



Global State of Small Business Report:

WAVE III UPDATE

FACEBOOK & THE ORGANISATION
FOR ECONOMIC CO-OPERATION
AND DEVELOPMENT

FACEBOOK



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Executive Summary

Small and medium-sized businesses (SMBs) have continued to resume in-person operations as many countries have eased the stringency of lockdown restrictions related to the coronavirus pandemic. In July, at the time of the Wave III survey, 16% of SMBs in aggregate were closed, a slight decrease from 18% in June (Wave II). However, even those SMBs that have reopened or remained active have continued to operate in an environment of reduced production, confidence, and demand for their goods and services amid the ongoing economic crisis driven by COVID-19.

“58% of active SMBs reported a reduction in sales compared to the same month last year”

SMBs have continued to report lower sales and have sustained reductions in employment. In Wave III, 58% of active SMBs reported a reduction in sales compared to the same month last year and 33% reported that they had reduced employment in response to the pandemic, little changed from the 57% and 31%, respectively, recorded in June. Similarly, among SMBs that reported reduced sales, over half (51%) reported reductions of more than 50%, again, little changed from the level observed in Wave II (53%).

Throughout the COVID-19 pandemic, many SMBs have used digital channels to conduct operations. In aggregate, 44% of SMBs surveyed in Wave III reported that they had made over a quarter of their sales through digital channels in the last 30 days. The extent of digital sales made by SMBs was found to be related to a number of characteristics, such as the sector of operation and business leaders' level of education.

The economic effects of COVID-19 show few signs of abating in the near term, and as many SMBs have limited resources to cope with the financial pressures the pandemic has imposed, short-term impacts could have longer-term impacts. Indeed, **approximately one-third (32%) of SMBs that reported they were closed in Wave III cited financial challenges as the primary reason for closure, replacing government and health authority orders (29%)** as the most commonly cited driver of business closures from Waves I and II.

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Introduction

The COVID-19 pandemic continues to fuel an ongoing economic downturn

Around the world, the COVID-19 pandemic continues to produce economic hardship. Global COVID-19 cases are rising, with some countries experiencing a resurgence of new infections and the re-imposition or continuation of lockdown restrictions. Nevertheless, in many other countries, governments and health authorities have lifted or loosened lockdown measures.

Although easing restrictions on movement and interaction allows businesses to resume in-person operations, in practice, many small and medium-sized businesses (SMBs) face considerable challenges in doing so. Production, demand, and confidence have fallen around the world, limiting SMBs' ability to drive sales recovery and retain their employees.¹

These difficulties are expected to persist. The International Labour Organisation (ILO) estimates that the COVID-19 pandemic could increase global unemployment by up to 24.7 million at its peak (from a base level of 188 million in 2019), creating a difficult operating environment for SMBs in particular (ILO 2020). This prediction is significant given that SMBs' contribution to employment constitutes between 60–70% in most countries (OECD 2017a).

Developing e-commerce can help SMBs maintain their resilience in the face of a prolonged downturn

The spread of the pandemic has resulted in the growth of the global digital economy. Lockdown restrictions have led to store closures and limits on in-person sales, driving an increase in online transactions. Astound Commerce, for example, estimates that 31% of global consumers have increased their online expenditures during the pandemic, despite the financial concerns imposed by COVID-19 (Astound Commerce 2020).

Developing or expanding an online presence is a useful tool for SMBs to improve their business models and broaden their target markets. By leveraging the power of the Internet, for example, SMBs can quickly connect with customers and make sales, potentially lowering or mitigating fixed costs. This also enables SMBs to outsource many aspects of their business models to stay agile and responsive to changing market conditions (OECD 2017b).

In this way, SMBs can maintain their resilience amid a prolonged downturn and generate new sales opportunities, particularly in the context of a global pandemic in which in-person interactions have been limited. Prior to COVID-19, research from the USA found that

approximately one-third (36%) of sampled small businesses did not have a website (Clutch Co 2017). Many SMBs in the USA have also taken the opportunity to move online during the COVID-19 pandemic. The US Chamber of Commerce, in a poll of 500 small businesses, found that from April to May 2020, the proportion of small businesses that had begun moving the retail aspect of their operations to digital platforms increased from 10% to 17% (US Chamber of Commerce 2020).

A recent survey by the Canadian Imperial Bank of Commerce (CIBC) found that among the 26% of Canadian business owners that have online operations, 30% have seen an increase in overall sales compared to pre-COVID-19 levels (CIBC 2020).

Accordingly, this report analyses in further detail the factors that drive SMBs' ability to move online and the impacts that an augmented digital presence can have on their levels of sales and employment.

The Future of Business Survey continues to monitor SMBs' ongoing needs and challenges

This report presents updated findings from Wave III of the 2020 Future of Business Survey, an ongoing data collection collaboration between Facebook, the Organisation for Economic Co-operation and Development (OECD), and the World Bank to survey SMBs across the world that have Facebook Business Pages.

Wave III of the 2020 Future of Business Survey was conducted from 24–30 July 2020² and captures the views of more than 25,000 business owners, managers, and employees in over 50 countries. This follows Wave I of the survey, conducted from 28–31 May 2020, and Wave II, conducted from 24–30 June 2020.³

Wave III provides an ongoing assessment of the evolving needs and challenges of SMBs. The first section provides policymakers with updated insights on how SMBs have continued to manage the impacts of COVID-19 and where further support may be needed.⁴ Section 02 presents a deeper dive into factors related to digital engagement and how this may affect sales and employment outcomes.

Comparative analysis

Firms have continued to reopen, albeit at a reduced pace...

The proportion of SMBs that were closed continued to decline from June (Wave II) to July (Wave III), albeit at a slower rate than the reduction observed from May (Wave I) to June.⁵ In aggregate, the proportion of SMBs that were closed fell by 2 percentage points, to 16%, from Wave II to Wave III. This represents a 10 percentage point reduction from Wave I (26%).

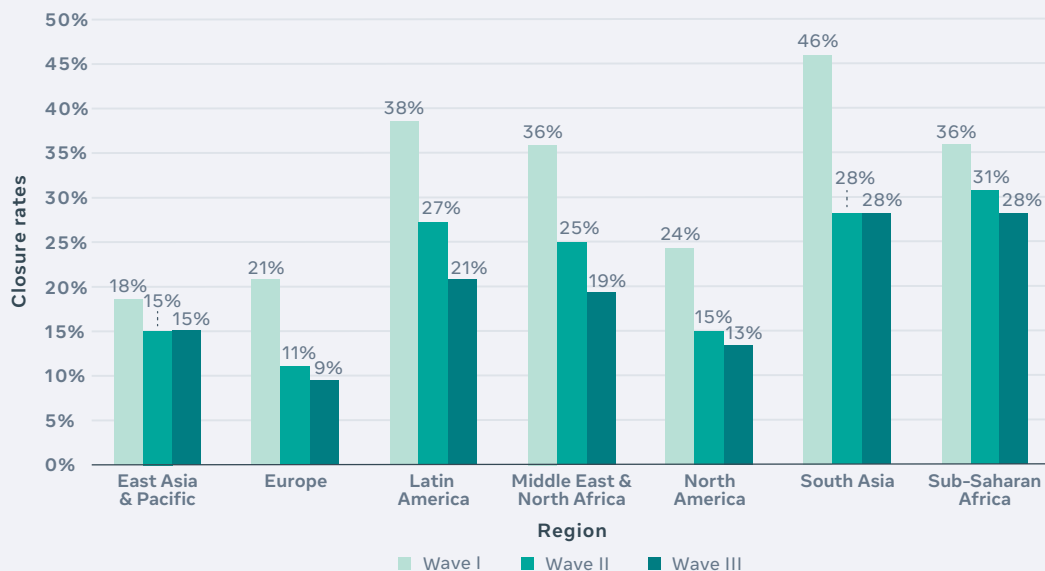
The largest reduction in closure rates between Wave II and Wave III was observed in sampled countries in Latin America (6 percentage points). All sampled countries in this region reported a reduction in closure rates, particularly in Argentina (9 percentage

point decline), Brazil (7 percentage points), and Peru (7 percentage points).⁶

By contrast, in the East Asia and Pacific and the South Asia regions, closures remained constant at Wave II levels (15% and 28%, respectively).

The correlation between reduced stringency and closure rates was particularly evident in sampled countries in Europe, where the Lockdown Stringency Index fell by 13 percentage points on average between Waves I and II, the largest across the geographic regions. In sampled countries in this region, closure rates also fell by 10 percentage points, despite the relatively low rates of closure compared to other regions reported in Wave I.

FIGURE 1: Closure rates, by region



Closure rates also exhibited a continued gradual decline across sectors. The closure rate among consumer-facing sectors such as hotels, cafes, and restaurants continued to fall (from 19% in Wave II to 15% in Wave III), with similar movements observed in the construction sector (from 19% to 14%).

Somewhat surprisingly, the information and communication sector bucked this general downward trend with the proportion of SMBs that were closed at the time of the Wave III survey increasing by 4 percentage points. Worryingly, this may be a sign that SMBs in other sectors are reining in investment spending, which may slow the pace of recovery, especially as the evidence presented in this report highlights the importance of digital channels in mitigating the crisis. On the other hand, the pickup in closures may reflect an unwinding of a temporary boost recorded in Wave II as other SMBs looked to enhance their digital capacities. Indeed, 54% of sampled SMBs in this sector reported a decline in sales relative

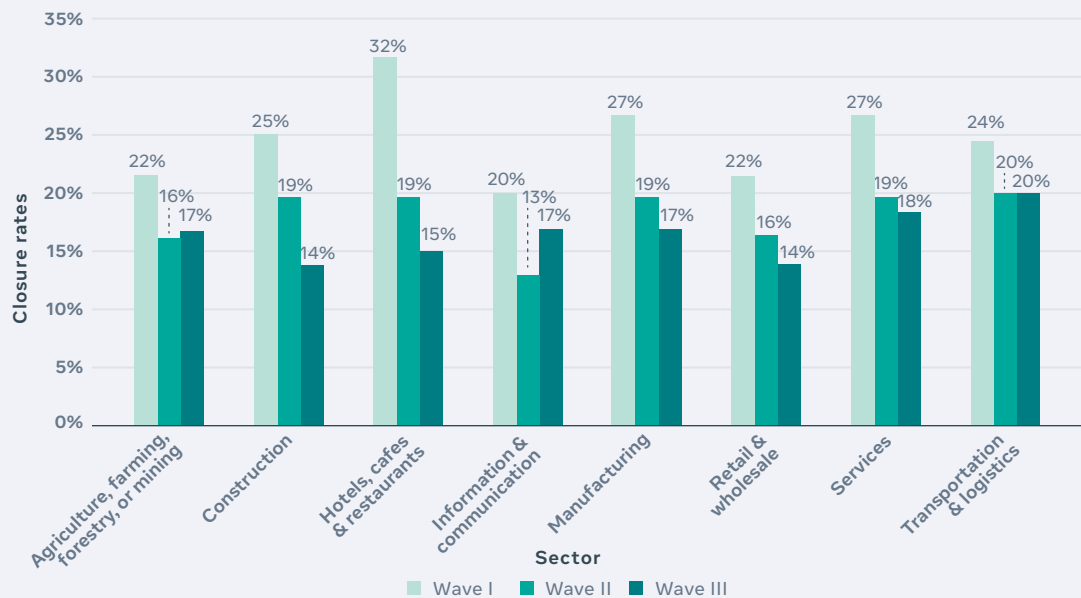
to the same 30-day period last year as of Wave III, compared to 49% in Wave II.

...reflecting not only the extent of lockdown measures, but also wider economic conditions

The gradual decrease in closures across regions was observed despite many countries having either sustained, or reimposed, lockdown restrictions over the last month, as measured by the University of Oxford Lockdown Stringency Index. Indeed, 25 countries either maintained or increased the stringency of lockdown measures between Waves II and III, relative to just 10 between Waves I and II (out of the 54 countries included in the Wave I sample). In aggregate, the mean of the Lockdown Stringency Index fell by 2 index points between Waves II and III, from 61 index points to 59.

Across sampled countries, noteworthy increases in lockdown stringency were observed in Spain (31 index point increase in the Lockdown Stringency Index), which

FIGURE 2: Closure rates, by sector



issued localised stay-at-home orders, and Australia (16 index point increase),⁸ where restrictions were imposed at the state level.⁹

Changes in stringency demonstrated a weaker positive correlation with SMB closures in Wave III (0.60) relative to Wave II (0.74), as shown in *Figure 3*, meaning that other factors may now be at play in explaining closure rates. In some cases, such as in the Netherlands and Israel, a 2 percentage point increase in closure rates was even reported despite lockdown measures easing (by 21 and 19 index points, respectively).

This weaker relationship between lockdown stringency and closures is not altogether surprising as SMBs and indeed consumers begin to adapt to the ‘new normal’ and as cumulative impacts of prior lockdowns and reduced spending mount up, especially on SMBs’ liquidity. Indeed, only 29% of SMBs that closed referenced government and health authority orders as the primary reason for closure in Wave III, down from 40% in Wave II. By contrast, the proportion of closed SMBs that identified financial challenges as

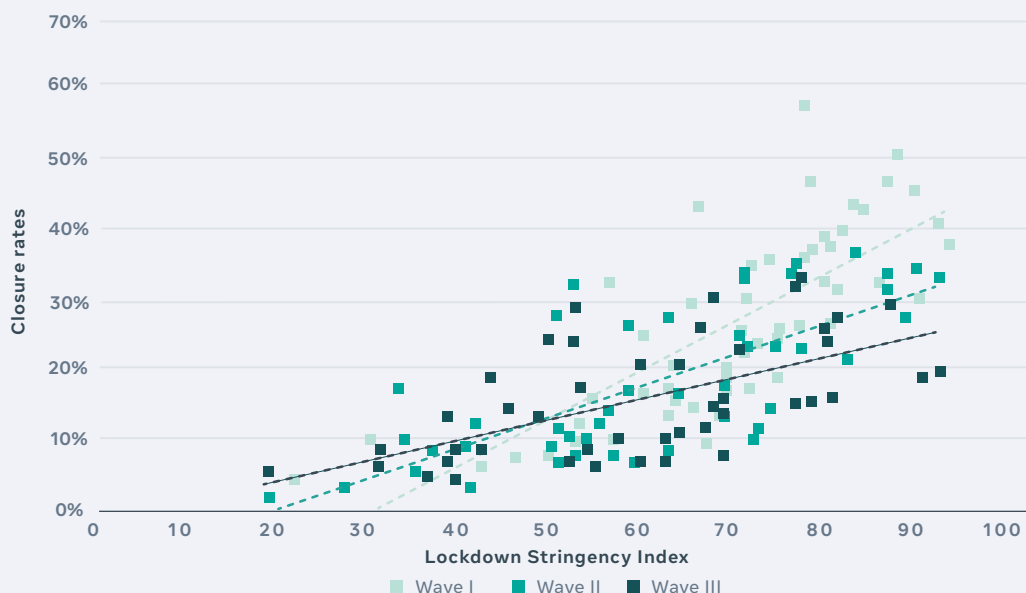
the primary reason for their closure increased from 27% to 32%.¹⁰

The challenging economic environment continues to disproportionately affect female-led businesses and micro-businesses

Across the aggregate sample, the gender differential between closures for male- and female-led businesses widened between Waves II and III, from 1 percentage point to 4 percentage points. For female-led businesses, the closure rate increased from 16% to 17%, whereas for male-led businesses, the closure rate fell from 15% to 13%.

Female business leaders are more likely to operate micro-businesses, which have struggled to reopen within the tough economic climate. The closure rate for micro-businesses fell from 22% to 21% between Waves II and III, whereas the rate of closures among businesses with one or more employees fell from 21% to 15%, a differential of 6 percentage points between micro-businesses and other SMBs.

FIGURE 3: Relationship between SMB closure rates within countries (vertical axis) and Lockdown Stringency Index (horizontal axis) across survey waves



The proportion of SMBs that reported a year-on-year drop in sales remains significant...

A considerable proportion of SMBs continue to report a challenging sales environment, reflecting persistent economic pressures. At the time of the Wave III survey, 58% of operational SMBs reported lower sales relative to the same 30-day period in 2019, representing a 1 percentage point increase from Wave II (57%) and a 4 percentage point decrease relative to Wave I (62%).¹¹

Even in countries that have continued to ease the stringency of lockdown measures, a tougher sales environment was often observed. For example, in Russia, Israel, and the Netherlands, the proportion of SMBs that reported reduced sales increased by 22, 13, and 12 percentage points from Wave II to Wave III (to 61%, 67%, and 53%, respectively), despite reductions in lockdown stringency of 10, 21, and 19 index points, respectively.

Across sectors, there were some notable increases in the proportion of SMBs that in

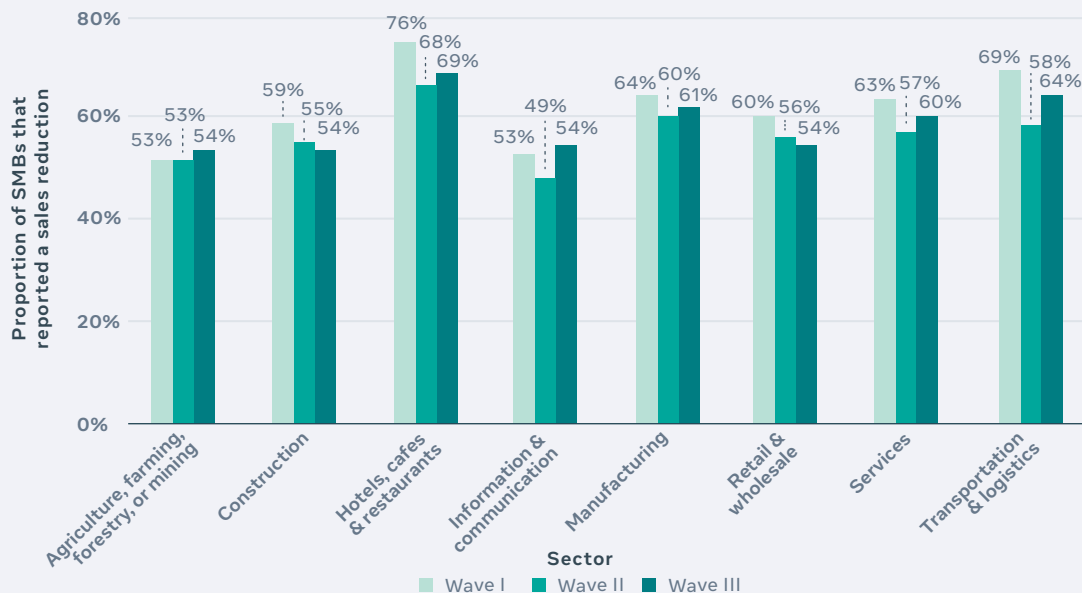
Wave III reported lower sales relative to the same 30-day period in 2019, particularly in the transportation and logistics sector (7 percentage point increase), as shown in *Figure 4*.

The severity of these declines in sales has persisted. In aggregate, the proportion of SMBs that reported declines in sales of over 50% fell only marginally, from 53% in Wave II to 51% in Wave III. Marginal reductions in these proportions were observed across most sectors, with the exception of manufacturing, which reported an increase in this statistic from 51% to 57% between Waves II and III.

...driving sustained reductions in employment

In aggregate, 33% of SMBs reported that they had reduced employment in response to the COVID-19 pandemic at the time of the Wave III survey, compared to 31% in Wave II and 33% in Wave I. This persistent pattern illustrates the sustained impacts that COVID-19 has had on SMB employment.

FIGURE 4: Proportion of SMBs that reported a reduction in sales relative to the same 30-day period in 2019, by sector



In the majority of regions, small increases were observed in the proportion of SMBs that reduced employment in response to the pandemic. Sampled countries in South Asia reported a 6 percentage point increase (to 40%) from Wave II to Wave III, whereas in the East Asia and Pacific region, a 3 percentage point increase (to 35%) was reported. Pakistan (14 percentage point increase to 42%) and Cambodia (10 percentage point increase to 35%) demonstrated the largest increases between Waves II and III in these regions.

The sustained (or even worsened) impacts of the pandemic were also visible at the sector level. In the majority of sectors, an increase in the proportion of SMBs that reduced employment in response to the pandemic was observed in Wave III relative to Wave II, particularly in the agriculture, construction, and transportation and logistics sectors.

SMBs are resilient, but may require further assistance to survive a prolonged economic downturn

Reflecting persistent economic conditions, 11% of SMBs expected to close within three months of the Wave III survey if the economic environment persisted, with a notable proportion again citing cash flow (35%) and a lack of demand (45%) as their primary ongoing challenges.

The provision of financial assistance can help to mitigate these challenges in the short term, as discussed in more detail in the Wave II update to this study (Wave II, Facebook/OECD/World Bank 2020). In aggregate, government loans and grants remained the most commonly received forms of assistance; 49% and 12% of SMBs, respectively, reported receiving these forms of financial assistance in Wave III, compared to 48% and 15% in Wave II.

Given SMBs' more limited resources compared to their larger peers, it is likely that these businesses will require further support should the economic downturn persist.

FIGURE 5:
Proportion of SMBs that reported a drop in employment in response to COVID-19, by region

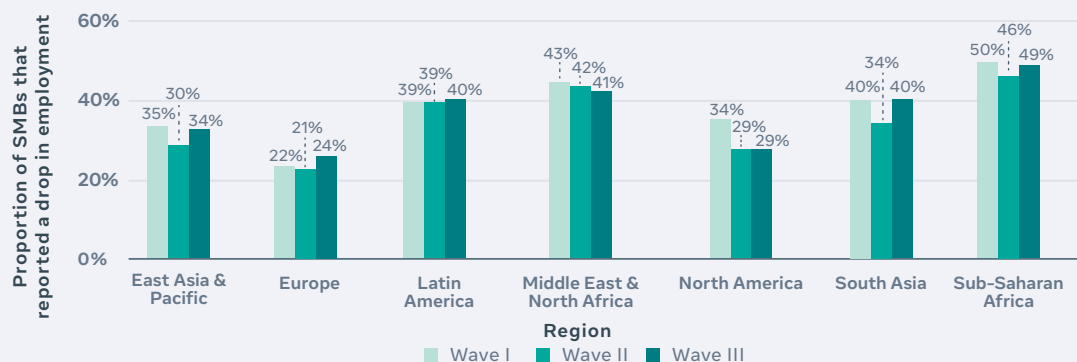
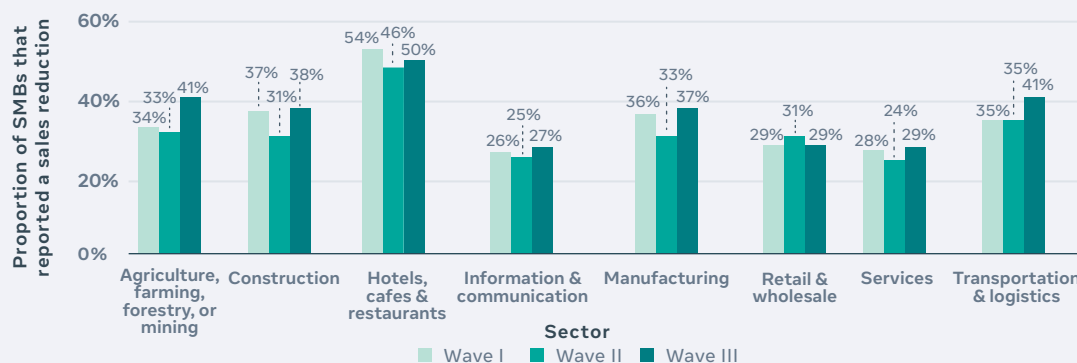


FIGURE 6:
Proportion of SMBs that reported a drop in employment in response to COVID-19, by sector



Deep dive - Digital sales

Developing e-commerce can improve resilience and create new sales opportunities for SMBs

The spread of the pandemic has led many firms to turn to digital channels to make sales, as lockdown restrictions have led to shop closures and reduced in-person transactions.

Even in normal times, developing an online presence can be a vital tool for SMBs — for example, by enabling customers to research a business or directly purchase goods. Indeed, studies have shown that between 70–80% of people research a company online before making a purchase.¹² As a result, an online presence may be a key factor in business success, especially during COVID-19, given the closure of retail stores and restrictions on businesses' in-person operations.

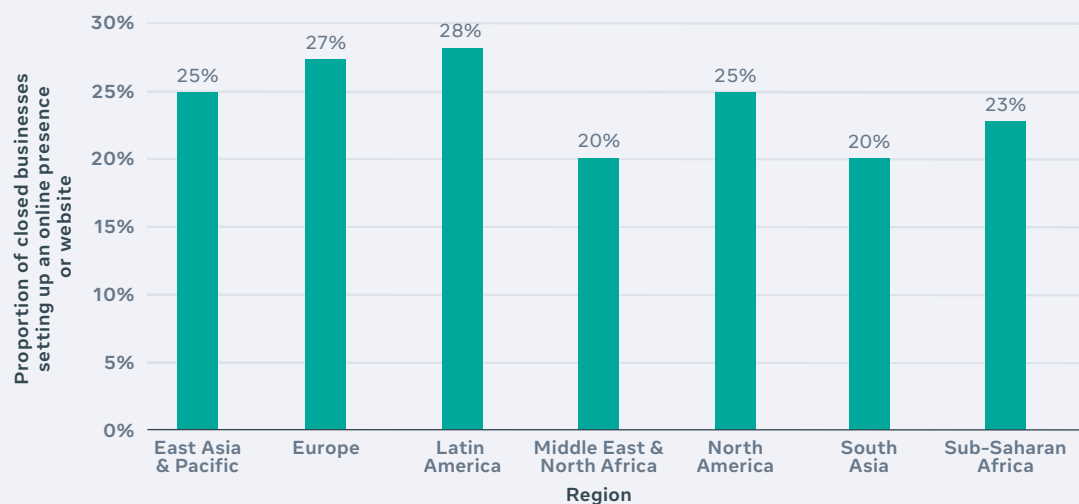
This section evaluates the types of businesses that have focused more heavily on making

sales through digital channels and the resulting impacts this may have had on their sales and employment during the pandemic.

Large numbers of active SMBs are selling their goods online

Across the aggregate sample, 44% of SMBs reported in Wave III that they had made over a quarter of their sales through digital channels in the last 30 days, similar to the levels observed in Waves I and II (45% in both instances). This compares to 37% of SMBs that made more than a quarter of their sales through e-commerce in 2019, as reported in the 2019 Future of Business Survey (World Bank 2020b). This increase in the share of digital sales is at least partly related to the fact that lockdown measures have disproportionately affected in-person selling, but it could also indicate that SMBs have started to increase their digital presence since the beginning of the outbreak (see *Figure 7*).

FIGURE 7: Proportion of closed businesses setting up an online presence or website, by region



In the majority of regions, over 40% of SMBs made more than a quarter of their sales through digital channels at the time of the Wave III survey. This was particularly the case in Latin America (57% of SMBs). Variation in this statistic is likely to reflect not only the degree of digital engagement, but also the extent to which countries have been able to remove restrictions on in-person operations (and hence the ability of SMBs to make sales via in-store or other non-digital channels). Indeed, *Figure 8* illustrates how the dependency on sales via digital channels has increased with the stringency of lockdown measures.

Many closed businesses are also developing an online presence

It is not only active SMBs that are using digital channels, but also those businesses that have been forced to close. Across all three survey waves combined, 25% of closed businesses stated that they were setting up a website or online presence.¹³ Indeed, this figure was 20% or greater across all the regions sampled.

Female business leaders were more likely to be developing an online website or business

presence. When controlling for region and sector, female business leaders were 10% more likely to undertake this activity relative to male business leaders.¹⁴

Newer businesses led by younger, more educated business leaders were more likely to sell more via digital channels

A number of factors may influence whether a specific SMB sells more through digital means. Some factors reflect business characteristics, such as the sector of operation, whereas other factors reflect characteristics of business leaders, such as age or education level. Other factors, such as the extent of lockdown measures and prevalence of digital infrastructure, are exogenous.

To evaluate the conditions under which SMBs have made sales via digital channels, two sets of logistic regression models were run at the survey respondent (business leader) level to estimate the probability of a business having more than 25% or 50% of its sales online. Data was pooled across all three survey waves.¹⁵

FIGURE 8: Proportion of SMBs that made more than 25% of their sales through digital channels in the last 30 days (vertical axis), against Lockdown Stringency Index (horizontal axis) for Wave III



The key findings from this analysis are that:

- A business leader over 40 years old was less likely to have made over 25% of sales from digital channels. This is consistent with prior research, which found that older business owners may be less able or willing to develop a digital presence (Good Things Foundation 2019).
- University-educated business leaders were more likely to have made over 25% of their sales from digital channels compared to those with less than secondary education. This is consistent with other studies, which find that educational level can be a barrier to digital adoption in SMBs (see, for example, Wielicki et al. 2006).
- Female business leaders were more likely to have made over 50% of their sales from digital sources in comparison to male business leaders.
- A business less than 5 years old was more likely to have made over 25% of its sales from digital sources. This is consistent with research from the UK, which found that newer businesses tended to have higher levels of digital engagement (Lloyds Bank 2019).

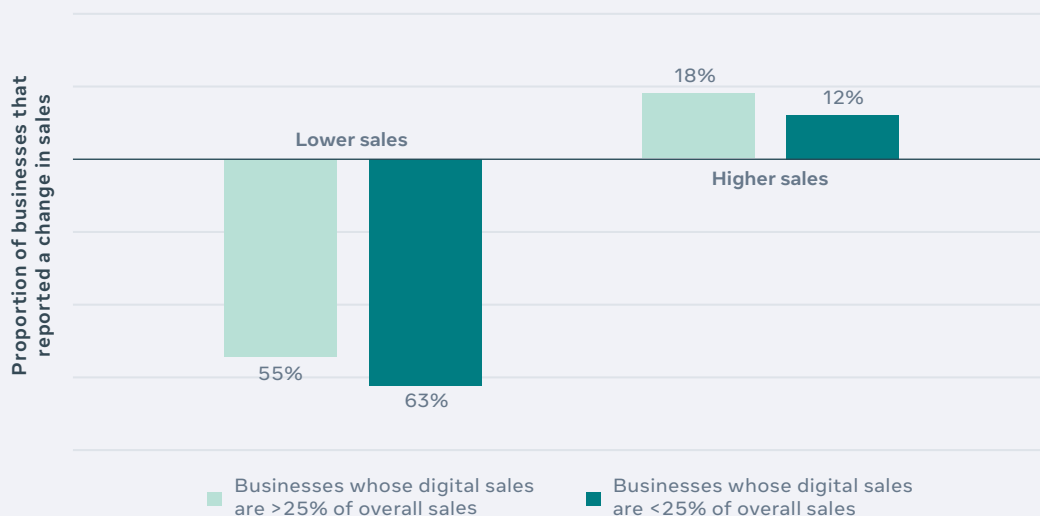
- SMBs in certain sectors (specifically, in information and communication and in retail) were significantly more likely to make over 25% of their sales through digital channels, whereas SMBs in construction were significantly less likely to have done so. This is somewhat expected given the utility of online platforms for these types of businesses.

Selling more through digital channels can mitigate the negative impacts of the global pandemic on businesses

As the digital economy has grown during the pandemic, those businesses that can increase their online sales may be able to mitigate the negative economic impacts of the pandemic by substituting for in-person transactions.

Figure 9 illustrates that across all waves, operational businesses that reported making over 25% of their sales online were less likely to report lower sales than the corresponding time last year, and more likely to report higher sales than this time last year, compared to those businesses that made less than 25% of their sales online.

FIGURE 9: Proportion of businesses that reported higher or lower sales relative to the same 30-day period in 2019, by whether digital sales were greater than 25% of total sales in the last 30 days



Further econometric analysis was also undertaken to understand the correlation between the extent of sales made through SMBs' digital channels and their sales and employment outcomes.

Specifically, the analysis indicates that a business with over 25% of its sales via digital channels was:

- Less likely to report a decline in sales compared to the same 30-day period last year
- More likely to report an increase in sales compared to the same 30-day period last year
- Less likely to have reduced its number of employees as a result of the pandemic

These results provide some indication that SMBs that are able to sell their products online may be better equipped to adapt to the economic conditions brought about by the pandemic.

However, there are barriers to adoption of digital technologies, and areas where greater support could be beneficial. Indeed, evidence pre-dating the pandemic found that 26% of businesses cited cost as a reason for not having a website (Clutch Co 2017). A further 15% referenced a lack of skills as a key barrier to setting up a website. Targeted policies and programs to help reduce these barriers or provide training to develop digital skills, for example, could help facilitate digital engagement and improve the resilience of the economy to periods of economic distress.

Conclusion

This study has provided an update on the ongoing impacts of COVID-19 on SMBs. Although some have continued to reopen as many countries have eased their lockdown restrictions, a considerable number reported sustained decreases in sales and employment, reflecting the pressures imposed by the ongoing economic downturn. This study has also developed more detailed insights as to the business characteristics that influence the use of digital channels to conduct business, such as business age, sector, and business leader level of education.

This survey was the third in a series of six monthly surveys that will continue to provide information on the impact of the pandemic on SMBs. Time trends will continue to be investigated in further rounds of the survey, recognising that the form of the economic recovery will likely differ significantly across countries.

Survey methodology

Wave III of the State of the Global SMB Future of Business Survey was fielded in the period 24–30 July 2020, although the exact time and date that users received the survey varied by time zone. The survey collected data on a random sample of Facebook Business Page Administrators in each country included in each wave.

After accounting for eligibility and non-response, the Wave III survey captured

responses from approximately 65,000 respondents across 88 countries¹⁶ and seven regions (however, results are reported for approximately 25,000 business owners, leaders, and managers only). Because of sampling limitations, 38 countries in Sub-Saharan Africa were grouped into a single sampling unit, leaving 51 sub-samples in total.

The sample populations between Wave II and Wave III were comparable. Female-led

Aggregate sample characteristics (business leaders only, weighted data, numbers may not sum to 100% either due to rounding or omission of certain categories)

Category	Split	Wave II	Wave III
Gender	Female	37%	38%
Number of employees	No employees (just me)	29%	29%
	1 person	12%	12%
	2 to 4 people	27%	27%
	5 to 9 people	15%	16%
	10 to 49 people	12%	12%
	50 to 249 people	3%	3%
	250 to 499 people	1%	1%
Age of business	Less than 1 year	15%	16%
	Between 1 and 2 years	16%	17%
	More than 2 years but less than 5 years	22%	23%
	5 years or more	47%	45%
Sectors	Services	28%	27%
	Retail and wholesale	22%	24%
	Other (please specify)	16%	16%
	Hotels, cafes, and restaurants	10%	10%
	Information and communication	8%	7%
	Construction	6%	5%
	Manufacturing	5%	5%
	Agriculture, farming, forestry, or mining	4%	4%
	Transportation and logistics	3%	2%

businesses accounted for 38% of businesses in Wave III and 37% in Wave II, and micro-businesses were still the most common business size, accounting for 29% of total businesses in both waves.

The sample is only representative of Facebook Business Page Administrators at the individual country level after weights have been applied — it is not representative of the SMB population at large within each country considered. The sample leveraged Facebook Page Administrators to maintain consistency with prior versions of The Future of Business Survey.

For more information about the survey and treatment of data, please refer to the appendix in the Wave I Global State of Small Business Report (Facebook/OECD/World Bank 2020).

Regional mapping

The following countries and regions are reported in this survey and report (asterisk denotes OECD membership). The following country and region names and borders follow World Bank practice and do not represent political statements or judgments.

Survey completion, Wave III

Region	Identifier	Name	Invitations	Survey Starts	Response Rate
East Asia and the Pacific	AU	Australia*	53,220	1,218	2.29
	KH	Cambodia	36,576	1,441	3.94
	HK	Hong Kong SAR, China	-	-	-
	ID	Indonesia	25,655	1,416	5.52
	JP	Japan*	53,009	1,373	2.59
	KR	Korea, Rep.*	21,309	169	0.79
	MY	Malaysia	44,894	1,429	3.18
	MM	Myanmar	17,639	1,450	8.22
	PH	Philippines	34,549	1,410	4.08
	SG	Singapore	-	-	-
	TW	Taiwan, China	62,589	1,250	2.00
Europe	TH	Thailand	112,991	2,851	2.52
	VN	Vietnam	83,421	2,842	3.41
	BE	Belgium*	61,297	1,232	2.01
	CZ	Czech Republic*	54,628	1,220	2.23
	DK	Denmark*	35,871	660	1.84
	FR	France*	110,073	1,808	1.64
	DE	Germany*	52,673	1,436	2.73
	GR	Greece*	35,675	1,426	4.00
	HU	Hungary*	31,511	1,013	3.21
	IE	Ireland*	-	-	-
	IT	Italy*	78,491	2,855	3.64

Region	Identifier	Name	Invitations	Survey Starts	Response Rate
Europe	NL	The Netherlands*	52,976	719	1.36
	NO	Norway*	-	-	-
	PL	Poland*	45,762	1,425	3.11
	PT	Portugal*	34,497	1,424	4.13
	RO	Romania	25,135	1,440	5.73
	RU	Russian Federation	27,873	717	2.57
	ES	Spain*	44,854	1,423	3.17
	SE	Sweden*	23,597	559	2.37
	CH	Switzerland*	28,971	331	1.14
	TR	Turkey*	30,897	1,422	4.60
	GB	United Kingdom (UK)*	96,326	2,861	2.97
Latin America	AR	Argentina	32,273	1,428	4.42
	BR	Brazil	24,988	1,450	5.80
	CO	Colombia*	27,335	1,462	5.35
	EC	Ecuador	26,948	1,479	5.49
	MX	Mexico*	44,272	2,847	6.43
	PE	Peru	27,455	1,455	5.30
Middle East and North Africa (MENA)	EG	Egypt, Arab Rep.	41,179	2,844	6.91
	IQ	Iraq	19,638	1,428	7.27
	IL	Israel*	34,439	1,135	3.30
	SA	Saudi Arabia	23,827	1,456	6.11
	AE	United Arab Emirates (UAE)	36,020	1,429	3.97
North America	CA	Canada*	51,073	1,427	2.79
	US	United States (USA)*	119,369	2,834	2.37
South Asia	BD	Bangladesh	17,657	1,421	8.05
	IN	India	57,255	3,662	6.40
	PK	Pakistan	22,172	1,450	6.54
Sub-Saharan Africa (SSA)	GH	Ghana	25,011	1,438	5.75
	KE	Kenya	18,331	1,415	7.72
	NG	Nigeria	36,321	2,799	7.71
	ZA	South Africa	17,114	1,402	8.19
	RA	Rest of Africa ¹⁷	41,160	3,496	8.49

APPENDIX 02

Lockdown Stringency Index

One factor influencing the impact of the COVID-19 pandemic in different countries is the stringency of each government's response. The University of Oxford COVID-19 Government Response Tracker (Hale et al. 2020) tracks information on several common policy responses, such as school closures and restrictions on gatherings,¹⁸ that governments have implemented to respond to the pandemic.

These responses have been compiled into a Stringency Index for each country.¹⁹ For the analysis in this report, the average Stringency Index over the period 24–30 July was used. *Figure 10* shows the quartile of this Lockdown Stringency Index to which each country in this report belongs, with *Figure 11* indicating the change (in index points) between Waves II and III.

FIGURE 10:
Lockdown
Stringency Index,
by quartile

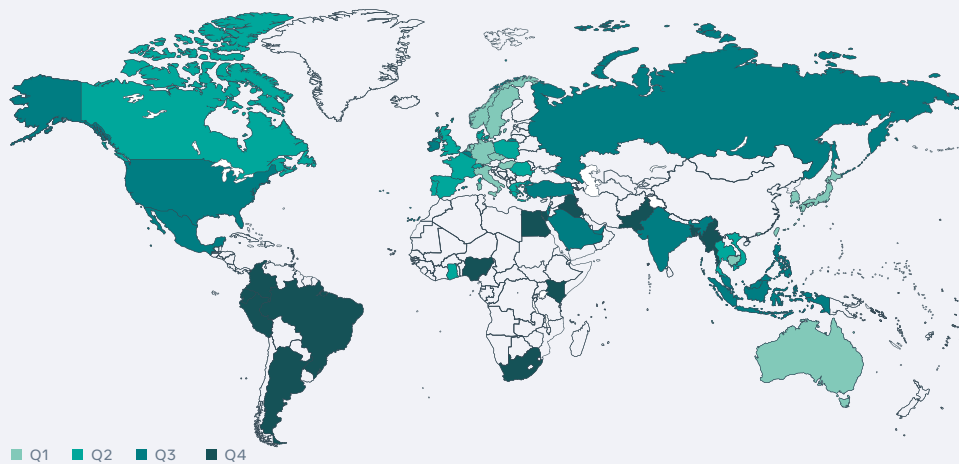
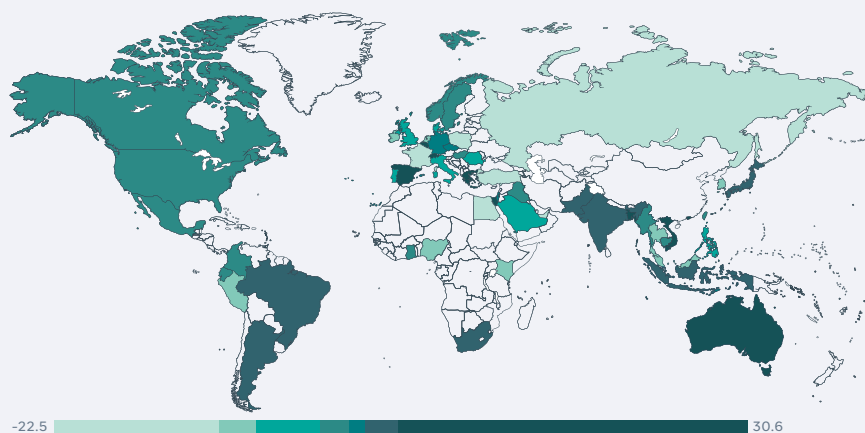


FIGURE 11:
Lockdown
Stringency Index
change between
Waves II and III,
index points



The full rankings of the Lockdown Stringency Index are shown below:

Country or Region	Government Response Stringency Index (average over 24–30 July 2020)	Quartile
Taiwan, China	19	Q1
Japan	31	Q1
France	31	Q1
Norway	34	Q1
Czech Republic	37	Q1
Cambodia	39	Q1
Sweden	39	Q1
Ireland	39	Q1
Poland	40	Q1
The Netherlands	40	Q1
Switzerland	41	Q1
Turkey	43	Q1
Malaysia	44	Q1
Romania	45	Q1
Korea, Rep.	49	Q2
Thailand	49	Q2
United Arab Emirates (UAE)	50	Q2
Singapore	52	Q2
Italy	53	Q2
Rest of Africa	53	Q2
Hungary	53	Q2
Ghana	53	Q2
Israel	54	Q2
Belgium	54	Q2
Germany	55	Q2
Greece	57	Q2
Denmark	60	Q3
Egypt, Arab Rep.	60	Q3
Indonesia	63	Q3
Russian Federation	63	Q3
Vietnam	64	Q3
Spain	64	Q3

Country or Region	Government Response Stringency Index (average over 24–30 July 2020)	Quartile
United Kingdom (UK)	71	Q3
Egypt, Arab Rep.	71	Q3
Saudi Arabia	71	Q3
Portugal	72	Q3
Russian Federation	73	Q3
Israel	74	Q4
Bangladesh	75	Q4
India	76	Q4
Nigeria	76	Q4
South Africa	77	Q4
Brazil	77	Q4
Myanmar	81	Q4
Ecuador	82	Q4
Philippines	83	Q4
Colombia	87	Q4
Kenya	87	Q4
Argentina	89	Q4
Peru	90	Q4
Iraq	93	Q4

Regression analysis

Factors correlated with the proportion of sales made through digital channels

Two logistic regression models were run at the survey respondent (business leader) level to

estimate the probability of a business reporting that over 25% and 50% of its sales were made through digital channels.²⁰

Both the coefficients and the odds ratios of the logistic regression,²¹ analysing trends at the respondent level, are presented below.

Respondent-level logistic regression statistics –
correlation between business characteristics and the extent of digital sales

	Digital sales account for over 25% of total sales		Digital sales account for over 50% of total sales	
	Coefficient	Odds ratios	Coefficient	Odds ratios
Female	0.0633	1.065	0.135**	1.145**
Business leader over 40 years old	-0.183***	0.833***	-0.200***	0.819***
University education	0.451***	1.570***	0.546***	1.727***
Secondary education	0.166	1.181	0.188	1.206
Receiving financial help	-0.0898	0.914	0	1
Micro-business	0.0394	1.040	0.155***	1.168***
Less than 1 year old	0.115*	1.122*	0.209***	1.233***
Between 1 and 2 years old	0.269***	1.308***	0.247***	1.280***
Between 2 and 5 years old	0.225***	1.253***	0.276***	1.318***
Construction sector	-0.457***	0.633***	-0.546***	0.579***
Hotels, cafes, and restaurants	-0.0351	0.965	-0.352***	0.703***
Information and communication	0.840***	2.316***	0.943***	2.569***
Services	0.00634	1.006	-0.00118	0.999
Retail and wholesale	0.336***	1.400***	0.276***	1.318***
Transportation and logistics	-0.0846	0.919	-0.277*	0.758*
Manufacturing	0.153	1.165	0.0916	1.096
Lockdown Stringency Index	0.000884	1.001	0.00263	1.003
Survey wave	-0.0228	0.977	-0.0294	0.971
Country fixed effects	✓	✓	✓	✓
Observations	29,827		29,827	
Pseudo R2	0.043		0.062	

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Robust standard errors were used.²²

The correlation between digital sales and business outcomes

Three logistic regression models were run to estimate the impact of a business having more than 25% of its sales online on the probability that the business:

- Had reduced sales compared to last year
- Had increased sales compared to last year
- Had reduced employment in response to the pandemic

Both the coefficients and the odds ratios of the logistic regression, analysing trends at the respondent level, are presented below.

Respondent level logistic regression statistics –
correlation between the extent of digital sales and business outcomes

	Sales have fallen compared to last year		Sales have risen compared to last year		The business has reduced employment due to the pandemic	
	Coefficient	Odds ratios	Coefficient	Odds ratios	Coefficient	Odds ratios
Over 25% of sales were digital	-0.482***	0.618***	0.557***	1.746***	-0.235***	0.791***
Female	0.0690	1.071	-0.0457	0.955	-0.107*	0.899*
Business leader over 40 years old	0.0975*	1.102*	-0.290***	0.748***	-0.0332	0.967
University education	0.207	1.230	-0.333*	0.717*	-0.0761	0.927
Secondary education	0.165	1.179	-0.274	0.760	-0.0818	0.921
Receiving financial help	0.538***	1.712***	-0.422***	0.656***	0.0446	1.046
Micro-business	-0.0485	0.953	-0.0340	0.967		-
Less than 1 year old	-0.619***	0.538***	0.748***	2.114***	-0.663***	0.515***
Between 1 and 2 years old	-0.401***	0.669***	0.493***	1.638***	-0.106	0.899
Between 2 and 5 years old	-0.117*	0.890*	0.220***	1.247***	-0.131**	0.878**
Construction	-0.284**	0.753**	0.211	1.234	0.119	1.126
Hotels, cafes, and restaurants	0.848***	2.334***	-0.725***	0.484***	0.978***	2.658***

	Sales have fallen compared to last year		Sales have risen compared to last year		The business has reduced employment due to the pandemic	
	Coefficient	Odds ratios	Coefficient	Odds ratios	Coefficient	Odds ratios
Information and communication	-0.231*	0.793*	0.204*	1.226*	-0.213*	0.808*
Services	0.108	1.114	-0.191*	0.826*	-0.0253	0.975
Retail and wholesale	-0.0279	0.972	0.175*	1.192*	0.00399	1.004
Transportation and logistics	0.262	1.300	-0.297	0.743	0.268*	1.307*
Manufacturing	0.0199	1.020	-0.0125	0.988	0.0648	1.067
Lockdown Stringency Index	0.00335	1.003	-0.00221	0.998	0.000718	1.001
Survey wave	-0.0873**	0.916**	0.111**	1.118**	0.0119	1.012
Country fixed effects	✓		✓		✓	
Observations	25,341		25,341		27,053	
Pseudo R2	0.057		0.059		0.085	

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$. Robust standard errors were used.

Caveats to the analysis

Although the results of these models provide useful insights and are in line with some theoretical underpinnings, several caveats should be highlighted. First, the population of SMBs covered in this analysis is, by construction, those with a Facebook Business Page, i.e. firms with some sort of digital presence. Therefore, this sample of firms is not representative of all SMBs, in particular those who are less comfortable with digital tools. This may help to explain why micro-businesses are more likely to sell a large proportion of their products digitally in this analysis, even though smaller firms are usually found to face more barriers for the adoption of digital technologies. Second, these models may suffer from omitted variable bias. For instance, it may not be that a university education increases the probability of

higher digital sales, but that greater capabilities or openness to adapt new ideas — which may be related to education — produce this effect. Furthermore, different businesses were sampled in each wave, so it is not possible to isolate impacts for a specific SMB over time.

Further analysis

Further econometric models were developed to supplement the analysis, which are not presented in this appendix. In particular, logistic regression models were estimated at the respondent (business leader) level to identify:

- Whether the factors that influenced the extent of sales made through digital channels varied by sectors and for high-income countries, as determined by the World Bank classification

- Whether businesses that made over 50% of their sales through digital channels were more or less likely to report reductions in sales and employment, compared to other businesses
- Whether the proportion of sales made through digital channels was related to the magnitude of changes to sales or employment

Regression analysis was also conducted at the country level of aggregation; however, these models did not provide results that were statistically significant.

The key findings from these supplementary analyses are set out below.

- Whether the factors that influenced the extent of sales made through digital channels varied by sectors and for high-income countries, as determined by the World Bank classification:
 - For high-income countries, businesses in receipt of financial assistance were less likely to have made over 25% of their sales through digital channels, relative to those not in receipt of this assistance. Micro-businesses were more likely to have made over 25% of their sales through digital channels, compared to businesses with one or more employees.
 - At the sector level, micro-businesses were more likely to have made over 25% of their sales through digital channels in retail and wholesale, relative to other sectors. Younger businesses were more likely to have made over 25% of their sales through digital channels in all sectors except construction, services, and transportation and logistics.

- Business leaders with university education and those younger than 40 were more likely to have made over 25% of their sales through digital channels in the hotels, cafes, and restaurants; retail and wholesale; and services sectors.
- Whether SMBs that made over 50% of their sales through digital channels were, relative to other businesses, more or less likely to report reductions in sales and employment:
 - Less likely to report a decline in sales compared to the same 30-day period last year
 - More likely to report an increase in sales compared to the same 30-day period last year
 - Less likely to have reduced the number of employees due to the pandemic
- Whether the proportion of sales made through digital channels was related to the magnitude of changes to sales or employment:
 - These results did not provide conclusive evidence that the magnitude of sales and employment reductions was correlated with the extent of sales made through digital channels.

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End Notes

1. The OECD provides a continuously updated tracker of key policy responses and emerging trends, available at: <http://www.oecd.org/coronavirus/en/>
2. The exact time and date that users received the survey varied by time zone.
3. For a full description of the data collection methodology, sampling, and data treatment, see the methodology appendix in Facebook/OECD/World Bank (2020).
4. It is important to acknowledge that the trends observed in this research may be a function of many important factors, including the stringency of lockdown measures, the prevalence of the virus, the capacity of governments to deliver support (especially financial), the structure of the economy, and SMBs' resilience in each country considered, among others. The report findings should only be considered representative of Facebook Business Page Administrators at the individual country level. This sample may not be representative of the wider SMB population and sectoral breakdown in each country and region considered. Moreover, the "aggregate" sample should also not be considered representative of the global SMB population, given, for example, the paucity of data in developing countries.
5. Waves I, II, and III of The Future of Business Survey were conducted from 28–31 May, 24–30 June, and 24–30 July 2020, respectively. Figures are gross — that is, they do not account for businesses that may have reopened over the same period.
6. A t-test was performed to assess the statistical significance of these movements. Only country movements that are significant at the 5% level are presented in this report.
7. Movements in sector statistics are only presented where these are statistically significant at the 5% level (via t-test).
8. Movements in the Lockdown Stringency Index are referred to as "index point" movements throughout this report.
9. In Spain, for example, local authorities issued stay-at-home orders for some 4 million residents in Catalonia, including those in the regional capital Barcelona, as of 14 July. In Australia, as of 2 August, the state of Victoria announced a stage four lockdown for the Melbourne metropolitan area, for example, among other state-specific measures. For more information, please visit:

Spain: <http://www.interior.gob.es/>

Australia: <https://www.australia.gov.au/>
10. It is recognised that some countries have now implemented targeted lockdown approaches, as opposed to nationwide policies. This study is only able to report movements in lockdown stringency at the aggregate country level.

11. It is recognised that sales and employment figures may be downwardly skewed by the inclusion of SMBs that have only recently reopened.
12. For example, the marketing solutions firm Blue Corona provides a summary of marketing statistics across a range of studies. Available at: <https://www.bluecorona.com/blog/29-small-business-digital-marketing-statistics/>
13. Because of low response levels, this question could not be analysed for each wave individually.
14. This effect dissipates when controlling for further business and business leader characteristics.
15. See Appendix O3 for further detail on the control variables included.
16. Ireland, Hong Kong, and Singapore were only surveyed in the first wave owing to sampling limitations.
17. A further 38 countries in Sub-Saharan Africa were grouped and reported as one sampling unit. These are: Angola, Burkina Faso, Burundi, Benin, Botswana, Central African Republic, Congo, Ivory Coast, Cameroon, Cabo Verde, Djibouti, Ethiopia, Gabon, Gambia, Guinea, Equatorial Guinea, Guinea-Bissau, Liberia, Lesotho, Mali, Mauritania, Mauritius, Malawi, Mozambique, Namibia, Niger, Reunion, Rwanda, Seychelles, Sierra Leone, Senegal, Sao Tome and Principe, Swaziland, Chad, Togo, Tanzania, Uganda, and Zambia.
18. A full list of indicators can be found here: <https://github.com/OxCGRT/covid-policy-tracker/blob/master/documentation/codebook.md>
19. The methodology for constructing the index can be found here: https://github.com/OxCGRT/covid-policy-tracker/blob/master/documentation/index_methodology.md
20. Across the three waves, 45% of SMBs made over 25% of their sales via digital channels, and 33% made more than 50% of their sales through digital channels.
21. The odds ratio is the odds of the dependent variable occurring given a change in the independent variable. For instance, an odds ratio of 0.83 for a binary variable would mean the odds of the event happening are 17% lower when the variable is 1.
22. Robust standard errors control for some misspecifications in the variance of the error term, such as heteroscedasticity, where there exist sub-populations of different variances.

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