

Publication

BUSINESS LEADER SURVEY

Analysis of the results of the business leader survey

In order to understand as precisely as possible how Luxembourg businesses are experiencing the current crisis and how they see their future, and thus to better help them overcome the crisis, the Chamber of Commerce conducted a major field survey from 8 to 15 April 2020 – just before the Prime Minister's speech of 15 April announcing the government's crisis exit strategy – with the support of five federations (ACA, ABBL, CLC, Fedil and Horesca). The survey shows that businesses have been very hard hit, that they are rapidly running out of cash and that the current direct aid is not sufficient for the individual situations of a large number of businesses, especially those affected by partial or complete closure. Continued and increased aid measures are essential to limit the adverse effects of the health crisis on the country's socio-economic environment.

In view of these results, which show the depth of the problems experienced by businesses, and knowing that the end of the crisis is more than uncertain, suggesting a very slow recovery of activities, the Chamber of Commerce advocates for continued support for businesses, and especially an adjustment of direct aid, which is the only way to ensure the survival of small and medium-sized enterprises, especially those in the retail and hospitality and catering sectors.

The survey collected nearly 2,600 responses in one week, which shows the great interest of businesses in making their voice heard during this crisis that is leading to absolutely unprecedented situations. The survey consisted of 25 concrete questions, the answers to which give an idea of the scale of the challenges that businesses are currently facing. Of all the businesses that responded, nearly three-quarters are small (less than 10 employees), and the hospitality and non-food retail sectors are well represented.

Planning of work... when there was work

Among the respondents, 58.5% said that their activity had completely stopped, either in direct connection with the government imposed ban on certain activities (41.3%), or due to personal initiative (17.2%) after the demand for the activity had diminished, or it was impossible to carry out the activity remotely. For those businesses that could continue their work (41.5% of respondents), one of the major problems, encountered by 60% of them, is operating with a small or very small workforce. Absence for family reasons (related to school closures) is the top reason for this unusual absenteeism. More than half of these companies found themselves operating, partially or totally, with a workforce reduced by more than 40%.



Telework: Variable by sector

Just under a quarter of the responding businesses that have remained operational managed to have 100% of their workforce work remotely. Unsurprisingly, it was mainly companies in the finance, insurance, and information and communication sectors that were best able to organise telework for their employees. More than 60% of respondents from these sectors report that more than 80% of their employees work remotely.

In just over a quarter of the cases, the share of teleworkers is very low (0 to 10%). This is particularly the case in the non-food retail sector: 46% of respondents in this sector report that less than 10% of their employees can work remotely.

Significant impact on cashflow

While 27.3% of respondents at least partially operational reported a loss of turnover of between 0 and 20%, more than 40% of them reported a loss of at least half of their turnover. In the majority of cases (54.7%), the loss of revenue is related to project or order postponements, but in 35.1% of cases it is a deadweight loss. This has a significant impact on liquidity, with 27% of respondents reporting that they have been short of reserves since 15 April. 72% of the respondents from the hospitality and catering sector have said that they will run out of reserves as of 1 May. Out of all the businesses (all sectors combined) that answered the question, 'How much do you estimate your monthly liquidity needs during this crisis?' The hospitality and catering sector came to a median monthly requirement of EUR 18,000. It should be noted that 5% of respondents have a monthly need of more than EUR 350,000.

Recourse to partial unemployment is the measure most used by businesses surveyed regarding their staff. At the time of the survey (8 to 15 April), redundancies for economic reasons were still the exception. More than 50% of the respondents intend to apply for partial unemployment, grants, cancellation of advances or deferment of tax payments and measures in respect of social security contribution payments.

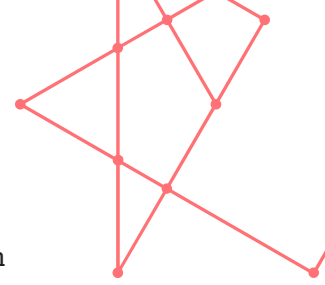
Uncertain about the future

In this context, businesses feel moderately well informed about the aid to which they are entitled. Their main sources of information are the Chamber of Commerce (website, helpline, House of Entrepreneurship), the press, and government communications.

For most of the businesses surveyed, the measures taken by the government so far will not be sufficient to help them overcome the crisis. Uncertainty about the future prevails for the most part, with the most worried sectors being hospitality and catering, construction, information and communication, and non-food retail.

Concerning the ability to restart their business quickly if the containment ends, just over 30% of respondents say that it will take them more than 10 days. These businesses operate mainly in non-food retail and the hospitality and catering sectors, where a decision on a possible reopening will not be considered until 11 May at the earliest. It is precisely these sectors that present the greatest difficulties in terms of liquidity. 6 out of 10 businesses in the non-food retail sector and 7 out of 10 in the hospitality and catering sector will be short of cash as of 1 May.

On a positive note, nearly 2/3 of respondents say they have prepared a business recovery plan.



Extending and increasing direct aid measures to ensure business survival

Following the announcement of the government's first measures regarding an exit plan for the crisis, the Chamber of Commerce would like to stress that the majority of the businesses that participated in its survey are not affected by the coming end of confinement in the next three weeks. If the first package of measures presented by the government offered support to businesses during the month of April, many of them should also be supported in the weeks and months to come, depending on the duration and impact of the socio-economic crisis. The recently announced measures, such as a direct aid of EUR 5,000 for companies with up to 9 employees, a direct aid of EUR 12,500 for companies with 10 to 20 employees or a direct aid of EUR 2,500 for the self-employed, are a welcome breath of fresh air for businesses.

It should be noted that the law of 18 April 2020 concerning state guarantees was passed after the closure of the present survey and its effects will only become apparent later. In view of the results of this survey, the hospitality and catering and non-food retail sectors are particularly affected and vulnerable.

The Chamber of Commerce advocates for additional measures to be implemented in the short term, with continued aid for businesses that are not authorised to open and those whose activity remains heavily impacted by the health crisis. Strong sectoral measures are therefore necessary to take account of the specific needs of businesses based on the duration and impact of their decline in activity.

The general measures relating to partial unemployment need to be continued in the coming months. The Chamber of Commerce also advocates for a readjustment of the aid scheme for businesses in temporary financial difficulty (Law of 3 April 2020), in order to allocate more resources for direct subsidies rather than repayable aid, as the survey showed that the latter instrument is used only to a limited extent by businesses.

The Chamber of Commerce will soon present a more exhaustive list of additional support measures it proposes in order to take account of the difficult situation that is continuing for a large number of the country's businesses.

In order to enable businesses to cope with the decline in economic activity and to help them overcome the crisis and implement their recovery strategy, the Chamber of Commerce's House of Entrepreneurship has also just launched the #ReAct project (tel.: 42 39 39 – 850, e-mail [support\(at\)houseofentrepreneurship.lu](mailto:support@houseofentrepreneurship.lu)). In addition, the Chamber of Commerce launched the COVID-19 Business Helpline at the beginning of the crisis to help businesses by providing them with real-time information and answering their questions about crisis management, such as partial unemployment and state and public aid schemes implemented by the authorities and the Chamber of Commerce (tel. 42 39 39 – 445, e-mail [covid19\(at\)houseofentrepreneurship.lu](mailto:covid19@houseofentrepreneurship.lu), www.cc.lu/covid19).