

Business Cycle Tracer

Small & Medium Enterprises

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Statistics.**



**Statistics
Netherlands**

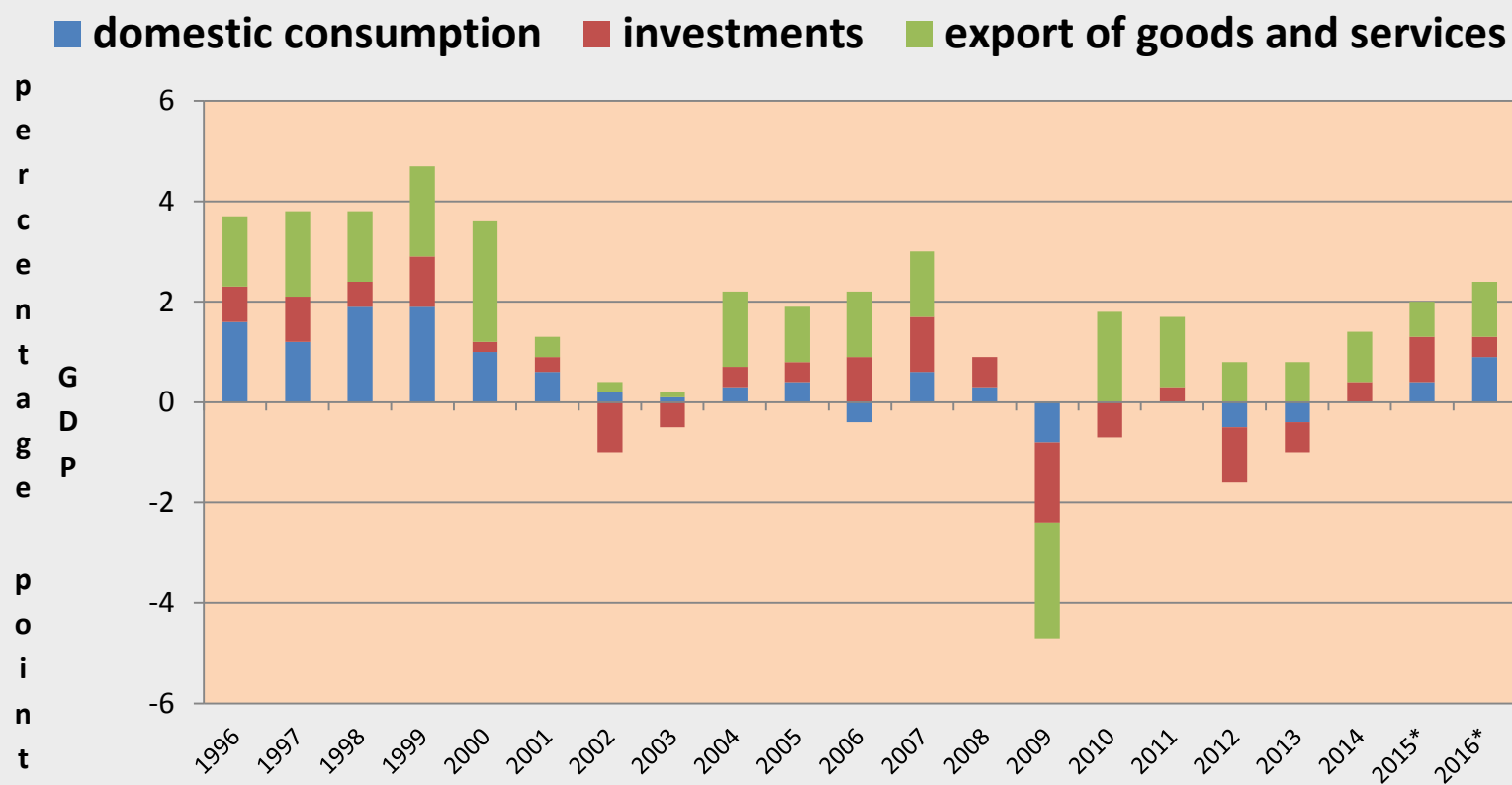
Overview

- Need for coherent tracing SME economic activity
- Methodology BCT
- Important features of Dutch SME
- Real and rapid indicators
- BCT SME

Need for coherent tracing SME economic activity

- Great Recession had a long lasting negative impact on Dutch SME
- SME focus is on domestic consumption: retail trade, other services, construction: 4-6 years negative growth from 2009 on.
- Exportsector (mainly large companies manufacturing industry; whole sale; transport) suffered less longer. Economic recovery started much earlier
- Development 3 GDP components: ← before 2003/ 2009 after →

Need for coherent tracing SME economic activity



Need for coherent tracing SME economic activity

- economic information SME , not coherent published!
- Secretary of Economic Affaires and the Dutch Committee of Entrepreneurship and Finance requested CBS to develop a tool to monitor coherent the economic development of total SME
- CBS proposed to construct a BCT to monitor quarter on quarter the economic state of total SME (of course real time and reliable)

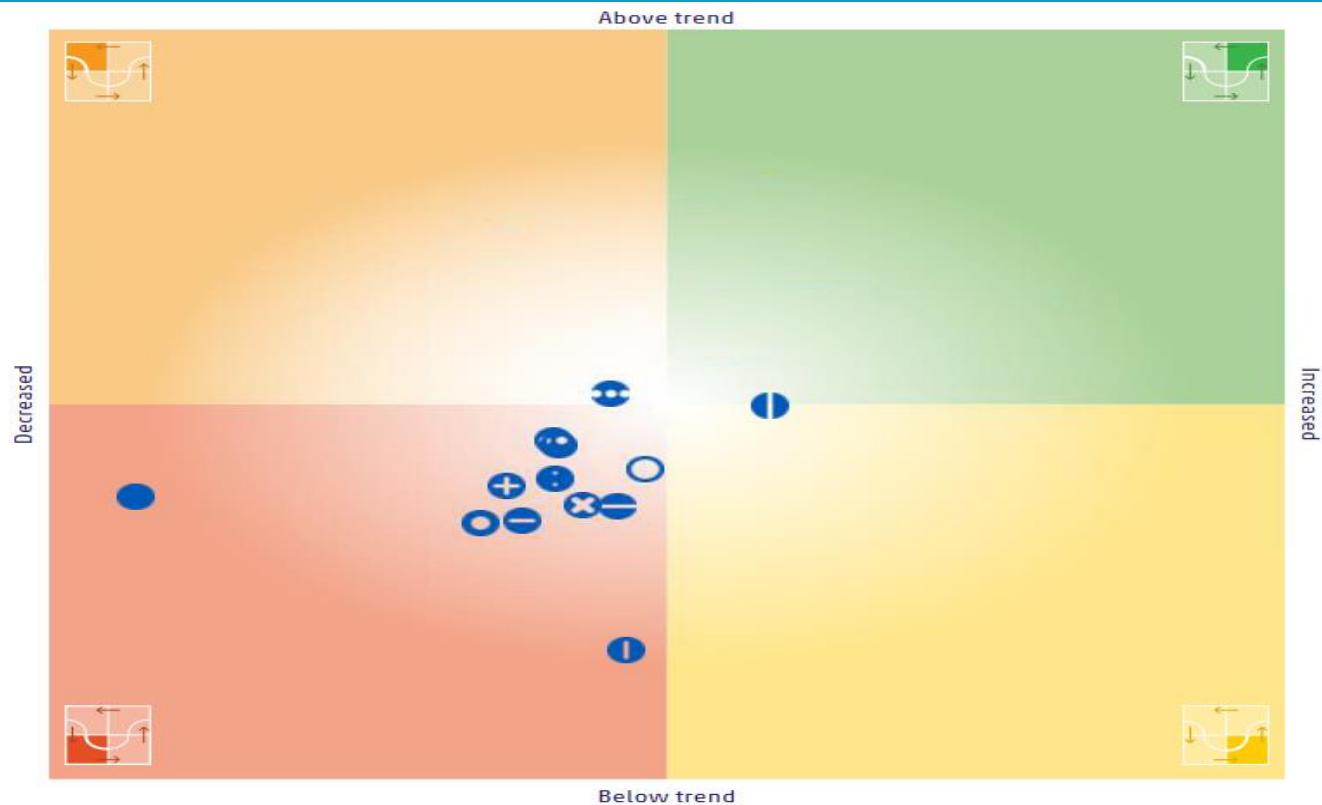
Methodology BCT

- In 2005 CBS developed the first BCT for whole economy
- BCT contains a carefully selected mix of leading, coincident and lagging business cycle indicators: not too many not too few.
- The idea behind is that leading indicators give early warning of the business cycle (measured by coincident indicators) while lagging indicators give a second, final confirmation

Methodology BCT

- Visual presentation of selected indicators in a scattergram with four quadrants
- Each quadrant represents a main stage of the business cycle:
boom/hausse → contraction/down (above trend) →
recession/baisse → recovery (below trend)
- Every month the main point of indicators (cloud) indicates the stance of the BC.
- Important: indicators change gradually together, BCT should not be a pinball box!

Methodology BCT

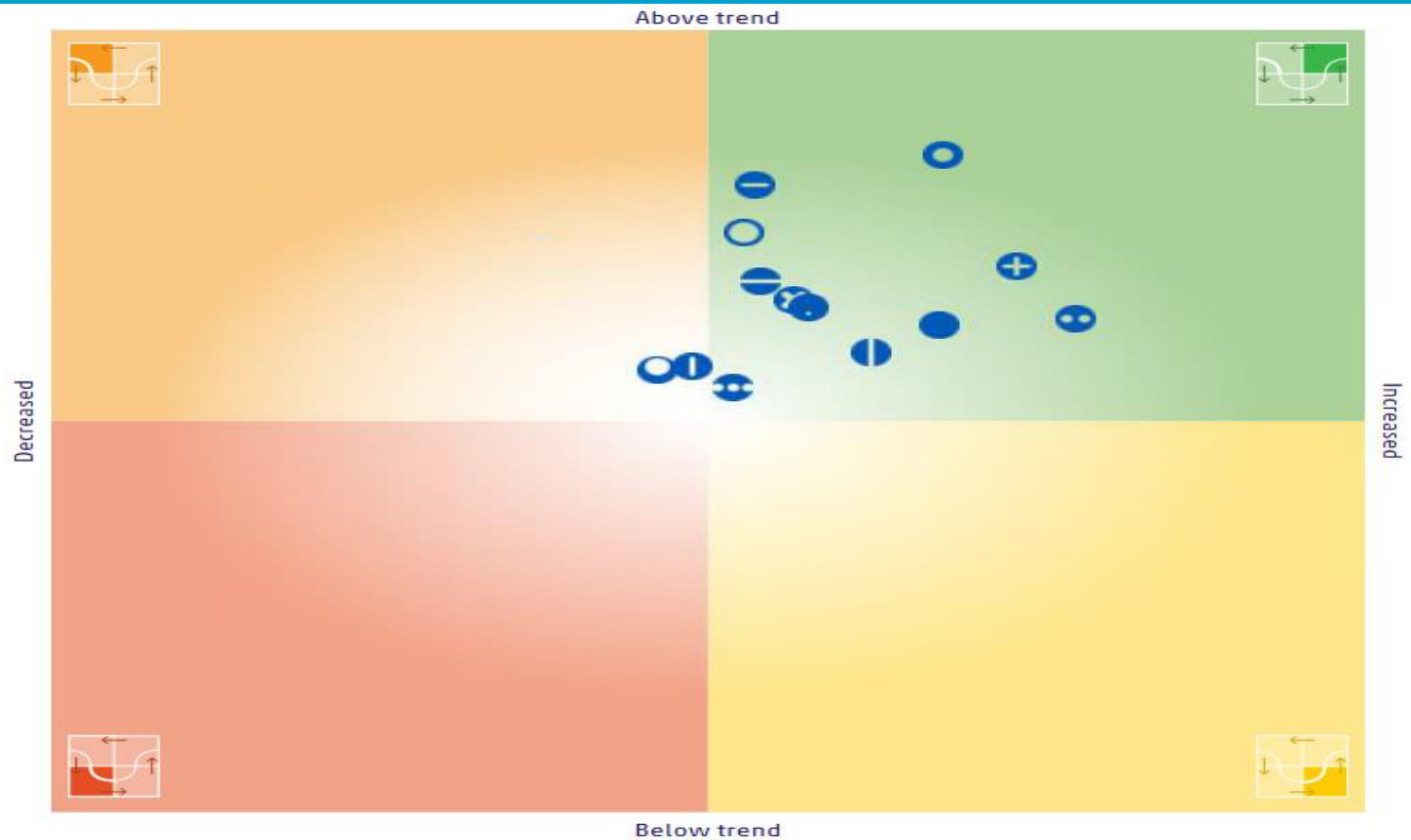


Click to disable or enable an indicator

GDP		Investments		Consumer confidence	
Consumption		Export		Bankrupcies	
Hours worked		Producers confidence		Manufacturing	
Turnover temp jobs agencies		House prices		Vacancies	
Unemployment					



Methodology BCT



Click to disable or enable an indicator

- ☒ GDP ☒
- ☒ Consumption ☒
- ☒ Hours worked ☒
- ☒ Turnover temp jobs agencies ☒
- ☒ Unemployment ☒

- ☒ Investments ☒
- ☒ Export ☒
- ☒ Producers confidence ☒
- ☒ House prices ☒

- ☒ Consumer confidence ☒
- ☒ Bankruptcies ☒
- ☒ Manufacturing ☒
- ☒ Vacancies ☒

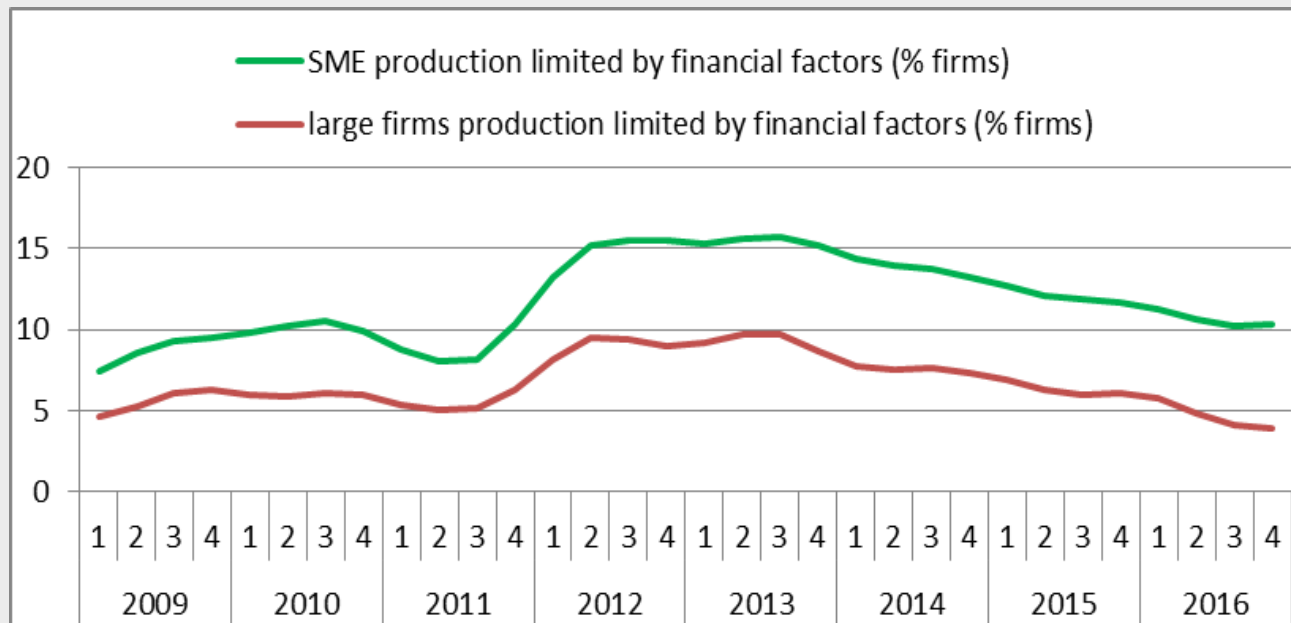


Main economic features of Dutch SME

- 63% of GDP (2015); 70% of employed persons (2015)
- 1,0 mln of 1,6 mln firms: 1-250 employed workers
- Entrepreneurship SME prime focus on domestic markets
SME depends far more on consumption than export
- Financial limitations (access to bank credits) is for SME more structural compared with large firms.

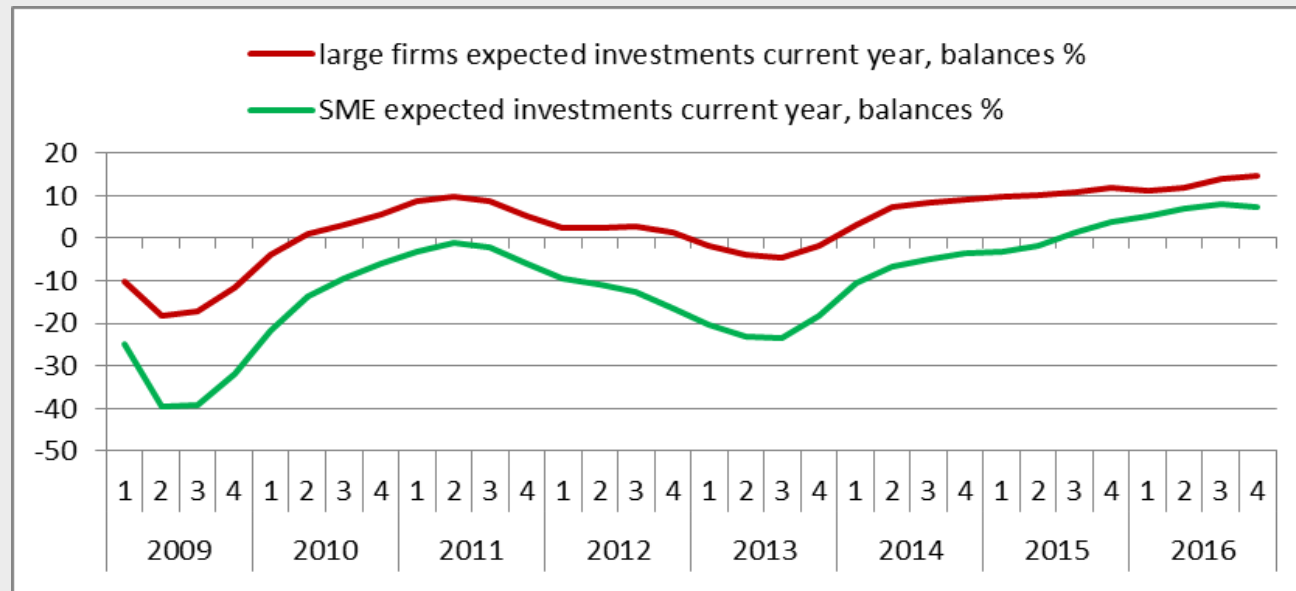
Important economic features of Dutch SME

- Financial limitations (access to bankcredit) is for SME more structural compared with large firms.



Important economic features of Dutch SME

- Financial constraints → SME structural more pessimistic over their investments than LE



Important economic features of NL SME

- Analysis conducted with real indicators (turnover, vacancies, bankruptcies) and rapid indicators (pricing, competition position, profit) revealed differences in economic development between SME and LE.
- Out of gross list indicator constructed BCT which covers important cyclical aspects for SME : economic development, consumption, labor market, finance and export (1/3 of SME companies have export)

Real and rapid indicators

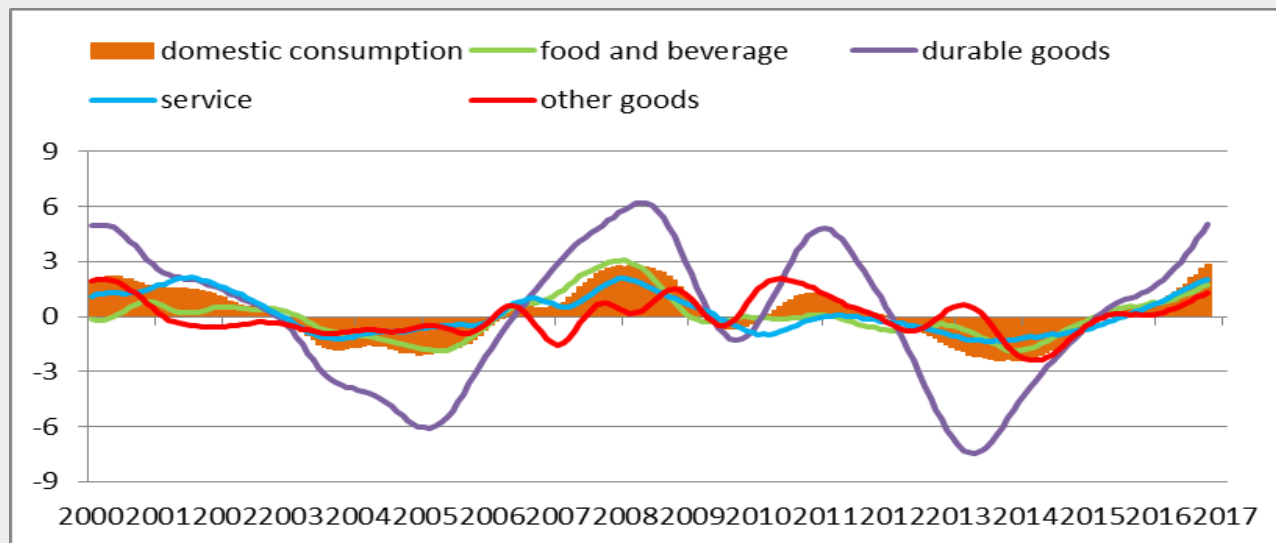
Real indicators finally selected:

- Domestic consumption
- Consumption durable goods
- Turnover SME
- Vacancies SME
- Bankrupties SME
- GDP (macro-economic context for SME)

Real and rapid indicators

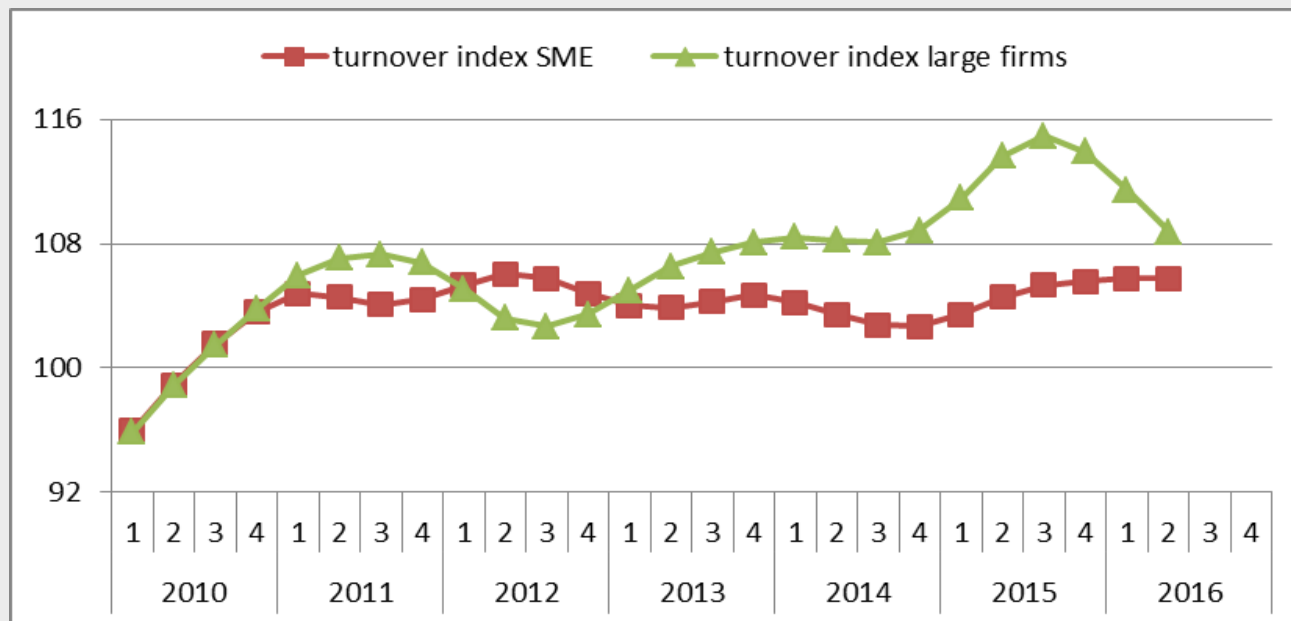
Real indicators: domestic consumption & durable goods.

Durable goods is cyclically important category: determines a 1.0 %-point change in domestic consumption for 0.45 %-point



Real and rapid indicators

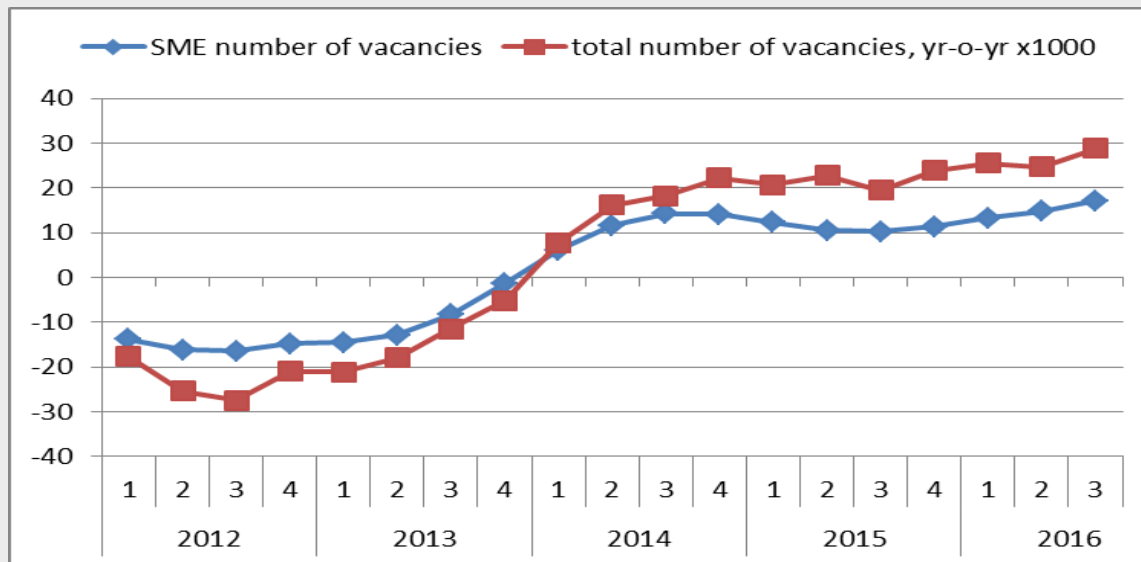
Real indicator turnover: development of turnover SME develops smoother/more stable than LE's (sensitive WT)



Real and rapid indicators

Real indicators: Vacancies SME ($\pm 55\%$ total).

develops in line with total but less volatile; has a good correlation with GDP.



Real and rapid indicators

Real indicator: Bankruptcies SME

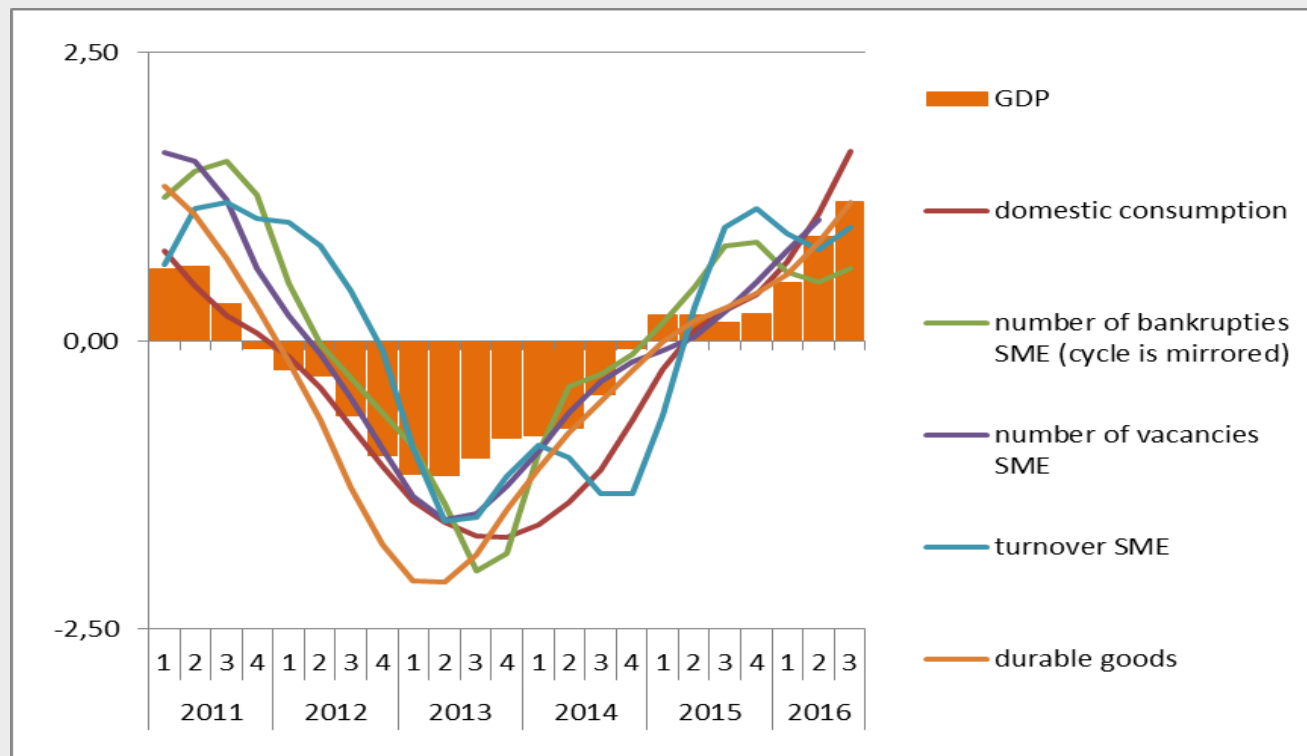
98% of all bankruptcies in business economy* are SME.

Main causes are weak economic conditions and financial loss. Bankruptcies are important to monitor particularly for SME.

*(NACE B-S excluding K and R)

Real and rapid indicators

Real indicator: GDP → the macro-economic context for SME
Real SME indicators have a good correlation with GDP.



Real and rapid indicators

Rapid indicators much more information was available;

- 1) Producer Business tendency survey (PBTS)
- 2) Consumer business tendency survey (CBTS)

PBTS information is gathered on many economic topics for period T-1, T and T+1 , for instance

- Development of orderbooks T-1: answers + = -
- Judgement of present orderbooks T: answers + = -
- Expectation of orderbooks T+1: answer + = -

Real and rapid indicators

For SME the PBTS is conducted quarterly.

for BCT-SME two types of outcomes were used

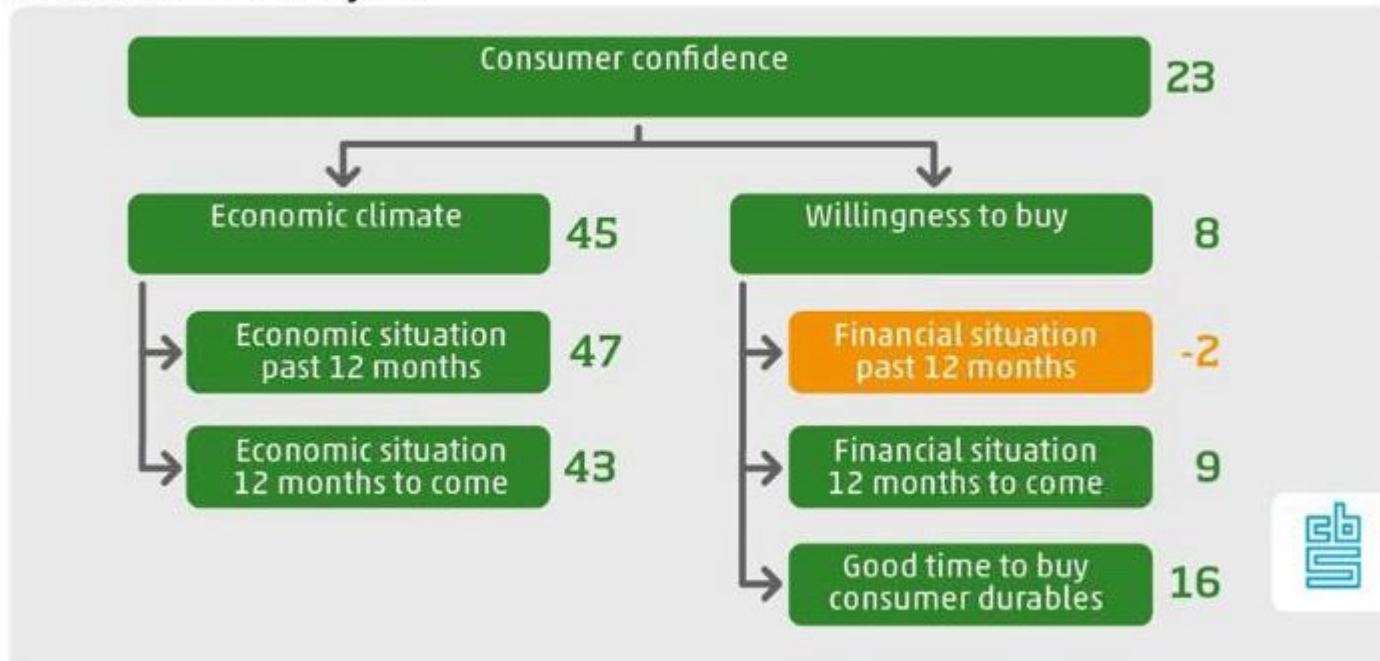
- Balances: the difference of positive and negative replies,
- Percentage of firms replies on factors limiting production
- ❖ none
- ❖ factors such as insufficient demand, finance, shortage of staff, equipment, weather, ...

Real and rapid indicators

- 2) Consumer business tendency survey (CBTS)
 - Look forward t+12 months and look back t-12 months
 - Answer categories of + = -
 - Balances were used in BCT

Real and rapid indicators

Consumer confidence, May 2017



Real and rapid indicators

Applied in BCT-SME from:

- ✓ PBTS → 5 composite rapid indicators
- ✓ CBTS → 1 composite rapid indicator.

“Rapid” BECAUSE opinion information IS released earlier than official quantitative outcomes (real indicators)

Besides publication lead often there is also an historical lead on real indicators

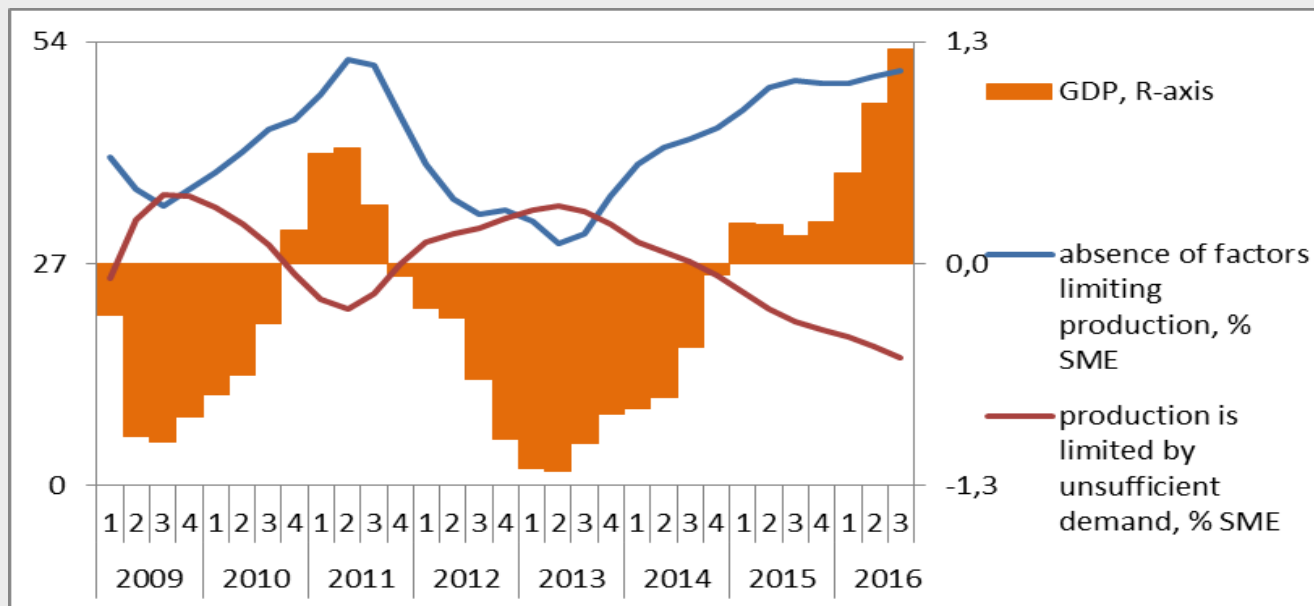
Real and rapid indicators

For BCT-SME 6 composite rapid indicators were compiled:

1. Economic development (orders, competition position, and frictions in demand and supply)
2. Employment development: vacancies
3. Consumption and durable goods
4. Producer Confidence
5. Export development
6. Financial Confidence

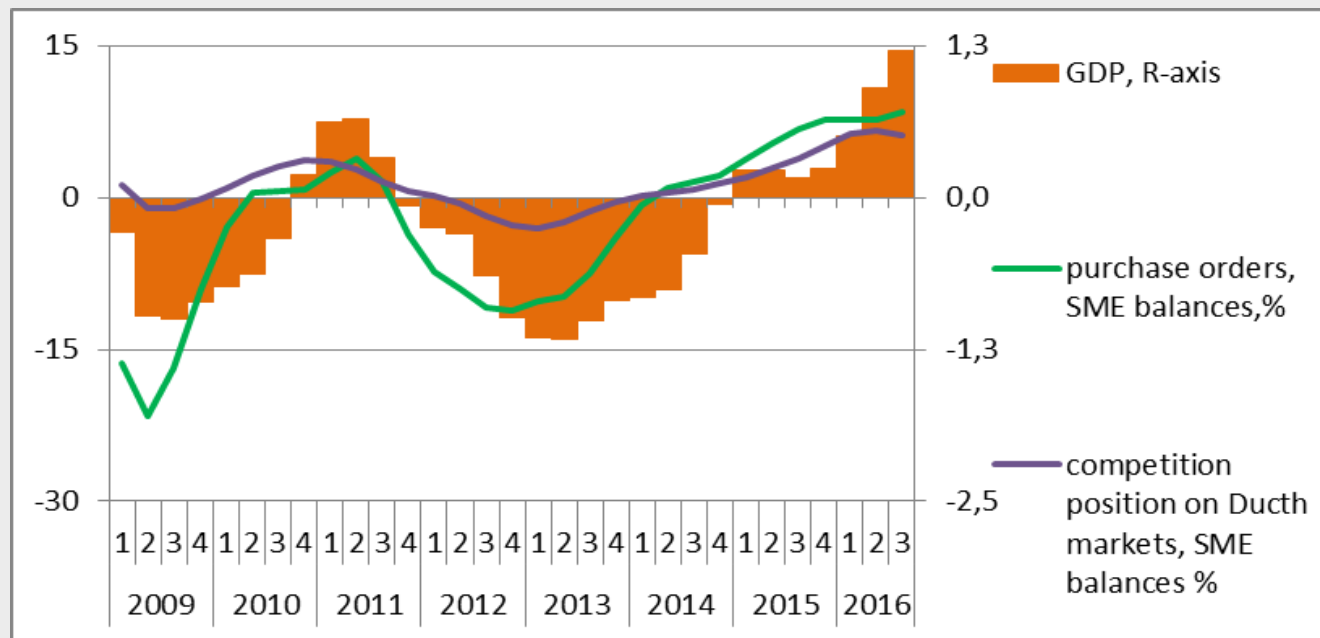
Real and rapid indicators

Composite rapid indicator for **economic development**, important for SME but also relates to the overall economic development (GDP): purchase orders, competition position, two indicators to signal frictions in demand & supply



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Composite rapid indicator for economic development, important for SME but also relates to the overall economic development (GDP): purchase orders, competition position, two indicators to signal frictions in demand & supply

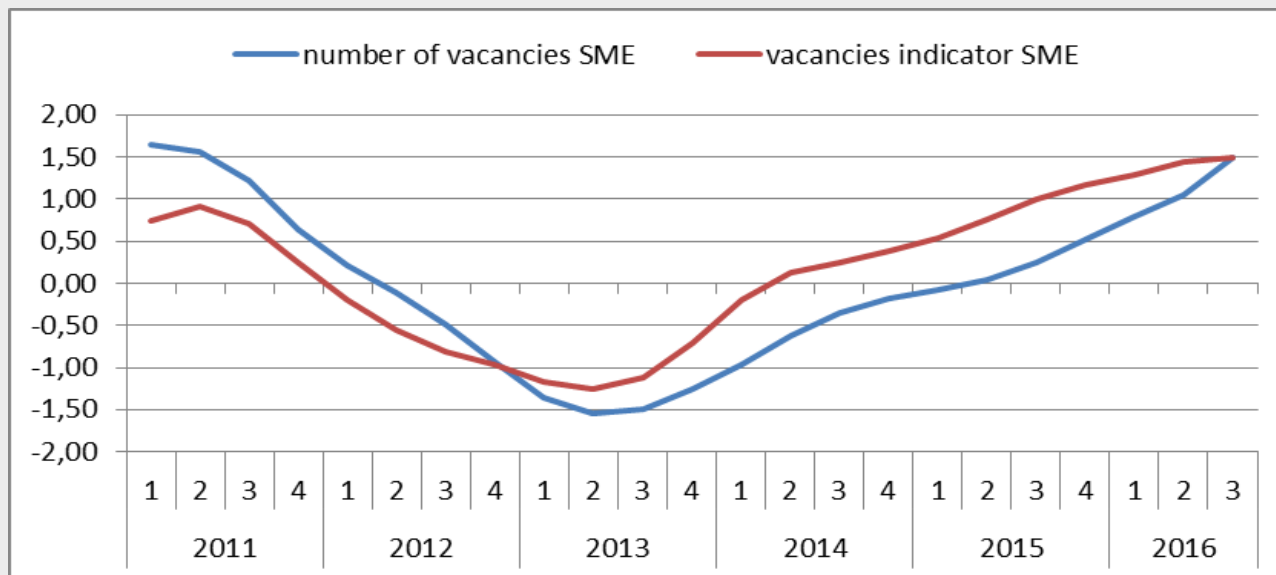


Real and rapid indicators

Composite rapid indicator vacancies indicator.

based on labour market and economic indicators.

For SME only one real indicator is available: number of vacancies.



Real and rapid indicators

Composite rapid indicator producer confidence

Based on development and expected turnover and development of economic climate (existing composite indicator)

Composite rapid indicator financial confidence

Based on development of profitability, expected investments and financial factors limiting production.

Real and rapid indicators

Composite rapid indicator export development

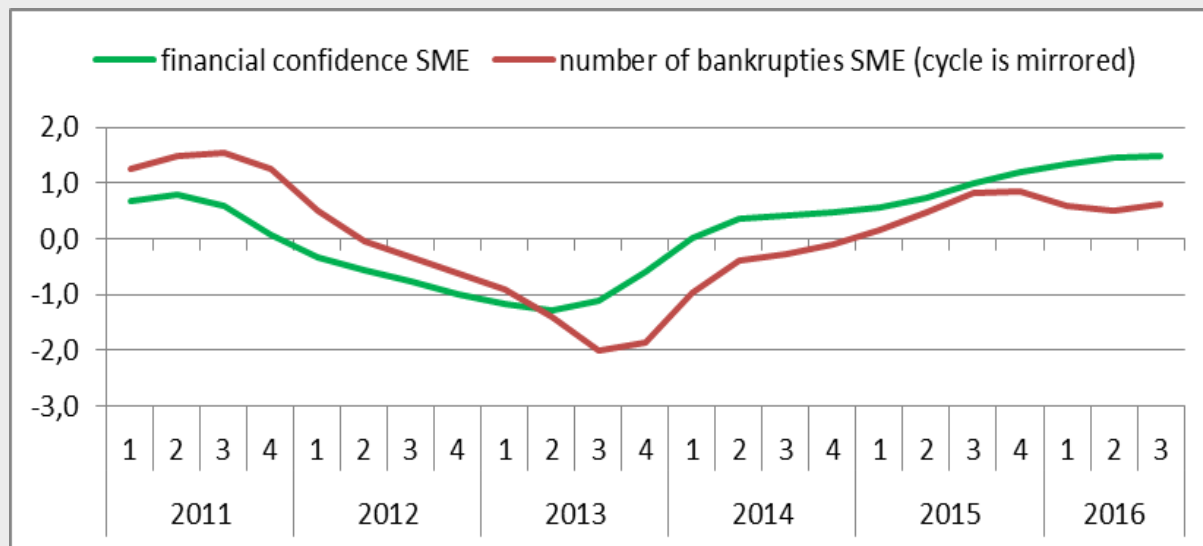
Based on development of competition position on EU markets and export turnover, judgment foreign order books, expected export orders

Composite rapid indicator consumption development

Based on consumer evaluation of current economic development, current own financial situation, willingness to buy durable goods,

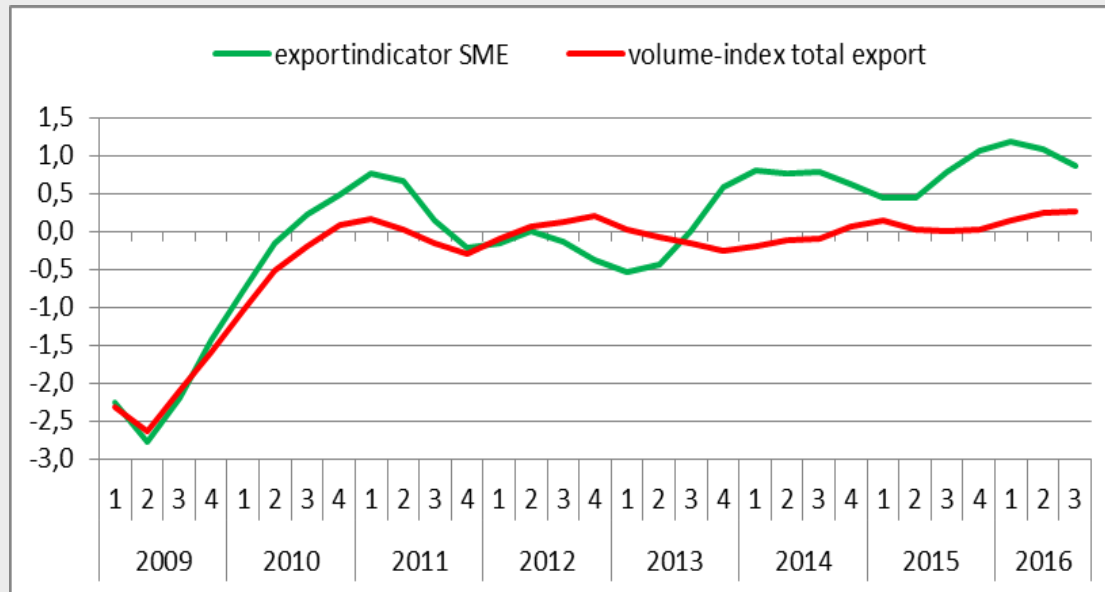
Real and rapid indicators

- Financial confidence leads number of bankruptcies (weak economic conditions and low profitability)



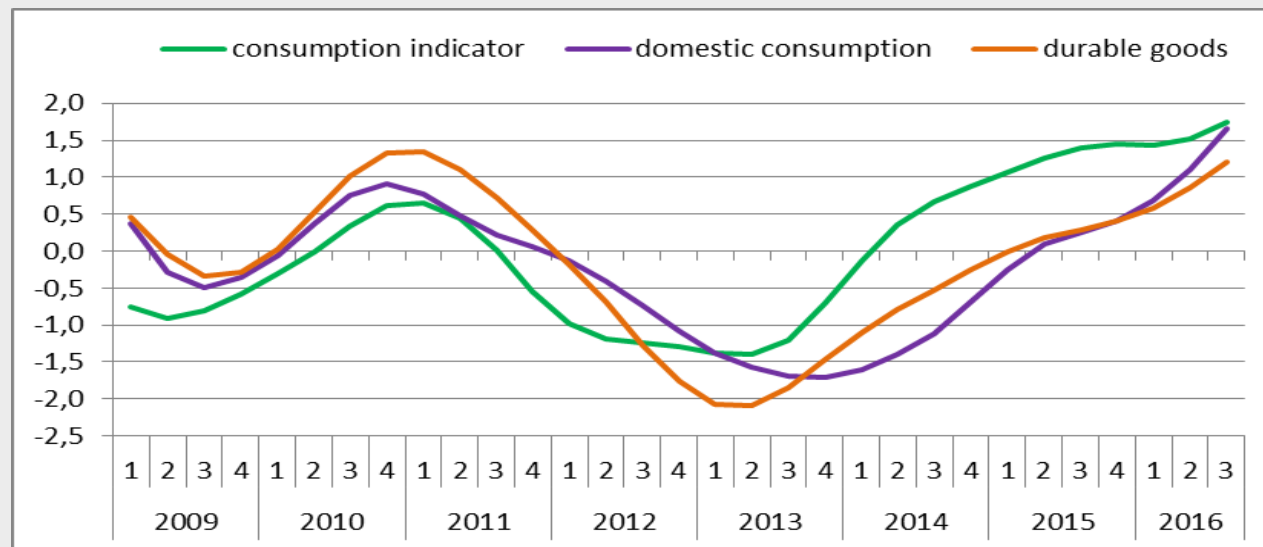
Real and rapid indicators

- Exportindicator of SME vis á vis total exportvolume



Real and rapid indicators

- SME entrepreneurship depends in general on domestic consumption and in particular on durable goods.
- Monitor consumption via rapid and real indicators.



BCT SME

- In total 12 business cycle indicator
- 8 are SME (5-250 employed persons)
- 4 are macro-economic but relevant for SME activities
- 6 real indicators
- 6 rapid indicators
- BCT covers in a coherent way important business cycle aspects: economic development, consumption, labour market, producer and financial confidence, and export.

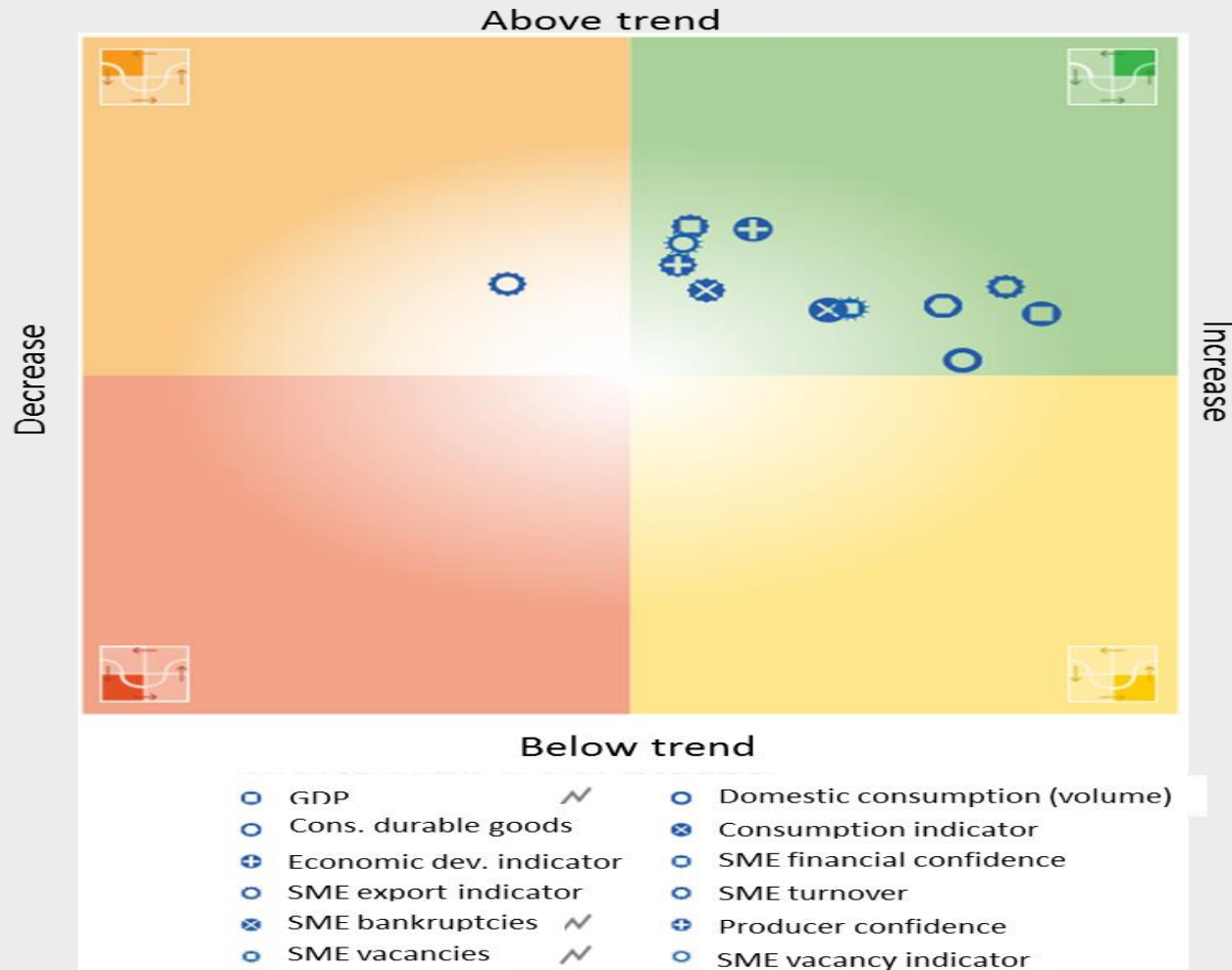
BCT SME

BCT SME implemented on website SME (developed by CBS and Secretary of Economic Affairs).

<http://staatvanhetmkb.nl/klok>

(State of SME)

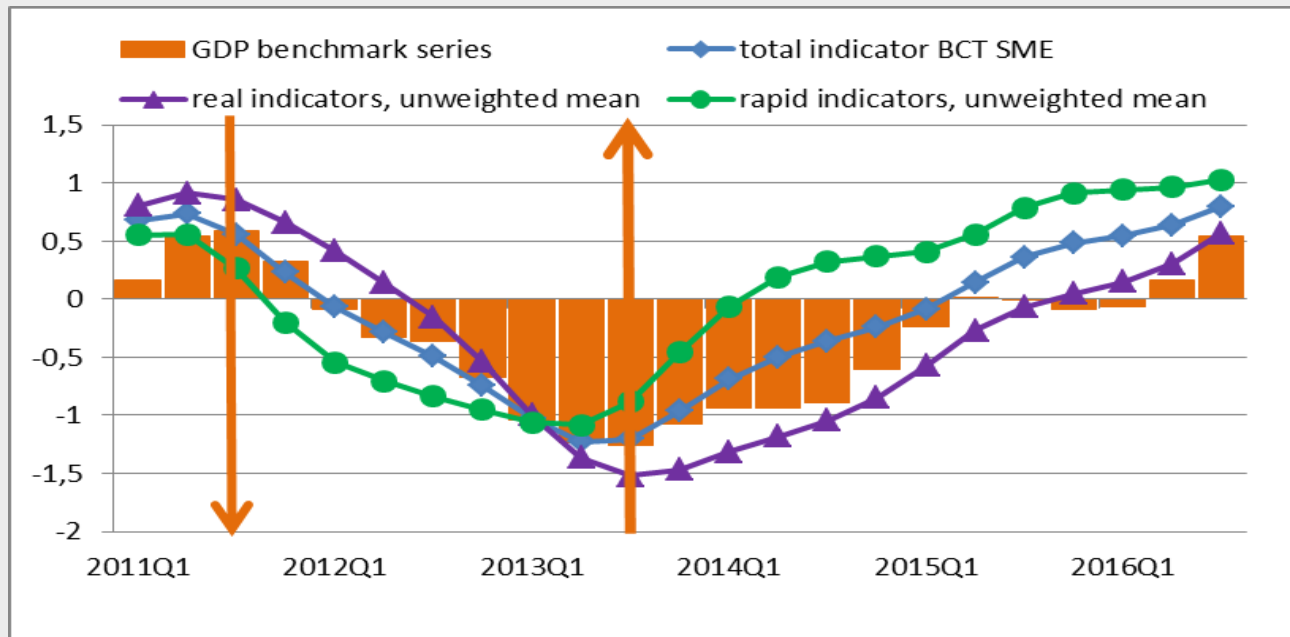
BCT SME Q3 2016.



BCT SME

BCT (mean): total (12), rapid (6) and real (6)

Rapid is 'leading' or 'early warning' indicator of total BCT SME and GDP with regard to 4 main cycle phases.



BCT SME

Future plans

- BCT small enterprises (0-50 employed persons), 2018

Brings this in line with existing producer confidence for total SME and small enterprisies.

- Regional Producer Confidence and BCT

End

