United Nations Economic Commission for Africa | ATPC African Trade Policy Centre | International Economics Strategic Analysis For Growth & Development

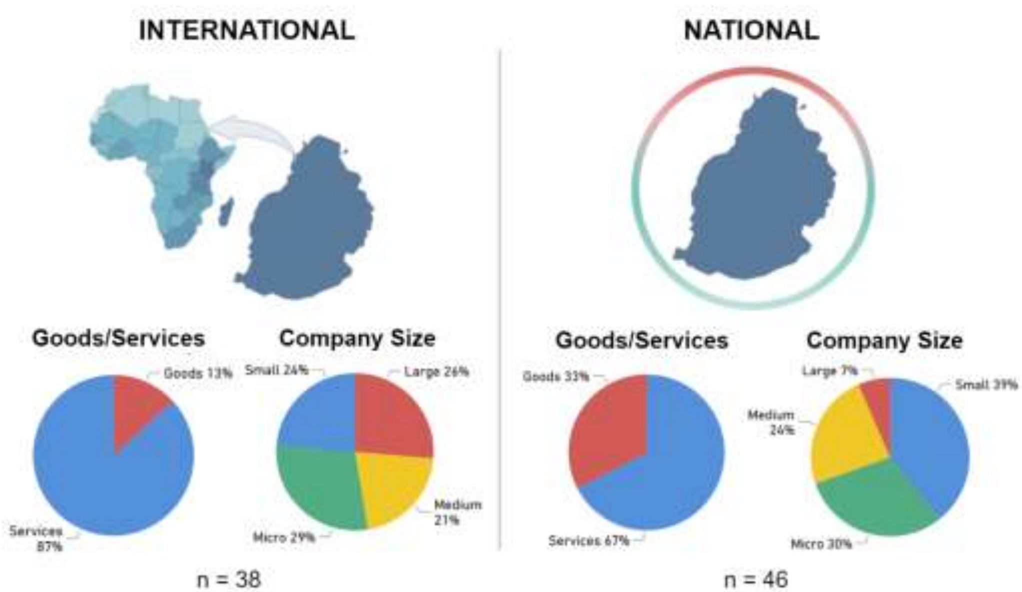
COVID-19 and African businesses: Focus on Mauritius

The African Trade Policy Centre (ATPC) of the United Nations Economic Commission for Africa (ECA) and International Economics Consulting Ltd, jointly administered a survey from 14 to 20 April 2020 to companies operating throughout the African continent. This was part of an effort to obtain "insights on African businesses' reactions and outlook to COVID-19". The report analysing the results of the continent-wide survey was subsequently published on 30 April 2020. [1]

Among the respondents to the continental survey, 84 represent companies that have activities in Mauritius and which can further be divided into 38 international firms (i.e. 45%) that operate not only in Mauritius but also elsewhere in Africa and 46 national enterprises (55%) operating solely in the Mauritian market and therefore that are not exporting.

In terms of size, the 84 surveyed enterprises operating in Mauritius can be divided into: 25 micro (11 international and 14 national), 27 small (9 international and 18 national), 19 medium (8 international and 11 national) and 13 large (10 international and 3 national). In other words, from the sample**, the majority of SMEs (i.e. 60%) operate exclusively in Mauritius, while large companies tend to do business in Mauritius as well as in other African countries (over three-quarters of the total)**.

Figure 1: Survey characteristics



As far as primary type of business is concerned, just over three-quarters (33 international and 31 national) are dealing with services, while the remainder (5 international and 15 national) offer goods. Put differently, **the bulk (75%) of surveyed companies producing goods operate only in Mauritius, whereas firms**

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See https://www.uneca.org/publications/insights-african-businesses%E2%80%99-reactions-and-outlook-covid-19 and https://tradeanalytics.app/insights.

involved in services are nearly equally divided between those operating only locally and those also doing business abroad.

Mauritian companies are on average running at 50% of their normal capacity with the COVID-19 crisis

The vast majority of interviewed Mauritian businesses (78%) indicated being highly to severely impacted by COVID-19 crisis. This perception does not vary according to the type of business (i.e. goods or services) or whether the firm is exporting or not. However, larger-sized companies tend to be slightly less affected, with around two-thirds of the respondents reporting high to severe impacts on their business.

Mauritian companies are on average running at 50% of normal capacity, **with local firms operating at relatively lower capacity (41-50%) than those that trade (51-60%)**. But among exporting companies, micro enterprises are underperforming the most (at around 31-40% of capacity utilisation) compared to other firms, while amongst non-exporting companies, micro enterprises are the ones running with relatively highest capacity (51-60%).

Figure 2: Capacity utilisation of international vs. national firms, broken-down by company size

	INTERNATIONAL	NATIONAL
Goods	61-70%	41-50%
Services	51-60%	41-50%
Micro	31-40%	51-60%
Small	61-70%	31-40%
Medium	51-60%	41-50%
Large	61-70%	11-20%

Business revenues of Mauritian firms could be reduced by around a third in 2020

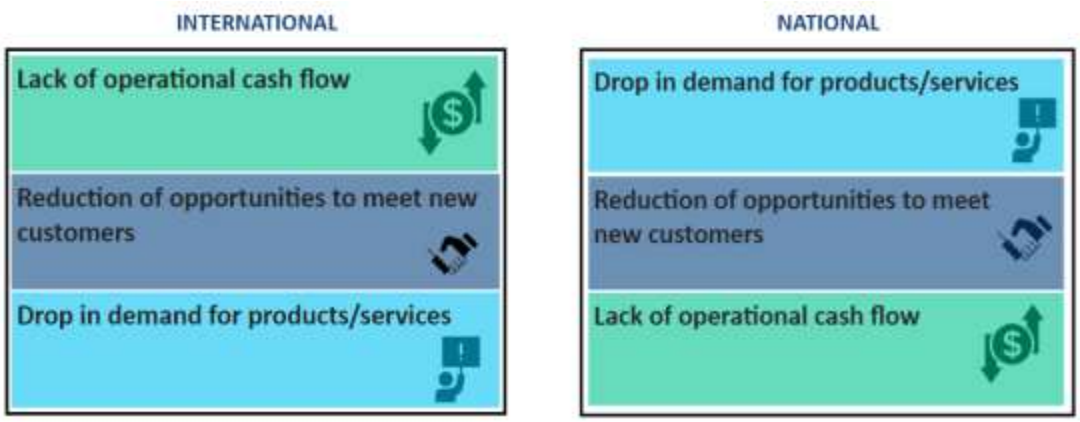
Over half of the respondents believe that the crisis will lead to a contraction in their business activities for at least the next 6 months and over a third anticipate the contraction could last at least 12 months.

As a result of reduced business that is anticipated to last for months if not a year, Mauritian companies foresee a contraction of their revenues by 31-40% in 2020, **with those dealing with services to be relatively more affected (41-50%) than those focusing on goods (21-30%)**. If the anticipated reduction of revenues is relatively uniform across size for non-trading companies, the reduction would decrease with the size of the enterprise for those trading (from 41-50% for micro, 31-40% for small and 21-30% for medium and large-sized companies).

Top 3 challenges faced by Mauritian companies under the crisis are: lack of operational cash flow, drop in demand and reduced opportunities to meet new customers

With the COVID-19 crisis, the three main challenges faced by Mauritian firms are the lack of operational cash flow, the drop in demand for goods/services and the reduction of opportunities to meet new customers. Only the ranking of severity of each challenge differs depending whether the company is an exporter or not. Indeed, while lack of operational cash flow is the main impediment for those firms that are exporting, it is drop in demand for goods/services in the case of the enterprises operating only on the Mauritian market, where a lockdown was rapidly enforced by the government to limit the spread of the disease.

Figure 3: Top 3 challenges face by national and international companies operating in Mauritius

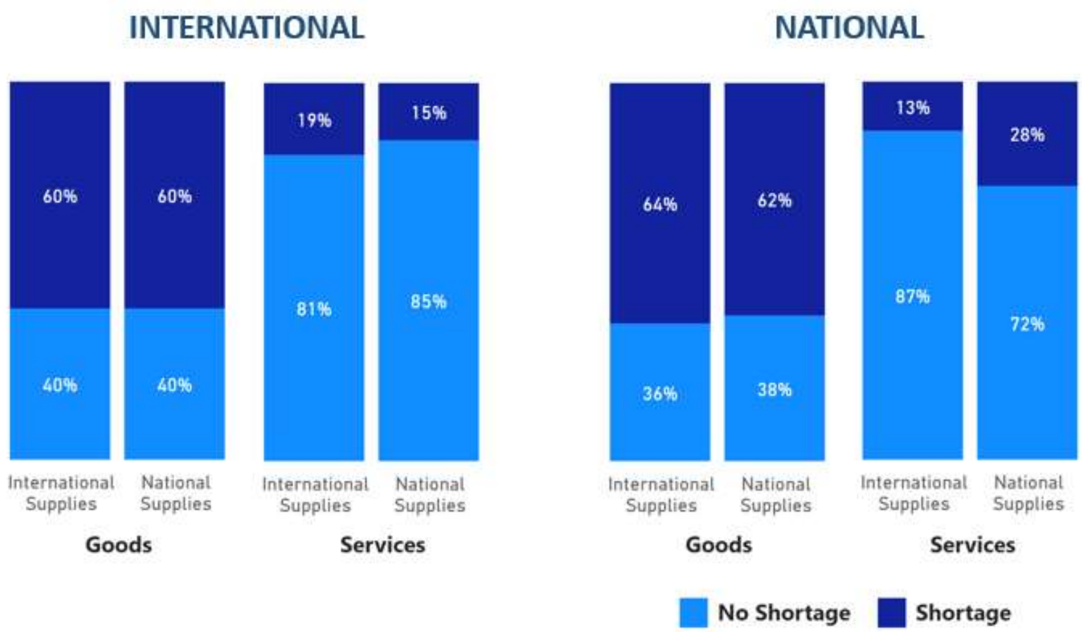


It is also worth noting that the most pressing challenge for Mauritian companies with the crisis tend to contrast notably depending on the size and kind of business of the enterprise. For example, larger-sized companies are most concerned about the limited opportunities to meet new customers, whereas smaller-sized companies are primarily worried about being able to function; “business is closed” being ranked highest for micro enterprises, “lack of operational cash flow” is the main worry for small businesses, while medium-sized companies are most troubled with the “drop in demand for goods/services”. Narrowing-down on exclusively the type of business, services companies see “lack of operational cash flow” as their primary challenge, whereas manufacturing companies view “issues with changing business strategy and offering alternative products” as their key challenge.

Shortage of supplies of raw material essential for production is a key issue faced by locally operating firms

While it wasn’t listed by surveyed companies as a major obstacle with the crisis, the difficulty in obtaining supplies of raw material essential for production is a serious issue for many from the responses obtained, especially for those firms that deal with goods and more pronounced for those that operate only on the Mauritian market. 60% of the respondents from internationally operating firms indicated having a shortage in supplies of goods from both national and international suppliers, whereas only 15% and 19% of the international companies mentioned facing a shortage in supplies of services from national and international suppliers. For local companies, 62%/64% of the respondents specified having shortage in supplies in goods from national/international suppliers and 28%/13% for shortage in supplies of services from national/international suppliers.

Figure 4: Proportions of national vs. international companies dealing with goods or services, operating in Mauritius, which face or not a shortage with national or international suppliers



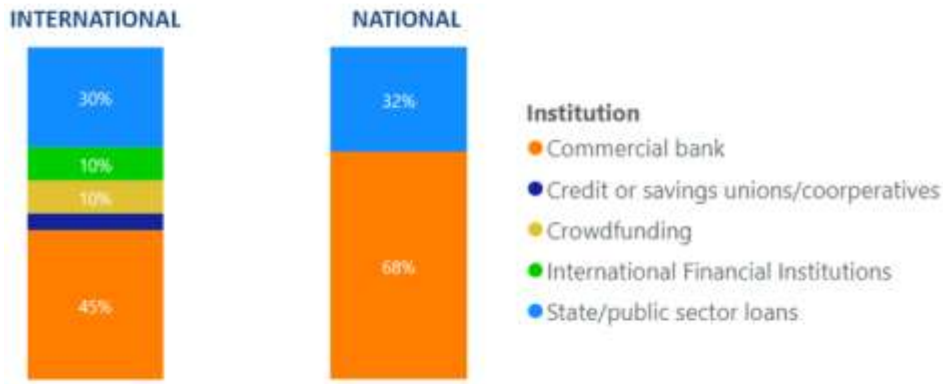
Commercial banks are the first port of call for Mauritian companies in need of liquidity and also the most responsive

With the crisis, lack of operational cash flow being seen as a major, if not the most important challenge, for many Mauritian companies, it is not surprising that half of the respondents indicated having approached financial institutions. **The primary reason for half and two-thirds of companies operating internationally and locally, respectively, is to obtain "working capital"**, followed in equal proportions (20% for international and 14% for local companies) by "asset financing" and "factoring/debt recovery delays".

While **both international and national companies mostly approached commercial banks** (for 45% and 68% of international and local enterprises, respectively), **State/public sector appear to be the sole other port of call for liquidity for firms operating only on the Mauritian market**. However, firms operating in Mauritius as well as abroad not only contacted State/public sector for loans (30% of total international companies) but also international financial institutions (10%), crowdfunding (10%) and credit or saving unions/cooperatives.

Commercial banks seem to have been the most responsive to firms requests for financial support, noting that positive responses appeared to be greater to international than to national companies. The feedback was less positive from State/public sector banks/support, while crowdfunding essentially offered support but with high interest rates.

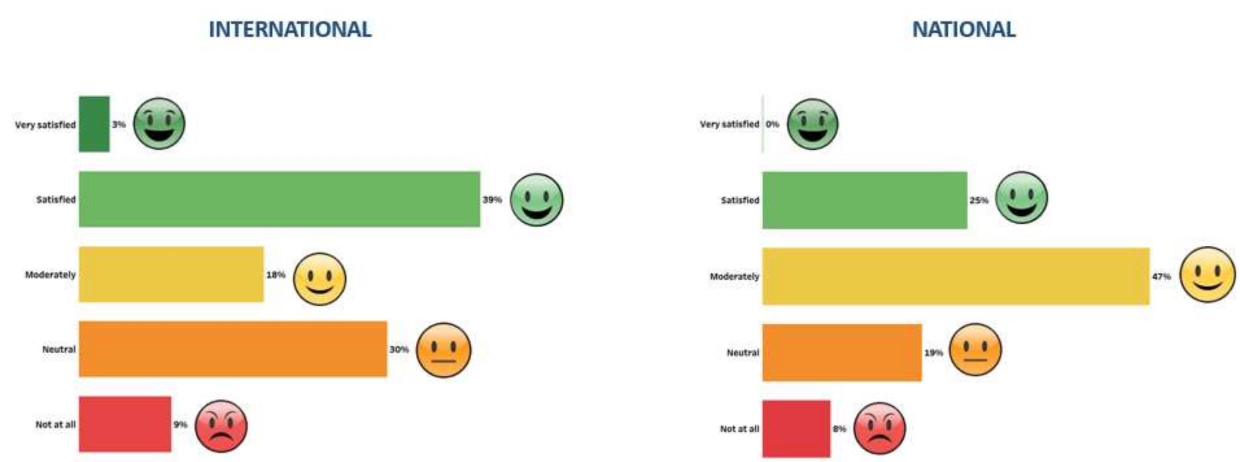
Figure 5: Financial institutions approached by international and national companies for liquidity



Firms operating only in Mauritius wish to see the government subsidising wages, whereas those operating internationally would like to see tax payments being postponed

Generally, Mauritian firms seem relatively satisfied with the responses offered by the government to the crisis, although it should be noted that the satisfaction rate is significantly lower for the enterprises that operate only on the Mauritian market.

Figure 6: level of international vs national companies' satisfaction with government's response to the COVID-19 crisis



Still Mauritian businesses do have expectations from the government moving forward which also tend to differ depending on whether the firms operate only locally or also internationally. Indeed, while international companies are most concerned about tax payments which they wish to see postponed, national firms wish to see wages being subsidised.

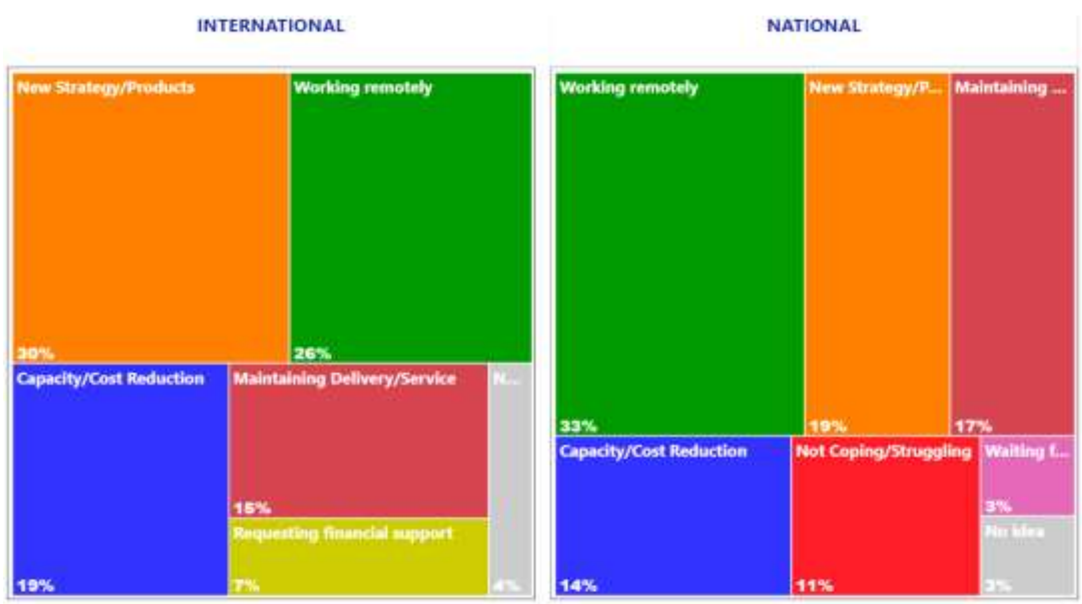
Working remotely as well as efforts to come up with new strategies/products are helping Mauritian companies cope with the challenges of the COVID-19 crisis.

Ultimately, employees risk losing their jobs as business activity contracts and capacity utilisation is being reduced. **Asked about the percentage of lay-offs they expect for their companies in the next 3 months, Mauritian entrepreneurs indicated around 11-20% for those that export, while the proportion was higher and around 21-30% for those not exporting**.

If those shares – while admittedly significant – are not greater it is likely and partly due to the possibility for many to continue working remotely, as well as the government support in wage subsidies provided to companies very early on. Asked how their company copes with current challenges, 26% and 33% of respondents from firms operating internationally and locally, respectively, indicated by “working remotely”. Coming up with “new strategy/products” also appear to be key mitigation plans, as it was mentioned by 30% and 19% of international and local companies, respectively.

The proportion of respondents stating that they cannot cope with the crisis (none for exporting companies versus 11% for non-exporting ones) is relatively low, somewhat re-assuring and consistent with the fact that surveyed companies often affirmed having a business continuity plan; with exporting companies nonetheless relatively better prepared (78% indicating to have a business continuity plan) than non-exporting ones (49%). Adoption of technologies, digitalisation and online selling are frequently mentioned by the interviewees as orientations being undertaken to best try to respond to the challenges posed by the COVID-19 crisis.

Figure 7: How are local and international companies operating in Mauritius coping with the crisis?



Conclusion/Key recommendations

The COVID-19 crisis is impacting, to a large extent, businesses globally. Mauritian firms have not been spared. While small-sized companies are fearing business closure and lack of liquidity to simply operate, larger firms would like to find better ways to meet new customers, during this pandemic.

Mauritius, being an economy highly dependent on imports, has a serious issue with supplies of raw materials. More than 60% of goods manufacturing firms see this as a major threat, finding it difficult to obtain their supplies, be it from the local or international markets.

As opposed to African businesses that were surveyed, Mauritian firms have reacted relatively more positively to the measures taken by the Government. Although local businesses fear a reduction of their employee workforce, it is to be noted that firms have turned to the state for financial support. These packages might, possibly, be the reason why local Mauritian entrepreneurs believe lays-off within their companies may remain relatively limited.

Many companies have turned to banks. The primary reason for half and two-thirds of companies operating internationally and locally, respectively, is to obtain "working capital", followed in equal proportions (20% for international and 14% for local companies) by "asset financing" and "factoring/debt recovery delays". If both international and national companies mostly approached commercial banks (for 45% and 68% of international and local enterprises, respectively), State/public sector appear to be the sole other port of call for liquidity for firms operating only on the Mauritian market. Commercial banks appeared to be the most responsive to the requests for financial support, particularly for international companies.

The silver lining in this crisis situation is that Mauritian businesses seem to be prepared for extreme situations, in so far that more than three-quarters of the surveyed businesses have a contingency plan. While manufacturing companies might have to better adapt, businesses in the services sector are using this extreme situation to move towards online selling and technology solutions to diversify their offering.

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