



German-British Business Outlook Spring 2024



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Deutsch-Britische
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A bit of optimism returns, but challenges remain!

Assessing the performance of their own activities in the UK, the German-British Business community is more optimistic than six months ago. This is partly down to the improved sentiment towards the overall development of the UK economy.

As a result of the increase in confidence, more than 40% of respondents will invest more in the medium term and a similar number expect to employ more staff.

The main reason for investing in the UK continues to be the importance of the British market with 70% planning to invest in sales and marketing activities. However, the UK's appeal as a manufacturing location should not be underestimated, as approximately 15% of respondents plan increase investment in production and manufacturing activities - a higher share than the manufacturing sector's overall contribution to the UK economy (10%).

Political uncertainty and the lack of demand (despite the somewhat improving economy) continue to feature most prominently as challenges for our businesses. These are followed by trade barriers, shortage of skills, and regulatory uncertainty. In comparison to our survey results in 2023, energy costs are having a smaller impact on business operations, moving from most (in spring 2023) to third most influential factor (in autumn 2023) and now settling in twelfth position.

With regard to long term geopolitical challenges, political “interference” in supply chain structures, the drive to sustainability and the digital transformation is what keeps companies awake at night. However, overall they feel relatively well prepared to face these challenges.

In terms of the effectiveness of the UK government's policies to address climate change, the survey results suggest that our respondents do not think that UK policy has become more effective over the last two years.



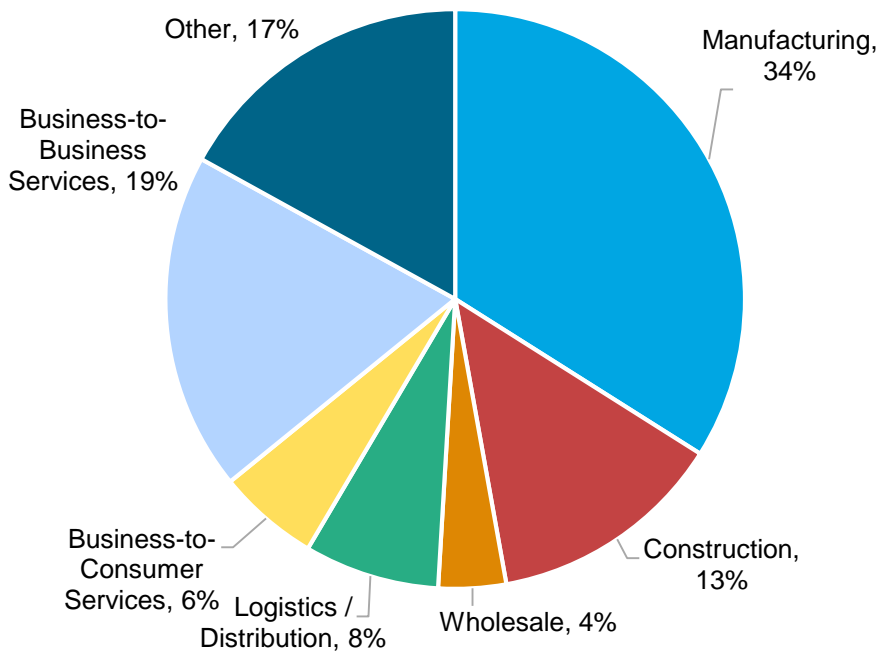
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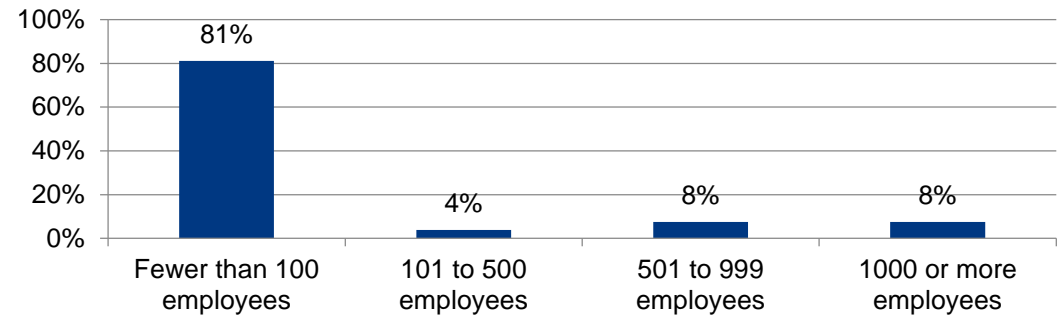
The survey and its participants:

64 online interviews between 4 and 21 April 2024 with companies from the German-British business community, which have operations in the UK

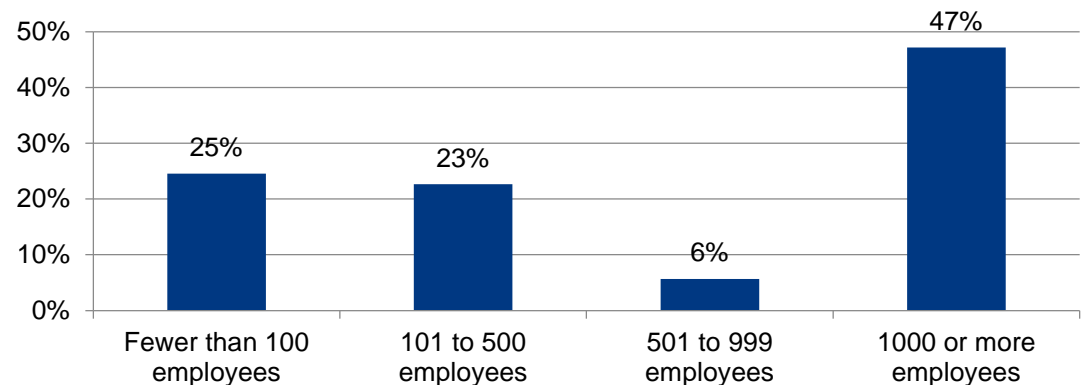
In which sector is your company predominantly active?



How many employees do you have in the United Kingdom?



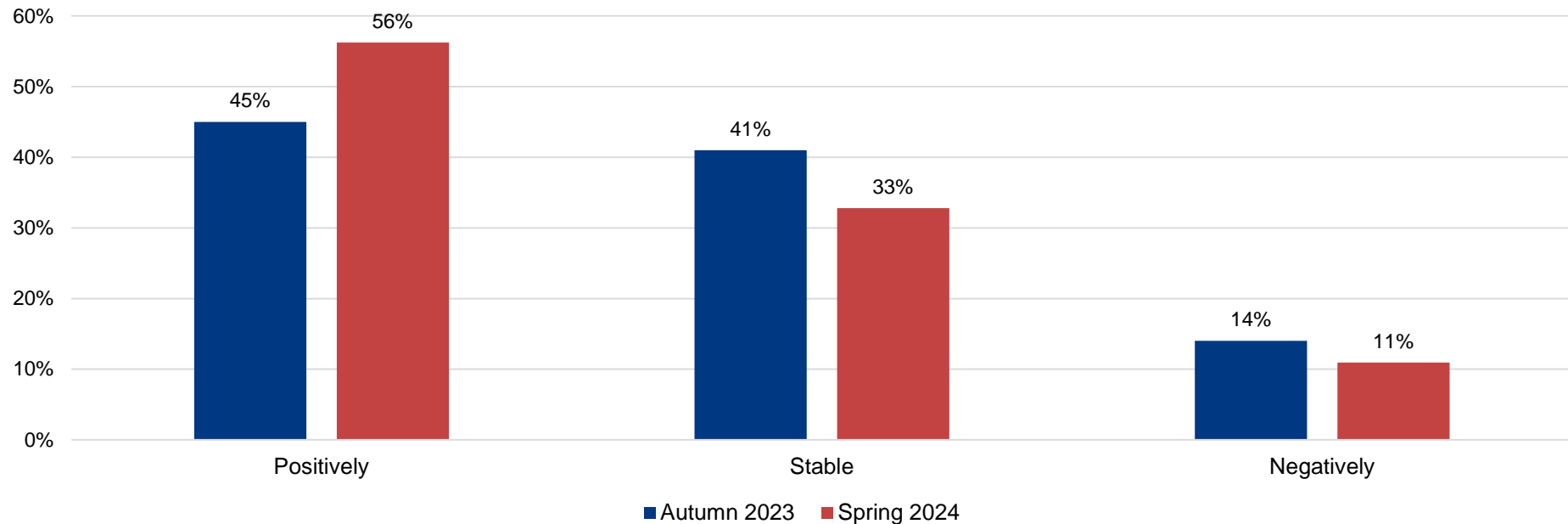
How many employees do you have worldwide?



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



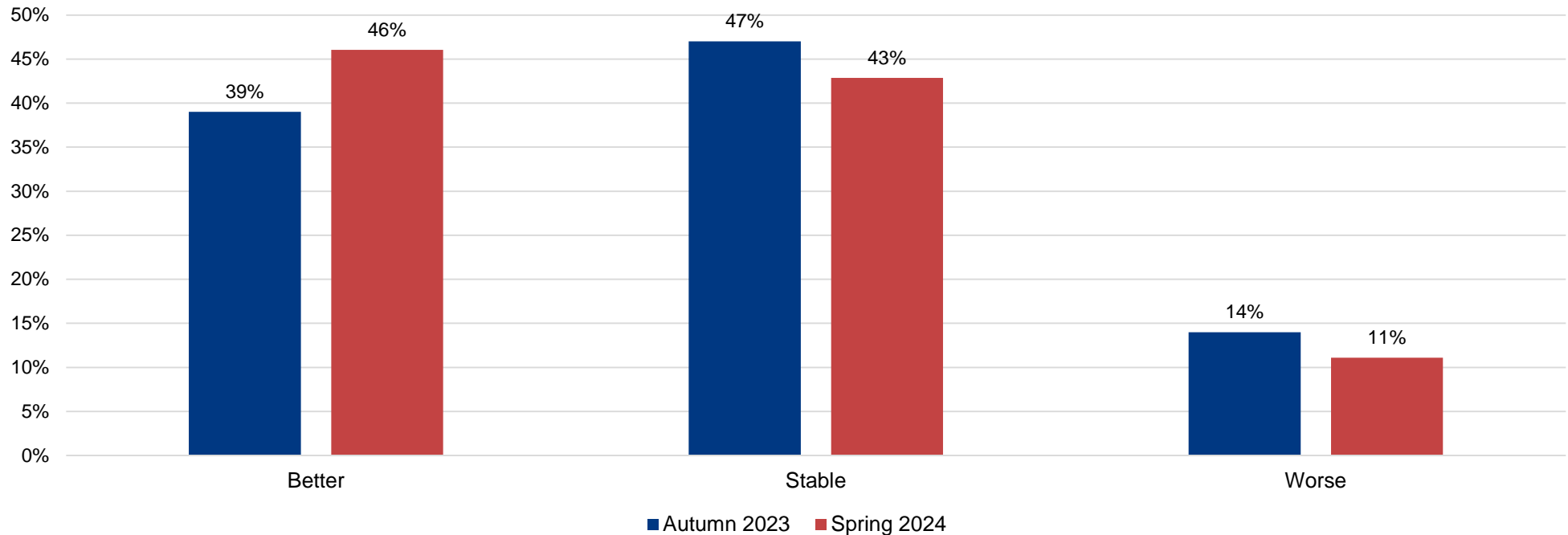
Currently, 56% view their own operations as performing positively or very positively, 33% as stable, and 11% as negatively. These numbers represent a somewhat improved picture in comparison to autumn 2023, suggesting that, in terms of their operations in the UK, companies are witnessing a cautious return to optimism .



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

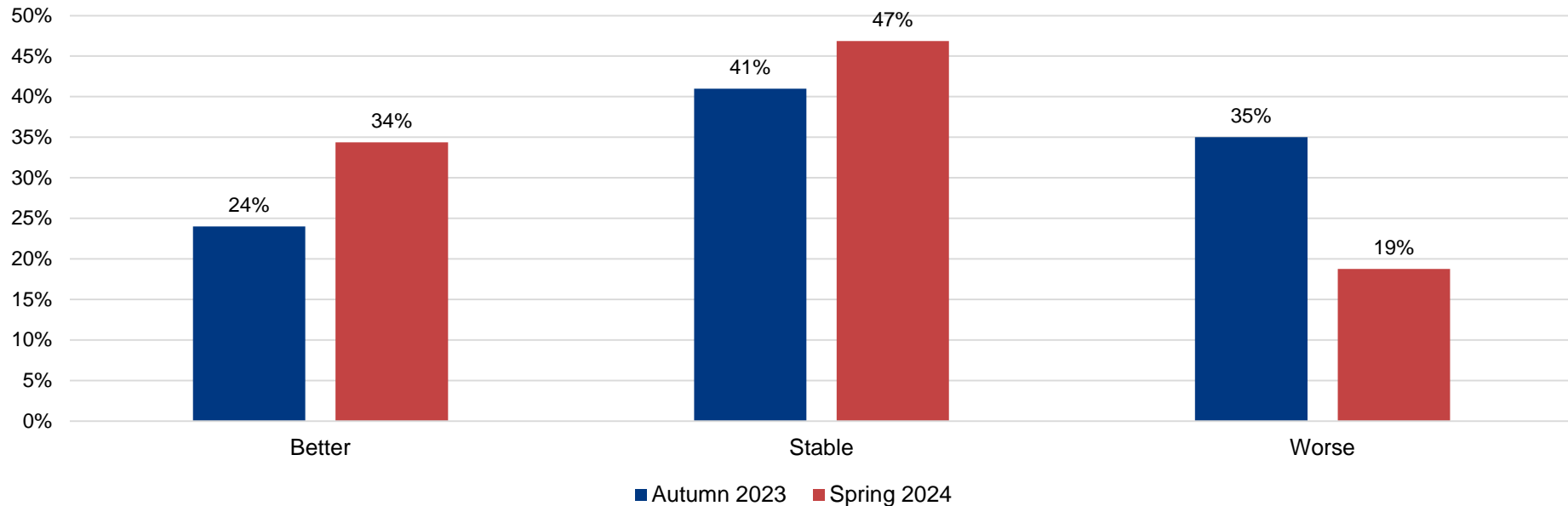


In line with the current situation/performance being viewed more positively than six months ago, the outlook for the immediate future has improved somewhat correspondingly, with 46% expecting their business to perform better over the coming twelve months.



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



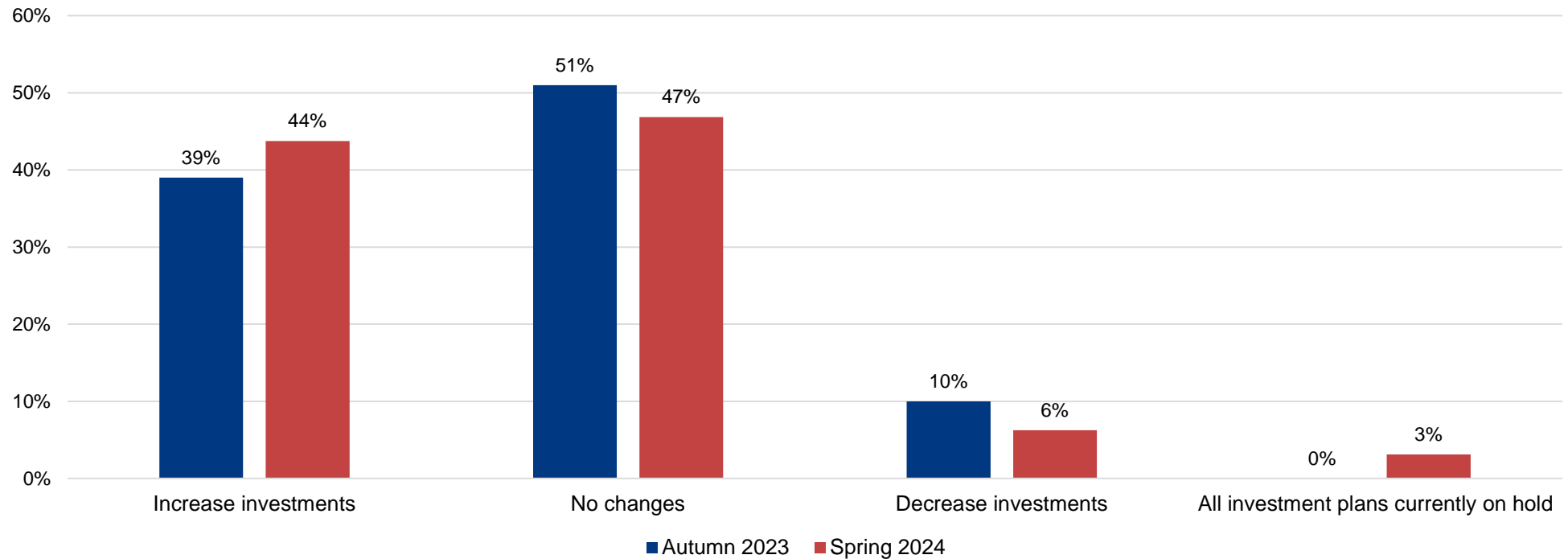
Regarding the overall development of the UK economy, the sentiment has much improved to six months ago, as 34% firms now expect the UK economy to perform better over the coming twelve months, with only 19% expecting a sluggish performance.



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What are your medium-term investment plans?

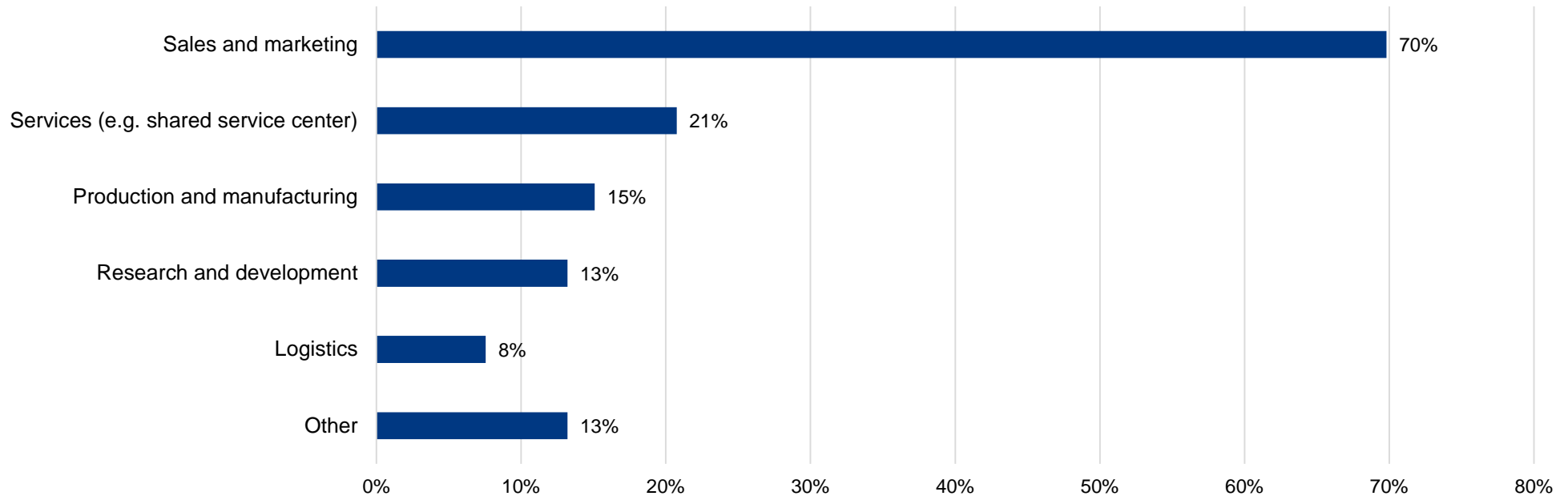


In comparison to six months ago, the investment plans of the German-British business community have experienced a cautiously positive development, as nearly 45% aim to expand their activities – a reflection of the more positive outlook for their own business activities in the UK and the economy overall.



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In which areas do you currently make or are planning to make significant investments in the UK? (Multiple answers possible)

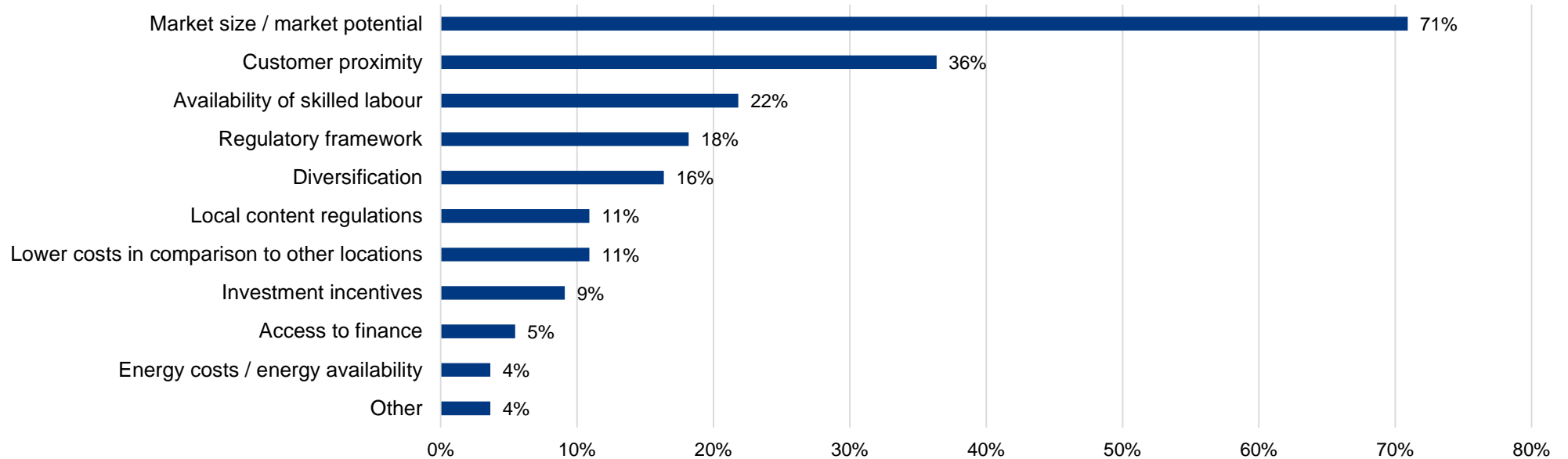


The main reason for investing in the UK is the importance of the British market, but the appeal as a manufacturing location continues to rank in third position.



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Which factors play a dominant role in your decision to invest in the UK? (Multiple answers possible)

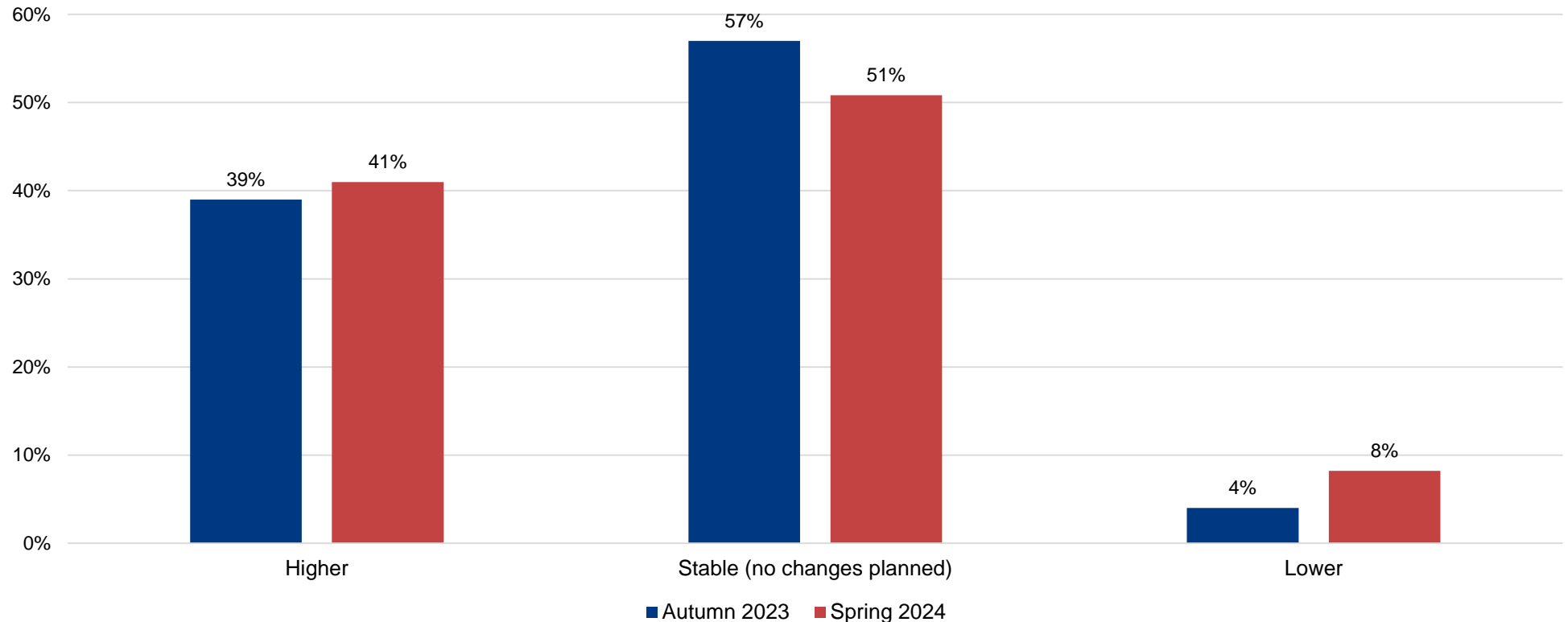


As mentioned before, the significance of the UK market is the key driver of German investment in the UK and the weighting of factors is comparable to previous surveys.



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



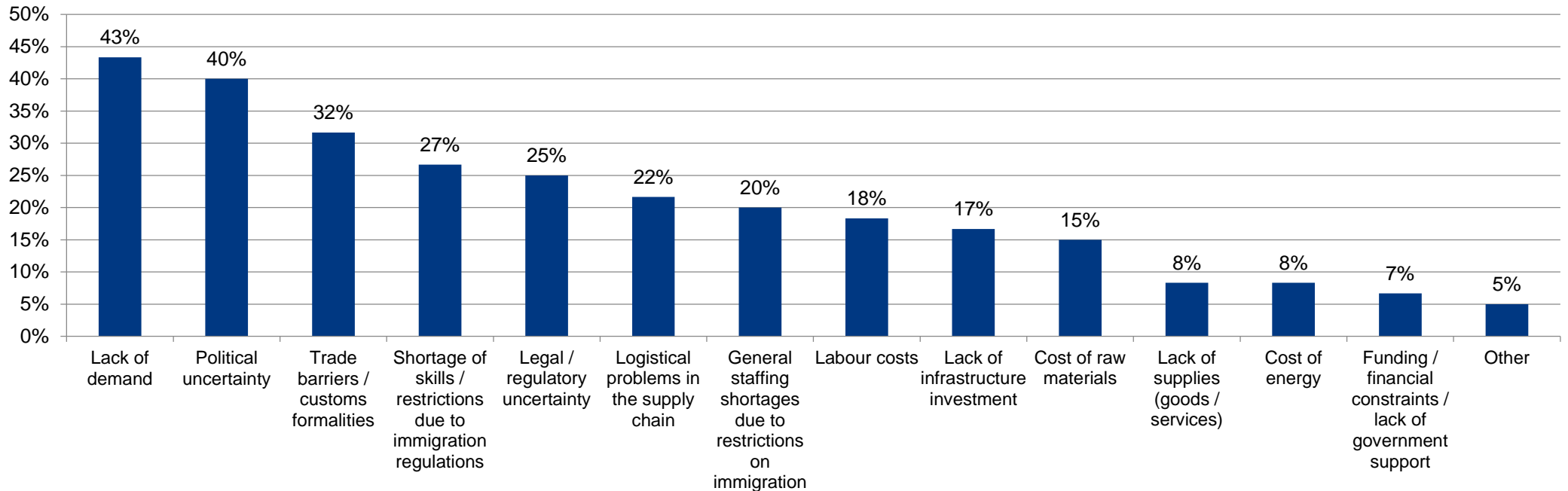
Approximately 40% of companies expect to hire new employees over the coming year – this is a comparable figure to the autumn of 2023. In summary, the demand for labour continues to be strong.



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



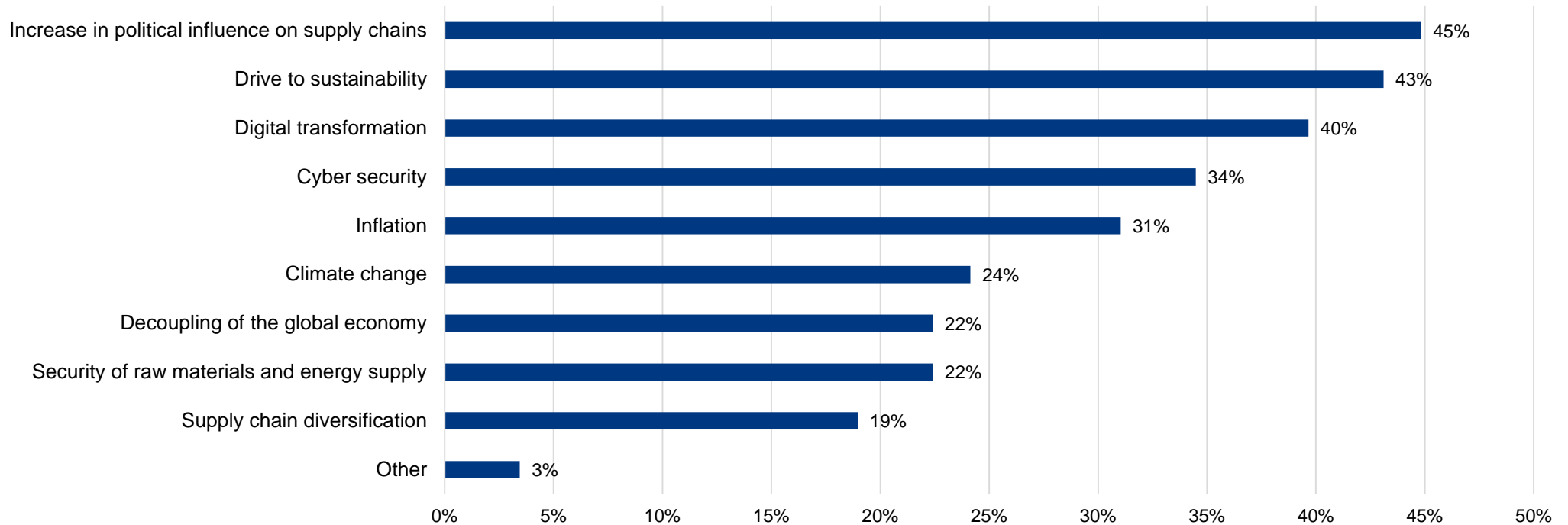
Like in the autumn of 2023, lack of demand and political uncertainty are the largest challenges for doing business. The cost of energy has moved down the agenda over the last 6 months with the shortage of skills and administrative hurdles – as a result of Brexit – featuring more prominently as challenges for our businesses.



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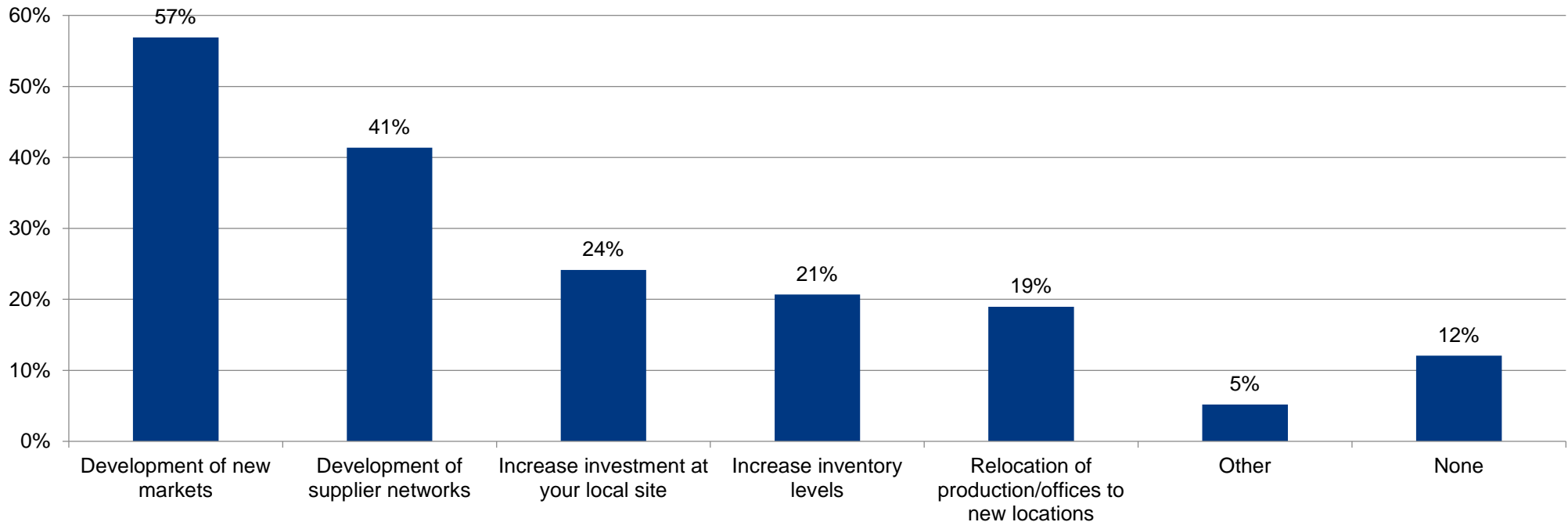
What are the biggest geopolitical challenges for your company over the next five years? (Multiple answers possible)



Assessing long term geopolitical challenges, inflationary pressures have significantly moved down the agenda with political “interference” on supply chain structures now taking the top position. This is closely followed by the drive to sustainability and the digital transformation. Cyber security also continues to be an important issue for companies.

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In view of increasing geopolitical challenges: What actions has your company taken?
(Multiple answers possible)

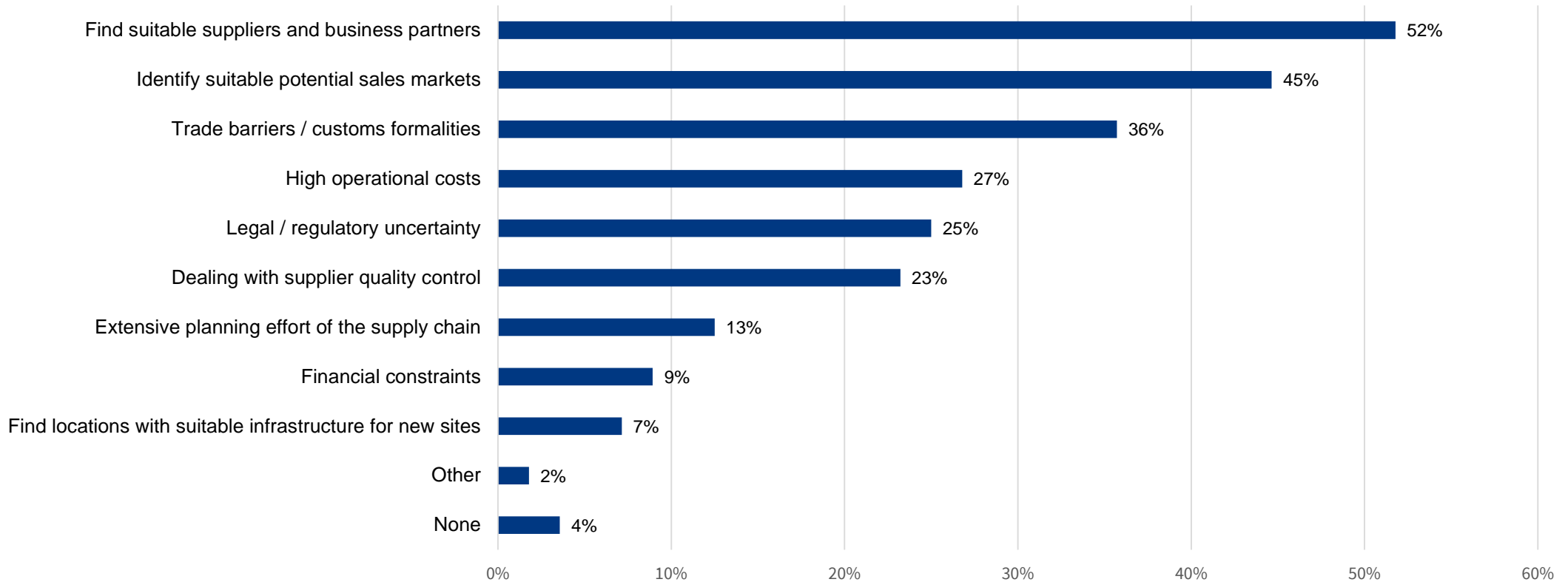


In order to address geopolitical challenges, a key focus is the development of new markets, followed by the diversification of supply chains, near-shoring, and a defensive investment in inventory levels.



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What challenges do you see in diversifying your supply chains and/or sales markets?
(Multiple answers possible)

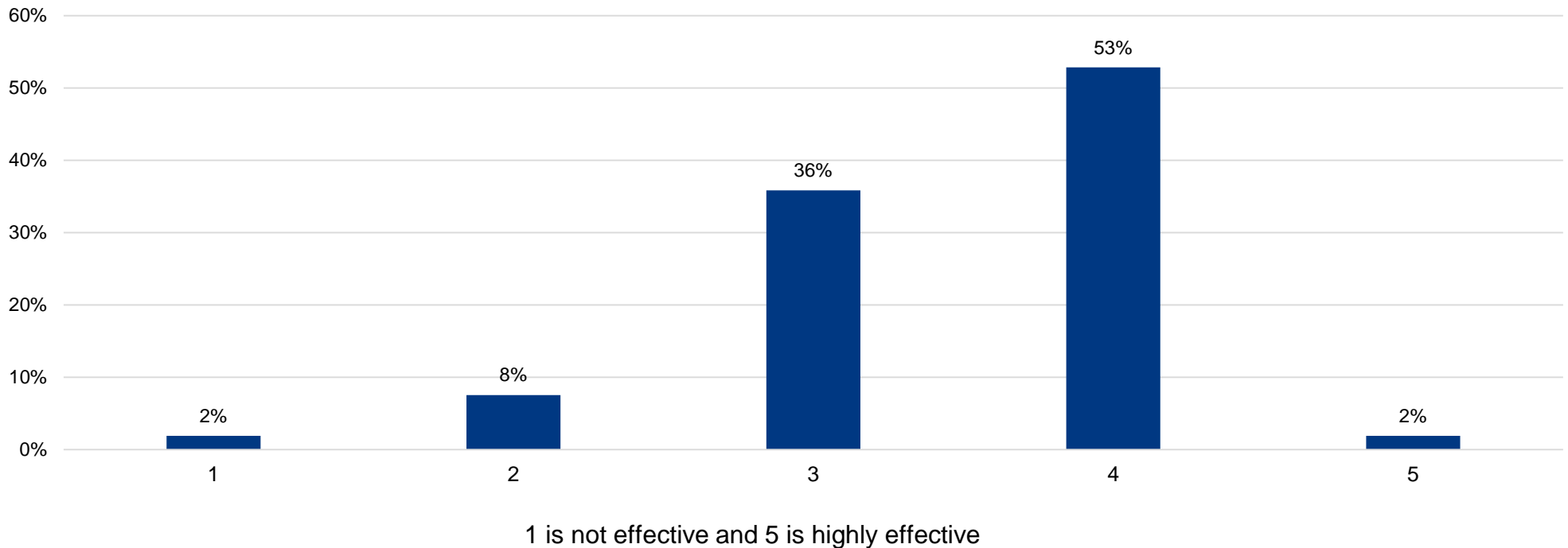


Interestingly, when implementing strategies to address geopolitical challenges, companies find it slightly more difficult to diversify their supply chain than developing new markets.



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How effective do you think your company is prepared to face international crises and geopolitical risks?



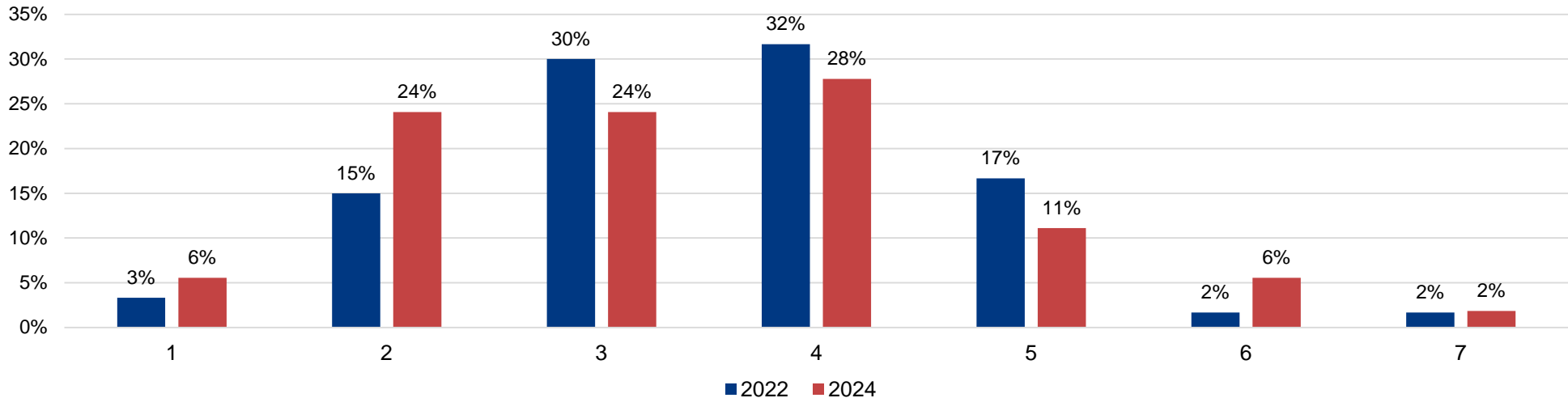
Overall, companies rate themselves as relatively well prepared to face the international geopolitical challenges.



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How effective are climate change mitigating policies in the United Kingdom?



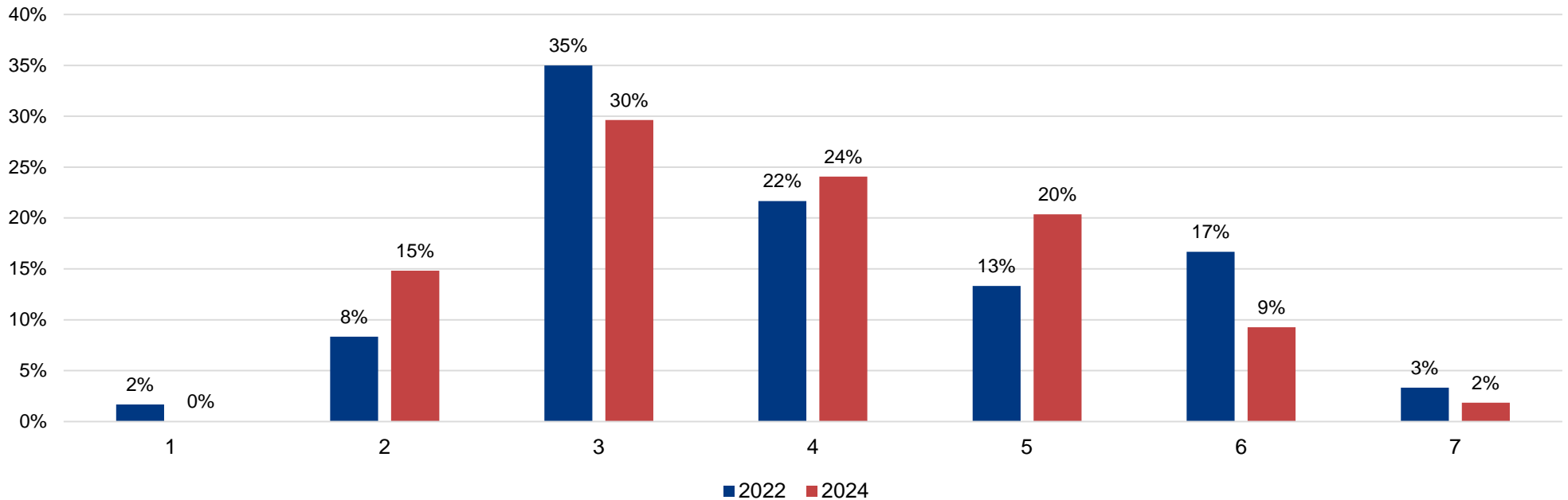
1 is not effective and 7 is highly effective

In terms of the efficacy of the UK government's policies to address climate change, our respondents' views suggest that UK policy has not become more effective over the last two years.



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How much effort is spent on promoting/implementing renewable energy production in the United Kingdom?



1 is very little effort and 7 is sufficient effort

It appears that – in the eyes of our business community – there is a barely improved effort to increase renewable energy production in the UK.