

Coronavirus IV: Business reaction to the crisis and occupational risk

May 14, 2020

Executive Summary

1. 77,000 companies and 279,000 employees went back to work during the last month as the lockdown was gradually eased.

2. Consequently, total MSME -micro, small and medium enterprises- daily loss shrunk from US\$ 115 million to US\$ 82 million.

3. Even so in mid-May 40% of construction companies were still shut down as were 30% of manufacturing firms, particularly in the Metropolitan Area of Buenos Aires where a total of 600,000 employees are still not working.

4. The Emergency Assistance to Production and Work Program (ATP, by its Spanish initials) was diligently renewed for the month of May to counteract the following situation:

- intended permanent closure increased by 2% (from 6% to 8%) putting at risk another 26,000 companies and 73,000 employees;
- hence, a total of 61,000 companies and 263,000 employees risk permanent closure;
- inactive companies are at an 18% closure risk and in North Western Argentina that risk is as high as 20%;
- only 20% of non-operational companies will be able to face over 60% of their operating costs and other obligations in May.

5. Public financial assistance programs were successful. 60% of MSMEs took part in ATP Program and 42% were granted soft bank loans.

6. However, as there were hardly any sales, 80% of MSMEs turned to their own liquid assets and 35% negotiated agreements to reduce wages through suspensions and fewer working hours.

7. Negotiations between workers and MSMEs swiftly proved to be dynamic. 52% of the companies that shut down have agreements to reduce the impact of the crisis on the firms and at least another 15% are expected to have them in May; some operative companies have them as well.

8. An orderly exit out of lockdown will reduce daily losses and eventually boost aggregate demand as the economy gradually slips into the “new normal”.