Business Pulse Survey Tunisia

Impact of the COVID-19 crisis on the private sector in Tunisia

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IFC International Finance Corporation WORLD BANK GROUP

إحصائيات تونس STATISTIQUES TUNISIE

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Summary

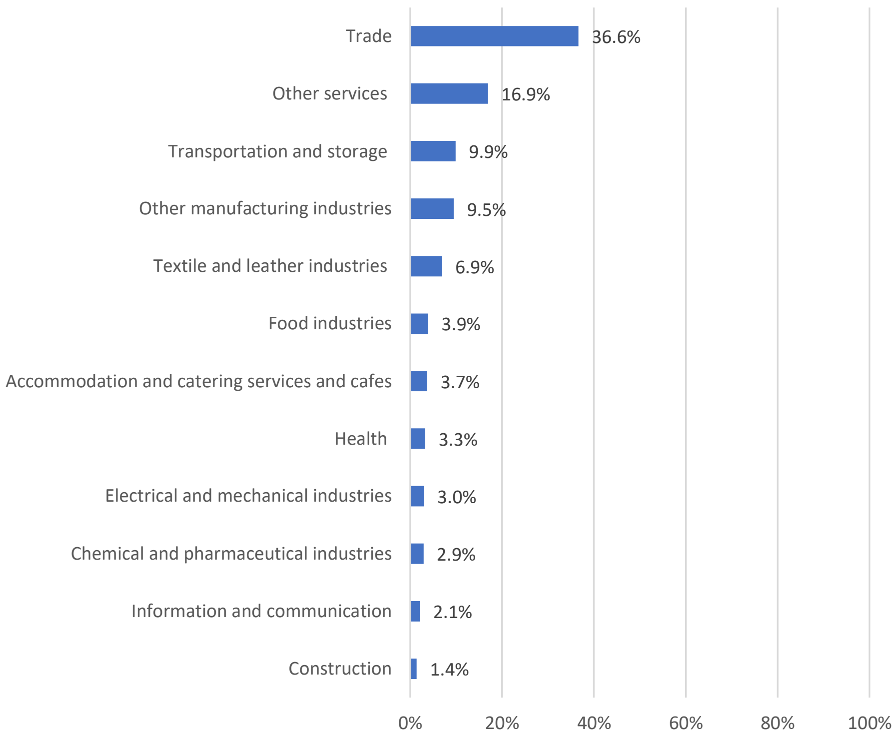
Methodology of the Tunisia Business Pulse Survey

Timing	*May 15– June 15*: Phase 1 → *Sep 15– Oct 15*: Phase 2 → *November-December*: Phase 3 • The responses relating to the 3rd phase of this survey were collected in December and relate to the month of November.
Sampling	• **2,500 private sector** companies were covered and all key sectors of the Tunisian economy were integrated in order to identify the most risky sectors
Content	• The survey differentiates the following characteristics: **i) Sectors, ii) Company size and iii) Exporter / non-exporter** • It covers the following dimensions: (i) state of operation of companies / impact of COVID; (ii) factors affecting the activity; (iii) public policies and the effectiveness of their implementation; (iv) adjustment mechanisms; (v) sustainability of establishments / Business Continuity Plans and; (vi) international benchmark*
Sources	• It was based on the BPS survey developed by the World Bank at the global level and was adapted, in collaboration with the INS, both in terms of content and sequence to better reflect the Tunisian context and issues • It compares Tunisia's results with other countries that participated in the BPS survey

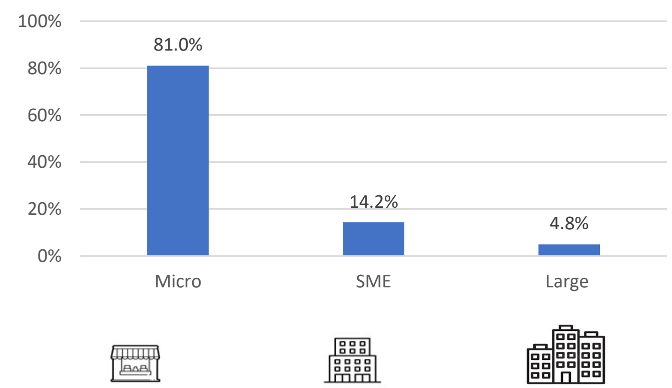
* An international benchmark section was not added in the 3rd phase as no new surveys were conducted in the peer countries since July

Sample distribution of the survey

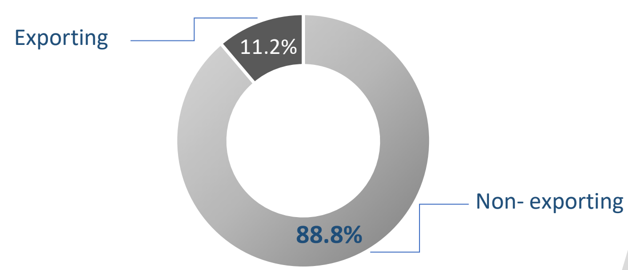
By activity sector



By company size



By exporting status



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Executive summary

State of play and impact of COVID-19 on the private sector in Tunisia

Business operations status *(4th quarter, 2020)*

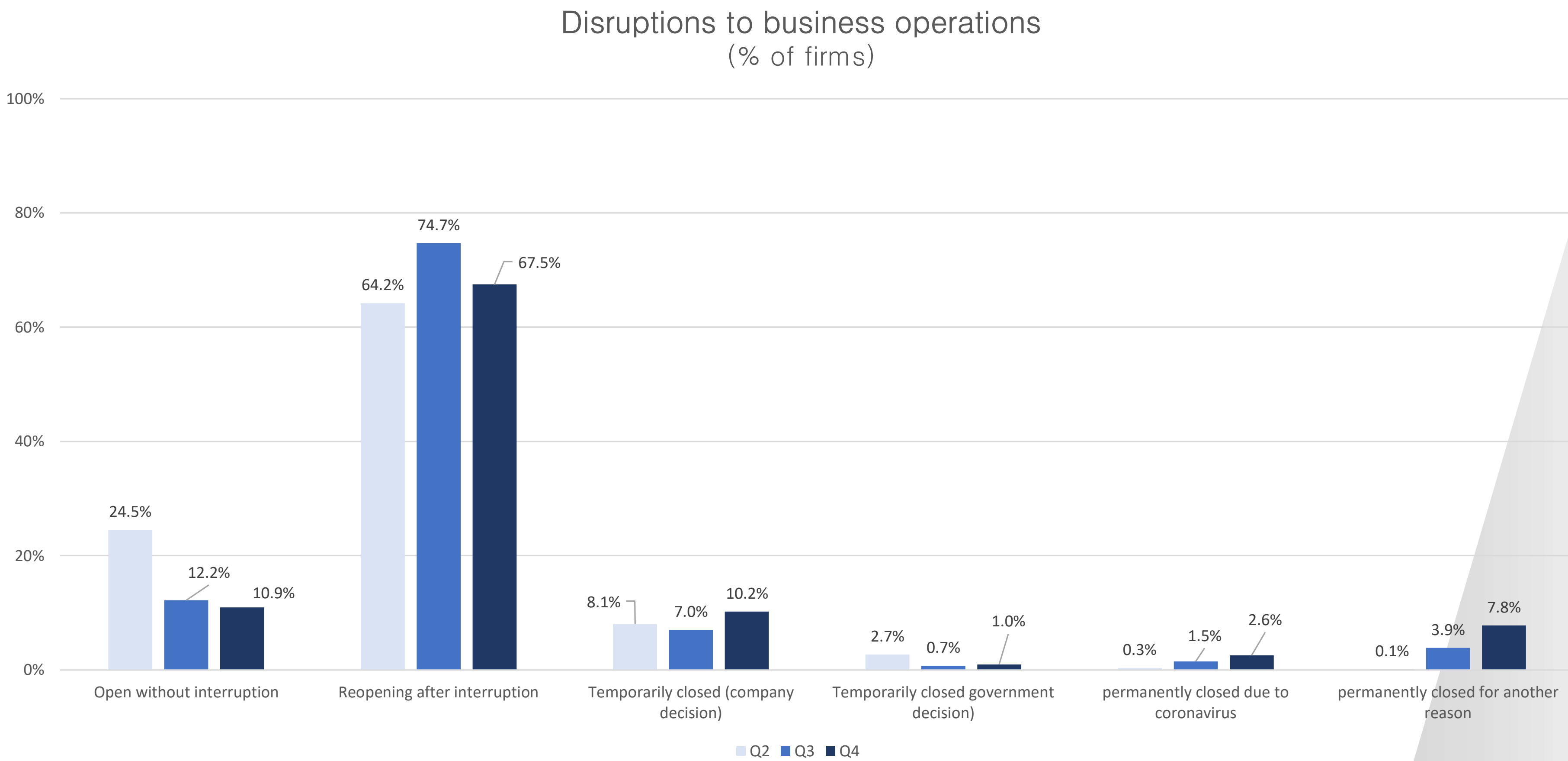
The COVID-19 crisis continued to significantly disrupt the private sector, with a sharp increase in permanent closings in Q4 compared to Q3 and Q2:

- ***78.4% of businesses were open*** (86.9% in Q3, and 88.7% in Q2)***:*** *10.9% of the firms remained open without interruption and 67.5% of businesses reopened after an interruption.*
- ***11.2% of companies were temporarily closed*** *(7.7% in Q3, and 10.8% in Q2)****:*** *10.2% closed following a management decision and 1% following the government's request.*
- ***10.4% of businesses were permanently closed*** *(5.4% in Q3, and 0.4% in Q2): 2.6% because of COVID-19 and 7.8% because of other reasons.*

Permanent closures

- *By sector*: 15.2% of companies in the information and communication sector (3.8% due to COVID-19), 13.1% of companies in the accommodation and catering services and cafes sector (5.3% due to COVID-19) and 12.5% of companies in the food industry (4.8% due to COVID-19) declared having closed permanently.
- *By exporting status*: exporting companies recorded 4% definitive closures against 10.4% for non-exporting companies.
- *By firm age*: more mature businesses have closed permanently 11.4% compared to 10.6% for young businesses and 8.8% for established businesses.

State of play and impact of COVID-19 on the private sector in Tunisia



Risk of permanent closure

The perceived risk of business closure increased by 28 points between July and November from 37.2% to 65.4%. Only 30.3% of companies declare that they can maintain their operations for more than a year in November vs. 42.2% in July.

- By sector: It is over 60% for all sectors except that of health with 49.3% in November up from 31.8% in July. It is particularly high in 4 specific sectors: accommodation, catering and cafes services, construction, information and communication and food industry
- By firm size: 70.3% of micro-businesses fear closure or are uncertain about their future. The same applies to 61.7% of SMEs and 47.8% of large companies.
- *By exporting status*: The risk of closure increased by 12 points between July (57.9%) and November (70.1%) for non-exporting companies.
- By firm age: The risk of closure combined with uncertainty is over 70% for young and mature companies compared to 60% for established companies.

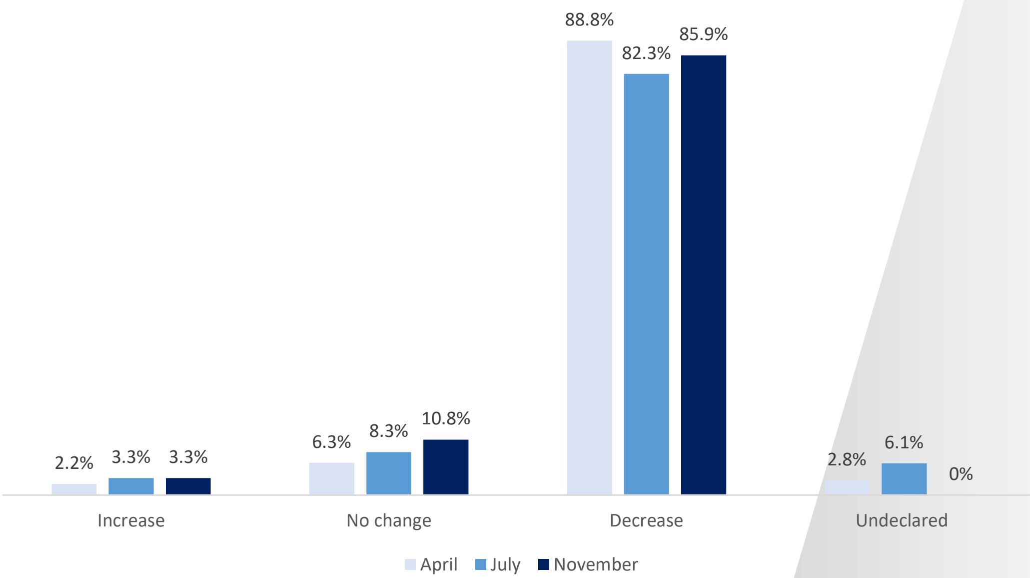
Impact on firms revenues

Impact on revenues November 2020/2019
(firms operating in November 2020)

The impact on revenues remains significant with 85.9% of companies **recordeing a decline in their annual turnover in November** compared to 82.3% in July and 88.8% in April.

- *By sector*: 92.6% companies of accommodation, catering and cafes services recorded a drop in turnover. The chemical and pharmaceutical industries sector stood out with 12.2% of companies in the sector having recorded an increase in their sales
- *By size*: Micro-enterprises and SMEs are the most affected by the decline in turnover with respectively 86.1% and 81.3% against 63.8% for large companies
- *By age*: 87.6% of established companies recorded a drop in turnover in November compared to 82.7% for young companies. 5.6% of young companies recorded an increase.

Change in revenues in November 2020 in comparison with November 2019
(fraction of firms)



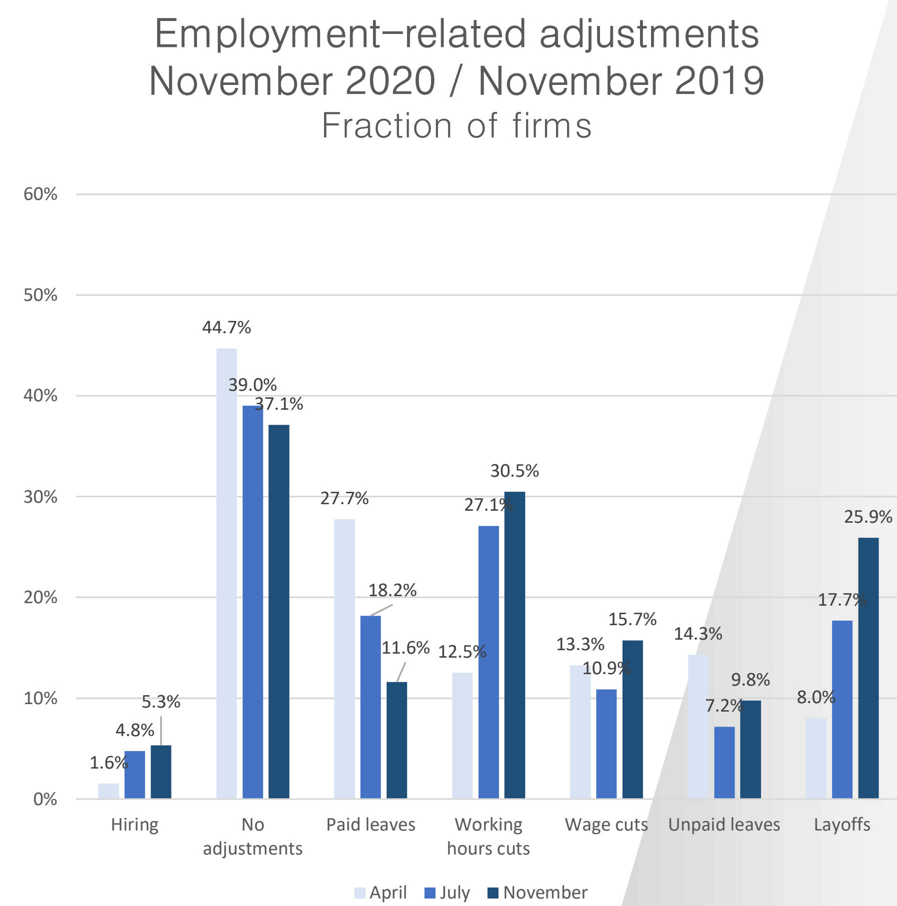
Employment-related adjustment plans

Impact on jobs November 2020/2019

(firms operating in November 2020)

As of November 2020, only 37.1% of businesses declared that they did not have employment-related adjustments. Those who have adjusted, have increasingly fired employees than in April and July:

- 25.9% of companies fired employees in November vs 17.7% in July.
- Companies also made less use of paid leaves, which fell from 18.2% in July to 11.6% in November.
- 15.7% of companies made wage cuts in November vs 10.9% in July.
- Also, it is noted that 5.3% of companies hired in November vs. 4.8% in July and 1.6% in April, mainly in the mechanical and electrical industries and the information and communication sector.
- The accommodation and catering and coffee services sector is the one that made the most employment-related adjustments with 47.9% reduction in the number of working hours, 42.9% of companies in the sector with layoffs, 27.4% using unpaid leave, 8.4% using paid leaves, while only 5.8% companies in the sector recruited.



Impact on factors affecting the activity

The activities of companies have been subject to sharp declines as:

86.4% of companies said they recorded a drop in their cash flow in November compared to 87.4% in July and 78.2% in April

- More than 90% of companies in transport and storage services recorded a drop in their cash flow

79.5% of businesses saw a drop in demand in November vs 79.8% in July and 70.1% in April

- In November, 52.5% of large companies reported a decrease in demand compared to 56% in July and 64.9% in April
- More than 80% of companies in the health sector and trade sector said they had experienced a drop in demand

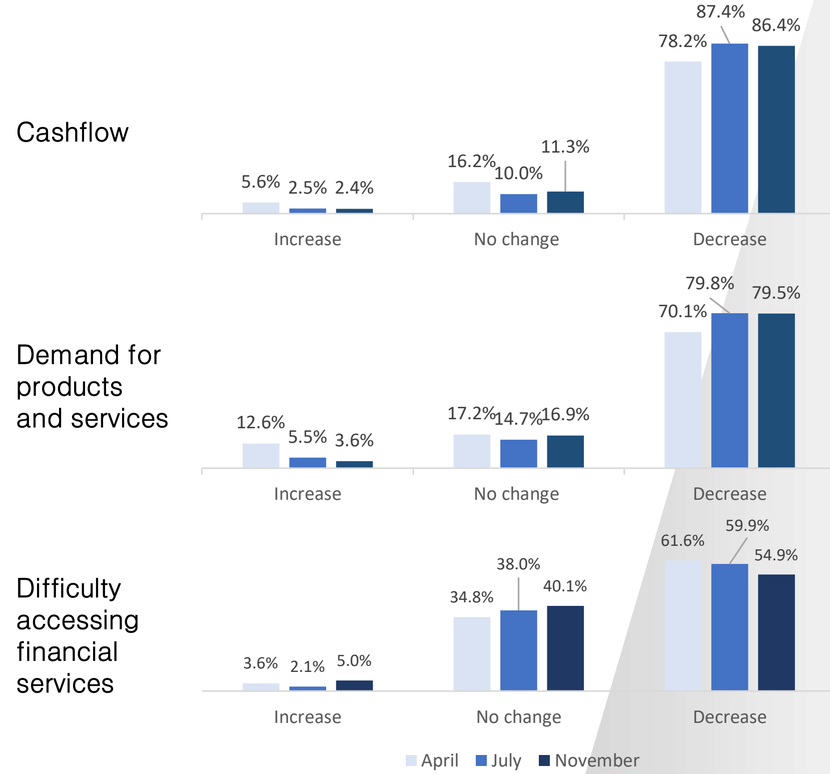
54.9% of companies reported difficulty accessing financial services compared to 59.9% in July and 61.6% in April

- 53.8% of chemical and pharmaceutical industries sector reported problems accessing financial services

The percentage of companies reporting a raw material supply difficulty rose slightly from 52% in July to 52.1% in November, as the fraction of businesses impacted by the drop in the number of working hours, from 46% in July to 48.9% in November.

Evolution of factors affecting the activities of open companies during the month of November 2020 compared to November 2019

(Fraction of firms operating in April 2020)



Role of public policies in crisis management

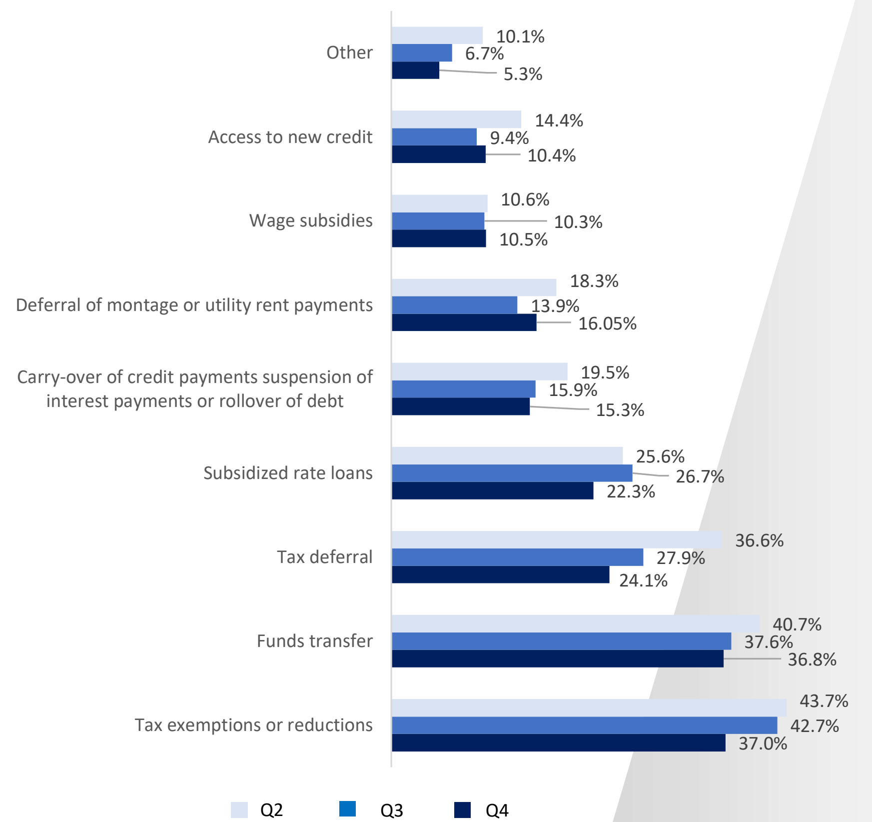
Appreciation of state support by companies

- In Q4, the public support measures most desired by companies are:
  - Tax exemptions / reductions (37%),
  - Direct liquidity injections (36.8%),
  - Tax deferrals (24.1%).
- The top 3 support measures desired by companies remained unchanged between Q2, Q3 and Q4.
- These measures remain the most appreciated by companies regardless of their age, size and exporting status.
- At the sectoral level also, the assessment of these measures remains broadly unchanged, regardless of industries or services.

Support measures that benefited companies

- **More companies declared they have benefited from government measures increasing from 9.6% in Q2 to 21% in Q3 to 25.5% in Q4**
- Three sectors were able to better benefit from government measures in Q4: real estate (47.9%), transport and storage sector (38.6%) and accommodation, catering and cafes services (34.5%).
- On the other hand, more than **34% of companies say they were unable to benefit from government support despite their requests.** Nearly 16% of companies have not expressed an interest in benefiting from these measures and 14.5% of companies said they had not benefited from the support measures because of the complexity of the process

Top 5 support measures that companies say they need most during the COVID–19 crisis



Business adjustment mechanisms

The adjustment mechanisms of companies focused mainly on digitalization: :

- **In a context of deconfinement, companies continued to adjust to deal with the COVID-19 crisis:**
  - 12.7% of companies declared they had increased their online presence in Q4 compared to 9.3% in Q3 and 12.5% in Q2;
  - 2.5% of companies declared they increased their online sales in Q4 compared to 2.3 in Q3 and 1.6% in Q2;
  - 2.9% of companies changed product in Q4 against 2.5% in Q3 and 1.8% in Q2.
- But overall, following deconfinement, the use of digital platforms increased, in Q4 after a slowdown in Q3 compared to Q2, for most sectors except for the chemical and pharmaceutical industries, transport and storage sector and the accommodation, catering and cafes services.
- Microenterprises and non-exporting enterprises have increased the use of digital platforms in Q4.
- Companies increased their use of digital platforms mainly for administrative tasks (45.2%) and for remote work (48%). The uses of ICT for marketing and sales increased respectively from 13.5% and 23.1% in Q3 to 41.1% and 27.3% in Q4.
- The use of digital tools was 3 times higher in the information and communication sectors and in the chemical and pharmaceutical industries than the average for companies
- Three sectors are making greater use of digital platforms to enhance multiple functions related to sales, marketing, service delivery and administration: the healthcare sector, accommodation, food and coffee services and the construction sector.
- Businesses in the health and other services sectors have invested more in digital in response to the crisis.

Resilience and sustainability

In terms of resilience and sustainability of activities:

In Q4, only 10.1% of companies said they had a Business Continuity Plan (BCP), lower than July with 14.8% of companies

- Almost a quarter of exporting companies have a BCP compared to nearly 10% for non-exporting companies
- Young companies have more BCP than established companies with 14.6% and 6.9% respectively
- 39.3% of large companies have a business continuity plan compared to only 9.8% for micro-companies
- The information and communication sector (31.6%), the mechanical and electrical industries (20%) followed by the building sector (15.9%) are among the Top 3 sectors with a BCP
- Home based work is the most common measure for firms BCP (for 52.5% of companies)