



وكالة تنمية المنشآت الصغيرة و الأَصغر
Small & Micro Enterprise Promotion Service
التابعة للصندوق الاجتماعي للتنمية

June 2015

Business Climate Survey

The Economy between recovery or collapsing?



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 assessment also takes into consideration the enterprises of the service sector, the wholesalers and retailers and the trade and industry sectors.

SUMMARY

This survey highlights many aspects related to business in Yemen during the current situation such the business owners’ ability to continue their business, the movement of businessmen outside the country looking for better investment opportunities, the time that business owners can continue their work in the current time and the number of the businesses/enterprises that completely stopped working.

The survey asked questions like whether the business owners have the desire to support those who were badly affected and what are the best ways to know about tenders and business opportunities. It has also traced the development of the business climate in Yemen since last year, compares that with the business climate in the current situation and props expectations for the coming six months.

THE BUSINESS CLIMATE IN YEMEN NEEDS TO BE REVIVED

Tracing the state of the business climate in Yemen today, 95% of the enterprises owners said it has worsened- this percentage increased 2% from the previous month. The percentage of those who think the business climate is better than last year has dropped from 3% last month to 2% this month. 3% of business owners believe that the business climate has not changed.

By the enterprise size, all owners of medium enterprises said that the business climate in their facilities has worsened. Owners of small and large enterprises also said the business climate has worsened (94% and 92% respectively).

By sector, the manufacturing enterprises were the most affected by the poor business climate with a percentage of 100%, followed by the service sector (98%) and the wholesale and retail sector (92%). It is clear that the manufacturing sector and the medium enterprises were the most affected by the crisis as lack of oil derivatives and



THE FUTURE IS EXPECTED TO BE WORSE; IS THIS APPLICABLE TO THE BUSINESS CLIMATE AS WELL?

The results of the last survey (May) showed that 36% of the enterprises find business climate is getting worse, while 15% are optimistic regarding the improvement in business climate. Today, it is expected that frustration is going to increase to reach 54% among enterprises' owners in the coming six months.

Comparing the expectations between the two surveys of May and June, we find that 18% more of businesses owners believe that the business climate got worse, while 25% of business owners have no idea of how their businesses will look like in the future. Only 13% said they were optimistic. This percentage decreased by 2% since last month (May). The reasons why business owners expected to have poor business climate are the insecurity, lack of oil derivatives and the decrease of customers' base due to their movement to safe areas.

DISPLEASURE OF BUSINESS OWNERS HAS INCREASED TO THE max. How will the future be for them?

Immigration season began in Yemen

This report intended to know how many business owners are thinking and planning to move their businesses outside Yemen. The results showed that 38% thought of transferring their businesses abroad. This is a worrying indication as one-third of business owners think to leave Yemen. Those who really planned to transfer their businesses abroad were 28% of the businesses owners. This means that 73% of those thinking of transferring their businesses abroad do plan to leave Yemen. This is going to leave a huge economic gap in the country. 19% of business owners planned to leave for United Arab of Emirates (UAE), as it is easier for them to invest there, 17% planned to leave for Kingdom of Saudi Arabia (KSA) as they have branches of their businesses and have relatives and friends there, then Malaysia (10%) for easier process to get the visa, then Ethiopia (9%), Oman & Turkey (7% for each) for easy investment and easier visa process. There are other countries business owners thought of moving their business to such as Jordan, Somalia, China, Indonesia, Ghana and other countries.

By sector, we found that the owners of the service enterprises scored the highest percentage of enterprises owners who wanted to transfer their businesses outside Yemen with a percentage of 45%. UAE was the first prospective country of destination for them. Retailers and wholesalers came second with 34% of them said they would transfer their businesses outside the country. KSA was the first country they would choose to transfer their businesses to. Owners of manufacturing/industrial enterprises were the least to think of transferring their business outside the country with only 27% of them thinking of leaving the country to UAE, Indonesia or Ethiopia.

By the enterprise size, we find the owners of the larger enterprises are the most people thinking of transferring their business outside the country with 46% of large enterprises owners



thought to leave Yemen. In addition, all of those who thought of leaving did already plan to transfer their business abroad. UAE was their first choice to transfer their businesses to. 38% of small enterprises owners thought to leave and 33% of them, one-third, planned to transfer their business to Saudi Arabia as their first choice. Finally, the least ones thinking to leave the country were the medium enterprises owners with 36%. All of the medium enterprises owners who thought of leaving the country, considered to move to Saudi Arabia and Jordan. By locations, we find the owners of the enterprises located in Taiz, are the most ones thinking of transferring their business outside Yemen with 57%. Saudi Arabia was the first choice for 50% of them. Then, 40% of Sana'a enterprises owners thought of leaving Yemen with 85% of them planned to leave for UEA as the first choice. 36% of Aden enterprises owners thought of leaving the country with 56% of them planned to leave for UEA or Saudi Arabia as their first choices. 19% of Hadramout enterprises owners thought of transferring their businesses outside Yemen with 40% of them planned to leave for Malaysia. Hodaida scored the least percentage with only 17% of the enterprises owners thinking of transferring their business abroad. It is worrying to know that enterprises owners are planning to transfer their businesses outside the country.

How long will Yemeni enterprises stand in front of the challenges?

In this survey, the following question was asked: "How long can you continue to work in this current situation?" We found that 42% of business owners can't continue working for more than 6 months. 40% of enterprises owners in Aden said they cannot work in the given situation for more than six months. 33% of the enterprises in Hodaida and Hadramout cannot continue working for more than six months, 23% for Sana'a and 24% for Taiz.

23% of business owners cannot continue working in these circumstances for more than one year. 12% cannot continue for more than two years and only 8% said they could continue. Whereas 10% already stopped working permanently and 5% do not know.

More than half of the enterprises closed!

When asking the enterprises owners about how many of their friends closed their enterprises, the result was about 51%. If the situation continues to go in this direction, many business owners will have to close all their enterprises and this will cause an acute economic breakdown in Yemen that will not be easy to recover soon.

A question rises here; how is work climate going to look like after these six months or one year?



HUMANITY IS MORE POWERFUL THAN WAR

Despite the difficult situation and the war, business owners showed compassion to help the people affected by war. 67% of them showed interest to financially support, provide service, provide training or help internal displaced people IDPs. Business owners from Hodaida came first with 83% of them wanting to help, then, Sana'a 71%, Hadramout 67%, Taiz 57%, and Aden 48%.

SOCIAL MEDIA IS THE BEST WAY TO ANNOUNCE TENDERS

40% of People prefer to get the information of tenders from social media. Official newspapers come second with 38%, then the radio with 9% and TV with 6%.

The norm has gone to first promote for tenders in newspapers first; not in social media. And this is an indicator that the trend has changed towards social media instead of traditional ways.

MONITRING AND EVALOATION TEAM

SMEPS



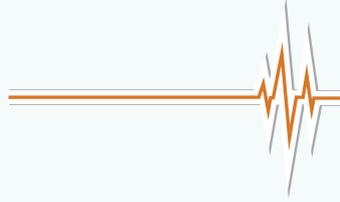
MAY 2015 SMEPS YEMEN BUSINESS CLIMATE SURVEY

Economy between revival and collapse

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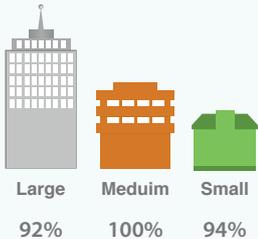
THE BUSINESS CLIMATE IN YEMEN NEEDS TO BE REVIVED

95% of the enterprises' owners see that the business climate has worsened since last year.



By enterprise size

THE MEDIUM ENTERPRISES ARE THE MOST AFFECTED



By enterprise sector

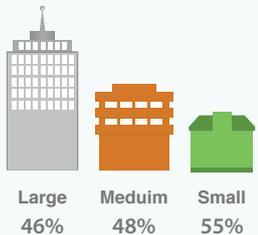


The manufacturing sector was the most affected sector with all its enterprises being affected by the bad business climate.

By enterprise location



By enterprise size



It is expected that frustration is going to increase to reach 54% among enterprise' owners in the coming six months

By enterprise sector



By enterprise location



IMMIGRATION SEASON BEGAN IN YEMEN



38%

Of business owners thoughts of transferring their business abroad

27% Of the business owners planned to travel abroad and transfer their businesses outside Yemen

BUSINESSMEN GO TO OTHER COUNTRIES

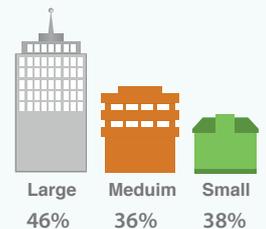


ENTERPRISE OWNERS WHO THOUGHT TO TRAVEL ABROAD

By enterprise sector



By enterprise size



Enterprise owners who planned to travel abroad



By enterprise location



Enterprise owners who planned to travel abroad



MAY 2015 SMEPS YEMEN BUSINESS CLIMATE SURVEY

Economy between revival and collapse

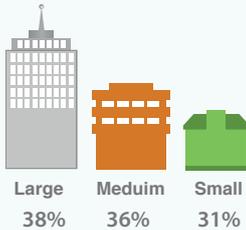
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HOW LONG WILL YEMENI ENTERPRISES STAND IN FRONT OF THE CHALLENGES?



LESS THAN 6 MONTHS

By enterprise size



By enterprise sector



By enterprise location



MORE THAN HALF OF THE ENTERPRISES CLOSED!



HUMANITY IS MORE POWERFUL THAN WAR



67% of businessmen have the interest to participate in relief work

SOCIAL MEDIA IS THE BEST WAY TO ANNOUNCE TENDERS



Email
6%



Official Newspaper
38%



Radio
8%



Social media
40%



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