



Press Release
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Polish Enterprises Resist the Crisis, Protect Jobs and Go Digital

Polish enterprises from different business sectors have been affected by the lockdown restrictions and the general drop in demand. According to the *COVID-19 Business Pulse Survey for Poland*, completed by the World Bank and the Polish Agency for Enterprise Development (PAED), 69 percent of the population of Polish micro, small and medium enterprises have lately reported a drop in sales. Despite those headwinds, the enterprises have not given up, and they have focused on the solutions that can help them weather the crisis. To date, two-thirds of the enterprises have benefited from public support schemes. In addition, the application of digital tools for business processes has been introduced or intensified by 32 percent of the enterprises. Only 4 percent of the enterprises declared that they were forced to lay off personnel.

The World Bank's *Business Pulse Survey* is conducted in more than 30 countries worldwide. It has been adapted to the context of Poland in partnership with the Polish Agency for Enterprise Development (PAED). The aim of the study is to better understand the impact of the COVID-19 pandemic on companies in Poland and, consequently, to provide insights that will inform the design of effective business support instruments.

The study involves micro, small and medium enterprises from manufacturing, trade and service sectors. Survey questions have been focused on the period from the introduction of the lockdown and its gradual loosening in May to an almost fully open economy in the second half of June.

“The COVID-19 pandemic has been an unprecedented shock for the economy, globally and in Poland, so it is important to monitor business sentiment closely. As we have found in our study, in spite of the heavy blow, Polish enterprises have not given up and they proactively look for solutions that can help them weather the storm. Importantly, for many enterprises layoffs are a last resort only,” **said Łukasz Marć, economist at the World Bank and team leader for the Polish survey.**

Keeping the jobs

The economic downturn, coupled with negative consumer sentiment, has been reflected in the financial performance of enterprises. During a 30-day period directly preceding the survey, more

than two-thirds of the enterprises (69 percent) reported a drop in the sales compared to the same period a year ago. For about a quarter of companies (23 percent), the sales did not change, and less than 10 percent of companies saw their sales increase. The revenue dropped by 30 percent, on average.

Despite the unfavorable financial situation, Polish enterprises did not introduce mass layoffs. Instead, they turned to other strategies to improve the bottom line. The most common adjustment involved a reduction in the number of working hours (12 percent of the enterprises) and paid leave for employees (12 percent). Not more than 7 percent of enterprises had to reduce salaries, and only 4 percent decided to introduce staff cutbacks.

The next few months will decide

When asked about their expectations for the next few months, the enterprises projected that over the next three months they would experience a sales decline by 11 percent, on average, YoY. In a pessimistic scenario, a 30 percent drop was expected, in a neutral one a drop by 2 percent. According to the optimistic outlook, there would be a rebound at 13 percent, possibly.

More than two-thirds of the enterprises (69 percent) declared that they had the capacity to continue operations beyond 2020, despite the unfavorable economic circumstances. Statistically, one out of five respondents (22 percent) declared that, given the economic circumstances, they could survive for no longer than three months.

“Thanks to the COVID-19 Business Pulse Survey, we have a good understanding of the issues that the SMEs have been struggling with. The trade and service sectors seem to have adapted to the situation quite quickly, whereas industrial companies turned out to be more hesitant to use digital solutions and made adjustments less frequently. In addition, the enterprises do not anticipate meaningful improvements of their situation over the next few months, and they still need help. That is an important insight for the design of new support instruments”, says **Paulina Zadura**, the Director in the Analysis and Strategy Department at the Polish Agency for Enterprise Development.

Going digital for business development

In response to the pandemic, the use of the Internet, social media, specialized applications or digital platforms was initiated or intensified by 32 percent of enterprises to help them continue business operations.

The respondents who decided to adapt to the circumstances in this way declared that their main motivation was to improve the following functions: sales (45 percent of the respondents who went digital), marketing (38 percent) and management (24 percent). Every fifth enterprise decided to digitize in order to customize its product or service offer. A slightly lower share (18 percent) invested in new equipment or software to better respond to the new situation.



Overall, 12 percent of the total sales in enterprises was generated via external digital platforms, applications or company websites. Small and medium-sized enterprises chose to go digital much more often than micro enterprises.

Public aid always appreciated

A business model shift is not the only strategy pursued by Polish entrepreneurs in recent months. Two-thirds of the enterprises have already received public funds offered under support measures. Another 10 percent or so have been awaiting the final decision on their application, and less than 15 percent declared that they were not eligible for public support at the time of the survey.

In the opinion of the enterprises, a reduction or waiver of social security contributions was the most desirable solution (73 percent). Among the enterprises which have already received public aid, 61 percent benefitted from this business support measure. Every second beneficiary (56 percent) received a cash transfer, e.g. a subsidy from the Polish Development Fund or a forgivable loan. This support measure was demanded by every second respondent. Every ninth company using public aid was the beneficiary of funding support for wage subsidies.

The need for access to new credit was articulated more frequently by small and medium-sized enterprises, as compared to micro enterprises. The enterprises operating on the market for more than four years, as compared to young companies, were much more likely to opt for tax deferrals and credit as a preferred support measure.

About the study:

The study was carried out between 25 May and 1 July 2020, using CAWI and CATI methods. A total of 1394 enterprises took part in the study: 1005 enterprises were interviewed in a telephone survey (CATI) and 389 enterprises were interviewed via an online survey (CAWI). The research sample included micro, small and medium-sized companies from the manufacturing, trade and services sectors. The survey did not include large enterprises (i.e. those with more than 249 employees) or the agricultural sector.