



German-British Business Outlook Spring 2022



German-British
Chamber of Industry & Commerce
Deutsch-Britische
Industrie- und Handelskammer

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Summary:

Companies are generally more positive about their own operations in the UK than about their sentiments for the British economy overall. The war in Ukraine and global supply chain issues are increasingly affecting the business community. Addressing climate change will also offer significant business opportunities, but current efforts and initiatives in the UK are not yet deemed sufficient.

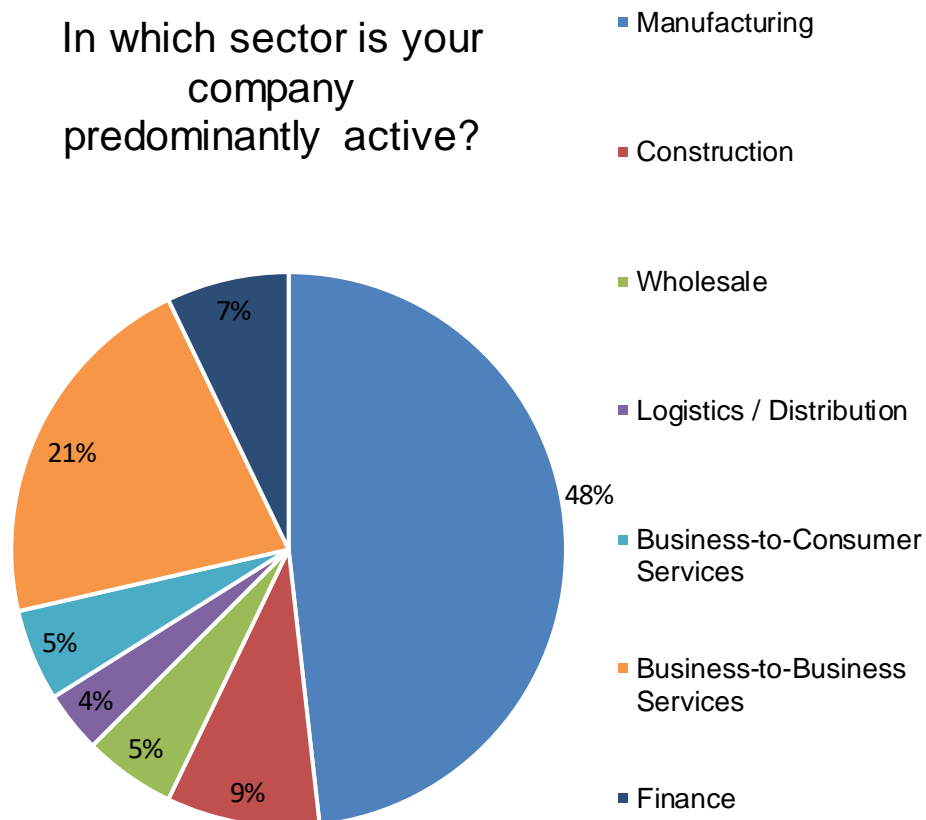
- 50% of companies are positive or very positive about their own performance in the UK and this continues to translate into higher investment and future employment.
- However, the overall development of the UK economy is viewed more cautiously, as only 23% expect it to perform better or significantly better over the coming 12 months. In other words, the 'cooling' of the UK economy is expected to continue.
- As in the past, logistical problems continue to be one of the largest challenges. For the first time, rising energy and raw material costs are listed as key challenges, demonstrating the economic impact of the war in Ukraine (more than half [56%] already feel an impact) and the ongoing global supply chain issues.
- At the moment, companies do not view the climate change mitigating policies in the UK as very effective (fewer than 5% do). However, despite the perceived current insufficient efforts, more is expected to happen in future to address the climate challenges, with the highest potential seen in the fields of renewable energy production, energy efficiency, and hydrogen technologies.

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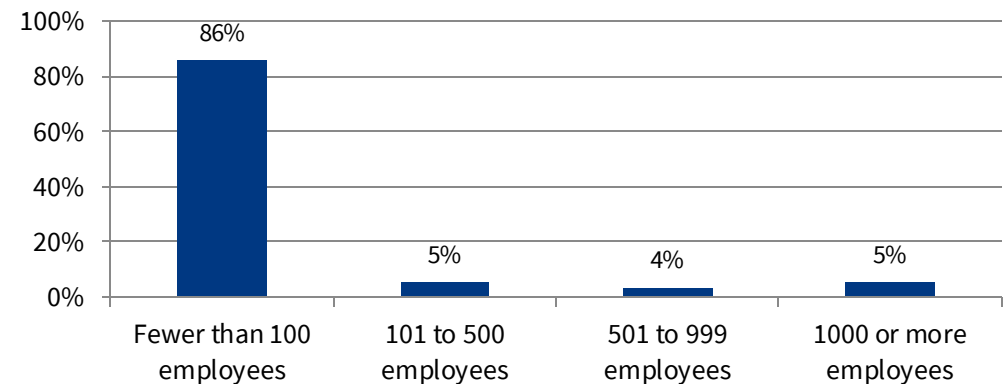
The survey and its participants:

64 online questionnaires, between **8th and 20th April 2022** with companies from the German-British business community, which have operations in the UK

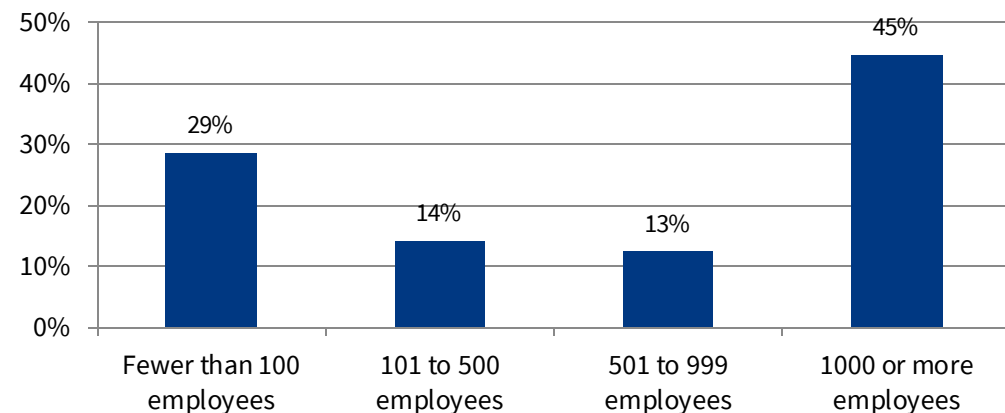
In which sector is your company predominantly active?



How many employees do you have in the United Kingdom?

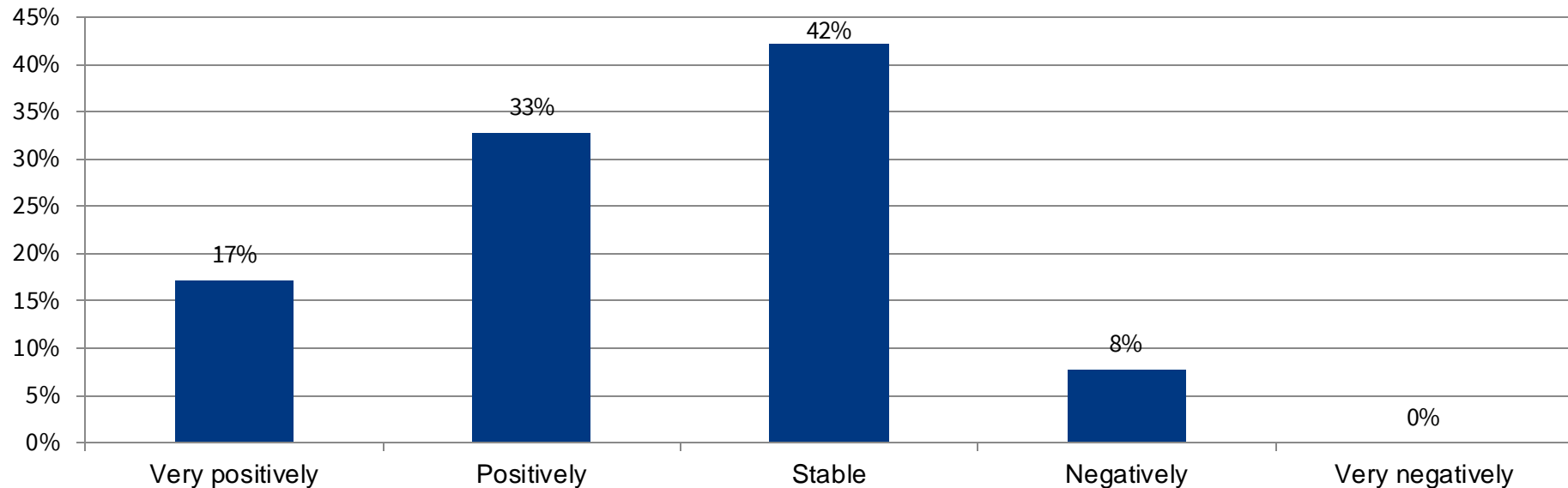


How many employees do you have worldwide?



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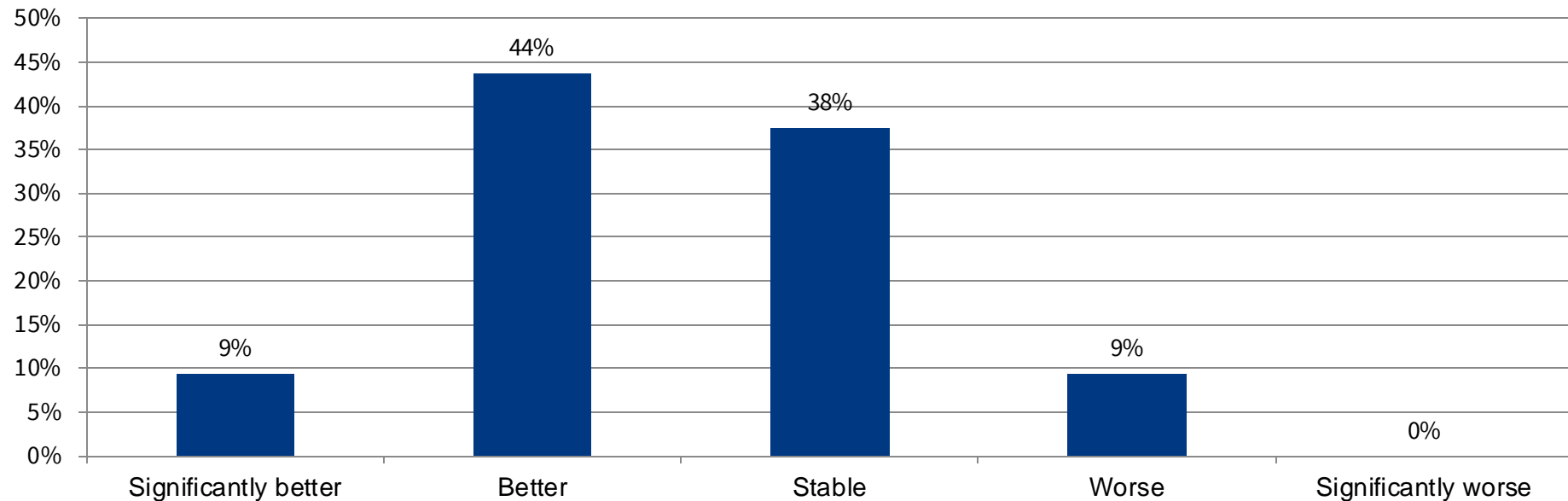
How do you view the current situation / performance of your operations in the United Kingdom?



Currently, 50% view their own operations as performing positively or very positively, 42% as stable, and 'only' 8% as negatively or worse. These numbers are comparable to the results from autumn 2021 and suggest that in terms of their operations in the UK, companies have been able to master the challenges of the war in Ukraine, Covid, and Brexit.

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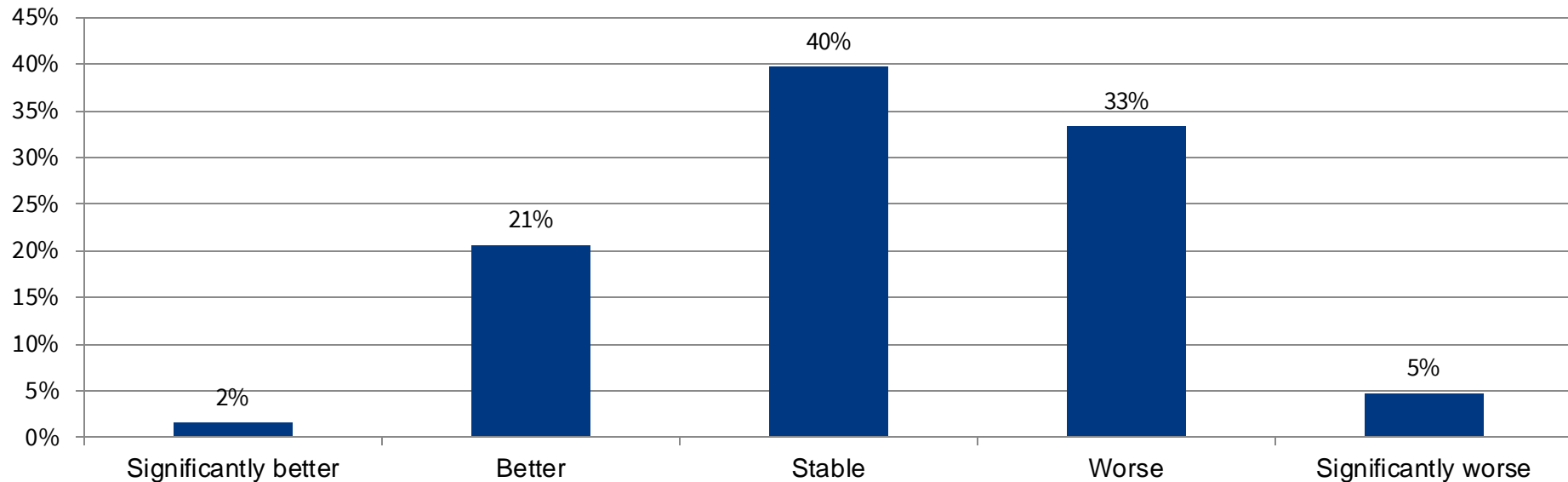
How do you expect your operations in the United Kingdom to develop / perform over the coming 12 months?



In terms of their future outlook, 53% expect their business to develop / perform better over the coming 12 months – a very similar figure to six and 12 months ago.

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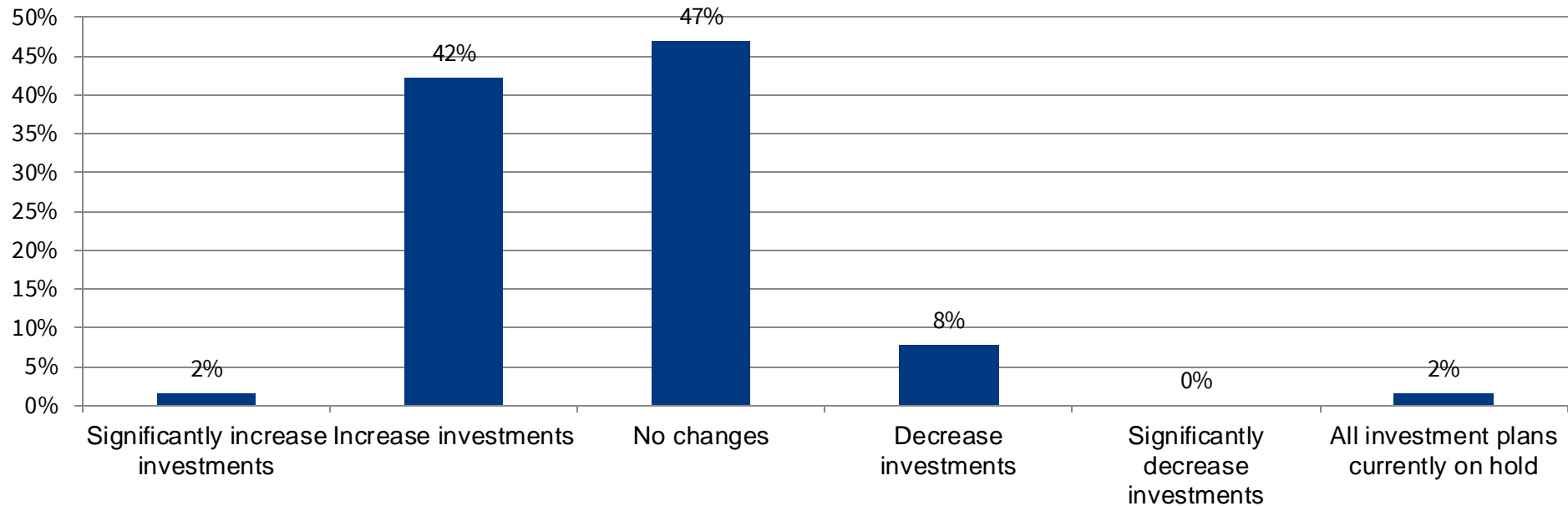
How do you expect the United Kingdom's economy as a whole to develop / perform over the coming 12 months?



In terms of the overall development of the UK economy, firms are less optimistic. 38% see the UK economy performing worse over the coming 12 months. In comparison, for their own operations, only 9% had such a negative view. Only 23% expect the UK economy to perform better or significantly better over the coming 12 months. These figures are in line with the expectations from the autumn of 2021, but represent a significant decline in optimism in comparison to spring 2021. In other words, the 'cooling' of the UK economy is expected to continue.

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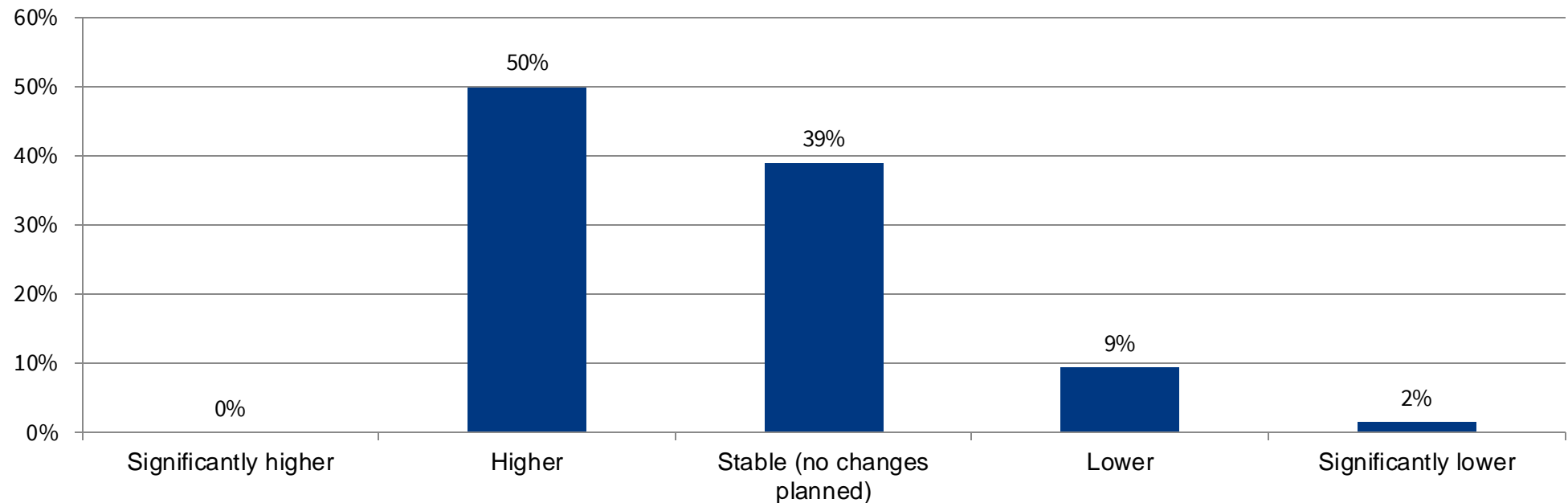
What are your medium-term investment plans?



In line with the more positive outlook for their own operations, companies are continuing with their own investments. Nearly half (44%) plan for an increase – an improvement in comparison to autumn 2021 when the comparable figure stood at 32%.

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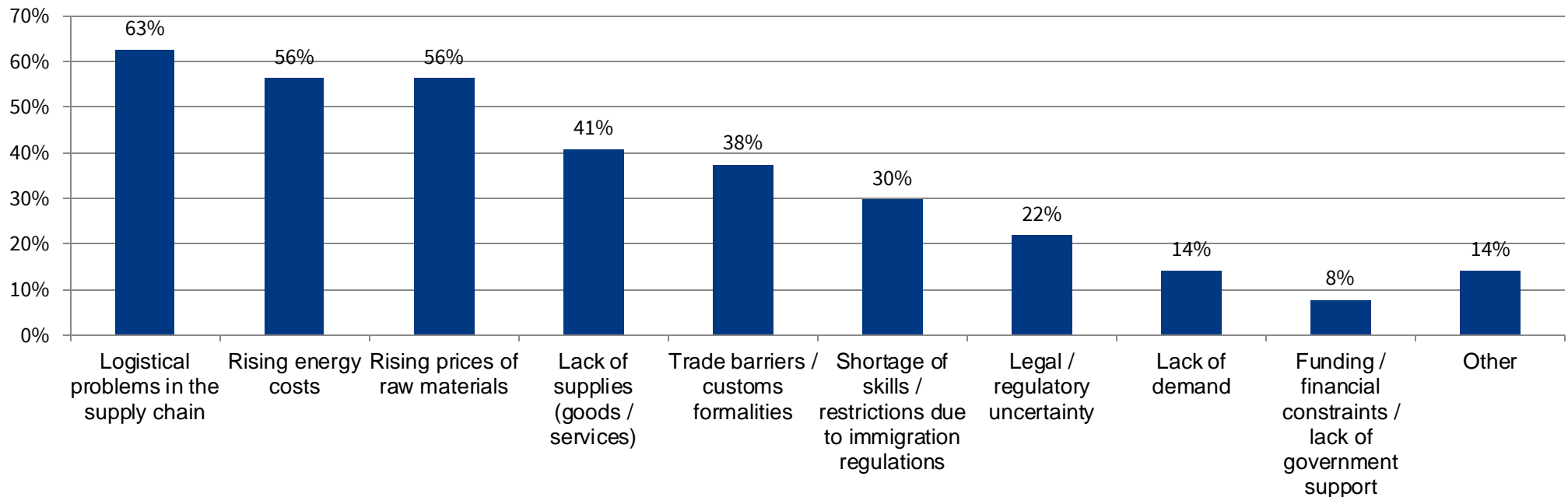
What will your staffing levels look like in 12 months' time?



In line with their planned increase in investment, 50% of companies expect to hire new employees – a similar figure to autumn 2021.

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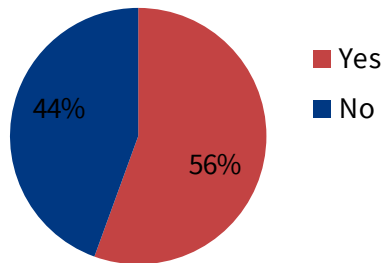
What will be the largest challenges for your business in the coming 12 months? (Multiple answers possible)



Logistical problems continue to be the largest challenges for our business community in the UK. For the first time, rising energy and raw material costs are listed as key challenges, suggesting a significant economic impact of the war in Ukraine. With the lifting of most Covid restrictions, travel problems and cancelled events are no longer major issues. The shortage of skills also features less prominently in comparison to previous surveys.

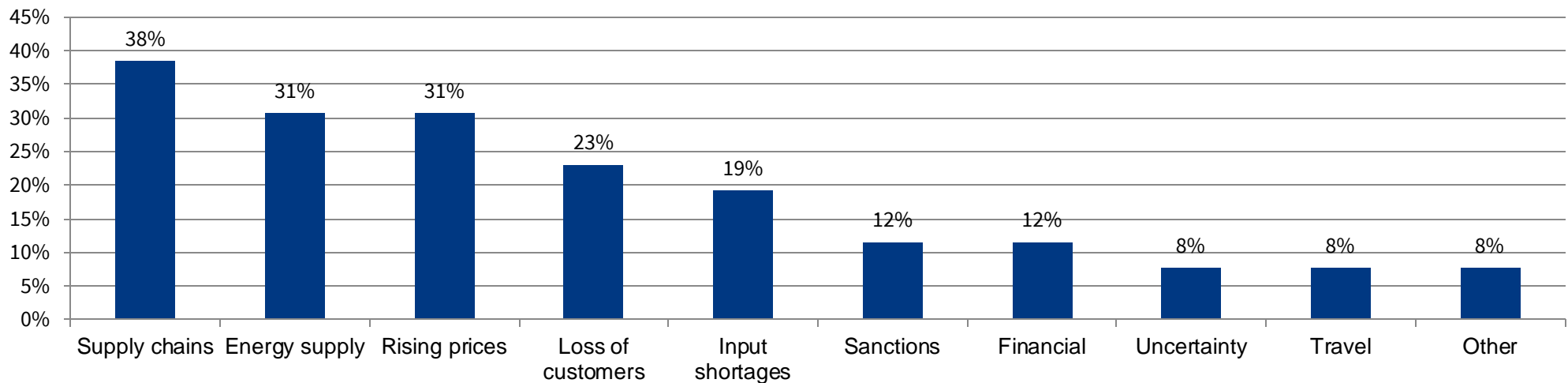
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Are there any short-term economic effects of the Russian invasion of Ukraine on your business?



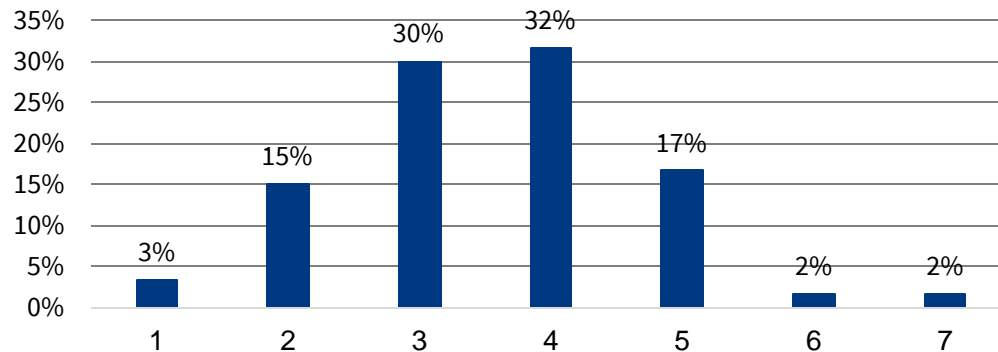
Already more than half (56%) of all respondents are experiencing economic effects from the Russian invasion of Ukraine, with the most important ones being supply chain issues, energy supplies and rising prices.

Short-term economic effects of the Russian invasion of Ukraine



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In your view, how effective are climate change-mitigating policies in the United Kingdom?

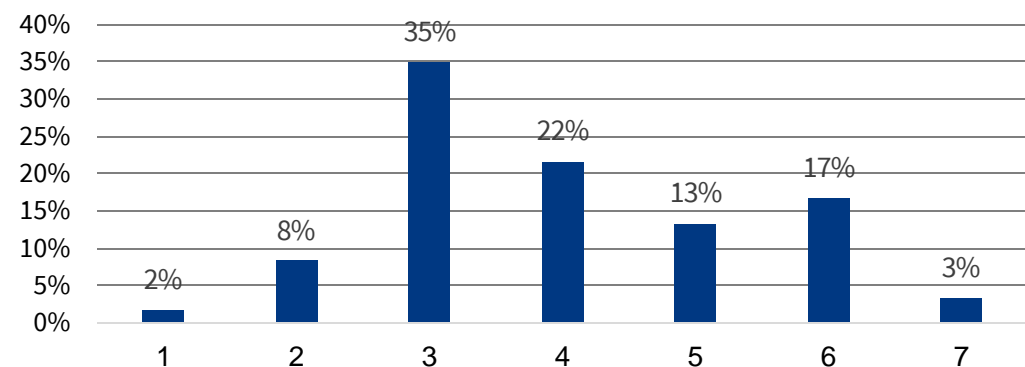


1 is not effective and 7 is highly effective

In line with the lack of effectiveness of the overall climate change-mitigating policies in the UK, only 20% of companies regard the efforts to promote renewable energy production as nearly sufficient or sufficient. In their view, much more needs to be done.

The German-British business community does not view the climate change-mitigating policies in the UK as very effective (fewer than 5% do).

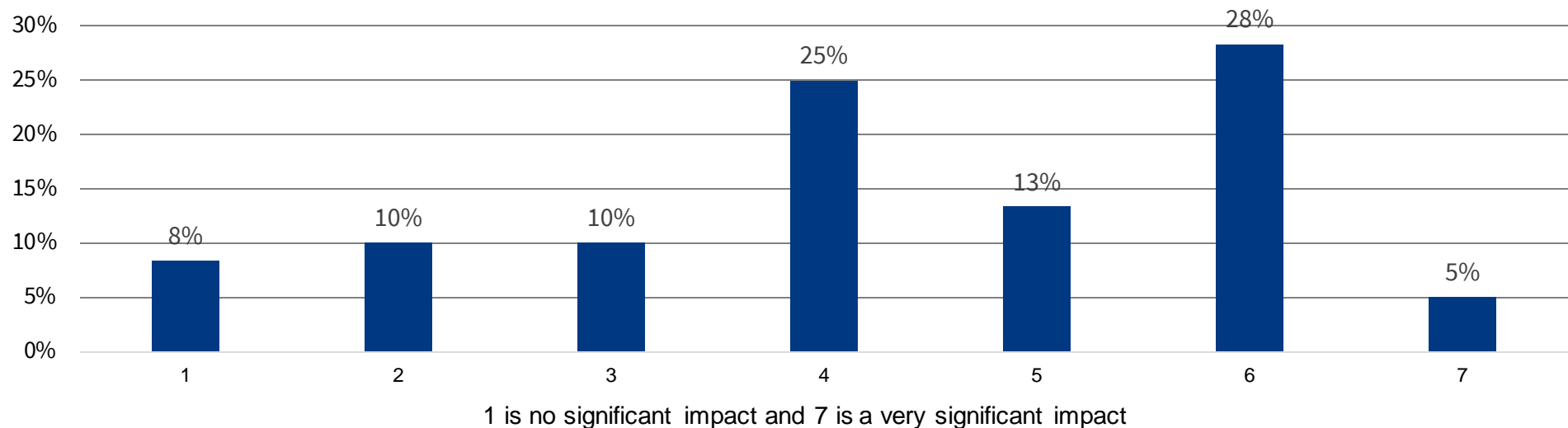
In your view, how much effort is spent on promoting renewable energy production in the United Kingdom?



1 is very little effort and 7 is sufficient effort

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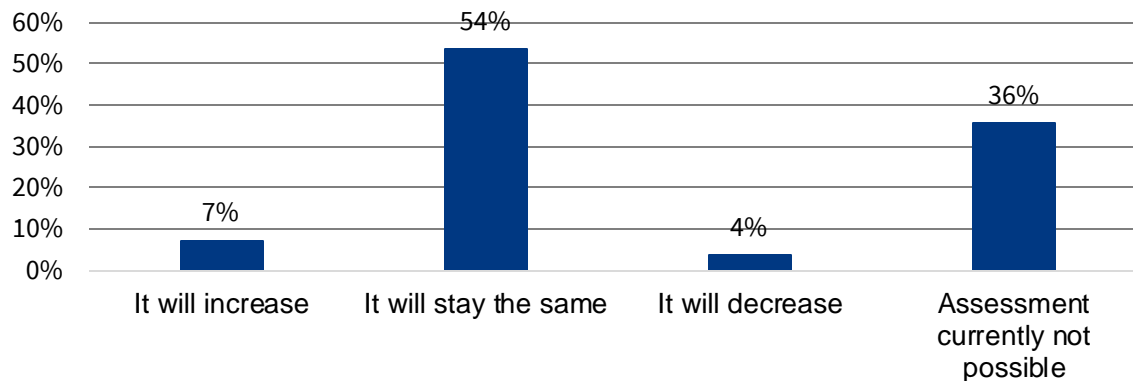
Please rate the impact (financial or otherwise) of the anticipated increase in renewable energy sources on your business?



Despite viewing the efforts to mitigate climate change and to promote renewable energy production as insufficient, nearly one third expect a highly significant impact of the change in the energy mix on their business. Only 20% do not expect such an effect on their operations. This suggests that despite the perceived current insufficient efforts, more is expected to happen in future to address the climate challenges.

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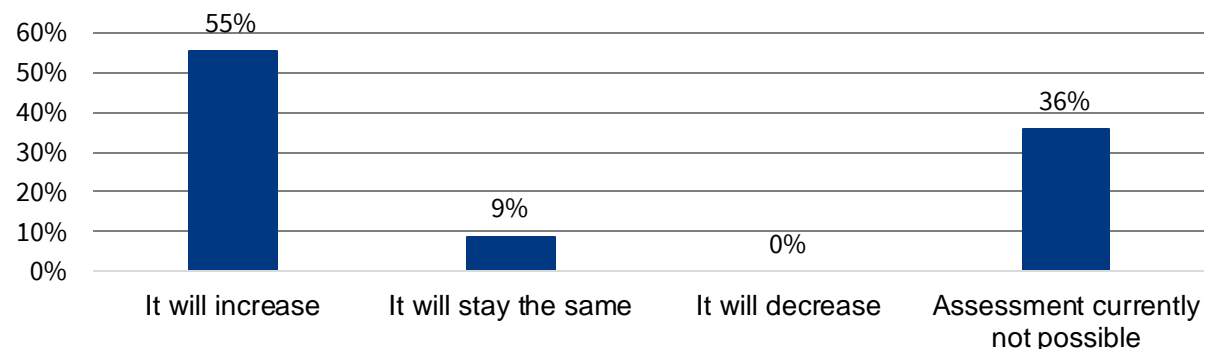
Will the European Union's carbon dioxide (CO₂) pricing policy and its associated costs have an impact on your level of imports from the EU?



In terms of EU-UK trade, the EU's CO₂ pricing policy will not have a significant impact.

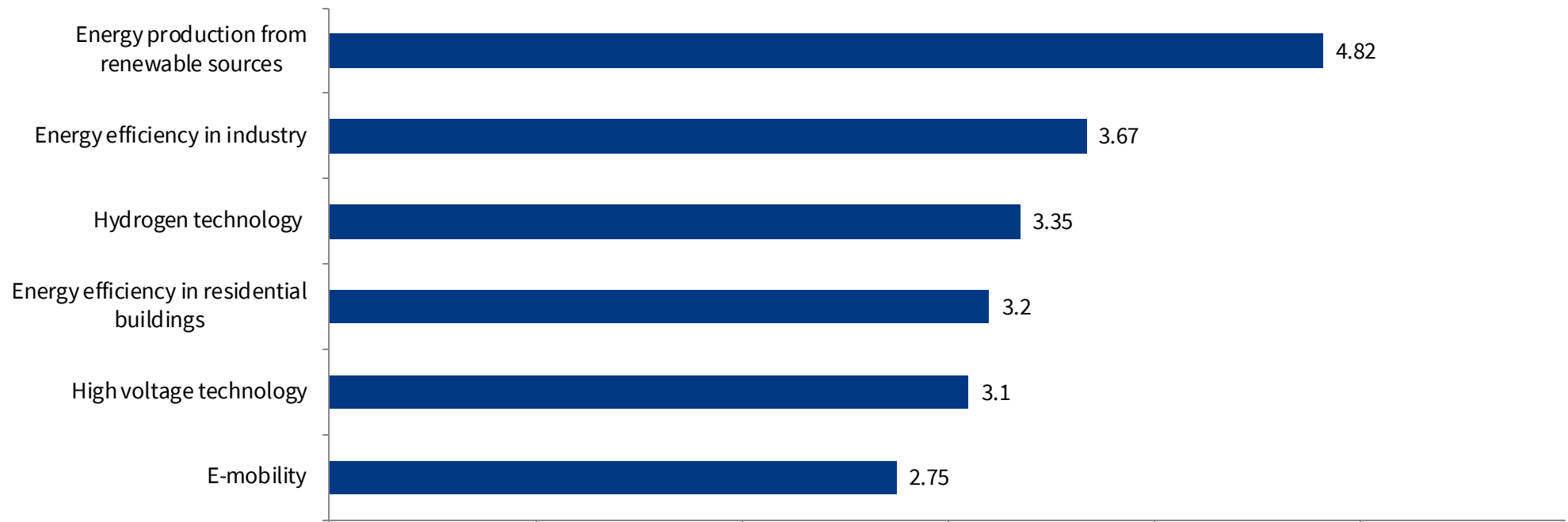
However, in terms of future investment, the EU's CO₂ pricing policy will have a significant impact, as more than half of all respondents expect to increase their investment in the UK as a result.

Will the European Union's carbon dioxide (CO₂) pricing policy and its associated costs have an impact on your investment decisions in Britain?



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Where do you see future business opportunities for foreign companies in the United Kingdom as a result of policies to address climate change?
(average rank given from 1 to 6 with 6 being the most significant business opportunity)



In the view of the respondents, by far the largest business opportunities lie in the field of renewable energy production. Surprisingly, e-mobility is not seen as a high potential for business opportunities.