

AHK

World Business Outlook

Results of the Survey by the Network of
German Chambers of Commerce Abroad (AHKs)

Fall
2018



Business
Situation



Business
Expectation



Economic
Expectations



Investment



Employment



DIHK

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The AHK World Business Outlook is based on a regular DIHK survey among member companies of the German Chambers of Commerce Abroad, delegations and representative offices (AHKs). It encompasses the feedback from around 3,500 German companies, branches and subsidiaries worldwide as well as companies with close links to Germany.

35% of respondents stemmed from industry and construction, 42% from the service sector and a further 23% from the retail trade. Small companies with less than 100 employees account for 54% of responses. 23% of the companies employ 100 to 1,000 employees. Large companies with more than 1,000 employees account for 23% of the respondents.

The survey was conducted in September and October 2018.

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Key messages

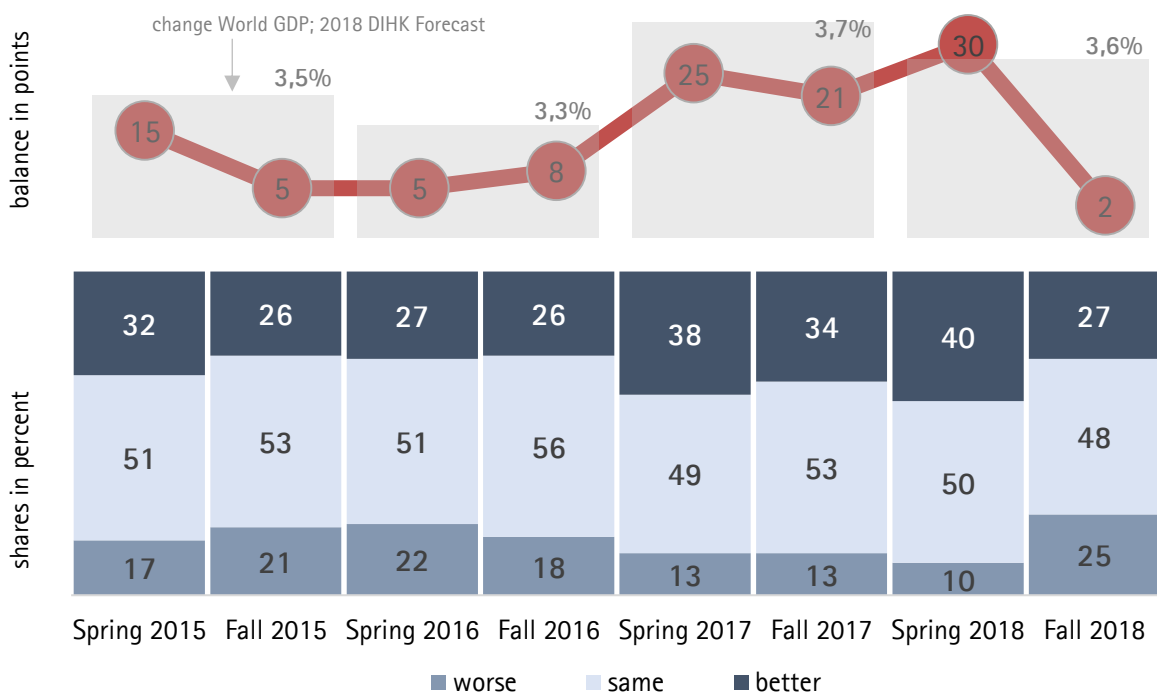
Global economic climate is cooling down

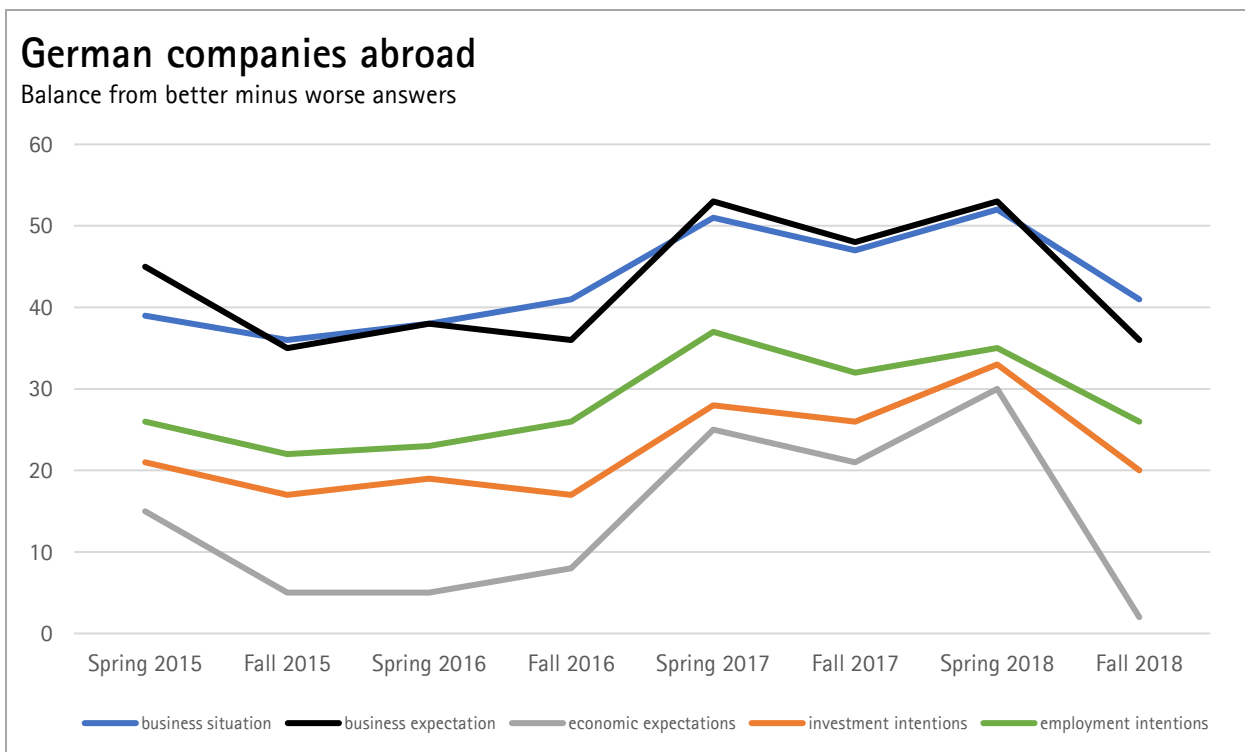
The global economy is growing more slowly. In addition, global economic expansion diverged across world regions. Growth outcomes are lagging behind expectations. Global economic expectations of German companies have declined significantly. While 40 percent had a positive view of the local economic development this spring, only 27 percent expect an improvement this fall. By contrast, the number of companies expecting a downturn rose from 10 to 25 percent. With two points, the balance of better and worse valuations barely exceeds zero. In all parts of the world, economic expectations have fallen, in some places significantly – except for North America. The special economic situation due to the tax reform in the US is still going on.

Half of the companies claim conditions regarding the economic policy framework to be the greatest risk for their foreign business. A quarter is afraid of disadvantages due to trade barriers. In addition, concerns about exchange rates are rising because of the currency crises in Turkey and Argentina. As a result, the growing uncertainty surrounding economic policy – for example due to the trade conflict between China and the US or the Brexit – seems likely to be reflected in companies' accounts. In addition, the financial environment has worsened significantly because of higher US interest rates and domestic problems in many emerging markets. The current developments in world trade pose considerable risks for Germany's export-oriented economy.

Economic expectations of AHK companies abroad

Balance from better minus worse answers





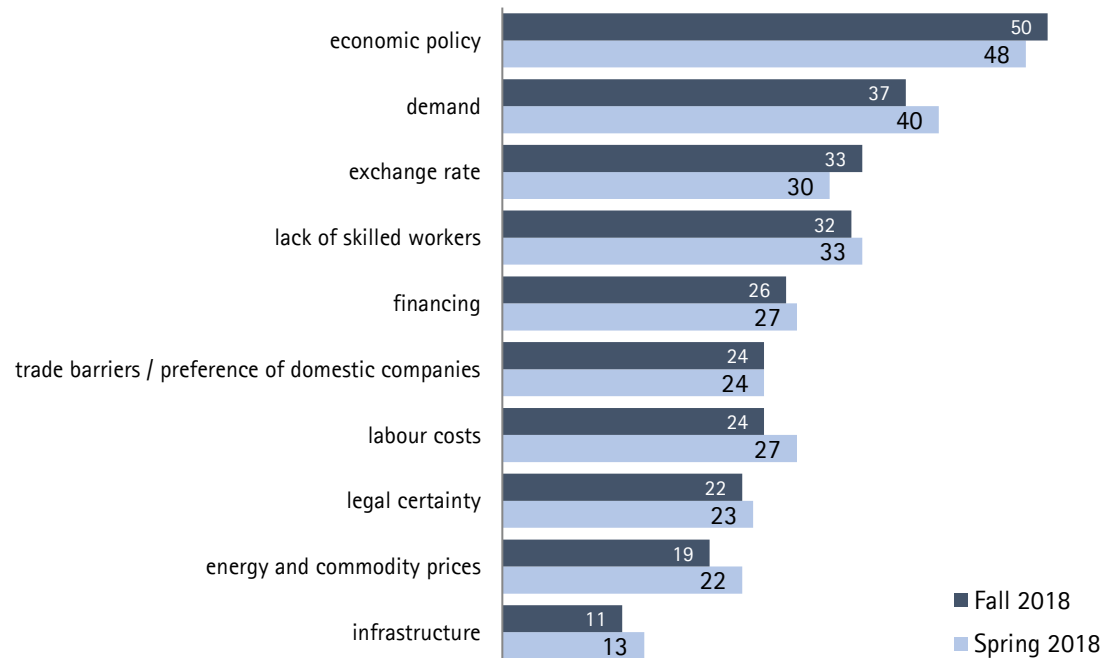
Business abroad is becoming more difficult

The slowdown in the global economy is threatening the foreign business of the German economy. German companies operating abroad assess both their own business situation and future business expectations considerably worse than in the spring. 51 percent rated their current business situation abroad as good and ten percent as poor. The balance points decrease from 52 points to 41 points. The decline in business expectations is even more severe. While the positive ratings fall from 57 percent to 48 percent, the number of negative ratings rises from four to twelve percent. Accordingly, the balance shrank significantly from 53 to 36 points and reached its lowest level in exactly three years.

Investment and employment intentions blurred

In the wake of the weakening global economic expansion, also investment activity abroad is losing momentum. Particularly in Iran, Turkey and Russia, many companies are reducing their investment activity in light of the general economic policy environment (US sanctions, rising inflation and currency depreciation). 38 percent of companies (spring: 44) still consider the expansion of their investment activities. 18 percent say they want to reduce their investment volume. Overall, the investment balance contracted worldwide from 33 to 20 points. The pessimistic sentiment is also reflected in employment intentions of the companies. Whereas in the previous survey 43 percent still assumed an increase in employment, the figure is currently only 39 percent. Conversely, the number of companies that must plan with lower employment increases by five percentage points to 13 percent. This results in an employment balance of 26 points (spring 35).

Risks for German companies abroad in the coming twelve months (in percent)



Economic policy creates uncertainty

Concerns about the economic policy framework are increasing. After 48 percent in the spring, 50 percent of companies cite economic policy as the greatest factor of uncertainty for foreign business this fall. Companies worldwide are confronted with growing trade restrictions, political crises and isolationist tendencies. In Europe, the "no-deal" Brexit scenario threatens the economic development. The Italian government's budget plans are creating additional tension in the European Union. At the same time, currency crises are causing growing uncertainty about the exchange rate worldwide. Especially in emerging markets such as Turkey or Argentina, the combination of high debt, rising inflation, slowing growth and political adversity have triggered a massive flight of capital. One in three companies worldwide now see their businesses threatened by strong exchange rate fluctuations.

Statistics

Region/Country Balance from better minus worse answers	Business Situation	Business Expectation	Economic Expectation	Investment Intentions	Employment Intentions
Worldwide	41	36	2	20	26
euro zone	53	39	0	27	33
Germany	52	30	-8	20	27
Finland	66	45	31	40	28
France	32	49	40	38	36
Greece	27	51	-6	25	27
Ireland	71	45	52	15	43
Italy	54	47	14	35	41
Portugal	73	40	17	31	40
Spain	58	55	1	38	45
Other EU, Switzerland	61	27	-1	13	28
Denmark	67	52	43	50	43
Croatia	48	56	22	21	33
Romania	51	41	-8	7	23
Switzerland	79	34	18	21	28
Slovakia	67	21	10	16	36
Czechia	68	22	4	41	42
Eastern/Southeastern Europe (excl. EU), Russia, Turkey	39	10	-25	-10	14
Bosnia and Herzegovina	49	77	11	53	66
Russia	36	13	-10	-3	24
Serbia	63	83	28	37	50
Turkey	39	-13	-63	-37	-9
Ukraine	45	36	25	8	23
Belarus	41	38	-22	8	34
North America	60	55	37	37	43
Mexico	34	39	14	14	23
USA	71	62	48	46	52
South and Central America	24	51	17	19	17
Argentina	6	15	-9	-37	3
Bolivia	33	11	-24	7	-17
Brazil	39	42	5	15	33
Chile	42	73	65	58	38
Ecuador	18	54	7	28	10
Colombia	24	73	45	35	26
Peru	33	70	24	16	21
Uruguay	22	9	-63	-40	-22

Region/Country Balance from better minus worse answers	Business Situation	Business Expectation	Economic Expectation	Investment Intentions	Employment Intentions
Venezuela	-65	-40	-80	-100	-60
China	34	30	-1	22	32
Asia/Pacific (excluding China)	45	49	14	30	34
Australia	63	67	31	41	48
India	43	62	28	40	41
Japan	47	40	11	26	27
Malaysia	33	37	20	19	17
New Zealand	50	58	-21	14	25
Philippines	53	55	12	18	42
South Korea	4	12	-44	20	16
Taiwan	36	26	11	25	37
Thailand	50	61	29	36	43
Vietnam	52	52	40	46	52
Africa, Near and Middle East	7	15	-27	0	-1
Egypt	55	60	17	35	34
Algeria	20	29	-8	32	33
Ethiopia	46	64	26	51	36
Iran	-16	-13	-55	-26	-28
Kenya	32	73	17	15	27
South Africa	7	15	-38	-14	-6
Tunisia	29	55	12	43	35
United Arab Emirates	27	15	-17	-3	14