

»» SMEs see growing risks to their international competitiveness

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The public debate over the international competitiveness of Germany as a business location continues against the backdrop of weak exports and increased payroll costs, prices of raw materials and inputs as well as energy in many enterprises. Europe's largest economy has recently fallen in international rankings. Analyses by KfW Research reveal a mixed picture of Germany as a business location.

Around one in ten German SMEs compete internationally in their domestic and foreign sales markets. Location factors within Germany are of particular importance for them because most of their production takes place in Germany. In a supplementary survey conducted under the KfW SME Panel in March 2023, small and medium-sized enterprises considered themselves to be well positioned in many aspects compared with their foreign competitors and most of them were optimistic about their future competitive position, although they also identified some risks to their future competitiveness at their German location.

The findings of a new supplementary survey carried out under the KfW SME Panel in April this year now demonstrate that while many SMEs still regard their international competitiveness as strong, a small portion of them have fallen behind their foreign rivals. Businesses' views of their future competitive position have deteriorated considerably within a year, and their concerns over Germany as a business location have increased noticeably.

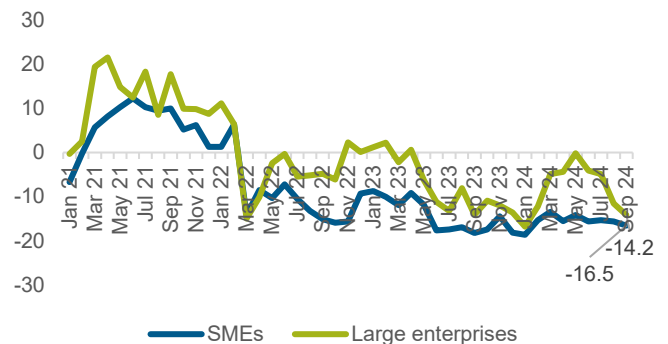
SMEs continue to regard bureaucracy as the greatest challenge, and the share of enterprises seeing it as a risk to their future competitiveness has increased even further. Energy costs are also viewed much more critically than just over a year ago. Businesses also see environmental and climate regulations as well as other regulations such as the German Supply Chain Due Diligence Act and the application of EU taxonomy as increased risks to their international competitiveness. They are also concerned that taxes and duties and the skilled labour shortfall could worsen to become significant competitive disadvantages.

The growing concerns over their competitiveness at their German location are likely to reflect the weaker economic situation of some enterprises. However, they are also likely to be an expression of the generally more tense mood among SMEs and their fervent wish for policymakers to address structural challenges even more vigorously and take concrete steps to ensure that Germany continues to be a competitive location.

With exports weakening, Germany's international competitiveness remains an issue

After significant increases in the years 2021 and 2022 thanks to the recovery from the COVID-19 crisis, Germany's goods exports fell again for the first time last year, albeit only minimally, by 0.2% to EUR 1.590 billion.¹ The development of goods exports was disappointing in the first seven months of this year as well, falling by 1.1% compared with the same period last year.² Manufacturers' export expectations suggest that the weakness in export growth will continue in the months ahead. Particularly among SMEs, they were sharply lower than the long-term average in September 2024, down 16.5 balance points (Figure 1).

Figure 1: Export expectations of manufacturers captured in the KfW-ifo SME Barometer



Note: Balance (in percentage points) of percentages of positive and negative responses on export expectations for the coming three months (seasonally and mean adjusted). Enterprises are generally classed as small to medium-sized if they employ a workforce of not more than 500 and record an annual turnover not exceeding EUR 50 million.

Source: KfW Research, ifo Institute

Exports of not just goods but also services shrank last year by around 0.5% to EUR 406 billion.³ A less dynamic business cycle as a result of high inflation and high interest rates and, hence, low demand in important foreign markets as well as geopolitical risks have created a difficult trade environment. Moreover, increased payroll costs, higher prices of raw materials and inputs or energy are putting pressure on many businesses in Germany.⁴ This has led to renewed debate over the international competitiveness of German enterprises and Germany's attractiveness as a location for doing business.

Germany has recently dropped in international competitiveness rankings such as the Country Index for Family Businesses measured by the Centre for European Economic Research (ZEW) in Mannheim, in which Germany dropped by

four places between 2020 and 2023 to rank 18 of 21 industrialised countries.⁵ The Ifo Institute has also identified a deterioration in the competitive position of German industrial firms within the EU and in global markets for around two years now.⁶

An analysis by KfW Research revealed that Germany is a business location with major strengths by international comparison, such as high innovative power, good access to finance, including for small and medium-sized enterprises, and thus far a good availability of skilled workers. But it clearly has weaknesses, too, such as low public investment, a high tax burden on investment returns and high energy costs, especially in comparison with the US and Canada. Although the country is still in a good starting position, the study has identified an urgency to further expand on its strengths and address its weaknesses in order to safeguard its competitiveness.⁷

Many SMEs still consider themselves to be well positioned in global competition, but concerns are growing noticeably

For the approx. 3.8 million German SMEs, location factors are of particular importance because most of their production takes place within Germany. Setting up production facilities abroad requires a great amount of human and financial resources and often does not pay off for small and medium-sized enterprises with low output volumes. Accordingly, in the 2019–2022 period only around 1.7% of all small and medium-sized enterprises invested abroad, and mostly for the purpose of expanding into new sales markets.⁸

Nonetheless, around one in ten SMEs compete internationally in their domestic and foreign sales markets. A disproportionately large share is composed of larger manufacturers, which are among the main drivers of turnover, employment and investment in the SME sector. Their competitors often come from Europe, but also from China and the US.⁹

In a supplementary survey conducted under the KfW SME Panel in March 2023, German SMEs considered themselves to be well positioned in many aspects compared with their foreign competitors. They regarded the availability of skilled workers within their businesses, the positive image and the high quality of their products as key strengths in international competition. Many SMEs also believed that they were better off than their international competitors with regard to the cost of labour, raw materials and inputs, as well as energy. With regard to the integration of digital technologies, some saw themselves as latecomers, but at least as many considered themselves to be pioneers. Over a year ago, SMEs were also

predominantly optimistic with a view to their future competitive position, presenting a better overall picture than the public debate suggested.¹⁰

Nonetheless, some 19% of businesses also reported that their competitive position had worsened. Companies already saw significant risks to their future competitiveness at their German location in last year's survey. They identified a particularly strong need to address the issue of bureaucracy. However, some SMEs also expressed concern that taxes and levies, growing skilled labour shortages, rising energy costs and insufficient availability of raw materials and inputs would affect their future competitiveness.¹¹

The findings of a renewed supplementary survey carried out under the KfW SME Panel in April this year now demonstrate that while many SMEs still regard their international competitiveness as strong overall, a small portion of them have fallen behind their foreign rivals. Unlike in the previous year's survey, SMEs were asked for their views about not just individual aspects of their competitiveness (such as the availability of skilled workers within their business or the cost of raw materials and inputs) but for an overall opinion about their competitiveness. It is therefore not possible to compare the findings directly to those of the previous year. The questions asked about the future development of their competitive position and possible risks to their future competitiveness at their German location, however, were identical in both surveys. The comparison revealed that their view of their future competitive position has deteriorated considerably within a year, and their concerns over Germany as a business location have increased noticeably.

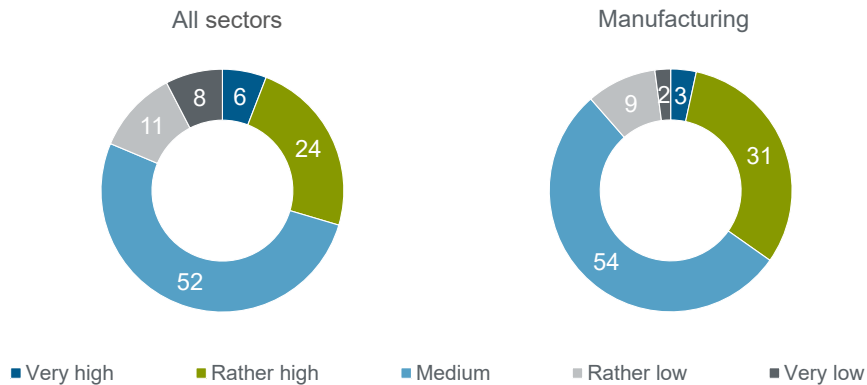
SMEs currently have a wide range of opinions about their international competitiveness

At present, three in ten SMEs for which foreign competitors play a major role regard their competitiveness as rather high or even very high. Roughly half of all SMEs placed themselves in the medium category, and around two in ten view their competitiveness as rather low or even very low compared with their foreign rivals. Manufacturing SMEs tend to regard their competitiveness as slightly higher than enterprises from the remaining sectors (Figure 2).

Although this overall picture is not comparable with the findings of the previous year's survey, it does illustrate that there is definitely room for improvement with a view to SMEs' international competitiveness. Nonetheless, only around one in three SMEs expect their own competitive position to improve in the future.

Figure 2: Manufacturing SMEs believe they are somewhat better positioned in international competition than enterprises from the remaining sectors

Percentage of businesses that rate their competitiveness as very high / rather high / medium / rather low / very low compared with their most important competitors.



Note: Only enterprises for which international competitors play an important role. Figures extrapolated on the basis of the number of enterprises.

Source: Supplementary survey to the KfW SME Panel conducted in April 2024

Outlook on future competitiveness is clouding over

In the supplementary survey conducted in April 2024, 34% of SMEs that compete with foreign businesses expected their competitive position to improve in the coming three years. In the past year, 35% expected an improvement. A further 36% of SMEs currently expect to be able to at least maintain their current position – around 11% fewer than in March 2023. At the same time, the share of SMEs expecting their competitive position to deteriorate increased by around 10% since last year. Some 29% of all SMEs competing internationally currently expect to fall behind significantly in international competition (Figure 3). Thus, the outlook has deteriorated significantly since March of last year, even though businesses that believe they can maintain and expand their competitive position are still in the majority.

expect to be able to further expand their position in the coming three years, compared with only 26% of SMEs that currently compete internationally on a low or medium level (Figure 4).

Conversely, just 7% of SMEs that currently have high international competitiveness are worried that they might fall behind their foreign competitors – while more than 38% of enterprises with low to medium competitiveness expect their position to worsen. The positive correlation between current competitiveness and the expected development of the future competitive position is also apparent in multivariate analyses and is independent of sector, enterprise size and other characteristics.

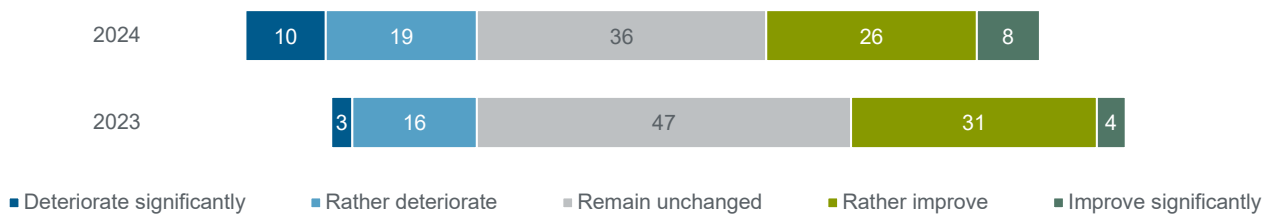
Particularly competitive SMEs are pulling ahead – weaker enterprises can hardly catch up

Enterprises that are already well-positioned today are most likely to expect their competitive position to improve. Around 56% of SMEs that currently compete well internationally

This can be seen as an indication that existing trends are intensifying. Whereas the already very competitive SMEs are breaking into the lead, many weaker enterprises are finding it difficult to keep up with their global competitors. A key reason for this is likely to be their low propensity to invest.

Figure 3: Outlook on international competitive position is clouding over

Percentage of companies that expect their competitive position to deteriorate significantly / rather deteriorate / remain unchanged / rather improve / improve significantly in comparison with their most important competitors.



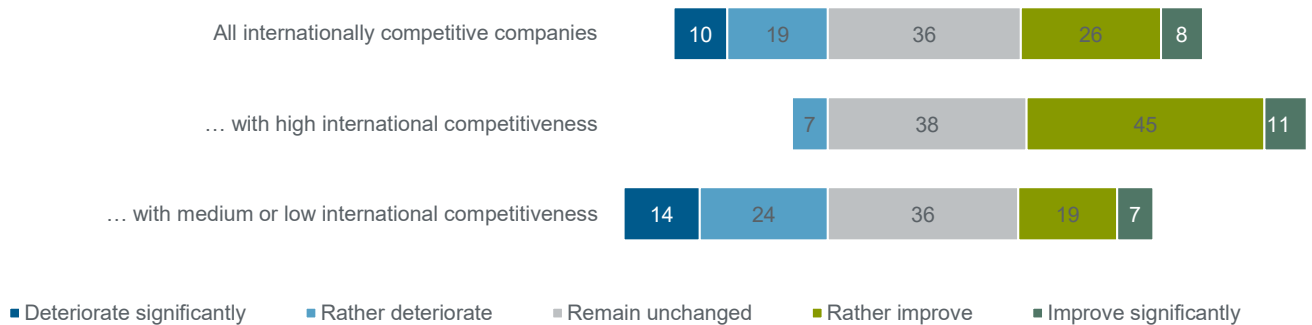
Note: Only enterprises for which international competitors play an important role. Figures extrapolated on the basis of the number of enterprises.

Source: Supplementary surveys to the KfW SME Panel conducted in April 2024 and March 2023

Figure 4: Particularly competitive businesses are likely to further expand their position in the future

Percentage of companies that expect their competitive position to deteriorate significantly / rather deteriorate / remain unchanged / rather improve / improve significantly in comparison with their most important competitors, based on their current competitiveness

Expected development of the future competitive position



Note: Only enterprises for which international competitors play an important role. Figures extrapolated on the basis of the number of enterprises.

Source: Supplementary survey to the KfW SME Panel conducted in April 2024

In the year 2022, enterprises with a low or medium level of competitiveness invested not even half as often as those that have a high level of competitiveness. They were also less likely to introduce product and process innovations or implement digitalisation projects.

Expectations of their own competitive position are mirrored in their expectations of future turnover which, for its part, is a major factor that determines future investments.¹² It must therefore be expected that the divide between businesses with a low level and those with a high level of international competitiveness will widen further, and that SMEs that have once fallen behind their foreign competitors will be hard pressed to catch up again.

Manufacturing industry is showing more optimism than other sectors

A separate look at manufacturing shows that expectations here are somewhat more muted than just over a year ago. In fact, the share of companies expecting their competitive position to improve dropped from 41% to 35%. At the same time, the proportion of enterprises that believe their competitive position will remain steady has grown slightly. The share of businesses that fear their competitive position will deteriorate is only around 2 percentage points higher than in the previous year and, at 21%, much lower than in all SMEs that compete internationally (Figure 5).

Manufacturing plays a prominent role particularly in Germany, accounting for 20.4% of gross value added and 16.3% of employment in 2023, which continues to be higher than in most other European economies.¹³ Automotive engineering, mechanical engineering as well as the metal and chemical industries are the main drivers. Last year, motor vehicles and vehicle parts were Germany's most important export goods, amounting to EUR 270 billion, followed by machines (EUR 226 billion) and chemical products (EUR 141 billion).¹⁴ This explains why a possible decline in international

competitiveness in manufacturing industries and a looming deindustrialisation of Germany are viewed with particular concern.

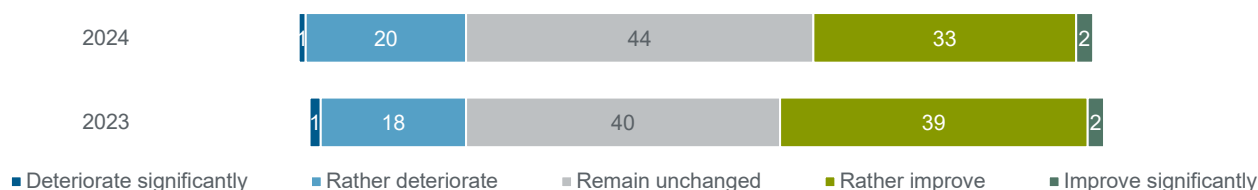
So far, there are hardly any signs of advancing deindustrialisation in the German SME sector. An analysis of foreign investment by small and medium-sized enterprises still indicates a low tendency to shift business activities abroad. Only 3.8% of all SMEs are planning to invest abroad in the next three years. Tapping into new sales markets continues to be the main motive. Significantly fewer businesses mentioned lower taxes, less regulation, lower labour costs or a better supply of skilled labour as a decisive motive. Electricity and gas prices also play a comparatively minor role in cross-border investments by SMEs.¹⁵

Irrespective of this, manufacturers in Europe have come under greater competitive pressure. A major reason is tougher competition with China, which in recent years has evolved from a supplier of inputs to a relevant exporter of finished products, where it has gained price competitiveness. This is due to the downturn in China's real estate market, which has dampened demand for goods such as steel or cement, as well as to state subsidies in the high-tech industry in particular and to considerable excess capacity in the Chinese market.¹⁶

The results of the most recent supplementary surveys to the KfW SME Panel underscore that there is great urgency to safeguard businesses' international competitiveness in order to withstand the growing competitive pressure. This is clear not least from their increased perception of threats to Germany as a business location.

Figure 5: Manufacturers remain predominantly optimistic

Percentage of companies that expect their competitive position to deteriorate significantly / rather deteriorate / remain unchanged / rather improve / improve significantly in comparison with their most important competitors.



Note: Only manufacturing enterprises for which international competitors play an important role. Figures extrapolated on the basis of the number of enterprises.

Source: Supplementary surveys to the KfW SME Panel conducted in April 2024 and March 2023

SMEs see growing risks at their German location, with bureaucracy still their greatest concern

SMEs are coming under increasing competitive pressure from multiple sides. What continues to unsettle SMEs the least is the Inflation Reduction Act, which not more than 3% of all small and medium-sized enterprises currently perceive as a potential threat to their competitiveness. They see all other aspects covered by the survey as a high risk much more often than over a year ago (Figure 6).

SMEs continue to regard bureaucracy as the greatest risk to their competitiveness at their German location, with around 59% of companies seeing it as a threat, another 11 percentage points more than in March 2023. Manufacturers are particularly concerned, with 70% of enterprises describing bureaucracy in Germany as a high risk to their competitiveness – compared with 56% in March 2023 (Figure 7).

The question to what extent this concern about the future mirrors the actual administrative burden that can already be felt today cannot be reliably answered. The administrative burden index measured by the Federal Statistical Office, which describes the effort involved in dealing with classic 'red tape' (such as filing applications, submitting reports, providing evidence) today shows a much lower burden than just a few years ago. At the same time, the much more broadly captured compliance costs incurred from meeting legal requirements have continued to increase, as identified by the National Council for the Review of Legal Norms in its latest 2023 Annual Report.¹⁷ In order to be able to better identify the actual administrative burden on small and medium-sized enterprises, KfW Research plans to conduct a separate study in the further course of the year.

Competitive energy costs are an issue for one in every two SMEs

Around 47% of all internationally competing SMEs, and as much as 52% of manufacturers, see energy costs as a high risk to their future competitiveness. This is significantly more than in the previous survey, in which only around one in five SMEs and only one in three manufacturing SMEs feared

competitive disadvantages as a result of energy costs (Figures 6 and 7).

On average, energy in the form of electricity, natural gas, petrol or heating oil accounts for 13% of all costs incurred by small and medium-sized enterprises, which makes it the third-largest cost factor after wages and salaries (33%) and raw materials and inputs (22%) in the SME sector. However, businesses expect the strongest cost increases in this area, with 64% of SMEs expecting higher energy costs in 2024 than in the previous year, and 24% of these even predict cost increases in excess of 10%.¹⁸

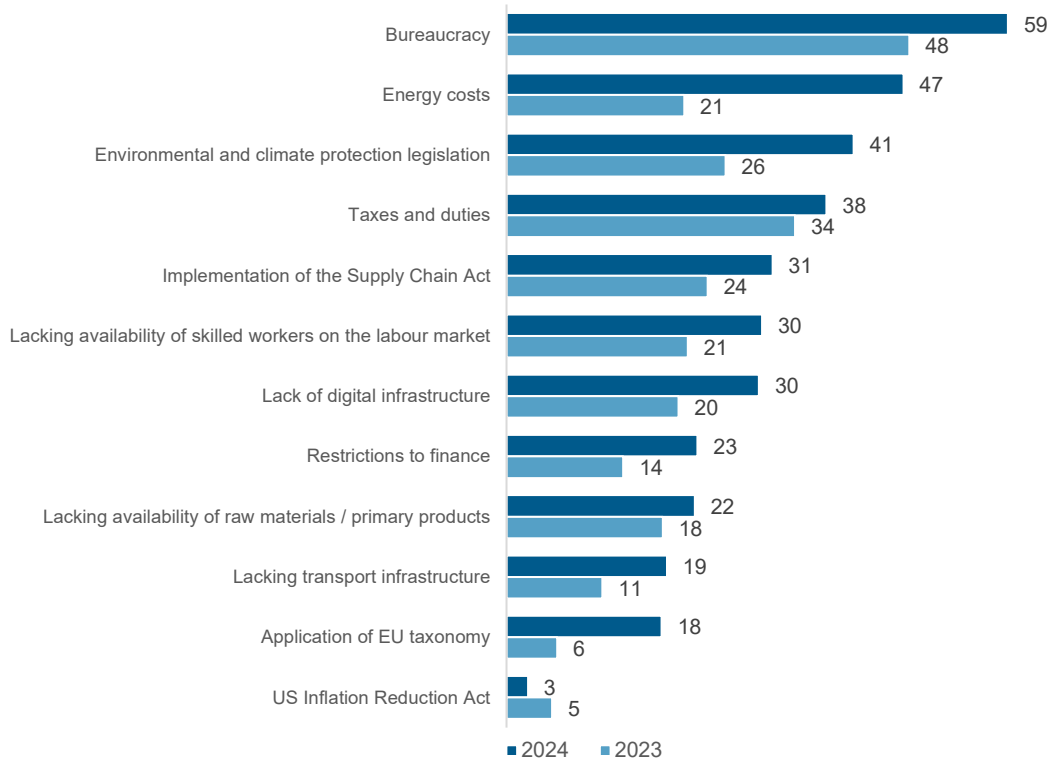
SMEs' expectations are likely to be heavily influenced by their experience during the energy price crisis. Since then, electricity prices have eased again significantly and, in part, are actually lower than before the crisis, mostly due to the lifting of the EEG (Renewable Energy Sources Act) levy.¹⁹ This should also be gradually reflected in individual electricity contracts. Gas prices have also eased but still remain above the pre-crisis level.²⁰

In the longer term, renewable energy production costs may fall in Germany, but the costs for other electricity components may rise. These include, in particular, the costs of grid expansion and battery storage and the cost of maintaining flexible power plant capacity to balance out variability in electricity generation from renewables.²¹

Furthermore, electricity production costs may fall more steeply in other countries that are driving the expansion of renewables than in Germany, which has a rather unfavourable weather profile by international comparison. This is sure to pose a challenge particularly for the competitiveness of energy-intensive industrial enterprises at their German location.²²

Figure 6: SMEs perceive growing risks to their international competitiveness at their German location

Percentages of enterprises that regard the listed factors at their German location as a high risk to their competitiveness in the coming three years.



Note: Only enterprises for which international competitors play an important role. Figures extrapolated on the basis of the number of enterprises.

Source: Supplementary surveys to the KfW SME Panel conducted in April 2024 and March 2023

Risks to competitiveness from regulation

Around 41% of small and medium-sized enterprises see environmental and climate regulations as a possible risk to their future competitiveness – 15 percentage points more than in the spring of 2023. That share is as high as 52% among SME manufacturers, nearly twice as high as in the previous year. According to the KfW Climate Barometer 2023, most SMEs, particularly the larger enterprises, support the goal of climate neutrality. Nevertheless, almost one third of all businesses regard their own business model as incompatible with the target of climate neutrality.²³ The smaller the business, the more important it appears to be to design climate and environmental requirements in a way that avoids competitive disadvantages, thereby increasing acceptance and support for the transition process.

More SMEs also perceive applying the EU Taxonomy as a risk than before. It defines sustainability criteria to rate business activities and forms the basis for businesses' sustainability reporting. It is true that only large enterprises and financial service providers are so far required to undertake such reporting. However, the content and scope of validity are being successively expanded. From the 2026 fiscal year, capital-market oriented SMEs will also be required to report the compliance of their activities with the EU Taxonomy. In order to meet the reporting duties, many enterprises are likely to request information from their suppliers, including from small and medium-sized enterprises that have no such reporting obligations.

The situation is similar for the Supply Chain Due Diligence Act, which 31% of SMEs currently see as a risk to their international competitiveness. That figure is as high as 45% in manufacturing enterprises, up from just 17% in the previous year. The act has applied to enterprises with more than 3.000 employees since 1 January 2023 and to firms with at least 1000 employees since 1 January 2024. It requires them to perform and document human rights and environmental due diligence in their supply chains. Even if small and medium-sized enterprises fall below the threshold defined in the act, they are nonetheless indirectly affected as suppliers, for example because they must supply information or participate in prevention and remedial measures. Over the past months, many SMEs are likely to have become aware of this.

The EU Taxonomy and the German Supply Chain Due Diligence Act are examples that while regulations have exemptions for small and medium-sized enterprises to avoid putting a disproportionate burden on them, these are still often affected indirectly through their value chain relations with enterprises that are subject to such requirements. Even having to look at new, often complex legal requirements in order to determine to what extent they are relevant to their own business is already technically challenging and time-consuming for many smaller businesses, sole traders and self-employed professional. It would therefore be useful when designing regulations not just to examine exemptions but also to take into account the indirect burdens for small and medium-sized enterprises and their competitiveness.

Manufacturers in particular see a growing need to reduce taxes and levies in particular

Taxes and levies are also increasingly being seen as a risk – especially in the manufacturing sector, where around half of all enterprises fear growing competitive disadvantages from taxes and levies. Thus, taxes and levies even outstrip energy costs and environmental and climate regulations.

The Growth Opportunities Act, passed in 2024, is likely to have provided major impetus with a view to corporate taxes. Among other things, it provides for tax breaks, for example through improved depreciation options and more flexibility for losses carried forward, and less tax bureaucracy. However, many initially planned measures were cancelled and the volume of relief was reduced from originally EUR 7 billion to EUR 3.2 billion annually in the course of the legislative procedure. Business associations recognise the Growth Opportunities Act as a step in the right direction but demand more comprehensive measures.²⁴ The fact that Germany has become a less attractive business location from a tax point of view in the past 15 years due to a lack of major business tax reforms and has an effective average tax burden on investment projects of 28.5% that is well above the EU average is also illustrated by the Mannheim Tax Index of the Centre for European Economic Research, for example.²⁵

Skilled labour shortages remain a risk – despite a temporary drop in the wake of the economic downturn

A further aspect that continues to preoccupy SMEs is the shortage of skilled workers in the labour market. In March 2023, manufacturers in particular perceived it as a threat to their competitiveness, but other sectors have become more concerned as well. Among all SMEs that compete with enterprises from abroad, 30% regard the shortage of skilled labour as a high risk to their competitiveness at their German location (Figure 6).

In the past quarters, the skills shortage has decreased moderately as a result of the economic downturn – slightly more in manufacturing than in the remaining sectors. In the services sector in particular, the share of businesses whose activities are hampered by skilled labour shortages remains at a disproportionately high 42%. The skills shortages can be expected to worsen again once the economic situation improves. In other words, the urgency to act remains the same, and it is essential to respond by providing incentives for greater labour market participation, attract and integrate skilled migrants, provide training in line with needs, retrain workers and increase labour productivity.²⁶

When the economy begins to recover, there is a potential for renewed bottlenecks not just in the availability of qualified workers but also in the supply of raw materials and inputs, which around 22% of all SMEs in the manufacturing sector currently regard as a threat to their international competitiveness.

Three in ten SMEs fear competitive disadvantages from inadequate digital infrastructure

In an international comparison, Germany does not hold a top position in research and application of digital technologies. Among other impediments, its digital infrastructure is one reason that digitalisation is not progressing faster in enterprises.²⁷ Around 30% of all SMEs that compete internationally currently fear that an inadequate digital infrastructure might hamper their competitiveness at their German location in the medium term.

A lower proportion of businesses regard inadequate transport infrastructure as a problem, although concerns that it may end up becoming a competitive disadvantage have grown here as well. The share of businesses that see inadequate transport infrastructure as a high risk to their competitiveness at their German location in the next three years is 19% compared with 11% in the previous year.

Financing constraints remain a comparatively low risk

In international comparison, Germany provides businesses with a very good financing environment. Small and medium-sized enterprises, which tend to have less access to finance than large enterprises, can find comparatively attractive financing conditions in Germany.²⁸ The restrictive monetary policy of the past two years and the weak economic development have slowed credit demand from small and medium-sized enterprises and caused banks to adopt more restrictive lending policies, to be sure.²⁹ Nevertheless, accessing sources of finance is currently not one of the greatest challenges for small and medium-sized enterprises.³⁰

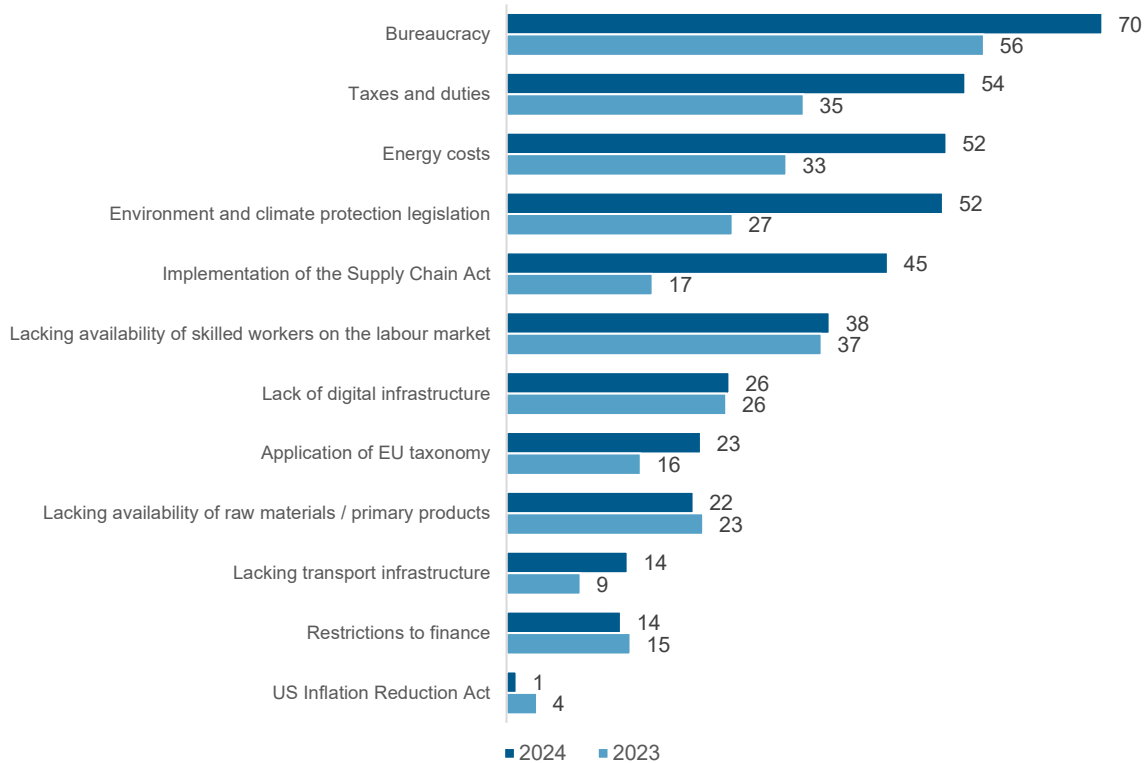
The topic of finance is also causing less concern about the future than other topics. Although the share of SMEs that regard financing constraints as a potential risk to their future competitiveness has also risen since March 2023, it continues to be well below the share of enterprises that consider bureaucracy, energy costs and environmental and climate regulations as a possible competitive disadvantage (Figure 6). In the manufacturing sector, possible financing difficulties are having even less of an adverse effect on businesses' expectations for their future competitive position (Figure 7).

Growing concern over future competitiveness also reflects the current mood

In many areas, such as bureaucracy, the existing situation has changed only little since March 2023. Nevertheless, businesses consider the risks to their future competitiveness at their German location to be significantly higher overall than last year.

Figure 7: Manufacturers also see growing risks but give them different weightings

Percentages of enterprises that regard the listed factors at their German location as a high risk to their competitiveness in the coming three years.



Note: Only manufacturing enterprises for which international competitors play an important role. Figures extrapolated on the basis of the number of enterprises.

Source: Supplementary surveys to the KfW SME Panel conducted in April 2024 and March 2024

The increased worries about competitiveness are likely a reflection of two things: first, businesses' current economic situation, which has deteriorated noticeably between the March 2023 survey and the tracking survey of April 2024. The business situation assessments provided under the KfW-ifo SME Barometer fell by 5.0 points to -11.0 balance points during this period. In September 2024, they were at the lowest level since the outbreak of the COVID-19 pandemic, at -20.1 balance points.³¹ The developments of the past years – the COVID-19 pandemic, war in Ukraine and the Middle East, the energy crisis, inflation and the weak economy – are slowly leaving an imprint on small and medium-sized enterprises, which have thus far proven to be very resilient. Second, the more critical assessment of possible risks is also likely to be an expression of the generally anxious mood in the SME sector, the intensive public debate about Germany's competitiveness and the fervent wish for policymakers to address structural challenges even more effectively.

There is a broad range of possible ways to secure and strengthen Germany's competitiveness as a business location: reduce bureaucracy and administrative burdens, tackle the skilled labour shortage, create acceptance for the green transformation by avoiding competitive disadvantages, push ahead with digitalisation and secure the supply of energy and raw materials. Small and medium-sized enterprises now see a significant need for action in these areas. It will be difficult to make up for what has been neglected. Once small and medium-sized enterprises have fallen behind their foreign rivals it will become all the more difficult to catch up with the global competition.

The dataset: the KfW SME Panel

The analyses presented here on international competitiveness in the SME sector are based on two supplementary online surveys conducted as part of the KfW SME Panel.

The **KfW SME Panel** (KfW-Mittelstandspanel) has been conducted since 2003 as a recurring survey of small and medium-sized enterprises in Germany. The basic population includes all private-sector companies with annual turnovers of up to EUR 500 million from all industries. The KfW SME Panel is the only representative survey of the German SME sector, making it the most important source of data on issues relevant to the SME sector and for informing policymakers. A total of 11,328 SMEs took part in the most recent 21st wave.

GfK SE conducted supplementary **representative online surveys of small and medium-sized enterprises** on the topic of competitiveness on behalf of KfW Group. All enterprises that had already participated in an earlier wave of the KfW SME Panel and had provided a valid email address were surveyed.

The most recent supplementary survey, which was conducted in the period of 15–25 April 2024, included responses received from a total of just under 2,800 enterprises, around 400 of which had major foreign competitors. The previous year's survey was conducted between 1 and 8 March 2023 and received responses from

some 2,200 businesses, which also included some 400 enterprises with important foreign competitors. As the supplementary survey is linked to the main database of the KfW SME Panel, the results of the supplementary survey provide a **representative picture** as well.

Further information can be obtained at www.kfw-mittelstandspanel.de.

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¹ Cf. Destatis (2024): [Total development of German foreign trade from 1950](#), Wiesbaden.

² Cf. Destatis (2024): [Exports in July 2024: +1.7% on June 2024](#), Press release No. 336 of 6 September 2024, Wiesbaden.

³ Cf. Deutsche Bundesbank and Destatis (2024): [Außenhandel und Dienstleistungen der Bundesrepublik Deutschland mit dem Ausland, Mai](#) (*Cross-border trade in goods and services of the Federal Republic of Germany, May* – our title translation, in German).

⁴ Cf. Grewenig, E. and Schwartz, M. (2024), [Aktuelles Kostenniveau für die meisten Unternehmen tragbar – weitere Kostensteigerungen im Jahresablauf absehbar](#) (Current cost level manageable for most enterprises – further cost increases foreseeable in the course of the year, in German only) Focus on Economics No. 465, KfW Research.

⁵ Cf. Foundation for Family Businesses (2023) [Country Index for Family Businesses](#), 9th edition, Munich.

⁶ Cf. Ifo Institute (2024): [German Manufacturing Sees Threat to Its Competitiveness](#), ifo Business Survey of 21 May 2024.

⁷ Cf. Borger, K., Köhler-Geib, F. and Scheuermeyer, P. (2024): [Competitiveness – from 'sick man of Europe' to superstar and back: Where does the economy stand?](#) Focus on Economics No. 461, KfW Research.

⁸ Cf. Abel-Koch, J. (2023): [Main motive for SMEs to invest abroad is to expand into new sales markets](#), Focus on Economics No. 446, KfW Research.

⁹ Cf. Abel-Koch, J. (2023): [KfW Internationalisation Report 2023: Many SMEs currently perform better than their foreign competitors but see need for action to secure their future competitiveness](#), KfW Research.

¹⁰ Cf. *ibid.*

¹¹ Cf. *ibid.*

¹² Cf. Schwartz, M. (2021): [Warum Unternehmen \(nicht\) investieren](#) (Why businesses are (not) investing – in German), Focus on Economics No. 357, KfW Research.

¹³ Cf. Eurostat (2024): [Gross value added and income by industry breakdowns](#) and Eurostat (2024): [Employment by industry breakdowns](#).

¹⁴ Cf. Destatis (2024): [Current data on Germany's foreign trade](#), Wiesbaden.

¹⁵ Cf. Abel-Koch, J. (2023): [Main motive for SMEs to invest abroad is to expand into new sales markets](#), Focus on Economics No. 446, KfW Research.

¹⁶ Cf. Al-Haschimi, A., Emler, L., Gunnella, V., Ordoñez Martínez, I., Schuler, T. and Spital, T. (2024): [Why competition with China is getting tougher than ever](#), the ECB blog.

¹⁷ Cf. National Council for the Review of Legal Norms (2023): [Annual Report 2023 – Weniger, einfacher, digitaler](#) (*Less, Simpler, More Digital* – our title translation, in German, Berlin).

¹⁸ Cf. Grewenig, E. and Schwartz, M. (2024), [Aktuelles Kostenniveau für die meisten Unternehmen tragbar – weitere Kostensteigerungen im Jahresablauf absehbar](#) (Current cost level manageable for most enterprises – further cost increases foreseeable in the course of the year, in German only) Focus on Economics No. 465, KfW Research.

¹⁹ Cf. German Association of Energy and Water Industries – BDEW (2024): [BDEW Electricity price analysis July 2024](#). Electricity prices for small and medium-sized industrial enterprises with an annual consumption of 160,000 to 20 million kWh have fallen more steeply than those charged to households, which should be relevant particularly for micro-businesses, sole traders and self-employed professionals.

²⁰ Cf. German Association of Energy and Water Industries – BDEW (2024): [BDEW Gas price analysis February 2024](#).

²¹ Cf. Grimm, V., Oechsle, L. and Zöttl, G. (2024): [Stromgestehungskosten von Erneuerbaren sind kein guter Indikator für zukünftige Stromkosten](#) (*Renewable electricity generation costs are not a good indicator of future electricity costs* – our title translation, in German), Working Paper, Technical University of Nuremberg and Friedrich Alexander University, Erlangen Nuremberg.

²² Cf. Bähr, C., Bothe, D., Brändle, G. Klink, H., Lichtblau, K., Sonnen, L. and Zink, B. (2023): [Die Zukunft energieintensiver Industrien in Deutschland](#) (*The future of energy-intensive industries in Germany* – our title translation, in German), and Steitz, J. and Koelschbach, A. (2023): [Implikationen langfristiger Energiekostenunterschiede für energieintensive Industrien und den Wirtschaftsstandort Deutschland](#) (*Implications of long-term energy cost differences for energy-intensive industries and Germany as a business location* – our title translation, in German), Policy Brief.

²³ Cf. Brüggemann, A., Grewenig, E., Römer, D. and Schwartz, M. (2023): [KfW Climate Barometer 2023 – Climate investments by German enterprises grew by 18% in real terms in 2022 – despite the energy crisis](#), KfW Research.

²⁴ See also, German Confederation of Small and Medium Sized Enterprises (2024): [Gesetze unter der Lupe: Wachstumschancengesetz](#) (*Laws under the microscope: Growth Opportunities Act* – our title translation, in German), German Association for Small and Medium-sized Enterprises (2024): [Wachstumschancengesetz: Mittelstand braucht weitere Entlastung](#) (*Growth Opportunities Act – SMEs need further relief* – our title translation, in German), and Federation of German Industries (2024): [Wettbewerbsfähige Unternehmenssteuern in Deutschland](#) (*Competitive business taxes in Germany* – our title translation, in German).

²⁵ Cf. Centre for European Economic Research (2024) [Steuerreform würde Standortattraktivität Deutschlands erhöhen](#) (*Tax reform would make Germany more attractive as a business location* – our title translation, in German), Press release of 23 February 2024.

²⁶ Cf. Müller, M. (2024): [KfW-ifo Skilled Labour Barometer June 2024 – Skilled labour shortages differ broadly from sector to sector and regionally](#), KfW Research.

²⁷ Cf. Zimmermann, V. (2024): [Deutschlands Position bei der Digitalisierung im internationalen Vergleich](#) (Germany's position in the area of digitalisation in international comparison – in German only), Focus on Economics No. 469, KfW Research.

²⁸ Cf. Borger, K., Köhler-Geib, F. and Scheuermeyer, P. (2024): [Competitiveness – from 'sick man of Europe' to superstar and back: Competitiveness – from 'sick man of Europe' to superstar and back: Where does the economy stand?](#) Focus on Economics No. 461, KfW Research and OECD (2024): [Financing SME Growth in Germany](#), OECD SME and Entrepreneurship Papers No. 61.

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³⁰ Cf. Deutsche Bundesbank (2024): [Herausforderungen für Unternehmen](#) (*Challenges for businesses* – our title translation, in German)

³¹ Cf. Scheuermeyer, P. (2024): [KfW-ifo SME Barometer September 2024, SME sentiment has fallen but remains slightly more stable than in large enterprises](#), KfW Research.