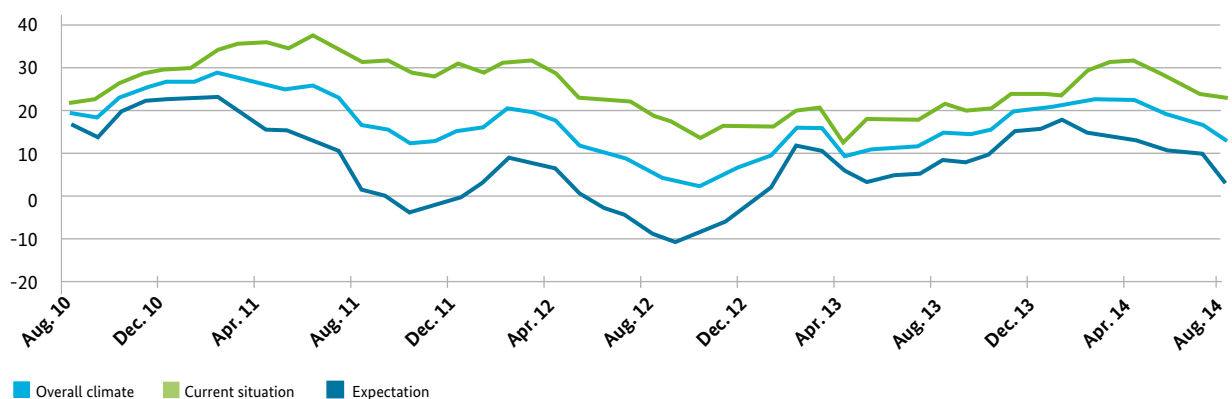




The German Mittelstand: Facts and figures about German SMEs

Current Economic Climate

The mood in the SME sector starts to cloud over



Source: KfW-ifo Mittelstandsbarometer

Declining business expectations are dampening the economic climate: Geopolitical tensions as well as weaker than expected growth in the euro zone has caused a significant drop in business expectations for the SME sector. Companies are still judging their current economic situation to be good, however at a significantly lower level than at the beginning of the year.

The SME sector continues to generate employment: Despite a fall in business expectations, employment expectations for the SME sector remain positive. According to the IAB job survey, roughly a million jobs were vacant in the second quarter of 2014 – of which over 412,000 were in companies with fewer than ten employees and a total of over 573,000 in companies with up to 500 employees. According to „AG Mittelstand,“ a total of 250,000 new jobs were created in the SME sector last year.

Shortage of skilled workers hits the Mittelstand: According to the most recent Ernst & Young SME barometer, 42 percent of companies indicate that the shortage of workers is a risk for their business activities. The Cologne Institute for Economic Research estimates the gap in the workforce in the STEM fields in July 2014 to be 120,300 people.

Financing conditions remain excellent: The ifo credit barrier for trade and industry remains at an historic low. Only 17.9 percent of companies are reporting that banks are pursuing a restrictive credit policy (this figure was up at approx. 42 percent in June 2009, the credit barrier has now been below the 20 percent mark for 16 months). However, it is more difficult for smaller firms to obtain credit than it is for medium-sized and larger firms.

Equity provision in the SME sector is solid: According to calculations by the German Savings Bank Association, the equity ratio for the “typical SME” has risen eight-fold in the last 15 years, and the latest calculations put it up at 21 percent in 2012. It is true that the equity ratio of large companies is 30.9 percent, well above that of SMEs, but larger SMEs (companies with an annual turnover between € 12.5m and € 50m) are not far behind, with an equity ratio of 29.1 percent (Source: DSGV “Diagnose Mittelstand 2014”).

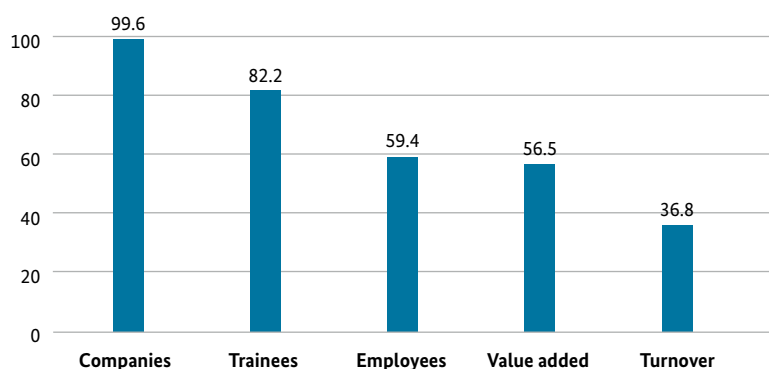


Economic Importance of SMEs in Germany

SMEs generate more than one out of every two euros, and provide well over half of all jobs in Germany.

SME-shares in Germany

in %



Companies with fewer than 500 employees or €50m turnover; in case of trainees: companies with fewer than 500 employees.
Source: IfM Bonn

SMEs make a significant contribution towards Germany's economic strength: Approx. 37 percent of total corporate turnover in Germany is generated by SMEs. They actually account for just under 55 percent of added value.

German SMEs are comparatively large: It is true that the SME sector is dominated by micro-enterprises with fewer than 10 employees, but 17 percent of SMEs are small and medium-sized enterprises in Germany (with 10-49 or 50-249 employees) – in the EU-27 average, only 8 percent of SMEs have more than 10 employees.

Small and medium-sized companies employ more than 15 million people: In 2012, SMEs employed roughly 60 percent of all people in jobs requiring social insurance contributions. 11.8 million people were working in medium-sized firms with between 10 and 499 employees; 3.6 million were in small firms with fewer than 10 employees (Source: IfM Bonn).

The SME sector trains the nation: Establishments (including branches of large companies) with fewer than 500 employees provided approx. 1.27 million of the 1.54 million training places in companies in Germany at the end of 2013 (Source: company employment statistics).

Even small firms enjoy international success: One in two small enterprises with an annual turnover of € 2m-plus is active on foreign markets.

German SMEs are highly innovative: According to the 2013 R&D data report, SMEs planned to expand their spending on research further in 2013. Here, companies with fewer than 250 staff are investing more than twice as much in R&D as companies with between 250 and 499 employees. More than 70 percent of companies with fewer than 20 employees engage in research with several partners.

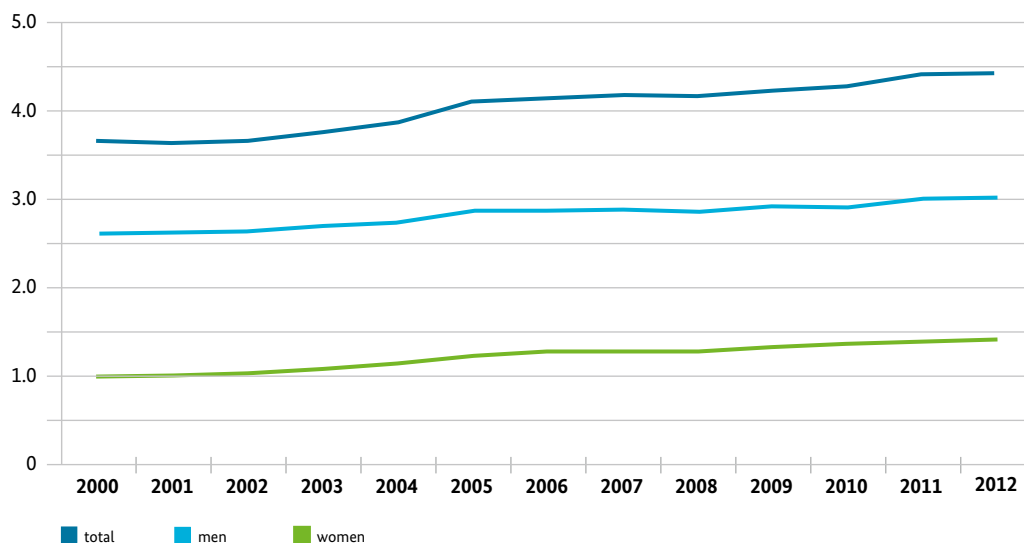


Current Start-up Activity

The number of self-employed people is growing – the rise is being boosted by women and freelancers.

Self-employed people in Germany

in Mio.



Self-employed without agriculture
Source: Mikrozensus

The number of self-employed has risen by nearly 780,000 to 4.4m since 2000, equivalent to an average annual rise of 1.6 percent. This rise is largely driven by the increase in the number of solo self-employed (+37 percent since 2000), and particularly of solo self-employed women, which has been growing at an annual average of almost 4 percent since 2000. Despite this large increase, only just under a third (31.6 percent) of self-employed are women at present. In the case of self-employed people employing others, women only account for just under a quarter (24.1 percent). However, current figures from the KfW Start-ups Monitor show that the portion of female new business founder in 2013 was higher than ever before at 43 percent.

High demand for skilled workers is reducing number of start-ups: The balance of start-ups (difference between start-ups and liquidations) was -15,700 in 2013. The reason for this is a negative trend in the number of start-ups (2103: 337,900, -8,500) since 2011; this is due to a high demand for skilled labour and to fewer unemployed people setting up a business.

More and more people are working in the “liberal professions”: In 2013, there were over 1.2 million self-employed people working in the liberal professions in Germany, or approx. 37,000 more than in the preceding year. Of these, 377,000 worked as freelancers in the medical sector, 123,000 of them as doctors. 333,000 freelancers worked as lawyers, business consultants and tax advisors; 116,000 of these were attorneys.

Number of insolvencies continuing to fall: According to figures from Creditreform, 26,300 companies filed for bankruptcy in 2013 (-8.4 percent compared to 2012) – this is the lowest figure since 1999.

Each year, more than 27,000 entrepreneurs need to find someone to take over the business: Many family-owned firms will need new managers in the coming years. In the period up to 2018 alone, the right people will need to be found to take over an average of 27,000 companies a year.