WORLD BANK GROUP

ENTERPRISE SURVEYS FOLLOW-UP ON COVID-19

WHAT BUSINESSES EXPERIENCE

Poland 2020 – Round 2

ENTERPRISE SURVEYS FOLLOW-UP

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Introduction

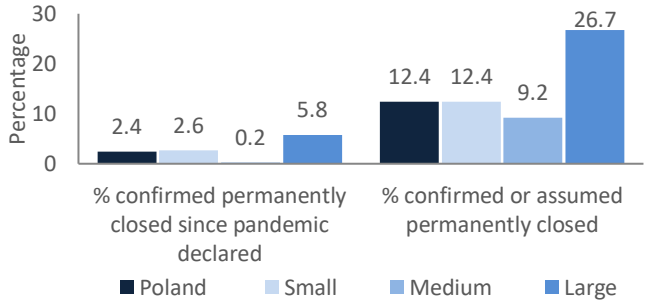
The World Health Organization (WHO) declared COVID-19 as a pandemic on March 11, 2020. The breadth and depth of the effects of the outbreak on the world population and its productive capacity remain uncertain. However, it is clear that many government measures to curtail contagion have a direct impact on the private sector, including the hundreds of millions who derive their living from its activity. The follow-up surveys to the standard Enterprise Surveys (ES) aim to measure the virus's impact on the private sector by combining the baseline ES data collected before the pandemic with the follow-up data, collected during or after the pandemic.

This document summarizes the main findings from the follow-up surveys in Georgia. Business owners and top managers of 1369 firms were interviewed between December 2018 and December 2019 as part of the standard ES. The same firms were re-contacted in July/ August 2020 and again in November/December 2020 for two rounds of follow up surveys. This document complements a similar summary that was prepared immediately after the first round of the follow-up survey.

Firms Operations

An important measure of the effect of the pandemic on the private sector is the share of firms that have exited the market during the economic crisis. Figure 1 shows two estimates of the share of firms that have closed. The left side of the figure shows the share of firms that were confirmed to have closed since the pandemic was declared. The right side uses a wider definition of closed firms: in addition to the firms included in the left side, it includes the firms that closed since the baseline ES, and also the firms that could not be contacted during fieldwork and therefore are assumed to have closed. The estimates are disaggregated by size, as observed in the baseline ES.

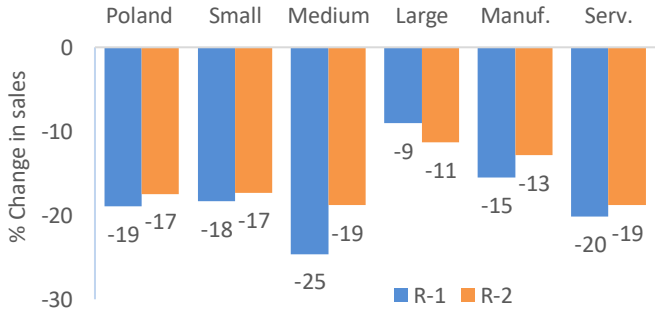
Figure 1: Share of firms that permanently closed (%)



Sales

The intensive margin of the effects following the outbreak can be measured by changes in firms' monthly sales compared with the same month of the prior year. Figure 2 reports this measure, disaggregated by firm size and sector, for both rounds of the follow up surveys.

Figure 2: Average change in monthly sales compared to prior year for the two rounds of the surveys (%)

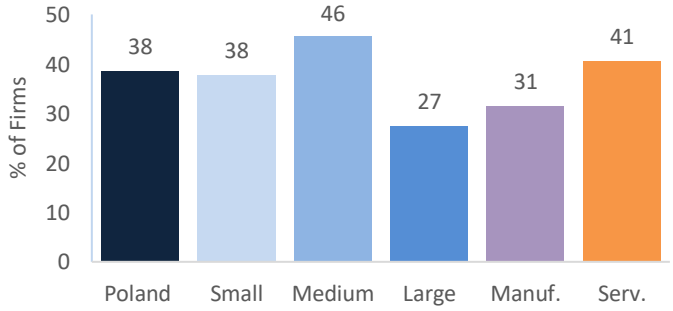


Note: The R-1 series shows average change in monthly sales in June/July 2020 vs June/July 2019, and R-2 shows average change in monthly sales in October/November 2020 vs October/November 2019.

Workforce

The pandemic had both direct and indirect effects on the workforce. Beyond the effects on health and family needs, restrictions on mobility due to health risks or governments' actions in their efforts to curtail the contagion, as well as unemployment or under-employment due to decreased economic activity have reshaped the workforce. Figure 3 displays a measure of the pandemic's impact on the workforce – the share of firms that decreased the total number of hours worked per week relative to before the outbreak – disaggregated by size and sector.

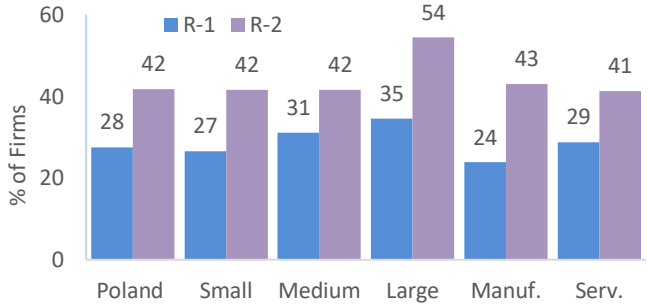
Figure 3: Share of firms experiencing a decrease of weekly hours worked relative to one year ago (%)



Finance

As economies were increasingly affected by the COVID-19 pandemic, the private sector experienced growing financial distress. Figure 4 displays the cumulative share of firms delaying payments to suppliers, landlords, or tax authorities for more than one week due to the COVID-19 outbreak. This measure provides a sense of the magnitude of the liquidity or solvency crisis induced by the pandemic. Comparing the results over the two rounds of surveys allows visualizing the dynamics of the financial distress.

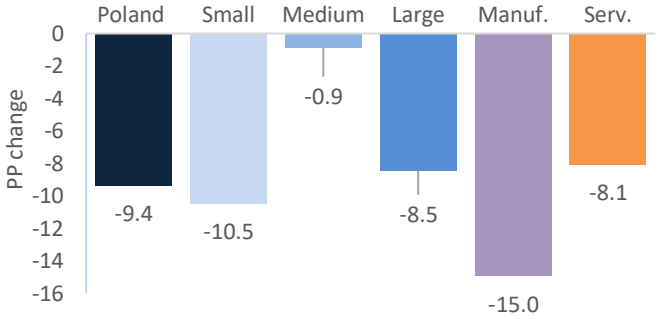
Figure 4: Share of firms delaying payments for more than one week due to COVID-19 over the two rounds of the surveys (%)



Gender

Figure 5 presents the average percentage point change in the proportion of females as a fraction of all permanent full-time workers. The change is computed since the ES baseline completed before the pandemic. Negative (positive) values mean that the follow-up survey revealed a decline (increase) in the share of females among the permanent full-time workers.

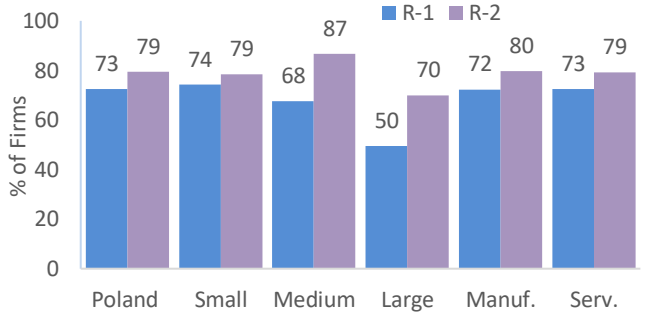
Figure 5: Percentage point change in share of females among the permanent full-time workers



Policy

Local, national, and international institutions put in place different measures aimed at countering the economic effects of the pandemic. Figure 6 illustrates the cumulative share of firms that received or expect to receive any national or local government assistance, including but not limited to cash transfers, deferral of payments, access to new credit, fiscal relief, or wage subsidies.

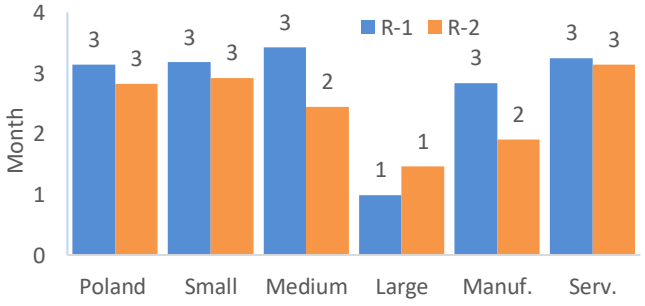
Figure 6: Share of firms that received or expect COVID-19 pandemic-related government support (%)



Expectations

Firm expectations play an important role in how the pandemic affects the economy. Based on these expectations, firms make decisions on production, investments, workforce, and all other aspects of their activity. The expectations may also play an important role in shaping the process of economic recovery. Figure 7 shows how the average number of months that the firms expect to take before they are able to return to their normal level of sales changed over the two rounds of interviews.

Figure 7: Average number of months firms expect it will take to return to normal level of sales



Appendix

The following table reports some of the indicators created based on the two rounds of the ES follow-up surveys.

	Poland R-1	Poland R-2					
	All Firms	All Firms	Small Firms	Medium Firms	Large Firms	Manuf. Firms	Services Firms
Operations							
% of firms confirmed permanently closed	3.6	3.9	3.9	0.4	24.2	2.5	4.3
% of firms confirmed or assumed permanently closed	11.2	12.4	12.4	9.2	26.7	8.8	13.3
% of firms confirmed permanently closed since COVID-19 pandemic declared	2.2	2.4	2.6	0.2	5.8	1.7	2.6
Capacity utilization (%)*	76.5	84.0	83.7	86.5	72.1	84.0	n.a.
% of firms that started or increased online business activity	17.4	33.6	33.6	31.6	54.1	37.5	32.5
Sales							
% of firms experiencing decreased monthly sales compared to one year ago	59.8	60.0	59.6	64.5	44.0	51.3	62.4
Average change in monthly sales compared to one year ago	-19.0	-17.5	-17.4	-18.8	-11.3	-12.8	-18.8
Workforce							
% of firms that decreased total hours worked per week compared to one year ago	38.3	38.5	37.7	45.7	27.3	31.4	40.5
% of firms that decreased total number of permanent workers since December 2019	22.0	28.1	27.4	32.8	38.3	30.5	27.4
% of firms that ever decreased total number of temporary workers since COVID-19 began	15.3	27.2	26.6	28.8	49.5	29.2	26.7
Finance							
% of firms ever experienced decreased liquidity or cash flow availability since COVID-19 began	50.6	65.4	65.4	67.0	44.9	52.8	68.9
% of firms ever delay payments to suppliers, landlords, tax authorities since COVID-19 began	27.5	41.7	41.6	41.6	54.4	43.0	41.3
% of firms that has been overdue on obligations to financial institutions	17.0	23.9	22.7	32.2	35.3	18.9	25.4
Gender							
Percentage point change since ES in prop perm full-time workers that are female	-10.9	-9.4	-10.5	-0.9	-8.5	-15.0	-8.1
If workforce decreased, proportion of female workers taking 5+ days of leave or quit since previous round	n.a.	52.3	51.2	55.8	57.7	54.8	51.7
Policy							
% of firms that received national or local government assistance	62.5	67.2	67.6	67.1	38.1	68.9	66.7
% of firms that received/expect to receive national or local government assistance	72.5	79.4	78.5	86.7	70.0	79.7	79.3
Expectations							
% of firms that anticipate falling in arrears on outstanding liabilities	16.8	26.7	28.2	20.2	5.2	16.2	29.8
Number of months that firms expect will take to return to normal level of sales	3.1	2.8	2.9	2.4	1.5	1.9	3.1
Number of months firms expect will take to return to normal level of workforce	0.9	0.8	0.9	0.5	0.8	0.4	1.0

* These indicators are computed only for the manufacturing sector

Note: the size and sector information used in the breakdowns are from the baseline ES.

The Enterprise Analysis Unit is a World Bank Group team of economists and survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity. For more information on the survey visit http://www.enterprisesurveys.org