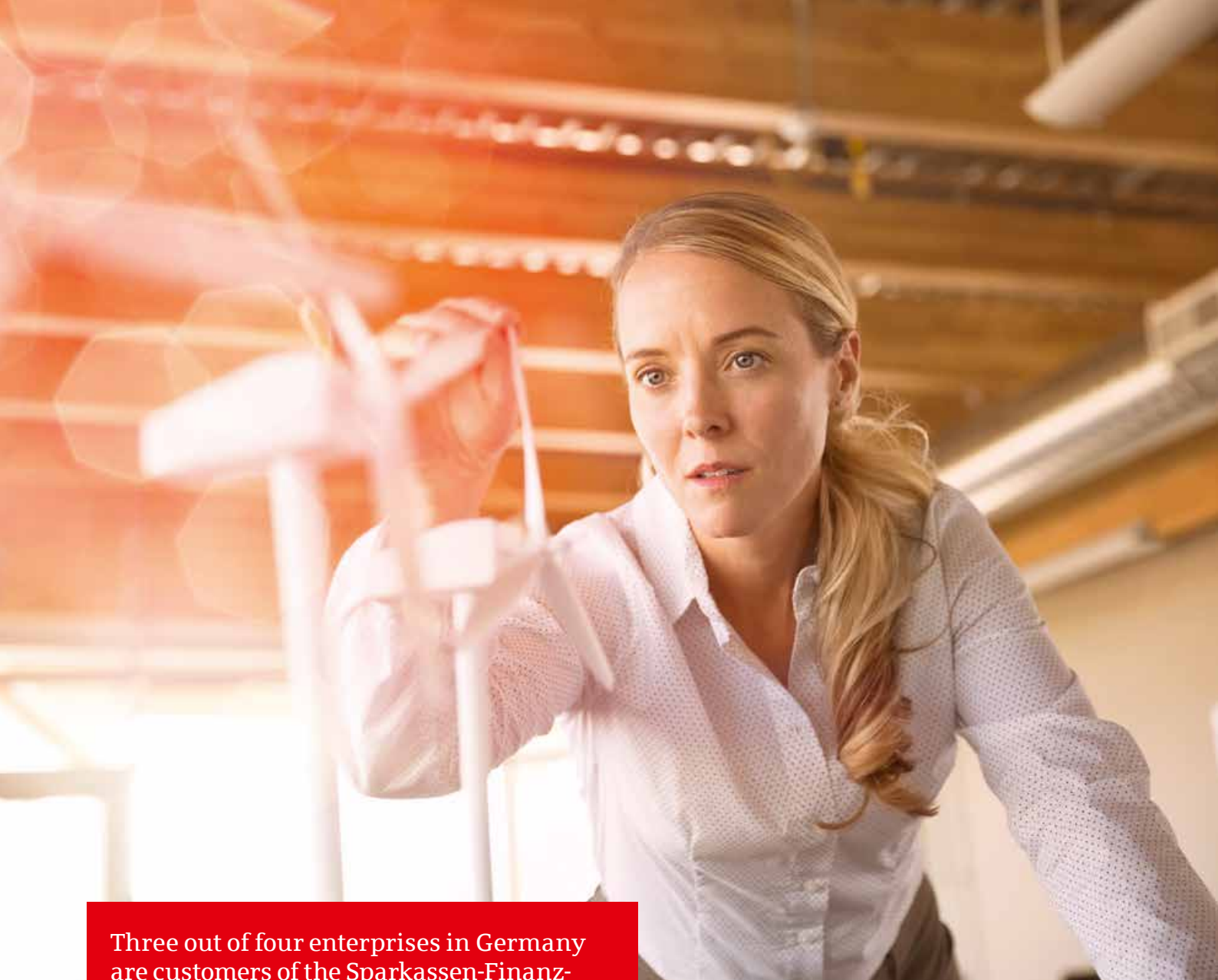


SME DIAGNOSIS

Current global challenges for SMEs
A stock-taking exercise

Winter 2018





Three out of four enterprises in Germany are customers of the Sparkassen-Finanzgruppe (Savings Banks Finance Group). Giving advice to and providing financing for small and medium-sized enterprises is part of the core business of Savings Banks and Landesbanken in Germany. To this end, they use their strengths: a thorough understanding of their customers and their specific circumstances, as well as full coverage of all of Germany's regions.

SME Diagnosis 2018 is the eighteenth annual analysis conducted by the Deutscher Sparkassen- und Giroverband and provides representative data on the current status and future prospects of small and medium-sized enterprises in Germany.

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1 PREFACE

HELMUT SCHLEWEIS
President of the German Savings Banks Association



“The SME’s resilience to crises is of major importance for the stability of Germany’s economy.”

Berlin, November 2018

Ladies and Gentlemen,

Germany derives its economic strength as well as its social stability from a balanced, decentralised structure. In Germany, many hidden champions do not have their headquarters in urban centres, but in the country's rural areas. Small and medium-sized enterprises account for the largest share of the total economic value added in Germany.

By and large, the financial position of SMEs has developed positively. Their turnover, efficiency and equity base have grown once again.

This is demonstrated by the latest S-SME Fitness Index – a detailed analysis of the Savings Banks' knowledge of SMEs. The Index is evidence of the solid financial robustness of small and medium-sized enterprises in Germany and predicts that SMEs will be in a good position to cope with future challenges as well.

The Savings Banks' store of knowledge about Germany's SMEs is unique. Three-quarters of all enterprises in Germany have business relationships with the Savings Banks Finance Group. As a result, Germany's 385 Savings Banks can review several thousands of balance sheets every year.

Savings Banks, Landesbanken and their partners within the Savings Banks Finance Group have fostered the success of Germany's SMEs for many generations because, due to the nationwide presence of Savings Banks, they are a reliable source of investment and operating loans. In addition, the commitment of Savings Banks is predominantly for medium-to-long term, which provides a high level of investment security. Small and medium-sized businesses also benefit from the Savings Banks' profound expertise in their sector, as this knowledge enables them to assess risks accurately and give

informed advice on the businesses' future development. Savings Banks and their Finance Group therefore facilitate the business diversity that makes a significant contribution to our economy's resilience to crises.

“SMEs benefit from the Savings Banks' sector expertise.”

Enterprises – even smaller ones – have long been internationally networked, which makes them more susceptible to global trends such as punitive tariffs or currency fluctuations. Another risk factor is the high debt level of private households and enterprises in many of the countries that are supplied by German companies. A reversal in monetary policy can lead to financing difficulties, in particular in emerging markets.

This year's SME Diagnosis explores the question of what risks and opportunities small and medium-sized enterprises see for themselves. It examines potential economic developments and trends, surveys SME experts in the Savings Banks and analyses the internal balance sheet and P&L data of enterprises.

With this analysis, the Savings Banks' expertise as providers of finance for Germany's small and medium-sized enterprises is made available to the public at large. Owing to its SMEs, Germany is thriving. For this reason, the business community, society and policymakers need to know what developments are relevant for the SME sector and how the enterprises themselves are responding to the challenges.



54%

of SMEs see the trade war with the United States as the biggest global risk for their future development



39

thousand euros gross profit per employee



98%

of new loans taken out by mid-sized businesses are used to finance investments



Equity ratio improved in 2017 (as a percentage)

14.1



14.7



39%

equity ratio in 2017

