

REACTIONS AND OUTLOOK TO COVID-19 IN AFRICA

APRIL 2021

AFRICAN BUSINESS SURVEY RESULTS

Survey highlights: While the situation remains difficult, especially in the goods sector, companies appear to have seized the opportunity to accelerate digitalisation, launch new products and switch to local suppliers. There is optimism for growth in 2021, even if the short term remains uncertain.

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

Survey Period:

22nd Feb – 14th Mar 2021

Mode:

Online

Respondents:

125

Regional Coverage:



Topics:

- Top challenges faced by companies
- Support from financial institutions
- Sourcing of inputs
- Capacity management and perceived outlook
- Government responses
- Identified potential opportunities
- Transition towards digitalisation

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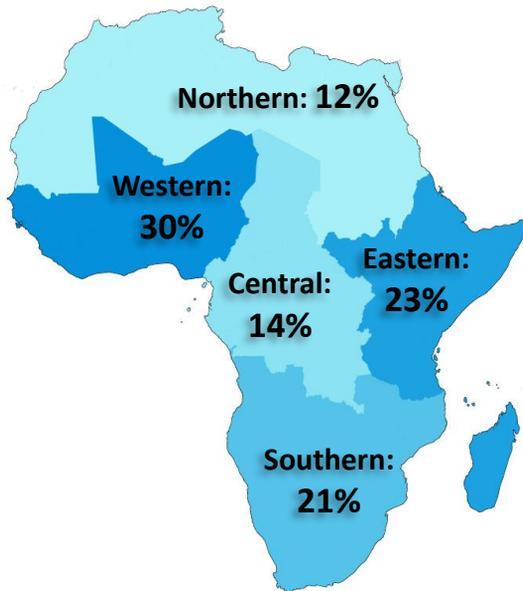
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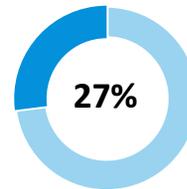
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Survey characteristics

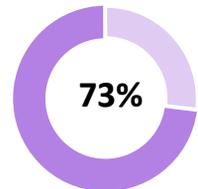
Regional coverage



Sectors



Goods



Services

Head of business

Male Heads

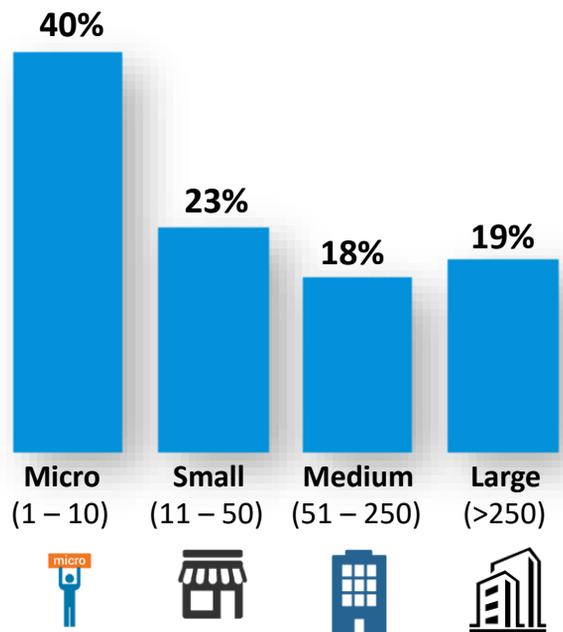


Female Heads



3% preferred not to answer

Company size



Share of employees

Male Employees

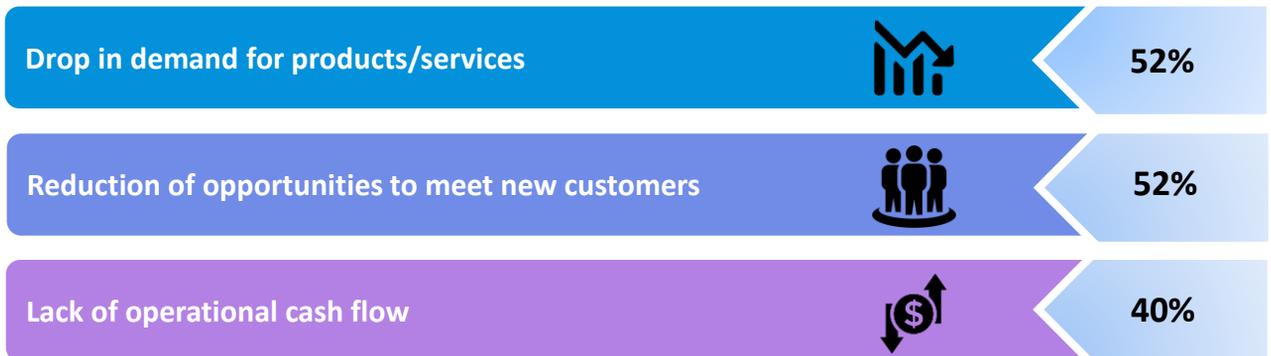


Female Employees



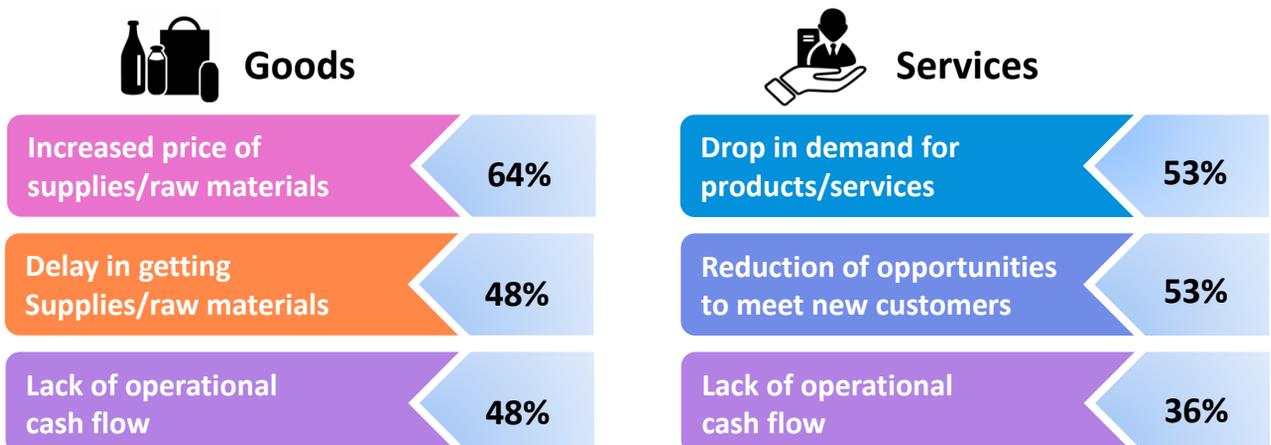
Top challenges faced by companies

Survey results confirm that the major challenges have not changed much in the last 6 months. The drop in demand for products/services and the reduction of opportunities to meet new customers remain top challenges for most companies (**52%**). To a lesser extent, cash flow issues are still concerning many (**40%**).



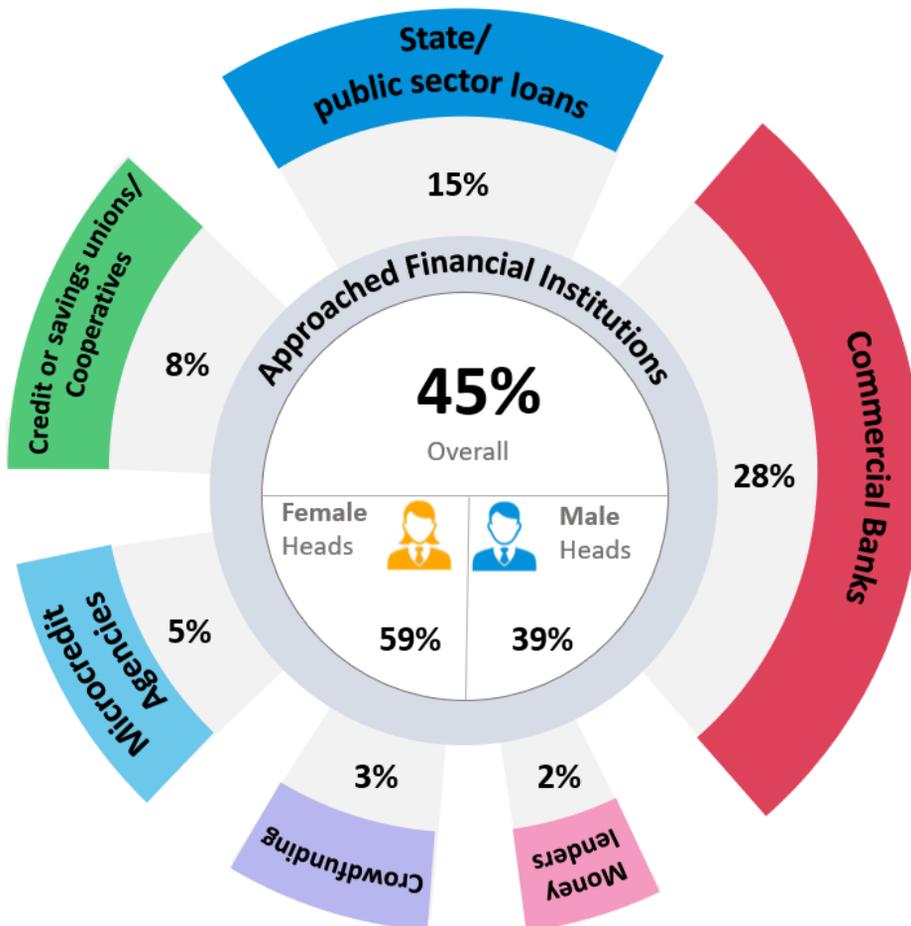
Companies in the goods sector are facing major challenges with supplies. Prices have increased as confirmed by **64%** of the respondents and there are still delays in deliveries of supplies (**48%**).

For those companies in the services sector, the drop in demand for products/services and a reduction of opportunities to meet new customers are the major challenges (**53%**).



Support from financial institutions

Less than half of the companies reached out to financial institutions for support (**45%**). Commercial banks remain the most approached, followed by State banks, Credit or Savings unions and Microcredit agencies. It is interesting to note that female lead companies expressed more need for support (**59%**) as compared to male lead companies (**39%**).



Note : Sum of % for institutions exceeds **100%** since some respondents did approach several institutions.

The loan requests were mainly for :-



1 Working capital



2 Asset financing

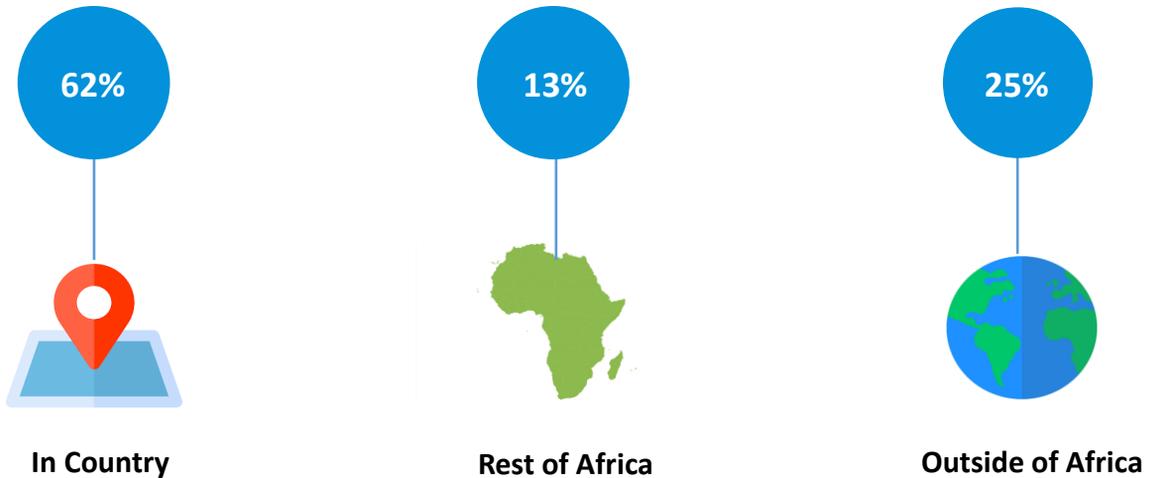


3 Machinery & technology

Only **50%** of companies who got support from financial institutions are satisfied. The main reasons for dissatisfaction are due to **high interest rates** and the **slow process** preventing/delaying access to finances.

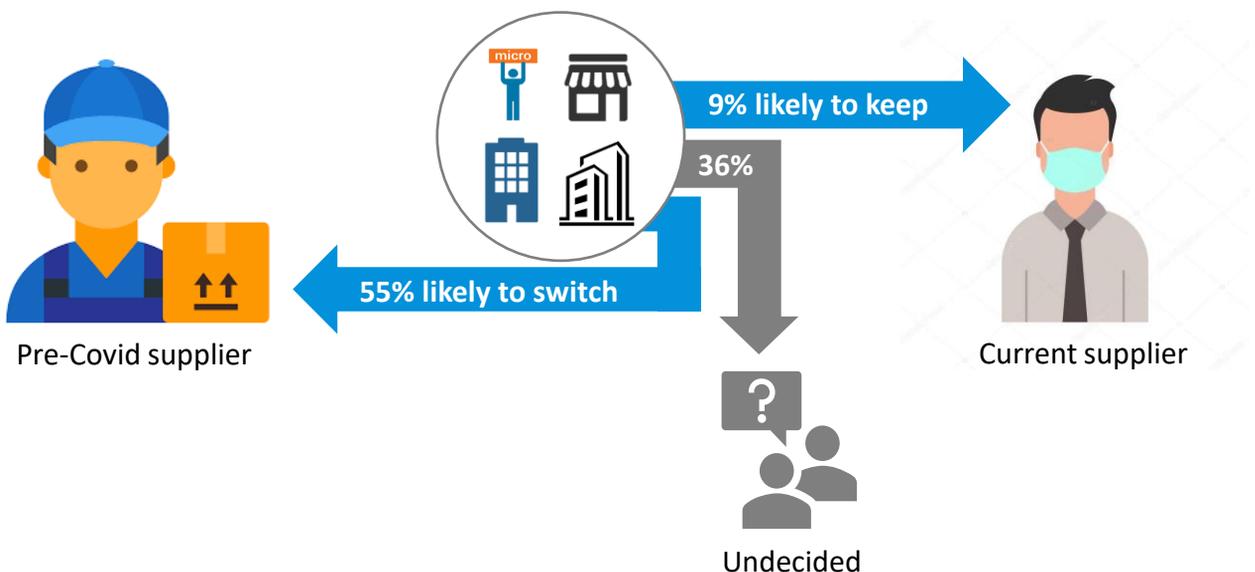
Sourcing of inputs

In general, most of the inputs (**62%**) are sourced from within the country. A very low percentage (**13%**) of countries are choosing to import from within the continent as compared to **25%** from outside Africa. Expectations are that the implementation of the AfCFTA could facilitate sourcing of inputs from within Africa.



Switchback to pre-Covid suppliers

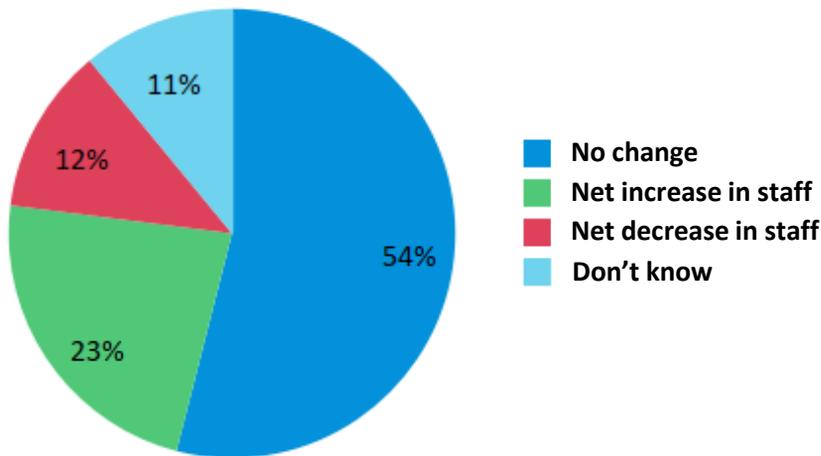
Most of the businesses (**55%**) are likely to switch back to their pre-Covid period suppliers. Only **9%** of the businesses are likely to stay with their current suppliers, while **36%** remain undecided.



Capacity management and perceived outlook

In 2020, **18%** of the staff had been laid off, affecting mostly micro and small companies. It is pleasing to note that 2021 forecasts bring hope as businesses are expecting to downtrend lay-offs (**12%**) and **23%** of the businesses are even expecting to recruit new staff.

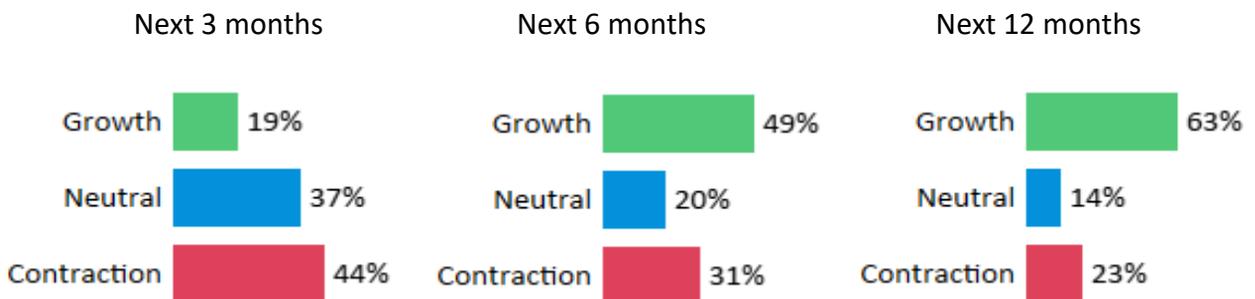
Expected staff retention for 2021



Perceived outlook

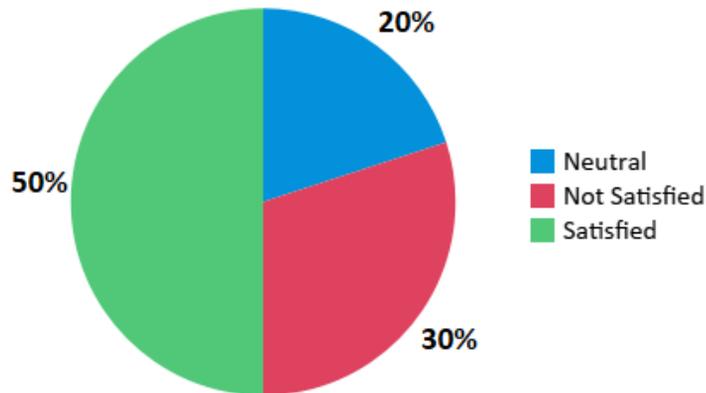
Companies are feeling pessimistic as well as very uncertain for the next 3 months but have clear hopes that after mid-2021 the outlook will improve as they foresee growth. On average, companies are expecting a slight increase in revenues for 2021 (+16%, as compared to 2020).

Expected Revenue in 2021



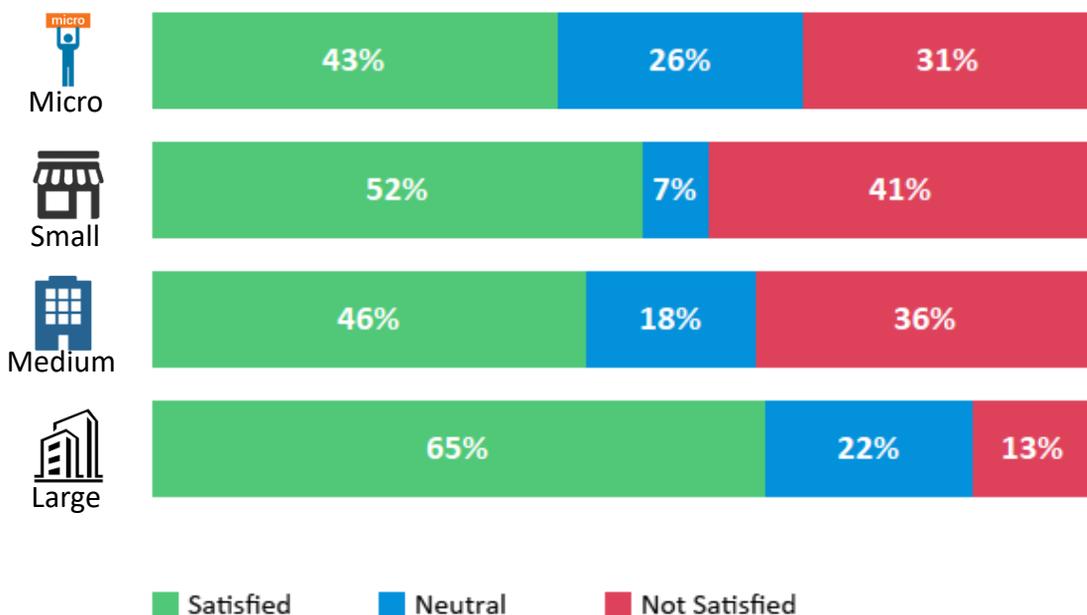
Government responses

Half of the companies are satisfied with the government's measures, mostly because they have benefited from a delay in tax payment.



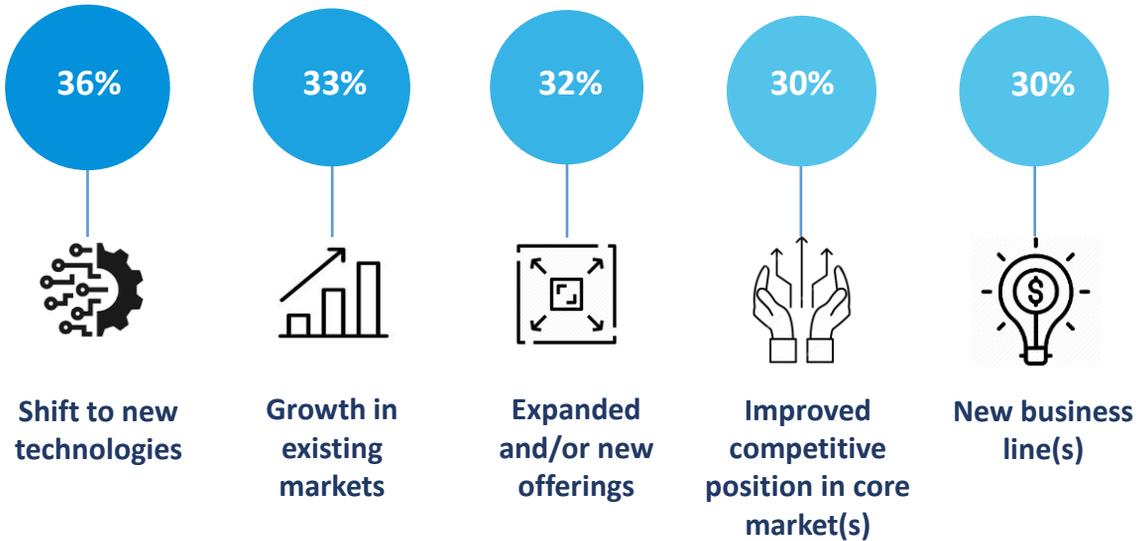
Companies headed by women seem to be less satisfied with government measures (**38% not satisfied**) compared to those headed by men (**29% not satisfied**).

While most government responses resonate well with large businesses, more than **30%** of MSMEs are not satisfied with the measures taken.



Identified potential opportunities

Companies identified new technologies, market and supply-side strategies as the key potential opportunities for 2021.



Goods

In the goods sector, changing business environment and the identification of new market segments are highlighted as the main opportunities.

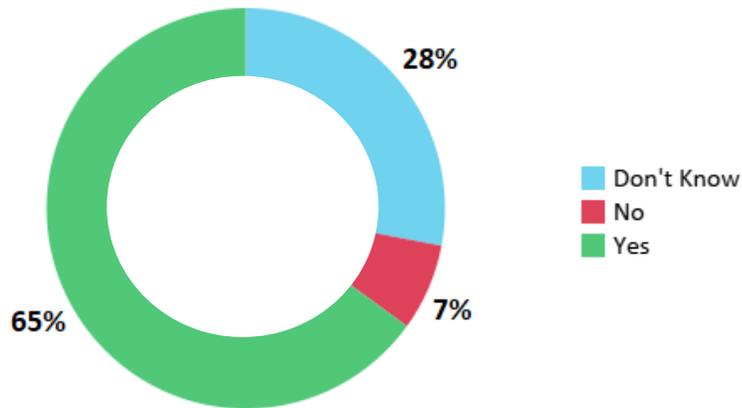


Services

Interesting to note that firms in the services sector introduced the opportunity to change the business and/or regulatory environment as one of their main identified opportunities.

Transition towards digitalisation

Around **65%** of the responding companies estimated that COVID-19 has accelerated their digital transition.



The main digital transformation's actions taken:



Although this is observed for all company sizes, large and small companies are those which experienced digital transformation in the greatest proportion (**77%** and **71%** respectively).

Major barriers to digital transformation were costs and resources (**64%**), internet reliability/connectivity (**36%**) and lack of expertise (**24%**)



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