Covid-19 Economic Impact Study. Headline Results Brief

Round 1 Data Collection. May 2020

Future Forum and Angkor Research Cambodia

Project Motivation

Coronavirus disease 2019 (COVID-19) is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The disease was first identified in 2019 in Wuhan, the capital of Hubei China, and has since spread globally, resulting in the 2019–20 coronavirus pandemic. Following the continuous spread of the disease many Governments over the world decided to close their borders, ordered unnecessary shops to temporarily close and people to stay home[1]. The Asian Development Bank's (ADB) recent analysis predicts that the coronavirus outbreak could cost the global economy between $4.1 trillion and $5,4 trillion, (4.5 – 5.9 percent loss of global gross domestic product (GDP) under the better-case event of suitable "government policy responses"[2]. In the event of inaction or ineffective intervention, the impact is predicted to reach a total global loss of $8.8 trillion (9.7 percent of global GDP).

Despite the moderate official contamination level in Cambodia[3], The Royal Government of Cambodia has undertaken several policy steps to control the outbreak including:

- The establishment of task forces by The Ministry of Economy and Finance to: (1) control the price and supply of strategic goods (decision No. 024); (2) study and plan monetary and banking measures to support the Committee on Economic and Financial policy (decision No. 028); and, (3) to plan for budget policy on financing and social assistance (decision No. 027).
- The operationalisation of preventative measures around Covid-19, such as: (4) the Ministry of Health's PPE and cleaning instructions for vehicle transportation owners and passengers of common transport vehicles; (5) the suspension of all massage, spa, and wellness businesses by the Ministry of Tourism; and, (6) the Ministry of Education, Youth and Sport's decision to suspend schooling, as well as sports activities requiring public gatherings.
- The adoption of a State of Emergency Law based on Article 22 of the Constitution.
- Border control measures restricting the movement of foreign arrivals to the kingdom until a negative Covid-19 diagnosis can be confirmed. Current measures require arrivals to get a visa before arrival; obtain a medical certificate from a health authority stating that the traveller does not have Covid-19; provide proof of insurance with a

[1] See https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19 for a breakdown of national policy responses to the crisis.

[2] Asian Development Bank website. Available at https://www.adb.org/news/videos/covid-19-s-global-economic-impact-could-reach-8-8-trillion-adb.

[3] Cambodia has reported 141 cases at the time of writing (Source: https://kh.usembassy.gov/covid-19-information/).

minimum of US$50,000 medical cover; and deposit US$3000 for Covid-19 service charges at the airport on arrival, covering medical treatment (including a mandatory Covid-19 test) and accommodation.

As the pandemic continues to move forward, at home and abroad, it is expected that the Royal Government of Cambodia will continue to take additional steps to prevent further contamination. Particularly as the fallout of a global pandemic continues to hit the Cambodian economy, disrupting tourism and travel, supply chains and labour supply. While the biggest enterprises will meet financial difficulties, the informal sector, farmers, micro and small enterprises may encounter more severe challenges resulting from preventive measures implemented in Cambodia.

The current situation will also impact wage workers, who represent more than half (51%) of the Cambodian active population based on the 2017 Cambodia Socio-Economic Survey (CSES). More specifically, hospitality and food services, sex and entertainment workers saw their activities halted or greatly limited due to border closures, the repatriation of hundreds of tourists and expatriates as well as the advice to limit gatherings and contact with others. In addition, factories in Cambodia started to shut down, leaving thousands of workers without employment. The Ministry of Labour's spokesperson estimated that "at least 200 factories will face raw material shortages, and the worst scenario will see 160,000 factory workers affected due to the COVID-19 outbreak"[4]. While the garment industry, construction and tourism are the engines of the economic growth in Cambodia, the agricultural sector accounts for about 35% of GDP[5] and employs a large majority of the population.

Project Objective and Methodology

Accordingly, and recognising a critical gap in ground-level data, Future Forum and Angkor Research Cambodia are jointly undertaking an economic impact study on Covid-19. Specifically, the project is studying the economic impacts of COVID-19 on Cambodian citizens occupying activities that are expected to be hit the hardest by the pandemic (farmers, wage workers and families with micro enterprises).

Utilising a cluster-based sample selection methodology, the sample is clustered at the provincial, village, and activity level. This survey will be a longitudinal study focused on wage workers, families with micro/small enterprises and farmers in four provinces[6] and Phnom Penh municipality. The sample design is provided in Table 1.

[4] Lipes Joshua, 27 Feb. 2020, *Coronavirus Effect on Supply Chain Will Impact 200 Factories, 160,000 Workers in Cambodia: Official,* Radio free Asia. Last consulted on 30 March 2020. Available at: https://www.rfa.org/english/news/cambodia/impact-02272020144207.html

[5] FAO, Cambodia at a glance. Last consulted on 30 March 2020. Available at: http://www.fao.org/cambodia/fao-in-cambodia/cambodia-at-a-glance/en/

[6] Kampot, Kampong Speu, Svay Rieng, and Siem Reap.

Table 1. Sampling design

Strata	Rate	Size	Selection Method
Province		5	Purposive – Phnom Penh, Kampot, Siem Reap, Svay Rieng, and Kampong Speu
District	2/ province	10	Random
Village (PSU)	5/ district[7]	54	Random – PPS
Household	20/ village	1,087	Random (EPI-WALK)
Village Chiefs	1/ village	54	Purposive
Total Interviews		**1,134**	

Headline Results and Respondent Characteristics

The purpose of this paper is to provide key findings from the first round of data collection in a facts and figures format with some accompanying insight and analysis. In our approach there are two key sources providing insight: households and village chiefs. We will begin with results from the latter.

Village Chiefs

The role of a village chief is primarily in the collection of mandatory contributions from local villagers to development projects, disseminating information to villagers, and serving as an administrative support mechanism for the commune authority[8]. In this regard, they are a valuable source of village-level knowledge regarding economic, health, and social occurrences and villager's circumstances. Table 2 contains the characteristics of these respondents.

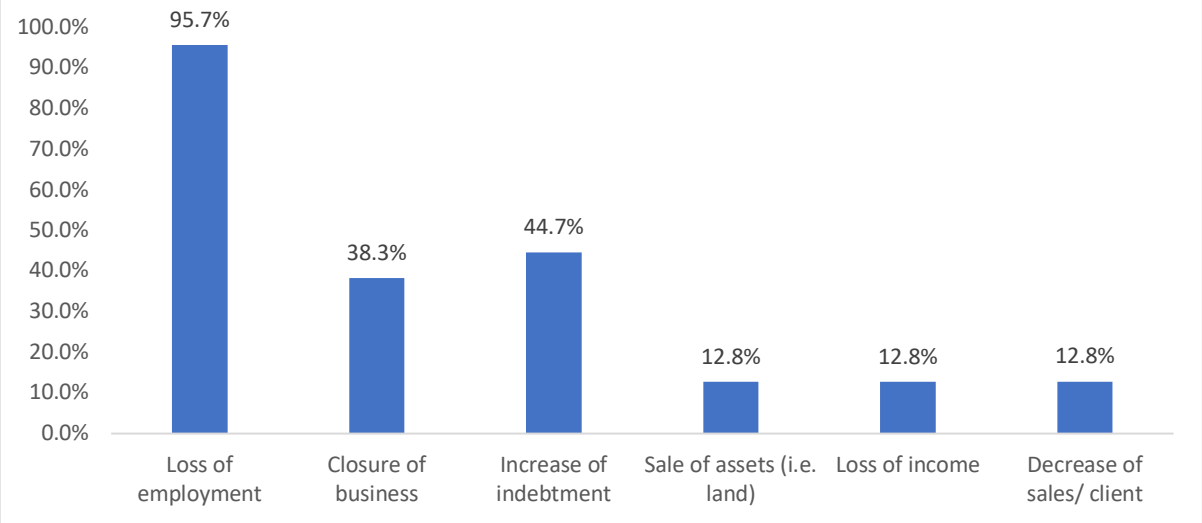
Table 2. Village chief characteristics

Respondents	
Villages	54
Total Population	136,984
Total No. of Households	32,538
Village Chiefs	
Male	87%
Average Age (years)	59.8
Average Number of years as village chief	15

When asked the question "do you think Covid-19 is affecting your village and the villagers?", 94 percent of village chiefs stated that it was. Figure 1 contains the results of the follow-up question that identifies the specific ways in which villagers have been affected.

[7] Four additional villages were selected in Russey Keo District to mitigate challenges in another district.
[8] Rusten et al. 2004, as cited in Vimealea et al. 2009.

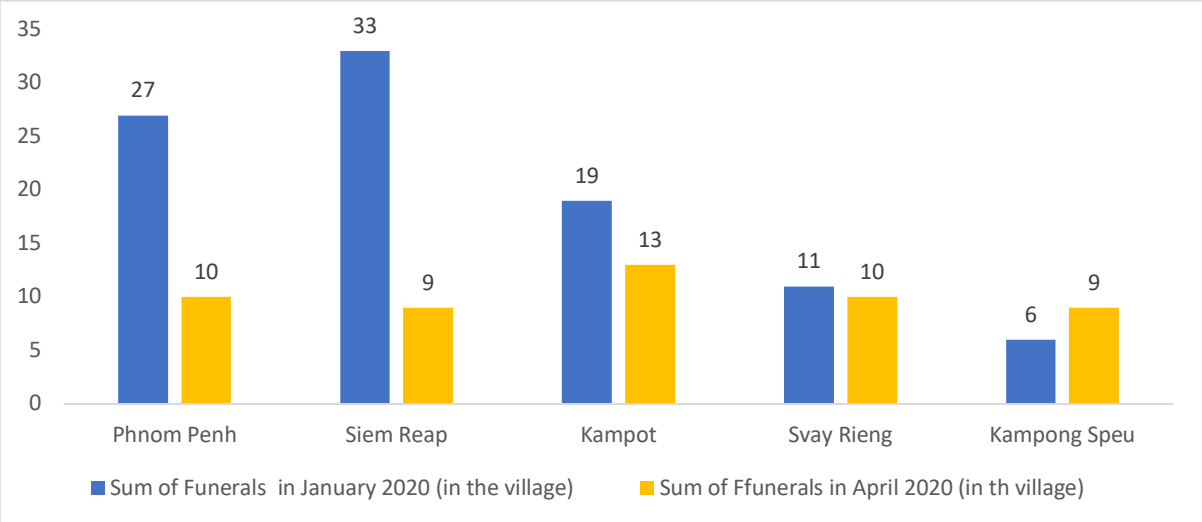
Figure 1. The effect of Covid-19 on villagers



Question: How do you think it has affected your villagers?

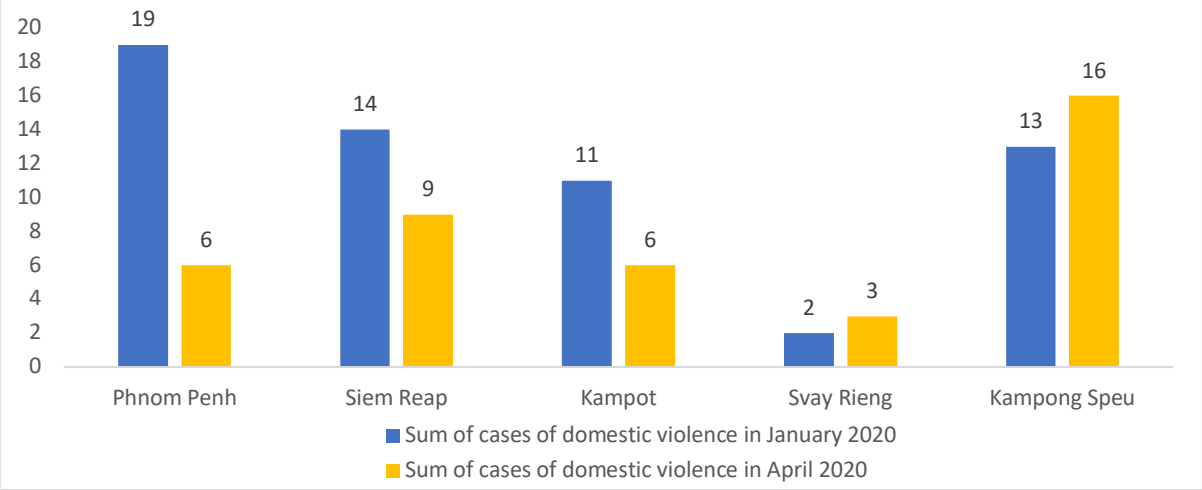
In addition to the effect of Covid-19 on villagers, village chiefs provided insights on patterns that have emerged between January 2020 and April 2020, including: the closure of 1083 household enterprises (10.5 percent); the 42 percent reduction in village funerals (Figure 2), and the 32 percent reduction in domestic violence (figure 3).

Figure 2. Funerals at the village level (January vs April 2020)



Question: How many funerals occurred in January 2020 (April 2020) in your village?

Figure 3. Instances of domestic violence (January vs April 2020)



Question: How many cases of domestic violence were you aware of in January and April 2020

Households

As the primary objective of this study, households were interviewed for the purpose of identifying the changes to their economic circumstances as a result of the Covid-19 pandemic. Table 3 contains the household respondents' characteristics. Of the 1,087 respondents, 933 operated household enterprises. Of the 310 wage workers[9] who worked in another province and the 27 who worked abroad, 42.7% returned due to workplace closure and 34.7% reported returning out of fear of Covid-19.

Table 3. Household characteristics

Respondents	
Households Interviewed	1,087
Average Number of Household Members	4.99
Average Grade Reached (Schooling)	5.5
Khmer	96.6%

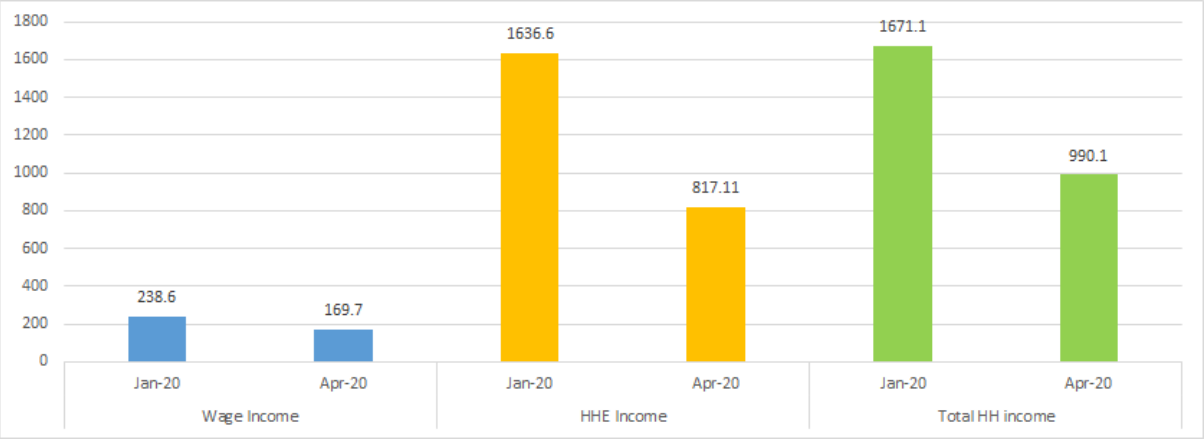
Figure 4 contains the results from the household income portion of the survey. Between January and April 2020, the average household has seen a 40 percent decrease in income. When asked to reflect on the reasons for this change (Table 4), respondents cited a lack of customers as the key issue. From a personal income stance, it was the closure of business and factories that was most cited as the source of reduced incomes. The same downturn can be seen in the levels of household savings (Figure 5). Between January and April there was a drop in the number of households that reported savings in cash, platin[10], and/or fine

[9] Of a total 1,675

[10] platin in Khmer describes alloyed gold between 50-70% purity while meah describes 99% pure or fine gold.

gold. Similarly, between January and April there was a reported decline in remittances of one third from a median amount of $150 to $100[11].

Figure 4. Reported household income in US$ (January vs April 2020)

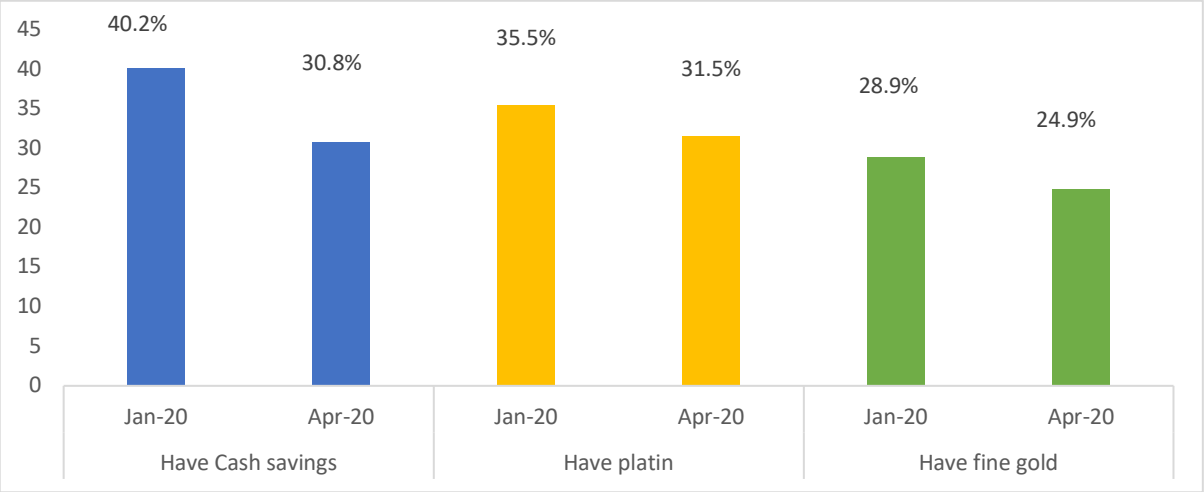


Question: What was the total income of your household enterprise (wage) [household] in January (April) 2020?

Table 4. Reported causes of income change

Main reasons wage workers reported a change of income (n=882)	
Business /factory temporarily closed	34.0%
Reduced working hours/days	25.7%
No overtime	19.4%
Main problems met by HHE owners to operate their business (n=765)	
Lack of customers	73.9%
Lack of sales	54.7%
Customers afraid of Covid-19	53.5%

Figure 5. Reported Household Savings (January vs April 2020)

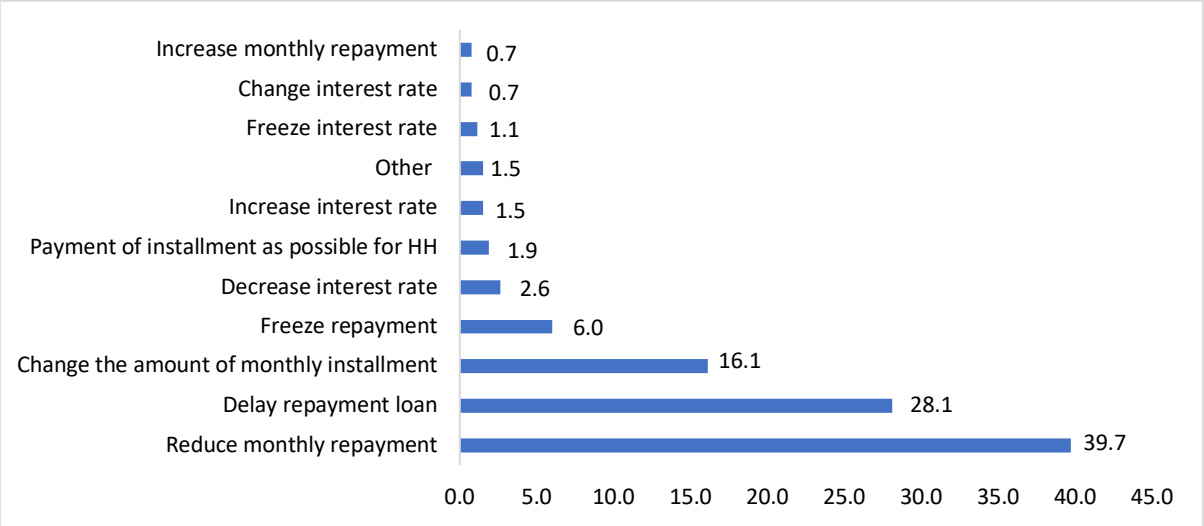


Question: In January/April 2020, did you or your household members have any cash savings (platin) [fine gold]?

[11] 15.5 percent of households noted that they received some form of money from abroad or another province.

In addition to household income, the survey identified changing patterns in household debt. Between January and April 34 percent of loans had a change of terms necessitated by the impacts of Covid-19. These changes can be seen in Figure 6. Between January and April the number of families who reported they were late in loan repayments increased by 230%.

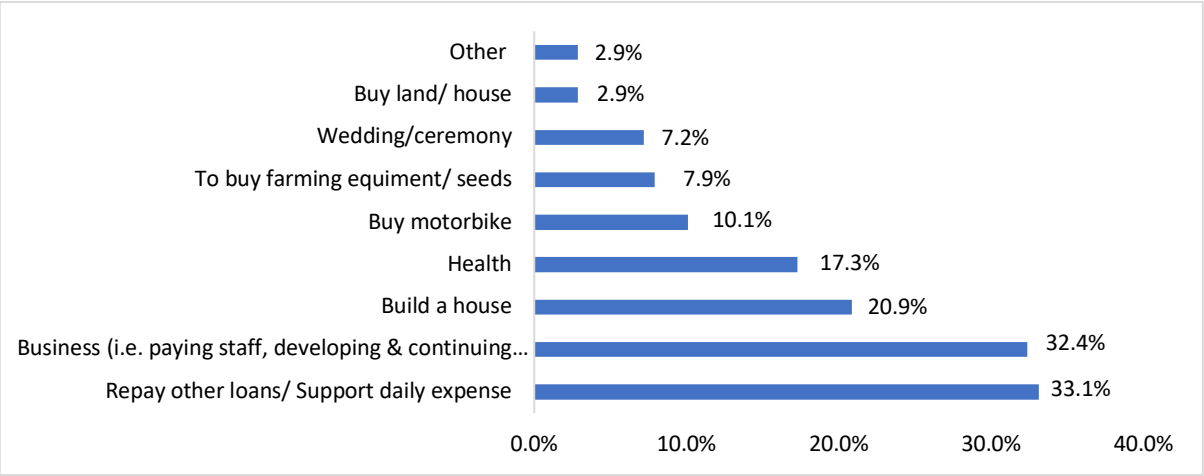
Figure 6. Changes in loan conditions (new loans)



Question: How did the loan terms change?

Further to the changing terms and repayment capacities, there was a reported uptake of new loans by 11 percent. Of these new loans, one third were taken to repay other loans or to support daily expenses. Figure 7 reports the full list of justifications.

Figure 7. Reasons for borrowing (new loans)



Question: Why was the new loan taken?

Additionally 83 households reported that they received some form of support from either the government or NGOs between January and April. Primarily this was received in the form of

food, soap, or masks. 1,004 families reported receiving no support. The most urgent household needs reported in April were money (55.7 percent), food (24.5 percent), a delay in loan repayments (4.5 percent), and medicine/health care (4.5 percent).

As well as the data exploring the impact of Covid-19 on household income and enterprises, there are a number of important insights pertaining to agricultural (farming) and food security factors.

Roughly one fifth of households in the survey generate income from farming or fishing activities, with the four main activities consisting of paddy rice, cassava, animal raising, and vegetable production[12]. Between January and April there was a 9.7 percent increase in households who opted to forgo sale of their produce and instead consume their entire yield. For households who continued to sell there was a reported decline in income for almost all farming types except paddy rice and animal raising[13]. The results are captured in Table 5.

Table 5. Reported income from farming activities, in US$ (January vs April 2020)

Farm types	Obs.	Mean Income January	Mean Income April	Change in Income
Vegetables	33	300.33	204.58	(95.76)
Fruits	6	354.17	16.67	(337.50)
Paddy rice	38	109.61	165.13	55.53
Fishing	9	123.89	67.22	(56.60)
Animal raising	57	346.93	347.84	0.91
Wood cutting/collection	4	195.00	58.75	(136.25)
Cassava	62	356.85	122.58	(234.27)
Other (Specify)	5	120.00	65.20	(54.80)
Total	**214**	**283.16**	**194.95**	(88.21)

However, when the data is examined further, the majority of the decrease in household income from farming can be attributed to Siem Reap province, where mean income dropped from 351.44 USD in January to 186.01 USD in April[14]. This negative outcome can also be seen in Siem Reap's high rate of moderate to severe food insecurity[15]. In total, around 20.1% of sample households reported a moderate to severe food insecurity as classified by the Food Insecurity Experience Scale (FIES) raw score[16].

[12] At 34.39%, 21.75%, 20.70%, and 13.68% respectively.
[13] It is important to note that the decline of farm income may be affected by the seasonality of farm products since April is the off season for most farm activities.
[14] This is due to the fact that farm households in Siem Reap province are predominantly cultivating cassava for their main source of farm income. The reduced income from cassava also causes the significant decrease of farm income when performing pooled sample comparison.
[15] Followed by Phnom Penh, Svay Rieng, Kampong Speu, and Kampot provinces.
[16] Developed by FAO to measure access to food at the level of individual households. More information on the scale can be found here, http://www.fao.org/3/a-bl354e.pdf