



# KOREA AHK World Business Outlook Survey Results

Spring 2023



# Summary I

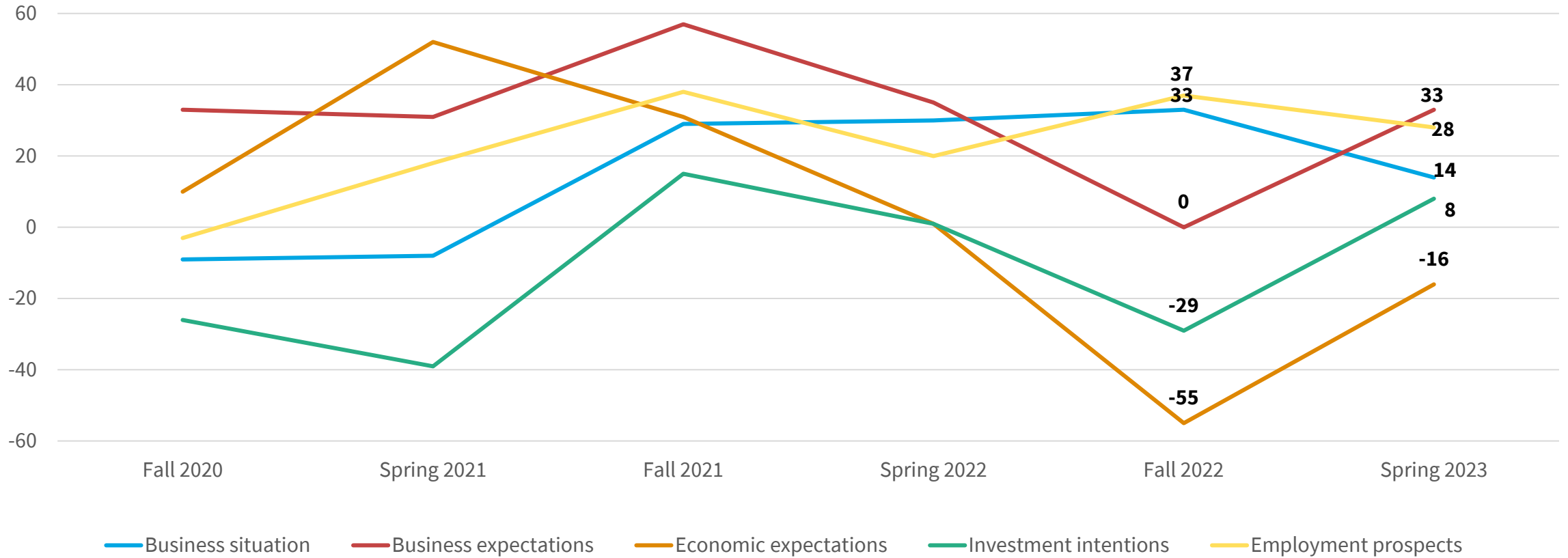
- The number of companies assessing the **own current business situation as good decreased by 7% to 37%**, while now 23 % (+12% compared to six months ago) consider their business situation as bad. Accordingly, the saldo (difference between good and bad) fell from 33 to 14 points.
- However, **the 12-months expectations for the own Korean business show optimism**. 44% of the participating companies forecasted growth (+14% compared to six months ago). The number of companies expecting a worsening of their businesses decreased to 12%, which is 18% less than six months ago. Still, the saldo depicts a less bullish forecast than a year ago.
- The forecast regarding the **Korean economic development within the next 12 months remains dark, however by far less bleak than six months ago (saldo of -55)**. A worsening of the economic environment in Korea is expected by 1/3 of the companies, a bettering by only half as many. The saldo which was at 52 points two years ago stands at -17 points.
- The German companies' expectations for their own business development remain much more positive than for the general economy. This shows their **confidence regarding their own market position**.
- The intentions to invest more within the next 12 months double from six months ago (now at 30%). However, the number is still below the **32% of the participants who forecast lower or no investment**.

## Summary II

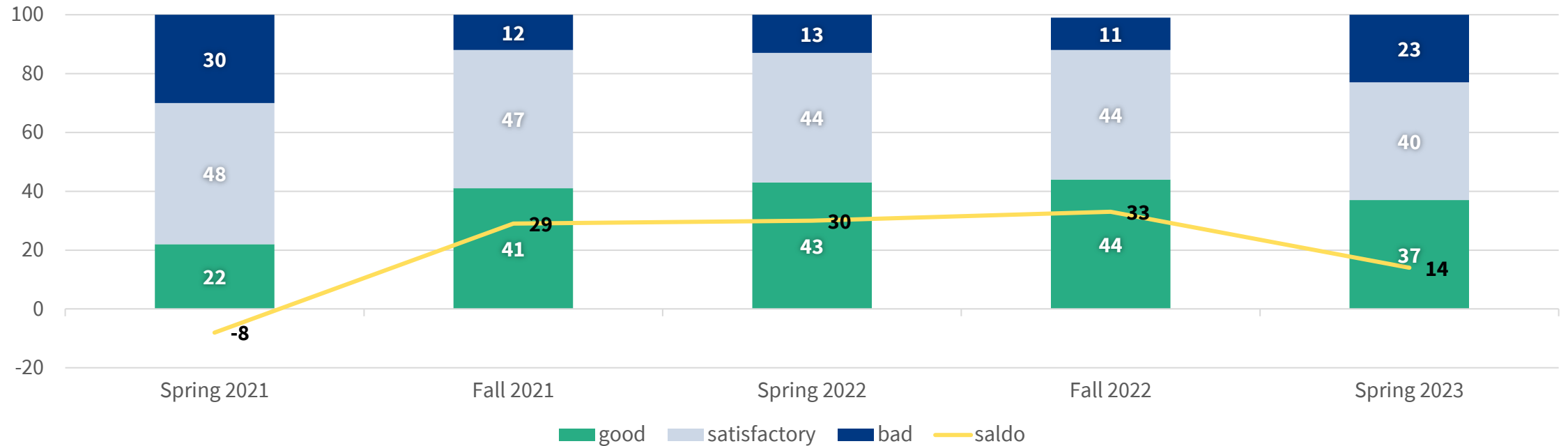
- Despite the bleak general economic outlook on the one hand and encouraged by the own positive forecast on the other hand, **37% of the participating companies plan to grow the workforce** within the coming 12 months, which is comparable to the spring survey results in 2021 and 2022. Also, more than 50% of the participating companies intent to retain its current workforce size.
- **Demand is considered to be one of the biggest risk factors by more than one out of two companies (+3% from six months ago), followed by concerns about the labor costs with 44%.** The top runners six months ago, supply chain disruptions (56%) and raw material prices (52%), are both down to 35%. The same number of companies worries about increasing trade barriers (+31% compared to 12 months ago). The number of companies concerned about energy prices has decreased further by 10% to 23%.
- When it comes to the **biggest geopolitical challenges, 54% of the participating companies name political influence on supply chains.** This is the predominant issue for **German companies in China (75%)** and less of a concern of German companies in Japan (23%). **Fragmentation and decoupling** is the group of the second widest challenge named by German companies in Korea (47%), but far more listed by German companies in China (71%) and Japan (55%).
- 51% of respondents list **inflation and monetary policies** in this category, followed by sustainability transformation (44%) and digitalization (35%).

# Summary: Business Expectations - German companies in Korea

## Saldo in points

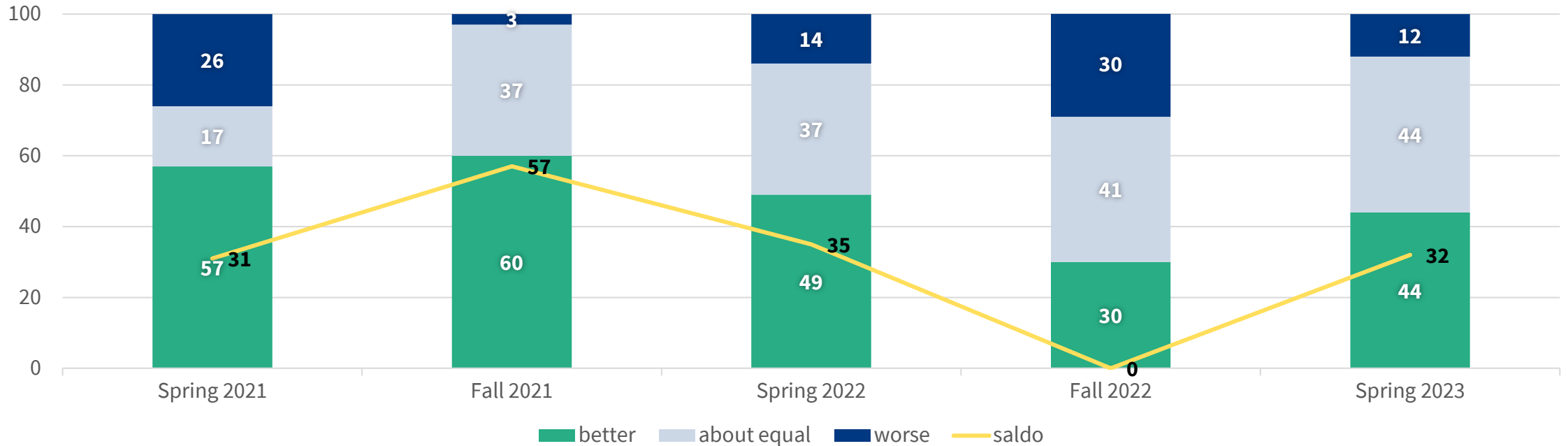


# 1. How do you assess the current situation of your company?



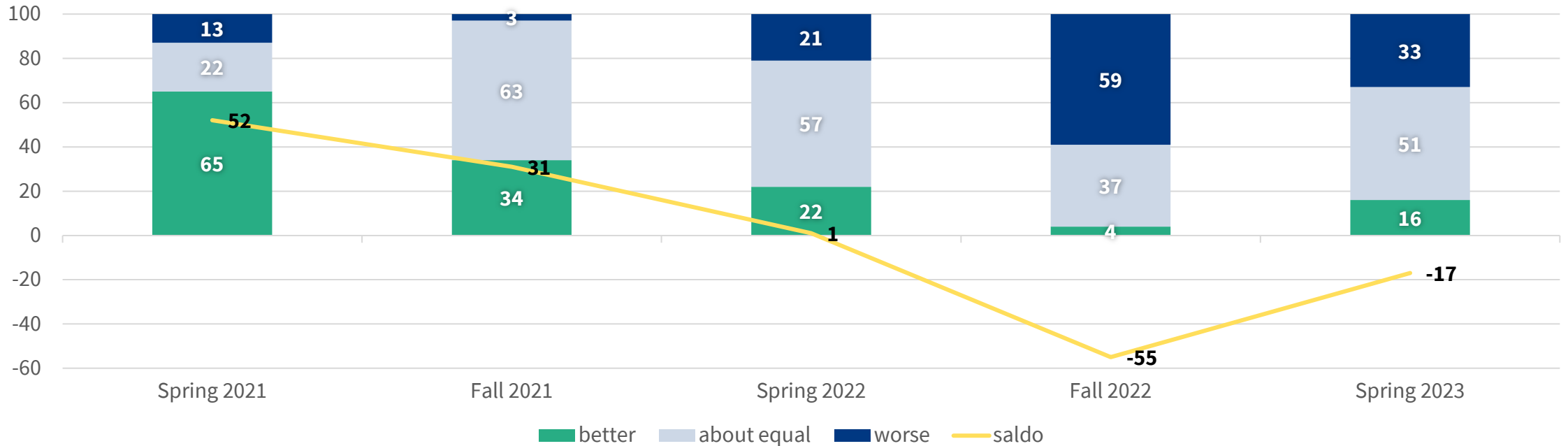
The number of companies assessing the own current business situation as good decreased by 7% to 37%, while now 23 % (+12% compared to six months ago) consider their business situation as bad. Accordingly, the saldo fell from 33 to 14 points.

## 2. Which business development does your company expect for the next 12 months?



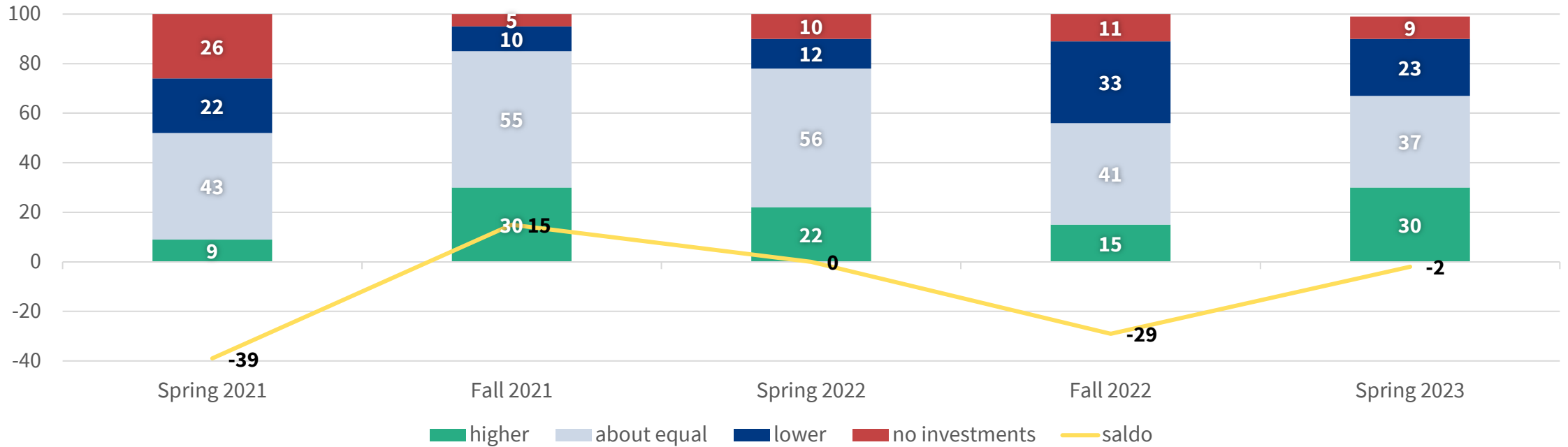
The 12-months expectations for the own Korean business show optimism. 44% of the participating companies forecasted growth (+14% compared to six months ago). The number of companies expecting a worsening of their businesses decreased to 12%, which is 18% less than six months ago. Still, the saldo depicts a less bullish forecast than a year ago.

### 3. How do you judge the local economic development in the next twelve months?



The forecast regarding the Korean economic development within the next 12 months remains dark, however by far less bleak than six months ago when the saldo was down to -55. A worsening of the economic environment in Korea is expected by 1/3 of the companies, a bettering by only half as many companies (16%). The saldo which was at 52 points two years ago is down to -17 points.

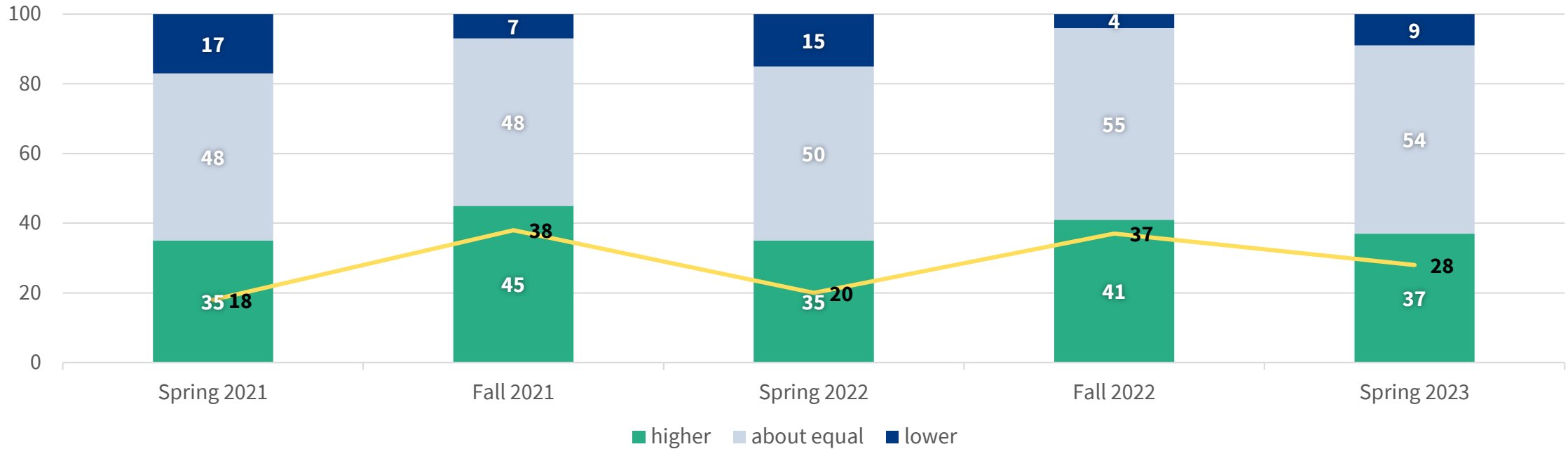
## 4. How do you think local investments of your company are likely to develop in the next 12 months?



The intentions to invest more within the next 12 months double from six months ago (now at 30%). However, the number is still below the 32% of the participants who forecasted lower or no investment.

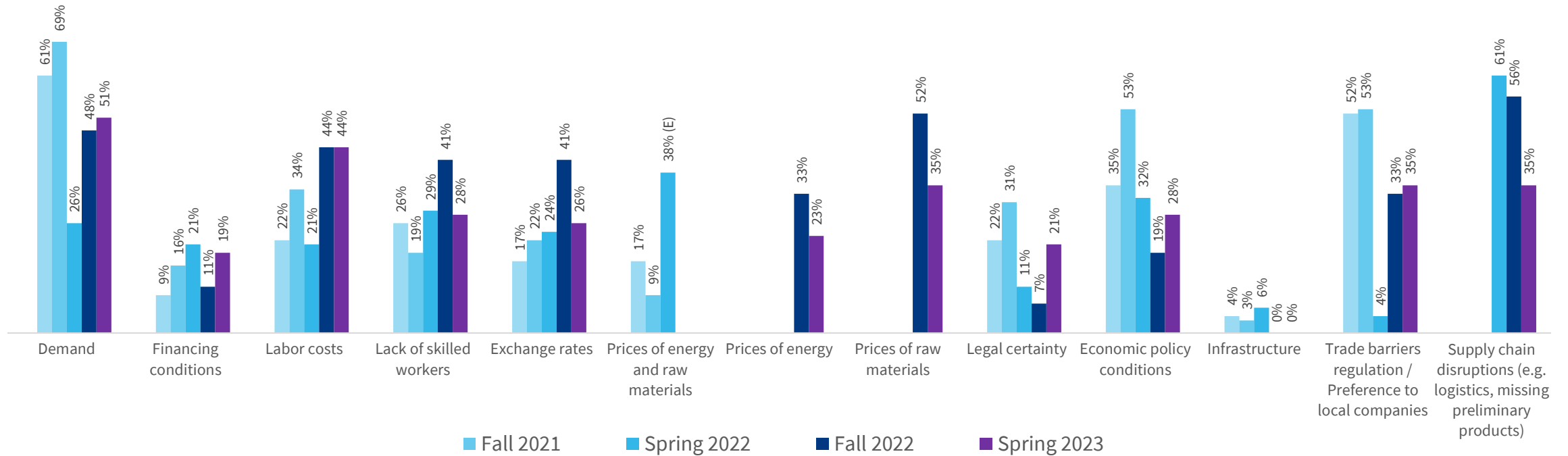


## 5. How do you think local employment of your company is likely to develop in the next 12 months?



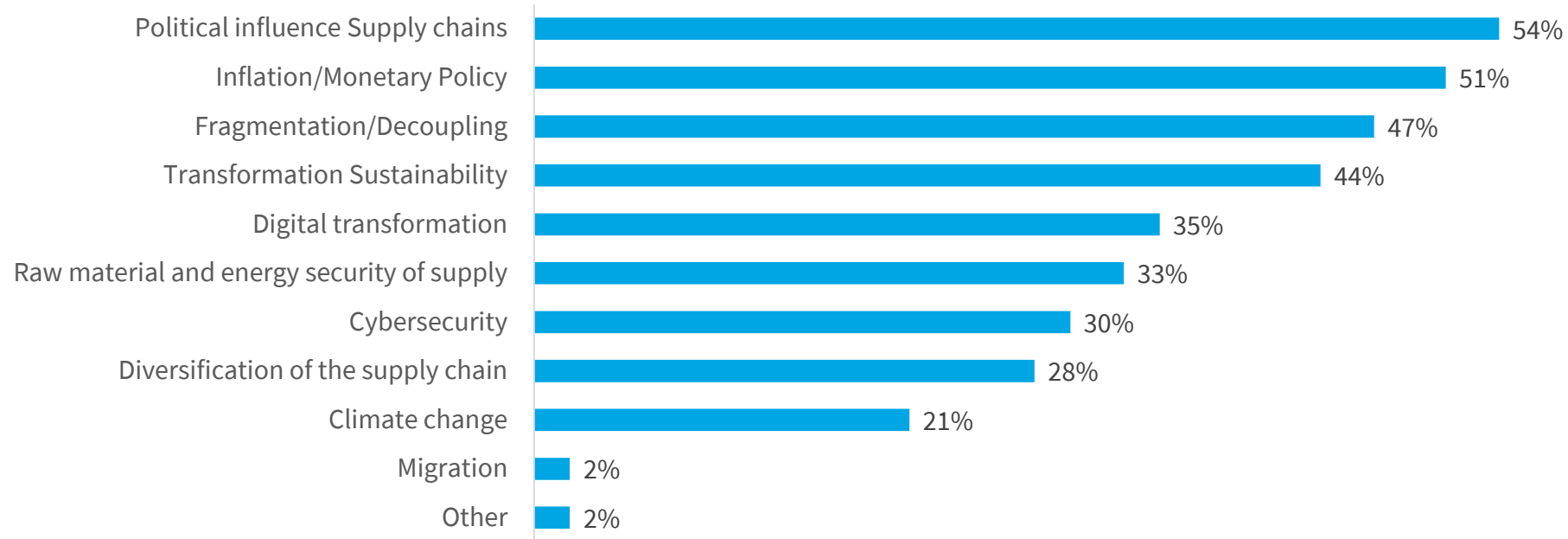
Despite the dark general economic outlook, 37% of the participating companies plan to grow their workforce within the coming 12 months, which is comparable to the survey results in spring 2021 and 2022 and 4% lower than six months ago. More than one out of two companies intends to retain its current workforce size.

## 6. What are the biggest risks for your company's economic development in the next 12 months? (Multiple answers possible)



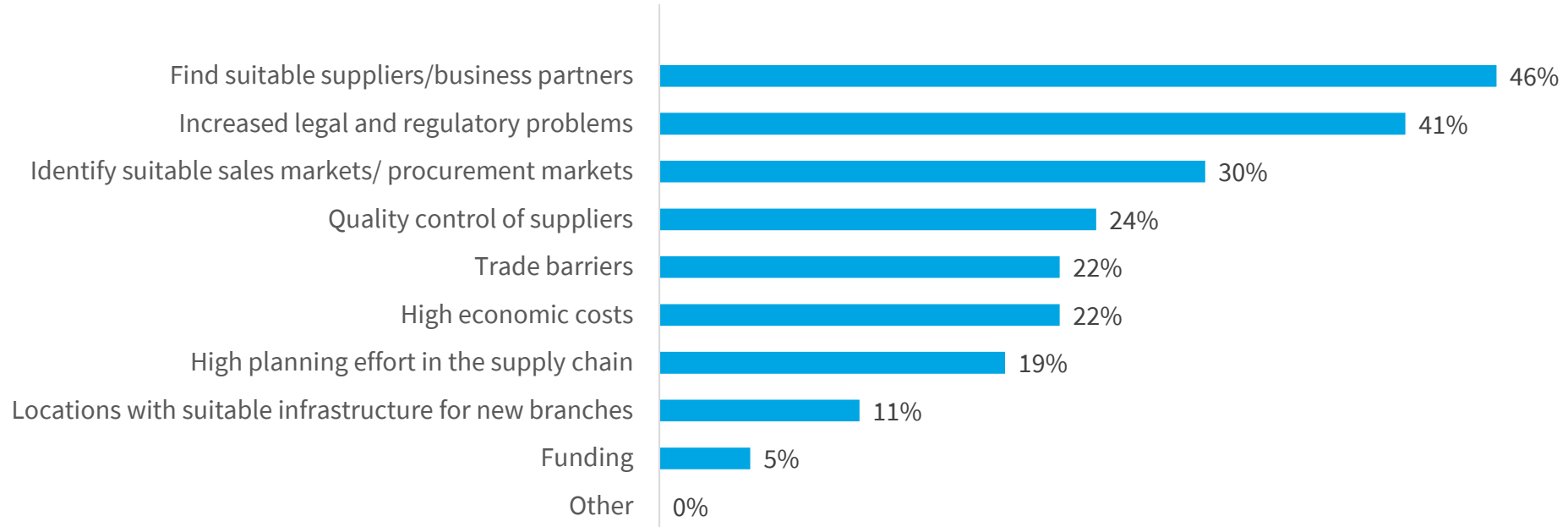
Demand is considered to be one of the biggest risk factors by 51% (+3% compared to six months ago), followed by concerns about the labor costs with 44%. The top runners in the last survey, supply chain disruptions (56%) and raw material prices (52%), are both down to 35%. The same number of companies worry about increasing trade barriers (+31% compared to 12 months ago). The number of companies concerned about energy prices has decreased further by 10% to 23%.

## 7. What are the biggest geopolitical challenges in next 5 years? (Multiple answers possible)



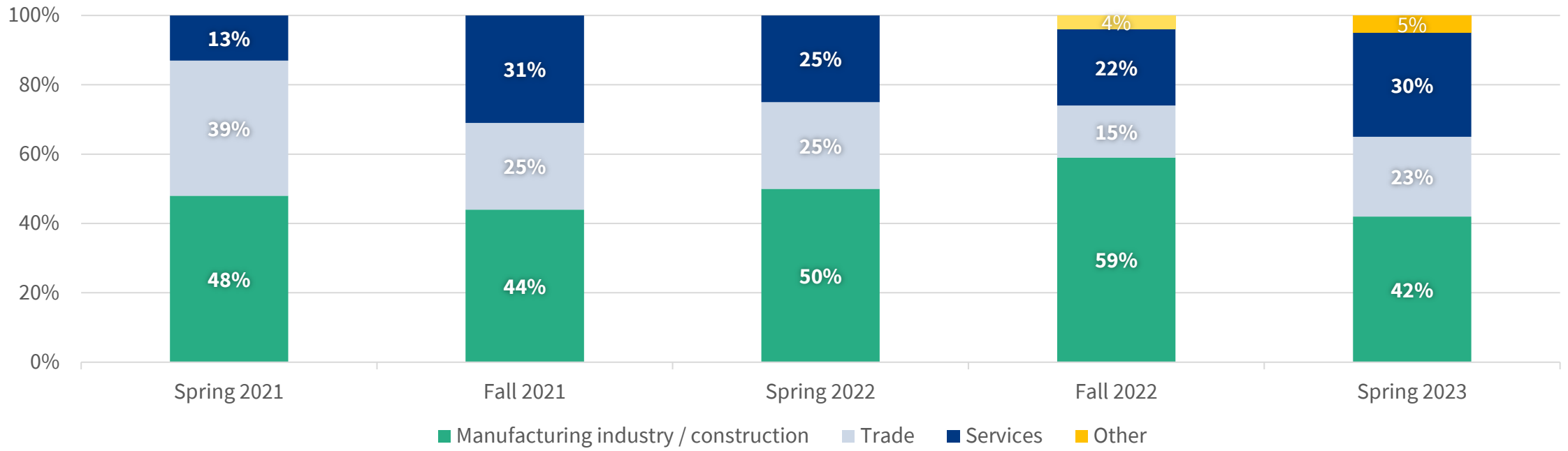
When it comes to the biggest geopolitical challenges, more than 50% of the participating companies name political influence on supply chains here, closely related to almost every second company referring to fragmentation and decoupling. 51% of respondents list inflation and monetary policies in this category, followed by sustainability transformation (44%) and digitalization (35%).

## 8. What challenges do you see in diversifying your supply chains and/or sales markets? (Multiple answers possible)



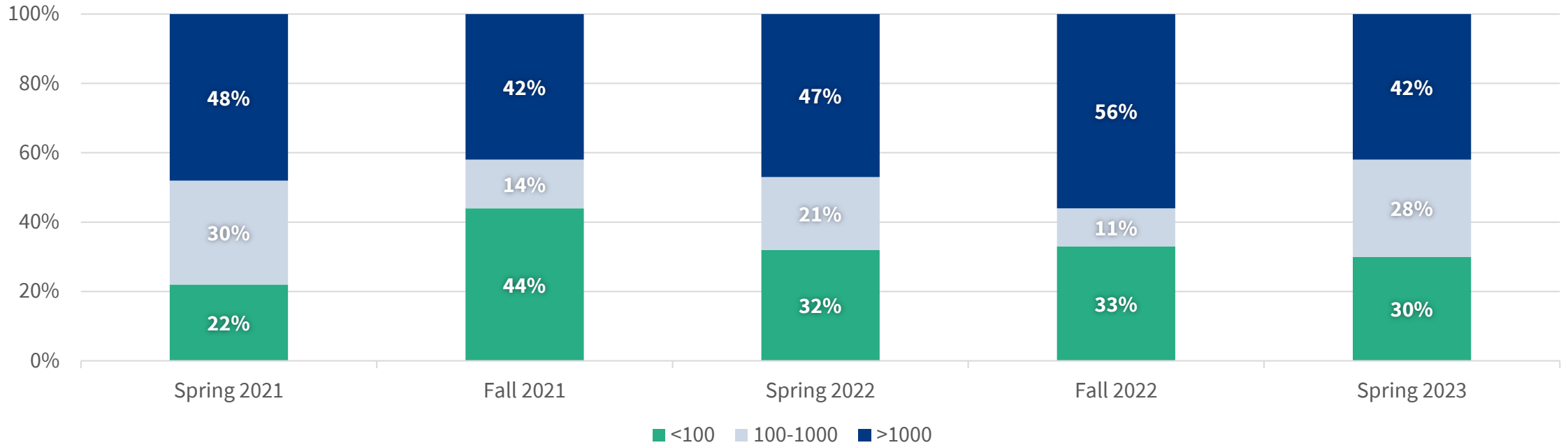
Asked for the challenges when it comes to diversifying the supply chains and/or sales markets, 46% of the companies name finding suitable business partners. Four out of ten refer to the increasing complexity of legal and regulatory issues when starting with new suppliers and in new markets.

## 9. Participating companies per sector



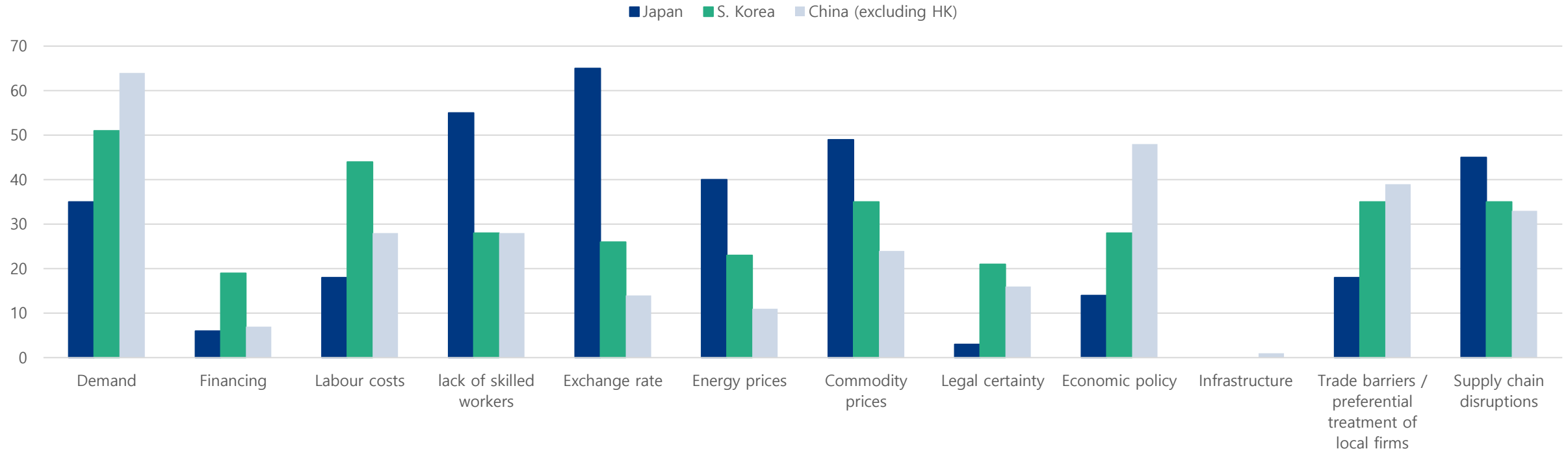


## 10. Participating companies per number of employees worldwide



## 11. Regional comparison (Korea – China - Japan)

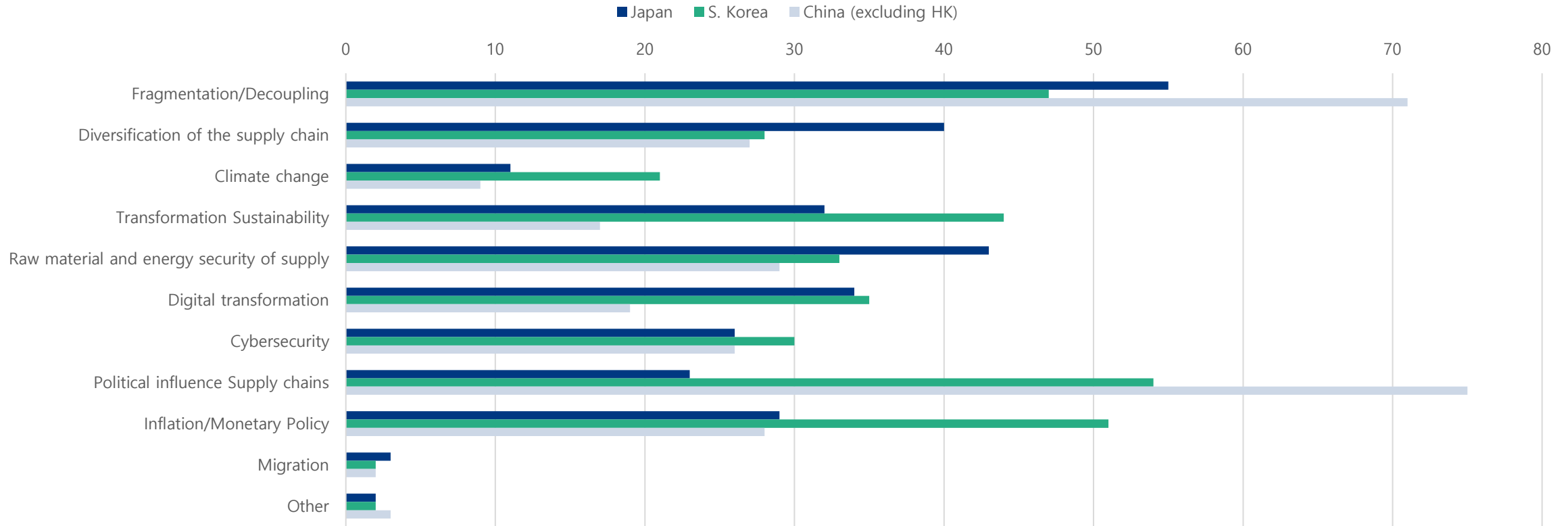
**What are the biggest risks for your company's economic development in the next 12 months?** (Multiple answers possible)



While the Korean results show most concerns about demand (51%) followed by labour cost (44%), German companies in Japan are mostly worried about the exchange rate (65%, in Korea: 26%) and the lack of skilled workers (55%, in Korea: 28%). Like in Korea, for German companies in China concerns about demand are top (64%), followed by almost every second company referring to economic policy (in Korea: 28%).

## 12. Regional comparison (Korea – China - Japan)

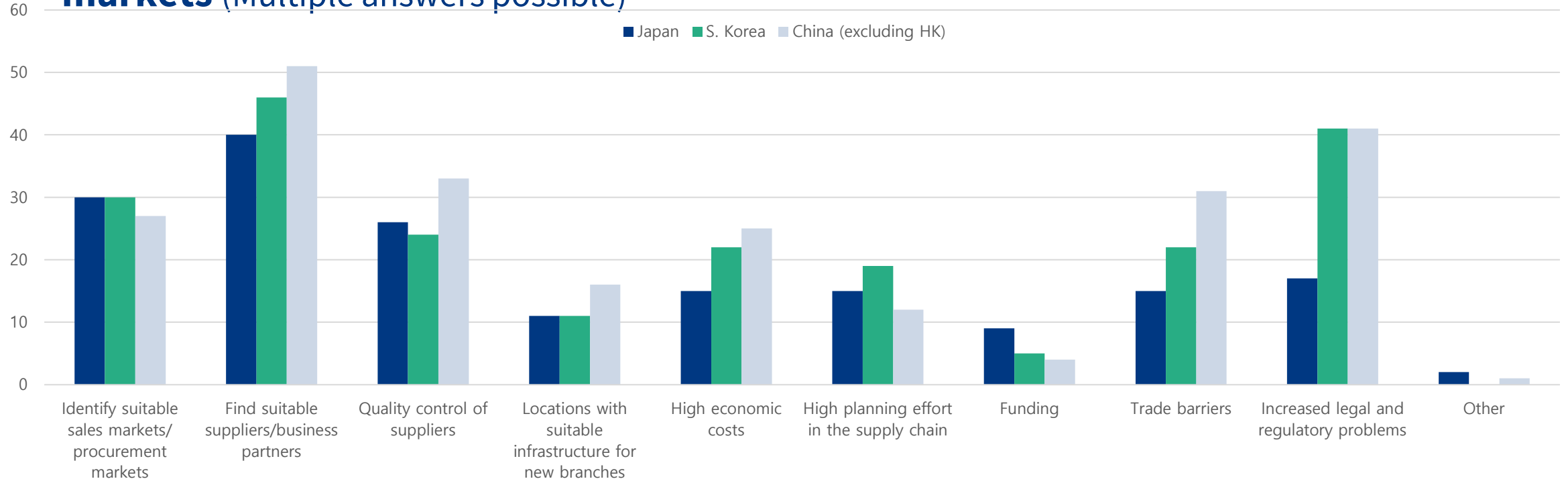
What are the biggest geopolitical challenges in the next 5 years? (Multiple answers possible)



Fragmentation and decoupling are considered as challenges by far more German companies in China (71%) and Japan (55%) than in Korea (47%). The political influence on supply chains which is forecasted to be the predominant issue for German companies in China (75%) seems to be less of a concern for said companies in Japan (23%) with the Korean result in the middle (54%).

### 13. Regional comparison (Korea – China - Japan)

#### What challenges do you see in diversifying your supply chains and/or sales markets (Multiple answers possible)



Regarding the diversification of supply chains and markets, German companies in Korea mostly (46%) refer to the challenge of finding suitable suppliers and partners. This problem is even larger for German companies in China (51%), but smaller in Japan (40%). For the second widest concern, the increased legal and regulatory problems, the results for German companies in Korea and China stand at 41%, while this is only mentioned by 17% in Japan.

The AHK World Business Outlook is based on a regular DIHK survey of member companies of the German Chambers of Commerce Abroad, Delegations and Representative Offices (AHKs).

This survey collected feedback from more than 5,100 German companies, branches and subsidiaries worldwide as well as companies with close ties to Germany.

The survey was conducted from 20<sup>th</sup> March to 6<sup>th</sup> April 2023.

43 companies participated in the survey regarding their Korean business.

The global results are also available on the KGCCI website (<https://korea.ahk.de/en/news>)

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