



CHAPTER 1

Global Overview on Performance of MSMEs

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MSMEs serve as the cornerstone of the global economy, constituting for over 90% of businesses worldwide. Their influence extends far beyond their numbers, shaping the business landscape through their remarkable resilience and adaptability. MSMEs are not merely participants in the business environment but pivotal drivers of job creation, exports and economic growth. They navigate an array of challenges and capitalise available opportunities to rise in an ever-evolving market. Their profound impact underscores its central role in the advancement and stability of any nations, thus making MSME development a strategic priority for Governments around the world.

MSME PERFORMANCE IN THE REGION OF EUROPE

MSME Performance in the European Union

Micro, small and medium enterprises (MSMEs) are a fundamental component of the European Union's business landscape. Defined as enterprises with fewer than 250 employees, and either an annual turnover of up to EUR50 million or a balance sheet total of up to EUR43 million, MSMEs play a crucial role in fostering economic development and driving employment across the European Union (EU). In 2023, a total of 25.8 million MSMEs were active in the EU-27, representing a staggering 99.8% of all firms within the non-financial business sector (NFBS) ^[1]. In terms of size, microenterprises are the most prevalent at 24.2 million firms, or a majority 93.8% of all MSME population. Meanwhile, small-sized firms accounted for 1.4 million businesses (5.4%) and medium-sized firms comprised of 0.2 million (0.8%). A more granular breakdown of distribution across industries shows that MSMEs are primarily concentrated in the construction sector (25.9%), followed by retail (23.0%) and tourism (14.9%) industries.

Table 1.1: Establishments, Value-added and Employment by Business Size in 2023

Category	Establishments		Value-added		Employment	
	No. of Firms	Share (%)	Value (EUR billion)	Share (%)	No. of Employees	Share (%)
Micro	24,209,297	93.6	1,799	19.8	40,803,310	30.0
Small	1,387,888	5.4	1,527	16.8	26,770,763	19.7
Medium	210,551	0.8	1,512	16.6	21,156,339	15.5
Total MSMEs	25,807,736	99.8	4,839	53.1	88,730,412	65.2
Large Firms	43,420	0.2	4,265	46.9	47,355,823	34.8

Source: Annual Report on European SMEs 2023/2024, July 2024



Despite their vibrant presence, performance of MSMEs in the EU-27 however faced significant challenges in 2023 due to broader economic conditions. The growth of the overall EU economy was subdued as it expanded only by 0.5%, largely as a result of skyrocketing inflation. This macroeconomic environment has negatively impacted the performance of MSMEs, with the real value-added of EU-27 MSMEs contracted by 1.6% to reach EUR4,839 billion in 2023. Looking at the performance by business size, microenterprises displayed a degree of resilience, with their decline limited to just 0.4%, likely due to their agility and quicker recovery from economic shocks. In contrast, small-sized MSMEs experienced the most significant decline at 2.4%, while medium-sized MSMEs contracted by 2.2%. As a whole, MSMEs contributed more than half (53.1%) to the region's economy.

Zooming on to workforce, there was a positive trend in employment across the EU-27 region as MSMEs hired 88.7 million workers in 2023, growing by 1.8%. MSME employment also expanded across all industries, with significant notable gains particularly in the tourism and digital industries. Overall, MSMEs contributed 65.2% to the EU-27 total employment in 2023. Despite their vital role in job creation, MSMEs continue to face challenges in terms of productivity. Their productivity growth has consistently lagged behind that of larger enterprises, underscoring the need for targeted measures to enhance their efficiency and competitiveness in the evolving economic landscape.

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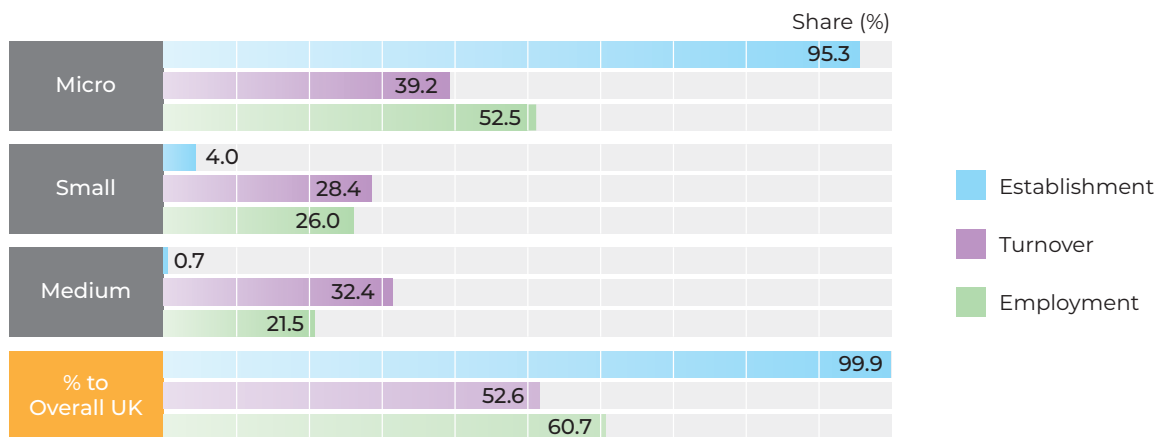
MSME Performance in the United Kingdom

MSMEs in the United Kingdom (UK) are generally characterised as businesses that employ fewer than 250 people and an annual turnover under GBP50 million [2]. As of 2023, the UK is home to a total of 5.5 million MSMEs, which represent an overwhelming 99.9% of all businesses operating within the country [3]. Of these MSMEs, majority 5.3 million are microenterprises which makes up the majority population of 95.3%, a total of 4.0% (222,785 firms) are in the category of small-sized firms, while the balance 0.7% (36,905 firms) are classified as medium-sized firms. Sectorally, the construction industry hosted the largest number of MSMEs (882,770 firms), representing 15.9% of total MSME population. In addition, significant numbers are engaged in the professional, scientific & technical activities (770,475 firms or 13.9%) as well as in the wholesale & retail trade and repair sectors (546,395 firms or 9.8%). The dominance of MSMEs in the UK economy underscores their integral role in the business sector and crucial contributions they make to the overall UK landscape.

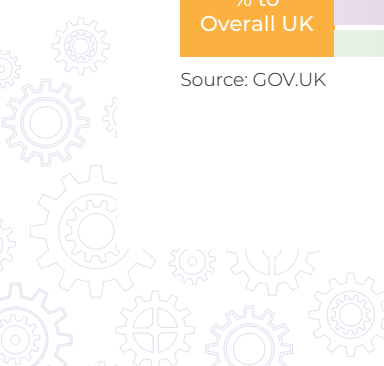


In terms of performance, MSMEs in the UK contributed significantly to its overall turnover and employment. In 2023, MSME turnover is recorded at GBP2,355.4 billion, accounting for 52.6% of the total business turnover in the country. The wholesale & retail sector emerged as the leading contributor to MSME turnover in 2023, accounting for a substantial 33.0%. This dominance was further followed by the construction sector at the second-highest ranked (11.7%), professional, scientific & technical activities (11.1%) and manufacturing secured the fourth position at 9.2%. Meanwhile, MSMEs employed a total of 16.7 million people at the start of the year, which constituted to 60.7% of the UK’s total employment. Microenterprises dominated the MSME employment landscape by hiring 8.8 million workers (52.5% of MSME employment), small-sized firms employed around 4.3 million workers (26.0%), while medium-sized firms hired 3.6 million workers (21.5%). These figures highlight the importance of MSMEs as vital providers of jobs and livelihoods across the nation.

Chart 1.1: Share of MSME Establishments, Turnover and Employment in Early 2023



Source: GOV.UK



MSME PERFORMANCE IN THE REGION OF ASIA

MSME Performance in Republic of Korea

In contrast to the approach adopted by numerous other nations, Republic of Korea defined its MSMEs predominantly based on revenue rather than the number of employees. According to their regulation, MSMEs are for-profit entities whose total assets do not surpass KRW500 billion. These businesses must also fulfil the criterion of operational independence, meaning they cannot be subsidiaries of larger corporations. Notably, this definition can extend to social enterprises and cooperatives, provided they meet the specific conditions. The classification of MSMEs is determined by their average revenue over a three-year period, with varying thresholds applied according to the industry in which the business operates. This approach reflects a focus on financial performance and independence, tailored to the diverse landscape of firms in the Republic of Korea. For the year 2023, MSMEs accounted for bulk of 99.9% of all firms in the country and contributed significantly at 46.8% to the economy ^[4].

Chart 1.2: Contribution of MSMEs in the Republic of Korea to the Nation's Economy in 2023



Source: Ministry of SMEs and Startups

On the external sector, MSMEs in the country achieved an export figures totalling USD111.8 billion, representing 39.3% of its overall export volume ^[5]. This marked a 2.3% decline from the previous year, continuing the trend of consecutive annual decrease from the 0.9% contraction being recorded in 2022, as per reported by the Ministry of SMEs and Startups. Impressive exports performance was predominantly driven by the cosmetics and automobile industries, which experienced substantial double-digit growth rates of 20.2% and 57.4% respectively. These industries emerged as the top two contributors to MSME exports, significantly offset the downturn in MSME exports landscape during the year. Despite the declining exports value, the landscape of MSME exporters increased by 2.4% to reach a total of 94,635 firms.

Focusing on labour market, MSMEs in the Republic of Korea played a crucial role in the livelihood of its citizens as they employed slightly over 18 million workers. This substantial workforce represents approximately 80.5% of the total employment across the country. The distribution of employment across different business sizes reveals a notable



role of microenterprises as they contributed a substantial 44.6% to the total workforce, which is translated into 10 million workers being hired. This impressive figure underscores their dominant position in the employment, surpassing even the contributions of large firms which accounted for 19.5% to total employment. Following this, small firms employed around 3.98 million employees (17.8% of total workforce) while medium-sized firms hired about 4.05 million employees (18.1% of total workforce), which both also made noteworthy contribution to the nation's labour market.



MSME Performance in Thailand

Similar to Malaysia, Thailand also defines their MSMEs based on criteria related to annual income and employment, ensuring that businesses fitting specific criteria are categorised consistently for policy and support purposes. Firms in the manufacturing sector are MSMEs if they have an annual income of not exceeding THB500 million and maximum of 200 employees, while firms in the services & merchandising sector are MSMEs if they have an annual income of not exceeding THB300 million and maximum of 100 employees.

Zooming on to the profile, MSMEs in Thailand made up of 3.2 million firms which constituted a majority 99.5% of total establishments in the country in 2023 ^[6]. MSMEs in Thailand grew by 1.2% or an additional increase of 38,365 MSMEs as compared to 2022. Within this segment, microenterprises are prominent as it composed the largest share of MSME segment of 84.9%, totalling 2.7 million MSMEs. Correspondingly, the number of small-sized firms is recorded at 439,058 MSMEs (13.6%) and medium-sized firms is at 47,155 MSMEs (1.5%). Sectoral distribution reveals that a total of 41.7% of MSMEs are engaged in trade activities, 40.4% in services, 16.0% in the manufacturing sector and the balance 1.8% in the agribusiness.

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Table 1.2: Number of MSMEs and MSME GDP by Business Size in 2023

	Micro	Small	Medium	Total
Number of Firms	2,739,530	439,058	47,155	3,225,743
Share to Total MSMEs (%)	84.9	13.6	1.5	100.0
MSME GDP (USD million)	14,313.50	72,461.61	94,753.07	181,528.18
Share to Total GDP (%)	2.8	14.0	18.4	35.2

Source: Office of SMEs Promotion (OSMEP)

Examining the performance of Thailand MSMEs in 2023, these enterprises continued to significantly impacted the national economy, contributing 35.2% to Thailand's GDP and generating a value-added output of USD181.5 billion. In terms of the composition, medium-sized firms provided the most substantial contribution to GDP, accounting for 18.4%, small-sized firms followed with a contribution of 14.0%, while the lowest share of GDP to overall Thailand's GDP was constituted by microenterprises at 2.8%.