

SUMMARY

IMPACT OF THE
COVID-19
CRISIS ON
COMPANIES IN
CAMEROON IN
MAY-JUNE 2020

In line with the survey carried out in April on the effects of the Covid-19 pandemic on companies, GICAM has just finalized the May / June edition of this operation.

Subsidiary to the publications which have taken place in the meantime, this survey has updated the overall assessment of the impact of the crisis on companies; a detailed assessment of the impact of the crisis on the employment situation and business-to-business relationships and gathered the views of business leaders on the measures taken by the government to support the economy and their additional expectations.

▶▶ THE TREND OF THE CRISIS AND IMPACT ON TURNOVER

Between April and June 2020, the proportion of companies negatively impacted by the Covid-19 crisis increased from 92% to 96.6%. This estimate is obtained based on a sample of more than 250 companies consulted between May 22nd and June 22nd, 2020, 25% of which were big companies and 75% of SMEs. The increase in the impact of the crisis is also accompanied by an increase in its depth: the impact of the Covid-19 pandemic has worsened for 61.5% of companies and has only reduced for 10.8% of them.

These general trends concern companies, regardless of their size, but are more pronounced in the Accommodation and catering services (88.9%), Food industries (80.0%), Financial and insurance services (71.4%), and IT and telecommunications (70.0%).

This results in a decrease in turnover for 78% of companies in April 2020 compared to April 2019 and an increase for only 7% of companies. This drop is more than 50% in 04 cases out of 10. Estimates establish at **310.1 billion FCFA** (a drop of 31%), the turnover losses suffered by modern companies negatively impacted by the Covid-19 crisis in April 2020 compared to April 2019. This corresponds to a drop of nearly **51.5 billion FCFA** in tax revenue and social contributions from the share of these companies to the State and its components.

Over the year, 81.7% of companies anticipate a drop in turnover; this rate reaching 100% in the most exposed branches and 83% in small companies. The cumulative turnover of companies affected by the crisis should drop by 26%. In absolute terms, this will be a loss of turnover of around **3,139 billion FCFA** compared to 2019 for companies in the modern sector. Subsequently, these companies' ability to contribute to state revenues will decrease by around **521 billion FCFA** in tax revenue compared to 2019.

►► IMPACT ON EMPLOYMENT

The Covid-19 crisis greatly affects the employment situation in modern enterprises in Cameroon. In total, 46.5% of the companies have put their personnel on technical lay-off and 12.4% dismissed their permanent staff. These rates reach 88.9% in the Accommodation and food services branch. The weakening of jobs is more pronounced among smaller companies; 54.3% of SEs and 47.5% of MEs have laid-off. It is estimated that **53,346 permanent employees have already been laid-off** (13.6% in modern companies) and **13,834 permanent employees have been dismissed** due to the crisis (3.5% of the workforce).

Through the shift working systems (44.6%) and the use of teleworking (26.2%), a great majority of companies have tried to adapt. These strategies had varying success from one case to another. In the IT & telecommunications branch, teleworking involved, more than half of the workforce. Overall, the use of teleworking involved 70,036 employees; that is **17.8%** of the permanent workforce in modern companies.

►► IMPACT INTER - COMPANY RELATIONS

The survey addressed the impact of the crisis on business-to-business relationships in the light of changes in payment terms (customers and suppliers) and the supply of local products and services.

It appears that customer payment terms increased for 58.3% of companies; the effect is particularly high in the financial services and insurance, corporate services, construction and public works, IT and telecommunications, transport, and transport auxiliaries sectors. ME and SE are more affected by the lengthening of customer deadlines compared to less than 40% of big companies. Overall, customer payment terms increased on average from 60 to 92.8 days; it means an **additional 32.8 days**.

The change of supplier payment terms during this period of crisis also calls for concern. 43.6% of companies indicate that they have increased payment terms for their suppliers while 19.4% have reduced them. The sectors with the highest incidence of increased supplier payment terms are forestry and logging, transport, and transport auxiliaries, accommodation and catering. The trend obviously concerns SMEs the more. Overall, supplier payment terms have increased on average from 45 to 69 days; that is an additional 24 days.

The circular economy has suffered greatly from the Covid-19 crisis. 63.8% of companies have reduced their supplies of local products and services since the outbreak of the Covid-19 pandemic. The highest rates are observed in the transport and transport auxiliary, financial services, accommodation and catering service, and food industries. Depending on the size, SMEs are more affected by this drop in internal economic dynamics.

▶▶ COMPANY MANAGERS OPINION ON SUPPORT MEASURES

On April 30th, 2020, the Government announced a series of measures to ease restrictions introduced to deal with the crisis and to support economic units and households weakened by the crisis. The survey focused on how companies assess these measures compared to their needs.

Overall, 69% of business leaders express a feeling of dissatisfaction with the measures announced; the latter are either not at all satisfied (36.9%) or not very satisfied (32.1%). Only 6.8% of them consider that the government's measures are satisfactory. The sectors in which the measures seem to least meet the expectations of companies are accommodation and catering, IT and telecommunications, financial services, and insurance. Medium-sized enterprises are the ones expressing the greatest feeling of dissatisfaction.

Companies expect stronger support from the state in the Tax (76.8% of companies) and financial (64.1%) areas and to a lesser extent in the customs and social fields. Almost all ME and big companies seek stronger support in the financial field. This could be done through the financial sector, via prices and purchasing power, or through direct government intervention. The companies also suggest a reorientation of economic policy in certain areas and express specific needs for health support.

Given that the Government has reserved the "automatic" benefit of most of the measures announced to companies considered to be directly affected by the crisis, business leaders wanted to give their opinions on the possibility or not of applying this qualification to their companies. Overall, 47.4% of respondents believe they can be classified in this category. The rates above 50% are in the accommodation and catering, transport and transport auxiliaries, food industries, and forestry and logging sectors. In Commerce, only 25% of business leaders believe they are directly exposed to the effects of the crisis. In contrast, 59% of SEs report being directly affected.

To back up this overall feeling of exposure to the effects of the crisis, 70% of companies plan to request facilities as part of the support measures announced by the Government on April 30th, 2020. The facilities that would be the most requested are the postponement/moratorium of the payment of social contributions due to the NSIF (31.9%); the deferral of payment/moratorium on the payment of installments of Corporate Tax and other taxes (31.7%); the extension of the deadline for filing Statistical and Fiscal Statements (28.5%); accelerated VAT credit repayment (23.4%); the deductibility of donations and gifts made for the fight against the Covid-19 pandemic (16.2%); the postponement/moratorium to September 30th, 2020 of the deadline for payment of property tax (13.4%).

Business leaders also expressed expectations towards the financial sector and 51.6% of them indicated that they planned to make requests for loans in the coming days (31%), suspension of payment of interest (18%), or debt rescheduling (20%). The envisaged use of such facilities has a similar intensity depending on whether one is big, medium, or small.

