Global State of Small Business Report: Wave IV Update

FACEBOOK & THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
GLOBAL STATE OF SMALL BUSINESS REPORT

Overview

Small and medium-sized businesses (SMBs) continue to face uncertainty amid the ongoing pandemic, as some countries have witnessed a rise in COVID-19 cases. Within a broader economic environment of reduced demand, 15% of SMBs reported that they were closed in August, down only 1 percentage point since July. At the time of the Wave IV survey, 56% of active SMBs reported lower sales relative to the same month last year, and one-third (33%) of SMBs reported they had reduced employment in response to the pandemic, unchanged from July.

The COVID-19 pandemic has affected female business leaders differently from male business leaders. Across all four survey waves, female business leaders reported that they spent more time on domestic tasks and were more likely to care for dependents, and that domestic tasks were impacting their work. Female-led businesses were also more likely to be closed. However, as the stringency of lockdown measures has eased, the difference in closure rates between male and female business leaders has narrowed.

This report presents findings from Wave IV 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 with Facebook Business Pages. Wave IV of the 2020 Future of Business Survey was conducted from 24-31 August 2020, and captures the views of more than 25,000 business owners, managers, and employees worldwide, in over 50 countries. This follows Wave I of the survey, which was conducted from 28-31 May, Wave II, conducted from 24-30 June, and Wave III, conducted from 24-30 July.

For more details on the methodology and sampling, see the full-length update at: https://dataforgood.fb.com/global-state-of-smb.
The improvement in closure rates has shown signs of stalling, as the pandemic continues to stifle economic activity

- In aggregate, 15% of SMBs were closed at the time of the Wave IV survey, down 1 percentage point since July.

- Although this represents a fall of 11 percentage points since Wave I, the rate of change in SMB closures has fallen across each wave in turn.

- Some countries and regions continued to witness a strong decline in closure rates, particularly in Sub-Saharan Africa and Latin America (which both fell by 4 percentage points).
The improvement in closure rates has shown signs of stalling, as the pandemic continues to stifle economic activity

- All sectors exhibited stable or falling closure rates from Waves III to IV apart from the retail and wholesale and the agriculture, farming, forestry and mining sectors, which both exhibited a 1 percentage point increase in closure rates.

- The largest decline was observed in the transportation and logistics sector where closure rates fell by 7 percentage points to 13%.

- Closure rates have converged to between 13% and 17% across all sectors.
Although many countries have continued to reopen, others have extended or re-imposed lockdown measures

- Half of the sampled countries reduced the stringency of their lockdown measures between Waves III and IV, although to a lower extent than observed in previous waves.

- One in three countries (33%) imposed more stringent measures, while one in six retained their existing levels (17%).

- Changes in stringency continued to demonstrate a positive correlation with SMB closures in Wave IV (0.49), albeit to a lower degree relative to Wave III (0.60).

- This likely reflects the continued influence of wider economic conditions on SMBs' ability to continue operating or to re-open.
Over half of SMBs continued to report a year-on-year drop in monthly sales...

- The proportion of SMBs that reported their sales were lower, compared to the same 30-day period last year, decreased only slightly in aggregate, from 58% in Wave III to 56% in Wave IV.
- All regions exhibited a decrease in the proportion of SMBs that reported lower sales, with the largest decline observed in South Asia (5 percentage points).
- The proportion of SMBs that indicated higher sales also increased marginally, from 15% in Wave III to 16% in Wave IV.
Over half of SMBs continued to report a year-on-year drop in monthly sales...

- Across sectors, there were some notable decreases in the proportion of SMBs that reported lower sales relative to the same 30-day period in 2019, in particular within the hotels, cafes and restaurants and the transportation and logistics sectors.

- In these sectors, the proportions of SMBs that reported lower sales fell by 7 and 4 percentage points respectively.

- These two sectors also reported the highest proportions of SMBs that experienced a reduction in sales at the time of the Wave 1 survey.
Over half of SMBs continued to report a year-on-year drop in monthly sales...

- The proportion of firms that reported a fall in sales of 50% or more, compared to the same 30-day period a year ago, fell across all sectors.

- The highest falls were observed in the manufacturing and the hotels, cafes and restaurants sectors, where these proportions fell by 8 and 6 percentage points respectively.

- The hotels, cafes and restaurants sector in particular has witnessed a 17 percentage-point reduction since Wave I, likely reflecting the impact of countries emerging from national lockdowns, and in some cases, re-opening borders to international travel, in recent months.
...and employment conditions have remained static

- In aggregate, 33% of SMBs reported that they had reduced employment in response to the COVID-19 pandemic at the time of the Wave IV survey, unchanged from the findings from of Wave III.

- Across all regions, there has been little significant change between Waves I and IV. The proportion of SMBs which reported that they had increased employment in response to the COVID-19 pandemic also increased marginally in aggregate, from 5% to 6%.
GLOBAL STATE OF SMALL BUSINESS REPORT

...and employment conditions have remained static

• Some sectors demonstrated large decreases in the proportion of SMBs that have reduced employment in response to the pandemic, between Waves III and IV.

• This was particularly the case in labour-intensive industries such as agriculture, farming, forestry and mining, and construction.

• Other sectors, however, reported further reductions in employee retention between Waves III and IV, for example, SMBs in the information and communication and retail and wholesale sectors (both by 2 percentage points).
A significant proportion of SMBs remain in receipt of financial support

- A similar proportion of SMBs reported having received financial support in both Waves III (18%) and IV (17%), in aggregate. However, there was a clear divergence in movements across countries and regions.

- In North America and Europe, for example, the proportion of SMBs in receipt of financial support fell by 6 and 4 percentage points, respectively.

- In other regions, these proportions fluctuated by less than 2 percentage points between waves, and in some cases increased (for example, by 2 percentage points in the East Asia and Pacific region).

### Proportion of SMBs in receipt of financial assistance in response to the COVID-19 pandemic, by region and wave

<table>
<thead>
<tr>
<th>Region</th>
<th>Wave I</th>
<th>Wave II</th>
<th>Wave III</th>
<th>Wave IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>25%</td>
<td>20%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Europe</td>
<td>12%</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Latin America</td>
<td>12%</td>
<td>12%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>12%</td>
<td>9%</td>
<td>15%</td>
<td>14%</td>
</tr>
<tr>
<td>North America</td>
<td>10%</td>
<td>17%</td>
<td>20%</td>
<td>22%</td>
</tr>
<tr>
<td>South Asia</td>
<td>10%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>7%</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>
The burden of additional domestic responsibilities has disproportionately fallen upon female business leaders...

- On average over the four survey waves, 23% of female business leaders stated that they spent 6 hours or more per day on domestic responsibilities, compared to only 11% of male business leaders.

- Women were more likely to spend 6 hours or more on domestic tasks in every region, with the greatest differences between genders observed in Latin America (17 percentage point difference), Middle East and North Africa (16 percentage points) and South Asia (13 percentage points).

- Female business leaders were also more likely to look after dependents themselves if they were working from home or quarantining (30% of female business leaders compared to 12% of male business leaders), and considerably less likely to rely on a spouse to look after dependents (11% of female business leaders relied on a spouse compared to 29% of male business leaders).
...which has limited their ability to focus on running their businesses

- The disproportionate burden of domestic responsibilities has reduced the time available for female business leaders to concentrate on their businesses.

- On average across all four survey waves, 25% of female business leaders reported that homeschooling impacted their ability to focus on work compared to 19% of male business leaders, with a similar picture for household chores (41% compared to 26%) and for looking after children (31% compared to 24%).
Female-led SMBs have also closed to a greater extent than their male-led counterparts

- At the height of lockdown measures (Wave I), the closure rate for female owned businesses (27%) was 7 percentage points higher than for male owned SMBs (20%), in aggregate.

- Although the gap has closed across waves as lockdown measures have eased, it has remained at 2 percentage points in Wave IV. At the time of the Wave IV survey, 16% of female-led SMBs were closed, in aggregate, relative to 14% of male-led.

- The gender gap in closures has reduced across the majority of regions. Indeed the two regions with the largest gender gaps in Wave I, Latin America (11 percentage points) and North America (14 percentage points) now both have a gender difference in closure rates of only 1 and 2 percentage points, respectively.

- However, with rising infection rates, and with them the possibility of new lockdowns, there is a risk that these declines could be reversed.
Female-led SMBs have also closed to a greater extent than their male-led counterparts

- This gender gap is partly, but not fully, explained by sectoral composition.

- In particular, female business leaders were typically more concentrated in sectors such as services, which exhibited higher closure rates relative to more male-concentrated sectors, such as information and communication, for example.
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