

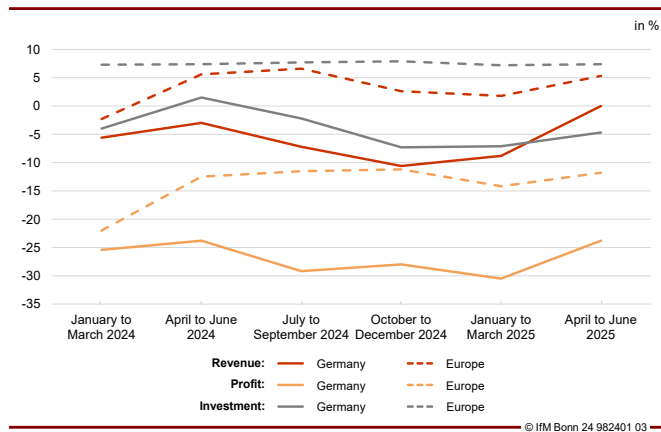
The economic situation of SMEs continues to improve in the second quarter

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In the first quarter of 2025, the economic situation of small and medium-sized enterprises (SMEs) in Germany had already shown slight signs of improvement. In the second quarter, a more noticeable upswing can now be observed, particularly regarding turnover and profit indicators (see Figure 1).

Despite the positive development since the beginning of the year, it must be noted that the proportion of enterprises reporting a decline in investment and profit still exceeds the proportion reporting an increase. When it comes to profits, the two groups are now equally large. This suggests that SMEs in Germany have not yet fully emerged from the economic trough.

Difference between the share of SMEs whose turnover, profits and investments have increased or decreased over the past three months



Source: SAFE data set, own calculations.

The distance to the Euro area is decreasing

In recent months, the economic situation of SMEs in selected European countries (hereinafter also referred to as the Euro area) has also improved, albeit to a lesser extent than that of SMEs in Germany. Overall, this has led to a narrowing of the gap between SMEs in Germany and those in the Euro area.

However, the economic situation of SMEs in the Euro area remains better than that of SMEs in Germany. For all three indicators considered, the proportion of SMEs reporting an increase still exceeds the proportion experiencing a decline.

The level of problem exposure among SMEs in Germany has slightly declined

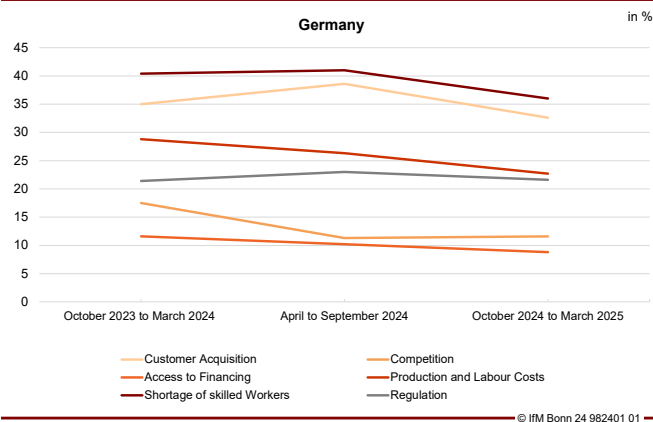
For a long time now, the shortage of skilled labour has been the most significant challenge facing SMEs in Germany (cf. Pahnke et al. 2023, p. 10 and Figure 2). At times, almost every second SME considered this issue to be of major importance. Ranked behind this are customer acquisition, production and labour costs, and regulation.

At the beginning of 2025, almost all problem areas were perceived by fewer SMEs in Germany as highly significant compared to mid-2024. This is particularly true for the shortage of skilled labour, customer acquisition, and production and labour costs. One possible explanation is the continued economic weakness, which may have led to an easing of the skills shortage. Falling inflation, in turn, is likely to have contributed to lower production costs.

Info-Box

The "Survey on the Access to Finance of Enterprises" (SAFE) is a pan-European survey conducted by the European Central Bank (ECB) twice a year (covering issues related to problems faced by businesses) and four times a year (focusing on turnover, profits, and investments). Some countries, due to their small share of overall economic output, are only included once a year in the survey, which is why our analysis includes only the countries Austria (AT), Belgium (BE), Germany (DE), Spain (ES), Finland (FI), France (FR), Greece (GR), Ireland (IE), Italy (IT), the Netherlands (NL), Portugal (PT), and Slovakia (SK). Only small and medium-sized enterprises (SMEs) as defined by the EU are considered.

Highly significant issues, 2024-2025, Germany, share of SMEs



Share of SMEs that assigned a rating of 9 or 10 (high significance) to each issue on a scale of 1 to 10.

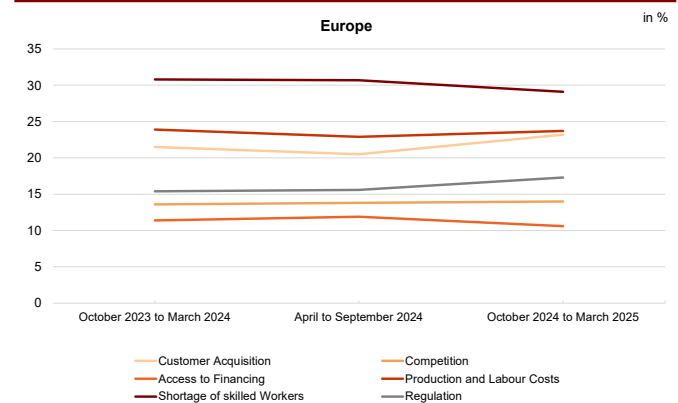
Source: SAFE data set, own calculations.

"Production and labour costs" are now perceived as a greater issue in the Euro area

In the past, the three issues of "skilled labour shortage", "customer acquisition", and "production and labour costs" have also been significant for SMEs in the countries considered (see Figure 3). However, these issues have been less challenging for SMEs in these countries compared to those in Germany. Recently, however, the impact of "production and labour costs" on SMEs in the Euro area has significantly increased.

In contrast, access to finance continues to pose no problem for SMEs in Germany or in the Euro area. The generally lower impact of problems on SMEs in the Euro area is likely contributing to their better current economic situation.

Highly significant issues, 2024-2025, Euro area, share of SMEs



Share of SMEs that assigned a rating of 9 or 10 (high significance) to each issue on a scale of 1 to 10.

Source: SAFE data set, own calculations.

Further reading:

Pahnke, A.; Nielen, S.; Dienes, C.; Schröder, C. (2023): Financing of small and medium-sized enterprises during the coronavirus pandemic, in: IfM Bonn, IfM Materials No. 300, Bonn.

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Editor

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