The State of Affairs of SMEs in Germany

Karl-Sebastian Schulte

I. Understanding "Mittelstand" in Germany

In most countries the term „Small and Medium-Sized Enterprises" (SMEs) is in common use. In general this term is used to be defined by statistical figures. It means that part of the supply side of the economy that consists out of enterprises which in relation to "Large Size Enterprises" (LSEs) are either small or medium. The definable border line between SMEs and LSEs is drawn above all by two variables, the number of employees and the annual turnover.

In Germany the term "Mittelstand" instead of SMEs is in use. By its full inherent meaning it should be translated as a collective name for the economic sector of small and medium-sized businesses as well as the middle class in german society. This economic and societal understanding of "Mittelstand" is closly related to the framework of the political system in Germany created after WW II, wich we call the "social market economy".

In Germany "Mittelstand" is regarded as a pillar of the economy and at the same time the backbone of society. The economic and social success of West Germany in the decades following the country's collapse after the Second World War can be attributed in large measure to the positive economic development of the SME sector and the resulting creation or re-emergence of a strong middle class, coupled with comparatively widespread prosperity, participation and social security. The greatest successes of the 1950s and 1960s are described in our schoolbooks as the "economic miracle".

Today, almost half a century later, there are substantial numbers of entrepreneurs and indeed employees, young people, even politicians and other members of the public who have doubts as to whether the traditional German-style social market economy is still in its present form fit for the 21st century and whether SMEs still have a rosy future in Germany. They are asking what can be done to improve the current situation which they regard as unsatisfactory. According to the results of a recent survey in 2005 (carried out by the Ipos Institute on behalf of the Association of German Banks), only every second German still believes that the social market economy has stood the test of time. There has been a steady decline in support for the economic system since 2001.

To sum up and make a long story short there is disagreement in Germany as to whether, after the reforms of recent years, the country is back on the road to a lasting recovery or whether we need more far-reaching reforms in order to create a "new economic miracle" based upon domestic strenghth instead of constantly relying on export-driven growth. A hotly contested federal election in September 2005 did not bring a clear answer at the ballot boxes. Voters decides for the second time in German history for a coalition government of the two mayjor parties CDU / CSU and SPD, which are naturally competing against each other and which usually stand for cardinally different attidudes and approaches especially in the fields of economic, fiscal and social policy. The new "big coalition" therefore must be regarded as a marriage-of-conviennece and –of-time, not a long-lasting love relationship. As big as the new governments outnumbering majority in Parliament is the number of problems to be solved. There are indeed lots of severe challanges the new christian- and socialdemocratic German government faces with regard to the countries economy and society:

- *What can be done to tackle mass unemployment (5 Mio. registered)?*
- *How can we make our social insurance systems fit for the future and affordable in the face of demographic changes and globally competing labour costs?*
- *How to reform a tax system, regarded as the most complicated one in the world, which scares away instead of attracts foreign investments and which fosters illegal work in the grey market?*
- *What can be done to tackle the excessive bureaucracy in the country especially with regard to the creation of new businesses and start-ups? How to create a business environment and climate in which entrepreneurial spirit thrives?*
- *What can be done to rekindle a stable and long-lasting economic domestic growth?*
- *What can be done to overcome the still significant backlog between East and West in terms of income, purchasing power and unemployment which still persists 15 years after reunification?*

- *How can Germany hold its own in the harsh competition created by the new EU of 25 and by globalization despite p.e. higher standards, higher wages and more expensive production costs?*

Since SMEs account for almost 99 per cent of the German economy, alls these subjects dominate not only the agenda of politics but also the agenda of the German business community and SME-entrepreneurs. To finalise, it is the key question: What environment and framework conditions of SMEs, entrepreneurs and their employees – thus german middle class – are needed to thrive the economy and to guarentee the achieved level of economic, social and individual prorsperity in a globalized world of accelerated change and highly movable production factors capital and labour.

II. Mittelstand in the German economy – quantitative and qualitative aspects

The German term "Mittelstand" relates to economic aspects as well as to social and psychological characteristics. It includes quantitative and qualitative features. This aspect of the German definition is essential for the complete understanding of the behaviour, motives, conditions, pecularities and impacts of an economic field, constituted by economically and legally independent entrepreneurs and businesses.

II. 1 Qualitative aspects

Deriving the "Mittelstand´s" economic and social function only from statistics therefore would neglect the facts that "Mittelstand" is an essential force in a dynamic, competitive and market oriented economy. By this "Mittelstand" is not only defined by size patterns but by characteristics like private ownership, freedom in decision making and contracting, individual responsibility of entrepreneurs for the success and failure of the own business. Specially the soft facts constituting the qualitative part of the definition, require an adequate legislative frame concerning the legal protection of private property in an enterprise, the freedom of trade, a stable financial environment and a reliable ficsal and economic policy.

The central qualitative characteristic of the "Mittelstand" focuses at the coherence between enterprise and owner. The close connection between a person and an economic unit strongly influences the market behaviour and performance of privately owned SMEs in Germany and determines the social and political role of the German "Mittelstand". Qualitative factors like

- the identity between *ownership and personal responsibility* for the enterprise´s activities,
- the indentity of *ownership and personal liability* for the entrepreneur´s and the enterprise´s financial situation,
- personal *responsibility for the enterprise´s success or failure* and
- personal *relationship between employer and employees*

are responsible for the fact, that in Germany the "Mittelstand" ist not only an economic but also an outstanding social factor. Mostly the qualitative criteria dominate the overall enterprise´s activities in such a degree that quantiative aspects for example size, sector or market share are of less importance. By these reasons even enterprises exceeding the size classes of the statistically drawn limit – from a qualitative perspective – in many cases are regarded as SMEs in Germany. To finalise: The qualitative aspects influence the choice of the legal form of the enterprise as well as its way of financing, innovative behaviour, the number of products or offered services and the managerial attitudes to run the business.

II.2 Quantitative aspects

Bearing in mind the qualitative aspects described above, the term "Mittelstand" from the qualitative point of view describes enterprises of all economic sectors as far as they do not exceed a certain size. Like in many other countries also in Germany a rather pragmatic approach is used in order to estimate and describe the number of enterprises by size-classes or to generate and compare empirical findings. In most cases sector, annual turnover and the number of employees are used as size-indicators. In general, according to the German Institute for SME Research (Institut für Mittelstandsforschung IfM Bonn) the following pattern of classification is used:

Classification Scheme for Small and Medium-Sized Enterprises used by IfM Bonn

Size of Enterprise	Number of Employees	Turnover (€/Year)
small	up to 9	up to 1 Million
medium-sized	10 to 499	1 to 50 Million
large	500 and more	50 Million and more

The European Union uses and recommends to the member states a definition that in one point differs from the definition which is still in use in Germany. This difference relates to the number of employees:

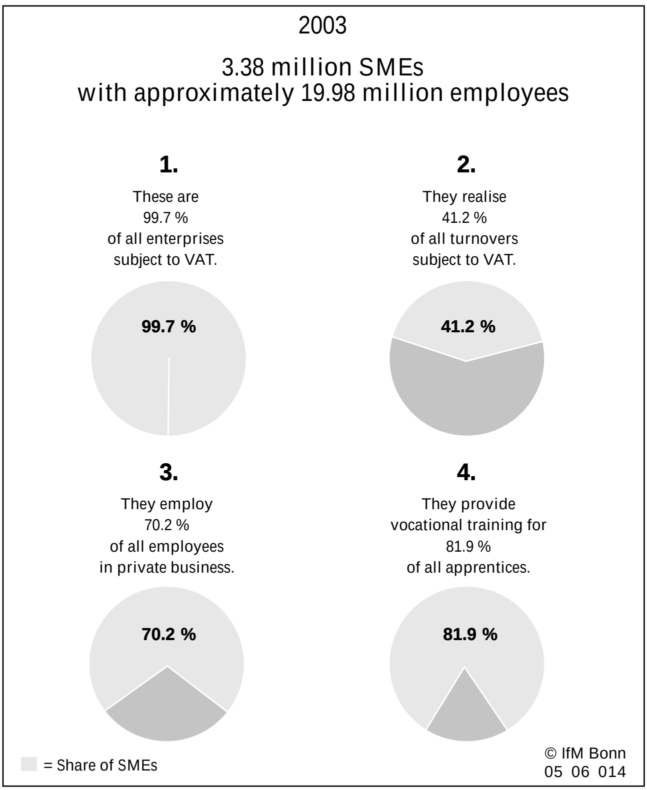
New Classification Scheme for SMEs after the EU (from 2005)

Size of Enterprise	Number of Employees	Turnover (€/Year)	Balance sheet total (€/Year)
micro	up to 9	up to 2 Million	up to 2 Million
small	10 to 49	2 to 10 Million	2 to 10 Million
medium-sized	50 to 249	10 to 50 Million	10 to 43 Million
large	250 and more	more than 50 Million	more than 43 Million

While it is compulsary to respect the staff headcount thresholds an SME has to satisfy either the turnover or the balance sheet ceeling and may exceed one of them without losing its status.

III. The economic weight of the German Mittelstand

It is not just a recent phenomenon that the "Mittelstand" is referred to as the "heart of the social market economy" and the "driving force behind more growth and employment in Germany." Due to its overall economic importance, the SME sector is regarded the backbone of the German economy. In 2003, small and medium-sized companies accounted for 99.7 % of all enterprises in Germany. Moreover, they realiseed 41.2 % of all turnovers, they provided vocational training for 81.9 % of alls apprentices and employed 70.2 % of all employees in private business. Thus, companies belonging to the German "Mittelstand" play a disproportionately large role in the creation of new jobs and new growth.



Share of SMEs in number of enterprises and turnover by economic sections (2002):

Enterprises with turnover from € ... to below ...	Sections A-O All economic sections				Sections D Manufacturing			
	Enterprises 2)		Turnover 3)		Enterprises 2)		Turnover 3)	
	abs.	in %	in Mill. €	in %	abs.	in %	in Mill. €	in %
16 620 - 50 000	804 626	27.5	25 185.9	0.6	44 153	15.5	1 400.0	0.1
50 000 - 100 000	578 390	19.8	41 654.0	1.0	37 644	13.2	2 736.2	0.2
100 000 - 250 000	664 344	22.7	106 003.9	2.5	59 286	20.8	9 826.6	0.6
250 000 - 500 000	349 435	11.9	123 331.8	2.9	45 494	16.0	16 272.1	1.1
500 000 - 1 Mill.	229 728	7.8	161 249.7	3.8	34 682	12.2	24 431.1	1.6
1 Mill. - 2 Mill.	139 597	4.8	194 936.8	4.6	22 971	8.1	32 272.4	2.1
2 Mill. - 5 Mill.	90 936	3.1	279 699.0	6.6	18 995	6.7	59 754.1	3.9
5 Mill. - 10 Mill.	32 958	1.1	229 488.1	5.4	9 089	3.2	63 996.4	4.2
10 Mill. - 25 Mill.	20 990	0.7	322 505.2	7.6	6 778	2.4	105 858.1	7.0
25 Mill. - 50 Mill.	7 638	0.3	265 989.0	6.3	2 852	1.0	99 483.6	6.5
50 Mill. and more	7 928	0.3	2 502 518.8	58.8	3 176	1.1	1 105 231.6	72.7
Total	2 926 570	100.0	4 252 562.3	100.0	285 120	100.0	1 521 262.2	100.0

Enterprises with turnover from € ... to below ...	Section F Construction				Division G 50 Sale. maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel			
	Enterprises 2)		Turnover 3)		Enterprises 2)		Turnover 3)	
	abs.	in %	in Mill. €	in %	abs.	in %	in Mill. €	in %
16 620 - 50 000	62 577	19.6	2 023.0	1.0	16 248	15.4	518.2	0.3
50 000 - 100 000	56 510	17.7	4 096.5	2.1	14 527	13.8	1 057.1	0.6
100 000 - 250 000	78 696	24.7	12 878.5	6.6	21 661	20.5	3 561.5	2.0
250 000 - 500 000	53 479	16.8	19 034.7	9.7	15 710	14.9	5 639.1	3.1
500 000 - 1 Mill.	36 039	11.3	25 113.1	12.8	14 119	13.4	10 078.2	5.5
1 Mill. - 2 Mill.	18 032	5.7	24 846.9	12.7	10 323	9.8	14 464.0	8.0
2 Mill. - 5 Mill.	9 430	3.0	28 164.9	14.4	7 523	7.1	23 304.2	12.8
5 Mill. - 10 Mill.	2 536	0.8	17 386.1	8.9	2 893	2.7	20 129.6	11.1
10 Mill. - 25 Mill.	1 267	0.4	18 799.9	9.6	1 705	1.6	25 485.9	14.0
25 Mill. - 50 Mill.	284	0.1	9 763.0	5.0	483	0.5	16 782.3	9.2
50 Mill. and more	190	0.1	33 375.8	17.1	296	0.3	60 687.3	33.4
Total	319 040	100.0	195 482.4	100.0	105 488	100.0	181 707.4	100.0

Enterprises with turnover from € ... to below ...	Division G 51 Wholesale trade and commission trade. except of motor vehicles and motorcycles				Division G 52 Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods			
	Enterprises 2)		Turnover 3)		Enterprises 2)		Turnover 3)	
	abs.	in %	in Mill. €	in %	abs.	in %	in Mill. €	in %
16 620 - 50 000	37 366	20.3	1 178.1	0.2	91 478	21.9	2 901.9	0.7
50 000 - 100 000	28 097	15.3	2 025.9	0.3	77 208	18.5	5 610.3	1.3
100 000 - 250 000	34 992	19.0	5 666.1	0.8	106 665	25.5	17 267.9	4.0
250 000 - 500 000	22 469	12.2	8 029.5	1.1	59 604	14.3	20 928.1	4.9
500 000 - 1 Mill.	18 761	10.2	13 365.9	1.8	38 669	9.2	27 313.7	6.4
1 Mill. - 2 Mill.	14 880	8.1	21 150.6	2.9	26 081	6.2	36 340.7	8.5
2 Mill. - 5 Mill.	13 223	7.2	41 824.4	5.8	12 996	3.1	38 466.3	9.0
5 Mill. - 10 Mill.	6 152	3.3	43 238.4	6.0	3 120	0.7	21 305.9	5.0
10 Mill. - 25 Mill.	4 645	2.5	72 072.5	10.0	1 359	0.3	20 625.3	4.8
25 Mill. - 50 Mill.	1 809	1.0	62 870.1	8.7	398	0.1	13 900.5	3.3
50 Mill. and more	1 780	1.0	452 684.0	62.5	544	0.1	222 510.6	52.1
Total	184 174	100.0	724 105.5	100.0	418 122	100.0	427 171.3	100.0

Enterprises with turnover from € ... to below ...	Section H Hotels and restaurants				Section I Transport, storage and communication			
	Enterprises 2)		Turnover 3)		Enterprises 2)		Turnover 3)	
	abs.	in %	in Mill. €	in %	abs.	in %	in Mill. €	in %
16 620 - 50 000	69 624	28.1	2 246.4	4.3	33 936	27.1	1 089.7	0.4
50 000 - 100 000	66 275	26.7	4 807.1	9.1	23 955	19.1	1 719.0	0.7
100 000 - 250 000	71 936	29.0	11 288.9	21.4	27 198	21.7	4 333.0	1.7
250 000 - 500 000	25 343	10.2	8 682.0	16.5	14 939	11.9	5 280.2	2.1
500 000 - 1 Mill.	9 183	3.7	6 232.1	11.8	10 684	8.5	7 534.6	3.0
1 Mill. - 2 Mill.	3 470	1.4	4 743.9	9.0	6 747	5.4	9 490.2	3.7
2 Mill. - 5 Mill.	1 540	0.6	4 575.9	8.7	4 694	3.7	14 563.7	5.7
5 Mill. - 10 Mill.	316	0.1	2 129.9	4.0	1 637	1.3	11 313.7	4.4
10 Mill. - 25 Mill.	117	0.0	1 717.1	3.3	933	0.7	14 146.3	5.5
25 Mill. - 50 Mill.	29	0.0	977.6	1.9	268	0.2	9 288.6	3.6
50 Mill. and more	28	0.0	5 249.2	10.0	287	0.2	176 617.6	69.2
Total	247 861	100.0	52 650.0	100.0	125 278	100.0	255 376.6	100.0

(Continued:) Share of SMEs in number of enterprises and turnover by economic sections (2002):

Enterprises with turnover fromğ... to below ...	Section J Financial intermediation				Division K 70 Real estate activities			
	Enterprises 2)		Turnover 3)		Enterprises 2)		Turnover 3)	
	abs.	in %	in Mill.€	in %	abs.	in %	in Mill.€	in %
16 620 - 50 000	6 572	42.0	200.5	0.6	110 978	43.5	3 305.8	2.8
50 000 - 100 000	3 461	22.1	243.7	0.7	52 236	20.5	3 708.0	3.1
100 000 - 250 000	2 612	16.7	401.0	1.2	44 079	17.3	6 874.6	5.8
250 000 - 500 000	1 130	7.2	397.5	1.2	18 848	7.4	6 628.3	5.6
500 000 - 1 Mill.	623	4.0	438.0	1.3	12 495	4.9	8 808.5	7.4
1 Mill. - 2 Mill.	455	2.9	637.5	1.9	8 162	3.2	11 413.5	9.6
2 Mill. - 5 Mill.	359	2.3	1 126.8	3.3	5 299	2.1	16 219.4	13.7
5 Mill. - 10 Mill.	187	1.2	1 319.1	3.9	1 616	0.6	11 313.8	9.5
10 Mill. - 25 Mill.	121	0.8	1 846.1	5.5	957	0.4	14 458.9	12.2
25 Mill. - 50 Mill.	56	0.4	1 942.3	5.8	276	0.1	9 454.4	8.0
50 Mill. and more	73	0.5	25 207.9	74.7	181	0.1	26 559.5	22.4
Total	15 649	100.0	33 760.3	100.0	255 127	100.0	118 744.7	100.0

Enterprises with turnover fromğ... to below ...	Division K 71 Renting of machinery and equipment without operator and of personal and household goods				Division K 72 Computer and related activities			
	Enterprises 2)		Turnover 3)		Enterprises 2)		Turnover 3)	
	abs.	in %	in Mill.€	in %	abs.	in %	in Mill.€	in %
16 620 - 50 000	7 657	29.3	237.8	0.7	16 115	29.1	499.2	1.1
50 000 - 100 000	4 897	18.7	350.0	1.0	11 896	21.5	865.4	1.9
100 000 - 250 000	5 341	20.4	853.2	2.4	13 788	24.9	2 122.5	4.7
250 000 - 500 000	2 799	10.7	991.2	2.8	5 172	9.4	1 829.3	4.1
500 000 - 1 Mill.	2 127	8.1	1 501.2	4.2	3 587	6.5	2 516.5	5.6
1 Mill. - 2 Mill.	1 459	5.6	2 033.9	5.7	2 156	3.9	3 020.6	6.7
2 Mill. - 5 Mill.	1 123	4.3	3 533.4	9.9	1 517	2.7	4 701.0	10.4
5 Mill. - 10 Mill.	393	1.5	2 725.3	7.7	563	1.0	3 898.9	8.6
10 Mill. - 25 Mill.	184	0.7	2 763.1	7.8	314	0.6	4 828.5	10.7
25 Mill. - 50 Mill.	87	0.3	3 023.0	8.5	94	0.2	3 296.4	7.3
50 Mill. and more	63	0.2	17 580.9	49.4	95	0.2	17 519.0	38.8
Total	26 130	100.0	35 593.0	100.0	55 297	100.0	45 097.1	100.0

Enterprises with turnover fromğ... to below ...	Division K 73 Research and development				Division K 74 Other business activities			
	Enterprises 2)		Turnover 3)		Enterprises 2)		Turnover 3)	
	abs.	in %	in Mill.€	in %	abs.	in %	in Mill.€	in %
16 620 - 50 000	2 488	33.3	77.0	1.3	144 210	32.3	4 501.7	1.6
50 000 - 100 000	1 589	21.3	113.8	1.9	97 481	21.8	6 980.5	2.5
100 000 - 250 000	1 662	22.3	257.3	4.4	102 409	22.9	16 014.9	5.6
250 000 - 500 000	643	8.6	226.74	3.9	46 557	10.4	16 396.3	5.8
500 000 - 1 Mill.	476	6.4	337.7	5.8	28 777	6.4	20 053.4	7.1
1 Mill. - 2 Mill.	262	3.5	367.6	6.3	14 871	3.3	20 601.0	7.3
2 Mill. - 5 Mill.	223	3.0	668.5	11.5	8 275	1.9	25 149.7	8.9
5 Mill. - 10 Mill.	56	0.8	375.9	6.4	2 391	0.5	16 380.0	5.8
10 Mill. - 25 Mill.	36	0.5	575.2	9.9	1 280	0.3	19 358.3	6.8
25 Mill. - 50 Mill.	12	0.2	437.9	7.5	394	0.1	13 660.7	4.8
50 Mill. and more	17	0.2	2 401..3	41.1	513	0.1	124 782.6	44.0
Total	7 464	100.0	5 838.7	100.0	447 158	100.0	283 879.2	100.0

Enterprises with turnover fromğ... to below ...	Section N Health and social work				Section O Other community, social and personal service activities			
	Enterprises 2)		Turnover 3)		Enterprises 2)		Turnover 3)	
	abs.	in %	in Mill.€	in %	abs.	in %	in Mill.€	in %
16 620 - 50 000	12 111	30.0	375.6	0.9	118 138	42.1	3 654.0	3.9
50 000 - 100 000	7 933	19.7	569.2	1.4	69 794	24.8	4 966.5	5.3
100 000 - 250 000	9 395	23.3	1 503.3	3.7	55 714	19.8	8 561.6	9.1
250 000 - 500 000	5 391	13.4	1 922.8	4.7	19 044	6.8	6 611.4	7.0
500 000 - 1 Mill.	3 180	7.9	2 182.6	5.3	9 353	3.3	6 478.8	6.9
1 Mill. - 2 Mill.	1 071	2.7	1 452.2	3.6	4 631	1.6	6 416.9	6.8
2 Mill. - 5 Mill.	548	1.4	1 682.6	4.1	2 507	0.9	7 716.8	8.2
5 Mill. - 10 Mill.	246	0.6	1 745.4	4.3	898	0.3	6 258.2	6.6
10 Mill. - 25 Mill.	181	0.4	2 956.4	7.2	504	0.2	7 590.2	8.0
25 Mill. - 50 Mill.	115	0.3	4 190.1	10.3	202	0.1	7 014.6	7.4
50 Mill. and more	141	0.3	22 243.7	54.5	158	0.1	29 288.2	31.0
Total	40 312	100.0	40 823.8	100.0	280 943	100.0	94 557.2	100.0

1) NACE Rev. 1.1.
2) Only enterprises liable to VAT with annual deliveries and other performances (turnover) exceeding Euro 16 620.
3) Excl. VAT.

Source: Federal Statistical Office Germany, VAT-Statistics 2002, Wiesbaden, 2004; own calculations by IfM Bonn

Though the share of exporting enterprises in the total of enterprises broken down by size-classes increases with the enterprises size, the following table gives proof to the fact, that even in smaller size-classes with an annual turnover between 250.000 and 500.00 Euro one out of seven SMEs is actively involved in export business:

Enterprises with turnover from € ... to below ...	Exporting enterprises[1]		Export based turnover[2]		Exporting enterprises rel. to the total number of all enterprises	Export based turnover rel. to the total turnover of all enterprises
	abs.	in %	in Mill. €	in %	in %	in %
16 620 - 50 000	19 417	6.0	165.9	0.0	2.4	0.7
50 000 - 100 000	25 235	7.8	387.0	0.1	4.4	0.9
100 000 - 250 000	51 832	16.0	1 439.7	0.2	7.8	1.4
250 000 - 500 000	48 862	15.1	2 477.4	0.3	14.0	2.0
500 000 - 1 Mill.	50 246	15.5	4 849.6	0.7	21.9	3.0
1 Mill. - 2 Mill.	43 761	13.5	8 749.7	1.2	31.3	4.5
2 Mill. - 5 Mill.	40 166	12.4	20 506.3	2.8	44.2	7.3
5 Mill. - 10 Mill.	18 910	5.8	25 063.4	3.4	57.4	10.9
10 Mill. - 25 Mill.	13 849	4.3	44 605.4	6.1	66.0	13.8
25 Mill. - 50 Mill.	5 556	1.7	45 431.7	6.2	72.7	17.1
50 Mill. a. m.	6 255	1.9	582 338.4	79.1	78.9	23.3
Total	324 089	100.0	736.014.4	100.0	11.1	17.3
SMEs	317 834	98.1	153 676.0	20.9	10.9	8.8

1) Only enterprises liable to VAT with annual deliveries and other performances (turnover) exceeding Euro 16 620.
2) Excl. VAT.

Source: Federal Statistical Office Germany, VAT-Statistics 2002, Wiesbaden, 2004; own calculations by IfM Bonn

IV. What drives the German Mittelstand in 2006?

After years of stagnation and the disappointment of the business commu-nity about last years federal elections not leading to a government with a clear orientation towards a consistent and strict reform policy, the business climate in Germany improved significantly during the last month.

According to the Federal Government's Annual Economic Report 2006, entitled "Reform, invest, shape the future - a policy for more jobs in Germany" a continuation of the economic recovery in the current year is expected. The Gross Domestic Product (GDP) is expected to increase by an annual average of approx. 1.5 % (calculated 1.4 %), following 0.9 % in the previous year. Due to the more favourable development in business activity, the situation on the job market is supposed to improve in the course of the current year as well. On an annual average, the number of unemployed people will decrease by an estimated 350.000, in comparison with previous year. Employment still displayed a downward trend in 2005, with only a slight upturn of side-line employment, but it is expected to recover gradually in the course of the year 2006.

The new government bases its economic strategy on a three-part policy: invest - reorganise - reform. Healthy and sturdy state finances are an essential foundation for a return to a higher growth path. At the same time, effective and courageous structural reforms are needed, in particular a sustainable reform of the social security systems, in order to stabilise them in the long-term - also against the backdrop of the current demographic development. Also comprehensive labour market reforms need to be implemented. In order to attract more national and

Benchmark figures of the overall economic development in the Federal Republic of GERMANY [1]		Annual projection	
	2004	2005	2006
Changes compared to past years in %			
GDP (price-adjusted)	1.6	0.9	1.4
Wage and salary earners	0.4	-0.3	0.0
Unemployment rate in % (figures from Federal Labour Agency) [2]	10.6	11.7	10.9
Consumption expenditure of private households	0.6	0.0	0.3
Investment in plant and equipment	2.6	4.0	4.8
Investment in construction	-2.3	-3.6	0.5
Domestic demand	0.6	0.2	0.7
Exports	9.3	6.2	6.5
Imports	7.0	5.0	5.5
Net export (contribution to GNP growth) [3]	1.1	0.7	0.7
Gross wages and salaries per employee	0.5	0.5	0.7

1) Results of the Federal Statistical Office, provisional until 2005; 12 January 2006
2) Referring to entire economically active population
3) Contribution to the growth rate of GDP

international companies to invest in Germany, general tax conditions should be further improved. Last but not least a convincing reduction of red tape and beauracratic costs for businesses are required. These challenges will be the real acid test for the new government.

But not only German politics, also SME-Entrepreneurs need to do their homework. According to business experts German SMEs themselves should above all even more strenghten their internationalisation strategies within the EU-internal market of 25 and globally. For in the end only international competitiveness is the key to success.