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Mannheim, 15 March 2022

Press Release

GBP Monitor: Many Companies Support Sanctions despite Being Financially Burdened by the War in Ukraine

The war in Ukraine has been going on for almost three weeks. The difficult political situation is also affecting the business situation of companies in Germany. According to the March report of the German Business Panel (GBP), expected sales and profits as well as planned investments plummeted as the war started and are currently even lower as during the last lockdowns. The indirect consequences, in particular higher energy costs and interrupted global supply chains, are a financial burden for the companies. Only 19 percent of the companies stated that they are not affected by the effects of the war and the sanctions policy. Despite this enormous burden, more than 60 percent of the companies support the sanctions policy of the federal government.

The German Business Panel at the University of Mannheim asks companies in Germany daily what changes they expect with regard to sales, profits, and investments. The current data, collected in March, show that the war in Ukraine has a considerable impact on the companies' key business figures. Expected sales and planned investments have plummeted after the war has started. In addition, companies now also expect a decrease in profits in 2022 (-3.1 percent on average). Until mid-February, the expectations had recovered significantly in light of the interim decline of Covid-19 infection rates.

When asked about the reasons for the negative outlook, 44.8 percent of the companies state that their financial situation is affected by the war in Ukraine and the sanctions imposed on Russia. These companies expect that their profits will decrease by 20.7 percent in the current business year, due to the war and the sanctions policy. Only 19 percent of all companies say that the war will not impact their business. The remaining companies are unsure whether and to which extent their business might be affected. "The data show that the latest developments are a heavy burden for companies in Germany. The war and the sanctions affect considerably more companies than the restrictions of business operations during the pandemic. And they are affecting other sectors", says Professor Jannis Bischof, who holds the Chair of Business Administration and Accounting of the University of Mannheim and is project manager of the GBP.

In the survey, industries such as the manufacturing or the construction industry which have weathered the pandemic rather well are reporting significantly higher risks. Many companies fear negative consequences due to higher energy prices and supply problems on

international markets more than consequences due to direct business with Russia and Ukraine or with Russian partners. Sectors like tourism and the catering industry, already heavily hit by the pandemic, expect additional financial burdens, if private consumption decreases due to the negative economic developments. “Currently, the business risk for companies in Germany seems manageable but concerns about political uncertainty and financial pressure are reasons for many companies to restructure their operations”, says Dr. Davud Rostam-Afschar, academic manager of the GBP.

The data show that many companies in Germany are in favor of the sanctions imposed on Russia, although these sanctions have substantial consequences for them. 63 percent of the companies evaluate the sanctions rather positively and only 16 percent rather negatively (as of 12 March). 57 percent of the companies reporting that the sanctions are a financial burden are in favor of the sanctions. “Many companies understand that the sanctions are causing short-term costs that may be substantial for some. But the long-term costs of not imposing sanctions and not opposing this attack on our liberal society would be considerably higher”, summarizes Bischof.

The GBP monitoring report for March 2022 is available here: https://www.accounting-for-transparency.de/wp-content/uploads/2022/03/gbp_monitor_2022_03.pdf

Further information on the GBP monitoring report

The German Business Panel interviews more than 800 companies per month on the economic situation in Germany and collects data on 1) any expected changes in revenue, profit, and investments, 2) economic decisions, 3) the expected default probability in the sector and 4) the satisfaction with the economic policy. Furthermore, the GBP reports about one current question per month.

Background information on the German Business Panel

The German Business Panel is the long-term survey panel of the trans-regional project “Accounting for Transparency” (www.accounting-for-transparency.de).

The Collaborative Research Centre (CRC) “TRR 266 Accounting for Transparency” started in July 2019 and is funded by the German Research Foundation (DFG) for four years. It is the first CRC with a focus on business administration. Approx. 80 researchers from the following eight universities participate in the CRC: Paderborn University (host university), Humboldt-Universität zu Berlin, University of Mannheim, Ludwig-Maximilians-Universität München, ESMT Berlin, Frankfurt School of Finance & Management, Goethe University Frankfurt am Main, WHU - Otto Beisheim School of Management and the Carl von Ossietzky University of Oldenburg. The researchers examine how accounting and taxation affect the transparency of companies and how regulation and firm transparency impact our economy and society. The CRC is funded with approx. 12 million euros.