

# GERMAN INDUSTRY UK

THE VOICE OF GERMAN BUSINESS IN THE UNITED KINGDOM



## Business between the UK and Germany now and after Brexit

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Chairman and  
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### NOW

#### UK – Trade

Germany is the second most important export destination for the UK worldwide after the US.

9.7% of UK exports of goods worldwide go to Germany. The total value is £32 billion per year. The total value of UK services exports to Germany is £24 billion per year. Altogether British exports of goods and services have a value of £56 billion per year.

15% of all UK imports of goods and services come from Germany. The total value is £78 billion per year.

We estimate some 10,000 British companies do business with Germany today. They sell mainly machines, engines and pumps, electronic equipment, motor vehicles, oil, pharmaceuticals, plastics, medical and technical equipment, organic chemicals, aircraft and spacecraft and iron and steel.

#### UK – Investment

Germany is a very important location for UK's direct and indirect investment. Some 1,400 British companies are located in Germany employing 240,000 people. Amongst the biggest are Rolls Royce with 11,000, GKN with 8,000 and BP with 6,000 employees.

#### Germany – Trade

The UK is today the 5<sup>th</sup> biggest export market for German goods worldwide after the US, France, China and the Netherlands. 6.6% of all German exports in goods go to the UK. The total value is £82 billion per year.

We estimate that some 25,000 German companies do business with the UK today, 15,000 sell direct and 7,500 via agents and distributors, 2,500 set up subsidiaries here. About 750,000 jobs in Germany depend on business with the UK.

German industry sells mainly machinery, automotive, electrical, as well as chemical and pharmaceutical products. German food has also been doing well for some time. The main exports are motor vehicles, indeed the UK is Germany's 3<sup>rd</sup> most important market for motor vehicles worldwide after the US and China. 14% of all passenger cars made in Germany are sold to the UK.

#### Germany – Investment

The UK is the second most important location for Germany's direct and indirect investment worldwide after the US. German companies have investments to the value of more than £124 billion in the UK.

2,500 German businesses are located in the UK, of which 2,000 are sales and services and 500 manufacturing companies, employing some 400,000 people.

Major German companies in the UK are: Aldi, Allianz (since their takeover of Cornhill Insurance), BASF (Boots), Bayer, BMW (Mini and Rolls-Royce), Bosch (Atco-Qualcast and Worcester Heating), Daimler, Deutsche Bahn (Arriva, EWS, Grand Central

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Railway and Laing Rail), Deutsche Bank (Morgan Grenfell), Deutsche Post (Exel, DHL and Williams Lea), Eon (Midlands Electricity, Powergen and TXU), Heidelberg Cement (Hanson), Lidl, Linde (BOC), McKesson Europe AG formerly Celesio (Lloyds Pharmacy and AAH), Otto Group (Freemans Grattan Holdings), RWE (npower), Siemens, TUI (Thompson and First Choice), ThyssenKrupp and Volkswagen (Bentley).

Deutsche Post (50,000 employees), Deutsche Bahn (33,000), Aldi (30,000), McKesson (25,000) and Lidl (22,000) are the largest German companies in this country.

**The UK and Germany are therefore vital business partners.**

### **AFTER BREXIT**

German business did not want the UK to leave the EU but accepted the vote of the people in June 2016. We then welcomed the Draft Agreement on the withdrawal of the UK from the EU “A good deal for business” and the Political Declaration setting out the framework for the future relationship between the EU and the UK “A positive political declaration”. We were disappointed that Parliament rejected the Draft Agreement three times. We now very much hope that Parliament (and the EU) will approve PM Johnson’s new deal.

We have been feeling the impact of the upcoming Brexit for some time and have prepared for whatever the outcome. We have always wanted the UK to leave the EU with a deal but are now preparing for a no-deal which would be a major challenge for us.

Since the Referendum in June 2016 the British pound has fallen against the Euro resulting in a loss of purchasing power in the UK and ultimately worsening the sales outlook for German companies. The exchange rate in June 2016 was £1 to €1.28, in August 2019 £1 to €1.09 and is today £1 to €1.12.

German exports to the UK have decreased since 2016. Before the Brexit vote, the UK was Germany’s 3<sup>rd</sup> largest sales market worldwide after the US and France.

As it is, investment of the 2,500 German companies in the UK is now on hold waiting for the outcome of the Brexit negotiations. If it comes to a no-deal on 31 October with immediate border controls, tariffs, additional administrative burdens and WTO Rules I expect investment from German companies in the UK to decline somewhat. This goes in particular for the sectors which rely on just in time deliveries, such as the car and aviation sectors, but also the food industry. The automotive industry will be particularly hard hit.

Established German business in the UK should however continue more or less as before. New barriers to trade resulting from a no-deal Brexit will of course have an impact on us. But I am confident businesses will learn to adapt to the new rules and work around them, as they have done in the past. Business connections and supply chain relationships are too important to let the introduction of any barriers and difficulties arising through Brexit interfere with trading arrangements, even if major changes become necessary.

We have been saying for the last 3 years that German business needs clarity and certainty in the UK and we therefore do not want an extension after 31 October, to finally end the uncertainty.

**Business between the UK and Germany will continue whatever.**

3 October 2019