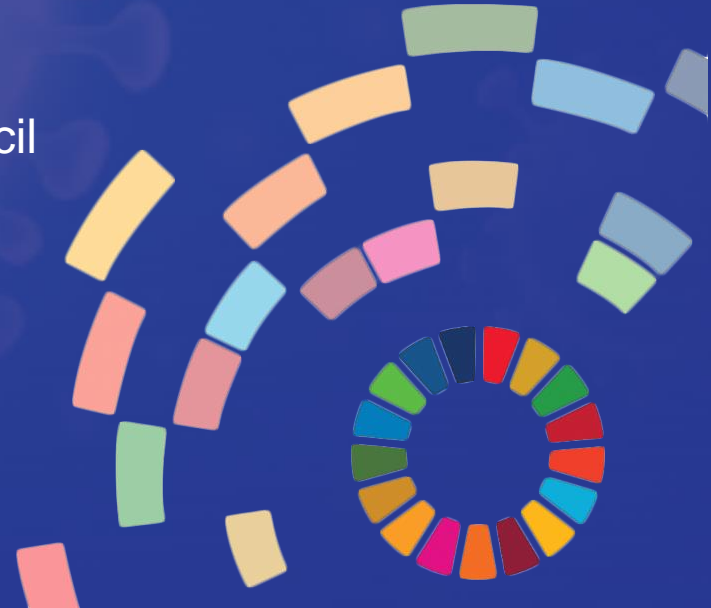


Substantive issues requiring business / ESNB response: Covid-19 and SMEs

Introductory presentation to ESNB Executive Council
15 May 2020

Mia Mikic, Director, Trade, Investment and Innovation Division



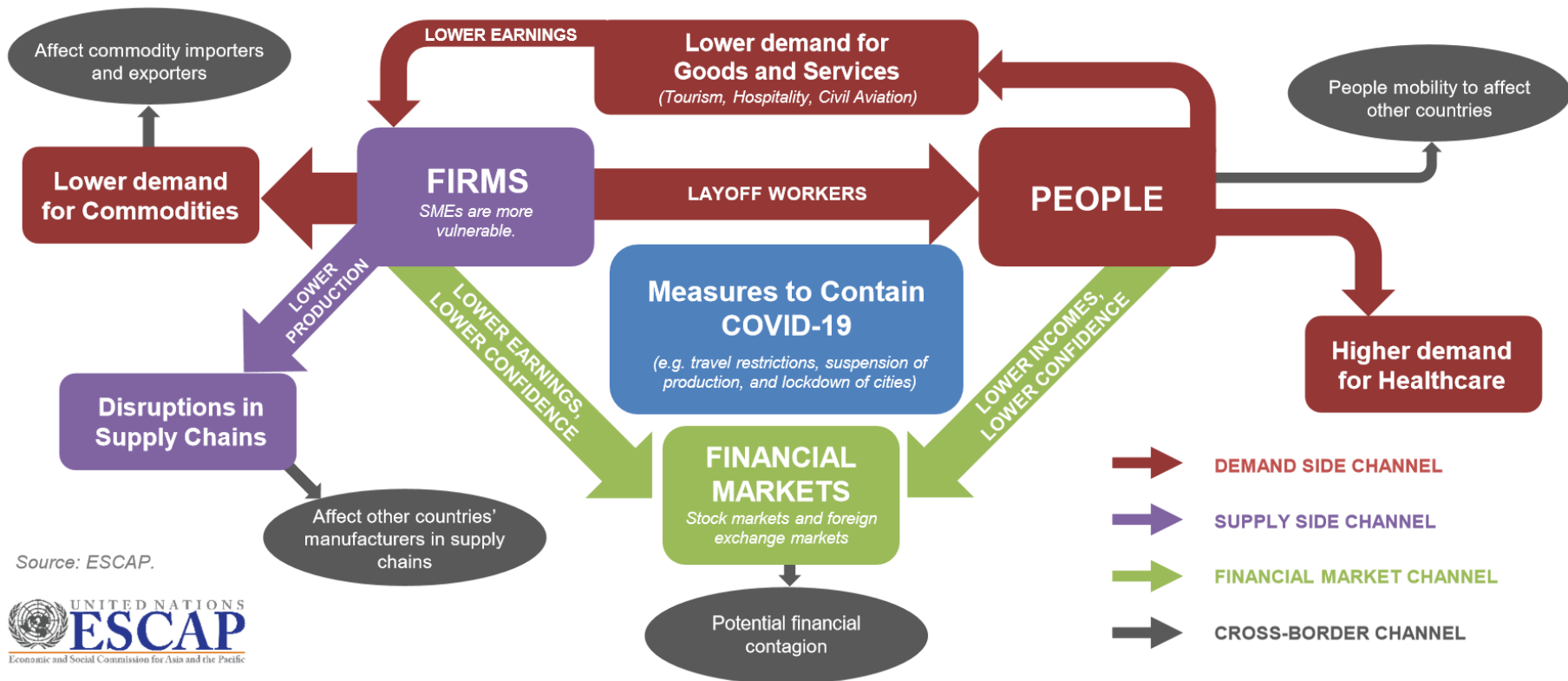
Contents

- I. Impact of COVID-19 at macro level
- II. Sectoral impacts
- III. Impact on SMEs - results from the ESNB survey
- IV. Discussion



Macro level impacts

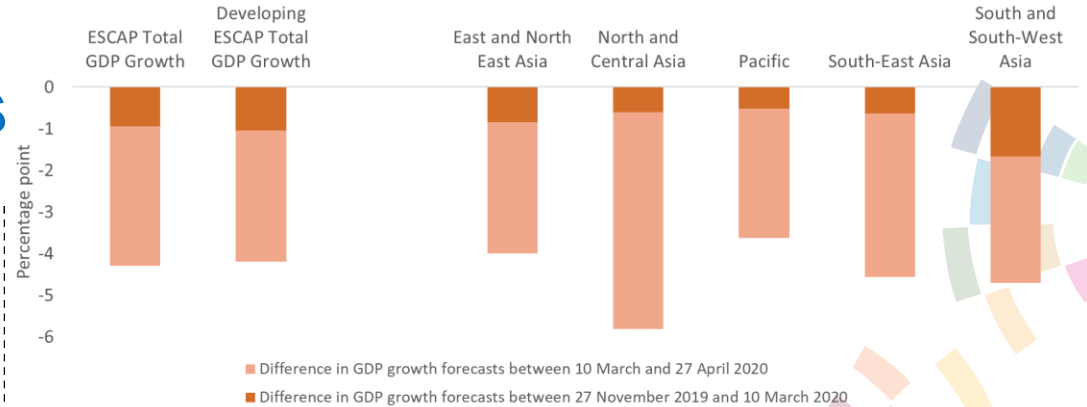
Affected both supply and demand side, hurting MSMEs and workers in tourism, services and informal sectors most



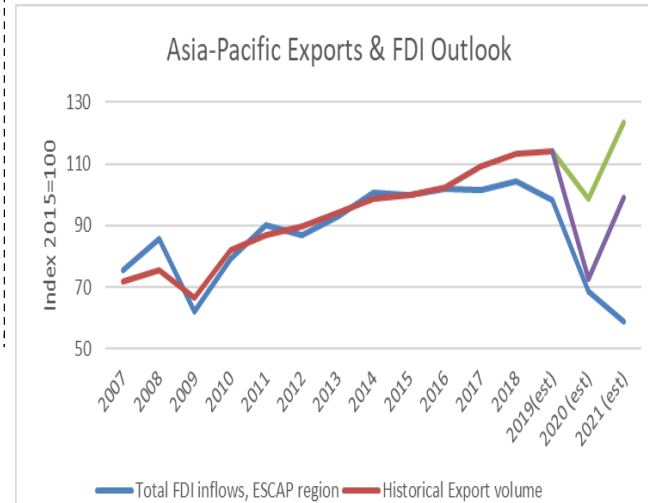
Source: ESCAP.

Macro level impacts

- GDP growth declines globally 3-6%; AP 4-6%
- Trade in goods contracts globally 13 to 32%; AP 14-37%
- FDI drops by 30-40%
- Business revenues down; in particular, MSMEs
- Vulnerable groups: Informal/rural workers, women, migrants, older persons, and persons with disabilities.
- On the + side: environment



Predicted contraction in GDP growth, trade and FDI

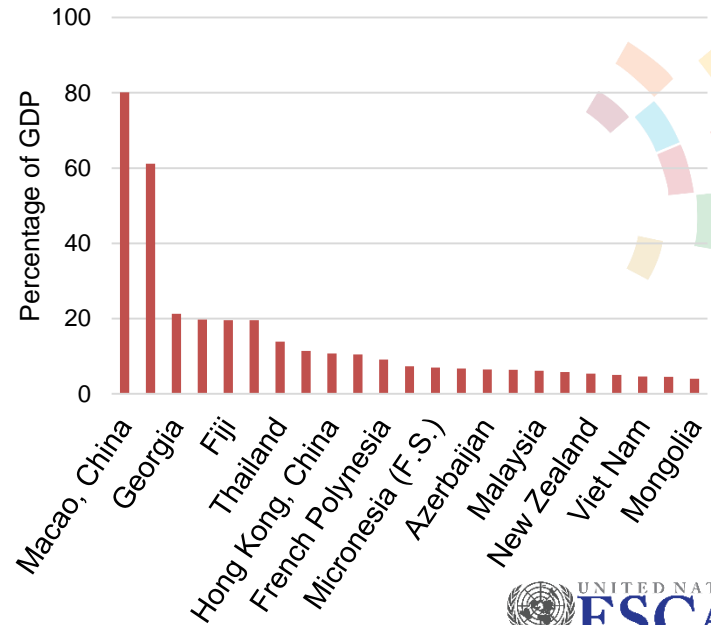


Most impacted sectors

- Accommodation and food services (mobility restrictions)
- Wholesale and retail trade (lockdowns, demand shock)
- Manufacturing (break in supply chains, e.g. electronics, cars)
- Textile and apparel (demand)
- Real estate, business and administrative activities (demand)

(Cf. ILO Monitor, 3rd edition)

Tourism income as share of GDP



Impact on SMEs: Survey of ESBN members

Impacts:

- 64.5% significantly impacted. More than 50% indicated cash flow problems, 77.4% had adapted their business model.

Lessons learned:

- Preparedness. Need to increase resilience of supply chains, and advance digitization

Suggestions for government action:

- Increase eligibility and ease of access to temporary loans, tax exemptions, rent deferrals/reductions, especially for services, tourism, and manufacturing.
- e-Government: Make government services easy to access online
- Improve internet speed

31 respondents (58% <50 employees; 16% <200 employees).

35% Hong Kong based, 22% in finance and accounting.

ESBN survey: Suggestions for ESBN role

- Provide guidelines, frameworks and toolkits for responding to the epidemic and increase resilience.
- Provide courses on how to convert to digital.
- Promote sustainable supply chains and mobilize business to support changes in consumer behaviour.
- Strengthen the development and use of sustainable energy.
- Help governments and companies establish sustainability frameworks.
- Promote investments in digitalization, automation, AI and cybersecurity.

Discussion

What can ESBN do to advance MSME resilience and support building back better?

For example:

- Inform ESCAP's advice to governments
- Facilitate digital transformation
- Engage in capacity building
-

Thank you

ESCAP's COVID related work:

<https://www.unescap.org/covid19>

