



Joint Survey of the Trinidad and Tobago Coalition of Services Industries (TTCESI) and the Trinidad and Tobago Manufacturers Association (TTMA)

Economic impact assessment of COVID-19 on Services & Manufacturing Sectors



May 4, 2020

Introduction

The Trinidad and Tobago Coalition of Services Industries (TTCSI) in collaboration with the Trinidad and Tobago Manufacturers Association (TTMA) conducted a survey of its members to assess the impact of COVID – 19 on business. On March 31st, the GORTT imposed a Stay at Home Order for Non-Essential Services. This Order has been in effect for over one month and will continue until May 10th, 2020.

The survey included 26 questions and was executed over period 20th April to 24th April 2020. A total of 394 responses representing 394 businesses in Trinidad and Tobago were recorded.

The purpose of the survey is to assess / determine:

- 1 The effects of the pandemic with respect to hours of operations, dismissals, cuts in wages and decreases in sales. These can be used to estimate the overall economic impact on the country and per sector.
- 2 Innovative mitigation / coping strategies that are being used by firms. This can be used to make recommendations to other firms or even to policy makers.
- 3 The post-pandemic business outlook. This is important to gauge the economic recovery and to develop programs to meet the needs of specific sectors that think they will be hardest hit.

It is our intention to share the Report with relevant Ministries and the recently appointed COVID-19 Recovery Plan Committee.

1. Business Profile

Figure 1.1: Categorization of respondents by sector

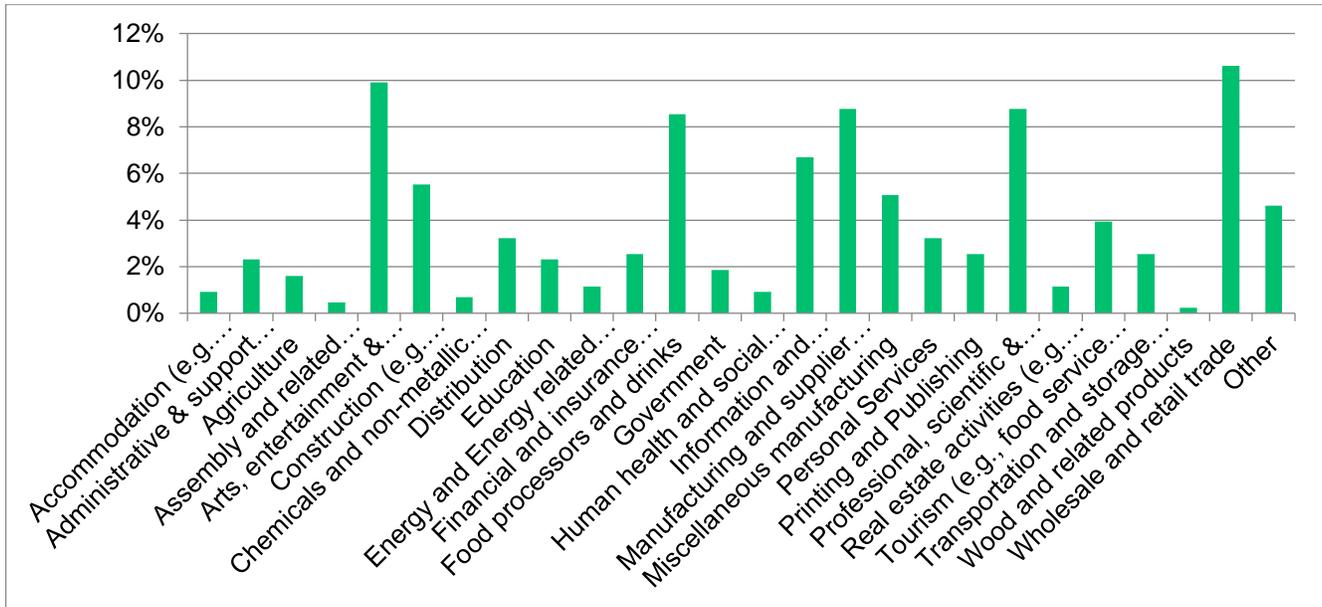


Figure 1.1 provides a sectoral profile of respondents. For the purpose of this study, cosmetology, hygiene services and other related personal care services are classified under Personal Services. Additionally, manufacturing products such as, medical equipment and supplies, jewelry, office supplies etc. were classified as Miscellaneous Manufacturing. Approximately 5% of respondents selected “other” as their sector. These were identified as: pest management, meetings incentive conventions and events (M.I.C.E), waste management and environment management to name a few.

Among these businesses, 49% indicated that they classified as non-essential as established in the Public Health Ordinance of March 31, 2020 and 51% of respondents were classified as essential business.

Figure 1.2: Respondents by size of company



According to the Central Statistical Office of Trinidad and Tobago, a small enterprise is defined as having between 6-25 employees and sales of TT\$250,000 to TT\$5,000,000 and a medium enterprise as having between 26-50 employees and sales of TT\$5,000,000 to TT\$10,000,000 (excluding real estate). To gauge the size of businesses captured in the survey without real sales data, the assumption was made to define a company with 100 or less employees as an SME (Small and

Medium Sized Enterprise. Figure 1.2 illustrate that 85% of respondents were SMEs. A breakdown of the SMEs by sector is presented in Figure 1.3.

Figure 1.3: SME's represented by top 10 sectors

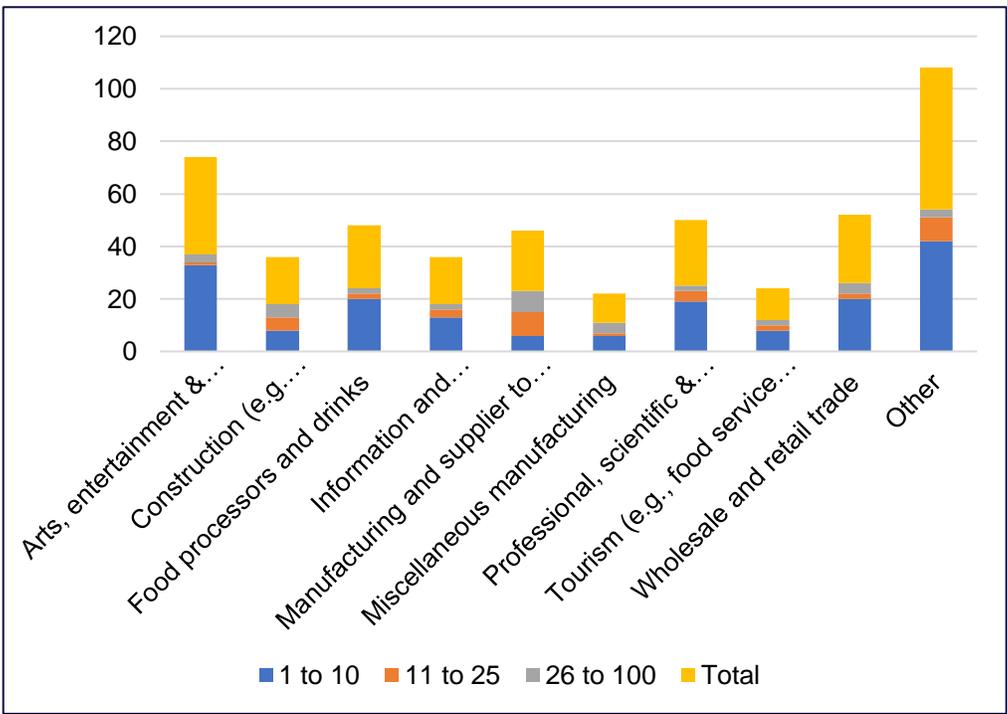
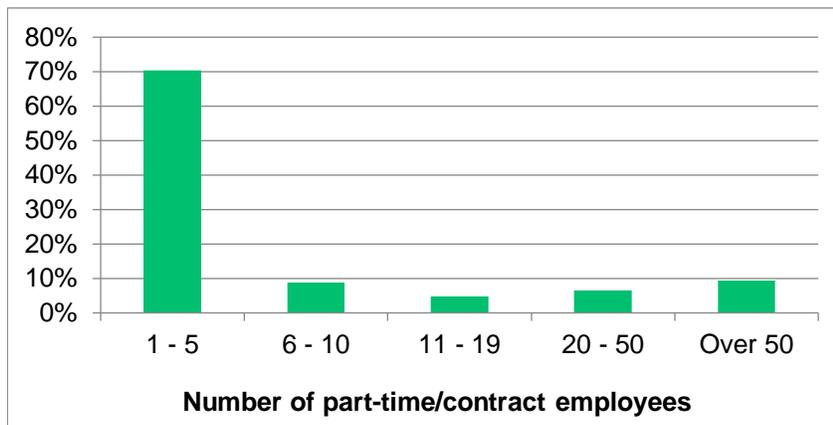


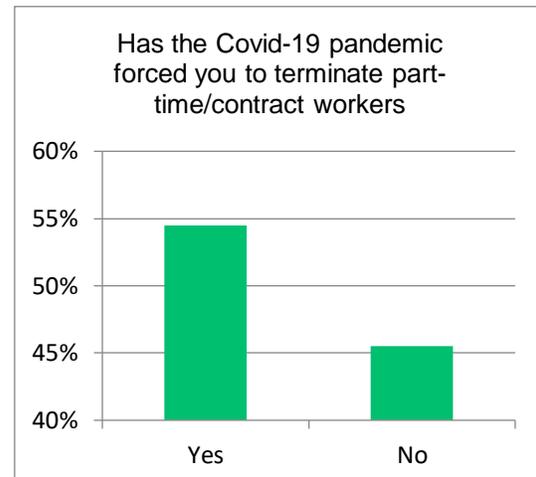
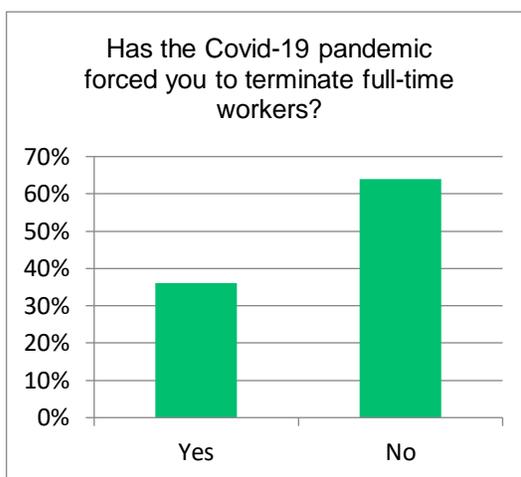
Figure 1.4: Number of part-time/contract employees



In addition, we find that 91% of total respondents employed on average between 1-50 part-time or contract employees and 70% of all respondents employed between 1-5 persons part-time or on contractual relationships as shown in Figure 1.4.

As a result of the country's COVID-19 mitigation measures figure 1.5 shows 36% of businesses have terminated full-time employees and 54% of businesses have terminated part-time or contractual employees.

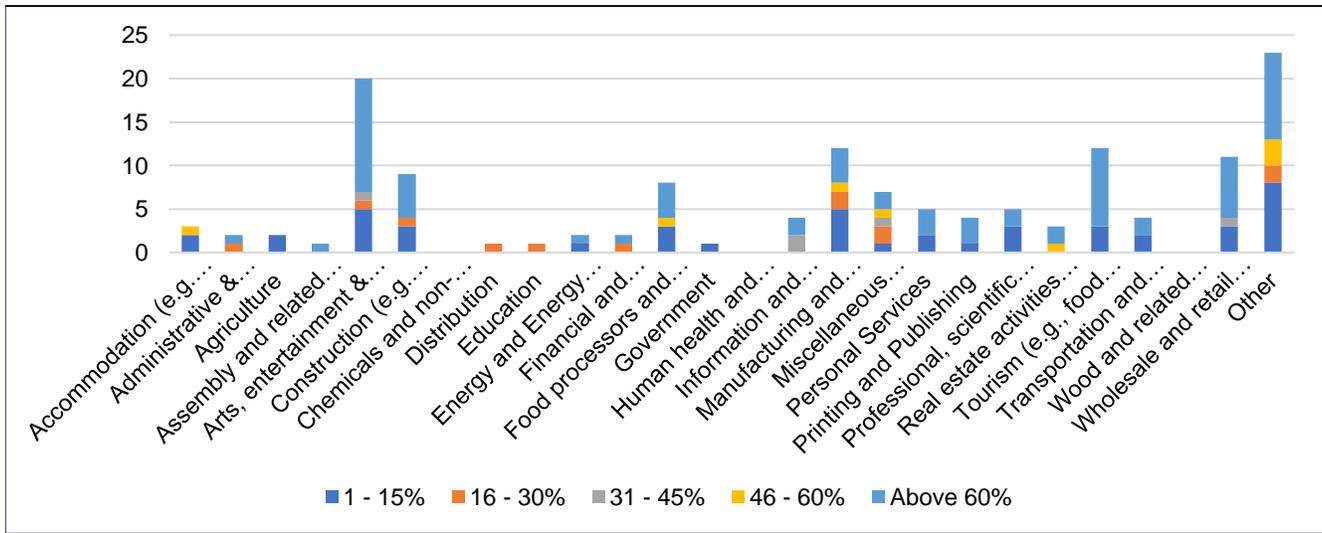
Figure 1.5: Number of firms that terminated employees



The termination of these employees will have negative consequences on the national economy, unemployment, poverty, quality of life and standard of living. For companies who did not terminate staff, 57% furloughed employees. Among these companies, 67% have furloughed at least 25% of their workers comprising of both full-time and part-time employees. Furthermore, those employers who did not terminate staff, 46% of these resorted

to a reduction in wages. Termination of full-time employees by sector is presented in Figure 1.6. The survey results revealed that most workers terminated were from arts, entertainment and recreation, other, tourism, manufacturing, food processors and drinks and the construction sector.

Figure 1.6: Breakdown of terminated full-time employees by sector



2. Revenue/Operations

Small and Medium Enterprises (SMEs) are important contributors to job creation and economic development. According to the World Bank, formal SMEs contribute up to 40% of national income (GDP) in emerging economies. In Trinidad and Tobago, it has been estimated that SMEs account for over 50% of GDP.

Figure 2.1: Impact of COVID-19 on Business Operations

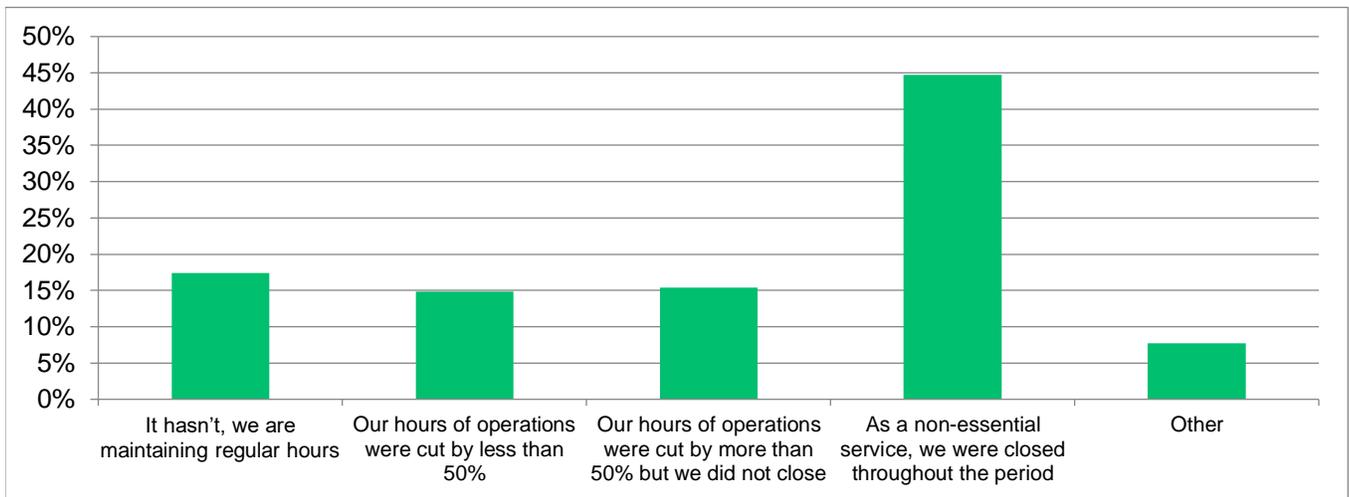


Figure 2.1 shows the impact of COVID-19 and the country's mitigation measures on business operations. The survey revealed that out of the 49% of businesses deemed non-essential, 45% were closed throughout the period¹. On the other hand, 30% of companies reduced their hours of operation. Subsequently, 17% of businesses have maintained regular hours, whilst others experienced increased demand and worked longer hours. In general, the data indicated that businesses have expanded or implemented 'work from home' protocols for staff that are able to do so. In addition, businesses opted to redirect operations to cater to new demands. For instance, fashion companies adapted to changing demands by producing masks for distribution and sale thereby increasing their work hours. The focus was on meeting growing demands for items that were in short supply as well as a mechanism to earn income under constraints.

According to global reports, COVID-19 have resulted in countries becoming heavily reliant on internet access by implementing work from home protocols and moving education to fully digital systems. Businesses globally have been re-evaluating how they operate and are ensuring they

¹ 45 percent of these firms though non essential found innovative means to deliver their products. Thus though their retail shops were closed, delivery services were offered.

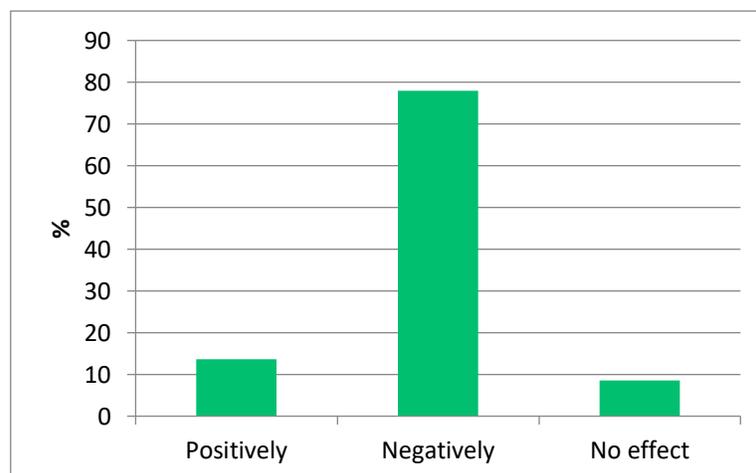
restructure their budgets to accommodate digital systems. This emphasises the need for internet accessibility among the public in emerging economies.

The GORTT have been actively working on increasing internet accessibility to the general public. The initiative was launched on July 29th, 2016 to effectively implement country-wide public Wi-Fi internet, broadband network available on PTSC buses. In February 2020, government announced that Wi-Fi internet will be available in City Gate PTSC terminal, Port of Spain, San Fernando PTSC Bus Terminal and 16 public libraries across the country. The initiative is in line with the National ICT Plan and will aim to make TTWiFi available at all transport hubs, health facilities waiting rooms, public libraries, recreational spaces and government offices.

The successful implementation of this initiative will be crucial in the coming months as businesses will opt to move towards a 'new normal' in their day to day operations. Contact tracing apps will also become necessary as countries will now have to roll out such measures. A key factor emerging from this pandemic is that digital connectivity is critical to business continuity and must be a priority going forward.

Figure 2.2 demonstrates the impact of COVID-19 on business sales. As expected, the data illustrated that a high volume of companies experienced a decline in sales. Among the 78% of respondents experiencing negative sales, 60% have experienced a reduction by more than 50%.

Figure 2.2: COVID-19 impact on sales



With global populations isolating and quarantining, supply chains has been disrupted causing demand spikes for some products/services and a plunge for others. Global shortages have trickled down to regional businesses whereby shipments have been delayed and procurement have been delayed. In addition, fear, uncertainty, income reductions or losses and job security are of concerns to consumers and have prevented investments in certain industries such as real estate. Consumer spending patterns continue to be volatile and businesses are impacted on a daily basis whereby some businesses have willingly ceased operations due to dramatic decreases in demand.

Figure 2.3: Factors contributing to a decrease in sales

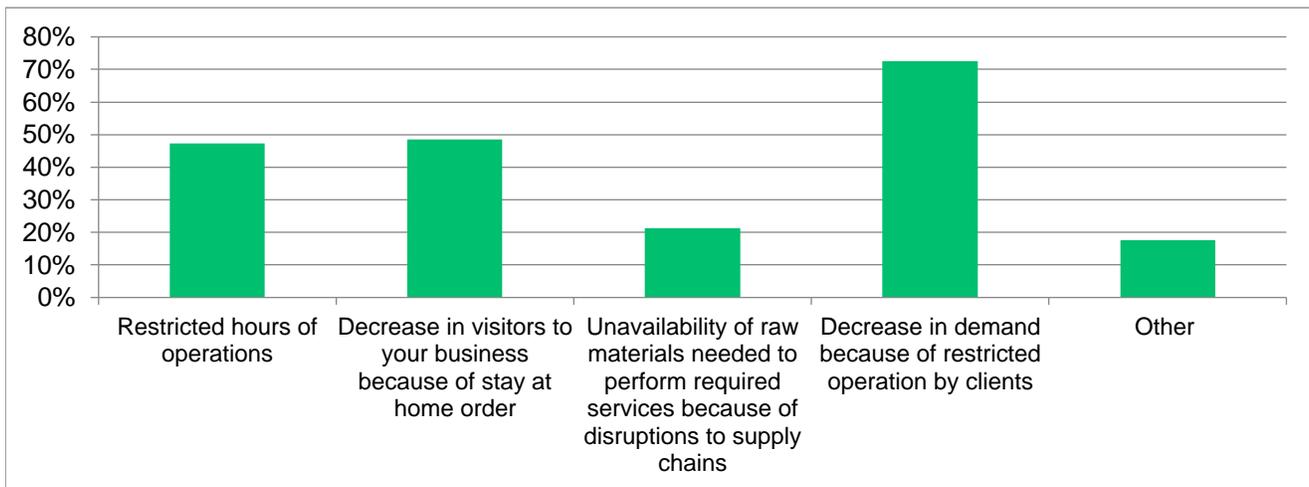
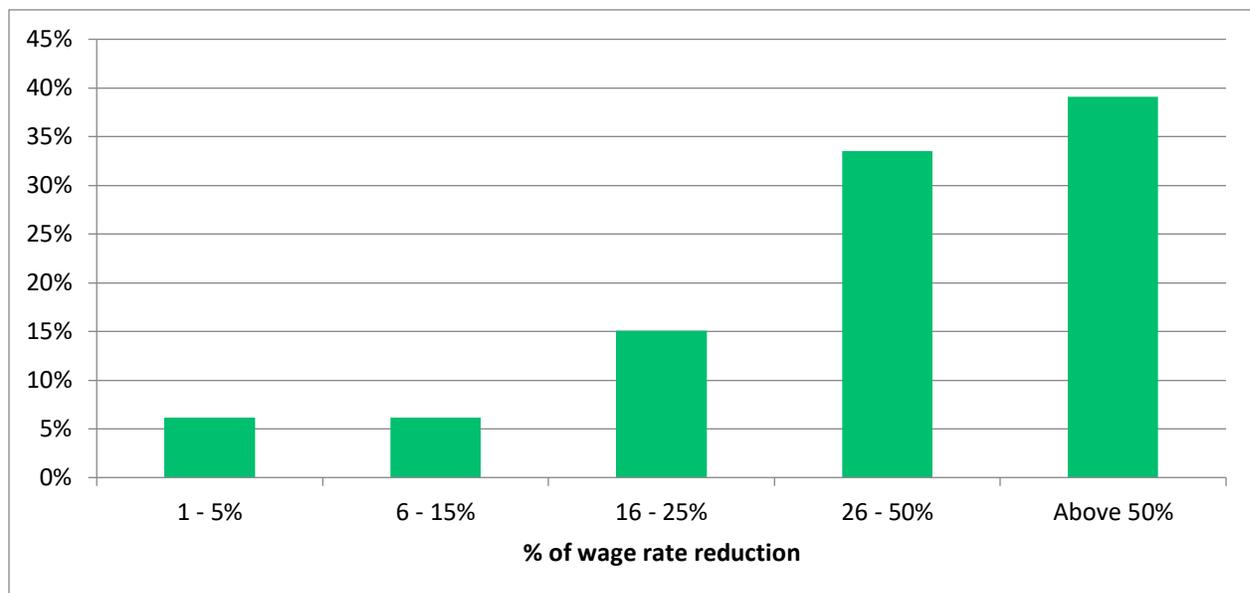


Figure 2.3 shows some factors which contributed to a negative impact on sales. Respondents were allowed to select multiple factors in this question. As such, we can deduce that the major factor affecting sales negatively was as a result of the restriction in hours of operation. 21% of respondents selected disruptions to supply chains as a factor causing a reduction in their sales. In addition, some other factors specified by businesses were - health risks to consumers in the dental industry. Similarly, a major industry impacted was the events industry which experienced a dramatic decrease in sales and cancellations as a result of the restriction of gathering in excess of 5 persons.

As a result of decreases in sales and operation, companies have been forced to cut wages. The survey revealed that approximately 46% of respondents representing 180 firms, indicated a decrease in their average wages. Figure 2.4 illustrates that more than 70% reduced their wages by more than 25%. In an effort to combat the short-run implications, on March 23rd, 2020, the Government of the Republic Trinidad and Tobago (GORTT) announced the introduction of a “Salary Relief Grant,” to assist employees in mitigating the financial challenges experienced due to the Covid-19 measures.

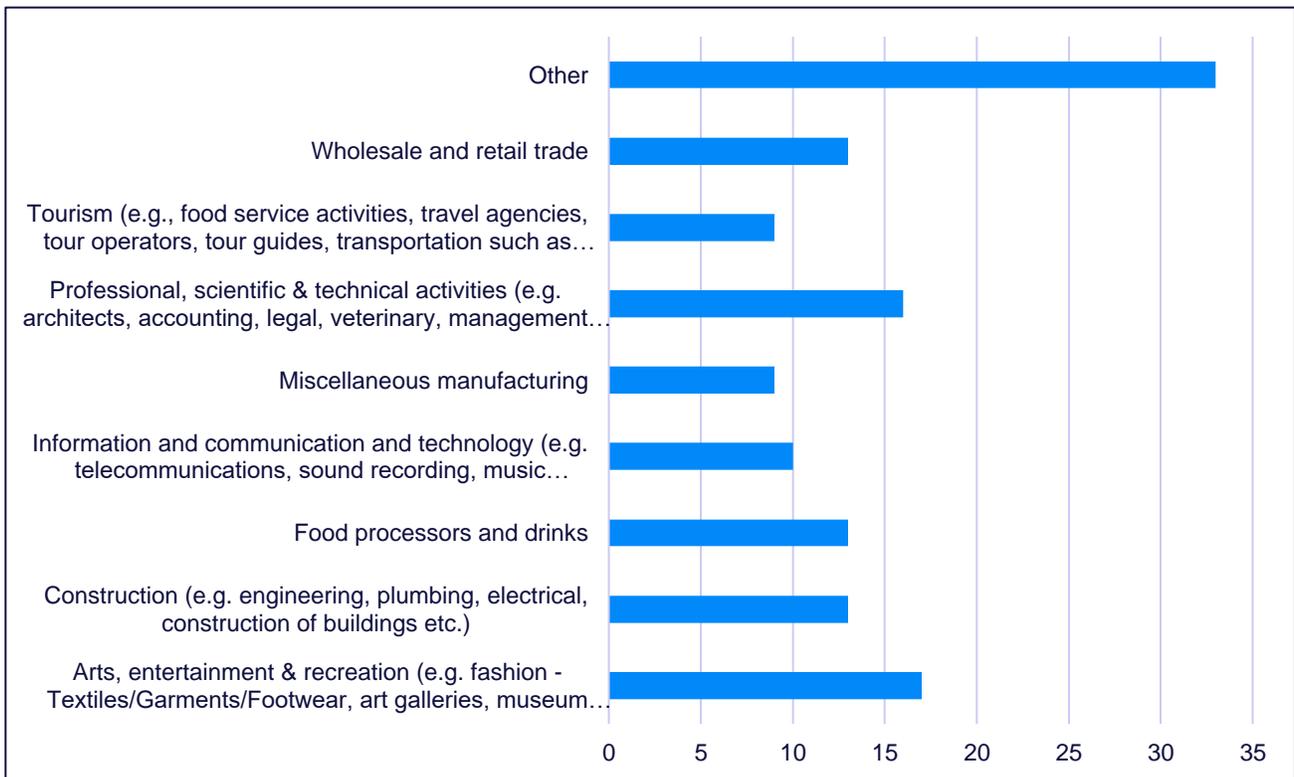
Figure 2.4: % decrease in average wage rate



The grant makes provision for TT\$1,500 for up to 3 months for citizens who have suffered involuntary termination, suspension or loss of income and is registered under the National Insurance System. Whilst this provides a temporary safety net, there is concern about the income source of these employees after 3 months.

Figure 2.5 below illustrate the top 10 sectors which have cut wages as a result of the pandemic.

Figure 2.5: Top 10 sectors where companies have decreased wages



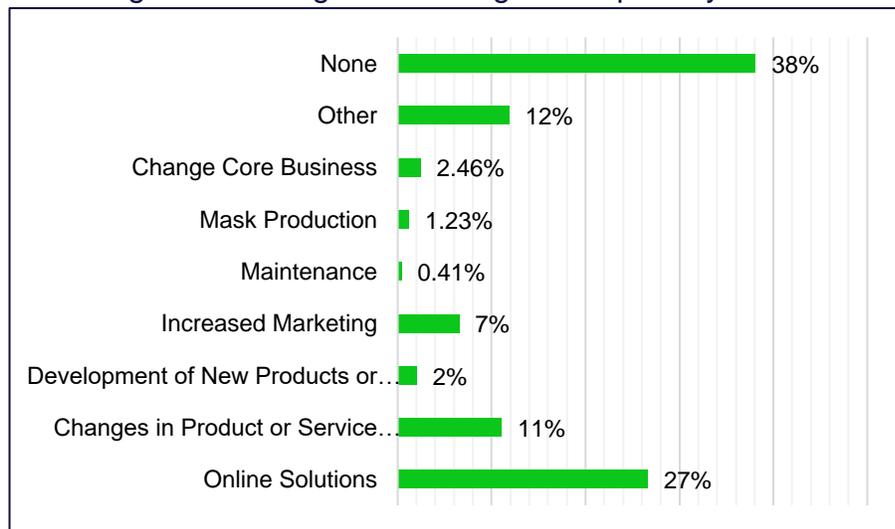
3. Mitigation Measures

SMEs operating in the formal sector normally have problems accessing credit. The financing gap is even larger when micro and informal enterprises are taken into account. In fact, SMEs are less likely to be able to obtain bank loans compared to larger firms, as such they rely heavily on internal funds to sustain business operations.

Respondents were asked about innovative strategies implemented in response to the Pandemic. As shown in Figure 3.1, 38% of respondents simply did not implement any new measures either because their operations were considered non-essential and had to be significantly scaled back or because the nature of their activities was not conducive to such strategies. Many service

providers, especially firms in ICT, education, and professional services, were able to shift their activities online. Other service providers and manufacturers shifted the administrative aspects of their business online and either scaled back their operations or changed their method of product delivery to facilitate curb side pickup, delivery for online or telephone orders or sales at factory outlets. Some firms used the downtime to ramp up their online and social media presence/marketing, perform maintenance on plants and machinery and brainstorm on new product and service offerings. Some firms were able to reposition their services and/or products to either make them 'essential' or to market them to essential businesses. For others, they essentially discontinued their pre-pandemic core activities and took up new activities which are currently in high demand. For example, some businesses engaged in the production and importation of masks and other personal protective equipment. Other mitigation strategies were mostly aimed at survival and included, negotiating with staff to take vacation, implementing shift systems and reducing wastage and inefficiencies.

Figure 3.1: Mitigation Strategies Adopted by Firms



Respondents were also asked if their employees accessed government relief grants. At the close of the survey on April 24th, 34% of respondents indicated that their employees had indeed accessed government grants (see Figure 3.2).

Businesses operating in the wholesale and retail sector have taken advantage of digital marketing, utilizing social media applications to promote their goods and services during this down period. In addition, some have even expanded operations by introducing home delivery services and curb side pick-up. However, for persons unable to operate, they have opted for staff who are able to work remotely, to do so.

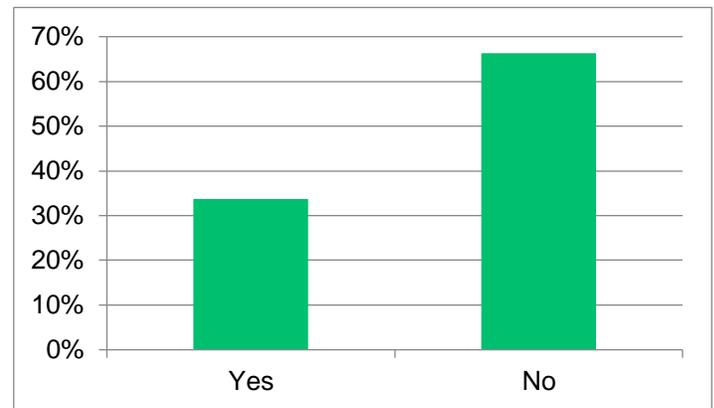
On the other hand, businesses operating in the professional, scientific & technical activities industry have downscaled operations. Physical offices remain closed and the majority of staff have been working from home. The urgency to continue operations have forced some businesses to adapt to the age of digitization and many companies have been forced to implement work from home policies to manage their staff. Although this resulted from a crisis, it may prove to be greatly beneficial to companies and may even result in lower operating cost and overheads. Animators stated adamantly that given that their business is digital in nature, they welcomed the move to a digital platform which is vital to the growth of this industry.

The education sector was able to transact the majority of its services online particularly since tertiary level institutions (TLIs) already had digital dashboards in place for students to transition to online teaching. It is important to point out that only TLIs responded to the survey.

One sector that has been negatively impacted is the arts, entertainment & recreation sector known as the creative industry. Many businesses experienced cancellations in performances, sporting events and trainings have been halted, workers have been laid off and companies are struggling to survive. Some sub sectors such as fashion have adapted to new emerging demands for face mask but others have been out of operation since the 'stay at home' order was implemented. Almost all sub sectors have resorted to social media platforms to advertise and continue promoting their products and services.

Tourism is another sector adversely impacted. According to the United Nations World Tourism Organization (UNWTO), the COVID-19 pandemic will result in a contraction of the tourism

Figure 3.2: Access to government assistance

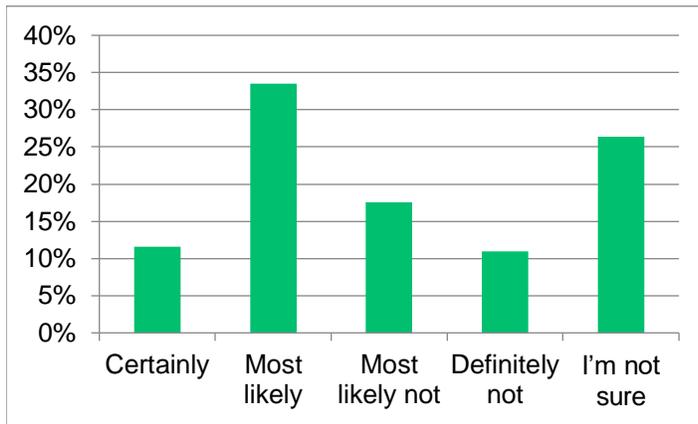


sector by 20% to 30% in 2020 in small island developing states. Many local businesses have recorded little to no revenue during the COVID-19 lockdown. Due to the nature of their operations, their only option has been cutbacks in spending and laying off staff. For others, keeping customers engaged through social media platforms is their only means of operating during the pandemic.

4. Recovery

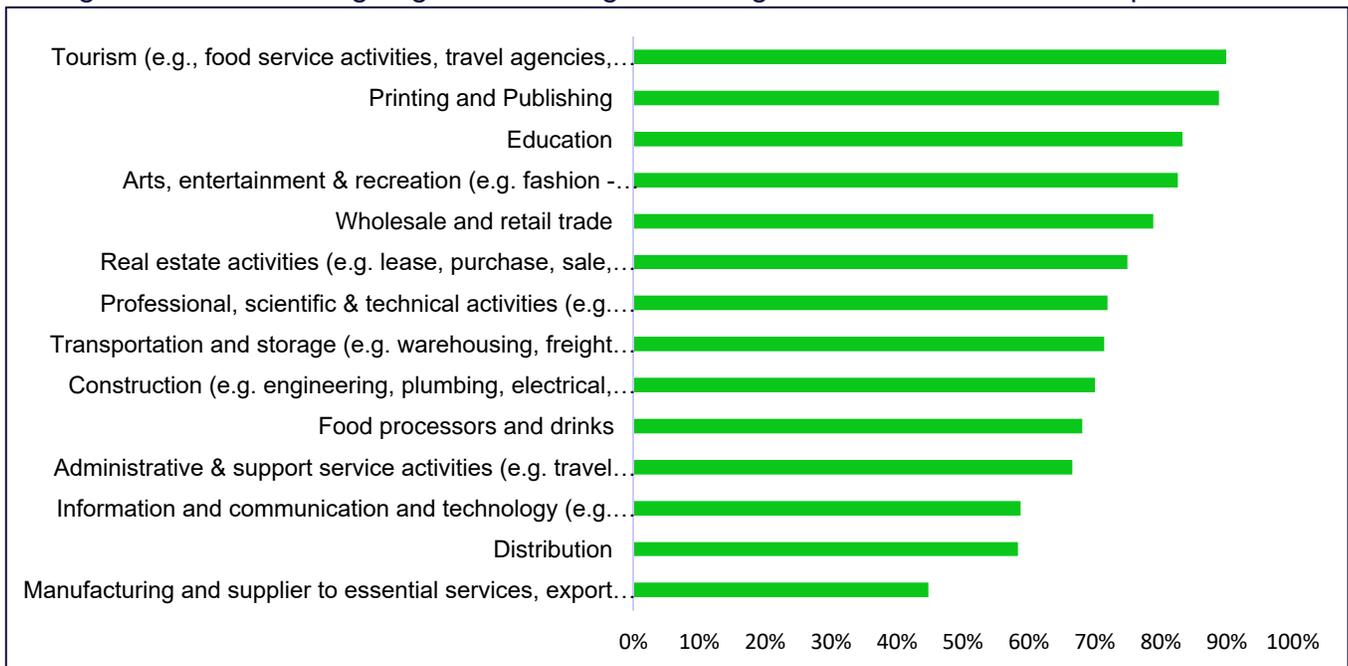
According to the World Economic Forum, the emergence and spread of COVID-19 has disrupted lives, livelihoods, communities and businesses worldwide.

Figure 4.1: Operations to Rebound Post COVID-19

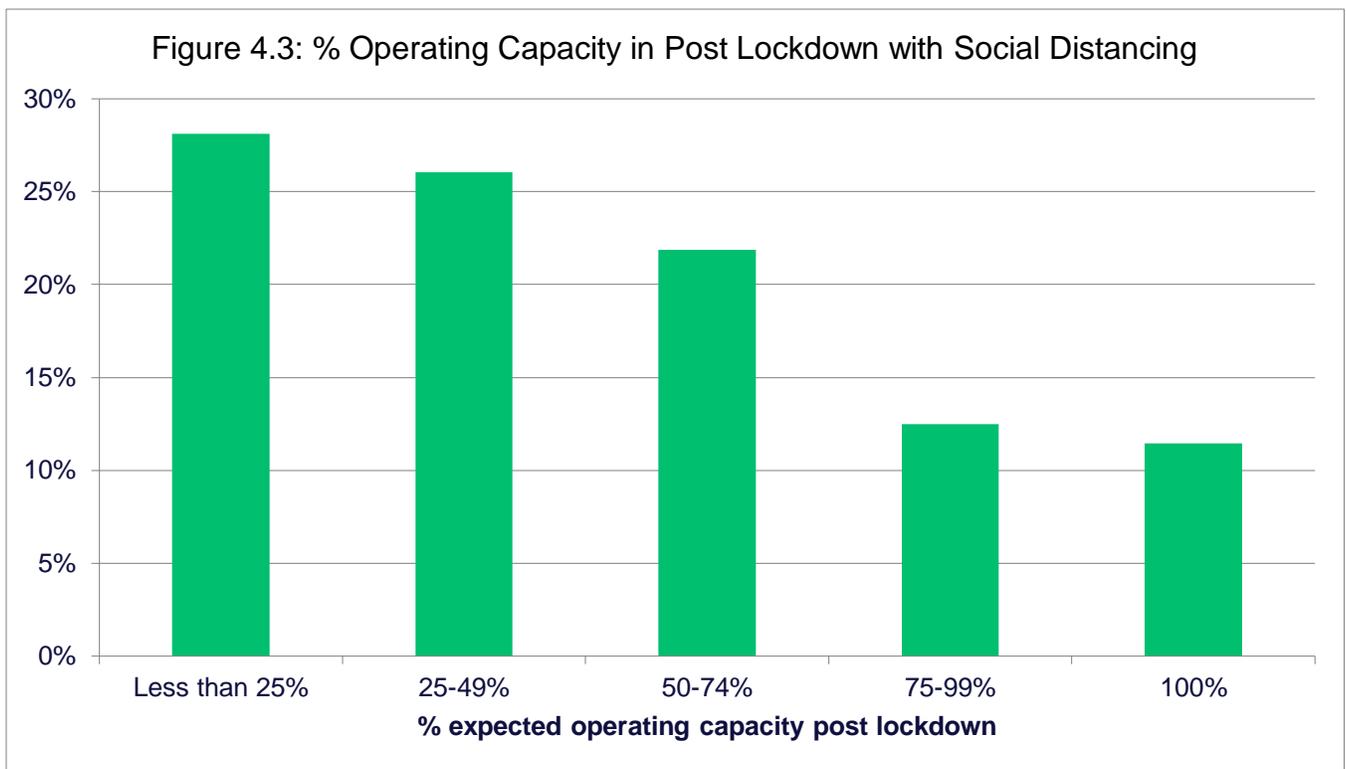


When firms were asked if they think their operating will fully recover post COVID-19, we found that 46% of respondents are optimistic that their operations would rebound following the pandemic; 28% were pessimistic and 26% were uncertain. The sectors anticipating the worst are highlighted in Figure 4.2 below.

Figure 4.2: % Needing Urgent Financing Assuming 3 Months of Restricted Operations

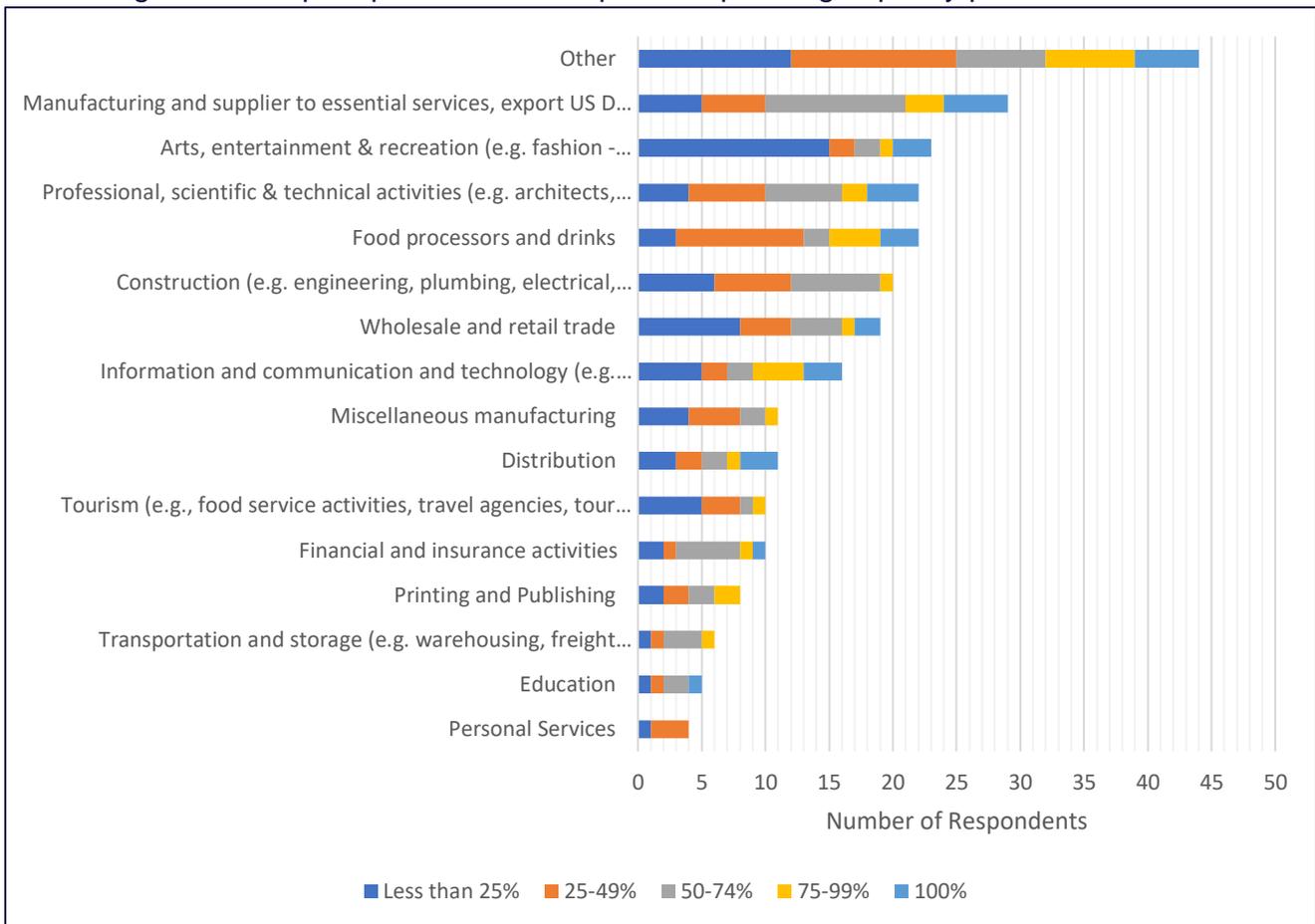


When we asked firms if social distancing measures were to be implemented in factories and workplaces post lockdown period, figure 4.3 shows the percentage operating capacity the expect in the first month of operations. 28% of respondents expecting their operating capacity to reach between 75% and 100% in a post-lockdown period with social distancing and other restrictive measures in place (see Figure 4.3).



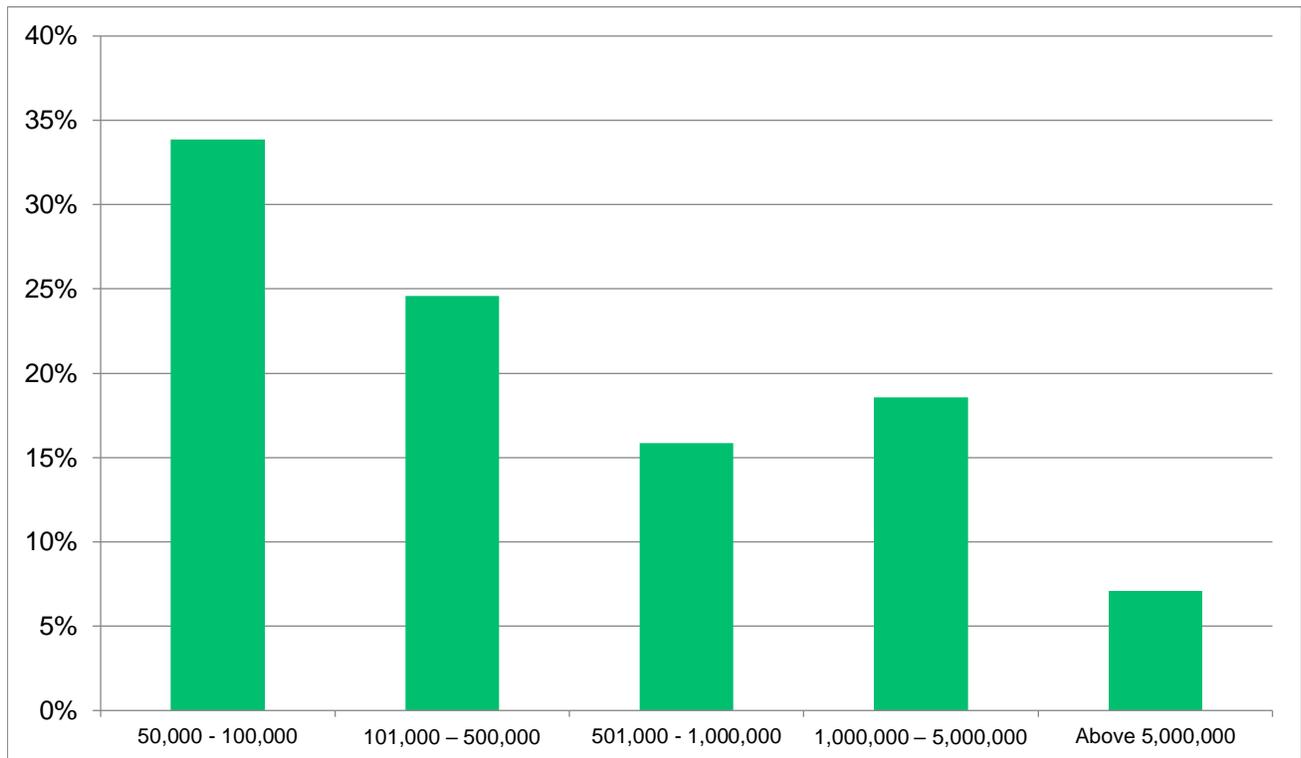
The expected impact per sector on operating capacity post COVID-19 with restrictive measures in place is illustrated in Figure 4.4 below. Firms seem to expect significant curtailments in operations post Covid-19.

Figure 4.4: Impact per sector on expected operating capacity post COVID-19



When asked about financing, most firms anticipate significant financing needs in order to recover from the pandemic. More than 55% of firm's project financing between TT\$50,000 and TT\$500,000 as shows in figure 4.5.

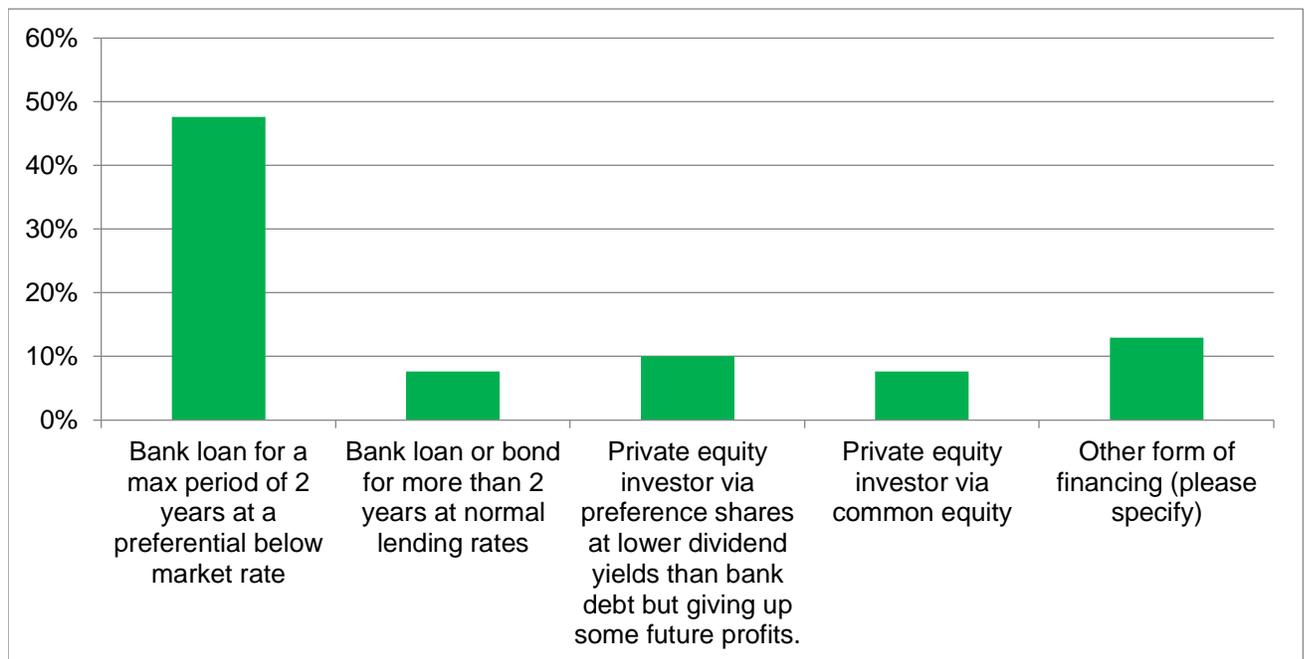
Figure 4.5: Projected financing to recover post COVID-19



Among the firms that require financing, 48% preferred financing via a preferential short-term bank loan. (See figure 4.6). In addition, respondents also listed additional measures to aid in their recovery;

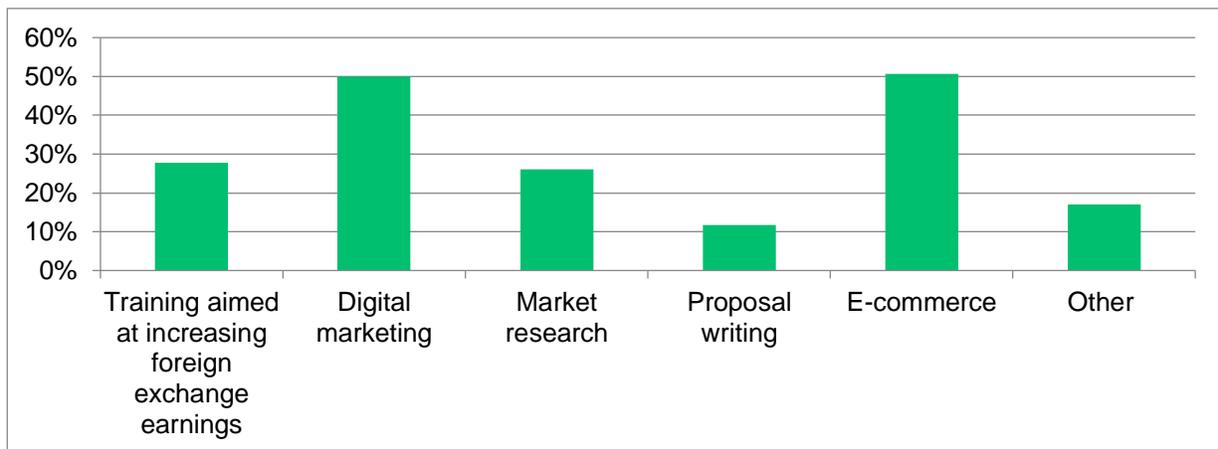
- Waiver of the fines and penalties on VAT, PAYE and NIS payments
- Quick processing of VAT refunds and GATE payments
- Financial assistance grants
- Tax deferral or reductions
- ICT support to enable firms to transact to a digital platform

Figure 4.6: Most preferred option of financing



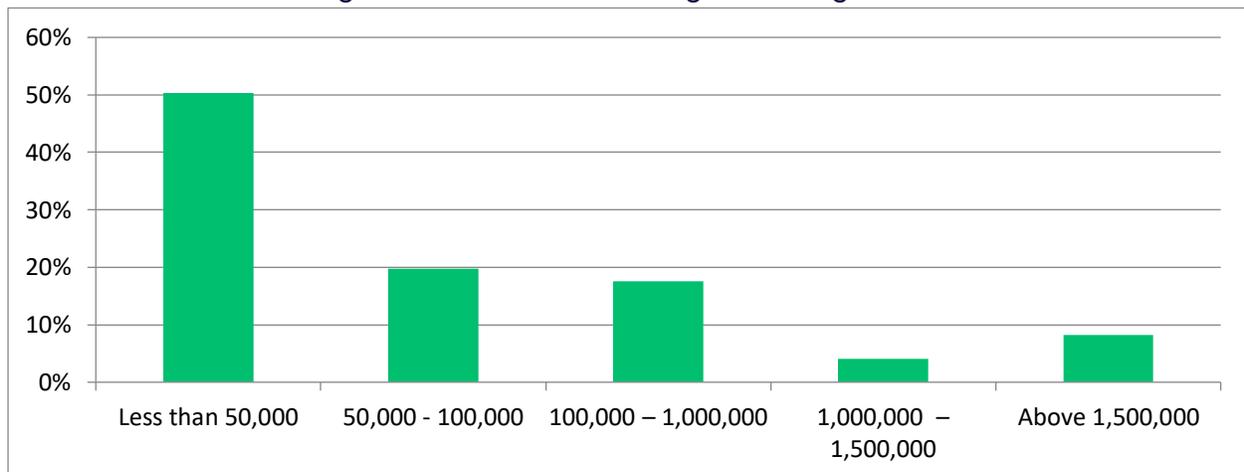
The restrictions on movement imposed in the fight against Covid-19 have underlined the importance of ICT solutions. Businesses that were comfortable with online communications technology have seemingly fared better than those that were not. It is therefore, not surprising that all firms surveyed identified e-commerce and digital marketing as areas in which they would like technical assistance post Covid-19. Figure 4.7 presents the technical assistance required by firms.

Figure 4.7: Preferred non-financial assistance



Firms were asked about their foreign exchange needs post COVID-19. Foreign exchange shortages were exacerbated because of the Covid-19 crisis. Several businesses indicated that their most urgent financing need for recover relates to the availability of \$US. Figure 4.8 illustrates that most businesses require modest quantities of US\$ below \$50,000.

Figure 4.8: Estimated foreign exchange need

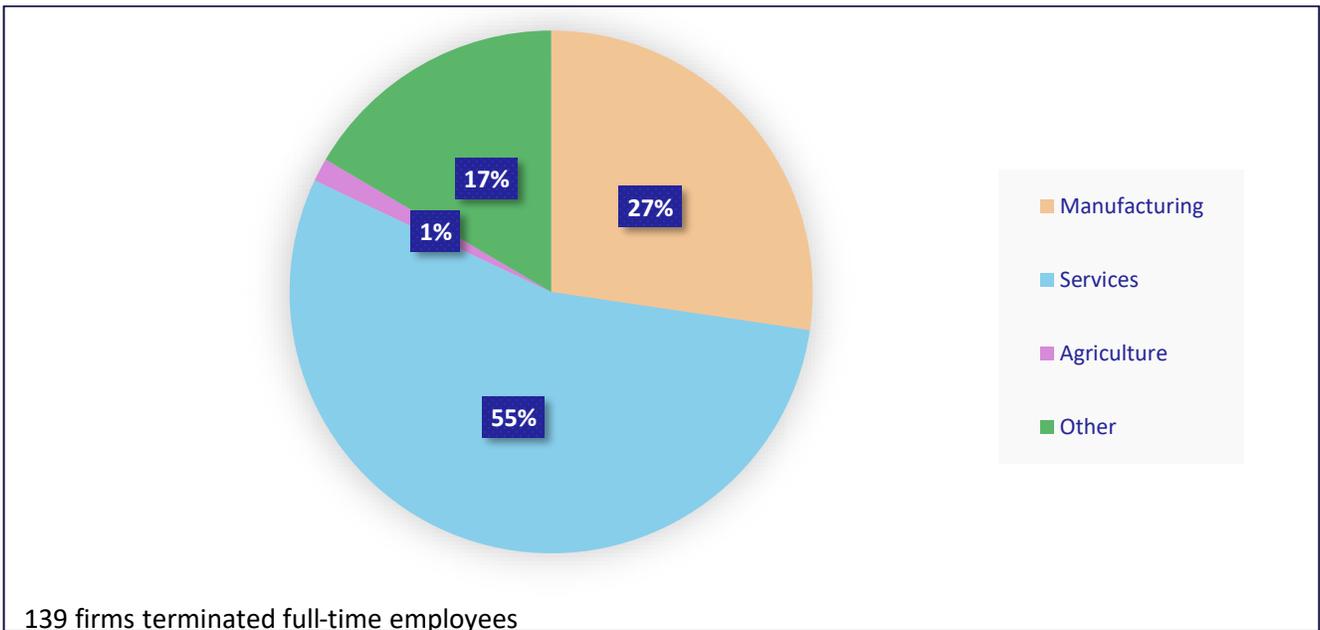


Conclusion

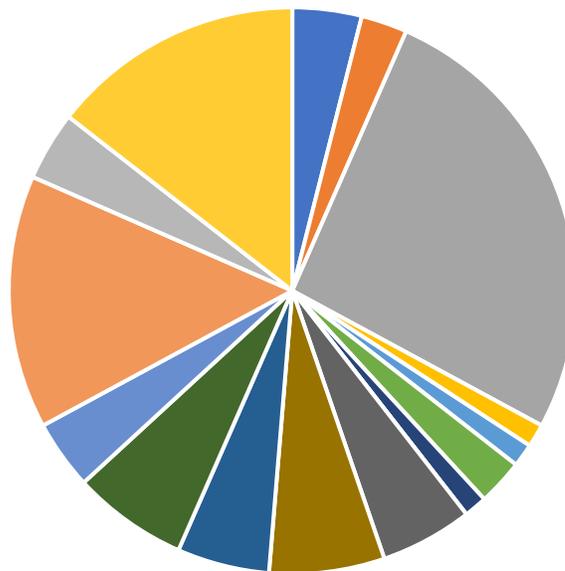
In closing most firms surveyed demonstrated a strong desire to collaborate with both Government and Business Support Organizations such as the TTCSI and the TTMA to move towards the path of recovery. One of the key areas they identified support from their BSOs is the development of ICT products for their industry. The majority of services firms noted that a digital platform is critical for them to market and sell their services not just domestically but regionally and internationally. This is a gap that BSOs can work closely with these businesses to alleviate in the short term. Furthermore, emphasis must be placed on creating an enabling environment to support businesses that has the potential to export their products and services.

Appendix

Appendix 1: Breakdown of companies who terminated full-time employees by sectors



Appendix 2: Breakdown of companies who terminated full-time employees in the Services Sector



- Accommodation (e.g. hotels, guesthouses etc.)
- Administrative & support service activities (e.g. travel agencies, tour operators, security, cleaning, landscaping etc.)
- Arts, entertainment & recreation (e.g. fashion - Textiles/Garments/Footwear, art galleries, museum activities gambling and betting, live performances etc.)
- Distribution
- Education
- Financial and insurance activities
- Government
- Human health and social services
- Information and communication and technology (e.g. telecommunications, sound recording, music publishing, video recording, software developers, computer programming, animation etc.)
- Personal Services
- Printing and Publishing
- Professional, scientific & technical activities (e.g. architects, accounting, legal, veterinary, management consultancy etc.)
- Real estate activities (e.g. lease, purchase, sale, appraisal etc)
- Tourism (e.g., food service activities, travel agencies, tour operators, tour guides, transportation such as airlines, car rentals, boat rentals etc.)
- Transportation and storage (e.g. warehousing, freight services, taxi/maxi-taxi services etc).

Appendix 3: Breakdown of companies who terminated full-time employees in the Manufacturing Sector

