Growth?
– Nowhere in Sight!

DIHK Economic Survey February 2025

DIHK German Chamber of Commerce and Industry

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Contents

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Further results, the questionnaire and information on the survey methodology can be found at www.dihk.de/konjunktur

Key results

Forecast: After two years of recession, the German economy is facing another year of crisis in 2025. The DIHK expects gross domestic product to shrink by 0.5 per cent for the year as a whole.

- There are no signs of an improvement in the economic situation at the start of 2025. Only 26% of businesses currently describe their **business situation** as "good" (unchanged compared to autumn 2024), while 25% speak of a poor situation (unchanged compared to autumn 2024). The situation balance remains unchanged at a low level of one point.

- Companies' **business expectations** remain almost unchanged at the start of the year. A third of companies have negative business expectations (unchanged at 31 per cent). The proportion of companies that expect business to improve over the next twelve months has risen slightly to 14 per cent (previously 13 per cent). Accordingly, the balance of expectations has only risen from minus 18 to minus 17 points.

- For the first time since the survey of **business risks** as part of the DIHK economic survey, economic policy conditions are the most frequently cited business risk. At 60 per cent, they are at an all-time high (previously 57 per cent). Just under 7,000 companies made use of the free text response option for the economic policy framework conditions. The most frequently mentioned keyword by far was "bureaucracy". The second and third most common business risks are domestic demand (59 per cent) and labour costs (56 per cent, all-time high).

- Industry's **export expectations** have improved slightly, but remain negative on balance despite a reasonably robust global economy: 28 per cent of companies expect exports to fall over the next twelve months, while only 20 per cent expect them to rise. The balance of export expectations improved by four points to minus eight points. The short-term improvement at the current margin should not conceal the deterioration compared to the previous year.

- Companies remain very hesitant about their **investment plans** in Germany. Once again, only 23 per cent of companies are planning to increase investment and a third say they intend to reduce investment. At minus ten points, the balance of investment intentions remains at the level of autumn 2024 and is therefore once again well below the long-term average of plus three points.

- Only twelve per cent of companies are planning for an increase in employment in the coming months, while almost one in four (22 per cent) are expecting fewer employees. Although the resulting balance of minus ten points is well below the long-term average (zero points), it has increased by two points compared to the previous survey. Compared to the previous year, however, there was a decrease of two points.

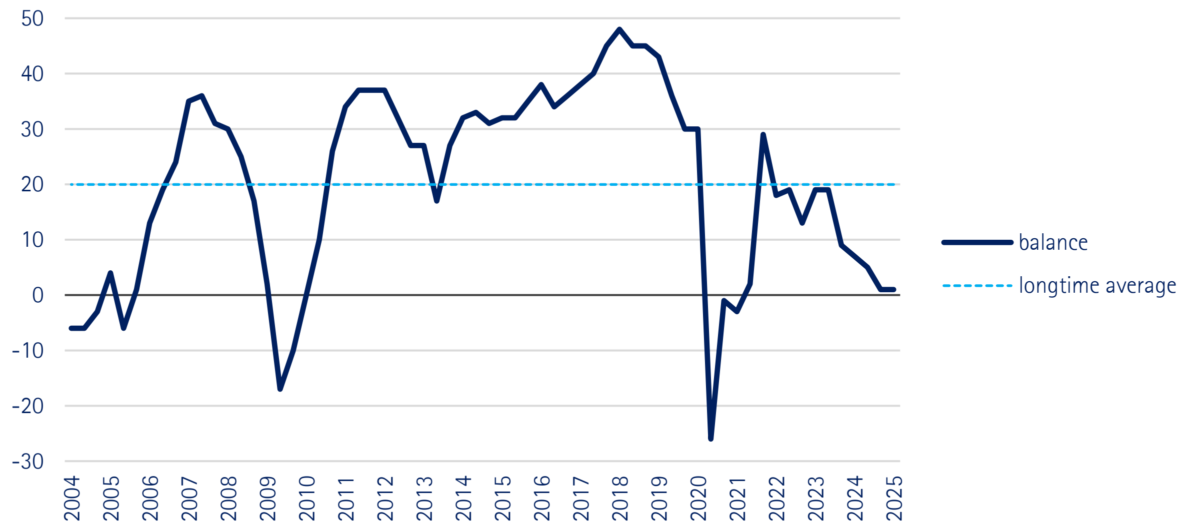
- A tense business situation and negative business expectations have led to a slight increase in the proportion of companies reporting financing difficulties. Two out of five companies (42 per cent compared to 41 per cent previously) consider their **financial situation** to be problematic.

Current business situation of companies

There are no signs of an improvement in the economic situation at the start of 2025. The economy remains in a phase of stagnation with no signs of a real recovery. Burdens such as structurally high energy costs, global uncertainties and economic upheaval are dampening economic activity in the long term. Only 26% of companies currently rate their business situation as "good" (unchanged compared to autumn 2024), while 25% say the situation is poor (unchanged compared to autumn 2024). The balance of "good" and "poor" responses remains at one point. It well below the long-term average of 20 points.

When analysed by company size, there are no major changes compared to the previous survey. The economic slump is particularly evident among small and medium-sized enterprises. In companies with one to 19 employees, the balance slipped into negative territory at minus one point (previously plus one point). In the size category of 19 to 200 employees, the balance remains unchanged from the previous survey at zero points. Companies with 200 employees or more are showing slight signs of recovery. In the 200-999 employee size category, the balance rose from zero to five points; for companies with 1,000 employees or more, it rose from five to eight points. Nevertheless, the balance here is also well below the average of the last few years of 27 and 28 points.

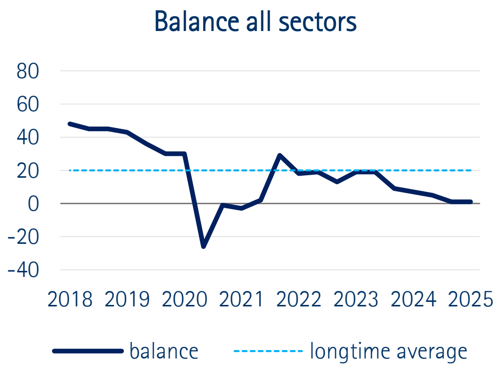
Business situation of companies (balance of good minus bad responses, long-term average since 2003)

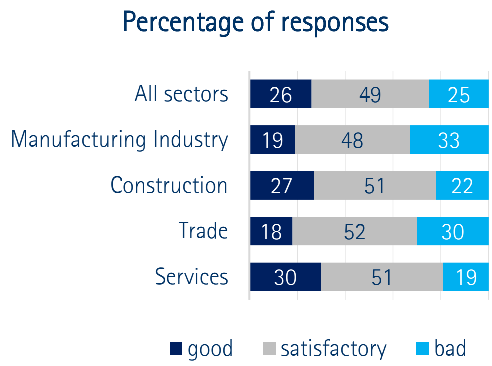


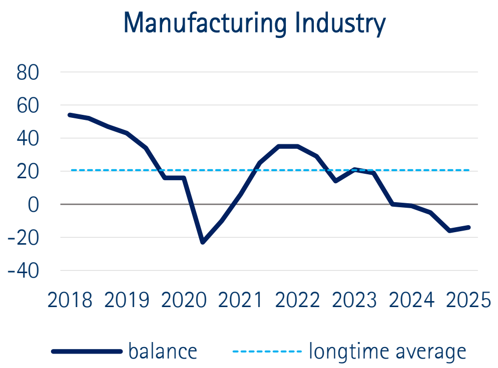
Manufacturing Industry cannot find a way out of its structural crisis. A persistently weak order situation, high costs and uncertain economic policy conditions are depressing the mood of many industrial companies. As in the previous survey, only 19 per cent of companies rate their current situation as good, while a third rate it as poor (33 per cent compared to 35 per cent previously). At minus 14 points, the situation balance is in negative territory (previously 16 points) and remains well below the long-term industry average of 21 points.

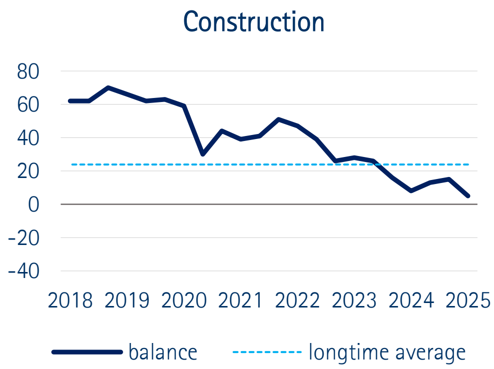
The situation is particularly bleak for energy-intensive **intermediate goods producers**. Despite a slight improvement of four points (minus 26 after previously minus 30 points), the negative balance is clear evidence of the existing challenges. Reduced competitiveness due to high energy and raw material costs, economic policy uncertainties and weak demand are having a massive impact on companies. Metal producers and processors as well as the paper industry have been hit particularly hard, with balances remaining unchanged compared to the previous survey at minus 44 and minus 37 points respectively. The situation in the quarrying and mining industries is also extremely critical: only nine per cent of companies in these sectors rate their business situation as good, while almost a third of companies report a poor situation (29 per cent). The balance thus continues to fall, to minus 20 points from the previous minus 15 points.

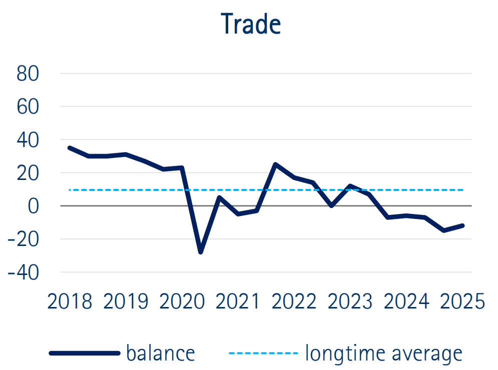
Business situation of companies (balance of good minus bad responses, long-term average since 2003)

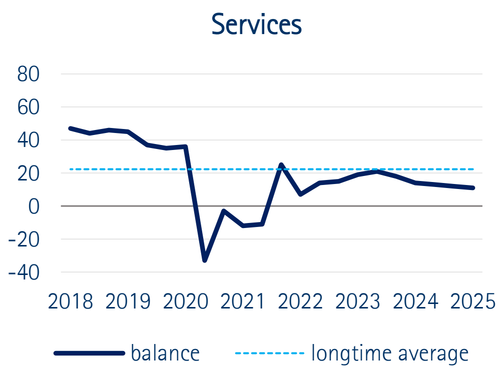












The situation assessments of **capital goods manufacturers** are stagnating at minus eleven points (unchanged compared to autumn 2024). The situation in the automotive industry in particular remains extremely critical and shows hardly any signs of improvement: at minus 30 points, the balance remains almost at the level of the previous survey (minus 31 points). Despite minimal growth in incoming orders and somewhat more optimistic export expectations, the sector remains under massive pressure. Ongoing uncertainties in demand and regulatory requirements such as the ban on combustion engines in Europe as well as geopolitical risks are preventing a sustainable stabilisation. This is also having an impact on the business situation in large supplier industries such as machine tool manufacturing. The order situation there is also poor. Companies are also struggling with economic uncertainties and are suffering from the regulatory environment. The situation balance fell significantly by 17 points to minus 49 points. This is the industry's worst score since the coronavirus crisis.

The reluctance to consume is also affecting the business of **manufacturers of consumer goods**. Although the situation has recovered slightly by four points compared to the previous survey, it is still well below the long-term average (13 points) with a balance of minus four points. The situation in the clothing and textile industry remains particularly poor, with a balance of minus 18 points compared to minus 19 points previously.

Alongside industry, **retail** has established itself as one of the biggest sources of concern for the economy. Here, only 18 per cent of companies rate their current situation as good (compared to 17 per cent previously), while three out of ten companies rate the situation as poor (30 per cent compared to 32 per cent previously). The situation in wholesale is particularly critical. Although the balance points to a slight improvement (minus 18 points compared to 22 points previously), wholesale companies are struggling with weak demand from industry, ongoing problems in supply chains and an uncertain economic outlook. Retailers are feeling the effects of consumers' reluctance to spend. The rising cost of living, concerns about job security and the tax and duty burden are depressing the mood to spend. Although the balance in the retail sector has improved slightly compared to the previous quarter by two points to minus ten points - possibly an effect of the Christmas business - the situation remains bleak.

The **construction industry** is suffering from the economic situation and is also facing a seasonal slump in orders. More than one in four construction companies rate their situation as good at the start of 2025 (27 per cent, compared to 32 per cent previously), while 22 per cent report a poor business situation (compared to 17 per cent previously). The balance thus fell significantly from 15 to five points. The balance has also fallen by three points compared to the previous year's survey, making this the worst assessment of the situation since the 2008/2009 financial crisis. Looking at the individual sectors of the construction industry, it is clear that there are considerable differences. Civil engineering is comparatively stable and continues to benefit from the realisation of planned projects in the transport and energy infrastructure sectors. The situation balance rose from 19 to 24 points compared to the previous year's survey. However, the balance fell by six points compared to autumn 2024 due to seasonal factors. In building construction, however, the downturn of the last two years is continuing. Compared to the previous year's survey, the balance remains at a consistently low level of minus seven points. Compared to autumn 2024, the balance has fallen by five points. The sector is facing numerous challenges. In addition to high construction costs, the shortage of skilled labour and economic conditions in particular are having a negative impact on companies' planning security and order situation. This picture is also continuing in the finishing trade. The balance has fallen from 27 to 14 points.

Compared to the other sectors, **service industry** reports a predominantly positive situation: one in three companies rate their business situation as good (30 per cent after 31 per cent previously), whereas 19 per cent of service providers report poor business, the same number as in the previous survey. The balance of the situation assessment fell again slightly from twelve points to eleven points.

The **predominantly business-related service providers** are robust overall, with a balance of 17 points (previously 15 points). Sub-sectors such as legal and tax consultancy (balance of 55 points, unchanged compared to autumn 2024), insurance companies (44 points compared to 32 points previously) and IT service providers (19 points compared to 18 points previously) contributed to this positive result. There was also a slight upturn in the research and development sector. The balance has risen from two points previously to ten points currently. This could be due to increased innovation efforts undertaken in response to the current challenges. However, these positive developments should not obscure the fact that the situation for other business-related service providers remains very tense. The situation is particularly serious in the recruitment and leasing of labour, where the balance reached a new low of minus 33 points. The economic weakness, declining willingness to invest and the resulting tense situation on the labour market are particularly noticeable here.

The balance of **mainly personal service providers** fell slightly from 17 to 15 points. This decline indicates a subdued market development overall. A shortage of skilled labour, rising wage costs and weak consumer sentiment are now also affecting this consumer-related sector. The situation in health and social services has also deteriorated from 19 to 14 balance points.

The business situation in **the hospitality industry** is deteriorating. Here, the situation slipped into negative territory at minus eight balance points (previously four points). Overall, the costs of energy, labour and food have risen sharply, and the shortage of staff is also being clearly felt by businesses. In the accommodation sector, the balance fell to minus nine points (previously six points), in the catering sector to minus seven points (previously minus one point).

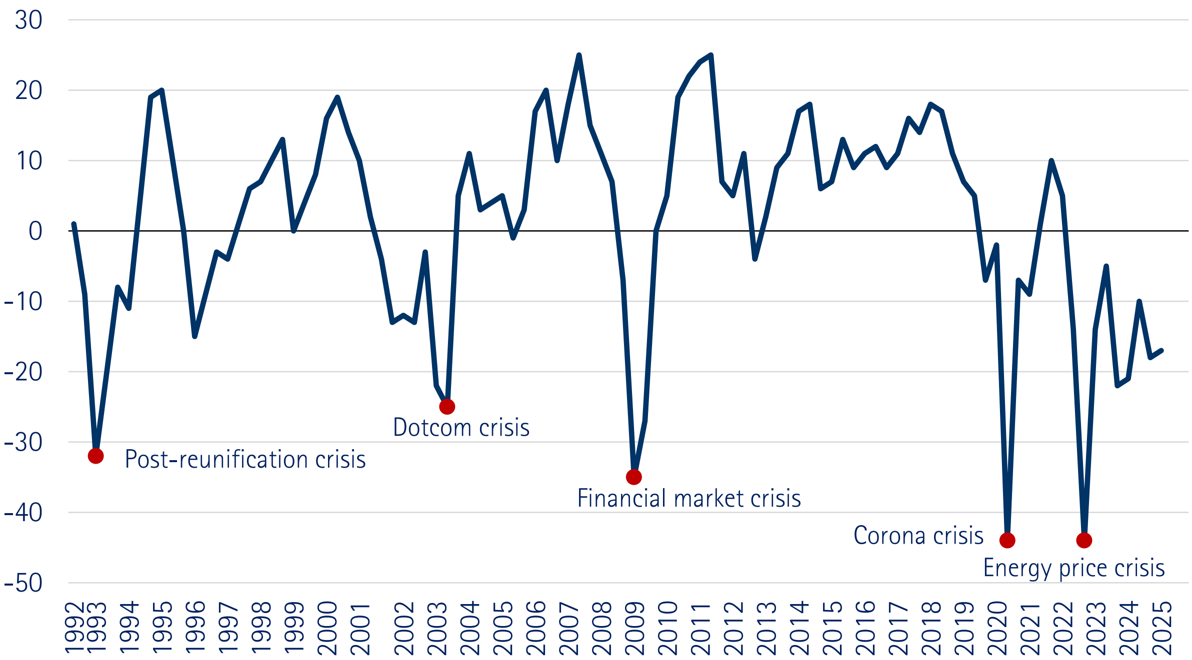
The gloomy business situation in the **transport and warehousing** sector has not changed compared to autumn (balance minus six points). The mood in transport thus remains more negative than in the economy as a whole. One of the main reasons for this is the sharp rise in costs. The government has made a considerable contribution to this with the increase in the truck toll in December 2023, the extension of the toll to smaller commercial vehicles over 3.5 tonnes from July 2024 and the increase in air traffic tax in May 2024. The challenge for road freight transport was to be able to pass on the additional costs to a greater extent to customers. This has been successful and has further reduced margins. However, the transport industry is not only suffering from increased costs. In road transport, bottlenecks and detours due to dilapidated bridges are leading to longer journey times, making scheduling more difficult and further exacerbating the problem of driver shortages. Added to this is the uncertainty surrounding the energy and drive transition. Although the transport industry is ready for this, it complains about the low availability of non-fossil fuels and vehicles with alternative drive systems. The high costs, lengthy planning and authorisation procedures and the high level of bureaucracy involved in setting up charging infrastructure and inadequate electricity grids are also hampering implementation.

Business expectations of the companies

Companies' business expectations remain almost unchanged at the start of the year. A third of companies have a negative outlook for the future (unchanged at 31 per cent). The proportion of companies that expect business to improve over the next twelve months has risen slightly to 14 per cent (previously 13 per cent). Accordingly, the balance of expectations only changed from minus 18 to minus 17 points. This is only four points above the previous year's figure and well below the long-term average of three points. Uncertainty about the economic policy course of the future German government is making companies cautious. This is compounded by a weak domestic economy, subdued demand from abroad and structural problems such as a shortage of skilled labour, rising labour costs and continued high energy and raw material prices.

In terms of company size, the picture is mixed. Among large companies (more than 1,000 employees), the balance of expectations has turned positive (balance of three points after previously minus two points). In the rest of the SME sector, but particularly among small companies with fewer than 20 employees, expectations remain at a very negative level (balance unchanged at minus 21 points).

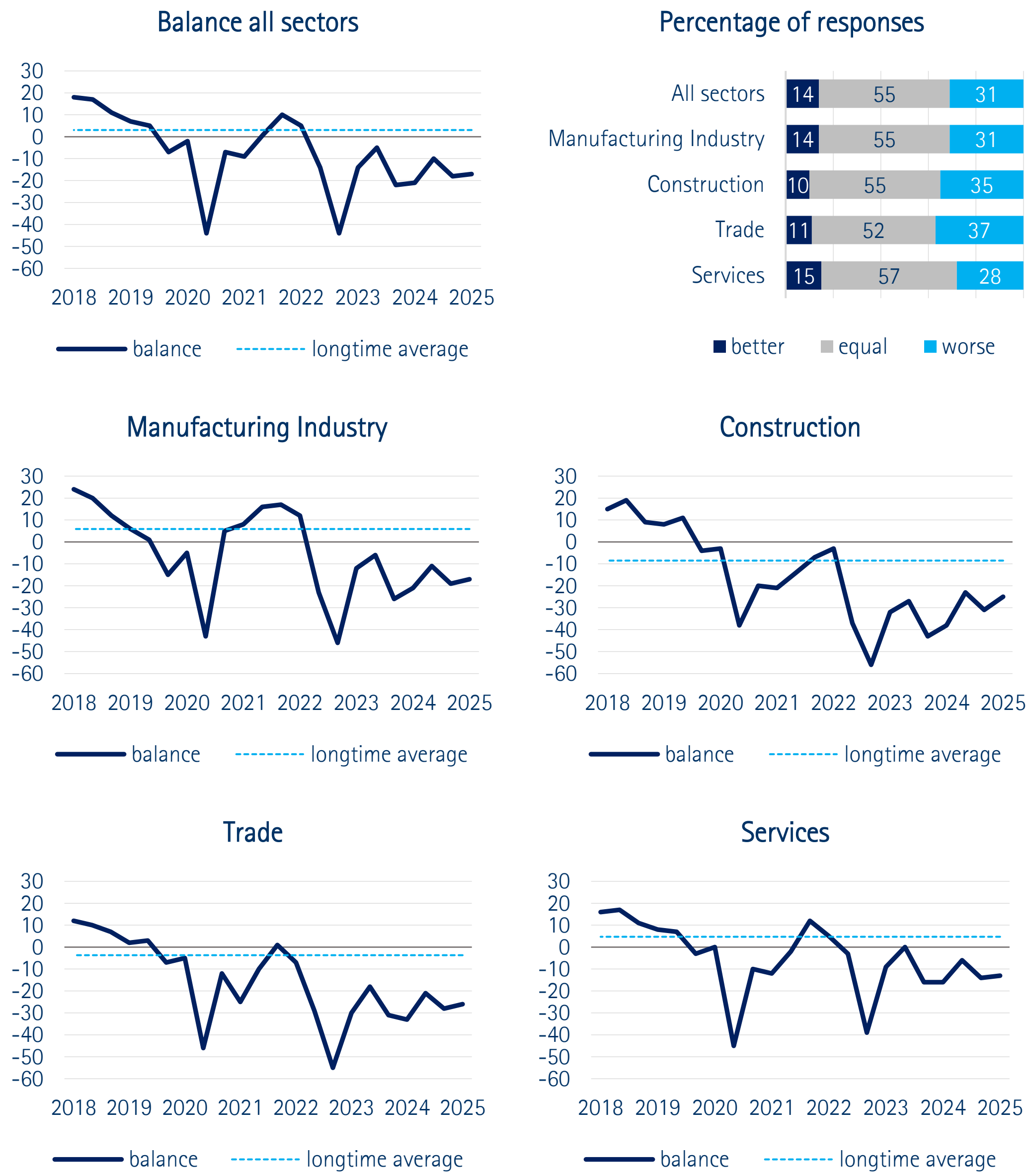
Business expectations of companies (balance in points, long-term average since 2003)



The **manufacturing industry** is suffering from a lack of domestic orders, in addition to numerous structural concerns, as high energy and raw material prices, oppressive labour costs and uncertain economic policy conditions. Despite a reasonably robust global economy, companies in the manufacturing sector are also expecting little impetus from foreign business. This is having a negative impact on business expectations overall: only 14 per cent of companies expect an improvement in the coming twelve months (previously also 14 per cent), while a third (31 per cent after 33 per cent previously) expect business to deteriorate. Although the balance rose by two points to minus 17 points, it is significantly below its long-term average (plus six points).

Business expectations of

(balance of better minus worse responses, long-term average since 2003)



Manufacturers of intermediate goods are often energy-intensive companies. They see their competitiveness under threat, particularly due to the continuing high energy costs in Germany compared to other countries. 71 per cent cite energy and raw material prices as a business risk. A third of companies (34 per cent after 37 per cent previously) expect their business to deteriorate over the next twelve months. Only 13 per cent (unchanged) expect an improvement. Although the balance of positive and negative expectations has increased slightly, it still remains clearly pessimistic at minus 21 points. The mood is worst among companies in the glass, ceramics and stone processing sector. Despite an improvement compared to autumn, expectations remain deep in the red (balance of minus 27 after previously minus 39 points). The outlook is only slightly better in the metal production and processing sector (balance of minus 23 after previously minus 22 points). Expectations in the chemical industry darkened slightly from minus nine to minus ten points, but are slightly better than in the sector as a whole.

Against the backdrop of ongoing structural problems and weak demand, the business expectations of **capital goods manufacturers** remain in negative territory. A third of companies expect business to deteriorate over the next twelve months (32 per cent after 33 per cent previously). Only 15 per cent (previously 16 per cent) expect an improvement. The balance of positive and negative expectations thus remains at minus 17 points. Expectations have even worsened slightly compared to the previous year (balance at the start of 2024 at minus 16 points). In the automotive sector, expectations have improved significantly by ten points. However, with a current balance of minus 24 points, they are still far below the long-term average of plus four points. In contrast, the outlook for other vehicle construction is predominantly positive. The sector is characterised by volatile large orders and is currently able to participate in the "turnaround". In mechanical engineering, however, expectations remain gloomy due to high costs, sluggish demand and increasing international competitive pressure. The balance of business expectations remains unchanged at minus 18 points. However, expectations in the machine tool industry in particular have collapsed, falling by 14 points to minus 42 points.

Expectations among manufacturers of **consumer goods** are the least gloomy. More than a quarter (26 per cent, up from 28 per cent previously) expect business to deteriorate, while 16 per cent (up from 15 per cent previously) anticipate an improvement. This brings the balance of business expectations to minus 10 points. The pharmaceutical industry stands out positively. The sector is not only one of the beneficiaries of the demographic trend, but is also hoping for an improvement in the general conditions as a result of the German government's pharmaceutical strategy. The balance of business expectations rose by two points to 23 points, which is significantly higher than the long-term average of 16 points.

Persistently high interest rates and high costs, e.. for building materials, are weighing on business expectations in the **construction industry**. Although expectations are brightening slightly overall, they remain gloomy in the construction sector. Only one in ten companies (compared to seven per cent previously) expect business to improve over the next twelve months. In contrast, 35 per cent (compared to 38 per cent previously) expect a deterioration. The balance of expectations is minus 25 points. This is six points more than in autumn and 13 points more than a year ago. Companies in the building construction sector do not yet expect the poor order situation in residential construction or commercial construction to improve significantly. Almost two thirds of companies still cite domestic demand as the most frequent risk (64 per cent compared to 61 per cent previously). The balance of positive and negative expectations in building construction is accordingly at minus 26 points (previously minus 34 points). In civil engineering, companies are particularly concerned about the shortage of skilled labour and labour costs. The balance of business expectations remains at minus 26 points. Expectations also remain gloomy in the finishing trade (balance of minus 23 after previously minus 28 points).

Business expectations in the **trade** sector remain gloomy. In addition to weak demand, companies are also very concerned about labour costs and uncertain economic conditions. Almost two in five retailers (37 per cent compared to 38 per cent previously) expect business to deteriorate, while only just over one in ten companies (eleven per cent compared to ten per cent previously) anticipate an improvement. The balance rises by two points to minus 26 points. There is hardly any difference between wholesale and retail (retail balance of unchanged minus 26 points; wholesale balance of minus 26 points after previously minus 28 points).

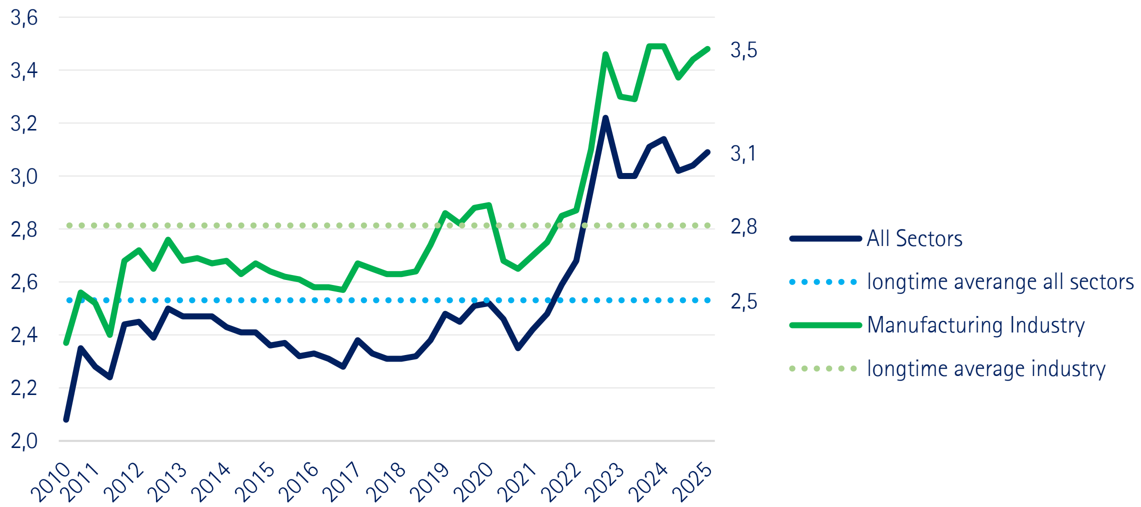
Compared to the other sectors of the economy, business expectations in the heterogeneous **service sector** are still the least gloomy. Just over a quarter of companies (28 per cent) continue to expect business to deteriorate, while 15 per cent (previously 14 per cent) have positive expectations. The balance rose slightly by one point to minus 13 points. This is well below the long-term average of five points. Expectations remain particularly weak in the hospitality industry. Concerns about rising costs are high, particularly with regard to staff deployment. 73 per cent of businesses in the hospitality industry cite labour costs as a business risk. This is almost a record high (74 per cent). Accordingly, business expectations remain deeply negative with a balance of minus 29 (after previously minus 32 points). Companies in the transport and logistics sector are also pessimistic. High energy and fuel prices and economic policy conditions are causing problems for the sector. The balance of business expectations fell by two points to minus 28 points. In contrast, the outlook for financial and insurance service providers is balanced. At zero points (down from four points), the balance of business expectations is only slightly below the long-term average of two points. The insurance industry in particular has a predominantly positive assessment with a balance of 20 points (after previously 19 points).

Business risks of the companies

The pressure of problems remains high in many areas of the economy. Since the start of the Russian war in Ukraine, the number of business risks facing companies has skyrocketed. However, it is not only economic risks, such as weakening domestic demand, that are putting pressure on the economy. Structural problems such as uncertain economic policy conditions, labour costs, a shortage of skilled workers and the continuing high prices of energy and raw materials are also causing concern. There are a total of eight different business risks to choose from in the survey. Currently, a company names an average of 3.1 different risks. This is only just below the peak value of 3.2 in autumn 2022, with industry even reaching a record high of 3.5 mentions.

DIHK Risk Indicator

Number of business risks mentioned (8 risks to choose from, multiple answers possible)



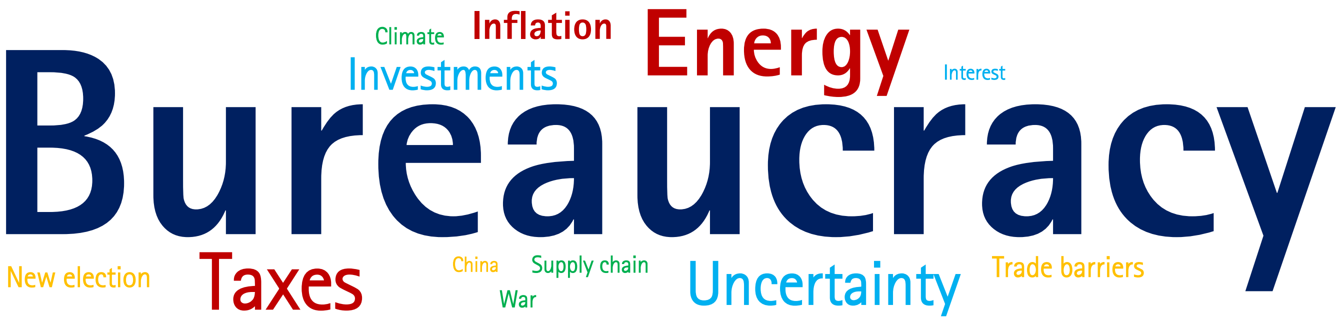
* In each wave of the DIHK Economic survey, the following eight business risks are surveyed: Domestic demand, foreign demand, lack of skilled workers, labour costs, energy and raw materials, funding, exchange rates, economic policy conditions.

For the first time since the survey on business risks in the DIHK economic survey, **economic policy conditions** are the most frequently cited risk. At 60 per cent, they are at an all-time high (previously 57 per cent). They are mentioned particularly often as a risk in manufacturing industry (63 per cent compared to 60 per cent previously). Just under 7,000 companies made use of the free text response option for the economic policy framework conditions. The most frequently mentioned keyword by far was "bureaucracy". Around 47 per cent of the free text responses included the problem of bureaucracy. Companies see further economic policy risks in energy, taxes, planning uncertainty, lack of investment and trade barriers. In addition, five per cent of companies cite uncertainties with regard to the early general election.

Companies cite **domestic demand** as a business risk only slightly less frequently than the economic policy environment (unchanged at 59 per cent). This reflects not only the reluctance of consumers to spend, but also the weakness and persistent slump in orders in German industry. Seven out of ten industrial companies (70 per cent compared to 71 per cent previously) fear weak domestic demand, which is only just below the high of 74 per cent from early summer 2020. In addition to the persistently low investment plans in Germany, this is also due to the industry's reduced competitiveness. In addition, sluggish industrial production in the developed economies is also depressing incoming orders in the manufacturing sector. This is evidenced by the fact that almost half (45 per cent) of export industry companies, and thus an above-average number, see **foreign demand** as a business risk. The long-term average is 40 per cent.

Keywords most frequently mentioned by companies when describing economic risks

(analysis of around 7,000 free text responses)



At 68 per cent (previously 70 per cent), businesses in the retail sector also cite domestic demand as the most frequent business risk. Despite higher incomes, consumers continue to hold back on consumption. If the two exceptional coronavirus years 2020/2021 are disregarded, the savings rate of private households (11.6 per cent in 2024) is at its highest level since 1996, according to the Bundesbank. Companies are also exercising restraint in the form of low investment in the face of the poor economy. In the construction industry, domestic demand is one of the most common concerns (58 per cent after 56 per cent previously). Concerns about declining demand are least pronounced in the services sector, although here too just over half of companies now mention the risk (53 per cent compared to 49 per cent previously).

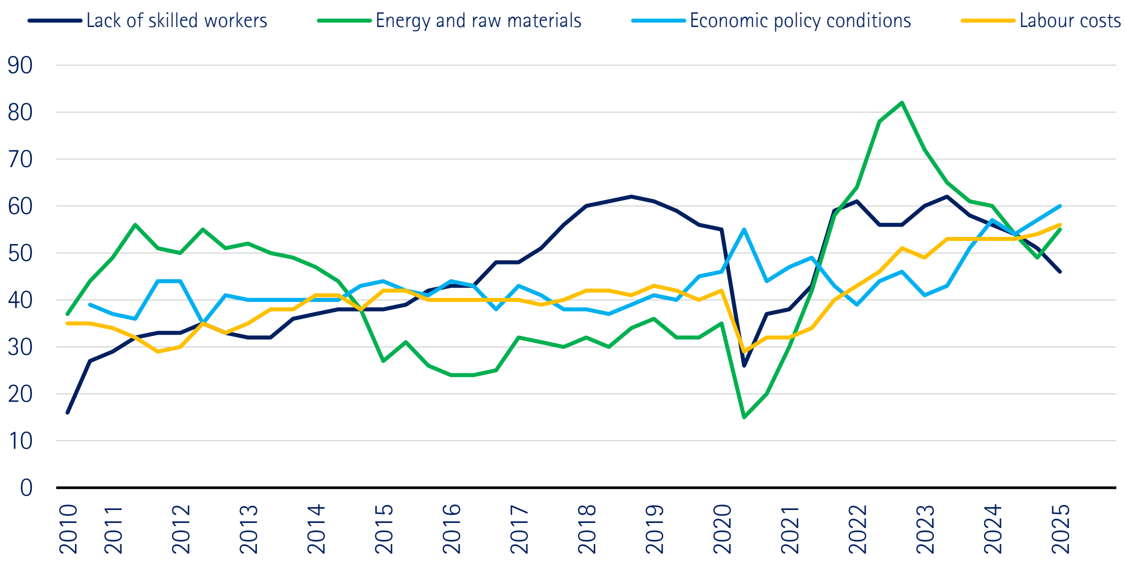
Labour costs are the third most frequently cited business risk. In all four economic sectors, more than every second company is concerned about the development of labour costs. In industry, it is even three out of five companies (60 per cent). This is not only due to wage increases as a result of the high inflation rates in the meantime. Demographically induced labour shortages are also making skilled workers scarcer and therefore more expensive. Added to this is the increasing burden on social security schemes.

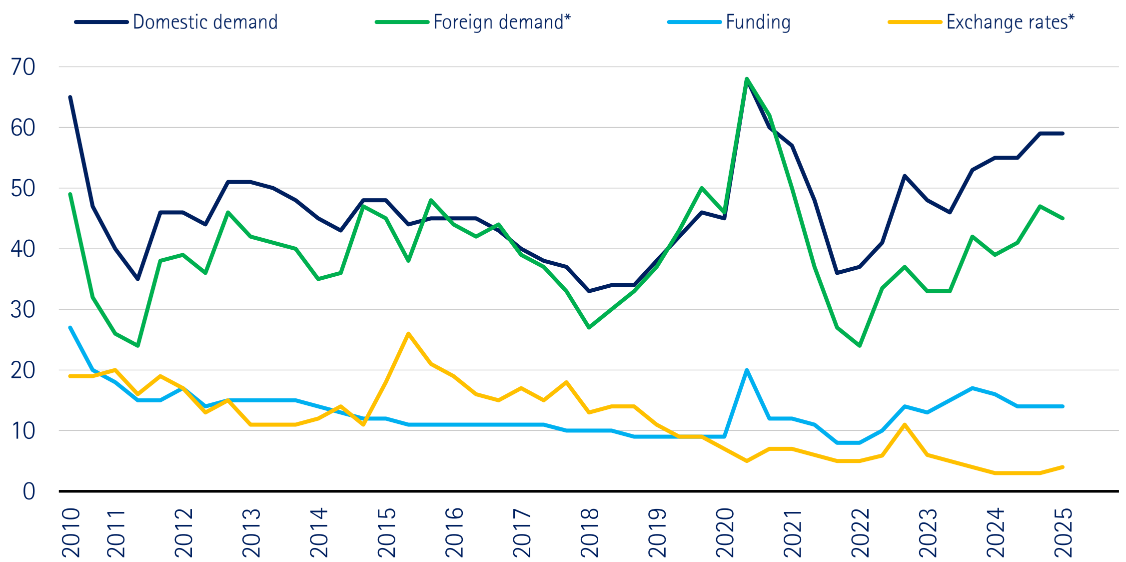
After the start of the Russian war of aggression in Ukraine almost three years ago, **energy and commodity prices** were the biggest business risk for the German economy for a long time. Gas and electricity prices are still well above pre-crisis levels and have recently risen again. The proportion of companies citing energy and commodity prices as a business risk has therefore risen again from 49 per cent to 55 per cent. Where energy is one of the major cost blocks, two thirds to three quarters of companies even see this as a business risk for the coming twelve months (manufacturing industry: 66 per cent after 58 per cent; energy-intensive industry: 76 per cent after previously 66 per cent)

The prolonged period of economic weakness is gradually making itself felt on the labour market. Demographic trends are ensuring that even in the current difficult economic phase, the **shortage of skilled labour** remains a challenge for many companies. However, the pressure is currently continuing to ease as demand for labour is falling. The bottom line is that almost one in two companies (46 per cent, compared to 51 per cent previously) report a shortage of skilled workers as a business risk. In view of the ageing society, the lack of qualified labour will remain a structural challenge for companies. As in previous surveys, the shortage of skilled labour is the most frequently cited risk in the construction industry. Despite the weak construction sector, almost three out of five companies (59 per cent compared to 65 per cent previously) complain about a lack of qualified staff.

Business risks for the economy as a whole

Percentage of responses; multiple answers possible; *Export industry





The proportion of companies that see access to **financing** as a risk factor remains at 14 per cent. The long-term average is 13 per cent. This suggests that companies are becoming accustomed to the higher interest rates. In addition, the fall in inflation rates is also fuelling hopes of a further easing of monetary policy in the medium term. However, the risk remains above average in the sectors that are particularly affected by the high construction interest rates (real estate industry: 34 per cent after 35 per cent previously; building construction: unchanged at 25 per cent), as well as among energy suppliers (35 per cent after 38 per cent).

Exchange rate risks hardly play a role for companies at present, with only four per cent (previously three per cent) of exporting industrial companies citing this as a business risk. The reactions of the ECB and the Federal Reserve in particular to combat inflation have contributed to the stability of the most important exchange rates for German exporters.

TOP business risks by economic sector

Percentage of responses; multiple responses possible, in brackets value of previous survey, all-time high

	Industry	Construction	Trade	services
1.	70% (71%) Domestic demand	59% (65%) Lack of skilled workers	68% (70%) Domestic demand	59% (56%) Economic policy conditions
2.	66% (58%) Energy and raw materials	58% (56%) Domestic demand	62% (58%) Economic policy conditions	54% (53%) Labour costs
3.	63% (60%) Economic policy conditions	58% (54%) Economic policy conditions	57% (52%) Labour costs	51% (49%) Domestic demand
4.	60% (58%) Labour costs	57% (51%) Energy and raw materials	56% (49%) Energy and raw materials	49% (53%) Lack of skilled workers
5.	45% (47%) Foreign demand	54% (54%) Labour costs	42% (46%) Lack of skilled workers	49% (44%) Energy and raw materials

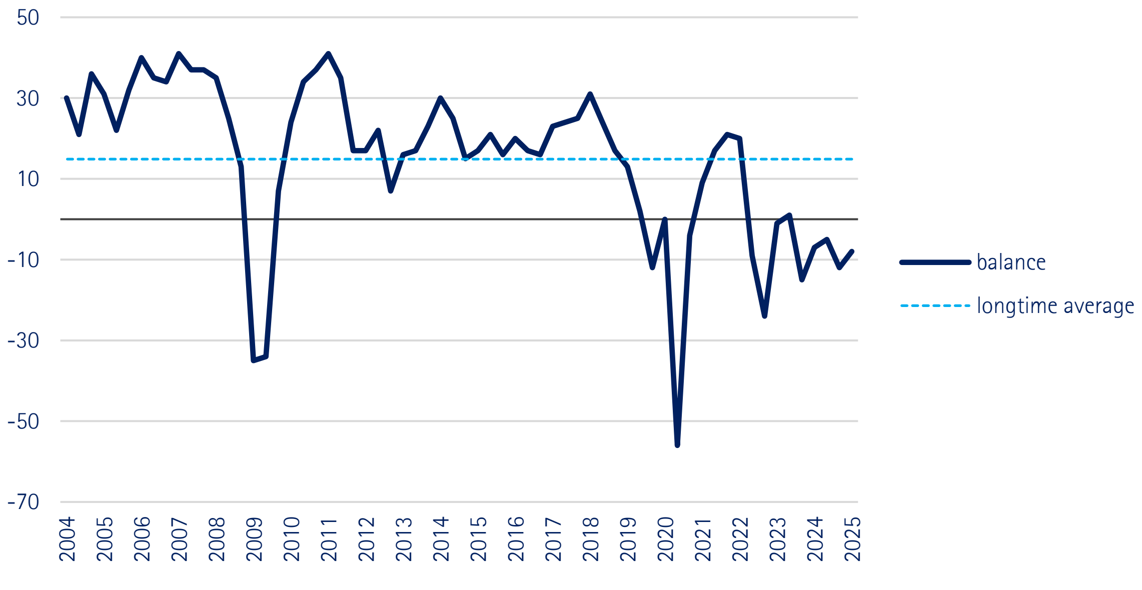
Export expectations of industrial companies

On balance, German industry's export expectations remain in negative territory, although there has been a slight improvement compared to autumn. However, there is no sign of a turnaround in the weak German exports. Compared to the previous year, the outlook for foreign business has even worsened. In contrast to previous crises, exports are therefore not currently providing any positive economic impetus for economic growth. German industry is experiencing a tangible structural crisis and is losing competitiveness internationally.

Although the outlook for global economic growth and world trade remains reasonably robust, there are still many uncertainties. Increasing protectionism, such as the specific threat of tariffs by the US administration, is putting a strain on global trade relations. The export-orientated German economy is particularly exposed to this. In addition, the continuing trend towards "local for local" production is putting a strain on the international business of German companies. German industrial companies therefore remain predominantly pessimistic about their international business. For example, 28% of companies expect exports to fall over the next twelve months (autumn 2024: 31%), while one in five companies (20% compared to 19% previously) expect an increase. Just over half of companies (52 per cent) expect their foreign business to remain stable. The balance of higher and lower export expectations improved slightly from minus twelve points in the previous survey to minus eight points. Current assessments of export business therefore remain well below the long-term average of plus 15 points. Compared to the previous year, however, the industry's export expectations continue to deteriorate. The improvements at the current margin are only a small ray of hope and by no means a turnaround.

Export expectations

(balance of higher minus lower responses, long-term average since 2003)

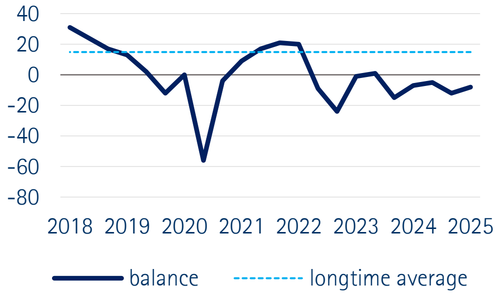


Compared to autumn, export expectations have brightened across all size categories. For companies with up to 20 employees, the balance improved from minus 25 to minus 19 points; for companies with 20 to 200 employees, export expectations improved from minus 15 to minus 13 balance points and thus also remain negative. The expectations of companies with more than 200 employees have increased compared to autumn: the balance is zero after previously minus seven points. Companies with more than 1,000 employees are again anticipating export growth (balance of plus 13 after previously 7 points)

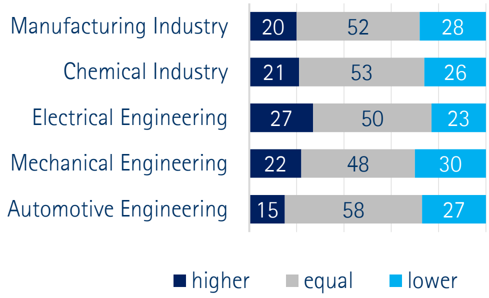
Export expectations

(balance of higher minus lower responses, long-term average since 2003)

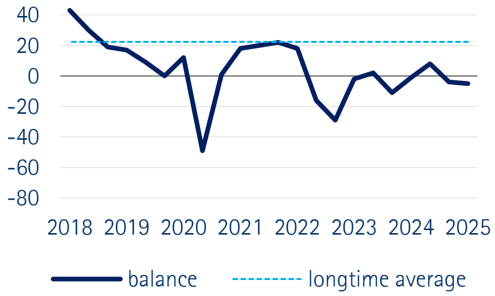
Manufacturing Industry



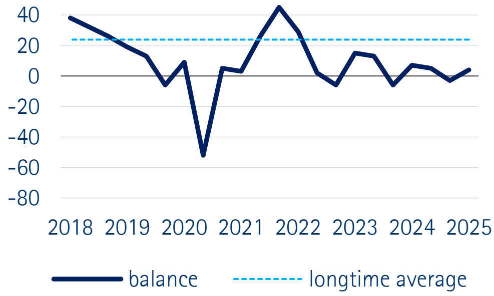
Percentage of responses



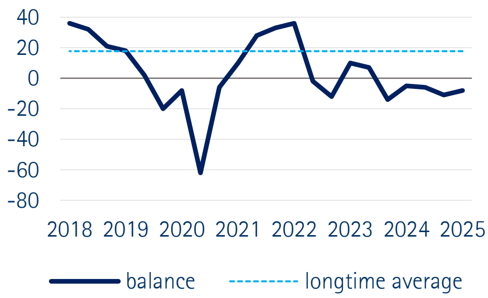
Chemical industry



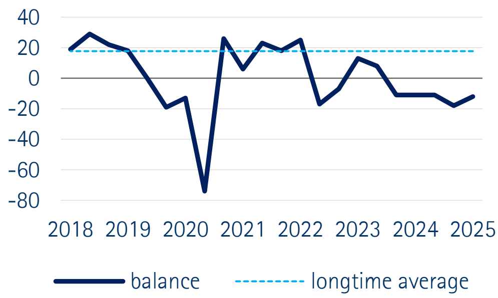
Electrical engineering



Mechanical engineering



Automotive industry



Global growth is encouragingly stable and global industrial production is also increasing slightly, albeit at a sluggish pace. The German export industry has hardly been able to benefit from this development so far. Companies in Germany are facing massive structural challenges. In a comparison of the main industrial groups, **intermediate goods producers** remain more pessimistic with regard to their export expectations. Energy-intensive sectors in particular are affected by high energy prices in Germany and are therefore under particular international competitive pressure. A growth in exports is expected by 17 per cent of companies (previously 15 per cent), but 30 per cent (previously 32 per cent) still anticipate lower exports. The balance rises slightly from minus 17 to minus 13 points. In contrast, a slight deterioration in export expectations can be observed in **the chemical industry**. The balance fell slightly from minus four to minus five points and is therefore well below the long-term average of plus 22 points. Companies in the **metal production and processing** sector are also adjusting their already low expectations for foreign business downwards. The balance fell slightly from minus 28 to minus 29 points. Companies in the **rubber and plastics industry** are also forecasting their exports slightly worse than in the previous survey. Here too, the balance remains in negative territory at minus 14 points, compared to minus 13 points previously.

The slight increase in exports at the end of 2024 is currently contributing somewhat to the brighter export expectations of **capital goods manufacturers**, although on balance they remain gloomy. 23 per cent of companies expect exports to increase, while 28 per cent anticipate lower exports. The export balance of higher and lower expectations improved slightly from minus nine points to minus five points. The mood for international business in two of the German economy's most important export sectors, the automotive and mechanical engineering industries, has brightened somewhat. Compared to the previous year, however, export expectations have also deteriorated in both industries: The balance for **motor vehicle manufacturers** improved by six points compared to the previous survey, from minus 18 to currently minus twelve points. In the previous year, however, the balance was minus eleven points. Export expectations thus remain well below the long-term average of plus twelve points. Companies in the **mechanical engineering** sector are also only slightly more confident compared to the previous survey: the balance has risen from minus eleven to minus eight points (previous year: minus five points). Export expectations in the mechanical engineering sector are therefore still well below the long-term average (plus 18 points). For **manufacturers of electrical engineering**, assessments of foreign business are less gloomy: the balance even turned positive from minus three points in autumn to currently plus four points. However, here too, export expectations are well below the long-term average of 24 balance points. The highly specialised **medical technology manufacturers** once again stand out with better expectations regarding their exports. The majority of companies here expect exports to increase. The balance here increased slightly from 18 to 19 points.

Export expectations are also improving somewhat **for manufacturers of consumer goods**. Falling inflation rates worldwide and the associated increase in purchasing power are reaching consumers. The expectations of consumer goods manufacturers have risen by seven points to a balance of plus two points. The **pharmaceutical industry** is expecting a significant increase in exports. The entire sector is once again optimistic. It is benefiting from rising life expectancy worldwide and improvements in medical care. The balance jumps from 26 points to 51 points and is therefore well above its long-term average of 34 points. The pharmaceutical industry's export expectations have also improved significantly compared to the previous year (previous year: 31 points).

Investment intentions of the companies

Companies remain very hesitant when it comes to investing in Germany. Once again, only 23% of companies are planning to increase investments and a third say they intend to reduce investments. At minus ten points, the balance of investment intentions remains at the level of autumn 2024 and is therefore once again well below the long-term average of plus three points. The investment engine is simply not starting up.

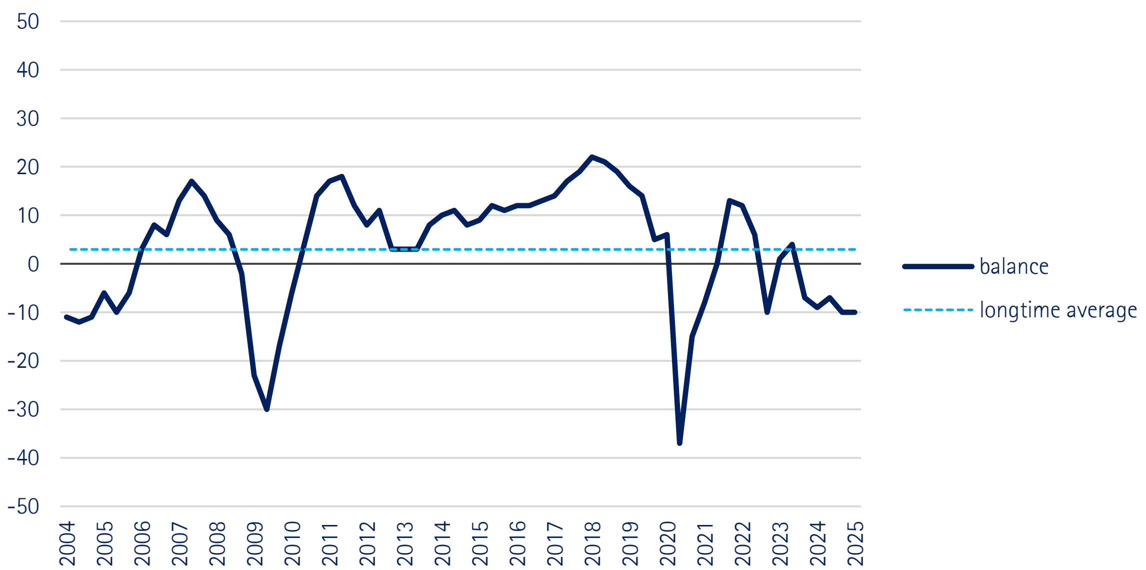
The risks to business development are putting pressure on companies' investment plans. Companies that see a business risk in both domestic and foreign demand have a significantly lower investment balance (minus 23 and minus 28 points respectively) than the average for the economy as a whole (minus ten points). Companies that are concerned about their business due to energy and raw material prices, labour costs and the economic policy environment also have noticeably lower investment plans for domestic projects compared to the economy as a whole.

In terms of company size, companies with more than 1,000 employees are the most expansive in their investment plans: while a third of them plan to increase investments, 28 per cent intend to invest less. The resulting balance of five points improved slightly by four points compared to the previous survey. However, small and medium-sized companies with up to 200 employees remain noticeably more restrictive and, at minus twelve balance points, are more cautious than the average for the economy as a whole.

The current economic weakness is also reflected in companies' investment motives. The most common reasons are the need for replacement, again at 67 per cent, and rationalisation by some distance (33 per cent after 32 per cent). The latter helps to make processes more efficient and therefore more cost-effective. In view of the weak demand from Germany and abroad, the current high level of uncertainty and the structural problems in Germany, only a small proportion of companies in this country are planning to expand capacity (20 per cent after 19 per cent). The motive to invest in environmental protection is also receding into the background. The motive of product innovation, a driver of future growth, remains at a below-average 28 per cent (long-term average: 30 per cent).

Investment intentions of companies

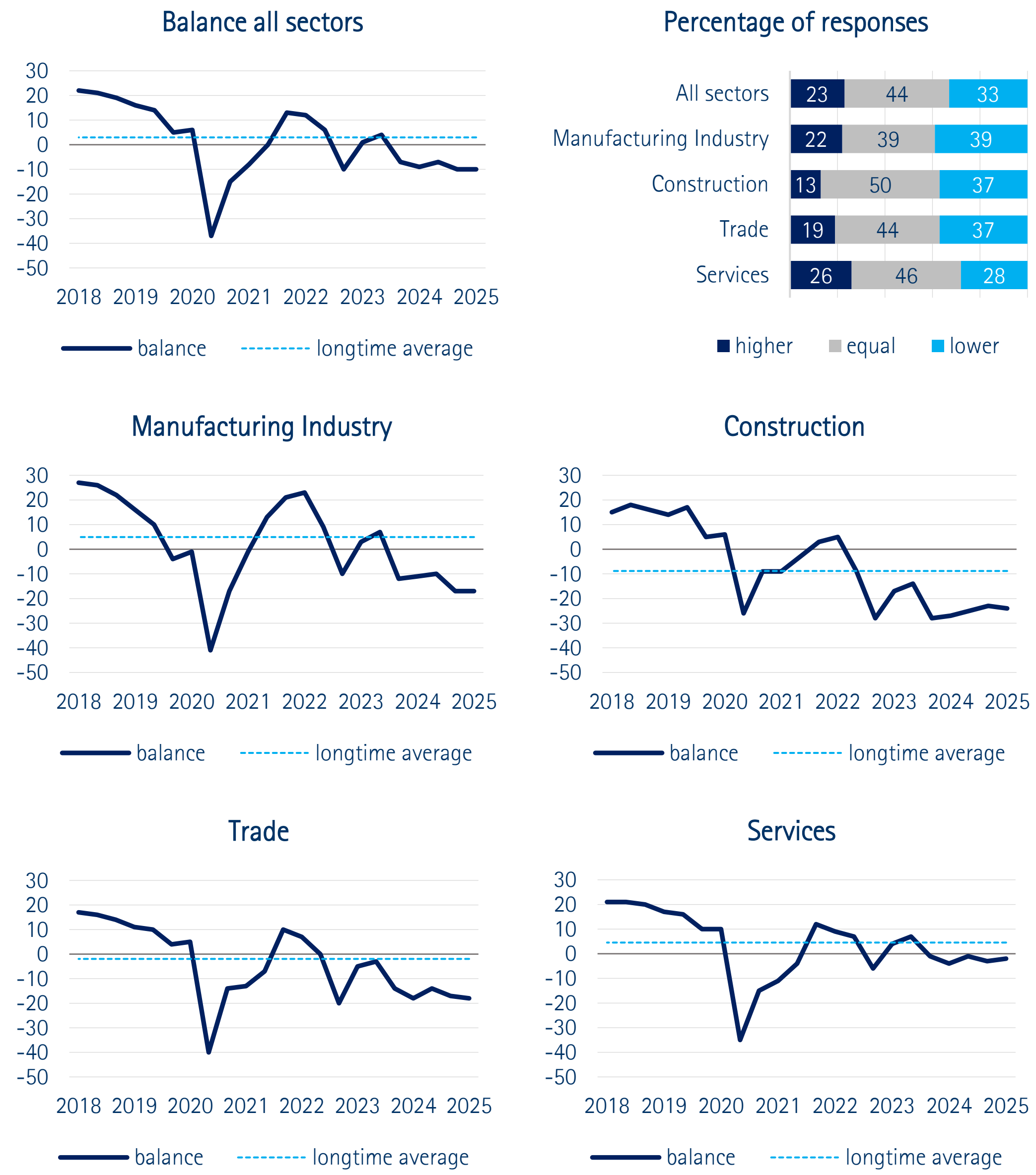
(balance of higher minus lower responses, long-term average since 2003)



Investment plans in **manufacturing industry** are once again worse than in the total economy. With an investment balance of minus 17 points, industrial companies remain at the same level as in autumn 2024, as can be seen among manufacturers of metal products (minus 31 after minus 32 points), mechanical engineers (minus 22 after 20 points) and electrical engineers (unchanged at minus 19 points). Automotive manufacturers are again making noticeable cutbacks in their investment plans (minus 39 after minus 29 points). Electrical equipment suppliers (minus 20 after

Investment intentions of companies

(balance of higher minus lower responses, long-term average since 2003)

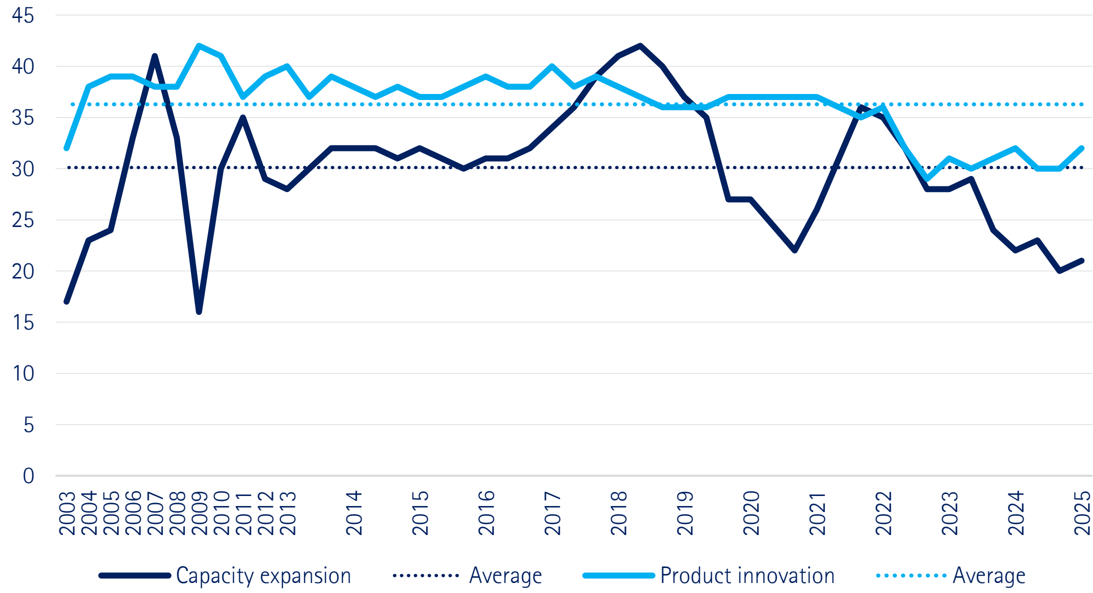


minus 16 points) and medical technology (minus 33 after minus 28 points) are adjusting downwards. The pharmaceutical industry, on the other hand, intends to increase its investments (balance of 35 after previously 34 points); in the food and animal feed industry, the balance is more than twice as high as in autumn 2024 (15 after previously seven points).

In terms of investment motives, slightly more industrial companies are planning to invest in product innovations (32% after 30%) and capacity expansion (21% after 20%) than in the autumn. However, the figures are still well below the long-term industry average. Many companies from the electrical engineering (44 per cent), automotive (47 per cent) and high-end mechanical engineering (40 per cent) sectors remain the drivers of innovation. They intend to invest particularly frequently in product innovations over the next 12 months, even if the figures here are also below the respective industry averages. A particularly large number of energy suppliers (56 per cent), companies from the food and animal feed industry (38 per cent) and the chemical and pharmaceutical industries (35 per cent) intend to invest in capacity expansion. At minus three points, minus seven points and minus two points respectively, their business expectations are also noticeably better than in the industry as a whole (minus 17 points).

Investment motive capacity expansion and product innovation in manufacturing

(Percentage, multiple answers possible, 2003 to 2012 surveyed annually, from 2012 three times a year



In the **service sector**, investment intentions improved slightly by one point to minus two points, which is once again significantly better than in the economy as a whole (minus ten points). 26 per cent of companies intend to expand investments, while 28 per cent plan to cut back. The banking industry (32 after 26 points), companies in the health and social services sector (29 after 22 points), financial and insurance service providers (23 after 21 points) and legal and tax consultants, auditors (21 after eleven points) have more expansive investment plans. The drop in demand is having a significant impact on the investment plans of lessors of capital goods (minus 26 after minus 24 points), temporary staff (minus 18 after minus six points) and trade fair, exhibition and congress organisers.

Investment plans in the **trade** sector continue to deteriorate, falling to the level of a year ago. Only 19 per cent intend to expand their investment budget, while 37 per cent will have to make cuts. The balance thus falls to minus 18 points (after minus 17 points). Investment plans are slightly better in the retail trade excluding motor vehicles (minus 15 after minus 17 points) and among retail intermediaries (minus 16 after minus 21 points). Like the retail sector as a whole, they primarily want to invest in replacement requirements (65 and 64 per cent respectively, average retail: 64 per cent), but also increasingly focus on product innovations (25 per cent each, average retail: 24 per cent)

In the **construction industry**, investment conditions deteriorated slightly to minus 24 points (after minus 23 points). 13 per cent are planning to increase their investment budget, while 37 per cent will have to make cuts. The investment balance is therefore better than in the previous year (minus 27 points). While investment intentions in building construction and civil engineering improved slightly (to minus 25 points after minus 28 points - admittedly coming from a low level), the finishing trade further reduced its investment plans (to minus 20 after minus 14 points), also due to seasonal factors.

Main motives for investments in Germany

(in per cent; multiple answers are possible, average since 2003 in brackets)

	Rationalisation	Product innovation	Capacity expansion	Environmental protection	Replacement requirements
All sectors	33 (32)	28 (30)	20 (26)	21 (16)	67 (65)
Industry	43 (46)	32 (36)	21 (30)	28 (22)	67 (63)
Construction	22 (25)	16 (17)	17 (19)	19 (14)	80 (80)
Trade	34 (30)	24 (24)	18 (25)	16 (14)	64 (63)
Services	29 (27)	29 (30)	19 (24)	19 (14)	65 (64)

Employment intentions of the companies

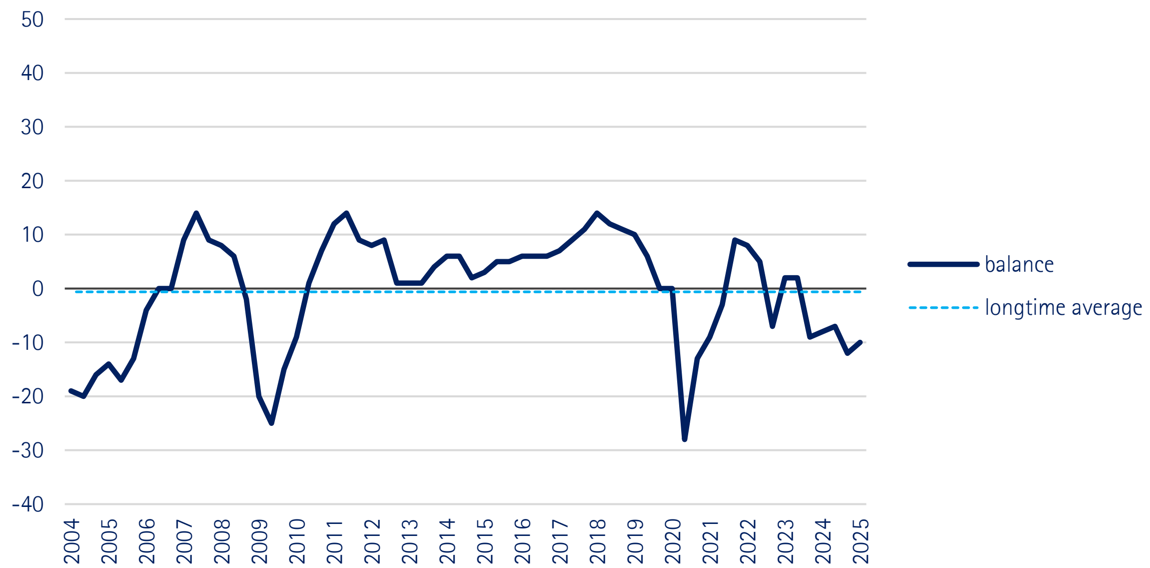
The weak economic development and companies' gloomy business expectations have affected the labour market. Only twelve per cent of companies are expecting an increase in employment in the coming months, while almost one in four companies (22 per cent) are planning to employ fewer staff. At minus ten points, the resulting balance is well below the long-term average (zero points) and has only increased by two points compared to the previous survey. Compared to the previous year, there was a slight decrease of two points.

The employment intentions of small and medium-sized companies (up to 200 employees) have improved slightly compared to the previous survey, but remain at a low level (balance from minus ten to minus twelve points). Large companies (1,000 employees or more), on the other hand, are planning more restrictively - the balance there fell from minus four to minus six points, compared to plus one point a year ago.

As a result of the poor overall economic situation and the resulting decline in demand for staff, the shortage of skilled labour is also becoming less important as a business risk. Nevertheless, it remains a major structural problem for many companies (46 per cent after 51 per cent in the previous survey and 60 per cent two years ago). Labour costs, on the other hand, continue to increase as a business risk at 56%. Both developments mean that it is becoming increasingly difficult for companies to retain their labour and skilled workers even in a poor economic situation, as has often been the case in recent years. In comparison with the similarly poor economic situation at the beginning of the 2000s, however, the retention of employees is currently more pronounced (employment balance autumn 2003: minus 22 points). The progression of the demographic development is ultimately also reflected in the employment plans of companies.

Employment intentions of companies

(balance of higher minus lower responses, long-term average since 2003)

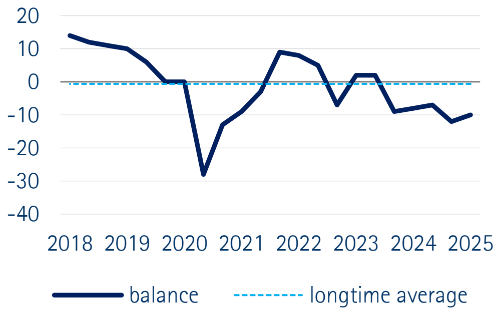


Employment plans are particularly muted **in manufacturing industry**. Almost one in three companies anticipate fewer staff (30 per cent compared to 31 per cent previously) and only eleven per cent (unchanged from the previous survey) expect to increase their workforce. At minus 19 points (previously minus 20 points), the balance is even the lowest among the economic sectors. Compared to the previous year, this is a deterioration of six points. High energy costs, structural change, weak foreign trade, low investment intentions and uncertain national and international developments are therefore reflected in the personnel planning of many industrial companies.

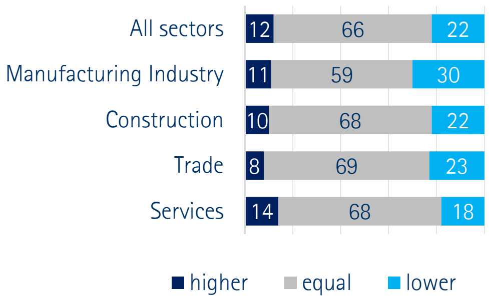
Employment intentions of Companies

(balance of higher minus lower responses, long-term average since 2003)

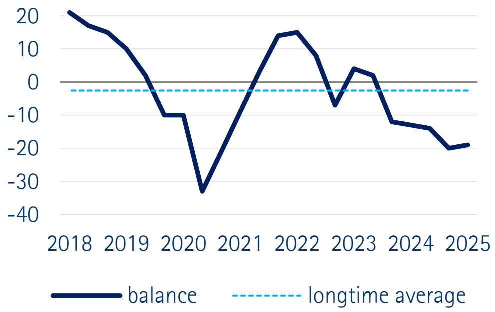
Balance all sectors



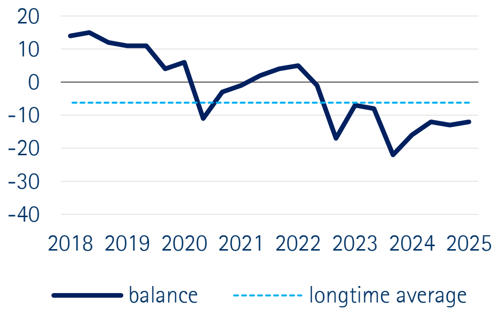
Percentage of responses



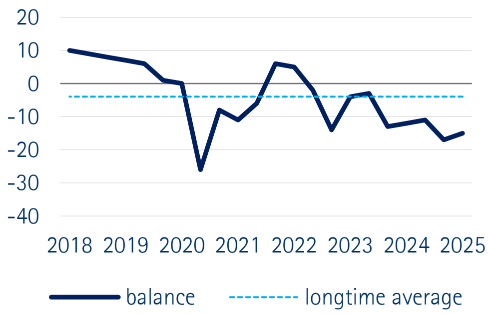
Manufacturing Industry



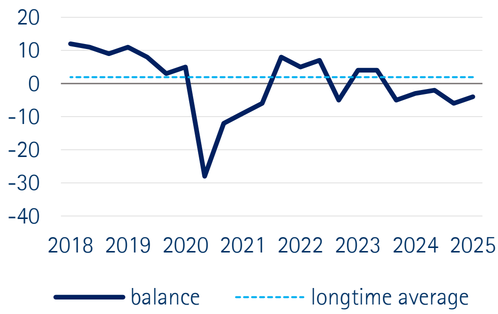
Construction



Trade



Services



The employment trend is particularly poor in energy-intensive sectors and those heavily affected by structural change and the transition to climate neutrality: There are signs of job cuts in motor vehicle manufacturing (down 46 points after previously down 44 points), producers of metal products (down 31 points after previously down 32 points), glass, ceramics and stone processing companies (down 29 points after previously down 36 points) and also in the rubber and plastics industry (down 25 points after previously down 27 points) as well as in mechanical engineering (down 18 points after previously down 17 points). One small ray of hope is that plans are stabilising, albeit at a low level.

Energy suppliers (27 points), on the other hand, are planning to hire more staff. The focus here is on the challenges of the energy transition, which will require significantly more labour and skilled workers to achieve the climate targets set. However, the employment balance here has fallen by eleven points compared to the previous survey. Hiring intentions in the pharmaceutical industry are also expansive - and also slightly gloomier (15 points, previous survey: 19 points.

In the **construction industry**, hiring intentions are slightly less restrictive than recently. At minus twelve points, the balance rose slightly by one point and is therefore slightly above the previous year's figure (minus 16 points). In civil engineering, there was an improvement of four points to minus seven points. The demand for construction services in the context of the energy transition and the still pronounced shortage of skilled workers (business risk: 71 per cent) are making themselves felt. In building construction, on the other hand, which includes the faltering residential construction sector, plans have decreased slightly to minus 16 balance points.

The picture among **service providers** is mixed. Overall, 18 per cent plan to employ fewer people and 14 per cent plan to employ more. The corresponding balance of minus four points has improved slightly compared to the previous survey (by two points) and is only slightly below the previous year's figure of minus three points. In a comparison of economic sectors, employment intentions among service providers are the least restrictive. The increase in employment in 2024 of around 70,000 people was also mainly driven by this sector.

IT and information service providers, for example, have positive employment plans (balance of 14 points each). Digitalisation, the increasing use of artificial intelligence (AI) and the need for cyber security are progressing even in a weak economy, meaning that demand for personnel remains high in these sectors. Healthcare and social service providers are also planning to continue hiring (balance 15 points). As a result of demographic change and the associated high demand for corresponding services, staffing plans are largely independent of the economy. Legal and tax consultancy, auditing (balance of 20 points) and R&D (balance of 16 points) also intend to increase their workforce.

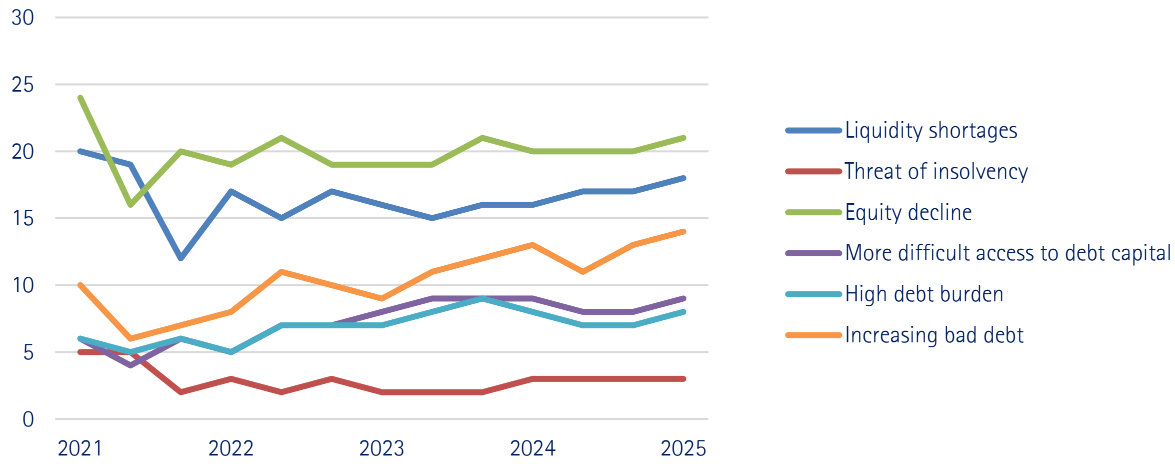
The hospitality industry and transport service providers, among others, are preparing for a reduction in employment (balance of minus 17 points in each case). However, rising labour costs are making themselves felt in planning, which play an even greater role as a business risk there than in the economy as a whole (hospitality industry: 73 percent; transport service providers: 61 percent).

In the **trade** sector, the proportion of companies planning to employ fewer staff is significantly higher. The continuing low propensity to consume and high labour costs are therefore not without consequences. Domestic demand is a business risk for 68 per cent of retailers (overall economy: 59 per cent). Only eight per cent - and thus the least of all economic sectors - want to increase employment, while 23 per cent expect a reduction. This puts the balance at minus 15 points. The fact that it has improved slightly by two points compared to the previous survey can only be a small consolation.

Current financing situation of companies

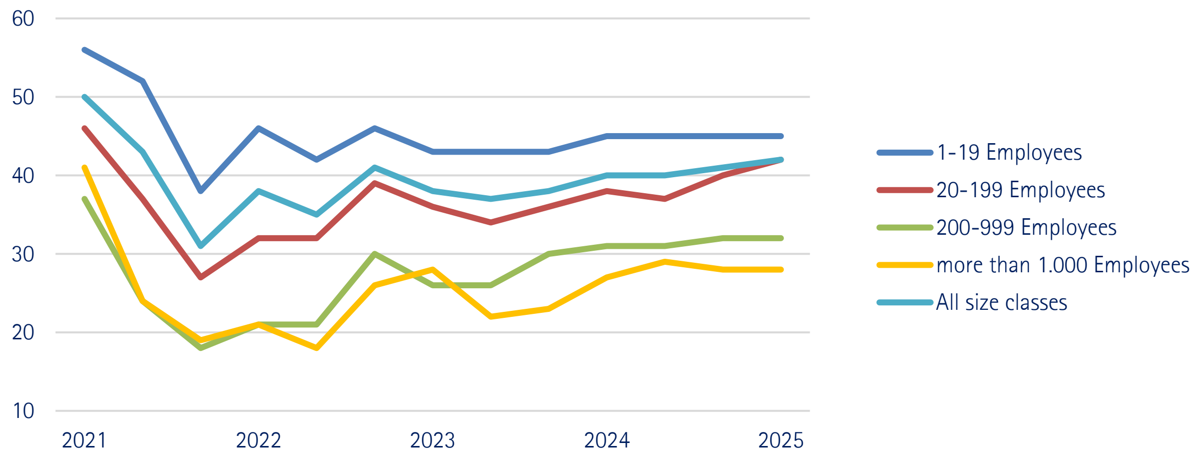
A tense business situation and negative business expectations have led to a slight increase in the proportion of companies reporting financing difficulties. Two out of five companies (42 per cent compared to 41 per cent previously) consider their financial situation to be problematic. The picture is mixed: while the proportion of those with a problematic financial situation in industry remains stable compared to autumn 2024, the outlook in construction has improved by three percentage points to 34%. In trade and service providers, on the other hand, the proportion of companies reporting a problematic financial situation increased again (45 per cent and 42 per cent respectively).

The following financial problems are a burden on companies (in per cent, multiple answers possible)



With the exception of the threat of insolvency (3 per cent), all problems have increased slightly compared to the previous survey. The decline in equity capital remains at the forefront of the specified financial problems in the economy as a whole (21 per cent compared to 20 per cent previously). The proportion of companies reporting liquidity bottlenecks also remains significant at 18 per cent (previously 17 per cent). In view of the significant increase in the number of corporate insolvencies filed with local courts, the proportion of companies facing bad debt losses has increased (14 per cent compared to 13 per cent previously) and reached an all-time high. The proportion of companies whose balance sheets are already burdened by a high level of debt and are suffering from a high debt burden has risen from seven to eight per cent. Nine per cent of companies report more difficult access to bank financing (previously eight per cent)

Share of companies with a problematic financial situation employee size class (in per cent)



In terms of company size, smaller companies generally have a more critical financial situation than larger companies. While the financial situation of companies with 1,000 or more employees has stabilised and 28% of these companies continue to report at least one problem with their financial situation, the financial situation in the SME sector (20-199 employees) has deteriorated again: As many as 42 per cent of companies report problems (previously 40 per cent). The focus here is primarily on bad debt losses: 16 per cent of companies report this. This is more than in any other company size category. In small companies with up to 19 employees, almost every second company (45 per cent) continues to be affected by financing difficulties. In particular, the decline in equity (24 per cent) and liquidity bottlenecks (21 per cent) are a major challenge for small companies.

A critical assessment of the financial situation is particularly evident in core industrial sectors. Companies in the automotive industry report financing difficulties more than other sectors. Half of motor vehicle manufacturers (unchanged at 51 per cent) are facing obstacles in corporate financing, compared to 39 per cent in the middle of 2024. Among manufacturers of automotive parts and accessories, this even applies to 53 per cent of companies (43 per cent in summer 2024). The increase in companies reporting a decline in equity is particularly significant (26% after 23% in autumn and 17% in early summer). This reflects the considerable burden caused by liquidity bottlenecks and bad debts in recent years, the compensation for which is consuming increasing amounts of equity.

Financing conditions in the construction industry are considered to be slightly better than in industry. Compared to the previous survey, fewer companies are reporting financing difficulties. Here in particular, bad debt losses have decreased. In trade and service providers, on the other hand, the financial situation deteriorated again last year after a phase of slight recovery. Of all sectors, retail companies are confronted with the most financing problems. Liquidity problems have increased significantly, as has the decline in equity. Service providers report more liquidity bottlenecks and a slight increase in the risk of their own insolvency.

The current financial situation of companies is characterised by ...

(Analysis by company size class, figures in per cent, multiple answers possible)

	1-19 Employees	20-199 Employees	200-999 Employees	from 1000 employees	all classes
Liquidity bottlenecks	21	18	10	8	18
Impending insolvency	4	3	1	2	3
Decline in equity	24	20	13	10	21
More difficult access to debt capital	9	9	9	10	9
High debt burden	7	9	10	7	8
Increasing bad debt losses	13	16	13	12	14
Our financial situation is unproblematic	55	58	68	72	58
Our financial situation is problematic	45	42	32	28	42

The current financial situation of companies is characterised by ...

(Analysis by sector, figures in per cent, multiple answers possible)

	Manufacturing Industry	Construction	Trade	Services	all industries
Liquidity bottlenecks	18	14	19	18	18
Impending insolvency	3	2	4	4	3
Decline in equity	19	17	22	22	21
More difficult access to debt capital	10	8	7	9	9
High debt burden	9	5	8	7	8
Increasing bad debt losses	15	13	17	13	14
Our financial situation is unproblematic	59	66	55	58	58
Our financial situation is problematic	41	34	45	42	42

DIHK forecast for economic development in Germany

Utilisation of gross domestic product (GDP) in Germany

Year-on-year change, in per cent, price-adjusted, chained

	2023	2024	DIHK forecast 2025
GDP	-0,3	-0,2	-0,5
Household final consumption expenditure	-0,4	0,3	0,5
Government final consumption expenditure	-0,1	2,6	2,0
Gross fixed capital formation	-1,2	-2,8	-0,9
- Gross fixed capital formation in machinery and equipment	-0,8	-5,5	-2,0
- Other fixed assets	4,7	3,9	2,5
- Gross fixed capital formation in construction	-3,4	-3,5	-1,5
Exports (goods and services)	-0,3	-0,8	-1,0
Imports (goods and services)	-0,6	0,2	1,0
Employment (change in thousands)	+336	+72	-50
Consumer prices	5,9	2,2	2,2

Questionnaire at the beginning of the year 2025

How do you assess the current situation of your company?

- Good business situation
- Satisfactory business situation
- Poor business situation

Our current financial situation is essentially characterised by (multiple answers possible):

- Liquidity bottlenecks
- Impending insolvency
- Decline in equity
- More difficult access to debt capital
- High debt burden
- Increasing bad debt losses
- Our financial situation is unproblematic

How do you expect your company to develop over the next 12 months?

- Better business situation
- Stable business situation
- Poorer business situation

Where do you see the greatest risks in the economic development of your company in the next 12 months? (Multiple answers are possible)

- Domestic demand
- Foreign demand
- Financing
- Labour costs
- Shortage of skilled labour
- Exchange rate
- Energy and commodity prices
- Economic policy condition

How do you expect exports to develop for your company over the next 12 months?

- Higher exports
- Constant exports
- Lower exports

How do you expect your company's domestic investment expenditure to develop over the next 12 months?

- Higher expenses
- constant expenses
- Lower expenses

What are the main motives behind your company's planned investments in Germany over the next 12 months? (Multiple answers are possible)

- Rationalisation
- Product innovation
- Capacity expansion
- Environmental protection
- Replacement requirements

How do you expect your company's domestic workforce to develop over the next 12 months?

- Higher number of employees
- Constant number of employees
- Lower number of employees

Methodology

The DIHK results are based on surveys of companies conducted by a total of 79 IHKs. At the beginning of 2025, the CCIs had analysed around **23,000 responses**. You can also access the regional analyses of the CCIs on the Internet at www.dihk.de/konjunktur.

In terms of economic sectors, the responses were divided between manufacturing industry (28 per cent), construction (six per cent), trade (21 per cent) and service providers (45 per cent). The categorisation of economic sectors in the DIHK economic survey is based on the WZ 2008, in line with official statistics.

The responses are broken down by company size as follows: 36 per cent companies with up to nine employees, 15 per cent companies with ten to 19 employees, 39 per cent companies with 20 to 199 employees, six per cent companies with 200 to 499 employees, two per cent companies with 500 to 999 employees, two per cent companies with more than 1,000 employees.

The CCIs organise their sample in such a way that a representative picture of the mood of the local commercial economy is depicted (sample stratified by sector, region and company size). Aggregation at national level is based on regional and sector-related weighting. The answers to the regular business survey questions (see questionnaire) from business premises with more than 500 employees are weighted with a factor of 2 and the answers from business premises with more than 1,000 employees are weighted with a factor of 3. The business risks are not weighted according to size classes. In the case of additional questions, the size class weighting is omitted if the unweighted proportion of companies is more meaningful.

When asked about business risks, companies can write a free text response to the answer option "Economic policy conditions". Around 7,000 free text responses were received in the current survey. These were categorised as clearly as possible based on the terms mentioned and topics covered. The most frequent answers are shown as a word cloud. The larger a term is, the higher the number of free text responses on this topic.

The CCI economic climate indicator is calculated as the geometric mean of the situation and expectations balances. The indicator therefore has the following mathematical form:

$$\sqrt{(L_1 - L_3 + 100) * (E_1 - E_3 + 100)}$$

where L_1 represents the proportion of companies with a good assessment of the situation, L_3 the proportion of companies with a poor assessment of the situation, E_1 the proportion of companies with better business expectations and E_3 the proportion of companies with poorer expectations.

The survey took place **from 16.12.2024 to 17.01.2025**.