SMEs still struggled in 2013, in spite of signs of positive economic recovery

In 2013, economic conditions remained challenging for SMEs in most Member States. Economic results suggest there is a recovery, but it is uneven and not yet following a robust trajectory. These are the conclusions of the annual SMEs Performance Review and country-specific SBA factsheets published today by the European Commission. In 2013, the numbers of SMEs and their value added stood above pre-crisis levels of 2008, but SMEs’ employment was still some way below that mark since it was down by 1.9 million employees, 2.16% below the 2008 level. Furthermore, year-on-year developments call for further caution. In 2013, value added continued growing by 1.1% but this represents a continued slowdown compared to previous years’ growth rates: 1.5% in 2012 and 4.2% in 2011. In addition, the number of SMEs and the size of their workforce declined by 0.9% and 0.5% respectively, on the back of overall weak economic growth and falling inflation in the EU economy (MEMO/14/549).

Ferdinando Nelli Feroci, Commissioner for Industry and Entrepreneurship, said: "The continued difficulties facing SMEs underline the need for the EU and the Member States to continue their efforts to improve the business climate. We need SMEs to create jobs and the indicators published today make it clear that more needs to be done to address obstacles such as difficulty accessing finance if we are to achieve sustained growth among SMEs all across the EU."
SMEs’ performance varies noticeably by size, sectors and countries

The recovery in value added is for the most part driven by medium enterprises and micro-firms, while small firms still lag behind pre-crisis levels. In employment terms, all size-classes employ fewer workers than in 2008, but the group of micro enterprises have posted the highest relative decline (~4.2%).

SMEs in construction and manufacturing suffered most from the crisis, with a persisting cumulative value added decline from 2008 to 2013 of -22% and -2.9% respectively, while business services, as well as information and communication and real estate sectors proved most dynamic in surpassing their respective pre-crisis levels by the highest margins of 7%, 9% and 15% respectively.

Clear fracture lines have emerged among EU’s member states:

- The “front runners” group comprises Germany, Austria, Sweden, Belgium, Malta, Luxembourg, United Kingdom and France. In this group, SME employment and value added have recovered fully and even surpassed 2008 levels, even though the robustness of these developments vary depending on the country. The generally strong value added growth experienced by the countries in this group is not matched by equally strong employment growth. Only German SMEs posted an employment level higher by 10% or more in 2013 than in 2008.
- At the other end of the scale, is a group which includes ten countries: Greece, Spain, Portugal, Croatia, Cyprus, Ireland, Romania, Slovenia, Latvia and Hungary. The level of value added generated in 2013 by SMEs was 10% (or more) below 2008.

SME business climate improved - SBA implementation progress

The measures recommended in the Small Business Act (SBA), EU’s flagship policy agenda for SMEs, continued to be implemented by the EU-28 Member States at a steady pace in 2013/2014. Access to Finance, Entrepreneurship, Skills & Innovation, Responsive Administration, and Internationalisation had the highest implementation rate both during 2013/14 and during the 2 preceding years, with the only exception of Internationalisation replacing Think Small First on this reference period of 2013/14. The main policy focus during 2013/14 was directed primarily towards improving the Access to Finance for SMEs, which represents more than a quarter (26%) of the new policy measures implemented in 2013/2014. This was followed by Entrepreneurship, Skills & Innovation, Responsive Administration and Internationalisation.

Outlook for 2014 and 2015: Cautiously optimistic, but fraught with many risks

The value added generated by SMEs in the EU is expected to rise, expanding by 2.8% in 2014 and 3.4% in 2015. SME Employment is also expected to grow 0.1% in 2014 and 0.7% in 2015. This amounts to a net increase of roughly 740,000 jobs in SMEs, which is still not enough to fully recoup losses incurred since 2008.

Across the EU28 last year, some 21.6 million SMEs in the non-financial business sector employed 88.8 million people and generated €3,666 trillion in value added.

What is the SMEs Performance Review?

The SMEs Performance Review analyses the progress European countries made in implementing the SBA and it is issued on a year base by the European Commission.
Adopted in 2008 and revised in 2011, the SBA aims to create a level playing field for SMEs throughout the EU and improve the administrative and legal environment to allow enterprises to unleash their full potential to create jobs and growth. The SBA has a strong governance structure, with business organizations and member states governments at the frontline. In parallel the Commission also publishes annually the country-specific SBA factsheets which are developed on the basis of a wide range of success indicators (for country-specific SBA factsheets see MEMO).

Further information:

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