

# News Release

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## S&P Global Germany Business Outlook

### Germany's growth outlook remains subdued despite optimism returning to manufacturers

#### Key findings

12-month growth expectations at two-year high but still below long-run average

Firms look to productivity gains to counteract rising costs

Wage growth forecasts soften but remain historically elevated

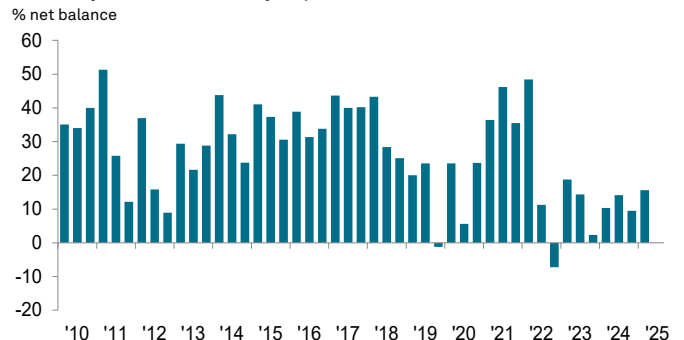
The latest S&P Global Business Outlook survey showed a slight improvement in the mood among Germany's businesses during the opening quarter of the year, with optimism having returned to the country's manufacturers. Still, growth forecasts were subdued, amid a backdrop of geopolitical tensions. Firms predicted sustained strong cost pressures and, as such, cited plans to reduce workforces amid concerns over competitiveness.

Data collected in February [10-25] showed a rise in the net balance of German companies expecting growth in business activity over the next 12 months, up from +10% last October to +16%. This signalled the highest optimism for two years, with Germany seeing one of the largest upswings in confidence among the countries monitored by the survey, behind only Italy. Nevertheless, expectations were still subdued by both historical and international standards. The net balance remained firmly below its long-run average (+27%), and only firms in France (+13%) were less upbeat about their year-ahead growth prospects.

The improvement in sentiment seen in Germany since last October was driven by renewed optimism among the country's manufacturers, whose confidence rose notably to the highest for three years (net balance of +23%, up from 0%). According to the survey's qualitative evidence, goods producers were more bullish about future demand and economic conditions generally, partly reflecting signs of a turnaround in public policy. Optimism was seemingly centred around progress in domestic market conditions, with firms expressing greater concerns about geopolitics and widely citing potential headwinds from tariffs.

Unlike their manufacturing counterparts, services firms in Germany were slightly less upbeat about future activity than they were last October (net balance of +12%, down from +15%). High costs were a concern for many service providers, particularly wage pressures.

Germany Business Activity expectations



Source: S&P Global PMI.

Data were collected 10-25 February 2025.

#### Comment

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

*"The mood among German businesses has improved since the latter stages of last year, but growth forecasts are still subdued having come off a low base. February's survey was conducted [between 10-25] amidst a mix of downside risks, but some potential upsides, too. On the one hand, businesses voiced concerns about the geopolitical situation and the impact of new tariffs, but on the other, there was optimism around what a new government could do to support the economy and boost investment."*

*"High costs in Germany remain a hindrance to the country's growth prospects. Manufacturers, whose greater reliance on exports mean they are more exposed to the loss of competitiveness associated with high costs, are seemingly looking to make productivity gains through the streamlining of workforces. The impact on the overall labour market looks set to be nullified somewhat by job creation in the service sector."*

*"The combination of the uncertain geopolitical backdrop and low capacity utilisation means that firms in Germany remain reluctant to commit to higher investment spending, but that could change in the event of some upward momentum in the economy."*

### Cost expectations remain elevated, but forecasts for output prices in line with historical trend

The majority of firms in Germany continued to predict rising labour costs over the next 12 months. At +59%, the net balance remained above the eurozone average (+45%) and was the third-highest globally behind the UK's +76% and Ireland's +63%. That said, it was the lowest in Germany since June 2021, as manufacturers and services firms alike revised down their expectations since October last year.

Conversely, the net balance of companies anticipating higher non-staff costs ticked up from +37% to +42%. Although this was comfortably below an all-time peak of +78% in late 2022, it was higher than at any time in the series history (since 2009) prior to the pandemic and firmly above the eurozone average (+34%).

Turning to output prices, services firms were less confident about raising charges compared to late last year. On the other hand, however, the net balance of manufacturers intending to raise factory gate prices turned positive (net balance at +9%, from 0%), leaving the net balance across the two sectors combined (+20%) little changed since last October and still broadly in line with its historical trend.

### Small uptick in services workforce numbers set to largely offset factory job losses

Despite forecasting an upturn in output levels, German manufacturers signalled their intention to trim payroll numbers over the next 12 months, pointing to targeted improvements in productivity. Fewer goods producers were looking to cut employment than last October, however, as underlined by the respective net balance rising from -23% to -10%.

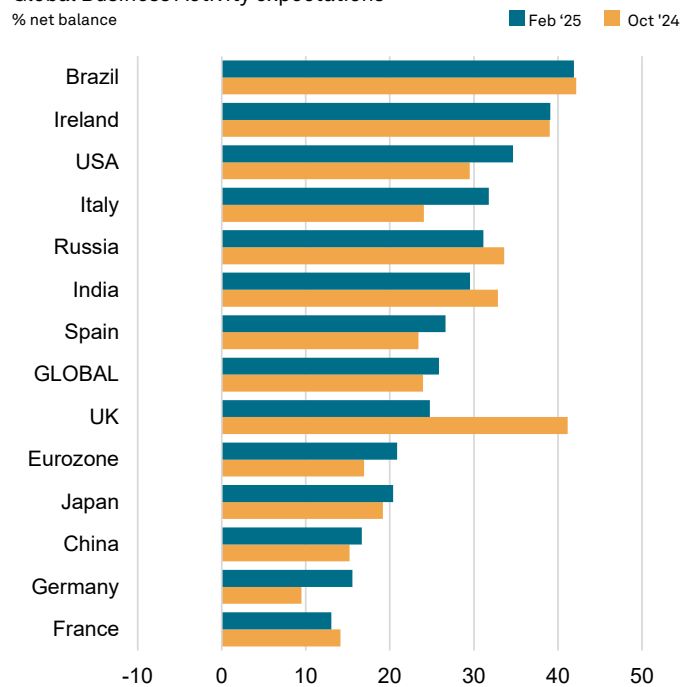
Services firms once again reported plans to expand workforces marginally—the net balance of +3% little changed from last October's +2% and below the long-run average (+14%). Across the two sectors combined, employment expectations were just in negative territory (-1%).

### Businesses still reluctant to invest, despite easing concerns about profitability

German businesses – especially manufacturers – were less pessimistic about future profits than they were last October, with the respective net balance recording a three-year high of -6%. Nevertheless, this was still the second-lowest globally after France's -8%.

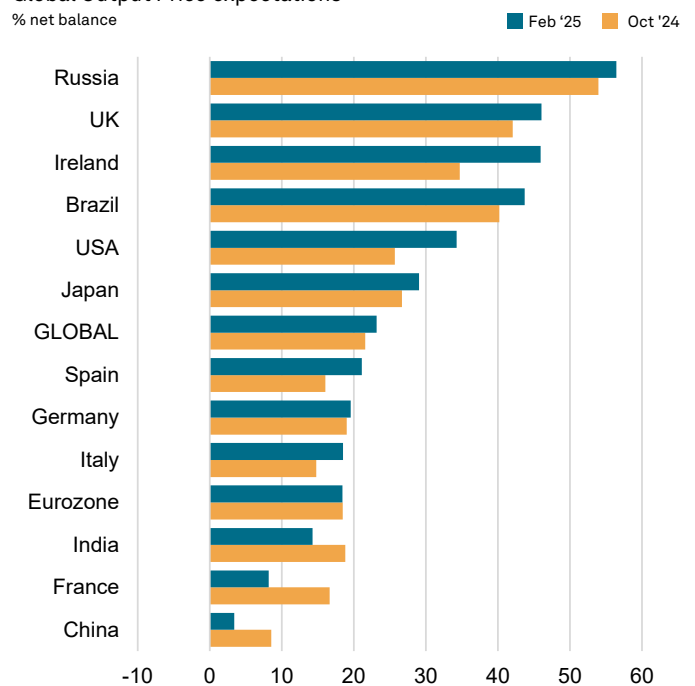
Despite profit concerns having eased somewhat, there remained a degree of caution shown towards investment spending. The net balance for capital expenditure (capex) came in at -7%, which was up from October's -12% but still comfortably below a eurozone average of +3%. German businesses also signalled plans to scale back research and development (R&D) outlay over the next 12 months, with their intentions little changed since last October (net balance at -4% in February, versus -5% before).

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](mailto: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 8,000 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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