



Pacific Trade Invest

PACIFIC BUSINESS MONITOR 2020

TONGA FOCUS



PACIFIC ISLANDS
FORUM SECRETARIAT

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INTRODUCTION

INSIGHTS INTO PACIFIC BUSINESSES

The COVID-19 outbreak has caused a global health emergency and an economic slowdown impacting millions of small and medium-sized enterprises (SMEs) around the world, including the Pacific region.

International tourism is a driving sector for local Pacific economies, but travel restrictions in 2020, including border closures, have affected businesses in this region.

To understand the ongoing impact on the Pacific's private sector, Pacific Trade Invest (PTI) commissioned Fifth Quadrant, an independent research agency, to run a regular survey to understand the ongoing effects of COVID-19 on businesses in the Pacific.

This report reviews the data collected from across the Pacific region in the first nine waves of the survey, conducted from 18 May–13 December 2020.

OBJECTIVES

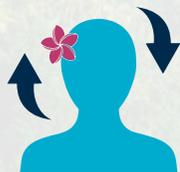


UNDERSTAND THE IMPACT OF COVID-19 ON SMES IN THE PACIFIC:

- Track impact on business revenue
- Track impact on the local economy
- Track level of concern regarding business survival
- Track impact on mental health

COMPARE SATISFACTION WITH GOVERNMENT SUPPORT:

- Track satisfaction with government response and support
- Track access to government support



UNDERSTAND HOW SMES IN THE PACIFIC ARE REACTING TO THE CRISIS:

Track how businesses are adapting to the crisis to reduce impact and damage (e.g. reduced wages, staff/operational costs etc.)

IDENTIFY KEY AREAS OF SUPPORT NEEDED TO RECOVER FROM THE IMPACT OF COVID-19:

- Expectations regarding speed of recovery
- Initiatives taken to optimise/improve business readiness for upswing
- Understand the key challenges
- What assistance do they need to adapt/optimize/ improve/ survive?
- What information is required?



SAMPLE PROFILE

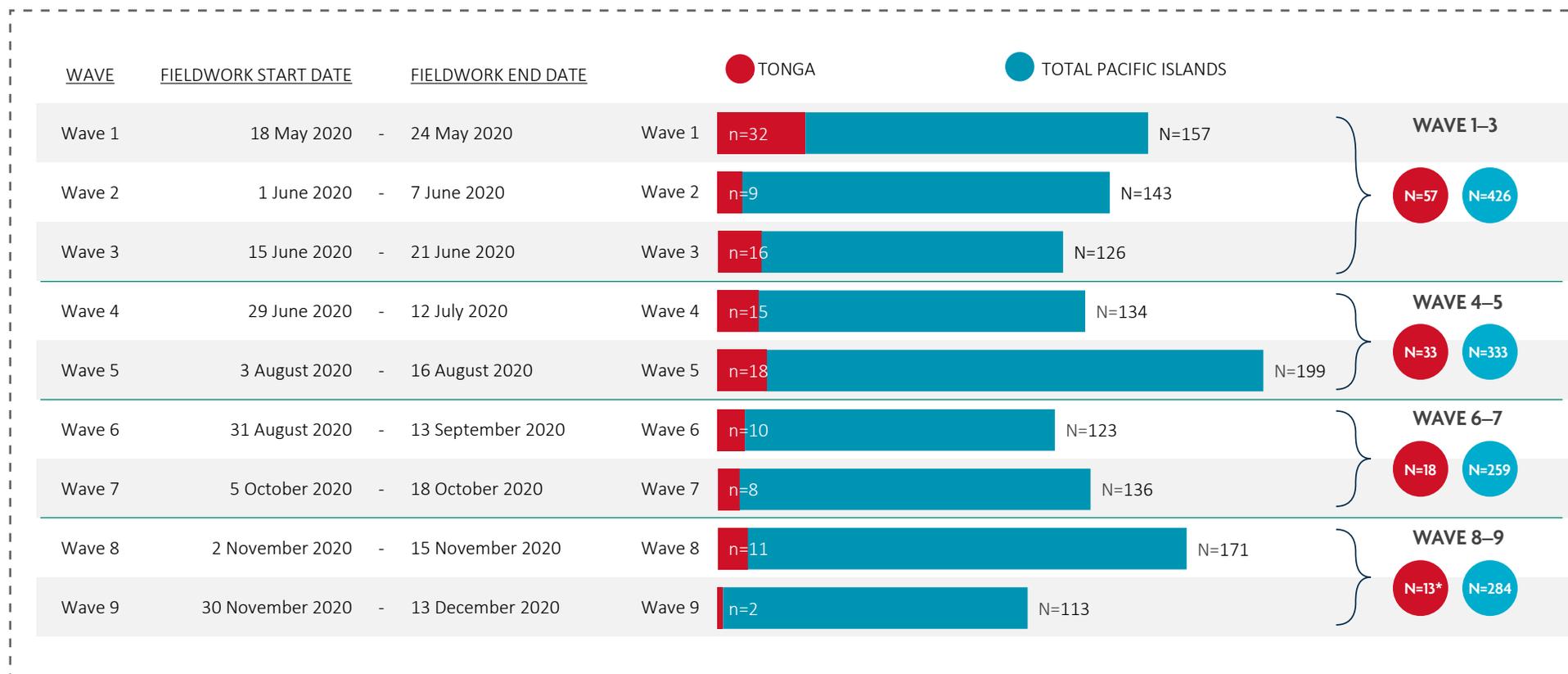
LOCATION

Our sample includes businesses based in the Pacific Islands. We achieved a robust sample of over n=110 for each wave in 2020 and a relatively consistent representation of businesses in Tonga across each wave.

	Wave 1	Wave 2	Wave 3	Wave 4	Wave 5	Wave 6	Wave 7	Wave 8	Wave 9
TOTAL PACIFIC ISLANDS	157	143	126	134	199	123	136	171	113
Cook Islands	10	4	4	2	20	4	31	19	17
Federated States of Micronesia (FSM)	1	0	0	0	0	0	0	0	0
Fiji	27	15	10	10	6	13	5	34	9
French Polynesia	3	0	4	2	0	1	0	1	1
Kiribati	6	2	3	2	4	1	2	4	0
Marshall Islands	1	1	1	0	0	7	1	0	0
Nauru	1	0	2	0	1	0	1	1	1
New Caledonia	8	10	7	9	25	12	7	10	6
Niue	2	36	10	52	41	18	22	36	30
Palau	2	13	16	4	5	9	4	4	3
PNG	19	26	16	12	18	4	5	6	4
Samoa	15	10	12	5	10	10	9	8	4
Solomon Islands	8	8	13	8	30	6	6	9	9
Tonga	32	9	16	15	18	10	8	11	2
Tuvalu	2	1	1	4	13	15	26	15	20
Vanuatu	20	8	11	9	8	13	9	13	7

SAMPLE PROFILE

As base sizes were low for some waves, 2020 waves were combined into four periods as shown below to maximise the validity of the data and ensure reliable comparison of Tonga to the total Pacific Islands.



* low base size

IMPACT OF COVID-19 ON BUSINESS STATUS

The COVID-19 crisis has had a significant impact on the normal operation of businesses in Tonga with less than a quarter fully operational over 2020.

Q

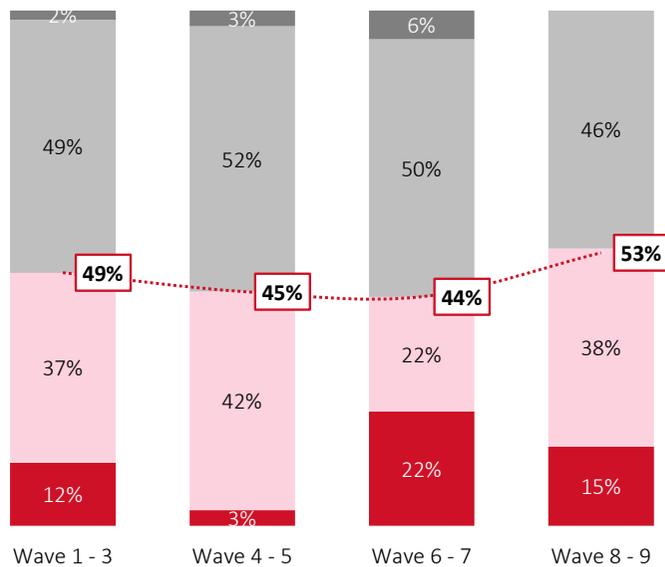
WHAT IS YOUR CURRENT BUSINESS STATUS?

TONGA

% Total operational gap to Total Pacific Islands

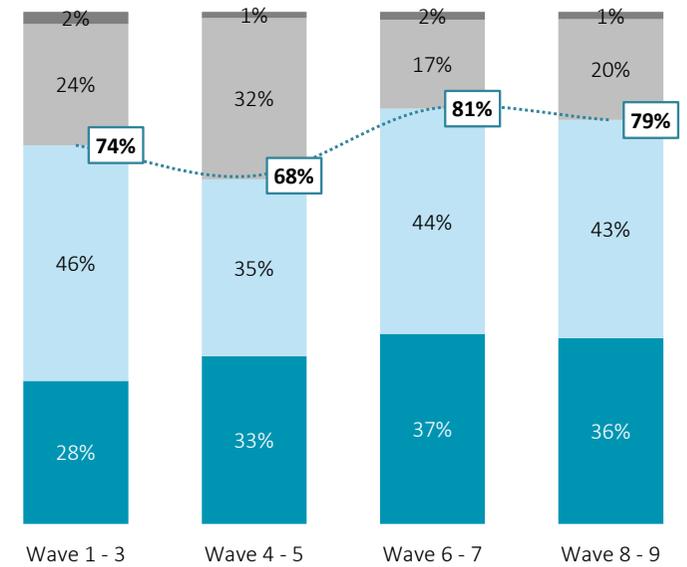
-25% -23% -37% -26%

- Permanently closed
- Temporarily closed
- Partly operational e.g. with reduced staff/hours
- Operational



TOTAL PACIFIC ISLANDS

- Permanently closed
- Temporarily closed
- Partly operational e.g. with reduced staff/hours
- Operational



..... % TOTAL OPERATIONAL

IMPACT OF COVID-19 ON BUSINESS

With fewer businesses operating, the very negative impact on businesses in Tonga continues to be high and higher than the Pacific Islands overall. November to December 2020 (Wave 8-9) in Tonga saw 85% of businesses face a very negative impact, compared to only 58% overall across the Pacific Islands.

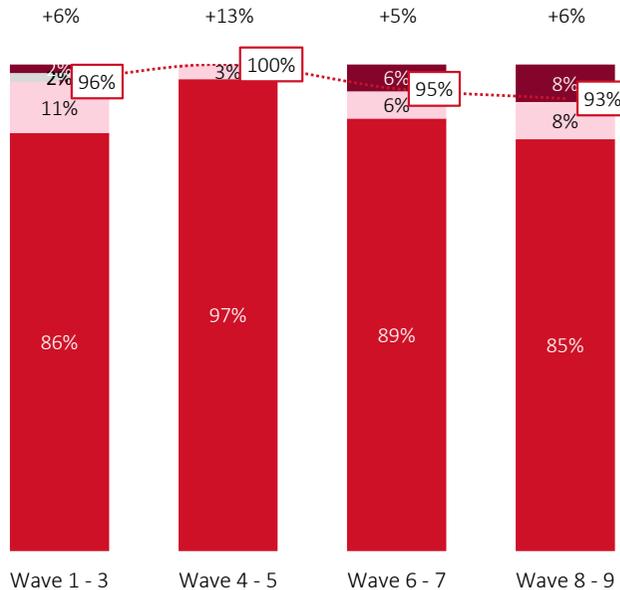
Q

HOW WOULD YOU DESCRIBE THE IMPACT OF THE COVID-19 OUTBREAK ON YOUR BUSINESS?

TONGA

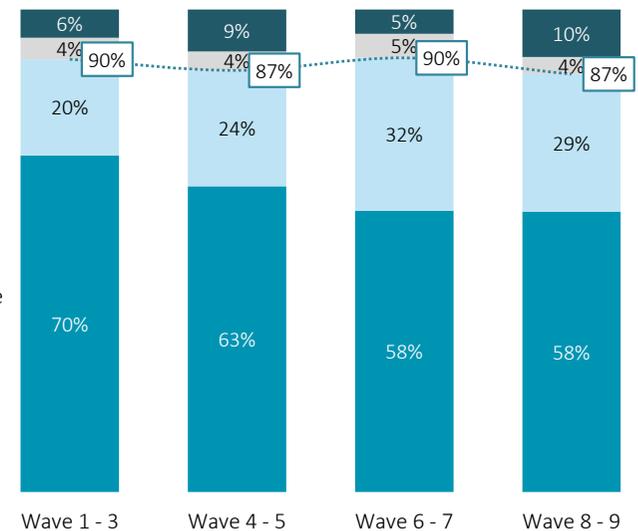
% Total negative impact gap to Total Pacific Islands

- Positive
- No impact
- Slightly negative
- Very negative



TOTAL PACIFIC ISLANDS

- Positive
- No impact
- Slightly negative
- Very negative



..... % TOTAL NEGATIVE IMPACT

IMPACT OF COVID-19 ON BUSINESS REVENUE

A greater proportion of businesses in Tonga have faced significant declines in revenue compared to the Pacific Islands overall, with 85% reporting significant declines in revenue at the end of 2020.

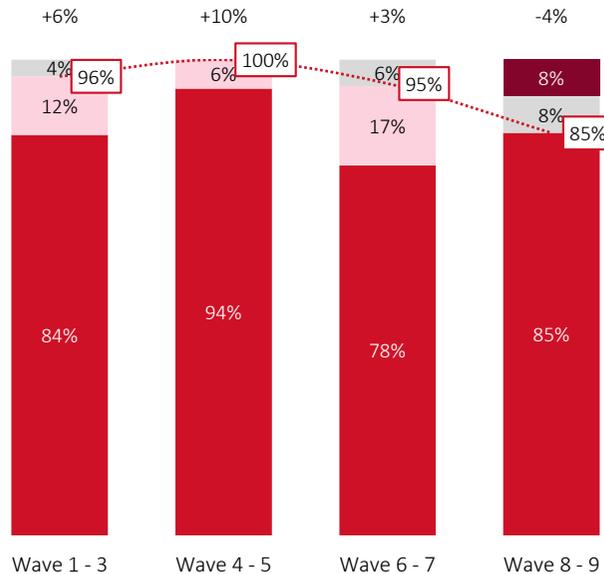
Q

WHAT IMPACT HAS THE COVID-19 CRISIS HAD ON YOUR BUSINESS SALES/REVENUE SO FAR?

TONGA

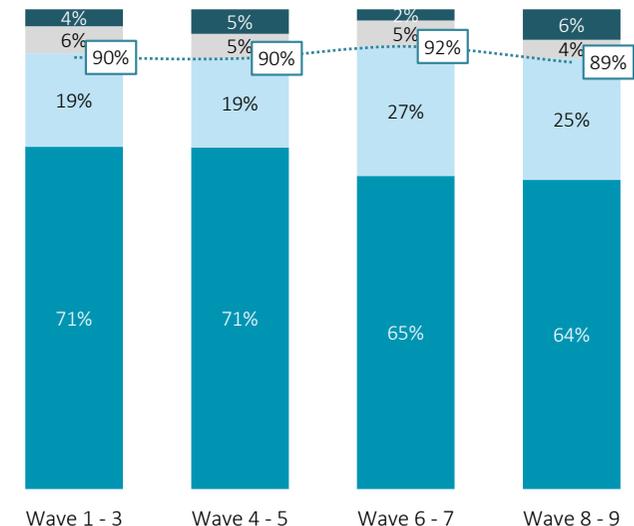
% Total decline in revenue gap to Total Pacific Islands

- Increase
- No impact
- Slight decline
- Significant decline



TOTAL PACIFIC ISLANDS

- Increase
- No impact
- Slight decline
- Significant decline



..... % TOTAL DECLINE IN REVENUE

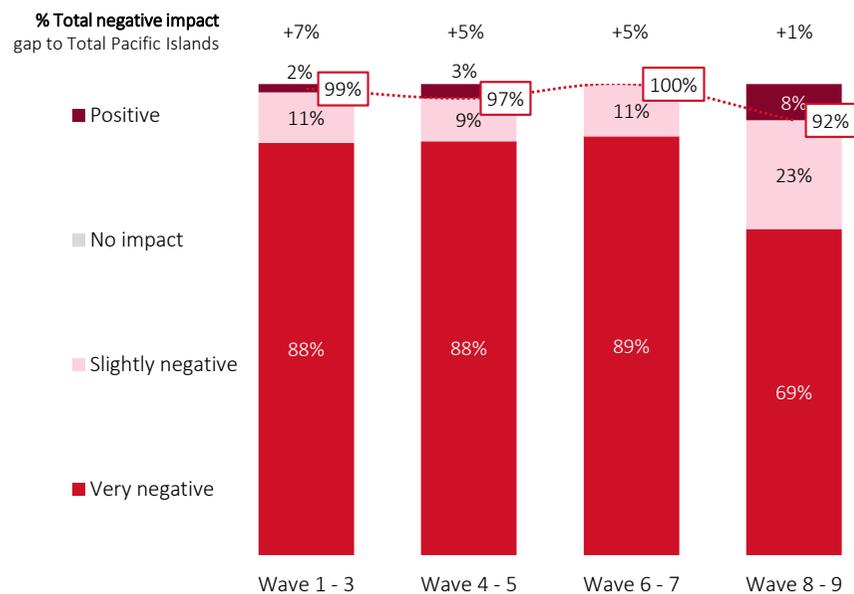
IMPACT OF COVID-19 ON THE LOCAL ECONOMY

The proportion of businesses reporting a negative impact on the local economy in Tonga was much higher than the rest of the Pacific Islands over the year. Positively, the end of 2020 saw a 20% decline in 'very negative impact' reported in Tonga.

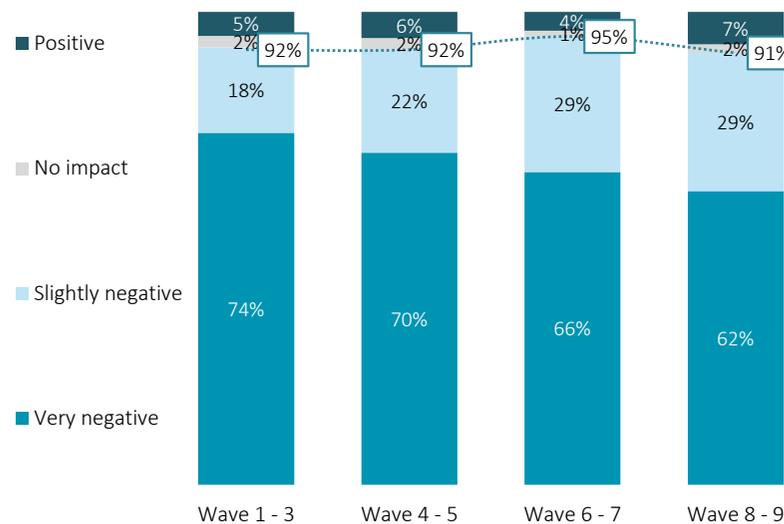
Q

WHAT IMPACT HAS THE COVID-19 CRISIS HAD ON YOUR LOCAL ECONOMY?

TONGA



TOTAL PACIFIC ISLANDS



..... % TOTAL NEGATIVE IMPACT

IMPACT OF COVID-19 ON WELLBEING

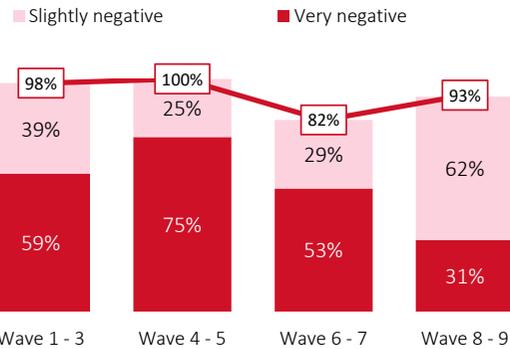
Tonga reported a greater overall negative impact of COVID-19 on its community wellbeing, although the severity of impact began to ease towards the end of 2020. The negative impact of COVID-19 on mental health is also significantly greater in Tonga, a pattern seen consistently throughout 2020.



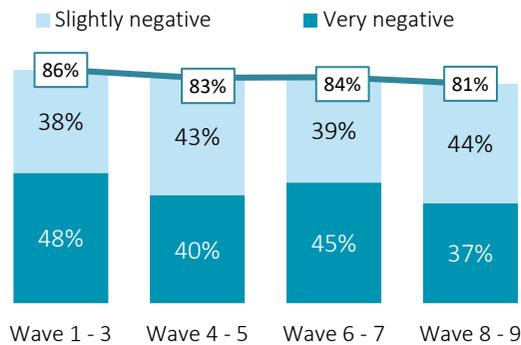
WHAT IMPACT DO YOU THINK THE COVID-19 SITUATION WILL HAVE ON THE FOLLOWING...?



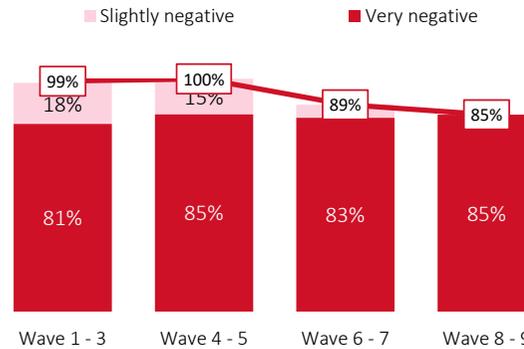
THE WELLBEING OF YOUR COMMUNITY



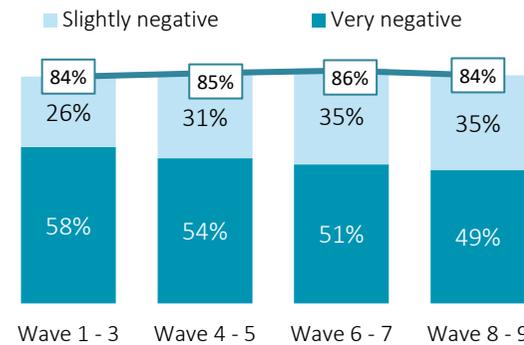
% total negative gap to total: +12% (Wave 1-3), +17% (Wave 4-5), -4% (Wave 6-7), +12% (Wave 8-9)



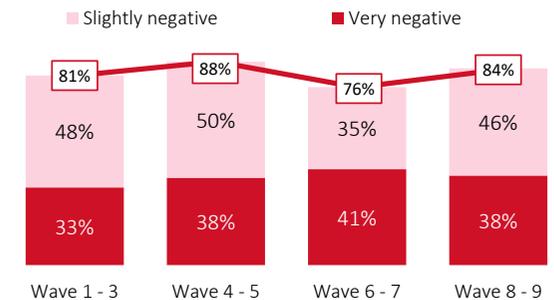
YOUR PERSONAL FINANCIAL SITUATION



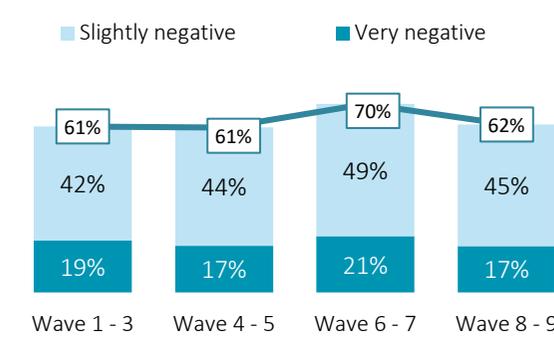
% total negative gap to total: +15% (Wave 1-3), +15% (Wave 4-5), +3% (Wave 6-7), +1% (Wave 8-9)



YOUR MENTAL HEALTH



% total negative gap to total: +20% (Wave 1-3), +27% (Wave 4-5), +6% (Wave 6-7), +22% (Wave 8-9)



TONGA

TOTAL PACIFIC ISLANDS

IMPACT OF COVID-19 ON EMOTIONAL STATE

In line with more challenging business conditions faced by decision-makers in Tonga, the average levels of positive sentiment such as optimism and happiness are much lower than the Pacific Islands average. Levels of worry and anger peaked at the end of 2020 for decision-makers in Tonga.

Q

THINKING BACK OVER THE LAST 2 WEEKS, HOW OFTEN DID YOU FEEL...?

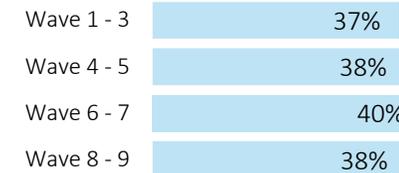
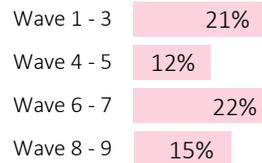
TONGA

TOTAL PACIFIC ISLANDS



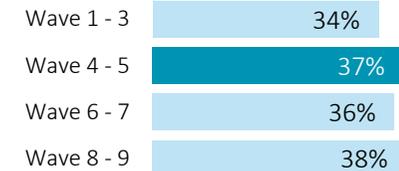
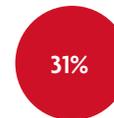
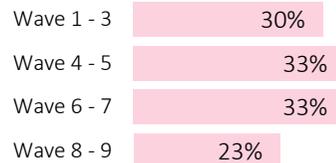
OPTIMISTIC

% Felt optimistic all/most of the time



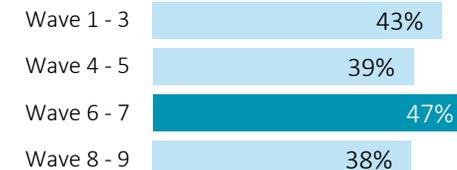
HAPPY

% Felt happy all/most of the time



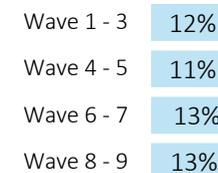
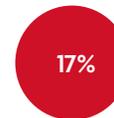
WORRIED

% Felt worried all/most of the time



ANGRY

% Felt angry all/most of the time



CHALLENGES AS A RESULT OF COVID-19 AND MARKET CONDITIONS

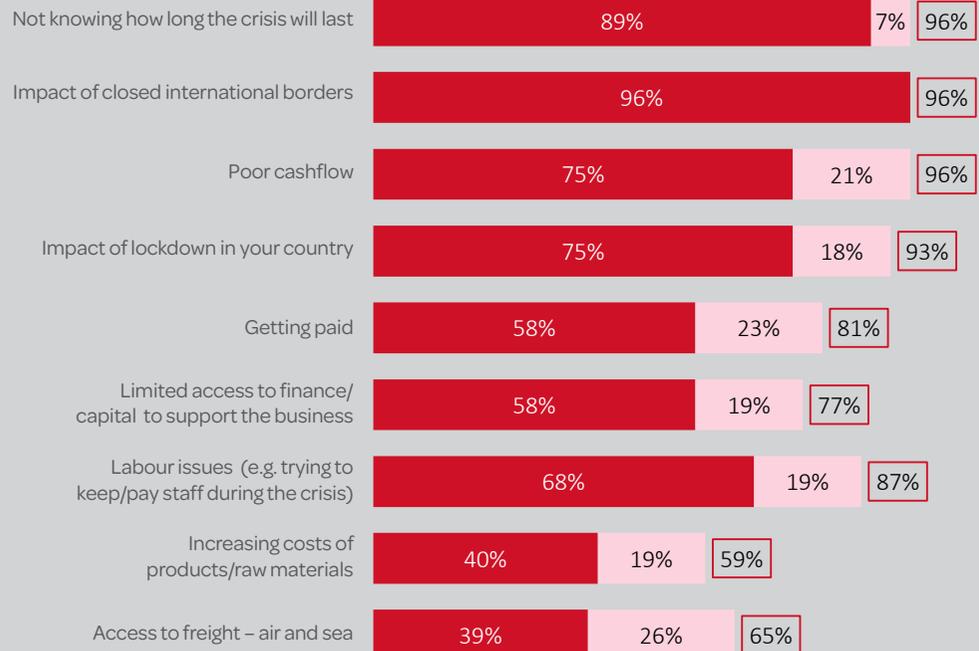
By the end of 2020, the intensity of challenges faced by businesses in Tonga gradually increased across most factors.

Q

HOW CHALLENGING HAS YOUR BUSINESS FOUND THE FOLLOWING AS A RESULT OF COVID-19 AND THE CURRENT MARKET CONDITIONS?

TONGA: WAVE 1-3

■ Very Challenging ■ Somewhat Challenging □ % Total challenging

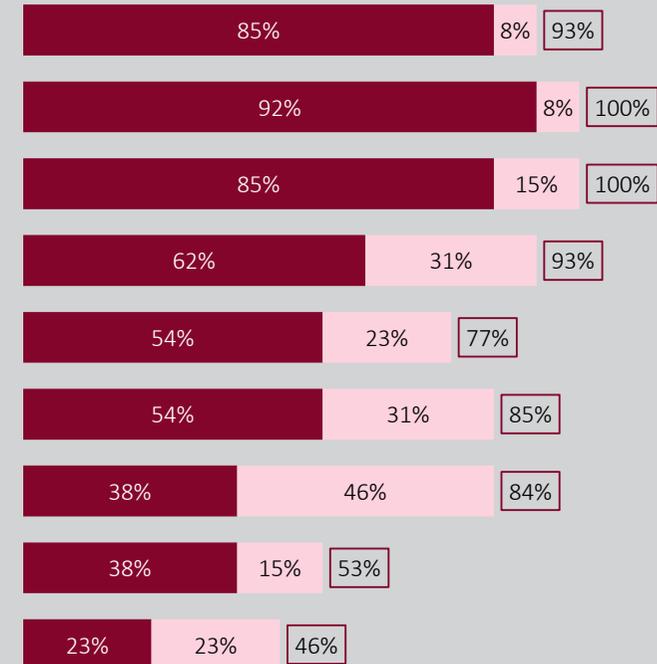


% Total challenging
Wave 8-9 difference to
Wave 1-3

-3%
+4%
+4%
0%
-4%
+8%
-3%
-6%
-19%

TONGA: WAVE 8-9

■ Very Challenging ■ Somewhat Challenging □ % Total challenging



CHALLENGES AS A RESULT OF COVID-19 AND MARKET CONDITIONS

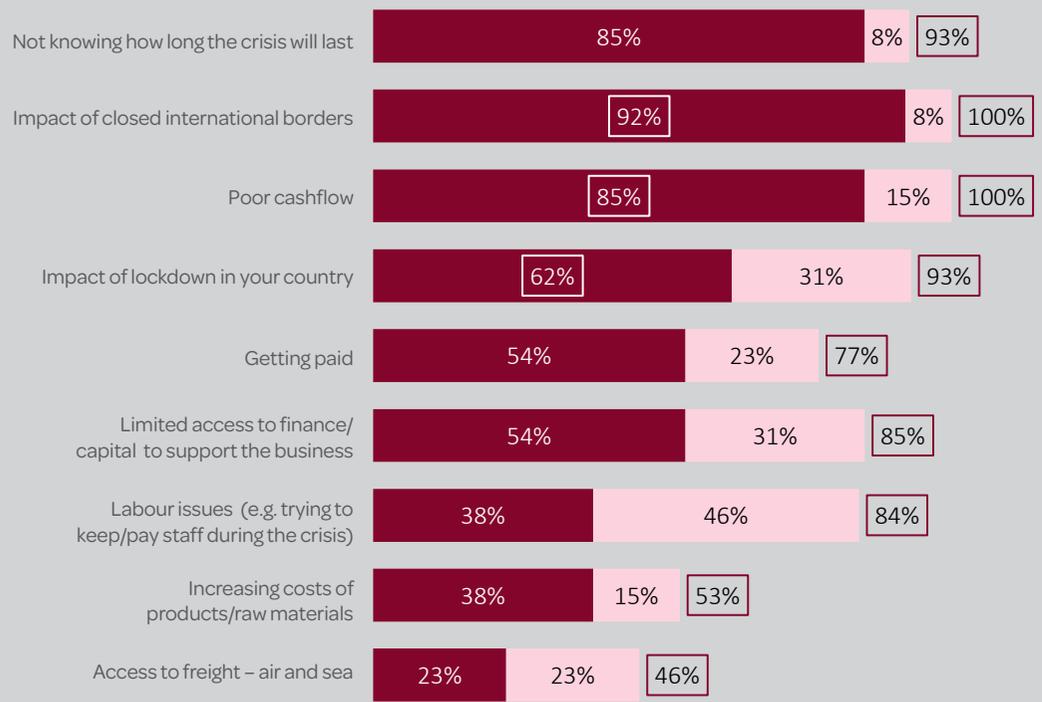
When compared to the Pacific Islands overall, businesses in Tonga were faced with more difficult challenges towards the end of 2020. Closed international borders, lockdown and poor cash flow were a greater concern for businesses in Tonga.



HOW CHALLENGING HAS YOUR BUSINESS FOUND THE FOLLOWING AS A RESULT OF COVID-19 AND THE CURRENT MARKET CONDITIONS?

TONGA: WAVE 8-9

Very Challenging Somewhat Challenging % Total challenging

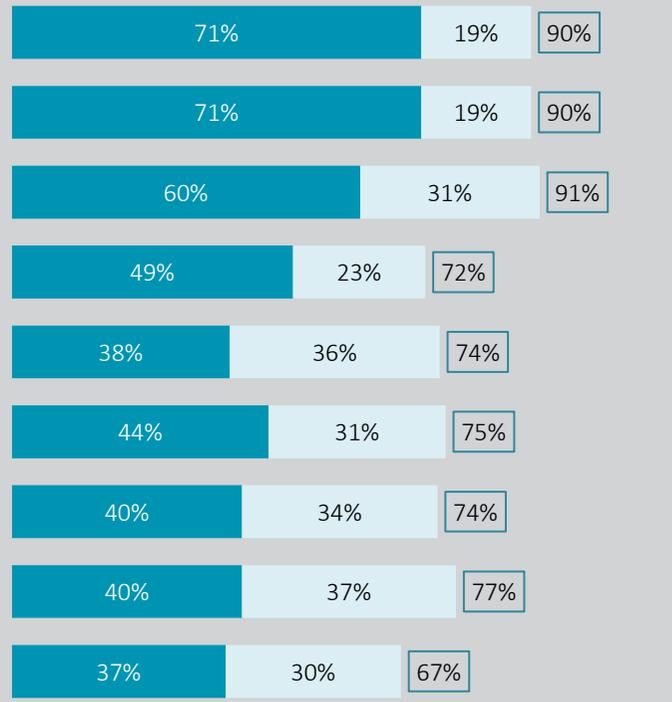


% Total challenging
Wave 8-9 gap to
Total Pacific Islands



TOTAL PACIFIC ISLANDS: WAVE 8-9

Very Challenging Somewhat Challenging % Total challenging



ACTIONS TAKEN TO REDUCE COST AND DAMAGE TO BUSINESS DUE TO COVID-19

In order to counteract the declines in revenue, reduction in operational costs and staff numbers continue to hold top priority since the beginning of the pandemic.

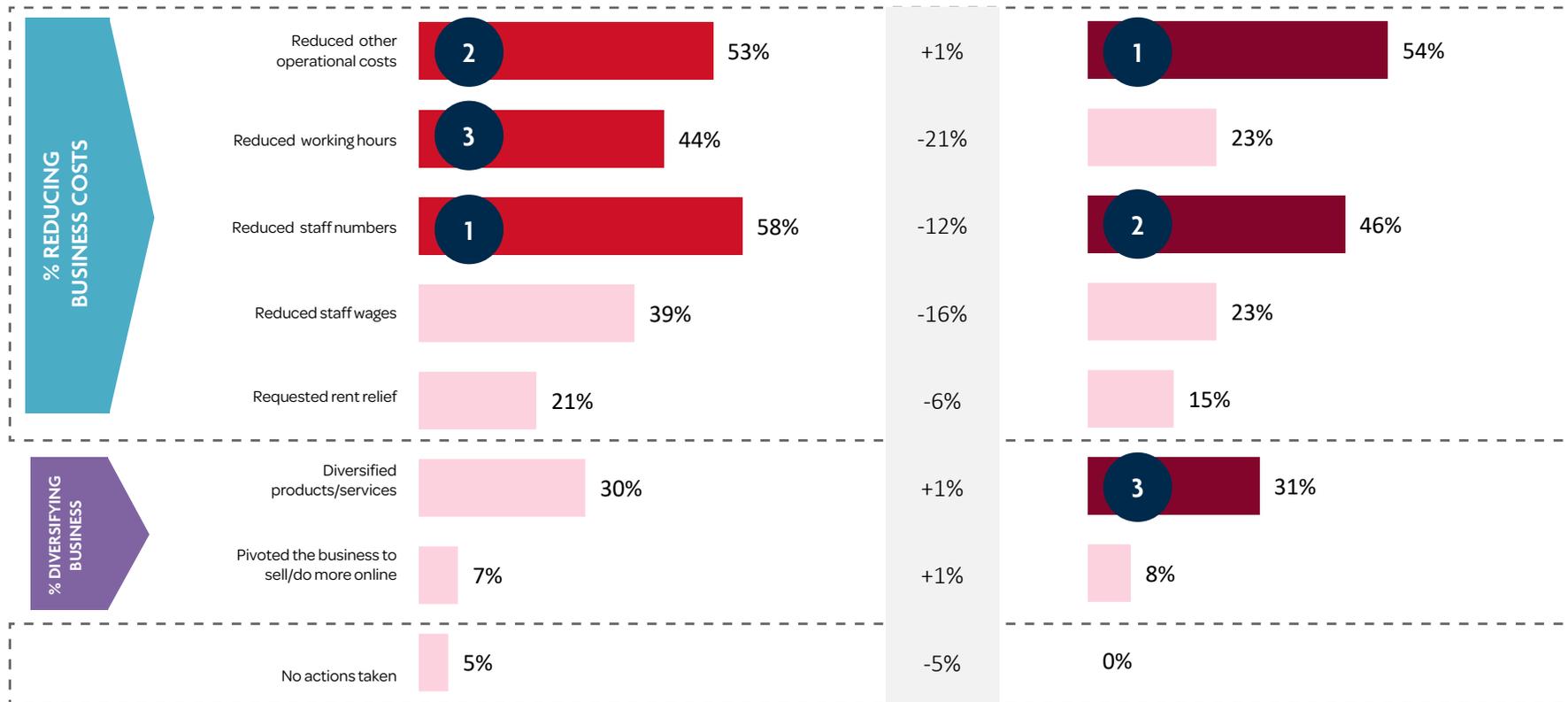
Q

INDICATE THE ACTIONS YOUR BUSINESS HAS TAKEN TO REDUCE THE COST & DAMAGE TO YOUR BUSINESS DUE TO THE COVID-19 CRISIS.

TONGA: WAVE 1-3

% difference
Wave 8-9 to Wave 1-3

TONGA: WAVE 8-9



AVERAGE NUMBER OF ACTIONS TAKEN

2.5

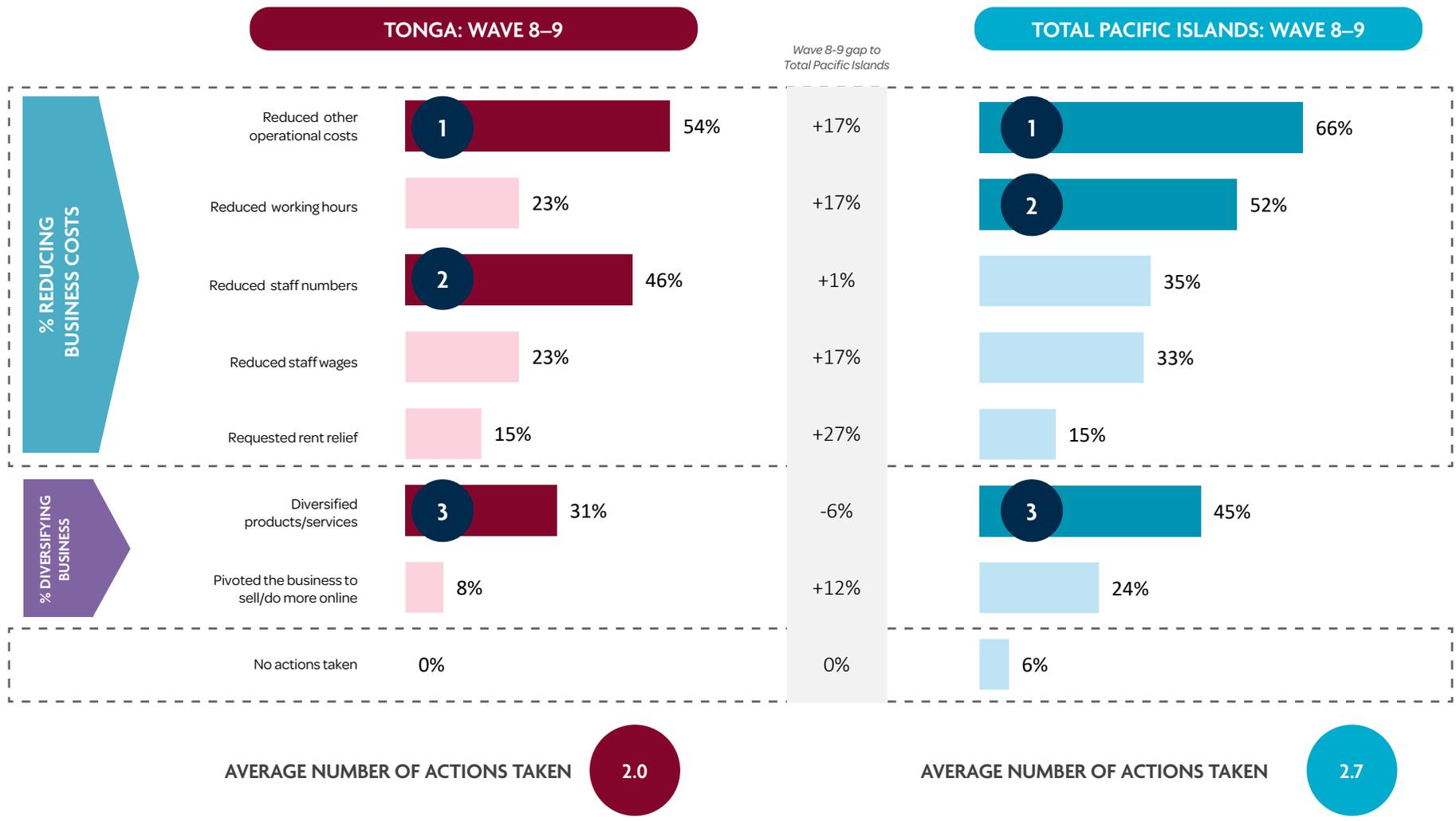
AVERAGE NUMBER OF ACTIONS TAKEN

3.6

ACTIONS TAKEN TO REDUCE COST AND DAMAGE TO BUSINESS DUE TO COVID-19

Compared to the Pacific Islands overall, businesses in Tonga were more likely to be reducing their staff numbers, but avoiding the need to reduce working hours for those staff that were kept on by the end of 2020.

Q INDICATE THE ACTIONS YOUR BUSINESS HAS TAKEN TO REDUCE THE COST & DAMAGE TO YOUR BUSINESS DUE TO THE COVID-19 CRISIS.



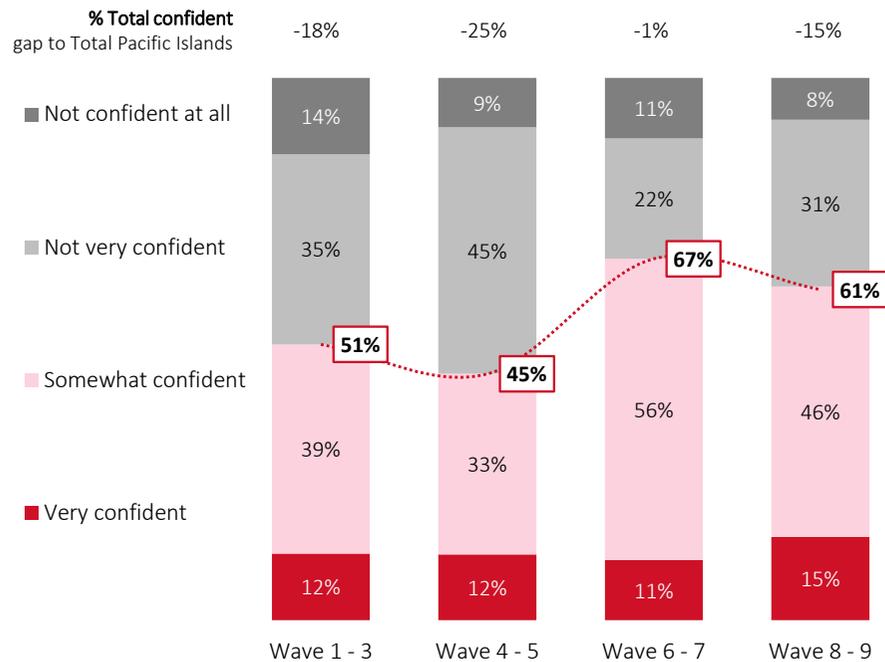
CONFIDENCE IN BUSINESS SURVIVAL

Lower business confidence in Tonga compared to the Pacific Islands overall can be explained through greater decline in revenue and a greater negative impact on their businesses due to the pandemic.

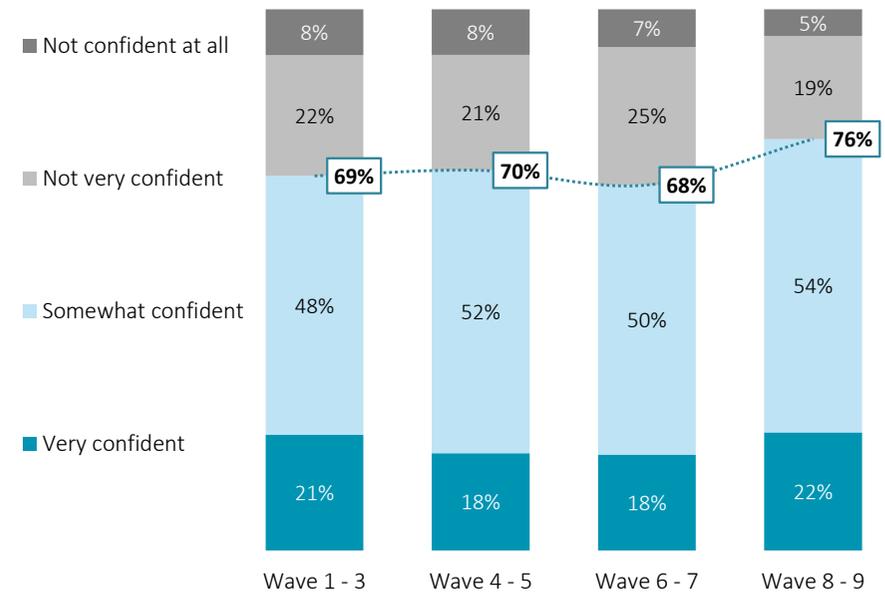
Q

HOW CONFIDENT ARE YOU THAT YOUR BUSINESS WILL SURVIVE THE COVID-19 CRISIS?

TONGA



TOTAL PACIFIC ISLANDS



..... % TOTAL SATISFIED WITH GOVERNMENT RESPONSE

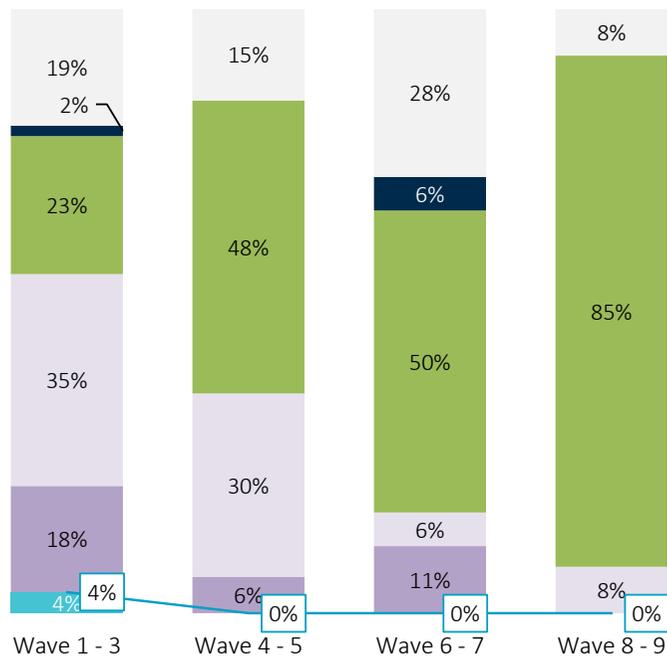
TIMEFRAME OF BUSINESS SALES/REVENUE RETURNING TO BUSINESS AS USUAL

The timeframe of recovery is expected to be much later in Tonga with 85% expecting to return by 2022 or later and only 8% expecting to return by end of 2021.

Q

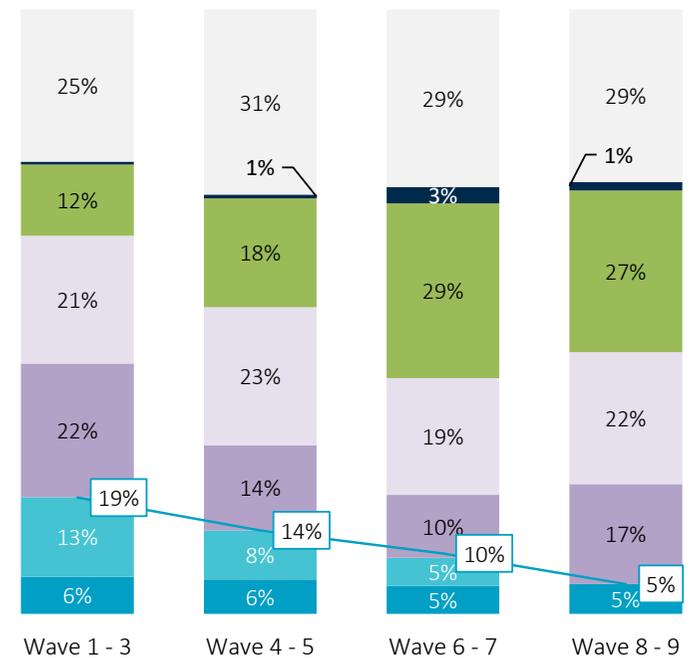
WHEN DO YOU BELIEVE YOUR BUSINESS SALES/REVENUE WILL RETURN TO PRE-COVID-19 LEVELS?

TONGA



TOTAL PACIFIC ISLANDS

- Don't know/ too hard to predict
- Never
- By 2022 or later
- By 2nd half of 2021 (July – December)
- By 1st half of 2021 (January – June)
- By end of 2020
- Revenue is at pre-COVID-19 levels



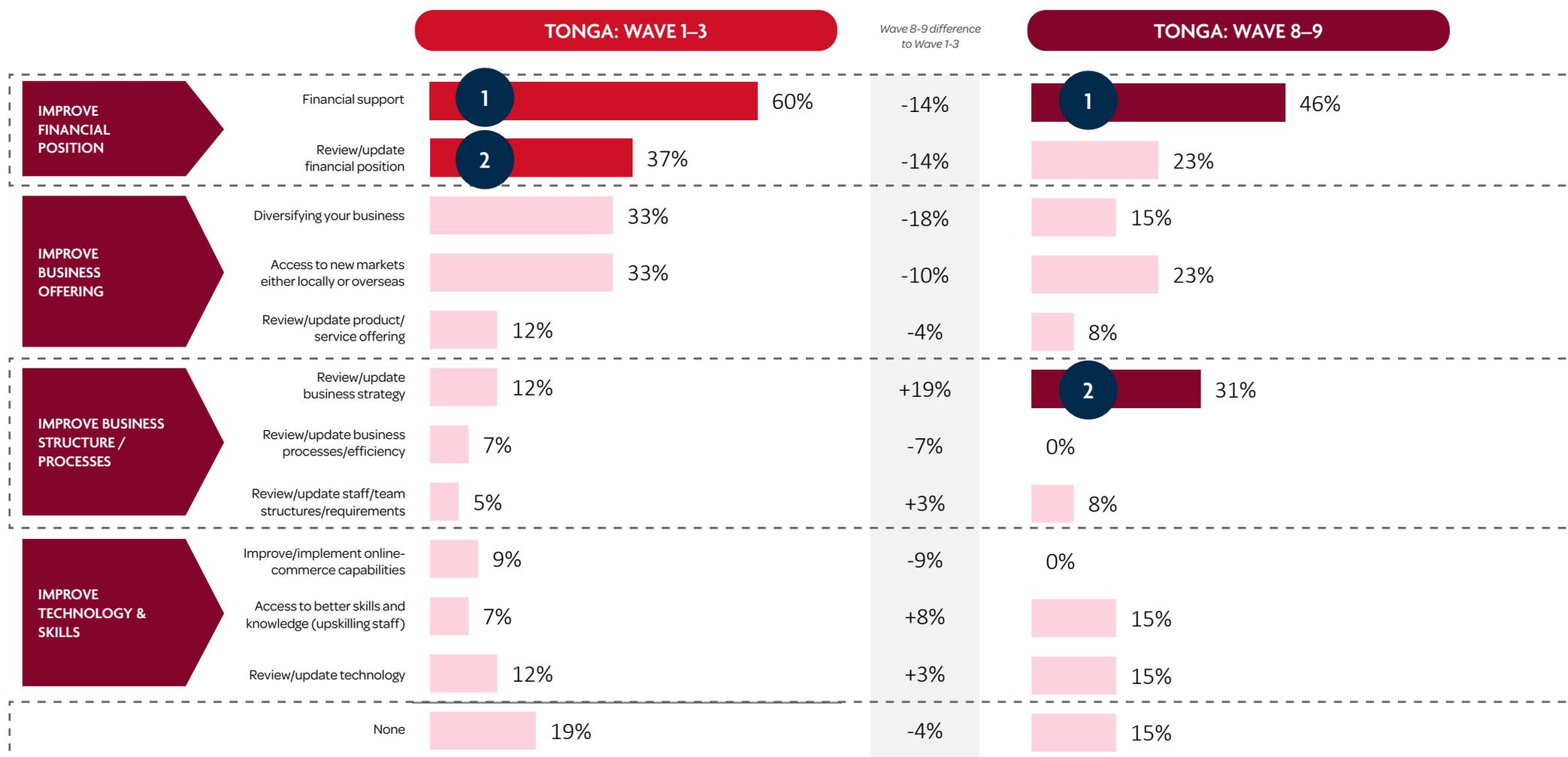
TOTAL RETURNED TO PRE-COVID LEVELS BY END OF 2020

TOP 3 INITIATIVES NEEDED TO SUPPORT BUSINESSES

Gaining financial support continues to top the priority list across 2020 initiatives for businesses in Tonga. With the pandemic bringing in an abundance of business uncertainty, reviewing/updating business strategy became more important for businesses in Tonga at the end of 2020.

Q

WHAT ARE THE TOP THREE INITIATIVES THAT YOU NEED TO ACTION TO SUPPORT YOUR BUSINESS NOW?



TOP 3 INITIATIVES NEEDED TO SUPPORT BUSINESSES

Towards the end of 2020, businesses in Tonga were less focused on diversification and e-commerce when compared to the Pacific Islands overall.

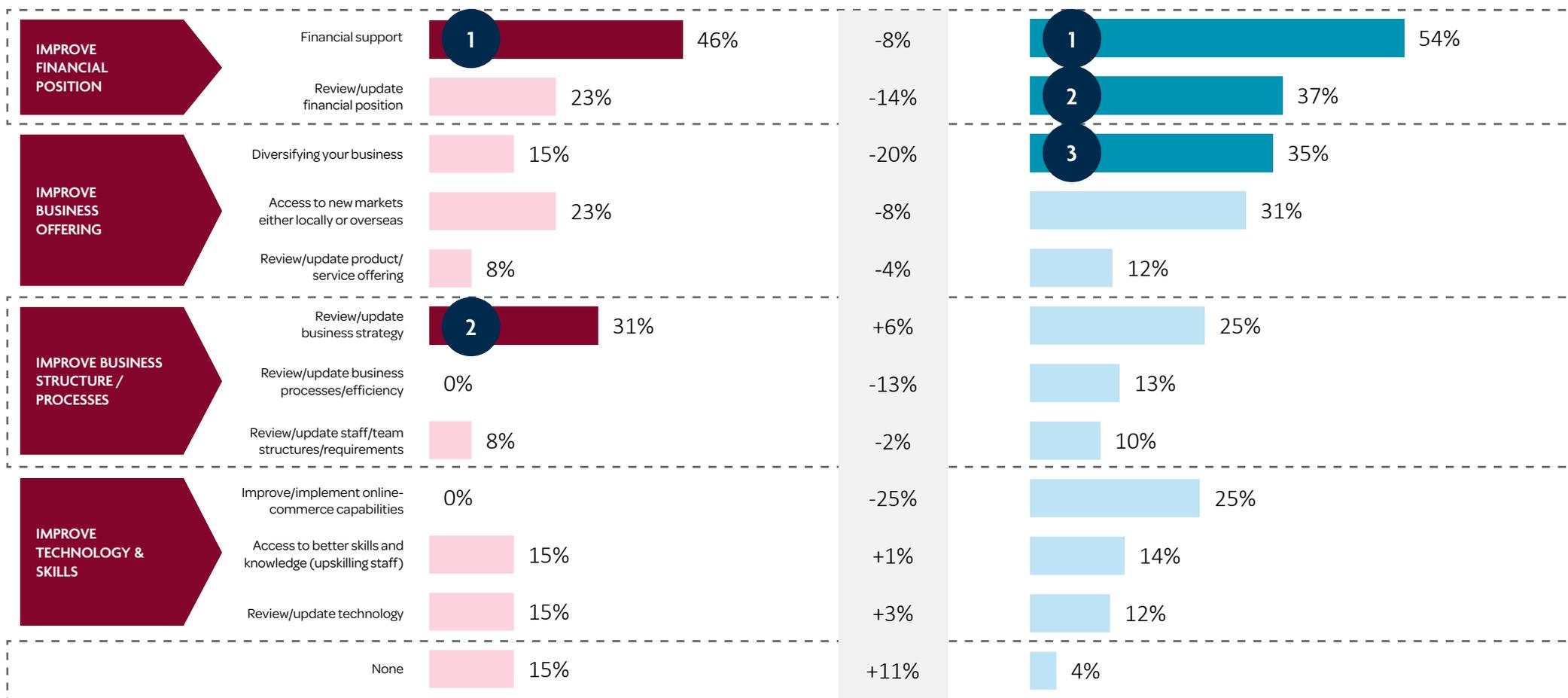
Q

WHAT ARE THE TOP THREE INITIATIVES THAT YOU NEED TO ACTION TO SUPPORT YOUR BUSINESS NOW?

TONGA: WAVE 8-9

Wave 8-9 gap to Total Pacific Islands

TOTAL PACIFIC ISLANDS: WAVE 8-9



BARRIERS TO ACTIONING INITIATIVES

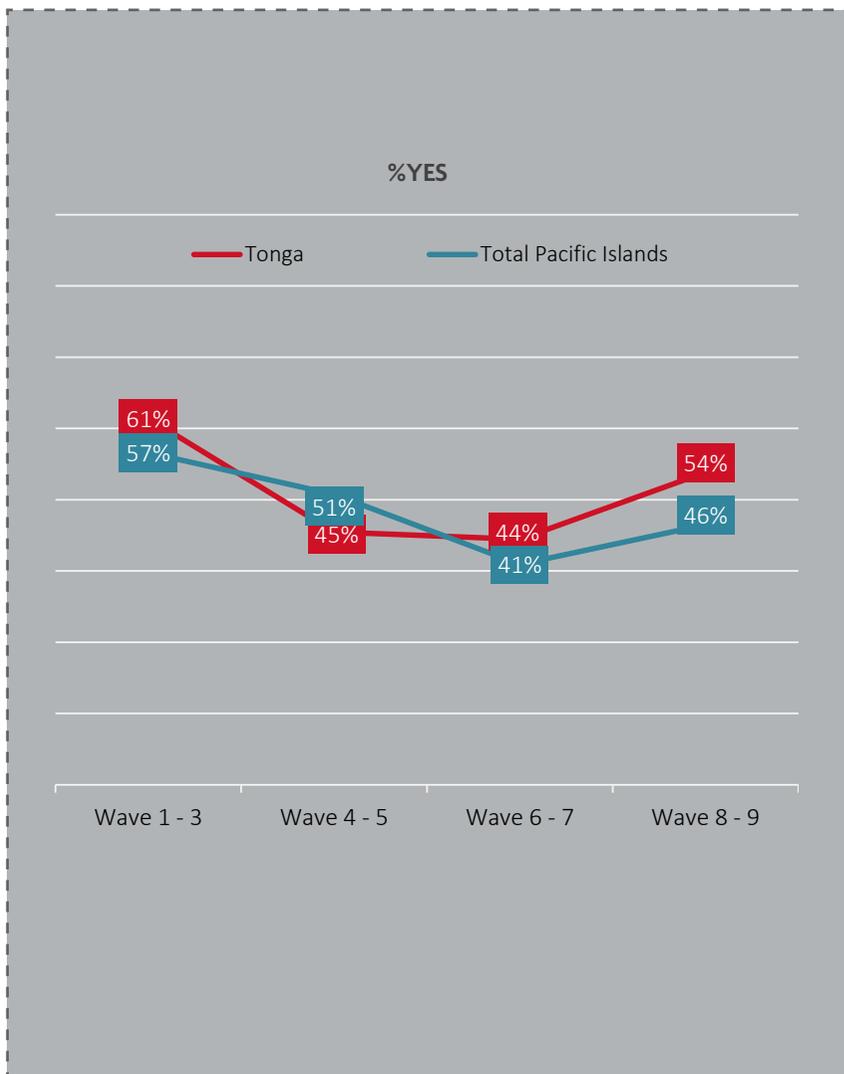
The proportion of businesses in Tonga facing barriers to change has gradually increased since mid 2020. The key barrier for Tonga businesses at the end of 2020 was the lack of government support.

Q

IS ANYTHING PREVENTING YOU FROM ACTIONING THESE INITIATIVES?

Q

WHAT IS PREVENTING YOU FROM ACTIONING THESE INITIATIVES?



LACK OF FINANCE / CASH FLOW (18%)

"Lack of cash flow to offer new products, lack of raw materials on the island due to poor transportation options."

-SME, Tourism, Tonga

"No one has any money to spend locally so bit hard to open up local revenue streams."

- SME, Accommodation, Hospitality & Food Service, Tonga

"No sufficient funds are available to do the implementations."

- SME, Agriculture, Forestry & Fishing, Tonga

CLOSED BORDERS/LOCKDOWN (35%)

"Borders are closed. Owners are in one country (Australia) and business is in another (Tonga). Can't travel there to meet staff, check on property, see Government."

- SME, Accommodation, Hospitality & Food Service, Tonga

"The closing of the international border and the collapse of the only domestic airline in Tonga."

-SME, Tourism, Tonga

LACK OF GOVERNMENT SUPPORT (42%)

"Poor support at Government level. Impossible to get straight answers from various Government Ministries. Staff have little or no policy knowledge resulting in confusion and mistakes. Heads of Ministry that operate outside of policy and legislation."

- SME, Tourism, Tonga

"No support from the Tongan government so far to avoid bankruptcy. No income."

- SME, Professional, Scientific & Technical Services, Tonga

"Not knowing what government plans to do with opening borders or quarantine of peoples. No long-term plan announced to private sector. Because of this banks are wary. No tourists, no industry and also lack of domestic airline and any news of potential new airline or bailout not forthcoming."

-SME, Tourism, Tonga

"No government help with covering at least basic overheads."

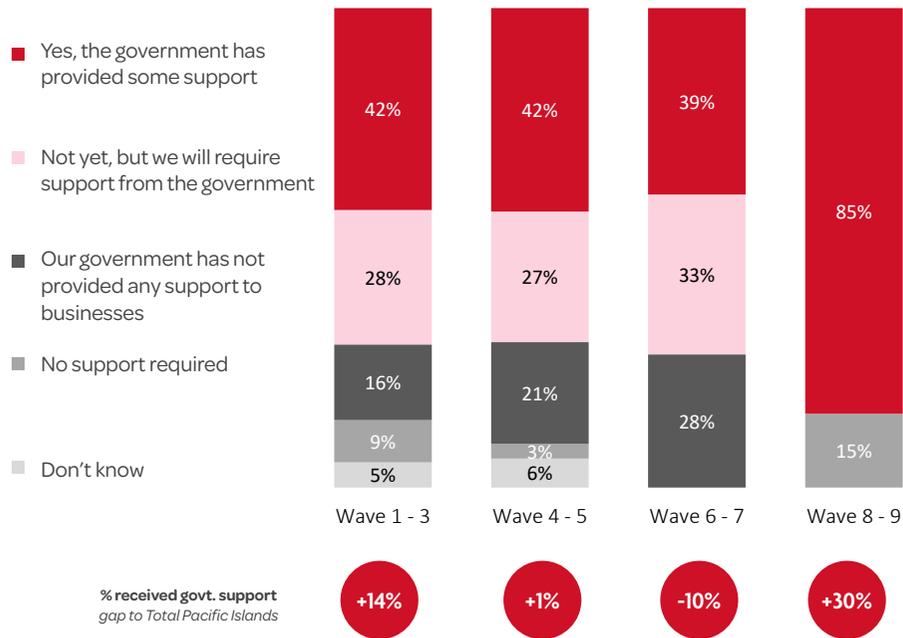
-SME, Professional, Scientific & Technical Services, Tonga

ACCESS TO GOVERNMENT SUPPORT DURING COVID-19 CRISIS

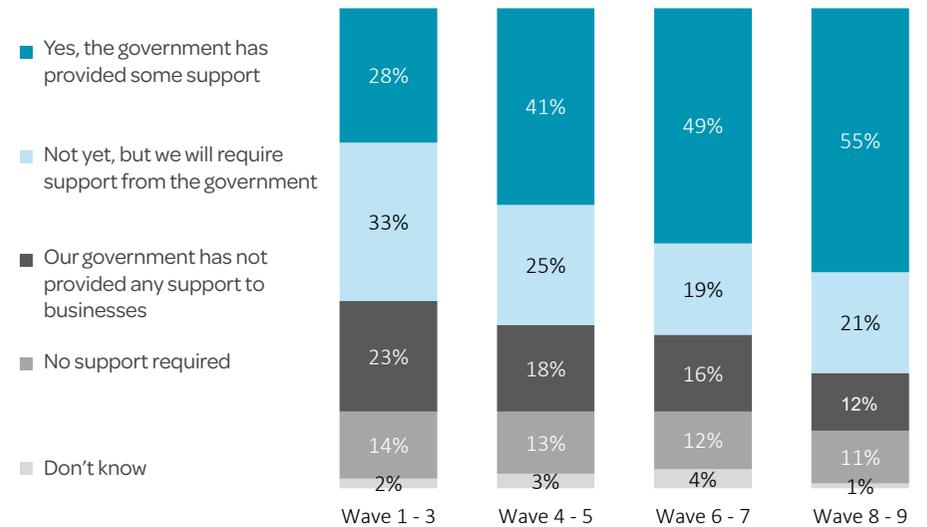
By the end of 2020, the proportion of businesses receiving government support in Tonga was significantly higher (85%) when compared to the rest of the Pacific Islands (55%).

Q HAS YOUR BUSINESS ACCESSED ANY SUPPORT FROM YOUR GOVERNMENT TO HELP YOU THROUGH THE COVID-19 CRISIS?

TONGA



TOTAL PACIFIC ISLANDS

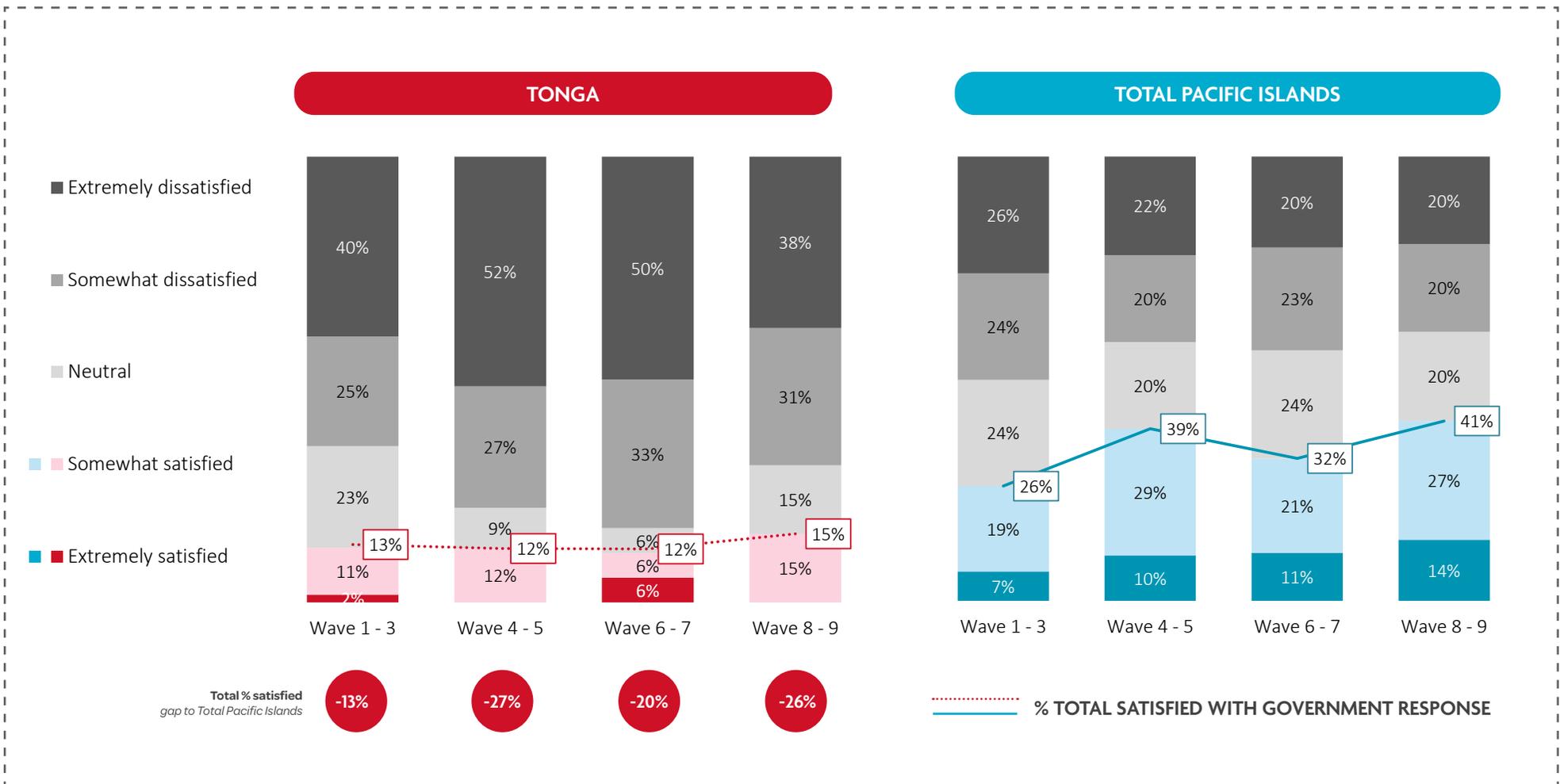


SATISFACTION WITH GOVERNMENT SUPPORT

Despite greater access to government support, businesses in Tonga are highly dissatisfied with the way the government has supported their business during 2020 indicating that the support given has not been sufficient to cover the higher declines in revenue seen for businesses in Tonga.

Q

HOW SATISFIED ARE YOU WITH THE WAY YOUR GOVERNMENT HAS SUPPORTED YOUR BUSINESS THROUGH THE COVID-19 CRISIS?



RESEARCH METHODOLOGY



WHO DID WE SPEAK WITH?

MORE THAN

110

COMPLETED SURVEYS PER WAVE

All respondents are key influencers or decision makers in their business. All businesses are based in the Pacific Islands.

N=121

TOTAL COMPLETED SURVEYS FROM TONGA



HOW DID WE SPEAK WITH THEM?

8

MINUTE

QUANTITATIVE ONLINE SURVEYS



WHEN DID WE SPEAK WITH THEM?

9

WAVES

IN 2020

Online responses were collected over nine waves between 18 May–13 December 2020.

PACIFIC TRADE INVEST

The PTI Network is an agency of the Pacific Islands Forum Secretariat and is the Pacific's leading trade and investment promotion agency. With offices in Australia, China, Europe and New Zealand, the PTI Network develops and promotes trade and investment across international markets.

ACKNOWLEDGEMENTS

The PTI Network would like to thank all the Pacific businesses that took part in the Pacific Business Monitor Surveys, and on-the-ground partners for their ongoing support and who shared the surveys through their networks.

DISCLAIMER

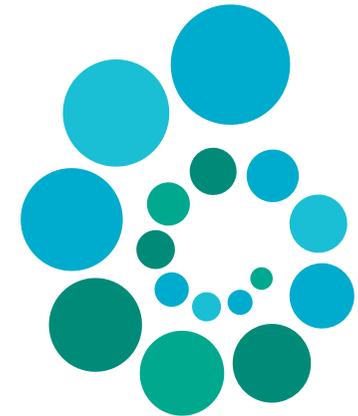
The information presented in this report is based on responses received by research company Fifth Quadrant from surveys administered from 18 May–13 December 2020.

FOR FURTHER INFORMATION

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Pacific Trade Invest



PACIFIC ISLANDS
FORUM SECRETARIAT



fifth
quadrant