

# AHK World Business Outlook, 2015/2016

Results of the Survey by German Chamber Network (AHKs)



**AHK**

Deutsche  
Auslandshandelskammern

**DIHK**

Deutscher  
Industrie- und Handelskammertag

# Core Messages

Businesses worldwide are becoming less optimistic about future sales. Only 46 percent of companies now expect higher revenues, compared to 53 percent in the spring of this year. Nine percent now expect sales to decline (compared to seven percent in the previous survey). This means that net positive expectations are down by nine percent, to 37 percent.

## Weak growth in German exports

German exports will grow by just 3.5 percent next year. That number will be five percent this year, as the weaker Euro led to market share gains in the first half of the year. Companies' assessment of the economic environment in their various foreign markets is also less optimistic: 27 percent expect the economy there to improve, while 22 percent expect conditions to worsen. Accordingly, optimists now outnumber pessimists by just five percent, down from 14 in the previous survey.

## The global economy: slower growth

Many emerging markets, e.g. in South America, in the Middle East and North Africa as well as in Russia, are in crisis. The heavyweight, China, has entered a noticeably flatter growth trajectory. Somewhat robust growth in the US and Europe is boosting German exports, but can only partially offset these negative developments. Global GDP is expected to grow by just 2.9 percent next year, down from 3.1 percent this year.

## Reform-happy Euro zone countries benefiting

Growth in the Euro zone is positive: for the first time since 2006, all Euro zone countries are posting growth. The countries which have implemented reforms, Spain, Portugal, Ireland and most recently Italy, have been rewarded with higher employment. In Italy especially, businesses are optimistic, with expectations at plus 65 points. In other words, the Euro zone has put its role as global problem child behind it for now. Confidence among companies in Euro zone countries is similar to that of companies worldwide, with net expectations of plus 37 points (47 points). European companies are benefiting from a weaker Euro, which improves their ability to compete internationally, in the near term at least. However, confidence has diminished in these economic regions as well.

## China continues to weaken

The strong Chinese growth of recent years is continuing to taper off, with slower growth in both industrial production and retail sales. Exports are stagnant and even imports are down. It now seems that the government's growth target of seven percent is overly ambitious. Uncertainty continues to spread among the companies: net positive expectations have slumped to 24 points, down from 35 points in the previous survey. As a result, companies will be rather cautious with regard to investments and hiring.

## Hopes lie in the US

While German companies remain optimistic, the strong growth in German exports to the US this year (around 20 percent) can hardly be repeated in 2016, since that growth was based on a large extent in exchange rate fluctuations, which cannot be expected to repeat in 2016. Companies' assessment of their own business outlook was significantly worse than their assessment of the present situation (39 to 57 points). However, more than one in every two companies plans to increase employment (57 percent) and 43 percent plan to increase their investment budgets. All in all, the euphoria has given way to a rather average assessment. This is reflected, with regard to the US economy, by the Federal Reserve's decision to postpone raising interest rates.

## Risks are increasing

The two top risks for companies have become more relevant since the previous survey. 53 percent of companies believe that economic policy conditions represent an obstacle to their business operations. For example, protectionist measures in favor of local businesses and new bureaucratic obstacles are making it increasingly difficult for companies to compete. 52 percent regard the demand situation as a risk. These specific concerns arise from the weakening economy in China, which is affecting other countries as well and might develop into a global economic crisis.