

Global Funding | The Impact of COVID-19 on Global Startup Ecosystems

Fourth Installment of Series

May, 2020

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Briefing

As our world is shaken in the most dramatic way imaginable, it is time for our global startup community to get closer, support, and learn from each other. Some of us remember the crash of 1987, the dot-com bubble burst of 2000-2001, and the 2007 financial crisis. With COVID-19, not only is the economic crisis sudden, the human impact is also horrific.

To better understand the impact of this crisis on startup ecosystems and to help founders and policymakers get through the storm, Startup Genome has launched our [COVID-19 and Startup Ecosystems Series](#), of which this is our first installment, as well as a Global Policy Database for governments to learn from each others' initiatives.

In this briefing, the key findings are:

- **Global venture capital funding has dropped by about 20 percent** since the onset of the crisis in December 2019. The drop, however, is far from evenly distributed.
- China, the first country hit by the coronavirus crisis, had a drop of over 50 percent in funding relatively to the rest of the world in January and February. Nonetheless, **China has seen a rebound in March**, although with numbers still lower than pre-crisis levels. Asian ecosystems (excluding China) also saw a major drop beginning in January, with no rebound as of March.
- On an initial look it seems like the **United States has so far experienced only relatively small changes in startup funding since December**: a drop of less than 10 percent by March. However, when we take into account the seasonality pattern from previous years, with January consistently showing more activity than December, the small drop between December and the beginning of the year means that every month of the first quarter of 2020 in the U.S. saw over 15 percent fewer deals than the same months in 2019.
- **European ecosystems only saw drops in funding activity starting in March**, of about 10 percent compared to December — **the last continent among all regions of the world to see an impact** on number tech investment deals.
- As we reported in our latest [global startup survey results](#), **4 out of every 10 startups global are in what we call “red zone”** — they have 3 months or fewer of cash runway. This means that if these companies do not change their cash flow situation and do not raise additional funds they will die. For startups that have raised Series A or later rounds, 34 percent have less than 6 months worth of cash — a danger zone in the current situation where fundraising is difficult.



- The **double whammy of the drop in demand** ([3 out of every 4 startups have had their revenue decline](#)) with the **capital crunch startups** are in makes this global drop in venture capital particularly worrisome. For more insights from our global startup survey, [please see our latest report on the topic](#).
- **Startups will be key to the economic recovery**: they [create most of the net new jobs in the economy, and are especially more relevant now as our society becomes increasingly digital](#). Yet, we are at a **risk of a mass extinction event for tech startups**. Governments need to act now to support these companies so that their [digital innovation and economic recovery capabilities are not decimated](#). This is especially true for emerging ecosystems — those without the decades of experience and capital pool in places like Silicon Valley.

No data on startups is perfect and what we present here is no exception. For instance, funding rounds can take a while between the time they happen and the time they show up on the databases. To address this, we focus on Series A+ rounds — which have smaller time lags than Seed rounds — and target our analysis using global comparisons. In addition to presenting an extensive appendix of charts and analysis for the readers, we discuss more the question of time lags in funding data in the methodology section.

In the coming weeks and months Startup Genome will continue publishing insights on the impact of the coronavirus crisis on startups, and continuing to build tools for governments and ecosystems to support their startups through the crisis. You can sign up [here to get it](#).

If you are a policymaker or ecosystem support organization and would like to deploy the [COVID-19 Impact Global Startup Survey](#) in your community and get detailed insights about what is happening on the ground (and how your ecosystem stack up with what is happening globally), please reach out to Adam Bregu (adam@startupgenome.com).



About Startup Genome

Startup Genome works to enhance startup success and ecosystem performance everywhere.

Our mission and impact are rooted in over a decade of independent research with data on over a million companies across 150 cities. Working side-by-side with more than 300 partner organizations, our frameworks and methodologies have become instrumental in building foundations for startups to grow. Our efforts earned us the Research Champions award at the Global Entrepreneurship Congress 2019.

Many of the world's leading governments and innovation-focused organizations have joined our knowledge network to cut through the complexities of startup ecosystem development and fuel sustained economic growth. Considered the new science of startup ecosystem assessment, we point to key gaps in startup ecosystems and prioritize actions to take in addressing them. Together with global thought leaders, we define robust strategies and implement programs to drive lasting change.

Join us and boost startup success, economic growth, and job creation in your region. Follow our work at startupgenome.com or find us at [Facebook](#), [Twitter](#), and [LinkedIn](#).

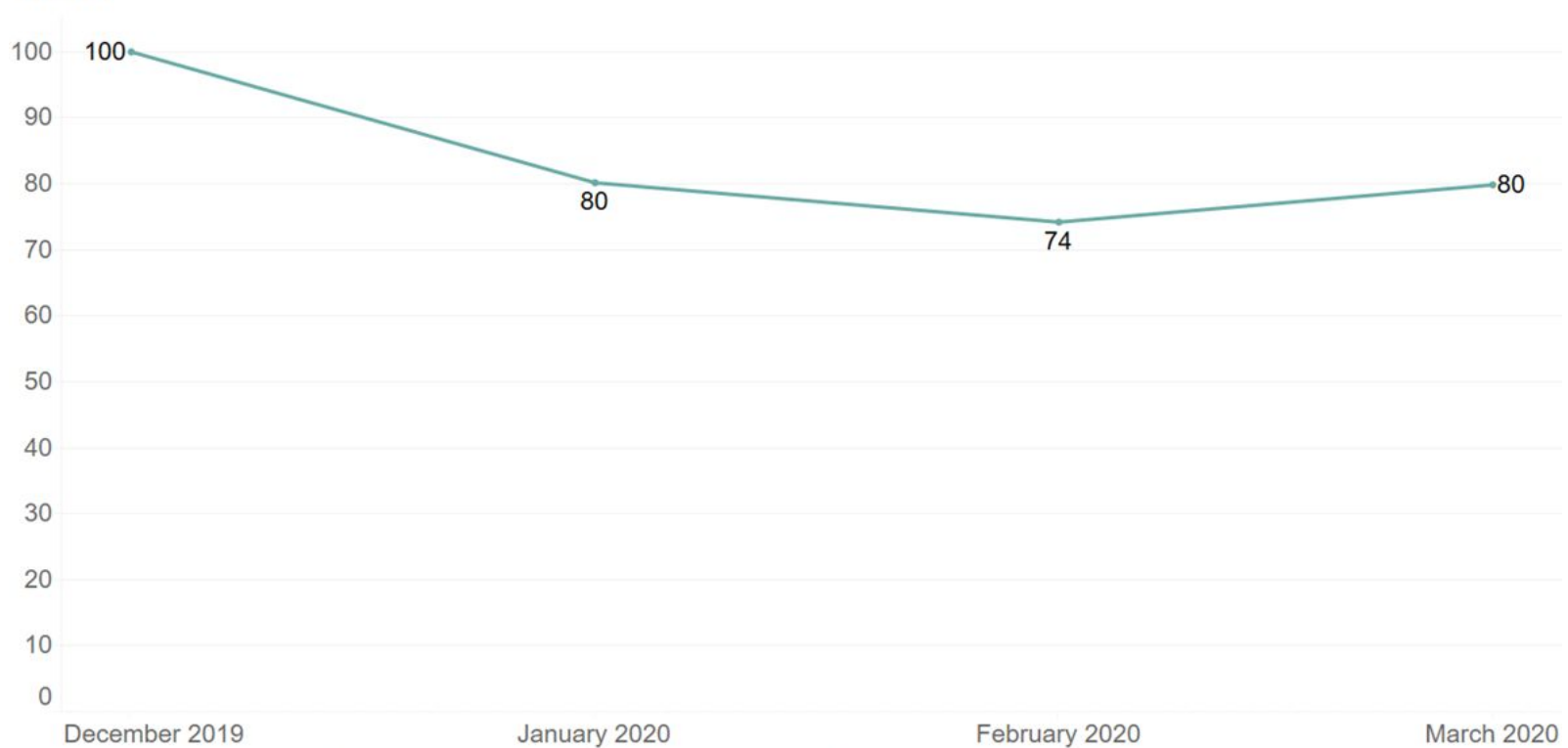


Impact in Funding Since the COVID-19 Crisis

Number of Series A+ Deals

Indexed to Dec. 2019

World



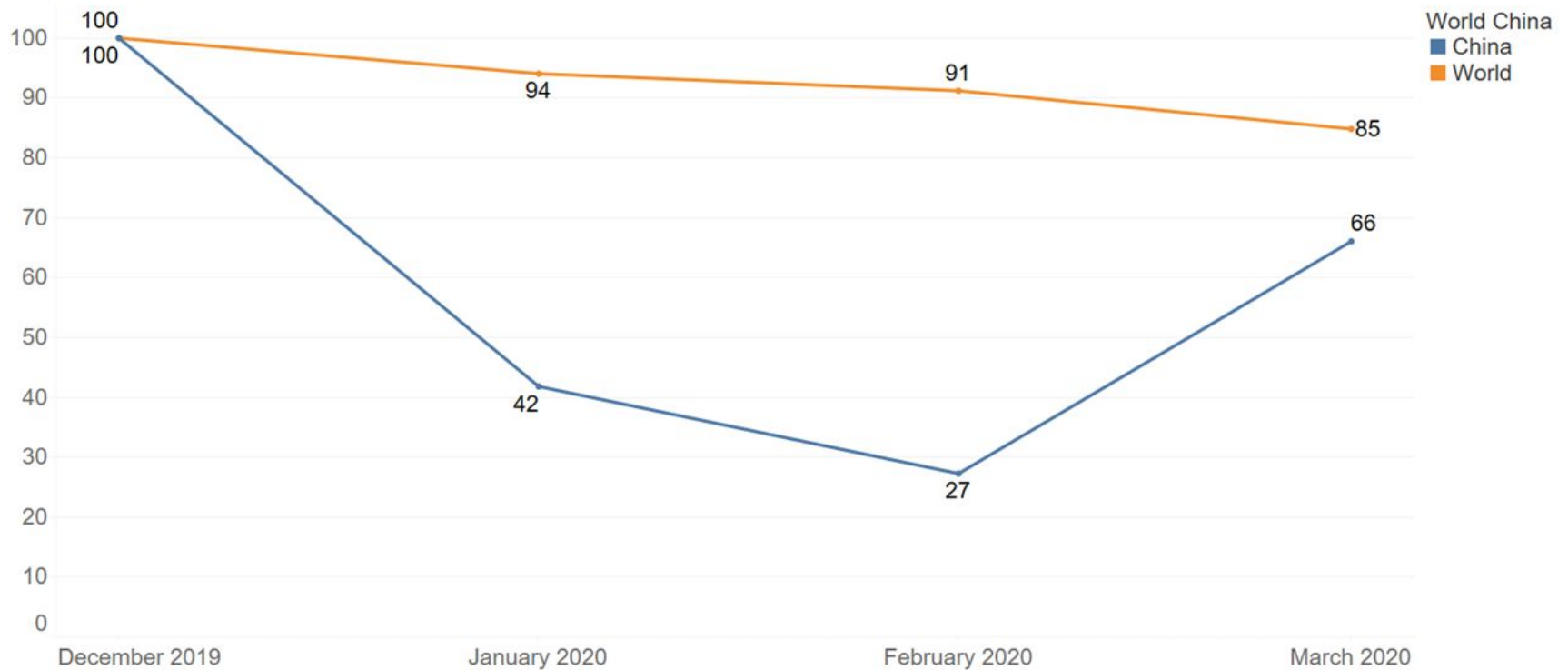
Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Number of Series A+ Deals

Indexed to Dec. 2019

World, China

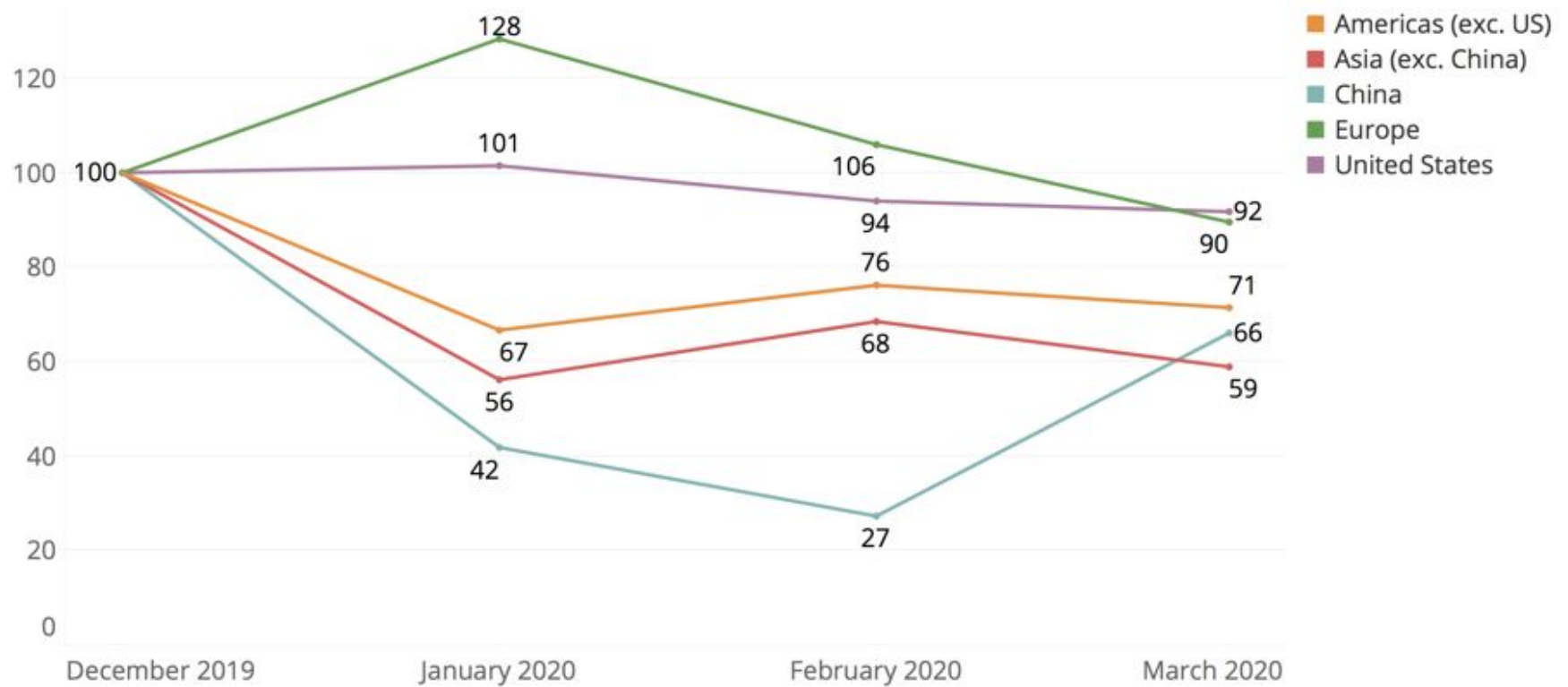


Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Number of Series A+ Deals

Indexed to Dec. 2019. Largest Regions by Investment Activity
World



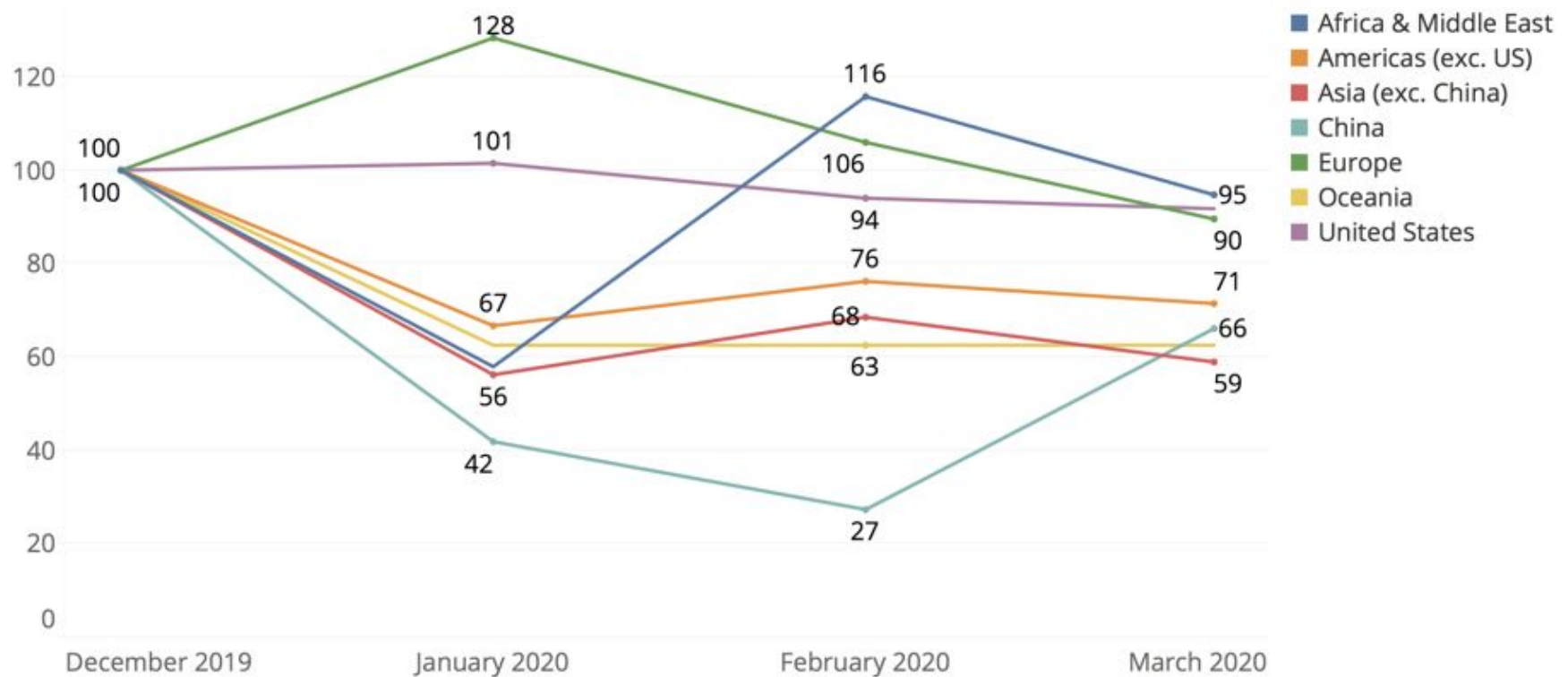
Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Number of Series A+ Deals

Indexed to Dec. 2019

World

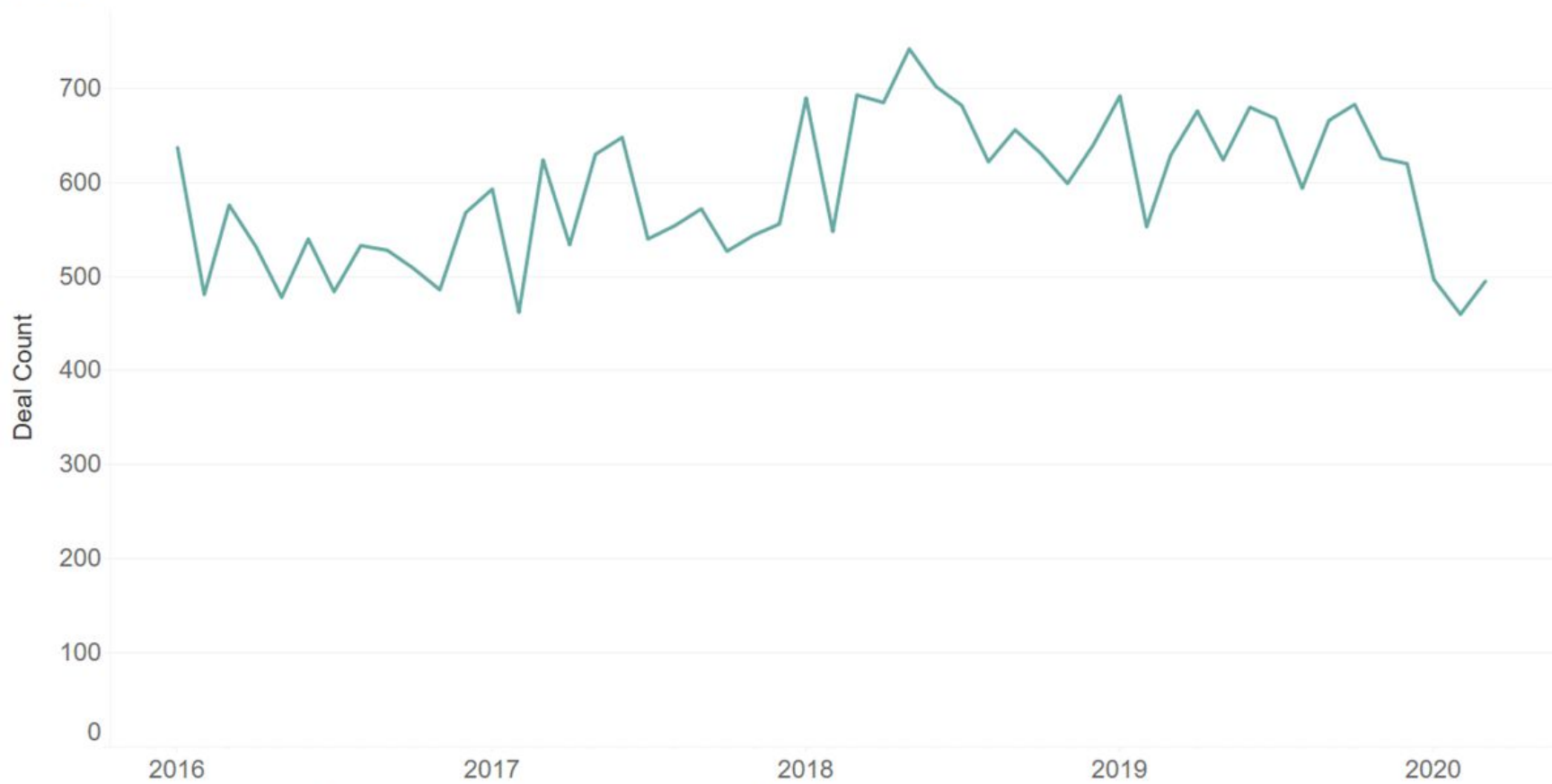


Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Number of Series A+ Deals

World

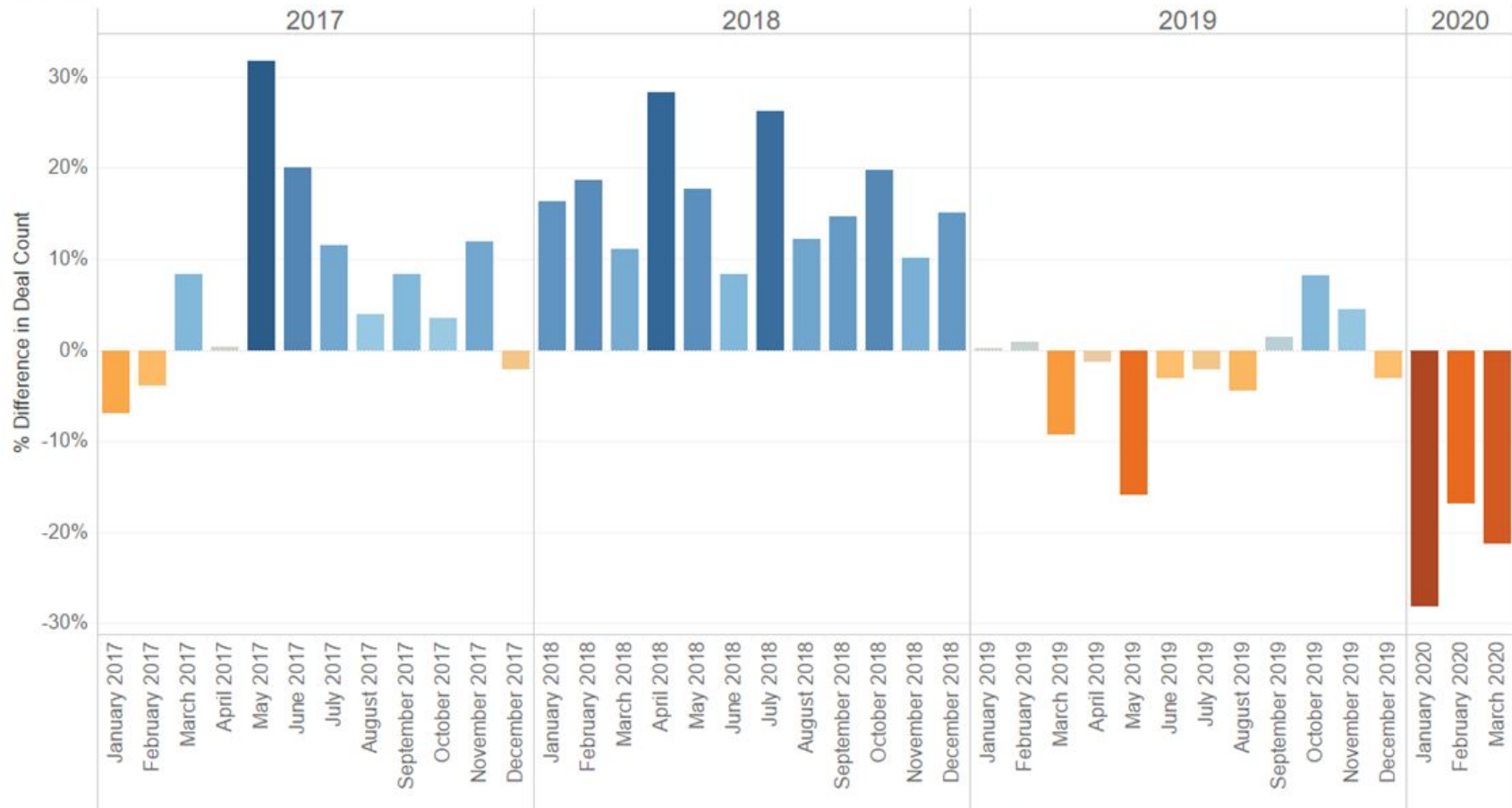


Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Year-Over-Year Change in Series A+ Deals

World



Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com

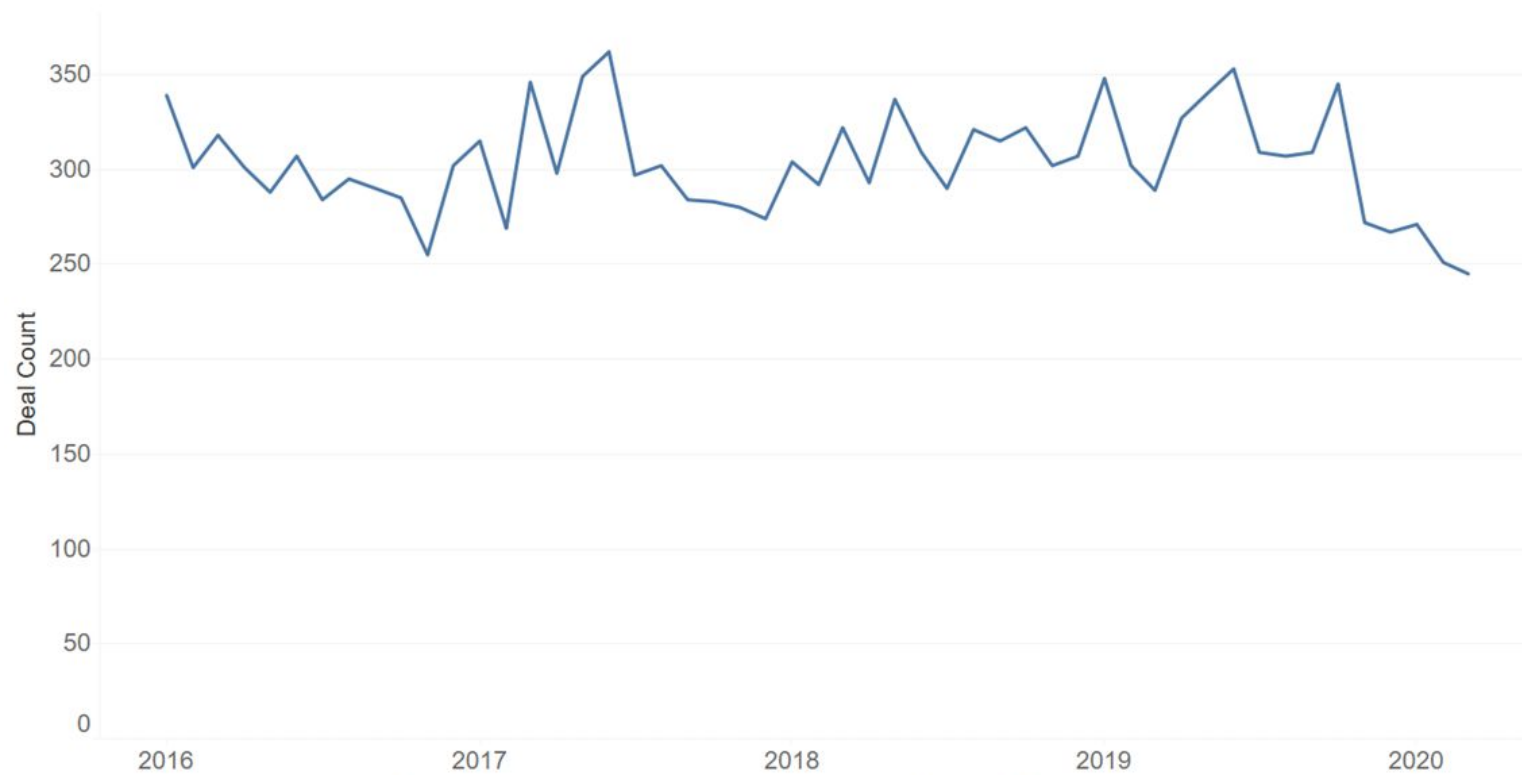


Charts Analysis Appendix

United States

Number of Series A+ Deals

United States

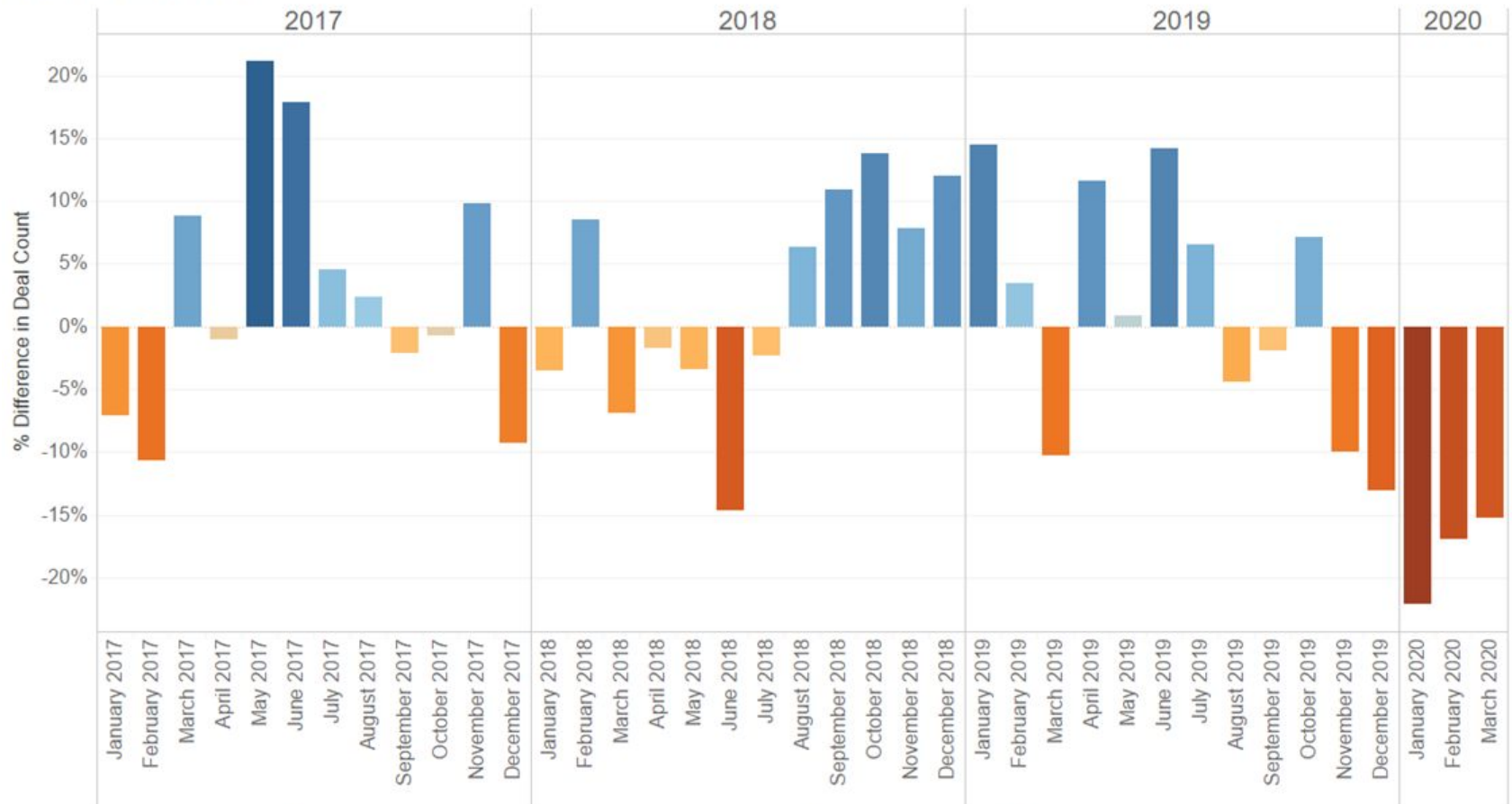


Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Year-Over-Year Change in Series A+ Deals

United States



Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



China

Number of Series A+ Deals by Country

China

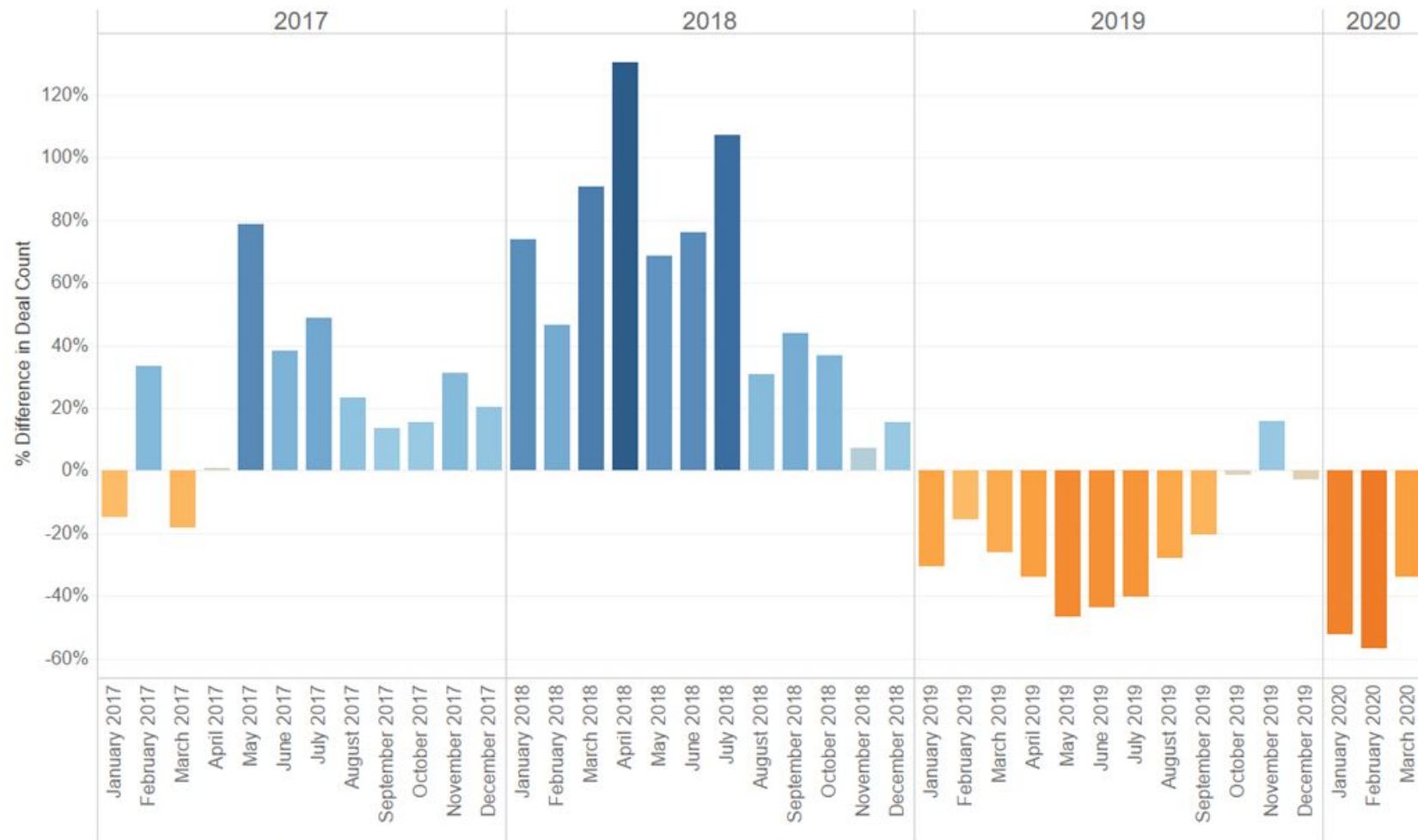


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Year-Over-Year Change in Series A+ Deals

China



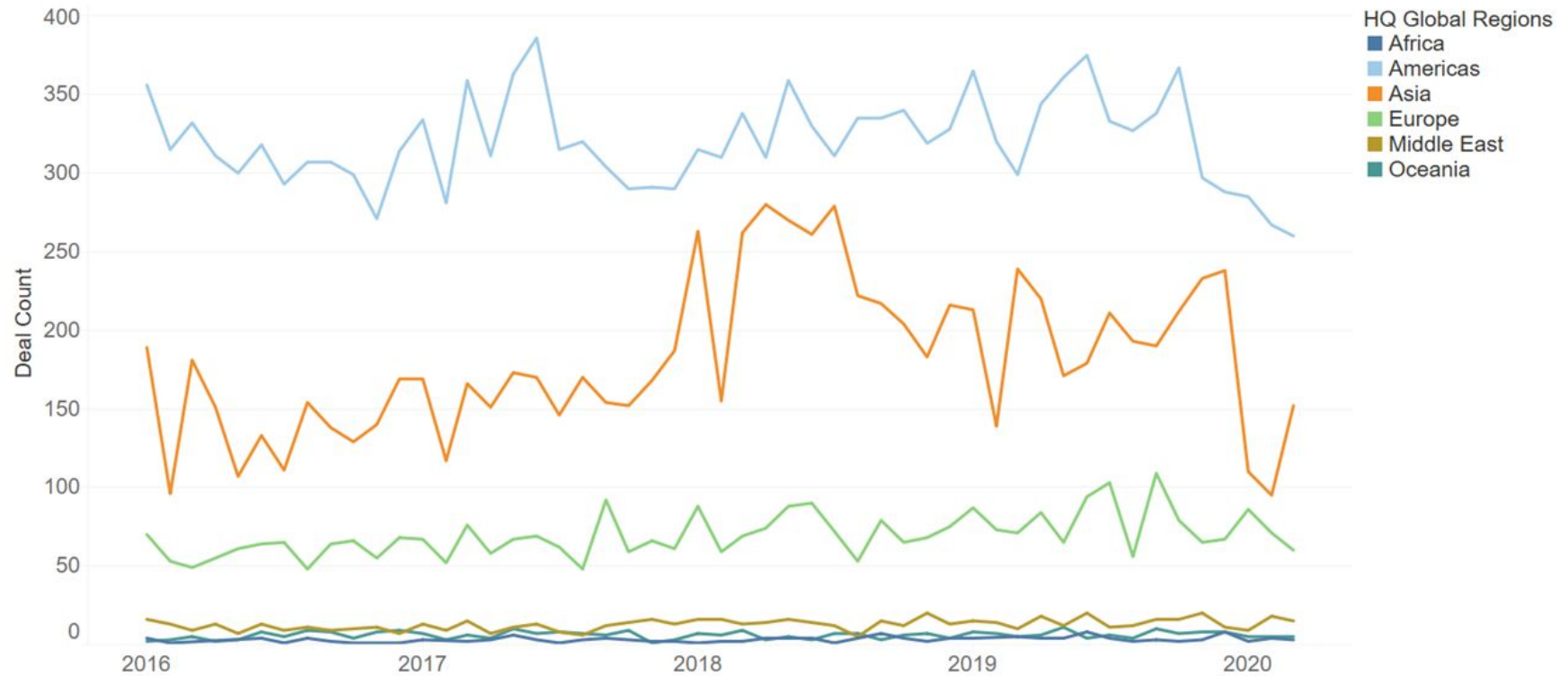
Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



All Continents

Number of Series A+ Deals

By Continent



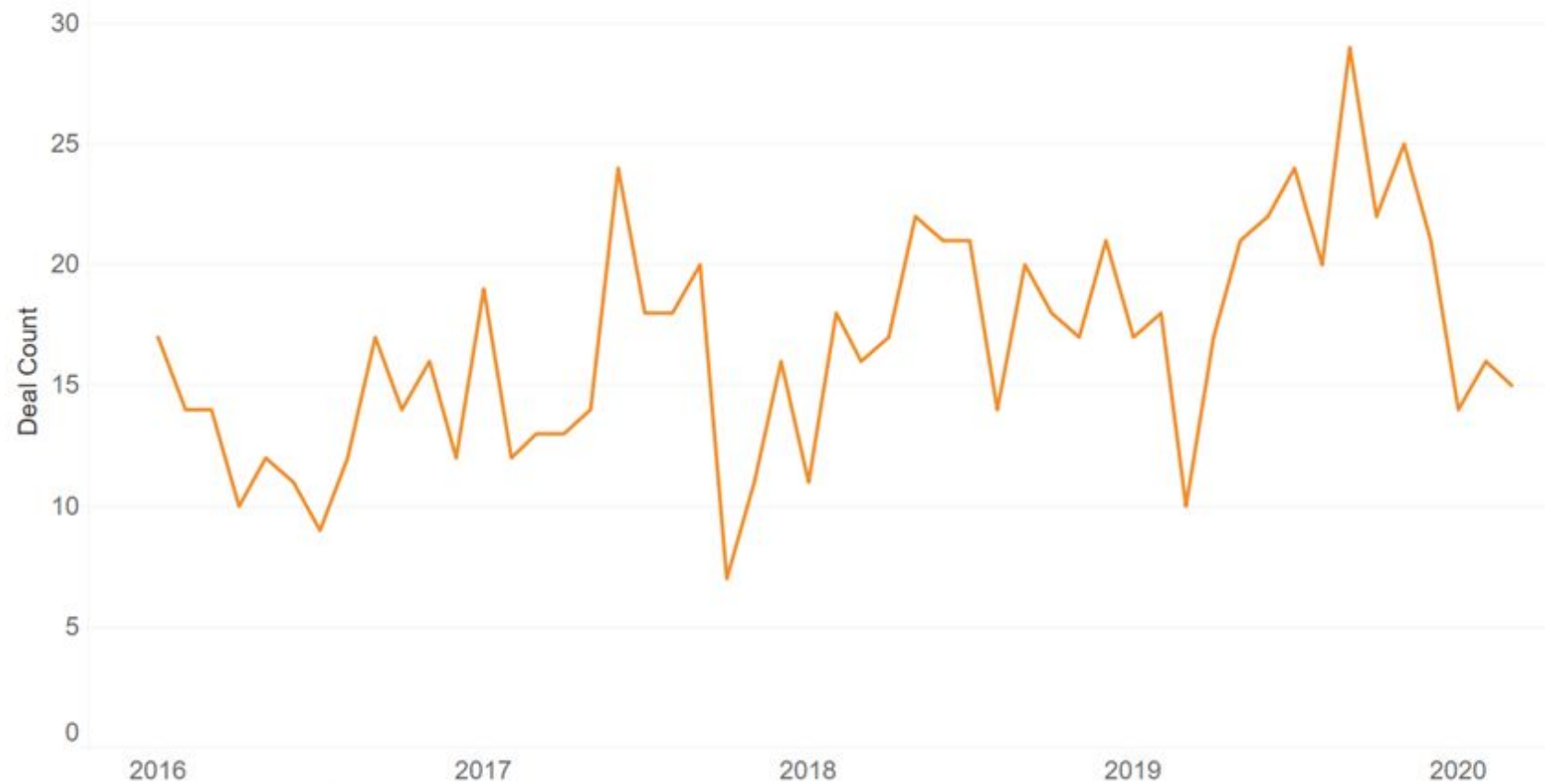
Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Americas (exc. USA)

Number of Series A+ Deals

Americas (exc. US)

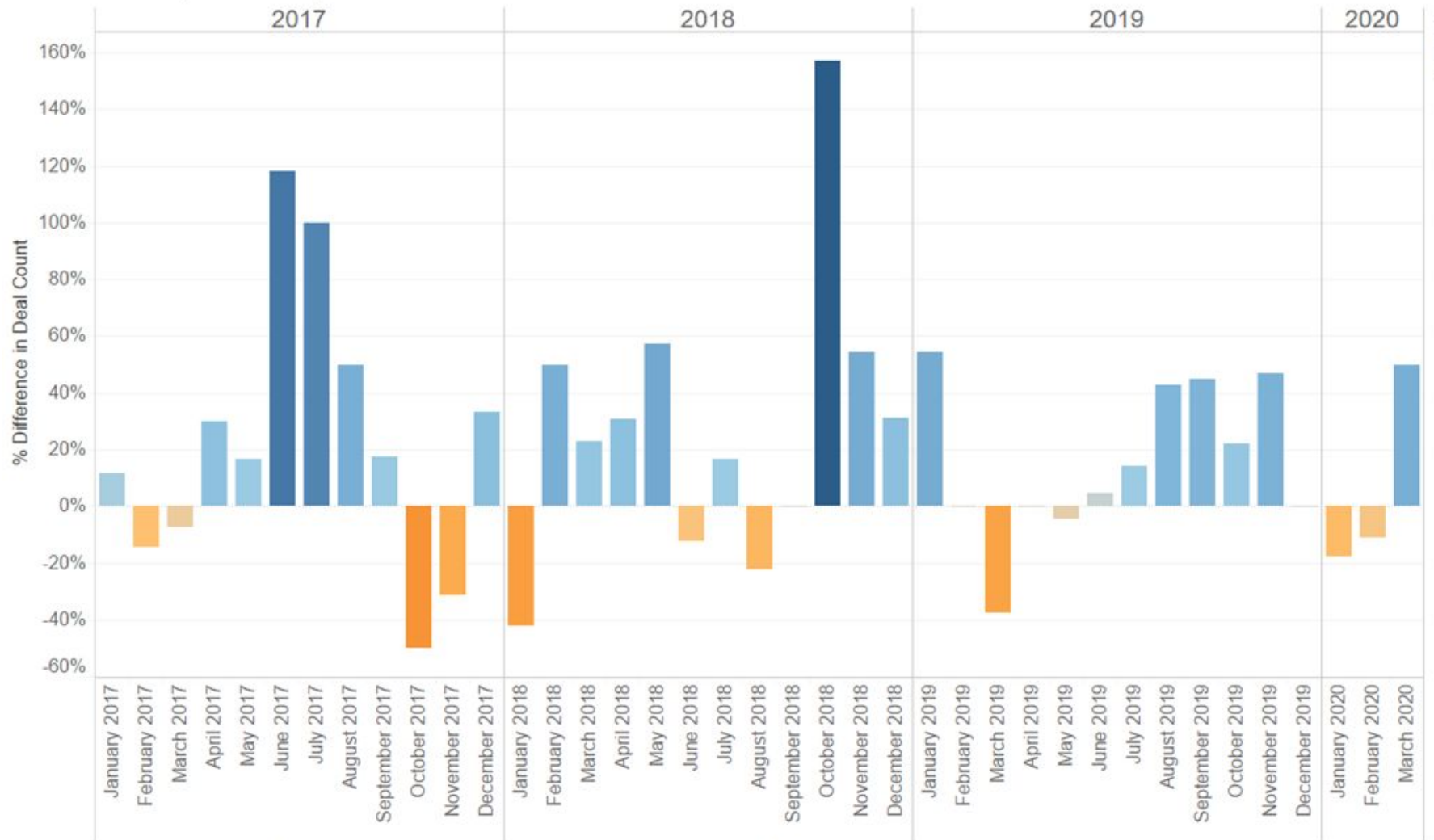


Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Year-Over-Year Change in Series A+ Deals

Americas (exc. US)



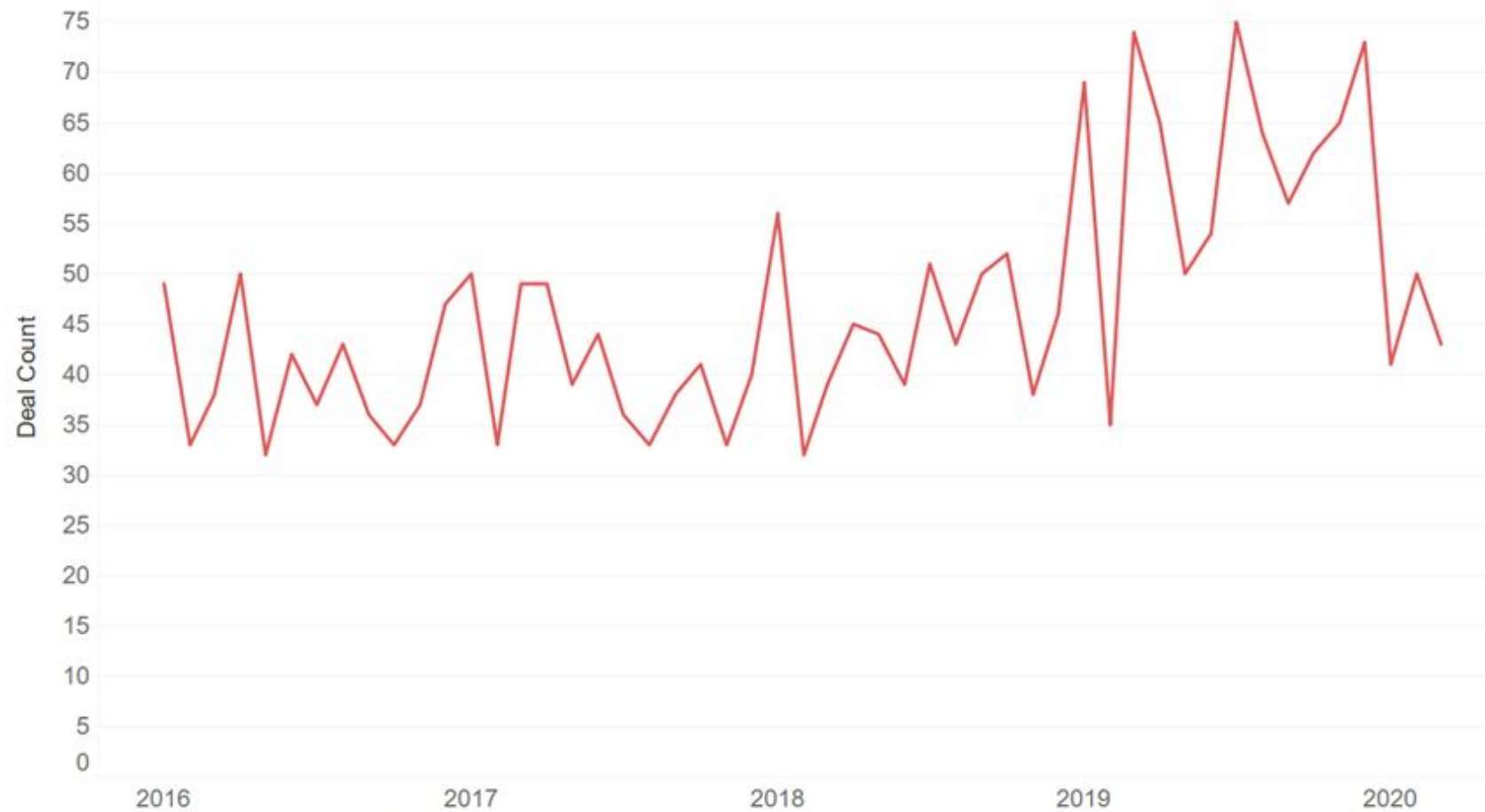
Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Asia-Pacific (exc. China)

Number of Series A+ Deals

Asia (exc. China)

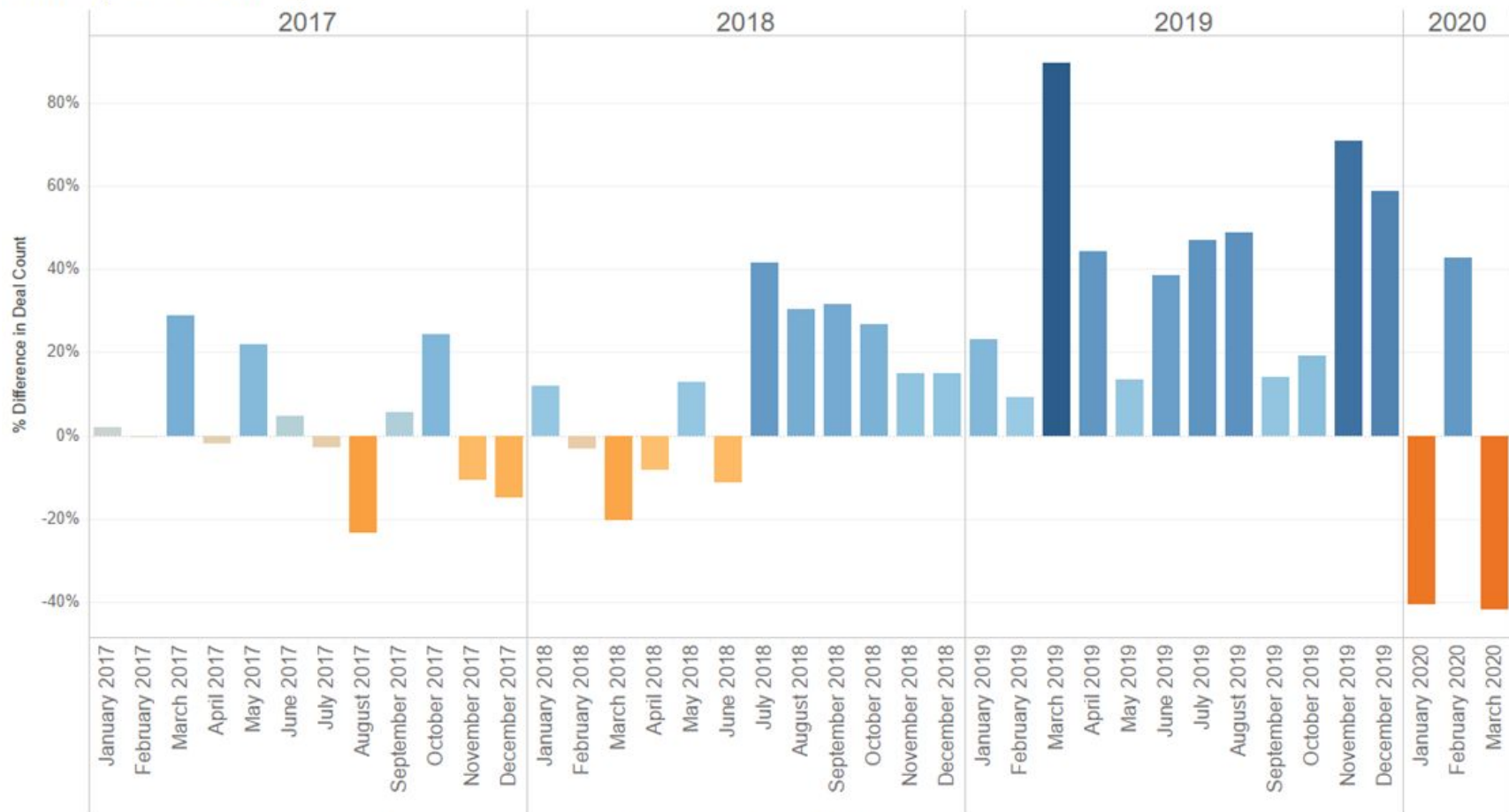


Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Year-Over-Year Change in Series A+ Deals

Asia (exc. China)



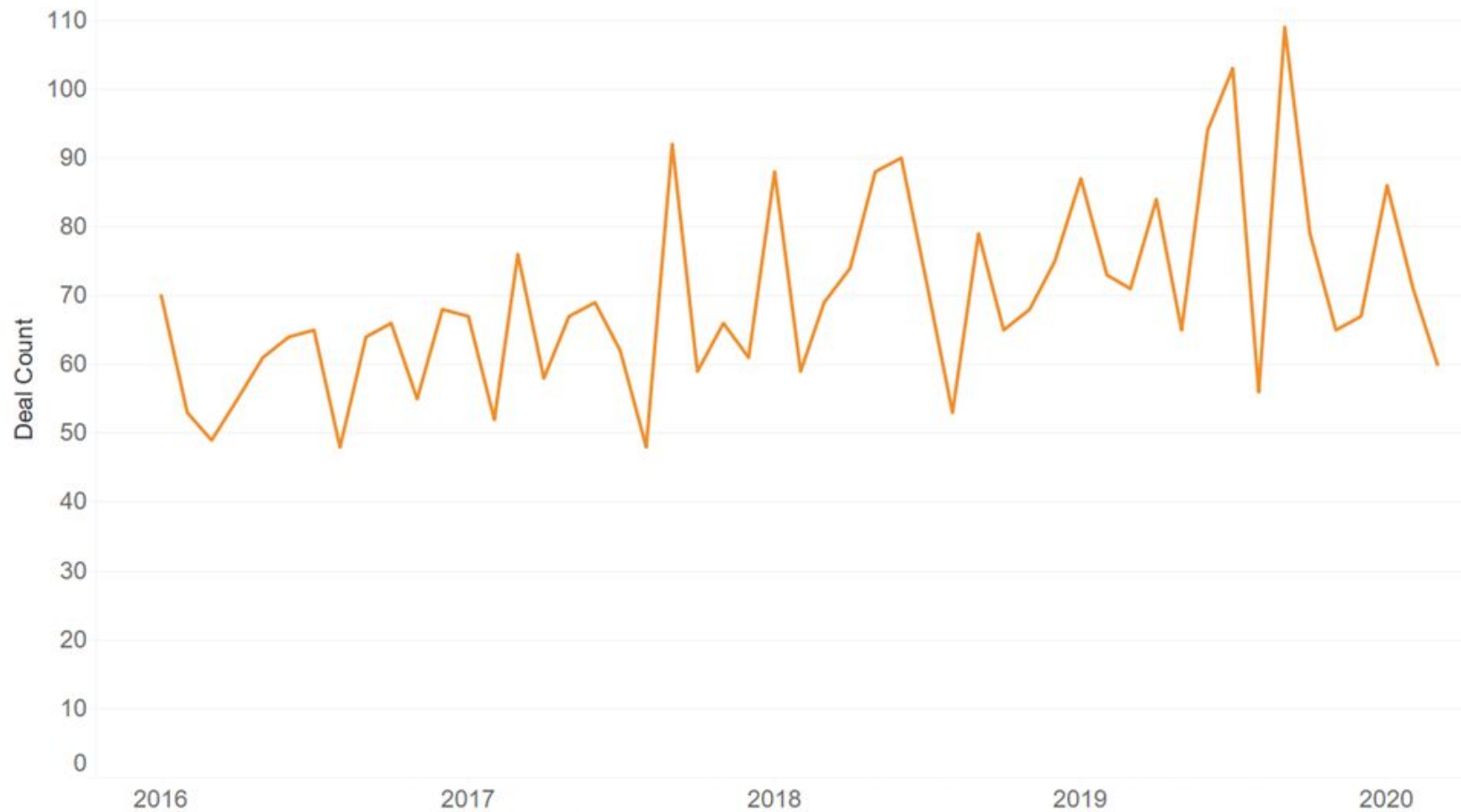
Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Europe

Number of Series A+ Deals

Europe

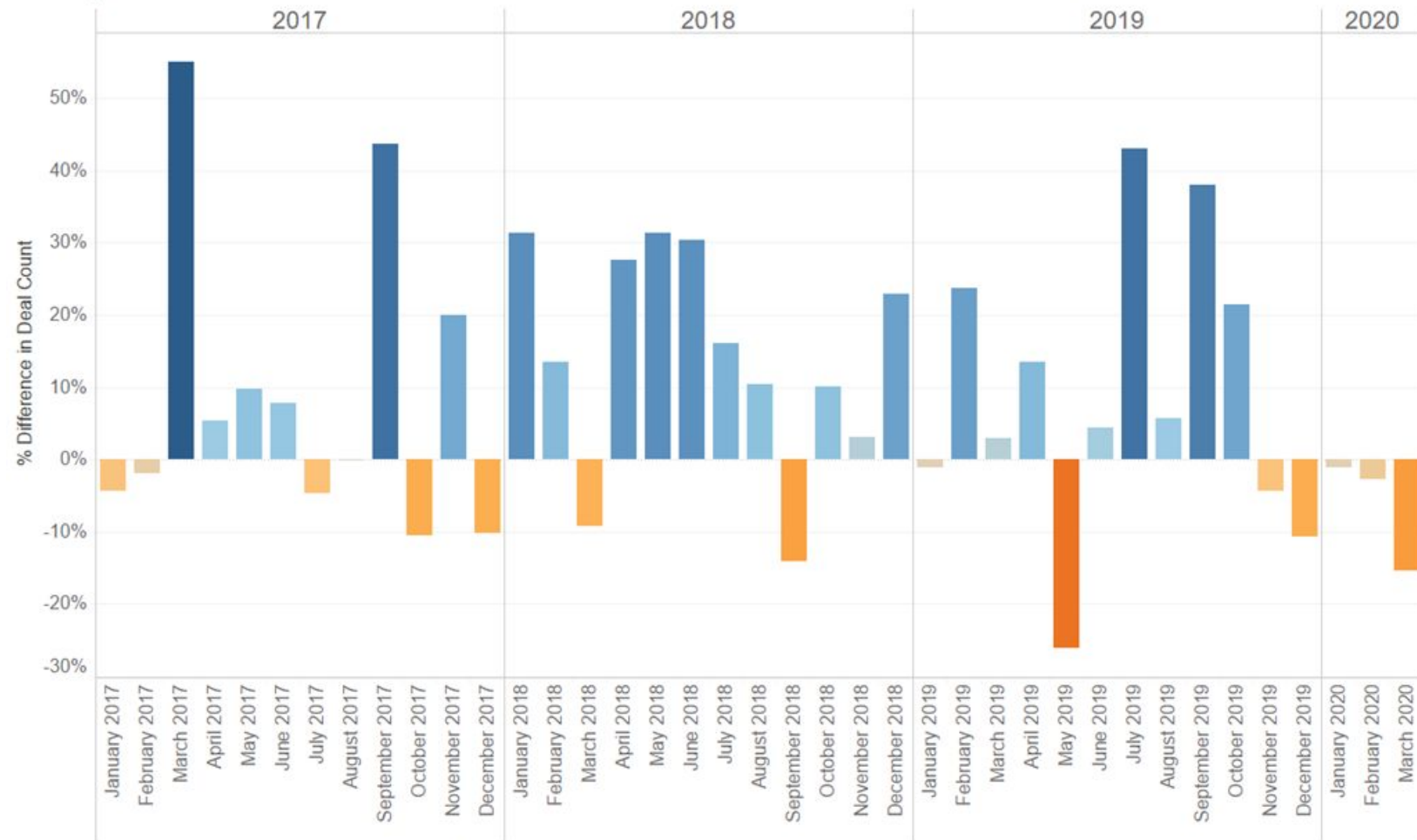


Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Year-Over-Year Change in Series A+ Deals

Europe



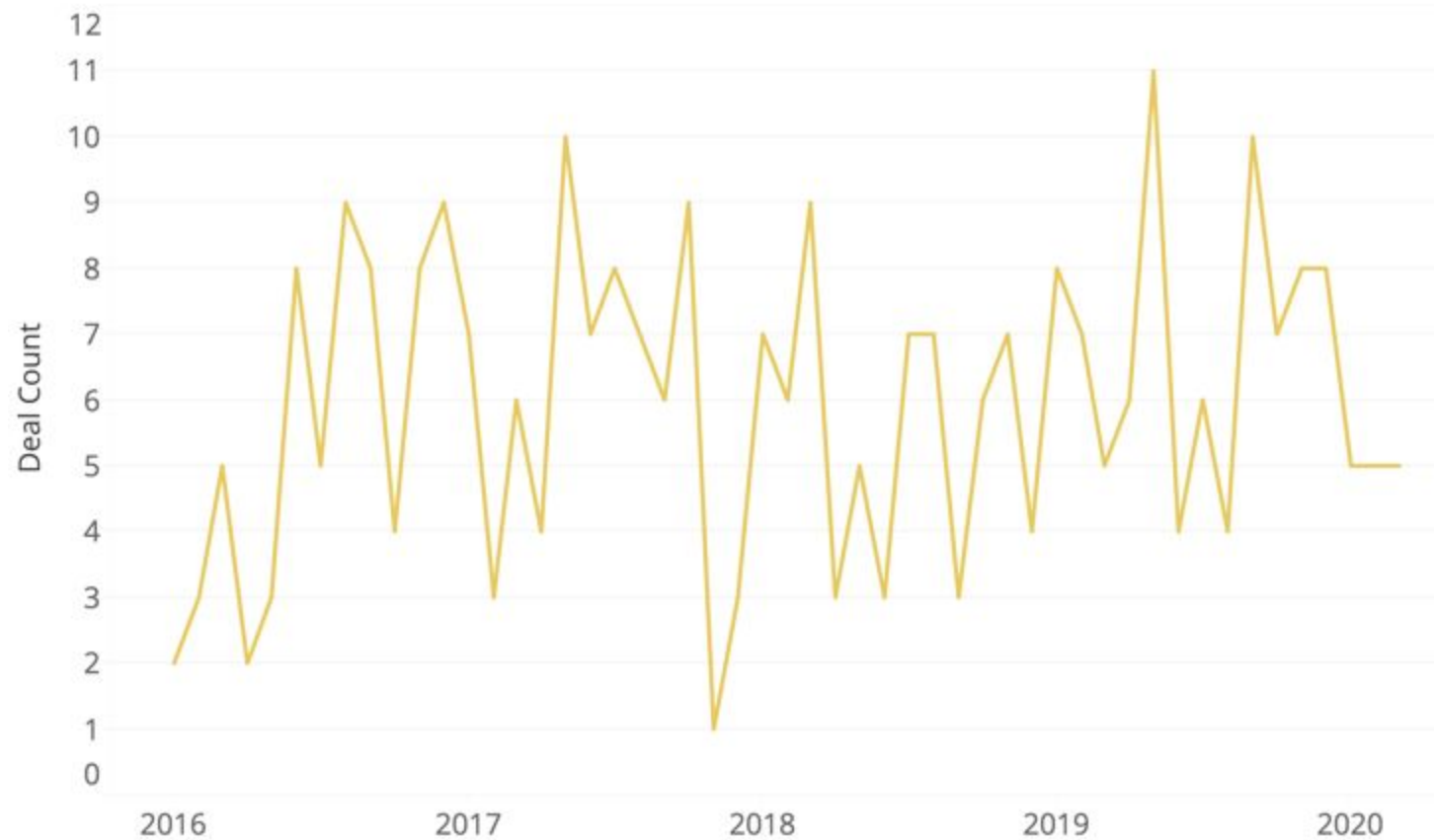
Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Oceania

Number of Series A+ Deals

Oceania

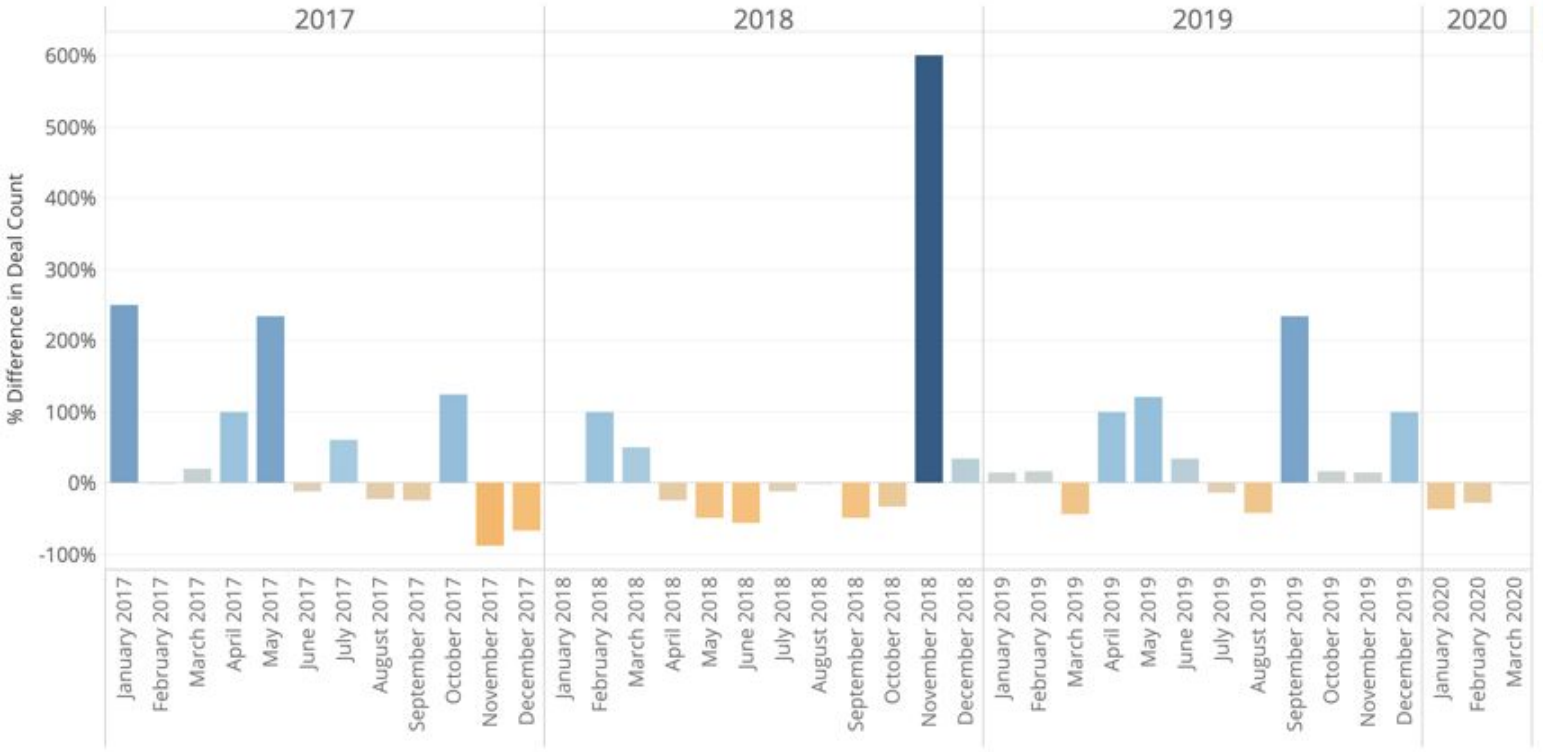


Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Year-Over-Year Change in Series A+ Deals

Oceania



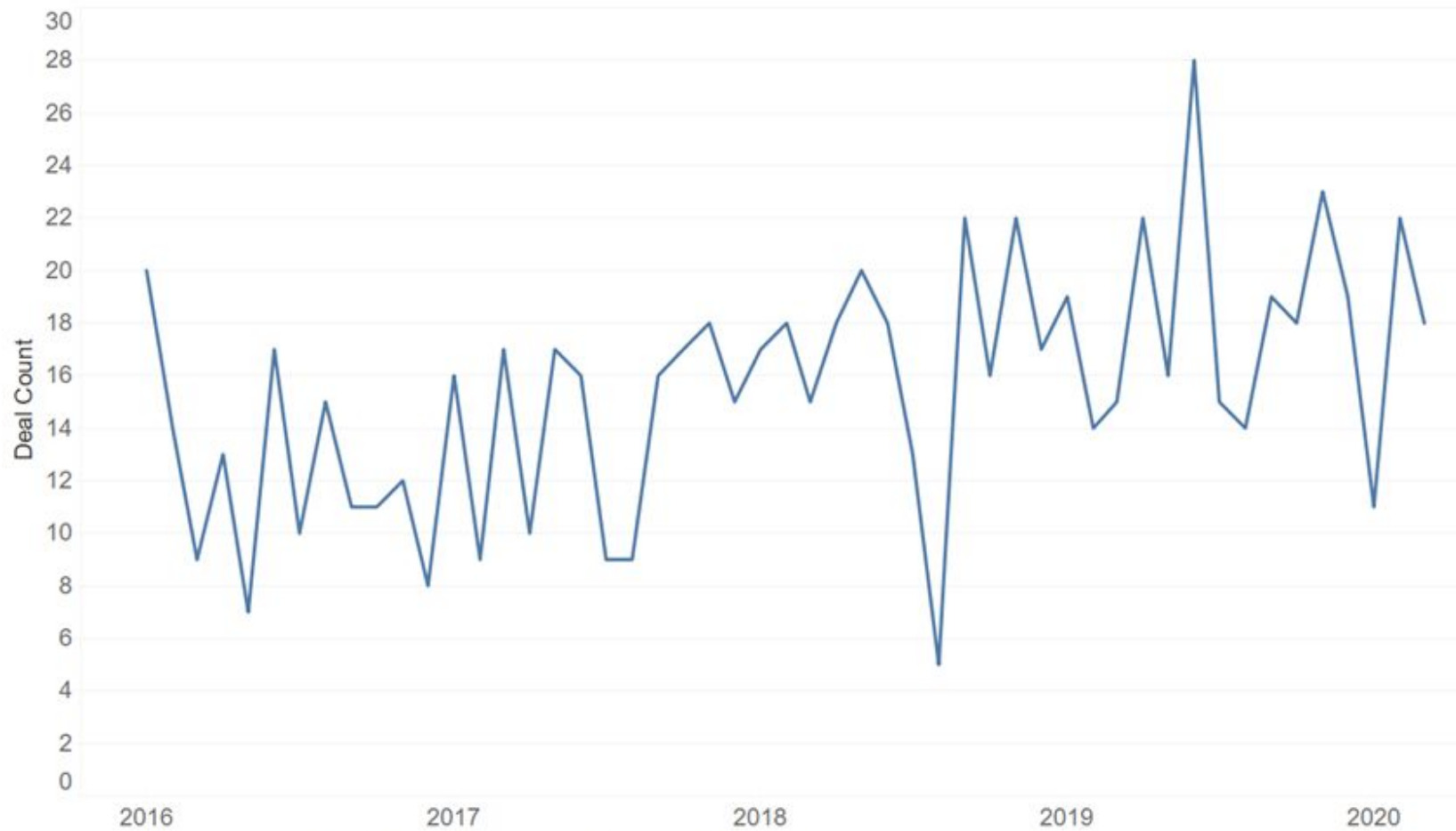
Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Africa and Middle East

Number of Series A+ Deals

Africa & Middle East

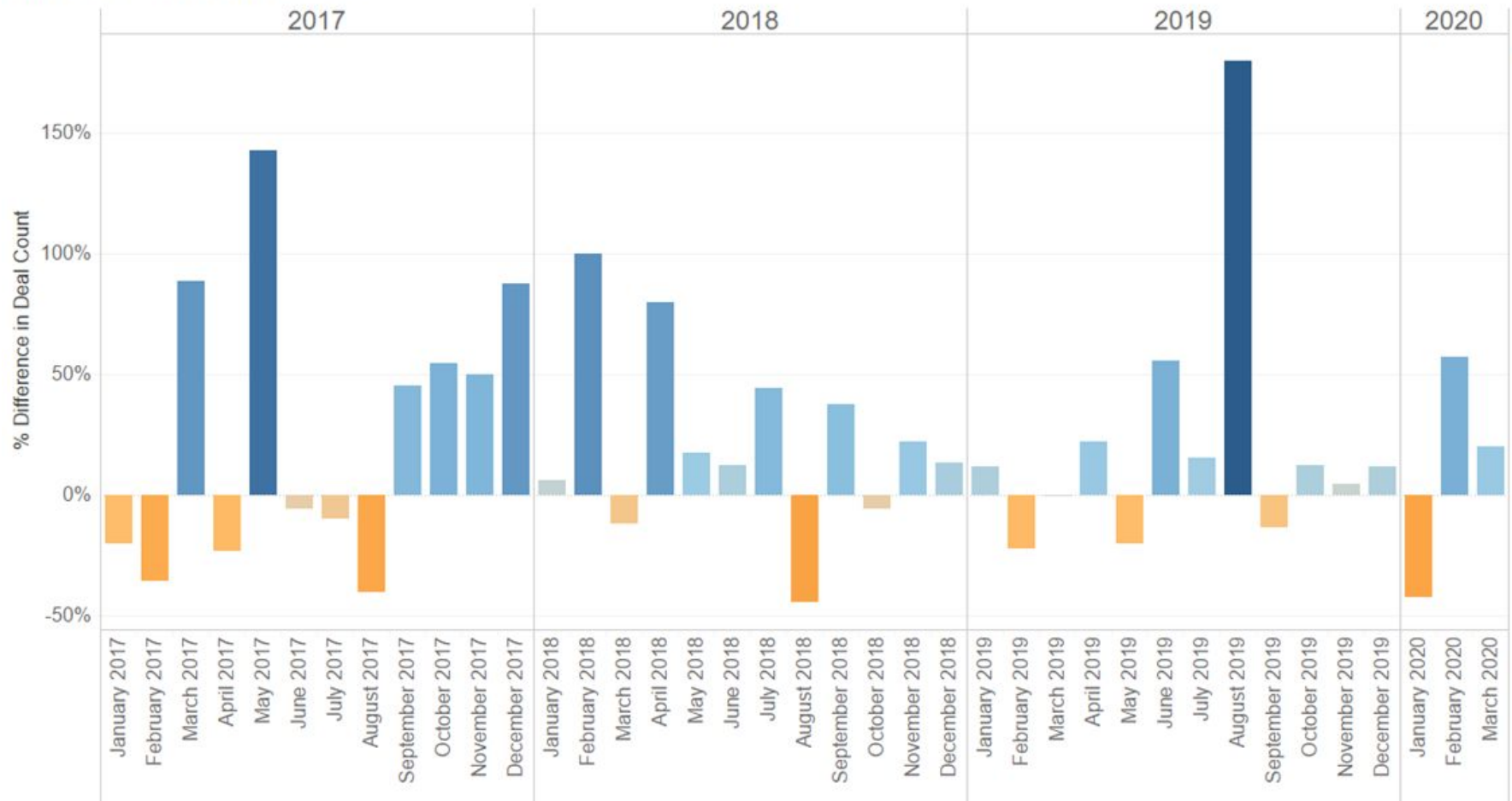


Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Year-Over-Year Change in Series A+ Deals

Africa & Middle East



Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Methodology and Framework

Data Sources

The main data source for global funding we use here is PitchBook, a private capital market data provider. For IPO data in the U.S. we use University of Florida's Jay R. Ritter database, and for unicorns we use Startup Genome's proprietary database. For all the survey results we use the first-ever global startup survey on the topic of coronavirus impact on ecosystems (Startup Genome's proprietary database).

Data Lags, Methodological Note

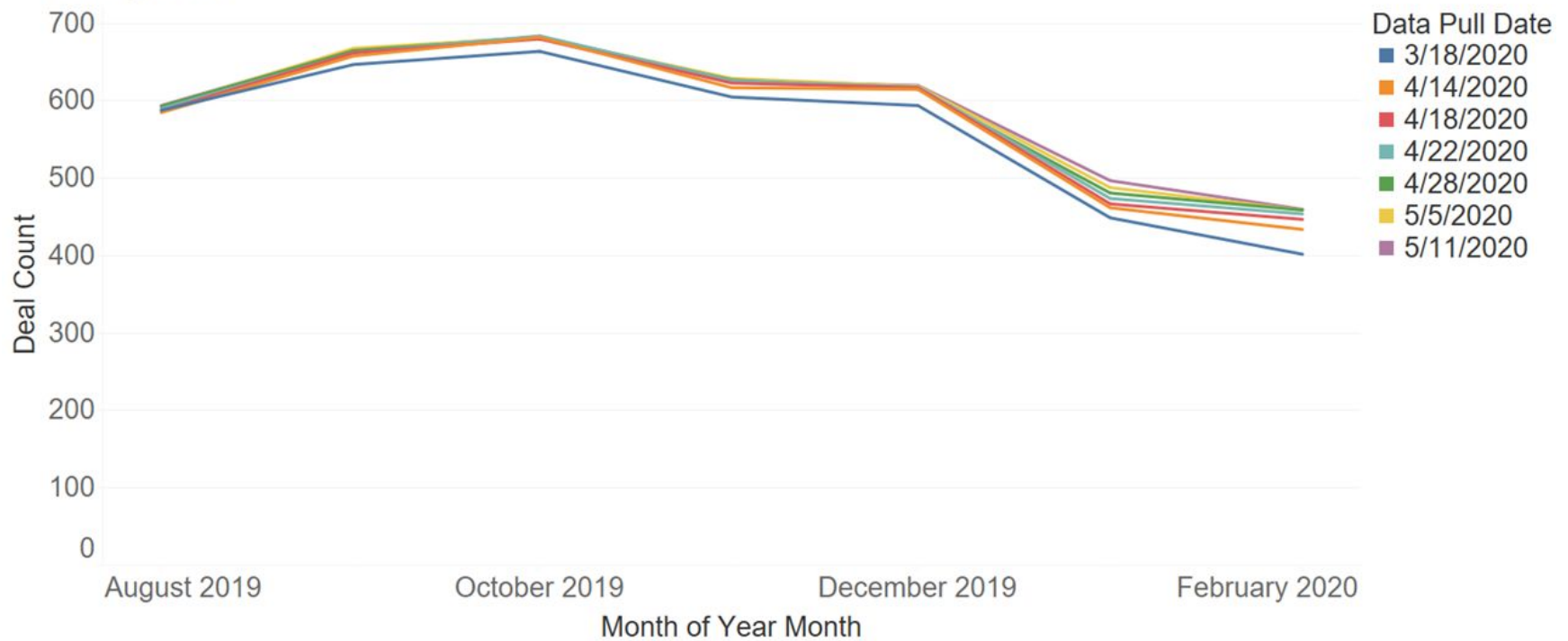
Data on startups is never perfect, and what we present here is no exception. For example, funding rounds can take a while to show up in funding databases. To address that issue we focused on Series A and later rounds, which have lesser delays in reporting – unlike seed rounds. In addition, we focus on comparisons across regions, as lags affect all countries in the world.

As our analysis in the following charts show, about 8 weeks after a month ends, most deals are included in the database. Which is why in a data pull done in early May we are presenting results that cover trends up to March 2020. As with any timely economic statistic, metrics presented here are subject to updates.



Deal Counts, by Data Pull Date

Country: All

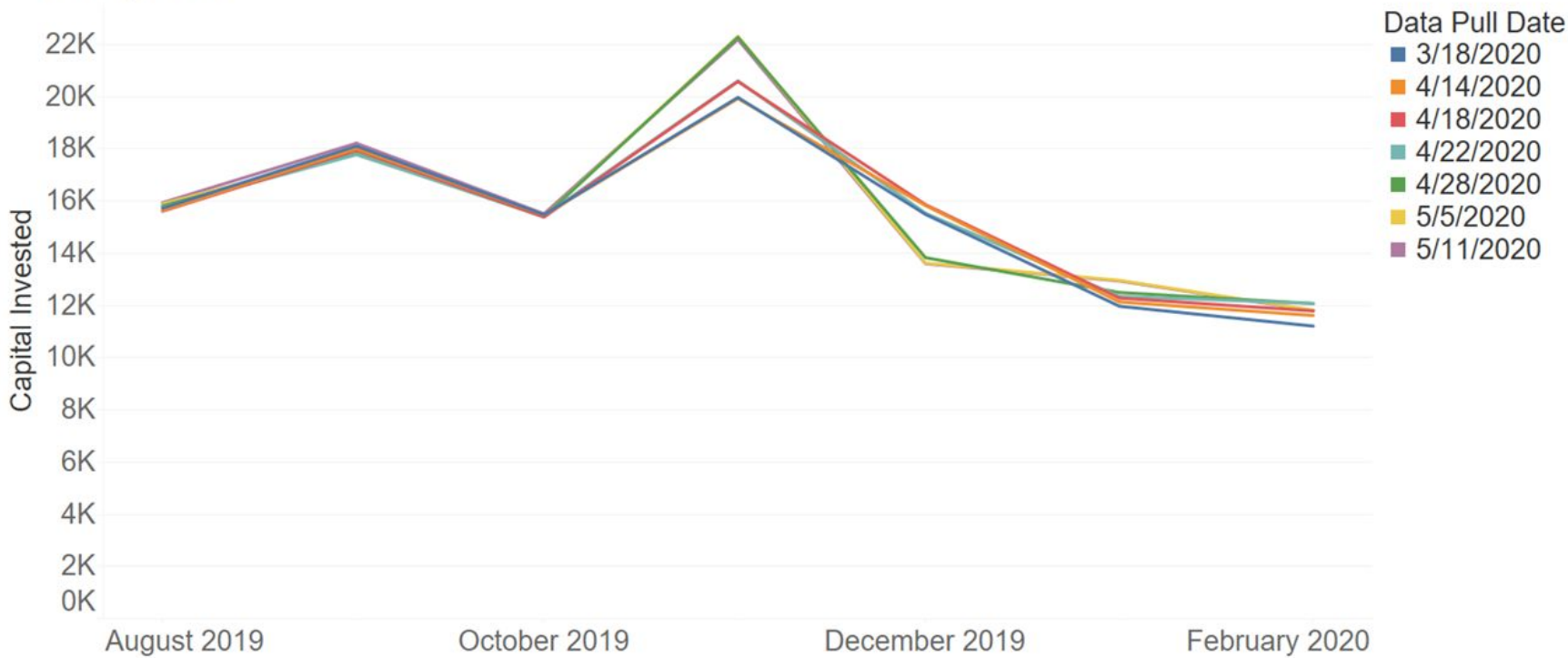


Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Capital Invested, by Data Pull Date

Country: All

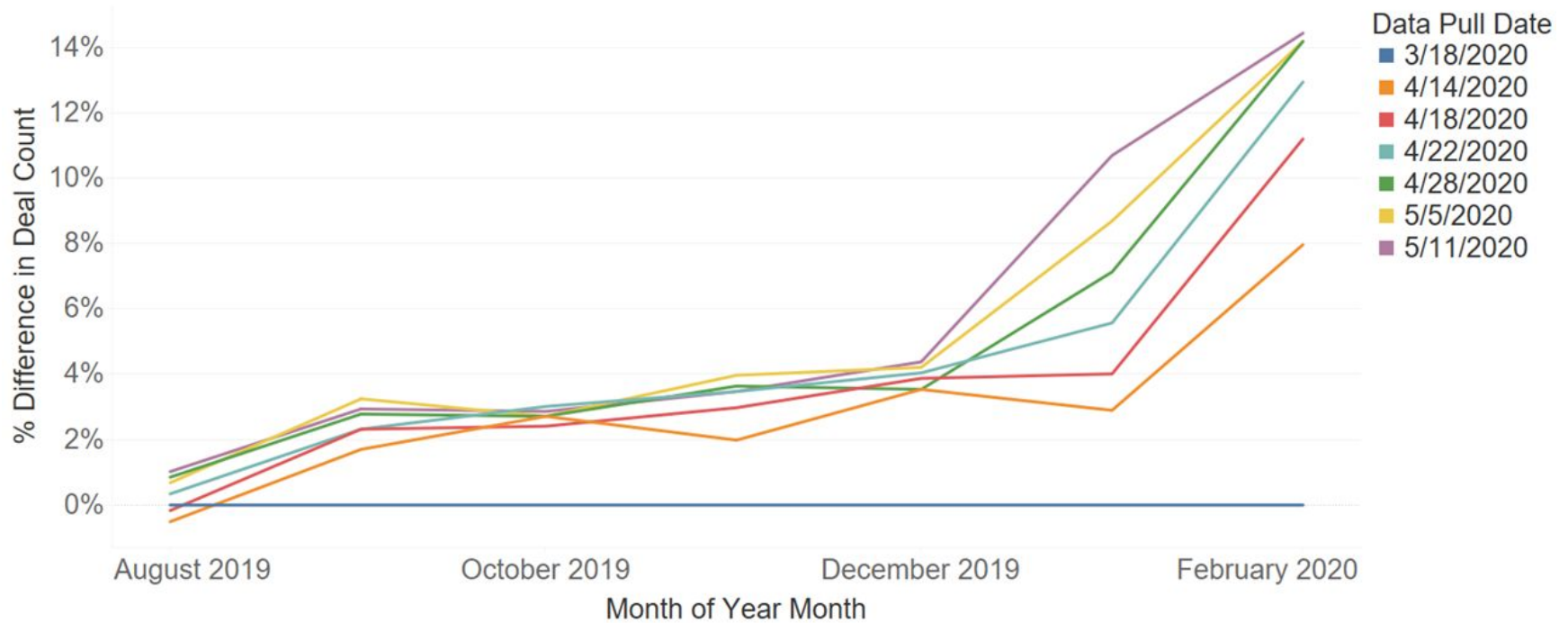


Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com



Percent Difference in Deal Count, by Data Pull Date

Country: All



Source: Startup Genome's calculations from Pitchbook | www.startupgenome.com