

August 2023

## 2023 AHK World Business Outlook – The Australian Viewpoint

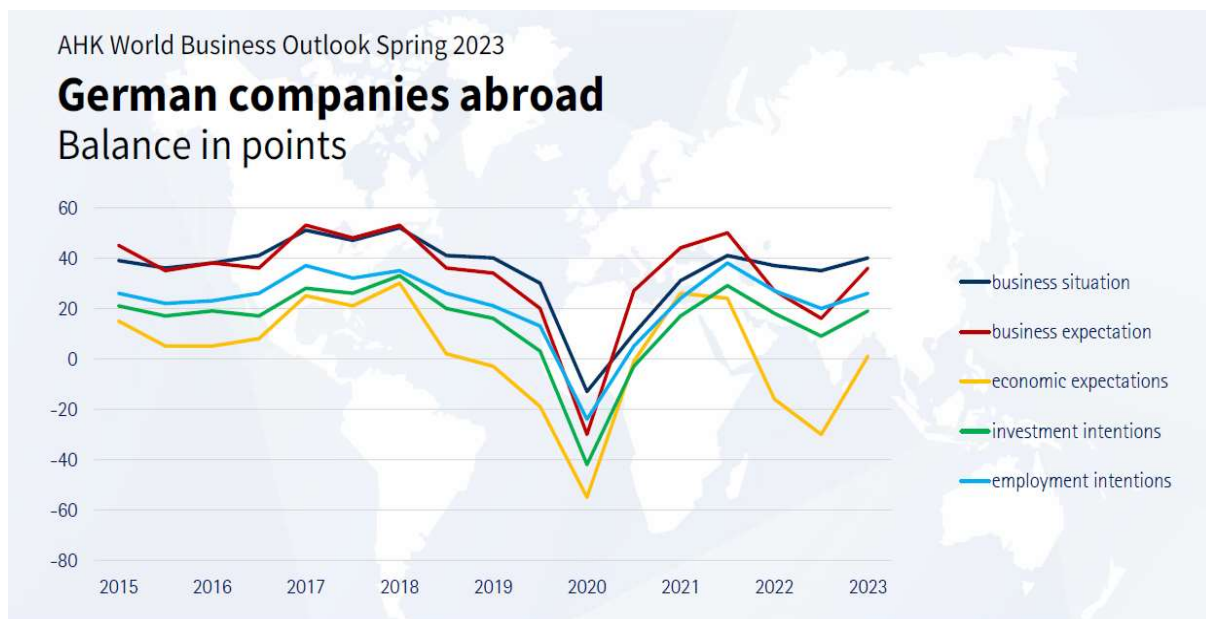
*By Vincent Nittel, AHK Australien*

In May, the Association of German Chambers of Industry and Commerce (DIHK) released the results of the annual AHK World Business Outlook Spring Edition survey, containing valuable data on AHK member businesses and their outlook on market opportunities and challenges for 2023. The AHK World Business Outlook report is based on a survey of member companies of the German Chambers of Commerce Abroad, Delegations and Representative Offices (AHKs). Overall, more than 5,100 German companies, subsidiaries, and organisations with close ties to Germany took part in the AHK World Business Outlook in March/April 2023.

### *Global Outlook*

The data collected during the AHK World Business Outlook Spring edition indicates that German companies operating at their international locations perceive the global economic development with uncertainty and moderate expectations. The data showcases that businesses abroad do not anticipate a significant upswing of the global economy, in the wake of the conclusion of the COVID-19 Pandemic and its economic ramifications, and the accommodation of economic sanctions, in response to the escalation of the Russo-Ukrainian conflict. Inflation and interest rates remain high, creating challenges for corporate financing and investments, hampering significant market expansions.

Nonetheless, China's decision to cease its Zero Covid Policy, the global decrease of energy prices, the relaxation of supply chain challenges and the resilience of the United States market have proven grounds for optimism for German companies abroad. 28% of participants were more optimistic concerning the global economic outlook in early 2023 (in contrast to 17% in late 2022). However, a sizeable proportion of participants (45%) did not perceive a significant shift in business conditions since late 2022 (36%) and were reserved in their expectations for 2023. This reflects the perceived **ambivalent global economic environment**.



**Chart: Global German business expectations between 2015-2023. Expectations are gradually returning to pre-2019 tentative optimism (Source: AHK World Business Outlook Spring 2023).**

The survey outlined that risks to German businesses abroad remain diverse, as regional geopolitical challenges dictate risk perceptions. In sum, a significant minority of participants (39%) stated their primary business risk to be related to risks of economic policy business framework conditions, formulated, and enforced by the respective local government authorities. This includes constraining economic regulations and lengthy bureaucratic procedures. This can be particularly found with German business reporting in Latin America (61%). However, this is markedly regionally specific, with contrasting economic policy risk perceptions being formulated in e.g., the Eurozone (30%) or the Asia-Pacific region (32%), where national economic policies appear not to be of primary concern for businesses.

The **shortage of skilled labour** steadily continues to be a globally emerging key concern for businesses (40%), as high skilled labour is in great demand and competitive job markets make it challenging for businesses to acquire and retain long-term employees. This was reported to be especially the case in developed regions, for example in North America (53%) and non-Eurozone European countries (48%).

Finally, German businesses abroad have consistently reported that demand persists to be a significant risk to business (38%), as high inflation rates, subsequent high-cost burdens, and low consumer demand, dampen any relaxation in the foreseeable future. This is particularly experienced amongst **East Asian business entities (59%)**, in the aftermath of government interventions to combat the spread of COVID-19. Significant concerns regarding demand can also be found with non-Eurozone European countries (45%).

## Australian Outlook

The AHK World Business Outlook collected **43 responses from German-Australian business** entities, providing insight into the outlook of Australian business and their expectations. The Australian market finds itself in a unique position when it comes to current economic outlooks and the perceived challenges for the future, as Australian participants were **significantly more optimistic** about the current business expectations than their global counterparts. As with the broader global business community, Australia benefits from China's re-opening of its economy in early January 2023. This has resulted in a relaxation of supply-chain obstacles for businesses in Australia.

Due in part to these promising developments, Australian participants in the AHK World Business Outlook were exceedingly positive concerning the current economic/business outlook in Australia. 60% of Australian participants reported an improved business environment in early 2023, with business expectations being similar in the scale of optimism (56%). This is a significant distinction to the perceived regional Asia/Pacific (excluding China) business situation (38%) and expectation averages (50%). In addition to the conditions and expectations, the Australian outlook on the development of employment market (41%) is also situated above global averages. In contrast, Australian participants anticipate an economic plateau (53%) or slowdown (28%), with participants from New Zealand reporting a more pessimistic outlook on economic expectations to their Australian counterparts.

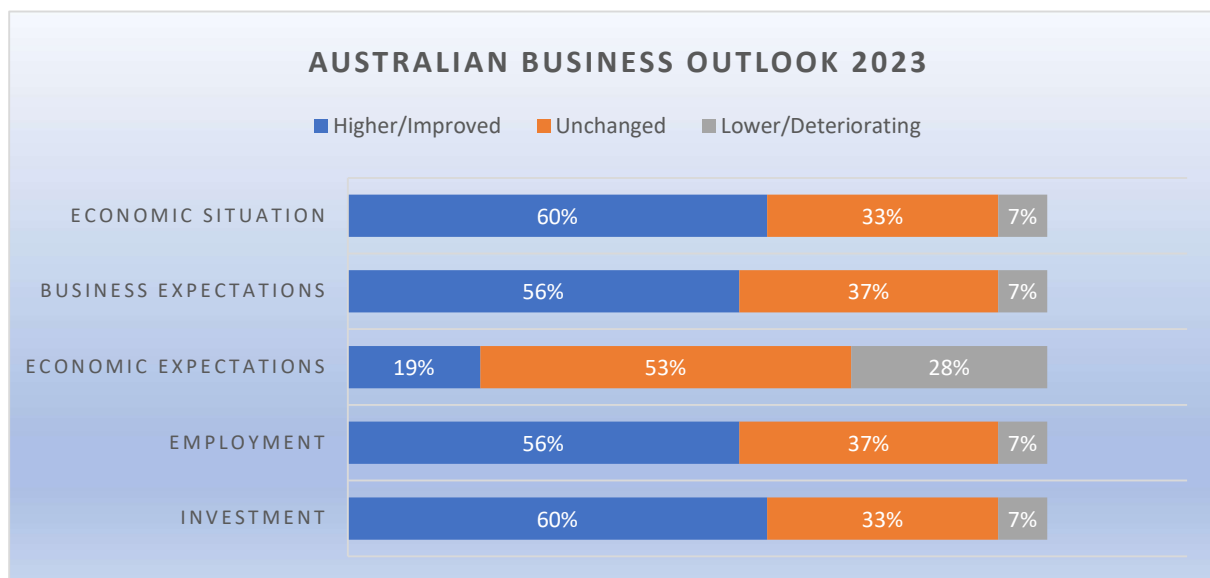
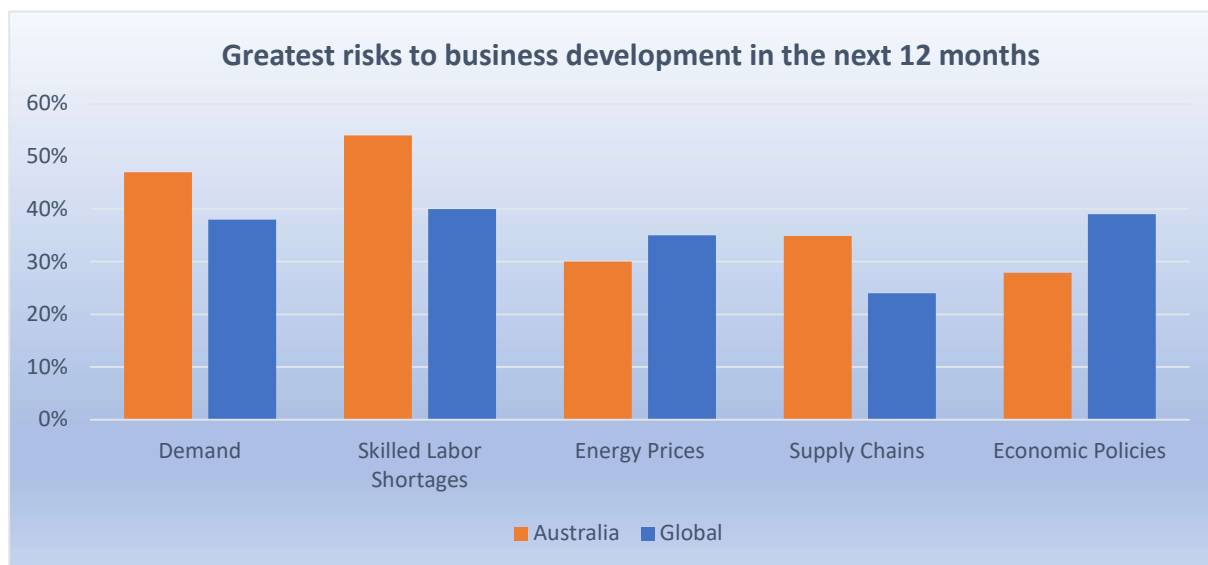
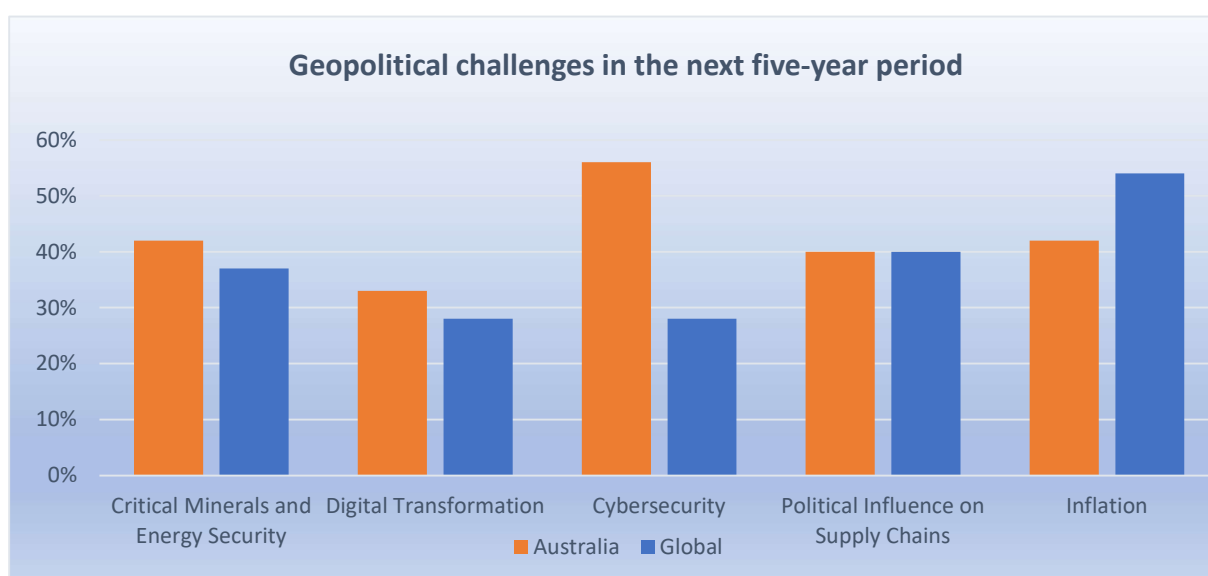


Chart: Overall Australian Market Outlook in comparison to 2022 data.



**Chart: Reported greatest risks to Australian businesses in the next 12-month period, in comparison to global risk perceptions to business development**

Australian participants perceived the greatest risks to their business in the next 12 months to be related to the **shortage of skilled labour in Australia** (54%), uncertainty regarding demand for their services and products (47%), and prevailing supply chain challenges (35%). Energy prices and economic policies appear to be of a lesser concern to business development for Australian businesses, as federal energy prices have dropped from their mid-2022 peak levels. Furthermore, the recently elected Labor government has so far refrained from introducing significant economic and taxation policy, which may alter the trajectory of current market developments.



**Chart: Greatest risks to Australian businesses in the next five-year period, in comparison to global risk perceptions to business development in the same timeframe**

The majority of Australian participants were of the opinion that **long-term geopolitical challenges will be attributed to cybersecurity (56%)**, particularly in light of a series data breaches in Australia, for example in the case of Optus breach in September 2022, or Medibank breach in October 2022. This is set in stark contrast to the global perceptions, as only 28% globally, view cybersecurity to be of primary geopolitical concern for German affiliated businesses abroad. This can be partially attributed to the high rate of digitalisation across the Australian market and the lack thereof amongst developing countries, where more traditional geopolitical challenges may prevail.

**Critical Minerals (42%), Energy Security (42%) and Inflation (42%)** were also amongst the primary geopolitical concerns for Australian business in the near future. This can be justified by the growing foreign and domestic demand for critical minerals for the innovation and the green energy transition. This can also be attributed to the gradual process of moving away from Australia's traditional energy sources, towards renewable alternatives. Additionally, inflation rates in Australia remain higher than anticipated for 2023, with higher government spending to be expected in the coming years to face emerging climate, defence, energy, migration, and further challenges.

Based on the data collected by the 2023 AHK World Business Outlook Spring edition, we find that global participants have tentative economic optimism, whilst Australian businesses show greater confidence in the resilience and potential in their respective Australian industries. Perceived challenges to business development vary significantly amongst region to region, with Australia showcasing strong concern regarding digitalisation, critical minerals and its domestic green energy transition.

The DIHK will be conducting a AHK World Business Outlook Autumn edition in the second half of 2023. AHK Australien asks all its Chamber members to participate in the Autumn edition and contribute to this important survey, showcasing current market developments, generating foresight for emerging challenges and enabling us as a Chamber to meet these challenges with potential solutions for our member organisations.

If you have any queries regarding the AHK World Business Outlook and Australia's economic outlook for 2023, please contact Vincent Nittel, AHK Australien ([vincent.nittel@germany.org.au](mailto:vincent.nittel@germany.org.au)).

You can view the entire DIHK report (PDF) in the **English** version here:

[AHK World Business Outlook Spring 2023 \(dihk.de\)](https://www.dihk.de/AHK-World-Business-Outlook-Spring-2023)