

COVID-19 SURVEY

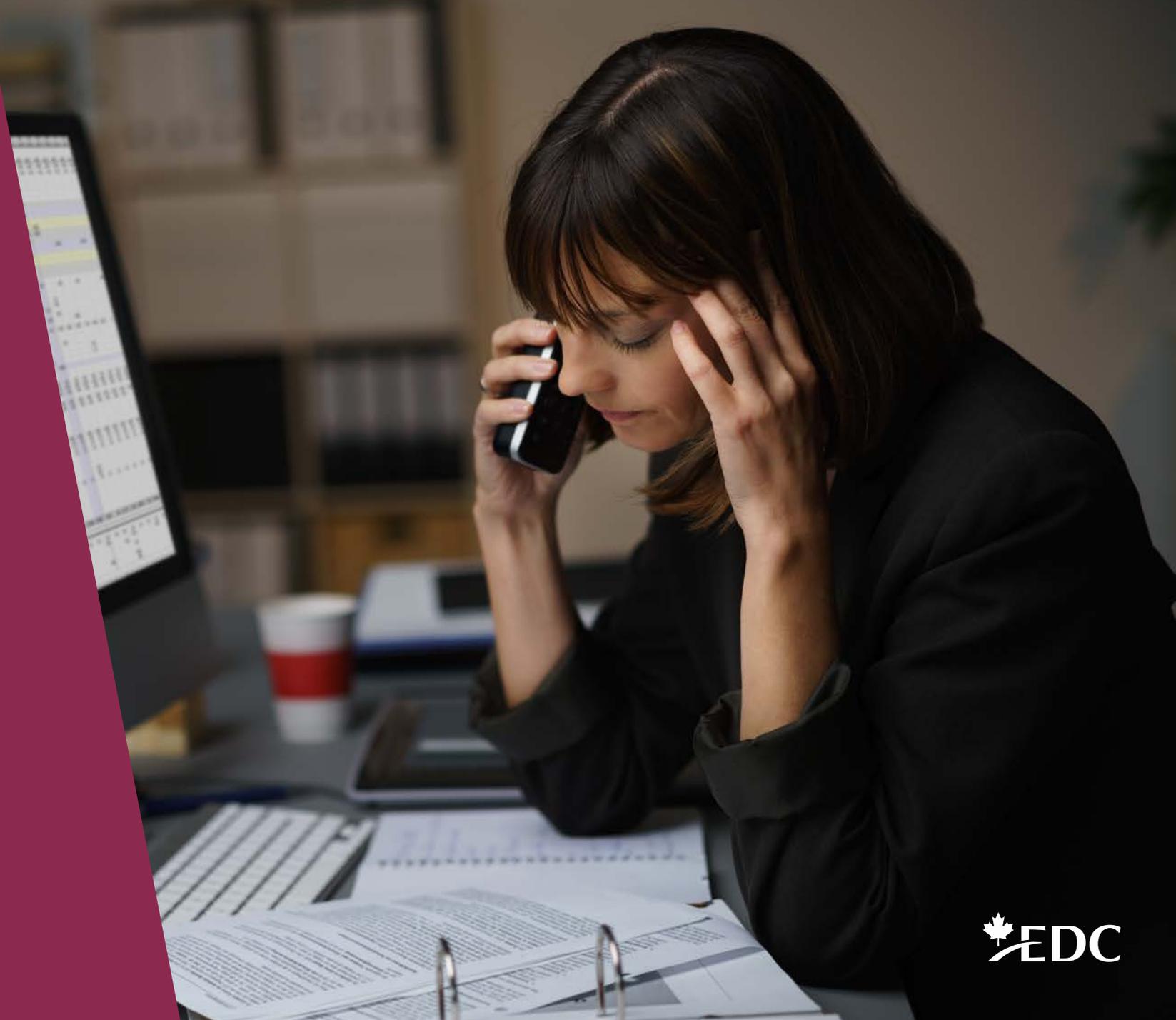
EDC Research Panel

May 7, 2020

Insights on the initial impacts of COVID-19
on Canadian exporters.

Canada

EDC



BACKGROUND

Context

- Necessary health measures to save lives and contain the COVID-19 pandemic have stalled the global economy, resulting in the sharpest and most synchronized downturn since the Great Depression.
- As part of the Government of Canada's support package, Export Development Canada (EDC) is working with the Business Development Bank of Canada (BDC) and other financial institutions, to provide additional liquidity to Canadian businesses dealing with economic fallout of the pandemic.

Objectives

Given rapidly-changing developments and lags in releasing official economic statistics, we surveyed EDC's Research Panel to collect timely insights on how the pandemic is affecting Canadian businesses. The goal of the survey is to better understand COVID-19's initial impacts on sales in domestic and international markets, supply chains, firms' responses, as well as their key challenges.

SURVEY CONSIDERATIONS

Methodology

An online survey of EDC's Research Panel provided a self-selected sample of 114 respondents who are knowledgeable decision-makers about their company's activities. The businesses surveyed mirror the overall Canadian business population by firm size, region and sector. Given our sample size, the survey's margin of error is larger than usual: +/- 9.1% with a 95% confidence interval.

For details, please see [here](#).

At the time of the survey

EDC's survey was conducted from April 9 to April 17, 2020. During that time, various COVID-19 containment measures were in place in Canada and abroad, including: restrictions on non-essential business operations; shelter-in-place advisories; school closings; and travel restrictions.

KEY FINDINGS

1. COVID-19 impacts are diffuse.

Few companies are unaffected. Roughly three-quarters of respondents report a negative impact on their sales, while a much smaller share have seen a positive impact.

2. COVID-19 is having a significant adverse impact on domestic and international sales.

More than one-in-three respondents report sales declines of more than 50% in domestic sales and export sales since January.

3. COVID-19 impacts are generally expected to persist into autumn 2020 and beyond.

While there are a wide range of estimates on the duration of these impacts, most respondents expect sales impacts to persist into fall and beyond.

KEY FINDINGS (CONTINUED)

4. Business survival, liquidity and financing are the top concerns.

Nearly one-in-five respondents report additional financing needs within 30 days, while 58% report additional financing needs by July.

5. Companies have employed various responses to cope with COVID-19.

Actions taken include idling or reducing production and hours worked, laying off employees, adjusting supply chain sourcing, pivoting to online and in-demand products, and seeking government support.

6. Smaller businesses appear to be disproportionately impacted.

The smallest firms in our sample appear to be hit hardest with larger sales declines, and more acute funding needs.

COVID-19 IMPACTS



DIFFUSE SALES IMPACTS

Few companies are unaffected by COVID-19. Roughly three-quarters of respondents report a negative impact on their sales, while a much smaller share have seen a positive impact.

Impact of COVID-19 on sales

(Percent of respondents)

Domestic sales



Export sales



■ Negative impact ■ None now; expect future impact ■ None now; don't expect future impact ■ Positive impact

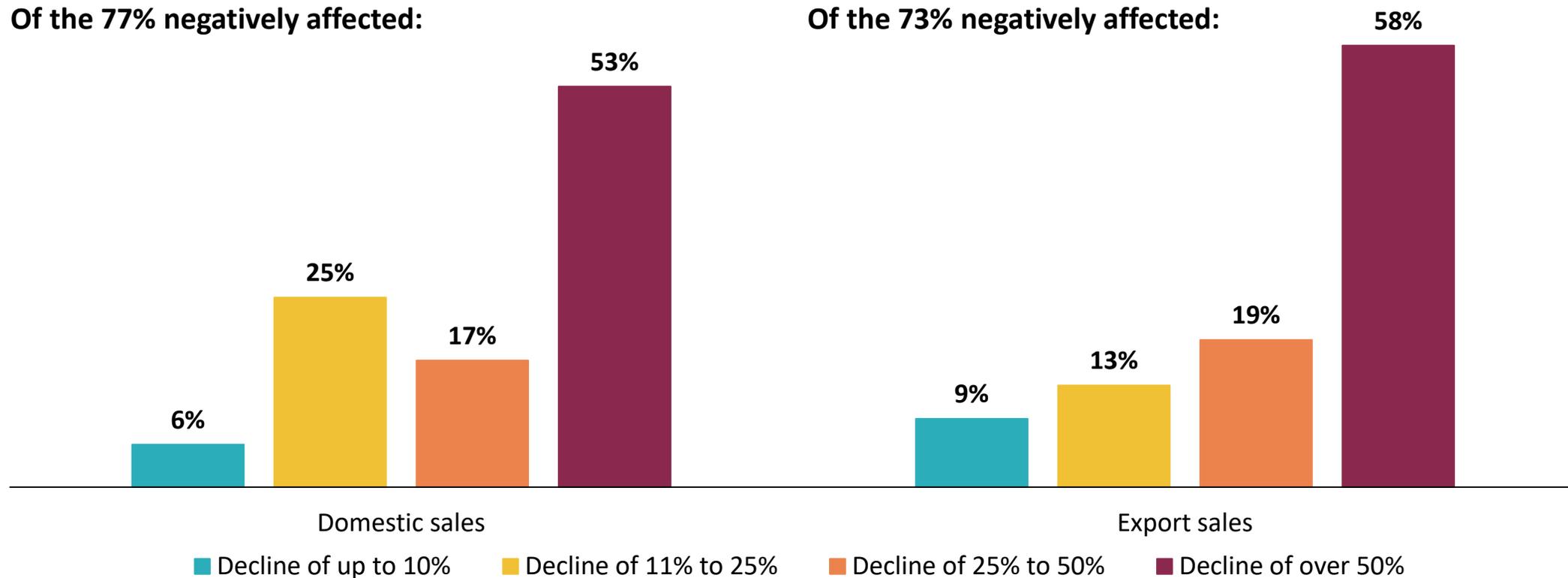
SIGNIFICANT ADVERSE SALES IMPACTS

Survey responses imply a double-digit drop in domestic sales and exports since January. The outsized negative impacts are concentrated among the more than one-in-three respondents experiencing sales declines of over 50%.

How much has COVID-19 reduced your sales since January 2020?

Of the 77% negatively affected:

Of the 73% negatively affected:

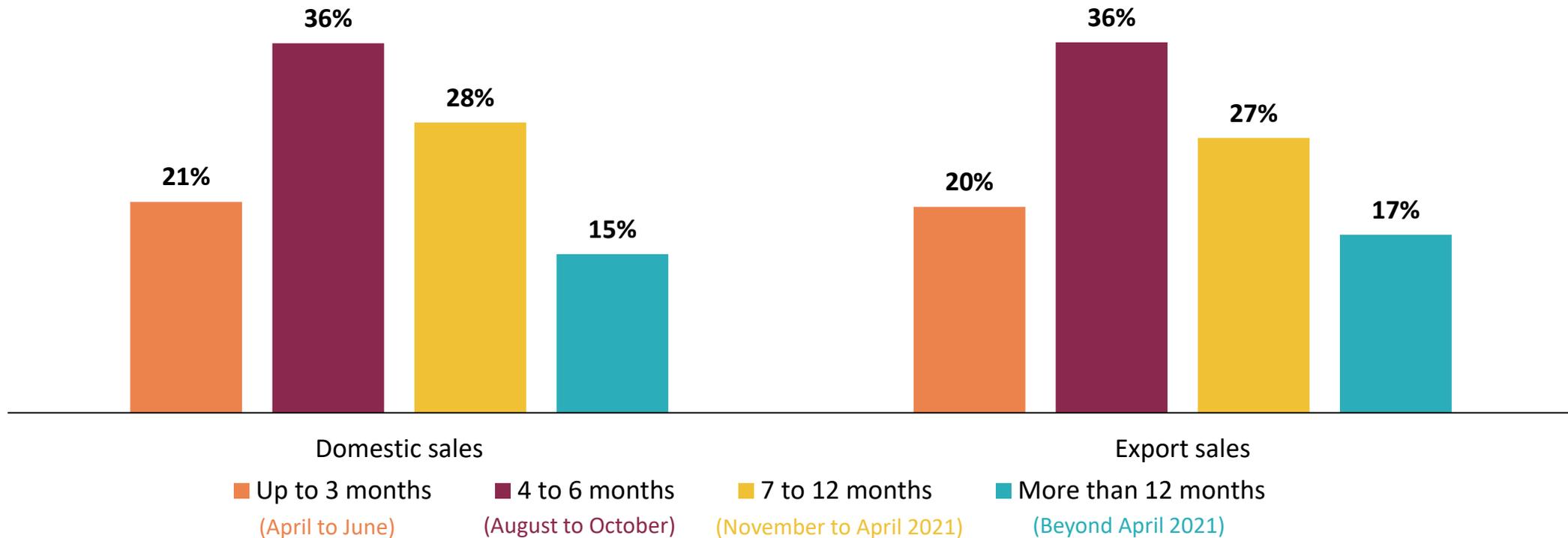


PERSISTENT SALES IMPACTS

The most common response is that sales impacts are expected to last for four to six months (i.e., August to October 2020), although more than 40% of respondents expect impacts to persist into 2021.

How long do you think the COVID-19 virus will have an impact on your sales?

(Percent of respondents)



IN THEIR OWN WORDS

Supply chain challenges, project delays and payment concerns are also impacting **domestic sales** and **export sales**.

“ Many clients may go out of business for good.”

“ Delaying completion of work milestones and hence associated payments.”

“ Supply chain disruptions are leading to higher costs that can't be passed onto customers (due to fixed price agreements).”

“ Some international markets are more active; others are at a standstill. The full/long-term impact isn't known yet. The financial stability of some customers maybe affected by a domino effect: if they can't collect, they can't pay.”

“ Supply chain activity and couriers are slower. We may have to delay a new product launch.”

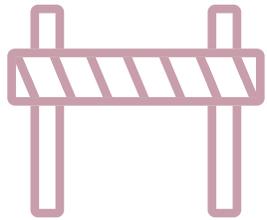
“ We can no longer guarantee shipping times. Our factories have had supply chain interruptions for key components. If we can't make it, we can't export it.”

TOP CONCERNS

Business survival, cash flow and liquidity are top of mind.

What is your number one concern for your business as a result of the COVID-19 virus?

(Percentage of respondents)



22%

**Will I be in business
in six months?**



14%

**Cash flow /
liquidity**



13%

**How will my business /
the economy recover?**



10%

Reduced demand



9%

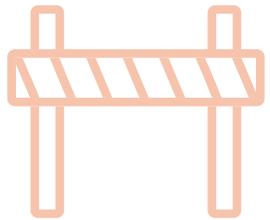
Employee safety

INTERNATIONAL CHALLENGES

Export activity is being hampered by cancellations and business delays, cash-flow concerns and travel restrictions among others.

In maintaining or growing your business outside of Canada in the current environment, what are your three biggest challenges?

(Percent of respondents)



16%

Cancelled or delayed business



15%

Maintain cash flow



10%

Travel restrictions



10%

Connecting with customers



10%

Paying bills

BUSINESS RESPONSES

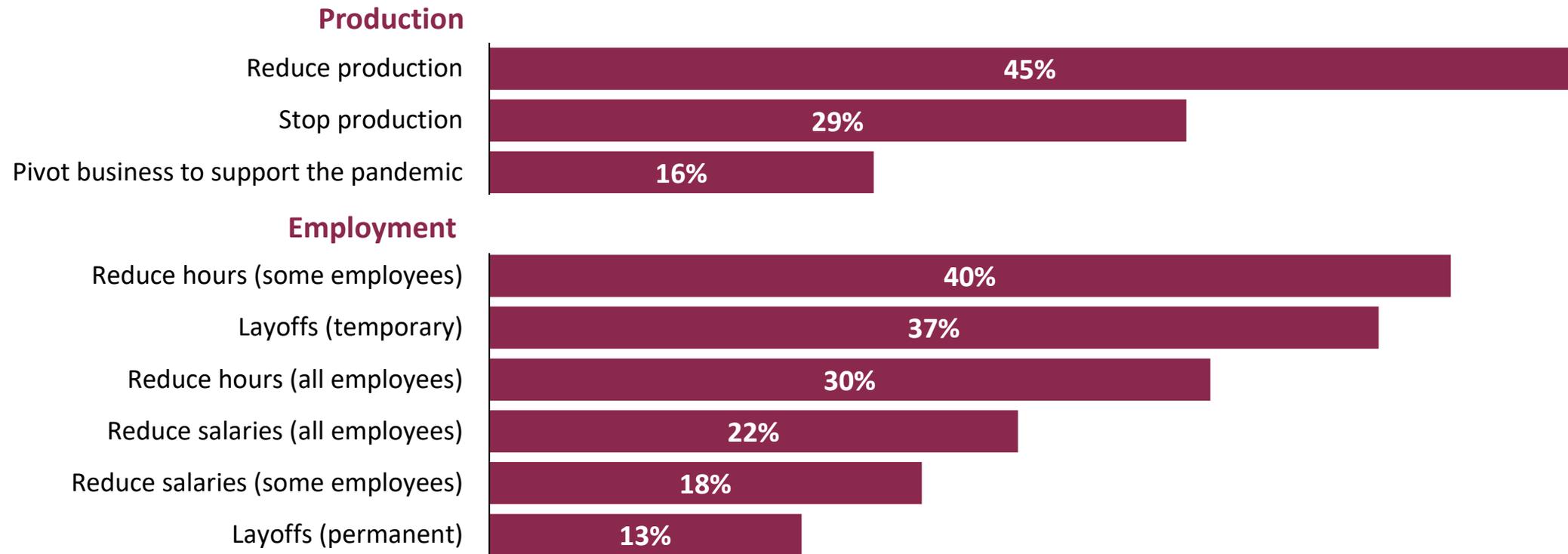


ACTIONS TAKEN ON PRODUCTION AND EMPLOYMENT

Various actions taken include reducing production and hours worked, layoffs, reduced salaries, stopping production entirely, and pivoting business to support the pandemic.

Which of the following actions has your business taken due to COVID-19?

(Percent of respondents)

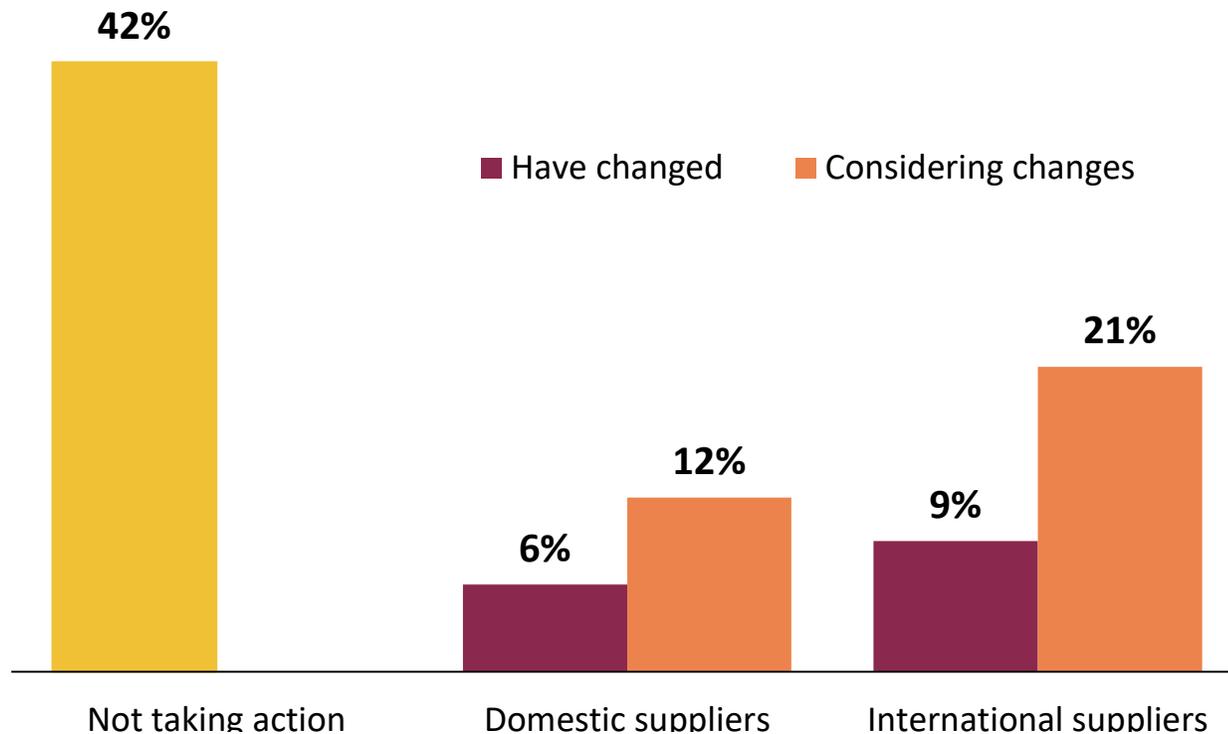


SUPPLY CHAIN ADJUSTMENTS

Some respondents have already changed suppliers (6% domestically; 9% internationally); while roughly twice as many are considering making supply chain adjustments.

Are you adjusting the countries and/or suppliers you source your inputs from?

(Percent of respondents)



Supply chain impacts cited include:

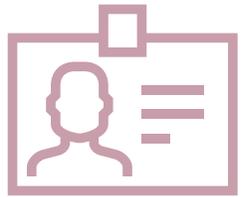
- Delivery date uncertainty
- Suppliers shutdowns
- Production delays

SOCIAL DISTANCING

In response to social distancing guidelines, respondents are limiting access to work locations, in some cases temporarily closing operations, and non-essential employees are working from home.

What is your business doing in response to Government of Canada social distancing guidelines?

(Percent of respondents)



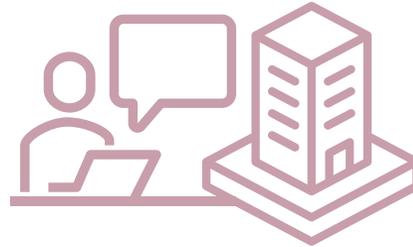
48%

Limiting number of people that can access our location



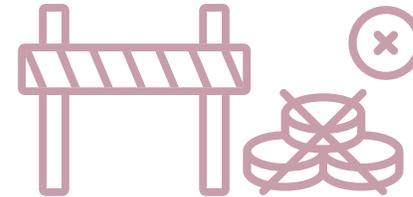
38%

All employees working from home



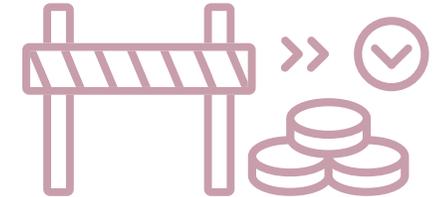
19%

Non-essential employees working from home; essential workers on location



9%

Closed physical location and NOT paying employees



8%

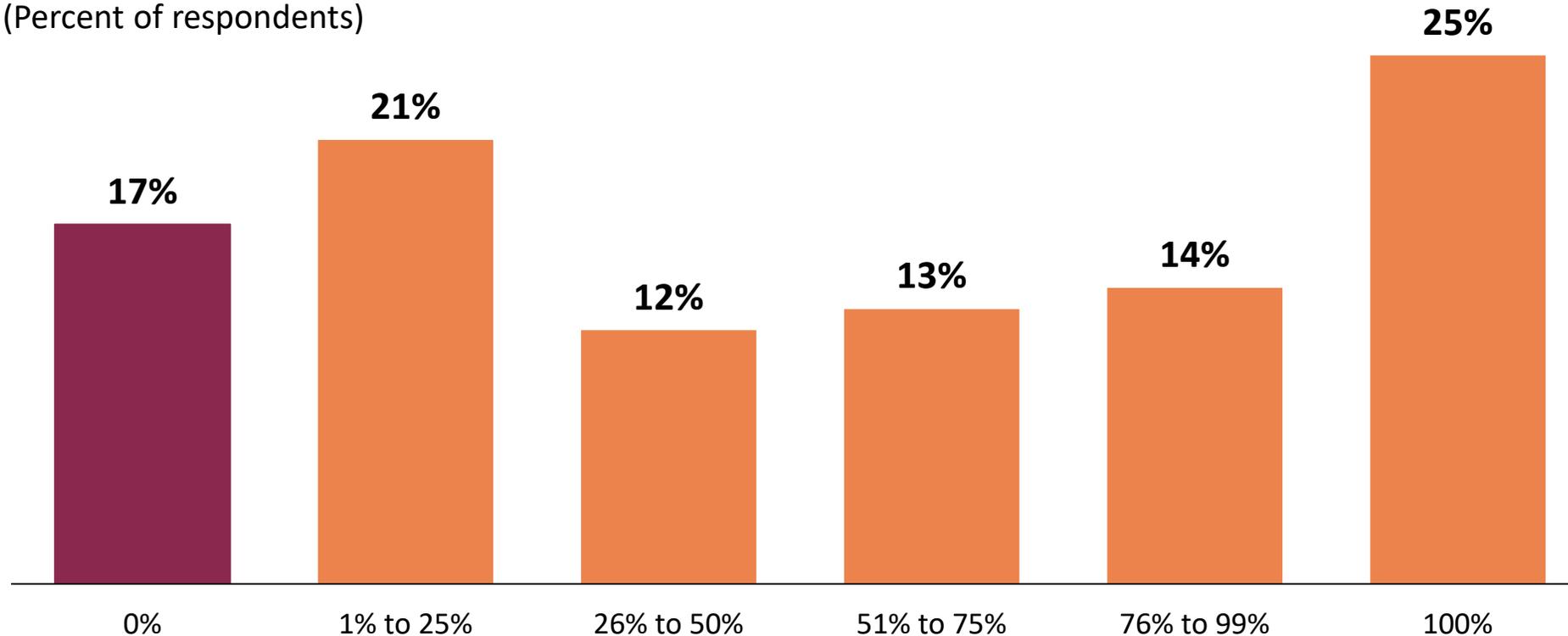
Closed physical locations and ARE paying employees

ONLINE SALES CAPABILITIES

Most businesses can accomplish at least some of their sales online or by other not-in-person means, with one-quarter able to meet all orders online. Conversely, about one-in-five respondents can't accomplish any sales online.

What percentage of your sales can be accomplished online, over the phone, or by other means that are not in-person during the COVID-19 crisis?

(Percent of respondents)

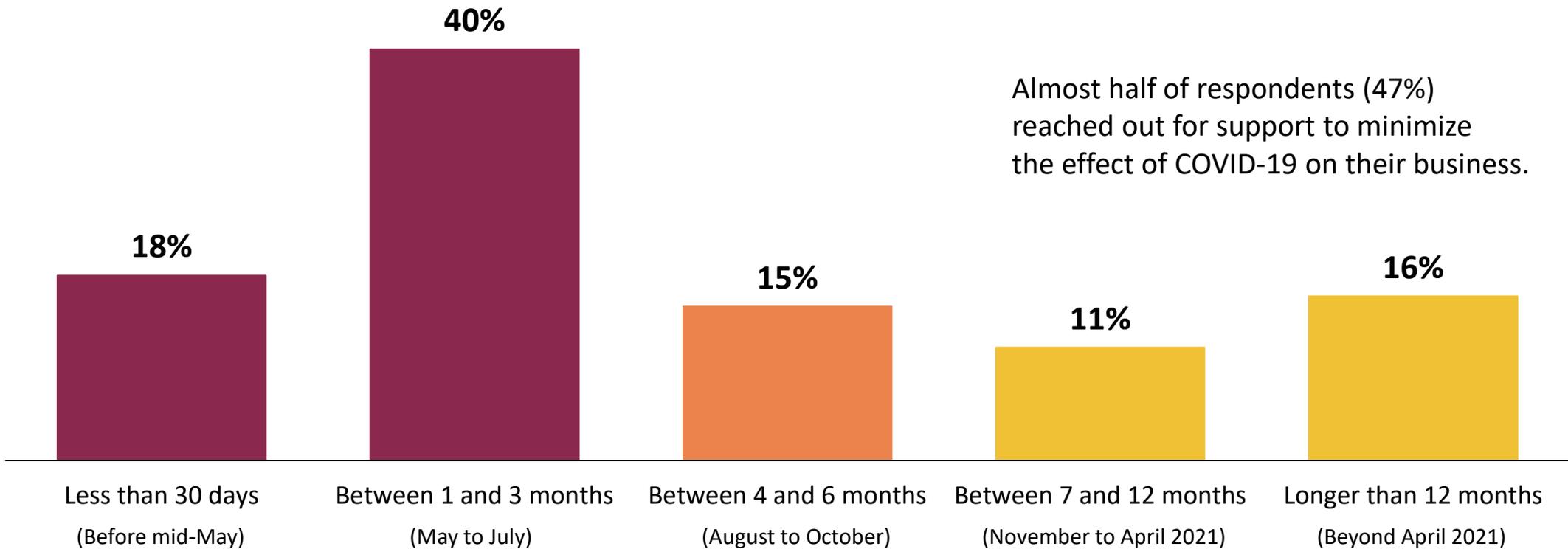


FINANCING NEEDS

Assuming no changes in the current business context, 58% of respondents say they will need more financing by July. Small and micro businesses generally require financing sooner.

How long can your company operate in the current environment before needing additional financing?

(Percent of respondents)



ABOUT THIS SURVEY

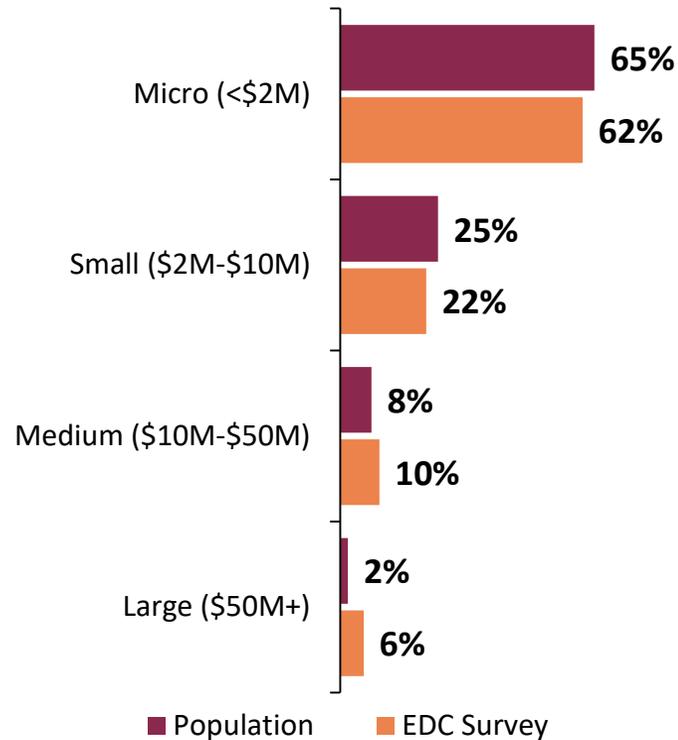
- **Objective:** EDC conducted a survey to better understand how the COVID-19 pandemic is affecting business for Canadian exporters.
- **Sampling approach:** Self-selected sample from EDC's Research Panel. The proportion of businesses who answered the survey mirrors the overall Canadian business population, by firm size, region and sector.
- **Respondents:** Decision-makers who are knowledgeable about their company's activities.
- **Sample size:** 114 responses (for a response rate of 15%).
- **Methodology:** Online.
- **Language:** Respondent's choice of English or French.
- **Survey period:** April 9 to April 17, 2020.
- **Margin of error:** +/- 9.1% with a confidence interval of 95%. In other words, if we repeated this survey, 19 times out of 20, we would expect those answers to be within +/-9.1% of these answers.
- **For more information on this survey:** contact Jennifer Topping (jtopping@edc.ca; 613-598-2992).
- **For information on EDC's Research Panel:** including how to join, see [here](#).

SURVEY RESPONDENTS

Respondents are broadly similar to the Canadian business population by size, region and sector.

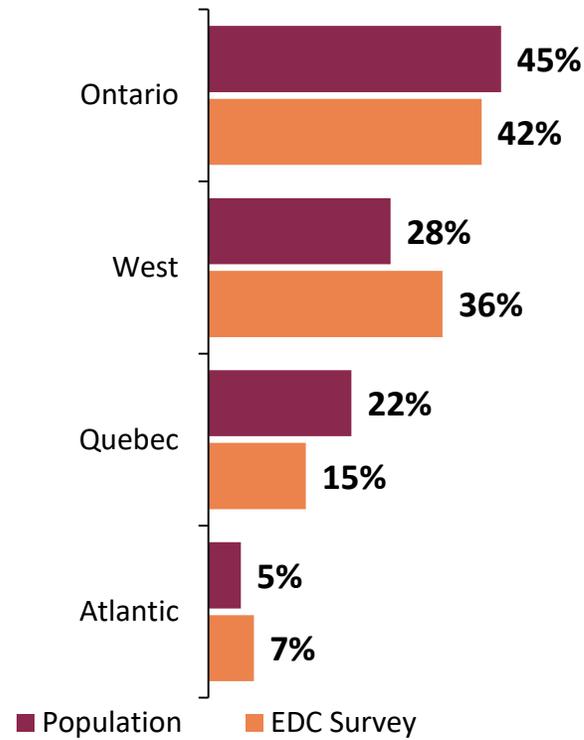
Business Size

(Annual sales, millions \$CAD)



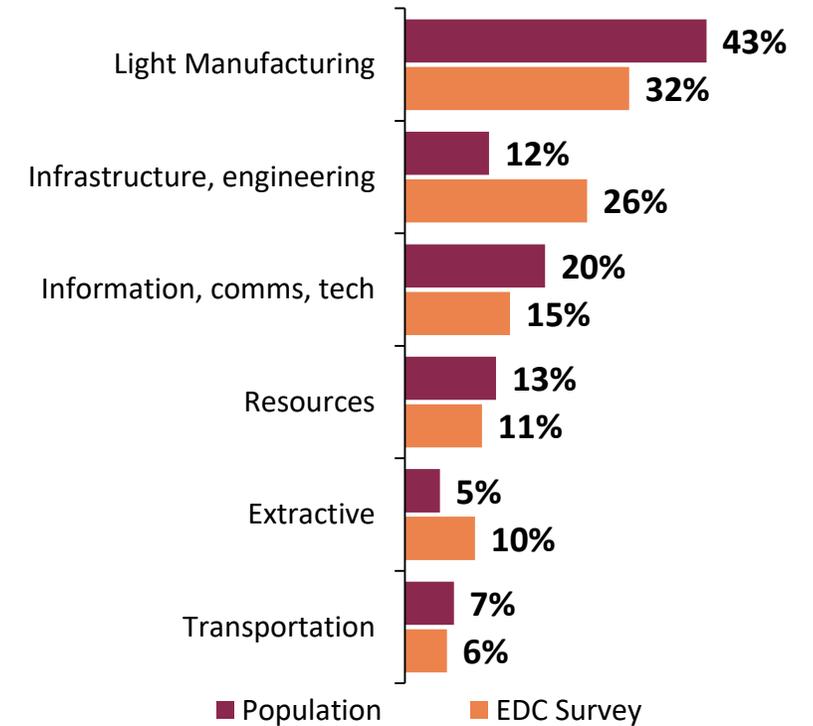
Large firms slightly overweighed

Region



*West slightly overweighed;
Quebec underweighted*

Sector



*Infrastructure, engineering overweighed;
light manufacturing underweighted*

DISCLOSURE

Ce document est également disponible en français.

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