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

July 2020
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Methodology of the Tunisia Business Pulse Survey

**Timing**

- **May 15– June 15**

**Phase 1**

- The survey took place in May-June 2020. Two other waves are planned to follow the evolution of companies.

**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) expectations and uncertainties of the private sector.

**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 will compare Tunisia’s results with other countries that participated in the BPS survey.
Sample distribution of the survey

By activity sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade</td>
<td>44.1%</td>
</tr>
<tr>
<td>Other services</td>
<td>18.4%</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>15.0%</td>
</tr>
<tr>
<td>Other manufacturing industries</td>
<td>6.5%</td>
</tr>
<tr>
<td>Accommodation and catering services</td>
<td>5.9%</td>
</tr>
<tr>
<td>Textile and leather industry</td>
<td>2.8%</td>
</tr>
<tr>
<td>Health</td>
<td>2.3%</td>
</tr>
<tr>
<td>Information and communication</td>
<td>2.1%</td>
</tr>
<tr>
<td>Food industries</td>
<td>2.1%</td>
</tr>
<tr>
<td>Mechanical and electrical industries</td>
<td>0.4%</td>
</tr>
<tr>
<td>Chemical and pharmaceutical industry</td>
<td>0.4%</td>
</tr>
<tr>
<td>Construction</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

By company size

- Micro: 79.3%
- SME: 14.9%
- Large: 5.9%

By exporting status

- Exporting: 7.9%
- Non exporting: 92.1%
Executive summary
State of play and impact of COVID-19 on the private sector in Tunisia

Operation of the business (June 30, 2020)

The private sector has suffered serious disruption from COVID-19, but most businesses are reopened as of June 30:

- **88.7% of businesses were open**: 24.5% of establishments remained open without interruption and 64.2% of businesses reopened after an interruption
- **10.8% of companies were temporarily closed**: 8.1% by decision of the company and 2.7% by that of the government
- **0.4% of businesses were permanently closed**: 0.3% due to COVID-19 and 0.1% for other reason

Temporary closures

- By sector: health and ICT sectors followed by the chemical and pharmaceutical industries were less affected by the closures
- By size: Micro and SMEs were more numerous to have closed during confinement with 27.7% and 40.2% of establishments that worked during the month of April respectively against 58.9% for Large Enterprises (LE)
- By exporting status: 81% of exporting companies were affected by closings against 75% of non-exporting companies. But, as of June 30, 91% of exporting companies were open against 86% for non-exporters.

Disruptions to the operations of the business

- Reopening after interruption: 64.2%
- Open (without interruption): 24.5%
- Temporarily closed (company decision): 8.1%
- Temporarily closed (government decision): 2.7%
- Permanently closed due to coronavirus: 0.3%
- Closed permanently for another reason: 0.1%
State of play and impact of COVID–19 on the private sector in Tunisia

**Risk of permanent closure**

- 54.3% of companies say they risk closure or are uncertain under current conditions.
- 74.2% of companies in the accommodation, catering and coffee sector say they risk closing or are uncertain under current conditions.
- Less than half of companies say they can maintain their activity beyond the 12-month horizon.

![Risk of permanent firm closure](chart.png)
State of play and impact of COVID–19 on the private sector in Tunisia

**Impact on sales April 2020/2019** (firms operating in April 2020)

- **88.8% of companies experienced a decrease in turnover** while 6.3% indicated no change and only 2.2% of companies recorded an increase.

- No major differences between the sectors except for the chemical and pharma industries with 14.8% of the companies which recorded an increase in sales.

- Exporting companies are more likely to record a drop in their sales: 93.3% against 88.8% for non-exporting companies.

- 75.1% of businesses that have remained open without interruption experienced a drop in sales compared to 93.1% of businesses that reopened after interruption.

- The average decline in sales during the month of April was larger for small and micro businesses.
State of play and impact of COVID–19 on the private sector in Tunisia

Impact on jobs April 2020/2019 (firms operating in April 2020)

In April 2020, the COVID–19 crisis had a limited impact on formal employment: most of the adjustments were temporary leave and salary reductions

- **50.1% of the companies did not make any adjustments**, 18.7% made leave with pay, 9.6% made leave without pay. 11.5% of businesses have cut wages and 4.3% cut hours. Finally, only **4.5% of companies resorted to layoffs and 1.2% to recruitments**
- The building sector and the mechanical and electronic industries made the most employment-related adjustments
- Exporting firms as well as SMEs and large firms made more employment-related adjustments

![Employment-related adjustments chart]

<table>
<thead>
<tr>
<th>Adjustment</th>
<th>April 2020 / April 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hirings</td>
<td>1.2%</td>
</tr>
<tr>
<td>Working hours cuts</td>
<td>4.3%</td>
</tr>
<tr>
<td>Layoffs</td>
<td>4.5%</td>
</tr>
<tr>
<td>Unpaid leaves</td>
<td>9.6%</td>
</tr>
<tr>
<td>Wage cuts</td>
<td>11.5%</td>
</tr>
<tr>
<td>Paid leaves</td>
<td>18.7%</td>
</tr>
<tr>
<td>No adjustments</td>
<td>50.1%</td>
</tr>
</tbody>
</table>
Impact on factors affecting the activity, top 3 factors

The activities of companies have been subject to sharp declines:

**78.2% of companies recorded a drop in their cash flow**
- More than 90% of companies in various industries, mechanical and electrical industries and the health sector recorded a decrease in their cash flow
- Exporting firms more likely to experience reduced cash flow

**70.1% of businesses saw a drop in demand**
- 94.9% of companies in the health sector declare that they have experienced a drop in demand
- 75.6% of exporting companies declared that they had experienced a drop in demand compared to 68% for non-exporting companies

**69.8% of companies recorded a decrease in the number of hours worked**
- 75.6% of exporting companies declared having experienced a drop in the demand addressed against 68% for non-exporting companies
- Over 85% of companies in the mechanical and electronics industries and accommodation, food and coffee services reported a drop in the number of hours worked per week
- 61.1% of businesses reported difficulty accessing financial services
- 50.6% of companies reported a difficulty in sourcing raw materials
Role of public policies in crisis management

Appreciation of state support by companies

- The support policies most requested by firms are: Tax exemptions / reductions (43.7%); Direct cash transfers (40.7%), and Tax deferrals (36.6%)
- These measures are most appreciated by firms regardless of age and size. However, at the sector level, the building industry shows that companies put subsidized rate loans at the top of the measures (61.4%) that they need most. Exporting companies also include subsidized rate loans in the top 3 of the measures they need most before direct liquidity injections ranked in 4th position.

Implementation of support measures

- In total, less than 10% of companies say they have benefited from government measures
- This percentage increases sharply depending on the size of the company (48.8% for LCs vs 9.2% for Micro). The proportion of companies declaring to have benefited from government measures is 3 times greater for exporting companies (28.0% vs 9.4% for non-exporters)
- This proportion varies between sectors: 23.6% for the building sector against only 4.0% for ICT companies. On the other hand, more than 37.9% of companies declare that they have not been able to benefit from government support despite their requests and almost a quarter of these companies have not expressed to benefit from these measures
Business adjustment mechanisms

The adjustment mechanisms of companies focused mainly on digitalization:

- **12.5% of companies increased their online presence to deal with the COVID crisis**
  
  - The mechanical and electronics, ICT and construction sectors were the most likely to adapt to the context by increasing their use of digital platforms
  
  - However, it appears that microenterprises and non-exporting companies have probably been the least able to adapt to the context by increasing the use of digital platforms.
  
  - Companies have increased their use of ICTs mainly for administrative tasks (60.9%) and for teleworking (44.5%), far behind means of payment (19.5%) or sales (10.1%)
  
  - The digitization of administrative tasks was used by companies in the health sector (90.1%) and those in the chemical and pharmaceutical industry (86.2%)
  
  - In the retail sector, internet use is more diverse: with more than 20% of companies having made adjustments using it for sales, marketing and payment methods
Resilience, sustainability and business expectations

In terms of resilience and sustainability of activities:

Only 13.3% of companies say they have a Business Continuity Planning (BCP)

- This proportion is higher depending on the size of the company and the sectors of activity:
  - 25.4% of large companies have a business continuity plan
  - The ICT sectors (23.0%), the mechanical and electronic industries (22.2%) followed by various services (20.1%) are among the Top 3 sectors that have a BCP
- Teleworking is the most integrated measure in BCP (for 26% of companies)
- In sectoral terms, teleworking was included in 59.7% of companies in the new technologies sector that have a BCP, against very low proportions in the health, chemical and pharmaceutical industries. The latter adopt more the measurement of the storage of inputs (61.2%) of chemical and pharmaceutical companies having set up a BCP.

Business forecasts of expectations and uncertainties

- Overall, companies (with more than 5 employees) are moderately optimistic for the next 3 months. They expect:
  - **Revenue**: 64.8% of companies expect positive growth in the optimistic scenario. This proportion is 45.8% in the neutral scenario and 15.4% in the pessimistic scenario
  - **Jobs**: 64.2% of companies expect positive growth in the optimistic scenario. This proportion is 37.6% in the neutral scenario and 14.4% for the pessimistic scenario.
  - **Investments**: in the optimistic scenario, 58.8% of companies anticipate positive growth. This proportion is 39.5% in the neutral scenario and 9.3% in the pessimistic scenario