

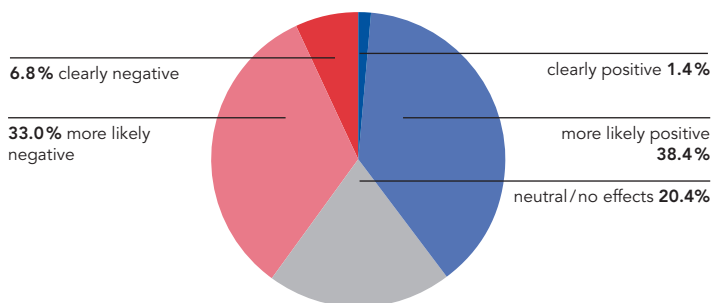
# Opportunities for Hessen as a business location

## Effects of Brexit on the business location Hessen

The expectations with view to the effects of Brexit for Hessen as a business location are more positive than the expectations for the own company: the companies with positive and negative expectations balance each other out.

How can this be explained? Almost all companies consider it most likely that the financial centre of Frankfurt will benefit due to the relocation of jobs in the financial sector from London to Frankfurt. Sixty per cent of the respondents think that Hessen can position itself even more strongly than before as a "toehold" for foreign companies in the EU. A further indication for the comparatively favourable evaluations of the effects of Brexit on the site of Hessen lies in the expectations concerning economic growth – only 15% of the companies surveyed expect a long-term decline in growth in Germany.

## Evaluation of the effects of Brexit on Hessen as a business location (in %)



## Hessen's activities relating to Brexit

The Hessian state government wants to support Hessian companies in managing the challenges associated with Brexit and using the opportunities this brings. Hereby it is working in close cooperation with numerous relevant players in Hessen for example in business promotion/development, chambers and associations, universities as well as representatives from the financial sector. The groups "Marketing and real economy", "Legal frameworks" and "Federation and Europe" were already formed in the Financial Centre Cabinet in summer 2016.

Hessen's opportunities lie in the settlement of new companies. A Brexit Task Force is coordinating the site-related marketing activities of all the players. The many benefits of Hessen as a location for industry and business are presented to foreign investors in the English brochure "Welcome to Frankfurt, Welcome to Hessen". Furthermore, the website

## Hessen's activities relating to Brexit – significance from the company perspective

The following measures are regarded by the companies as being important or very important:

85%



Commitment on a political level (federation, EU) in the sense of good Brexit negotiation results for companies in Hessen.

77%



Information/advice/events on Brexit and the possible consequences for companies in Hessen.

71%



Marketing of Hessen as a site for business/industry in other foreign markets.

70%



Development of other foreign markets within the framework of foreign trade promotion.

66%



Marketing for the site of Hessen in the UK.

64%



Development of the foreign market UK within the framework of foreign trade promotion.

[www.invest-in-hessen.de](http://www.invest-in-hessen.de) offers a central information platform on the subject of Brexit. Initial talks with decision-makers from banks and insurance companies as well as with investors in London were held in August 2016. An entrepreneur trip with seminars is also planned which will go to Birmingham, Leeds and a further big city to inform automobile as well as chemicals/pharmaceuticals and optics/electrical engineering companies, in particular, on Hessen as a location for industry.

Domestic industry, meanwhile, will be supported with information brochures on the effects of Brexit, the promotion of trade fair participation abroad and delegation trips to the United Kingdom as well as other destinations. Furthermore, the 4th Hessian Foreign Trade Day which the Hessian chambers of industry and commerce are holding in cooperation with the Hessian Ministry of Economics on 20 June 2017, also offers an information platform on Brexit.

## Contact person for your questions concerning Brexit

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# Hessen and Brexit

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# Hessen and Brexit: the effects on the Hessian economy



# UK an important partner for Hessen

# 18%

UK of EU GDP

# 13%

UK of EU population

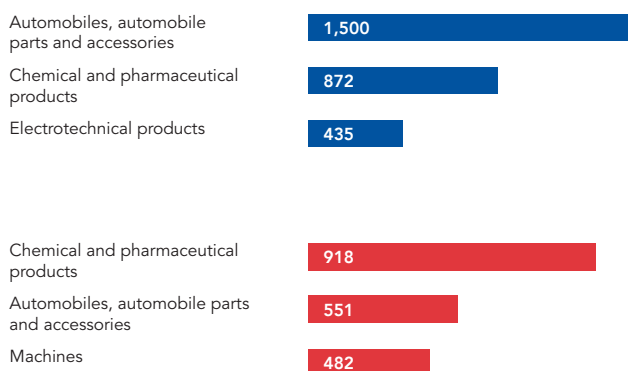
The referendum of 23 June 2016 set the course in the United Kingdom for the country's departure from the EU for which the official application in accordance with Article 50 of the EU treaty was submitted on 29 March 2017. The economic impact of Brexit will affect the UK, in particular, but also its business partners. The UK is one of the most economically significant countries in the EU with intensive economic ties worldwide. With a Gross Domestic Product (GDP) of 2.6 trillion euros in 2015, the UK is the second strongest country of all the EU states. Only Germany achieved a higher GDP with 3.0 trillion euros. In terms of residents, the UK is in third place within the EU, after Germany and France, with 65 million inhabitants.

## UK number five of Hessen's trade partners

The UK is one of Hessen's most important trade partners. In 2015, the trade volume – imported and exported goods combined – was worth 7.8 billion euros which makes the UK Hessen's fifth most important foreign trade partner.

Hessian export is worth 4.5 billion euros whereby the UK is the third biggest export market for the Hessian economy – after the USA and France. The total value of all imported goods from the UK is 3.3 billion euros which corresponds to 4.0% of all Hessian imports (9<sup>th</sup> place).

## The most important export and import goods between Hessen and the UK 2015 (in million euros)



■ Hessian export (total 4,495 million euros) ■ Hessian import (total 3,309 million euros)

Source: Hessian State Office of Statistics

## Most important Hessian foreign trade goods

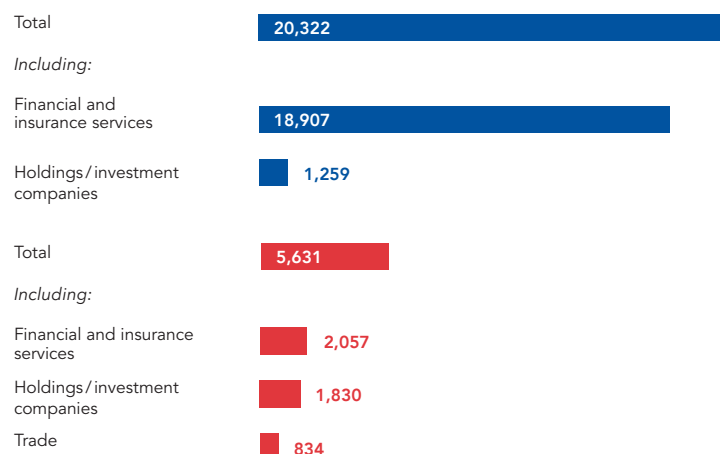
Automobiles and automobile parts account for approximately a third of Hessen's exports to the UK. Chemical and pharmaceutical products are in second place with 19% and electrotechnical products are in third place with 10%. These three goods groups alone represent two thirds of Hessen's exports to the UK.

The most important imports are chemical and pharmaceutical products with 28%. Automobiles and automobile parts are in second place and machines of all types in third place.

## Financial services characterise investment relations between Hessen and the UK

Hessen and the UK maintain intense investment relations. Hessian companies have a direct investment volume of 20.3 billion euros in the UK whereby the UK is the third most important country for Hessian investments. Hereby it is the financial and insurance services sector which dominates. Conversely, the UK has an investment volume of 5.6 billion euros in Hessen which makes it the third strongest foreign investor. Most of this sum involves the financial and insurance sector although investments in holdings and trade are also of significance for British investors.

## Foreign direct investment relations between Hessen and the UK 2014 (volume in millions of euros)



■ FDI in the UK from Hessen ■ FDI in Hessen from the UK

Source: German Federal Bank

# Brexit poses challenges for Hessian companies

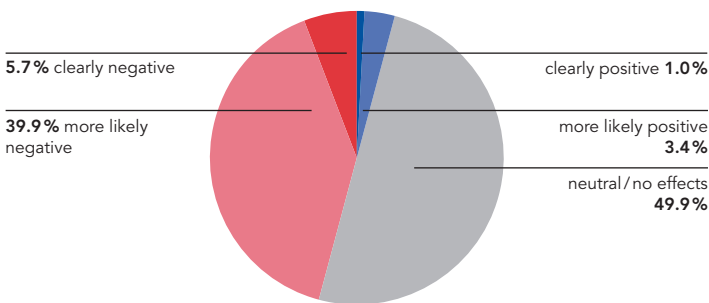
## Survey of Hessian companies on Brexit

What economic effects are Hessian companies expecting from Brexit? For a broad opinion on this, 4,100 companies based in Hessen were surveyed at the end of 2016/early 2017. Addressees were companies with parent companies or branches in the UK as well as companies with 50 employees or more in export-intensive sectors. Just under 700 companies took part whereby almost 60% maintain business relations with the UK. Of these, a third of the companies have subsidiaries in the UK and a quarter have parent company headquarters/European headquarters in the UK.

## Effects of Brexit on the companies: neutral and negative evaluations balance each other out

Of the companies with business relations with the UK, almost every second company is worried that Brexit will have a negative impact on the company. However, around half of the companies also do not expect any effects on their company or estimate this as being neutral. Only 4% of the companies surveyed with business relations with the UK thought there would be positive effects. This opinion is hardly surprising seen against the background of the expected uncertainty and trading difficulties. Seen overall, service providers are less negative regarding this than manufacturing companies.

## Evaluation of the effects of Brexit on companies (in %)



## What risks do companies with business relations with the UK see? (multiple answers possible)

63% Increase of non-tariff trading barriers (e.g. customs declarations, movement certificates etc.)

58% Increase of tariff trading barriers (e.g. customs)

50% Increase in complexity/costs through differing regulations (e.g. tax law and product standards) between the EU and the UK

37% Restriction in cross-border mobility of employees

29% Difficulties in cross-border cooperation between parent companies and subsidiaries

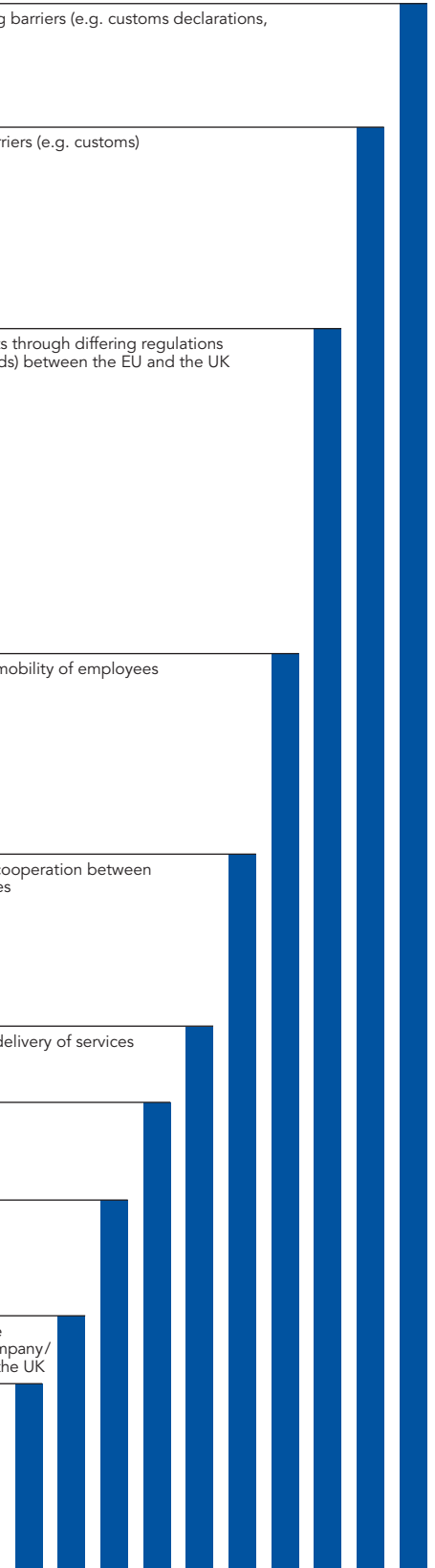
22% Restriction in cross-border delivery of services (excluding financial services)

19% Difficulties in cross-border capital transactions

15% Restriction in cross-border delivery of financial services

10% Brexit requires considerable adaptations due to the parent company/European headquarters being in the UK

8% Brexit questions parts of the business cooperation with/in the UK



# Decline in export and import expected although employment at Hessian sites is stable

## Short term versus long term effects of Brexit on companies

Already in the short term, 16% of the companies expect their exports/imports to decrease. If these expectations prove to be true, Brexit will have a considerable impact already before the actual departure of the United Kingdom from the EU. Approximately 80% of the companies surveyed do not expect any changes to their trade relations with the UK in the short term. However, seen in the long term, i. e. after Brexit, this figure falls considerably. Conversely, considerably more companies assume that their imports and exports will decrease.

In total, more than a third of the companies surveyed predict that exports will decline in trade with the UK and just under a half expect fewer imports.

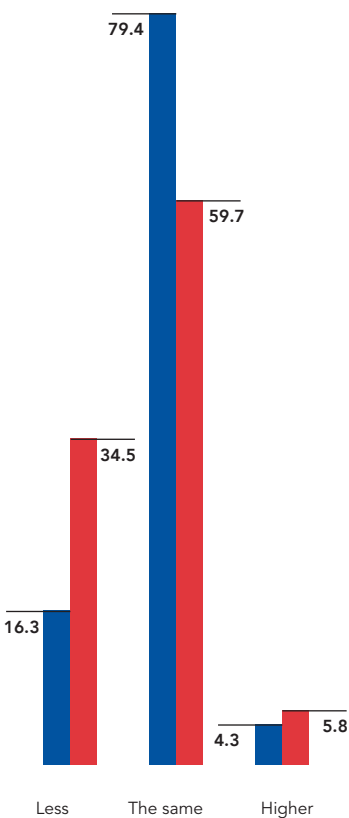
## Employment development after Brexit – expected effects on the Hessian and UK sites

Regarding the development of employment, the expectations of the companies concerning Hessen appear stable: almost 90% of the companies do not expect any impact on jobs at the company site in Hessen. With 7%, the number of companies with increased employment expectations is even slightly above the number of companies with decreased employment expectations. This is due to the positive evaluations in the service sector (14%) whilst the manufacturing companies are less optimistic.

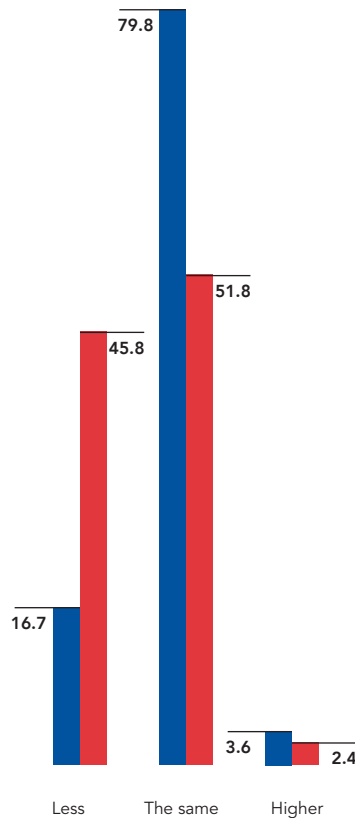
However, the situation is different for Hessian companies in the United Kingdom. Although most of the companies expect the employment figure to remain stable for the British market, more than a quarter of the companies expect a decline in employment in the UK site.

## Short term and long term effects of Brexit (in %)

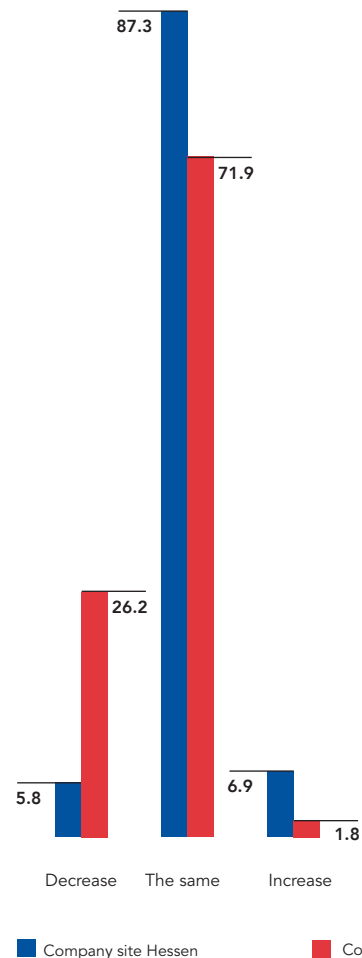
### Export



### Import



## Effects of Brexit for employment in Hessen and in the UK (in %)



■ Short term ■ Long term

■ Company site Hessen ■ Company site UK