

The coronavirus' impact on the German economy

DIHK flash poll March 2020

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Deutscher
Industrie- und Handelskammertag

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Executive Summary

Repercussions of the coronavirus on the German economy are already noticeable. Trade fairs, events and travel plans are cancelled, employees are put under quarantine. Foreign trade, especially with China, has stalled for several weeks now.

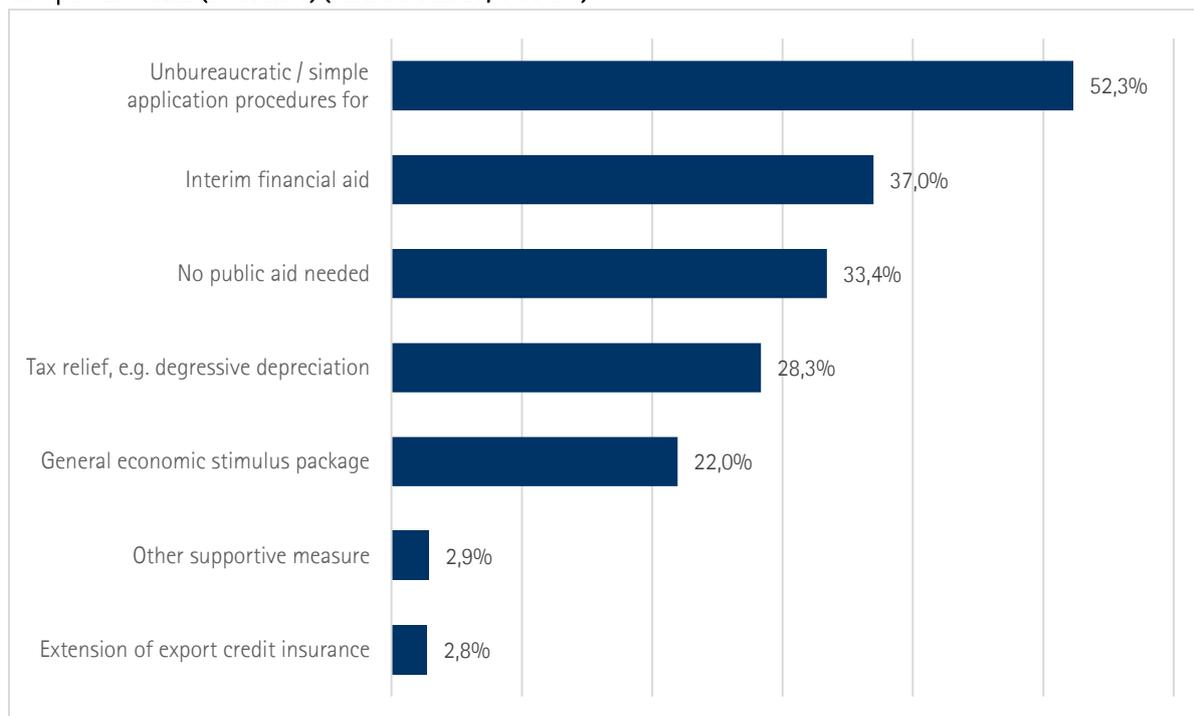
Almost every second company in Germany expects declining revenue in 2020 as a direct result of the coronavirus. In addition, companies are already noticing disruptions in their business processes.

70 per cent of companies have introduced protective measures for their employees in connection to the coronavirus outbreak. This primarily concerns the procurement of medicine and hygiene materials as well as instructions on appropriate hygiene measures.

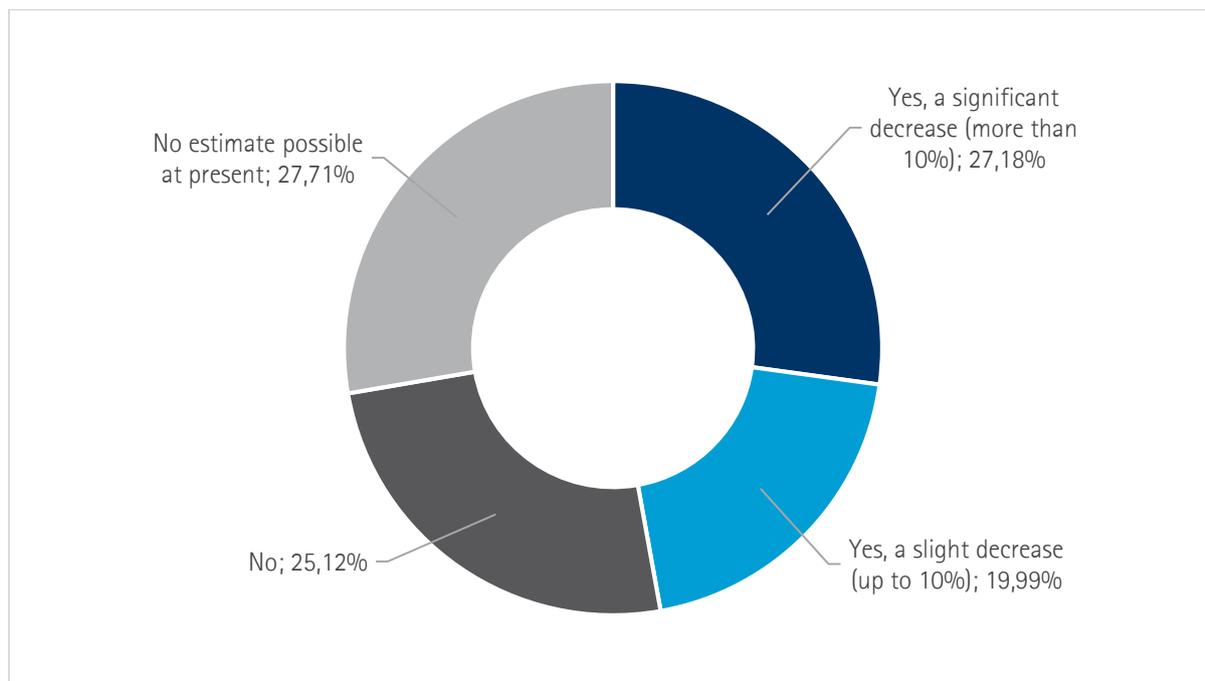
60 per cent of companies feel a need for information about continued remuneration. 45 per cent of companies are unsure about the appropriate handling of infected employees and suspected cases of corona within their company.

From the companies' point of view, concrete immediate economic policy measures should first and foremost aim at employment and liquidity protection.

Companies' needs (all sectors) (status 9.3.2020, 8:00 am)

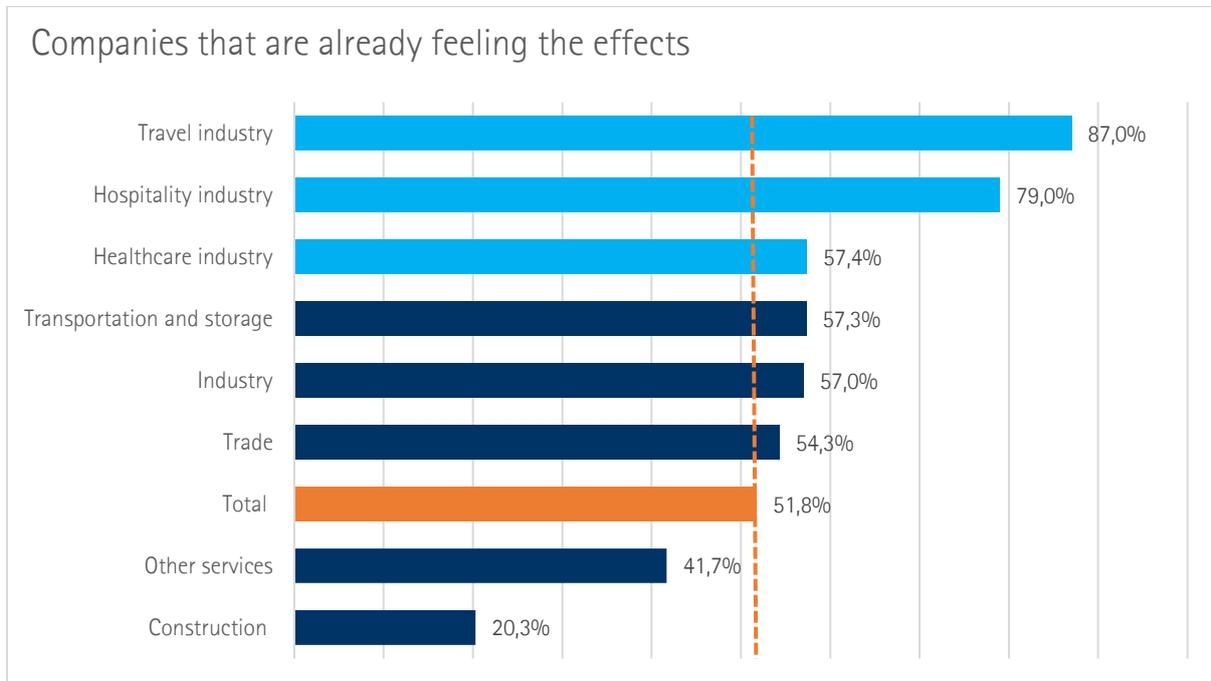


1. Do you expect to see declining turnover in 2020 due to the coronavirus?



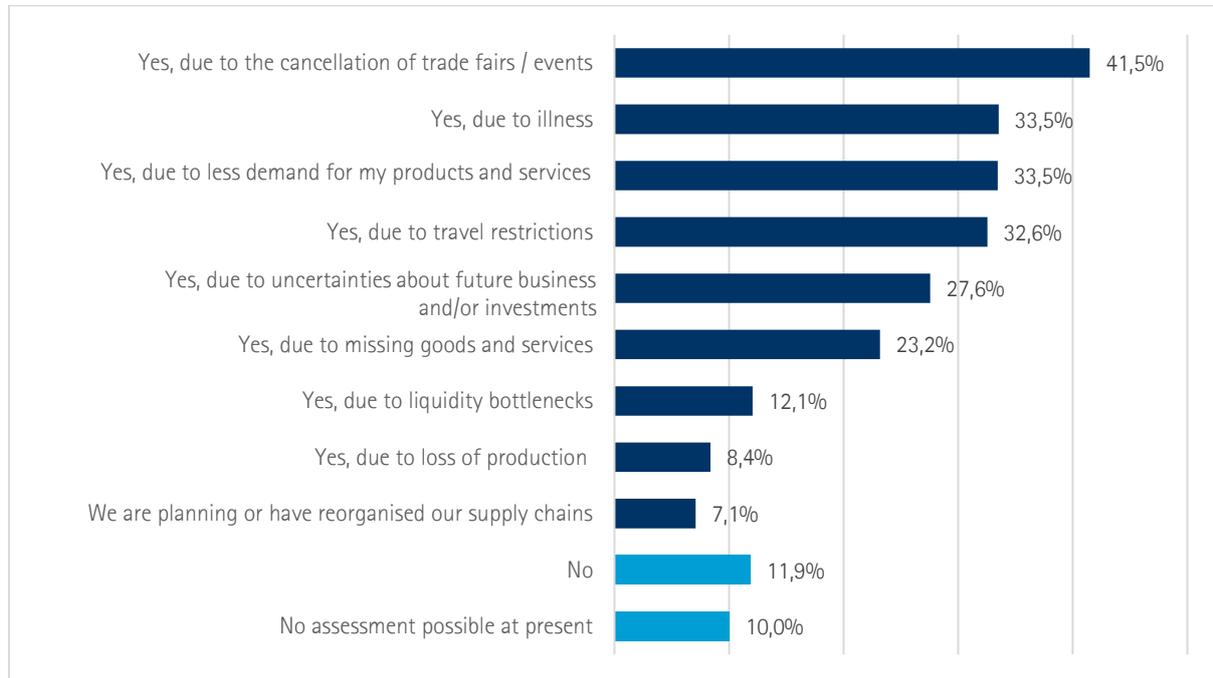
Almost every second company in Germany expects declining revenue in 2020 as a result of the coronavirus. While one in five expects a decrease of up to ten per cent; one in four expects a decrease of more than ten per cent. In some cases, companies report revenue losses of more than 75 per cent - examples are restaurants, hotels and trade fair operators. As a result, some firms are already fighting for their economic survival today.

2. Are you already seeing repercussions of the coronavirus on your business?



Half of the companies are already seeing repercussions of the coronavirus on their businesses. It is important for companies to carefully ponder the proportionality of precautionary measures. So far, the construction industry has been least impacted. The global reach, particularly through the disruption of supply chains and declining demand, foremost in China, is reflected in the above-average share of industrial companies who feel affected.

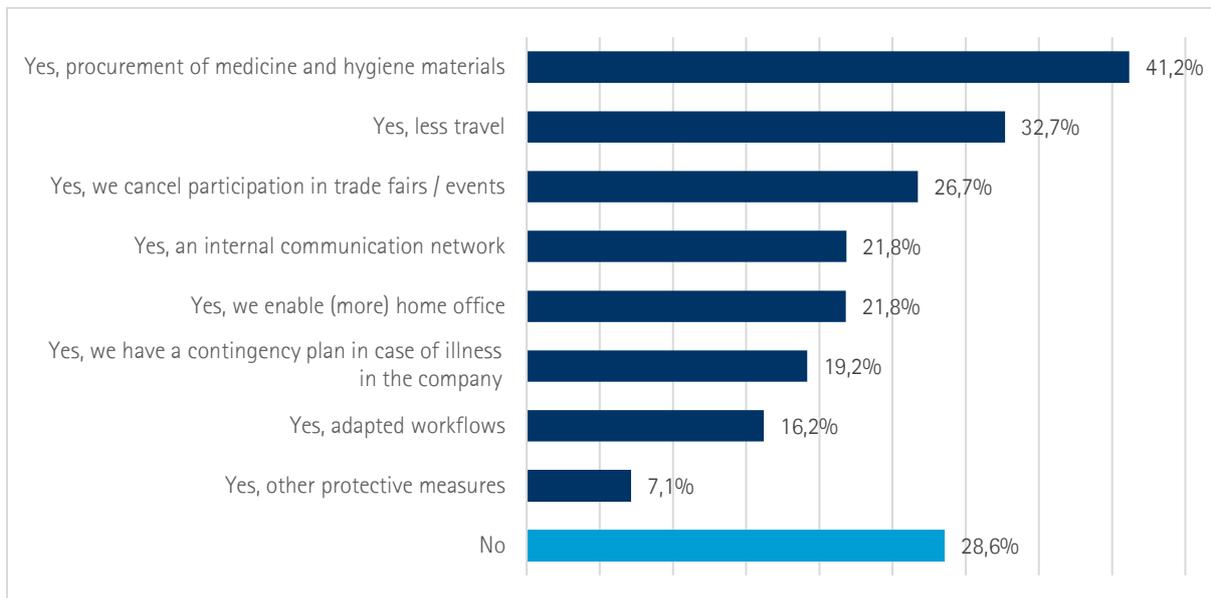
3. Do you expect the coronavirus to impair your business in the coming weeks?



Companies fear further significant business activity restrictions in the coming weeks. Two fifths of the companies anticipate further trade fairs and events to be cancelled. One third of the companies expect each, an increase in absence of employees due to illness, as well as travel restrictions. In view of the increasing global reach of the coronavirus, companies are also facing major challenges in terms of sales and production. Even though 23.2 per cent of firms expect to lack necessary goods and services in the coming weeks, they consider it too early to look for alternatives. While disruptions in supply chains constitute a concern for 7.1 per cent of all companies, 11 per cent of industrial firms expect hold-ups. Currently, companies concerned only see limited scope for action here – some raw materials and goods cannot be replaced in the short term.

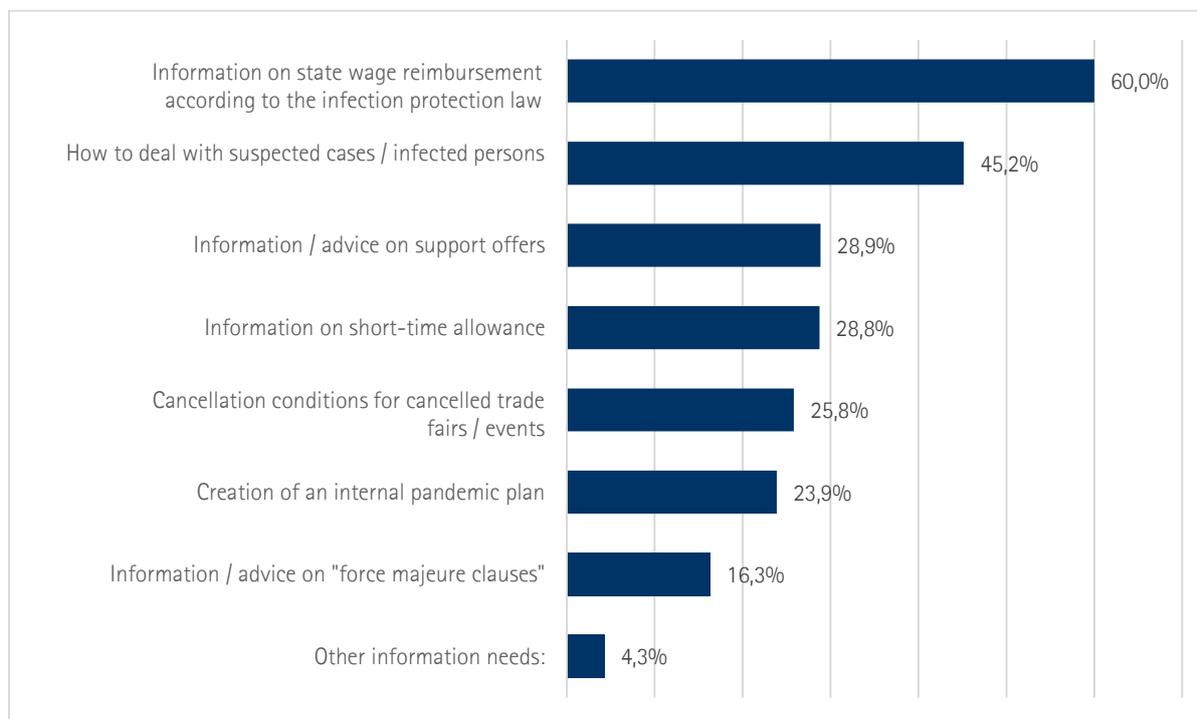
| Businesses fearing a lack of goods and services ... | | | |
|--|-----|------------------------------------|-----|
| ... expect difficulties in delivery from these countries | | ... substitute with suppliers from | |
| China | 81% | No substitution possible | 46% |
| Italy | 21% | Germany | 9% |
| Others Asia | 19% | Others Asia | 9% |
| Others Europe | 3% | Others Europe | 40% |

4. Are you planning, or have you already implemented protective measures for your employees due to the coronavirus?



70 per cent of companies have already become active and introduced protective measures for their employees in connection to the coronavirus. This primarily concerns the procurement of medicine and hygiene materials. In addition, staff is increasingly informed about hygiene measures and appropriate behaviour. Other precautionary measures such as limiting travelling and participation in large scale events are also being implemented. One fifth of the companies offer their employees to work from home. External appointments or visits are being increasingly dispensed with, and in some cases groups of employees are precautionarily locally separated in event of quarantine measures having to be induced. Several companies (16.2 per cent) have already started to adapt their operational processes. Hereby companies want to prevent potentially having to stop entire workflows.

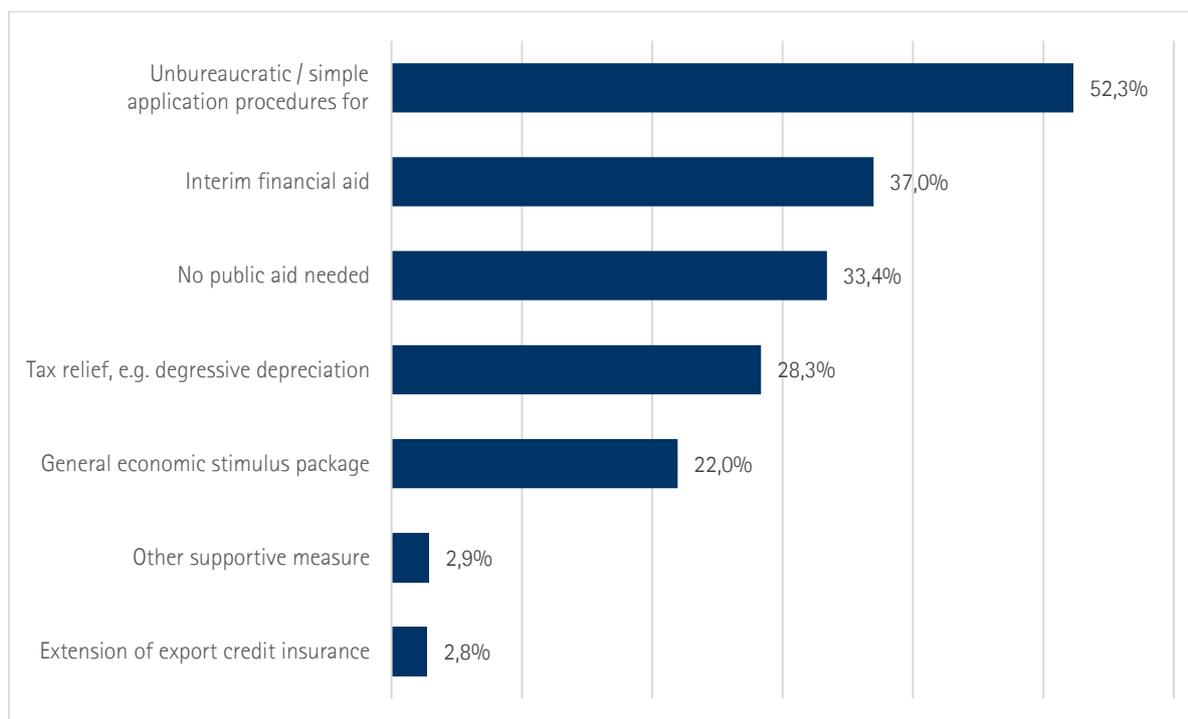
5. Authorities are already providing information on possible protective measures. Where do you see additional informational needs?



Companies are in need of information across a wide range of topics given the particular circumstances and everchanging situation. 60 per cent of companies need more information on how to claim wage reimbursement in case of operational consequences due to corona. According to the Infection Protection Act the public health department can put potentially infected employees under quarantine as a precautionary measure. Whilst affected employees are legally entitled to their net salary, employers are eligible to claim reimbursement within three months. In light of corona currently spreading in Germany, it is to be expected that numerous inquiries will reach the authorities regarding individual cases.

In addition, 45 per cent of the companies have questions about how to deal with already or possibly infected employees in the company. Furthermore, there is a need for information on the use of short-time allowance (28.8 per cent), further support offers (28.9 per cent) and pandemic plans (23.9 per cent). In many cases it is unclear how to deal with the non-compliance with contracts (25.8 per cent), e.g. when trade fairs and events are cancelled, or with contract clauses in the event of "force majeure" (16.3 per cent).

6. Which support measures do you consider necessary



In view of the, in some cases, considerable declines in turnover one third of the companies already see a need for financial bridging aid in order to secure liquidity in their operations. This includes direct, financial services such as unbureaucratic and extended short-time work compensation as well as working capital loans and guarantees. Faster and less bureaucratic action by the administrations, especially when taking advantage of support services, is now considered urgently necessary by more than every second company. Tax relief such as the suspension or deferral of tax payments, immediate depreciation for products in the areas of hygiene and health care and the general introduction of declining balance depreciation are also of great importance.

Methodology:

The survey took place from 3 to 6 March 2020 with more than 10,000 companies taking part.

Responses were divided between industry (21%), construction (6%), trade (19%), transport and storage (4%), travel (3%), hotels and restaurants (8%), health (3%), other services (36%)

By company size class the answers are distributed as follows: 1-19 employees (51%), 20-199 employees (34%), 200-499 employees (7%), 500-999 employees (3%), over 1,000 employees (5%).

Imprint

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