

2024

Business Leaders Outlook

GERMANY

J.P.Morgan

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EXECUTIVE SUMMARY

Shooting for growth as optimism ticks up

German businesses aim for new ways to innovate in 2024 amid inflation pressures

A majority of business leaders across Germany are steadily optimistic about the national economy, maintaining similar levels over the past four years. According to our Business Leaders Outlook survey, 59% of executives have a positive outlook about the German economy—a 5-point uptick from last year—while aware of a challenging economic landscape ahead.

As it gets closer to home, 70% of leaders are optimistic about their own industry's performance this year, and 81% are optimistic about their own company's performance in 2024, an improvement on last year's numbers and more consistent with responses seen in 2021 and 2022.

Overwhelmingly, German businesses anticipate their companies will grow. Seventy-eight percent expect revenue and sales will beat their 2023 numbers, and 75% said profits will increase over the previous year. Inflation continues to put pressure on companies; 73% said their costs are rising, a 4-point increase compared to one year ago.

As policymakers try to curb inflation, German businesses are feeling the effects. Rising interest rates and uncertain economic conditions are among the most common business concerns.

As artificial intelligence and machine learning have rapidly entered the mainstream, German leaders are embracing the new technology—with a level of care. A commanding 82% of companies said they are using or considering AI tools, and 28% of leaders identified adoption of AI/machine learning as one of their business's primary challenges.

Economic outlook for 2024

Optimistic Neutral Pessimistic

Global economy



Optimistic - 58%, Neutral - 27%, Pessimistic - 15%

National economy



Optimistic - 59%, Neutral - 15%, Pessimistic - 26%

Industry performance



Optimistic - 70%, Neutral - 19%, Pessimistic - 11%

Company performance

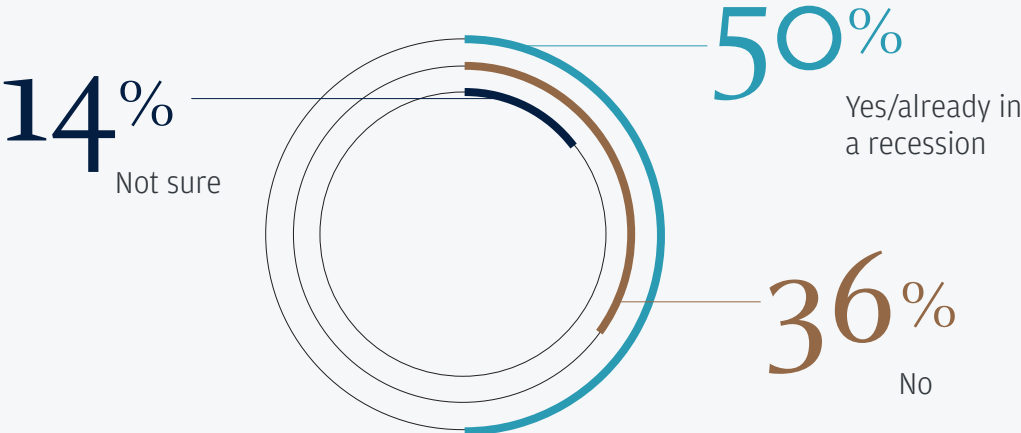


Optimistic - 81%, Neutral - 15%, Pessimistic - 4%

Economic outlook and expectations

As the European Central Bank and other monetary policymakers worldwide aim for a soft landing in 2024, half of German business leaders expect a recession in 2024—a 9-point drop from the year before. Most of that share likely moved into the “not sure” group, which climbed by 7 points.

Recession expectations

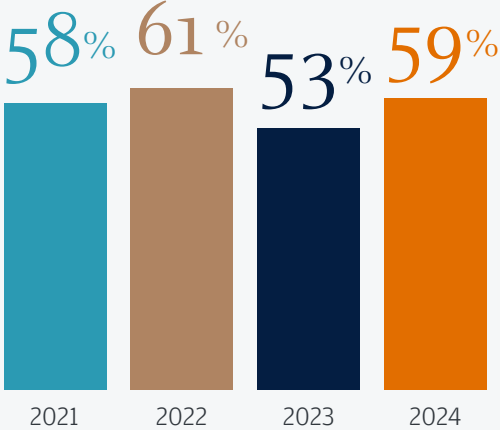


Optimism steadying amid challenging landscape

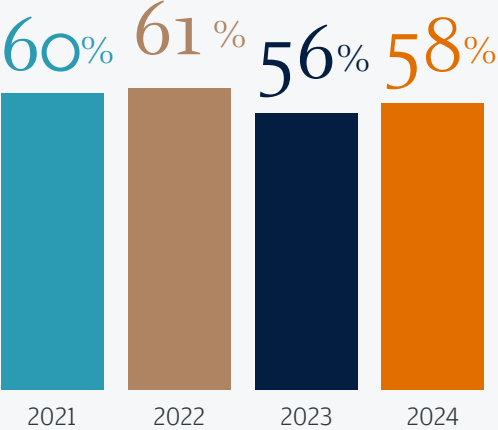
German business leaders are confident in the economy, with 59% optimistic about the national economy. Optimism about the global economy has historically trended closely to the national optimism among Germany respondents.

National and global optimism

National economy



Global economy

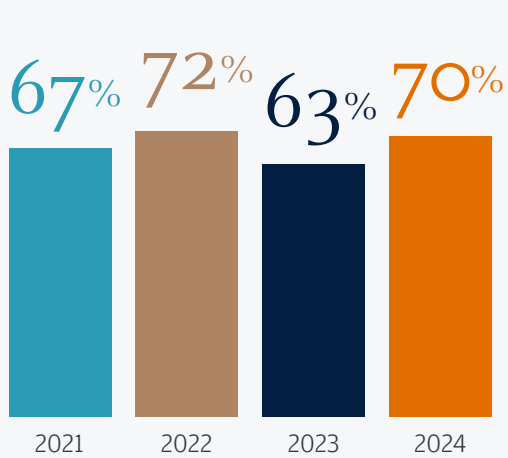


Home-field advantage

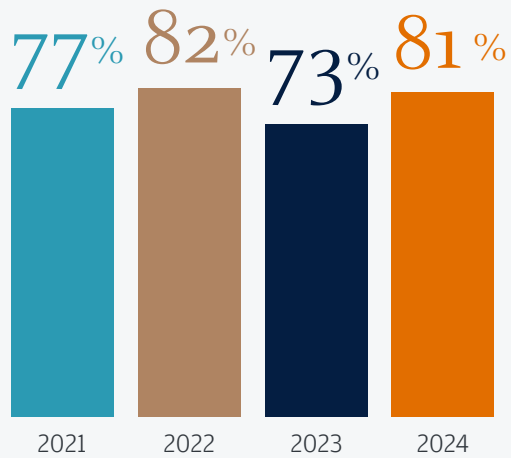
Executives' confidence in their industry and company are even higher than the global or national economic sentiments. Seventy percent of leaders are optimistic about their industry, up from 63% in 2023, and 81% are confident in their company's performance, up from 73% in 2023.

Optimism toward industry performance and company performance

Industry performance



Company performance



Business bullish on revenue, profits

German leaders' confidence in the broader economy extends to their businesses. Roughly three-quarters of leaders expect to see a jump in revenue/sales and profits in 2024, up 9 points and 16 points from 2023, respectively.

The German midsize business community are positioning for growth through financing. Two-thirds (67%) of business leaders cited a significant increase in using bank lines of credit, up 15 points from 2023.

The next most common financing option leaders say they are using is commercial real estate (47%), followed by equipment financing (44%). Asset-based financing increased 11 points year over year, reaching 41%.

Business expectations

■ Increase ■ Remain the same ■ Decrease

Revenue/sales



Increase - 78%, Remain the same - 14%, Decrease - 8%

Profits



Increase - 75%, Remain the same - 14%, Decrease - 10%

Capital expenditures



Increase - 67%, Remain the same - 25%, Decrease - 8%

Credit needs



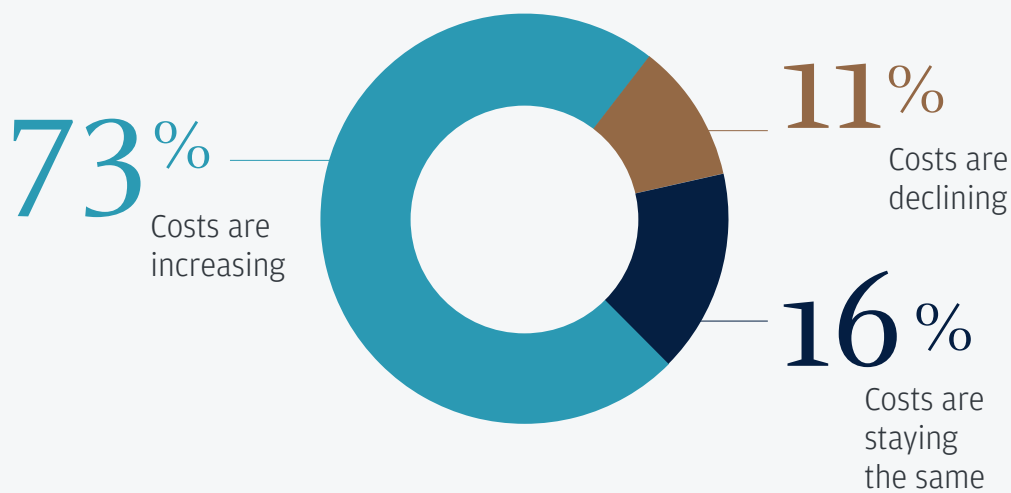
Increase - 70%, Remain the same - 25%, Decrease - 5%



But challenges remain

More than 7 in 10 (73%) German business leaders said costs are rising for their business. Higher interest rates, continued economic uncertainty and a tight labor market are defining factors for many businesses as they assess challenges in 2024. Additionally, leaders are being mindful of global unrest and its potential effect on business, as the war between Russia and Ukraine drags into a third year and the Israel-Hamas war continues to escalate.

How costs of business are changing



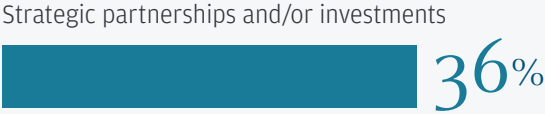
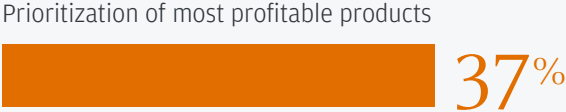
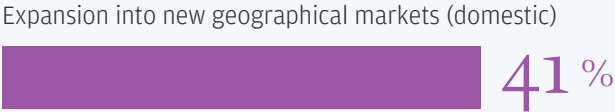
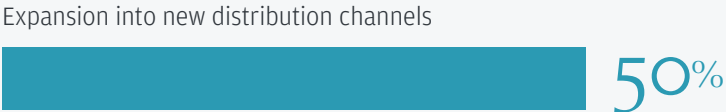
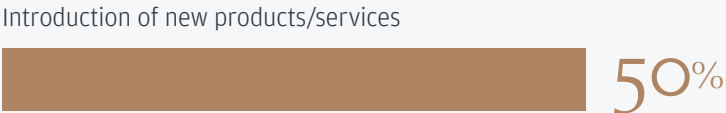
Largest challenges for companies



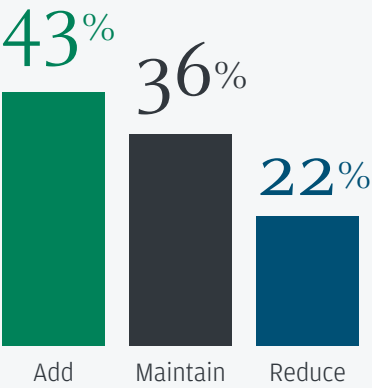
Future business plans may mitigate challenges

As leaders enter 2024 mindful of the competing market dynamics that could impact their businesses, their plans reflect the variety of levers they can pull to support sustained growth.

Growth strategies for the next 12 months



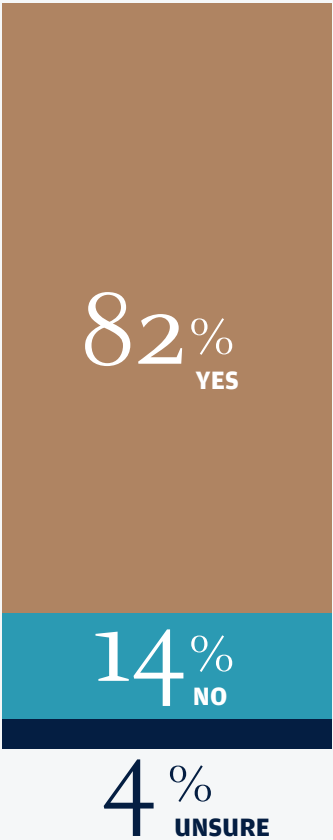
Employee headcount plans



AI's ascendance, with some apprehension

As leaders enter 2024 mindful of the competing market dynamics that could impact their businesses, their plans reflect the variety of levers they can pull to support sustained growth.

Use of AI tools like ChatGPT, virtual assistants and chatbots



Areas of AI applications*



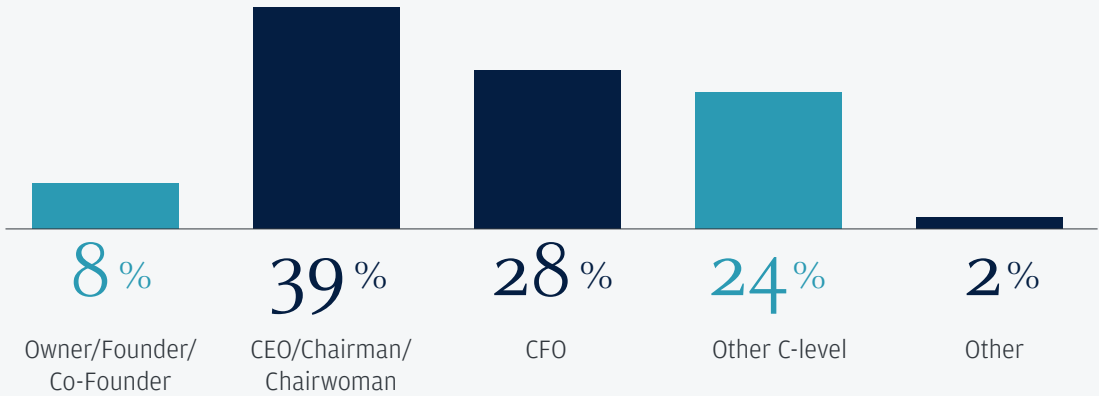
*Among companies who said they currently use or plan to use AI tools

About the survey

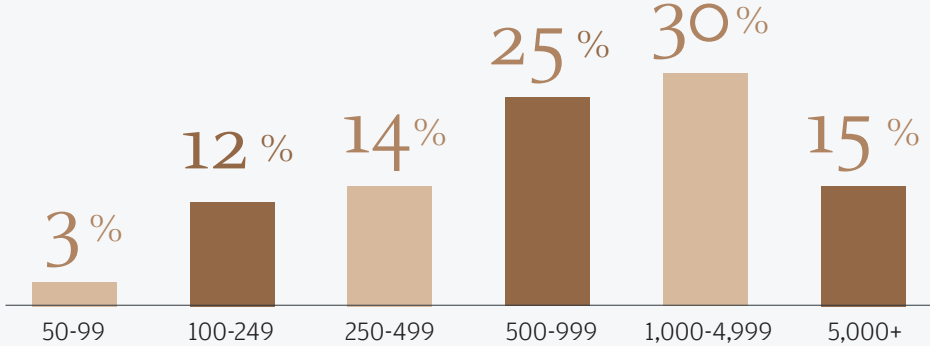
In its fourth year, the annual Germany Business Leaders Outlook survey is a snapshot capturing the concerns and expectations of senior business leaders at midsize companies with annual revenues generally ranging from €20 million and €2 billion.

This year, 251 respondents completed the online survey between November 16 and December 13, 2023. Results are within statistical parameters for validity; the error rate is plus or minus 6.0% at the 95% confidence interval.

Who took the survey



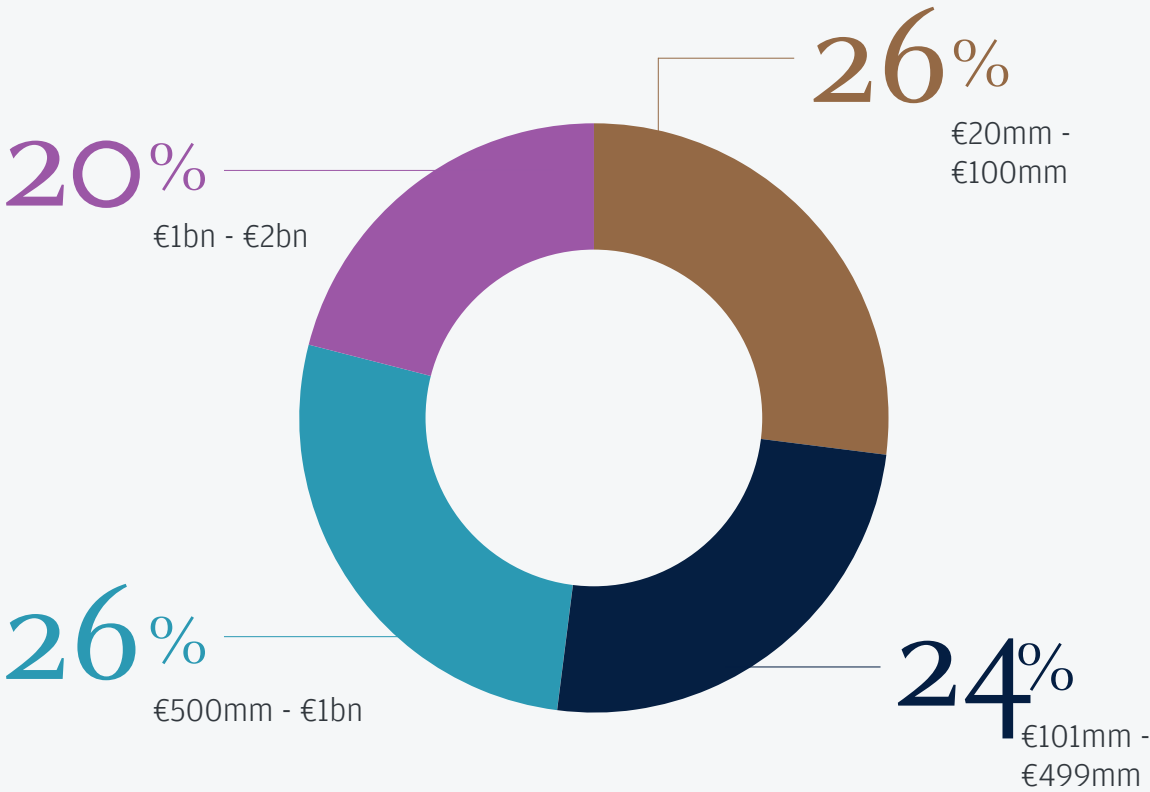
Company size by number of employees



About the survey

(Continued from the previous page)

Company size by annual revenue



Our experts



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