



KOREA
AHK World Business Outlook
Survey Results

Spring 2024

Summary I

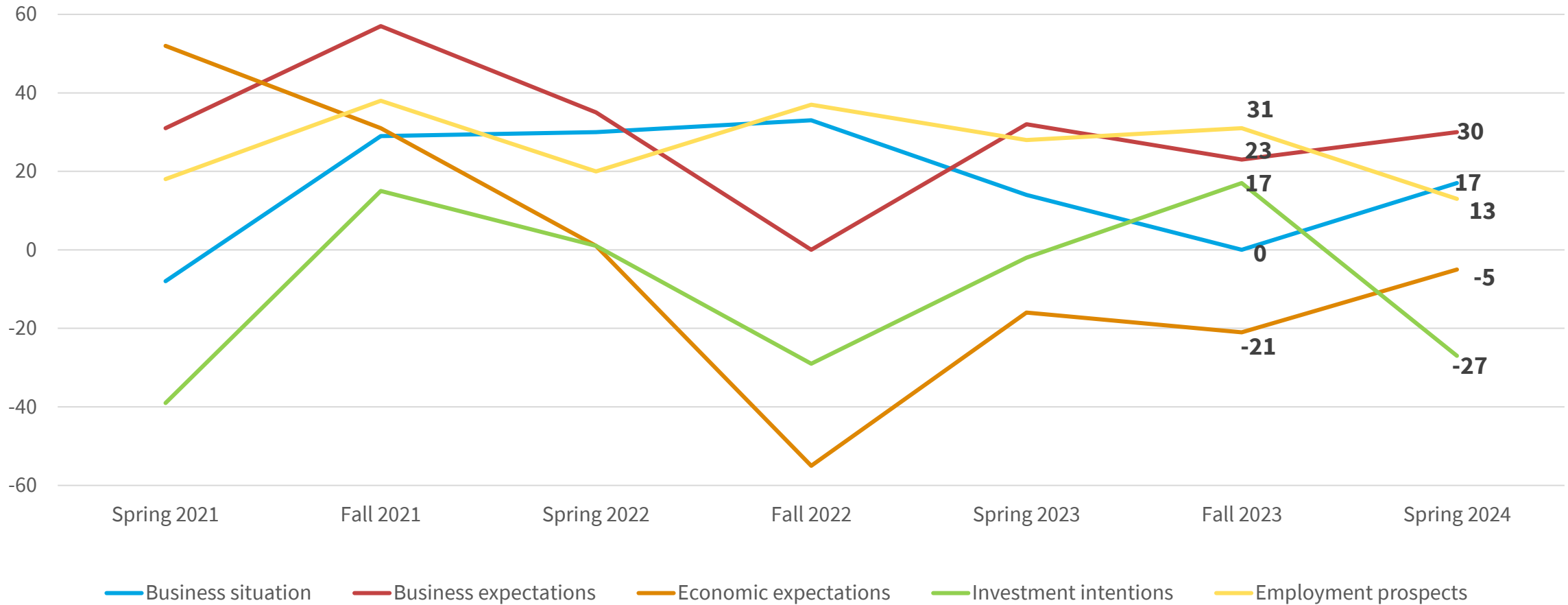
- The number of companies assessing the **own current business situation** as good increases from 20 to 29 compared to six months ago. With only 12 % of companies considering its business situation as bad, the **saldo (positive answers minus the negative answers) increases from 0 points to 17 points.**
- The proportion of companies **expecting growth in their Korean operations over the next 12 months** rises from 36% to 42% since fall 2023. Meanwhile, the percentage of those anticipating a worsening situation has remained largely unchanged over the past 12 months, hovering between 12% and 13%.
- On the one hand side, while every fifth companies remains sceptic about the **Korean economic development within the next 12 months**, this is the smallest percentage since fall 2021. On the other hand, 15% are expecting a positive turn, which is a rise in optimism by 4 % compared the last survey. With an increasing number of companies (65%) expecting the situation to remain about equal, the saldo improves from -21 points to -5 points.
- In terms of **future investments**, the percentage of companies projecting no investments almost triples to 14% within six months. The number of companies that plan lower investment more than doubles to 30%. Conversely, the proportion of companies anticipating higher investments more than halves from 36% to 17% over the same period. As a result, the saldo plummet from 17 points to a - 27 points.
- Only 25% of the surveyed companies **plan to grow their workforce within the coming 12 months**, the lowest number in the past three years declining from 38% previously. While the portion of companies forecasting job cuts increases only modestly to 12%, the group of cooperates anticipating a situation comparable to the current one, grew by 8% to 63%. The saldo drops from 31 points to 13 points.

Summary II

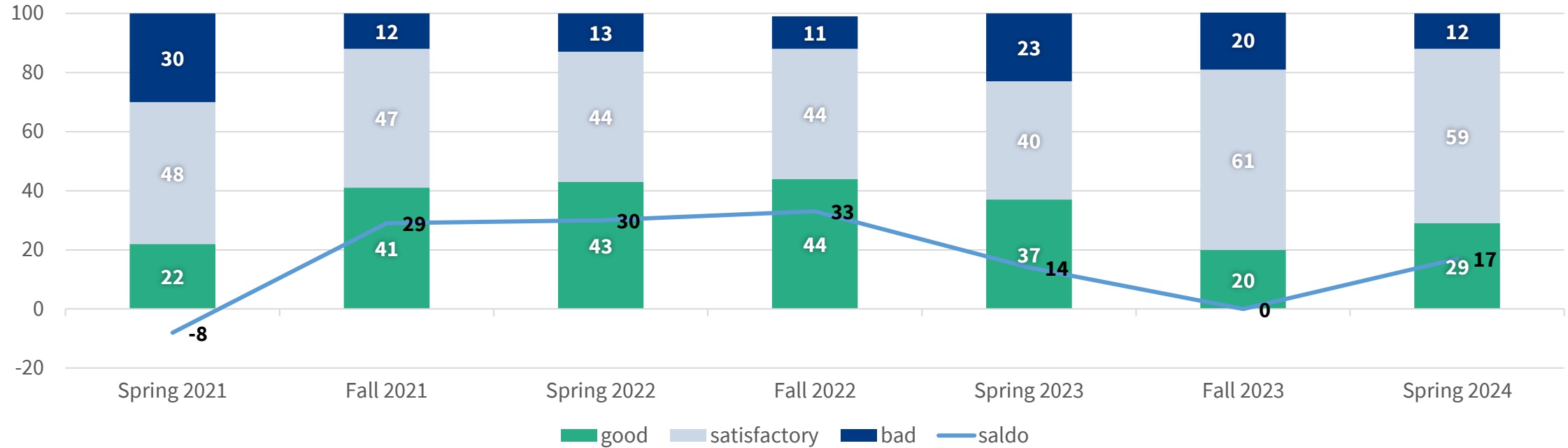
- Demand is still considered by far the **biggest risk factor** marked by more than half of the companies, however decreasing 14% compared to six months ago. Concerns related to labor issues remains relevant: Almost every third participant (36%) expresses unease about labor cost and 29% about the lack of skilled workers. Areas of growing concerns include economic policy conditions, up from 29% to 44%, and trade barriers regulation/preference for local companies going up from 20% to 32%.
- In view of the **increasing geopolitical challenges**, 50% of surveyed German companies in Korea have expanded or are expanding **their supplier networks**, while 30% have plans to do so. 41% of the participating companies have already explored or are in the process of **exploring new sales markets**, while another 46% have plans to do so. 20% of companies have either implemented or initiated a **relocation of production or facilities**. An additional 36% have plans for relocation. In this geopolitical context, 14% of surveyed companies have **either invested or are currently investing increasingly in Korea**, while four out of six companies are in the planning stages. Despite the geopolitical situation, 61% have not initiated or plan an **expansion of the inventory**.
- When examining **obstacles in diversifying supply chains and sales markets**, respondents identify increased legal and regulatory issues, along with high business costs, both with 39%, as the primary challenges. Difficulties in finding suitable suppliers and business partners follow closely at 35%. Every fourth company names trade barriers as an obstacle.
- **Self-assessing the company's preparedness to navigate international crises and geopolitical risks** and looking at factors such as diversified supplier networks, efficient transportation routes and diversified procurement and sales markets, almost every second company, 49%, perceive its preparedness as "average". 42% rate themselves as "good". On the other side, 7% consider their preparedness as "poor".

Summary: Situation and forecast - German companies in Korea

Saldo in points

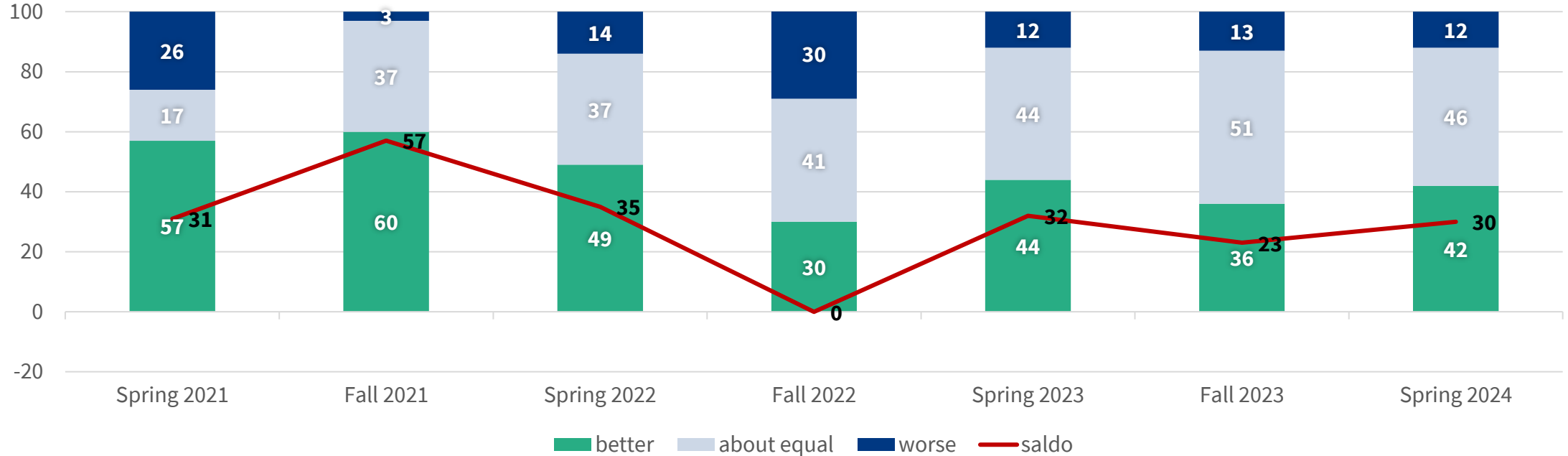


1. How do you assess the current business situation of your company?



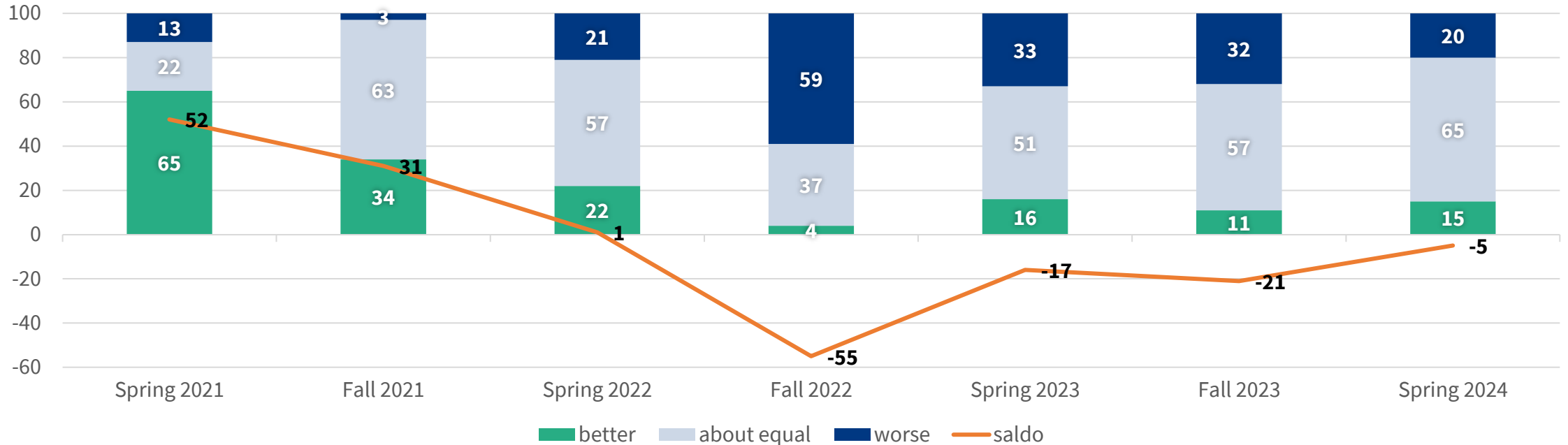
The number of companies assessing the own current business situation as good increases from 20 to 29 compared to six months ago. With only 12 % of companies considering its business situation as bad, the saldo (positive answers minus the negative answers) improves from 0 points to 17 points.

2. Which business development does your company expect for the next 12 months?



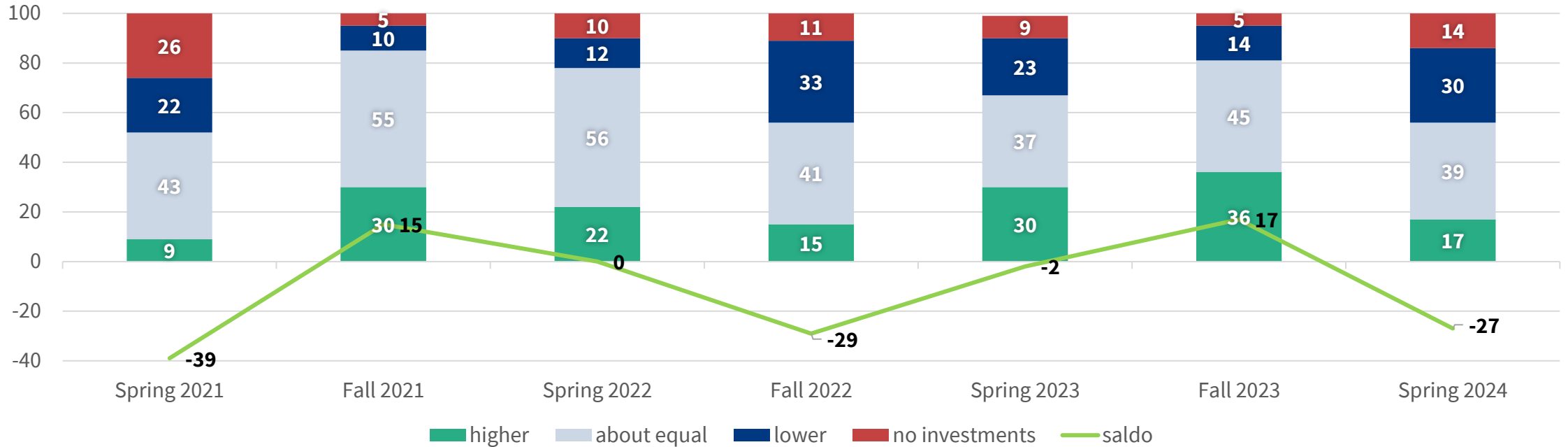
Since last fall 2023, the proportion of companies expecting growth in their Korean operations over the next 12 months has risen from 36% to 42%. Meanwhile, the percentage of those anticipating a worsening situation remain largely unchanged over the past 12 months, hovering between 12% and 13%. 46% of companies anticipate that conditions will remain about the same.

3. How do you judge the local economic development in the next twelve months?



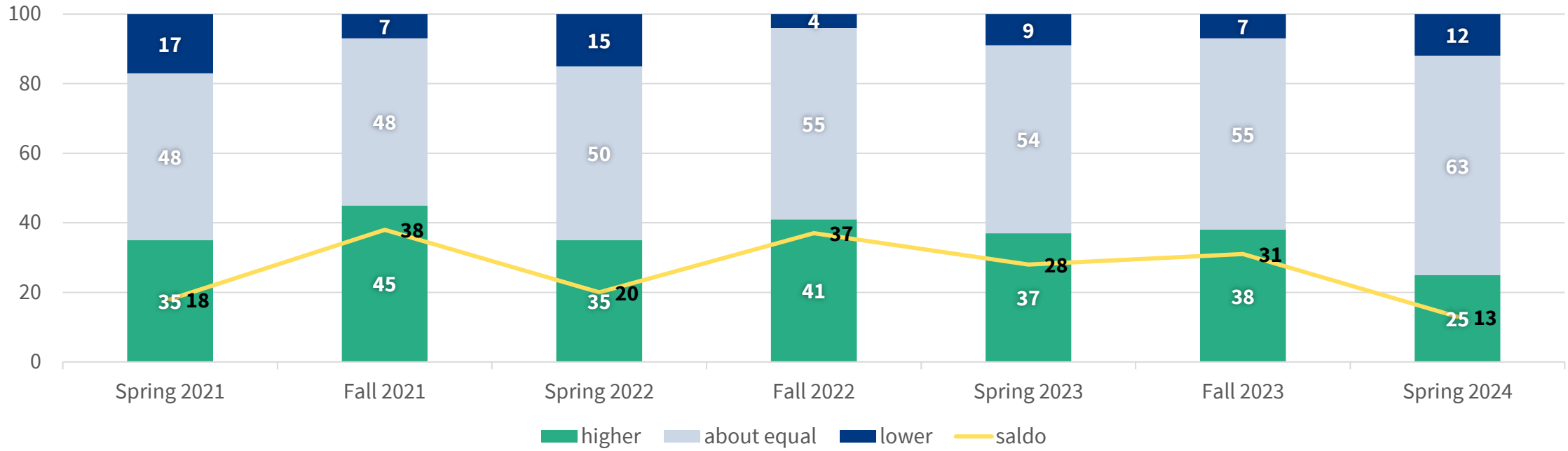
On the one hand side, every fifth companies remains sceptic about the Korean economic development within the next 12 months, the smallest percentage since fall 2021. On the other hand, only 15% are anticipating a positive turn, which is a rise in optimism by 4 % compared the last survey. With an increasing number of companies (65%) expecting the situation to remain about equal, the saldo improves from -21 points to -5 points.

4. How do you think local investments of your company are likely to develop in the next 12 months?



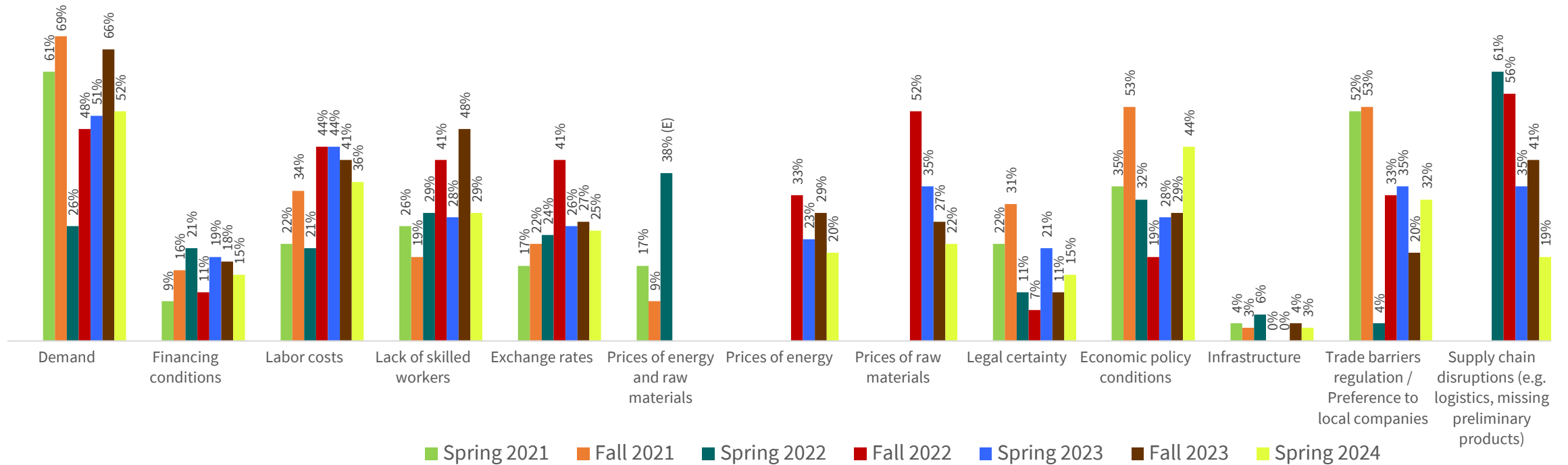
In terms of future investments, the percentage of companies projecting no investments almost triples to 14% within six months. The number of companies that plan lower investment more than doubles to 30%. Conversely, the proportion of companies anticipating higher investments more than halves from 36% to 17% over the same period. As a result, the saldo plummet from 17 points to a -27 points.

5. How do you think local employment of your company is likely to develop in the next 12 months?



Only 25% of the surveyed companies plan to grow their workforce within the coming 12 months, the lowest number in the past three years declining from 38% previously. While the portion of companies forecasting job cuts increases only modestly to 12%, the group of cooperates anticipating a situation comparable to the current one, grows by 8% to 63%. The saldo drops from 31 points to 13 points.

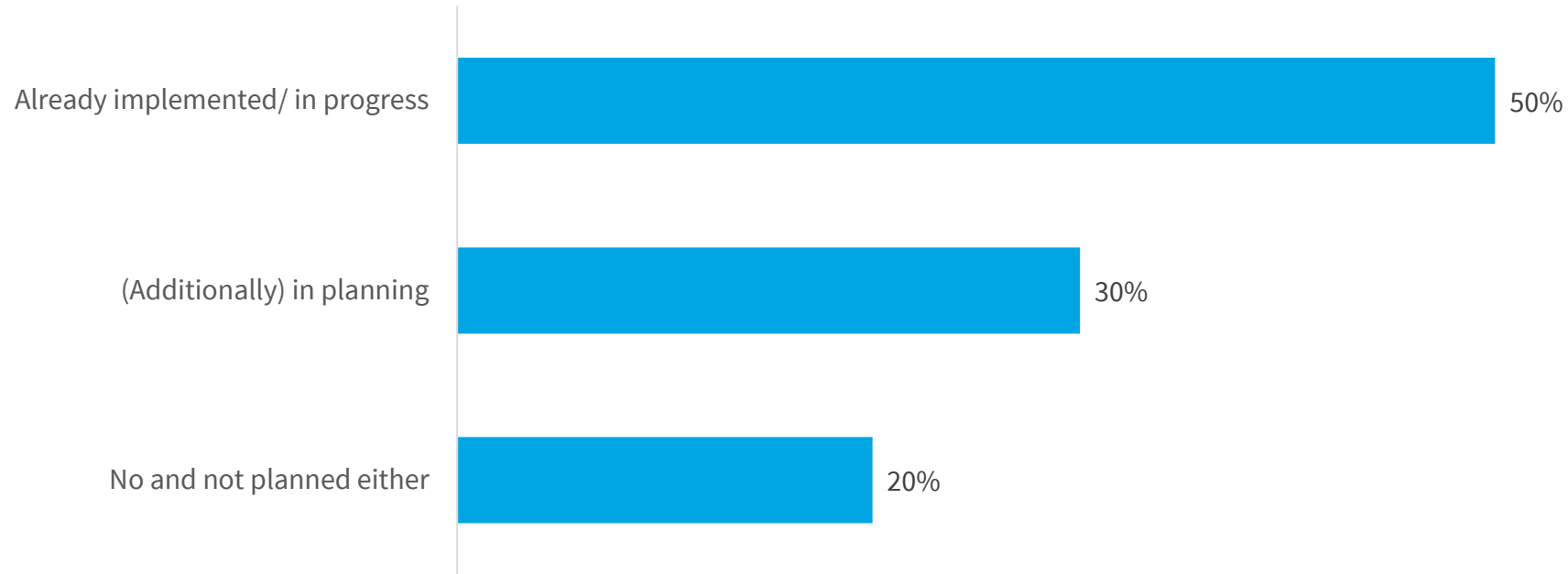
6. What are the biggest risks for your company's economic development in the next 12 months? (Multiple answers possible)



Demand is still considered by far the biggest risk factor marked by more than half of the companies, however decreasing 14% compared to six months ago. Concerns related to labor issues lose percentages while remaining relevant: Almost every third participant (36%) expresses unease about labor cost and 29% about the lack of skilled workers. The latter however is down from 48% six months ago. The percentage of companies viewing supply chain disruptions as a significant risk more than halves, from 41% to 19%. Areas of growing concerns include economic policy conditions, up from 29% to 44%, and trade barriers regulation/preference for local companies going up from 20% to 32%.

7. In view of increasing geopolitical challenges: What measures has your company already implemented and what measures is your company still planning?

Expansion of supplier networks



In view of the increasing geopolitical challenges, 50% of surveyed German companies in Korea have expanded or are expanding their supplier networks, while 30% have plans. 20% have neither current nor planned expansions.

8. In view of increasing geopolitical challenges: What measures has your company already implemented and what measures is your company still planning?

Exploration of new sales markets

Already implemented/ in progress

41%

(Additionally) in planning

46%

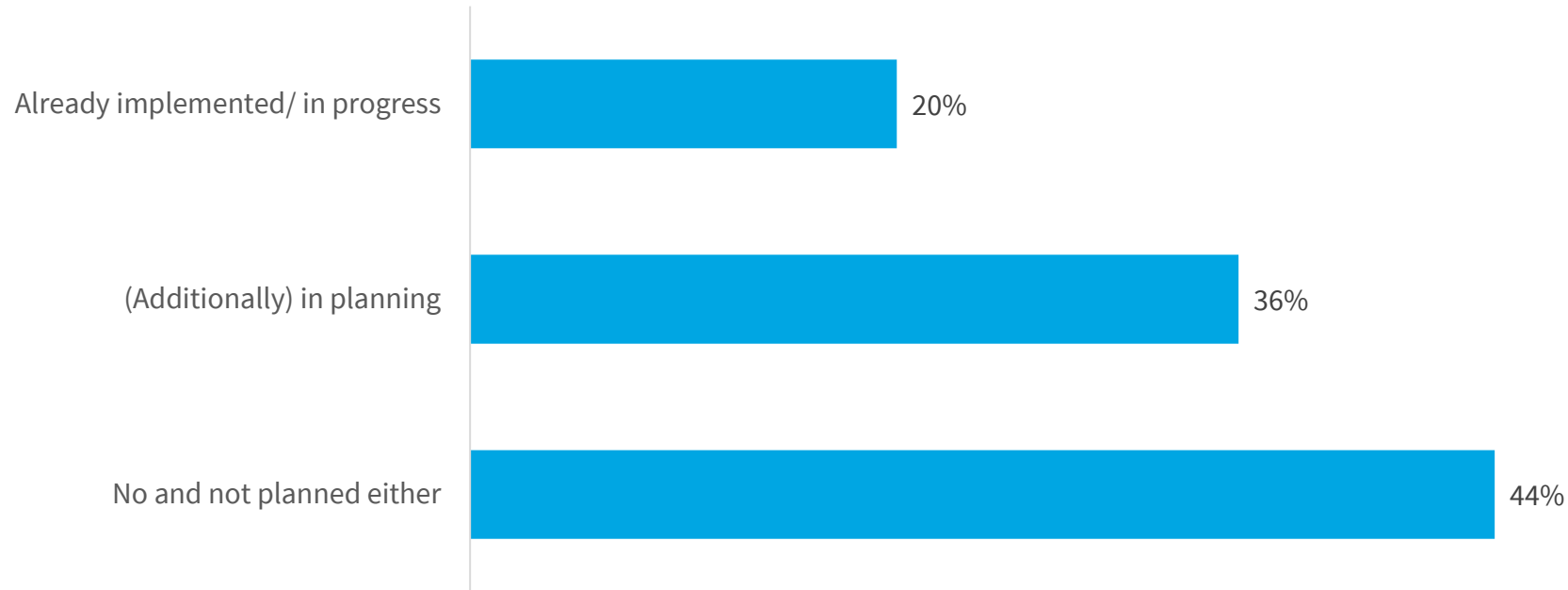
No and not planned either

14%

In a geopolitically increasingly challenging environment, 41% of the participating German companies have already explored or are in the process of exploring new sales markets, while another 46% have plans to do so.

9. In view of increasing geopolitical challenges: What measures has your company already implemented and what measures is your company still planning?

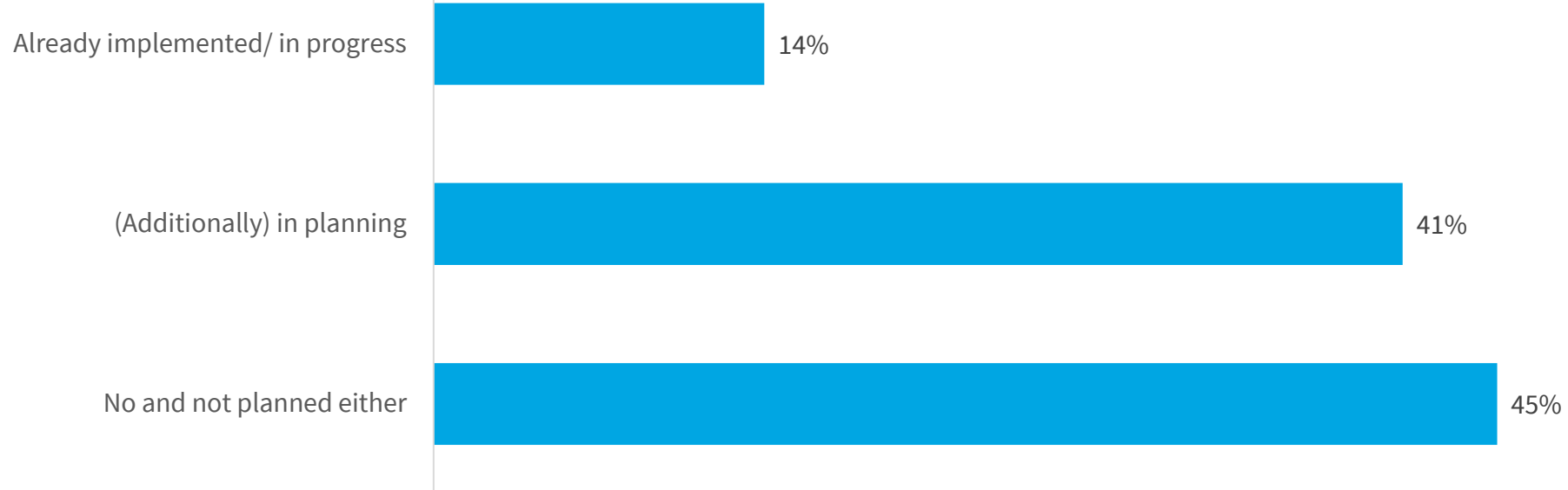
Relocation of production/facilities to new locations



Facing growing geopolitical challenges, 20% of companies have either implemented or initiated a relocation of production or facilities to new locations. An additional 36% have plans for relocation. However, the largest part, accounting for 44%, have neither initiated relocation nor plan to do so.

10. In view of increasing geopolitical challenges: What measures has your company already implemented and what measures is your company still planning?

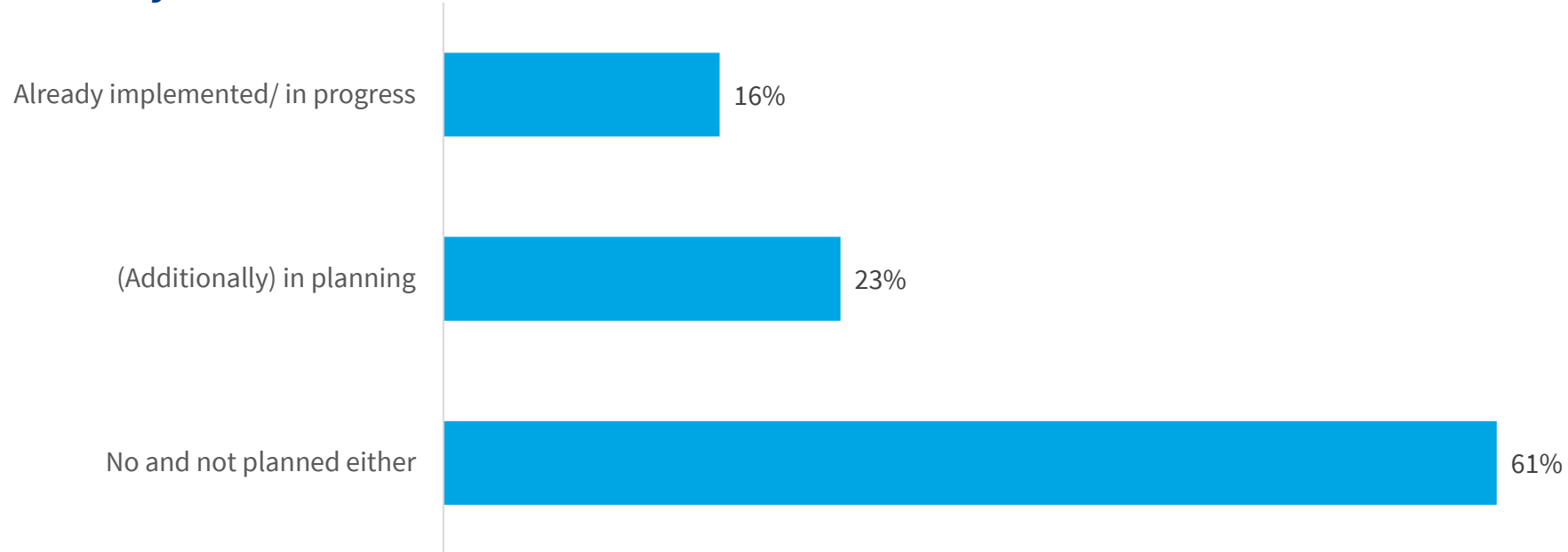
Increase in investments at local site



In view of growing geopolitical challenges, 14% of surveyed companies have either invested or are currently investing increasingly in Korea. 41% are in the planning stages for similar enhanced expenditure. However, a substantial 45% neither have initiated nor have plans for such increases.

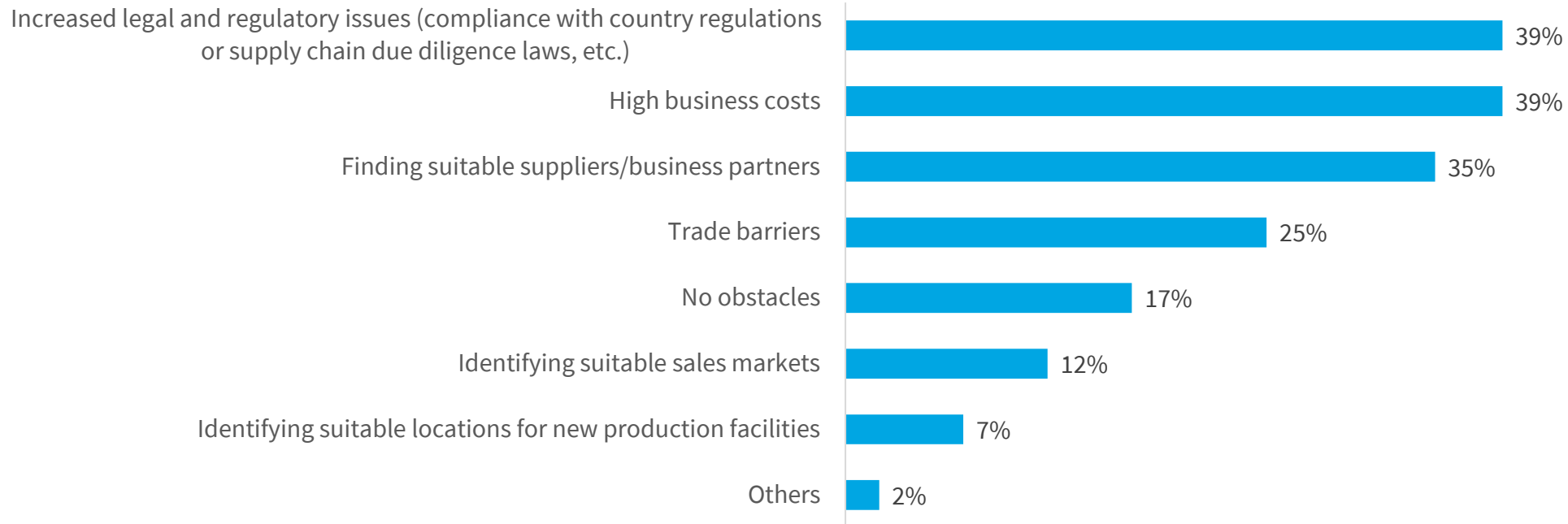
11. In view of increasing geopolitical challenges: What measures has your company already implemented and what measures is your company still planning?

Increase in inventory



Although facing increasingly geopolitical challenges, a notable majority of 61% have not initiated or plan an expansion of the inventory. Only 16% of respondents have already taken steps or are currently progressing towards increased inventory levels. 23% are planning such measures.

12. What obstacles do you see in diversifying your supply chains and/or sales markets?



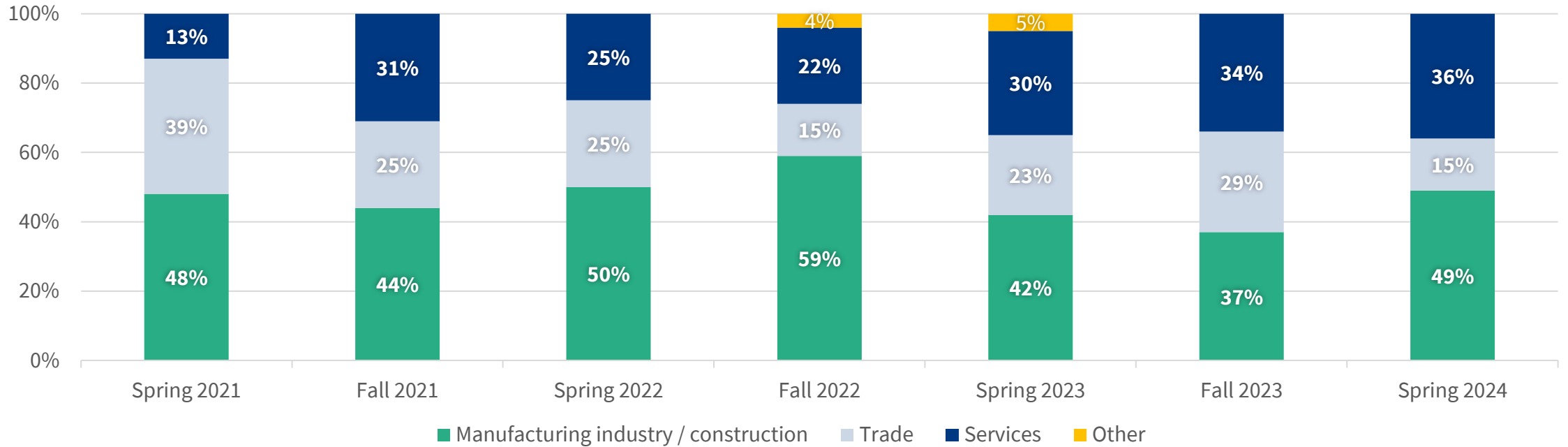
When examining obstacles in diversifying supply chains and sales markets, respondents identify increased legal and regulatory issues, along with high business costs, both with 39%, as the primary challenges. Difficulties in finding suitable suppliers and business partners follow closely at 35%. Every fourth companies name trade barriers as an obstacle.

13. How well do you perceive your company's readiness to address international crises and geopolitical risks (e. g. diversified supplier network, short transportation routes, diversified procurement and sales markets)?

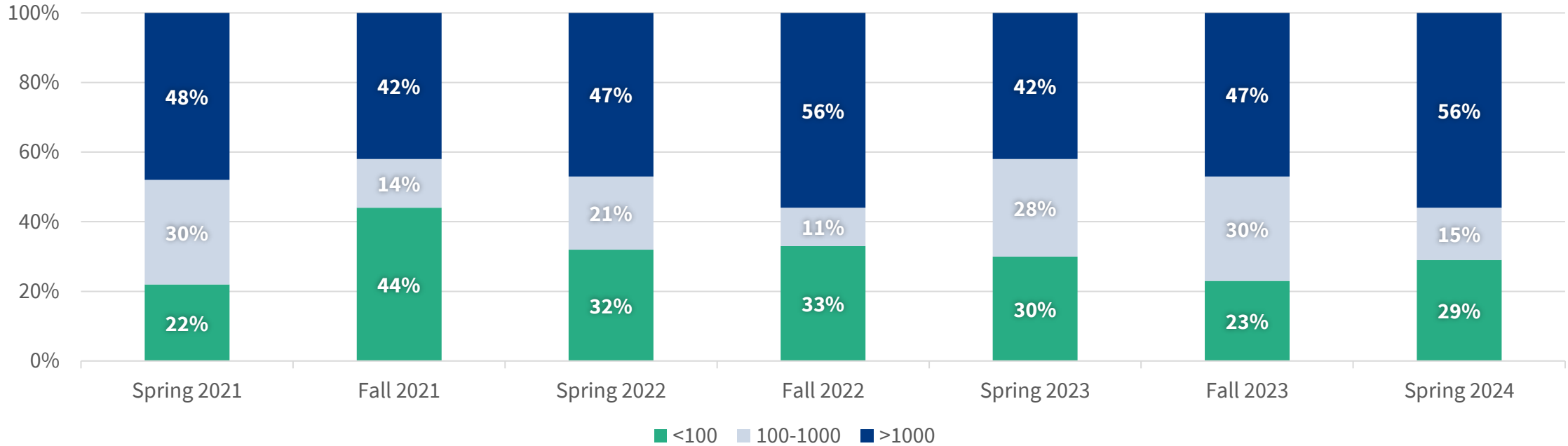


Self-assessing the company’s preparedness to navigate international crises and geopolitical risks and looking at factors such as diversified supplier networks, efficient transportation routes and diversified procurement and sales markets, almost every second company, 49%, perceives its preparedness as “average“. 42% rate themselves as "good“. 2% express even high confidence marking their readiness as "very good“. On the other side, 7% consider their preparedness as “poor”.

14. Participating companies per sector



15. Participating companies per number of employees worldwide



The AHK World Business Outlook is based on a regular DIHK survey of member companies of the German Chambers of Commerce Abroad, Delegations and Representative Offices (AHKs).

This survey collected feedback from more than 4,300 German companies, branches and subsidiaries worldwide as well as companies with close ties to Germany. The survey was conducted from 25 March to 21 April 2024.

59 companies participated in the survey regarding their Korean business.

The global results are also available on the KGCCI website (<https://korea.ahk.de/en/news>)

For inquiries, please contact: pr@kgcci.com