1. 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

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

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

2. Overview of SME policy responses
In most countries, measures were sequenced to address the crisis

1. Health measures and information
2. Deferral of payments and (temporary) redundancies
3. Enhancing access to credit for SMEs (e.g. loans, guarantees...)
4. Provision of grants and wage subsidies
5. Structural Policies (e.g. acceleration of digitalisation; internationalisation, etc.)

Gradual shift from crisis management and rescue policies…

… to structural policies to foster business dynamism, competitiveness and resilience over the longer term.
The SME policy response was comprehensive and ambitious

Selected discretionary fiscal measures adopted in countries in response to COVID-19
As of 3 September 2020, % of 2019 GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>Immediate fiscal impulse</th>
<th>Deferral</th>
<th>Other liquidity/guarantee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>1.4%</td>
<td>4.8%</td>
<td>21.9%</td>
</tr>
<tr>
<td>Denmark</td>
<td>5.5%</td>
<td>7.2%</td>
<td>4.1%</td>
</tr>
<tr>
<td>France</td>
<td>4.7%</td>
<td>8.7%</td>
<td>14.2%</td>
</tr>
<tr>
<td>Germany</td>
<td>8.3%</td>
<td>7.3%</td>
<td>24.3%</td>
</tr>
<tr>
<td>Greece</td>
<td>3.1%</td>
<td>1.2%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Hungary</td>
<td>0.4%</td>
<td>8.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Italy</td>
<td>3.4%</td>
<td>13.2%</td>
<td>32.1%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3.7%</td>
<td>7.9%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Portugal</td>
<td>2.5%</td>
<td>11.1%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Spain</td>
<td>3.7%</td>
<td>0.8%</td>
<td>9.2%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>8.0%</td>
<td>2.3%</td>
<td>15.4%</td>
</tr>
<tr>
<td>United States</td>
<td>9.1%</td>
<td>2.6%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

High diversity in policy instruments

- Italy and France introduced 14 out of 15 types of policy instruments monitored …
- ....compared to 11 in Japan, Belgium and Spain; 10 in Korea; 9 in Denmark, Germany, Greece, Hungary, Netherlands, Poland and Portugal; 8 in the UK and Australia; and 5 in the US

Strong emphasis on liquidity support (guarantees and deferrals)
Less focus on structural measures
3. SME finance during covid-19
The crisis erupted against the backdrop of weak lending, despite favourable conditions...

- **New lending flows declined** in 11 out of 22 countries
- **Interest rates declined** in 25 out of 36 countries
  - Despite **favourable lending conditions** in general
- **SME NPLs were relatively low** in the run-up to the crisis

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**Growth in Non-performing loans (NPLs), 2007-19**

Median value for participating countries, as a percentage of all SME and firm loans

**Source**: Data compiled from Scoreboard country profiles
...and strong growth in SME uptake of non-bank financing instruments

- **Leasing, hire purchases and factoring activities** all increased
- **Online alternative finance** likely increased (comprehensive data forthcoming)
- **Venture Capital Investments** expanded in 29 out of 40 countries

**Growth in Venture capital investments, 2018-19**

Source: Data compiled from Scoreboard country profiles
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

<table>
<thead>
<tr>
<th>Loan guarantees</th>
<th>Direct loans</th>
<th>Equity</th>
<th>Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>• New schemes (e.g. Denmark, Israel, Japan)</td>
<td>• New schemes (e.g. Canada, Australia, Czech Republic)</td>
<td>• Strengthened public VC funds (Germany)</td>
<td>• For SMEs affected by the lockdown (e.g. Netherlands, Korea)</td>
</tr>
<tr>
<td>• Boost in funding (e.g. Austria, UK)</td>
<td>• Higher funding (e.g. Japan, Brazil)</td>
<td>• Economic stabilization fund to ring-fence strategic activities (Germany)</td>
<td>• As wage subsidies (e.g. New Zealand, Chile)</td>
</tr>
<tr>
<td>• Higher public risk (e.g. 100% in Switzerland and Germany)</td>
<td></td>
<td>• Financing bridges for start-ups (e.g. France)</td>
<td></td>
</tr>
<tr>
<td>• Easier access (e.g. Switzerland, France)</td>
<td></td>
<td>• Convertible loans for innovative companies (e.g. UK)</td>
<td></td>
</tr>
</tbody>
</table>
4. What Next?
The need for SME recovery policies
There are several priorities going forward

**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
The WPSMEE will support countries in the recovery period

Financing SMEs and Entrepreneurs: An OECD Scoreboard

OECD SME and Entrepreneurship Outlook

Digital for SMEs (D4SME) Global Initiative
Don't miss our other latest policy responses to the COVID-19 crisis

- Culture shocked: COVID-19 and the cultural and creative sectors (7 September)
- Social economy and the COVID-19 crisis: current and future roles (30 July)
- Cities policy responses (3rd edition, 7 July)
- 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)
- Implications of Coronavirus crisis for Rural Development (16 June)
- Capacity for remote working can affect lockdown costs differently across places (2 June) Also available in French & German
- From pandemic to recovery: Local employment and economic development (27 April)
- Italian regional SME policy responses (22 April)
Thank you

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