Global State of Small Business Report: Wave III Update

FACEBOOK & THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
Small and medium-sized businesses (SMBs) have continued to resume their in-person operations, as many countries have eased the stringency of lockdown restrictions. However, SMBs that have reopened or remained active have continued to operate in an environment of reduced production, confidence, and demand for their goods and services amid the ongoing economic crisis driven by COVID-19.

Many SMBs have used digital channels to conduct business throughout the COVID-19 pandemic. In the analysis presented here, the extent of digital sales made by SMBs was found to be related to a number of characteristics, such as the sector of operation and business leaders’ level of education.

This report presents updated findings from Wave III of the 2020 Future of Business Survey, an ongoing data collection collaboration between Facebook, the Organisation for Economic Co-operation and Development (OECD), and the World Bank, to survey SMBs across the world that have Facebook Business Pages. Wave III was conducted 24–30 July 2020 and captures the views of more than 25,000 business owners, managers, and employees in over 50 countries. This follows Waves I and II of the survey, which were conducted 28–31 May and 24–30 June 2020, respectively.

For more details on the methodology and sampling, see the full-length update at: https://dataforgood.fb.com/global-state-of-smb.
GLOBAL STATE OF SMALL BUSINESS REPORT

Firms have continued to reopen, albeit at a reduced pace...

- In aggregate, the proportion of SMBs that were closed fell by 2 percentage points, to 16%, from Wave II to Wave III. This represents a 10 percentage point reduction from Wave I (26%).

- The largest reduction in closure rates between Wave II and Wave III was observed in sampled countries in Latin America (6 percentage points).

- By contrast, in the East Asia and Pacific and the South Asia regions, closures remained constant at Wave II levels (15% and 28%, respectively).
Firms have continued to reopen, albeit at a reduced pace...

- Closure rates also exhibited a continued gradual decline across sectors.

- The closure rate among consumer-facing sectors such as hotels, cafes, and restaurants continued to fall (from 19% in Wave II to 15% in Wave III), whereas in the information and communication sector, the proportion of SMBs that were closed increased by 4 percentage points.

- This may reflect a decline in demand related to information and communication: 54% of sampled SMBs in this sector reported a drop in sales relative to the same 30-day period last year as of Wave III, compared to 49% in Wave II.
GLOBAL STATE OF SMALL BUSINESS REPORT

...reflecting not only the extent of lockdown measures, but also wider economic conditions

- The gradual decrease in closures across regions was observed despite many countries having either sustained, or re-imposed, lockdown restrictions over the last month, as measured by the University of Oxford Lockdown Stringency Index.

- Changes in stringency demonstrated a weaker positive correlation with SMB closures in Wave III (0.60) relative to Wave II (0.74). This may reflect the increasing influence of economic conditions on SMBs' ability to operate.

Relationship between SMB closure rates within countries (vertical axis) and Lockdown Stringency Index (horizontal axis) across survey waves

Wave III Update
The proportion of SMBs that reported a year-on-year fall in sales remains significant...

- A considerable proportion of SMBs continue to report a challenging sales environment, reflecting persistent economic pressures.

- At the time of the Wave III survey, 58% of SMBs reported lower sales relative to the same 30-day period in 2019, representing a 1 percentage point increase from Wave II (57%) and a 4 percentage point decrease from Wave I (62%).

- Across sectors, there were notable increases in the proportion of SMBs that reported lower sales in the same 30-day period relative to 2019 in Wave III, particularly in the transportation and logistics sector (6 percentage point increase).
...driving sustained reductions in employment

- In aggregate, 33% of SMBs reported that they had reduced employment in response to the COVID-19 pandemic at the time of the Wave III survey, compared to 31% in Wave II and 33% in Wave I.

- Sampled countries in South Asia reported a 6 percentage point increase (to 40%) from Wave II to Wave III, whereas in the East Asia and Pacific region, a 4 percentage point increase (to 35%) was reported.

- Cambodia (10 percentage points to 35%) and Pakistan (14 percentage points to 42%) demonstrated the largest increases in these regions between Waves II and III.
GLOBAL STATE OF SMALL BUSINESS REPORT

...driving sustained reductions in employment

- The sustained (or even worsened) impacts of the pandemic were also visible at the sector level.
- In the majority of sectors, an increase in the proportion of SMBs that reduced employment in response to the pandemic was observed in Wave III relative to Wave II, particularly in the agriculture, construction, and transportation and logistics sectors.
Large numbers of active SMBs are selling their goods online

- In the majority of regions, over 40% of SMBs made more than a quarter of their sales through digital channels at the time of the Wave III survey. This was particularly the case in Latin America (57% of surveyed operational SMBs).

- Variation in this statistic across regions may also reflect the extent to which countries have removed restrictions on SMBs’ in-person operations (and hence their ability to make sales through other channels).

- Indeed, dependence on sales via digital channels has increased with the stringency of lockdown measures.
Many closed businesses are also developing an online presence

- Across all three survey waves, 25% of closed businesses stated that they were setting up a website or online presence. Indeed, this figure was 20% or more across all the regions sampled.

- Female business leaders were more likely to be developing an online website or business presence. When controlling for region and sector, female business leaders were 10% more likely to undertake this activity relative to male business leaders.
Selling more through digital channels can mitigate the negative business impacts of the global pandemic

- Businesses that made over 25% of their sales online were less likely to report lower sales compared to the same 30-day period last year and more likely to report an increase in sales, relative to those with a limited digital presence.

- Among businesses that made over 25% of their sales through digital channels in the last 30 days, 55% reported lower sales relative to the same 30-day period last year.

- This figure is 63% for businesses that made less than 25% of their sales through digital channels in the last 30 days.

- Conversely, 18% of businesses that made over 25% of their sales through digital channels reported an increase in sales relative to the same 30-day period in 2019, compared to 12% among businesses that obtained less of their sales online.
GLOBAL STATE OF SMALL BUSINESS REPORT

Disclaimer

This publication forms part of a series that includes joint publications by Facebook, the OECD, and the World Bank. The opinions expressed and arguments employed herein are those of the authors and do not necessarily reflect the official views of the OECD, the World Bank Group, nor any of the governments of their member countries.

This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries, and to the name of any territory, city, or area.

The names of countries and territories used in this joint publication follow the practice of the World Bank.

Please cite this document as:


© Facebook/OECD, 2020

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at http://www.oecd.org/termsandconditions.

Wave III Update