



Long recovery process for the German economy

DIHK-Economic Survey Fall 2020

DIHK

Deutscher
Industrie- und Handelskammertag

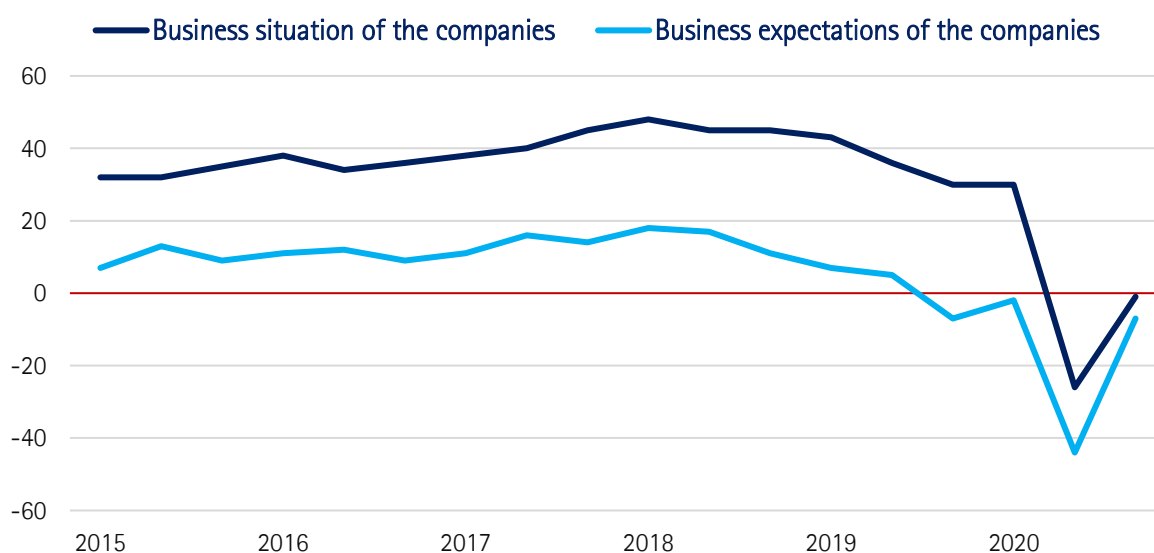
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Current business situation and expectations for the next 12 months:

After the economic slump in spring, the survey of around 30,000 companies conducted by the Chambers of Industry and Commerce shows that the situation has currently improved for many companies. However, the assessments are far from the pre-crisis level at the beginning of the year. Across all sectors of the economy, 28 percent of the companies assess their business situation in autumn as good and 29 percent as bad. The balance of good and bad assessments is thus minus one point (balance at the beginning of the year 30 points).

While the situation in the construction industry is good (balance 44 points) and has improved significantly in the retail sector (balance five points) compared to early summer, the situation of the industrial sector (balance minus ten points) and the service sector (balance minus three points) is still negative. The business activities of many companies are still below the pre-crisis level. Only around one-fifth of the companies indicate that their business activities are already back at or above pre-crisis levels. 61 percent of German companies expect a decrease in revenue for 2020. Domestic and foreign demand are considered as the top risks.

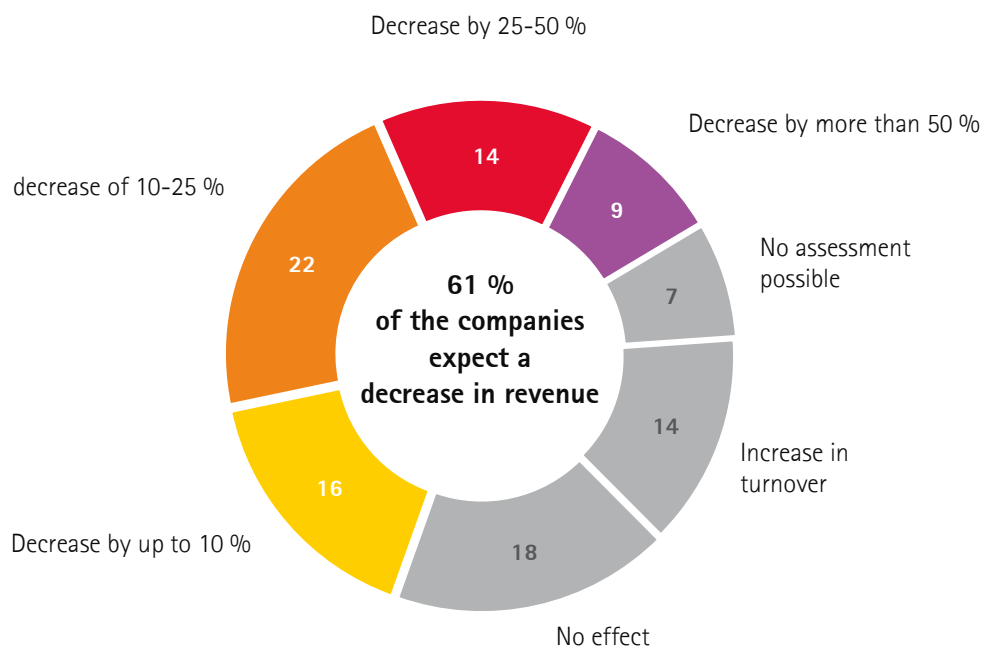


Balance of good/better messages minus bad/bad messages in points

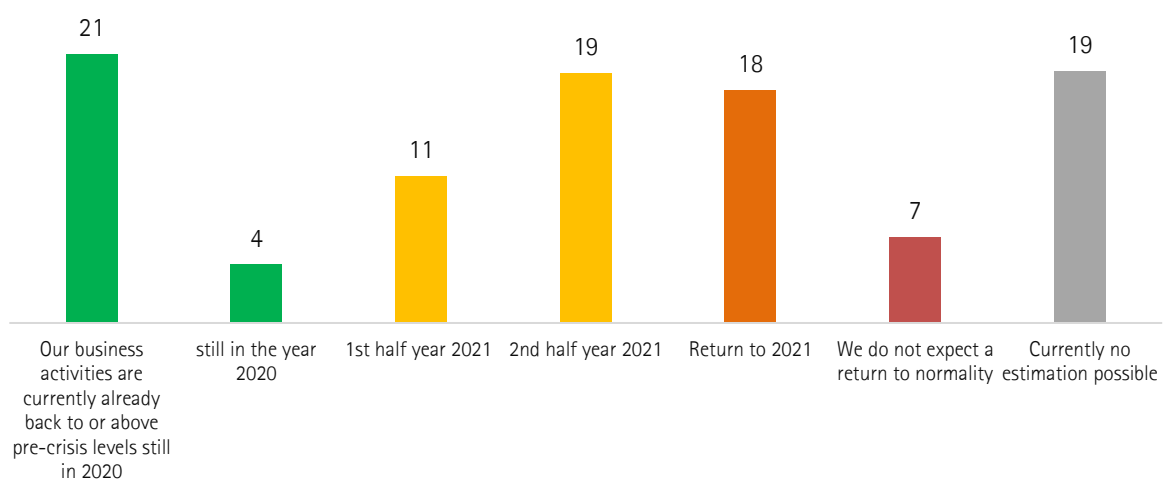
The companies have moderate business expectations (balance minus seven points). 37 percent of the companies do not expect a return to normal business activity before the second half of 2021. Directly affected by the Corona crisis are mainly personal service providers such as hairdressers or fitness studios as well as hotels and restaurants. 86 percent of the companies in the travel industry expect a decrease in revenue of more than 50 percent this year compared to the previous year.

Only the industry is more optimistic about the future (business expectations five balance points) – bearing in mind, that the industry has an especially negative assessment of the current situation compared to the other sectors of the economy. However, the catching-up process will still take time. 42 percent of the companies in the industrial sector do not expect their business activities to normalize before the second half of 2021, while five percent do not expect a return to normality at all. In addition to the development of domestic demand, the decisive factor for the recovery process of the industry, which is heavily dependent on international business, is above all the question of how the economy is developing with the most important trading partners.

How is your total revenue expected to develop in 2020 compared to 2019?



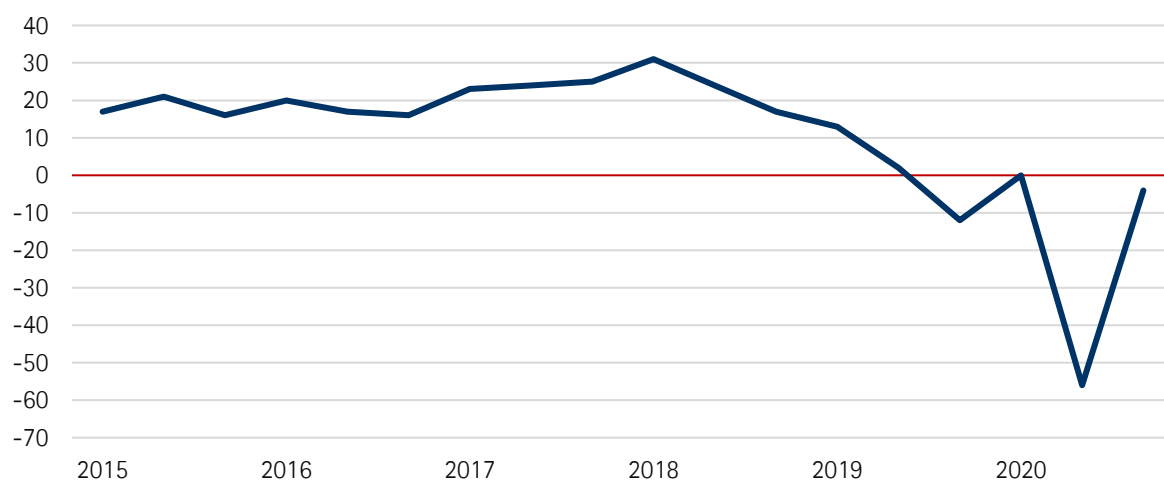
With regard to the COVID 19 pandemic: When do companies expect a return to normal business activity (pre-corona level)? (in percent)



Export expectations for the next 12 months:

The economic impact of the coronavirus pandemic in all regions of the world led to a drastic slump in German exports in the second quarter. The industry's export expectations (balance minus four points) are recovering after the slump in global trade in the fall but have not yet reached the level before the crisis (balance at the beginning of the year zero points). 62 percent of exporting industrial companies consider foreign demand as a risk to their business in the coming months - and thus more than ever before since 2010.

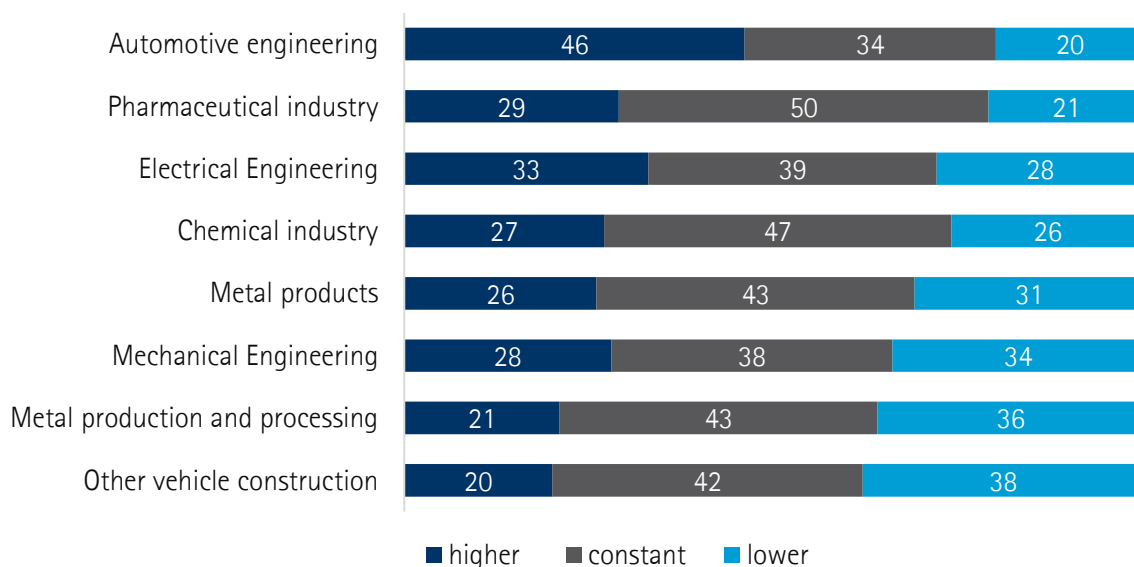
In comparison with the other sectors, car manufacturers and suppliers - after a particularly significant drop in spring - are the most optimistic for a revival of their exports (balance 26 points). The pharmaceutical industry (balance eight points) and chemical companies (balance one point) are also predominantly optimistic again. In mechanical engineering (balance minus six points) and among manufacturers of metal products (balance minus five points), negative expectations for export business predominate.



Balance of higher messages minus lower messages in points

Export expectations in selected industries

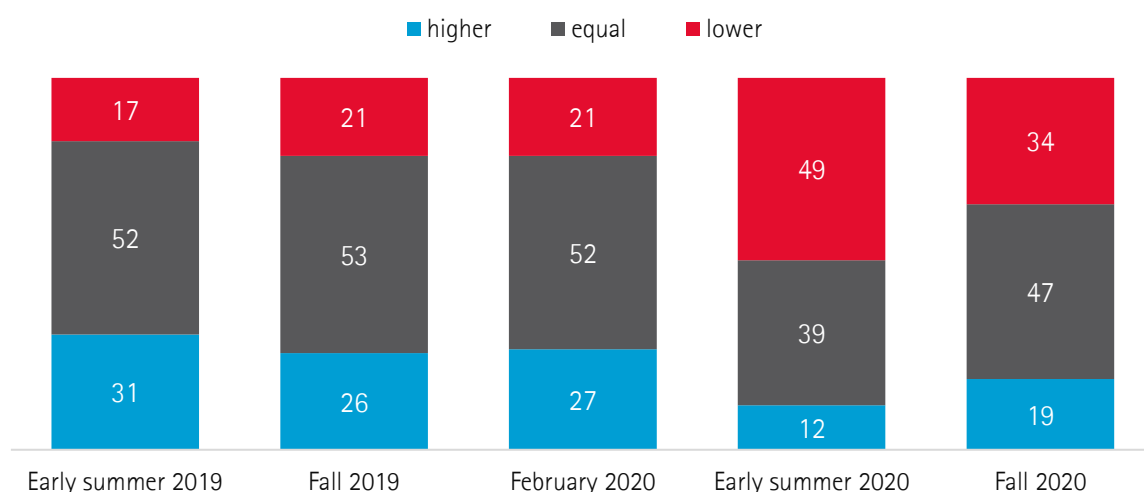
Shares in percent



Investment plans for the next 12 months:

Companies are planning with reduced investment budgets. 19 percent of companies want to invest more in the coming months, 34 percent less, the balance is thus minus 15 points. The investment plans are still significantly below the Pre-Corona level which was already quite low (balance at the beginning of the year six points). Wherever investments are made, this is mainly for replacement (65 percent) and rationalization (34 percent) reasons. The investment motive of capacity expansions, which means the establishment and expansion of business locations in Germany, has decreased compared to the preliminary surveys (22 percent, autumn 2019: 27 percent).

The hospitality industry (balance minus 29 points), the travel industry (minus 66 points), the leisure industry (minus 43 points) and trade fair and exhibition organizers (minus 68 points) have considerably reduced their investment plans compared to the beginning of the year. Companies in industry are also reluctant to make investment plans. This is linked to the high evaluation of the risk of foreign demand. The general reluctance to invest is particularly reflected in the declining investment plans of capital goods producers (balance: minus 28 points). In the mechanical engineering sector (minus 29), mainly manufacturers of machine tools (minus 60) that are postponing investments. The same applies to the automotive industry (minus 34).



Main motives for investments in Germany:

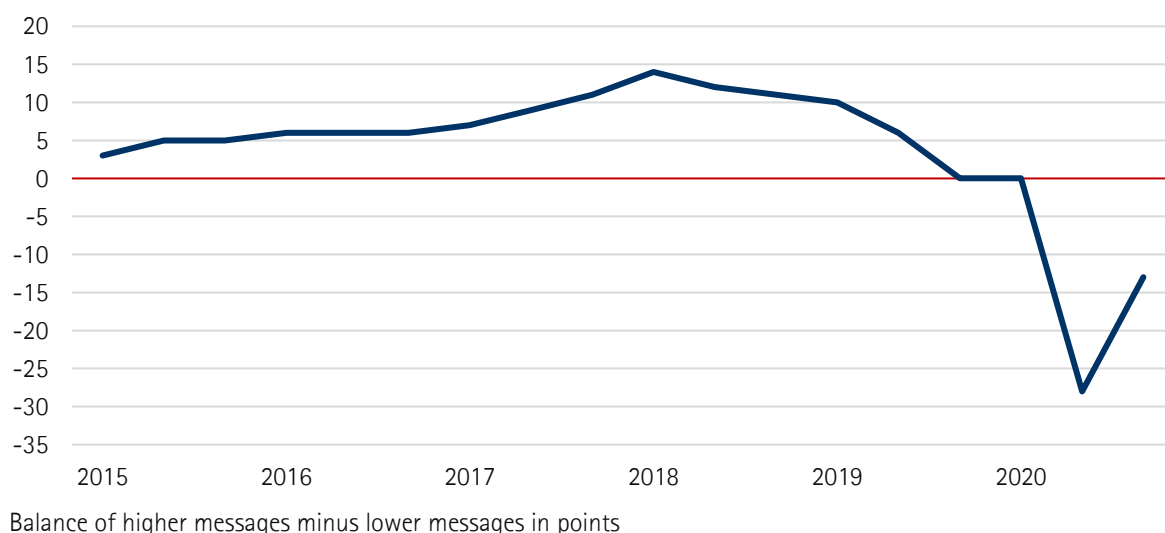
(in percent; multiple answers are possible; Prior-year figures for fall 2019 in brackets):

	Rationaliza- tion	Product inno- vation	Capacity ex- pansion	Environmental protection	Replacement demand
All sectors	34 (32)	32 (32)	22 (26)	18 (19)	65 (65)
Industry	46 (46)	37 (37)	22 (27)	25 (23)	65 (65)
Construction	25 (25)	21 (21)	19 (22)	16 (19)	79 (79)
Trade	30 (28)	28 (27)	23 (26)	16 (18)	64 (64)
Services	29 (27)	31 (32)	22 (25)	15 (17)	63 (63)

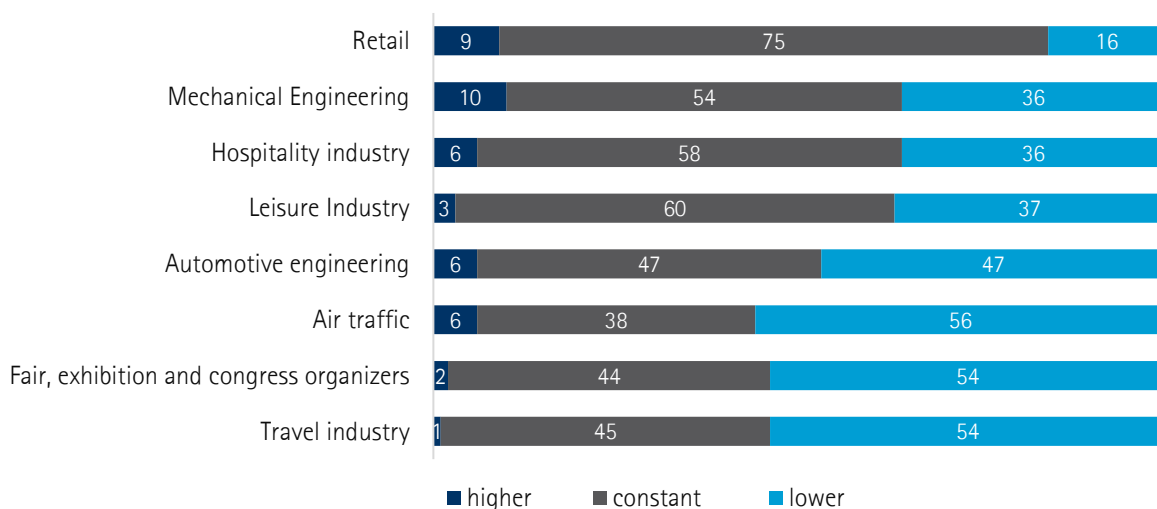
Employment plans for the next 12 months:

The employment plans of companies have recovered after the slump in early summer but are still below the value at the beginning of the year (balance minus 13 points, beginning of the year zero points). About one third of the companies is expecting a decline in employment in the next twelve months, while eleven percent are planning to increase their workforce. About two thirds of the companies assume that the number of employees will remain unchanged. The industrial companies report particularly low employment plans in comparison to other sectors of industry (balance minus 21 points).

In the last four years before the Corona crisis, the lack of skilled workers was the greatest business risk from the companies' point of view. The significantly lower demand for personnel has reduced this risk in the economy. The lack of skilled workers is now considered as a top risk by 37 percent of the companies. A year ago, it was considered a top risk by 56 percent of the companies. There are big differences between the economic sectors. In the construction industry, for example, 69 percent consider the lack of skilled workers (previous year 79 percent) as a risk, while in industry the share is 30 percent (previous year 48 percent). In the service sector, 39 percent (previous year 59 percent) and in the retail sector 34 percent (previous year 50 percent) of companies see their business endangered by a lack of personnel.

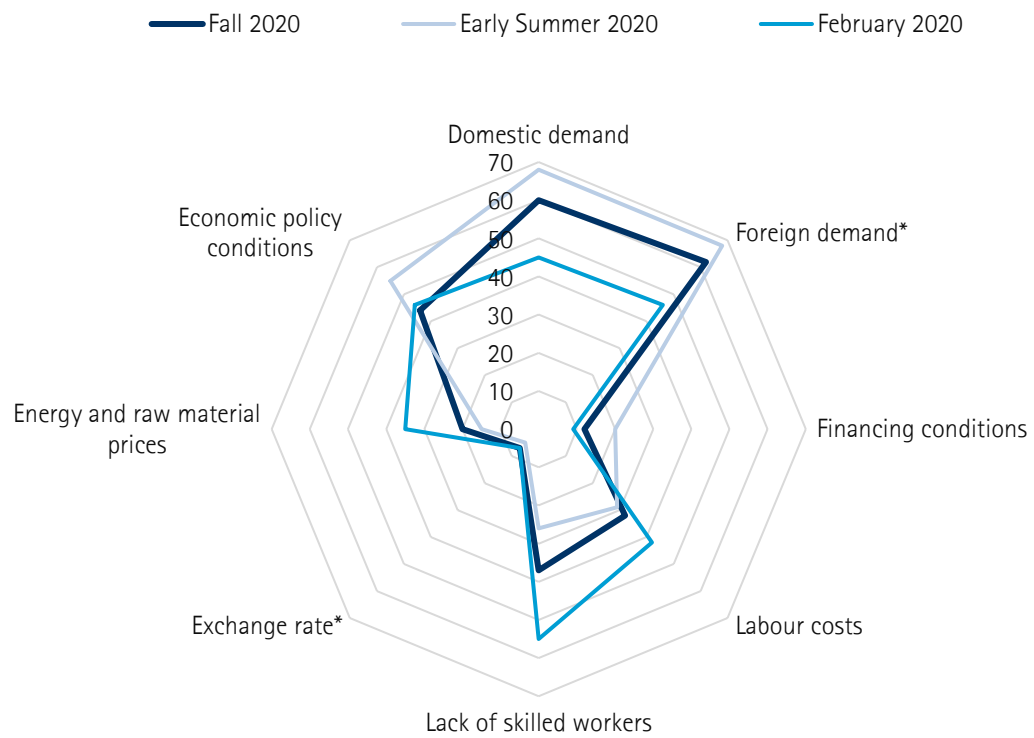


Employment plans in selected branches



Business risks for the next 12 months:

(in percent; multiple answers are possible)



DIHK forecast for the economic development in Germany

Gross Domestic Product (GDP) in Germany use of the gross domestic product (GDP), price-adjusted, chain-linked			
	2019	DIHK-Forecast 2020	DIHK-Forecast 2021
GDP	0.6%	-6.0%	4.0%
Final consumption expenditure	1.6%	-6.6%	4.0%
of private households	2.7%	3.5%	1.7%
Government final consumption expenditure	2.5%	-4.7%	4.5%
Gross fixed capital formation (GFCF)	0.5%	-18.0%	10.5%
GFCF in machinery and equipment	2.7%	-2.5%	3.2%
Other fixed assets	3.8%	3.0%	1.9%
GFCF in construction	1.0%	-13.0%	8.7%
Exports	2.6%	-10.0%	8.4%
Imports	+400	-415	+140
Employment (change in thousand)	1.4	0.6	1.4

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