02 June 2020

Fast and Exceptional Enterprise Survey – COVID-19
2nd fortnight of May 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 2nd fortnight of May, reflecting the progressive relieving of the pandemic containment measures. The percentage of enterprises in operation in the 2nd fortnight of May increased to 92%, compared to 90% in the previous fortnight, with the *Accommodation and food services* sector standing out, where the percentage increased from 45% to 58% (+13 p.p.). Comparing the results obtained for April, when the state of emergency was in force, with May, the improvement is more notorious, with the percentage of enterprises in operation increasing from 83% to 91%.

Given the situation that could be expected without the pandemic, 73% of the enterprises reported a negative impact on turnover (compared to 77% in the previous fortnight). The *Accommodation and food services* sector continued to record the largest percentage of enterprises with decreases in turnover (90%), even so, -7 p.p. compared to the previous fortnight. Comparing the two months, the percentage of responding enterprises with reductions in turnover, given the situation that could be expected without the pandemic, decreased from 80% in April to 75% in May.

When comparing with the 1st fortnight of May, 40% of the enterprises reported stabilization in turnover, being that, among the rest a relatively similar percentage reported reductions and increases. By sector, in *Distributive trade*, *Transportation and storage* and *Accommodation and food services*, the percentage of enterprises reporting increases was higher than the percentage referring to reductions in turnover.

In the 2nd fortnight of May, 45% of the enterprises reported reductions in the number of persons employed effectively working, given the situation that could be expected without the pandemic (50% in the previous fortnight). *Accommodation and food services* enterprises continued to stand out, with 72% recording a decrease in the number of persons effectively working (-10 p.p. than in the previous fortnight). Comparing May with April, there was also a decrease in the percentage of enterprises that reported a reduction in the number of persons employed effectively working, given the situation that could be expected without the pandemic (from 59% in April to 48% in May).

Comparing with the 1st fortnight of May, most enterprises did not report a change in the number of persons employed (71%). *Accommodation and food services* recorded the highest percentage of enterprises with an increase in the number of persons employed (26%), in most cases due to the reduction in the number of persons in simplified layoff.

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 representing the various sectors of economic activity (see technical note).

This survey aims to identify some of the main effects of the COVID-19 pandemic on business activity. It is based on a rapid response questionnaire and during this fortnight questions were asked about turnover, persons employed, persons employed on remote work and with alternate presence on the enterprise premises, the difficulty in meeting the hygiene and safety requirements necessary for the resumption of activity, the use of public support instruments and the use of credit.

It is important to note that the results of this survey refer **exclusively** to the responding enterprises in each edition of the survey (about 5.3 thousand in this week)[1]. These enterprises basically correspond to a representative sample underlying the calculation and compilation of the monthly sectoral turnover indices published by Statistics Portugal. For further information, it is recommended to read the technical note.

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

I. DATA ANALYSIS OF MAY IN COMPARISON WITH APRIL 2020

After two months of surveying, it is possible to carry out a comparative analysis of the results between the period of the state of emergency and the period of gradual relieving of the containment measures. For that, were used the averages of the results obtained for the four weeks of April and for the two fortnights of May. In general, and as would be expected, this comparison shows an improvement, although slight, in the situation of the enterprises. The percentage of enterprises in operation, even if partially, increased from 83% in April to 91% in May. By sector, *Accommodation and food services* standing out, in May, with 51% of the enterprises in operation, 10 p.p. more than in April, and *Distributive trade* with 93% of the enterprises operating compared to 84% in April.

The percentage of responding enterprises reporting a negative impact on turnover, given the situation that could be expected without the pandemic, decreased from 80% in April to 75% in May. By sector, the most significant improvement occurred in Construction and real estate, where that percentage dropped from 74% in April to 61% in May.

During these two months, given the situation that could be expected without the pandemic, there was also a decrease in the percentage of enterprises that reported a negative impact on the number of persons effectively working (48% in May, -12 p.p. compared to April). In *Transportation and storage* and *Construction and real estate* sectors, this evolution

[1]Number of valid responses until the end of May 29, corresponding to a response rate of around 60%. The results for the week from 11 May to 15 May 2020 were slightly revised by the inclusion of 135 responses, submitted during the subsequent Saturday and Sunday.

was more marked, with 51% and 34% of enterprises in this situation in May, respectively, -20 p.p. and -17 p.p. than in April.

Between the two periods, there was an increase in the percentage of enterprises that reported benefiting from the measures presented by the Government due to the COVID-19 pandemic (excluding the simplified layoff). In particular, stands out the increase in the percentage of enterprises that effectively benefited from the measures *Suspension of the payment of tax and contributory obligations* and *Moratorium for the payment of interests and principal on existing loans*, standing at 20% and 17%, respectively (+8 p.p. and +7 p.p. compared to April). However, the percentage of enterprises that reported not benefiting or planning to benefit from the measures presented by the Government increased slightly, standing between 53% and 61% in May, depending on the measure.

The percentage of companies in operation or temporarily closed that used additional credit increased slightly between the two periods under analysis, from 13% to 15%.

II. ENTERPRISES' DATA ANALYSIS IN THE SECOND FORTNIGHT OF MAY 2020

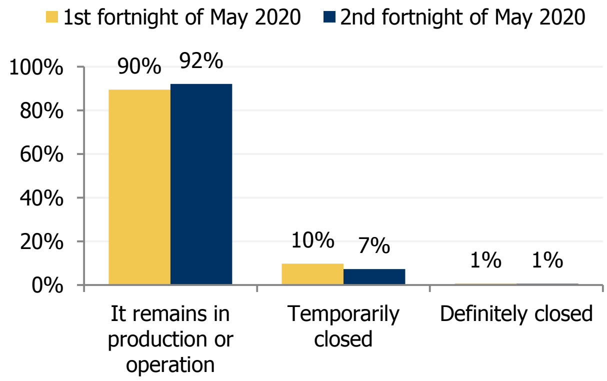
Situation of the enterprises in the second fortnight of May 2020

92% of the responding enterprises remained in operation, even partially

- 92% of the enterprises remained in production or operation, even partially, at the time of response to the survey (+2 p.p. than in the previous fortnight). The proportion of enterprises temporarily closed stood at 7% (-2 p.p. from the previous fortnight), while 1% remained definitely closed.
- Highlight for the increase in the percentage of enterprises operating in the *Accommodation and food services* sector (13 p.p. more than in the previous fortnight), largely reflecting the developments in the food services industry. However, this sector continued to have the highest percentage of enterprises closed, either temporarily or definitely (42%).

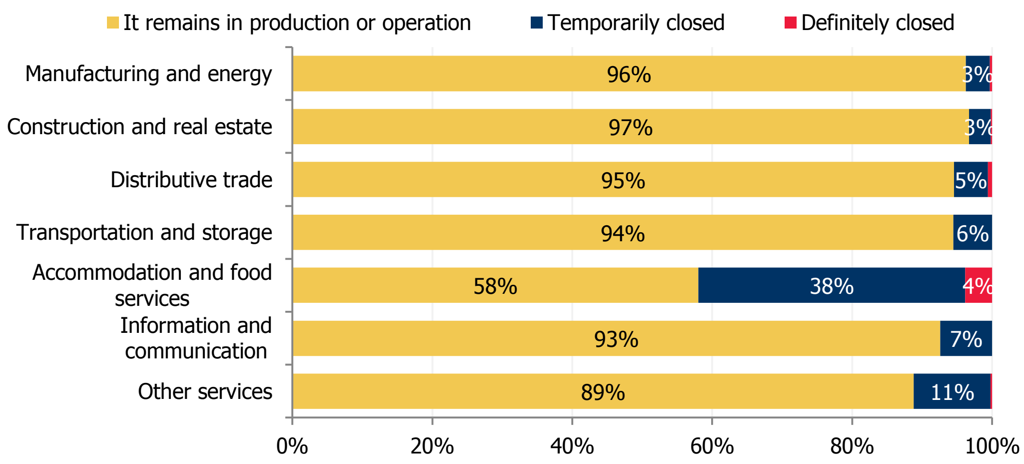
Figure 1 • Situation of the enterprises, as a % of the total number of enterprises

Total responding enterprises



Note: the values for the 1st 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 second fortnight of May 2020, compared to the expected situation without pandemic

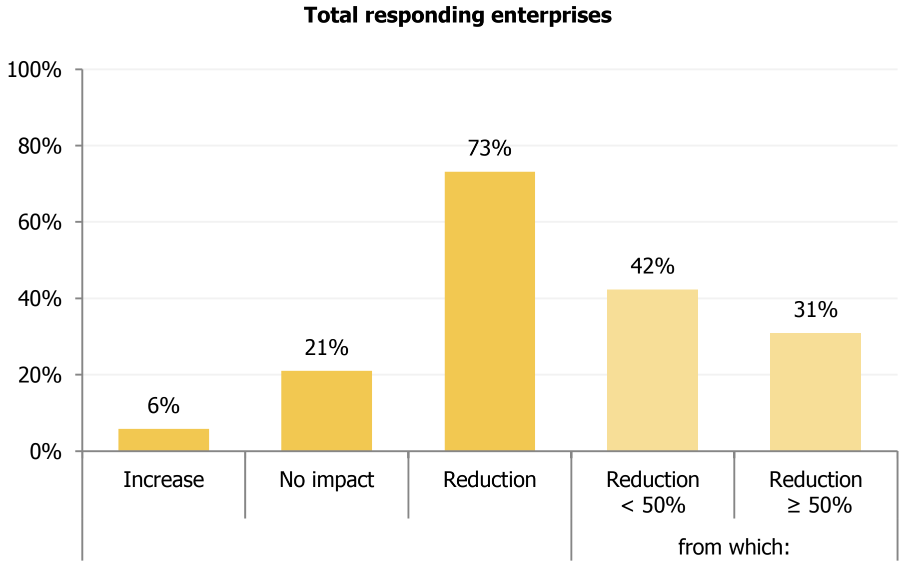
73% of the enterprises reported a decrease in turnover due to the pandemic

- Comparing with the expected situation without pandemic, 73% of the enterprises in operation or temporarily closed reported a negative impact on turnover (-3 p.p. than in the previous fortnight), while only 6% reported an increase in the same variable (+1 p.p. compared to the previous fortnight). For 21% of enterprises, the COVID-19 pandemic had no impact on turnover.
- The *Accommodation and food services* and *Transportation and storage* sectors stand out with a higher percentage of enterprises reporting reductions in turnover (90% and 81%, respectively), even so, below the

ones recorded in the previous fortnight. In contrast, the *Construction and real estate* sector recorded the lowest percentage of enterprises with a reduction in turnover (59%).

- 31% of the enterprises reported a reduction of more than 50% in turnover in the second fortnight of May (-4 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* (59%), but 12 p.p. lower than the observed in the previous fortnight. Also noteworthy is the decrease in this percentage in the *Distributive trade* sector (-6 p.p., to 14%).

Figure 2 • Impact of the COVID-19 pandemic on turnover in the second fortnight of May 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 turnover in the second fortnight of May, compared to the first fortnight of May 2020

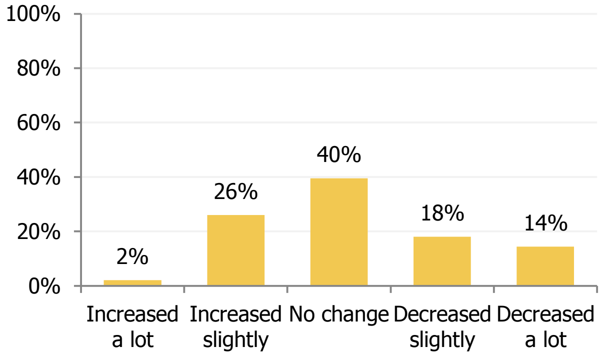
84% of the enterprises reported a stabilisation or a small change in turnover in the second fortnight of May compared with the first fortnight of May

- In the second fortnight of May, 40% of the enterprises in operation or temporarily closed reported a stabilization of their turnover in relation to the first fortnight of May, standing out the enterprises from the *Construction and real estate* sector.
- Among the others, a relatively similar percentage mentioned to reductions and increases in turnover (32% and 28%, respectively). Even so, the percentage of enterprises reporting significant reductions was higher than the percentage that reported significant increases (14% and 2%, respectively).

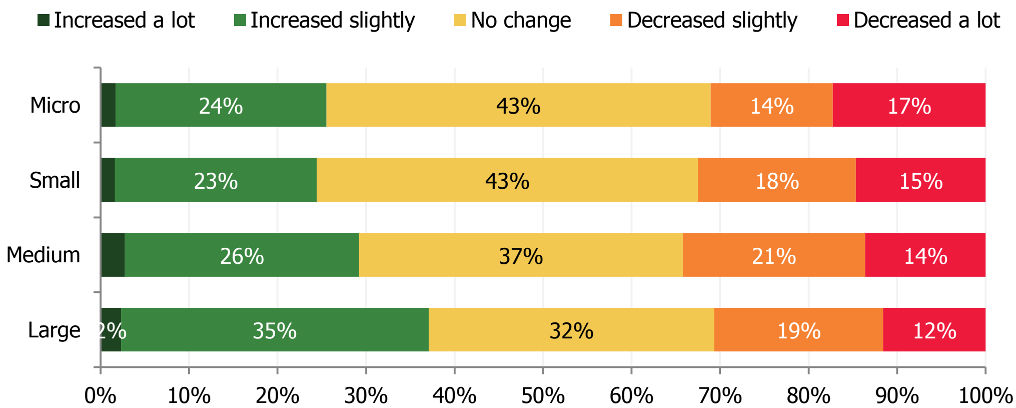
- The sectors that reported increases more often than decreases in turnover were *Transportation and storage*, *Distributive trade* and *Accommodation and food services*, with the opposite being observed in the other sectors.
- By size, it should be noted that only among large enterprises the percentage that reported increases in turnover exceed the percentage that reported reductions, compared to the previous fortnight.

Figure 3 • Evolution of the turnover between the second fortnight of May and the first fortnight of May, as a % of the total number of enterprises in operation or temporarily closed

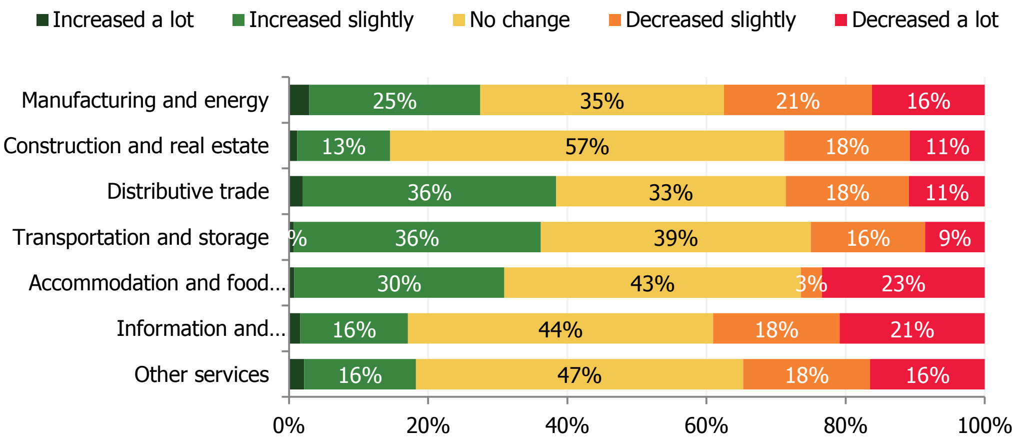
Total responding enterprises



Size-class



Economic activity

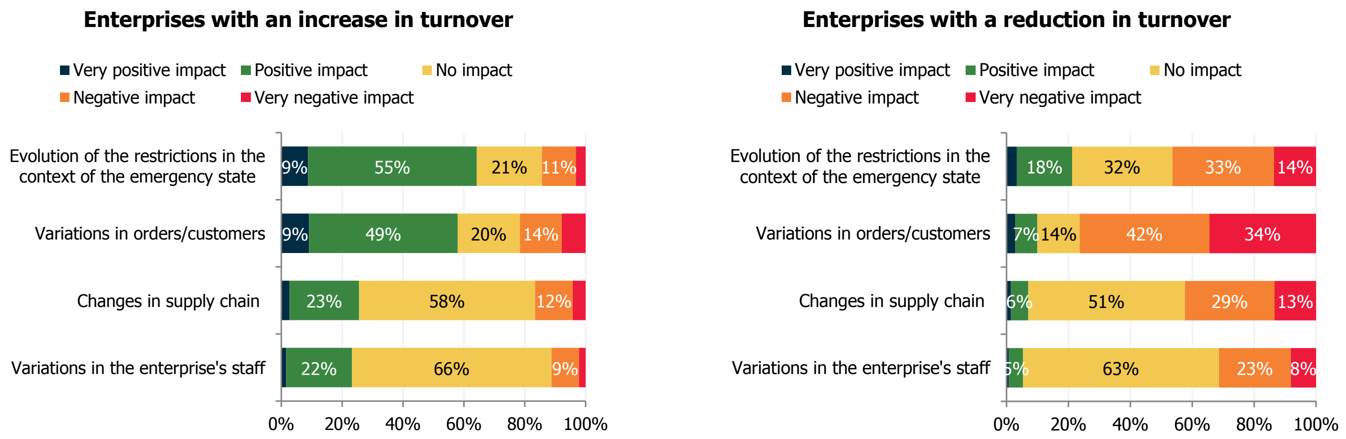


Source: Statistics Portugal and Bank of Portugal, COVID-IREE

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

- The most mentioned reason for the decrease in turnover compared to the first fortnight of May was the evolution of 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 (82%).
- Enterprises that reported an increase in turnover in this fortnight pointed out the evolution of the containment measures as the explanatory factor with the greatest impact (64%). The improvement in orders/clients was also mentioned by 58% of these enterprises. In the sectors of *Transportation and storage* and *Distributive trade*, enterprises that reported an increase in turnover reported in a greater percentage the positive contribution of the evolution of the containment measures (80% and 71%, respectively). By size, large companies were the ones that most mentioned this reason for the increase in turnover (70%).

Figure 4 • Impact of the reasons for the evolution of the enterprises turnover in the second fortnight of May 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

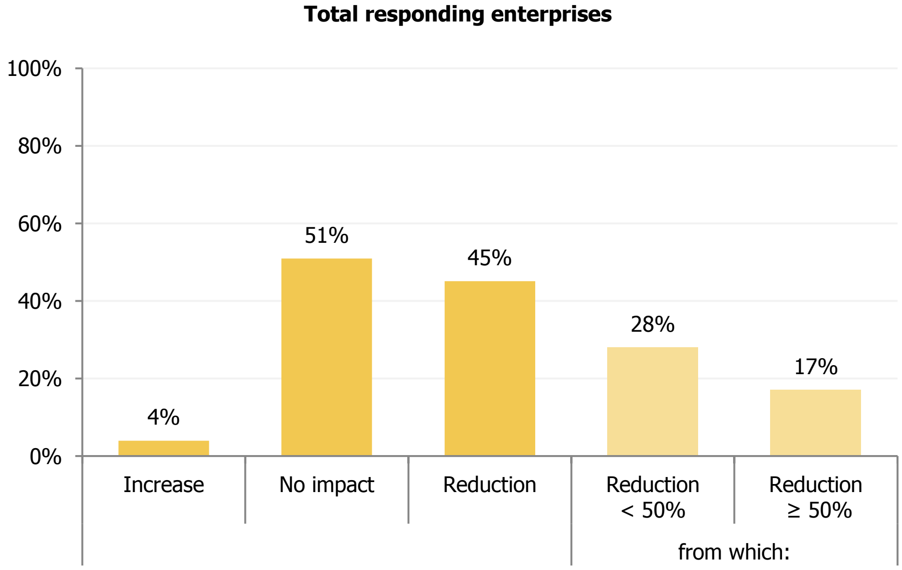
Impact of the COVID-19 pandemic on persons employed during the second fortnight of May 2020, compared with the expected situation without pandemic

45% of the enterprises reported reductions in persons employed effectively working, compared with the expected situation without pandemic

- Comparing with the expected situation without pandemic, 45% of the enterprises reported a negative impact in the persons employed effectively working during the second fortnight of May (-5 p.p. vis-à-vis the previous fortnight), representing 65% of the total persons employed by the respondent enterprises. A significant percentage reported that the pandemic had no impact on the persons employed (51% of the enterprises, corresponding to 28% 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, 17% of the enterprises reported a reduction of more than 50% and 16% reported reductions between 10% and 50%.
- By economic activity, the enterprises from *Accommodation and food services* sector continued to stand out, with 72% referring a decrease in the number persons employed (-10 p.p. than in the previous fortnight), with this reduction exceeding 75% in 41% of the enterprises (-11 p.p. than in the previous fortnight).

Figure 5 • Impact of the COVID-19 pandemic on persons employed effectively working in the second fortnight of May 2020, as a % of the total number of enterprises in operation or temporarily closed



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

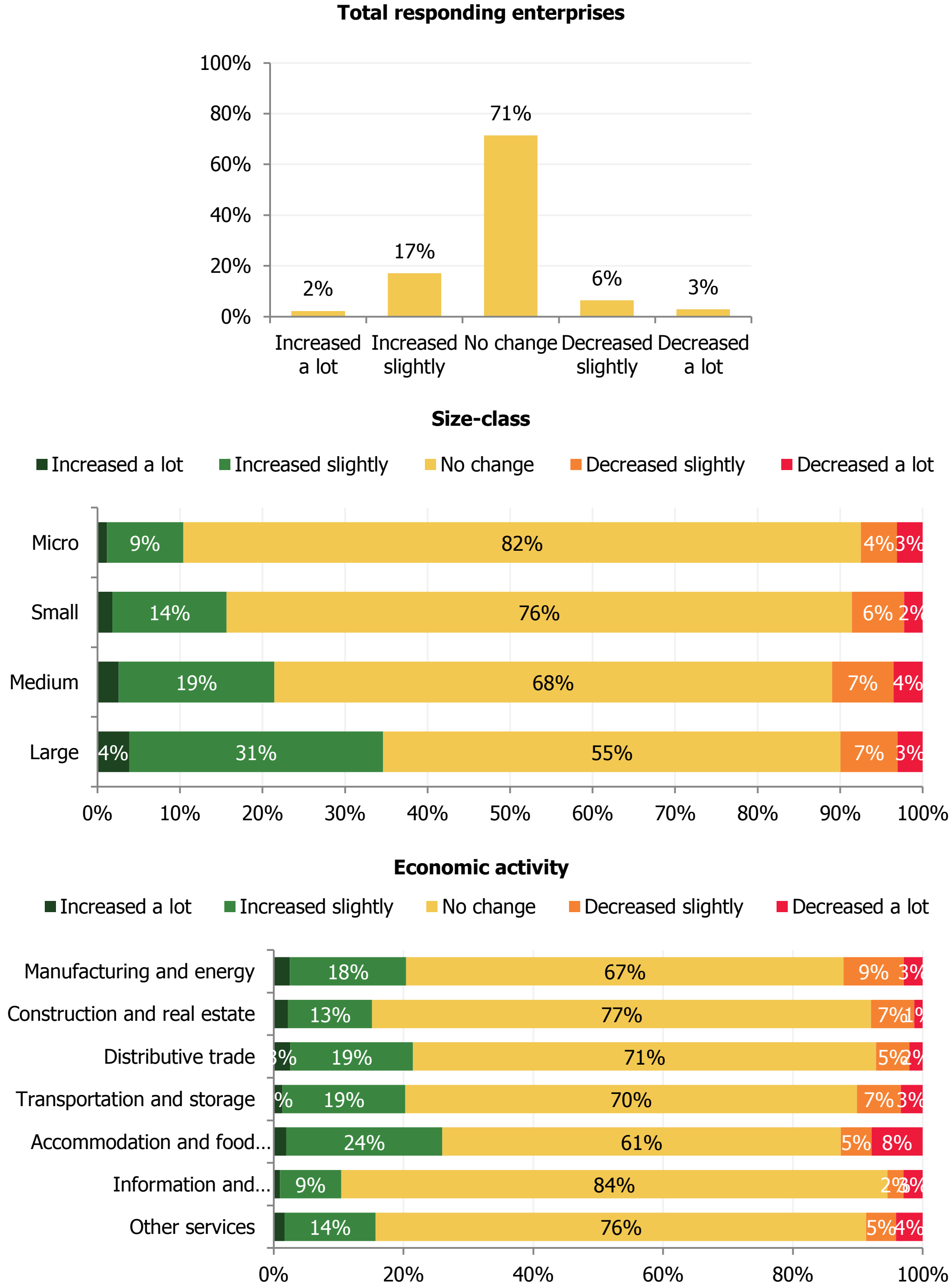
Evolution of the persons employed effectively working during the second fortnight of May, compared with the first fortnight of May 2020

The *Accommodation and food services* sector recorded the highest percentage of enterprises (26%) with increases in the number of persons effectively working, compared to the previous fortnight.

- 71% of the enterprises, representing 47% of the total persons employed by the respondent enterprises, reported not to have changed the number of persons employed effectively working during the second fortnight of May, compared to the first fortnight of May.

- The percentage of enterprises that reported an increase in the persons employed was higher than the percentage that registered a decrease (19% and 9% of enterprises, respectively) and it increases with the size-class of the enterprise. By economic activity, *Accommodation and food services* was the sector with the highest percentage of enterprises with increases in the persons employed (26% of the enterprises, representing 35% of the persons employed).

Figure 6 • Impact of the COVID-19 pandemic on persons employed effectively working in the second fortnight of May compared to the previous fortnight, as a % of the total number of enterprises in operation or temporarily closed

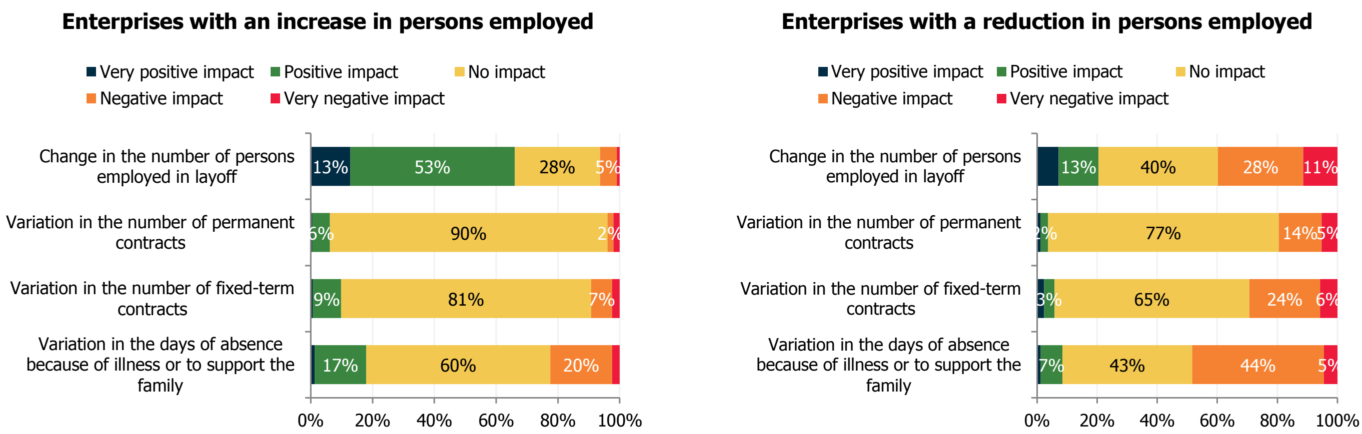


Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Simplified layoff was the reason with the greatest impact in the variation of the persons employed effectively working during the second fortnight of May

- 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 first fortnight of May was the reduction in the number of persons in layoff (mentioned by 66% 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 (40%) and as the reasons that most contributed negatively to this evolution.

Figure 7 • 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 second fortnight of May 2020

53% of the enterprises had persons in remote working[2] and 46% had persons with alternate presence in the enterprise premises

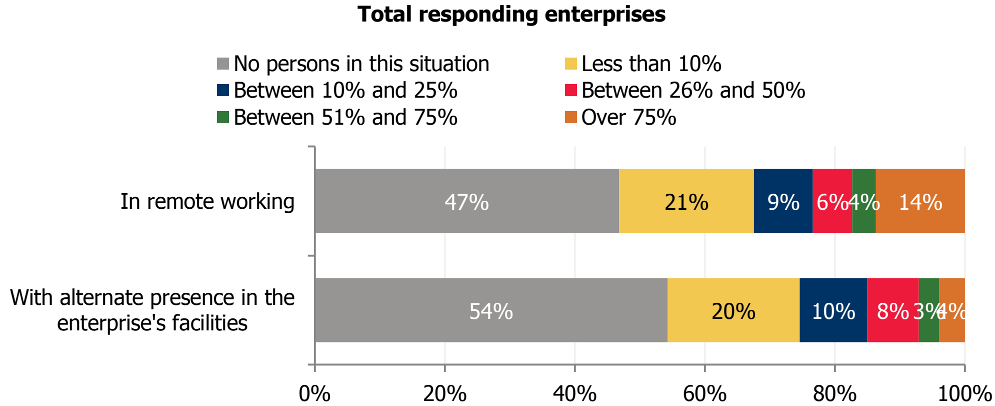
- 53% of the responding enterprises had persons in remote working during the second fortnight of May (similar to the previous fortnight), with 14% having more than 75% of the persons employed effectively working in remote working.
- The proportion of enterprises that reported persons employed in remote working increases with the size-class of the enterprise, ranging from 25% in micro enterprises and 91% in large ones. By economic activity, the

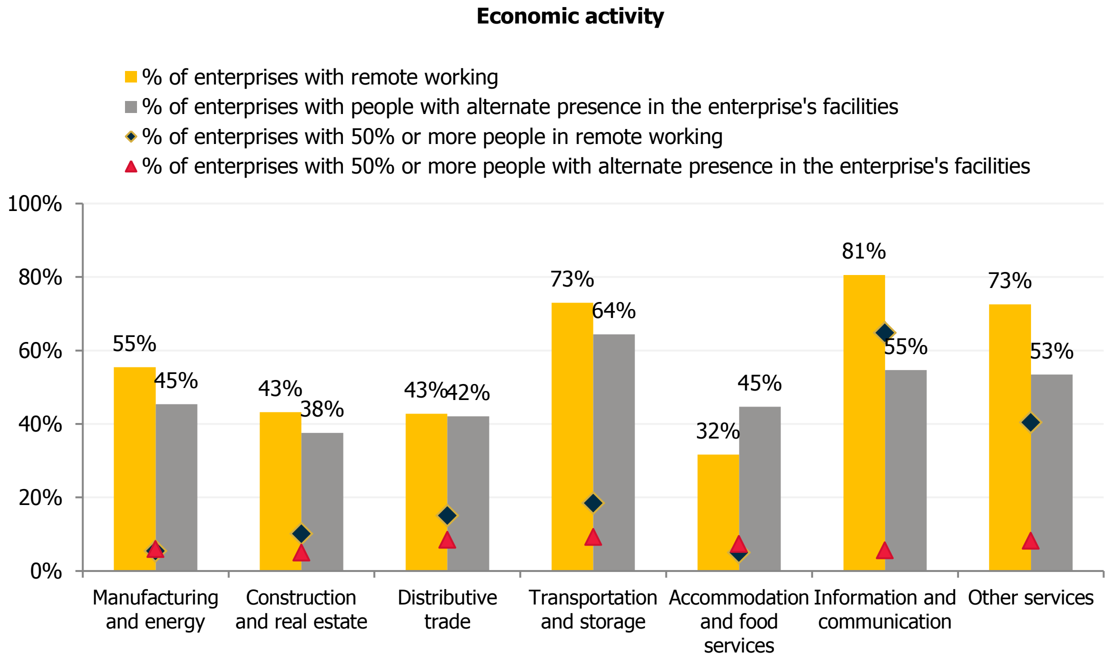
[2] It should be recalled that this survey does not cover enterprises in the financial sector or public administration organisations.

percentage of enterprises that referred having persons in remote working was higher in the *Information and communication sector* (81%).

- 46% of the enterprises reported the existence of persons working with alternate presence in the enterprise premises due to the pandemic.
- The use of alternate presence in the enterprise premises grows with the size of the enterprise, being mentioned by 27% of micro enterprises and by 74% of large enterprises. The *Transportation and storage* sector stands out in the use of this practice, mentioned by 64% of the enterprises.

Figure 8 • Quantification of persons employed effectively working in remote working and with alternate presence in the enterprise's facilities in the second fortnight of May, as a % of the total number of enterprises in operation or temporarily closed





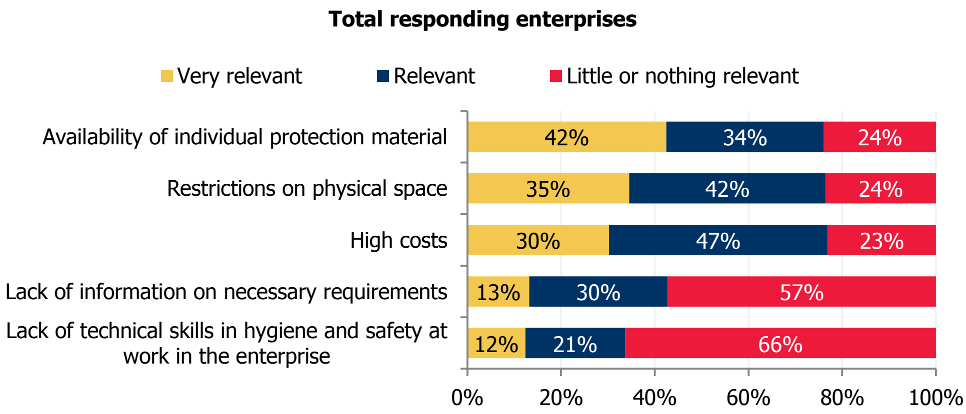
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

Difficulty in complying with the hygiene and safety requirements for the resumption of activity in the second fortnight of May 2020

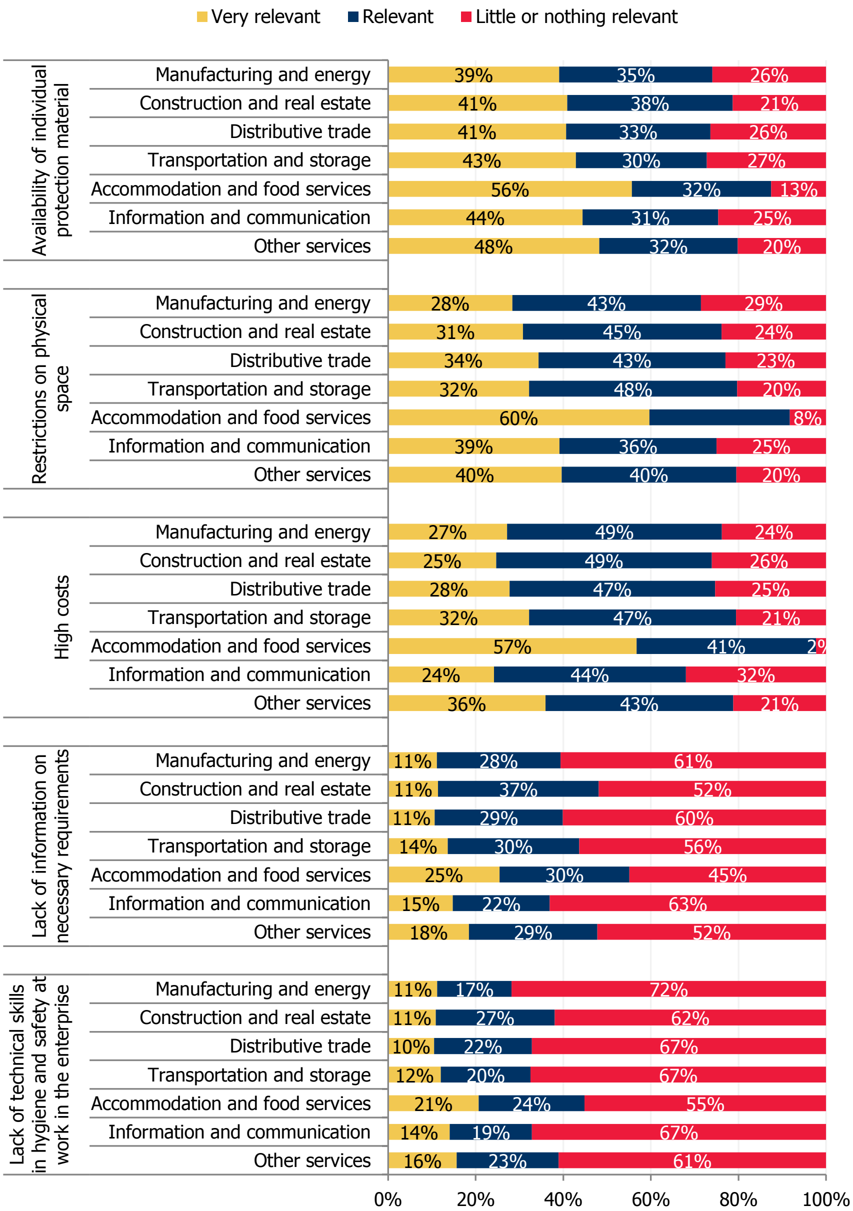
A very high percentage of enterprises indicate difficulties in complying with the hygiene and safety requirements for the resumption of activity

- More than ¾ of the respondent enterprises mentioned as a very relevant or relevant situation for the difficulty in complying with the requirements for the resumption of activity: the unavailability of individual protection material (masks, visors, disinfectant, etc.), restrictions on physical space and high costs (76% of the enterprises, in all cases).
- These three situations are most frequently pointed out by the *Accommodation and food services* enterprises.
- The size-class of the enterprise is not a differentiating factor.

Figure 9 • Relevance of the following situations in the difficulty in complying with the hygiene and safety requirements necessary for the resumption of the activity, as a % of the total number of enterprises in operation or temporarily closed



Economic activity



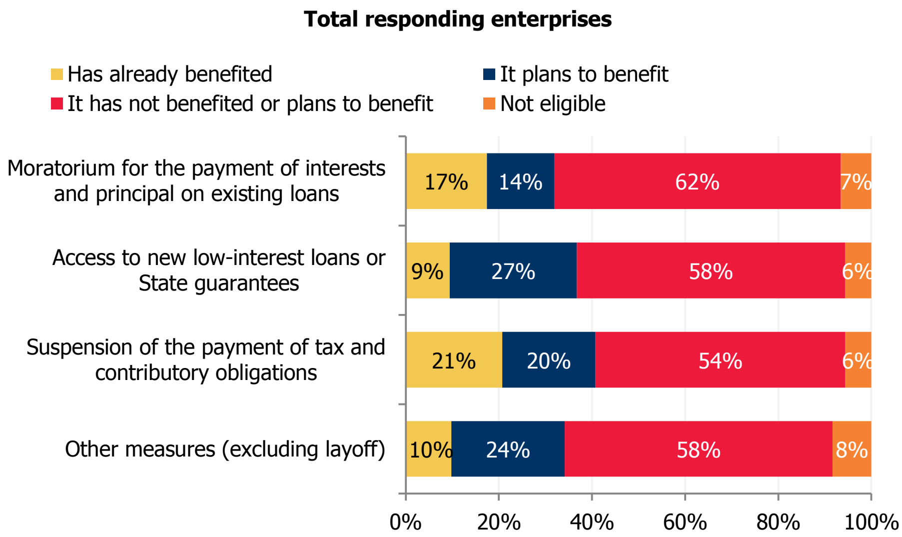
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

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

More than 50% of the enterprises do not intend to use support measures, excluding the simplified layoff

- Among the measures considered, 21% of the responding enterprises have already benefited from the suspension of tax and contributory obligations, 17% of the moratorium for the payment of interests and principal on existing credits and 9% of the access to new low-interest loans or State guarantees.
- Excluding the simplified layoff, the proportion of enterprises that continued to not pretend to benefit from support measures increased, reaching proportions between 54% and 62% depending on the measures.
- 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 1/3 of the enterprises in this sector already benefiting from the suspension of tax and contributory obligations.

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



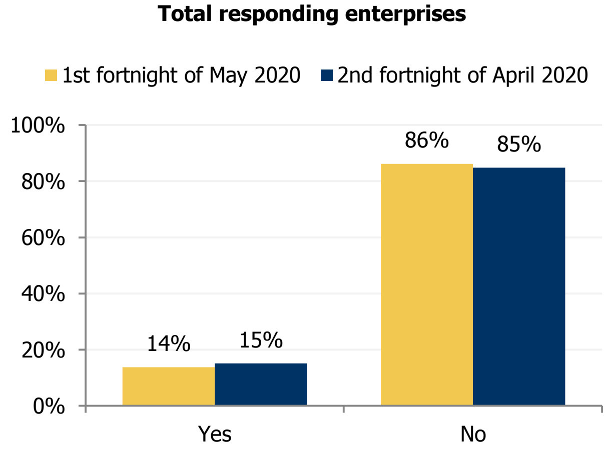
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

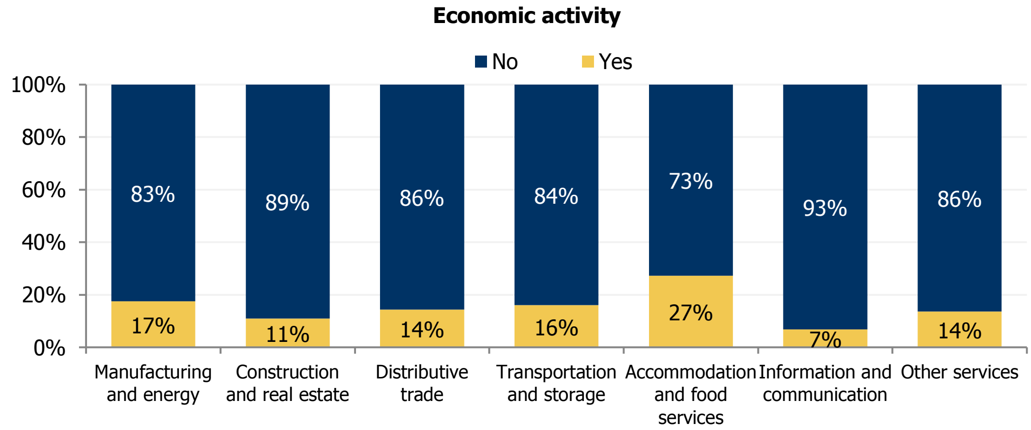
Access to credit for enterprises in the second fortnight of May 2020

Around 15% of the enterprises in operation or temporarily closed increased their use of credit in the second fortnight of May 2020

- Approximately 15% of the respondent enterprises resorted to additional credit in the second fortnight of May, highlighting the *Accommodation and food services* sector with the highest percentage of enterprises in this situation (27%), followed by the *Manufacturing and energy* sector (17%).
- From the enterprises that increased the use of credit, 85% reported an increase in financing from financial institutions and 46% reported an increase in credit from suppliers. In most cases, the new credits presented conditions similar to those previously practiced.

Figure 11 • Recourse of additional credit in the second fortnight of May, as a % of total number of enterprises in operation or temporarily closed





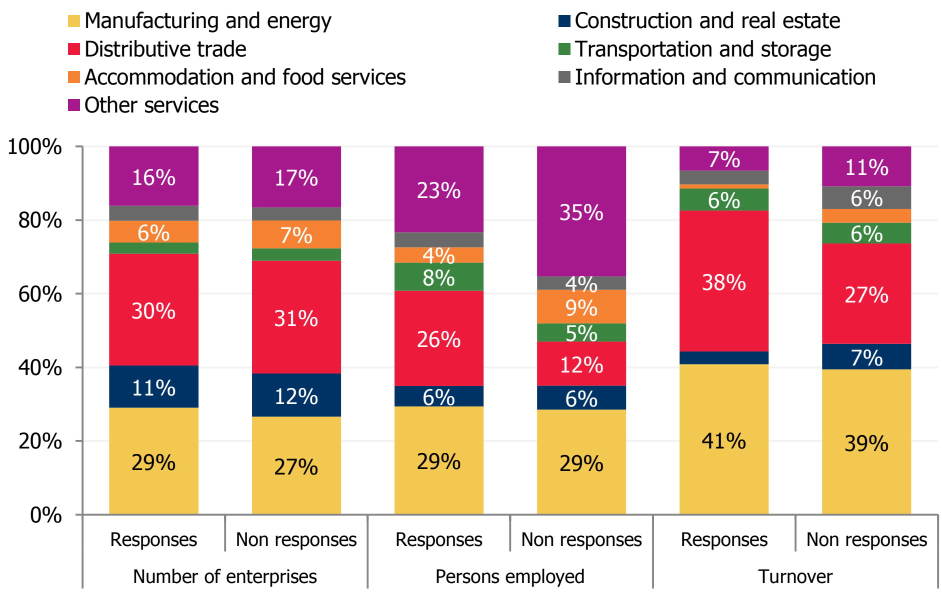
Source: Statistics Portugal and Bank of Portugal, COVID-IREE

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 25 to 29 May 2020, with reference to the second fortnight of May 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 5,313 valid responses were obtained, representing an overall response rate of 59.8%. The respondent enterprises represent 64.5% of the persons employed and 75.9% 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

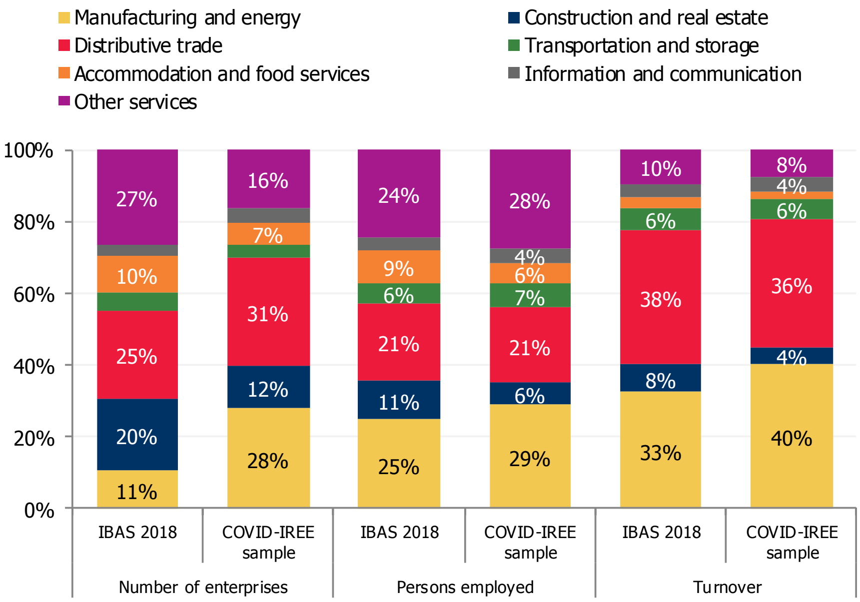
Applying a simple *Probit* model to assess the probability of response to the survey, a lower probability of response of micro and small enterprises was observed, and the possible bias resulting from this should be considered in the analysis. However, there was no evidence of bias associated with the 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 the next edition of the survey, contrary to the usual, the data collection will take 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 10 and 11 June. Consequently the disclosure will be made on 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:

19 June 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

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.