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Business Finland's second survey on the impact of the coronavirus outbreak on Finnish businesses – summary of answers, March 2020**Background**

Business Finland conducted a customer survey aimed at collecting information about the impact of the current coronavirus epidemic (COVID-19) on its customers' business between March 19th and 26th, 2020. The survey also sought to establish customers' needs and expectations in respect of what action Business Finland and other Team Finland organizations should take due to the epidemic. The survey was conducted in the form of an online questionnaire, which was based on another similar survey conducted at the beginning of February and sent to approximately three thousand individuals. A total of 656 individuals responded (299 in February), and the response rate was therefore 22% (10% in February). The target group comprised CEOs of organizations that subscribe to Business Finland's key account management model, country directors of international branches, export directors, sales directors, marketing directors and directors in charge of research and development projects funded by Business Finland. The target group was not chosen on the basis of organizations' geographic market or operating areas, and instead each respondent was asked about their operating area in the questionnaire.

Contents of the survey

As background information the respondents were asked about the size and type of their organization (company/other), primary industrial classification and their organization's operating and market areas (Finland, Nordic countries, European Union, Europe, Middle East, Africa, China, East Asia, Southeast Asia, South Asia (just Asia in February), North America, South America, Australia and Oceania). The impact of COVID-19 on business was analyzed by asking the respondents to estimate the effects of the outbreak on their organization's turnover, exports and employee numbers over the next six months (in February also on the international mobility of their staff, international growth and plans for international expansion as well as estimates of impacts beyond six months). The respondents were also asked to estimate whether the outbreak had restricted their international trade, limited the availability of supplies or components, caused logistic problems, reduced the number of orders, slowed or shut down production or damaged their financial position, whether the European epidemic had affected their other markets and how they intended to mitigate the risks arising from the outbreak. In addition, the respondents were asked to describe their needs and expectations in respect of what action Business Finland and other Team Finland organizations should take due to the epidemic.

Results of the survey

More than 80% of the respondents represented SMEs or micro-businesses, and just under 20% represented large corporations or mid-caps. This clearly reflects the high percentage of SMEs among Business Finland's customers. The three biggest primary industrial classifications among the respondents were manufacturing (39%), information and communication (23%) and

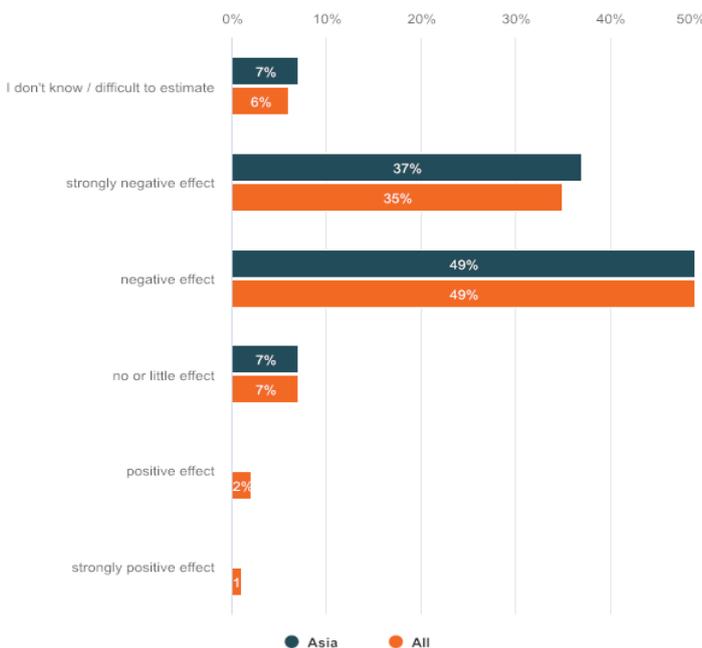
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professional, scientific and technical activities (7%). The respondent profile was very similar to that of the February survey. More than half of the respondents operate at least in Europe (71% in February), approximately half in Asia and less than half in North America (43%).

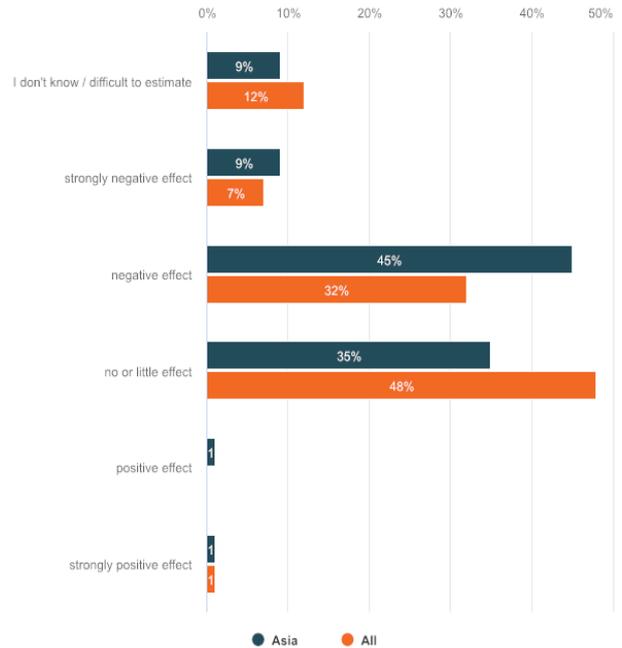
The comparison below illustrates how the respondents' estimates of the outbreak's impact on their turnover have grown considerably more gloomy in the space of just over one month: at the beginning of February, approximately half of the respondents still estimated the impact on their turnover to be very small, while in March, only 7% of the respondents still held on to this view, and 85% estimated that the impact would be negative or very negative. The differences between companies operating in Asia and all companies have also levelled out: the epidemic is now impacting on all market areas, when, in February, the clearest impacts were seen in Asia. The change in respect of exports is very similar.

How do you expect the corona virus outbreak to affect your turnover during the next six months?

March 2020 (n=655):



February 2020 (n=299):



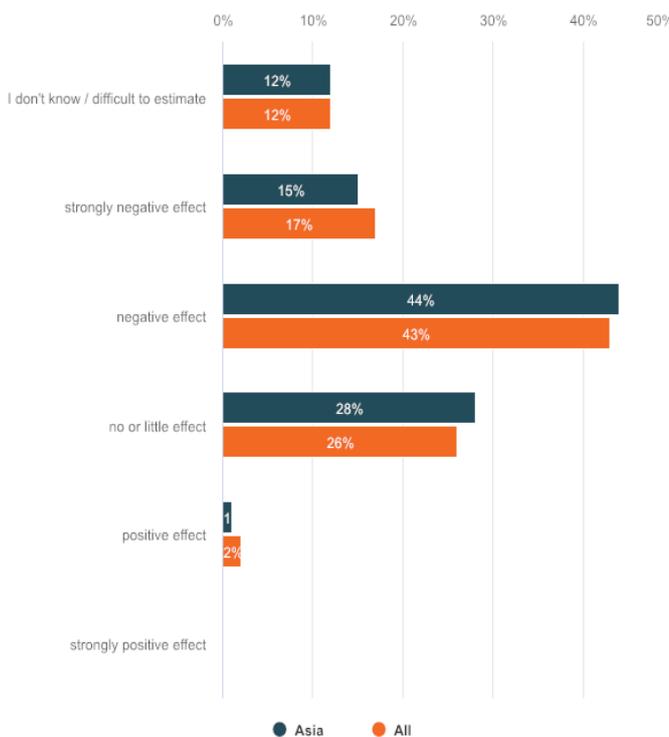
An examination of the impacts of the outbreak on the turnovers of businesses operating in different markets more generally also shows a levelling out of the impacts between different market areas compared to the February survey. In the March survey, slightly more severe impacts were indicated for businesses that operate in Africa, the Middle East or South America than for others. This is likely to be due to restrictions on international trade and logistic problems caused by the outbreak, even though these areas are not yet as severely affected by the epidemic as, for example, Asia, Europe and North America.

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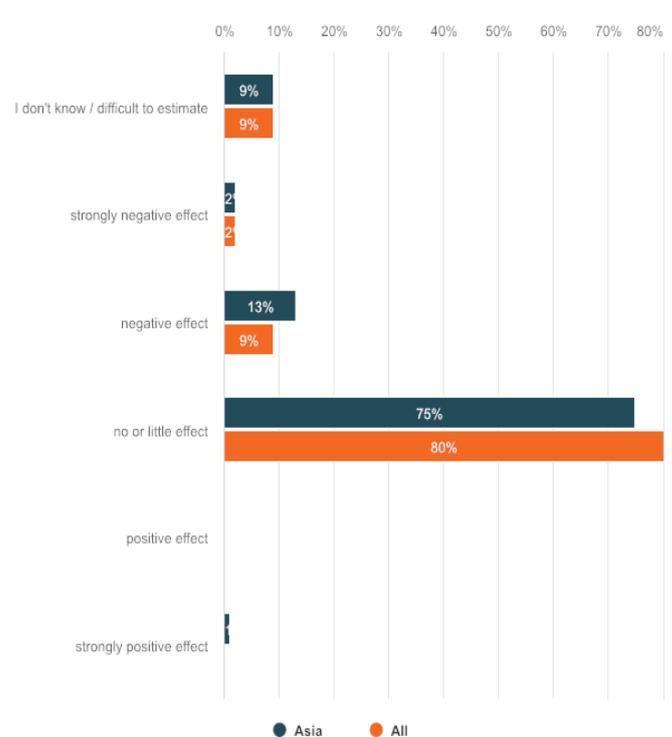
An even more dramatic change can be seen in the respondents' estimates of the impact of the epidemic on employee numbers. In February, approximately 80% of the respondents estimated that there would be no impact or that the impact would be very small. In March, 60% of the respondents estimated the impacts to be negative or very negative.

How do you expect the corona virus outbreak to affect your number of employees during the next six months?

March 2020 (n=655):



February 2020 (n=297):



The percentage of respondents who expect to encounter new restrictions on international trade has risen from 28% in February to 65%, and only one in ten respondent now foresee no issues of this kind, when, in February, this view was shared by approximately half of all respondents.

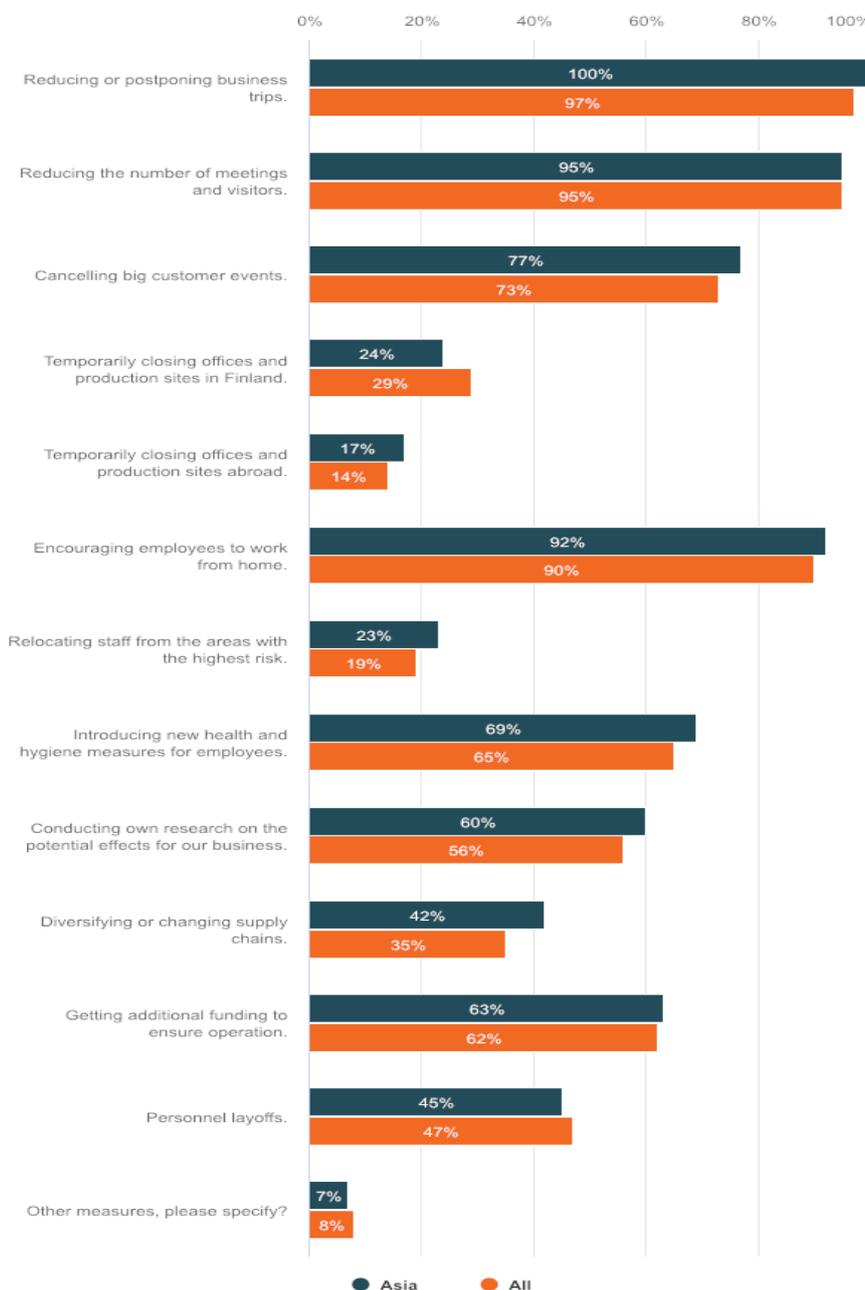
The situation has also deteriorated in respect of shortages in supplies and components: 43% of the respondents agreed or strongly agreed with this statement, when the figure was 23% in February. The percentage of respondents who foresee logistic problems has risen from 26% in February to 58%.

Almost 80% of the respondents expect the outbreak to reduce the number of orders, when less than 20% of the respondents in the February survey agreed or strongly agreed with this statement.

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Approximately 66% of the respondents estimated that the outbreak is likely to slow or shut down production, and approximately 80% of the respondents expect the outbreak to damage their organization’s financial position. More than half of the respondents also foresee the European epidemic having a negative impact on their other markets as well, especially North America.

Below is a summary of measures that businesses have taken or intend to take in order to mitigate the risks and adverse effects of the epidemic (n=656):



Almost two thirds of the respondents are seeking additional funding to secure the continuity of their business, and almost half of the respondents have laid off or intend to lay off staff. Other

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measures mentioned included flexible wage payment arrangements made with employees, cuts to office and other costs, investment in product development, major restructuring of business models, digitalization of services, redundancies and closing down altogether.

Respondents' suggestions of action to be taken

Business Finland has already introduced a number of measures to mitigate the impact of the coronavirus outbreak (see

<https://www.businessfinland.fi/en/for-finnish-customers/coronavirus/>).

Based on the survey, at least the following further measures would be welcome:

- Repayment holidays for product development loans over the coming months – these often involve several different lenders, and coordination is vital; longer repayment terms would also be appreciated.
- A percentage-based government contribution to wages (such as in Sweden and Denmark)
- An increase in R&D&I funding: some businesses want to invest in product development now and get ready to strike when the epidemic is over
- A temporary abolition of de-minimis restrictions
- “The availability of funding for business development in disruptive circumstances is a wonderful thing, and the application process is superfast. It has made a real difference!”