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Union of Employers' Associations of
Republic of Srpska

DRAFT

The impact of COVID-19 on enterprises in Republic of Srpska (2nd survey)





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The Union of Associations of Employers of Republic of Srpska
with support of International Labor Organization (ILO)

Results of The Union of Associations of Employers of Republic of Srpska survey conducted in
period from 3 to 17 November 2020:

The impact of COVID-19 on enterprises
in Republic of Srpska
(2nd survey)

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I. About the survey

This business year certainly would be marked by the influence of Covid-19 on the economy. That's why the Union of Associations of Employers of the Republic of Srpska in cooperation with the support of the International Labor Organization (ILO) and with a technical assistant of EBRD conducted the second round of survey entitled The impact of COVID-19 on enterprises in Republic of Srpska. The survey took place from 3th to 17th of November 2020 and included a total of 289 enterprises that successfully completed it (out of 336 that participated). This survey, although taking place in all countries of our region, was adopted to local circumstance and needs.

In the next chapters of this document presentation of the main finding of this survey would take place, but also and recommendations to authorities on how to help an enterprise in Republic of Srpska to face with greatest challenges pandemic brought. To get better insights into the situation this analysis was conducted thru three dimensions: over the whole impact on the economy, influence of different size enterprises in impact on enterprises from different industry sectors.

II. Executive summary

Only 14% of all enterprises were entirely outside of the scope of government measures the whole time they were in effect (from March to November). At the beginning of November, when our survey was carried out, as many as 37% of enterprises declared that they were again under effect of government measures that were repeatedly introduced and lifted. About 10% of enterprises said that the government never lifted any of the once introduced measures, while 39% of enterprises stated that measures imposed in March, April, and May are not in power anymore.

The complexity of the situation in the economy is evidenced by the fact that even in this part of the economy operating with no restrictions as many as 45% of enterprises claim they still have not fully "normalized" their business operations, i.e. they are still operating partially or through teleworking.

On another side of the coin - almost half of the enterprises operating with no restrictions have resumed their business operation fully on site and additional 5% of them declare that their companies were not impacted by the Covid-19.

The unbreakable will of employers to restore their businesses despite all the unfavourable circumstances is best confirmed by the fact that only 1% of enterprises that are no longer under restrictive measures of the government are still not operating!

The situation differs to some extent in those parts of the economy that are still subject to government measures to limit the spread of Covid-19.

On the right side of the previous Graph we could see that enterprises still operating under restrictions rarely restore their business operations fully (43% vs. 50% for enterprises that are no longer under government restrictions preventing the spread of Covid-19). More often they only operate partially (in 41% vs. 32% cases), while up to 3% of them have not resumed operations yet (compared to 1% with enterprises that are no longer operating under restrictions).

29% of enterprises that are no longer subject to government restrictions resumed operations in less than 30 days, while 30% of enterprises that are still subject to these measures did the same. In the case of 34% of enterprises that are not under government restrictions, it took them between 31 and 60 days to resume operations (compared to 36% of those whose business is still subject to government restrictions). There is a slightly larger difference in terms of the percentage of companies that took 61-90

days to resume their operations (11% of companies that are not subject to restrictions vs. 19% that are subject to restrictions), and over 90 days (26% vs. 14%).

That the business continuity plan is not a widespread practice among enterprises in the Republic of Srpska is shown by the fact that before the outbreak of the Covid-19 epidemic it was owned by only 17% of enterprises, while after the outbreak of the crisis caused by the Covid-19 pandemic, another 16% developed it (out of those who did not have it before). This makes us conclude that about 30% of enterprises have this document nowadays.

As much as 85% of surveyed enterprises reported a decrease in income and profit, and 80% of them reported a drop in demand for their products. 79% of enterprises dropped production volume, 74% reported reduced investment, 71% lost access to loans, and 59% of companies pointed out reduced productivity. Practically, the only elements of the business that did not deteriorate drastically were the stability of supply chains and inventory costs.

About 80% of the surveyed enterprises estimated that their profit has decreased in the last 6 months, while over half of them (53% to be exact) estimated that their profit drop is higher than 25%!

The most commonly used measure to cut expenses was to stop further employment (this measure was used by 55% of surveyed companies), and to freeze salaries (a measure used in 51% of cases).

However, the fact that less than half of the enterprises have resorted to measures of reducing operating costs and the cost of purchasing new/investing in the existing machinery and facilities shows that the economy is not overly oriented towards cost cutting. Less than a quarter of enterprises tried to reduce financing costs, while only 17% of those tried to reduce the cost of renting office space. Somewhere around 10% of the enterprises sent workers on forced leave. 13% of enterprises stated that they did not take any measures to cut costs.

Regarding the way in which enterprises intended or intend to increase their revenues, slightly less than half of the respondents (47% to be precise) decided to offer a new product. 43% stated that they were determined to ensure business continuity planning¹. About a quarter of the surveyed enterprises have made efforts to diversify the market in which they place their products and services, to enter partnerships with other businesses or develop customer loyalty plans, and to reduce the price of certain products and services!

Every fifth enterprise has changed the distribution channels of its products or the conditions in the supply chain.

Interestingly, only 12% of enterprises see attracting new talents as a way to increase revenue. Nevertheless, it is in line with previous findings stating that the basic way in which companies try to reduce costs is to stop further employment, and to freeze or reduce salaries.

The government help reached 2/3 of the companies that asked for it, ie half of all companies in Republika Srpska. Most often it was the payment of taxes and contributions on salaries (57% of companies that received aid received this kind of aid) and the payment of the minimum wage to workers in companies that due to anti-COVID-19 measures could not work (in 41% of cases).

¹ This contradicts the data given in Part III of the survey, according to which 30.28% of companies in the Republic of Srpska have a business continuity plan. However, it should be borne in mind that the development of business continuity plans takes some time, which is why the data on 43% of enterprises committed to the development of these plans should be understood as relatively positive news, resulting from difficult business circumstances that they have faced.

One in four companies used a moratorium on debt payment, and one in five used a tax deferment. It is interesting that only 5% of companies received reductions of taxes, and 2% of companies received direct government subsidies or used the state commercial banking guarantee scheme.

Regarding the assessment of the effectiveness of the received state aid, about half of the companies stated that they were satisfied with it, while ¼ declared that they were either not satisfied or did not have a definite opinion.

That employers are not overly optimistic, at least not about the trends in the next three months, is evidenced by the fact that as many as 85% of surveyed employers expect a decrease in net income/profits, 78% expect a decrease in output/production and investment, 76% a drop in demand for their products, 70% even less availability to loans and a 60% decrease in worker productivity. In practice, employers are not pessimistic only about the reliability of supply chains and do not expect an increase in costs of supplies.

The immediate risk observed by employers in November was a new wave of the COVID-19 epidemic, as indicated by 86% of surveyed employers.

A much bigger surprise is that almost 2/3 of employers believe that there is a risk of a new global economic crisis!

As many as 62% of employers point to a potential weakening of demand on the domestic market.

A significant number of employers (42% of them) are apprehensive about the further emigration of the labor force, and that the authorities of our trading partner countries will introduce trade restrictions for goods from BiH i.e. They are afraid of closing of foreign markets (37% of employers). It is interesting that the results of our survey indicate that twice as many employers are concerned about the possible weakening of aggregate demand in the foreign market than in the domestic market, which can be explained by the fact that most of the surveyed companies are oriented to the domestic market.

One in four employers is concerned about the level of Government debt.

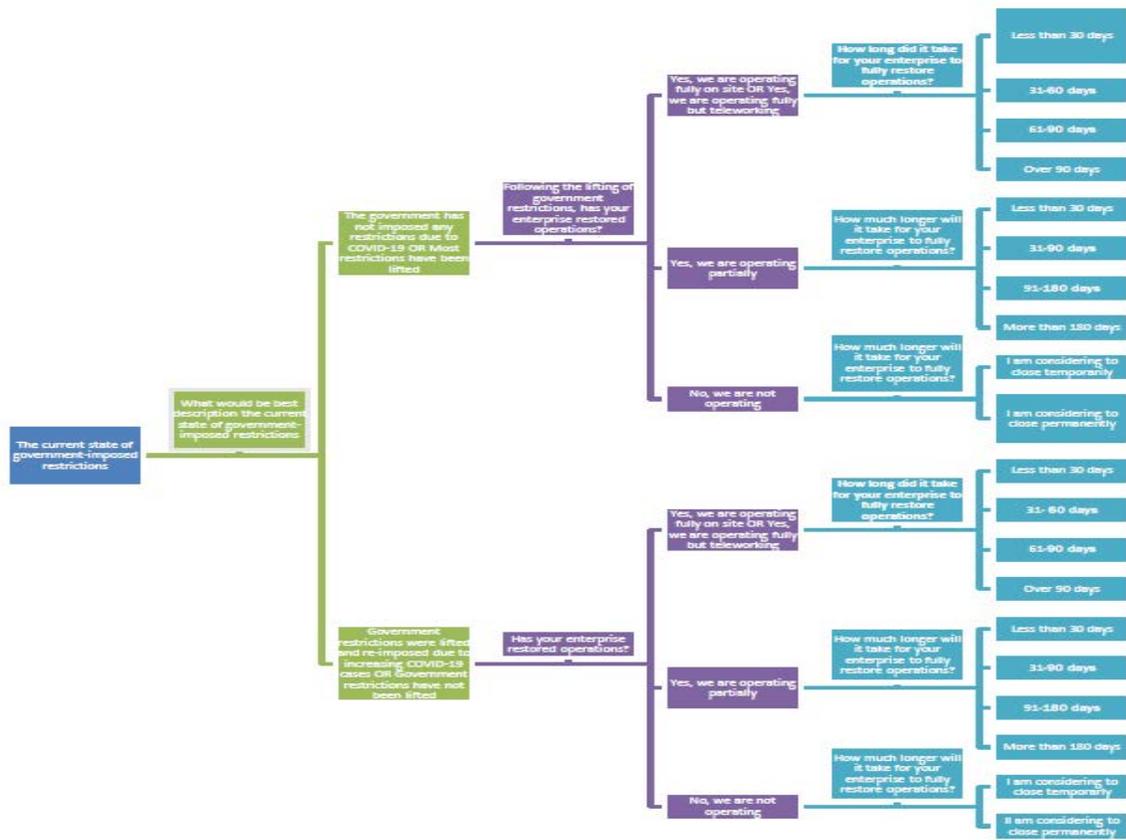
Solid confidence in the work of the Central Bank and the regulators of the banking sector shows that only 15% of employers believe that there may be an increase in inflation, and 16% that there may be an outbreak of the domestic banking crisis!

III. Impact of Covid-19 on business operations

The first part of the survey was the biggest and the most complex. It provided us with insight into the situation related to three important issues:

1. The state of government-imposed restrictions, the way and the speed of restoration of business operations;
2. Were the enterprises prepared for the shock caused by the Covid-19, i.e. did they have a written business continuity plan before the outbreak of the COVID-19 pandemic?
3. Effect of Covid-19 on some basic business elements (demand, production, worker productivity, employment, investment, etc.)?

Yet, within this part of the research, the answers to questions related to the state of government measures have the greatest chance of confusing readers of the report. These are 7 out of 10 questions with 3 ‘loops’ where the further course of the research depends on the answer obtained. Therefore, to help readers avoid the confusion of coping with related and similar questions, we have compiled the following diagram that provides insights into what was asked and how the answers influenced which question would be asked next.



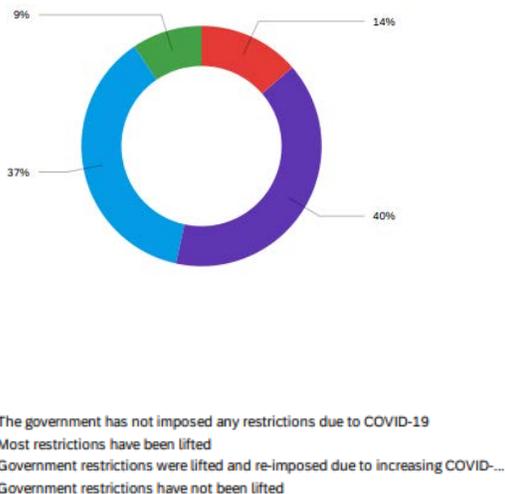
3.1. Current state of government-imposed restrictions

Along with market disruptions, business activities in the Republic of Srpska are also affected by the government measures introduced to reduce the spread of the Covid-19 pandemic. The very beginning of those measures goes back to March 11, 2020, but some of them are still in force. In the majority of cases, those measures were meant to restrict the physical movement of people (first the cross-border movements of people were restricted, then the curfew was introduced, and finally cross-municipality movement was limited). Freedom of assembly was suppressed too and even the number of people that could stay indoors was restricted, etc. All those measures, inadvertently, limited the movement of goods and the possibility of enterprises to provide services, thus affecting the process of production itself.

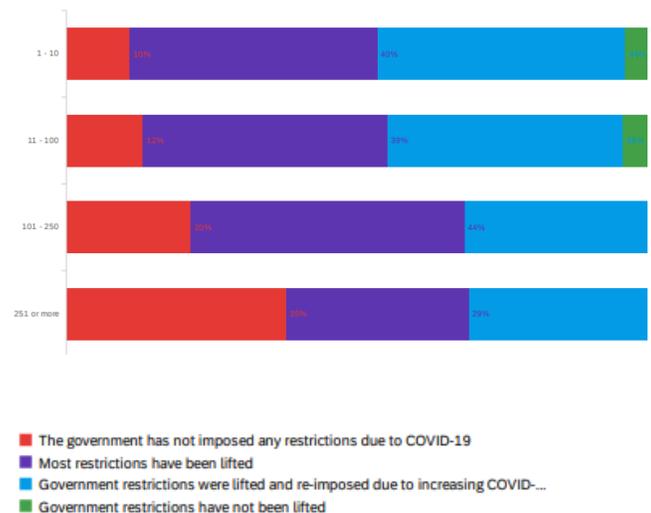
Effects of government measures on the economy were inevitable. The survey's findings show that only 14% of all enterprises were entirely outside of the scope of government measures the whole time they were in effect (from March to November). At the beginning of November, when our survey was carried out, as many as 37% of enterprises declared that they were again under effect of government measures that were repeatedly introduced and lifted. About 10% of enterprises said that the government never lifted any of the once introduced measures, while 39% of enterprises stated that measures imposed in March, April, and May are not in power anymore.

Graph No. 3.1. - What would be the best description of the current state of government-imposed restrictions (e.g. lockdown, curfew) due to COVID-19?

All enterprises



Overview by enterprise size

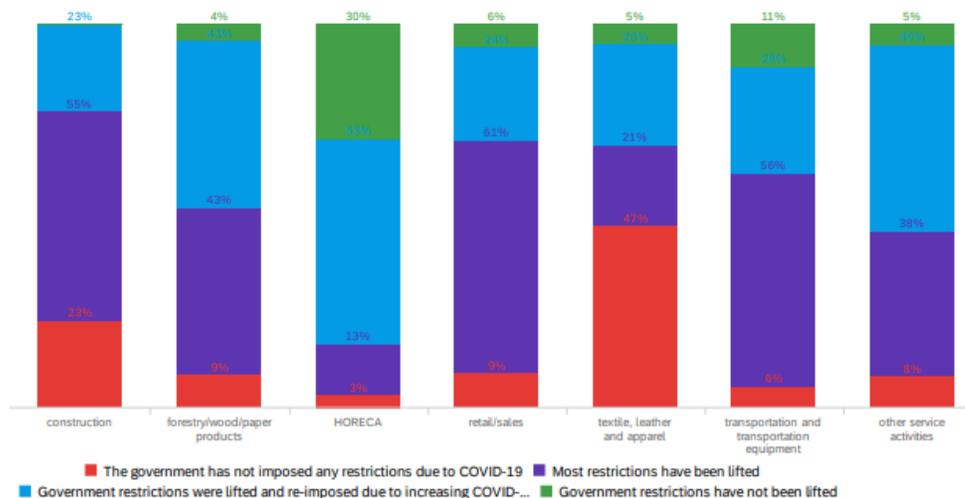


So, the situation in November is still unfavourable with almost 50% of enterprises (47% to be accurate) believing that they are still subject to government restrictive measures introduced to prevent the spread of the virus.

It is interesting to note that, according to the results of the survey, there is a direct connection between the size of the enterprise and the probability to fall under the government restrictive measures. Thus, small enterprises (up to 10 employees) are still the most affected by these restrictions, and large companies (over 250 employees) are mostly spared. What's more, while only 10% of small enterprises claim that the government didn't impose any restrictions that affected their business, as many as 35% of the biggest enterprises claim so.

As expected, companies from the HORECA sector (tourism, hospitality, and restaurants) were most affected by government measures restricting business. Thus, 30% of surveyed employers in this sector claim that once introduced restrictive measures have never been repealed. If we add another 53% of enterprises from the HORECA sector that claim that lifted measures were reintroduced, we come to as many as 83% of enterprises from this sector that were subject to restrictions in early November. Significantly less, but still highly affected by government restrictive measures are enterprises from other service industries (in 54% of cases), wood industry (in 47% of cases), transport sector (in 39% of cases), textile industry (in 31% of cases) and retail (in 30% of cases). Construction companies were least affected in early November (only 1% claimed that the introduced measures were not repealed, while an additional 23% claimed that the measures were reinstated).

What would be best description of the current state of government-imposed restrictions (e.g. lockdown, curfew) due to COVID-19? Overview by sector



3.2. The way enterprises restore operations?

After we examined the current state of government-imposed restrictions due to COVID-19, the next thing we wanted to find out next was if the enterprises restored their business operations. In doing so, we asked enterprises operating with no restrictions the next question: «Following the lifting of government restrictions, has your enterprise restored operations? », while we asked enterprises still operating under restrictions: «Has your enterprise restored operations? ».

The complexity of the situation in the economy is evidenced by the fact that even in this part of the economy operating with no restrictions as many as 45% of enterprises claim they still have not fully "normalized" their business operations, i.e. they are still operating partially or through teleworking.

On another side of the coin - almost half of the enterprises operating with no restrictions have resumed their business operation fully on site and additional 5% of them declare that their companies were not impacted by the Covid-19.

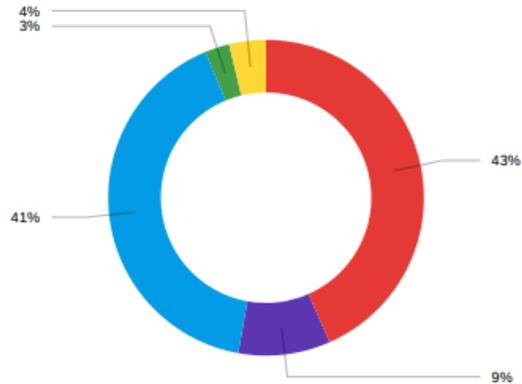
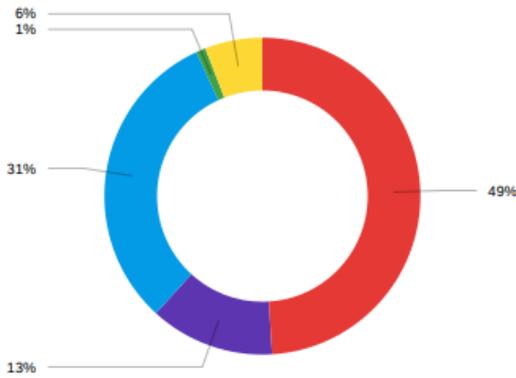
The unbreakable will of employers to restore their businesses despite all the unfavourable circumstances is best confirmed by the fact that only 1% of enterprises that are no longer under restrictive measures of the government are still not operating!

Following the lifting of government restrictions, has your enterprise restored operations?

Has your enterprise restored operations under the current restrictions?

Enterprises operating with no restrictions:
All enterprises

Enterprises operating under restrictions:
All enterprises



- Yes, we are operating fully on site
- Yes, we are operating fully but teleworking
- Yes, we are operating partially (working on site and/or teleworking)
- No, we are not operating
- Our company was not impacted by COVID-19

- Yes, we are operating fully on site
- Yes, we are operating fully but teleworking
- Yes, we are operating partially (working on site and/or teleworking)
- No, we are not operating
- Our company was not impacted by COVID-19

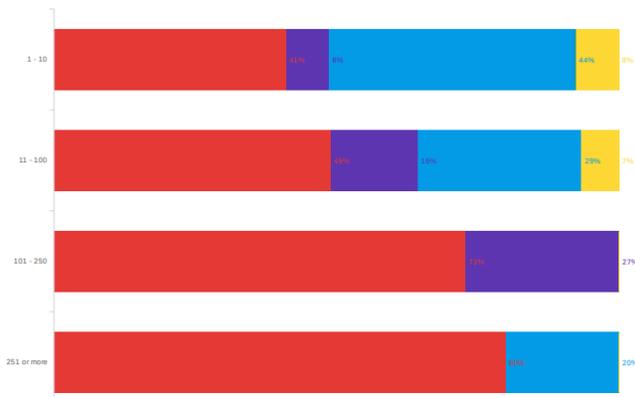
The situation differs to some extent in those parts of the economy that are still subject to government measures to limit the spread of Covid-19.

On the right side of the previous Graph we could see that enterprises still operating under restrictions rarely restore their business operations fully (43% vs. 50% for enterprises that are no longer under government restrictions preventing the spread of Covid-19). More often they only operate partially (in 41% vs. 32% cases), while up to 3% of them have not resumed operations yet (compared to 1% with enterprises that are no longer operating under restrictions).

If we compare the size of the enterprises and the way in which they restored the business operations, we can conclude that this is another example of a direct relationship between these two variables.

Following the lifting of government restrictions, has your enterprise restored operations?

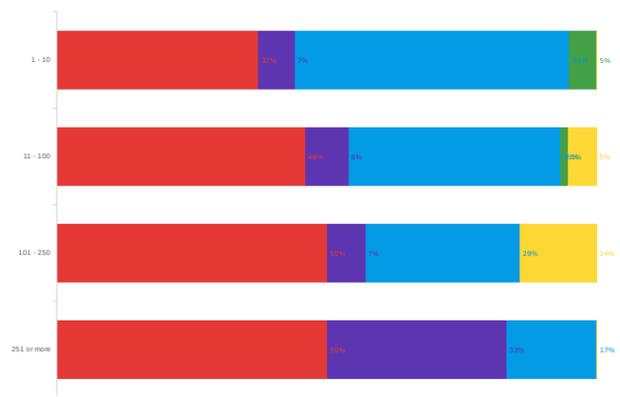
Enterprises operating with no restrictions:
Overview by enterprise size



- Yes, we are operating fully on site
- Yes, we are operating fully but teleworking
- Yes, we are operating partially (working on site and/or teleworking)
- No, we are not operating
- Our company was not impacted by COVID-19

Has your enterprise restored operations under the current restrictions?

Enterprises operating under restrictions:
Overview by enterprise size



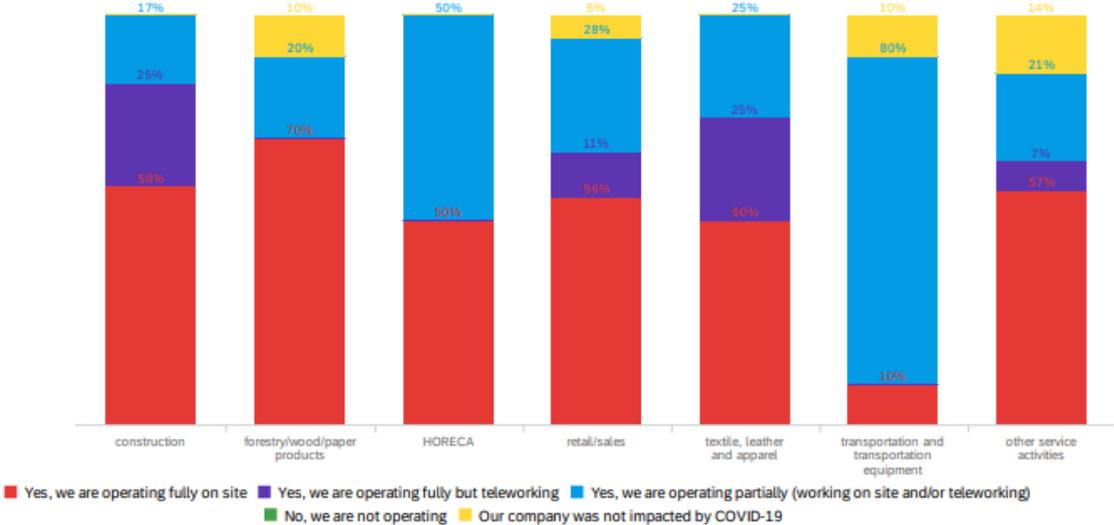
- Yes, we are operating fully on site
- Yes, we are operating fully but teleworking
- Yes, we are operating partially (working on site and/or teleworking)
- No, we are not operating
- Our company was not impacted by COVID-19

Thus, in November, in the case of enterprises operating with no restrictions, 41% of the surveyed SME stated that they now operate "normally", while the share of the largest companies that stated the same is almost twice as high (80%).

The situation is similar with enterprises that continue to operate under restrictions, with an important difference. This similarity is reflected in the fact that 83% of the biggest companies operating under restrictions in November operated on a full scale (compared to 80% in the case of large companies that are no longer under restrictions), which is almost twice as many as small enterprises (44 % of small enterprises). However, in the case of enterprises operating under restrictions, these 83% are made up of 50% of enterprises that operate fully on site and 33% of those that operate fully by teleworking. In the case of enterprises that operate without restrictions, 80% of them refer to enterprises that operate fully on site.

As for the part of the economy that is no longer affected by government restrictive measures, full-scale production has most often been restored by wood industry producers. Thus, at the beginning of November, 4/5 of enterprises from this industry resumed operations fully (70% resumed production, 10% stated that their production was not affected at all). The situation in construction sector is also relatively good. 83% of enterprises have restored business operations fully (58% on site and 25% by teleworking). The situation is similar in the textile industry, where 3/4 of enterprises have also resumed production in full. On the other hand, as much as 80% of enterprises from the transport sector still operate partially, as well as 50% of those from the HORECA sector.

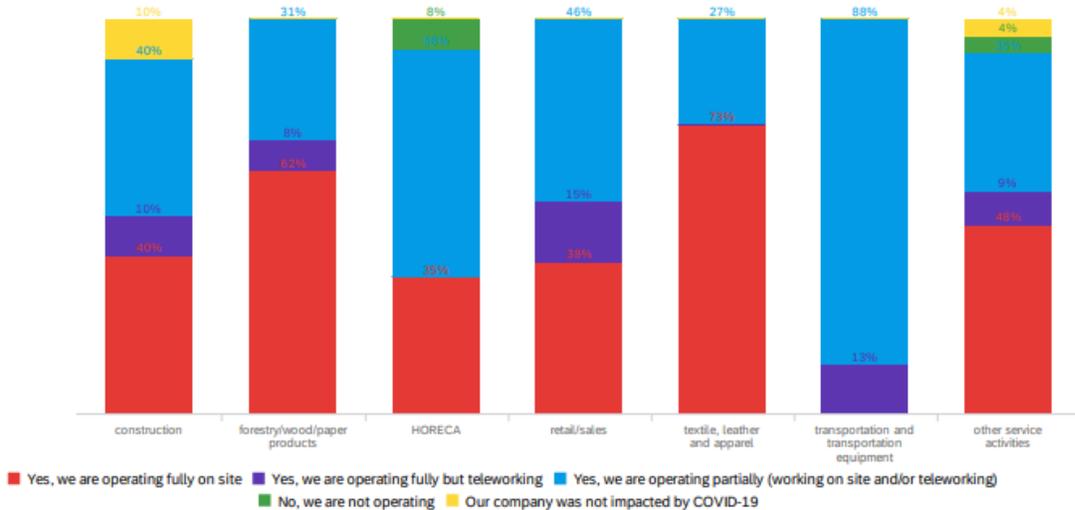
**Following the lifting of government restrictions, has your enterprise restored operations?
Enterprises operating with no restrictions: Overview by sector**



Companies considering they are still subjects to government restrictive measures have launched their production activities to a much lesser extent, and the service sector has been particularly affected. Thus, 70% of the wood industry companies, which are subject to restrictions, have restored business in

full (vs. 80% of companies from this industry that believe that they are no longer subject to government restrictions). In the construction sector, 60% of companies have also restarted operations fully (opposed to 83% of companies in this industry that believe they are no longer subject to government restrictions). Interestingly, there are no major differences in the textile industry (73% vs. 75%), regardless of whether the company is subject to government restrictions or not. The situation is bad enough in the HORECA and transport sectors even without government restrictive measures, but they additionally confirm the fact that it is far worse with them. Thus, only 35% of enterprises from the HORECA sector that are subject to government restrictions operated fully at the beginning of November (opposed to 50% of companies from this industry that consider that they are no longer subject to government restrictions), and only 13% of enterprises from the transport sector resumed operations in full (as opposed to 20% of enterprises from this industry that believe that they are no longer subject to government restrictions).

Has your enterprise restored operations under the current restrictions? Enterprises operating under restrictions: Overview by sector



3.3. The estimated time required to restore operations

We were not only interested in whether the enterprises restored their business operations, but if so, how long it took them to do so.

It is interesting that there are no major differences between companies that are no longer subject to government restrictions and those that believe that these restrictions are still in force for them!

How long did it take for your enterprise to fully restore operations?

Enterprises operating with no restrictions:
All enterprises



■ Less than 30 days
■ Between 31 and 60 days
■ Between 61 and 90 days
■ Over 90 days

Enterprises operating under restrictions:
All enterprises



■ Less than 30 days
■ Between 31 and 60 days
■ Between 61 and 90 days
■ Over 90 days

Thus, 29% of enterprises that are no longer subject to government restrictions resumed operations in less than 30 days, while 30% of enterprises that are still subject to these measures did the same. In the case of 34% of enterprises that are not under government restrictions, it took them between 31 and 60 days to resume operations (compared to 36% of those whose business is still subject to government restrictions). There is a slightly larger difference in terms of the percentage of companies that took 61-90 days to resume their operations (11% of companies that are not subject to restrictions vs. 19% that are subject to restrictions), and over 90 days (26% vs. 14%).

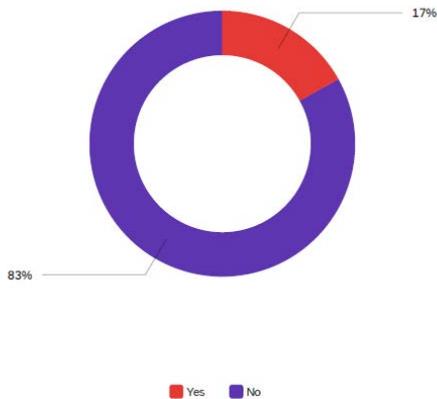
3.4. Business continuity management

That the business continuity plan is not a widespread practice among enterprises in the Republic of Srpska is shown by the fact that before the outbreak of the Covid-19 epidemic it was owned by only 17% of enterprises, while after the outbreak of the crisis caused by the Covid-19 pandemic, another 16% developed it (out of those who did not have it before). This makes us conclude that about 30% of enterprises have this document² nowadays.

² 17% of those who had it earlier + 16% out of 83% of those who did not have it before (16 x 0.83%) = 30.28%.

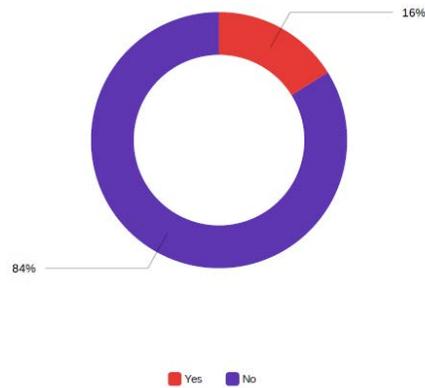
Did your enterprise have a written business continuity plan prior to COVID-19?

All enterprises



Did your enterprise develop a written business continuity plan following the COVID-19 outbreak?

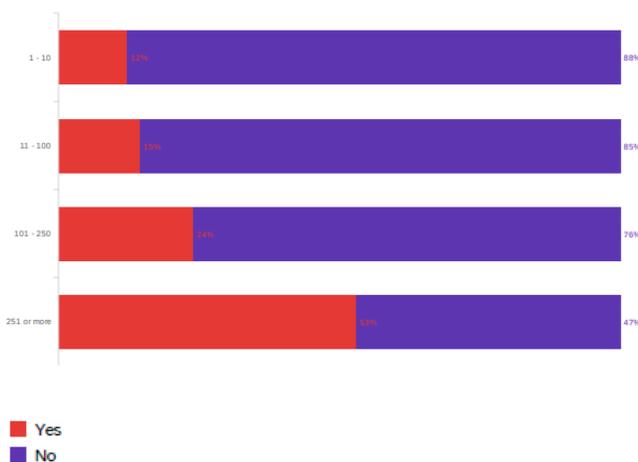
All enterprises



As could be assumed, the business continuity plan was more widespread among large rather than small enterprises even before the crisis caused by Covid-19. Thus, as many as 53% of enterprises employing over 250 workers had such a plan before. Simultaneously, there were only 12% of companies employing up to 10 workers that had it.

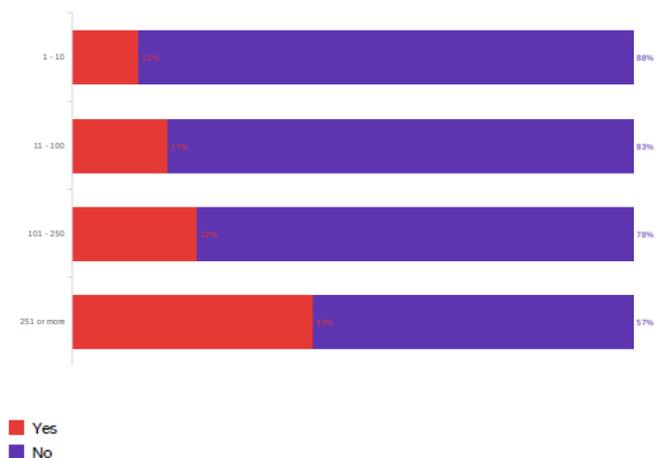
Did your enterprise have a written business continuity plan prior to COVID-19?

Overview by enterprise size



Did your enterprise develop a written business continuity plan following the COVID-19 outbreak?

Overview by enterprise size



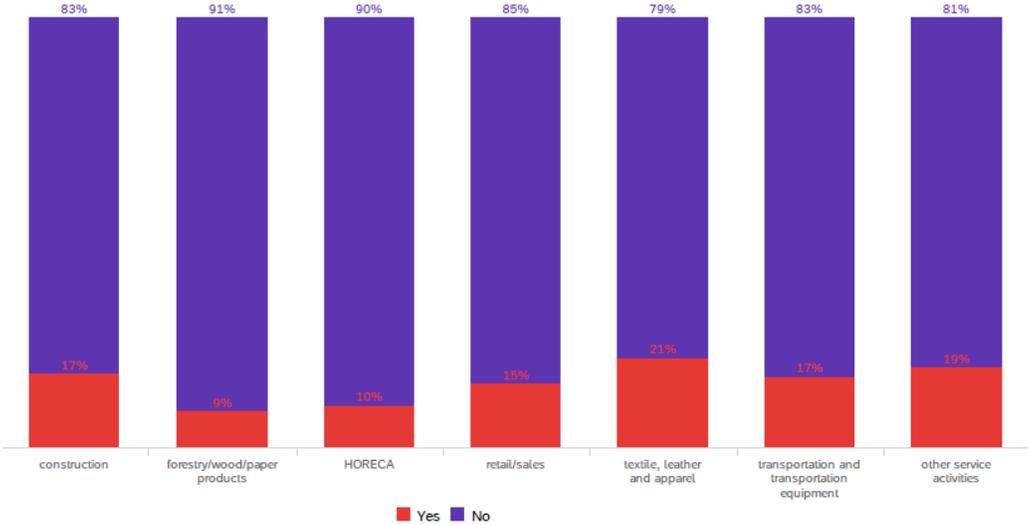
Interestingly, although it was more common for larger companies to have business continuity plans before the crisis, they are the ones that most often developed them even after the crisis. Thus, 43%

of enterprises employing over 250 workers that did not have business continuity plans before the crisis developed such plans, while only 12% of small companies did the same.

As for the industry sectors, prior to the crisis caused by the Covid-19 outbreak, such plans were usually written by the companies from the textile industry (in 21% of cases), other service industries (in 19% of cases), and construction sector (in 17% of cases).

Did your enterprise have a written business continuity plan prior to COVID-19?

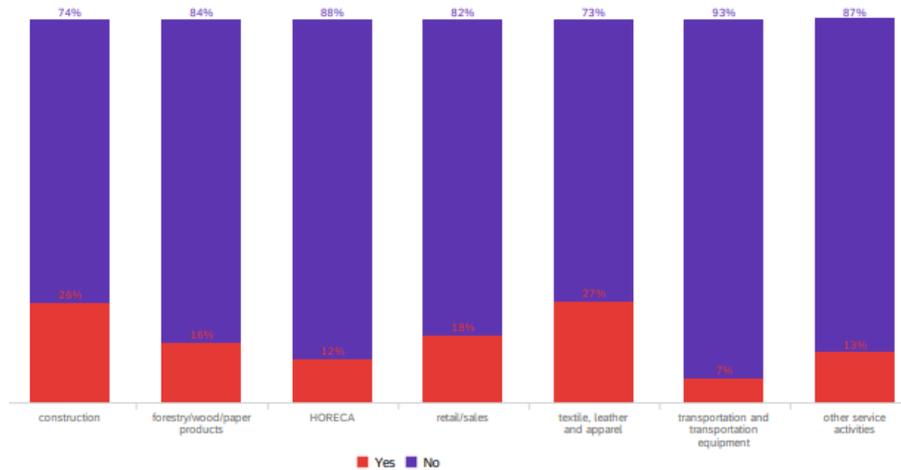
Overview by sector



Following the outbreak of the crisis caused by Covid-19, business continuity plans were again most often developed by companies from the same industries that previously had them (textile industries - 27% of cases and construction - 26% of cases).

Did your enterprise develop a written business continuity plan following the COVID-19 outbreak?

Overview by sector

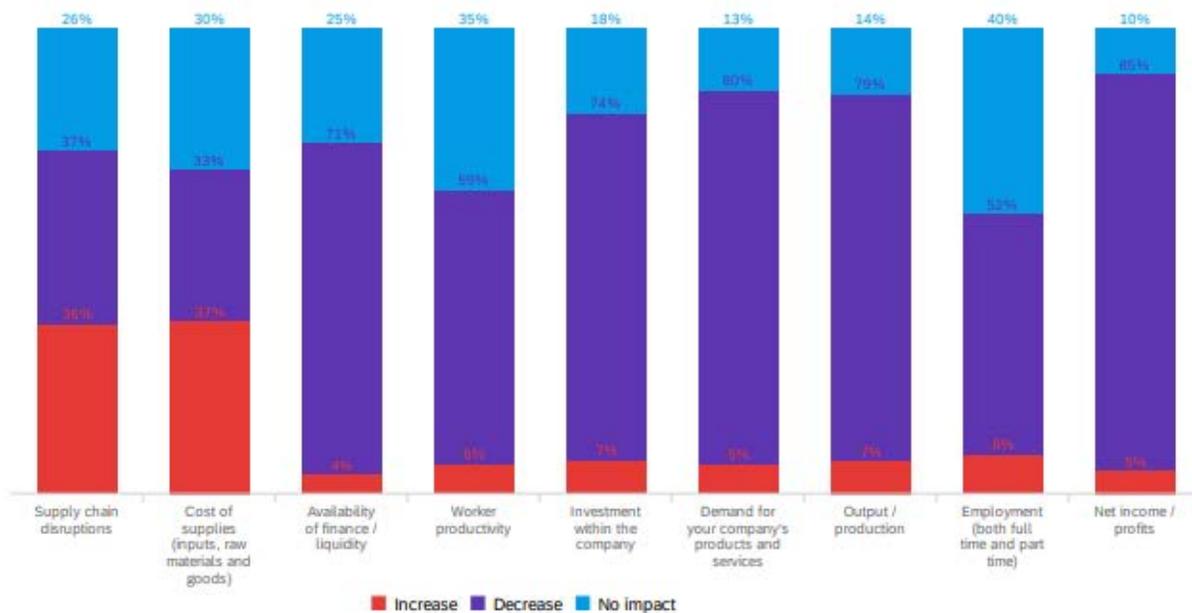


3.5. Factor change in business operations and sustainability

The general assessment of the economy in November was that it faced a dramatic deterioration of the conditions in almost all fundamental elements of the business during the previous 6 months.

How have the following business elements changed in the past 6 months (March-October 2020), compared to the same period last year?

All enterprises



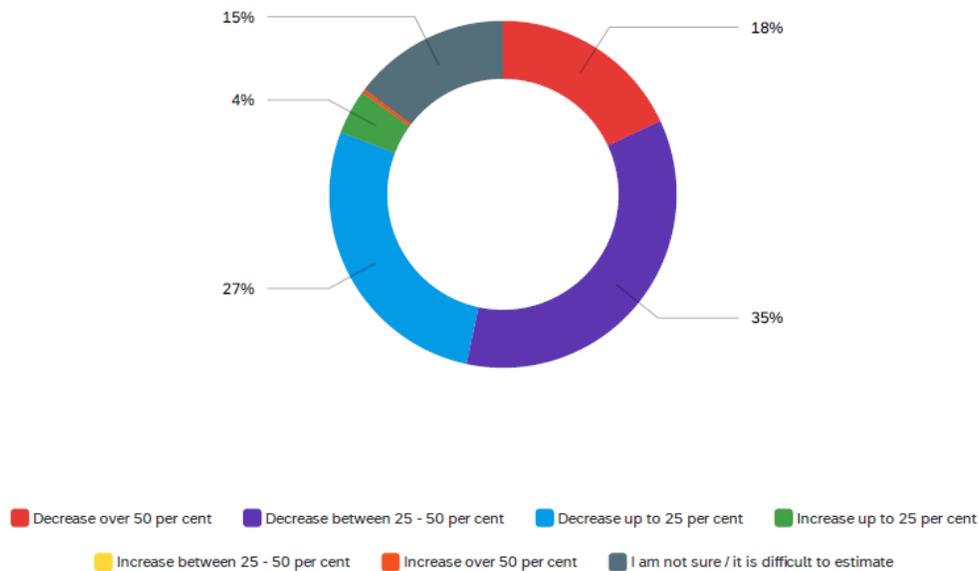
Thus, 85% of surveyed enterprises reported a decrease in income and profit, and 80% of them reported a drop in demand for their products. 79% of enterprises dropped production volume, 74% reported reduced investment, 71% lost access to loans, and 59% of companies pointed out reduced productivity. Practically, the only elements of the business that did not deteriorate drastically were the stability of supply chains and inventory costs.

IV. Impact on profit and cost-cutting measures

4.1. Fluctuations in enterprise revenue

Difficulties in business operating, identified in the previous part of the research, were, as expected, reflected in the business results of enterprises in the Republic of Srpska. Thus, 80%³ of the surveyed enterprises estimated that their profit has decreased in the last 6 months, while over half of them (53%⁴ to be exact) estimated that their profit drop is higher than 25%!

What impact do you expect on your enterprise's revenue for 2020 as a result of COVID-19 compared to last year? All enterprises

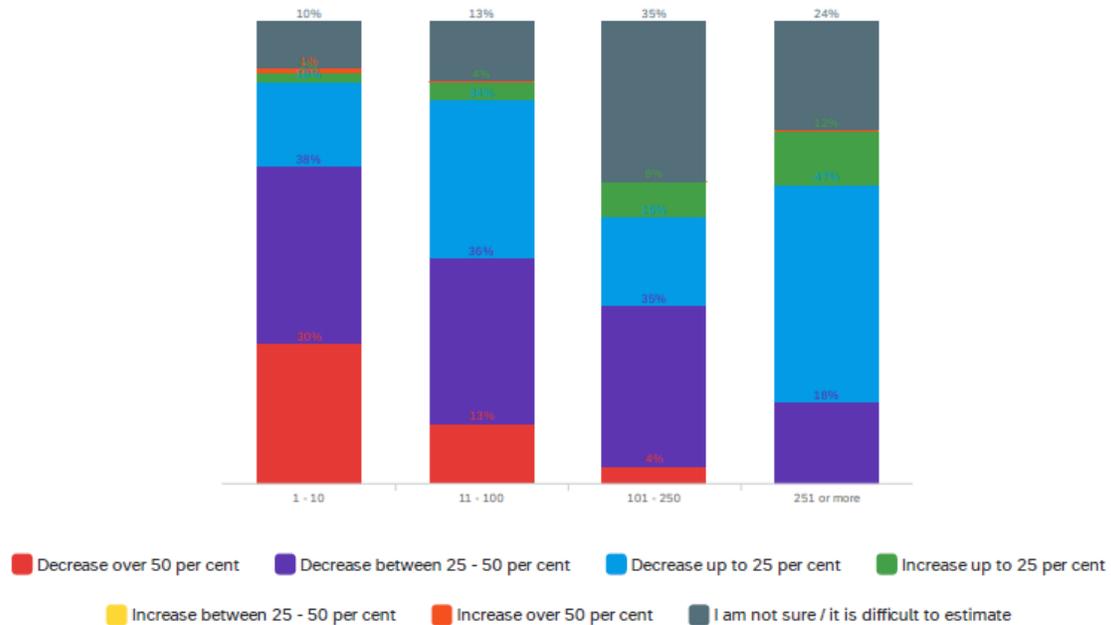


Observing the size of enterprises and their profit movements in the last 6 months, it is possible to notice a pattern – small enterprises are the most affected, but as the size of the company grows, the negative impact of Covid-19 on profit decreases. Thus, as many as 68% of companies that employ up to 10 people reported a drop in profits higher than 25%, while the same was done by "only" 18% of companies employing more than 250 workers! What is more, "as much as" 12% of large enterprises reported profit growth, while only 2% of small companies recorded similar results.

³ 27% (profit reduced by 25%) + 35% (profit reduced by 25-50%) + 18% (profit reduced by over 50%) = 80% of surveyed companies.

⁴ 35% (profit reduced by 25-50%) + 18% (profit reduced by over 50%) = 53% of surveyed companies

What impact do you expect on your enterprise's revenue for 2020 as a result of COVID-19 compared to last year? Overview by enterprise size

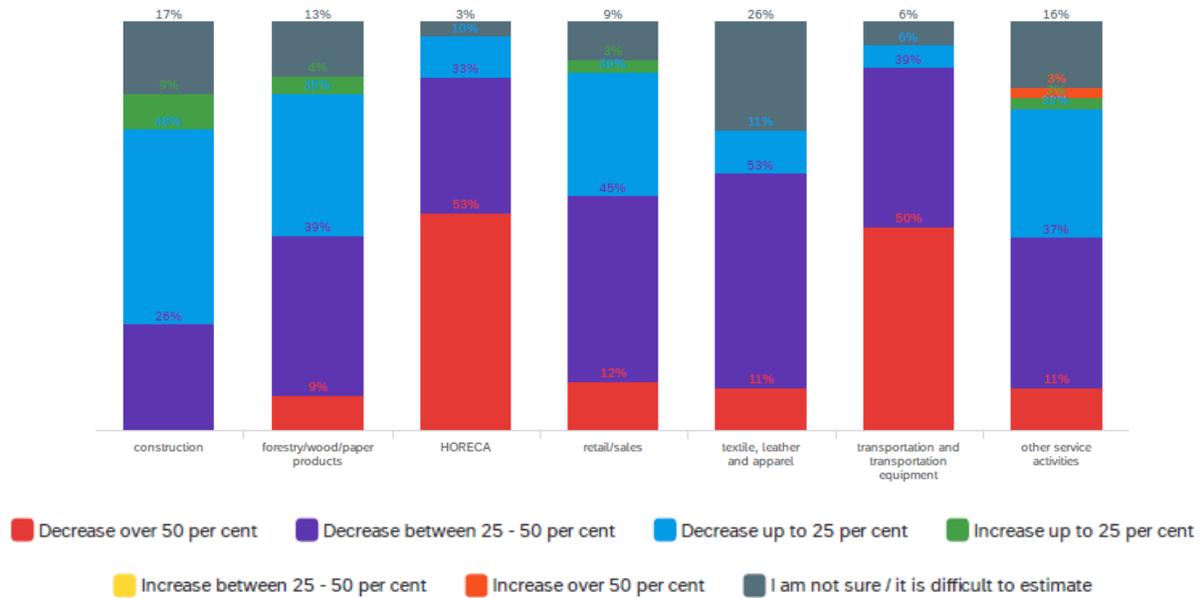


As far as the industry sectors and their profit drop are concerned, the most affected are the HORECA sector enterprises. 53% of them reported a drop in profits of more than 50%. Half of the companies from the transport sector also reported such a decline.

In the HORECA sector, an additional 33% of companies reported a drop in profits of 25 to 50%, i.e. 86% of companies reported a drop in profits of more than 25%! It is no different in the transport sector, where in addition to 50% of companies that reported a decline in profits of more than 50%, an additional 39% reported a decline in profits higher than 25%. It means that as many as 89% of enterprises in this industry reported a decline profits greater than 25%!

It is interesting that despite the negative general trends, there are companies that report profit growth in the previous 6 months. Most of them come from the construction sector (9%) and other services (6%)!

What impact do you expect on your enterprise's revenue for 2020 as a result of COVID-19 compared to last year? Overview by sector



4.2. Cost cutting measures

The most commonly used measure to cut expenses was to stop further employment (this measure was used by 55% of surveyed companies), and to freeze salaries (a measure used in 51% of cases).

However, the fact that less than half of the enterprises have resorted to measures of reducing operating costs and the cost of purchasing new/investing in the existing machinery and facilities shows that the economy is not overly oriented towards cost cutting. Less than a quarter of enterprises tried to reduce financing costs, while only 17% of those tried to reduce the cost of renting office space. Somewhere around 10% of the enterprises sent workers on forced leave. 13% of enterprises stated that they did not take any measures to cut costs.

What cost-cutting measures have you taken or plan to take, if any? All enterprises



It seems that certain regularities can be observed in terms of the interdependence of the size of the company and the types of measures to reduce costs, but only for some types of measures.

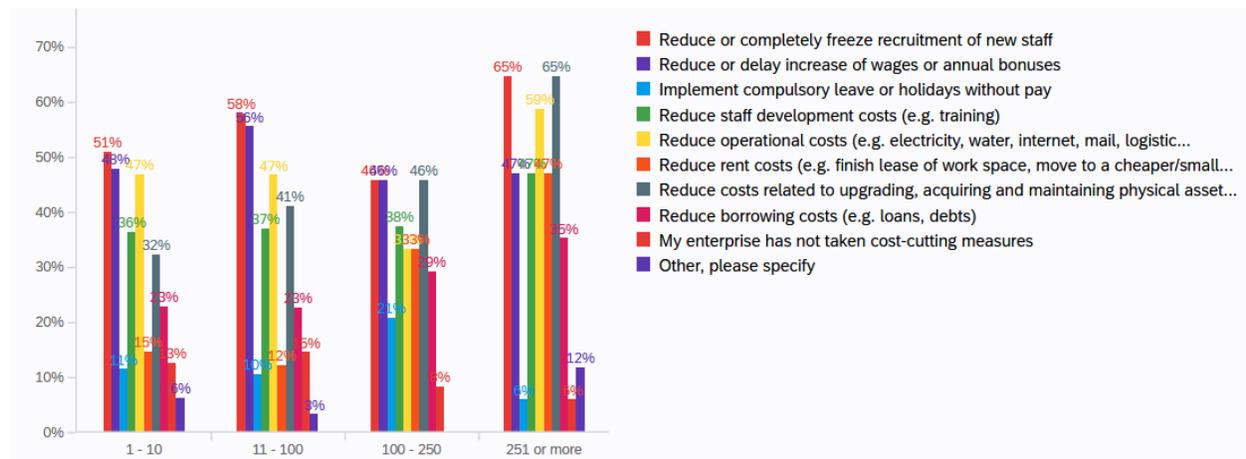
One of these regularities is that larger enterprises have used rent reductions more often. Thus, every fifth enterprise with over 250 workers has made efforts to reduce rental costs, while only every tenth company that employs less than 10 workers has done the same.

There is a similar connection between the costs of procurement and reconstruction of equipment and real estate. Namely, as the size of the enterprise grows, so does the share of those enterprises that have taken such measures to cut costs. The obtained results show that as many as 2/3 of companies employing over 250 workers took this measure, while about 1/3 of companies employing less than 10 workers did the same.

There is a similarity in reducing borrowing costs too, but with small differences. To be more specific, 23% of companies employing up to 10 workers tried to reduce their borrowing costs, while 35% of companies employing over 250 workers tried to the exact thing.

It is not possible to notice an unambiguous connection with the size of the company in other cost-cutting measures.

What cost-cutting measures have you taken or plan to take, if any? Overview by enterprise size



Regarding the connection between industry sectors and cost-cutting measures, it seems that the further employment stopping is the measure most often used in both the HORECA sector (in as many as 75% of surveyed tourist enterprises and hotels and in 74% of restaurants) and the transport sector (in 74% of cases). However, this measure was often used in other sectors as well (in 70% of surveyed textile companies, 60% of shops and 58% of the wood industry companies).

The measure of freezing or even reducing salaries was most often used in tourism and hospitality (in 75% of cases) and in the transport sector (in 65% of cases).

As it was previously pointed out, the measure of forced leave of absence was generally used less frequently. Still, workers in construction sector (in 27% of cases), wood and paper industry (in 19% of cases) and other service activities (in 13% of cases) most often had to go on forced leave of absence.

Employers from the construction (in 69% of cases) and transport sector (in 48% of cases) and other service activities (in 43% of cases) resorted to the reduction of staff training costs the most.

It is interesting that the measure of reducing operating costs is something that was used almost equally by companies from all observed industry sectors. On average, 50% of enterprises from all industries reduced operating costs with the exception of the wood industry (in which 38% of enterprises did this) and other service activities (in which 59% of enterprises did this).

Rental costs were most often reduced by the textile industry (in 35% of cases), retail trade (in 28% of cases) and tourism and hospitality (in 25% of cases) employers.

The costs of purchasing equipment and real estate were reduced in the transport (in 52% of cases) and construction (in 50% of cases) sectors, as well as in both tourism and hotel industry and the wood industry (in 42% of cases).

Lending costs were most often reduced by employers from tourism and hospitality (in 33% of cases), construction (in 31% of cases) and other service activities (in 28% of cases).

What cost-cutting measures have you conducted or plan to conduct, if any? Overview by sector

| Field | Reduce or completely freeze recruitment of new staff | Reduce or delay increase of wages or annual bonuses | Implement compulsory leave or holidays without pay | Reduce staff development costs (e.g. training) | Reduce operational costs (e.g. electricity, water, internet, mail, logistics, transport) | Reduce rent costs (e.g. finish lease of work space, move to a cheaper/smaller location) | Reduce costs related to upgrading, acquiring and maintaining physical assets (e.g. buildings, machines, equipment, vehicles) | Reduce borrowing costs (e.g. loans, debts) | My enterprise has not taken cost-cutting measures | Other, please specify | Total |
|---|--|---|--|--|--|---|--|--|---|-----------------------|-------|
| transportation and transportation equipment | 74% | 65% | 17% | 48% | 57% | 22% | 52% | 17% | 4% | 4% | 23 |
| textile, leather and apparel | 70% | 40% | 5% | 35% | 45% | 35% | 35% | 10% | 10% | 5% | 20 |
| retail/sales | 60% | 49% | 9% | 40% | 51% | 28% | 38% | 23% | 15% | 4% | 53 |
| restaurants | 74% | 52% | 10% | 29% | 55% | 16% | 35% | 23% | 10% | 6% | 31 |
| other service activities | 52% | 52% | 13% | 43% | 59% | 19% | 37% | 28% | 15% | 4% | 54 |
| hotel/tourism | 75% | 75% | 8% | 42% | 50% | 25% | 42% | 33% | 8% | 0% | 12 |
| forestry/wood/paper products | 58% | 42% | 19% | 23% | 38% | 8% | 42% | 27% | 12% | 4% | 26 |
| construction | 42% | 54% | 27% | 69% | 54% | 15% | 50% | 31% | 8% | 0% | 26 |

Showing rows 1 - 8 of 8

4.3. Revenue increase strategies

Regarding the way in which enterprises intended or intend to increase their revenues, slightly less than half of the respondents (47% to be precise) decided to offer a new product. 43% stated that they were determined to ensure business continuity planning⁵. About a quarter of the surveyed enterprises have made efforts to diversify the market in which they place their products and services, to enter partnerships with other businesses or develop customer loyalty plans, and to reduce the price of certain products and services!

Every fifth enterprise has changed the distribution channels of its products or the conditions in the supply chain.

Interestingly, only 12% of enterprises see attracting new talents as a way to increase revenue. Nevertheless, it is in line with previous findings stating that the basic way in which companies try to reduce costs is to stop further employment, and to freeze or reduce salaries.

Which are the most important strategies to increase your revenue during and following the COVID-19 pandemics? All enterprises



It is interesting to note that with some revenue growth strategies, a pattern related to the size of the enterprise can be observed. Thus, the table clearly shows that as companies grow, so does their commitment to offer new products in order to increase the revenue (second row). 71% of enterprises employing over 250 workers offered new products, while almost twice less enterprises employing up to 10 workers (37% of them) opted for the same.

⁵ This contradicts the data given in Part III of the survey, according to which 30.28% of companies in the Republic of Srpska have a business continuity plan. However, it should be borne in mind that the development of business continuity plans takes some time, which is why the data on 43% of enterprises committed to the development of these plans should be understood as relatively positive news, resulting from difficult business circumstances that they have faced.

It is also possible to notice that there is a direct connection between the size of the company and the frequency of changes in the distribution channel. Specifically, only 15% of enterprises that employ up to 10 workers stated that they see changes in the distribution channels of their products as an opportunity to increase revenue, while the same was stated by 35% of enterprises that employ over 250 people.

The situation is almost identical with the change in the supply chain.

The pattern is much less clear with other revenue growth strategies.

Which are the most important strategies to increase your revenue during and following the COVID-19 pandemic? Overview by enterprise size

| Field | 1 - 10 | 11 - 100 | 100 - 250 | 251 or more |
|---|--------|----------|-----------|-------------|
| Offer new products or services | 37% | 47% | 68% | 71% |
| Decrease price of selected products or services | 32% | 26% | 8% | 24% |
| Change payment terms (e.g. establish a payment plan) | 23% | 26% | 12% | 24% |
| Change distribution channels (e.g. promote delivery or online purchases) | 15% | 20% | 28% | 35% |
| Diversify markets (e.g. operate in different locations or with new clients) | 28% | 22% | 44% | 35% |
| Modify supply chain agreements (e.g. source from other suppliers, negotiate with suppliers) | 15% | 21% | 24% | 35% |
| Create partnerships with other enterprises or develop loyalty plans to reach more clients | 23% | 24% | 32% | 29% |
| Ensure business continuity planning | 38% | 43% | 36% | 88% |
| Acquire new talent | 9% | 12% | 20% | 24% |
| Other, please specify | 12% | 5% | 4% | 6% |
| | 93 | 121 | 25 | 17 |

Most often, new products were developed and offered to the market by enterprises from the wood industry and construction sector (in 52% of cases), although enterprises from the transport sector (in 50% of cases), other service activities (in 48% of cases), restaurants (in 46% of cases), and companies from tourism and hospitality (in 45% of cases) did not lag far behind.

Retail trade employers (in 44% of cases), restaurants (in 43% of cases) and other service activities enterprises (in 39% of cases) most often lowered their products prices.

Changing payment terms was not a particularly common strategy to increase revenue, and was most commonly used in retail (37% of cases), the textile industry (30% of cases), tourism and hospitality (27%), construction sector and other service activities (in 26% of cases).

The change of distribution channels was most often used by employers in the textile industry (in 40% of cases), retail trade (in 31% of cases) and the wood industry (in 26% of cases).

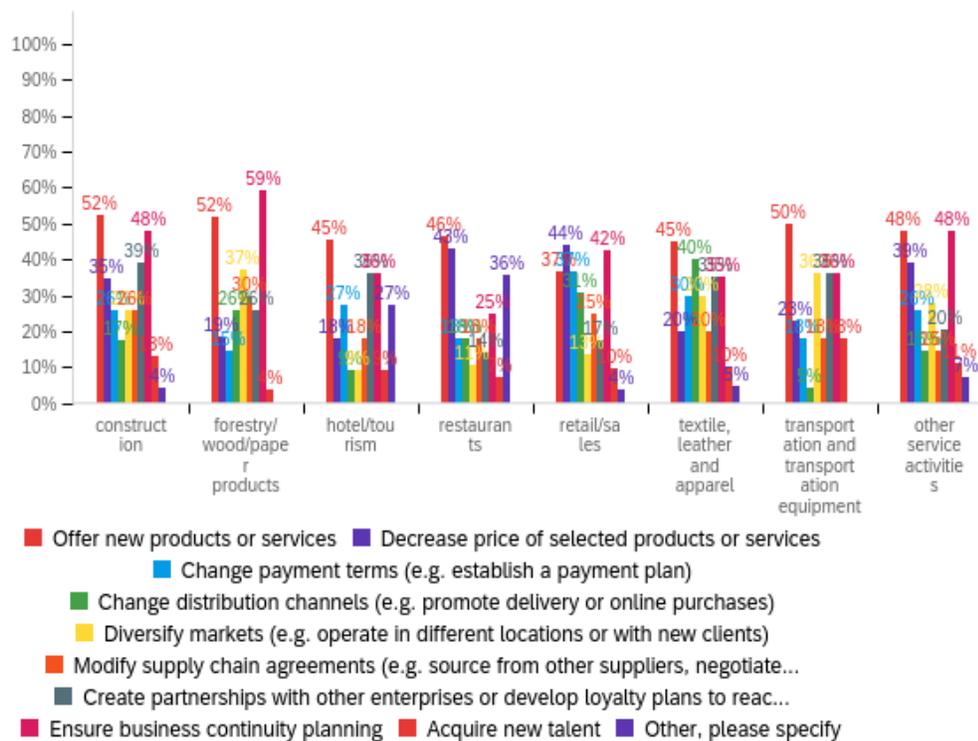
Diversification of the market in which they place their products was used by 37% of employers in the wood and paper industry, 36% of employers in the transport sector and 30% of employers in the textile industry.

30% of employers in the wood and paper industry, 26% of employers in construction sector and 25% of employers in retail trade decided to use the change in conditions in the supply chain.

Partnerships with other employers and customer loyalty plans were developed by most companies from the construction sector (in 39% of cases), tourism and hospitality and transport sector (in 36% of cases), and the textile industry (in 35% of cases).

The business continuity plan is being developed by as many as 59% of enterprises from the wood and paper industry, 48% of companies from construction and other service activities.

Attracting new talent as a key to increase revenue is noticed by 18% of companies in the transport sector, 13% of them in construction and 11% in other service industries.



V. Government support measures

As it was clear from the very beginning that the measures adopted in order to limit the spread of COVID-19 will effect large number of companies, the Government of Republika Srpska and other state authorities, along with the adoption of epidemiological measures, passed certain measures aimed to facilitate business activities of companies. Thus, as early as March 13, 2020. The government is suspending the obligations of transportation companies that keep international transportation lines to maintain the lines at full capacity. With the further spread of the epidemic and the declaration of a state of emergency, other measures were taken, initially in the form of tax relief (accelerated VAT refund for 2019, and then tax deferrals in the second quarter). Hence, the Banking Agency of Republika Srpska "relaxes" the loans classification criteria in order to encourage banks to grant loans to clients affected by the crisis, followed by financial assistance from the Government to workers and the economy, through a dedicated fund.

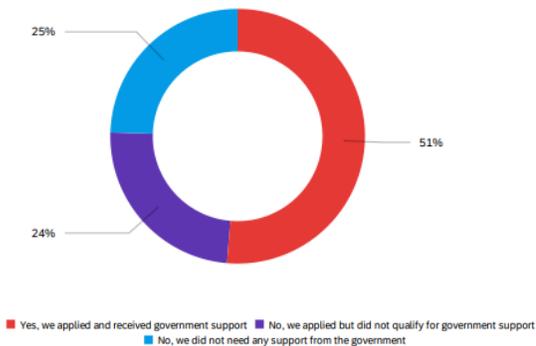
Some kinds of this aid provided by the Government were conditioned by regular fulfillment of tax and other obligations of a company in the previous period, and as a rule, it was companies' obligation to address to the relevant authorities, in order that the state aid would be provided for them.

Therefore, the question arises to what extent state aid has reached these companies?

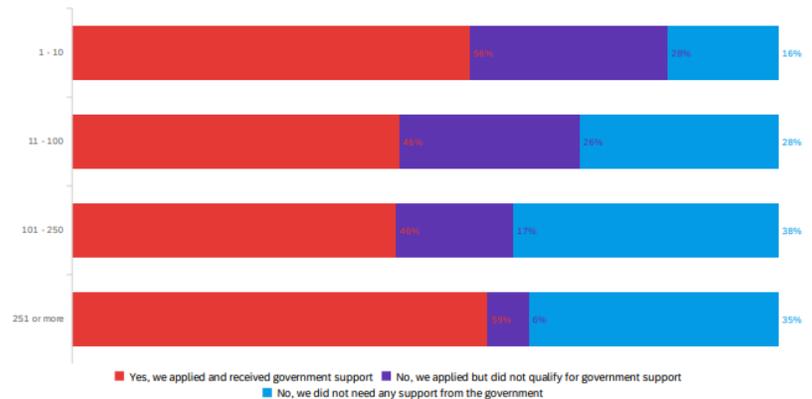
Judging by the results of this research, the help reached 2/3 of the companies that asked for it, ie half of all companies in Republika Srpska.

Did your enterprise receive any specific government support measure to deal with the COVID-19 outbreak?

All enterprises



Overview by enterprise size



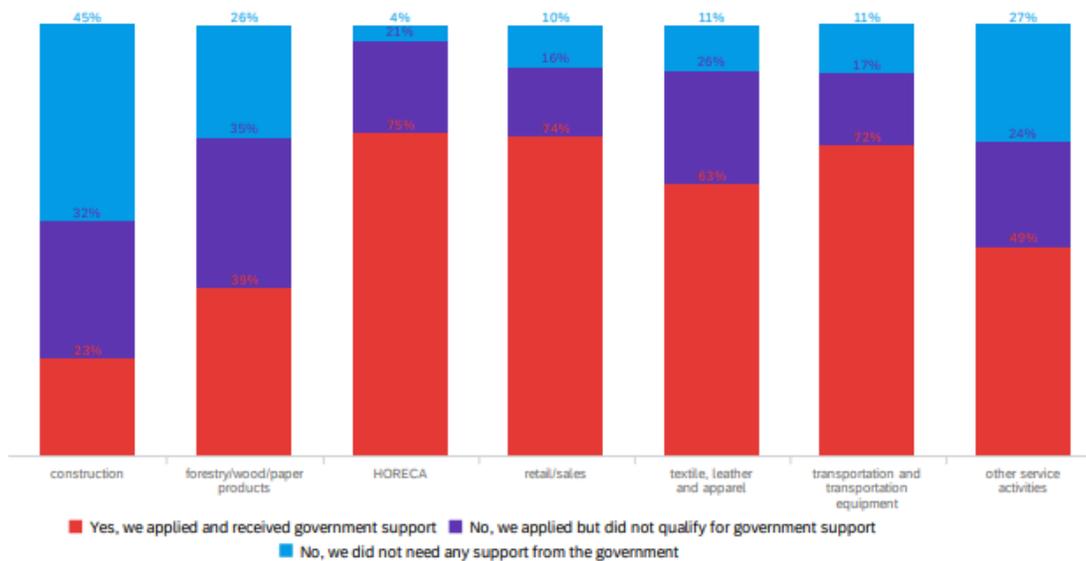
It is interesting to note that we can observe a certain connection between the frequency of requiring and receiving of the state aid and the size of a company. Thus, every third company that employs over 250 workers did not ask for (or receive) state aid, while the same is the case with every sixth company that employs up to 10 workers.

In addition, we can note that 28% of small companies asked for help, but did not receive it, while the same is the case with "only" 6% of large companies.

We can see how gloomy the situation in certain economic branches really is by the fact that as much as 96% of companies from the HORECA sector asked for state aid, and it reached 75% of them. The situation in retail trade is only slightly better, where 90% of companies asked for help, and it reached 74% of companies. In the transport sector, 89% of companies sought help, and 72% of them received it. 89% of companies from the textile industry also asked for help, and 63% of them received it.

According to the results of our survey, most often the "rejection" for receiving state aid was received by companies from the construction sector (most of those who asked for it) and companies from the forestry, wood and timber industry (almost half of those who asked for it).

Did your enterprise receive any specific government support measure to deal with the COVID-19 outbreak? Overview by sector

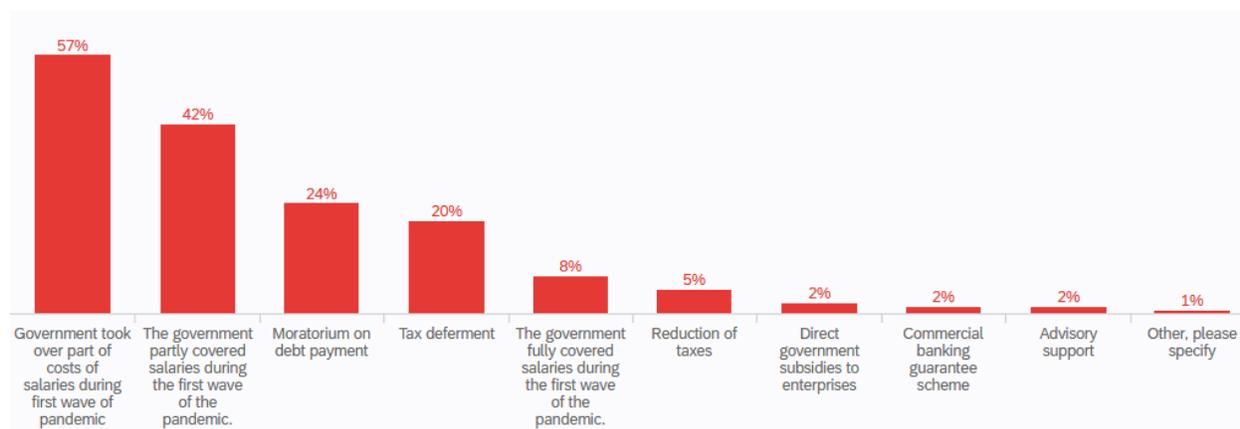


5.1. Kind of government measures

Regarding the kinds of state aid that companies received, most often it was the payment of taxes and contributions on salaries (57% of companies that received aid received this kind of aid) and the payment of the minimum wage to workers in companies that due to anti-COVID-19 measures could not work (in 41% of cases).

One in four companies used a moratorium on debt payment, and one in five used a tax deferment. It is interesting that only 5% of companies received reductions of taxes, and 2% of companies received direct government subsidies or used the state commercial banking guarantee scheme.

What kind of government measures did your company use? All enterprises



It is possible to notice certain patterns of connection between some kinds of state aid and the size of the company. Thus, small enterprises mostly used state aid in the form of government aid in the form of participation in the costs of salaries (in 63% of cases), while this percentage decreases with the growth of the size of the enterprise (up to 40% for enterprises employing over 250 workers).

What kind of government measures did your company use? Overview by enterprise size

| # | Field | 1 - 10 | 11 - 100 | 100 - 250 | 251 or more |
|-----|---|--------|----------|-----------|-------------|
| 114 | Government took over part of costs of salaries during first wave of pandemic | 63% | 57% | 45% | 40% |
| 115 | The government fully covered salaries during the first wave of the pandemic. | 11% | 9% | 0% | 0% |
| 116 | The government partly covered salaries during the first wave of the pandemic. | 33% | 43% | 55% | 60% |
| 117 | Moratorium on debt payment | 20% | 25% | 36% | 30% |
| 118 | Commercial banking guarantee scheme | 4% | 0% | 0% | 0% |
| 119 | Direct government subsidies to enterprises | 4% | 0% | 9% | 0% |
| 120 | Reduction of taxes | 4% | 5% | 0% | 20% |
| 121 | Tax deferment | 11% | 27% | 27% | 30% |
| 122 | Advisory support | 0% | 2% | 0% | 10% |

On the other hand, the coverage of minimal wages at the expense of the government (government partly covering salaries kind of aid) was most often used by large companies (in as many as 60% of cases). As the size of enterprises decreases, so does the frequency of using this type of assistance, up to 33% in small enterprises.

Companies also frequently used tax deferment, with only one in ten companies employing up to 10 workers and almost one in three employing over 250 workers.

For other kinds of state aid, it is not possible to see a clear pattern that would link the kind of aid to the size of the company.

What kind of government measures did your company use? Overview by sector

| Field | Government took over part of costs of salaries during first wave of pandemic | The government fully covered salaries during the first wave of the pandemic. | The government partly covered salaries during the first wave of the pandemic. | Moratorium on debt payment | Commercial banking guarantee scheme | Direct government subsidies to enterprises | Reduction of taxes | Tax deferral | Advisory support | Other, please specify | Total |
|---|--|--|---|----------------------------|-------------------------------------|--|--------------------|--------------|------------------|-----------------------|-------|
| construction | 40% | 80% | 80% | 60% | 0% | 20% | 0% | 20% | 0% | 0% | 5 |
| forestry/wood/paper products | 67% | 22% | 22% | 44% | 0% | 11% | 0% | 0% | 0% | 0% | 9 |
| HORECA | 57% | 5% | 38% | 24% | 0% | 0% | 0% | 19% | 0% | 0% | 21 |
| retail/sales | 48% | 0% | 52% | 30% | 4% | 0% | 17% | 39% | 4% | 0% | 23 |
| textile, leather and apparel | 50% | 8% | 42% | 0% | 0% | 0% | 0% | 17% | 0% | 8% | 12 |
| transportation and transportation equipment | 62% | 8% | 38% | 38% | 8% | 0% | 0% | 23% | 0% | 0% | 13 |
| other service activities | 61% | 11% | 28% | 11% | 0% | 6% | 11% | 11% | 6% | 0% | 18 |

According to the results of the research, state aid to cover the costs of taxes and contributions to salaries was most often used by companies from the forestry, wood and paper industry (as many as 67%), the transport sector (in 62% of cases) and other services (in 61% of cases).

The full coverage of salaries was used by 4/5 of companies from the construction sector, while in other industries it was used significantly less frequently.

The partial coverage of salaries was also used by 4/5 of companies from the construction sector, but also by half of companies from retail trade, and about 40% of companies from the textile industry, transport sector and HORECA sectors.

The moratorium on the debt payment was used by 60% of companies from the construction sector, 44% of companies from the wood industry and 38% of companies from the transport sector.

The state guarantee scheme was very rarely used by the companies (mostly by the companies from the transport sector, and only 8% of them).

Direct government subsidies to companies was also quite rare, and it was most often directed towards construction companies (every fifth company from this economic branch received this kind of assistance).

Tax deferral were most often used by retailers (in 39% of cases), followed by transport companies (in 23% of cases), construction companies (in 20% of cases) and companies from HORECA sectors (in 19% of cases).

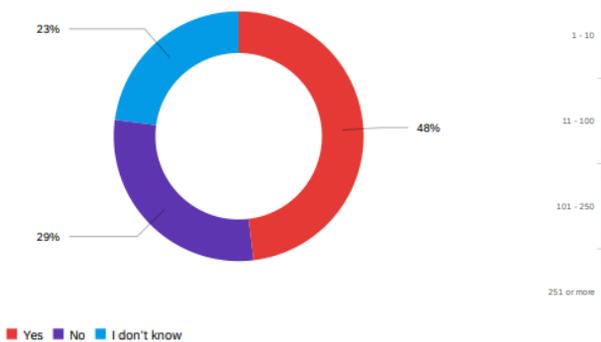
5.2. Effectiveness of government support measures

Regarding the assessment of the effectiveness of the received state aid, about half of the companies stated that they were satisfied with it, while ¼ declared that they were either not satisfied or did not have a definite opinion.

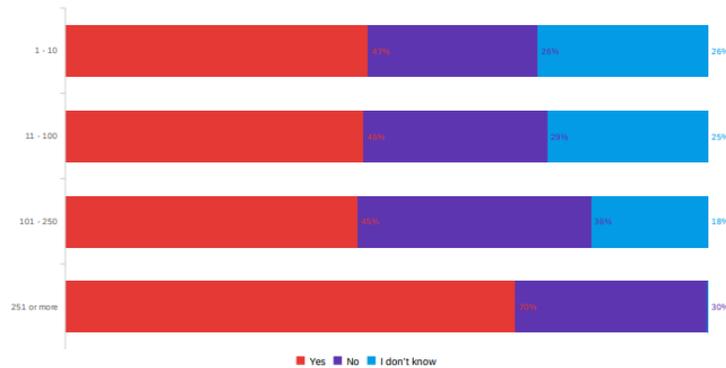
Large companies (employing over 250 workers) have a significantly better opinion on the effectiveness of government aid (70% of them believe that this aid was effective), than smaller companies. It is interesting that the largest companies have the most definite opinion.

If you received government support, did you find it effective?

All enterprises



Overview by enterprise size

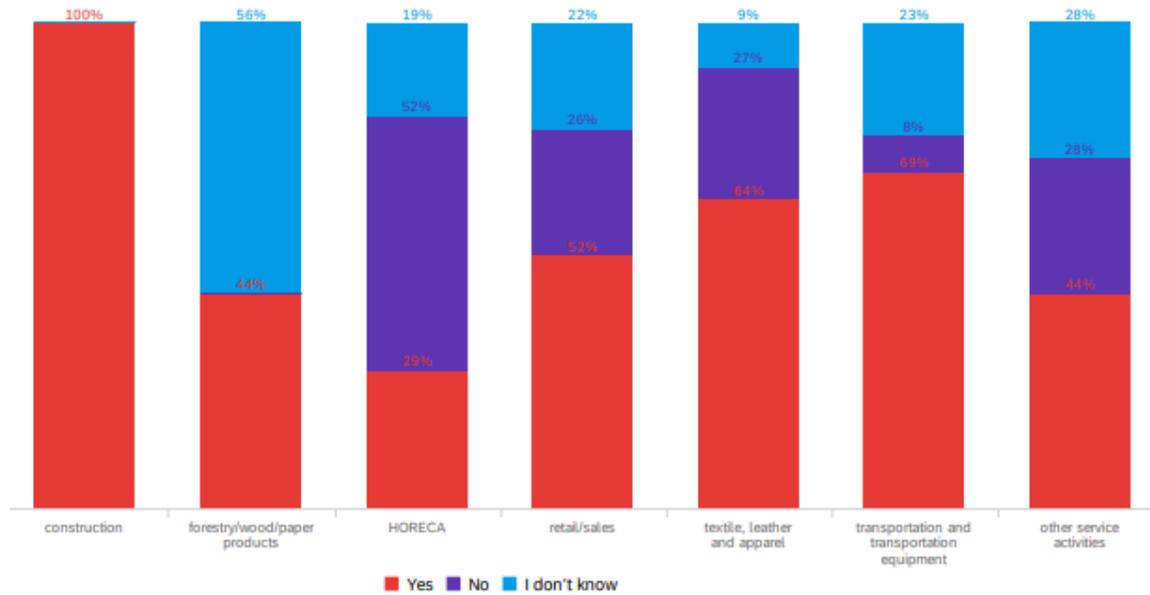


The most satisfied with the state aid are the employers from the construction sector, where all companies have declared themselves positively about it. They are also very satisfied in the transport sector, where 69% of the surveyed companies expressed satisfaction with the assistance received.

They are most dissatisfied with the efficiency of state aid in the HORECA sector, in which over half of the companies are dissatisfied with its efficiency.

It is interesting that over half of the surveyed companies from the wood industry do not have a definite opinion on the efficiency of state aid.

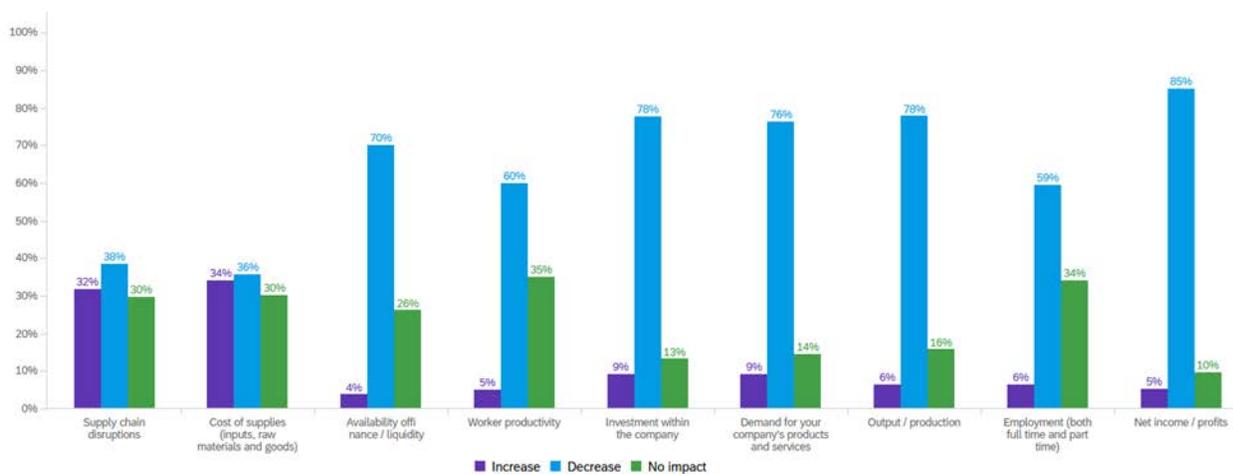
If you received government support, did you find it effective? Overview by sector



VI. Business expectations

That employers are not overly optimistic, at least not about the trends in the next three months, is evidenced by the fact that as many as 85% of surveyed employers expect a decrease in net income/profits, 78% expect a decrease in output/production and investment, 76% a drop in demand for their products, 70% even less availability to loans and a 60% decrease in worker productivity. In practice, employers are not pessimistic only about the reliability of supply chains and do not expect an increase in costs of supplies.

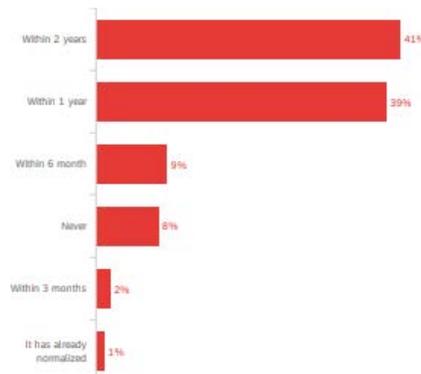
How do you foresee the following elements of your business changing over the next three months (December 2020 – February 2021)? All enterprises



6.1. Anticipated time for enterprise recovery

As for the time required to normalize business, unfortunately, expectations among employers are that this will not happen soon. Thus, only 1% of employers stated that the situation is already "normal", and if we add those who think that the situation will be normalized in less than 3 and less than 6 months, we still reach only 12% of "optimistic" employers. Most employers, more precisely 80% of them, believe that normalization will take between 6 months and 2 years, while 8% believe that normalization will not occur even after 2 years.

When do you think the situation will stabilize? All enterprises



However, employers from large companies are somewhat more optimistic. We have determined that 6% of companies that employ over 250 workers and only 1% of small companies believe that the situation in the economy is already normal. Also, 13% of employers from small companies and no employer from a company that employs over 250 workers believe that the situation will never return to the previous situation. However, the fact that large companies are not overly optimistic is shown by the fact that in 75% of cases, employers from large companies predict that it will take between 6 months and 2 years for a full recovery.

As far as the industries are concerned, the fastest recovery is expected by employers from the construction sector (35% of them expect a recovery in less than 6 months, and 65% in a maximum of one year). Next in optimism are retailers, where 60% expect the situation to stabilize in less than a year, and employers from other service industries, where 53% expect a recovery in less than a year.

The biggest pessimists are employers from the HORECA sector, as many as 60% of whom believe that it will take up to 2 years for the economic situation to normalize, or even that normalization will never happen. In terms of pessimism, they are followed by employers from the transport sector and the textile industry (59% consider them the same as employers from the HORECA sector), followed by employers from the wood industry (55% of employers).

6.2. Anticipated future risks by enterprises

The immediate risk observed by employers in November was a new wave of the COVID-19 epidemic, as indicated by 86% of surveyed employers.

A much bigger surprise is that almost 2/3 of employers believe that there is a risk of a new global economic crisis!

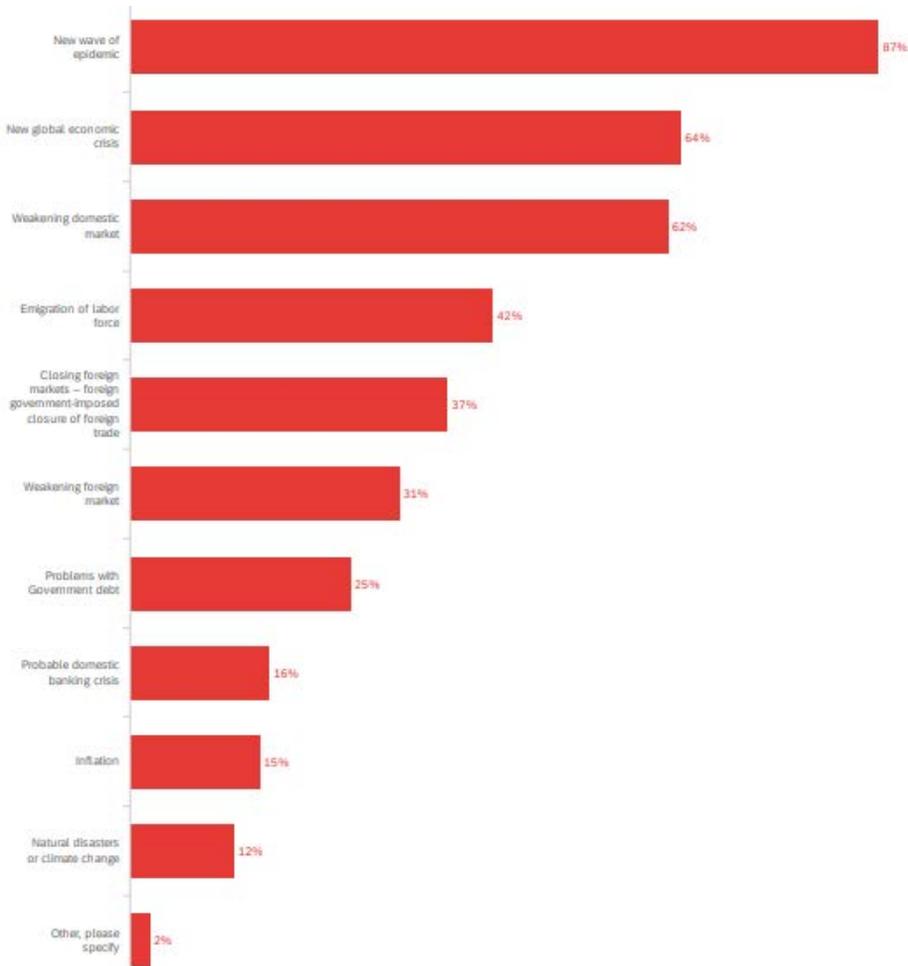
As many as 62% of employers point to a potential weakening of demand on the domestic market.

A significant number of employers (42% of them) are apprehensive about the further emigration of the labor force, and that the authorities of our trading partner countries will introduce trade restrictions for goods from BiH i.e. They are afraid of closing of foreign markets 37% of employers). It is interesting that the results of our survey indicate that twice as many employers are concerned about the possible weakening of aggregate demand in the foreign market than in the domestic market, which can be explained by the fact that most of the surveyed companies are oriented to the domestic market.

One in four employers is concerned about the level of Government debt.

Solid confidence in the work of the Central Bank and the regulators of the banking sector shows that only 15% of employers believe that there may be an increase in inflation, and 16% that there may be an outbreak of the domestic banking crisis!

What are the main risk sources for your enterprise in 2021? All enterprises



Interestingly, the size of the company usually does not determine the attitudes of employers about what adverse events could occur in the future. In fact, there is a noticeable pattern of interdependence of company size and fear of certain risks for only three (out of nine) observed types of risks.

One of these patterns is that as the size of companies grows, so does the fear of closing a foreign market, which can be directly explained by the fact that larger companies are more frequent exporters, so this risk is more significant for their business activities.

On the other hand, small enterprises (employing up to 10 workers) are more often concerned about the weakening of the domestic market than large enterprises, which is again expected since smaller enterprises are more directed to the domestic market.

Employers from larger companies more often believe in the possibility of a new global economic crisis (82% of them), while employers from smaller companies are somewhat less worried (56% of employers in small companies).

What are the main risk sources for your enterprise in 2021? Overview by enterprise size

| Field | 1 - 10 | 11 - 100 | 100 - 250 | 251 or more |
|---|--------|----------|-----------|-------------|
| New wave of epidemic | 88% | 87% | 77% | 88% |
| Weakening foreign market | 17% | 35% | 54% | 53% |
| Closing foreign markets – foreign government-imposed closure of foreign trade | 21% | 42% | 58% | 59% |
| Weakening domestic market | 68% | 63% | 42% | 53% |
| New global economic crisis | 56% | 65% | 73% | 82% |
| Problems with Government debt | 28% | 23% | 23% | 29% |
| Probable domestic banking crisis | 15% | 19% | 12% | 12% |
| Emigration of labor force | 32% | 47% | 42% | 59% |
| Inflation | 11% | 14% | 35% | 18% |
| Natural disasters or climate change | 12% | 10% | 15% | 24% |
| Other, please specify | 2% | 2% | 4% | 6% |

The risk of weakening demand in the foreign market is most often indicated by suppliers from the wood industry (in 78% of cases) and the textile industry (in 75% of cases).

75% of companies from the textile industry and 59% of companies from the wood industry think that a foreign market can be closed.

The weakening of the domestic market worries most companies from retail trade (in 89% of cases), construction (in 74% of cases), and other service activities (in 64% of cases).

The risk of a new global economic crisis is indicated by 75% of employers in the textile industry, 67% of employers in construction companies, tourism and hotel industry, the wood industry and 66% in employers in the restaurant industry.

Many fewer companies worry about the risk of Republika Srpska's Government debt. However, the fact that this risk is not negligible is evidenced by the fact that it is indicated by 42% of companies from tourism and hotel industry, 34% of employers from restaurants and retail.

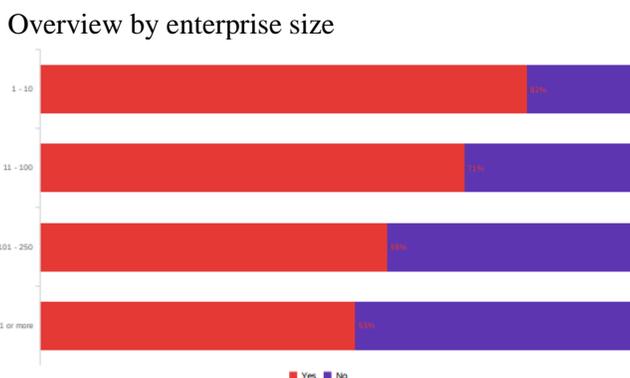
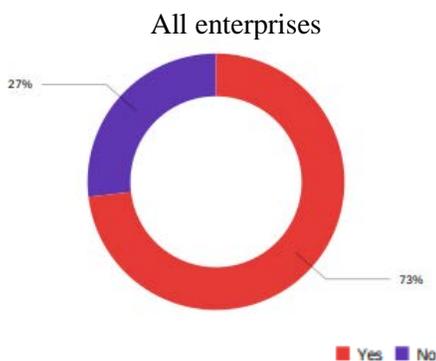
The problem of labor emigration worries employers from the restaurant industry the most (in 50% of cases), the construction sector and the wood industry (in 48% of cases), as well as retail trade (in 47% of cases) and the textile industry (in 45% of cases).

Employers in Republika Srpska are generally not worried about the risk of climate change.

6.3. Anticipated future risks and government support

As many as 73% of companies believe that their business may be endangered in the coming year, if the state does not help them, and such an opinion is most prevalent among small businesses. Thus, as many as 82% of small companies believe that their business will be endangered without state aid, and with the growth of the size of the company, this belief weakens, up to 53%, as often as employers from companies that employ over 250 workers.

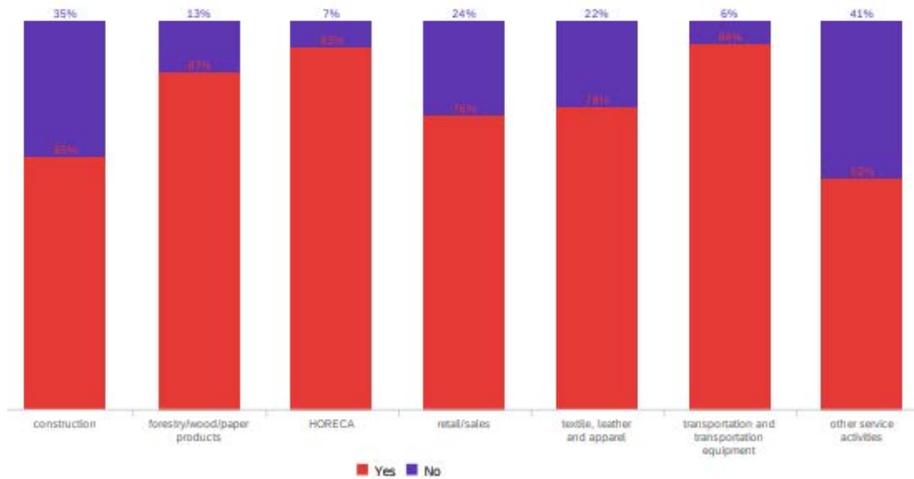
Do you think your business would be jeopardized if you do not receive government support?



As far as economic branches are concerned, employers in the transport sector (94% of them) and the HORECA sector (93% of them) most often want state aid, followed by the wood industry (in 87% of cases), the textile industry (in 78% of cases) and trade in little (in 76% of cases).

Do you think your business would be jeopardized if you do not receive government support?

Overview by sector



6.4. The kind of measures that would help your enterprise to totally recover

The Government aid measure that employers most often want is a reduction in taxes and contributions on salaries, which 85% of them want, regardless of the size of the companies they come from.

Although only 2% of companies in Republika Srpska have received direct financial assistance so far, 8 out of 10 employers want it. At the same time, as the size of the company grows, so does the desire for direct financial aid from the Government to the company, so that 9 out of 10 employers who employ over 250 workers want this aid.

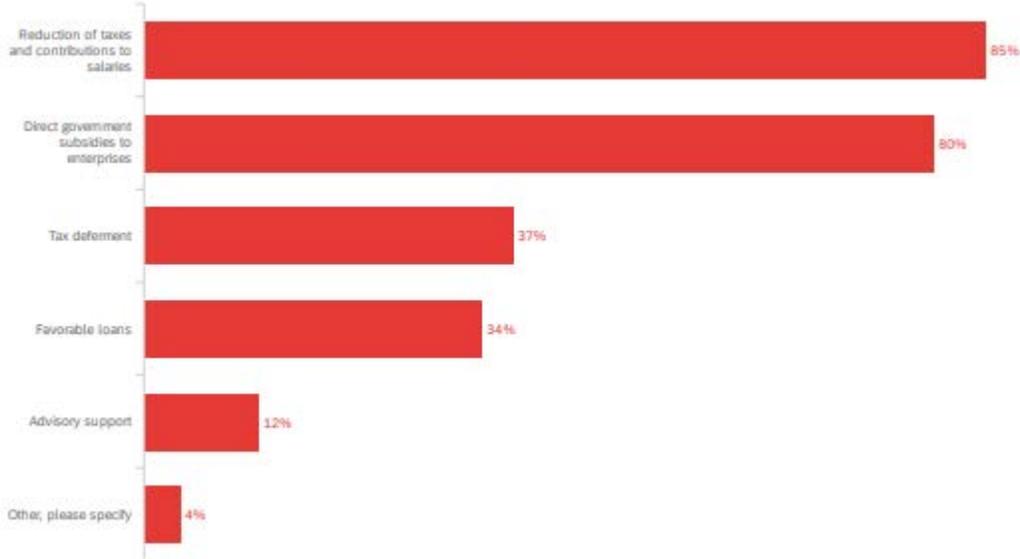
Many fewer companies want help in the form of tax deferral (in 37% of cases) and favourable loans (in 34% of cases).

Only 12% of companies think that the state can help them with expert advice, but that is the opinion of every third company that employs over 250 workers.

All employers in the construction sector, 94% of employers in the transport sector and 89% of employers in the HORECA sector are hoping for a reduction in taxes and contributions on salaries.

93% of employers from the textile industry, 88% of employers from the transport sector, 87% of employers from the construction sector and 84% of them from the wood industry hope for direct financial aid (subsidies).

What kind of measures would help your enterprise to totally recover? All enterprises



Most employers in construction (more precisely 60% of them), 47% of employers in the wood industry and 43% of employers in the textile industry hope to deferment of taxes.

42% of employers in the wood industry, 40% of them in retail trade and 38% of employers in the transport industry hope for favorable loans.

VII. Appendix: Survey demographics

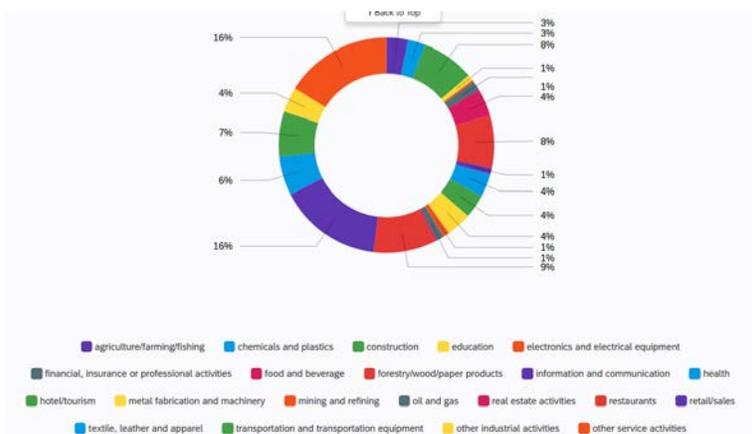
The survey was conducted from 3rd to 17th November 2020. Over this period the entire questionnaire was completed by 289 enterprises based in the Republic of Srpska. Below is a basic overview of the enterprises that participated in the survey, sorted by industry in which they operate, their size, location of their headquarters, and the type of their ownership.

To get a clearer picture of the '*blood count*' of the enterprises that took part in the survey, the '*cross-sectional*' data on the type of ownership by its size, on the type of ownership by industry sector, and on the amount of income by industry sector is also given below.

7.1. Surveyed enterprises structure by industry sectors

Most of the surveyed enterprises, i.e. 53 of them (16%) operate in retail trade. The second largest group are caterers (32 of such companies participated in the survey – i.e. 9% of total number). They are followed by enterprises engaged in wood processing (27 companies – i.e. 8% of total number of respondents), enterprises in the construction sector (27 – 8%), transport (23 – 7%), textile industry, leather processing and footwear production (20 – 6%) , food industry (14 – 4%), metal industry (13 – 4%), tourism and hotel industry (12 – 4%), health sector (12 – 4%), agriculture and fishing (11 – 3%), production of chemicals and plastics (9 – 3%), banking, insurance and other financial activities (5 – 1%), energy (4 – 1%) and three from each of the mining, ICT and education sectors.

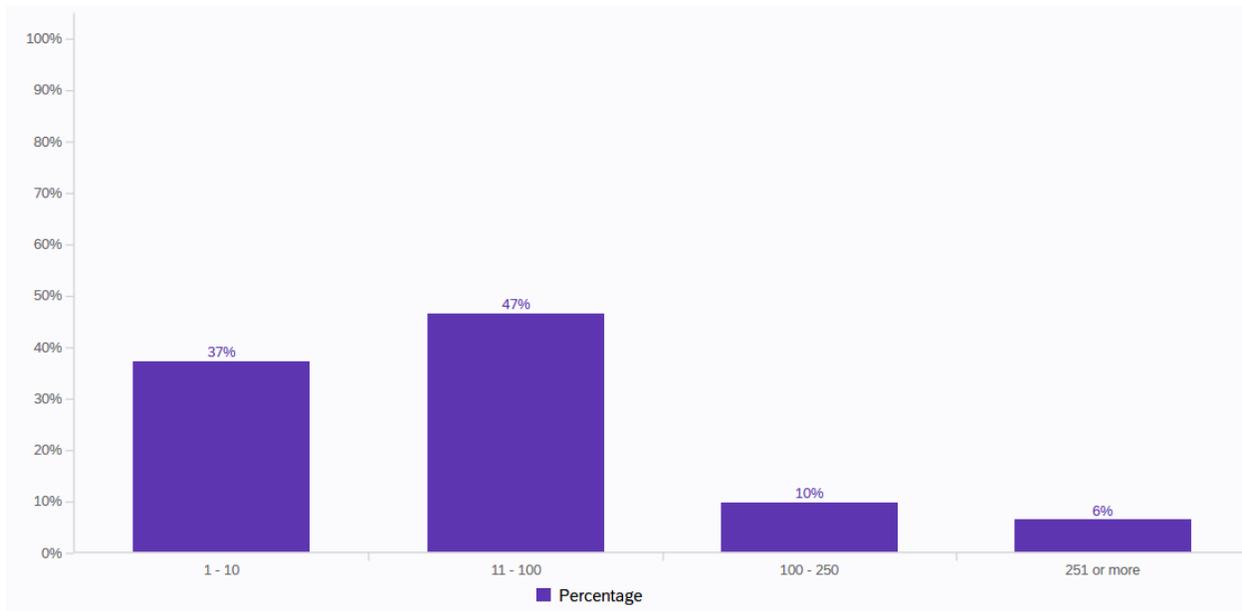
Surveyed enterprises structure by industry sectors.



7.2. Size of surveyed enterprises by number of employees

Regarding the size of the surveyed enterprises, the largest number of them – almost half, employ between 11 and 100 workers. About one-third of those are small businesses, while 16% are businesses that employ over 100 workers.

Surveyed enterprises structure by industry sectors. Overview by enterprise size



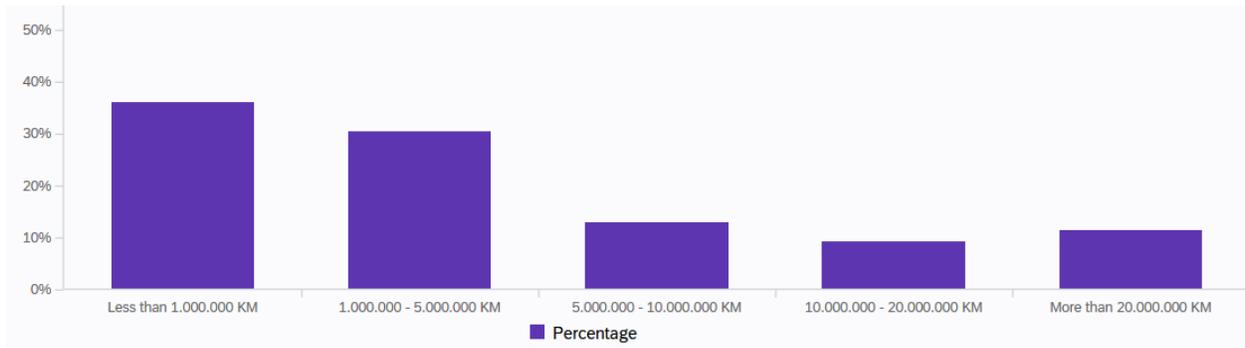
Nevertheless, when we consider the number of employees in companies of different sizes that took part in this research, the situation changes dramatically. Thus, 17 participating enterprises that employ over 250 workers (6% of surveyed enterprises), hire 6,598 workers which makes 57.6% of total number of workers whose enterprises took part in the survey. There are 412 employees or a total of 3.6% people working in 107 companies that employ up to 10 workers. 136 enterprises hiring from 11 to 100 workers employ 2,377 people or 20.8% of all workers whose employers participated in our survey. 2,091 workers are employed in 29 enterprises that hire from 100 to 250 workers.

A total of 11,448 workers are employed in the enterprises participating in the survey.

7.3. Size of surveyed enterprises by level of income

The largest number of surveyed companies (36% of them) earns less than 1 million BAM per year. 30% of them earn between 1 and 5 million BAM, 13% makes between 5 and 10 million BAM, 9% earns from 10 to 20 million and 9% over 20 million BAM per year.

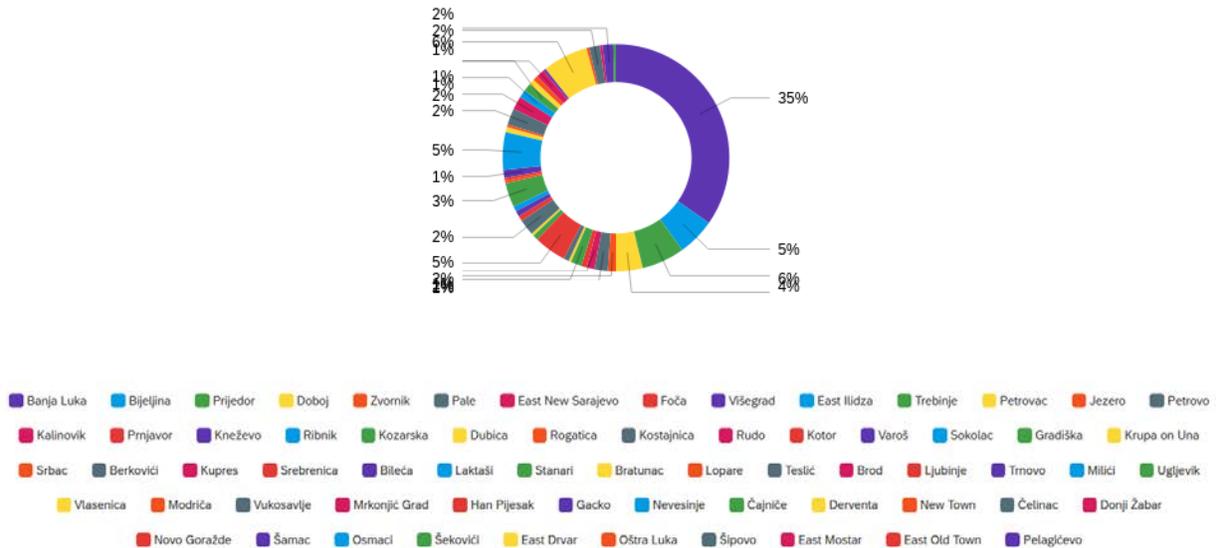
Size of surveyed enterprises by level of income.



7.4. Location of the surveyed enterprises

The companies that took part in the survey come from 49 cities and municipalities in the Republic Srpska, which nominally makes over $\frac{3}{4}$ of all local communities. The distribution of the enterprises is mainly in accordance with the number of citizens and the level of development. Thus, companies based in Banja Luka make up 35% of all surveyed enterprises, while an additional 33% of surveyed enterprises come from seven "stronger" business centers (Prijedor, Derвента, Bijeljina, Prnjavor, Laktaši, Doboј, and Gradiška). The final third of the total number of surveyed enterprises is based in other local communities.

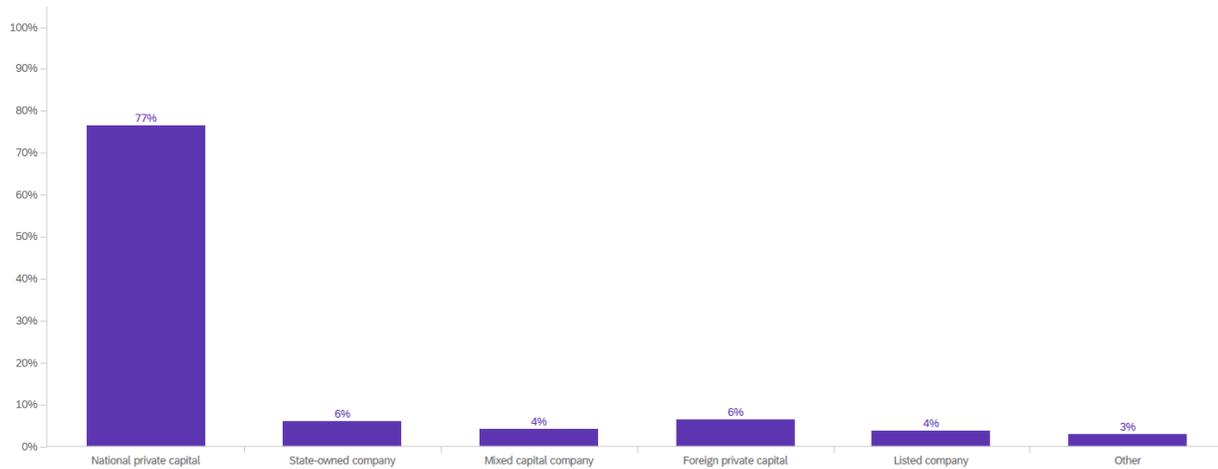
Location of the surveyed companies.



7.5. Ownership

More than ¾ of the surveyed enterprises are domestic private enterprises. 6% are foreign and domestic state-owned companies each, 4% are enterprises of mixed ownership and 4% are those whose shares are actively traded on the stock exchange.

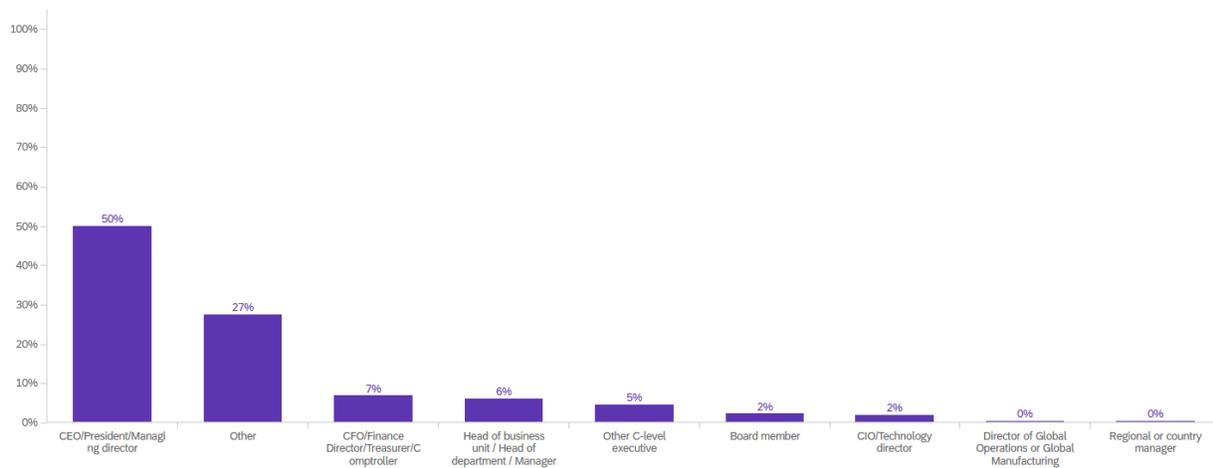
Type of ownership of surveyed companies



7.6. Who completed the survey on behalf of the enterprises?

The survey was mostly (in half of the cases) completed by the general directors of the enterprises. CFOs completed the survey in 7% of cases, branch managers in 6% of cases, other top management members in 5%, board members in 2%, etc.

Survey respondents' positions

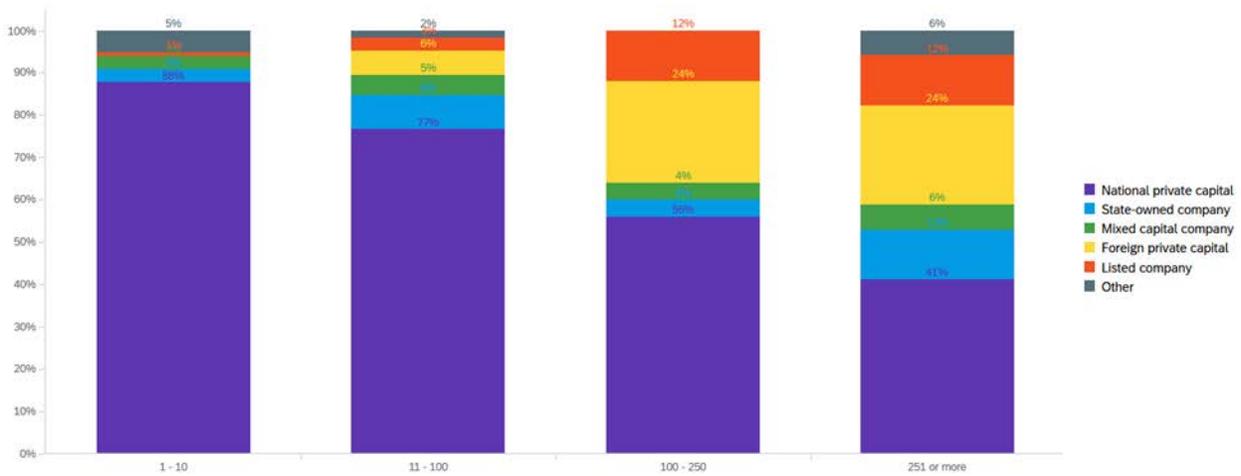


7.7. Intercrossed data on surveyed enterprises

When it comes to the "intercrossed" structure of the type of ownership and the size of the company, the smallest enterprises (employing up to 10 workers) are most commonly domestic private ones (in 9 out of 10 cases), as it is expected. The same applies to *just about* 40 percent of enterprises that employ over 250 workers. The pattern is clear. As the enterprise grows, domestic ownership decreases, while foreign ownership increases.

As for the state's share in ownership, it is most common in large companies (in 12% of cases) and in enterprises that employ from 10 to 100 workers (in 8% of cases), which points out to both the "strategic" companies in which the state has retained its ownership and to public companies in the utility sector (employing from 10 to 100 employees).

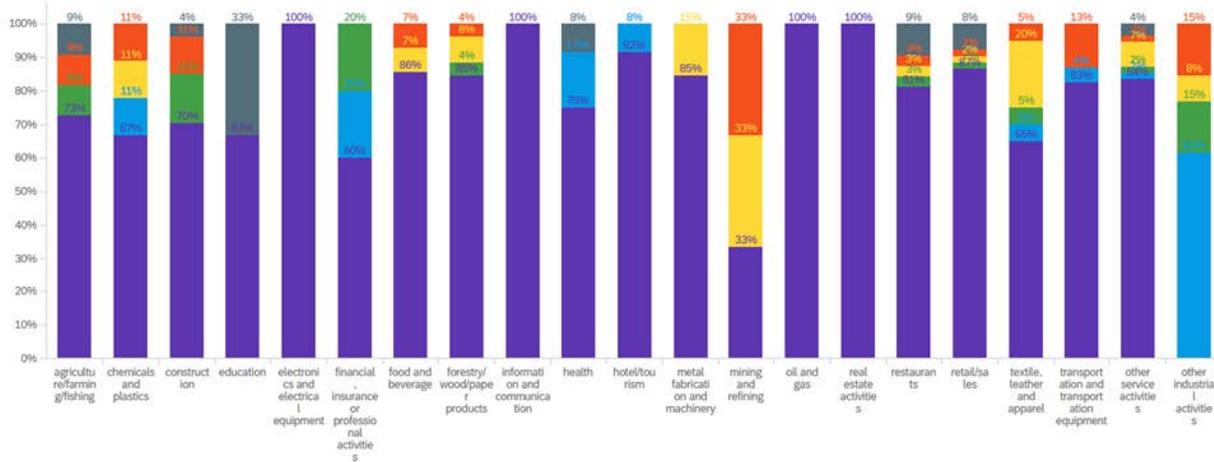
Type of ownership by size of enterprises



The previous assumption is confirmed by the fact that 62% of utility companies are majority-owned by the state. The state also has its share in the financial and health sectors, production of chemicals and plastics, and somewhat less frequently in tourism and hospitality.

When it comes to foreign capital, it is most commonly present in mining companies (in 33% of cases), textile industry (in 20% of cases), metal industry (in 15% of cases) and chemical and plastic industry (in 11% of cases).

Type of ownership by industry sectors



In reference to the survey, high revenues are most often (over 20 million BAM) generated by enterprises from the financial sector. Those are followed by the food industry, mining, energy sector, and the metal industry. Companies that earn over 20 million BAM annually and which belong to the chemical industry, wood industry, health sector, retail trade, and construction were also surveyed.

According to the results of our survey, if you are an employer in the education, ICT sector, transport, tourism and hotel industry, agricultural production, or restaurant business, you can usually expect a profit no higher than 2 million BAM.

Levels of income by industry sectors

