

SME DIAGNOSIS 2020

Resilience in times of crisis
Financial strength supports Germany's SMEs





Three out of four enterprises in Germany are customers of the Saving Banks Finance Group (Sparkassen Finanzgruppe). Giving advice to and providing financing for small and medium-sized enterprises is the core business of Savings Banks and Landesbanken in Germany. To this end, they use their strengths: a precise knowledge of their customers and their specific circumstances, and a nationwide presence throughout Germany's regions.

The SME Diagnosis 2020 is the twentieth analysis conducted by the German Savings Banks Association (Deutscher Sparkassen- und Giroverband) and provides representative data on the current status of small and medium-sized enterprises in Germany.

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HELMUT SCHLEWEIS
President of the German Savings Banks Association



“The key to overcoming the economic consequences of the crisis lies in the investment capability of the businesses.”

Berlin, November 2020

Ladies and Gentlemen,

We have already learned a great deal from the corona crisis. For months, it has deprived us of our familiar social and public life – and it has shown us the importance of personal cohesion. It has denied many companies their income – and thus acknowledged all those who, despite their good economic position, have acted prudently in recent years and kept profits within their companies.

Above all, it has shown us that every crisis is different. We cannot prepare for every type of crisis. But – with structural stability – we can protect ourselves and retain our ability to act.

“We must not underestimate the innovative spirit of small and medium-sized enterprises.”

SMEs benefit in the crisis from the financial durability they have built up over the past ten years. Most businesses will overcome the crisis because of their substantial liquidity buffers and equity holdings. However, some enterprises will be hit very hard. And it is precisely for these enterprises that the extensive political support measures have been and continue to be of enormous significance.

The Savings Banks support this through their allocation of funds. With more than EUR 79 billion in new loans in the first nine months of this year alone, Savings Banks have supported their corporate clients nationwide. As local banks, they can make decisions quickly and on a case-by-case basis. Recovery effects are already measurable: the Savings Banks' half-yearly figures for 2020 indicate a 25 percent

increase in investment lending commitments. This gives grounds for cautious optimism and shows that local responsibility strengthens the resilience of an economy.

“Corona was unexpected, but it did not find businesses unprepared.”

Structural stability does not mean standing still. Feedback from the Savings Banks shows that the innovative spirit of SMEs is already recovering. Many enterprises are actively embracing the megatrends of digitalisation and sustainability. They want to implement their investment plans – provided that the economic environment is stable. Small and medium-sized enterprises in rural regions in particular are well equipped to do so, with good profitability revenue and capital resources.

The latest “SME Diagnosis 2020” describes and assesses the challenges for small and medium-sized enterprises in an increasingly volatile business world.

The trend analysis is based on a survey conducted among Savings Banks’ SME experts. The statistical analyses are based on the internal balance sheet and P&L data of approx. 300,000 small and medium-sized enterprises – the largest pool of anonymised annual accounts data in Germany.

The “SME Diagnosis” enables Savings Banks and Landesbanken – the SMEs’ most important financial partners – to make their knowledge available to the public.



Increase in the equity ratio of enterprises

from

31.3% in 2003

to

38.7% in 2019



Volume of new loans as of September 2020 approx.

€79 billion

Increase by 16.9% compared to previous year



Increase in liquidity holdings in the 1st half of 2020 by approx.

€10 billion



More than

1.4 million

Advisory meetings with SMEs by the end of April 2020



Agreement on

350,000

Suspension of interest and principal repayments



2 S-SME FITNESS INDEX 2020

Six quick facts



S-SME Fitness Index 2020 shows a strong dip due to the coronavirus.

After a slight decline in 2019, the SME fitness index 2020 fell below the 2009 level. A rapid recovery process is expected, but as it is very sector-specific, it will be a prolonged procedure in some cases. While a few sectors have only been mildly affected by the corona crisis, many will not return to their pre-crisis level by the end of 2022. Typically, the SME Fitness Index does not contain statements from self-employed individuals and micro-enterprises.



High credit and liquidity growth for Savings Banks' corporate customers.

Many small and medium-sized enterprises are investing despite – but in some cases precisely due to the crisis. Half-yearly figures for Savings Banks for 2020 show a 25 percent increase in investment loan commitments. There is substantial growth in loan portfolios, especially in the hospitality sector. The enterprises' liquidity cushions have grown by EUR 10 billion.



Direct insights from corona-related advisory meetings with German medium-sized enterprises.

Three quarters of all enterprises have a business relationship with one of the German Savings Banks Finance Group's companies. Especially in these times of crisis, local advisors are conducting a large number of meetings with their corporate customers. Our survey among SME experts from all 376 German Savings Banks shows that companies are highly adaptable. Many show a willingness to continue investing in the future of their businesses. Insolvency risks are rated as relatively moderate.



Good overall growth in 2019 with strong industry differences.

The domestic economy (i.e. construction, service providers, trade) was the growth engine until the onset of the corona crisis. However, the export-oriented metal, machinery and automotive industries in particular were already showing signs of weakness before the crisis.



Sharpest decline in tourism, event business, hospitality, creative industries and car manufacturing.

Not all sectors are foundering. Construction, health and social services in particular will continue to grow in 2020, while tourism, event business, hospitality, creative industries and car manufacturers face the most severe impacts of the crisis. Across all sectors, an average 5.7 percent decline in sales is expected for 2020. Profits will decline much more sharply than sales. However, most businesses remain profitable. Therefore, the decline in equity is not expected to be as severe. Companies are maintaining good financial stability. Simulation results show that due to the coronavirus around five percent of SMEs will have to expect financial loss as a whole in 2020.



SMEs have taken precautions.

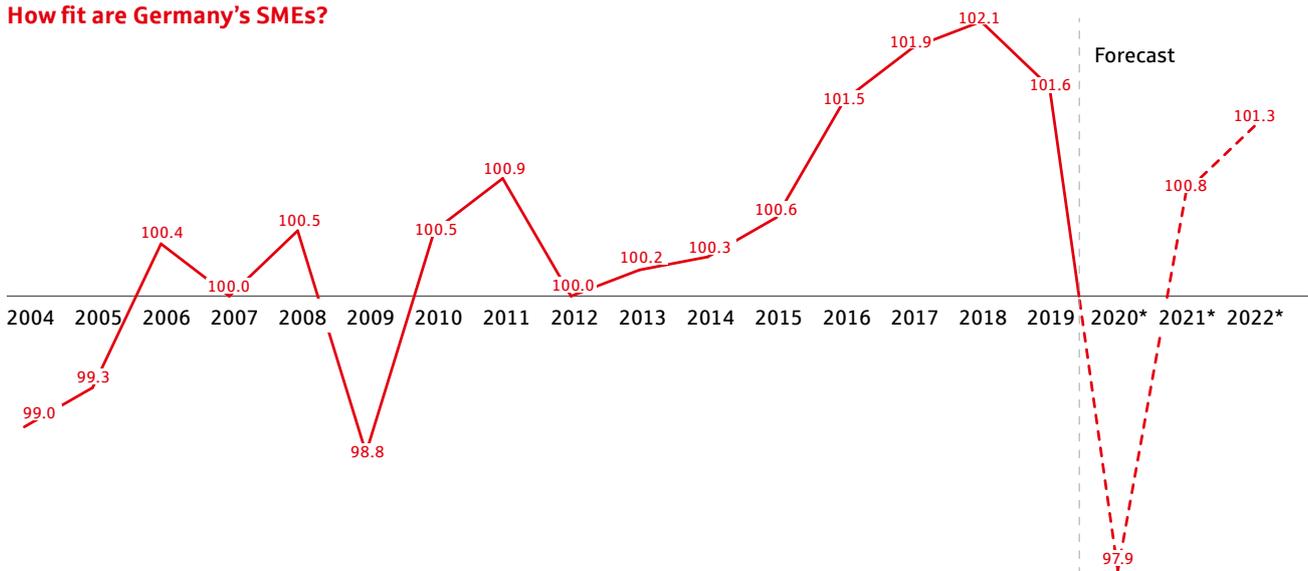
SMEs are benefiting in the crisis from strong financial robustness. High liquidity buffers and equity holdings resulting from continuously retained profit will allow most enterprises to overcome the crisis on their own. However, some companies are being hit to an unmanageable extent. And it is precisely for these enterprises that the extensive political support measures have been of enormous importance.

Powerhouse or couch potato?

“**Zukunft Mittelstand**” (“The Future of SMEs”) is a survey based on an analysis of the key performance indicators of business clients and of the Savings Banks’ loans to enterprises, as well as the DSGV’s sector forecast. The study sheds light on the economic situation and the future of Germany’s small and medium-sized enterprises. The central component is the S-SME Fitness Index, which measures the long-term performance, productivity, innovative strength and financial robustness of SMEs.

Powerhouse or couch potato? The **S-SME Fitness Index** gauges the fitness level of Germany’s SMEs. What are the enterprises capable of achieving? How productive are the companies and their employees? And how well prepared are they for the future? Answers to these and other questions can be found in an analysis of key figures gathered by the DSGV’s sector service (Branchendienst) from approx. 300,000 anonymised balance sheets per year. The S-SME Fitness Index, which is compiled on the basis of these data, provides information on the current condition and sustainability of Germany’s SMEs.

How fit are Germany’s SMEs?



Average fitness 2004 to 2014 = 100; enterprises with an annual turnover of up to EUR 250 million
* Forecast values for 2020 to 2022.

Source: DSGV-Branchendienst

S-SME Fitness Index 2020 in detail



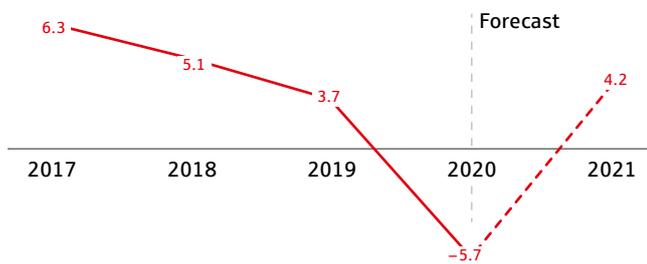
Performance:

Business and profits

How attractive are the markets and how successfully do enterprises operate in them?

How fast are enterprises growing?

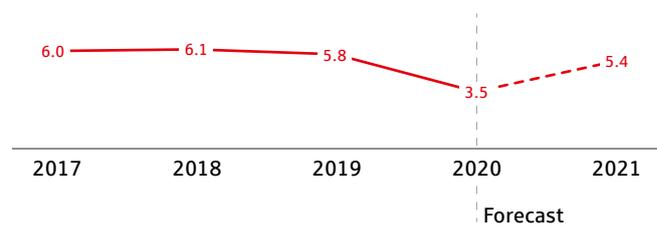
Turnover growth as a percentage*



*Change in turnover vs. previous year.

How profitable are enterprises?

Return on sales as a percentage*



*Operating result relative to turnover



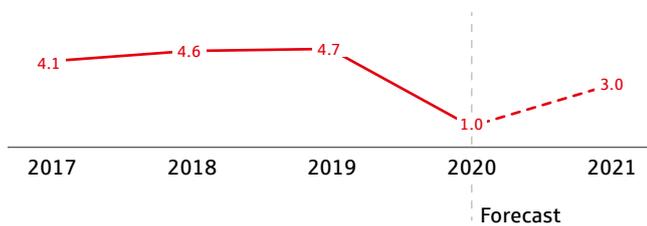
Strength:

Investment and innovation

How much do enterprises invest and how innovative are they?

How much do enterprises invest?

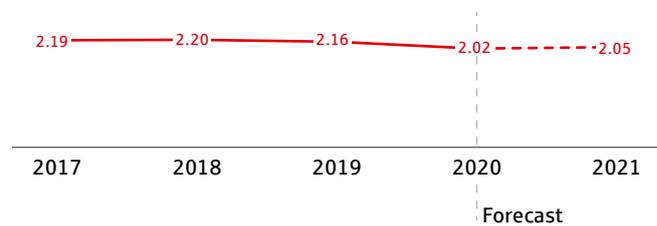
Investment growth as a percentage*



*Fixed asset growth vs. previous year

How many euros in turnover are generated with one euro of fixed assets?

Asset efficiency in euros*



*Turnover relative to fixed assets

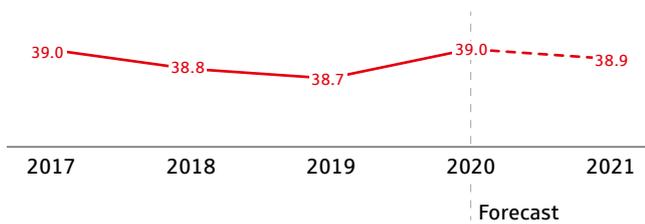


**Resilience:
Stability and sustainability**

How robust is the financing of enterprises and how attractive are they for their owners?

What is the financial stability of enterprises?

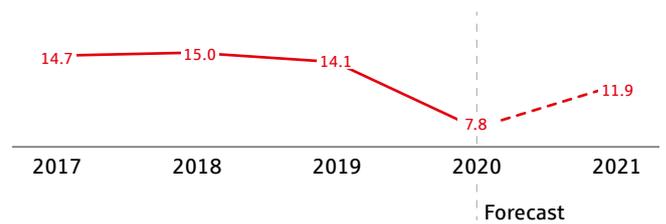
Equity ratio as a percentage*



*Equity relative to the balance sheet total

How good is the return on capital?

Return on capital as a percentage*



*Operating result relative to equity

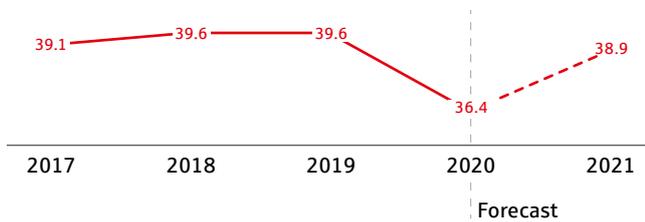


**Team spirit:
Employees and their contribution**

How productive are the employees and what is their contribution to the success of an enterprise?

What is an individual employee's contribution to the success of the enterprise?

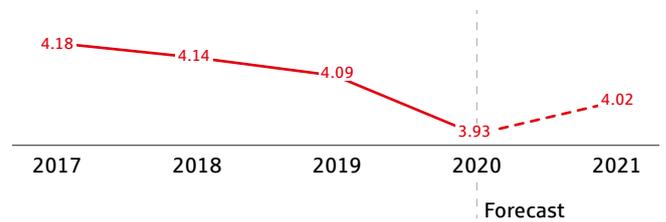
Gross profit per employee in thousand euros*



*Turnover less cost of materials and personnel expenses relative to the number of employees.

How many euros in turnover are generated with one euro of personnel expenses?

Employee productivity in euros*



*Turnover relative to personnel expenses.

Focus: SMEs have taken precautions

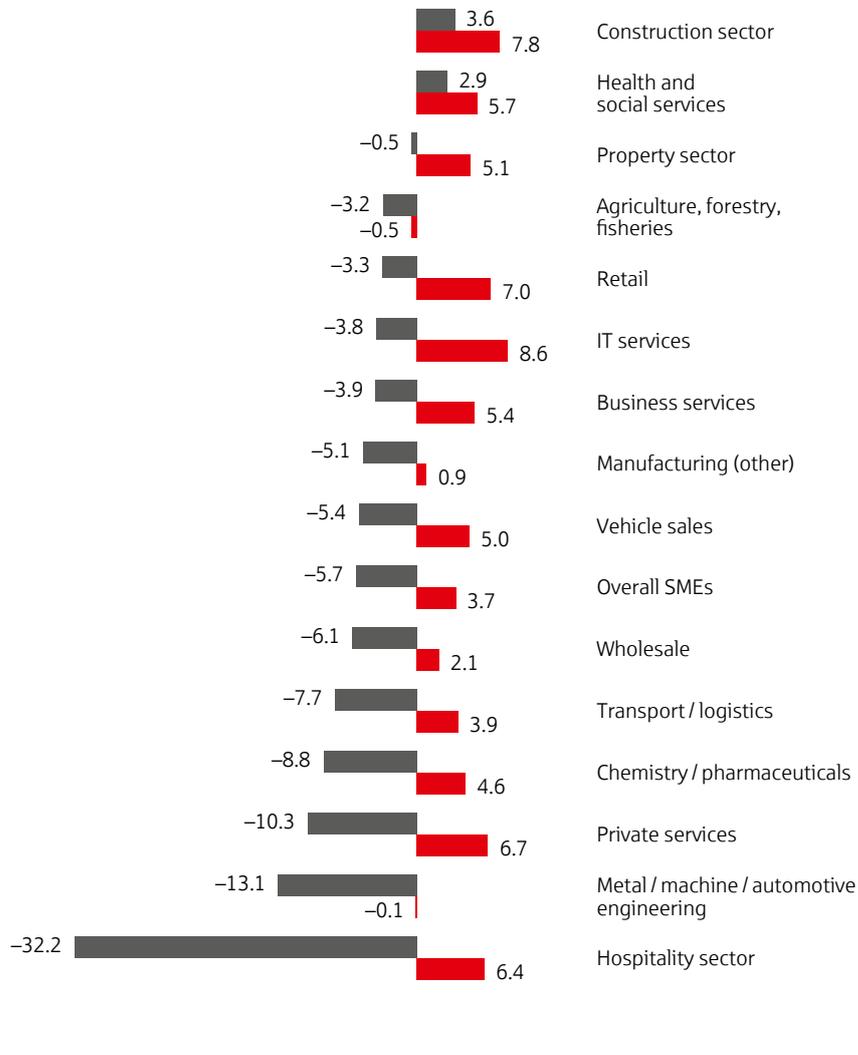
German small and medium-sized businesses were hit by the corona crisis unexpectedly and with full force. It put an abrupt end to years of growth in many sectors. The sharpest declines in revenue are expected in tourism, the event business, hospitality, the creative industries and in automotive manufacturing. However, there are also some sectors that are growing in the current crisis. In particular, construction as well as the health and social services sectors are scoring positive growth rates in 2020. In addition, there are many niche markets that are currently experiencing an exceptional boom. However, the overall slump in sales is unprecedented in post-war history, and corporate profits are declining even more sharply.

A simulation of the development of key ratios derived from approx. 300,000 individual balance sheets from larger SMEs shows that most enterprises are still managing to stay profitable thanks to their flexible cost management. On average, these profits lead to a slight increase in their equity. However, the simulation results also show that around five percent of firms will make heavy losses due to the coronavirus. Extrapolated to the economy as a whole, the crisis still affects over 18,000 enterprises with annual turnover ranging between 2 and 50 million euros.



Sales growth in 2020 and 2019

Figures as percentages



Enterprises with an annual turnover of up to EUR 250 million
 Source: DSGV-Branchendienst



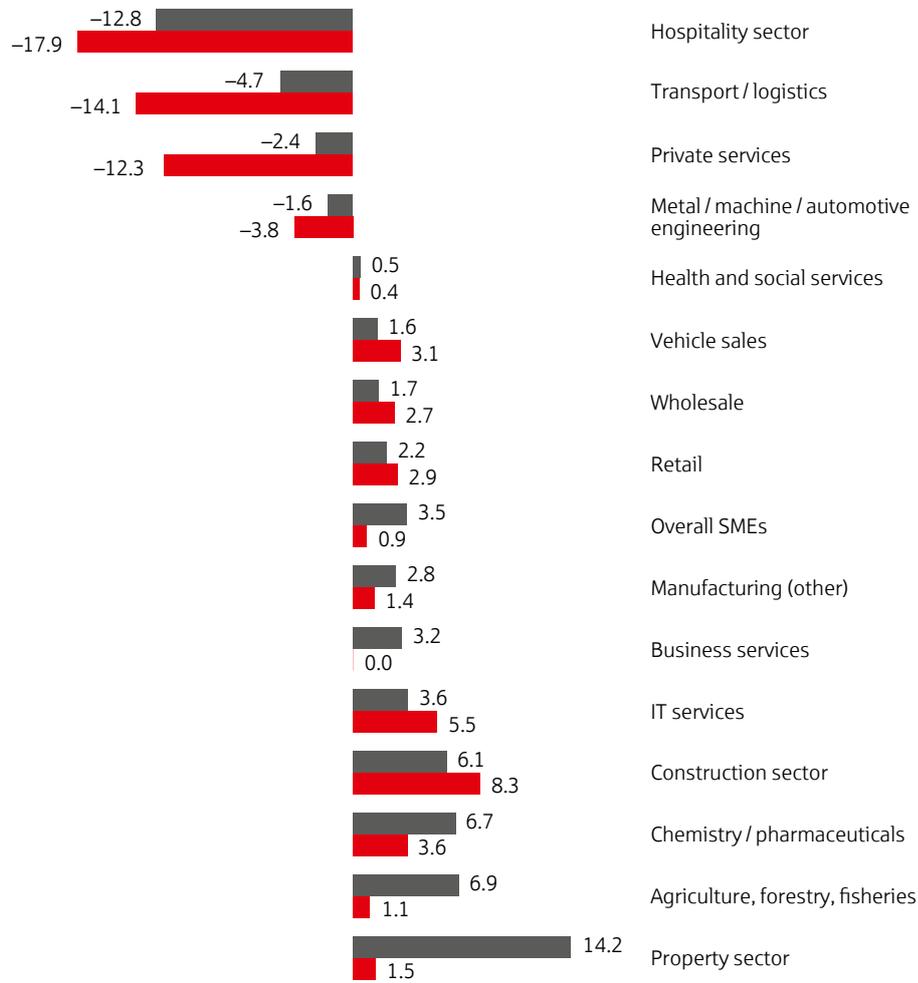
The crisis hit medium-sized businesses unexpectedly, but it did not find them unprepared. The many years of high profits did not go to waste. Our balance sheet analysis shows that since the last major crisis in 2009, enterprises have operated in an exemplary manner. Instead of distributing large parts of their profits, they have been retained steadily and then reinvested within the companies. Equity ratios and liquidity buffers have risen sharply across all sectors since then, assets have been utilised very efficiently and employees have achieved a high level of productivity. This benefits the companies in the current crisis situation. The high level of financial stability enables most companies to compensate for temporary losses from their own resources using their equity capital.

Even though many companies are managing to overcome the crisis by their own efforts, a considerable number of companies are dependent on financial support. The temporary suspension of the obligation to file for insolvency, the short-time working allowance, the operating subsidies and special loans provide many companies with the time and resources they need to rebuild their businesses. Added to this are the measures to support consumption, such as the temporary reduction of VAT. All in all, these measures secure jobs and income for employees and maintain demand in key consumer sectors such as catering and retail.

The obligation to file for insolvency, suspended until the end of the year, ensures that businesses remain on standby to actively participate in the recovery of the German economy, or to make this recovery possible in the first place. Any company that ceased operations due to corona, liquidated its assets to pay off its creditors and dismissed its employees would be sorely missed when the economy picks up again. However, to ensure that risks remain calculable, such measures must be limited to the foreseeable future.

Return on sales and equity development 2020

Figures as percentages



■ Return on sales in 2020
■ Equity growth in 2020

Enterprises with an annual turnover of up to EUR 250 million
 Source: DSGV-Branchendienst

Latest key figures for Savings Banks 2020

Investments continue, even in times of crisis. The Savings Banks committed EUR 54 billion in new business loans in the first half of 2020. Euro 39 billion of this was for investments, 25 percent more than in the same period of the previous year. The overall volume of corporate loans increased by a solid EUR 13 billion.

The hospitality sector recorded particularly high portfolio increases in percentage. The positive trend in commercial real-estate loans also indicates that the construction sector is not allowing the crisis to slow it down.

As expected, part of the credit growth flowed into firms' liquidity holdings as a crisis-related safety cushion. This development was already evident in the last major crisis in 2009. Accordingly, corporate deposits grew by a solid EUR 10 billion (approx. 7 percent) at the Savings Banks in the first half of 2020. Having said that, many SMEs are making major investments in their companies, even during the crisis.

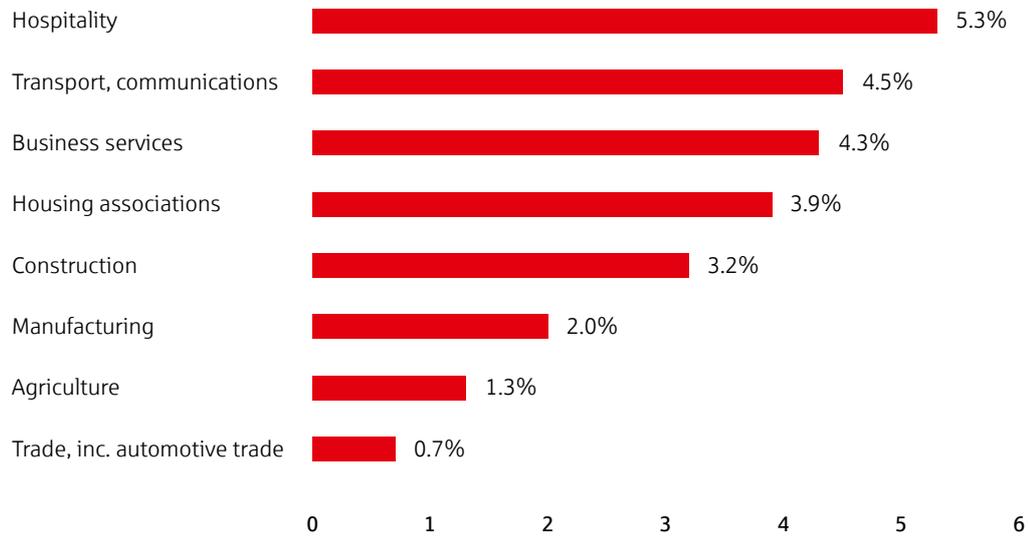
Growth in business loans*



*Loan portfolios of Savings Banks in Germany.

Source: DSGV

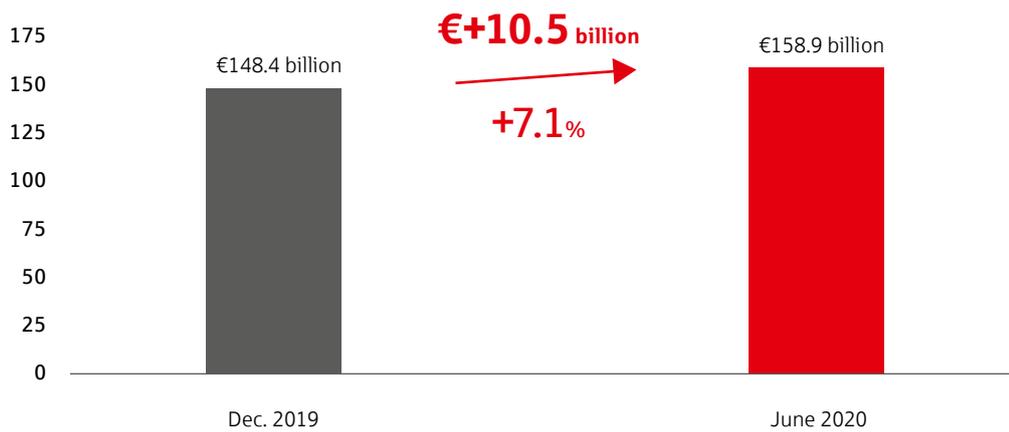
Credit trends in selected sectors *



*Year-to-date portfolio changes at the end of June 2020, business of Savings Banks

Source: DSGV

Liquidity holdings of corporate customers



Savings Banks' Business.

Source: DSGV

S-SME Fitness Survey 2020

What are the concerns of Germany's SMEs? What are the current trends in investment and financing? These and other topics are discussed by the Savings Banks' customer relationship managers every year with Germany's small and medium-sized enterprises. Three-quarters of all companies in Germany have a business relationship with the Savings Banks Finance Group. During the peak phase of the corona crisis, employees of the 376 Savings Banks held countless advisory meetings with their commercial customers. The S-SME Fitness Survey provides a concise summary of the findings of our SME experts. Insights from the market leader: direct, up-to-date, relevant.

Current topic: Dealing with the crisis

Exactly one year ago, our survey revealed that German SMEs were already actively preparing for an economic slowdown. After years of growth, there were already signs of slowdown in the German economy. Businesses have taken measures, such as increasing flexibility and outsourcing, as well as implementing cost-cutting programs. When the corona crisis began in the spring of 2020, many companies benefited from these measures. This year's survey looks at the behaviour of companies during the crisis as well as their prospects for the time after the crisis.



1. Insolvency risk

Question

How high is the specific insolvency risk for medium-sized corporate clients resulting from the economic consequences of the corona crisis?



Answer from the experts

In the opinion of just over three-quarters of all the financing experts surveyed, less than two percent of corporate customers will have to file for insolvency in the next six months (irrespective of the suspended obligation to file for insolvency).¹



2. Investment behaviour

Question

Are corporate customers still pursuing long-term strategic investment plans since the outbreak of the coronavirus?



Answer from the experts

86 percent of the experts surveyed believe that, in principle, their corporate customers are sticking to their long-term investment plans, albeit with a short-term interruption. 11 percent of the SME experts even report that their corporate customers continue to invest as before. Only just under three percent reported that investment projects had been postponed.

¹As of end of August 2020



3. Adaptability of enterprises

Question

Are enterprises responding to the new circumstances by adapting their business models?



Answer from the experts

83 percent of respondents observed that their corporate customers have reacted flexibly and adjusted their business models. For instance, clothing manufacturers have switched over to producing protective medical equipment. Three percent report even greater adjustments, such as mechanical engineering companies that have moved into the medical technology sector. 14 percent noted that corporate customers are keeping their established business models unchanged.



4. Recovery prospects in the sectors

Question

Which sectors have a good chance of medium-term recovery? Where can long-term distortions be expected?



Answer from the experts

Almost all Savings Banks financing experts expect an early recovery in the construction, real-estate, services, agriculture and logistics sectors. While positive expectations predominate in the manufacturing sectors (64 percent), a good third expect to experience longer-term difficulties. For the hospitality, retail and especially the travel industry, the majority of those surveyed do not expect things to continue without major changes and cuts.

3 FOCUS TOPIC

Profitability of SMEs in rural areas – Resilience in times of crisis

3.1 Summary

More than a year ago, the International Monetary Fund (IMF) was already calling on the global economies to prepare for a new economic crisis.

As early as the beginning of 2019, Christine Lagarde, then Head of the International Monetary Fund (IMF) and now President of the European Central Bank (ECB), sent a strong message to the world's economies: "Fix your roof while the sun's still shining". A year later it became clear how right Mrs Lagarde was with this statement. In the first quarter of 2020, global economic output collapsed dramatically due to the economic and social lockdown resulting from the outbreak of a new type of corona virus.

Compared with the financial and economic crisis of 2008/2009, the current crisis is hitting the real economy much harder than the banking industry. Furthermore, while the crisis has had a major impact on some sectors, others are showing only slight declines or none at all. The hospitality industry, for example, is having to contend with a drop in turnover – in some cases by more than 50 percent, whereas the construction industry continues to record increases in turnover.

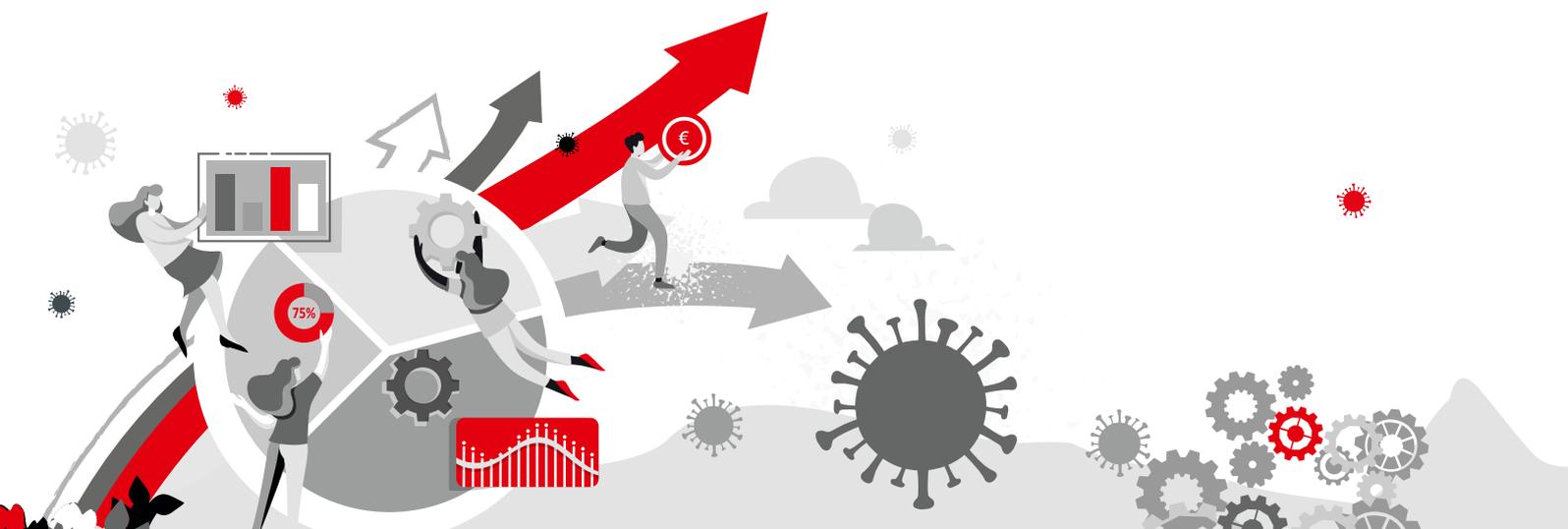
The development hit German SMEs unexpectedly, but it did not find them unprepared. German SMEs are now in a much better financial position than they were in 2008. Not only was the equity ratio of the Savings Banks' SME corporate customers significantly higher in 2019 than in 2008, the companies' liquidity cushions also rose by around 70 percent during this period. These are two particularly important criteria during periods of economic crisis.

The outbreak of the new type of corona virus and the consequences of the global lockdown hit the real economy directly and almost immediately. German SMEs were not unprepared for the crisis. They are in a better financial position today than they were in 2008.

This assessment applies to an even greater extent to rural SMEs. An analysis of the annual financial statements of the Savings Banks' business customers showed that rural SMEs outperform their urban competitors both in terms of sales profitability and equity capitalisation. In addition, a survey among the Savings Banks' business customer advisors concluded that rural SMEs have so far been

The development of the crisis hit German SMEs unexpectedly, but it did not find them unprepared. German SMEs are now in a much better financial position than they were in 2008.

less severely affected by the corona crisis than urban ones. For example, the share of SMEs that suffered a sales slump of more than 20 percent at the beginning of the corona crisis was significantly lower in rural areas than in the cities.



Nevertheless, an average of approx. 25 percent of corporate customers have made use of the corona assistance offered by the Federal Government and the States. In some regions it was even almost one in two. The Savings Banks reacted very quickly to the new situation. In the first weeks of the crisis alone, Savings Bank advisors held around 1.4 million advisory meetings with their customers. Interest and redemption payments were suspended in more than 350,000 cases¹. The volume of loan commitments to companies and the self-employed amounted to approximately EUR 79 billion in the period from January to September 2020, up 16.9 percent on the previous year.

With their corona emergency aid, the Federal Government and the States have provided a quick and appropriate response to the corona crisis. Germany is in a better starting position than other countries in this respect thanks to its sound budgetary policy in recent years. Before the outbreak of the corona crisis, Germany's national debt, at around 68 percent of gross national product, was more than 20 percentage points below the global average.

The key to overcoming the economic consequences of this crisis lies in the willingness and ability of firms to invest. Only by investing in new products, processes and distribution channels can the structural change, which began before corona but has been massively intensified by the developments of the past few months, be tackled. At present, almost 90 percent of the Savings Banks' SME customers have temporarily put their long-term investment plans on hold. It is precisely those businesses most affected by the crisis, whose business models have in some cases been completely called into question, that now have the greatest need for investment.

The equity capital programmes of the Federal Government and the States can contribute to improving the equity capital situation of SMEs. Reducing bureaucratic hurdles also plays a major role in overcoming current economic weakness, because in times of upheaval, flexibility becomes even more important, both for the companies and the administration. The Savings Banks' SME customers still see considerable room for improvement in this area. In any event, it must be avoided that additional levies, such as the introduction of a wealth tax, lead to a burden on the equity capital of SMEs affected by the corona crisis.

In the first weeks of the crisis alone, Savings Bank advisors held around 1.4 million advisory meetings with their customers.

The Federal and State Governments as well as the Savings Banks reacted quickly to the crisis. The companies were granted emergency aid as well as interest and repayment deferrals. Due to its relatively low level of public debt, Germany is in a good position to counter the crisis.

The key to overcoming this crisis lies in the willingness and ability of companies to invest. Equity capital programmes, tax breaks and the reduction of bureaucracy can all make a contribution here.

At present, almost 90 percent of the Savings Banks' SME customers have temporarily put their long-term investment plans on hold.

¹ As of the end of April 2020. 369,000 end of July 2020.



3.2 How does the current economic crisis differ from the financial and economic crisis of 2008/2009?

During the financial and economic crisis of 2008/2009, banks and other financial service providers were particularly hard hit at the beginning of the crisis. Only in the second step did the crisis spread to the real economy.

The economic crisis of 2009 had its origins in a classic, upstream financial market crisis. At the beginning of the crisis, many banks suffered heavy losses due to bad real estate loans. Their equity shrank and therefore their ability to grant new loans. The second step saw the crisis transfer to the real economy. Firms and private households that were dependent on bank loans could no longer fully realise their consumption and investment plans. Economic output fell sharply and many banks had to file for bankruptcy.

The current economic crisis is only similar to the financial and economic crisis of 2008/2009 in its effects, such as the slump in economic output and the rise in unemployment. Its origin is completely different.

The course of the corona crisis is different. This time the real economy was hit much more quickly and directly than in 2008/2009.

The worldwide lockdown as a result of the outbreak of this new type of coronavirus led directly and almost immediately to a massive decline in global economic output and a sometimes drastic increase in unemployment or short-time working. The slump in sales was caused both on the supply side (collapse of supplies, e.g. from China) and on the demand side (e.g. decline in travel).

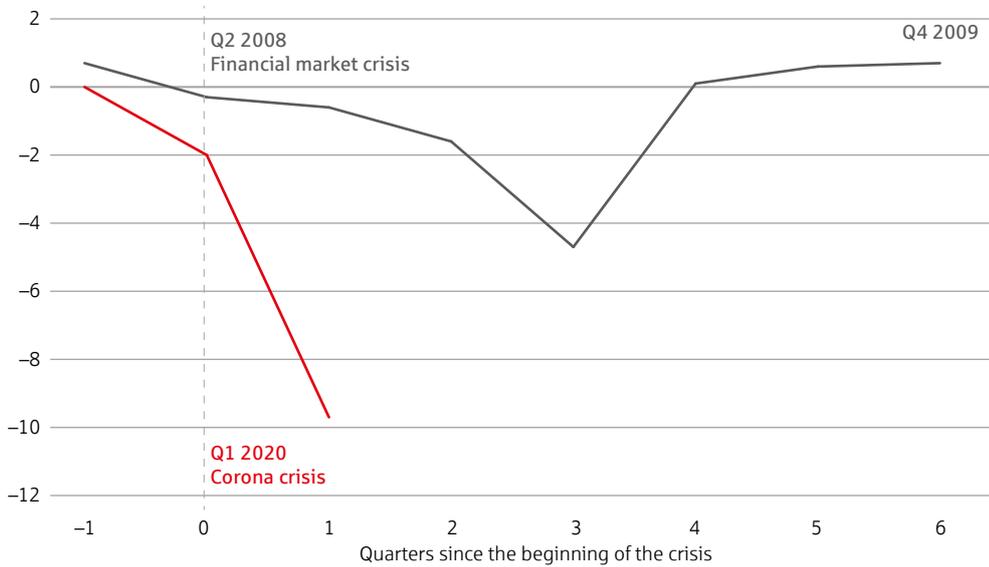
So far the economic effects of the corona crisis have been felt mainly in the real economy. In contrast to the economic slump of 2009, however, the recovery in 2020 has been faster.

So far the economic effects of the corona crisis have been felt mainly in the real economy. For example, the Federal Statistical Office recorded a decline in gross domestic product (GDP) of 1.8 percent and 11.3 percent¹ for the 1st and 2nd quarters of 2020 compared with the same quarters of the previous year (adjusted for price and calendar effects). A comparison of the development of GDP during the two crises shows that the economic effects became apparent in the corona crisis much more quickly and strongly than during the financial and economic crisis of 2008/2009 (see chart 1).



¹Source: https://service.destatis.de/DE/vgr_dashboard/bip_vj.html (accessed on 12.09.2020)

Gross domestic product from the beginning of the corona crisis and the financial market crisis, change compared to previous quarter in % G01



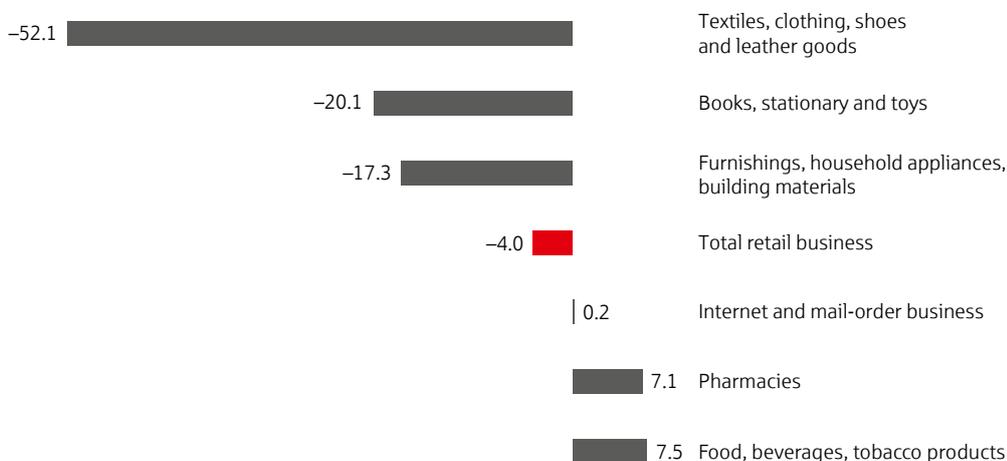
(Price, seasonally and calendar adjusted X13 JDemetra+)
 Source: <https://www.destatis.de/DE/Themen/Querschnitt/Corona/krisenmonitor.html> (accessed on 12.09.2020)

Gross domestic product fell dramatically in the first quarter after the outbreak of the crisis. In 2008/2009 it took almost 9 months for the negative economic consequences to peak.

While household consumption expenditure and business investment in machinery, equipment and vehicles fell sharply, government consumption and construction investment were able to partly dampen the decline in GDP. In contrast to the 2008/2009 crisis, however, the corona crisis had a broader impact. This time it also included consumer-related sectors, such as the clothing trade, which had previously been relatively unaffected. However, within the retail sector there were also sectors such as online retailing, pharmacies or food retailing, which even recorded increases in sales (see chart 2).

In contrast to the 2008/2009 crisis, however, the corona crisis had a broader impact. This time the sector differences were more pronounced.

Real turnover in selected retail sectors in March 2020, calendar and seasonally adjusted, change compared to previous month in % G02



Source: Federal Statistical Office; press conference "Economic Impact of the Corona Pandemic" on 15 May, 2020 in Berlin, Statement

Another difference from the crisis of 2008/2009 is that the economy is recovering much faster in 2020.

In contrast to the economic slump of 2009, 2020 saw a faster recovery. Both the production index and retail sales had already risen again significantly by May 2020 (see charts 3 and 4).

The production index and retail sales had already risen again significantly by May 2020.

Production index from the beginning of the corona crisis and the financial market crisis, change compared to previous month in %

G03



(seasonally adjusted X13 JDemetra+)

Source: <https://www.destatis.de/DE/Themen/Querschnitt/Corona/krisenmonitor.html> (accessed on 12.09.2020)

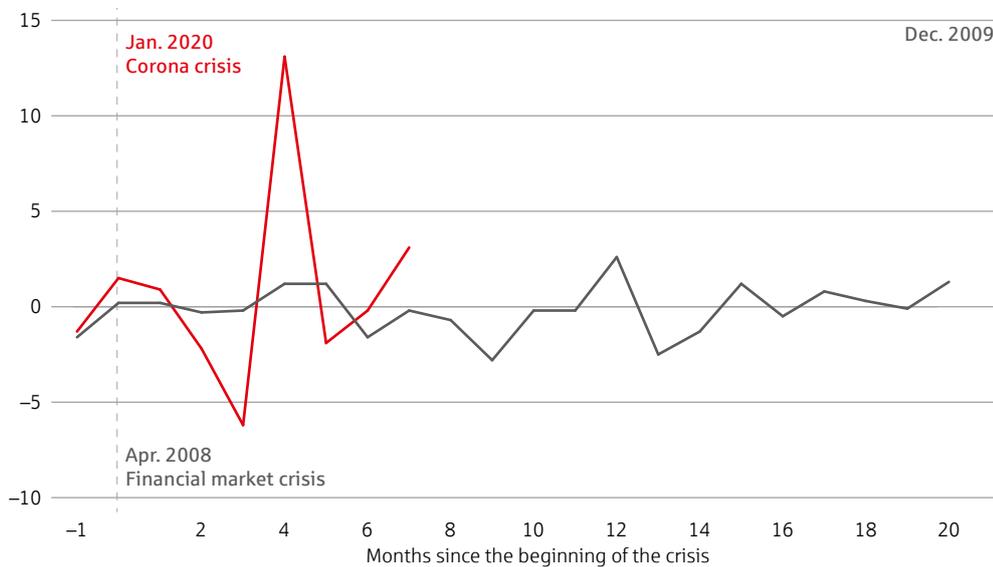
Despite the sometimes rapid short-term recovery, the sustainable way out of the crisis will be more a marathon than a sprint.

Nevertheless, as most market observers estimate, the way out of the corona crisis will be long and arduous. The German Institute for Economic Research assumes that it will take two years to make up for the historic slump in the second quarter of 2020.¹ For Germany, the slump in exports is especially challenging, as its supply chains with major trading partners such as France, the USA and China were interrupted by the lockdown.

¹ https://www.diw.de/de/diw_01.c.794492.de/diw_konjunkturbarometer_juli__deutsche_wirtschaft_handelt_sich_stueck_fuer_stueck_aus_tiefem_loch.html (accessed on 12.09.2020)

Retail sales from the beginning of the corona crisis and the financial market crisis, change compared to previous month in %

G04



(seasonally adjusted X13 JDemetra+)

© Federal Statistical Office (Destatis), 2020

Source: <https://www.destatis.de/DE/Themen/Querschnitt/Corona/krisenmonitor.html> (accessed on 12.09.2020)

The greatest current danger is a wave of corporate insolvencies.

For the further economic consequences of the corona crisis, it is essential to avoid a wave of insolvencies. Payment defaults from insolvent companies affect not only the real economy (e.g. suppliers) but also banks. Higher credit defaults could lead to a subsequent banking crisis and thus a further deterioration of the economic situation. In the following, we will therefore discuss the financial condition of the companies, especially German SMEs, at the beginning of the corona crisis, how they have been affected by the crisis so far and which criteria are decisive to overcome the economic slump in a sustainable manner.

3.3 The corona crisis and its effects on German SMEs

3.3.1 How well are German SMEs prepared for the challenges of the corona crisis?

To survive the crisis, the most important factor is the financial strength of the business.

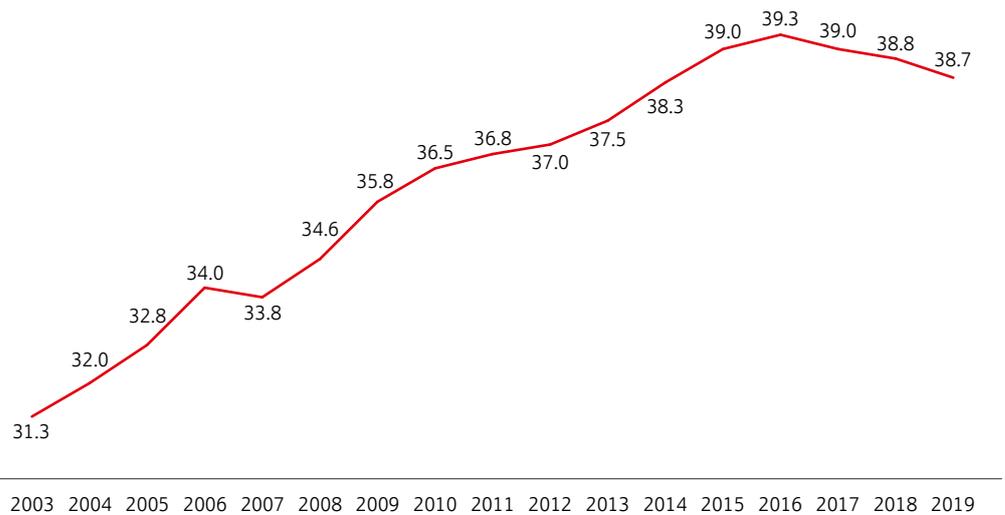
For a company to survive, two things are essential – sufficient access to financial resources, and the ability to generate sustainable profits and thus be able to build up equity from its own resources. There is a close relationship between the two success factors, as profits and equity are important criteria in the context of bank credit assessment. This means that, as a rule, the higher the profit and the more robust the equity base, the easier and cheaper it is for a company to take out loans.

The S-SME Fitness Index, published annually by the DSGV, shows that both the equity ratios and the liquidity holdings of SMEs have increased significantly over the last few years.

The annual analyses of the German Savings Banks Association’s sector service within the context of the S-SME Fitness Index have shown that companies have taken advantage of their good earnings situation in recent years and have invested their profits consistently in their own companies year after year. On average, around three-quarters of the profit after tax remained in the company each year. This has led to an almost continuous rise in the equity ratio. The ratio of equity to total assets rose from 31.3 percent in 2003 to 38.7 percent in 2019 (see chart 5).

In a recent survey of Savings Banks’ SME advisors, more than 80 percent of respondents stated that they were already observing slight changes in the business models of their SME corporate customers.

Equity as a percentage of total assets



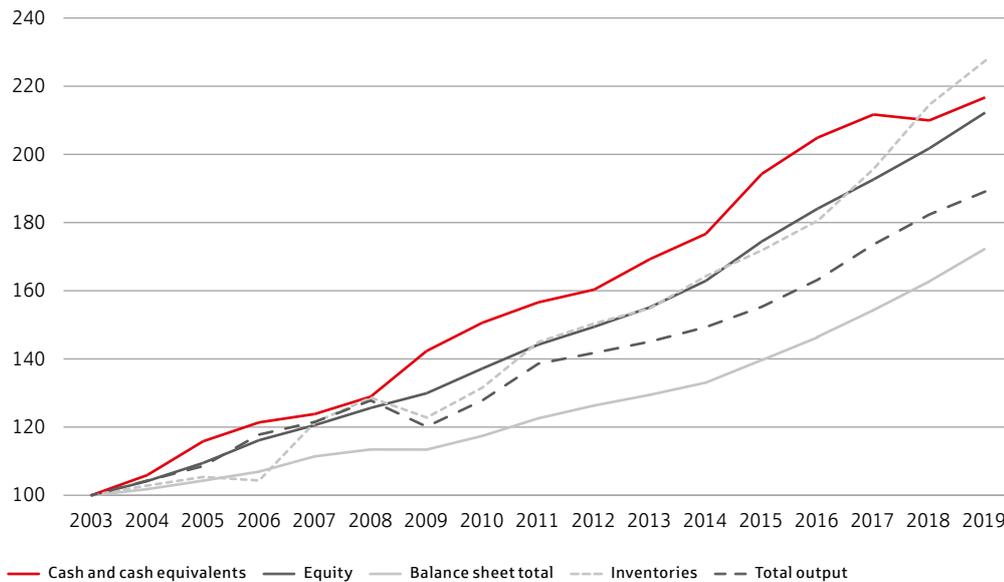
Companies with a turnover up to EUR 250 million

Source: DSGV-Branchendienst; EBIL-Daten; 2020

The proportion of companies with operating losses has also fallen from 8.5 percent to 6 percent since 2003. At the same time, the companies' liquidity cushions (stock of liquid assets) have grown by around 70 percent since 2008 (see chart 6).

Development of key liquidity and capital ratios of SMEs (Index 2003 = 100)

G06



Companies up to EUR 250 million turnover

Source: DSGV-Branchendienst; EBIL-Daten; 2020

Although on average SMEs are in a stronger financial position today than they were 11 years ago, some sectors are facing particularly serious challenges.

The corona crisis has significantly strengthened the trend towards digitalisation, which has existed for several years. In many cases, a “nice to have” has now become a “must have”.

Even if the statements regarding the improved crisis resistance of SMEs at the time of the outbreak of the corona crisis are valid for all sectors, some businesses such as airlines, travel agencies, restaurants or exhibition organisers were hit much harder than others by the consequences of the lockdown. In addition to this, many companies have to adapt their business models to new framework conditions such as government corona rules or changes in consumer behaviour. This depends above all on a stable economic policy environment, as well as the innovative strength and flexibility of the companies. In a recent survey of Savings Banks' SME advisors, more than 80 percent of respondents stated that they were already observing slight changes in the business models of their SME corporate customers.

Businesses such as airlines, travel agencies or exhibition organisers are faced with the need to fundamentally rethink their business models.

Consequently, it is essential that businesses show flexibility and a willingness to change.

Businesses must prepare for a fundamental change in their organisational models and customer communication. Small and medium-sized enterprises are ideally placed to master these challenges.

Many small and medium-sized enterprises have demonstrated their ability to respond quickly and flexibly to changes in framework conditions. For example, online sales channels have been established in a very short time and the possibility of mobile working has been greatly expanded. The corona crisis has significantly strengthened the trend towards digitalisation, which has existed for several years. In many cases, a “nice to have” has now become a “must have”. The task now is to further expand these new digital forms of communication and to establish them permanently. This also requires the development and introduction of innovative digital products. Both will lead to a fundamental change in internal organisational models and external customer communication. With their customer proximity and high level of flexibility, SMEs are ideally placed to master these challenges.

3.3.2 How well are rural SMEs prepared for the crisis?

Promoting rural areas as part of their “public mandate” has always been a primary business objective for Savings Banks. Almost two thirds of the staffed branches of Savings Banks are located outside urban areas. In this way, the Savings Banks safeguard the banking infrastructure, especially in rural areas. Their approximately 210,000 employees are part of the local community and close to the people who need their services.

A recent study conducted by IW Köln (the German Economic Institute in Cologne) on behalf of the German Savings Banks Association showed that the accessibility of Savings Banks is significantly better than that of large banks, especially in rural areas.¹

A recent study conducted by the German Economic Institute in Cologne on behalf of the German Savings Banks Association (DSGV) showed that the accessibility of Savings Banks is significantly better than that of large banks, especially in rural areas.

The different living conditions in urban and rural areas have been the subject of various scientific studies in recent years. These examined a number of selected demographic, socio-economic and structural indicators.

A current survey by the German Economic Institute in Cologne (IW Köln) on behalf of the Bavarian Industry Association (vbw) concluded that “companies in rural areas generally rate the existing location factors in the region less positively than companies in other areas”.² However, the study also showed that rural districts, which are home to many small and medium-sized enterprises, are in a better economic position than others.

¹ According to the study, customers of large banks in rural areas need about four times as long (approx. 12 minutes) as Savings Banks customers (approx. 3 minutes) to reach the nearest staffed branch. The figures reflect the median value of all customers.

² Source: The Family Business Foundation 2020; “The importance of family businesses for rural areas: contribution to prosperity and cohesion”; prepared by IW Köln; page 49.

In view of the importance of rural SMEs for the economic and social development of their home regions, the question arises as to whether rural businesses are more affected by the corona crisis than their urban competitors. An increase in the severity of the crisis' impact on rural SME economic structures could further exacerbate the existing social and societal differences between town and country.

In the following, the annual financial statement data of Savings Banks' corporate customers for the period 2013 to 2017 are used to examine the extent to which the financial strength of rural SMEs differs from that of their urban competitors. In addition, the results of an expert survey of Savings Banks will be evaluated.

The analysed database comprises 450,000 sets of data on individual companies, partnerships and corporations with an annual turnover volume of up to 500 million euros. In contrast to the S-SME Fitness Index, the calculation of the results deliberately refrained from turnover weighting. This was to avoid distortion of the results due to a different mix of large and small enterprises in rural and urban areas.

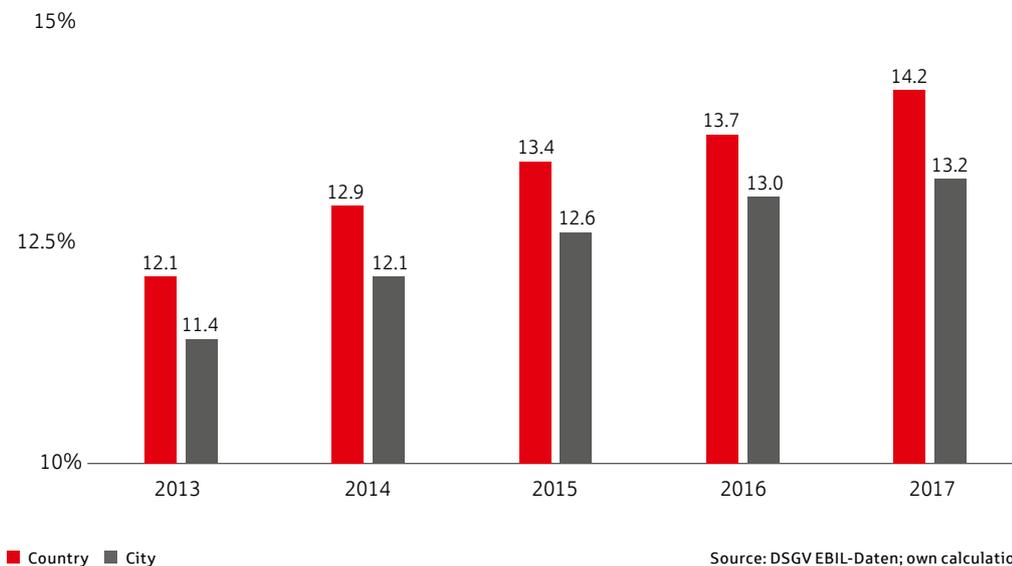
An analysis of the annual turnover profitability (profit by turnover) showed a higher value for rural SMEs over the whole observation period (see chart 7).

Entrepreneurial location factors such as infrastructure and the supply of skilled workers are generally worse in rural areas than in metropolitan regions. The question therefore arises as to whether rural SMEs have a lower resistance to crises than urban SMEs as a result of these structural disadvantages.

To answer this question, both the financial key figures of SMEs and the results of the survey of the Savings Banks' SME experts were evaluated.

Return of sales of SMEs – city versus country

G07



Sustainable profits and sufficient equity are the most important financial criteria for assessing the resistance of SMEs to crises.

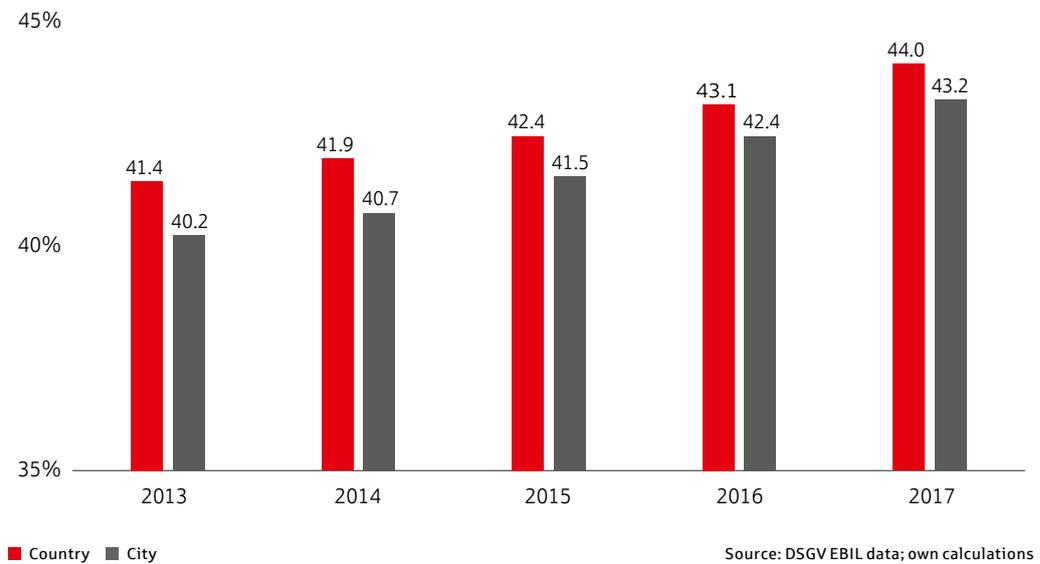
As previously mentioned, sustainable profit generation is an important indicator of the resilience of companies during the crisis. Although companies that are profitable in the long term are in principle able to build up equity capital from their own resources (revenue reserves), there is no legal obligation to do so, with a few exceptions. This means that even previously profitable companies can find themselves in difficulty in the event of high losses due to an economic crisis if they have not used past profits to build up equity capital and have distributed dividends instead.

Both in terms of return on sales and equity ratios, rural SMEs have better values than urban SMEs.

The equity capital ratios of SMEs in Germany have, as explained above, risen continuously over many years. SMEs have used periods of profit to build up equity reserves. As in the case of return on sales, the equity ratio of rural SMEs is consistently higher than that of their urban competitors (see chart 8).

Equity ratios of SMEs – city versus country

G08



The comparison shows that rural SMEs are in a better position than urban ones with regard to their crisis-relevant balance sheet and P&L figures. The results of the expert survey of Savings Banks also point in this direction.

When asked about the extent of the slump in SME sales at the beginning of the corona crisis, advisors in almost a fifth of all urban Savings Banks stated that more than 50 percent of their customers had faced significant sales losses (>20 percent). In the rural Savings Banks, only just under one in eleven advisors reported that their corporate customers had to deal with such a large drop in sales (see chart 09).

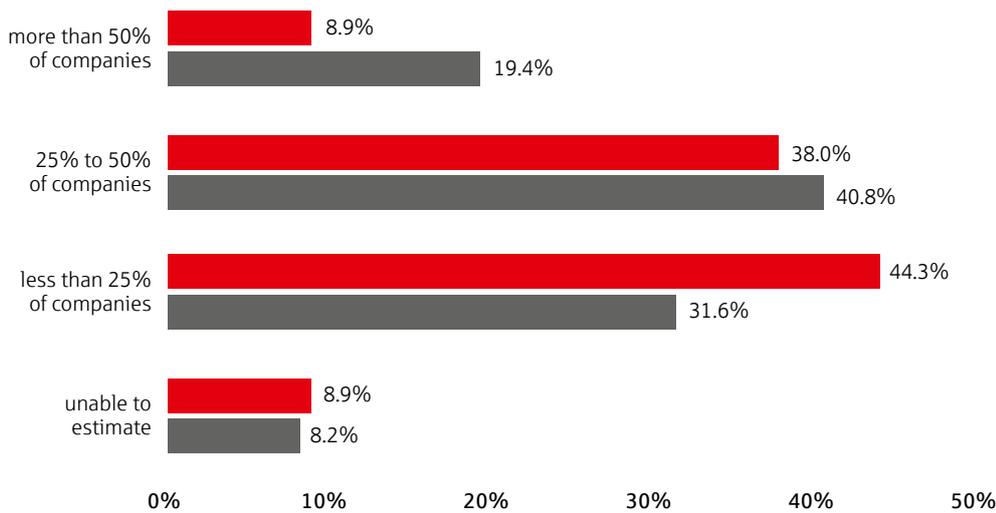
So far rural SMEs have also not suffered such a sharp drop in turnover as urban SMEs during the crisis.

Rural SMEs are better positioned than their urban competitors with regard to their crisis-relevant balance sheet and P&L figures.

How many of your corporate customers suffered a drastic loss of revenue (i.e. more than 20 percent) as a result of the corona crisis?

G09

In one city in five, more than half of the SMEs were affected by extremely sharp falls in turnover.



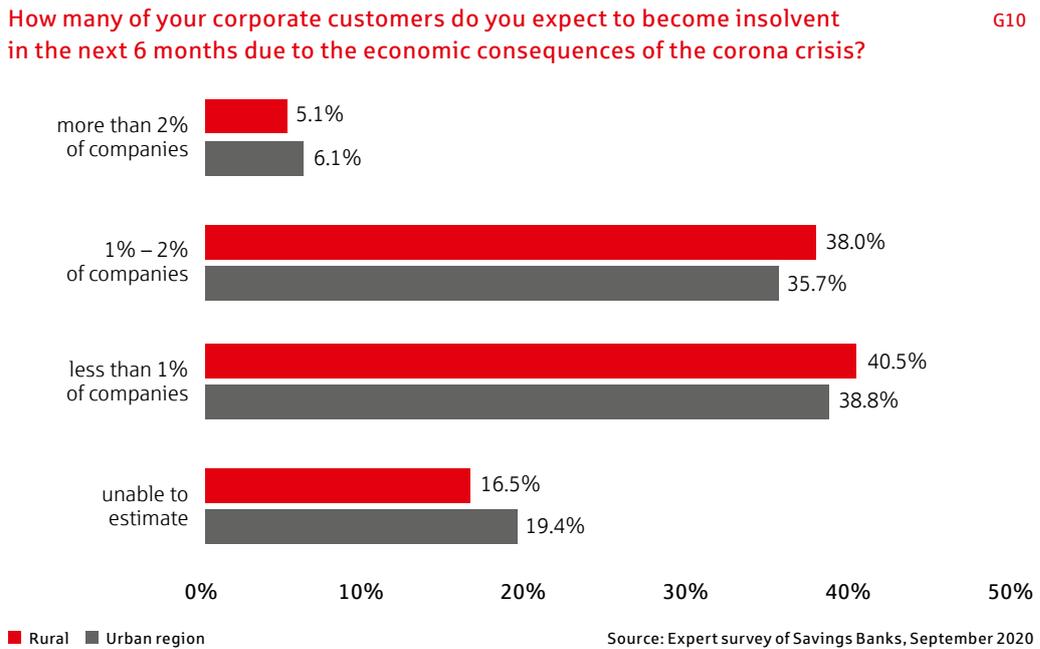
■ Rural ■ Urban region

Source: Expert survey of Savings Banks, September 2020

The proportion of companies that have so far applied for short-time working was also lower in rural areas than in the cities.

Consequently, rural SMEs were also less affected by short-time working than urban SMEs. For instance, the proportion of Savings Bank regions in which more than 20 percent of SMEs registered short-time working was almost 8 percentage points higher in urban Savings Banks (around 58 percent) than in rural ones. And when asked directly about their customers' insolvency risk, 6.1 percent of business customer advisors at urban Savings Banks anticipate that more than 2 percent of their business customers will declare insolvency in the next 6 months. The figure for rural Savings Banks is only 5.1 percent (see chart 10).

The proportion of Savings Bank regions in which more than 20 percent of SMEs registered short-time working was around 58 percent in urban Savings Banks; almost 8 percentage points higher than in rural Savings Banks.



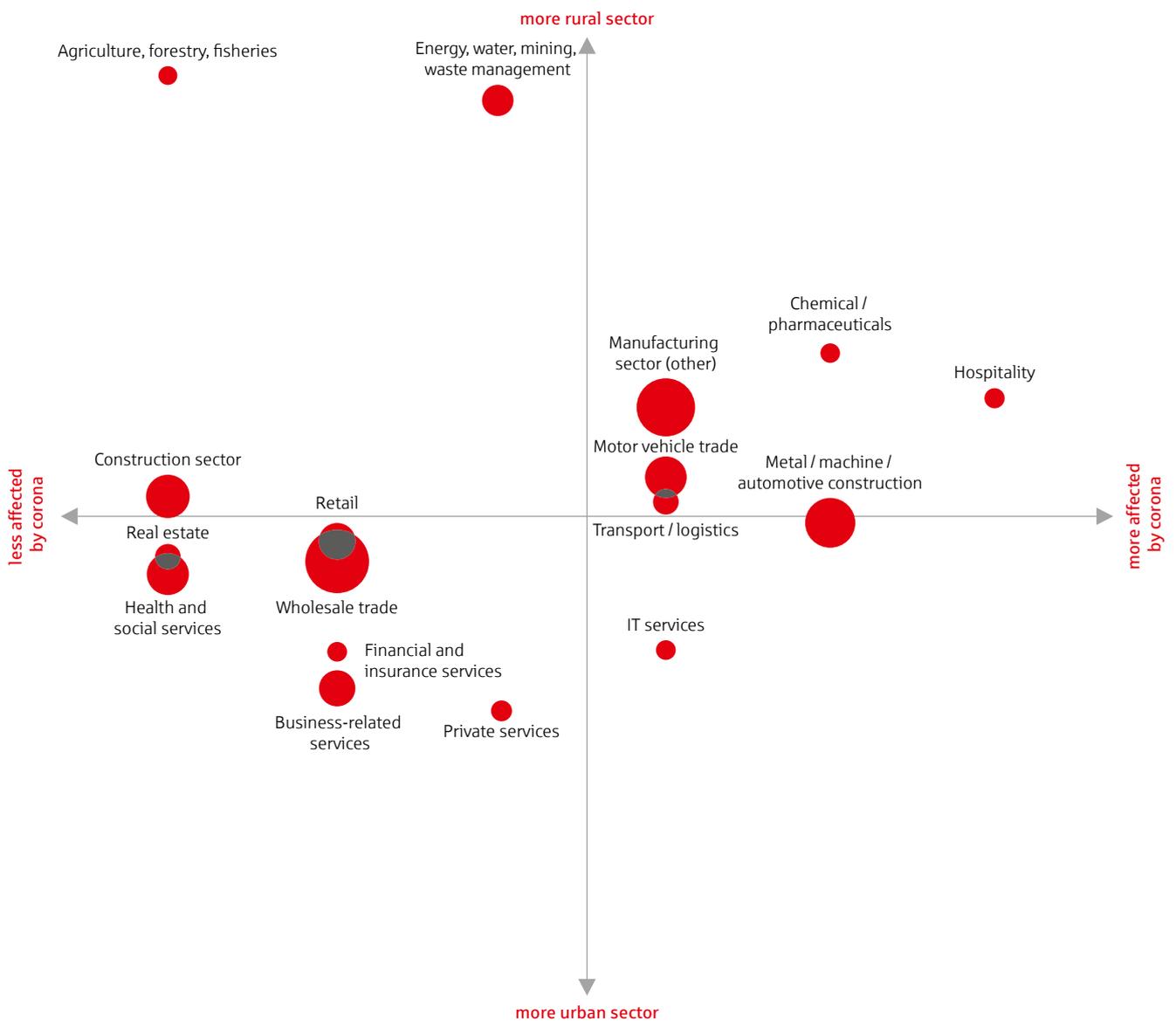
Looking at the distribution of enterprises by sector in rural and urban areas and taking into account their exposure to corona, there is no objective evidence for the lower exposure of rural SMEs (see chart 11).

Rural SMEs have so far coped better with the corona crisis than their urban competitors.

The regional distribution of sectors alone does not provide any justification for this.

Regional distribution and affects of corona in different sectors
(size of the circles reflects the sales volume of the sector)

G11



Source: DSGV-Branchendienst, EBIL-Daten, own calculations

On the contrary, the greater part of the high-turnover sectors less severely affected by the corona crisis is more urban than rural.

On the contrary, two of the three heavyweights in turnover – manufacturing and the automotive industry – which have also been more severely affected by corona, are more rurally-oriented sectors. At the same time, most of the high-turnover sectors, less affected by the coronavirus, such as wholesale and retail or the construction sector, are more likely to be located in urban areas.

In summary, it can be said that rural SMEs had a crisis-dampening effect on the overall economy, at least in the early stages of the corona crisis.

As a result, rural SMEs can be classified as highly crisis-resistant. This underscores the importance of a regionally diversified business landscape in Germany.

In summary, it can be said that rural SMEs had a dampening effect on the overall economy, at least in the early stages of the corona crisis. The results of the balance sheet and profit and loss account analysis also suggest that rural SMEs are no less resistant to crisis than their urban competitors. The results once again impressively underline the enormous importance of a regionally diversified business landscape and an aligned financial infrastructure to ensure the solidity of the German economy.



3.3.3 What are the risks for SMEs in the further course of the corona crisis and how can they be countered?

Most market observers currently assume that there will be a swift revival of the German economy. This is supported in particular by forward-looking economic indicators. For example, both the purchasing managers' index (EMI) for the manufacturing sector at 52.2 points and the ifo business climate index at 92.2 points were already back to pre-crisis levels in August 2020.¹ Supported by extensive monetary and fiscal policy interventions, the stock market values of major German enterprises have recovered within a few months from the losses they sustained at the beginning of the corona crisis.

However, the prevailing view is that the sustainable recovery process will be more a marathon than a 100-metre sprint. Economists warn of risks for the German economy. First and foremost, this refers to the further progress of the infection and new, large-scale lockdowns. For Germany, with its strongly export-oriented economy, developments in countries such as France or the USA also play a major role. Experts therefore consider it unlikely that export figures will return to pre-crisis levels before the end of 2021.

A particular risk at present is that there will be an increase in credit defaults resulting from a wave of insolvencies. The risk is that the crisis could then spread to the banks and thus to the financial markets via increased loan defaults. The credit reference agency, Creditreform, expects a significant increase in insolvency applications from the 4th quarter of 2020 onwards, particularly among smaller enterprises in the sports, culture and recreation sectors. However, large enterprises can also be affected, as demonstrated by the examples of the department store chain Galeria Karstadt Kaufhof or the fashion retailer Hallhuber, which already had to be rescued in protective shielding procedures in the early stages of the crisis.

Insolvency experts at the credit insurer Euler Hermes forecast a cumulative global increase in insolvencies of 35 percent in 2020 and 2021. Germany is still in a relatively good position in this forecast with an expected increase of only 12 percent (4 percent in 2020 and 8 percent in 2021). The USA – one of Germany's most important trading partners – is one of the countries most affected by the crisis, with an expected increase of up to 57 percent.

The greatest danger currently lies in the further progress of the infection and new, large-scale lockdowns.

Economically, there is a risk of a wave of insolvencies which could transfer to the financial market in the form of increased credit defaults and thus lead to feedback effects.

The Savings Banks have also fulfilled their responsibility as the house banks of SMEs during the corona crisis. By the end of April 2020, for example, interest and redemption payments were suspended in more than 350,000 cases for SME customers.

There are several reasons for the relatively positive outlook for Germany. Firstly, as part of the corona measures, the German government has suspended the obligation to file for insolvency, initially until the end of September 2020 and then again until the end of December 2020. However, the extension until the end of 2020 only affects companies that are over-indebted in terms of their balance sheets, so insolvent companies have had to file for insolvency again since October 2020.

¹ <https://de.investing.com/economic-calendar/german-manufacturing-pmi-136> (accessed on 05.09.2020)
<https://www.wallstreet-online.de/nachricht/12891096-moventum-kommentar-02-09-2020-deutschland-ifo-geschaeftsklimaindex-ueberzeugt/all> (accessed on 05.09.2020)

To avert insolvency due to an inability to pay, SMEs can draw on a range of emergency aid measures provided by the Federal Government and the States.

This is exactly where the corona aid provided by the Federal Government and the States comes in to cushion the financial impact during the corona crisis. This ranges from emergency measures for micro-enterprises and the self-employed, to liquidity support for all companies under the KfW special programme 2020, and individual state rescue programmes for large companies. The German government's fiscal measures are complemented by EU aid amounting to EUR 750 billion (Corona Reconstruction Fund) and a EUR 1.35 trillion purchase programme from the European Central Bank (ECB). The aim of these measures is to ensure sufficient liquidity for companies and to provide financial resources for economic recovery in Germany and Europe during the corona crisis. On the other hand, instruments such as the short-time working allowance or the possibility for companies to apply for tax deferrals help to reduce fixed costs in the short term.

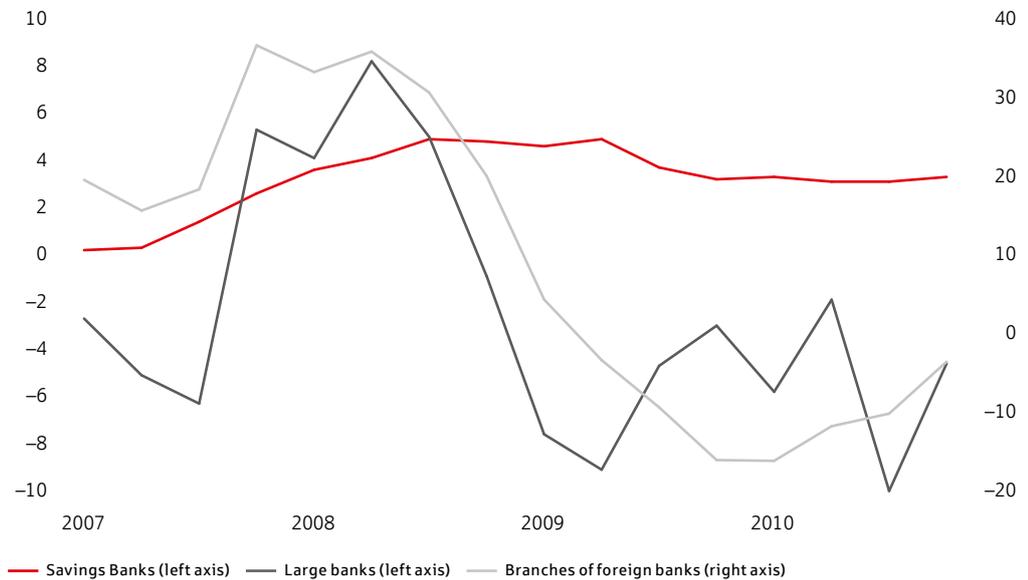
The Savings Banks and Landesbanken are also supporting SMEs during the crisis. In 350,000 cases, interest and redemption payments have been deferred. By September 2020 alone, the Savings Banks had increased their loan commitments to SMEs by 16.9 percent year-on-year.

The Savings Banks also fulfilled their responsibility as house banks of the SME sector during the corona crisis. For example, the local business customer advisors held around 1.4 million advisory meetings with their customers in the first weeks of the crisis. According to a recent survey of SME experts at the Savings Banks, on average more than a quarter of all Savings Banks' business customers have taken advantage of corona assistance. In some regions, this was almost every second customer. In addition, by the end of April 2020, the Savings Banks had suspended interest and redemption payments to their SME customers in more than 350,000 cases. Many of the moratoria imposed by Savings Banks and Landesbanken went beyond the legal requirements in terms of duration and allowed companies to suspend repayments for up to 12 months.

The DSGV's industry experts are expecting that around 18,000 medium-sized companies with annual turnover of 2 to 50 million euros will have to write substantial losses in 2020 and thus have to face a decline in their equity base.

Particularly noteworthy is the continuing high volume of new lending by the Savings Banks in the area of corporate loans. For example, total loan commitments to companies and the self-employed rose by 16.9 percent year-on-year to approximately EUR 79 billion in the period from January to September 2020. The importance of a reliable financing partner for SMEs was demonstrated during the financial and economic crisis 2008/2009. At that time, major domestic banks in particular, as well as the branches of foreign banks in Germany, had reduced their holdings of corporate loans, in some cases drastically (see chart 12).

Changes in stocks of loans to enterprises and the self-employed by banking group as a percentage (quarterly figures)



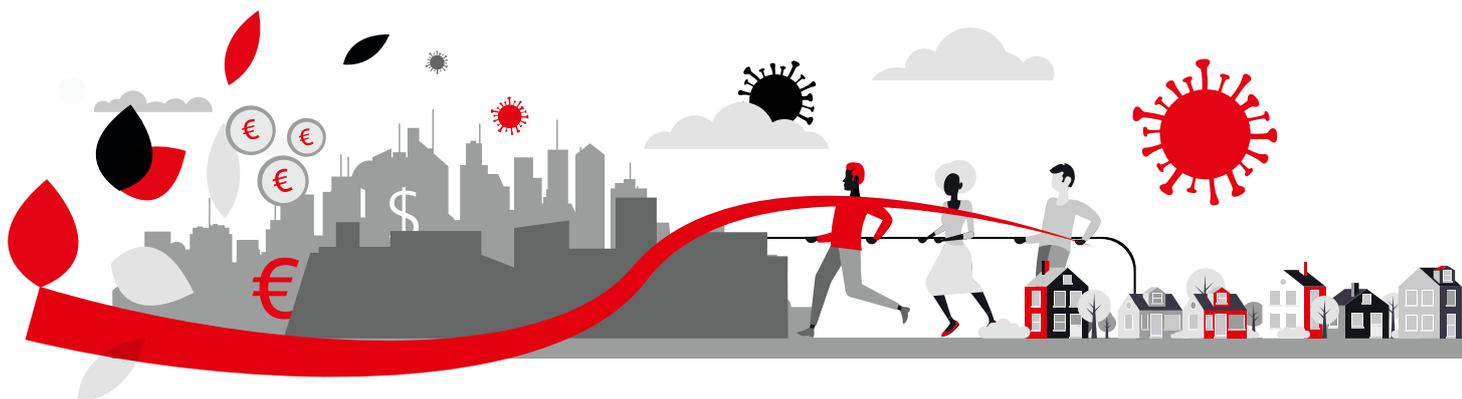
Source: Deutsche Bundesbank, banking statistics (Tab. I.7)

G12

This partnership is particularly important as it became clear during the financial and economic crisis of 2008/2009 that major banks in particular had sharply reduced their corporate loan portfolios, thereby further exacerbating the crisis.

Nevertheless, the situation is still serious and the corona crisis is far from over. The DSGV's industry experts anticipate that around 18,000 medium-sized enterprises with an annual turnover of 2 to 50 million euros will make substantial losses in 2020 and will thus have to face a decline in their equity base. In the majority of cases, this affects companies from industries whose business models have been fundamentally challenged by corona. The SME experts at the Savings Banks expect the business situation of every third business customer to deteriorate even further going into 2021.

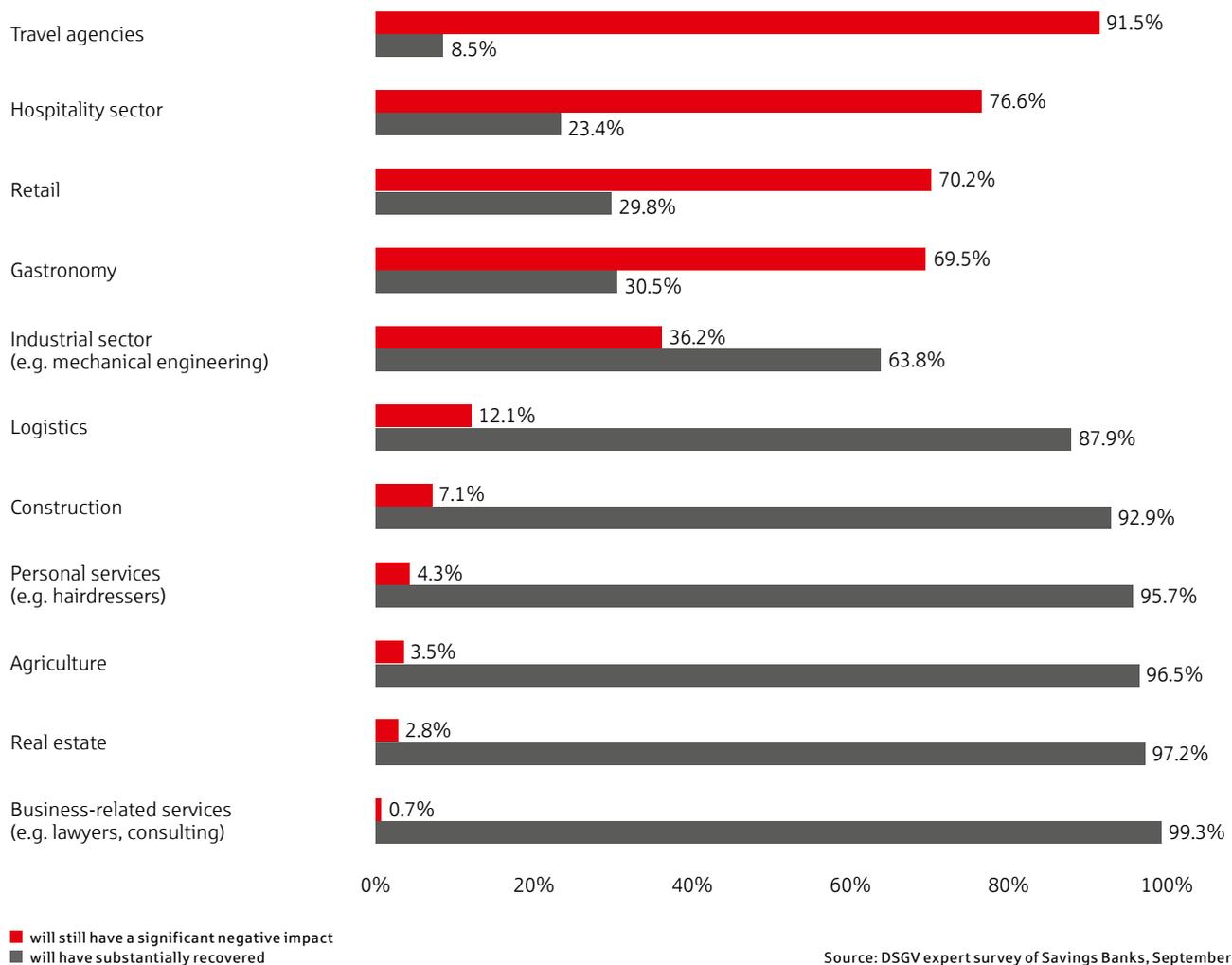
With the expiry of the suspended obligation to file for insolvency for over-indebted companies at the end of 2020 and the facilitated short-time working at the end of 2021, the focus will increasingly shift towards the sustainable profitability and equity base of companies. For business people, this means that they must adapt to the new economic and social conditions as quickly as possible.



The Savings Banks' SME experts expect a protracted recovery process, especially for companies in the travel industry (including hotels), retail and catering. According to the SME consultants, agricultural enterprises, real estate companies and business-related services should have overcome the consequences of the crisis after three years at the latest (see chart 13).

Recovery prospects for different sectors

G13



Overcoming the crisis depends on the ability and willingness of companies to invest.

This results in a great overall need for adjustment, but with considerable differences between sectors. Companies that cannot hope for a medium-term recovery in sales and profits based on their current business model will be forced to take new paths. In order to successfully master such a transformation, however, it is usually not only necessary to change operational structures and processes, but in many cases it also requires the ability to invest further in new products and technologies. This is the key to the sustainable recovery of the German economy.



The German government has already taken initial steps as part of its corona economic stimulus package. For example, the Corona Future Package with a budget of EUR 50 billion is intended to promote innovative technologies such as the hydrogen economy, quantum technologies or artificial intelligence. However, such long-term investments can only be made by SMEs if they have access to investment loans and a sufficient equity base.

Above all, however, new tax regulations must not lead to an additional burden on the equity capital of medium-sized enterprises, especially those heavily affected by corona.

Tax incentives could also be used to compensate for equity deficits. For instance, lower depreciation rates on fixed assets, which are subject to much less wear and tear during the corona crisis, could help to reduce losses and thus equity reductions. Above all, however, new tax regulations must not lead to an additional burden on the equity capital of medium-sized companies, especially those that are heavily affected by corona.

Any SME that would have to shut down its operations solely for corona-related reasons would be sorely missed when the economy picks up again.

A combination of economic policy measures by the Federal Government to increase the investment capacity and willingness of companies to invest is therefore essential. For Germany, with its economy strongly dominated by small and medium-sized enterprises, the almost 2.6 million small and medium-sized companies must be the focus of political action. Any SME that would have to cease operations solely for corona-related reasons would be sorely missed when the economy picks up again.

4 SURVEY OF THE SAVINGS BANKS EXPERTS

The survey of the Savings Banks experts complements the results of the S-SME Fitness Index and the focus topic of the SME diagnosis. To this end, a total of 289 corporate customer advisors from the Savings Banks were surveyed throughout Germany in August and September 2020. Not only do they have a very sound knowledge of the SME sector, they also regularly conduct a large number of discussions with their SME customers. As a result, they are in a good position to provide a technically sound and highly up-to-date assessment of the economic situation and the evaluations and plans of their more than two million commercial customers.

SMEs are well equipped for the challenges of the crisis

The corona crisis caught the German real economy unawares. 90 percent of those surveyed believe that their customers' business situation has deteriorated in the last 12 months, which is understandable in the current crisis. In some Savings Bank regions, more than 50 percent of corporate customers have taken advantage of corona assistance.

But even if the sudden and sharp downturn came as a surprise to most companies, it did not find SMEs unprepared. Due to higher equity ratios and liquid assets, SMEs now have much better financial cushions than during the financial and economic crisis of 2008/2009. As some sectors were hit much harder than others, the aid funds provided by the Federal Government and the States, as well as the additional advisory services and interest and repayment deferrals by the Savings Banks, were particularly important for these companies.

95 percent of Savings Bank experts view the excessive bureaucracy as an obstacle to the future positive development of their corporate customers. Almost 90 percent of the Savings Banks' SME corporate customers have put their investment plans on hold, at least in the short term. This is the key to overcoming the crisis. A wise investment policy of the Federal Government, which is characterised in particular by a reduction of bureaucracy and the avoidance of additional financial burdens for companies, can help to limit the negative consequences of the crisis for SMEs.



Part 1: Current business situation, outlook and economic environment

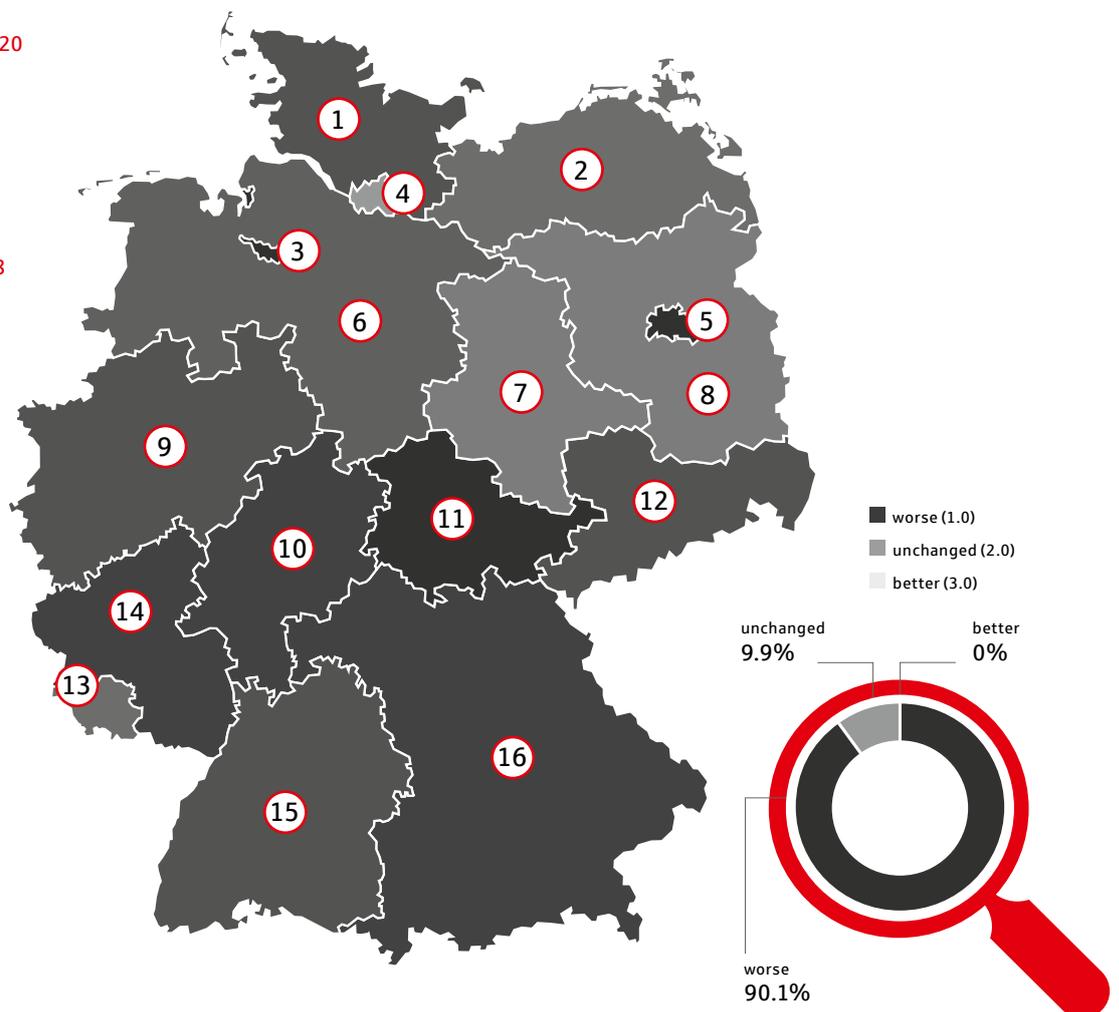


Question 1: How would you assess the current business situation (orders, turnover, earnings) of your medium-sized corporate customers compared to the previous year?

Possible answers: better, worse, unchanged

90 percent of the Savings Banks' corporate customer advisors report that their customers' business situation has deteriorated. This is more than twice the figure for the previous year (41 percent) and is understandable in view of the imponderables of the current crisis. With a decline in sales growth from 5.1 percent in 2018 to 3.7 percent in 2019, a deterioration in the business situation was already apparent last year. And with the predicted reduction in turnover of 5.7 percent in 2020, the bottom has hopefully been reached. Despite the expected decline in sales for 2020, however, the experts at DSGV's sector service still expect a positive return on sales of 3.5 percent for 2020 (previous year 5.8 percent).

- ① Schleswig-Holstein 1.11
- ② Mecklenburg-Vorpommern 1.20
- ③ Bremen 1.00
- ④ Hamburg 2.00
- ⑤ Berlin 1.00
- ⑥ Lower Saxony 1.13
- ⑦ Sachsen-Anhalt 1.30
- ⑧ Brandenburg 1.29
- ⑨ North Rhine-Westphalia 1.08
- ⑩ Hesse 1.05
- ⑪ Thuringia 1.00
- ⑫ Saxony 1.10
- ⑬ Saarland 1.17
- ⑭ Rhineland-Palatinate 1.06
- ⑮ Baden-Württemberg 1.10
- ⑯ Bavaria 1.06



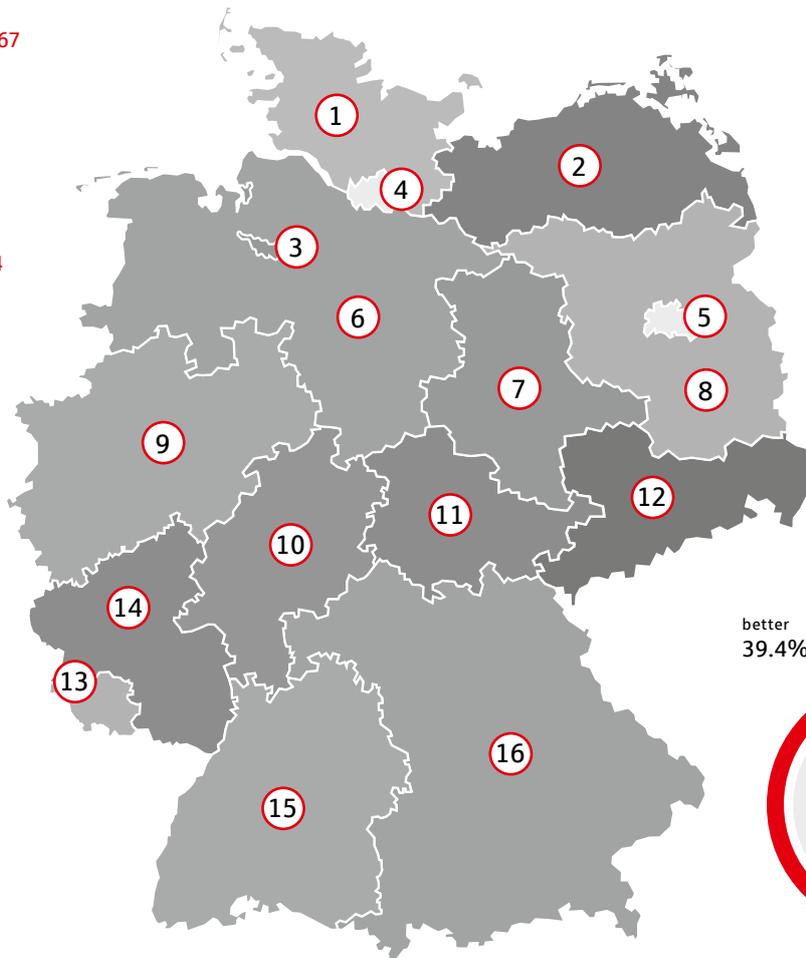


Question 2: Do your SME customers expect that the business situation in the next twelve months is likely to:

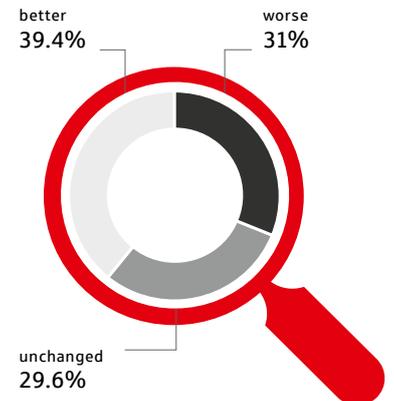
Possible answers: remain roughly the same, improve, deteriorate

The assessments of the SME experts are roughly equally distributed on this question. Almost a third of the consultants expect the business situation of the companies to deteriorate further in the next 12 months, while approx. 39 percent expect a recovery. Just under 30 percent assume that there will be no change in the business situation. The results are a good reflection of the uncertainty of the current situation, where after initial sharp economic downturns, various future-oriented indicators such as the Purchasing Managers' Index (PMI) for the manufacturing sector or the ifo Business Climate Index are already pointing upwards again. In 2019 63 percent of the experts still expected the business situation to deteriorate over the next twelve months, mainly due to geopolitical developments and the escalation of the trade war between China and the USA, as well as the Brexit delay.

- ① Schleswig-Holstein 2.44
- ② Mecklenburg-Vorpommern 1.67
- ③ Bremen 2.00
- ④ Hamburg 3.00
- ⑤ Berlin 3.00
- ⑥ Lower Saxony 2.06
- ⑦ Sachsen-Anhalt 2.00
- ⑧ Brandenburg 2.25
- ⑨ North Rhine-Westphalia 2.14
- ⑩ Hesse 1.86
- ⑪ Thuringia 1.78
- ⑫ Saxony 1.60
- ⑬ Saarland 2.33
- ⑭ Rhineland-Palatinate 1.76
- ⑮ Baden-Württemberg 2.24
- ⑯ Bavaria 2.16



■ worse (1.0)
 ■ unchanged (2.0)
 ■ better (3.0)



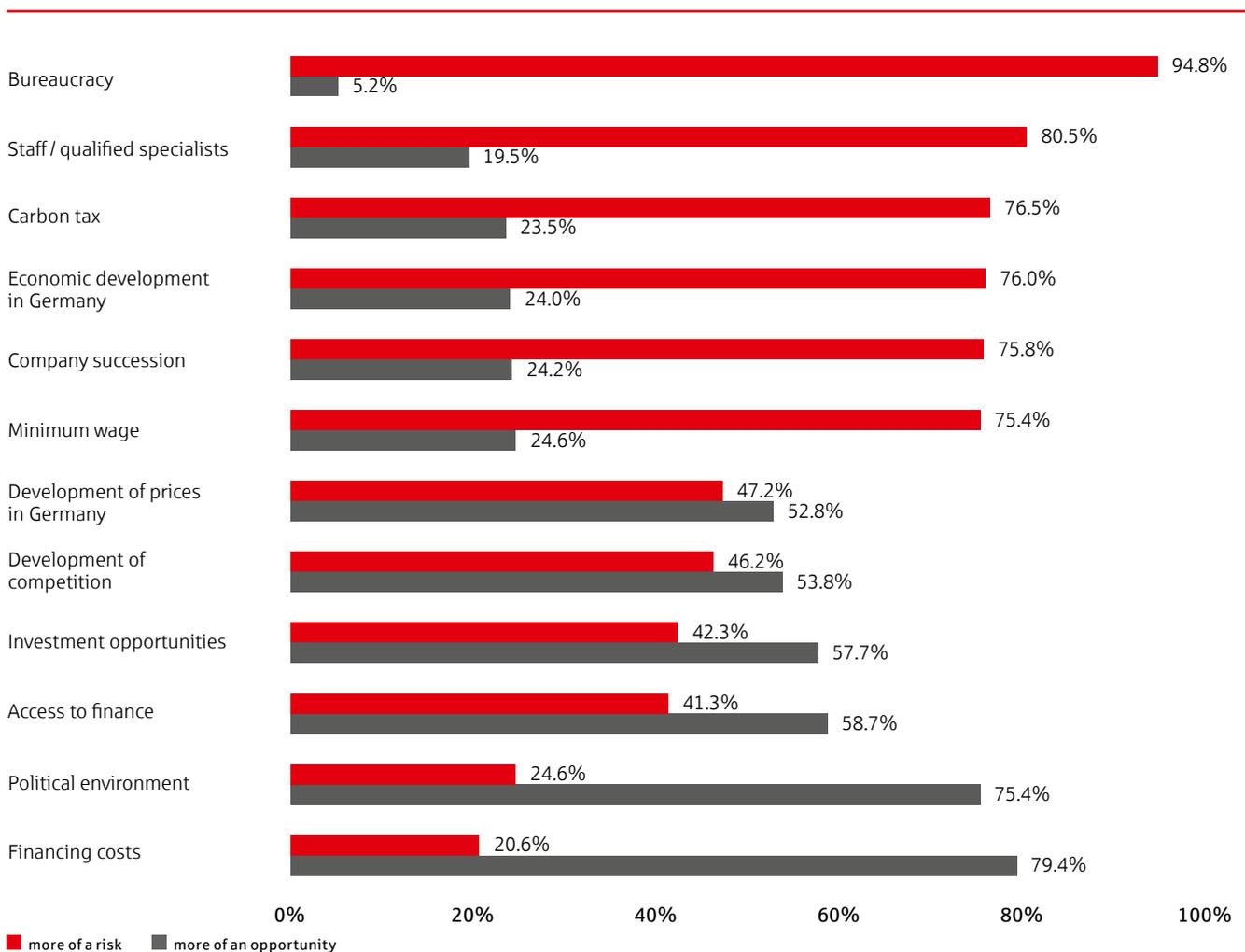


Question 3: How do the majority of your SME customers view the following factors in terms of the future development of their companies?

Possible answers: as an opportunity, as a risk

Asked about the greatest risks for the further successful development of their companies, the experts cited primarily the bureaucracy involved (95 percent), the shortage of personnel and skilled workers (81 percent) and unresolved issues in connection with the carbon tax (77 percent).

The political environment (25 percent) played a much less important role in risk assessment this year than in 2019, when 84 percent of respondents considered it significant. This could be due to a positive assessment by companies of the German government's crisis policy, in particular the corona emergency aid measures. As in the previous year, the costs of financing and access to funding are assessed positively. Businesses have become accustomed to the continuing low-cost financing and the uncomplicated access to the various financing options, and do not anticipate a reversal in the European Central Bank's monetary policy.

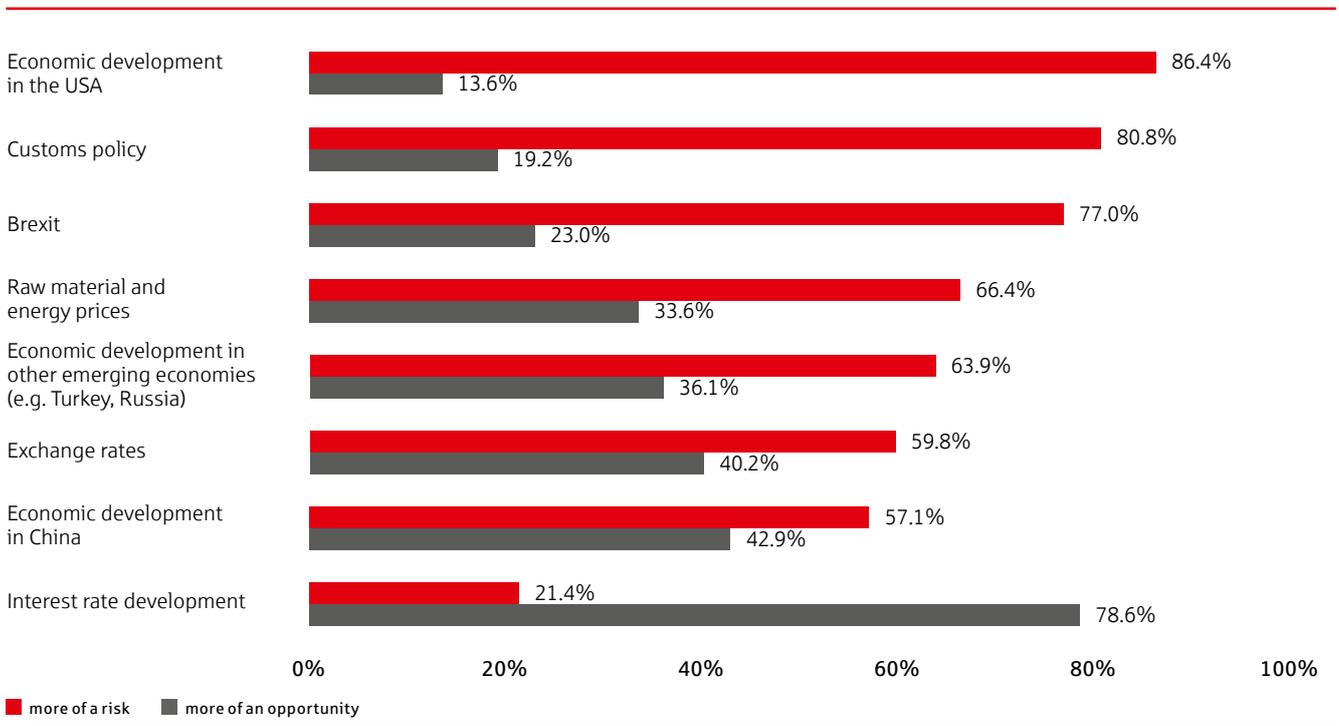




Question 4: How do the majority of your medium-sized corporate customers assess the following global economic factors with regard to the future development of their companies?

Possible answers: more as an opportunity, more as a risk, neutral

As in the past year, economic developments in the USA, customs policy, Brexit and the increasing volatility of raw material and energy prices are seen as the most negative factors for future development. Economic development in China as well as in emerging markets such as Turkey and Russia continues to be viewed critically, which is not surprising given the drastic political measures taken worldwide in connection with the corona virus. The only positive aspect is the persistently low interest rates which, at 79 percent (previous year 80 percent), are seen as an opportunity for the future.



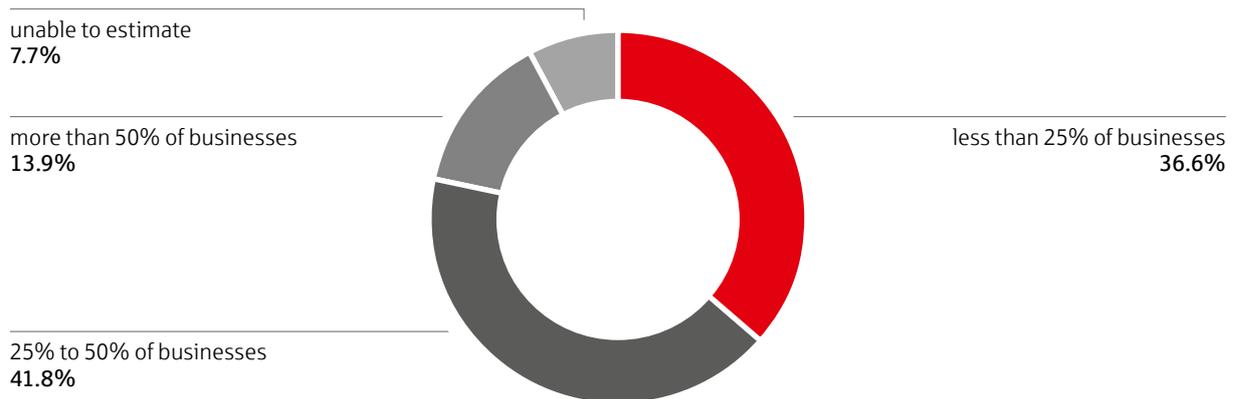
Part 2: Impact of the corona crisis on SMEs in Germany



Question 5: How many of your corporate customers have suffered a drastic reduction (i.e. more than 20 percent) in their turnover as a result of the corona crisis?

Possible answers: less than 25% of businesses, 25% to 50% of businesses, more than 50% of businesses, unable to estimate

After most economic and social activities were scaled back in the spring of this year, it is not surprising that more than 50 percent of customers in almost every seventh Savings Bank region recorded serious declines in sales (>20 percent). Sectors such as tourism, event management, hospitality and car manufacturing recorded the sharpest declines in sales. Companies in the construction industry or in the health and social services sector, for example, were less affected.

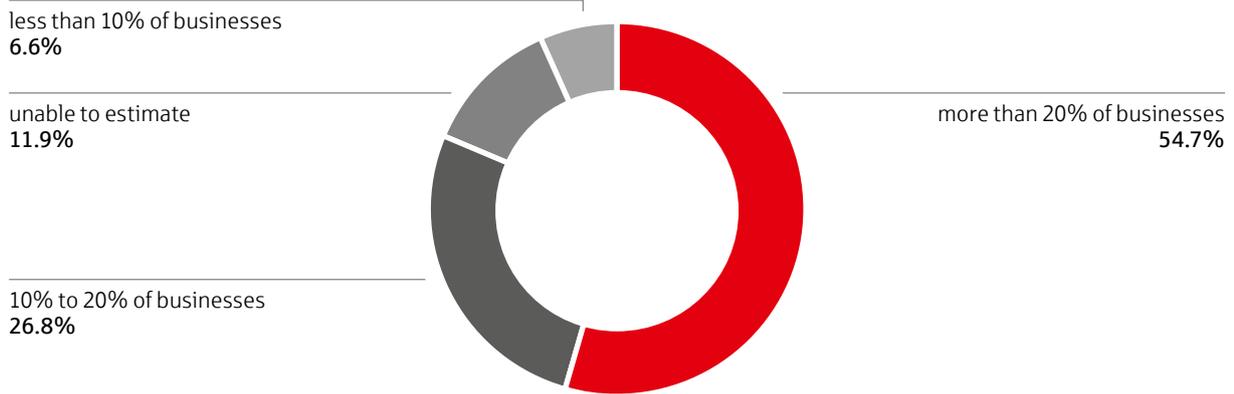




Question 6: How many of your corporate customers have requested short-time working since the outbreak of the corona crisis?

Possible answers: less than 10% of businesses, 10% to 20% of businesses, more than 20% of businesses, unable to say

Many of the Savings Banks' corporate customers had to send employees into short-time working due to the corona crisis. In at least every second Savings Bank region, more than 20 percent of companies were affected by short-time working. The high figures confirm the importance of this economic policy crisis instrument. The short-time working allowance has provided many companies with the financial resources and the necessary time to „survive“ and to boost their businesses again. In the short term, millions of jobs have been secured by the short-time working allowance, which has now been extended by a further year to December 2021.





Question 7: How many of your corporate customers have told you that they are planning to make job cuts as a result of the corona crisis?

Possible answers: less than 5% of businesses, 5% to 10% of businesses, more than 10% of businesses, unable to say

In every tenth Savings Bank region, a large number of enterprises plan to make corona-related job cuts. Overall, however, the plans for job losses among the Savings Banks' SME customers are still limited. Nevertheless, rising unemployment is expected in Germany, especially next year. In particular, those enterprises whose business models have been called into question due to the changed economic and social conditions will not be able to avoid job cuts.

more than 10% of businesses
10.1%

unable to say
27.2%



5% to 10% of businesses
32.8%

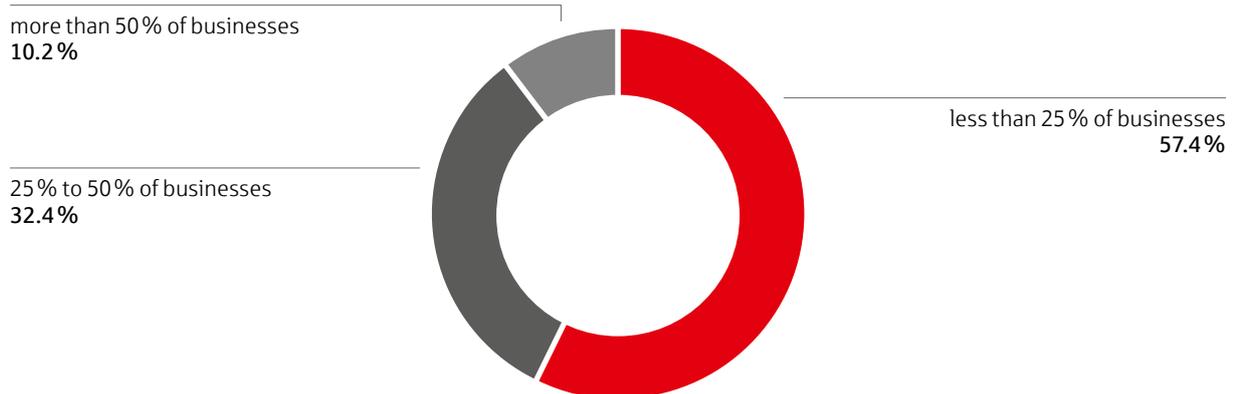
less than 5% of businesses
30%



Question 8: How many of your corporate customers have taken advantage of the corona assistance provided by the Federal Government or the States (loans and grants)?

Possible answers: less than 25% of businesses, 25% to 50% of businesses, more than 50% of businesses

The corona assistance for commercial enterprises and freelancers is the largest aid package in the history of the Federal Republic of Germany. It is therefore not surprising that a large proportion of the Savings Banks' SME customers have also made use of this aid. However, there are large regional differences. On the one hand, in more than half of the Savings Bank regions, less than 25 percent of companies have applied for aid. However on the other hand, more than 50 percent of corporate customers were dependent on state support in 10 percent of the Savings Bank's regions.



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Both versions are also available for download and online at:

📄 www.dsgv.de/sme-diagnosis

In case of discrepancies, the German version is definitive.

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