AHK

World Business Outlook Spring 2023

Results of a survey of German chambers of commerce abroad, delegations and representative offices

German Chamber of Commerce and Industry

German Chambers of Commerce Abroad

Content

Methodology

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). It collects feedback from more than 5,100 German companies, branches and subsidiaries worldwide as well as companies with close ties to Germany in spring 2023. The survey was conducted from 20th March to 6th April 2023. 37 percent of the responding companies come from the industry and construction sector, 36 percent from the service sector and another 19 percent are trading companies, 8 percent others. Smaller businesses with less than 100 employees account for 48 percent of the responses. 17 percent of the companies employ 100 to 1,000 people. Large companies with more than 1,000 employees account for 18 percent of the respondents worldwide, 18 percent could not be assigned to any company size class.

For the world region "Eastern and South-Eastern Europe (without EU), Russia, Turkey" there are 636 responses. Of these, 5 responses came from Russia. Accordingly, no evaluations are possible for Russia in spring 2023.

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Development of the global economy

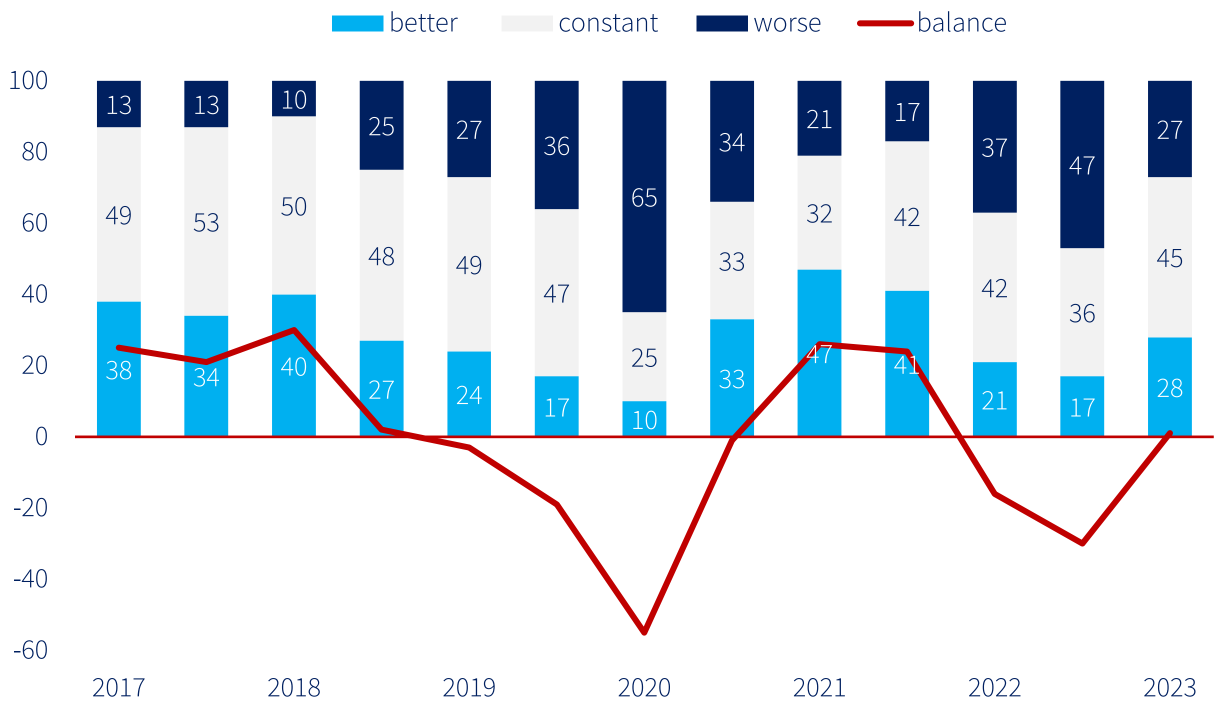
Economic expectations of German companies abroad

From the perspective of German companies at their international locations, there is no powerful upswing in sight for the global economy. There are great challenges due to geopolitical risks and ever-flaring uncertainties on the financial markets. Inflation rates are still high in many countries, which is dampening demand and prompting many central banks to continue their tight monetary policies. Higher interest rates make corporate financing more difficult. Nevertheless, there are positive impulses: energy prices have fallen significantly in recent months, which has led to a better economic development particularly in Europe than was expected in the preliminary survey in autumn 2022. Global supply chains have stabilised, and fewer and fewer companies are affected by disruptions. This is due, among other things, to the end of China's zero-covid policy. In addition, the world's largest economy - the USA - is still proving robust despite high inflation and increased interest rates. Overall, German companies at their international locations are more positive about the future than they were in autumn 2022. However, expectations remain subdued - this is shown by the assessments of the more than 5,100 companies surveyed by the AHKs in spring 2023.

28 percent of the companies surveyed worldwide expect an economic improvement at their locations in the coming twelve months (autumn 2022: 17 percent). The share of optimists has thus increased by eleven percentage points compared to the previous survey. In contrast, 27 percent of companies expect the local economy to worsen. This means that the proportion of companies with negative assessments has fallen significantly (autumn 2022: 47 percent). The resulting balance of better and worse assessments thus increases by 31 points compared to the weak value (minus 30 points) of the survey in autumn 2022. Optimists and pessimists thus almost balance each other out - the balance of plus one point is still just below the long-term average of two points. Accordingly, the member companies of the AHKs are very muted about the economic developments in the coming twelve months.

Economic expectations of companies worldwide

(Shares in percent, balance of "better" minus "worse" - answers in points)



In almost all regions of the world, companies' economic expectations have brightened in comparison to the previous survey. However, the assessments of economic development differ significantly. While in some regions the optimists are again in the majority and economic expectations are thus positive on balance, expectations in other regions continue to be predominantly negative.

Regarding the economic development, companies at their locations in Greater China are the most confident in a global comparison (balance 21 points after previously minus 32 points). The lifting of China's zero-covid policy and the accompanying increase in production and trade are having a positive effect on China's economy. But the surrounding countries, for which China is often one of the most important trading partners, are also benefiting from this development. Thus, companies in the Asia-Pacific region (excluding China) also assess the economic development more positively than in other world regions (balance 19 points after previously minus nine points).

In North America (USA, Canada, Mexico), too, companies again predominantly expect economic growth at their locations (balance of twelve points after previously minus 21 points). Despite continued high inflation rates and rising interest rates, the economy in the USA is still robust.

In Africa, the Near and Middle East, companies are also predominantly optimistic about the economy (balance 11 points after five points previously). Commodity-rich countries in the region can benefit from the increased interest in the energy sector.

The mood in Europe is also brightening somewhat, although the bottom line is that economic expectations remain in negative territory. In the Eurozone uncertainties about energy supply, the still high energy costs compared to the rest of the world and the restrictive monetary policy are clouding the economic outlook (balance minus six points after minus 41 points previously). In the EU countries outside the common currency area as well as Norway, Switzerland and the United Kingdom, pessimistic expectations dominate even more clearly (balance minus 27 points after minus 70 points previously). As in the previous survey, the companies based there thus have the lowest expectations in a global comparison. Here, too, high energy prices are a burden on the economies. In Eastern and South-Eastern Europe (excluding the EU, including Turkey), the economic consequences of the Russian war in Ukraine are particularly noticeable (balance minus seven points after minus 61 points previously). In Turkey, the consequences of the earthquake in February are clouding economic development.

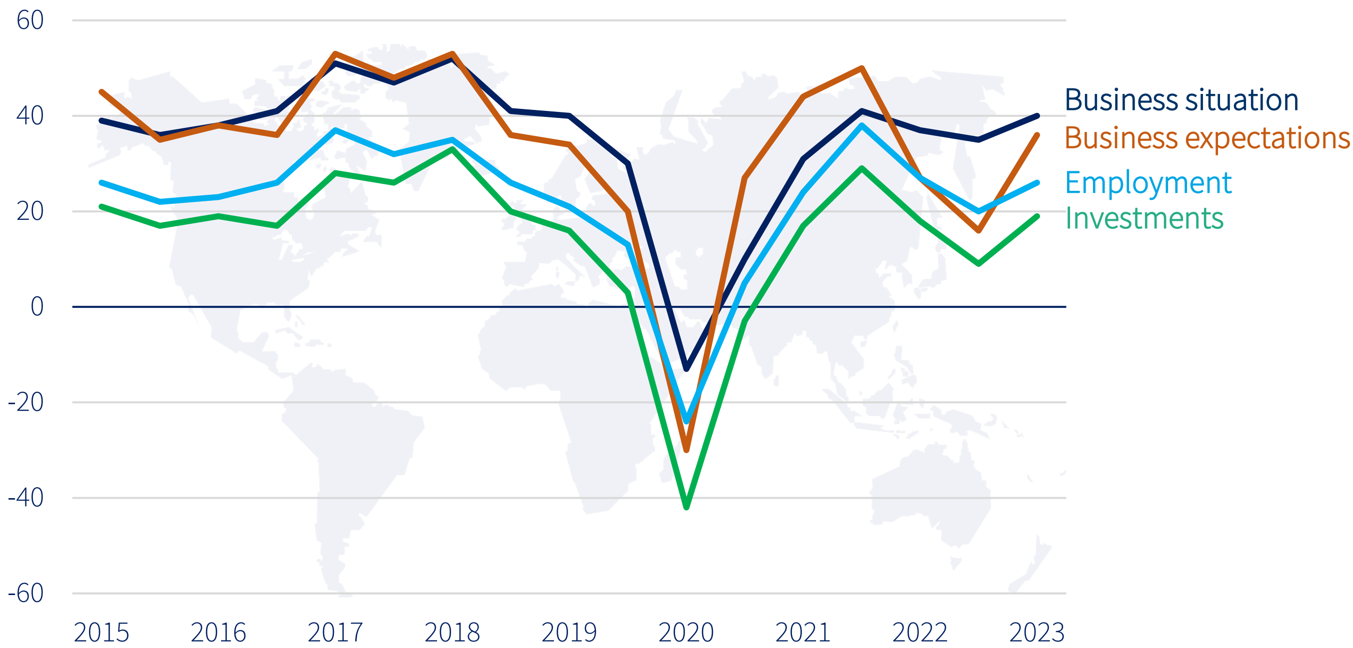
In South and Central America, companies are more pessimistic about the local economic development than they were in autumn (balance minus 24 points after minus 16 points previously). In a global comparison, it is the only region where economic expectations have not improved. High inflation rates and the overall slowdown of the global economy are having a negative impact there.

Business situation and business expectations

Despite the existing global risk factors, companies' businesses are proving to be robust. This is reflected in the consistently positive **business situation**. The easing supply chain disruptions and lower energy prices stabilise the situation in large parts of the economy. Every second company (50 percent) assesses its business situation in spring 2023 as good (autumn 2022: 45 percent), for 40 percent current business is satisfactory. Every tenth company (unchanged from autumn 2022: ten percent) reports a poor business situation. The balance of good and poor assessments rises from 35 to 40 points - and is thus above the average of the last few years of 35 points.

German companies abroad - global overview

(Balance in points)



In a global comparison, companies in North America continue to assess their business situation best (balance unchanged at 59 points), primarily due to the economy in the USA, which is still performing well.

In Europe in particular, the business situation of companies has improved compared to autumn due to lower energy prices and more stable supply chains, which make it possible to work off backlogged orders. Both in the euro area (balance 47 points after 34 points previously) and in the EU countries outside the euro area (incl. Switzerland, Norway, UK), companies report a better business situation (balance 41 points after 32 points previously). Compared to the previous survey, companies in Eastern and South-Eastern Europe (excluding the EU, incl. Turkey) reported a particularly marked improvement in business (50 points after 21 points previously).

Business is also currently running good for companies in the Asia-Pacific region (excluding China) and slightly better than in autumn (balance 38 points after 36 points previously). Companies in South and Central America (balance 31 points after 32 points previously) as well as Africa, Near and Middle East (balance 37 points after 38 points previously) also report consistently good business.

At their locations in Greater China, however, companies assess their current situation worse than in autumn. Uncertainty about the economic development after the end of the zero-covid policy has a negative impact on business sentiment (balance of seven points after 14 points previously). This means that companies in Greater China assess their business situation currently as poor as in no other region of the world - and this despite the fact that economic expectations for China have brightened more than in any other region.

Companies are also confident about the future development of their own business. Companies' business expectations have brightened considerably and are only slightly below the level of the current business situation. Despite the uncertainty about the development of the global economy, which finds expression in the overall subdued economic expectations, 47 percent of the companies (autumn 2022: 37 percent) expect their businesses to improve in the coming twelve months. 42 percent expect no change in their business and eleven percent expect it to worsen. Compared to the previous survey, the pessimistic voices have thus almost halved (autumn 2022: 21 percent). The balance of better and worse assessments has risen significantly to 36 points (autumn 2022: 16 points) - and is thus above the average of 33 points recorded since 2015.

Companies in Asia-Pacific (excluding China) are most optimistic about the development of their business in the coming months (balance 50 points, up from 27 points previously). These locations are benefiting from China's opening after the end of the zero-covid policy and have become more attractive as an alternative or complement to China in the course of diversification as investment locations.[1] Analogous to the positive economic expectations, companies in Greater China are also once again significantly more optimistic about the development of their own businesses (balance 38 points after previously four points). This supports the hope that the current uncertainty, which is reflected in the still below-average business situation, will dissipate.

In addition to Asia-Pacific (excluding China), companies in Africa, the Near and Middle East (balance 46 points after previously 44 points) and North America (balance unchanged at 46 points) are also more confident about their business than on average in a global comparison. While companies in Africa and the Middle East have better expectations compared to the current situation, the business expectations of companies based in North America are below the level of the current very good business situation.

Despite subdued expectations regarding the economic development, business expectations in Europe have also improved compared to the previous survey. In the euro area (balance of 30 points after five points previously) and in the EU outside the currency area (plus Norway, Switzerland, UK) (balance of 15 points after minus nine points previously), the share of companies with positive expectations is once again significantly higher than the share of companies with negative expectations. However, companies in both economic regions assess their current business situation more positively than their future business. In a global comparison, companies in Europe also bring up the rear with their business expectations.

In line with the more pessimistic assessments of economic development in South and Central America, companies there are also lowering their business expectations somewhat (balance 36 points after 41 points previously).

Investment intentions and employment intentions

With the significantly improved business expectations, companies' investment intentions are increasing. 36 percent of companies (autumn 2022: 32 percent) plan to expand their investments in the coming twelve months. 17 percent (autumn 2022: 23 percent) want to cut their investment budgets. The resulting balance of higher and lower investment intentions has more than doubled compared to the previous survey - to currently 19 points (autumn 2022: nine points). This puts investment intentions slightly above the long-term average of 15 points. However, in view of the investments needed for the green and digital transformation of the economy and against the backdrop of the investment restraint in recent years due to the crisis, companies' investment plans should be even more expansive.

[1] See Foreign Investment of German Industry 2023.

As in the previous survey, investment plans in North America are the most expansive and far above the global average (balance 30 points after 22 points previously). In addition to favourable location factors such as cheaper energy and the market size in the USA compared to other regions, projects such as the Inflation Reduction Act (IRA) also contribute to the currently attractive investment conditions. [2]

Companies also have predominantly expansive investment intentions at their locations in Africa and the Near and Middle East (balance 27 points after 21 points previously). Saudi Arabia and the United Arab Emirates in particular can benefit from the increased interest in the energy sector as well as from major infrastructural modernisation plans locally. Likewise in Asia-Pacific, companies are planning with higher investment budgets (balance 26 points, up from 19 points previously). At their locations in Greater China, however, companies are almost evenly balanced with expansive and defensive investment plans (balance two points after previously minus nine points). This is further evidence that a number of companies are looking to diversify towards a stronger commitment in Asia-Pacific instead of increasing value creation in China.

Compared to the previous survey in autumn, investment intentions in Eastern and South-Eastern Europe (excluding the EU, incl. Turkey) have increased most significantly (balance 21 points after minus 13 points previously). There is more planning certainty here again.[3] More expansive than in the previous survey, but still below the global average, are the investment plans of companies in the Eurozone (balance 18 points after six points previously) and in the rest of the EU (plus Switzerland, Norway, UK) (balance 12 points after minus three points previously).

The investment plans of companies in South and Central America are below average in a global comparison and are lower than in the previous survey (balance eight points after previously 16 points).

The **employment intentions** of globally active companies are also more expansive again than in the previous survey. 38 percent of the companies plan to increase their headcount in the coming twelve months (autumn 2022: 35 percent). Twelve percent are planning for a lower headcount (autumn 2022: 15 percent). The balance of higher and lower employment intentions rises to 26 points after 20 points in the previous survey and is thus above the long-term average of 22 points. However, companies are not always able to fill vacancies. Companies with higher employment plans mention the risk of a shortage of skilled workers more often (52 percent) than companies with lower employment intentions (33 percent).

In their North American locations, companies have slightly lower employment intentions than in the previous survey (balance 38 points after 42 points previously). In Asia-Pacific (excluding China), employment intentions are similarly expansive as in autumn (balance 36 points after 35 points previously), as are in Africa, Near and Middle East (balance 26 points after 27 points previously). In the Eurozone, companies are planning to employ significantly more staff than in the previous survey (balance 33 points after 12 points previously). In the EU countries outside the common currency area (as well as Switzerland, Norway and the UK) employment intentions are rising slightly (balance 22 points after 19 points previously). After negative employment intentions in autumn, companies in Eastern and South-Eastern Europe also have plans to hire more staff again (balance 25 points after previously minus twelve points).

In South and Central America, employment intentions remain at a similar level as in the previous survey but decline slightly (balance 15 points after 18 points previously). In Greater China (balance four points after 14 points previously), plans are clearly more defensive than in other regions and in autumn. The labour market has not yet recovered after the end of the zero-covid policy.

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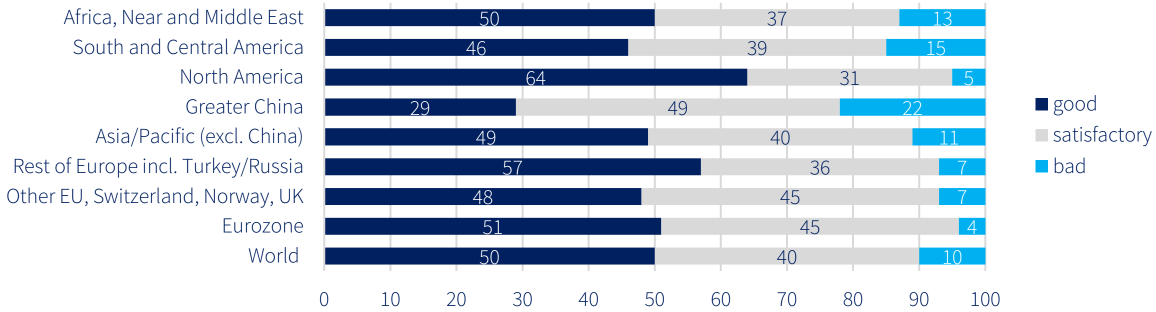
[2] In the German American Business Outlook 2023, 17 percent of companies cited the IRA as a reason to expand investments in the US.

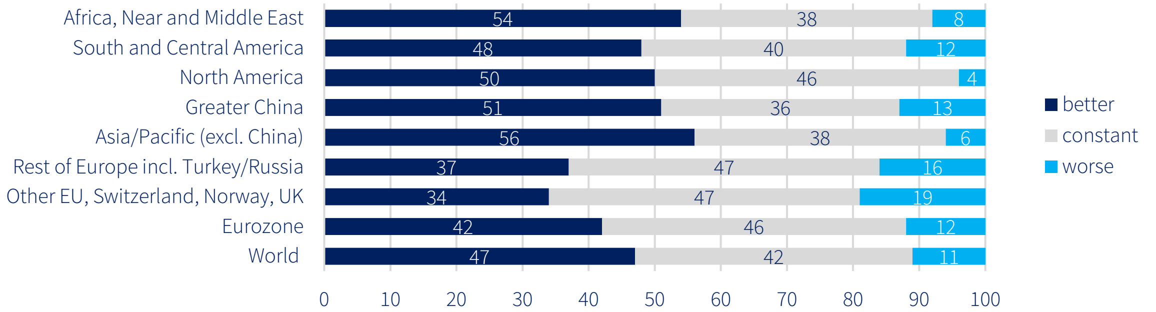
[3] However, the comparability with the previous survey is limited, as Russia in spring 2023 is not included in the evaluation due to an insufficient number of participants.

Overview of results by region (shares in percent)

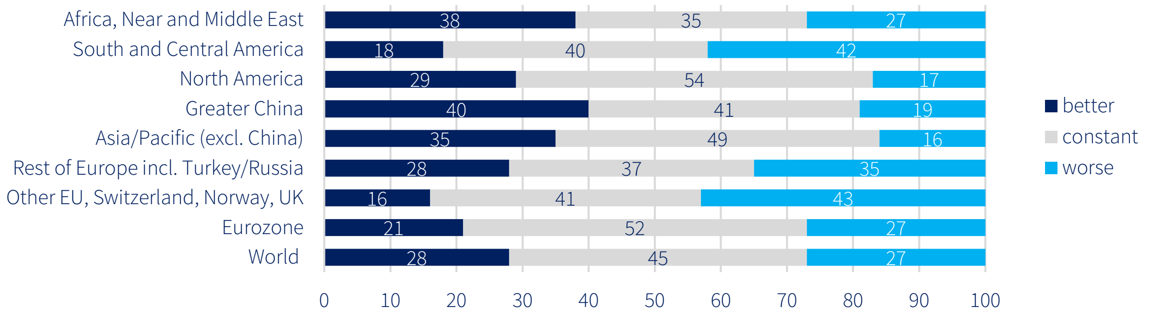
Current business situation of local companies



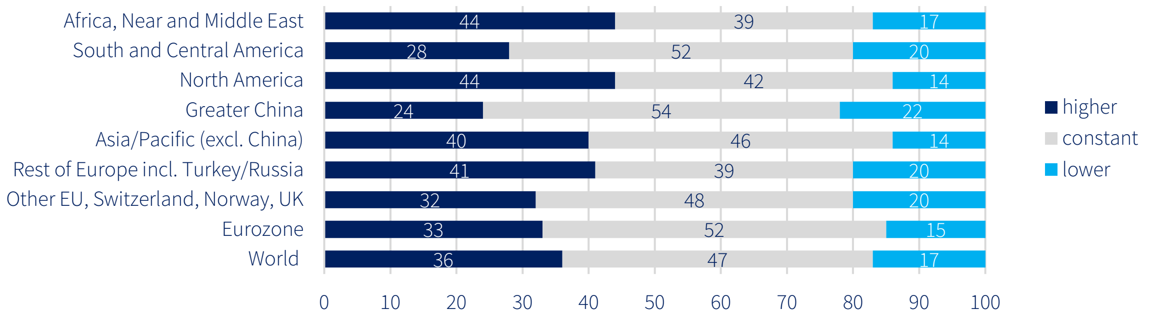
Business expectations of the companies



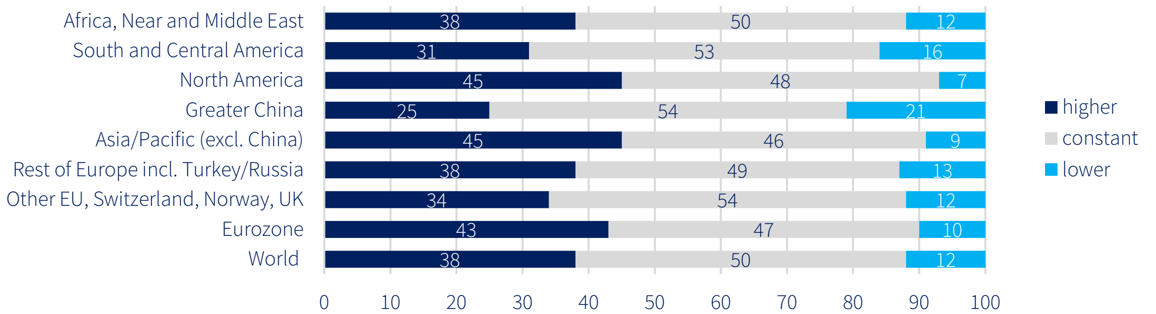
Expectations of the companies about the economic development on site



Investment intentions of the companies



Employment intentions of the companies



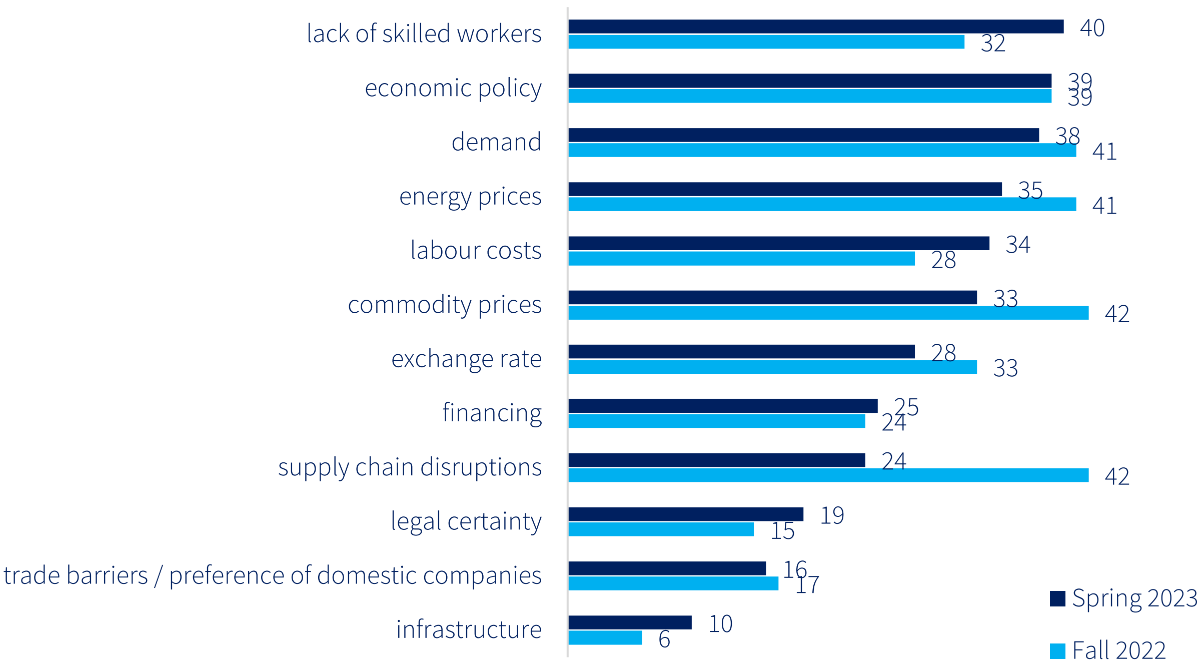
Risks for German companies abroad

The current global uncertainties are reflected in the diverse business risks of companies at their international locations. Geopolitical risks and recurring nervousness on the financial markets are weighing on companies. The shortage of skilled workers is particularly emerging as a key business risk. Furthermore, companies are concerned about low demand for their products and services. In addition, there are risks associated with the persistently high inflation rates and the restrictive monetary policy of the central banks, such as fluctuating exchange rates and an increasing financing risk.

The uncertainty of the companies about the economic development is reflected, for example, in the business risk of the economic political framework conditions, which 39 percent of the companies named, unchanged from the previous survey. In a free text field, the companies had the opportunity to name further business risks or to explain them in more detail. In connection with economic policy framework conditions, companies often mention bureaucracy and regulations. In South and Central America in particular (61 percent), companies see a major challenge in dealing with the economic policy framework.

In view of the continuing high inflation rates, which also mean cost burdens and ultimately reduce consumer demand, as well as an overall cooled economic environment, 38 percent (autumn 2022: 41 percent) still see low demand as a business risk. Companies in their Chinese locations report this concern with above-average frequency (59 percent). Despite the end of the zero-covid policy, consumers are still cautious. In the eurozone (42 percent) and the rest of the EU (plus Switzerland, Norway, UK) (45 percent), an above-average number of companies also see low demand as a risk.

Business risks of the companies in the coming twelve months
(in percent, multiple answers possible)



Compared to the previous survey, the risk of a shortage of skilled workers has increased the most. 40 percent, up from 32 percent in the autumn, are worried about not finding enough qualified workers for their company. No other risk is currently mentioned more frequently. This is a new high in global terms. Especially in their European and North American locations (Eurozone: 48 percent, other EU: 53 percent, North America: 52 percent), the shortage of skilled labour is proving to be a huge challenge for companies. At the same time, the risk of labour costs has gained in importance again (34 after previously 28 percent), thus also reaching a new high. Again, it is the companies in the Eurozone (38 percent) and North America (39 percent) that are worried more often about higher wage demands from employees.

Other supply-side bottlenecks have continued to ease, but supply chain disruptions are still a key business risk for a quarter (24 percent) of the companies surveyed (autumn 2022: 42 percent). The lifting of the zero-covid policy in China has helped global supply chains to stabilise again. Weaker demand – unlike in an expected global upswing – is also taking pressure off supply chains overall. In addition, companies have taken some measures in recent years – such as expanding their supplier network or increasing inventory levels – to better prepare for possible disruptions. Companies in North America (USA, Canada, Mexico) (38 percent) and in the Asia-Pacific region (excluding China) (37 percent) still fear supply chain disruptions more frequently than average. The economy is doing better there and the bottlenecks are consequently stronger.

The pressure on energy and raw material prices has eased noticeably. But still 35 percent of companies see energy prices as a key business risk. Compared to autumn 2022 (41 percent), this risk has become less important for the second time in a row. Gas prices, for example, have fallen again from their highs. There are still decisive differences between the regions. In the eurozone, high energy prices are a key business risk for 44 percent of companies (autumn 2022: 57 percent), whereas in North America they are a key risk for only 14 percent and in South and Central America for only eleven percent.

Commodity prices are also a business risk for slightly fewer companies (33 percent) than last time (autumn 2022: 42 percent). Many commodities traded on the global market have decreased in price as supply chain disruptions and demand have eased. Companies in Africa, the Middle East and the Near East are more likely than on average to see this as a business risk (45 percent, up from 51 percent previously). Commodity-rich and commodity-exporting countries are particularly affected by price fluctuations on the world markets.

The global uncertainties around monetary policy remain. In addition to short-term effects, companies also see this as the central challenge in the next five years, as the following chapter shows. The risk of fluctuating exchange rates falls slightly compared to the previous survey, but remains at a high level (28 after 33 percent). For companies that trade goods internationally, fluctuating exchange rates create planning uncertainties. More often than the global average, companies in Africa, Middle East and Africa (51 percent) see fluctuating exchange rates as a challenge to doing business.

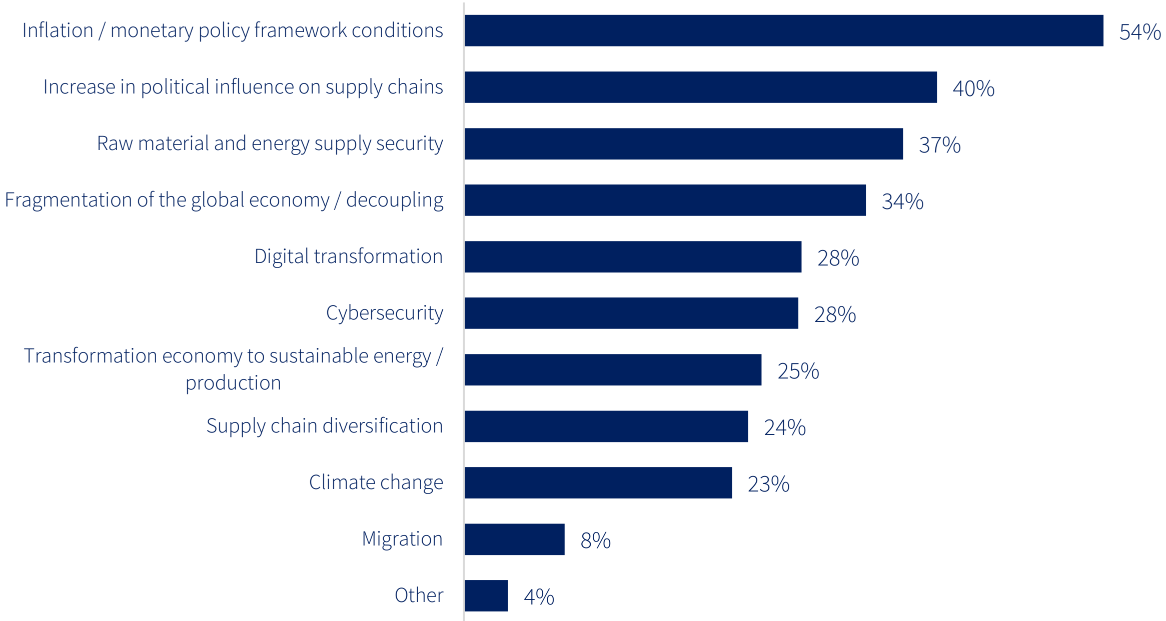
In order to curb high inflation rates, central banks worldwide are pursuing a more restrictive monetary policy. The interest rate increases make financing costs more expensive for companies. 25 percent of companies (autumn 2022: 24 percent) therefore see financing as a business risk. The last time more companies named financing risk was in autumn 2020 in the wake of the Corona pandemic (autumn 2020: 27 percent). Otherwise, the current share of companies with this problem is relatively high. In Africa, Near and Middle East (38 percent), even more companies are concerned about the financing situation. In addition, smaller companies with fewer than 100 employees worry about financing more often (29 percent) than companies with 100 to 1,000 employees (23 percent) and more than 1,000 employees (21 percent).

At the same level as in the previous survey, companies are confronted with trade barriers or preferential treatment of domestic companies (16 percent after 17 percent previously). More often than in the previous survey, companies at their international locations are confronted with a lack of legal certainty (19 percent after 16 percent previously), with companies at their South and Central American locations (35 percent) reporting this in particular. Ten percent also complain about the local infrastructure (autumn 2022: six percent), more frequently in North America (13 percent) and the rest of the EU (incl. Switzerland, Norway, UK) (13 percent).

Geopolitical challenges

The Corona pandemic, the war in Ukraine and increasing protectionism are changing the global economy. Added to this are the challenges of addressing climate change and the digital and green transformation of the economy. Companies face various geopolitical challenges in their international locations and find themselves in an overall uncertain macroeconomic and geopolitical environment. In particular high inflation rates and the monetary policy environment, as well as the increasing political influence on supply chains, are causing problems for the companies. In addition to the given answer options, the companies had the opportunity to name further challenges in a free text field. In particular, the companies shared concerns about the impact of the war and general political tensions.

Geopolitical challenges in the next five years
(in percent, multiple answers possible)



Uncertain macroeconomic and geopolitical environment

For 54 percent of the companies, the high **inflation rates** and the **monetary policy framework** represent one of the greatest challenges in the next five years. Both have a negative impact on companies' business. High inflation rates increase the cost of inputs. They also reduce purchasing power and thus consumer demand. To curb inflation, many central banks have raised their key interest rates. This tightening of monetary policy also leads to higher borrowing costs, which makes financing more expensive for companies and leads to greater planning uncertainty. Companies in South and Central America, for example, cite this challenge with above-average frequency (62 percent). In North America, too, 61 percent more companies than the global average see this as a challenge.

Two out of five companies (40 percent) rate the **increase of political influence on supply chains** as one of the biggest challenges. Increasingly, trade barriers and environmental and social laws and regulations are influencing how and where companies can build their supply chains. Political influence on supply chains can lead to higher costs and an increased planning effort for companies due to the reporting obligations that arise, and thus stand in the way of the necessary diversification of supply chains. Especially at their locations in Greater China (63 percent), companies perceive political influence on supply chains as a challenge. In the Eurozone (26 percent), on the other hand, it is significantly fewer companies.

More than a third of companies (34 percent) are particularly concerned about fragmentation of the global economy and decoupling. This reflects the growing tensions in international trade. Brexit and the simmering trade conflict between the USA and China are examples of increasing protectionism. In addition, debates are being held under the term "friendshoring" about which countries to expand trade with in the future and which ones to reduce it with. Fragmentation of the global economy can also stand in the way of supply chain diversification. At 59 percent, an above-average number of companies in Greater China view the increasing fragmentation of the global economy critically. China pursues a dual-circulation strategy, according to which the economy is divided into two circuits in order to become less dependent on foreign trade: one for the domestic market and one for international trade.

Due to the experience of the Corona pandemic and the economic impact of the war in Ukraine, many companies are transforming their supply chains. Diversifying their supply chains is seen by 24 percent of companies as one of the biggest challenges in the next five years. Compared to the other challenges, this is seen as less difficult. Companies in Asia-Pacific (excluding China) (30 percent) and China (29 percent) are the most likely to see this challenge, while South and Central America (16 percent) are the least likely.

Energy and raw material supply and green transformation

37 percent of companies see the future security of supply of raw materials and energy as a challenge. After the experience of disrupted supply chains and shortages of raw materials as well as high energy costs, companies are concerned about reliable supplies of raw materials and energy. Geopolitical tensions can also result in trade barriers that disrupt commodity and energy supply chains. More often than the global average, companies in their locations in Africa, the Middle East and Africa (44 percent) worry about inadequate raw material and energy supplies. In China (30 percent) and South and Central America (32 percent), on the other hand, less frequently.

A quarter of companies (25 percent) see the transformation to sustainable energy and production as one of the biggest geopolitical challenges. The transformation to environmentally friendly and sustainable production processes and business activities requires a high level of investment and a restructuring of numerous processes – be it the switch to renewable energies, more energy-efficient production processes or the use of alternative or recycled materials. More than a third of companies in the Eurozone (36 percent) see this as a challenge, twice as often as in Africa, the Middle East or China (18 percent each).

Climate change is named by 23 percent of the companies surveyed as one of the greatest geopolitical challenges in the next five years. In addition to the transformation to sustainable energy and environmentally friendly production processes, companies see themselves obliged to implement climate protection measures. This also requires a change of processes within the companies and entails investments. Companies at their South and Central American locations see this challenge more frequently than the global average (32 percent).

Digital transformation and migration

With 28 percent each, companies see major geopolitical challenges in both digital transformation and cyber security. Digital transformation includes the introduction of new digital technologies such as artificial intelligence, big data, cloud computing and the Internet of Things. The IT infrastructure and also business models must be adapted. At the same time, the threat of cyber-attacks is increasing, which can have serious consequences for companies. Both the digital transformation and cyber security require many investments. Companies in the Eurozone and North America are more concerned than average about their IT security (37 percent).

Global challenges such as climate change and local challenges such as political tensions can lead to migration. Eight percent of companies see this as one of the biggest geopolitical risks in the coming years. Migration can lead to labour shortages – e.g. brain drain – in the countries people move from. Companies in Eastern and South-Eastern Europe (18 percent) and in South and Central America (13 percent) are far more likely to see migration as a challenge.

Challenge: Supply chain diversification

Changing supply chains and opening up new sales and procurement markets is part of everyday business life. However, due to the experience of disrupted supply chains as a result of the Corona pandemic and geopolitical risks, more companies are now adapting their supply chains. Diversification has become a necessity to spread risks and build resilience. To do this, companies are expanding and changing their supplier network, relocating and entering new markets. For 86 percent of companies worldwide, this process is fraught with challenges.

Challenges in diversifying supply chains and sales markets

(in percent, multiple answers possible)

Finding suitable business partners and markets

Despite the intention of many companies to seek additional suppliers or alternative markets and locations, this is precisely the challenge. Almost half of the companies have problems finding suitable suppliers or business partners (48 percent). Product quality, price-performance ratio, reliability and also geographical proximity to production sites or sales markets play an important role in initiating business.[4] Especially at their locations in Greater China (53 percent), in North America and in the Eurozone (51 percent each), companies see a challenge in finding suitable suppliers and business partners.

Identifying suitable sales markets or procurement markets is a challenge for 29 percent. Before opening up new markets for sales or procurement, the markets must be analysed – for example, customer needs, the economic policy framework and the competitive situation in the markets.

Finding locations with suitable infrastructure for new branches/production sites is a hurdle for as many as 14 percent of the companies that see challenges in diversification. Important location factors include, for example, the availability of skilled workers, economic policy framework conditions, legal certainty and the level of energy and electricity costs. [5]

[4] In a special evaluation of the AHK World Business Outlook Autumn 2021, companies had ranked supplier reliability, product quality and value for money as the most relevant factors when looking for new or additional suppliers. The geographical location of suppliers also plays an important role.

[5] This was reported by companies in the special evaluation of the AHK World Business Outlook Autumn 2021 as relevant factors when choosing new production locations.

Bureaucracy and trade barriers

Increased legal and regulatory problems such as compliance with country regulations or the Supply Chain Act are among the biggest challenges to diversifying supply chains or sales markets, with 34 percent of mentions. Intransparent or unclear regulations or those that lead to enormous bureaucratic burdens can prevent companies from entering new markets or establishing business relationships. For almost a quarter of companies (24 percent), a key challenge is trade barriers. Tariff barriers such as tariffs and non-tariff barriers such as local certification requirements can lead to high costs and planning efforts. Especially in Greater China and Asia-Pacific (excluding China) (37 percent each), companies see increased legal and regulatory problems as limiting their diversification plans.

Costs and planning effort

The regulatory difficulties are compounded by practical challenges. 25 percent of companies see problems in controlling the quality of new or existing suppliers. The more diverse and larger the supplier network, the more challenging it can be to keep track of all supply structures. This is accompanied by a high planning effort in the supply chain, which 20 percent of the companies see as a challenge. A more diverse network of suppliers and markets is also associated with high business costs (27 percent). Every fifth company is concerned about financing in this context (24 percent).

Regional Business Outlooks

Eurozone

Although the economy in the euro area has come through the winter better than expected in autumn – a recession has so far failed to materialise – uncertainty about future developments remains high. High energy prices, inflation rates and interest rates are weighing on companies. Companies' economic expectations for the Eurozone are correspondingly subdued. 21 percent expect the economy to improve in the next twelve months, but 27 percent expect it to worsen. Thus, the pessimists still slightly predominate (balance minus six points). Although expectations have improved considerably compared to the autumn survey (balance minus 41 points), they are still below the long-term average for the region of one balance point.

Slovenia currently brings up the rear in terms of economic expectations in the Eurozone (balance minus 43 points). In France, too, there are still no signs of dynamism (balance minus 21 points), which is reflected in very restrained investment intentions (balance three points). In a regional comparison, the economic expectations in Italy (balance six points) and Greece (balance nine points) are more positive.

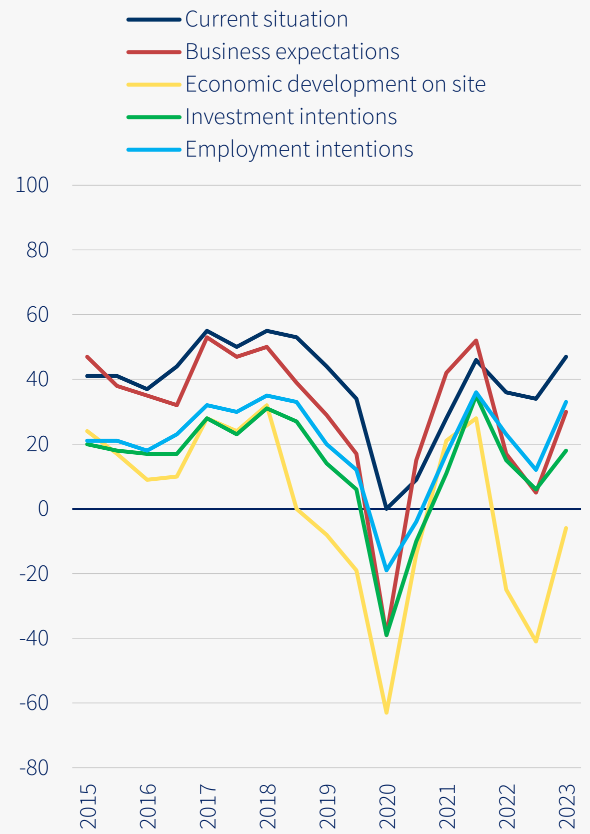
In line with the more positive but still subdued expectations for economic development, business expectations (balance 30 points) as well as investment (balance 18 points) and employment intentions (balance 33 points) of companies in the euro area are rising.

The majority of companies assess their current business situation as good (51 percent) or satisfactory (45 percent). Only four percent of the companies currently report poor business (balance 47 points).

The biggest risk factors for business development in the Eurozone are the shortage of skilled workers (48 percent), high energy prices (44 percent) as well as low demand (42 percent) and rising labour costs (38 percent).

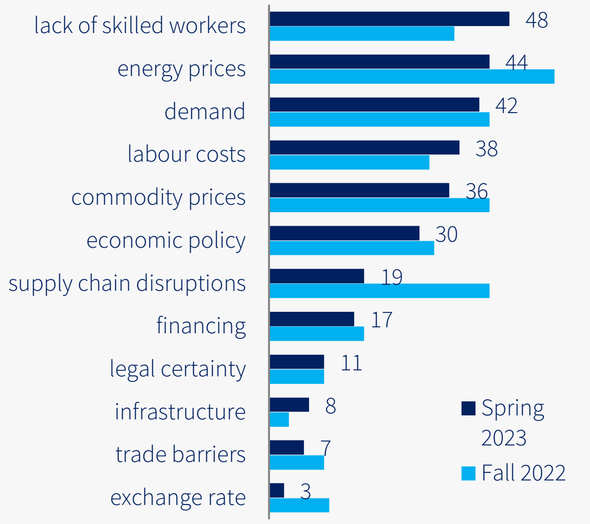
German companies in the Eurozone

Balance in points



Risks for German companies in the Eurozone

in percent, multiple answers possible



Other EU, Switzerland, Norway, United Kingdom

Similar to the Eurozone, the economy in the EU countries outside the common currency area, as well as in Switzerland, Norway and the United Kingdom (UK), has developed better than expected in autumn. However, expectations for economic development in the respective countries are more pessimistic in the region than in any other at present. High energy prices are dampening expectations. Only 16 percent expect an economic upswing in the coming months, while 43 percent expect an economic slowdown (balance minus 27 points). Nevertheless, this is a clear improvement compared to the previous survey (balance minus 70 points); the long-term average is minus eight points.

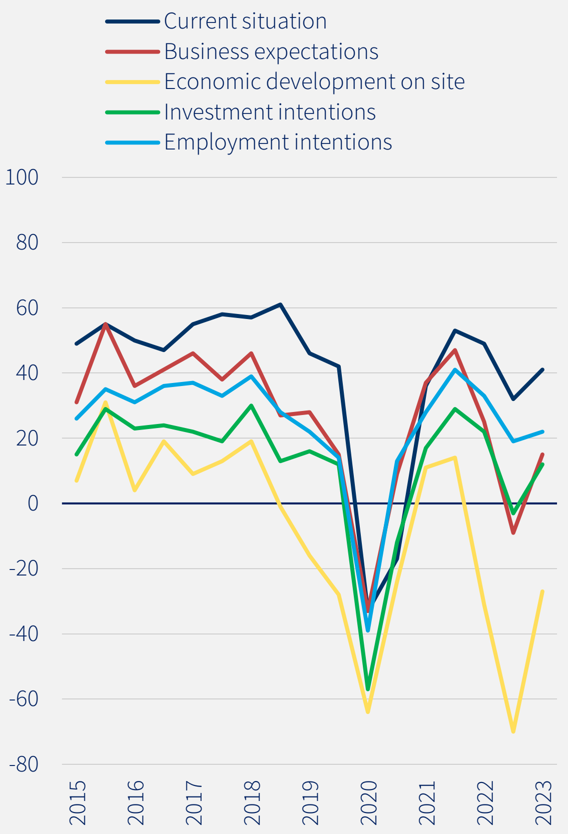
In **Poland** in particular (balance minus 51 points) and in **Hungary** (balance minus 36 points), companies have predominantly pessimistic expectations for economic development. Expectations of an economic slowdown also predominate in the **United Kingdom** (balance minus 14 points). Companies in **Bulgaria** have more positive expectations (balance of two points).

Despite the pessimistic outlook for the economy, the companies themselves expect significantly better business again. In contrast to the previous survey, the optimists again predominate (balance 15 points). Correspondingly, companies' investment intentions are also on the rise again (balance of twelve points).

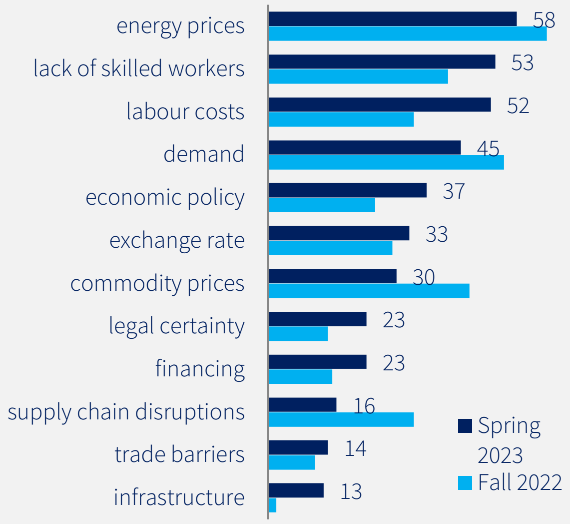
Companies also describe their current business situation as predominantly good (48 percent) and satisfactory (45 percent). Only seven percent rate their current business as poor (balance 41 percent).

In particular, high energy prices (58 percent), a shortage of skilled workers (53 percent) and rising labour costs (52 percent) are a concern for companies. In no other region of the world are these three business risks mentioned more frequently.

German companies in the Other EU (plus Switzerland, Norway, UK)
Balance in points



Risks for German companies in the Other EU (plus Switzerland, Norway, UK)
in percent, multiple answers possible



Eastern and South-Eastern Europe (without EU), Turkey[6]

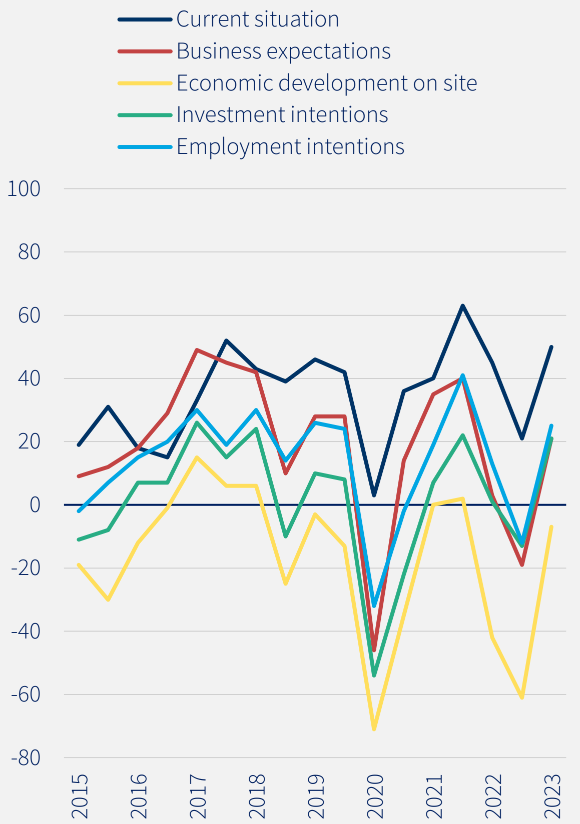
The Eastern and South-Eastern European states outside the EU as well as Turkey continue to face many challenges. While Eastern and South-Eastern Europe is feeling the effects of the Russian war in Ukraine due to its geographical proximity, Turkey is struggling with the consequences of the earthquake in February as well as persistently high inflation. Economic expectations have improved considerably compared to autumn, but still remain negative on balance: a share of 28 percent of companies with positive expectations contrasts with a share of 35 percent with negative expectations (balance minus seven points). In autumn, the balance was minus 61 points; the long-term average is minus 17 points.

Companies have gloomy economic expectations for Belarus in particular (balance minus 70 points). In Turkey, expectations for the economy have improved significantly, but still remain in negative territory (balance minus four points). Companies in Bosnia and Herzegovina (balance 29 points) are much more optimistic about economic development.

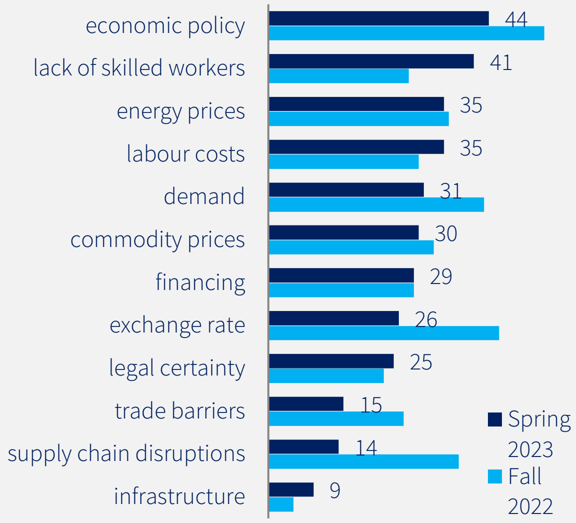
The current business situation of companies, however, is above average in a global comparison: 57 percent of the companies report good business, only seven percent report bad business (balance 50 points). Despite the still predominantly pessimistic economic expectations, companies are also confident about their own business development (balance 21 points), which has a positive effect on investment and employment intentions (balance 21 and 25 points).

44 percent of the companies see the economic policy framework as a business risk. The shortage of skilled workers (41 percent), high energy prices (35 percent) and rising labour costs (35 percent) are also among the dominant risk factors in the region.

German companies in Eastern and South-Eastern Europe (without EU), Turkey
Balance in points



Risks for German companies in Eastern and South-Eastern Europe
in percent, multiple answers possible



[6] Russia not included.

North America (USA, Canada, Mexico)

Declining but still high inflation rates and high interest rates determine the US economy and cause uncertainties about the future development. However, the labour market is still robust and companies have predominantly positive expectations for economic development. The US economy has a significant impact on Mexico and Canada. In North America, 29 percent expect a positive economic development, 17 percent a worse one (balance of twelve points). In the previous survey, economic expectations were still clearly in negative territory with a balance of minus 21 points. The long-term average is twelve points.

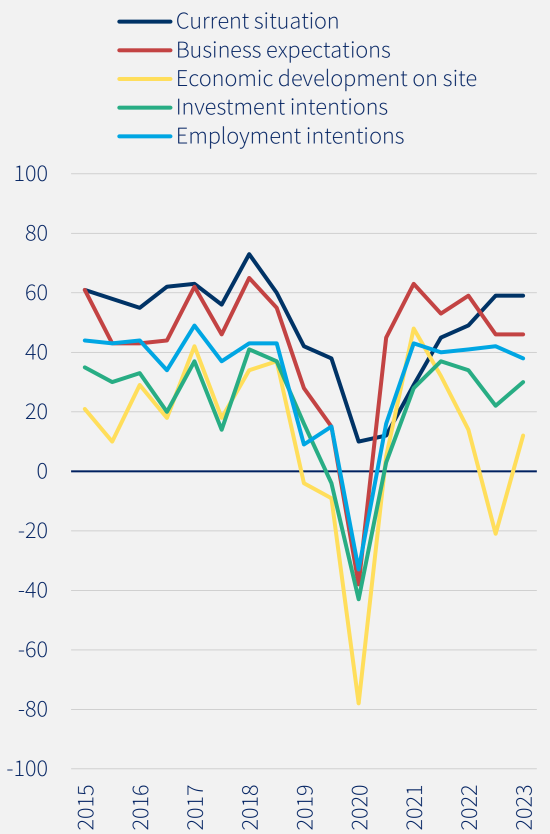
Companies expect economic growth both in the **USA** (balance 13 points) and in **Mexico** (balance twelve points). In **Canada,** on the other hand, the pessimists still predominate slightly (balance minus three points).

Consistent with the previous survey, the majority of companies in North America report a good business situation. Almost two-thirds (64 percent) of the companies currently have good business, 31 percent satisfactory and only five percent poor (balance 59 points). In Mexico, however, the business situation has deteriorated (balance minus 16 points).

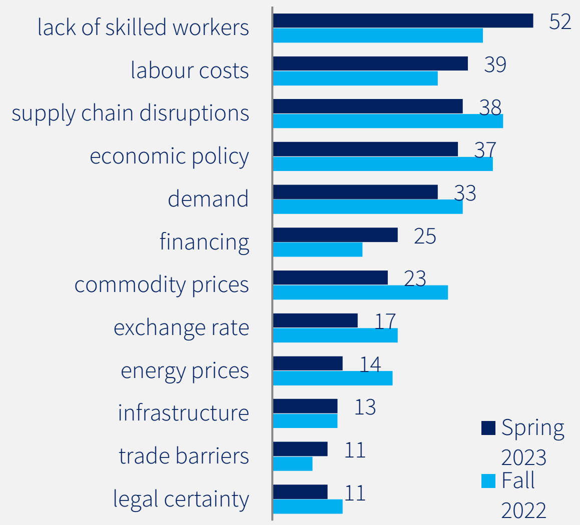
Business expectations are also above average in a global comparison (balance 46 points), which is reflected in expansive investment intentions (balance 30 points) and employment intentions (balance 38 points).

Similar to Europe, companies in North America are particularly concerned about the skills shortage (52 percent) and rising labour costs (39 percent). In addition, supply chain disruptions are still a business risk that cannot be ignored (38 percent).

German companies in North America
Balance in points



Risks for German companies in North America
in percent, multiple answers possible



South and Central America

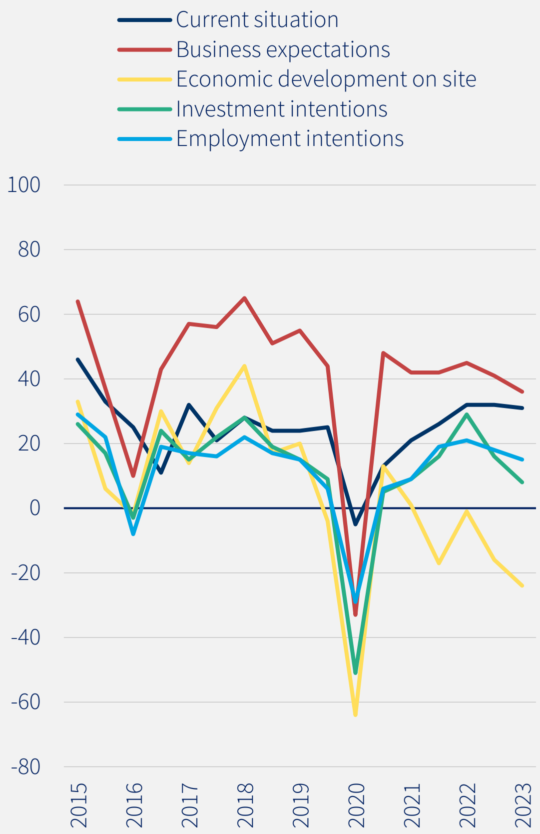
In the South and Central American countries, the economic outlook has become gloomier after the economies had developed well last year due to catch-up effects after the pandemic. High inflation rates in particular are weighing on the economy; in Argentina, price increases were recently in the triple-digit percentage range. In addition, the economic policy framework in Brazil, for example, is uncertain. Only 18 percent of the companies expect an economic upswing in the next twelve months, while 42 percent expect an economic slowdown. This brings the balance down to minus 24 points, after minus 16 points in the previous survey. Expectations are thus far below the long-term average of four points.

Compared to the previous survey, the economic expectations of companies in Brazil have deteriorated significantly (balance minus 17 points after 39 points previously). In Argentina, too, companies are pessimistic about economic development (balance minus 64 points after minus 61 points previously).

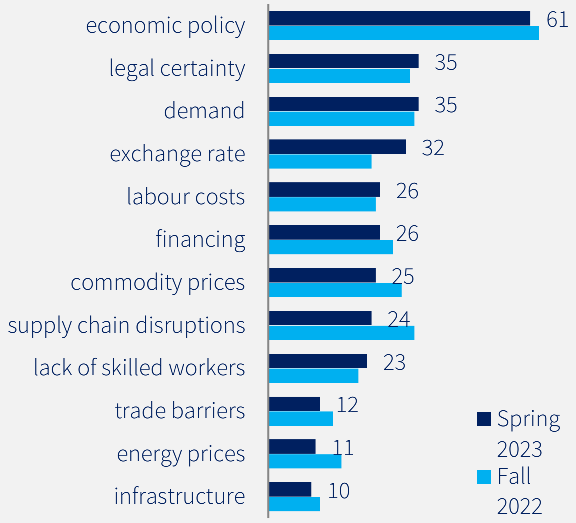
In line with the pessimistic economic expectations, companies' investment intentions are restrained: Although 28 percent are planning higher investment budgets, 20 percent are planning lower ones (balance eight points). Employment intentions are also lower than in the previous survey (balance 15 points). However, business expectations have worsened only slightly compared to the previous survey (balance 36 points after 41 points previously).

The companies most frequently see risks for their business development in the economic policy framework conditions (61 percent) - analogous to the previous surveys, this risk is not mentioned as frequently in any other region. A lack of legal certainty (35 percent) and low demand (35 percent) also worry the companies.

German companies in South and Central America
Balance in points



Risks for German companies in South and Central America
in percent, multiple answers possible



Asia-Pacific (excl. Greater China)

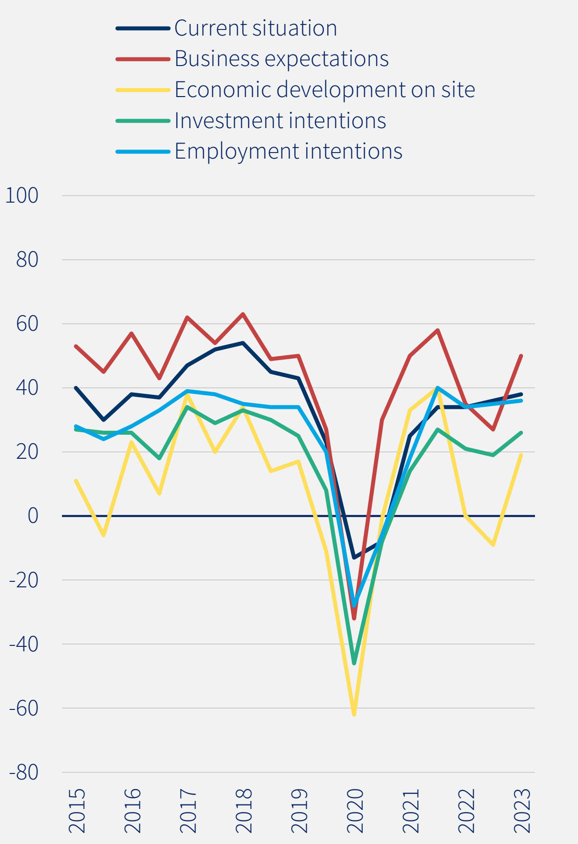
Countries in Asia-Pacific can benefit from China's opening after the end of the zero-covid policy, leading to stabilisation in supply chains. But the region can also benefit from increased interest through supply chain diversification.
More than one-third of the companies (35 percent) expect a better economic development in the next twelve months, 16 percent expect a deterioration (balance 19 points after previously minus nine points). Thus, expectations are again above the long-term average of ten points. Currently, companies are only more optimistic about economic development at their locations in Greater China.

Especially in **India** (balance 57 points) and the **Philippines** (balance 50 points), companies expect an economic upswing. The expectations of companies in **Japan** (balance of two points) and **Singapore** (balance of four points) are predominantly optimistic, but significantly more restrained. In the Pacific, on the other hand, companies predominantly expect an economic slowdown, both in **Australia** (balance minus nine points) and in **New Zealand** (balance minus 45 points).

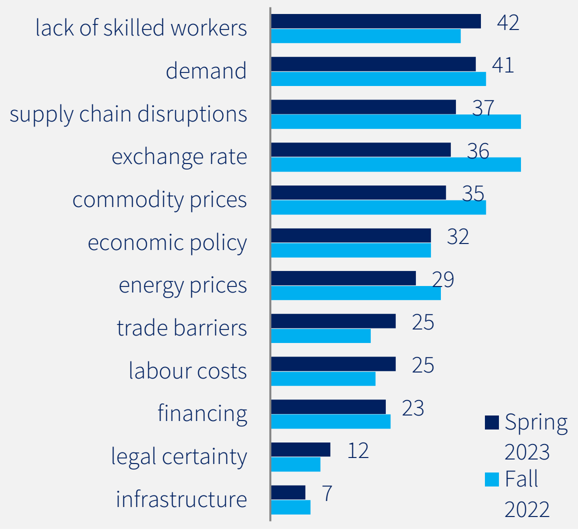
Due to the positive expectations, the companies are also raising their expectations for their own business development significantly (balance 50 points). Thus, companies expect better business again in the future than the current situation (balance 38 points). The companies are also adjusting their investment and employment plans upwards, but only slightly compared to the previous survey (balance 26 and 36 points).

42 percent of the companies see their business development negatively affected by the shortage of skilled workers. 41 percent see low demand as a concern and 37 percent see disruptions in the supply chain.

German companies in the Asia-Pacific region (excluding Greater China)
Balance in points



Risks for German companies in the Asia-Pacific region (excluding Greater China)
in percent, multiple answers possible



Greater China

After the lifting of the zero-covid measures in China, the economy is only slowly picking up. Consumers are still cautious, challenges in the real estate sector remain. This is shown by the companies' assessments of the current business situation and expectations. While the companies' economic and business expectations for the coming twelve months are significantly more positive than in the previous survey (in autumn 2022 there was still no end in sight to the zero-covid measures), the companies assess their current business situation worse than in autumn. 29 percent of the companies report good business, 22 percent bad (balance seven points). In a global comparison, companies thus assess their current business situation at their locations in Greater China most negatively.

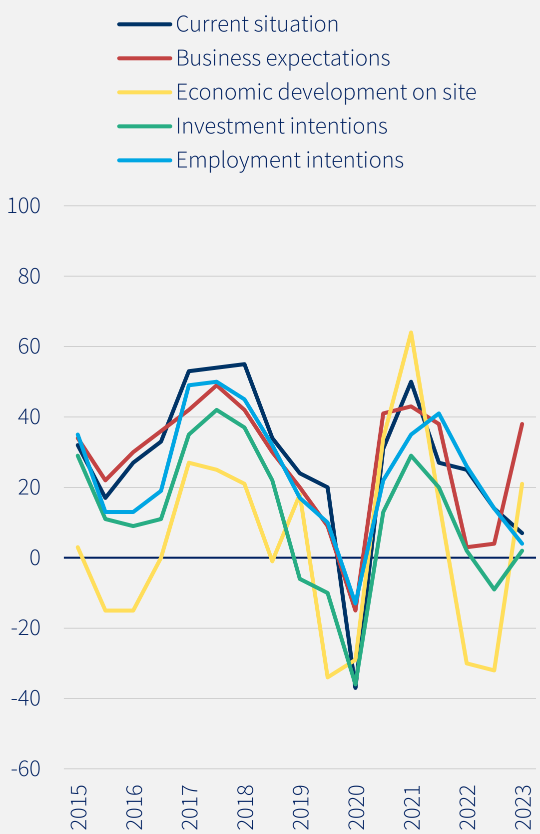
However, from the companies' point of view, the Chinese economy should gain momentum again. Two out of five companies (40 percent) expect an economic upswing, 19 percent a downturn (balance 21 points). More than every second company (51 percent) also expects a positive development of their own business, 13 percent a deterioration (balance 38 points). Nevertheless, companies' investment and employment intentions remain rather passive (balance of two and four points).

Especially in the **People's Republic of China,** companies are confident about the economic development (balance 23 points). In **Hong Kong** (balance 15 points) and **Taiwan** (balance 0 points), companies are less optimistic.

The dominant risk from the companies' point of view is low demand (59 percent), which is expressed more frequently there than in other world regions. In addition, the economic policy framework (38 percent), disruptions in the supply chain (31 percent) and trade barriers (31 percent) are key risk factors.

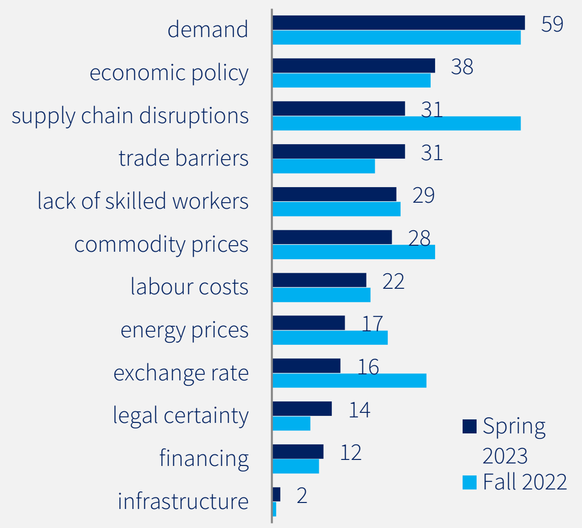
German companies in Greater China

Balance in points



Risks for German companies in Greater China

in percent, multiple answers possible



Africa, Near and Middle East

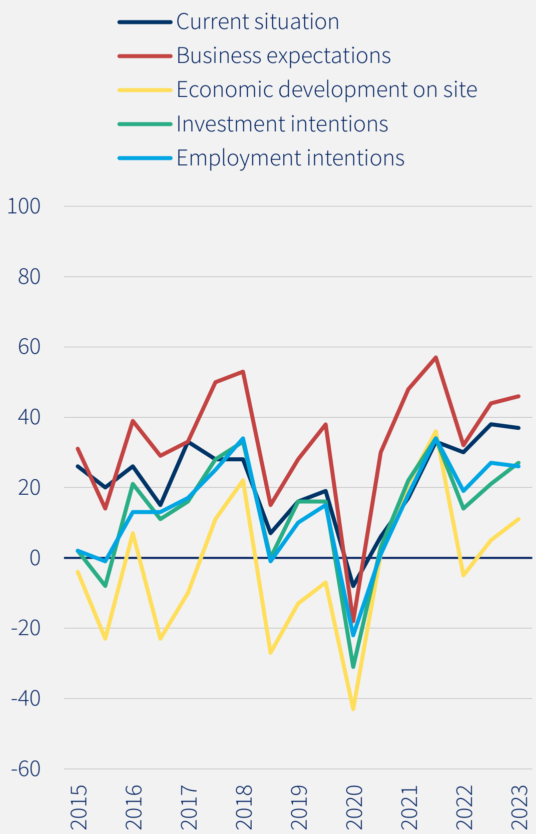
In Sub-Saharan Africa and the countries in the Near and Middle East, the prospects for economic development are mixed. Countries rich in raw materials can profit from the increased demand in the energy sector. On the other hand, debt levels are high in many countries and exchange rate fluctuations have a negative impact. Overall, the economic outlook for the coming twelve months is confident. 38 percent of the companies expect the local economy to improve, 27 percent expect it to worsen (balance eleven points). Already in autumn, economic expectations were predominantly positive (balance five points). The long-term average is minus two points.

While companies in **Saudi Arabia** (balance of 68 points) and the **United Arab Emirates** (balance of 46 points) expect the economy to develop well, companies in **Iran** (balance of minus 46 points) and **South Africa** (balance of minus 45 points) predominantly anticipate an economic slowdown.

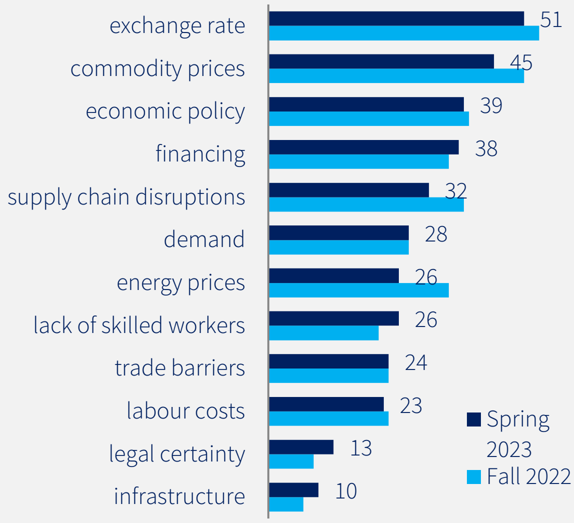
Every second company currently has a good business situation, only 13 percent report poor business (balance 37 points). Companies are also predominantly confident about the development of their own business in the coming twelve months. 54 percent of the companies expect better business, only eight percent worse (balance 46 points).

Companies in the region see business risks particularly in fluctuating exchange rates (51 percent), commodity prices (45 percent) and the economic policy framework (39 percent). In addition, financing (38 percent) is a challenge for many more companies than in other regions of the world.

German companies in Africa, Near and Middle East
Balance in points



Risks for German companies in Africa, Near and Middle East
in percent, multiple answers possible



Statistical annex

Evaluation of the results by country

Balance of good/better answers minus bad/less answers in each case

	Current business situation	Business expectations	Economic expectations	Investment intentions	Employment intentions
Worldwide	40	36	1	19	26
Eurozone	47	30	-6	18	33
Belgium	50	0	-17	13	17
Estonia	47	34	11	17	13
France	34	29	-21	3	33
Greece	64	49	9	24	36
Ireland	30	15	-6	21	12
Italy	60	41	6	28	43
Croatia	45	46	1	32	42
Latvia	36	57	-22	28	24
Lithuania	78	56	9	28	49
Netherlands	48	5	-9	-4	19
Portugal	29	33	-2	11	17
Slovakia	40	24	-1	17	33
Slovenia	47	3	-43	22	13
Spain	42	19	-3	26	37
Other EU, Switzerland, Norway, UK	41	15	-27	12	22
Bulgaria	60	36	2	39	36
Denmark	42	31	-12	23	15
Great Britain and Northern Ireland (UK)	46	32	-14	27	39
Norway	49	33	-2	18	22
Poland	46	-5	-51	0	15
Romania	36	30	-4	15	26
Sweden	52	36	-23	12	32
Switzerland	32	2	-29	8	2
Czech Republic	32	13	-18	9	18
Hungary	30	2	-36	10	19
Rest of Europe (without EU), Turkey/Russia	50	21	-7	21	25
Albania	18	30	-5	23	16
Azerbaijan	45	64	9	40	32
Bosnia and Herzegovina	50	57	29	43	44
Kosovo	43	60	23	60	51
North Macedonia	16	16	-38	0	19
Serbia	41	40	-6	22	38
Turkey	66	15	-4	16	26
Belarus (White Russia)	8	-23	-70	-7	-19
Asia/Pacific (without China)	38	50	19	26	36
Australia	53	49	-9	15	30
India	53	59	57	41	45
Japan	22	41	2	13	32

	Current business situation	Business expectations	Economic expectations	Investment intentions	Employment intentions
Worldwide	40	36	1	19	26
Kazakhstan	61	57	26	45	48
Korea (South)	14	33	-16	8	28
Malaysia	33	64	18	22	33
New Zealand	41	14	-45	-21	9
Philippines	58	74	50	44	43
Singapore	41	37	4	20	16
Sri Lanka	6	36	28	-3	-4
Thailand	50	63	39	44	54
Uzbekistan	67	50	58	83	54
Vietnam	24	42	-9	27	28
Greater China	7	38	21	2	4
China, PR	5	40	23	1	4
Hong Kong	0	26	15	-17	-21
Taiwan	30	28	0	18	25
North America	59	46	12	30	38
Canada	73	40	-3	17	17
Mexico	39	66	12	50	51
USA	60	45	13	30	38
South and Central America	31	36	-24	8	15
Argentina	26	-13	-64	-15	15
Bolivia	5	11	-69	-25	-18
Brazil	33	44	-17	3	19
Chile	44	50	-19	31	11
Ecuador	27	56	-30	21	5
Colombia	40	30	-53	0	27
Paraguay	33	66	45	58	55
Peru	28	39	-3	9	11
Uruguay	49	36	22	20	21
Africa, Near and Middle East	37	46	11	27	26
Egypt	42	42	-1	18	22
Algeria	-6	32	15	40	26
Ethiopia	4	52	8	30	8
Iran	-15	17	-46	-6	-23
Kenya	35	42	3	38	42
Saudi Arabia	64	60	68	53	49
South Africa	42	35	-45	-12	16
Tanzania	47	77	44	51	40
Tunisia	37	45	-15	40	28
United Arab Emirates	36	59	46	38	38

Business risks for German companies abroad

in percent, multiple answers possible

	Demand	Financing	Labour costs	lack of skilled workers	Exchange rate	Energy prices	Commodity prices	Legal certainty	Economic policy framework conditions	Infrastructure	Trade barriers / preferential treatment of	Supply chain disruptions
Worldwide	38	25	34	40	28	35	33	19	39	10	16	24
Eurozone	**42**	**17**	**38**	**48**	**3**	**44**	**36**	**11**	**30**	**8**	**7**	**19**
Belgium	38	17	50	42	4	71	54	17	46	17	8	46
Estonia	50	13	54	39	0	43	33	0	13	2	11	4
France	47	16	27	44	2	34	47	5	19	3	7	40
Greece	40	28	32	43	6	43	43	13	43	15	9	17
Ireland	27	30	27	42	0	27	52	9	15	6	3	45
Italy	48	18	28	54	4	45	33	9	43	7	8	29
Croatia	26	23	41	51	5	43	23	18	25	8	11	0
Latvia	40	16	38	36	2	58	31	18	36	15	5	0
Lithuania	31	18	44	47	0	49	22	9	5	5	4	4
Netherlands	9	10	17	45	5	31	26	5	24	16	9	19
Portugal	64	14	43	36	2	31	60	10	31	2	7	45
Slovakia	56	1	50	57	0	57	34	13	33	11	10	0
Slovenia	43	19	62	56	4	62	49	18	50	7	9	0
Spain	60	15	32	49	1	36	41	16	34	3	0	42
Other EU, Switzerland, Norway, UK	**45**	**23**	**52**	**53**	**33**	**58**	**30**	**23**	**37**	**13**	**14**	**16**
Bulgaria	33	20	61	66	2	45	27	23	41	11	6	0
Denmark	58	27	31	23	15	19	35	4	12	8	4	27
Great Britain and Northern Ireland (UK)	32	9	34	55	21	41	25	16	30	16	41	30
Norway	33	13	24	44	19	28	31	7	54	13	7	39
Poland	52	30	68	42	45	82	0	45	53	19	22	0
Romania	38	20	63	61	13	55	39	15	31	23	8	0
Sweden	52	17	18	38	32	31	43	2	15	12	2	25
Switzerland	44	20	27	63	17	34	32	17	51	2	27	29
Czech Republic	46	16	57	57	39	60	37	6	12	5	4	0
Hungary	47	30	50	58	52	68	45	30	40	10	15	39
Rest of Europe (without EU), Turkey/Russia	**31**	**29**	**35**	**41**	**26**	**35**	**30**	**25**	**44**	**9**	**15**	**14**
Albania	26	19	43	64	33	38	38	31	36	10	26	0
Azerbaijan	32	41	14	23	45	23	23	18	27	9	14	36
Bosnia and Herzegovina	21	19	39	49	0	40	31	31	43	19	9	0
Kosovo	23	37	49	58	6	38	30	22	29	9	21	0
North Macedonia	47	38	55	69	3	69	41	40	45	28	7	7
Serbia	38	21	28	29	6	35	27	12	35	3	7	2
Turkey	18	41	41	30	75	33	34	25	60	1	12	26
Belarus (White Russia)	47	15	6	26	42	2	15	36	62	6	36	66
Asia/Pacific (without China)	**41**	**23**	**25**	**42**	**36**	**29**	**35**	**12**	**32**	**7**	**25**	**37**
Australia	47	14	26	53	16	30	23	2	28	5	9	35
India	44	17	24	21	37	25	56	7	19	5	24	35

	Demand	Financing	Labour costs	lack of skilled workers	Exchange rate	Energy prices	Commodity prices	Legal certainty	Economic policy framework conditions	Infrastructure	Trade barriers / preferential treatment of	Supply chain disruptions
Worldwide	38	25	34	40	28	35	33	19	39	10	16	24
Japan	35	6	18	55	65	40	49	3	14	0	18	45
Kazakhstan	20	24	16	49	56	16	24	29	27	7	36	49
Korea (South)	51	19	44	28	26	23	35	21	28	0	35	35
Malaysia	62	24	27	51	24	24	31	7	33	7	13	24
New Zealand	52	19	52	67	24	19	33	0	57	10	24	38
Philippines	22	30	24	44	34	34	32	20	35	15	23	39
Singapore	56	21	52	48	15	38	33	6	25	6	19	50
Sri Lanka	49	45	19	30	75	26	28	11	55	6	47	32
Thailand	46	14	13	45	29	34	38	13	25	0	20	29
Uzbekistan	4	38	21	63	29	46	33	8	33	4	25	58
Vietnam	51	26	22	34	15	25	25	15	46	22	22	28
Greater China	**59**	**12**	**22**	**29**	**16**	**17**	**28**	**14**	**38**	**2**	**31**	**31**
China, PR	64	7	28	28	14	11	24	16	48	1	39	33
Hong Kong	59	18	24	26	18	32	41	18	32	3	26	21
Taiwan	45	20	5	33	20	18	25	5	20	3	15	38
North America	**33**	**25**	**39**	**52**	**17**	**14**	**23**	**11**	**37**	**13**	**11**	**38**
Canada	40	30	30	50	10	13	23	7	37	10	3	40
Mexico	27	20	32	27	41	12	20	29	63	20	12	39
USA	33	25	44	61	10	15	23	6	29	11	13	38
South and Central America	**35**	**26**	**26**	**23**	**32**	**11**	**25**	**35**	**61**	**10**	**12**	**24**
Argentina	21	25	17	25	66	8	26	40	72	9	42	43
Bolivia	33	27	29	8	59	5	18	56	80	6	15	32
Brazil	38	15	33	29	28	10	26	44	42	8	6	24
Chile	42	17	31	25	39	14	25	31	72	6	0	17
Ecuador	32	37	23	16	5	14	30	46	73	15	10	18
Colombia	41	24	21	17	52	17	28	28	83	10	17	31
Paraguay	27	48	21	39	30	12	36	21	52	18	3	24
Peru	47	19	8	14	14	3	17	33	86	11	8	14
Uruguay	24	14	44	29	43	13	21	7	23	1	8	15
Africa, Near and Middle East	**28**	**38**	**23**	**26**	**51**	**26**	**45**	**13**	**39**	**10**	**24**	**32**
Egypt	26	40	23	12	66	25	55	7	38	6	19	38
Algeria	38	41	18	41	32	26	59	29	44	9	44	38
Ethiopia	20	72	28	32	56	16	48	20	48	16	32	40
Iran	26	47	24	32	68	16	24	11	71	16	39	18
Kenya	39	26	6	13	74	26	39	10	58	3	23	23
Saudi Arabia	20	30	35	49	16	20	41	15	25	7	21	42
South Africa	40	17	23	50	67	43	37	23	43	30	23	30
Tanzania	21	49	16	40	35	26	30	21	40	16	30	26
Tunisia	33	23	14	30	37	44	40	21	34	17	14	0
United Arab Emirates	34	36	39	25	29	20	34	13	36	13	39	38

What do companies see as the greatest geopolitical challenges in the next five years?

in percent, multiple answers possible

	Fragmentation/ Decoupling	Diversification of the Supply chain	Climate change	Transformation Sustainability	Raw material and energy security of supply	Digital transformation	Cybersecurity	Political influence Supply chains	Inflation/Monetary Policy	Migration	Other
Worldwide	34	24	23	25	37	28	28	40	54	8	4
Eurozone	30	18	25	36	41	36	37	26	47	5	3
Belgium	50	33	29	42	58	25	46	46	54	8	0
France	34	17	26	32	48	38	51	25	42	4	7
Greece	30	13	28	30	22	39	37	17	54	9	4
Ireland	25	19	28	41	47	34	31	16	59	9	0
Italy	15	24	25	43	38	46	39	28	39	6	3
Netherlands	39	14	21	33	26	23	21	19	19	2	2
Portugal	38	19	17	31	48	33	26	26	64	7	2
Spain	38	18	32	41	51	36	44	23	67	4	0
Other EU, Switzerland, Norway, UK	20	21	22	27	37	26	32	39	52	6	10
Denmark	16	20	16	24	32	24	40	20	60	8	4
Great Britain and Northern Ireland (UK)	25	25	21	33	35	35	37	42	60	0	29
Norway	17	19	32	28	43	20	35	46	46	9	7
Sweden	19	17	22	25	38	13	16	28	55	3	3
Switzerland	24	22	17	24	34	44	39	54	42	15	5
Rest of Europe (without EU), Turkey/Russia	39	23	17	22	33	26	26	54	66	18	1
Azerbaijan	36	18	9	23	18	50	46	36	55	0	5
Turkey	37	15	28	29	42	23	21	45	81	16	0
Belarus (White Russia)	47	43	0	4	13	19	28	79	45	25	0
Asia/Pacific (without China)	39	30	19	25	37	25	26	45	49	7	3
Australia	26	23	16	21	42	33	56	40	42	7	0
India	45	22	14	22	55	18	12	43	51	1	7
Japan	55	40	11	32	43	34	26	23	29	3	2
Kazakhstan	27	42	9	24	29	11	24	71	60	9	4
Korea (South)	47	28	21	44	33	35	30	54	51	2	2
Malaysia	46	16	16	25	39	23	14	46	50	0	2
New Zealand	36	18	41	5	27	36	27	41	64	27	0
Philippines	32	33	36	26	34	35	37	42	47	13	5
Singapore	56	38	25	35	38	25	46	40	38	4	4
Sri Lanka	30	42	15	11	36	19	17	51	74	30	2
Thailand	41	20	20	23	45	21	16	50	46	2	4
Uzbekistan	17	42	4	8	21	13	17	58	67	4	0
Vietnam	42	31	19	31	29	22	20	40	45	2	2
Greater China	59	29	11	18	30	20	25	63	37	4	6
China, PR	71	27	9	17	29	19	26	75	28	2	3
Hong Kong	46	42	15	18	21	33	27	55	52	9	9
Taiwan	41	23	13	18	39	10	21	44	46	3	10

	Fragmentation/ Decoupling	Diversification of the Supply chain	Climate change	Transformation Sustainabi-lity	Raw material and energy security of supply	Digital transformation	Cybersecurity	Political influence Supply chains	Inflation/Monetary Policy	Migration	Other
Worldwide	34	24	23	25	37	28	28	40	54	8	4
North America	33	26	21	23	29	30	37	33	61	6	6
Canada	23	23	13	23	27	43	30	33	70	3	7
Mexico	46	29	44	22	29	34	49	39	76	7	0
USA	31	26	15	23	29	25	36	32	54	6	8
South and Central America	33	16	32	26	32	39	31	33	62	13	3
Argentina	26	11	34	30	36	45	21	47	81	6	0
Bolivia	32	9	38	17	30	26	29	47	76	9	5
Brazil	41	17	20	23	28	28	31	41	65	3	6
Chile	36	6	28	33	39	42	33	19	67	50	6
Ecuador	36	20	39	33	34	42	37	29	44	24	4
Colombia	28	17	38	45	31	45	35	10	79	3	3
Paraguay	25	22	28	16	34	41	44	44	56	16	3
Peru	36	25	42	28	39	36	31	33	39	6	6
Uruguay	29	12	22	23	22	37	28	20	55	2	4
Africa, Near and Middle East	28	28	21	18	44	20	18	43	54	7	3
Egypt	26	27	21	15	49	12	7	35	48	5	3
Algeria	24	27	15	21	33	33	30	39	70	6	0
Ethiopia	36	36	24	0	56	24	28	56	80	8	12
Iran	14	5	14	14	32	19	8	57	73	43	0
Kenya	32	29	19	16	36	10	26	55	68	3	7
Saudi Arabia	23	35	15	16	43	31	27	39	46	5	1
South Africa	32	26	10	23	61	23	29	71	58	13	0
Tanzania	33	29	26	29	33	19	17	45	43	2	5
United Arab Emirates	41	39	36	38	45	41	36	50	54	2	2

What challenges do companies see in diversifying their supply chains and/or sales markets?

in percent, multiple answers possible

	Identify suitable sales markets/ procurement markets	Find suitable suppliers/business partners	Quality control of suppliers	Locations with suitable infrastructure for new branches	High economic Costs	High planning effort in the the supply chain	Funding	Trade barriers	Increased legal and Regulatory problems	Other
Worldwide	29	47	25	14	27	20	24	24	34	2
Eurozone	**29**	**51**	**23**	**11**	**30**	**19**	**16**	**11**	**28**	**3**
Belgium	20	45	25	10	45	30	5	25	45	0
France	21	49	30	5	22	22	10	14	43	6
Greece	34	46	20	14	34	17	40	3	26	0
Ireland	35	42	42	8	23	19	35	4	35	0
Italy	40	59	23	12	32	15	11	6	25	4
Netherlands	24	22	17	11	28	22	17	13	22	0
Portugal	20	63	34	6	43	17	20	14	23	0
Spain	25	63	17	20	27	20	6	5	22	2
Other EU, Switzerland, Norway, UK	**19**	**47**	**26**	**14**	**28**	**25**	**12**	**24**	**32**	**1**
Denmark	35	24	35	6	18	18	24	6	12	6
Great Britain and Northern Ireland (UK)	0	45	36	26	52	26	7	48	33	0
Norway	23	45	25	14	27	36	5	16	32	0
Sweden	27	56	21	6	13	17	19	8	27	2
Switzerland	13	50	13	17	27	20	10	37	53	0
Rest of Europe incl. Turkey/Russia	**22**	**42**	**25**	**13**	**32**	**19**	**31**	**30**	**45**	**1**
Turkey	14	36	22	11	43	21	41	22	44	1
Belarus (White Russia)	35	52	33	17	13	17	13	56	54	0
Asia/Pacific (without China)	**31**	**47**	**26**	**15**	**25**	**21**	**19**	**28**	**37**	**3**
Australia	34	55	34	10	24	10	10	14	38	7
India	41	56	27	6	22	25	21	27	29	3
Japan	30	40	26	11	15	15	9	15	17	2
Kazakhstan	13	45	21	18	32	34	21	42	53	0
Korea (South)	30	46	24	11	22	19	5	22	41	0
Malaysia	31	54	29	11	26	20	26	37	29	6
New Zealand	19	38	13	25	38	31	13	25	31	6
Philippines	30	48	26	18	27	22	20	26	39	3
Singapore	34	56	34	29	34	29	10	27	44	2
Sri Lanka	35	37	37	15	24	7	33	46	30	0
Thailand	39	49	27	15	24	15	17	27	39	5
Uzbekistan	13	25	4	4	21	25	38	25	63	0
Vietnam	35	48	23	21	23	25	19	25	38	2
Greater China	**30**	**53**	**30**	**17**	**20**	**16**	**4**	**26**	**37**	**2**
China, PR	27	51	33	16	25	12	4	31	41	1

	Identify suitable sales markets/ procurement markets	Find suitable suppliers/business partners	Quality control of suppliers	Locations with suitable infrastruc-ture for new branches	High economic Costs	High planning effort in the the supply chain	Funding	Trade barriers	Increased legal and Regulatory problems	Other
Worldwide	29	47	25	14	27	20	24	24	34	2
Hong Kong	45	66	28	24	10	10	7	17	38	7
Taiwan	23	45	23	13	16	29	3	23	26	0
North America	**22**	**51**	**31**	**19**	**22**	**17**	**17**	**18**	**35**	**3**
Canada	10	43	29	14	24	14	10	14	38	14
Mexico	24	51	41	16	19	19	24	11	49	0
USA	24	53	28	22	23	16	16	22	28	2
South and Central America	**31**	**48**	**19**	**15**	**27**	**20**	**31**	**23**	**32**	**3**
Argentina	23	50	5	14	27	34	39	43	39	2
Bolivia	26	40	26	10	32	10	34	32	48	5
Brazil	23	61	17	11	27	27	16	16	41	3
Chile	33	50	17	10	33	20	23	17	47	0
Ecuador	39	47	23	24	27	15	49	25	28	3
Colombia	19	42	8	15	27	23	31	23	42	0
Paraguay	42	46	31	12	23	19	31	19	23	0
Peru	29	62	24	9	26	21	18	15	26	9
Uruguay	24	43	18	11	28	19	14	13	11	4
Africa, Near and Middle East	**31**	**45**	**28**	**14**	**27**	**21**	**37**	**29**	**35**	**2**
Egypt	36	41	28	11	27	24	39	24	26	1
Algeria	36	46	36	29	25	14	57	43	36	0
Ethiopia	50	50	27	18	23	14	59	41	36	14
Iran	25	19	14	11	31	8	47	50	42	6
Kenya	11	37	26	7	26	22	22	26	59	4
Saudi Arabia	24	51	24	15	29	24	20	25	37	0
South Africa	30	59	22	26	30	26	11	30	52	0
Tanzania	27	51	38	14	27	24	41	16	35	5
United Arab Emirates	24	60	36	24	26	20	34	46	48	0

Questionnaire

How do you assess the current business situation of your company?
- good
- satisfactory
- bad

What business development do you expect for your local company in the next twelve months?
- better
- consistent
- bad

How do you assess the economic development on site in the next twelve months?
- better
- consistent
- bad

How is your company's spending on local investments likely to develop over the next twelve months?
- higher
- consistent
- low
- no investments

How do you expect the number of employees in your local company to develop over the next twelve months?
- higher
- consistent
- low

Where do you see the greatest risks in the economic development of your company in the coming twelve months? (Multiple answers possible)
- Demand
- Financing
- Labour costs
- Lack of skilled workers
- Exchange rate
- Energy prices
- Commodity prices
- Legal certainty
- Economic policy framework conditions
- Infrastructure
- Trade barriers / preferential treatment of domestic companies
- Disruptions in the supply chain (e.g. logistics, missing primary products)

Do you see any further risks for the economic development of your company?

What are the biggest geopolitical challenges from your company's point of view in the next five years? (Multiple answers possible)

- Fragmentation of the world economy/decoupling
- Diversification of the supply chain
- Climate change
- Transformation of the economy towards sustainable energy/production
- Security of raw materials and energy supply
- Digital transformation
- Cybersecurity
- Increase of political influence on supply chains (e.g. through laws, trade barriers)
- Inflation/Monetary policy framework
- Migration
- Other (free text)

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

- Identify suitable sales markets/procurement markets
- Find suitable suppliers/business partners
- Quality control of suppliers
- Find locations with suitable infrastructure for new branches/production sites
- High economic costs
- High planning effort in the supply chain
- Funding
- Trade barriers
- Increased legal and regulatory problems (compliance with country or supply chain due diligence regulations, etc.)
- No challenges
- Other (free text)