



## German-British Business Outlook Autumn 2020

Covid / Brexit Special



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

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## Summary:

There appears to be some limited light at the end of the tunnel because many companies appear to have been able to adjust 'better' than originally expected to the Covid-19 disruptions. However, Brexit issues continue to loom large for the German-British business community.

Compared to the summer and spring surveys of 2020, the German-British business community is slightly less pessimistic about the effects of the coronavirus pandemic on their businesses. However, they expect the recovery to take longer than originally expected and they are even more cautious about a quick overall recovery of the UK economy.

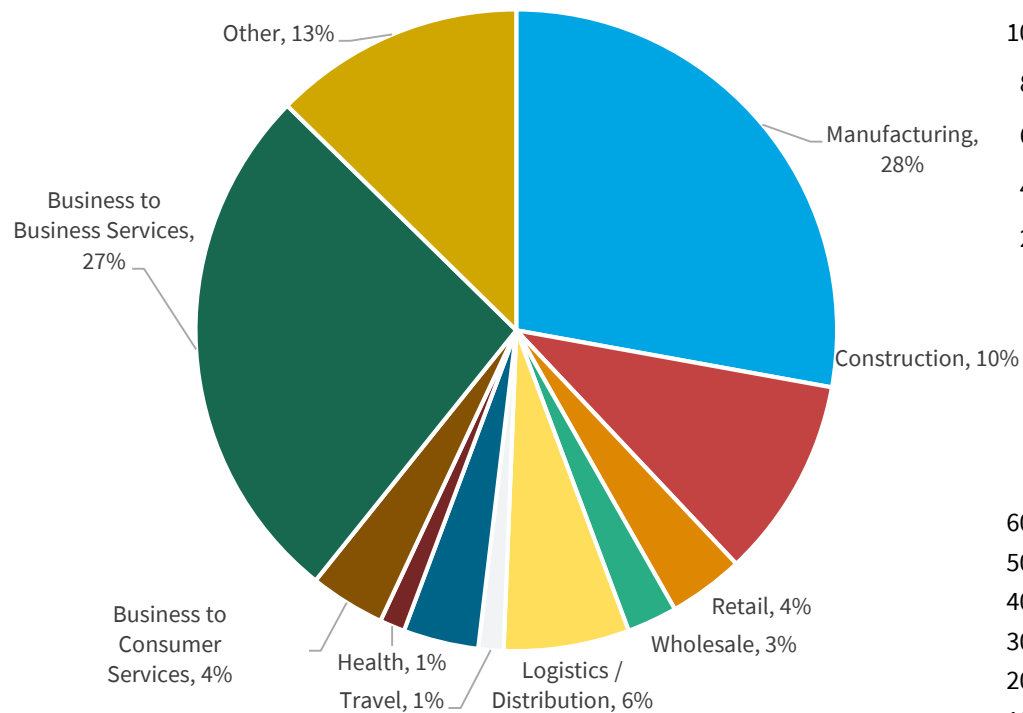
Mainly as a result of Brexit (and to a lesser extent because of Covid-19), companies expect some geographical changes to their supply chains and the locations of their business operations in future.

A large and growing majority expect Brexit to have a negative impact of more than 2% on the growth of the UK economy in 2021.

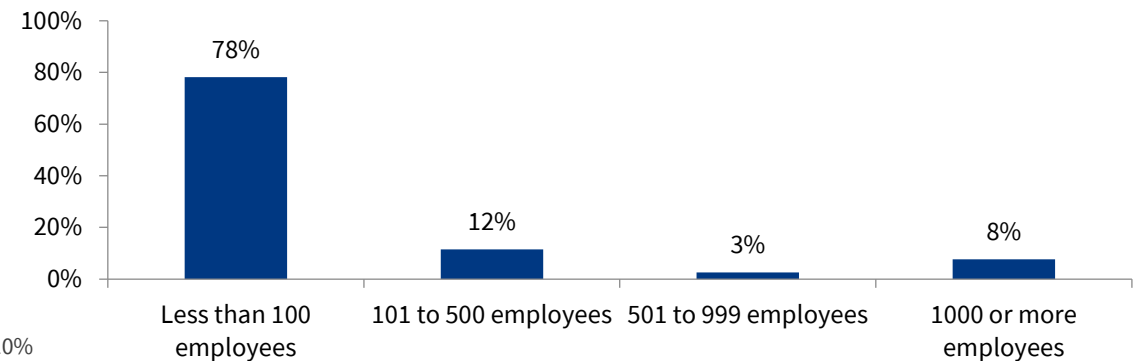
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## The survey and its participants:

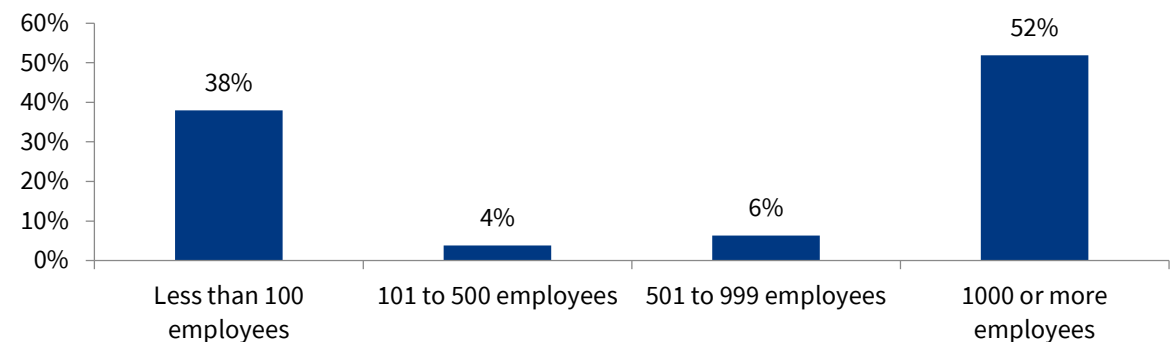
**82** online interviews between **5 and 18 October 2020** with companies from the German-British business community which have operations in the UK



### How many employees do you have in the UK?

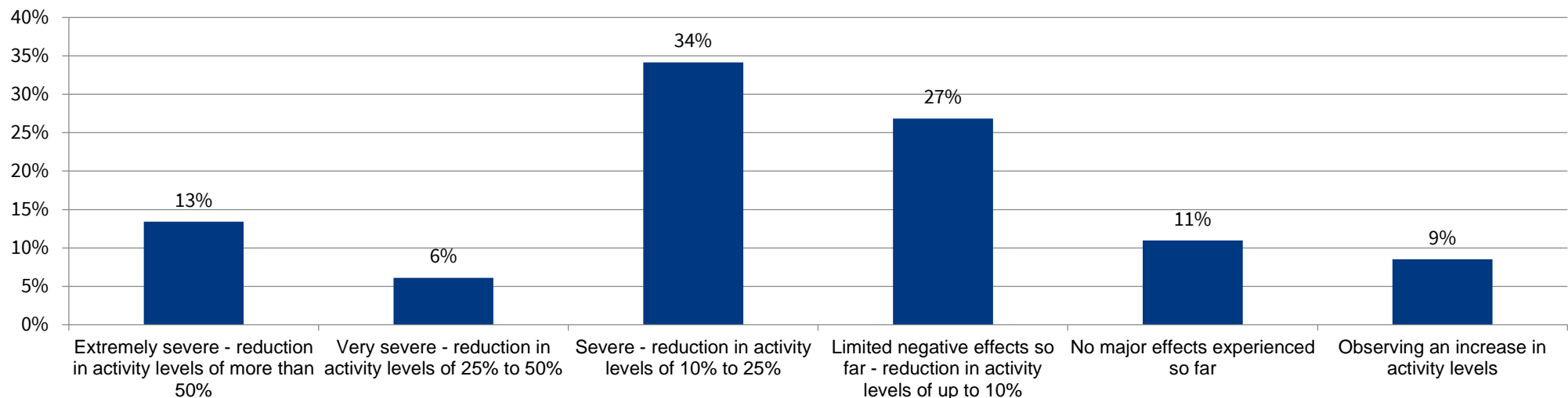


### How many employees do you have worldwide?



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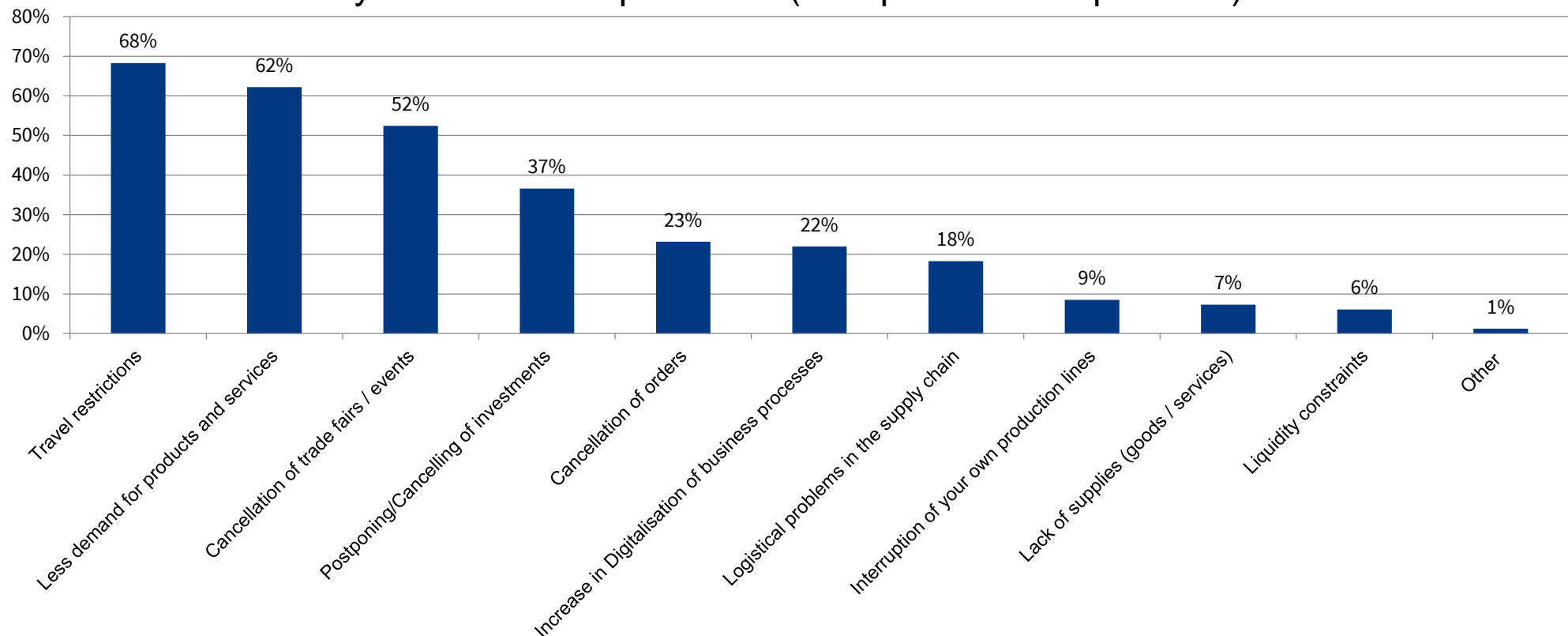
How severely are your operations in the United Kingdom currently affected by the Coronavirus pandemic?



The overall picture has significantly 'improved' over the past months, as now just over 50% of the German-British business community is severely or more than severely affected by the coronavirus pandemic. 20% see no effects or even an increase in activity. The corresponding figures before the summer break were 75% and 15%.

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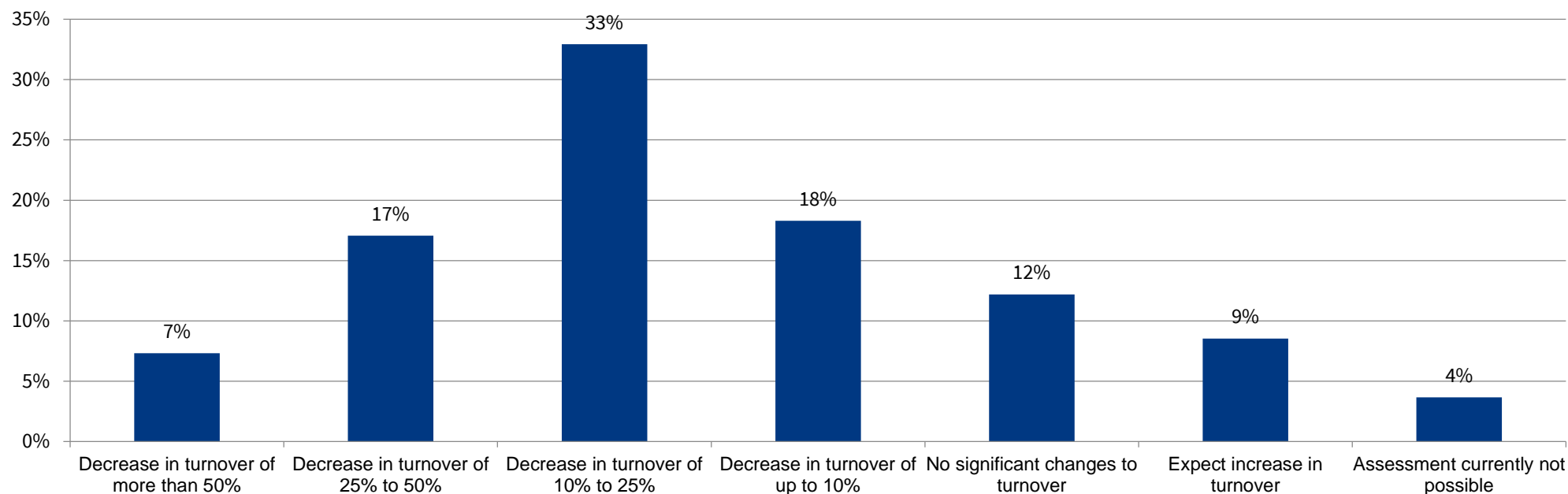
As a result of the Coronavirus pandemic, what are the biggest effects on your business operation? (Multiple answers possible)



Travel restrictions/cancellation of trade fairs/events, decline in demand/cancellation of orders, and cancelled investments continue to have the largest impact on business operations. However, the effects have become slightly less pronounced in comparison to early summer.

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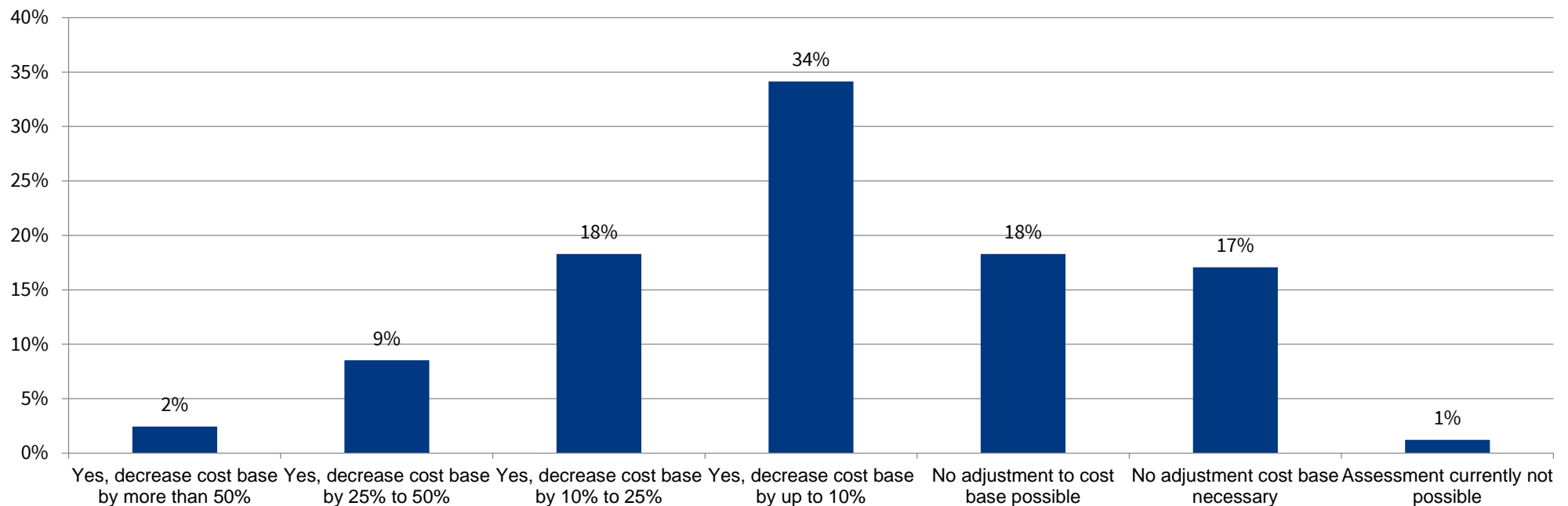
What changes to your turnover do you expect as a result of the Coronavirus pandemic in 2020?



Now 'only' 55% (versus 70% in early summer and 80% in spring) of the German-British business community expect a decrease of more than 10% of this year's turnover. The negative effects have also flattened somewhat, as now only 7% (versus 15% in summer and 30% in spring) of businesses expect a decline of more than 50%.

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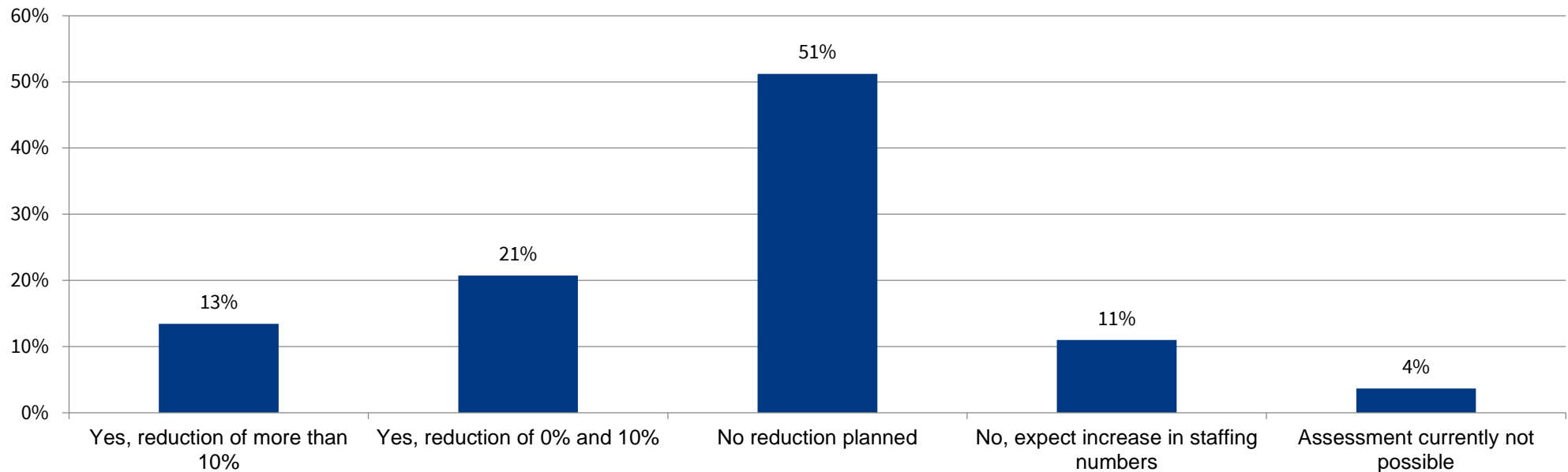
Are you able to adjust your cost base to mitigate the effects of the Coronavirus pandemic?



As in the summer only 60% of businesses are able to decrease their cost base with reductions becoming less pronounced. However, the overall rate of cost reductions is still lower than the expected decrease in turnover. Nevertheless, some 20% continue to see no need for any cost adjustments.

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Over the next 12 months, are you expecting to reduce staff numbers if you have not already done so?

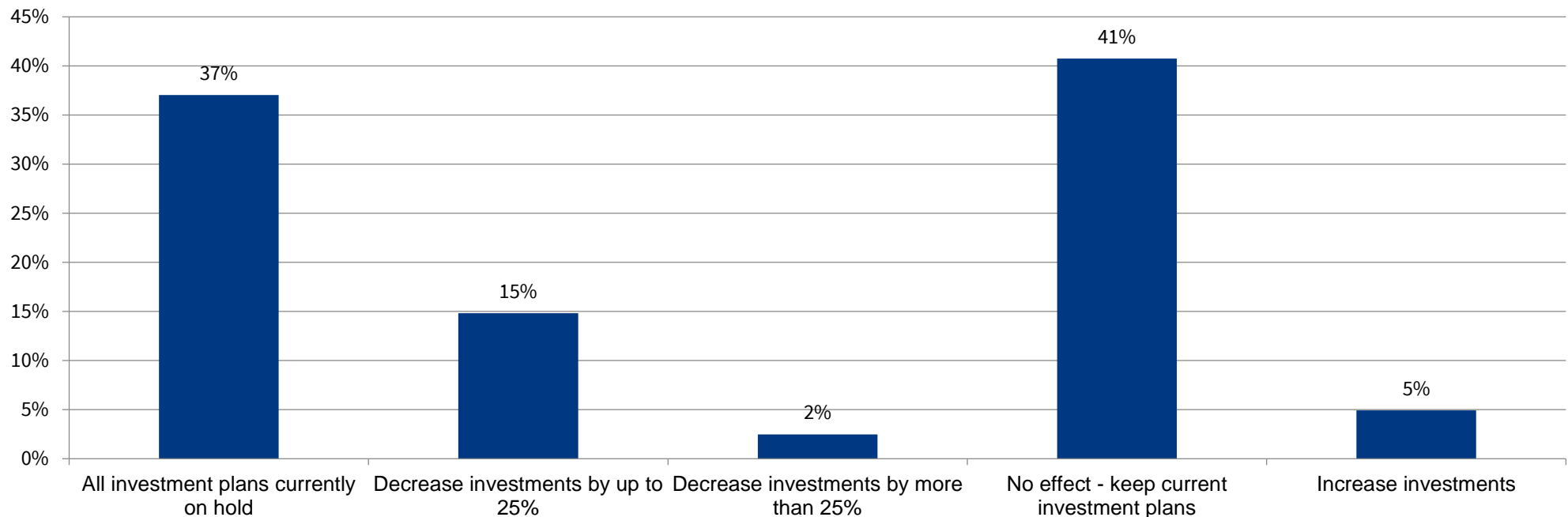


Half of the companies in the German-British business community continue to expect no changes to staffing levels, while 35% (versus 40% in the summer) plan to reduce staffing levels in Britain due to the coronavirus pandemic – a slightly more ‘positive’ view than in the summer of this year.



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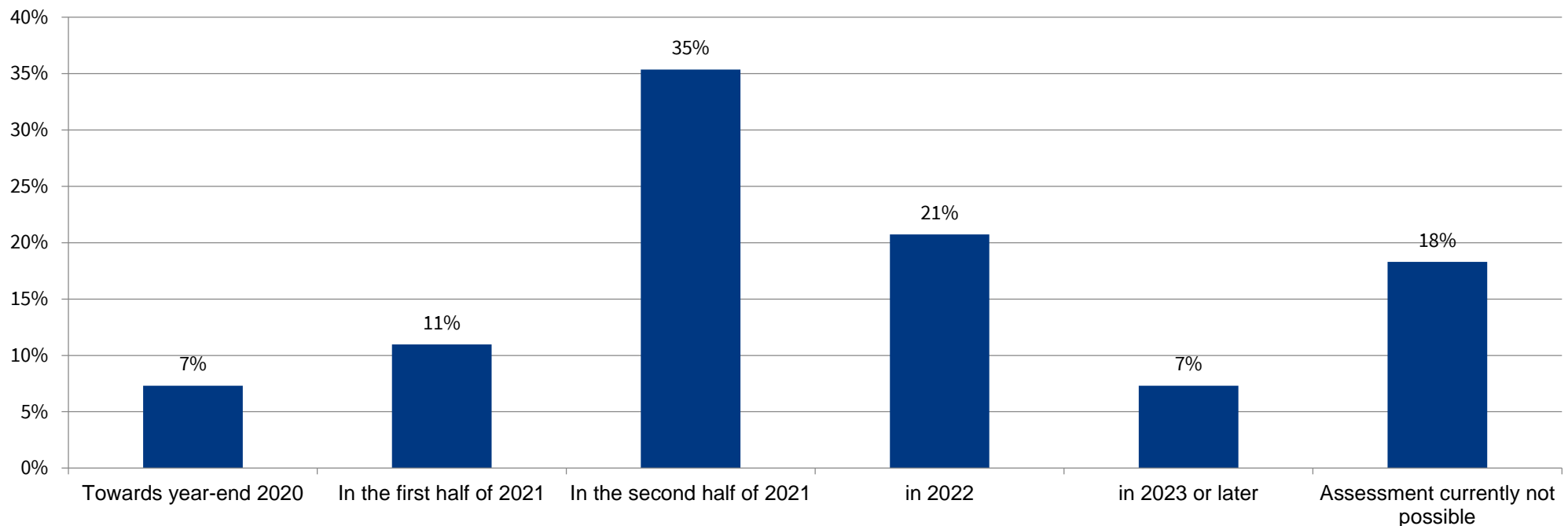
What are the effects of the coronavirus pandemic on your medium-term investment plans?



Nearly 40% of the companies surveyed continue to keep all of their investments plans on hold and just above 40% are keeping their current investment plans.

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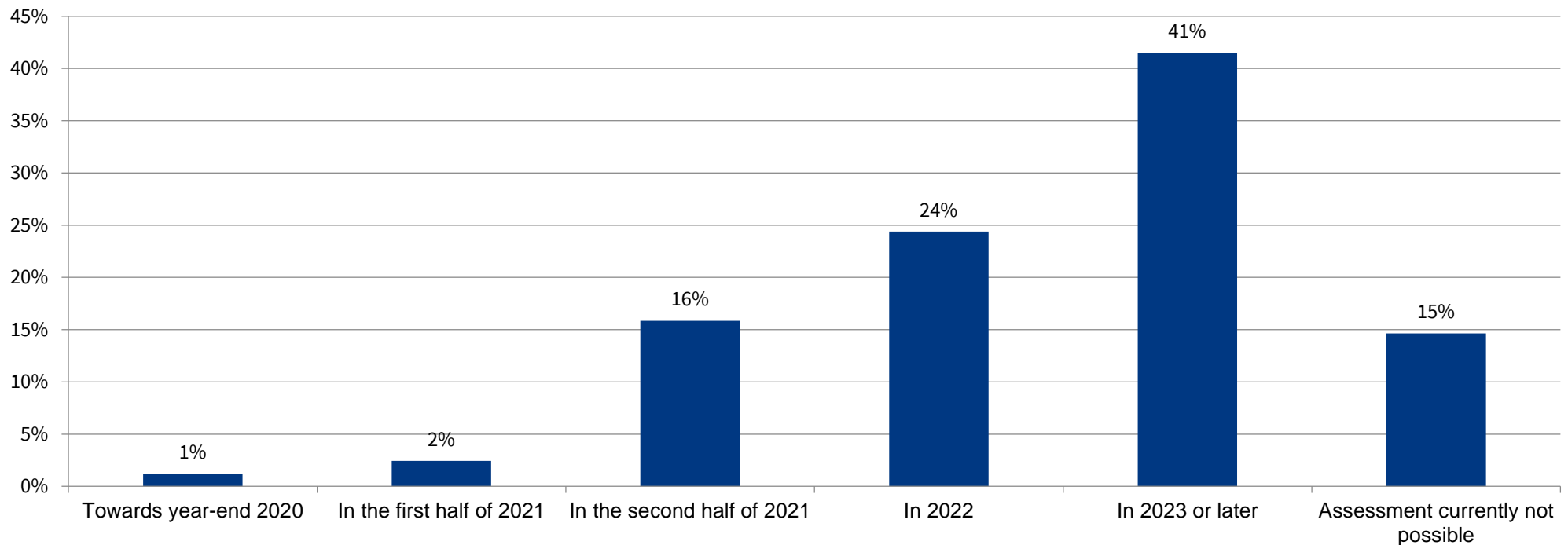
How quickly do you expect your business operations in the United Kingdom to recover from the pandemic?



Only 20% (versus 55% in the summer of this year) of the German-British business community expects to recover from the coronavirus pandemic at the end of this year or in the first half of the next year. 35% expect a recovery only in the second half of 2021, i.e. in comparison to three months ago many companies expect the recovery to take six months longer.

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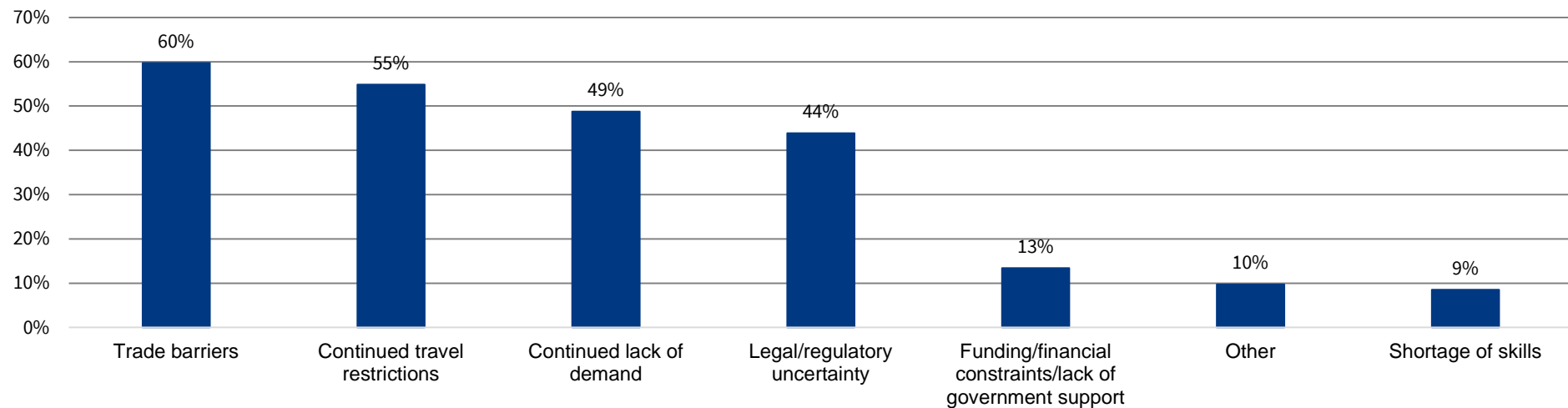
How quickly do you expect the United Kingdom's economy as a whole to recover from the pandemic?



Even though most companies in the German-British business community expect to recover in 2021, they continue to be more pessimistic about the British economy overall with 65% of them expecting the British economy to recover only in 2022 or later.

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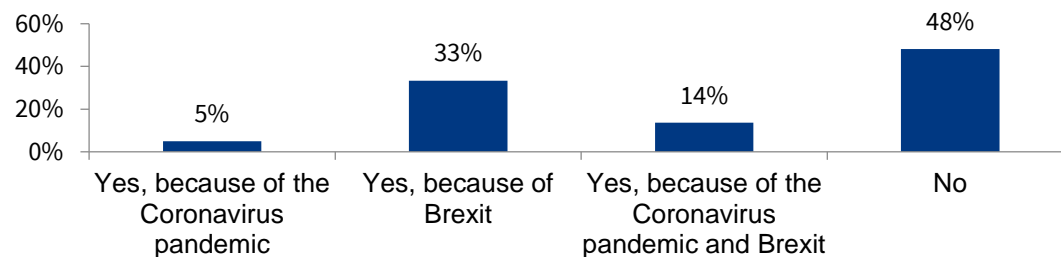
What will be the largest challenges for your business in the coming 12 months? (Multiple answers possible)



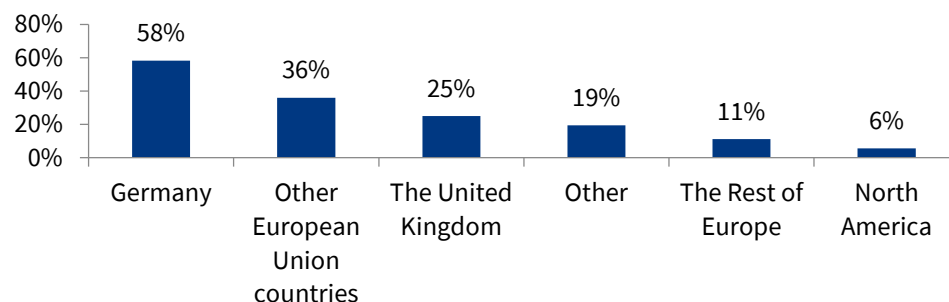
Trade barriers will be the largest challenge for businesses in the coming twelve months. This is followed by travel restrictions, lack of demand and legal/regulatory uncertainty. In other words in the short-term, Brexit and Covid-19 appear to be comparable challenges for many in the German-British business community.

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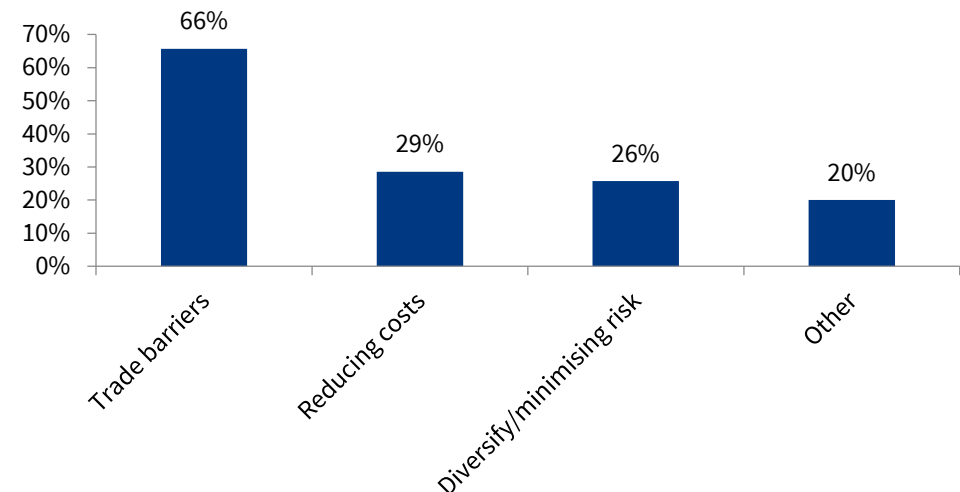
Do you expect geographical changes to your activities, because of the Coronavirus pandemic and/or Brexit?



Will you locate more of your activities in (Multiple answers possible)



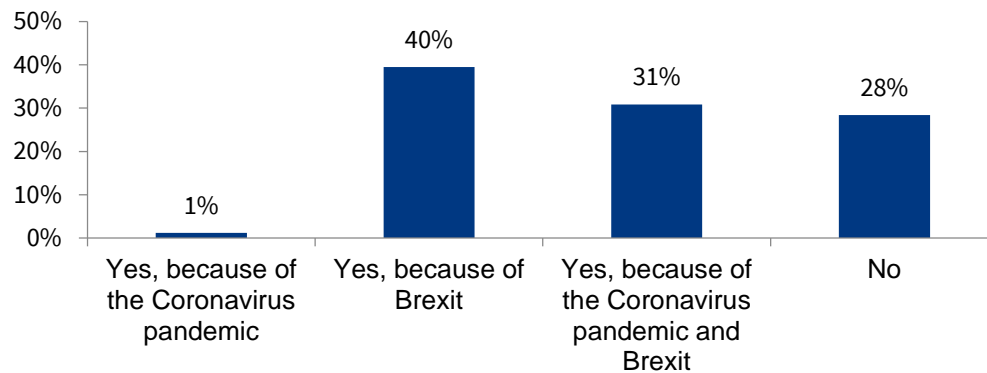
What are the main business/operational reasons for relocating activities? (Multiple answers possible)



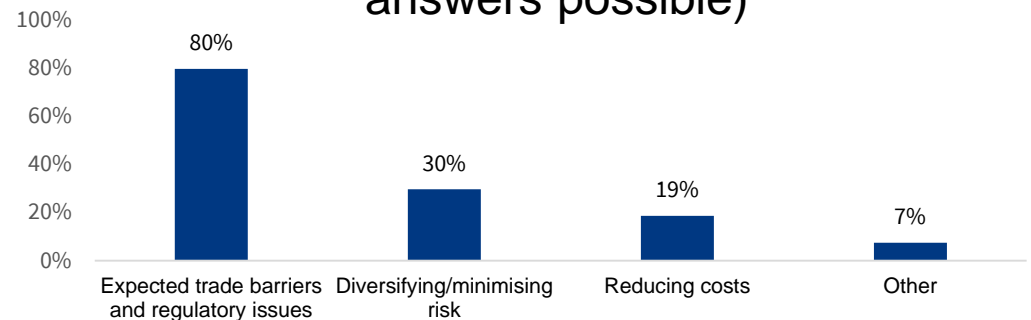
Due to the expected rise in trade barriers, Brexit (rather than Covid-19) appears to have a much larger effect on the future geographical distribution of the operations of the German-British business community. More activities will be located in the EU and only some will move to the UK.

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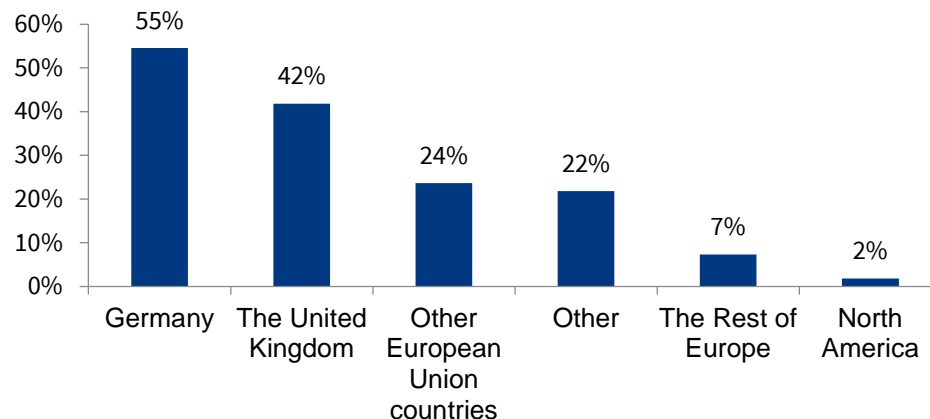
Do you expect changes in your supply chain, because of the Coronavirus pandemic and/or Brexit?



What are the main business/operational reasons for changes in the supply chain? (Multiple answers possible)



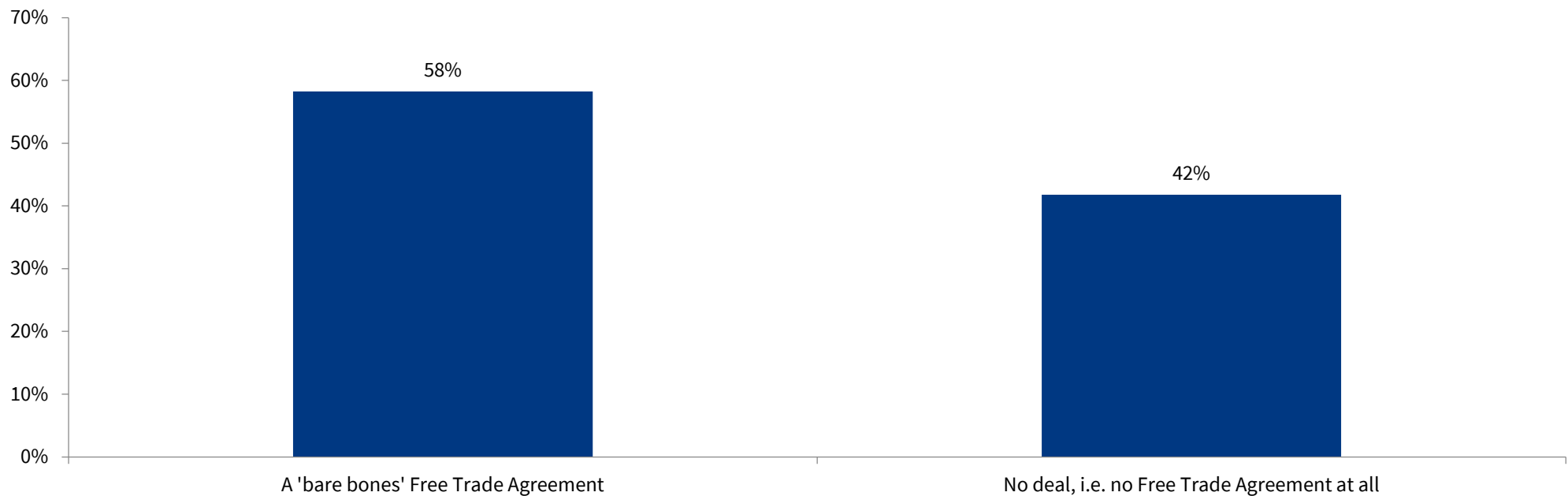
Will you source more from (Multiple answers possible)



Again, due to the expected rise in trade barriers, Brexit (rather than Covid-19) appears to have a much larger effect on the future structure of the supply chains of the German-British business community. As more activities will move to the EU (see previous slide) than to the UK, companies may as a result source relatively more from Germany.

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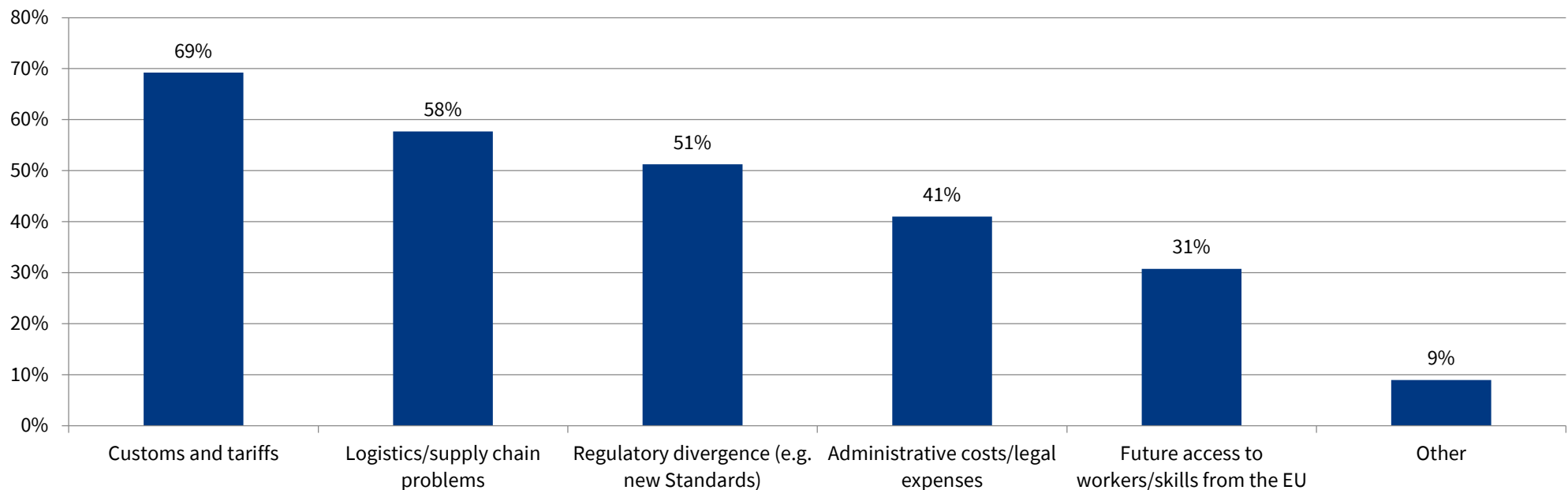
What outcome do you expect from the current EU-UK negotiations by the end of 2020?



Nearly 60% of the German-British business community continues to believe in a (minimum) deal at the end of the transition period (similar to findings in summer of this year).

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What are the biggest Brexit challenges for your company? (Multiple answers possible)

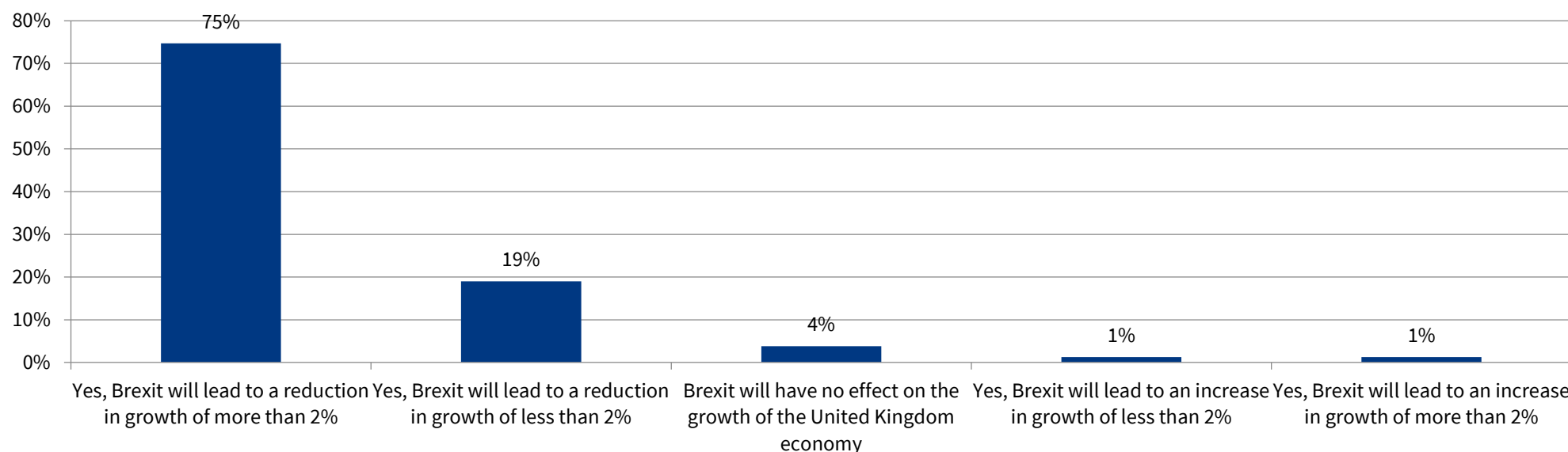


Customs/tariffs and logistical/supply chain issues are currently the primary concerns of the members of the German-British business community with regard to Brexit. The more longer term issues of regulatory divergence and future access to skills do not feature that highly at the moment.



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Do you expect Brexit and the end of the transition period at the end of 2020 to have an additional effect on the growth of the British economy in 2021?



A growing majority, i.e. 75% (versus 68% in the summer) of the German-British business community believes that Brexit will have a negative effect on the growth of the UK economy of more than 2% in 2021.