

TACKLING CORONAVIRUS (COVID-19)
CONTRIBUTING TO A GLOBAL EFFORT

THE ECONOMIC SITUATION OF SMEs AND THE PUBLIC POLICY RESPONSES TO COVID-19

ALIDE 2020 General Assembly

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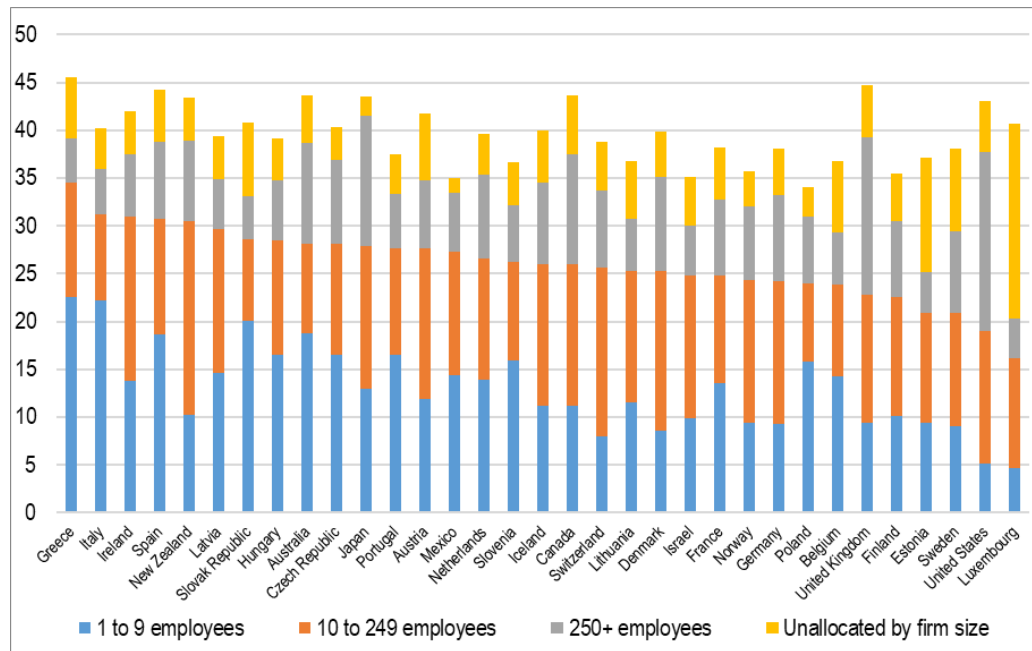
The background of the slide features a stylized, glowing blue and white globe. Overlaid on the globe are numerous bright red lines and dots, creating a network-like pattern that suggests global connectivity, data flow, or communication. The lines are curved and dynamic, connecting various points across the globe. The overall aesthetic is high-tech and modern.

Cross-country evidence on impact for SMEs

SMEs have been at the center of the Covid-19 pandemic

- SMEs represent close to **75% of all jobs** in the most affected sectors, compared to **60% in the total business economy**
- Across the world, 40+ business surveys show that **over 50%** of SMEs experienced a **strong drop in revenue** and were at risk of being put **out of business in less than three months**
- **Insolvencies** expected to rise significantly by **17%** in 2020 and **16%** in 2021

Share of total employment in the most adversely affected sectors by firm size (%)



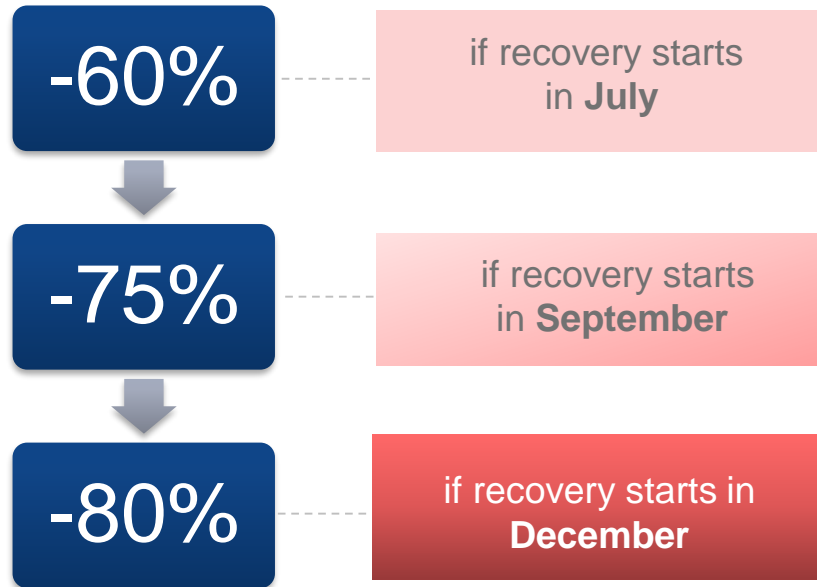
Source: OECD Annual National Accounts and Structural Business Statistics databases, OECD calculations, 15 April 2020

Note: Employment data from 2017 and 2018.



Some sectors were hit particularly hard - including tourism, where SMEs dominate

Revised 2020 estimates for international tourism



The impact of Covid-19 on the tourism sector has been unprecedented

Across the OECD, tourism accounts on average for **4.4% of GDP**, **6.9% of employment** and **21.5% of services exports** ...but:

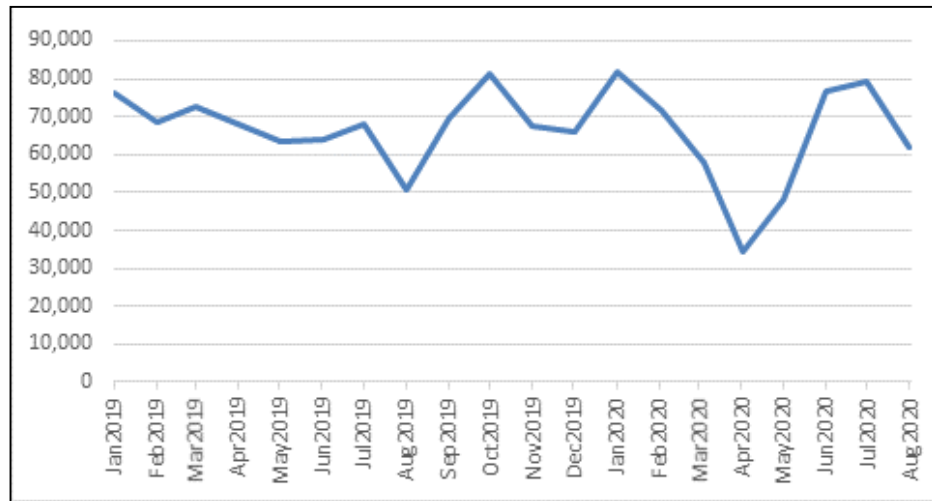
- **Passenger air traffic** is expected to fall by 55% in 2020 – back to 2006 levels (IATA)
- Potential losses globally of up to USD 1.2 trillion in **export revenues** ...
- ... with up to 120 million **jobs at risk** in the tourism sector (UNWTO)



Start up rates were hard hit – but a tentative recovery is underway in some countries

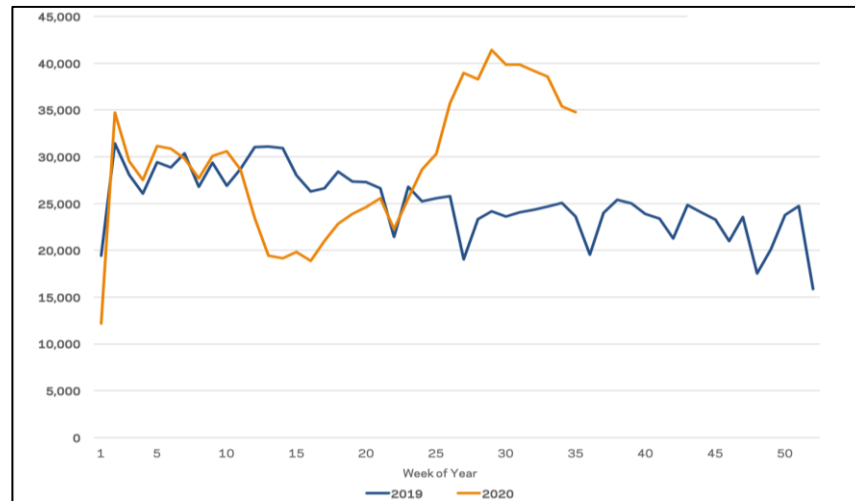
Monthly creation of new businesses in France

Jan 2019-Aug 2020



Weekly Business applications in the United States

2019 – 2020 (Jan-Aug)



Source: INSEE <https://www.insee.fr/fr/statistiques/4631321#consulter> and US Census Bureau's Business Formation Statistics: <https://eig.org/news/weekly-update-covid-19-business-formation>

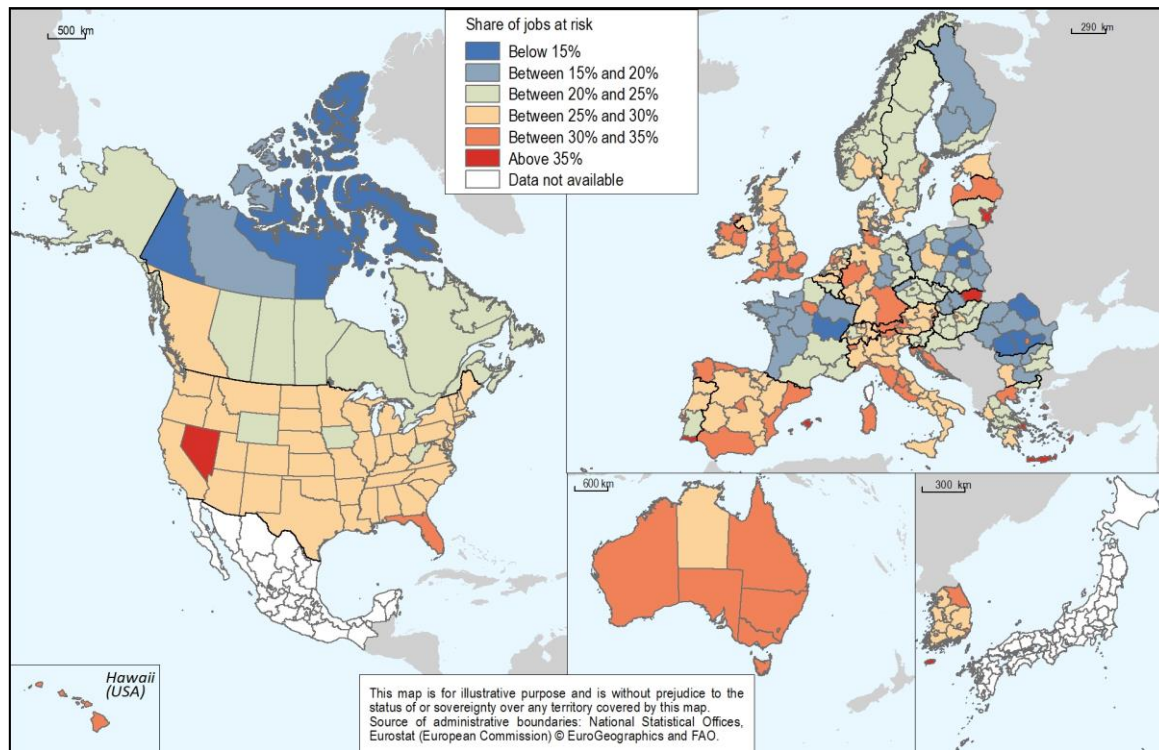
- Strong **drop in business creation/ application rates** between March and May 2020, followed by recovery over the summer, although uncertainty remains



Job losses hit some communities harder than others

- Potential short-term job losses **range from 15% to 35% across regions** within 34 OECD and European countries
- The **role of local governments** will be essential for the recovery

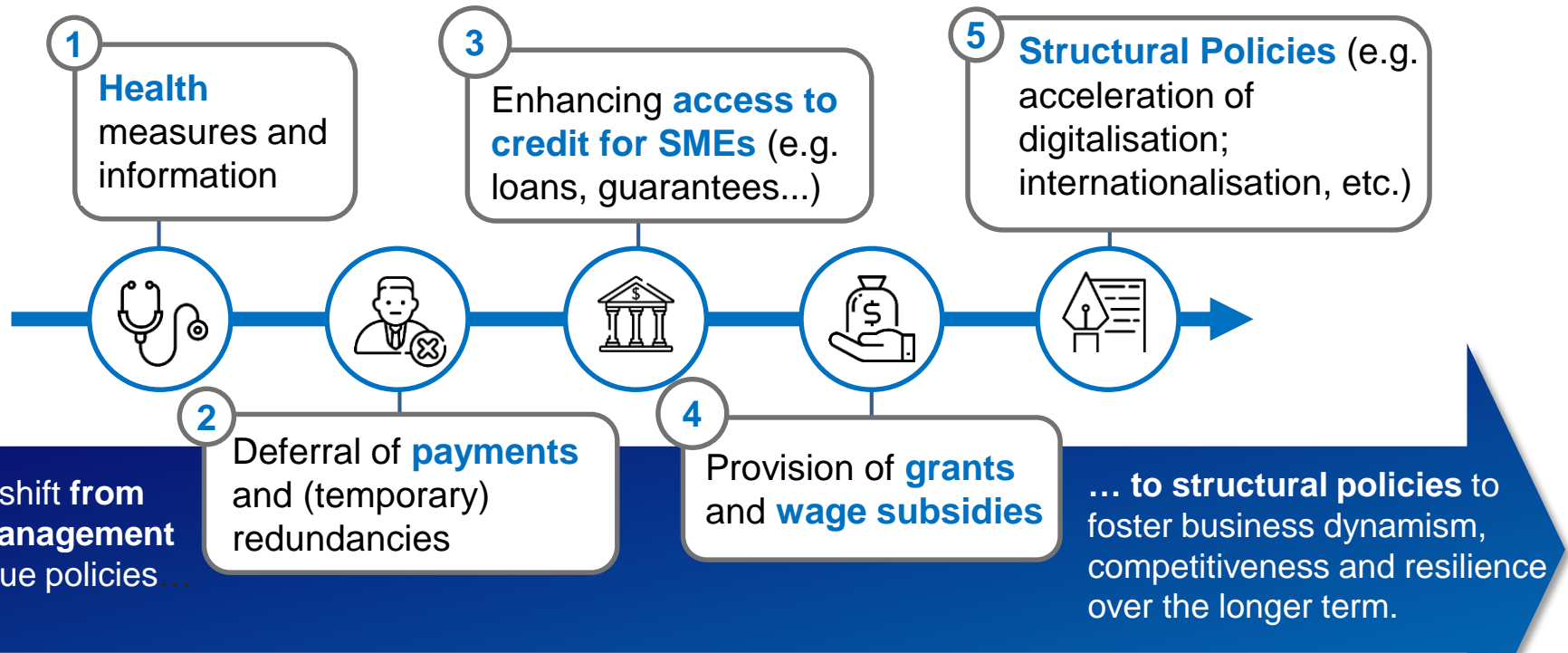
Share of jobs at risk during COVID-19
containment measures





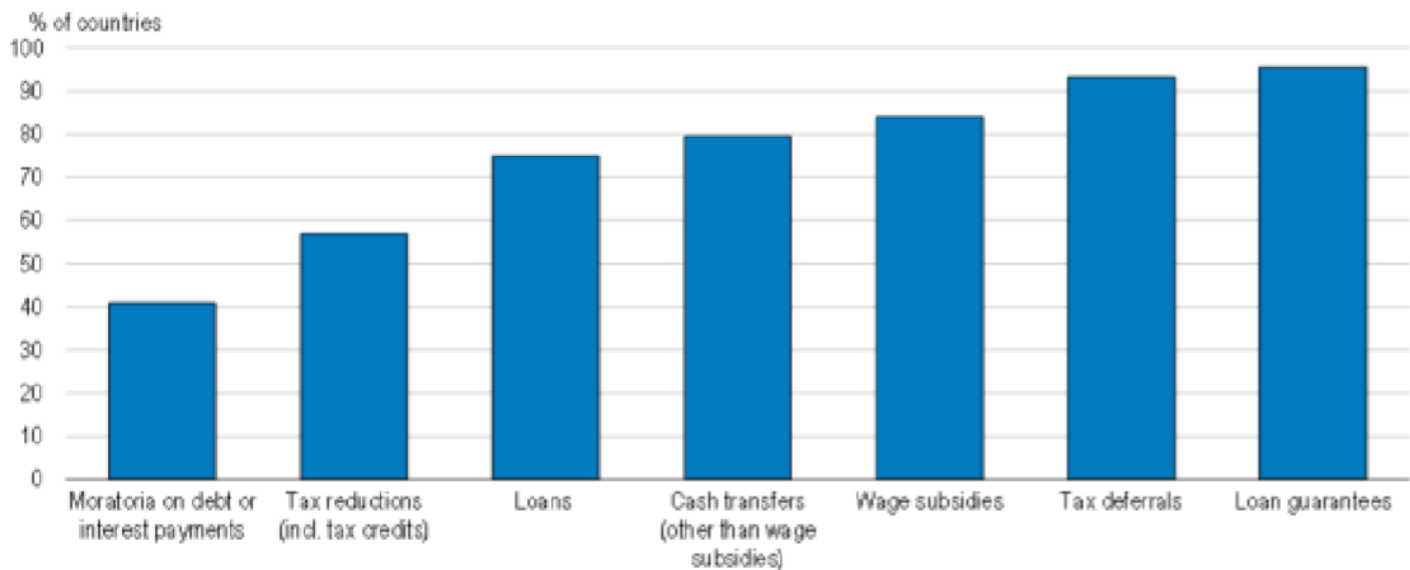
SME policy responses

In most countries, measures were sequenced to address the crisis



Wide array of policy measures, but similar instruments

Frequency of business support measures during the initial phase of the COVID-19 crisis



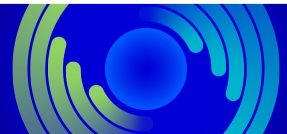
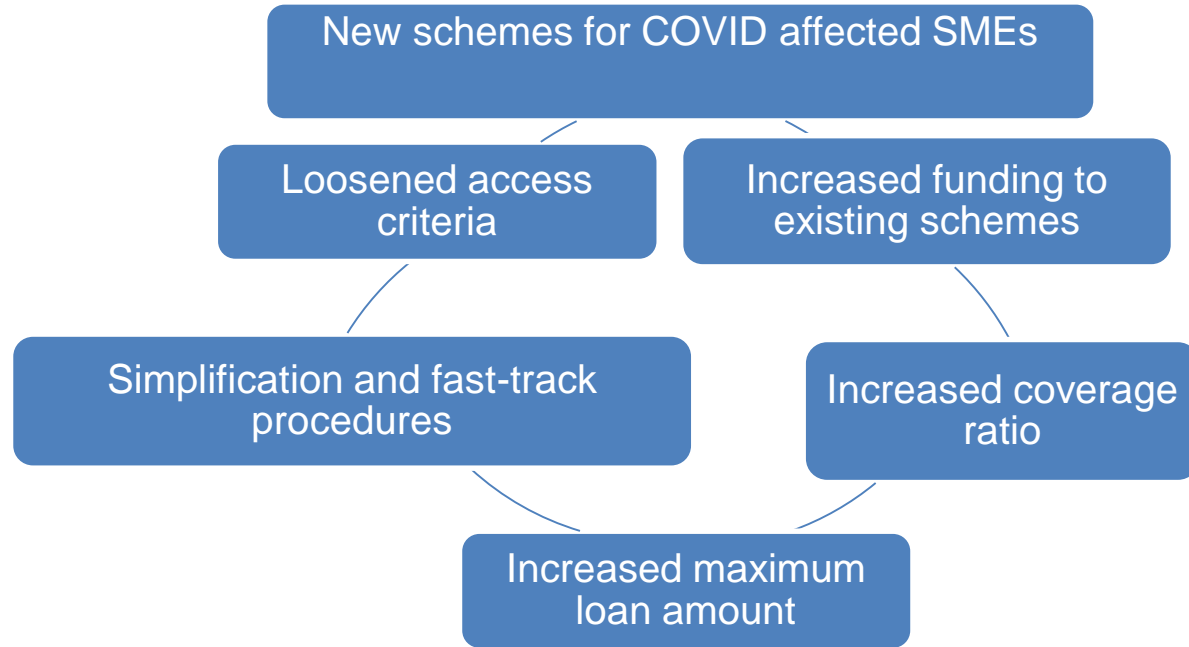
Note: Non-OECD countries include Brazil, China, India, Indonesia and South Africa.

Source: OECD COVID-19 Policy Tracker (2020) <https://www.oecd.org/coronavirus/country-policy-tracker/>, and national sources.



Common trends but diverse product features

Loan guarantee schemes



Lending to firms held up in Q1 and Q2, but other types of finance are cause for concern

Trends in lending vs. ...



Euro zone

- Increase in demand for loans & no significant tightening of credit standards



United Kingdom

- Steep increase in demand for credit in Q2 2020



North America



- Increase of the demand for corporate loans and an increase in credit requirements



- Expected increase in demand of corporate credit in Q3



Japan

- Increased corporate lending, especially for SMEs

...alternative financing instruments

- **Early stage equity finance:** Decline in seed and angel investments in US/ China, expected contraction in Euro zone
- **Trade finance:** likely to be strongly affected given the pronounced decline in both supply and demand of international trade
- **Leasing and hire purchases:** loan delinquencies are likely to rise, which is expected to lead to fewer activities



COVID-related financial support instruments would benefit from greater diversification

Loan guarantees

- **New schemes** (e.g. Denmark, Israel, Japan)
- **Boost in funding** (e.g. Austria, UK)
- **Higher public risk** (e.g. 100% in Switzerland and Germany)
- **Easier access** (e.g. Switzerland, France)

Direct loans

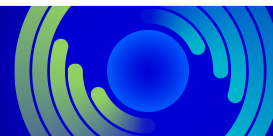
- **New schemes** (e.g. Canada, Australia, Czech Republic)
- **Higher funding** (e.g. Japan, Brazil)

Equity

- Strengthened **public VC funds** (Germany)
- **Economic stabilization fund** to ring-fence strategic activities (Germany)
- **Financing bridges** for start-ups (e.g. France)
- **Convertible loans** for innovative companies (e.g. UK)

Grants

- **For SMEs affected by the lockdown** (e.g. Netherlands, Korea)
- **As wage subsidies** (e.g. New Zealand, Chile)





What Next?

The need for SME recovery policies

Going forward, it is critical to connect short-term and long-term responses



Access: How to ensure a **fast-track access** to support for SMEs and the self-employed, while ensuring **accountability**? How can instruments reach all **viable SMEs**?



Sustainability: How can **alternative financing mechanisms** and channels be leveraged to avoid over-indebtedness of SMEs? How can equity and growth capital be mobilised?



Business dynamism: Support for **innovative entrepreneurship, second chance entrepreneurship and creation of start-ups** (e.g. fostering conducive regulatory frameworks)



Moving towards structural responses: How to move **from crisis management to structural policies** that can enhance SME resilience and competitiveness over the longer term? For example, digitalization, reskilling, new markets and GVCs



Don't miss our other latest policy responses to the COVID-19 crisis

- 
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 - [Tourism Policy Responses](#) (4th edition, 2 June. Also available in [French](#) and Italian.
 - [The territorial impact of COVID-19: managing the crisis across levels of government](#) (2nd edition, 16 June)
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Thank you

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