

News Release

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S&P Global Germany Business Outlook

German business confidence falters, with increased caution shown towards employment and investment

Key findings

Businesses' growth forecasts weaken since the summer

Sentiment towards future employment and investment back in negative territory

Wage expectations, although still high globally, ease to lowest since early 2021

The latest S&P Global Business Outlook survey showed a weakening of growth expectations among German businesses compared to earlier in the year, with firms also reporting renewed pessimism towards both employment and investment over the next 12 months.

On the inflation front, firms signalled slightly stronger pricing intentions. Wage expectations among firms in Germany meanwhile remained among the highest globally. That said, they continued their downward trend seen throughout 2025 and were the lowest in over four-and-a-half years in October.

German firms revise down their growth forecasts

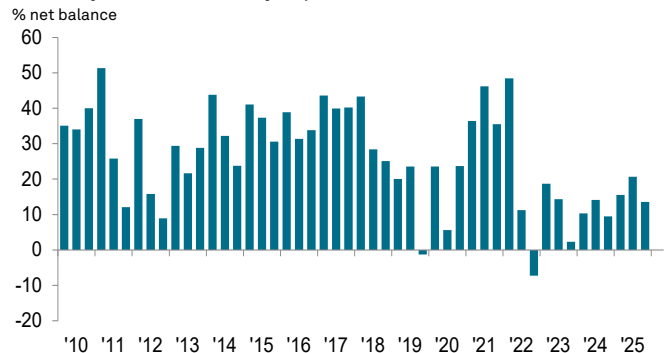
The net balance of German firms forecasting a rise in business activity over the next 12 months was +14% in October. This was down from +21% in June, when confidence had been at its highest level since early 2022. The result meant that growth expectations in Germany were below both the eurozone and global averages (net balances of +17% and +24%, respectively).

At the sector level, the latest data showed a loss confidence among both goods producers and services firms in the eurozone's largest economy, with the former showing the greater reduction in expectations since June.

When asked about growth opportunities for the coming year, surveyed firms often remarked on the development of new products, entry into new markets and increased efficiency through technological enhancements such as artificial intelligence. There was also widespread hope of a boost to economic conditions from increased government investment, with an upturn in the construction sector widely expected.

On the other hand, surveyed firms identified several threats to growth in the next 12 month. Prominent among them were US tariffs, geopolitical uncertainty, high costs, skill shortages and strong competition from abroad.

Germany Business Activity expectations



Source: S&P Global PMI.

Data were collected 9-28 October 2025

Comment

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

"After business confidence in Germany had shown signs of steadily recovering earlier in the year, we've seen a bit of a setback in growth expectations in October, which is perhaps a realisation among firms that the government's stimulus package will not be felt as quickly as they first hoped.

"Firms are expecting only modest growth in business activity over the next 12 months. Whilst there's still positivity surrounding an expected boost to domestic demand from the increase in government spending as well as potential upsides from new business opportunities and technologies, business confidence in Germany is being held back by the current geopolitical environment, structural skill shortages and the country's exposure to US tariffs and competition from abroad.

"We're seeing greater reticence towards investment and hiring than we did earlier in the year, which is a reflection of the drop in confidence towards growth and profitability. Notably, the data show an easing of expectations for growth in wages, which have been a key driver of business costs in Germany in recent times."

Renewed pessimism towards future investment and employment

After turning positive for the first time in two years in June, sentiment towards future investment was back in negative territory in October. At -9%, the net balance for capital expenditure (capex) was the lowest recorded for a year and the weakest reading among the 12 countries for which comparable data are available. Manufacturers were more downbeat about the outlook for capex than their services counterparts. This was also the case for research & development (R&D) spending, which recorded an overall net balance of -3% at the start of the fourth quarter, down from +3% in June.

As well as indicating plans to scale back investment, German businesses also signalled intentions to reduce workforce numbers in the next 12 months (net balance at -4%). This was again in contrast to the situation in June, when the respective net balance had been in positive territory for the first time in a year. However, expectations on the workforce front did vary by sector, with planned job cuts in manufacturing contrasting with a slightly positive employment outlook in services.

Wages expected to rise more slowly than previously forecast

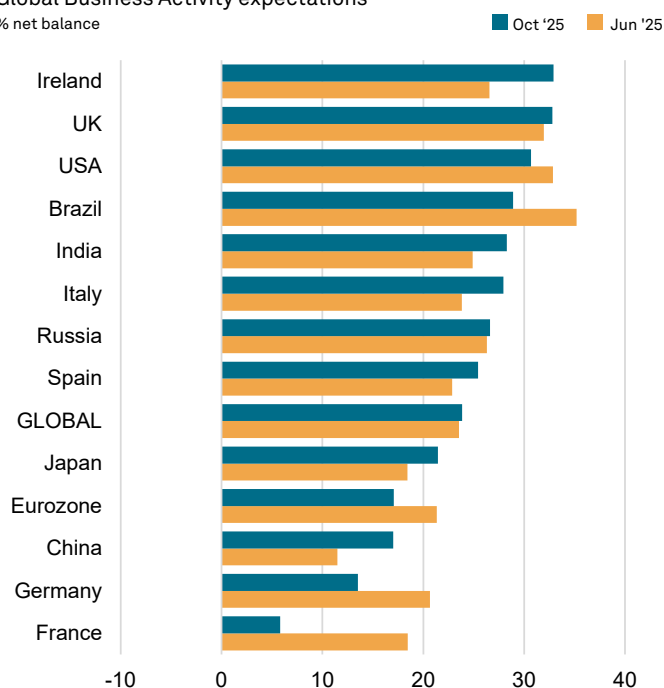
German firms expected wages to remain a prominent source of cost pressure over next 12 months. The survey's staff cost net balance was +51% in October, which was above a eurozone average of +43% and exceeded the equivalent figure for non-staff costs of +42%. That said, having eased for the third survey in a row and in both monitored sectors, wage expectations in Germany were the lowest since February 2021.

German companies were meanwhile slightly more bullish about increasing prices charged for goods and services than was the case in June. The respective net balance (+25%) was the highest in over two-and-a-half years and registered slightly above its long-run average. Both manufacturers and services firms signalled plans to raise output prices, with the latter predicting the stronger increases.

German firms especially downbeat about profit outlook

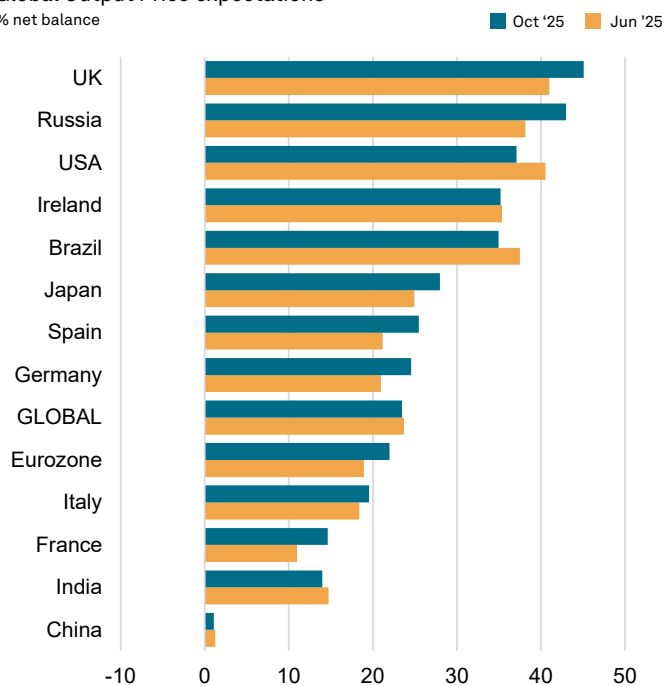
The biggest drop in expectations in Germany since June was concerning future profits, with the respective net balance retreating from 0% at the mid-way point in the year to -12% in October – its lowest level for 12 months. Sentiment on this front was the weakest seen globally, with the worldwide average net balance ticking up slightly to +9%. Germany's manufacturers and service providers were pessimistic about the year-ahead outlook for profitability.

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 7,700 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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