Strengthening the EU economy once again

IHK Business Barometer 2024

DIHK German Chamber of Commerce and Industry

IHK German Chambers of Commerce and Industry

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Imprint

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The main results

For German companies, the European Union (EU) is of great economic significance. Important for their business development are stability, the common currency area, access to European markets, and uniform EU standards. The single market, the common currency, and uniform rules provide tangible benefits for the vast majority of businesses. However, more than half of the companies see that Europe's competitiveness has decreased in the last five years. Urgent tasks for the period after the EU elections, from the perspective of the economy, include reducing bureaucracy and ensuring a Europe-wide, affordable energy supply to strengthen Europe's economy again.

Benefits of the EU from the perspective of companies

- German companies consider the stability of the EU economic area as particularly important. According to a survey, 82 percent of companies derive benefits from this. Especially in a more challenging international environment, the EU remains an important anchor for reliability and predictability.
- The euro (elimination of exchange rate risks: 76 percent) and access to the single market (access to European markets: 66 percent) are also important factors for entrepreneurial success. For companies in the industrial sector (81 percent), the common trade policy is also of great importance.
- Integration benefits regarding improved financing options are considered the least. In particular, the unfinished capital market contributes to only about a third of companies deriving noticeable benefits from it (31 percent).

The European location is losing attractiveness

- Despite the aforementioned advantages of the "European project," more than half of the companies (56 percent) across all sectors state that the attractiveness of the European business location has decreased in the last five years. Only seven percent see an increase in competitiveness.

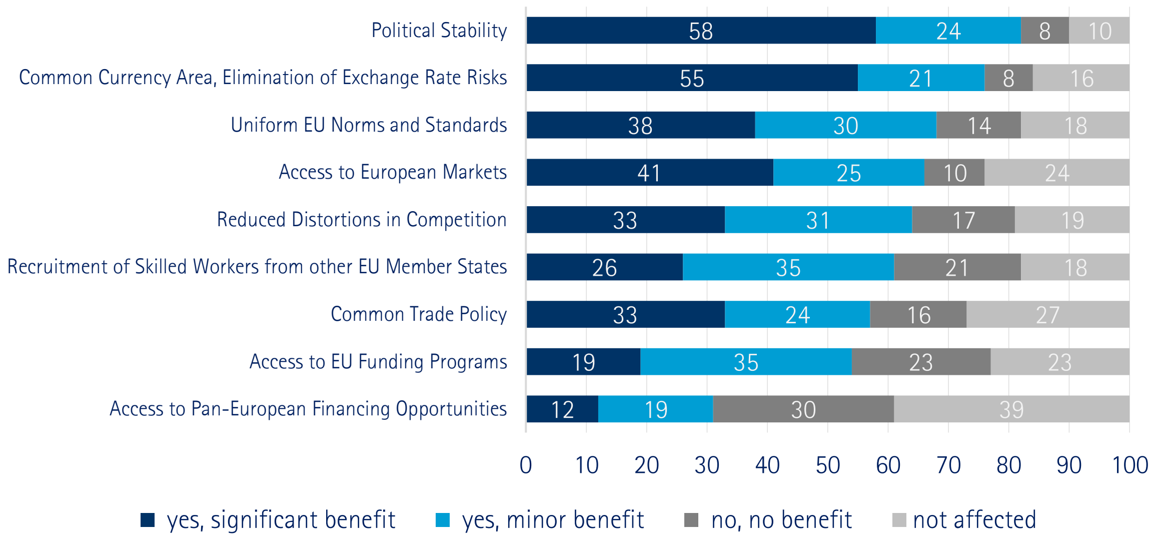
Priorities to be addressed after the EU elections and the review of EU initiatives that hinder competitiveness

- To improve Europe's competitiveness, according to companies, the EU must primarily reduce bureaucracy. 95 percent see this as a priority. This also means that previous European measures for better regulation, such as the SME test or the one-in-one-out principle, do not adequately fulfill their purpose and need to be improved.
- Another important point for German companies is ensuring affordable energy supply (68 percent). Especially in light of the Russian war of aggression against Ukraine, ensuring stable and affordable European energy supply is crucial.

Benefits of the EU for companies

The stability of the EU economic area represents the greatest benefit for companies in Germany regarding European integration. Especially with regard to the wars in Ukraine and the Middle East, as well as other geopolitical tensions, the EU remains an important anchor. The common currency area and the single market provide significant benefits for businesses in their operations. For internationally active companies, the perceived benefits of the EU are even higher - especially in terms of access to European markets and common trade policy. Companies see the least benefit from EU funding programs or access to pan-European financing options.

Does your company benefit from any of the following aspects of European integration?
Figures in per cent



EU as a "safe haven" in a challenging global political environment:

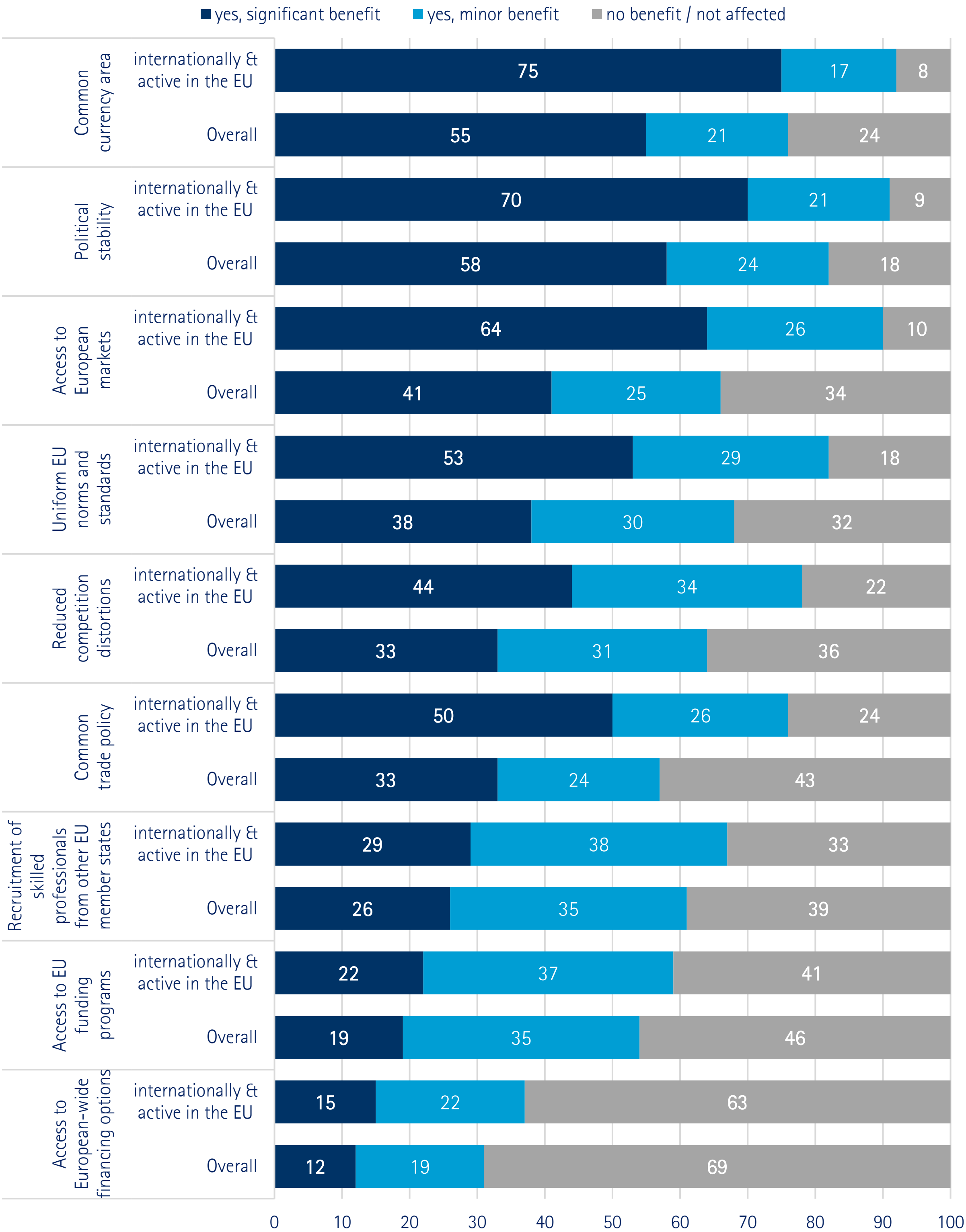
Companies derive the greatest benefit from European integration from the political stability that the EU provides. Stable economic conditions prevail in the EU, providing business planning security. 82 percent of respondents state that their company benefits from this - 58 percent see significant benefits, while 24 percent see at least some benefit. Among internationally active companies, seven out of ten businesses (70 percent) see significant benefits.

Showcase projects in the form of the Euro and single market:

The added value of a Europe of goods and services exchange within a single market with a common currency is evident: The second-largest benefit for companies comes from the common currency area within the Eurozone and the elimination of exchange rate risks (significant benefit 55 percent; minor benefit 21 percent). Particularly, internationally active companies benefit from the Euro. Three-quarters of companies (75 percent) rate the benefit as significant.

About two-thirds of companies benefit from access to European markets (65 percent) and from uniform EU norms and standards (68 percent). The vote is even clearer among internationally active companies: 64 percent find the benefit of access to the single market significant (minor benefit: 26 percent). 53 percent particularly benefit from uniform EU norms and standards because they do not have to adjust products and services separately for each EU country, saving costs and effort.

Does your company benefit from any of the following aspects of European integration?
(Figures in per cent, 1 = not affected, 2 = yes, significant benefit; 3 = yes, minor benefit; 4 = no, no benefit)



Level Playing Field Required

One-third of companies each attribute a high (33 percent) or at least some minor benefit (31 percent) to the option of "Reduced Competition Distortions". Among internationally active companies, almost half (44 percent) see significant benefits. Harmonization of regulations and standards in the EU can contribute to creating a "level playing field" for companies. However, harmonization of laws alone is not sufficient to create equal competitive conditions across the EU.

Seeking European Skilled Workers

According to German companies, skills shortages represent one of the three greatest risks to their business development. One element to combat skills shortages is skilled workers from abroad. A quarter of companies (26 percent) see a high benefit from the EU regarding the recruitment of skilled workers from other EU member states, with another third seeing at least some minor benefit (35 percent). The construction industry benefits particularly significantly (39 percent significant benefit; 34 percent minor benefit). The freedoms that the single market provides to companies, such as freedom of movement for people, are crucial in this context. However, there are barriers regarding language skills and the lack of comparable dual vocational training systems in other EU countries. Therefore, 21 percent of companies themselves do not see any benefit from the EU for recruitment.

Common Trade Policy

Half of the companies operating within the EU or worldwide derive significant benefits from the common trade policy. Another good quarter (26 percent) still sees some minor benefit. Across all companies, more than half (57 percent) see added value in the EU's common trade policy. At the same time, 43 percent do not feel affected or do not see any benefit. Nearly half (44 percent) of imports from non-EU countries come from countries with which agreements exist. Alongside the USA and China, the EU is one of the three largest economic areas in the world. Currently, trade agreements are already in force with nearly 80 countries. Furthermore, negotiations for new agreements with around 20 countries are ongoing.

Making EU funding more practical

Access to EU funding programs is less important and beneficial for many companies. Less than one-fifth (19 percent) derive significant benefits, while 35 percent see some minor benefit. Conversely, 46 percent see no benefit or do not feel affected. Although companies indirectly benefit from the EU's investment and structural funds, for example, through improved infrastructure and promoting the competitiveness of regions, few German companies actually use EU funding programs. This is partly due to complex application procedures, which make it difficult to access the funds. At the same time, business support programs cannot compensate for structural challenges on a broad scale.

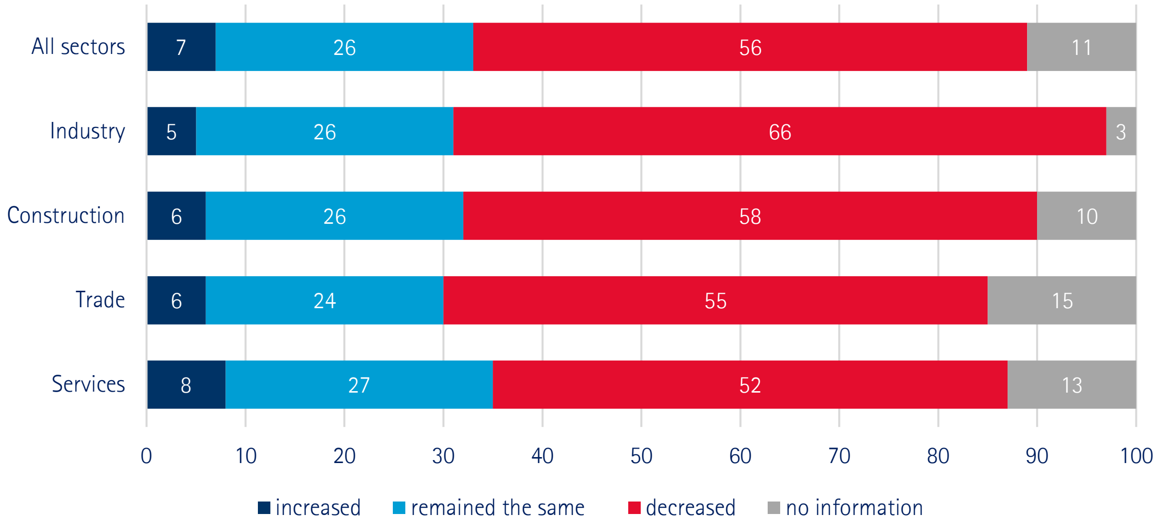
Financial Hub Europe – Different Companies Require Different Financing Options!

For the majority of companies, access to pan-European financing options plays a subordinate role. Only one in ten (12 percent) sees significant benefits, while one in five still sees some minor benefit (19 percent). Looking at size categories, it is especially companies with 1,000 or more employees that can benefit from pan-European financing options (significant benefit: 30 percent; minor benefit: 28 percent). Besides activities related to the Capital Markets Union, regulation should also focus on improving traditional SME credit financing in general.

The European location is becoming less attractive

The vast majority of companies do benefit from the EU. However, at the same time, a majority of businesses also observe a decline in the attractiveness of the EU for the economy. According to 56 percent of companies, the competitiveness of the EU as a business location has declined over the past five years. Only seven percent see an improvement since 2019. In the economic main groups, it is the industry that has an even more critical assessment. Two-thirds (66 percent) perceive a decrease in attractiveness over the last five years.

How has the EU's attractiveness as a business location developed over the last five years?
Figures in per cent



The German economy is clearly facing complex challenges. Companies increasingly criticize the competitiveness of the business location in Germany and Europe due to rising costs, especially in the energy sector, increasing bureaucracy, and trade barriers. Companies express themselves in the free-text responses as follows:

"Especially in the medical technology sector, the standard for product approval should be aligned with the globally accepted standard. Currently, the effort involved is so significant that it leads to substantial disadvantages for our industry and restricts innovative product development in patient care."

"Ideally, the EU Commission and the European Parliament should take a five-year paid vacation and let us implement what already exists. Even 'de-bureaucratization' according to EU methods typically creates even more effort."

(Free-text responses from companies)

Priorities that the business community believes should be addressed after the EU elections

According to the companies, the reduction of bureaucracy is by far the most urgent task for the new EU Commission and the new European Parliament. This is followed by securing energy supply and protection from threats against critical infrastructure, such as cyberattacks. Long-term strengthening of the competitiveness of the European economy through the training of qualified professionals is also a top priority, given the shortage of skilled workers in the country.

Which economic policy issues should be prioritised at EU level after the election?
In per cent, multiple choice possible

Priority 1: Reduction of Bureaucracy

An overwhelming majority of companies, 95 percent, see the reduction of bureaucracy as a task that must be addressed with urgency. It is the most frequently mentioned topic by companies. The topic of bureaucracy was also frequently mentioned in the free-text responses.

Priority 2: Ensuring Energy Supply

The energy crisis in 2022 tested the security of European energy supply and highlighted that affordable, secure energy supply is not guaranteed. Two-thirds of the survey participants indicate that ensuring affordable energy supply within Europe is their second highest priority (68 percent). For energy-intensive industries and construction sectors, the figures are even higher, at 76 percent and 75 percent respectively.

"Bureaucracy and the processing of reporting obligations within the company consume time, money, and other essential resources in the company. Excessive bureaucracy is the hindrance - the brake for successful entrepreneurial action."

(Free-text response from a company)

Priority 3: Protecting Companies from Digital and Analog Attacks

The threat of cyberattacks is steadily increasing. Companies of all sizes and industries are affected and often feel left alone with the challenges. This explains why half of the companies state that a priority for the EU should be the protection against digital and analog attacks (52 percent). Companies increasingly recognize the importance of resilience against cyberattacks and are committed to their cybersecurity through strategic, organizational, and technical measures.

Priority 4: Securing Skilled Labor

Well-trained and practically skilled professionals are a key element for the competitiveness of companies and the entire EU. Half of the companies (51 percent) see urgent need for action at the European level in this regard. Particularly, companies in the construction industry suffer disproportionately from personnel shortages, with 58 percent seeing skilled labor securing as a priority for the EU.

Priority 5: Strengthening Competitiveness

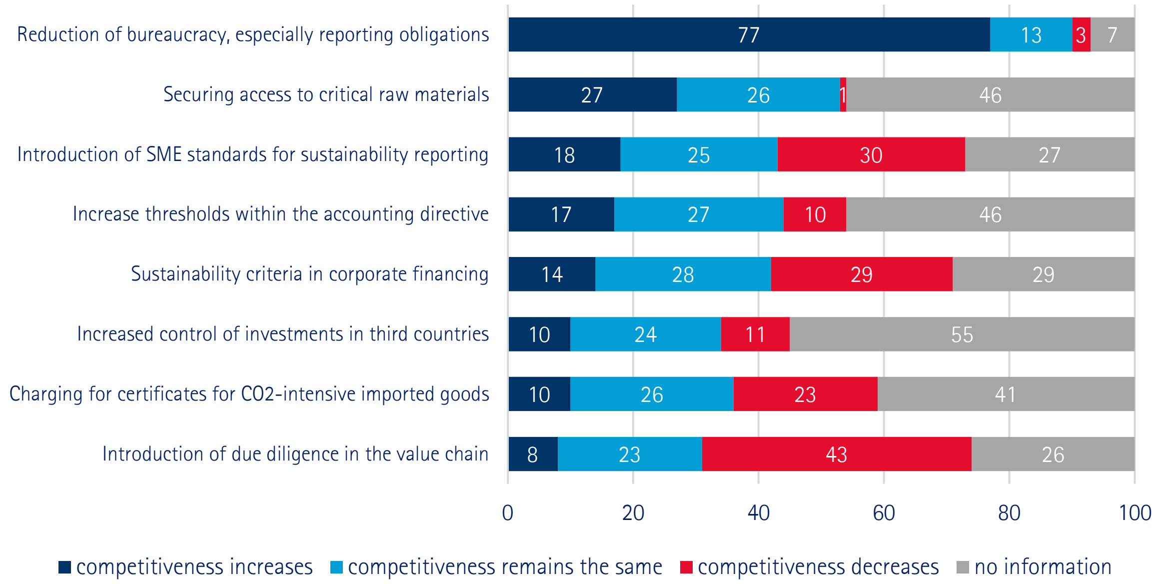
Just under half of the surveyed companies (49 percent) see strengthening the competitiveness of the EU as a priority. This corresponds to the above result that a majority of companies perceive a decrease in the attractiveness of the EU as a business location. Therefore, every second company sees an agenda to strengthen competitiveness in its breadth as urgent.

Overall, at least half of the companies see the above-mentioned topics as priorities. All other queried topics are considered less urgent by the companies. Only about one-third of the companies see the targeted sector-specific expansion of future industries as a priority for the EU (34 percent). Completing the European capital market ranks at the bottom of the priority list and is considered urgent by only about one in ten companies (11 percent).

Assessing the impact of EU initiatives

In the current term of the European Parliament, a series of measures have been considered or already initiated that also affect the everyday business of companies. Especially concerning the economy, the question is significant: How do these measures impact the competitiveness of businesses? Companies were surveyed about individual, sometimes very specific EU initiatives, whether they increase or decrease their competitiveness.

How will or would the implementation of the following EU initiatives affect the competitiveness of your company? (in per cent)



Overall, the result is sobering: Many of the queried measures are perceived by companies as predominantly harmful to their competitiveness. Additionally, for most measures, a significant proportion of companies cannot or do not want to provide an assessment. This indicates that many initiatives are too far removed from the day-to-day business reality.

The reduction of bureaucracy, particularly reporting obligations, is clearly perceived as the most positively impactful measure on the competitiveness of companies. 77 percent of surveyed companies believe that such measures increase competitiveness, with only three percent expecting a decrease. Only seven percent did not provide an opinion on this matter.

Another initiative that companies clearly view as beneficial to competitiveness is ensuring access to critical raw materials. For over a quarter of companies (27 percent), this would enhance competitiveness. Only one percent anticipates negative impacts. Particularly in the industrial sector, where there are direct dependencies on critical raw materials, 44 percent expect an improvement in competitiveness.

For all other surveyed measures, the positive assessment is not as clear-cut as with the two aforementioned initiatives, with companies predominantly seeing them as inhibiting their competitiveness. Apart from the topic of increasing thresholds within the accounting directive, negative assessments prevail. It is also noteworthy that between a quarter and half of the companies cannot or do not want to provide an assessment, either because they are not affected or simply because they are no longer able, due to complexity, to comprehend the impacts on their operations.

"The EU should not over-regulate. This leads to losing support and missing its purpose. Bureaucracy reduction is promised, but in return, we see the introduction of laws such as supply chain legislation, climate balance requirements even for SMEs, etc. In the EU, as well as in Germany, more people should be working (creating added value) instead of constantly contemplating how to further regulate workers, thus hindering them from their work!"

(Free-text response from a company)

- While 18 percent of companies perceive the introduction of SME standards for sustainability reporting as beneficial to their competitiveness, 30 percent of respondents believe that it will decrease the competitiveness of their company.

- The imminent increase in thresholds from the EU Accounting Directive, expected to come into effect in Germany shortly, is positively evaluated for competitiveness enhancement by 17 percent of entrepreneurs. Among companies with 250-999 employees, a quarter of them are convinced that competitiveness can be increased (25 percent). Conversely, one in ten companies believes that increasing the thresholds will decrease competitiveness (ten percent), a quarter see no impact, and 46 percent of respondents did not provide an answer.

- 29 percent of companies perceive sustainability criteria in corporate financing as competitiveness-inhibiting. This figure rises to 36 percent for companies in the industrial sector.

- There is no clear picture regarding companies' assessment of the planned intensified control of investments in third countries by the EU – over half of the surveyed companies (55 percent) could not provide an answer, with expectations of positive and negative effects roughly balanced at ten and eleven percent, respectively.

- Regarding the topic of paid certificates for CO2-intensive imported goods, 23 percent of companies expect competitiveness to decrease. However, ten percent of respondents believe that Europe's competitiveness will increase through the EU initiative. 41 percent could not provide an answer on this.

- Companies mostly view the EU initiative to introduce due diligence obligations in the value chain negatively for their competitiveness. 43 percent of companies indicate that their competitiveness will decrease as a result. In the industrial sector, this figure rises to 58 percent, more than half of the respondents.

Statistical appendix

Does your company benefit from any of the following aspects of European integration?
Figures in per cent

	Answer	Not affec-ted	yes, great benefit	yes, low benefit	no, no be-nefit
All industries	Political stability	10	58	24	8
	Access to European markets	24	41	25	10
	Harmonised EU norms and standards	18	38	30	14
	Common currency area, elimination of exchange rate risks	16	55	21	8
	Less distortion of competition	19	33	31	17
	Common trade policy	27	33	24	16
	Access to Europe-wide financing options	39	12	19	30
	Access to EU funding programmes	23	19	35	23
	Recruitment of skilled labour from other EU member states	18	26	35	21
Industry	Political stability	4	71	20	5
	Access to European markets	5	71	20	4
	Harmonised EU norms and standards	4	59	29	8
	Common currency area, elimination of exchange rate risks	4	78	15	3
	Less distortion of competition	5	48	36	11
	Common trade policy	9	57	24	10
	Access to Europe-wide financing options	26	13	26	35
	Access to EU funding programmes	14	22	41	23
	Recruitment of skilled labour from other EU member states	8	25	43	24
Construction	Political stability	17	43	29	11
	Access to European markets	35	21	27	17
	Harmonised EU norms and standards	17	29	29	25
	Common currency area, elimination of exchange rate risks	21	34	28	17
	Less distortion of competition	24	26	26	24
	Common trade policy	35	17	24	24
	Access to Europe-wide financing options	39	13	17	31
	Access to EU funding programmes	28	18	27	27
	Recruitment of skilled labour from other EU member states	12	39	34	15
Trade	Political stability	11	51	27	11
	Access to European markets	26	40	25	9
	Harmonised EU norms and standards	20	34	33	13
	Common currency area, elimination of exchange rate risks	17	52	24	7
	Less distortion of competition	22	27	34	17
	Common trade policy	28	33	25	14
	Access to Europe-wide financing options	48	9	13	30
	Access to EU funding programmes	36	11	27	26
	Recruitment of skilled labour from other EU member states	27	18	33	22
Services	Political stability	12	55	24	9
	Access to European markets	30	30	28	12
	Harmonised EU norms and standards	23	30	30	17
	Common currency area, elimination of exchange rate risks	20	47	23	10
	Less distortion of competition	25	28	29	18
	Common trade policy	36	23	23	18
	Access to Europe-wide financing options	41	12	18	29
	Access to EU funding programmes	24	20	34	22
	Recruitment of skilled labour from other EU member states	19	28	33	20

How will or would the implementation of the following EU initiatives affect the competitiveness of your company?
Figures in per cent

	Answer	not specified	Increasing competitiveness	Competitiveness remains the same	Competitiveness declines
All sectors	Chargeable certificates for CO2-intensive imported goods	41	10	26	23
	Reduction of bureaucracy, in particular reporting obligations	7	77	13	3
	Introduction of sustainability criteria for corporate financing	29	14	28	29
	Introduction of an SME standard for sustainability reporting	27	18	25	30
	Securing access to critical raw materials	46	27	26	1
	Increased control of investments in third countries	55	10	24	11
	Introduction of due diligence obligations in relation to own business activities and the value chain	26	8	23	43
	Increase in threshold values within the Accounting Directive	46	17	27	10
Industry	Chargeable certificates for CO2-intensive imported goods	22	17	26	35
	Reduction of bureaucracy, in particular reporting obligations	3	86	9	2
	Introduction of sustainability criteria for corporate financing	20	14	30	36
	Introduction of an SME standard for sustainability reporting	24	15	28	33
	Securing access to critical raw materials	25	44	31	0
	Increased control of investments in third countries	42	12	28	18
	Introduction of due diligence obligations in relation to own business activities and the value chain	14	7	21	58
	Increase in thresholds within the Accounting Directive	40	17	30	13
Construction	Chargeable certificates for CO2-intensive imported goods	44	10	27	19
	Reduction of bureaucracy, in particular reporting obligations	12	75	10	3
	Introduction of sustainability criteria for corporate financing	29	20	23	28
	Introduction of an SME standard for sustainability reporting	25	18	26	31
	Securing access to critical raw materials	40	35	23	2
	Increased control of investments in third countries	65	12	18	5
	Introduction of due diligence obligations in relation to own business activities and the value chain	34	10	15	41
	Increase in threshold values within the Accounting Directive	54	20	20	6
Trade	Chargeable certificates for CO2-intensive imported goods	47	7	19	27
	Reduction of bureaucracy, in particular reporting obligations	12	75	10	3
	Introduction of sustainability criteria for corporate financing	40	10	23	27
	Introduction of an SME standard for sustainability reporting	36	14	20	30
	Securing access to critical raw materials	57	19	23	1
	Increased control of investments in third countries	64	9	19	8
	Introduction of due diligence obligations in relation to own business activities and the value chain	31	7	19	43
	Increase in thresholds within the Accounting Directive	53	14	22	11
Services	Chargeable certificates for CO2-intensive imported goods	48	7	28	17
	Reduction of bureaucracy, in particular reporting obligations	8	73	16	3
	Introduction of sustainability criteria for corporate financing	30	15	29	26
	Introduction of an SME standard for sustainability reporting	29	20	24	27
	Securing access to critical raw materials	54	20	25	1
	Increased control of investments in third countries	58	10	23	9
	Introduction of due diligence obligations in relation to own business activities and the value chain	28	9	26	37
	Increase in thresholds within the Accounting Directive	46	18	27	9

Which economic policy issues should be prioritised at EU level after the election?

In per cent, multiple choice possible

	All sectors	Industry	Construc-tion	Trade	Services
Strengthen competitiveness	49	62	33	48	45
Reduce bureaucracy	95	95	97	95	95
Removing barriers in the internal market	27	31	29	31	23
Improving the legal framework for future technologies	28	25	25	20	32
Advancing climate protection internationally	26	24	19	29	27
Advancing climate protection legislation in the EU member states	17	14	15	16	18
Removing barriers to trade with third countries	25	41	14	28	17
Protecting companies from digital and analogue attacks	52	46	53	60	53
Strategically building industries of the future	34	35	28	25	36
Securing skilled labour	51	47	60	46	53
Completing the European capital market	11	9	13	8	12
Ensure energy supply	68	76	75	67	63

How has the EU's attractiveness as a business location developed over the last five years?

Figures in per cent

	All sectors	Industry	Construction	Trade	Services
increased	3	5	6	6	8
remained the same	26	26	26	24	27
sunk	56	66	58	55	52
not specified	11	3	10	15	13

Questionnaire

1. **Does your company benefit from any of the following aspects of European integration?**
(1 = not affected, 2 = yes, major benefit; 3 = yes, minor benefit; 4 = no, no benefit)

- Political stability
- Access to European markets
- Harmonised EU norms and standards (e.g. industry standards)
- Common currency area, elimination of exchange rate risks
- Less distortion of competition through harmonisation of national legal frameworks
- Common trade policy: market access to third countries and EU free trade agreements, customs union
- Access to Europe-wide financing options
- Access to EU funding programmes
- Recruitment of skilled labour from other *EU* member states

2. **Which economic policy issues should be prioritised at EU level after the election?**
(multiple choice possible)

- Strengthen competitiveness
- Reduce bureaucracy
- Removing barriers in the internal market
- Improving the legal framework for future technologies
- Advancing climate protection internationally
- Advancing climate protection legislation in the EU member states
- Reduce barriers to trade with third countries (e.g. new trade agreements)
- Protecting companies from digital and analogue attacks
- Strategically building industries of the future
- Securing skilled labour
- Completing the European capital market
- Ensure energy supply

3. **How will or would the implementation of the following EU initiatives affect the competitiveness of your company?**
(1 = no information, 2 = competitiveness increases, 3 = competitiveness remains the same, 4 = competitiveness decreases)

- Chargeable certificates for CO2-intensive imported goods (CO2 border adjustment CBAM)
- Reduction of bureaucracy, in particular reporting obligations
- Introduction of sustainability criteria for corporate financing (taxonomy)
- Introduction of an SME standard for sustainability reporting
- Securing access to critical raw materials
- Increased control of investments in third countries
- Introduction of due diligence obligations in relation to own business activities and the value chain
- Increase in threshold values within the Accounting Directive

4. **How has the EU's attractiveness as a business location developed over the last five years?**

1 = increased, 2 = remained the same, 3 = decreased, 4 = not specified

5. **What additional issues should the EU address urgently?**

Free text

Methodology

Under the title " Strengthening the EU economy once again", the DIHK presents the evaluation of the results of an online survey in which the IHK organisation's business volunteers took part.

The analysis is based on responses from almost 3,000 companies from the plenary assemblies of the CCIs and the DIHK's specialised committees.

These are spread across the economic sectors of industry (30 per cent), construction (five per cent), trade (17 per cent) and services (48 per cent).

Of these, 59 per cent of companies are internationally active. The figure is 90 per cent in industry, 32 per cent in construction, 52 per cent in trade and 50 per cent among service providers.

The survey took place from 19 to 27 February 2024.