy, 2020). Fish Trade dependents such as 50,000 fisheries workers lost their jobs (Mizzima, 2020) and thousands of crabs catchers from Labutta district alone will be out of work (Frontier Myanmar, 2020). An estimate loss of 50 million USD in export marine products through MUSE gate is reported (Mizzima, 2020). This 16 million a day (Myanmar now, 2020) China trade loss will contribute to a decline in manufacture sector GDP which will eventually lead to a decrease in GDP growth rate in at least the first quarter of year 2020.

**Figure 2: Myanmar GDP Growth Rate (2014-2019)**



Source: \*based on data from world data atlas nknoema.com and Asian Development Bank, 2019

**Figure 3: Myanmar's GDP Composition by Sectors 2017**



Source: \*based on data from *theodora.com*, 2017

The next sector which affected by the COVID-19 outbreak is service sector. The numbers of Chinese tourists who visited Myanmar in 2019 amounted to 39 percent out of the total tourists who entered Myanmar (Mizzima, 2020). China outbound travel restrictions had reduced the tour bookings in Myanmar up to 50 percent (Myanmar Times, 2020). The fall in numbers of Chinese tourists is not the only trouble for Myanmar tourism sector. The recent widespread of corona virus (COVID-19) has reached to other continents of the world and currently infecting more than 70 countries and territories. Therefore, foreign tourists' arrival is expected to shrink to 80 percent (Myanmar Times, 2020). According to Myanmar Tourism Entrepreneurs Association, tourist arrivals at Myanmar's airports reduce to 53 percent since the numbers of flights dropped by 60 percent and routes were cut by 40 percents (Myanmar Times, 2020). Moreover, the outbound tours have declined by 80 percent (Myanmar Times, 2020). This dramatic decline not only affects tourism but also tourism-dependent businesses as transportation, rentals, restaurants and other SMEs. As an outcome, there has already been lay-off in the industry as Business no longer can afford it. At the mean time Myanmar tourism looks forward to Myanmar New Year's Holidays season when local tourism peaks in the month of April (Myanmar Times, 2020).

Myanmar garment sector is in trouble as well because of the corona virus outbreak. 90 percent of raw materials supplies come from China and the rest comes from Indonesia, South Korea and Vietnam for the garment industry which largely use cut-made-package CMP models (The Irrawaddy, 2020). Myanmar garment sector earn 4.6 billion USD export revenue in the year of 2018-2019 and it is the second largest export earner of the

country (Frontier Myanmar, 2020). As the result of corona virus COVID-19 outbreak, China has restricted the import of the raw material in February 13. Since then Myanmar garment industry is struggling to function properly. At first majority of the garment factories reduce working hours of their labour force, then some of the factories considered shutting down temporarily and now they are facing the threats of the factories shutting down permanently (The Irrawaddy, 2020). So far 13 garment factories in Myanmar have reported to Ministry of Labour for their factories shut down (Myanmar Times, 2020). Although the 60 percents of textiles factories resume their production in China now, they will not able to produce enough and on time for the demand of the market now (Just-Style, 2020). On the demand side of the garment and textiles, the latest widespread Corona virus outbreak in Europe could cause damage to the Myanmar's garment industry with low amounts of orders. EU is the main importer of Myanmar textile products (Euro Cham Myanmar, 2019).

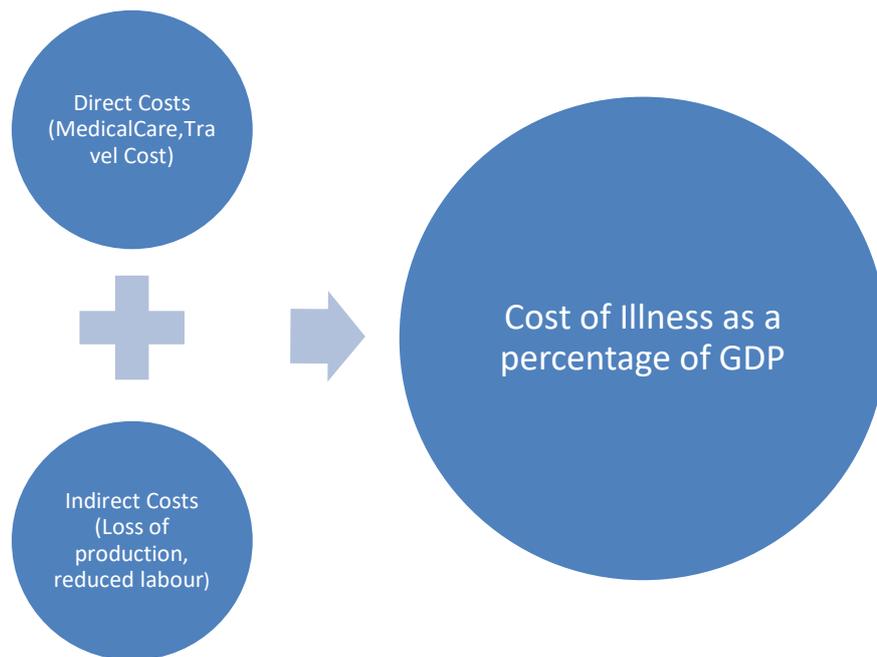
## **Upcoming Economic Impacts of COVID-19 in Myanmar**

If Myanmar were to befall upon the outbreak, it would be wise to determine the cost of health sector. The treatment for the disease requires a lot resources and which patients to prioritize the treatment in case of the shortage on health care resources can be costly. When there was insufficient public budget, it could lead to a collapse of the health care sector and a shortage in budget allocation. The next factor is the labour market, the human capital. In the case of the outbreak, lots of people will be ill at the same time, there would be a shortage on labour market. Many agriculture operations and manufacturing sector such as garment sector needs human labour to run smoothly. The loss of labour force can have impacts on economic growth and GDP. Shortage in labour can have an effect upon the transportation of necessary goods within the country. Loss of labour also means loss of wages of people who are unwell to perform their job responsibilities. This factor will reduce private savings in order to pay for their health-related bills. For this scenario, government interventions will be needed to support sick persons and Businesses with incentives and the government preparedness to come up with strategies to deal with the health burden. Fear of the infection would be another factor to concern about. Due to fear, people will buy necessities in panic and in bulk. The government needs to prepare a counter measure to deal with the panic buying or else there will be shortage on goods before the next harvest/production is ready. There is also a possibility that there is a low demand of export goods, due to the widespread outbreak across the globe or the logistical problems.

According to “WHO Guide to Identifying the Economic Consequences of Disease and Injury”, in order to measure the economic consequences of a disease, the people's welfare- ‘Utility’ has to be included. Welfare is defined by the state of their health, the consumption of goods and services and the amount of leisure time they have. The total welfare is reduced when a person becomes ill and therefore subsequently reduces in their labour income or production as well savings and investment. Ill health also reduces non-health goods and services (such as foods and housing etc) and availability of leisure time.

Many other studies calculated the general cost of illness with the direct costs which are expenses of the illness and indirect costs (such as value of lost production due to labour shrinkage). In general rule, the cost of illness does not include direct effects on welfare or leisure because they are marked as intangible. The purpose of the sum of those two costs is to provide an estimate of overall cost of illness upon society as a percentage of GDP.

**Figure 4: Cost of Illness General Formulation**



*\*based on the article from Chisholm et. al, 2010*

However, WHO argued that the general cost of illness does not measure indirect costs such as leisure loss due to illness or input of home workers who are not in paid employment. Direct cost of this new formulation stated that the quality of interest cannot be GDP as medical care and health related expenses are actually part of GDP. “In the end the sum of these two costs does not represent the lost GDP only the indirect costs involving market production represents a loss, however it is not the lost social product—only the (market and non-market) indirect costs are; and it is not the loss of non-health market and/or non-health consumption, because it would require calculating the impact of illness on health consumption opportunities over time”, as Chisholm et. al pointed out in his study. He also pointed out that proper interpretation cannot be made as combining measurements of different types of economic consequences as cost of studies do makes no sense.

The other factor WHO stated that a prevalence-based study (which is new or pre-existing illness or death occurred in the present time period) is more suitable approach to calculate the total current economic burden of disease, whereas an incidence-based approach (there is no new morbidity or mortality in the specified period) is better to use

for the future expected impacts of the disease and its potential prevention. Both WHO and Chisholm et. al stated that cost of illness studies broadly used the prevalence-based approach, estimating costs of disease related intervention for a given year but not the future years and the value of present and future lost production associated with deaths this year which made the whole approach inconsistent to cost estimation.

The cost of illness studies provides only a partial insight to true macroeconomic impact of the diseases because it only focuses health sector spending and lost labour productivity instead of taking a consideration into of depleted capital accumulation, investment in human capital and demographic change to diminished economic growth stated Chisholm et al in their study. Therefore, Chisholm et. al (2010) recommended that if the focus lies on impacts of the market economy or GDP, an economic model based on either estimation or calibration suited better due to its modeling technique is a set of regressions showing the relationship of national income to the quantity and sometimes quality of labour, controlling for other determinants. The model also applied not only to ill health in general but also to specific diseases such as HIV, Malaria in the particular situation where the impact on different components of GDP is required.

Whether it is Chisholm's recommended model or WHO guidelines, the situation in Myanmar is unclear to calculate such data intensive and high computational costs model. In addition, as the world in midst of the outbreak the morbidity and mortality rate are not clear enough to calculate the future economic impacts of Myanmar.

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