19 June 2020

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

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

The survey results point to a slight improvement in the enterprises' situation in the 1st fortnight of June. The percentage of enterprises in operation increased from 92% in the 2nd fortnight of May to 95% in the 1st fortnight of June, with the *Accommodation and food services* sector standing out, where the percentage increased from 59% to 77%.

Given the situation that could be expected without the pandemic, 68% of the enterprises reported a negative impact on turnover (compared to 73% in the previous fortnight). The *Accommodation and food services* and *Transportation and storage* sectors recorded the largest percentage of enterprises with decreases in turnover (88% and 77%, respectively).

24% of the enterprises reported that their turnover should take more than 6 months to return to the normal level and 4% consider that their turnover should not return to that level. The *Accommodation and food services* sector stands out for the highest percentage of companies in both situations (38% and 11%, respectively).

Compared to the previous fortnight, 38% of the enterprises reported stabilization of turnover, and among the rest, the percentage showing increases was higher than the percentage showing reductions (35% and 28%, respectively). By sector, the percentage of enterprises reporting an increase exceeded the percentage of enterprises reporting a reduction in turnover in *Accommodation and food services*, *Distributive trade* and *Transportation and storage*.

In the 1st fortnight of June, 39% of the enterprises reported reductions in the number of persons employed effectively working compared to the situation that could be expected without the pandemic (45% in the previous fortnight). *Accommodation and food services* enterprises also stand out in this case, with 67% recording a decrease in the number of persons effectively working (even so, -6 p.p. than in the previous fortnight).

Comparing with the 2nd fortnight of May, most enterprises did not report a change in the number of persons employed (68%). *Accommodation and food services* recorded the highest percentage of enterprises with an increase in the number of persons employed (40%), in most cases due to the reduction in the number of persons in simplified layoff.

47% of the responding enterprises had people in remote working in the first fortnight of June (-6 p.p. compared to the previous fortnight) and more than 55% of the enterprises do not foresee the use of Government support measures excluding the simplified layoff.

More than 75% of the enterprises consider that there is little or no probability of permanently changing their activities due to the COVID-19 pandemic. The changes referred to as very likely by enterprises are reinforce of the investment in information technology (25% of enterprises), the increase in the use of remote working (17% of companies) and the redirection of target markets (16% of companies).

In this information note, Statistics Portugal and the Bank of Portugal publish the main results of the Fast and Exceptional Enterprise Survey – COVID-19 (COVID-IREE), addressed to a wide range of enterprises.

This survey aims to identify some of the main effects of the COVID-19 pandemic on business activity, based on a rapid response questionnaire. 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 two new questions were added, one related to the expected time for the turnover to return to the normal level and another that intends to assess intentions of permanent change in the activity of enterprises resulting from the COVID-19 pandemic.

It is important to note that the results of this survey refer **exclusively** to the responding enterprises in each edition of the survey (about 5.7 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.

Situation of the enterprises in the first fortnight of June 2020

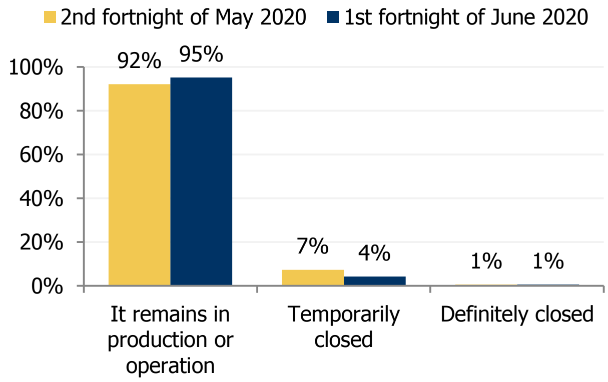
95% of the responding enterprises remained in operation, even partially

- 95% of the 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 proportion of enterprises temporarily closed stood at 4% (-3 p.p. from the previous fortnight), while 1% indicated definitive closure.
- The *Accommodation and food services* sector registered a considerable increase in operating enterprises (+18 p.p. than in the previous fortnight, standing at 77%). Even so, this sector also continued to present the highest percentage of enterprises closed, temporarily or definitely (23%).

[1]Number of valid responses until the end of June 16, corresponding to a response rate of around 64%. The results for the 2nd fortnight of May were slightly revised by the inclusion of 111 responses, submitted afterwards.

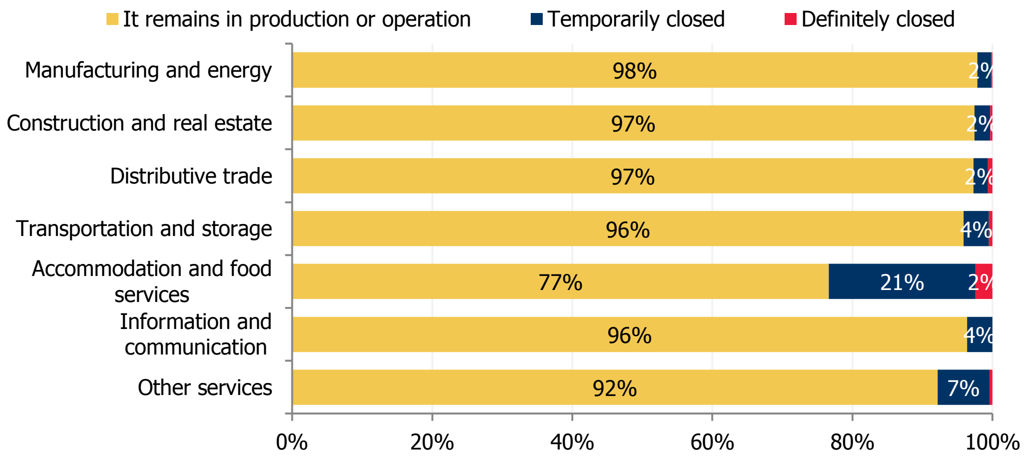
Figure 1 • Situation of the enterprises, as a % of the total number of enterprises

Total responding enterprises



Note: the values for the 2nd fortnight of May 2020 already integrate the revised data.

Economic activity



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

Impact of the COVID-19 pandemic on turnover in the first fortnight of June 2020, compared to the expected situation without the pandemic

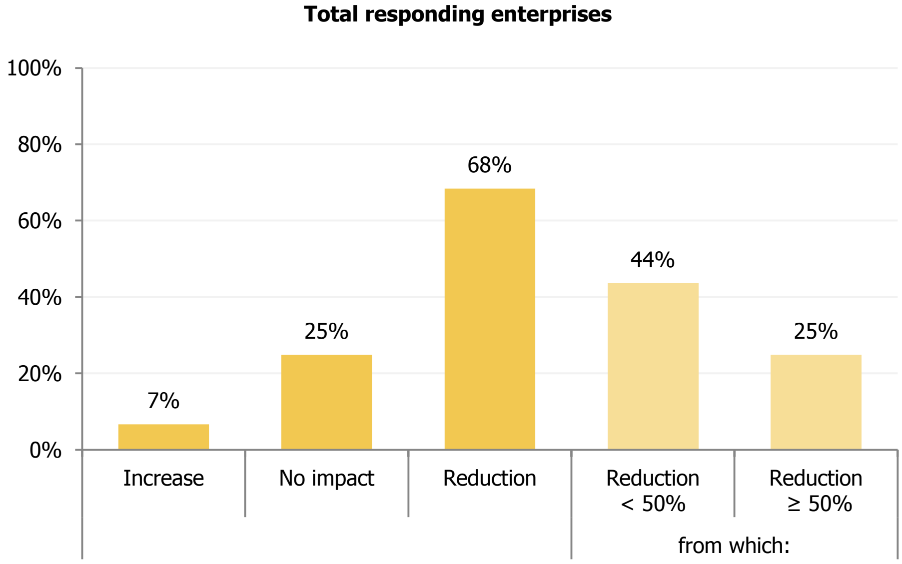
68% of the enterprises reported a decrease in turnover due to the pandemic

- Comparing with the expected situation without the pandemic, 68% of the enterprises in operation or temporarily closed reported a negative impact on turnover (-5 p.p. than in the previous fortnight), while 7% reported an increase in the same variable. For 25% of enterprises, the COVID-19 pandemic had no impact on turnover in this fortnight.
- The *Accommodation and food services* and *Transportation and storage* sectors concentrated the higher percentages of enterprises reporting a reduction in turnover, 88% and 77%, respectively (-3 p.p. and -5 p.p.

than in the previous fortnight). In contrast, the *Construction and real estate* sector recorded the lowest percentage of enterprises with a reduction in turnover (52%, -8 p.p. than in the previous fortnight).

- 25% of the enterprises reported a reduction of more than 50% in turnover in the first fortnight of June (-6 p.p than in the previous fortnight).
- The percentage of enterprises reporting reductions of more than 75% in turnover remained higher in the *Accommodation and food services* (45%), but 14 p.p. lower than the observed in the previous fortnight.

Figure 2 • Impact of the COVID-19 pandemic on turnover in the first fortnight of June 2020 compared to the expected situation without the pandemic, as a % of the total number of enterprises in operation or temporarily closed



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

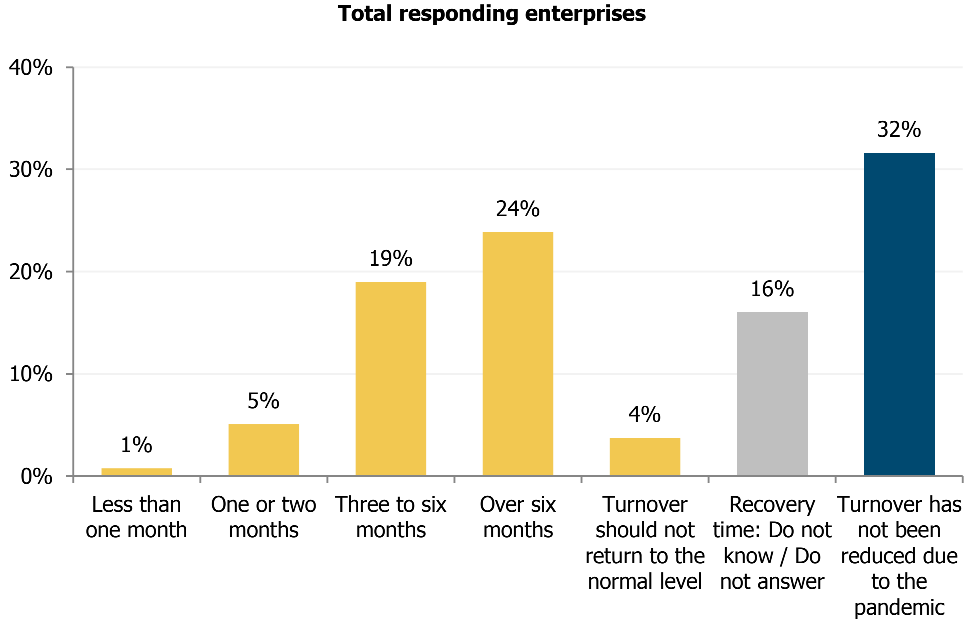
Time needed for turnover to return to normal level

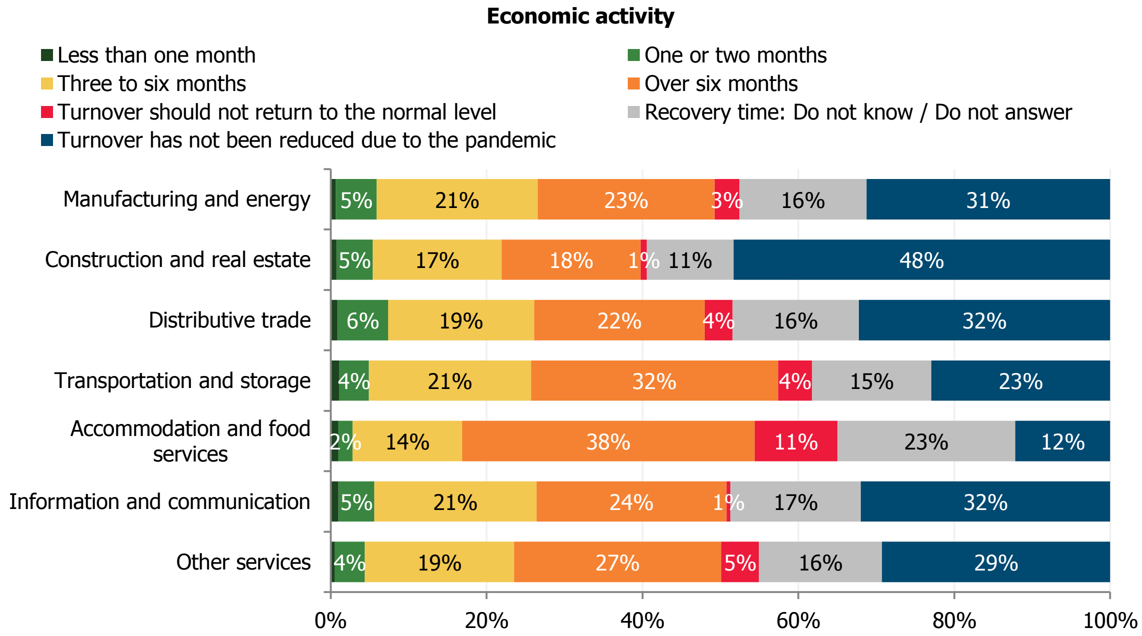
24% of the enterprises anticipate that the return of turnover to the normal level will take more than half a year

- In the first fortnight of June, 24% of the enterprises in operation or temporarily closed reported that they expect their turnover to reach normal levels only in a period longer than six months (given the expected level without the pandemic). The enterprises in the *Accommodation and food services* (38%) and *Transportation and storage* (32%) sectors stood out.
- For 4% of the enterprises, the turnover should not return to the normal level, with this percentage being higher in *Accommodation and food services* (11%).

- 25% of the enterprises reported that the return of turnover to normal levels should occur in less than six months. Remind that 32% of the enterprises reported that the turnover was not negatively affected by the pandemic in the first fortnight of June.

Figure 3 • Time needed for turnover to return to normal level, as a % of the total number of enterprises in operation or temporarily closed





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

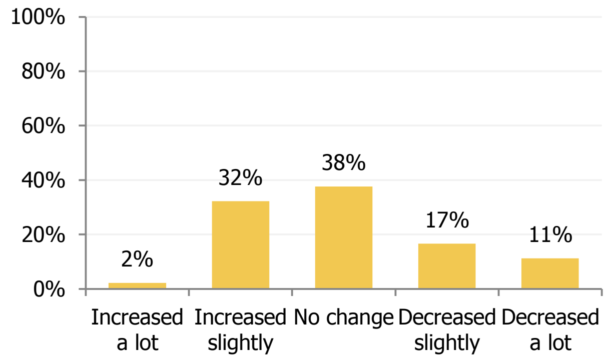
Evolution of the turnover in the first fortnight of June, compared to the second fortnight of May 2020

38% of the enterprises reported a stabilisation in turnover in the first fortnight of June compared with the second fortnight of May

- In the first fortnight of June, 38% of the enterprises in operation or temporarily closed reported a stabilization of their turnover in relation to the second fortnight of May, standing out the enterprises from the *Construction and real estate* sector (59%).
- Among the others, 28% mentioned turnover reductions and 35% increases.
- The sectors that reported turnover increases more often than decreases were *Accommodation and food services* (50% and 22%), *Distributive trade* (43% and 26%) and *Transportation and storage* (42% and 22%). In the remaining sectors the opposite was observed.
- By size, the percentage of enterprises that reported turnover increases always exceed the percentage that reported reductions, being this differential clearly higher among large enterprises (+22 p.p.).

Figure 4 • Evolution of the turnover between the first fortnight of June and the second fortnight of May, as a % of the total number of enterprises in operation or temporarily closed

Total responding enterprises



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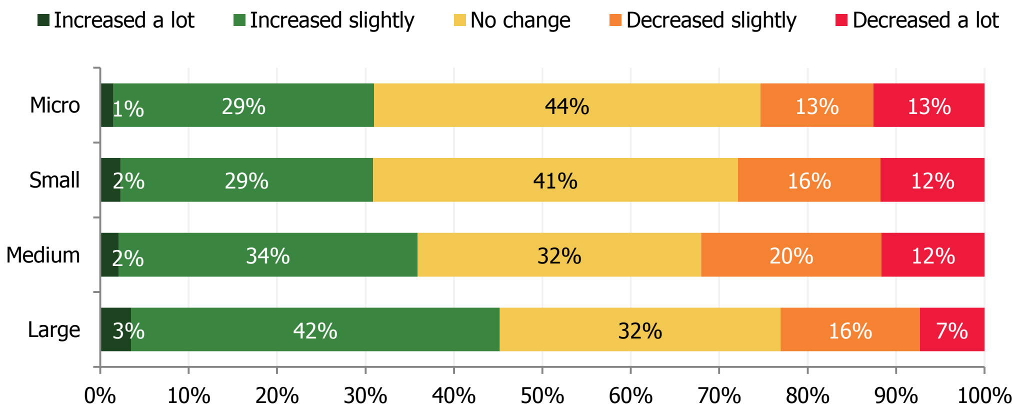
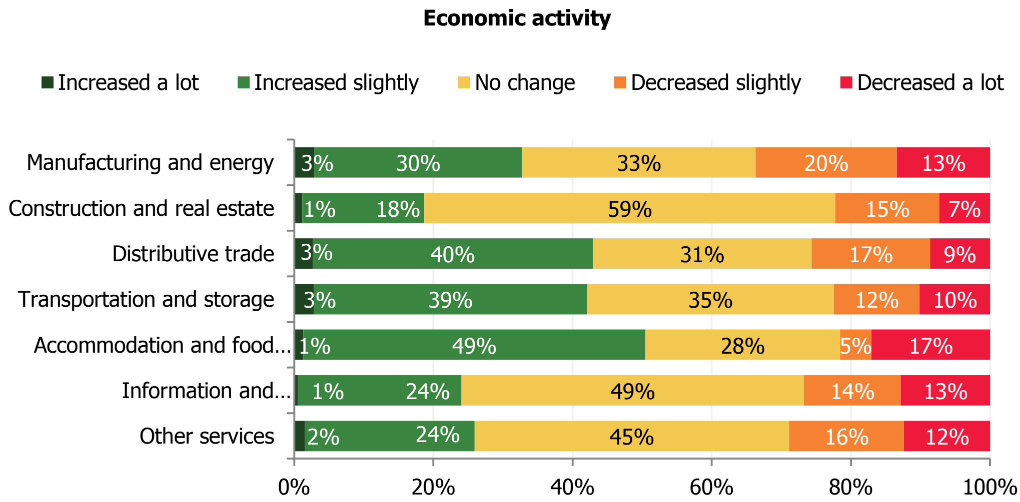


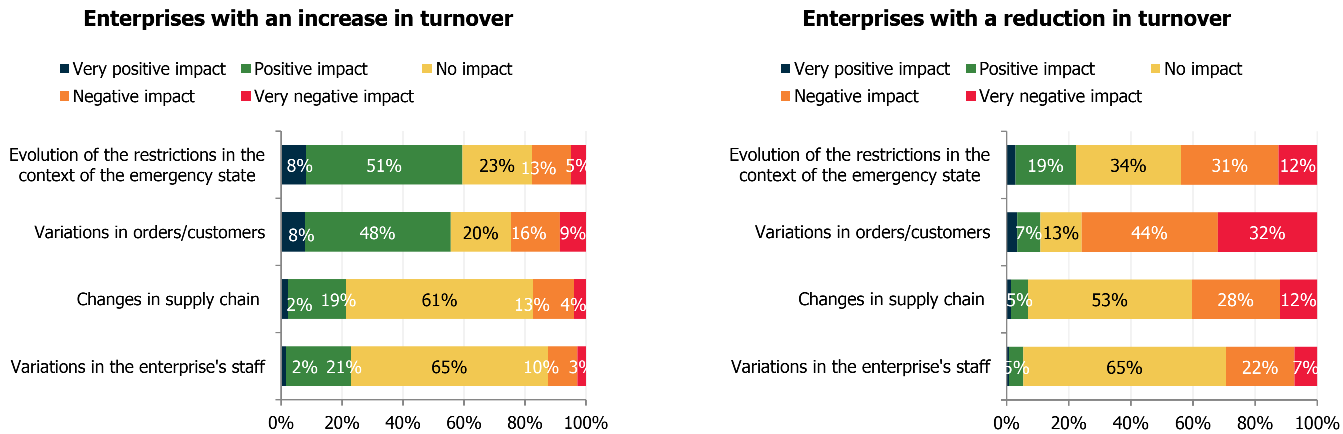


Source: Statistics Portugal and Bank of Portugal, COVID-IREE

The reasons with more impact on the change in turnover compared to the previous fortnight were the evolution of the orders/clients and the evolution of measures to contain the pandemic

- Enterprises that reported an increase in turnover in this fortnight pointed out the evolution of the containment measures and the improvement in orders/clients as the explanatory factors with the greatest impact (59% and 56%). The size-class and economic activity are not differentiating factors in this analysis.
- The most mentioned reason for the decrease in turnover compared to the second fortnight of May was the reduction in orders/clients (76% of enterprises). In *Manufacturing and energy*, enterprises that reported a reduction in turnover reported a greater percentage of the negative contribution of this reason (80%).

Figure 5 • Impact of the reasons for the evolution of the enterprises turnover in the first fortnight of June compared to the previous fortnight, as a % of the total number of enterprises in operation or temporarily closed which reported an increase or decrease in turnover



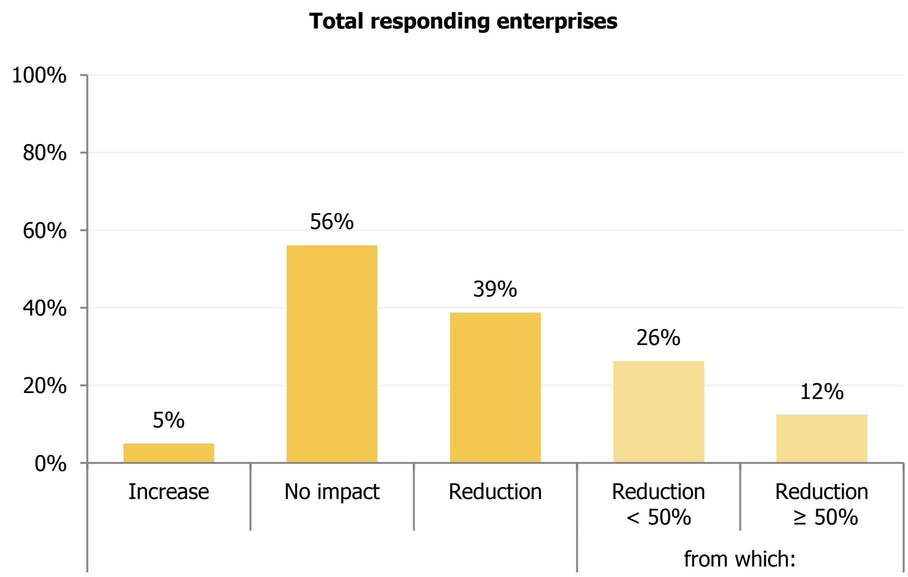
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Impact of the COVID-19 pandemic on persons employed during the first fortnight of June 2020, compared with the expected situation without the pandemic

39% of the enterprises reported reductions in persons employed effectively working, compared with the expected situation without the pandemic

- Comparing with the expected situation without the pandemic, 39% of the enterprises reported a negative impact in the persons employed effectively working during the first fortnight of June (-6 p.p. vis-à-vis the previous fortnight), representing 59% of the total persons employed by the respondent enterprises. A significant percentage reported that the pandemic had no impact on the persons employed (56% of the enterprises, +5 p.p. than in the previous fortnight, corresponding to 34% of the total persons employed by the respondent enterprises).
- In terms of the magnitude of the reduction in the number of persons employed effectively working, 12% of the enterprises reported a reduction of more than 50% and 15% reported reductions between 10% and 50%.
- By economic activity, the enterprises from *Accommodation and food services* sector continued to stand out, with 67% referring a decrease in the number of persons employed (-6 p.p. than in the previous fortnight), with this reduction exceeding 75% in 29% of the enterprises (-11 p.p. than in the previous fortnight).

Figure 6 • Impact of the COVID-19 pandemic on persons employed effectively working in the first fortnight of June 2020, as a % of the total number of enterprises in operation or temporarily closed



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

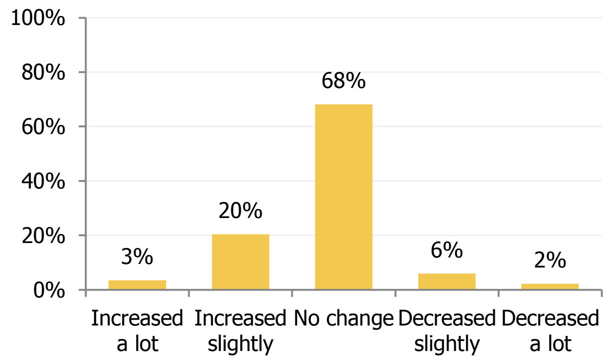
Evolution of the persons employed effectively working during the first fortnight of June, compared with the second fortnight of May 2020

The *Accommodation and food services* sector recorded the highest percentage of enterprises (40%) with increases in the number of persons effectively working, compared to the previous fortnight.

- 68% of the enterprises, representing 44% of the total persons employed by the respondent enterprises, reported not to have changed the number of persons employed effectively working during the first fortnight of June, compared to the second fortnight of May.
- The percentage of enterprises that reported an increase in the persons employed was higher than the percentage that registered a decrease (24% and 8% of enterprises, respectively) and it increases with the size-class of the enterprise.
- By sector, *Accommodation and food services* registered the highest percentage of enterprises with increases in the persons employed compared with the previous fortnight (40% of the enterprises, representing 57% of the persons employed).

Figure 7 • Impact of the COVID-19 pandemic on persons employed effectively working in the first fortnight of June compared to the previous fortnight, as a % of the total number of enterprises in operation or temporarily closed

Total responding enterprises



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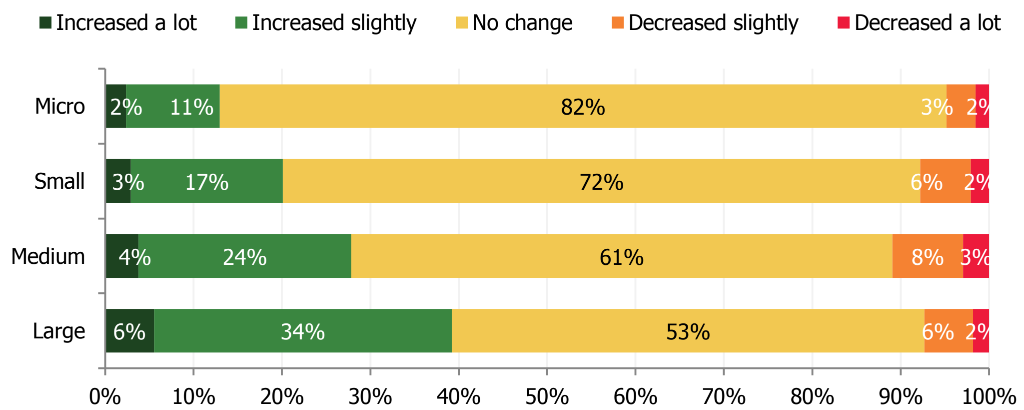
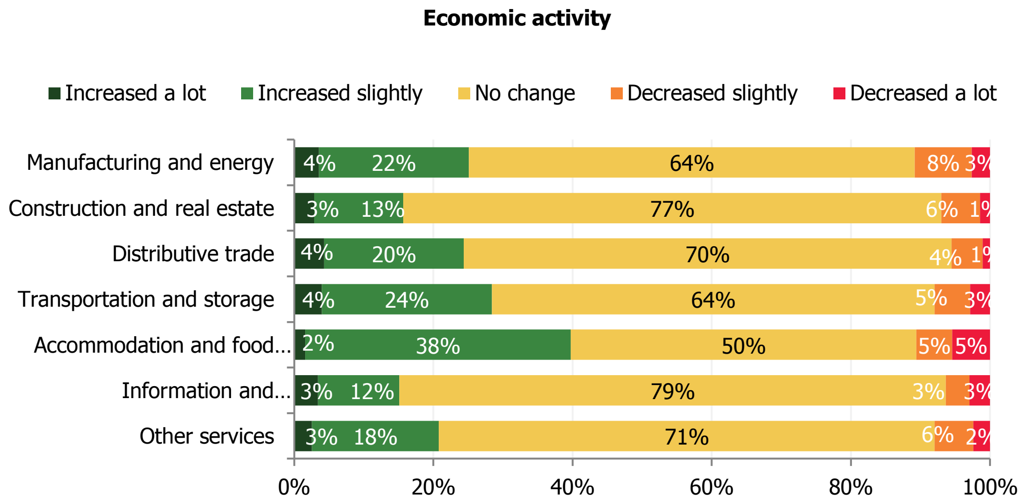


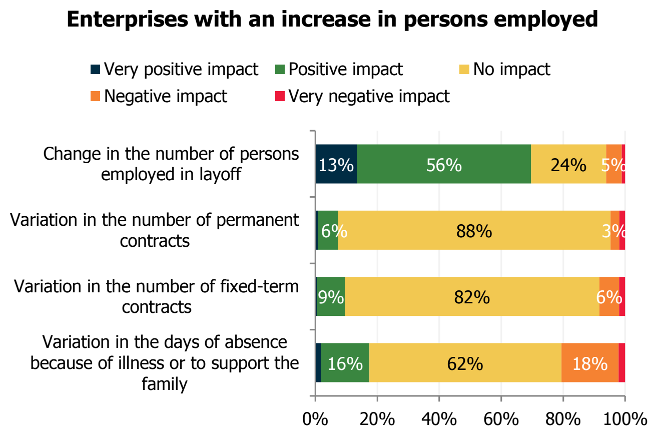


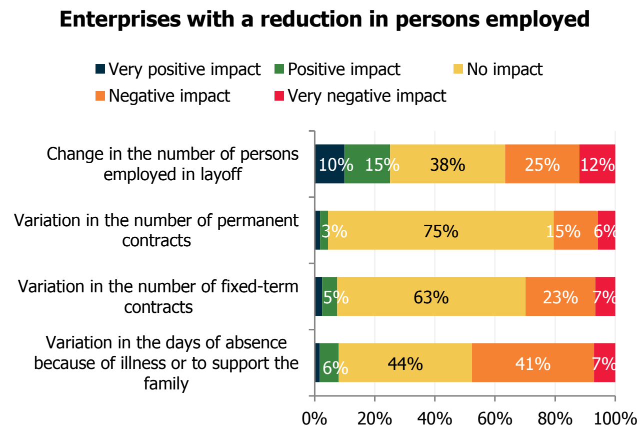
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

The reduction of the simplified layoff was the reason with the greatest impact in the increase of the persons employed effectively working during the first fortnight of June

- The reason with a positive impact most reported by the enterprises that reported an increase in the number of persons employed effectively working compared with the second fortnight of May was the reduction in the number of persons in layoff (mentioned by 70% of the enterprises).
- Enterprises that reported a reduction in the number of persons effectively working refer more often the increase in the days of absence because of illness or to support the family (48%) and the layoff (37%) as the reasons that most contributed negatively to this evolution.

Figure 8 • Impact of the reasons for the evolution of persons employed effectively working, as a % of the total number of enterprises in operation or temporarily closed which reported an increase or decrease in persons employed





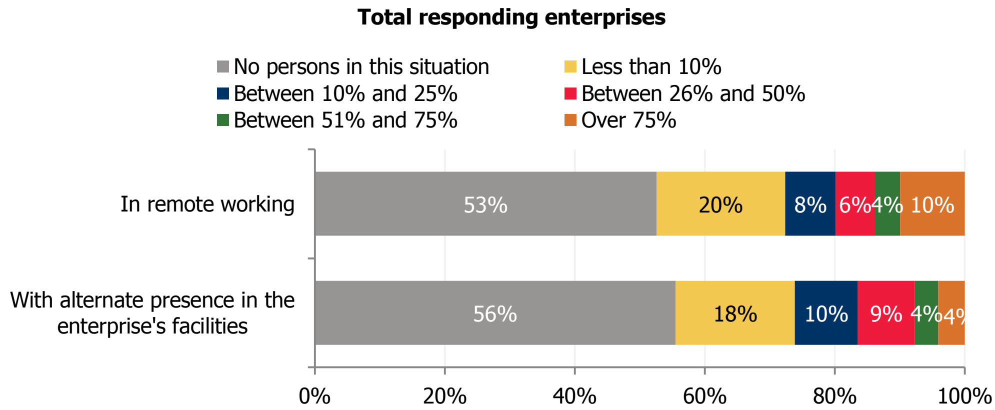
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Remote working and alternate presence in the enterprise premises during the first fortnight of June 2020

47% of the enterprises had persons in remote working[2] and 44% had persons with alternate presence in the enterprise premises

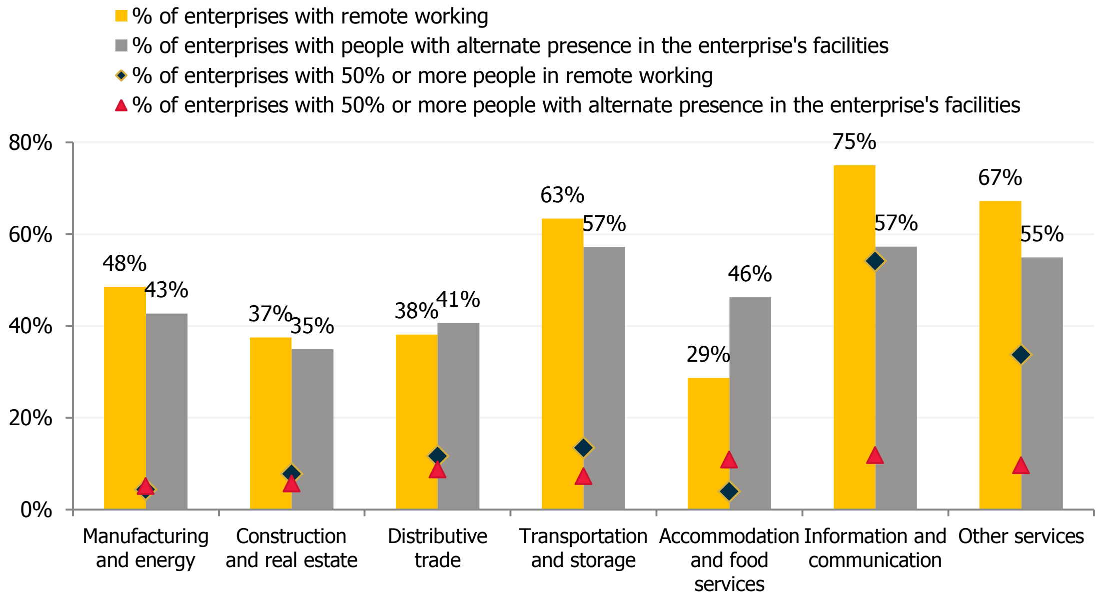
- 47% of the responding enterprises had persons in remote working during the first fortnight of June (-6 p.p. than in the previous fortnight), with 10% having more than 75% of the persons employed effectively working in remote working.
- By size, the proportion of enterprises that reported people in remote working is very different. That proportion increases with the size-class of the enterprise, ranging from 21% in micro enterprises and 87% in large ones. By economic activity, the percentage of enterprises that referred having persons in remote working was higher in the *Information and communication* sector (75%) and lower in *Accommodation and food services* (29%).
- 44% of the enterprises reported the existence of persons working with alternate presence in the enterprise premises due to the pandemic (-2 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 26% of micro enterprises and 76% of large enterprises. The *Transportation and storage* sector and *Information and communication* sectors stood out in the use of this practice, mentioned by 57% of enterprises.

Figure 9 • Quantification of persons employed effectively working in remote working and with alternate presence in the enterprise's facilities in the first fortnight of June, as a % of the total number of enterprises in operation or temporarily closed



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

Economic activity



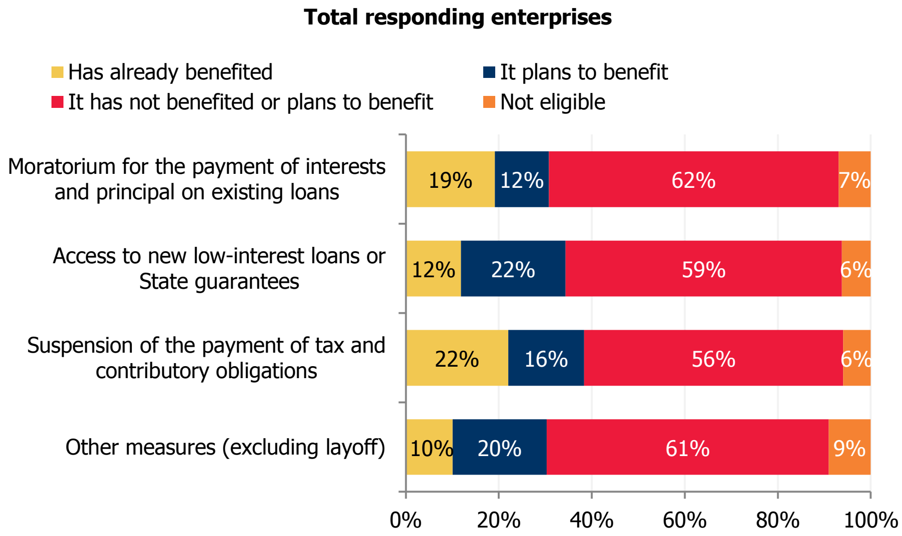
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Enterprises that have benefited or intend to benefit from the measures presented by the Government due to the COVID-19 pandemic in the first fortnight of June 2020

More than 55% of the enterprises do not intend to use support measures, excluding the simplified layoff

- Among the measures considered, 22% of the responding enterprises have already benefited from the suspension of tax and contributory obligations, 19% of the moratorium for the payment of interests and principal on existing credits and 12% of the access to new low-interest loans or State guarantees.
- The *Accommodation and food services* sector continued to register higher proportions of enterprises that have already benefited or intend to benefit from the support measures, with 41% of the enterprises in this sector already benefiting from the suspension of tax and contributory obligations, 28% from the moratorium for the payment of interests and principal on existing credits and 22% from the access to new low-interest loans or State guarantees.

Figure 10 • Use of the measures presented by the Government due to the COVID-19 pandemic, as a % of total number of enterprises in operation or temporarily closed



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

Intention to permanently change the activity of the enterprise due to the COVID-19 pandemic

75% or more of the enterprises consider that there is little or no probability of permanently changing their activities due to the COVID-19 pandemic

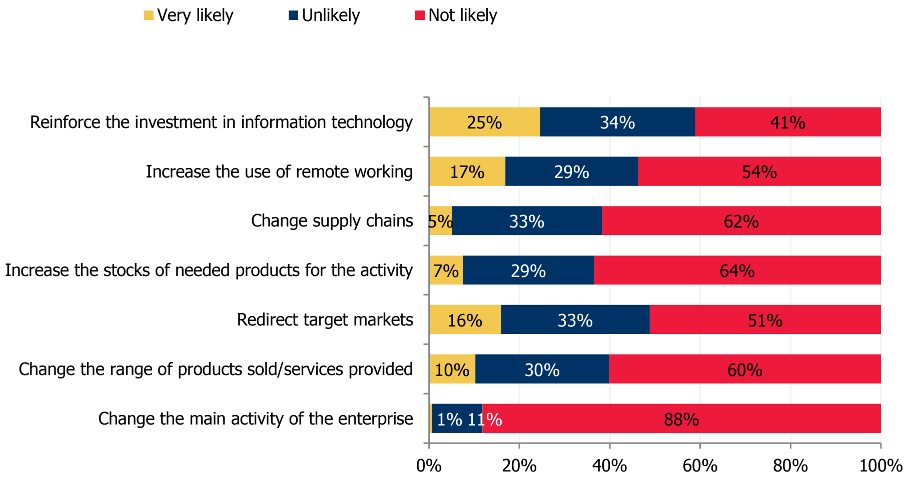
- The changes most frequently mentioned as very likely by the enterprises are the reinforce of the investment in information technology (25% of companies), the increase in the use of remote working (17%) and the redirection of target markets (16%). Changes in the range of products sold / services provided are considered very likely by 10% of respondent enterprises. Only 1% of the enterprises consider that their main activity is likely to change due to the pandemic COVID-19.

- The percentage of enterprises that consider very likely the reinforce of the investment in information technology and the increase in the use of remote working increases with the size of the enterprise, standing at 37% and 34%, respectively, in large enterprises.

- By sector, the percentage of enterprises that considered the reinforce of the investment in information technology very likely was higher in *Other services* (33%) and *Transportation and storage* (31%). The percentage of enterprises that considered the increase in the use of remote working very likely reached 47% in *Information and Communication* and 32% in *Other Services*. In the *Accommodation and food services* sector, 25% of the enterprises consider it very likely to redirect the target markets and 18% to change the range of products sold / services provided.

Figure 11 • Intention to permanently change the enterprise's activity due to the COVID-19 pandemic, as a % of total number of enterprises in operation or temporarily closed

Total responding enterprises



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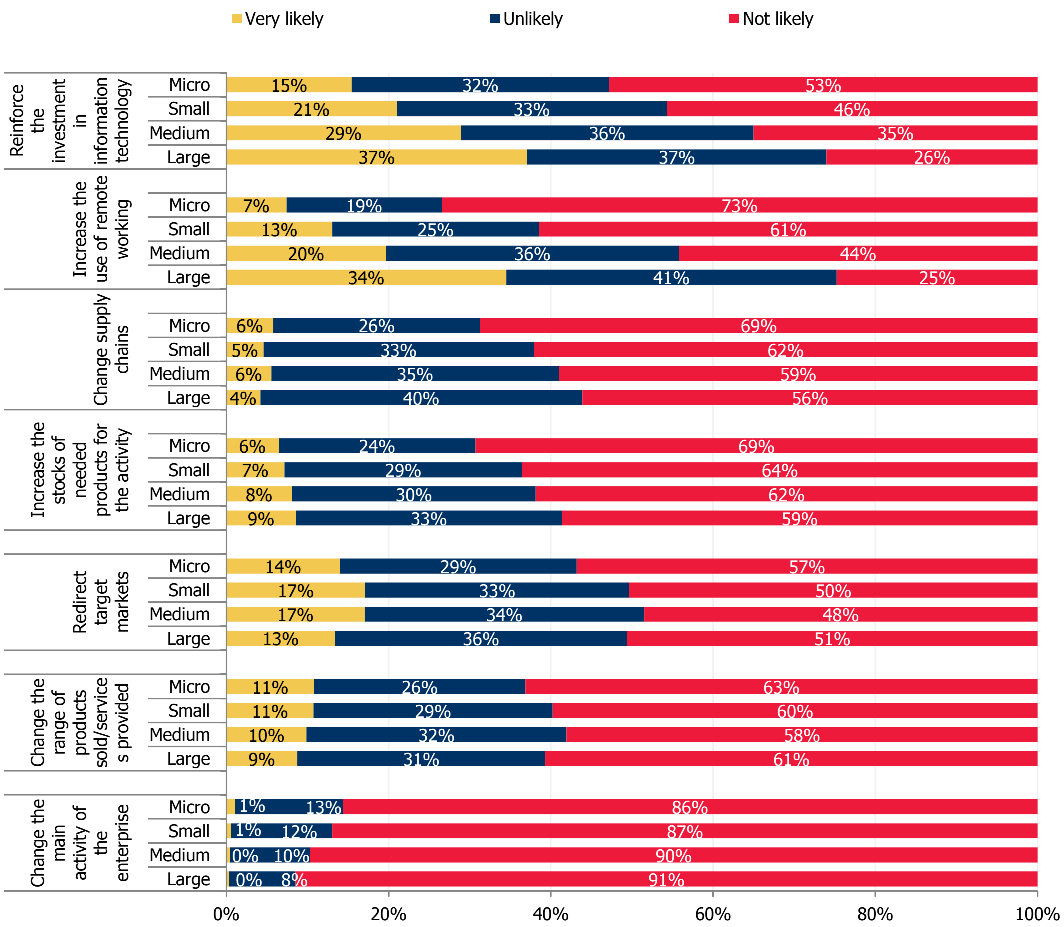
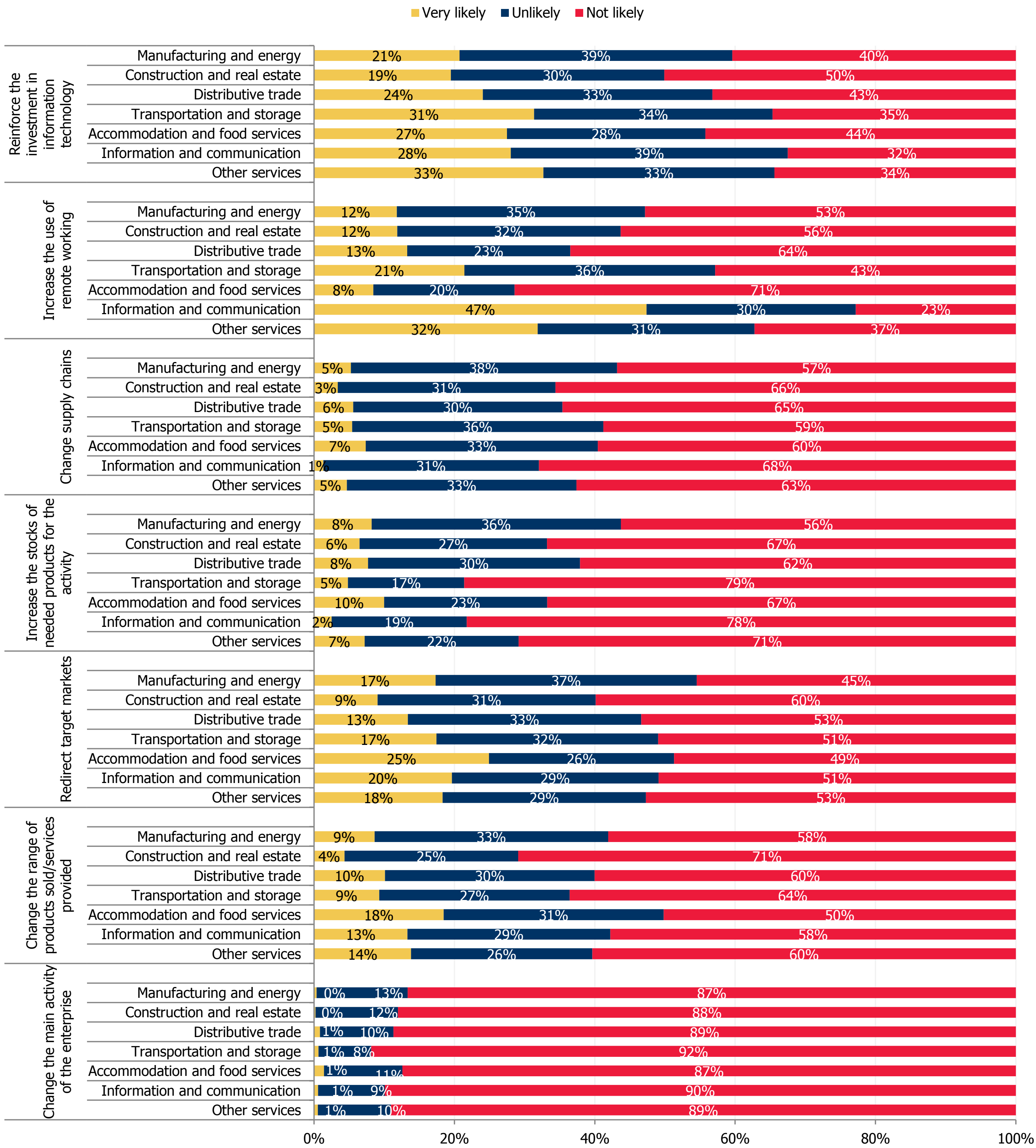


Economic activity



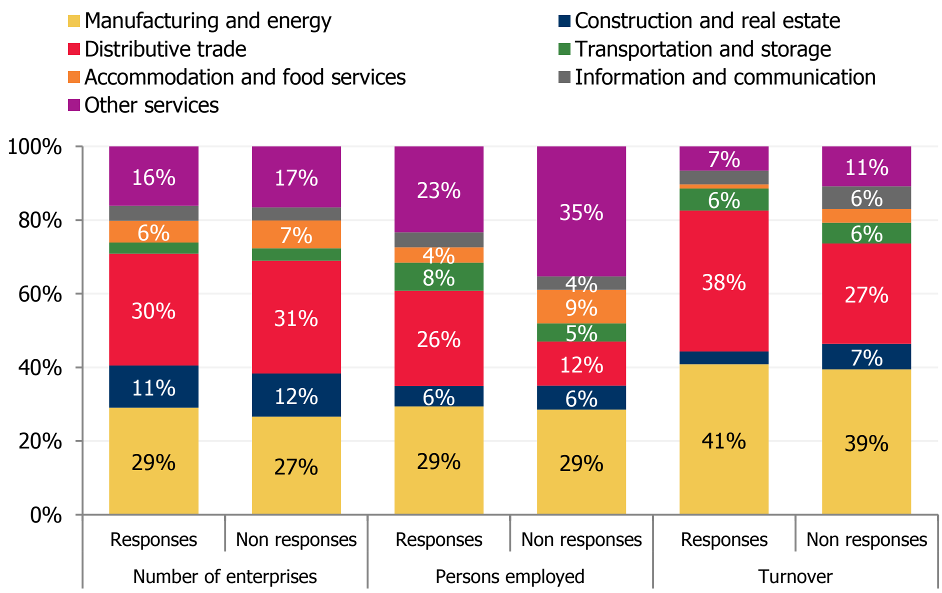
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

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 08 to 16 June 2020, with reference to the first fortnight of June 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 5,678 valid responses were obtained, representing an overall response rate of 63.9%. The respondent enterprises represent 68.0% of the persons employed and 78.5% 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 12 • 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

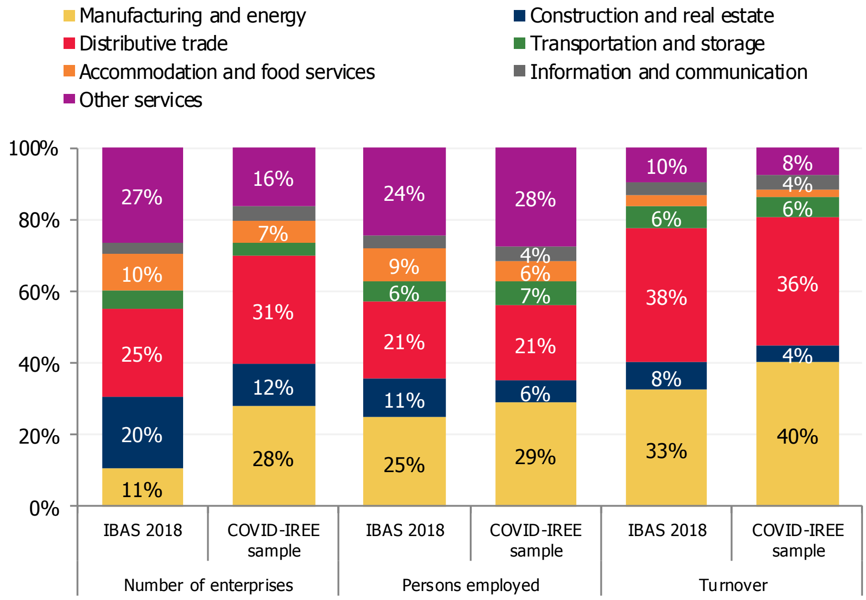
Applying a simple *Probit* model to assess the probability of response to the survey, a lower probability of response of micro and small enterprises was observed, and the possible bias resulting from this should be considered in the analysis. However, there was no evidence of bias associated with the 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 13 • 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. The collection of information starts on Monday and finishes at the end of Friday. The data for each week of enquiry may be revised in the following week by incorporating any replies received during the weekend.

In this edition of the survey, contrary to the usual, the data collection took place between June 8 and June 16 (Monday to Tuesday of the following week), because that week has less 2 working days, namely the holidays of 10th and 11th of June. Consequently the disclosure was made on a Friday, June 19, and not on Tuesday as usual.

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).

Expected date for the next dissemination:

01 July 2020

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.