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Press Release

GBP Monitor August: More than Half of the Companies in Germany Received State Aids, Businesses Hit Hardest by the Coronavirus Pandemic Now Demand for More

The war in Ukraine continues to effect companies in Germany. This is documented in the August report of the German Business Panel (GBP) at the University of Mannheim. Profit expectations of businesses fell to a new low in July. Companies will continue to cut investments drastically. Therefore, demands for new government aids are renewed. The industries hit hardest by the coronavirus crisis, in particular, are in need of more state aids. The lessons learned from the past government aid packages can help create effective measures.

Since the outbreak of the Russia-Ukraine war, the key business figures of companies in Germany have seen a negative development. Investments and profits reached a new low in July. While companies expected rising profits (+3.4%) shortly before the outbreak of the war in Ukraine, they predict a significant drop in profits (-9.8%) compared to the previous year in July. Only sales are yet still rising. "The large difference between sales and profits shows that cost pressure is still burdening the economic situation of companies. This pressure arises not least from increasing energy costs," says Davud Rostam-Afschar, academic manager of the GBP.

Industries hit hardest by the coronavirus pandemic continue to depend on state aids
Calls for new state aids are growing louder. A support program for energy-intensive industries has already been launched. But do these measures actually help? What should an effective set of measures include? "To evaluate the design and effectiveness of those and future measures, it is helpful to look at past support programs that were established during the coronavirus crisis whose interim financial aid ended on 15 June. Which measures were well-received? How did the different industries react to the measures?" explains Jannis Bischof, holder of the chair of Business Administration and Accounting at the University of Mannheim.

For the current GBP Monitor, the researchers have created such a review. It shows that not all companies and industries received enough state aids. That applies, in particular, to businesses that had to close due to the partial lockdown in November and December 2020, such as the hospitality industry. While 98 percent of all businesses in this industry received government aids, many of them regarded the support measures as insufficient. Currently, companies (44%) in the industries hit hardest by the pandemic feel an increased and growing need for financial support. “Apparently, companies do not have sufficient reserves to bear the costs arising from inflated energy prices and the general cost pressure,” says Rostam-Afschar.

Insufficient support measures affect the real economy
“Government support programs that are not carefully targeted in turn affect the real economy,” Bischof explains. According to the GBP Monitor, companies expressing the need for additional state aids plan to cut investments into research and development and reduce fixed costs. By cutting investments and jobs, companies increasingly make decisions that favor short-term liquidity, but will have negative future impacts. “That is definitely something to bear in mind when considering potential support programs in the course of the Russia-Ukraine war,” says Bischof.

Moreover, companies requiring further support are much more dissatisfied with the economic and political measures taken throughout the coronavirus pandemic than companies without such a need. Creating support programs that are in line with companies’ demands, by contrast, can even increase satisfaction. Companies that received government aid and deemed it sufficient adopt a more positive attitude towards the economic and political measures taken throughout the pandemic than companies that did not need any support at all.

Read the complete report on company trends in August 2022 (“GBP-Monitor: Unternehmenstrends im August 2022”): https://www.accounting-for-transparency.de/wp-content/uploads/2022/08/gbp_monitor_2022_08.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: **What are the expected burdens for companies due to the Russia-Ukraine war? Do you expect state aids and measures to be sufficient for your company to survive the coronavirus crisis? How satisfied are you with the economic policies in Germany?**

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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