



KANTAR

HSBC Trade Research

Market Snapshot – Germany

February 2018

Country summary: Germany

Introduction

This short deck covers the findings from the trade survey conducted in Germany during December 2017 and January 2018. These findings will be integrated with Oxford Economics forecasting data into the country report for Germany. A full set of data tables is available for further interrogation of key sub-groups, though sample sizes of <30 should not be considered robust and should be treated with caution.

Future Trade outlook is largely positive and Europe and USA will continue to be the key trading areas for German businesses

Almost three quarters (73%) of businesses in Germany project trade volume increases in the next 12 months (73%). This is marginally below the global average (77%), which is driven up by emerging markets, and is in line with the UK and Ireland.

- Businesses are optimistic about a favourable economic environment (37%), increasing demand (37%) and availability of skilled resources (28%) to be able to drive the growth.
- The US is the single biggest trading partner for German businesses with nearly a third (28%) mentioning it in the top three. France (21%) and Austria (17%) are the next layer of current trading partners. China (15%) is the biggest trading partner for Germany in APAC. These four markets have the highest mention among the future growth markets with 12% businesses mentioning Austria, US & France and 10% mentioning China.

Trade in services is growing more slowly and skilled resources and technology are important enablers - geographic expansion and diversification are key future growth strategies

51% of businesses in Germany foresee an increase in their volume of trade in services in the next twelve months. Germany is more reserved in its outlook compared to the global average (61%) but in line with developed markets (53%).

- Availability of skilled resources is considered to be a key driver of growth by more services businesses (38%) than businesses overall. Increasing demand for services (32%) and greater use of technology (30%) are the next biggest growth drivers for services in Germany. The economic (23%) & political (19%) environments are considered less important than among businesses overall.
- New market entry (32%) & venturing into new service areas (29%) are likely to be adopted by businesses as their growth strategy in the next 12 months. Focus on increasing use of e-commerce (24%) and better use of data capability (24%) are also considered among the top 3 strategies by nearly a quarter of services businesses.

Country summary: Germany

The need for and access to trade finance is expected to remain at a similar level to today compared to greater increases in other markets

A substantial proportion of businesses expect their need for trade finance (43%) as well as their ability to access it (44%) to remain the same in the next 12 months, below the global averages which assume greater increases. More than a third of businesses mention political environment & regulatory barriers (38% and 35% respectively) and a slightly lower proportion mention exchange rate volatility as the key challenge they face in gaining trade finance.

Government policies & trade agreements in general are not seen to be particularly impactful, however, developments in APAC & Europe are likely to be closely watched

Less than half (47%) feel that current governments are becoming increasingly protective of their domestic businesses. Those who do feel this, say that a shortage of skilled resources (35%), an increase in the cost of doing international business (33%) and enforced establishment of local subsidiaries (24%) are the immediate impacts on their business. Half or more of businesses feel that the various government / economic policies are not likely to have any impact on them over the next 2 years.

- China's "Belt & Road Initiative" & ASEAN 2025 Initiative are viewed with mild optimism by more than a quarter (29% and 28% respectively) of German businesses expecting a positive impact of these & only around one in ten (14% and 9% respectively) expecting a negative impact.
- Brexit is expected to have a negative impact on business by more than a third of German companies (35%), although nearly half (46%) feel that it will not be of any consequence to them. The US & Middle East policy environments have a similar standing among German businesses but marginally less negative with just above a quarter of businesses expecting them to have a negative impact.
- Among major trade agreements, EEA (52%) is the only one considered relevant with more than half of the businesses acknowledging it & nearly half (48%) of them also expect it to help them in the next 2 years. Other trade agreements are considered relevant by a third or fewer of German businesses.

The increasing role of digital and data is an enabler to increasing trade but has the potential to create barriers for some and cyber security is a concern for the majority

- Over two-thirds (70%) of businesses think easier access to data is creating a more level playing field in international business but that data regulatory requirements will create barriers to cross border service delivery (66%). A slightly lower proportion but still more than half (56%) also feel that big data capabilities may lead to an unfair advantage for those with them
- Cyber security is a concern for more than two-thirds (69%) of businesses.

Trade outlook 2018

Trade outlook

Expect an increase in trade volume (Q14)

Germany

73 %

Global

77 %

Countries with the most +ve outlook – top 3 (Q14)



BANGLADESH



INDIA



THAILAND

Top 3 current trading partners (Q11)



UNITED STATES

28 %



FRANCE

21 %



AUSTRIA

17 %

Top 3 growth markets (Q12)



AUSTRIA

12 %



UNITED STATES

12 %



FRANCE

12 %

Top 3 drivers of trade growth (Q13)

- | | | |
|------------------------------------|---------------------------------------|-----------------------------------|
| 1. Favourable economic environment | 2. Increasing demand for your product | 3. Availability of skilled labour |
|------------------------------------|---------------------------------------|-----------------------------------|

Trade finance outlook

Need for trade finance (Q15)

Germany

Global

Expect increase*

52 %

62 %

Ability to access trade finance (Q16)

Germany

Global

Expect decrease*

2 %

4 %

50 %

59 %

4 %

4 %

Top 3 challenges to meeting trade finance needs (Q17)

- | | | |
|--------------------------|------------------------|-----------------------------|
| 1. Political environment | 2. Regulatory barriers | 3. Exchange rate volatility |
|--------------------------|------------------------|-----------------------------|

Trade in services outlook

Expect an increase in the volume of trade in services (Q23)

Germany

51 %

Global

61 %

Countries with the most +ve outlook for services – top 3 (Q23)



BANGLADESH



THAILAND



INDIA

Top 3 drivers of services growth (Q24)

Germany

Global

- | | | | |
|----|--------------------------------|------|------|
| 1. | Availability of skilled labour | 38% | 21% |
| 2. | Increasing demand for services | 32 % | 31 % |
| 3. | Greater use of technology | 30 % | 30 % |

Top 3 approaches to growth of services business (%) (Q26)

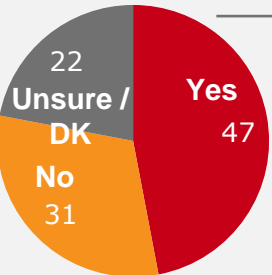


*Expect increase = Increase significantly + Increase slightly
 *Expect decrease = Decrease significantly + Decrease slightly

Role of trade in world economy. Impact of policies & digitisation on trade.

Protectionism & trade policies

Governments are becoming more protective of their domestic businesses (%) (Q27)



Importance of favourable political / economic environment for trade growth: 56 % (Q13)

Impact of government / economic policies on my business in the next 2 years (Q29)

	Positive	No Impact	Negative
China's "Belt And Road Initiative"	29 %	58 %	14 %
European Union Political/regulatory Environment	28 %	48 %	24 %
ASEAN 2025 Initiative	28 %	63 %	9 %
United States Political/regulatory Environment	23 %	49 %	28 %
Latin American Political/regulatory Environment	21 %	60 %	19 %
Middle East Political Environment	20 %	51 %	29 %
BREXIT	18 %	46 %	35 %

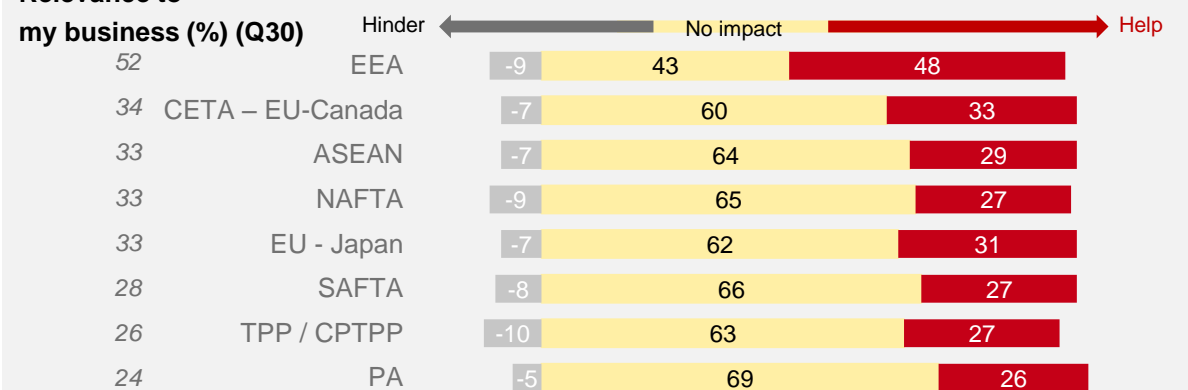
Top 3 impacts of protective policies on my business (Q28)

	Germany	Global
1. Skill/labour shortage	35 %	28 %
2. Cost of doing international business has increased	33 %	40 %
3. Company needing to setup local subsidiaries	24 %	25 %

Role of trade agreements

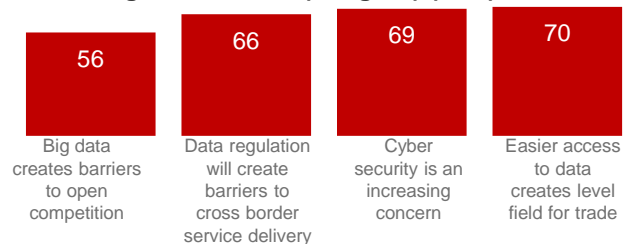
Relevance to my business (%) (Q30)

Impact on my business in the next 2 years (%) (Q31)



Role of digital

Role of digital and data (% agree) (Q35)



Introduction to the trade survey

What is the trade survey?

It is a global survey sponsored by HSBC.

The study gauges sentiment and expectations of the businesses in the near to mid term future, and covers the following areas:

1. General trade outlook
2. Trade in services
3. Supply chain
4. Trade policies
5. Trade finance
6. Benefits of trade

Who is surveyed?

Key decision makers or those having significant input into the decision making process in eligible companies.

A total of 26 markets were surveyed.

Fieldwork for the survey happened in December 2017 – January 2018.

Countries surveyed

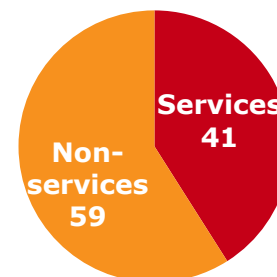
- **Europe:** France, Germany, Ireland, Netherlands, Poland, UK, Czech Republic
- **Asia Pacific:** Australia, Bangladesh, China, Hong Kong, India, Indonesia, Malaysia, Singapore, South Korea, Thailand, Vietnam
- **MENA:** Egypt, Saudi Arabia, UAE
- **North America:** Canada, Mexico, Argentina
- **South America:** Argentina

Sample & methodology notes

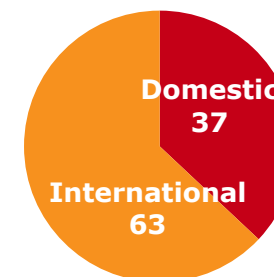
- Total global sample : 6033
- Germany sample : 350
- Survey method : Self administered interview through online web interface
- Company turnover limit : USD 5 mn or more
- Corporates limit : USD 50 mn or more

Germany sample structure (%)

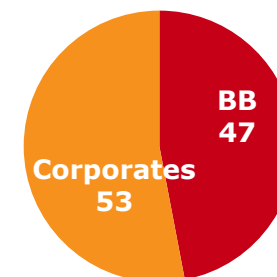
Industry



Domestic/International Trade



Company Turnover



Thank You