

AHK

World Business Outlook

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

Spring
2018



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 5,100 German companies, branches and subsidiaries worldwide as well as companies with close links to Germany.

35% of respondents stemmed from industry and construction, 44% from the service sector and a further 21% 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 March and April 2018.



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Key messages

World economy surprisingly robust - risks are increasing

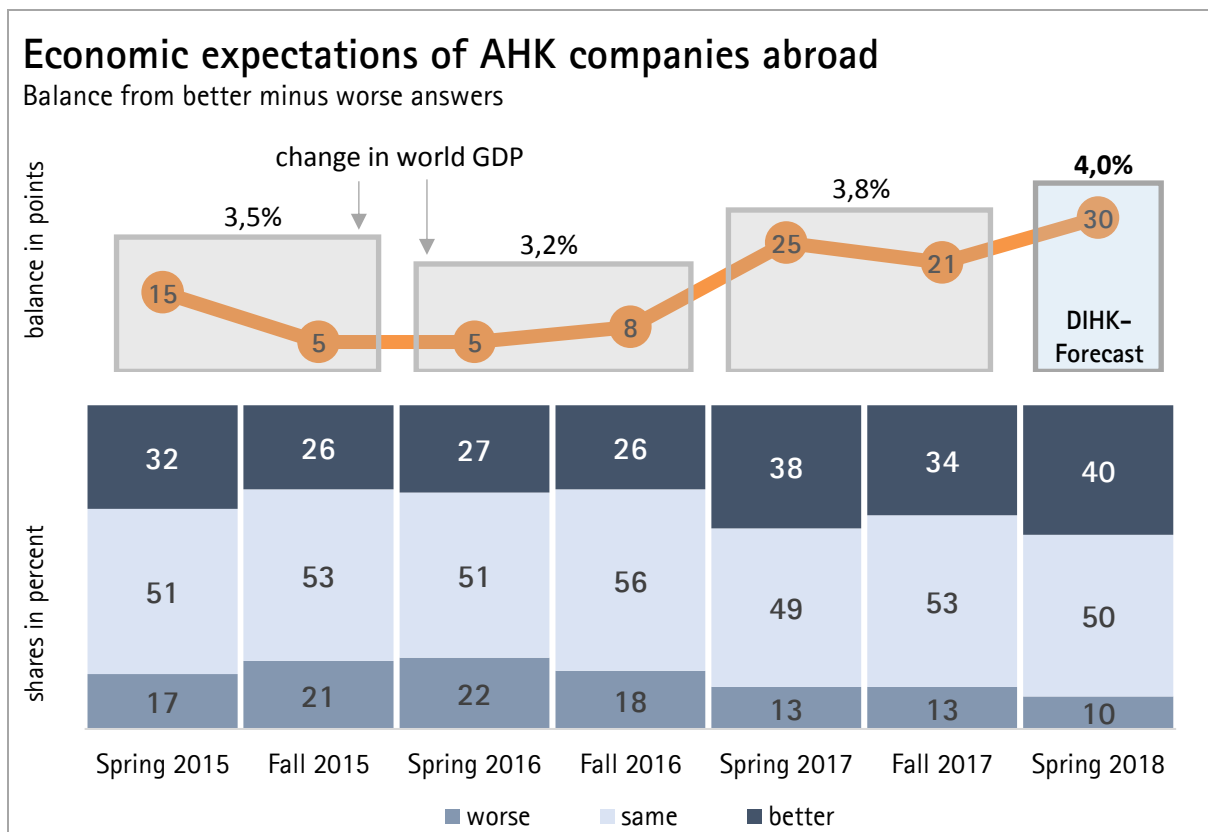
Global economic growth is robust overall, despite global crises and trade policy challenges. After a slight slowdown in autumn 2017, German companies abroad are generally optimistic about the global economy. Expectations for the economy have risen in almost all regions of the world. Only in China there is a slight decline in growth expectations - starting from a high level.

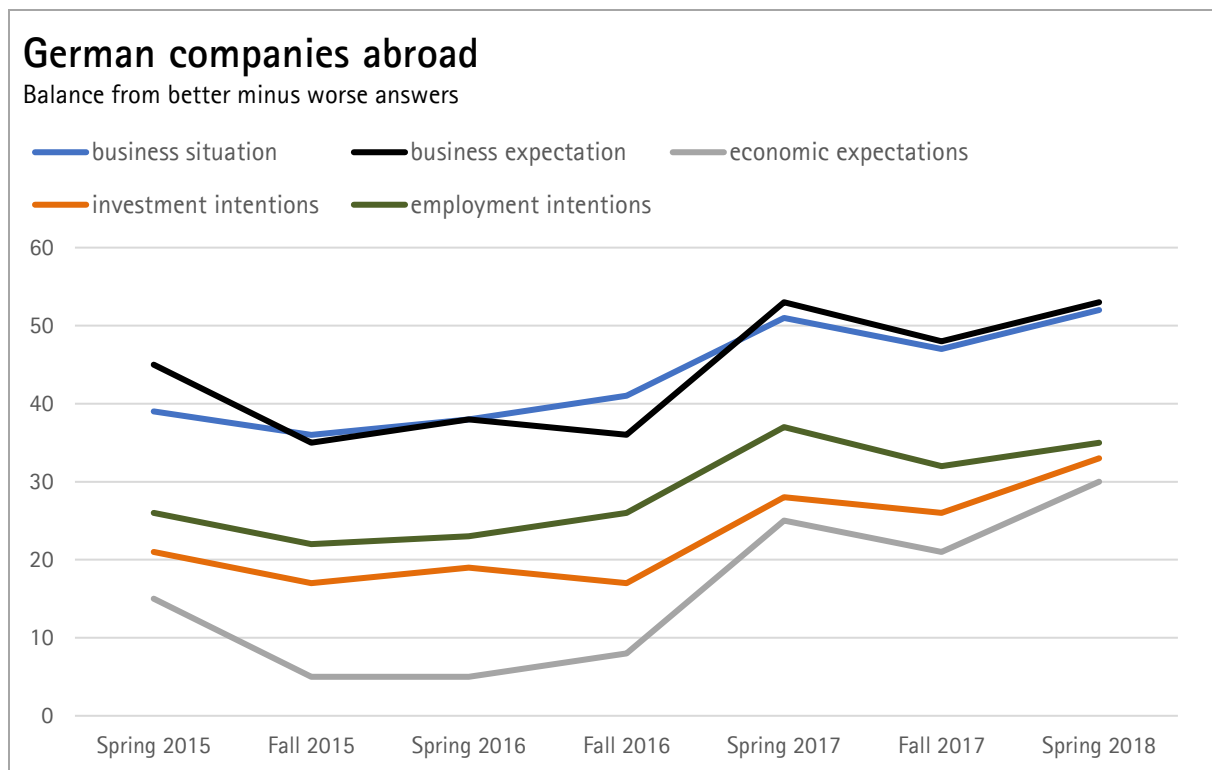
40 percent of the world's more than 5,100 companies surveyed by the AHKs see a positive development of the local economy over the next twelve months - more than ever since spring 2015. Only 10 percent expect a deterioration. The resulting balance of better and

worse ratings of 30 points is significantly higher than in autumn 2017 (21 points). Although more and more trade barriers are being observed internationally, political crises and economic uncertainties such as Brexit can be felt by companies. However, the global economy is still bracing at the moment. This benefits the German economy in view of its international position. As concern about the market demand continues to decline, issues such as legal uncertainty and barriers to trade are becoming more and more prominent as challenges and risks.

German companies successful worldwide

Thanks to the good global economy and an increasing tendency to invest worldwide, German companies are doing good business abroad. Both the situation of the companies and the





expectations for their own business development improve significantly. After all, 58 percent of German companies based abroad describe their current international business situation as good, only six percent as bad. The current balance of 52 points is higher than the 47 points in the previous survey. The expectations for the next twelve months are also improved with a balance of 53 points (last: 48 points). Worldwide, only four percent of German companies expect worse business over the next twelve months. Concerns about weaker demand in the markets are somewhat lower (down from 41 to 40 percent).

More investment and staff

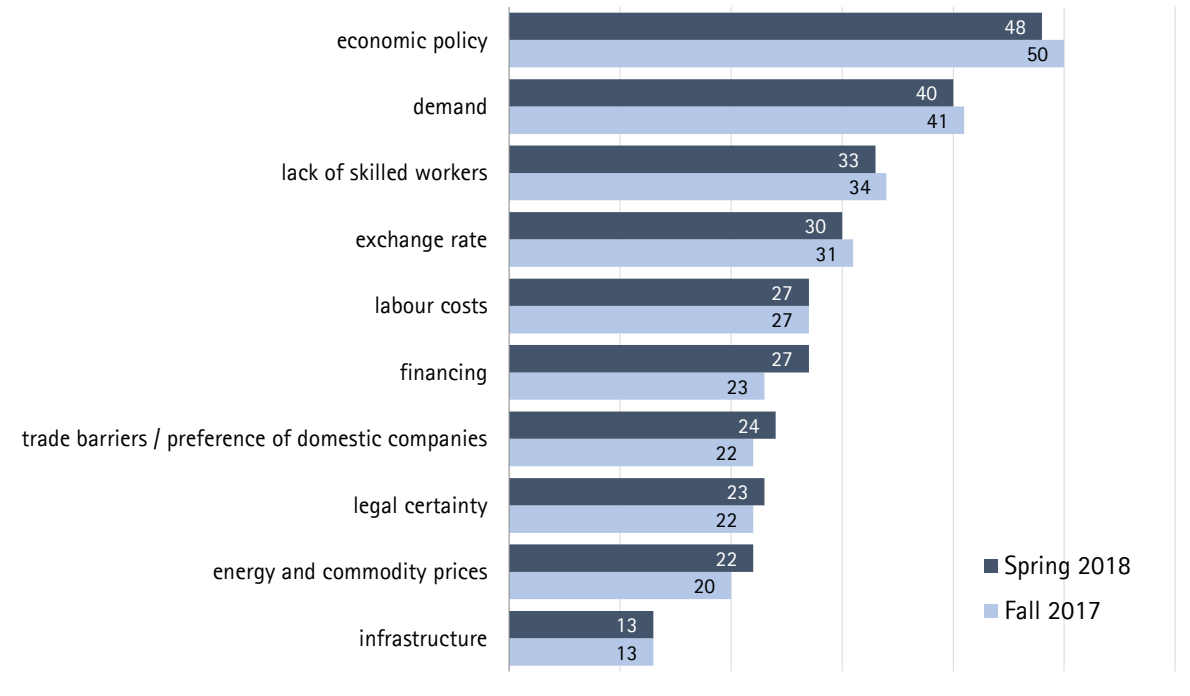
These good figures show that German companies are in a good position to compete globally. With their products and services, they are close to the customer and can convince through quality. The optimistic mood is also reflected in the increased investment and employment plans of companies.

Biggest risk: Economic policy!

Once again, the economic policy framework represents the greatest risk for German companies worldwide. The proportion of companies reporting this risk has fallen only very slightly from 50 to 48 percent. It remains by far the top risk for companies. In many countries there is uncertainty about the future conditions for good business in the respective countries due to trade restrictions and protectionism. Brexit provides an extreme example: it should lead to numerous restrictions on business activities on the European continent. Various conflicts - in the Ukraine, in the Middle East or in Africa - are further proof of the continuing high degree of uncertainty about suitable framework conditions in international business. In addition, the US government's trade policy and the weakening of the WTO are causing concern.

The risk of a shortage of skilled workers is currently mentioned by somewhat fewer companies than before. For a third, however, it remains difficult to find suitable staff. Due to

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



partially rising interest rates, the risk of financing is also increasing in the survey. According to 23 percent in the 2017 Autumn Survey, 27 percent of companies now fear problems in financing their business.

The problem of barriers to trade and favoring local businesses is increasing from 22 to 24 percent, the highest level since risk was asked.

The protectionist US trade policy, which culminated in the recent introduction of various punitive tariffs, also creates uncertainty. Overall, German companies see a further increase in barriers to international business year after year. At the moment, a cumulation of problems seems to be underway - also because of more stringent sanctions against Russia and Iran.

Statistics

Region/Country Balance from better minus worse answers	Business Situation	Business Expectation	Economic Expectation	Investment Intentions	Employment Intentions
World	52	53	30	33	35
Eurozone	55	50	32	31	35
Germany	63	41	21	27	32
Estonia	43	43	32	43	45
France	56	45	44	27	40
Greece	42	54	2	32	30
Italy	50	47	47	25	33
Latvia	47	55	36	43	41
Lithuania	80	63	48	38	41
Portugal	63	53	43	38	47
Spain	43	68	55	41	40
Other EU countries, Switzerland, Norway	57	46	19	30	39
Bulgaria	66	60	37	36	38
Denmark	66	52	59	58	55
Croatia	34	56	25	32	38
Norway	46	50	21	42	8
Poland	61	41	22	26	40
Romania	53	52	-29	34	48
Slovakia	55	37	32	28	38
Slovenia	69	52	51	34	43
Czech Republic	60	50	19	37	40
Hungary	56	49	38	32	44
East / South East Europe (without EU), Russia, Turkey	43	42	6	24	30
Albania	10	46	18	37	18
Azerbaijan	29	67	43	26	48
Bosnia and Herzegovina	51	80	19	56	70
Kosovo	35	70	40	60	70
Macedonia	26	53	33	46	28
Russia	46	34	7	21	26
Serbia	44	60	33	46	50
Turkey	46	37	-20	2	20
Belarus	48	56	32	32	32
North America	73	65	34	41	43
Canada	65	61	26	24	35
Mexico	46	42	-5	25	29
USA	79	71	44	46	47

Region/Country Balance from better minus worse answers	Business Situation	Business Expectation	Economic Expectation	Investment Intentions	Employment Intentions
South and Central America	28	65	44	28	22
Argentina	37	61	50	33	12
Brazil	19	60	44	19	31
Chile	35	79	83	49	33
Ecuador	15	58	5	6	3
Colombia	35	66	30	24	29
Peru	35	76	39	28	24
Uruguay	20	35	-55	7	0
Venezuela	-48	-30	-61	-54	-43
China	55	42	21	37	45
Asia / Pacific (excluding China)	54	63	34	33	35
India	49	79	47	42	30
Japan	63	63	32	25	34
South Korea	0	48	-4	10	35
Malaysia	42	56	2	17	20
New Zealand	85	64	33	28	36
Philippines	63	70	50	49	44
Singapore	62	46	42	40	41
Taiwan	53	50	5	18	39
Thailand	51	54	44	51	50
Africa, Near and Middle East	28	53	22	33	34
Egypt	70	65	26	50	52
Algeria	0	44	20	28	29
Ghana	18	91	27	40	36
Kenya	41	87	43	32	31
South Africa	27	52	27	3	0
Tunisia	27	54	24	52	47
United Arab Emirates	33	33	5	23	33