SME COMPETITIVENESS OUTLOOK 2020

COVID-19 RESPONSE

Executive Summary

COVID-19: The Great Lockdown and its Impact on Small Business

International Trade Centre

TRADE IMPACT FOR GOOD

COVID-19
RESPONSE

The International Trade Centre supports small business through the COVID-19 crisis.
For more information, see http://www.intracen.org/covid19/

This publication is a contribution to the annual Micro, Small and Medium-Sized Enterprises Day campaign.

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www.intracen.org

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COVID-19: The Great Lockdown and its Impact on Small Business

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Foreword


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The year 2019 ended with a sense that the global economy was in for a turbulent 2020. Tensions between major trading powers were on the rise, there continued to be concerns about inequality within and between countries, and climate change remained high on the agenda, ranking as the top global business risk in a 2019 survey of insurance industry experts. Global debt was reaching record levels and rapid technological change was disrupting the way that goods and services were produced, traded and consumed.

At the International Trade Centre, we were gearing up to prepare our main stakeholders – micro, small and medium-sized enterprises (MSMEs) – for the challenges ahead. We did not expect, however, that a major crisis would hit so rapidly, and that it would be so different from anything experienced in this century thus far.

The COVID-19 pandemic is an unprecedented global crisis, affecting human health and economic welfare across the globe. It is first and foremost a health crisis, with governments around the world taking measures to prevent the spread of the virus. Yet the pandemic has also resulted in a planet-wide economic slowdown, affecting trade, investment, growth and employment. The World Trade Organization estimates that world merchandise trade in 2020 could fall sharply, between 13% and 32%. Estimated global losses in GDP growth currently hover around 5 percentage points.

Although the pandemic has affected every corner of the world, the economic earthquake unleashed by COVID-19 does not affect everyone in the same way. With fewer resources to ride out the storm, MSMEs have been particularly vulnerable to the repercussions of the crisis.

These firms in developing countries will be disproportionately affected, especially in Africa, least developed countries and small island developing States. Small businesses active in trade tend to be more competitive and resilient. Yet many of them have been shaken by serious disruptions in international supply chains.

Country profiles, specially designed for this edition and available for 85 economies, provide a detailed forecast of how the lockdowns in China, Europe and the United States will affect international supply chains.

The economic effects of health crises and lockdowns at home and abroad have been devastating. Findings from our global COVID-19 Business Impact Survey, presented in this report, suggest that one in five small firms may go bankrupt within three months. For every bankruptcy, closed store, unpicked crop or drop in online orders, people will lose jobs and families will, in many cases, lose their only income. For Africa – which should be creating 12 million–15 million jobs annually to keep up with a growing population – the implications of these employment figures could be catastrophic. And Africa risks $2.4 billion worth of exports lost in 2020 due to factory shutdowns abroad, as our new supply chain methodology estimates.

As the only international organization fully dedicated to supporting the competitiveness of micro, small and medium-sized firms, ITC has allocated all possible resources to assist our stakeholders in weathering this crisis and in preparing them for the future:

- Through our network of business support organizations, we reached out to businesses across the globe to understand their concerns and needs. The findings of this unique COVID-19 Business Impact Survey are presented in this report;
- We developed a 15-point action plan, with concrete advice for small businesses, business support organizations and governments to help small businesses through the COVID-19 crisis and towards the future.

- We are helping businesses, business support organizations and governments around the world to implement the action plan, and develop an agile response to the crisis.
- Our assistance to firms has taken multiple forms. We are, for instance, working with MSMEs to move their business online or to go into new product lines – like the case of textile producers, which are moving into production of masks. Together with major international private sector partners, we have also delivered webinars to women-owned enterprises on how to cope with the current crisis.
- On the Global Trade Helpdesk, a joint ITC-UNCTAD-WTO effort, we have introduced specific COVID-19 features that help micro, small and medium-sized firms assess how border measures at home and abroad are evolving and potentially affecting their businesses.

The experience and evidence collected during the past four months have been compiled in this report. We hope it will serve businesses, business support organizations and governments to understand better the economic effects ahead and to design the most effective responses.

The report goes beyond the immediate crisis response by looking into the future. We expect this future, the 'new normal' as many call it, to have four characteristics.

First, the future will be about *resilience*, as societies will no longer accept to be unprepared for external threats.

Second, the future will be more *digital*. This virus has shown us the full power of these technologies in a context of crisis.

Third, the future has to be *inclusive*. The inclusiveness of globalization was already a matter of concern before the pandemic. It will be crucial to ensure that the recovery phase manages to 'lift all boats' in order to maintain popular support for open economies.

Fourth, the future has to be *sustainable*, if we want to avoid a climate shock as the next global crisis.

The multilateral trade agenda already embraces three of these four themes. The theme of resilience will make its entry into the multilateral debate. In our view, we must accompany this innovation with a redefinition of the relationship between the multilateral trading system and global supply chains. Resilience within these chains is best achieved by new approaches towards supply chain governance.

At the International Trade Centre, we are joining multi-agency and partner platforms that advocate for stronger partnerships between major buyers and suppliers and a fairer distribution of risks between different players. Governments can support this process through new engagements with supply chain players and the WTO may have a role to play in this process.

The year 2020 is not only the year of the COVID-19 pandemic. It is also the year of the 75th anniversary of the United Nations and the 25th anniversary of the World Trade Organization. The year 2020 may also enter history books as a turning point. We may be standing before the stark choice of national or regional blocs in permanent lockdown versus a more carefully and jointly managed open world. The International Trade Centre stands firmly on the side of the latter, by charting in this report a path out of the economic crisis that is true to the values of the United Nations and the 2030 Agenda.

Dorothy Tembo

Executive Director a.i.
International Trade Centre

Executive Summary

The year 2020 has been incredibly challenging for the global community. The spread of the novel coronavirus, known as COVID-19, has led to an unparalleled health crisis in countries across the world. The crisis has had unprecedented and serious impacts on all aspects of how people communicate, work, produce, trade, consume and live.

The economic ramifications of the pandemic quickly became apparent, and small and medium-sized enterprises (SMEs) have been on the front lines. With workers and customers staying indoors, and supply chains tested by shutdowns, the small companies that provide 70% of jobs in countries around the world and about half of economic activity have been put under stress.

International trade in turmoil

The pandemic hit the world when trade was already in turmoil. World trade dropped in all quarters of 2019, with declines intensifying in early 2020 in a ripple effect that started in China.

Monthly data presented in this report show that Chinese exports fell about 21% in February 2020 from a year earlier. Although Chinese exports recovered slightly in March, the pandemic began to hit exports from other countries. Exports from European countries and the United States in March decreased 8% and 7% year on year. The full effects of the crisis are not yet visible, as most countries went into lockdown in late March or April 2020, and data about the months that followed were not available at the time of publication.

Travel and tourism are among the most affected sectors. As of 7 May, 113 countries had banned travel to contain the spread of COVID-19. The World Tourism Organization predicts that international tourist arrivals could decline 60%–80% in 2020 from 2019. This would mean a reduction 15 to 20 times larger than during the 2008 global financial crisis.

Travel and tourism are key industries in many developing countries – and international tourist arrivals constitute a major source of their service exports. Nine of the 10 countries that are most dependent on travel exports are small island developing States.

When it comes to merchandise trade, sectoral data for China, the European Union and the United States suggest that skins and leather products, footwear, vehicles and clothing are among the most affected goods. Exports of all these products have fallen at least 20% since the COVID-19 outbreak.

Many developing economies face further headwinds due to the appreciation of the US dollar, which increases costs for trade between third countries priced in dollars. On a trade-weighted basis, the dollar strengthened by 9.5% in February–April 2020 against emerging-economy currencies. This puts further downward pressure on international trade.

China, the EU and the US account for over 60% of supply chain trade. This has had an impact on economies everywhere.

China, the European Union and the United States are not only the largest exporters in the world. They are also major players in global supply chains, and therefore important importers of raw materials, parts and components. Lockdowns in these three economies not only affect domestic business – they also affect firms in partner countries and even companies in third countries that have no direct trading relationship with China, the EU or the United States.

African exporters may lose more than $2.4 billion in global industrial supply chain exports, due to factory shutdowns in China, the EU and the United States.

Together, these three major trading hubs are responsible for 63% of world supply chain imports and 64% of supply chain exports. ITC estimates that the global disruption of manufacturing inputs will amount to $126 billion (Figure 1).

Factory shutdowns in the European Union will have the biggest repercussions for the supply chain exports of other countries. The EU is highly integrated into global supply chains and is the top importer of industrial inputs (China is the leading exporter) and the largest market for both Africa and Asia.

African exporters may lose more than $2.4 billion in global industrial supply chain exports due to the shock caused by factory shutdowns in China, the EU and the United States. More than 70% of this loss results from the temporary disruption of the supply chain linkages with the EU.

This report contains country profiles with data on supply chain trade (Figure 2). Evidence in these profiles suggests that a few product lines and countries are driving the results that we see at a regional level. For instance, Morocco is expected to lose almost $300 million in exports of wiring sets for vehicles to the European Union. That amounts to 15%–20% of the entire loss of African exports to the EU.

Stress tests and new beginnings for supply chains

COVID-19 has given governments around the globe the challenge of directing essential goods, such as food and medical equipment, where they are most needed to address the immediate health crisis. High demand for certain sanitary products, supply chain disruptions and logistical constraints made this difficult. Fearful that their populations would be unable to obtain goods needed to cope with the immediate health crisis, many governments imposed new trade measures on these items.

Ensuring access to essential goods

This report finds that export bans and other restrictions cover 73% of worldwide trade in virus-related products as of early May 2020. A total of 93 countries apply temporary export measures related to the virus, such as export bans or restrictions on medical products and, less frequently, food.

The frequency and type of export restrictions differ by region. Few African countries restrict exports of goods related to COVID-19, largely attributable to the fact that they do not manufacture them. Most export restrictions around the globe involve masks, with 55 measures on textile masks and 48 on masks with filters. These measures affect 90% and 76% of world trade in the two products, respectively.

The share of imports of virus-related goods that are affected by restrictions also varies by region. It is highest in Africa, at 74%, followed by 67% in Asia-Pacific and 60% in the Americas.

Although 105 countries apply temporary measures on imports related to COVID-19, most of these aim to facilitate access to essential medical supplies or food. Almost three-quarters of developed countries have removed or reduced tariffs on medical products since the start of the crisis. Only 46% of developing countries and just 18% of least developed countries have done so.

As the virus spread across the world, it became clear that measures restricting trade of essential goods could severely limit access to these products for the most vulnerable. In this context, G20 ministers declared in May that any 'necessary' emergency measures designed to tackle COVID-19 must be 'proportionate, transparent, temporary [and] reflect our interest in protecting the most vulnerable'.

Export bans and other restrictions cover 73% of global trade in COVID-19-related goods.

Strengthening supply chains to boost production of essential goods

It is hard to foresee how the pandemic and sanitary measures to manage the crisis will evolve over the coming months. Countries are moving or have moved out of total confinement, though in most places this has happened in a controlled way to avoid steep increases in new infection rates.

The strategic importance given to the medical supply sector will likely remain in the near future. Developing countries around the globe are assessing the possibility of ramping up production for certain health-related products that rely on raw materials widely available in their own region.

The supply of medical products is highly concentrated, with just five countries accounting for half of world exports: Germany, the United States, Switzerland, China and Ireland. Developing countries in Africa, the Americas and the Pacific account only for a small share of global exports of personal protective equipment. Yet, they often export a significant share of certain inputs for these products. This opens up opportunities to develop regional supply chains and help diversify the global supply of these goods.

Estimates in this report suggest that in the case of masks, gloves and disinfectants in Africa, masks and gloves in the Americas, masks in Asia and disinfectants in the Pacific, there are sufficient quantities of inputs to develop regional supply chains to meet demand for these COVID-19-related products in the region (Figure 3).

Enhancing technical infrastructure around sanitary standards

With the pressing need to prevent the spread of COVID-19, the demand for sanitizers and personal protective equipment has hit fever pitch. To make these items available to the public, governments in developing countries are adopting flexible approaches in border controls. They are also encouraging their local small businesses to produce sanitizers and masks despite, in some cases, the lack of national standards on these items.

In this context, standards and conformity assessment bodies have an important role to play to ensure the quality and safety of these goods.

First, standards on the products should be made available to small businesses. Second, border control authorities should adopt a risk-based approach to official controls, leveraging on past conformity assessment data of suppliers and manufacturers.

Third, where certification bodies are unable to conduct on-site audits due to safety reasons, desk audits should be possible in these exceptional circumstances, based on relevant documents, records, stakeholder interviews, pictures and other available information.

Lockdown: the impact on small businesses

One-fifth of SMEs are at risk of shutting down permanently within three months.

Small companies tend to be vulnerable during an economic crisis, in part because they have fewer resources with which to adapt to a changing context. The ITC COVID-19 Business Impact Survey gathered evidence on how the pandemic affected 4,467 companies in 132 countries.

Analysis of this data, collected from 21 April–2 June 2020, shows that the pandemic has strongly affected 55% of respondents. Two-thirds of micro and small firms reported that the crisis strongly affected their business operations, compared with about 40% of large companies (Figure 4). One-fifth of SMEs said they risked shutting down permanently within three months (Figure 5).

In Africa, two out of three businesses said they had been strongly affected by COVID-19, mostly involving reduced sales (75%) and/or difficulty accessing inputs (54%).

Service companies have been the hardest hit around the world. In accommodation and food services, for instance, 76% of surveyed firms said partial and full lockdowns strongly affected their business operations.

COVID-19 strongly affected 64% of women-led firms, compared with 52% of men-led companies.

Women-led firms operate in many of the industries most immediately affected by the crisis, such as accommodation and food as well as retail and wholesale. Even when the distribution of gender across sectors is taken into account, the differences persist, with 64% of women-led firms declaring their business operations as strongly affected, compared with 52% of men-led companies.

Youth-led enterprises reported a high risk of closing. About 26% of youth-led firms said they risked shutting down permanently within three months, compared to 18% for non-youth-led businesses.

Many companies that are not registered with national authorities are small and have little cash on hand to finance themselves when operations are shut down. The ITC COVID-19 Business Impact Survey found that informal enterprises are 25% more likely to say that the pandemic is pushing them towards bankruptcy.

Surviving the pandemic

21% of surveyed small businesses were agile in their response to the crisis, compared to just 16% of larger firms.

Governments around the world realize that SMEs act as a lynchpin connecting the pandemic to broader economic recession. In addition to addressing the health crisis, they have scrambled to alleviate the impact of COVID-19 on small businesses, introducing policies to help them cope with the short-term financial risks and long-term business implications. This will, it is hoped, reduce layoffs, prevent bankruptcy, encourage investment and help economies get back on their feet as soon as possible in the aftermath of the crisis.

How are governments trying to protect small businesses?

Most governments are implementing programmes to respond to both the health and the economic consequences of COVID-19. The magnitude of responses has varied considerably, however, from almost nothing to about half of gross domestic product (GDP). The higher the GDP per person, the higher the level of COVID-19 measures as a percentage of GDP. Simply put, small businesses in richer countries get a higher level of support from the government than small businesses in poor countries.

Companies that participated in the ITC COVID-19 business survey said that tax waivers, temporary tax relief and financial programmes would be the most helpful government measures.

A third of small enterprises also highlighted the importance of cash transfers, showing their concern about surviving the crisis. Large companies, on the other hand, favoured employment programmes to support the income of their workers.

Business approaches to COVID-19: Retreat, resilience and agility

In the first days of the pandemic, small and medium-sized companies across the world responded in similar ways. They took steps to protect employees and customers against infection, and communicated to clients about whether the business was going to close temporarily. Many firms also reached out for support from government, industry groups and business support networks.

Beyond these common immediate tasks, businesses diverged in their responses. Some adopted retreating strategies, drawing down their assets to get through the day. Many firms laid off employees, sold off assets or took on new debt, all of which may hurt their long-term viability. Approximately 20% of the businesses that participated in the ITC COVID-19 survey took this type of approach.

Other companies followed a strategy of resilience, scaling down or adjusting the business temporarily in a manner that will allow it to resume fully later on. Being resilient during the pandemic entailed strategies such as shifting the sales mix towards online channels, sourcing from new suppliers or learning to telework. About 60% of the businesses that responded to the ITC survey adopted this approach to cope with the pandemic.

The most agile firms transformed themselves to fit the new situation, creating novel products such as designer masks or rapid testing technologies. When lockdowns prevented their businesses from opening, they loaned their workers to other active businesses in essential industries. Roughly 21% of the businesses that participated in the ITC COVID-19 survey adopted this approach to cope.

The survey responses reveal that smaller firms were significantly more likely to adopt agile responses to the crisis than larger enterprises. At the same time, however, they also tended to adopt retreating strategies more than bigger companies. Small firms that exported were significantly less likely to take the retreating approach than those that sold only domestically.

Large businesses, for their part, were more likely to adopt a resilient approach than smaller enterprises, underscoring their greater capacity to ride out the storm. The take-away from this analysis is that while big companies can afford to stay put and be resilient, small companies must adapt in an agile manner or collapse.

Many assistance programmes aim to nudge at-risk SMEs from a retreat-type approach to crisis towards a more resilient, enduring strategy. Some even encourage them to leapfrog towards the kind of agility that can be seen in particularly dynamic small firms.

Transparency and information are vital for firms to benefit from government assistance programmes. It is therefore worrisome that more than half of survey respondents found it difficult or very difficult to access information and benefits from government COVID-19-related assistance packages.

The key role of business support organizations

Business support organizations deliver services to and represent the interests of enterprises to promote their growth. They are chambers of commerce, sector associations, trade promotion organizations and investment promotion agencies, as well as cooperatives. When these organizations cooperate, they create growth opportunities for companies, competitive advantage for a country and help deliver economic, social and environmental objectives.

To help firms deal with the crisis, business support organizations can provide information on COVID-19 from a business perspective, perhaps through a specialized webpage.

A business support organization can bring firms together, match business opportunities with a shared offer or common need, and test willingness to cooperate in ways that are neutral, fair and respect commercial sensitivities. Businesses working together can reduce costs through shared procurement, create economies of scale and access new opportunities by sharing knowledge and resources.

Good business support organizations benefit from their knowledge of business, their convening power and their credibility to represent micro and small businesses and make their needs known to policymakers and funders. For example, a bank and business support organization could promote an emergency bank loan with reduced collateral requirements for firms with a record of having engaged with a business support organization.

Preparing for the 'new normal'

With shutdowns being gradually lifted in China, Europe and elsewhere, business owners and policymakers are shifting their focus towards the post-pandemic world. Companies, business support organizations and governments will have to adapt to this 'new normal' in the months and years ahead.

Four main characteristics of the 'new normal'

The new normal will be resilient, digital, inclusive and sustainable.

If the world seizes the opportunities presented by this crisis to address fundamental challenges in the global economy, the new normal can be one that emphasizes resilience to change and unexpected shocks, embraces the possibilities offered by digitalization, prioritizes inclusiveness and leads to sustainable growth.

Resilience

Countries learned an important lesson in the early days of the pandemic as they rushed to strengthen their small enterprises. It became clear that fostering business resilience in good times would help firms ride out crises, reduce the likelihood of bankruptcy and improve the state of the economy.

Diversifying, connecting with business support organizations and building financial buffers can help contribute to increased SME resilience. For small businesses that are active in international supply chains, the resilience of their relationship with buyers and suppliers will also matter greatly.

Digital

Digital technologies were flourishing before the pandemic hit. During lockdowns, whole parts of the world's economies shifted onto digital platforms. Teleworking, remote learning, teleconferencing, online health services, e-commerce and digital payments really made the world go round in many regions in the first half of 2020.

Inclusive globalization was already a concern before the pandemic. There is now a unique opportunity to rebuild the international order together, in a way that leaves no one behind.

In the months and years to come, digital facilities will no longer be optional. Consumers, clients, business partners and workers will come to expect them as a matter of course. Yet the move towards digital technologies must be accompanied by technical assistance, skill building and infrastructure support to ensure that it is inclusionary and equitable.

Inclusive

As is often the case with crises, COVID-19 has put the spotlight on those who are economically disadvantaged, such as informal sector workers, migrants and people in microenterprises. Inclusiveness globalization was already a concern before the pandemic. There is now a unique opportunity to rebuild the international order together, in a way that leaves no one behind. It will be crucial to ensure that the recovery phase lifts all the boats to maintain popular support for open economies.

Sustainable

Climate change was ranked as the top global business risk in a 2019 survey of insurance industry experts. The high perceived likelihood and severe impact of climate-related risks have ranked them highest in the World Economic Forum's Global Risks Report.

There is no reason to believe that climate risks will abate once the health crisis ends. Sustainability will therefore continue to be important in the new global economy. Retrofitting for both COVID-19 sanitary requirements and environmental friendliness may be a wise move.

Trade governance for the new normal

Small businesses are reopening into a world that has been reshaped by the pandemic. They do not operate in a void: they operate in a business ecosystem that will influence whether they sink, or swim, in the new normal. The resilience of this ecosystem will greatly determine the future of trade flows and the role of small enterprises in international trade.

Supply chain governance for resilience

New governance approaches are necessary for supply chain resilience.

Given the importance of supply chains in international trade, their resilience will matter greatly for the future of trade. Lead firms often have a significant role in directing supply chains, making decisions about production practices, branding, sourcing and sales.

In many cases during the crisis, lead firms passed the risk burden along the supply chain to vulnerable SMEs in developing countries. As a result, the shock triggered job losses and bankruptcies in these economies.

Lead firms should redesign their approach to collaborating and splitting costs with small suppliers to ensure more equally shared value. The mutual trust that results encourages sharing of information and collective action to withstand challenges. Indeed, this ‘social capital’ in the supply chain can be crucial to transmit information and funds as necessary and to respond to crises.

Standards and regulations for the new normal

New standards and regulations will increasingly govern cross-border business – including travel and tourism – as it recovers. These fall into two categories.

The first category helps companies meet new market requirements. These include management system standards on quality, food safety, occupational health and safety, and social accountability, as well as specific product standards.

The second category concerns security, resilience and risk management, which includes business continuity management, emergency management, crisis management and supply chain security.

National standards bodies must actively engage the private sector as a means of providing solutions, support and advice on relevant standards available to small businesses. In addition, international organizations, in partnership with business support organizations, can provide technical assistance to small enterprises related to training and advisory services to implement these standards.

And most importantly, there should be closer collaboration and coordination among international organizations, business support organizations and regulatory bodies to synergize their efforts in assisting small businesses and ensuring a fair business environment.

Multilateralism reconfigured

Humanity today is faced not only with the COVID-19 pandemic, but with ground-shifting disruptions on the technological, environmental, trade and financial fronts as well. These challenges are so complex, global and interrelated that no government or intergovernmental organization will be able to solve them alone. The post-pandemic recovery period provides a unique opportunity for global cooperation to rebuild the international order, including in the field of international trade.

For the multilateral trading system this may imply embracing new concepts, new fields of work and new partnerships.

Factory shut-downs abroad affected small companies around the globe, with the demand and supply shocks crossing borders through disrupted supply chains. Resilient supply chains can transmit knowledge, provide stability and generate agility under a new normal. Proposals exist on how to link supply chain players to the multilateral trading system, for instance, by creating supply chain councils. Implementing some of these proposals could strengthen the multilateral trading system.

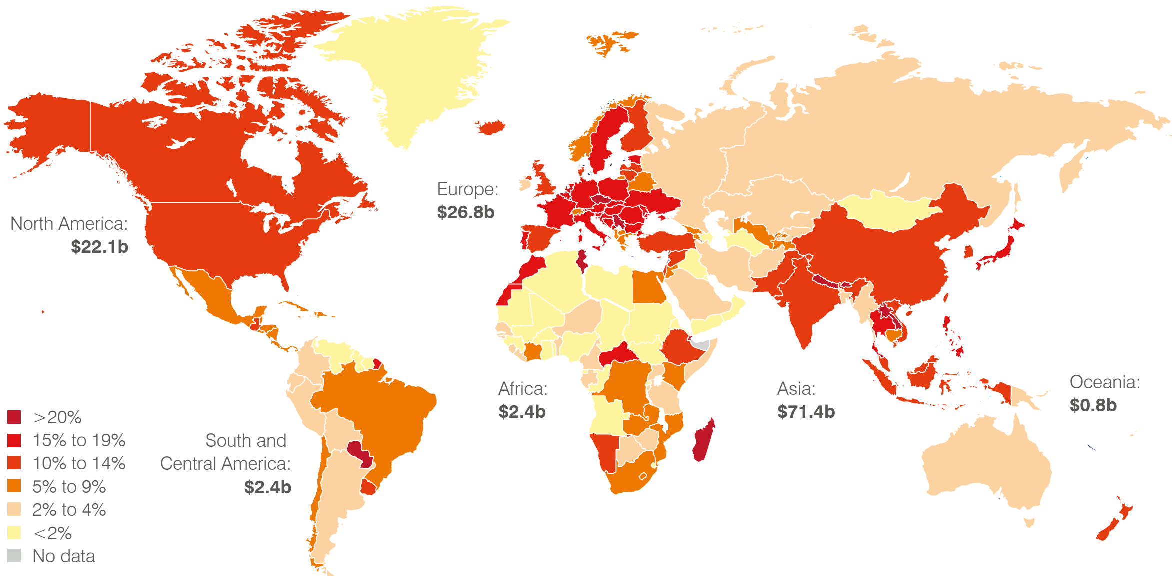
Future discussions at the multilateral level may focus more on the way logistics networks operate. This has already been reflected in G20 ministerial statements during the pandemic. Trade facilitation and customs will also be revised, to ensure that border agencies can safely undertake necessary controls regarding new standards and regulation while maintaining smooth border crossings.

The measures needed to support the real economy in this exceptional crisis will put government budgets under pressure in most countries, especially developing and emerging economies. Responses to these challenges require international collaboration, given that the stability of the financial system is at stake. Global finance is not governed by the multilateral trading system, but finance and the real economy are closely linked. Ignoring these interlinkages would put the multilateral trading system at risk. Dealing with them would strengthen it.

On this 75th anniversary of the United Nations and 25th of the World Trade Organization, it is timely to kickstart a process of international coordination for a whole-of-society approach to deal with the menace of COVID-19, as well as other threats on the horizon. Ensuring an open and predictable world trading system, including through reforms that enable the World Trade Organization to address current realities in international trade, will also be part of the solution.

In Figures

FIGURE 1 Slump forecast in exports of manufacturing inputs for supply chains

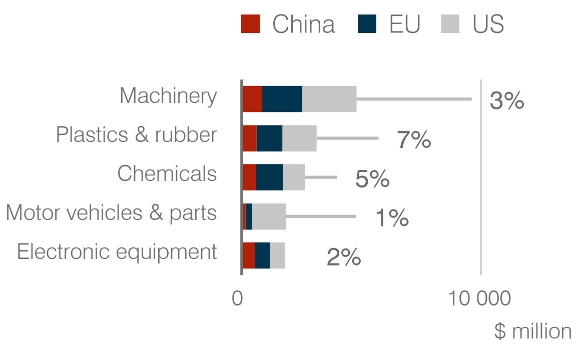


Note: Colours indicate the share of supply chain exports in the total exports of the country. The values indicate the predicted loss of manufacturing exports in 2020. The data for Europe exclude intra-EU trade. The software generating maps does not apply United Nations definitions of national borders.

Source: ITC.

FIGURE 2 Loss of industrial exports expected in 2020 due to supply chain disruptions

Most affected export sectors in the Americas



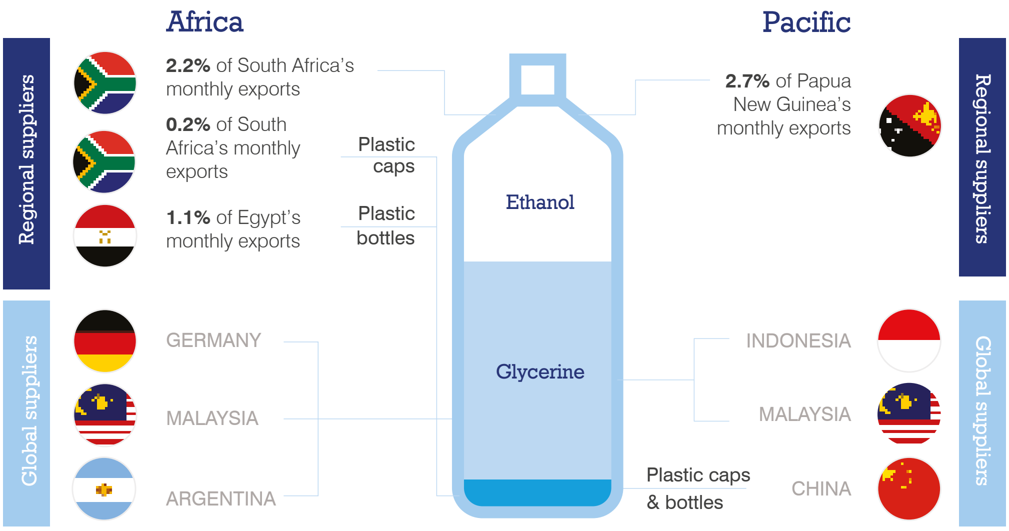
Notes: Values indicate the expected loss of export of inputs to China, the EU and the US in 2020. Percentages are the proportion that the loss accounts for in the total exports of the region. Projected supply chain disruption is calculated as the loss of imported inputs, assuming a two-month shutdown of all factories in China, the EU and the US, and taking into account the direct supply chain effect only.

Source: ITC Market Analysis Tools for trade statistics.

Selected examples from country profiles

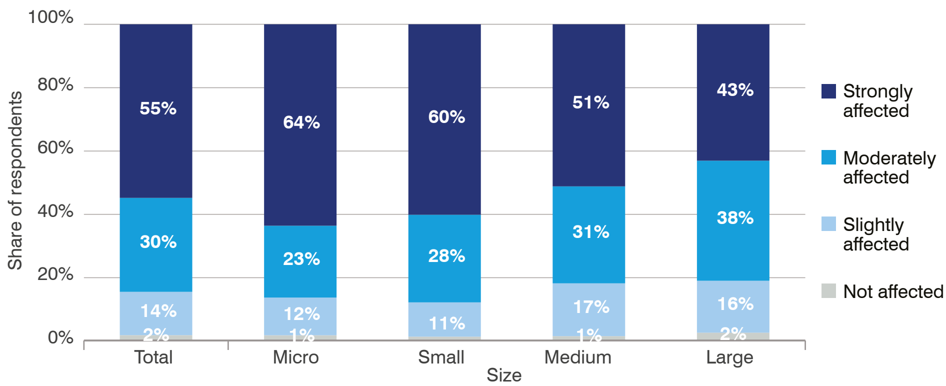
- In Argentina chemical exports to China, the EU and the US worth $21 million is likely to be lost in 2020. There are above-average numbers of SMEs and women workers in this supply chain.
- In Barbados exports of electronic equipment is projected to fall by at least 10% in 2020 due to the supply chain disruptions.
- In Brazil exports of ferrous metals to China, the EU and the US is projected to fall by $336 million in 2020. This sector is characterized by an above-average share of SMEs.
- In Mexico the loss of exports of machinery is expected to amount to $1.81 billion, and motor vehicles and parts to $936 million, mostly due to the temporarily ruptured supply chain links with the US.

FIGURE 3 Africa and the Pacific could rely on local supply for disinfectant inputs



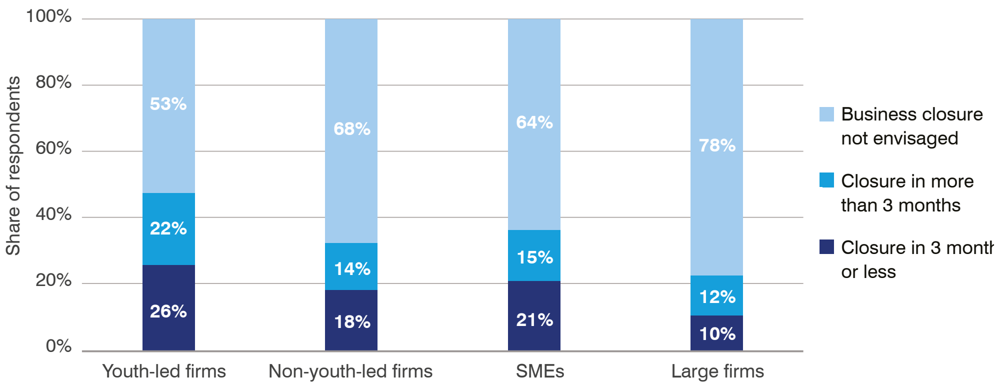
Note: Price estimate for ethanol — $0.63 a litre, for glycerine — $2.06 a litre.
Source: ITC.

FIGURE 4 Smaller companies see larger impact from COVID-19



Source: ITC calculations based on ITC COVID-19 Business Impact Survey. Data on 2170 businesses in 121 countries collected 21 April – 2 June 2020.

FIGURE 5 SMEs and youth-led firms are at higher risk of permanently shutting down in coming months



Source: ITC calculations based on ITC COVID-19 Business Impact Survey. Data on 2547 businesses in 127 countries collected 21 April – 2 June 2020.

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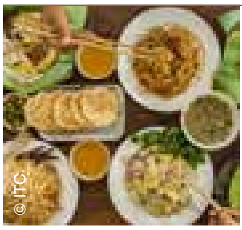

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