



## German-British Business Outlook Spring 2021

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## Summary:

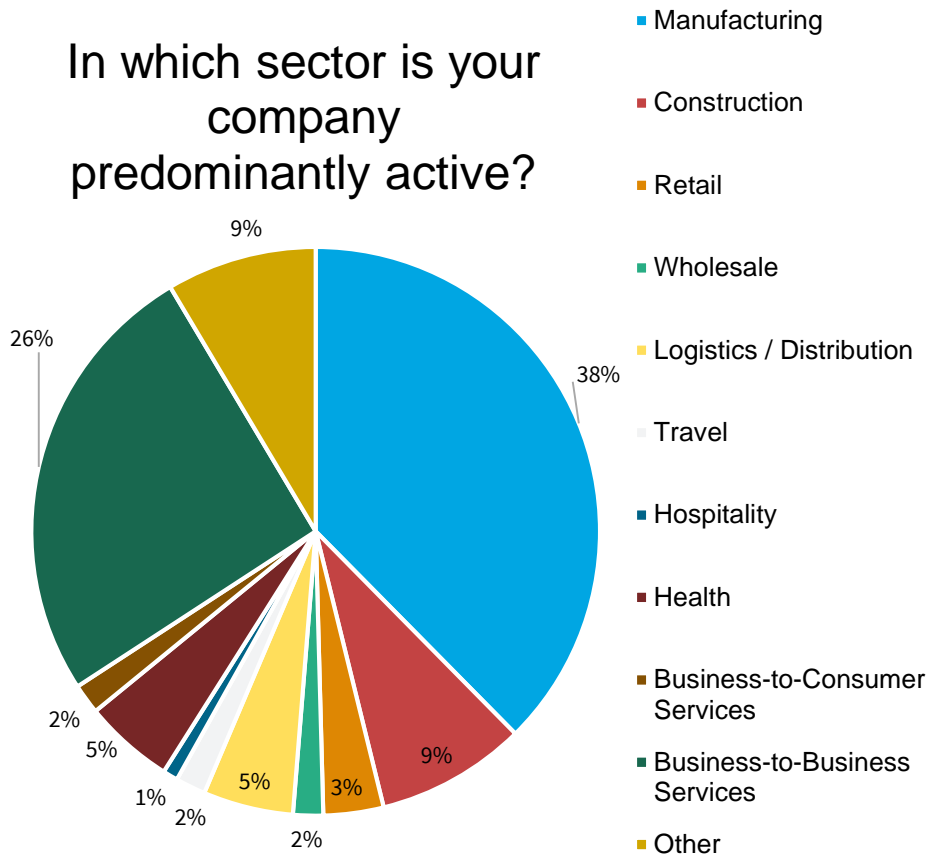
- There is light at the end of the Covid-19 tunnel with 44% of companies currently viewing their own operations as performing positively or very positively and 38% as stable.
- 52% expect the UK economy to perform better or significantly better over the coming 12 months and 22% expect a stable development in the UK.
- However, companies think that a full recovery from the Coronavirus pandemic is still some way off. The majority expects a full recovery to take at least another 18 months.
- In terms of investment plans, companies are much more positive now with more than a third (35%) plan to increase and only 10% plan to decrease their investments.
- In line with the planned increase in investment, 44% of companies expect to hire new employees – again a substantial improvement to last autumn.
- Trade barriers/customs formalities and travel restrictions continue to be the top two challenges for businesses
- These new trade barriers, largely because of Brexit, appear to have a much larger effect than Covid-19 on the future structure of supply chains and geographical sourcing decisions. However, plans to relocate operations/business activities have largely been shelved. Now only 20% (versus 70% last autumn) have plans to do so.

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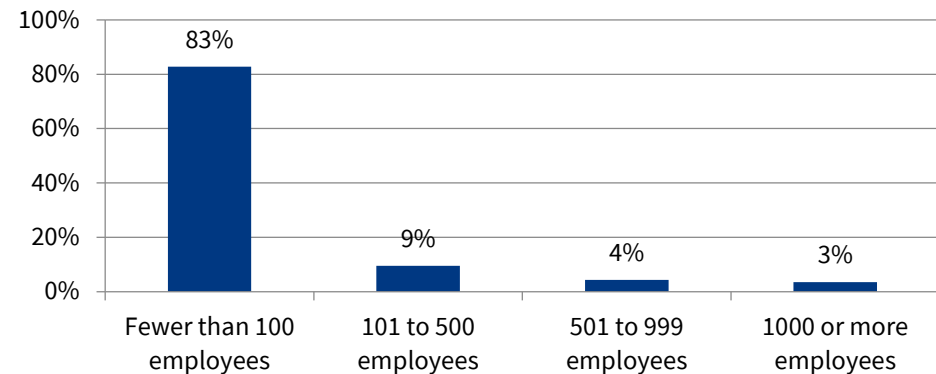
## The survey and its participants:

**117** online questionnaires between **25 March and 9 April 2021** with companies from the German-British business community, which have operations in the UK

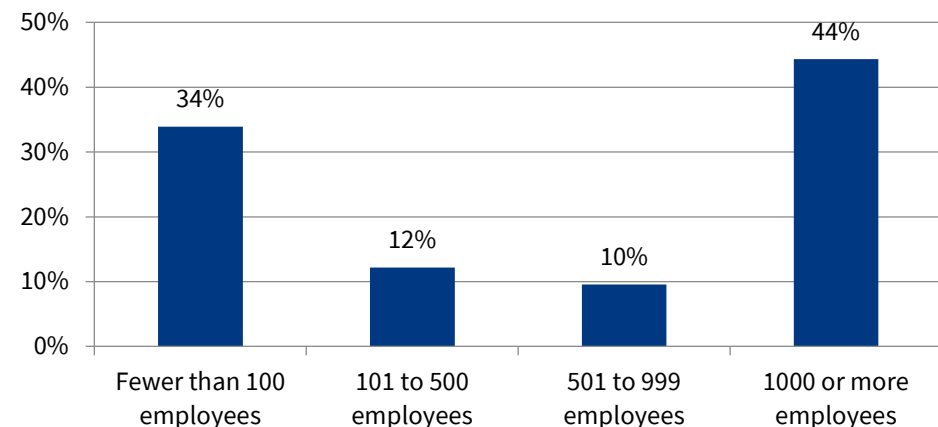
In which sector is your company predominantly active?



How many employees do you have in the United Kingdom?

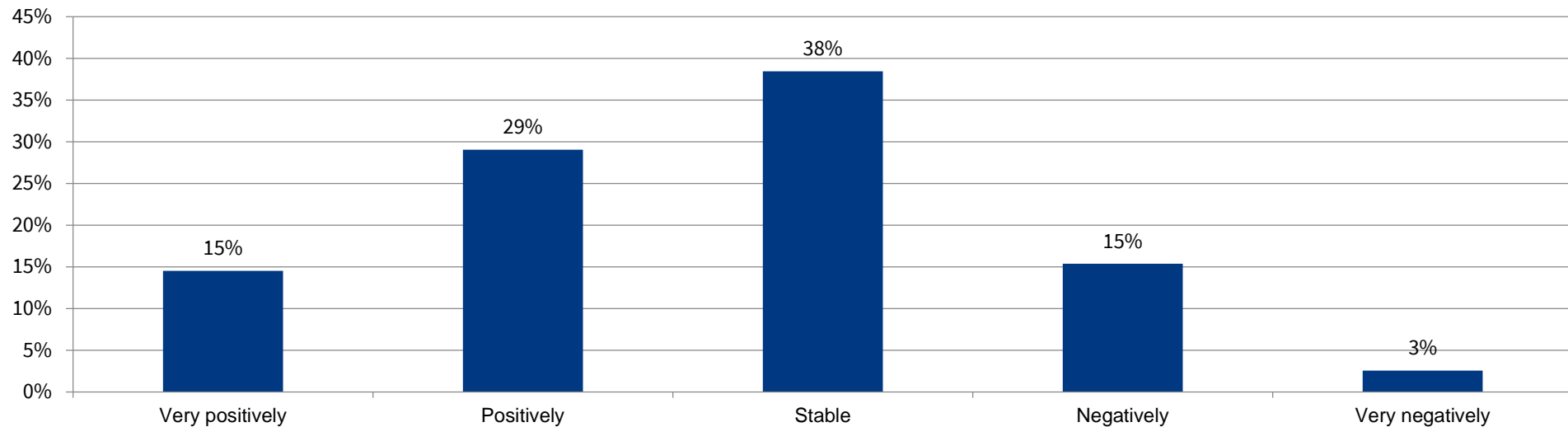


How many employees do you have worldwide?



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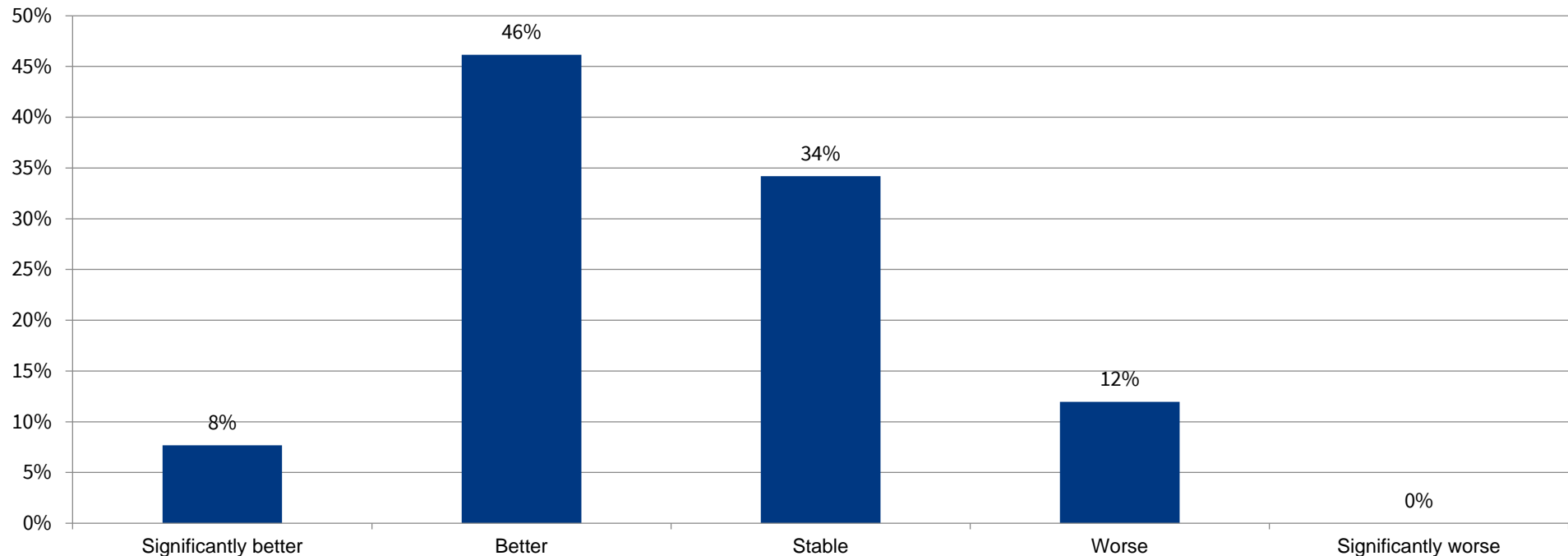
How do you view the current situation / performance of your operations in the United Kingdom?



There is much light at the end of the tunnel, as currently 44% of companies view their own operations as performing positively or very positively, 38% as stable and 'only' 18% as negatively or worse. This is a significant improvement to observations made in autumn 2020 when more than 50% had a negative view of how their operations were performing.

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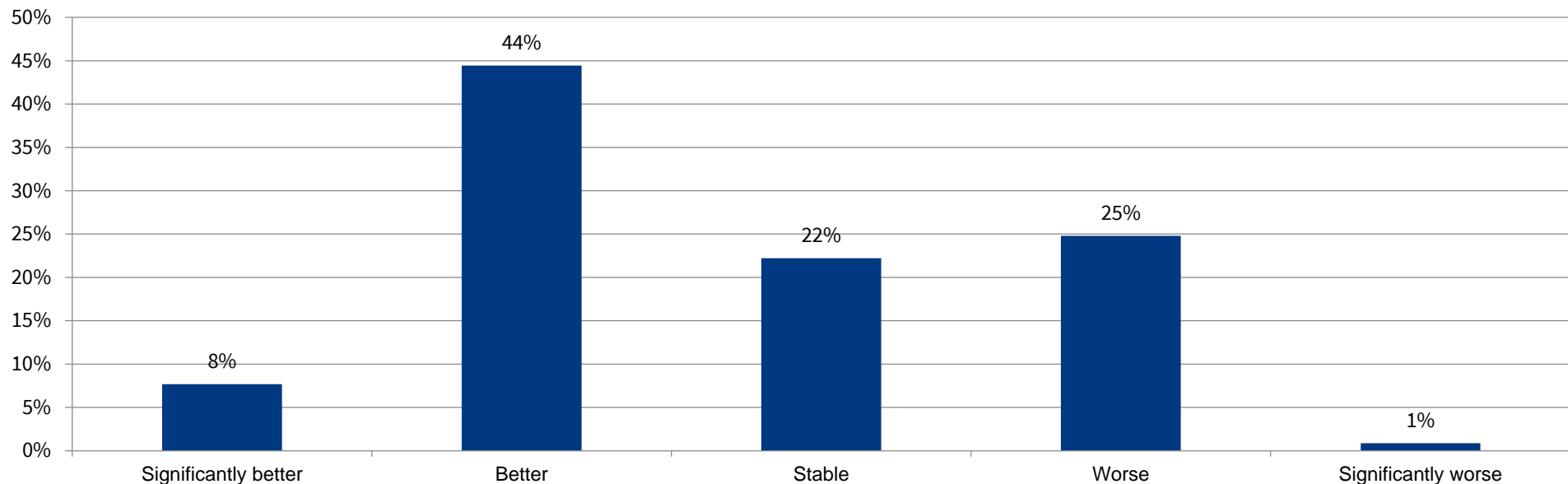
How do you expect your operations in the United Kingdom to develop / perform over the coming 12 months?



More than half of the respondents (54%) expect their business to develop/perform positively over the coming 12 months - a similar figure to 6 months ago.

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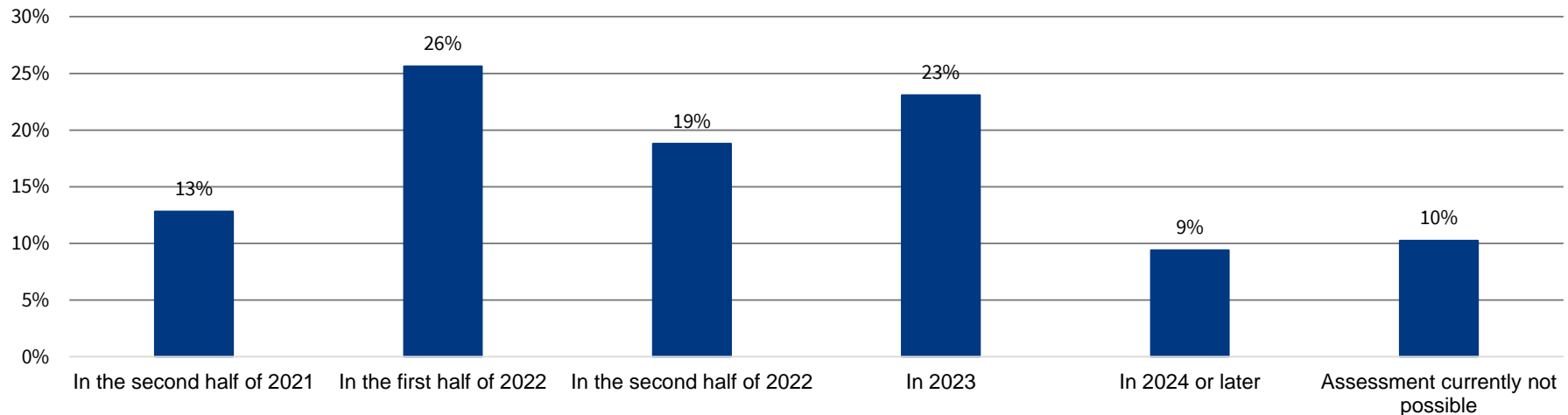
How do you expect the United Kingdom's economy as a whole to develop / perform over the coming 12 months?



In terms of the overall development of the UK economy, firms are slightly less optimistic with 26% seeing the UK economy performing worse. For their own operations, only 18% had a negative view. However, 52% expect the UK economy to perform better or significantly better over the coming 12 months. This figure is very similar (54%) to how companies expect their own operations to perform over the same period.

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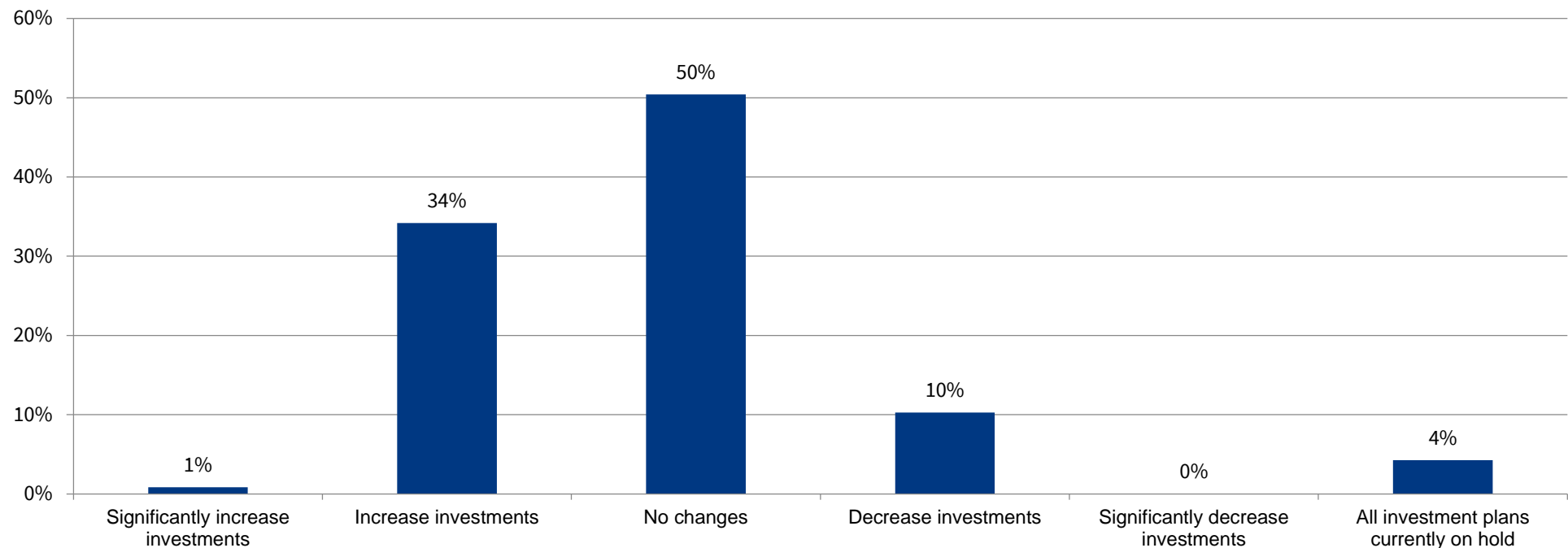
When do you expect the United Kingdom's economy as a whole to recover from the Coronavirus pandemic?



Despite the more positive view on the development of the UK economy, companies still think that a full recovery from the Coronavirus pandemic is still some way off. The majority expects a full recovery to take at least another 18 months.

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What are your medium-term investment plans?

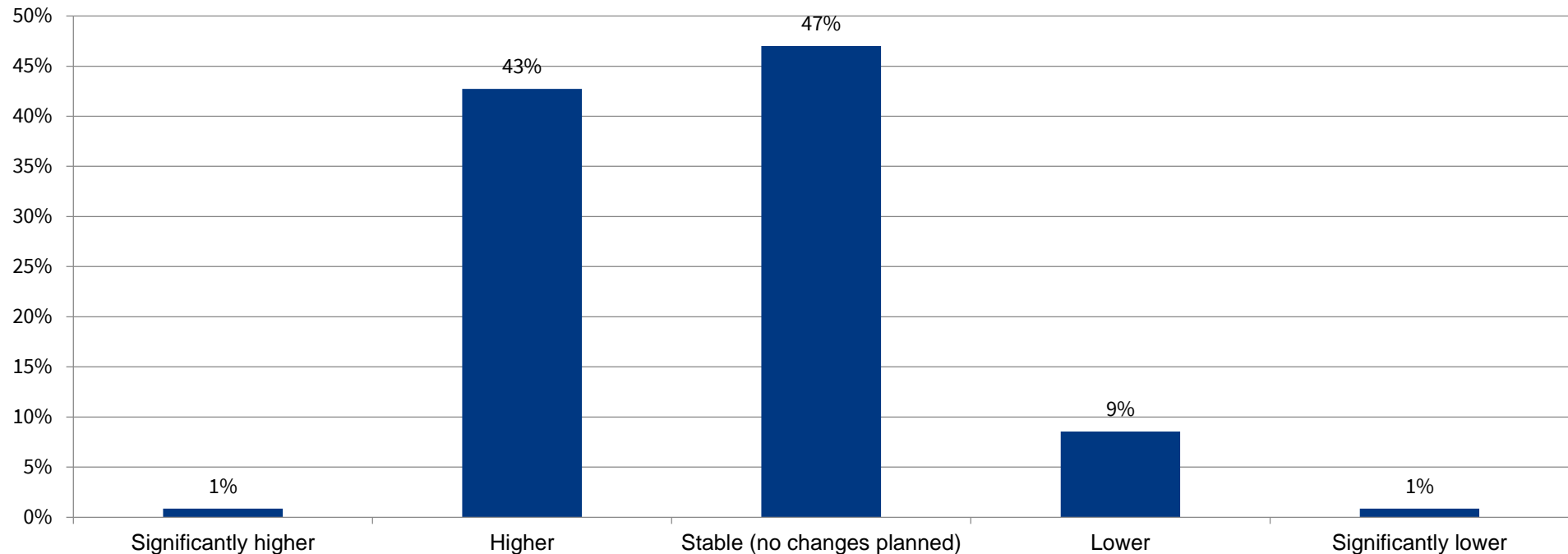


In terms of their investment plans, companies are much more positive with more than a third (35%) planning an increase. In autumn 2020 the comparable figure stood at only 5%.



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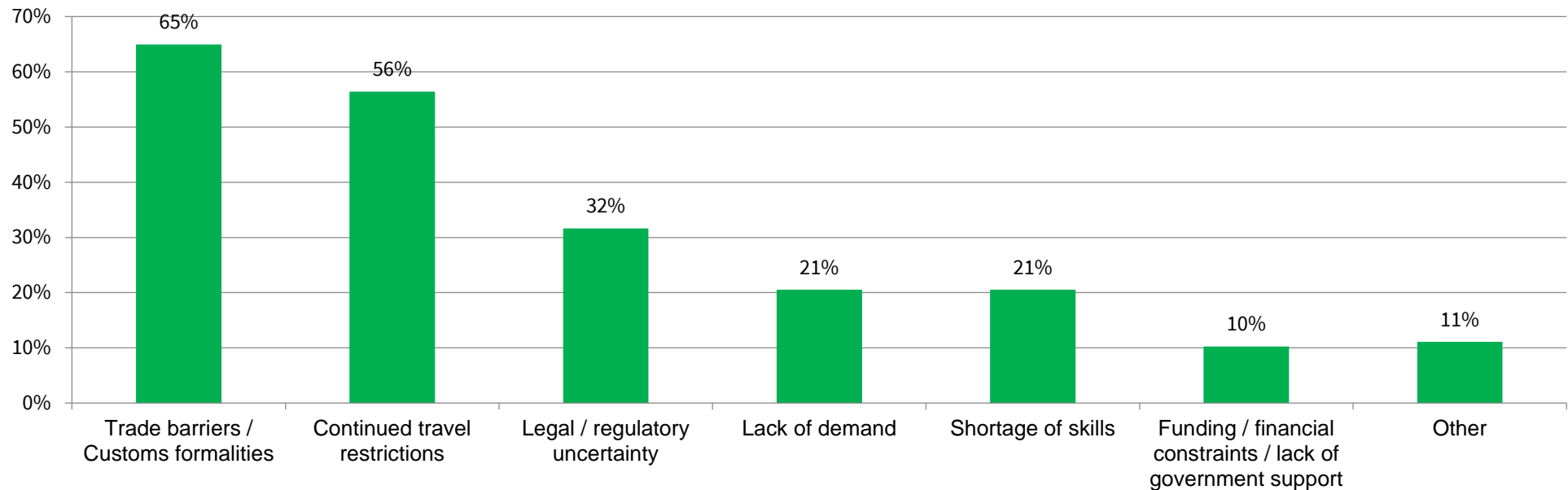
What will your staffing levels look like in 12 months' time?



In line with the planned increase in investment, 44% of companies expect to hire new employees – again a substantial improvement to last autumn when only 10% wanted to increase and 30% planned to decrease staffing levels. Now only 10% are planning to reduce headcount.

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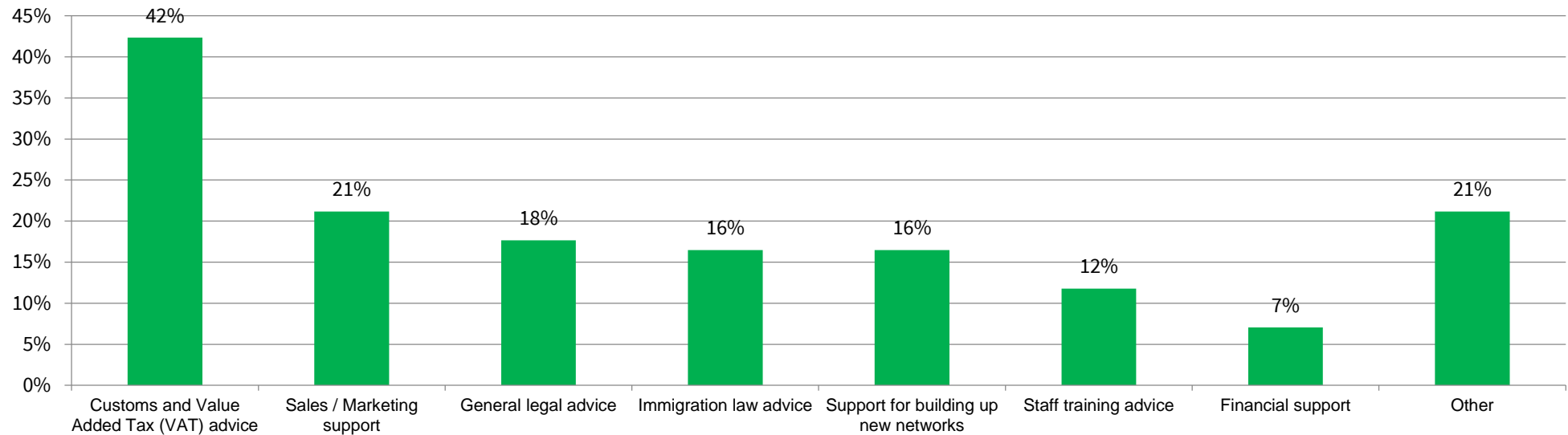
What will be the largest challenges for your business in the coming 12 months? (Multiple answers possible)



In terms of the largest challenges, trade barriers/customs formalities and travel restrictions continue to be the top two issues for business (figures compared to last autumn's). Lack of demand is less of a problem now - for only 21% of businesses versus 50% in the autumn. However, the shortage of skills has moved higher up the agenda, probably as a result of companies going on a hiring spree. Now skills are an issue for 21% versus 9% last autumn.

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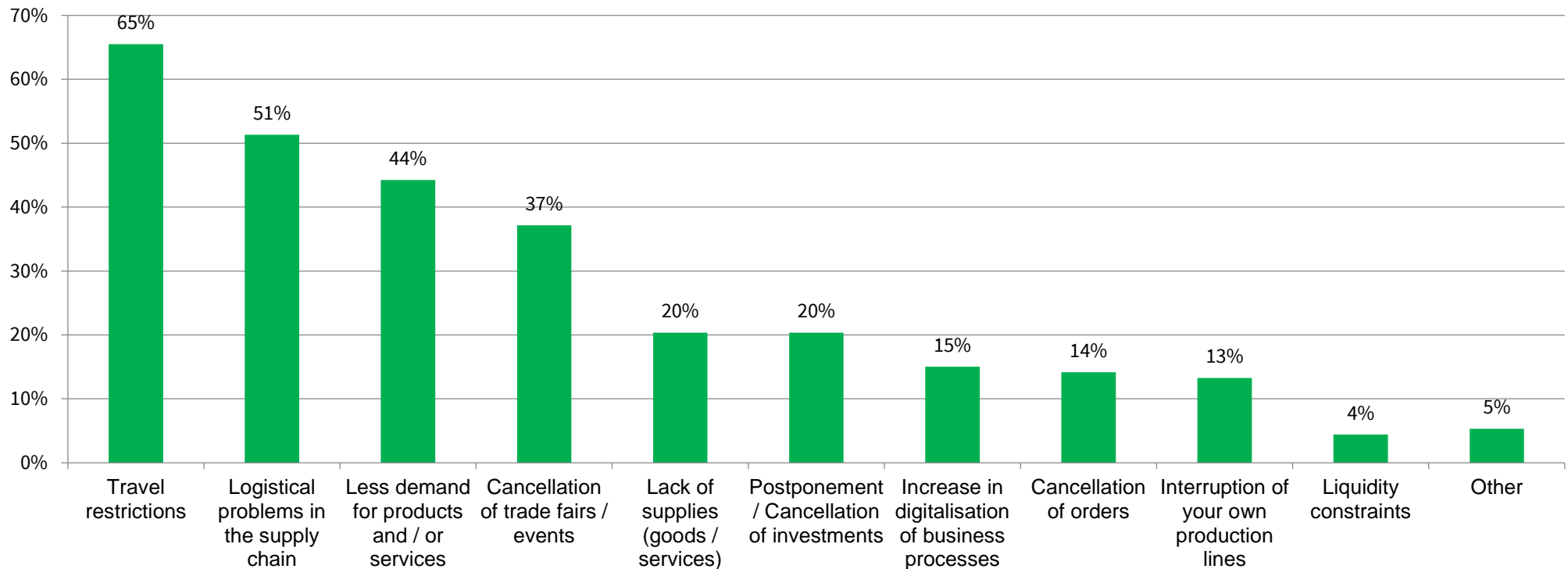
What support (if any) do you need to address the challenges?  
(Multiple answers possible)



Trade barriers and customs formalities are the largest challenges for companies, which corresponds with the help/advice needed in these areas. This is followed by demand for sales support and legal advice, suggesting that the effects of the Coronavirus pandemic and Brexit in terms of lower demand and dealing with legal changes continue to create uncertainty going forward.

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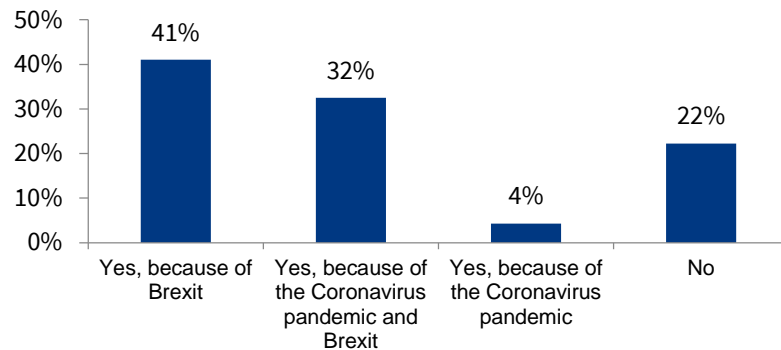
In light of the Coronavirus pandemic, what are currently the biggest repercussions on your business? (Multiple answers possible)



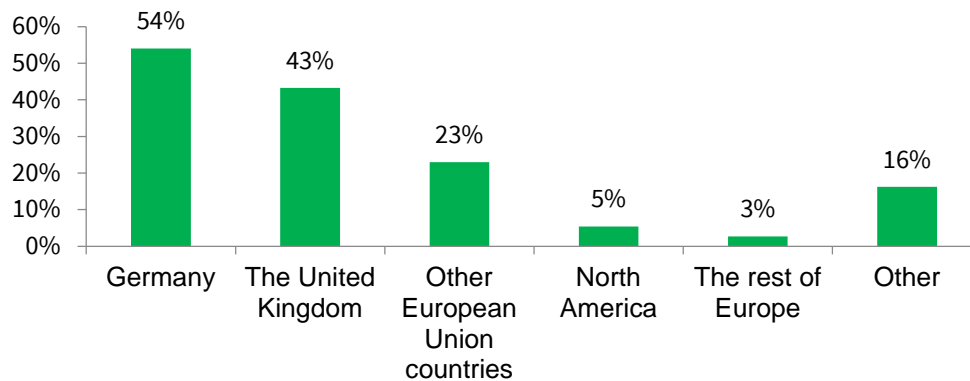
Despite the much better economic outlook overall, Covid-19 with its continued travel restrictions, logistical problems and the relatively weak rebound in economic activity from the pandemic, is still having an impact on the German-British business community.

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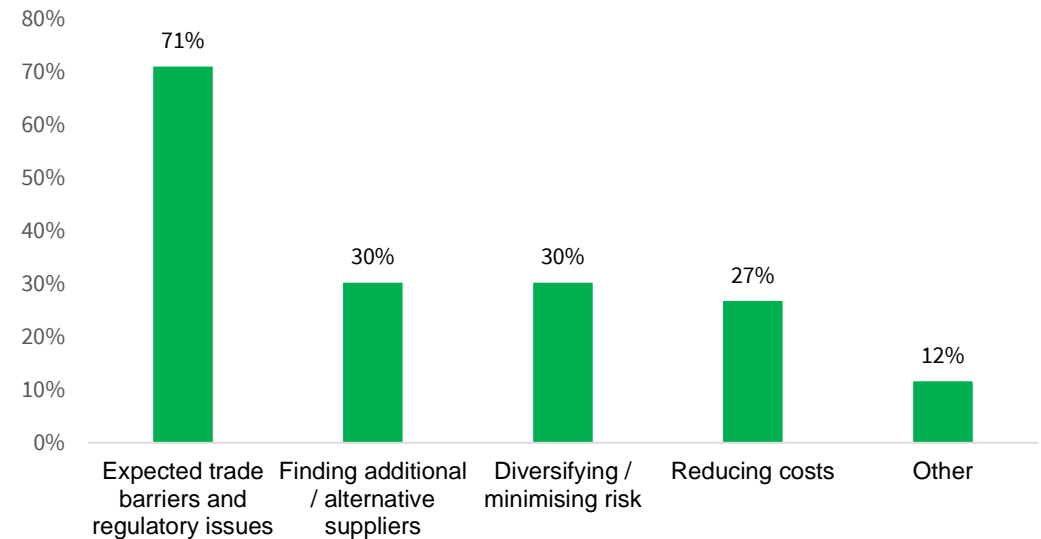
Have you adjusted or will you adjust your supply chain (incl. logistics), because of the Coronavirus pandemic and/or Brexit?



If yes, are you sourcing more/planning on sourcing more from the following countries in future? (Multiple answers possible)



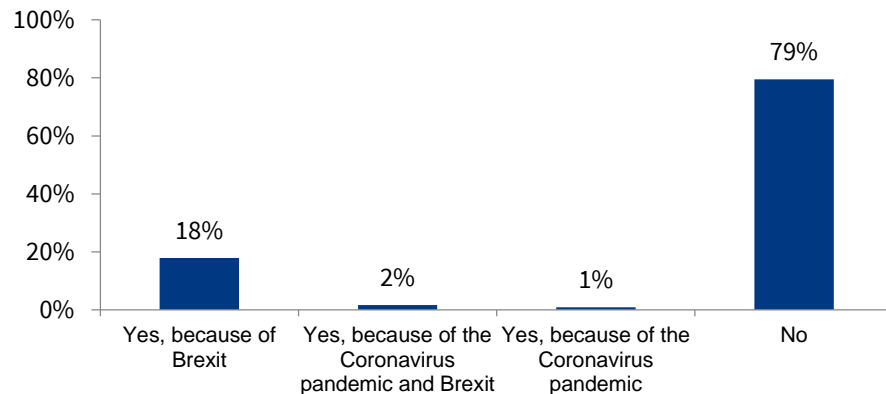
If yes, what are the main business / operational reasons for changes in the supply chain? (Multiple answers possible)



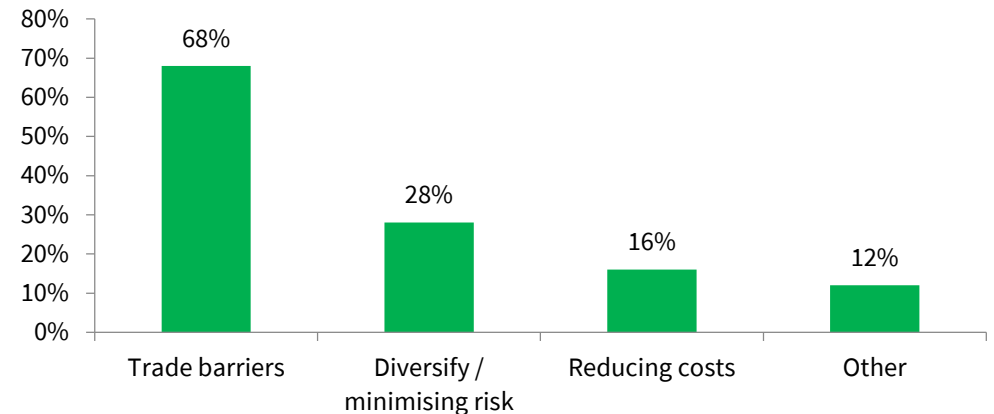
The rise in trade barriers, largely because of Brexit, appears to have a much larger effect than Covid-19 on the future structure of supply chains of the German-British business community. More sourcing will be done in the EU/Germany than in the UK.

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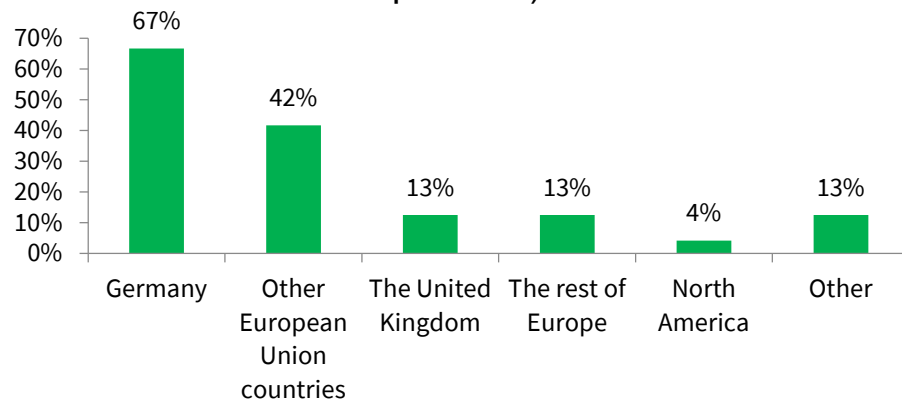
Have you already relocated or do you expect to relocate some of your business activities, because of the Coronavirus pandemic and/or Brexit?



If yes, what are the main business / operational reasons for relocating activities? (Multiple answers possible)



If yes, where have you or will you locate more of your activities? (Multiple answers possible)



In comparison to autumn 2020, the dust has somewhat settled in terms of plans to relocate business activities. Now only 20% of companies plan to relocate activities as a result of Brexit (last autumn 70% wanted to relocate some activities at least partly because of Brexit). The Coronavirus pandemic no longer appears to play a significant role with regard to location decisions.