The role of Dutch SMEs in the Dutch economy: An analysis using an extended SUT

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It is well known that SMEs and large enterprises can have very different behaviour. For example, the first group is less prone to export, one of the reasons being that it cannot bear the costs for entering foreign markets. However, an analysis using standard input output tables does not take this heterogeneity into account because industries are not split by SMEs and large enterprises. Thus, the contribution of SMEs to exports, their opportunities to benefit from growing markets abroad, are underestimated. This heterogeneity is recognized by many and organisations such as the OECD have set steps to develop new data and insights. However, at the moment the necessary data to take heterogeneity into account are scarce. This paper describes a project that fills that gap, namely the development of a SUT and IOT for the Netherlands split up by four size classes.

We introduce heterogeneity in the Dutch SUT and IOT of 2012 by splitting them into four size classes. Then the usual techniques are used to estimate the contribution of SMEs to total exports and to the ten major trading partners of the Netherlands respectively. Such a contribution can be by direct exports or by supplying large enterprises with intermediate goods and services that are subsequently used to export.

The existing Dutch SUT is split up using information from several statistics on enterprise level. For example, turnover, investments and exports. Using the General Business Register the aggregates of these variables are computed for the four size classes. Then they are plugged into the standard systems of National Accounts which yields the first version of the desired SUT where most industries are split up in four size classes. It is checked for plausibility and adapted when necessary. The final version of the SUT is used to construct an IOT where most industries are split up in four size classes as well. The IOT is checked for plausibility and adapted if necessary.

Subsequently, the IOT is used to derive the role of SMEs in the Dutch economy. How much are their activities intertwined with those of large enterprises? For the first time we can properly estimate this in general and for exports in particular. This provides new information about the channels that SMEs use to export; are they mainly direct suppliers of foreign markets or mainly suppliers of large enterprises that export. This estimation is made for exports to the ten main trading partners of the Netherlands. Since it can be expected that there is heterogeneity in export markets as well. It is easier for SMEs to export to neighbouring countries Germany or Belgium than to countries far away.

A novelty in our project is the delineation of SMEs. Instead of considering enterprises that have a domestic workforce less than 250 employees, we consider enterprises that belong to an enterprise group that worldwide has less than 250 employees. Thus, a small Dutch subsidiary of a foreign multinational is not considered to be an SME. This definition is much closer to reality. Since such a subsidiary has access to a large network, knowledge and finance, just as a large enterprise, whereas the average SME does not. However, the construction of the SUT and IOT is in such a way that the traditional delineation of SMEs can be used for calculations as well. This makes it possible to compare the results to earlier studies about the role of SMEs in the Dutch economy.