4.3 The Jimdo-ifo Business Climate Index for Self-Employed and Micro-Enterprises

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4.3.1 Concept and Objectives

One of the main objectives for the composition of the ifo Business Survey panel was a high coverage of the gross value added in all sectors of the economy (Section 2.7). Thus, self-employed persons as well as micro-enterprises (two to nine employees) tended to be underrepresented or not represented at all in many sectors. They are generally not considered to be a driving force for cyclical macroeconomic developments. Nevertheless, they play an important role in general economic activity. They often cover tasks that are rarely or not at all provided by large companies. In addition, micro-enterprises and self-employed can be a driver for innovation and rapid growth. Start-ups are therefore actively promoted by economic policy.

According to the Federal Statistical Office (2021b), approximately 82% of the German companies in the economic sectors covered by the ifo Business Survey (around 2.6 million) were classified as self-employed or micro-enterprises. Only approximately 0.6% of the companies (17,000) were large companies (more than 249 employees). In terms of sales, however, the ratios are reversed. In 2021, large companies accounted for around 71% of sales, while self-employed and micro-enterprises only accounted for around 6.5%. Around 18% of the workforce is employed by micro-enterprises, while large companies employ around 44%. These figures show that economic indicators for self-employed and micro-enterprises can also be of interest. Particularly in crisis situations, such as the Corona pandemic, evaluations for small businesses can be very important. For example, analyses can be helpful for designing policy measures, such as economic stimulus packages and governmental aid programs for companies. Therefore, in 2021 the ifo Institute decided to place a bigger focus on self-employed persons and micro-enterprises in the ifo Business Survey (Sauer and Wohlrabe 2022b). In order to significantly expand the number of these companies, a large campaign to recruit new survey participants was launched in the fall of 2021. This was run in collaboration with Jimdo GmbH and the Association of Founders and Entrepreneurs Germany (VGSD). More than 1,000 self-employed and micro-enterprises registered.

Since August 2021, therefore, there have been created separate business cycle indicators for self-employed and micro-enterprises, as well as both groups together. The main results are published monthly as the “Jimdo-ifo Business Climate Index”. These results are calculated with the standard methodology described in detail in the methodology chapter for the ifo Business Survey. Currently (June 2022), the indicators are based on data from around 1,700 self-employed and micro-enterprises. Results are published for the overall economy and at the sectoral level (manufacturing, construction, wholesale trade, retail trade, service sector).

The time series start in August 2021. Only in the services sector, in which many areas are dominated by micro-enterprises, was the past number of participants sufficient to calculate longer time series beginning in 2005. Accordingly, these are also already seasonally adjusted. The time series starting in August 2021 are not yet seasonally adjusted, as this requires longer time series lasting several years (Sauer and Wohlrabe 2015).

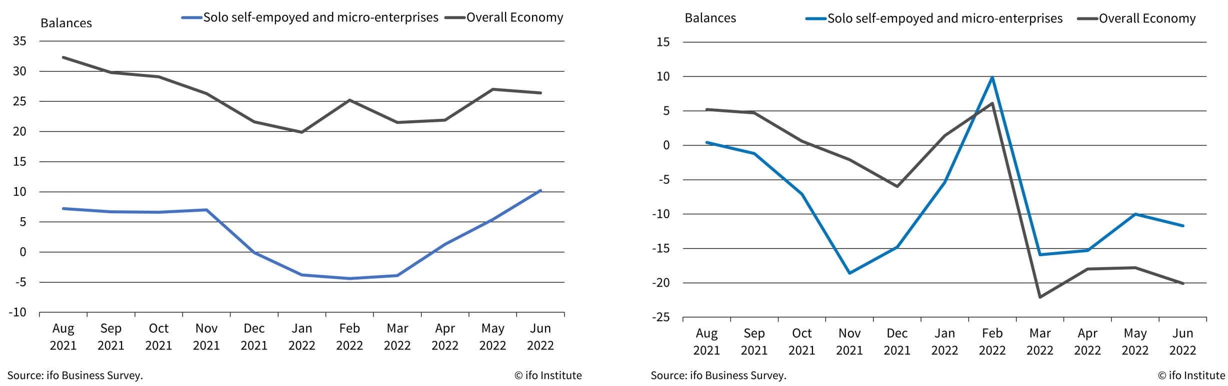
Besides the aggregated indicators, the increased amount of microdata for micro-enterprises and self-employed also offers more potential for research projects.

4.3.2 Selected Results

The results since August 2021 show that self-employed and micro-enterprises were significantly less positive about their current business situation than it was the case in the overall economy (Figure 4.3a). In the winter months 2021/2022, negative assessments were even slightly in the majority. Afterwards, the business situation improved, but was still clearly below the overall economic value. Business expectations, on the other hand, were a little less pessimistic for the smallest enterprises than for the overall economy (Figure 4.3b).

Figure 4.3: Assessment of the business situation and business expectations of self-employed and micro-enterprises compared to the overall economy

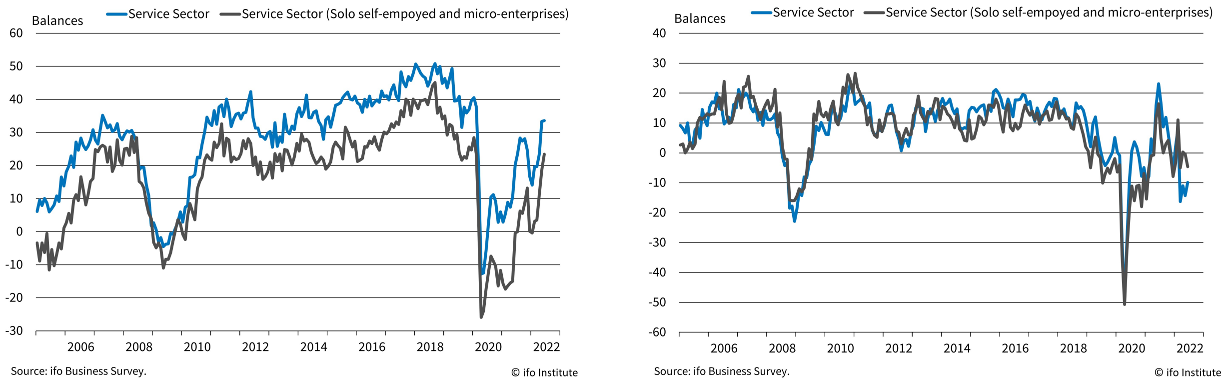
(a) Assessment of the business situation **(b)** Business expectations



There are already much longer time series for the services sector. Figures 4.4a and 4.4b compare the business situation and expectations in the overall service sector to the self-employed and micro-enterprises in this sector. A similar pattern is noticeable here for the business situation. The time series for the micro-enterprises is almost consistently below that for the service sector as a whole. By contrast, there is no such difference in the business expectations. Here, the time series are almost the same. One exception is the recovery phase in the summer of 2020, when micro-enterprises were noticeably more cautious. This could be related to the fact that micro-enterprises are more strongly represented in sectors that were particularly affected by the measures against the Covid-19 pandemic (e.g., restaurants, hairdressers, event industry, travel agencies).

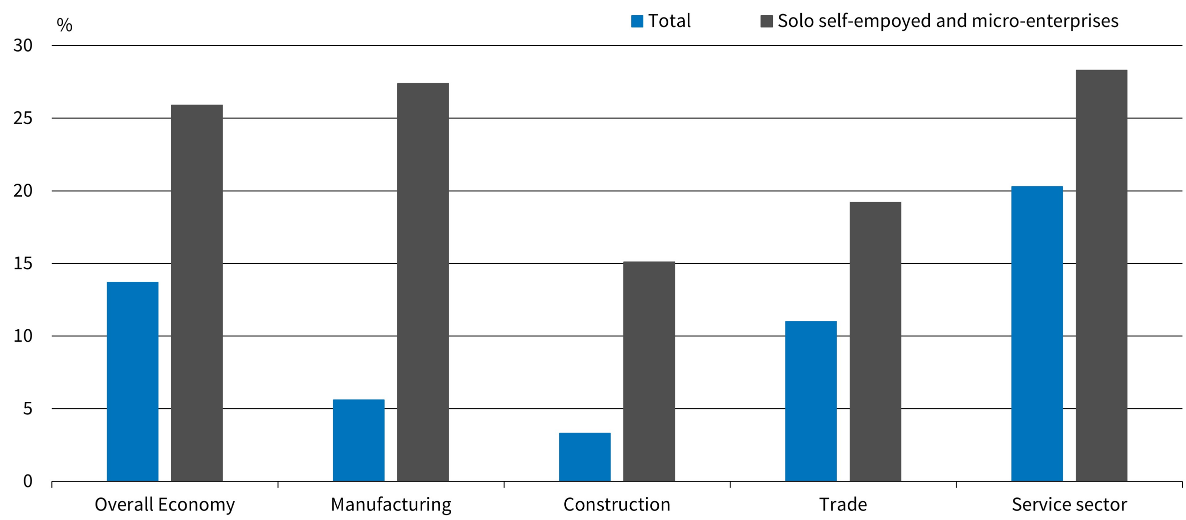
Figure 4.4: Assessment of the business situation and business expectations of self-employed in the service sector

(a) Assessment of the business situation **(b)** Business expectations



Results from other questions during the Covid-19 pandemic also indicate that smaller companies were more affected by the crisis. For example, enterprises with up to nine employees were much more likely to classify the situation as threatening for their existence (Figure 4.5): In January 2022, 25.9% of these companies saw their existence as threatened, while the overall share in the German economy was significantly lower at 13.7%. The difference was particularly high in the manufacturing sector: While the overall situation had eased noticeably and only 5.6% of all manufacturing companies felt that their existence was at risk, the share of the smallest companies was still over a quarter (27.4%). This is in line with a study by Peichl et al. (2021), which shows that the equity situation of small companies with fewer than 50 employees was more severely affected during the Corona crisis than that of larger companies.

Figure 4.5: Share of companies that see their existence threatened (January 2022)



Source: ifo Business Survey.
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