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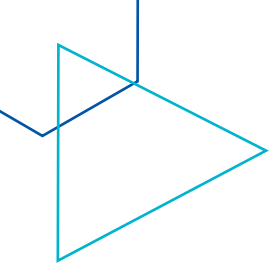
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HIGHLIGHTS: FIRST WAVE FEBRUARY 2021

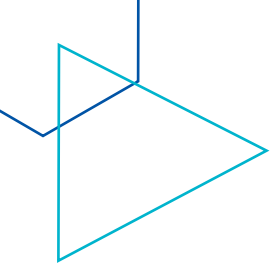
Rapid Labour Force Survey of COVID-19 Impact on Small and Medium Enterprises in Egypt

Published in September 2021



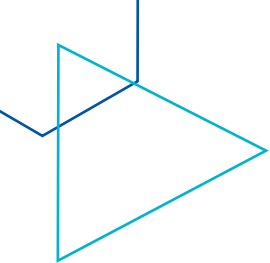
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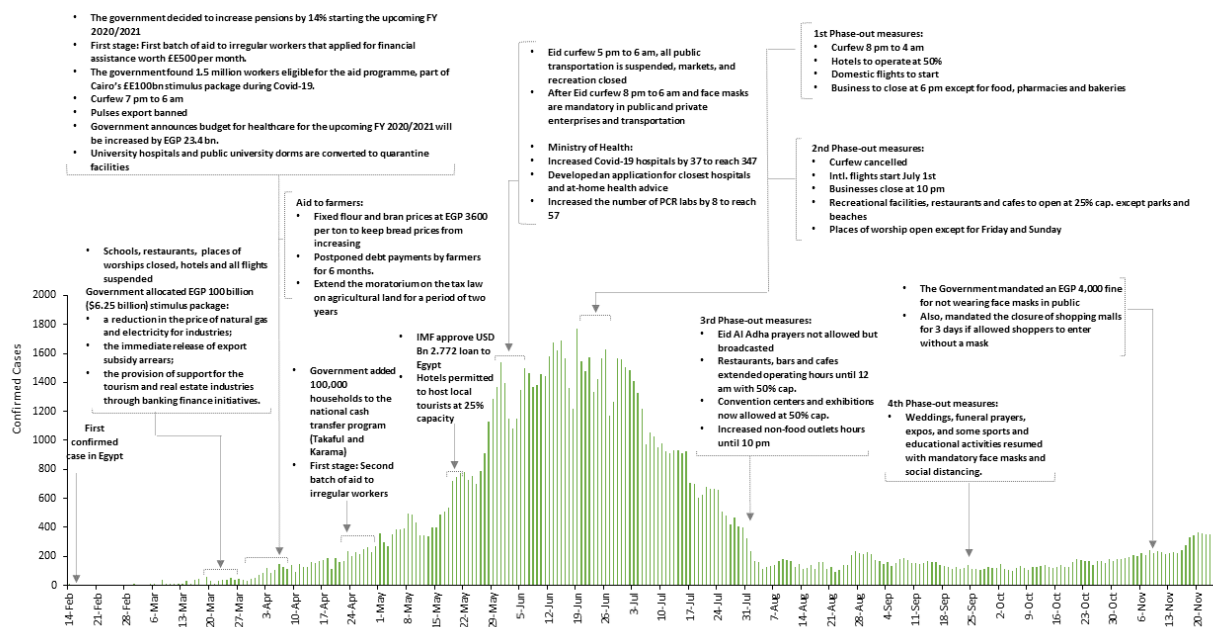
Key Findings

- By mid-June 2021, the number of confirmed Covid-19 cases in Egypt reached 275,010 with 35,723 deaths due to the virus. What started as a global pandemic in February 2020, soon evolved into a large-scale economic crisis, the effects of which reaching businesses and households in Egypt and the Middle East. As the first case of Covid-19 was detected in Egypt in 14 February 2020, the government imposed travel restrictions and closed borders by mid-March 2020. The Egyptian government enacted a strict lockdown, restricting movement and closing all businesses (except for groceries and pharmacies). The lockdown included closing schools, restaurants, places of worship and hotels. Using firm-level data from the first wave, the firms' section extends on the household survey analysis, by looking at the key findings from the data collected on small and medium enterprises in Egypt. The firms' survey was conducted by phone for firms that had 6-199 workers before the pandemic (February 2020).
- As of February 2020, more than half of the firms surveyed in Egypt operated in trade and retail and services (38 and 27 per cent, respectively), while only 17 per cent were in manufacturing and agriculture and 9 per cent were in construction and food and accommodation. The median number of workers in the full sample and for firms in construction remained the same (16 and 21 workers, respectively). Meanwhile, there is an increase of one worker for the median firm operating in services (compared to 16 workers in February 2020) and in food and accommodation (compared to 15 in February 2020). The median firm in trade and retail and manufacturing and agriculture lost one worker each (compared to 14 and 20 in February 2020, respectively). Overall economic activities, the mean number of all workers increased slightly between February 2020 and at the time of the interview for the first wave (from 27.4 to 27.5), with the largest increase in the category of definite duration contract workers (from 8.6 workers in February 2020 to 9.3 currently).
- Nearly one third of the firms surveyed in Egypt either imported or exported in the year 2019. The economic sector with the highest mean share of importing and/or exporting firms (traders) is trade and retail, where nearly 46.7 per cent of firms were traders. In all economic activities, only 3 per cent of firms (on average) were either partially or fully foreign owned in Egypt (15 firms, see Table 3-3), out of the 15 firms partially or fully foreign owned, five were in services, three each in manufacturing and agriculture, trade and retail, and food and accommodation.
- A large share of firms reported adopting no coping strategies since the pandemic started. Most firms adopting a coping strategy, reported receiving aid from friends or family residing in Egypt (39 per cent of all 500 surveyed), while 33 per cent reported making purchases on credit and advance. A small share of firms contracted bank credit (13 per cent), and 5 & 6 per cent rescheduled bank loans and received aid from family or friends abroad, respectively. Out of 193 firms (nearly 38 per cent of all firms surveyed), the majority of firms that reported adopting no coping strategies were in trade and retail (78 firms) and services (58 firms). The majority of firms surveyed in Egypt reported having business as usual (nearly 47 per cent). Out of the firms that experienced disruptions due to the pandemic, most reported reducing hours as a change to their current business status (41 per cent) and only 10 per cent reported temporarily or permanently closing down. The most reported challenge faced by businesses in Egypt was reduction in the availability or price increases of main inputs (350 firms out of 500, 70 per cent of firms).

Introduction

By mid-June 2021, the number of confirmed Covid-19 cases in Egypt reached 275,010 with 35,723 deaths due to the virus. What started as a global pandemic in February 2020, soon evolved into a large-scale economic crisis, the effects of which reaching businesses and households in Egypt and the Middle East. Severe disruptions to supply chains, international trade, and travel had its toll on livelihoods and business activities in several sectors (Abay et al., 2021). As the first case of Covid-19 was detected in Egypt in 14 February 2020, the government imposed travel restrictions and closed borders by mid-March 2020. The Egyptian government enacted a strict lockdown, restricting movement and closing all businesses (except for groceries and pharmacies). The lockdown included closing schools, restaurants, places of worship and hotels. The government also enacted a curfew on 21 March 2020 for 11 hours from 7 pm to 6 am. By late March 2020, Egypt's government announced a USD 6.25 billion stimulus package that included reduction in energy prices and provisions of support to businesses in the form of subsidies, rescheduling debt payments, and unemployment benefits, and expanded its cash transfer program to include more beneficiaries within its existing social safety net. The full lockdown was later replaced with a partial lockdown in early June 2020 (IFPRI, 2021; IMF, 2021c; MEED, 2020). **Figure 2-1** below shows the summary of the government policy responses in Egypt to ease the impact of the pandemic during the first wave on households and businesses (IFPRI, 2021).

► **Figure 2-1: Covid-19 Policy Responses (Wave 1)**



Source: IFPRI. (2021). Covid-19 Food Policy Response Monitor for Egypt.

Recent estimates show that Egypt's GDP had declined by 1.1 per cent due to the pandemic, during the last quarter of 2019/2020, while scenarios without the government stimulus package show that Egypt's GDP could have declined by 8.8 per cent during the same period (Breisinger et al., 2020). Overall Egypt's GDP is expected to grow by only 3.8 per cent during the full fiscal year 2019/2020, a notable decline from expected growth rates for the country before the pandemic (IMF, 2021a). Social Accounting Matrix (SAM)'s multiplier models show that the services sector in Egypt was the hardest hit in the economy, with 10.9 per cent output loss during the last quarter of 2019/2020, followed by the industry sector with a decline of 8.3 per cent (Breisinger et al., 2020). Temporary job losses during the same period is estimated to be around 600,600 jobs, with most of it coming from the services and industry sectors (Breisinger et al., 2020; IMF, 2021b).

Using firm-level data from the first wave, the firms' section extends on the household survey analysis, by looking at the key findings from the data collected on small and medium enterprises in Egypt. The firms' survey was conducted by phone for firms that had 6-199 workers before the pandemic (February 2020). In Egypt, the sample was randomly drawn and stratified using Yellow Pages¹. **Table 2-1** below show the distribution of the firms (number of firms) surveyed by size and economic activity with row percentages in parenthesis².

► **Table 2-1:** Covid-19 Policy Responses (Wave 1)

Firm size		Manu. & Agri.	Const.	Trade & retail	Accom. & food	Services	All activities
6-9 workers	Feb-20	26 (19.5)	7 (5.1)	54 (40.3)	10 (7.4)	37 (27.6)	133 (100)
	Current	24 (16.6)	10 (6.9)	63 (43.5)	10 (6.9)	38 (26.2)	145 (100)
10-24 workers	Feb-20	21 (10.2)	21 (10.1)	91 (44.8)	21 (10.2)	50 (24.7)	204 (100)
	Current	26 (13.2)	17 (8.6)	89 (44.5)	21 (10.4)	46 (23.2)	199 (100)
25-49 workers	Feb-20	16 (17.6)	8 (9.3)	34 (36.9)	9 (9.6)	24 (26.6)	91 (100)
	Current	16 (18.8)	8 (9.1)	26 (30)	8 (9)	28 (33.1)	85 (100)
50+ workers	Feb-20	21 (29.1)	11 (15.8)	11 (15.7)	5 (7.5)	23 (31.9)	72 (100)
	Current	17 (24.7)	12 (17.4)	12 (17.6)	7 (9.2)	22 (31.1)	71 (100)
Total	Feb-20	84 (16.8)	47 (9.4)	190 (37.9)	45 (9)	134 (26.9)	500 (100)
	Current	84 (16.8)	47 (9.4)	190 (37.9)	45 (9)	134 (26.9)	500 (100)

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor.

¹ Can be accessed at <https://www.yellowpages.com.eg/en>.

² Figures in table 2.1 are weighted using firm weights.

The stratification was done using economic activity, namely: services, food & accommodation, trade and agriculture, construction, and industry³. The sample frame was restricted to firms that had 6-199 workers in February 2020 based on an eligibility question during the phone interview. Up to three attempts were made to ensure response if a phone number was not picked up/answered, was disconnected or busy, or picked up but could not complete the interview at that time. After the third failed attempt, a firm was treated as a non-response and a random firm from the same stratum was used as an alternate. **Table 2-2** below shows the response rates by response for Egypt.

► **Table 2-2:** Firm response rates by response (%)

Response	(%)
Phone disconnected/busy	5
Not in service	45
Did not answer	7
Picked up and refused	25
Incomplete, and refused	2
Incomplete, return call	0
Complete	5
Not Eligible	10
Total	100
Response rate	14

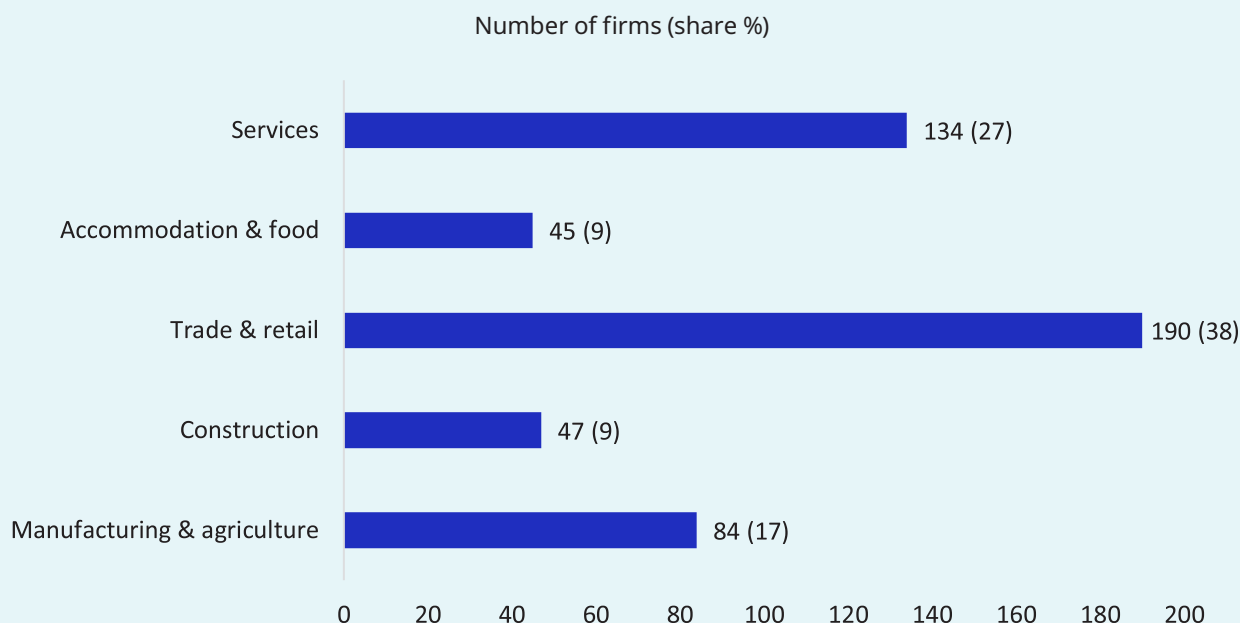
An inverse probability weighting was used to weight the firms’ sample in Egypt to account for non-response rates and the sampling strategy, the weights are then normalized to have a mean of one. All analysis presented in this report are weighted. Firms who were not eligible are excluded from the response rate calculations. The responses are based on the final result, which may have been on the first, second, or third attempt. Weights are used in all the analyses in this report to ensure the basic characteristics of the sample reflect the underlying universe of firms. However, the weights used cannot overcome the unobservable characteristics of firms and their respective non-response bias. The weighting of the firms’ data is discussed in further detail in the appendix of this report.

The following section summarizes the main findings from the firms’ data, section 3 shows analysis for firm characteristics, firm survival, and coping strategies. Sections 4 and 5 presents stylized facts on sales and revenues and employment for firms in Egypt, respectively. Sections 6 and 7 analyze data on the input challenges faced by the firms due to the pandemic and their business model adaptation. Finally, section 8 presents the future expectations of the firms and their policy needs.

Firm characteristics, survival, and coping strategies

As of Feb 2020, more than half of the firms surveyed in Egypt operated in trade and retail and services (38 and 27 per cent, respectively), while only 17 per cent were in manufacturing and agriculture and 9 per cent were in construction and food and accommodation. The latest estimates from the World Bank's World Development Indicators, also show that the majority of value added economic activity in 2019 was from services (50 per cent of GDP), while industry and agriculture contributed around 36 and 11 per cent of GDP, respectively (World Bank, 2019). **Figure 3-1** below shows the distribution of the 500 firms based on aggregated economic activities, due to low variation at a disaggregated level (given the sample size).

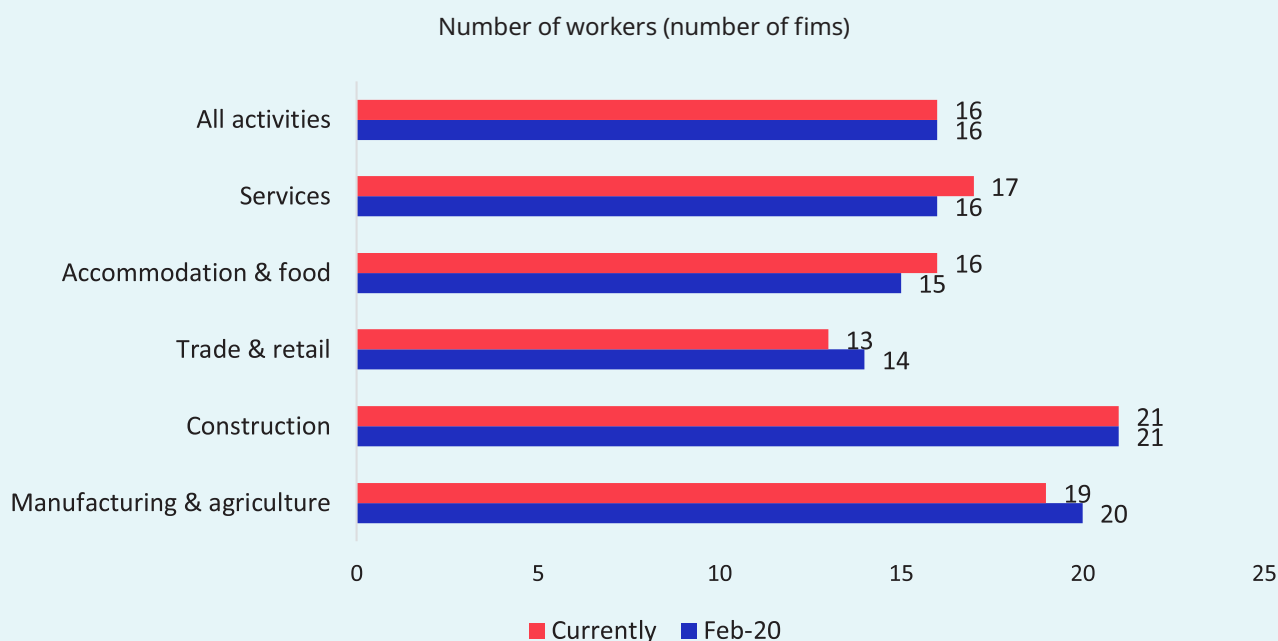
► **Figure 3-1:** Share of firms by economic activity



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor.

Figure 3-2 below shows the median number of workers comparison between February 2020 and at the time of interview by economic activity for all firms surveyed in Egypt. The median number of workers in the full sample and for firms in construction remained the same (16 and 21 workers, respectively). Meanwhile, there is an increase of one worker for the median firm operating in services (compared to 16 workers in Feb 2020) and in food and accommodation (compared to 15 in Feb 2020). The median firm in trade and retail and manufacturing and agriculture lost one worker each (compared to 14 and 20 in Feb 2020, respectively).

► **Figure 3-2:** Median number of workers by economic activity



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor.

Looking at the total number of workers by economic activity before and after the pandemic, shows a holistic view of how firms and workers were impacted. In the following **Table 3-1**, we show the impact of the pandemic on firms for different types of workers, from the most stable type of employment (indefinite duration contract workers) to the least (unpaid workers); in addition to other types of employment such as definite duration contract workers and workers without contracts. **Table 3-1** provides more detailed summary statistics on the impact of Covid-19 on firms and workers. More detailed employment analysis will be presented in section 5.

Table 3-1 below shows the summary statistics of the number of workers by type of employment and economic activity for firms in Egypt. In the survey, firms were only asked to report on the number of unpaid workers as of February 2020. Over all economic activities, the mean number of all workers increased slightly between Feb 2020 and the time of the interview for the first wave (from 27.4 to 27.5)⁴, with the largest increase in the category of definite duration contract workers (from 8.6 workers in Feb 2020 to 9.3 currently). Within that type of employment however, the median firm in manufacturing and agriculture, construction, trade and retail, services and across all activities seems to have zero definite duration contract workers in Feb 2020. There was a decline of 1 definite duration contract worker for the median firm working in food and accommodation. Most of the increase in average number of definite duration contract workers in Egypt, comes from firms in food and accommodation. With an increase of more than 5 workers, from 11 in Feb 2020 to 16.2 currently.

A high standard deviation within all types of employment (considerably higher than the mean in all cases) can explain the notable difference between the median number of workers and the mean, indicating that the data on the number of workers by economic activity are spread over a large range of values. This low variation can also be due to the low sample size within each economic activity, since the standard deviation for all workers in all activities is slightly higher than the mean for the full sample.

⁴ Compared to an unchanged number of all workers for the median firm between February 2020 and the time of the interview, as shown in figure 3.2.

Similar to the findings for the median firm in **Figure 3-2**, the mean total number of workers for firms operating in trade and retail and manufacturing and agriculture saw a decline of 1.2 and 0.6 workers, respectively, from Feb 2020 to the time of the interview. This trend is recurring for indefinite duration and no contract workers in firms operating in both sectors. Although the average number of definite duration contract workers increased in all sectors during the same period, it however remained the same (6.3 workers) for firms operating in trade and retail.

► **Table 3-1:** Workers by employment type and activity

			Manu. & Agri.	Const.	Trade & retail	Accom. & food	Services	All activities
Total workers	Mean	Feb-20	32.6	36.1	20.7	30.5	29.4	27.4
		Current	31.4	36.5	20.1	34.9	30.1	27.5
	Median	Feb-20	20	21	14	15	16	16
		Current	19	21	13	16	17	16
	Sd	Feb-20	31.3	38.4	23.1	41.6	33.5	31.4
		Current	33.7	39.7	24	55.9	34.5	34.4
Indefinite duration contract workers	Mean	Feb-20	11.3	13.7	8	11.9	12.3	10.6
		Current	11.1	13.9	7.7	11.2	12.4	10.4
	Median	Feb-20	0	6	4	4	4	4
		Current	0	4	4	3	4	4
	Sd	Feb-20	19.8	21.4	15.7	27.3	22.5	20.2
		Current	20.5	21.6	15.2	25.1	22.7	19.9
Definite duration contract workers	Mean	Feb-20	10	13.5	6.3	11	8.5	8.6
		Current	10.7	14.2	6.3	16.2	8.8	9.3
	Median	Feb-20	0	0	0	3	0	0
		Current	0	0	0	2	0	0
	Sd	Feb-20	24.5	25.2	16.2	26.1	19.7	20.7
		Current	26.3	26	16.3	50.3	21.1	25.1
No contract workers	Mean	Feb-20	9.2	6.9	4.4	5.2	6.8	6.1
		Current	7.4	6.4	4.1	5.2	7.1	5.8
	Median	Feb-20	2	0	0	2	0	0
		Current	2	0	0	3	2	0
	Sd	Feb-20	16.1	12.9	8.7	8.1	18.6	13.7
		Current	14.1	13	9.3	7.7	18.7	13.5

Unpaid workers	Mean	Feb-20	2.2	2	2	2.3	1.9	2
	Median	Feb-20	1	2	1	1	1	1
	Sd	Feb-20	1.9	2.4	2.7	3.5	2.5	2.6

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Table 3-1 also shows that the average number of indefinite duration contract workers slightly decreased for firms in manufacturing and agriculture, trade and retail and food and accommodation, and slightly increased for firms in construction and services. Although, estimates shows that 70 to 80 per cent of future hotel bookings were cancelled by April 2020 (Breisinger et al., 2020; ECES, 2020), data from the surveyed firms show that the average number of all workers increased in the food and accommodation sector by more than 4 workers. With most of this increase coming from definite duration contract workers (as noted earlier). However, the average number of indefinite duration contract workers and no contract workers in food and accommodation did slightly decline.

Table 3-2 below shows other firms' characteristics, including the per centage of firms who import and/or export (traders), the share of firms that are foreign owned (partly or fully), the size of foreign ownership, whether the firm keeps inventory or not and the number of inventory days kept by economic activity. **Table 3-3** shows the distribution of firms by foreign ownership and inventory status.

► **Table 3-2:** Foreign ownership and inventory status

		Manu. & Agri.	Const.	Trade & retail	Accom. & food	Services	All activities
Traders (%)	Mean	35.1	20	46.7	14.6	19.1	31.9
	Sd	48	40.3	50	35.7	39.5	46.7
Foreign owned (%)	Mean	3.1	0.6	1.8	7.3	3.8	3
	Sd	17.5	8.1	13.5	26.3	19.1	16.9
Size of foreign ownership (%)	Mean	39.5	100	56.7	100	62.7	64
	Median	39.5	100	50	100	55	50
	Sd	14.8		30.6	0	32.4	30.5
Keeps inventory (%)	Mean	43.6	30.3	46.2	27.1	15.8	34.4
	Sd	49.9	46.3	50	45	36.6	47.5
Number of inventory days	Mean	114.8	34.2	64.9	29.4	77.5	72
	Median	30	30	30	20	14	30
	Sd	207.9	32	91.6	31.5	121.3	125.8

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Nearly one third of the firms surveyed in Egypt either imported or exported in the year 2019. The economic sector with the highest mean share of importing and/or exporting firms (traders) is trade and retail, where nearly 46.7 per cent of firms were traders. Followed by manufacturing and agriculture where 35.1 per cent of firms were traders, construction (20 per cent), services (19.1 per cent), and accommodation and food (14.6 per cent).

In all economic activities, only 3 per cent of firms (on average) were either partially or fully foreign owned in Egypt (15 firms, see **Table 3-3**), out of the 15 firms partially or fully foreign owned, five were in services, three each in manufacturing and agriculture, trade and retail, and food and accommodation. With the highest average size of foreign ownership being in services (62.7 per cent foreign ownership) compared to 55 per cent foreign ownership for the median firm in the same sector (out of the 5 firms with foreign ownership operating in services). It is difficult to draw any inferences from the size of foreign ownership variable in the data, as only a quite small number of firms in Egypt reported having partial or full foreign ownership (see **Table 3-3**).

In terms of inventory status, the issue of low variation due to sample size is less applicable compared to the size of foreign ownership variable. Out of the 500 firms surveyed in Egypt, 172 firms reported keeping inventory, the majority of which are in trade and retail (88 firms). The highest share of firms keeping inventory by economic activity was in trade and retail (46.2 per cent, 88 firms) and manufacturing and agriculture (43.6 per cent, 47 firms out of 84 in the same sector). With the highest average number of inventory days being 114.8 days for firms in manufacturing and agriculture. Meanwhile, firms in trade and retail and services kept inventory on average for 64.9 and 77.5 days, respectively. However, the median firm in trade and retail and services kept inventory for 30 and 14 days, respectively⁵.

► **Table 3-3:** Distribution of firms by foreign ownership and inventory status

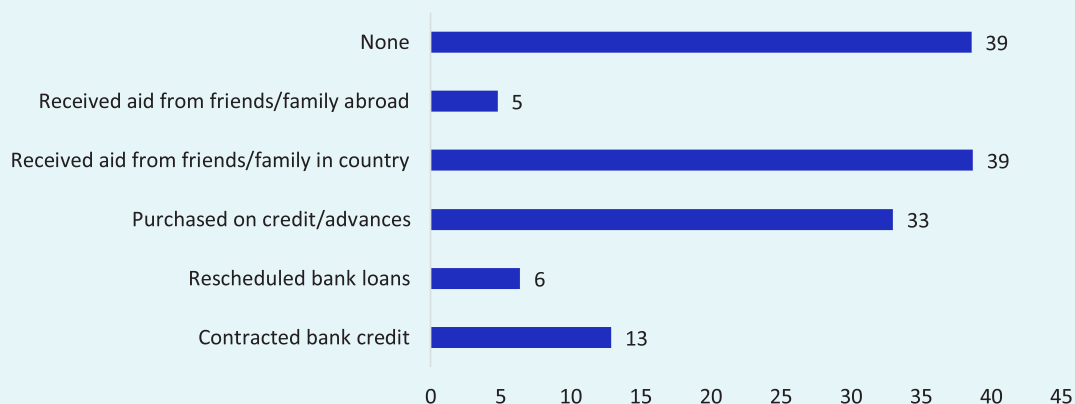
	Manufacturing & agriculture	Construction	Trade & retail	Accommodation & food	Services	All activities
Fully local	81	47	186	42	129	485
Partly or fully foreign	3	0	3	3	5	15
Total	84	47	190	45	134	500
Does not keep inventory	47	33	102	33	113	328
Keeps inventory	37	14	88	12	21	172
Total	84	47	190	45	134	500

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

In addition to business models, economic activities and types and size of employment offered, firms also differed by their response to the pandemic and adopted different coping strategies. **Figure 3-3** below shows the share of firms adopting different coping strategies.

⁵ Numbers from table 3.2 shall not be compared to table 3.3, as the summary statistics presented in table 3.2 are weighted (see the appendix).

► **Figure 3-3: Firms' coping strategies**



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

The majority of firms reported receiving aid from friends or family residing in Egypt (39 per cent of all 500 surveyed), while 33 per cent reported making purchases on credit and advance. Also, a large share of firms reported adopting no coping strategies since the pandemic started. A small share of firms contracted bank credit (13 per cent), and 5 & 6 per cent rescheduled bank loans and received aid from family or friends abroad, respectively.

Table 3-4 below shows the summary of all firm responses in terms of coping strategies by economic activity. The number of firms is shown in the table along with the row per centage shares in parenthesis. Out of 193 firms (nearly 38 per cent of all firms surveyed), the majority of firms that reported adopting no coping strategies were in trade and retail (78 firms) and services (58 firms).

► **Table 3-4: Coping strategies by economic activity**

Coping strategy	Number of firms (row share, %)	Manu. & Agri.	Const.	Trade & retail	Accom. & food	Services	All activities
Contracted bank credit	Did not adopt	71 (16.4)	39 (9)	162 (37.2)	36 (8.3)	127 (29.1)	435 (100)
	Adopted	12 (19)	8 (12.5)	28 (42.9)	9 (13.6)	8 (12)	65 (100)
	Total	84 (16.8)	47 (9.4)	190 (37.9)	45 (9)	134 (26.9)	500 (100)

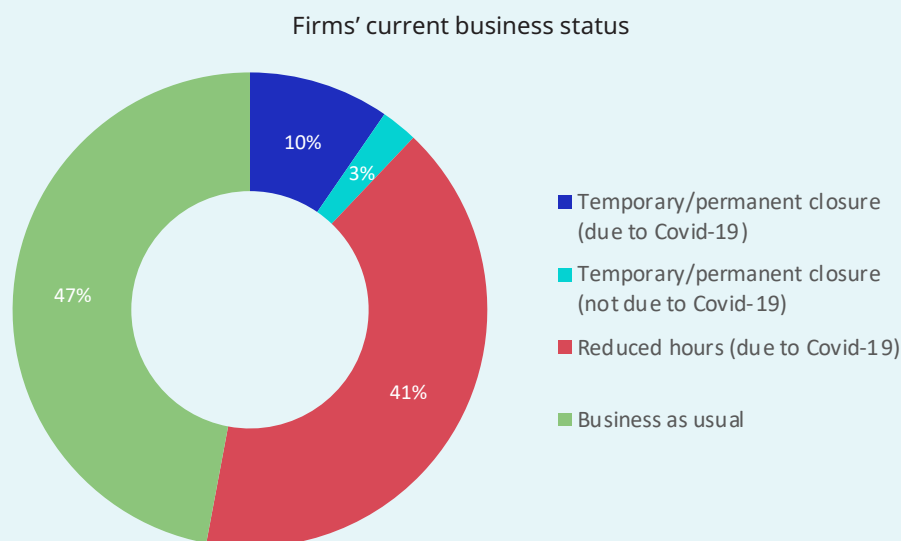
Rescheduled bank loans	Did not adopt	81 (17.4)	43 (9.2)	176 (37.5)	43 (9.1)	125 (26.8)	468 (100)
	Adopted	2 (7.4)	4 (13.4)	14 (43.7)	2 (7)	9 (28.4)	32 (100)
	Total	84 (16.8)	47 (9.4)	190 (37.9)	45 (9)	134 (26.9)	500 (100)
Purchased on credit/ advances	Did not adopt	43 (12.7)	28 (8.3)	128 (38.1)	32 (9.5)	105 (31.4)	335 (100)
	Adopted	41 (24.9)	19 (11.7)	62 (37.6)	13 (8)	29 (17.7)	165 (100)
	Total	84 (16.8)	47 (9.4)	190 (37.9)	45 (9)	134 (26.9)	500 (100)
Received aid from friends/family in country	Did not adopt	51 (16.5)	31 (10.2)	120 (39.1)	29 (9.3)	77 (25)	307 (100)
	Adopted	33 (17.2)	16 (8.3)	70 (36.2)	16 (8.5)	58 (29.9)	193 (100)
	Total	84 (16.8)	47 (9.4)	190 (37.9)	45 (9)	134 (26.9)	500 (100)
Received aid from friends/family abroad	Did not adopt	79 (16.6)	43 (8.9)	182 (38.2)	44 (9.2)	129 (27.1)	476 (100)
	Adopted	5 (19.3)	5 (19.5)	8 (33.7)	1 (4.5)	6 (23)	24 (100)
	Total	84 (16.8)	47 (9.4)	190 (37.9)	45 (9)	134 (26.9)	500 (100)
None	Did not adopt	59 (19.3)	31 (10)	112 (36.5)	28 (9.3)	77 (24.9)	307 (100)
	Adopted	24 (12.7)	17 (8.6)	78 (40.2)	16 (8.5)	58 (29.9)	193 (100)
	Total	84 (16.8)	47 (9.4)	190 (37.9)	45 (9)	134 (26.9)	500 (100)

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Meanwhile, out of the 193 firms receiving aid from family or friends in country, 36.2 per cent were in trade and retail (70 firms) and 29.9 per cent were in services (58 firms). These firms in both sectors were also the most adapting to the pandemic by rescheduling bank loans (43.7 per cent in trade and retail 28.4 per cent in services out of 32 total firms rescheduling loans). Revisiting the most cited coping strategy (receiving aid from family or friends in Egypt), the least likely firms that adopted such strategy were in construction and food and accommodation (16 firms each out of 193). On the other hand, out of the 165 firms that reported on purchasing credit as a coping strategy, the majority were in trade and retail (37.6 per cent, 62 firms), followed by firms in manufacturing and agriculture (24.9 per cent, 41 firms) and firms in services (17.7 per cent, 29 firms).

Looking at the current status of businesses at the time of interview also reflects a similar trend found in **Table 3-4**. **Figure 3-4** below shows the shares of firms reporting different business statuses at the time of the interview. The majority of firms surveyed in Egypt reported having business as usual (nearly 47 per cent). Out of the firms that experienced disruptions due to the pandemic, most reported reducing hours as a change to their current business status (41 per cent) and only 10 per cent reported temporarily or permanently closing down. A quite small per centage of firms reported temporary or permanent closure not due to the pandemic (2 per cent).

► **Figure 3-4:** Current business status



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

The following **Table 3-5**, shows the breakdown of the business status responses by economic activity. That is later followed by the main challenges faced by businesses that led to their current status and can also be linked to the firms' respective coping strategies.

► **Table 3-5:** Business status by economic activity

Number of firms (share, %)	Manu. & Agri.	Const.	Trade & retail	Accom. & food	Services	All activities
Temporary/permanent closure (due to Covid-19)	5 (10.9)	4 (8.8)	13 (26.6)	11 (22.5)	15 (31.2)	48 (100)
Temporary/permanent closure (not due to Covid-19)	2 (19)	0 (2.5) ⁶	5 (37.9)	1 (8.9)	4 (31.7)	12 (100)
Reduced hours (due to Covid-19)	44 (21.5)	15 (7.3)	85 (41.8)	14 (7.1)	46 (22.3)	204 (100)
Business as usual	32 (13.7)	28 (11.8)	87 (36.9)	19 (7.9)	70 (29.7)	235 (100)
Total	84 (16.8)	47 (9.4)	190 (37.9)	45 (9)	134 (26.9)	500 (100)

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

⁶ Firms' data in the construction sector in table 3.5 are weighted.

Table 3-5 above shows a more detailed summary of current business status for firms by different economic activities. Out of the 204 firms reporting reduced number of working hours, 41.8 per cent were in trade and retail, 22.3 per cent were in services, and 21.5 per cent were in manufacturing and agriculture. Quite a few firms (48) reported temporary or permanent closure due to the pandemic (as seen in figure 3.4), most of which operated in services (31.2 per cent, 15 firms), while 26.6 and 22.5 per cent of firms in trade and retail and food and accommodation had the same business status due to the pandemic, respectively. Temporary and permanent closures not due to the pandemic were however quite rare (12 firms only), more than half of which were in trade and retail and services (nine firms total).

Table 3-6 shows the detailed breakdown for the distribution of firms by business challenges and economic activity. The most reported challenge faced by businesses Egypt was reduction in the availability or price increases of main inputs (350 firms out of 500, 70 per cent of firms). Similar to the previous findings in this section, most of the firms reporting challenges with input availability and prices operated in trade and retail (36 per cent, 126 firms). The next most reported business challenge was loss in demand (331 firms, 66.2 per cent), followed by, and related to difficulties in accessing customers due to mobility restrictions (269 firms, 53.8 per cent). Most of the firms reporting loss in demand, also operated in trade and retail (116 firms, 35 per cent out of 331 firms). They are also the same firms that reported having difficulties in accessing customers due to mobility restrictions (95 firms in trade and retail, 35.3 per cent, out of 269 firms reporting this business challenge).

► **Table 3-6:** Business challenges by economic activity

Business challenge	Number of firms (share, %)	Manu. & Agri.	Const.	Trade & retail	Accom. & food	Services	All activities
Difficulties in accessing customers mobility restrictions	Not Mentioned	48 (20.8)	28 (12.1)	73 (31.6)	17 (7.4)	65 (28.1)	231 (100)
	Mentioned	39 (14.5)	39 (14.5)	95 (35.3)	24 (8.9)	72 (26.8)	269 (100)
	Total	87 (17.4)	67 (13.4)	168 (33.6)	41 (8.2)	137 (27.4)	500 (100)
Loss in demand due to other customer reasons	Not Mentioned	26 (15.4)	25 (14.8)	52 (30.8)	16 (9.5)	50 (29.6)	169 (100)
	Mentioned	61 (18.4)	42 (12.7)	116 (35)	25 (7.6)	87 (26.3)	331 (100)
	Total	87 (17.4)	67 (13.4)	168 (33.6)	41 (8.2)	137 (27.4)	500 (100)
Difficulties in accessing suppliers due to mobility restrictions	Not Mentioned	58 (21.3)	34 (12.5)	77 (28.3)	20 (7.4)	83 (30.5)	272 (100)
	Mentioned	29 (12.7)	33 (14.5)	91 (39.9)	21 (9.2)	54 (23.7)	228 (100)
	Total	87 (17.4)	67 (13.4)	168 (33.6)	41 (8.2)	137 (27.4)	500 (100)
Reduction in the availability/price increases for the main inputs	Not Mentioned	21 (14)	22 (14.7)	42 (28)	15 (10)	50 (33.3)	150 (100)
	Mentioned	66 (18.9)	45 (12.9)	126 (36)	26 (7.4)	87 (24.9)	350 (100)
	Total	87 (17.4)	67 (13.4)	168 (33.6)	41 (8.2)	137 (27.4)	500 (100)
Difficulties with worker absenteeism	Not Mentioned	51 (20.7)	27 (11)	76 (30.9)	22 (8.9)	70 (28.5)	246 (100)
	Mentioned	36 (14.2)	40 (15.7)	92 (36.2)	19 (7.5)	67 (26.4)	254 (100)
	Total	87 (17.4)	67 (13.4)	168 (33.6)	41 (8.2)	137 (27.4)	500 (100)

Difficulties tending to my business b/c care giving	Not Mentioned	54 (17.9)	39 (13)	99 (32.9)	24 (8)	85 (28.2)	301 (100)
	Mentioned	33 (16.6)	28 (14.1)	69 (34.7)	17 (8.5)	52 (26.1)	199 (100)
	Total	87 (17.4)	67 (13.4)	168 (33.6)	41 (8.2)	137 (27.4)	500 (100)
Other difficulty (specify)	Not Mentioned	87 (17.5)	66 (13.3)	167 (33.7)	40 (8.1)	136 (27.4)	496 (100)
	Mentioned	0 (0)	1 (25)	1 (25)	1 (25)	1 (25)	4 (100)
	Total	87 (17.4)	67 (13.4)	168 (33.6)	41 (8.2)	137 (27.4)	500 (100)
No particular challenge	Not Mentioned	78 (17.2)	60 (13.2)	155 (34.2)	37 (8.2)	123 (27.2)	453 (100)
	Mentioned	9 (19.1)	7 (14.9)	13 (27.7)	4 (8.5)	14 (29.8)	47 (100)
	Total	87 (17.4)	67 (13.4)	168 (33.6)	41 (8.2)	137 (27.4)	500 (100)

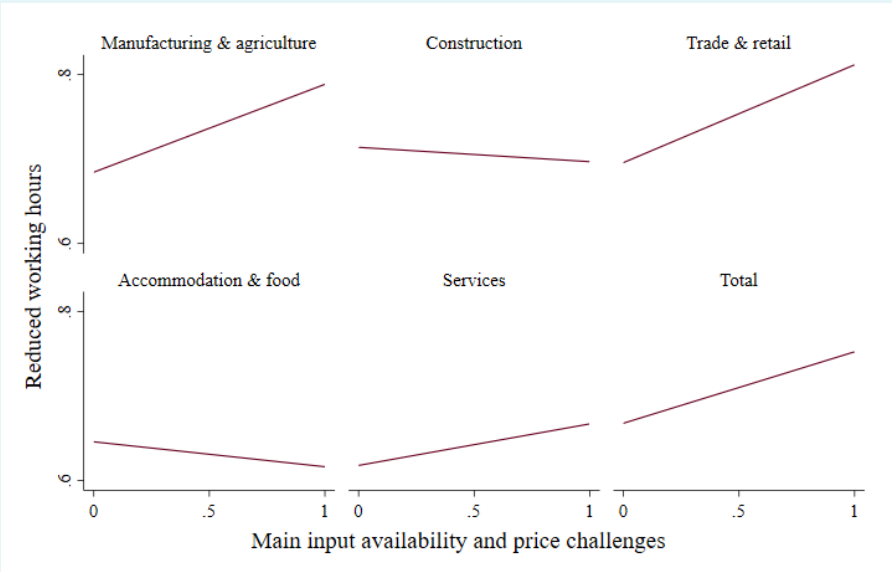
Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Meanwhile, the least reported business challenge was difficulties tending to business because of care-giving commitments (199 out of 500 firms, 39.8 per cent). Again, the majority of which were firms operating in trade and retail (69 firms out of 199, 34.7 per cent). Out of the 500 firms surveyed in Egypt, 47 reported facing no particular challenge due to the pandemic, most of which were in services (14 firms, 29.8 per cent).

Figure 3-5 below shows the best fit line for the relationship between the most reported business status and the most reported challenge, namely: challenges with main inputs' availability or prices and reduced working hours, by economic activity. Aside from limited variation (due to sample size) within sectors, firms seem to exhibit a positive trend between loss of demand and main input challenges. Looking at the full sample in the bottom right corner of the panel in **Figure 3-5**, firms that faced challenges with main input availability or prices seemed to cope by reducing their number of working hours, this trend is more stark in the trade and retail and manufacturing and agriculture sectors.



► **Figure 3-5:** Fitted line for loss in demand and reduced working hours⁷



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor



⁷ The X and Y axes in Figure 3.5 represent the probability of occurrence for the firms surveyed

Sales and revenue

Firms surveyed in Egypt were also asked about their total annual revenue in 2019, along with the per centage change between 2019 and 2020. In addition, firms were asked to report the actual revenue change within the last 60 days compared to the same period the year before, along with their expectations for the coming 60 days. **Table 4-1** below shows the breakdown of total revenues in thousands of EGP in 2019 by economic activity and by current business status.

Expectedly, the highest earners in 2019 were resilient firms that reported having business as usual at the time of the interview (235 firms, see table 3.5), with an average of EGP 6.6 mn compared to a full sample average of EGP 5.8 mn, and where the median firm earned EGP 1 mn compared to the same full sample median of EGP 1 mn. The large difference between the mean and the median for the group of firms that reported having business as usual can also be explained by a considerably large standard deviation of EGP 15 mn, further indicating that the data for this group of firms is widely dispersed from the mean. In fact, the total 2019 revenue data is generally widely dispersed with all categories having a considerably larger standard deviation compared to the mean.

The lowest average earners in 2019 by business status are firms that reported having to close down (temporarily or permanently) due to Covid-19, with EGP 1.1 mn revenue in 2019. This sub sample is however quite small with only 48 firms reporting this status (see table 3.5). Firms reporting the most recorded business status (i.e. reduced working hours) earned nearly EGP 6.6 mn in 2019.

In terms of economic activity, firms that reported the highest total revenue in 2019, were firms operating in manufacturing and agriculture (EGP 8.5 mn, 84 firms⁸), followed by firms in construction (7.2 mn, 47 firms), trade and retail (EGP 6.5 mn, 190 firms) and services (EGP 3.6, 134 firm). Firms in food and accommodation were the least earners in 2019 with only EGP 2.1 mn (45 firms).

► **Table 4-1:** Sales and revenue change

Economic activity	Total revenue 2019 (1000s EGP)			Percentage revenue change last 60 days compared to last year (%)			Expected percentage revenue change over the coming 60 days compared to last year (%)		
	Mean	Median	Sd	Mean	Median	Sd	Mean	Median	Sd
Manufacturing & agriculture	8,494	1,000	15,227	-45.4	-50.0	31.1	8.3	20	40.7
Construction	7,241	2,000	9,954	-29.0	-40.0	44.1	19.7	20	52.5
Trade & retail	6,535	1,000	14,256	-40.6	-45.0	31.0	-2.7	10	43.1
Accommodation & food	2,133	2,000	2,294	-52.4	-50.0	33.5	1.6	20	54.9

⁸ See figure 3.1, section 3.

Services	3,615	500	7,696	-38.8	-40.0	40.4	4.7	15	42.9
All activities	5,804	1,000	11,954	-41.1	-50.0	35.4	3.7	15	45
Current business status									
Temporary/ permanent closure (due to Covid-19)	1,083	300	1,632	-70.7	-80.0	32.4	-19.8	-20	55.5
Temporary/ permanent closure (not due to Covid-19)	3,702	100	8,246	-73.1	-70.0	21.5	-14	-25	41.9
Reduced hours (due to Covid-19)	6,570	1,800	10,351	-46.5	-50.0	30.3	-3.1	10	44.3
Business as usual	6,614	1,000	14,970	-28.3	-30.0	35.4	13.5	20	42
Total	5,804	1,000	11,954	-41.1	-50.0	35.4	3.7	15	45

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Overall, firms reported an average decline in their percentage revenue change over the last 60 days from the time of the interview, compared to the same period last year, reporting a decline in revenue between 29 and 45 per cent on average. Their expectations of the same reference period for the coming 60 days, however, seem to be more optimistic.

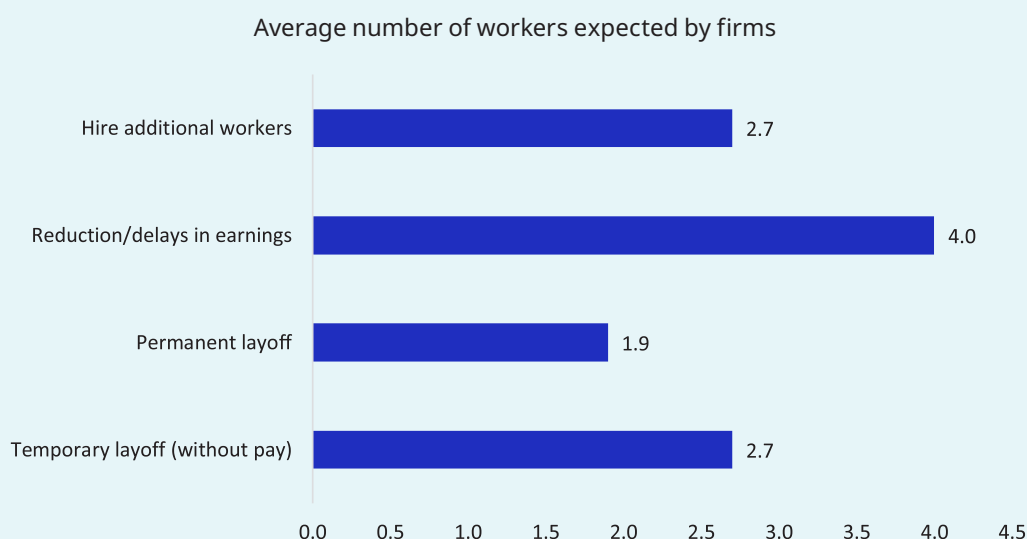
Firms in construction were the most optimistic, expecting revenue to increase by 19.7 per cent in the coming 60 days (from the time of the interview), followed by firms in manufacturing and agriculture (reporting an expected increase in revenue by 8.3 per cent). In fact, all firms reported expecting growth in revenue over the coming two months, except for firms in trade and retail, expecting a decline in revenue by 2.7 per cent. According the data, the surveyed firms in Egypt operating in food and accommodation, reported the least expected revenue growth of 1.6 per cent over the coming two months. Based on data on expected revenue change over the short-term (60 days reference period), firms in trade and retail seem to be the most affected by the pandemic.

Employment

Revisiting **Table 3-1**, it is observed that the mean number of employees only slightly increased over all economic activities. This is the same except for firms working in the trade and retail and the manufacturing and agriculture sectors, when firms were asked to compare their number of employees as of Feb 2020 and at the time of the interview. The downsizing in both sectors took place in the most stable type of employment, that is indefinite duration contract workers (see **Table 3-1**).

In addition, firms were also asked about their expectation for the next 6 months regarding their workforce. **Figure 5-1** below shows the responses given by firms in terms of the number of workers they expect to hire, fire, and reduce or delay earnings of for the upcoming 6 months from the time of the interview.

► **Figure 5-1: Employment expectations**



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

The most influential adaptation method in terms of the workforce currently hired, is to reduce or delay earnings paid to employees. Firms surveyed in Egypt, expected to reduce or delay wages of around four workers on average due to the pandemic. More alarmingly, it is expected that nearly two workers will be permanently laid off, and almost three are expected to be temporarily laid off during the coming six months as a result of the pandemic or its related restrictions.

Table 5.1 below shows the detailed breakdown of firms' expectation regarding their workforce by economic activity. Notably, the median firm in all economic activities expects to hire, fire, or reduce pay of zero workers over the coming six months. Firms in food and accommodation, however, expect to reduce or delay the pay of more than eight workers on average over the same period, while firms in manufacturing and agriculture expect to follow the same measure for more than six workers.

Firms in the food and accommodation sector are the most affected when it comes to layoffs, where they expect to lay off nearly four workers on average (temporarily and/or permanently). Firms in construction too expect to temporarily lay off more than four workers over the coming six months. Firms in services on the other hand, seem to expect better outcomes for their workforce, forecasting to temporarily or permanently layoff only 1.6 and 1.3 workers on average, respectively. Notably,

firms in food and accommodation expect to hire the greatest number of workers (more than five) compared to other firms in other sectors.

► **Table 5-1:** Firms' workforce expectation

	Temporary layoff (without pay)			Permanent layoff			Reduction/delays in earnings			Hire additional workers		
	Mean	Median	Sd	Mean	Median	Sd	Mean	Median	Sd	Mean	Median	Sd
Manufacturing & agriculture	2.7	0	5.4	2.2	0	8.1	6.3	0	13.8	3.5	0	7.6
Construction	4.4	0	10.3	2.9	0	6	4.7	0	12.2	4	0	7.4
Trade & retail	2.7	0	6.9	1.7	0	4.2	3.1	0	11.4	1.5	0	4.7
Accommodation & food	3.9	0	11.4	3.9	0	14.6	8.6	0	27.5	5.7	0	19
Services	1.6	0	3.1	1.3	0	3.3	2.2	0	7.5	2.5	0	6.5
All activities	2.7	0	6.8	1.9	0	6.4	4	0	13.1	2.7	0	7.9

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

To better capture the effect of the pandemic on firms' hiring decisions, **Table 5-2** below shows the breakdown of the effect of the pandemic on workers actually hired by type of employment. Similar to the employment expectations presented in **Table 5-1**, the median firm in all activities hired no additional staff since Feb 2020 to the time of the interview, regardless of the type of contract.

On average and over all economic activities, the highest increase in new hires were definite duration contract workers (1.2 workers). The highest number of definite duration contract workers were seven newly hired in the food and accommodation sector since Feb 2020. In fact, firms in food and accommodation were the most to hire new workers, on average, within all types of contracts over the same period; with seven new definite duration contract workers and 1.5 indefinite duration contract workers. Firms in the food and accommodation sector were also the most to hire new workers without contracts (1.7 new hires on average) since Feb 2020.

The firms that hired the least number of new workers were firms in trade and retail and services, with 0.3 definite and indefinite duration contract workers for trade and retail and 0.3 indefinite duration contract workers for firms in services.

► **Table 5-2:** Workers hired since Feb 2020 by contract type

	Workers without contracts hired since Feb 2020			Definite duration contract workers hired since Feb 2020			Indefinite duration contract workers hired since Feb 2020		
	Mean	Median	Sd	Mean	Median	Sd	Mean	Median	Sd
Manufacturing & agriculture	0.7	0	3.7	0.9	0	4.3	0.4	0	1.7
Construction	0.4	0	2.2	1.1	0	3	0.5	0	1.7
Trade & retail	0.6	0	2.7	0.3	0	1.4	0.3	0	1.1
Accommodation & food	1.5	0	4.7	7	0	31.8	1.5	0	5.8
Services	0.7	0	2.6	0.8	0	3	0.3	0	1.4
All activities	0.7	0	3	1.2	0	10	0.4	0	2.2

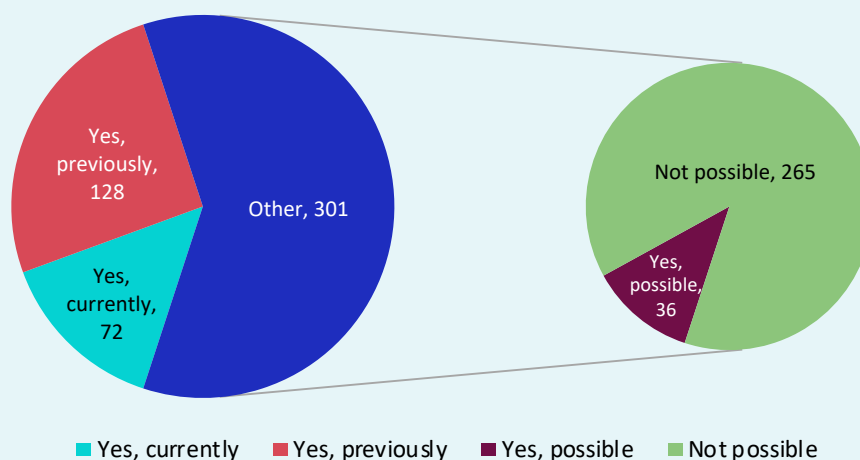
Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Table 3-6 shows that 254 firms reported having difficulties due to worker absenteeism since the start of the pandemic. Firms surveyed in Egypt were also asked about the prospects of remote employment and the difficulties experienced when workers were allowed (if allowed) to work remotely from home.

Figure 5-2 below shows the distribution of firms by remote employment status. Out of the 500 surveyed firms in Egypt, 128 observed firms had employees that previously worked remotely, 72 still had employees working remotely at the time of the interview and 301 said their employees never worked remotely since the start of the pandemic. Only a small fraction of the firms that had no remote workers (301), said it was possible for employees to work remotely (36 firms), while the majority said that it was not possible for employees to work remotely.

► **Figure 5-2:** Remote employment

Workers ever worked remotely since Feb 2020: Out of those who said no, would it have been possible for workers to work from home?



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Table 5-3 below shows the distribution of the 199 firms recorded having remote workers (either currently or previously) since the start of the pandemic, by economic activity. Firms with remote workers were mostly in the trade and retail sector (76 firms), followed by services (64 firms). Notably, 24 firms in construction and 22 in manufacturing and agriculture reported having remote workers, while firms in food and accommodation were the least to have remote workers (with only 13 workers).

► **Table 5-3:** Distribution of firms with remote workers

	Manufacturing & agriculture	Construction	Trade & retail	Accommodation & food	Services	All activities
Number of firms	22	24	76	13	64	199
Share (%)	10.9	12.2	38.1	6.6	32.2	100

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Table 5-4 shows the summary statistics of the highest number of workers to ever work remotely for the 199 firms with remote employment surveyed in Egypt. Overall, firms with remote working arrangements had at most more than nine workers, on average, working remotely since the start of the pandemic. With the highest average number of remote workers being in firms operating in services (15.8 remote workers) and the lowest in trade and retail (only 4.6 remote workers).

Similarly, the maximum number of remote workers was observed in a firm in services (130 remote workers) and in trade and retail the firm with the highest number of remote workers had 20 working from home, compared to 35 in construction, and 70 in manufacturing and agriculture. Notably, the highest number of remote workers for firms in construction was 7.9 on average since the start of the pandemic.

► **Table 5-4:** Highest number of remote workers

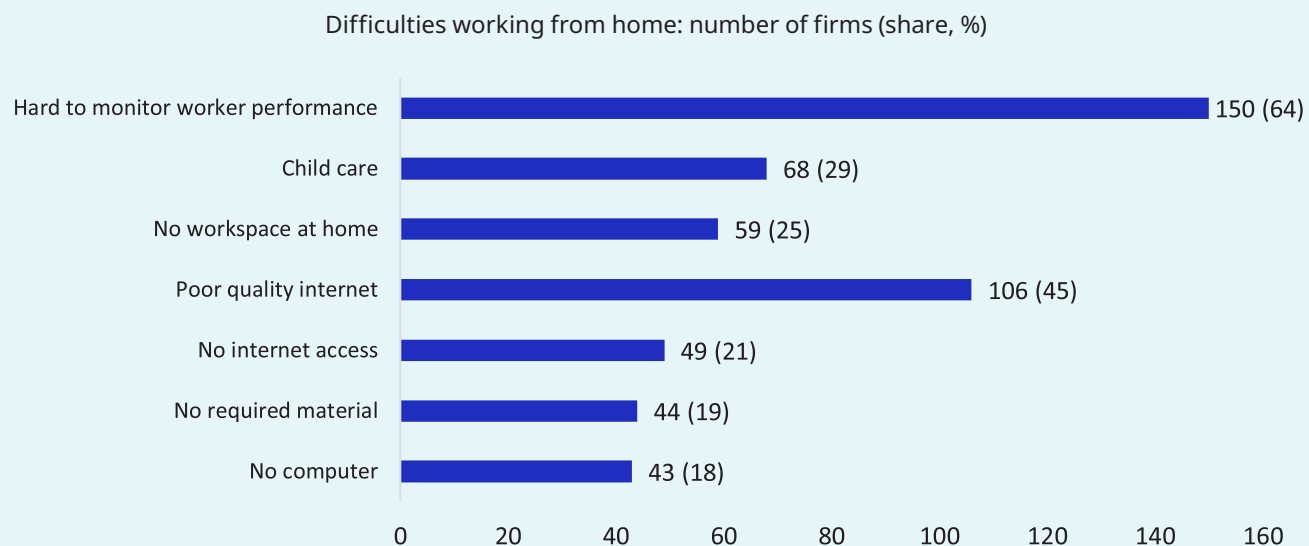
Highest no. workers worked remotely since end Feb. 2020				
	Mean	Median	Max	Sd
Manufacturing & agriculture	9.6	3	70	16.9
Construction	7.9	4	35	8.6
Trade & retail	4.6	3	20	3.8
Accommodation & food	10.3	6	60	16.5
Services	15.8	6	130	27.9
All activities	9.5	4	130	18.2

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Revisiting those firms that reported not having any remote workers, and to capture some of the issues faced by firms who wanted to have their employees work from home, **Figure 5-3** below shows the distribution of the responses made by firms on difficulties faced with working from home arrangements.

Out of the 301 firms that reported having no remote workers, the vast majority of firms responding to this question cited the difficulty to monitor worker performance as the main impediment to making working from home arrangements (150 firms, 64 per cent). Also a considerable share of the 301 firms, cited having poor internet connection as the main barrier to having work from home arrangements (106 firms, 45 per cent). Nearly 29 per cent (68 of the 301 firms) cited child care as the main issue with working from home, and 25 per cent (59 firms) mentioned that their workers had no workspace at home to allow for remote working arrangements. Also, a considerable number of the firms surveyed in Egypt cited having no computers or the required material needed for remote working arrangements (43 and 44 firms, respectively).

► **Figure 5-3:** Difficulties with working from home



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Input challenges

Recalling that the most cited business challenge faced by firms since the pandemic started was difficulties with accessing main inputs⁹, either due to less availability or higher prices. Almost 350 firms (70 per cent of the sample) reported facing this challenge over the past two months due to the pandemic. The majority of such firms worked in trade and retail (126 firms out of 350, 36 per cent), and the rest were in services (87 firms), manufacturing and agriculture (66 firms) and 45 firms working in construction. The least number of firms facing such input problems were in food and accommodation (only 26 firms mentioned such a challenge).

► **Table 6-1:** Input challenges

Experienced disruptions in inputs since Feb 2020					
Business challenge		Yes	No	N/A	Total
Past 60 days: Reduction in the availability/price increases for the main inputs	Not Mentioned	45 (30)	90 (60.6)	14 (9.4)	149 (100)
	Mentioned	191 (54.3)	142 (40.3)	19 (5.3)	351 (100)
	Total	235 (47.1)	232 (46.4)	33 (6.5)	500 (100)

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

When firms were asked about whether they faced any disruptions to their access to inputs, 30 per cent of the firms that mentioned they had no challenges with input availability or prices still reported having disruptions to accessing inputs due to the pandemic (45 out of 149 firms). The majority of such firms (reporting no challenges with input prices or availability) said they either had no disruptions (90 firms, 60.6 per cent) in accessing their inputs or had no inputs/not applicable (14 firms, 9.4 per cent).

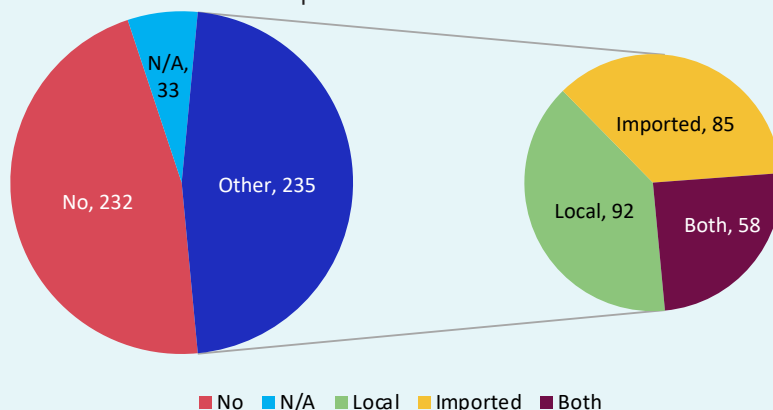
Out of the firms that did face challenges with input availability and prices, the majority reported having disruptions to accessing their inputs (191 out of 351 firms, 54.3 per cent). **Table 6-1** shows the cross tabulation between firms that reported facing challenges with input prices and availability and firms that reported disruptions to accessing their inputs¹⁰.

⁹ See table 3.6, section 3.

¹⁰ The total numbers in table 3.6 should not be compared to the total numbers in table 6.1, as the figures reported are weighted.

► **Figure 6-1:** Source of input disruptions

Faced any challenges with access to inputs: if yes, was it local inputs, imported or both?



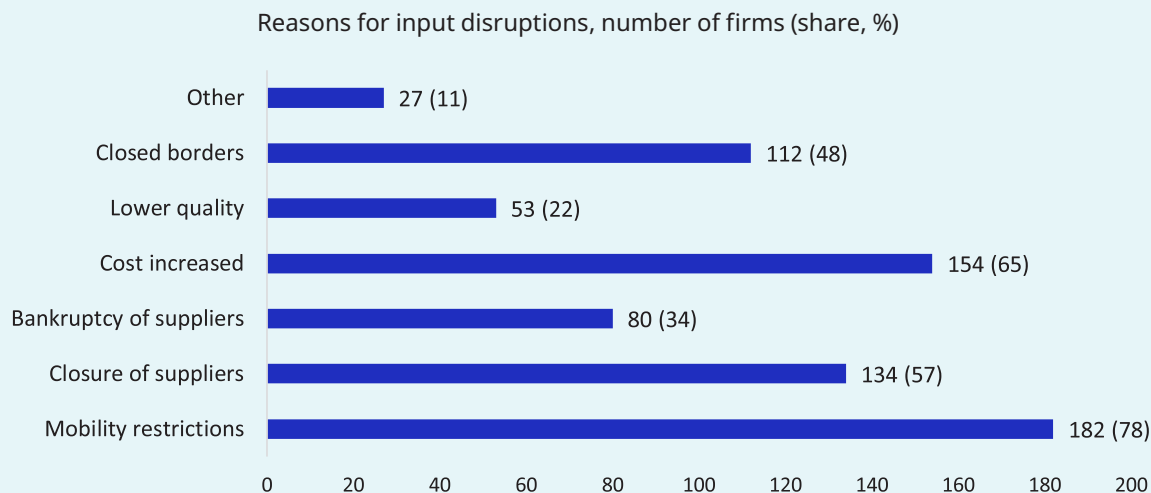
Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Figure 6-1 above shows the source of inputs that were disrupted. Firms experiencing disruptions to their inputs (235 firms), mostly had issues with local disruptions (92 firms), while 85 firms mentioned having disruptions with imported inputs and 58 mentioned having disruptions in accessing both local and imported inputs.

To better understand the reasons why firms in Egypt were experiencing disruptions in accessing their inputs, the surveyed firms were also asked about the main reasons driving such disruptions. The 235 firms that were asked this question were allowed to choose multiple responses. **Figure 6-2** below shows that the most cited reason for input disruptions was mobility restrictions (182 firms out of the 235, 78 per cent), followed by increasing costs (154 firms, 65 per cent), and closure of suppliers (134 firms, 57 per cent). Firms also reported disruptions due to closure of borders (112 firms, 48 per cent), with the first and the latter reasons for disruptions being direct results of the lockdown measures mandated by the government at the start of the pandemic.

Firms also cited issues with the lower quality of inputs available (53 firms, 22 per cent) and bankruptcy of suppliers (80 firms, 34 per cent). Due to low variation within economic activities, the reasons for input disruptions are not presented by sector. However, **Table 6-2** below shows the breakdown of firms keeping inventory of inputs and purchasing inventory on credit by economic activity.

► **Figure 6-2:** Reasons for input disruptions



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Most of the firms surveyed in Egypt kept no inventory of their main inputs (313 firms out of 500) and only 187 firms did. Most of the firms keeping inventory were operating in the trade and retail sector (77 firms, 41.3 per cent) and services (38 firms, 20.6 per cent), followed by firms in manufacturing and agriculture (35 firms, 18.7 per cent). Expectedly the least number of firms keeping inventory were in construction, only 18 firms (9.4 per cent).

Similarly, more than half of the firms surveyed did not purchase inputs on credit, 287 firms, while only 213 firms did. With most of the firms purchasing inputs on credit also working in the trade and retail (81 firms, 38.2 per cent) and services (49 firms, 22.9 per cent) sectors. Also, the least credit-input-purchasing sector was construction, with only 23 firms purchasing inputs on credit (10.6 per cent).

► **Table 6-2:** Input inventory management

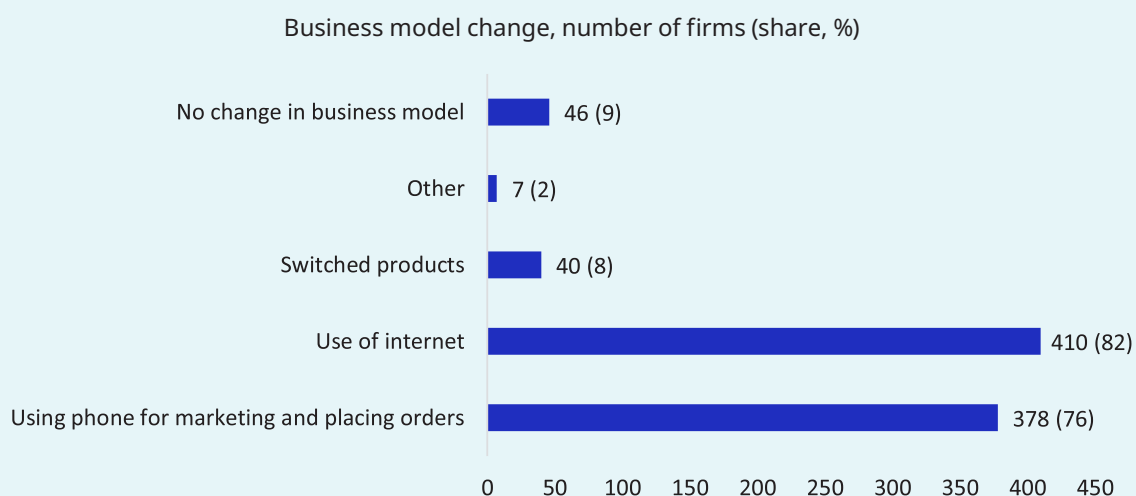
	Manufacturing & agriculture	Construction	Trade & retail	Accommodation & food	Services	All activities
Do you keep inventory of main inputs? Number of firms (share, %)						
Yes	35 (18.7)	18 (9.4)	77 (41.3)	19 (9.9)	38 (20.6)	187 (100)
No	49 (15.6)	30 (9.4)	113 (35.9)	26 (8.4)	96 (30.6)	313 (100)
Total	84 (16.8)	47 (9.4)	190 (37.9)	45 (9)	134 (26.9)	500 (100)
Do you purchase inputs on credit? Number of firms (share, %)						
Yes	37 (17.5)	23 (10.6)	81 (38.2)	23 (10.8)	49 (22.9)	213 (100)
No	46 (16.2)	25 (8.6)	108 (37.8)	22 (7.7)	86 (29.8)	287 (100)
Total	84 (16.8)	47 (9.4)	190 (37.9)	45 (9)	134 (26.9)	500 (100)

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor.

Adapting to the pandemic: Business model changes

Adapting to the pandemic has been difficult for several industries around the world. Although nearly half of the firms surveyed in Egypt (235, see table 3.5) reported having business as usual as their current business status, many firms did adapt to the pandemic by changing their business models, in terms of their hiring decisions (see section 5), production processes, and products offered. Firms surveyed in Egypt were also asked how they adjusted their business models to reduce direct physical contact with their customers. **Figure 7-1** below shows the responses recorded for firms changing their business models (firms were allowed to choose more than one response).

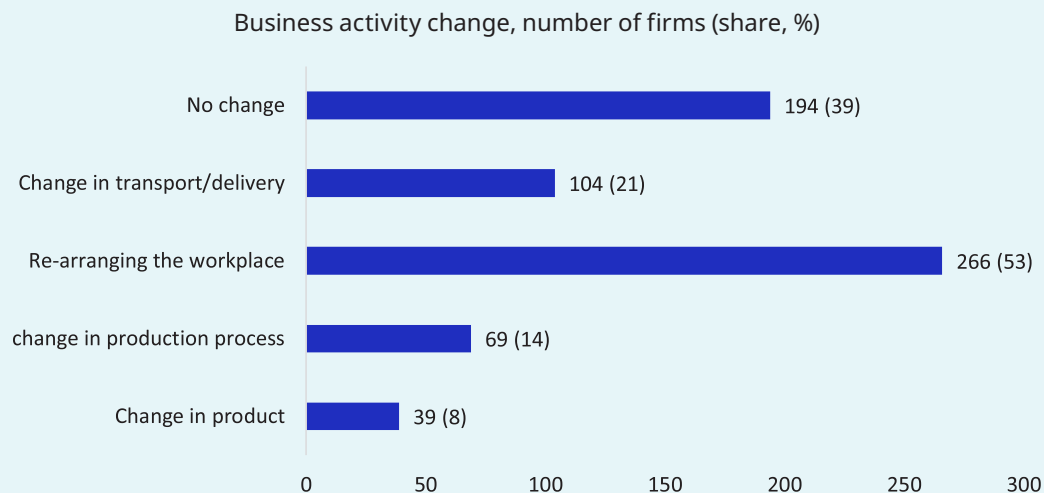
► **Figure 7-1:** Business model change



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Most firms reduced contact with their customers by using the internet and phones for marketing and placing orders more frequently (410 and 378 firms out of 500, respectively). Only a small fraction of firms switched their products (40 firms, 8 per cent). In contrast to the findings in **Table 3-5**, only a small number of firms in Egypt did not change their business model (46 firms, 9 per cent). Firms were also asked whether they made any modifications to their business activity. **Figure 7-2** below summarize their responses.

► **Figure 7-2:** Business activity change



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

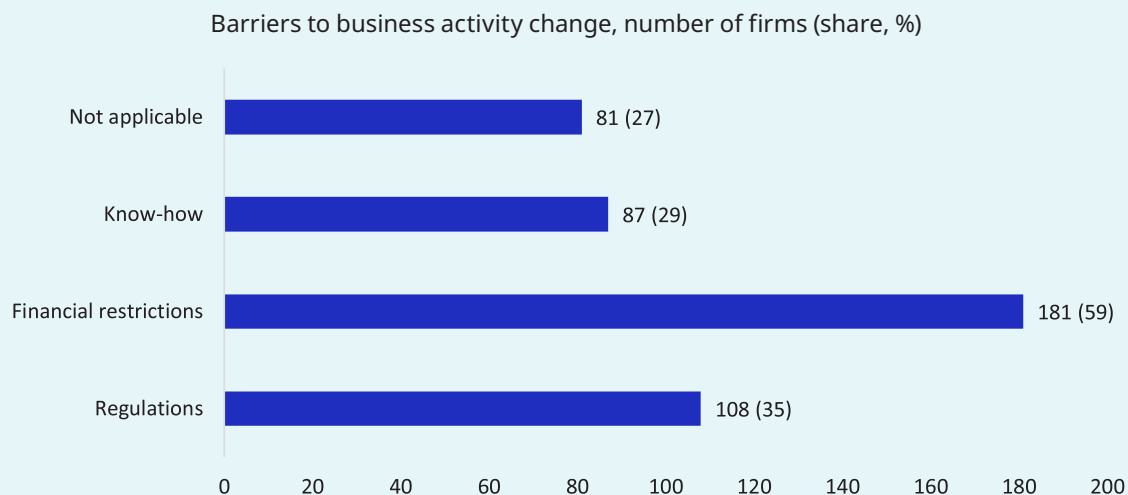
The majority of firms reported re-arranging their workplace (266 firms, 53 per cent) and 194 firms (39 per cent) reported making no changes to their business activities. Nearly one fifth of the firms surveyed in Egypt changed their delivery and transportation methods (104 firms) and 69 firms changed their production processes (14 per cent). A small per centage of the firms surveyed changed their products (39 firms, 8 per cent).

Firms that reported making changes to their business activity were also asked about the barriers they faced to re-orient their businesses. **Figure 7-3** below shows the responses for those firms¹¹. The two most cited barriers for firms to adapt their business activities were financial restrictions (181 firms, 59 per cent) and regulations (108 firms, 35 per cent). While 87 firms mentioned that they lacked the know-how to re-orient their business activity (29 per cent), and 81 firms (27 per cent) responded with not applicable.

To better understand the reasons behind such business model and business activity changes as well as the barriers impeding firms from adapting, **Table 7-1** below summarizes the firms' responses by economic activity.

¹¹ Only 307 firms of the 500 surveyed, that said they made changes to their business activity responded to this question.

► **Figure 7-3:** Barriers to business activity change



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

The two most cited business model changes were using the internet and phones to reach out to customers, 410 and 378 firms, respectively (see **Figure 7-1**). The vast majority of firms in almost every economic activity reported using phones to reach out to their customers (between 70 to 80 per cent, see **Table 7-1**)¹². Notably, 90 per cent of the firms operating in construction used the internet to reach out to their customers. As noted earlier, switching products was quite rare in the surveyed sample in Egypt, with only 10 per cent of firms operating in all economic activities reported switching products to reach out to their customers.

Meanwhile, the two most cited business activity changes were re-arranging the workplace (266 firms) and changing the mode of transport or delivery (104 firms, see **Figure 7-2**). The majority of firms in almost all economic activities re-arranged their workplaces (between 50 and 60 per cent of all firms surveyed). This is however, not the case for firms that changed their mode of transportation or delivery methods, only 30 per cent of the firms in trade and retail, 20 per cent in manufacturing and agriculture and food and accommodation, and 10 per cent of the firms in construction and services reported this business activity change. On the other hand, nearly 10 per cent of the firms in all economic activities changed their products, but none did so in manufacturing and agriculture.

¹² The percentages reflect the share of firms citing a particular change or barrier, noting that firms were allowed to select more than one response.

► **Table 7-1:** Business adaptation and economic activity

	Manufacturing & agriculture	Construction	Trade & retail	Accommodation & food	Services	All activities
Business model change						
Use of phone	80	80	80	70	70	80
Use of internet	80	90	80	80	80	80
Switched product	10	0	10	10	10	10
No change	10	10	10	10	10	10
Business activity change						
Changed product	0	10	10	10	10	10
Changed production process	20	20	10	20	10	10
Re-arranged workplace	60	50	50	60	50	50
Changed transport/ delivery	20	10	30	20	10	20
No change	30	40	40	30	40	40
Barriers to change						
Regulation	30	40	30	30	40	40
Financial restrictions	70	60	50	60	70	60
Know-how	30	40	30	30	30	30
N/A	30	30	30	20	20	30

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

In addition, nearly 40 per cent of the firms in the sample reported no change to their business activities, with the highest per centage of firms without a change being 40 per cent in construction, trade and retail, and services. The last Four rows in **Table 7-1** show the main barriers to business activity change for the firms that reported changing their activities. Firms in construction mostly cited financial restrictions as their main barrier to change (60 per cent). Similarly, firms in food and accommodation and services cited the same reason (60 and 70 per cent, respectively). The majority of firms citing regulations as the main barrier to change were in construction and services (40 per cent each).

Future expectations and policy needs

Firms that were closed at the time of the interview were asked when they expect to resume their business, **Table 8-1** below summarizes their responses. The highest number of closed businesses was 19 firms in services and 17 in trade and retail. Alarming, most closed businesses surveyed in Egypt expected to either open their business in six months (16 out of 60 firms) or were uncertain when would they be able to resume their operations (18 firms). Also, none of the closed businesses expected to resume their work in less than two weeks. Only two firms surveyed in Egypt expected to never open their business again.

Out of the 16 closed firms that expected to reopen their business in six months, 12 were in trade and retail and services (6 firms each), and 3 were in food and accommodation. In addition, out of the 18 closed firms that were uncertain about when they expect to resume business, 5 were in services, 4 in food and accommodation, and 3 each in trade and retail, construction, and manufacturing and agriculture.

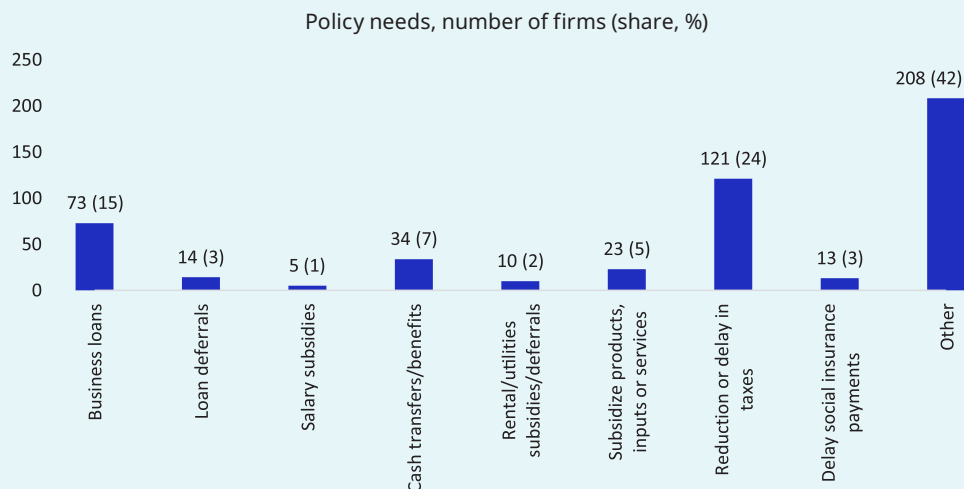
► **Table 8-1:** Business resumption expectation (closed businesses)

	Less than 2 weeks	Between 1 and 2 months	Between 2 and 6 months	More than 6 months	Never	Don't know (uncertain)	Total
Manufacturing & agriculture	-	3	1	0	0	3	8
Construction	-	0	1	0	0	3	4
Trade & retail	-	2	6	6	0	3	17
Accommodation & food	-	1	2	3	1	4	12
Services	-	4	3	6	1	5	19
All activities	-	11	13	16	2	18	60

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

Businesses in Egypt were also asked about their policy needs and the recommendations they would have for the policymaker to help firms survive the pandemic. **Figure 8-1** below summarizes the most cited policies needed to survive the pandemic. Firms were only allowed to choose one response. The most cited policy need by firms surveyed in Egypt was reduction or delay in tax payments made by firms (121 firms, 24 per cent). Also, 73 firms expressed the need for more business loans (15 per cent) and 34 cited the need to receive cash transfers or benefits.

► **Figure 8-1: Firm policy needs**



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

To better capture the policy needs for firms in Egypt, **Table 8-2** below shows the distribution of firms that applied to different types of government support programs to survive the pandemic by economic activity. The column shares of the firms are between parenthesis. Most of the firms surveyed in Egypt did not apply to any government support programs since the pandemic started (325 firms, 65 per cent), the majority of which are firms in trade and retail (129 firms). Overall, 175 firms surveyed in the sample applied to receive government support, with 61 firms being in trade and retail and 49 firms operating in services.

► **Table 8-2: Government support programs**

	Manufacturing & agriculture	Construction	Trade & retail	Accommodation & food	Services	All activities
Business loans						
Not Mentioned	63 (75.6)	37 (77.4)	145 (76.6)	37 (83)	118 (87.5)	400 (80)
Mentioned	20 (24.4)	11 (22.6)	44 (23.4)	8 (17)	17 (12.5)	100 (20)
Total	84 (100)	47 (100)	190 (100)	45 (100)	134 (100)	500 (100)
Loan deferrals						
Not Mentioned	82 (97.5)	44 (93.8)	171 (90)	42 (92.7)	124 (92.4)	463 (92.5)
Mentioned	2 (2.5)	3 (6.2)	19 (10)	3 (7.3)	10 (7.6)	37 (7.5)
Total	84 (100)	47 (100)	190 (100)	45 (100)	134 (100)	500 (100)

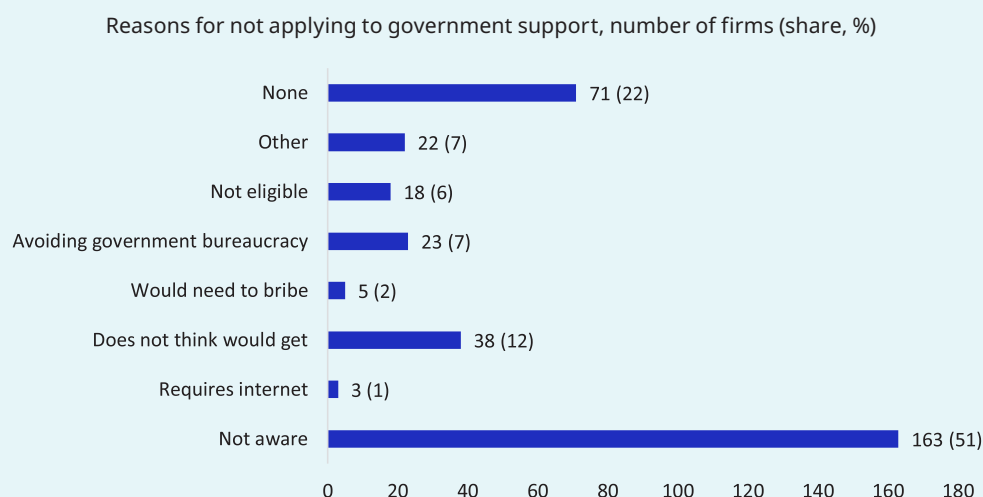
Salary subsidies						
Not Mentioned	81 (96.9)	44 (94.2)	183 (96.7)	43 (95.4)	127 (94.2)	479 (95.7)
Mentioned	3 (3.1)	3 (5.8)	6 (3.3)	2 (4.6)	8 (5.8)	21 (4.3)
Total	84 (100)	47 (100)	190 (100)	45 (100)	134 (100)	500 (100)
Unemployment benefits						
Not Mentioned	81 (96.9)	47 (99.4)	187 (98.8)	43 (95.1)	129 (96)	487 (97.4)
Mentioned	3 (3.1)	0 (0.6)	2 (1.2)	2 (4.9)	5 (4)	13 (2.6)
Total	84 (100)	47 (100)	190 (100)	45 (100)	134 (100)	500 (100)
Rent/utility subsidies or deferrals						
Not Mentioned	81 (96.9)	46 (96.7)	184 (96.8)	42 (92.7)	127 (94.2)	479 (95.7)
Mentioned	3 (3.1)	2 (3.3)	6 (3.2)	3 (7.3)	8 (5.8)	21 (4.3)
Total	84 (100)	47 (100)	190 (100)	45 (100)	134 (100)	500 (100)
Subsidized products/inputs/services						
Not Mentioned	79 (94.1)	47 (98.7)	187 (98.8)	43 (95.1)	131 (97.8)	487 (97.4)
Mentioned	5 (5.9)	1 (1.3)	2 (1.2)	2 (4.9)	3 (2.2)	13 (2.6)
Total	84 (100)	47 (100)	190 (100)	45 (100)	134 (100)	500 (100)
Tax reduction/delay						
Not Mentioned	74 (88.2)	46 (97.4)	173 (91.1)	39 (87.8)	123 (91.3)	455 (91)
Mentioned	10 (11.8)	1 (2.6)	17 (8.9)	5 (12.2)	12 (8.7)	45 (9)
Total	84 (100)	47 (100)	190 (100)	45 (100)	134 (100)	500 (100)
Social security payment delays						
Not Mentioned	79 (93.7)	45 (95.6)	177 (93.1)	41 (90.3)	120 (89.6)	461 (92.2)
Mentioned	5 (6.3)	2 (4.4)	13 (6.9)	4 (9.7)	14 (10.4)	39 (7.8)
Total	84 (100)	47 (100)	190 (100)	45 (100)	134 (100)	500 (100)
Did not apply						
Not Mentioned	31 (36.9)	14 (30.1)	61 (32.2)	20 (43.5)	49 (36.5)	175 (35)
Mentioned	53 (63.1)	33 (69.9)	129 (67.8)	25 (56.5)	85 (63.5)	325 (65)
Total	84 (100)	47 (100)	190 (100)	45 (100)	134 (100)	500 (100)

Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

The most applied for support program was in the form of business loans, with 100 firms applying for it. Most of the firms applying for such government support operated in trade and retail (44 firms), followed by firms in manufacturing and

agriculture (20 firms). Only a few firms applied for receiving subsidized inputs, services or products (13 firms) and also only 13 firms applied for unemployment benefits. To better understand the reasons for such low demand for government support, **Figure 8-2** below shows the responses for firms that did not apply for any government programs when asked why. Out of the 325 firms that did not apply to any government support, 163 said that they were not aware of any (51 per cent). Also, a considerable share of the firms responding to this question did not think they would get any support if applied (38 firms, 12 per cent), which is yet another awareness issues, since only 18 firms were sure that they would not be eligible to receive any pandemic-related government support.

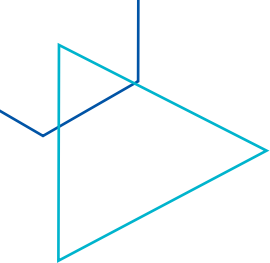
► **Figure 8-2:** Reasons for not applying for government support



Source: Constructed by authors using the ILO/ ERF COVID-19 Monitor

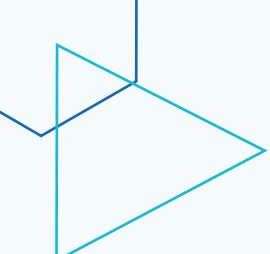
Egypt managed to reopen its economy shortly after the lockdown mandated due to the pandemic, the repercussions of the pandemic, however, extend beyond the lockdown period and are interlinked with other international and local underlying determinants. The government rescue and incentive packages offered to businesses and households would need to be more directed towards diversifying the economy and building business resilience to shocks. A major issue with such government support programs is awareness of its existence. More than half of the firms that were not applying to any government support, were not aware of any being offered. All while, most of the firms surveyed in Egypt adopted to the pandemic by receiving aid from family or friends residing in Egypt (193 firms), indicating that such small and medium businesses needed support. Although, so much firms received aid from relatives and friends, only few firms contracted bank credit or rescheduled their loans, indicating that small and medium enterprises do not have easy access to credit.

In addition, most of the businesses surveyed in Egypt reported reducing their working hours as their current business status at the time of the interview and cited input availability and prices' as their main challenge. Two findings hinting at the increasing need for unemployment benefits and salary subsidies, as well as more stabilizing policies in the main inputs' markets. Three government support programs, that although were offered, received quite a few applications (see **Table 8-2**).



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Appendix

Inverse probability weighting was undertaken to account for the sampling strategy and non-response. Weights had the following inputs:

- Total number, T , of firms in the stratum, s , in the sampling frame (T_s)
- Number, N , of firms in the stratum, s , successfully completed in the sample (N_s)
- Share of firms successfully contacted in the stratum that were eligible (e_s)

The weight for a firm, f , in stratum s is calculated as:

$$w_{(f,s)} = (T_s * e_s) / N_s$$

We adjust the total number of firms in the sampling frame to account for the fact that not all firms were eligible by multiplying the sample frame number of firms in the strata, T_s , by the fraction eligible among contacted firms, e_s . Weights are then normalized to have a mean of one. The resulting weight is the same for all firms that are in the same stratum.



ANNEX

Assumptions

► Weights are computed based on the probability that an individual and the household owns a mobile phone, and reflect the population age, sex, and education distribution. Hence, for those who were interviewed by landline and own a mobile, a market company was assigned to them randomly based on the company market share.

► One big challenge was to accurately identify the employment status from the questionnaire in February 2020 and at the time of the survey.

For the status in February 2020, the following assumptions are considered:

- If the individual worked in February (Q110) or had employment characteristics in section 2, then this person is considered employed in February 2020. The employment characteristics are used to classify the employment as the classes in COVID-19 MENA Monitor questionnaire (COR18).
- The individual is considered unemployed and looking for work if not employed/attached (Q101/Q102), wanted to work (Q105), and were not working in Feb. (Q111/Q112) (not necessarily ready/search).
- The remaining categories from those out of the labour market are based on Q107.
- The questionnaire skipped asking those who mentioned that they are engaged in work and temporarily not working because of corona any further questions that investigate possible unemployment under the assumption that they should be considered employed. This assumption caused a decrease in the unemployment between February 2020 and current status (at time of the survey) if we require “the search in the current status” (from Q155 to Q136). If the search is not required for the numbers to be comparable, then there is an increase (Q155 -Q221).

For the current status we assumed the following:

- The employed are those who answered yes to be working last week, or answered temporarily not working but engaged to a work (for less than a year).
- Not currently working and not engaged and does not want to work/not willing to work is considered out of labour market.
- Not currently working and not engaged to work and willing to work/ready to work is considered unemployed.

⁷There is not enough evidence in the data to confirm that engagement to a job among the informal workers implies they are employed, but they are considered employed in the analysis.

⁸Formal is defined if the employee holds a contract and social insurance.

⁹Two observation mentioned that they did not want to work in the past week (Q105), but searched for a work (Q110). The reference period is not available for search and the skipping allowed for answering both questions they were considered out of labour force.

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