

IMPACTS AND PERCEPTIONS OF COVID-19

GEORGIA'S ENTERPRISE SURVEY FOLLOW-UP



WORLD BANK GROUP
Poverty & Equity

MAIN FINDINGS
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MONITORING THE EFFECTS OF COVID-19 IN GEORGIA

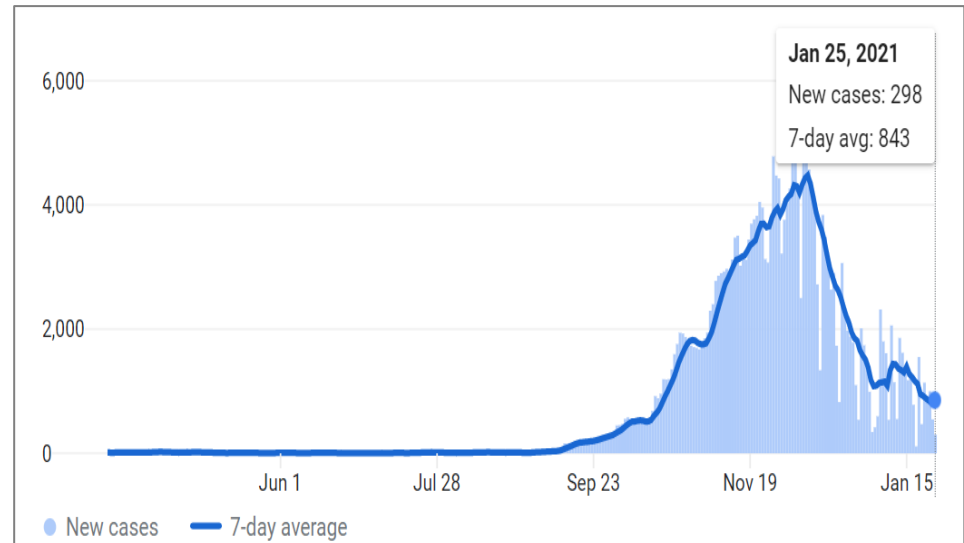
Survey Methods

Context of COVID-19 in Georgia



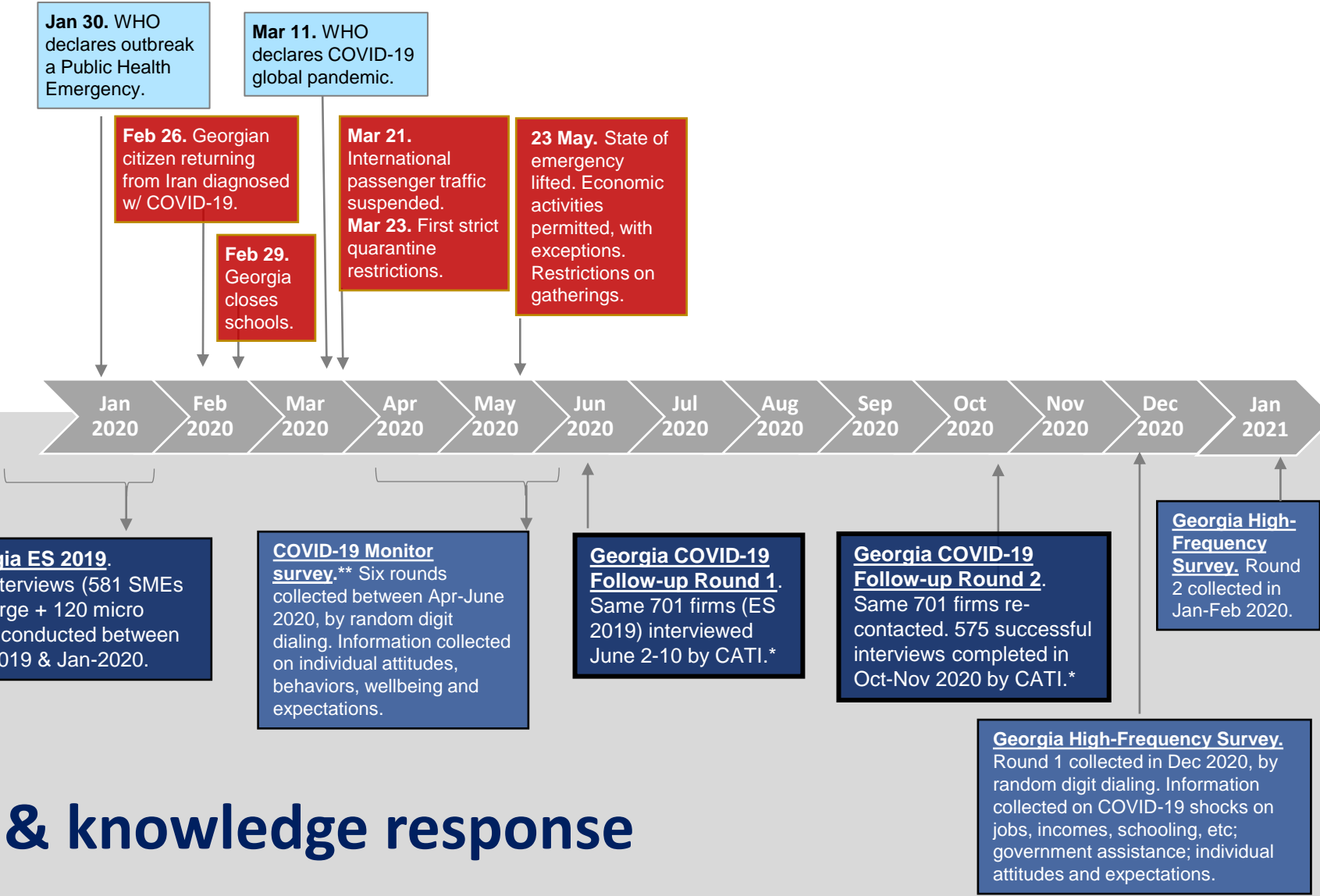
- Over **254 thousand people** have been diagnosed with COVID-19 in Georgia, by January 2021. Over 3 thousand people have died due to COVID-19.
- Georgia responded swiftly to the outbreak of COVID-19, declaring national state of emergency on March 21st, 2020. However, the number of active cases accelerated and increased 10-fold by September 2020.
- **Localized restrictions** based on the epidemiological situation remained in force until February 2021. The measures include partial closures of intercity passenger transport, restaurants and food outlets. Additional restrictions apply in Tbilisi and other large cities to retail outlets, educational facilities, etc.
- The pandemic has contributed to economic slowdowns in key sectors of the economy, including tourism (8% of GDP).
- The economic shocks derived from the pandemic are expected to **contract the economy by -5.8% in 2020**, a sharp contrast to initial forecasts of **4.6% GDP growth** held before the pandemic.
-

COVID-19 recorded cases in Georgia



Google, with data from Johns Hopkins University (JHU) Monitoring Tool. Accessed: Jan 26th, 2021.

COVID-19 Outbreak



Data & knowledge response

* CATI: Computer Assisted Telephone Interviews (CATI)

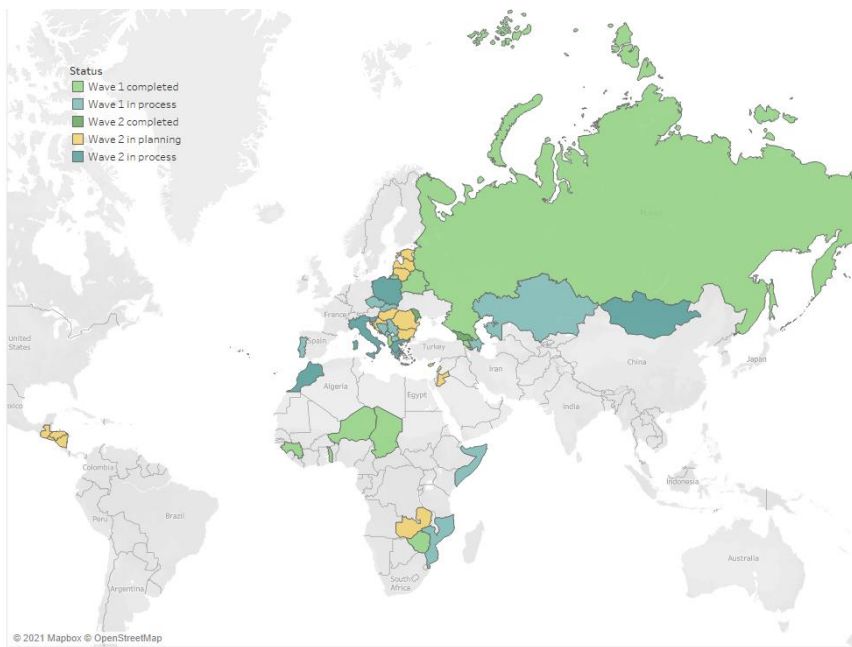
** Collected by the Caucasus Research Resource Center, with funding from the Government of the Netherlands and technical collaboration from the World Bank.

Source: WHO (2020); IMF (2020); Government of Georgia.

Coverage of COVID-19 Monitoring

COVID-19 Follow-Up Enterprise Surveys

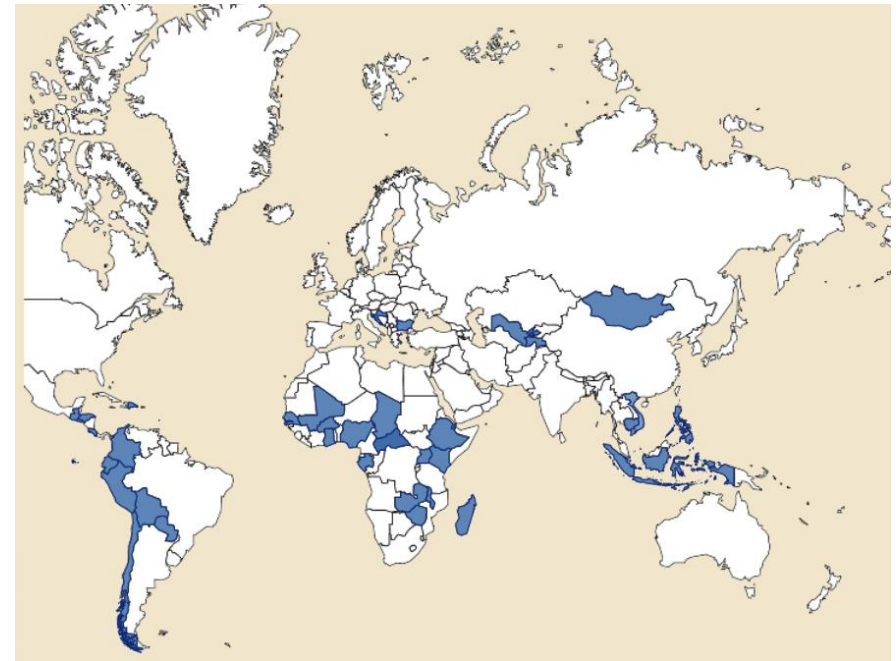
Collected firm-level data on the effects of COVID-19 on the **private sector** in 44 countries.* Similar indicators are available across countries.



<https://www.enterprisesurveys.org/en/covid-19>

COVID-19 High-Frequency Surveys

Collected data on the socioeconomic impacts of COVID-19 on **households and individuals** in 45 countries. Cross-country harmonized indicators are available.**



<https://www.worldbank.org/en/data/interactive/2020/11/11/covid-19-high-frequency-monitoring-dashboard>

ENTERPRISE SURVEY GEORGIA: COVID-19 FOLLOW-UP

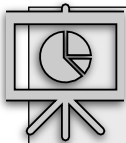
Rounds 1 & 2: Key Findings

Enterprise and COVID-19 Follow-Up: Design

Structure	Round	Sampling frame	Coverage	Method	Response rate	Dates	Sample
Longitudinal design	Enterprise Survey Georgia: 2019	Stratified random sampling on universe of all registered firms (non-agriculture, formal, private).	<ul style="list-style-type: none"> Micro, small, medium, and large* firms in four regions (Center, East, North & West, Tbilisi) and manufacturing and service sectors. 	Face-to-face and phone interviews		March 2019 – January 2020	<ul style="list-style-type: none"> Baseline of 701 firms <ul style="list-style-type: none"> ➤ 581 standard ES and 120 Micro)
	COVID-19 Follow-up: Round 1	Same as ES-2019	<ul style="list-style-type: none"> Additionally, representative of the hospitality sector. Not representative of informal economy. 	CATI [†]	88%	June 2 nd , – 10 th , 2020	<ul style="list-style-type: none"> Follow-up ES-2019 baseline: <ul style="list-style-type: none"> ➤ 597 confirmed opened ➤ 87 refusals to answer ➤ 17 discontinued businesses
	COVID-19 Follow-up: Round 2	Same as ES-2019			CATI [†]	84%	Oct 11th, – Nov 9th, 2020

Methodology and Implementation

COVID-19 Follow-Up: Topics included



Control information



Demand and supply shocks



Sales



Production



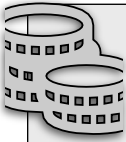
Remote work and firm adjustments



Workforce



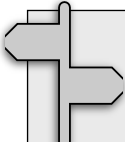
Gender



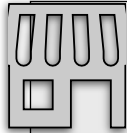
Finance



Government policies



Expectations



Firm closures

Key Findings: Firms

External shocks



- Georgian firms have faced relevant **external shocks** to demand and supply since the beginning of the pandemic, affecting their sales levels.
- Though there are **some signs of recovery by the end of 2020**. 80% of firms reported monthly **demand contractions** in May 2020, and this share decreased to 58% of firms by Sep-Oct 2020.
- The **recovery in sales level is mixed**. The share of firms facing reduced monthly sales decreased between May and Sep-Oct 2020. Nonetheless, recovery seems driven by larger firms.
- **Micro-firms are performing worse** as the pandemic prolongs, both in the share of affected firms (facing lower sales) and the average drop in sales. Overall, **larger firms have been more cushioned** against the economic shocks from the COVID-19 pandemic.

Firm closures



- Almost 70% of all firms have **closed at least temporarily** during the pandemic. Additionally, 3% of the sample of firms have been **confirmed permanently closed**. On average, since the beginning of the pandemic, firms that closed temporarily have closed for 18 weeks.
- The **hospitality industry has been particularly affected**. 80% of interviewed hotels and restaurants closed temporarily. The industry has also faced longer closures.

Coping strategies



- Firms have responded to the shocks of COVID-19 with several **adjustments** to their operations, products and services. Though the business coping strategies varied significantly with firm size.
- Half of Georgian firms have **converted production or services** offered to adjust to the pandemic.
- One tenth of firms **introduced a new product** or services. And 15% of firms have **discontinued** a product or service. Only 25% of micro-firms reported an increase in **remote work**, while close to 70% of large firms did so.
- The need to reduce **capacity utilization** in manufacturing has subsided, a sign of recovery.

Workforce



- Nationally, firms reported a 21% **decline in permanent full-time workers**, though this was close to 30% for medium-sized firms, and less than 15% for large firms.
- 70% of firms also decreased the **weekly hours of work**.

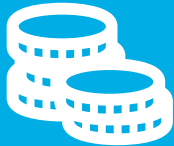
Key Findings: Firms

Gender impacts



- **Female workers have disproportionately suffered** from the impacts of COVID-19 on employment. Women account for more than **65% of layoffs** since March 2020 (despite making up only 40% of full-time workers).
- Job loss is only one among several sources of **gender disparities** in the effects of the pandemic. Large shares of women have been furloughed, quit, or taken leave since the outbreak.

Finance



- The pandemic has **hindered the financial standing** of many Georgian firms.
- **Cashflow pressures and arrears** are affecting firms across sizes and sectors. Almost 90% of firms have faced lower liquidity or cashflow availability. Half of firms have delayed payments to suppliers, landlords, or tax authorities.
- Out of 17% of firms that applied for **credit from commercial banks**, only one fifth had their most recent loan approved; 79% of credit applications were rejected.

Government support



- Government **assistance to mitigate** the economic effects of the pandemic has reached **44% of firms**. However, coverage has been **highest among large firms**. **Micro and retail firms** have observed much lower coverage rates.
- **Fiscal relief and wage subsidies** have been the most common type of reported government support. A large share of micro-firms have also received **cash transfers**. Fiscal relief and cash transfers are the most needed support measures.

Looking ahead

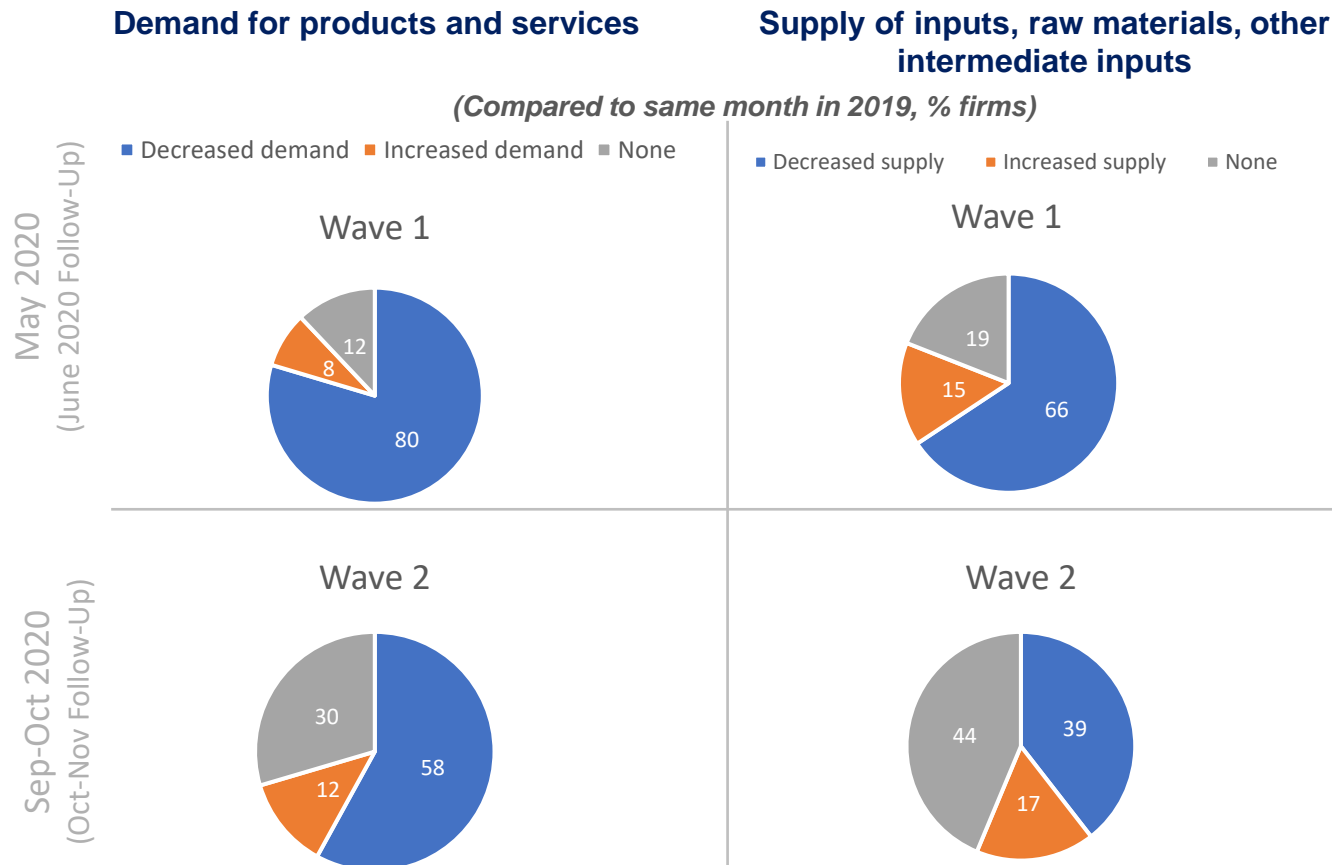


- Firms expect to take **5 and 2 months to return to normal levels of sales and workforce, respectively**.
- If sales stopped, firms could **survive 5 weeks on average**. **45% expect to fall in arrears** on outstanding liabilities.

1) Shocks to demand & supply

- There are **some signs of recovery in demand and supply** faced by Georgian firms.
- 80% of firms reported **demand contractions** in May 2020 (compared to the same month in 2019), whereas 58% of firms still faced lower demand by Sep-Oct 2020.
- Reported shocks to the **supply of inputs and raw materials** have been more moderate. 39% of firms observed supply shocks in Sept-Oct 2020, compared to 66% reported in Wave 1 (for May 2020).

Changes in demand and supply

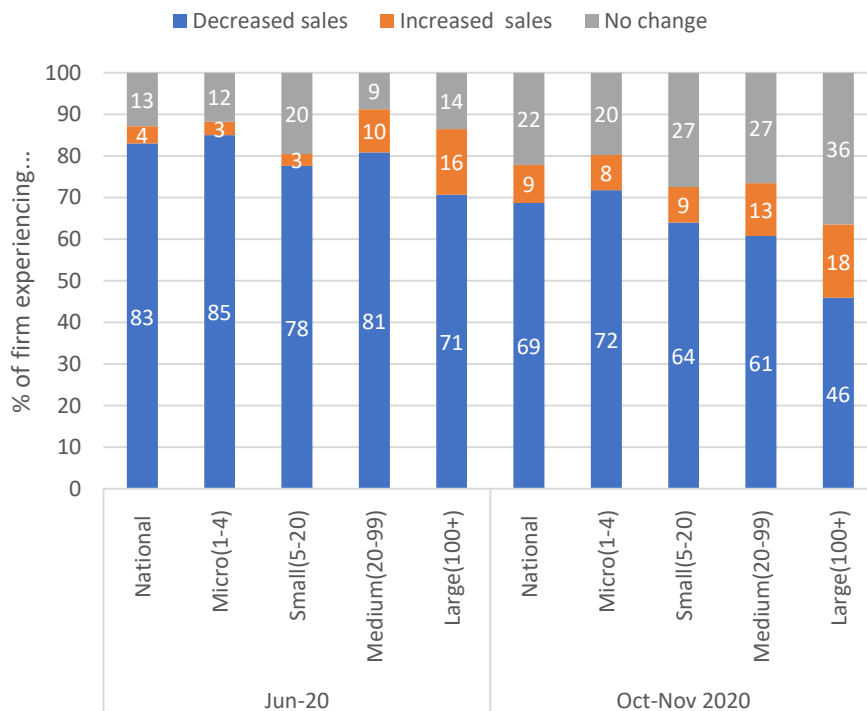


2) Sales

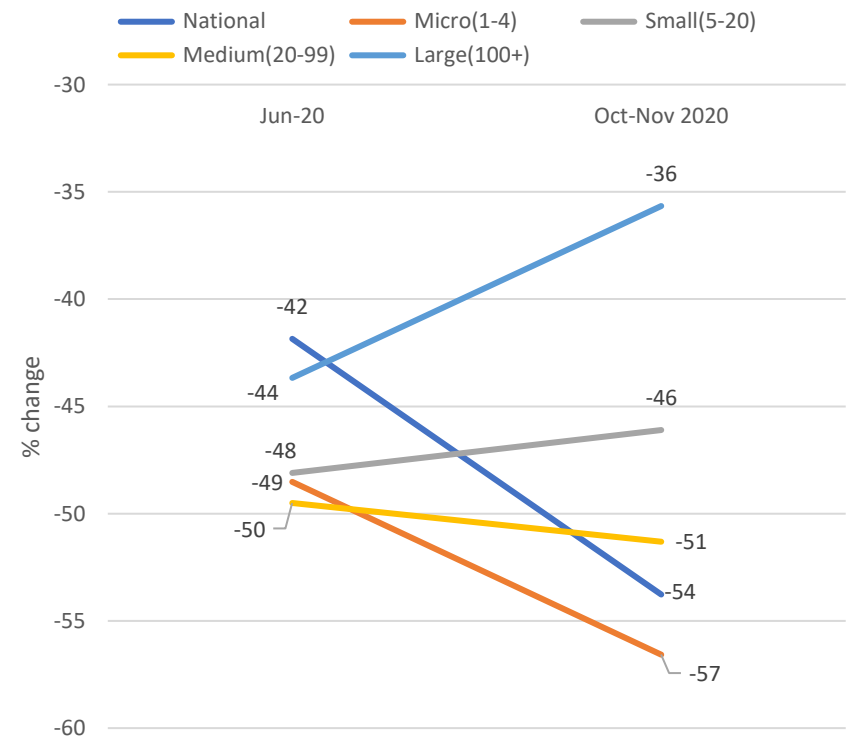
- There are mixed results for **sales recovery**. On the positive side, 69% of all firms had lower monthly sales in Wave 2, an improvement compared to 83% in Wave 1.
- Micro-firms were most affected in both periods. Over 4 in 5 micro-firms decreased sales in May 2020.
- **Recovery is salient among large firms**. Sales were lower for only 46% of large firms in Sep-Oct 2020. The average (conditional) sales drop improved for large firms.*
- Despite progress in the number of affected firms, **sales among poor-performing firms could be worsening**. Nationally, the (conditional) average drop in monthly sales was -42% for Wave 1, but -54% for Wave 2.* This trend is driven by poor performance among micro-firms. More **micro-firms** (56%) are decreasing sales and performing worse by the end 2020 (-57% conditional sales drop).*

Impact on sales

Change in monthly sales, compared to one year ago



Average change in sales compared to a year ago*



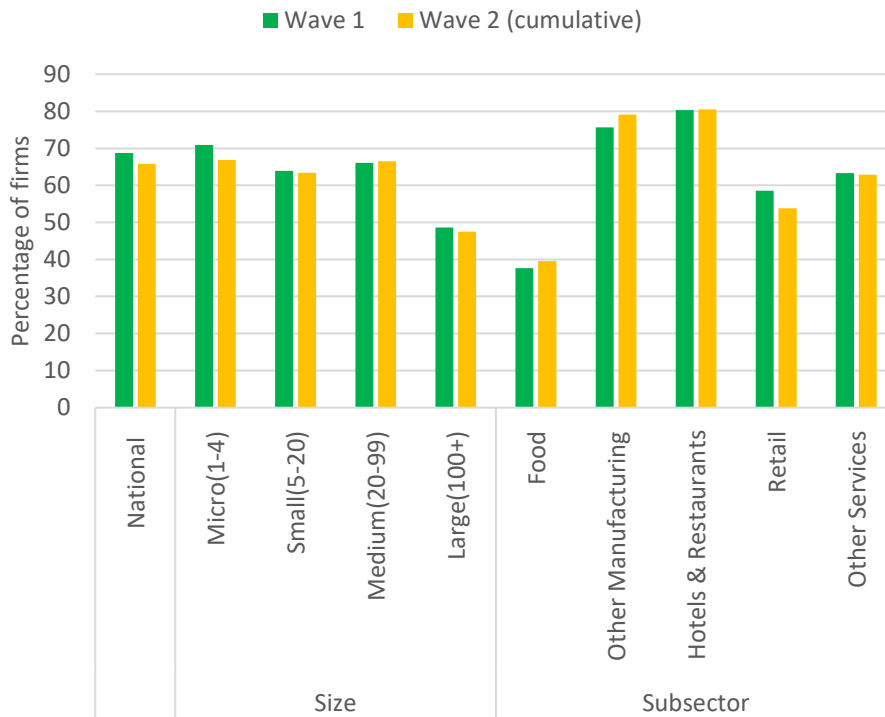
Source: Enterprise Survey and Enterprise Survey Follow-Up, Round 1 & 2. * Conditional for firms decreasing monthly sales only.

3) Closures

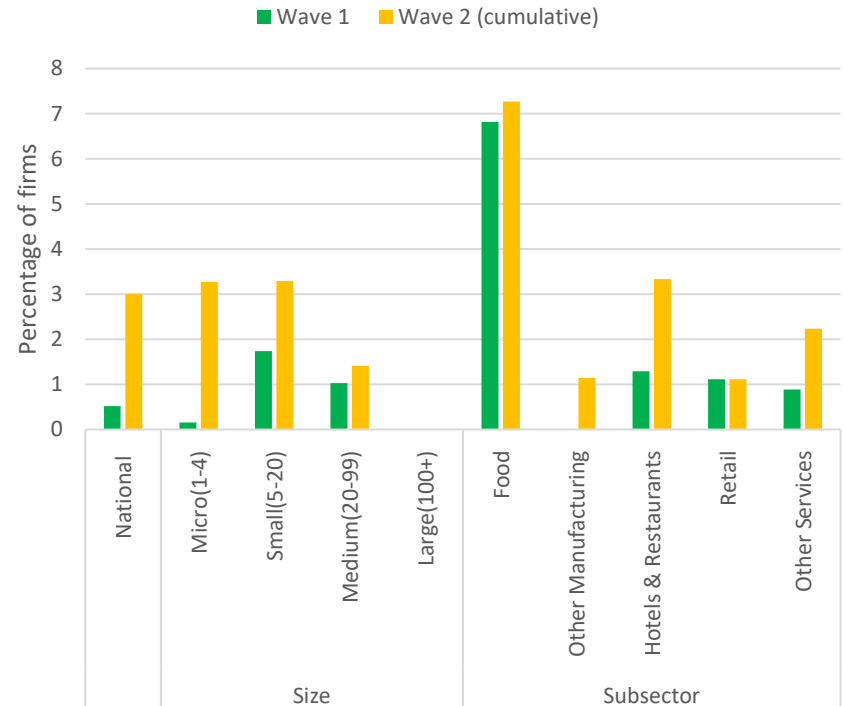
Permanent and temporary business closures

- 70% of all firms have **closed at least temporarily** during the pandemic. Additionally, 3% of the sample of firms have been **confirmed permanently closed**.
- On average, since the beginning of the pandemic, firms that closed temporarily have **closed for 18 weeks**. Closure durations in hotels and restaurants have been longer, at 23 weeks on average.

Firms that ever temporarily closed during COVID-19 outbreak



Firms confirmed permanently closed since COVID-19 pandemic declared

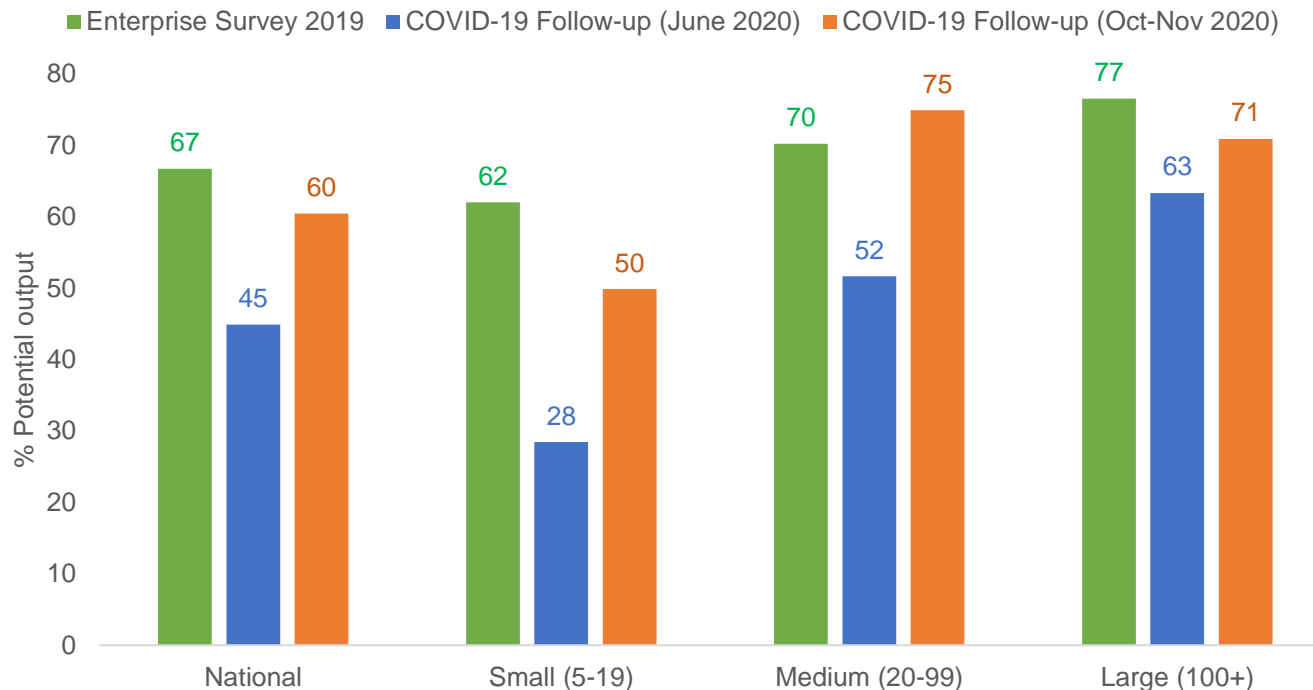


4) Operations

Capacity adjustments

- Before the pandemic, Georgian manufacturing firms operated at 67% of their output capacity. By May 2020, capacity utilization dropped to 45% of potential output. Small manufacturing firms suffered the largest production plunge, from 62% to 28% of potential output. Large firms only reduced production by 18%.
- Wave 2 shows **output recovery across all firm sizes**. On average, medium-sized firms are producing at higher than pre-pandemic capacity.

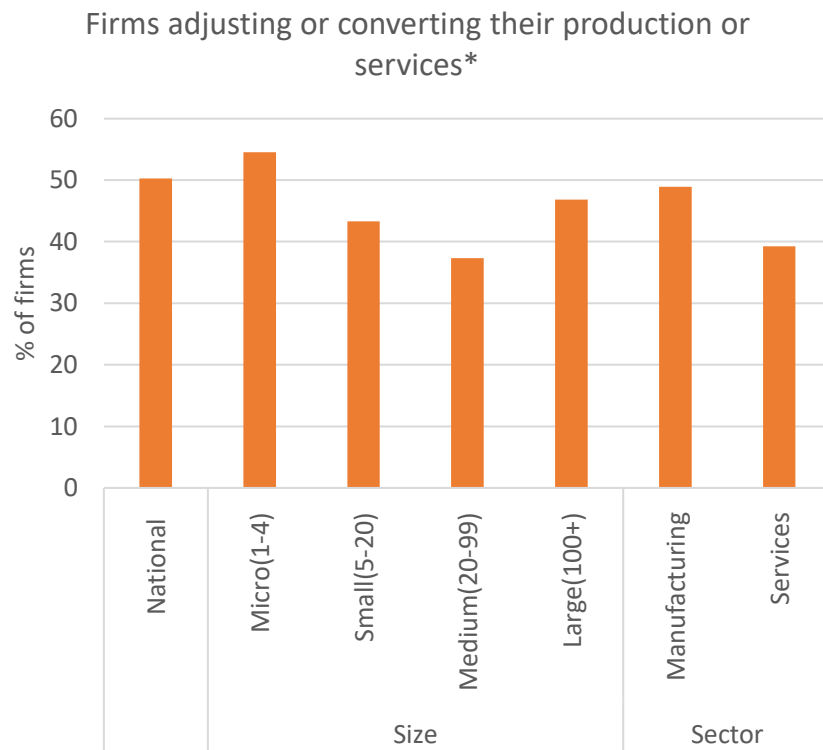
Capacity utilization in manufacturing, during previous month



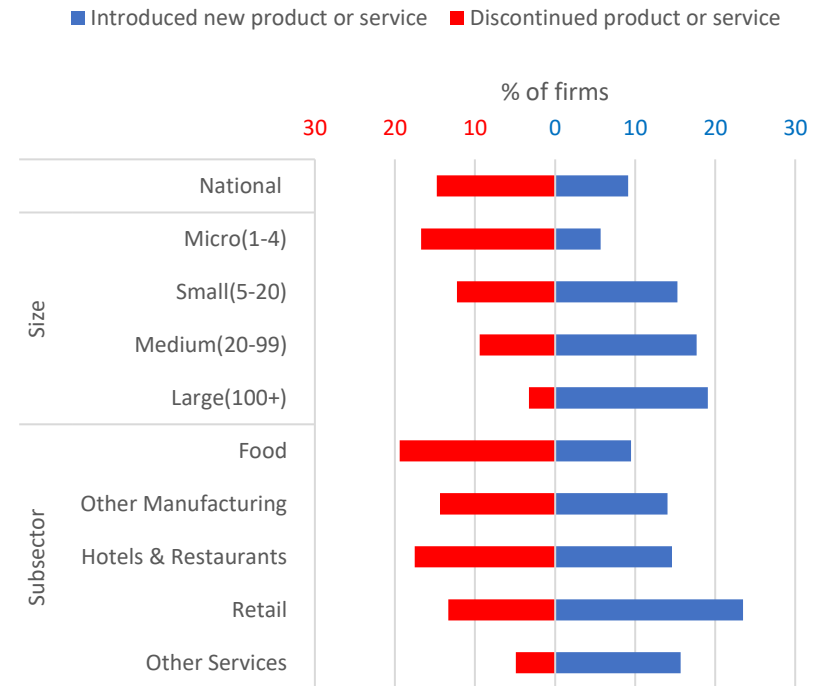
4) Products & services

- Half of Georgian firms have **converted their production or services** offered to adjust to the pandemic. Adjustments have been most common among micro-firms, and manufacturing firms.
- One tenth of firms **introduced a new product** or services. And 15% of firms have **discontinued** a product or service. Retail firms are more likely to introduce new products; food production and micro-firms are less likely to introduce new products or services.

Firms adjusting or converting production or services (As of Oct-Nov 2020)



Innovation in response to the pandemic



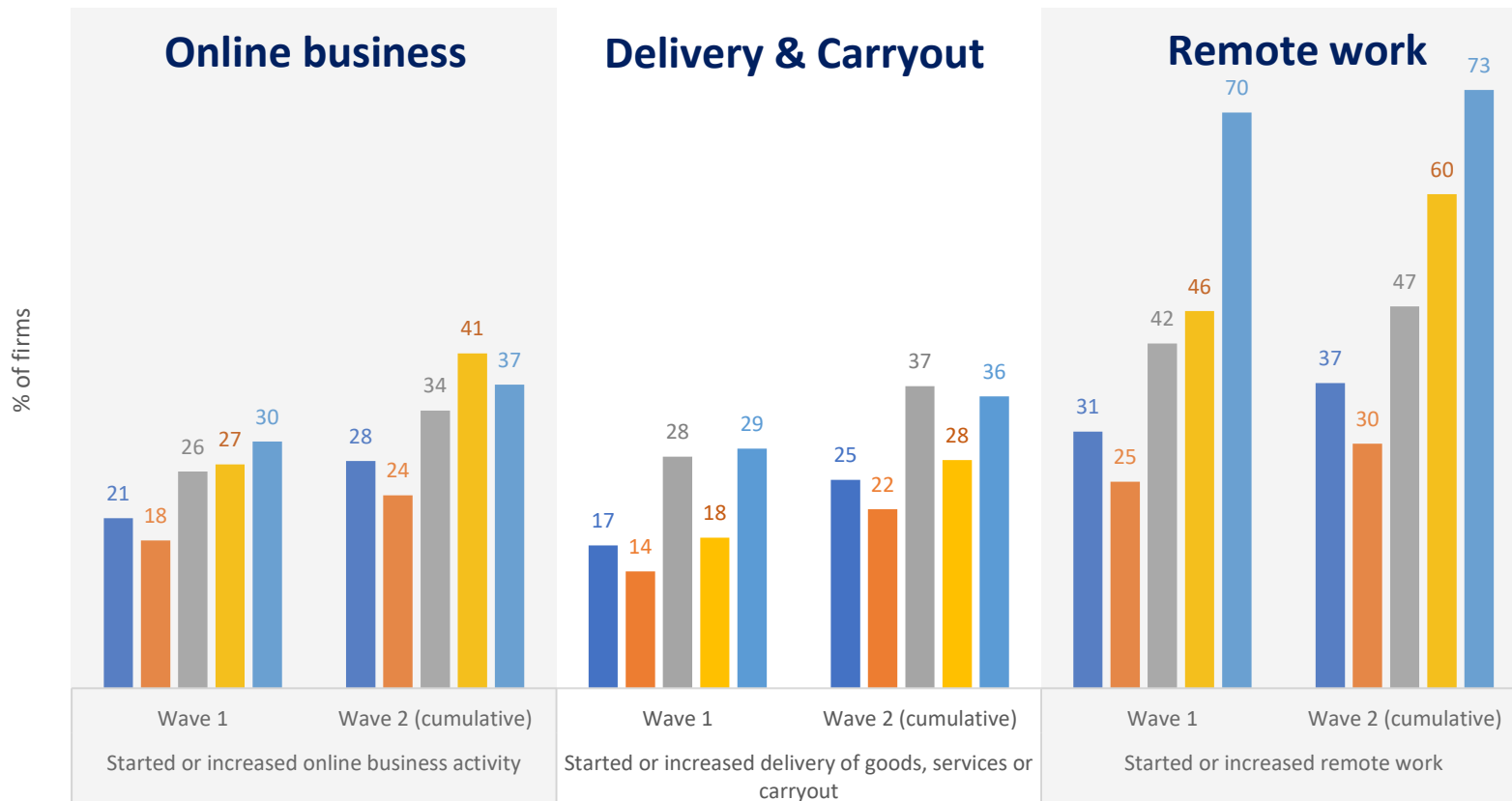
Source: Enterprise Survey Follow-Up. Notes: Figures as of Oct-Nov 2020. * "Has this establishment adjusted or converted, partially or fully, its production or the services it offers in response to the COVID-19 outbreak?"

5) Coping strategies

- **37% of firms have implemented remote work** as of Oct-Nov 2020. Almost three quarters of large firms started or increased remote work. Medium-sized firms took longer to adjust, but 60% of these firms started or increased remote work by Oct-Nov 2020. Only 30% of micro-firms increased remote work.
- Other coping strategies to face the pandemic include starting or increasing **online businesses** (28% of firms), followed by offering new or increased **delivery and carryout** services (25% of firms).

Coping strategies and innovation

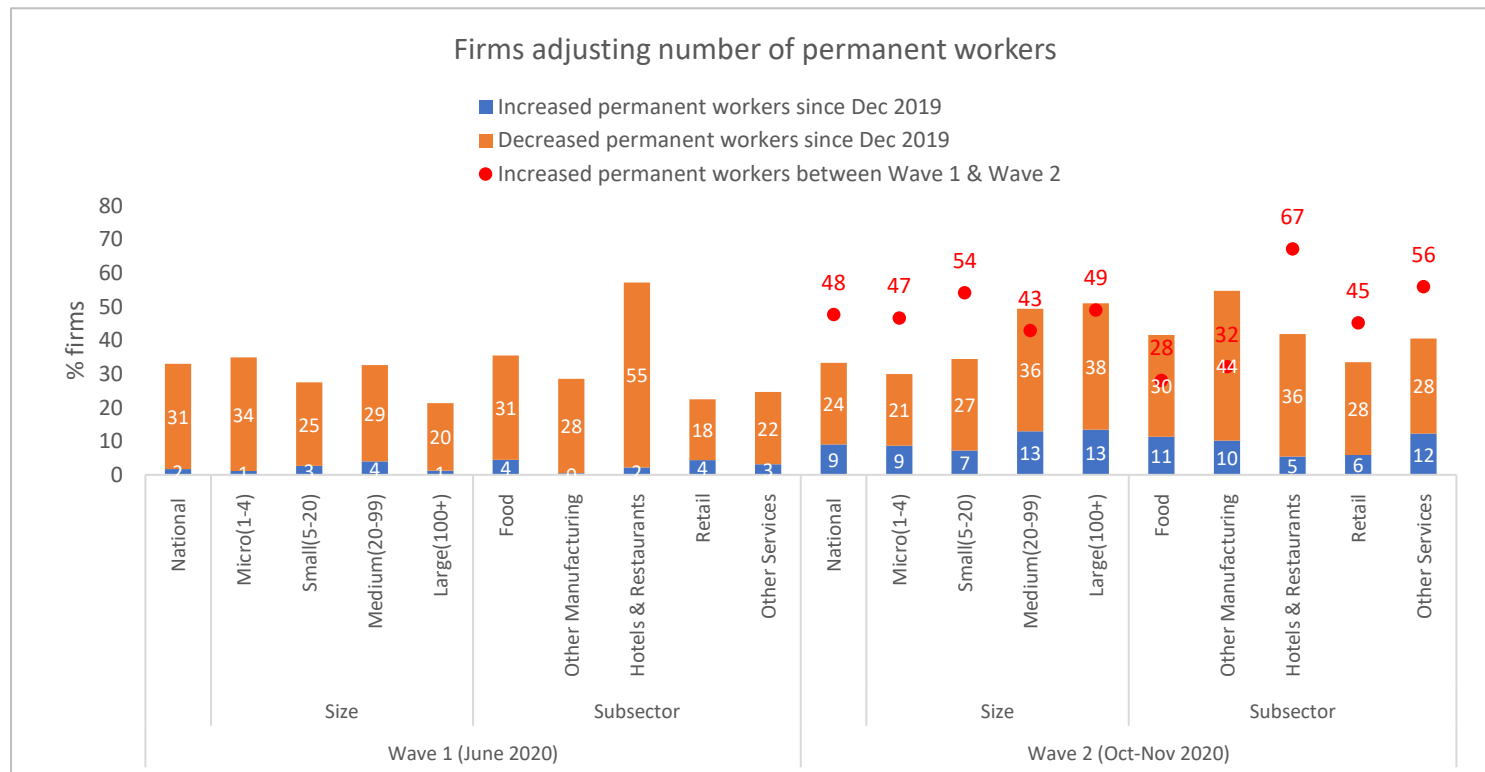
■ National ■ Micro(1-4) ■ Small(5-20) ■ Medium(20-99) ■ Large(100+)



6) Workforce

Impact on employment

- Firms have also adjusted to the pandemic by **reducing employment**.
- At the beginning of the pandemic (Wave 1) **30% of firms reduced their permanent workforce** (compared to Dec 2019). **55% of firms in the hospitality industry** reduced permanent workers.
- There are **signs of recovery** in labor markets. By Nov-Oct 2020 (Wave 2), 24% of firms still reported fewer permanent workers (compared to Dec 2019). But 9% of firms increased the number of permanent workers. Moreover, between Waves 1 & 2, **48% of firms increased permanent employment**.

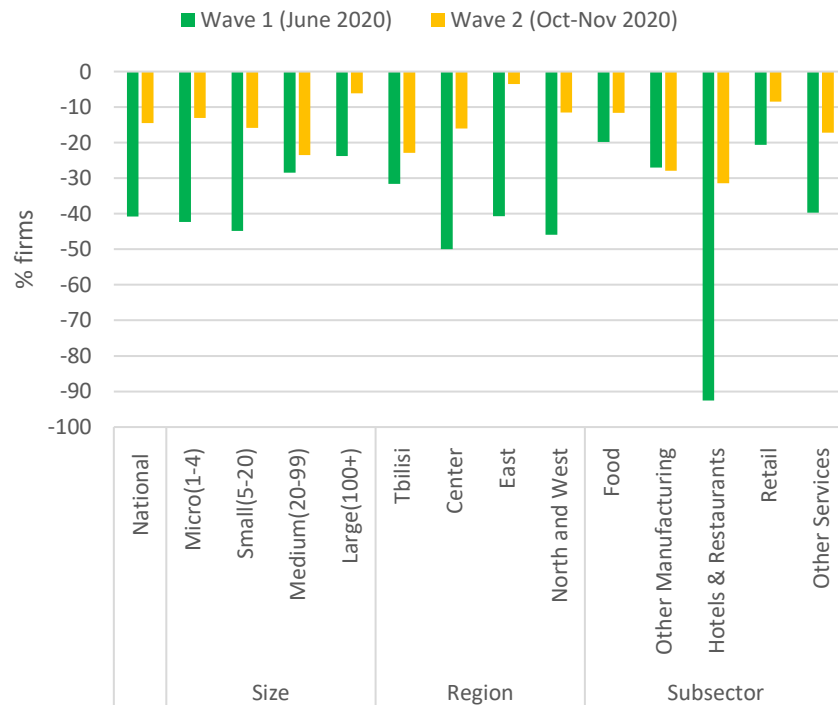


6) Workforce

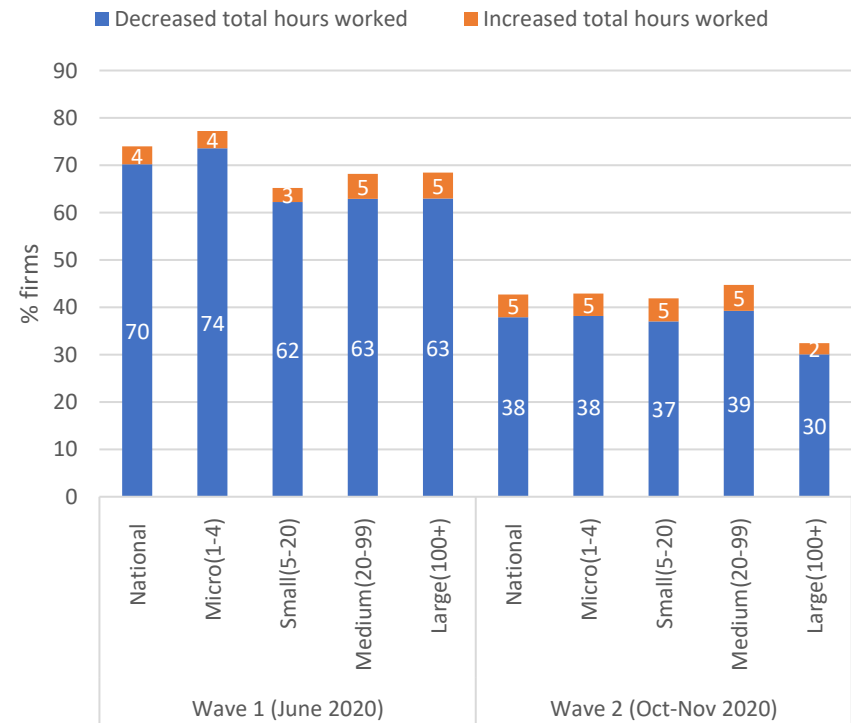
Impact on employment

- Other indicators confirm **recovery trends**. On average, firms **reduced full-time employment by -14%** in Nov-Dec 2020, relative to Dec 2019. This is a sharp improvement from a -41% drop reported in June 2020.
- There has been a **sharp improvement in the number of hours worked**. At the beginning of the pandemic, 70% of firms operated with reduced work hours. By Oct-Nov 2020, only 38% of firms reported reduced hours worked (relative to 2019)

Percentage change of permanent full-time workers since December 2019



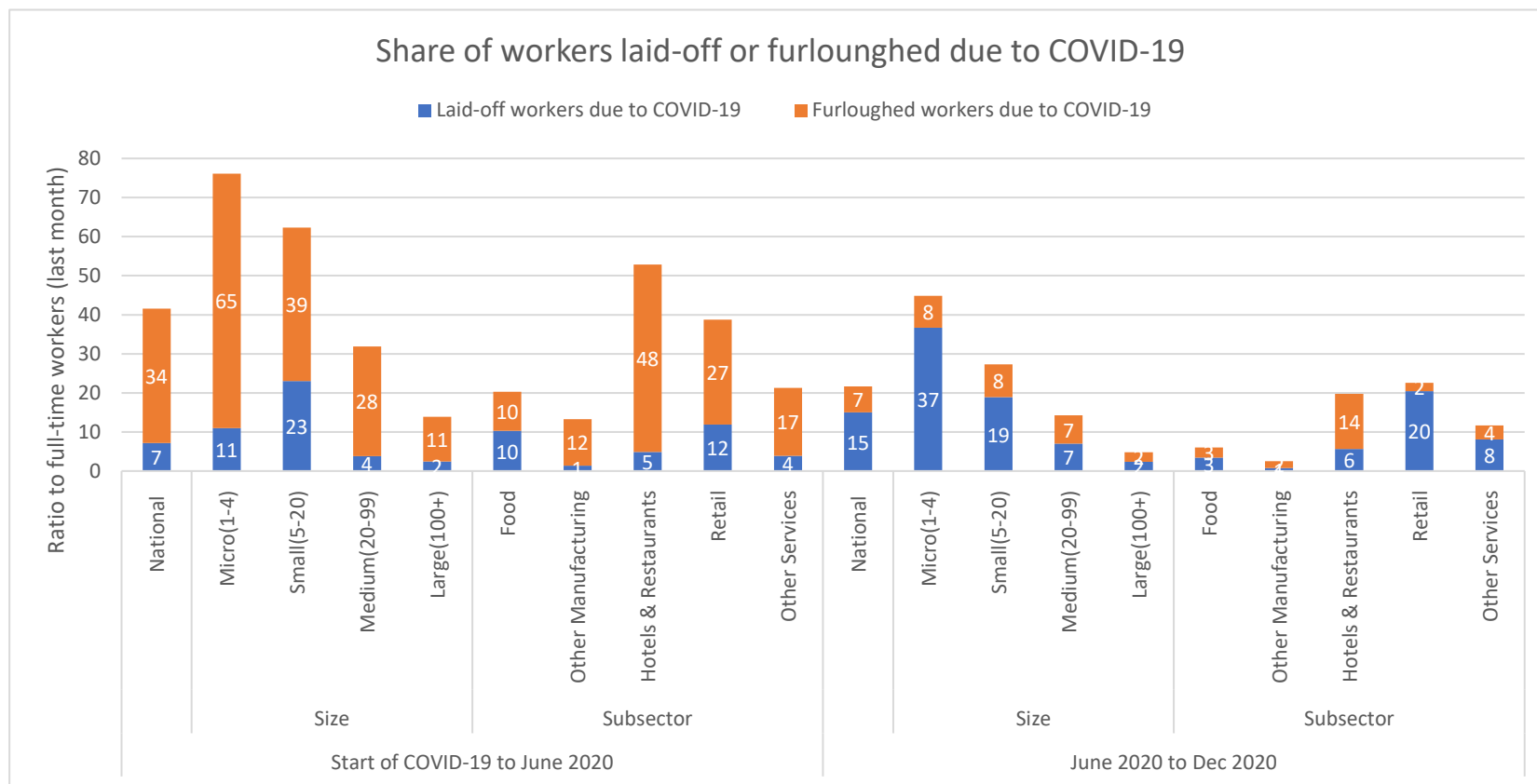
Change in working hours compared to one year ago



6) Workforce

Impact on employment

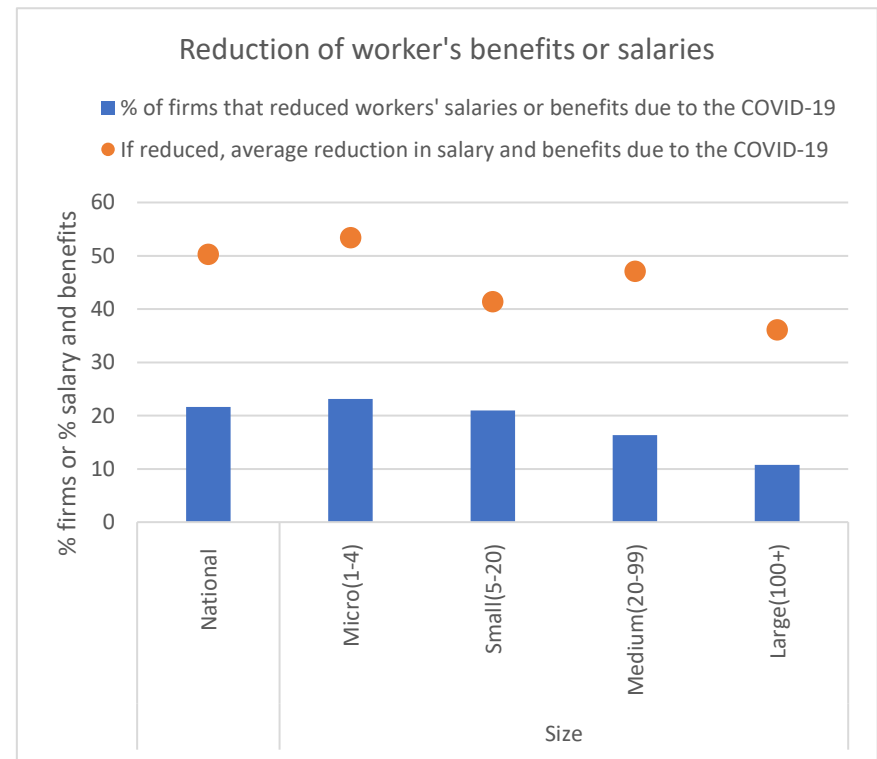
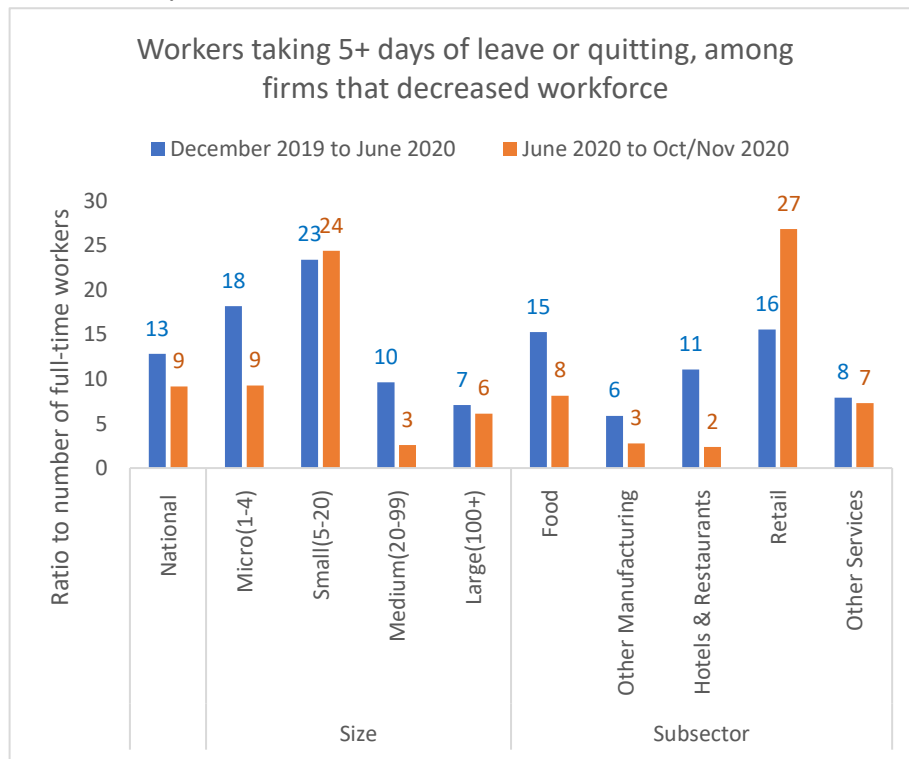
- The pandemic led firms to lay-off or furlough large shares of workers. On average, **34% of workers were laid-off** since the start of the pandemic until the first Follow-Up interview (June 2020). An additional **7% were furloughed**.
- Workers in **micro and small firms**, and the **hospitality industry**, have been most affected. Up to 65% of workers in micro-enterprises were laid-off between March and June 2020.
- Since June 2020 (through Oct/Nov 2020), the rate of worker layoffs decreased, but remained high (15% full time in the previous month).



6) Workforce

Other impacts on workers

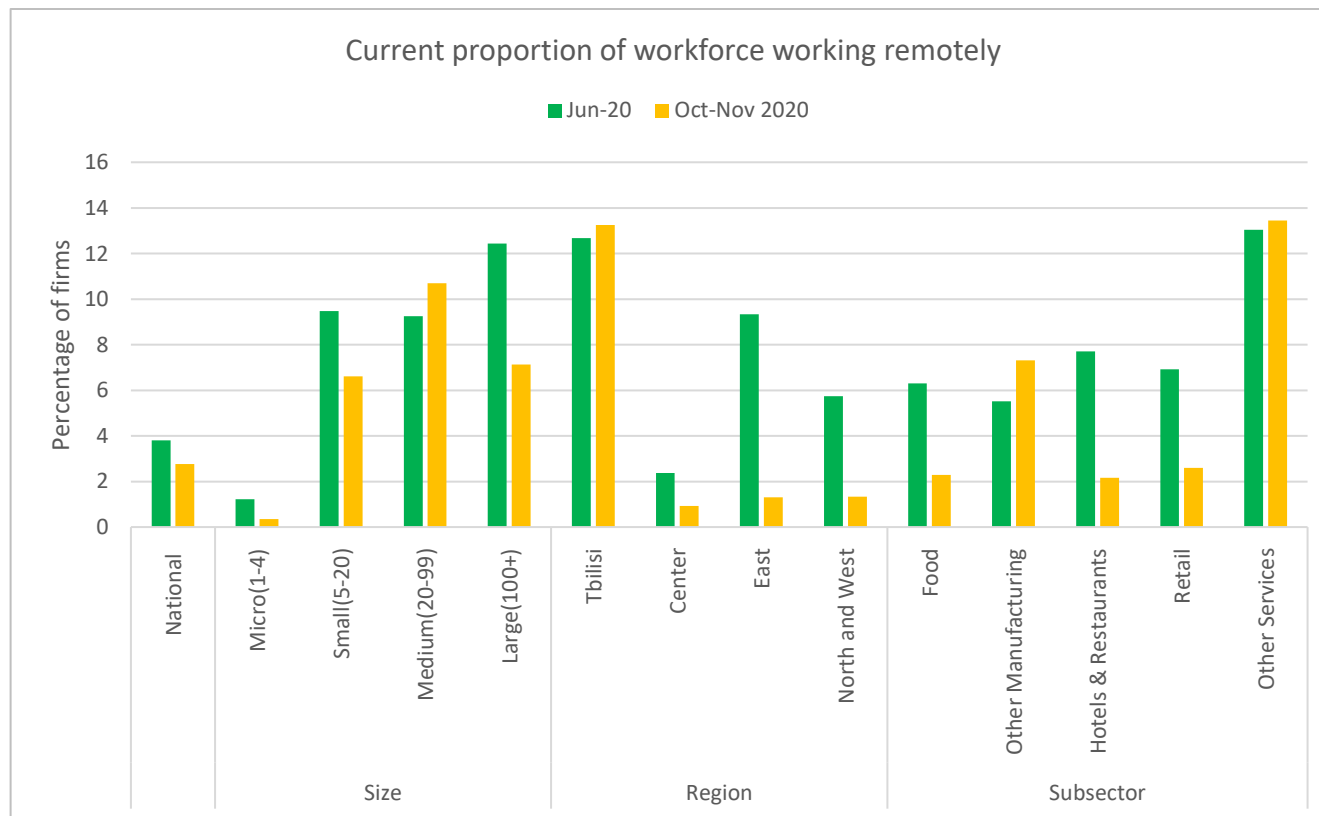
- In addition to layoffs and furloughs, The pandemic led firms to lay-off or furlough large shares of workers. On a average, **34% of workers were laid-off** since the start of the pandemic until the first Follow-Up interview (June 2020). An additional **7% were furloughed**.
- Workers in **micro and small firms**, and the **hospitality industry**, have been most affected. Up to 65% of workers in micro-enterprises were laid-off between March and June 2020.
- Since June 2020 (through Oct/Nov 2020), the rate of worker layoffs decreased, but remained high (15% full time in the previous month).



6) Workforce

Remote work

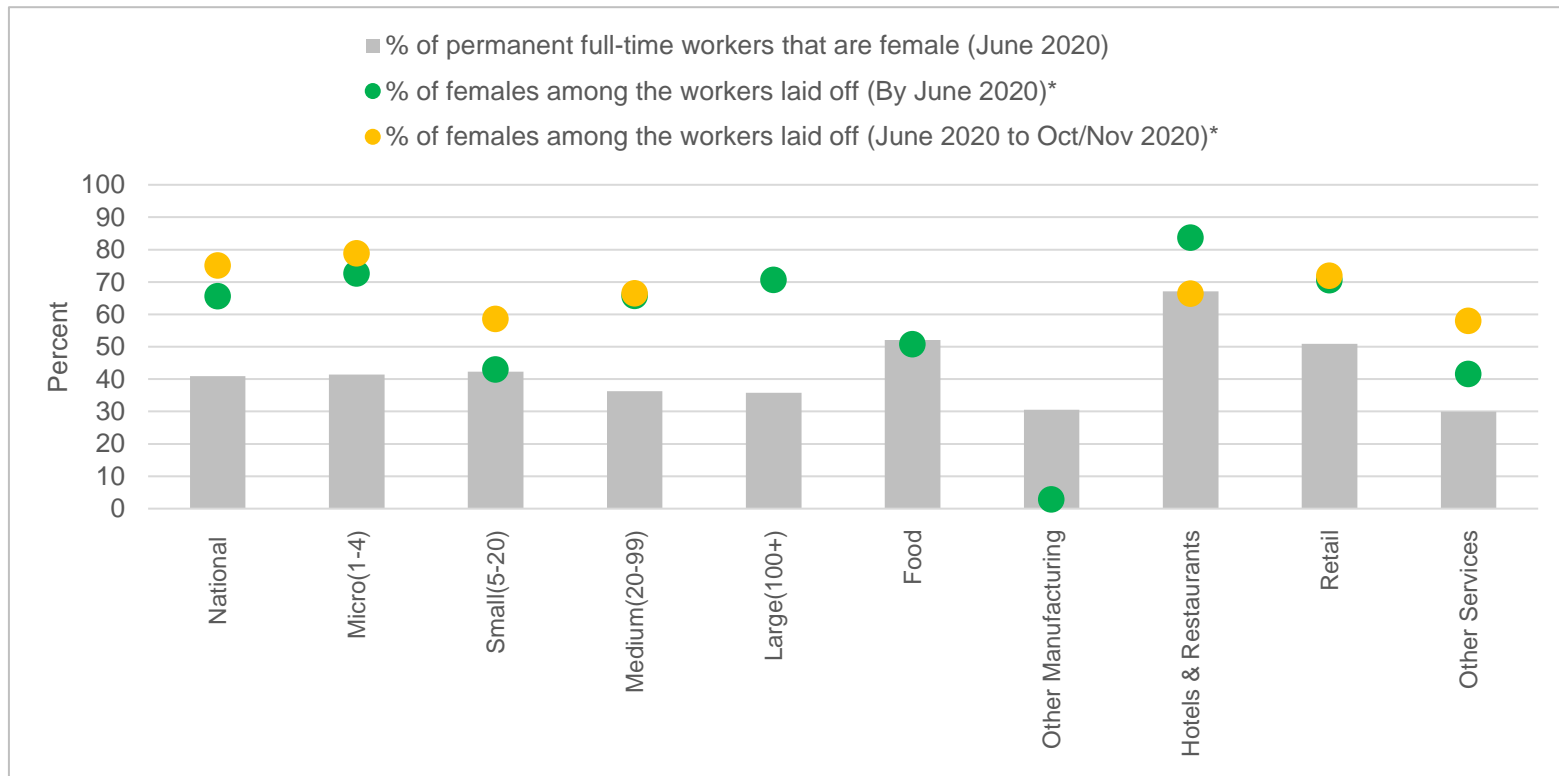
- While a large proportion of firms have adopted remote work, the **share of workers who continue working remotely is limited (less than 3% by Oct-Nov)**. This small share is mostly driven by in-person work in micro-enterprises.
- There are large geographic disparities in the ability to work remotely. Remote work decreased by the end of 2020, across firm sizes, regions and most subsectors.



7) Gender

Impact on female workers

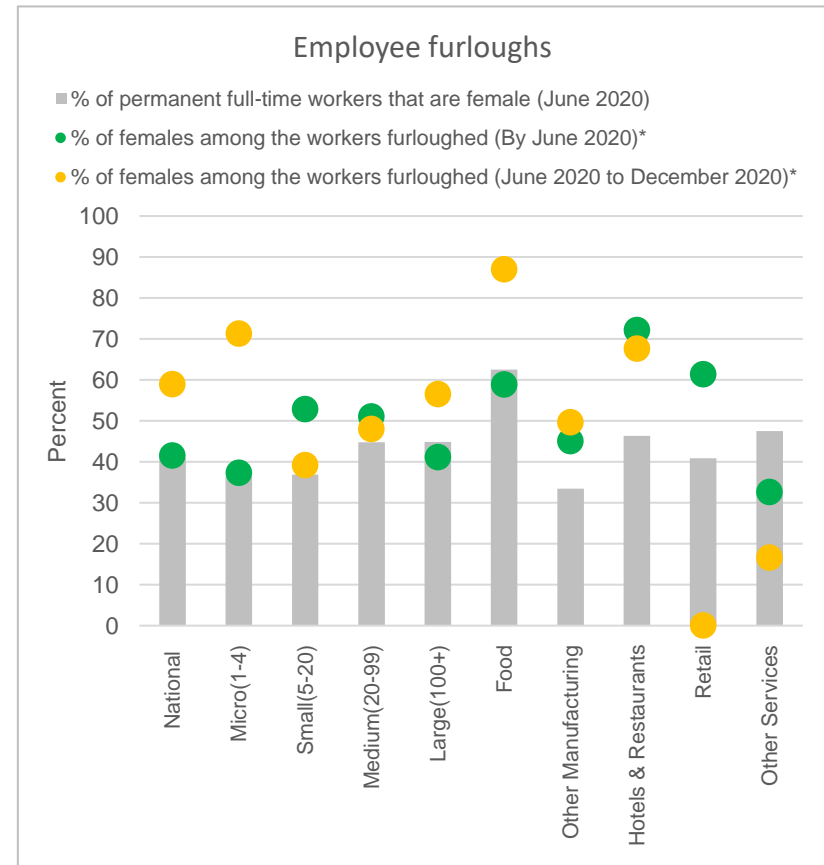
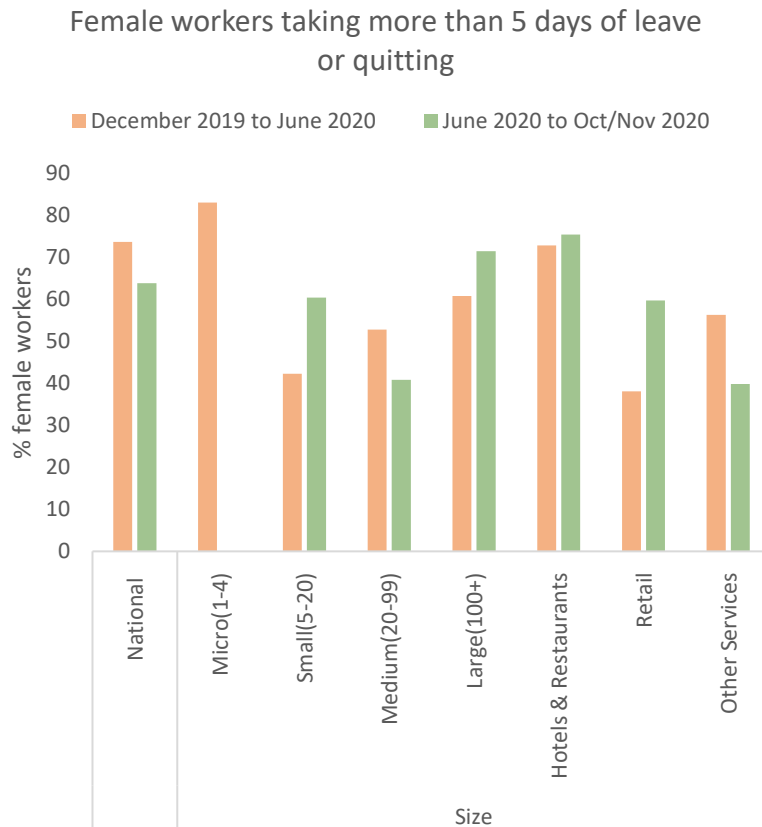
- There is evidence of **gender disparities** in the impacts of COVID-19 on the workforce.
- Females are **over-represented among workers who have been laid off** since the outbreak of COVID-19,
- Across all firms, female workers made-up 41% of full-time employees. However, females made up a larger share (66%) of workers who were laid off by June 2020, and an even larger share (75%) of workers who lost their jobs since June 2020.



7) Gender

Impact on female workers

- There is additional evidence of **gender disparities** in the impacts of COVID-19 on the labor force, **beyond layoffs**.
- Female workers are also over-represented among workers who have been **furloughed** since the beginning of the pandemic. And a large share of female workers (64% from June to October/November, 2020) decided to take **5 days of leave or quit** their job.

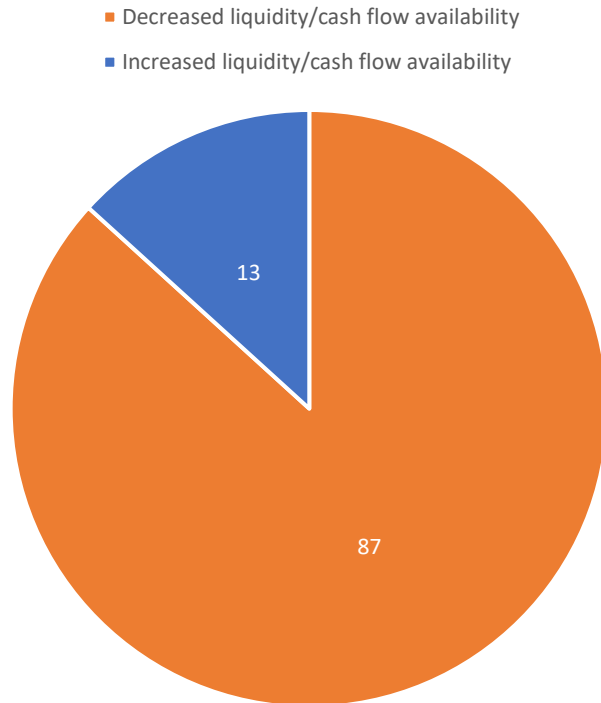


8) Finance

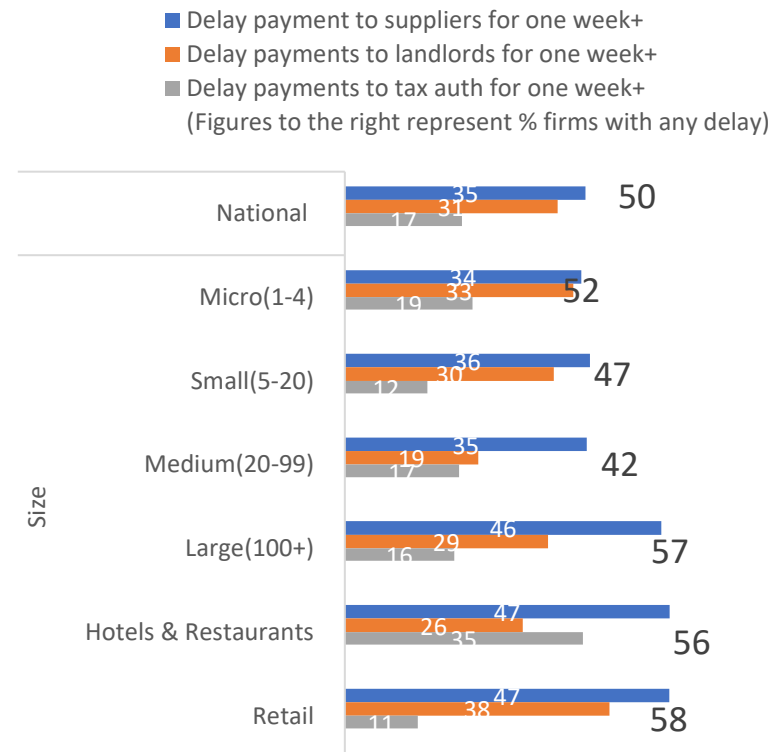
Cashflow shortages and arrears

- Since the outbreak of the pandemic, almost 90% of firms have faced lower liquidity or cash flow availability.
- **Half of Georgian firms have delayed payments to suppliers, landlords, or tax authorities** (for longer than 1 week). Arrears with suppliers are most common. Retail firms have fallen into arrears most often.

Cash flow fluctuations since COVID-19 began
(% firms)



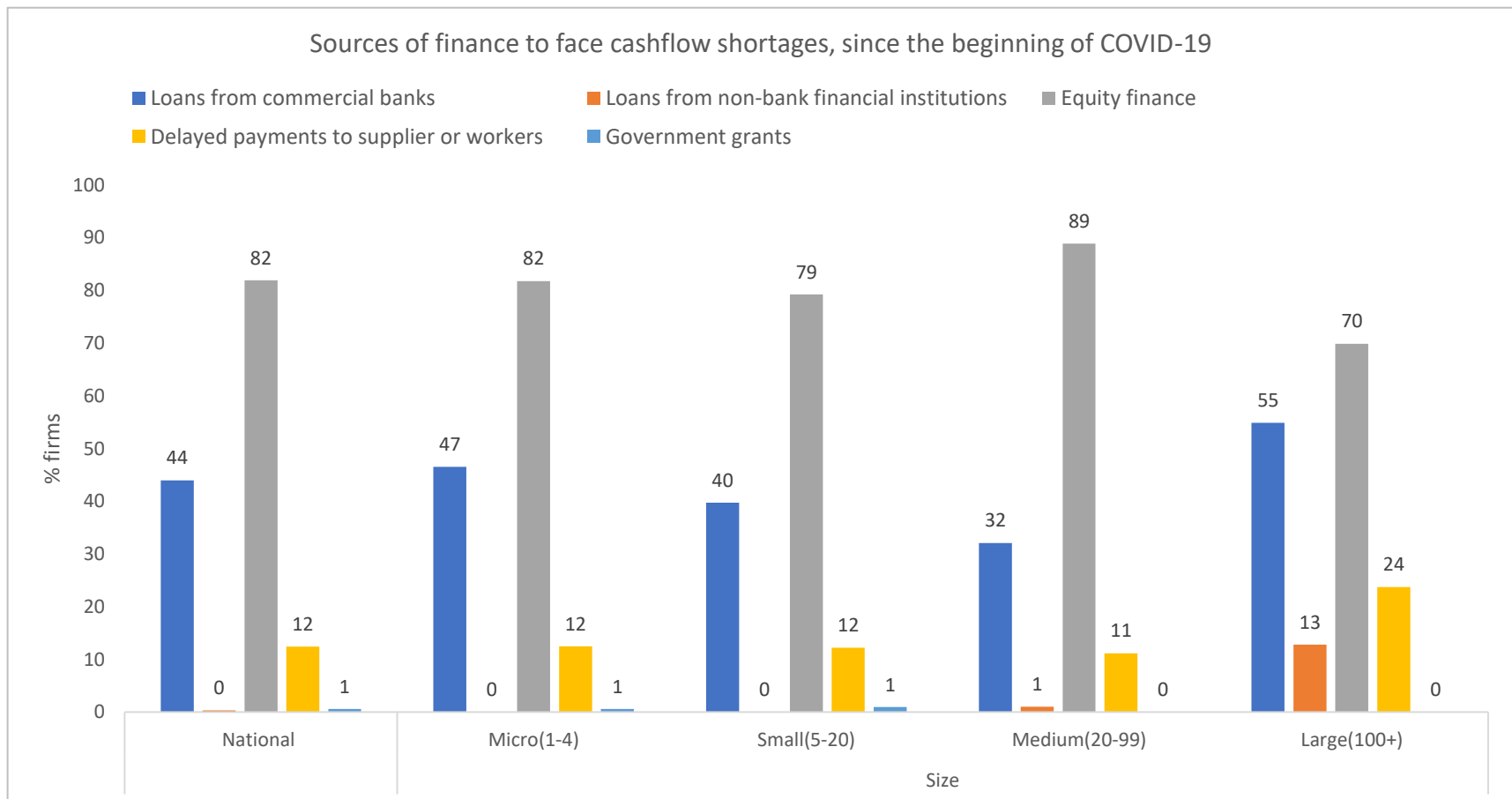
Arrears since COVID-19 began
(% firms)



8) Finance

Sources of finance

- **82% of Georgian firms relied on equity finance** to face cashflow shortages since the COVID-19 outbreak.
- 44% of all firms have relied on **loans from commercial banks**. Commercial credit is most common among large firms (55%). Less than 1% of Georgian firms report reliance on **government grants** to face cashflow shortages.

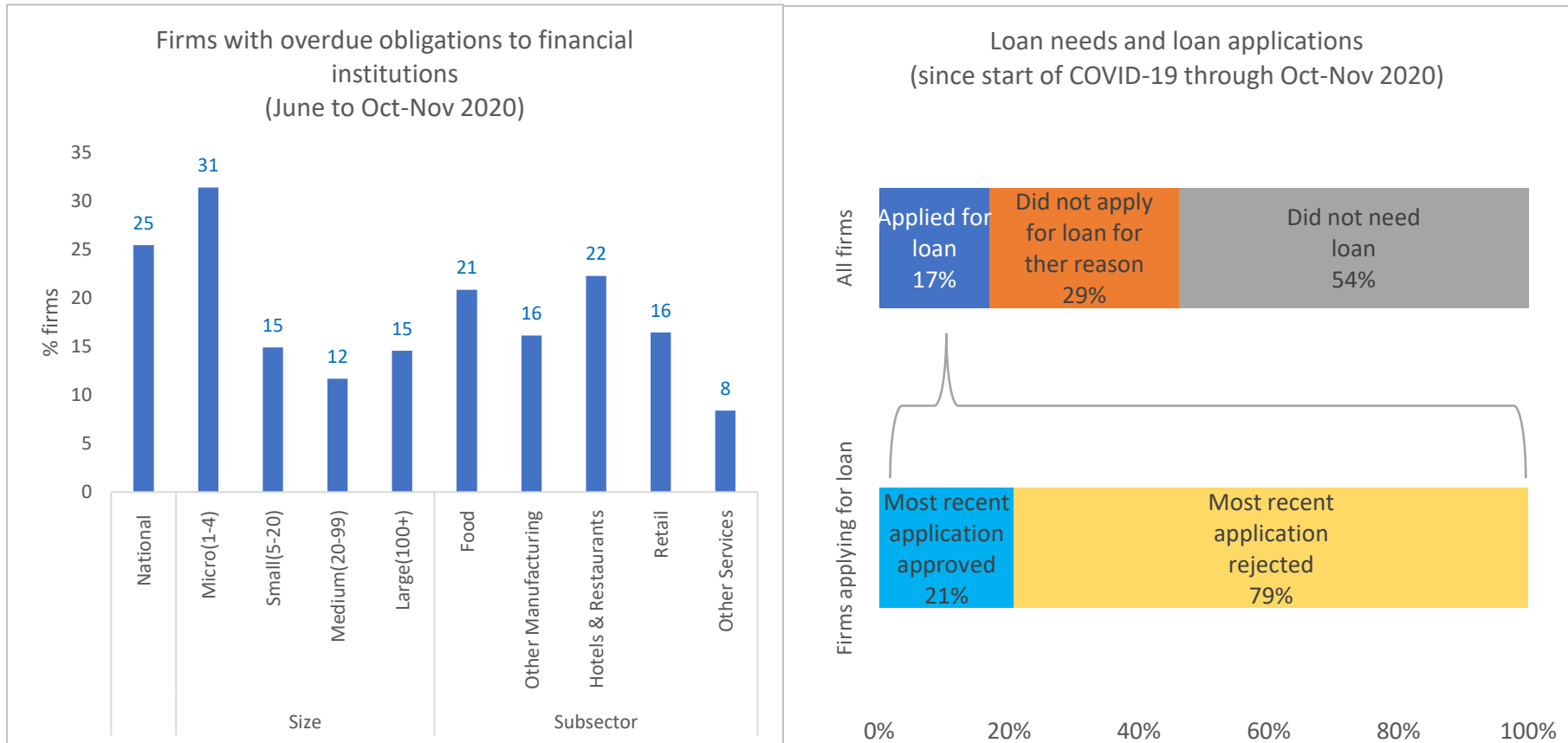


Source: Enterprise Survey Follow-Up. Notes: Figures correspond to Wave 2 of the Follow-Up Survey, collected in Oct-Nov 2020. Loans from non-banking financial institutions include “microfinance institutions, credit cooperatives, credit unions, or finance companies”. Equity finance refers to “increase contributions or capital from existing owners/shareholders or issuing new shares”.

8) Finance

Access to credit and credit markets

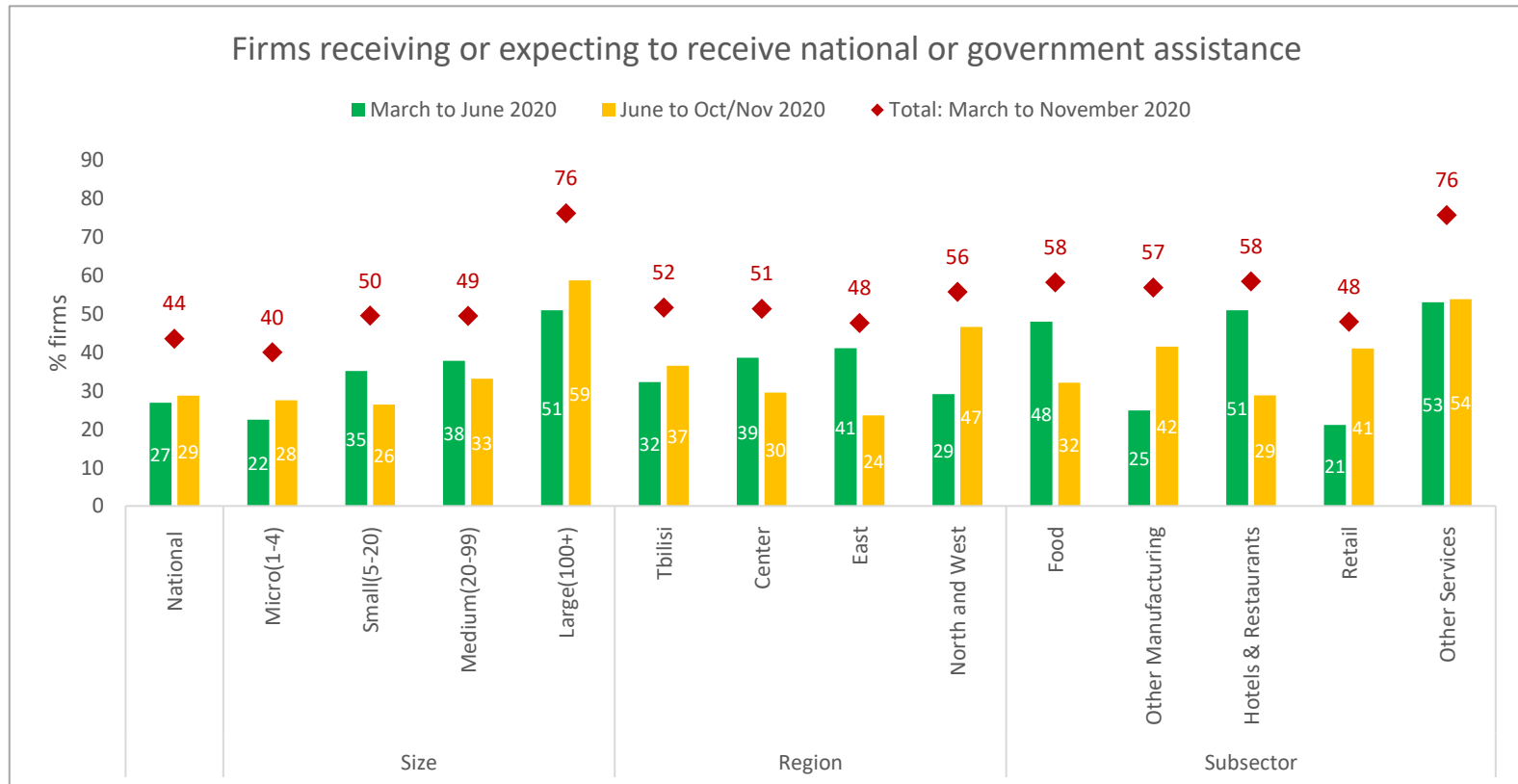
- **One quarter** of all firms reported having **overdue obligations to financial institutions**, between June and Oct-Nov 2020. Such overdue payments were more common among micro-firms and hospitality firms.
- 17% of firms have applied for a **loans from commercial banks**. An additional 29% may have needed a loan but did not apply.
- Only one fifth of firms that applied for a credit had their most recent loan approved; 79% of credit applications were rejected.



9) Government support

Coverage across firms

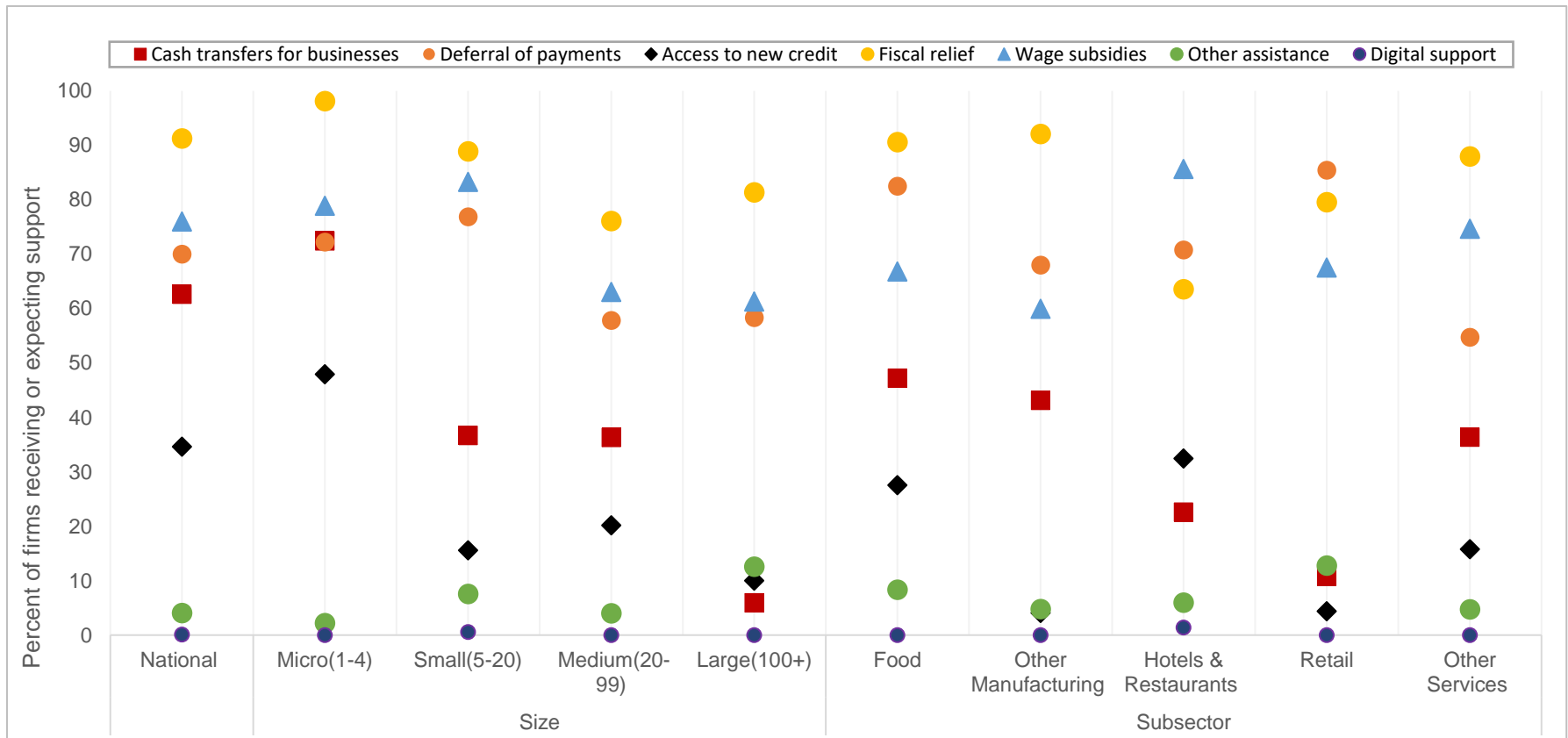
- **44% of firms have received or expect to receive government assistance** to cope with shocks from the pandemic. Coverage has been **highest among large firms**, and lower for smaller firms.
- Assistance has reached all regions. But **micro-firms** and firms in the **retail industry** have observed lower coverage rates.



9) Government support

Type of support received/expected

- **Fiscal relief and wage subsidies** have been the most common government support against the economic shocks of COVID-19. 91% of firms have received fiscal relief, and wage subsidies have reached 76% of firms.
- Almost **half of micro-firms** have been supported with **access to new credit**, while **72% of micro-firms received cash transfers** for businesses. **86% of hotels and restaurants** received (or expect to receive) **wage subsidies**.

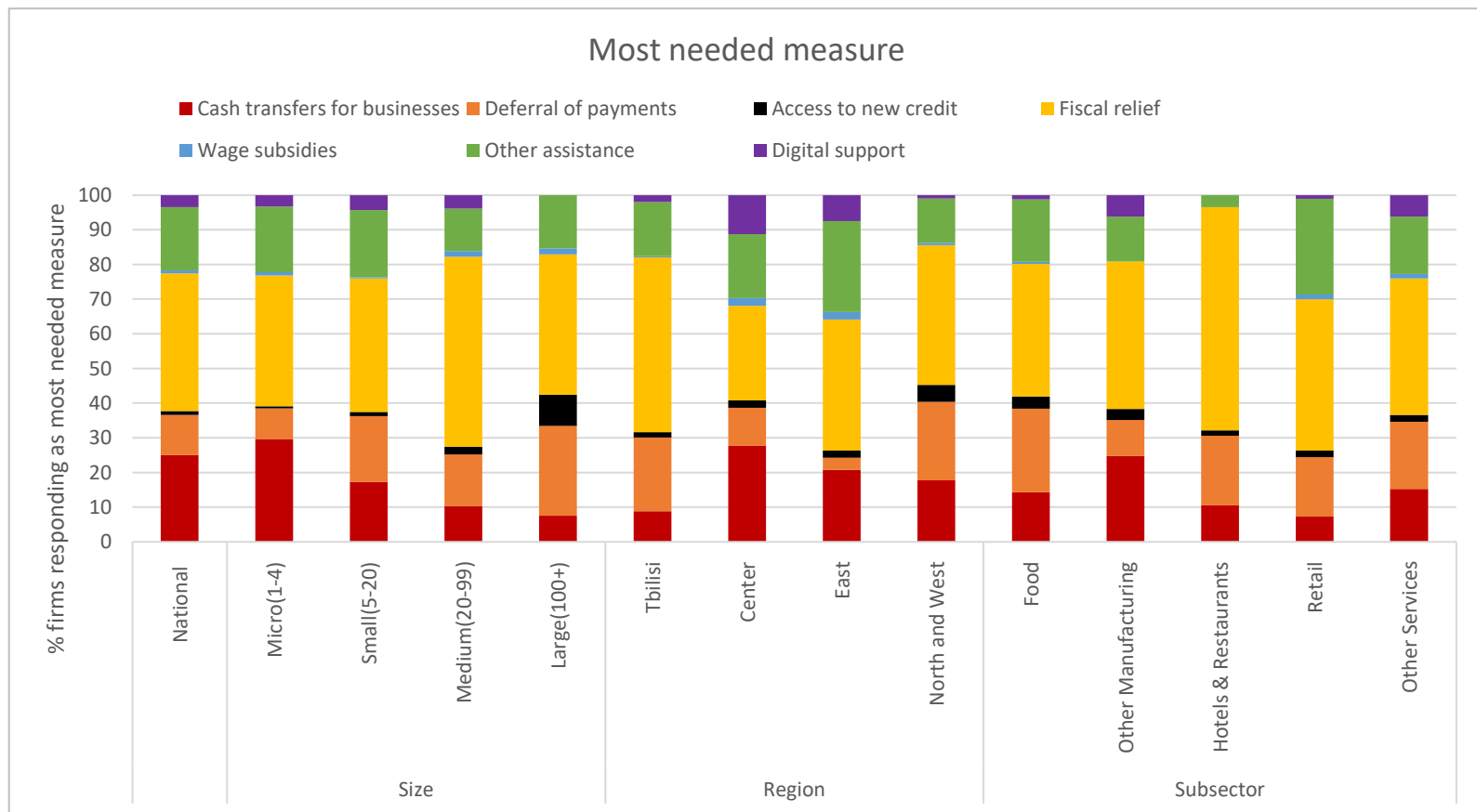


Source: Enterprise Survey COVID-19 Follow-up, Round 2. Note: Rinterviewed firms could declare multiple categories. * Deferral of payments refers to “Deferral of credit payments, rent or mortgage, suspension of interest payments, or rollover of debt.” The category “Other assistance” is not presented in the graph due to limited observations.

9) Government support

Type of support needed

- **Fiscal relief** and **cash transfers** are the most needed support measures among Georgian firms.
- Hotels and restaurants report a high need for fiscal relief (64% of firms). Firms outside Tbilisi are more likely to need technical assistance or subsidies for the adoption of digital technologies. Large firms are the most interested in access to new credit.

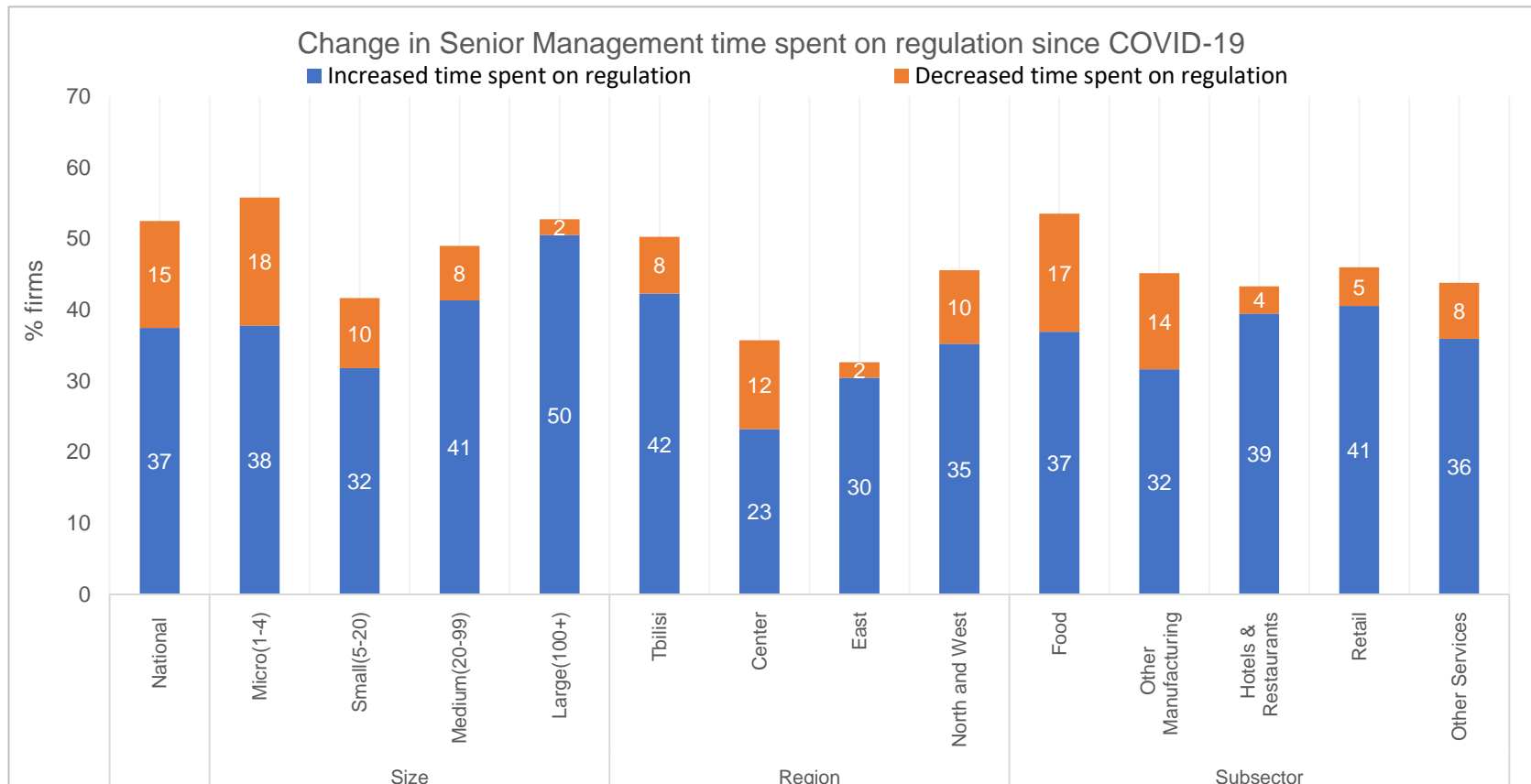


Source: Enterprise Survey COVID-19 Follow-up. Note: * Deferral of payments refers to “Deferral of credit payments, rent or mortgage, suspension of interest payments, or rollover of debt.” The category “Other assistance” is not presented in the graph due to limited observations.

9) Government support

Change in regulatory burden

- **37% of firms increased time spent on regulatory issues** by their Senior management, since the outbreak of COVID-19. 15% of firms decreased the time spent on regulations.
- The regulatory burden appears largest among large firms, businesses in Tbilisi, and the retail industry.

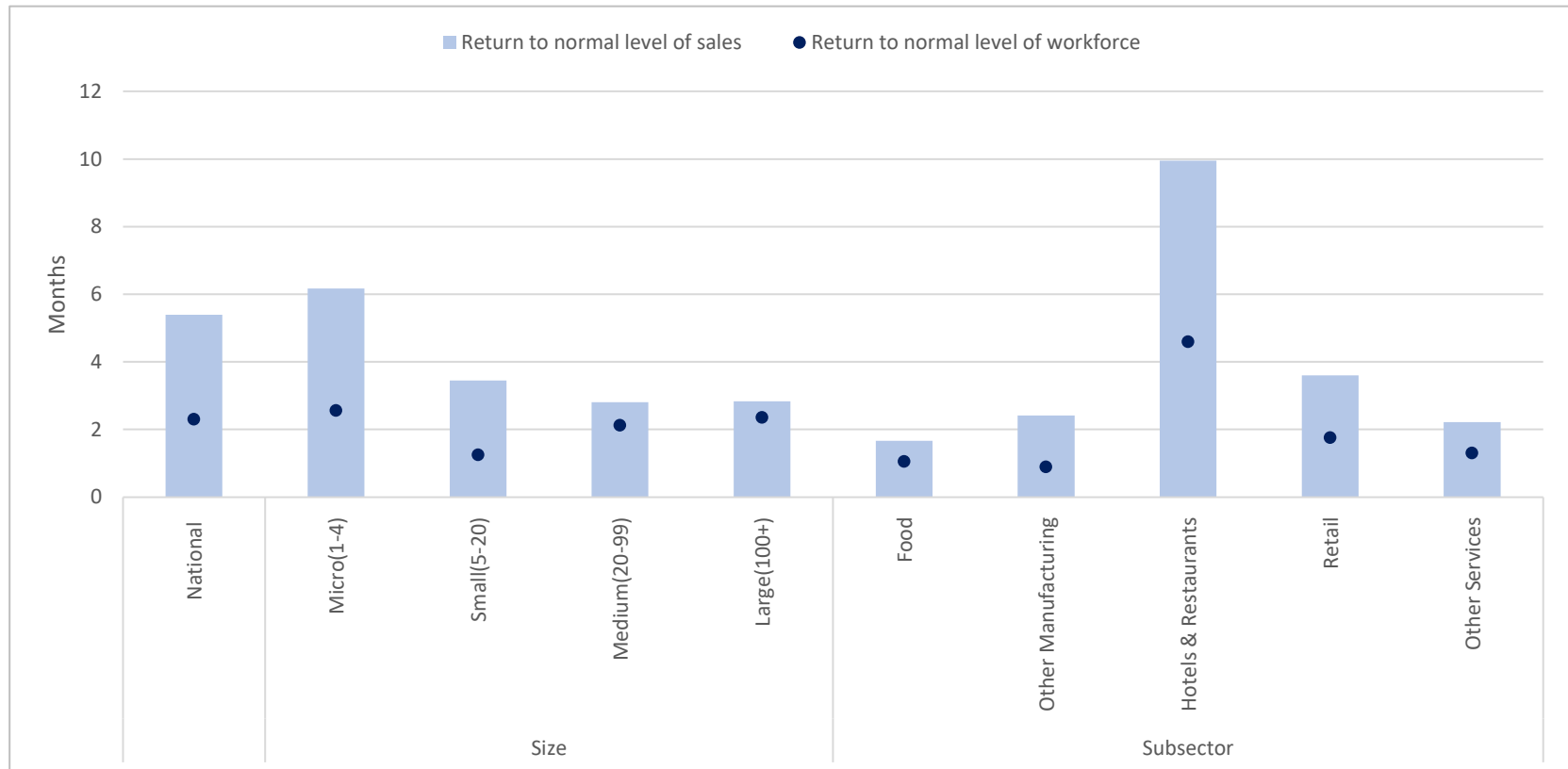


Source: Enterprise Survey COVID-19 Follow-up. Note: * Deferral of payments refers to “Deferral of credit payments, rent or mortgage, suspension of interest payments, or rollover of debt.” The category “Other assistance” is not presented in the graph due to limited observations.

10) Looking ahead

Expected time to return to normal

- As of October/November 2020, Georgian firms expected to wait an average of **5 months to return to normal levels of sales**. Firms expect a faster recovery in their **workforce** (an average of **2 months**).
- Micro-firms, hotels and restaurants, and retail firms are the most pessimistic about time until recovery.



10) Looking ahead

- Only **one third** of firms have operated at **normal levels of sales** since June 2020. Around **two thirds** of firms are currently at **normal levels of workforce**. Firms in Tbilisi and manufacturing of food seem to maintain better sales levels.
- By the last quarter of 2020, **45% of firms expected to fall in arrears** on outstanding liabilities.
- On average, Georgian firms could **survive 5 weeks** if their sales stopped.

Indicators of current and expected performance

	% of firms currently at normal levels of sales		% of firms currently at normal level of workforce		% of firms that anticipate falling in arrears on outstanding liabilities		If sales stopped, average duration of survival (weeks)
	June 2020	Oct-Nov 2020	June 2020	Oct-Nov 2020	June 2020	Oct-Nov 2020	Oct-Nov 2020
National	31	36	65	63	33	45	5
Micro(1-4)	32	28	66	57	34	50	4
Small(5-20)	28	51	63	83	26	36	5
Medium(20-99)	28	65	65	78	24	37	4
Large(100+)	28	55	64	79	29	34	5
Tbilisi	21	68	60	82	30	34	5
Center	34	38	59	73	26	33	7
East	45	55	76	87	14	29	4
North and West	38	43	75	69	33	42	4
Food	24	73	72	82	11	33	5
Other Manufacturing	30	60	60	75	31	39	4
Hotels & Restaurants	4	21	53	57	55	87	2
Retail	25	53	70	84	21	31	4
Other Services	34	62	62	81	29	22	7

THANK YOU!

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