

## Effects of COVID-19 on the German economy

5. DIHK-Flash Survey November 2020

**DIHK**

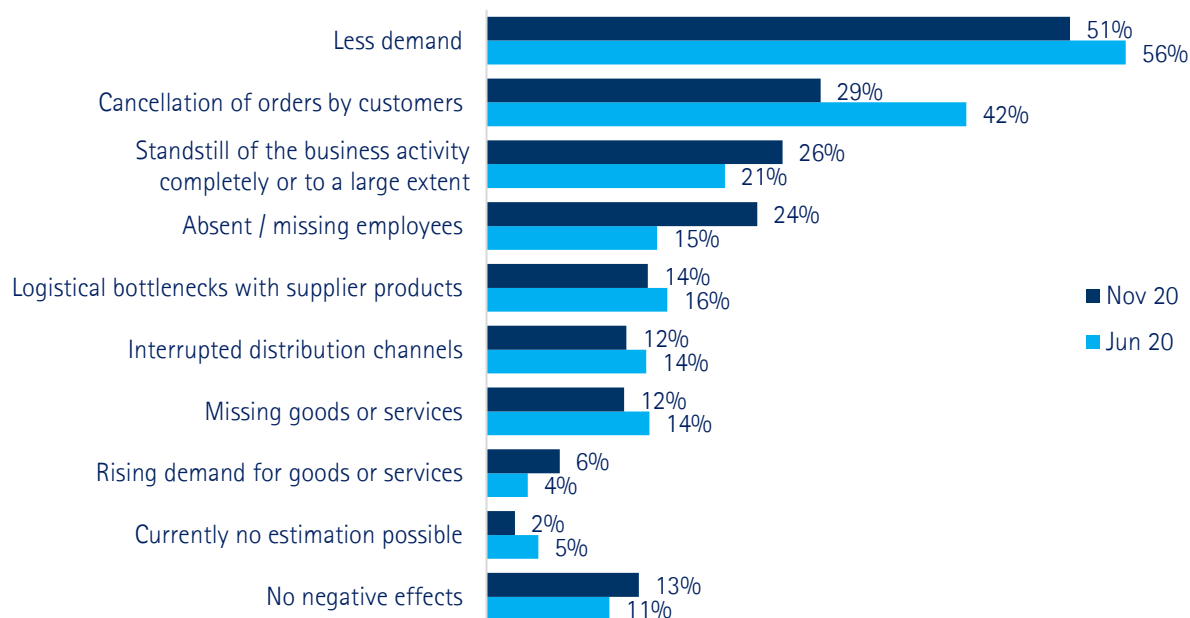
Deutscher  
Industrie- und Handelskammertag

**IHK**

Deutsche  
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## How does the Corona pandemic currently affect the companies' business?

Demand problems, order cancellations and absent employees are currently the most common effects of the corona pandemic on German companies. Every second company reports that demand remains low. In industry, retail and companies in the transport, warehousing and automotive trade sectors, the figure is over 60 percent. Around a quarter of the companies from industry, trade and construction are struggling with logistical bottlenecks in their supplier products.



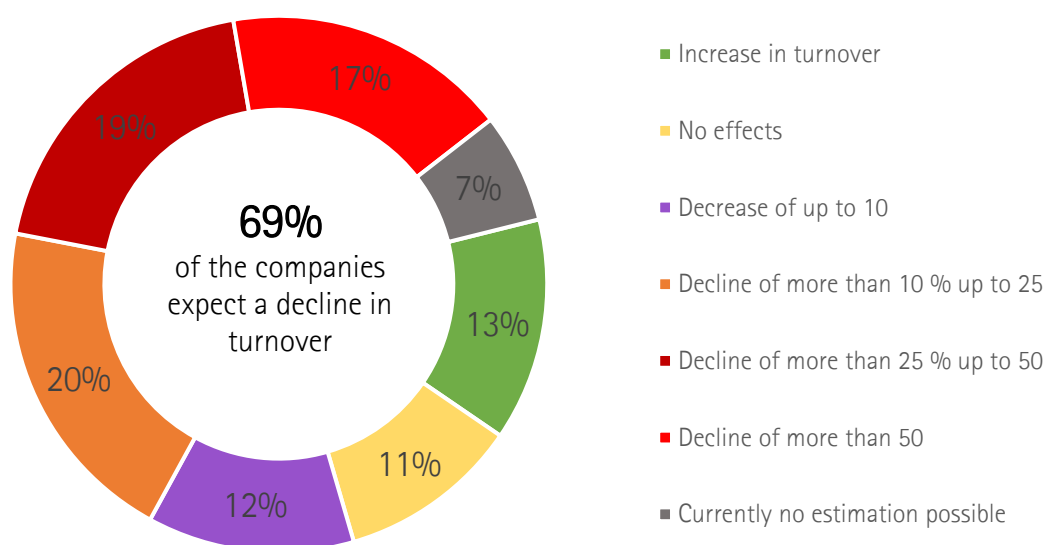
After the first two weeks of the partial lockdown in November, business has come to a standstill for over 80 percent of the hospitality and travel industry. This also applies to more than half of the companies in the cultural and creative industries. However, other sectors are also confronted with a closure or a virtual standstill of business operations, even if the majority of them have other reasons than governmental orders for closure.

### 1.1. Share of companies whose business is completely or largely at a standstill:

	Percentage of companies whose business has come to a standstill	... because of governmental order of closure	... for other reasons such as lack of demand or loss of employees
Industry	6%	16%	84%
Construction industry	4%	20%	80%
Retail	13%	39%	61%
Wholesale and trade mediation	11%	36%	64%
Car trade	5%	38%	62%
Transport and storage	12%	28%	72%
Travel industry	82%	45%	55%
Hospitality industry	83%	95%	5%
Cultural and creative industries	59%	69%	31%
Health Management	28%	88%	12%
Financial and insurance services	4%	25%	75%
Other services	22%	56%	44%

## How will the companies' total turnover develop in 2020 compared to 2019?

More than two thirds of the companies expect a decline in sales for the current year. In the industries affected by the partial lockdown, this is more than 90 percent of the companies. In the travel industry and the culture and leisure industry, more than half of the companies expect annual sales to fall by more than 50 percent compared to the previous year. In the hospitality industry, almost the entire industry expects a decline in sales for the whole of 2020, with more than two-fifths of the companies anticipating a decline of more than 50 percent. In the retail sector, the spread is high. A fifth of the companies report increases in sales this year, but a quarter also expect a drop in sales of between 25 and 50 percent of the previous year's sales. In the construction industry, the proportion of companies that have lost sales is lowest. Half of the construction companies feel no effects or record increases in sales. A look at the size classes reveals that small companies (1-19 employees) expect the sharpest falls in sales. More than a fifth expect a decline of more than 50 percent compared to the previous year. In comparison, only four percent of companies with 500 or more employees are prepared for such a drop in sales.

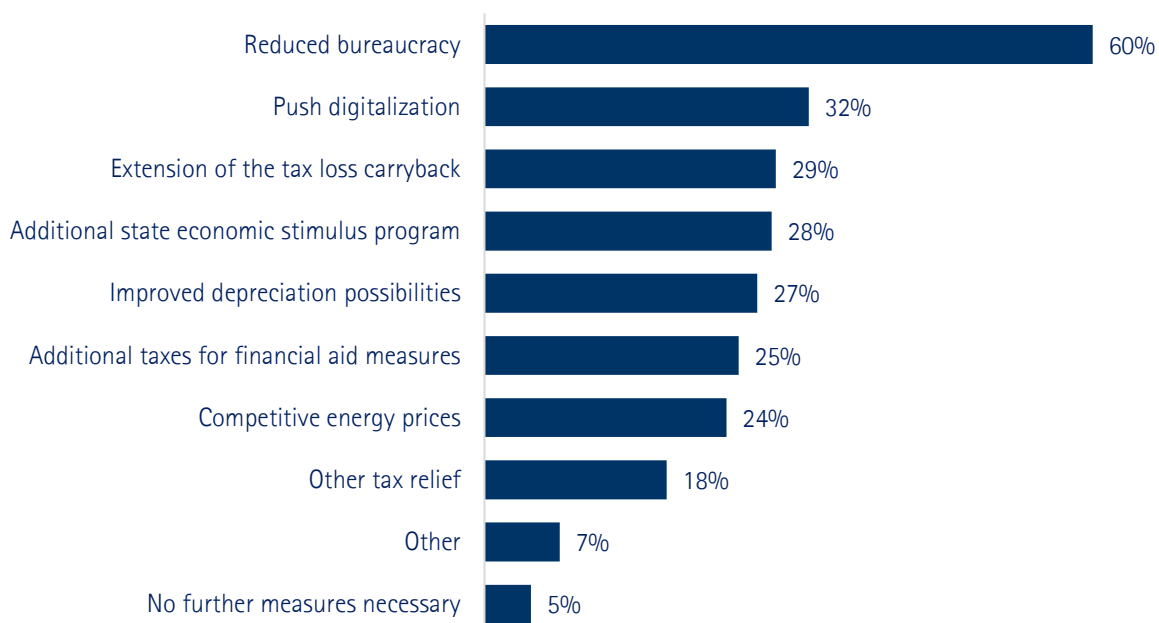


Expected sales development by sector	Increase in turnover	No effects / no assessment possible	Decline in turnover
Industry	16%	15%	69%
Construction industry	25%	39%	37%
Retail	21%	13%	66%
Wholesale and trade mediation	23%	16%	61%
Car trade	11%	16%	73%
Transport and storage	10%	17%	74%
Travel industry	1%	5%	94%
Hospitality industry	2%	5%	93%
Cultural and creative industries	2%	8%	90%
Health Management	13%	22%	65%
Financial and insurance services	17%	30%	54%
Other services	13%	24%	64%

## Against the current background: Which political measures are necessary from the perspective of the companies to support the economy?

Most companies see an urgent need for action in reducing bureaucracy. This applies across all industries. The second most frequently mentioned is the promotion of digitalization. Industrial companies in particular believe that it is the politicians' turn (41 percent). More than a quarter of all companies are in favor of improved depreciation conditions and an expansion of tax loss carry-back. While 45 percent of the industrial companies are demanding competitive energy prices, half of the sectors affected by the partial lockdown, above all hospitality, travel, culture, and leisure, are looking for additional financial aid measures. Here, the proportion of companies in favor of a further economic stimulus package is also higher than in the other sectors of the economy, at around 40 percent: in industry, construction and trade, around a quarter of companies see this as necessary.

All sizes of company agree on the need to reduce bureaucracy. In addition, the focus of small and medium-sized companies is primarily on tax measures, a further economic stimulus program and additional financial aid. The larger medium-sized and large companies are paying more attention to driving digitization and competitive energy prices.

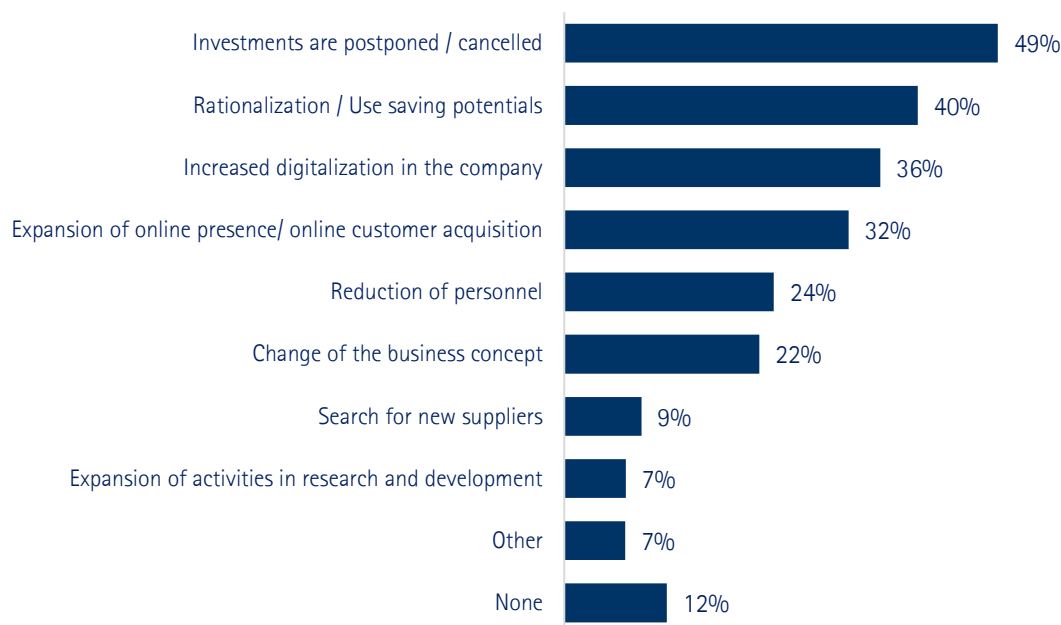


Measure	Number of employees in the company				
	1-19	20 - 249	250 - 499	500 - 999	1.000 und mehr
None	4%	5%	5%	5%	3%
Additional taxes for financial aid measures	29%	21%	14%	15%	14%
Push digitalization	25%	41%	55%	56%	64%
Competitive energy prices	19%	31%	37%	44%	37%
Reduced bureaucracy	57%	66%	68%	67%	71%
Extension of the tax loss carryback	30%	28%	23%	27%	23%
Improved depreciation possibilities	26%	30%	26%	26%	25%
Tax relief	20%	16%	10%	15%	8%
Additional state economic stimulus program	30%	26%	26%	24%	23%
Other	8%	6%	8%	3%	3%

## What measures are currently being taken or used by the companies, to face the crisis?

The companies themselves are reacting to the ongoing crisis with a whole range of measures. Almost half of the companies postpone or cancel planned investments. Two fifths are focusing on rationalization and exploiting potential savings. For 24 percent of the companies, this also includes staff reductions. At the same time, the crisis has prompted just under 36 percent of companies to step up digitalization and expand their online presence and online customer loyalty. Increased digitalization plays a particularly important role for companies with 250 employees or more - more than two-thirds of the associated companies are active in this field. For a fifth of the companies, reacting to the crisis also means changing their business concept.

In industry, rationalization measures, postponement or cancellation of investments and increased efforts in digitalization dominate. In the retail sector, almost half of the companies focus on expanding their online activities. The greatest cutbacks in their investment plans are made by companies in the travel and hospitality industry. Here, two-thirds of companies are reacting in this way to the Corona crisis.



Measure	Number of employees in the company				
	1-19	20 - 249	250 - 499	500 - 999	1.000 und mehr
None	13%	10%	6%	6%	3%
Investments are postponed / cancelled	51%	46%	45%	43%	50%
Reduction of personnel	22%	26%	25%	23%	31%
Rationalization / Use saving potentials	34%	47%	59%	59%	65%
Expansion of activities in research and development	5%	10%	13%	14%	12%
Change of the business concept	26%	15%	14%	9%	12%
Increased digitalization in the company	25%	49%	68%	69%	80%
Expansion of online presence/ online customer acquisition	31%	32%	41%	39%	48%
Search for new suppliers	8%	10%	10%	7%	7%
Other	8%	6%	5%	5%	2%

## Methodology

The survey took place from 17 to 20 November 2020. Over 13,000 companies took part in the survey.

The answers are distributed among industry (17%), construction (5%), trade (20%), transport and warehousing (4%), travel (4%), hospitality (12%), cultural and creative industries (4%), health care (3%), financial and insurance services (5%), other services (26%).

According to company size class, the answers are distributed as follows: 1-19 employees (63%), 20-249 employees (29%), 250-499 employees (3%), 500-999 employees (2%), over 1,000 employees (2%).

## Imprint

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