

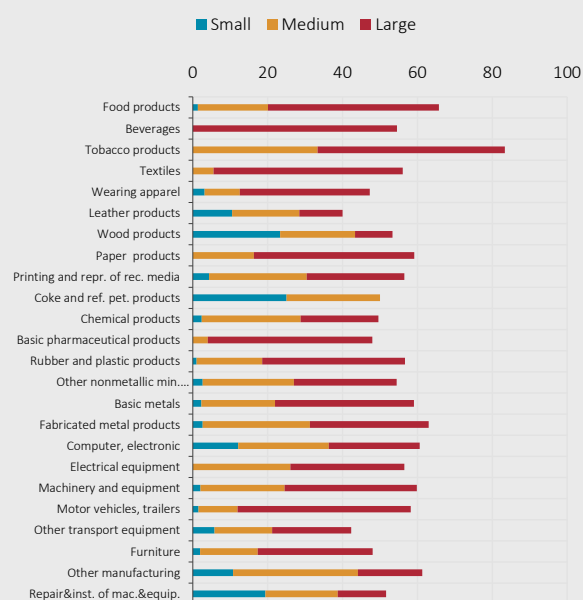
## Box 4.2

### Survey of the Effects of the Pandemic on the Real Sector

To learn how senior managers view the effects of the pandemic on production, level of employment, costs and selling prices as well as the policy measures that can be taken in response to the problems the pandemic created for manufacturing industry, the Central Bank of the Republic of Turkey conducted the “Survey of the Effects of the Pandemic on the Real Sector” with firms in the Business Tendency Survey (BTS) between 31 March and 7 April.

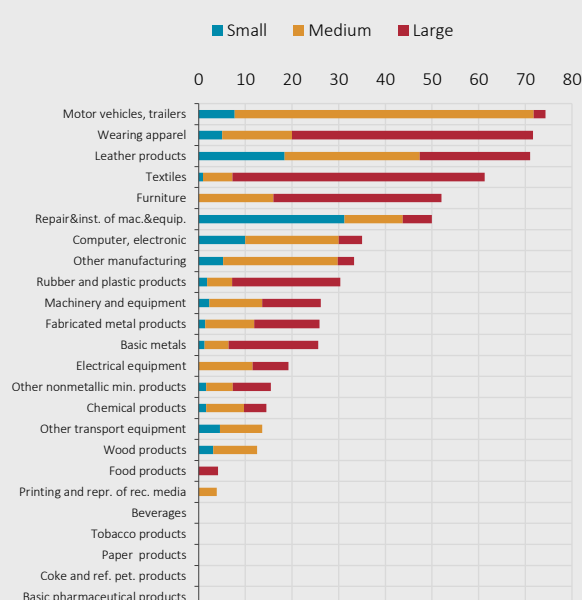
A total of 1,249 firms responded to the survey, and the response rate was 56.3%. Chart 1 presents the response rates by sector and scale. Among the surveyed firms, 6.6% are small-sized (with less than 50 employees), 35.2% are medium-sized (with more than 50, less than 250 employees), and 58.2% are large-sized (with more than 250 employees) enterprises.

**Chart 1: Response Rate to the Survey by Sector and Scale (%)**



Source: CBRT.

**Chart 2: Percentage of Firms That Suspended Their Operation by Sector and Scale (%)**



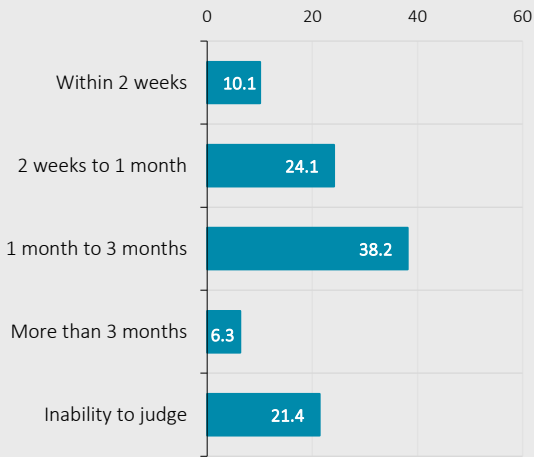
Source: CBRT.

The survey results show that 71.2% of firms continued their operation while 28.8% suspended their operation during the pandemic. The operation status by sectors shows that more than 50% of firms in the textile, clothing, leather, vehicle and furniture sectors stopped operations, which is high compared to other sectors (Chart 2). When we look at the operation status by scale, we see that the firms that stopped operations constitute 36.4%, 25.1% and 30.5% of small, medium and large-sized firms, respectively.

As for business recovery, nearly 21.4% of the firms could not foresee a certain period of time for recovery while the expected time for the remaining firms concentrated on one month to three months (Chart 3).

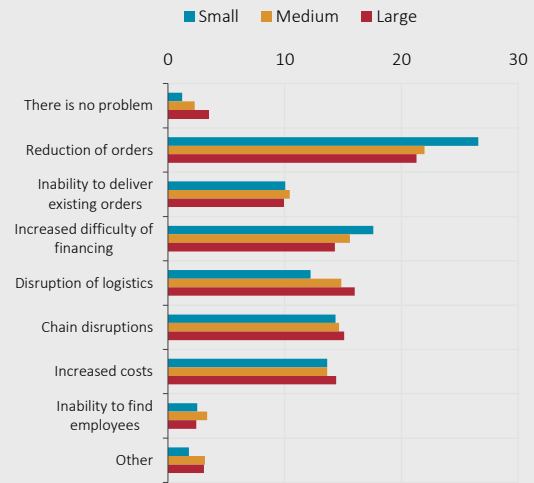
The reduction in orders has been reported as the most important problem caused by the pandemic (Chart 4). Increased difficulty of financing, logistics disruptions, supply chain disruptions, and increased costs are among other problems driven by the pandemic. When the problems faced by firms are compared by scale, it is observed that the reduction in orders and increased difficulty of financing are more evident problems for small-sized firms. The percentage of firms that indicate the disruption of logistics as a business problem are higher in large-sized firms.

Chart 3: Expected Time for Business Recovery (%)



Source: CBRT.

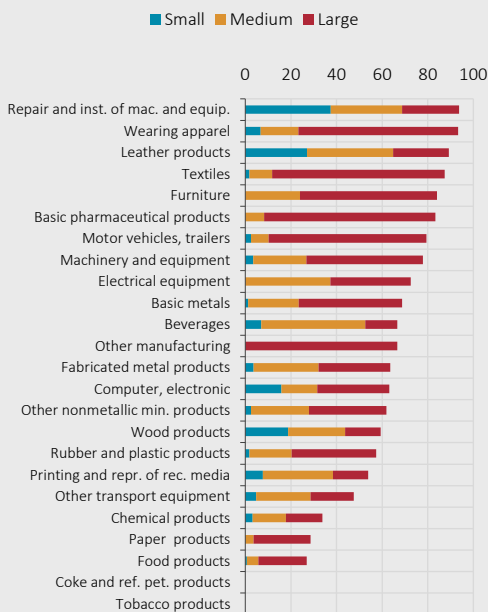
Chart 4: Business Problems Due to the Pandemic (%)



Source: CBRT.

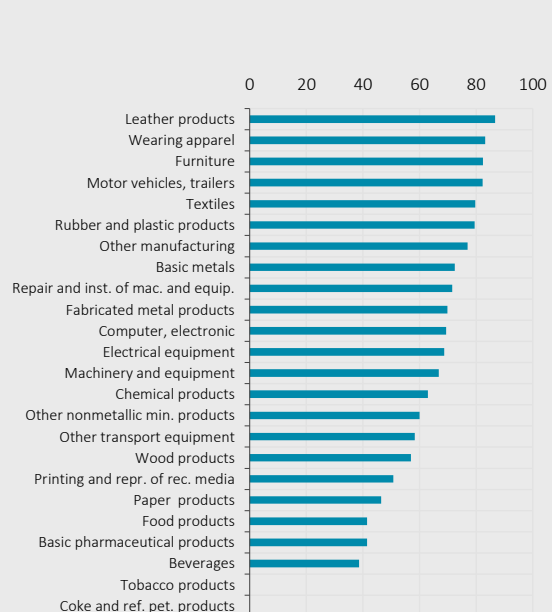
As of early April, the effects of the slowdown in production activities on the employment trend were relatively limited. The rate of layoffs was limited to 1.5%, while the average percentage of those planning layoffs was 9.1%. It is seen that 63.4% of the firms considered using the short-time working allowance, and these firms stated that they would use this facility for 70.5% of their employees on average (Charts 5 and 6).

Chart 5: Percentage of Firms That Consider Using Short-time Working Allowance by Sector and Scale (%)



Source: CBRT.

Chart 6: Percentage of Employees That the Firms Plan to Use Short-time Working Allowance for by Sector (%)

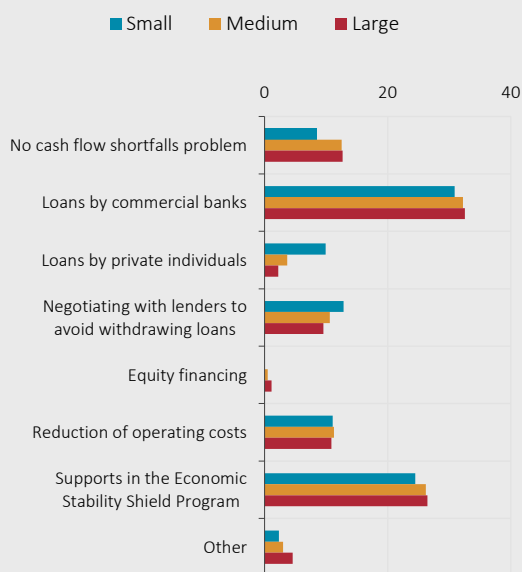


Source: CBRT.

It is noted that large-sized firms plan to use the short-term working allowance at a higher rate than others. The tendency to use the short-time working allowance in the food, paper products, and chemical products sectors, whose activities were relatively less affected, remained low compared to others.

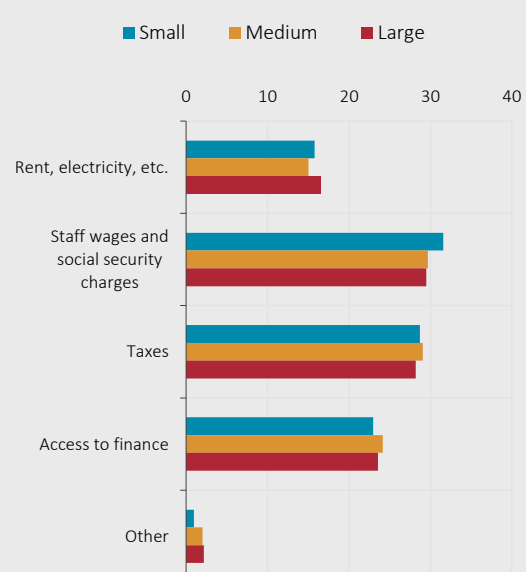
Firms specified commercial bank credits as the most important tool to deal with cash flow shortages (Chart 7). Benefiting from the support announced under the Economic Stability Shield program stands as the second important tool. On the other hand, it has been observed that small firms made more use of the options of obtaining loans from individuals and negotiating with lenders to avoid withdrawing loans, compared to others. When asked about their opinion on which policies would prove more effective to maintain the pre-pandemic employment level, the respondents mentioned “personnel expenses”, “taxes” and “access to finance” as the most important (Chart 8).

**Chart 7: Main Tools Used to Cope with Cash Flow Shortages (%)**



Source: CBRT.

**Chart 8: Which Policies would be More Effective to Maintain the Pre-pandemic Employment Level (%)**



Source: CBRT.

To conclude, the thematic survey applied to the firms in the manufacturing industry in early April provided significant information by sector and scale to identify the effects of the pandemic on the real sector in a timely manner and to design appropriate policies. Accordingly, the survey has formed a basis for the comprehensive measures taken to secure interrupted flow of credits to the real sector and broadly support firms with a view to limiting the adverse effects of the pandemic on the Turkish economy.