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Business Finland's survey on the impact of the coronavirus outbreak on Finnish companies – a summary of the results

Background

Between 7 and 14 February 2020, Business Finland conducted a survey of its customer organisations on the impact of the coronavirus outbreak (2019-nCoV/Covid-19, Wuhan coronavirus) on their operations. The goal was also to collect information on needs and expectations with regard to the measures Business Finland should take because of the outbreak. The survey was realised as an online questionnaire sent to approximately 3,000 people. With 299 respondents completing the questionnaire, the response rate was 10 per cent. The survey was sent to companies that are part of Business Finland's close customer care model. The respondents were these companies' managing directors, regional directors of international units, export directors, sales directors, marketing directors, and directors of research and development projects funded by Business Finland. Respondents were not selected on the basis of their organisation's geographical market or operating area, but information on the operating area was requested as part of the survey.

Content of the survey

As background data, respondents were requested to provide information on their organisation's size and type (company/other organisation), primary operating field, and the company's operating and market regions (Finland, the Nordic countries, the European Union, Europe, Middle East, Africa, Asia, North America, South America, Australia and Oceania). The effects of the outbreak were analysed by requesting respondents to estimate its impact on their organisation's turnover, exports, employee numbers, international mobility, international growth and plans for international expansion. For all the above-mentioned points, respondents were requested to provide short-term (0–6 months) and long-term (more than 6 months) estimates. In addition, respondents estimated whether the outbreak had imposed new restrictions on their organisation's foreign trade, caused a shortage of materials or components, problems in logistics or reduced their order backlog. They were also requested to provide information on how they aimed to mitigate the risks caused by the outbreak. In the questionnaire's open fields, respondents were requested for information on their needs and proposals for the measures Business Finland should take because of the outbreak.

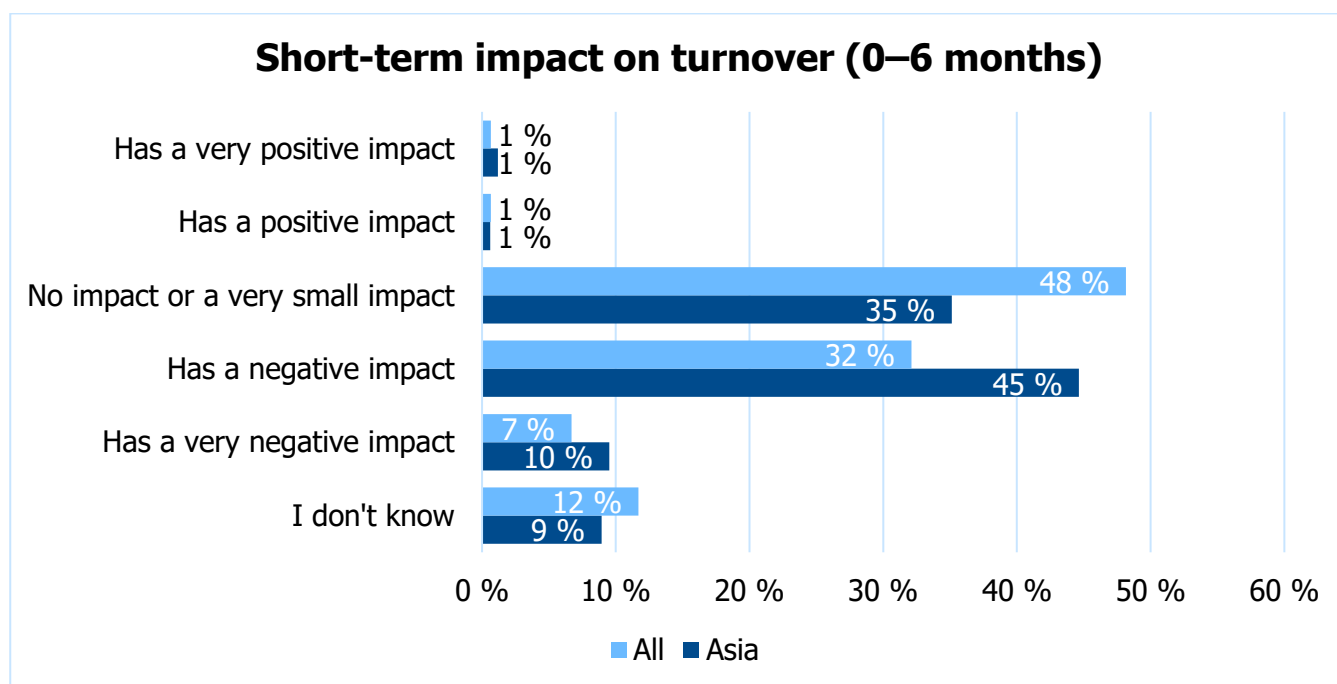
Results of the survey

Almost 80% of respondents were either small or medium enterprises or micro businesses, and almost 20% were large or mid-cap companies. This reflects the large number of SMEs in Business Finland's customer base. The three main operating fields represented by the respondents were industry (40%), information and communications (24%), and professional, scientific and technical activities (10%). Most respondents reported that their organisation's operating and market region covered at least Europe (> 70%) or Asia (56%), and about half

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said their organisation operated in North America (49%).

The results clearly show that companies can estimate the outbreak's short-term impact on their operations relatively well, but they are more uncertain of its long-term effects. Problems related to subcontractor networks suffered by large international companies have been widely reported by the media. In the light of the survey results, this problem also applies to Finnish SMEs and micro businesses: numerous companies only carry out their product development work in Finland, and their manufacturing operations take place in China or elsewhere in Asia. For companies operating in this manner, any problems in manufacturing or subcontracting operations will prevent the company from bringing products to the market, thereby affecting turnover.



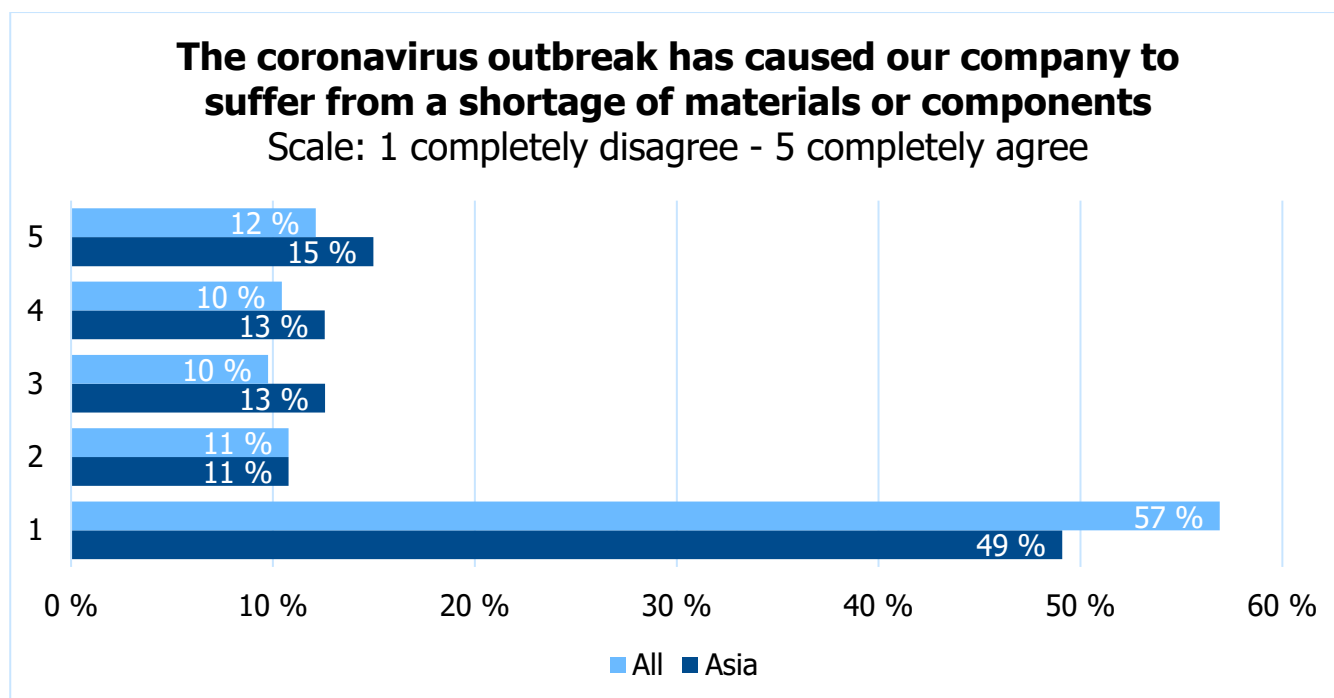
While about half the respondents estimated that the outbreak did not affect their organisation's turnover to any great extent, a third estimated that the short-term impact would be either negative or very negative. About a fifth of respondents expected the long-term impact (more than 6 months) to be negative, but organisations were more uncertain about long-term effects, with about a third feeling unable to predict the long-term impact. Only a few respondents thought the outbreak would have a positive impact on their organisation's turnover. The group of companies that expected the outbreak to have either a negative or very negative impact on their turnover included more industrial companies than respondents in general (46% vs 40%).

Respondents' estimate of the outbreak's impact on their exports was in line with their prediction of its effect on turnover: more than half expected the impact to be very small. Companies that operated in or exported to Asia stood out in the survey: almost half expected the outbreak to have either a negative or very negative short-term impact on their export operations. However, almost a third of these companies were unable to predict the long-term impact.

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When asked about the impact of the outbreak on the number of jobs in their organisation, most respondents answered similarly for both short- and long-term effects: about 80 per cent thought the crisis would have no significant impact on the number of jobs in their organisation.

The outbreak's impact on mobility is generally expected to be negative: about 60 per cent of respondents assumed the crisis would have either a negative or very negative impact on staff mobility in the short term (0–6 months), but long-term impacts (> 6 months) were more difficult to estimate, with a quarter saying they could not estimate the impact, while about half expected long-term effects to remain small. Here too, companies with Asia as their market or operating region differed from the other respondents: almost 80 per cent of these companies thought the effects would be negative, compared with 20 per cent that expected the impact to be insignificant.



About 60 per cent of respondents estimated that the outbreak would not influence their organisation's international growth or plans for international expansion, whereas about a third expected the short-term impact to be either negative or very negative. In the long term, slightly fewer than one in five respondents thought the impact would be negative or very negative, and nearly a quarter could not say.

While about a quarter of respondents felt the crisis had imposed restrictions on their international trade, approximately half had suffered no adverse effects. The situation was similar with regard to a shortage of raw materials and components. About a quarter of respondents in general had experienced logistical problems, but this figure rose to a third among companies with operations in Asia. Less than a fifth of respondents agreed or completely agreed with a statement on companies' order backlog. Among the group of respondents that estimated the impact of the outbreak on turnover to be negative or very negative, about half agreed or completely agreed with all the above-mentioned statements

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(new restrictions on foreign trade, shortages of raw materials and components, logistical problems and reductions in the order backlog).

It is hardly surprising that to mitigate the risks related to the crisis, about 80 per cent of respondents were planning to reduce or postpone trips to Asia, and about a fifth of companies were urging their employees to work remotely whenever possible. About 10 per cent of respondents had already closed offices in Asia, or had decided to close them or transfer employees from high-risk areas. Considering the large share of SMEs among respondents (80%), a surprisingly high proportion of them had made changes to their subcontractor network or were planning to do so (24%). Because such changes may be difficult or slow to implement, this may cause significant harm to business operations.

Respondents' proposals for measures

Respondents called for reliable communications and evaluations about the duration of the exceptional circumstances caused by the outbreak and examples of how the impact on operations could be reduced. Some respondents are also facing funding challenges because of problems experienced by their Chinese clients or subcontractors, and they hoped for understanding on the part of Business Finland too.