

## SMEs were the main drivers of economic growth between 2004 and 2006

The non-financial business economy of the EU (NACE Rev. 1.1 sections C to I and K) witnessed quite substantial growth between 2004 and 2006. Excluding 'mining and quarrying' (section C), value added at factor cost rose by 11.6% to reach 5.6 trillion euros. The number of persons employed rose by 4.3% and in 2006 was close to 130 million. Small and medium-sized enterprises (SMEs), which are defined as firms employing between 1 and 249 persons, are often referred to as the backbone of the European economy, providing a significant source of jobs and economic growth. They were indeed the main contributor to growth between 2004 and 2006 as this publication shows.

Figure 1 below displays the rate of change of some key indicators between 2004 and 2006, separately for SMEs and large enterprises (those employing 250 or more persons). All four indicators have grown, with SMEs displaying faster growth than large enterprises.

More specifically, SMEs grew in number and in the number of persons employed by them almost twice as fast as large enterprises. Value added at factor cost showed the fastest growth, being in double figures for SMEs. The faster growth of value added, compared to the growth in employment, is reflected in the growth of apparent labour productivity, by 8.1% for SMEs and 6.2% for large enterprises.

**Figure 1: Key indicators on enterprises in the non-financial business economy**  
Rate of change between 2004 and 2006, by enterprise size class, EU27 (%)



Note. Including rounded estimates based on non-confidential data; mining and quarrying (Section C) is excluded due to confidentiality of number of enterprises, value added at factor cost and apparent labour productivity; partly including data for 2005, see methodological notes for more details on coverage.

Source: Eurostat ([sbs\\_sc\\_2d\\_dade](#), [sbs\\_sc\\_2d\\_dfdn](#), [sbs\\_sc\\_2d\\_el](#), [sbs\\_sc\\_4d\\_co](#), [sbs\\_sc\\_3ce\\_tr](#), [sbs\\_sc\\_1b\\_se](#))

Figure 2 shows the rates of change of employment, value added and labour productivity of SMEs in each EU Member State for which data were available. The differences between countries are large and not easily explained.

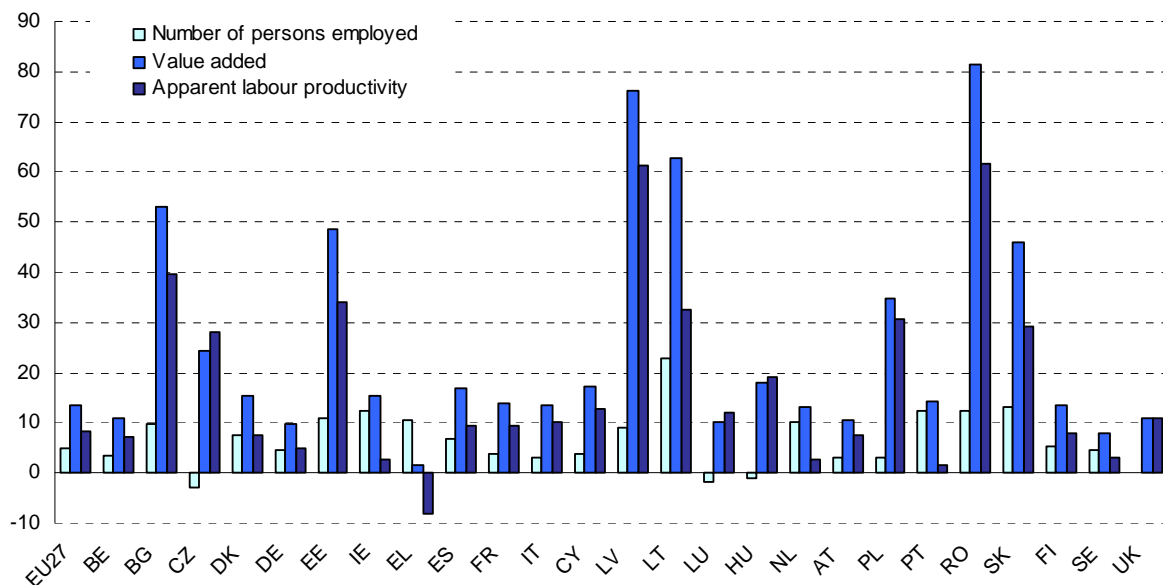
With very few exceptions all indicators have increased. The fastest growth has been observed in value added and, to a slightly lesser extent, in labour productivity. Moreover, fastest growth is observed in the Member States that joined the EU in or after 2004.

Value added grew in Member States at very varying rates, by between 1.6% in Greece and 81.5% in

Romania. Growth by more than 20% was also experienced by the Czech Republic (24.2%), Poland (34.9%), Slovakia (46%), Estonia (48.5%), Bulgaria (53.2%), Lithuania (62.9%) and Latvia (76%). A closer look is taken at employment and apparent labour productivity in the next two sections.

Figure 2 effectively shows that employment grew a lot less than value added in most Member States, with the result that the labour productivity of SMEs also grew, by between 1.6% in Portugal and 61.7% in Romania, in all Member States except Greece, where labour productivity fell by 8% (see below).

**Figure 2: Key indicators on SMEs in the non-financial business economy**  
Rate of change between 2004 and 2006 (%)



Note. EU27: Including rounded estimates based on non-confidential data; data for the 25 Member States for which data were available are based on the sum of available non-confidential data, partly including rates of change between 2003 and 2005, see methodological notes for more details on coverage.

Source: Eurostat ([sbs\\_sc\\_2d\\_mi](#), [sbs\\_sc\\_2d\\_dade](#), [sbs\\_sc\\_2d\\_dfdn](#), [sbs\\_sc\\_2d\\_el](#), [sbs\\_sc\\_4d\\_co](#), [sbs\\_sc\\_3ce\\_tr](#), [sbs\\_sc\\_1b\\_se](#))

## Employment in SMEs rises in most Member States

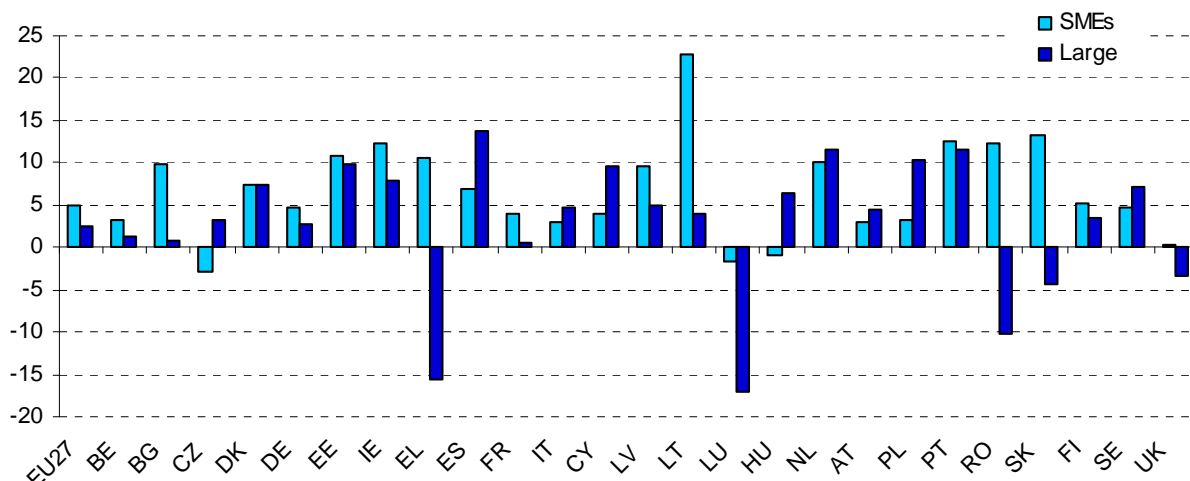
Figures 3 and 4 compare the change in the extent of employment between SMEs and large enterprises and between the three size classes comprising SMEs, respectively. The differences in rates of change between countries are not as pronounced as in the case of value added. Neither is the largest growth observed only in newer Member States.

More specifically, focusing on SMEs, the largest growth, by 22.8%, is observed in Lithuania, while the biggest drop in employment, by 2.9%, occurred in the Czech Republic, which had high growth of value added. Employment in SMEs also grew by more than 10% in the Netherlands (10.1%), Greece (10.4%), Estonia (10.8%), Romania (12.2%), Ireland (12.3%), Portugal

(12.5%) and Slovakia (13.2%). Apart from the Czech Republic, employment in SMEs also declined in Hungary (0.9%) and Luxembourg (1.7%).

Employment in SMEs grew faster or declined slower than employment in large enterprises in most countries. The most pronounced differences in favour of SMEs appeared in Greece, Romania and Slovakia, where employment in SMEs grew while employment in large enterprises declined. In Lithuania, employment in SMEs grew much faster than in large firms. On the other hand, employment in large enterprises grew faster than in SMEs in nine countries, including the Czech Republic and Hungary, noted above for the decline of employment in SMEs.

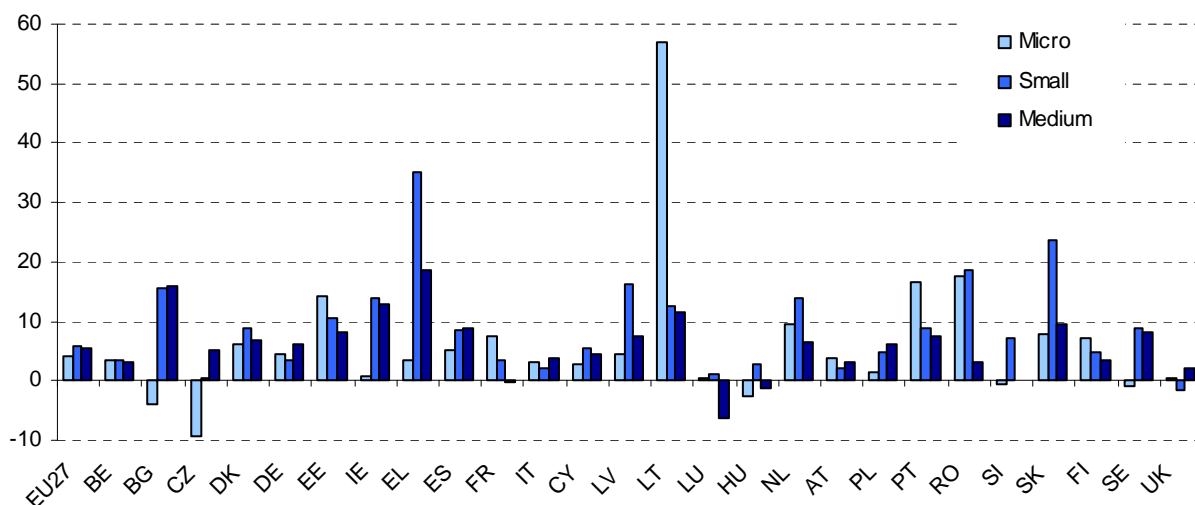
**Figure 3: Number of persons employed in enterprises in the non-financial business economy  
Rate of change between 2004 and 2006, by enterprise size class (%)**



Note. EU27: Including rounded estimates based on non-confidential data; data for the 25 Member States for which data were available are based on the sum of available non-confidential data, partly including rates of change between 2003 and 2005, see methodological notes for more details on coverage

Source: Eurostat ([sbs\\_sc\\_2d\\_mi](#), [sbs\\_sc\\_2d\\_dade](#), [sbs\\_sc\\_2d\\_dfdn](#), [sbs\\_sc\\_2d\\_el](#), [sbs\\_sc\\_4d\\_co](#), [sbs\\_sc\\_3ce\\_tr](#), [sbs\\_sc\\_1b\\_se](#))

**Figure 4: Number of persons employed in SMEs in the non-financial business economy  
Rate of change between 2004 and 2006, by enterprise size class (%)**



Note. EU27: Including rounded estimates based on non-confidential data; data for the 26 Member States for which data were available are based on the sum of available non-confidential data, partly including rates of change between 2003 and 2005, see methodological notes for more details on coverage.

Source: Eurostat ([sbs\\_sc\\_2d\\_mi](#), [sbs\\_sc\\_2d\\_dade](#), [sbs\\_sc\\_2d\\_dfdn](#), [sbs\\_sc\\_2d\\_el](#), [sbs\\_sc\\_4d\\_co](#), [sbs\\_sc\\_3ce\\_tr](#), [sbs\\_sc\\_1b\\_se](#))

Figure 4 concentrates on the particular employment size classes that comprise SMEs, namely **micro** (1 – 9 persons employed), **small** (10 – 49 persons employed) and **medium-sized** enterprises (50 – 249 persons employed). In most countries employment has increased in all three size classes. Growth was faster in small enterprises in 12 out of the 26 countries and in the EU as a whole, while micro or medium-sized enterprises grew faster than the other SME classes in seven countries. For

the EU in total, employment grew by 4.2% in micro enterprises, by 5.8% in small enterprises and by 5.5% in medium-sized firms. As noted earlier, employment in large firms grew by only 2.7%.

In nine countries and in the EU as a whole the rates of increase in the three SME size classes are quite close. In the remaining countries very diverging rates can be observed. In such cases small and medium-sized

enterprises often have similar rates of change (see for example Bulgaria, Ireland and Sweden).

Micro enterprises show the greatest variability in their rates, which range from -9.5% in the Czech Republic to 57% in Lithuania. Small enterprises exhibit also a wide

range of rate divergence: from -1.5% in the United Kingdom to 35.3% in Greece. On the other hand, small enterprises' employment has increased in all countries except in the UK. Finally, the changing rates of employment in medium-sized enterprises range from 6.2% in Luxembourg to 18.7% in Greece.

## Apparent labour productivity of SMEs rises but still lags behind that of large enterprises

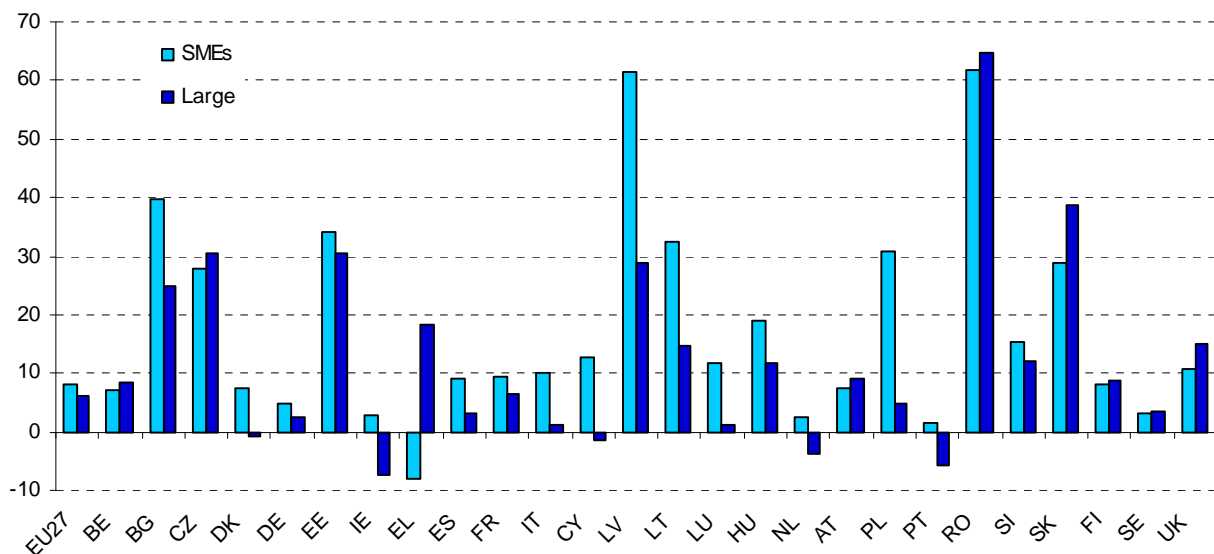
Figures 5 and 6 below compare the change in apparent labour productivity between SMEs and large enterprises and between the three size classes comprising SMEs respectively, while Figure 7 compares apparent labour productivity figures between all size classes and the overall non-financial economy. Differences between countries are evident and growth is quite considerable for the newer Member States.

More specifically, focusing on SMEs, the largest growth, by 61.7% and 61.4%, is observed in Romania and Latvia respectively. Only one country, Greece, has experienced a drop in labour productivity of SMEs, by 8%. By contrast, labour productivity grew by more than

20% in the Czech Republic (27.9%), Slovakia (29%), Poland (30.7%), Lithuania (32.6%), Estonia (34%), Bulgaria (39.6%), Latvia and Romania.

Labour productivity of SMEs grew faster or declined slower than that of large enterprises in most countries. The most pronounced differences appeared in Latvia and Poland. In Denmark, Ireland, Cyprus, the Netherlands and Portugal labour productivity in SMEs grew while it declined in large enterprises. Labour productivity in large enterprises grew faster than in SMEs in eight countries, but not with a big difference in rates. Only in Greece did labour productivity decline in SMEs and grow in large enterprises.

**Figure 5: Apparent labour productivity of enterprises in the non-financial business economy**  
Rate of change between 2004 and 2006, by enterprise size class (%)



Note. EU27: Including rounded estimates based on non-confidential data; data for the 26 Member States for which data were available are based on the sum of available non-confidential data, partly including rates of change between 2003 and 2005, see methodological notes for more details on coverage

Source: Eurostat ([sbs\\_sc\\_2d\\_mi](#), [sbs\\_sc\\_2d\\_dade](#), [sbs\\_sc\\_2d\\_dfdn](#), [sbs\\_sc\\_2d\\_el](#), [sbs\\_sc\\_4d\\_co](#), [sbs\\_sc\\_3ce\\_tr](#), [sbs\\_sc\\_1b\\_se](#))

Figure 6 concentrates on micro, small and medium-sized enterprises. With the exception of Greece, where apparent labour productivity decreased in all size classes, in most countries an increase was observed in all three SME size classes. Growth tends to be higher in micro enterprises (in 14 out of the 26 countries for which data were available and in the EU in total). Small enterprises grew faster than other SME classes in seven countries, while medium-sized enterprises grew faster in four countries. For the EU in total, apparent labour

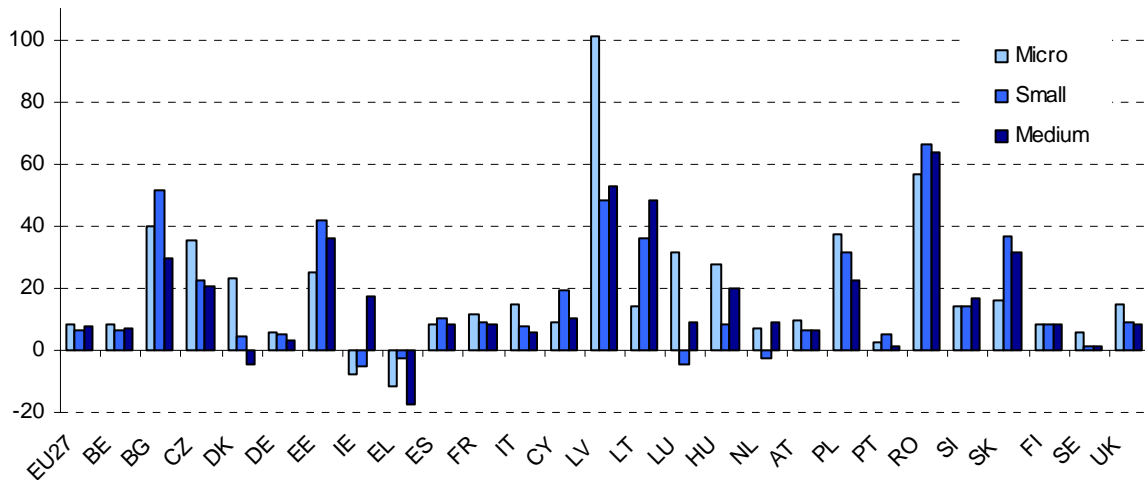
productivity grew by 8.6% in micro enterprises, by 6.2% in small enterprises and by 7.6% in medium-sized firms. As noted earlier, apparent labour productivity in large firms grew by 6.2%.

The rates of change of the three size classes appear less divergent at national level than is the case for employment. Even when there are differences, small and medium-sized enterprises quite often have similar rates.

On the other hand rates are much more variable between countries. Micro enterprises show the greatest variability between countries, followed by small and then by medium-sized ones. In micro enterprises rates range between -11.5% in Greece and 101.1% in Latvia; in

small enterprises the rates vary between -5.5% in Ireland and 66.2% in Romania; in medium-sized enterprises rates between -17.7% in Greece and 64% in Romania are exhibited.

**Figure 6: Apparent labour productivity of SMEs in the non-financial business economy**  
Rate of change between 2004 and 2006, by enterprise size class (%)



Note. EU27: Including rounded estimates based on non-confidential data; data for the 26 Member States for which data were available are based on the sum of available non-confidential data, partly including rates of change between 2003 and 2005, see methodological notes for more details on coverage.

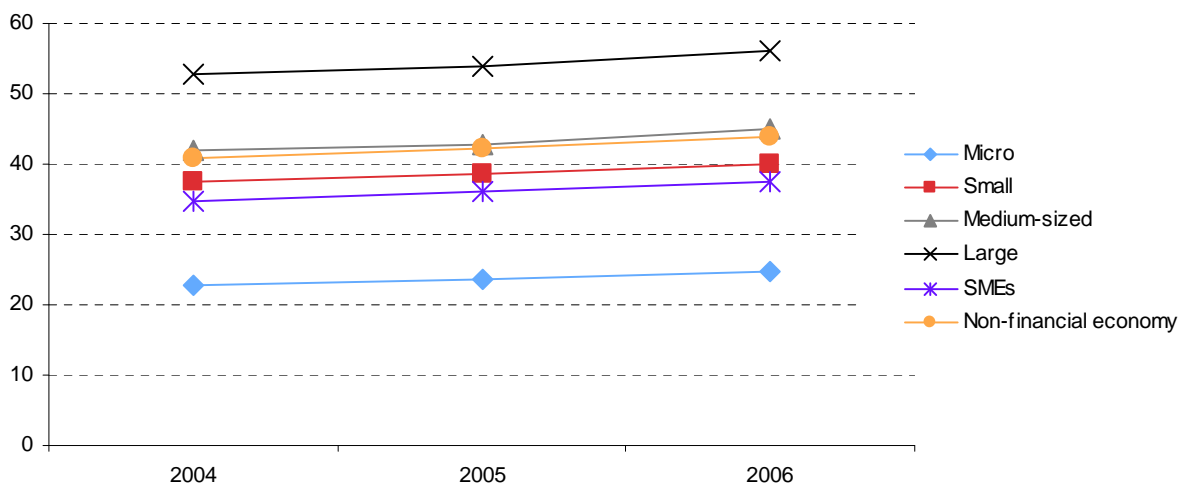
Source: Eurostat ([sbs\\_sc\\_2d\\_mi](#), [sbs\\_sc\\_2d\\_dade](#), [sbs\\_sc\\_2d\\_dfdn](#), [sbs\\_sc\\_2d\\_el](#), [sbs\\_sc\\_4d\\_co](#), [sbs\\_sc\\_3ce\\_tr](#), [sbs\\_sc\\_1b\\_se](#))

Figure 7 presents the evolution between 2004 and 2006 of apparent labour productivity, at EU27 level, of all enterprises in the non-financial business economy, by size class. Productivity has grown at roughly the same pace in all size classes.

productivity (slightly) above the average of the whole non-financial business economy but the figure for productivity of SMEs as a whole is dragged down by micro enterprises and to a lesser extent by small enterprises.

The data show markedly greater productivity in large enterprises. Medium-sized enterprises also exhibit

**Figure 7: Apparent labour productivity of enterprises in the non-financial business economy, by enterprise size class, EU27, 2004 – 2006 (EUR 1 000 per person employed)**



Note. Including rounded estimates based on non-confidential data; see methodological notes for more details on coverage.

Source: Eurostat ([sbs\\_sc\\_2d\\_mi](#), [sbs\\_sc\\_2d\\_dade](#), [sbs\\_sc\\_2d\\_dfdn](#), [sbs\\_sc\\_2d\\_el](#), [sbs\\_sc\\_4d\\_co](#), [sbs\\_sc\\_3ce\\_tr](#), [sbs\\_sc\\_1b\\_se](#))

## SMEs, the main driver of economic growth between 2004 and 2006

So far the change of main economic indicators between 2004 and 2006 has been presented separately for SMEs and large enterprises. In this section all enterprise size classes are combined in order to show more directly by how much each one contributed to the corresponding change in the total non-financial business economy. This 'alternative view' of the relative contribution to economic growth is illustrated with a concrete example.

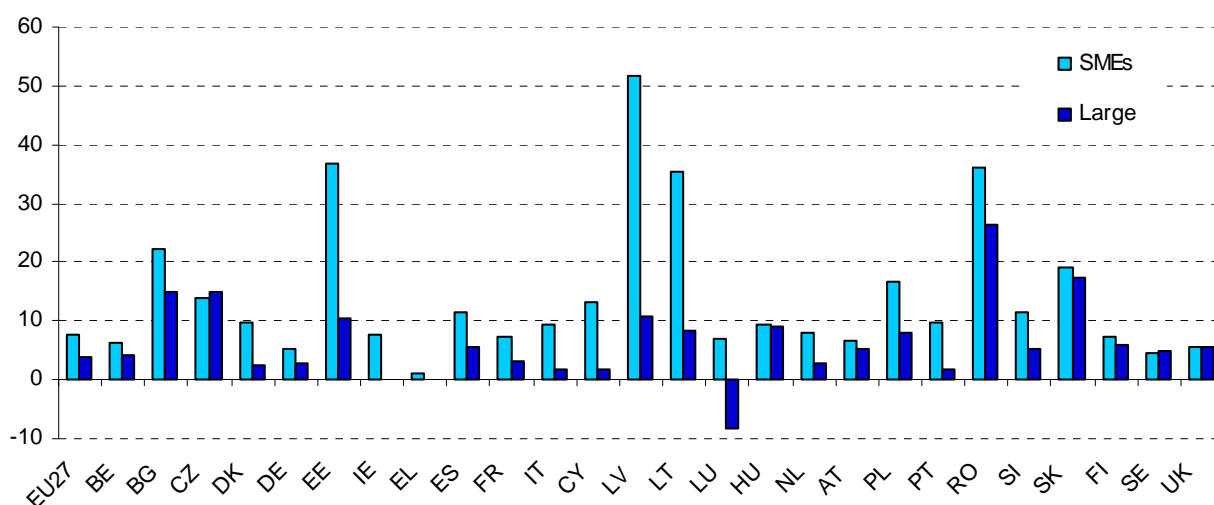
Value added at factor cost of the non-financial business economy of the EU excluding 'mining and quarrying' increased from approximately 5032 billion euros in 2004 to 5617 billion euros in 2006, i.e. by 11.6% (rounded figures). This increase of approximately 585 billion euros is the sum of an increase by 390 billion euros in SMEs and 195 billion euros in large enterprises. These figures represent 7.8% and 3.9% of the total value added of 2004.

Therefore the overall increase of 11.6% is the sum of an increase by 7.8% "due to" SMEs and of an increase by 3.9% "due to" large enterprises (slight differences result from rounding). In other words, SMEs contributed two thirds of the increase in value added of the non-financial business economy of the EU between 2004 and 2006.

Figure 8 breaks down between SMEs on the one hand and large enterprises on the other, in the manner shown above, the rate of change of value added of the non-financial business economy in all Member States for which data were available. It is evident that SMEs contributed more than large enterprises to the growth of value added in all Member States except in the Czech Republic and in Sweden. In fact in Greece, Ireland and Luxembourg the value added of large enterprises dropped. This drop was very small in Greece and Ireland and was more than offset by SMEs' growth. The same did not happen in Luxembourg where the non-financial business economy's value added declined by 1.3%.

Where both groups, SMEs and large enterprises, contributed positively, the ratio of SMEs' growth to that of large enterprises was larger than 1, except for the Czech Republic and Sweden where it was 0.9. The largest ratios are 4.2 in Lithuania and Denmark (i.e. more than 80% of growth was contributed by SMEs), 4.8 in Latvia, 5.3 in Italy, 5.9 in Portugal and 6.8 in Cyprus (this figure refers to growth between 2003 and 2005).

**Figure 8: Net contribution of SMEs and large enterprises to the rate of change of the value added of the total non-financial business economy between 2004 and 2006 (%)**



Note. EU27: Including rounded estimates based on non-confidential data; data for the 26 Member States for which data were available are based on the sum of available non-confidential data, partly including rates of change between 2003 and 2005, see methodological notes for more details on coverage.

Source: Eurostat ([sbs\\_sc\\_2d\\_mi](#), [sbs\\_sc\\_2d\\_dade](#), [sbs\\_sc\\_2d\\_dfdn](#), [sbs\\_sc\\_2d\\_el](#), [sbs\\_sc\\_4d\\_co](#), [sbs\\_sc\\_3ce\\_tr](#), [sbs\\_sc\\_1b\\_se](#))

Figure 9 shows the contribution of SMEs and large enterprises, respectively, to the change in employment.

SMEs contributed more than large enterprises, with the exception of the Czech Republic, Hungary and Poland. In the first two of those countries employment in SMEs declined - this decline was not offset by large enterprises in the Czech Republic but was offset in Hungary. In Luxembourg employment fell in both SMEs and large

enterprises. Notably, the decline in large enterprises was 5.9 times that of SMEs.

Four Member States experienced a decline of employment in large enterprises and a growth of employment in SMEs. The latter offset the former in three of them, namely Greece, Romania and Slovakia but not in the fourth one, which is the UK. In the remaining Member States both SMEs and large

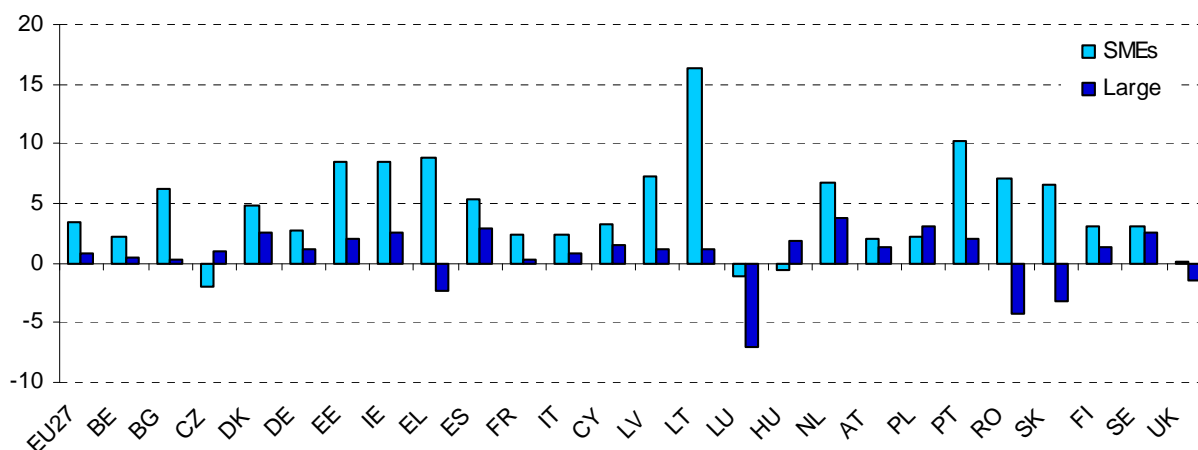
enterprises grew in terms of employment. The ratio of SMEs' growth to that of large enterprises was 0.7 in Poland and greater than 1 everywhere else. The largest ratios are 4.9 in Portugal, 5.3 in Belgium, 6 in Latvia, 11.1 in France, 14.5 in Lithuania and 21.1 in Bulgaria.

At EU level employment in the non-financial business economy grew by 4.2%, of which 3.4% is due to SMEs

and 0.8% is due to large enterprises, i.e. SMEs contributed more than four times as much as large firms.

Overall, the conclusion is that SMEs were the main drivers of economic growth in the EU between 2004 and 2006, accounting for roughly two thirds of the increase in value added and four fifths of the increase in employment in the non-financial business economy.

**Figure 9: Net contribution of SMEs and large enterprises to the rate of change of employment in the non-financial business economy between 2004 and 2006 (%)**



Note. EU27: Including rounded estimates based on non-confidential data; data for the 25 Member States for which data were available are based on the sum of available non-confidential data, partly including rates of change between 2003 and 2005, see methodological notes for more details on coverage.

Source: Eurostat ([sbs\\_sc\\_2d\\_mi](#), [sbs\\_sc\\_2d\\_dade](#), [sbs\\_sc\\_2d\\_dfdn](#), [sbs\\_sc\\_2d\\_el](#), [sbs\\_sc\\_4d\\_co](#), [sbs\\_sc\\_3ce\\_tr](#), [sbs\\_sc\\_1b\\_se](#))

## METHODOLOGICAL NOTES

### DATA SOURCE

The data presented here are part of Structural Business Statistics (SBS). Size class data within SBS are available from Eurostat's website under the 'Industry, trade and services' heading, 'Structural business statistics' sub-heading (see back page for more details). More information in relation to SBS broken down by size class may be found on the Dedicated Section (portal) concerning SBS<sup>1</sup>. SBS data are available by activity according to the activity classification NACE Rev. 1.1. This publication presents standard section (1-letter) levels, although the Eurostat database contains information down to the NACE group (3-digit) level. This publication also includes the special activity aggregate 'Non-financial business economy', which is an aggregate of NACE Sections C to I and K.

Employment size classes are used for breakdowns in all sectors. Turnover size classes are also available for distributive trades and sales area size classes are defined for a specific series applying only to retail trade.

### DEFINITION OF INDICATORS

Number of enterprises: a count of the number of enterprises active during at least a part of the reference period. Micro enterprise: 1-9 persons employed; small enterprise: 10-49 persons employed; medium-sized enterprise: 50-249 persons employed; large enterprise: 250 or more persons employed.

Number of persons employed: the total number of persons who work in the observation unit (inclusive of working proprietors, partners working regularly in the unit and unpaid family workers), as well as persons who work outside the unit, who belong to it and are paid by it (e.g. sales representatives). It includes persons absent for a short period (e.g. sick or paid leave), and also those on strike, but not those absent for an indefinite period. It includes part-time workers, seasonal workers, apprentices, and home workers on the payroll.

<sup>1</sup> Available at the following address:  
[http://ep.eurostat.ec.europa.eu/portal/page/portal/european\\_business/introduction](http://ep.eurostat.ec.europa.eu/portal/page/portal/european_business/introduction).

Value added (at factor cost): can be calculated from turnover, plus capitalised production, plus other operating income, plus or minus the changes in stocks, minus the purchases of goods and services, minus other taxes on products which are linked to turnover but not deductible, minus the duties and taxes linked to production. Alternatively it can be calculated from gross operating surplus by adding personnel costs.

### DATA AVAILABILITY

As noted under tables and graphs the coverage of data is not complete. The following list details by Member State the information that is not available, at the time of writing.

BE: excluding Section C; BG: excluding section G; DK: excluding Section C in value added, employment and labour productivity in all figures; DE: excluding section E in value added and labour productivity; EE: excluding Section C in value added, employment and labour productivity; IE: excluding Section C, excluding section E in all figures; EL: excluding Sections C and E; CY: excluding sections E and K, excluding sections H and I where 2006 data are used, figures 2-9 based on data for 2003 – 2005; LV: excluding Sections C and H in value added and labour productivity (H excluded only from figures); LT: excluding Section C in value added, employment and labour productivity; LU: excluding Sections C and E in value added, employment and labour productivity; HU: excluding Section C in number of enterprises, value added and labour productivity, 2003 – 2005 instead of 2004 – 2006 for employment in Section C; NL: excluding sections C, E and K in value added and labour productivity, excluding section C in employment; MT: not available; AT: excluding Sections C and E in value added, employment and labour productivity; PT: excluding Sections C and E; SI: excluding Sections C and E in value added, employment and labour productivity, excluding Sections F, G, H and K in employment and labour productivity for 2004, not included in figures 2, 3, and 9 due to too many gaps, figures 4, 5 and 6 based on data for 2003 – 2005; SK: excluding section C, all figures 2003 – 2005; FI: excluding Section C.

In addition to the above the following exception applies:

In Figure 1 the number of enterprises of Section E refers to 2005 instead of 2006.

## Further information

---

Data: [Eurostat Website: http://ec.europa.eu/eurostat](http://ec.europa.eu/eurostat)

Data on "Structural business statistics":

[http://epp.eurostat.ec.europa.eu/portal/page/portal/european\\_business/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/data/database)

More information about "Structural business statistics":

[http://epp.eurostat.ec.europa.eu/portal/page/portal/european\\_business/introduction](http://epp.eurostat.ec.europa.eu/portal/page/portal/european_business/introduction)

---

### **Journalists can contact the media support service:**

Bech Building Office A4/125 L - 2920 Luxembourg

Tel. (352) 4301 33408 Fax (352) 4301 35349

E-mail: [eurostat-mediasupport@ec.europa.eu](mailto:eurostat-mediasupport@ec.europa.eu)

---

### **European Statistical Data Support:**

Eurostat set up with the members of the 'European statistical system' a network of support centres, which will exist in nearly all Member States as well as in some EFTA countries.

Their mission is to provide help and guidance to Internet users of European statistical data.

Contact details for this support network can be found on our Internet site:

<http://ec.europa.eu/eurostat/>

---

A list of worldwide sales outlets is available at the:

### **Office for Official Publications of the European Communities.**

2, rue Mercier

L - 2985 Luxembourg

URL: <http://publications.europa.eu>

E-mail: [info@publications.europa.eu](mailto:info@publications.europa.eu)

---

Manuscript completed on: 08.09.2009

Data extracted on: 11.05.2009

ISSN 1977-0316

Catalogue number: KS-SF-09-071-EN-N

© European Communities, 2009