



NEWS RELEASE

# Mastercard Economics Institute: U.K., U.S. and Australia lead in new small business formation, which grew 32% year-over-year globally

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Small Businesses Go Digital at Three-Times Pre-Pandemic Levels

PURCHASE, N.Y.--(BUSINESS WIRE)-- To shed light on the impact the global health crisis – and ongoing recovery – has had on small businesses globally, Mastercard today released **Recovery Insights: Small Business Reset**. Looking at 19 markets around the world, the report reveals that sales at small- and medium-sized businesses (SMBs) lagged larger companies by up to 20 percentage points at the peak of the crisis. However, spending has recovered in 2021. Total sales at SMBs rose 4.5% through August 2021 year-to-date compared to the same period in 2020, while e-commerce sales are up 31.4%.

Drawing on the Mastercard Economics Institute's new Small Business Performance Index\* of aggregated and anonymized sales activity within the Mastercard network, Recovery Insights: Small Business Reset identifies several key trends:

- Closures: Globally, small businesses that closed early in the pandemic were about three times as likely as larger businesses to remain closed long term. One-third of small businesses that closed in April 2020 remained closed after six months, and about one-fifth were still closed after 12 months. Locally, the situation varied: in the U.S., roughly one in four small retailers remained closed after 6 months, vs. roughly one in 12 large retailers.
- Location: Spending at SMB retailers in central business districts is down 33% vs. 2019, while sales within more residential neighborhoods grew 8%. As tourists and workers stay closer to home, small businesses in



commercial districts are seeing sales suffer.

- E-Commerce: Following shutdowns, the number of businesses going online each month tripled from pre-pandemic levels, peaking in July 2020. This reflects increased demand for an online sales channel, as well as the slight lag after lockdowns began to bring it into reality. The shift to digital has persisted at an elevated level globally since.
- Entrepreneurship: One-third more small retailers launched in 2020 than in 2019, nearly 8x the number of larger firms created. This trend of considerable new SMB formation in 2020 is reflected around the world: U.K. (+101%), U.S. (+86%), Australia (+73%), Germany (+62%), Brazil (+35%) and South Africa (+13%).
- Sectors - Restaurants & Lodging: Small lodging businesses outperformed large by a wide margin during the summers of 2020 and 2021. Where people are traveling, the trend to stay local has benefited small lodging companies (and hurt big cities' big hotels). Restaurants were a different story, with SMB eateries underperforming large ones globally by roughly 17 percentage points in 2021 YTD.

"Supporting neighborhood businesses has been a rallying point throughout the pandemic. However, the challenges faced have been very real, due to their dependency on local markets, local supply chains and tighter cash flows," said Bricklin Dwyer, Mastercard chief economist and head of the Mastercard Economics Institute. "But, we see brighter opportunities ahead. The shift to digital opened the door to the pandemic's silver lining: a resurgence of entrepreneurship and innovation."

Supporting small business owners is a continued priority for Mastercard, which pledged to bring 50 million small businesses and 25 million women entrepreneurs into the digital economy by 2025. Mastercard's **Digital Doors** curriculum helps businesses get online and stay protected, ensuring they have the right tools to maximize their digital presence and integrate e-commerce seamlessly, including the free **Small Business Digital Readiness Diagnostic**. Most recently, Mastercard committed \$25 million to help more than five million micro and SMBs digitize through the **Strive** initiative.

Mastercard also works closely with governments, businesses and other organizations around the world to create environments, programs and policies so small businesses can flourish. Mastercard provides high-frequency, local spending insights to dozens of city, state and federal governments as part of our **City Possible** and **Recovery Insights** programs, as well as content such as the recent **policy paper** addressing ways governments can support SMB recovery.

You can view the full Recovery Insights: Small Business Reset **here**. This is the fifth report in the Recovery Insights series; other reports can be found **here**.

\*Methodology

The Mastercard Economics Institute developed the Mastercard Small Business Performance Index as a more universal classification system for SMBs. The Index leverages a comprehensive AI-driven algorithm to identify unique indicators, such as number of locations, sales volume, number of transactions, within aggregated and anonymized sales activity in the Mastercard network.

## Disclaimer

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## About Mastercard Economics Institute

Mastercard Economics Institute launched in 2020 to analyze macroeconomic trends through the lens of the consumer. A team of economists, analysts and data scientists draws on Mastercard insights - including Mastercard SpendingPulse™ - and third-party data to deliver regular reporting on economic issues for key customers, partners and policymakers.

## About Mastercard (NYSE:MA)

Mastercard is a global technology company in the payments industry. Our mission is to connect and power an inclusive, digital economy that benefits everyone, everywhere by making transactions safe, simple, smart and accessible. Using secure data and networks, partnerships and passion, our innovations and solutions help individuals, financial institutions, governments and businesses realize their greatest potential. Our decency quotient, or DQ, drives our culture and everything we do inside and outside of our company. With connections across more than 210 countries and territories, we are building a sustainable world that unlocks priceless possibilities for all.

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