



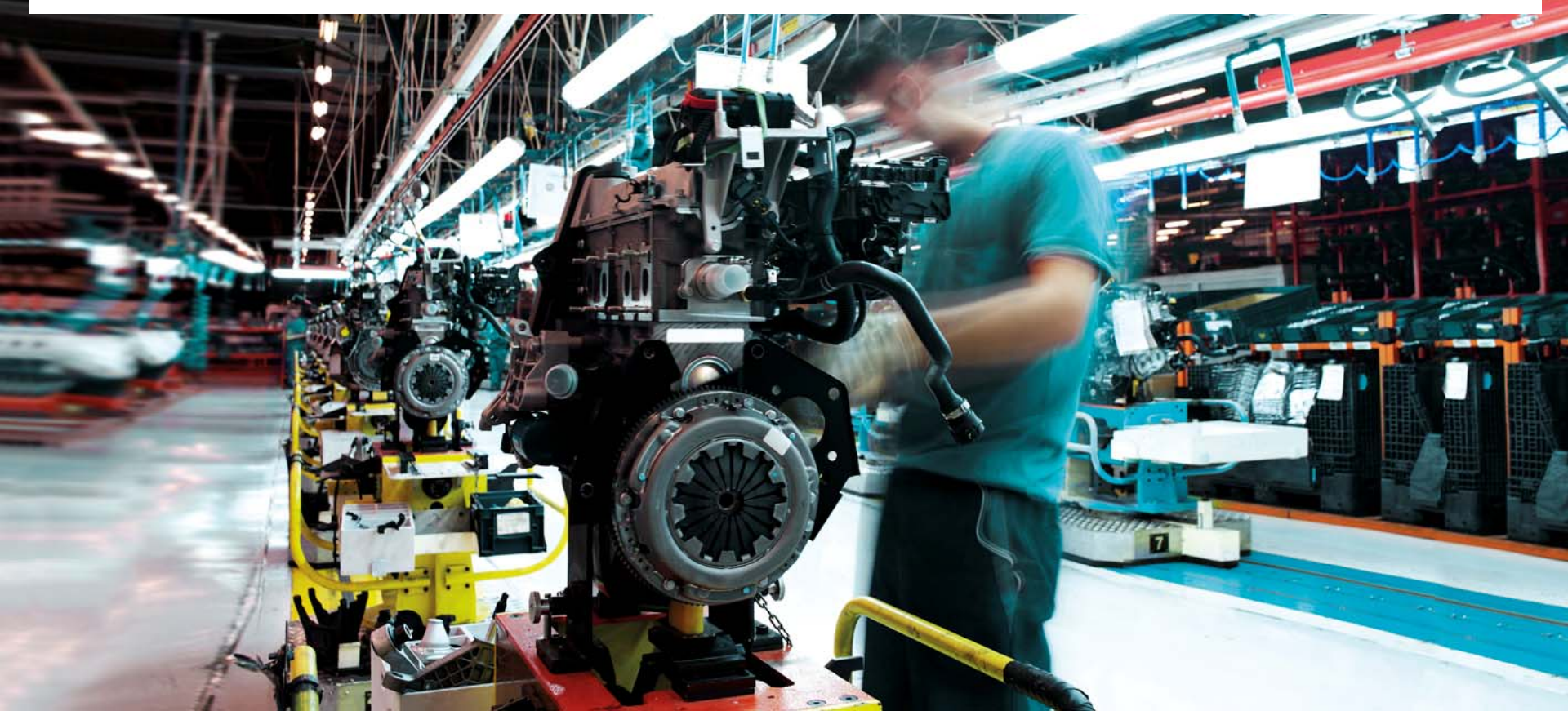
Federal Ministry
of Economics
and Technology

BUSINESS.
GROWTH.
PROSPERITY.



German Mittelstand: Engine of the German economy

Facts and figures about small and medium-sized German firms





Introduction

Economy

Exports

Employment

R&D

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SME policy

Sources

Germany is Europe's economic driving force

The German economy is doing well in comparison with many other countries. This is causing people all around the world to take a particularly keen look at Germany, and especially at the “German Mittelstand” and its longstanding record of high employment and productivity. This “Factbook” summarises the factors which make the “German Mittelstand” successful.

The statistics on the “German Mittelstand” in this brochure refer to small and medium-sized enterprises (SMEs), either according to the German definition (up to 500 employees and up to €50m annual turnover) or according to the European definition (up to 250 employees or up to €50m annual turnover). Direct comparisons are not always possible; the definition used is cited for each diagram.

However, facts and figures alone are not enough to explain the phenomenon of the “German Mittelstand”. Many of these successful enterprises are characterised by features like independence or family ownership. If one takes these features as criteria, the concept of “German Mittelstand” can also embrace larger companies. Many innovative German firms remain committed to the spirit of the “German Mittelstand” even after they have outgrown the traditional definitions of SMEs due to the success of their products and services.



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“German Mittelstand” at a glance

More than 99% of all German firms belong to the “German Mittelstand”.

The “German Mittelstand” contributes almost **52% of total economic output**.

The “German Mittelstand” accounts for around **37% of the overall turnover** of German companies; in 2011, that was approx. €2tr.

The “German Mittelstand” employs roughly **15,5 million people**. That equates to approx. 60% of all employees subject to social security contributions.

The training provided by the “German Mittelstand” makes a major contribution towards the comparatively **low level of youth unemployment (7.9%)**.

The **international turnover** of the “German Mittelstand” has been growing for years, and stood at **€186.1bn** in 2010.



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What makes the “German Mittelstand” so successful?

Almost all of Germany’s SMEs are **family-owned**, and many are managed by their owner. Their **business policies** tend to be especially **long-term**.

The “German Mittelstand” companies are some of the most innovative in Europe: **54% of them launched an innovation onto the market** in the 2008 - 2010 period.

The “German Mittelstand” relies on **sound financing models** – chiefly equity and bank loans.

The high equity ratio and a cautious approach to expansion enable the companies to undertake **medium-term and long-term investments, even in times of crisis**.

The “German Mittelstand” **employs 83.2% of trainees** – the much sought-after skilled workers of tomorrow.

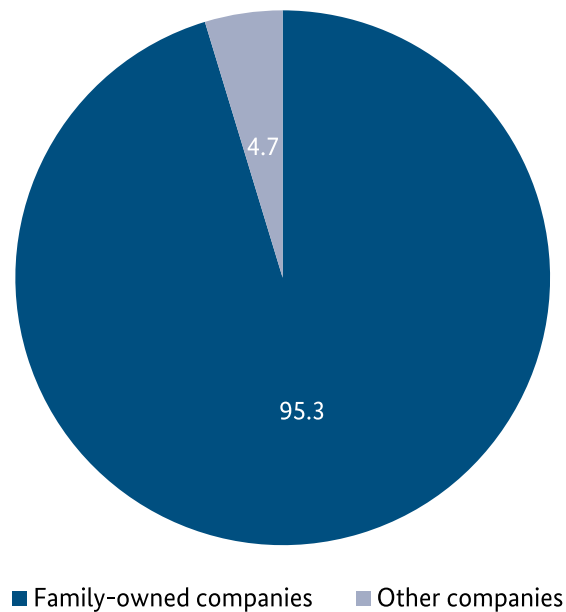
Government supports the “German Mittelstand” on key issues like investment in R&D, the skills shortage, foreign trade and investment, financing needs, company start-ups and company hand-overs.



The “German Mittelstand” mainly consists of family-owned firms

Proportion of family-owned firms in Germany

Percentage, 2010 figures



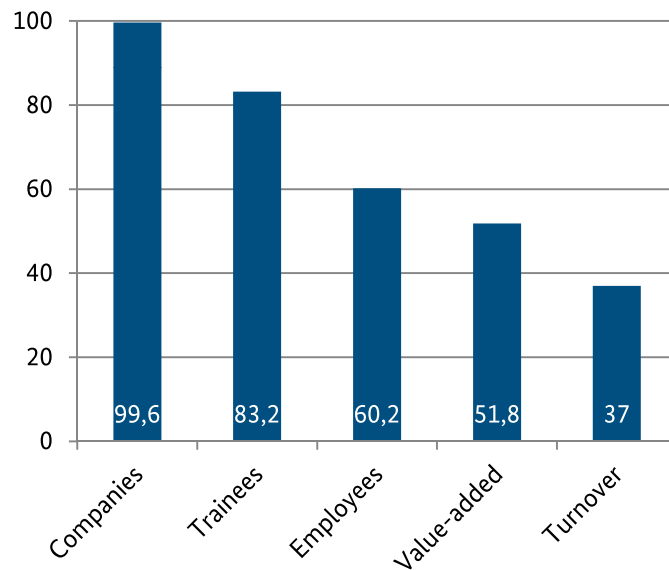
- There were roughly 3.7 million companies in Germany in 2010, more than 99% of them classed as belonging to the “German Mittelstand”.
- Roughly 95% of all German firms are family-owned. Of these, approx. 85% are managed by their owner.
- “German Mittelstand” companies tend to take a particularly long-term approach to business, based on stable client relations, a continuous human resources policy, and strong ties to the region.



The “German Mittelstand” is the backbone of the economy

Proportions accounted for by the German Mittelstand

Percentages, 2010/2011 figures



- In 2010, the “German Mittelstand” contributed almost 52% of the value added by the German economy. It accounted for around 37% of the total turnover of all German firms (2011 figure).
- In absolute figures, the total turnover of the “German Mittelstand” stood at around €2tr in 2011 (excluding turnover of foreign subsidiaries).
- Comparison: The turnover of the 30 DAX-listed companies amounted to €1.19tr in 2011 (incl. foreign subsidiaries).

Reference size: European SME definition

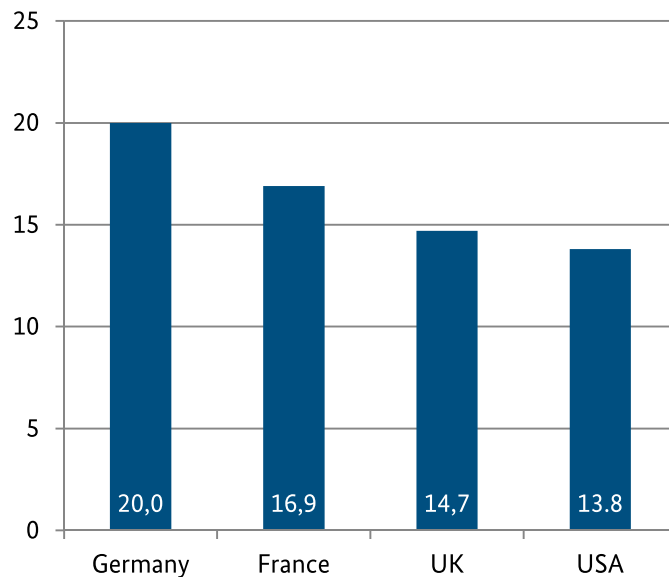
Sources: IfM Bonn; Ernst & Young



“German Mittelstand” especially strong in the industrial sector

Employees of Mittelstand in industrial sector

Figures in percent, 2012 figures*



- Compared with similar companies elsewhere in the world, the “German Mittelstand” is highly active in the industrial sector: almost a quarter of all employees work in this field – far more than in the other major industrial nations.
- The “German Mittelstand” is a strong supplier of capital goods on new markets all round the world.

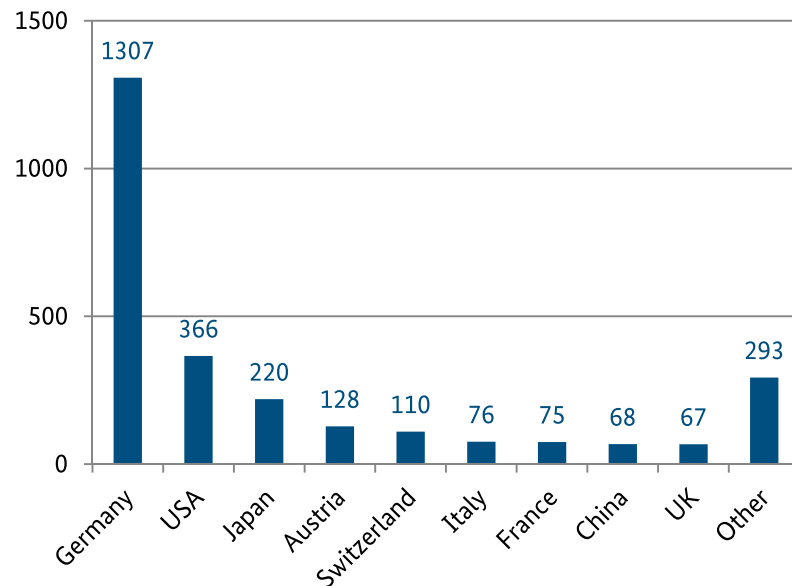
Reference size: European SME definition

Sources: European Commission (*USA: 2009); Federal Statistical Office



Typically German: the hidden champions

“Hidden Champions” in the international comparison, 2012 figures



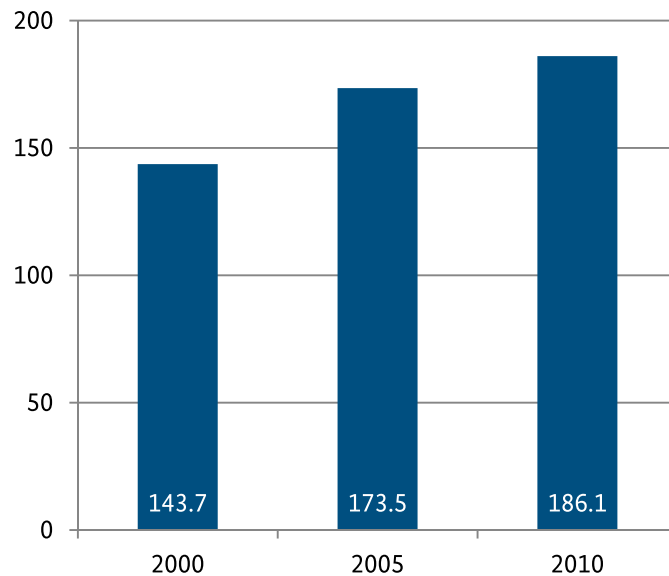
- Studies show that no other country has as many hidden champions as Germany: some 1,300 world market leaders from the “German Mittelstand” have successfully found niches for their products.
- These hidden champions are especially strong in the fields of electrical engineering and industrial products.



The “German Mittelstand” is also successful abroad

Export turnover of “German Mittelstand”

Figures in €bn, 2000 - 2010 development



Reference size: German SME definition

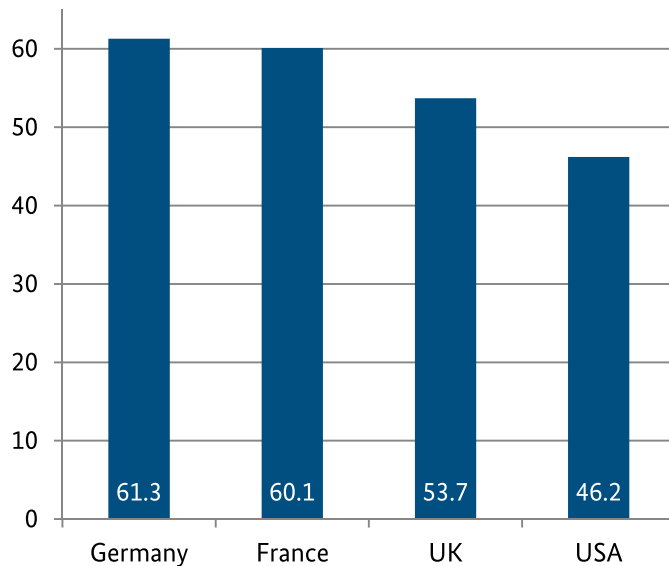
- In contrast to similar companies in other major European economies, “German Mittelstand” companies already enjoy a relatively strong position on foreign markets.
- This can be seen for example from the export figures recorded by the “German Mittelstand”, which rose by 29.5% to €186.1bn between 2000 and 2010.
- These sales are generated by some 345,000 companies – roughly 98% of all German companies exporting goods and services.
- In total, the “German Mittelstand” accounted for around 19% of total exports by German firms.



The “German Mittelstand” is a leading generator of jobs

Employees in SMEs: international comparison

Figures for 2012 in %*



- Approx. 15.5 million people are employed by the “German Mittelstand” in jobs subject to social security contributions – this equates to a ratio of 61.3%, relatively high in the international comparison.
- The “German Mittelstand” pursues a continuity-based approach to employment, even in times of crisis. This makes it an important generator of jobs in Germany. Whereas large German firms cut jobs between 2008 and 2011 (- 2.4%), the “German Mittelstand” increased employment by 1.6 %.

Reference size: European SME definition

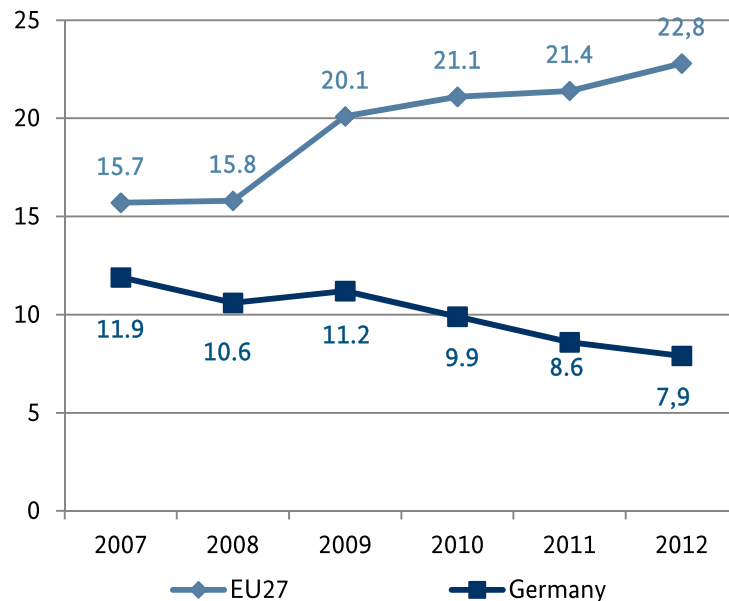
Source: European Commission (*USA: 2009 figures)



Very low youth unemployment due to “German Mittelstand”

Youth unemployment in the international comparison

Percentages



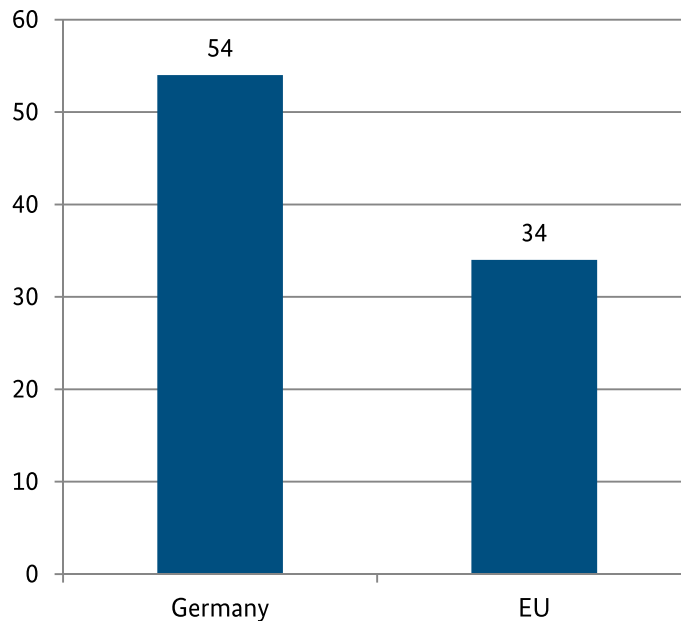
- Four-fifths of trainees – more than 1.29 million of the 1.56 million trainees in Germany – receive their training in the “German Mittelstand” (as of end 2011).
- The “German Mittelstand” is a major factor ensuring that youth unemployment is much lower in Germany than in many European countries.
- Germany’s vocational training system is regarded as a model all round the world because it guarantees a high quality of training and helps to meet the growing demand for skilled labour in Germany.



The “German Mittelstand” is highly innovative

Innovative SMEs

Figures for 2010 in %



Reference size: European SME definition

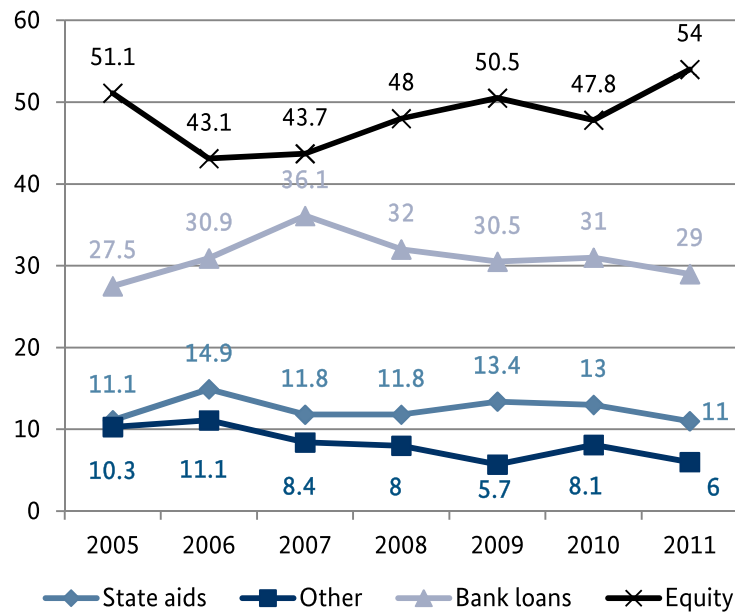
- 54% of “German Mittelstand” companies brought a product or process innovation to market in the 2008 - 2010 period – the EU average was only 34%.
- The “German Mittelstand” invested approx. €8.7m in research and development in 2010 – that equates to one-seventh of the total.
- Spending on R&D rose by around 71% between 2004 and 2010 (figure for large companies: + 19%).



The “German Mittelstand” relies on sound financing models

Sources of finance for the Mittelstand

2011 figures as % of volume of investment



Reference size: German Mittelstand definition

- The “German Mittelstand” finances most of its investment from its own equity (54%) and bank loans (29%).
- In 2011, 11% of the investment was financed via public-sector assistance.
- Least use is made of alternative forms of financing (e.g. mezzanine or venture capital): in 2011, this only happened in 6% of all cases.
- The equity ratio of the “German Mittelstand” has risen continuously since 2005, reaching 20.7% in 2011.



The BMWi's Mittelstand policies at a glance

In order to ensure that the “German Mittelstand” will continue to contribute to growth, employment and prosperity in Germany, the Economics Ministry is pursuing policies with the following objectives:

- 1 Developing key technologies and promoting investment**
e.g. via the Central SME Innovation Programme
- 2 Boosting market opportunities abroad**
e.g. information on markets from Germany Trade & Invest, network of bilateral chambers, foreign trade-fair programme, market development programme, export initiatives, export credit guarantees, investment guarantees
- 3 Making better use of the pool of skilled labour**
e.g. via the “Make it in Germany” website, improved recognition of foreign qualifications, centre of excellence to secure skills, “Vocational Training – Practically Unbeatable” campaign
- 4 Supporting hand-overs and start-ups of companies**
e.g. via the German Entrepreneurship Week, the “Entrepreneurial Spirit in Schools” initiative, the “EXIST Start-up Culture – the Start-Up College” competition, the www.existenzgruender.de website
- 5 Facilitating financing**
e.g. via ERP financing programmes, KfW financing programme, High-Tech Start-up Fund II, ERP/EIF fund of funds, ERP Start-up Fund
- 6 Securing raw materials, improving energy and materials efficiency**
- 7 Further reduction of bureaucratic burdens affecting the “German Mittelstand”**



Suggestions, questions, contact

This “Factbook” presents the main structural, economic and socio-demographic features of SMEs in Germany, a business sector known as the “German Mittelstand”, and serves as a research aid for media representatives. Every effort has been made to ensure the accuracy of the information. It is worth following up the sources of the information for a deeper analysis (cf. page 16).

Please submit any suggestions about the “German Mittelstand” to
buero-VC1@bmwi.bund.de

Please address any questions about the German Government’s SME policies to
buero-IIA1@bmwi.bund.de

This Factbook can be downloaded at:
www.bmwi.de/go/EN/german-mittelstand



Sources and further reading

- www.bmwi.de
- www.foerderdatenbank.de
- IfM Institut für Mittelstandsforschung (many of the main statistics)
- KfW (“KfW-Mittelstandspanel 2011”, “Die Globalisierung des Mittelstandes”)
- Eurostat (“Key figures on European business with a special feature on SMEs”; “Community innovation survey”; www.epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-02052012-AP/DE/3-02052012-AP-DE.PDF)
- European Commission (“Annual Report on EU Small and Medium sized Enterprises 2011/2012”; www.ec.europa.eu/enterprise/policies/sme/index_en.htm)
- Federal Statistical Office
- Ernst & Young (“Entwicklung der DAX-30-Unternehmen 2009/2010”)
- Stifterverband für die Deutsche Wissenschaft (“FuE-Datenreport 2012”)
- Institut der deutschen Wirtschaft Köln (www.iwkoeln.de/de/infodienste/iwd/archiv/beitrag/27978)
- CESifo GmbH (“ifo Konjunkturtest April 2012”)
- Simon, H.: Hidden Champions – Aufbruch nach Globalia, Campus Verlag, Frankfurt/Main 2012
- Langenscheidt, F., Venohr, B. (ed.): Lexikon der deutschen Weltmarktführer, Deutsche Standards, Cologne 2010
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