

A microscope on small businesses: The productivity opportunity by country

Data snapshot for Brazil



McKinsey Global Institute

The McKinsey Global Institute was established in 1990. Our mission is to provide a fact base to aid decision making on the economic and business issues most critical to the world's companies and policy leaders. We benefit from the full range of McKinsey's regional, sectoral, and functional knowledge, skills, and expertise, but editorial direction and decisions are solely the responsibility of MGI directors and partners.

Our research is currently grouped into five major themes:

- Productivity and prosperity: Creating and harnessing the world's assets most productively
- Resources of the world: Building, powering, and feeding the world sustainably
- Human potential: Maximizing and achieving the potential of human talent
- Global connections: Exploring how flows of goods, services, people, capital, and ideas shape economies
- Technologies and markets of the future: Discussing the next big arenas of value and competition

We aim for independent and fact-based research. None of our work is commissioned or funded by any business, government, or other institution; we share our results publicly free of charge; and we are entirely funded by the partners of McKinsey. While we engage multiple distinguished external advisers to contribute to our work, the analyses presented in our publications are MGI's alone, and any errors are our own.

You can find out more about MGI and our research at www.mckinsey.com/mgi.

MGI Directors

Sven Smit (chair)
Chris Bradley
Kweilin Ellingrud
Sylvain Johansson
Olivia White
Lola Woetzel

MGI Partners

Michael Chui
Mekala Krishnan
Anu Madgavkar
Jan Mischke
Jeongmin Seong
Tilman Tacke

A microscope on small businesses: Data snapshot for Brazil

The recent McKinsey Global Institute report *A microscope on small businesses: Spotting opportunities to boost productivity* estimated that micro-, small, and medium-size enterprises (MSMEs) account for two-thirds of business employment in advanced economies—and almost four-fifths in emerging economies—as well as half of all value added.¹

In this research, MGI aggregated a richly granular data set of MSMEs and large companies across 12 broad sectors, 68 level-two subsectors, and more than 200 level-three subsectors for 16 countries that account for more than half of global GDP. In this group (listed by per capita GDP in 2021 in purchasing power parity terms) are ten advanced economies: the United States, Germany, Australia, the United Kingdom, Italy, Israel, Japan, Spain, Poland, and Portugal; and six emerging economies: Mexico, Brazil, Indonesia, India, Nigeria, and Kenya.²

In these countries, MSMEs on average have only half the productivity of large companies, and less than that in emerging economies. Raising MSMEs to top-quartile levels relative to large companies is equivalent to 5 percent of GDP in advanced economies and 10 percent in emerging economies.

The visual presentation that follows summarizes the findings for Brazil.

MSME performance varies significantly among countries—and sectors and subsectors within countries. Their economic contribution in terms of jobs and value added ranges widely, as does their contribution to economic dynamism. So does their productivity relative to large companies, and the potential to add value from narrowing those gaps.

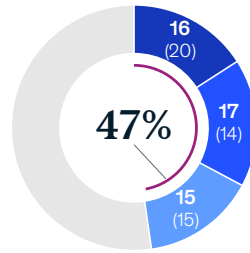
Only a fine-grained view down to the subsector level reveals a full picture of MSME productivity and informs how best to raise it and capture value. Based on that deep intelligence, businesses and policy makers can effectively prioritize and tailor approaches, and those approaches, too, can differ from country to country.

¹ *A microscope on small businesses: Spotting opportunities to boost productivity*, McKinsey Global Institute, May 2024.

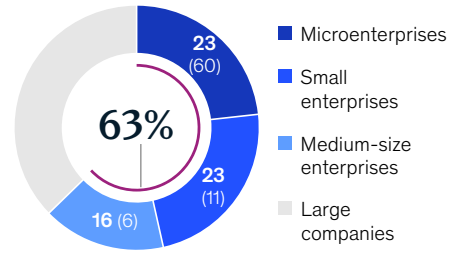
² Countries classified as "advanced emerging," "secondary emerging," or "frontier" by FTSE Russell have been categorized as emerging economies for this research. For more detail, see *FTSE equity country classification September 2023 annual announcement*, FTSE Russell, September 2023.

MSMEs in Brazil contribute 47% to value added and 63% to employment compared with 49% and 77%, respectively, in emerging economies, and play a significant role in trade and construction. But they are less dynamic and struggle with productivity. MSMEs are only 54% as productive as large companies in Brazil, although better than emerging economies at 29%. Narrowing the productivity gap with large companies is equivalent to 3.4% of GDP in Brazil, compared with 10.3% among a sample of emerging economies.¹

MSME share of business value added, %

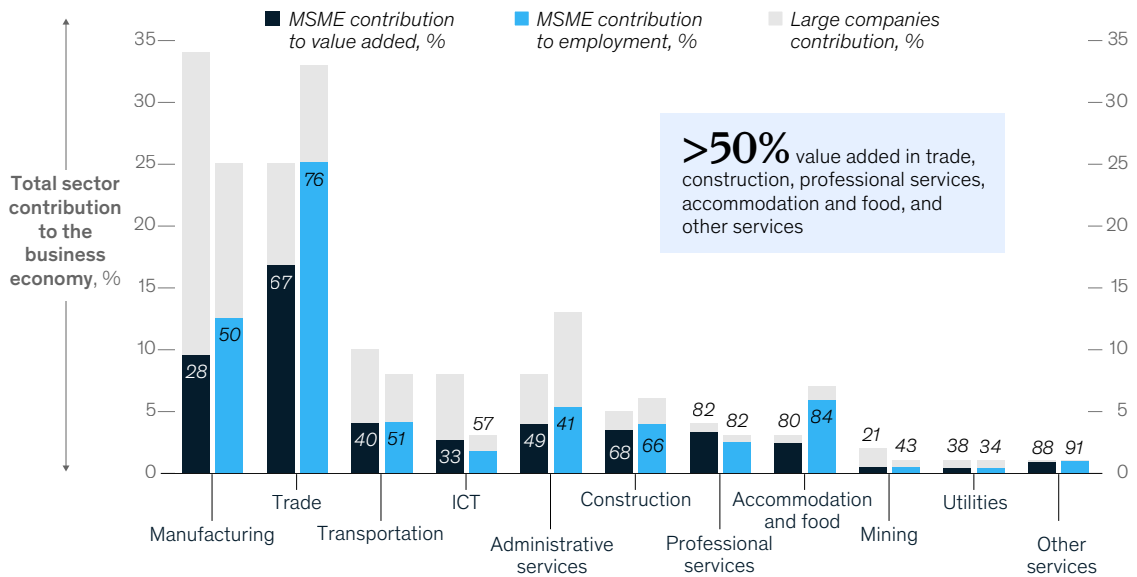


MSME share of business employment, %

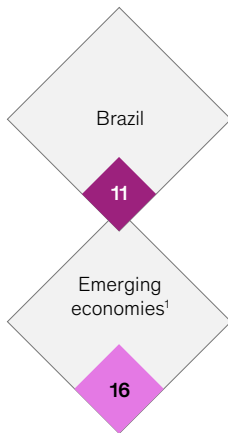


xx (xx): share in Brazil (average share in emerging economies¹)

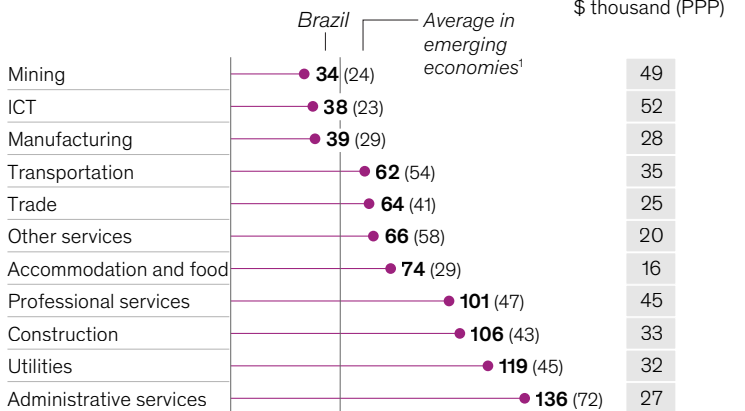
MSME share of business value added and employment by sector, %



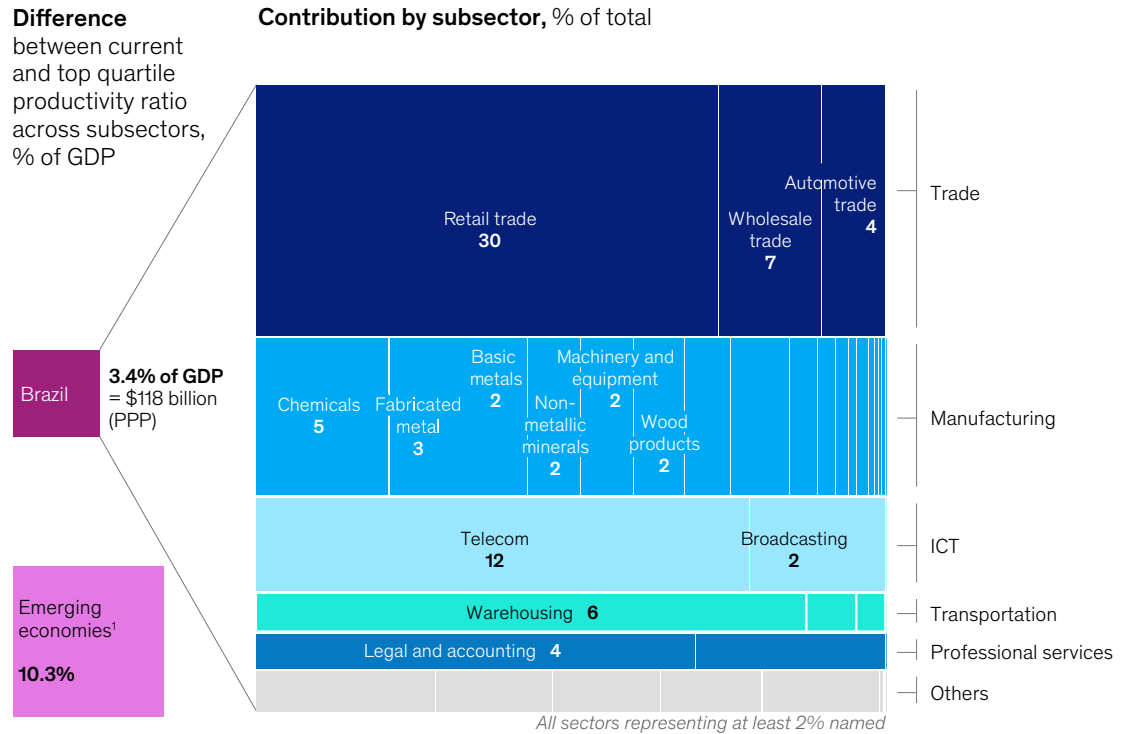
MSME role in business dynamism, share of public companies with >\$1.4B market capitalization in 2022 that were MSMEs at some point since 2000, %



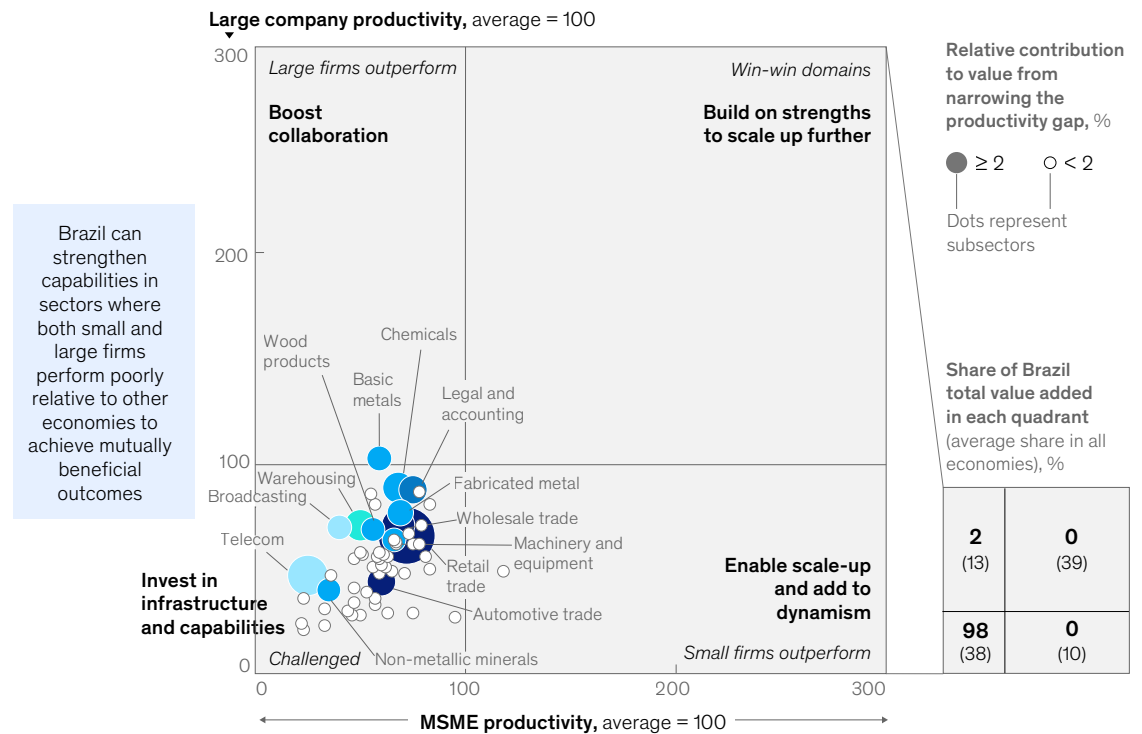
MSME productivity ratio (MSME productivity relative to large company productivity by sector, %)



MSMEs are **54%** as productive as large companies on average in Brazil vs 29% in emerging economies¹



Large company vs MSME productivity, indexed (100 = simple average productivity across countries for each subsector²)



¹ Emerging economies included are Brazil, India, Indonesia, Kenya, Mexico, and Nigeria.

² Countries included in the average are the 6 emerging economies and 10 advanced economies (Australia, Germany, Israel, Italy, Japan, Poland, Portugal, Spain, UK, and US). Note: Year for which data are represented is 2019. Microenterprises have <10 employees, small enterprises have 10–49 employees, medium enterprises have 50–249 employees, and large companies have ≥ 250 employees. Analysis excludes the following sectors due to inconsistent data: agriculture, financial and insurance activities, real estate, public administration and defense, education, human health and social work, arts and entertainment, activities of households, and activities of extraterritorial organizations.

Source: OECD, Structural and Demographic Business Statistics; the Brazilian Institute of Geography and Statistics, Statistics of the Central Register of Enterprises; ILOSTAT; S&P Global Market Intelligence; McKinsey Global Institute

McKinsey Global Institute

May 2024

Copyright © McKinsey & Company

Designed by the McKinsey Global Institute

mckinsey.com/mgi

 [@McKinsey_MGI](https://twitter.com/McKinsey_MGI)

 [@McKinseyGlobalInstitute](https://www.facebook.com/McKinseyGlobalInstitute)

 [@McKinseyGlobalInstitute](https://www.linkedin.com/company/McKinseyGlobalInstitute)

Subscribe to MGI's podcast, *Forward Thinking*:

mck.co/forwardthinking