

News Release

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S&P Global Germany Business Outlook

German business confidence continues to recover, boosting investment outlook

Key findings

Firms' growth expectations highest since February 2022 but still below pre-pandemic average

Investment intentions turn positive for first time in two years

Forecasts for output price inflation just above long-run trend

June's S&P Global Business Outlook survey showed firms in Germany reporting their strongest growth expectations since early 2022. Surveyed companies highlighted that an increase in government investment and technological advancements were expected to play key roles in supporting a broader economic upturn over the next 12 months. For the first time in two years, firms signalled their intention to boost capital expenditure (capex) and research and development (R&D) spending, whilst also indicating plans to expand workforces.

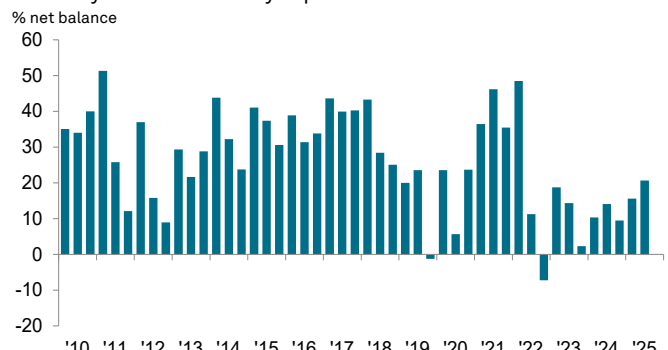
Output expectations and investment intentions in Germany remained subdued by pre-pandemic standards, however. This largely reflected the uncertainty and threats to growth prospects related to US trade policy and the wars in Ukraine and the Middle East, reports from surveyed firms showed.

The net balance of German private sector firms anticipating a rise in business activity over the next 12 months was +21% in June, which was up from +16% in the previous survey period and the highest since February 2022. Confidence increased in both manufacturing (+26% versus +23% in February) and services (+18% versus +12%), although it remained weaker than the pre-pandemic historical average in both cases. Germany did however close the gap with the rest of the world, with the global average net balance dipping to +24%.

Alongside hopes of an economic upturn, including a revival in the construction sector and broader investment, surveyed firms saw opportunities in exports to new markets, new products and services, and technological advancements such as Artificial Intelligence that could improve efficiency.

The geopolitical backdrop and associated uncertainty weighed on expectations, however. Firms cited potential impacts on both supply and demand from increased trade barriers and military conflicts. Lower sales and price rises were cited as two of the main near-term risks from US tariff policy. In turn, high costs, as well as the level of bureaucracy in Germany, were highlighted as headwinds to growth.

Germany Business Activity expectations



Source: S&P Global PMI.

Data were collected 12-25 June 2025.

Comment

Commenting on the Germany Business Outlook survey data, Phil Smith, Economics Associate Director at S&P Global Market Intelligence, said:

"Confidence is gradually returning to German companies. The latest Business Outlook survey not only indicates the most upbeat growth forecasts among German firms since early 2022, but it also shows an increased willingness to invest, with sentiment on this front turning positive for the first time in two years.

"Reports from surveyed firms indicate that the government's plans to boost spending are expected to support an economic upturn, with further gains to be had from expanding into new markets and the adoption of technologies such as AI and digitalisation that can improve business efficiency.

"However, the current geopolitical backdrop means that firms overall remain only cautiously optimistic about the outlook and are by no means fully loosening the purse strings, with growth forecasts and investment intentions still running below their respective pre-pandemic averages. Businesses report concerns about disruption to both demand and supply chains from increased US trade tariffs and the wars in Ukraine and the Middle East, with the related uncertainty expected to limit business investment and growth."

Plans for investment boost and workforce expansion

For the first time in two years, firms planning to increase investment over the next 12 months outnumbered those intending to reduce it. The net balance for capex rose from -7% in February to +2% in June, with expectations turning positive in both manufacturing (+3%) and services (+1%). It did however remain below its pre-pandemic average of +8%. The net balance for R&D spending was likewise in positive territory for the first since mid-2023, registering the largest improvement seen globally (from -4% to +3%).

Latest data also signalled renewed hiring intentions across the German private sector. Following back-to-back negative readings, the net balance for employment came in at +4% in June, up from -1% in February and the same figure as that recorded a year earlier. Recruitment plans in the service sector were the most upbeat since June last year (+6%), while data pointed to the prospect of a near-stabilisation in manufacturing payroll numbers as the respective net balance rose from -10% in February to -1%.

Firms' own pricing expectations strengthen slightly despite weaker cost inflation forecasts

Firms in Germany were slightly more confident of raising prices charged for goods and services than was the case back in February. The net balance ticked up from +20% to +21%, taking it slightly further above its pre-pandemic average (+16%) and to its highest since June 2023. Services firms (net balance at +26%) were more bullish about their pricing power than manufacturers (+10%).

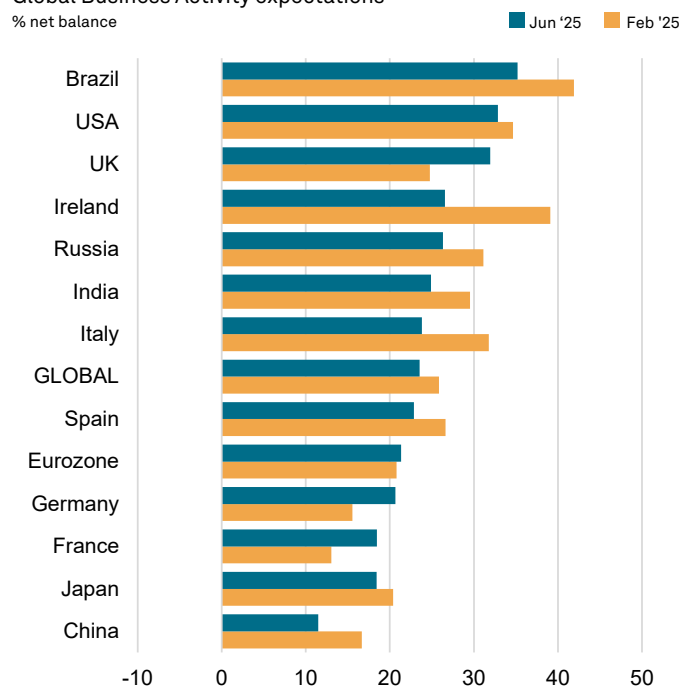
Expectations for staff costs in Germany continued to moderate from the highs seen in 2022, with the net balance moving to its lowest since mid-2021. That said, at +57%, it remained elevated compared to the averages seen across the eurozone (+43%) and globally (+33%). It was a similar picture for other costs. Forecasts on this front were close to last October's four-year low but still high by pre-pandemic standards.

Sentiment towards profitability reaches highest since February 2022

Reflecting increasingly optimistic growth forecasts and stronger pricing intentions, German firms' sentiment towards profitability showed an improvement compared to earlier in the year. The net balance was 0% (signalling equal numbers of optimists and pessimists), which was up from -6% in February and the highest since February 2022.

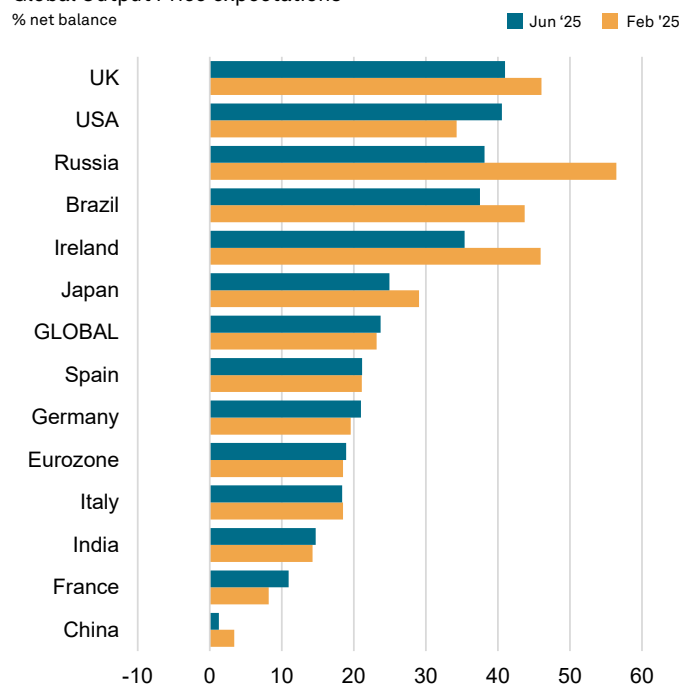
Services firms were upbeat about the profit outlook –albeit only slightly– for the first time in more than three years, while manufacturers were at their least sceptical since early 2022.

Global Business Activity expectations
% net balance



Source: S&P Global PMI.

Global Output Price expectations
% net balance



Source: S&P Global PMI.

Full data available on request from economics@spglobal.com.

Survey methodology

The Global Business Outlook Survey for worldwide manufacturing and services is produced by S&P Global and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that S&P Global operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy*. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 7,600 firms.

** The countries with manufacturing and service sector surveys are Brazil, China, France, Germany, India, Italy, Japan, Russia, Spain, the Republic of Ireland, the UK and the USA. Manufacturing data are collected for the Netherlands, Austria, Greece, Poland and the Czech Republic.*

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