

The Economic Impact of the COVID-19 Outbreak on European companies in 3rd markets.

A Global Report.

September 2020



**EUROPEAN
BUSINESS
ORGANISATION**
WORLDWIDE NETWORK

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PART 1: INTRODUCTION

1.1 EXECUTIVE SUMMARY

In light of the COVID-19 pandemic, European Chambers of Commerce around the world have issued surveys to European companies in their region to see the economic impact of the crisis on European companies in their area. The present document is a summary of these reports with the main and most common findings.

1.2 INTRODUCTION

The EBO Worldwide Network stands as the sole organisation representing European business interests in markets outside the European Union. It is a network representing the common interests of the European business community by promoting bilateral trade, services and investments between Europe and third countries. EBO's main mission is to foster the common interests of EBO members by facilitating advocacy and providing educational and networking platforms. EBO represents the voice of the European business community abroad and provides its members with a forum for advocacy, networking opportunities and information sharing within the European and the international business community. The EBO network helps connect with business leaders from a variety of industries and takes part in discussion rounds with experts, government officials, and business representatives. EBO also organizes social networking events that provide EU companies with increased corporate visibility.

1.3 METHODOLOGY

These surveys were conducted between March and July 2020, and therefore do not represent a single point in time in the coronavirus pandemic. From the 42 countries that have been asked to provide data, 21 have provided responses and more survey data is currently expected from the other 21 countries (see below).

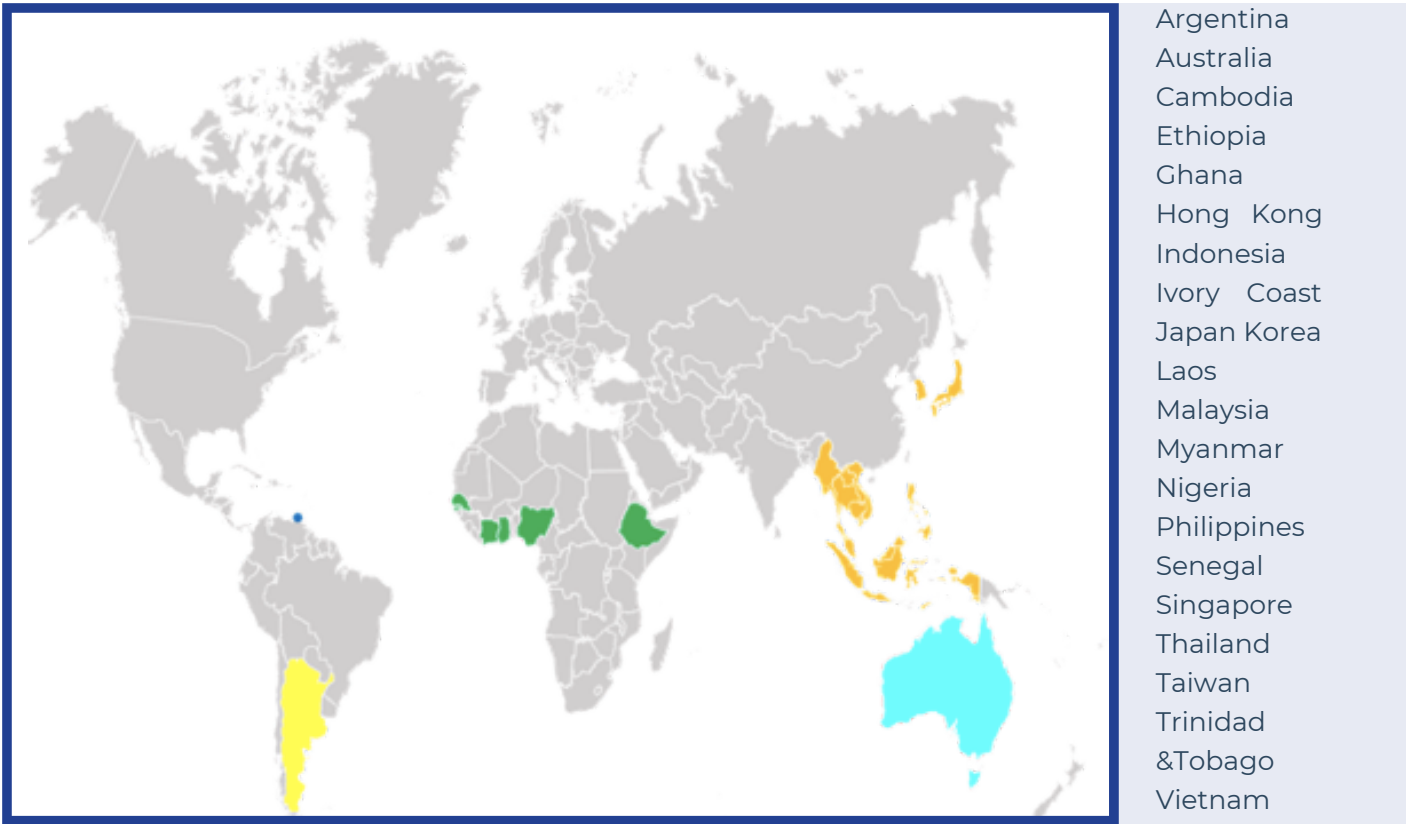
For the data contained below, there were some surveys which did not respond with exact figures to the questions and therefore do appear in certain graphs and charts. Their responses were taken into account when drawing conclusions.

With the other submissions, regional trends and clusters will become more obvious. Currently, only Africa and Asia were able to be examined in such a way.

A special thanks to Esther García Monreal & Wilf King interns of DG GROW Internal Market, Industry, Entrepreneurship and SMEs Unit A4 – International Affairs.

1.3.1

Participating countries



1.3.2

Expected survey data from another 21 countries

Armenia, Brazil, Benin, Burkina Faso, Chile, China, Dominican Republic, India, Kazakhstan, New Zealand, Moldova, North Macedonia, Macao, Mali, Nepal, Papua New Guinea, Russia, Sri Lanka, Tanzania, and Togo.



1.3.3

Regional Clusters

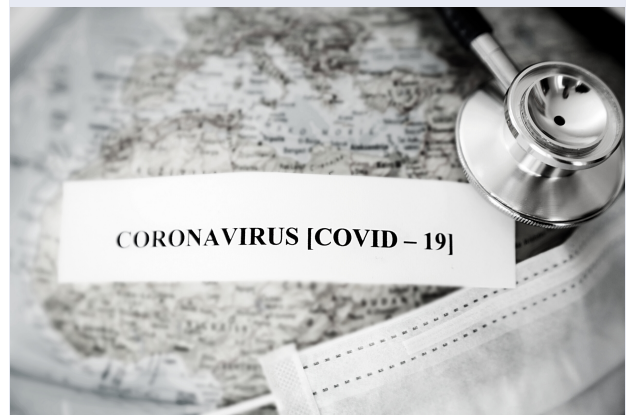
In order to keep a clear structure, this document analyses the data from a division of the geographical regions by continents: Africa, Asia, Caribbean, Oceania and South America.

1.3.3.1 Africa



Participating Countries:

Ethiopia
Ghana
Ivory Coast
Nigeria
Senegal



1.3.3.2 Asia

Participating Countries:

Cambodia
Hong Kong
Indonesia
Japan
Korea
Laos
Malaysia
Myanmar
Philippines
Singapore
Taiwan
Thailand
Vietnam



1.3.3.3 The Caribbean



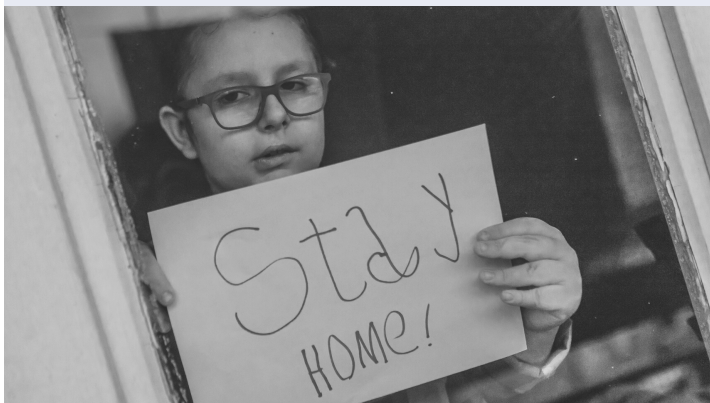
Participating Countries:

Trinidad
& Tobago

1.3.3.4 South America

Participating Countries:

Argentina

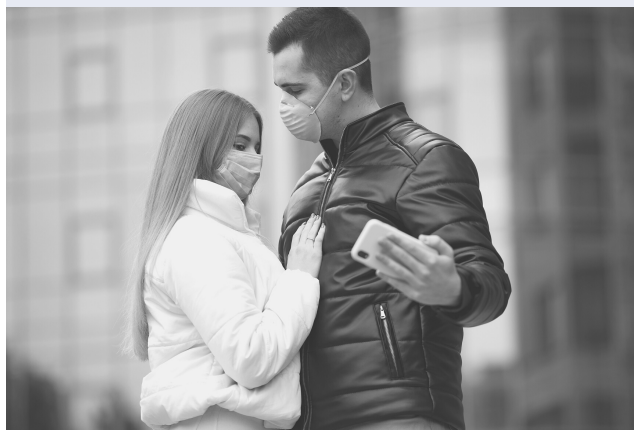


1.3.3.5 Oceania



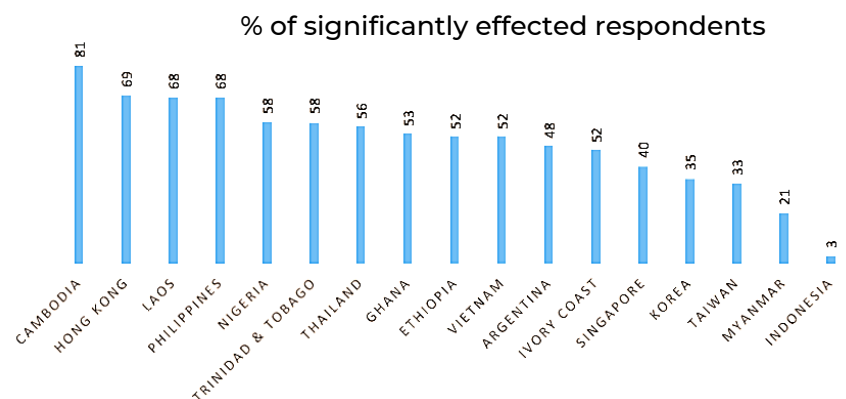
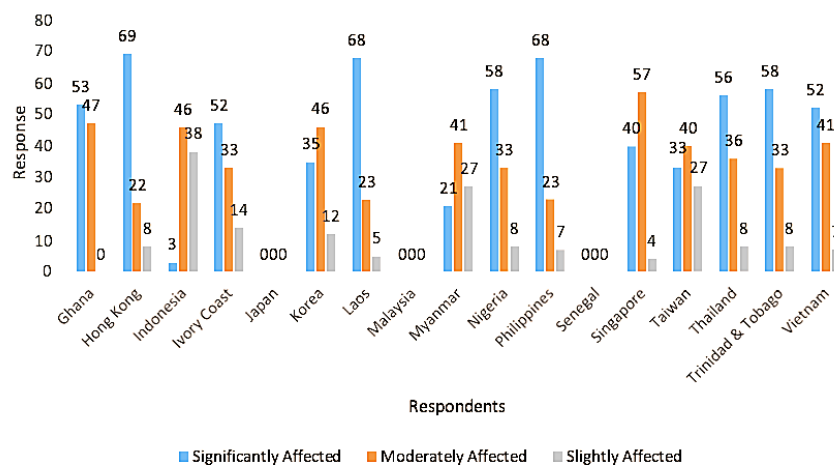
Participating Countries:

Australia



PART 2: THE IMPACT

2.1. HOW IS YOUR ORGANISATION CURRENTLY AFFECTED BY THE COVID-19 OUTBREAK?



A majority of the surveys showed that more than 50% of organisations believed they would be significantly affected by the Covid-19 outbreak.

Cambodia and Indonesia, although geographically close, have completely different takes on the impact of the Covid-19 crisis.

African countries (Nigeria, Ghana, Ethiopia and Ivory Coast) have the least variation with only an 11% variation between the 4 countries responses.

Aside from the African countries, there seems to be little in the way of geographical clusters

Cambodia, Hong Kong, Laos and The Philippines lead the way with 2/3rd of respondents believing they will be significantly affected by the Covid-19 crisis.

Taiwan, Myanmar and Indonesia are at the other end of the scale with less than 1/3rd of respondents believing they would be significantly affected.

2.2.

WHAT ASPECTS OF YOUR BUSINESS ARE AFFECTED BY THE 2019 COVID-19 OUTBREAK?

Main Aspects

Fall in
Customers
and Customer
Demands

Travel
Restrictions

Disruption of
Supply Chain

Logistics
issues



The above answers were the most common throughout the surveys.

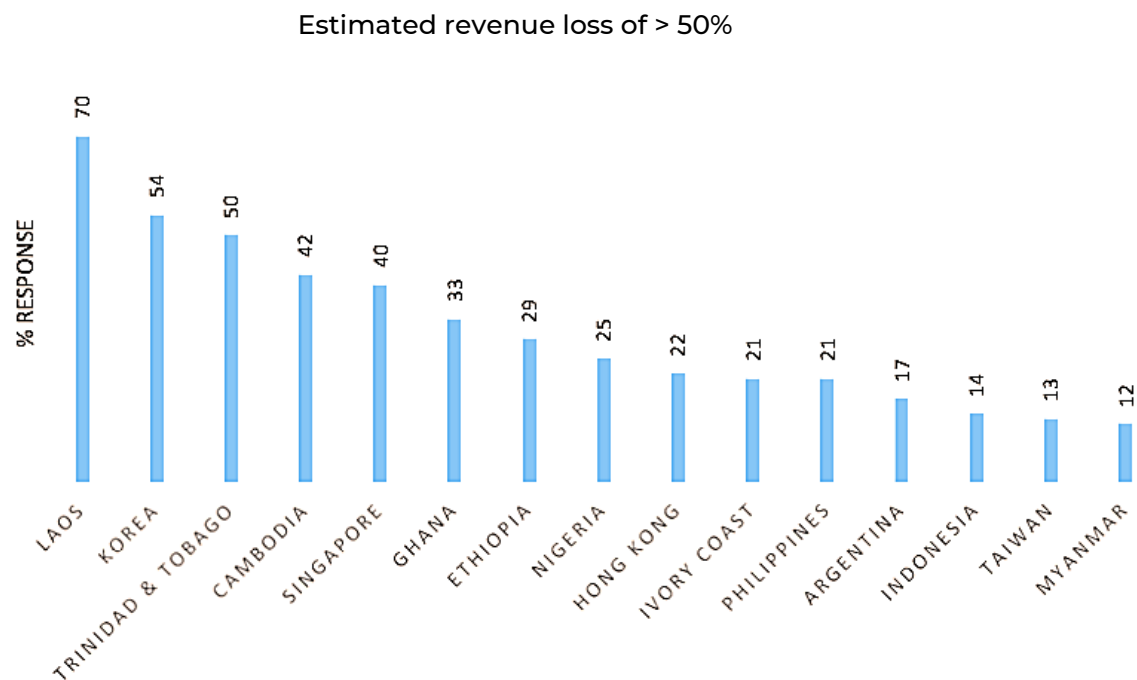
There were a number of other answers which were less common but still gained a number of votes:

- Lower productivity due to working from home
- Delays in administrative procedures / payments
- Employee Health
- Uncertainty and inability to make business and investment decisions



2.3.

ESTIMATED CUMULATIVE EFFECT ON REVENUE



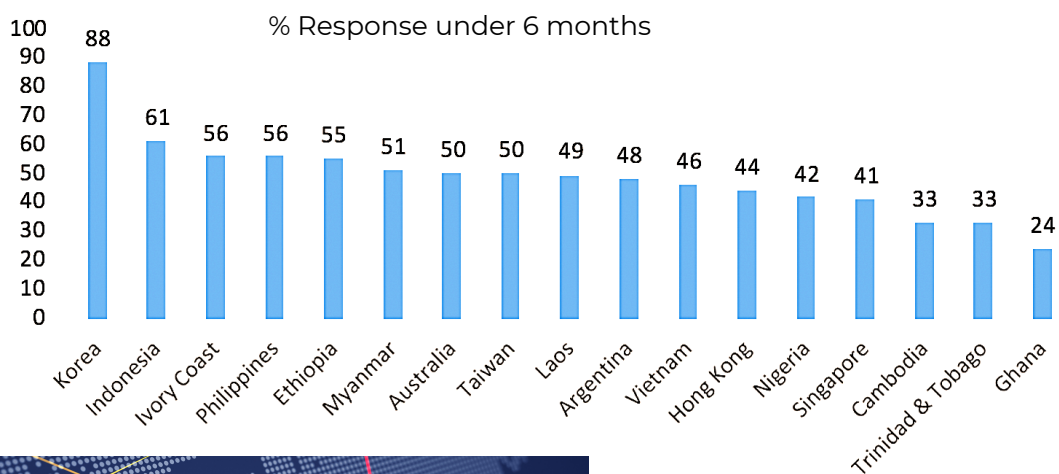
Four out of the five countries with the highest % of respondents who believed they would face a revenue loss of >50% are Asian.

The loss of tourism to countries such as Laos, Trinidad & Tobago and Cambodia may be a factor in their high responses.

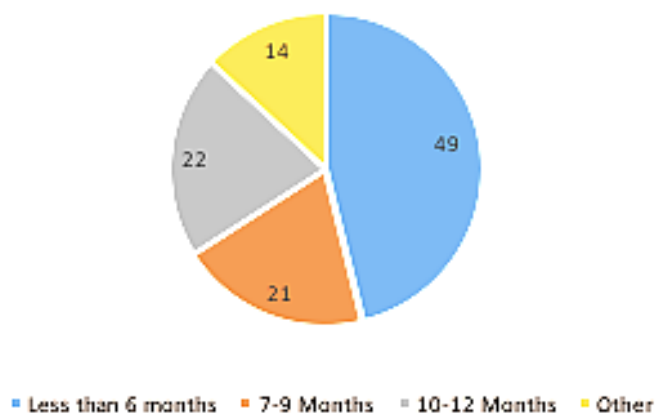
Further data will be useful to see if any trends continue.

PART 3: THE RECOVERY

3.1. HOW LONG DO YOU THINK IT WILL TAKE YOUR ORGANISATION TO RECOVER FROM THE CORONAVIRUS OUTBREAK?



Average responses across the surveys



Generally, respondents seem to be quite optimistic about the recovery.

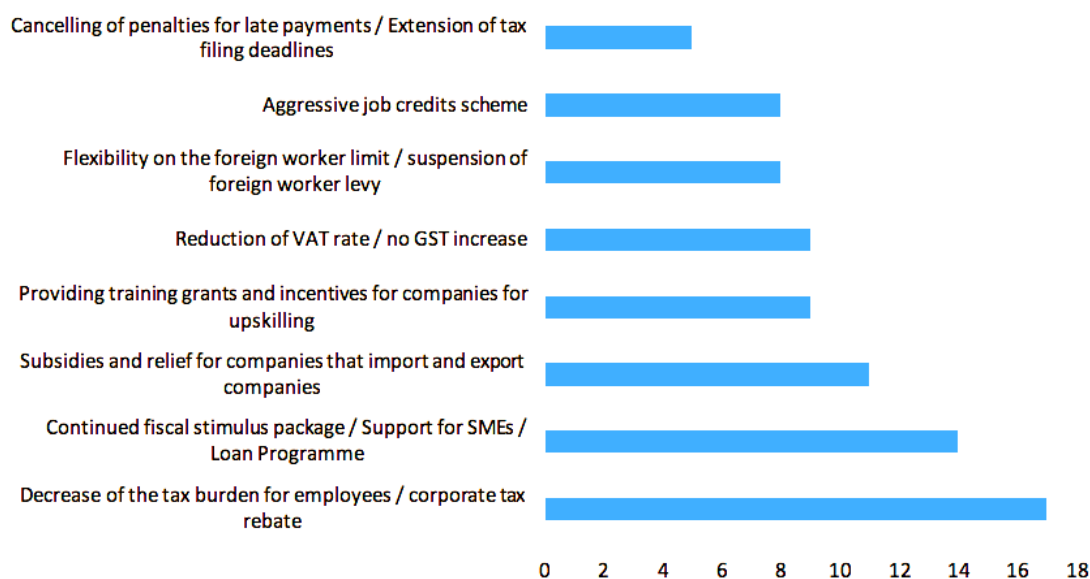
The average responses show that nearly half of the respondents believe that their organisations will take less than 6 months to recover.

However, just under a quarter of respondents believe it will take up to a year to recover.

There was a large amount (14% on average) of answers that fell outside the three main options.

3.2.

WHAT KIND OF MEASURES / SUPPORT WOULD YOU LIKE TO HAVE IN PLACE BY THE GOVERNMENT OF YOUR COUNTRY TO CUSHION THE IMPACT OF THE SITUATION ON YOUR ORGANISATION?



As seen above, a decrease in the tax burden and continued financial support via loans or a stimulus package are the most preferred options by respondents.

Following on from this there are a number of other popular options which received votes from across every region such as training grants, reduction of VAT rate and a jobs credit scheme.

Not every answer was placed on this graph a number of other slightly less popular responses were as follows:

- Utility discounts
- Legal stability
- Better infrastructure for online banking system
- Reimbursement of fiscal credits and zero cost financing
- Completion of EU FTA (from Australia)

PART 4: THE ESSENCE

4.1.

EXTRACT OF THE SITUATION PER COUNTRY

4.1.1 Africa

Ethiopia: (May)

A majority of companies stated that they are significantly affected. Regarding the specifics aspects affected, fall in consumer and customer demands, disruption of supply chains, and manufacturing processes were the most common responses. The estimation of cumulative impact of Covid-19 on revenue have shown 30% to 50% loss of revenue. The estimated recovery time is from 4 to 6 months. More than 60% of respondents believe that the current crisis may impact the security situation in which the companies operate. When asked about desired measures to cushion the impact of the crisis, more than 60% referred to a provision of corporate tax rebate.

Ghana: (N/A)

All organisations are either moderately affected or significantly affected. The estimated cumulative impact of the crisis will be from 30% to 50% loss of revenue. The expected recovery timeframe is between 4 and 12 months. The majority of companies replied that provide corporate tax rebate is their preferred measure for the government to implement in order to recover from the crisis.

Ivory Coast: (N/A)

The majority of organisations are significantly affected. The most affected aspects are disruptions of supply chain and manufacturing processes. The estimated time for recovery is 4 to 9 months. 52% of respondents answered that their business will suffer significantly if the government applies stricter measures to fight the pandemic.

Nigeria: (N/A)

More than 58% of organisations are currently affected by the crisis. The aspects of the business most affected are: travel restrictions, disruption of supply chains, logistics issues, lower productivity due to teleworking, delays in administration, impact of crude oil prices. Between 30% and 50% think they will have a loss of revenue. More than 41% of respondents calculate that it will take around 12 months to recover.

4.1.2. Asia

Cambodia: (N/A)

More than 80% of organisations responded to have been significantly affected. The estimated cumulative impact will be more than 50% loss of revenue, and the estimation in terms of recovery it will take between 4 and 12 months. The majority of organisations would like the government to provide corporate tax rebate.

Hong Kong: (April)

Although the majority of participants are suffering financial drawbacks due to COVID-19 outbreak, around half of them remain optimistic. Participants expect business to be resumed within a year. Almost 70% of organisations are significantly affected, with particular negative impact on local business, disruption of operations, fall in consumer and customer demands, travel restrictions, employee health, and snowball effect with sectors affected by the pandemic influencing other business. Expected time of recovery is from 4 to 12 months. Corporate tax rebate and extending training grants are the preferred support measures for the government to take.

Japan: (February-March)

82% companies introduced changes to their working style to protect their employees by implementing measures such as restrictions on business trips (76%) and public events (55%). Teleworking is an interesting option for most of them (70%). The impact on turnover for the first semester of 2020 is generally revised downwards: 35% of the respondents expect a 20% decline, but 38% stress their lack of visibility. The impact on the companies' activity is mostly felt on business trips (87,5%), on supply chains (34%) and to a minor degree on cash flow (19%), employment (16%) and cost reduction (16%).

Korea: (March-April)

71% of companies surveyed forecast decrease in revenues for the first half of 2020, and 61% are considering to lower the company's annual business performance target. 64% of respondents expect that their organization would be back to normal within three months if the coronavirus were to end immediately. 86% replied that the government measures did not slow down or hinder business operations.

Laos: (March-April)

68% of organisations are significantly affected. The main aspects affected are; drop of sales, bookings cancelled, closure of restaurants, closure of borders, import of equipment and employees issues. The estimated cumulative impact declared by the majority of business will be between 50% and 70% loss of revenue. For most of organisations it will take between 4 and 12 months to recover from the crisis. More than 17% would like to exempt tax payment as a cushion governmental measure to fight the crisis.

Indonesia: (April)

Nearly 50% of respondent said that the Covid-19 outbreak has significantly affected their business with a 30% loss revenue, and it will take 4-6 months to recover. More than 40% said they will lower the target for 2020. More than 50% said that it actually has little impact on the increased cost in operational due to preventive and protective measures for staff, partners, and suppliers.

Malaysia: (N/A)

Around 60% of respondents calculate a loss of more than 40% in revenues. More than 82% of organisations intend to delay investment and/or expansion plans this year due to the pandemic. Prolonged MCO (Movement Control Order) could eventually force companies to close their business, and only less than 50% would be able to survive for an extended period of time if the MCO has to be extended. The preferred mitigating measure that would assist their companies is subsidies for salary payments and tax relief.

Myanmar: (March)

More than 60% claim they are either significantly or moderately affected; with a forecasted loss of revenue averaging from 30% to above 50%, and small and medium companies would be the most impacted and automotive. 2/3 of companies surveyed reported that the preventive measures taken by the Myanmar government have had little impact on their business and almost the same proportion forecast they will be able to cope if those measures would stiffen. 34% of the respondents answered that the recovery from the impacts of COVID 19 will depend on how the supply chain across all industries will react, and 51% of the respondents estimate a recovery within 6 months. The most awaited responses from the government to support the economy are: (1) faster import procedures and customs clearance procedures; (2) subsidies and relief for import and export companies; (3) provide corporate tax rebate.

Philippines: (March)

67.8% of respondents reported that they were significantly affected by the COVID-19 epidemic. Operations, specifically on sales and human resources, were the most affected. More than half of the respondents estimate up to 50% revenue loss. 31% of the respondents answered that it will take them four to six months to recover. Less than half or 46% of the respondents said that the global health crisis has significant effects to their organization's revenue performance and operating cost due to mitigating measures. The respondents call for government support on tax breaks, economic and business support, and tax filing extensions. 77% of the respondents answered that they will be able to manage the challenges of the COVID-19 pandemic.

Singapore: (March)

Just over half of respondents have experienced financial setbacks during the circuit breaker period. A clear majority have received help from the government, monetary funding or other help. Over 80% are seeing an impact on their business due to the confinement measures. Border restrictions has negatively impacted daily operations of the majority of companies. Just over half of respondents are seeing a potential threat to their current business model in Singapore. The most pressing issues for the companies are; financial setbacks due to revenue loss, financial instability and uncertainty, uncertainty due to external lack of clarity, and operational difficulties due to global, regional, and local restrictions. Companies urgently need clarity from the government surrounding easing of restrictions and exit strategy.

Taiwan: (N/A)

70% of organisations are either significantly or moderately affected by the crisis. Most affected aspects of business are: fail in consumer demand and customer orders, travel restrictions, disruptions of supply chains, logistic issues, uncertainty and inability to make business and investment decisions. More than 46% of respondents estimate more than 30% loss of revenue. The expected recovery revolves between 1 and 12 months. A majority of organisations would like the government to provide corporate tax rebate.

Thailand: (April)

More than 50% of companies are facing significant impact on company's everyday operation. The point of most impact is decrease in revenue (80%), followed by a slowdown in Thailand's domestic consumption (52%). There are challenges in international logistics shipping of products (52%). The government's current withholding tax measures is the most beneficial relief measure to most companies (40%). No company participating found that Government's Tax Measure for Debt Restructuring is appealing to be useful. Additional requests for business continuity which are apart from the current government relief measures are mainly on subject of additional corporate and individual tax relief measures, further assistance to foreign SMEs.

Vietnam: (N/A)

93% of business leaders report that they have been negatively impacted by the pandemic. Nevertheless, the announced government measures to mitigate the impact have been well received by businesses, and most are confident they can retain at least 70% of their staff during this difficult time. The most affected aspects are; fall in consumer demand and customer orders, travel restrictions (both professional reasons and tourism), and disruptions of supply chains.

4.1.3. The Caribbean

Trinidad and Tobago: (March-April)

The Impact of Covid-19 on income and cash flow of companies was rated moderate to significant in most cases. While the impact is moderate to significant in most cases in terms of income, it is little to moderate in terms of cost increases for prevention and protection measures. Companies across industries are affected but almost all expect to manage throughout the stay home measures. The most requested support from companies was for some form of cushioning through the tax system and waiver of penalties and flexibility with respect to work permits as well as consideration for skills training.

4.1.4. South America

Argentina: (April) A majority of

organisations have been very affected or moderately affected by the covid-19 crisis in general. All companies have had enormous difficulties in maintaining minimal activity, and the estimated cumulative impact of the 2019-nCov outbreak will be between 30% and 50% loss of income. For the majority of the respondents, it will take between 4 to 12 months to recover. When asked about the support the organisations would like to see implemented by the Argentine Government to cushion the impact of the crisis, more than 60% ask for a reduction in the tax burden.

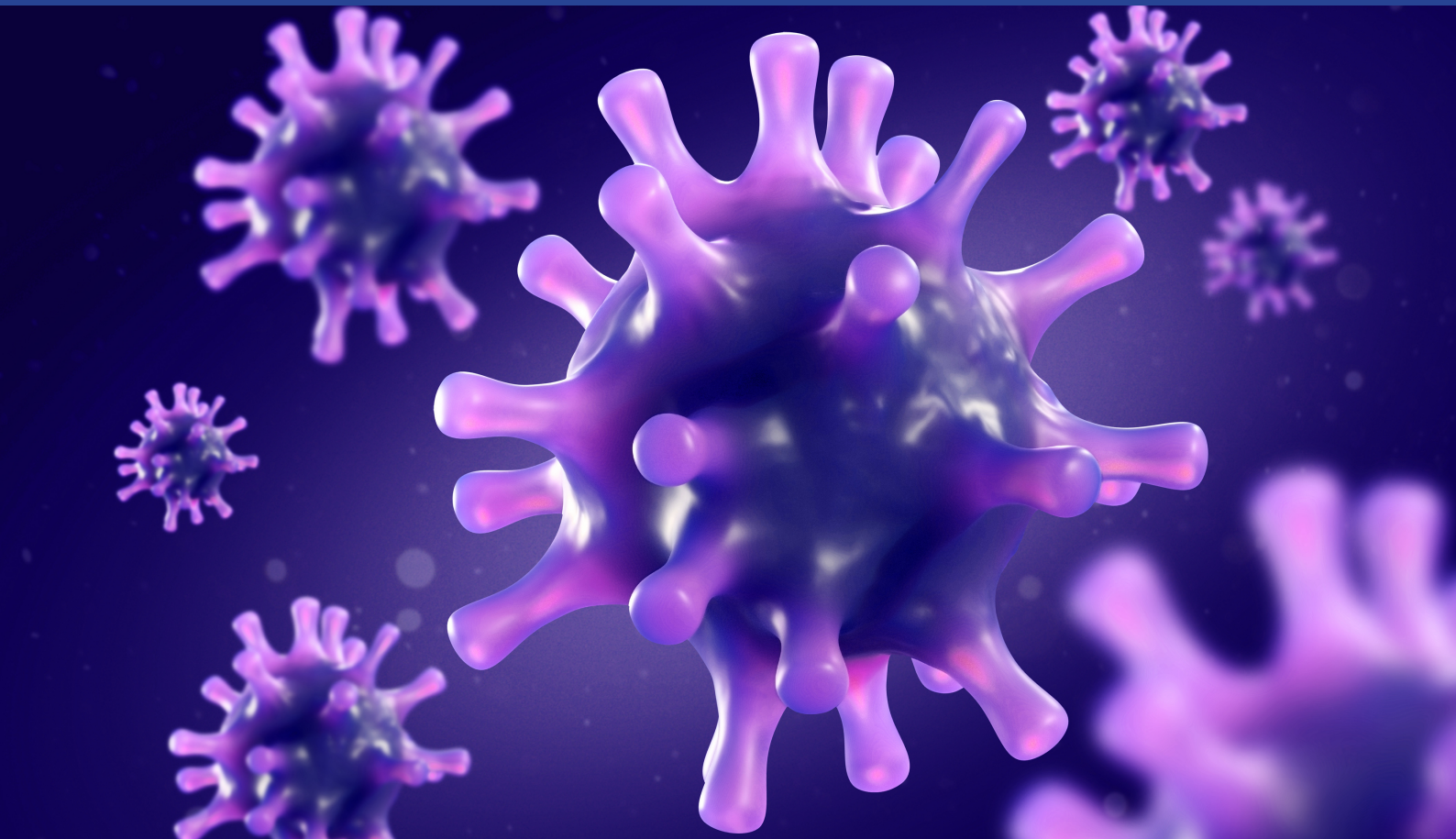
4.1.5. Oceania

Australia: (June)

All organisations the EABC has engaged with have reported being affected by COVID-19. While large organisations tend to report a moderate impact on their activities, the implications of COVID-19 for certain companies and in particular SMEs have been critical and have, in a number of cases, affected the viability of their operations in the country. SMEs in the tourism, hospitality, accommodation, and retail sectors have been particularly exposed. A majority of organisations consulted have reported a minimum of 30% loss of revenue, with up to 50% and higher in a few cases. Most respondents anticipated a bounce back of their activities within 3 to 6 months from May 2020.

4.2. Conclusions

- Most of the respondents are either significantly or moderately affected by the crisis.
- All countries have experienced a very little increase in operating cost due to protective and preventive measure for staff, partners, and suppliers.
- Most countries ask for a reduction of taxes to cushion the impact of the crisis as a governmental support measure.
- The most affected aspects are; fall in consumer demand and customer orders, travel restrictions (both professional reasons and tourism), and disruptions of supply chains.
- The analysis of the consolidated results of the survey to highlight geographic clusters is interesting, as it seems to indicate that the degree and characteristics of the impact on the companies / markets are not so homogeneous within one regional zone.
- General observation: the geographical and economical regions have not been affected by the COVID-19 at the same time, 2-3 months separated region Africa from region Asia.



ABOUT EBO WWN

The European Business Organisation Worldwide Network (EBO WWN) is the first global network representing the voice of European business abroad. Members in over 35 countries worldwide outside the European Union.

It represents an active network in more than 35 key markets outside the European Union that serves European multinationals, as well as micro, small, medium and large companies. European Chambers of Commerce and European business associations within the EBO Global Network work daily with European Union delegations around the world with the shared interest of supporting European companies.

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