

Head of Communications:
Dr. Maartje Koschorreck
Telephone: 0621 181 – 1080
koschorreck@uni-mannheim.de
www.uni-mannheim.de

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Press Release

GBP Monitor: Energy-Intensive Companies Plan to Increase Prices by an Average of 17 Percent during the Next 12 Months

The October report of the German Business Panel (GBP) shows: Companies in Germany are expecting a persistently high inflation of more than 10 percent for the following year. This has considerable effects on the companies' pricing. Companies from energy-intensive industries, in particular, are planning to substantially increase their prices - on average by 16.7 percent. The companies' expectations of a higher inflation thus fuel the actual inflation.

In June, the German Bundesbank expected the inflation rate to drop to 4.5 percent, but the expectations of companies in Germany differ completely. Companies are expecting to increase their prices by more than 10 percent during the following year. For the companies participating in the survey, the main reasons for taking this step are the rising costs for energy and materials (70 percent of the companies) as well as the increasing labor costs (64 percent of the companies). The price increases are mostly driven by energy-intensive sectors: "By increasing their prices, these sectors are trying to make up for the procurement costs that have increased enormously. This way, they are not only passing on the cost pressure to consumers but also to other companies relying on suppliers from energy-intensive sectors", explains Professor Dr. Jannis Bischof, project manager of the GBP and holder of the chair of Business Administration and Accounting at the University of Mannheim.

Inflation expectations can become a self-fulfilling prophecy

If companies expect prices to increase further, they tend to rise their prices more often. The latest GBP data confirm this assumption. Across all sectors, more than half of all companies are planning to adjust their prices considerably and more often. "Companies are raising their prices about 1.7 times faster than before. This means that approximately 60 percent of a sudden increase in price expectations, caused by war events, for example, are directly affecting the current inflation", says Professor Dr. Davud Rostam-Afschar, academic director of the GBP at the University of Mannheim.

Currently, around 70.2 percent of the companies in Germany are planning to increase their prices within the next twelve months. In energy-intensive industries (processing industries and trade), around 88 percent of the companies are prepared to increase their prices. In

sectors heavily hit by the coronavirus pandemic (hotels and restaurants) around 71.4 percent of the companies are prepared to do so. This percentage is slightly above the average percentage. Energy-intensive companies are planning to substantially increase their prices (by 16.7 percent) within the next twelve months. However, it seems that the hospitality industry is not in the position to pass the increased costs to the same extent to their customers. They plan to increase their prices by an average of 9.6 percent. This is considerably below the average (13.4 percent). “The planned price increase does not depend on whether companies are of the opinion that reaching their financial goals is achievable or not”, says Bischof. “Customer loyalty and the ability to pass rising costs to customers without losing them are more important.”

The complete report on company trends in October 2022 (“GBP Monitor: Unternehmenstrends im Oktober 2022”) can be found here: https://www.accounting-for-transparency.de/wp-content/uploads/2022/10/gbp_monitor_22_10.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, we asked the companies in the survey, for example,** which types of business costs influence their pricing the most and how they think the inflation rate – also with regard to the Russia-Ukraine war – will develop.

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.

Contact:

Professor Dr. Jannis Bischof
Chair of Business Administration and Accounting
University of Mannheim
Phone: +49 621 181-1630
E-mail: jbischof@uni-mannheim.de