

Deloitte Brexit Briefing | 3

German industrial sectors' ties with the  
United Kingdom

March 2017

# Deloitte Brexit Briefings

## Brexit perspectives

### Deloitte Brexit Briefings series

The United Kingdom's decision, in June 2016, to leave the EU will have far-reaching economic and political consequences. Brexit means a fundamental change in the corporate environment for German companies.

In this context, the *Deloitte Brexit Briefings* shed light on the core issues and risks of Brexit from an economic, strategic, tax and legal perspective, and hope to provide guidance on the complex effects of the Brexit and the Brexit process.

### The current issue

In the current issue, *German industrial sectors' ties with the United Kingdom*, we take a look at German industrial sectors' links with the United Kingdom and the consequent concern of the German industrial sectors over Brexit.

The data on which this new industry perspective is based are details provided by German companies about the sales and number of employees of their British subsidiaries. Based on this data, the information provided by the companies is aggregated at the sector level, thus permitting statements about the sector-specific importance of the UK as a location.

# Executive Summary

## Key Findings



**The big German groups earn nearly one euro in ten in the United Kingdom.** Their sales there total more than €150bn.



With sales of more than €40bn, the **German automotive industry** generates more than a quarter of total German sales in the UK and twice as much as the other industries in the manufacturing sector together.



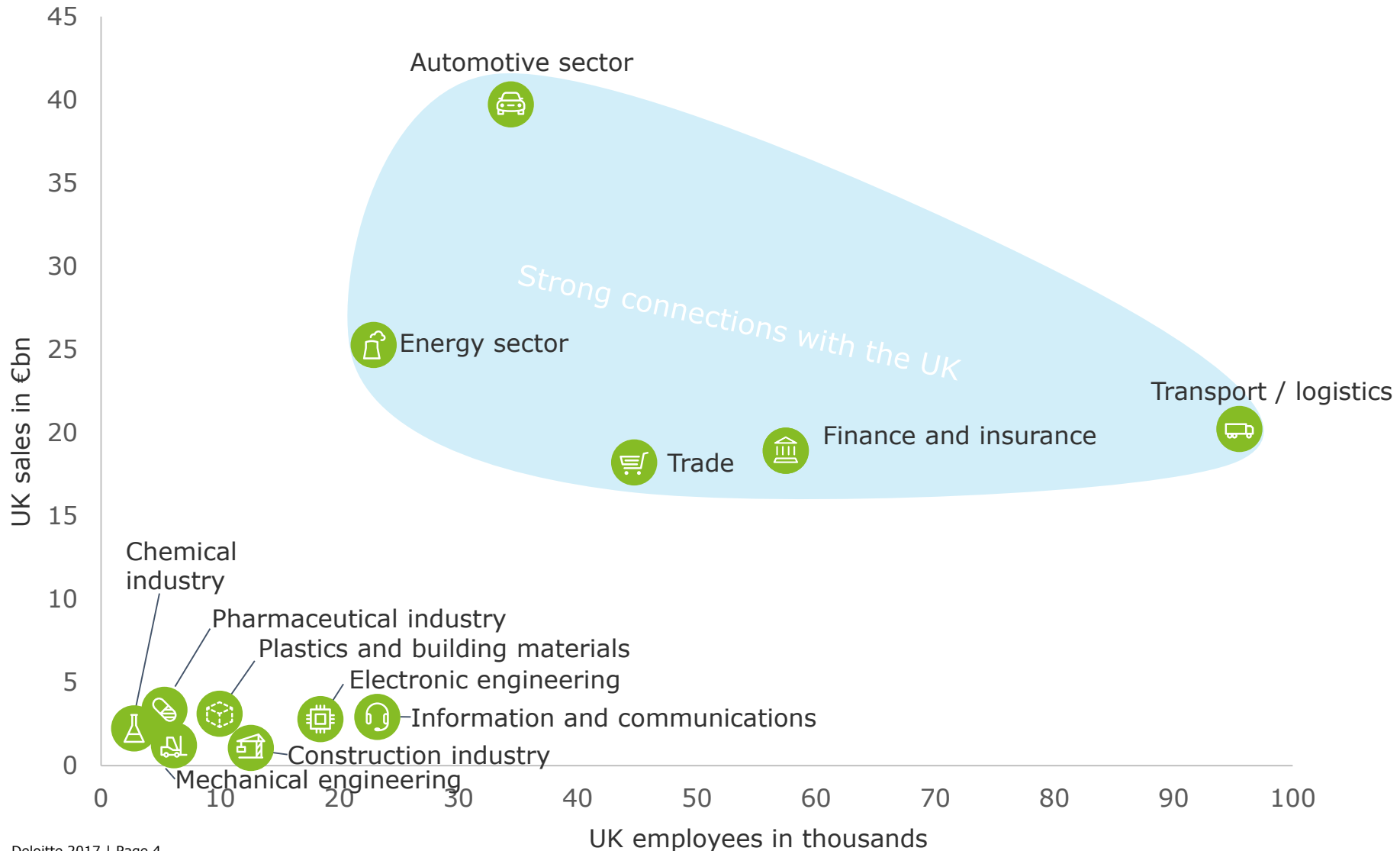
Of the **400,000 employees** of large German companies in the UK, about one in four works in the transport and logistics sector (95,700 employees).



The biggest employers with the highest sales are **companies in the DAX index**. They account for more than 60 % of German sales (€91bn) in the UK, employing 200,000 people, or nearly 50 % of the staff of German companies in the UK.

# Executive Summary

## Five sectors are particularly tied to the UK





# **Introduction and methodology**

The activities of German sectors in  
the UK

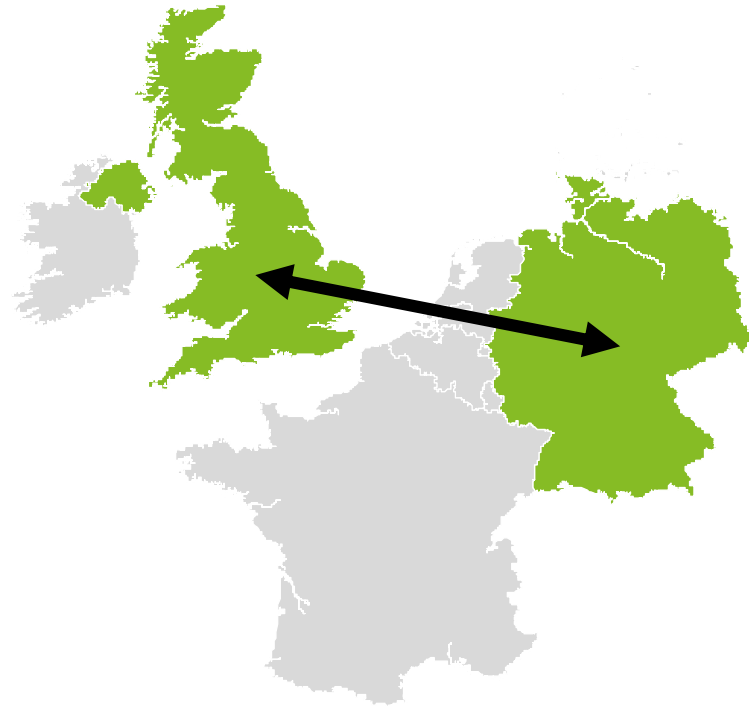
# Introduction

## A new perspective shows the close ties between German industrial sectors and the United Kingdom

The United Kingdom (UK) is **Germany's third most important (goods) export market** with a volume of €89bn. At the same time, imports from the UK amount to €38bn.

In order to get a more accurate picture of economic relations, Deloitte analysed the **business activities of German industrial sectors** in the United Kingdom.

Based on this **new perspective**, it is possible to show which German sectors are most strongly represented in the UK with regard to their sales and workforce.



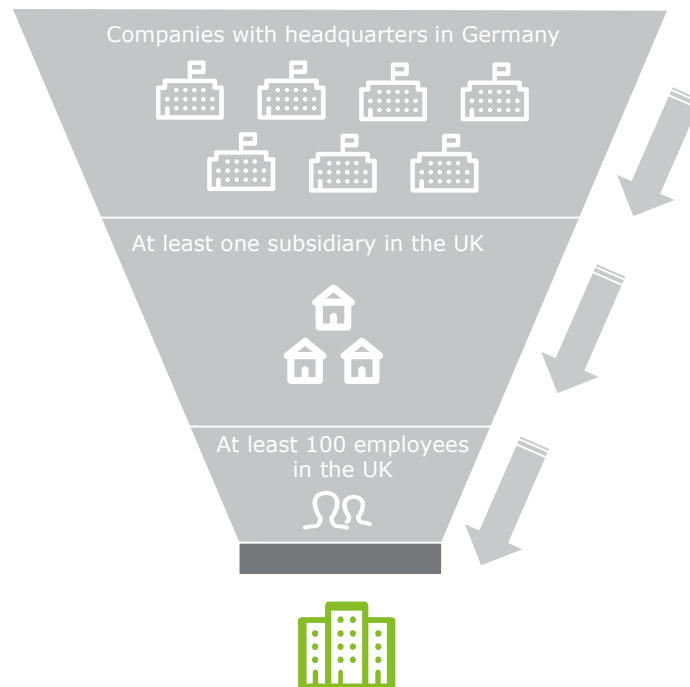
# Methodology

## Comprehensive analysis of German subsidiaries in the UK

The details contained in the Factiva / Dow Jones company database on British subsidiaries of German companies with their international headquarters in Germany serve as the **data basis**.

A further **criterion\*** for the identification of intensive business relationships was the number of employees in the subsidiaries. Thus only companies with at least 100 employees in the United Kingdom were selected.

For the purpose of general **presentation**, the company data were aggregated to their respective sectors. As a result, the average turnover and employee share are attributable solely to the selected companies and their industry. In sectors involving only a few companies, the influence of the individual company on the average proportion is correspondingly large.



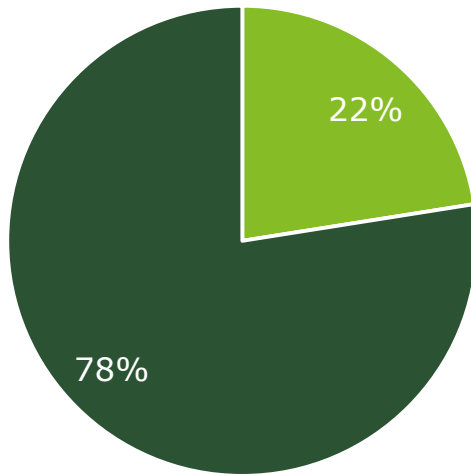
160 companies with an intensive business relationship with the United Kingdom

\*In all, around 1,000 companies with international headquarters in Germany and at least one subsidiary in the United Kingdom were identified. However, due to the chosen criterion of at least 100 employees in the UK, the number decreased to 160 companies with an intensive business relationship with the United Kingdom.

# German companies in the UK

Above all, major German companies, as well as the financial and manufacturing industries, are active in the United Kingdom

## Company size by sales



■ Less than €1bn    ■ At least €1bn

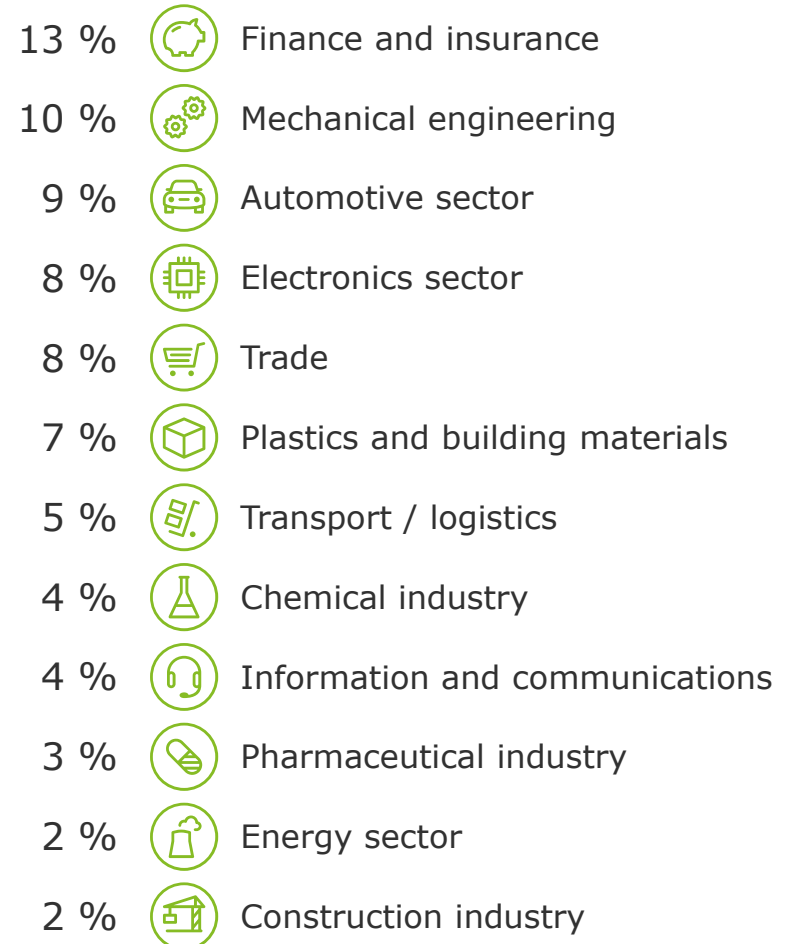


The majority of the companies are **groups operating internationally**



**Of the companies in the DAX-30 index, 28** have at least one subsidiary in the UK

## Company share by sector (N = 160)







## **Sales**

How much do large German companies turn over in the United Kingdom?

# UK sales of German corporations

Large German companies generate more than €150bn in the UK, and thus on average 8 % of their total turnover



The **DAX corporations** operating in the UK achieve **sales of €91bn** and unite **62 % of the sales generated by German companies in the UK.**

The share in sales varies widely between DAX companies. On average, they represent 5.7 % of total turnover.

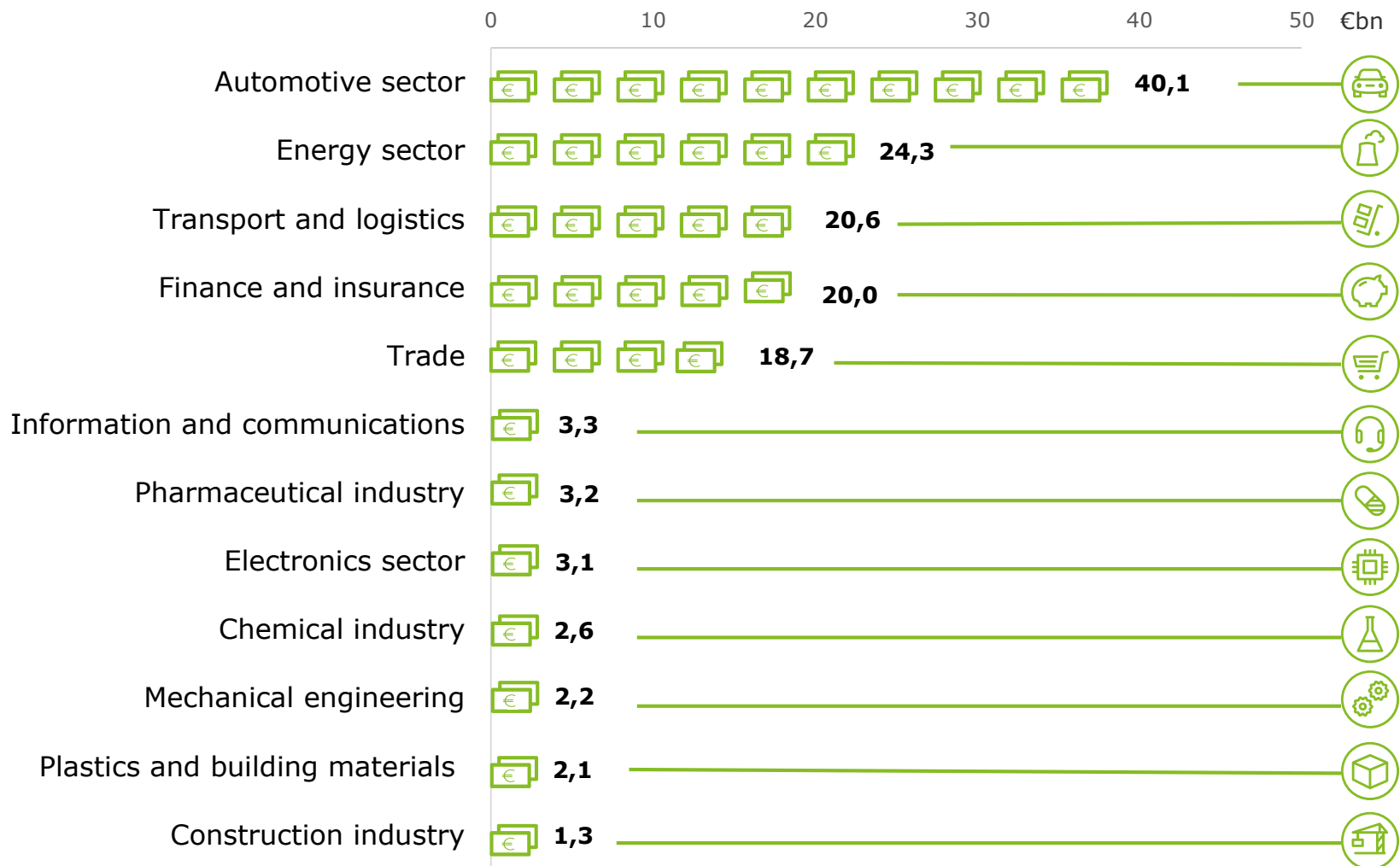


**The sector with the highest turnover is the automotive sector.**

It generates sales of €40.1bn, followed by the **energy sector** and the **transport and logistics sector** with sales of €24.3bn and €20.6bn respectively.

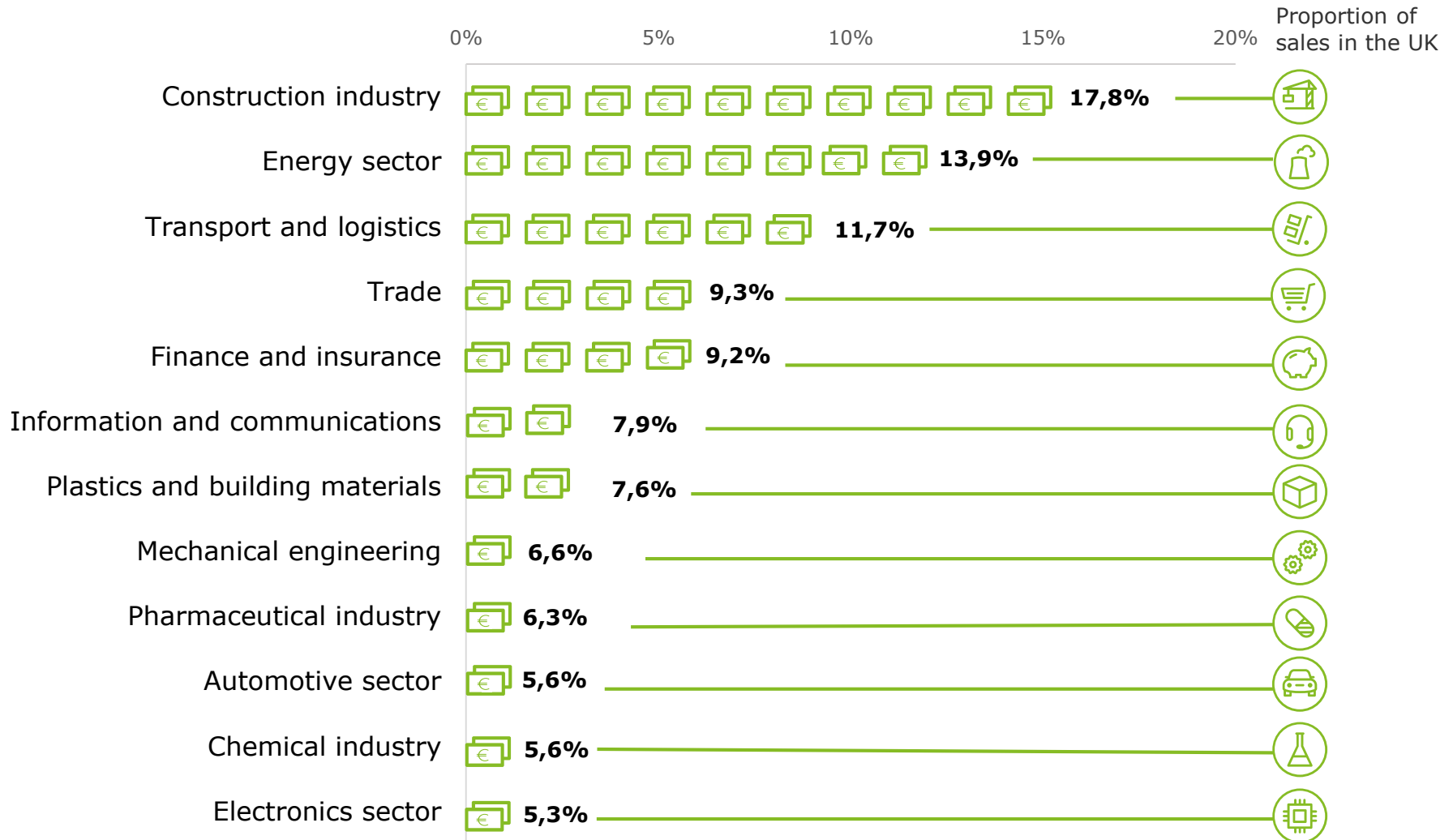
# UK sales of German corporations

The German automotive sector generates by far the highest sales in the UK



# UK sales of German corporations

However, German companies in the construction and energy sector achieve the highest proportion of their sales in the UK





## **Employees**

How many people do large German companies employ in the UK?

# Employees of German corporations in the UK

German companies employ around 400,000 people in the UK, an average of 6 % of their total workforce



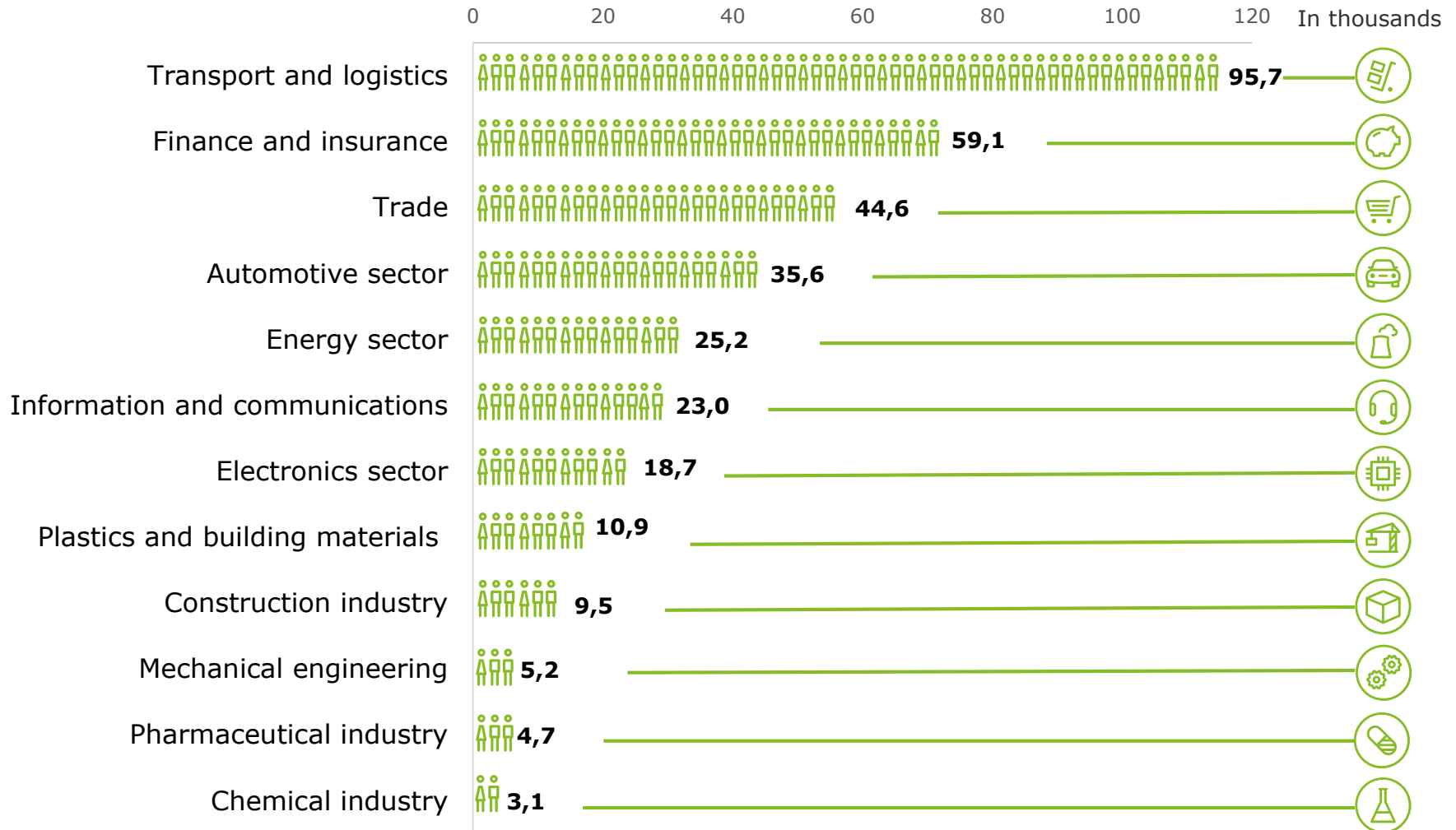
The **biggest employers** are **companies in the DAX index**. They alone employ around **200,000 staff** and an average of 6.1 % of their total workforce in the UK.



The **biggest employers** are in the services sector: above all **transport and logistics (95,700 employees)**, **finance and insurance (59,100 employees)** and **trade (44,600 employees)** are big employers in the UK.

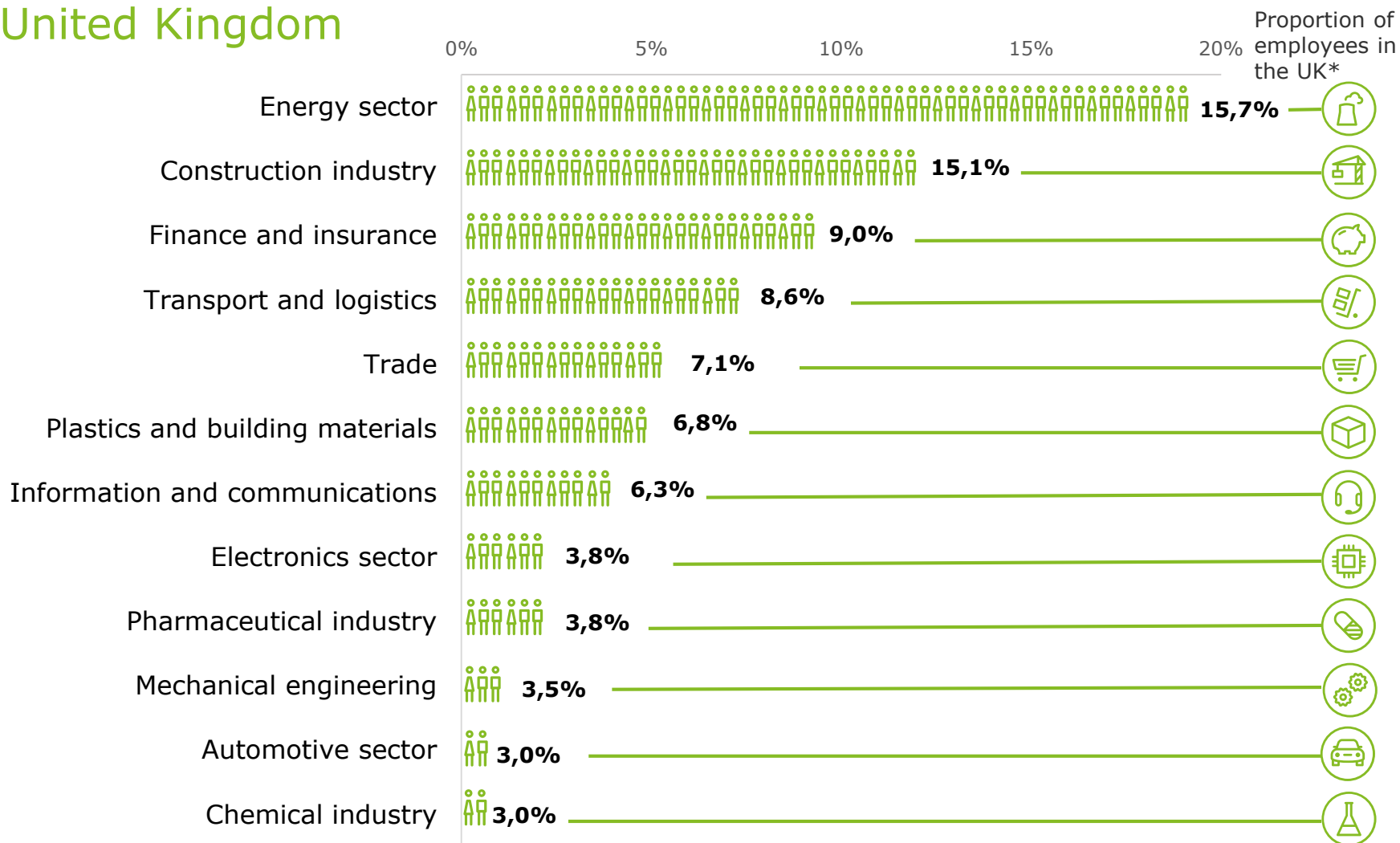
# Employees of German corporations in the UK

Of the German sectors operating in the United Kingdom, the service sector employs the most



# Employees of German corporations in the UK

However, companies in the energy sector and in the construction sector have the highest proportion of their employees in the United Kingdom



















## **Summary**

Sales and employees in the UK













# Summary

The sector with the highest turnover is the German automotive sector.

| Industry sector   | Sales (€bn) | Avg. share in sales |
|---|-------------|---------------------|
|  Automotive sector                 | 40.1        | 5.6 %               |
|  Energy sector                     | 24.3        | 13.9 %              |
|  Transport and logistics           | 20.6        | 11.7 %              |
|  Finance and insurance             | 20.0        | 9.2 %               |
|  Trade                             | 18.7        | 9.3 %               |
|  Information and communications    | 3.3         | 7.9 %               |
|  Pharmaceutical industry           | 3.2         | 6.3 %               |
|  Electronics sector               | 3.1         | 5.3 %               |
|  Chemical industry               | 2.6         | 5.6 %               |
|  Mechanical engineering          | 2.2         | 6.6 %               |
|  Plastics and building materials | 2.1         | 7.6 %               |
|  Construction industry           | 1.3         | 17.8 %              |

# Summary

## Most employees of German companies work in the British services sector

|   | Industry sector                 | Employees (thousands) | Avg. share of employees |
|---|---------------------------------|-----------------------|-------------------------|
|    | Transport and logistics         | 95.7                  | 8.6 %                   |
|    | Finance and insurance           | 59.1                  | 9.0 %                   |
|    | Trade                           | 44.6                  | 7.1 %                   |
|    | Automotive sector               | 35.6                  | 3.0 %                   |
|    | Energy sector                   | 25.2                  | 15.7 %                  |
|    | Information and communications  | 23.0                  | 6.3 %                   |
|    | Electronics sector              | 18.7                  | 2.6 %                   |
|   | Construction industry           | 12.9                  | 15.1 %                  |
|  | Plastics and building materials | 10.9                  | 6.8 %                   |
|  | Mechanical engineering          | 5.2                   | 3.5 %                   |
|  | Pharmaceutical industry         | 4.7                   | 3.8 %                   |
|  | Chemical industry               | 3.1                   | 3.0 %                   |

# Brexit Strategic Response Team

## Our Brexit Briefings and service offers

### Brexit Briefings series

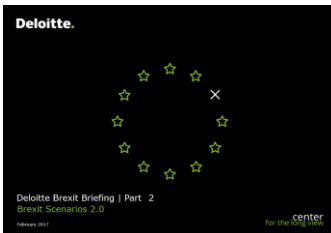
#### 1 – June 2016



In this issue, Deloitte and the German Industry Federation (BDI) examine how German companies assess the consequences of Brexit

[Link to the study](#)

#### 2 – February 2017



Our scenario analysis provides an overview of possible trade relations between the United Kingdom and the EU

[Link to the study](#)

You can register [here](#) for the Brexit Briefings newsletter and receive recent editions

Are you interested in the effects of Brexit on your company?

The **Brexit Navigator** analyses possible Brexit risks and opportunities for your company.



### Brexit Navigator

Jetzt kostenfreien Online-Check für Ihr Unternehmen durchführen.

[Link to Brexit Navigator](#)

# Brexit Strategic Response Team

## Economic Research



Dr Alexander Börsch  
Director Research  
Tel: +49 89 29036 8689  
aboersch@deloitte.de



Mark Bommer  
Senior Analyst Research  
Tel: +49 89 29036 7039  
mbommer@deloitte.de

## Financial Services & Banking Operations



Thorge Steinwede  
Director Financial Services Consulting  
Tel: +49 69 9713 7265  
tsteinwede@deloitte.de



Thomas Peek  
Director Financial Services Assurance  
Tel: +49 69 75695 6562  
tpeek@deloitte.de



Clive Laurence King  
Director Financial Services Assurance  
Tel.: +49 89 29036 8912  
CKing@deloitte.de

## Strategy & Scenario Planning



Dr Florian Klein  
Head of Center for the Long View  
Tel: +49 69 9713 7386  
fklein@deloitte.de



Philip Heselmann  
Scenario Practitioner  
Tel: +49 211 8772 4743  
pheselmann@deloitte.de

## Legal



Dr Mathias Hanten  
Partner Banking & Finance Law  
Tel.: +49 69 71918 8424  
mhanten@deloitte.de



Dr Julia Sierig  
Partner Employment Law  
Tel.: +49 71 16696267  
jsierig@deloitte.de



Fariba Peykan Sepahi  
Senior Manager Tax Law (M&A/FSI)  
Tel.: +49 89 29036 7359  
fpeykan@deloitte.de

## Real Estate Consulting/ Location Strategy



Olaf Babinet  
Director Strategy & Operations  
Tel: +49 211 8772 4592  
olababinet@deloitte.de

## Risk Advisory



Dirk Dannemann  
Director Risk Advisory  
Tel: +49 221 9732 432  
ddannemann@deloitte.de

## Tax



Dietmar Gegusch  
Director Tax Policy  
Tel: +49 211 8772 3826  
dgegusch@deloitte.de



Dr Oliver Busch  
Director Transfer Pricing  
Tel: +49 69 75695 6906  
obusch@deloitte.de



Dr Alexander Linn  
Director International Business Tax  
Tel.: +49 89 29036 8558  
allinn@deloitte.de



Bettina Mertgen  
Director Indirect Tax  
Tel.: +49 69 75695 6321  
bmertgen@deloitte.de



Deloitte refers to Deloitte Touche Tohmatsu Limited (DTTL), a private company limited by guarantee (under British law), and/or its network of member companies and affiliated companies. DTTL and each of its member companies is legally self-governing and independent. DTTL (also called "Deloitte Global") itself does not provide any services to clients. For a more detailed description of DTTL and its member companies, please see [www.deloitte.com/About](http://www.deloitte.com/About).

Deloitte provides services in the areas of Audit, Risk Advisory, Financial Advisory, and Consulting to companies and institutions from all sectors of the economy; legal advice is provided in Germany by Deloitte Legal. With its worldwide network of member companies in more than 150 countries, Deloitte combines outstanding competence with first-class services and supports customers in solving their complex entrepreneurial challenges. Making an impact that matters – for more than 244,000 Deloitte employees this is at the same time the shared vision and an individual aspiration.

This presentation contains general information only, is not suited for application to the particular circumstances of an individual case, and is not intended to be the basis for economic or other decisions. None of Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft or Deloitte Touche Tohmatsu Limited, any of its member firms, or their affiliated companies (collectively the "Deloitte Network") is, by way of this publication, rendering professional advice or services. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.