

**EMBARGOED UNTIL: 00:01 (UTC) November 15<sup>th</sup> 2021**

# IHS Markit Germany Business Outlook

## Price expectations hit record high, while growth forecasts are toned down

### Key findings:

- Firms anticipating sustained inflationary pressure owing to sharply rising costs
- Growth and hiring expectations both remain positive but slip from summer highs
- Business investment set to increase, despite muted profit outlook

Data collected October 12-26

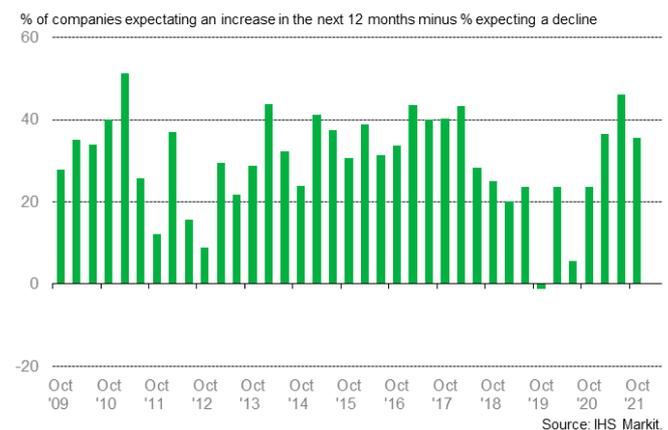
Latest Business Outlook survey data from IHS Markit showed record price expectations among Germany's businesses in October. Firms' year-ahead growth forecasts remained solid but moderated from the summer, amid lingering supply-chain issues and price pressures as well as concerns surrounding a fourth wave of COVID infections.

The survey's headline index tracking the net balance of companies forecasting a rise in activity over the coming year registered +35% in October. This was above its post-financial crisis average but signalled a drop in growth expectations from June's decade-high (+46%). It also pointed to a slightly lower degree of confidence than across the eurozone as a whole, which saw a net balance of +38%.

The survey showed a softening of growth expectations across both Germany's manufacturing and service sectors. Reports from surveyed businesses revealed that staff shortages and ongoing supply-chain bottlenecks were expected to act as headwinds to growth in the coming year, whilst also highlighting a potential threat to demand from strong inflation.

Still, almost half of surveyed businesses were hopeful of seeing activity increase in the coming year, though this was often contingent on improved supply. Firms cited an array of potential growth drivers, including a normalisation in travel activity and an uplift in investment.

### Germany business activity expectations



Firms also saw growth opportunities in efficiency improvements via automation and digitisation.

### Employment & Investment Plans

The outlook for private sector employment across Germany remained firmly positive. At +25%, the net balance of companies planning to add to their workforce numbers was down from a record of +32% in June but still higher than at any other time since early-2018.

Companies also reported plans to increase capital expenditure in the next 12 months. On this front, expectations held up relatively well, with the respective net balance dipping only slightly from June's recent high of +20% to +18%. Intentions towards research and development were also positive, albeit less so than in the summer.

### Inflation Expectations

Rising prices are expected to remain a prominent feature of the economic landscape over the coming months. Reflecting concerns about rising energy prices, continued supply-chain imbalances and a tightening jobs market, businesses reported expectations of a steep rise in both staff and non-staff costs in the year

ahead. The respective net balances ticked up to unprecedented levels, with Germany recording higher expectations for non-staff costs than any other country where comparable data are available.

Manufacturers were once again more likely to forecast a rise in operating expenses than their services counterparts. That said, the gap closed notably since the previous survey, especially regarding wage growth expectations.

The majority of businesses signalled their intention to raise prices to at least partially offset higher costs. At +51%, the overall net balance was up sharply from June's previous record of +43% and the third-highest globally behind the UK and Ireland. A net balance for manufacturing of +70% (down from 71%) compared with +41% (up from 29%) for services.

## Corporate Earnings

There were contrasting profit outlooks at the sector level. Service providers remained hopeful of an increase in profitability in the coming year, albeit with expectations easing since the summer. Manufacturers, on the other hand, reported pessimism on this front for the first time since June 2020. The resulting overall net balance was +2%, down from +11% in June.

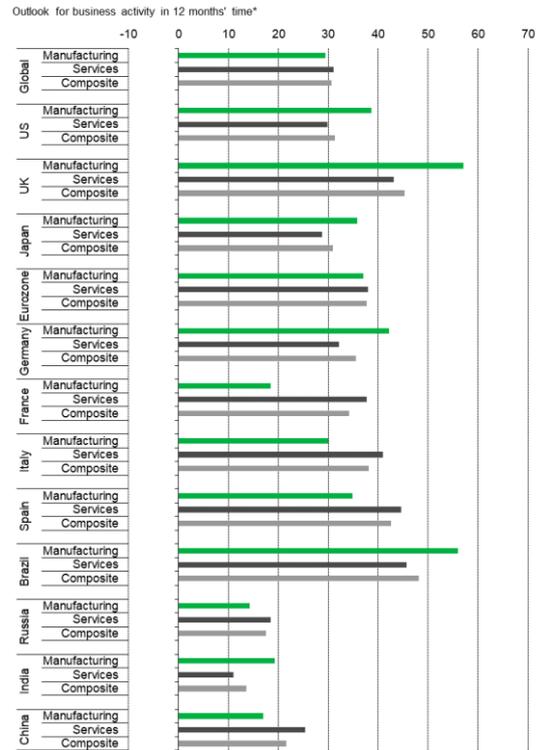
### Comment:

Commenting on the Germany Business Outlook survey, **Phil Smith**, Associate Economics Director at IHS Markit, said: *“Though German businesses remain strongly confident of a rise in activity over the next 12 months, they are less upbeat than back in the summer for a number of reasons. Price pressures have surprised on the upside and seem less transitory than first anticipated, supply bottlenecks have shown little sign of easing, and the threat of a fourth wave of COVID infections has become a reality.*

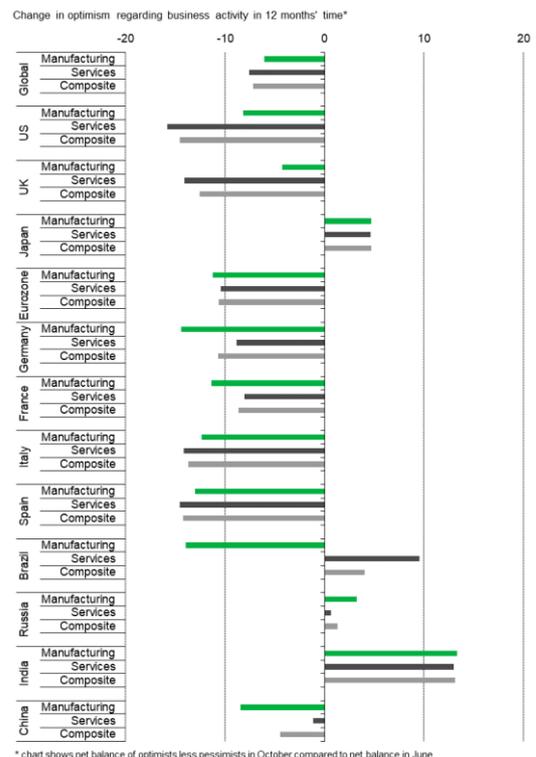
*“Output looks set to rise over the coming year, but the timing and pace of growth depends largely on how quickly supply-chain issues can be resolved. Record-high price expectations suggest inflationary pressures may remain high for some time – especially given that firms have raised their wage growth forecasts amid a tightening job market and strong hiring intentions.”*

Full data available on request from  
[economics@ihsmarkit.com](mailto:economics@ihsmarkit.com)

## Business optimism in October



## How business activity expectations have changed since June



**For further information, please contact:****IHS Markit**

Phil Smith, Associate Economics Director  
Telephone +44-1491-461-009  
Email [phil.smith@ihsmarkit.com](mailto:phil.smith@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44-2072-602-234  
Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

**Notes to Editors:**

The Global Business Outlook Survey for worldwide manufacturing and services is produced by IHS Markit 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. The latest survey was conducted between October 11 and 29.

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 IHS Markit 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, fax, 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 in the countries mentioned above. 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.

**About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))**

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

*IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.*

**The intellectual property rights to the Business Outlook survey provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trade mark of IHS Markit Ltd. and/or its affiliates.**

*If you prefer not to receive news releases from IHS Markit, please email [pollyanna.delima@ihsmarkit.com](mailto:pollyanna.delima@ihsmarkit.com). To read our privacy policy, [click here](#).*