UEARS
Union of Employers' Associations of Republika Srpska

THE IMPACT OF COVID-19 ON ENTERPRISES IN REPUBLIKA SRPSKA

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Banja Luka, May 2020

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About the survey

The Union of Employers' Associations of Republika Srpska (UEARS), with technical support from the International Labour Organization (ILO) and in partnership with the European Bank for Reconstruction and Development (EBRD) conducted a survey to assess the challenges faced by enterprises due to COVID-19. A total of 543 enterprises responded to the survey (of which 441 submitted complete responses) between 14 and 30 April 2020.

Methodology:

The online survey was developed based on the ILO Enterprise survey tool: Assessing the needs of enterprises resulting from COVID-19.

This report summarizes the key findings of the survey and proposes a number of recommendations based on the most urgent needs of enterprises in Republika Srpska.

All data are presented through three dimensions: overall impact, enterprise size and sector.

The sectors were selected based on strategic importance, vulnerability to the crisis and representation in the sample.

The COVID-19 pandemic has caused significant operational disruptions for two thirds of surveyed enterprises. More than one quarter of enterprises were not in operation, and almost 40 per cent operated only partially at the time of the survey. Enterprises with up to ten employees faced the greatest difficulties in maintaining normal operations with 40 per cent of those enterprises reporting a temporary suspension of business activities and only 23 per cent remaining fully in operation. The hotel and tourism sector has been almost completely paralysed by the crisis with an overwhelming 95 per cent of enterprises reporting a complete shutdown. More than half of enterprises in the restaurants and textile sectors were not operating, followed by almost 40 per cent in retail/sales and more than 30 per cent in transportation. The most commonly reported challenges affecting business operations were lower demand for products and services (24 per cent), the inability of business partners to operate normally (22 per cent) and working capital deficit (20 per cent).

A significant number of enterprises are at risk of closing in the near future if the lockdown measures are prolonged. About 60 per cent of respondents anticipated their business continuity would be cut within the next three months, of which 7 per cent would be able to operate for only one week and 29 per cent expected their enterprise would be operational for only 1–8 weeks. Some 11 per cent reported they would be able to stay afloat for 3–6 months, whereas another 11 per cent indicated that their enterprise could remain open for the next six months to one year (7 per cent) or for more than one year (4 per cent). Almost one fifth of surveyed enterprises expressed uncertainty regarding the future of business continuity. If the restrictions are lifted, almost half of enterprises anticipated they would need up to three months to fully resume operations. A further 20 per cent would require up to six months while some 16 per cent would need more than six months to complete recovery.

Enterprise revenue has been dramatically reduced due to falling consumer demand and disruptions to business operations. More than half of enterprises surveyed reported a decline in revenue/sales of more than 50 per cent, while more than 30 per cent reported a decline of 20–50 per cent. Only a very small proportion of enterprises (5 per cent) reported a decline of up to 20 per cent. On average, enterprises with more than 251 employees experienced a lower drop in revenue (39 per cent) compared to enterprise with fewer than 250 employees (55 per cent). The financial impact of the crisis is particularly challenging for certain sectors. The highest share of enterprises that experienced a drop of 50 per cent or more in revenue/sales were in the hotel/tourism sector (72 per cent), followed by textiles (63 per cent), transportation (56 per cent), retail/sales (56 per cent), restaurants (53 per cent) and wood processing (53 per cent).

Only one in ten enterprises has its own cash reserves while access to alternative funds is profoundly limited. About 41 per cent of enterprises surveyed relied on loans and grants, whereas another 43 per cent did not have acess to any funding to help them recover. Enterprises with up to ten employees and enterprises with 11–100 employees faced the bigest challenge in accesing external funding with 55 per cent and 43 per cent respectively noting that they did not have access to any funds. In contrast, relatively large shares of enterprises with 101–250 employees (65 per cent) and enterprises with more than 251 employees (53 per cent) indicated that they had access to external funds. By sector, hotel/tourism (63 per cent) had the highest share of enterprises noting the absence of any type of funding, followed by information and communications (58 per cent), transportation (51 per cent), wood processing (48 per cent) and retail/sales (47 per cent). Meanwhile, the sectors with the highest share of enterprises that reported having access to loans or grants were restaurants (65 per cent), followed by construction (53 per cent), chemical industry (53 per cent) and agriculture (50 per cent).

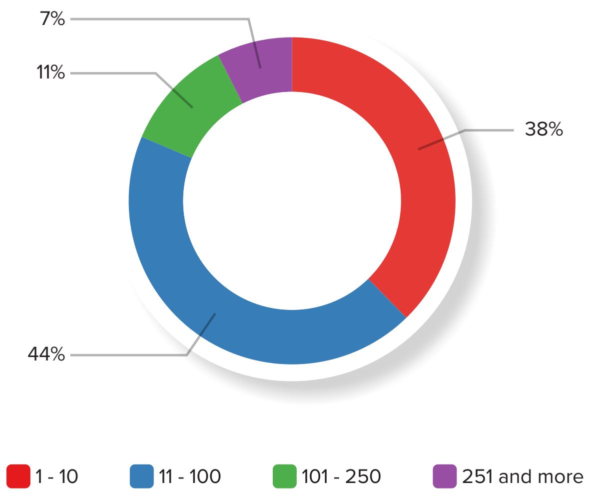
Despite these unparalleled challenges, only 6 per cent of enterprises surveyed dismissed employees due to timely measures taken to preserve the workforce. The most widespread measure was the reduction of working hours implemented by 27 per cent of enterprises. Of the enterprises that had to resort to layoffs, 78 per cent dismissed up to 10 per cent of their workforce. The sectors with the largest shares of enterprises that reduced their workforce were agriculture (11 per cent), wood processing (10 per cent), textiles (8 per cent) and construction (7 per cent). If the restrictions continue, the likelihood of job cuts will increase, with 17 per cent of enterprises signalling that they will be forced to lay off employees. The sectors with the highest share of enterprises that planned to dismiss workers are agriculture (32 per cent), construction (28 per cent), retail/sales (22 per cent) and transportation (21 per cent).

Enterprises need government support schemes aligned to their specific needs to enable them to cope with the crisis and accelerate recovery. Survey findings provide a solid basis for proposing government measures and actions to support enterprises. The main recommendations include: access to favourable credit lines to ensure technological development and competitiveness of domestic enterprises; support programmes to increase wages and retain current levels of employment; measures to increase individual consumption; support aimed at improving the solvency and liquidity of enterprises; co-financing of entrepreneurial training (especially on business continuity planning, crisis management, access to finance and others); availability and affordability of (re)training programs for employees; implementation of policies aimed at increasing labour market participation; and establishment of a crisis fund to support enterprise recovery, to name a few. In addition, enterprises highlighted the need to design separate packages for micro and small enterprises and for large and medium-sized enterprises.

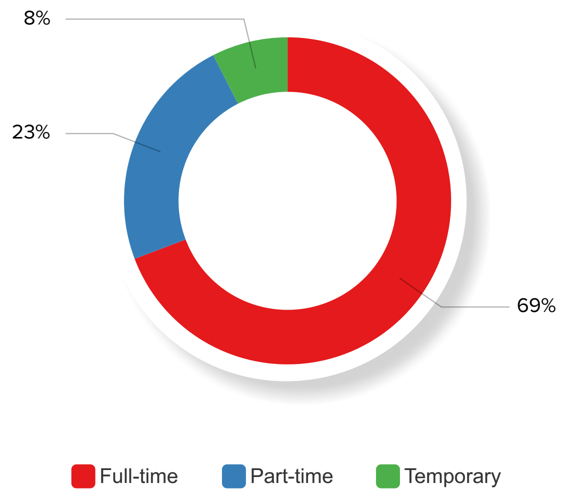
Distribution of surveyed enterprises by location

Banja Luka	207	38%
Bijeljina	25	5%
Čelinac	11	2%
Derventa	28	5%
Doboj	23	4%
Gradiška	24	4%
Istočno Sarajevo	9	2%
Laktaši	26	5%
Prijedor	35	6%
Prnjavor	13	2%
Teslić	12	2%
Trebinje	8	1%
Other	122	22%
	543	100%

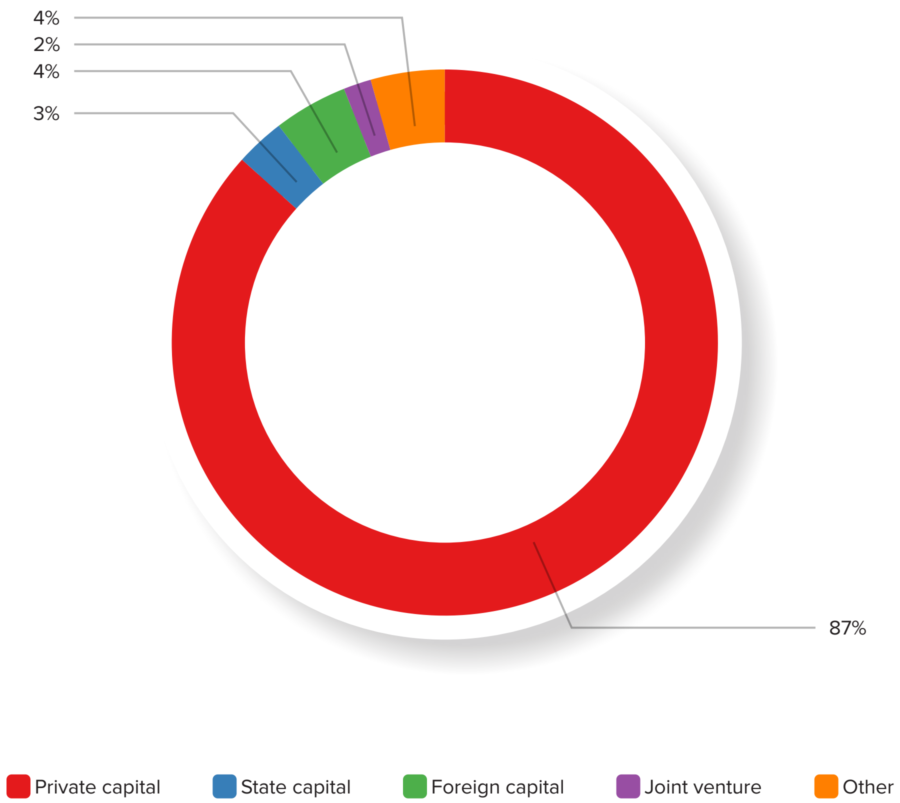
Distribution of surveyed enterprises by size[1]



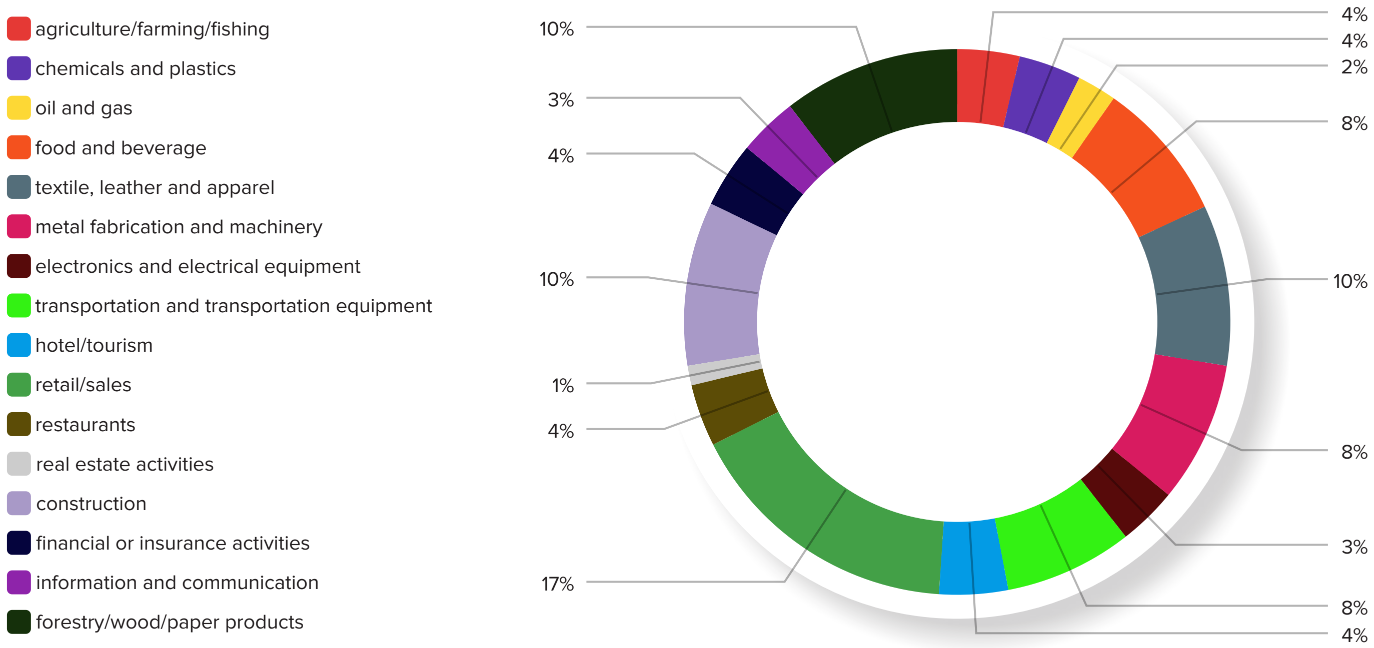
Distribution of surveyed enterprises by type of employment



Distribution of surveyed enterprises by type of ownership

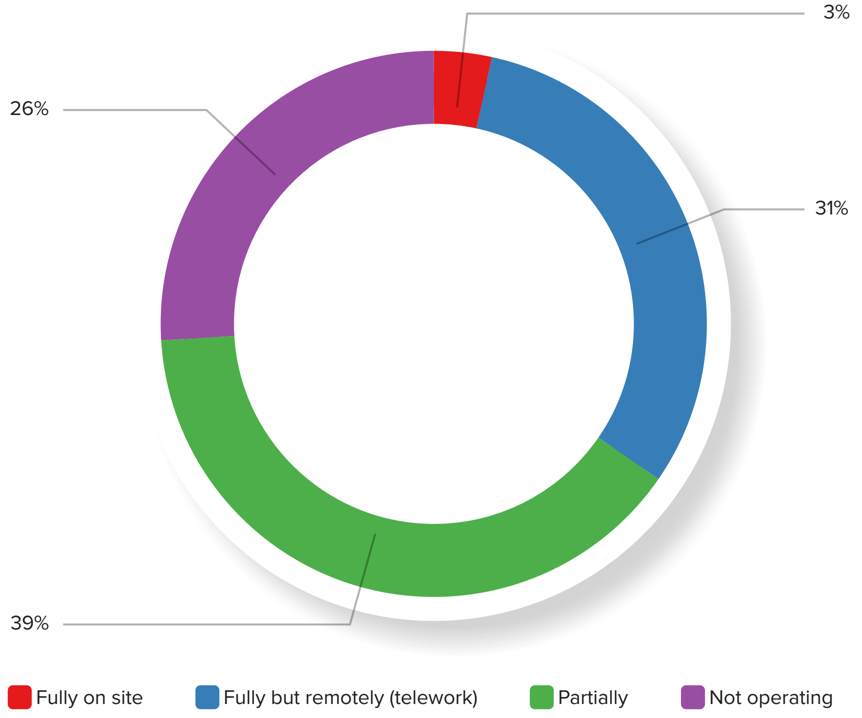


Distribution of surveyed enterprises by sector



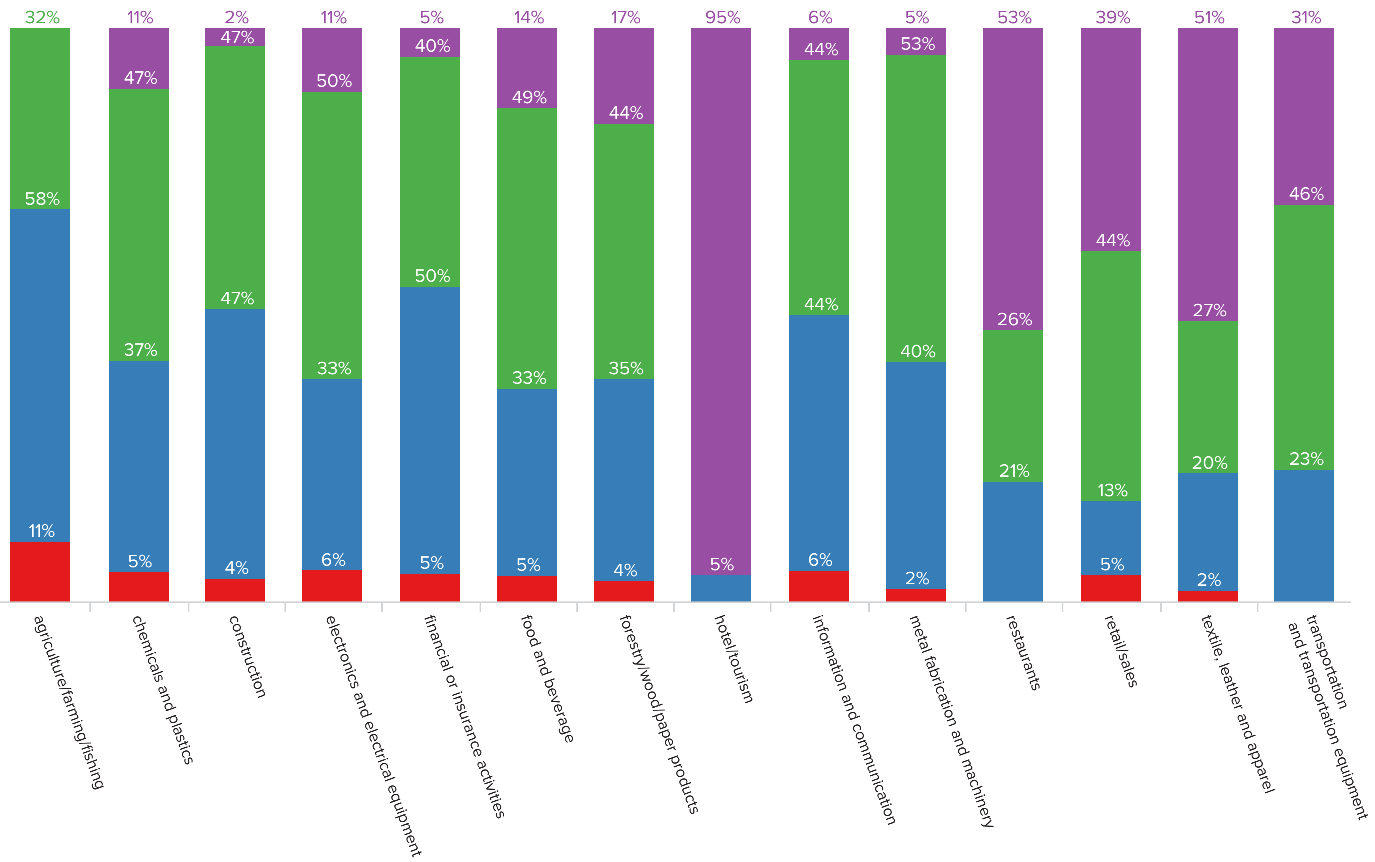
1 Definitions of enterprise size vary by country and are usually based on the number of employees, the annual turnover, or the value of the assets of an enterprise. For this survey, the ILO standard classifications of enterprise size were adapted to enable a global assessment of the impact of COVID-19 on enterprises. Microenterprises are defined as enterprises with up to ten employees, small enterprises are those with 11–100 employees, medium-sized enterprises are those with 101–250 employees, and large enterprises are those with 251 employees or more.

Is your enterprise currently in operation?



More than one quarter of enterprises surveyed were not in operation at the time of the survey, whereas 39 per cent were operating only partially. More than one third of enterprises were operating at full capacity, either on site (only 3 per cent) or remotely (31 per cent).

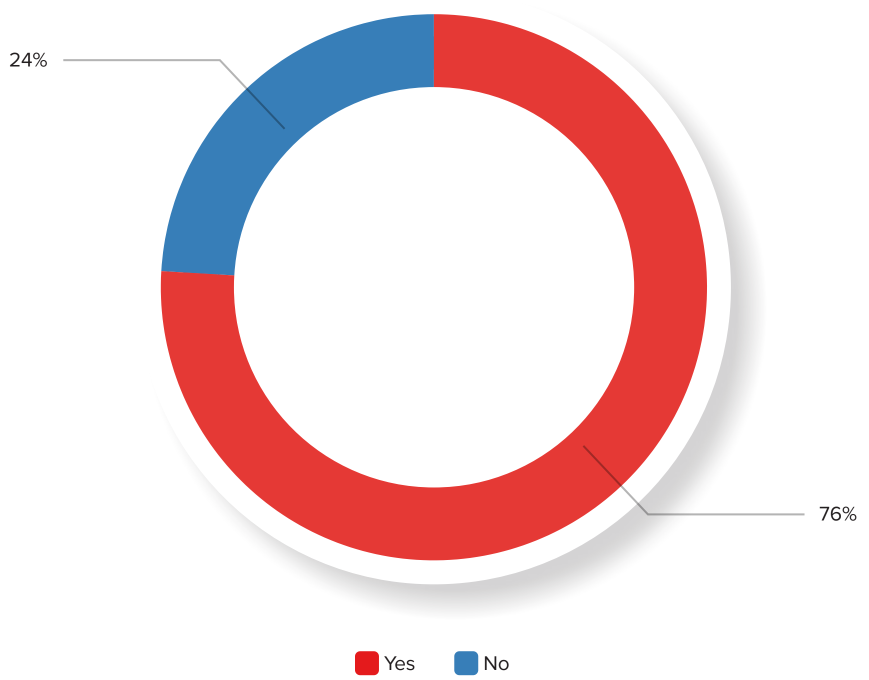
Enterprises with up to 10 employee faced the greatest difficulties in keeping their operations afloat with 40 per cent of enterprises reporting temporary suspension of business operations and only 23 percent of enterprises in operation. Enterprises with more than 251 employees appear to be more resilient to the crisis. Some 16 percent of these enterprises reported business closure whereas about a half were operating at full capacity. Enterprises with 11-100 employees and those with 101-250 employees showed similar traits in operational capacity, with 17 per cent and 24 per cent respectively citing business closure and 40 per cent and 37 percent respectively reporting they were operating on site or remotely.



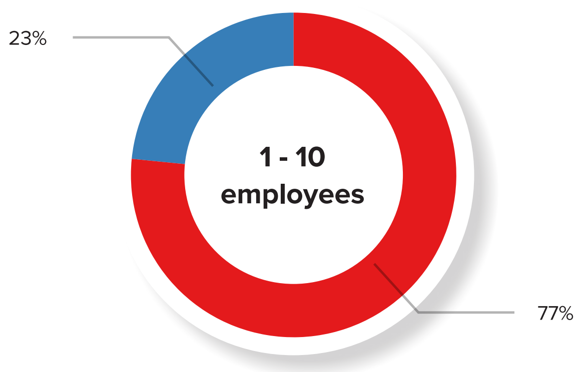
The hotel and tourism sector has been almost completely paralysed by the crisis with an overwhelming 95 per cent of enterprises reporting a temporary suspension of business operations. More than half of enterprises were not operating in restaurants (53 per cent) and textiles sectors (51 per cent), followed by almost 40 per cent in retail/sales and more than 30 per cent in transportation.

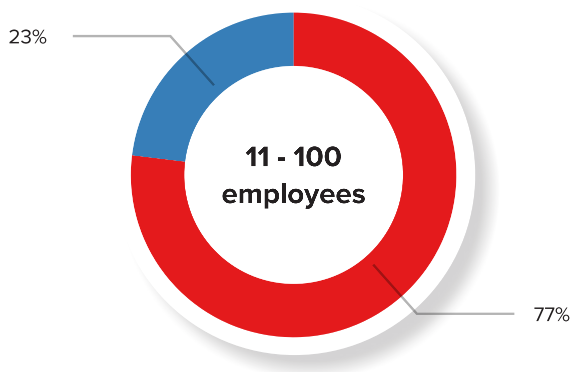
Recommendation from surveyed enterprises: Conduct quarterly assessments of risks to domestic economic growth and ensure timely communication of the expected trends.

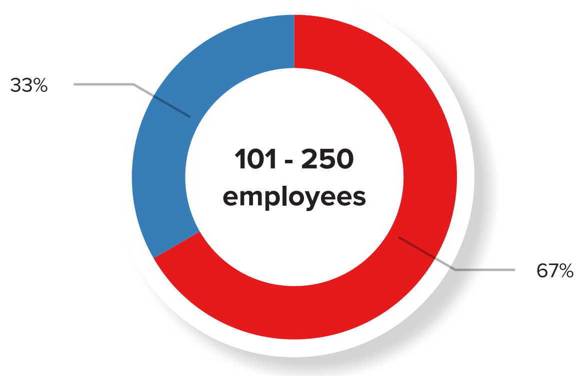
Did you change your business operations or service delivery to protect your enterprise against COVID-19?

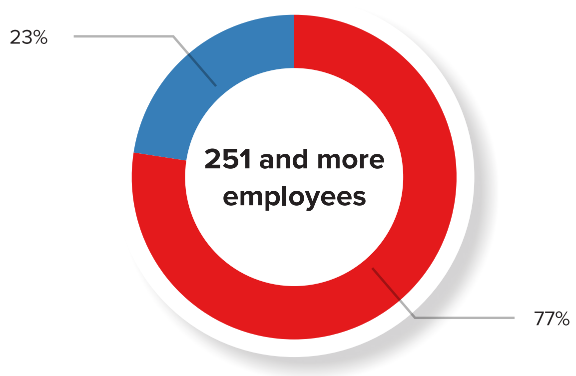


On average, almost three quarters of enterprises changed their business operations or service delivery in response to the crisis.

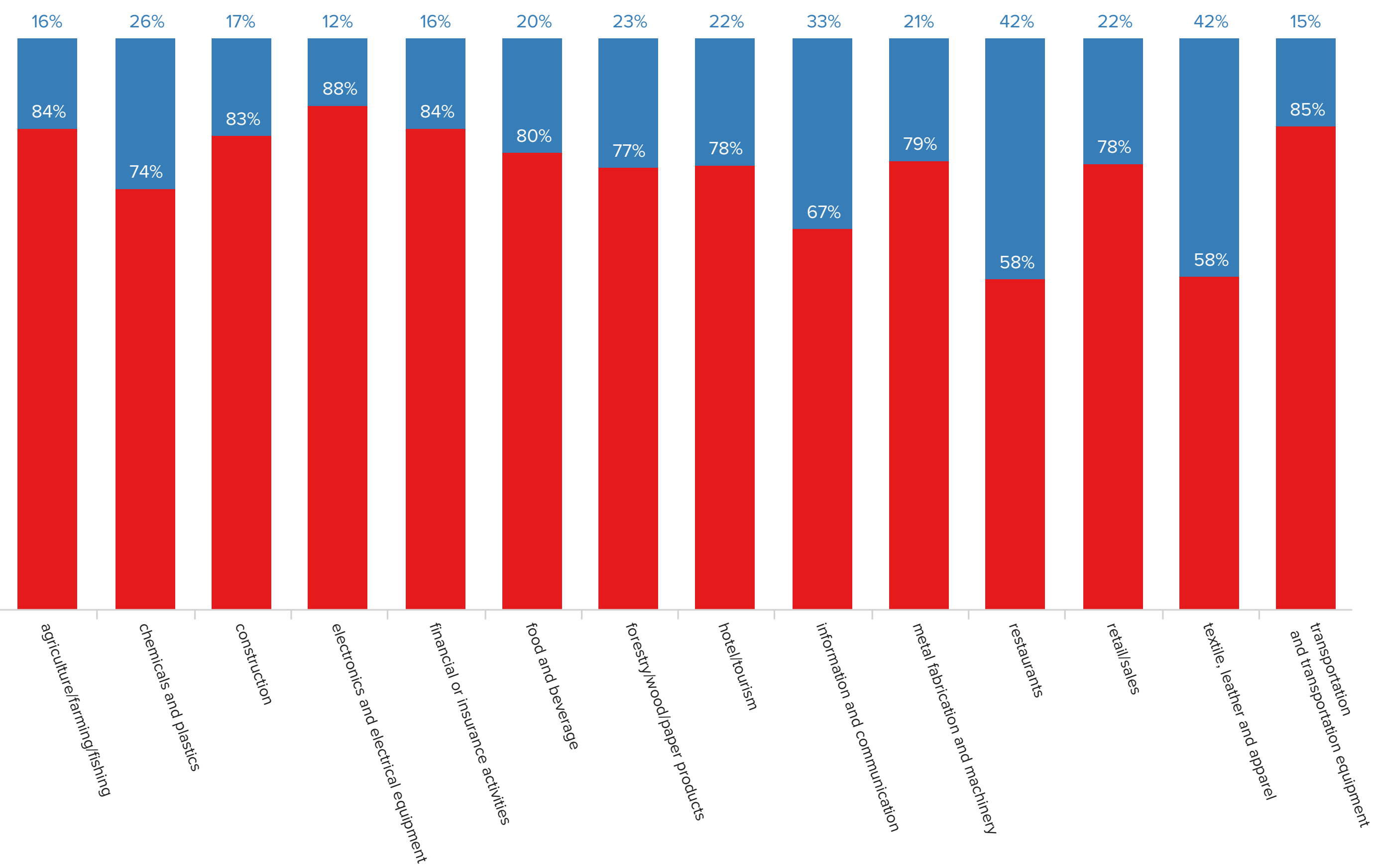






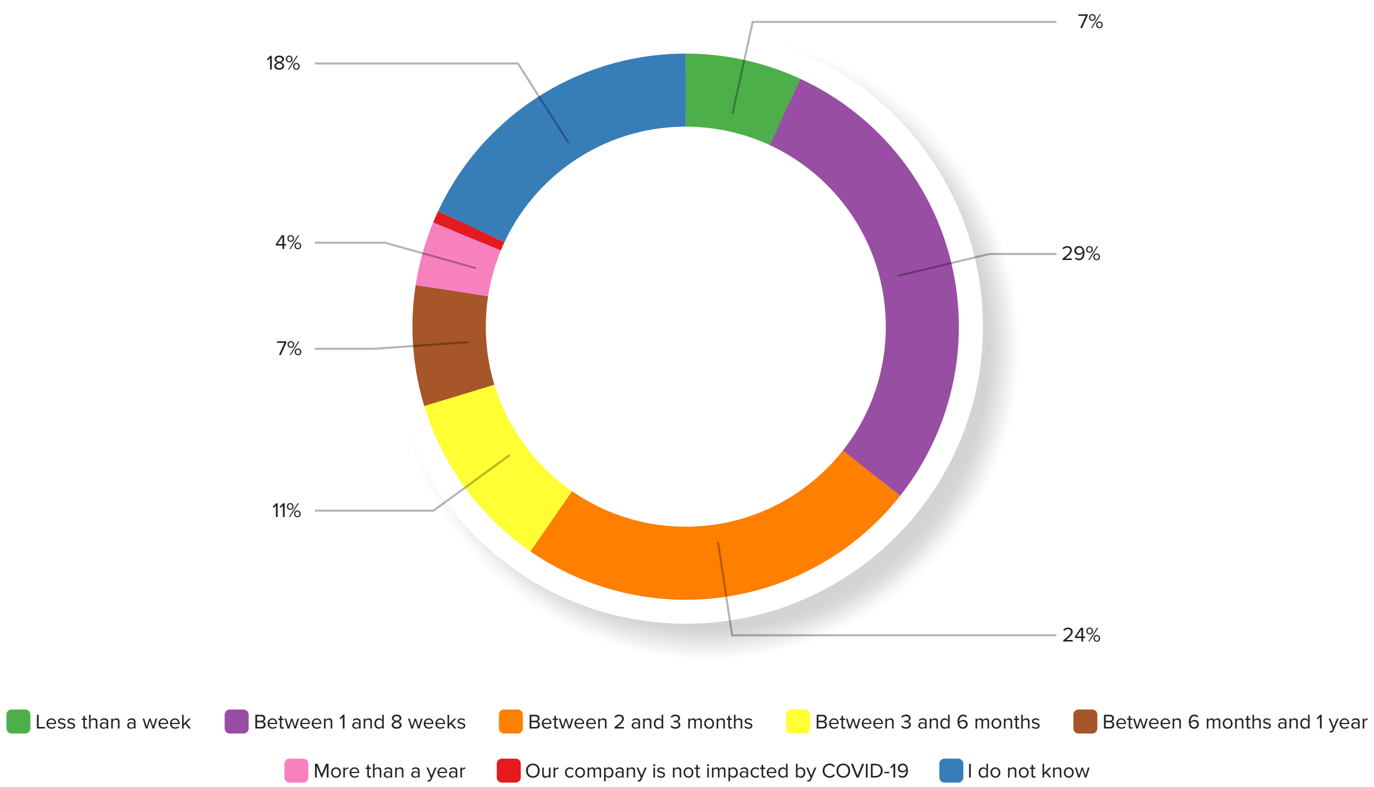


While enterprises of all sizes display a similar picture, enterprises with 101-250 employees showed a somewhat lower adaptive capacity (33 percent of enterprises reporting no changes in business operations compared with the average 23 percent).

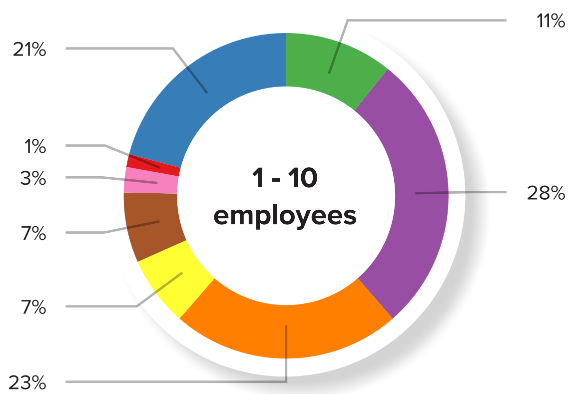


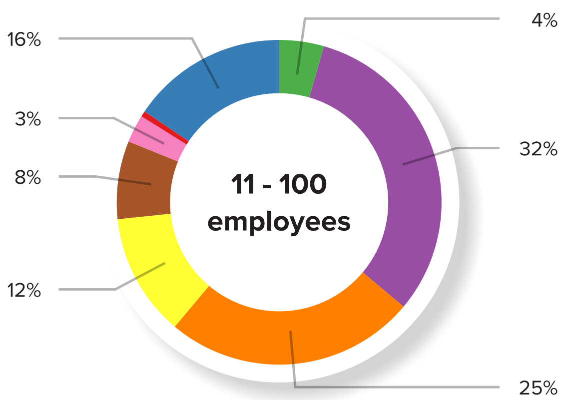
An analysis by sector shows that enterprises operating in restaurants and textile sectors have shown the lowest levels of operational adaptation, with 42 per cent each reporting that they did not make any changes to their operations.

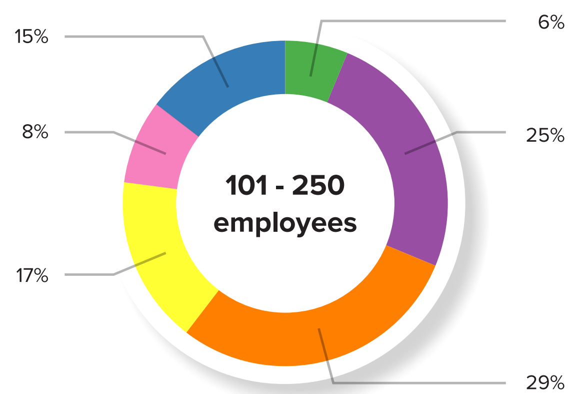
If the current restrictions continue, how long will your business be viable?

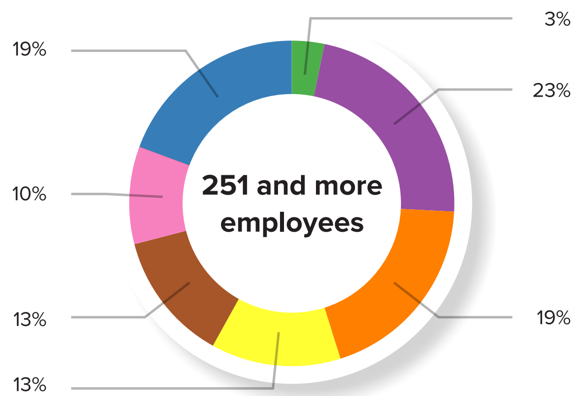


If current restrictions continue, some 60 per cent of respondents anticipated their business continuity would be cut within three months. Specifically, 7 per cent of these enterprises would be able to operate for only one week, 29 per cent would be operational for 1–8 weeks and a further 24 per cent would survive up to three months. Some 11 per cent reported they would be able to stay afloat for 3–6 months, whereas another 11 per cent indicated that their enterprise could remain open for the next six months to one year (7 per cent) or for more than one year (4 per cent). It should be noted that almost one fifth of surveyed enterprises expressed uncertainty regarding their future business continuity.

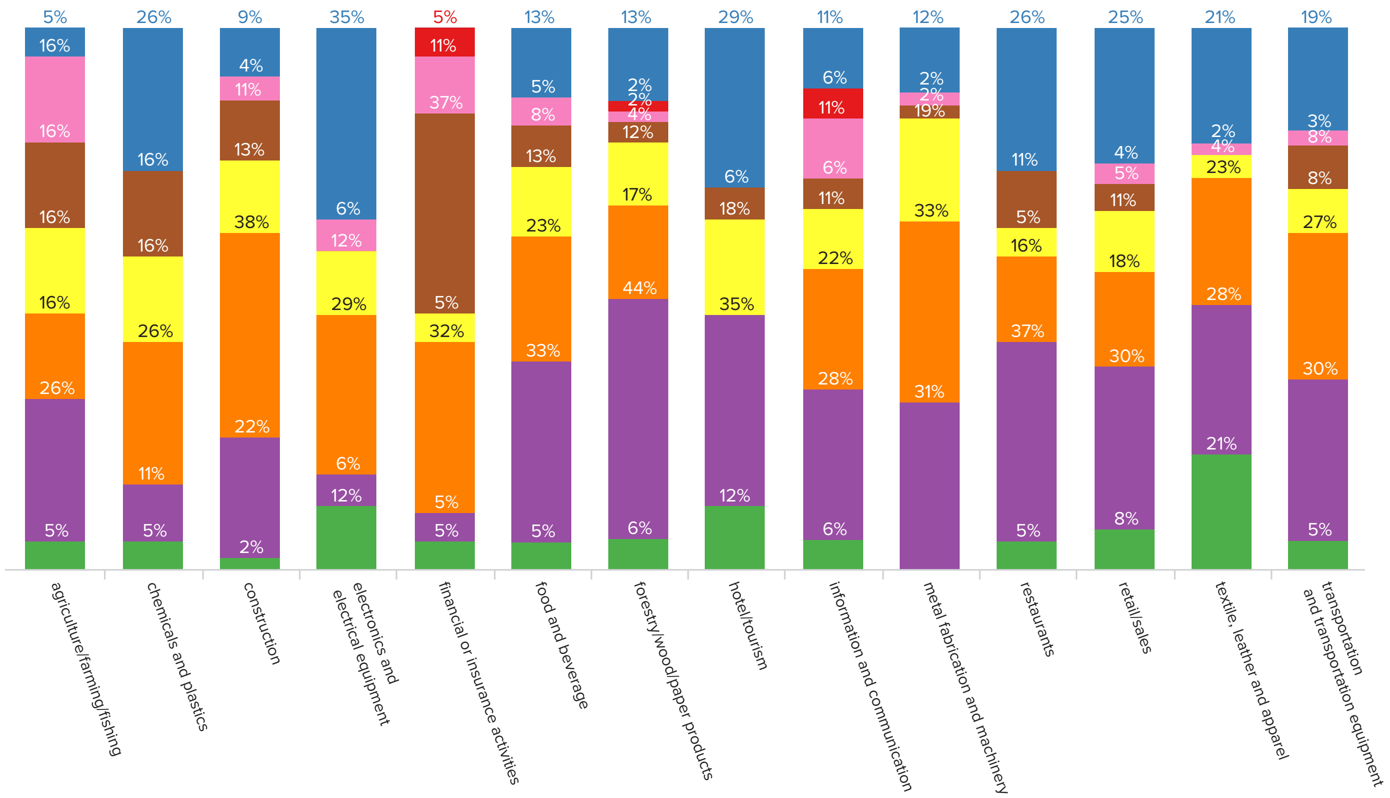








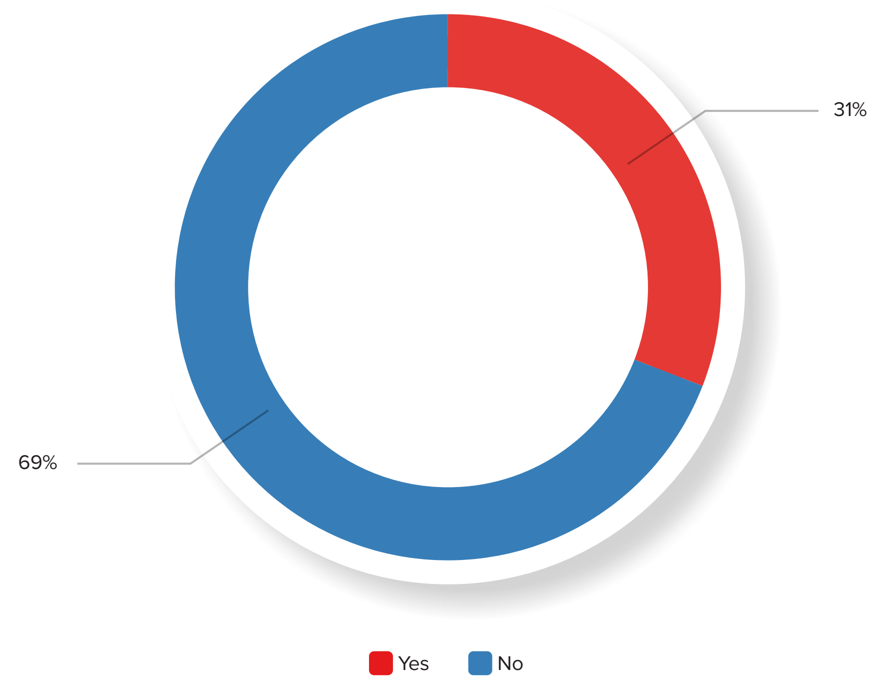
By enterprise size, on average some 60 per cent of enterprises with up to 250 employees indicated they could survive up to three months, exhibiting higher vulnerability compared to 45 per cent of enterprises with more than 251 employees. At the same time, uncertainty about business continuity was more pronounced among enterprises with up to ten employees (21 per cent) but also among enterprises with more than 251 employees (19 per cent).



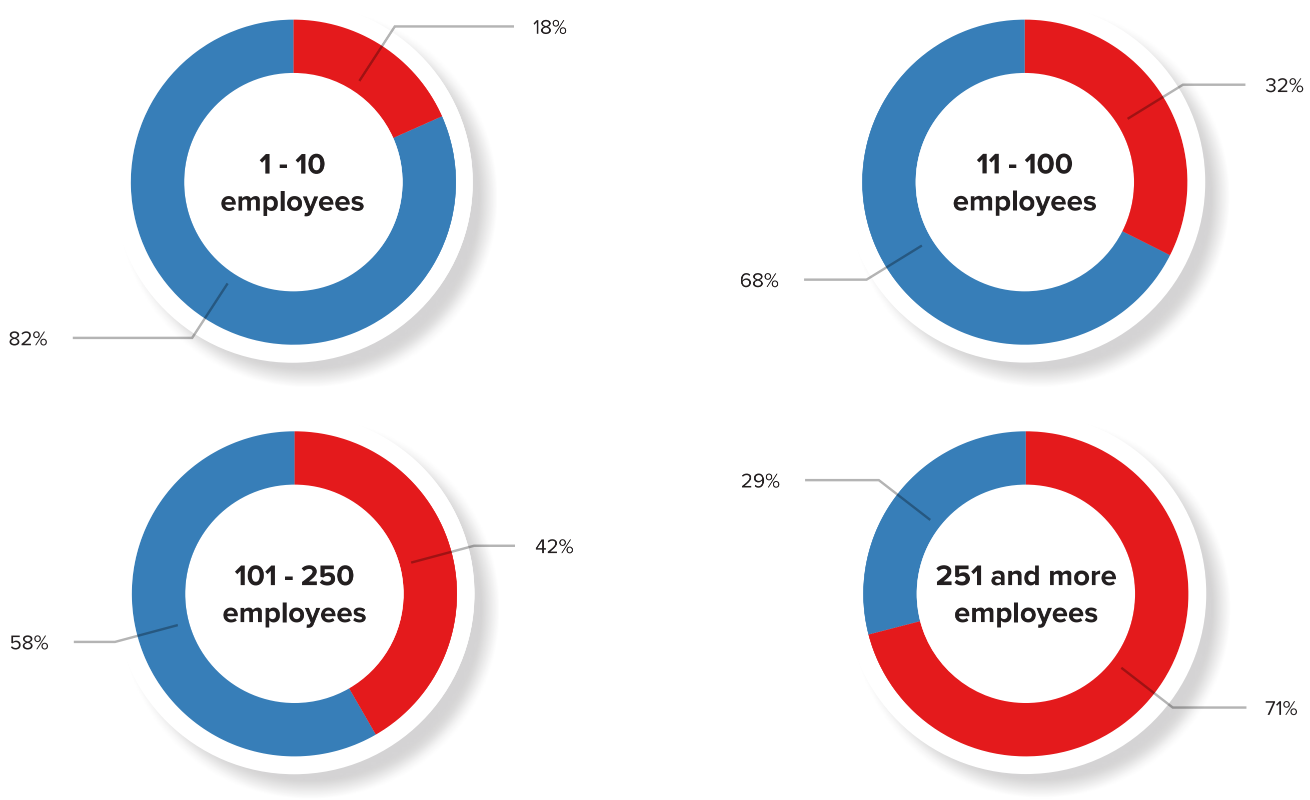
Across the sectors, the shortest durability of up to three months was exhibited by textiles (73 per cent), wood processing (68 per cent), retail/sales (64 per cent), transportation (61 per cent) and construction (52 per cent). The largest shares of enterprises expressing doubt and uncertainty about the future were in the electronics (35 per cent), hotel/tourism (28 per cent), retail/sales (27 per cent) and restaurants (26 per cent). In 2019, these sectors employed altogether about 74,000 employees.[2]

2 Wages, employment and unemployment 2020, Bulletin of the Republika Srpska Institute of Statistics.

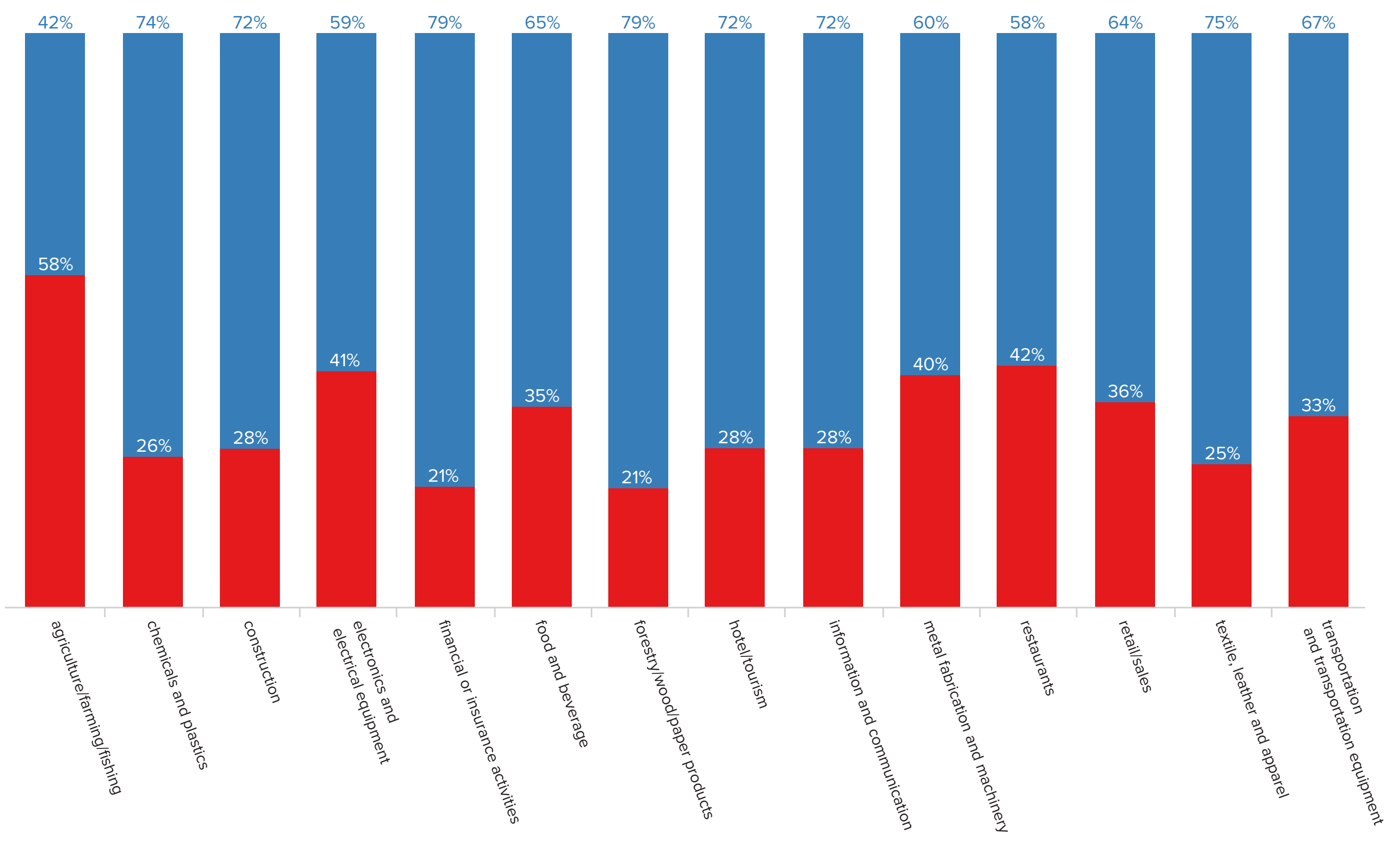
Does your enterprise have a written business continuity plan?



Only 31 per cent of enterprises surveyed noted that they had a written business continuity plan.



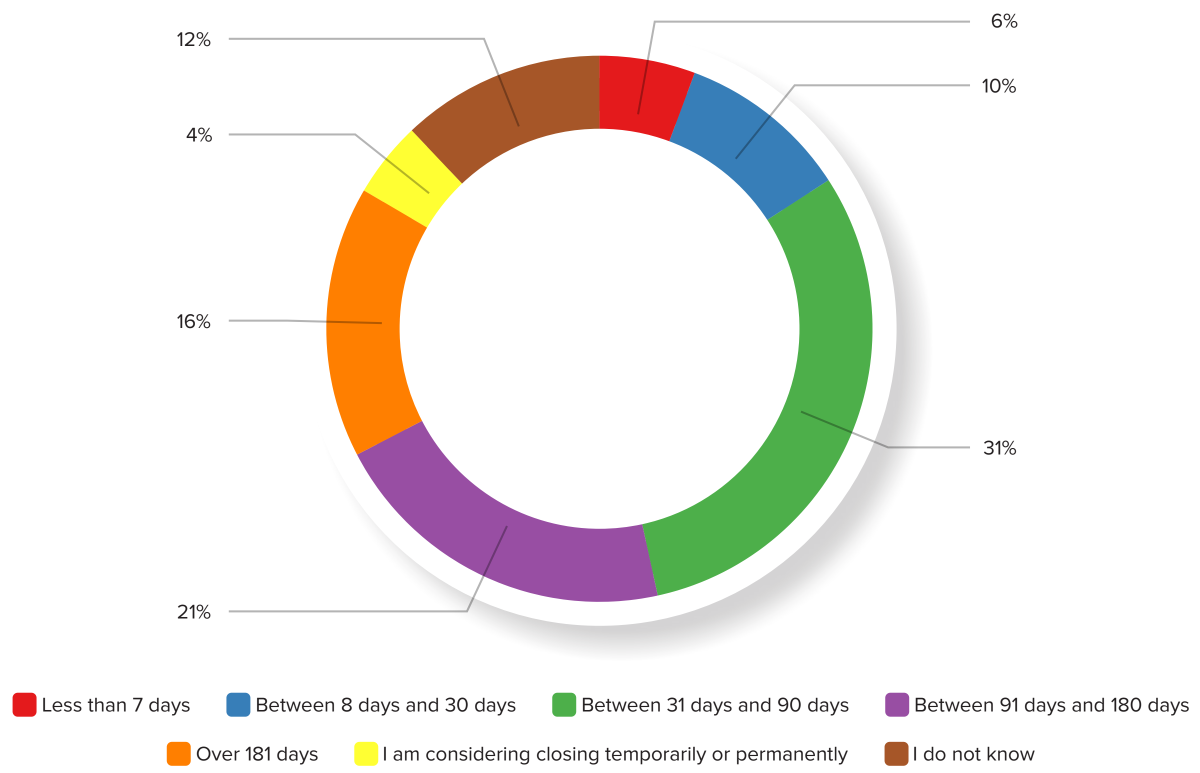
Enterprises with up to ten employees showed the least preparedness for crises situations with only 18 per cent indicating that they had a business continuity plan. Enterprise preparedness to deal with potential threats to business continuity increased with enterprise size, with 71 per cent of enterprises with more than 251 employees confirming the existence of such a plan.



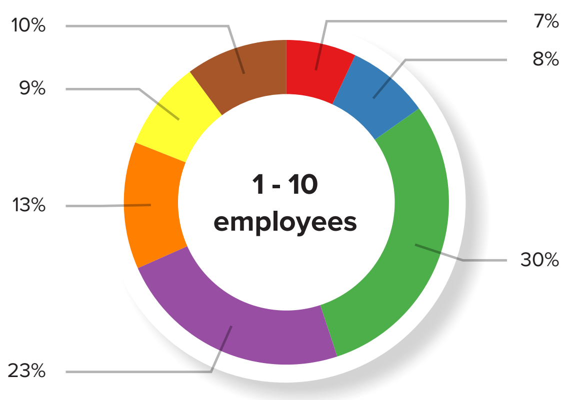
In general, almost all sectors portrayed weak preparedness in terms of business continuity. The highest shares of enterprises without a business continuity plan were in wood processing (79 per cent), financial activities (79 per cent), textiles (75 per cent) hotel/tourism (72 per cent) and information and communications (72 per cent). Enterprises operating in agriculture, restaurants, metal fabrication and machinery, and electronics seemed to be slightly better prepared to cope with the crisis.

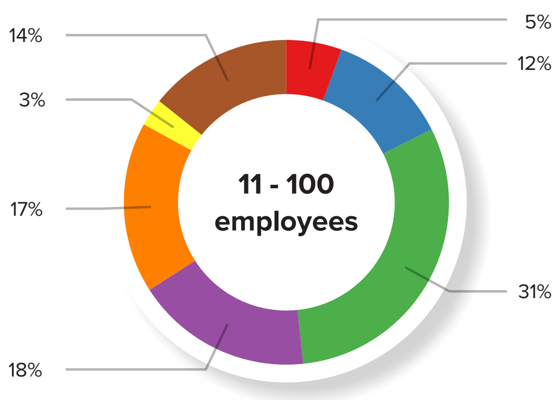
Recommendation from surveyed enterprises: Provide Government support in co-financing entrepreneurial training in such areas as the development of business continuity plans, risk management, crisis management, access to finance, accounting adjusted to market principles, introduction of corporate governance, and others.

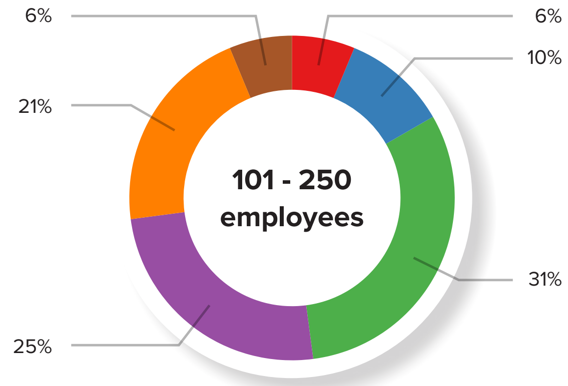
How long would it take your enterprise to fully restore operations?



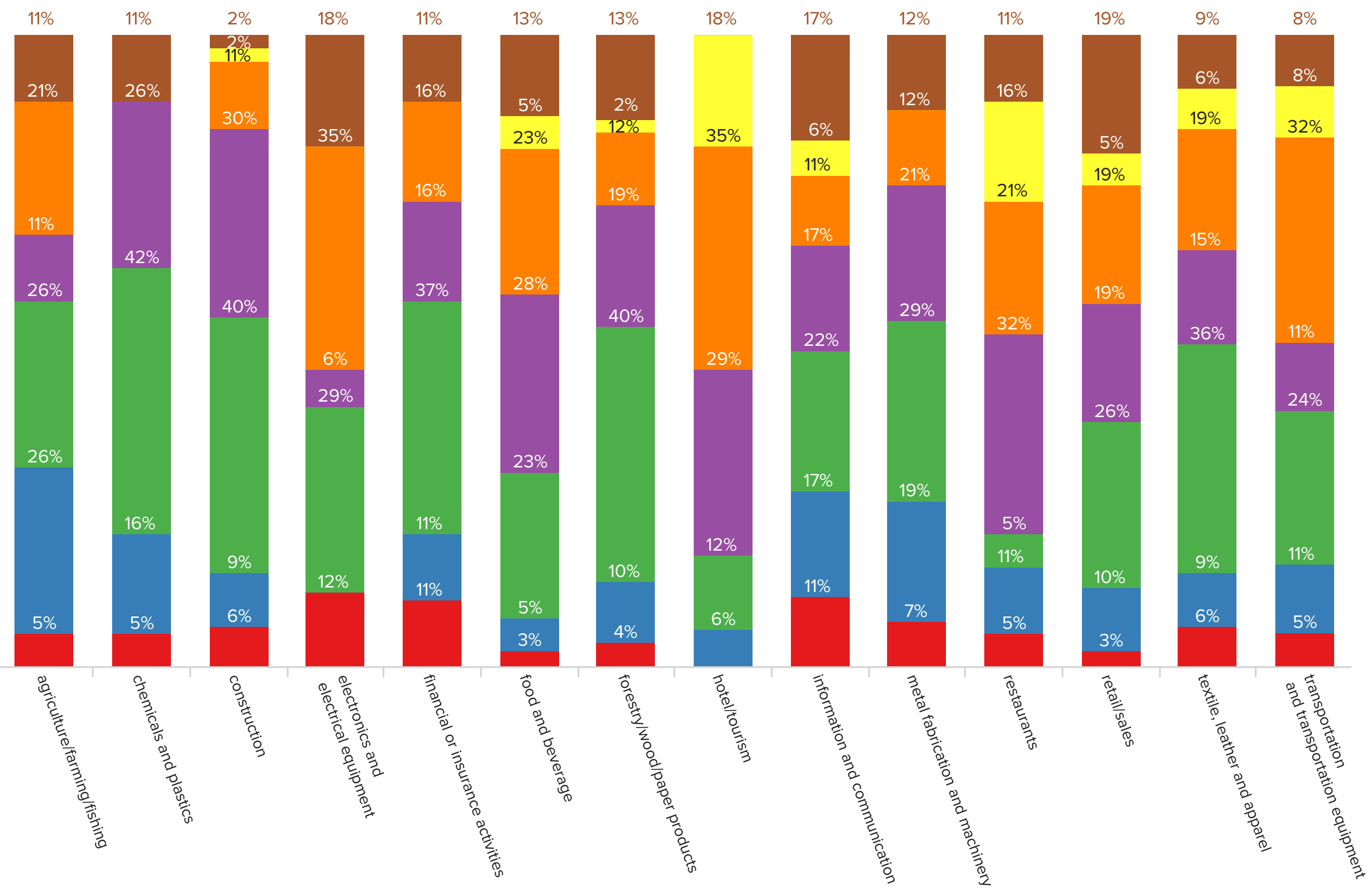
The shock caused by the crisis was sudden and painful, and will likely make the recovery for enterprises long and slow. About 47 per cent of enterprises surveyed would need up to three months to fully restore operations. Of these enterprises, 10 per cent anticipated a fast recovery within one month and 6 per cent anticipated they would recover within one week. A further 20 per cent would require up to six months while some 16 per cent would need more than six months to complete their recovery. In all, 4 per cent of enterprises were considering closing temporarily or permanently.





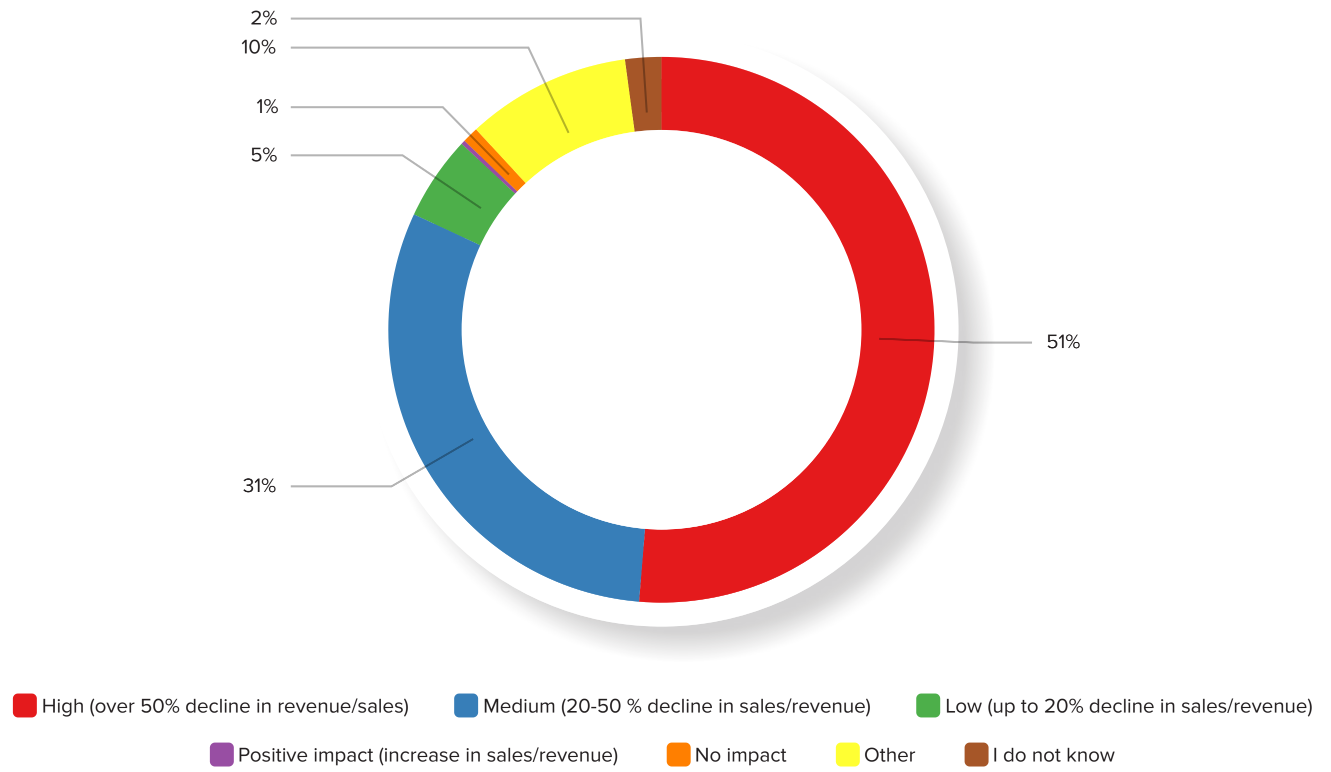


On average, 46 per cent of enterprises with up to 250 employees anticipated a recovery period of up to three months compared to 49 per cent of enterprises with more than 251 employees. Among these, some 16 per cent of enterprises with up to 250 employees anticipated they would be able to restore operations within a month, showing an ability to rebound more quickly than enterprises with more than 251 employees, of which only 10 per cent can recover within a month. The largest share of enterprises indicating that the recovery period would take up to six months or longer came from enterprises employing 101–250 employees (46 per cent). At the same time, some 9 per cent of enterprises with up to ten employees and 3 per cent of enterprises with 11–100 employees were considering closing their businesses temporarily or permanently.

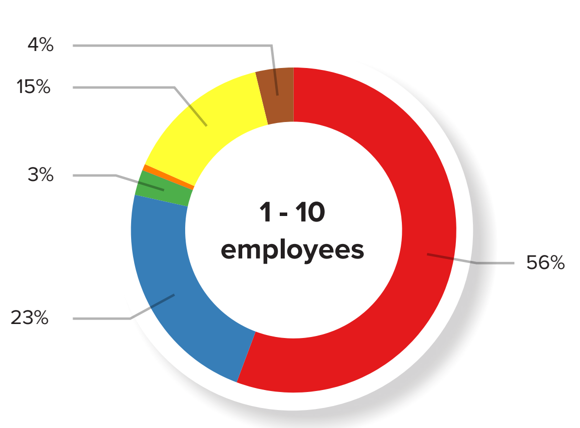


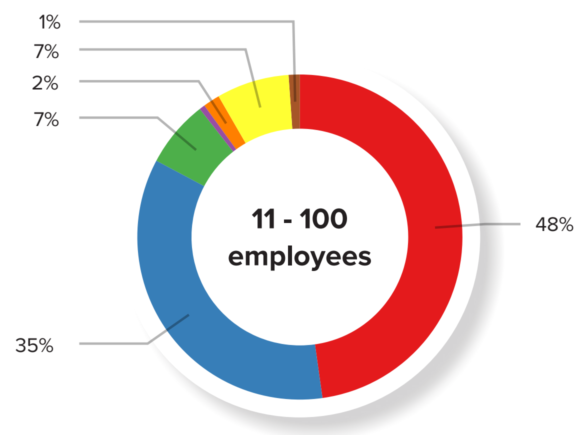
The ability of surveyed enterprises to recover varies across the sectors and within the sectors. Hotel/tourism (67 per cent), restaurants (51 per cent), food and beverage (51 per cent) and construction (41 per cent) recorded the largest percentages of enterprises indicating a long recovery period, of up to six months or longer. Sectors with the highest share of enterprises that expected the recovery would take up to three months were in financial activities (59 per cent), agriculture (57 per cent) and metal fabrication and machinery (55 per cent). It is worrisome that 17 per cent of enterprises in hotel/tourism, 16 per cent in restaurants and 8 per cent in transportation were considering closing.

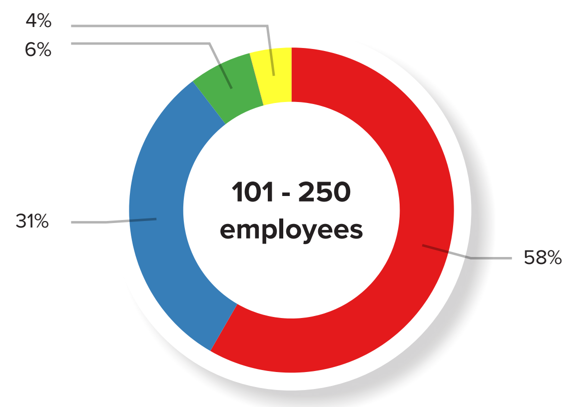
What has been the level of financial impact (revenue or sales) on your business and disruption to business operations?

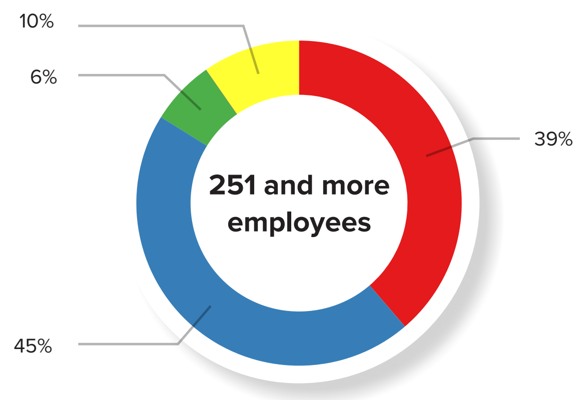


More than half of enterprises surveyed assessed the financial impact of the crisis on their business as high (more than 50 per cent) while more than 30 per cent assessed it as medium (20– 50 per cent decline). Only a very small proportion (5 per cent) assessed the financial impact as low (up to 20 per cent decline).

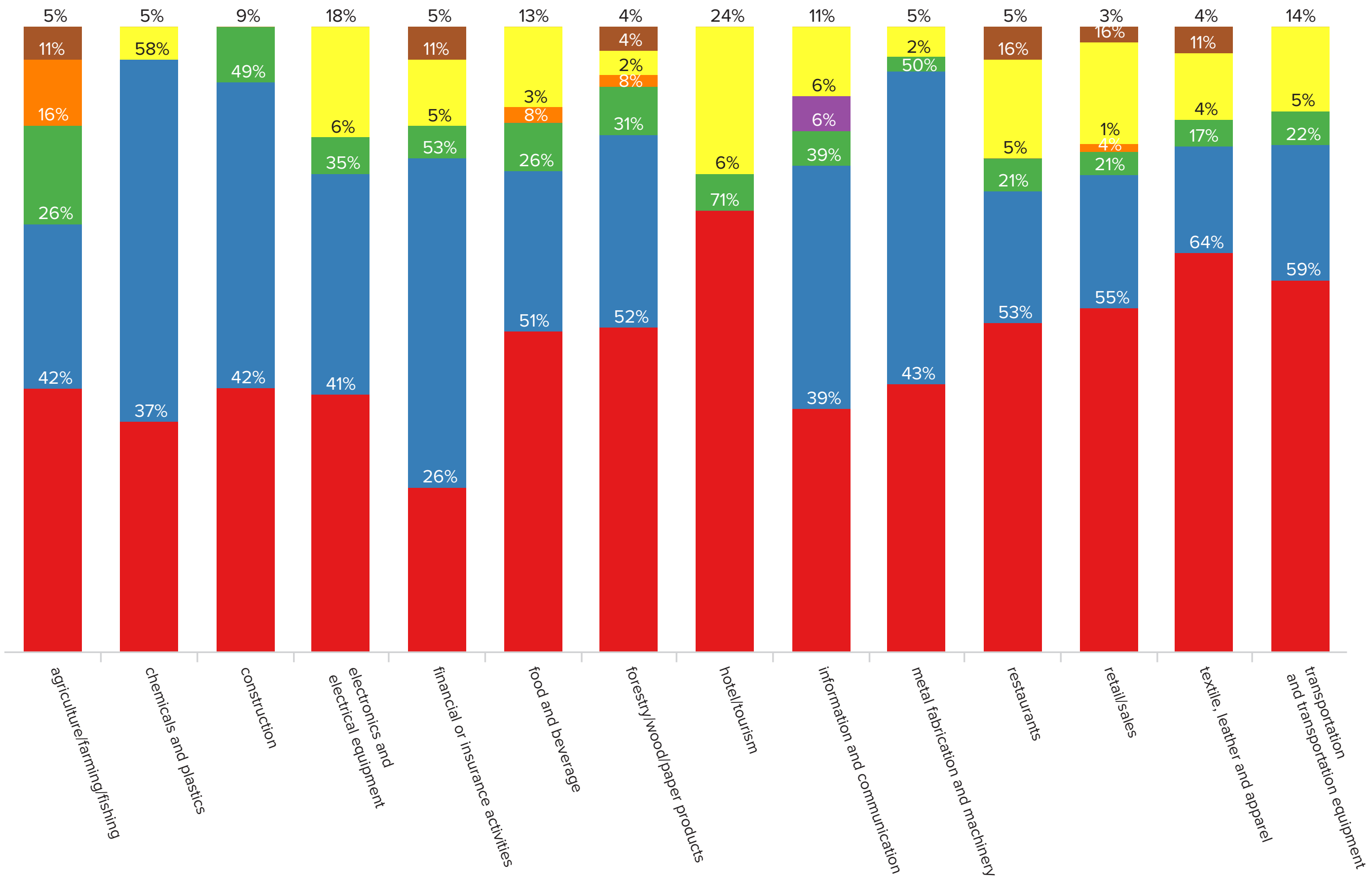








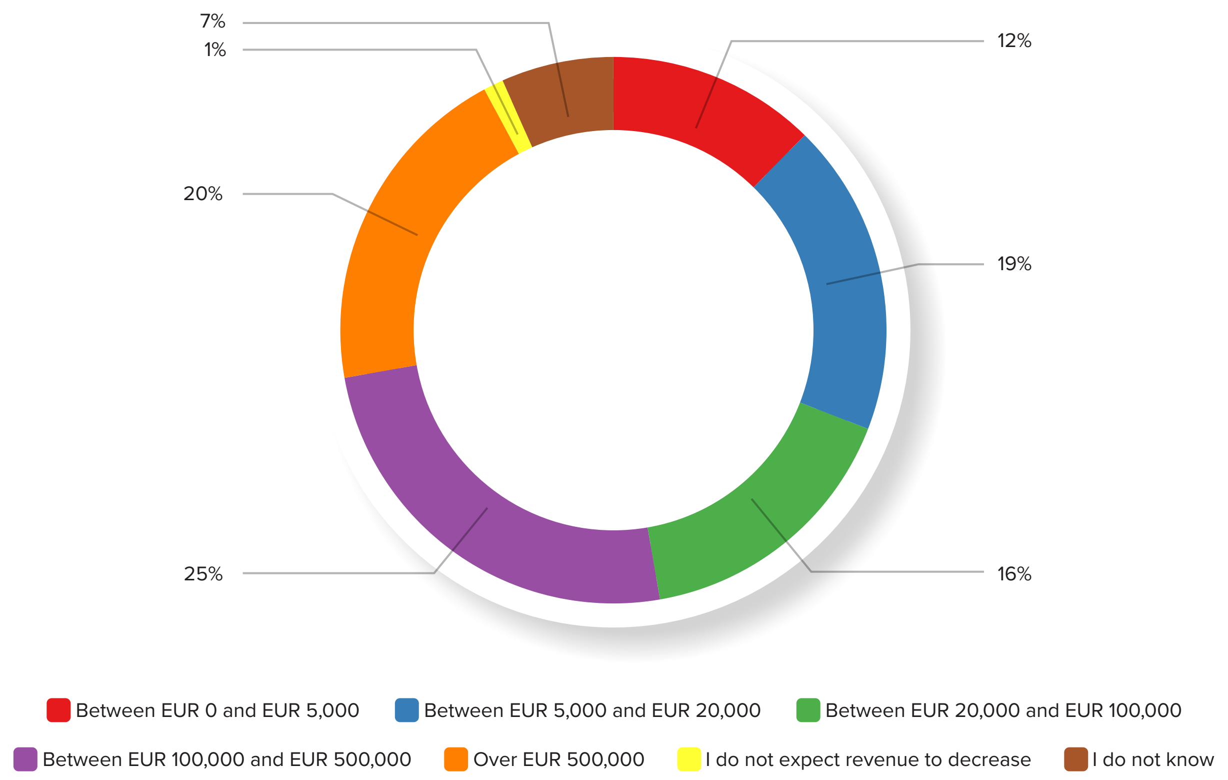
Enterprises with more than 251 employees experienced a lower drop in revenue (39 per cent) compared to enterprises with up to 250 employees (some 55 per cent on average).



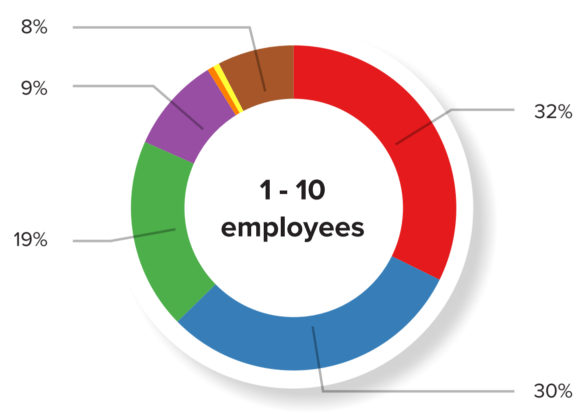
The highest share of enterprises that experienced a drop of 50 per cent or more in revenue/sales were in hotel/tourism (72 per cent), textile (63 per cent), transportation (56 per cent), retail/sales (56 per cent), restaurants (53 per cent) and wood processing (53 per cent) sectors. A relatively low share of outliers exists in the survey responses, with 6 per cent of enterprises in information and communications noting an increase in revenue/sales.

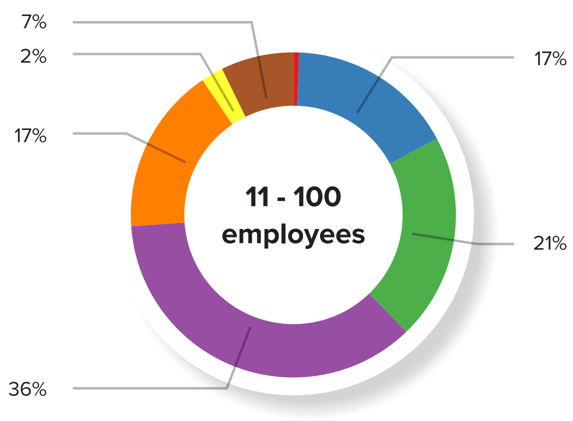
Recommendation from surveyed enterprises: Establish a crisis fund to support enterprises affected by the pandemic with a clear mandate with regard to sources of funding and circumstances when it can be used.

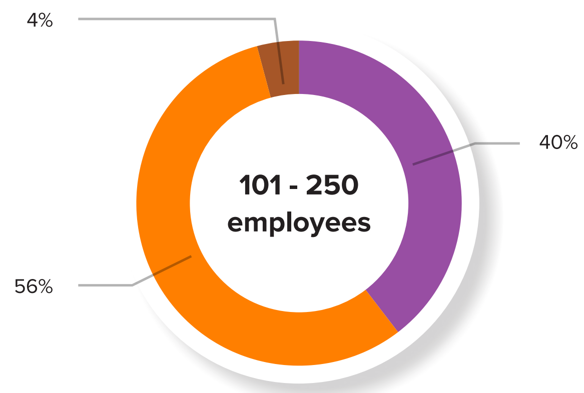
Assuming that the COVID-19 crisis will last until 30 June 2020, to what extent do you anticipate that your revenue will drop?

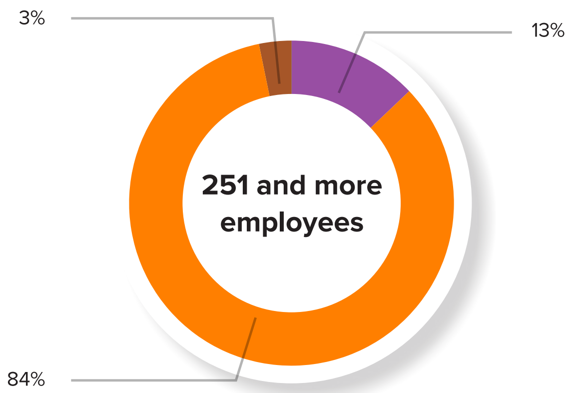


On average, one quarter of enterprises expected a decline in revenue between €100,000 and €500,000. Almost equal shares of enterprises (some 20 per cent) expected that the decline would exceed €500,000 or that it would range between €5,000 and €20,000. Some 16 per cent anticipated losses between €20,000 and €100,000, whereas a smaller proportion expected a lower decline up to €5,000.

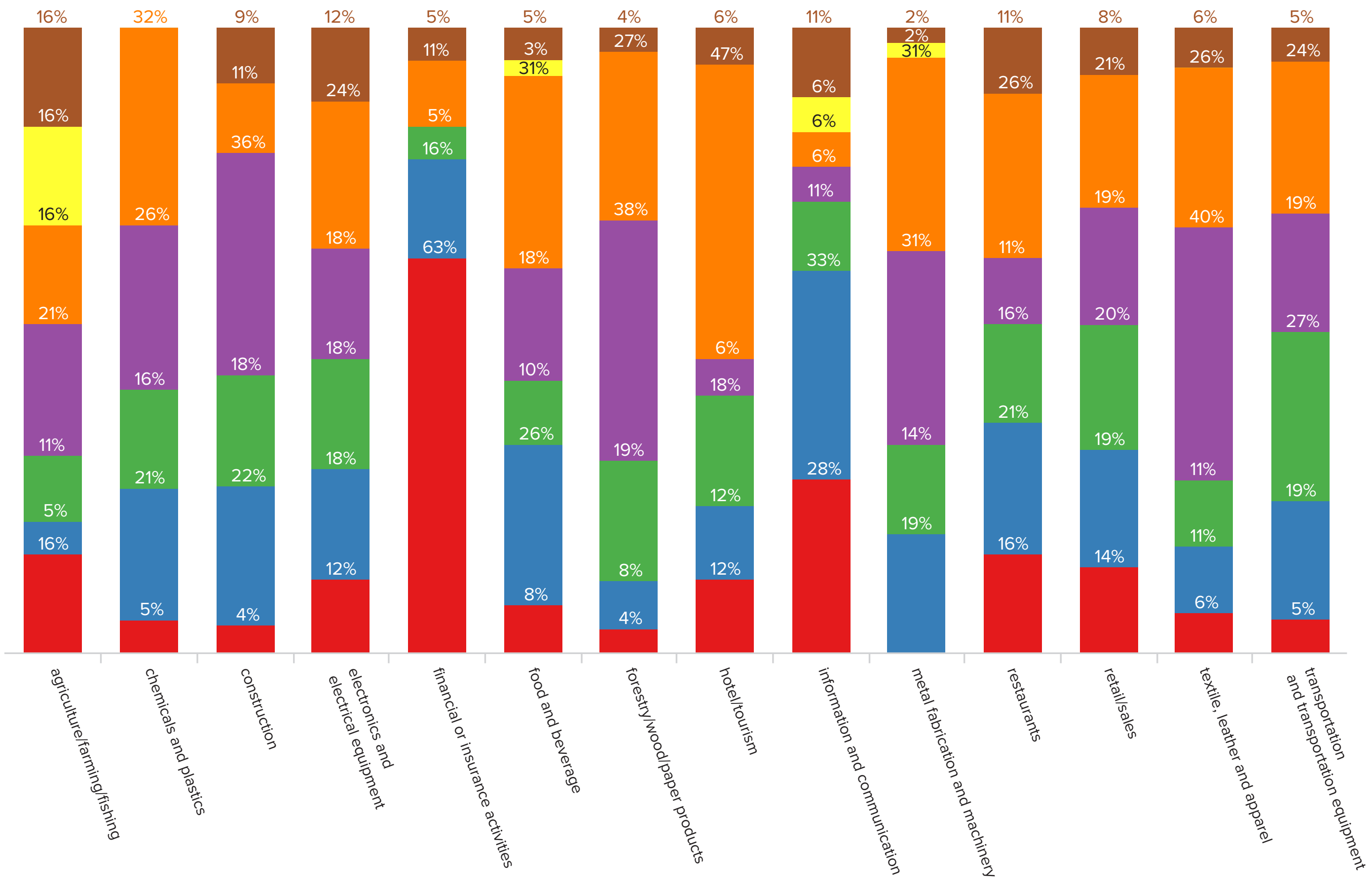








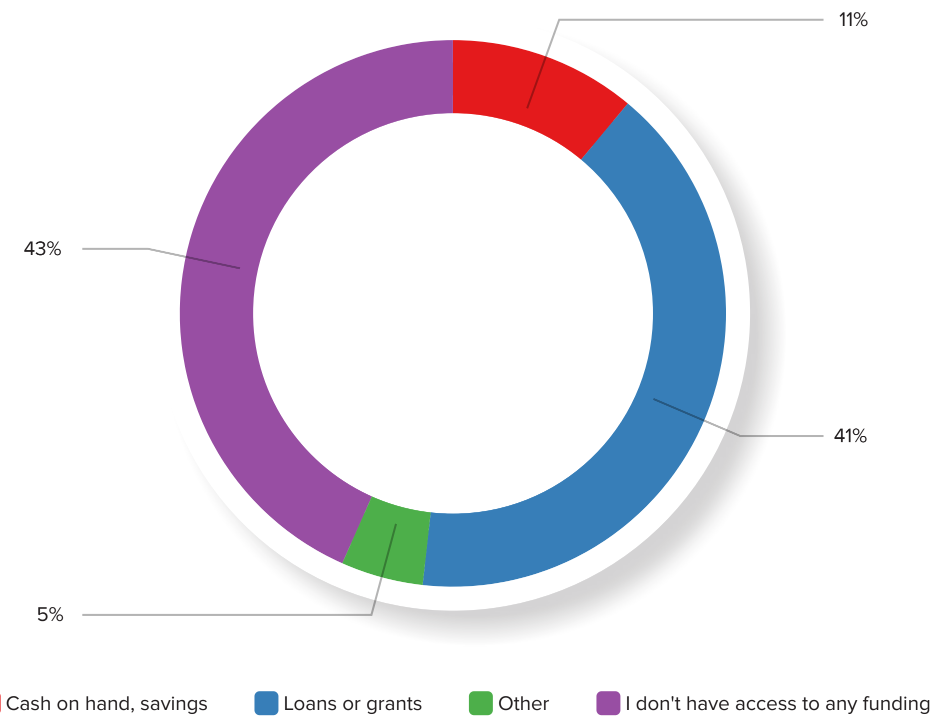
Alarmingly, 84 per cent of enterprises with more than 251 employees anticipated revenue losses exceeding €500,000. Some 56 per cent of enterprises with 101–250 employees also anticipated substantial financial losses exceeding €500,000. As anticipated, the larger the enterprise, the greater the extent of expected financial loss.



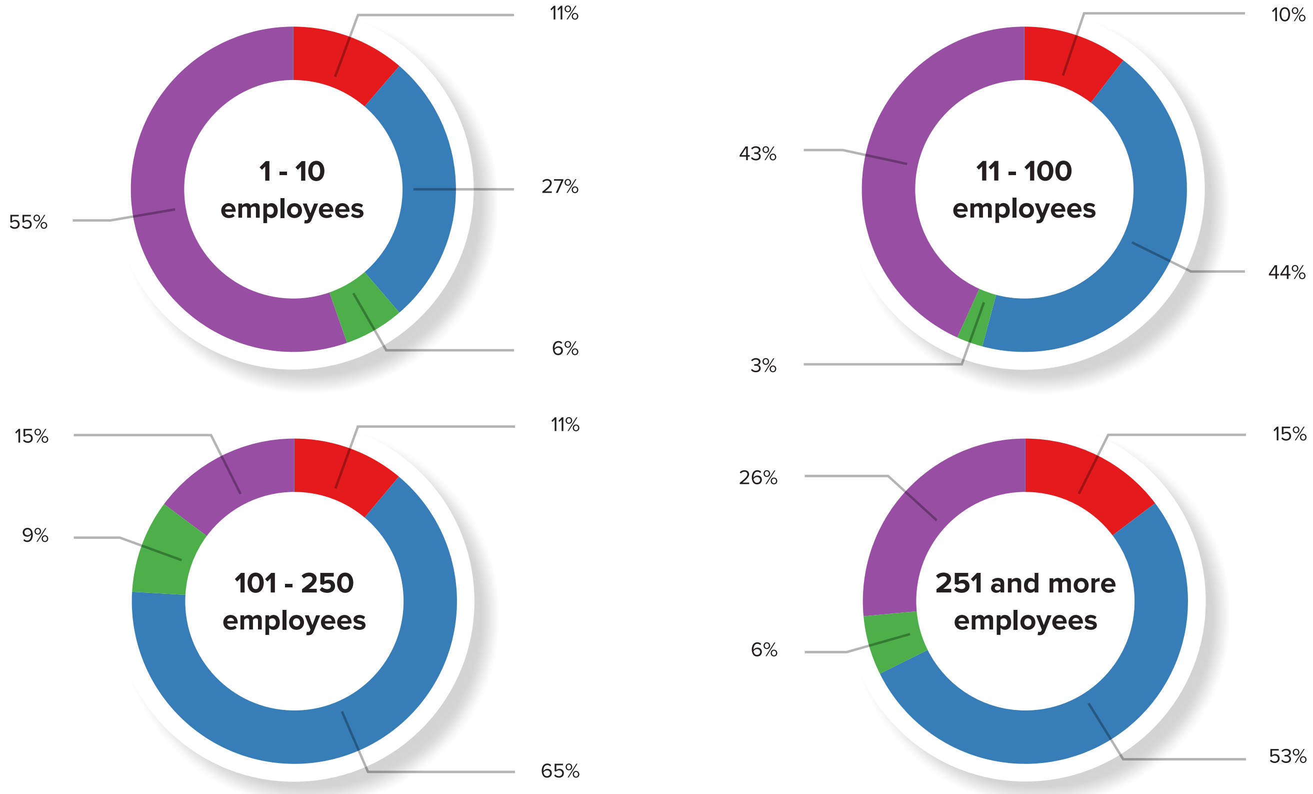
Among selected sectors, the highest share of enterprises that anticipated a revenue drop of more than €500,000 was in the hotel/tourism sector (50 per cent), followed by chemicals and plastics (32 per cent), the metal fabrication and machinery (31 per cent) and food and beverage (30 per cent). About a quarter of surveyed enterprises in other sectors were expecting a revenue decrease of more than €500,000, including restaurants, textiles, transportation, wood processing and electronics. The smallest decline in revenue was expected in financial and insurance activities, where 63 per cent of respondents expected a decline of less than €5,000.

Recommendation from surveyed enterprises: Design tailored financial support packages for micro and small enterprises and for medium-sized and large enterprises.

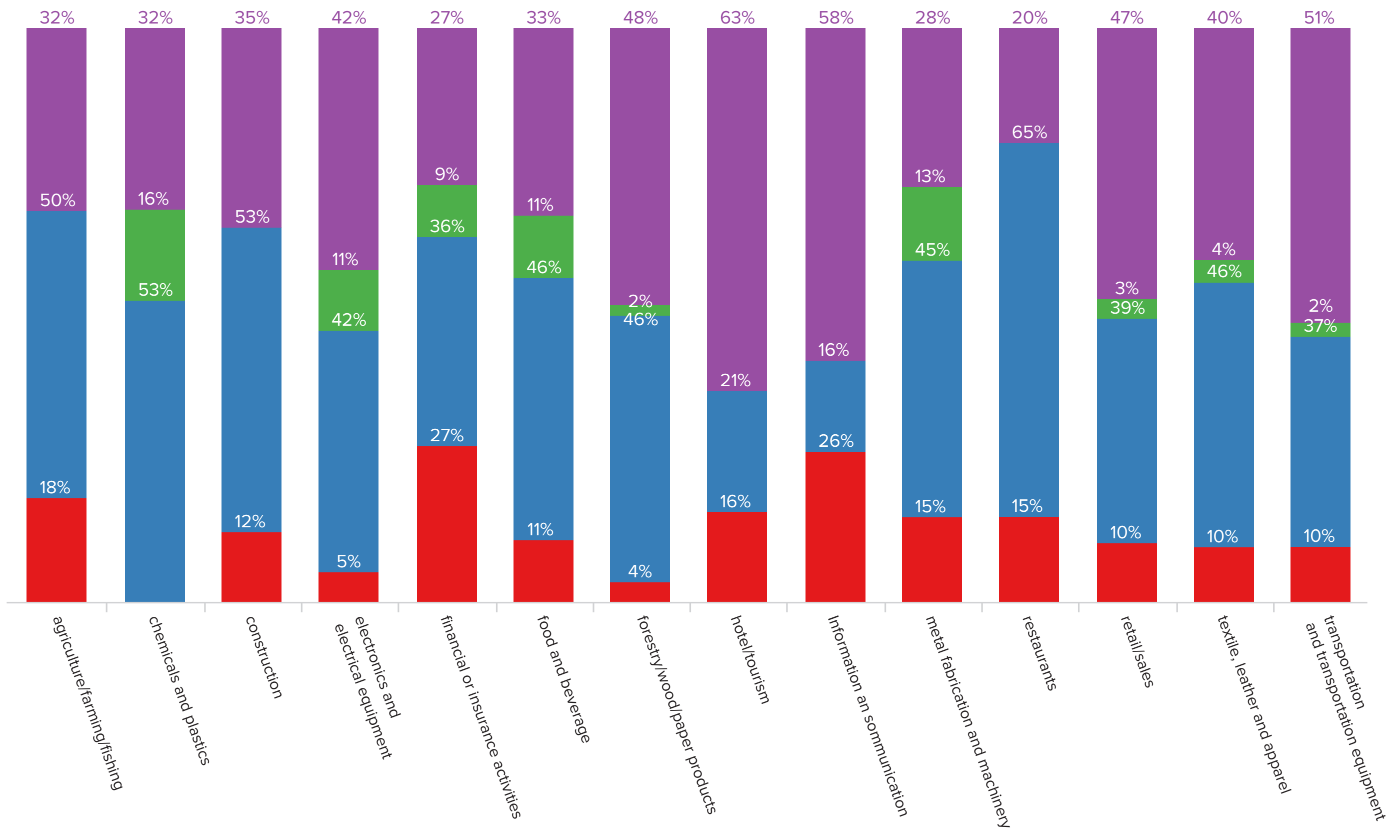
Do you have your own funding (e.g. cash on hand, savings) or access to alternative/external sources (e.g. loans or grants) of funding to help the business recover?



Only one in ten enterprises surveyed had its own cash reserves or savings. Some 41 per cent had access to loan or grants, whreas 43 per cent did not have acess to any funding to help their business recover.



Enterprises with up to ten employees and enterprises with 11–100 employees were facing the bigest challenge in accesing external funding with 55 per cent and 43 per cent respectively noting they did not have access to any funds. In contrast, relatively large shares of enterprises with 101–250 (65 per cent) and enterprises with more than 251 employees (53 per cent) indicated that they had access to loans and grants. Overall, enterprises with more than 251 enterprises had relatively more solid resource base, compared to other types of enterprises.

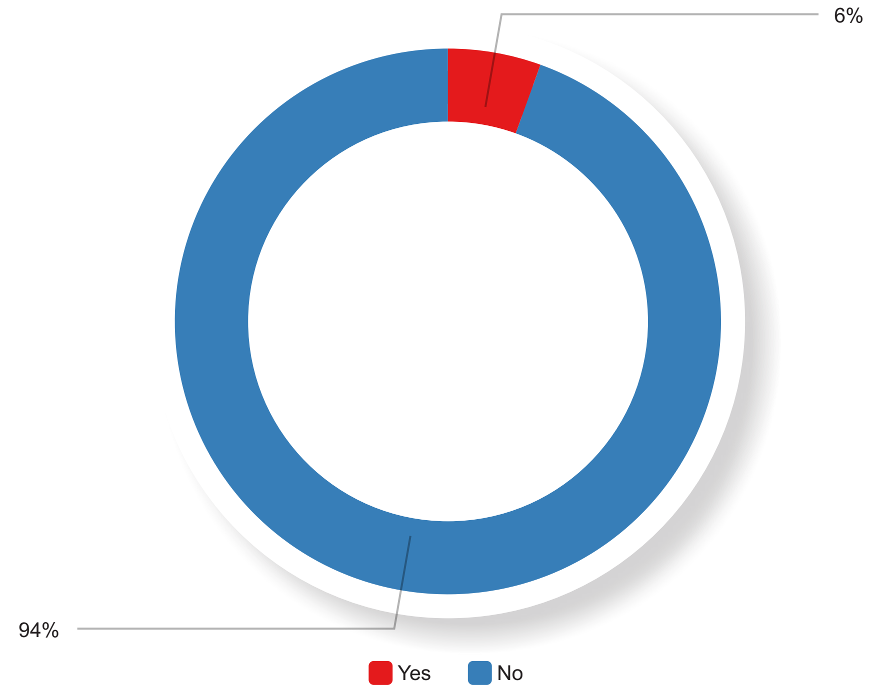


By sector, the highest share of enterprises that lacked any type of funding were in hotel/tourism (63 per cent), information and communications (58 per cent), transportation (51 per cent), wood processing (48 per cent) and retail/sales (47 per cent).

Sectors with the largest share of enterprises with access to loans and grants were restaurants (65 per cent), construction (53 per cent), chemical industry (53 per cent) and agriculture (50 per cent). At the same time, the largest shares of enterprises that reportedly had cash on hand were in financial and insurance activities (27 per cent) and information and communications (26 per cent).

Recommendation from surveyed enterprises: Develop state aid instruments to improve the solvency of enterprises and ease liquidity constraints, taking into account domestic circumstances and good practices.

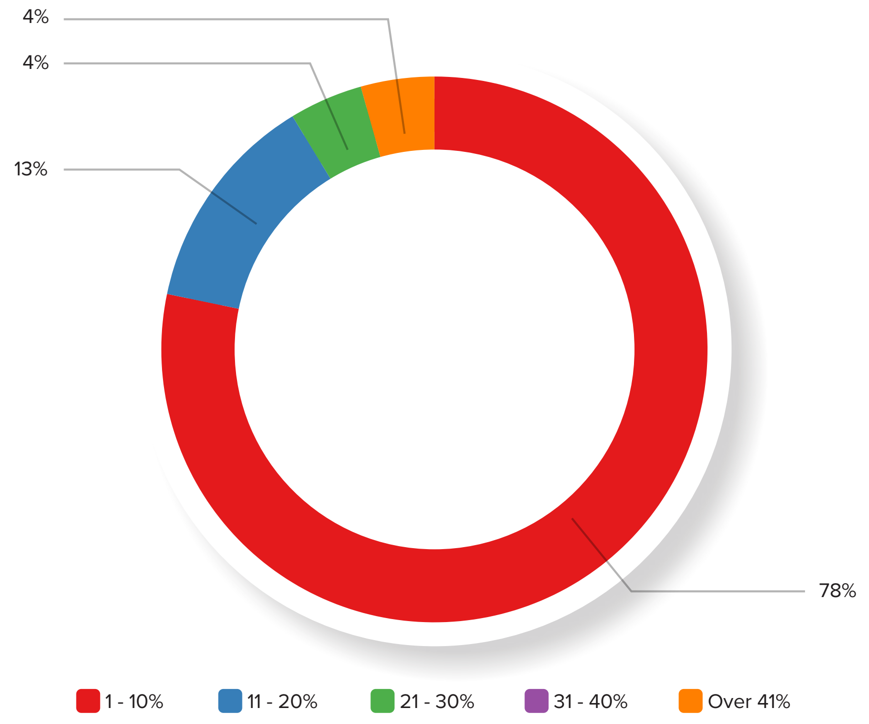
Have you dismissed any workers due to COVID-19?



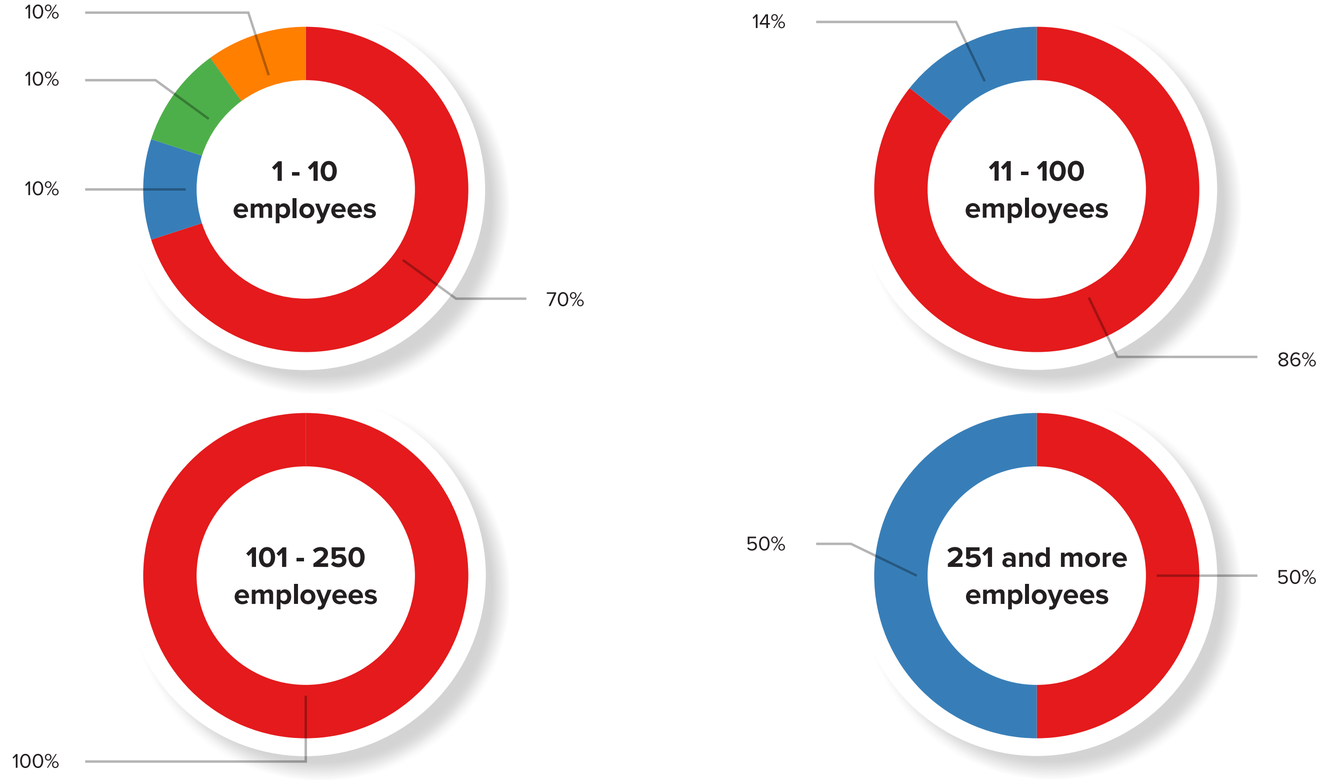
In spite of all challenges, only 6 per cent of enterprises dismissed employees due to COVID-19, while 94 per cent were able to retain them.

Enterprises of all sizes reported that they had downsized their workforce due to COVID-19.

If yes, what percentage of your workforce have you dismissed?



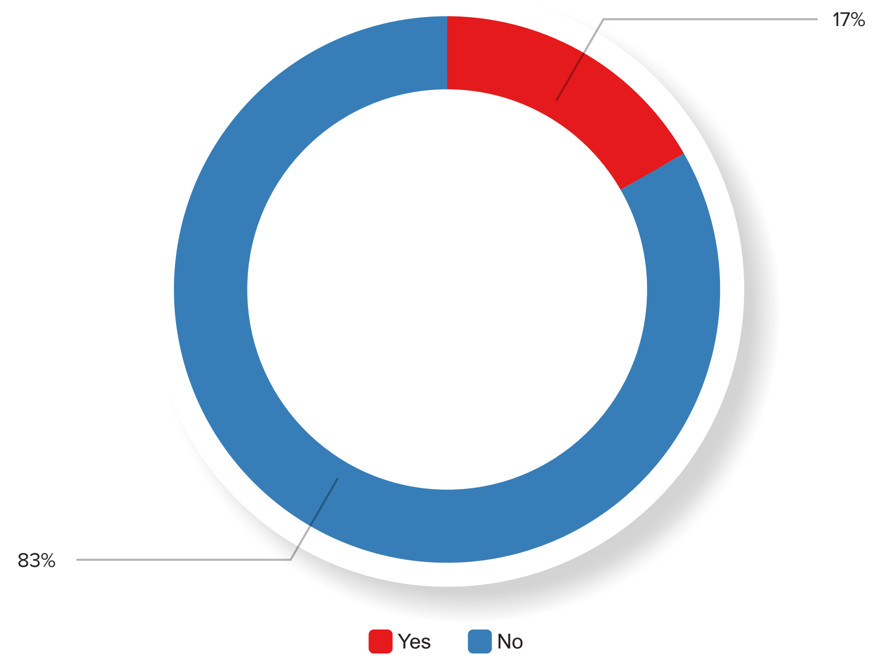
Of the enterprises that dismissed employees, 78 per cent dismissed up to 10 per cent of their workers. A further 13 per cent dismissed 11–20 per cent of employees, and equal shares (4 per cent) dismissed 31–40 per cent and more than 41 per cent of employees.



The largest share of enterprises (on average some 75 per cent) dismissed up to ten percent of their workforce. Enterprises with up to ten employees showed a higher propensity to dismiss a larger share of workers and was the only category of enterprise size indicating a dismissal of over 40 per cent.

Recommendation from surveyed enterprises: Develop available and affordable (re)training programs for employees to adjust to the post COVID-19 demands of the labour market.

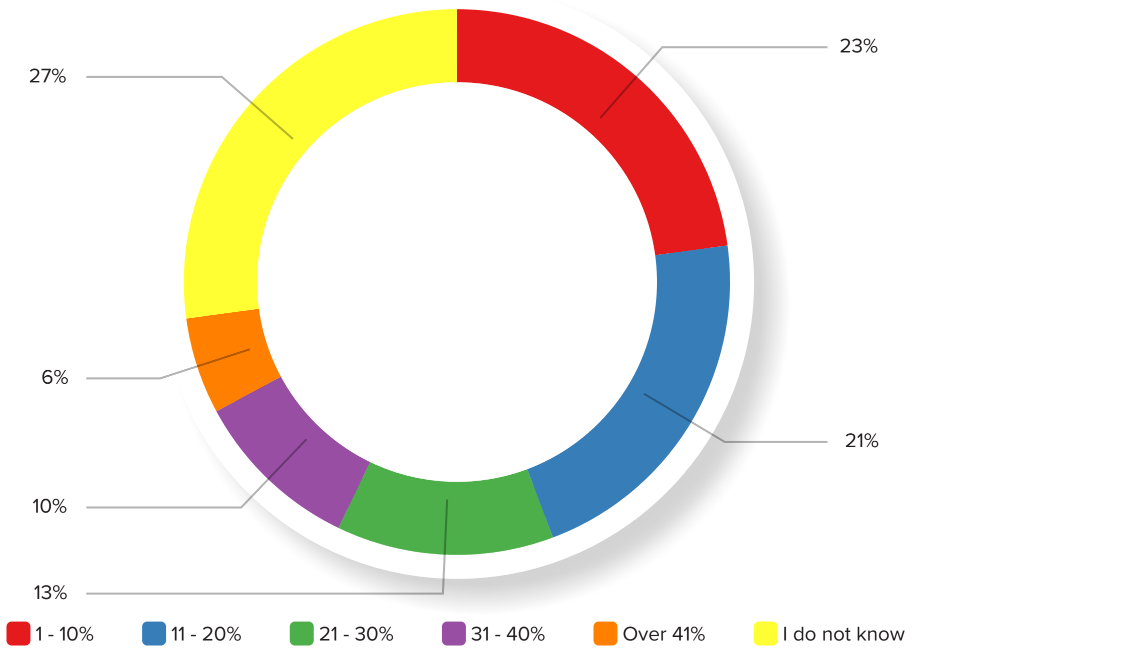
Do you plan to dismiss any workers due to COVID-19?



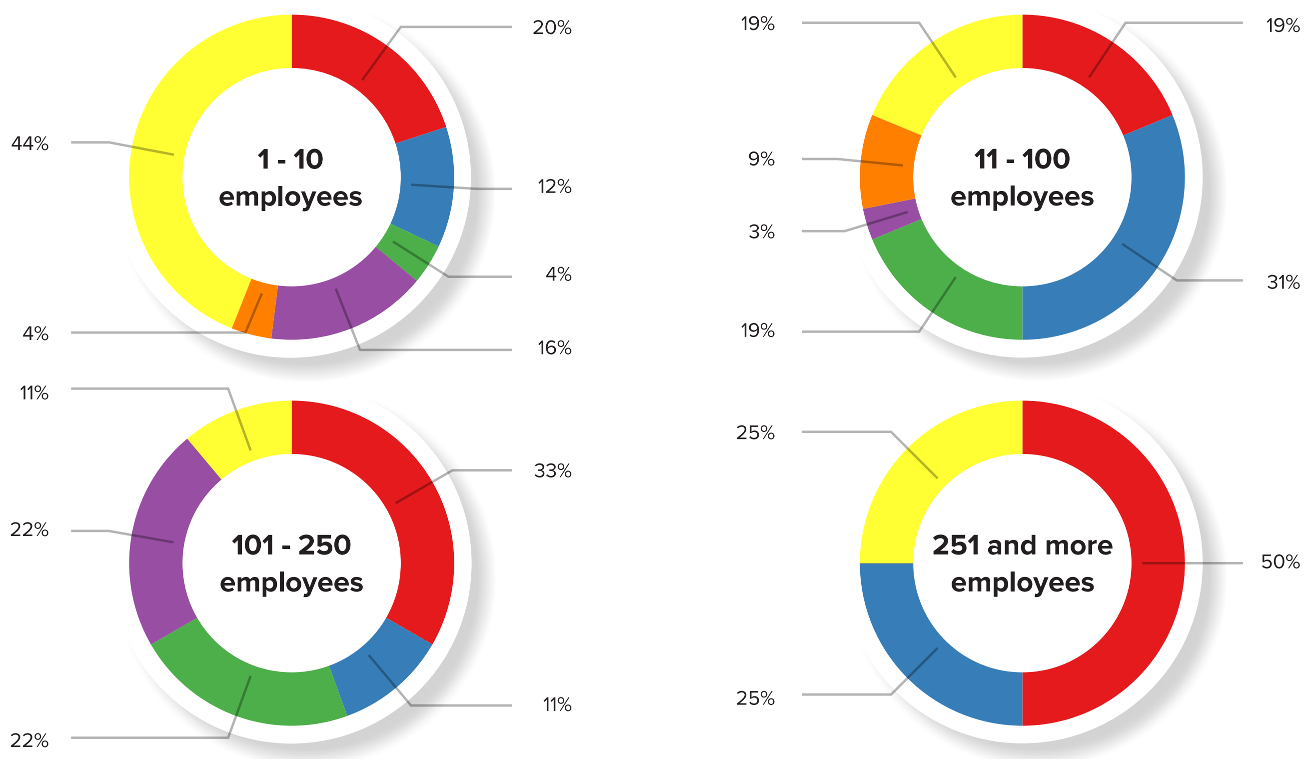
If the restrictions continue, the probability of job cuts increases, with 17 per cent of enterprises signalling that they would be forced to lay off employees.

Enterprises of all sizes plan to dismiss employees due to Covid-19.

If yes, what percentage of your workforce do you plan to release in the next quarter?

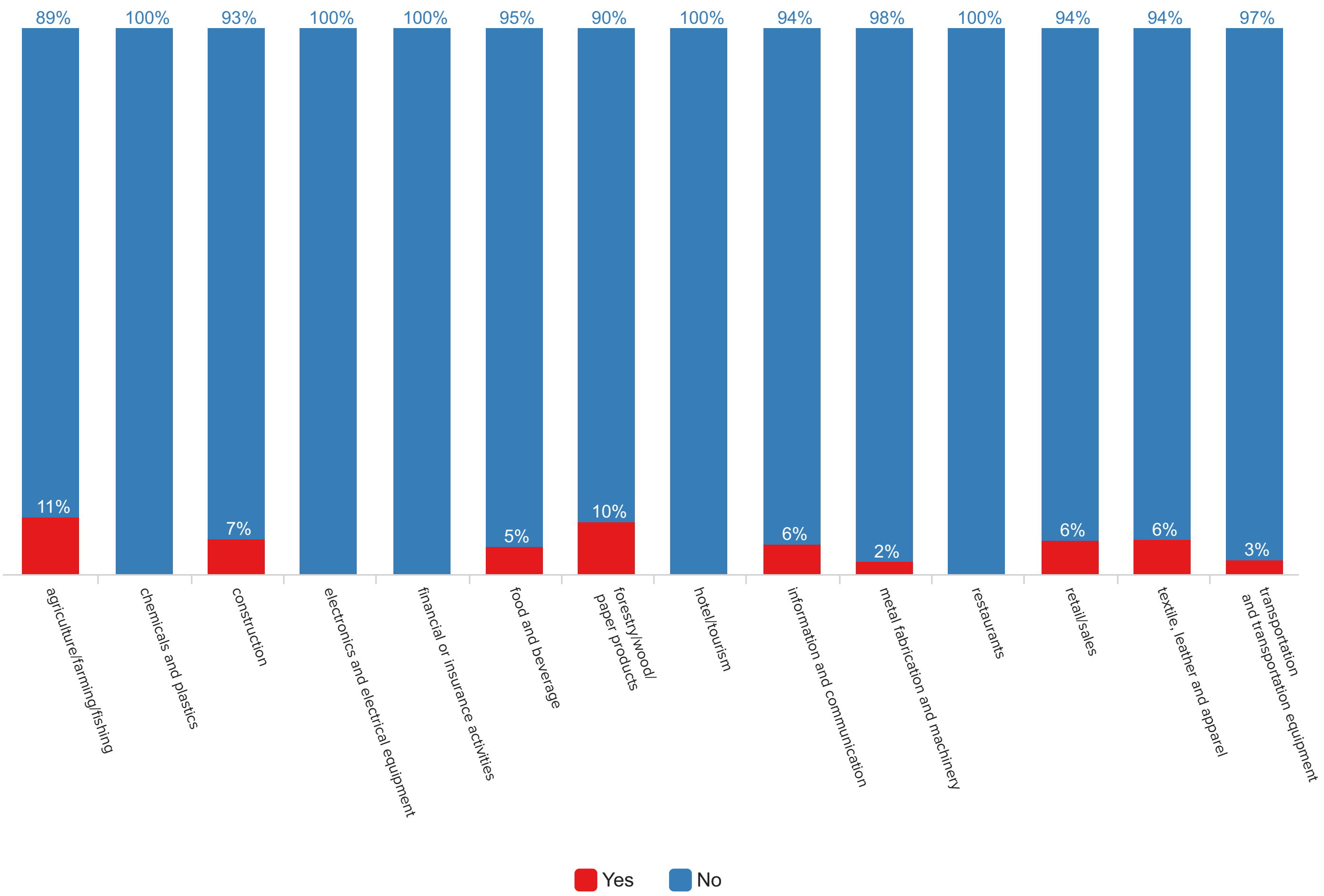


Among these enterprises, 23 per cent plan to dismiss 1–10 per cent of employees, while 21 per cent plan to dismiss 11–20 per cent and another 13 per cent plan to release up to 30 per cent of the workforce. Some 16 per cent of enterprises plan to dismiss a significant share of workforce, at 31 per cent or more. More than a quarter of enterprises expressed uncertainty with regard to their employee dismissal plans.



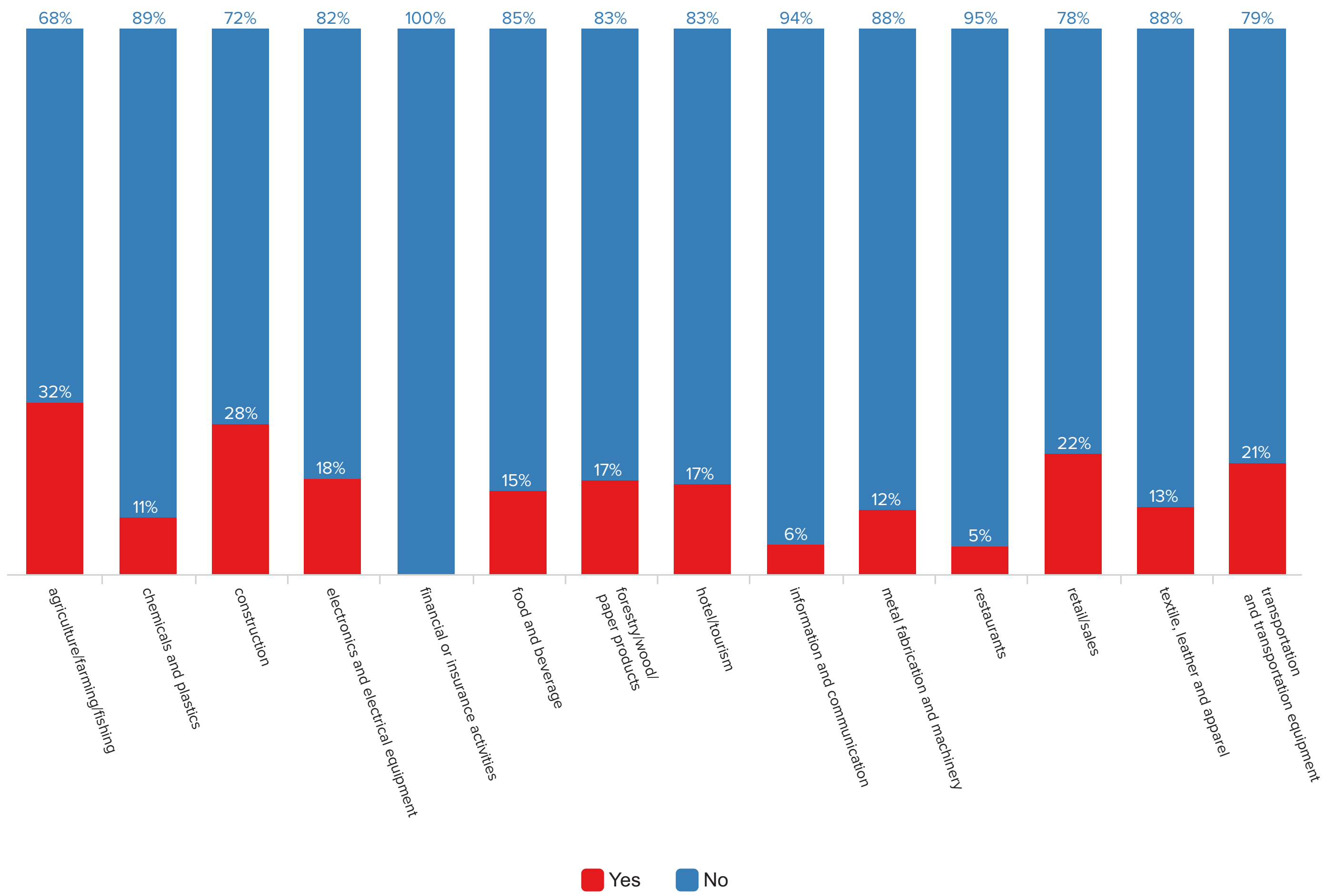
Enterprises with up to 250 employees are likely to dismiss a larger share of their workforce (on average some 18 per cent) compared with enterprises with more than 251 employees (13 per cent). In addition, enterprises with more than 251 employees are likely to dismiss smaller shares of employees compared with other enterprises. There was also a high level of uncertainty among enterprises with up to ten employees (44 per cent) concerning future dismissals.

Have you dismissed any workers due to COVID-19?



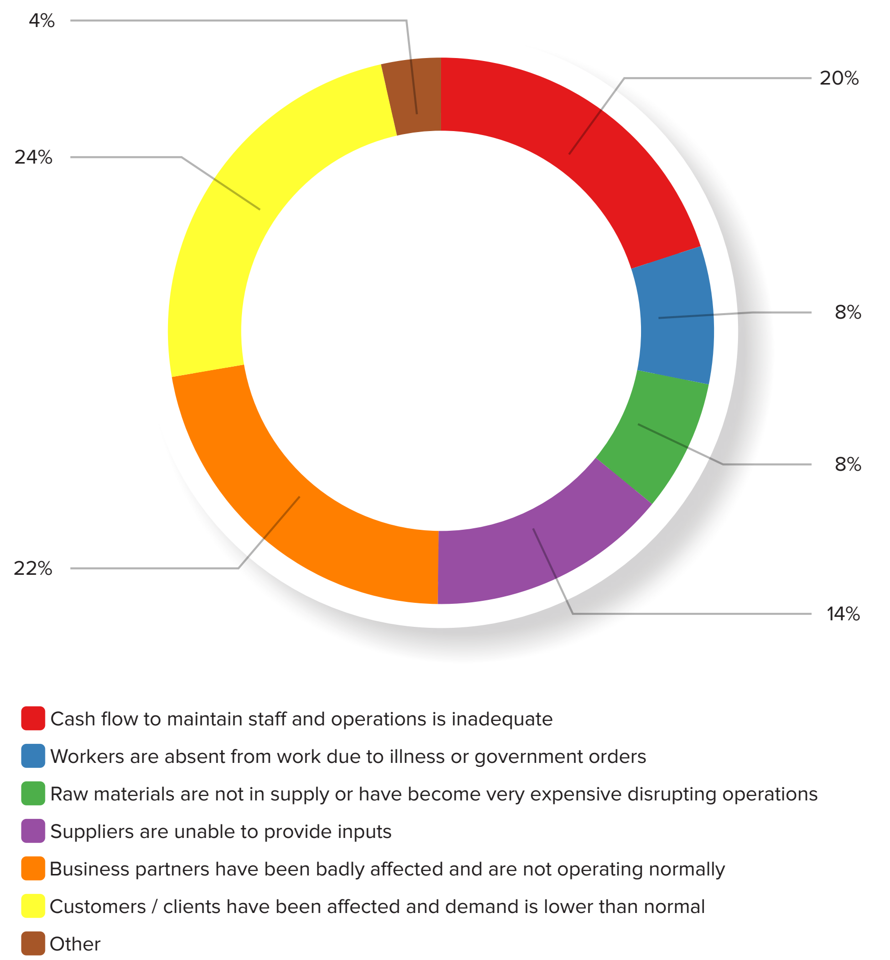
The sectoral analysis shows that the largest shares of enterprises undertaking workforce reduction were in agriculture (11 per cent), wood processing (10 per cent), textile (8 percent), and construction (7 per cent).

Do you plan to dismiss any workers due to COVID-19?



Looking to the future, the highest share of enterprises that plans to dismiss workers are in agriculture (32 per cent), construction (28 per cent), retail/sales (22 per cent) and transportation (21 per cent).

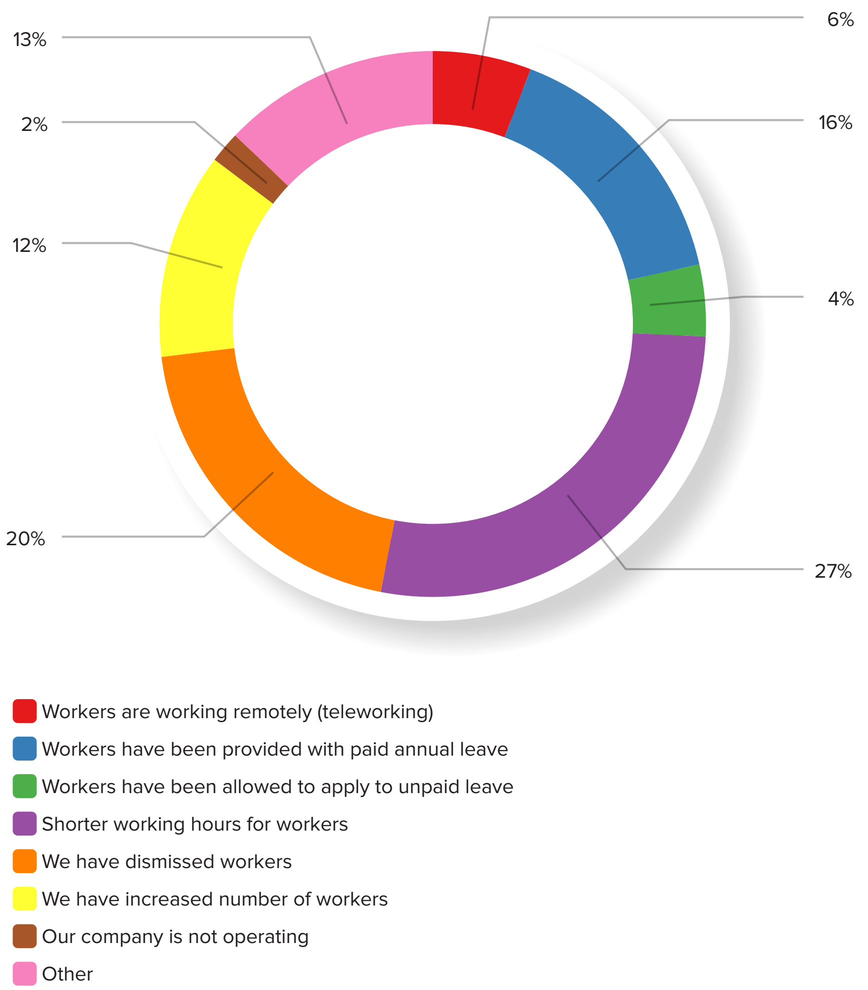
Which are the main challenges your enterprise currently faces resulting from COVID-19?

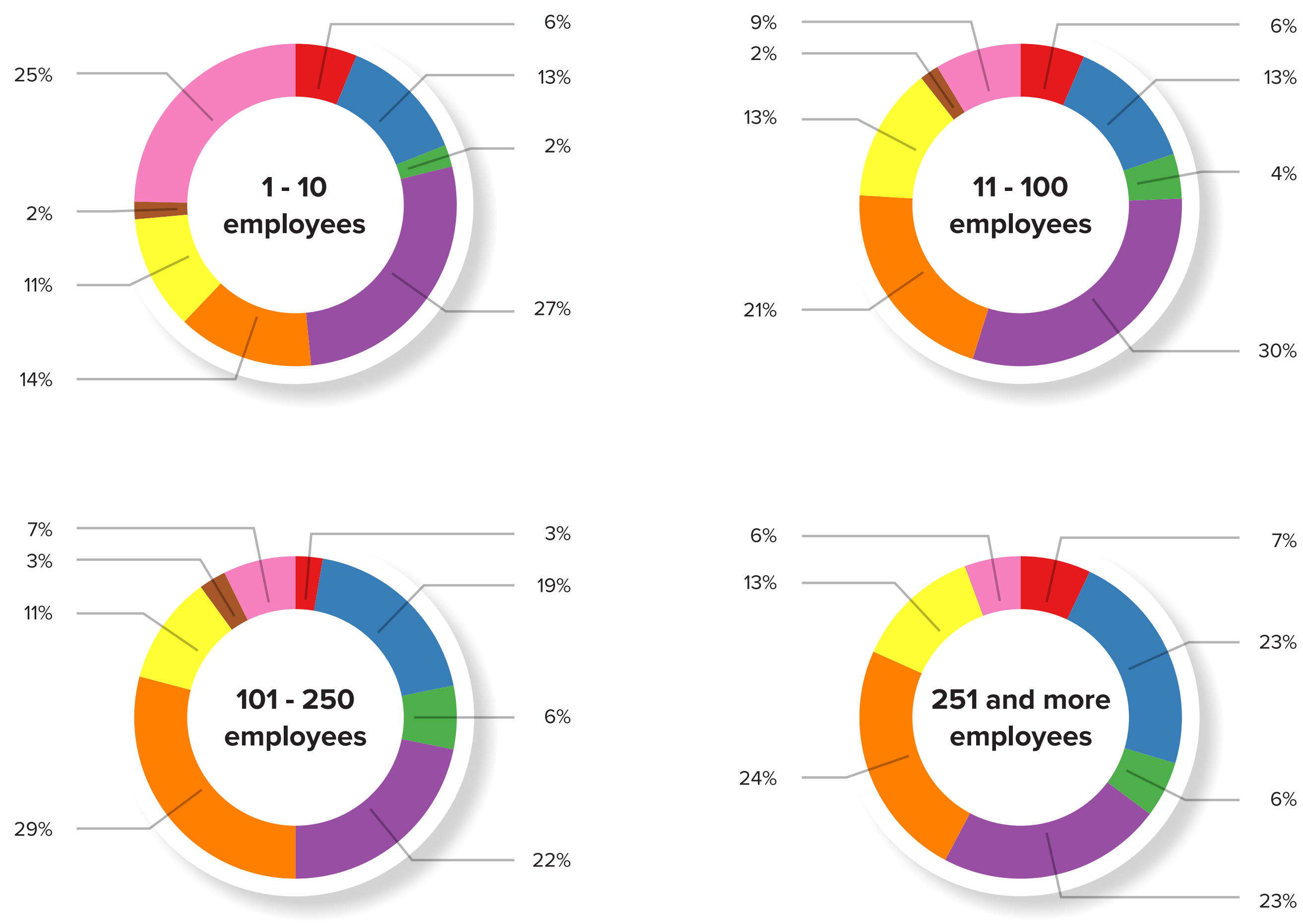


Overall, the most severe challenges faced by enterprises were lower demand for products and services (24 per cent), the inability of business partners to operate normally (22 per cent) and working capital deficit (20 per cent).

Interestingly, enterprises of all sizes reported almost an identical rating of most severe challenges. However, enterprises with up to ten employees appeared to experience greater challenges with lack of liquidity (22 per cent) compared to the average 18 per cent.

What actions have you already taken or been forced to take as a result of the COVID-19 outbreak with regard to your workers?





In response to the pandemic, enterprises took a range of actions with regard to their employees. The most widespread measure was the reduction of working hours implemented by 27 per cent of enterprises. One fifth of enterprises surveyed resorted to layoffs whereas 16 per cent had their employees use up their annual paid leave when they had to stay at home. Interestingly, 12 per cent of enterprises reported increasing the number of employees.

An analysis by enterprise size reflects the overall picture. Enterprises of all sizes reported reducing the working hours as one of the most widespread solution to preserve their workforce. However, enterprises with 101–250 employees were at the forefront of dismissing their employees (29 per cent) compared to only 14 per cent of enterprises with up to ten employees, which were least likely to resort to layoffs.

Recommendation from surveyed enterprises: To preserve the workforce of enterprises that experienced substantial financial losses, 50 per cent of the losses should be covered by the enterprise and the other 50 per cent should be taken over by the State.

What kind of support do you think would help your enterprise the most at the moment?

The types of support required by enterprises was consolidated through comprehensive consultations conducted by the Union of Employers' Associations of Republika Srpska (UEARS) with its members. The recommendations below were included in the Proposal of Measures to Support the Economy, adopted by the Assembly of UEARS, and proposed to the Government of the Republic of Srpska on 13 and 30 March 2020.

Using a scale of 1 to 10, the types of support required was ranked by survey respondents with 1 being the support considered most important and 10 the least important. The enterprises requested the Government support in the following areas:

1. Providing wage subsidies covering the gross minimum wage to employees who are unable to work due to pandemic-related closures.
2. Providing Government support in the payment of the social contributions and payroll taxes during the extraordinary times.
3. Providing direct subsidies to enterprises for recovery and startups.
4. Postponing the deadline for value added tax payment.
5. Guaranteeing and facilitating enterprises' access to loans/credits.
6. Reducing the parafiscal costs.
7. Deferring the payment of taxes (for example, income tax and other direct taxes).
8. Enabling financial institutions defer payment of credit obligations.
9. Enabling financial institutions defer lease payments.
10. Other measures.

The results show that the largest share of surveyed enterprises (80 per cent) believed that subsidies to pay gross minimum wage and payroll tax and contributions were the most appropriate support measures (at the time of the survey 8–30 April 2020).

The survey findings provide valuable inputs for UEARS proposals to the Government. One of the key findings, among others, is the high level of uncertainty among the business community. Economic parameters and information in the public space has brought fear, restrained the entrepreneurial instinct and created the potential for a negative spiral in the business community. It is of crucial importance to undertake measures, aimed, first at reducing the uncertainty and destabilizing factors among the enterprises, and where it is not possible, to map out the different scenarios, based on likely paths for the spread of COVID-19 and the impact it will have on enterprises.

UEARS proposals to the Government are based on enterprise survey data and take into account the characteristics of the economy and forecasts of the economic impact of the COVID-19 pandemic made by international institutions. Internal estimates of UEARS, based on the NOWCASTING method,[3] indicate that real economic growth in the first quarter of 2020 will be 2.2 per cent. On 13 April 2020, the International Monetary Fund forecasted a real decline in gross domestic product (GDP) of Bosnia and Herzegovina by 5 per cent.[4] On 29 April 2020, the World Bank estimated a decline in GDP of 3.2 per cent.[5] On 29 June 2020, the European Bank for Reconstruction and Development (EBRD) estimated economic activity would decline by 4.5 per cent.[6] All estimates are based on the V shaped recovery model. The estimated economic damage expected in Republika Srpska, according to the estimates, is between BAM 450 million and BAM 700 million. The level of real economic damage will also depend on the intensity, success and speed of the measures adopted by the Government.

The biggest driver of economic growth in Republika Srpska is personal consumption, which represents about 65 per cent of economic growth, followed by investments at about 22 per cent and government consumption at 20 per cent. Personal consumption spending in 2018 amounted to about BAM 6.9 billion.

The ratio of exports to imports, estimated at 0.5 per cent of GDP, will make a contribution to the domestic economy in 2020, while remittances will be reduced by about 1 per cent of GDP. The total estimated negative effect on the economy will be about 0.5 per cent of GDP or about BAM 55 million. The decline in aggregate economic activity will mostly depend on domestic demand and government measures designed to support the domestic market. Some export firms will be affected by the fall in exports, but consequently imports will also decrease. Out of the total estimated economic damage of BAM 450 million to BAM 700 million, more than 80 per cent is attributed to the decline in personal consumption.[7]

The largest components of personal consumption are net wages (38 per cent), transfers from abroad (17 per cent), pensions (15 per cent) and other (30 per cent), which is an estimated effect of the informal economy.[8]

3 Nowcasting is a method of rapid estimation of GDP that takes into account indicators on a monthly basis and, through statistical mathematical operations, converts these indicators into expected quarterly GDP. For a more detailed methodology, see Stevanovic (forthcoming) Nowcasting the Republic of Srpska Real Economic Growth, Jahorina Business Forum.

4 IMF, Bosnia and Herzegovina Country Report 20/126, 23 April 2020.

5 World Bank, "The Economic and Social Impact of COVID-19: The Country Notes", No. 17, Spring 2020.

6 See www.ebrd.com/cs/Satellite?c=Content&cid=1395289864074&d=&pagename=EBRD%2FContent%2FDownloadDocument.

7 The assessment was made based on World Bank 2020.

8 Stevanović: Ekonomski život Republike 2020 godina rizika i nagradaent scenarios.

UEARS proposes the following measures based on the enterprise survey findings:[9]

- Use existing anti-crisis programmes to support the wage increase in order to retain workers and maintain the current levels of employment, ease liquidity shortages and ensure the financing of the social protection system.
- Develop more favourable credit lines to ensure the technological development and competitiveness of domestic companies in the context of price growth as a consequence of the COVID-19 pandemic.
- Divide the burden of retaining the workforce equally between the State and enterprises that have suffered considerable economic damage.
- Assess the growth of the domestic economy and risks as often as possible, and at least once quarterly, and ensure timely communication of the results.
- Design measures that will increase the personal consumption of domestic customers.
- Design measures that will help solvent enterprises overcome liquidity and cash flow problems.
- Design tailored support packages targeting specifically the micro and small enterprises and medium and large ones.
- Develop state aid instruments to improve enterprise solvency and ease liquidity shortages by taking into account domestic circumstances and "good practice".
- Develop economic diplomacy and generate demand to assist enterprises.
- Co-finance entrepreneurial training in such areas as the development of business continuity plans, risk management, crisis management, access to finance, accounting adjusted to market principles, introduction of corporate governance, preparation for private investment fund and others.
- Implement policies to increase active participation in the labour market.
- Develop retraining programmes for employees affected by the crisis.
- Establish a crisis fund to help enterprises recover, design measures to fill the fund and define the mandate for when and to what extent it will be used.

9 These measures are either proposed directly by the surveyed enterprises or are deduced from the survey findings.

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