



Germany as a business location – Time to make a difference

Insights from the new Commerzbank
SME study on the outlook for Germany
and future opportunities

What do German mid-market companies think about the current business environment and opportunities?

SMEs in Germany certainly have their hands full – not just with impending transformations, but also as a result of current global upheaval. But how do entrepreneurs view the business environment at home in Germany? What action are they taking to overcome the challenges they're facing? Where do they need support? And what role does AI play in steering their way out of crises?

The 23rd Unternehmerperspektiven study provides answers to these questions – and many more. Read on to learn about the key findings from the study and an analysis of the situation.

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Germany as a business location in 2025

Good – but not good enough?

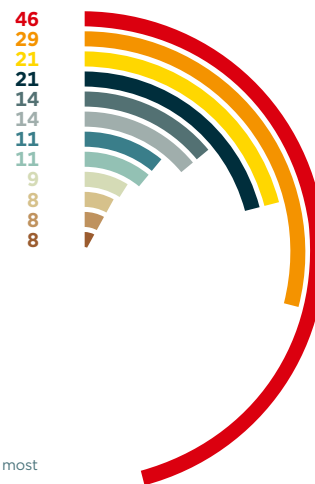
SMEs – the German Mittelstand – account for more than 99 % of German private-sector businesses. They are the source of work for more than 53 % of all employees in Germany, generating in excess of 2.6 trillion euros* each year. What mid-market entrepreneurs have to say should therefore make everyone stop and listen. In this Unternehmerperspektiven study, entrepreneurs express their opinions about Germany as a business location. How good is the general business environment in the country? Do SMEs have everything they need to continue being successful on their home turf?

Politicians are acutely aware of how important mid-market businesses are. Yet when Germany's "traffic light" coalition government recently collapsed, a number of plans designed to provide relief and support to enterprises were still stuck in the draft stage. To avoid such stagnation in the future, initial steps to cut red tape have already been taken. In September 2024, Johannes Vogel (MP for the liberal FDP party) said that reducing bureaucracy is a "no-cost way of stimulating the economy". And businesses would indeed benefit from an economic boost right now. Not surprisingly, political parties are

divided as to whether the revised German Fourth Bureaucracy Relief Act (which entered into force in January 2025) is sufficient to put an end to excessive red tape. Respondents to the study appear to be sceptical, and continue to place this issue at the top of the agenda, sending the message that more needs to be done – including to ensure that their own efforts and investments bear fruit. There are high hopes for the new German Ministry of Digitalisation and Government Modernisation. And it's easy to see why – in an evolving world bringing with it significant challenges, "home-made" impediments need to be kept to a minimum.

① The most significant challenges for Germany as a business location

- Cutting red tape
- Energy costs, cheap energy
- Tax burden, simplified tax rules, tax incentives
- (Shortage of) skilled workers
- Reliability, planning certainty, political stability
- Energy policy, secure energy supply
- Wage developments, reduction of non-wage labour costs
- Environment, climate change, sustainability
- Infrastructure
- Investment climate
- Digital transformation
- Education, staff qualifications



Figures shown are percentages | All responses accounting for at least 7 percent of the total responses are shown | Multiple responses were possible; the question was open.
Basis: respondents in enterprises with annual sales of €2 million or more
Question: "Let's start by looking at Germany as a business location in general. In your view, in which three areas is a solution most urgently needed? What do you see as the three biggest drivers of economic optimism?
Please provide up to three keywords."

An urgent need to cut red tape

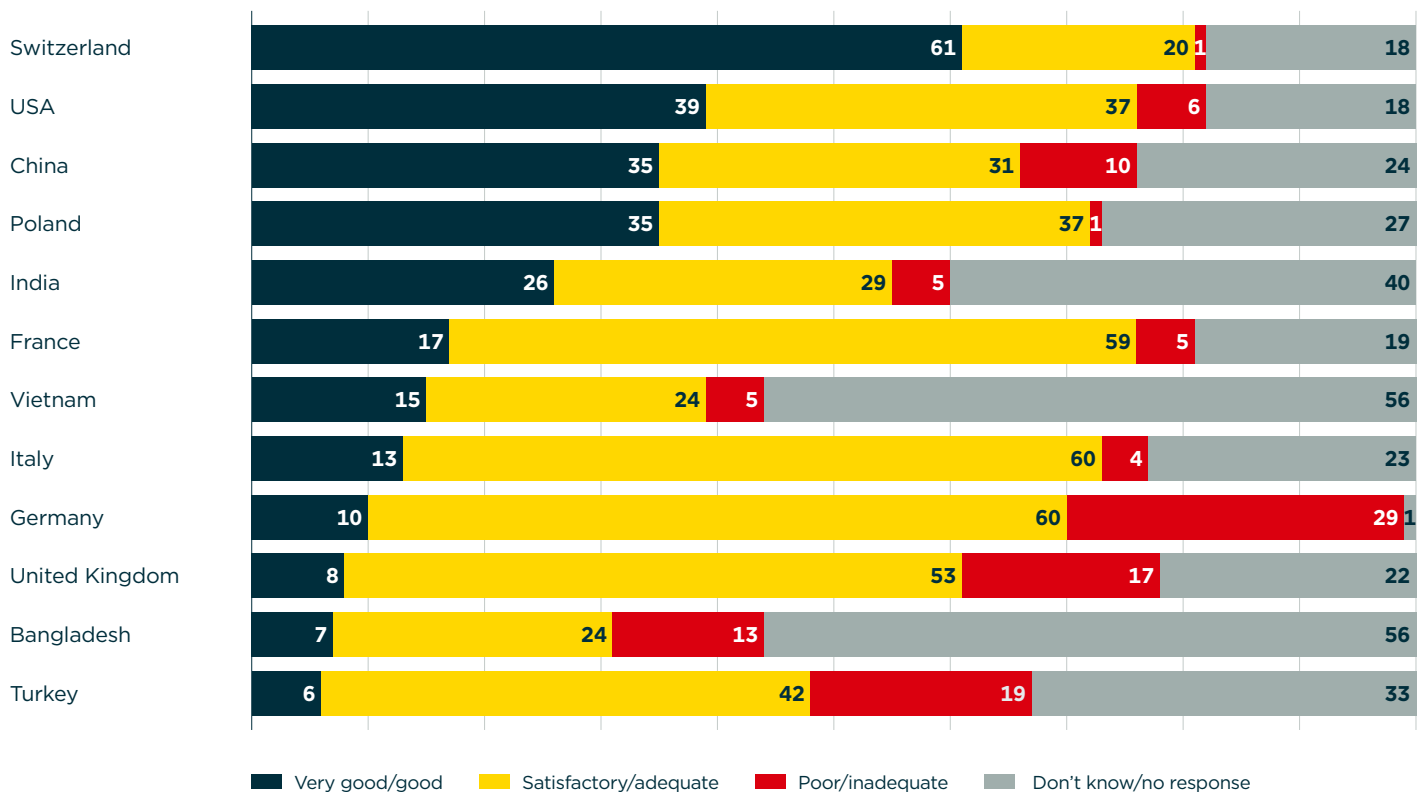
Though there are numerous issues requiring urgent attention, reducing bureaucracy is the number one challenge for German SMEs. Businesses are urgently calling for solutions. While energy costs, tax issues and shortages of skilled workers are perceived as very important issues, none of them come close to the number one concern. Criticism of red tape in Germany is also reflected in other findings from the study.



Views and criticism

Perceptions of Germany are more critical than ever

② How does Germany compare internationally?



Figures shown are percentages | Basis: respondents in enterprises with annual sales of €2 million or more
Question: "On a scale from 1 to 6, with 1 meaning very good and 6 meaning poor/inadequate, how do you assess the current economic policy framework in the following countries or regions from the point of view of a German enterprise?"

Low marks for German entrepreneurs' home country

60 % of respondents consider the general business environment in Germany to be satisfactory or adequate. A further 29 % believe that conditions are poor or inadequate. No other country in the list received the same degree of criticism. With this rather unenthusiastic assessment, Germany ranked just ninth among the 12 countries examined in the study, a marked deterioration compared with how it fared in an earlier Unternehmerperspektiven study. The current study delved into the reasons why Germany is failing to attract more positive reviews – the key reason given by entrepreneurs was their main point of criticism: bureaucracy.



Views and criticism

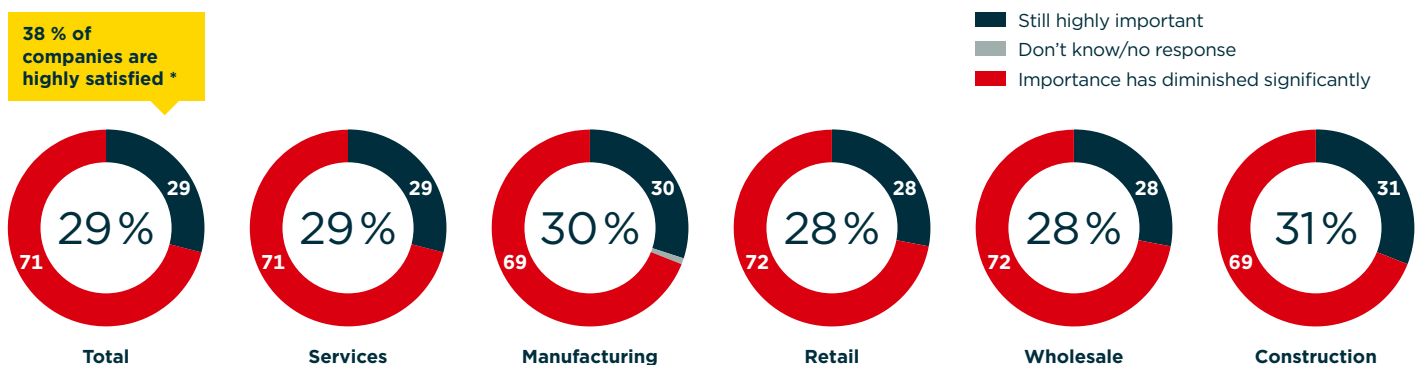
Perceptions of Germany are more critical than ever

A fading seal of quality

“Made in Germany” was the epitome of meticulous production, long-term quality and solidity for decades. But now many German entrepreneurs themselves seem to have lost faith in this promise being relevant in the world. With 71 % of respondents believing the quality seal has declined in importance, entrepreneurs’ critical views of Germany as a business location are also reflected in how the designation of origin is being seen.

③ Does “Made in Germany” still have appeal?

38 % of companies are highly satisfied *



Figures shown are percentages | Basis: respondents in enterprises with annual sales of €2 million or more | *Companies that are extremely/highly satisfied with their sales performance
Question: “In your view, how important is the “Made in Germany” quality seal for Germany as a business location today? Would you say that it is still highly relevant, or has its importance diminished significantly?”



Though Germany may not currently be performing strongly as a business location, enterprises can still leverage their strengths in this demanding environment, hold their own and carve out their future with confidence.

Michael Kotzbauer, Deputy CEO, Commerzbank AG

Key study questions:

- › What are the most significant challenges for Germany as a business location?
- › How does Germany compare internationally?
- › What do SMEs think needs to happen next?
- › Which investments are entrepreneurs prioritising?
- › Can AI boost the German economy?



Demands and requests

Demand number 1: get rid of excessive red tape!

Demand number 1 for the state and politicians

98%

of respondents are calling
for **reduced bureaucracy**
and **less regulation**

German businesses' wish list

Cutting red tape – the top demand for the state and politicians – was the main reason for dissatisfaction and the biggest challenge cited, with a whopping 87 % of respondents highlighting it as a very urgent issue. Improving the digital and physical infrastructure is also considered urgent, as agreed by 66 % of respondents. Energy prices, too, were repeatedly mentioned as being relevant. Another key point raised was that the state should support businesses by improving the education and continuous professional development systems. 60 % of respondents consider this issue very urgent and 29 % pretty urgent. Considering the shortage of skilled workers, this point often receives inadequate coverage in the media.

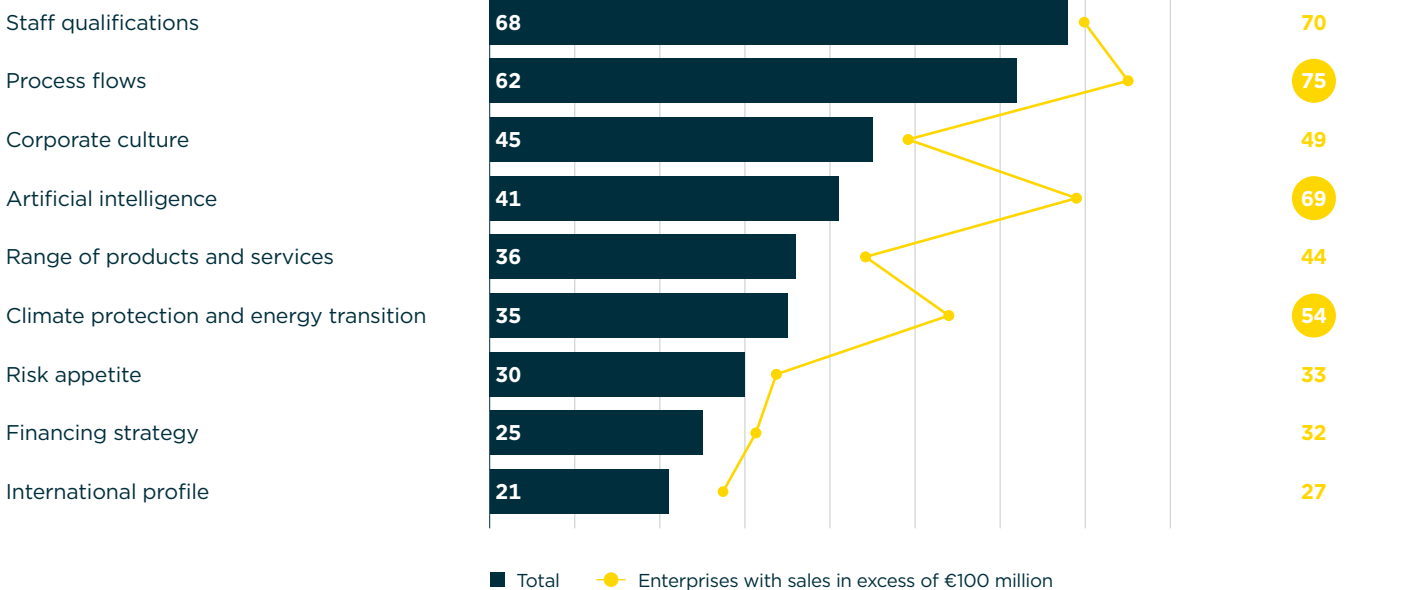


Initiatives and investments

Time to make a difference – what action are SMEs taking?

Past Unternehmerperspektiven studies have repeatedly demonstrated German SMEs' resilience in exploring – and consistently making use of – options for action. This is also a finding of the current study, which reveals that German mid-market enterprises are investing with the future in mind – in necessary cybersecurity as well as in intelligence, both artificial and human. Human intelligence in particular is a factor still held in very high esteem.

④ How are enterprises safeguarding their success?



Figures shown are percentages | Multiple responses were possible; the question was open
Basis: respondents in enterprises with annual sales of €2 million or more | * Companies that are extremely/highly satisfied with their sales performance
Question: "Though political conditions do play a role, enterprises themselves can also take the lead in safeguarding their economic growth. Which specific areas does your business need to focus on to ensure your future success?"

Continued importance of the "human factor"

68 % of SMEs consider staff qualifications to be key to staying successful. As such, adequately trained employees are seen as a prerequisite for innovation and competitiveness. This is complemented by an attractive corporate culture – ranked third among the success factors mentioned – which creates the best conditions for retaining existing and attracting new talent. Optimising process flows is ranked second: enhancing efficiency is and remains a recurring issue.



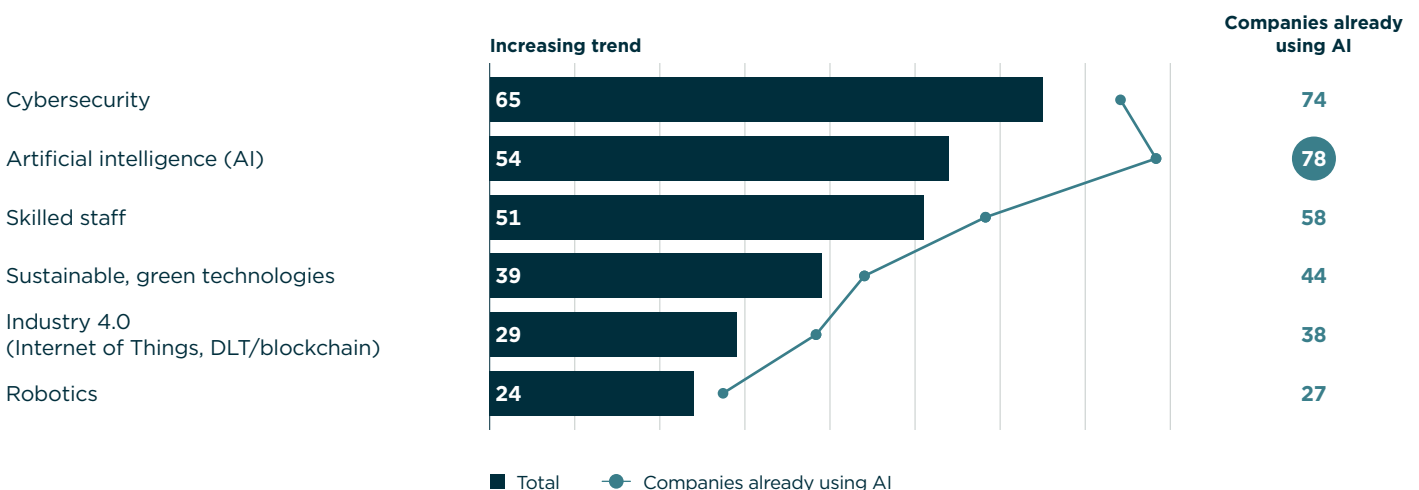
Initiatives and investments

Time to make a difference – what action are SMEs taking?

More money for technology

According to Bitkom, Germany's digital association, most businesses have already been affected by economic espionage, sabotage or data theft. German SMEs are well aware of these threats, and plan to increase expenditure to be better equipped to counter them. For this, the relevant tools need to be constantly updated. Beyond this, respondents are planning to invest mainly in AI and skilled staff. One thing worth noting is that enterprises already deploying AI are investing above-average amounts – across all areas.

⑤ What areas will see increasing investment?



Figures shown are percentages | Basis: respondents in enterprises with annual sales of €2 million or more
Question: "How will your investments develop in these areas?"



SMEs in Germany take the long-term view. Rather than trying to maximise short-term profits, they focus on quality, innovation and on training their staff. Many of them are “hidden champions” – world leaders in their sector, often unknown to the general public yet indispensable for the German economy.

Boris Rhein, Minister-President of the State of Hesse



AI for SMEs

Distrust or enthusiasm? AI is ready to take off

Everyone is talking about AI – and rightly so. Experts agree that this technology has the potential to fundamentally change the way we live and work. Yet many entrepreneurs are still uncertain about whether to deploy AI. Legal and data protection issues have not yet been fully resolved, leaving many with an uneasy feeling. And what is AI exactly? A generative language model that helps with translations or summarises extensive documents? Respondents who

already use AI do so primarily for routine cognitive work or to optimise processes. But what about using it for product development, analysing customer data, staff recruitment, optimising spending management or quality control? There is no limit to the potential possibilities. In fact, many businesses are probably already using AI applications without being aware of it. Wherever state-of-the-art software is at work, AI is usually not far away. But limiting oneself to a pure user role

leaves unused potential. With AI, businesses could find themselves in the role of researchers, developers or innovators. But this would take courage and a certain way of thinking. As digital expert Sascha Lobo put it: “We need to develop a culture of trial and error and learn to fail forward.” Anyone who already has experience in using AI is in a position to take this next step. For those who have not yet put it to use, it is time to make the leap and leave the wait-and-see culture behind.

⑥ Using AI – from everywhere to nowhere

AI...

- is deployed along the entire value chain
- is used internally at all levels
- is only applied in specific areas
- don't know/no response
- is not being used at present



Figures shown are percentages | Basis: respondents in enterprises with annual sales of €2 million or more
Question: "How would you describe your enterprise's use of AI?"

AI: 50 % of businesses are still waiting to see how things develop

Just under half of the enterprises surveyed are already using AI. The bigger the company, the more likely it is to be making use of AI. However, very few SMEs are already deploying the technology across the board. Additionally, close to 50 % are still reluctant, citing scepticism or uncertainty about AI. This leaves significant scope for optimisations and streamlining processes, as well as for gaining new competitive advantages when it comes to products and services.



Best practices

Five success factors for SMEs in Germany

How businesses view Germany as a business location also depends on their own situation. Satisfied entrepreneurs take a more favourable view, seeing many positive aspects. It's therefore well worth taking a look at the success factors here. What are successful companies doing? And what does the business location offer that helps them realise their plans?



AI deployment

What businesses are doing:

Successful businesses are already using AI to an above-average extent, for market analyses (cited by 42 % of respondents) as well as for analysing products and services (33 %), thus tapping into more opportunities than less satisfied businesses.

What the business location offers:

More than €1.6 billion has been invested in AI applications under Germany's "AI Action Plan" over recent years. The new Ministry of Digitalisation and Government Modernisation will play a major role in this context going forward. Massive investments have been announced, including in cloud and AI infrastructure.



Innovation

What businesses are doing:

An open corporate culture (cited by 69 % of respondents), sufficient financial resources (45 %) and technology partnerships (32 %) are success factors driving innovation for businesses.

What the business location offers:

In 2024, 25,033 patent applications were filed with the European Patent Office (EPO) from Germany, the second-highest number after the US. Germany relies on a combination of government subsidies, renowned research institutions and cooperation with universities and research networks.



Skilled staff

What businesses are doing:

For successful enterprises, staff qualifications are a constant priority (cited by 76 % of respondents); they invest more in skilled workers (63 %) than the average. They are also calling for easier immigration procedures for skilled workers from abroad (75 %).

What the business location offers:

The new German federal government is committed to attracting skilled labour, and thus to the simplified and accelerated recognition of foreign professional qualifications. Further items on the agenda include the faster issuing of work permits and subsidies for digital and company-specific training measures.



Cybersecurity

What businesses are doing:

Protection against external cyberattacks is a top priority for successful businesses (cited by 68 % of respondents). Looking ahead, even more money will be spent to counter the ever-increasing threats coming to the fore.

What the business location offers:

The German Federal Ministry for Economic Affairs has been supporting cybersecurity in SMEs for many years with various programmes and initiatives. This support is set to continue. The Cyber Resilience Act will assist enterprises in implementing measures in this area.



Self-confidence

What businesses are doing:

Satisfied enterprises view the "Made in Germany" quality seal more favourably than other enterprises, with 38 % of respondents providing a positive assessment. This also implies a firm belief in their own product quality.

What the business location offers:

Current developments require enterprises to take a confident stance when it comes to the autonomy of Germany and its EU partner countries. The new federal government wants to position "Made in Europe" as a global brand for digital security, data sovereignty, innovation and fairness.

Summary and outlook

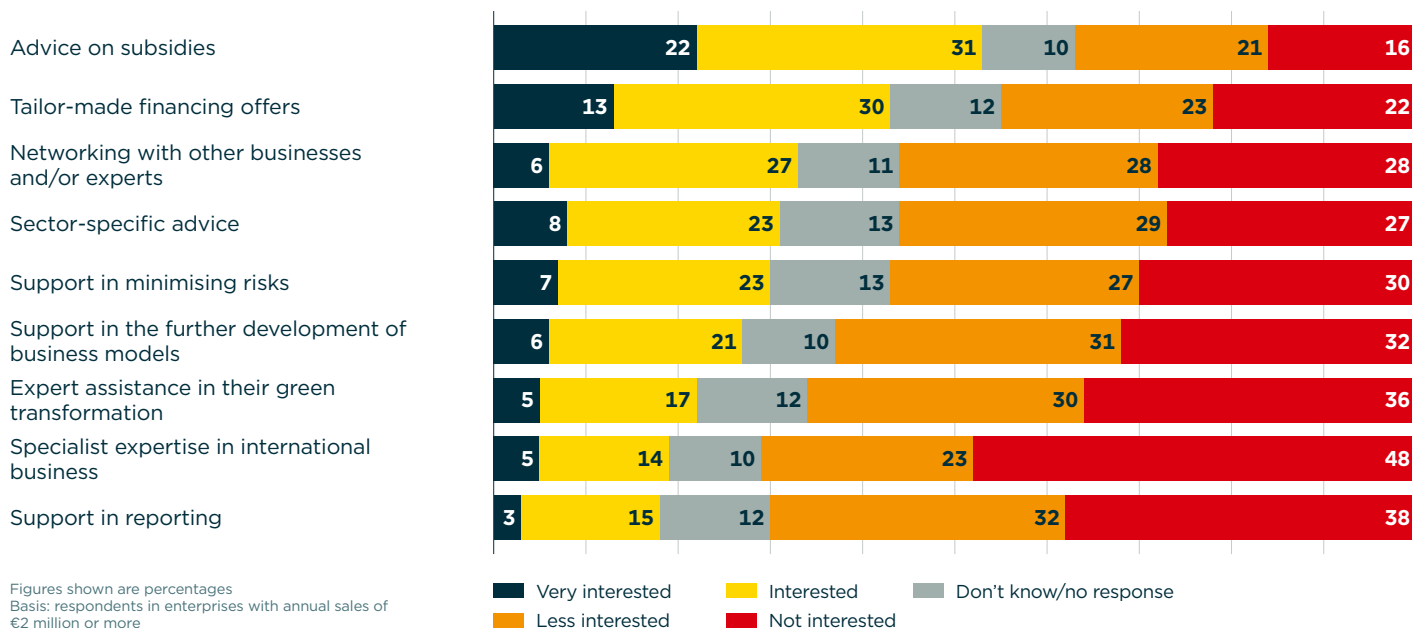
The future of Germany as a business location – more than one reason for optimism

German businesses have a mixed relationship with their location. Right now, the relationship appears to be under some strain. A breath of fresh air is needed. The good news is that the main point of criticism – excessive red tape – can be easily resolved in Germany. That is because it is a national issue – if it were rooted in the EU, respondents would have given similar criticism vis-à-vis countries such as France or Italy. Provided that business conditions

improve in the future, Germany will continue to offer SMEs a stable platform on which to build their success, and where they are appreciated. But that success hinges on whether they can find the courage to take the next step in terms of technology – while some businesses have set their sights on technological progress, others are still struggling to adapt, leading to a lot of unused opportunities. SMEs have long understood the importance of

an open business culture and having well-trained employees. Both are key factors for innovation, and of course artificial intelligence will play a crucial role in these areas going forward. Ideally, businesses will be accompanied in this journey by a bank – and close partner – at their side. After all, this is what enterprises have also been looking for: a bank headquartered in Germany that understands their needs and supports them. A bank like Commerzbank.

⑦ What services or offerings are businesses interested in?



Expectations for the bank: support and advice

Businesses are looking for a reliable partner in their main bank to support them in challenging times. More than half of respondents expressed that

they were interested or very interested in having a bank at their side that keeps abreast of new subsidies available and provides advice. A spirit of partnership is just as important for respondents' second priority: tailor-made financing offers.

Businesses are looking to invest – but they need to make sure to use all opportunities available and not overstretch themselves. Commerzbank can provide outstanding support with its specialist expertise and customised offers.



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Eine Initiative der Commerzbank

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