Uncertainty hampers the upswing

DIHK Economic survey February 2022

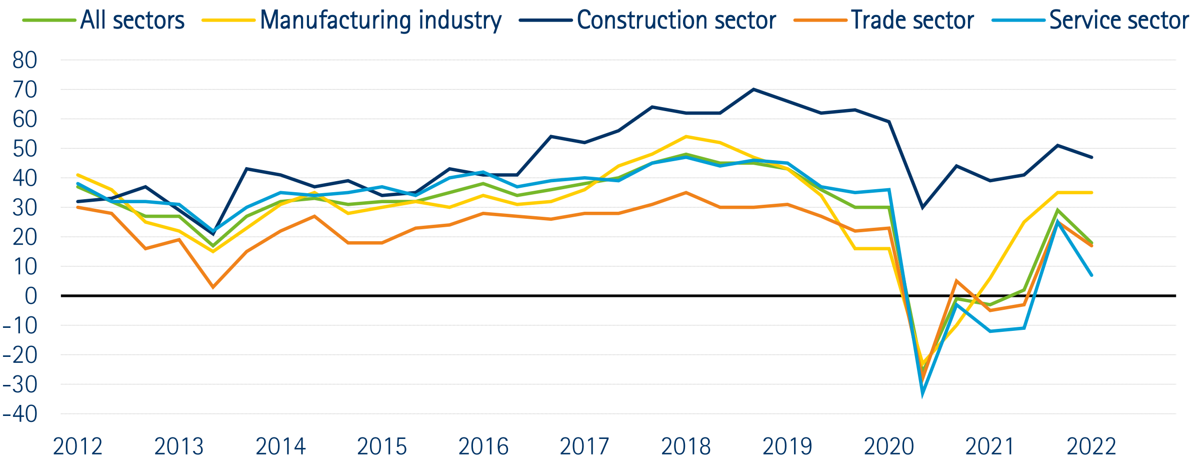
DIHK Deutscher Industrie- und Handelskammertag

IHK Deutsche Industrie- und Handelskammern

Current business situation of the companies

Companies' assessments of the current business situation are becoming gloomier. While the preliminary survey in fall 2021 was still under the impression of an economic recovery after the end of the second lockdown, the current situation is now characterized by the omicron wave, ongoing supply bottlenecks and concerns about structural risks such as rising energy and commodity prices or the shortage of skilled workers. Around 39 percent of the companies assess their current situation as good, while 21 percent speak of a poor business situation. The balance of good and bad assessments falls to 18 points, compared with 29 in points the previous survey. The indicator thus falls well below the level seen before the Corona pandemic (30 points at the start of 2020) and is also below the long-term average (22 points).

The level of current assessments of the situation varies greatly from sector to sector. In none of the sectors was an improvement in the assessment of the situation observable compared with the previous survey. Sentiment remains above average in the construction sector, where the balance of positive and negative assessments fell slightly by four to 47 points. In the manufacturing industry, the current mood remains the same, with the balance holding steady at 35 points. The sharpest deterioration is seen in the services sector. Here, the renewed restrictions to contain the fourth Corona wave are visible. Compared with fall 2021, the balance falls significantly from 25 to seven points. Sentiment in the retail sector also deteriorated (from 25 to 17 points), although the balance of good and poor assessments is still slightly above the long-term average (11 points).



Balance of good and bad ratings

Among **industrial companies, capital goods manufacturers** are slightly more positive in their assessment of the situation than in the previous survey (balance of 40 points compared to 37 points). Companies in the electrical engineering and mechanical engineering sectors in particular report good business (balance of 46 points compared to 43 previously). The assessment of the current situation remains below average in the automotive sector, which is affected by continuing supply bottlenecks for important components such as electronic chips and faces challenges in coping with the mobility transition. The balance here rises only slightly by one point to eleven points (long-term average: 25 points).

For companies in the **intermediate sector**, the business situation remains almost unchanged at a good level. Companies in the rubber and plastics industry or in the glass, ceramics and stone processing sector report a slight improvement of their business (balance of 37 points after 33 points previously and balance of 39 points after 42 points previously). By contrast, companies in the metal production and processing sector or in the mining and quarrying sector report a slight deterioration (balance of 44 points after 42 in the previous survey and balance of 57 points after 48 in the previous survey).

Producers of consumer goods and durables again rated their situation below average and even more negatively than in the previous survey (balance of twelve points compared to 15 previously). For example, the renewed pandemic-related restrictions in the beverage industry are depressing sentiment (balance of minus 25 after zero points previously). By contrast, business is somewhat better in the pharmaceutical industry and also in the textile, clothing and leather industries (balance of 26 points after 30 points previously and balance of 14 points after eleven points previously).

Business in the **construction sector** continues to be good, and the mood is still the best in a comparison of the sectors. Due to the seasonal nature of the business, there is also a slight downturn here, but in view of the full order books, only five percent of companies have a negative assessment of the situation (balance of 47 after 51 points).

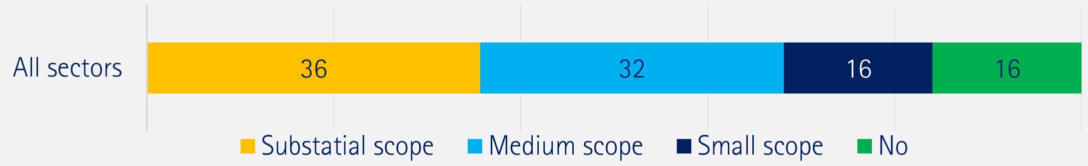
There are major differences among the **service providers.** In view of the measures taken to stem the fourth Corona wave, the current situation is worsening, particularly among travel agents (balance of minus 72 after minus 66 points previously). Sentiment in the hotel and restaurant industry and in the leisure industry also deteriorated significantly again (balance of minus 67 points after 18 points previously and balance of minus 54 points after minus 23 points previously), after the previous survey in the fall appeared to show a short-term upturn. By contrast, the predominantly business-related service providers report only a slight deterioration (balance of 32 after 34 previously) and are thus also in line with the long-term average.

Pandemic measures affecting the **trade sector** are somewhat less restrictive this winter than they were year ago. Nevertheless, the effects of the omicron variant are also being felt here. However, the situation assessment is less negative than in the hotel and restaurant industry, for example. The balance of positive and negative assessments in the retail trade, for example, falls by 15 to 8 points, but is still above the long-term average of six points. In wholesaling and commercial intermediation, the combined assessment deteriorated only slightly (balance of 29 points, compared to 32 previously). However, persistent supply problems are causing problems for the sector.

Supply bottlenecks and price increases due to delivery difficulties

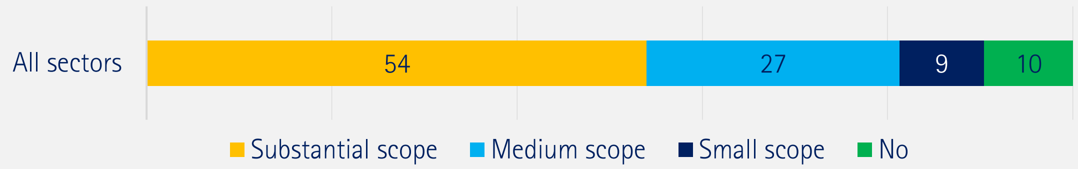
The Corona pandemic has led to disruptions in international supply chains worldwide. The consequences are bottlenecks in commodities, materials and inputs as well as rising prices. Hopes for a rapid easing of the situation at the end of 2021 have not been fulfilled. At the beginning of the year, 36 percent of companies across all sectors report being affected by supply bottlenecks to a significant extent. 32 percent report being affected to a medium extent. A further 16 percent still say they are suffering from supply bottlenecks to a minor extent. Only 16 percent of the companies don't experience any supply problems. A closer look into the sectors shows that the situation is most difficult in industry. Here, 84 percent of companies say they are affected to a medium or considerable extent. The situation is slightly better in trade and construction, at 83 percent and 78 percent respectively. Only among service providers are less than half affected to a considerable or medium extent (48 percent).

Share of companies currently affected by delivery problems (in percent)



Disrupted supply chains not only have an impact in the form of a lack of materials or longer delivery times, but they also lead to increasing prices for energy, inputs and commodities. More than half of the companies report being affected by significant price increases due to delivery problems. More than a quarter are still feeling medium price increases. Only nine percent of the companies say they are not affected by price increases due to the bottlenecks. The largest price increases took place in the Industry sector, with 96 percent reporting being affected by price increases to a medium or significant extent. The figure is 92 percent in construction, 88 percent in trade and 68 percent in services.

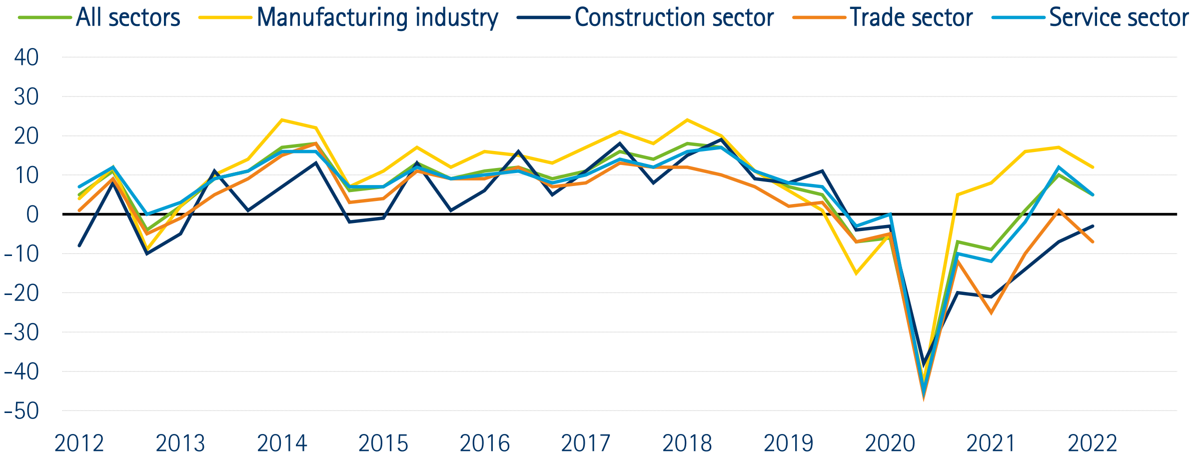
Share of companies currently affected by price increases due to supply difficulties (in percent)



Business expectations of the companies

Business expectations for the coming twelve months are becoming gloomier. The balance of positive and negative expectations deteriorated by five points to just five points, slightly below the long-term average of seven points. This reflects the uncertainty as to when the pandemic and global supply bottlenecks will be overcome and how structural challenges such as the transformation of the economy or demographic change will be mastered.

Expectations are declining in particular in the Trade sector (balance of minus seven points, down from one) and among service providers (balance of five points, down from twelve). In the manufacturing industry, too, companies are less optimistic about the future (balance of 12 points after 17 previously). In the construction sector, expectations improved slightly, but the pessimists continued to predominate (balance of minus three points after minus seven points previously).



Balance of better and worse ratings

The outlook for companies offering predominantly **consumer-related services** has again been dampened. Not only the ongoing pandemic, but also concerns about rising energy and commodity prices, supply bottlenecks and also higher labor costs are depressing expectations. Particularly pessimistic are companies from the arts, entertainment and recreation sector (balance of minus two points 18, down from minus three points), catering (balance of minus eight points, down from minus three points) and the accommodation sector (balance of minus four points, down from minus two points). Business expectations also fell among travel agents (balance of ten points, down from 16).

Although **business-related service providers** remain optimistic about the future, their business expectations are more cautious than they were in fall 2021 (balance of 14 points compared to 20 previously). Expectations among IT service providers are comparatively good, albeit somewhat lower than in the previous survey (balance of 23 points compared to 28 previously). The majority of trade fair, exhibition and congress organizers also hope that events will be held again this year and that their business will pick up, but they too are significantly more cautious than in fall 2021 (balance of 20 points after 47). Companies in the leasing and rental sector and in management consulting are also scaling back their expectations somewhat (balance of 17 points after 24 previously and balance of 11 points after 19 points, respectively). The companies in the field of placement and leasing of workers are basically benefiting from the economy's need for flexible personnel solutions in uncertain times as well as from the high demand for qualified workers. At the same time, however, the sector itself is suffering from the shortage of skilled workers. The balance of business expectations therefore remains almost unchanged at 19 points (after 20 points previously).

In the **trade sector,** retailers in particular are once again taking a much more cautious view of the coming months (balance of minus eleven, compared to one point previously). Although stationary retail is no longer suffering as much as last winter from the protective measures, the effects of the fourth wave are being felt. The outlook in wholesale and retail brokerage has also declined. Here, companies are feeling the pressure of supply bottlenecks and the resulting price increases in particular. However, optimists and pessimists are more or less in balance (balance of minus one after five points previously).

In the **manufacturing industry,** a downturn in sentiment is particularly noticeable among manufacturers of consumer goods (balance of seven points, down from 18). Here, business expectations are heavily dependent on consumer-related service providers, such as the food service industry, which are suffering from the fourth Corona wave. Correspondingly, the expectations of companies in the food and tobacco processing sectors, for example, fall on balance by 7 to one point.

Among the energy- and commodity-intensive **intermediate goods manufacturers,** expectations for the next twelve months are mixed. While the outlook in the paper and chemical industries has clouded over noticeably (balance of 6 points after 22 points previously, and balance down from 7 after 14 points previously), companies in the metal production and processing sector continue to hope for a revival (balance of 18 points unchanged). In the rubber and plastics industry, the balance deteriorated slightly by one point to nine.

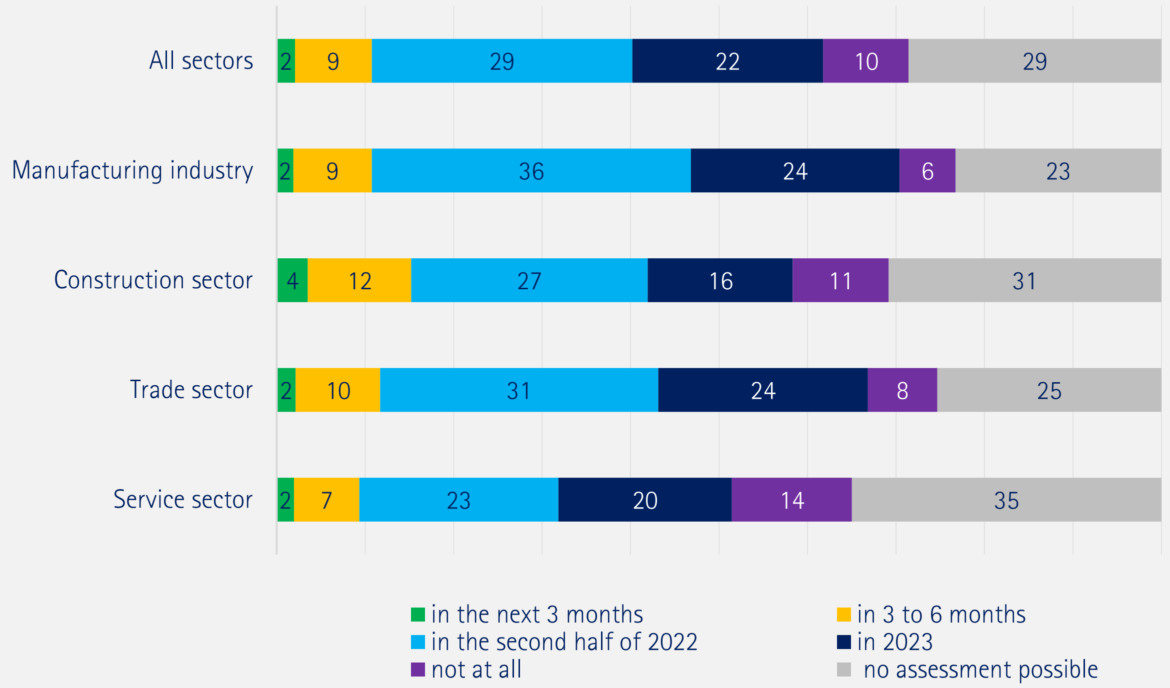
Capital goods producers are somewhat more pessimistic about the outlook for the coming year than in the previous survey (balance of 21 compared to 26 previously). Motor vehicle manufacturers are hoping for somewhat more positive sales than last fall (balance of 16 points compared to 21 previously). By contrast, mechanical engineering companies (balance of 30 points compared to 25 previously) and electrical engineering companies (balance of 24 points compared to 19 the previously) have somewhat lower business expectations.

Companies in the **construction sector** are slightly raising their expectations, but on balance they are still taking a critical view of business in the coming months, driven by the considerable shortage of skilled labor and burdens from high energy and commodity prices. This applies in particular to civil and underground engineering, where expectations are still at a balance of minus eight points (after minus points 19 previously) despite a considerable improvement. The balance of business expectations also remains negative for companies in the building construction sector (balance of minus two points, compared with minus six previously) and the finishing trade (balance of minus two points, compared with minus five previously).

No short-term easing of supply bottlenecks expected

Almost nine out of ten companies (89 percent) do not expect the supply problems to ease until the second half of 2022 at the earliest, or do not even dare to make a forecast. Around 22 percent of companies do not see an improvement in the supply situation until 2023, and ten percent do not expect any improvement at all in the supply bottlenecks relevant to them. However, it is also clear that there is a great deal of uncertainty about the duration of the supply bottlenecks, with just under a third of companies not even in a position to estimate when the bottlenecks will end.

When do companies expect an improvement in the supply of commodities, intermediate products and goods relevant to you? (in percent)



Current financing situation of companies

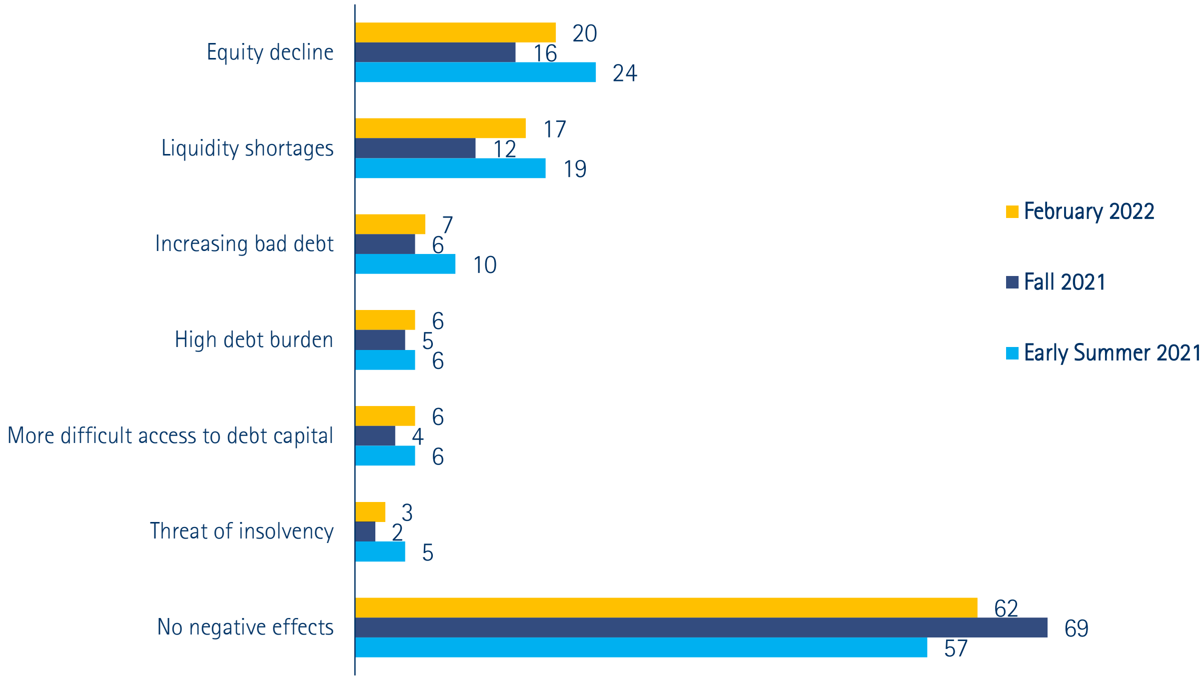
The financial situation of companies has deteriorated compared since fall. The share of companies describing their financial situation as problematic has risen from 31 to 38 percent. This means that more than one in three companies is facing challenges. The main concern is the decline in equity (20 percent) after almost two years of a pandemic that has drained reserves. Due to renewed business restrictions and supply chain disruptions, there is also an increase in the number of companies reporting liquidity bottlenecks (17 percent). Slightly more companies than in the fall of 2021 see themselves at risk of insolvency: across the whole spectrum of the economy, three percent of companies do. Access to debt capital has worsened for six percent of companies. The smaller the company, the more critical its financial situation, especially in terms of equity and liquidity. A quarter of small companies with up to 19 employees are faced with a decline in equity capital and a fifth are facing a liquidity bottleneck (21 percent).

A look into the sectors shows that the financial situation in the construction industry is stable. Around three quarters of construction companies see their financial situation as unproblematic (73 percent, compared to 75 percent previously); the proportion of companies facing a decline in equity is twelve percent, compared to eleven percent previously. In the manufacturing industry, on the other hand, the financial situation has clouded over. More companies report a problematic financial situation (31 compared to 25 percent previously in fall 2021), and there has also been an increase in the proportion of companies reporting liquidity shortages (15 compared to 11 percent previously in fall 2021) and a decline in equity (13 compared to 11 percent previously in fall 2021).

The trend is similar in the retail sector. Here, too, the proportion of companies experiencing financing difficulties has risen from 30 percent to 36 percent compared to fall 2021. Here, the challenges are also dominated by a decline in equity (19 percent) and liquidity bottlenecks (16 percent).

In a comparison of economic sectors, service providers face the most difficult financial situation, as they are affected by restrictions on business operations more frequently than other sectors. Now, 43 percent of companies report a problematic financial situation; in fall 2021, the assessment was 35 percent. Companies are particularly concerned about the decline in equity (24 percent) and liquidity bottlenecks (19 percent). The assessment of the financial situation is particularly strained in the hotel and restaurant industry and among companies in the arts, entertainment, recreation sector: More than three-quarters (76 percent and 77 percent, respectively) of companies face a problematic financial situation. More than half (54 percent and 37 percent, respectively) report a decline in equity, and more than a third (35 percent and 36 percent, respectively) worry about liquidity shortages. Nine percent (down from 3) of companies in the hotel and restaurant sector feel threatened by an insolvency, and as many as 13 percent (down from 5) of companies in the arts, entertainment and recreation sector. The financial situation remains tense for trade fair, exhibition and congress organizers, whose traditional business was largely idle during the pandemic. Although the proportion of those reporting a problematic financial situation has fallen slightly from 62 percent to 58 percent. Nevertheless, 38 percent are concerned about the decline in equity capital, 29 percent are struggling with liquidity bottlenecks and 11 percent with increasing bad debt losses.

The current financial situation of companies is characterized by …



Share in %, multiple answers possible

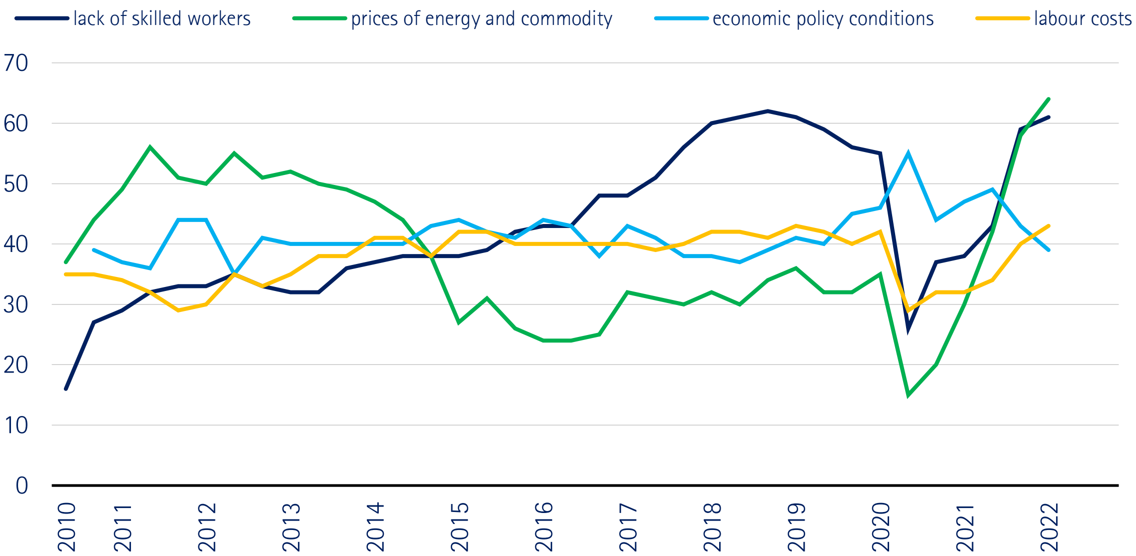
Business risks of the companies for the coming 12 months

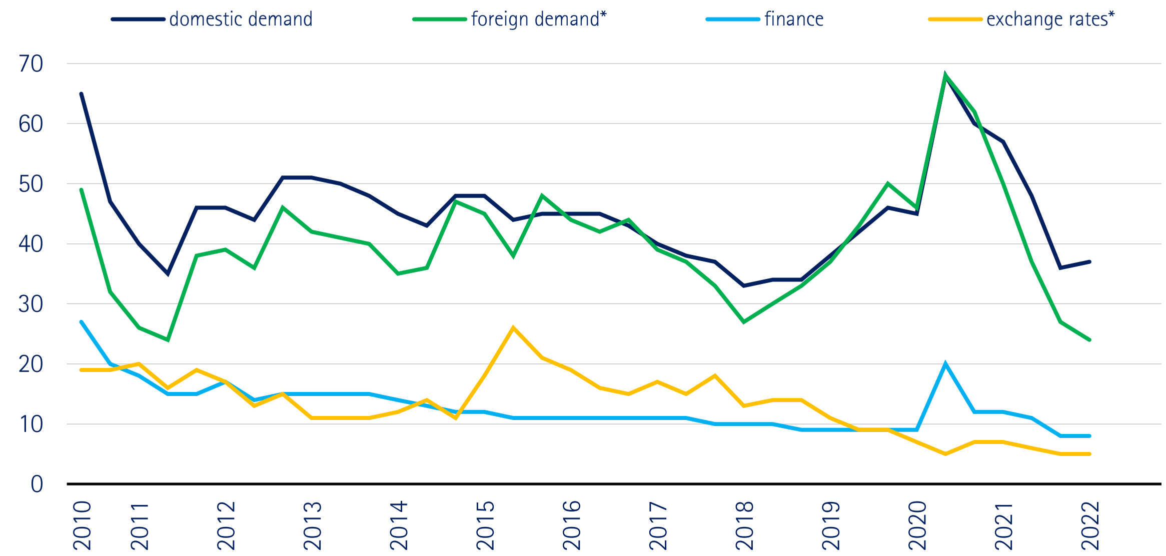
From the companies' perspective, the structural risks to business development have further intensified compared with fall 2021 and are depressing business expectations. Rising energy and commodity prices are now the biggest risk. At 64 percent (up from 58 percent previously), more companies state this than ever before. Just below record levels comes the shortage of skilled workers. 61 percent (after 59 percent previously; highest level in fall 2018 with 62 percent) of companies fear they will not be able to find enough qualified staff. Concerns about rising labor costs (43 percent, up from 40 percent previously; an all-time high) have also grown, replacing economic policy conditions as the third biggest risk (39 after 43 percent previously).

With regard to economic risks, the risk of declining foreign demand continues to recede into the background in industry (24 percent, compared to 27 percent previously). Concerns about domestic demand are increasing only slightly overall (37 after 36 percent previously), although the risk has risen particularly in the beverage industry (68 percent, up from 54 percent) and in the hotel sector (37 percent, up from 26 percent).

Business risks for the overall economy

Percentage of responses; multiple responses possible; *export industry





The proportion of companies citing prices of energy and commodities as a risk is now at an all-time high in all sectors of the economy. However, the manufacturing industry is the most affected (85 percent). Companies are feeling the cost pressure particularly in energy and commodity-intensive sectors such as the rubber and plastics industry (95 percent), metal production and processing (93 percent) or quarrying, mining (87 percent). On the one hand, companies are confronted with global supply chain disruptions and associated price increases for metal, plastics, rubber or wood, for example. On the other hand, rising energy prices are also becoming a burden on business. Also coming to bear is the uncertainty of many companies as to what costs they will face in the medium and long term with the transformation to a climate-neutral economy, e.g. through CO_2 pricing, and the implementation of the Green Deal. The cost of energy is already very high.

In construction, the risk of energy and commodity prices jumps to 78 percent (from 74 percent previously). In the retail sector (69 percent), the pressure is again significantly greater among wholesalers and trade intermediaries (73 percent), who are even more involved in international trade, than in the retail sector (64 percent). At least half (51 percent) of the service providers are concerned about the development of prices for energy and commodities, although there are differences within the sector. For example, companies in warehousing and transport services (75 percent), but also the hotel and restaurant industry (73 percent) are particularly affected.

In terms of the shortage of skilled workers, the percentage in all sectors of the economy is 61, just below the all-time high (62 percent across all sectors in fall 2018). The construction industry (78 percent) or companies in warehousing and transport service providers (75 percent) in particular are experiencing staff shortages. In the hotel and restaurant industry, the pressure has decreased somewhat (67 after 75 percent previously). Among industrial companies, it is particularly companies in the quarrying and mining sector (66 percent), but also electrical equipment (67 percent), that complain of a shortage of skilled workers.

The risk of labor costs is increasing in all sectors of the economy and is at a record level in the manufacturing industry (44 percent) and in the trade sector (41 percent), while in the construction sector it is only just below an all-time high at 48 percent (beginning of 2014: 50 percent). In the service sector (43 percent), e.g. the security industry (65 after previously 67 percent), the hospitality industry (59 after previously 51 percent), cleaning services (59 after previously 51 percent), transport service providers (55 after previously 51 percent), postal, courier, express services (62 after previously 55 percent) or the textile industry (50 after previously 43 percent) are particularly affected. In addition to the shortage of skilled workers, which increases wages and other costs for recruiting and retaining staff, the planned significant increase in the minimum wage by the new German government may also play a role in this risk assessment of companies in the above-mentioned sectors in particular.

TOP business risks by sector

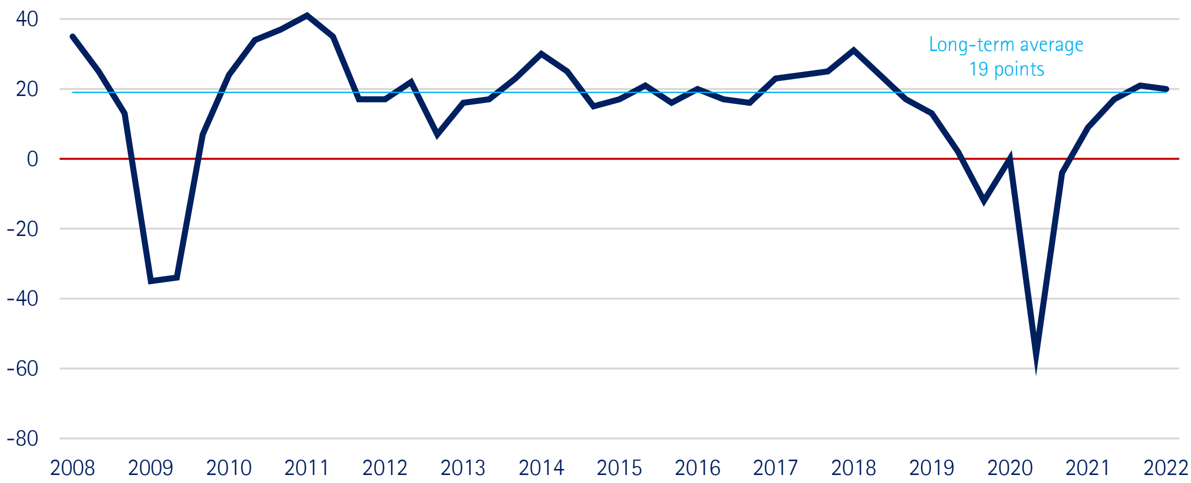
Percentage of responses; multiple answers possible, all-time high

	Industry	Construction	Trade	Services
1.	85% Energy and commodity prices	78% Shortage of skilled workers	69% Energy and commodity prices	62% Skills shortage
2.	59% Shortage of skilled workers	78% Energy and commodity prices	52% Shortage of skilled workers	51% Energy and commodity prices
3.	44% Labor costs	48% Labor costs	48% Domestic demand	43% Labor costs
4.	35% Domestic demand	32% Economic policy	41% Labor costs	42% Economic policy
5.	34% Economic policy	27% Domestic demand	39% Economic policy	36% Domestic demand

Export expectations of industrial companies for the coming 12 months

Companies' export expectations are almost unchanged from the previous survey (balance of 20 points compared to 21 previously) and thus remain slightly above the long-term average. Accordingly, the share of export-oriented German manufacturing industry that expects its exports to increase in the coming twelve months predominates. However, in view of the challenging environment in international business, the balance drops by one point: Risks for export-oriented manufacturing industry are not so much posed by weakening foreign demand, as order books are still well filled. Only 24 percent see this as a business risk, the lowest number since early summer 2011. Instead, disruptions in global logistics, delivery problems and price increases for intermediate goods and energy sources, as well as an uncertain pandemic situation in important sales markets, continue to pose challenges to foreign business. A look at the industrial sectors reveals a mixed picture in terms of expectations compared with the previous survey.

With regard to company size, export expectations vary widely: companies with more than 200 employees (balance of 35 points after 36 the previous survey) and with more than 1,000 employees (balance of 43 points after 50 the previous survey) raise their expectations. By contrast, small and medium-sized enterprises with up to 19 employees (balance of one point compared with three previously) and up to 199 employees (balance of ten points compared to twelve points previously) have slightly lowered their export expectations compared with the previous survey.



Balance of higher reports minus lower reports in points

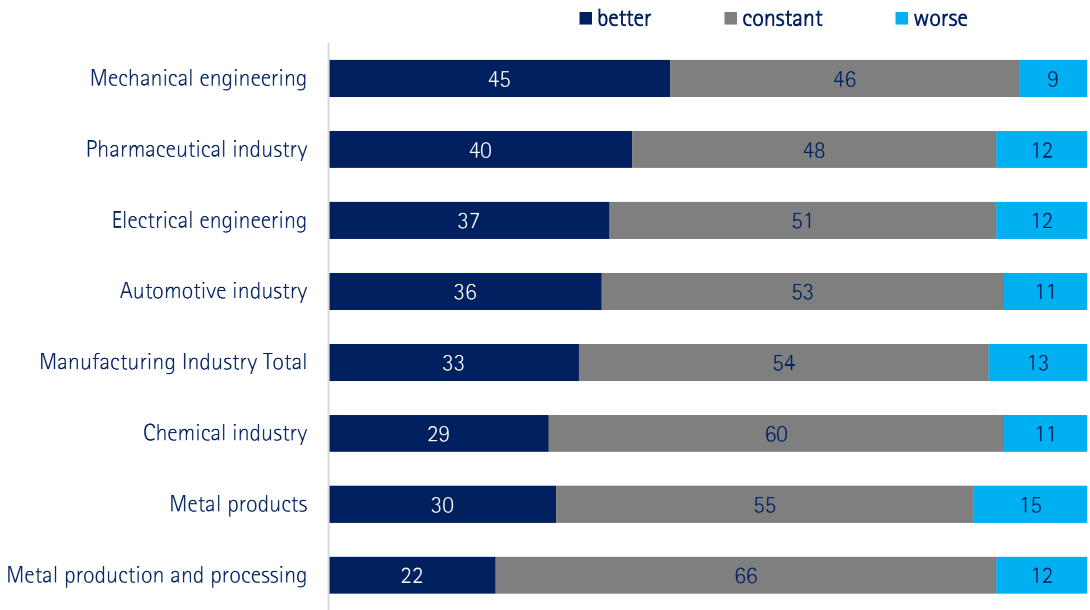
The export expectations of capital goods producers remain constant at an above-average level (balance unchanged at 31 points). In particular, incoming orders for capital goods from abroad have increased in recent months and give hope for good export prospects. Capital goods producers are somewhat more optimistic about supply chain problems than the manufacturing industry in total. Slightly more than half (52 percent) of capital goods manufacturers expect the situation to ease before the end of the year, meaning that existing orders could subsequently be processed. In particular, mechanical engineering manufacturers (balance of 36 points compared to 33 points), automotive manufacturers (balance of 25 points, up from 18 points) and manufacturers of automotive parts and accessories (balance of 20 points, up from 13 points) expect exports to be higher than recently. By contrast, the expectations of electrical engineers (balance of 25 after 28 points previously) and manufacturers of data processing equipment and electrical and optical products (balance of 25 after 34 points previously) are more subdued than in the previous survey.

Producers of intermediate goods (balance of 15 after 16 points) and producers of consumer goods (balance of 15 after 18 points) slightly lowered their export expectations.

Among intermediate goods producers, the expectations of metal products manufacturers remain constant (balance unchanged at 15 points). Metal production and processing companies lower their expectations for the second time in succession (balance of ten points after 14). In the chemical industry, too, the proportion of companies expecting to increase their exports in the coming twelve months has fallen compared with the previous survey (balance of 18 points after 22). The export expectations of rubber and plastics manufacturers are rising slightly (balance of twelve points after ten).

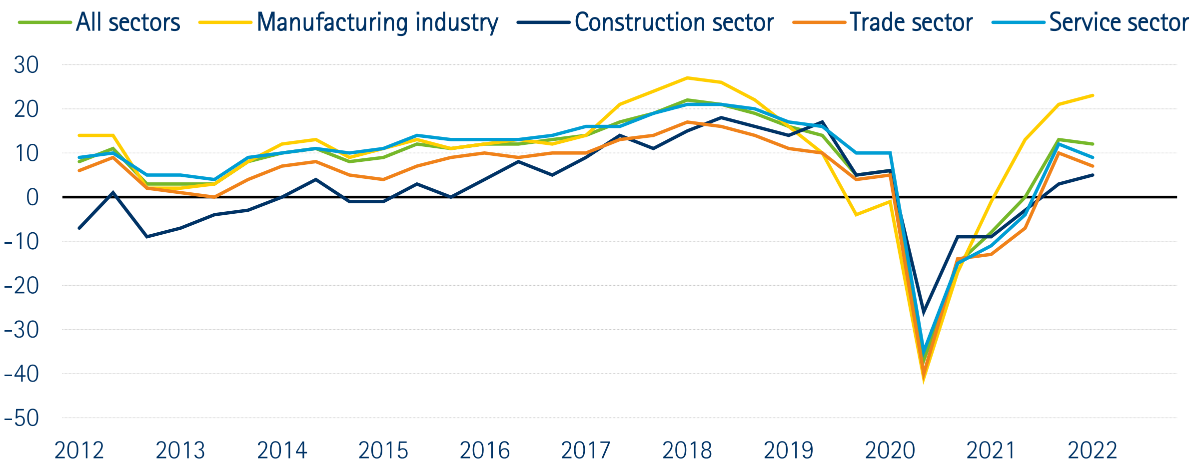
Export expectations for the coming 12 months in selected sectors

Shares in percent



Investment plans of companies for the next 12 months

Companies remain cautious in their companies' investment plans. At the start of 2022, just under a third (31 percent) of companies intend to expand their investments, while just under one in five plans to invest less (balance of twelve points after 13 points). Although the manufacturing industry (balance of 23 points after 21) and the construction sector (balance of five points after three) are once again somewhat more optimistic, the trade and the service sector are starting 2022 with slower investment plans (balance of seven points, down from ten points, and balance of nine points, down from twelve points). Although companies' investment plans in the economy are currently better than at the start of 2020 (balance of six points at that time), they are coming from a low level. In early summer 2020, investment plans reached their lowest level with a balance of minus 37 points. Although investments have risen since then, they have not yet been caught up. This means that important future investments for the transformation of the economy toward more decarbonization and digitization are missing.



Balance of better and worse ratings

Automotive manufacturers (balance of eight points after eleven points) and manufacturers of automotive parts and accessories (balance of minus two points after minus one point) slightly lowered their investment plans. The printing industry and woodworking industry (balance of minus five after zero points and balance of 19 after 25 points, respectively) are making significant cutbacks. By contrast, pharmaceutical companies (balance of minus 24 after nine points previously), textile manufacturers (balance of 28 after 14 points previously) and mechanical engineering companies (balance of 30 points after 22 points) are more optimistic.

In terms of investment motives, more industrial companies than ever before want to invest in environmental protection (35 percent). At the same time, 91 percent of them see rising energy and commodity prices as a risk to their business (previous survey: 89 percent). It is primarily energy-intensive companies for whom environmental protection is gaining in importance - a reaction to rising energy prices, which are higher in Germany than in other European countries due to special national burdens such as national C02 pricing. A particularly large number of companies in the mining and quarrying sector want to invest in environmental protection (64 percent). In the chemical industry and metal production and processing, almost one in two companies wants to do so (48 after 42 percent previously in each case), while in the automotive and rubber and plastics industries, the share of companies which invest in environmental protection climbs to 46 and 39 percent respectively.

Only just over one in three industrial companies intends to invest in expanding capacities (35 percent after 36 percent previously). The uncertainty as to how the supply bottlenecks will continue to affect the economy and how the shortage of skilled workers and the associated higher costs can be dealt with structurally is too great. The pharmaceutical industry (51 percent after 48 percent) and mechanical engineering (38 after 35 percent) in particular are planning to expand their capacities. They expect noticeable domestic and foreign demand impulses.

While investment plans in construction are up somewhat (balance of five points after three), retailers and service providers are cutting them back. They have been unable to maintain the continuous improvement in their investment plans since fall 2020. They continue to be hampered by the pandemic-related restrictions. In wholesale and retail, companies' investment plans fall by four and three points, respectively, to a balance of two and 12 points, respectively. Trade intermediaries cut back even more significantly (balance of twelve after 17 points).

Among the service providers, the hotel and restaurant industry has significantly lowered its investment plans (balance of minus eleven points after seven points). A number of factors are combining to depress the investment mood of restaurateurs and accommodation providers: pandemic-related requirements such as 2G or 2G+[1], accommodation bans in many places in recent months, rising food prices as well as energy and commodity prices (the business risk rises to 73 after 63 percent) and increasing labor cost (59 percent after 51 percent), as it is often becoming increasingly difficult to find suitable staff. On the one hand, this puts a strain on investment budgets, and on the other, there is a great deal of uncertainty as to how future business will develop. In the arts, entertainment and recreation sector, too, investments are cut back (balance of minus 18 after ten points). At the same time, investment plans in rationalization are only just below the high of 26 percent at 24 percent.

The majority of the predominantly business-related services also show restraint in their companies' investment plans (balance of twelve after 13 points). While the investment plans of security services (balance of 20 after 17 points), building management (balance of 20 after 15 points) and cleaning services (balance of 20 after 15 points) continue to improve, those of service providers for advertising and market research (balance of minus two points after two points), management consulting (balance of seven points after nine points) and engineering and architectural services (balance of 12 points after 15 points) are somewhat worse. For the latter in particular, the acquisition of new orders is often more difficult in times of economic uncertainty.

Main motives for investing in Germany (in percent; multiple answers possible, value of previous survey in parentheses):

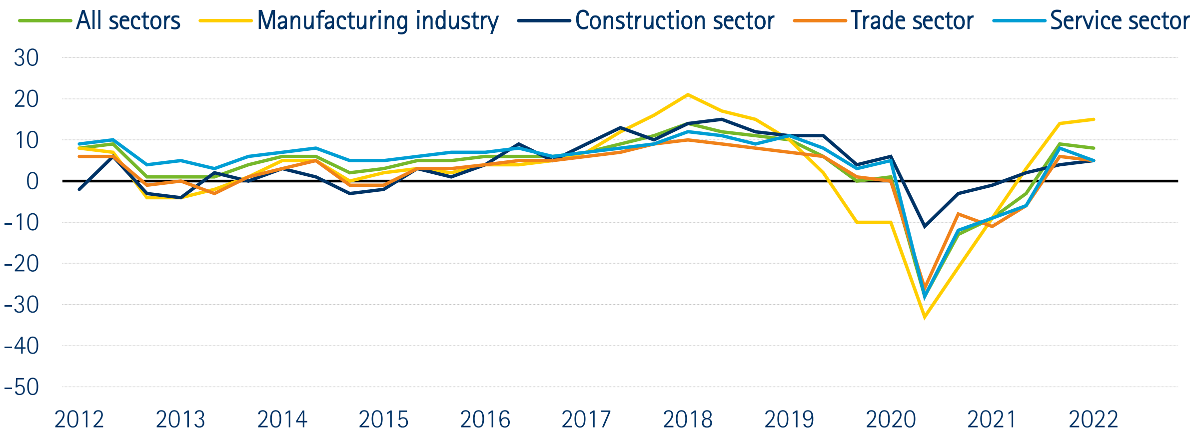
	Rationalization	Product innovation	Capacity expansion	Environmental protection	Replacement demand
All sectors	31 (31)	31 (32)	28 (29)	27 (26)	63 (63)
Manufacturing industry	42 (42)	36 (35)	35 (36)	35 (33)	63 (62)
Construction	22 (23)	19 (23)	20 (22)	23 (23)	78 (77)
Trade scetor	28 (28)	26 (27)	25 (28)	25 (24)	64 (63)
Service sector	27 (27)	32 (32)	25 (25)	24 (23)	62 (62)

[1] „2G“: vaccinated or recovered; „2G+“ vaccinated or recovered with an additional antigen rapid test.

Companies' employment plans for the next 12 months

Despite the difficult environment and the uncertain developments surrounding the pandemic, companies' employment plans remain in the positive range (balance of eight points). More than one in five companies (21 percent) plan to increase employment, two-thirds to keep staffing levels unchanged, while 13 percent anticipate a reduction. Compared with the survey conducted in the fall of 2021, there is a slight downturn (balance of eight points compared with nine previously), but the plans are still significantly above the long-term average (balance of zero points) and above the pre-crisis level (beginning of 2020: balance of zero points).

This decline is attributable to service providers and trade, many of which are affected by new measures to combat the pandemic, but even there, intentions remain positive overall (balance of five after eight points previously and five after six points previously, respectively). By contrast, industry and construction are planning to employ slightly more people than in the fall of the previous year (balance of 15 after 14 points previously and five after four points, respectively). From the point of view of the companies, the shortage of skilled workers as a business risk has already almost reached its historic high again (currently 61 percent; fall 2018: 62 percent), despite the fact that the crisis has not yet been overcome, thus making it more difficult to expand the workforce as planned. With the expectation of further increasing shortages of skilled labor in the future or to cope with structural change in the long term, companies' employment intentions can be positive at the current margin, even if the business outlook is gloomy. At 43 percent, the risk of labor costs is at an all-time high, to which the planned increase in the minimum wage is likely to contribute.



Balance of better and worse ratings

In the manufacturing industry, the signs are that companies' employment plans are on the rise. The balance there improved slightly from 14 to 15 points compared with the previous survey. Companies' full order books and the threat of a shortage of skilled workers are also making themselves felt in hiring plans. In view of the looming retirement of the baby boomers, it is imperative to recruit new staff. At the same time, companies with positive employment plans are already feeling that it is becoming increasingly difficult to fill positions. Thus, companies that want to increase employment also particularly often see the risk of a shortage of skilled workers. A year ago, employment intentions were still pointing to a reduction (balance of minus nine points), although at that time they were already getting less negative following the drastic slump after the start of the crisis (early summer 2020: minus 33 points). Corona-related restrictions are currently hitting industrial companies less severely than service providers, for example, which is reflected in the plans. On the other hand, the manufacturing industry is more affected by supply bottlenecks for commodities and intermediate products. In case of doubt, companies can respond to this with short-time work without having to adjust their basic hiring plans in advance.

Hiring plans are particularly expansive, for example, in cutting-edge technology (balance of 19 points after 25 previously), electrical engineering (balance of 24 points after 25 previously) and mechanical engineering (balance of 19 points after 25 previously), as well as in particular at energy suppliers (balance of 20 points after 26 previously). This is likely to be due in no small part to the path taken toward climate neutrality, which is boosting demand for skilled personnel in this sector. By contrast, the signs are reversed in the automotive sector (balance of minus six points after minus four points previously) - bottlenecks in upstream products (including a shortage of chips), the mobility transition and competitive pressure in foreign markets are making themselves felt.

The service providers show a heterogeneous picture - here, not least, the corona impact and the structural change have a major influence. For example, sectors with a digitalization focus, such as programmers (balance of 34 after previously 30 points), IT service providers (balance of 35 after 37 points previously) and telecommunications (balance of 25 after 28 points previously) show expansive plans. The same applies to service providers who are in demand with a view to ecological transformation, such as architecture and engineering firms (balance of 17 after previously 20 points) and research and development (balance of 32 after 23 points previously). Recruitment is also on the agenda in the healthcare industry (balance of 17 after 16 points previously), where demographic change is making itself felt with rising demand for these services.

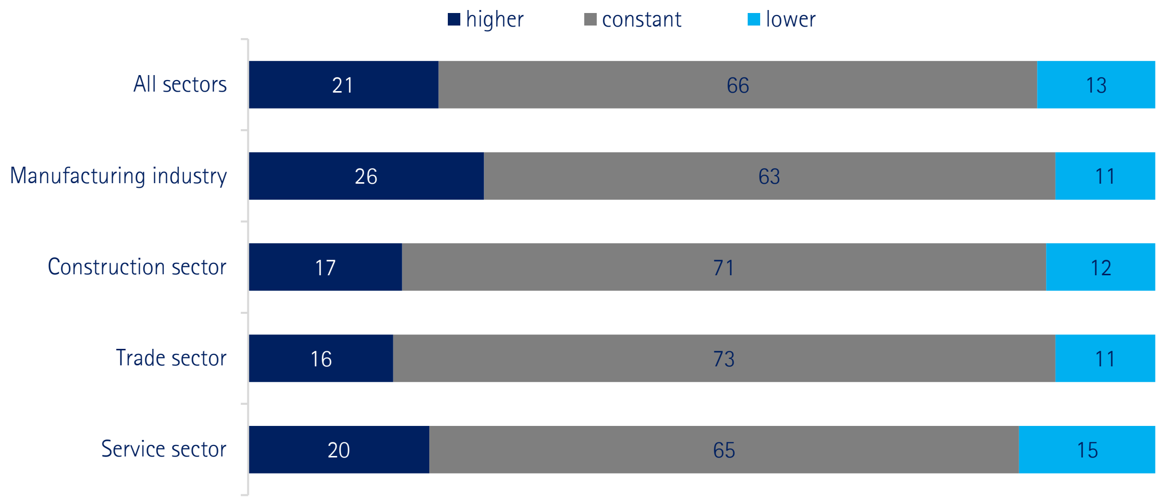
By contrast, renewed restrictions on pandemic response are reflected in negative hiring plans in the hospitality industry, following a slight upward trend in the previous survey (balance of minus eight points after 2 points previously; early summer 2021: minus 24 points). Among travel agents, plans remain clearly negative with a balance of minus 16 points. After the employment plans of trade fair, exhibition and convention organizers plummeted massively during the crisis (to minus 52 points in the fall of 2020), they plan to add staff in anticipation that business will pick up again in 2022. However, they have scaled back their intentions somewhat compared with fall (balance of eleven after 17 points previously).

Hiring plans in the retail sector remain virtually unchanged compared with the previous survey at five points and are thus above the long-term average (balance of minus three points). Here, too, there is a clear increase compared with the previous year (by 16 balance points), and the pre-crisis level is exceeded (start of 2020: zero points). Due to renewed pandemic measures, however, retailers are scaling back their plans somewhat compared with fall 2021 (balance of one after five points previously), after these had also previously recovered significantly. By contrast, retailers of healthcare-related goods plan to increase employment (balance of 13 after six points previously).

Hiring plans in the construction sector are also virtually unchanged (balance of five points, up from four points previously). They are in the positive range, indicating an increase in employment above the long-term average of minus five points, but well below the assessments for 2018 and 2019. The transformation toward climate neutrality is also boosting demand for construction services and thus for corresponding workers there, particularly also in the finishing trade, which has the highest value within the construction industry at seven points (up from five points previously).

Companies' employment plans in the next 12 months by sector

Shares in percent



DIHK forecast for economic development in Germany

Use of gross domestic product (GDP) in Germany

Change versus previous year, in percent, price-adjusted, chained

	2020	2021	DIHK forecast 2022
GDP	-4,6%	2,8%	3,0%
Private consption	-5,9%	0,0%	5,0%
Government consumption expenditure	3,5%	3,4%	-1,0%
Gross fixed capital formation	-2,2%	1,3%	1,6%
- Equipment	-11,2%	3,2%	3,5%
- Other assets	1,0%	0,7%	2,0%
- Buildings	2,5%	0,5%	0,5%
Export (goods and services)	-9,3%	9,4%	6,0%
Import (goods and services)	-8,6%	8,6%	6,0%
Employed persons (change in thousands)	-370	+7	+400
Consumer prices	0,6%	3,1%	3,5%

Imprint

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Date: February 2022

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