



REACTIONS AND OUTLOOK TO COVID-19 IN SOUTHERN AFRICA OCTOBER 2020

This report focuses on the economic impact of the COVID-19 pandemic on the 11 member states (Angola, Botswana, Lesotho, Eswatini, Malawi, Mauritius, Mozambique, Namibia, South Africa, Zambia and Zimbabwe) covered by the United Nations Economic Commission for Africa (ECA) Subregional Office for Southern Africa. It takes stock of the consequences for businesses and identifies the challenges they face as well as their responses. The survey was jointly developed and carried out by the ECA and International Economics Consulting Ltd.

Survey Period:

16th June – 20th July 2020

Mode:

Online

Respondents:

104

Coverage:

Southern Africa (11 countries)



Topics:

- Top Challenges Faced by Companies & Sector
- Supply Shortage
- Market Distortions and Competitive Issues
- Support and Financial Needs
- Business Continuity
- Outlook
- Business Opportunities and Priorities
- E-commerce and other Technology-based Solutions for Innovation

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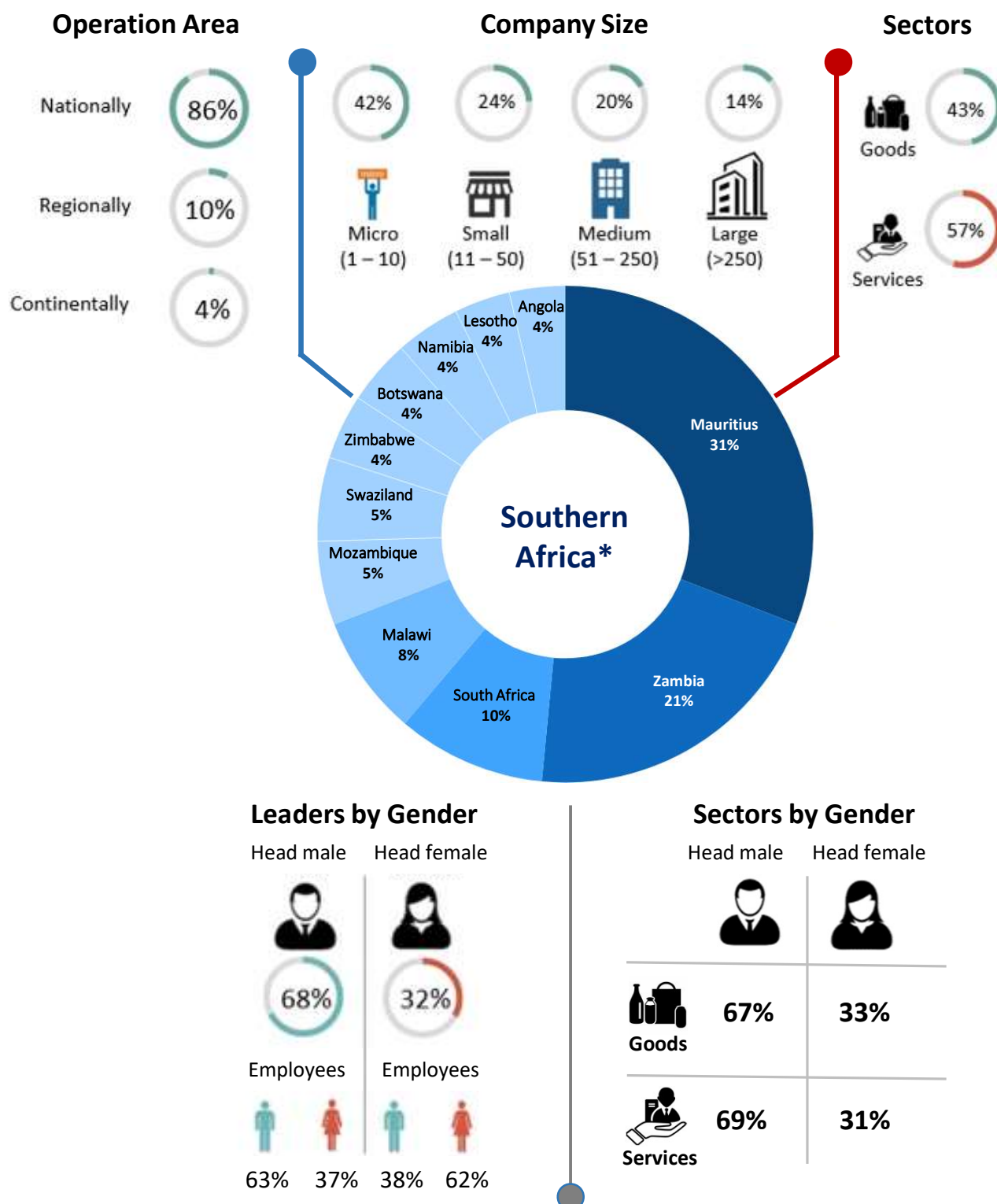
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Coverage Overview



* Where businesses of respondents operate

Top Challenges Faced by Companies

Southern African region - Top 3 challenges

In our April 2020 survey, businesses from the Southern African region reported that a **lack of operational cash flow** was the major challenge faced. 3 months later, in July 2020, the perceived number one challenge, by **65%** of respondents, is the **drop in demand** followed closely by the **reduction in opportunities to meet new customers**.

#1. 	Drop in demand for products/services	65%
#2. 	Reduced opportunities to meet new customers	63%
#3. 	Lack of operational cash flow	54%

Rest of Africa - Top 3 challenges

Whereas the top 3 perceived challenges for the rest of Africa are the same as for Southern African region, both the order and importance of those challenges change significantly; with "**Reduced opportunities to meet new customers**" dominating with **57%** of responses.

#1. 	Reduced opportunities to meet new customers	57%
#3. 	Lack of operational cash flow	52%
#3. 	Drop in demand for products/services	49%

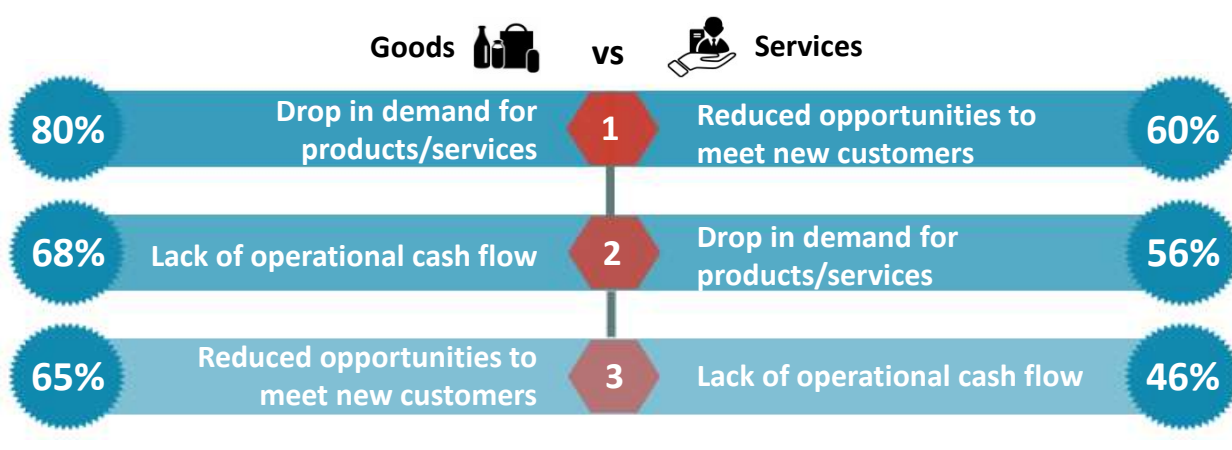


Top Challenges by Sectors

Comparing our April 2020 and July 2020 survey results, we observe that while some of the top challenges such as **lack of operational cash flow** and **drop in demand** persisted from April to July, **business is closed** is no more one of the main challenges faced by companies in July.

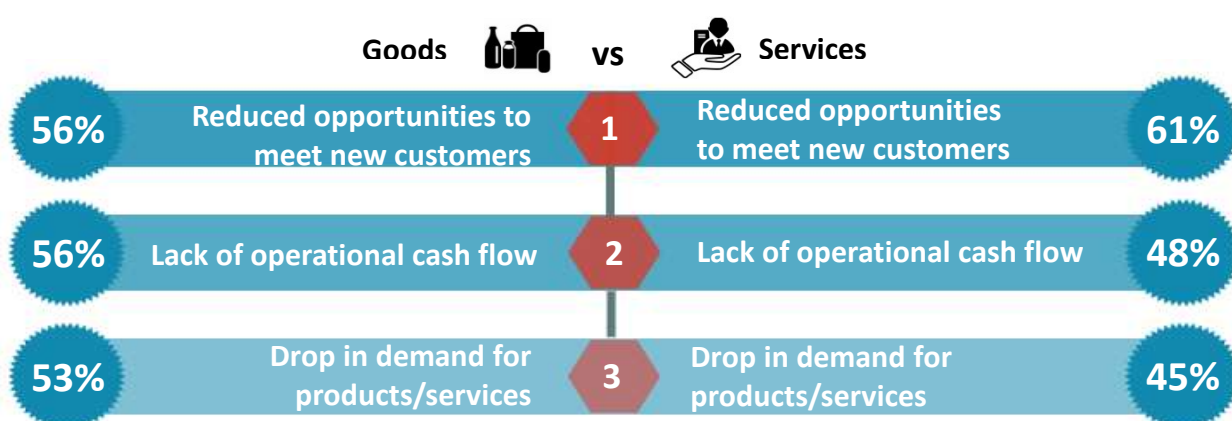
Southern African region - Top 3 challenges for goods and services

There seem to be more concern in the goods sector with all the top three challenges having higher percentages than the services sector. **Drop in demand** is a notable worry for the goods sector (**80%**) as compared to the services sector (**56%**).



In the rest of Africa, **reduced opportunities to meet new customers** is the topmost concern for both the goods and services sector, followed by **lack of operational cash flow** and **drop in demand**.

Rest of Africa - Top 3 challenges for goods and services





Supply Shortages

Companies have faced serious disruptions in supply due to COVID-19.

58% Companies facing supply shortage

MAIN REASONS FOR
SUPPLY SHORTAGES ARE



1. Border Closure
2. High Freight Cost
3. Shipment Delay

As a result, companies switched suppliers, favoring national suppliers first, before African and non-African ones.

Though in **55%** of cases, equivalent products have been found, **85%** would switch back to original suppliers mostly due to higher price with new suppliers.

In terms of supply sources, we note that across Africa, businesses led by women are relatively more reliant on domestic suppliers than international suppliers. On the other hand, male headed businesses have relatively comparable reliance on domestic and international suppliers.

	Rely on domestic suppliers		Rely on international suppliers	
	Southern Africa	Rest of Africa	Southern Africa	Rest of Africa
Head Female 	84%	87%	63%	63%
Head Male 	67%	61%	67%	57%

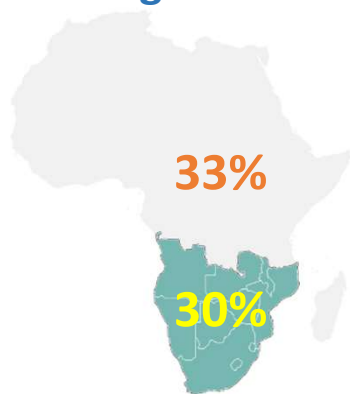


Market Distortions and Competitive Issues

Price has been a major concern during the pandemic. ***Whether on the supply-side or the market-side, businesses have suffered due to higher/unfair pricing.***

In the Southern African region market distortions with the main issue being **price fixing between competitors** has been felt by the majority of respondents (**72%**), much more than the **58%** claimed by the rest of Africa.

Raising concerns with Government on competition matters



The share of businesses who have raised concerns with their Government on competition matters in Southern Africa (**30%**) is relatively comparable, although slightly higher in the rest of Africa (**33%**).

Women business leaders in the Southern African region have been more active with **56%** of the responses raising their concerns with the Government vs **21%** for the men.

Southern Africa Region

Head
Male



21%

Head
Female



56%

Rest of Africa

Head
Male



39%

Head
Female



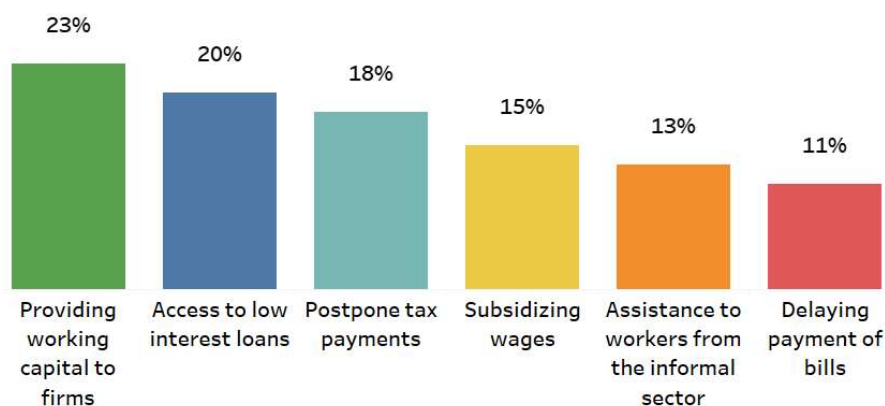
27%



Support and Financial Needs

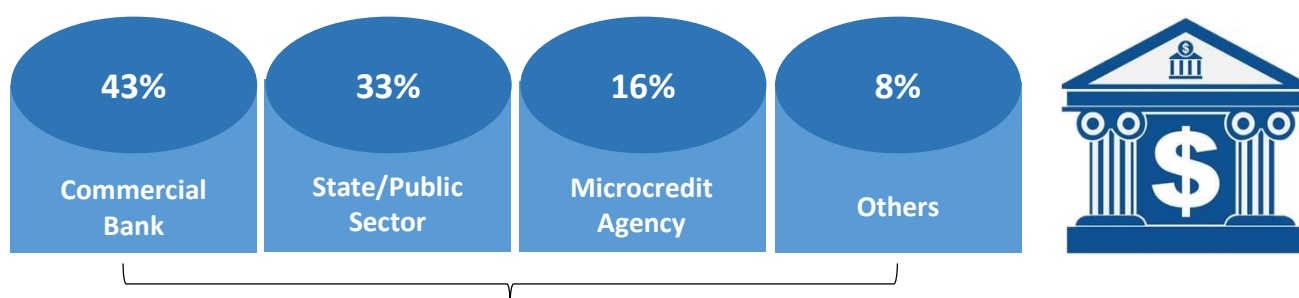
Only **17%** of the companies are satisfied or very satisfied from the government interventions, so far.

Interventions companies wish to see from the Government ?

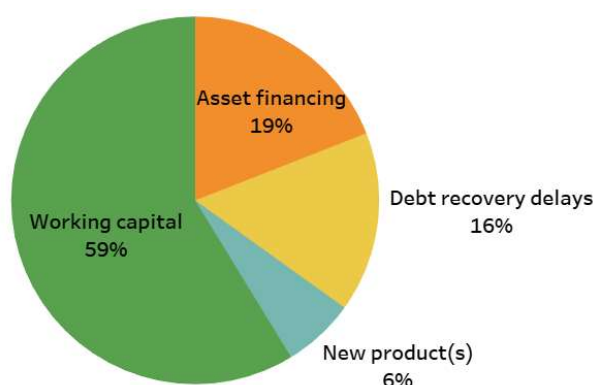


This could be the reason why **56%** of the respondents in the Southern African region did approach financial institutions (**15%** more than the rest of Africa). Interesting to note that **68%** of the women business leaders contacted the institutions as compared to **53%** for men.

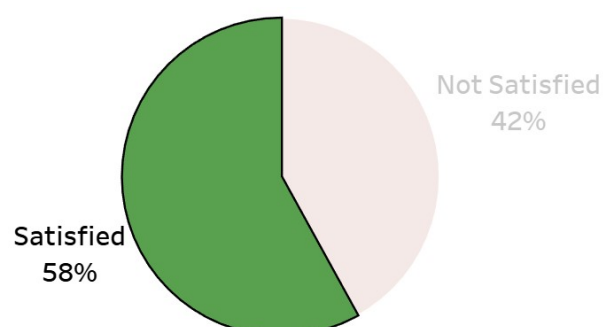
DISTRIBUTION OF THE REQUESTS



SERVICES FOR WHICH FINANCIAL INSTITUTIONS WERE APPROACHED



AMONG THOSE, 58% ARE SATISFIED





Business Continuity

During the lockdown, many companies managed to maintain operations as well as limit lay-offs, thanks, in particular, to employees able to work remotely.

CAPACITY UTILISATION



Companies in the Southern African region are operating at **41-50%** of their capacity.

EMPLOYEES WORKING REMOTELY



21-30% of employees are working remotely. With as much as a **31-40%** in services but under **20%** in goods sector.

LIMITING LAY-OFFS



Companies are limiting lay-offs. **41%** (**38%** for MSMEs) of the companies claim that they will not lay off any employee in the next 3 months.

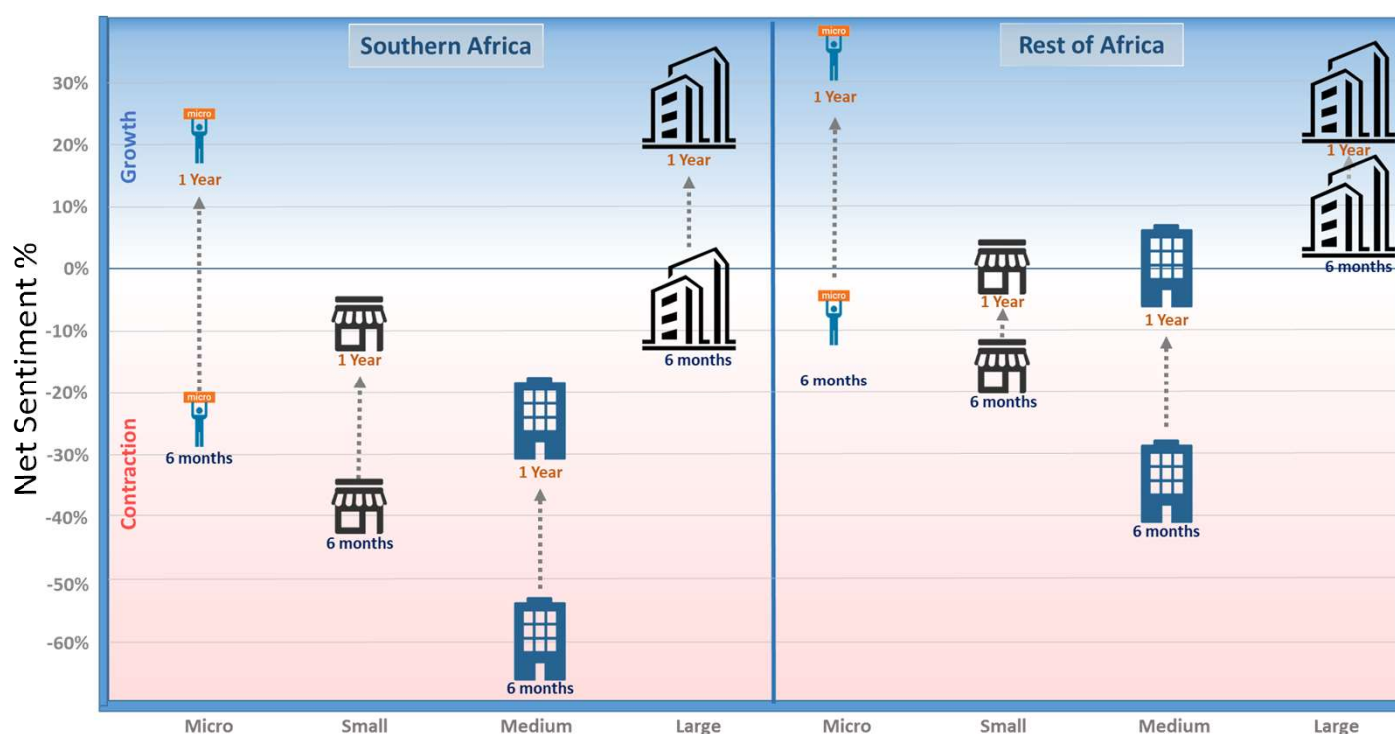
Results in the Southern African region are very much comparable to the rest of Africa.

Outlook

Business Outlook by Company Size

Southern African companies foresee contraction of their activities for the next 6 months (large-sized companies are less pessimistic than MSMEs). The outlook looks much better after 1 year with only SMEs still anticipating a contraction of their activities.

The rest of Africa has relatively less contraction fears for the next 6 months as compared to the Southern African region. The predictions are positive for the micro and large-sized companies in 1 year, similar to the Southern African region.



Note: Net Sentiment % = Share of respondents (growth - contraction) / Total

Business Outlook by Sector

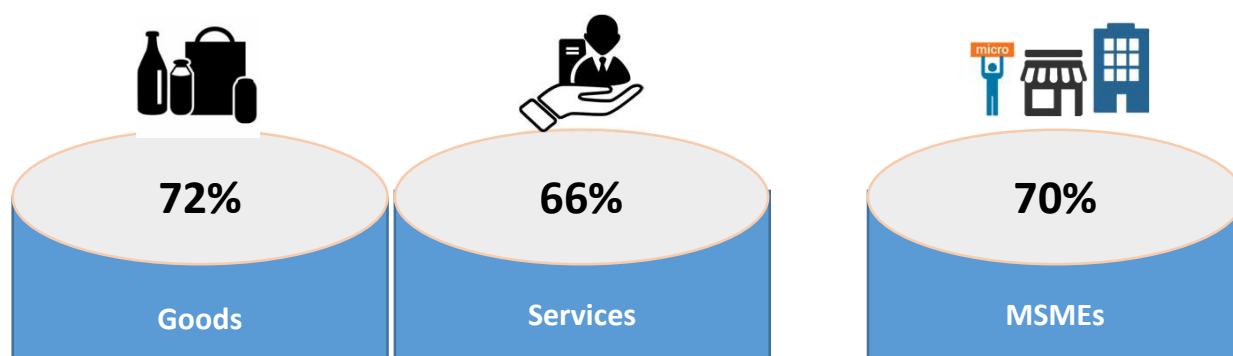
Across Africa the **goods** sector foresees potential growth (less prominently for the Southern African region) in the coming year while the **services** sector's outlook looks less promising.



Business Opportunities and Priorities

On a positive note, in an attempt to overcome the crisis, nearly **69%** of the companies operating in Southern Africa have identified new opportunities in reaction to the crisis (slightly higher than in the rest of Africa, **62%**).

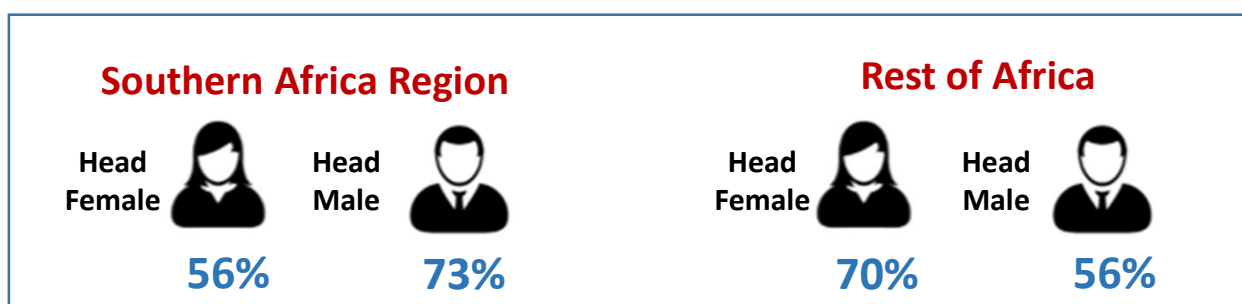
Clear objectives of growth in markets, shift to new technologies, online selling as well as improvement in operations and competition.



Businesses operating in the goods and services sector, have both identified potential **growth in markets** as one of their top priorities. It is notable that **online selling** and **shift to new technologies** have also been considered as an opportunity to focus on.

MSMEs have a larger share of business opportunities identified, as compared to larger companies.

While men leaders were the ones mainly identifying business opportunities in the Southern African region (**73%** men vs **56%** women), we noticed that it was the opposite in the rest of Africa (**70%** women vs **56%** men).



E-commerce and Technology-based solutions for Innovation

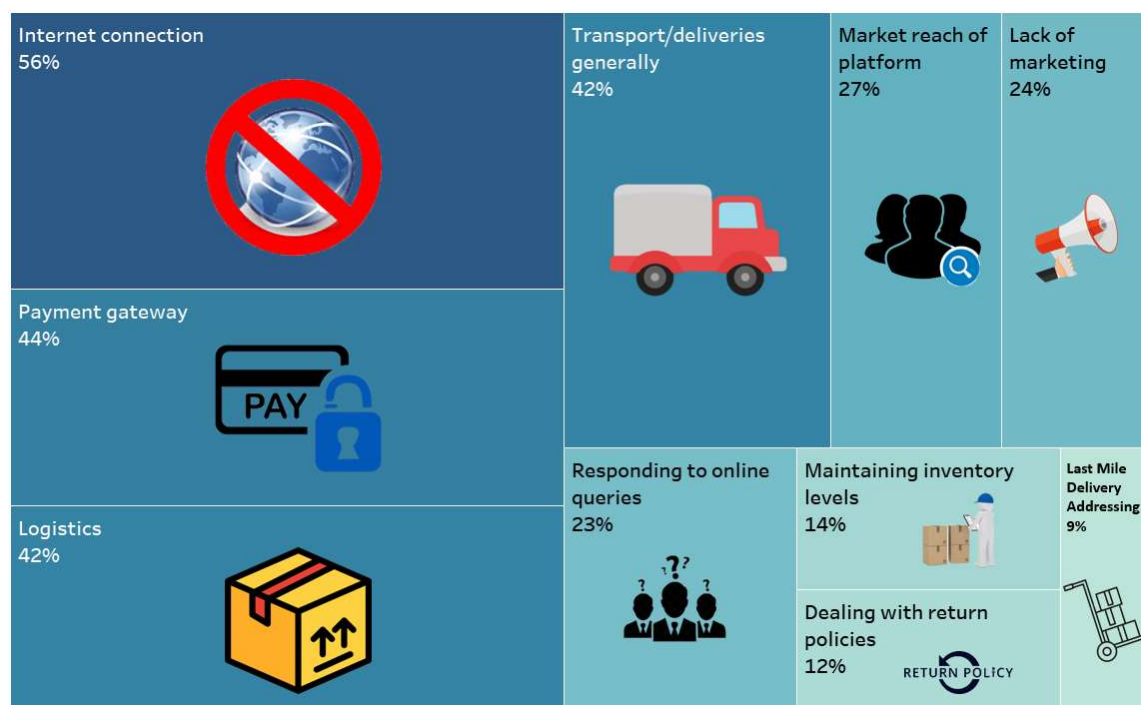
Our survey results show that businesses in Southern Africa have very innovative ideas to grow their operations and services. Most of the ideas are related to cloud technology and online platforms. **E-commerce** was the most mentioned avenue.

Innovative Ideas from business in the Southern African region



E-Commerce obstacles faced

It should be noted that there are considerable obstacles in using E-Commerce in the Southern African region possibly contributing to the low share of E-Commerce revenue which lies in the **10-20%** range.



Recovering from the crisis using innovative/technology-based solutions.

Nearly half of the companies in both the Southern African region (**47%**) and the rest of Africa (**46%**) are moving or planning to move towards innovative solutions through collaboration and partnerships.

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