



وكالة تنمية المنشآت الصغيرة و الأَصغر
Small&MicroEnterprisePromotionService
التابعة للصندوق الاجتماعي للتنمية

May 2015

Business Climate Survey



INTRODUCTION

The Small Micro Enterprise Promotion Service (SMEPS) is a subsidiary for the Social Fund for Development (SFD) in Yemen. SMEPS mandate is to support private sector development and does this through facilitating business development services, value chain development, and entrepreneurship projects. As such, SMEPS is in touch with thousands of business owners across the country.

The SMEPS Business Climate Survey is a monthly assessment that offers a ‘snapshot’ of business owners’ sentiments towards the business climate and focuses on small, medium to large enterprises. The survey also includes enterprises sectors such as wholesalers and retailers and the manufacturing and service sectors.

SUMMARY

The May 2015 survey focused on problems like lack of fuel, electricity and their effect on work production and working hours. This survey also noted on the loss incurred by enterprises and the effect of that on reducing staff and salaries.

The survey takes into consideration the difficulty in finding the dollar and its increasing price in the market. The survey also traces the development of the business climate in Yemen since last year and compares that with today. Lastly, we wanted to know in this survey if the owners of enterprises have a message to the state or not. If yes, what’s the message they would like to send.

BUSINESS CLIMATE AT THE EDGE OF A CLIFF

The results reveal that 93% enterprises’ owners see that the business climate is bad and that only 3% find the situation better than that of last year. This is a very small percentage; it decreased 1% from last month (April) which was 4%. Moreover, only 4% of the enterprises did not notice any change to the business climate.

By sector, 100% of the manufacturing enterprises find the business climate worse than before, with 94% for the service enterprises and 92% for the wholesale and retail agreeing on that. This shows that the business climate in manufacturing enterprises in Yemen has reached its worst condition. The owners of the manufacturing enterprises see that the main reason is acute shortage of fuel and the instable situation in the country. The wholesalers and retailers see that the main reason is the war and the current crisis in the country. The service sector sees that the reasons behind the bad business climate are lack of electricity and fuel and the customers’ weak purchasing power. This has led to the closure of some service enterprises in Yemen.

The survey indicates that the business climate has deteriorated by 100% the most dangerous areas like Aden and Taiz while 93% business owners in less dangerous like Sana’a, Hodeida and Hadramout saying the business climate is poor.

Will the economy collapse or recover?



The future of the business climate ... BLACK CLOUDS

Considering the expectations regarding the business climate future in Yemen, we found that 43% of the enterprises do not know what how the future of their business in the current circumstances will look like. This percentage has increased from last month (April) by 18% as it was 25%. In this month, the percentage of those expecting a bad future for their businesses is 36%, this percentage has decreased by 27% since the previous month (April) as it was 63%. Only 15% are optimistic about their future. This percentage has increased since last month when it was only 10%. At least 6% of the enterprises expect that the future will not differ from today.

79% businessmen said they may decrease their business activities, leave the country or stop their businesses. If this truly happened, imbalance will occur to the national economy.

War increases unemployment rate... and more than 60% Losses

Due to the current situation, 92% of the enterprises incurred losses at 61% loss rate. Only 8% did not incur losses and those are the wholesalers, retailers and the service sector businessmen. This means that the manufacturing sector is the most affected with 64% losses incurred in all the manufacturing business. 92% of the service sector enterprises incurred losses estimated at 67%.

92% of the wholesalers and retailers incurred losses that were estimated at 53%.

By size, 81% of large enterprises have incurred losses, followed by small enterprises with 92%, and 100% for the medium enterprises, that were surveyed incurred losses. Losses were estimated in large enterprises at about 52%; small enterprises at 51% and medium enterprises at 61%.

By location, 92% of enterprises in less dangerous areas incurred 60% losses while 100% of the enterprises located in more dangerous areas like Aden and Taiz incurred 73% losses. Because of the current situation, we found that some establishments' owners were forced to either lay off staff, reduce staff salaries or both. 59% of the enterprises did lay off 48% of its employees. 51% of the establishments that reduced its staff, also reduced the salaries of the remaining employees by 56%.



Lack of oil derivatives and electricity will destroy the economy

One of the questions included in the survey was “Did the shortage of power and oil derivatives affect your business production?” 98% of the answers were “Yes” with 69% decrease in production for the affected enterprises.

By sector, 97% of wholesale and retail enterprises were affected by the shortage of electricity and oil derivatives with an activity drop of 63%. This was the less affected sector followed by the service sector with 99 % of the business decreased by about 72%. Finally, 99% of the manufacturing enterprises production has dropped by 81%. This indicates that the manufacturing sector is the most affected with the crisis followed by the service sector as they depend solely on oil derivatives.

98% of the enterprises located in less secure areas were affected by the lack of oil derivatives, while the enterprises that were located in the most dangerous areas were 100% affected by the lack of fuel. The production rate of businesses in unsecure areas dropped to 67% while it dropped to 76% in the most dangerous areas.

There are other effects for the lack of electricity and fuel. Almost 22% of the enterprises were closed permanently and 5% closed temporarily, 32% enterprises are working half time and 38% of the enterprises are working irregularly. only 3% of the enterprises are working full time.

The fuel shortage impact on the agricultural sector has not been measured in this survey. The agricultural economy requires the availability of oil products and electricity in order to pump water and complete the agricultural processes. Preserving the agriculture products cannot be done without electricity. Electricity and fuel are the backbone of the agricultural economy.

The dollar has become a rare currency in Yemen

Today, the US dollar has become a rare currency in Yemen. 84% of the enterprises in Yemen deal in dollars. They are all finding difficulty finding it with the price of one dollar in the market has increased to 226 Yemeni Rial. Even though the price for one dollar has increased, businessmen say they still cannot find it. The remaining 16% of the enterprises said they are not finding a difficulty running their business in the local currency as they have never used the dollar before in their business transmissions.



A message to the state?

Finally, the following question was asked: “Is there a message you would like to send to the state?”

56% answered yes, while 44% answered no. 66% of those who answered yes were the owners of medium enterprises, 56% were the owners of small enterprises and 41% of the large enterprises. The messages of the medium enterprises were “Fear God, impose security and stability, think wisely and stop the war”. The small enterprises messages were “fear God, impose security and stability, stop the war, work for the favor of people and provide fuel.” The large enterprises messages were “think wisely, impose the law, open channels for importation, and provide fuel”. All messages demanded stability and security.

Those who said they do not have a message, said that there is no state to send any message to. This indicates that there is a political vacuum that should be filled and controlled. In the short run, the private sector should be notified of any upcoming interventions to be implemented. The state should consider the private sector the corner stone for in the process of the relieving and the re-building

MONITRING AND EVALOATION TEAM

SMEPS



MAY 2015 SMEPS YEMEN BUSINESS CLIMATE SURVEY

(YEMEN BUSINESS CLIMATE HITS HISTORIC LOW)

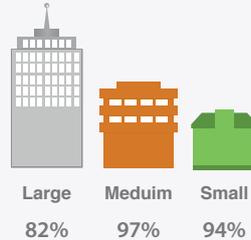
(1)

BUSINESS CLIMATE AT THE EDGE OF A CLIFF



93% of enterprises owners think that the business climate is worse than that of last year

Company size



Regions



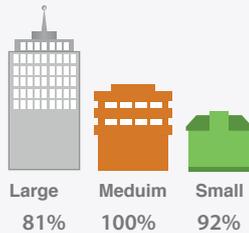
War increases unemployment rate... and more than 60% losses

The enterprises that incurred losses due to the current situation

Regions



Company size



Sector



We find that the business climate in the manufacturing enterprises is worse than the other sectors

THE FUTURE OF THE BUSINESS CLIMATE ... BLACK CLOUDS

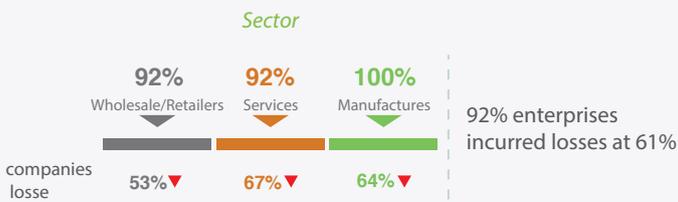
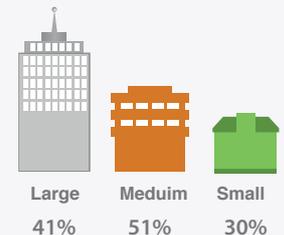
43% enterprises' owners do not know their business future

ANTICIPATION FOR THE COMING SIX MONTHS

Regions

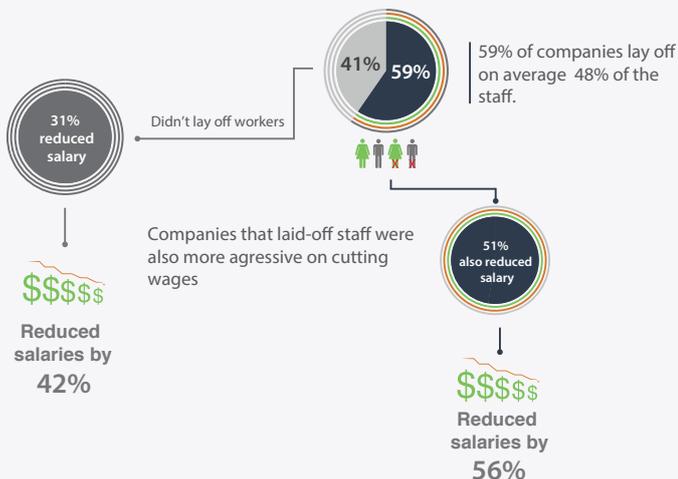


Company size



92% enterprises incurred losses at 61%

Huge losses result in massive lay-offs & more than 50% cuts in salaries



MAY 2015 SMEPS YEMEN BUSINESS CLIMATE SURVEY

(YEMEN BUSINESS CLIMATE HITS HISTORIC LOW)

(2)

THE DOLLAR HAS BECOME A RARE CURRENCY IN YEMEN

226 RY
(price of the dollar in the Yemeni Rial)



Enterprises finding difficulties obtaining the dollar

Regions

Sector



Less secure areas
64%



More dangerous areas
86%



LACK OF OIL DERIVATIVES AND ELECTRICITY WILL DESTROY THE ECONOMY



98% enterprises were affected by the lack of oil derivatives and power that the production dropped by 69%

Enterprises production affected by lack of oil derivatives and power

Regions

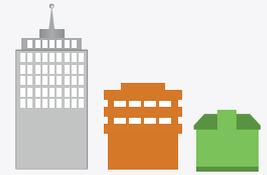
Company size



Less dangerous areas
98%



Dangerous areas
100%



work stopped permanently

22%



work stopped temporarily

5%



cutting working hours by half

32%



irregular working hours

38%

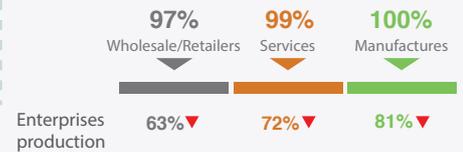


normal working hours

3%

A ¼ of businesses have closed, and in Aden more than ½ of all enterprises are closed

Sector



A MESSAGE TO THE STATE



56% enterprises owners said they have a message to the state while 44% said they don't.



Company size



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