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Press Release

GBP Report: Cost Pressure Increases and Retailers Plan to Raise Prices Even More

Roughly three months after the war in Ukraine broke out, the key business figures of companies in Germany are recovering. This is documented in the June report of the German Business Panel (GBP). However, the continuing cost pressure is a burden on the companies and they are passing along the increase to their customers. Currently, more than three out of four companies say that they are planning to increase their prices in the next twelve months. Companies which are affected by rising energy costs or supply chain problems and which expect an additional financial burden if a gas embargo is implemented, are increasing their prices significantly more often than others. The number of companies in favor of a gas embargo is declining.

The beginning of the war in Ukraine resulted in a considerable drop in business expectations of companies in Germany. For now, this trend has come to a halt. Compared to the low in April, the profit, sales and investment expectations are recovering considerably. Companies even expect an increase in investments and sales for this year. However, the continuing supply chain problems and the resulting cost pressure is a burden on the companies' economic situation. More and more companies are passing along these costs to their customers: As the June report of the German Business Panel (GBP) shows, the number of companies planning to increase their prices is growing. The GBP at the University of Mannheim asks companies in Germany on a daily basis about the changes they expect with regard to their sales, profits and investments. Each month, the GBP publishes a report on current questions.

Increase in prices affects trade and processing industry

According to the current GBP report, the share of companies increasing their prices is particularly high in the trade industry and the processing industry. In these sectors, more than 85 percent of the companies (average in Germany: 76 percent) said that they plan to increase their prices in the next twelve months. The share of companies planning to rise their prices has considerably declined in the construction industry and is currently equivalent to the average level in Germany. "The interest rates are currently going up and the higher

financing costs may reduce the demand and the prices”, say Thomas Simon, academic staff member of the GBP at the University of Mannheim.

The companies are increasing their prices in particular due to the rising energy costs. While only 48.5 percent of the companies not affected or only indirectly affected by the consequences of the war are planning to raise their prices, 73 percent of the companies affected by the rising energy prices are willing to do so. Disruptions to the supply chains as well as restrictions on business operations in Ukraine and Russia are increasing the probability for price increases by up to 10 percentage points.

A possible gas embargo is already affecting price planning

The new GBP data also show: The possible gas embargo against Russia seems to affect the companies’ price planning. Companies using gas in their production or along their supply chain are increasing their prices more often than companies which are not in need of gas supply or use gas only for heating. “The results seem to indicate that companies which depend on raw materials from Russia, are reacting now, that means without concrete decisions, to a possible gas embargo by adapting their economic plans”, explains Professor Dr. Jannis Bischof, holder of the chair of Business Administration and Accounting at the University of Mannheim.

The burden caused by the sanctions against Russia might also be a reason why the number of companies in favor of a gas embargo is constantly declining”, says Bischof. The share of companies not in favor of such an embargo has significantly increased since the beginning of the war. 41 percent of the companies are against and 29 percent are indifferent to an embargo.

The complete report on company trends in June 2022 (“GBP-Monitor: Unternehmenstrends im Juni 2022”) can be found here: https://www.accounting-for-transparency.de/wp-content/uploads/2022/06/gbp_monitor_2022_06.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, GBP reports on particularly relevant questions once per month. This month, the GBP has also asked the following questions: Is the war in Ukraine threatening the existence of German companies? What are the expected burdens for companies due to the current crisis? How do they evaluate a raw material embargo?

Background information on the German Business Panel

The GBP is the long-term survey panel of the trans-regional Collaborative Research Centre “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. 100 researchers from the following nine universities are involved 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.

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