



German-British Business Outlook Autumn 2022



German-British
Chamber of Industry & Commerce
Deutsch-Britische
Industrie- und Handelskammer

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Executive Summary:

“Challenging times ahead”, but according to the German-British business community the UK is still a relatively good market and place for doing business

The outlook for the German-British business community shows a relatively balanced picture, but it has worsened over the last six months, with only a quarter of respondents expecting their business to perform better over the coming twelve months.

In terms of the overall development of the UK economy, firms take a broadly similar view, as 27% expect the UK economy to perform better or significantly better over the coming twelve months. In the past, companies were more optimistic about their own operations than for the British economy as a whole, but it appears that they can no longer escape the wider economic developments.

However, nearly 40% of companies still expect to hire new employees over the coming year – even if this is a somewhat lower figure than in spring 2022 (50%), it suggests that demand for labour is still going strong.

Rising energy/input costs (cost pressures) and skills shortages have become the largest challenges faced by our business community. Additionally, logistical problems, a lack of demand as well as trade barriers continue to be high up on the agenda. In other words, the war in the Ukraine, supply chain bottlenecks, inflation and Brexit continue to have a significant impact on businesses.

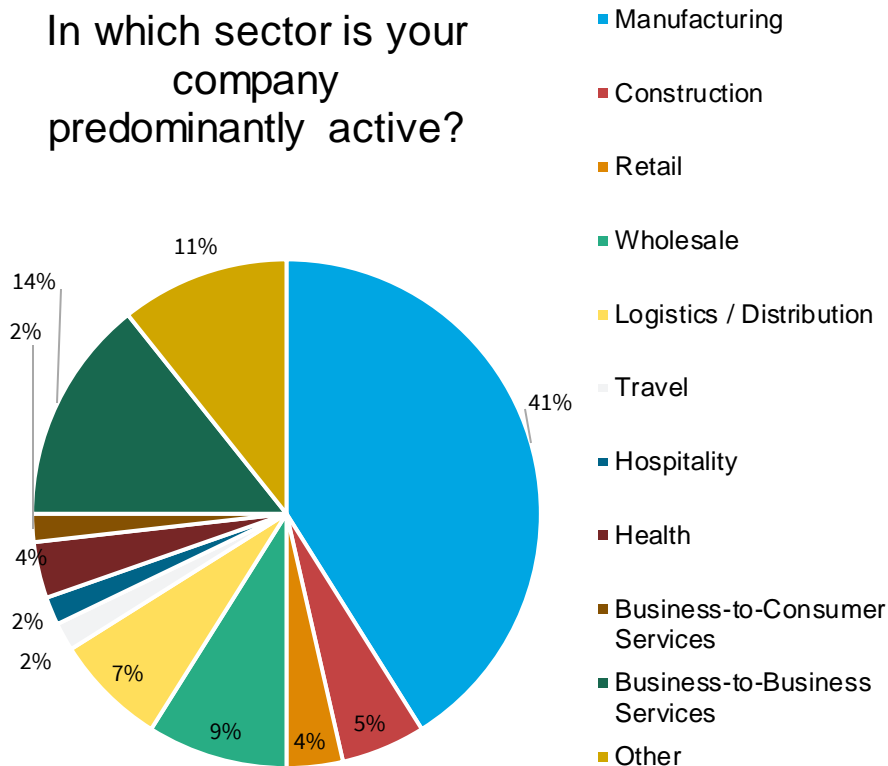
As a result of the current crises, only a few companies have relocated or plan to relocate some of their business activities to other locations outside the UK. This suggests that despite the current economic and political uncertainties, companies still value the operating environment in the UK.

German-British Business Outlook Autumn 2022

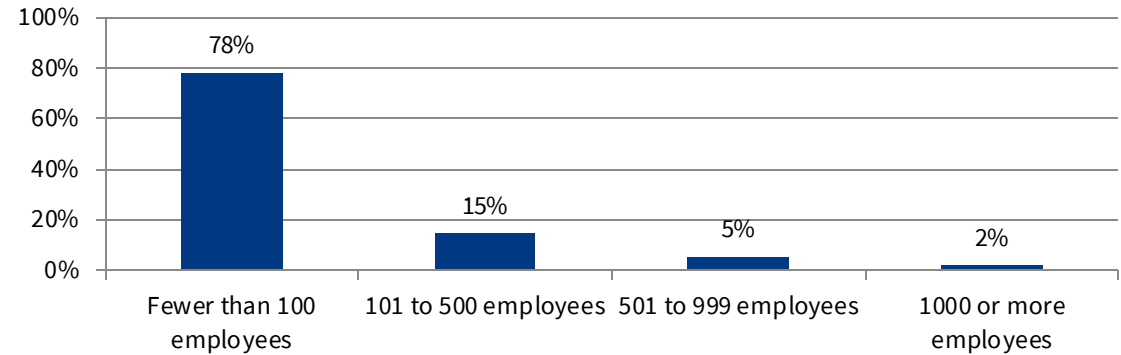
The survey and its participants:

59 online questionnaires between 1st and 10th October 2022 with companies from the German-British business community, which have operations in the UK

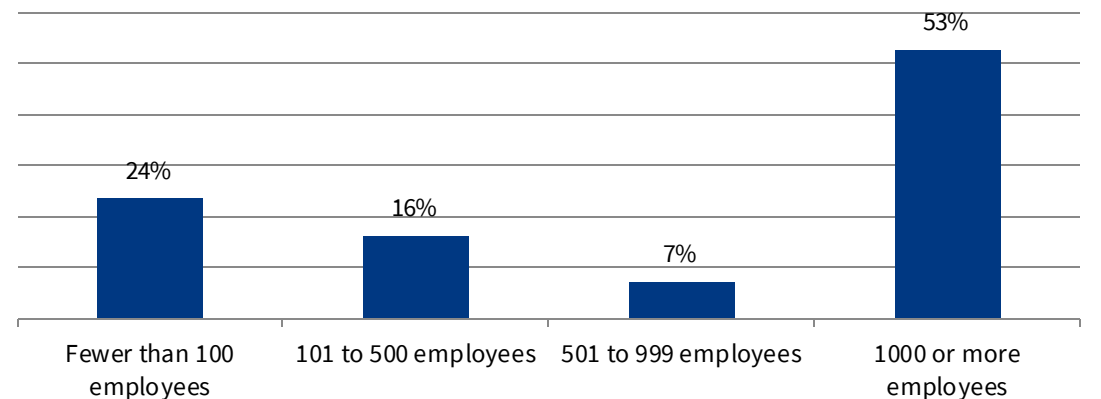
In which sector is your company predominantly active?



How many employees do you have in the United Kingdom?

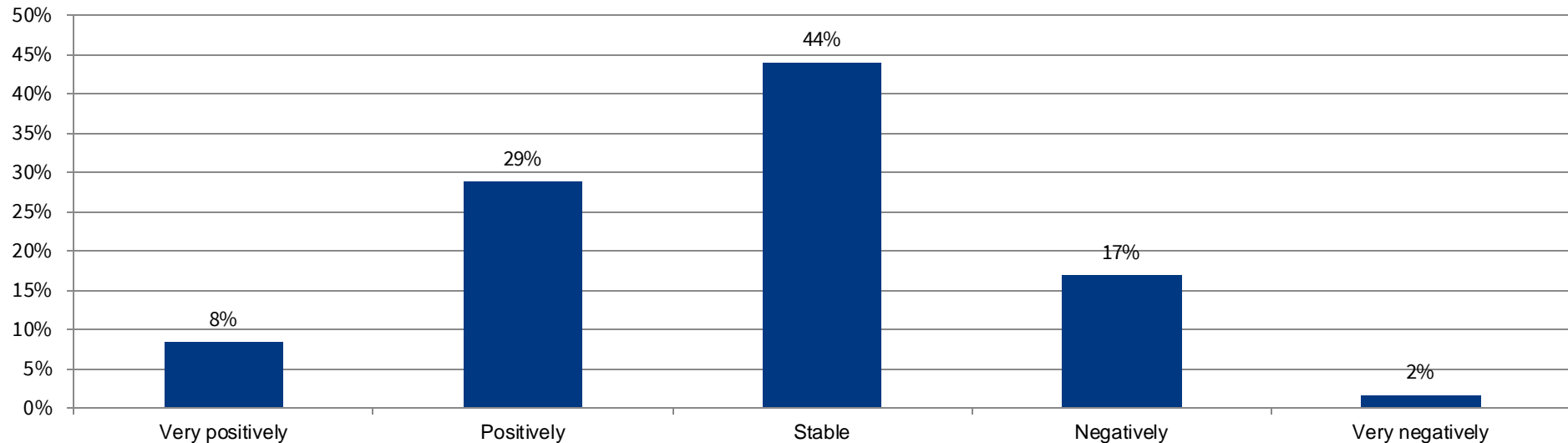


How many employees do you have worldwide?



German-British Business Outlook Autumn 2022

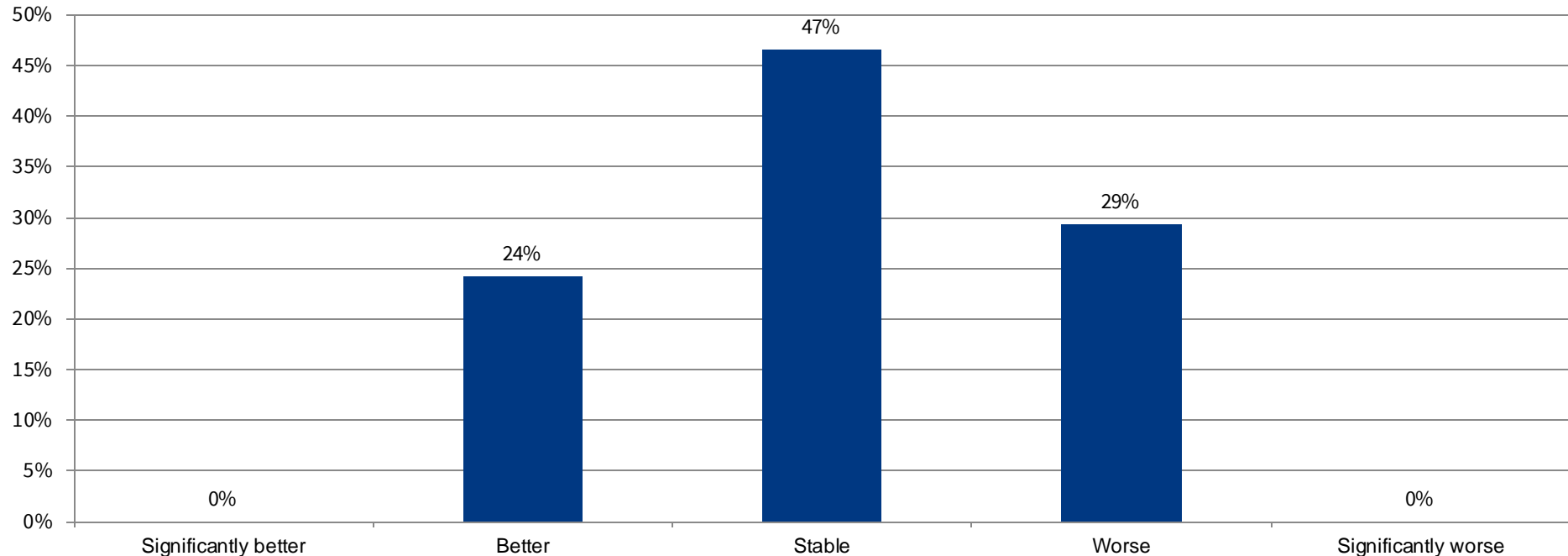
How do you view the current situation / performance of your operations in the United Kingdom?



Currently, nearly 40% view their own operations as performing positively or very positively, 44% as stable, and only 19% as negatively or worse. These numbers show a decline in comparison to spring 2022 and they suggest that in terms of their operations in the UK, companies are facing increasing challenges, because of the war in Ukraine, supply chain bottlenecks, inflation and Brexit.

German-British Business Outlook Autumn 2022

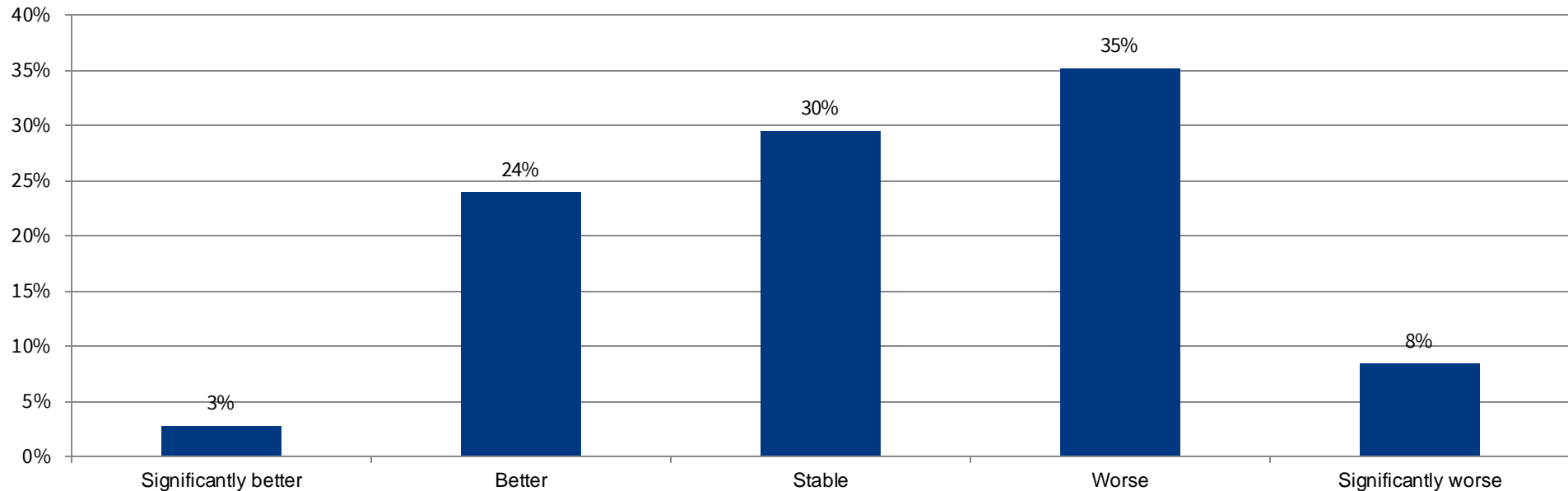
How do you expect your operations in the United Kingdom to develop / perform over the coming 12 months?



The outlook for the immediate future is still relatively balanced, but it has worsened as now only a quarter expect their business to perform better over the coming 12 months – a marked decline to 6 and 12 months ago when more than 50% expected their business to perform better over the then coming year.

German-British Business Outlook Autumn 2022

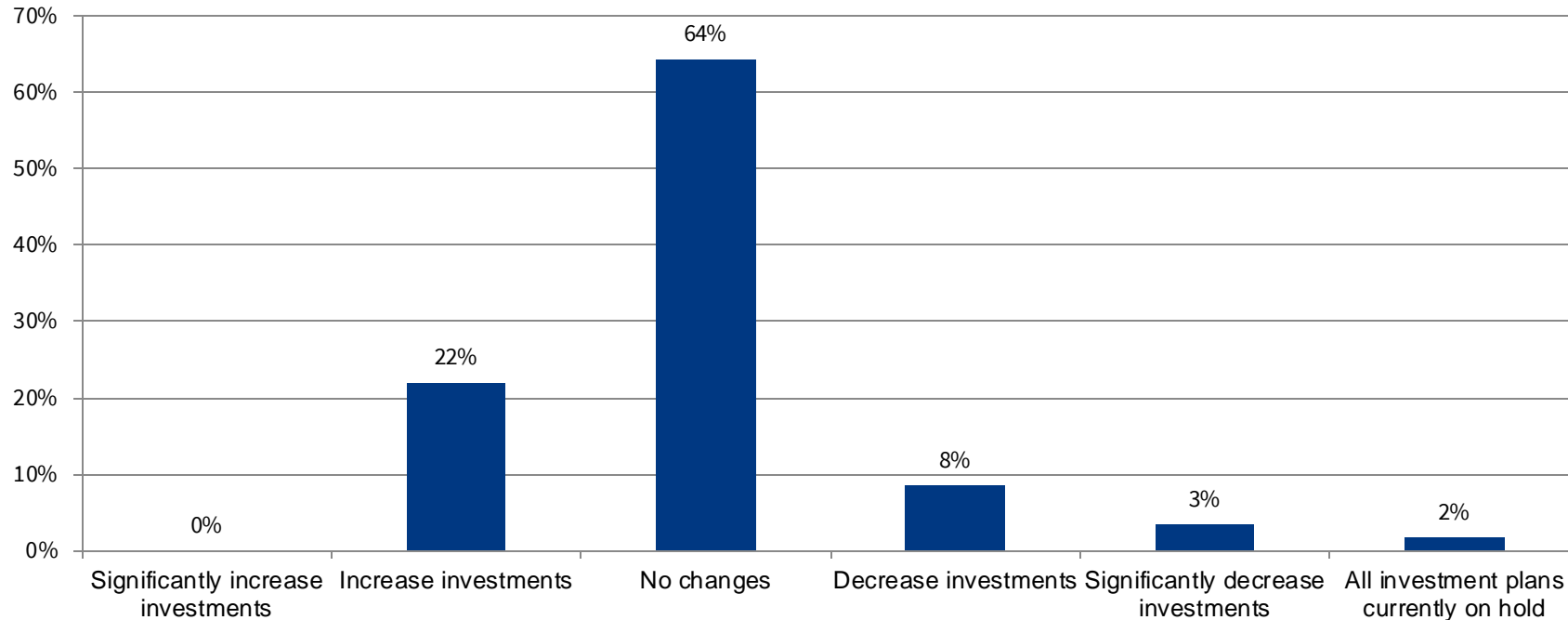
How do you expect the United Kingdom's economy as a whole to develop / perform over the coming 12 months?



In terms of the overall development of the UK economy, firms take a broadly similar view to 6 months ago: 27% expect the UK economy to perform better or significantly better over the coming twelve months. In the past, companies used to be more optimistic about their own operations than for the British economy as a whole, but it appears they can no longer escape the overall economic developments.

German-British Business Outlook Autumn 2022

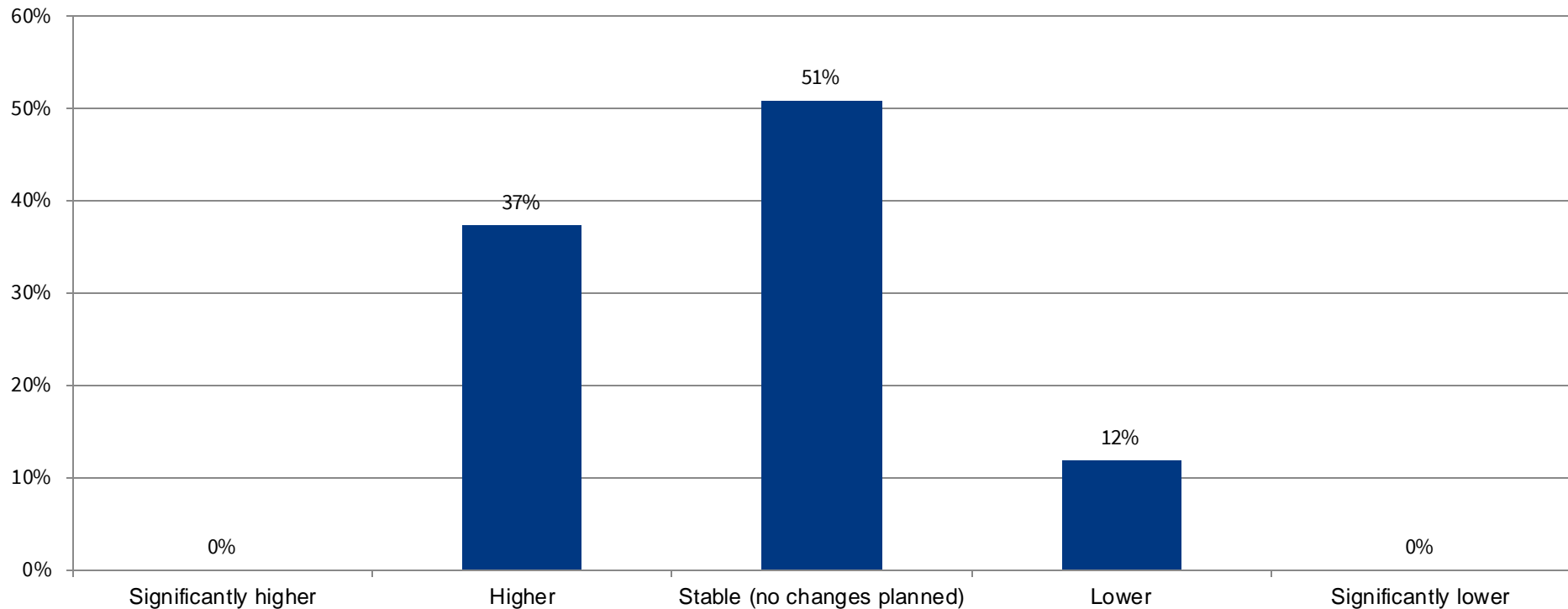
What are your medium-term investment plans?



In line with the relatively more subdued expectations of their own operations, now only a fifth (22%) of respondents plan an increase of their investments – a significant decline in comparison to spring 2022 when the comparable figure stood at 44%.

German-British Business Outlook Autumn 2022

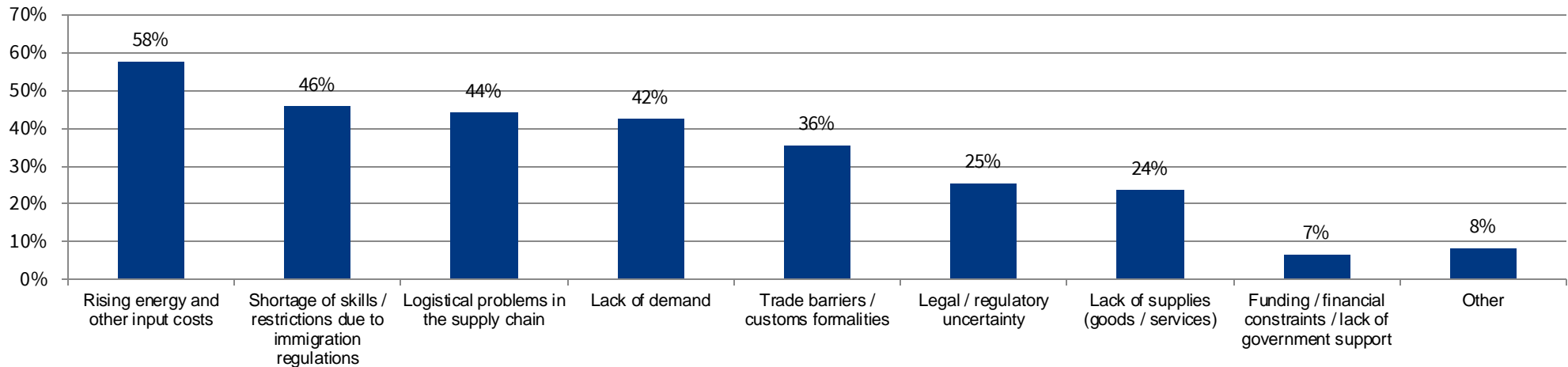
What will your staffing levels look like in 12 months' time?



However, nearly 40% of companies still expect to hire new employees over the coming year – even if this is a somewhat lower figure than in spring 2022 (50%), it suggests that demand for labour is still going strong.

German-British Business Outlook Autumn 2022

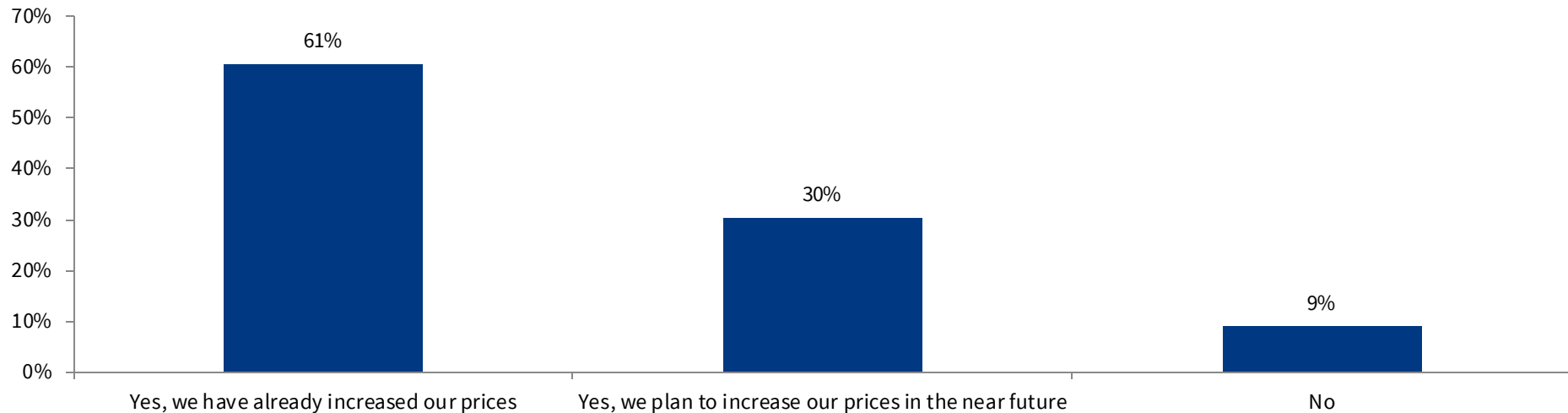
What will be the largest challenges for your business in the coming 12 months?
(Multiple answers possible)



Rising energy/input costs (cost pressures) and skills shortages have become the largest challenges faced by our business community. Additionally, logistical problems, a lack of demand as well as trade barriers continue to be high up on the agenda. In other words, the war in the Ukraine, supply chain bottlenecks, inflation and Brexit continue to have a significant impact on businesses.

German-British Business Outlook Autumn 2022

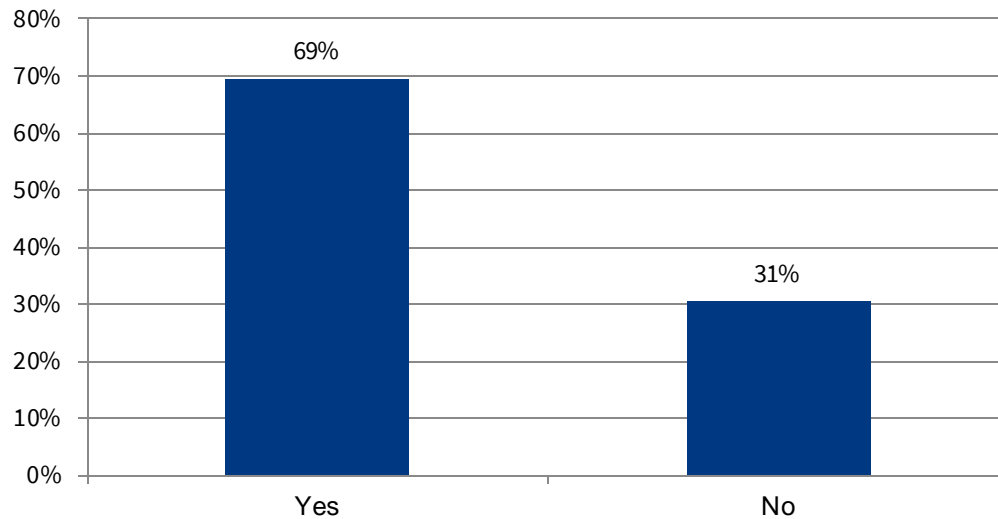
Have you increased or plan to increase your prices due to the current inflationary/cost pressures?



As a result of the current challenges/cost pressures, 61% of companies have already raised prices and with 30% planning to follow suit. Therefore, it appears that inflationary pressures will not decline any time soon.

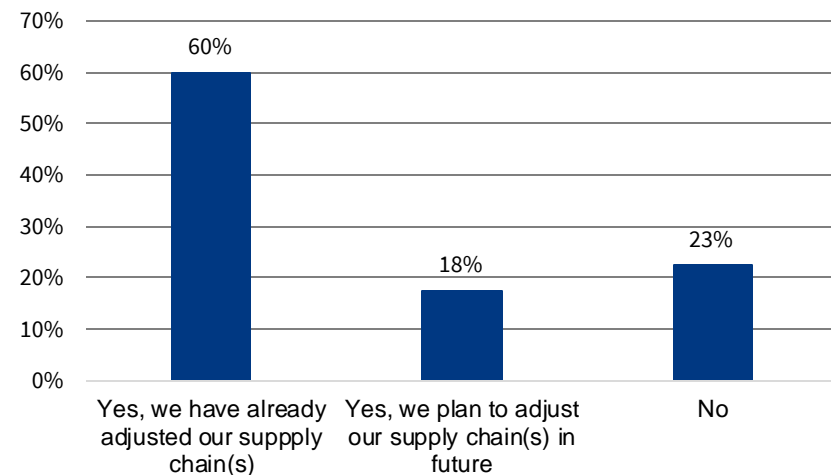
German-British Business Outlook Autumn 2022

Is your business currently affected by the current crises, including global supply bottlenecks, inflation and/or war in the Ukraine?



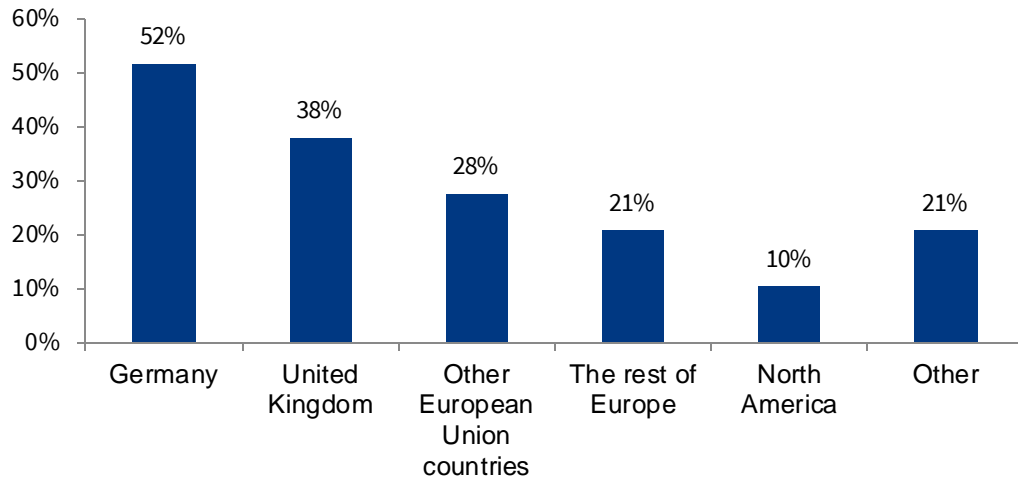
Nearly 70% of respondents are affected by the current crises and as a result a majority of these have adjusted/will adjust their supply chains – in other words, globalisation will enter a new trajectory.

Have you adjusted or will you adjust your supply chain(s) because of the current crises?



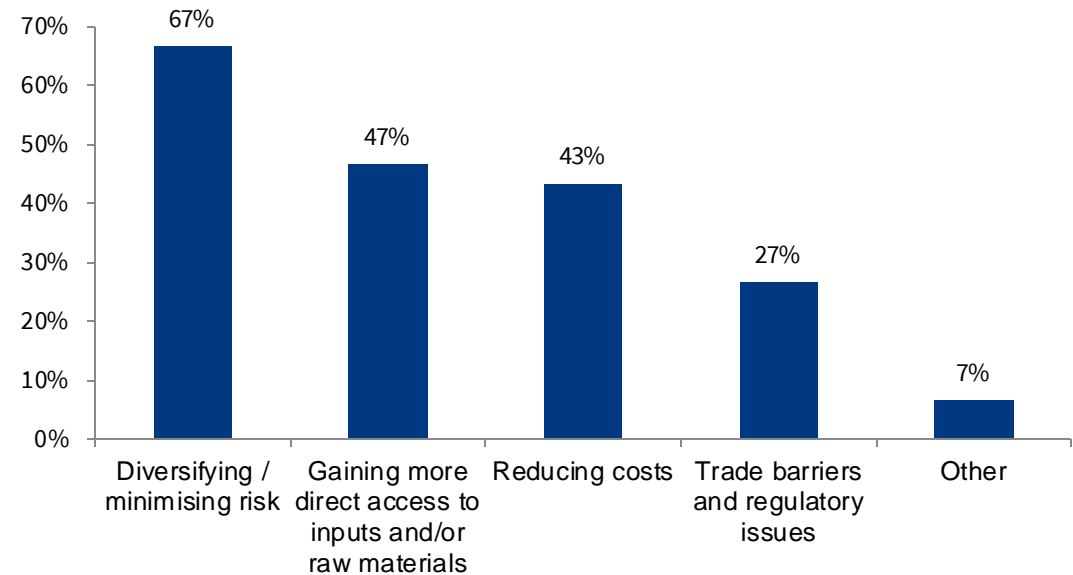
German-British Business Outlook Autumn 2022

Are you sourcing more or planning on sourcing more from the following countries in future? (Multiple answers possible)



Unsurprisingly, in terms of geographically adjusting supply chains, there appears to be a focus on western democracies in order to diversify/minimise risk.

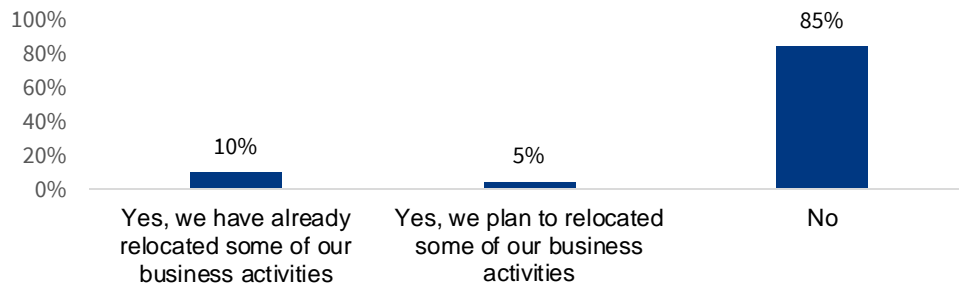
What are the main business / operational reasons for changes in the supply chain? (Multiple answers possible)



German-British Business Outlook Autumn 2022

Have you already relocated or do you expect to relocate some of your business activities because of the current crises, including global supply chain bottlenecks, inflation and/or war in the Ukraine?

As a result of the current crises, only a small number of companies have relocated or plan to relocate some of their business activities elsewhere. This suggests that despite the current economic and political uncertainty, companies still value the operating environment in the UK (due to perceived locational advantages).



Looking at the present location(s) for your business activities, what are their key advantage(s)? (Multiple answers possible)

