

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Informal Working Group on MSMEs

Smaller firms, greater risks

How Strait of Hormuz disruptions could trigger an exclusion effect for small and medium-sized enterprises

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**UN trade &
development**





SMEs are more likely to experience declining sales during shocks

Average share of firms reporting a decrease in sales during COVID-19, by firm size

Developed

Large 58%

Medium 60%

Small 64%

Developing

Large 81%

Medium 85%

Small 88%

Source: UNCTAD, based on WBES COVID-19 Follow-up survey, first round (2020). **Note:** Sales compared with the same month in 2019. Sample of 12,705 firms in 16 developing and 21 developed economies.



Trade disruptions hit all firms, but rarely equally

The Strait of Hormuz disruptions are no exception. Large companies can spread risk across suppliers, markets and financing sources. Small and medium-sized enterprises (SMEs) typically cannot.

As costs climb

- ▶ Energy, transport and financing costs rise, margins shrink and supply chains are disrupted.
- ▶ Firms scale back production, postpone investment or exit altogether.

Beyond the firms themselves

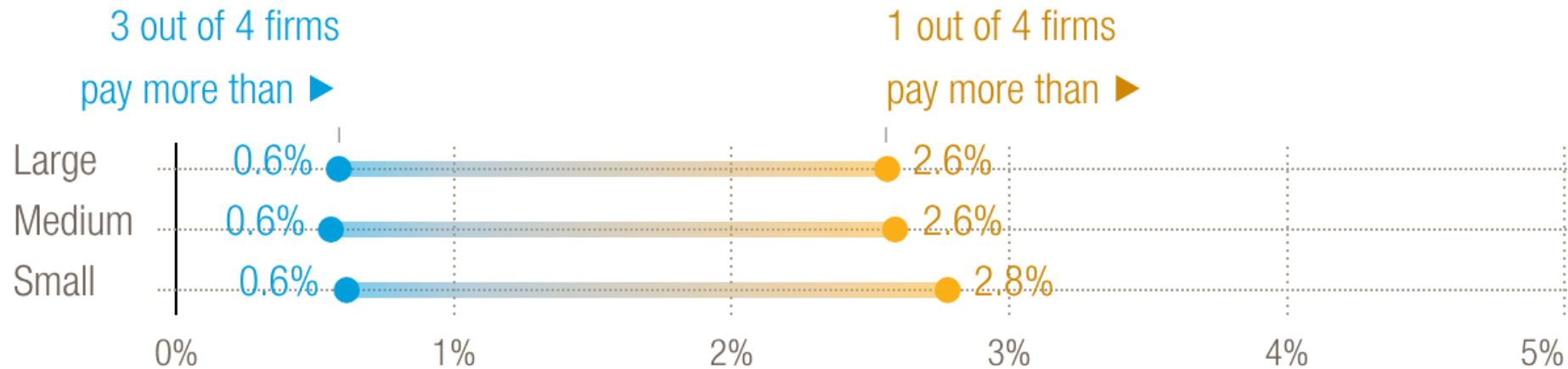
- ▶ SMEs generate much of the world's employment and entrepreneurial activity.
- ▶ When SMEs falter, growth becomes less inclusive and less resilient.



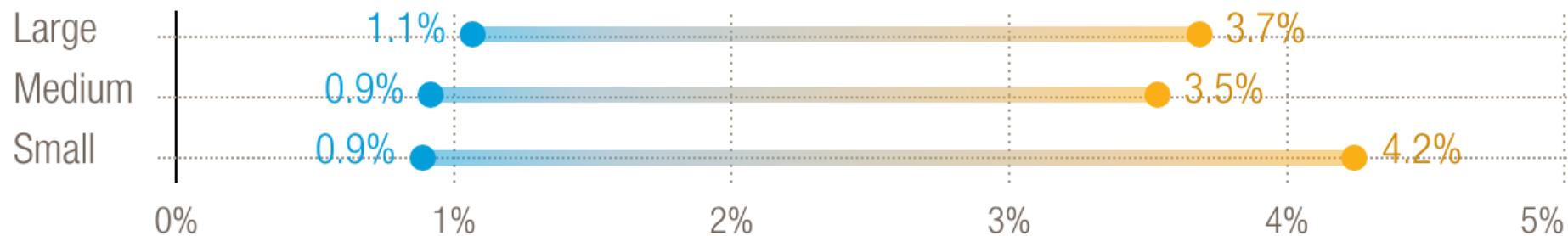
Smaller firms are more vulnerable to electricity price increases

Interquartile range of the annual cost of electricity in per cent of total sales, average 2023–2025

Developed



Developing



Source: UNCTAD, based on World Bank Enterprise Surveys (WBES). **Note:** First and third quartile by country across firms; simple averages across countries by development status. Sample of 20,727 manufacturing firms in 114 developing and 43 developed economies.



Importing goods costs twice as much for SMEs in developing economies

Cost to comply with import requirements in per cent of value of products directly imported, average 2023–2025

Large Medium Small

Developed

Large 7.6%

Medium 7.8%

Small 8.3%

Developing

Large 14.7%

Medium 17.5%

Small 19.4%

Source: UNCTAD, based on World Bank Enterprise Surveys (WBES). **Note:** Includes customs fees, other required payments and payments to customs brokers or freight forwarders. Median values by country; sample of 90,120 firms in 114 developing and 43 developed economies.

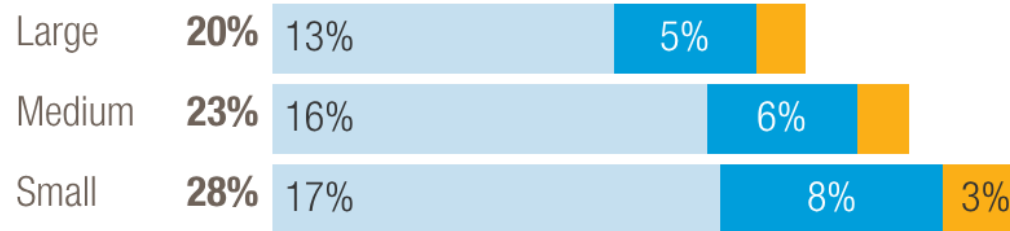


SMEs consistently face greater barriers to accessing finance

Share of firms that perceive access to finance as an obstacle to operations, average 2023–2025

Moderate Major Very severe

Developed



Developing

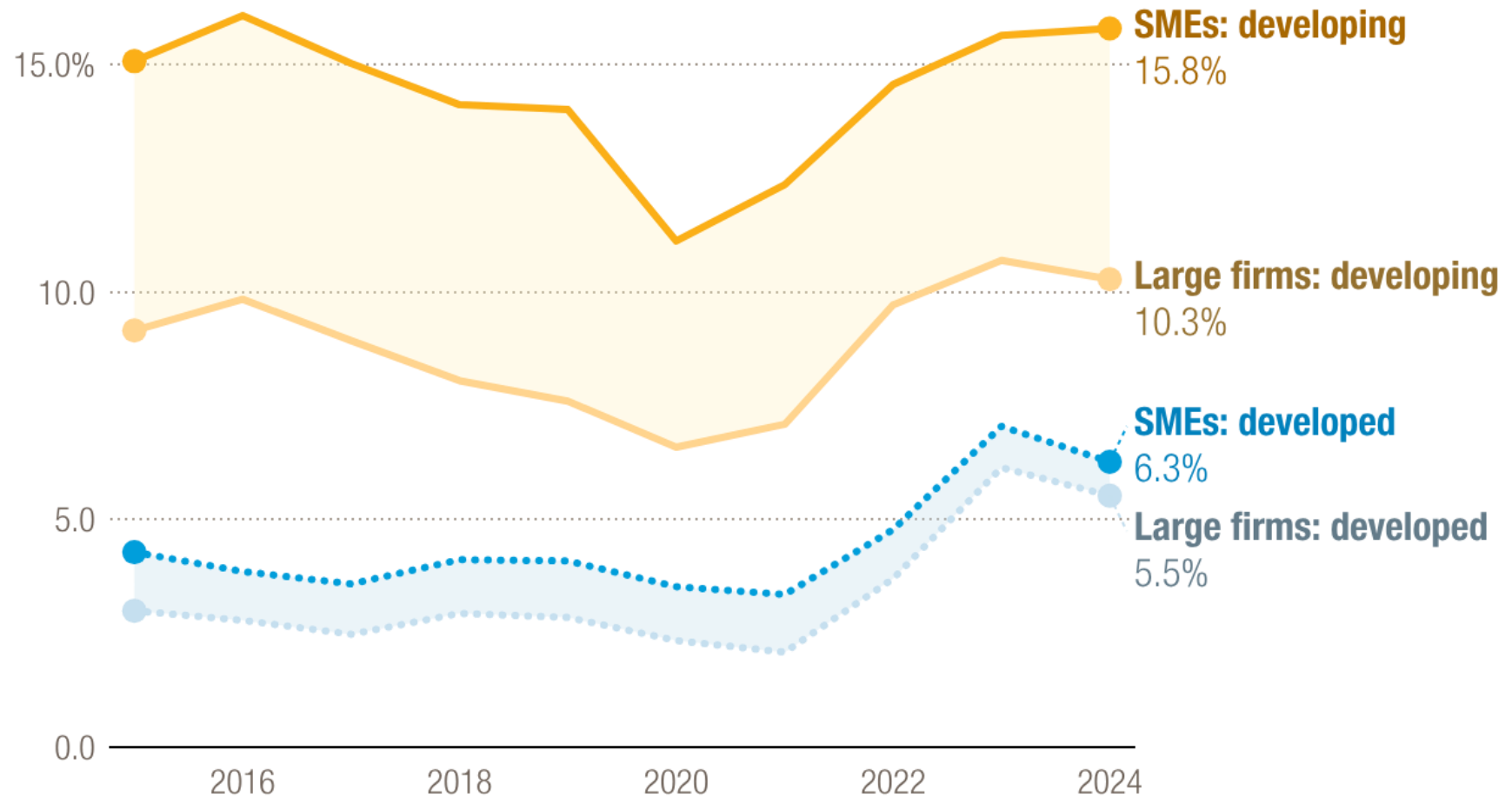


Source: UNCTAD, based on World Bank Enterprise Surveys (WBES). **Note:** Median values by country; sample of 90,120 firms in 114 developing and 43 developed economies.



SMEs face higher borrowing costs, which can increase during crises

Annual interest rates by firm size, average across countries



Source: UNCTAD, based on OECD Financing SMEs and Entrepreneurs Scoreboard. **Note:** SMEs defined as enterprises with 10 to 249 employees. Covers 7 developing and 25 developed economies.

➤ The risk of exclusion is higher for smaller firms



What is the SME exclusion effect?

Small firms risk being pushed out of value chains even when global trade volumes recover from shocks. Rising energy bills, freight rates, insurance premiums and financing constraints weigh more heavily on SMEs than on large firms.

Why it matters

- ▶ When SMEs are pushed out of value chains, unemployment rises.
- ▶ Household incomes decline.
- ▶ Social vulnerability increases.

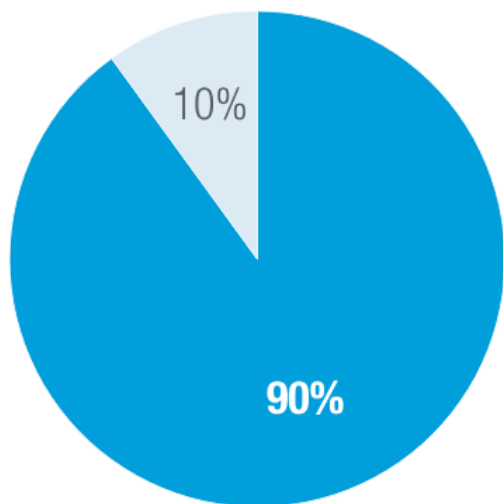
Trade resilience requires SMEs to remain part of value chains. Otherwise, recovery may simply mask greater concentration among larger firms.



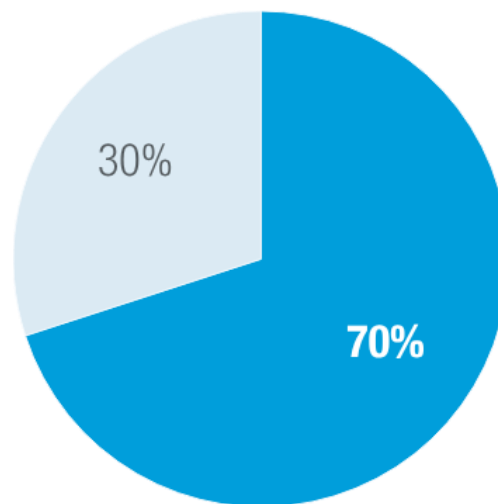
Smaller firms are at the heart of the global economy

Importance of micro, small and medium-sized enterprises (MSMEs) in the global economy

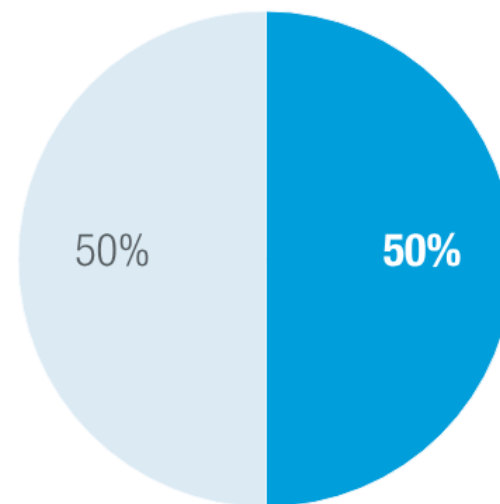
■ MSMEs ■ Large firms



global businesses



global employment



global GDP

Source: UN Trade and Development (UNCTAD). Figures based on the International Labour Organization (ILO).

Thank you

