



„Together in the Crisis“ survey, impact of COVID-19 crisis on doing business

Belgrade, April 2020.

— Serbian Chamber of Commerce and Industry and the USAID's Cooperation for Growth have invited companies and entrepreneurs to participate in the survey „Together in the crisis “. The survey focuses on the economic aspects of the COVID-19 crisis and its impact on doing business.

Feedback from businesses (hereinafter sometimes referred to as „firms“) are valuable because it helps to better understand the real situation in the economy and challenges that businesses are currently facing with. The findings that follow are "mirroring" the state of the economy and the reactions of businesses in the third week from the day of the declaration of the state of emergency.

A clear picture and analysis of the current situation enables better preparation of the steps that market participants should take in order to reduce the negative effects of the COVID-19 virus crisis, starting from the private businesses, associations, business associations, non-governmental organizations, all the way to the competent state authorities.

In the course of time, the survey should also provide answers on what to do "the day after the crisis" and in 2020, to restore the vitality of businesses as soon as possible. We will repeat the survey in 21 days, monitoring the development of the situation and adjusting it to the real needs of the economy and the situation in the country.



Summary

High sensitivity when it comes to liquidity is the key impact on doing business after the declaration of a state of emergency. Tourism and hospitality stand out as the most affected sectors of the industry..

Workforce optimization - the most undertaken measure.

Every third company believes that it can partially or fully adapt to online business.

Every other firm, on average, believes its operating revenues are at least halved compared to the same month last year. Micro-businesses and entrepreneurs expect a loss of more than 80% compared to March 2019. Entrepreneurs and micro-enterprises stand out as particularly affected and 35% of them estimate a loss exceeding 80%. Tourism and hospitality expect biggest losses (45.5%).

In 2020, 40% of respondents expect a reduction in sales of more than 50%, and 44% of respondents expect a reduction in profits exceeding 50%. The smaller a company is, the more vulnerable it is. Larger companies expect losses to a lesser extent. The following industries are affected above average: tourism and hospitality, trade, expert, scientific, innovation, technical, and administrative activities, and industrial manufacturing.

Most of the respondents, 81% of them, estimate they would be helped by tax and contributions exemptions during interruption or cessation of work. Measures of financial support to the economy came second. The IT sector most intensively expects training and loans for business digitalization, to help remedy the aftermath of the crisis.

If the crisis were to end today, most firms believe it would return to its normal level of going business in 1-3 months.

Methodology

The representativeness and structure of the sample was made through a Post Hoc analysis. Sample size: $n = 806$. The observation units were registered companies and entrepreneurs operating on the territory of the Republic of Serbia and were willing to answer the questionnaire. Data collection period: March 26 - March 31, 2020. According to the latest financial statements (2018), the companies that responded to the questionnaire had more than 45,000 employees and generated over RSD 650 billion of operating income.

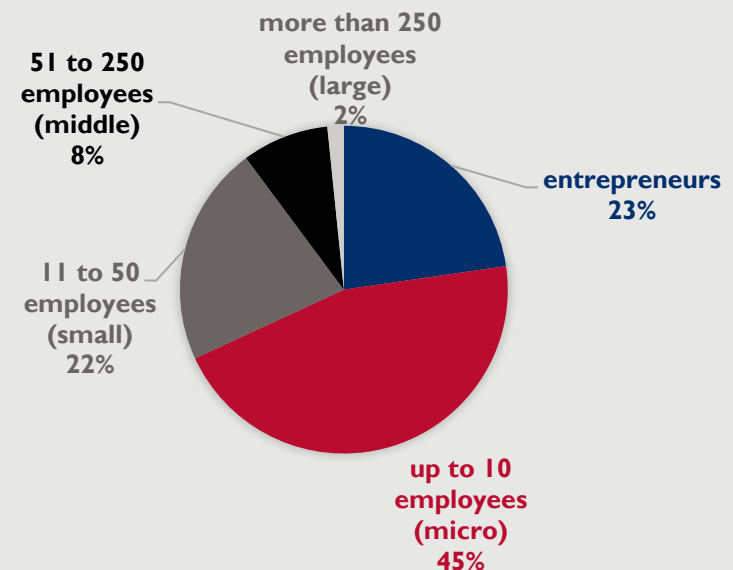
The research tool is a structured questionnaire, conducted by an “online” form filling technique.

Credibility of Conclusions: In the sensitive moments of the first crisis, this research is distinguished by the size of the sample (806), the broad coverage of the sector of activity, the size of the business entities, as well as the region within which they are registered. The registration of the company identification number ensures the validity of the findings as well as the quantitative analysis according to the different typologies of the companies. The conclusions drawn for the level of the Serbian economy are the result of the size and structure of the sample collected. A more thorough and statistically representative analysis may be further considered.

Sample structure (n=806)

When it comes to sample structure, by size of business entities, the largest number comes from micro enterprises - 45%. There are 23% of entrepreneurs, 22% of small enterprises, 8% of medium-sized enterprises, while 2% of enterprises are classified as large.

SHARE OF BUSINESSES BY SIZE (%)

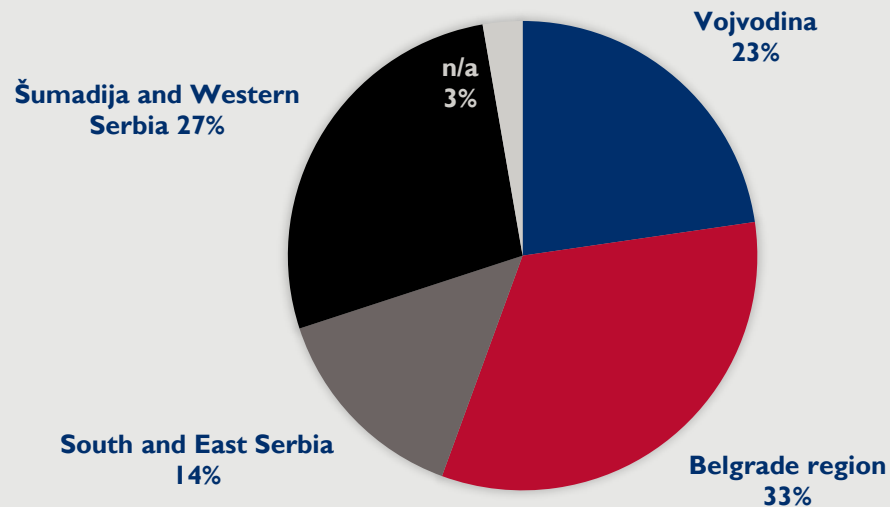


Size is defined by number of employees

Sample structure (n=806)

Regarding the sample structure by region, 33% of business entities come from the Belgrade region, 27% from the Šumadija and Western Serbia regions, 23% from the Vojvodina region, 14% from the Eastern Serbia region, while for 3% of respondents the region within which they operate is unknown.

SHARE OF BUSINESSES BY REGION (N=806)

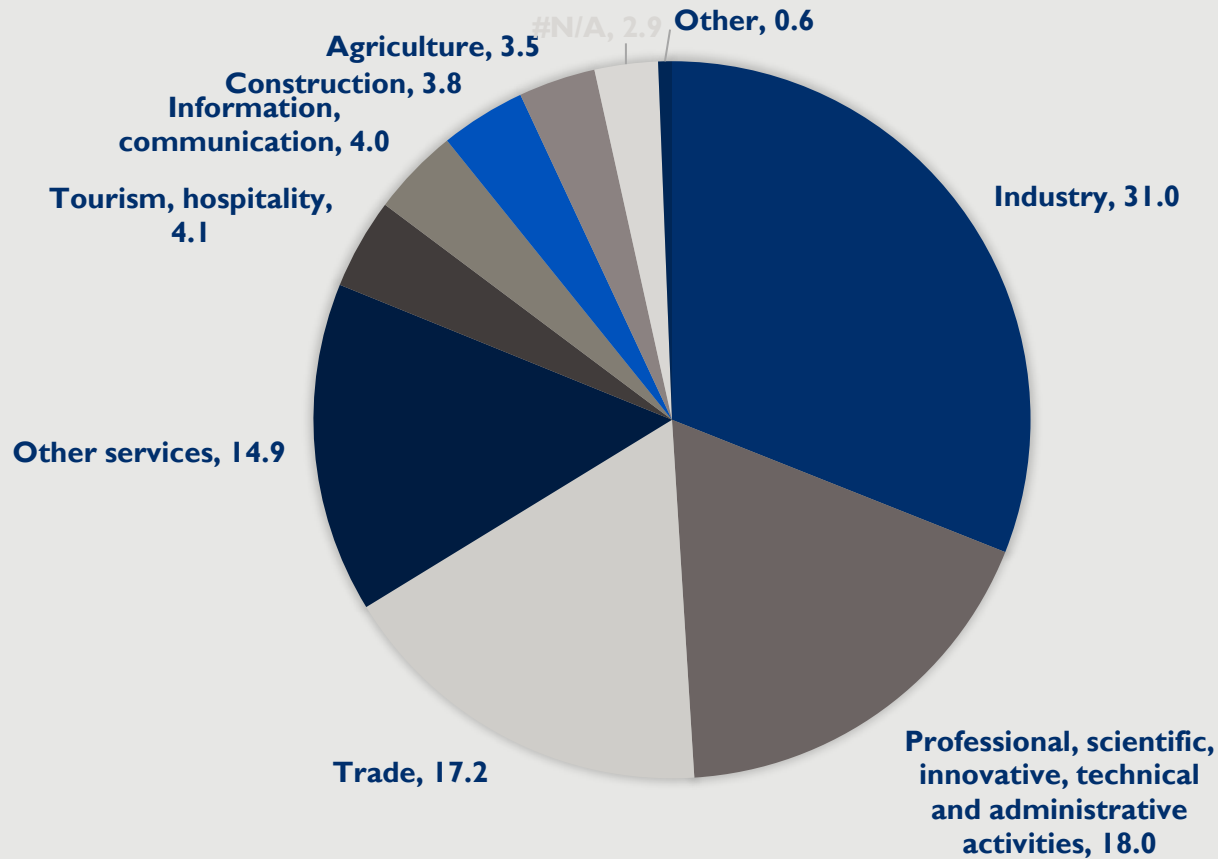


Region: Administrative data about location of the business.
Source: SCC 2018

Sample structure (n=806)

According to the sector of activity in which they operate, all industry sectors are represented in the sample.

SIZE OF BUSINESS ENTITIES (%), BY THE SECTOR OF ACTIVITY



Other services: transport and storage, education, health services, real estate, financial services, insurance, art, entertainment and recreation, water management and waste water management, other services.

Other: mining, state administration, mandatory social insurance

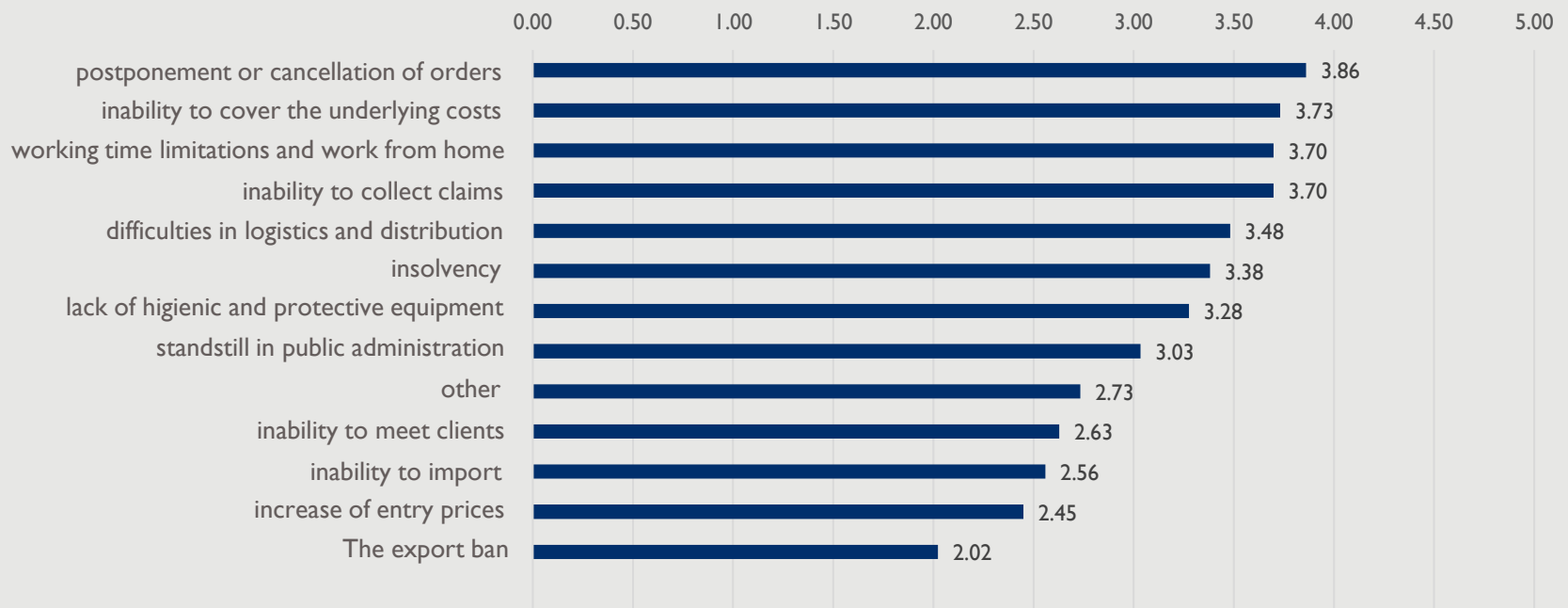
Source: SCC 2018.

Have any of these effects impacted your business since the state of emergency was declared, and if so, what was the intensity of this impact ? (Business selected up to three answers and evaluate effect by the following rate: 1 – did not make an impact up to 5 – made a strong impact on the business)

In the first flight of the crisis, firms have been impacted by the inability to cover the underlying costs – business, the postponement or cancellation of orders, lack of the contact with the clients and the inability to collect claims. The finding points to the sensitivity of the private sector to liquidity.

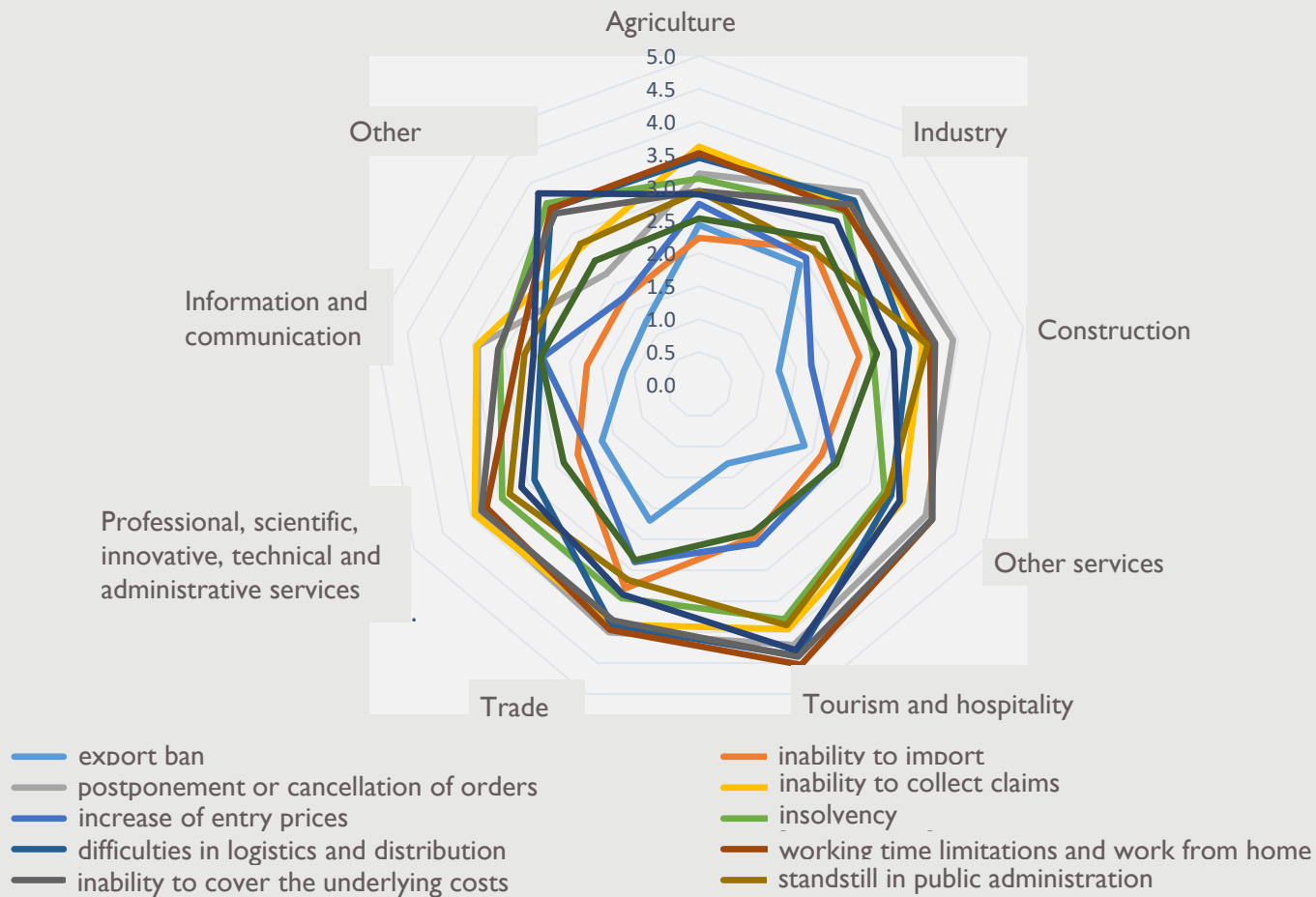
Assessing the intensity of the negative effects, businesses say that the strongest impact on business was caused by the delay or cancellation of orders (3.9, on a scale from 1 to 5), the inability to cover basic operating costs (3.7), working time limitations (3.7) and the inability to collect claims (3.7).

How much an effect impacted your business? (1 to 5) (average)



How much have the effect impacted your business since the state of emergency was declared?

When considering the impact of the effects of the crisis on particular sectors of the industry, tourism and hospitality stand out as the most affected sector. This is followed by other services, professional and scientific activities and trade.

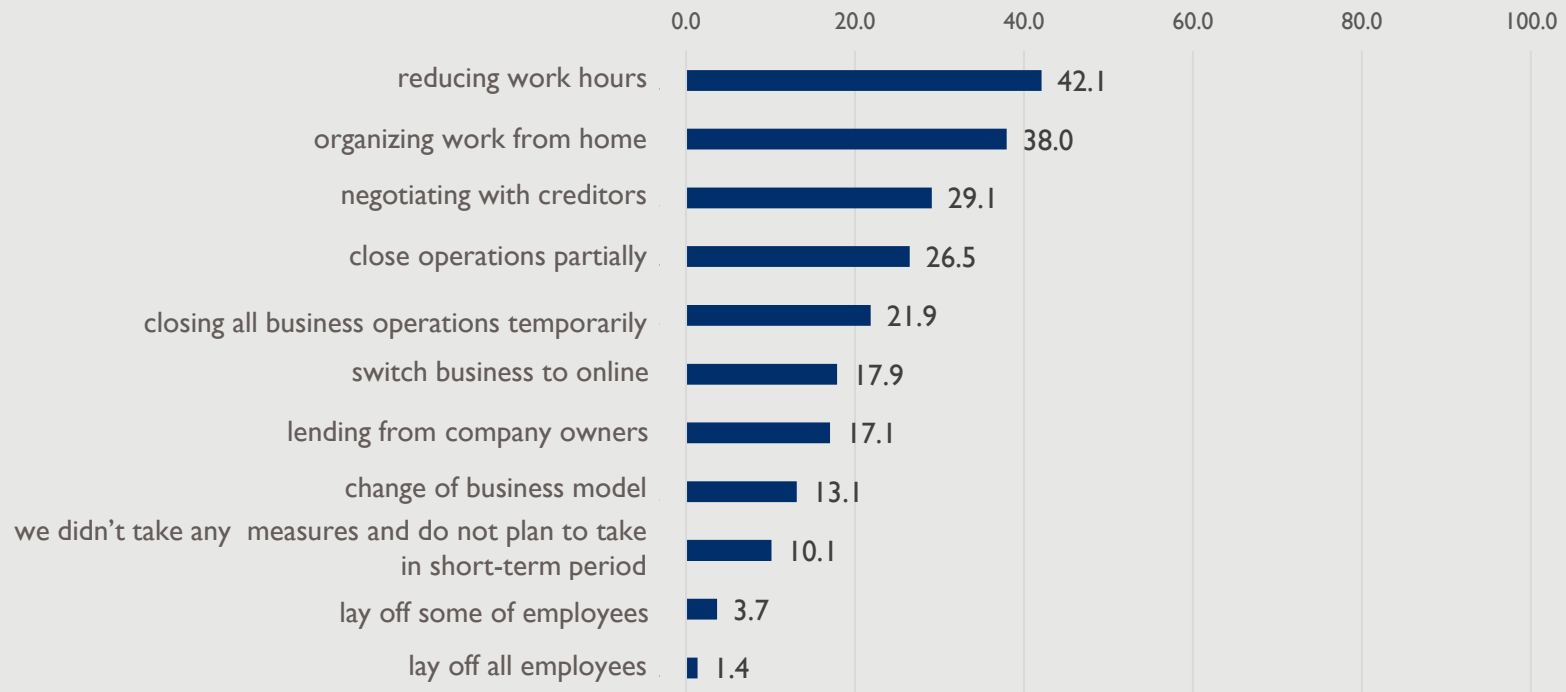


What measures related to employees and business have you taken so far, or you are planning to take in the short-term period?

(business entities selected no more than three options)

The measures that businesses undertook first or plan to take in the short term in response to the COVID-19 crisis are the following: reducing work hours (42.1% of respondents), organizing work from home (38%) and negotiating with creditors (29.1%). Hence, at a first glance, companies first optimized workforce engagement (reduced or organized work from home) and communicated with creditors about delaying debt repayment. Very few firms laid off workers.

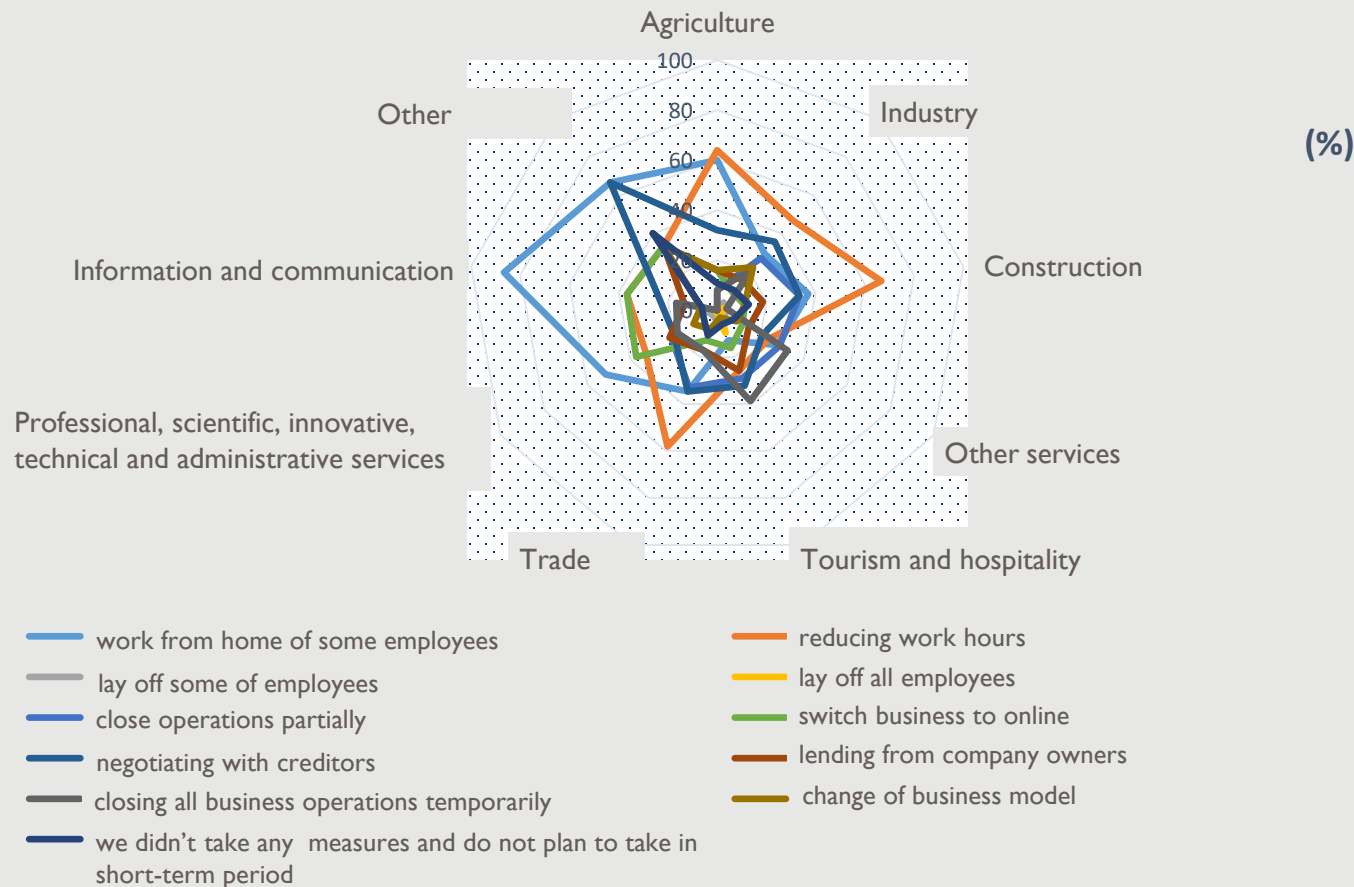
Share of business entities which have taken any measures (n=806, %)



What measures related to employees and business have you taken so far, or you are planning to take in the short-term period?

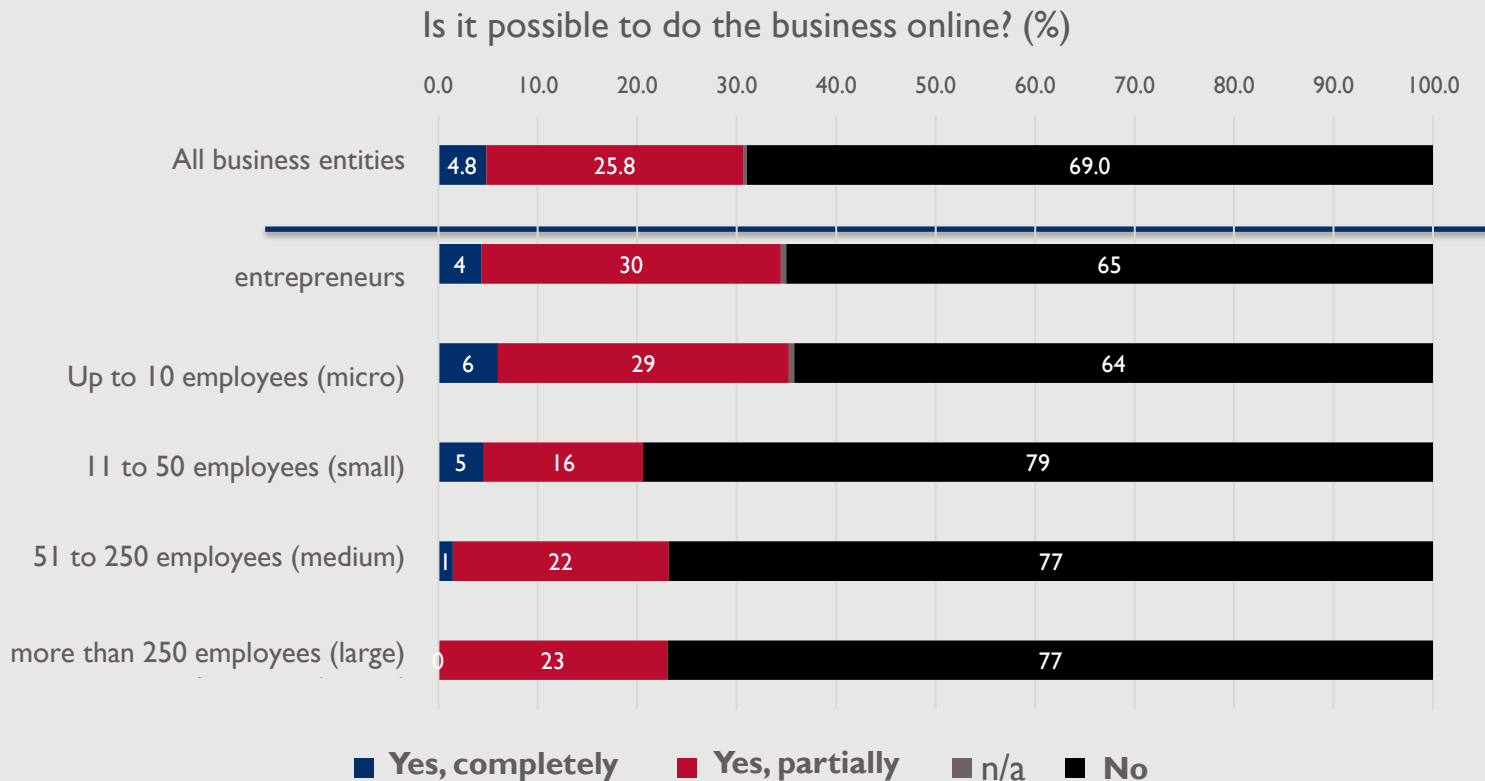
(business entities selected up to three priorities)

When we look at this finding in relation to the business activity of companies, it is notable that the IT sector has primarily responded by organizing part of the work from home and moving to an "online" business; the trade, construction, industry and agriculture sectors, reducing the number of hours worked by the workers, while the tourism and hospitality sector applied temporary closures of business processes and lending from company founders



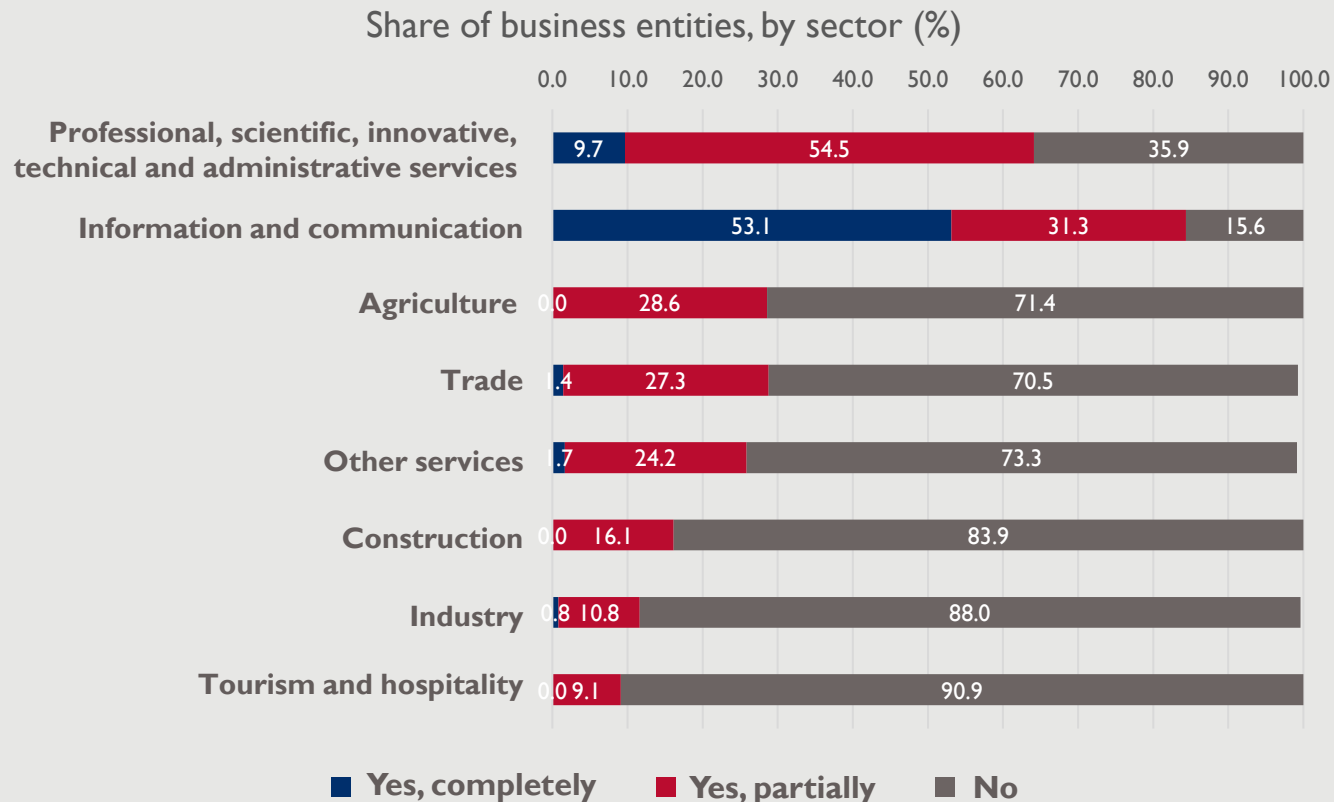
Is it possible to do your business online?

Every third company can adapt, partially (26%) or completely (5%), to online business. However, most respondents need physical space (70%) to do business. By looking at this finding by firm size, entrepreneurs and micro-businesses can more easily switch to online business than larger companies.



Is it possible to do your business online?

In terms of business activity, the largest percentage of respondents who can switch to an online business operates within the information and communications sector (85%), followed by professional, scientific, innovative, technical and administrative activities (65%). The sectors most in need of physical space are tourism, industry and construction.

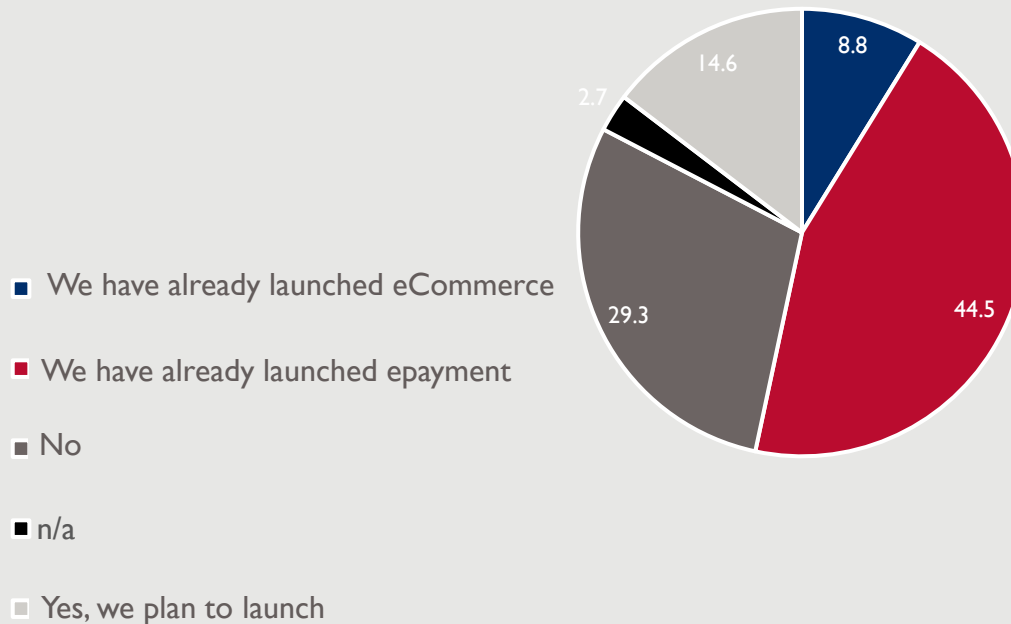


Have you considered launching eCommerce and/or e-payment?

Most of businesses are affirmative to launching eCommerce and e-payment. 44.5 percent of the business entities have already launched e-payment of goods and services, while 8.8 percent of them have launched eCommerce. 14.6 percent of firms plan launch eCommerce and e-payment, while almost third of respondents do not plan that move.

The refinement of terminology, as well as cross-analysis by types of business entities, will be a part of the next iteration on this survey. The results indicate the possibility that respondents think that electronic payment for goods and services and electronic banking are the same.

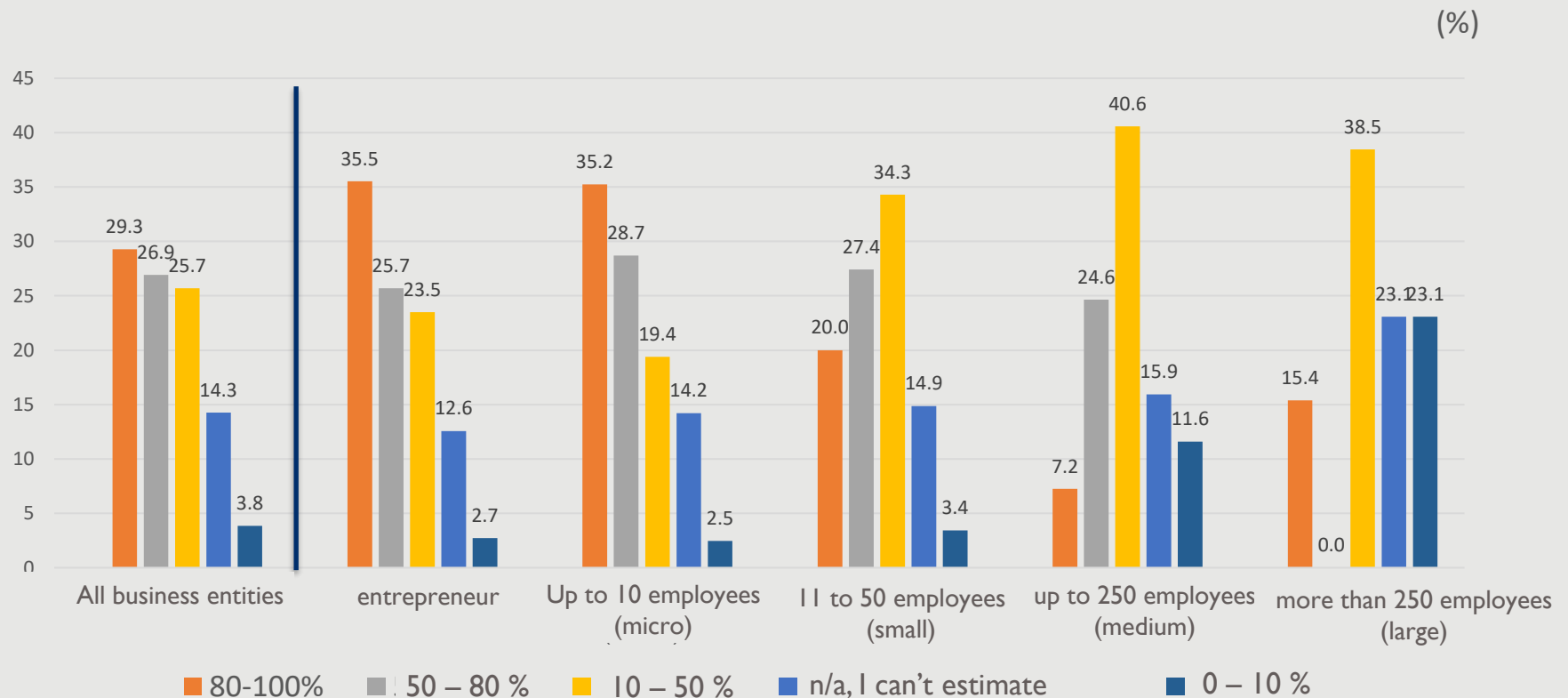
% business entities



How do you estimate loss in revenues compared to March 2019?

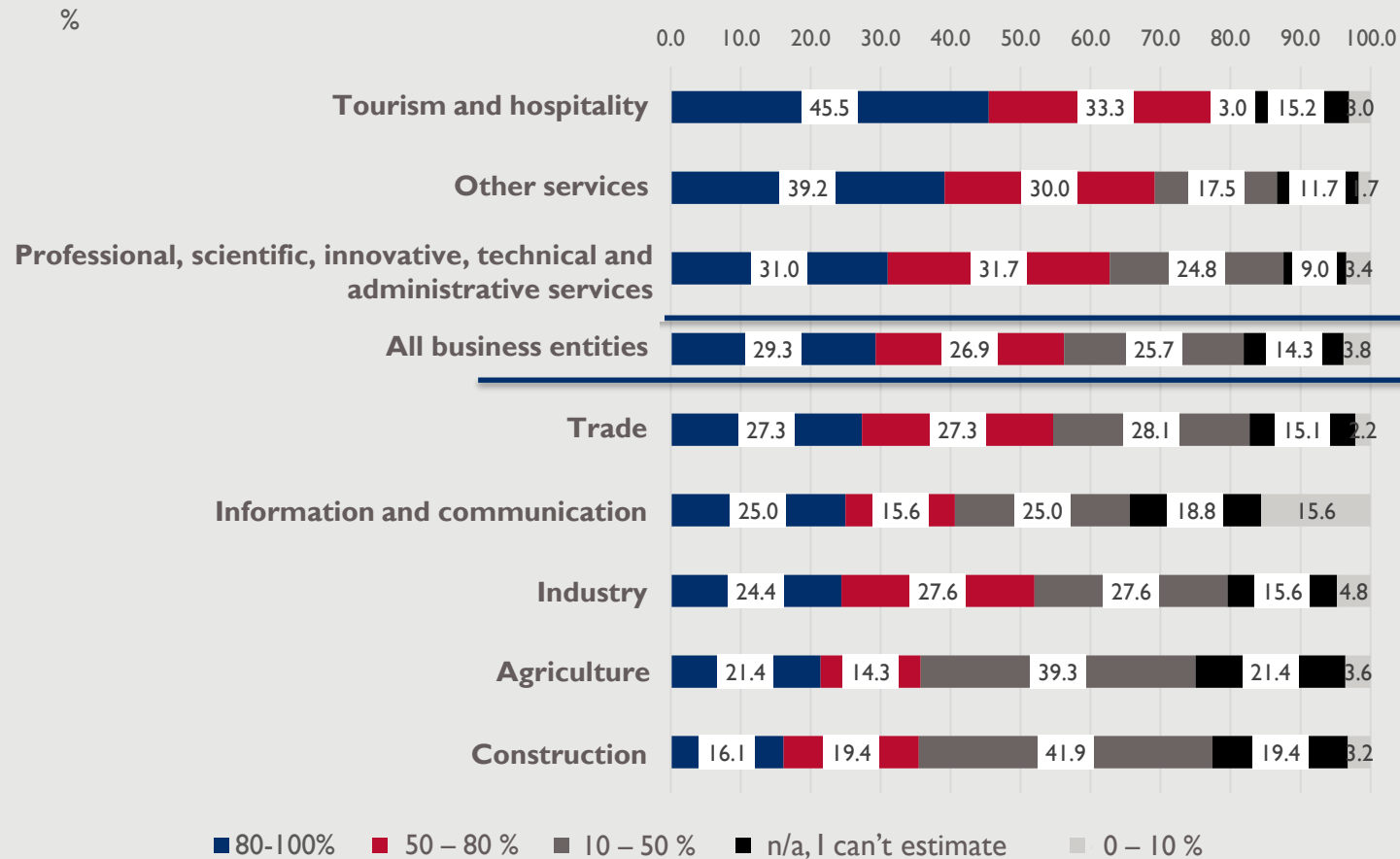
Every other firm, on average, believes its operating revenues are at least halved compared to the same month last year. Nearly a third of respondents expect a loss of more than 80% compared to March 2019

Looking at the estimated size loss of businesses, entrepreneurs and micro-enterprises stand out as particularly affected. 35% of them estimate a loss exceeding 80%



How do you estimate loss in revenues compared to March 2019?

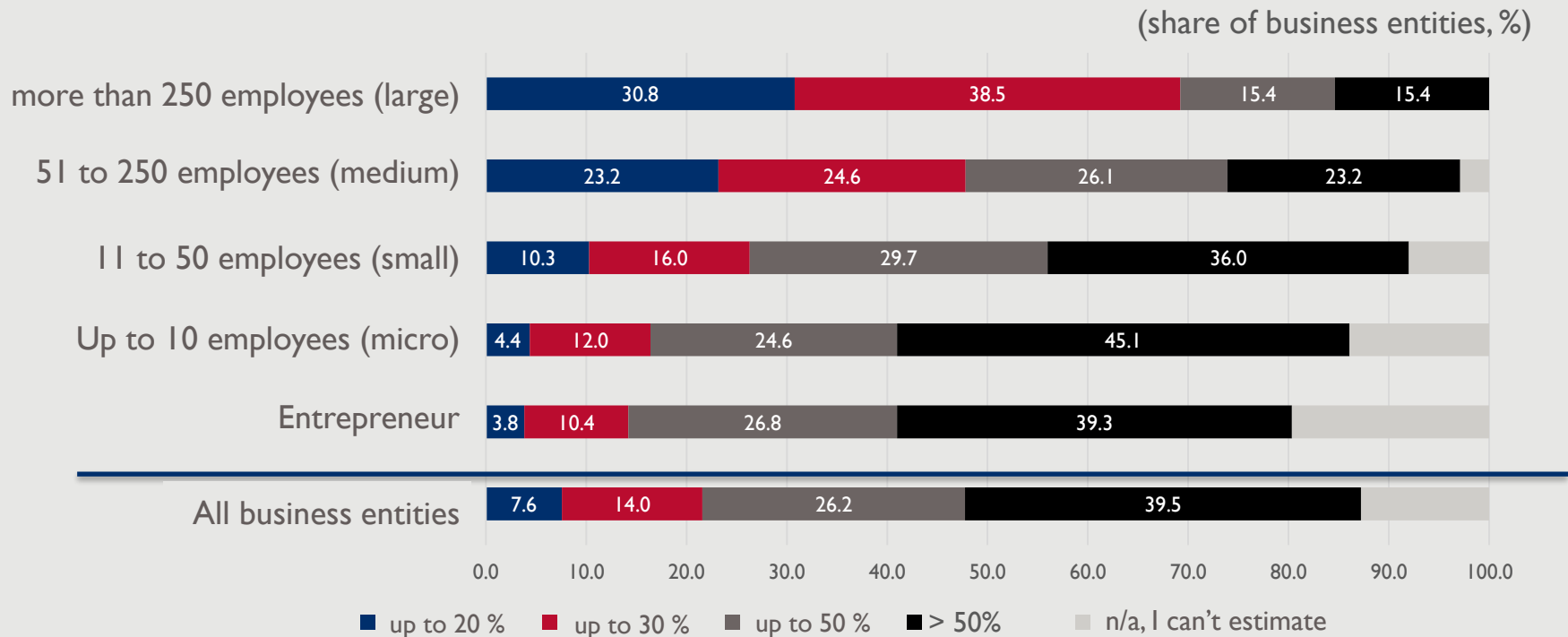
In terms of sectors of business activities, tourism and catering (45.5%), other services (39.2%), as well as professional, scientific, innovation, technical and administrative activities (31%) expect the largest losses



What will be the impact of coronavirus on your sales reduction in 2020?

When it comes to businesses' expectations of the economic impact of coronavirus on sales to the decline in 2020 compared to 2019, 40% said they expected a reduction of more than 50%, 26% said that the reduction would be up to 50%, 14% expect a reduction of up to 30%, while 7% of companies expect a reduction of up to 20%.

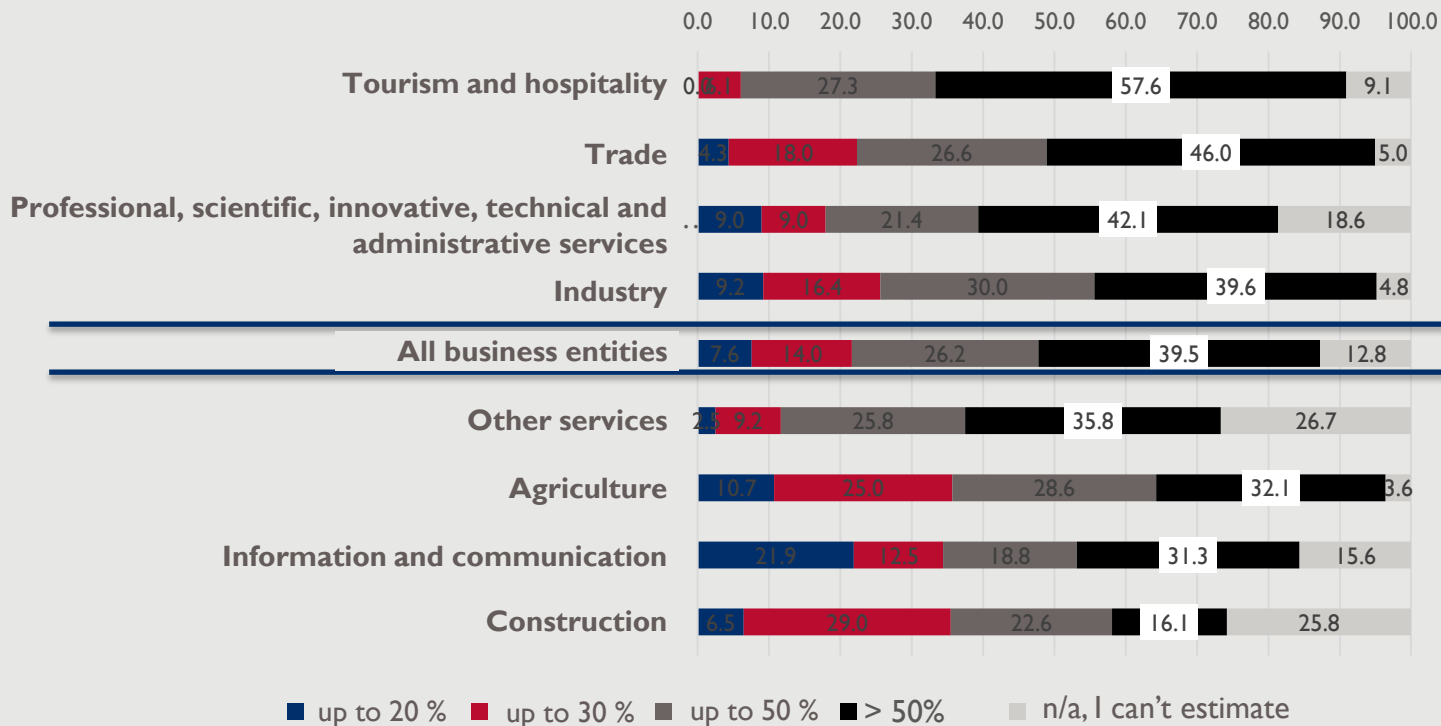
The finding also shows that the smaller the company, the more vulnerable it is. Larger companies expect losses to a lesser extent.



What will be the impact of coronavirus on your sales reduction in 2020?

In terms of business activities, they are affected above average: tourism and catering, trade, professional, scientific, innovative, technical and administrative activities, as well as industry

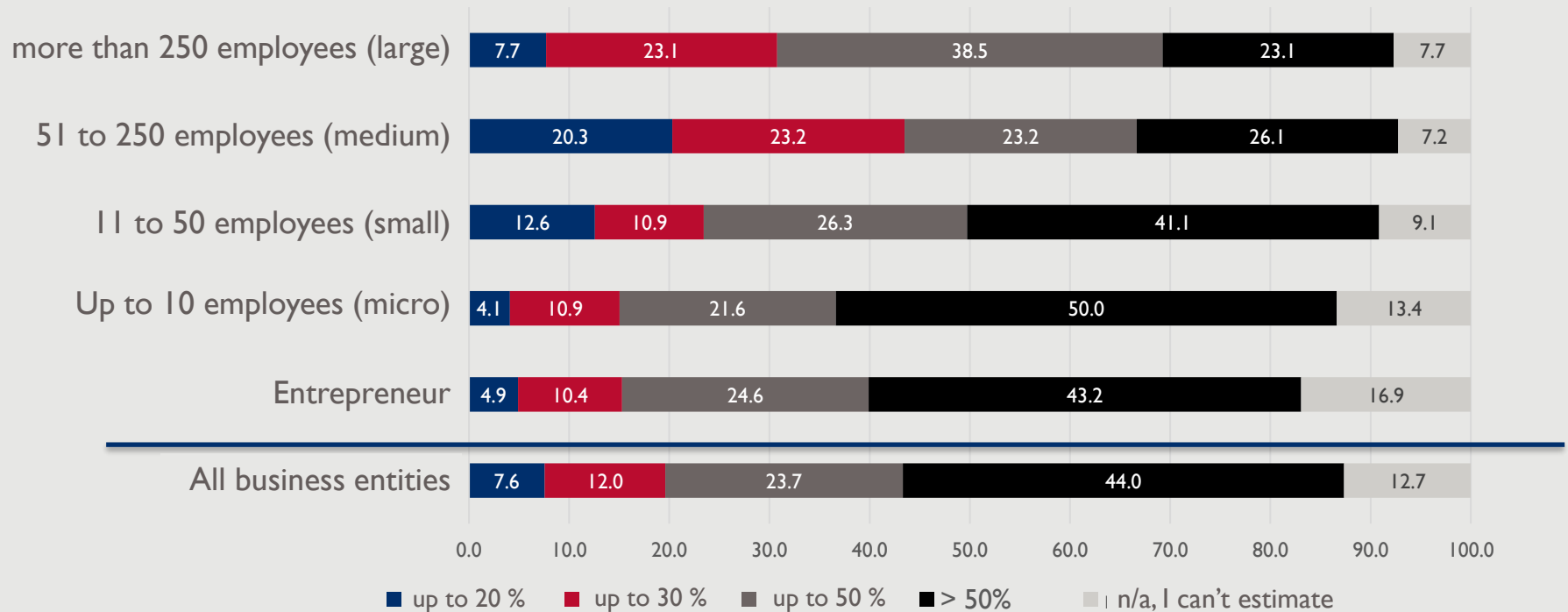
Share of business entities (%)



What will be the impact of coronavirus on your profitability reduction in 2020?

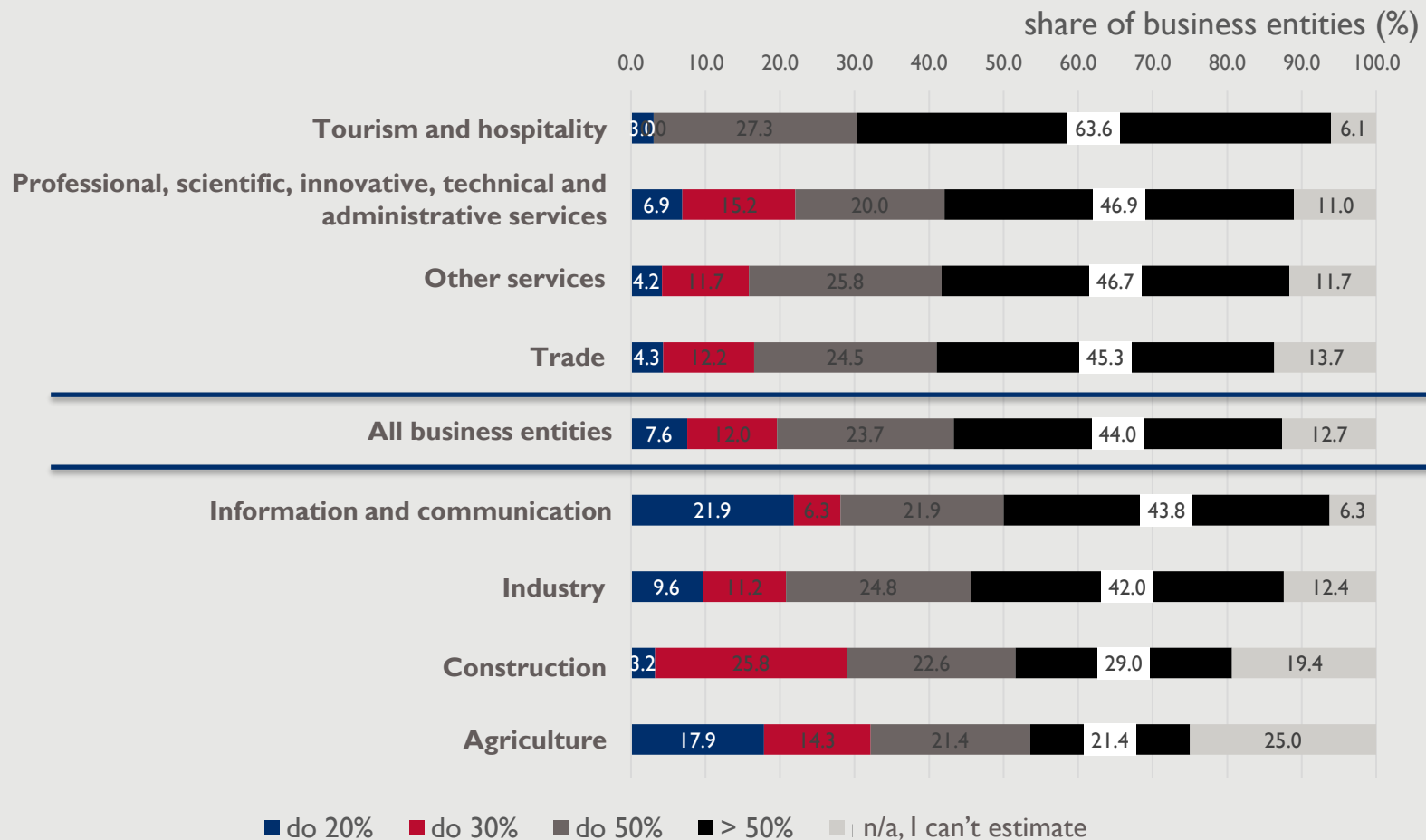
When it comes to businesses' expectations about the economic impact of coronavirus on declined of profits in 2020, 44% said they expected a decline in more than 50%, 24% said it would be up to 50%, 12% expected a reduction of up to 30%, while 7% of firms expect a reduction of up to 20%.

(share of business entities, %)



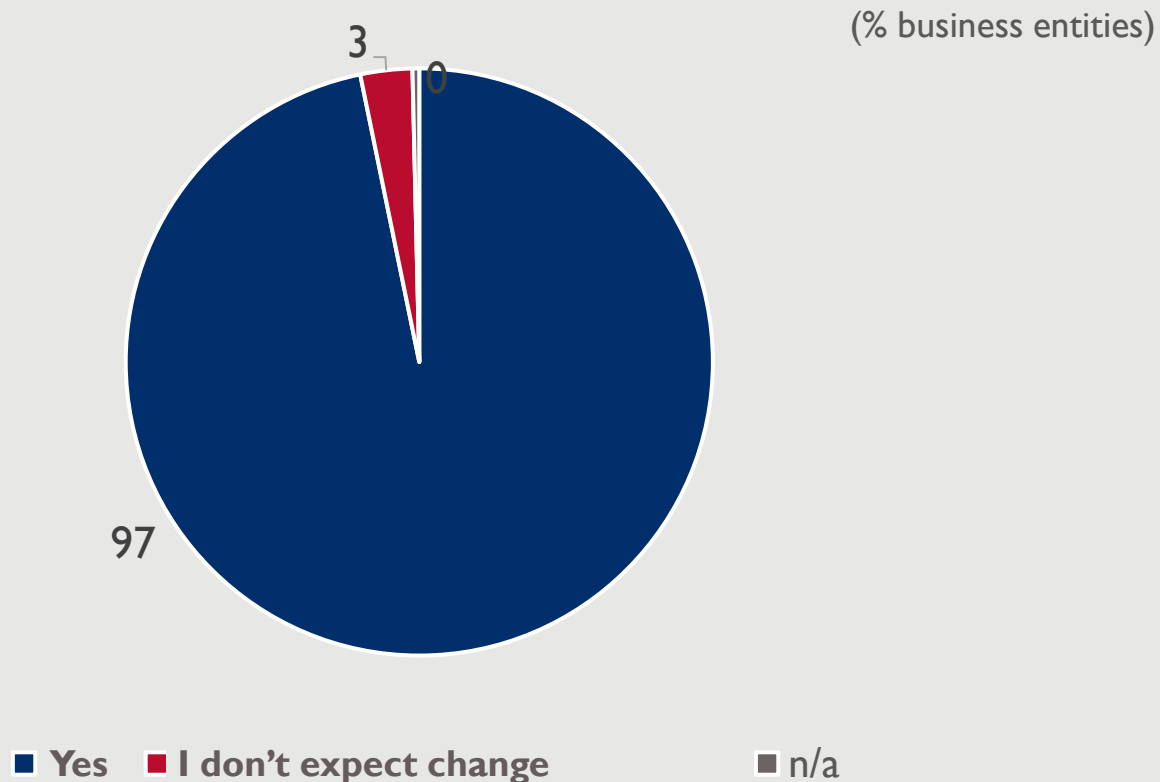
What will be the impact of coronavirus on your profitability reduction in 2020?

In terms of business activities, they are affected above average: tourism and hospitality, professional, scientific, innovative, technical and administrative activities, other services as well as trade



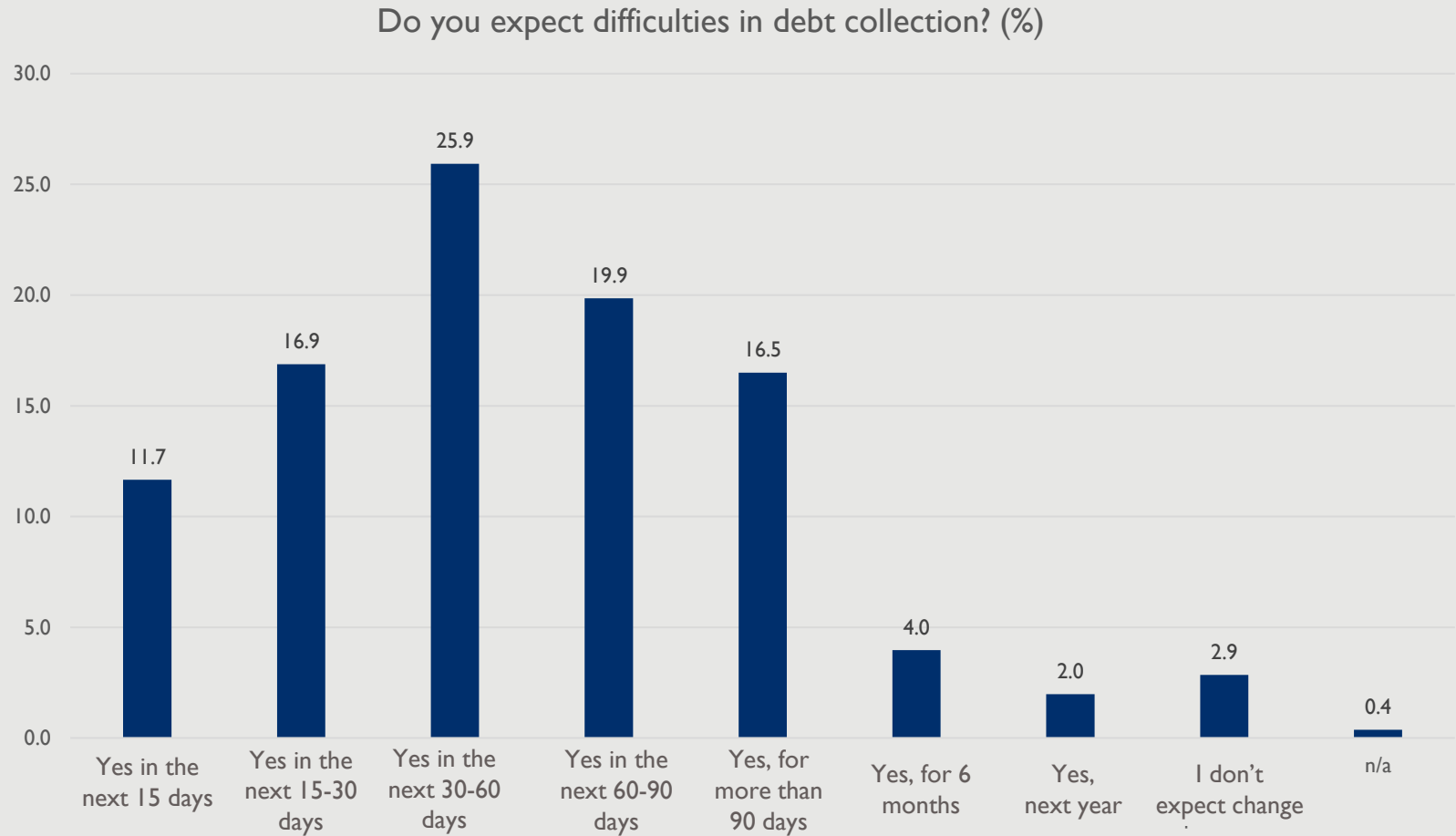
Do you expect difficulties in debt collection?

The absolute majority of companies (97%) expect difficulty in collecting claims. Three percent of all surveyed companies do not expect changes at all in this respect. These three percent are mainly small firms in the IT sector, as well as small and medium-sized firms in the industry sector. A deeper analysis of these types of companies may be the subject of future research



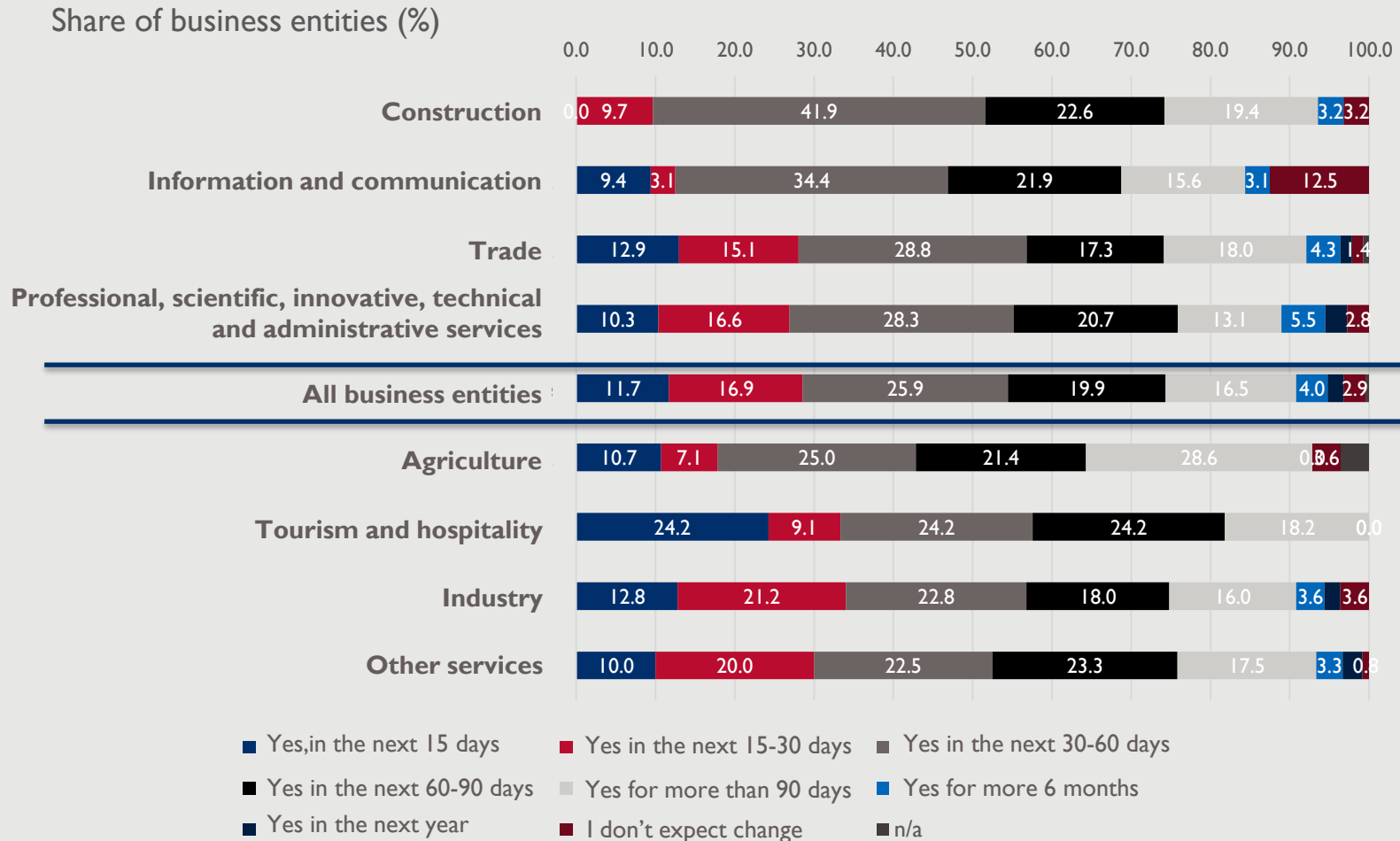
Do you expect difficulties in debt collection?

Every other firm expect difficulties in debt collection in the next 60 days.



Do you expect difficulties in debt collection?

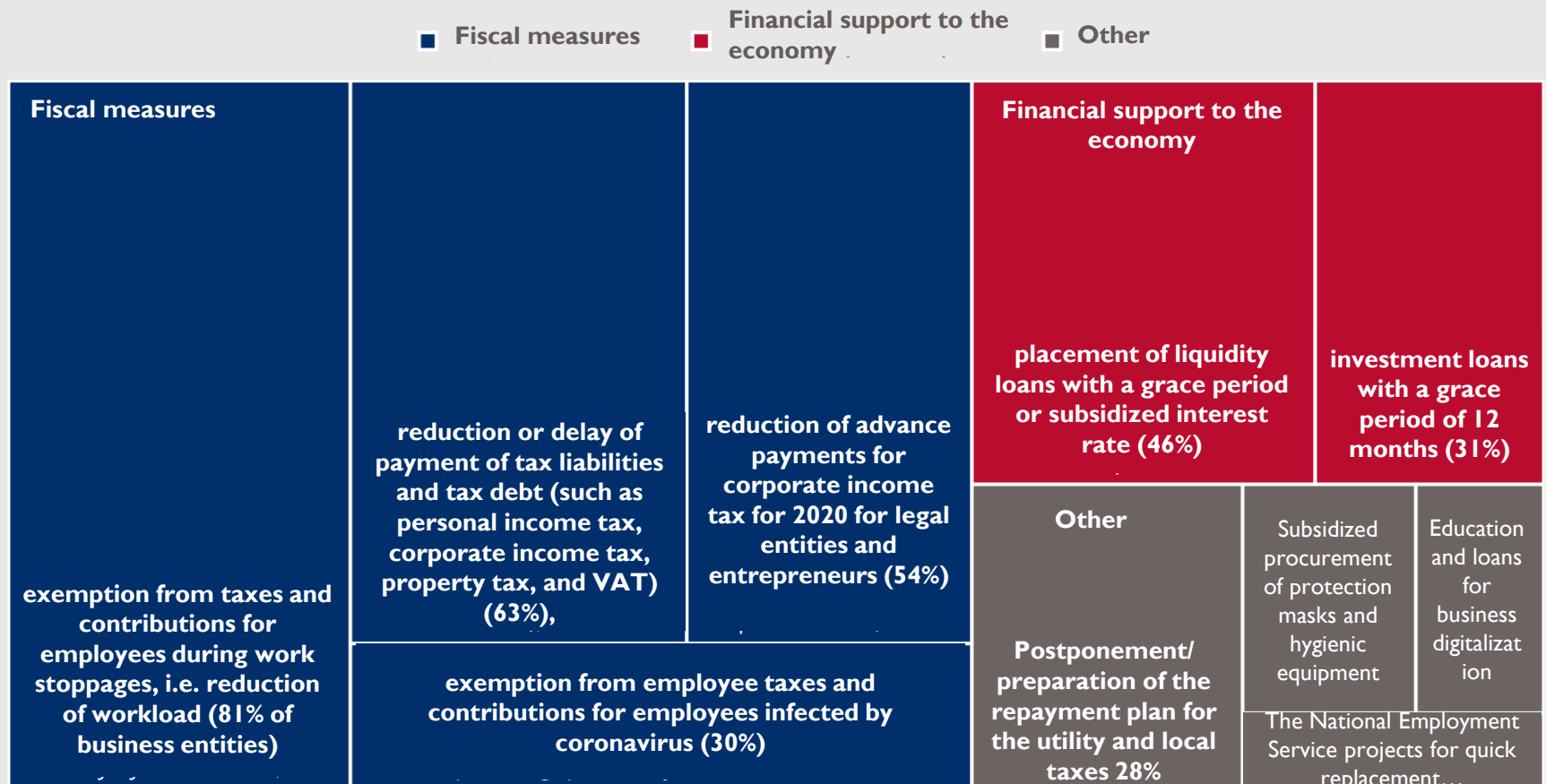
In terms of business activities, tourism and hospitality is the most affected, industry and trade follows. Construction has been in the most favorable position so far.



What measures should the Government take in order to mitigate the consequences of the emergency state introduction, provided that the company has not laid-off any of the employees? (% share of business entities which stand for individual measures)

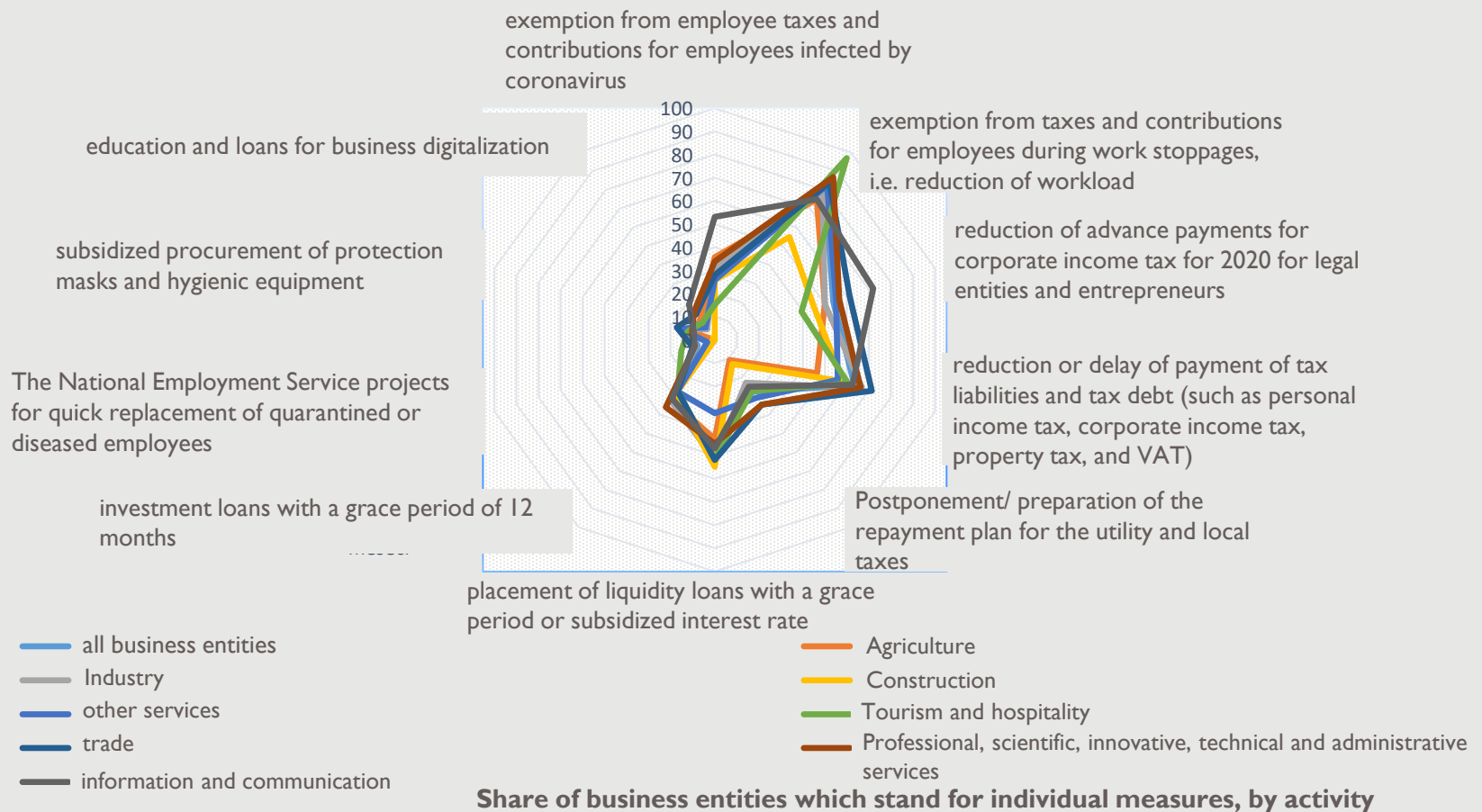
In answering the question of what measures they consider the state should take, the largest percentage of companies opted for a group of fiscal measures, namely: exemption from taxes and contributions for employees during work stoppages, i.e. reduction of workload (81% of business entities), reduction or delay of payment of tax liabilities and tax debt (such as personal income tax, corporate income tax, property tax, and VAT) (63%), reduction of advance payments for corporate income tax for 2020 for legal entities and entrepreneurs (54%) and exemption from employee taxes and contributions for employees infected by coronavirus (30%). Measures of financial support to the economy came second: placement of liquidity loans with a grace period or subsidized interest rate (46%), investment loans with a grace period of 12 months (31%). The need (28%) for postponement/ preparation of the repayment plan for the utility and local taxes is stood out.

Share of business entities (%)



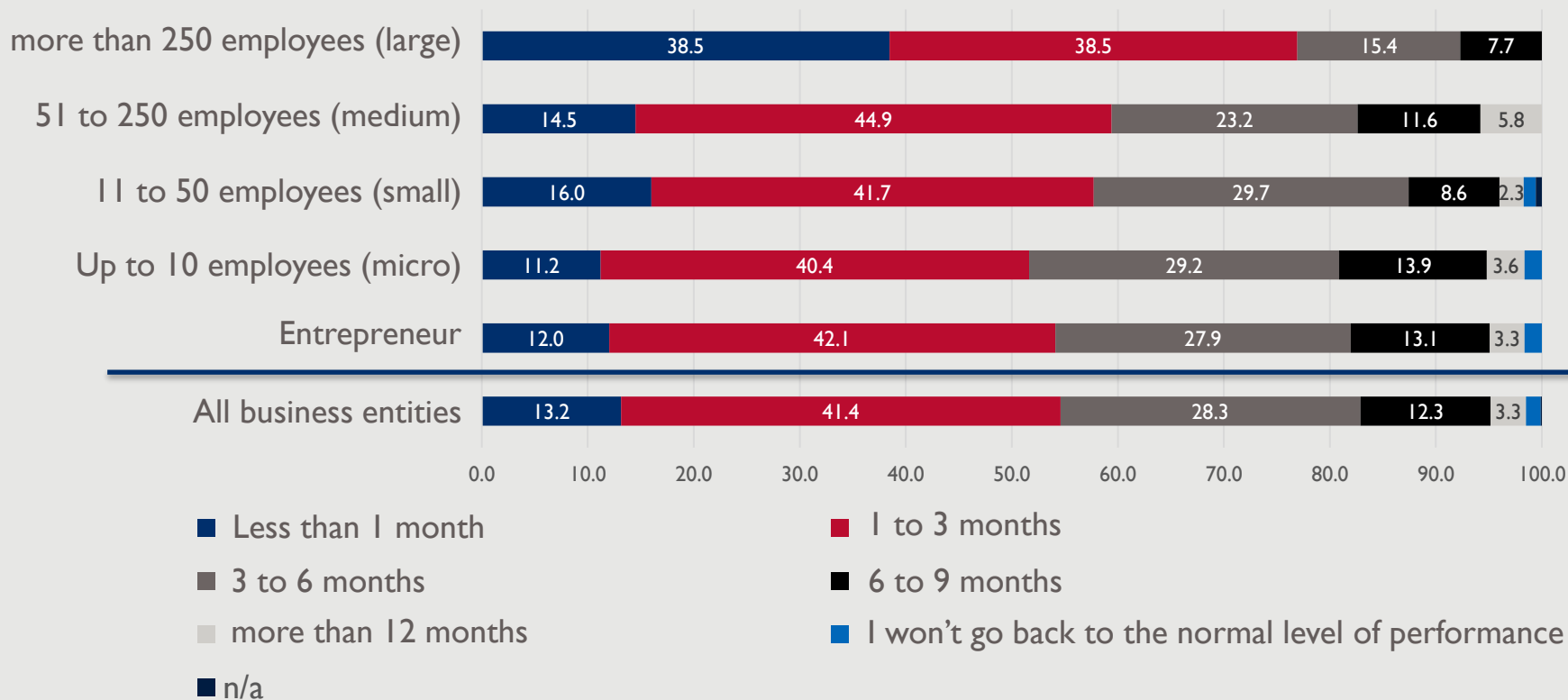
What measures should the Government take in order to mitigate the consequences of the emergency state introduction, provided that the company has not laid-off any of the employees? (% share of business entities which stand for individual measures)

In terms of business activities, it can be noted that almost all sectors have opted for exemptions from taxes and contributions during temporary terminations or shutdowns of operations. The IT sector, construction and trade are particularly interested in the financial measures (investment and liquidity loans). The IT sector most intensively expects training and loans for business digitalization, to help remedy the aftermath of the crisis.



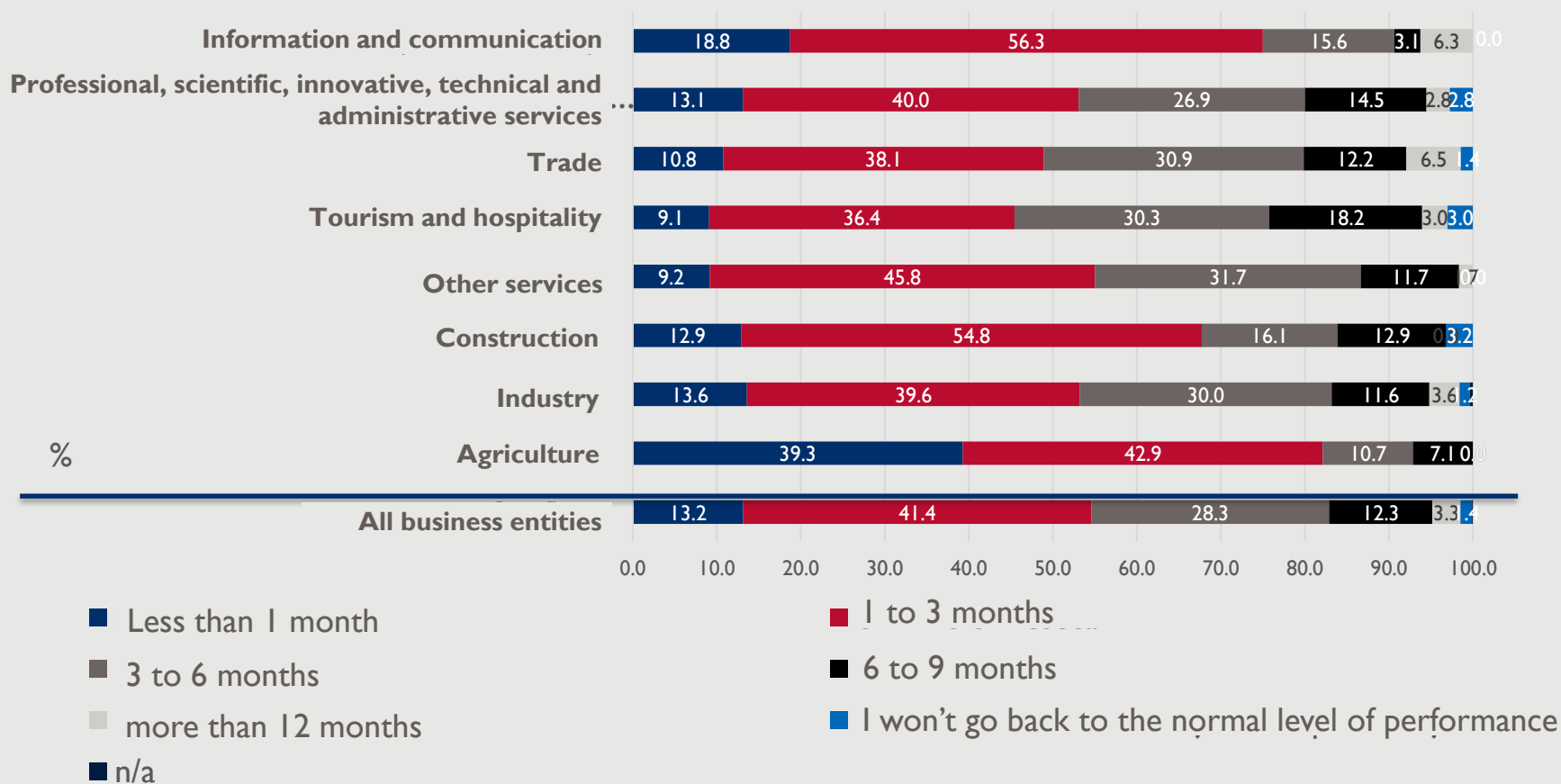
If COVID-19 stops today (March 31), when do you estimate your business will go back to its normal level of performance?

The most of business entities, at the time of the questionnaire, estimate it to be a 1 to 3 months period (42%). However, almost a third (28%) of companies estimate that it will take 3 to 6 months, 12% believe a 6 to 12 months period, while 13% of companies estimate that they can recover in less than a month. However, there are those who do not know when or whether they can return to their usual level of business (3%).



If COVID-19 stops today (March 31), when do you estimate your business will go back to its normal level of performance?

The greatest optimism in assessing when doing business will return to its usual level was expressed by information and communication companies, construction and agriculture





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