

Coronavirus

German Start-ups Optimistic for the Future

The findings of the annual German Start-up Monitor show a mood of optimism in the domestic start-up scene – despite the adverse impact of the Covid-19 pandemic.

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According to the results of the annual German Start-up Monitor 2020, start-ups in Germany are more optimistic about the future than actors from the established economy. The report, compiled by PwC Deutschland on behalf of the Federal Association of German Start-ups, finds that ...

... more than 90 percent of the almost two thousand companies surveyed plan to create new jobs.

And this, despite the fact that 75 percent of start-ups questioned believe that the coronavirus crisis has directly impacted upon their business. Despite the current difficult business climate, companies indicate that they are prepared to hire six new employees in the next 12 months on average.

German Start-Up Monitor – Responses to the Corona Crisis 2020 (in percent)

Focus on product development	56
Postponement of investments	50
Adjustment to business model	36
Creation of specific offers	24
Termination of service provider contracts	13
Cost-reduction through staff reduction measures	11

1,839 start-ups questioned, multiple selection of answers possible Source: PwC German Start-Up Monitor 2020

Crisis as “opportunity”

Although start-ups have been hit as hard by the pandemic as the economy on a whole, they typically see the crisis as an opportunity as a result of a start-up culture that demands they react quickly to changing conditions. Ninety per cent of those companies surveyed reacted to the crisis with specific countermeasures, with only a minority of companies cutting staff numbers to reduce costs. According to Florian Nöll, Head of the NextLevel start-up initiative at PwC Germany, there are clear parallels to be drawn with family businesses in this approach.

“They are concentrating on their strengths and focusing on sustainable action instead of staff cuts. In doing so, they not only create jobs, but also become the growth engine to lead the economy out of the crisis.” Florian Nöll, PwC Germany

Start-ups satisfied with start-up landscape and planning global expansion

Sixty-one percent of start-up founders are extremely satisfied with their own local start-up eco-system in Germany. Internationalization is also a major issue, with two out of three start-ups planning to expand internationally despite the current crisis.

Thirty percent of start-ups surveyed use English as a working language, with this figure rising as high as 63 percent amongst Berlin-based start-ups. Cooperation and partnerships are also on the increase, with 72 percent of start-ups surveyed currently working in cooperation with established companies.

Innovation and sustainability the new focal points

Innovation and sustainability are playing an increasingly growing role, with the use of artificial intelligence (AI) in the start-up ecosystem gaining ground. Forty-three percent of start-ups questioned confirm that AI technologies have a clear influence on their business model. Sustainability is similarly high on the start-up operations agenda, with 43 percent of start-ups classifying their products and services within the green economy.

Venture capital market maturing

In related news, the “VC market in Germany: Ready for the next development stage” report recently published by the KfW Bank finds that the country’s venture capital (VC) market for growth-oriented and innovative young enterprises has been on the up for some years now.

Annual VC investment has grown from EUR 0.7 billion to EUR 1.9 billion.

The slump in VC business confidence caused by the coronavirus pandemic in the first quarter of the year has been partially mitigated by a federal [government support package](#) worth EUR 2 billion.

Support for start-ups

The Digital Hub Initiative, with its 12 hub locations, provides start-ups with a network made up of co-working offers, accelerator programs and support for internationalization projects. Start-ups are provided with direct access to professional partners and technology specialists as well as potential investors, clients and other partners. The 12 specialist digital hubs serve as centers for specific technology areas, allowing start-up founders to develop their digital products in collaboration with experts from the respective local technology clusters.

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Ruth Nicolai

 +49 30 200 099 427

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