

# Press release

## Economic Relevance of Small and Medium-sized Enterprises in Germany

### IfM Bonn: Independent SMEs constitute only a small part of Germany's Mittelstand-businesses

**Bonn, 29.09.2021.** According to the European Commission's definition of SMEs, more than 3.5 million companies in Germany are small and medium-sized enterprises (SMEs), which is equal to 99.3 % of all companies in the private sector. With more than 2.3 trillion euros, SMEs generate almost 33 % of total turnover in Germany. Overall, they contribute more than 60 % to the total net value-added of all companies.

Before the start of the pandemic, SMEs invested over 7.7 billion euros in research and development. In 2019, their share with respect to total research & development expenditures of the business sector was equal to almost 8 %.

Moreover, SMEs exported goods worth around 215 billion euro. This amount represents around 16 % of total export turnover of all companies in Germany. However, official statistics do not include shipments of goods to individuals residing in Europe. Also or exports of services are not accounted. Therefore, export turnover of SMEs is likely to be higher than the reported one.

More than 71% of all trainees are employed in companies with fewer than 250 employees (subject to social security contributions). However, the number of trainees in the smallest companies has been decreasing for years, while the number in large companies has been increased. In total, more than 19 million people are employed in SMEs, which amounts to around 55 % of all dependent employees.

### The Definition of German Mittelstand Includes SMEs, as well as Bigger Family Businesses

"The public discourse is dominated by small and Mittelstand enterprises. This terminology is somewhat misleading because the term Mittelstand is defined differently: Both small and medium-sized enterprises belong to the Mittelstand if they are independent and if they do not belong to a corporate group," explains

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Prof. Dr Friederike Welter (IfM Bonn/University of Siegen). According to the definition of the IfM Bonn, Mittelstand enterprises only include companies in which ownership and management are directed by a maximum of two natural persons or their family members. For this reason, companies with more than 250 employees also belong to the Mittelstand category if the family members still hold at least 50 % of the company shares and are actively involved in the management.

Since the qualitative characteristics of the Mittelstand (type of management, ownership and economic independence) are not taken into account in the official statistics, the IfM Bonn calculates the economic significance of the Mittelstand based on the SME definition. In fact, their contingent is higher by adding the contribution of the larger family businesses, where ownership and management are united.