

29 July 2020

Fast and Exceptional Enterprise Survey – COVID-19 1st fortnight of July 2020

COVID-19: monitoring the impact of the pandemic on enterprises

In the first fortnight of July, 99% of the enterprises were in operation (+3 p.p. than in the previous fortnight and +16 p.p. than in April). In the *Accommodation and food services* sector, this percentage was lower (93%, representing an increase of 11 p.p. compared to the previous fortnight).

Given the situation without pandemic, 58% of the enterprises reported a reduction in turnover in the first fortnight of July (66% in the previous fortnight and 80% in April). In *Accommodation and food services* and *Transportation and storage* sectors, this percentage was higher (88% and 76%, respectively).

In the first fortnight of July, between 23% and 31% of the respondent enterprises had already benefited from the government support measures, including the simplified layoff, assessing them as very important for their liquidity situation.

The liquidity situation of the enterprises improved compared to April. In the first fortnight of July, 59% of the enterprises reported that they can keep operate for more than six months without additional support liquidity measures (compared to 26% in April). Only 15% reported that they are unable to keep operating for more than two months (compared with 47% in the week from 20 to 24 April).

In the first fortnight of July, 24% of the enterprises recorded a reduction in the number of persons employed effectively working compared to the situation that could be expected without the pandemic (36% in the previous fortnight and 59% in April). *Accommodation and food services* was the sector where most enterprises reported a reduction in persons employed in the first fortnight of July (58%, -6 p.p. than in the previous fortnight).

This edition included questions related with the observed variation in the employment since the beginning of the pandemic and the expectations for the evolution of jobs until the end of 2020. 17% of the enterprises reported have reduced the number of jobs since the beginning of the COVID-19 pandemic and 76% had no impact on the total number of persons employed. The vast majority of enterprises (83%) plan to maintain their jobs until the end of the year, while among the rest, there is a relative balance between those that envisage increases and reductions.

The enterprises that benefited from the simplified layoff were asked how much the employment would have changed in the absence of the resource to the measure. 77% of the enterprises would have reduced the number of persons employed since the beginning of the pandemic in the absence of the use of the layoff, which compares with 30% of the enterprises that reported effective reduction of employment in that period. When asked about the options related to the new measures to support employment after the use of the simplified layoff, 38% of the enterprises intend to resort to the extraordinary incentive to normalize the activity following the end of the simplified layoff in August, while 30% should choose to keep the use of simplified layoff or resort to support for progressive recovery.

Statistics Portugal (INE) and the Bank of Portugal (BdP) launched, last April, the Fast and Exceptional Enterprise Survey - COVID-19 (COVID-IREE), in order to identify some of the main effects of the COVID-19 pandemic on business activity, based on a rapid response questionnaire. The survey began with a weekly frequency, having moved to a fortnightly frequency in May, taking into account the degree of variability observed in the weekly frequency of the main variables collected and aiming not to place an excessive burden over respondent enterprises. Considering the evolution of the restrictions on economic activity resulting from the COVID-19 pandemic, INE and BdP decided to suspend the questionnaire from August onwards. This decision may be reversed if the health or economic emergency conditions so justify. The data collection of this last edition took place in the week from 20 to 26 July.

During this fortnight, questions about turnover, persons employed, persons employed in remote working and with alternate presence at the enterprise's facilities and the use of public support instruments were maintained and new questions were added to make a comprehensive assessment of the global effects of the pandemic, in particular, on employment.

It is important to note that the results of this survey refer **exclusively** to the responding enterprises in each edition of the survey (about 4.9 thousand in this week)¹. These enterprises basically correspond to a representative sample underlying the calculation and compilation of the monthly sectoral turnover indices published by Statistics Portugal. For further information, it is recommended to read the technical note.

Statistics Portugal and the Bank of Portugal are grateful for the co-operation of enterprises in this difficult situation that Portugal is now going through.

I. ANALYSIS OF THE ECONOMIC AND FINANCIAL SITUATION OF THE ENTERPRISES

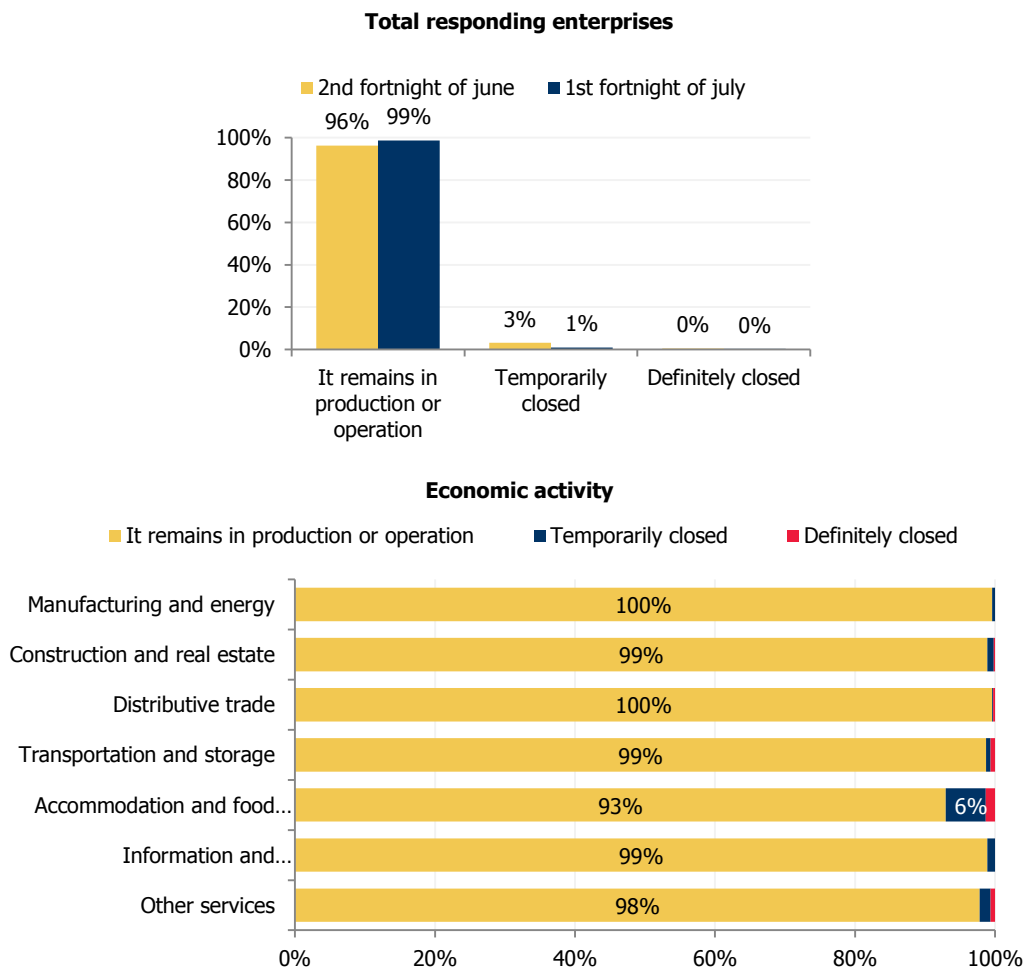
Situation of the enterprises in the first fortnight of July 2020 and evolution since April

99% of the enterprises remained in operation in the 1st fortnight of July 2020

- 99% of the responding enterprises remained in production or operation, even partially, at the time of response to the survey (+3 p.p. than in the previous fortnight).
- The *Accommodation and food services* sector remained the sector with the lowest percentage of enterprises in operation (93%), but registered the most significant increase compared to the previous fortnight (+11 p.p).
- Compared to April, the percentage of enterprises in operation increased by 16 p.p.. The *Accommodation and food services* sector, particularly affected by the closing of enterprises in April, was the one that recorded the most significant improvement (from 41% to 93% in July).

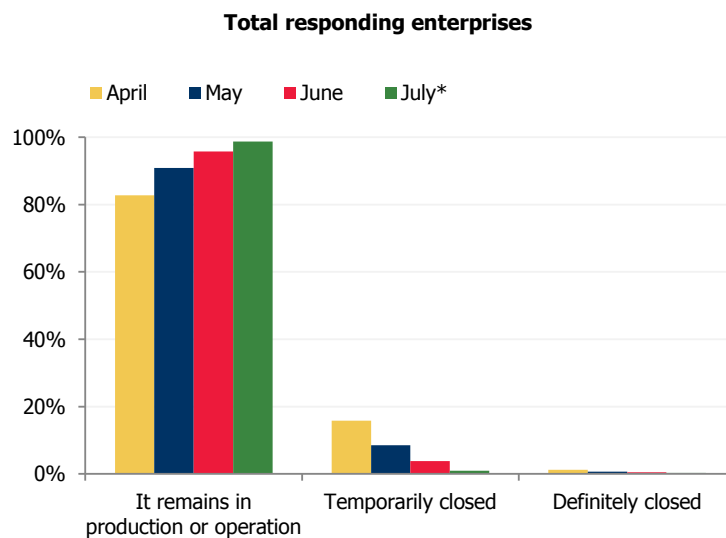
¹Number of valid responses until the end of July 26, corresponding to a response rate of 54.6%.

Figure 1 • Situation of the enterprises in the 1st fortnight of July 2020, as a % of the total number of enterprises



Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Figure 2 • Situation of the enterprises from April to July 2020, as a % of the total number of enterprises



Note: July represents only the first fortnight of the month

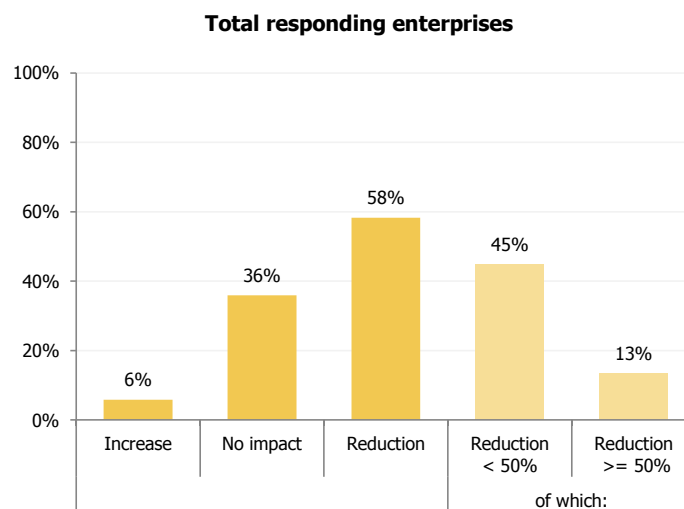
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Impact of the COVID-19 pandemic on turnover in the first fortnight of July 2020 and evolution since April

58% of the enterprises reported a negative impact on turnover in the 1st fortnight of July 2020

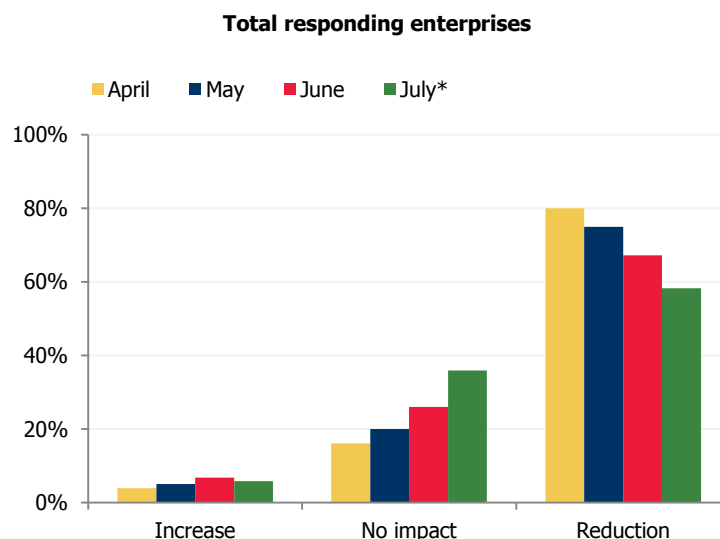
- Comparing with the expected situation without pandemic, 58% of the enterprises in operation or temporarily closed reported a reduction on turnover (-8 p.p. than in the previous fortnight), while 36% mentioned no impact (+9 p.p. than in the previous fortnight). Only 6% of the enterprises reported an increase in this variable.
- The *Accommodation and food services* and *Transportation and storage* sectors concentrated the higher percentages of enterprises reporting a reduction in turnover, 88% and 76%, respectively (+1 p.p. and -4 p.p. than in the previous fortnight). In contrast, this percentage was lower in the *Construction and real estate* sector (39%,-14 p.p. than in the previous fortnight).
- The percentage of enterprises with reductions of more than 75% in turnover remained higher in the *Accommodation and food services* (23%), although 15 p.p. lower than the observed in the previous fortnight.
- Compared to April, the percentage of enterprises that recorded a reduction in turnover, given the expected situation without pandemic, decreased from 80% to 58% in July (-22 p.p.). The *Construction and real estate* sector stands out for having been the least affected by the pandemic and for the most marked improvement compared to April: the percentage of enterprises reporting a negative impact on turnover in April was 74% and decreased by 35 p.p., to 39% in July.

Figure 3 • Impact of the COVID-19 pandemic on turnover in the 1st fortnight of July 2020, as a % of the total number of enterprises in operation or temporarily closed



Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Figure 4 • Impact of the COVID-19 pandemic on turnover from April to July 2020 given the expected situation without pandemic, as a % of the total number of enterprises in operation or temporarily closed



Note: July represents only the first fortnight of the month

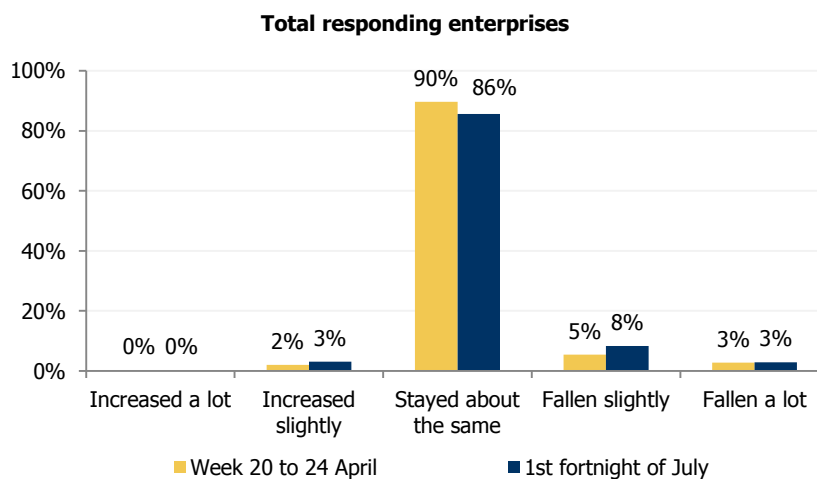
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Impact of the COVID-19 pandemic on prices in the first fortnight of July 2020

Most of the enterprises reported maintenance of prices

- 86% of the enterprises reported that the prices charged remained unchanged compared to the expected situation without pandemic. 11% reported price decreases and 3% increases. Recalled that, in April, 90% of the enterprises reported intentions to maintain prices and 8% intended to reduce them.
- The percentage of enterprises that reported price reductions in July, as a result of the COVID-19 pandemic, increases slightly with the size of the enterprise, being mentioned by 16% of large enterprises, compared to 9% of micro enterprises.
- The proportion of enterprises that reported a reduction in prices due to the COVID-19 pandemic was more significant (22%) in the *Accommodation and food services* sector.

Figure 5 • Impact of the COVID-19 pandemic on prices charged by enterprises in the 1st fortnight of July 2020 given the expected situation without pandemic, as a % of the total number of enterprises in operation or temporarily closed



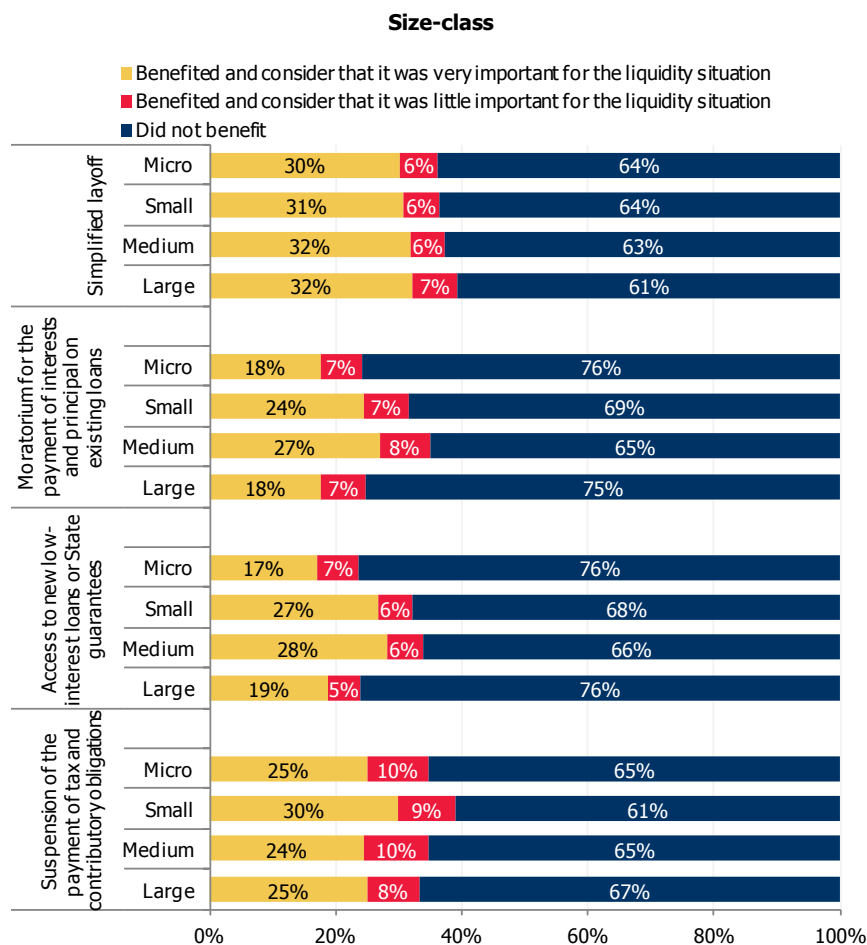
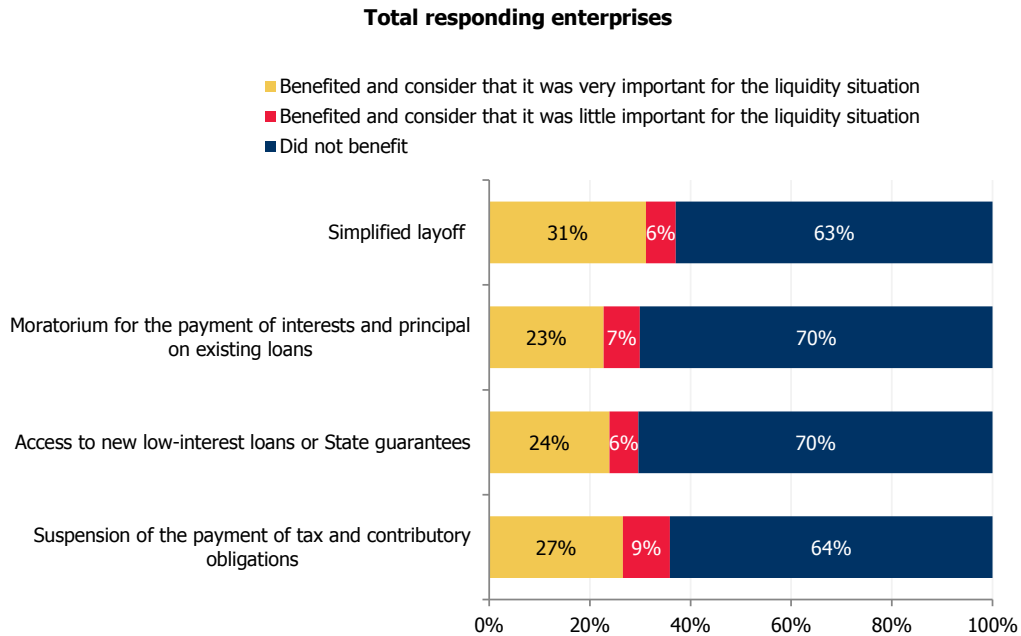
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Resource to the measures presented by the Government due to the COVID-19 pandemic and evaluation of its importance for the liquidity situation of the enterprises

Between 23% and 31% of the enterprises have already benefited from the Government support measures, evaluating them as very important for their liquidity situation

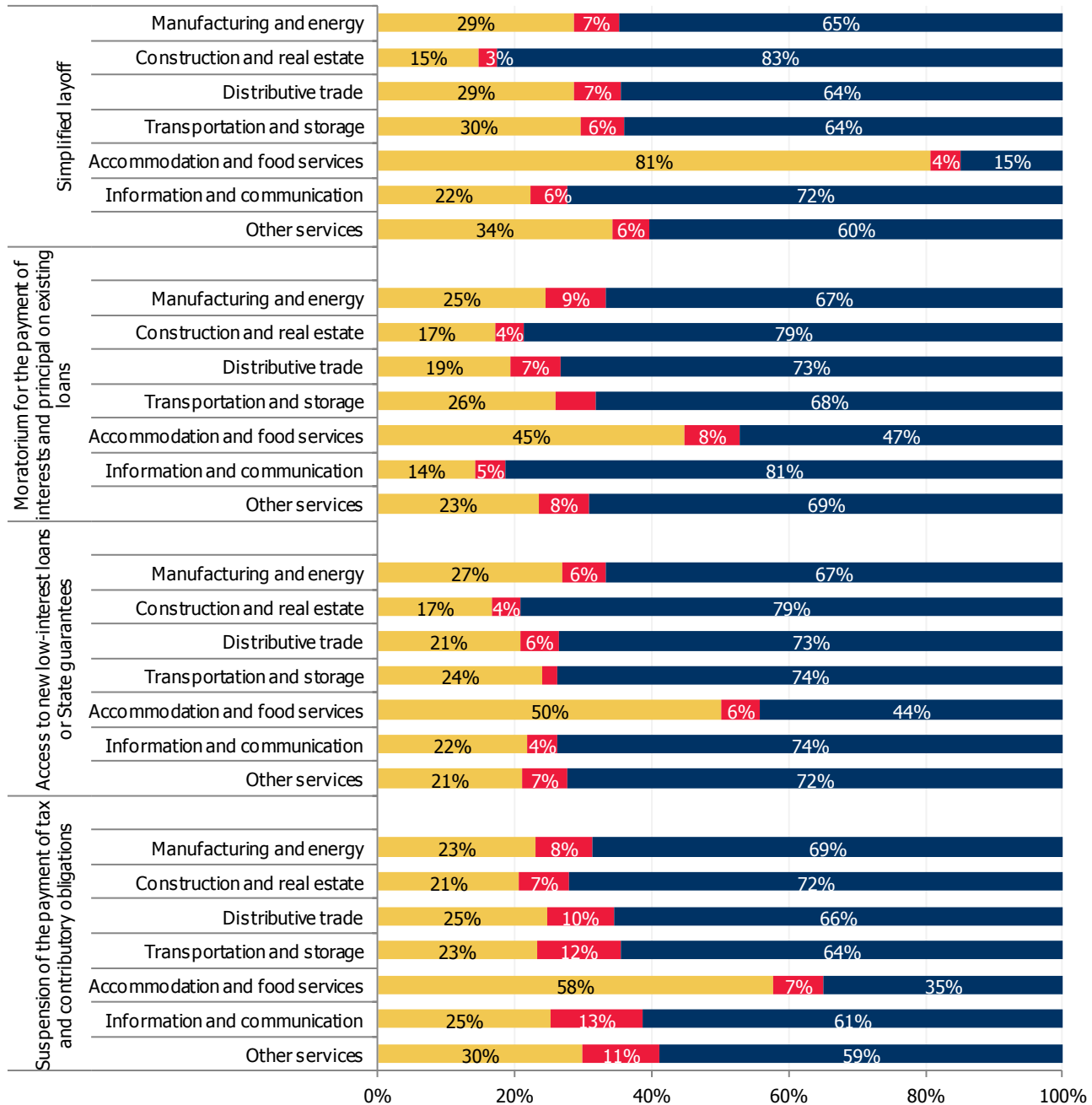
- More than 60% of the respondent enterprises did not benefit from the support measures presented by the Government due to the COVID-19 pandemic, including the simplified layoff.
- Regarding the access to the considered measures, the resource to the simplified layoff was reported by 37% of the enterprises and the suspension of the payment of taxes and contributory obligations by 36% of the enterprises. The percentage of enterprises that benefited from the moratorium for the payment of interests and principal on existing loans and access to new low-interest loans or State guarantees was slightly lower (30%, in both cases). The enterprises that resorted to the measures consider, in a large majority, that these had a very important impact on their liquidity situation.
- There are no noticeable differences in the use of measures in an analysis by enterprise size.
- By sector, *Accommodation and food services* stands out for the highest proportion of enterprises that have already resorted to the measures: 85% in the simplified layoff, 65% in the suspension of the payment of taxes and contributory obligations, 53% in the moratorium and 56% in the access to new credits. In contrast, in the *Construction and real estate* sector, the proportion of enterprises that benefited from the measures is relatively small, particularly in the case of the simplified layoff.

Figure 6 • Resource to the measures presented by the Government due to the COVID-19 pandemic and their importance to the liquidity situation of the enterprises, as a % of the total number of enterprises in operation or temporarily closed



Economic activity

- Benefited and consider that it was very important for the liquidity situation
- Benefited and consider that it was little important for the liquidity situation
- Did not benefit



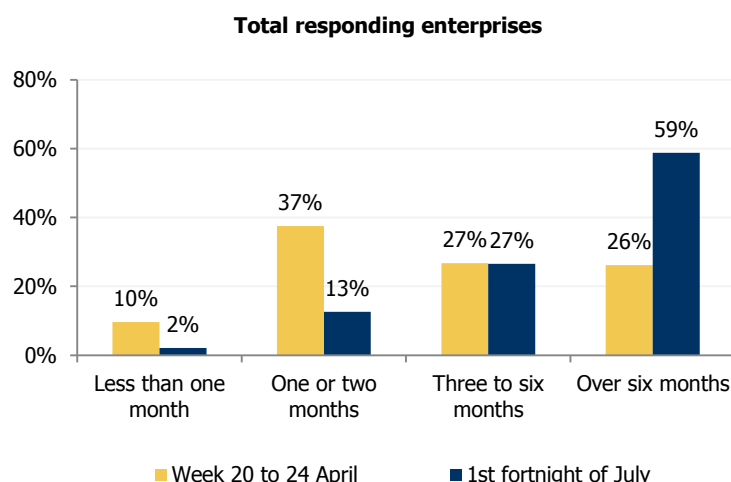
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Remaining time in activity without additional liquidity support measures in the first fortnight of July 2020

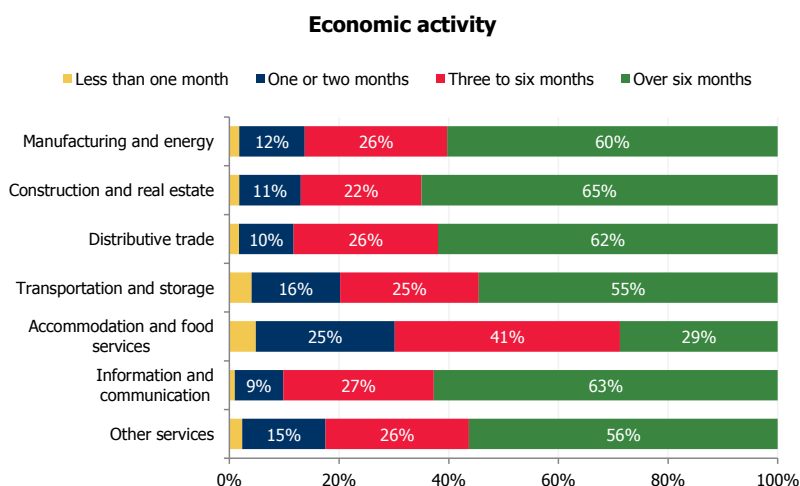
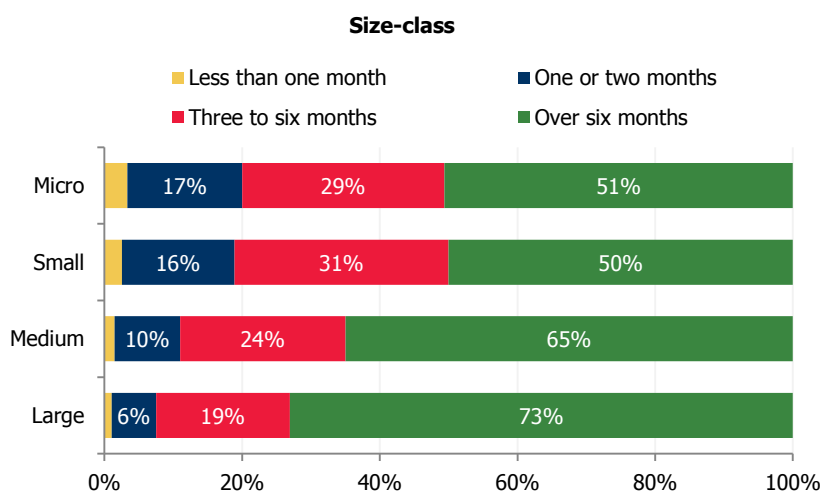
59% of the enterprises expect to remain in activity for more than six months without additional liquidity support measures²

- 59% of the enterprises expect to be able to stay in activity for a period of more than six months without additional liquidity support measures, an increase of 33 p.p. compared to the week from 20 to 24 April.
- The percentage of enterprises that reported being able to stay in activity for up to 2 months without additional liquidity support measures stands at 15% in the first fortnight of July. In April, this percentage amounted to 47%.
- Larger enterprises reported a better liquidity than smaller enterprises. 73% in large enterprises and 51% in micro enterprises expect to remain in activity for more than 6 months without additional liquidity support measures. About 20% of micro and small enterprises reported not being able to stay in activity for more than 2 months, which compares with a share equal to or less than 11% in the case of medium and large enterprises.
- By sector, *Accommodation and food services* and *Transportation and storage* stand out for the most expressive percentage of enterprises that are unable to remain in activity for more than 2 months (30% and 20%, respectively).

Figure 7 • Remaining time in activity without additional liquidity support measures in the 1st fortnight of July 2020, as a % of the total number of enterprises in operation or temporarily closed



² As usual, the presented results do not include the answers "do not know / do not answer". It should be noted, however, that there is a high percentage of this type of answer in this question (45% and 35% of the responding enterprises indicated this option, respectively in July and April, being this percentage higher in smaller enterprises).



Source: Statistics Portugal and Bank of Portugal, COVID-IREE

II. ANALYSIS OF THE LABOUR SITUATION OF THE ENTERPRISES

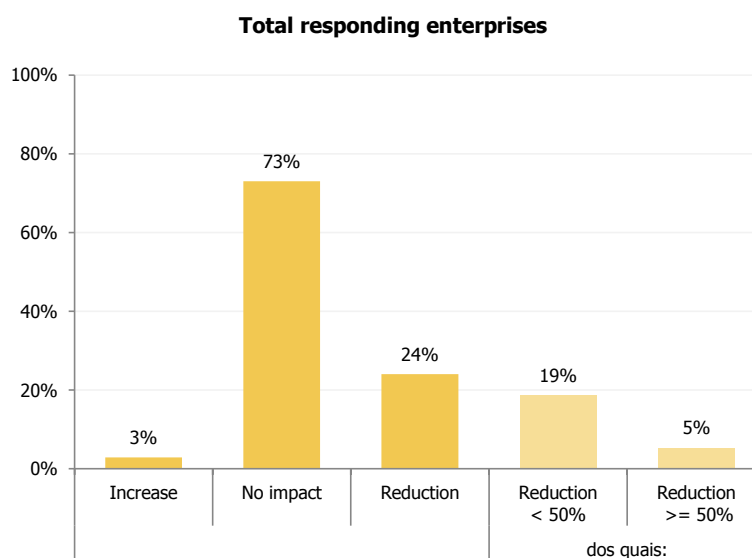
Impact of the COVID-19 pandemic on persons employed effectively working in the first fortnight of July 2020 and evolution since April

In 73% of the enterprises, the persons employed effectively working did not change in the 1st fortnight of July 2020, given the expected situation without the pandemic

- For the majority of the enterprises, there was no impact of the pandemic on the persons employed effectively working in the first fortnight of July (73% of the enterprises, +14 p.p. than in the previous fortnight). These enterprises correspond to 48% of the total persons employed by the responding enterprises.

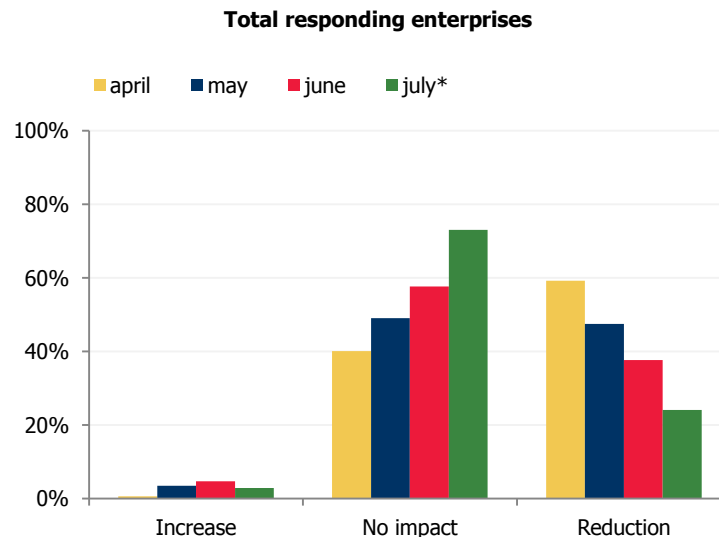
- 24% of the enterprises reported a reduction in the number of persons effectively working in the first fortnight of July, given the expected situation without pandemic (-12 p.p. than in the previous fortnight). These enterprises represent 49% of the persons employed by the respondent enterprises. The reduction in the number of persons employed was more than 50% to 5% of the enterprises.
- By sector, *Accommodation and food services* enterprises continued to stand out, with 58% referring to a reduction in the number of persons employed (-6 p.p. than in the previous fortnight), with this reduction exceeding 75% in 11% of the enterprises in this sector (-13 p.p. than in the previous fortnight).
- Compared to April, the percentage of enterprises with reduction in the persons employed decreased by 35 p.p. (from 59% in April to 24% in July). In the *Distributive trade* sector, this improvement was more evident, with this percentage decreasing from 59% in April to 18% in July (-41 p.p.).

Figure 8 • Impact of the COVID-19 pandemic on the persons employed effectively working in the 1st fortnight of July 2020 given the situation without pandemic, as a % of the total number of enterprises in operation or temporarily closed



Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Figure 9 • Impact of the COVID-19 pandemic on the persons employed effectively working from April to July 2020 given the situation without pandemic, as a % of the total number of enterprises in operation or temporarily closed



Note: July represents only the first fortnight of the month

Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Remote working and alternate presence in the enterprise premises in the first fortnight of July 2020 and evolution since April

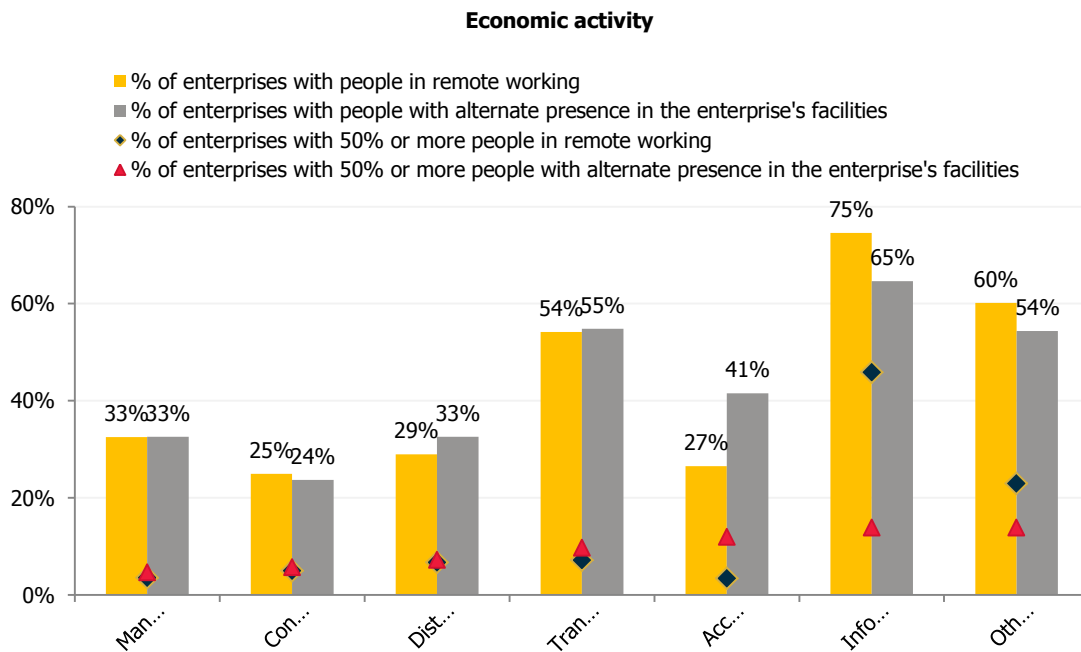
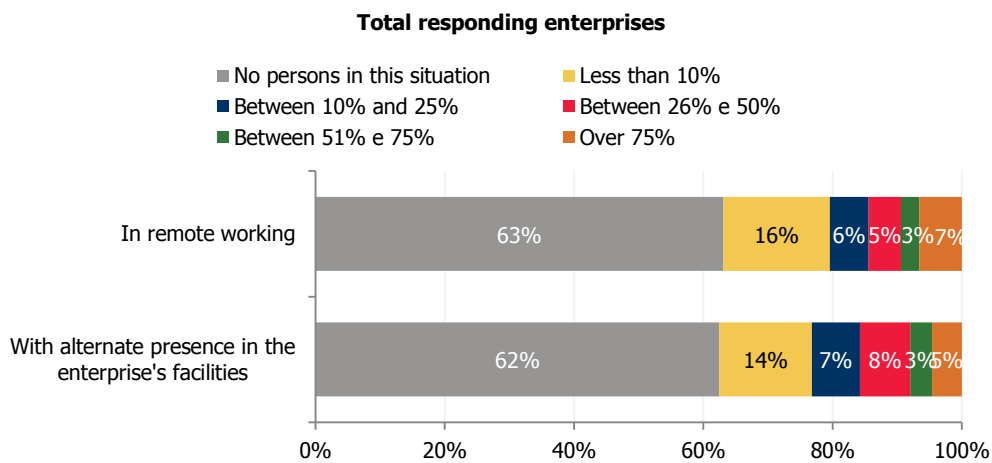
37% of the enterprises had persons in remote working³ in the 1st fortnight of July 2020

- 37% of the responding enterprises had persons in remote working during the first fortnight of July (-10 p.p. than in the previous fortnight), being that only 7% had more than 75% of the persons employed effectively working in remote working.
- The proportion of enterprises that reported persons in remote working increases with the size of the enterprise, being 17% in micro enterprises and reaching 74% in large ones. By sector, the percentage of enterprises that referred having persons in remote working was higher in the *Information and communication* (75%) and lower in *Construction and real estate* (25%).
- 38% of the enterprises reported the existence of persons working with alternate presence in the enterprise premises due to the pandemic (-6 p.p. than in the previous fortnight).
- The use of alternate presence in the enterprise premises grows with the size of the enterprise, being mentioned by 21% of micro enterprises and 68% of large enterprises. The *Information and communication* sector stands out in the use of this practice, mentioned by 65% of the enterprises.

³ It should be recalled that this survey does not cover enterprises in the financial sector or public administration organisations.

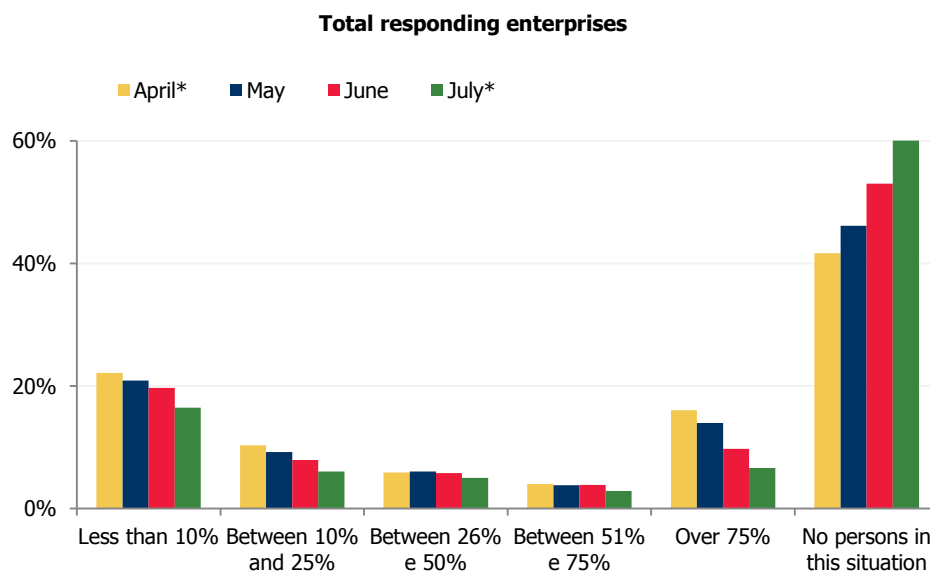
- The percentage of enterprises with persons in remote working decreased by 21 p.p. between April and July 2020 (from 58% in April to 37% in July). In particular, the percentage of enterprises that had more than 75% of the persons employed in remote working decreased from 16% in April to 7% in July (-9 p.p.).

Figure 10 • Quantification of persons employed effectively working in remote working and with alternate presence in the enterprise's facilities in the 1st fortnight of July 2020, as a % of the total number of enterprises in operation or temporarily closed



Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Figure 11 • Persons employed effectively working in remote working from April to July 2020, as a % of the total number of enterprises in operation or temporarily closed



Note: * April represents only the last week of the month and July represents only the first fortnight of the month

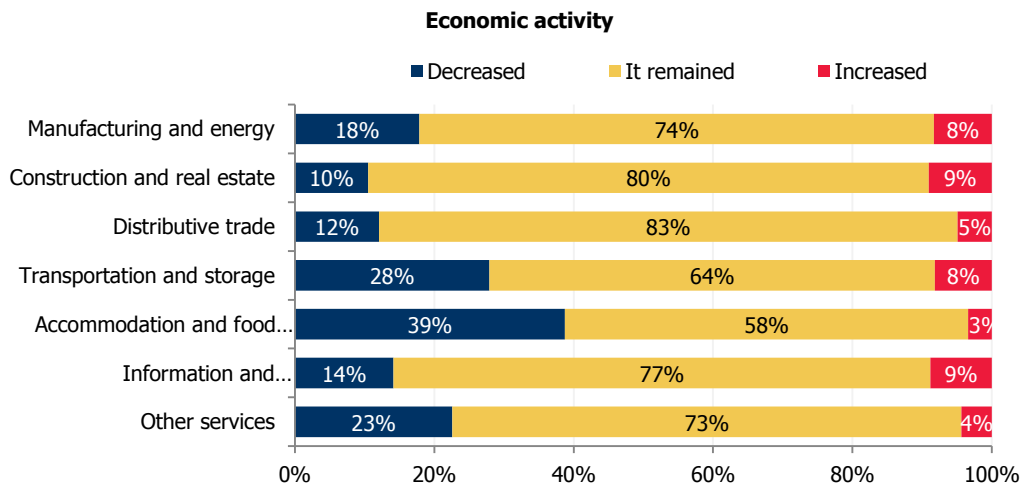
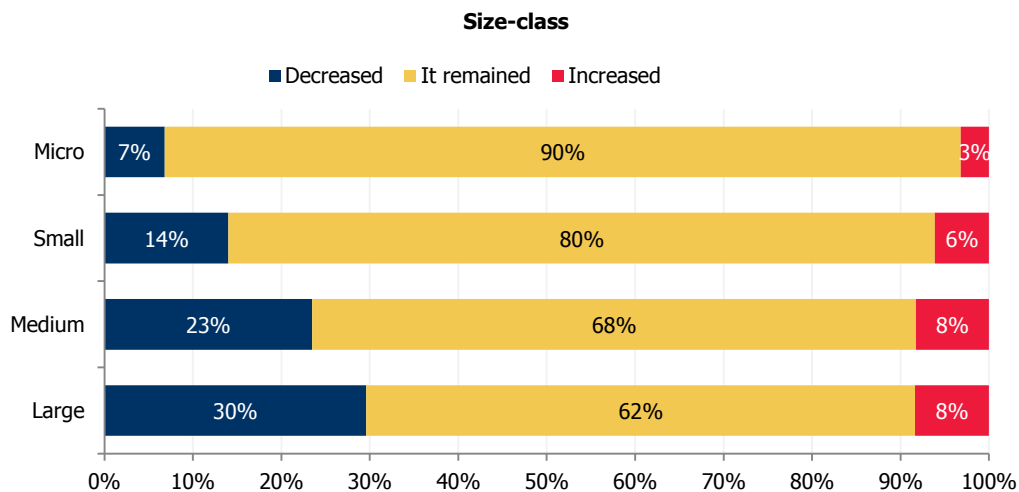
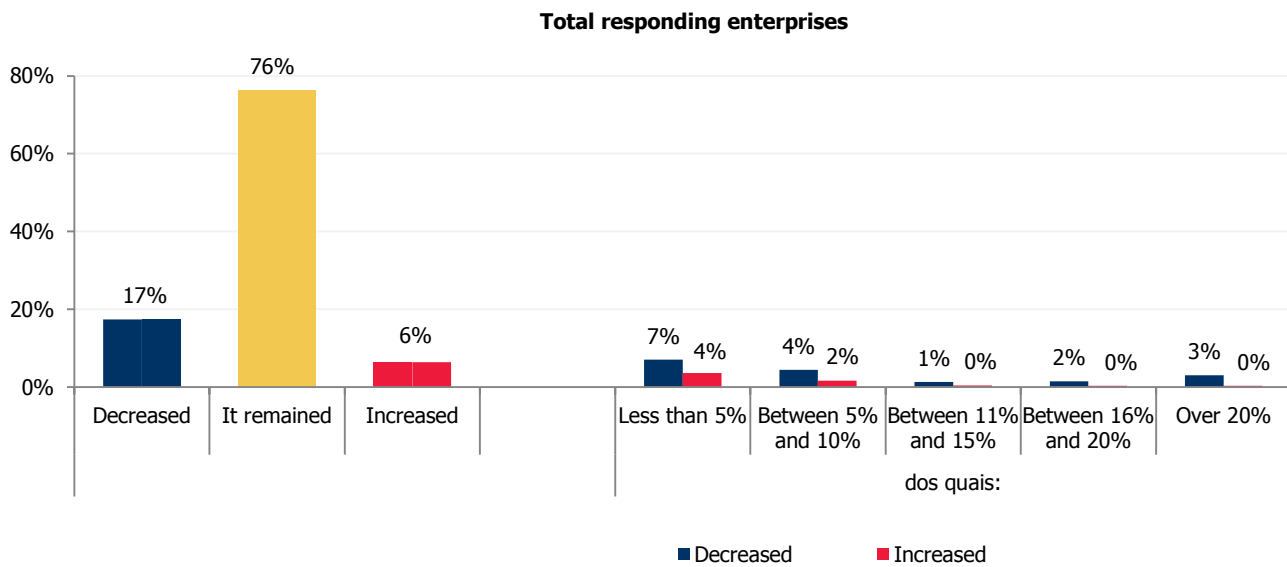
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Impact on total persons employed (whether or not they are effectively working) since the beginning of the pandemic

17% of the enterprises reduced the number of persons employed since the beginning of the pandemic

- For most enterprises (76%), the pandemic had no impact on the total number of persons employed.
- 17% of the enterprises reported having reduced the number of jobs since the beginning of the pandemic (declared on March 11). Most of the reported reductions covered less than 10% of persons employed.
- A smaller percentage (6%) increased employment during the pandemic period. These increases were, mostly, less than 5%.
- The percentage of enterprises that reported maintaining their jobs decreases with the increase in the size of the enterprise (90% in micro enterprises and 62% in large enterprises). Employment reductions or increases are mostly reported by the largest enterprises.
- By sector, the reduction in the total number of persons employed due to the pandemic was more referred in *Accommodation and food services* and in *Transportation and storage* (39% and 28% of the enterprises, respectively).

Figure 12 • Impact on employment since the beginning of the COVID-19 pandemic, as a % of the total number of enterprises in operation or temporarily closed



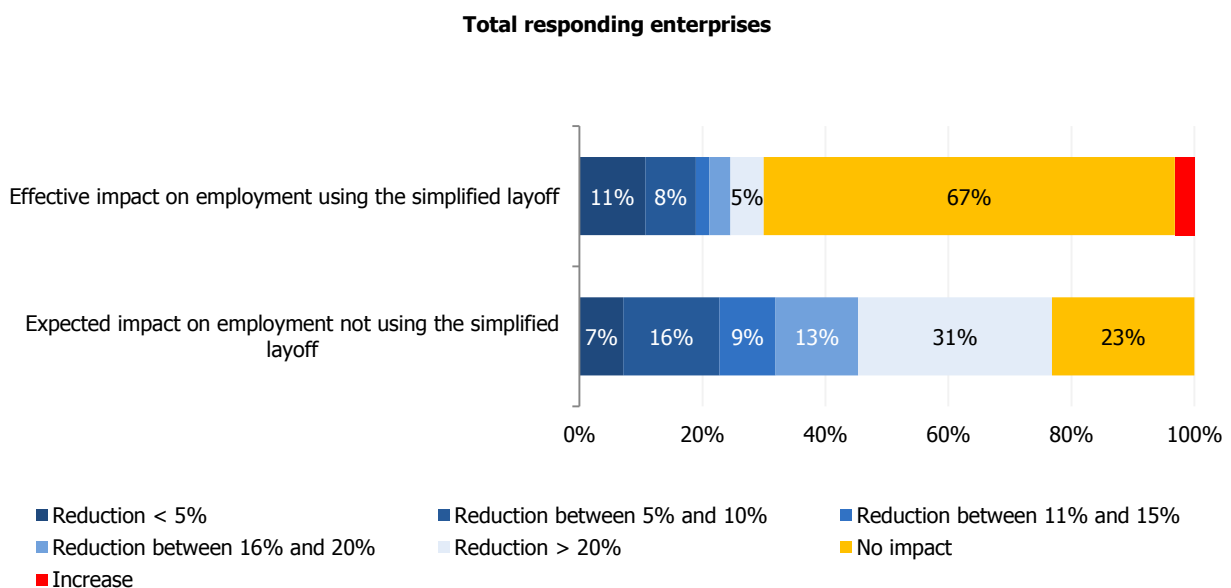
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Estimated impact on employment since the beginning of the COVID-19 pandemic in the absence of the use of the simplified layoff measure

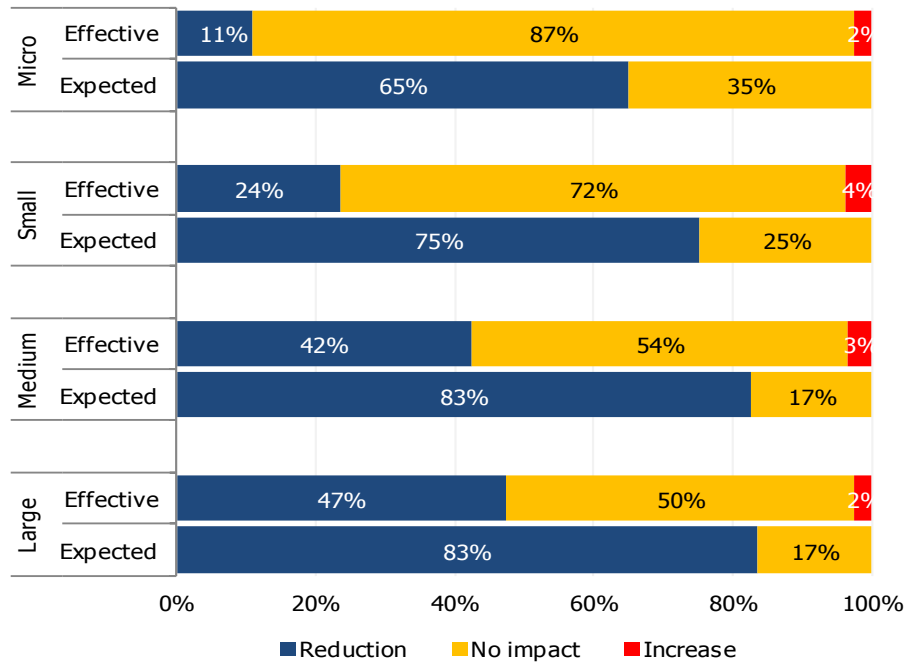
The enterprises that benefited from the simplified layoff reported a less negative impact on employment compared to what would have been observed without resorting to this measure

- 77% of the enterprises that resorted to the simplified layoff would have reduced the employment if they had not had access to this measure.
- However, in effective terms, only 30% of the enterprises that resorted to the simplified layoff reduced their employment. These reductions were greater than 10% of the workforce for 11% of the enterprises. Among the enterprises that benefited from this measure, 67% reported maintaining their jobs since the beginning of the pandemic and 3% reported increases.
- The difference between the percentage of enterprises that would have reduced employment in the absence of resource to the simplified layoff and the percentage of enterprises that effectively reduced employment (having benefited from this measure) is higher in smaller enterprises.
- By sector, the impact of the measure in mitigating job reductions does not differ significantly.

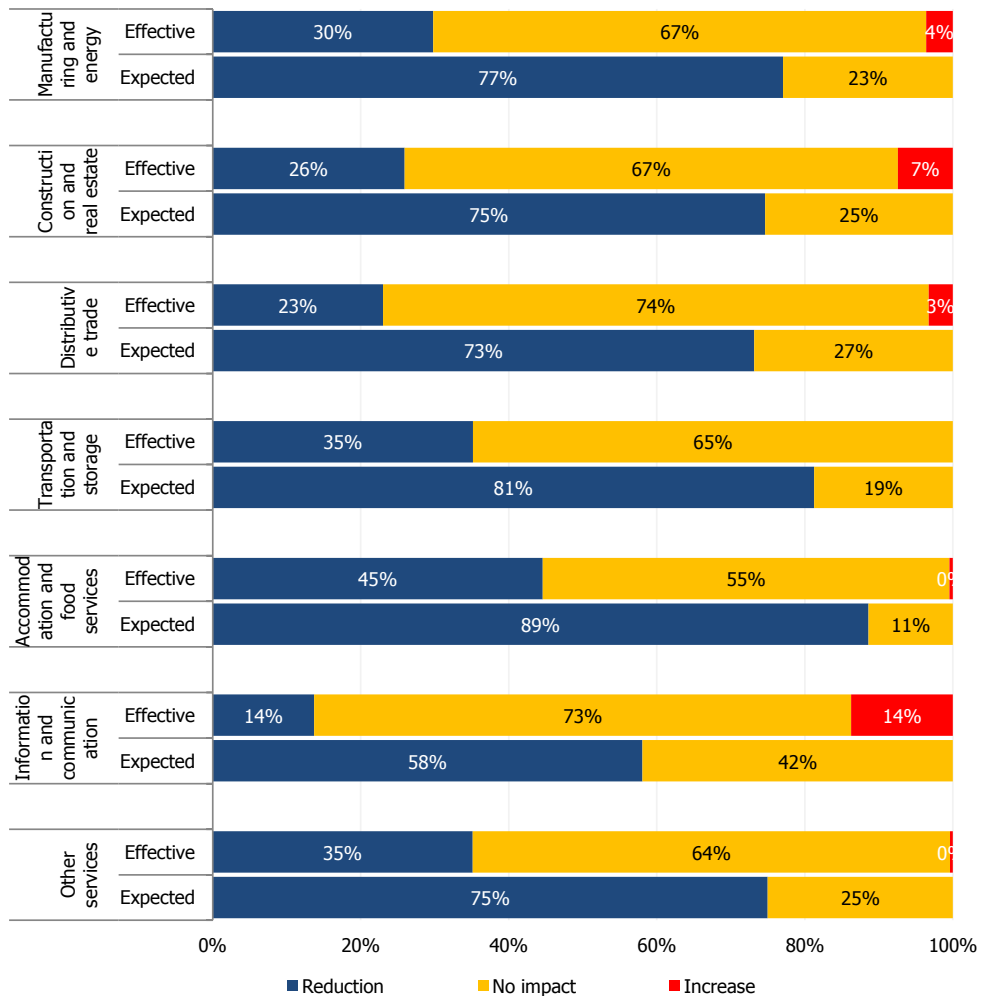
Figure 13 • Expected impact on employment since the beginning of the COVID-19 pandemic in the absence of the use of the simplified layoff measure, as a % of the total number of enterprises in operation or temporarily closed that used the simplified layoff



Size-class



Economic activity



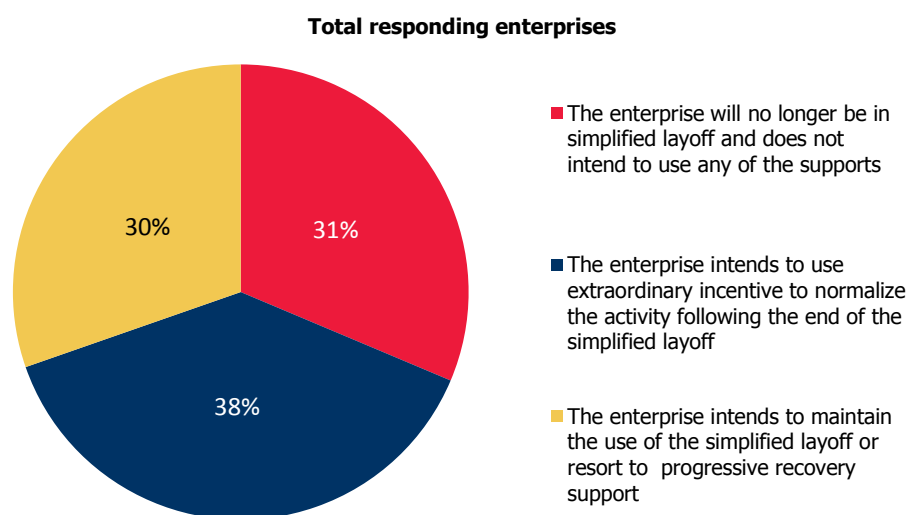
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Options to be followed by the enterprises in August, taking into account the announced changes to the simplified layoff measure

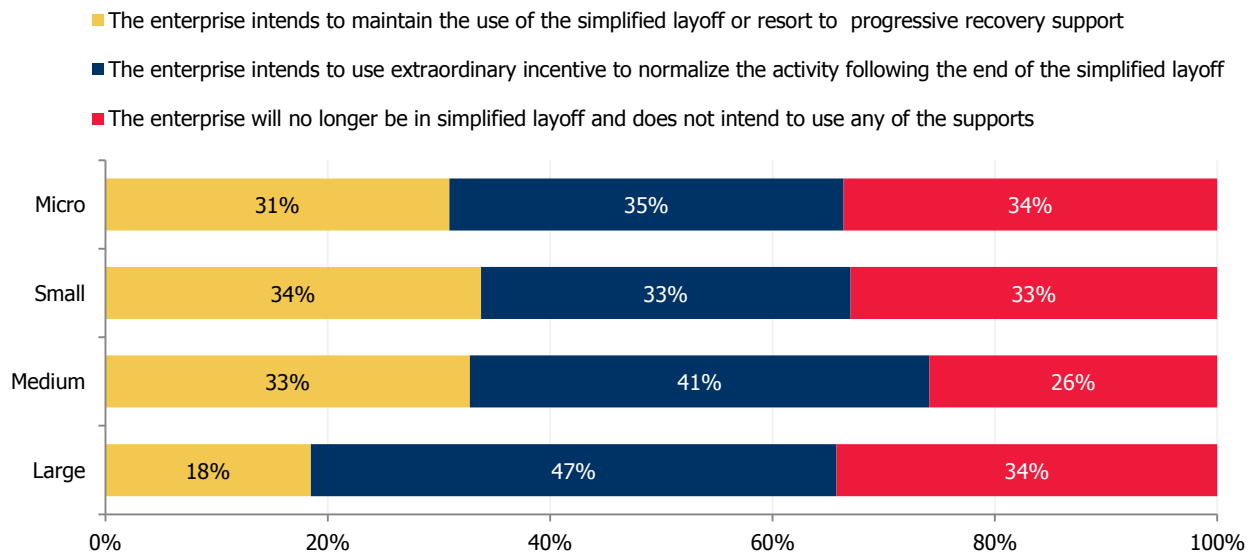
In August, 38% of the enterprises intend to use the extraordinary incentive to normalize their activity, following the end of the simplified layoff

- 30% of the enterprises might choose to keep the use of the simplified layoff or resort to the progressive recovery support.
- 47% of large enterprises privilege the use of an extraordinary incentive to normalize their activity (compared to 35% in micro enterprises). On the other hand, 31% of micro enterprises prefer to maintain the use of simplified layoff or resort to the progressive recovery support, an option for only 18% of large enterprises.
- By sector, almost half of the enterprises from *Accommodation and food services*, *Information and communication* and *Transportation and storage* intend to choose to keep the use of the simplified layoff in August 2020.

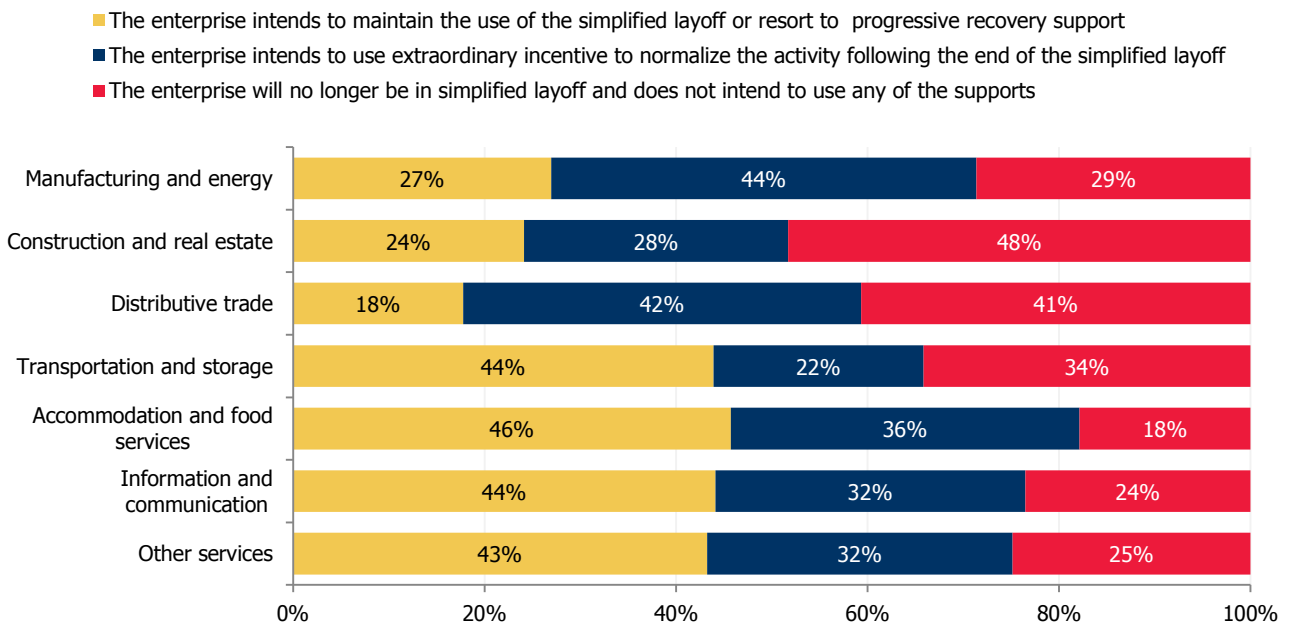
Figure 14 • Option to be followed by the enterprises in August, taking into account the changes announced to the simplified layoff, as a % of the total number of enterprises in operation or temporarily closed that used the simplified layoff



Size-class



Economic activity



Source: Statistics Portugal and Bank of Portugal, COVID-IREE

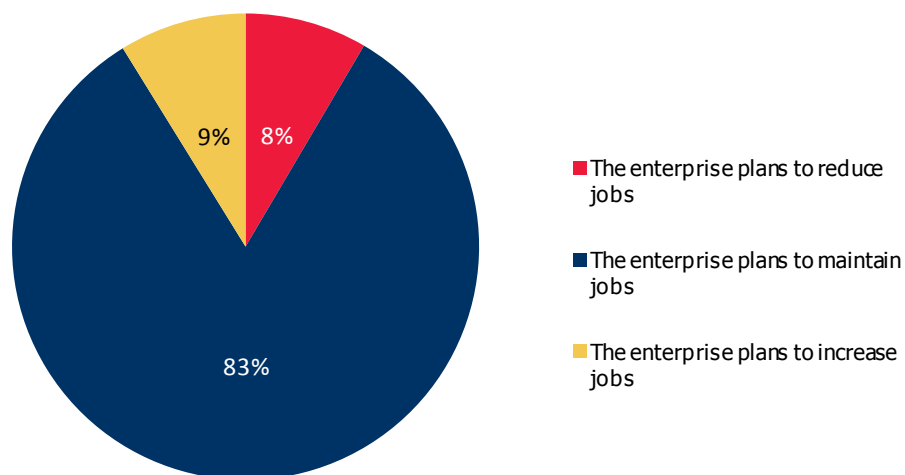
Expected evolution of jobs in enterprises until the end of 2020

83% of the enterprises plan to maintain the employment until the end of 2020

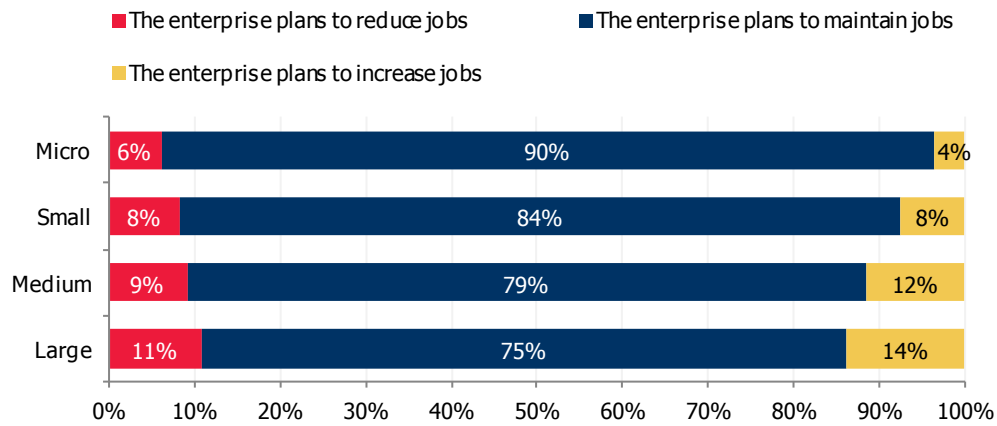
- 83% of the respondent enterprises plan to maintain jobs until the end of 2020, while 9% plan to increase and 8% to decrease.
- Large enterprises are the ones that most plan to change the number of jobs, either increasing them (14%, compared to 4% in micro enterprises) or reducing them (11%, compared to 6% in micro enterprises).
- Enterprises in the *Other services* and *Information and communication* sectors are those that most plan to increase jobs (14% in both cases) and *Accommodation and food services* enterprises are the ones that most plan to decrease jobs (23%) by the end of the year 2020.

Figure 15 • Expected evolution of jobs in enterprises until the end of 2020, as a % of the total number of enterprises in operation or temporarily closed

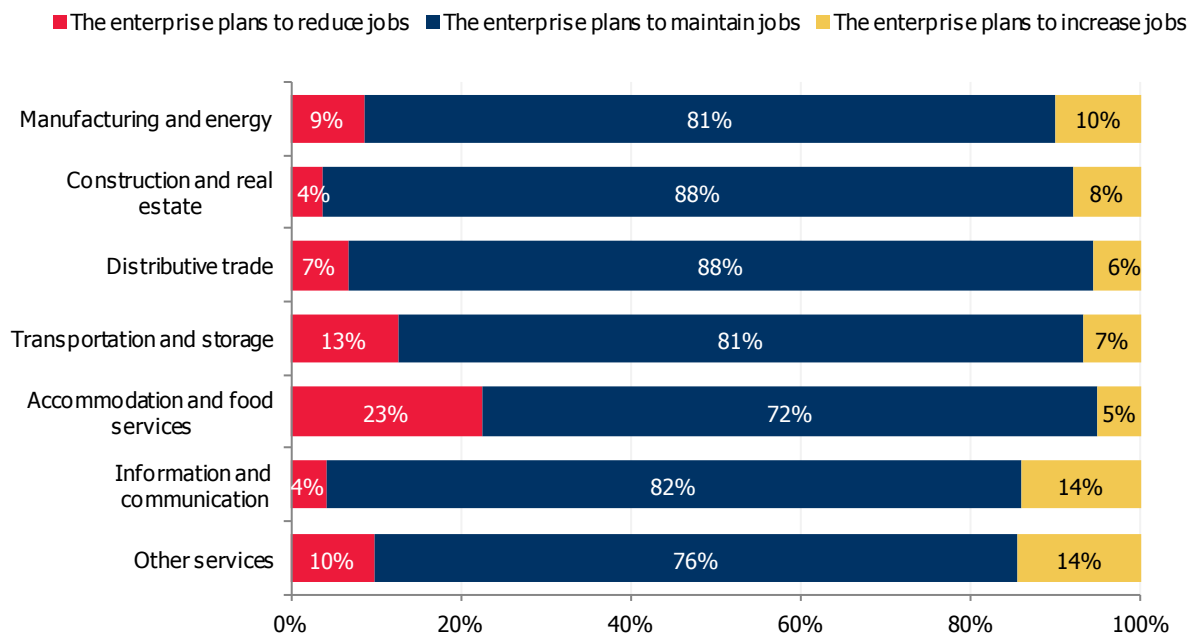
Total responding enterprises



Size-class



Economic activity



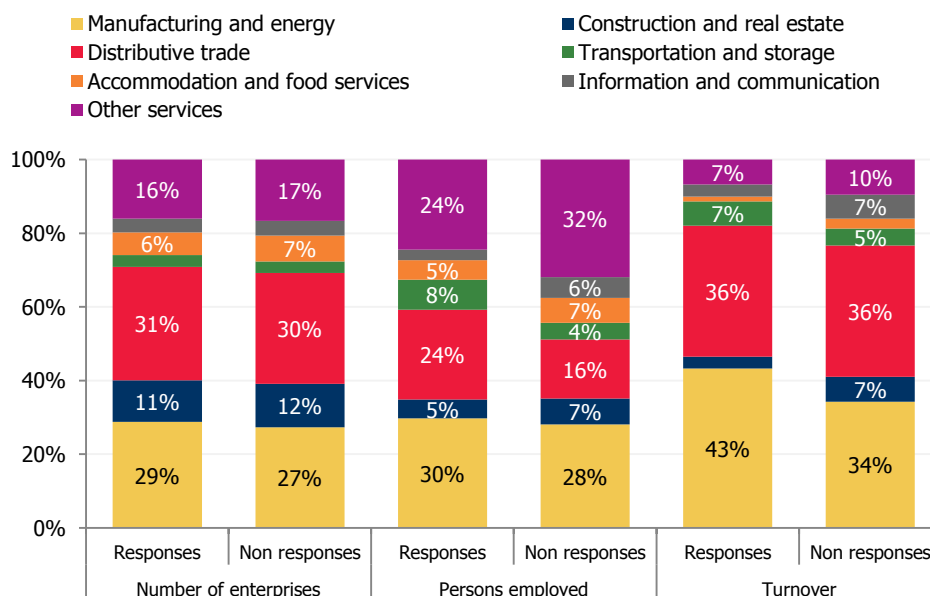
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Technical note

The statistical data disclosed in this information note correspond to those collected by the Fast and Exceptional Enterprise Survey – COVID-19 (COVID-IREE), in the week from 20 to 26 July 2020, with reference to the first fortnight of July 2020. The survey was addressed to a broad range of micro, small, medium and large enterprises representative of the various sectors of economic activity, the sample being 8,883 enterprises. A total of 4,850 valid responses were obtained, representing an overall response rate of 54.6%. The respondent enterprises represent 59.0% of the persons employed and 69.0% of the turnover of the sample.

The following graph shows the distribution between responding and non-responding enterprises, in terms of the number of enterprises, persons employed and turnover, as a % of total enterprises in the sample, by economic activity:

Figure 16 • Structure of the number of enterprises, persons employed and turnover, as a % of total number of responding and non-responding enterprises by economic activity



Source: Statistics Portugal and Bank of Portugal, COVID-IREE

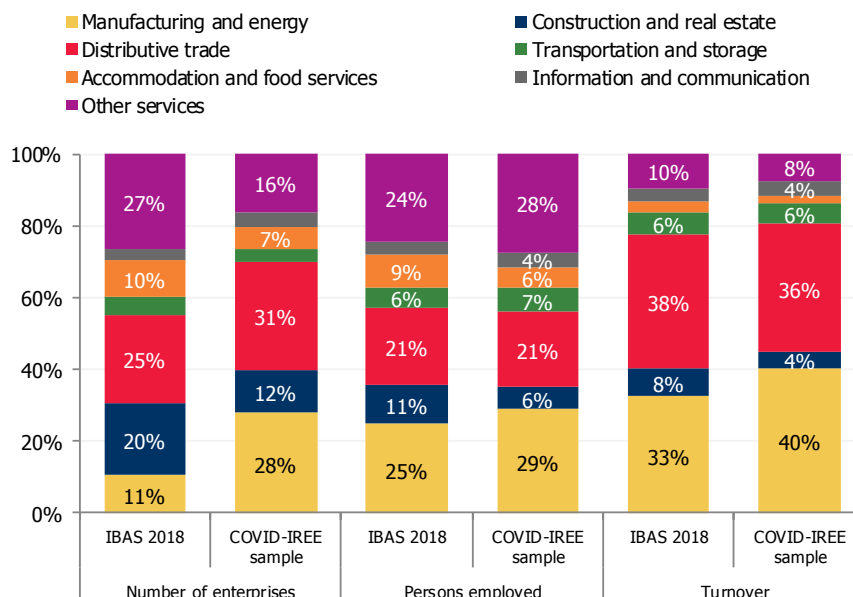
Applying a simple *Probit* model to assess the probability of response to the survey, a lower probability of response of micro and small enterprises was observed, and the possible bias resulting from this should be considered in the analysis. However, there was no evidence of bias associated with the sector of economic activity of the enterprise.

The results of this survey are always indicated as referring to the responding enterprises in each week of survey and no extrapolation of the results to the universe of firms is made (see methodological documentation associated with the new Fast and Exceptional Enterprise Survey (COVID-IREE) available at:

<http://smi.ine.pt/DocumentacaoMetodologica/Detalhes/1593>

The sample of this survey basically corresponds to the integration of the samples underlying the monthly industry, construction, distributive trade and services turnover surveys, plus about three hundred enterprises, aiming at completing the sectors of activity represented. The context information of this sample has as reference the Integrated Business Accounts System (IBAS 2018). The following figure presents, by economic activity, the structures of the number of enterprises, persons employed and turnover in the COVID-IREE sample and in the universe of firms - IBAS 2018.

Figure 17 • Structure of the number of enterprises, persons employed and turnover, of the universe of enterprises (IBAS 2018) and the sample of the Fast and Exceptional Enterprise Survey



Source: Statistics Portugal, IBAS 2018 and Statistics Portugal and Bank of Portugal, COVID-IREE

This survey began with a weekly frequency in order to obtain urgent information on the consequences of the current pandemic (COVID-19) on business activity, having moved to a fortnightly frequency after the end of the state of emergency but where a number of limitations to economic activity remain. Considering the evolution of the restrictions on economic activity resulting from the COVID-19 pandemic, INE and BdP decided to suspend the questionnaire from August onwards. This decision can be reversed if the health or economic emergency conditions so justify.

In this information note were considered:

- A) 4 enterprise size-classes: Micro enterprise (number of persons employed < 10 and turnover ≤ EUR 2 million); Small enterprise (number of persons employed < 50, turnover ≤ EUR 10 million and not classified as micro enterprise); Medium enterprise (number of persons employed < 250, turnover ≤ EUR 50 million and not classified as micro or small enterprise); and Large enterprise (number of persons employed ≥ 250 or turnover > EUR 50 million)
- B) 7 groups of economic activities: Manufacturing and energy (sections B to E from CAE Rev.3), Construction and real estate (sections F and L from CAE Rev.3), Distributive trade (sections G from CAE Rev.3), Transportation and storage (sections H from CAE Rev.3), Accommodation and food services (section I from CAE Rev.3), Information and communication (section J from CAE Rev.3), and Other services (section M to S from CAE Rev.3, except section O). This classification is based on the A10 nomenclature of the European System of Accounts (ESA2010).

Acronyms:

%	Percentage
BdP	Bank of Portugal
CAE-Rev.3	Portuguese Classification of Economic Activities, Revision 3
COVID-19	New coronavirus
COVID-IREE	Fast and Exceptional Enterprise Survey – COVID-19
IBAS	Integrated Business Accounts System
VVN	Turnover

Information to users: For issues related to the rounding of values, the totals, in value or percentage, may not correspond exactly to the sum of their parts.