



German business strengthens resilience in supply chains

Special evaluation of the AHK World Business Outlook
Fall 2022

DIHK

Deutscher
Industrie- und Handelskammertag

AHK

Deutsche
Auslandshandelskammern

German business strengthens resilience in supply chains

Special evaluation of the AHK World Business Outlook Fall 2022

The economic impact of the Corona pandemic and the Russian war on Ukraine poses many challenges for companies in their international locations. Disrupted supply chains and geopolitical risks are prompting them to critically review the resilience of their supply chains and locations. Feedback from more than 3,100 companies surveyed by the AHKs as part of the AHK World Business Outlook Fall 2022 provides insight into how companies are responding to the challenges and in which regions they are looking for new suppliers or locations.

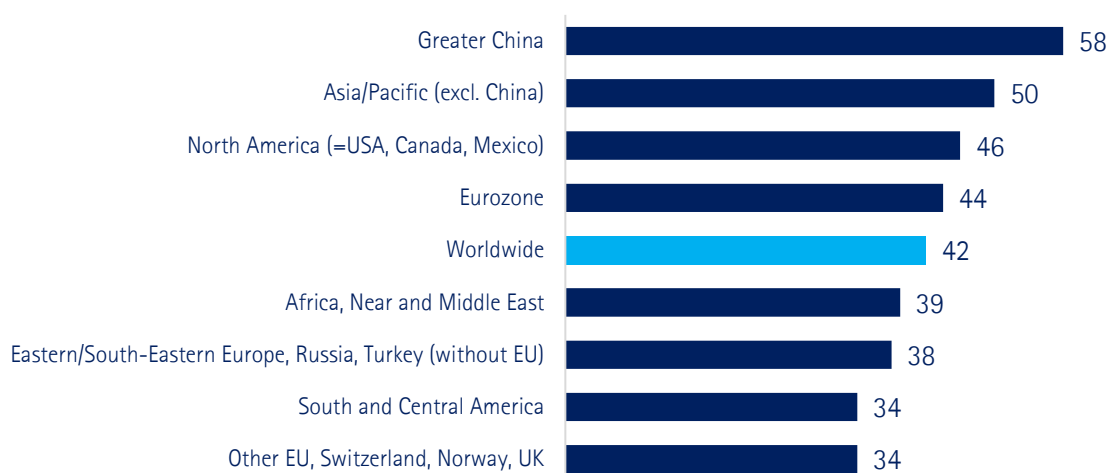
Supply chain disruptions not yet overcome

Currently, several indicators suggest that supply chain disruptions are improving. Freight rates for [container prices](#) are approaching normal prices again, [congestion at international ports](#) is slowly easing and the [Federal Reserve Bank of New York's global supply chain index](#) is approaching pre-crisis levels.

However, for German companies at their international locations, supply chain problems continue to be a key risk in Fall 2022. Worldwide, 42 percent of companies report supply chain disruptions. Companies in Greater China (People's Republic of China, Hong Kong, Taiwan) (58 percent), Asia-Pacific (excluding Greater China) (50 percent), North America (46 percent) and in the Eurozone (44 percent) see this as a business risk with above-average frequency. In addition, especially in Europe, high energy prices are a risk to business development. The level of energy costs is increasingly becoming a decisive location factor in international competition. ¹

Proportion of companies reporting supply chain disruptions as a business risk

Shares in percent



¹ Further business risks are described in the AHK World Business Outlook Fall 2022: <https://www.dihk.de/de/themen-und-positionen/international/ahk-world-business-outlook-herbst-22>

Companies' response to the crises

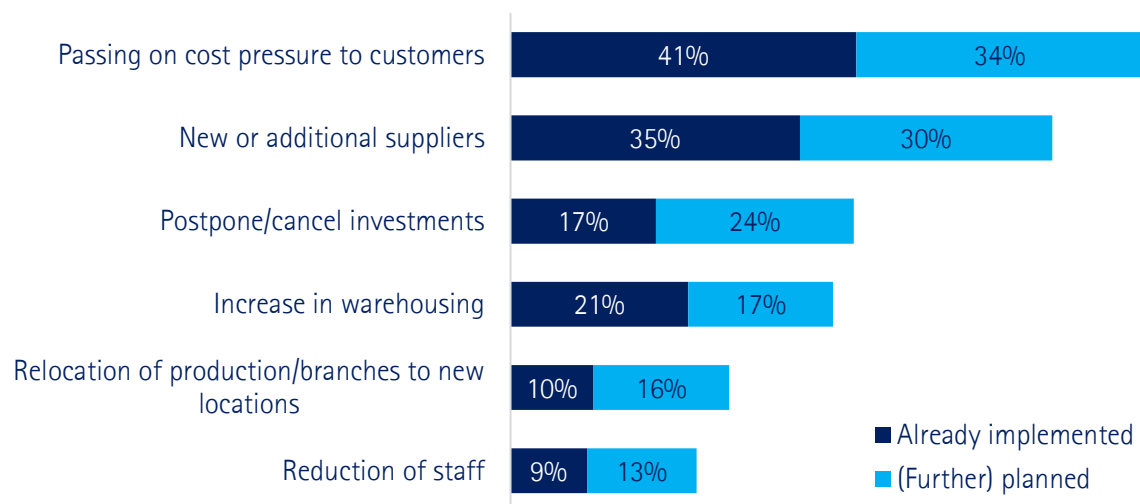
Given the impact of the current crises on companies' businesses, many of them are forced to make changes to their operations. They need to withstand cost pressures and make their supply chains more resilient. Only then can they ensure the ability to deliver and counteract the economic slowdown with the uncertainty in international business caused by geopolitical risks.

Most often, companies are forced to pass on the increased cost pressure to their customers. As a result of the Russian war in Ukraine, energy prices have risen enormously in many places - but especially in Europe. Prices for raw materials and intermediate products had already risen sharply as a result of the Corona pandemic and the associated disruptions in global supply chains and supply shortages. With high inflation rates, companies are also worried about rising labour costs.² 41 percent of companies have already implemented price increases and 34 percent plan to raise prices for their products in the future. In particular, large companies with more than 1,000 employees worldwide have already passed on cost increases (53 percent) - significantly more than companies with fewer than 100 employees (33 percent). In addition to the given answer options, the companies had the opportunity to describe measures in more detail or to name others in a free text field. While some companies include price adjustment clauses in their contracts to make it easier to pass on future price fluctuations to customers, other companies report that it is not possible to pass on the cost pressure - for example, due to long-term contracts or global competitive pressure. In addition, companies are trying to reduce costs by saving energy, increasing efficiency and optimising capacity utilisation.

One in five companies has already increased its stockpiling in order to have a reserve in case of future delivery delays of raw materials, intermediate products and goods, 17 percent still plan to increase their inventories. At the same time, the uncertain economic outlook is causing companies to postpone investments or cancel them altogether. 17 percent have already postponed or cancelled investments, a quarter of the companies are still planning such a postponement or cancellation. The cooling of the global economy and the effects of the crises mean that not all companies can maintain their staffing levels. Almost every tenth company has already laid off employees, 13 percent are planning to reduce staff. In the discussion about changing supply chains, the expansion of the supplier network and the possible relocation of production sites and branches play a central role. In past surveys, AHK member companies have already reported back that they are looking for new or additional suppliers or are planning to relocate sites.³

Measures already implemented or planned by companies in response to the current crises (including global supply bottlenecks, Corona pandemic, war in Ukraine)

in percent, multiple answers possible



² In the AHK World Business Outlook Fall 2022, 28 percent of companies name labour costs as a business risk.

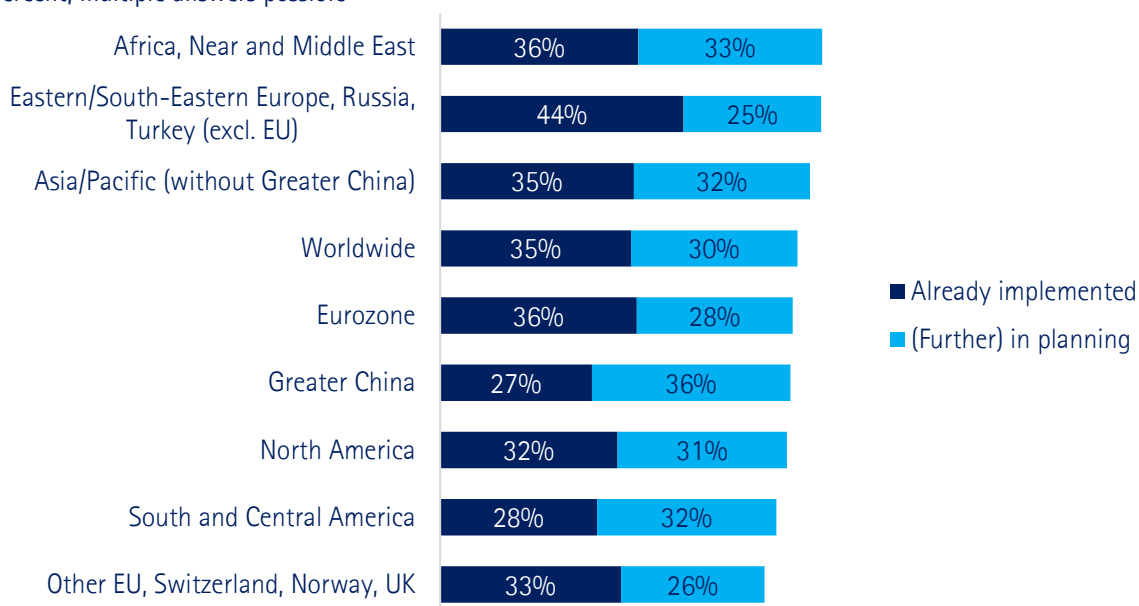
³ In the AHK World Business Outlook Spring 2021, 71 percent of companies with supply difficulties planned to diversify their supply chain. Of these, 44 percent were looking for new or additional suppliers.

Expansion of the supplier network

Companies are working to make their supply chains more resilient to reduce the risk of future supply failures. An important component of this is a supplier network that is as diverse as possible. 35 percent of companies have already found new or additional suppliers for raw materials, intermediate products or goods they need. Another 30 percent are still looking for new suppliers. Large companies with more than 1,000 employees worldwide have already found new suppliers more often (41 percent) than small and medium-sized companies with fewer than 100 employees (28 percent). Among the latter, however, a larger proportion of companies are still in the planning stage for a larger supplier network (33 percent) than among the large companies (26 percent). Regardless of where the companies are located, they are looking for new or additional suppliers. Due to the Russian war in Ukraine and the sanctions imposed, companies in Eastern and South-Eastern Europe (excluding the EU), as well as in Turkey and Russia, have already added new suppliers to their network with above-average frequency (44 percent).

Proportion of companies seeking new or additional suppliers

in percent, multiple answers possible

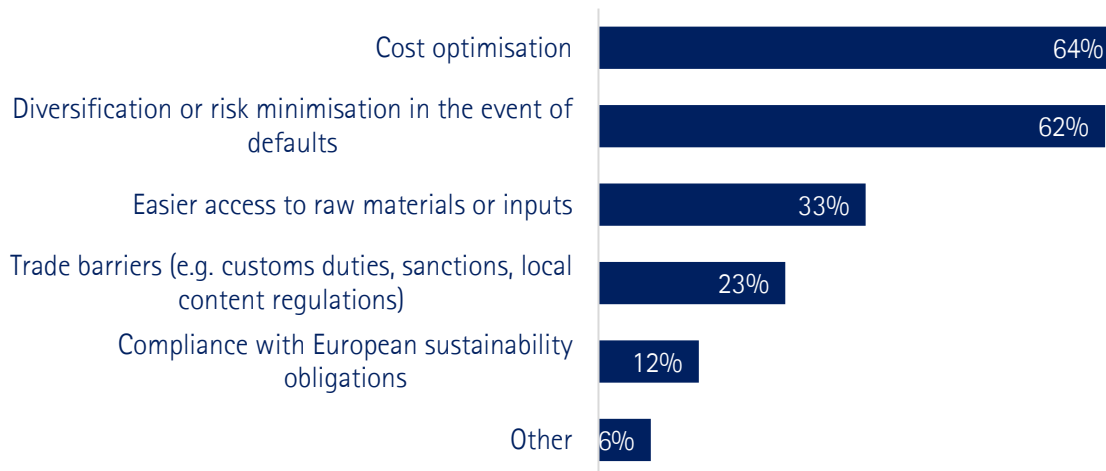


The main reasons for looking for new suppliers are cost optimisation, which plays a role for almost two-thirds of the companies, and diversification or risk minimisation in the event of failures (62 percent). One third of the companies hope to gain easier access to raw materials and inputs through new suppliers. 23 percent of the companies would like to change their supplier network in such a way that trade barriers - such as customs duties, sanctions or local content regulations - can be avoided or met as far as possible. A country's local content regulations require that a specified proportion of a product must be manufactured in the country itself. The number of localisation regulations has increased worldwide in recent years.

With the European legislative projects to strengthen sustainability and human rights, such as the EU taxonomy and the draft directive on the regulation of due diligence in the supply chain, the requirements for companies to check their supply chain in this respect are increasing. For one in eight companies, compliance with European sustainability obligations plays a role in the search for new suppliers.

Reasons for companies to look for new/additional suppliers

in percent, multiple answers possible

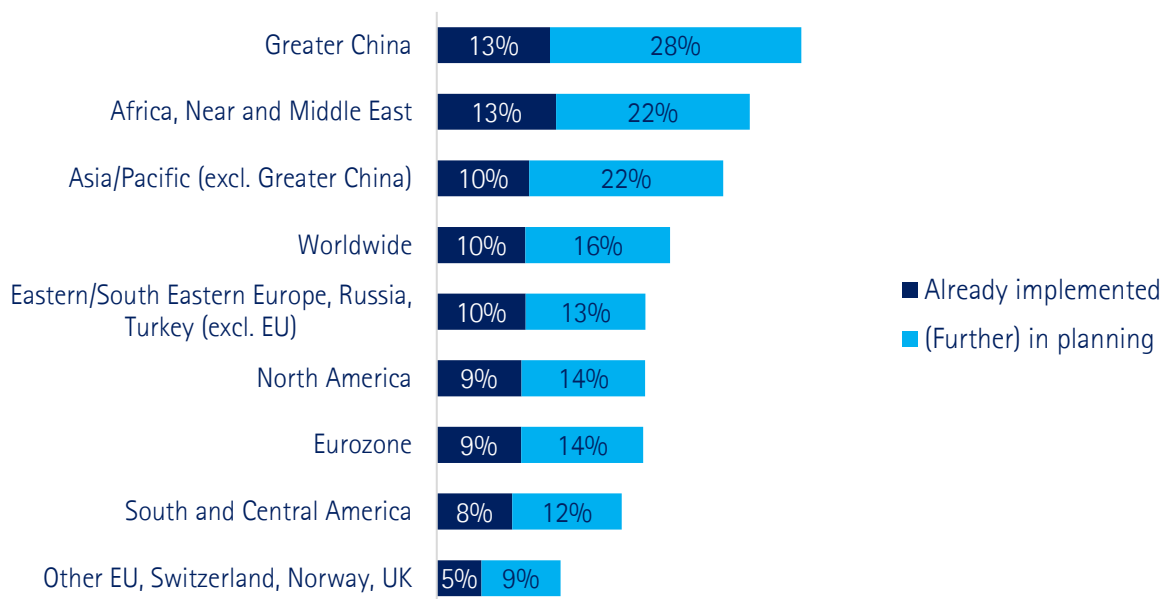


Relocation of production and branches

The changed foreign policy circumstances are also leading companies to review their locations of production sites and branches. One in ten companies has already relocated or rebuilt parts of production or branches to new locations. Another 16 percent are still planning such a move. More often than in other regions of the world, companies in Greater China are planning to relocate parts of their production or branches: 13 percent have already done so, another 28 percent are still in the planning stage. The relocation plans are lowest in the EU countries outside the Eurozone (incl. Switzerland, Norway, United Kingdom): Here, only five percent of the companies have relocated, and nine percent are planning to do so. The proportion of companies that have relocated or are planning to relocate increases with the size of the company. While eight percent of companies with fewer than 100 employees have already relocated and 15 percent are still planning to do so, the figures for companies with between 100 and 1,000 employees are ten and 18 percent respectively, and for companies with more than 1,000 employees 13 and 18 percent respectively.

Proportion of companies that relocate production or branch offices

in percent, multiple answers possible

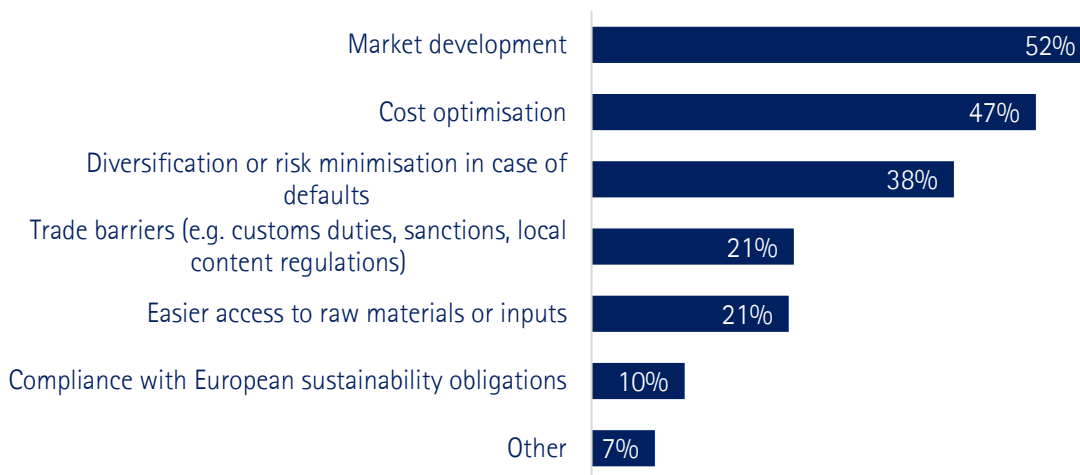


More than half of the companies use the relocation of branches or parts of production to open up new markets. For 47 percent of the companies, cost optimisation is a central motive for relocation – as it is for finding suppliers. 38 percent want to achieve more diversification or minimise risk in the event of failures with this step. For a good fifth of the companies, trade barriers – such as customs duties, sanctions or local content regulations – are a reason to look for new locations – and thus about as many who also cite this as a reason in the supplier search. For another 21 percent, easier access to raw materials and intermediate products at the new locations is decisive. Every tenth company, on the other hand, considers compliance with European sustainability obligations when looking for new locations.

In the free text field, individual companies also cite geopolitical or political risks as a reason for looking for new locations. Proximity to customers and better business conditions at the new location also play a role.

Reasons for companies to look for new locations

in percent, multiple answers possible



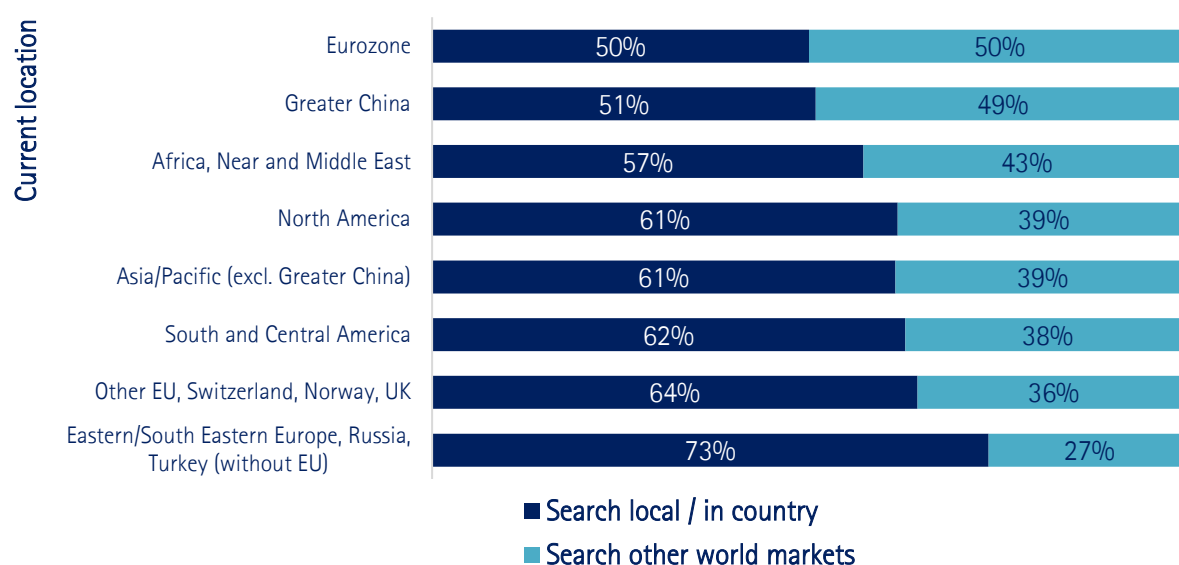
Target regions in the search for new suppliers and locations

The focus of the search for new or additional suppliers or for new locations is the country or region in which the companies already have a branch. Geographical proximity plays a particularly important role in the search for new or additional suppliers. The supplier network is established in the same country of the company's location or within the region (neighbouring countries). This may be due to companies' efforts to shorten delivery routes in their supply chains in order to avoid breakdowns due to transport difficulties as well as high transport costs.

Nearly three-quarters of companies (73 percent) in Eastern and South-Eastern Europe (excluding the EU), as well as in Turkey and Russia, are looking for new suppliers locally or in the country in which they are already active. 43 percent search in countries of the euro currency area. In the EU countries outside the currency area (as well as Switzerland, Norway and the UK), 64 percent are looking locally in the country and 53 percent in the euro area. In the Eurozone, 50 percent search in the country of current residence. In South and Central America, 62 percent are looking for local suppliers, while two out of five companies (39 percent) are looking for suppliers in North America. In North America, too, the supplier network is predominantly expanded locally (61 percent in the country).

Where do companies look for new suppliers?

in percent, multiple answers possible



In Asia-Pacific (excluding Greater China), 61 percent search locally for suppliers and 22 percent in Greater China. In Greater China, 51 percent search locally and 61 percent in Asia-Pacific (excluding Greater China). The share of companies looking outside Greater China for new or additional suppliers is thus larger than the share looking locally. This reflects the companies' "China+1" strategy. In Africa, the Near and Middle East, 57 percent are looking locally - as well as 19 percent within the region of North Africa or the Near and Middle East and nine percent within sub-Saharan Africa.

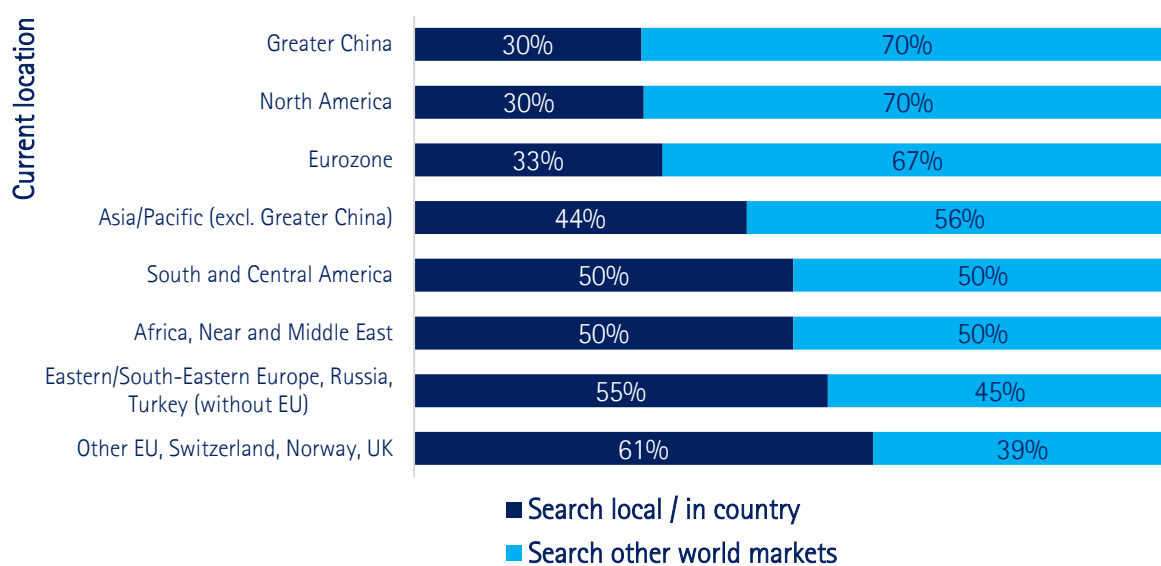
Target regions in the search for new locations

Geographical proximity to the current location also plays a prominent role in the search for new locations to which production or branches are to be relocated. However, the focus on the current host country is not as pronounced as in the search for suppliers.

61 percent of companies in EU countries outside the monetary union (plus Switzerland, Norway, UK) are looking for new locations locally in the country, 32 percent in the Eurozone, 24 percent in Eastern and South-Eastern Europe (plus Turkey, Russia). In Eastern and South-Eastern Europe (plus TR, RU), 55 percent are looking locally and 29 percent in the Eurozone. In the Eurozone, 33 percent are looking in the country they are already in, one in five companies are looking for locations in Asia-Pacific. In Africa, Near and Middle East, every second company is looking in the country of their current location. In South and Central America, every second company also stays in the country, 38 percent look for locations in North America. In North America, 30 percent stay in the respective host country, 18 percent take South and Central America into consideration. In Asia-Pacific, 44 percent are looking in the country and four per cent in Greater China. In Greater China, on the other hand, 30 percent are looking locally in the country, but with 64 percent predominantly in the Asia-Pacific region (excluding Greater China) for new locations. Similar to the supplier search, companies in Greater China diversify their locations more frequently into the Asia-Pacific region ("China+1 strategy").

Where are companies looking for new locations?

in percent, multiple answers possible



Statistical annex

Evaluation of the results according to regions

Measures taken by German companies abroad in response to the crises

in percent, multiple answers possible

		Worldwide	Africa, Near and Middle East	South and Central America	Asia/Pacific (excl. Greater China)	Greater China	Eurozone	Other EU, Switzerland, Norway, UK	North America	Eastern/South Eastern Europe (without EU, RU, TR)
New or additional suppliers	Already implemented	35%	36%	28%	35%	27%	36%	33%	32%	44%
	(Further) in planning	30%	33%	32%	32%	36%	28%	26%	31%	25%
Relocation of production/ Branches to new locations	Already implemented	10%	13%	8%	10%	13%	9%	5%	9%	10%
	(Further) in planning	16%	22%	12%	22%	28%	14%	9%	14%	13%
Increase in warehousing	Already implemented	21%	16%	22%	22%	25%	23%	19%	29%	23%
	(Further) in planning	17%	24%	13%	20%	15%	16%	16%	13%	14%
Staff reduction	Already implemented	9%	9%	11%	8%	9%	9%	6%	4%	15%
	(Further) in planning	13%	13%	13%	13%	15%	14%	12%	6%	17%
Postpone/cancel investments	Already implemented	17%	14%	27%	16%	17%	17%	8%	9%	33%
	(Further) in planning	24%	20%	21%	20%	27%	27%	27%	22%	26%
Passing on cost pressure to customers	Already implemented	41%	32%	39%	46%	42%	45%	45%	49%	39%
	(Further) in planning	34%	34%	26%	35%	38%	37%	39%	31%	32%

In which regions have companies increasingly looked or are looking for new suppliers?

in percent, multiple answers possible

Company from → Search in ↓	Africa, Near and Middle East	Asia/Pacific (excl. Greater China)	Eurozone	Greater China	North America	Eastern/South Eastern Europe (without EU, RU, TR)	Other EU, Switzerland, Norway, UK	South and Central America
Search local / in the country	57%	61%	50%	51%	61%	73%	64%	62%
Germany	50%	27%	36%	6%	21%	31%	32%	26%
Asia / Pacific (without Greater China)	23%	-	23%	61%	15%	25%	16%	17%
Eurozone	39%	28%	-	18%	28%	43%	53%	28%
Greater China	29%	22%	18%	-	15%	37%	10%	31%
North Africa, Near and Middle East	19%	1%	7%	0%	2%	6%	2%	2%
North America (=USA, Canada, Mexico)	14%	7%	13%	5%	-	4%	9%	39%
Eastern / South Eastern Europe (without EU), Russia, Turkey	18%	10%	16%	6%	7%	-	18%	7%
Other EU, Switzerland, Norway, UK	17%	8%	14%	4%	8%	12%	-	9%
Sub-Saharan Africa	9%	0%	2%	2%	1%	1%	0%	1%
South and Central America	5%	4%	7%	0%	13%	5%	3%	-



For what reasons have companies increasingly looked for new suppliers?

in percent, multiple answers possible

	Africa, Near and Middle East	Asia/Pacific (excl. Greater China)	Eurozone	Greater China	North America	Eastern/South Eastern Europe (without EU, RU, TR)	Other EU, Switzerland, Norway, UK	South and Central America
Cost optimisation	66%	66%	64%	59%	55%	52%	65%	73%
Diversification or risk minimisation in the event of defaults	48%	72%	67%	72%	72%	65%	61%	58%
Easier access to raw materials or inputs	40%	34%	29%	31%	27%	27%	34%	35%
Trade barriers (e.g. tariffs, sanctions, local content regulations)	31%	25%	14%	47%	13%	35%	11%	22%
Compliance with European sustainability obligations	18%	17%	12%	6%	8%	9%	8%	7%
Other	5%	7%	7%	4%	8%	7%	5%	7%

In which regions have companies increasingly looked or are looking for new locations?

in percent, multiple answers possible

Company from 								
Search in 	Africa, Near and Middle East	Asia/Pacific (excl. Greater China)	Eurozone	Greater China	North America	Eastern/South Eastern Europe (without EU, RU, TR)	Other EU, Switzerland, Norway, UK	South and Central America
Search local / in the country	50%	44%	33%	30%	30%	55%	61%	50%
Germany	28%	10%	28%	4%	15%	18%	18%	24%
Asia / Pacific (without Greater China)	10%	-	20%	64%	12%	7%	5%	8%
Eurozone	23%	10%	-	8%	12%	29%	32%	21%
Greater China	10%	4%	6%	-	3%	9%	3%	13%
North Africa, Near and Middle East	34%	7%	9%	0%	0%	7%	5%	4%
North America (=USA, Canada, Mexico)	8%	6%	13%	2%	-	2%	3%	38%
Eastern / South Eastern Europe (without EU), Russia, Turkey	8%	4%	12%	6%	9%	-	24%	8%
Other EU, Switzerland, Norway, UK	9%	4%	8%	0%	3%	11%	-	6%
Sub-Saharan Africa	16%	2%	3%	4%	0%	0%	0%	3%
South and Central America	2%	7%	6%	2%	18%	0%	3%	-

For what reasons have companies increasingly looked for new locations?

in percent, multiple answers possible

	Africa, Near and Middle East	Asia/Pacific (without CN)	Eurozone	Greater China	North America	Eastern/South Eastern Europe (without EU, RU, TR)	Other EU, Switzerland, Norway	South and Central America
Cost optimisation	40%	44%	58%	32%	28%	48%	62%	49%
Market development	64%	54%	43%	34%	56%	54%	44%	54%
Diversification or risk minimisation in the event of defaults	30%	41%	42%	52%	44%	45%	31%	35%
Easier access to raw materials or inputs	25%	18%	20%	16%	22%	21%	13%	21%
Trade Barriers / Tariffs / Sanctions/ Local Content	26%	20%	14%	36%	28%	32%	8%	13%
Compliance with European sustainability obligation	8%	9%	12%	8%	9%	5%	13%	14%
Other	6%	9%	9%	6%	9%	2%	5%	4%

Questionnaire

Impact of the current crises on your business (including global supply bottlenecks, Corona pandemic, war in Ukraine): What measures have you already implemented and what measures are you still planning?

(Multiple answers possible)

	Already implemented	(Further) in planning	Not planned
New or additional suppliers			
Relocation of production/branches to new locations			
Increase in warehousing			
Staff reduction			
Postpone/cancel investments			
Passing on cost pressure (e.g. for primary products/energy/raw materials/labour) to customers			

- None
- Other (free text)

If "New or additional suppliers" and/or "Relocation of production/branches to new locations" is selected

In which regions have you increasingly searched or are you searching for new suppliers / In which regions have you increasingly searched or are you searching for new locations?

(Multiple answers possible)

- Local/country
- Germany
- Eurozone
- Other EU, Switzerland, Norway, UK
- Eastern/South Eastern Europe (without EU), Russia, Turkey
- Asia/Pacific (excl. Greater China)
- Greater China
- North America (USA, Canada, Mexico)
- South and Central America
- North Africa, Near and Middle East
- Sub-Saharan Africa

For what reasons are you looking for new suppliers? (Multiple answers possible)

- Cost optimisation
- Diversification or risk minimisation in the event of defaults
- Easier access to raw materials or inputs etc.
- Trade Barriers/Duties/Sanctions/Local Content Regulations
- Compliance with European sustainability obligations (e.g. environment, human rights)
- Other (free text)

For what reasons are you looking for new locations? (Multiple answers possible)

- Cost optimisation
- Market development
- Diversification or risk minimisation in the event of defaults
- Easier access to raw materials or inputs etc.
- Trade Barriers/Duties/Sanctions/Local Content Regulations
- Compliance with European sustainability obligations (e.g. environment, human rights)
- Other (free text)

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 3,100 German companies, branches and subsidiaries worldwide as well as companies with close ties to Germany in Fall 2022. The survey was conducted from 4th to 23rd October 2022.

Imprint

Association of German Chambers of Industry and Commerce e. V.

International Economic Policy, Foreign Trade Law

Publisher and Copyright

© Deutscher Industrie- und Handelskammertag e. V.

Postal address: 11052 Berlin | House address: Breite Straße 29 | Berlin-Mitte

Phone 030 20308-0 | Fax 030 20308-1000

DIHK Online : [Homepage](#) | [Facebook](#) | [Twitter](#) | [Linkedin](#) | [Instagram](#) | [Youtube](#)

Editor: Carolin Herweg

Graphics: Friedemann Encke, Sebastian Titze

Picture credits: <https://www.gettyimages.de/>

Status: December 2022