

# Executive Summary

Mittelstand businesses in the Covid19 pandemic  
– being affected by and dealing with the crisis

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## **Summary**

Based on three German Business Panel surveys, the study examines the economic development of Mittelstand companies and small and medium-sized enterprises during the COVID-19 pandemic. At the same time, it focuses on the companies' operational measures and the state support measures used to clarify to what extent the economic policy measures have strengthened the companies' ability to cope with the challenges caused by the COVID-19 pandemic.

### **SMEs and Mittelstand companies were more affected by the crisis than large and non-Mittelstand companies**

SMEs, especially micro and small enterprises, were more affected by the COVID-19 pandemic than large enterprises. Turnover, profits, and liquidity decline - but not in increased staff reductions - show this fact. Even considering differences in company size, Mittelstand companies suffered more from the COVID-19 pandemic than non-Mittelstand companies. However, this does not mean that the crisis hit all SMEs or Mittelstand companies equally hard. Rather, it was primarily the sector of the economy that played an important role.

### **SMEs and Mittelstand companies recovered worse than large and non-Mittelstand companies in 2021**

Companies' economic situation improved in the second pandemic year compared to the first, regardless of their size and whether they are Mittelstand and non-Mittelstand companies. However, the SMEs and Mittelstand companies could not achieve the growth rates in 2021 that would have been necessary to compensate for their poorer performance in the previous year. Accordingly, SMEs and Mittelstand companies had recovered worse from the COVID-19 pandemic than large and non-Mittelstand companies by the end of 2021.

### **Diverse operational measures**

About two of three companies have taken operational measures. Primarily: Cancellation or postponement of investments, reduction of fees or increase of prices - to counter the additional burdens caused by the COVID-19 pandemic. At the beginning of the COVID-19 pandemic, the larger companies were more active, although their exposure to the crisis decreased with increasing size. The more severely affected Mittelstand companies also implemented operational measures more frequently than the non-Mittelstand companies.

### **SMEs and large companies used non-tax aid equally often**

More than half of the companies used so-called non-tax support measures such as immediate aid ("Soforthilfe") or short-time work allowance ("Kurzarbeitsgeld"). Mittelstand companies used at least one non-tax measure more frequently than non-Mittelstand companies, whereas there are no differences between the company size classes in this respect. Nevertheless, this aggregated view hides differences in the type of aid used. Short-time allowance was used far less frequently by micro-enterprises - they made more frequent use of emergency aid or, like small and medium-sized enterprises, of bridging assistance.

### **Mittelstand companies used tax aid more often than non-Medium-sized companies**

About a third of the companies have taken advantage of tax aid. While SMEs used this aid less frequently than large companies at the beginning of the pandemic, no difference can be observed from autumn 2020 onwards. In contrast, Mittelstand companies used tax support measures more frequently than non-Mittelstand companies over the entire period under consideration.

### **State aid strengthened the ability of companies to help themselves**

Companies that took operational measures to overcome the crisis frequently used state support. State aid was thus used complementarily to the companies' efforts and did not displace the companies' initiative. All in all, the aid was received primarily by those who needed it.