

SME Impact Assessment for Covid-19

I. General Input

The consequences of the corona crisis are having an extraordinary impact on **SMEs and self-employed**. Supply chains are affected, market access is restricted or no longer possible due to the measures taken by the states to prevent the spread of the Covid-19 virus. Consumers are changing their market behavior and many industries are experiencing massive market slumps as result. Over **90%** are directly and indirectly affected by the measures against the pandemic. Over **20%** complain of a drop in sales of **80% to 100%**, a further **20%** over **50%** and again over **20%** more than **30%**. **44%** had a **10%** drop in demand for their goods and services, then between **13%** and **15%** each had to cope with **25% to 100%** drop.

Such development threatens the existence of small and medium-sized enterprises, because at the same time only **25%** of companies and self-employed state that they have sufficient liquid funds and sales to survive the crisis unscathed. Only **11%** have funds for one year, **25%** for more than 2 months and **60%** only for a few weeks, more than **25%** have been forced to lay off employees or not to renew employment contracts. Another **25%** had to initiate various forms of short or part-time work for their employees. **45%** have cut new planned jobs and over **68%** have postponed planned investments in infrastructure / production.

New liquidity is the key aid for more than **71% of SMEs and self-employed** to help their businesses get through the crisis. Over **47%** also advocate the suspension of taxes and duties, **40%** at least for a postponement of the tax. An extension and expansion of bank loans would be helpful for **33%**. **21%** call for more flexible labor law to be able to respond better to the different phases of the crisis. Just over **5%** see no need for special measures in themselves. Reduction in bureaucracy is in general from all groups demanded.

The survey also shows that industries, regions and entrepreneurs are affected differently. Overall, however, all can no longer escape a recession with little or no difficulty in the medium term. In addition to the tourism, travel and hospitality industries, the group of self-employed is particularly badly affected.

The Survey was activated from end of March until end of April with the Initiative of Pernille Weiss MEP and was supported by our Board. Over 900 SMEs and Self-Employed of the EU took part. The pandemic is in different phases depending on the Member State, the answers are not uniform and the economic situation is also different. This naturally affects the situation of SMEs and the self-employed. The survey was supposed to provide a first economic image of the SME ecosystems' well-being and what aid measures middle class is calling for. We complemented the survey by conducting webinars involving different stakeholders from all business fields. The survey together with the webinars were an important contribution from SME Europe to formulate and implement political action quickly, having in mind the real conditions of our SMEs in Europe.

II. The following measures for SMEs and self-employed can be derived from the survey and the overall situation. The respective proposals for the measures derived from the survey must of course also take the time factor into account and which measures have been taken in the meantime. In addition, the EU Member States are in different phases of the pandemic and various measures have been taken in some cases to fight the diseases (e.g. Italy-Germany-Sweden). Nevertheless the negative effects on the European single market and on global trade due to the restrictions caused by Covid-19 are almost uniformly negative:

1. SMEs and self-employed need quick access to finance in order to survive the first pressure on fixed costs. This can be done through government grants and / or simplified access to credit by financial institutions. a. The following financial aid must be taken into account, if not already in place: The grants must be relevant. This help must be designed or strategically assigned so that it actually helps and does not simply delay a business abandonment / bankruptcy by a few days / weeks. It is best that these government bridging allow the time until the loan is granted, that is, affect a phase that is as short as possible.

- A. The grants must be relevant. This help must be designed or strategically assigned so that it actually helps and does not simply delay a business abandonment / bankruptcy by a few days / weeks. It is best that these government bridging the financial gap until the loan by a financial institute is granted. This phase should be as long as needed and as short as possible.
- B. SMEs and self-employed should later be able to apply for government grants to reduce the loans. However, this also includes an operational review of what the company's situation was before the crisis and what the perspective is after the crisis. Companies that did not reach or had no economic success should be led into bankruptcy and cushioned socially.
- C. Tax cuts (or tax deferrals) are a crucial contribution to boosting the self-healing powers of the economy. Investments and new hires, in particular, must be 'tax-worthy.' In general, VAT should be reduced in Europe to boost domestic market demand. New taxes of any kind should be postponed for at least two years.
- D. Granting of funding has to be simplified, hurdles reduced and all related procedures fast-tracked.
- E. Europe must strengthen itself as an investment location with accompanying measures and promote new investment capital. At the same time, our SMEs must be protected against "cheap" or "strategically sensitive " takeover wave.
- F. Counseling aids must be expanded, especially for the self-employed.

2. All useful administrative reforms, which needed no legal act, should be completed as fast as possible on the EU and Member States level. On the legal level simplification must be enforced and red tape of EU regulation speeded up asap:

- A. Rapid reduction of bureaucratic hurdles for companies
- B. Flexibility of the European labor market, where it is affected by bureaucratic inflexibility
- C. Improved recognition of qualifications
- D. Comprehensive digitalization of the administration
- E. One in Two out principle on all legal acts regulating the Internal Market

3. The European internal market must function again and must now be completed quickly. That means: supply chains must not be affected, sales markets must be accessible. All measures should be exhausted, provided they do not fundamentally violate EU citizens' rights to data protection etc. For example, data exchange, AI and digital technologies can help to regain freedom of movement even under the current conditions. The principle of protecting the health of the population naturally remains a priority.

- A. Open internal European borders so as not to impede passenger and freight traffic. Use modern control methods.
- B. Avoid protectionism, e.g. prevent dangerous narratives about buying only domestic products
- C. Remove known internal market hurdles that existed before the crisis

Additionally: to avert a global recession, the EU must also coordinate with the WTO and continue to work to open markets. Domino foreclosure must not occur otherwise it would lead to global economy collapse.

4. Massive and decisive investment in infrastructure, digital change, education and research - let's use the funds to make Europe fit in the long term and to draw a dividend with added value for the future which would turn the crisis into opportunity. Necessary infrastructure investments must be made now. These should attract new private investment that brings "dividend" through growth and jobs.

- A. Before the Covid-19, there was a backlog of investments in many areas of the infrastructure. Now its the right time to make the necessary investement in traffic, water, energy etc.
- B. The rural areas are to be fully developed digitally.
- C. Entrepreneurs, employees, schoolchildren, apprentices, students etc. should receive a digital education.
- D. When it comes to digitization, the public-private partnership must be at the center of a fast and successful digital transformation of medium-sized companies with clear target lines.

E. Innovation must be at the center of the green deal. The goals should continue to be ambitious but should be handled more flexibly and pragmatically for the upcoming economic fluctuations in the interest of SMEs. Aid for emerging and developing countries is to be combined with the takeover of green technology.

III. Key Data

Question: Does your business have an action plan / is well prepared for crisis scenarios of similar scale?

Answer choices	Responses
Yes	25.00%
No	75.00%

Question: What is the demand for your goods/services this week compared to last week?

Answer choices	Responses
Yes, a minimal loss of sales (less than 10%)	5.43%
Yes, a major loss of sales (more than 10%)	17.39%
More than 30%	23.91%
More than 50%	22.83%
More than 80%	20.11%
No, I do not expect a loss of sales	1.09%
No assessment is possible at the present moment	7.07%

Question: What is the demand for your goods/services this week compared to the same week last year?

Answer choices	Responses
10 %	44.57%
25 %	13.71%
50 %	14.86%
75 %	14.29%
100 %	12.57%

Question: Where you forced to dismiss or send home a number of your employees?

Answer choices	Responses
I had to terminate employment(s)	21.59%
No, I did not have to terminate employment(s)	48.86%
I could not prolong fixed-term contract(s)	3.41%
I had to put employee(s) on short-time work	26.14%

Question: Were you planning on new employments or accepting apprenticeships before the Covid-19 outbreak?

Answer choices	Responses
Yes	45.36%
No	54.64%

Question: Did you cancel any planned investment in your company's infrastructure and/or production due to the Covid-19 outbreak?

Answer choices	Responses
Yes	67.21%
No	32.79%

Question: If the situation continues/does not ameliorate, for how many weeks do you have financial liquidity until you have to stop your business activities or devlare bankruptcy?

Answer choices	Responses
1-2 weeks	8.29%
3-4 weeks	25.97%
up to 2 months	29.83%
more than 2 months	12.71%
up to 6 months	12.15%
up to 12 months	4.97%
more than 12 months	6.08%

Question: Have you been contacted by your bank in connection with Covid-19 crisis? If yes, what was their message?

Answer choices	Responses
We will hep you. Take it easy.	29.57%
We are concerned. Turn down production and cut operations.	14.78%
We are closing our cooperation with you	3.48%
Not applicable	52.17%

Question: Which support measures do you think are most necessary in the current situation? (you may tick several boxes if necessary)

Answer choices	Responses
Deferral of taxes, duties and other experiences	39.13%
Exception of taxes, duties and other expense-related obligations	47.28%
Enlargement of your credits by your bank or financial institute	33.15%
Direct state aid	71.74%
Change of labour laws	21.20%
No support measures are necessary at the present moment	5.43%

Question: Please comment on how the above-stated measures will impact the development of your business?

Answer choices	Responses
Will keep my business afloat but I would still need to unemploy/retire stuff	33.33%
Will enable my business to float as it is	62.22%