



# REACTIONS AND OUTLOOK TO COVID-19 IN AFRICA

## JULY 2020

### AFRICAN BUSINESS SURVEY RESULTS

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This is the second comprehensive survey on the COVID-19 pandemic and its economic impacts across Africa. It takes stock of the consequences for businesses and identifies the challenges they face as well as their responses. The survey was jointly developed and carried out by the United Nations Economic Commission for Africa (ECA) and International Economics Consulting Ltd.

**Period:**

16<sup>th</sup> June – 20<sup>th</sup> July 2020

**Mode:**

Online

**Questionnaires:**

206

**Coverage:**

Africa (all 54 countries)



**Topics:**

- Top Challenges Faced by Companies
- Supply Shortage and Market Distortions
- Support and Financial Needs
- Company Performance
- Outlook
- E-commerce and Partnerships for Innovation
- Business Opportunities and Innovation

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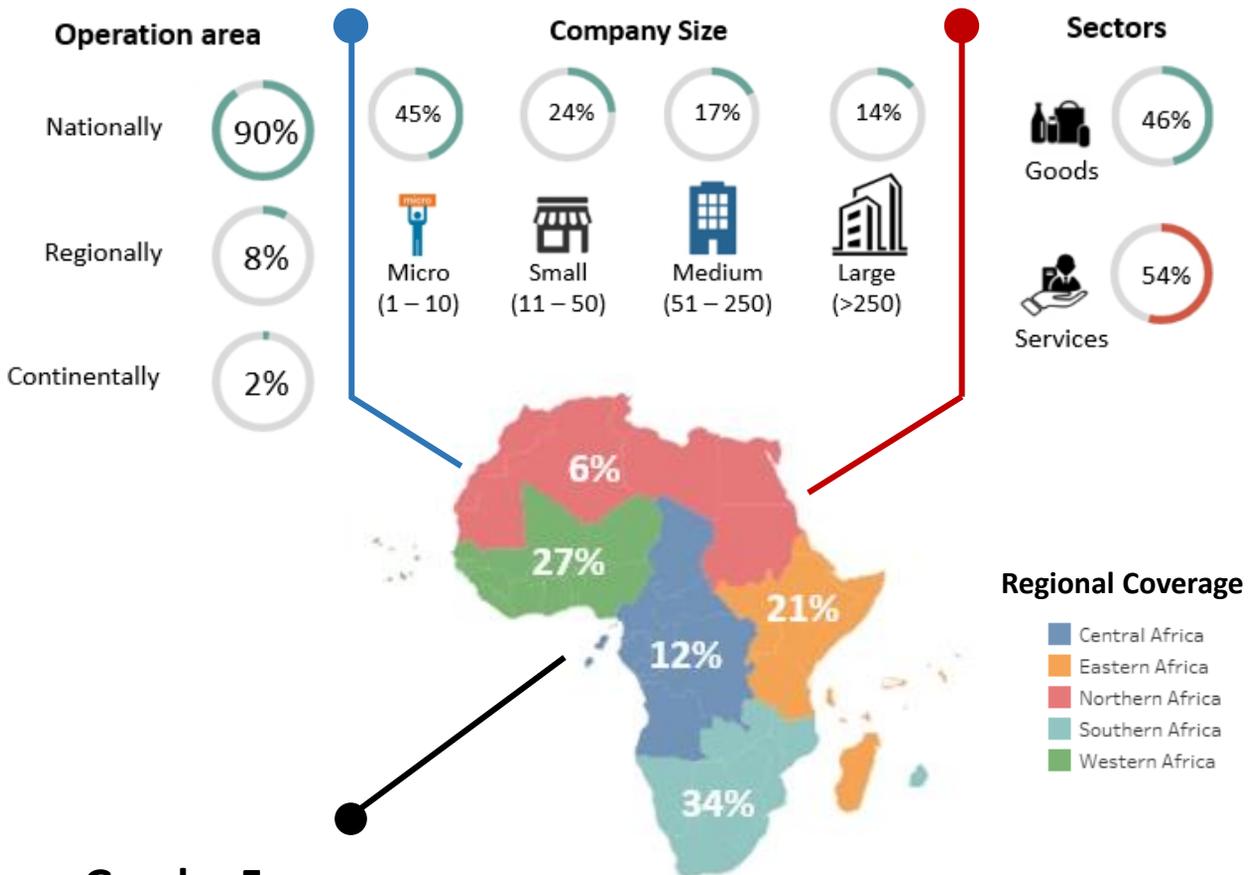
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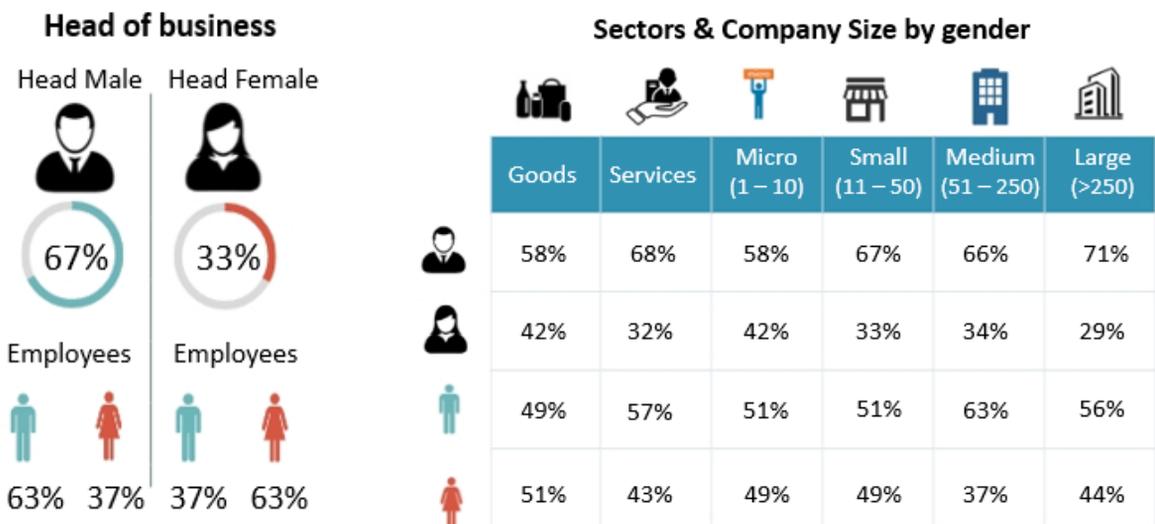
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## Coverage Overview



## Gender Focus



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## Top Challenges Faced by Companies

In our April 2020 survey, **business closure** was reported as the major challenge faced. 3 months later, in July 2020, the perceived number one challenge is the **reduced opportunities to meet new customers**. While this can be seen as a rather positive change (attesting that some companies have resumed operations), **drop in demand** and **lack of cash flow** remain high challenges.

### JULY 2020 SURVEY RESULTS

- #1.  Reduced opportunities to meet new customers
- #2.  Drop in demand for products/services
- #3.  Lack of operational cash flow

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### APRIL 2020 SURVEY RESULTS

- #1.  Business is Closed
- #2.  Lack of operational cash flow
- #3.  Drop in demand for products/services



## Top Challenges Faced by Companies

Breaking down top challenges by type of operation (i.e. goods vs. services), top 5 challenges are the same but the order and importance differ substantially.



GOODS vs SERVICES



For example, drop in demand comes back as a key challenge faced for over 68% of interviewed companies whose primary business is goods, whereas the most frequently mentioned by services companies is the struggle to meet new customers.

### CASH FLOW – MICRO-SIZED COMPANIES



Cash flow is the top challenge for micro-sized enterprises (attesting of their difficulties to operate), while for other company sizes it is either reduced opportunities to meet new customers or drop in demand.

### CHALLENGES IN LOGISTICS & SHIPPING



Challenges in logistics & shipping of products are significantly higher for goods (that need to physically move) than services, particularly for MSMEs (as opposed to large-sized companies).



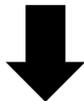
## Supply Shortages and Market Distortions

Companies have faced serious disruptions in both supply and demand due to COVID-19. Interesting to note how **price** has been a major concern during the pandemic. *Whether on the supply-side or the market-side, businesses have suffered due to higher/unfair pricing.*

### SUPPLY SHORTAGE

**56%**

**Companies facing supply shortage**

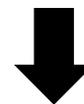


**MAIN REASONS SUPPLY SHORTAGES ARE**

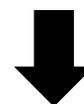


### MARKET DISTORTIONS

Market distortions are felt by the majority of respondents (**64%**) with **price fixing** between competitors as the most recurrent issue.



**Market allocation for sale of products and exclusive contracts offered to competitors** come as next important distortions for companies operating in goods and services, respectively.



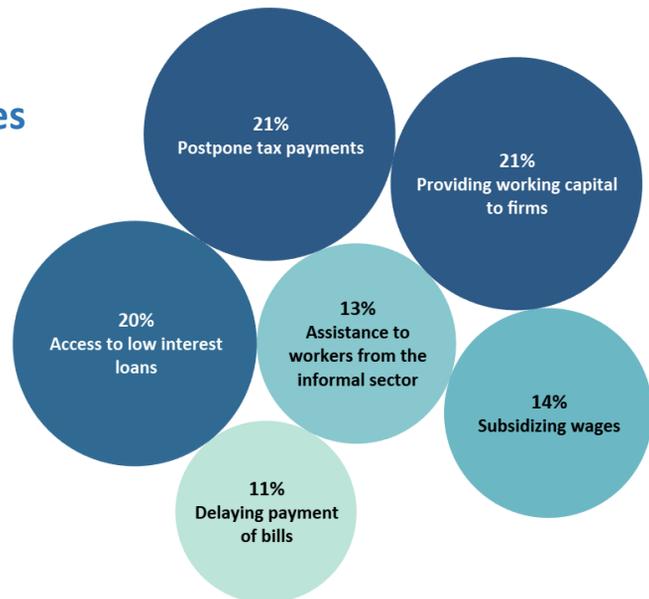
Surprisingly, less than **1/3rd** of respondents have raised concerns with government agencies dealing with competition issues.



## Support and Financial Needs

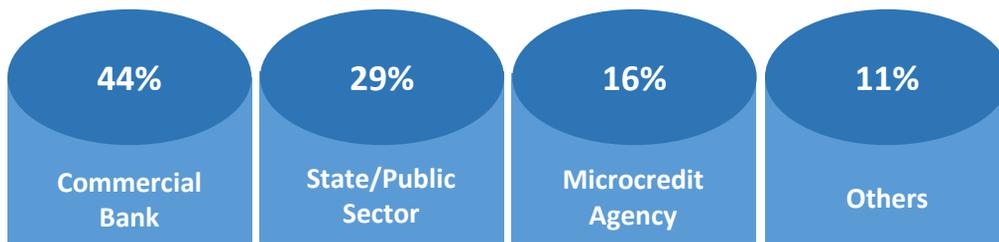
Feedback from companies about governments' assistance so far is mixed with nearly about **2/3rd** of the respondents divided between moderate and no satisfaction.

### Interventions companies wish to see from the Government ?

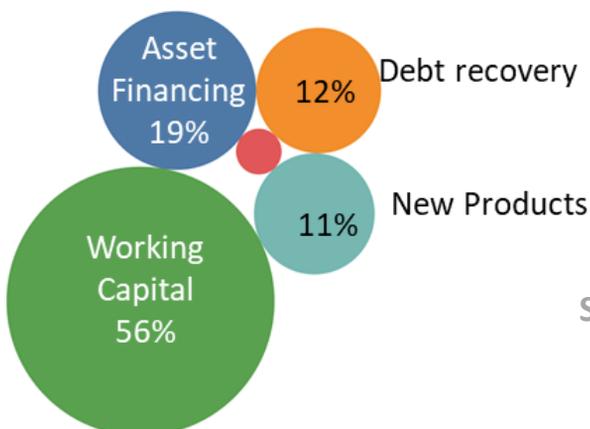


As a consequence, **50%** of the respondents did approach financial institutions

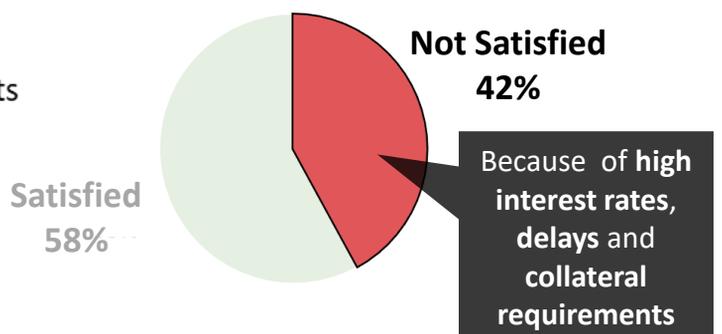
### DISTRIBUTION OF THE REQUESTS



### SERVICES FOR WHICH FINANCIAL INSTITUTIONS WERE APPROACHED



ONLY **25%** GOT POSITIVE ANSWERS SO FAR AMONG THOSE, **42%** ARE NOT SATISFIED





## Company Performance

During the lockdown, many companies managed to maintain operations and revenues as well as limiting lay-offs, thanks, in particular, to employees able to work remotely.

### CAPACITY UTILISATION



Companies are operating at **40-50%** of their capacity

### REVENUES



Drop by **18%** in 2020 as compared to 2019. Goods sector twice as much impacted as services (**25%** vs **12%** drop). MSMEs to suffer most with **21%** drop in revenues against **17%** for large-sized companies.

### EMPLOYEES WORKING REMOTELY



Over **27%** of employees working remotely. With as much as a **35%** in services but under **17%** in goods. Remote work is more widespread in large companies (**37%**) than MSMEs (**23%**)



## Outlook

Though many companies are limiting lay-offs, still 20% of employees might lose their jobs in the next 3 months.



It is worth noting that companies with more women employed are expecting to lay-off larger share of employees (19%) as compared to companies with more men employed (11%). Moreover, companies with women leaders have higher expectations of laying-offs employees (21%) as compared to companies headed by men (16%).

If the perceived outlook for the next 6 months is relatively negative, it is more positive after a year, with interviewed micro and large companies even expecting growth.





## Business Opportunities and Innovation

On a positive note, nearly **2/3<sup>rd</sup>** of the companies have identified new opportunities in reaction to the crisis, with interestingly higher shares for those firms primarily involved in goods and MSMEs.



75%

Goods



56%

Services



61%

Micro



78%

Small



61%

Medium



53%

Large

1. Growth in markets

2. Online Selling

3. New Business line

1. Operations Improvements

2. Shift to new technology

3. Growth in markets

1. Growth in markets

2. Online Selling

3. New Market Segments/  
Improve Competitively

1. Growth in markets

2. Shift to new technologies

3. Improve Competitively

1. Shift to new technologies

2. New business line

2. New Market Segments

1. Operations Improvements

2. Growth in markets

3. Improve Competitively

**With a clear objective of growth in markets and shift towards new technologies, including online selling**

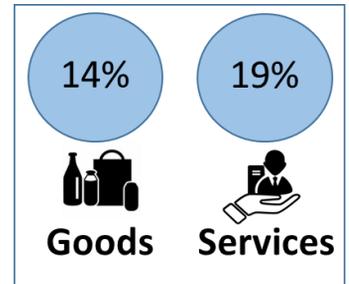
**Setting-up Online Platforms is seen as the top priority**



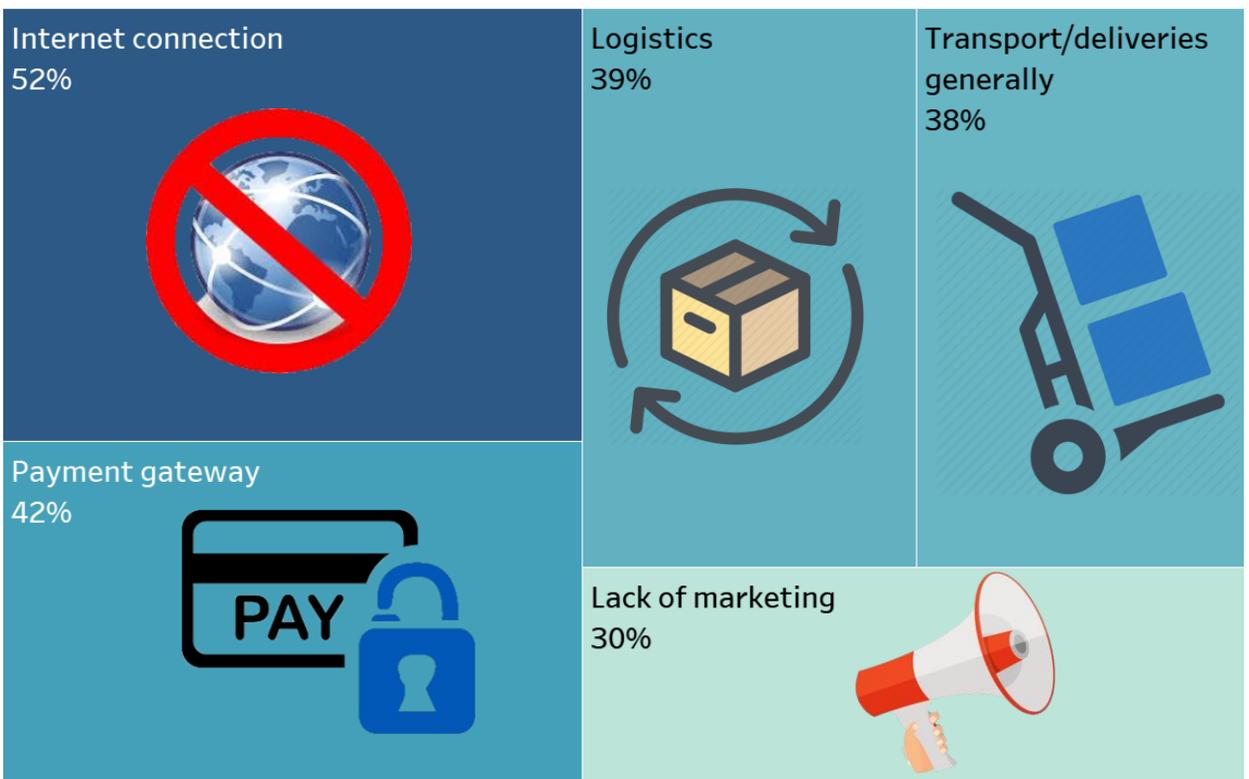
## E-commerce and Partnerships for Innovation

It should be noted that the share of e-commerce revenues remains relatively small (**16%**).

WITH LOWER SHARE IN GOODS AS COMPARED TO SERVICES SECTOR.



ESSENTIALLY DUE TO



Interestingly, nearly half (i.e. **47%**) of the companies are moving or planning to move towards innovative solutions through collaboration/partnerships. It is worth noting that cooperation for innovation would be most pronounced for MSMEs (**50%**) – having less capacity to innovate on their own – than large-sized companies (**40%**).

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