

## Press release

For business desks  
27 May 2019

### **New Commerzbank study: companies reacting to uncertain framework conditions for internationalisation**

- **Survey shows stable rate of international sales since 2007. In 2019, 52 per cent of 2,000 German-based companies surveyed are exporters**
- **81 per cent believe the competitiveness of German products is the main driver for internationalisation**
- **Nearly half of surveyed companies fear negative impact from global trade conflicts and diesel crisis**
- **Geopolitical turbulence changing trust in trading partners; exporting companies moving to China, North America, and Africa**
- **SME sector needs support from banks when dealing with regulatory requirements abroad**
- **Michael Reuther: “German companies should continue to capitalise on their opportunities in global markets”**

Despite a number of international flashpoints the SME sector continues to focus on internationalisation. According to Commerzbank’s latest survey, at present 52 per cent of these companies are exporters – most of them export into the Eurozone. One industry with a high rate of exporting companies is the manufacturing industry; here, 78 per cent of the companies surveyed are exporters. Only 6 per cent of companies with internationalisation potential are hesitant to expand abroad. But geopolitical turbulence like ongoing trade tensions and Brexit are changing the framework conditions. However, the SME sector is prepared for this and depending on the size of the company is focussed on core products, marketing, and distribution in the EU single market or by innovation and international diversification. 81 per cent of the companies state that a key driver for internationalisation is the competitiveness of German products. Other drivers are the increasing digitalisation of business processes (78 per cent) and the favourable financial framework conditions (73 per cent).

The results of the 19<sup>th</sup> survey by the *Unternehmerperspektiven* initiative entitled “How safe are the markets? Managing risks in international business” was presented in Frankfurt on 27 May 2019. The survey identifies political and economic reasons for the changing internationalisation of the SME sector.

“One important finding for us as a bank is that companies with the potential for internationalisation have become hesitant in the face of the changing geopolitical situation and apparent uncertainty for foreign investments,” commented Michael Reuther, member of the Board of Managing Directors responsible for Corporate Clients at Commerzbank. “So we see that we are called upon to support SMEs to hedge controllable risks when they expand abroad. German companies should continue to capitalise on their opportunities in global markets.”

### **Current political and economic situation creates planning uncertainty**

Nearly two thirds of the surveyed companies expect there to be less planning security in the next two years, and 61 per cent expect a gloomier economic outlook. The reasons for this are political and economic uncertainty: 47 per cent regard the increasing global trade conflicts as being negative for their own business activity, 35 per cent regard a possible Brexit as negative. Companies in the SME sector currently assess China as being a more reliable trading partner than the USA or Great Britain (30 per cent versus 17 per cent and 8 per cent). But domestic issues are also a burden for companies: 45 per cent expect the diesel crisis to have a negative impact on their business activities. 35 per cent see negative consequences from climate change. “Alarmism or battenning down the hatches is the wrong approach. We are supporting politicians to advocate a multilateral and rules-based global trading system so that cost-effective and sustainable trading is possible at fair conditions,” said Dr Holger Bingmann, President of the Federation Wholesale, Foreign Trade, Services (BGA), and patron of the current Commerzbank study.

### **No patent recipe for internationalisation strategies**

Companies are reacting individually to this situation. The trend: SMEs with an annual turnover of up to €15 million are concentrating in their expansion on their core products (63 per cent). For 44 per cent, the focus is on the EU single market; just under half (48 per cent) hedge against payment and default risks. Companies with an annual turnover of more than €100 million are stepping up their own innovation efforts (78 per cent) and are digitalising products and processes (79 per cent). More than two thirds (67 per cent) of these companies hedge against payment and default risks. The amended internationalisation strategies of exporting companies are impacting on the choice of foreign markets. New markets are to be found overseas, e.g. in India and North America, for 14 per cent; 12 per cent plan on expanding to China. More and more production facilities are being transferred most frequently to China (31 per cent), also to countries within ASEAN, the Association of Southeast Asian Nations, (11 per cent), and to Poland (11 per cent). “It is encouraging to see how many companies are positioned on the international stage,” is how Bingmann assessed the situation.

### **Banks should provide support with operational issues**

The majority of demands when going abroad can be found operationally with more than three quarters (77 per cent) stating that bureaucracy is a problem when doing business in new markets. Price fluctuations with raw materials (57 per cent) and import duties (54 per cent) pose additional hurdles. Exporting companies expect assistance from the banks when dealing with the challenges posed by controllable risks. Nearly half expect an assessment of risks with international business and 45 per cent expect the provision of information on foreign markets. 38 per cent of the companies surveyed would like to receive individual advisory services when entering country markets with challenging political or economic conditions. In response to the question of which is the most important bank for international business,

43 per cent of the exporting companies answer Commerzbank, making it the leading bank in Germany's foreign trade sector.

**The “Unternehmerperspektiven” initiative and its studies**

Since 2006, the Mittelstand initiative “Unternehmerperspektiven” has been a public forum for topics which affect companies. Once a year, it surveys 2,000 owners and managers from companies of every size and from every sector. The representative surveys are conducted by Forsa. Representatives from the business world and industry federations, politics, and academia discuss the results in the framework of public podiums.

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**Press contact**

Maximilian Bicker      +49 69 136-22440  
Bernd Reh                +49 69 136-46971

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**About Commerzbank**

Commerzbank is a leading international commercial bank with branches and offices in almost 50 countries. In the two business segments Private and Small-Business Customers and Corporate Clients, the Bank offers a comprehensive portfolio of financial services which is precisely aligned to its clients' needs. Commerzbank finances approximately 30% of Germany's foreign trade and is the leading finance provider for corporate clients in Germany. Due to its in-depth sector know-how in the German economy, the Bank is a leading provider of capital market products. Its subsidiaries Comdirect in Germany and mBank in Poland are two of the world's most innovative online banks. With approximately 1,000 branches, Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank serves more than 18 million private and small business customers, as well as more than 70,000 corporate clients, multinationals, financial service providers, and institutional clients worldwide. In 2018, it generated gross revenues of €8.6 billion with approximately 49,000 employees.