

AHK World Business Outlook (Autumn 2016) indicates a drop in the optimism level of businesses

The AHK World Business Outlook is a report based on a regular survey carried out by The Association of German Chambers of Commerce and Industry (DIHK). This survey involves member companies of the German foreign trade chambers, delegations and representative offices (AHKs). It garners responses from close to 2,200 German companies, branches and subsidiaries; as well as companies with a narrow German presence.

For this particular survey, The AHK World Business Outlook (Autumn 2016), 37 percent of companies surveyed came from industry and construction, 42 percent from the services sector, and another 21 percent were trading companies. The survey was conducted from September 9 to 30, 2016.

"Due to political and economic crises, the global economy in many regions is on a flat growth path at the moment," said Eric Schweitzer, President, DIHK, summarizing the results for the Frankfurter Allgemeine Zeitung, a leading German daily with the widest circulation abroad. The DIHK assumes that the global economy will grow by 2.9 percent in 2016 and by 3.0 percent in the coming year.

With a growth rate of 0.3 percent, this year's growth would be (with exception of the crisis years 2001 and 2009), the lowest one in the last quarter of a century. According to Schweitzer, 2017 is "only a slight revival." "With 1.5 percent, the world trade growth will continue to be well below the average of the last decade. Significant risks for the assumed developments are the result of the US election," he says.

Despite these difficult macroeconomic conditions, "German companies continue to be successfully competing internationally. They look more confidently on their own business development than on the economic situation of the local economy on the ground," Eric Schweitzer, President, DIHK, continues.

Owing to a lack of revenue which is becoming increasingly apparent, business climate in raw material rich countries is expected to become more difficult. The greatest risk from the point of view of the company, is the uncertain development of demand and the economic policy framework. "The German economy is doing well in this environment, but export growth will only be slightly positive in 2017, at 2 percent, one of the weakest rates in the last 20 years," states Schweitzer.

Here are some insights and pointers from the report, as revealed by the survey responses:

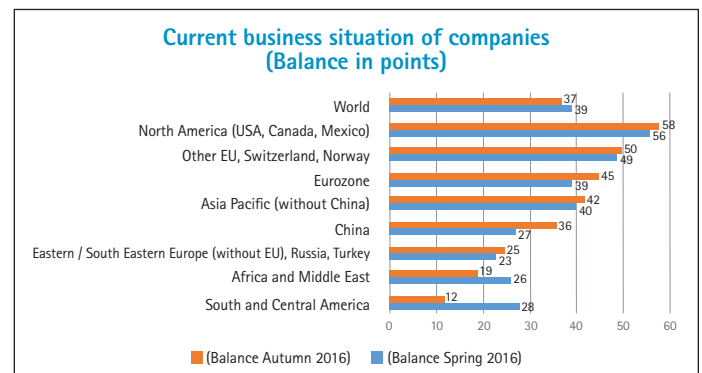
- The global economy is subject to political and economic crises and is on a flat growth path in many regions.
- The reasons for slowdown in some parts of Europe can be the weak global investment activity and setbacks due to political instability.
- At least some of the recession-troubled countries, such as Russia and Brazil, hope to stabilize their economy in the coming months.

- The future economic policy of the US administration comes as an additional factor of uncertainty. There is a question of whether or not the protectionist measures stated in the election campaign will be implemented. Especially against this background, the risk of trade barriers and preferential treatment being given to local businesses is greater.
- German businesses have the most confident expectations from companies in the Eurozone, followed by those in North America.
- The optimism level as compared to that of the World Business Outlook (Spring 2016) survey, has significantly reduced (drop from 22 points to 10 points).
- Since overall, the expectations from the global economy are falling, the economic environment for the international business of German companies remains subdued.
- Despite the difficult macroeconomic conditions, international companies continue to be comparatively successful. They rate their current situation (37 points) as well as their prospects in the coming months (38 points) positively. However, though positive, both the ratings are lower in comparison with those of the World Business Outlook (Spring 2016) survey (39 points on both).
- There is a restraint on investment and employment. Investment budgets are falling (drop from 22 points to 18 points) as compared to World Business Outlook (Spring 2016) survey. With respect to employment, the balance remains constant. However, the share of companies that plan to increase their number of employees has decreased by two percentage points, to 36 percent. More than half of the businesses plan to continue with the same number of employees.
- The greatest risks from the point of view of companies are the uncertain development of demand, economic policy framework and the risk of unavailability of skilled labor.

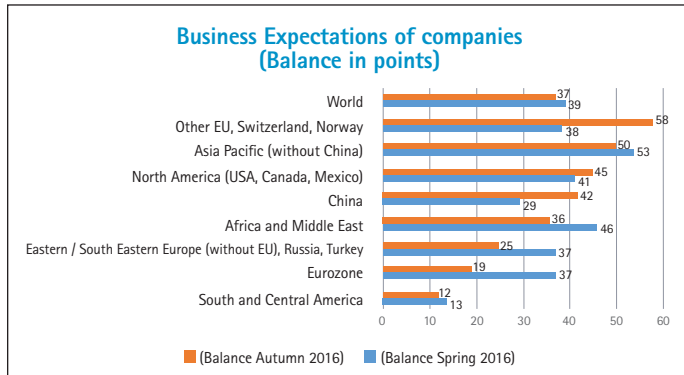
Given below are some graphs from the report, that compare the responses received in World Business Outlook (Spring 2016) and World Business Outlook (Autumn 2016), to some key questions.

Responses have been expressed as balance points. An increase in the balance points refers to increase in the positive sentiment and a decrease in the balance points represents an increase in the negative sentiment.

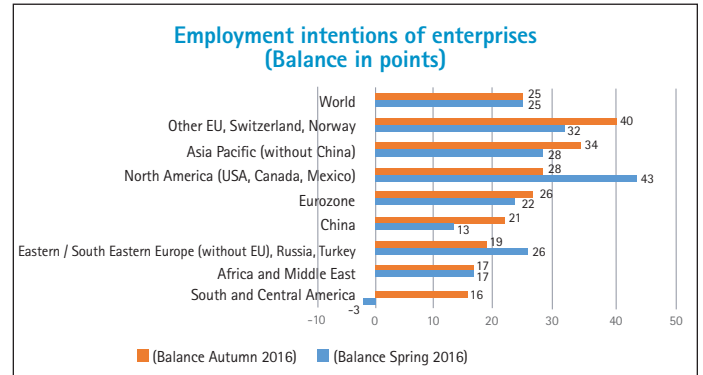
How do you assess the current business situation of your company?



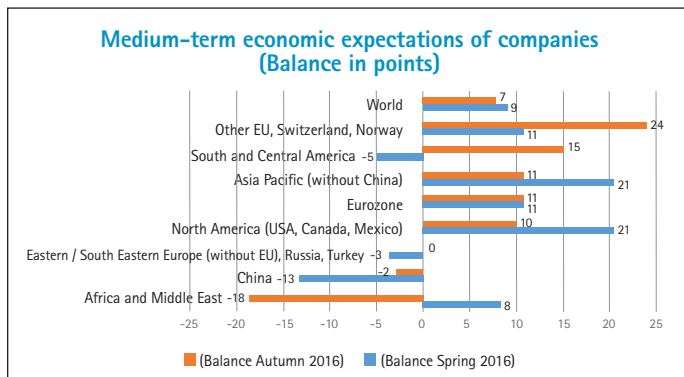
What business development does your company expect on the ground in the coming twelve months?



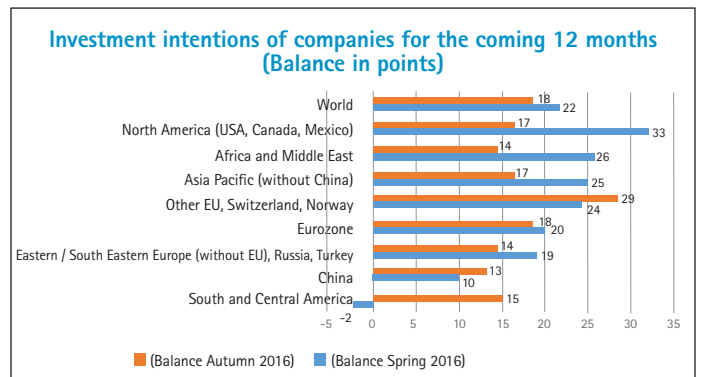
How will the number of employees of your company be expected to develop on the ground in the coming twelve months?



How do you assess the medium-term economic development on the ground?



How will your company's expenditures on investments be expected to develop in the coming twelve months?



NOTE: Calculation of balance points

For each of the aspects (current business situation, expected business situation, mid-term economic expectation, investment and employment); companies were asked to choose whether their situation in terms of that particular aspect is better/higher (positive sentiment), consistent, or worse/lower (negative sentiment) than before. These responses were then expressed as percentages, for both, the world (data for all companies taken into consideration) as well as for specific regions (data specific to companies from that region taken into consideration). Balance point has been calculated as a difference between the percentages of positive and negative sentiment.

To download the complete report for AHK World Business Outlook - Autumn 2016 (currently available in German only) please visit: www.dihk.de/ressourcen/downloads/ahk-world-business-outlook-herbst-16