REATIONS 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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Survey characteristics

Regional coverage

- Western: 30%
- Central: 14%
- Eastern: 23%
- Northern: 12%
- Southern: 21%

Sectors

- Goods: 27%
- Services: 73%

Head of business

- Male Heads: 70%
- Female Heads: 27%
- 3% preferred not to answer

Company size

- Micro (1–10): 40%
- Small (11–50): 23%
- Medium (51–250): 18%
- Large (>250): 19%

Share of employees

- Male Employees: 61%
- Female Employees: 39%
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%).

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drop in demand for products/services</td>
<td>52%</td>
</tr>
<tr>
<td>Reduction of opportunities to meet new customers</td>
<td>52%</td>
</tr>
<tr>
<td>Lack of operational cash flow</td>
<td>40%</td>
</tr>
</tbody>
</table>

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%).

<table>
<thead>
<tr>
<th>Sector</th>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods</td>
<td>Increased price of supplies/raw materials</td>
<td>64%</td>
</tr>
<tr>
<td></td>
<td>Delay in getting Supplies/raw materials</td>
<td>48%</td>
</tr>
<tr>
<td></td>
<td>Lack of operational cash flow</td>
<td>48%</td>
</tr>
<tr>
<td>Services</td>
<td>Drop in demand for products/services</td>
<td>53%</td>
</tr>
<tr>
<td></td>
<td>Reduction of opportunities to meet new customers</td>
<td>53%</td>
</tr>
<tr>
<td></td>
<td>Lack of operational cash flow</td>
<td>36%</td>
</tr>
</tbody>
</table>
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%).

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.

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

- **No change**: 54%
- **Net increase in staff**: 12%
- **Net decrease in staff**: 11%
- **Don’t know**: 23%

**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**

- **Next 3 months**
  - Growth: 19%
  - Neutral: 37%
  - Contraction: 44%
- **Next 6 months**
  - Growth: 49%
  - Neutral: 20%
  - Contraction: 31%
- **Next 12 months**
  - Growth: 63%
  - Neutral: 14%
  - Contraction: 23%
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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Satisfied</th>
<th>Neutral</th>
<th>Not Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>43%</td>
<td>26%</td>
<td>31%</td>
</tr>
<tr>
<td>Small</td>
<td>52%</td>
<td>7%</td>
<td>41%</td>
</tr>
<tr>
<td>Medium</td>
<td>46%</td>
<td>18%</td>
<td>36%</td>
</tr>
<tr>
<td>Large</td>
<td>65%</td>
<td>22%</td>
<td>13%</td>
</tr>
</tbody>
</table>
Identified potential opportunities

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

- **Shift to new technologies**: 36%
- **Growth in existing markets**: 33%
- **Expanded and/or new offerings**: 32%
- **Improved competitive position in core market(s)**: 30%
- **New business line(s)**: 30%

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

**Goods**

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.

**Services**
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:

- Acquired adequate technologies and/or tools: 69%
- Trained existing employees/staff: 54%
- Conducted advertising campaign: 33%
- Developed a new line of products dedicated for online selling: 22%
- Hired new employees/staff to support the digital transformation: 14%

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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