



## The German economy fails to gain momentum

DIHK Economic Survey Early Summer 2024

**DIHK**

German Chamber of  
Commerce and Industry

**IHK**

German Chambers of  
Commerce and Industry

# Contents

<b>Key results .....</b>	<b>3</b>
<b>Current business situation of the companies .....</b>	<b>4</b>
<b>Business expectations of the companies.....</b>	<b>7</b>
<b>Business f ts risks of the companies.....</b>	<b>10</b>
<b>Export expectations n of industrial companies.....</b>	<b>14</b>
<b>Investment intentions of companies .....</b>	<b>17</b>
<b>Current financing situation of companies .....</b>	<b>21</b>
<b>Employment intentions of companies .....</b>	<b>24</b>
<b>DIHK forecast for economic development in Germany .....</b>	<b>27</b>

## Imprint

### German Chamber of Industry and Commerce

#### Publisher and copyright

German Chamber of Industry and Commerce

Postal address: 11052 Berlin | House address: Breite Straße 29 | Berlin-Mitte

Phone 030 20308-0 | Fax 030 20308-1000

#### DIHK Brussels

Representation of the German Chamber of Industry and Commerce to the European Union

19 A-D, Avenue des Arts | B-1000 Bruxelles

Telephone : +32 2 286-1611 | Fax +32 2 286-1605

#### DIHK Online

[Homepage](#) | [Facebook](#) | [X \(Twitter\)](#) | [Linkedin](#) | [Instagram](#) | [Youtube](#)

**Editors:** Dr Kathrin Andrae, Dr Susanne Gewinnus, Carolin Herweg, Dr Jupp Zenzen

**Graphic:** Sebastian Titze, DIHK

**Status:** May 2024

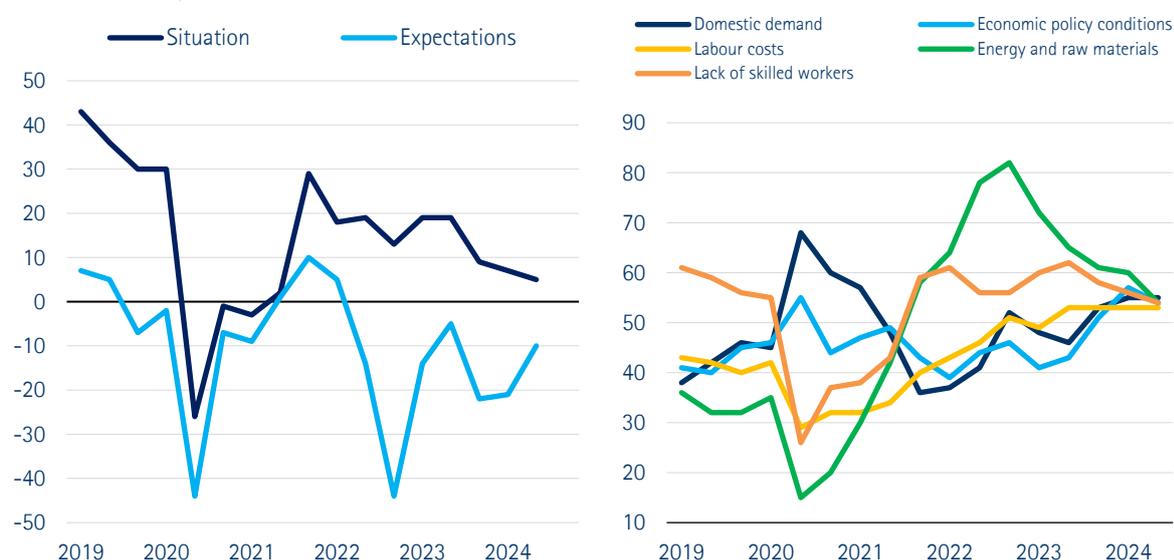
Further results, the questionnaire and information on the survey methodology can be found at [www.dihk.de/konjunktur](http://www.dihk.de/konjunktur)

## Key results

- The mood in the economy remains gloomy. The business situation continues to deteriorate. 28 percent of companies report a good situation, while 23 percent report a poor one. The balance of the situation assessment continues its downward trend, dropping slightly from seven to now five points.
- While the business expectations of companies are brightening, they remain overall pessimistic. In particular, the proportion of companies with negative business expectations has noticeably decreased (26 percent compared to previously 35 percent). Only 16 percent of companies expect an improvement in the next twelve months. In balance, the ongoing negative expectations climb from minus 21 to minus ten points.
- Domestic demand has replaced energy and commodity prices as the most common business risk (55 percent). Three business risks are mentioned by 54 percent of companies in second place as risks: economic policy framework conditions, energy and commodity prices, and the shortage of skilled workers. More than 5,900 companies have taken advantage of the opportunity to provide free-text responses regarding economic policy framework conditions. By far the most frequently mentioned keyword is "bureaucracy".
- Despite a slight recovery in the global economy, the growth in industrial export expectations is modest: 26 percent of companies expect exports to decrease in the next twelve months, while 21 expect them to increase. The balance of export expectations increases only slightly from minus seven to minus five points.
- Investment propensity improves only slightly and remains weak overall: While 24 percent of companies plan increased investments again, 31 percent must reduce investments. The balance of investment intentions increases from minus nine to minus seven points.
- The financial situation of companies remains unchanged: Still, 40 percent consider their financial situation problematic.
- Companies' hiring intentions remain cautious. 13 percent intend to hire more staff, while 20 percent expect a decrease in employment. The resulting balance stands at minus seven points (compared to previously minus eight points), noticeably below the long-term average of zero points.
- Forecast: Given the survey results, no economic dynamism is apparent. The DIHK expects economic output to stagnate (0.0 percent) this year.

## German economy not getting off the ground

Business situation: balance of good minus bad reports; business expectations: Balance of better minus lower reports, risks  
Percentage of responses



## Current business situation of the companies

The mood in the economy remains gloomy. There is a lack of economic stimuli. At the same time, structural problems such as high costs, for example, for energy, personnel, or financing, as well as the shortage of skilled workers and excessive bureaucracy, are burdening businesses. Although companies still predominantly assess their business situation as positive, the downward trend continues unabated. Only just under three out of ten companies (28 percent compared to previously 29 percent) now rate the current business situation as "good". Meanwhile, almost a quarter assess the situation as "bad" (23 percent compared to previously 22 percent). The balance of the situation assessment thus continues the downward trend, dropping slightly from seven to now five points. This is significantly below the long-term average of 21 points. This deterioration is evident across almost the entire economy.

A look at the company sizes shows that the assessment of the situation is more favorable among large companies than among small ones. However, the assessment there deteriorates significantly compared to the beginning of the year. The balance decreases by ten points for companies with 1,000 or more employees, now standing at 13 points. For small and medium-sized enterprises (SMEs) with up to 199 employees, the situation deteriorates slightly compared to the previous survey, dropping by one point to four points.

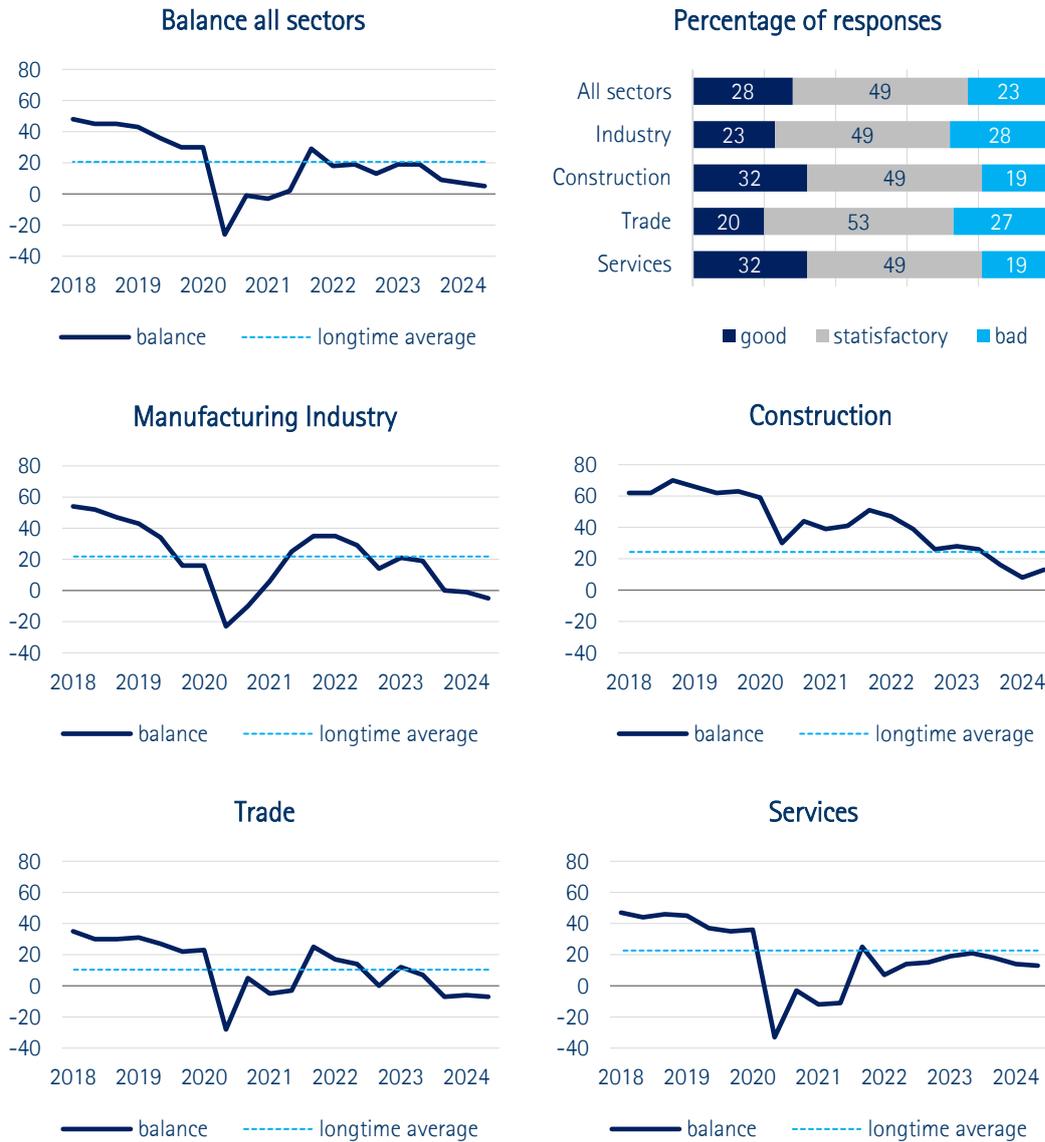
### Business situation of companies (balance of good minus bad responses, long-term average since 2003)



The overall assessment of the situation in the industry remains negative and has further deteriorated compared to the beginning of 2024. Currently, 28 percent of businesses describe their business situation as "bad" (28 percent compared to previously 26 percent), while only 23 percent speak of a good situation (previously 25 percent). The balance thus decreases by four to minus five points. This is well below the long-term average of 22 points. New orders in the industry continue to remain at a low level, while costs for energy and raw materials, inputs, loans, or wages remain high or have further increased. In addition, there are uncertainties in supply chains, geopolitical risks, an increasingly perceived bureaucracy as a hindrance, and the ongoing shortage of skilled workers.

For companies producing frequently energy-intensive intermediate goods, the situation is even worse than in the entire industry. The persistently high energy prices diminish the competitiveness of the sector. Furthermore, the weakness of the entire industry also affects the order situation of the upstream suppliers. The balance of the business situation continues its downward trend, dropping by two to minus 16 points. Particularly negative situations arise in metal production and processing (balance minus 28 compared to previously minus 26 points) as well as in the glass, ceramics, and stone processing sector (balance minus 29 compared to previously minus 24 points). However, a significant improvement can be seen in the chemical industry (balance one point compared to previously minus twelve points).

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



The low inclination for investment, particularly domestically, persists. The moderately growing global economy has so far had little noticeable impact on the order books of capital goods manufacturers. Consequently, the business situation deteriorates significantly by eleven points to two points. This is well below the long-term average of 28 points. This negative trend is evident across all key sectors: automotive manufacturing (balance four points compared to previously 13 points), electrical engineering (balance minus one point compared to previously eight points), and mechanical engineering (balance minus two compared to previously ten points).

Consumer restraint burdens the business of consumer goods manufacturers. The situation assessment decreases by four to minus five balance points. Companies in the textile, clothing, and leather industries rate their business situation as particularly bleak (balance of minus 13 compared to previously minus ten points). Conversely, the situation in the pharmaceutical industry appears positive, although the rating here declines significantly (balance of 21 compared to previously 35 points).

The construction industry sees a slight relaxation in the business situation. Prices for building materials such as cement, gypsum, bitumen, or glass are still at an elevated level but have decreased in recent months. Consequently, nearly a third of construction companies (32 percent compared to previously 30 percent) have a positive situation assessment. However, a fifth describe their situation as poor (19 percent compared to previously 22

percent). The balance of good and bad situation assessments thus increases from eight to thirteen points. However, differences between different construction sectors are considerable. The persistently high level of construction interest rates is particularly problematic for construction: due to the interest-driven drop in orders in residential construction, companies in construction mainly assess their business situation as poor. The balance increases only slightly by four to minus three points, still well below the long-term average of 23 points. In civil engineering and finishing trades, where the order situation is better due to infrastructure projects and the need for energy-efficient renovation, the situation assessment is predominantly positive. In the finishing trades, the balance increases slightly by five to 29 points. In civil engineering, the balance increases significantly by nine to 28 points.

The trade sector continues to feel the effects of subdued demand and rising prices in early summer 2024. Additionally, the cost burden, such as personnel costs, remains high. Again, only one in five retailers assesses their business situation as "good" (20 percent compared to previously 21 percent). The proportion of those with a negative situation assessment remains at 27 percent. The balance of situation assessment thus slightly worsens by one to minus seven points. Wholesalers particularly rate their situation negatively. They continue to be affected by high purchase prices. Furthermore, their customers from the industry and construction tend to deplete their inventories rather than order new goods. The situation assessment in wholesale remains predominantly negative. The balance decreases by five to minus twelve points. This is the lowest value since the COVID-19 pandemic (balance in early summer 2020: minus 22 points). However, there is a slight upward trend in retail, although the consumer sentiment is still poor, it has improved somewhat in recent months. The balance of situation assessment in retail increases slightly by two to minus six points.

The service sector still has the best business situation compared to other sectors. However, assessments here also worsen slightly: just under a third of companies still rate their current situation as "good" (32 percent compared to previously 33 percent), with a steady 19 percent rating it as "poor". The balance decreases slightly by one to 13 points, still below the long-term average of 23 points.

The weakness in the industry now also affects predominantly business-related services. The balance of situation assessment decreases by three to 21 points. Particularly in the area of leasing/mediation services, the situation has deteriorated significantly. About half of the companies report a problematic financial situation here (53 percent). The balance of business situation decreases by 10 to minus four points. The situation is even worse in the provision and assignment of labor. The balance decreases by seven to minus 27 points.

In the hospitality industry, revenues have still not reached pre-pandemic levels. Additionally, businesses feel increased costs and shortages in energy, materials, or personnel. Therefore, the balance of business situation increases only slightly by one to minus three points. This is still well below the long-term average of ten points. However, a bright spot is the trade fair, exhibition, and congress organizers. The upward trend since 2022 continues. Here, there are still lingering effects from COVID-19, as only last year did a complete trade fair program take place again. The balance of situation assessment increases again by four to 34 points. There are still residual effects in the travel industry, despite difficult economic conditions, holiday travel continues with little restraint. For travel agents, the balance of business situation decreases by three to 33 points. This is well above the long-term average of seven points.

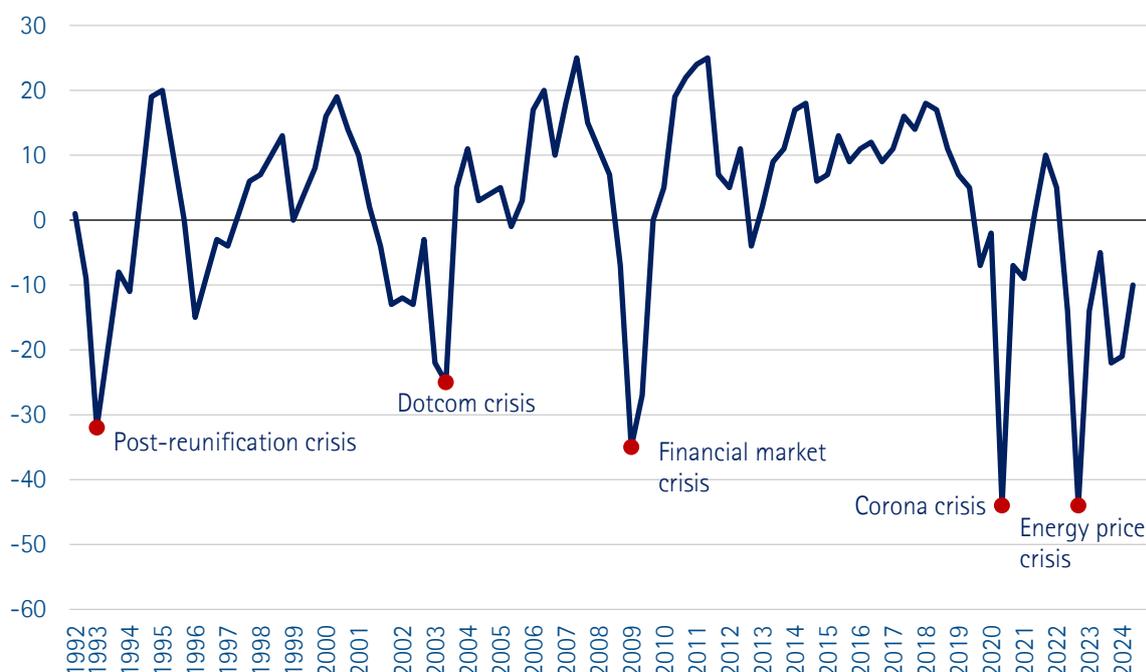
A predominantly poor business situation is solidifying in the transportation and warehousing sector. Increases in truck tolls, numerous bottlenecks in rail and road infrastructure, or the shortage of skilled workers, such as drivers, continue to be significant. The balance of situation assessment increases only slightly to minus seven points. Particularly in road freight transport, the situation remains bleak (balance remaining at minus twelve points).

## Business expectations of the companies

While business expectations of companies are brightening, they remain overall pessimistic. In particular, the proportion of companies with negative business expectations has noticeably decreased (26 percent compared to previously 35 percent). However, they still significantly outweigh the proportion of companies expecting better business in the next twelve months (16 percent compared to previously 14 percent). In balance, the ongoing negative expectations climb from minus 21 to minus ten points. Weak domestic economic conditions and structural problems such as a shortage of skilled workers, rising labor costs, and persistently high energy and commodity prices are causing significant concern for companies. In addition, uncertain economic policy framework conditions are proving to be a hindrance for many businesses. However, hopes for a reduction in interest rates are rising with the declining inflation rate.

Business expectations are brightening across all company size categories. However, expectations are generally more positive among companies with 1,000 or more employees than among smaller ones. Their balance increases from zero to five points. While it increases from minus 24 to minus twelve points for SMEs with fewer than 200 employees, it still remains significantly in the negative range.

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

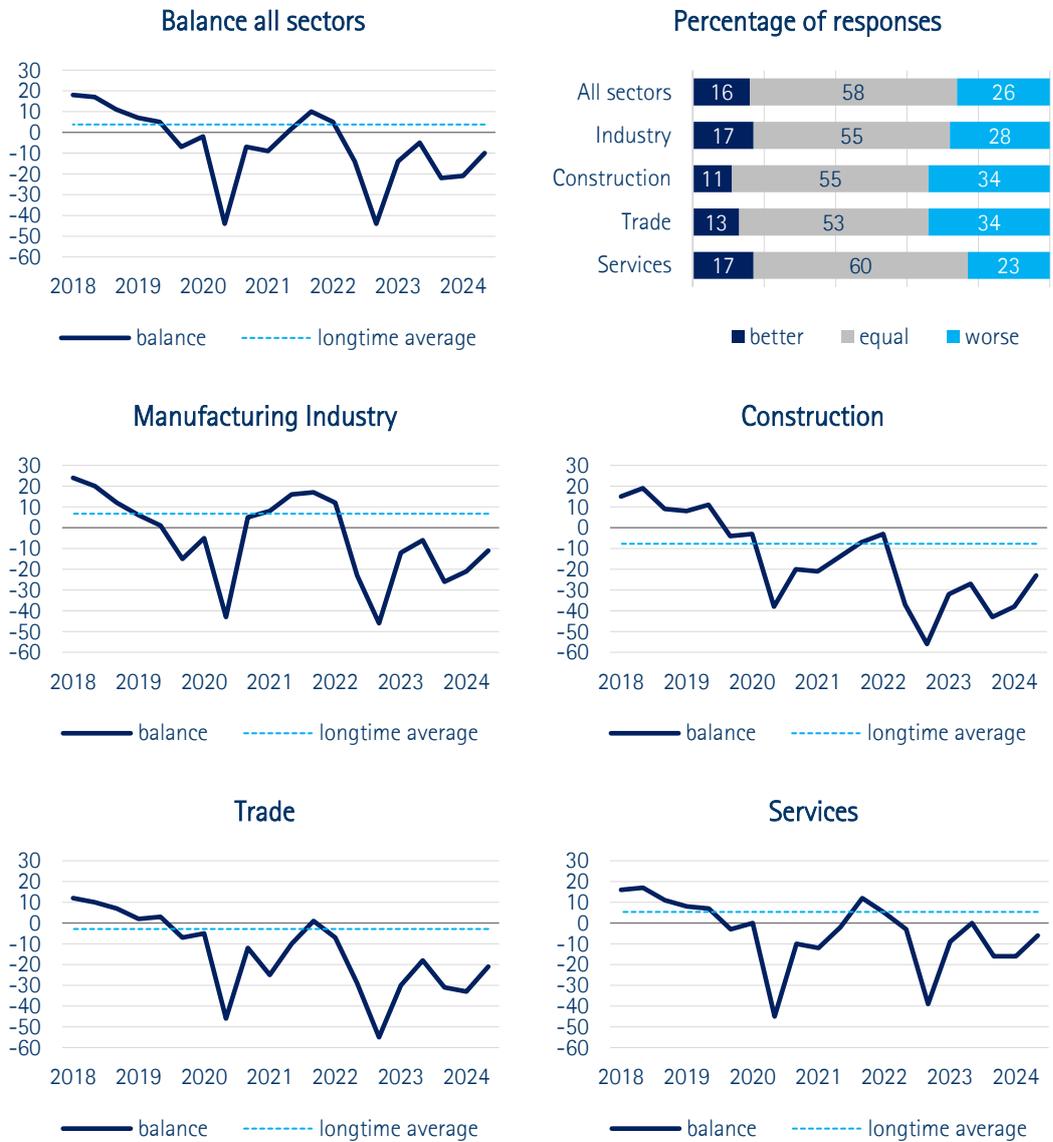


Industrial companies are increasingly concerned about domestic demand. New orders from within the country are as low as they were in the early stages of the pandemic. At the same time, labor costs, uncertain economic policy conditions, and the shortage of skilled workers remain pressing issues for many industrial businesses. Despite the pickup in global economic activity, they expect little stimulus from foreign markets. However, the decline in energy and producer prices is at least a positive development. Overall, business expectations of companies remain predominantly pessimistic: Just under three out of ten (28 percent compared to previously 35 percent) expect their business to deteriorate. The proportion with positive expectations only increases slightly to 17 percent (previously 14 percent). The balance thus improves significantly by ten to minus eleven points. However, it still remains well below the long-term average of seven points.

The frequently energy-intensive producers of intermediate goods are still being affected by the high energy prices compared internationally. At the same time, the weak industrial economy is also depressing demand for intermediate goods. Thus, domestic demand is now the most common business risk, with 72 percent, only

slightly below a peak (74 percent in early summer 2020). Three out of ten companies (30 percent compared to previously 40 percent) expect their business to deteriorate in the next twelve months.

**Companies' business expectations** (balance of better minus worse responses, long-term average since 2003)



Only one in six businesses (16 percent compared to previously 14 percent) anticipate an improvement. The balance between positive and negative expectations increases by twelve to minus 14 points. Despite improvements, sentiment remains particularly poor among companies in the glass, ceramics, and stone processing sector (balance of minus 25 compared to previously minus 49 points) and in the mining of stones and ores sector (balance of minus 24 compared to previously minus 47 points). The chemical industry has likely reached the bottom. The energy price shock following the start of the war in Ukraine forced the industry to make tough and lasting production cuts. The consolidation process is still ongoing. Thus, 30 percent of companies intend to increase investments abroad due to cost reasons – the highest value in 20 years. Starting from historically low production levels, the chemical industry currently has weakly positive expectations (balance of four compared to previously minus ten points).

The mood is also slightly improving among manufacturers of capital goods. However, nearly two-thirds of businesses (64 percent) are concerned about domestic demand. New orders are declining, and order backlogs are steadily decreasing. Over a quarter of companies expect worse business in the next twelve months (27 percent compared to previously 33 percent). 18 percent (compared to previously 16 percent) anticipate an improvement.

The balance of positive and negative expectations increases by seven to minus nine points. Expectations in the electrical engineering sector are turning positive. The industry benefits from digitization and electrification. At the same time, it has low energy intensity (balance of two compared to previously minus six points). However, expectations in mechanical engineering and automotive manufacturing remain significantly negative despite some improvement (balance of minus eleven compared to previously minus 19 points and balance of minus 16 compared to previously minus 33 points, respectively).

Expectations are also improving among manufacturers of consumer goods. However, overall sentiment remains pessimistic. A quarter of consumer goods producers (25 percent compared to previously 33 percent) anticipate a deterioration. Only 17 percent (compared to previously 15 percent) expect an improvement in business in the next twelve months. Thus, the balance of business expectations increases by ten to minus eight points. Companies in the pharmaceutical industry are particularly optimistic about the future, with a balance of 16 points, which corresponds to the long-term average. The food and feed industry experiences a significant increase (current balance of minus five compared to previously minus 19 points).

The construction industry is less pessimistic about the next twelve months than at the beginning of the year. Falling prices for building materials are providing some relief, although they are still significantly above pre-crisis levels. More than a third of companies expect worse business (34 percent compared to previously 44 percent). Only one in ten (eleven percent compared to previously six percent) are optimistic about the future. The balance of expectations thus improves significantly but still remains at a very low level of minus 23 points (compared to previously minus 38 points). Expectations are still bleak in construction, particularly in residential construction, where the most common risk is now domestic demand (62 percent compared to previously 63 percent). The balance of positive and negative expectations remains deeply negative at minus 29 points (previously minus 45 points), well below the long-term average of minus eight points. However, prospects in civil engineering are improving. Infrastructure projects for roads, railways, and particularly the expansion of energy infrastructure are once again driving up business expectations. The balance increases by 13 to minus eleven points. Although still negative, this is close to the long-term average of twelve points. Expectations in finishing trades are also improving from a very low level (balance of minus 18 compared to previously minus 33 points).

Lower energy and raw material prices, as well as a stabilizing consumer climate, are causing business expectations in retail to rise slightly. However, uncertainty about economic policy conditions continues to weigh on sentiment, not only among businesses but also among customers. The outlook remains gloomy. Only 13 percent of retail businesses are optimistic about the future (previously 10 percent). More than three-quarters (34 percent compared to previously 43 percent) anticipate a deterioration in their business. Thus, the balance of business expectations increases by twelve to minus 21 points. Assessments in wholesale and retail are close together (retail: balance of minus 21 compared to previously minus 31 points; wholesale: balance of minus 22 compared to previously minus 33 points).

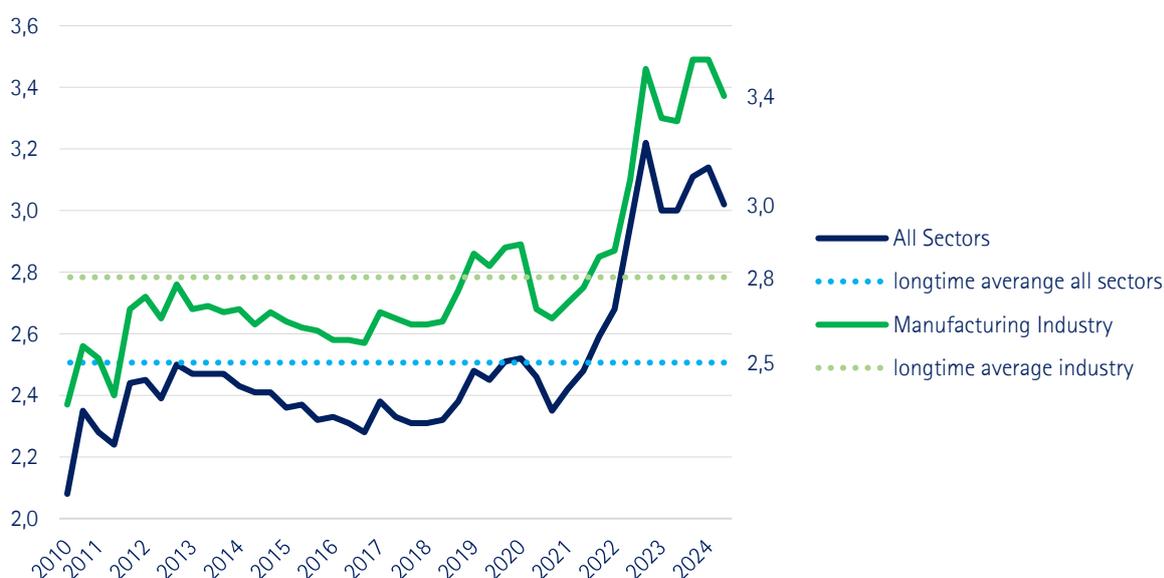
Compared to other sectors, business expectations in the heterogeneous services sector are the least clouded. However, the proportion of pessimists still slightly outweighs the optimists, with 23 percent (previously 31 percent) versus 17 percent (previously 15 percent). The balance thus increases by ten to minus six points. Businesses in the hospitality industry are experiencing a particularly strong increase in business expectations. This is not only due to seasonal reasons, but also because pressure on energy and material costs is easing slightly due to falling prices. Guest numbers are stable and close to pre-crisis levels. The balance of business expectations increases from minus 37 to minus ten points. Similarly, businesses in transportation and storage offer a similar picture. Falling fuel prices are providing some relief to companies. However, labor shortages and high labor costs remain significant business risks (record levels of labor costs at 63 percent; labor shortages at 62 percent). The balance of business expectations increases significantly by 18 to minus 17 points. This is still significantly below the long-term average of minus six points. Expectations are somewhat less pessimistic among business-related service providers, but there is still no widespread optimism. The balance of business expectations increases only slightly by four to minus two points.

## Business risks of the companies

In many sectors of the economy, the pressure of problems remains persistently high. Since the start of the war in Ukraine, the number of business risks facing companies has surged. It's not just cyclical risks, such as weak domestic demand, that are affecting the economy. Structural issues like high energy and raw material prices, labor costs, economic policy conditions, and the shortage of skilled workers are also causing concern. The survey offers a choice of eight different business risks. Currently, on average, a company identifies 3.0 different risks. In the industry, it's 3.4. These are almost record highs (3.2 and 3.5, respectively).

### DIHK Risk Indicator

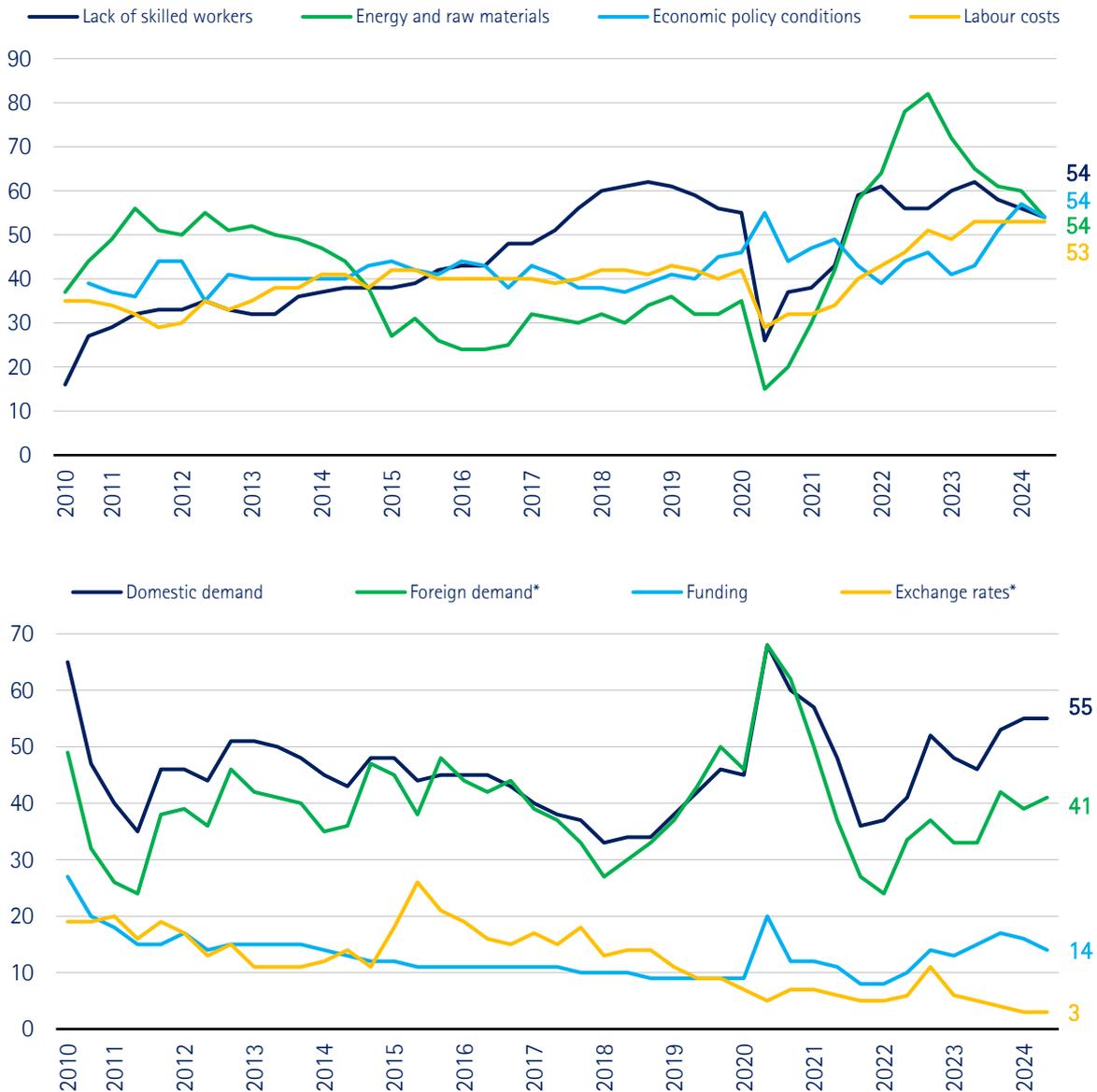
Number of business risks mentioned (8 risks to choose from, multiple answers possible)



The most common business risk, according to companies, has shifted from energy and raw material prices to domestic demand. Due to the ongoing economic downturn, consumer reluctance in spending, and companies holding back on investments, the risk of domestic demand remains at an above-average level (55 percent; long-term average at 46 percent). Concerns about customers and orders particularly weigh on current business conditions and expectations. The balance of business conditions stands at minus 15 points for companies indicating the risk of domestic demand, while the balance of business expectations is at minus 23 points (for comparison, the entire economy: condition balance of five points, expectation balance of minus ten points). With the downward trend in new orders in manufacturing, two-thirds of industrial firms see it as a threat to their business (66 percent, up from 65 percent). This is the highest value since the pandemic (68 percent in autumn 2020). In the retail sector, the noticeable consumer reluctance, both among businesses and households, remains the main concern. Also, in retail, domestic demand ranks as the top business risk (remaining at 65 percent). The still high mortgage rates and the slump in orders in private residential construction mean that over half of construction firms still cite the risk of domestic demand (54 percent, down from 55 percent). Particularly in civil engineering, the risk is close to the peak from autumn 2023 (62 percent, down from 63 percent). In the service sector, concerns about declining demand are least pronounced in sector comparison, although almost half of the businesses still cite the risk at a constant 47 percent.

### Business risks for the economy (all sectors)

Percentage of responses; multiple answers possible; \*Export industry



Three business risks are cited by 54 percent of companies in second place: economic policy conditions, energy and raw material prices, and the shortage of skilled workers. At 54 percent, economic policy conditions are only slightly below the all-time high of the previous survey (57 percent). More than 5,900 companies have used the opportunity of free-text responses regarding economic policy conditions. By far, the most frequently mentioned keyword is "bureaucracy." About 47 percent of the free-text responses include bureaucracy-related issues, compared to "only" 41 percent in the previous survey. Other economic policy risks identified by companies include energy, taxes, and inflation.

## Keywords most frequently mentioned by companies when describing economic risks

(analysis of around 5,900 free text responses)



The current energy prices, while lower than a year ago, still remain significantly above pre-crisis levels. Moreover, in the long-term price perspective, they are expected to remain higher. This is reflected in the business risks perceived by companies. In the overall economy, the risk of energy and raw material prices has decreased significantly compared to its peak in autumn 2022 (82 percent), currently standing at 54 percent, down from 60 percent previously. However, this value still remains noticeably above the long-term average of 43 percent. Energy and raw material prices are still a significant business risk in the industry (63 percent, down from 70 percent previously). However, there are considerable differences within the manufacturing sector, depending on the proportion of energy costs: among energy-intensive companies, three out of four (73 percent) cite energy and raw material prices as a business risk, whereas among less energy-intensive industries such as electrical engineering, it is now less than half (48 percent).

### TOP business risks by sector

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

	Manufacturing Ind.	Construction Ind.	Trade	Services
1.	66% (65%) Domestic demand	64% (62%) Lack of skilled workers	65% (65%) Domestic demand	56% (58%) Lack of skilled workers
2.	63% (70%) Energy and raw materials	59% (68%) Energy and raw materials	55% (59%) Economic policy conditions	53% (56%) Economic policy conditions
3.	56% (58%) Economic policy conditions	55% (57%) Economic policy conditions	55% (61%) Energy and raw materials	52% (52%) Labour costs
4.	55% (56%) Labour costs	54% (55%) Domestic demand	52% (53%) Labour costs	49% (54%) Energy and raw materials
5.	51% (54%) Lack of skilled workers	54% (54%) Labour costs	48% (49%) Lack of skilled workers	47% (47%) Domestic demand

The demographic trend ensures that even in the current difficult economic phase, the shortage of skilled workers only decreases slightly. Over half of the companies (54 percent, down from 56 percent previously) currently cite a shortage of skilled workers as a business risk. Given the aging of society, the shortage of qualified workers will remain one of the key structural challenges for companies in the future. In the service sector, the shortage of skilled workers remains the most commonly cited risk, as in the last two surveys. More than half of the businesses see it as a significant challenge (56 percent, down from 58 percent previously). The shortage of qualified workers has once again become the most pressing issue for the construction industry. Despite weak construction activity, nearly two-thirds of businesses (64 percent, up from 62 percent previously) report a lack of skilled workers.

Continuing at a high level with a steady 53 percent, companies cite labor costs as a business risk. In all four main sectors, more than half of the companies are concerned about the development of labor costs. This concern is not only due to wage increases resulting from high inflation rates but also to the demographic-related labor shortages making skilled workers scarcer and therefore more expensive.

The global economy has proven more resilient than feared so far. Moderate growth is forecast for the world economy. However, the transmission belt, whereby a growing global economy also boosts domestic industry, does not seem to be working yet. In addition, geopolitical risks such as the war in Ukraine or the conflict in the Middle East are causing uncertainty. The risk of foreign demand is rising again. Currently, 41 percent of exporting industrial companies cite foreign demand as a business risk, slightly above the long-term average of 39 percent.

The proportion of companies seeing access to financing as a risk factor has again decreased to 14 percent (down from 16 percent previously). The long-term average is 13 percent, indicating a slow adaptation to the higher interest rate environment. Furthermore, declining inflation rates also fuel hope for a medium-term easing of monetary policy. However, the risk remains above average in industries particularly affected by high construction interest rates (real estate industry 36 percent, down from 38 percent previously; construction 33 percent, up from 32 percent, as well as in the energy sector (33 percent, up from 31 percent).

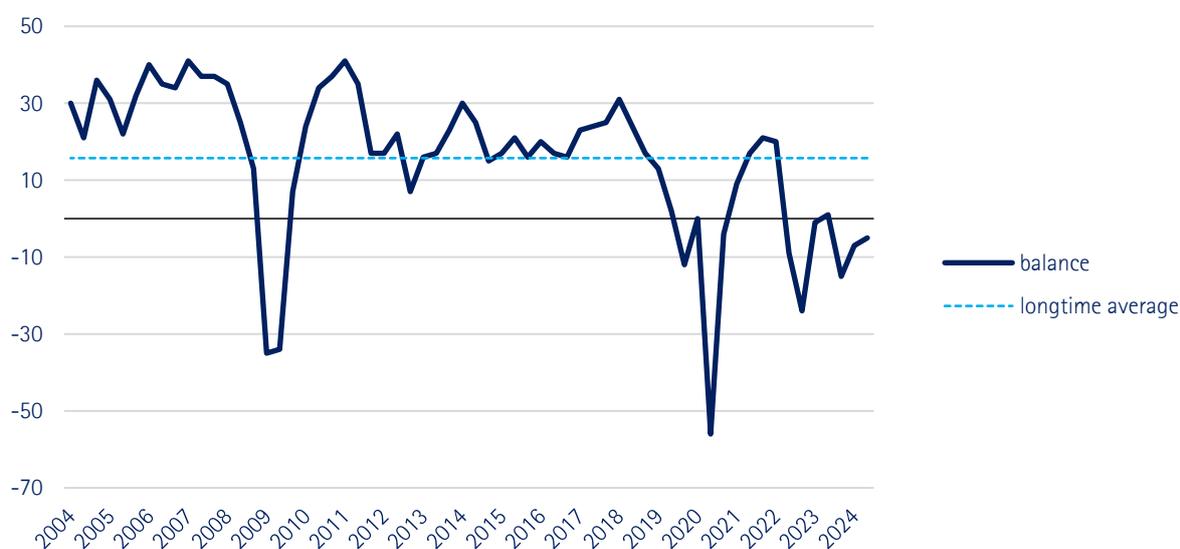
The reactions of central banks in key currency areas and the associated effects on exchange rates have led to a relaxation of exchange rate risk. As at the beginning of the year, only three percent of exporting industrial companies see significant exchange rate risks for their business. This is significantly below the long-term average of twelve percent.

## Export expectations of industrial companies

In early summer 2024, the export expectations of industrial companies continue to remain at a low level. Assessments have improved only slightly compared to the survey at the beginning of the year: Still, 26 percent of companies anticipate declining exports in the next twelve months (beginning of 2024: 28 percent). A consistent one-fifth of companies (21 percent, same as before in 2024) expect increasing exports. More than half of the companies (53 percent) anticipate stable foreign trade (beginning of 2024: 51 percent). The balance between higher and lower export expectations increases by only two points from minus seven to minus five points. Current assessments of the export business still remain well below the long-term average of 16 points.

### Companies' export expectations

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

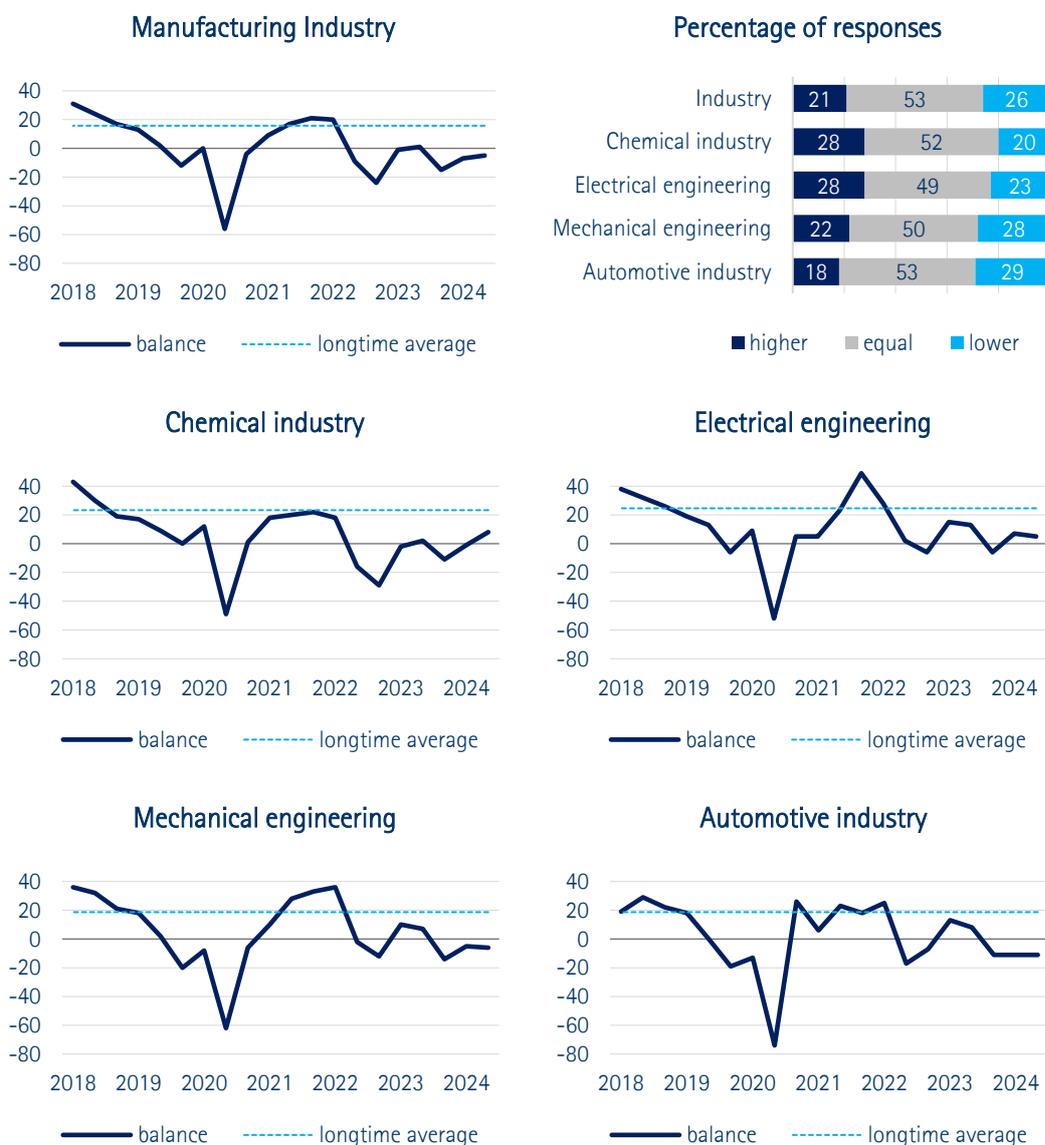


Despite a slight pickup in the global economy, the growth in export expectations for the industry remains modest. Worldwide declining inflation rates, supporting the purchasing power of consumers abroad, and hopes for interest rate cuts are improving expectations in some sectors at a low level. However, ongoing geopolitical tensions and trade conflicts causing uncertainty in international trade dampen confidence on the other hand. The weakness in demand from China continues to cloud the outlook. 41 percent of companies see low foreign demand as a risk to their business development in the next twelve months, slightly more frequent than in the previous survey (beginning of 2024: 39 percent). Furthermore, the industry continues to face high energy prices compared to international standards, weakening competitiveness.

Intermediate goods producers as well as consumer goods producers have, on average, better expectations for their foreign business compared to the beginning of the year. Contrary to the trend, the expectations of capital goods producers have not improved and are below the level of the previous survey. For the first time in four years, capital goods producers are not the most confident in exports compared to other industrial main groups. This is an indication that the slight pickup in the global economy is currently mainly evident in consumer goods, and industrial production is rather slowly picking up in other parts of the world than locally. While export expectations are improving for a majority of companies, the optimistic expectations of companies with 1,000 or more employees could not confirm the same level as at the beginning of the year. The balance between rising and falling export expectations has decreased significantly from 23 points to currently ten points. Nevertheless, the prospects for foreign business are more optimistic than for small and medium-sized enterprises with up to 199 employees (balance minus ten points, down from minus 13 points previously).

## Companies' export expectations

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



Despite the slow global industrial production expansion, German companies are currently only benefiting to a limited extent - positive impulses are not reaching the manufacturers of capital goods. Capital goods producers mostly have negative assumptions regarding the development of their exports. 24 percent of companies anticipate increasing exports, while 27 percent expect lower exports. Consequently, the balance between higher and lower expectations slightly decreases from minus one point in the previous survey to currently minus three points.

Two of Germany's most important export sectors, automotive and mechanical engineering, still foresee predominantly negative developments in their foreign business. Export expectations in the automotive industry remain stagnant compared to the previous survey. Consistent with the previous survey, 18 percent of companies expect export growth, and 29 percent anticipate declining exports. The industry's balance remains stagnant at minus eleven points. Apart from generally low demand, it is noticeable that other countries, such as the USA and China, have built up production capacities, leading to a decrease in demand for "Made in Germany" cars. The long-term average is twelve points. Expectations for mechanical engineering deteriorate slightly once again. Twenty-two percent of companies anticipate increasing exports in the coming months, while 28 percent expect declining exports. The balance decreases from minus five to minus six points and remains well below the long-term average of 19 points. Recent order intakes have been weak. Additionally, it is evident in the industry that other countries are gaining market share. Manufacturers of electrical engineering maintain their positive assessments of their foreign business with a minimal decrease. Twenty-eight percent

anticipate increasing exports, while 23 percent expect a decline. Although the balance decreases from seven to five points, it remains positive, unlike the overall capital goods producers.

Intermediate goods producers are the most pessimistic among the industrial main groups regarding their export expectations. Eighteen percent of companies anticipate export growth, while 27 percent expect lower exports. The balance increases from minus twelve to minus nine points. The chemical industry stands out in this regard. The downward trend in foreign orders since 2022 seems to have ended. Current orders are stabilizing at very low levels. Accordingly, export expectations of chemical companies improve: 28 percent anticipate higher expectations, while 20 percent anticipate lower ones. The balance improves from minus one point to eight points, but still remains below the long-term average of 23 points. Thus, unlike other sectors, the chemical industry is somewhat more hopeful about its foreign business compared to the challenging years prior. In many other sectors, the companies continue to be under pressure due to high energy prices compared to international standards. In the rubber and plastics industry, 18 percent anticipate increasing exports, while 31 percent expect decreases. The balance decreases from minus twelve points to minus thirteen points, remaining significantly negative. The long-term average is twelve points. Expectations of metal production and processing companies have slightly improved from deeply negative to minus 19 points from minus 21 points. The industry is significantly affected by local disadvantages, particularly in energy-related matters.

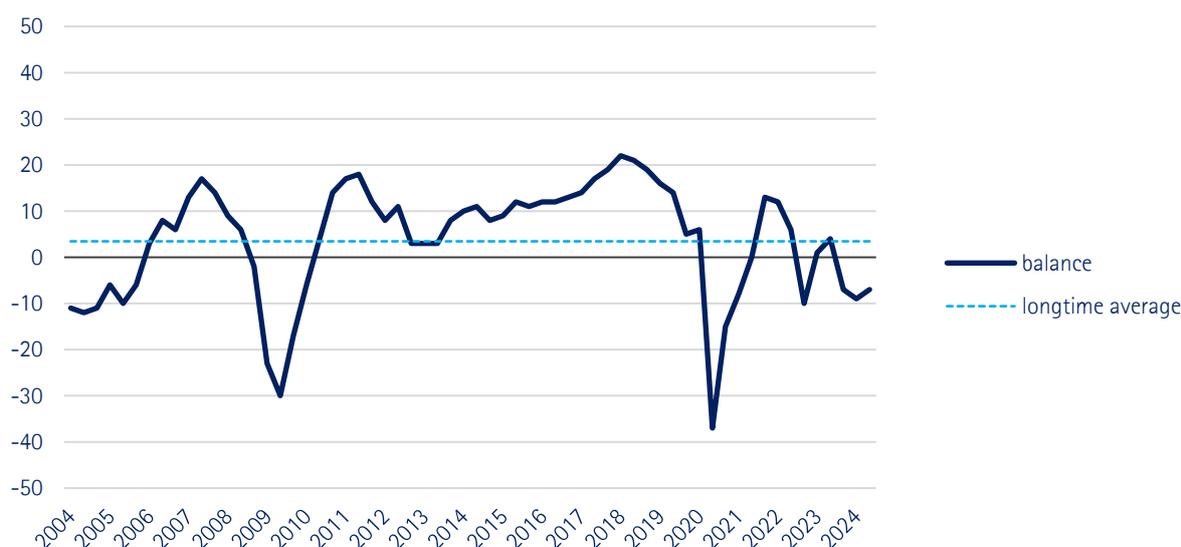
Expectations of consumer goods producers improve due to declining inflation rates and increasing purchasing power of consumers in key markets. Companies with rising and falling export expectations balance each other out: 23 percent anticipate higher exports, and 23 percent expect lower exports in the next twelve months. The balance increases from minus five points to zero points. Expectations in the textile, clothing, and leather industries increase significantly: 20 percent anticipate higher exports, while 27 percent expect lower ones. The balance grows from minus 19 points at the beginning of the year to currently minus seven points. Still, compared to the overall industry, the pharmaceutical industry remains significantly positive, albeit with a notable decline compared to the previous survey. Thirty percent (beginning of the year: 39 percent) still anticipate increasing exports, while 17 percent (beginning of the year: eight percent) expect a decrease. The balance decreases from 31 points to 13 points, moving further away from the long-term average of 33 points.

## Investment intentions of the companies

Dampened economic expectations and structural issues are also affecting the investment plans of businesses. The inclination to invest improves only slightly compared to the previous survey. While 24 percent of businesses plan increased investments again, 31 percent (down from 33 percent previously) intend to decrease investments. The balance of investment intentions increases to minus seven from minus nine points, remaining at the restrictive level seen in autumn 2023.

### Investment intentions of companies

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



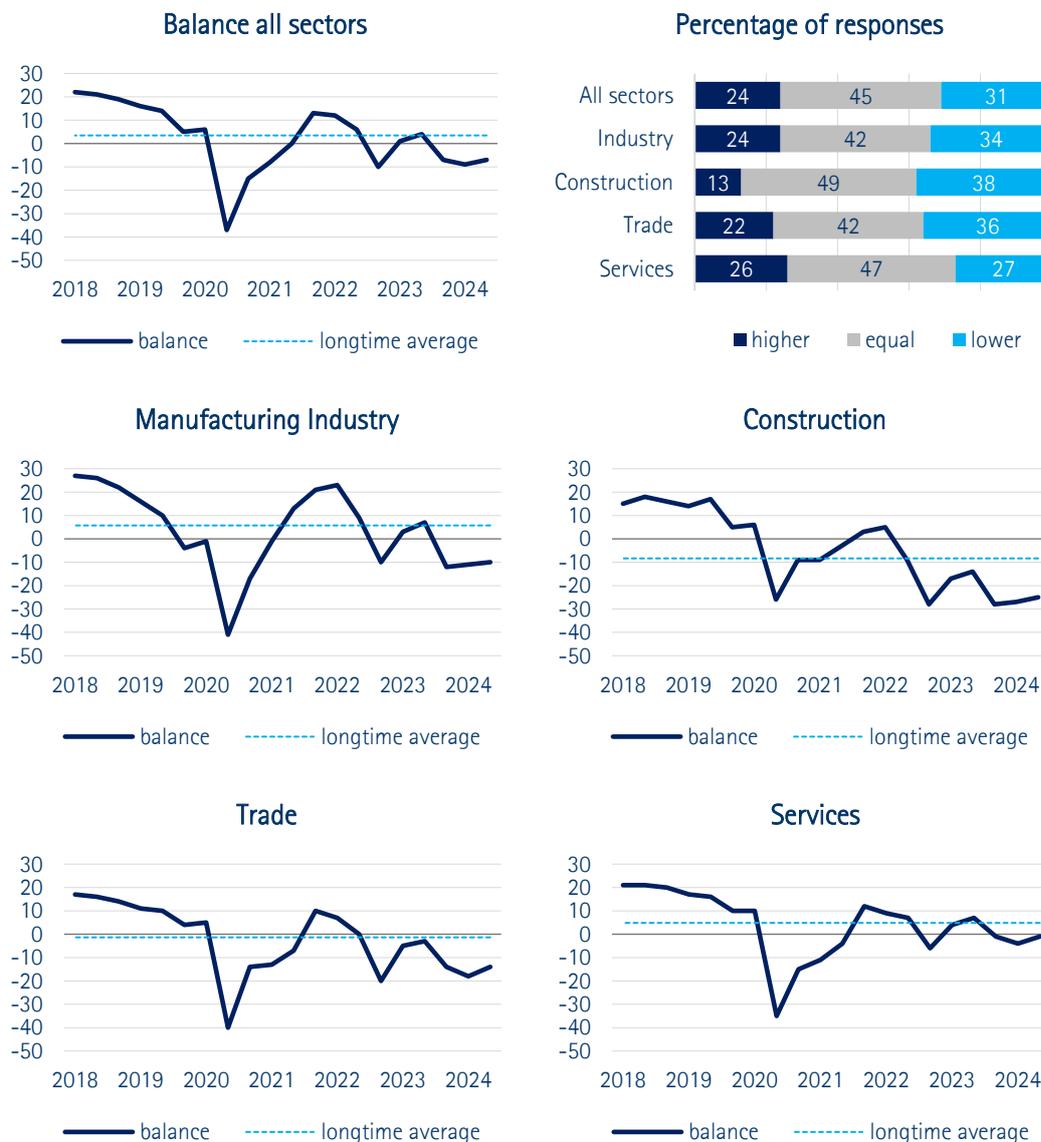
However, noticeable expansion of investments is planned by large enterprises with over 1,000 employees. The balance of investment intentions increases from eight to eleven points - nearly reaching the long-term average of this size category (twelve points). For SMEs with up to 199 employees, the investment balance also improves, from minus twelve to minus nine points. However, they still lag significantly behind their average plans of recent years. Overall, the momentum for investments remains subdued.

Domestic investment restraint is evident across all motives. The proportion of companies intending to invest in product innovation, environmental protection, and replacement each decreases by one percentage point (to 27 percent, 24 percent, 66 percent). The motive for capacity expansion remains at a very low level (20 percent). Only in 2003 and during the financial crisis did fewer companies in Germany intend to invest in production expansion. Rationalization investments remain the second most important investment motive at 32 percent, after replacement investments (66 percent).

The risks to business development are dampening investment plans of companies. Companies that perceive both domestic and foreign demand as business risks have a significantly lower investment balance (minus 20 and minus 22 points, respectively) compared to the overall economy's average (minus seven points). Similarly, companies concerned about energy and raw material prices and economic policy framework conditions also have noticeably reduced investment plans (balances of minus 14 points each).

## Investment intentions of companies

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



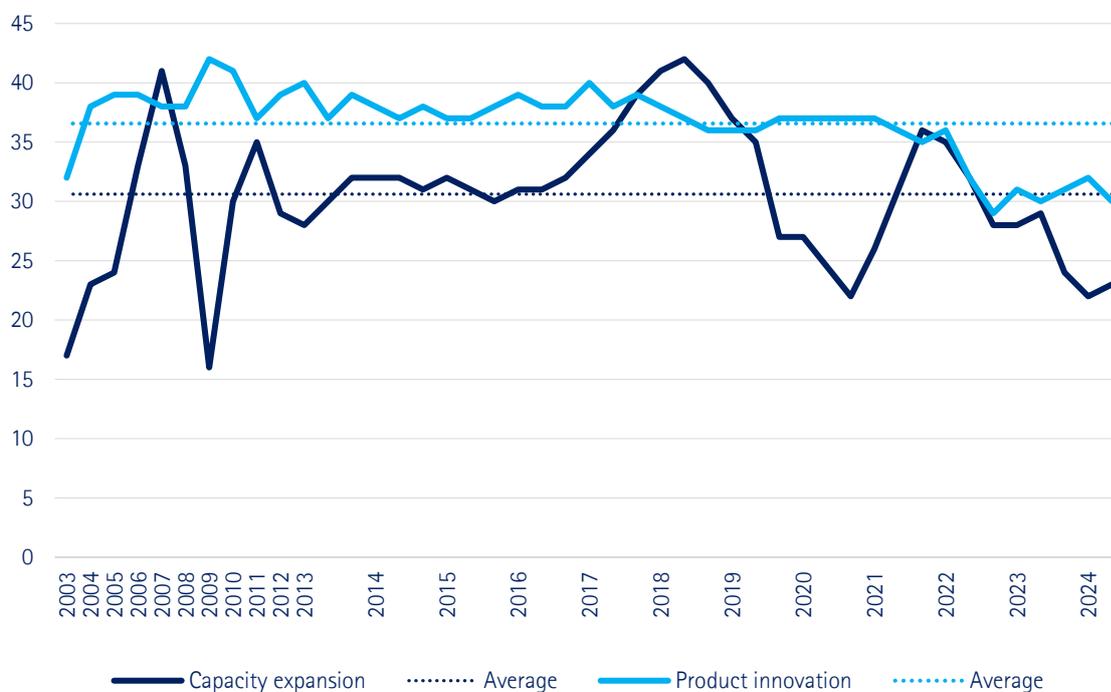
Investment plans in the industry are only slightly improving. Thirty-four percent (down from 36 percent previously) of industrial companies intend to reduce their investments, while only 24 percent (down from 25 percent previously) plan expansively. The balance of investment intentions increases by one to minus ten points. This is significantly below the long-term average of six points. While the improvements in balances for consumer goods manufacturers (up five points to minus six points) and intermediate goods producers (up four points to minus 17 points) - albeit coming from a low level - are slightly higher, investment goods manufacturers continue to revise their plans downward. The balance decreases by one to minus eleven points. In this context, companies in the medical technology sector (to minus 12 from minus one point) and automotive manufacturing (minus 15 from minus seven points) must significantly restrict their investment plans. While mechanical engineering remains at a low level with minus 12 points again, electrical engineering companies are somewhat more optimistic (minus eight from minus nine points).

In the industry, the proportion of companies intending to invest in capacity expansion remains below average (23 percent). Although this motive slightly increases (to 23 percent from 22 percent), it remains significantly below its long-term average of 31 percent. Similarly, investments in product innovation remain below average. Currently, 30 percent of industrial companies plan to invest for this reason (long-term average: 37 percent). Both motives are associated with tendentially higher investment budgets. Therefore, the companies' restraint in this

regard is concerning: Industrial companies intending to expand capacities in the coming months have an investment balance of 38 points. For companies investing in product innovation, the balance is five points. Overall in the industry, it's at minus ten points.

## Investment motive capacity expansion and product innovation in the industry

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



The necessary expansion of renewable energy is reflected in the investment plans and motives of energy suppliers. The balance of investment intentions increases to 61 points (up from 58 points previously), reaching a new record level. Motives such as replacement investments (61 percent, up from 60 percent), environmental protection (58 percent, down from 60 percent), and capacity expansion (52 percent, down from 56 percent) remain prominent. However, the motive of product innovation receives more mentions and stands at 26 percent (up from 24 percent), reaching the same level as in autumn 2019.

In the service sector, the improvement in the investment climate remains cautious at minus one point (down from minus four points). Although transportation and warehousing are increasing their investment plans, they still remain below their long-term average at minus ten points. There is a slight upward movement in the hospitality industry (balance: minus 15, down from minus 18 points), but mainly investments in replacement needs (70 percent) and rationalization (30 percent) are planned. Conversely, IT service providers (balance improvement to nine from eight points), research and development service providers (balance: seven, up from minus seven points), and other economic service providers for businesses such as call centers or office services (balance: four, up from minus one point) show optimism in their investment plans. However, leasing/rental companies, which account for around 20 percent of annual equipment investments, still anticipate cuts in their investment budgets (balance of minus six, down from minus 19 points; long-term average is minus two points).

Although investment plans in the retail sector are improving, with a balance of minus 14 points (down from minus 18 points), they are as poor as they were in autumn 2023. When investing, it's mainly in replacement (unchanged at 65 percent) and rationalization (unchanged at 31 percent). Notably, retailers of health-related goods such as pharmacies, orthopedic stores, or medical supply stores significantly increase their investment plans (balance increase by 19 to five points). The motive of capacity expansion is also increasing (to 24 percent from 23 percent), significantly above the average in the retail sector (19 percent).

In the construction industry, investment plans lag behind the improved business expectations. Although the investment balance improves by two to minus 25 points, it is significantly lower than the previous year's value (minus 14 points), despite business expectations being worse in early summer 2023 (minus 27 points) than they are currently (minus 23 points). Compared to the previous year, construction companies are more concerned about domestic demand (54 percent, early summer 2023: 47 percent), labor costs (54 percent, early summer 2023: 53 percent), and economic policy framework conditions (55 percent, early summer 2023: 39 percent). As an investment motive, rationalizations rank second (23 percent, early summer 2023: 21 percent) after replacement motives (again 80 percent).

### Main motives for investments in Germany

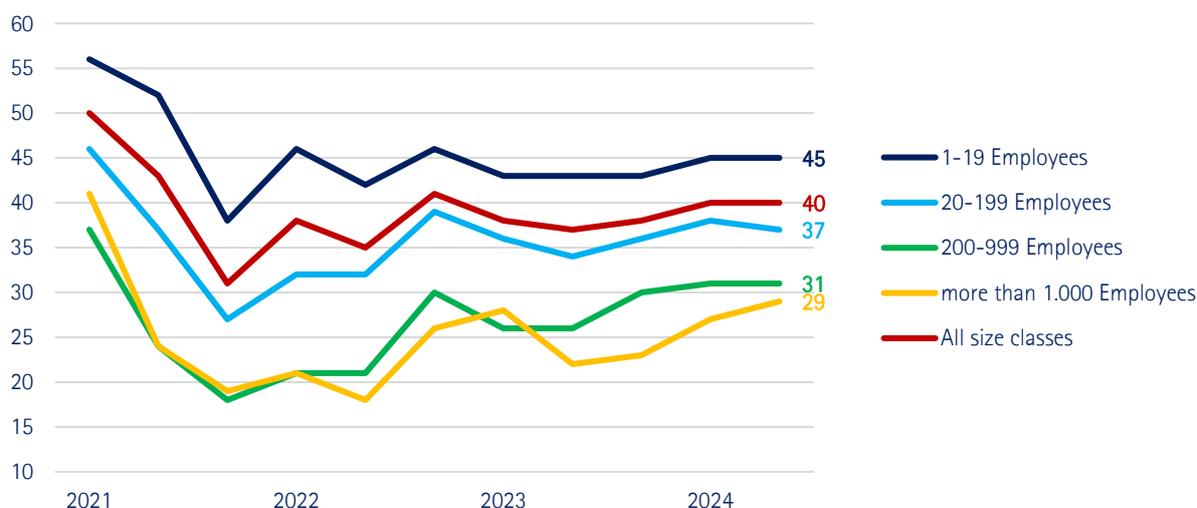
(in per cent; multiple answers are possible, values from previous survey in brackets)

	Rationalisation	Product innovation	Capacity expansion	Environmental protection	Replacement requirements
All sectors	32 (32)	27 (28)	20 (20)	24 (25)	66 (67)
Industry	42 (43)	30 (32)	23 (22)	31 (34)	65 (67)
Building trade	23 (23)	18 (19)	18 (16)	21 (19)	80 (80)
Trade services	31 (31)	22 (23)	19 (19)	20 (21)	65 (65)
	28 (28)	28 (29)	19 (19)	22 (22)	65 (66)

## Current financing situation of companies

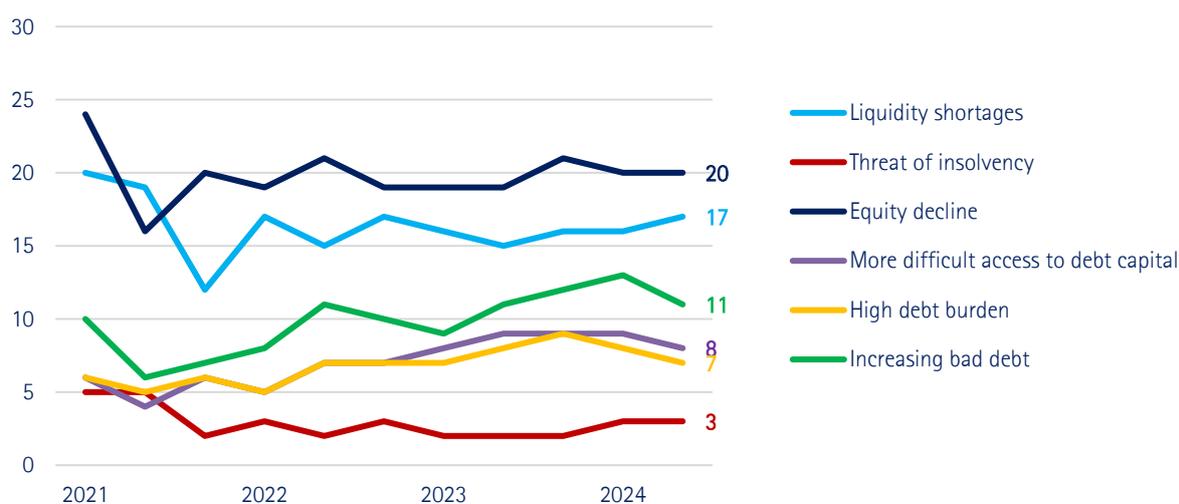
Due to the lack of economic dynamism, the persistently weak business situation, and the almost unchanged high interest rates, there is hardly any change in the financial situation of companies compared to the previous survey. Still, two out of five businesses (40 percent) perceive their financial situation as problematic. This is a similar assessment to that of autumn 2022, when there were concerns about a gas shortage at times. The slight improvement in the financial situation following the resolution of the energy price crisis by the summer of 2023 was mainly hindered by the increases in interest rates and the more restrictive lending in the eurozone.

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



### The following financial problems are a burden on companies

(in per cent, multiple answers possible)



The primary concern remains the decline in equity (20 percent). The proportion of companies reporting liquidity constraints remains significant at 17 percent, up from 16 percent previously. Across the breadth of the economy, the proportion of companies facing bad debts decreases (eleven percent, down from thirteen percent previously). The percentage of firms burdened by high indebtedness in their balance sheets decreases from eight to seven percent. Eight percent of companies report a more difficult access to bank financing (down from nine percent

previously). The number of companies seeing themselves threatened by insolvency remains unchanged at three percent.

Regarding company size, smaller businesses consistently exhibit a more critical financial situation than larger ones. However, it is noteworthy that especially among companies with 1,000 or more employees, the financial situation has noticeably deteriorated since mid-2023. Now, 29 percent of these businesses (compared to 27 percent in the previous survey and 22 percent the previous year) report at least one problem with their financial situation. These issues encompass the entire set of impairments - from increased liquidity constraints to more difficulties in obtaining external capital, rising interest burdens, higher bad debts, diminishing equity, to an increased risk of insolvency. In small businesses with up to 19 employees, financing difficulties continue to affect every other business, with 45 percent still affected. Particularly, the decline in equity (25 percent) and liquidity constraints (19 percent) remain a challenge for small businesses.

### 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	1000 employees or more	All classes
Liquidity bottlenecks	19	16	11	10	17
Impending insolvency	4	2	1	1	3
Decline in equity	25	17	12	13	20
More difficult access to debt capital	8	8	7	12	8
High debt burden	6	8	9	8	7
Increasing bad debt losses	11	12	10	7	11
Our financial situation is unproblematic	55	63	69	71	60
Our financial situation is problematic	45	37	31	29	40

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

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

	Manufacturing Ind.	Construction Ind.	Trade	Services	all sectors
Liquidity bottlenecks	16	15	18	17	17
Impending insolvency	2	2	2	3	3
Decline in equity	17	19	21	22	20
More difficult access to debt capital	9	8	6	8	8
High debt burden	8	9	8	7	7
Increasing bad debt losses	11	12	14	11	11
Our financial situation is unproblematic	63	61	58	59	60
Our financial situation is problematic	37	39	42	41	40

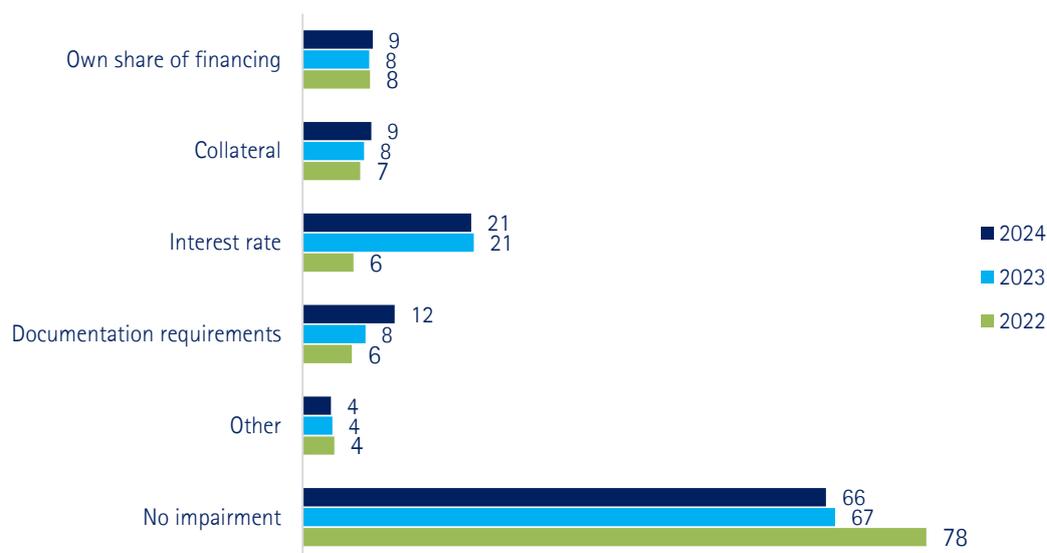
## Difficulties in obtaining external capital: Challenges due to high interest rates, increasing documentation requirements

The more detailed survey conducted by the DIHK in early summer each year on challenges in obtaining external capital shows that about a third of companies (34 percent) face problems in this area - slightly more than the previous year (33 percent), but significantly more than in 2022 (22 percent).

Particularly, the level of interest rates is seen as problematic by 21 percent of all surveyed companies. Just in early summer 2022, this was the case for only six percent of businesses. This perception is consistent across all sectors and all company sizes. Especially high burdens from increased interest rates are reported by companies in car trade and repair (40 percent, up from 36 percent previously), real estate (35 percent, down from 39 percent previously), and lessors of capital goods (32 percent, up from 24 percent previously). With rising interest rates, refinancing existing loans becomes more expensive, and new credit-financed working capital and investments cost more. There is a concern that investment projects may become partially unprofitable and therefore be abandoned entirely: Currently, 44 percent of companies whose financing is particularly affected by high interest rates intend to reduce their investments. This percentage was significantly lower at 36 percent in the previous year.

Furthermore, the increasing focus of lending on sustainability criteria leads to a significant increase in the burden of documentation requirements for companies seeking credit. More than one in ten businesses are affected by increased documentation requirements in external financing.

### The following aspects play a role for companies whose financing is currently particularly impaired (in per cent, multiple answers possible)



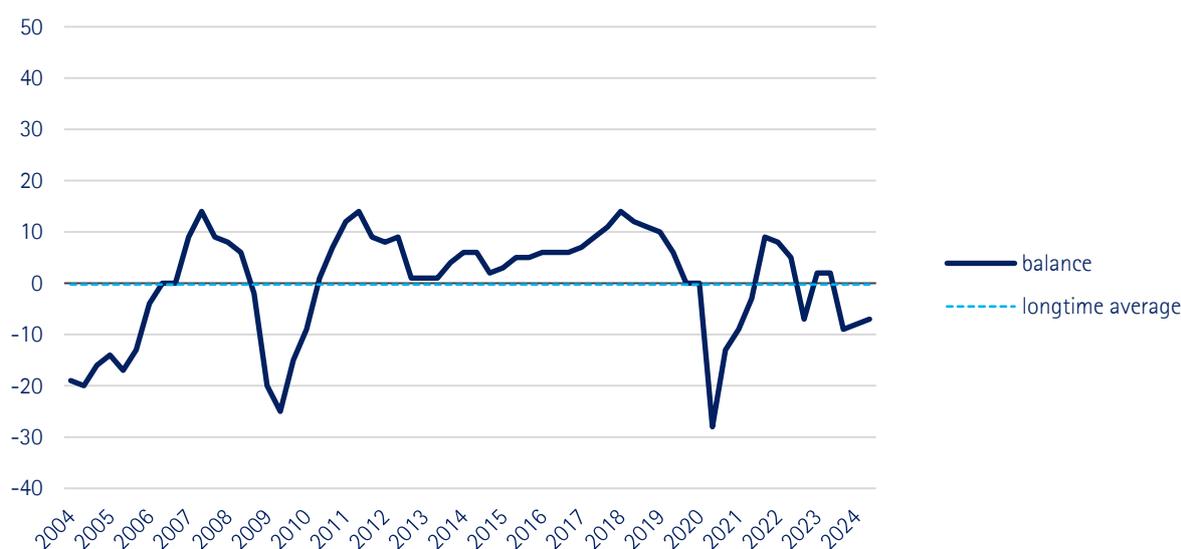
## Employment intentions of the companies

The hiring intentions of companies remain cautious against the backdrop of further deteriorating economic conditions compared to the previous survey (beginning of 2024). While 13 percent intend to hire more staff (previously 14 percent), 20 percent (down from 22 percent) expect fewer employees. The resulting balance stands at minus seven points, significantly below the long-term average of zero points, but slightly up by one point compared to the beginning of 2024. However, there is a notable decrease of nine points compared to the previous year's survey. The job market remains stable but shows little dynamism.

In contrast to the overall economy, businesses with 1,000 or more employees plan for a slight increase in employment. A quarter of these companies (25 percent) anticipate more staff, while 22 percent (down from 25 percent previously) expect fewer. This results in a slight increase of two points in the balance of employment intentions, standing at three points, which is significantly above the long-term average of minus seven points. The shortage of skilled workers remains the most common business risk for large enterprises – at 69 percent, it is significantly higher than in the overall economy and ahead of domestic demand (57 percent). Due to their size, larger companies hire staff much more frequently than small businesses and are therefore much more often confronted with bottleneck problems.

### Employment intentions of companies

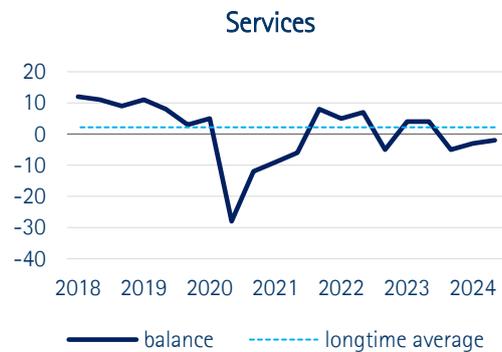
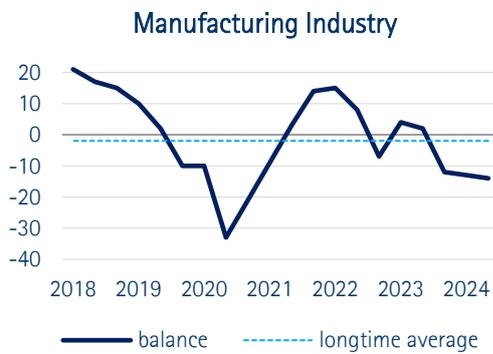
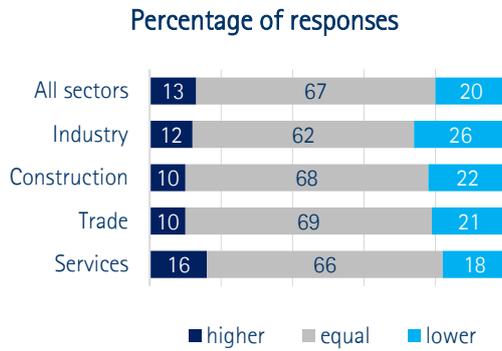
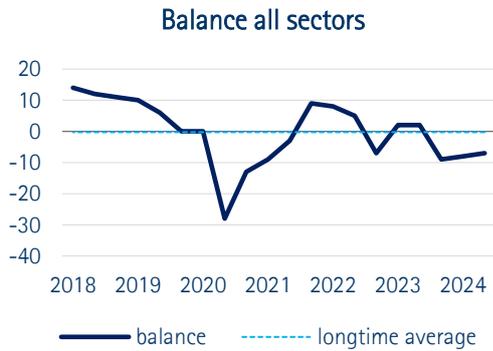
(balance of higher minus lower responses, long-term average since 2003)



In the manufacturing sector, employment intentions have slightly declined once again. The balance has decreased by one point compared to the previous survey, now standing at minus 14 points – a stark contrast to the positive two points recorded a year ago. More than a quarter of industrial companies (consistent at 26 percent) need to reduce staff, while only one in ten (twelve percent, down from thirteen percent) expect to increase employment. Especially energy-intensive companies, facing particular disadvantages due to the persistently high energy costs in the country, are planning staff reductions. Three out of ten such companies need to cut staff (30 percent, down from 32 percent previously), while only a consistent eight percent intend to hire. The balance of employment intentions only marginally increases from minus 24 to minus 22 points. Particularly in metal production and processing, the balance of employment intentions further declines by nine points to minus 35 points. In the automotive industry, the structural shift towards electromobility, which is less labor-intensive in production, as well as intense international competition, are evident in employment intentions. The balance stands at minus 32 points (down from minus 39 points previously), significantly below the long-term average of minus 15 points. For manufacturers of automotive parts and accessories, the balance is even lower at minus 44, down from minus 46 points previously. In contrast, energy suppliers are planning a significant increase in staff. The demand for personnel to manage the energy transition remains high (balance of 33 points, down from 38 points; long-term average at minus one point).

## Employment intentions of companies

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



In the construction industry, employment plans remain significantly negative but have improved slightly at the current juncture – albeit somewhat seasonally. The balance stands at minus twelve points (compared to minus 16 points previously); one in ten companies anticipate more staff (consistent at ten percent), while 22 percent expect fewer employees (down from 26 percent previously). High interest rates and material costs continue to characterize the situation in construction, reflecting in hiring intentions. The stagnant residential construction sector is particularly affected. Consequently, employment plans in building construction remain cautious (balance of minus 17, down from minus 20 points). In civil engineering, where the business situation is significantly better, plans have improved slightly (balance of one point, up from minus one point previously), exceeding the long-term average (balance of minus seven points). Long-term infrastructure projects and measures for transportation, digitization, and especially the energy transition, are driving the increasing demand for labor. Given the demographic trends, the shortage of skilled workers in construction is the most common business risk, with 64 percent citing it, and in civil engineering, three out of four companies fear the shortage of skilled workers. Many companies need to fill positions vacated by retiring employees to have enough skilled workers available for future projects.

Employment plans in the retail sector are slightly up compared to the previous survey but remain at a low level. Only ten percent of businesses (up from nine percent previously) intend to increase their workforce, while a consistent 21 percent anticipate reducing staff (balance of minus eleven points, down from minus twelve points previously; long-term average: minus four points). Concerns about domestic demand, as well as labor costs and uncertain economic policy conditions, weigh on employment plans in retail.

In the services sector, employment intentions have slightly improved compared to the previous survey but remain below the long-term average (balance of minus two, down from minus three points previously; average: two points). They are at the highest level compared to other sectors. Sixteen percent of companies intend to expand their workforce, while 18 percent foresee a reduction (consistent with 19 percent previously).

In knowledge-intensive services, employment plans are positive compared to the overall economy but have slightly deteriorated since the beginning of the year (from four to three balance points). For instance, IT service providers (balance of 19 points, down from 20 points previously) are almost unchanged in planning more employment, influenced by advancing digitalization. Similarly, in legal and tax consulting and auditing (balance of 18 points, down from 22 points previously) as well as research and development (balance of ten points, down from twelve points previously), plans remain positive – the same applies to health and social service providers (balance of 13, up from three points previously). However, the shortage of skilled workers can often hinder planned employment growth, with 80 percent of legal and tax consulting and auditing firms and 83 percent of health and social service providers citing this as a business risk. In the hospitality industry, employment plans have slightly brightened, but companies mainly plan for fewer staff. The balance increases slightly by three to minus 14 points. The high costs for businesses leave their mark: 77 percent cite high energy and raw material prices as business risks, while 67 percent cite labor costs. Similar challenges exist in the area of transportation and logistics, where employment plans, despite some improvement, remain negative (balance of minus 13, down from minus 18 points previously). The lack of dynamism in the job market is also evident in staffing firms. Employment intentions have slightly increased compared to the previous survey (from minus five to one point) but remain below the previous year's mark (six points) as well as the long-term average (20 points).

## DIHK forecast for economic development in Germany

### Use of Gross Domestic Product (GDP) in Germany

Change compared to previous year, in percent, adjusted for price changes, chained

	2022	2023	DIHK forecast 2024
GDP	1.8	-0.2	0.0
Household final consumption expenditure	3.9	-0.7	+1.0
Government final consumption expenditure	1.6	-1.5	+0.5
Gross fixed capital formation	0.1	-0.7	-1.3
- Gross fixed capital formation in machinery and equipment	4.0	+3.0	-1.5
- Other fixed assets	-0.7	-0.6	+1.5
- Gross fixed capital formation in construction	-1.8	-2.7	-2.0
Exports (goods and services)	3.3	-2.2	0.0
Imports (goods and services)	6.6	-3.4	-0.5
Employment (change in thousands)	+612	+337	+100
Consumer prices	+6.9	+5.9	+2.3