



AHK
**World Business
Outlook**
Spring 2019

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

AHK

DIHK

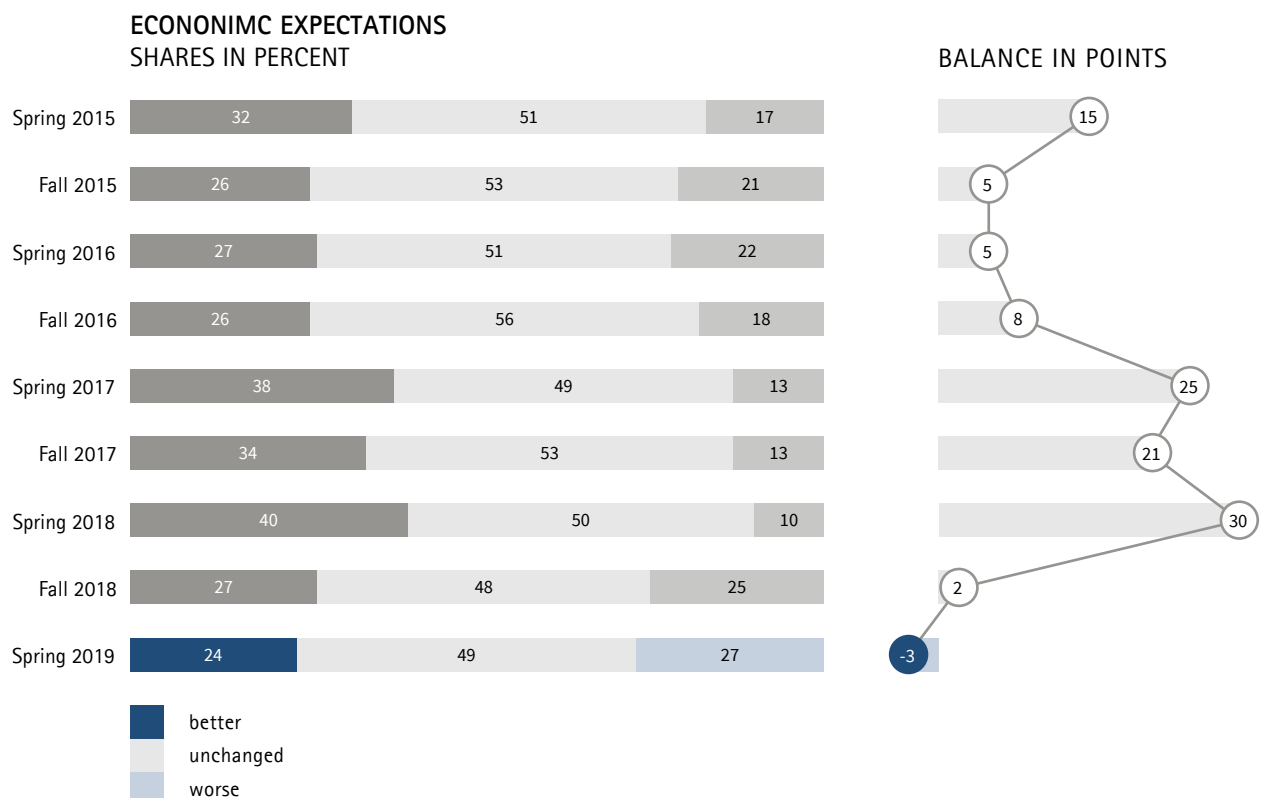
#GemeinsamWeltweit

SUMMARY

Economic expectations of German companies abroad

The global economy is lacking dynamism. With growth rates of just over three percent, global GDP and world trade will only grow nly weakly this year and next. International trade disputes and increasing protectionism in many parts of the world are increasingly becoming a reality for the business of German companies abroad. Only 24 percent of the 4,500 companies surveyed worldwide by the AHKs see a positive development of the local economy over the next twelve months. This is the lowest value since 2015. With 27 percent more companies expect for the first time the local economy to deteriorate. This continues the downward trend from the last survey in autumn 2018. In addition to increasing trade barriers and unresolved issues such as Brexit, companies cite the general economic policy framework as a risk to the global economy.

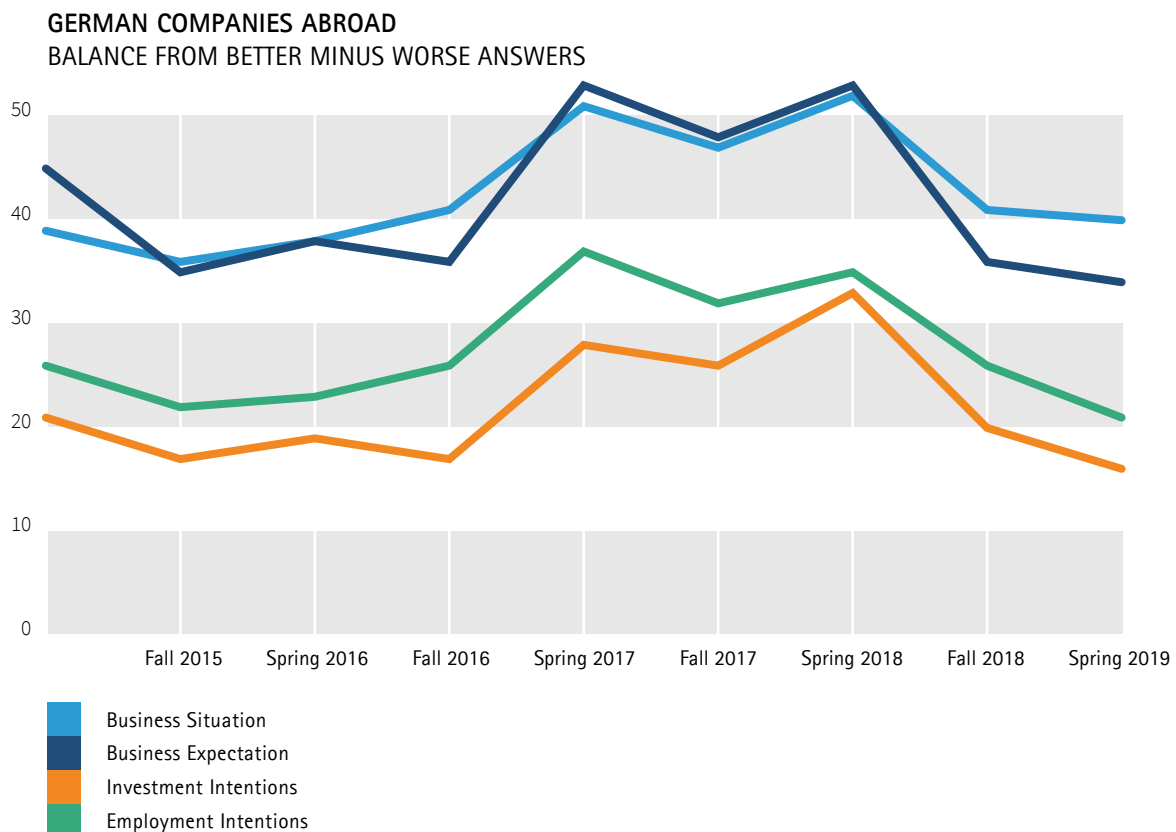
In particular, companies in the European Union (EU) and North America are increasingly sceptical about the economic development this year. The situation is somewhat better in many developing and emerging countries. Some countries in Southeast Asia, India and some African countries are recording high growth rates and German companies expect good business there. However, these prospects are often dependent on the development of economically strong trading partners of these countries – such as China.



Business situation and expectations

Despite the difficult situation of the global economy, German companies are still doing very well. Half of the companies describe their current situation as good, only ten percent as bad. The balance of good and bad valuations fell slightly by one point to 40 points compared to the previous survey. Business expectations for the coming twelve months are also falling slightly. The balance is down from 36 to 34 points. After all, 46 percent of the enterprises have better expectations for their business. Twelve percent see a worsening in their expectations.

The increase in global trade barriers is leading to restrained investment by German companies abroad. The balance of investment expectations drops from 20 to 16 points. Only just over one third of the companies want to invest more in the next twelve months. 16 percent want to reduce their investments. Uncertainties about future supply structures and location advantages are also noticeable in employment. 34 percent of the surveyed companies want to hire more staff, but the balance drops from 26 to 21 points and thus quite significantly.



Risks for German companies abroad

German companies abroad regard the general economic policy framework as the greatest risk for the coming twelve months. With 51 percent – even one percentage point more than in the previous survey – more than half see economic policy in the respective countries as an obstacle to their own business. The risk of falling demand, which has repeatedly declined in previous surveys, has risen again. 46 percent of companies regard this as a challenge for their own business. This is the most significant change compared to the previous survey (37 percent). The difficult economic situation in many countries reduces the demand for German goods and services. In addition, trade barriers create difficulties in cross-border trade, so that the demand for German products is also restricted as a result.

As in Germany, the difficult search for suitable personnel abroad presents a challenge for German companies. The shortage of skilled workers continues to be seen as a risk by almost one third of the companies and thus occupies third place. Exchange rate risks, on the other hand, are receding somewhat into the background. The external value of the euro has remained stable in recent weeks and months. The current level appears to be justifiable for companies in their planning. After 33 percent recently, 29 percent of the companies surveyed now see this as a risk.

For the first time, trade barriers and the preference of domestic companies are among the TOP 5 risks for the development of German companies abroad in the next twelve months. For years now, the global economy has seen an increase in trade barriers. The latest trade disputes between the USA and China or tariff increases by the USA vis-à-vis the EU have added to an increasingly difficult global trade. The escalating trade conflicts have the potential to challenge existing supply structures into question and thus also slow down the global investment climate – to the detriment of German companies and their production and business locations.



Statistics

BALANCE FROM BETTER MINUS WORSE ANSWERS

Region/Country	Business Situation	Business Expectations	Economic Expectations	Investment Intentions	Employment Intentions
World	40	34	-3	16	21
Euro zone	44	29	-8	14	20
Germany	42	25	0	8	17
Estonia	45	42	-3	29	47
Finland	62	43	10	17	29
France	38	23	17	26	38
Greece	27	53	-2	2	29
Italy	49	39	-54	14	12
Latvia	55	53	13	47	34
Lithuania	46	40	18	42	31
Portugal	39	39	-9	23	17
Slovakia	41	12	-24	13	11
Slovenia	51	-10	-33	-8	2
Spain	54	34	-21	17	24
Other EU, Switzerland	46	28	-16	16	22
Bulgaria	51	48	5	29	28
Croatia	13	31	-10	11	14
Poland	58	28	-11	24	32
Romania	32	18	-53	12	17
Switzerland	58	35	-8	8	15
Czechia	61	24	-25	16	29
Hungary	39	19	-3	22	25
United Kingdom	41	32	-18	9	13
Eastern/Southeastern Europe, Russia, Turkey	46	28	-3	10	26
Albania	9	7	-30	-4	7
Bosnia and Herzegovina	46	56	25	44	60
North Macedonia	20	28	-2	33	29
Russia	49	27	-1	16	28
Serbia	49	49	30	40	50
Turkey	44	21	-24	-23	11

Region/Country	Business Situation	Business Expectations	Economic Expectations	Investment intentions	Employment intentions
North America	42	28	-4	16	9
Mexico	24	24	-33	5	13
USA	62	35	24	26	7
South and Central America	24	55	20	15	15
Bolivia	23	35	-53	-27	-11
Brazil	29	61	41	23	23
Chile	33	69	39	36	23
Ecuador	18	54	-3	-1	-4
Colombia	46	76	33	31	37
Peru	38	73	15	8	26
Uruguay	0	23	-26	-22	3
Venezuela	-50	-14	-39	-12	-36
Asia/Pacific	43	50	17	25	34
India	41	71	37	44	37
Indonesia	67	67	40	29	47
Japan	33	23	-8	-2	30
South Korea	-4	18	-54	-17	11
Malaysia	33	31	-6	19	27
New Zealand	66	44	-3	17	19
Philippines	67	63	44	43	49
Singapore	53	37	22	38	24
Thailand	38	65	12	38	44
Vietnam	74	72	59	56	56
Africa, Near and Middle East	16	28	-13	16	10
Egypt	63	69	44	45	44
Iran	-21	-12	-60	-17	-22
Kenya	32	61	0	17	36
Saudi Arabia	16	53	21	22	37
South Africa	15	21	-41	0	-3
Tunisia	33	44	0	60	31
United Arab Emirates	19	18	-29	9	-1

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 4,500 German companies, branches and subsidiaries worldwide as well as companies with close links to Germany.

34 percent of responding companies stemmed from industry and construction, 43 percent from the services sector and a further 23 percent are trading companies. Smaller companies with less than 100 employees account for 50 percent of the answers. 24 percent of companies employ 100 to 1,000 employees. Large companies with more than 1,000 employees have a share of 26 percent of respondents.

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