Economy slowing down

Results of a survey conducted by the Association of German Chambers of Commerce and Industry (DIHK)

Fall 2014

DIHK
Deutscher
Industrie- und Handelskammertag

The Fall 2014 survey, "Economy slowing down", is the current evaluation that the DIHK has produced out of the results gathered in a business survey carried out through the 80 Chambers of Industry and Commerce (IHK) in Germany. This kind of business survey was published from the fall of 1977 until early summer 2013 under the title "THE ECONOMIC SITUATION AND EXPECTATIONS". Until 2000, the report was published bi-annually and since then, three times a year.

The DIHK results are based on business surveys carried out by Germany's 80 Chambers of Industry and Commerce (IHK). In each case, the different Chambers of Industry and Commerce submitted the questionnaire to a representative number of their member companies. In Fall of 2014, the DIHK again evaluated more than 27,000 responses. The regional business surveys of the 80 Chambers of Industry and Commerce can be accessed at: www.dihk.de/konjunktur. These responses are divided as follows: 30 percent for industry, six percent for construction, 23 percent for retail and 41 percent for the service industry.

The territory of the Federal Republic of Germany consists of the federal states of Bremen, Hamburg, Lower Saxony and Schleswig-Holstein in the north, Hesse, North-Rhine/Westphalia, Rheinland-Palatinate and Saarland in the west, Berlin, Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt and Thuringia in the east and Baden-Württemberg and Bavaria in the south.

The enquiry period was from beginning of September until the beginning of October of 2014.

Association of German Chambers of Industry and Commerce e. V. (DIHK),
Department for Economic Policy – Berlin 2014

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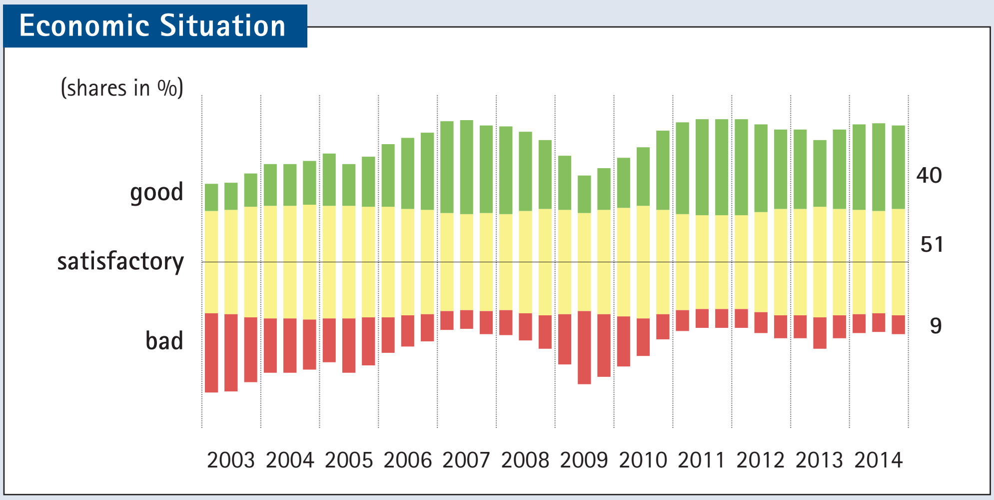
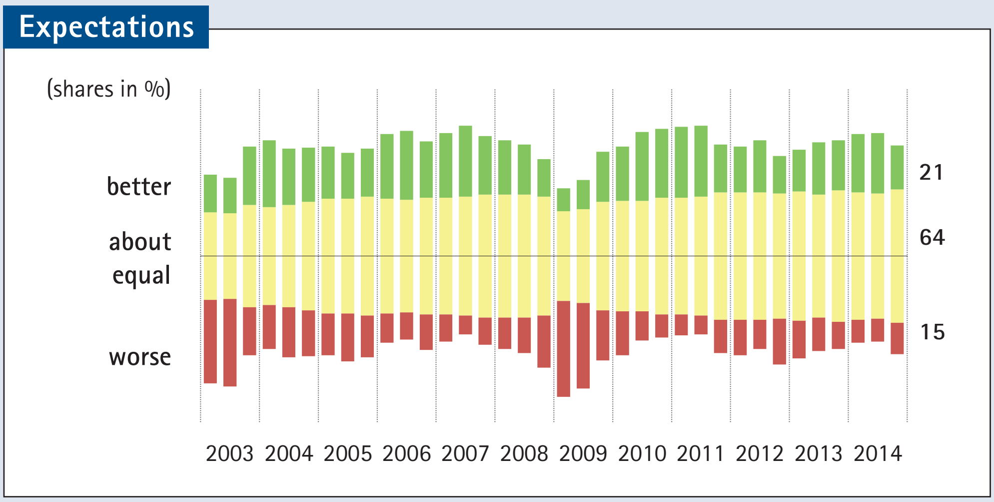
Germany at a Glance

Fall 2014

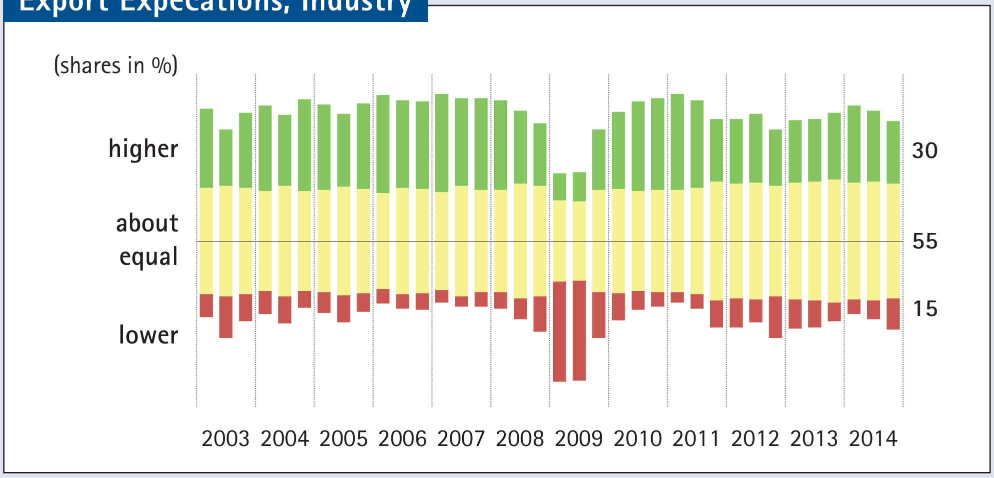


In the fall the business situation of the companies has deteriorated. The headwind coming from foreign trade is increasing in strength. It is above all the export industry which has lowered its sights significantly in its situation assessment. Industry-related service providers and wholesalers are also less satisfied than they were in the early summer. The interim recovery in the investment sectors has also stopped. The usual seasonal improvement in the situation in the construction industry in the fall is relatively weak this year. Overall, the companies working in the consumer industries are also gradually finding themselves in troubled waters.



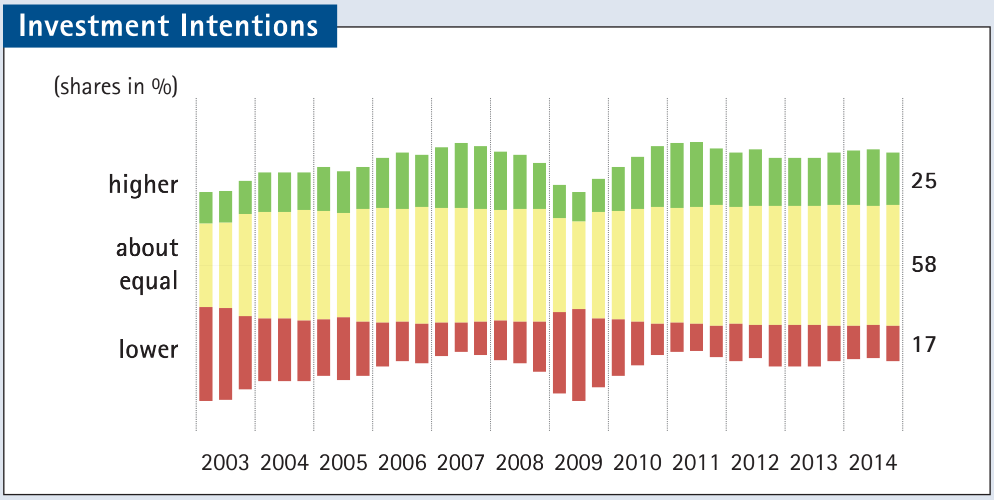
The confidence of the companies has been dealt the major blow, however. Geopolitical worries are leaving their mark not only in the business relationships with crisis regions. The developments in domestic demand are also assessed by the companies as sceptical again – this is now the front-runner among the business risks. In manufacturing industry in particular, the optimism has dissipated. The trade and service sectors are toning down their business expectations as well. In the construction industry the expectations have deteriorated somewhat more strongly as is usual at the end of the year. The economic policy risk is now regaining in importance.

Export Expecations, Industry



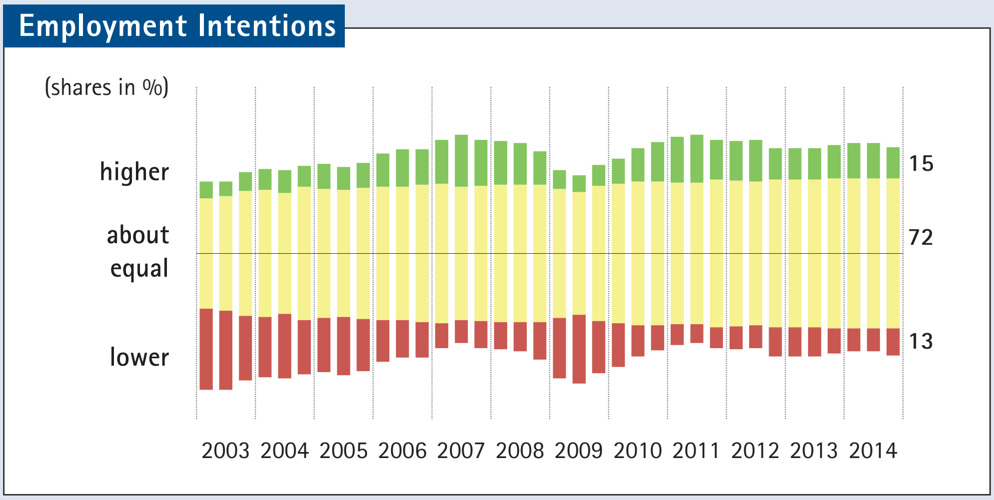
Manufacturing industry has lowered its export expectations across a broad front. In the business with Russia in particular, many companies are worried about their orders. In addition, the mood is being depressed by the war in the Near East, as well as the Ebola crisis. Developments in exports in the euro area are being slowed by the weak performance in France and Italy, even though the business activities in most economies continue to recover. At least the sales markets in the USA and China are proving to be pleasingly robust. The weaker euro is also promoting exports.

Investment Intentions



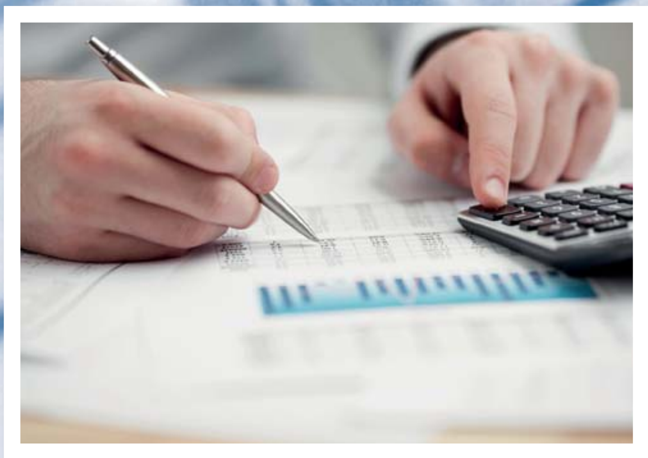
The more restrained future prospects are resulting in declining investment plans in the economy, even if the turndown is less pronounced than that of the business expectations. Manufacturing industry in particular intends to invest less. While the expansion in capacity is becoming less significant, companies are making greater efforts again to score points with product innovations. The "corporate finance" risk has reached a new low – up to now this has been preventing any further deterioration in the investment intentions.

Employment Intentions



The companies are significantly reducing their rate of expansion in staff levels. Manufacturing industry and trade in particular are being rather cautious with respect to increasing the size of their workforce. It is noteworthy that in spite of the downturn in business activities and increases in the actual wages and salaries being paid, the business risk of a "shortage of skilled workers" remains at a high level among the companies. In contrast, fewer companies fear further increases in labour costs in view of the weaker business developments.

Economic Situation



Ridge of high pressure behind us

In the fall the business situation of the companies has deteriorated. The headwind coming from foreign trade is increasing in strength. It is above all the export industry which has lowered its sights significantly in its situation assessment. Industry-related service providers and wholesalers are also less satisfied than they were in the early summer. The interim recovery in the investment sectors has also stopped. The usual seasonal improvement in the situation in the construction industry in the fall is relatively weak this year. Business in the hotel and restaurant industry has improved markedly. Overall, however, the companies working in the consumer industries are also gradually finding themselves in troubled waters.

Bruises in the general economy...

The companies now assess their current business situation to be not quite as good as in the two previous surveys in 2014. Although only nine percent continue to see themselves in a “difficult” position, the proportion of “good” assessments has fallen slightly from 42 to 40 percent. The resulting reply balance is therefore 31 points (previous survey: 33 points).

... still covered up by structural strength

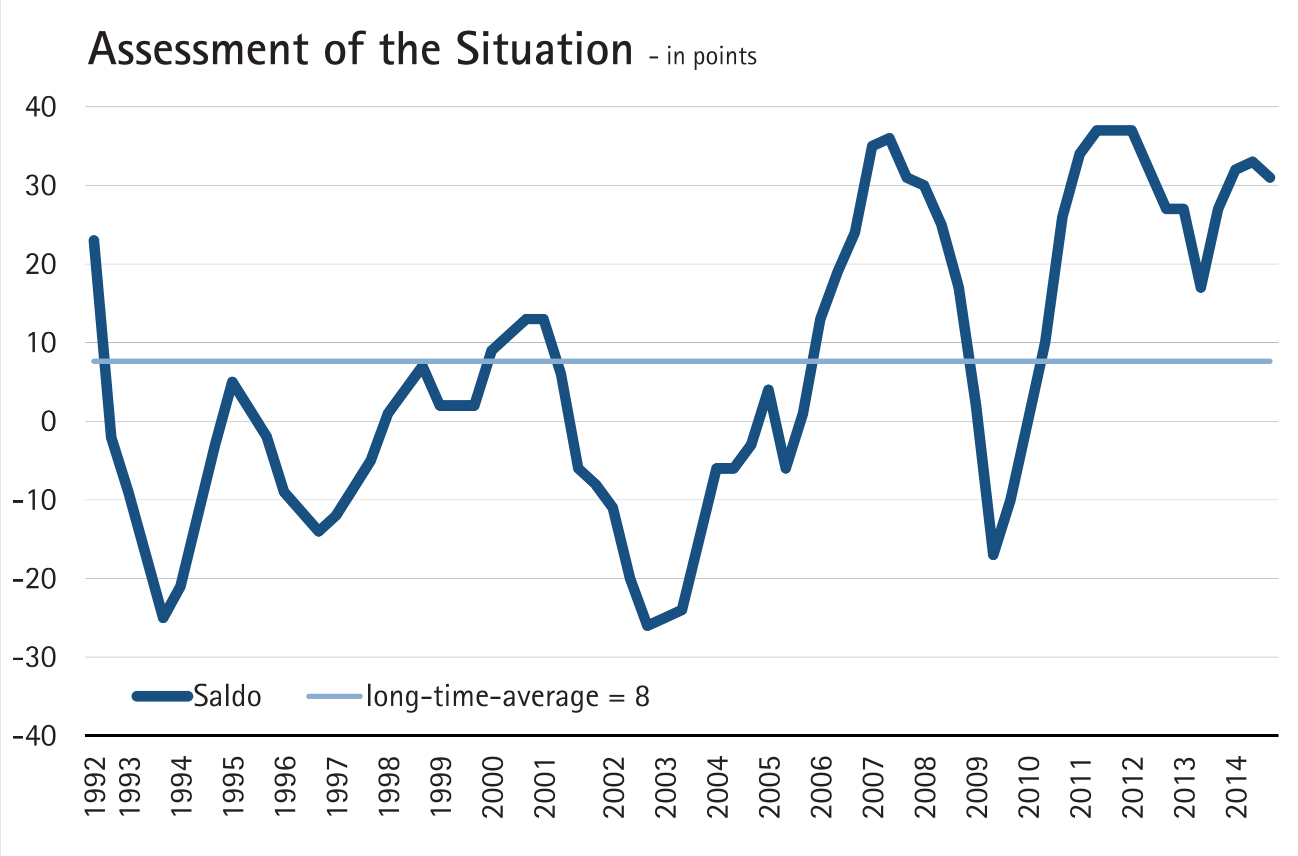
In the long-term comparison, the balance is admittedly still remarkably good. The average since 1992 is eight points. Even the average of 27 for the years after the financial crisis of 2009 in which the economy was good is slightly lower than the current balance. This also reflects the continuing good competitive position of the German economy.

Headwinds from exports

Manufacturing industry in particular sees itself forced to lower its sights compared to the previous survey. Its business climate balance has fallen from 35 to 28 points. While domestic market-oriented manufacturing industry remains quite stable (new balance 24 after the previous level of 25 points), satisfaction in the exporting industry has now diminished noticeably (balance decline by nine to 30 points). In sectors in which exports are traditionally strong, such as chemicals and pharmaceuticals, the business climate balance has even declined sharply (by 18 to 33 and by twelve to 29 points respectively). After the good start to the year, developments in exports are stalling slightly. As a consequence of the Russia-Ukraine conflict, business with

Assessment of the Situation (in percent)

	good	satisfactory	bad	balance
Fall 2012	38	51	11	27
February 2013	38	51	11	27
Early Summer 2013	32	53	15	17
Fall 2013	38	51	11	27
February 2014	41	50	9	32
Early Summer 2014	42	49	9	33
Fall 2014	40	51	9	31



Russia in particular has collapsed – as a result of the sanctions, the reduced purchasing power of Russian customers due to the devaluation of the rouble and the overall weak economic developments in Russia. In the other regions of the world the economies are also finding it difficult to get moving in some cases, for example in the Euro heavyweights of France and Italy, in Japan and some of the emerging markets. The US economy is running smoothly, admittedly, and China also remains a pillar of the global economy.

Warning signal of the harbingers

The level of satisfaction has fallen among the manufacturers of intermediate goods in particular (balance deterioration by ten to 27 points) – as frequently happens in the early phase of a period of economic weakness. In addition to the chemical manufacturers, the situation assessments have also clearly deteriorated in the areas of rubber/plastic (balance decline by 14 to 32 points), wood (balance decline by 13 to ten points) and glass/ceramics/stone processing (balance decline by twelve to 19 points).

Manufacturers of consumer goods also experiencing a cooling down process

In the consumer durables and non-durables industry, business is not running as smoothly as in the early summer either (balance decline by eight to 23 points). The concerns of this main group about setbacks in foreign demand have increased markedly recently. The situation assessments have deteriorated particularly among the beverage manufacturers and the producers of jewellery, musical instruments, sports equipment, toys and other goods (on balance by ten to 31 and by twelve to 31 points respectively).

Only vehicle construction still displaying investment momentum

The situation assessments of the investment goods manufacturers have become less optimistic, but not quite as much as in the other main groups (balance: 31 after the previous level of 37 points). In this main group, which frequently reacts in a highly cyclical manner, the situation assessments had not brightened in the previous survey either. The assessment of the motor vehicle manufacturers is remarkably stable with respect to their current business situation, thereby proving to be a pillar in the investment goods segment. The balance of the replies in motor vehicle construction remains almost the same level as the early summer (43 points), even having improved in the commercial vehicle segment. In mechanical engineering in contrast it has fallen by nine to 30 points and in electrical engineering by six to 31 points.

Overall, the capital goods sector is reliant on a good investment climate – both here at home and worldwide. However, the large number of geopolitical conflicts is causing a feeling of uncertainty at present throughout the international markets. Moreover, the economic policy headwind has been increasing in force on the domestic market. The competitiveness of the domestic market is falling, with businesses currently identifying several breaks on investment.[1] The result is that the intermediate investment recovery is now already diminishing again – in spite of the low interest rates and need to catch up with the backlog in many companies.

Dampeners in the manufacturing industry network

The weaker level of industrial activity is impossible for many of the associated trade and service sectors to escape. Among the wholesalers, the situation assessments have fallen dramatically in the fall after good values in the previous survey. The balance has dropped by 15 to 20 points. Other sectors which have also declined significantly are the postal, courier and express services (balance deterioration by 17 to 14 points), as well as the research and development service providers (balance deterioration by 19 to 36 points).

Transport: relaxation on the costs side

The situation assessments in the transport industry have shown pleasing developments in the fall (balance increase from 16 to 19 points) – in the fields of land, air and maritime transport. The development in fuel prices, which is traditionally the sector's largest business risk, is also slowly easing. Admittedly, the improvement in the situation assessments has followed on from a relatively weak starting level. In the cross-section comparison for example, the reply balances in maritime transport remain at the lower end in spite of a slight recovery. By four points each the reply balances in land and air transport have risen (to 16 and twelve points respectively).

Overall, the service sector is stable in the fall, not least thanks to the transport services (new balance: 35 after the previous level of 34 points.

Construction running out of breath

The construction industry assesses its business situation in the fall of 2014 as being hardly any better than in the early summer – after being somewhat disappointing at

[1] Cf. DIHK survey in Industry Network 2014: "Germany as an Industrial Location: Cracks in the Foundations".

the time after the successful start to the year. Although the reply balance has risen by two to 39 points below the line, the mood normally brightens much more in the fall. Compared to the fall of the previous year, the situation assessments are lower (balance decline by four points). In the field of house construction, further growth is becoming more difficult after many years of low interest rates and rising incomes. Commercial construction is suffering from the slowdown in the investment climate. The hoped-for stimuli from construction in the public sector have so far scarcely been reflected in specific contracts. In civil engineering the business climate balance has even fallen somewhat – from 29 to 28 points. In structural engineering and the finishing trade it has risen – as has the average for this sector – by two points (new balances: 39 and 44 points respectively). The service providers which are less dependent on the season are largely satisfied: in the real estate industry the balance is maintaining its record level of the early summer (50 points), while among the architectural and engineering firms it has only fallen slightly (balance decline from 48 to 45 points).

Consumption resisting the downturn

In the consumer industries, the situation assessments generally indicate a downward movement all in all at the moment. Although the hotel and restaurant industry is one of the winners in the cross-sector comparison (balance increase by twelve to 34 points), the mood in the retail trade (balance decline by three to 19 points), in the leisure industry (balance decline by six to 27 points), among the travel agents (balance decline by four to 32 points) and among personal services such as laundries, hair salons, saunas and solariums (balance decline by four to 29 points) is beginning to cloud over. The assessments of the motor vehicle dealers with regard to their current business situation are much more sceptical (new balance: five after the previous level of 17 points). Although increases in the size of the population and employment levels, as well as rising real incomes, offer good consumption prospects, an uncertain political and economic environment is starting to leave its first marks here as well.

Expectations

Confidence waning – economic policy as a risk

The **confidence of the companies** has been dealt the major blow, however. Geopolitical worries are leaving their mark not only in the business relationships with crisis regions. The developments in domestic demand are also assessed by the companies as sceptical again – this is now the front-runner among the business risks. In manufacturing industry in particular, the optimism has dissipated. The trade and service sectors are toning down their business expectations as well. In the construction industry the expectations have deteriorated somewhat more strongly as is usual at the end of the year. The economic policy risk is now regaining in importance.

Scarcely any dynamism remaining

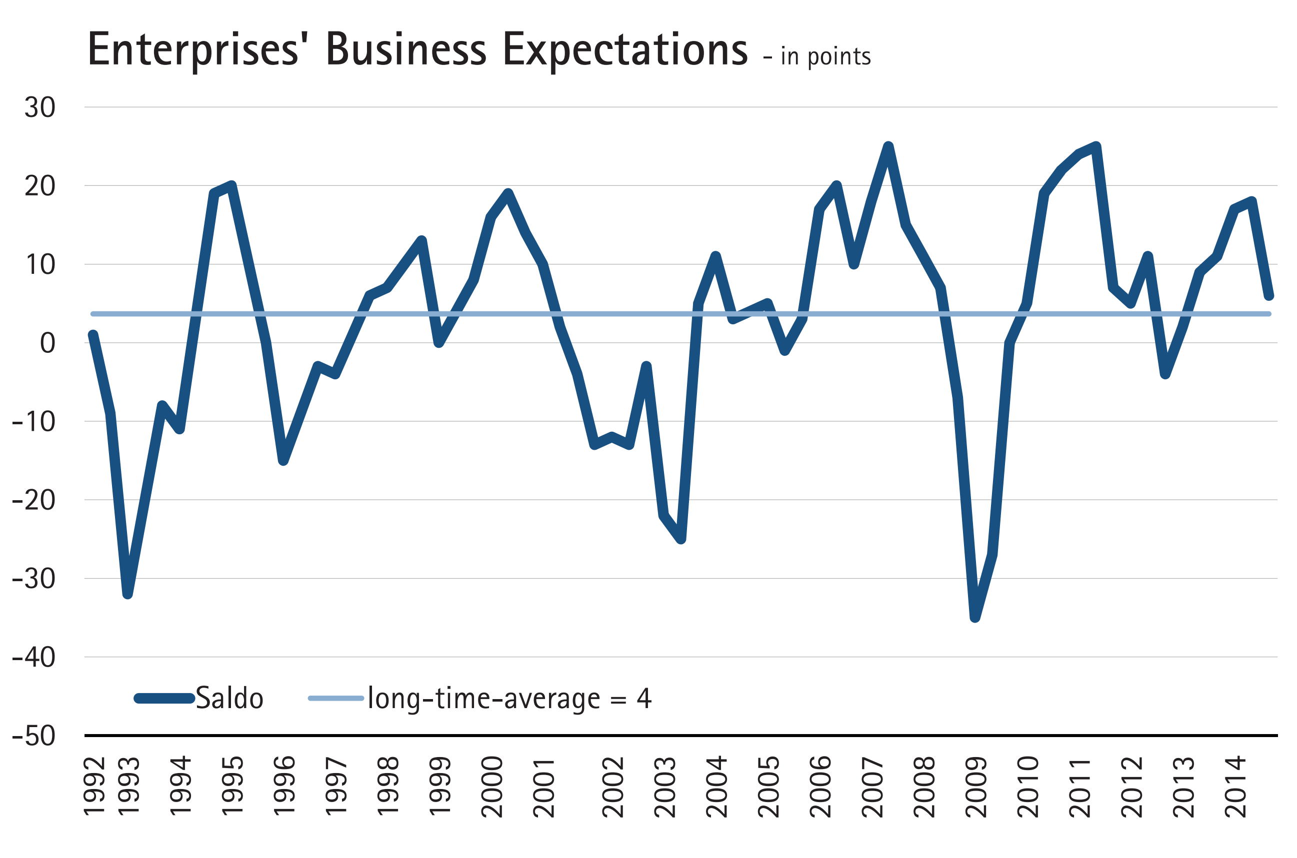
A remarkable number of companies are expecting business to stagnate over the coming months. Almost two-thirds assume that their business will develop "on the same level" – more than in all previous surveys. Only a good one business in five is expecting an improvement (21 percent). However, at least the proportion of pessimists is also low at 15 percent (average of the surveys up to now: 22 percent). Overall, the balance of the business expectations has declined compared to the early summer from 18 to six points.

Demand risks and economic policy return as the top risks

It is above all the demand risks which have become more intensified. In the foreign business the concerns of the export industry have risen sharply in the meantime after the first warning signs in the early summer (increased from 36 to 47 percent; beginning of the year: 35 percent). Considerably more companies are now worried about setbacks with respect to domestic demand (increase from 44 to 48 percent). The conflicts in Ukraine and the Middle East are currently putting a damper not only on export expectations, but increasingly also on the domestic investment and consumption climate. Domestic demand is now the number one business risk again for the first time in a year. Moreover, the business risk of "economic policy framework conditions" is also increasing in the eyes of companies (from 41 to 43 percent). It has therefore again reached almost the peak value from the acute phase of the Eurozone national debt crisis in 2011/2012 (45 percent).

Enterprises' Business Expectations (in percent)

	better	about equal	worse	balance
Fall 2012	18	60	22	-4
February 2013	20	62	18	2
Early Summer 2013	25	59	16	9
Fall 2013	24	63	13	11
February 2014	28	61	11	17
Early Summer 2014	29	60	11	18
Fall 2014	21	64	15	6

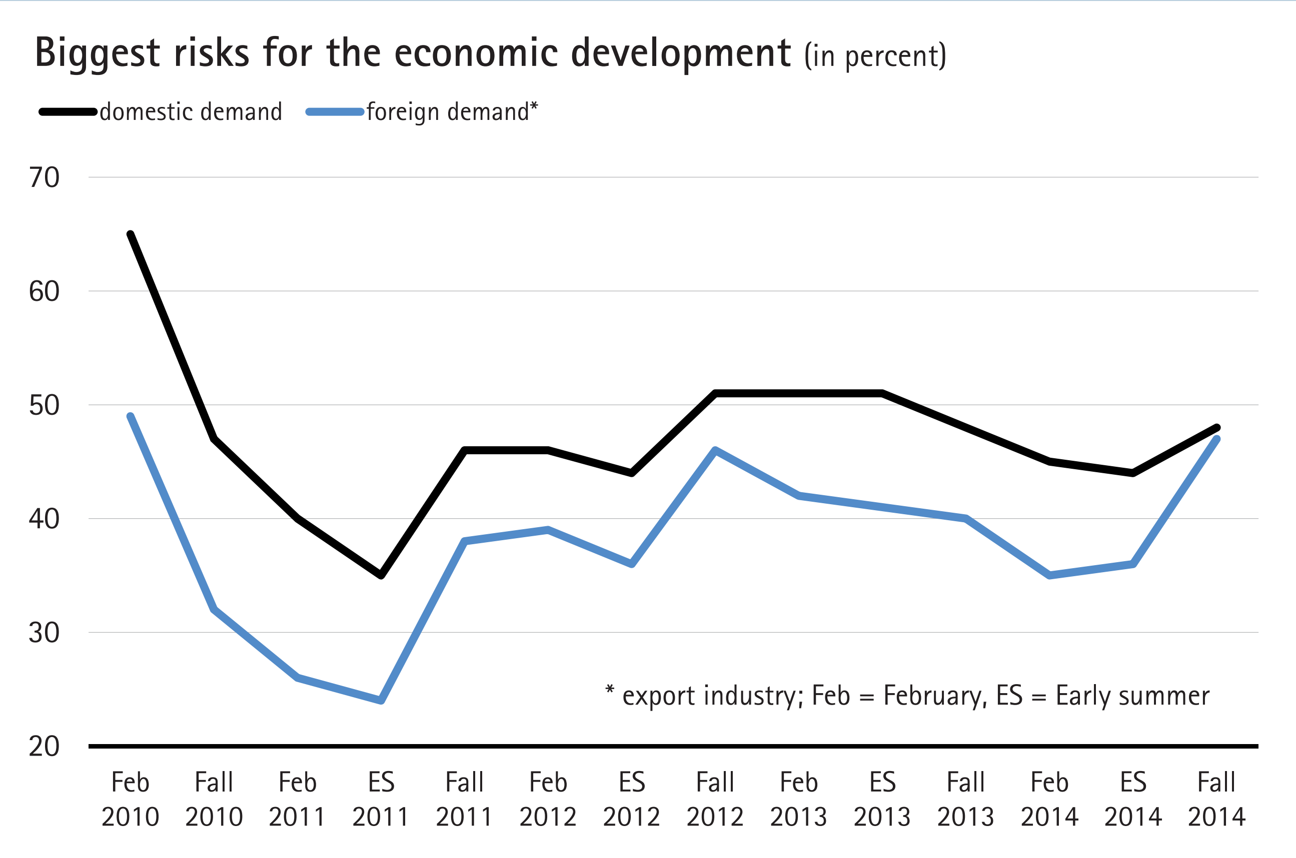


Geopolitics suppressing the mood in the export field...

In view of the slump in the Russian business and the negative news coming from other international hotspots, manufacturing industry has seen a very sharp downturn in its optimism levels. The expectation balance of this branch of industry has fallen by 15 points. The "demand from abroad" business risk has climbed to a new record level. Almost every other business in exporting manufacturing industries (47 percent; previous survey: 36 percent) currently refers to this – a level not reached since the beginning of 2010 – and more than in the years 2011 and 2012, when concerns about the national debt crisis were at their peak. The Russia-Ukraine conflict has caused exports to collapse, with the sanctions only now producing their initial impacts. With the exception of North America and China in particular, impetus to German exports in other regions are also not as strong as estimated a few months ago. Structural deficits in major emerging markets, such as Brazil, the armed conflicts in the Middle East and the Ebola epidemic in West Africa are reasons for this development. The Eurozone is only recovering very gradually. Developments in the exchange rate are only able to attenuate the situation at best. The share of companies who consider their business to be hindered by the value of currency has fallen again – by three points to its lowest value of eleven percent.

... and increasingly also at home

Overall, it is the export industry in particular which is more pessimistic (balance decline by 16 points). But the expectations of domestic industry are also declining significantly (balance decline by eleven points). At the same time the



"domestic demand" business risk has also increased noticeably in manufacturing industry – by ten points to the present level of 53 percent.

Precursors of the business cycle in particular slowing down

Within the main groups, the producers of intermediate goods are now clearly bringing up the rear. Their expectations have fallen by 20 points on balance (current balance: five points). In view of their positioning at the start of the industrial value-added chains, this strong decline is a clear indicator that the business cycle is becoming weaker.

Manufacturers of investment goods restrained

In the investment goods industry, the business expectations have also fallen significantly (balance deterioration by 14 to nine points). The fact that the investment motor had started up at the beginning of the year gave hope that the problem of the investment backlog would be solved. In the meantime, however, the impetus for the economy from this source has disappeared. Furthermore, economic policy is also weakening Germany as an investment location even further. The advantages in terms of competitiveness are slipping away. The Grand Coalition has clearly focused up to now on redistribution. Many of the measures that have been adopted from the coalition agreement will be associated either immediately or within the foreseeable future with additional costs for businesses. At the same time, countries such as Ireland, Portugal and Spain, as well as Greece, have taken advantage of the crisis to carry out structural improvements in the global competition. DIHK surveys on domestic location conditions show that the assessment of companies has deteriorated.[2]

Consumption: manufacturers sceptic...

The long period of solid demand for consumption and house construction is finding it increasingly difficult to compensate for the weakness in the export markets and investments. The manufacturers of consumer goods which are more attuned to the domestic market have turned down their business expectations (by six and by ten points respectively), albeit to a lesser extent than the manufacturers of intermediate and investment goods. The risk assessments with respect to the development in domestic demand are increasing significantly and – at 62 percent ((consumer durables producers) and 54 percent (producers of consumer non-durables) – are above the average of the overall economy. Significant declines in the business expectations are found above all among the food producers (balance decline by ten to 17 points) and the leather and leather products sector (balance decline by twelve to 18 points).

... traders disappointed

The mood has also become more pessimistic in other consumer industries. Although there will probably continue to be growth in terms of employment and real wages, the uncertainty concerning the progress of the economy is increasingly leaving its mark on consumption. For example, the prospects for the coming months in the retail trade have fallen sharply (decline in the expectation balance by 15 to three points). In the motor vehicle trade in particular the mood has plummeted (balance deterioration by 20 to minus three points). The entire trade sector also estimates the business risk of domestic demand – at 61 percent – to be particularly high (early summer: 57 percent), the highest value in the comparison of all of the branches of industry.

Service providers: slowdown comparatively mild

In the services sector the decline in the mood is not quite as clear as in the other sectors. The reply balance has fallen by nine to seven points. The business risk of domestic demand is referred to by 42 percent of companies (previous survey: 40 percent). In the financial and transport sector in particular the confidence of the previous survey is waning (balance decline by 13 to minus five and by twelve to minus three points respectively). The consumer-oriented service sectors are not able to buck the downward trend. In the hotel and restaurant industry the balance has fallen from 18 to nine points, among personal services from 17 to twelve points and among the travel agents from 16 to seven points. The company-related service providers round off the picture of a broad deterioration in mood. On balance the expectations have fallen by eight to 14 points. Here it is the temporary work agencies in particular – which are frequently ahead of the business cycle – which are particularly sceptical. After the confident outlook of the early summer, the optimists and pessimists in this sector are now more or less in equilibrium (balance deterioration from 29 to one point.

Moving down a gear from the construction boom

In the construction industry the business expectations have also deteriorated considerably in the fall of 2014, but even so scarcely any stronger than is usual at this time of year. The expectation balance – at minus two points – is 15 points below the value for the early summer, but only three points below the value of the previous year. The

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[2] Cf. DIHK survey in Industry Network 2014: "Germany as an Industrial Location: Cracks in the Foundations".

concerns about setbacks in domestic demand have climbed compared to the early summer by eight points to their present level of 47 percent (previous year: 43 percent). In commercial construction in particular there is no new foreseeable impetus for as long as the investment climate does not brighten up. This probably explains the slowdown, which is slightly greater than is usual for this season. Scepticism with respect to house construction also appears to be unlikely at the same time – in this case the expectations would have probably deteriorated even more.

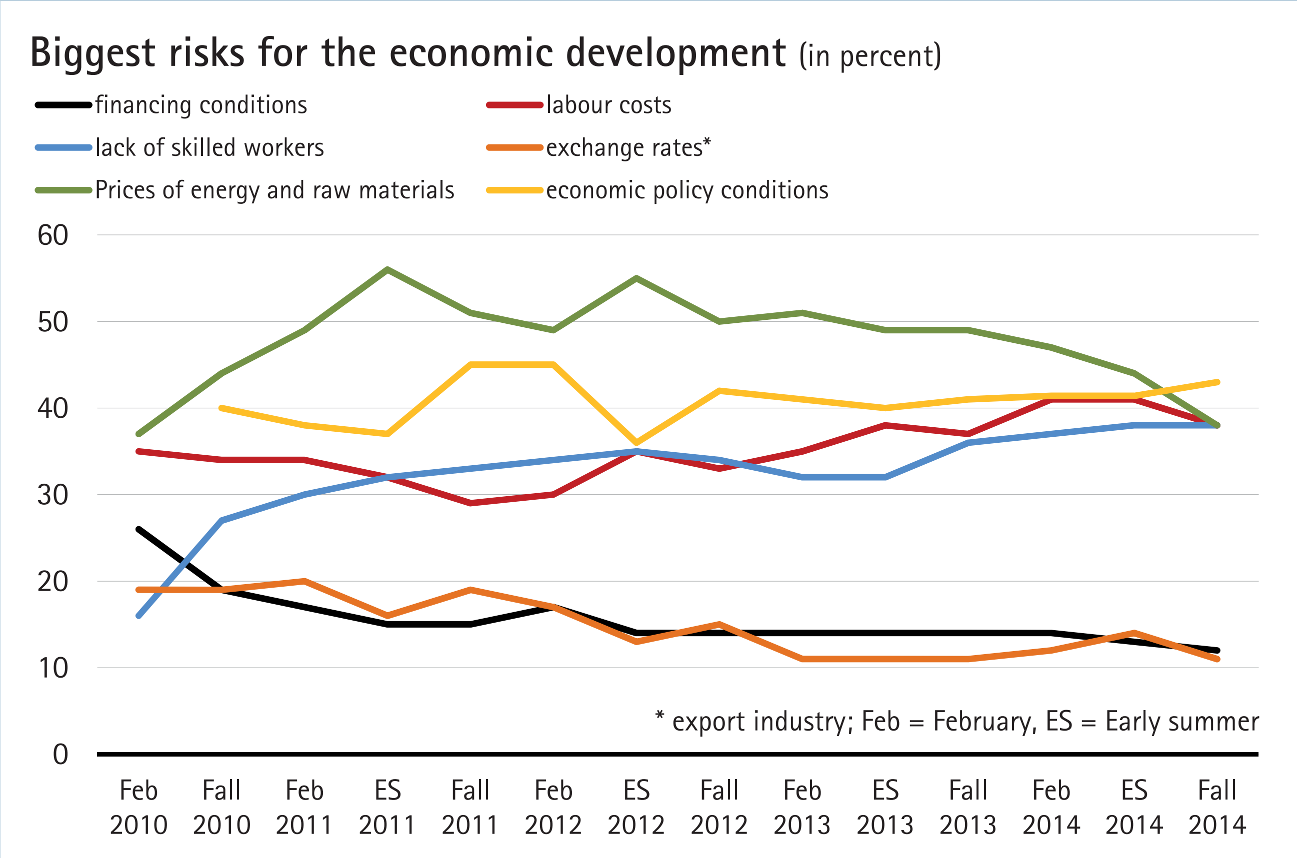
Economic policy: the total dose makes the poison

The business risk of "economic policy framework conditions" has again reached the peak values of the previous surveys in the fall. At the moment 43 percent of companies refer to this risk, therefore equalling the level of the fall of 2012. Apart from the demand risks, it is now even the most important risk for the first time in the view of the companies. In manufacturing industry in particular, the concerns are growing. The highest value of 42 percent now in this sector is due not only to geopolitical developments, but in many cases is home-made. The risk assessment has also climbed among the service providers who tend to be more domestic market-oriented and labour-intensive (46 after the previous level of 44 percent) and traders (39 after the previous level of 37 percent). Encumbrances such as the statutory minimum wage, for example, or the increase in the degree of regulation governing personnel policy are becoming particularly apparent here. The number of individual measures that have already been adopted and announced and which place burdens on companies is inducing in them a fear that economic policy is developing into a genuine stumbling block. In family businesses, there are additional concerns about the continued existence of the bureaucratic, but at least calculable current inheritance tax regulations. Among the large medium-sized companies (200 to 1,000 employees) the economic policy framework conditions have now become the greatest business risk – almost every second such company is worried about this.

What are the biggest risks for the economic development of your company in the next twelve months?

(in percent; multiple anwers possible; *export industry)

	Fall 2012	February 2013	Early Summer 2013	Fall 2013	February 2014	Early Summer 2014	Fall 2014
domestic demand	51	51	51	48	45	44	48
foreign demand*	46	42	41	40	35	36	47
financing conditions	14	14	14	14	14	13	12
labour costs	33	35	38	37	41	41	38
lack of skilled workers	34	32	32	36	37	38	38
exchange rates*	15	11	11	11	12	14	11
prices of energy and raw materials	50	51	49	49	47	44	38
economic policy conditions	42	41	40	41	41	41	43



Undesirable developments with sector-specific effects

In the field of road freight transport the risk assessment is also higher than ever (40 percent). The cause of this is very likely to be above all the growing concerns about the condition of the road infrastructure. The proportion of risk contributed by economic policy has also reached a new record level in the real estate industry (55 percent). Here the break imposed on rents places the return on investment for properties in doubt, thereby fuelling a feeling of uncertainty about future interventions in pricing. Even more clearly than in other sectors of manufacturing industry, the risk assessment has climbed significantly in the field of automotive construction (from 32 to 42 percent) – here the new EU exhaust gas limits are making themselves felt, which affected German manufacturers more strongly than others.

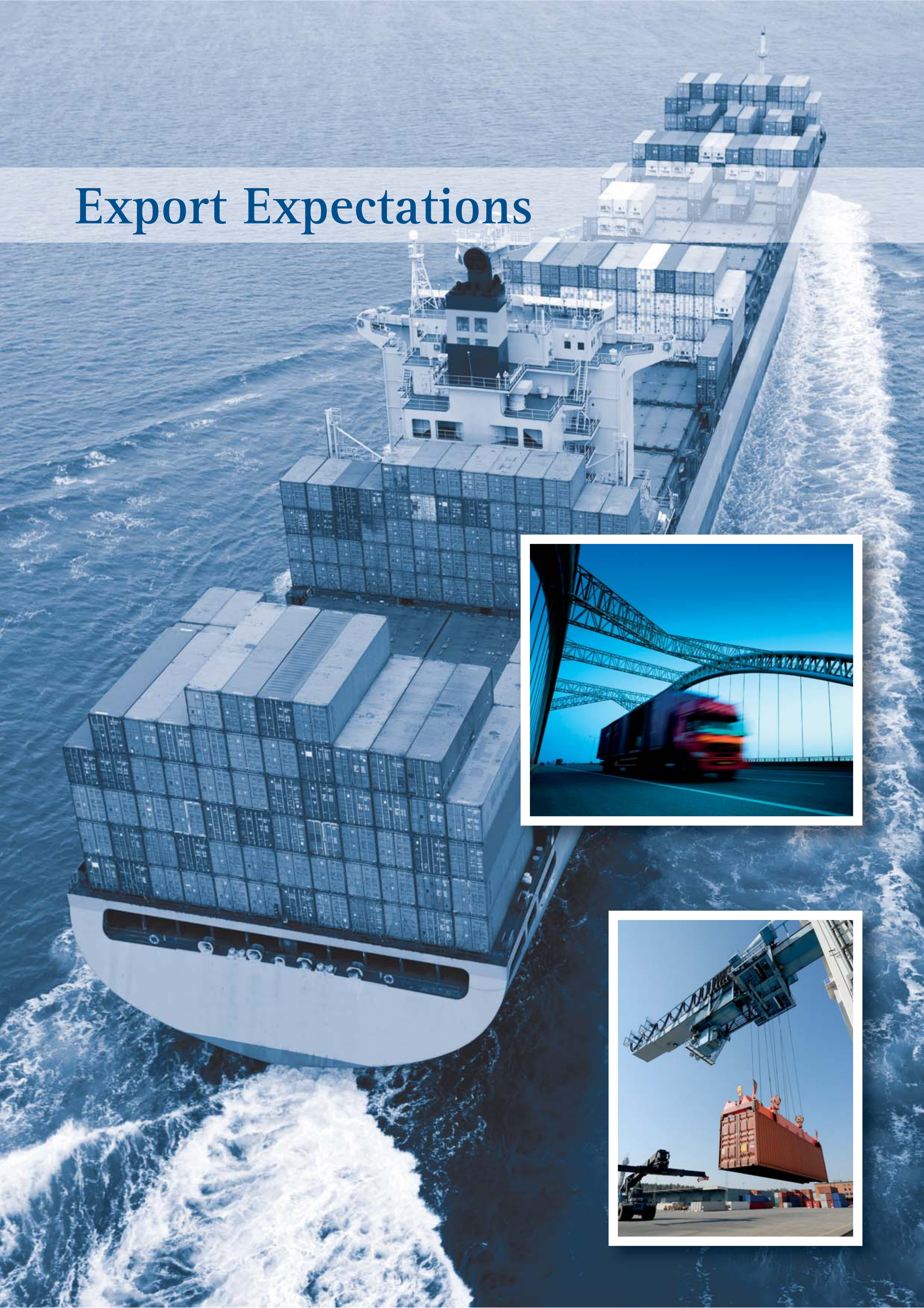
Skilled employees hard to find even during a downturn

The business risk of the shortage of skilled workers has remained constant at 38 percent – even in spite of the downturn and considerable increase in wages. Here it is the hotel and restaurant industry (63 percent), the supply of temporary workers (74 percent), the finishing trade (58 percent) as well as the large and still-growing healthcare and social sector (61 percent) which stand out.

Time for a breather for energy and commodity prices

The business risk of energy and commodity prices continues to fall. In the fall of 2014 this is referred to by 38 percent of companies (early summer of 2014: 44 percent). The last time this figure was lower was at the beginning of 2010 – also a phase in which demand risks dominated and as a consequence the world market prices for commodities were comparatively lower. The recent favourable development in prices for crude oil and natural gas has also meant that the significance of this business risk has diminished. Furthermore, the special domestic factor of the "energy revolution" is no longer placing such a burden on companies: at least in 2015 the renewable energy levy will fall slightly. The settlement of the government aid dispute between the German Government and the EU Commission has brought about planning reliability for energy-intensive sectors. Furthermore, companies have made enormous efforts over the last few years with respect to energy efficiency in order to reduce their rising electricity costs. Admittedly, it is not yet possible to give the all clear. Further increases in the renewable energy levy by 2020 are threatened. In addition, there are the costs of expanding and renewing the grid, which are increasingly helping to push up electricity prices. It is therefore helpful if from the coming year the additional construction of facilities for the generation of renewable energy is auctioned off step-by-step so that it can be controlled more closely. A further important aspect is the need for more courage in the direct marketing of renewable energies. For this reason the reduction in the risk of "energy and commodity prices" should not be misunderstood as a reason to rest on our laurels.

Export Expectations



Exports in troubled waters

Manufacturing industry has lowered its export expectations across a broad front. In the business with Russia in particular, many companies are worried about their orders. In addition to the uncertainty as to how the conflict in the Ukraine will develop in the future, the mood is being depressed by the war in the Near East, as well as the Ebola crisis in West Africa. Developments in exports in the euro area are being slowed by the weak performance in France and Italy, even though the business activities in most economies continue to recover. At least the sales markets in the USA and China are proving to be pleasingly robust. Both countries are making significant contributions to a solid foundation for the world economy. The weaker euro is also promoting exports.

Lows not seen since the fall of 2012

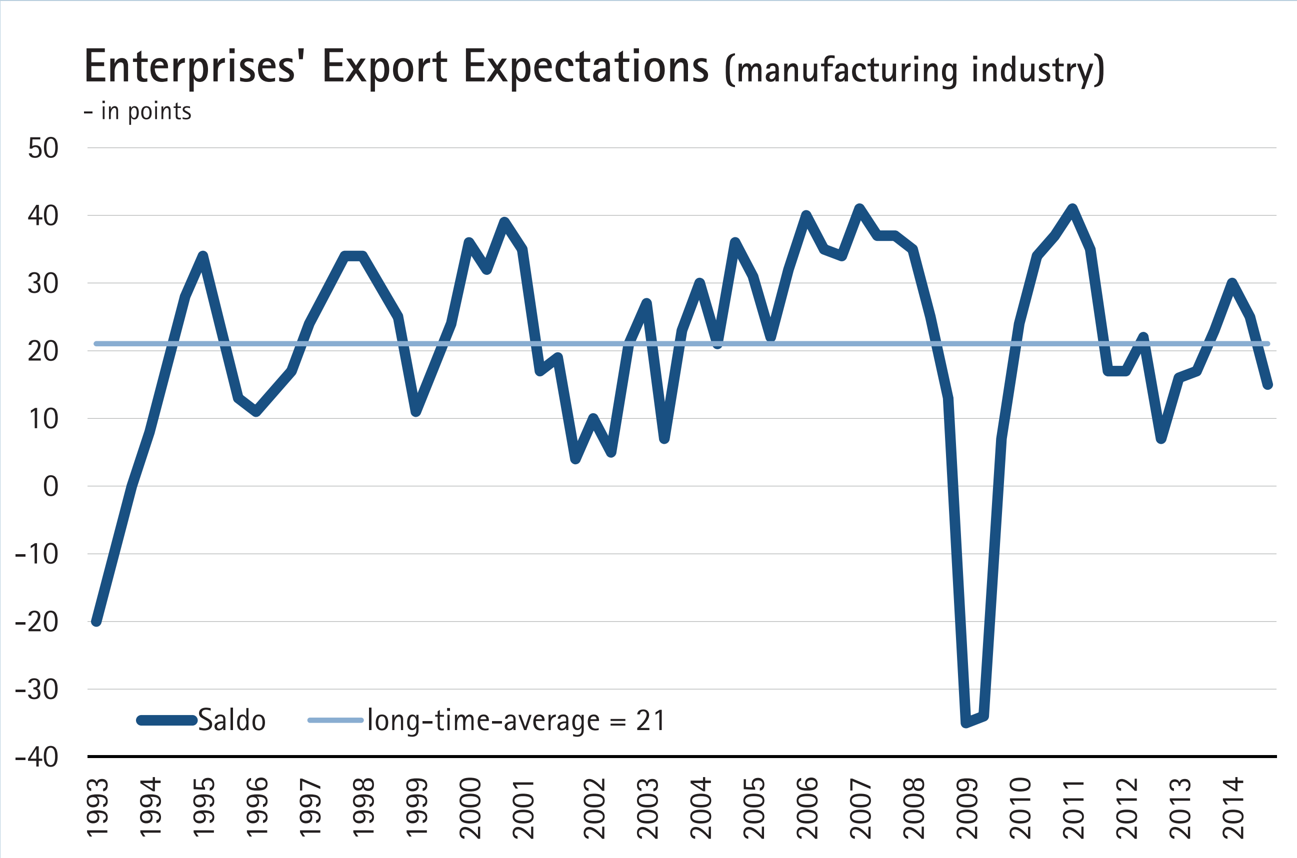
After the initial warning signals in the early summer, the export expectations of the industrial enterprises have now been dealt a major blow. Only 30 percent of businesses are expecting higher exports, while 15 percent expect a downturn. The balance of 15 points is the lowest value since the fall of 2012 and is now below the long-term average again (21 points). In the previous survey in the early summer of 2014 the balance was still 25 points. This means that the developments in exports, which at the beginning of the year was steady, has again lost an appreciable amount of its dynamism.

Further export setbacks?

For now, exports – whose traditional role is a source of stimulus to economic developments in Germany – are only able to fulfil this role to a limited extent. Many industrial companies see the demand from abroad as currently representing a risk – at 47 percent, the highest value in the last five years. Not only weak fundamental data, but also psychological influences of the current crises are currently dominating the economic impacts. However, what is currently having a dampening effect on the export prospects might also trigger positive dynamics in the case of the return of a general sense of calm: if crises are settled or at least become mitigated, exports can again strengthen their position as a source of stimulus for the German economy.

Enterprises' Export Expectations (manufacturing industry; in percent)

	higher	about equal	lower	balance
Fall 2012	27	53	20	7
February 2013	30	56	14	16
Early Summer 2013	30	57	13	17
Fall 2013	32	59	9	23
February 2014	37	56	7	30
Early Summer 2014	34	57	9	25
Fall 2014	30	55	15	15



Exchange-rate worries dissipating

Interim concerns that an excessively strong rate of exchange might make exports excessively expensive have currently been reversed. The value of the euro is now within a range which is rather conducive to the competitiveness of the Eurozone. The exchange rate risk is referred to at the moment by only eleven percent of businesses – this figure has never been lower over the last few years (previous survey: 14 percent). On the one hand this is due to the strong US dollar. On the other hand many currencies in the emerging markets have revalued over the last few months after their lowest levels. While rising costs are weakening German competitiveness overall, the falling euro exchange rate is making German exports to these countries less expensive.

Overall, the demand for "Made in Germany" products is reacting with less price elasticity, however, furthermore, when the currency becomes cheaper on the international exchanges, the costs of imported intermediate input goods and services from other currency areas increase and then place burdens on business. This explains the comparatively low fluctuation range of the exchange rate risk (previously between eleven and 20 points).

Economic policy braking the export industry

The risk of "economic policy framework conditions" is rising across various business sectors and in manufacturing industry is even back at its highest value from the acute phase of the national debt crisis (42 after the previous level of 39 percent). It is climbing by a particularly large amount in the export industry (increase by four points). The most significant factors contributing to this worrying development are almost certainly the geopolitical crises. In addition to home-made poor decisions, the recent failure of the WTO round of talks and the critical discussions about the transatlantic free trade agreement TTIP are leaving their marks on businesses. More and more companies are afraid that they will have to fight for even longer against trade barriers or even protectionist measures of individual countries.

Large companies still robust

The export expectations of companies with more than 1,000 employees have diminished comparatively little. Falls in sales in individual regions, such as Russia at the moment, are being better compensated for by these companies by means of greater regional diversification. These options are not available to many smaller companies. The export balance of the larger companies – at 28 points – is only five points worse than in the early summer and therefore only two points below its average since 2003. Similarly, the small businesses with up to 20 employees have also only reduced their export expectations to a minor extent. At two points, the balance is nine points below the value of the early summer. Many businesses within this size category mainly operate within the European domestic market – and major setbacks are currently not foreseeable here. Medium-sized exporters on the other hand are registering the greatest declines. The reply balance of businesses with 20 to 200 employees has dropped compared to the previous survey by twelve to nine points, and in the size category of 200 to 1,000 employees by eleven to 25 points.

Manufacturers of intermediate goods continue to slide

Comparing the main groups, the worry lines among the manufacturers of intermediate goods are particularly pronounced. Here, the major slowdown at the current economic margins is making itself particularly noticeable. The balance of twelve points is lower than in the other main groups (early summer: 24 points). In the chemical industry the export expectations have gone into reverse. The prospects here have taken a major turn for the worse from 33 to 19 points. A sector which sees itself facing even greater declines is "glass, ceramics, stone processing", as well as the rubber and plastics industry (balanced deterioration by 26 to one and by 18 to ten points respectively). The scepticism of the producers of intermediate goods gives rise for concern that business in the downstream sectors will also weaken further in the future.

Producers of investment goods lowering their sights...

The manufacturers of investment goods are also correcting their expectations significantly downwards (balance deterioration from 27 to 15 points). The demand for their products is very cyclical and usually fluctuates even more strongly than the business activities in the target markets. In particular, a phase which is characterised by many political areas of unrest spoils the global investment climate – this is currently being felt in particular by the German export industry.

... mechanical engineering particularly disappointing

Export expectations have slumped in mechanical engineering in particular. From its level of 29 points in early summer, this sector has now lowered its expectations on balance to just twelve points. Mechanical engineering had temporarily hoped for the modernisation partnership between German business and Russia. Now, however, companies have to adapt their prospects of permanently flourishing business. The reason for this is that the direct effects of the sanctions include a fair amount of uncertainty with respect to future developments. The customers of the mechanical engineering businesses in Russia are also fighting against a weak economy, financing difficulties and the weak rouble.

Service providers becoming ruffled – engineering businesses holding up

The engineering and architectural offices that are active on the international markets continue to look optimistically to the future. They are benefiting from long-term contracts, for example in conjunction with infrastructure projects associated with major sporting events. Here the finance has already been guaranteed. They are therefore able to buck the trend of the service providers, whose reply balance is regressive (from 18 to twelve points). The transport industry is again moving in line with the rhythm of the world economy. The drop of ten to the current level of minus one point is an indication of the weaker prospects of the export economy for the time being.

Supplementary Assessments on the Development of individual Target Regions

Crises dominating the global economy

The global economy is increasingly suffering from the disruptive factors of regional crises and conflicts. Above all, the conflict with Russia represents a serious risk to the world economy as well. After the expansion of the sanctions by the EU with respect to Russia, the circle of German export businesses affected has increased immensely. In addition, the countermeasures of the Russian government, which relate primarily to the agricultural and food sector, have harmed a number of companies. Furthermore, business conducted by German firms with Russia is suffering due to concerns about further exacerbation of the crisis. Even now, many Russian companies and state-controlled businesses are searching for alternative suppliers, even if they are not yet affected by the current restrictions imposed on the goods and services industries. A high escalation level would be further sanctions on Russian oil and gas exports. This would then result in the threat of higher energy costs which would then further impair the dynamism of the overall economy in Germany and Europe.

Middle East and West Africa a source of worry

Further risks are posed by the crises in the Middle East and West Africa. The instability in Syria and Iraq might also spread to the neighbouring countries and in particular have detrimental effects on the Iranian and Turkish economies. Both countries are among the most important export destinations for German companies in the region. Uncertainty is also resulting with respect to commodities: the oil reserves in the region cover a major share of global demand – in the case of a price rise, one automatic stabiliser of the weaker global economy would no longer apply.

The Ebola crisis is currently shaking above all the West African countries of Guinea, Liberia and Sierra Leone. Furthermore, the uncertainty about any further spread of the epidemic is already leading to significant losses of the African tourism industry.

Economic engine in the EU still stuttering

Less stimulation than hoped-for is coming from the Eurozone. The economic developments in France and Italy are providing little reason for hope. Progress in matters of competitiveness is hardly discernible in France. For this reason there is no drop in the high levels of unemployment in sight for the time being. This is also causing problems for the domestic economy and the demand for imports from Germany. Italy has again slid into recession in the first half of 2014. Nor will the country contribute towards the dynamics of German foreign trade in the future. In contrast, Ireland and Portugal have returned to the financial markets and left the rescue parachute of the ECB. Spain is also able to offer an economy which is picking up and a fall in its unemployment levels. The country is again enjoying a greater amount of trust, domestic demand is improving, with the economy growing faster in the first six months than it has since the outbreak of the financial crisis. Positive economic signals are coming in the EU from the United Kingdom in particular at the moment. The country is leaving the trough of the global banking and financial crisis. The failure of the referendum on Scotland leaving the United Kingdom is also strengthening the British economy. The upcoming turnaround in interest rates with a further appreciation in the value of the British pound might be of benefit to German exporters.

USA returns as a driver of growth

The growth momentum in the USA remains intact. The business activities which are driven by domestic demand may in particular result in greater interest in German motor vehicles. During the re-industrialisation process, German equipment suppliers can make a valuable contribution. A less strong euro is supporting the upward trend. Admittedly, the turnaround in interest rates is coming closer and closer in the United States as well. The question of how sharply and when exactly the Fed will put its foot on the brake next year remains open. In view of the reduced level of debt of private households and the stabilisation of the real estate market, this step will scarcely weaken the domestic economy in the USA. Corrections to asset prices might at most put a brake on consumption growth.

China's economy undergoing transition.

In China there are various indications that the turnaround in the economic policy is continuing without all that much of a reduction in growth. The rise in economic performance targeted for 2014 and 2015 of around 7.5 percent in each case appears to be realistic, at least as an order of magnitude. Strengthening of the domestic economy will probably also be associated with a stronger growth in imports from Germany. One critical factor remains to what extent the air can be let out of the real estate market and the partially enormous levels of debt in the corporate sector without any major distortions. Moreover, conflicts with some of the neighbours around the South and East China Sea are holding back developments throughout the region.

Emerging markets a source of hope

The highest momentum in the general economy will probably develop below the line among the Southeast Asian economies. For example, the elections in India recently provided hope that the problem of the reform gridlock would soon be solved. In numerous emerging markets the central banks have had to react in the meantime with noticeable increases in interest rates on capital outflows. This has caused the willingness to invest to suffer considerably in many places. In several of the up-and-coming countries politicians are currently making efforts to bring about a lesser degree of dependency on the exports of raw materials and an improvement in their competitiveness. Some South American economies in particular are currently straining under the pressure resulting from the relatively low commodity prices. Things are back to normal in Brazil. The level of employment is high, but the expansionary monetary policy harbours inflation risks due to the poor developments in productivity. Africa remains ready to go. However, the unsteady developments in the heavyweights of South Africa and Nigeria are preventing a major leap forward overall.

Investment Intentions

Missed opportunity to make a new start

The more restrained future prospects are resulting in declining **investment plans** in the economy, even if the turndown is less pronounced than that of the business expectations. Manufacturing industry in particular intends to invest less. While the expansion in capacity is becoming less significant, companies are making greater efforts again to score points with product innovations. The "corporate finance" risk has reached a new low – up to now this has been preventing any further deterioration in the investment intentions.

Investment willingness declining again

Companies are reversing the progress made in the meantime with their investment plans. The reply balance has fallen to eight points after eleven points in the early summer of 2014. Previously companies had only increased their investment plans with a good deal of caution in spite of the good prospects at the time. Overall, the balance is now back at its level of the fall of 2013. In comparison to the business expectations, the investments have remained fairly robust up to now. The expectation balance has fallen by twelve points compared to the previous survey, and compared to the fall of 2013 by five points.

Growing risks...

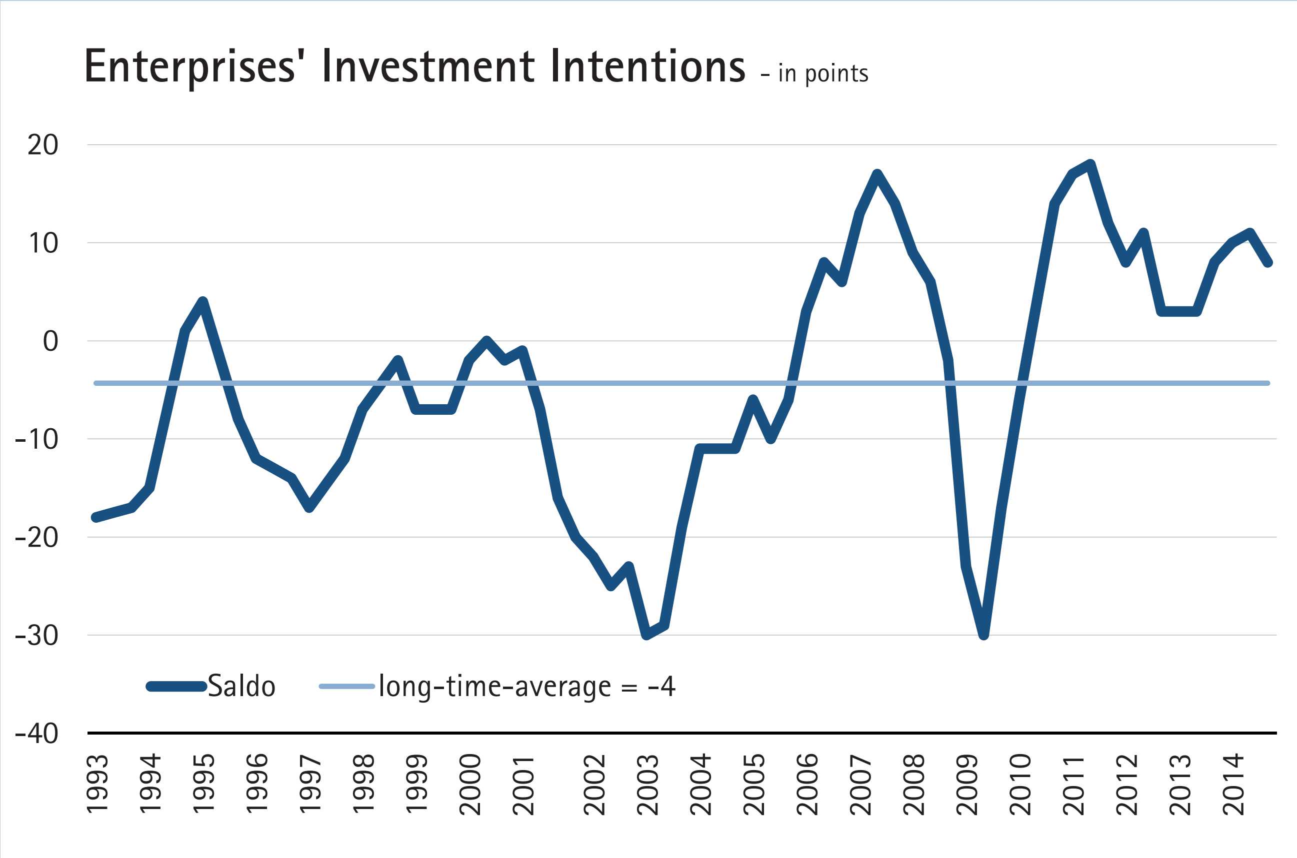
The demand risks for both home and abroad are becoming increasingly apparent and inducing many businesses to follow a more cautious approach in their investment activities. In addition there are structural difficulties, for example the shortage of skilled workers, which is not diminishing as a risk in spite of the cooling down of the general economy. 38 percent of companies consider themselves to be affected and of the companies with expansionary investment plans this level has reached the figure of 44 percent.

... particularly with respect to economic policy framework conditions

Moreover, the uncertainty about the economic policy has risen from 41 percent to 43 percent. This means that once more, a higher risk assessment in this field is associated with a lower tendency to invest. Economic policy framework conditions are referred to most often as a business risk by companies which intend to invest less.

Enterprises' Investment Intentions (in percent)

	higher	about equal	lower	balance
Fall 2012	23	57	20	3
February 2013	23	57	20	3
Early Summer 2013	23	57	20	3
Fall 2013	25	58	17	8
February 2014	26	58	16	10
Early Summer 2014	27	57	16	11
Fall 2014	25	58	17	8



In addition to increasing uncertainty about foreign policy developments, poor decisions and the threat of additional burdens imposed by domestic politicians are probably also reflected here. In the fiscal field in particular, businesses are identifying brakes on their investments.[3] The outstanding decision of the Federal Constitutional Court on the inheritance tax regulations is causing uncertainty among family businesses in particular, which have created high levels of corporate capital and employment. In the size category of 200 to 1,000 employees, references to the risk of "economic policy framework conditions" have even reached its highest level at 49 percent.

Demand no reason to expand

Among companies there is currently little reason to invest in expansion. The concerns of the export industry about foreign sales have increased to a large extent once more, mainly due to the Russia-Ukraine crisis. 47 percent of companies working on international markets now see this as a risk – eleven points more than in the early summer. Due to the interim losses in the value of the euro, it is indeed true that the worries about currency exchange rates have fallen slightly (from 14 percent to eleven percent of the exporting companies), but they are not able to completely compensate for the

[3] Cf. DIHK survey in Industry Network 2014: "Germany as an Industrial Location: Cracks in the Foundations".

weaker sales opportunities. The export industry in particular is therefore being more cautious with its plans (decline in the investment balance by five points), while domestic industry remains largely stable (balance decline by one point). The development in domestic demand, which for a long time has been robust, is becoming increasingly unable to make up for the lack of sales prospects; at 48 percent, domestic demand is again becoming the largest economic risk of all. This is also resulting in a slight drop in the significance of capacity expansion as a motive (26 percent after the previous level of 27 percent) in the orientation of the investments.

Product innovations gaining in importance

Being present in specialised submarkets makes it possible in difficult times to uncouple oneself somewhat from the general business cycle. Product innovations are currently becoming relatively more important as an investment motive at least. Their share has risen from 28 percent to 30 percent. The proportion of companies has also slightly risen who are investing for rationalisation purposes (31 after the previous level of 30 percent) and for environmental protection reasons (13 after the previous level of twelve percent). Replacement investments – at 55 percent – remain the most common reason for investments.

Financing environment stabilised

In view of the significant downturn in sales prospects, the decline in the investment plans has so far been comparatively minor. A certain stabilisation effect is coming from the exceptionally good financing conditions. These are encouraging companies to actually implement their upcoming investments – above all with respect to their need for replacements. The significance of financing as a risk factor has fallen once more by one point, achieving with just twelve percent of companies a new record low since the first survey at the beginning of 2010.

Manufacturers of intermediate goods suffering from the cooling down of the general economy

The weaker investment intentions of the manufacturers of intermediate goods fit into the pattern of an economic slowdown. They usually react earlier than other main groups which are located downstream in the production chain. The investment plans have fallen by six points to a balance of nine points and have therefore lost almost the entire growth they have experienced in the last twelve months (balance in the fall of 2013: eight points). In the chemical industry, as well as rubber and plastic production, the investment intentions have fallen on balance in each case by 13 to seven points. The metal producers are displaying relatively stable developments (fall in the investment balance by one point to ten points.

Consumer-related sectors relatively stable

The investment plans of the consumer-related sectors are falling relatively slowly after domestic consumption has represented a pillar of the overall economy up to now. The intentions of the manufacturers of consumer durables and non-durables have fallen on balance slightly by one to eleven points. The pharmaceuticals industry still has plans to expand, but has nevertheless significantly reduced its plans compared to the previous survey (new balance: 21 after the previous level of 30 points). While the investment balance in the field of trade has declined overall by three to five points, it has at least risen in the field of the retail trade by one to five points. The hotel and restaurant industry also intends to expand its investments slightly (by 17 after the previous level of 16 points). The predominantly individual-related services have reduced their plans overall on balance by two to 15 points, but are nevertheless still above the level of the previous year (twelve points). The travel agents have to take back all the gains they had made in the previous survey (balance of one point after ten points in the previous survey and two points at the beginning of the year). Overall, the consumer-related sectors are becoming somewhat more cautious below the line.

Transport sectors relatively robust overall

All in all, the investment intentions in the transport sector remain almost unchanged (balance: three after the previous level of four points). In the field of land transport the companies have further reduced their procurement plans (balance decline to minus three after the previous level of minus one point). In the passenger services sectors in particular, businesses are planning with considerably greater caution (balance deterioration by nine to minus five points). The investment balance in the field of road freight transport has indeed risen slightly contrary to this trend from minus five to minus three points as well. The plans in maritime transport even show a noticeable recovery (new balance: 23 after the previous level of ten points) after the slump in the early summer (balance decline at the time by eleven points compared to the beginning of the year). Air traffic (balance: 18 after 25 points in the early summer and twelve points at the beginning of the year) is at least able to maintain some of the investment momentum built up over the year.

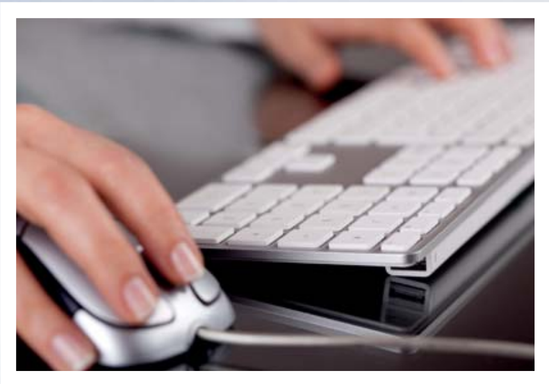
Private banks currently forced to make disproportionate levels of investment

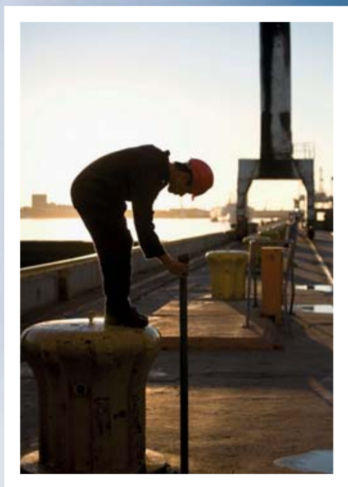
The investment plans in the banking industry are falling again and are now back to their average level since 2003 (current balance: seven after the previous level of eleven points). However, a clear amount of heterogeneity is apparent. While the credit banks intend to further increase their procurement levels as in the previous survey (29 after the previous level of 17 points), the investment intentions among the savings banks have fallen significantly (by eleven to minus two points) and among the cooperative banks at least slightly (by two to eleven points). Although all three sectors are affected by strong burdens of adjustment. Nevertheless, the investment requirements resulting from the transfer of the supervision to the ECB this year – for example with respect to the recording and reporting requirements - are very likely to have been reflected particularly strongly across the board among the major private banks.

Energy suppliers reducing capacity expansions

The energy suppliers, which are traditionally heavy on investments, have made major reductions in their investment intentions. With a balance of one point (after the previous level of 17 points) they are now planning the lowest levels of investments for more than eight years. At the same time, capacity expansion is becoming much less important as an investment motive (36 percent after the previous level of 47 percent; previous year: 49 percent). The expansion share is therefore still well above the level for the overall economy (26 percent), but has reached the lowest level of importance for this sector since 2007. Important causes of this are very likely to be structural overcapacities in electricity generation in Germany and the European regions connected to the German grid, as well as the realignment of the Renewable Energies Act.

Employment Intentions





Employment dynamics receding

The companies are significantly reducing their rate of **expansion in staff levels**. Manufacturing industry and trade in particular are being rather cautious with respect to increasing the size of their workforce. It is noteworthy that in spite of the downturn in business activities and increases in the actual wages and salaries being paid, the business risk of a "shortage of skilled workers" remains at a high level among the companies. In contrast, fewer companies fear further increases in labour costs in view of the weaker business developments.

Declining employment plans

While 15 percent of companies intend to employ more personnel than before, 13 percent are expecting a decline in employment levels. 72 percent want to maintain their workforce at the same size. With a slight balance deterioration by four to the current level of two points, the employment plans remain relatively stable. Companies continue to recruit, albeit with less dynamism. The continuous growth in employment – in 2015 the number of gainfully employed will rise for the tenth time in succession – is also stabilising domestic consumption.

Shortage of skilled workers remains virulent...

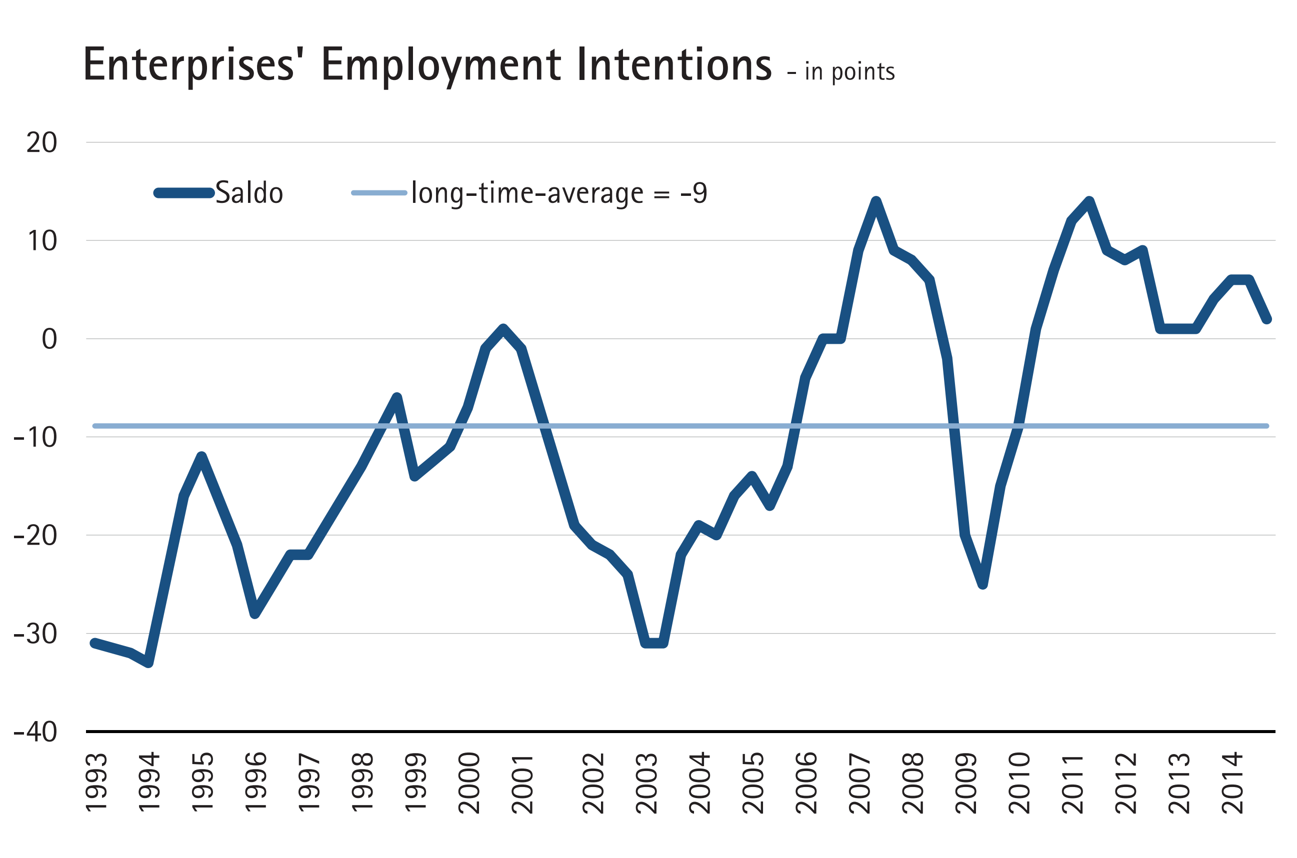
At a level of 38 percent again, the business risk of "shortage of skilled workers" remains at its highest level since the beginning of the DIHK survey on business risks (at the beginning of 2010: 16 percent). This consistency is all the more remarkable due to the fact that the recruitment plans have become less dynamic. For a good 50 percent of businesses with expansionary employment plans, the shortage of skilled workers is even the largest risk (56 percent reference level) to their business developments.

... especially in the labour-intensive sectors

In the hotel and restaurant industry in particular, many companies consider the shortage of skilled workers to be a risk (63 percent, previous survey: 56 percent). Other labour-intensive service providers are also complaining about staff shortages. Among the companies from the facility management, horticulture and landscape gardening sector, as well as the other labour-intensive services such as laundries, hair salons, saunas or solariums, the risk of a shortage of skilled workers is becoming more acute (from 44 to 51 percent and from 36 to 45 percent respectively).

Enterprises' Employment Intentions (in percent)

	higher	about equal	lower	balance
Fall 2012	15	71	14	1
February 2013	15	71	14	1
Early Summer 2013	15	71	14	1
Fall 2013	16	72	12	4
February 2014	17	72	11	6
Early Summer 2014	17	72	11	6
Fall 2014	15	72	13	2



Well trained personnel are also urgently needed in manufacturing industry. In the pharmaceutical industry in particular, the focus is increasingly on the lack of qualified employees (from 26 to 32 percent). Among the manufacturers of other vehicles and machine tools, the risk is also becoming increasingly noticeable at 35 percent and 38 percent respectively (previous survey: 25 percent and 37 percent respectively).

Small and medium-sized enterprises in particular are worried about bottlenecks

For many small and medium-sized enterprises in particular (20 to 200 employees) the shortage of skilled workers represents a serious obstacle to their economic development (44 percent). Among medium-sized companies with 200 to 500 employees the risk has even increased further (41 percent, previous survey: 39 percent). With respect to securing skilled workers they are in competition with the large concerns, which find it easier to present themselves as attractive employers. Among the large concerns, the risk of being unable to find skilled workers is less significant (32 percent, previous survey: 36 percent).

Burdens imposed by economic policy

The slowdown in the increase in employment is not sufficient to make any significant reduction in unemployment levels. Employees are mainly being mobilised from the "hidden reserves" and immigration. The shortage of skilled workers can only be alleviated to a limited extent in this way. The impacts of the demographic changes, which are unfavourable anyway, on the personnel policy of companies are now also being exacerbated by the setting of the pension age at 63. The rise in the "economic policy framework conditions" risk found in the fall (from 41 to 43 percent) is most likely also being driven by this aspect. Other factors contributing to the feeling of uncertainty among human resources planning are the introduction of the minimum wage, the planned restrictions on contracts for work and services and temporary employment, or the looming regulations governing working hours, e.g. the currently under discussion legal claim to family care leave or the right to return to full-time working from part-time employment. With these, politicians are spoiling the opportunities for Germany to be considered an attractive business location.

Labour costs risk receding more into the background

In the current phase of weakness in the economy the cost risks are receding somewhat into the background – not only the costs of energy and raw materials, but also labour costs. Starting from its previous highest level in the early summer of 2014, the share has fallen by three points to 38 percent. Compared with the previous year, however, it remains somewhat higher (37 percent at the time). As the economy slows down, the high demand for additional employees is also diminishing, while the pressure on wages in collective-bargaining negotiations should also fall slightly. Increasing concerns about the development of labour costs are the exception in the cross-sector comparison, for example in the fields of air and railway traffic. The statutory minimum wage from 2015 on is also being reflected by companies. This mainly affects businesses in the East. In the former East German states, an unchanged number of 46 percent of companies are referring to rising employment costs as a business risk (former states of West Germany: 37 percent), while this figure is even 50 percent among the East German traders (former West Germany: 35 percent).

Trade sector restrained

Companies working in the field of trade in particular are becoming more cautious with their plans. The change in the balance of minus six six points represents the greatest deterioration in the employment intentions in the comparison of all branches of industry. The dealers in East Germany in particular are toning down their recruitment plans (by minus eight to minus three).

Manufacturing industry: employment following on

Manufacturing industry has now also put its foot on the brake in terms of expansions in staff levels. In the previous survey the employment intentions of manufacturing industry were still stable, although the business and export expectations had already become gloomier. Now the employment balance has declined compared to the previous survey by five to zero points. The export industry in particular is remaining reticent (balance deterioration of six points; domestic industry: three points). All in all, the employment expectations have therefore deteriorated, but at least not as much as the business and export expectations in manufacturing industry (by twelve and ten points respectively).

Declines among manufacturers of intermediate goods

The employment plans of the producers of intermediate goods have declined somewhat (balance reduction by six to minus one point). They often become aware of a slowdown in the economy at a particularly early stage. Among the manufacturers of intermediate goods, the businesses working in the fields of glass, ceramics and stone processing (balance decline by 14 to minus ten), the chemical companies (balance decline by ten to one point), as well as the rubber and plastic industry (balance decline by seven to two points) are reducing their recruitment plans in particular.

Mechanical engineering hitting the brakes

The manufacturers of investment goods are also significantly more cautious in their plans for employment growth with a current balance of one point (previous survey: eight points). The fields of electrical engineering and medical equipment, as well as mechanical engineering have made significant declines (fall in the employment balances by six, four and eight points to six, nine and one point respectively). In contrast, vehicle construction is managing to continue with its good employment plans of the early summer (balance increase of three to two points).

Declining dynamics in the construction field as well

The construction industry is also reducing its employment plans (balance decline to minus three after one point in the early summer of 2014). The winter with its weather-related reduction in construction activity is already casting its shadow. However, unlike the fall in the business expectations in the construction field, this is the usual level for this season. This provides hope that the construction companies can look forward to a relatively short phase of weakness. The slowing down in the employment expansion plans mainly affects structural and civil engineering (balance deterioration by minus five to minus four points and by minus nine to minus five points). In the finishing trade the balance is somewhat more positive (by minus three to minus one).

Service providers remain expansionary

The drivers of employment remain the service companies. The balance of the employment intentions in this branch of industry, which is the most labour-intensive anyway, has also fallen, but at five points (previous survey: eight points) is well above the average for the economy as a whole. In addition, the information service providers in particular are planning for growth in their employment levels (26 points, previous survey: 27 points), as do the IT service providers (29 points, previous survey: 31 points). The latter in particular are benefiting strongly from the digitisation of the economy.

Pressure on costs in the taxi industry in particular

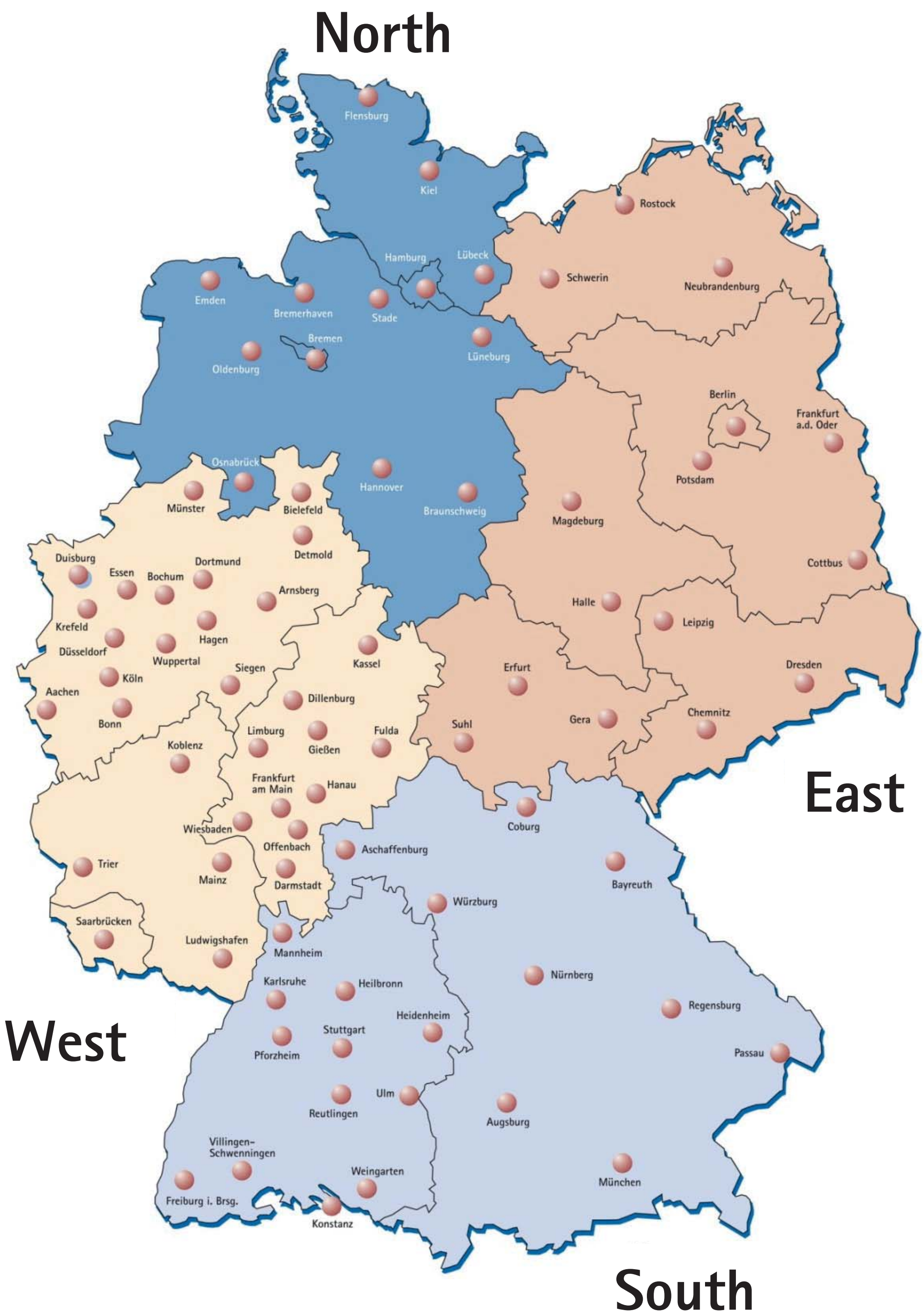
In contrast, the employment plans in the taxi industry are showing a particularly negative trend (balance deterioration by ten points to minus 32 points), as well as in the postal, courier and express services (balance deterioration by 21 to minus ten points). Here, the labour costs – at 83 and 80 percent – have moved to the top of the list as the highest risk to business developments (early summer: 83 and 69 percent respectively). In these industries in particular, the minimum wage is making itself felt. In the taxi industry first collective wage increases have taken effect.

Temporary employment feels slowdown

Also the temporary employment agencies are expecting the rate at which their recruitment levels increase to fall. The employment balance has reduced from 31 to eleven points and is therefore also below the assessment of fall 2013 (15 points). The shortage of skilled workers and the economic policy framework conditions remain at a high level as business risks (74 after the previous level of 75 percent and 57 after the previous level of 58 percent respectively). Employees who enter the labour market by means of temporary employment therefore have better prospects at other companies. Furthermore the coalition agreement is threatening to impose further regulations on temporary employment which will restrict business and employment developments.

IHK-Economic-Surveys

The regional business surveys of the 80 Chambers of Industry and Commerce can be accessed at: www.dihk.de/konjunktur



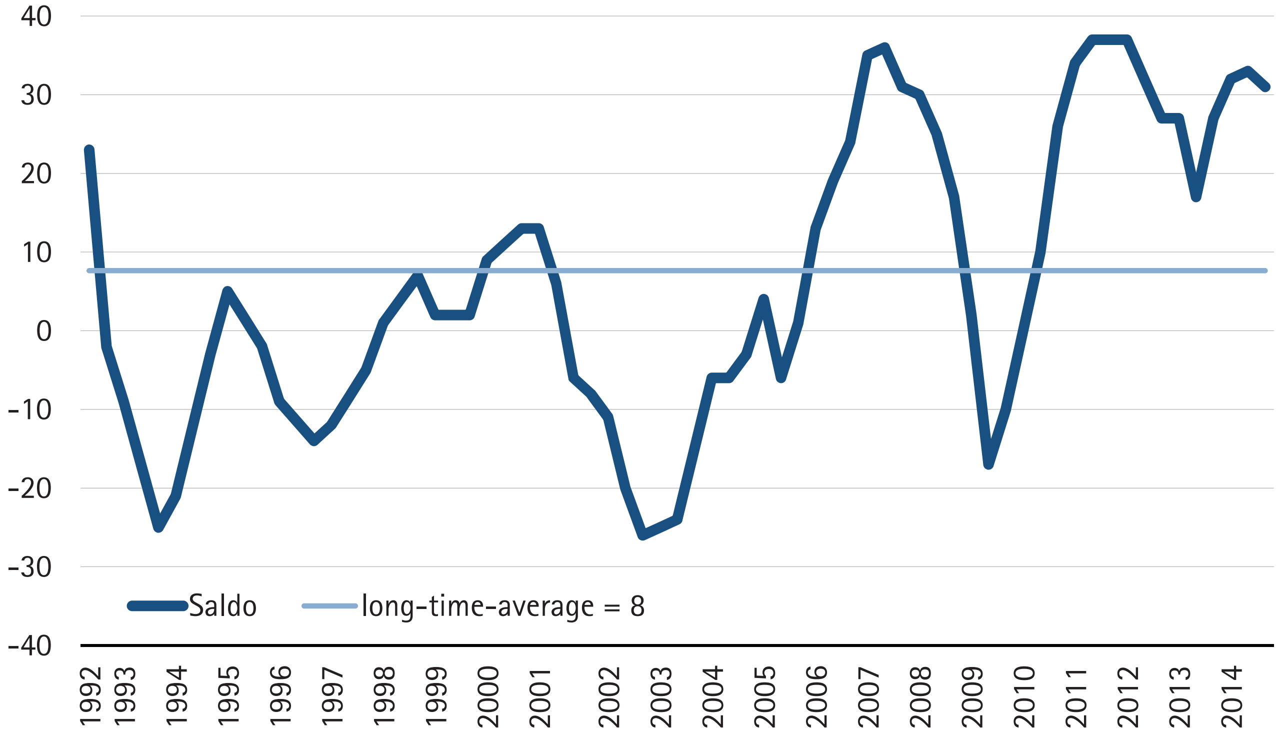
DIHK-Surveys - time series

All shares in percent; Balance = Share of „good/better" opinions minus share of „bad/worse" opinions in percentage points

Assessment of the Situation (in percent)

	good	satisfactory	bad	balance
Fall 2008	33	51	16	17
February 2009	26	50	24	2
Early Summer 2009	18	47	35	-17
Fall 2009	20	50	30	-10
February 2010	24	52	24	0
Early Summer 2010	28	54	18	10
Fall 2010	38	50	12	26
February 2011	44	46	10	34
Early Summer 2011	46	45	9	37
Fall 2011	46	45	9	37
February 2012	46	45	9	37
Early Summer 2012	42	48	10	32
Fall 2012	38	51	11	27
February 2013	38	51	11	27
Early Summer 2013	32	53	15	17
Fall 2013	38	51	11	27
February 2014	41	50	9	32
Early Summer 2014	42	49	9	33
Fall 2014	40	51	9	31

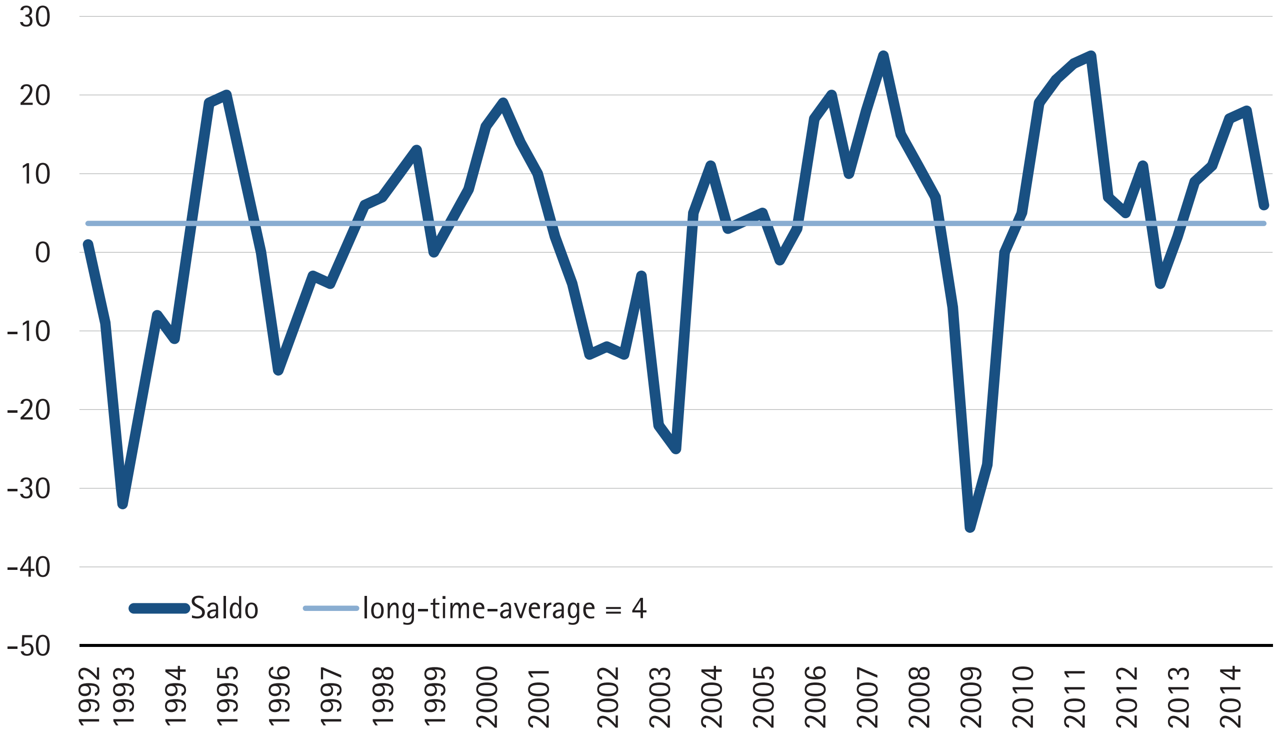
Assessment of the Situation – in points



Enterprises' Business Expectations (in percent)

	better	about equal	worse	balance
Fall 2008	18	57	25	-7
February 2009	11	43	46	-35
Early Summer 2009	14	45	41	-27
Fall 2009	24	52	24	0
February 2010	26	53	21	5
Early Summer 2010	33	53	14	19
Fall 2010	33	56	11	22
February 2011	34	56	10	24
Early Summer 2011	34	57	9	25
Fall 2011	23	61	16	7
February 2012	22	61	17	5
Early Summer 2012	25	61	14	11
Fall 2012	18	60	22	-4
February 2013	20	62	18	2
Early Summer 2013	25	59	16	9
Fall 2013	24	63	13	11
February 2014	28	61	11	17
Early Summer 2014	29	60	11	18
Fall 2014	21	64	15	6

Enterprises' Business Expectations – in points

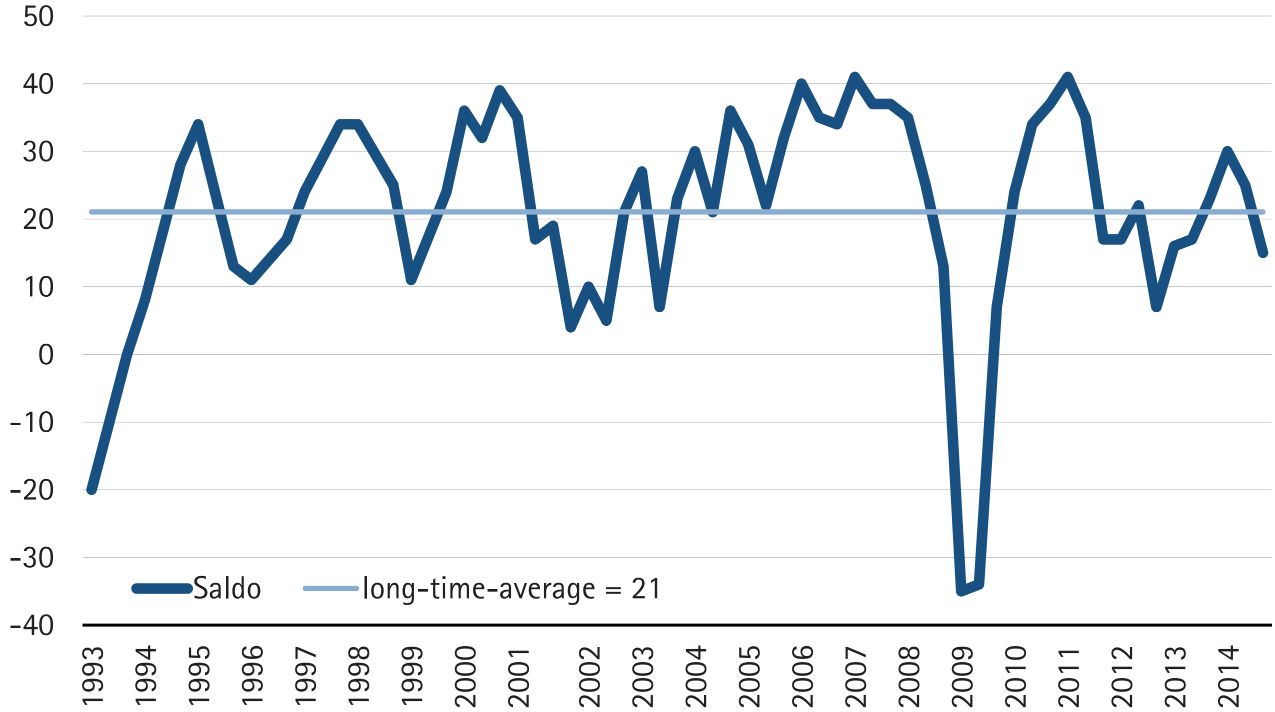


Enterprises' Export Expectations (manufacturing industry; in percent)

	higher	about equal	lower	balance
Fall 2008	30	53	17	13
February 2009	13	39	48	-35
Early Summer 2009	14	38	48	-34
Fall 2009	29	49	22	7
February 2010	37	50	13	24
Early Summer 2010	43	48	9	34
Fall 2010	44	49	7	37
February 2011	46	49	5	41
Early Summer 2011	42	51	7	35
Fall 2011	30	57	13	17
February 2012	31	55	14	17
Early Summer 2012	33	56	11	22
Fall 2012	27	53	20	7
February 2013	30	56	14	16
Early Summer 2013	30	57	13	17
Fall 2013	32	59	9	23
February 2014	37	56	7	30
Early Summer 2014	34	57	9	25
Fall 2014	30	55	15	15

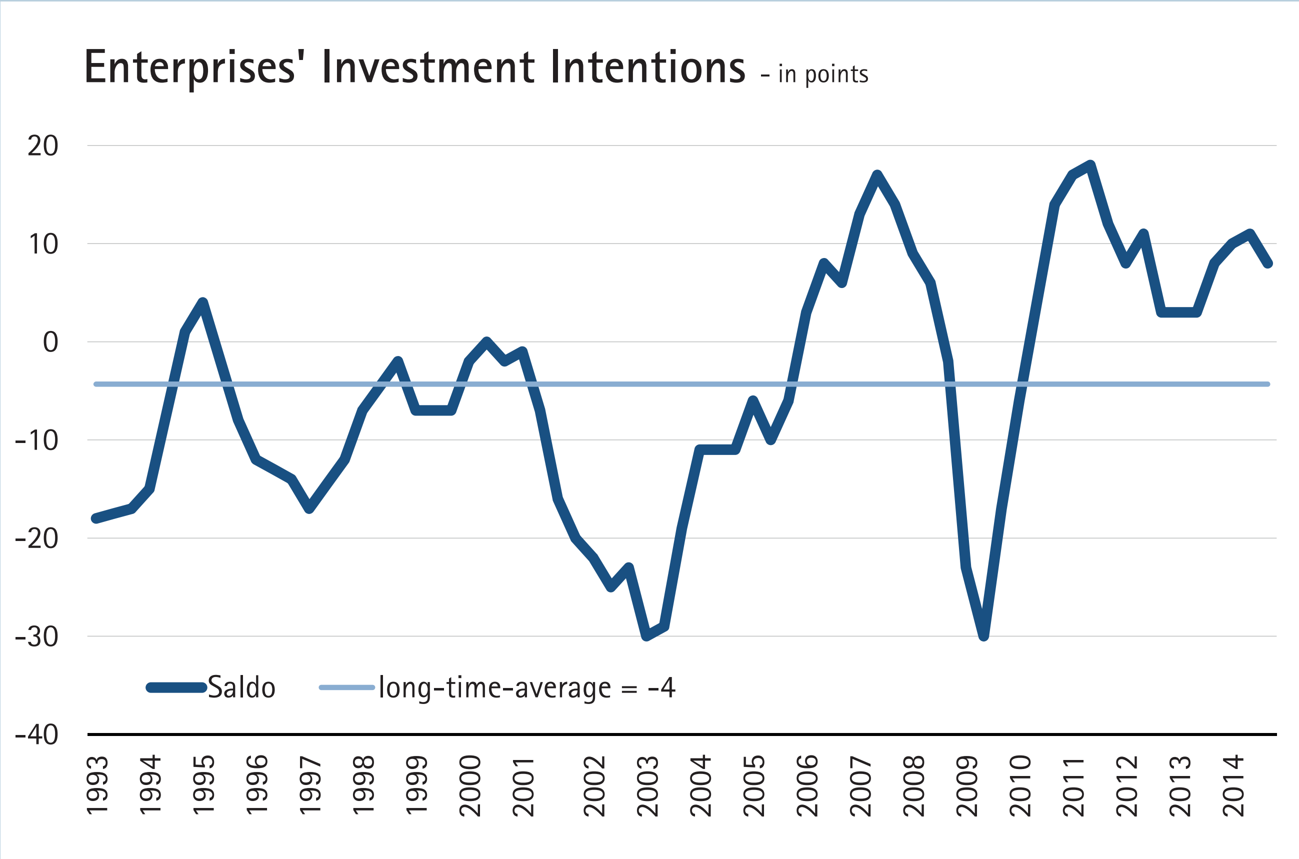
Enterprises' Export Expectations (manufacturing industry)

– in points



Enterprises' Investment Intentions (in percent)

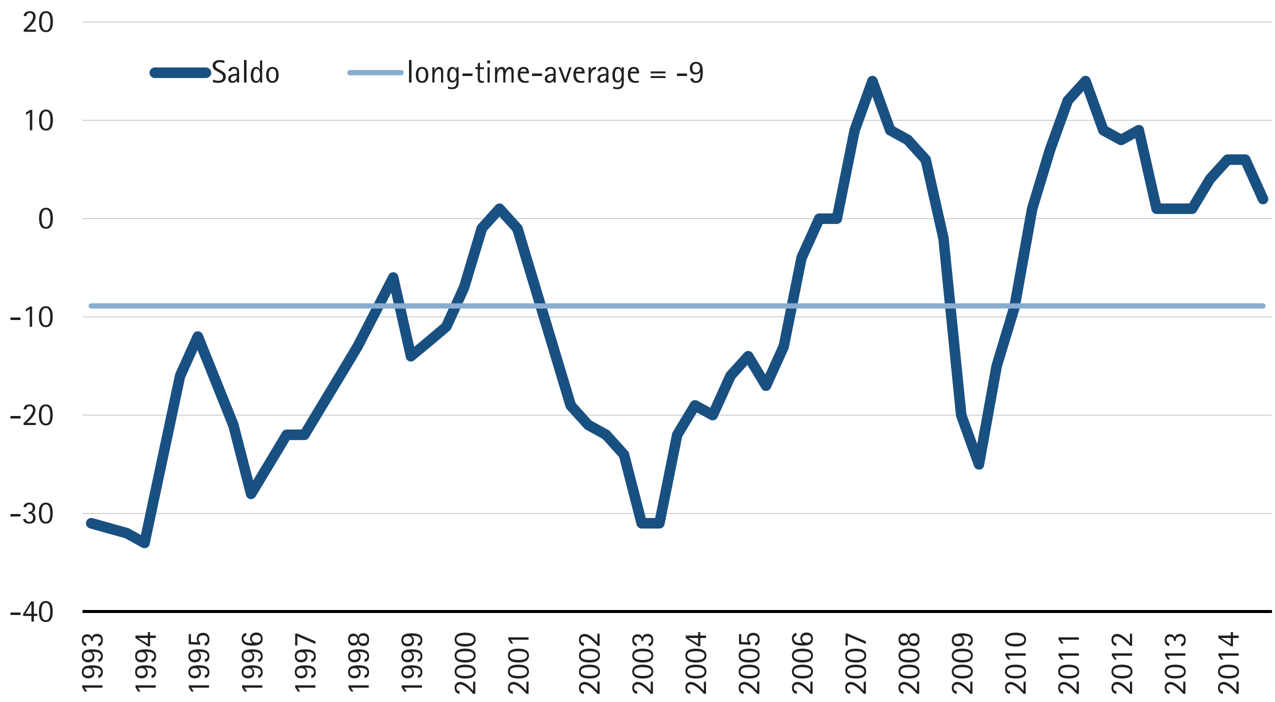
	higher	about equal	lower	balance
Fall 2008	22	54	24	-2
February 2009	16	45	39	-23
Early Summer 2009	14	42	44	-30
Fall 2009	16	51	33	-17
February 2010	21	52	27	-6
Early Summer 2010	25	54	21	4
Fall 2010	29	56	15	14
February 2011	31	55	14	17
Early Summer 2011	31	56	13	18
Fall 2011	27	58	15	12
February 2012	26	56	18	8
Early Summer 2012	27	57	16	11
Fall 2012	23	57	20	3
February 2013	23	57	20	3
Early Summer 2013	23	57	20	3
Fall 2013	25	58	17	8
February 2014	26	58	16	10
Early Summer 2014	27	57	16	11
Fall 2014	25	58	17	8



Enterprises' Employment Intentions (in percent)

	higher	about equal	lower	balance
Fall 2008	16	66	18	-2
February 2009	9	62	29	-20
Early Summer 2009	8	59	33	-25
Fall 2009	10	65	25	-15
February 2010	12	67	21	-9
Early Summer 2010	16	69	15	1
Fall 2010	19	69	12	7
February 2011	22	68	10	12
Early Summer 2011	23	68	9	14
Fall 2011	19	71	10	9
February 2012	19	70	11	8
Early Summer 2012	20	69	11	9
Fall 2012	15	71	14	1
February 2013	15	71	14	1
Early Summer 2013	15	71	14	1
Fall 2013	16	72	12	4
February 2014	17	72	11	6
Early Summer 2014	17	72	11	6
Fall 2014	15	72	13	2

Enterprises' Employment Intentions - in points



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October 2014