



BUSINESSatOECD

# ENERGY CRISIS IMPACT FOR SMEs

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*Business at OECD (BIAC) SME Survey*

December 2022



# Key findings

- Although to varying degrees, none of our surveyed SME members were left untouched by the energy crisis. The strong impacts felt by SMEs demonstrated the importance of ongoing efforts towards resiliency and growth in new directions, stressing even more the importance of an OECD long-term energy policy.
- The largest challenge our members indicated was that SMEs face inflation and an increase in energy prices, whether in electricity, gas, or fuel. This included a resulting decrease in productivity and revenues, concerns regarding immediate access to affordable energy, electricity supply contract renewals, and reductions to production and/or commercial business operations.
- Many SMEs adapted their business plans and operations to meet current challenges posed by the energy crisis, either delaying or shifting future investments towards more immediate cost-saving measures or raising the prices of products/services to cope with inflation.
- The results of this survey demonstrated a surprising shift from those of our survey in April 2022. Whereas SMEs indicated a business focus on growth and resiliency during and in the post COVID-19 recovery period, they now indicate a shifting focus on cost-saving and survival measures in the context of the energy crisis.
- In combination with the results of our previous survey, our findings demonstrated a positive correlation between crises and the twin transition (green and digital). Whereas the COVID-19 pandemic encouraged SMEs to digitalize their operations, the energy crisis revealed that participation in the green transition has the potential to help SMEs become more resilient and able to weather future market uncertainties and energy-related challenges.

# Policy messages

- In the short-term, SMEs require fixed term government support measures that are immediate, targeted, and transparent. Short-term assistance should complement, not replace, long-term, growth-enhancing policies for SMEs.
- Short-term support measures that help SMEs continue operations and maintain employment levels should be precisely targeted to avoid tilting the playing field and creating market distortions.
- Government responses to energy price inflation and energy supply chain disruptions must dually intensify efforts to protect the climate and overcome the energy crisis without harm to industry.
- As SMEs struggle to secure new wholesale contracts and affordable year-ahead energy prices, investments in energy efficiency and the shift to alternative sources are more important than ever. Governments should attempt to safeguard future investments in resiliency, growth, and the green transition by reducing regulatory barriers for renewables, pausing CO2 pricing schemes and reducing market uncertainty by providing transparent, timely and accessible information to SMEs.

# Current situation and new challenges

## a) The Overall Business Climate

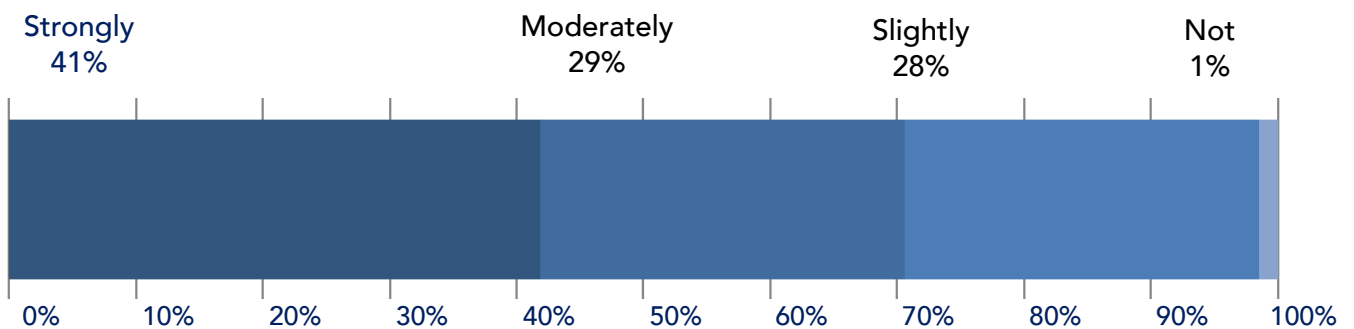
The global energy crisis, triggered by Russia's invasion of Ukraine, has had the effect of raising prices of natural gas and electricity in some markets to record highs, forcing our SMEs to adapt in response to operational challenges and decreased productivity and revenues. Without exception, energy prices have risen in record numbers within our membership, creating a high inflation and curtailing output with an unclear outlook for the future.

### Highlights:

Our survey begins with an estimate of how of our global SMEs have in one way or another, been affected by the the energy crisis. Unsurprisingly, only 1% of SMEs (see figure 1) indicated that their operations and general productivity have not been impacted. Almost half of our respondents, 42%, indicated that they are strongly affected.

**Figure 1**

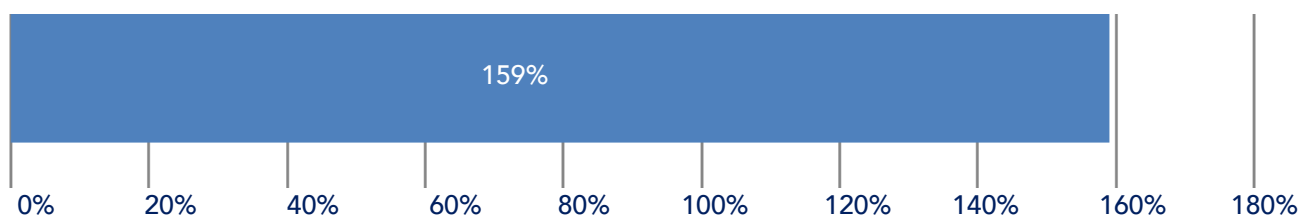
**Have your business operations been affected by the energy crisis?**



All of our respondents indicated that they have in some way faced the challenge of rising electricity prices, be it for electricity, gas, or fuel. On average, SME owners witnessed a 159% increase (see figure 2) in energy costs. Multiple respondents indicated that these increases are well above 100%, in some instances exceeding upwards of 600%. Long-term energy contracts to be renewed at current market level rates will pose an additional existential threat to SMEs.

**Figure 2**

**To what extent have your energy (electricity/gas) prices have changed?**



## b) Key challenges for SMEs

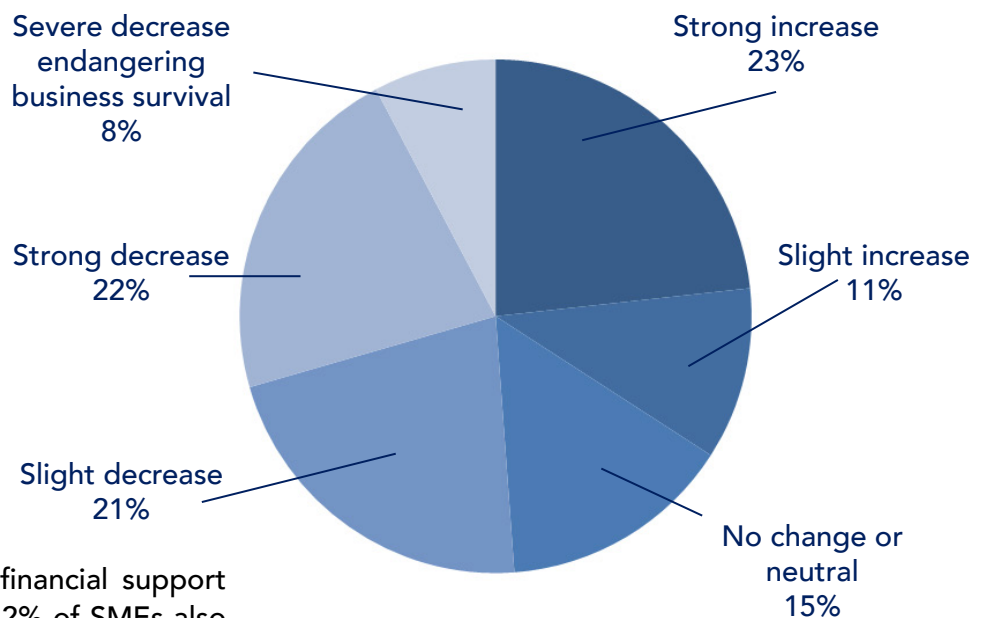
The energy crisis has posed several challenges to SMEs globally, with particularly negative effects on productivity and revenues. Although some SMEs have managed to continue operating successfully, rising inflation and input costs are painting an unclear outlook for the future of business survivability, particularly at a time when electricity contracts must be renewed.

### Highlights:

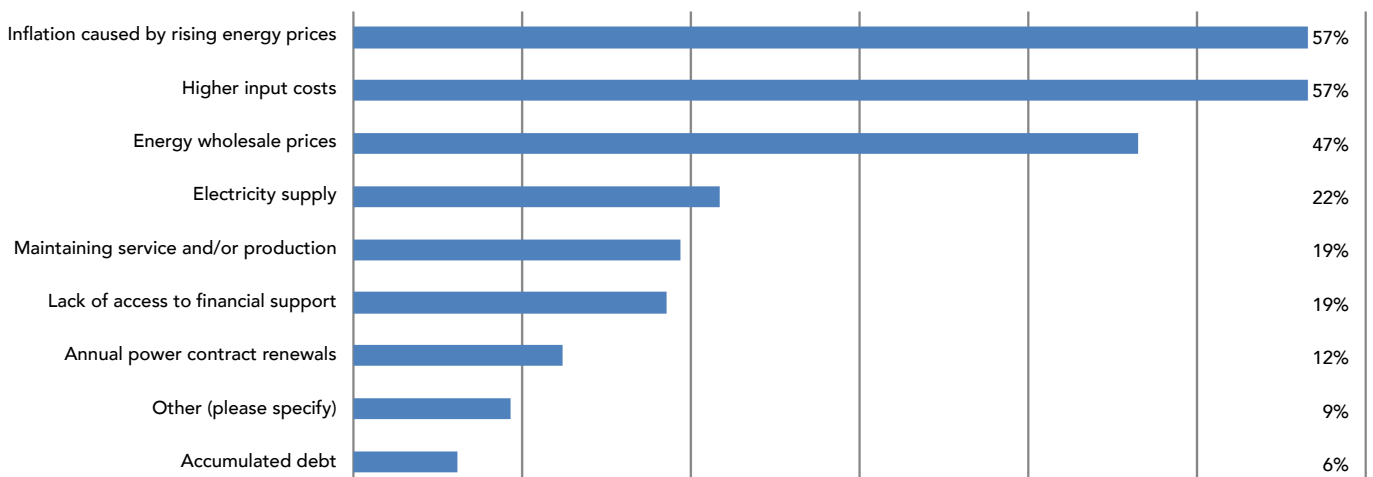
Of those negatively affected by the crisis, we tried to identify how many SMEs faced challenges with regard to productivity and revenues. On a positive note, one third of respondents (33% - see figure 3) indicated that they were able to maintain growth. However, over half, 51%, of SMEs witnessed a decrease in productivity and revenues. As many as 8% of SMEs have had to endure a substantial decrease in productivity and revenues which endangers their business survivability.

**Figure 3**  
How has the energy crisis affected your productivity and revenues?

Over half of respondents (57% - see figure 4) identified inflation caused by rising energy prices and higher input costs as the biggest challenge facing their business during this time. Among other issues, one fifth of SMEs experienced challenges related to electricity supply (22%), maintaining service and/or production levels (19%) and a lack of access to financial support (19% each). In addition, 12% of SMEs also demonstrated concern about electricity supply contract renewals.



**Figure 4**  
What has been the biggest challenge facing your business during this time?



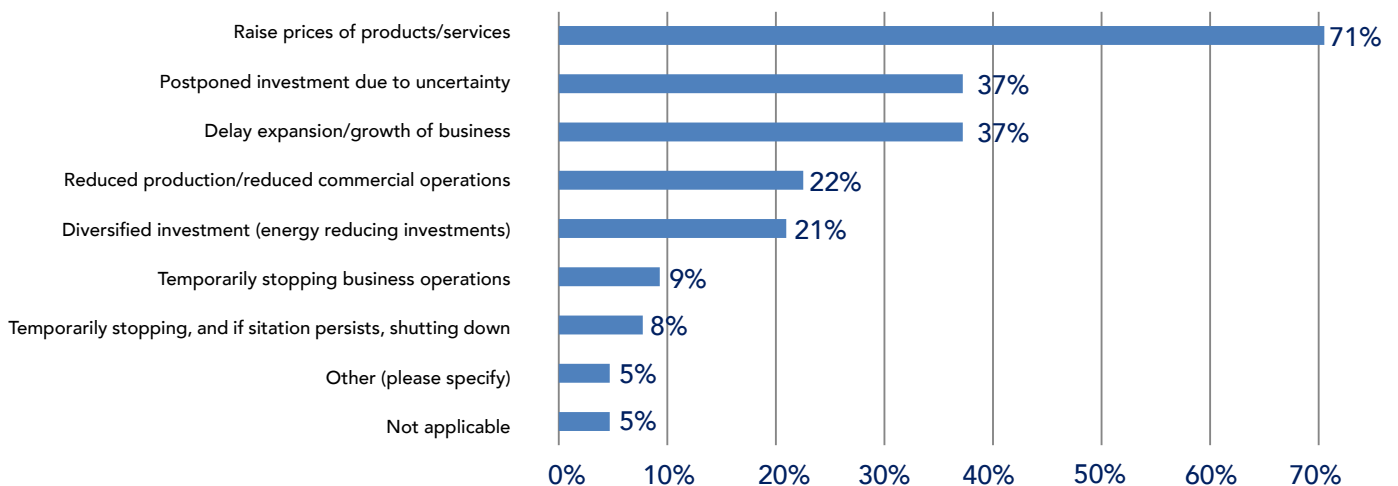
## c) Business adaptation

Inevitably, SMEs globally have had to make urgent business decisions to align with rising input costs. Varying from an increase in prices of products/services to delayed investment, our survey finds that the energy crisis has disrupted business plans, pandemic recovery and/or business growth.

### Highlights:

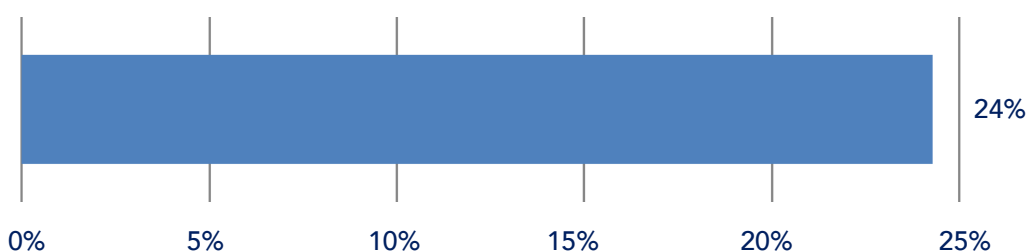
To cope with rising energy costs, the most widely adopted business decision was to immediately and temporarily raise the price of products and services - 71% of respondents saw no other choice (see figure 5). 37% of respondents had to change their long-term strategies and postpone investments due to uncertainty, delaying the expansion or growth of business. 1 in 5 SMEs also reduced production and/or commercial business operations and diversified their investments (22% and 21% respectively). If the current situation persists, 8% of SMEs indicated that they would have to temporarily stop operations or shut down completely.

**Figure 5**  
What business decisions do you have to implement because of rising energy prices?



Our survey also found that businesses that raised product/services costs did so by an average of 24% (see figure 6). However, responses vary everywhere between 5-90%.

**Figure 6**  
If you had to raise prices, what is the percentage you had to raise them by?



# Economic outlook

## a) Economic Outlook

Looking ahead, our companies that are worried about the economic outlook, have decided to re-prioritize cost-saving measures and halt expansion and/or growth plans. This is a substantial change from our April 2022 Survey, where the top priority for SMEs was growth and strengthening resilience.

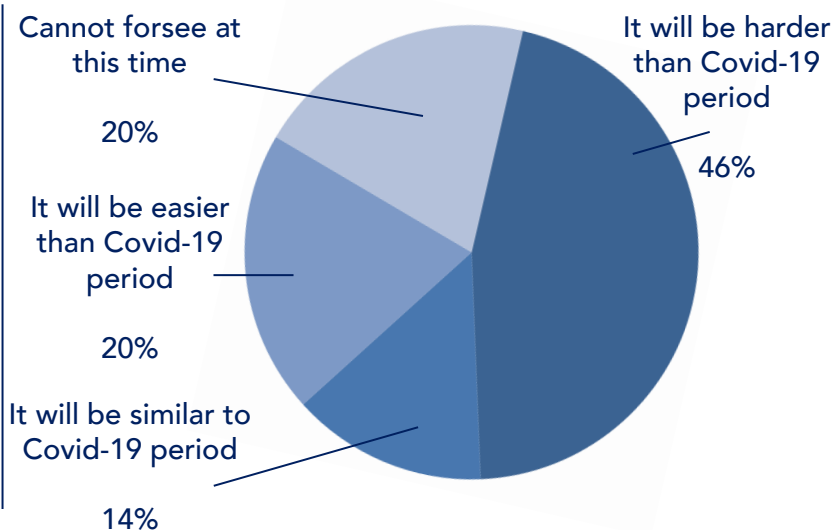
### Highlights:

Our survey finds that almost half of SMEs (46% - see figure 7) think that the upcoming year and energy-related challenges will be more difficult to survive than those related to the Covid-19 pandemic. Only 1 in 5 SMEs believe that these challenges will ease in the future, mainly due to resilience and recovery measures that include adaptation using digital transformation tools, as indicated in our Looking for the New Normal survey from April 2022.

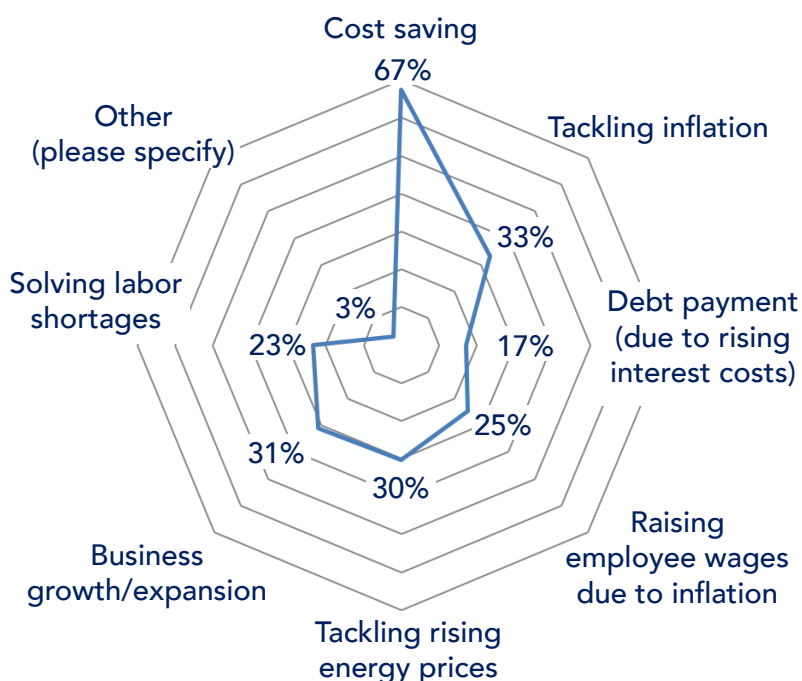
We also asked SMEs what their business priorities are right now, taking new challenges into consideration. While last year SMEs' top priority was achieving growth (29%) and focusing on business consolidation (19%), there is a clear priority this year with 2 in 3 SMEs (67% - see figure 8) noting cost saving as a key concern. In addition, members also focused on tackling inflation (33%) and rising energy prices (30%), raising employee wages due to inflation (25%) and solving labour shortages (23%).

The energy crisis has a clear impact on which business choices SMEs are prioritizing. However, there are still almost one third of SMEs (31%) who have indicated a focus on business growth/expansion.

**Figure 7**  
How do you foresee the year 2023 for your business?



**Figure 8**  
What are your business priorities right now?

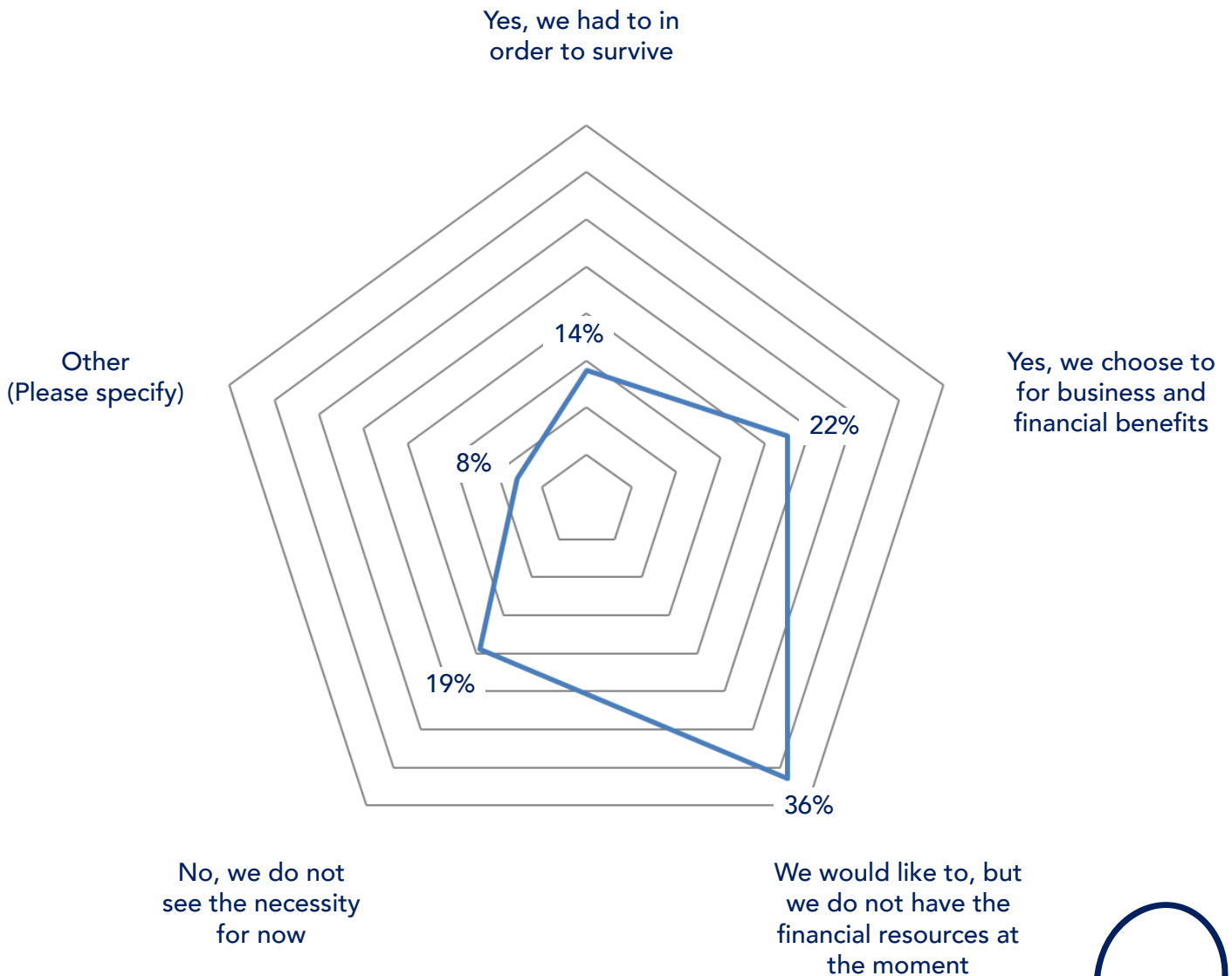


The energy crisis is also pushing SMEs to re-evaluate their current energy sources and costs and change their investments. 36% of respondents are currently investing in alternative power sources with as many indicating that they would like to but are currently lacking the financial resources needed for this transition (see figure 9). 14% of SMEs may not have chosen to make the necessary transition but had no other choice in order to survive the energy crisis.

Several respondents also indicated that they are currently discussing or planning to invest in alternative power sources, however, better infrastructure to support these transitions are needed before implementing the transition on a business level. SMEs are also considering moving the location of their business or facilitating the transition for parts of their business / certain buildings / certain companies of a larger business. In general, we see a trend on how certain crises facilitate the twin transition, whereas we witness an acceleration of digital trends caused by the Covid-19 pandemic, the energy crisis is pushing companies towards implementing green solutions.

**Figure 9**

**Is your business currently investing in alternative power sources (solar panels, geothermal power generation etc.)?**





## b) Shortening value chains

Challenges caused by the energy crisis can also lead SMEs to shorten their value chains as they may experience delays in long-distanced freight deliveries. Vice-versa, they anticipate that consumers will look for a closer/cheaper solution to house. While the digital transformation may have enabled companies to connect to more global value chains, the energy crisis may have reversed these trends.

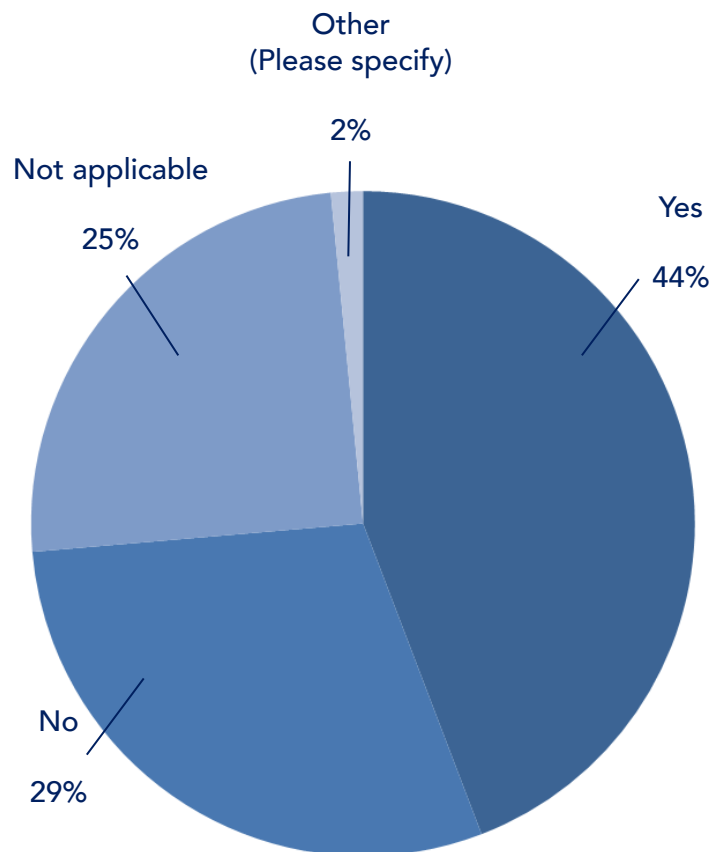
### Highlights:

Anticipating disruptions to global value chains, we asked if our SMEs are already experiencing setbacks to their supply chains, as the energy crisis is also raising transportation costs. Almost 44% of respondents (see figure 10) indicated that this is the case, in contrast to 29% of those who have not witnessed such a change. This allows us to put further emphasis on other challenges the energy crisis is causing, apart from higher input costs and rising inflation.

For those who indicated having experienced the above, we asked if SMEs think they can benefit from this trend. Almost 2 in 3 SMEs (69% - see figure 11) responded negatively, allowing us to make the assumption that small and medium companies may experience customer and/or profit loss, further complicating their growth and ability to weather the storm.

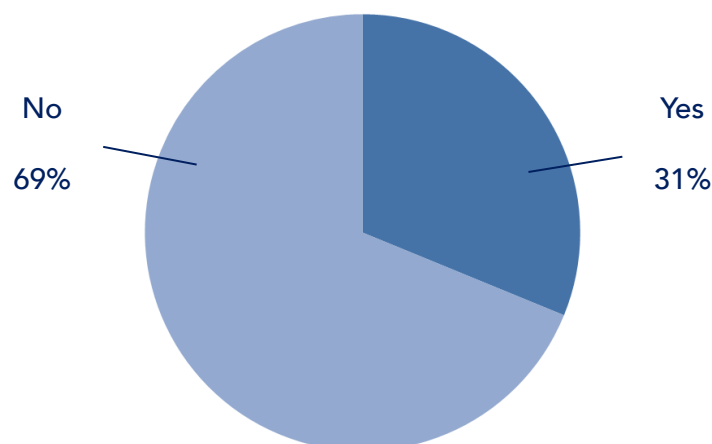
**Figure 10**

**Do you experience that due to higher transportation and energy prices, potential buyers/consumers would look for new suppliers in a closer distance?**



**Figure 11**

**If yes, do you feel your company can benefit from this trend?**



# Government support

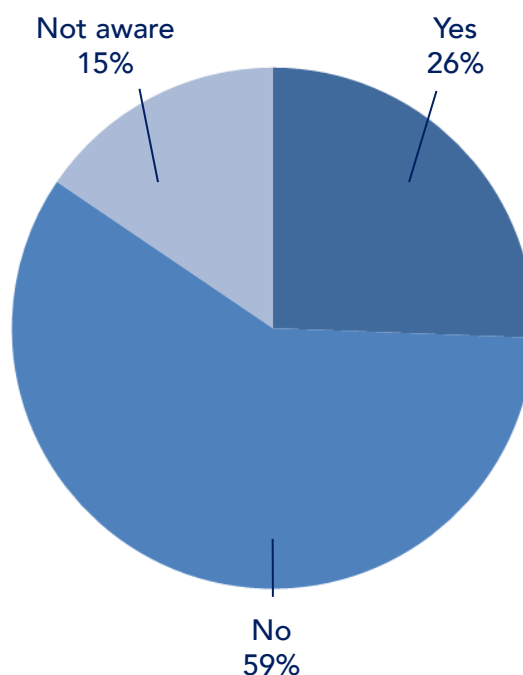
Critically important to weather the storm for the private sector is targeted government support, with the energy crisis not being an exception. While many SMEs have yet to receive government aid in dealing with the challenges at hand, there are a number of potential solutions which would be particularly helpful.

## Highlights:

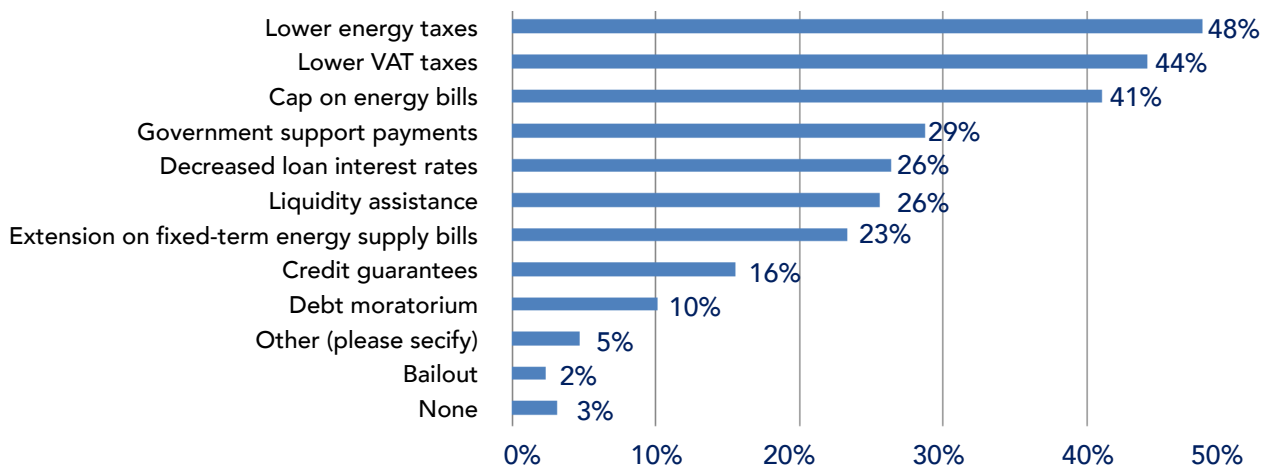
Only 26% of surveyed SMEs have informed us that they currently have access to government financial support of any kind (see figure 12). As much as 15% have said they are not aware of support programs which could be applicable to them. This allows us to assume that either government support is insufficient / unavailable in certain countries, or that companies are not adequately informed of them.

We thus further asked what kind of assistance would be most useful to SMEs, and overwhelmingly, top responses are related to helping businesses cope with rising energy costs. Almost half, 48% have indicated that lower energy taxes, 44% - lower VAT taxes and 41% - cap on energy bills would be the most useful support measures (see figure 13). Almost one third also named government support payments (29%), decreased loan interest rates and liquidity assistance (26% each) as measures which could help. Several SMEs also indicated that certain government regulations are prohibiting them from producing energy for their own needs, forcing them to buy energy from the national electricity companies.

**Figure 12**  
Does your business have access to any kind of government financial support?



**Figure 13**  
What kind of financial assistance would be most useful to your business?



# Methodological note

## Timeline

Our survey was launched in October 2022 and carried out between 24 October and 19 November 2022. This synthesis report was prepared in December 2022. Given the rapid evolution of the economic and energy situation and significant cross-country variation, it cannot be excluded that the different timings of member responses influence aggregate results.

## Respondents

Almost 200 SMEs from over 30 countries, with majority coming from (Eastern and Western Europe - 75% combined, Central, and South America, and Caribbean- 7%, Sub-Saharan Africa and MENA regions - 6%), who are mostly either medium sized companies of more than 100 employees or small businesses employing 10-50 workers (38% and 25% respectively) participated in the survey on a voluntary basis. A vast majority of our members are working in services and/or production sector (50% and 48% respectively).

Majority of respondents have indicated that their business markets are operating in local, national and international markets (38%), or are focusing on national markets (32%).

In responding to the survey, it was expected that the individual respondents (typically business owner or senior leadership) would aim for well-balanced and representative responses based on the economic situation in their country, challenges and realities they face, and the tools they have implemented to face these challenges in their own business. Only one response per company, was accepted.

## Confidentiality

In order to encourage respondents to freely put forth their respective views and priorities, it was decided to fully ensure the confidentiality of their responses by only communicating aggregate results. For the purposes of this synthesis report, the names of participating organizations and their responses have been anonymized.

## Survey Structure

The survey was structured into two parts:

- I. Company information
- II. Impact of the Energy crisis

## Contact

If you would be interested in further information, please contact *Business at OECD* Policy Manager, Rokas Morkunas (morkunas@biac.org).



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