



Decide, invest, secure the future together

IHK Business Barometer for the 2021 Bundestag Election

DIHK

Deutscher
Industrie- und Handelskammertag

 **IHK**

Unternehmens-
barometer

The main results of the IHK company barometer for the 2021 federal election

- **Future viability needs investment.** The assessment of Germany's competitiveness as a business location is even worse than four years ago. And this at a time when economic changes require major investments by companies. The company barometer shows: **More speed in digitization and business-friendly administration** is needed from the new federal government. The three most important future issues for businesses are **digitization, climate protection that is safe for investment and the shortage of skilled workers.**
- In this context, the companies themselves are prepared to act, to **assume social responsibility** and to make a strong contribution to sustainable development, both nationally and internationally. However, the overwhelming majority feels increasingly overwhelmed by keeping track of the complex requirements and implementing the many requirements in their own companies.
- **Unblocking:** From the point of view of companies, **high bureaucratic requirements** are the greatest burden on Germany as a business location. This is also one of the main reasons for the **moderate rating of the business location's friendliness to start-ups.** Bureaucratic regulations are also a **stumbling block for innovation**, and companies believe that the location conditions are only mediocre. At the same time, innovation and entrepreneurial spirit are needed right now in order to move quickly into new technologies. The availability of **commercial space** is also a problem. Companies that want to establish new locations or expand often encounter problems finding suitable land. The time it takes to complete new buildings or facilities is also often too long from the companies' point of view due to the lengthy **planning law.**
- **Getting faster: Digitization** is a key growth driver and of great importance for the future viability of Germany as a business location. The Corona pandemic has once again increased the pressure for digital transformation. The topic is therefore right at the top of the priority list of companies. Companies see a particularly large deficit in digital infrastructure (keyword: fiber optics).
- **Entry into solutions necessary:** The very **poorly rated location factors of electricity costs and other energy costs** show that the burden limit has been reached or exceeded here for many companies. Under the influence of the decision of the Federal Constitutional Court, the German government has significantly tightened the **national climate protection targets** - in some cases also for individual sectors such as industry. By 2045, almost every company must be climate neutral. Politicians have set the framework for the phase-out. The question remains as to how new technologies can be introduced. Climate neutrality can only be achieved through investments by tens of thousands of companies.
- **Demand is growing faster than expansion:** The state of the **transport infrastructure** continues to cause companies' concern. Investment funds were at a high level in the past legislative period, at least for federal transport routes. Nevertheless, as in 2017, the situation is unsatisfactory from the companies' point of view (grade 3.5). This apparent contradiction can be resolved: Traffic continues to increase and the measures to **rehabilitate and expand transport routes are only slowly taking effect.**

- **Seize opportunities:** Finally, the poorer assessment of the **availability of skilled workers** is a warning signal. Successful implementation of innovations, digitization and climate protection requires bright minds and good training. As a guarantor of excellent skilled workers trained in practice, **vocational education** and training once again received top marks in the survey. The foundations of this efficient system should therefore not be touched. Nevertheless, 19 percent of the companies see a need for action. In this context, **labor costs** as a burden are gaining in importance again for the first time since 2009.
- **Stimulate growth:** To emerge well from the Corona crisis, businesses need to invest; an **investment-friendly tax system** will help. In the current survey, the current tax system no longer receives even a mediocre rating. 13 years after the last corporate tax reform, a modernization of corporate taxation is overdue. Economic growth results in permanently high government revenues. Sustainable public finances and a competitive tax system are two sides of the same coin.

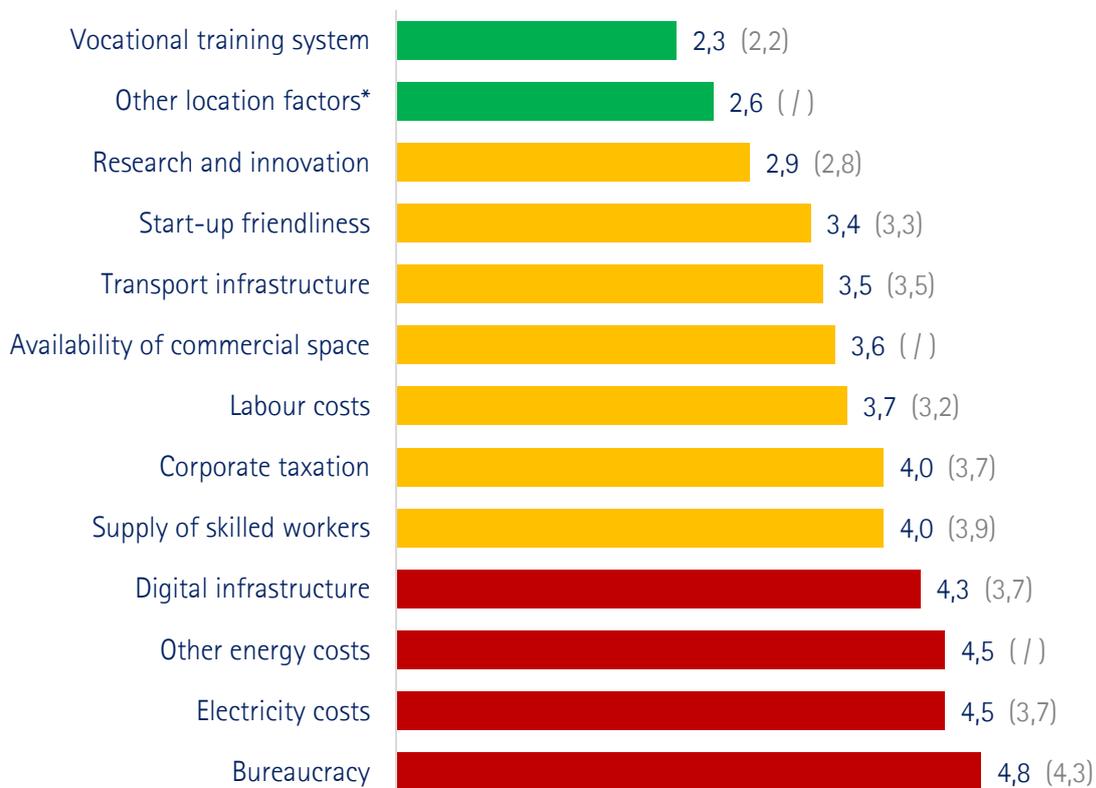
1. companies see location under pressure

In this year's Business Barometer, the companies' assessments of the location are even worse than four years ago. The deterioration is particularly pronounced in the assessment of electricity costs. Contributing to the deterioration is the fact that companies absorbed and initiated a lot during the Corona crisis - e.g., in the areas of health protection and digitization - and now miss and demand all the more, good framework conditions for entrepreneurial activity. The companies' assessments show a considerable need for action in the areas of bureaucracy, digital infrastructure, and energy costs. But the need for skilled workers is also at the top of the list.

Assessment by companies of how competitive Germany is as a business location

Average on a scale of 1 to 6: 1 = competitiveness very good to 6 = competitiveness insufficient

Value in brackets - average from 2017 survey



* public infrastructure, quality of leisure time, legal location, cultural offer

Bureaucracy and energy costs as core challenges

Administrative simplification and digitization are more necessary than ever. The location is rated worst in the survey in terms of bureaucracy (average score 4.8 after 4.3 in the last survey in 2017). Many companies don't have the resources to comply with more and more analog, complex, and repetitive reporting and requirements for reporting and documentation. And they have less and less willingness to do so, especially after their experience in the Corona crisis. Slow approvals and complex, sometimes incomprehensible regulations are unnecessarily slowing things down. Digitization has enormous potential to relieve the burden, and this potential should be exploited.

Bureaucracy

(Evaluation as average grade)

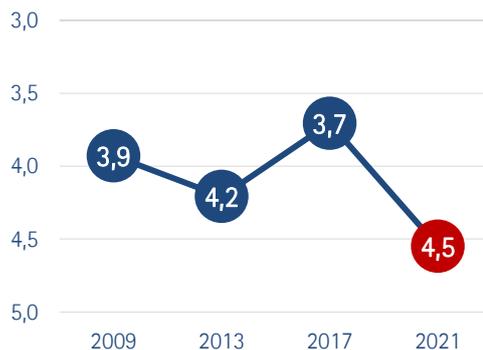


Efficient fixed and mobile networks are the basis of digitization: In the Corona period, the digital infrastructures - fixed and mobile - have by and large withstood the increased usage requirements. However, the companies' assessment here is also clearly negative and on a downward trend. The bottom line is that most companies are critical of the state of development of the digital infrastructure. Although the expansion of infrastructure is making progress in Germany, it must grow in line with the increasing digitization requirements of companies, which have also resulted from Corona. The digitization of planning and approval processes, including on the part of the public sector, is an important lever to enable the accelerating network expansion in the coming years.

Electricity and energy costs very high: After Germany is the European leader in electricity prices for almost all commercial consumers, the national CO₂-price on fossil fuels has had an additional impact since the beginning of the year. The Federal Government has thus created a special national burden that is not incurred in other EU countries, or not to the same extent. The business location is therefore at a double disadvantage in terms of electricity and energy costs. Companies that currently pay less for electricity because of the equalization schemes are managing with the uncertainty that these schemes will not last in the long term. In addition, the pure procurement costs for electricity set all-time records in September 2021, and the same is true for gas prices. For these reasons, it is logical that both location scores of 4.5 are no longer adequate. In the case of electricity costs, the rating worsens by 0.8 compared to 2017, with the rating in industry at 4.8 for electricity and 4.7 for energy again worse than the average across all sectors. Within the industry group, SMEs (250 to 999 employees) give electricity costs a poor rating (4.9). Energy costs also fared little better, with a score of 4.8. This is also since SMEs are less able to take advantage of compensation schemes than larger companies. The investment brakes on energy and electricity prices also mean that companies lack the necessary funds for company climate protection projects.

Electricity costs

(Evaluation as average score)



Engine for the tasks of the future: skilled workers ...

Investment in education means skilled workers for the future. From the perspective of companies, the **availability of skilled workers** continues to deteriorate. On average, companies only rate the supply of skilled workers at 4.0, which is a further decline compared to 2017 (3.9) - in 2013 the score was 3.6. Small and medium-sized enterprises (4.2 in the size category 0 to 499 employees) are even more affected than large companies (3.7 in the size category 1,000 employees and above).

Demographic developments will make staff shortages in companies even more acute in the future. It is therefore **important to increase labor force participation**. A further improvement in the compatibility of family and work is a helpful step towards this, so that parents can participate in working life to a greater extent and at flexible times. Qualified immigration is also of great importance. The Skilled Workers Immigration Act has improved the framework conditions for this.

With the shortage of skilled workers, the **level of labor costs** as a location factor is once again gaining in importance, after the assessment had steadily improved in recent years. At 3.7, the assessment is significantly worse than four years ago (3.2). The industry, which is particularly exposed to international competition, even gives a 3.9. High labor costs can prove to be an obstacle to hiring new employees in companies and thus make it more difficult for some sectors to restart after the crisis. In the personnel-intensive hospitality industry, the score is even higher at 4.0.

Supply of skilled workers
(Evaluation as average grade)



... and appropriate taxation

"Taxes" as a barrier to investment: Businesses are coming out of a period of high burdens and face major challenges. At the same time, there is a need for reform in corporate taxation. The assessment of corporate taxation as a location factor is therefore declining once again and is now only rated as sufficient by companies (grade 4.0 after 3.7 and 3.4). From an international perspective, Germany is often regarded as a high-tax country. A rising tax burden, especially through trade tax, and a great deal of bureaucracy in the administration of state levies are a burden on competitiveness. This is the case even though many countries have restricted or postponed planned reductions in corporate taxation during the pandemic.

Company taxation
(Evaluation as average grade)



Transport infrastructure – still a construction site

Germany has a very dense **transport network**. It is well connected by roads, railways, inland waterways and inland sea and airports. However, many transport facilities are outdated or in poor condition and numerous bottlenecks impede the flow of traffic. Bridges built in the 1950s and 1960s have already reached the end of their useful life; they need to be "de-commissioned" and quickly replaced by new structures. In addition, the increased construction activity creates burdens for infrastructure users. It remains to be seen whether the laws to speed up the construction of transport routes will pass the practical test. In particular, the shortage of civil engineers is causing projects to be delayed. In addition, vehicles with alternative drive systems require a comprehensive supply infrastructure that is open to all

technologies. A traffic turnaround in cities must also consider accessibility for private transport and delivery traffic in the future. This plethora of problems is expressed in the poor rating of only 3.5 for this location factor.

More start-ups and innovations in demand

Germany is only moderately founder friendly as a business location, with companies rating it as just average (3.4). The assessments fall again compared to 2017. The Corona pandemic has highlighted the problems: On the one hand, opportunities for innovation arose - such as the more intensive use of online conferencing, apps for customer control or contact tracking. On the other hand, deficits such as the availability of fast internet or the digitization of administration became clearly apparent.

The **lack of commercial space also plays a role**. The availability of commercial space only achieves a score of 3.6. There is a need for action, because without suitable commercial space the establishment and growth of companies is made considerably more difficult. Starting points for improvement are a general examination of the subsequent use of brownfield and conversion areas for commercial or industrial settlement, but also inter-municipal cooperation between the city and the surrounding area.

Research and innovation in Germany are now only in the midfield. Even though the future field of "research and innovation" occupies one of the top positions in the assessment of Germany as a business location, the rating has deteriorated for the third time in a row. Now, from the companies' point of view, a "2.9" is only enough for a mediocre grade (2.8 in 2017; 2.6 four years previously).

The German economy supplies the world markets with high and cutting-edge technologies and thus provides employment and income. Research and innovation secure German competitive advantages. The newly introduced tax-based research funding or established funding programs such as the Central Innovation Program for SMEs (ZIM) provide important impetus for the commercial economy, but structural obstacles to innovation such as bureaucratic rules and incomprehensible regulations have a negative impact on the mood.

Research and innovation
(Evaluation as average grade)



Strengthen strengths

Germany is well positioned in vocational education and training. Vocational education and training once again receives the highest grade (2.3) in the assessment of the business location. Companies are satisfied with the vocational training system, which has proven to be robust and efficient even in the Corona pandemic.

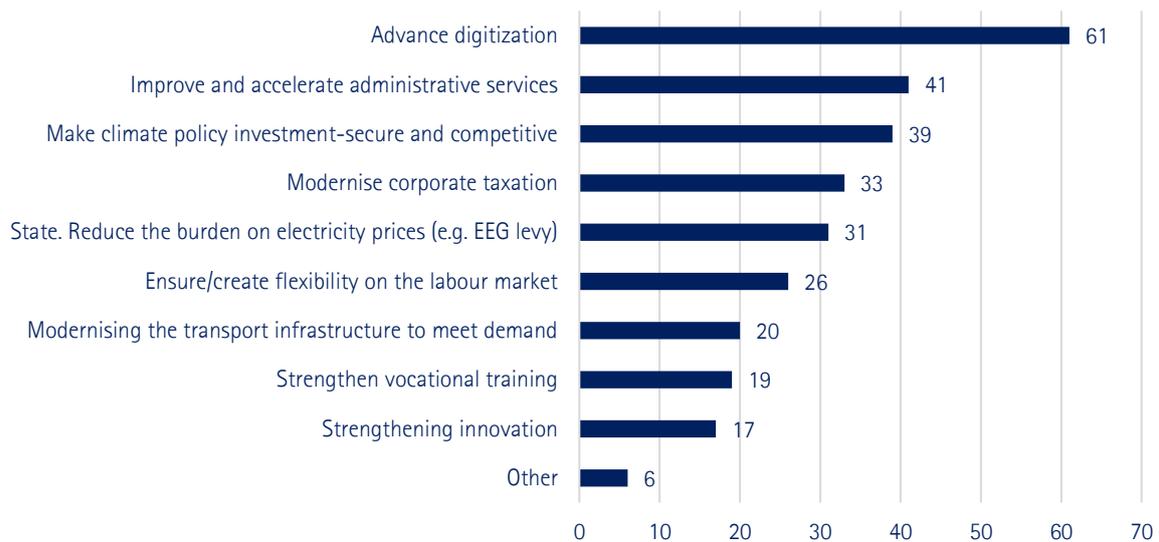
Thanks to the commitment of thousands of voluntary examiners, more than half a million young people have been able to obtain their vocational qualifications from the Chambers of Industry and Commerce alone since the beginning of the pandemic. This means that vocational education and training, which also includes higher vocational education and training with the Bachelor's and Master's Professional degrees, remains a guarantor of well-trained skilled workers in practice.

The **soft location factors** such as **public infrastructure, leisure time quality, legal location and cultural offerings** are also rated as fully satisfactory by the companies. This is a location strength, despite all the criticism of public services. However, this can also be further developed.

2. seizing opportunities of transformation, making decisions – main fields of action for the new federal government

What should the newly elected federal government (regardless of Corona measures) primarily tackle from your company's point of view?

in percent, multiple answers possible



The last four years have not improved Germany's competitiveness from a business perspective. One and a half years of the Corona pandemic have posed existential questions for several companies and created a high need for investment in the public and private sectors. For companies, the acceleration of digitalization is at the top of the agenda. Two-thirds of companies see this issue as urgent. This is followed by better administrative services and a competitive climate policy, with 41 and 39 percent respectively agreeing.

Core task digitization

When asked which topics the newly elected federal government should primarily push forward in the view of the companies, the topic of digitization is at the top of the list (61 percent). This proportion has again increased significantly compared to 2017 (55 percent), which is not least due to the increased pressure on businesses to transform because of the Corona pandemic. The Corona crisis demonstrated how digital applications can help connect people and businesses or bring services and products to the appropriate audiences through digital channels. Companies have also recognized the long-term benefits of digitalization – such as faster and less bureaucratic processes or cost savings.

However, there is a lack of fundamental framework conditions to enable companies to fully exploit the potential of digitization. Germany does not have a modern digital infrastructure. Fiber-optic connections right into buildings and nationwide mobile communications coverage are a crucial prerequisite for the digitization and networking of companies. The measures to achieve this must be strategically better coordinated. The same applies to the regulatory environment. For example, the differing actions of the supervisory authorities regarding data protection make the use of new technologies and digital business models more difficult. Companies would also like to see legal certainty and support in the exchange of data among themselves and in the use of public sector data (open data).

Simpler, clearer, faster, yet digital and practical

Companies not only want better framework conditions for their own digitization. They also see the improvement and acceleration of administrative services as a priority for the new federal government. Many companies feel that reporting, notification, and documentation requirements are disproportionately high - small companies in particular (52 percent compared to 41 percent in the group of all respondents) see this as one of the key priorities for the new federal government. A key reason for the perceived deficit: the enormous relief and modernization potential of legislation and administration in digital offerings and solutions is not being exploited, not even in planning and approval processes. There is a lack of legal certainty and an investment-friendly environment that includes understandable regulation and appropriate taxation.

The digitization of administrative services - and thus the digitization-driven reduction of bureaucratic burdens for companies - has indeed been addressed with the implementation of the Online Access Act. But the administration, as a component of the value creation networks of companies, still has some homework to do to meet the requirements of companies. This is because fundamental elements for a comprehensive modernization and digitization of the administration are still missing. For example, there is a lack of company-oriented, uniform access to digital administrative services and of uniform technical interfaces for handling administrative processes across levels and for connecting basic components and registers.

Climate protection: creating alternatives

Many companies are faced with a dilemma: they are supposed to invest in operational climate protection but lack the corresponding financial resources due to high electricity and energy costs. In addition, customers are only exceptionally willing to accept price premiums for "green" products. Thirdly, there is currently no alternative to the use of natural gas, for example, for high-temperature process heat. At the same time, politicians are increasing the pressure on CO₂ prices, so that the dilemma is worsening.

It is therefore hardly surprising that 39 percent of companies consider it a priority to make climate policy investment-proof and competitive (third place among all measures). This includes refraining from further tightening of targets and making it easier for companies to invest in corporate climate protection, e.g., in the form of photovoltaic systems. In those areas where no economic alternatives are available, the companies concerned also need compensation schemes. This point receives a particularly large number of votes from industry (46 percent, third place among the measures), as it is particularly confronted with energy and electricity prices that threaten competition (cf. also Question 1). Large companies with 1,000 or more employees are particularly in favor of better framework conditions (54 percent).

Modernize the tax system

A third of companies are calling for corporate taxation to be modernized - five percentage points more than four years ago. This highlights the need for reform in this policy area. Above all, the trade sector (41 percent), but also the construction industry (34 percent) stated with above-average frequency that this demand is a priority for them. After 13 years since the last corporate tax reform, there is a need for a comprehensive modernization of corporate taxation. In addition to a consistent digitization of processes with and within the tax administration - combined with a noticeable shortening of processing times such as the periods for tax audits - this includes the structural realignment of substantive tax law to make it more investment-friendly. Among other things, cost taxation, e.g., in the case of trade tax additions, should be abolished, or at least significantly eased. The pandemic-related economic crisis has shown how important it is to offset losses as far as possible in order to make it easier for companies to get through and out of the crisis. Therefore, companies should be able to carry back their losses to several years and offset them in full, not just to a limited extent, against current profits. For a lasting way out of the crisis, investment-friendly tax law is also needed with adjusted depreciation periods to reflect faster technological change and a higher limit for immediate write-offs (at least 1,000 euros). Particularly in the international context, Germany should return to a competitive level of taxation on corporate profits.

Electricity price relief

As part of the Corona aid program, the German government has decided to limit the EEG surcharge by means of subsidies from the federal budget - this year to 6.5 and next year to 6 cents/kWh. This is a first step towards reducing the state-induced components of the electricity price. Further reductions have been announced. The revenues from the national CO₂ price are to be used mainly to reduce the EEG levy. Nevertheless, the electricity price reduction still ranks fifth in the policy recommendations.

For 31 percent of companies, additional relief on the electricity price should therefore be at the top of the political agenda. Therefore, the EEG surcharge should quickly be fully financed from the budget. This would benefit industry, which, at 44 percent, weights this point significantly higher than the average of all companies. Within industry, it is the group of companies with 500 to 999 employees and thus SMEs that rank this point among the top three.

Flexible work – company solutions

At present, around one in four companies (26 per cent) see the preservation or creation of flexibility on the labor market as a task that the new federal government should primarily address. Four years ago, this was still 37 percent. As a result of the massive use of short-time working in the pandemic, with six million employees now receiving short-time working benefits, the labor market has come through the crisis relatively unscathed so far, so that possible adjustments to increase flexibility are not at the top of the agenda for many companies at present. In addition, megatrends such as digitization and climate protection are currently more important for many companies.

Modernise transport infrastructure

A needs-based renovation of the transport infrastructure is seen as a priority task by 20 percent of companies. This is a significantly lower figure than in 2017 with 37 percent. There are positive changes: more funds - especially for federal transport routes - and several laws to accelerate planning. But these continue to be countered by significant weaknesses: planning and approval processes that are too long and insufficient staffing at administrations, courts, and planning offices. In addition, the volume of traffic continues to grow.

Adjusting vocational training as a driver for skilled workers

The top score for competitiveness makes it clear that most companies consider vocational education and training to be an excellent system whose foundations must not be shaken - for example, by unilateral guarantees of a training place or a legal right to continuing training. Nevertheless, 19 percent of companies see a need for action. Now that the Corona crisis has been overcome, the slowly recovering training market must be further stabilized and school leavers must be brought together with the numerous training places available from companies. In this context, recommendations of the Bundestag's Commission of Inquiry "Vocational Training in the Digital World of Work" should be taken up, for example better digital equipment for vocational schools, particularly in rural areas.

Let innovations ignite

Almost every fifth company (17 percent) considers improvements in the research and innovation system to be necessary. For innovative ideas to find their way into practice, simpler and faster funding processes as well as modern transfer instruments from science to practice are necessary. Real laboratories and experimentation clauses are also a low-threshold way of driving innovation forward. New technologies and regulatory instruments can be tested in an open-ended manner in a real environment and lead to the further development of laws to enable more innovations. In many cases, there is still a lack of willingness in Germany for more flexibility and diversity in experimental spaces.

Other priorities

Under other priorities, many companies mention proposals to reduce bureaucracy. This underlines the importance of administrative simplification. Other topics that individual companies would like to see include tax relief, a stronger political focus on SMEs, equal treatment for online and stationary retail trade, and strategies for more climate protection. Some of these topics were addressed in the economic policy statements in the last part of the survey.

3. business views on future economic policy

In the last part of the survey, companies were asked whether they agree or disagree with economic policy positions. The answers show predominantly agreement, whereby they express a high level of awareness of the problem, particularly regarding the costs of climate protection.

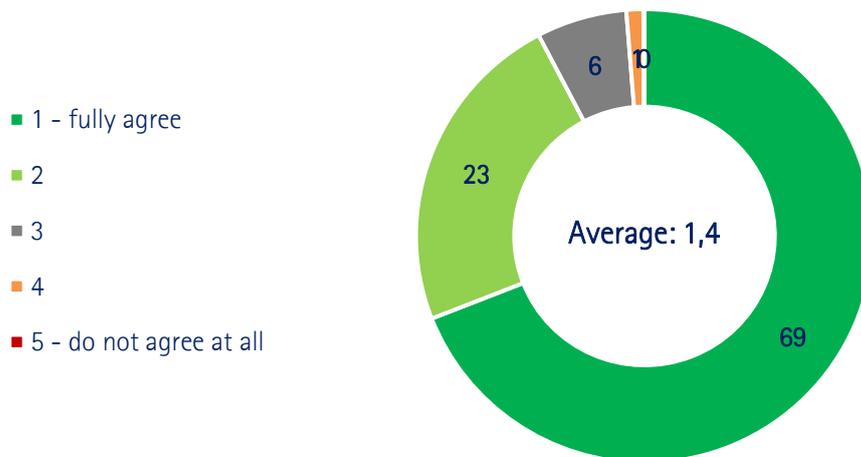
How do companies rate the following statements?

in percent, scale 1-5, strongly agree = 1; strongly disagree = 5	1	2	3	4	5	Cut
"The Corona crisis has exposed a massive need for investment in both the public and private sectors. However, investments in Germany are hampered by excessively long planning and approval procedures."	69	23	6	1	0	1,4
"The requirements for the manufacture and distribution of products are becoming increasingly complex. At the same time, compliance with these rules by suppliers from third countries is insufficiently controlled. Better enforcement in the areas of product safety, taxation and customs is important for more fairness in competition."	49	33	16	2	0	1,7
"The scope of corporate responsibility - climate neutrality, demographic change, digitization, data protection, human rights in supply chains - is being drawn ever wider. At the company level, it is becoming increasingly difficult to meet these government requirements."	50	33	11	4	2	1,8
"The coronavirus pandemic has shown that Germany and other EU member states are highly dependent on individual supplier states or supply chains for important goods and raw materials. Therefore, for products and raw materials identified as critical, production and storage capacities should be shifted to Europe - even if this increases costs."	43	37	15	3	2	1,8
"In order to achieve the climate protection goals, we are dependent on a faster expansion of renewable energies, energy infrastructures and the conversion of industrial plants to climate-neutral fuels. The federal and state governments must urgently ensure the necessary framework conditions (e.g., distance regulations for wind turbines, rapid approval procedures)."	46	29	14	6	5	1,9
"The tax system should become much simpler. I would support appropriate measures, even if this means that exemptions are eliminated and the tax burden for my company may increase."	38	33	22	4	2	2,0
"The federal government should return to the debt brake as soon as possible."	33	31	26	7	3	2,2
"Shop openings on Sundays should be allowed on a limited basis with the aim of attractive city centers."	42	22	16	8	13	2,3
"Trade barriers have increased once again for my company in the wake of the coronavirus pandemic. The German government should work together with the EU against protectionism and for open markets worldwide - even in politically difficult constellations."	25	28	33	9	5	2,4
"Climate protection should be advanced, even if it means additional costs for my company."	23	31	26	11	9	2,5

Long planning and approval procedures act as a brake on investment

9 out of 10 businesses agree that there is a massive need for investment in both the public and private sectors. In the Corona year 2020, companies have significantly reduced their investments in equipment and remain reluctant to invest in plant or machinery. Currently, not only price increases and shortages of raw materials and products are slowing down investments and thus the economic upswing, but also structurally long planning and approval procedures.

"The Corona crisis has exposed a massive need for investment in both the public and private sectors. However, investments in Germany are hampered by excessively long planning and approval procedures." in percent

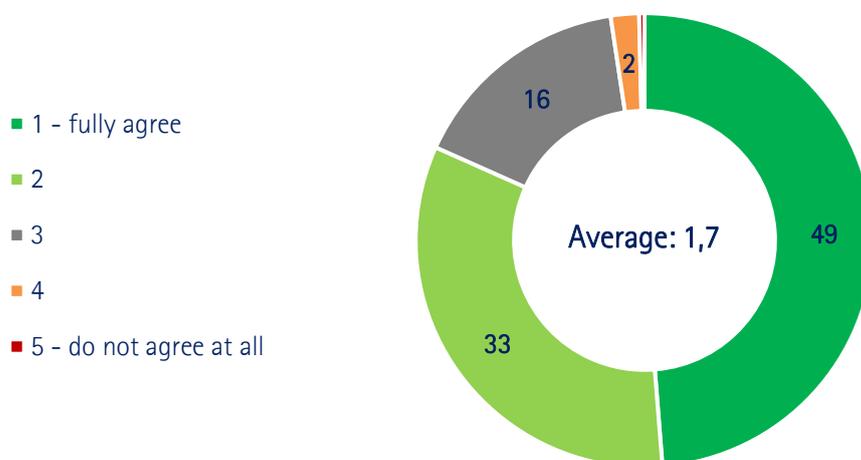


Seizing opportunities and making new investments is slowed down by excessively long and complex planning and approval procedures. Examples are industrial plants, wind farms, but also new business parks. The DIHK suggests that these procedures be streamlined and thus accelerated. Reducing the number of planning stages, e.g., for infrastructure projects and commercial settlements, would significantly reduce the duration of the procedures, as, for example, duplicate public participation and environmental assessments would be eliminated.

Ensuring fair competition through appropriate enforcement

Companies must comply with numerous rules before they can place goods on the market. These include product safety requirements, chemicals legislation and an increasing number of regulations from the area of recycling management, such as energy efficiency labels, the Packaging Act or the Electrical and Battery Act. These regulations are often associated with information and labelling obligations, which lead to an ever-increasing effort to make products "compliant" available on the market. In the future, the Supply Chain Compliance Act will bring with it further requirements.

"The requirements for the manufacture and distribution of products are becoming increasingly complex. At the same time, compliance with these rules by suppliers from third countries is insufficiently controlled. Better enforcement in the areas of product safety, taxes and customs is important for more fairness in competition." in percent



At the same time, however, more and more goods are being sold directly to end customers via digital distribution channels by suppliers from third countries. Random checks by market surveillance show that the proportion of unsafe products here is very high. In the area of sales tax, understatements of value are made on numerous shipments, so that sales tax or customs duties are evaded.

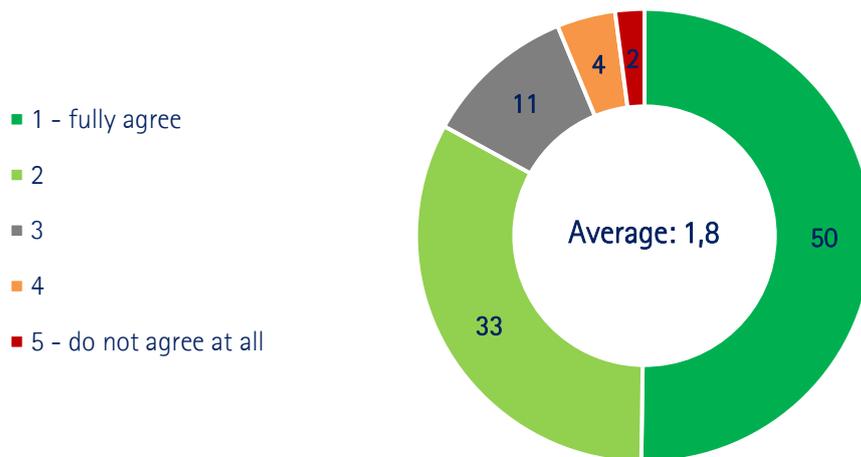
For local manufacturers and retailers, this leads to unfair competition. The broad agreement on this question shows that the problem not only affects the retail trade (agreement: 82 percent), but above all the wholesale trade (agreement: 89 percent) and industry (agreement: 86 percent).

To improve the enforcement of national tax and compliance rules in e-commerce shipping, human and digital or AI-based resources are needed. Systems for secure digital identities and transaction data should also be strengthened. Closer international cooperation between enforcement authorities, for example at WTO level, to effectively monitor the flow of goods against practices that distort competition would also be useful.

Supporting corporate responsibility

Companies in Germany are aware of their social responsibility at national and international level and are already voluntarily committed to a high degree beyond the legal requirements. It is therefore alarming that 83 percent of the companies surveyed consider compliance with government requirements to be increasingly difficult in operational practice. Only six percent of respondents feel up to the challenge.

"The scope of corporate responsibility - climate neutrality, demographic change, digitization, data protection, human rights in supply chains - is being drawn ever wider. At the company level, it is becoming increasingly difficult to meet these government requirements." in percent



Companies are facing challenges as a result of the recently passed supply chain due diligence law. The EU Conflict Minerals Regulation, the CSR Directive and the planned EU directive for a European supply chain law should also be mentioned here.

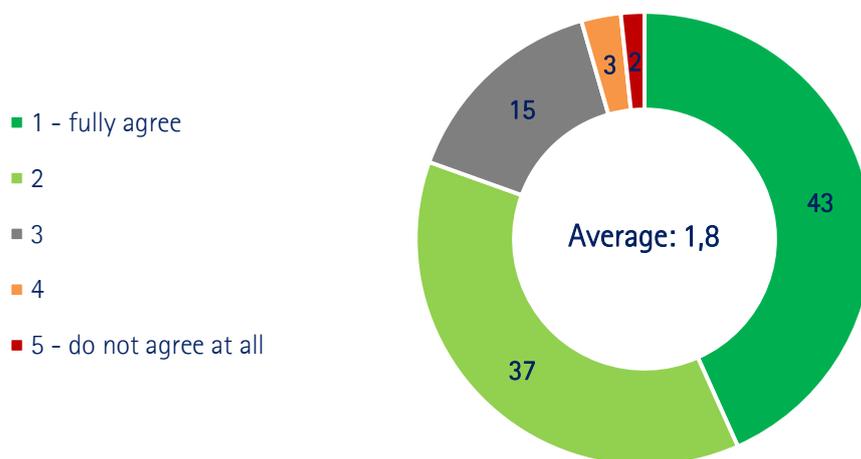
Respect for human rights is an important concern for German companies, which can be consistently pursued in their own operations or in their own entrepreneurial activities. It remains questionable, however, how one can gain influence over one's suppliers in an international, often widely ramified supply chain. Politicians themselves should remain responsible in this regard.

Necessary legal standards, obligations and interventions in corporate decisions should therefore generally be designed in such a way that they explicitly acknowledge the diverse commitment of companies, do not hinder, or disadvantage them and are manageable in day-to-day business.

Strengthening supply chains

The relocation of production and storage capacities for critical products and raw materials to Europe meets with the approval of 80 percent of the companies - regardless of the economic sectors, the approval is high. The healthcare industry in particular (87 percent) sees this as an opportunity to reduce supply dependencies. Large companies with 1,000 or more employees agree with this statement less frequently than small and medium-sized companies. Overall, this shows that the interruption of supply chains or, for example, the shutdown of microchip production during the Corona-related economic crisis have had a strong impact on the companies and their business activities - in addition to the current massive price increases - and that the companies want support such as security. At the same time, however, it is also clear that in each case it must be examined in detail which measure (e.g., increased stockpiling versus setting up production in the EU) is most effective at what point in time to eliminate the problems.

"The coronavirus pandemic has shown that Germany and other EU member states are highly dependent on individual supplier states or supply chains for important goods and raw materials. Therefore, for products and raw materials identified as critical, production and storage capacities should be shifted to Europe - even if this increases costs." in percent



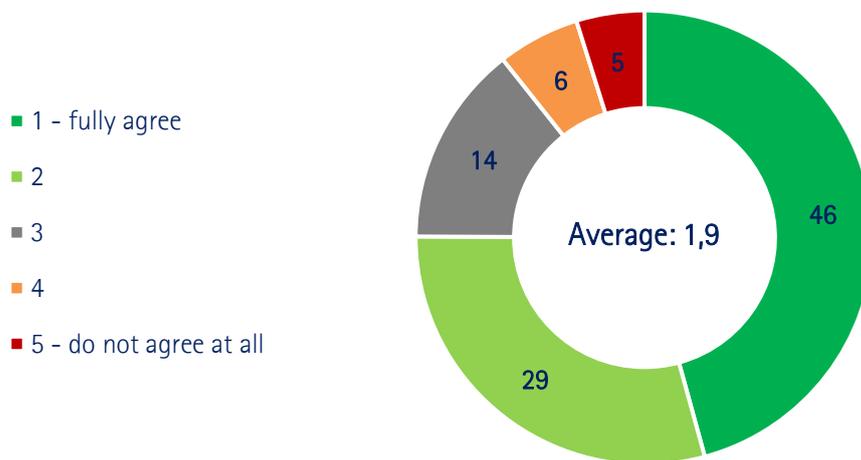
Fundamentally, supply chain relocations are business decisions that should not be imposed by the state. The highly internationalized economy remains dependent on open markets, global rules-based trade, and the international division of labor. Overall, however, the framework conditions for companies should be designed in such a way that production close to the location becomes more attractive. In some cases, it may be necessary to restructure value chains for essential products, as has already been done in some cases. Windfall effects should be avoided. In addition, it should be ensured that the focus is on innovation and long-term competitiveness and that uncertainties in market development are considered. In principle, where possible, the diversification of supply chains, the creation of larger emergency reserves or the promotion of particularly flexible production units that can be quickly converted in the event of a crisis should be considered.

In addition, it is important to create systems to monitor the Europe-wide availability of, for example, medicines or other essential products and, if necessary, to be able to eliminate regionally occurring shortages through stocks from other Member States.

Investing in climate protection: adapting the framework

Germany is to be climate neutral on balance in 2045, thus achieving the target five years earlier than previously envisaged. This means that industrial companies will have to convert their production processes to climate-neutral fuels over the next 24 years. It requires companies to make major investments, especially since customers are generally willing to pay more for "green" products to a limited extent at best. Companies in other sectors are also called upon to reduce their energy requirements, for example. In addition, the higher climate protection target means that investments in renewable energies must be made even more quickly to replace fossil-fuel power plants that are no longer needed.

"In order to achieve the climate protection goals, we are dependent on a faster expansion of renewable energies, energy infrastructures and the conversion of industrial plants to climate-neutral fuels. The federal and state governments must urgently ensure the necessary framework conditions (e.g., distance regulations for wind turbines, rapid approval procedures)." in percent



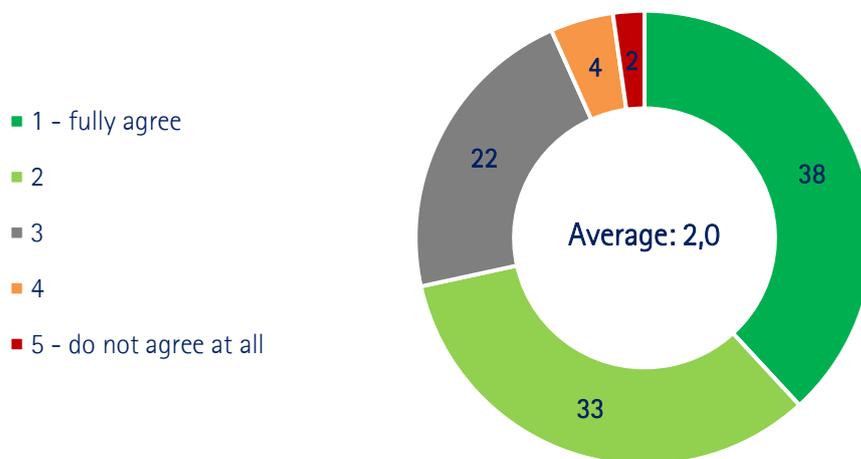
The vast majority of companies (75 percent) do not yet see the necessary framework conditions for their investments. Only 11 percent consider the investment framework to be sufficient. The conditions that are not suitable also include the high costs of energy and electricity, which deprive companies of capital, as well as bureaucratic hurdles (cf. 1st question). Furthermore, the lengthy planning and approval procedures mean that companies wishing to invest in renewable energies or in converting their production processes are often thwarted. In view of the short time window until 2045, the new federal government should quickly set the appropriate framework.

Lower tax rates with fewer exemptions

Seven out of ten companies (71 percent) would even accept additional tax burdens if tax law were simplified. Smaller companies (0 to 19 employees) are more likely than average to say yes (0 to 19 employees). This is because complex tax regulations are a particular burden on smaller and medium-sized companies, which generally do not have their own tax departments. Accordingly, tax records and declarations often must be done "on the side" or by external service providers, which causes additional costs.

"The tax system should become much simpler. I would support appropriate measures, even if this means that exemptions are eliminated, and the tax burden may increase for my company." in percent

There is considerable potential for simplification in VAT law, for example, as this gives rise to high compliance costs for businesses, partly because of the high risk of error due to very complex rules.

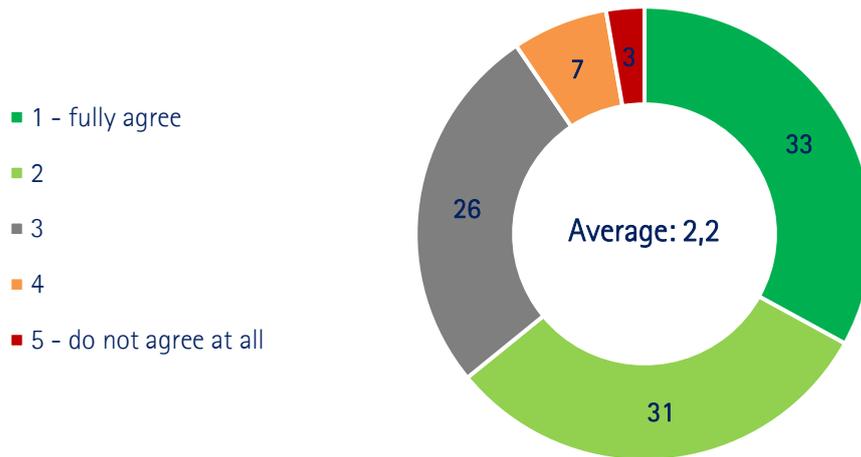


Sustainable public finances as an important basis

Almost two-thirds of companies would like to see a rapid return to the so called "debt brake" - the global fiscal rule enshrined in the German constitution since 2011. It achieves sustainable public finances by limiting public debt to a maximum of 60 percent of gross domestic product.

"The federal government should return to the debt brake as soon as possible."

in percent



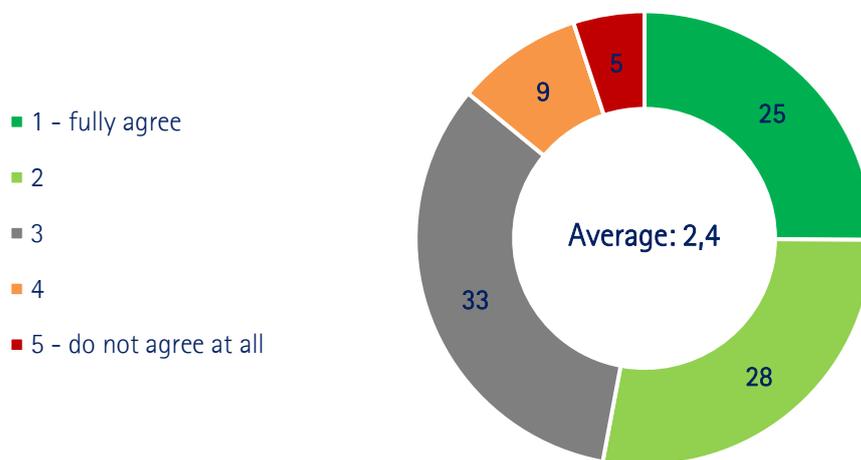
The "debt brake" has already demonstrated its importance as a crisis prevention instrument. Different federal governments have reduced the high level of national debt after 2010 to below the requirements of the European Stability and Growth Pact by the end of 2019. This is the only reason why Germany has been able to cushion the economic consequences of the Corona crisis to date with large financial resources. At the same time, it has been possible to combine the financial consolidation successes under the debt brake in recent years with a significant increase in public investment.

Open world markets for a strong economy

A clear majority of companies would like the German government, together with the EU, to take a firm stand against protectionism and for open markets worldwide. In the wake of the coronavirus pandemic, trade barriers for many companies have increased once again - for example through export restrictions on critical goods. For industrial companies with their global supply and value chains, open markets and rules-based trade are particularly important. 70 percent would like to see a strong voice from the new German government in this area. It is also particularly relevant for medium-sized and large companies with 250 or more employees, which are more strongly involved in international supply chains than for smaller companies - the approval of industrial companies with 1,000 or more employees is over 80 percent.

"Trade barriers have increased once again for my company in the wake of the coronavirus pandemic. The German government should work together with the EU against protectionism and for open markets worldwide - even in politically difficult constellations."

in percent

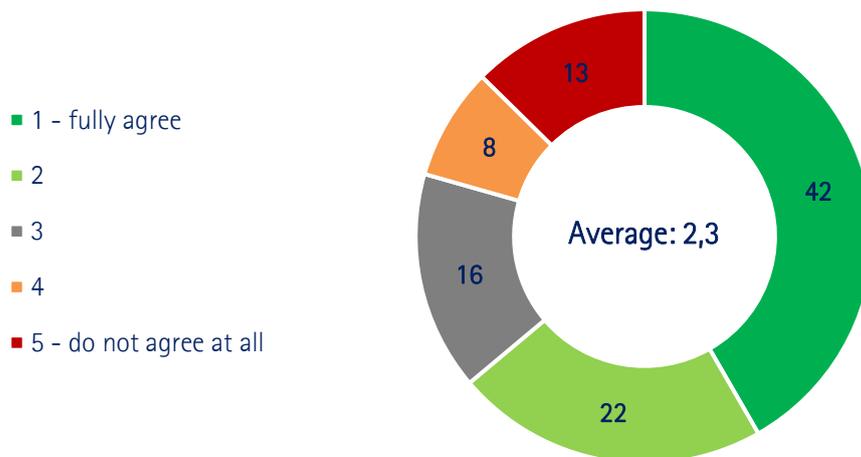


Companies from the hospitality industry, the cultural and creative industries, or the service sector, for which the international exchange of goods is somewhat less relevant, tend to be neutral on the statement. Overall, the topic of trade policy is highly relevant for the companies. The German economy is dependent on open markets. One in four jobs in Germany depends on exports, in industry even one in two.

Strengthening city centers: Allowing shops to open flexibly on Sundays

Most companies would like to see more flexibility in shop opening hours on Sundays. The opening of retail on Sundays has been a concern of the sector for years. Although the possibility exists in principle, these are associated with high expenditure and are often not legally secure. As a result of the Corona pandemic, inner-city retailers in particular have suffered heavy losses and are still below the previous year's level ¹. Support for the inner-city economic players would currently be important to maintain the attractiveness of the inner cities.

"Shop openings on Sundays should be allowed on a limited basis with the aim of attractive city centers." in percent



The possibility to open on a limited number of Sundays per year would considerably strengthen the city centers and all their economic actors, because gastronomy or service providers also benefit from the additional visitors on Sundays. For the retail trade, on the other hand, it is partly associated with cost burdens. This is also reflected in the survey results: The hospitality industry as well as the cultural and creative industries (approval: 82 percent each) and the travel industry (approval: 76 percent) are even more in favor of opening shops on Sundays than the retail sector (approval: 61 percent).

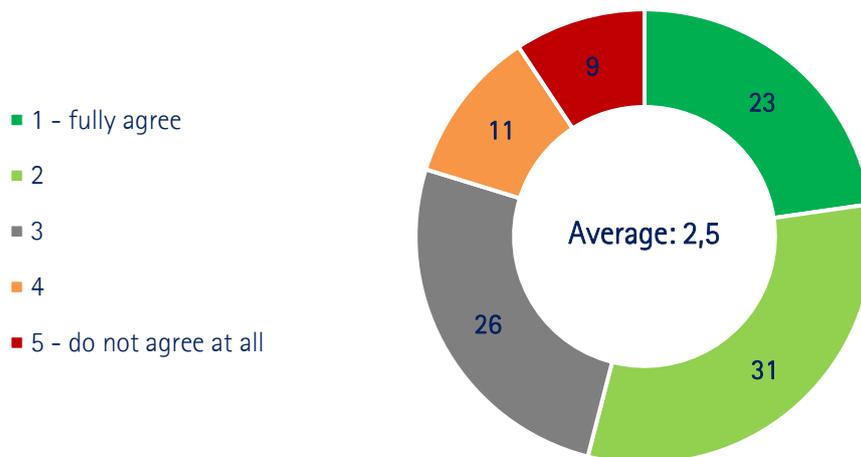
¹ Destatis, Retail trade turnover in July 2021, Turnover development (real) January to July 2021 (https://www.destatis.de/DE/Presse/Pressemitteilungen/2021/09/PD21_411_45212.html)

Climate protection – skepticism about costs

Since the economy currently bears the main costs of climate protection, many companies have already reached the limit of their burden. Only a slight majority is therefore open to additional costs for climate protection. The mixed attitude of businesses to this issue shows that politicians should take a close look at the costs of climate protection intensively. In addition, electricity, CO₂ and gas prices, which are already at record levels, are further restricting companies' room for maneuver.

"Climate protection should be advanced, even if it means additional costs for my company."

in percent



The low level of agreement in the eastern German economy is striking from a regional perspective: with a score of 2.9, the question achieves a significantly worse value there than in the other regions - the best score is achieved in the south with 2.2.

Questionnaire

1. From the point of view of your company, assess how competitive Germany is as a business location in the following areas (answers in alphabetical order):

(On a scale of 1 to 6: 1 = competitiveness very good to 6 = competitiveness insufficient)

- Labour costs
- Bureaucracy (including e-government)
- Digital infrastructure (e.g. broadband)
- Supply of skilled workers
- Research and innovation
- Start-up friendly
- Electricity costs
- Other energy costs (including CO2 pricing)
- Vocational education and training system
- Company taxation
- Transport infrastructure (all modes of transport including electromobility)
- Availability of commercial space
- Other location factors (public infrastructure, leisure quality, legal location, cultural offerings)

2. What should the newly elected federal government (regardless of Corona measures) *primarily* tackle from your company's point of view? (Answers in alphabetical order) (max. 3 answers possible)

- Strengthening vocational education and training
- Drive digitization forward (e.g. broadband networks, IT security)
- Ensure/create flexibility on the labor market
- Strengthening the innovation location
- Making climate policy investment-secure and competitive
- Reduce state burden on electricity prices (e.g. EEG levy)
- Modernize company taxation
- Modernizing transport infrastructure to meet demand
- Improve and accelerate administrative services
- Other (free text field)

Note: The following questions 3. and 3.1. are not part of this publication, they are evaluated separately.

3. How much has the coronavirus pandemic changed your business (including business model, work processes, supplier relationships)?

(Scale 0 to 5, 0= "no change", 5= "strong adaptation/change")

3.1. What would be most helpful to you in continuing to deal with the pandemic? (Answers in alphabetical order)

(5 categories matrix (1=very important, 2=important, 3=neutral, 4=unimportant, 5=irrelevant))

- Nationwide uniform standards for the application of Corona rules
- Restore/secure (international) mobility/logistics
- Strengthen capital resources (e.g. extended loss carry-back, better depreciation conditions, easier access to credit, support for redemption payments)
- Increase plannability: Formulate Corona ordinances in a comprehensible way and establish sufficient lead time
- Increase political acceptance and use of digital tools to enable sustained business in the pandemic (e.g., digital queues, click & collect, contact tracking)
- Keeping support measures for particularly affected companies ready beyond 31.12.2021

4. From your company's point of view, how would you rate the following statements?

(Scale 1-5, fully agree=1; strongly disagree =5)

- "The scope of corporate responsibility - climate neutrality, demographic change, digitization, data protection, human rights in supply chains - is being drawn ever wider. At the company level, it is becoming increasingly difficult to meet these government requirements."
- "The Corona crisis has exposed a massive need for investment in both the public and private sectors. However, investments in Germany are hampered by excessively long planning and approval procedures."
- "The tax system should become much simpler. I would support appropriate measures, even if this means that exemptions are eliminated and the tax burden for my company may increase."
- "The federal government should return to the so called "debt brake" as soon as possible".
- "Trade barriers have increased once again for my company in the wake of the coronavirus pandemic. The German government should work together with the EU against protectionism and for open markets worldwide - even in politically difficult constellations."
- "The coronavirus pandemic has shown that Germany and other EU member states are highly dependent on individual supply countries or supply chains for important goods and raw materials. goods and raw materials are highly dependent on individual supplier states or supply chains. Therefore, for products and raw materials identified as critical, production and storage capacities should be shifted to Europe - even if this increases costs."
- "In order to achieve the climate protection goals, we are dependent on a faster expansion of renewable energies, energy infrastructures as well as the conversion of industrial plants to climate-neutral fuels. The federal and state governments must urgently ensure the necessary framework conditions (e.g. distance regulations for wind turbines, fast approval procedures)."
- "Climate protection should be advanced, even if it means additional costs for my company."
- "The requirements for the manufacture and distribution of products are becoming increasingly complex. At the same time, compliance with these rules by suppliers from third countries is insufficiently controlled. Better enforcement in the areas of product safety, taxation and customs is important for more fairness in competition."
- "Shop openings on Sundays should be allowed on a limited basis with the aim of attractive city centers."

Methodology

Under the title "Decide, invest, secure the future together", the DIHK presents the evaluation of the results of an online survey in which the entrepreneurial honorary office of the IHK organization participated. The survey took place from 13 to 17 September 2021. The evaluation is based on responses from over 3,500 companies from the plenary assemblies of the IHKs and the specialist committees of the DIHK. These are distributed across the economic sectors of industry (30 percent), construction (five percent), trade (19 percent), transport (five percent), hospitality and travel (eleven percent), culture and creative industries (four percent), finance (six percent) and other services (18 percent).

Companies from Bavaria answered question 1 (assessment of competitiveness) in a separate survey of Bavarian chambers of commerce in spring 2021. Question 2 (priorities of the federal government) was integrated into the business survey of the Bavarian IHKs running in September 2021 and evaluated in the period from 13 to 17 September as part of this company barometer. The Bavarian results of questions 1 and 2 were integrated in this way into the nationwide IHK company barometer. Questions 3 and 4 were not asked in Bavaria.

Imprint

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September 2021