

Deloitte Brexit Briefings | 1
EU Referendum: Brexit and the
consequences for German companies

June 2016

Deloitte.



BDI

Bundesverband der
Deutschen Industrie e.V.

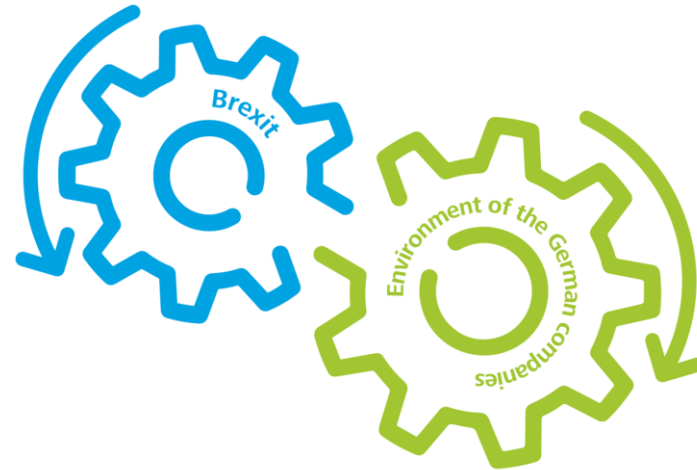
EU Referendum Brexit and the consequences for German companies



Background

A possible Brexit would substantially change the environment for German companies

- A possible exit of the United Kingdom from the EU after the referendum on 23 June would have substantial political and economic consequences for the European Union
- German companies could be affected in many different ways



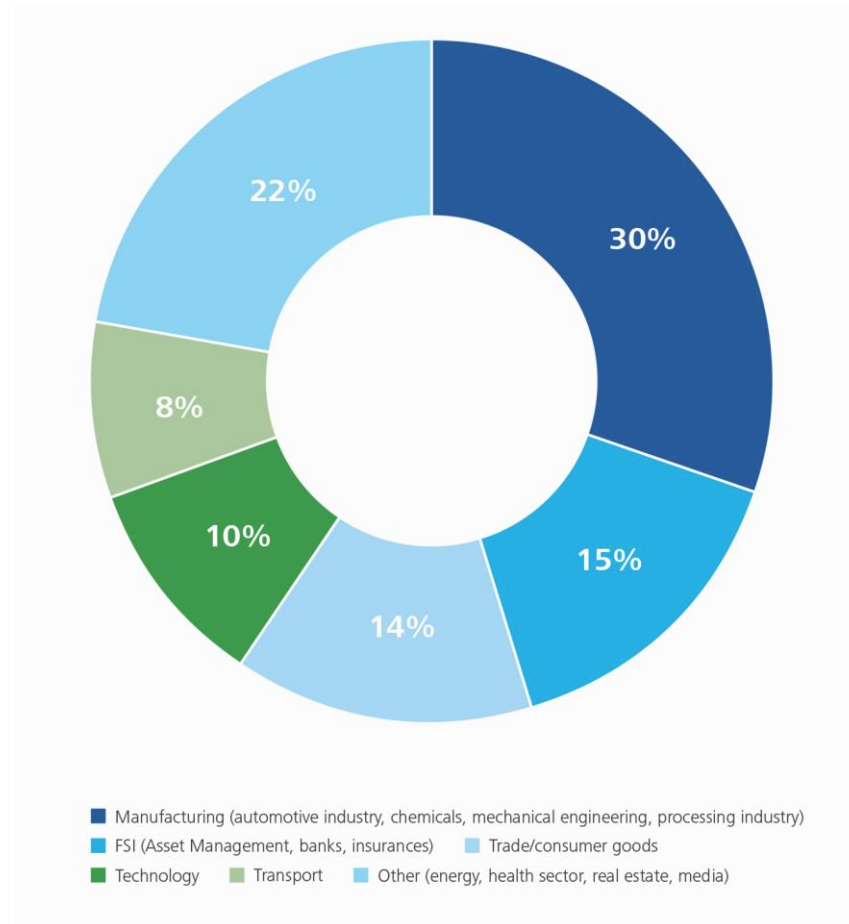
- For this reason this study of Deloitte and the Federation of German Industries (BDI) examines how German companies estimate a possible Brexit and which consequences they expect
- The study is based on a survey among 215 German companies (carried out in mid-May) by Deloitte and the BDI

Sample

215 companies from 20 industries and of various sizes took part

Industry affiliation of the companies

Most participating companies come from the manufacturing industry, followed by the financial industry and trade/consumer goods

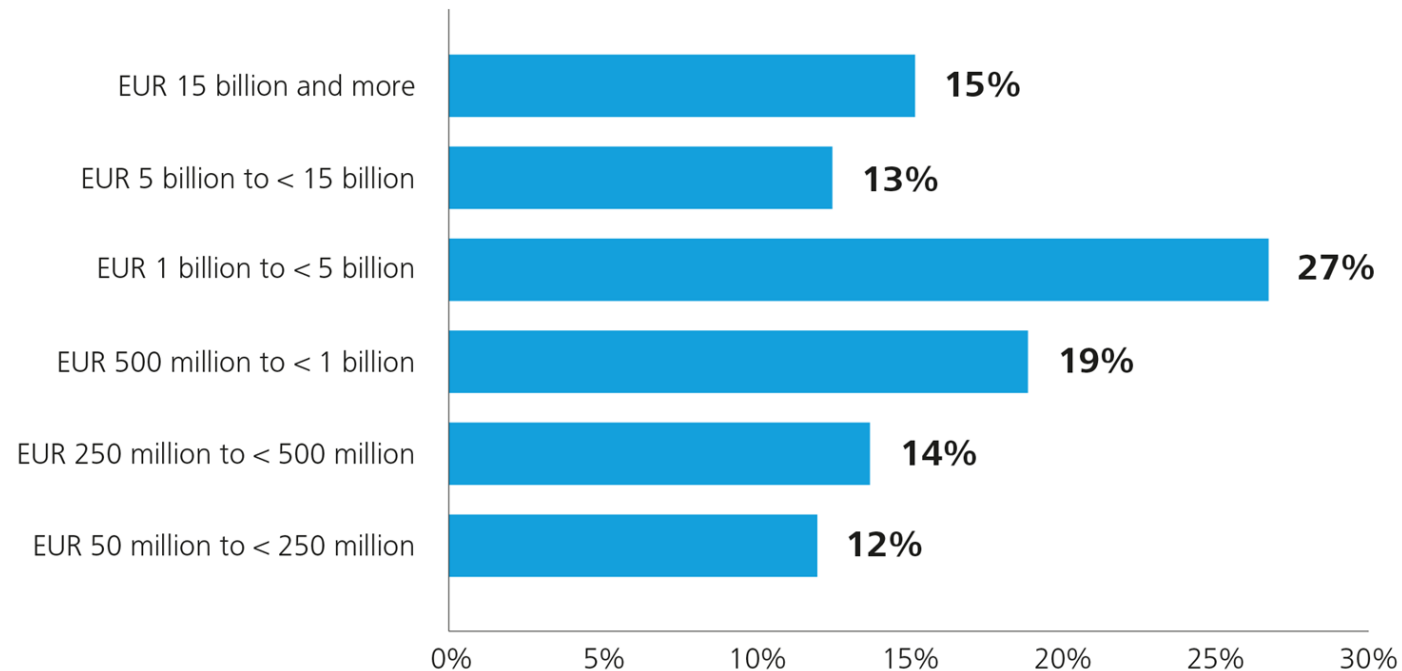


Sample

215 companies from 20 industries and of various sizes took part

Revenue of the companies

Just under half of the companies (46%) has a revenue between EUR 500 million and EUR 5 billion

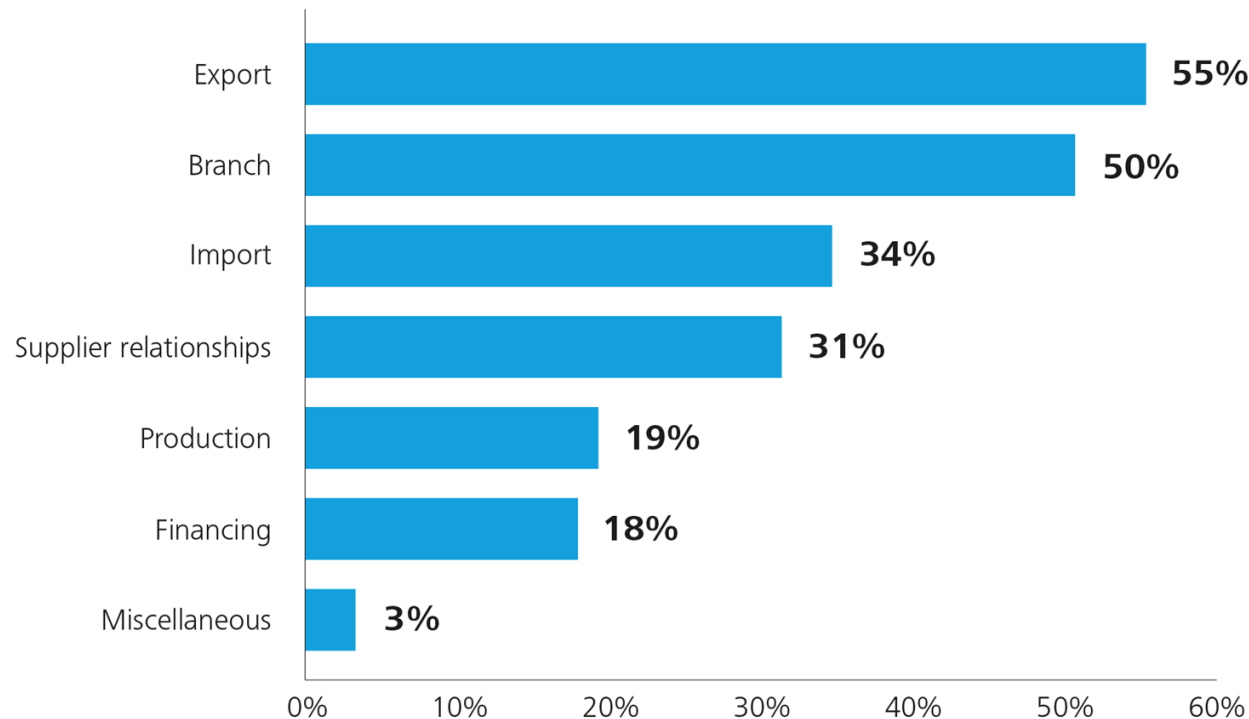


Sample

All participating companies operate commercially in the United Kingdom

Commercial relationships of the companies with the United Kingdom

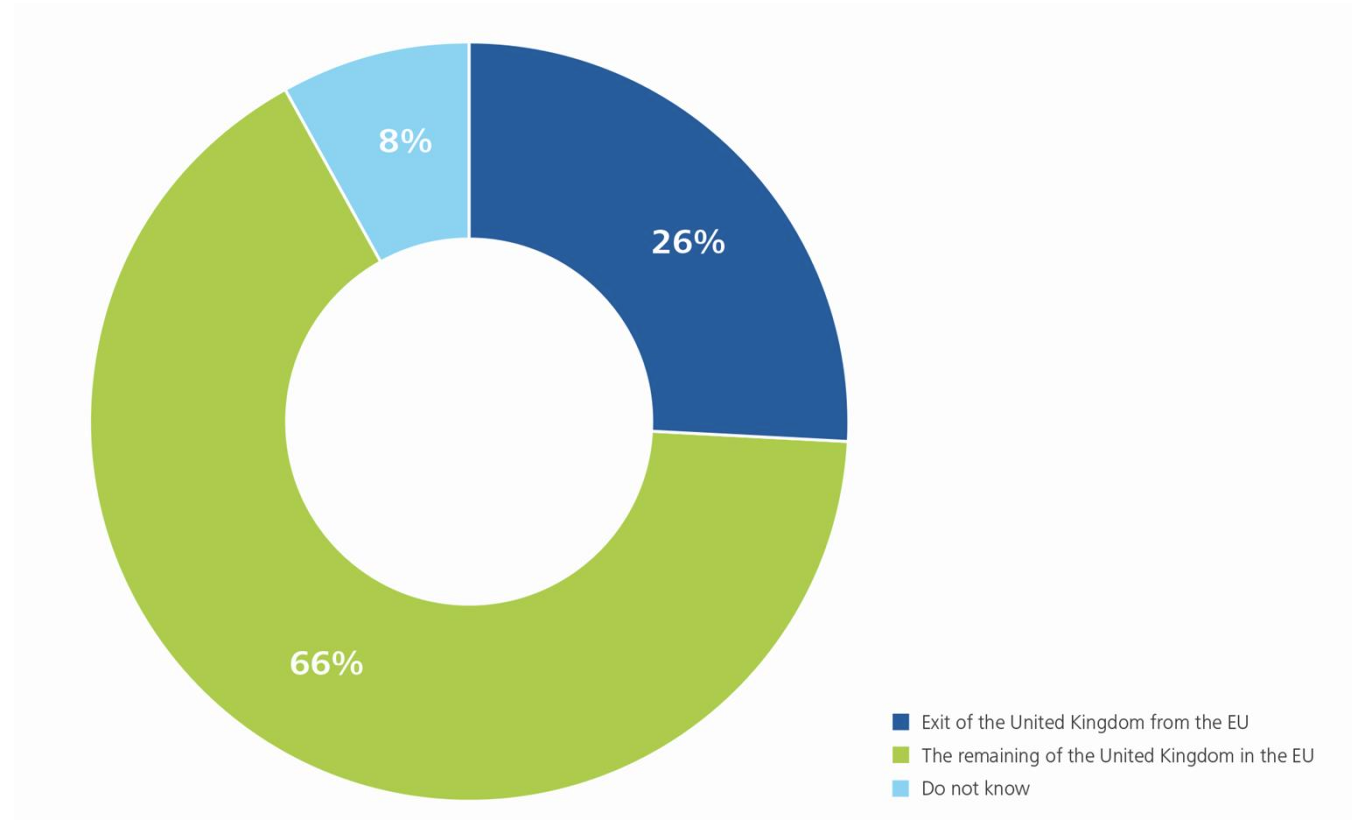
- Half of the companies export either into the United Kingdom and/or have a branch on site
- Imports play a role for around a third of the companies



Expected outcome of the referendum

Two thirds of the companies are expecting the United Kingdom to remain in the EU

Which result of the Brexit referendum do you expect?





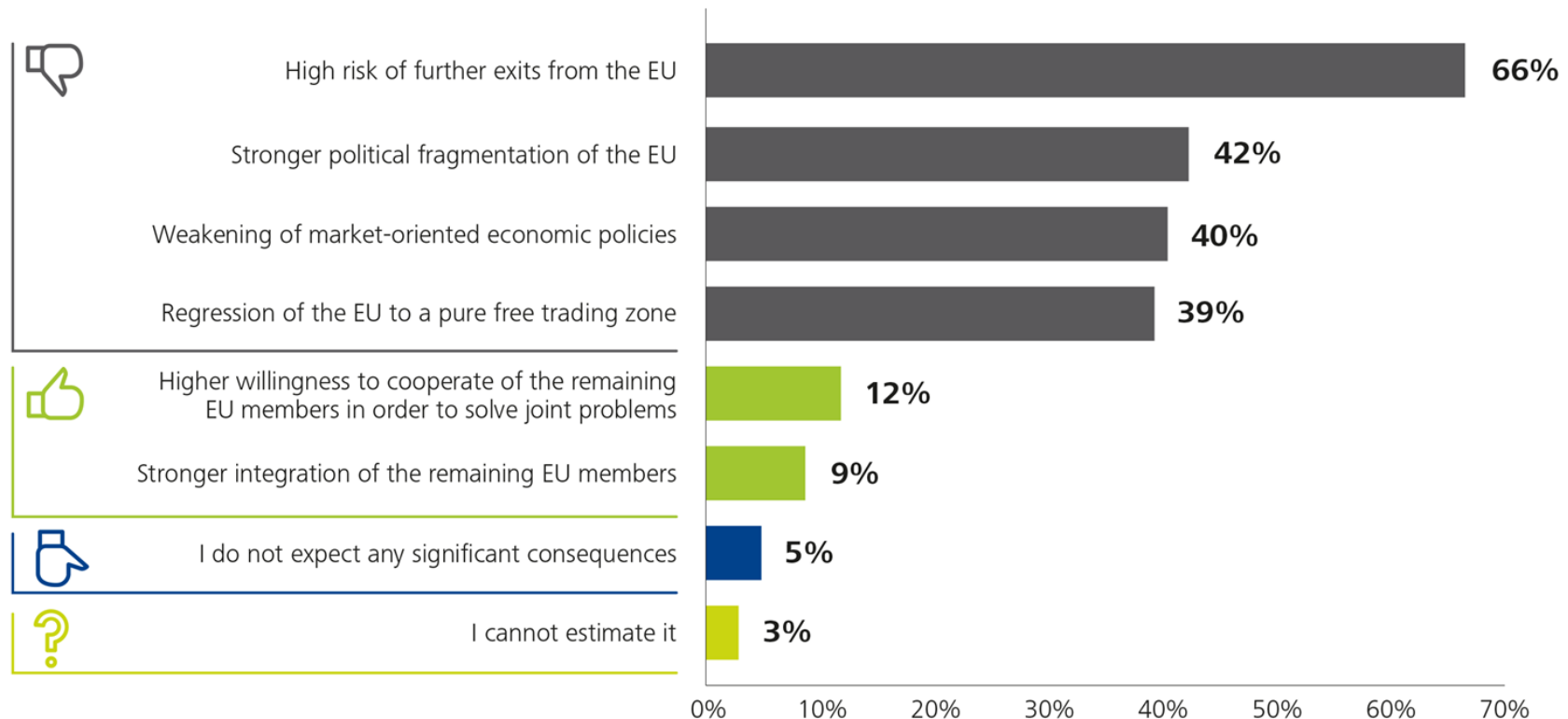
Possible Consequences

Possible consequences and economic developments for the EU after Brexit

Possible consequences of the Brexit for the EU

Companies expect a higher risk of further exits and political fragmentation of the EU

Which consequences would a Brexit have, in your opinion, for the future of the EU?*

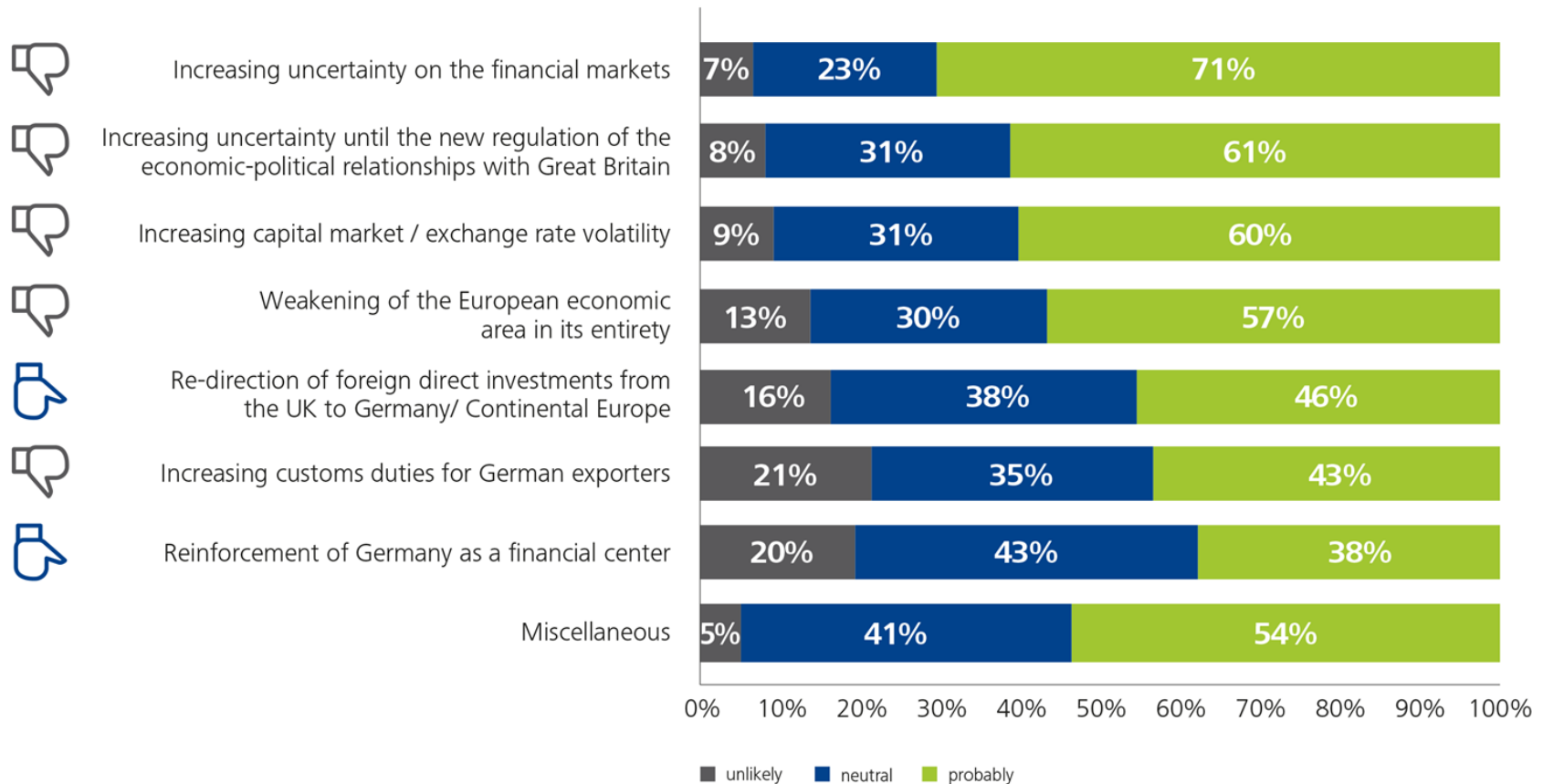


*Multiple answers possible

Possible economic developments

Political and financial market uncertainties would be unavoidable

In the event of a Brexit how likely do you consider that the following economic developments will occur?

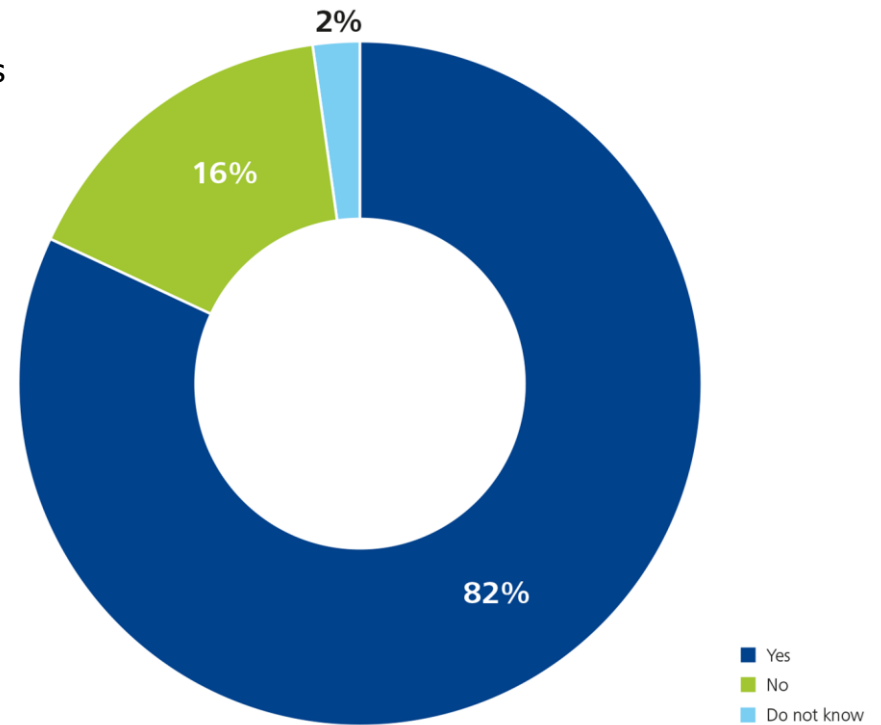


Possible economic developments

Overwhelming majority would like to keep the UK in the EU

Do you believe that it is in the interest of the German economy if the United Kingdom remains in the EU?

- There is consensus throughout various industries and sizes: the majority thinks that the remaining of the UK in the EU is in the interest of the German economy
- Companies from the FSI sector had an slightly stronger opinion: here even 88% consider it positive for the German economy if the UK remains





Implications

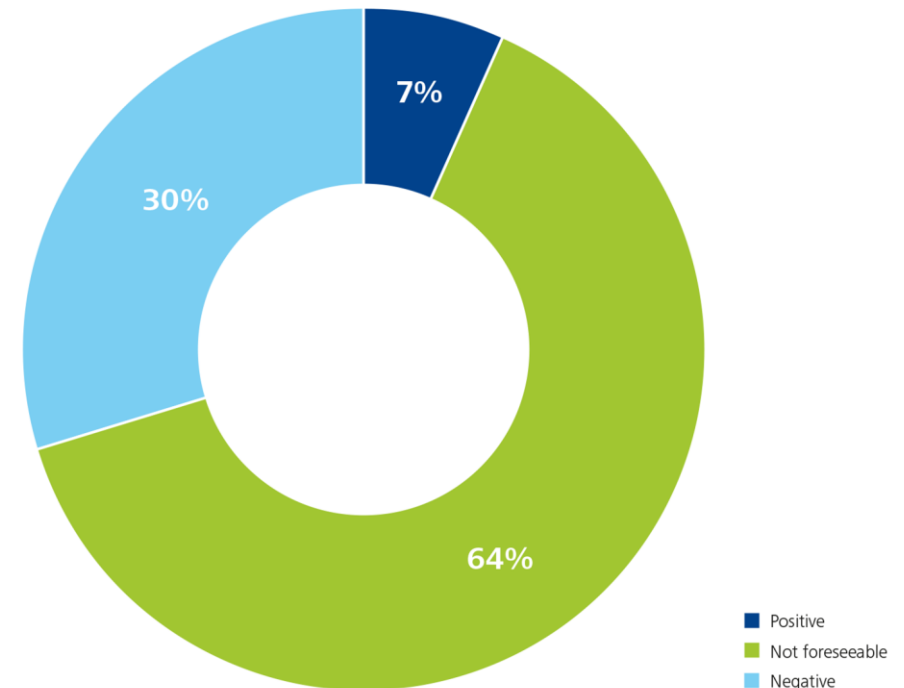
Implications for German companies

Implications for German companies

The consequences of a Brexit would be negative or not yet foreseeable

Which implications would a possible Brexit have for your company?

- From all industries around a third expect negative consequences
- From the FSI sector slightly more companies than the average (12%) expect positive consequences, whereas in the sector of trade/consumer goods it is only 3%
- Among the smaller companies with less than 500 million in revenue slightly less are expecting negative consequences (18%)



Implications for German companies

Just under half of the companies expect more complexity and costs

The four most important implications from the point of view of the companies – How would a possible Brexit affect your company?*



More complexity and costs due to different regulations between the UK and the EU

47%



40%

Increased work under tax law (secondment of employees, transfer prices, customs duties)



We would have to examine our value added chains and potentially re-organise these

33%



27%

Reduced export opportunities due to tariff trade barriers in future

*Multiple answers possible

Implications for German companies

Also hurdles with regard to co-operations with British companies and employee mobility

Further possible implications –
How would a possible Brexit affect your company?



Co-operations and mergers with British companies would be made more difficult



Reduced export opportunities due to non-tariff trade barriers in future

20%

19%

Restricted mobility of our employees



Our financing would become more difficult through the exclusion of the financial centre London from the EU

14%

Implications for German companies

Some differences between the industries

Expected implications of the Brexit according to industries

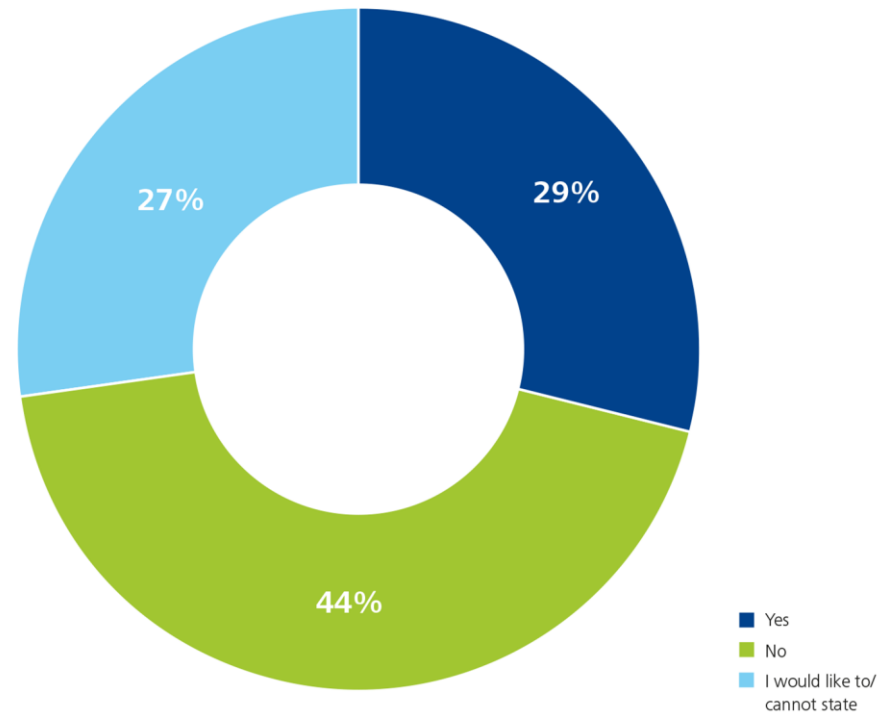
	Manufacturing	FSI	Trade/ consumer goods	Total
More complexity and costs due to different regulations between the UK and the EU	47%	24%	52%	47%
Increased work under tax law (secondment of employees, transfer prices, customs duties)	44%	36%	42%	40%
We would have to examine our value added chains and potentially re-organise these	31%	27%	32%	33%
Reduced export opportunities due to tariff trade barriers in future	33%	15%	45%	27%
Co-operations and mergers with British companies would be made more difficult	20%	12%	23%	21%
Reduced export opportunities due to non-tariff trade barriers in future	25%	12%	23%	20%
Restricted mobility of our employees	16%	15%	19%	19%
Our financing would become more difficult through the exclusion of the financial centre London from the EU	11%	30%	10%	14%
Miscellaneous	0%	9%	0%	4%

Implications for German companies

Only a quarter of the companies has prepared for a possible Brexit

Has your company prepared for a possible Brexit?

- Despite the risks only a few companies stated that they have prepared for a possible Brexit
- A larger share of the companies from the financial sector has prepared than from other sectors
- Less companies with a revenue of < 500 million have prepared than larger companies



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