



Report

SMBs driving economic recovery

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Business Research report
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In collaboration with:

Sage



Foreword by Derk Bleeker, President - EMEA of Sage



Small and mid-sized businesses (SMBs) are the lifeblood of economies around the world. They act as a jobs and growth engine and are instrumental to driving economic recovery in the aftermath of a recession, as this report demonstrates.

As we navigate a time of economic and societal turmoil, the headlines often paint a gloomy picture of the future for SMBs. But it's not a picture I recognise as I speak to customers of Sage. I regularly hear encouraging stories of resilience, innovation, and adaptability. Stories of SMBs bucking the trend and spotting opportunities for growth despite the challenges they face.

Our research with the Cebr gives me confidence that SMBs will once again be the cornerstone of our economic recovery in the years ahead, just as they were in the aftermath of the global financial crisis in 2007-9. Despite the macro headwinds, the number of SMBs will continue to grow in the next three years, on average 1.7% per year in the eight countries covered by the report. In the UK, SMBs are expected to contribute an extra £160bn in turnover by 2025, while in the US and Canada, this resurgence is expected to see SMBs create 1.3 million more jobs.

In a downturn, SMBs have the distinctive ability to pivot quickly in a way that larger businesses simply can't.

Their agility and focus means they can redirect resources, update plans, and find new ways of doing things—not just to mitigate the impact of the challenging economic backdrop, but also to capitalise on new opportunities that inevitably emerge in periods of change.

Technology also continues to play a pivotal role, especially in the wake of the digital revolution that was supercharged by COVID-19. From plumbers using smartphones to invoice customers and track expenses in real-time, to hairdressers using WhatsApp to log appointments, and manufacturers digitising their end-to-end processes in the cloud, the pace of change is incredible. Businesses that never used to be thought of as “tech” are using digital tools to increase their revenues, minimise their costs, and save time.

So, our ask of governments around the world is simple; make it as easy as possible for SMBs to do business digitally and adopt technology that will unlock productivity and give them the insights to adapt and grow even quicker.

Without this action, even the most robust economies risk losing out on the essential jobs and prosperity that SMBs generate at a time when it's needed most. But with the right support, policies, and incentives in place, SMBs can unleash their full potential and play a vital role in economic recovery and sustained long-term growth, just as they've done before.

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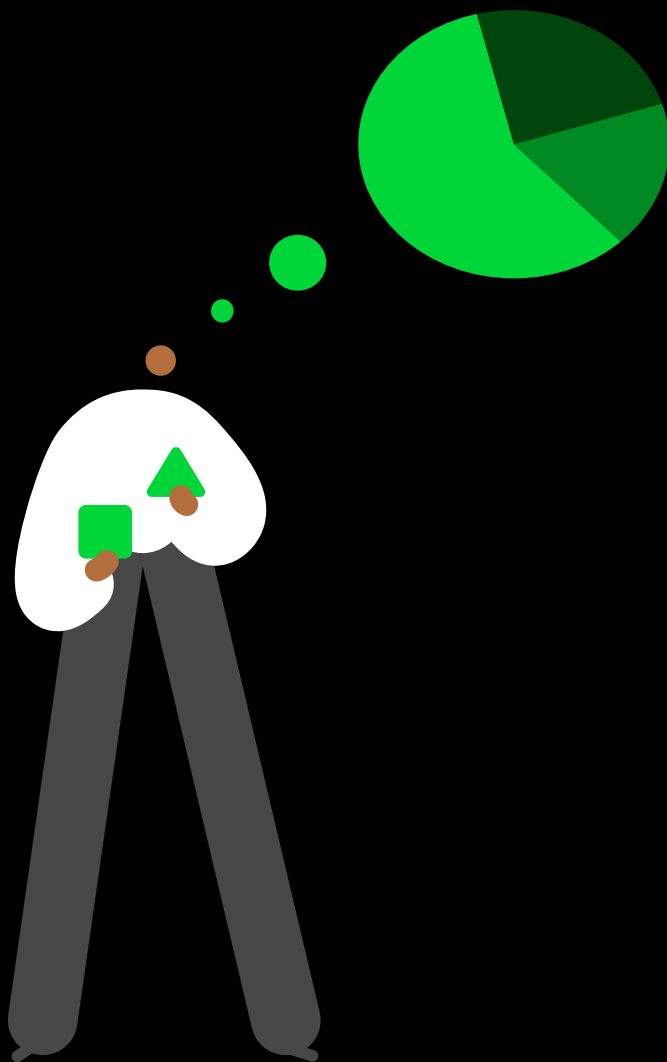
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About Sage

Sage exists to knock down barriers so everyone can thrive, starting with the millions of small and mid-sized businesses served by us, our partners, and accountants.

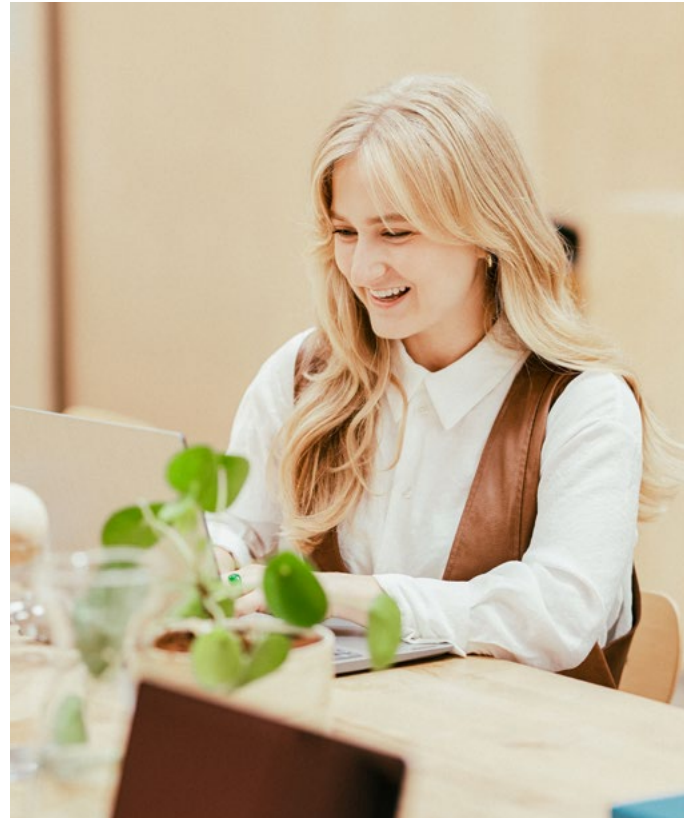
Customers trust our finance, HR, and payroll software to make work and money flow. By digitising business processes and relationships with customers, suppliers, employees, banks, and governments, our digital network connects SMBs, removing friction, and delivering insights. Knocking down barriers also means we use our time, digital tech, and experience to tackle digital inequality, economic inequality, and the climate crisis.



Executive summary

Cebr has been commissioned by Sage to highlight the vital role of small and mid-sized businesses (SMBs) in the global economy. In particular, analysis focusses on the role these businesses play in recovering from a downturn in the global economy, highlighting SMB's position as vital generators of employment and economic growth, post-recession.

Section 1 of this report examines the role of SMBs in driving the economic recovery following the Global Financial Crisis (GFC). In order to focus on a comparable period of a boom and bust in the economic cycle, as well as to understand the evolution of SMB indicators during a post-recessionary period, discussion within this section focusses on the period between 2005-2015. The number of SMBs in a given economy, alongside their economic output and employment, are shown to be resilient in the face of an economic crisis and vital to the post-recession period of recovery. Creative and technology sectors, in particular, made strong gains from digitalisation and were crucial for recovery.



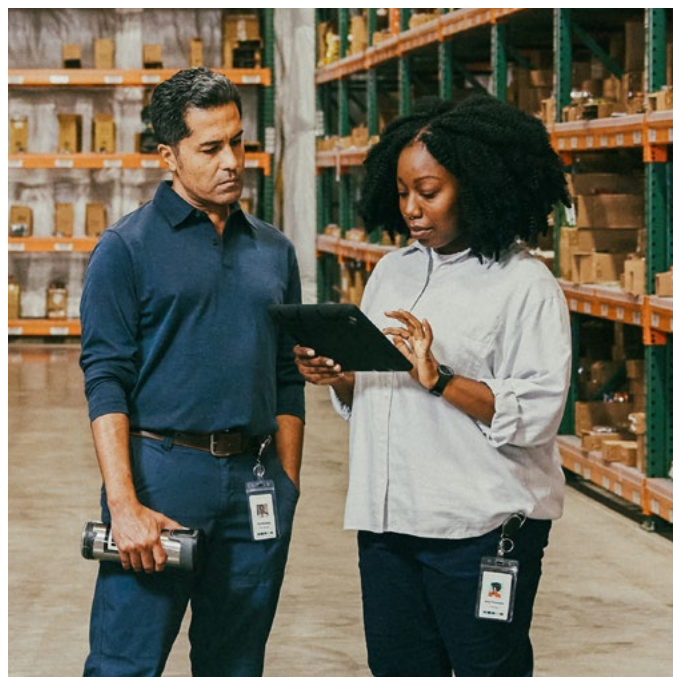
Given the current economic situation, section 2 then looks to 2022 and beyond, using bespoke forecasts produced by Cebr on key SMB indicators and their relative share of total businesses. Our analysis expects SMBs to grow in almost every forecasted dimension in the majority of economies studied. This is due to the resilience shown during the economic downturn in 2007-2009, alongside the assumption that SMBs will take the opportunities available to adopt new technology and utilise the benefits of digitalisation, to then continue to be the leaders of innovation.

To understand the role that SMBs play during the recovery from an economic downturn, Cebr has analysed historical data and produced forecasts for the following eight countries, covering the key markets of Sage:

- Ireland
- France
- Germany
- Spain
- Portugal
- UK
- US
- Canada

The role of SMBs in supporting the recovery after the global financial crisis

- In the five countries within the European Union (EU) studied, after the 2007-2009 financial crisis, the number of SMBs increased by an average of 120,000 per year between 2010-2015, which amounted to 600,000 additional SMBs operating in 2015 compared to 2010.
- SMBs in the five EU countries studied employed 274,000 more individuals in 2015 than in 2010, while adding an extra €142 billion to the Eurozone economy, showing the vital role these businesses play in generating economic activity post-recession.
- In the US and Canada combined, there were 211,000 more SMBs at the end of the post-recession period of 2010-2015, while SMBs employed 937,000 additional workers.
- From 2010-2015, the total number of SMBs operating in the UK increased by an average of 184,000 each year, while SMBs employed an additional 2 million people in 2015 compared to 2010.
- Compared to 2010, SMBs in the UK turned over an extra £192 billion in 2015, proving vital to the broader economic recovery in the decade following the financial crisis.
- In the period following the economic downturn in 2007-2009, SMBs within the professional, scientific, and technical sector are shown to outperform the overall average in almost all of the eight countries studied. For example, in the UK, the number of SMBs within this industry grew by 191,000, between 2010 and 2015, while economic output (as measured by business turnover) increased by £25 billion.



The future of SMBs in the post-pandemic world

- The number of SMBs operating in our sample of five EU countries is forecast to increase by 761,000 between 2022-2025, with the largest uptick expected in France and Germany, with 403,000 and 273,000 new businesses added, respectively.
- The share of SMB contribution to total business economic output (gross value added) is projected to lie above 45% in each, Germany, Spain, France, and Portugal, in 2025, while SMBs are expected to make up at least 99.6% of all businesses in these leading economies.
- In the UK, Cebr forecasts there to be an additional 342,000 SMBs in 2025, compared to 2022. In terms of business turnover, total UK SMBs are expected to turn over an extra £160 billion in 2025 compared to 2022.
- In our subset of five key EU countries, SMBs are expected to increase the value of their economic contribution by €135 billion between 2022 and 2025, with gross value added (GVA) growing by an average of 2.5% per year.
- In terms of economic contribution, German SMBs are estimated by Cebr to have been more resilient than total businesses during the pandemic, with output falling by 2.2% rather than compared to a total output fall of 5.8%. Moreover, output in SMBs in Germany is projected to increase by an average of 3.1% annually between 2022-2025, compared to an average of 2.5% for total businesses.
- In the US and Canada, SMBs are forecast to employ an extra 1.3 million people in 2025 compared to 2022. This will spur employment by SMBs, to reach 14.6 million in Canada by 2025, while employment by US SMBs is projected to reach 63.3 million people by 2025.

Looking back

Background

Research in this report analyses the important role of small and mid-sized businesses (SMBs) in eight specified economies. This section provides an evaluation of the impact of the Global Financial Crisis (GFC) on SMBs, by analysing the number, employment, and business output, to then better understand their role in the economic recovery from the crisis. As well as the raw figures, analysis looks at the share of these indicators relative to total businesses. In culmination, SMBs are shown to be a key pillar of the wider economy, both during an economic crisis and through the following recovery period.

The GFC in 2007-2009 broadly resulted from a collapse of the US housing market and panic in financial institutions worldwide. This led to the most severe economic downturn experienced since the Great Depression in 1929. Total economic output, measured by Gross Domestic Product (GDP), in all eight countries studied in this report contracted in real terms in 2009. The worst fall in GDP was experienced by Germany, down almost 6%, though all of the seven remaining countries saw at least a 3% contraction.

This economic downturn posed a severe problem for SMBs by not only impacting the demand for their goods and services, but also due to the dramatic fall in access to cheap credit—an essential avenue for new businesses to grow and develop. Indeed, SMBs can be more exposed during an economic downturn as they are often less diversified, more dependent on credit, and more exposed to supply chain instability.

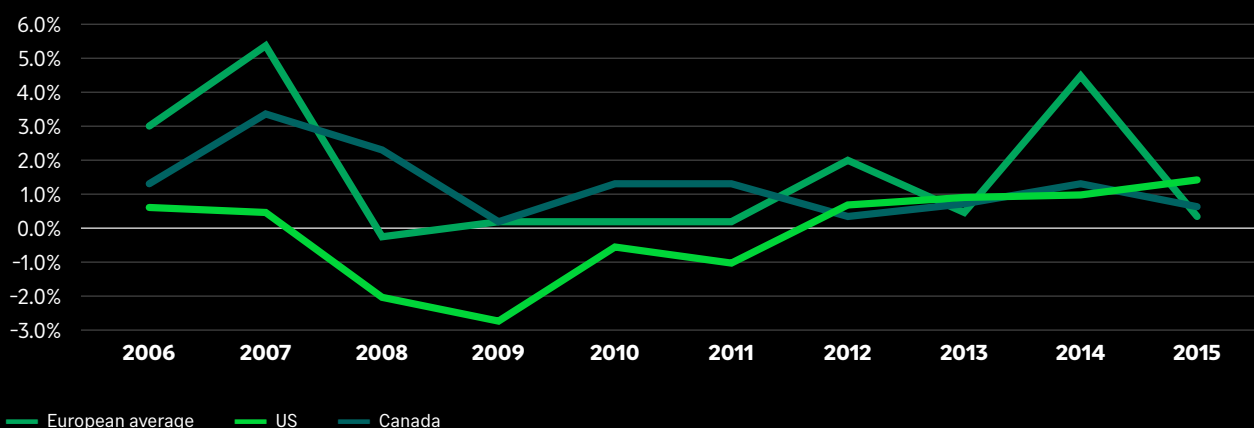
However, while these issues do impact smaller businesses, SMBs in aggregate are found to be very resilient in times of crisis and key drivers of recovery in income and growth within economies. By nature, SMBs often have less hierarchical structures and levels of seniority, meaning they can react quickly to crises. This allows these businesses to adapt and redesign their methods, while redeploying resources to new objectives if necessary. In fact, a downturn can spur more innovation and make SMBs more resilient to future crises, thereby protecting a large segment of economic activity and employment.

SMBs' role during and after the GFC in 2007-2009

In support of the resilience of SMBs, this report finds only mild contractions in the number of SMBs operating during the initial onset of the GFC. As shown in Figure 1, the number of SMBs fell by just 0.2% in 2008 for the European average grouping¹, while otherwise growing in every year from 2006-2015.

Importantly, there is a significant variation across our sample of six European countries. Germany is the stand-out performer during the crisis, with the total number of SMBs falling just 0.5% year-on-year in 2008, then recovering to above the pre-crisis level within just one year. Meanwhile, the number of Spanish SMBs saw the largest fall due to the economic downturn, down by 3.9% annually, then contracting in each year up to 2013. However, a closer examination of Spain's SMBs reveals this decline was industry specific. Indeed, the largest fall in SMBs was concentrated in the construction industry, where the number of businesses fell from 564,000 in 2007 to 320,000 in 2013. Meanwhile, the number of businesses in more technology-based sectors, such as in the information and communication industry, saw a 31% increase over the same period.

Figure 1: Growth rate in the number of SMBs in six-country European average and the US and Canada, by year (percentage).



Source: Eurostat*, ONS, Census Bureau, Statistics Canada, Cebr analysis.

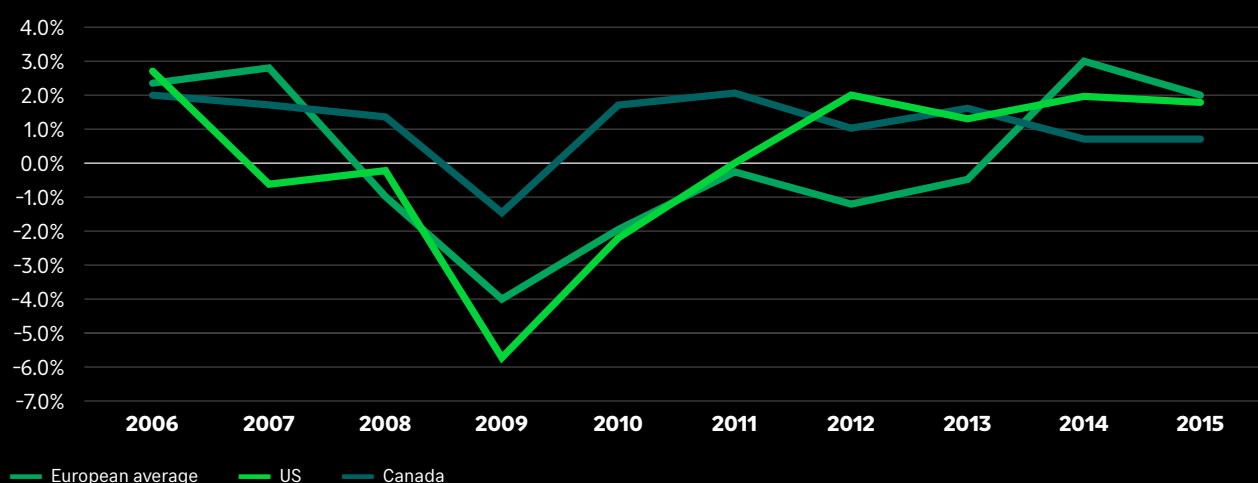
*Data is missing for Ireland before 2009, while France does not have 2008 and 2009 data, US and Canada have a different definition of an SMB to European nations.

1. The European average grouping uses an equally-weighted average of each growth rate from the UK, Germany, France, Spain, Portugal, and Ireland for the number of SMBs and employment.

SMBs are vital generators of employment and income within economies. While the economic downturn in 2007-2009 led to a contraction in employment, which in 2009 was down by an average of 4% in the six European countries studied, 2% in Canada and 6% in the US, this was short-lived and overall SMBs still provided a huge share of employment. In Canada, this share totalled 87% of all business employment, while in the US this was 49%.



Figure 2: Growth rate in employment within SMBs in six-country European average and the US and Canada, by year (percentage).



Source: Eurostat*, ONS, Census Bureau, Statistics Canada, Cebr analysis.

*Data is missing for Ireland before 2009, while France does not have data for 2008/09/10. US and Canada have a different definition of an SMB to European nations.

Moreover, across all eight countries analysed, by 2011, SMBs in five countries saw a return to expanding employment. The UK was a particularly strong performer, with SMBs providing an additional 2.0 million jobs by 2015, when compared to 2010. Meanwhile, employment in German SMBs increased by an average of 414,000 per year across the same period. In the US and Canada combined, SMBs employed 4.7 million² additional people in 2015 than in 2010, which brought employment by US SMBs to 58.9 million in 2015, while SMBs in Canada employed 13.2 million during the same year. These increases in employment show the important role SMBs provided in the post-crisis period by creating new job opportunities across many sectors of the economy.

In terms of economic contribution of SMBs, Table 1 shows the pre-recession value of contributions from SMBs in each country, and the relative share of all business output, compared to the same indices in 2012. This data shows minor variation in the share of economic contribution from SMBs, signalling their resilience and important role in supporting wider economic activity. The largest increase in SMBs' share of total output was observed in France, up 3.9 percentage points, while in Spain this share fell by 3.5 percentage points. Nonetheless, SMBs in all European countries analysed contributed to at least 48% of all business output in 2012, four years after the economic downturn, a clear signal of their importance to the broader economic recovery.

2. SMBs in the US and Canada are defined as businesses with 0-499 employees, rather than 0-249 in Europe, which contributes to this relatively larger figure.

	2007		2012	
Country	Value (billions)	Share	Value (billions)	Share
Germany	€ 644	52.6%	€ 711	54.1%
France	€ 462	54.0%	€ 514	57.9%
Spain	€ 390	66.4%	€ 273	62.9%
Ireland	€ 45	53.9%	€ 53	51.2%
Portugal	€ 52	67.4%	€ 43	65.8%
UK	£ 1,440	51.5%	£ 1,529	48.8%
US	\$ 11,380	38.3%	\$ 11,817	36.2%

Table 1: Economic contribution by SMBs, local currency. Source: Eurostat*, ONS, Census Bureau, Statistics Canada, Cebr analysis.

*UK and US are business turnover; all others are gross value added, which removes intermediate consumption.

*US has a different definition of an SMB to European nations.

Sectoral differences between SMBs are clear in our country-specific analysis in Section 3 of this report. In the eight-year period following the economic downturn in 2007-2009, SMBs within the professional, scientific, and technical sector are shown to outperform the overall average in almost all of the eight countries studied. For example, in the UK, the number of SMBs within this industry grew by 191,000, or 32% cumulatively, between 2010 and 2015, while economic output (as measured by business turnover), increased by £25 billion. Meanwhile, German SMBs in this more technology and technical-based industry, increased their economic contribution (measured by GVA) by €31 billion across this period.

This marked a 36% cumulative increase which was 11 percentage points higher than the average for all SMBs in that country. The story is no different in North America, with the number of employees in SMBs within the professional, scientific, and technical industry in Canada increasing by 144,000 between 2009 and 2015, making up 15% of the total increase in the number of individuals employed by an SMB.

In the US, employment by SMBs in the same sector increased by 318,000 from 2009-2015, which in percentage terms was 5 points higher than the average increase in employment by SMBs. Indeed, all these points show that while SMBs in aggregate were important in fuelling the economic recovery post-recession, those in the more technology-based and creative industries were of particularly high importance.



Our analysis shows SMBs were vital in the economic bounce back from the worst recession in over half a century. In fact, SMBs have not only recovered from the crisis, but, in many economies, quickly exceeded pre-crisis levels thereby fuelling economic growth and employment while adding to innovation, particularly through technical-based activities. For SMBs, the crisis provided an opportunity for smaller businesses to realign and rebalance their objectives.

Looking forward

The current importance of SMBs

Analysis in this report takes stock of the role that SMBs play in the economy now and looks ahead to their prospective performance over the next three years. Our forecast expects solid growth in both key metrics for businesses performance in the eight countries analysed, resulting from the historical performance and resilience shown in the decade surrounding the GFC in 2007-2009. Despite the challenges posed by the post-pandemic world and current high inflation environment, SMBs are arguably better positioned to adapt to the changing economic landscape due to their more direct communication channels and a more flexible approach to planning, when compared to larger businesses.

The most recent data on SMBs show their role is still vital in providing employment and driving income within economies. Indeed, in the eight countries analysed in this report, on average SMBs made up 97.7% of all businesses within a given country in 2019, contributing to at least 38% of total business turnover within most countries, while, on average, employing 64% of all workers within businesses. These headline statistics highlight the leading role SMBs play in economic development, providing jobs for millions while adding vast sums to economic growth. In addition, SMBs add to the social unity of communities by bringing people together, while adding to local identity.

Forecasted performance of SMBs

This report uses regression analysis and produces bespoke forecasts on both the value and share of the number of SMBs and their economic contribution. This utilises Cebr's own GDP forecasts as well as historical data on SMBs from national and international sources.

Table 2 shows that the number of SMBs is expected to increase in all eight countries studied. By 2025, the number of SMBs is forecasted to reach 2.8 million, 3.1 million and 3.7 million in Spain, Germany, and France, respectively, making up 99.9%, 99.6% and 99.9% of all businesses in these leading European economies. In the UK, the number of SMBs is forecast to grow by an average of 2.2% each year in the forecast horizon, reaching 5.8 million in 2025. Meanwhile, the US will maintain the largest number of SMBs, due to its much larger economy and broader definition³, totalling 6.7 million in 2025.

Country	2022	2023	2024	2025
Germany	2,811,900 (3.3%)	2,891,900 (2.8%)	2,985,500 (3.2%)	3,085,400 (3.3%)
UK	5,501,200 (2.8%)	5,587,000 (1.6%)	5,715,000 (2.3%)	5,843,000 (2.2%)
France	3,306,100 (4.2%)	3,431,200 (3.8%)	3,565,900 (3.9%)	3,708,900 (4.0%)
Spain	2,701,100 (1.4%)	2,719,700 (0.7%)	2,742,100 (0.8%)	2,763,600 (0.8%)
Portugal	895,000 (2.0%)	901,100 (0.7%)	908,800 (0.8%)	917,000 (0.9%)
Ireland	278,100 (1.1%)	278,000 (0.0%)	278,700 (0.3%)	278,600 (0.0%)
US	6,637,300 (0.7%)	6,658,800 (0.3%)	6,665,300 (0.1%)	6,676,400 (0.2%)
Canada	1,321,400 (1.8%)	1,341,100 (1.5%)	1,357,300 (1.2%)	1,373,400 (1.2%)

Table 2: Cebr's forecast for the number of SMBs, by year (year-on-year change). Source: Cebr analysis.

*US and Canada have a different definition of an SMB to European nations.

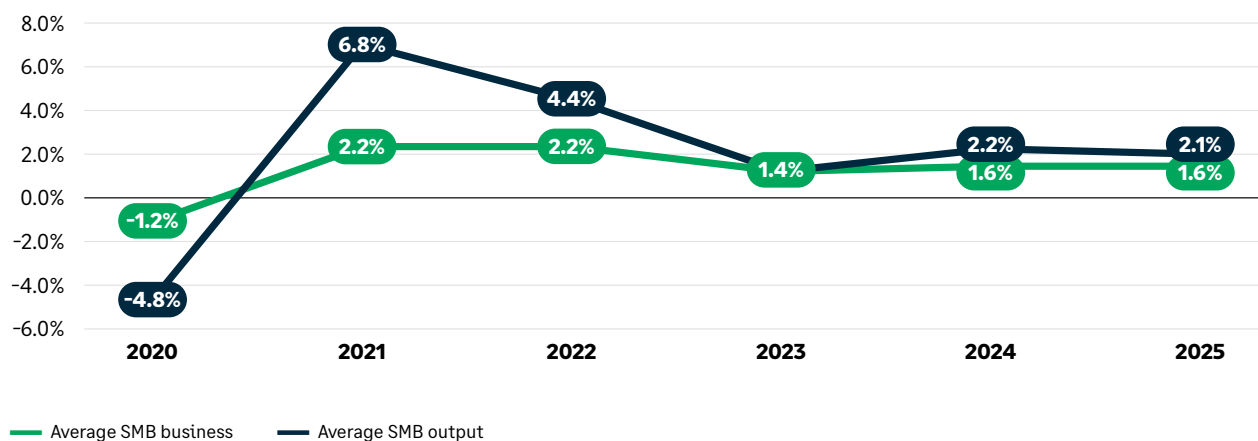
3. SMBs in the US and Canada are defined as businesses with 0-499 employees, rather than 0-249 in Europe, which contributes to this relatively larger figure.

As shown in Figure 3, the number of SMBs across all eight countries studied is forecasted to grow by an average of 1.7% each year between 2022-2025. More specifically, in the five EU countries studied, 761,000 more SMBs are expected to operate in 2025 than in 2022, with the largest uptick expected in France and Germany, with 403,000 and 273,000 new businesses added to the headline figure, respectively. Meanwhile, economic contribution (as measured by GVA) in these five EU countries is expected to increase by €135 billion between 2022 and 2025, growing by an average of €44.9 billion per year.

For the UK, Cebr forecasts there to be 342,000 additional SMBs in 2025, compared to 2022, bringing the total number to over 5.8 million. Alongside this uptick in the number of SMBs, aggregate turnover is expected to increase by £160 billion. In the US and Canada, SMBs are forecast to employ an extra 1.3 million people in 2025 compared to 2022. This will spur employment by SMBs to reach 14.6 million in Canada by 2025, while employment by US SMBs is projected to reach 63.3 million people by 2025.

In all of these aggregates, the lowest growth is expected to occur in 2023 due to the current high inflation and slowing global growth environment. Indeed, this shows that while SMBs will be impacted by higher costs and lower demand resulting from the fallout from the war in Ukraine, our forecast expects these businesses to remain strong in the face of lower economic growth, due to their ability to adapt and their proven resilience in the face of challenging economic headwinds.

Figure 3: Average forecasted growth rates for the number of SMBs and their economic contribution, by year (percentage)*.

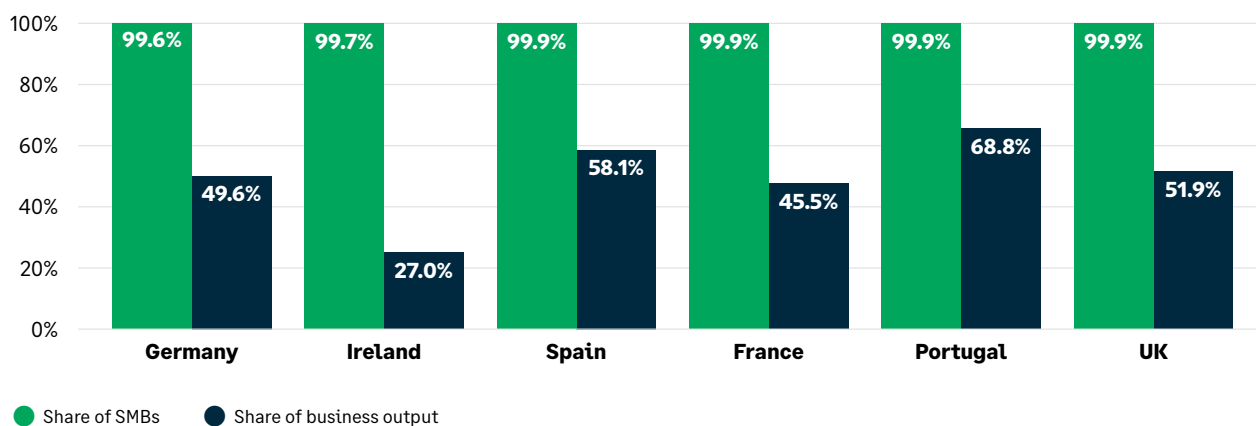


Source: Cebr analysts.

*Average growth in the number of SMBs is calculated as an average of the growth rates for all eight countries studied in this report. Average growth of SMB output is calculated as an average of the growth rate in gross value added (GVA) in five key European countries (Ireland, France, Germany, Spain, and Portugal).

Figure 4 shows that within Europe, all countries studied will maintain, or in Germany's case, increase their very high share of total businesses. While in terms of economic contribution, the share of GVA from SMBs is expected to increase in Germany, France, and Portugal from 2022-25. Additionally, UK SMB output, measured differently as business turnover rather than GVA due to data availability, shows this share is also expected to rise by 2025.

Figure 4: Forecasted share of output and businesses by SMBs in Europe in 2025.

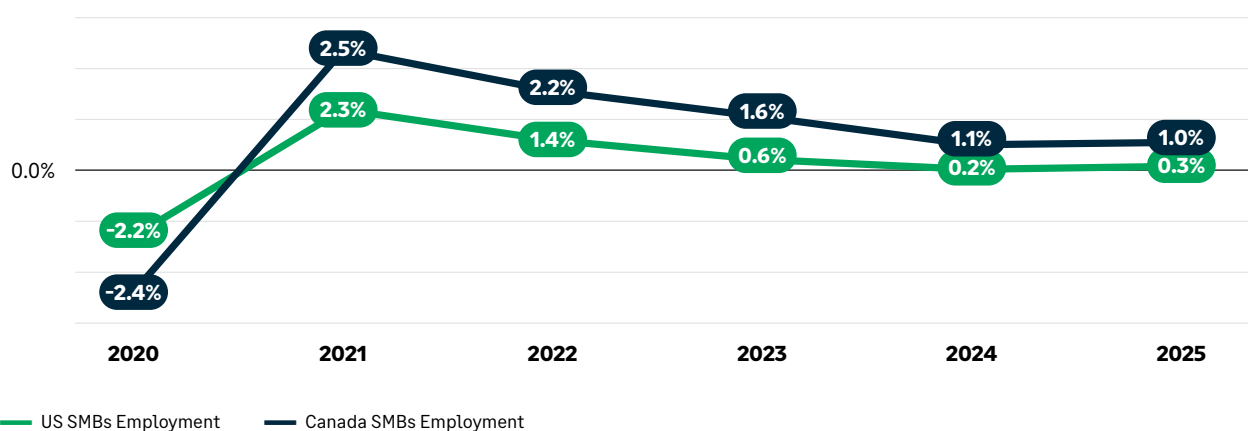


Source: Cebr analysis.

The lack of complete data for US and Canadian SMBs business output means a forecast for these measures is not included. Nonetheless, employment figures within SMBs are readily available. As such, Figure 5 shows Cebr's forecast for the growth in employment within SMBs in the two North American countries.

Indeed, after the post-pandemic recovery in 2021 and 2022, SMBs are still expected increase employment each year in both the US and Canada. In the US and Canada, SMBs are expected to employ an extra 1.27 million people in 2025 than in 2022. This represents 1.5% growth each year across the period in Canada, leading total SMB employment to reach 14.6 million in 2025. In the US, employment by SMBs is forecast to reach 63.3 million people by 2025, marking 742,000 additional jobs than in 2022.

Figure 5: Forecasted growth rates of employment in US and Canada SMBs, year (percentage).



Source: Cebr analysis.

The importance of SMBs in driving technology and innovation post-recession

Analysis so far has shown SMBs are expected to remain key to economic recovery in the post-pandemic world. Our economic model forecasts solid growth in almost every SMB indicator in each of the eight countries studied. Underpinning this forecast is the historical performance of SMBs during the GFC in 2007-2009, which showed the important role of SMBs in propping up an economy in the aftermath of an economic downturn. However, SMBs will only achieve this strong performance by continuously adapting and developing in the face of the changing economic environment. Indeed, these growth forecasts expect SMBs to continue to digitise, learn from past crises, and utilise available policy support, to then continue to push innovation forward.

Advancements in technology have been unprecedented since the recession of 2007-2009. Data from Eurostat reveals the share of SMBs that own a website, which provides a good initial indicator of digitalisation. Digitalisation data reveal that all six of the European countries examined saw an increase in the percentage of SMBs that own a website. Spain saw the largest increase to 76% of SMBs in 2021, up 8 percentage points from 2013, while this share was 89% in German SMBs. Still, with 70% of France's SMBs and 61% of Portugal's SMBs owning a website in 2021, this signals there is scope for further development to fully realise the potential of technology in SMBs.

Through analysing SMBs across countries, it is clear some economies have experienced more success than others, with technology a key determinant of this success. For example, Germany is a standout performer during the period post-financial crisis, with sustained growth in SMBs, employment and economic contribution during and after the GFC (See Figure 13). Dubbed 'The German Mittelstand' by the Ministry for Economic Affairs and Climate Action, the German Ministry recognises the leading role SMBs play in driving innovation and technology forward, linked to the success of the 'Made in Germany' trademark. German SMBs have proven to be incredibly diverse and able to specialise to a degree that large businesses cannot. This means, in partnership with large businesses, SMBs prove the ultimate driver of new innovation. Indeed, the Ministry⁴ cites that 42% of German SMBs brought a product or process innovation into the market in 2014, compared to the EU average of 30%, with technology cited as a key industry from which this innovation flows.

In comparison, Portugal's SMBs have somewhat struggled in the period after the economic downturn, with the number of SMBs and employment falling between 2008-2013 (See Figure 35). This disparity to Germany looks strongly linked to digitalisation, and data from Eurostat show Portugal is significantly below the EU average in this report. In 2012, just 51% of SMBs had a website in Portugal, with this rising to 63% by 2018. By comparison, 81% of German SMBs had a website in 2012, a figure which increased to 87% by 2018. The regional base for Sage in Portugal also cites that Portuguese SMBs are lagging behind when compared to EU counterparts and are struggling to compete with larger businesses. Technology and digitalisation are vital to SMB growth, especially in the post-pandemic world, and the adoption of new technology will ultimately lead to SMBs supercharging the economic recovery.

Technology is imperative for SMBs to innovate in the modern world. Not only will technology provide network links between sectors and allow for better communication and the advancement of ideas, but technology can support SMB resilience when faced with economic crises. Digital analytics allow for more cost-efficient methods within businesses, helping protect jobs. For example, the ability to work from home was accelerated during the pandemic and allowed businesses to continue to operate in uncertain times.

Moreover, support is available to SMBs both for the goals of digitalisation and wider growth opportunities. A key determinant of the ability of businesses to digitise is access to high-speed connectivity and training around using new analytics methods. In the European Union (EU), the 'Digital Economy Society Index' (DESI) has been monitoring digital progress every year since 2014⁵ and 20% of the EU's 'Resilience and Recovery Facility' is dedicated to digital priorities. Support is available, such as training in digital skills for SMBs in Spain and France, as well as investment into digital infrastructure that will improve businesses' ability to use online video, cloud services, and Artificial Intelligence (AI). This will help SMBs remain at the forefront of innovation and drive economic growth through this decade.

4. <https://www.bmwk.de/Redaktion/EN/Dossier/sme-policy.html>

5. <https://digital-strategy.ec.europa.eu/en/policies/desi>



United Kingdom

Country-specific analysis



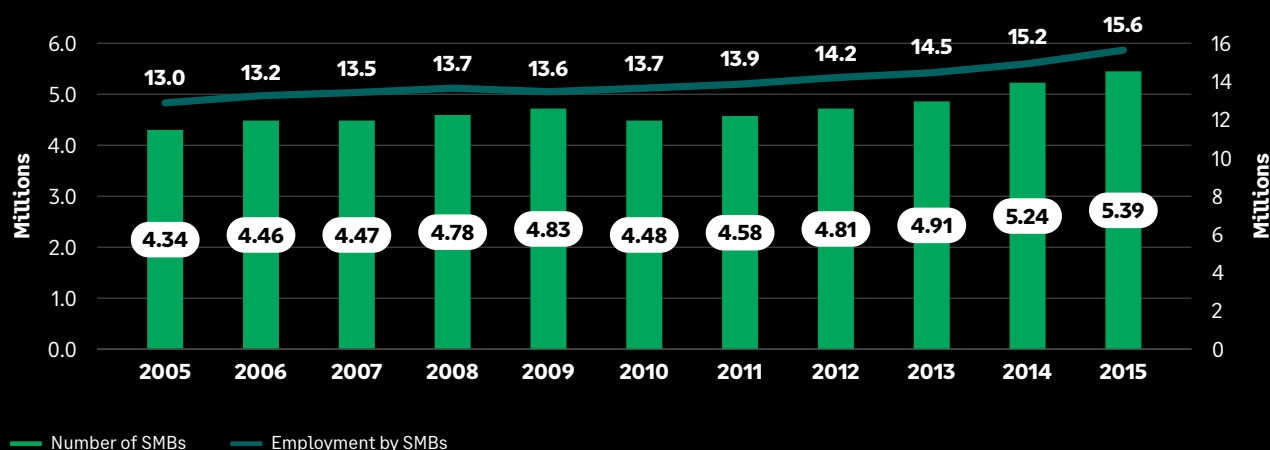
Looking back

The Global Financial Crisis (GFC) hit Britain's economy particularly badly due to its dependence on financial services and real estate for growth. Data from the ONS, shown in Figure 6, show employment in SMBs fell by 1% in 2009, while a year later the number of SMBs operating in the UK fell by 7%.

Nonetheless, the crisis also presented a key opportunity for UK SMBs to adapt to a new economic environment and, with the number of SMBs never falling below 4.4 million during the crisis, this proves resilience from SMBs during economic hardship. Indeed, after a fall in 2010, the number of SMBs in the UK returned to their pre-crisis level in under three years. The number of businesses then grew markedly beyond their pre-crisis level in the period between 2013-2015, totalling a 12% increase cumulatively. Moreover, the share of SMBs relative to all businesses remained at 99.7% during this 2005-2015 period shown in Figure 6.

New business creation rates from Eurostat support SMB resilience, with 13% and 10% of all businesses newly born during 2008 and 2009, respectively, showing the downturn did not discourage new entrepreneurs to begin trading. In addition, data shown from 2010 to 2015 the rate of new business creation increased from 10% to 15% per year. This may stem directly from recessionary conditions, for example skilled workers that are made redundant could turn to creating their own business. What is clear is that this increase highlights the key role SMBs had in driving the UK economy forward with an increasing proportion of entrepreneurs entering the market post-recession with new, innovative ideas.

Figure 6: The number of UK SMBs (LHS) and associated employment (RHS), by year (millions).



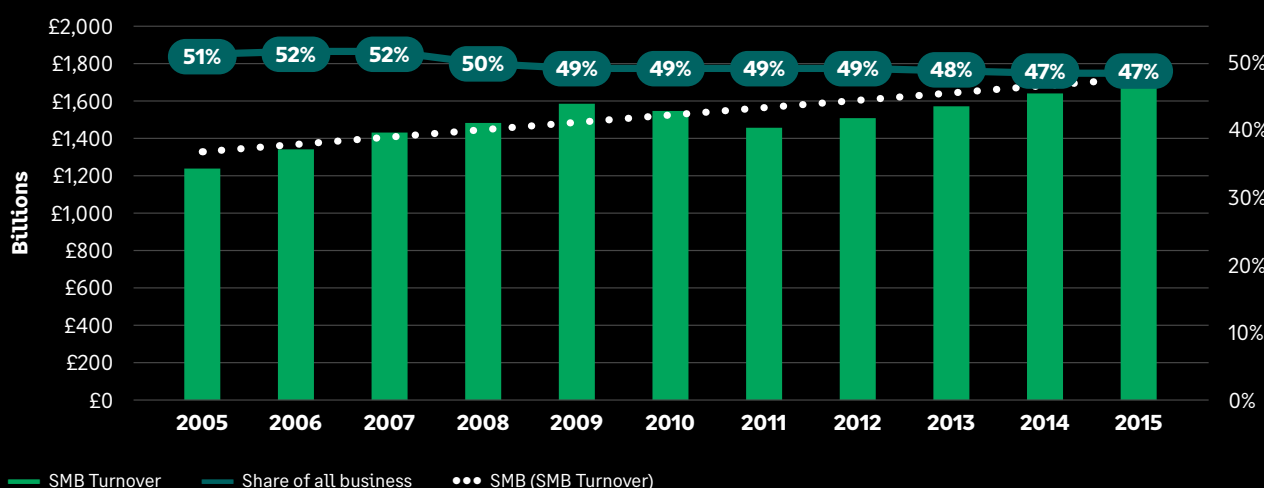
Source: ONS & Cebr analysis.

Figure 7 shows the business turnover in SMBs both in absolute terms and as a percentage of all businesses. UK SMBs saw mild contractions of 2% and 5% in 2010 and 2011, respectively, following the economic downturn. However, within two years, turnover by UK SMBs exceeded its pre-crisis level, and the positive linear growth trend shown in Figure 7 amplifies the growing economic contribution of SMBs in spite of the crisis, with output 40% higher in 2015 than in 2005.

Observing the impact and aftermath of the crisis by industry reveals the key role of creative and technology-based sectors in fuelling the recovery for SMBs, and ultimately the broader economy. Indeed, Figure 8 shows the number of SMBs in professional, scientific, and technical sectors increased by 191,000 between 2010 and 2015, which meant growth of 32% - the fifth largest growth rate for any industry. In terms of economic contribution (as measured by turnover), this industry turnover increased to £177 billion in 2015, which was £25 billion higher than in 2010.

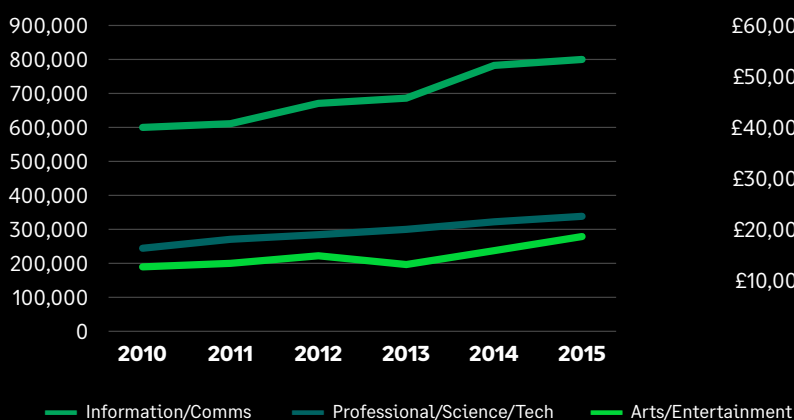
Indeed, the 17% increase in turnover was the joint third highest by industry. In the information and communication sector, which includes businesses involved in computer programming, consultancy, and media production, SMBs increased their economic contribution (in terms of turnover) by £23 billion in the post-crisis period from 2010-2015, to total £95 billion in 2015. At 31%, this marked the second highest output growth by any sector in the UK, while the number of SMBs within this industry classification increased by 98,000 over the same time horizon or 41% cumulatively.

Figure 7: Turnover by SMBs in the UK, by year (£ billions LHS) (percentage of all businesses RHS).



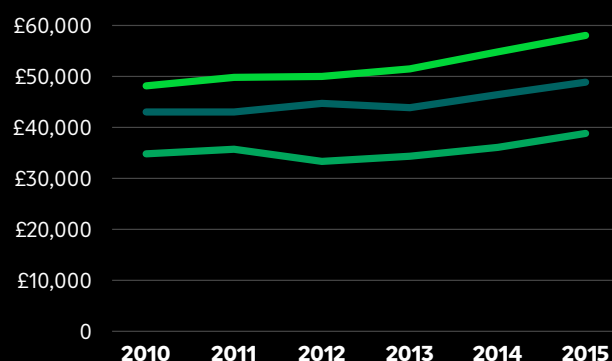
Source: ONS & Cebr analysis.

Figure 8: Number of SMBs by industry, year.



Source: ONS & Cebr analysis.

Figure 9: Turnover in SMBs by industry, year (£, millions).



Regional analysis

By region, the number of SMBs has grown in every one of the twelve UK regions and constituent nations bar Northern Ireland between 2007 and 2022. Even so, in 2022, Northern Ireland SMBs made up the largest share of total business turnover and total business employment within that region, at 75% and 78%, respectively, compared to all other UK regions.

The largest growth is in SMBs observed in London, with over a million propping up this fundamental part of the UK's economy. Indeed, SMBs in London saw £662 billion worth of turnover in 2022, which was 80% higher than in 2007.

Douglas McWilliams, founder of Cebr, points to the vital role of 'The Flat White Economy'⁶ in driving the success of London's economy, arguing digitalisation is transformative. McWilliams points to the 79,700 new jobs created within the professional, scientific, and technical sector in London between 2010-2014, as well as the 50,000 created in the administrative and support sector, with both developments supporting London's economy.

Moreover, McWilliams highlights that online retailing purchases accounted for 15.2% of all purchases in the UK in 2015, against 12.7% in the US and a European average of 8.4%, arguing London has benefited by utilising online business.

Besides the London powerhouse, SMBs prove a vital part of all regional economies in the UK. For example, the North East included 154,000 SMBs in 2022 and these businesses turned over £45 billion during the same year. In terms of the share of all businesses, SMBs in this region made up 60% of all businesses turnover while employing 67% of all businesses employees. The South West saw the second-largest increase in the number of SMBs between 2007-2022, to totalling 536,900 businesses in 2022. Figure 10 shows that these SMBs made up 75% of all business employment in the region in 2022, contributing to 57% of all business turnover.

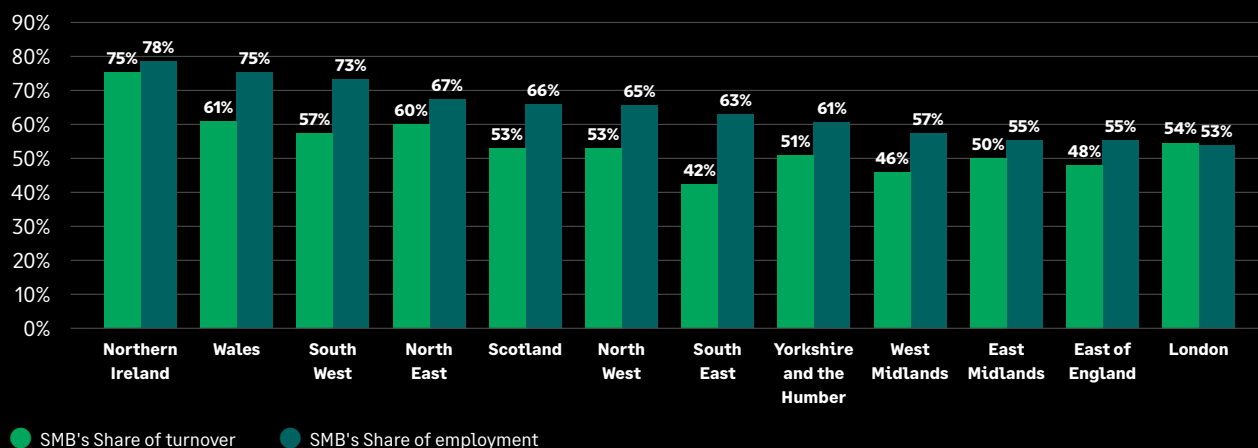
Region	2007	2012	2017	2022	% Change 2007-2022
London	756,200	804,800	1,061,200	1,035,900	37%
South West	417,500	477,300	531,400	536,900	29%
Scotland	292,000	318,800	345,800	340,500	17%
West Midlands	375,900	368,300	449,400	436,800	16%
North East	133,500	133,200	142,200	154,900	16%
North West	443,700	431,400	529,300	512,000	15%
South East	740,000	767,200	927,900	843,100	14%
East Midlands	327,000	324,700	370,400	367,600	12%
Wales	194,400	192,600	208,800	218,500	12%
Yorkshire & The Humber	349,600	344,900	418,800	385,200	10%
East of England	511,900	511,100	571,800	542,400	6%
Northern Ireland	131,900	114,100	131,600	128,000	-3%

Table 3: Number of SMBs by UK region. Source: ONS, Cebr analysis.

6. D. McWilliams, The Flat White Economy: How The Digital Economy is Transforming London and Other Cities of the Future, Duckworth Overlook, 2015

Figure 10 highlights the vital role SMBs play in all twelve regions of the UK. Contributing to at least 53% of all business employment, per region, in 2022 and a minimum of 42% of all business output (measured by turnover).

Figure 10: Share of total businesses turnover and employment by SMBs in 2022, by UK region (percentage).



Source: ONS & Cebr analysis.

Looking forward

This section now takes stock of SMBs' role in the UK economy and Cebr's expectations for the next three years. Using data from the ONS, combined with our UK economic model, Cebr has forecasted the future path of key SMB metrics in the UK over the next three years. Table 4 shows the number of SMBs in the UK is expected to rise by 342,000 from 2022 to 2025, while business turnover is expected to increase by £160 billion during the same period.

	2022	2023	2024	2025
Number of SMBs	5,501,200	5,587,000	5,715,000	5,843,000
Share of all businesses by SMBs	99.9%	99.9%	99.9%	99.9%
Turnover (£mn)	2,124,400	2,151,400	2,218,500	2,284,800
Share of all business turnover	51.1%	51.6%	51.7%	51.9%

Table 4: Cebr forecast for UK SMBs. Source: Cebr analysis.

Indeed, Figure 11 shows our forecasted growth rates for both the number of SMBs and their relative turnover. Growth in both metrics is expected in the four years following the pandemic, though 2023 will see the lowest yearly increase due to the current economic headwinds facing the UK economy due to the cost-of-living crisis. However, in our model growth is expected to occur during this challenging year due to the resilience shown in the previous recession, and then rise to a higher rate in 2024 and 2025.

Figure 11: Forecasted growth rate for the number of SMBs and their associated turnover in the UK, by year (percentage).

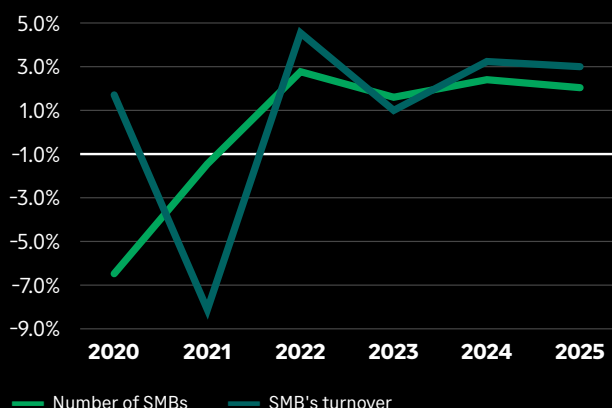
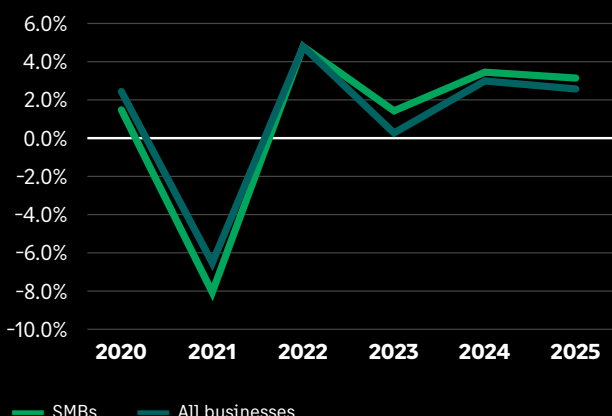


Figure 12 shows SMBs are forecast to outperform the growth rate of the grouping of all businesses in every year from 2023-2025, with the largest disparity in 2023, a year in which Cebr expects the UK economy to shrink. For 2023, SMB turnover is anticipated to grow a whole percentage point higher than for all businesses, highlighting the key role of smaller businesses during the anticipated economic contraction.

Figure 12: Growth in UK business turnover, by year (percentage).



Source: ONS & Cebr analysis.

Analysis has shown SMBs are expected to remain resilient despite the challenges facing the UK economy at present, with solid growth expected into the medium term. A recent example of SMB resilience can be seen during the pandemic, in which online sales became key to business activity. Data from the ONS show in February 2021 online sales made up a peak share of 37.4% of all retail sales in the UK, a result of lockdowns deterring in-person shopping. This added incentives for businesses to adopt digital technologies as more and more consumers went online to buy their goods.

Indeed, digitalisation will be key to SMB growth over the next decade. Eurostat data on digitalisation show 83% of UK SMBs owned a website in 2020, but this was 13 percentage points below the share for large businesses, and only 29% are shown to have provided online ordering. While the pandemic has likely reduced this discrepancy, this low share signals there is room for development to take more SMBs online and reap the benefits of the broader market access the internet provides.

SMBs in the UK also have access to policy and tax advantages that promote innovation and spur business growth. The Seed Enterprise Investment Scheme (SEIS) offers tax relief to investors buying shares in a business that is starting to trade, while Innovate UK, part of the UK Research and Innovation (UKRI) funding agency, supports businesses to develop and release the potential of new ideas via research collaboration and connection to expertise. In their 2022-25 plan, productivity and growth are key pillars of their objective, which among other public initiatives, will help spur SMBs to realise their full potential and continue to support the UK economy.

Still, UK SMBs are set to be faced with a challenge in the recession expected ahead. These businesses have historically struggled with access to finance, too much red tape, and cash flow issues. Productivity has lagged behind the G7 average and government policy must address this disparity head-on. Avenues to spur technology adoption in SMBs in the post-pandemic, such as 'Help to Grow', which offers a 50% discount on new digital software and free tech support, are a great place to start. Sage argues the Government must do more to make it easier for enterprises to do business. Digital ID, open finance, and reform to GDPR are policies to consider to fast forward the Government's digital policy agenda.

7. <https://helptogrow.campaign.gov.uk/>

UK case study: Tree Tops

Sage/Cebr interviewed Andrew Walker, who is the owner of a family business, Tree Tops Caravan Park, a park for luxury caravans and lodges situated in North Wales.



Bouncing back in the current economic environment

While increasing costs have been a key obstacle for the business, a silver lining has emerged from recent economic events. The weakening value of sterling relative to other leading currencies, such as the euro and the dollar, is a positive development for Tree Tops. This is because a weak pound may promote staycations in the UK. This should support the business through the anticipated economic downturn in the UK.

Current market volatility means the business is holding off on large-scale investments for the time being. The business has just been through 15 years of developments and improvements, and therefore is happy to take stock and assess the business environment as it evolves. Nonetheless, further investment to enhance areas of the caravan park is still a clear goal for the business.



About the business

Tree Tops Caravan Park is a family run business in North Wales. It was established in 1983 and now employs nine people. It offers space for privately owned caravans with a full-time team on a site. The park includes facilities such as a children's play area, outdoor gym, laundrette, and a library.



Impacts of the current economic climate

Like many businesses across the globe, Tree Tops has been hit by the highest inflation in decades in 2022. This is increasing costs across all areas of the business, leaving difficult decisions for the owner regarding whether to pass these costs onto their consumer base. The business understands that inflation is also having a strong impact on consumers across the UK, with large price rises in energy and food. There is therefore a fine balance for the businesses between passing on costs to make a profit while keeping their consumer base intact.



Use of technology

Technology is cited as a key supportive factor in strengthening the business during harder times. The use of technology has allowed the business to maintain resilience during the current inflation crisis in the UK.

Established in 1983, the business has had first-hand experience with the technological revolution. In 2022, much more formal processes for organisation and compliance are needed, rather than a historical casual approach requiring a handshake and notes on paper. Technology has undoubtedly allowed the business to move forward in this respect.

Digitalisation has been key in allowing the business to comply with the requirements of HMRC, namely by improving the efficiency of the process.

The business is committed to using technology and digitalisation to remove large swathes of paperwork. Indeed, the business plans to move as many systems as possible onto cloud computing as this is seen as the most agile way to operate moving forward.



Germany

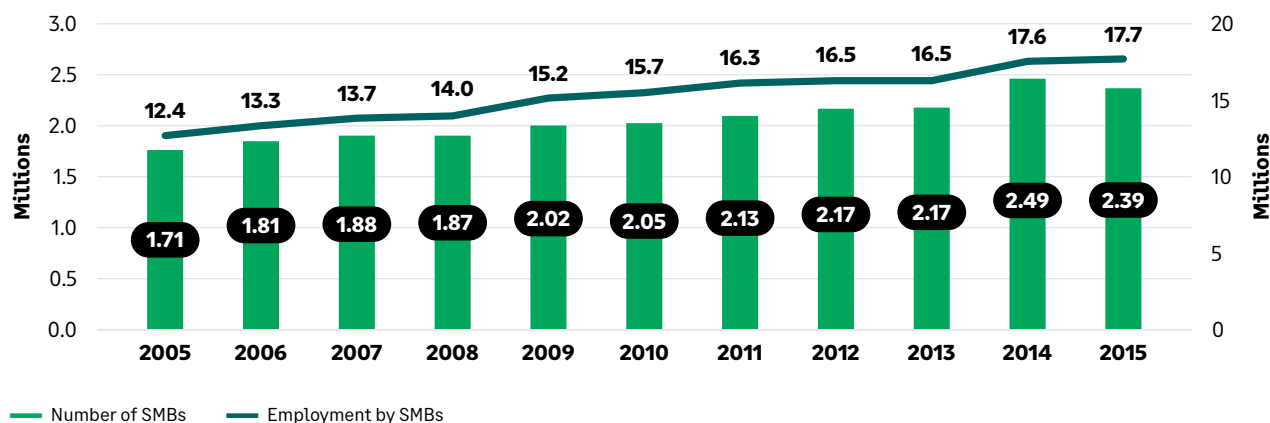
Country-specific analysis



Looking back

Despite the economic downturn in Germany due to the Global Financial Crisis (GFC) in 2007-2009, SMBs indices remained robust and were key in fuelling the economic recovery during the next decade.

Figure 13: The number of German SMBs and associated employment, by year (millions).

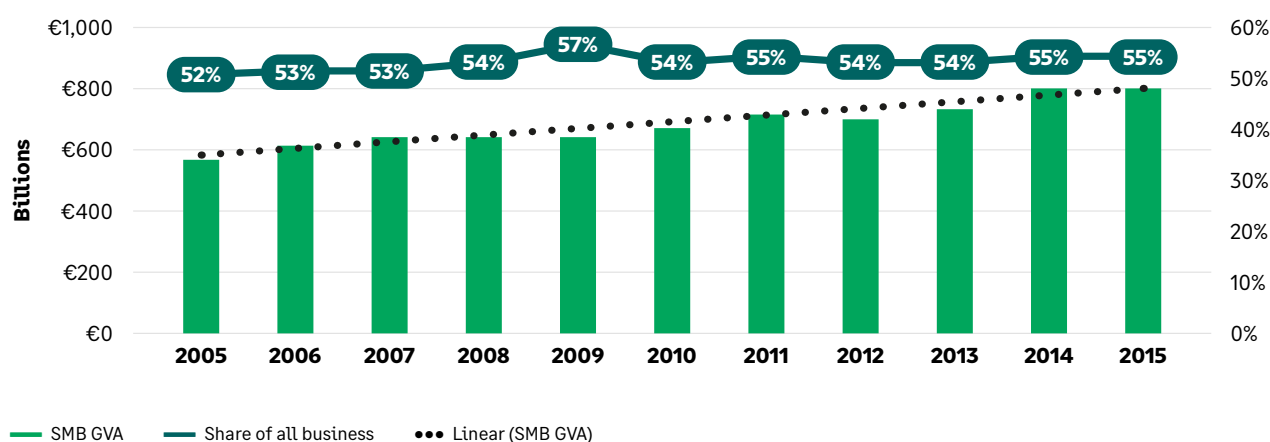


Source: Eurostat, Cebr analysis.

Against the backdrop of German GDP slowing to 1% growth in 2008, the number of SMBs fell by 1% while the growth rate of employment slowed to 2% from 3% in the previous year. This mild impact, however, indicates SMBs were more resilient than the wider economy. Data show that, from 2009-2015, the number of SMBs in Germany grew cumulatively by 18%, to a total of 2.4 million. As shown in Figure 13, employment increased by 16% over the same period, increasing every year bar 2013, when the measure remained broadly constant.

German SMBs also remained resilient in terms of economic contribution, as measured by gross value added (GVA), shown in Figure 14. While output growth slowed in 2008 and 2009, to 0% and 1% respectively, this marks a significant difference from the 2% and 4% contraction observed in total business output over the same two years. This is also reflected by the share of total output from SMBs in 2009, which peaked at 57%. Moreover, a solid growth trend is observed through the period after the GFC, with the SMB economic contribution growing by 25% cumulatively.

Figure 14: GVA by SMBs in Germany, by year (€ billions LHS) (percentage of all businesses RHS).



Source: Eurostat, Cebr analysis.

Additionally, business creation rates obtained from Eurostat reveal that, as a proportion of all operating businesses, 9% were newly created in 2008, then 8% in 2009. This shows the challenging recessionary environment did not discourage a sizeable portion of new businesses to begin trading. Beyond the initial impact of the crisis, annual business creation averaged 8% between 2010-2015, falling slightly during that period.

A closer examination of SMBs by industry shows the importance of sectors related to technology and creativity. As shown in Figure 15, the economic contribution from SMBs within the professional, scientific, and technical industry increased from € 81 billion in 2009 to €116 billion in 2015, an increase of 43%, which was 18 percentage points higher than average for all industries with available data. This increase in activity is also reflected in employment figures in the same industry, which increased by 431,000 in the post-crisis period (2009-2015), marking cumulative growth of 28%.

Figure 15: GVA in SMBs by industry, by year (€ billions).

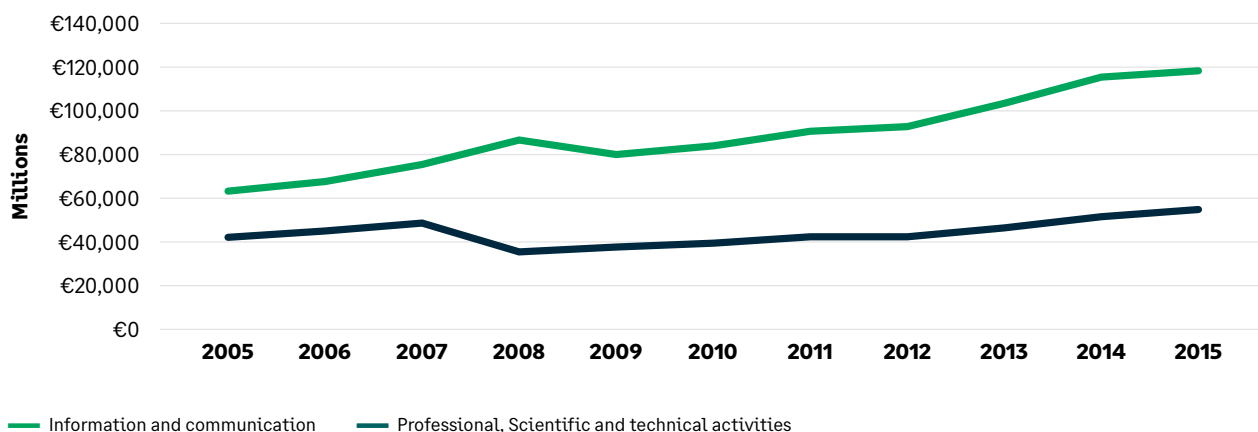
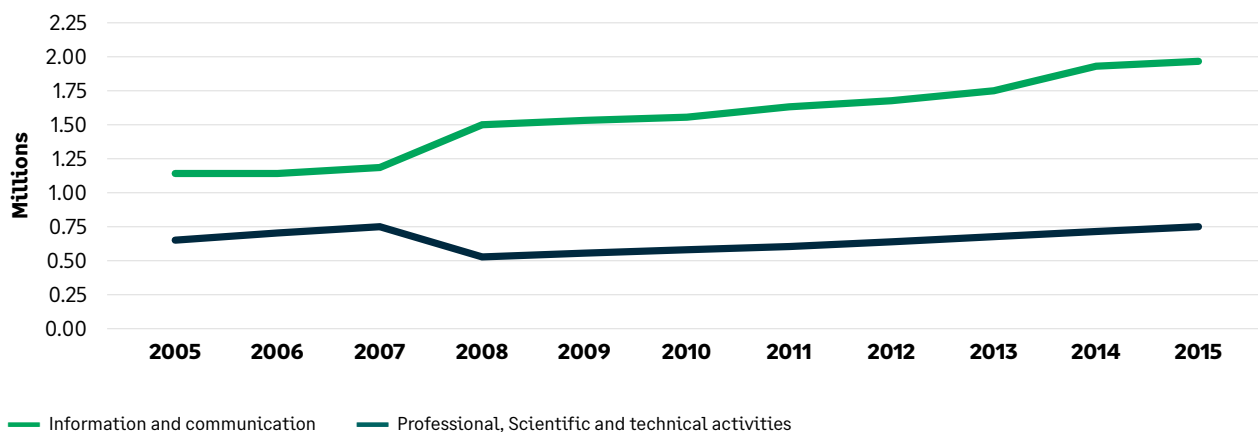


Figure 16: Employment in SMBs by industry, year.



Source: Eurostat, Cebr analysis.

Looking forward

Using data from Eurostat combined with our economic model, Cebr has forecasted the future path of key SMB metrics in Germany over the next three years. Our forecast expects the number of SMBs to grow by 273,000 between 2022-2025, reaching a figure above 3 million for the first time.

Moreover, SMB economic contribution is also projected to reach a record high of over €1 trillion by 2024, making up 49.5% of GVA from all businesses in Germany, marking an expected increase of €50 billion from 2022 to 2024.

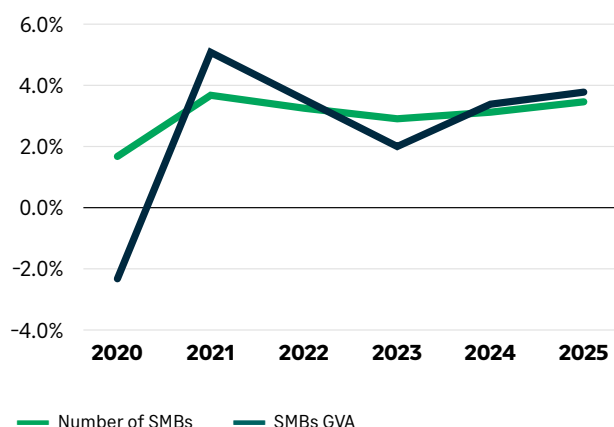
Metric	2022	2023	2024	2025
Number of SMBs	2,811,900	2,891,900	2,985,500	3,085,400
Share of all businesses by SMBs	99.9%	99.9%	99.9%	99.9%
GVA (€mn)	953,200	971,400	1,003,300	1,040,100
Share of all business GVA	48.6%	49.3%	49.5%	49.6%

Table 5: Cebr's forecast for German SMBs. Source: Cebr analysis.



As shown in Figure 17, growth in both the number and output of SMBs is expected to be positive from 2021-2025, with a modest fall in both growth rates during 2023 due to the current inflation crisis that is impacting businesses across Europe. Indeed, despite an anticipated slowdown in German's GDP, SMBs have proven resilient to broader economic headwinds, thanks to their smaller size and therefore ability to adapt and deploy resources to new activities if necessary.

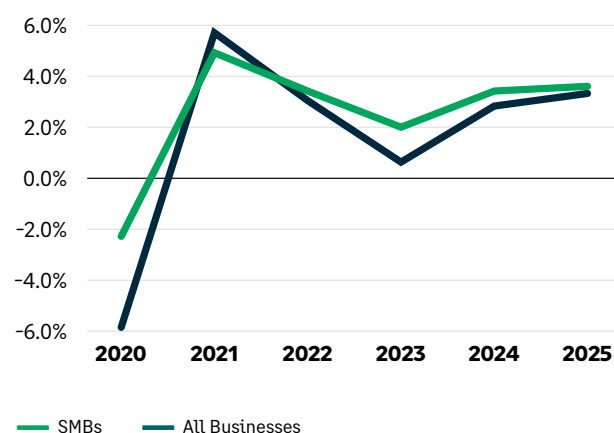
Figure 17: Forecasted growth rate for the number of SMBs and their associated GVA in Germany, by year (percentage).



Source: Cebr analysis.

Additionally, forecasted growth in output for SMBs is expected to exceed that of all businesses. As shown in Figure 18, during 2023, a year in which the German economy is expected to fall into recession, with a real terms contraction, SMBs' GVA is forecast to grow 1.3 percentage points higher than for all businesses, at 1.9% versus 0.6%, respectively. Then, growth in SMBs is forecast to remain higher through the next two years of our forecast horizon.

Figure 18: Growth in German business GVA, by year (percentage).



Source: Cebr analysis.

The German Federal Ministry for Economic Affairs and Climate Action recognises German SMBs as the country's strongest driver of innovation and technology. The Ministry emphasises SMBs' important role in supporting the economy by adopting new trends such as digitalisation and points to the ability of SMBs to respond swiftly to new challenges due to the lack of complex levels of hierarchy common in larger businesses. Indeed, Eurostat data show a sizeable share of German SMBs operate with a website. At 89% in 2021, this measure of digitalisation is the highest of all six European countries studied in this report, 13 and 19 percentage points above Spain and France, respectively, and is likely a key factor in the particularly strong performance of German SMBs over the past decade.

Digitalisation and the green energy transition provide great opportunities for SMBs to grow and there is no shortage of support from policymakers in Germany to bolster SMB success. Indeed, the German Federal Ministry for Economic Affairs and Climate Action⁸ outlines a thorough 'action plan' aimed to support businesses with a commitment to long-term success. The ministry provides support such as the 'GO!' start-up campaign, which aids underrepresented entrepreneurs, such as women, and provides a platform for prospective businesses to outline their projects interactively via an online portal, leading to easier access to financing options and EU regulation via a uniform digital gateway. Continued support for digitalisation in SMBs will be especially important in ensuring SMBs keep their place as the backbone of the German economy.

8. <https://www.bmwk.de/Redaktion/EN/Dossier/sme-policy.html>

German case study: Helbig & Bertholdt oHG

Sage/Cebr interviewed a senior leader from Helbig & Bertholdt oHG, a tool trade company founded in Rheydt, Germany in 1949.



About the business

Helbig & Bertholdt oHG is a tool trade company founded in Rheydt, Germany in 1949. The business has 12 employees.

It has been continuously expanding its product range and services, which now include tools, welding technology, lifting equipment, screws, wheels and castors, transport equipment, power tools, work safety articles, technical sprays, and abrasives.

Since January 2011, the company has continued to be run as an oHG and Dieter and Michael Klerkx are equal partners in the business. The extensive product range, the delivery service and the high quality awareness have contributed to the fact that the company has an extensive client base. The company has approximately 900 square meters of storage space and maintains a stock of around 50,000 articles, with access to over 500,000 more from its trading partners.



Impacts of the current economic climate

The business is satisfied with its current development, having grown in every one of the last 10 years. However, in 2022 the company is unlikely to see familiar growth rates, though is also unlikely to deteriorate. The business is facing challenges related to procurement, as supply chain disruptions have made it more difficult to obtain the products needed for trade.

It is also facing changes in buying behaviour, as younger generations are increasingly turning to online retail rather than seeking expert advice. However, there are opportunities for the company to focus more on services and improve its online presence. The business is also concerned about the future due to potential impacts of climate change, economic dependencies, and potential wars.



Bouncing back in the current economic environment

Over the years, the company has faced changes in the challenges it faces, including increased speed of service (shorter response and delivery times) and price pressure due to internet transparency.

The business plans to continue to focus on quality and service in the future. In the next 12-24 months, the company plans to further improve its processes, maintain its data even better, and further improve data exchange with suppliers and customers. It is also considering setting up a Product Information Management (PIM) system.

Staffing is also a concern, as the company expects it will be difficult to find suitable employees in the coming years. In response, the company plans to be active as a training company in the future.



Use of technology

Helbig & Bertholdt oHG is committed to keeping its IT technology up to date and has already implemented the digitalisation of its documents. Looking ahead, they are focused on investing in data security and data exchange, as well as noting there is a lot to be done around the issue of sustainability.

The company is looking to the future to see what possibilities may develop in the field of IT, in particular in software.



France

Country-specific analysis



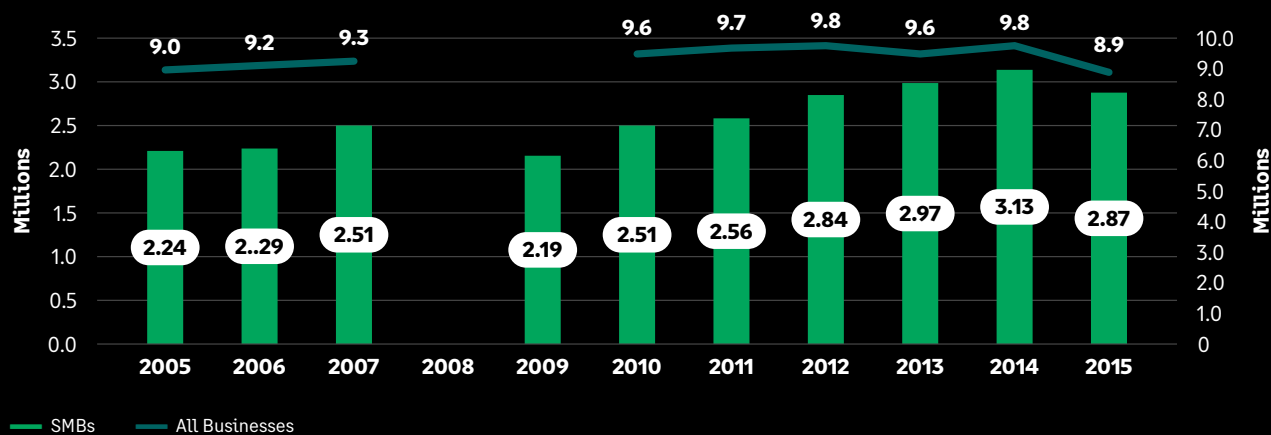
Looking back

The Global Financial Crisis (GFC) led to a contraction in the number of SMBs operating in France. While no data from Eurostat is available for 2008, between 2007 and 2009 the number of SMBs fell by 13%. However, this figure took just one year to recover to its pre-crisis level, reaching 2.5 million by 2010. Figure 19 also shows, despite a lack of data during 2008 and 2009, employment by SMBs was above its pre-crisis level by 2010, totalling 9.8 million people.

Moreover, during the period from 2010 to 2014, the number of SMBs increased every year, to reach a peak of 3.1 million in 2014 – this was 616,000 (or 25%) higher than in 2007 before the full impacts of the global recession were realised.

As shown in Figure 20, the economic contribution, measured by GVA, of French SMBs remained mostly robust in spite of the financial crash in 2007-2009. GVA fell 2% between 2008 and 2010, but then outgrew its pre-crisis level by 2011. As a share of all business output, SMBs have remained firmly above the 50% mark during the period after the crisis.

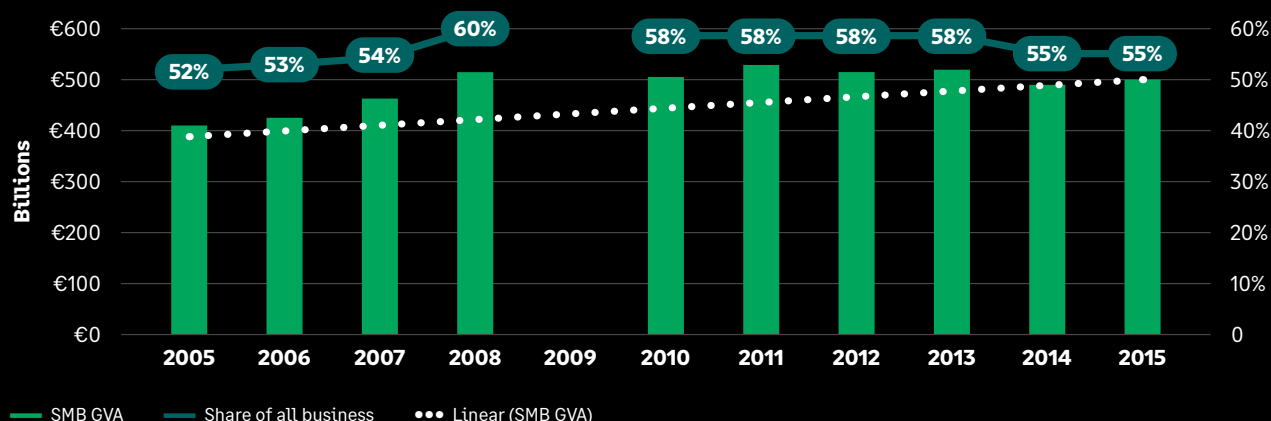
Figure 19: The number of France SMBs (LHS) and associated employment (RHS), by year (millions).



Source: Eurostat*, Cebr analysis.

*Employment figures do not include SMBs in the mining and quarrying sector due to lack of available data.

Figure 20: GVA by SMBs in France, by year (€ billions LHS) (percentage of all businesses RHS).



Source: Eurostat, Cebr analysis.

Business creation rates obtained from Eurostat reveal during the initial aftermath of the economic slowdown 10% and 13% of businesses operating were newly created in 2008 and 2009, respectively, a strong indication that SMBs were adapting and innovating, and were willing to enter the new economic environment. This rate of new business creation averaged 10% between 2010-2015.

Figure 21 and 22 show that economic contribution and employment in SMBs within the professional, scientific, and technical sector grew by 16% and 43%, respectively, between 2007 and 2015. This was the third highest growth by sector in terms of persons employed, slightly lower than SMBs within the administrative sector and those in energy supply. In the information and communication sector, which includes computer programming, consultancy, and media production, SMBs increased their economic contribution by 24% over this eight-year period, while employment reached 402,000 people in 2015, up from 306,000 in 2007.

Figure 21: GVA in SMBs by industry, by year (€ billions).

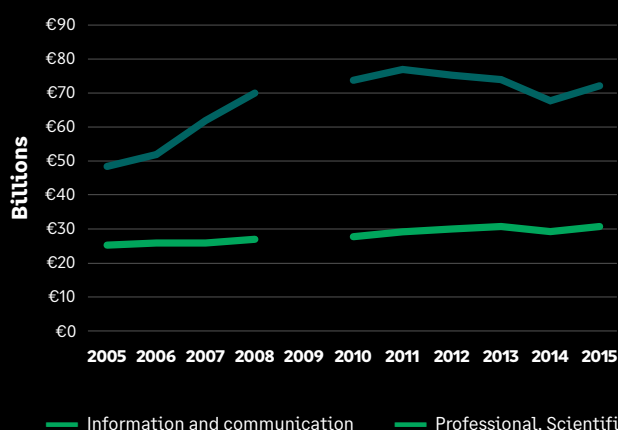
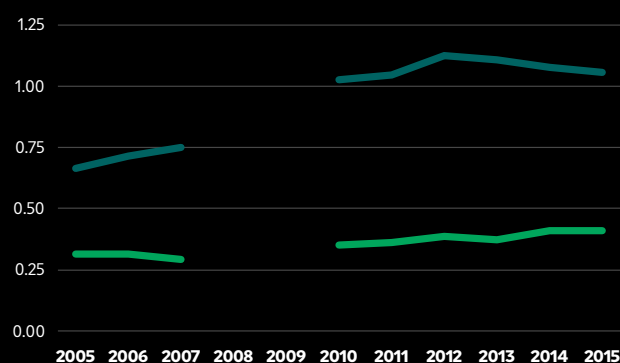


Figure 22: Employment in SMBs by industry, year.



Source: Eurostat, Cebr analysis.

Looking forward

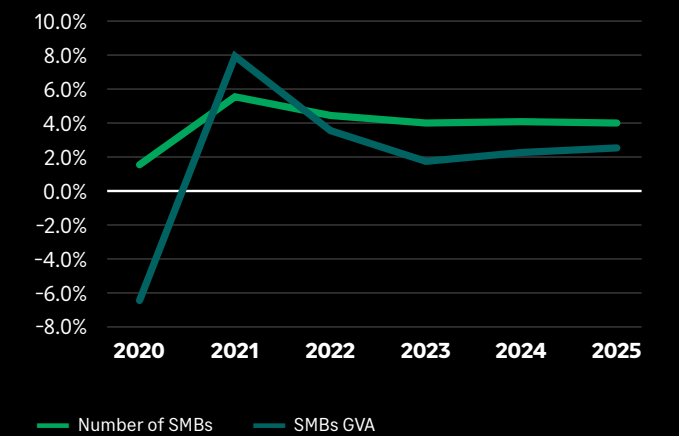
Using data from Eurostat, combined with our economic model, Cebr has forecasted the future path of key SMB metrics in France over the next three years. Our forecast expects the number of SMBs to grow by 403,000 between 2022-2025, reaching 3.7 million in 2025. Moreover, SMB GVA is also projected to reach a record high of almost €499 billion by 2025, making up 45.5% of GVA from all businesses in France.

Metric	2022	2023	2024	2025
Number of SMBs	3,306,100	3,431,200	3,566,000	3,709,000
Share of all businesses by SMBs	99.9%	99.9%	99.9%	99.9%
GVA (€mn)	466,800	475,300	486,200	498,800
Share of all business GVA	44.6%	45.0%	45.3%	45.5%

Table 6: Cebr forecast for France SMBs. Source: Eurostat & Cebr analysis.

As shown in Figure 23, after a strong bounce-back from the pandemic in 2021, Cebr forecasts the number of SMBs to grow by an average of 4% each year through to 2025, while economic contribution from SMBs is expected to grow by 2.5%. The slight fall in growth in 2023 for output and the number of SMBs comes due to the slowdown in economic growth anticipated in France due to the inflation crisis. Nonetheless, at 1.8% and 3.8% respective growth that year, this highlights our model's expectation that SMBs will remain resilient in spite of the worsened economic outlook.

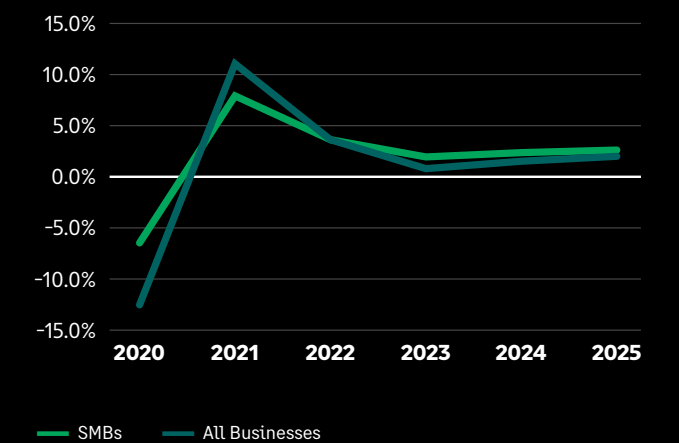
Figure 23: Forecasted growth rate for the number of SMBs and their associated GVA in France, by year (percentage).



Source: Cebr analysis.

As shown in Figure 24, while growth in SMB GVA is expected to have fallen short of all business GVA growth in 2021, in the four following years SMBs' economic contribution is forecast to grow at a higher rate than that of all businesses.

Figure 24: Growth in France business GVA, by year (percentage).



Source: Cebr analysis.

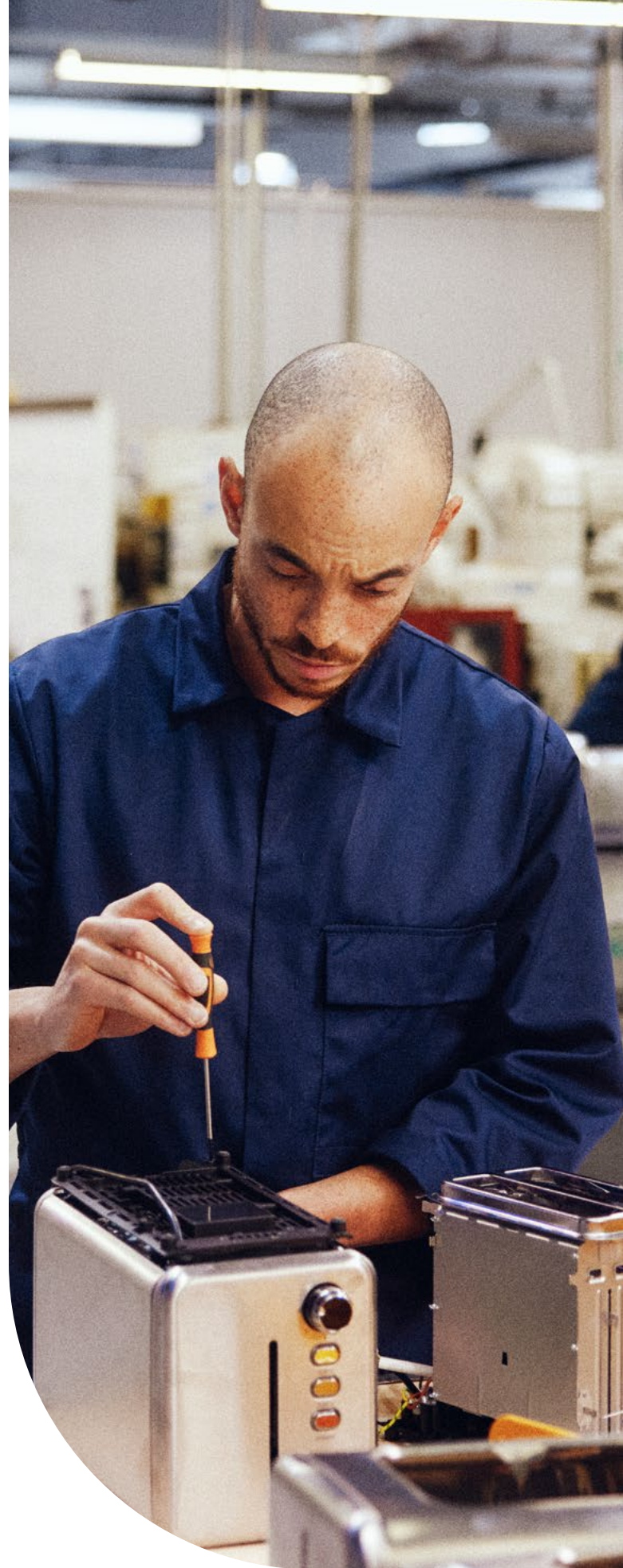


This growth will be spurred on by SMB innovation and increases in productivity. SMBs have shown resilience during the 2007-2009 financial crisis and are now much more digitised than before. Indeed, data from Eurostat show 70% of SMBs had a website, up from 57% in 2010, and growth in this metric ahead will allow SMBs to have better access to local, national and international markets. Moreover, the recovery and resilience plan outlined by the EU in 2021 sets aside €385 million to help businesses use digital technologies, while the New Technology Venture Accelerator (NETVA) offers a support network for start-ups, helping firms train, improve technology, and internationalise their business. France's SMBs have shown great resilience in previous crises, and a further capitalisation of modern technology will maintain this important pillar of the French economy.



Ireland

Country-specific analysis



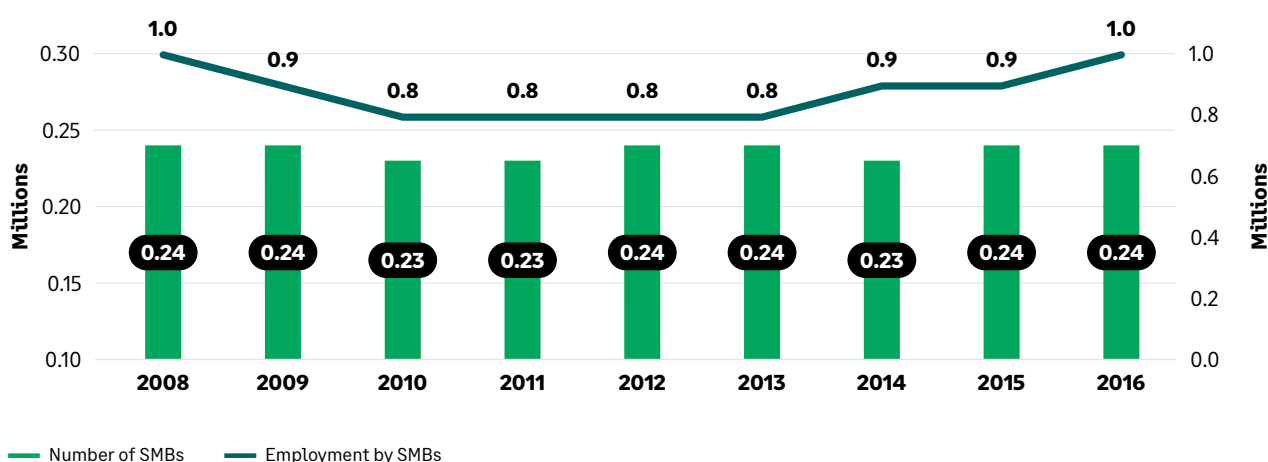
Looking back

The Irish economy suffered a 4% contraction in GDP in 2008 due to the Global Financial Crisis (GFC). However, historical data from Eurostat show minor changes in the number of SMBs operating in Ireland, during both in the initial aftermath of the crisis, in 2009 and 2010, as well as between 2011-2016. Indeed, SMBs maintained their share of 99.8% of all businesses in Ireland through this period. This emphasises the resilience of SMBs through a challenging economic time.

While the number of SMBs remained mostly constant between 2008-2016, business creation rates (from Eurostat) reveal that from 2010, the rate at which new businesses started trading increased each year to reach 8% by 2016. While this indicates an increasing portion of businesses leaving the market, this observation is sector specific. Indeed, the rate of new businesses within the information and communication technology sector averaged 10% between 2010-2016.

As shown in Figure 26, the economic contribution from SMBs fell by 20% from 2008 to 2009 as a result of the economic downturn. However, by 2015, GVA rose above this level, to €67 billion, and while mixed results are observed before 2015, the share of total business GVA by SMBs remained above 50% from 2008-2014.

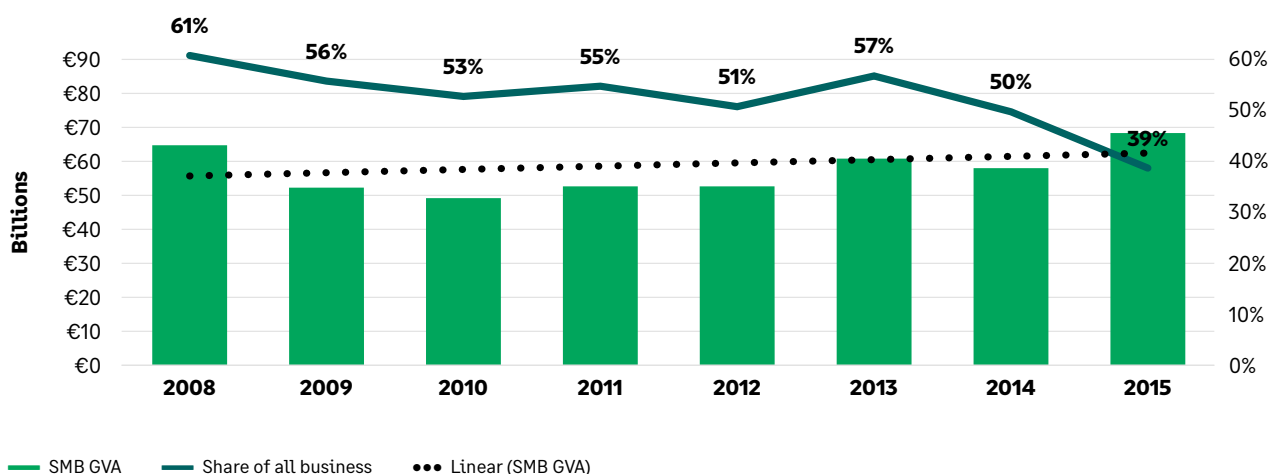
Figure 25: Number of Ireland SMBs (LHS) and associated employment (RHS), by year (millions).



Source: Eurostat*, Cebr analysis.

*Data excludes figures on SMBs from the energy supply sector due to lack of availability.

Figure 26: GVA by SMBs in Ireland, by year (€ billions LHS) (percentage of all businesses RHS).



Source: Eurostat*, Cebr analysis.

*Data excludes figures on SMBs from the energy supply sector due to lack of availability.

As shown in Figure 27, economic contribution, as measured by GVA, rose by over 80% in SMBs within the information and communication sector, which includes computer programming and consultancy. Meanwhile, economic contribution from SMBs in the professional, scientific, and technical sector added €9 billion to the Irish economy in 2016, 24% higher than their contribution in 2008.

Figure 27: GVA in SMBs by industry, by year (€ billions).

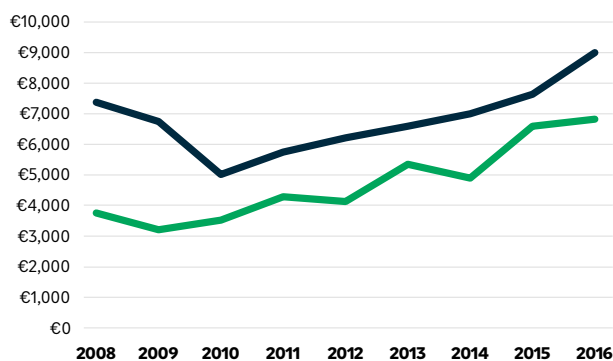
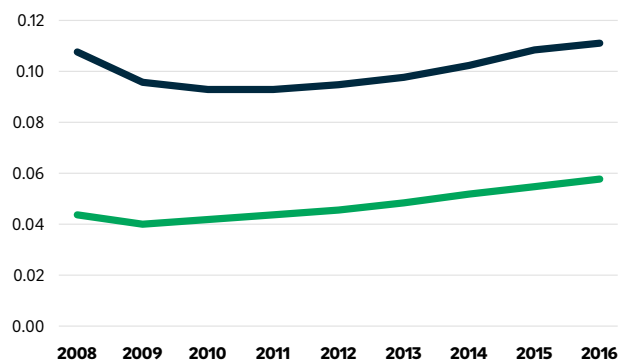


Figure 28: Employment in SMBs, by industry year.



— Information and communication — Professional, Scientific and technical activities

Source: Eurostat, Cebr analysis.

Looking forward

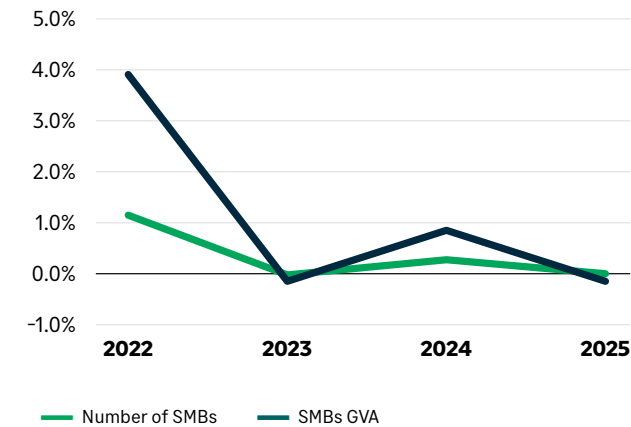
Using data from Eurostat combined with our economic model Cebr has forecasted the future path of key SMB metrics in Ireland over the next three years. Our forecast expects SMBs to maintain their 99.7% share of total businesses, with the number of SMBs increasing slightly to total 278,600 in 2025. Regarding economic contribution, this is projected to total €108 billion in 2025, making up over a quarter of total business output.

Metric	2022	2023	2024	2025
Number of SMBs	278,100	278,000	278,700	278,600
Share of all businesses by SMBs	99.7%	99.7%	99.7%	99.7%
GVA (€mn)	107,300	107,100	107,900	107,700
Share of all business GVA	30.2%	29.2%	28.0%	27.0%

Table 7: Cebr forecast for Ireland SMBs. Source: Cebr analysis.

SMBs are expected to experience a strong post-pandemic recovery in 2022, in both GVA and number, with growth then falling between -0.2% and 1.0% until 2025. While this signals lower growth than most markets covered in this report, this also shows SMBs will maintain their role as a key pillar of the Irish economy. Moreover, historical data have shown while headline figures remain constant, sectoral differences are occurring beneath these.

Figure 29: Forecasted growth rate for the number of SMBs and their associated GVA in Ireland, by year (percentage).



Source: Cebr analysis.

Indeed, digitalisation will be key for SMBs to maintain their role in driving the economy forward. Digital skills reduce the administrative burden of businesses while providing new networks both locally and internationally for businesses to share ideas and innovate. The small nature of SMBs mean there is often less hierarchy and businesses are able to adapt and take on new technologies with more ease than larger corporations.

Moreover, a diverse collection of support is available to SMBs in Ireland. The national agency, ‘Skillnet Ireland’,⁹ dedicates its efforts to increasing participation in enterprise training and workforce learning. Through 70 sectoral ‘Learning Networks’, businesses can upskill their workforce to keep Irish businesses globally competitive. In addition, the Disruptive Technologies Innovation Fund (DTIF)¹⁰, launched by the government in 2018, allocated €500 million over ten years to develop and deploy disruptive innovative technologies. This aims to combine research and industry based SMBs, spurring on adoption of modern technology and innovation.

9. <https://www.skillnetireland.ie/>

10. <https://enterprise.gov.ie/en/what-we-do/innovation-research-development/disruptive-technologies-innovation-fund/>





Spain

Country-specific analysis

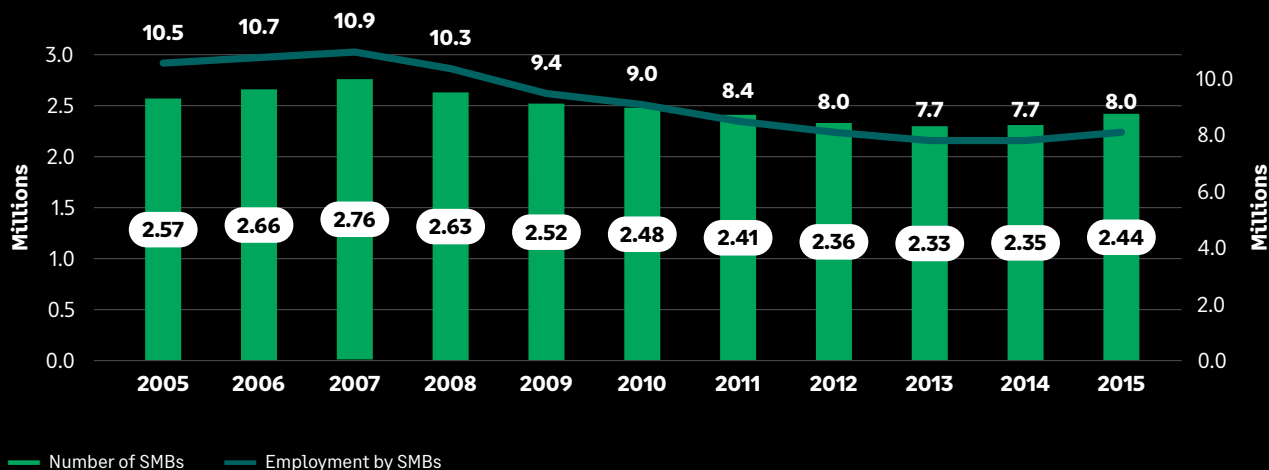


Looking back

The economic downturn in Spain as a result of the Global Financial Crisis (GFC) in 2007-2009, sparked a fall in both the number of SMBs and their associated employment. The number of SMBs fell by 5% on the previous year in 2008, while 2009 saw a 4% contraction.

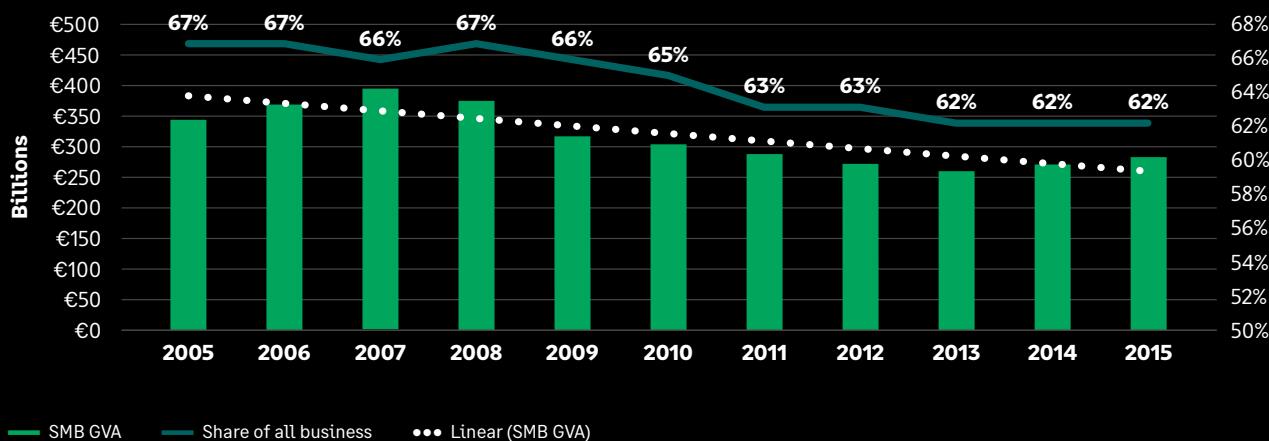
While the total number of SMBs did not recover to pre-crisis levels by 2015, as shown in Figure 30, the share of SMBs remained firm at 99.9% of all businesses in Spain while the number of SMBs never fell below 2.3 million. As shown in Figure 31, total economic contribution followed a similar decline following the crash of 2007-2009. However, value added by SMBs never fell below €250 billion and the share of total business economic contribution by SMBs was always above 60% between 2005-2015.

Figure 30: Number of Spain SMBs (LHS) and associated employment (RHS), by year (millions).



Source: Eurostat, Cebr analysis.

Figure 31: GVA by SMBs in Spain, by year (€ billions LHS) (percentage of all businesses RHS).



Source: Eurostat, Cebr analysis.

Though key SMB indicators saw a modest decline in Spain following the recession of 2007-2009, the relative level of the number of SMBs and their economic contribution suggest this was likely an industry specific decline, with SMBs adapting to the new economic environment and some industries taking hold of the opportunities presented by technology and innovation. Indeed, data show that the largest decline in SMBs was concentrated in the construction industry, in which the number of businesses fell from 564,000 in 2007 to 320,000 in 2013. Meanwhile, the number of SMBs in the information and communication sector increased by 12,225, or 31%, over the same period.

Figure 32 shows the economic contribution of SMBs by industry and highlights the over 75% drop in GVA from SMBs in the construction industry between 2007 and 2013. The GVA fall amongst construction businesses was so sharp that the sector was overtaken by professional, scientific and technical activities, another industry showing falling GVA over this same period, by 2013, remaining behind in 2014 and 2015.

Business creation data does paint a slightly more positive picture. From 2008 to 2014, the proportion of new businesses created relative to total businesses increased from 8% to 10% in Spain. In the information and communication sector, this was notably higher, totalling 12% in 2008 and rising to 14% by 2014. The recession induced key changes in the makeup of SMBs, leading to the emergence of new innovative businesses supported by technology and the decline in some more traditional sectors.

Figure 32: GVA in SMBs by industry, by year (€ millions).

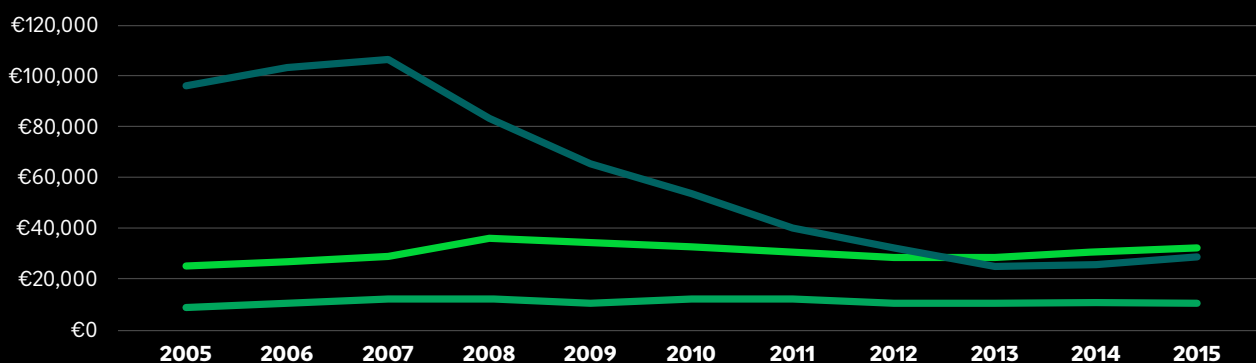
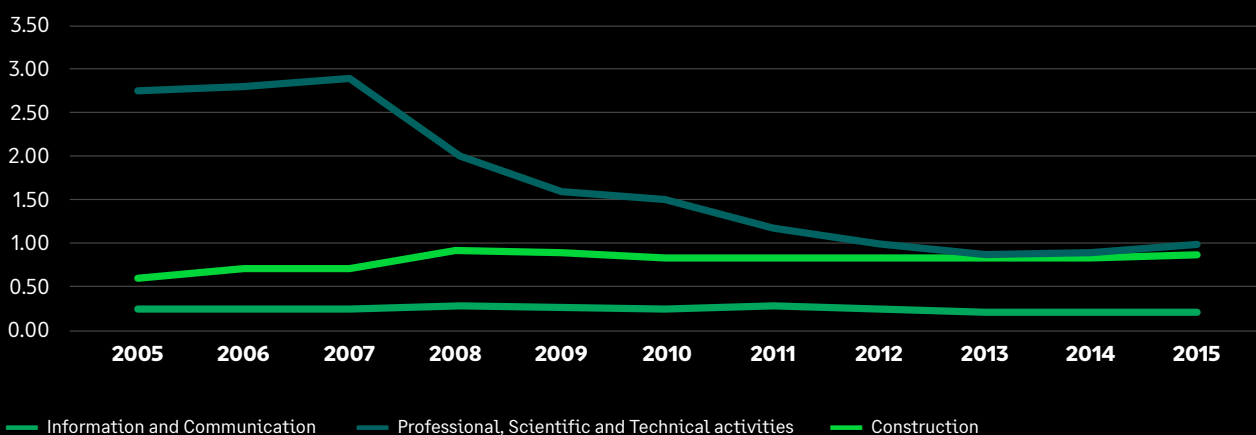


Figure 33: Employment in SMBs, by industry year.



Source: Eurostat, Cebr analysis.

Looking forward

Using data from Eurostat, combined with our economic model, Cebr has forecasted the future path of key SMB metrics in Spain over the next three years. Table 8 shows that the number of SMBs in Spain is expected to grow by 63,000 between 2022-2025, reaching 2.8 million at the end of that period. Moreover, economic contribution by SMBs is projected to reach €317 billion by 2025, making up 58.1% of all GVA from businesses.

Metric	2022	2023	2024	2025
Number of SMBs	2,701,100	2,719,700	2,742,100	2,763,600
Share of all businesses by SMBs	99.9%	99.9%	99.9%	99.9%
GVA (€mn)	308,600	310,600	314,100	317,200
Share of all business GVA	59.0%	58.8%	58.5%	58.1%

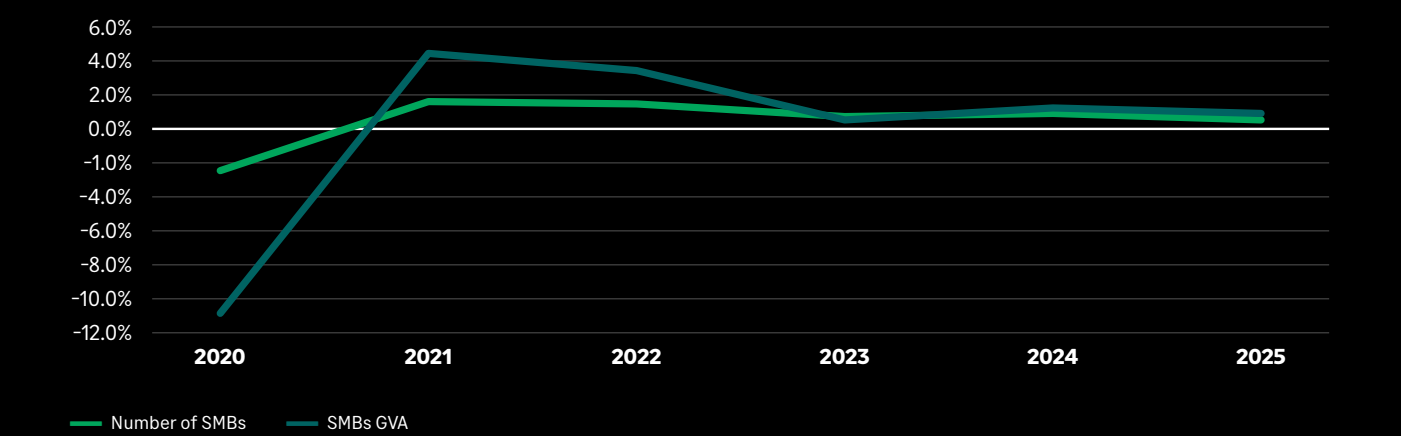
Table 8: Cebr forecast for Spain SMBs. Source: Eurostat & Cebr analysis.



As shown in Figure 34, after recovery from the pandemic in 2021, Cebr forecasts the number of SMBs to grow by an average of 0.9% each year through to 2025, while the economic contribution from SMBs is expected to grow at an average rate of 1.5% per year. The slight fall in growth in 2023 for output and number of SMBs comes due to the slowdown in economic growth anticipated in Spain due to the inflation crisis.

Nonetheless, at 0.7% and 0.6% respective growth that year, this highlights our expectation that SMBs will remain resilient in spite of the worsened economic outlook, with growth then increasing in 2024.

Figure 34: Forecasted growth rate for the number of SMBs and their associated GVA in Spain, by year (percentage).



Source: Eurostat, Cebr analysis.



Our forecast is underpinned by the resilience of SMBs during the financial crisis in 2007-2009 as discussed in this report. In Spain the sectoral disparities in the aftermath of this crisis signal the importance of technology and innovation in weathering the storm from a worse economic outlook and ultimately taking opportunities to adapt businesses in times of crisis. Indeed, digitalisation and innovation in SMBs will be key to supporting the wider economic recovery in Spain. Data from Eurostat show the percentage of SMBs with a website was 76% in 2021, while 21% of this group provided online ordering. An improvement in both these metrics will likely improve SMB performance. Moreover, the Next Generation EU fund for 2022/23 highlights the importance of digitalisation, dedicating a ‘Digital Kit’ program that offers a grant to help small businesses implement digital solutions.



Portugal

Country-specific analysis

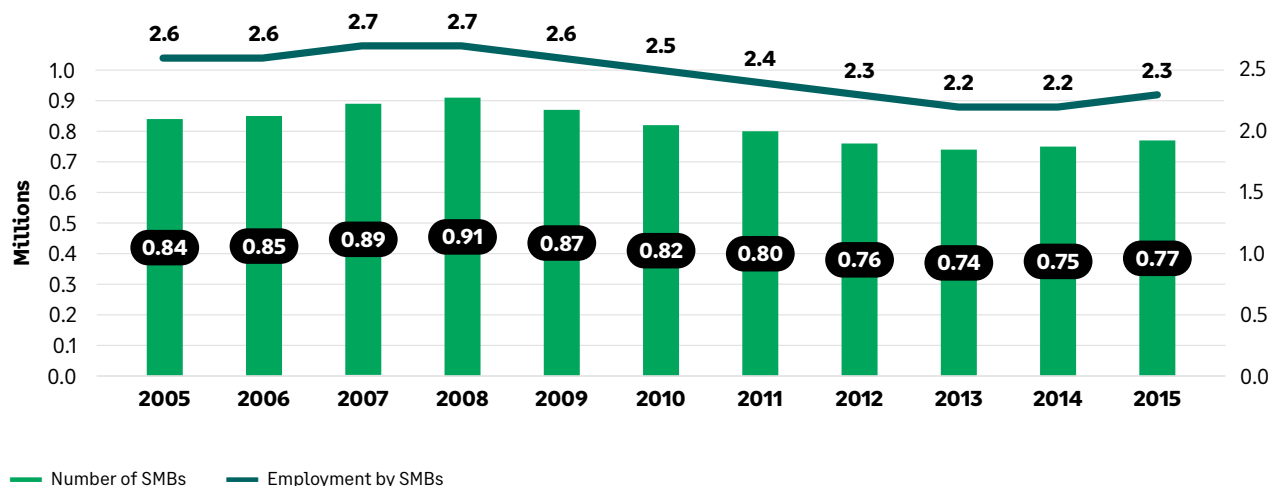


Looking back

Portugal was no exception from the impact of the Global Financial Crisis (GFC) in Europe in 2007-2009.

Figure 35 shows, after a peak in 2008, both the number of SMBs and employment within these businesses fell between 2009 and 2013, before picking up in 2014 and 2015. The share of total businesses remained constant at 99.9% through this period.

Figure 35: Number of Portugal SMBs (LHS) and associated employment (RHS), by year (millions).

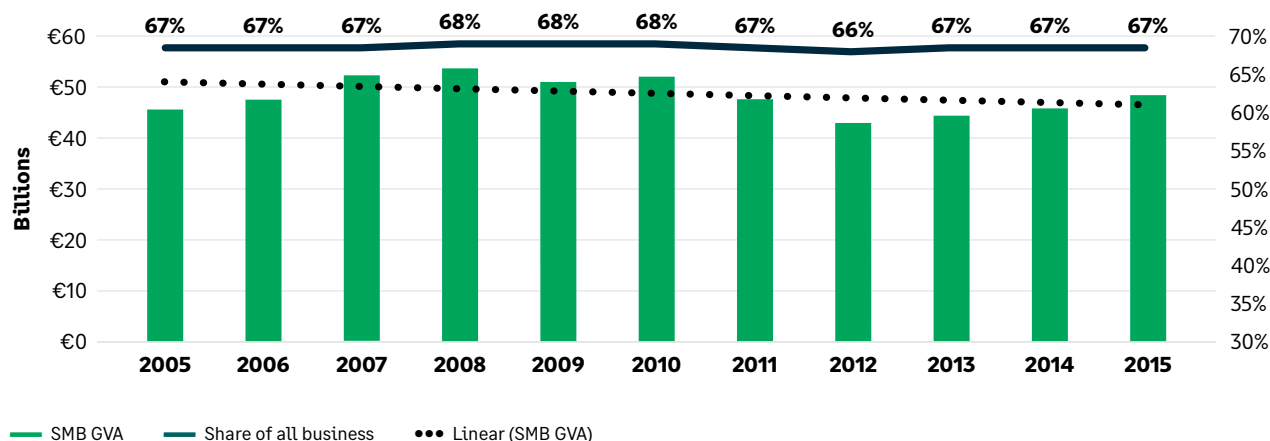


Source: Eurostat*, Cebr analysis.

*SMB data does not include real estate activities due to a lack of availability.

Economic contribution by SMBs remained at a strong level both during and after the financial crisis in 2007-2009. Figure 36 shows the share of all business contribution by SMBs remained within the 66-68% band through 2005-2015, while GVA by SMBs remained above € 40 billion across the period.

Figure 36: GVA by SMBs in Portugal, by year (€ billions LHS) (percentage of all businesses RHS).



Source: Eurostat*, Cebr analysis.

*SMB data does not include real estate activities due to a lack of availability.

Closely examining SMB developments by industry reveals sectoral differences occurring behind the headline statistics. Indeed, in the aftermath of the crisis, from 2009–2015, the largest declines in the number of SMBs are observed in manufacturing, construction, and retail trade, down 14%, 33% and 16%, respectively. However, new business creation rates obtained from Eurostat reveal that, in 2009, 12% of all businesses were newly created, with this share increasing to 16% by 2015. Indeed, data on a sectoral level show a transition from the traditional sectors in the economy to those that broadly promote more innovation and utilise new technology available.

For example, in 2015, 17% of businesses within the information and communication sector were newly created, which includes businesses involved in computer programming, consultancy, and media production. Economic contribution from SMBs in this sector increased by €359 million in the ten years since 2005, shown in Figure 37. Meanwhile, in professional, scientific, and technical SMBs, employment in 2015 was 21,068 higher than in 2005, with economic contribution up by €740 million to total €4.4 billion in 2015.

Figure 37: GVA in SMBs by industry, by year (€ millions).

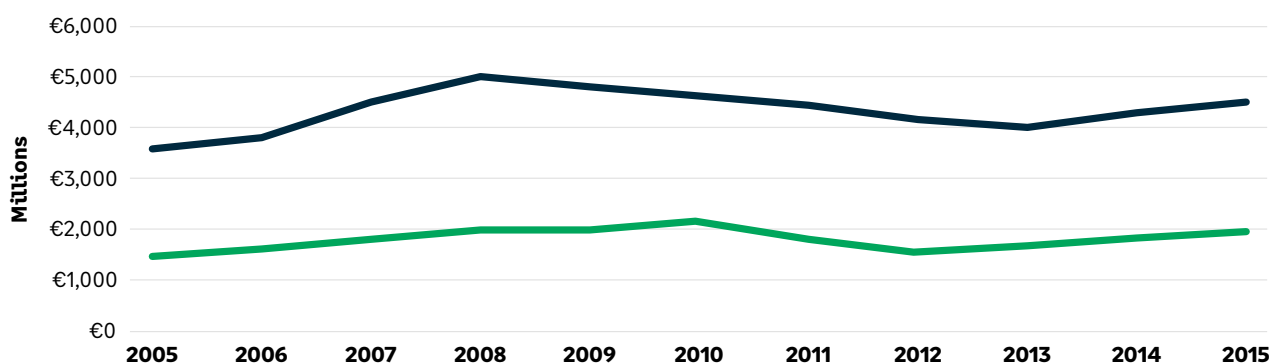
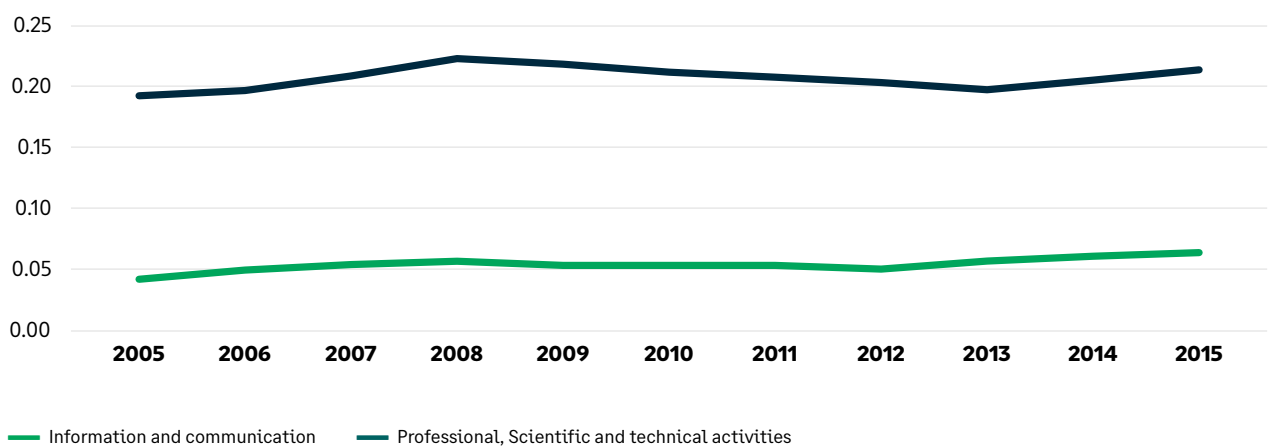


Figure 38: Employment in SMBs by industry, year.



Source: Eurostat, Cebr analysis.

Looking forward

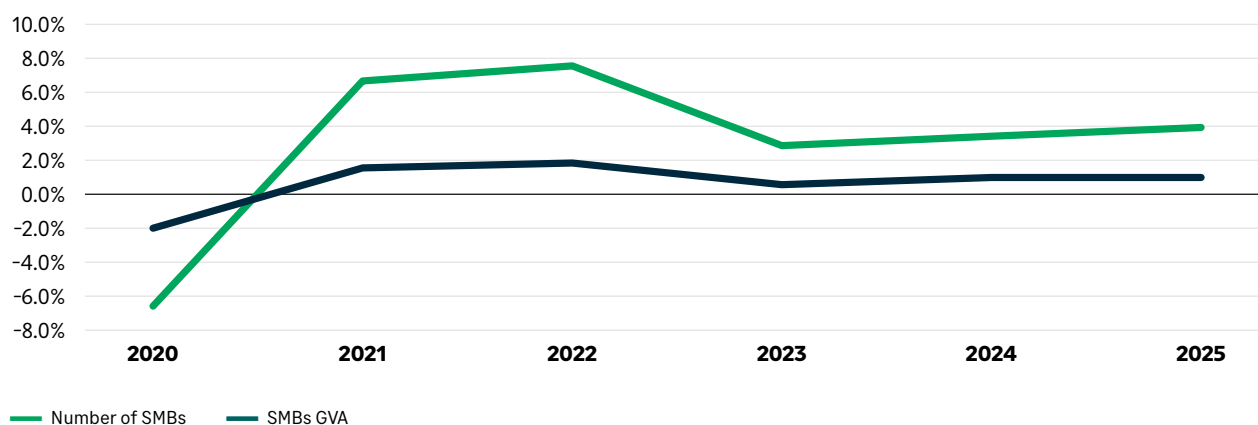
Using data from Eurostat, combined with our economic model, Cebr has forecasted the future path of key SMB metrics in Portugal over the next three years. Our forecast expects the number of SMBs to grow by 22,000 between 2022-2025, reaching 917,000 in 2025. Moreover, business economic contribution is projected to reach €73 billion by 2025, making up 68.8% of all GVA from businesses in Portugal.

As shown in Figure 39, from 2021 onwards we expect growth in both output and the number of SMBs, with the former forecast to increase by an average of 1.2% each year until 2025. In 2023, growth is likely to slow slightly due to the energy inflation crisis stemming from Russia's war in Ukraine. Nonetheless, the number of SMBs is set to grow by 0.7% that year, while their collective output is projected to growth by 2.9%. This continued growth highlights our expectation that SMBs will remain resilient in spite of the worsened economic outlook.

Metric	2022	2023	2024	2025
Number of SMBs	895,000	901,100	908,800	917,000
Share of all businesses by SMBs	99.9%	99.9%	99.9%	99.9%
GVA (€mn)	66,400	68,300	70,700	73,300
Share of all business GVA	69.0%	69.1%	69.0%	68.8%

Table 9: Cebr forecast for Portugal SMBs. Source: Eurostat, Cebr analysis.

Figure 39: Forecasted growth rate for the number of SMBs and their associated GVA in Portugal, by year (percentage).



Source: Cebr analysis.



Advances in digitalisation will be vital for the growth in SMBs and mean they can continue to boost economic activity and drive innovation. In Portugal, 61% of SMBs had a website in 2021 according to data from Eurostat. This is notably lower than other European countries studied, such as Germany with a share of 89% in 2021 and the 70% share for France's SMBs in the same year. This indicates the need for a drive towards digitisation in Portugal as it will be fundamental for SMBs' role in the economy. Digitalisation provides ease of access to markets, resources, and networks by reducing the associated costs previously attributed to these avenues of growth. Digital analytics can provide tools that are cost-efficient and help give businesses insight into where to adapt and innovate, both when in a crisis and when seeking wider growth.

Indeed, policymakers are attempting to address Portugal's relatively low digitisation rate. The Portugal Digital Academy¹¹, born in March 2022, attempts to spur the adoption of digital skills by pulling together free access to digital training. SMBs can train their workers in the digital area via this platform allowing for specialisation and better overall skills. This support from the Portuguese government and EU is one of several initiatives that will allow SMBs to thrive and support the modern economy this decade.

11. <https://portugaldigital.gov.pt/formar-pessoas-para-o-digital/oferta-de-formacao-em-competencias-digitais/academia-portugal-digital/>



United States

Country-specific analysis

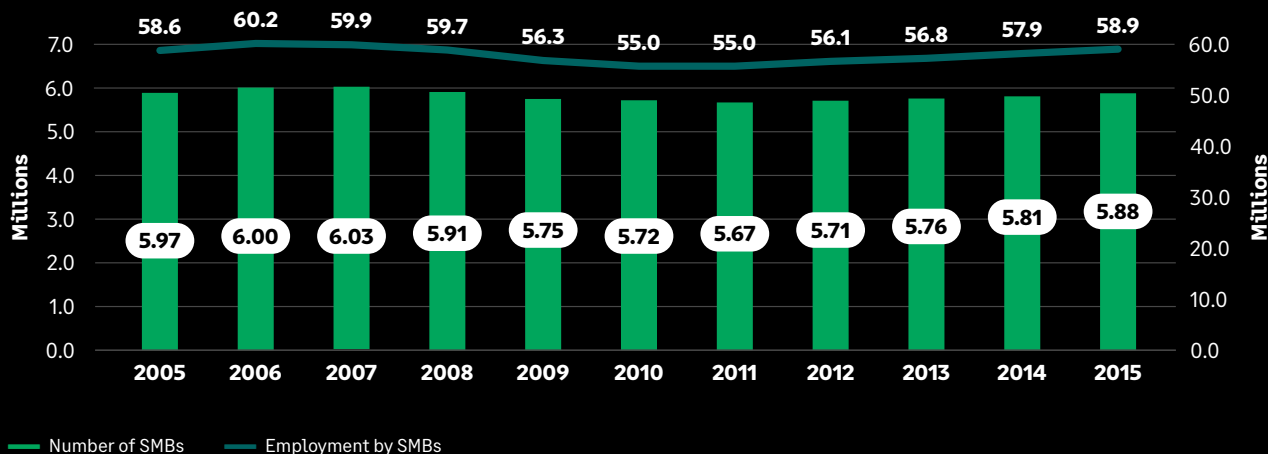


Looking back

The economic downturn in the US as a result of the Global Financial Crisis (GFC) in 2007-2009, sparked a fall in both the number of SMBs and their associated employment. The number of SMBs fell by 2% on the previous year in 2008, while 2009 saw a 3% contraction. There were further contractions in 2010 and 2011. Employment fell across 2007, 2008, 2009, and 2010.

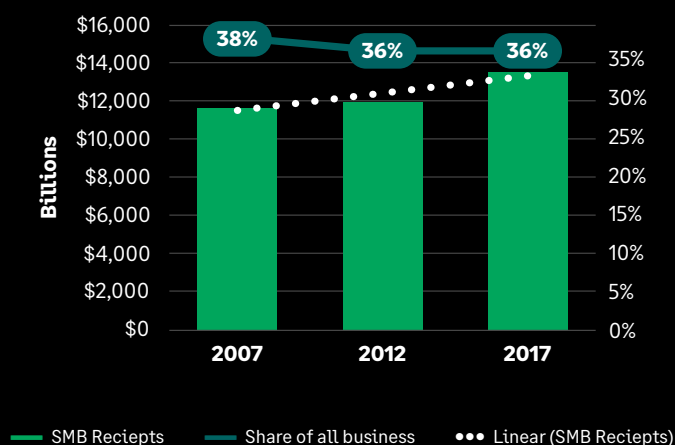
Nonetheless, through this period SMBs were a vital part of the US economy, making up no less than 5.6 million businesses and seeing employment of at least 55 million¹². As shown in Figure 40, sustained growth is observed in both key SMB measures from 2012 to 2015. The number of SMBs and employment amongst SMBs increased by 173,000 and 2.9 million, respectively, across this period. Indeed, by 2015 SMBs employed 47.5% of all workers at a business.

Figure 40: Number of US SMBs (LHS) and associated employment (RHS), by year (millions).



Source: The United States Census Bureau, Cebr analysis.

Figure 41: Receipts by SMBs in the US, by year (\$ billions LHS) (percentage of total business receipts RHS).



Source: The United States Census Bureau*, Cebr analysis.

*Data on business receipts are only available for the years shown in this figure.

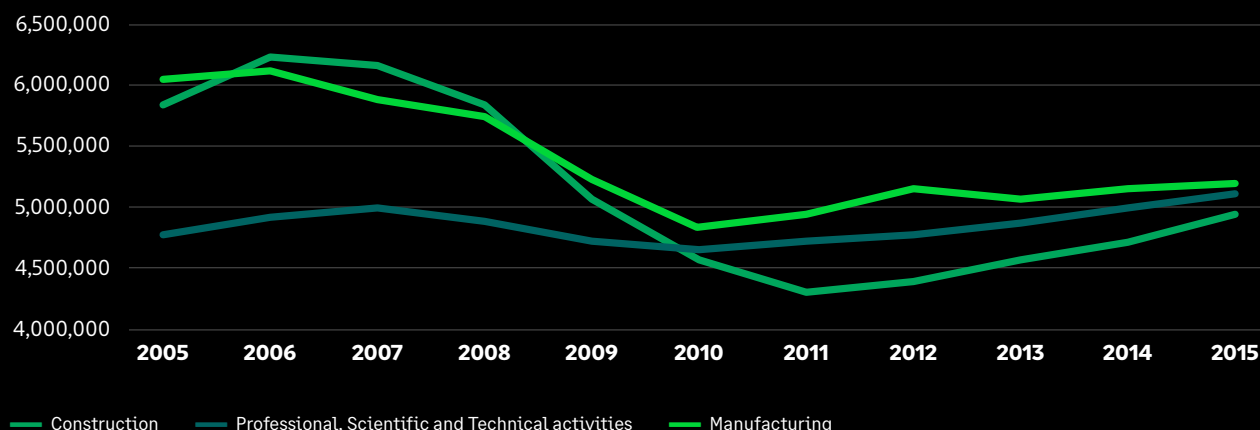
As shown in Figure 41, the receipts by SMBs in the US saw a solid positive trend from across the period following the economic downturn. Between 2007 and 2012 receipts by SMBs increased by \$437 billion, while over the following five years this measure grew by \$1.5 trillion (or 13%), to total \$13 trillion. Additionally, the share of SMB output relative to all businesses remained between 36-38% through the period.

12. SMBs in the US and Canada are defined as businesses with 0-499 employees, rather than 0-249 in Europe, which contributes to this relatively larger figure.

Looking more closely at SMBs by industry reveals a varying story, dependent on the sectoral split. Through the period from 2007 to 2015, more traditional sectors such as manufacturing, agriculture, and construction saw a notable fall in the number of SMBs operating, at 12%, 6%, and 16% contractions, respectively. Meanwhile, accommodation and food, arts and entertainment, and the professional, scientific, and technical services sectors saw gains of 9%, 5%, and 2%.

Indeed, regarding employment by SMBs, Figure 42 shows the notable change in employment by industry. Data show more resilience in professional, scientific, and technical SMBs against those operating in the more traditional sectors of construction and manufacturing. This emphasises the leading role played by more technology based SMBs in driving the economic recovery out of the crisis and taking opportunities to grow beyond their pre-crisis level.

Figure 42: Number of employees in SMBs by industry, by year.



Source: The United States Census Bureau, Cebr analysis.

Looking forward

Using data from the US Census Bureau, combined with our economic model, Cebr has forecasted the future path of key SMB metrics in the US over the next three years. Our forecast expects the number of SMBs to grow by 36,000 between 2022-2025, reaching 6.2 million in 2025. Moreover, employment by SMBs is projected to reach a record high of over 63.3 million¹³ by 2025, making up 44.8% of all employment by businesses in the US.

Metric	2022	2023	2024	2025
Number of SMBs	6,126,700	6,146,600	6,152,600	6,162,800
Share of all businesses by SMBs	99.7%	99.7%	99.7%	99.7%
Employees	62,580,600	62,971,800	63,108,200	63,322,200
Share of all business employment	45.6%	45.3%	45.0%	44.8%

Table 10: Cebr forecast for US SMBs. Source: The US Census Bureau and Cebr analysis.

13. SMBs in the US and Canada are defined as businesses with 0-499 employees, rather than 0-249 in Europe, which contributes to this relatively larger figure.

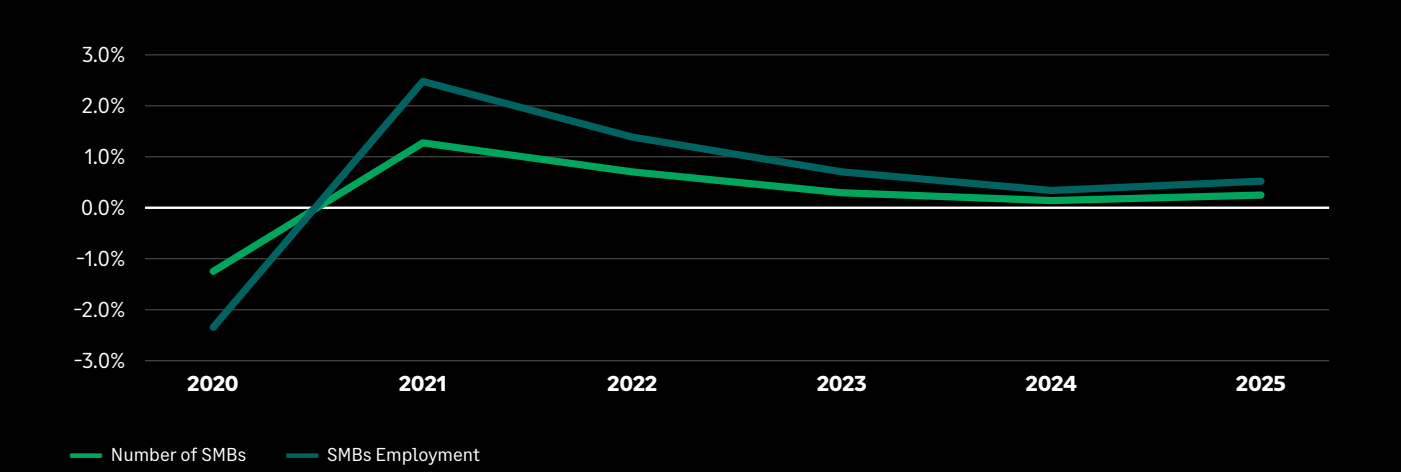
As shown in Figure 43, after recovery from the pandemic in 2021, Cebr forecasts the number of SMBs to grow by an average of 0.3% each year through to 2025, while employment by SMBs is expected to grow by 0.6%. Though this is relatively low growth by comparison to some other forecasted economies, the colossal size of the SMB sector in the US means any level of growth is very positive for the overall US economy.

SMBs serve a vital role in not only keeping the economy moving by their valuable activity, employment, and economic output, but by innovating and adapting, to drive the new solutions to old problems. The growth forecasted by Cebr reflects the resilience shown by SMBs in the US during a severe economic downturn and the assumption that SMBs are even more important now in an increasingly digitalised age.

Small businesses support those larger corporations by testing new innovative solutions, the likes of which larger businesses have less flexibility to incorporate. Some of the largest corporations in the US, such as Apple and Google, are known for their role in innovation, however, it is common for these giants to acquire smaller businesses that have created valuable new methods in the technology sphere. One recent example is Apple's acquisition of British fintech start-up Credit Kudos, a small firm which developed software for open banking operations.



Figure 43: Forecasted growth rate for the number of SMBs and their associated employment in the US, by year (percentage).



Source: Cebr analysis.

US case study: tax services

Sage/Cebr interviewed a senior leader of a team which works within a tax consulting services SMB in the US.



Use of technology

Technology is a vital part of the operation of the business and this team prides itself on its adoption of technology. As a relatively small firm, the business is constantly evolving and changing the way it does things.

The business leans heavily on the technology involved in Microsoft SQL. The Microsoft SQL Server works with Sage, which allows the business to gather the data it requires without needing to work within a more specific system. Technology, such as this, allows workflow building and automated processes, which then enables the business to increase scale.

Automating processes is very important to this senior leader and the team uses Alteryx, a workflow-building tool, that acts as a middleware for their operations. This ultimately helps automate the process of handling fixed assets.

The tax depreciation team is constantly investing in new technology and looking at improving processes. They cannot control external economic forces, so as long as they keep their practices up to date both on the legislative and technological side, then the business is positioned to perform well.

The team has been using Sage fixed assets for over 15 years and this is how they provide all their services to clients. The senior leader cited a great experience with the system over many years. The system provides ease of use, which enables a rudimentary user to quickly pick up and understand the system, thereby removing barriers to entry.



About the business

The business provides corporate tax services to medium and larger-sized companies, both on a national and multinational level. The senior member interviewed is a team leader in a fast-growing part of the business specialising in tax depreciation. This team is relatively new and has seen demand grow very rapidly, with the team looking to hire and expand.



Impacts of economic downturns

From the perspective of the team leader, the pandemic has not had a negative impact on business activity. The nature of the business, being focussed on tax services, means an economic downturn can provide opportunities in the form of other businesses looking for cost-efficient savings when times get tough.

Corporations have turned to this business when looking to cut costs and find ways to outsource specific parts of their operations. This has meant the team has not seen significantly lower demand for their services, which can typically arise in an economy during a recession.



Bouncing back in the current economic environment

The pandemic induced a large-scale adoption of working from home. For this business, remote working helped accelerate automation and changed the way the business provides its services. Indeed, the company has increased its server capacity to handle the remote workload induced by the pandemic, which meant any disruption was short-lived.



Country-specific analysis



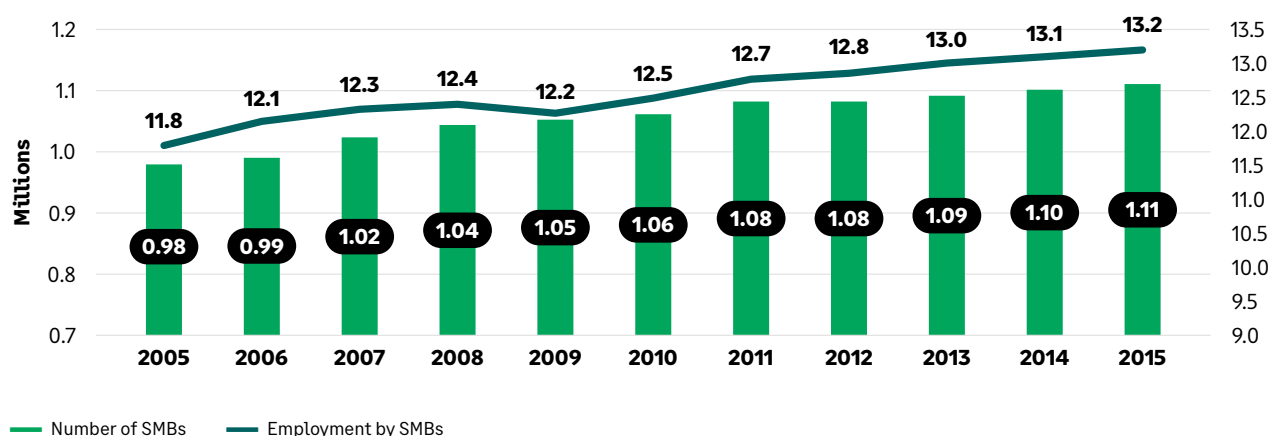
Looking back

In Canada, the Global Financial Crisis (GFC) led to a 3% contraction in GDP in 2009. However, SMBs proved resilient, with employment only falling by 2% in 2009 year-on-year, while the number of SMBs grew slightly. As shown in Figure 44, the recession proved to be a minor blip for SMBs in Canada, with the number and relative employment of SMBs rising above pre-crisis levels by 2010.

Moreover, both metrics have seen sustained annual growth through the period from 2010–2015. Indeed, in 2015, 1.1 million SMBs employed 13.2 million individuals, this was 47,000 more businesses and 745,00 more individuals than in 2010, highlighting the vital role of SMBs in the Canadian economy, post-crisis.

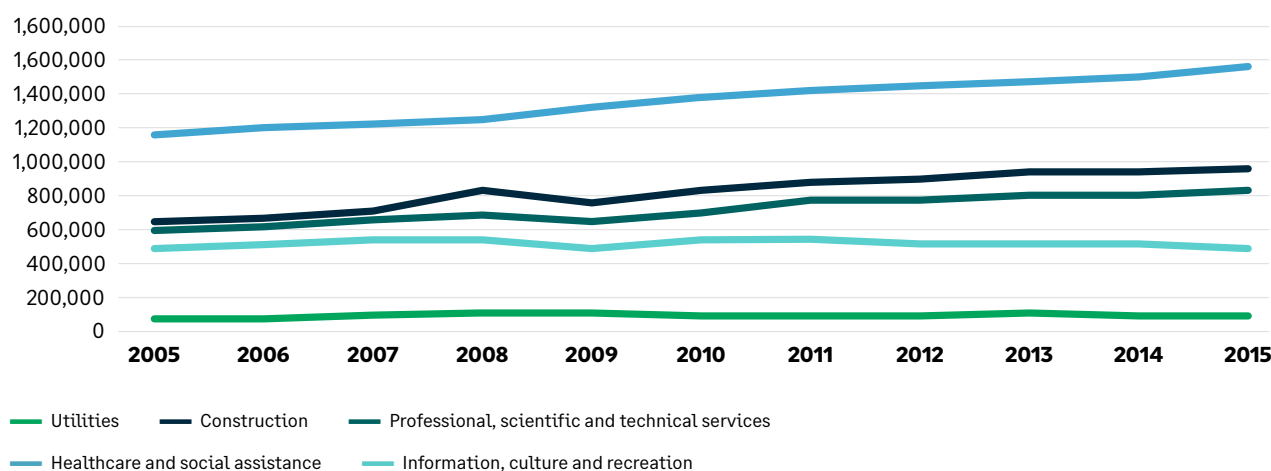
A closer analysis of SMBs reveals the sectors that were instrumental in propping up the economy post-recession. As shown in Figure 45, employment within SMBs in the professional, scientific, and technical sectors increased by 38% between 2005 and 2015, to total 829,000 people. Meanwhile, SMBs in health and social care increased employment by 144,200. Conversely, agriculture was the only sector to see an employment contraction amongst SMBs between 2005 and 2015, being down by 7% across the period.

Figure 44: Number of Canada SMBs (LHS) and associated employment (RHS), by year (millions).



Source: Statistics Canada, Cebr analysis.

Figure 45: Employment by SMBs by industry, by year.



Source: Statistics Canada, Cebr analysis.

Looking forward

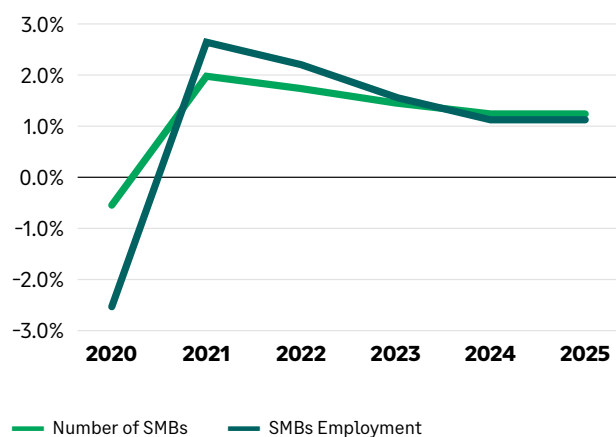
Cebr forecasts that the number of SMBs in Canada will grow even larger in the next three years, increasing employment and bolstering the Canadian economy in the post-pandemic era.

More specifically, the number of SMBs in Canada is expected to grow by 52,000 (or 4%) between 2022 and 2025, to almost 1.4 million, while employment is set to increase by 530,000 to total almost 14.6 million. This will represent a share of 98.3% of all businesses and 84.5% of total employment, signalling that SMBs are projected to remain a vital avenue for employment and economic activity in Canada.

Metric	2022	2023	2024	2025
Number of SMBs	1,321,400	1,341,100	1,357,300	1,373,400
Share of all businesses by SMBs	99.8%	99.5%	98.9%	98.3%
Employees	14,048,900	14,272,900	14,427,400	14,578,800
Share of all business employment	84.8%	84.7%	84.6%	84.5%

Table 11: Cebr forecast for Canada SMBs. Source: Statistics Canada and Cebr analysis.

Figure 46: Forecasted growth rate for the number of SMBs and their associated employment in Canada, by year (percentage).



Source: Cebr analysis.

As shown in Figure 46, annual growth past 2021 is anticipated to remain above 1% in both employment and the number of SMBs operating in Canada. The model is based on the resilience shown in historical data through 2005-2015 during the GFC. SMBs are proven innovators and will be key to Canada's economy this decade.

In comparison to most other countries studied in this report, Canada's SMBs employ the largest share of workers compared to larger businesses.¹⁴ With employment amongst SMBs increasing by over one million between 2009 and 2015, and Cebr forecasting additional employment of 500,000 between 2022 and 2025, it is clear that SMBs are key generators of labour opportunities in Canada.

14. SMBs in the US and Canada are defined as businesses with 0-499 employees, rather than 0-249 in Europe, which contributes to this relatively larger figure.



The Canadian Government recognised small businesses as the ‘backbone of the Canadian economy’ in March 2022. This came alongside a new launch of the ‘Canada Digital Adoption Program’¹⁵ (CDAP), aimed at helping SMBs grow their online presence and adopt new digital technologies. The \$4 billion promised over four years will be accessible through grants and loans for SMBs to then spend on digitisation. Policy interventions such as this will keep SMBs at the forefront of innovation and support new job growth in the economy.

Moreover, a survey conducted by Statistics Canada found 39% of SMBs expected to see revenue growth of 1%-5% each year from 2020 to 2023, while 20% expected 5-10% annual growth. For those SMBs within the professional, scientific, and technical sector, 9% expected over 20% annual revenue growth, which was 2.0 percentage points higher than all SMBs, while for those that used an e-commerce platform this was 12%. Indeed, the adoption of modern technology and innovation could increase the number, output, and employment of SMBs, maintaining their role as the backbone of the Canadian economy.

In Canada, SMBs are faced with rising input costs, compounded by labour and supply chain challenges. A remedy for this may be more funding available for digital transformation, improving business efficiency and thereby attracting highly skilled employees. This is offered by the aforementioned CDAP, offering a grant plus a 0% loan of up to \$100,000 for a SMBs’ digital plans. More could be done to support SMBs, however, and Sage points to the need for higher exemption thresholds for the Small Business Tax Rate and Employer Health Tax, while indexing them to inflation annually.



15. <https://pm.gc.ca/en/news/news-releases/2022/03/03/new-canada-digital-adoption-program-help-small-businesses-thrive>

Canada case study: Bay Polymers

Sage/Cebr interviewed Zeb Khandwala, who is the Chief Executive Officer, running his family business, Bay Polymers, a recycling centre that handles hazardous and non-hazardous material.



About the business

Bay Polymers is a B2B business with around eight employees that has been operating since 2018. It deals with commercial and industrial waste and is located in Toronto, Canada.



Impacts of economic downturns

During the coronavirus pandemic, many of Bay Polymers' business partners shut down. This included those that they receive material for recycling from and businesses they sell to. Therefore, though they were considered an essential business, they also had to voluntarily shut down due to lack of demand for their services. This meant that they were forced to let go about half of their workforce, due to not having enough work. Some employees also reprioritised the type of work they were looking for, with preferences shifting away from such labour-intensive sectors.

As well as reconsidering their staff numbers, to cut costs the business also had to renegotiate all of its contracts, including where they received supplies and material from, and who they were selling to.

Streamlining processes also became a high priority, letting go of some services that brought in lower revenues, and focussing on high turnover activities.

The coronavirus pandemic also led to a high level of business uncertainty, making it difficult to plan for the future. Though this uncertainty has since improved, the business still faces challenges.

Since the pandemic, the business's costs have been rising rapidly, in line with high inflation in the economy. However, in late 2022 the business has also been experiencing lower commodity prices for the materials it sells to other businesses. This combination of higher input costs and lower prices at which the business can sell means that margins have tightened significantly.



Bouncing back in the current economic environment

As the business recovered from the coronavirus pandemic downturn, one of the main issues has been regaining its workforce, which is made more challenging by inflation meaning workers expect higher wages. Related to that, inflation has also cost the business in terms of its contracts. With costs going up, they need to pass these on to business partners, and due to that they have lost a few contracts.

One cost which has been rising in particular is logistics, with the price of transportation across Canada rising substantially due to higher energy prices. To remain resilient in the current environment the business is trying to diversify its suppliers and business customers. Recently they have been starting to position the company as a destruction company, where they also dismantle the materials before recycling them. They have also decided to enter the plastic trading market.



Use of technology

Technology is extremely important to the running of the business, from the use of computers for their office to the warehouse recycling equipment, such as their wash line. The wash line enables the business to decontaminate and wash their recycled material as well as offering size reduction and destruction. This enables them to divert material from incineration.

Digitisation and automation have been key for the business to thrive in the current economic environment. Bay Polymers is digitalising its front office processes, going from manual, paper information entry to an integrated system, enabling the business to become 99% paper free. This has the benefit of saving time but also being better for the environment. In the warehouse, they are trying to automate their processes. An example of a technology they are looking to implement is having level detectors installed so the pumps they use automatically know when to turn on and will turn off automatically when they are full.

The business is looking to continue to improve the automation of its processes over the coming decades and is expecting to update their systems as new technology becomes available.

Data sources and definitions

General definitions

Source: Eurostat

- Economic contribution is defined as gross value added (GVA), which measures the number of goods and services produced by a business, minus any subsidies and tax paid. Data on GVA are not available for the UK, US, and Canada, but are available for all other European countries analysed.
- Business creation rates: number of enterprise births in the reference period (t) divided by the number of enterprises active in t - percentage.

Source: ONS

- UK business economic contribution is measured by total business turnover, which measures turnover or sales generated by businesses each year. This excludes Value Added Tax (VAT).

Germany

Source: Eurostat

- Small and mid-sized businesses (SMBs) are defined as any business with between 0-249 employees, meaning sole traders (i.e., those that do not employ workers and consist of one person running the entire business) are included.
- Digitalisation data are based on businesses with 10+ employees.
- Data for SMBs do not cover businesses in the finance and insurance sector.

Spain

Source: Eurostat

- Small and mid-sized businesses (SMBs) are defined as any business with between 0-249 employees, meaning sole traders (i.e., those that do not employ workers and consist of one person running the entire business) are included.
- Digitalisation data are based on businesses with 10+ employees.
- Data for SMBs do not cover businesses in the finance and insurance sector.

France

Source: Eurostat

- Small and mid-sized businesses (SMBs) are defined as any business with between 0-249 employees, meaning sole traders (i.e., those that do not employ workers and consist of one person running the entire business) are included.
- Digitalisation data are based on businesses with 10+ employees.
- Data for SMBs do not cover businesses in the finance and insurance sector, while employment data do not include businesses in mining and quarrying.

Ireland

Source: Eurostat

- Small and mid-sized businesses (SMBs) are defined as any business with between 0-249 employees, meaning sole traders (i.e., those that do not employ workers and consist of one person running the entire business) are included.
- Digitalisation data are based on businesses with 10+ employees.
- Data for SMBs do not cover businesses in the finance and insurance sector or the energy supply sector.

Portugal

Source: Eurostat

- Data for Portugal excludes real estate industry data from analysis due to a lack of availability.
- Small and mid-sized businesses (SMBs) are defined as any business with between 0-249 employees, meaning sole traders (i.e., those that do not employ workers and consist of one person running the entire business) are included.
- Digitalisation data are based on businesses with 10+ employees.
- Data for SMBs do not cover businesses in the finance and insurance sector or the real estate sector.

UK

Source: Office for National Statistics (ONS)

- Small and mid-sized businesses (SMBs) are defined as any business with between 0-249 employees, meaning sole traders (i.e. those that do not employ workers and consist of one person running the entire business) are included.
- All industry turnover figures exclude SIC 2007 Section K (financial and insurance activities) where turnover is not available on a comparable basis.

Source: Eurostat

- Digitalisation data is based on businesses with 10+ employees.

United States

Source: The United States Census Bureau, County Business Patterns

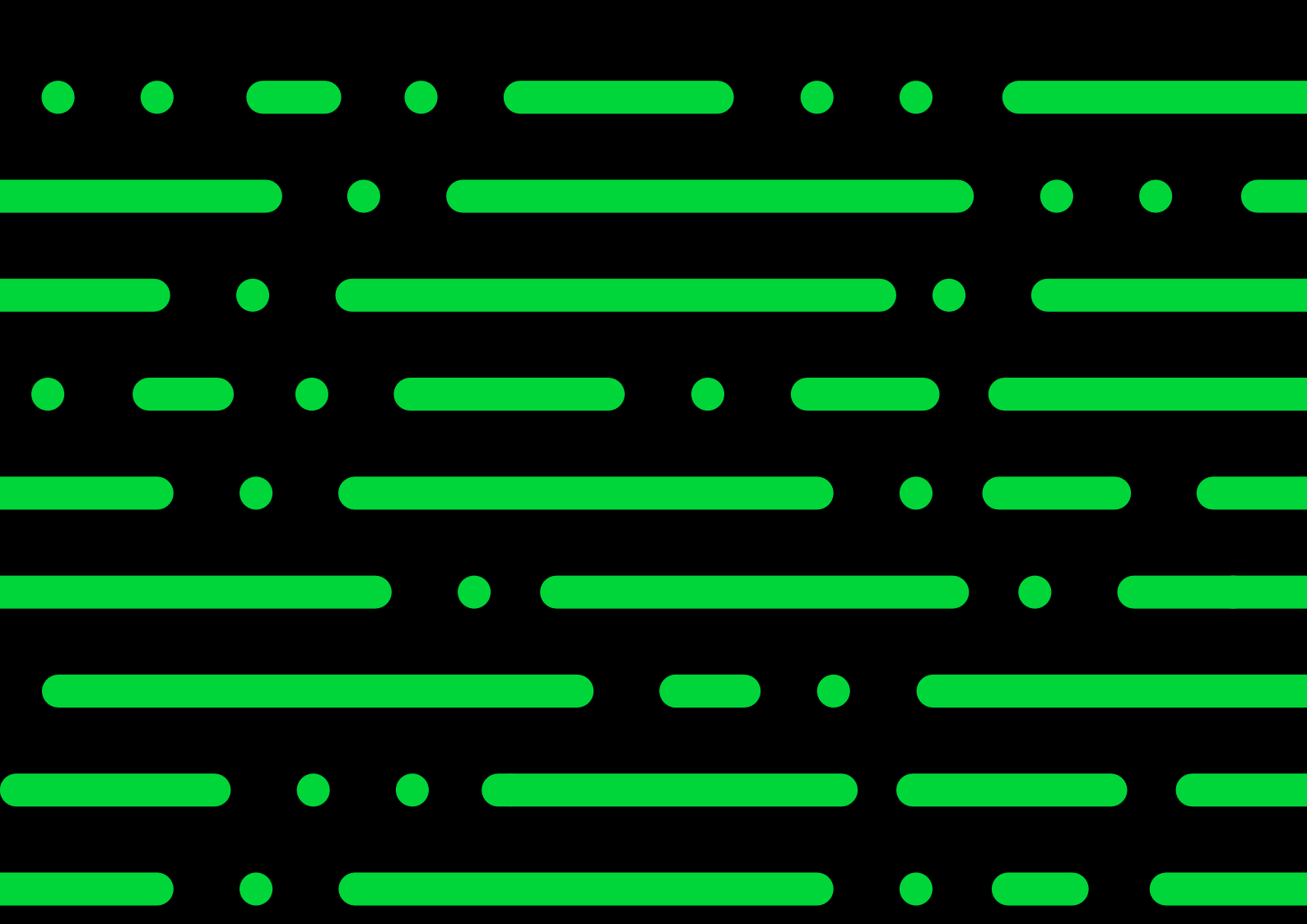
- Small and mid-sized businesses (SMBs) are defined as any business with between 0-499 employees, including sole traders (i.e., those that do not employ workers and consist of one person running the entire business).
- Total business receipts are only available for 2007, 2012 and 2017. Business receipts are the total amount of revenue a business collects during the year and are comparable to business turnover.

Canada

Source: Statistics Canada

- Small and mid-sized businesses (SMBs) are defined as any business with between 0-499 employees, meaning sole traders (i.e., those that do not employ workers and consist of one person running the entire business) are included.
- Revenue/sales percentages are obtained from a survey (Financing and Growth of Small and Medium Enterprises) released in March 2022 by Statistics Canada. Data excludes enterprises with 0 employees and those with less than \$30,000 in gross revenue.





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