Understanding the Impact of COVID-19 on SMEs in South Africa: Part 2

Sasfin and sme.africa released a second survey during August 2020 to collect more information about the impact that COVID-19 has had on SMEs in South Africa.

The distribution of business owners across the various provinces and sectors remained comparable between those who participated in the first and second survey.

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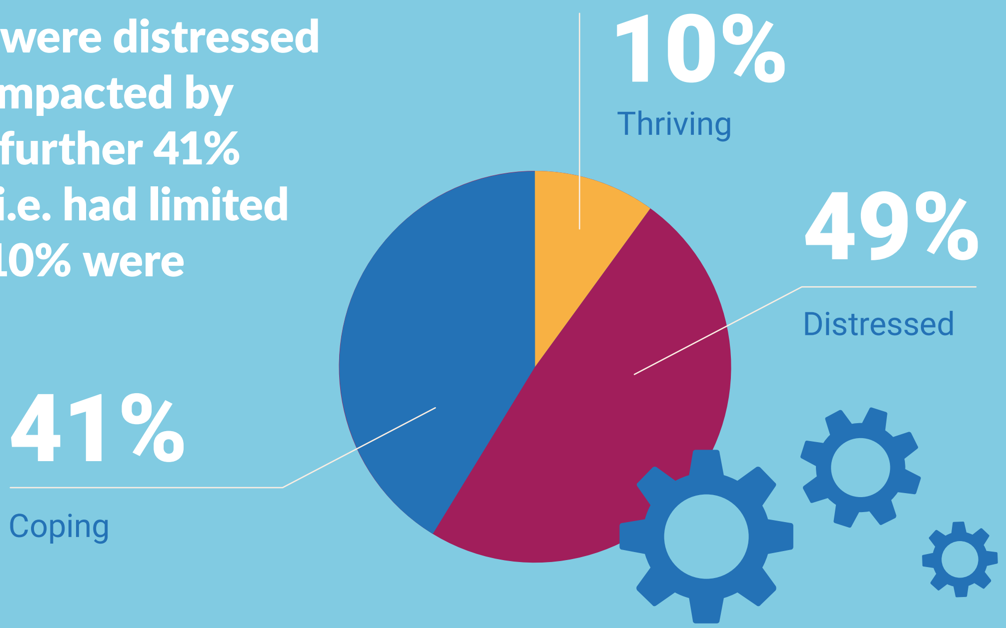
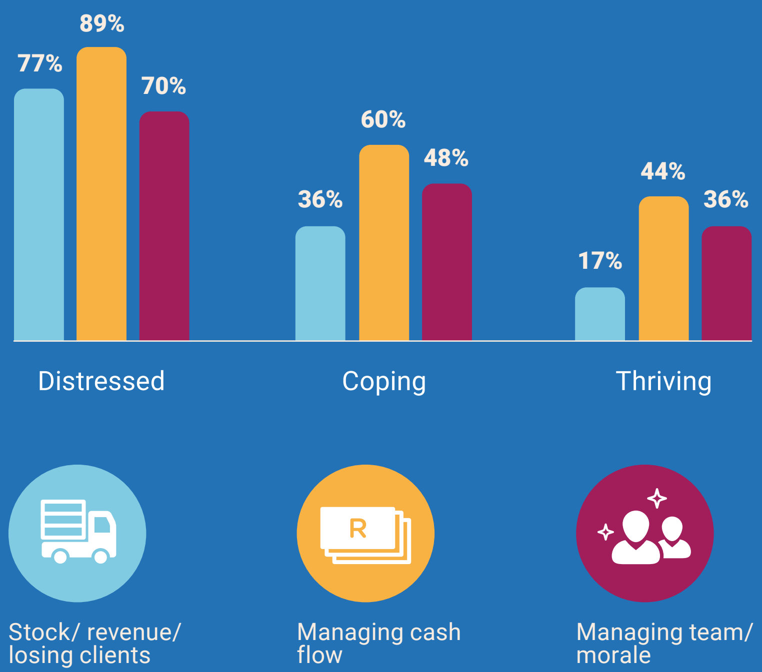
Almost half of the SME respondents were distressed i.e. severely impacted by COVID-19, a further 41% were coping i.e. had limited impact, and 10% were thriving.



SME respondents in all impact categories faced substantial challenges in revenue, cash flow and morale.

Managing cash flow was the most serious challenge observed for SMEs in all the impact categories.



The annual turnover of just over half the SME respondents was less than R1m, with a further 26% between R1m and R5m.

54% R0 - R1m

26% R1m - R5m

8% R5m - R10m

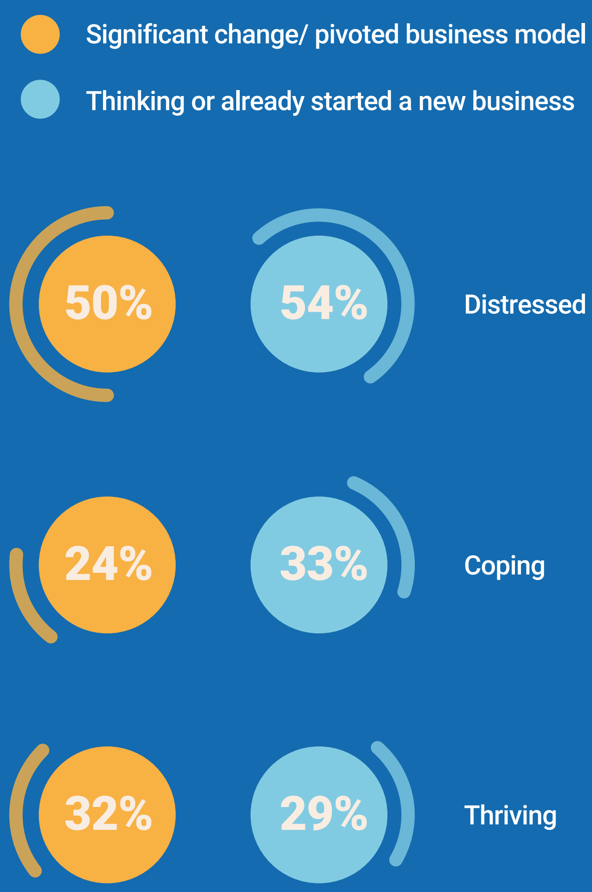
6% R10m - R30m

6% R30m+

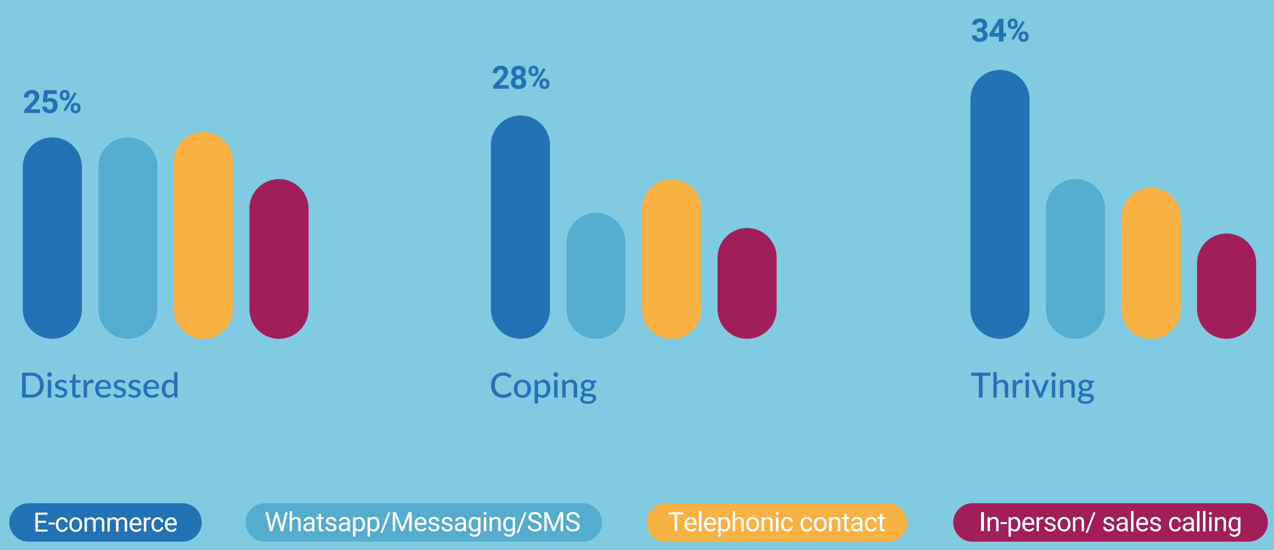
A small majority (54%) of respondents in the distressed category at least considered, or started, an entirely new business compared to 29% in the thriving group.

Furthermore, half the respondents in the distressed category had significantly changed or pivoted their business model, compared to a third of thriving SMEs. These percentages were lower in the other SME groups.

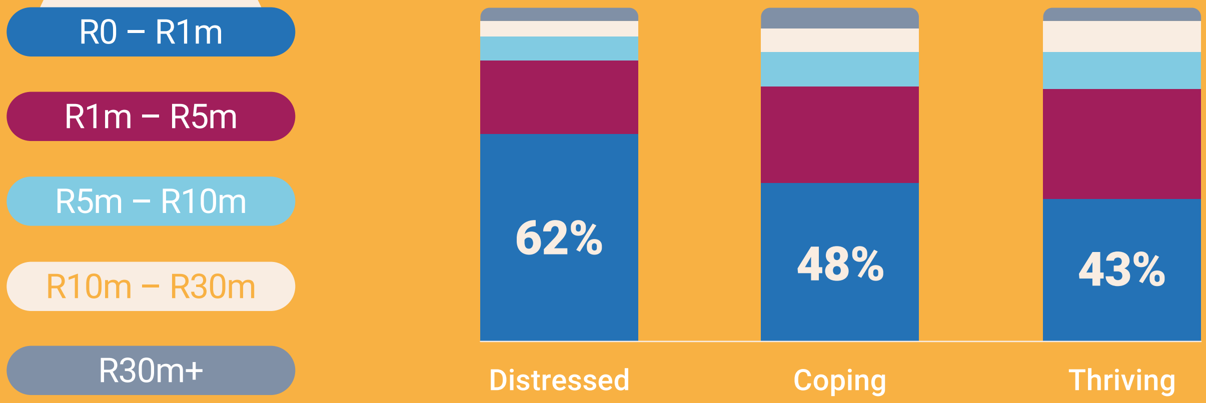
Even about 30% of the thriving businesses had experienced or contemplated significant change.



Compared to respondents with thriving SMEs, distressed respondents tended to rely slightly less on E-commerce and slightly more on messaging, telephonic and in-person channels.



Representation of the under R1m annual income category was disproportionately highest in the distressed SME category. This income category was most vulnerable to the effects of the lockdown.



Respondents' confidence in both their businesses and business sector/ industry was correlated with the performance of their businesses since the lockdown. Their business confidence was mainly greater than their confidence in their sector/ industry.

Confidence in the global economy was lower for respondents in all SME impact categories, with 38%-43% of respondents confident, and even lower for South Africa as a whole (20%-22%).

Global economy

38% Distressed
43% Coping
38% Thriving

My industry

43% Distressed
68% Coping
79% Thriving

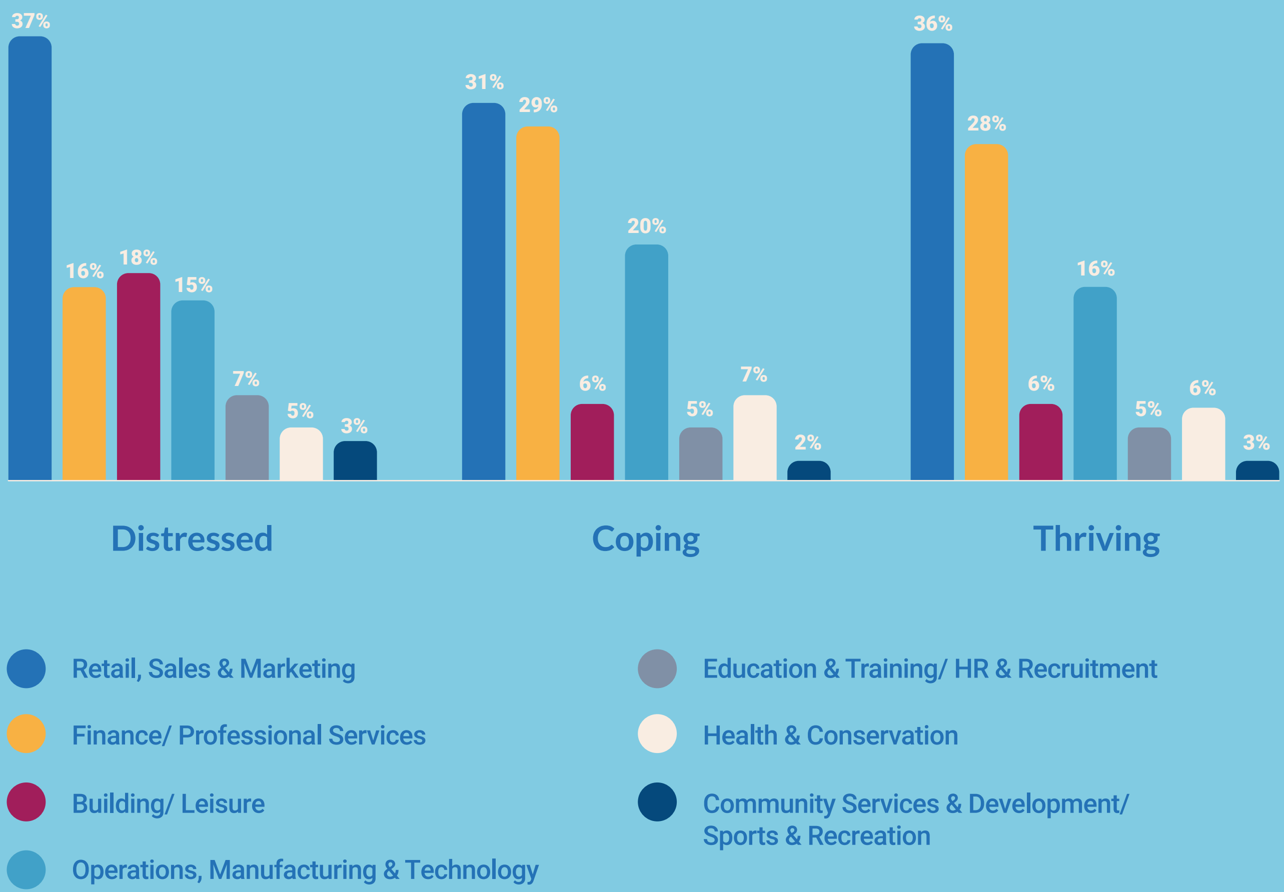
SA as a whole

20% Distressed
22% Coping
22% Thriving

My business

44% Distressed
77% Coping
90% Thriving

The people-oriented sectors, building and leisure, were relatively over-represented in severely impacted SMEs. By contrast, the finance/professional services sector was relatively over-represented in both coping and thriving SMEs.



Survey Sample Size

Survey 1 — March 2020

Number of participants:	1 491
Annual turnover below R5m:	71%
10 employees or less:	76%

Survey 2 — August 2020

Number of participants:	1 735
Annual turnover below R5m:	80%
10 employees or less:	83%

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