



Going International 2022

Experiences and prospects of German business in
foreign business – results of a company survey

DIHK

Deutscher
Industrie- und Handelskammertag

IHK

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Industrie- und Handelskammern

The main results

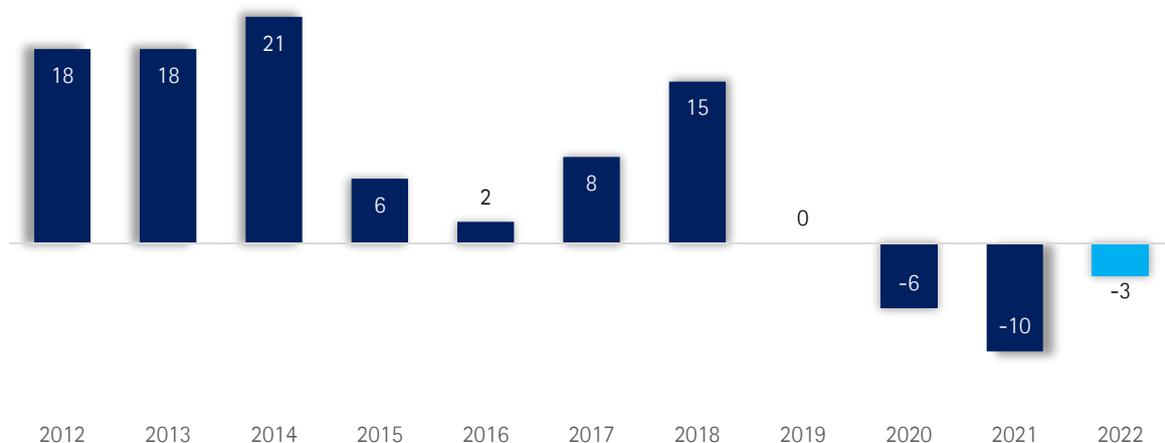
1. The global business outlook of internationally active German companies is negative overall. 21 percent expect foreign business to deteriorate, only 18 percent expect an improvement in 2022.¹
2. Expectations for international business in Europe and North America are predominantly positive. In China, however, the business outlook is poor.
3. Even two years after the start of the coronavirus pandemic, the impact on companies is enormous: in particular, problems in the supply chain and logistics, lack of goods and services, and travel restrictions are affecting global business.
4. Regardless of the coronavirus pandemic, 54 percent of companies report new trade barriers in their international business - reaching a new high.

Business prospects in the world regions

An increase in trade barriers and ongoing effects of the coronavirus pandemic disrupting production processes and supply chains are making it more difficult for internationally active German companies to do business globally this year. Compared to the previous survey, the business outlook brightens a little because slightly fewer companies assess the business outlook negatively (21 percent after 27 percent previously). Only 18 percent expect better business in 2022. Although the balance of positive and negative assessments improves to minus three points after minus ten points previously, companies are still predominantly pessimistic about their global business outlook for the third year in a row. Only in a few regions of the world - for example in parts of Europe, North America and Asia (excluding China) - do companies expect their business to expand.

Global Business Perspectives (Worldwide)

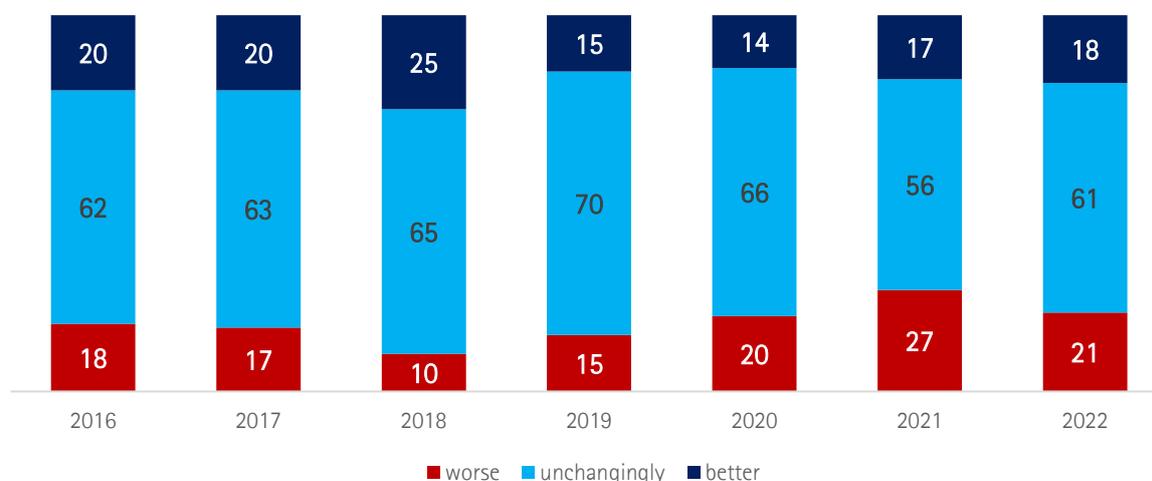
(Balance of "better" minus "worse" reports)



¹ The survey took place in the first half of February. The companies' perspectives therefore do not include the impact of the Russian attack on Ukraine.

Global Business Perspectives (Worldwide)

(Figures in percent)



Growth drivers Europe and North America

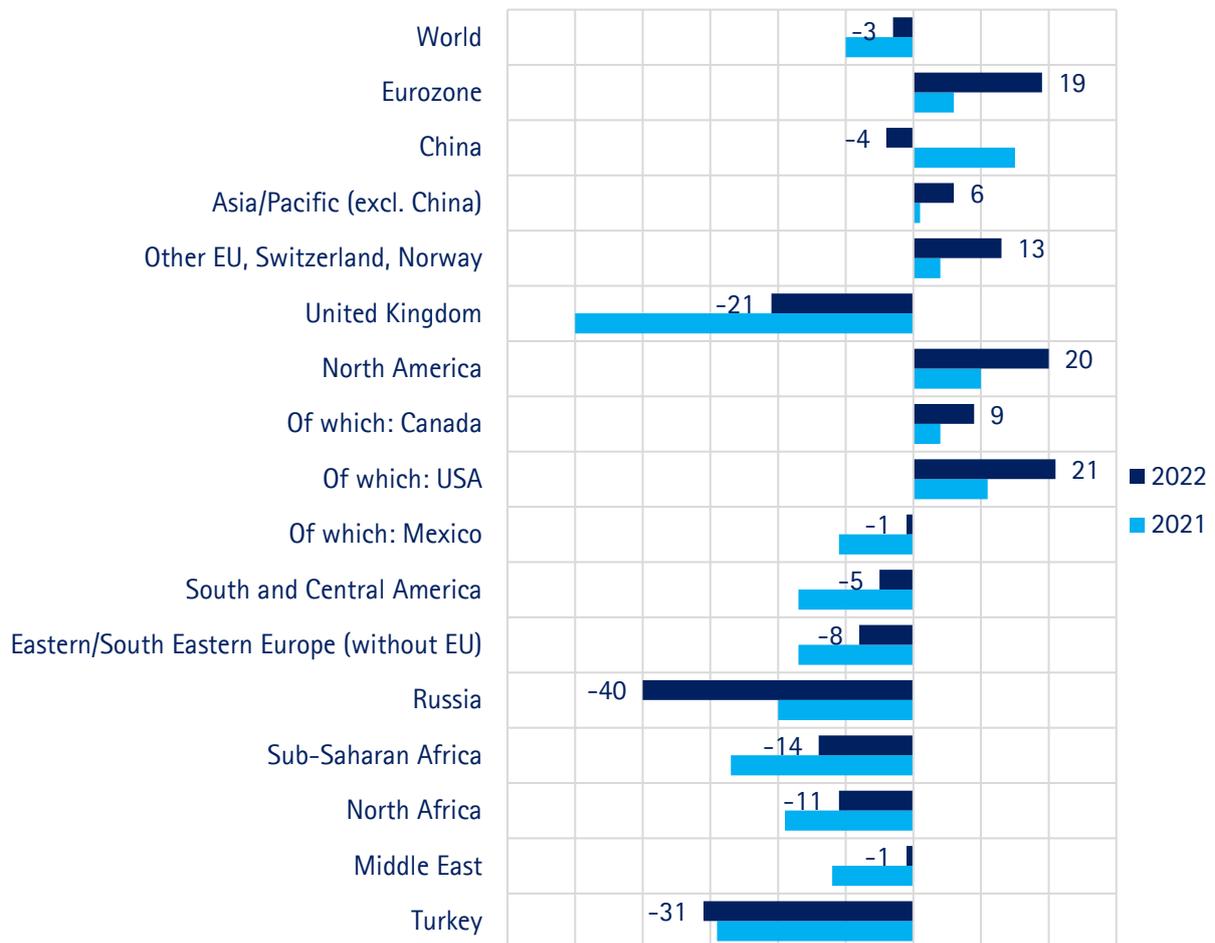
In parts of Europe and in North America, companies expect good business this year: The assessment of the current situation as well as the outlook for the coming months is predominantly positive. Compared to the previous survey, the mood with regard to business in these regions has also improved significantly. In the Eurozone, 53 percent of the companies assess their current business as good and nine percent as bad (the resulting balance of good minus bad assessments improves from twelve to 44 points). In addition, 28 percent expect better and nine percent worse business in 2022 (balance of better minus worse assessments rises from six to 19 points). For the other EU countries as well as for Switzerland and Norway, the companies also predominantly indicate a good business situation and outlook: 44 percent currently have good business, eleven percent bad (balance of 33 after previously six points). Every fifth company expects an improvement in its business, eight percent a deterioration (balance of 13 after previously four points).

With regard to their business in the USA, 45 percent of the companies describe their situation as good and 17 percent as poor (balance of 28 points after minus three points previously). For the coming months, 31 percent of the companies in Germany's most important export market expect business to improve and ten percent to deteriorate (balance of eleven points after 21 previously). This makes the USA the front-runner in the business expectations of German companies.

Light in Asia-Pacific and shadow in China

In the Asia-Pacific region (excluding China), both the current business situation of German companies and the outlook for the coming months are improving compared to the previous survey: 27 percent report a good business situation and 23 percent a poor one (balance of four points after minus four points previously). For business in the coming year, one in five companies sees an improvement and 14 percent a deterioration (balance of six points after one point previously). In China, on the other hand, companies expect a further deterioration of their business in the near future, based on an already poor business situation (balance of minus three points), and are thus significantly more pessimistic than in the previous year. 28 percent of the companies doing business with China describe their current business situation as good, 31 percent as bad (balance of minus three points after 13 points previously). One-fifth of the companies expect their business to improve, while every fourth company expects it to worsen (balance of minus four after 15 points previously).

Business outlook in the world regions (balance in points)



Balance of "better" minus "worse" reports

Brexit burdens business activities with the United Kingdom

Business with the United Kingdom (UK) is mostly not satisfactory for companies. Both current business and business prospects considering the coming months are assessed pessimistically. Here, companies are facing challenges related to the UK's exit from the EU single market.

Bleak business prospects for Russia and Turkey

Companies with business relations to Turkey and Russia assess their situation and prospects regarding their local business predominantly negatively. Although the business situation has improved slightly compared to the previous survey, its balance remains clearly negative: 14 percent of the companies report good business with Turkey, every second company rates it as poor (balance of minus 37 after previously minus 44 points). The devaluation of the lira and the resulting high inflation rates in Turkey reduce domestic purchasing power and demand for foreign goods. For Russia, 15 percent report good business and every second company bad business (balance of minus 34 after minus 38 points before). The business outlook - especially for business in Russia - has deteriorated significantly even before the Russian invasion of Ukraine. Only nine percent expect an improvement, 49 percent expect a deterioration (balance of minus 40

after minus 20 points previously) - nowhere the business outlook is currently assessed more negatively. One factor for this is the current geopolitical risks in Russia which go along with already existing trade barriers.

Challenges predominate in Central and South America, Sub-Saharan Africa and the MENA region

The outlook of German companies regarding their business with countries in South and Central America, North Africa, Sub-Saharan Africa and the Middle East remains predominantly negative, although it has improved compared to the previous survey. Only 17 percent of the companies say they are currently doing good business in South and Central America, while 37 percent say they are doing bad business (balance of minus 20 points after minus 40 points previously). Business in sub-Saharan Africa, North Africa and the Middle East shows a similar picture. Business expectations for the coming months are assessed somewhat less pessimistically than the current business situation. The balance of better minus worse reports is also negative. However, the companies with worse expectations are not quite as predominant.

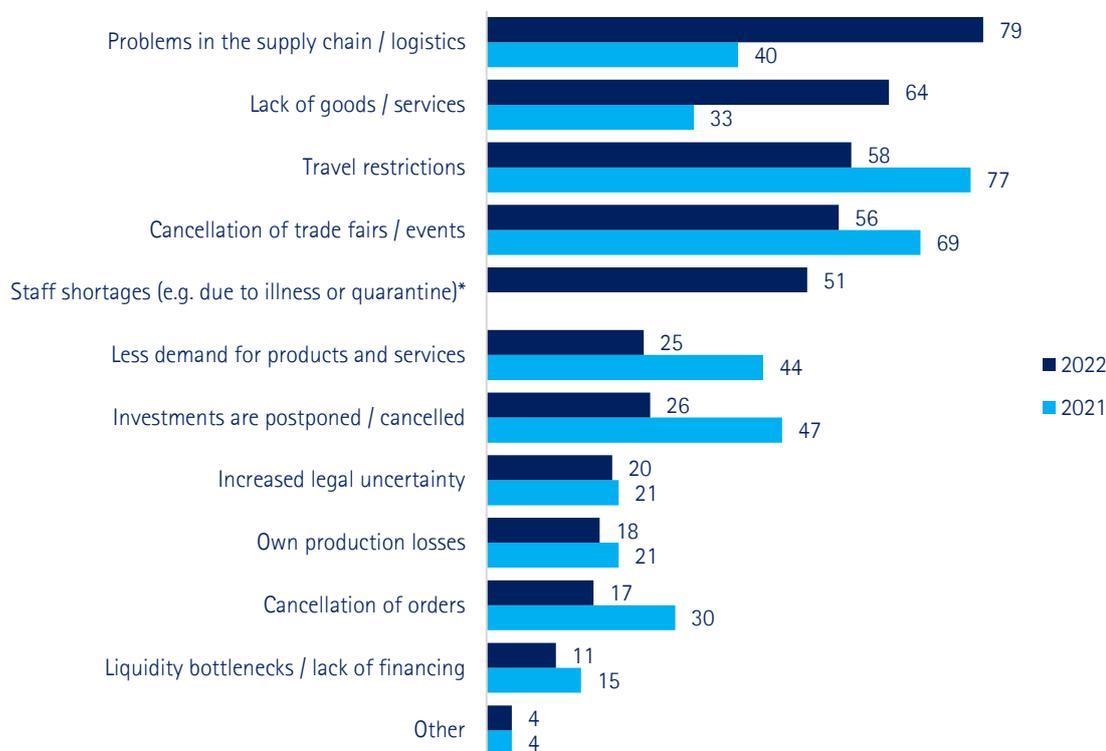
Impact of the coronavirus pandemic on the international business

Two years after the start of the Covid-19 pandemic, containment measures continue to have a negative impact on the foreign business of German companies. Problems in the supply chain and logistics are most noticeable: four out of five companies are affected - almost twice as many as in the beginning of 2021. Associated with this, almost two thirds of companies report missing goods or services, compared to only one third last year. 18 percent have their own production stoppages (2021: 21 percent). Companies that are affected by problems in the supply chain and their logistics report missing goods and services as well as production downtimes more frequently than on average. The latter are also often the result of staff shortages due to illness or quarantine, for example, which every second company reports. In almost three quarters (73 percent) of the companies with staff shortages, there are also production stoppages. Thus, companies now have to deal in particular with supply-side bottlenecks and associated interruptions in their operations.

Demand, however, has recovered somewhat: lower demand for products and services is only mentioned as an effect by every fourth company - a significantly lower value compared to the previous survey (2021: 44 percent). Canceled orders are still reported by 17 percent of the companies (2021: 30 percent). Around one in ten companies report liquidity bottlenecks or a lack of financing - also slightly less than in the previous year (2021: 15 percent).

Which effects of the Covid-19 pandemic are currently weighing particularly heavily on your company?

in percent, multiple answers possible, *asked for the first time in 2022



Travel restrictions are a barrier for 58 percent of companies. Although the proportion has fallen compared to the previous survey (2021: 77 percent), the restrictions have a significant impact on companies' business relationships: the lack of personal contact means that business deals cannot be concluded and maintenance and assembly work cannot be carried out. It also makes it more difficult to launch new products in foreign sales markets. A quarter of the companies

report postponed or cancelled investments (2021: 47 percent). Companies affected by travel restrictions report postponed or cancelled investments more frequently than on average.

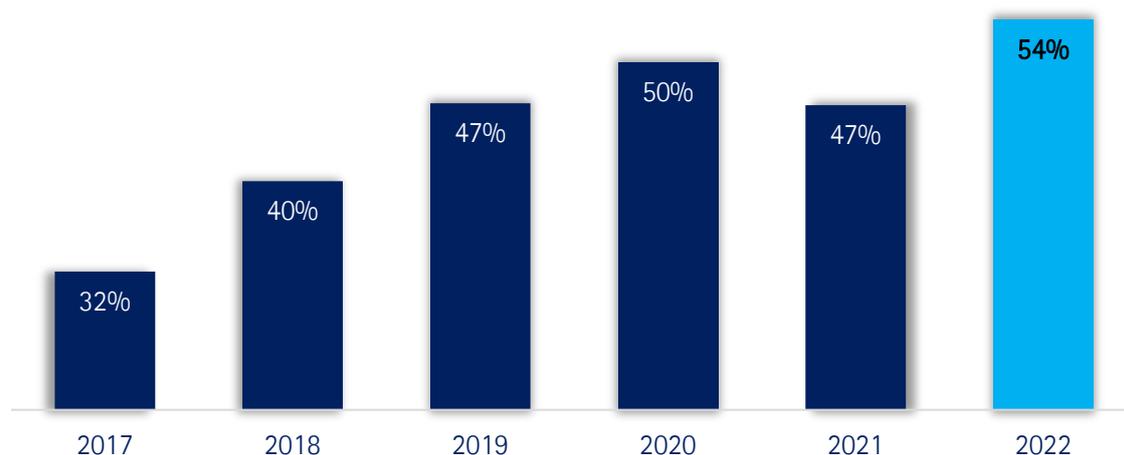
Measures to contain the Covid-19 pandemic continue to limit the number of trade fairs and events that can take place - a significant impact for 56 percent, as an important opportunity to present their own products and to initiate business with potential customers cannot take place. Increased legal uncertainty - for example, due to changing regulations to contain the pandemic - continues to be a burden on daily business for one fifth of the companies.

In the survey, the companies had the opportunity to explain the impact of the Covid-19 pandemic on their business in more detail. Longer delivery times and price increases of products, increased sea and air freight costs as well as costs due to internal hygiene measures were frequently mentioned.

Global trade barriers

Regardless of the effects of the Covid-19 pandemic, 54 percent of companies feel an increase in trade barriers in their international business. This is a new high since the survey began. In addition to the restrictions caused by the Covid-19 pandemic, companies continue to face numerous trade policy hurdles.

Proportion of companies that have felt an increase in barriers to their international business (Independent of restrictions due to the Covid-19 pandemic)



Every second company is affected by local certification requirements in its international business. Just as many companies are confronted with increased safety requirements. Additional testing of products or internationally unusual safety regulations cost businesses time and money and create more bureaucracy. As in previous years, these requirements are the main trade barriers.

One third of companies have registered an increase in customs duties in the past year, again similar to the number in 2020. Similarly, one in three companies report non-transparent legislation in their target markets. When local legal regulations change quickly, this can be a challenge for companies to adapt quickly. A quarter of companies cite sanctions as an additional trade barrier - slightly fewer than in the previous survey.

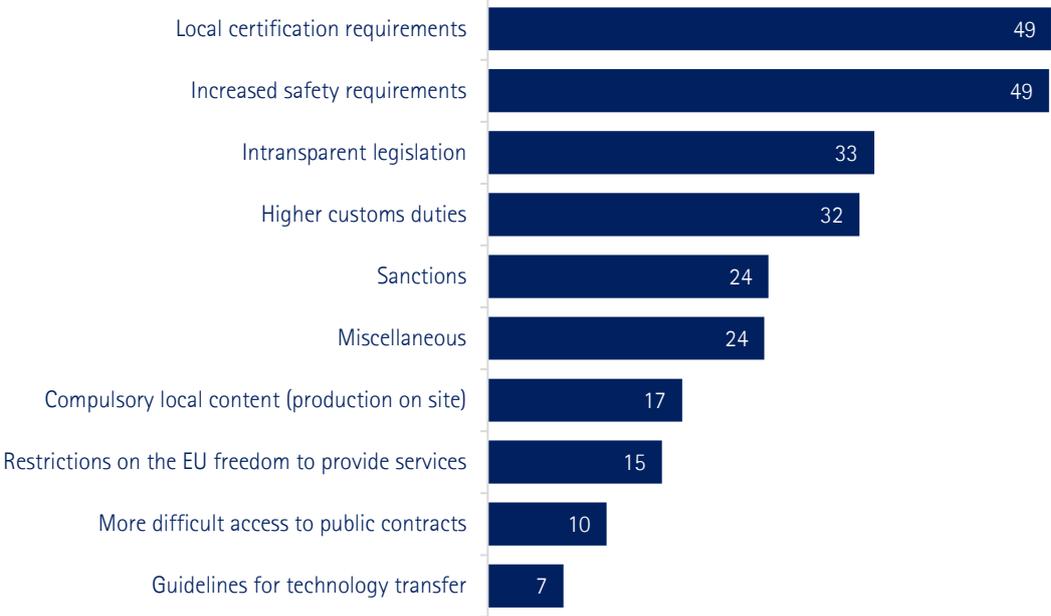
For 15 percent of the companies, restrictions on the Freedom to Provide Services in the European Union are a hurdle in their international business - compared to the previous survey, the mention of this obstacle drops most significantly. This seems to reflect the fact that travel restrictions within the EU due to the Covid-19 pandemic have eased in recent months, making it somewhat easier for service companies to conduct their business activities again.

17 percent of internationally active companies see an increase in localisation requirements - they are forced to create more value domestically, and locally produced goods are favoured. Ten percent of the companies have more difficult access to public contracts than local companies and - almost unchanged from the previous survey - seven percent notice an increase in trade barriers in the regulations on technology transfer. For example, the USA and other countries are currently planning to expand localisation obligations as part of infrastructure packages, especially in the automotive sector.

The companies had the opportunity to explain other trade barriers in more detail. Restrictions related to the Covid-19 pandemic are frequently mentioned, such as increased transport and freight costs as well as delays in delivery times and travel restrictions. In addition, bureaucracy is often mentioned as a hurdle in international business.

Increase in trade barriers in international business

in percent, multiple answers possible

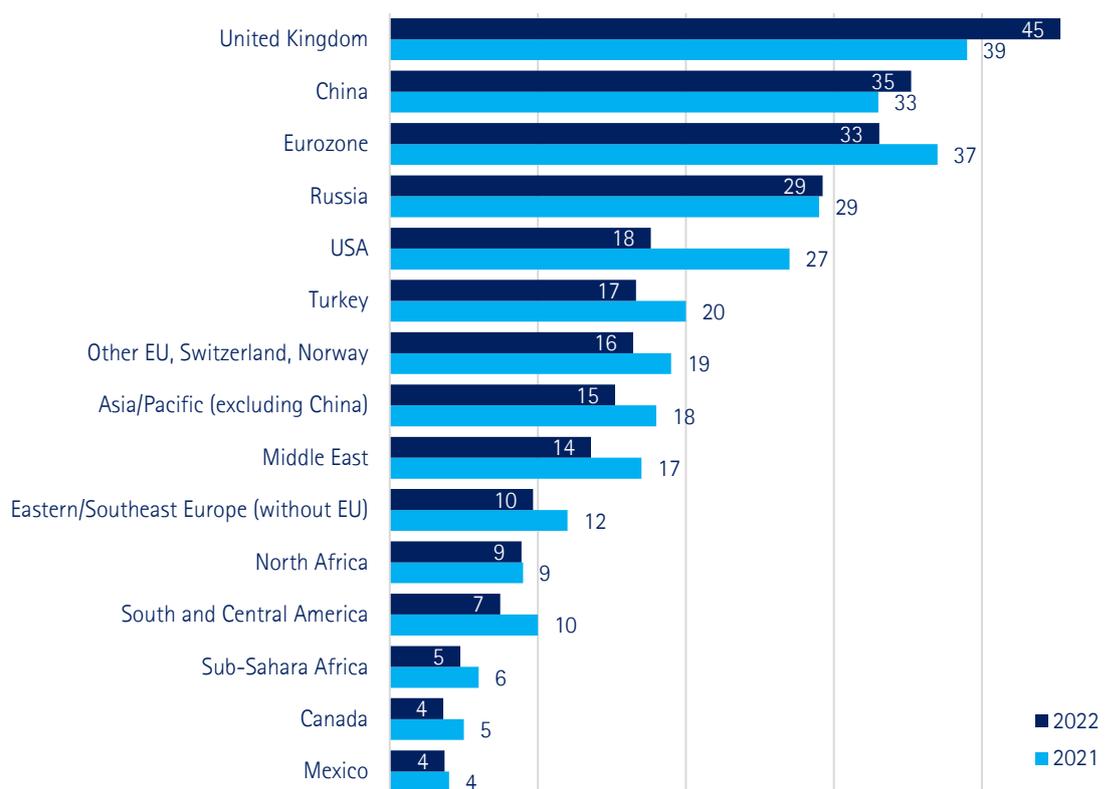


Trade barriers in the regions

Companies feel the increase in trade barriers most strongly in their business with the United Kingdom. After 39 percent in the previous year, now 45 percent of companies report an increase in trade barriers - more than in any other region. With the UK's exit from the EU single market, German companies must prepare for numerous changes in their British foreign business - even one year after the EU-UK Trade and Cooperation Agreement came into force.

Increase in trade barriers in international business by region

in percent, multiple answers possible



In China, too, the share of companies that perceive more trade barriers increases slightly compared to the previous survey (35 percent after 33 percent previously). Technology transfer requirements and local content regulations are cited more frequently than on average as a barrier to doing business in China. Companies in the Asia-Pacific region experience fewer additional trade barriers (15 percent). In business with Russia, as in the previous survey, 29 percent of companies are affected by new trade barriers. Sanctions in particular are frequently mentioned here. Problems with the recognition of certificates of origin can also play a role here. The DIHK provides information on the current prospects for German-Russian economic relations in a special evaluation of the Going International survey on Russia².

In other countries and regions of the world, fewer additional trade barriers were perceived than in the previous year. After 37 percent previously, now 33 percent of companies cite an increase in trade barriers in the Eurozone. 16 percent of the companies perceive an increase in barriers in the rest of the EU and Switzerland as well as Norway, ten percent

² see: <https://www.dihk.de/de/aktuelles-und-presse/krise-russland-ukraine-wirtschaftssanktionen/deutsch-russische-wirtschaftsbeziehungen-schon-vor-invasion-auf-talfahrt--67070>

in Eastern and South-Eastern Europe. More trade barriers with Switzerland also appear to be foreseeable after it unexpectedly terminated the negotiated framework agreement with the EU in 2021.

In the US, 18 percent of companies have registered more trade barriers in the past year (previous survey 27 percent). One factor for the reduced number of companies that perceived additional barriers could be the settlement of the trade dispute between the EU and the US over special tariffs on steel and aluminium that have been in place since 2018.

In Turkey, 17 percent of companies have perceived an increase in trade barriers, compared to 20 percent in the previous year. The reason for the decrease in the number of mentions in business with Turkey could be that companies have now become accustomed to providing certificates of origin (IP), for which the regulations have also been relaxed by Turkey.

Questionnaire

1. How do you assess the current business situation and the business outlook this year in your target regions? (multiple answers)

	Current business situation	Business outlook 2022	Not active in the region
Eurozone	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
Other EU, Switzerland, Norway	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
United Kingdom	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
Eastern/South Eastern Europe (without EU)	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
Turkey	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
Russia	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
Asia/Pacific (without China)	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
China	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
North America			
- Of which: USA	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
- Of which: Mexico	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
- Of which: Canada	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
South and Central America	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
Middle East	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
North Africa	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>
Sub-Saharan Africa	<input type="checkbox"/> Good <input type="checkbox"/> Satisfactory <input type="checkbox"/> Bad	<input type="checkbox"/> Better <input type="checkbox"/> Consistent <input type="checkbox"/> Bad	<input type="checkbox"/>

2. Trade barriers

2.1 Regardless of travel restrictions or border closures due to the Covid-19 pandemic, did you feel an increase in barriers to your international business in 2021?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2.2 If yes, what barriers do you encounter? (Multiple answers possible)		
Higher tariffs		<input type="checkbox"/>
Reinforced safety requirements		<input type="checkbox"/>
Local certification requirements		<input type="checkbox"/>
Compulsion for local content (production on site)		<input type="checkbox"/>
Requirements for technology transfer		<input type="checkbox"/>
More difficult access to public contracts		<input type="checkbox"/>
Restrictions on the freedom to provide services in the EU internal market		<input type="checkbox"/>
Sanctions		<input type="checkbox"/>
Non-transparent legislation		<input type="checkbox"/>
Other (free text):		

2.3 If yes, in which states/regions was this mainly the case? (Multiple answers possible)	
Eurozone	<input type="checkbox"/>
Other EU, Switzerland, Norway	<input type="checkbox"/>
United Kingdom	<input type="checkbox"/>
Eastern/South Eastern Europe (without EU)	<input type="checkbox"/>
Turkey	<input type="checkbox"/>
Russia	<input type="checkbox"/>
Asia/Pacific (without China)	<input type="checkbox"/>
China	<input type="checkbox"/>
North America	
- Of which: USA	<input type="checkbox"/>
- Of which: Mexico	<input type="checkbox"/>
- Of which: Canada	<input type="checkbox"/>
South and Central America	<input type="checkbox"/>
Middle East	<input type="checkbox"/>
North Africa	<input type="checkbox"/>
Sub-Saharan Africa	<input type="checkbox"/>

3.1 Which effects of the Covid-19 pandemic are currently particularly burdening your company? (Multiple answers possible)

- Travel restrictions
- Problems in the supply chain/logistics
- Missing goods and services
- Own production losses
- Staff shortages, e.g. due to illness or quarantine
- Cancellation of orders
- Less demand for my products and services
- Cancellation of trade fairs/events
- Liquidity bottlenecks/lack of financing
- Investments are postponed/cancelled
- Increased legal uncertainty
- Other (free text)

Methodology

The nationwide survey "Going International 2022" by the DIHK was created with the support of 79 Chambers of Industry and Commerce (IHKs) in Germany. 2,687 foreign-active companies based in Germany took part in the survey from 31 January to 11 February 2022.

The company responses are distributed by company size class as follows: 79% 0-249 employees, 8% 250-499 employees, 5% 500-999 employees, 8% more than 1,000 employees. Of the company responses, 55% are industrial companies, 3% are from the construction industry, 16% from trade, 14% from the service sectors, 12% are others.

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Postal address: 11052 Berlin | House address: Breite Straße 29 | Berlin-Mitte

Phone 030 20308-0 | Fax 030 20308-1000

DIHK Brussels

Representation of the Association of German Chambers of Industry and Commerce to the European Union

19 A-D, Avenue des Arts | B-1000 Bruxelles Phone : +32 2 286-1611 | Fax +32 2 286-1605

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Editorial

Carolin Herweg, Melanie Vogelbach

Graphic

Sebastian Titze

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