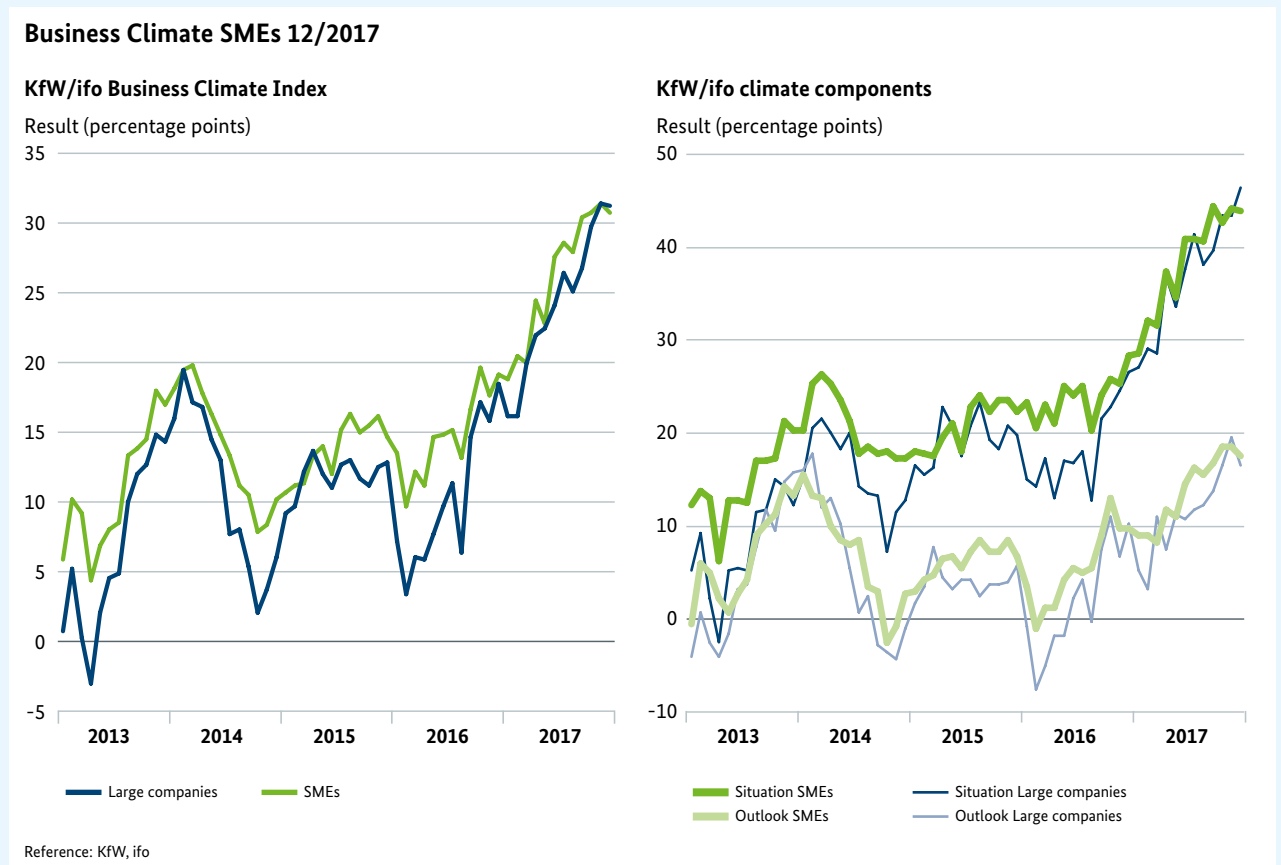




SMEs are driving economic success Facts and figures about German SMEs

2017 – A successful year for German SMEs



2017 was a good year for German SMEs, the 'Mittelstand'! In fact, it was quite an extraordinary year, with five all-time highs, although the sentiment indicator for SMEs fell by 0.7 points to 30.6 points towards the end of the year. This was due to a slightly more critical assessment of the business situation (-0.4 points to 43.9 points) and of the future expectations (-1 point to 17.6 points). Nevertheless, 2017 can only be described as an excellent year for business. The small and medium-sized enterprises in Germany are confident that the high level of cyclical momentum will be upheld over the next 6 months.

The SME sector continues to generate employment: in December 2017, the KfW-ifo indicator for employment trends reached a new record high at 21.6 points. This represents an increase of 9.4 points year-on-year (12/2016: 12.2). According to the IAB Forecast for 2018, demand for labour in Germany will remain unusually high, causing employment figures to continue to rise. The expectation is for the number of people employed in jobs subject to

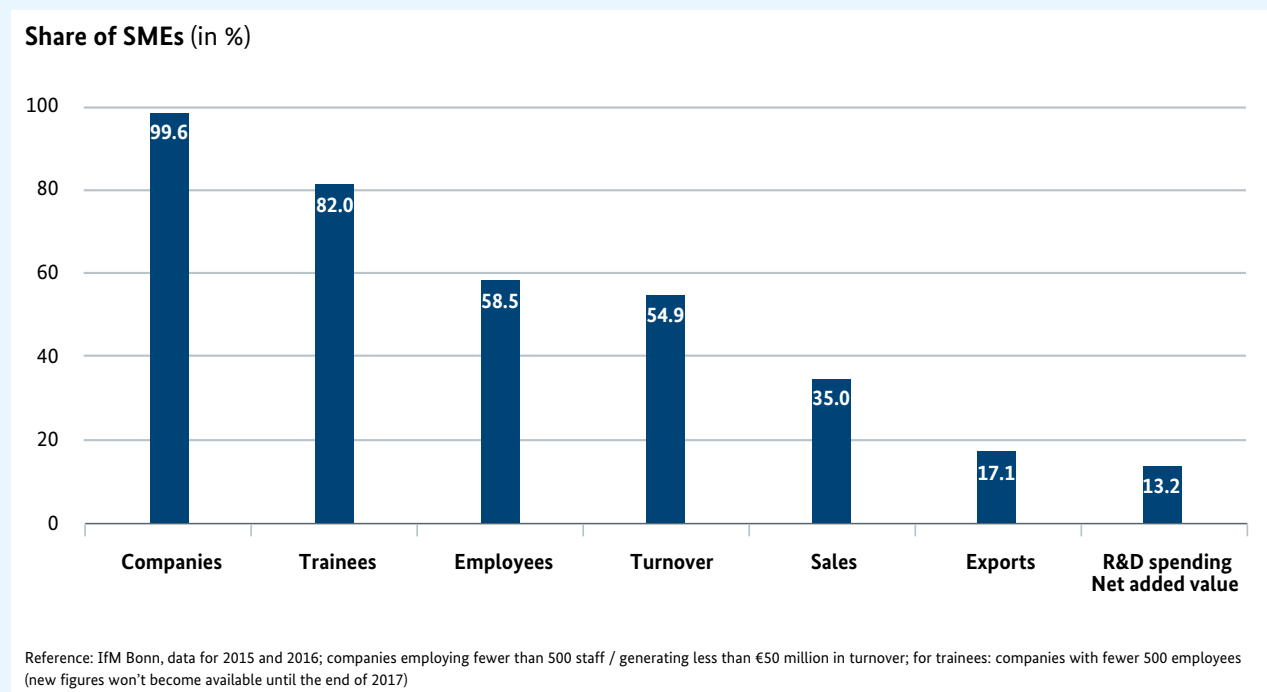
social security contributions to increase by 610,000 in 2018. The IAB Forecast also expects the average unemployment figure for 2018 to be lowered by 60,000 to 2.48 million people – the lowest level ever recorded in Germany after reunification (1991: 2.6 million).

Financing conditions also remain extremely favourable: Access to capital remains good and demand for loans increased among commercial companies during Q1 of 2017. Small and young companies are still having a harder time accessing financing than larger firms. Small and medium-sized companies requiring financing for intangible assets, equipment and stock-keeping also have to meet tougher requirements with regard to their creditworthiness.

SMEs in Germany continue to have a strong equity base. The trend towards a higher equity ratio has continued in the Mittelstand. For the financial year of 2016, the average equity ratio stood at 28.3%. Over the past 3 years, it grew by 8.6 percentage points (Reference: DSGV “Diagnose Mittelstand 2018”). In other words, the Mittelstand is catching up with larger companies and their average equity ratio (33.5%). This compares to less than 5% between the mid-1990s and 2003. The strongest increase in 2016 was observed in services (+4.4 percentage points), followed by manufacturing (+2.5 percentage points).

Research and development: A study conducted by Stifterverband für die deutsche Wissenschaft e.V. found that German companies invested €62.4 billion in their own research and development in 2015. That is 9.5% more than in the preceding year. SMEs have also stepped up their research activities, and quite considerably so. Companies employing fewer than 250 staff spent 16% more on their own research projects in 2015 than they did in the preceding year. It is quite possible that the Mittelstand may create some fresh growth momentum in the coming years, especially in sectors where overall spending on research is stagnating. These include mechanical engineering (0.2 less spent on research overall, but 10% more by SMEs) and information and communications (+0.4 overall, +24% by SMEs).

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



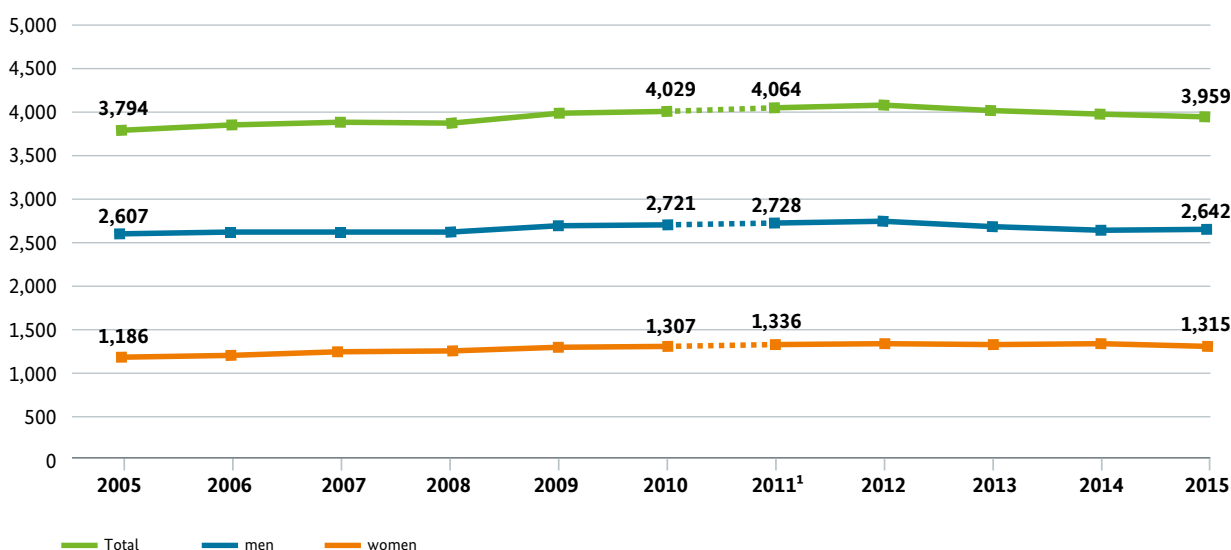
Small and medium-sized companies employ more than 16 million people: In 2015, SMEs employed roughly 60% of all people in jobs subject to social insurance contributions. 12.5 million people were working in medium-sized firms with between 10 and 499 employees; 3.9 million in small firms with fewer than 10 employees. 39.7% of those employed by SMEs work in personal and b2b services. 19.8% work in commerce and hospitality and 18.2% in manufacturing. (Reference: IfM Bonn)

The SME sector trains the nation: companies employing fewer than 500 staff provided some 1.24 million (82.0%) of the 1.51 million vocational training places available in Germany in 2016. The overall figures is seeing a slight downwards trend as small companies, in particular, are finding it difficult to attract a sufficient number of trainees.

SMEs make a significant contribution: contribution towards Germany’s economic strength, with approx. 35% of total corporate turnover in Germany being generated by SMEs. In terms of their contribution to GDP, these companies even account for close to 55%.

Slight decline in the total number of self-employed persons – but the proportion of self-employed women and freelancers is increasing.

Number of self-employed persons in Germany between 2005 and 2015 by gender – Total figure excluding agriculture, forestry, fisheries (in 1,000)



¹ Figures for 2011 and later extrapolated from the data of the 2011 census Figures not entirely comparable to those of earlier years

References: Federal Statistical Office; Results of the micro census, Wiesbaden, various years, calculations by IfM Bonn

The number of self-employed persons was close to 4 million in 2015. Whilst this is the third consecutive year in which this number has fallen, the overall number of self-employed people is still 165,000 (or 4.3%) higher than it was in 2005. The number of self-employed women has increased quite considerably. Between 2005 and 2015, their number increased from just under 1.2 Million to approx. 1.3 million (+129,000 or +10.9%). In 2015, women accounted for more than 33% of all self-employed persons.

The share of self-employed people among the gainfully active in Germany was 10% in 2015. The figure for men was 12.5%, for women, it stood at 7.2%. The share of self-employed people peaked in 2011 at 13.3% and has been falling since. The reasons for this are the positive economic climate which has meant that more people are working as employees and also the changes in the funding for unemployed people setting up their own business.

A growing number of people are working in the “liberal professions”: these professions have seen a steady rise to 1.38 million in 2017 (34,000 more than in the preceding year). The healing professions make up the largest group within the liberal professions (414,000 people), followed by self-employed members of the legal professions, consultants and tax advisers (379,000) and the cultural professions (328,000) (reference: IfB Nuremberg).

The number of businesses filing for insolvency is falling: in 2017, the number of companies filing for insolvency dropped again considerably to reach 20,200, which is 6.3% below the figure for 2016 (21,560). The number of cases has nearly halved from the record high in 2003 (39,470), reference: Creditreform “Insolvenzen in Deutschland 2017”.