



German economy is at a standstill

DIHK-Economic Survey February 2020

DIHK

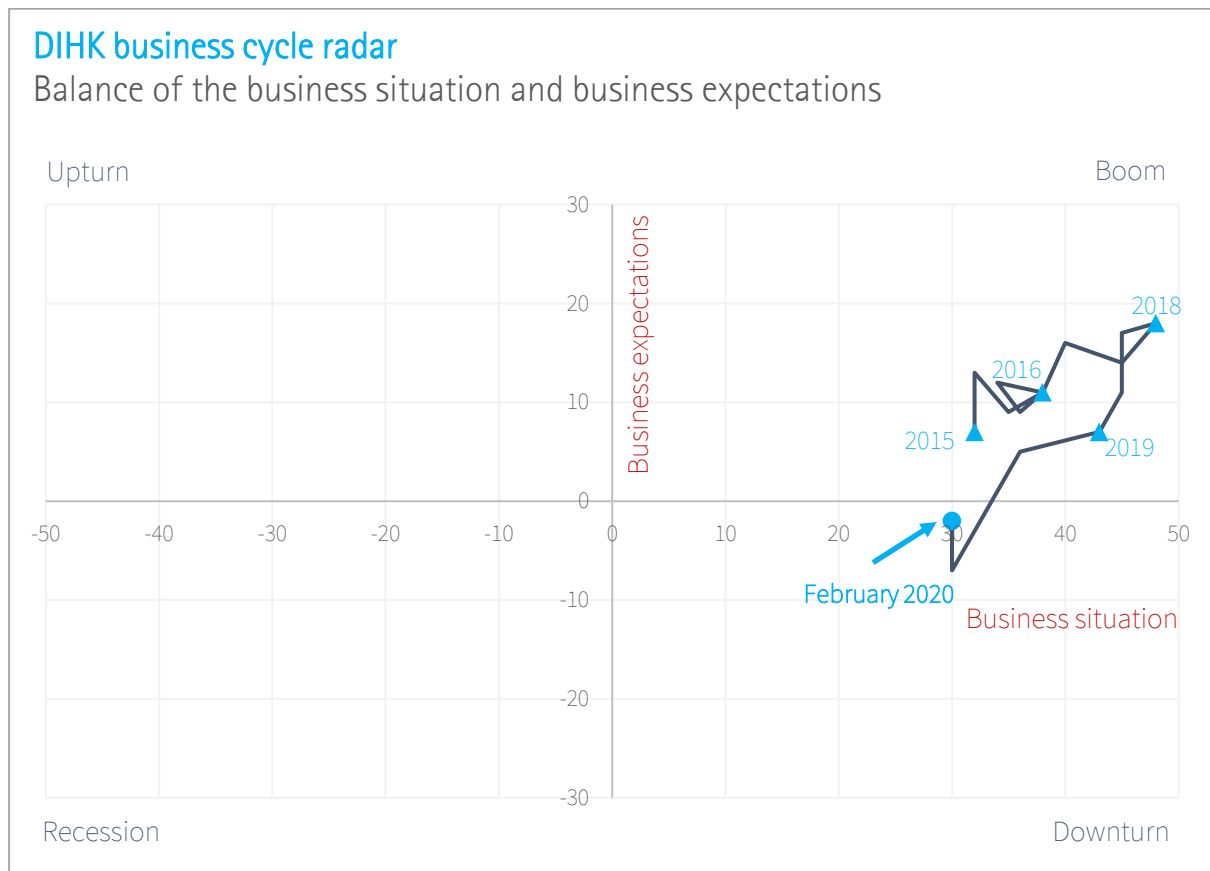
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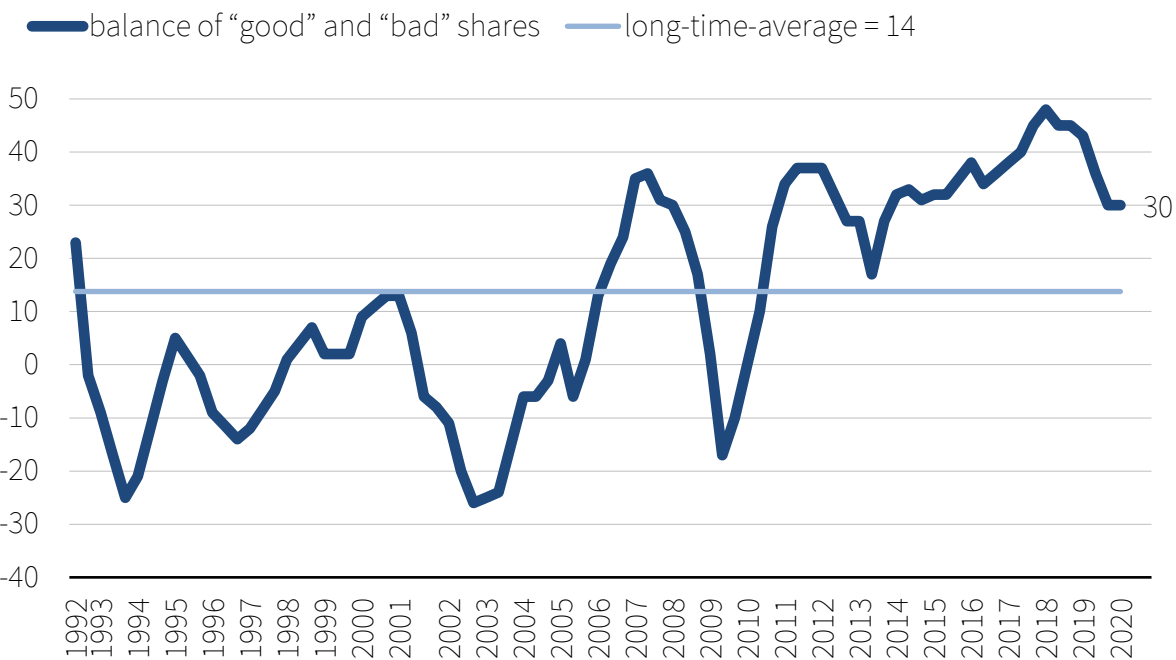
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Business situation and expectations:

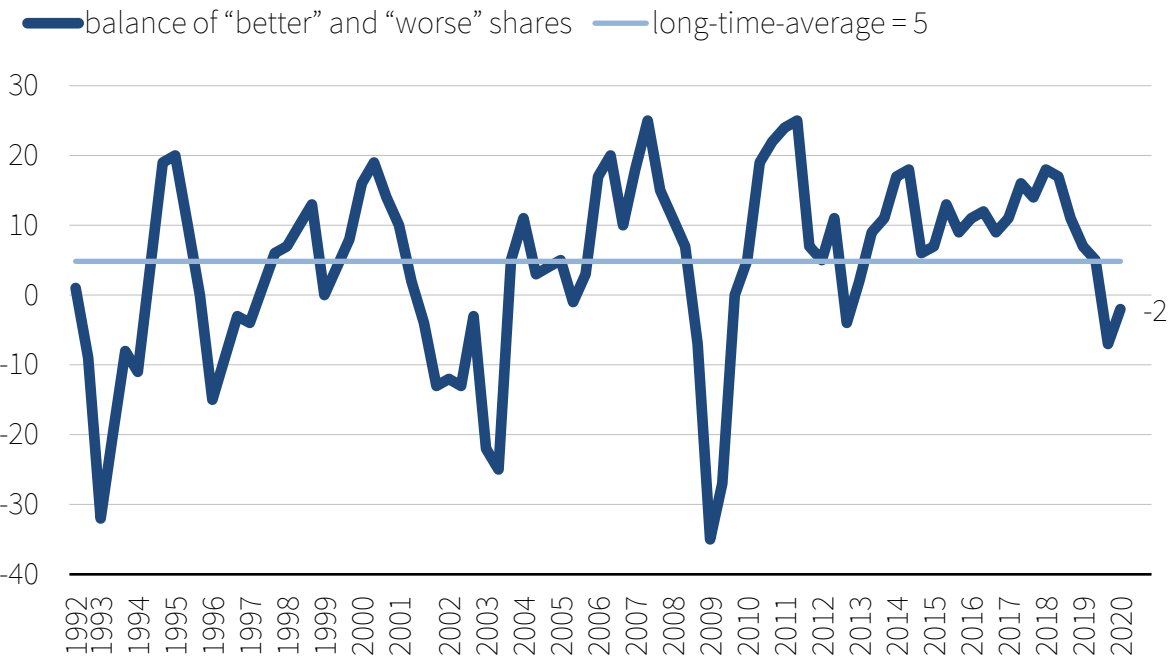
The overall economic situation in Germany still implies several challenges for businesses. While firms expect steady domestic economic activity on the one hand, the foreign economic environment, on the other hand, remains tense. Structural challenges in the industry sector are becoming increasingly evident. The latest DIHK economic survey shows that companies assess their current business situation to be unchanged and sound. Business expectations are slightly improving after having slipped into negative figures in autumn 2019. Yet, they remain negative as more companies expect business to be worse rather than better over the course of the next 12 months.



Current business situation

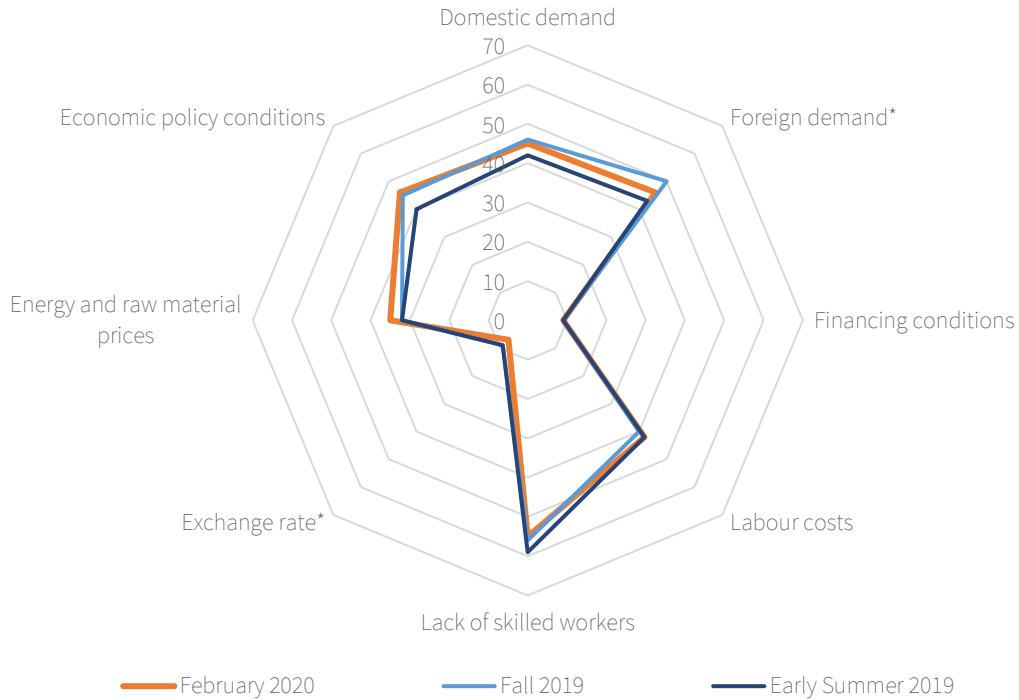


Business expectations



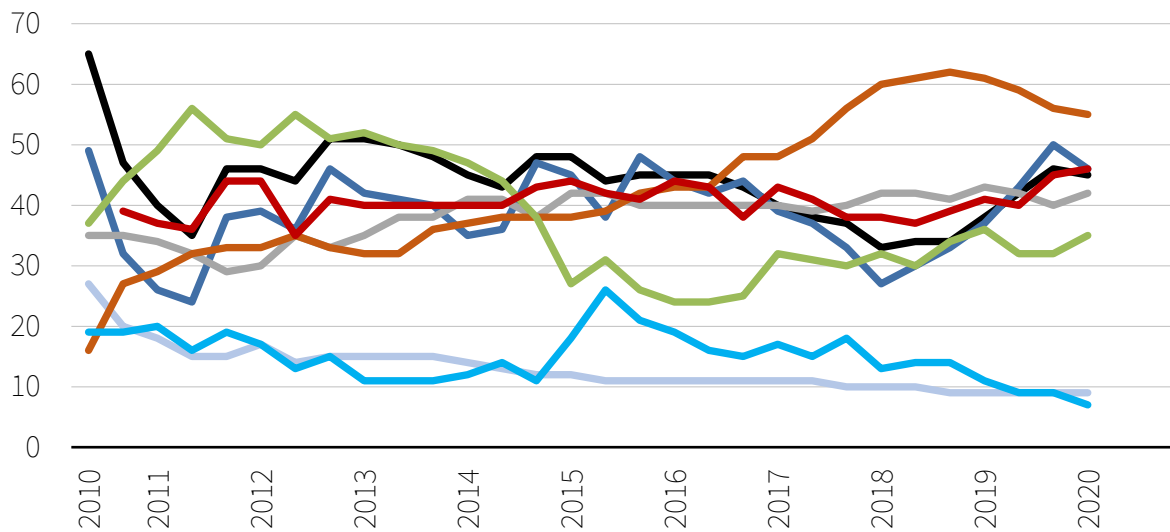
Business risks of the companies

in per cent, * export industry



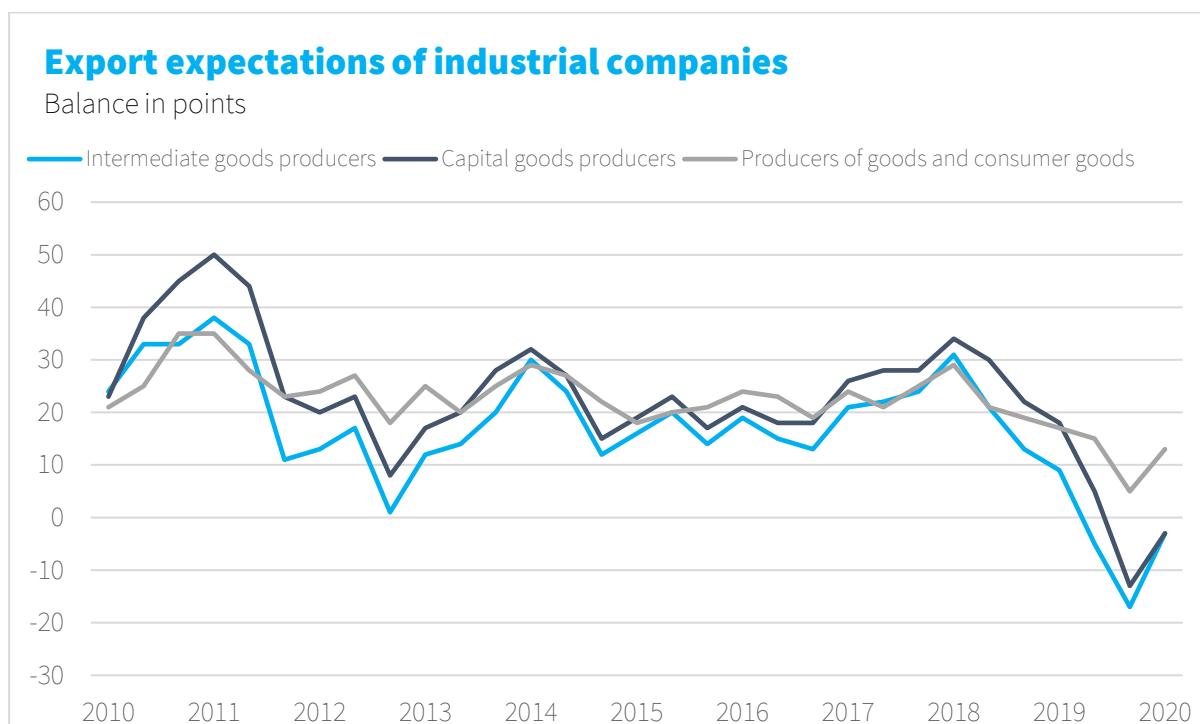
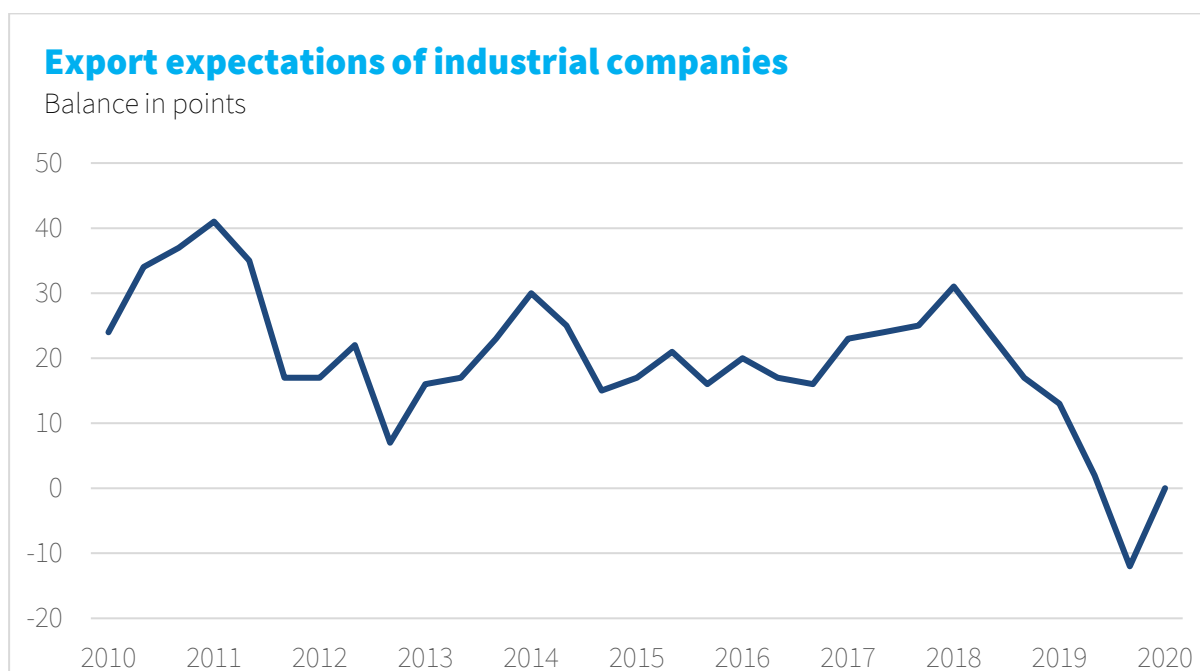
Risks for the economic development - in percent, * export-industry

- domestic demand
- financing conditions
- lack of skilled workers
- prices of energy and raw materials
- foreign demand*
- labour costs
- exchange rates*
- economic policy conditions



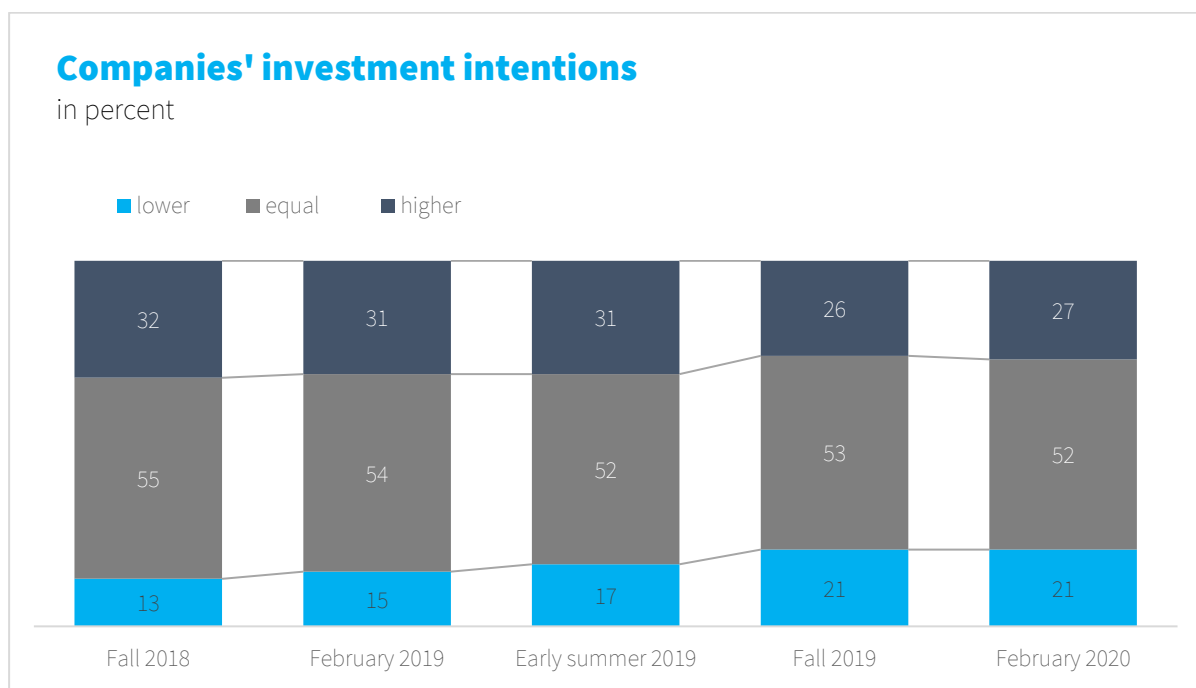
Export expectations:

German industry's export expectations are on the rise for the first time since 2018. They remain weak however and are still well below the average of recent years. Many companies have reacted to the numerous international trade conflicts and reorganised their supply chains. Fears that foreign trade would collapse across the board did not materialise at the end of last year. Still, uncertainty about how their foreign business develops remains high: almost one in two exporting industrial companies consider foreign demand as a business risk.



Investment intentions:

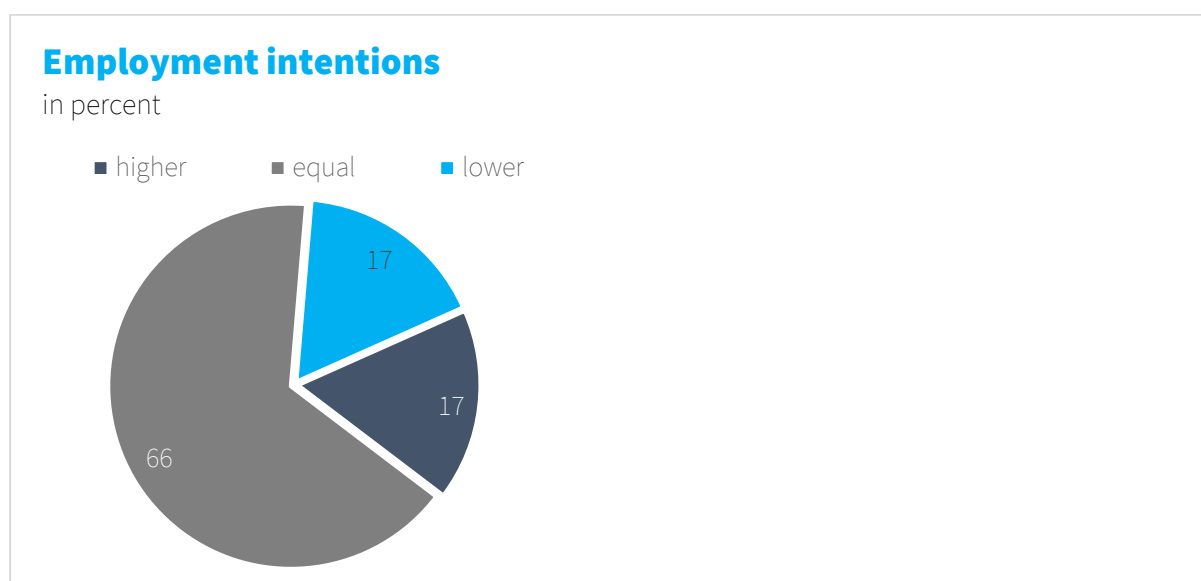
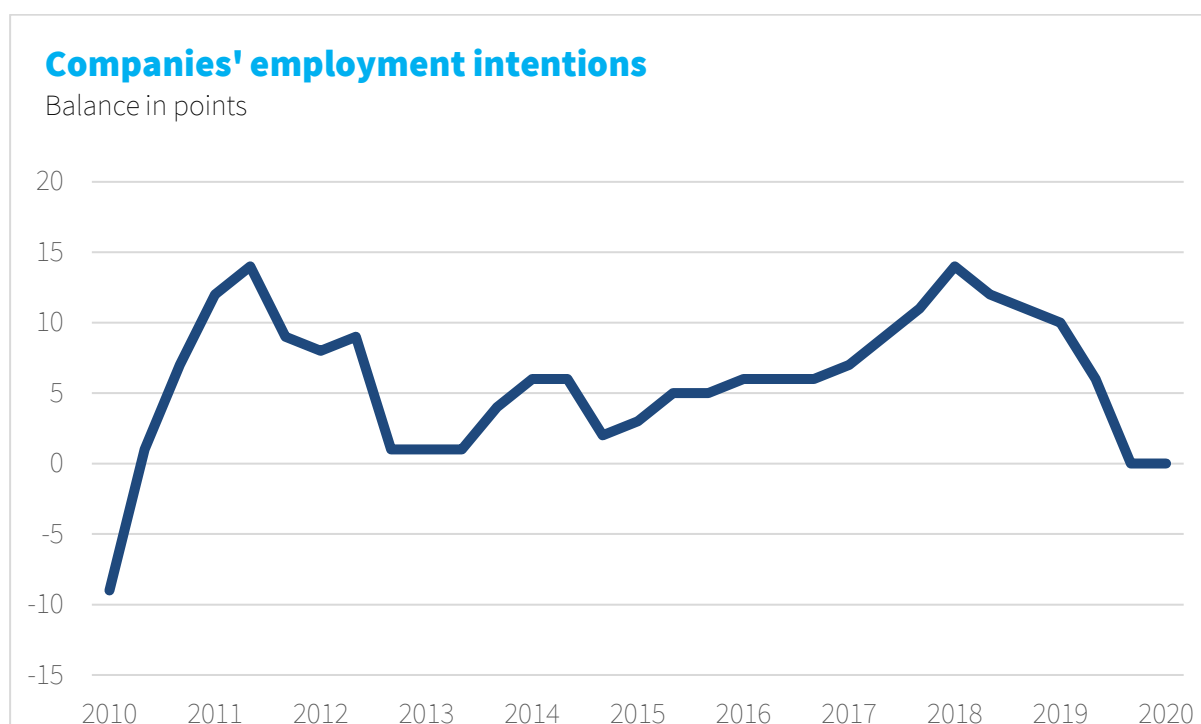
Companies' investment intentions are improving slightly, albeit at a slower pace. While service providers show stable investment schedules compared to the autumn of last year, the construction and trade sectors are slightly extending their investment programmes. The largest raise is to be noted in the industrial sector – yet from the bottom of the league when comparing the various sectors of the economy. In particular larger and medium sized companies are planning to invest more. Product innovation and environmental protection are one the rise looking at investment motives; investment into replacement remains at the same high level.



Investment Motives	
in percent	
Replacement	65
Product innovation	33
Rationalisation	32
Capacity expansion	26
Environmental protection	20

Employment intentions:

Following a slump at the end of last year, companies are consolidating their employment plans. Considering the external economic and structural challenges firms are acting with caution and will probably have to cut jobs in certain lines of business. This concerns industries such as automotive engineering, machine tool manufacturing and manufacturers of electronic equipment in particular. Yet, despite the current economic situation, the shortage of skilled workers remains a major business risk for German companies. Almost every second firm continues to have difficulties in filling vacant positions.



Gross domestic product (GDP) in Germany			
changes on the previous year, in per cent,), price-adjusted, chain-linked			
	2018	2019	DIHK-Forecast 2020
GDP	1.5	0.6	0.7
Final consumption expenditure of private households	1.3	1.6	1.0
Government final consumption expenditure	1.4	2.5	2.2
Gross fixed capital formation (GFCF)	3.5	2.5	1.5
GFCF in machinery and equipment	4.4	0.4	0.4
Other fixed assets	4.3	2.7	2.1
GFCF in construction	2.5	3.8	1.9
Exports	2.1	0.9	0.0
Imports	3.6	1.9	1.5
Employment (change in thousand)	+606	+402	+50
consumer price	1.9	1.4	1.3

Imprint

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