German-British Business Outlook
Autumn 2019

Summary:

• So far the prolonged Brexit uncertainty has not led to a “get it over and done with” approach by the German-British business community. Only approximately 10% of respondents favour a no deal Brexit. 90% want a ‘deal’ or an even closer future alignment with the EU.

• The German-British business community is still doing reasonably well in the current uncertain climate and is largely optimistic about their own medium term prospects in the UK. However, companies take an increasingly negative view on the UK’s overall future economic prospects, potentially suggesting that the expected outcome of Brexit is viewed to have a significant negative influence on the British growth rate.
The survey and its participants:
141 online surveys answered between 30 September and 7 October 2019. Participants were companies from the German-British business community which have operations in the UK.

How many employees do you have in the UK?
- 79% have less than 100 employees
- 16% have 101 to 999 employees
- 6% have 1000 or more employees

How many employees do you have worldwide?
- 36% have less than 100 employees
- 21% have 101 to 999 employees
- 43% have 1000 or more employees

A breakdown of the results by sector or size (number of employees) of the companies showed no significant difference in opinion.
Independent of the Brexit uncertainty, a majority of companies still judges their own situation as positive and only 16% take a negative view – representing no real change to the Spring survey of this year.
The short-term outlook has darkened somewhat - companies are less positive now: only 46% versus 54% in spring. 28% now take a negative view (in spring only 22% were negative).
How do you expect your business in the United Kingdom to perform over the next five years?

However, when taking a longer term view, companies are more optimistic about their own business prospects in the UK. Nearly two thirds judge their future to be positive or very positive.
Despite the positive take on their own company’s operations in the UK, only a third expects to increase investment in the near future. Most companies still take a ‘wait and see’ approach - no real change to spring 2019.
What are your investment plans for the next five years?

- Substantially increase investment (by 10% or more): 14%
- Increase investment somewhat (by up to 10%): 36%
- Neither increase or decrease: 39%
- Decrease investment somewhat (by up to 10%): 8%
- Substantially decrease investment (by 10% or more): 3%

However, when looking at the medium term, companies are more bullish about their investment activities in the UK with 50% planning an increase.
What will your staffing level look like in twelve months' time?

Broadly in line with future investment plans, a third of respondents expects to increase the number of employees. Nearly half take a ‘wait and see’ approach and a fifth expects to reduce staffing levels – no real change to spring 2019.
Given the current and potentially prolonged uncertainty surrounding the Brexit negotiations, what is the most preferable outcome for your company?

- Quick hard Brexit: 12%
- „deal“ Brexit: 24%
- Soft(er) Brexit: 64%

As in spring, nearly two thirds of respondents are willing to accept a much longer political uncertainty if it leads to a softer Brexit based on a customs union/customs partnership and close Single Market alignment. Despite the continued uncertainty, companies are still willing to wait!
What are the biggest risks for your operations in the UK over the next twelve months?

<table>
<thead>
<tr>
<th>Risk</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Demand</td>
<td>45%</td>
</tr>
<tr>
<td>Financing conditions</td>
<td>9%</td>
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<tr>
<td>Labour costs</td>
<td>9%</td>
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<tr>
<td>Lack of skilled workers</td>
<td>26%</td>
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<tr>
<td>Exchange rate volatility</td>
<td>61%</td>
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<tr>
<td>Prices of energy and raw materials</td>
<td>13%</td>
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<tr>
<td>Legal certainty</td>
<td>31%</td>
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<tr>
<td>Changes in economic policy</td>
<td>39%</td>
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<tr>
<td>Infrastructure</td>
<td>9%</td>
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<tr>
<td>Potential new trade barriers or administrative burdens</td>
<td>69%</td>
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</tbody>
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In line with the desire for a soft(er) Brexit, potential new trade barriers or administrative burdens are perceived as the highest risk for their UK operations. Exchange rate volatility and lack of demand follow in the 2nd and 3rd positions.
Three quarters of companies are ‘prepared’ for Brexit (however, our respondents tend to be companies which very active in British-EU business exchange).
How do you see the United Kingdom's economy performing in the medium-term? (3 to 5 years)

Despite their own positive current situation, companies have become far more ‘wary’ about the overall economic prospects of the UK in the medium-term. Now 55% take a negative or very negative view. In spring the figure was ‘only’ 41%. 