



SMALL AND MEDIUM-SIZED ENTERPRISES IN GERMANY

Destatis, 14 August 2008

Small and medium-sized enterprises (SMEs) are an important factor for employment and regarded as main pillars of our economy. This is why there is great interest in facts and figures on these enterprises. As part of an analysis of various economic sectors, the Federal Statistical Office has therefore compiled selected information on SMEs. It is based on data from several structural business statistics of industry, the distributive trade and the hotel and restaurant industry, transport, storage and communications, and parts of other service industries, thus covering some 80% of all enterprises.

The German “*Mittelstand*“ and small to medium-sized enterprises

In connection with small and medium-sized enterprises, people often speak of the “*Mittelstand*“. That term has evolved over time in the German-speaking community but there is no agreed or legal definition. Due to the vague concept it is impossible to provide official data on the German *Mittelstand*.

The international scientific community and statistical experts use the term "small and medium-sized enterprises" (SMEs) instead, which is translated into German as "kleine und mittlere Unternehmen" (KMU). When it comes to defining small and medium-sized enterprises (SMEs), the bodies of official statistics use a recommendation of the Commission of the European Communities of 6 May 2003 as a basis. That recommendation defines SMEs as follows, drawing upon the variables staff numbers and turnover, etc.:

Size class	Employees	Turnover per year
¹ and no micro enterprise		
² and no small or micro enterprise		
Micro enterprises	up to 9	and up to 2 mn
Small enterprises ¹	up to 49	and up to 10 mn
Medium-sized enterprises ²	up to 249	and up to 50 mn
Large enterprises	over 249	or over 50 mn

The Commission uses the term SMEs as an umbrella term for micro, small and medium-sized enterprises. According to the recommendation, enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million are regarded as SMEs.

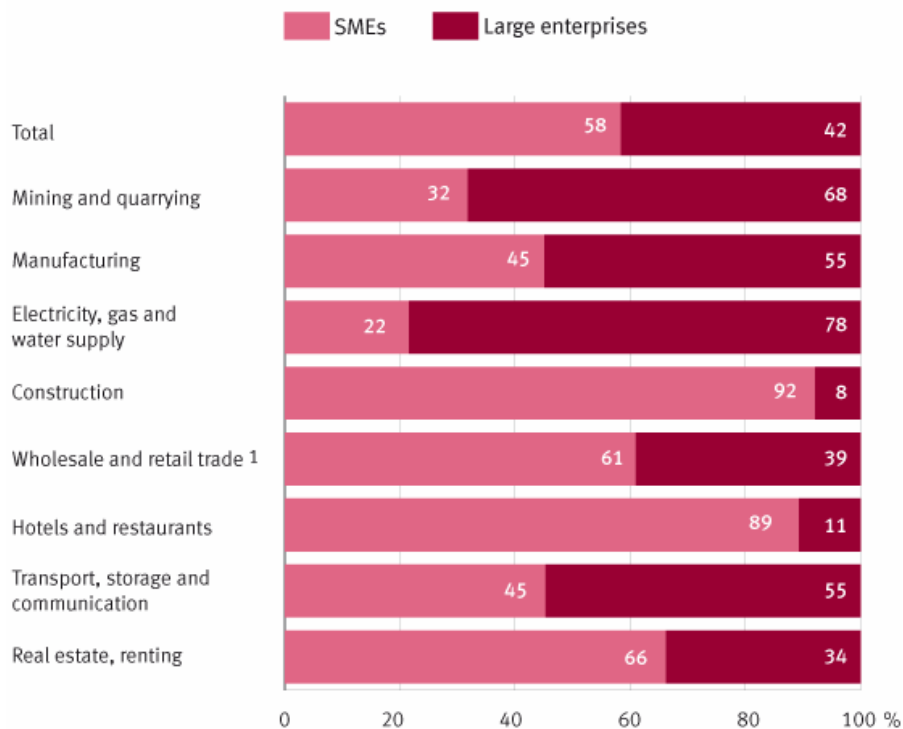
Micro enterprises prevail

The large majority of enterprises in the economic sectors studied employed fewer than 250 persons in 2005 and had a maximum annual turnover of EUR 50 million, they thus belonged to the SMEs. This held for some 1.66 million (99.3%) of the 1.67 million enterprises. Most of them (1.3 million) were micro enterprises, as they are called, which employed nine persons at most and had an annual turnover not exceeding EUR 2 million. Only some 11,500 enterprises were large enterprises.

6 out of 10 persons in employment worked in small and medium-sized enterprises

SMEs play an important part in employment. Almost 60% of the about 20.7 million employees in the economic sectors studied worked in SMEs. Some 18% of employees worked in micro enterprises, 22% in small and 19% in medium-sized enterprises.

Share of SMEs in employment



1 Repair of motor vehicles, motor cycles and personal and household goods.

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Large enterprises in the lead regarding turnover, investments and value-added

When it comes to turnover, large enterprises have a dominating position. In the reporting year 2005, SMEs accounted only for under one third of turnover in the economic sectors studied. They also recorded a smaller share of gross value-added and gross investment in tangible goods than large enterprises. All in all, SMEs generated 46% of gross value-added and made some 40% of total gross investment in tangible goods.

Share of small and medium-sized enterprises in selected variables in 2005

Section of economic activity	SMEs	Large enterprises
Total		
Turnover	34.6	65.4
Gross investment in tangible goods ruttainvestitionen in Sachanlagen	40.3	59.7
Gross value added at factor cost	46.0	54.0
Mining and quarrying		
Turnover	34.4	65.6
Gross investment in tangible goods ruttainvestitionen in Sachanlagen	36.2	63.8
Gross value added at factor cost	27.5	72.5
Manufacturing		
Turnover	22.8	77.2
Gross investment in tangible goods ruttainvestitionen in Sachanlagen	26.6	73.4
Gross value added at factor cost	32.3	67.7
Electricity, gas and water supply		
Turnover	8.9	91.1
Gross investment in tangible goods ruttainvestitionen in Sachanlagen	30.0	70.0
Gross value added at factor cost	17.5	82.5
Construction		
Turnover	83.0	17.0
Gross investment in tangible goods ruttainvestitionen in Sachanlagen	87.9	12.1
Gross value added at factor cost	87.9	12.1
Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods		
Turnover	39.9	60.1
Gross investment in tangible goods ruttainvestitionen in Sachanlagen	50.0	50.0
Gross value added at factor cost	51.7	48.3
Hotels and restaurants		
Turnover	83.0	17.0
Gross investment in tangible goods ruttainvestitionen in Sachanlagen	78.8	21.2
Gross value added at factor cost	84.2	15.8
Transport, storage and communication		
Turnover	29.4	70.6
Gross investment in tangible goods ruttainvestitionen in Sachanlagen	25.9	74.1
Gross value added at factor cost	32.9	67.1
Real estate, renting and business activities		
Turnover	62.6	37.4
Gross investment in tangible goods ruttainvestitionen in Sachanlagen	56.6	43.4
Gross value added at factor cost	65.2	34.8

Economic importance of small and medium-sized enterprises varies by economic sector

The economic importance of SMEs differs depending on the economic sector. They play a particularly significant part in construction and in the hotel and restaurant industry. In the reporting year 2005, SMEs achieved more than 80% of turnover and employed some 90% of employees. They dominate also in the real estate and renting business, and in the wholesale and retail trade. In contrast to that, industry, electricity, gas and water supply, and transport, storage and communication are dominated by large enterprises, with electricity, gas and water supply having been the sector with the smallest share of small and medium-sized enterprises: in that branch, SMEs accounted for less than 10% of turnover and only just over 20% of employees.

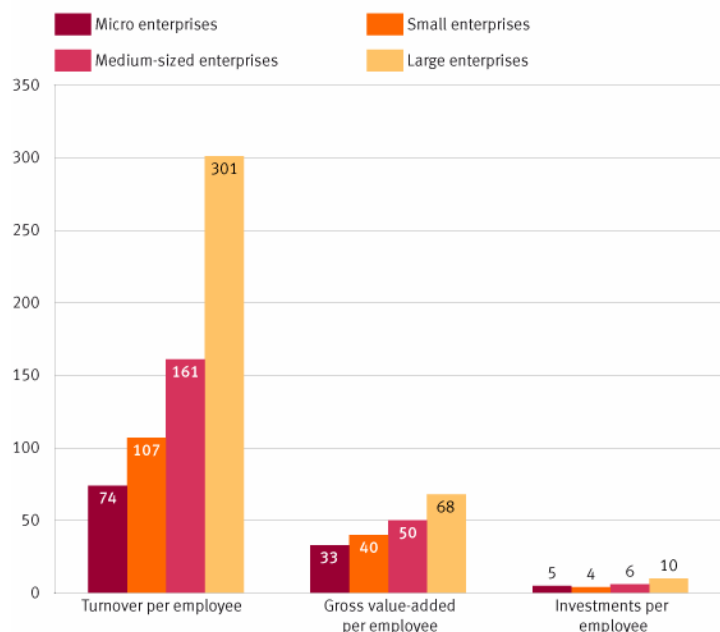
Apart from the important role SMEs play for employment, this study also shows the significance of large enterprises: although less than 1% of the enterprises in the economic sectors studied were large enterprises, they nevertheless accounted for 65% of turnover, 60% of gross investments, 54% of gross value-added and 42% of employment. This also explains why politicians and the public in general are much more sensitive to large enterprises being in distress than to SMEs having fundamental problems. There is no doubt at all that a single large enterprise is of much more importance for the labour market than a single SME.

Structural differences between small and medium-sized enterprises on the one hand and large enterprises on the other

When the major measures of performance are related to the number of employees, other structural differences between SMEs and large enterprises emerge. It turns out, for instance, that in the economic sectors studied more turnover was achieved, more was invested and a higher gross value-added was produced per employee in the large enterprises than in the SMEs. Turnover averaged some EUR 300,000 per employee in large enterprises, in SMEs it was just under EUR 114,000. In micro enterprises the corresponding figure was even below EUR 74,000 on average. Turnover per employee rises as the size of the enterprise increases. The same holds for the gross value-added per employee, which was more than twice as high in large enterprises (almost EUR 68,000) as in micro enterprises (just under EUR 33,000). The phenomenon of turnover and gross value-added per employee rising steadily as the enterprise size goes up can be observed in nearly all economic sectors.

While there tends to be a similar relation also for investments, it is less pronounced. In 2005, investments per employee in the economic sectors studied were even somewhat higher with micro enterprises than with small enterprises.

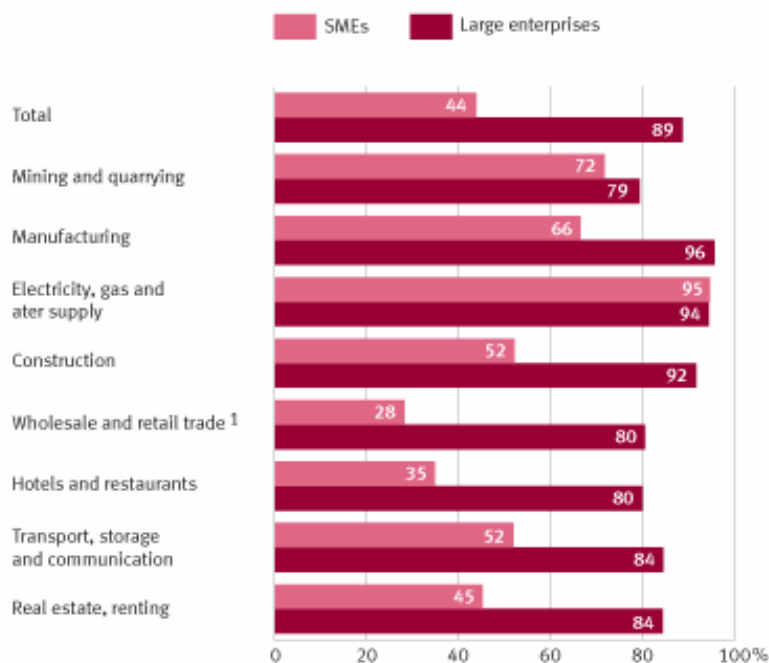
Turnover, gross value-added and gross fixed capital formation



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As regards investment activity, there is another marked structural difference between SMEs and large enterprises apart from the level of investments: The share of enterprises having invested at all in the reporting year 2005 was as a rule much smaller with SME enterprises than with large enterprises. In the economic sectors studied, the share of investing enterprises was almost twice as high (89%) with the large enterprises as in the SMEs, where not even every other SME enterprise made investments at all in the reporting year 2005. The level of investments of investing enterprises amounted to nearly EUR 79,000 on average for SMEs and EUR 8.3 million for large enterprises.

Share of investing enterprises in the SME and large enterprise categories



¹ Repair of motor vehicles, motor cycles and personal household goods.

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