Global State of Small Business Report: Wave V Update

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

Overview

Evidence from Wave V of The 2020 Future of Business Survey suggests persistence, and possibly deterioration, in economic conditions for many small to medium-sized businesses (SMBs). Over one-third (34%) of operational SMBs reported that they had reduced employment in response to the pandemic, the highest across any survey wave. Unchanged from Wave IV, over half (56%) of operational SMBs reported lower sales compared to the same 30-day period in 2019, and of these, half continued to report declines of 50% or more.

Micro-businesses, defined as businesses owned and operated by one person, have been disproportionately affected by the COVID-19 pandemic relative to their larger counterparts. At the time of the Wave V survey, 21% of micro-businesses were closed, relative to 14% for SMBs with one to nine employees and 13% for SMBs with 10 or more employees. Gaps in closure rates by business size have increased across each survey wave, suggesting that challenges have been exacerbated for the smallest of small businesses. In each wave to date, a greater proportion of micro-businesses has reported a decline in sales of over 50%, relative to larger SMBs.

This report presents findings from Wave V 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 V was conducted from 23 September–1 October 2020 and captures the views of more than 25,000 business owners, managers, and employees worldwide, in over 50 countries. This follows Wave I, conducted 28–31 May; Wave II, conducted 24–30 June; Wave III, conducted 24–30 July; and Wave IV, conducted 24–31 August.

For more details on the methodology and sampling, see the full-length update at: https://dataforgood.fb.com/global-state-of-smb.
Closure rates have continued to stabilise in aggregate, but have increased across some countries and regions

- In September, at the time of the Wave V survey, 15% of SMBs were closed, the same as Wave IV. All regions showed movements in closure rates of 2 percentage points or fewer between Waves IV and V.

- Across four of the seven regions sampled, the proportion of SMBs that were closed increased marginally between Waves IV and V.

- Conversely, sampled countries in Latin America and Europe continued to show a marginal decline in closure rates, by 2 and 1 percentage points, respectively.
Closure rates have continued to stabilise in aggregate, but have increased across some countries and regions

- Two-thirds of sampled countries relaxed the stringency of their lockdown measures between the August and September surveys.

- The relationship between closure rates and the Lockdown Stringency Index exhibited an increasing positive gradient relative to Wave IV.

- This reflects a return to the most stringent lockdown measures in some countries (such as Israel), as well as the stronger effect of these measures on closure rates, relative to movements observed in Wave IV.
SMBs continue to face an environment of reduced demand and limited sales opportunities...

- In aggregate, 56% of SMBs reported lower sales compared to the same 30-day period in 2019, the same as Wave IV. Movements of 2 percentage points or fewer were observed across all regions.

- These static trends reflect the persistence of current economic conditions: Although demand for SMB products and services has not worsened considerably, neither has it improved to a great extent, even in countries that have continued to reopen.

- In aggregate, half of SMBs reported a decline in sales of 50% or more, the same as Wave IV. This proportion has remained at 50% or more across all survey waves, illustrating the severity of demand-side pressures that SMBs have faced over recent months.
...which has contributed to a drop in employment

- In aggregate, 34% of SMBs reported that they had reduced employment in response to the COVID-19 pandemic, up 1 percentage point from Wave IV (33%).

- This represents the highest level recorded across all five waves of the survey, even when comparing to Wave I (33%), conducted in May when national lockdowns were most extensive.

- Across countries and regions, Latin America reported the largest increase in the proportion of SMBs that reduced employment, from 37% in Wave IV to 42% in Wave V.
Micro-businesses have closed to a greater extent than their larger peers

- Micro-businesses have faced worse outcomes throughout the COVID-19 pandemic, compared to their larger peers.

- In Wave I, 30% of micro-businesses were closed, compared to 26% of SMBs with one to nine employees and 24% of SMBs with 10 or more employees.

- Although overall closure rates have decreased over time, the gap between micro-businesses and other SMBs has widened slightly across waves, with 21% of micro-businesses closed in Wave V, compared to 14% and 13% of SMBs with one to nine employees and with 10 or more employees, respectively.
Micro-businesses also reported more severe declines in sales

- For SMBs that reported lower sales, micro-businesses were more likely to report a decline of over 50% in comparison to their larger counterparts.

- In Wave I, 62% of micro-businesses reported a decline of 50% or more, compared to 55% of businesses with 10 or more employees.

- This gap has been present across every wave. In Wave V, 52% of micro-businesses reported a sales decline of 50% or more, compared to 48% of SMBs with 10 or more employees.

- The proportion of SMBs that reported a decline in sales of over 50% was similar among SMBs with one to nine employees and those with 10 or more employees.
A greater proportion of micro-businesses have received financial support, especially from the government

- A greater proportion of micro-businesses have received financial support compared to larger businesses.

- At the time of the Wave I survey, 25% of micro-businesses had received financial support, compared to 21% among businesses with 10 or more employees, although this difference has narrowed over time.
A greater proportion of micro-businesses have received financial support, especially from the government

- Micro-businesses have been more reliant on government grants than larger SMBs, perhaps reflecting their more limited cash resources or difficulties in accessing finance.

- In Wave I, half of all support for micro-businesses was in the form of government grants, compared to only 37% for businesses with 10 or more employees. At the time of the Wave V survey, these figures were 47% for micro-businesses and 27% for businesses with 10 or more employees.

- SMBs with 10 or more employees were more likely to be in receipt of bank or government loans across all waves. At the time of the Wave V survey, 32% of SMBs with 10 or more employees were in receipt of bank or government loans, compared to 15% of micro-businesses.
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