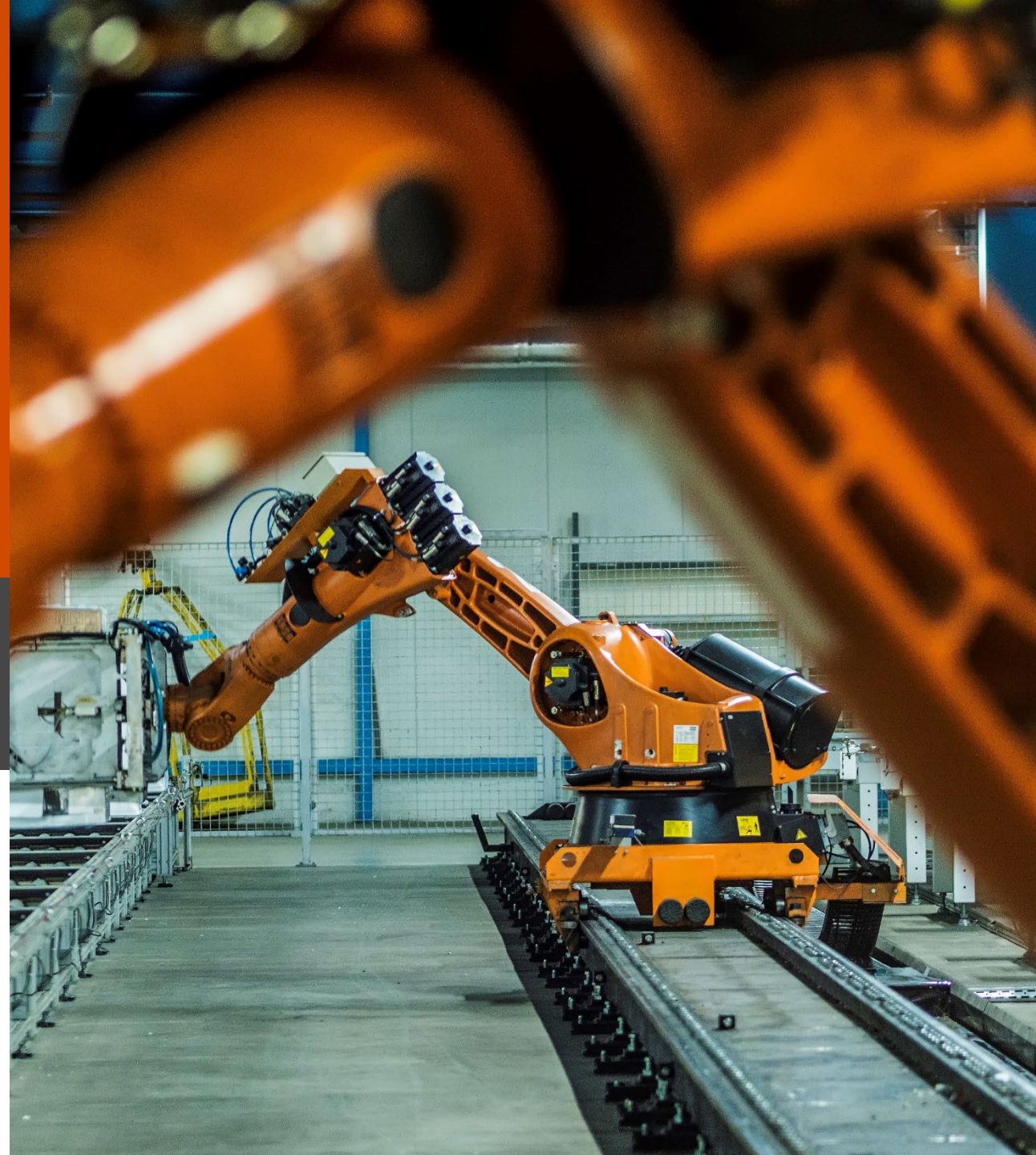


# German Manufacturing Barometer

Focus topic: sustainability

October 2024

[www.pwc.de/en/industrial-products.html](https://www.pwc.de/en/industrial-products.html)





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# 1

## Executive summary





**Bernd Jung**

Senior Partner  
Head of Industrial Manufacturing  
Practice Group

# At a glance

## PwC German Manufacturing Barometer

The German mechanical and plant engineering industry faces a challenging autumn, with 59% of decision-makers expecting economic decline over the next year – the worst outlook since 2014. Sentiment has worsened by over 20 percentage points in three months. Contributing factors include global risks like trade barriers and conflicts, as well as structural issues such as rising costs, shrinking production, and barriers to sustainability and digitalisation.

The sector's forecast turnover has been revised downwards to an average of  $-4.0\%$  for 2024, marking the sixth consecutive quarter of negative forecasts. At the company level, growth is also negative, at  $-0.2\%$ . Capacity utilisation is weak at 84.1%, down 1.5 percentage points from the previous quarter, with less than a third of companies operating near full capacity. Only 16% of companies plan to increase investment, reflecting a pessimistic outlook. Rising energy and labour costs, cited by 83% of decision-makers, and regulatory concerns are the main obstacles to growth.

Sustainability and ESG are still not gaining enough momentum in the sector. Almost 4 out of every 10 companies have not formulated an explicit strategy on environmental, social or governance and compliance issues. Less than a third of companies have defined a sustainability roadmap, while only 15% publish sustainability reports.



# Executive summary

## 59%



of the mechanical and plant engineering companies surveyed are **pessimistic** about the **development of the German economy** over the next twelve months.

## 29%

are **pessimistic** about the **future development of the global economy**.

## –0.2%

is the **average sales growth expectation** for **respondents' own companies** in 2024.

## –4.0%



is the **forecast sales growth** for the **industry** as a whole in 2024.

## 84.1%



is the average **capacity utilisation** among the companies surveyed. Only 28% are working close to full capacity – the lowest value since the Covid-19 pandemic.

## 31%



of the decision-makers surveyed have defined a **sustainability roadmap**, while only 15% of companies publish **sustainability reports**.





# 2

## Methodology



# About the study



150 companies in Germany

PwC's **German Manufacturing Barometer** is an analysis of a quarterly panel survey of managers in the German mechanical and plant engineering sector. In addition to an assessment of general economic developments, the study provides an overview of companies' expectations and sheds a light on ESG and sustainability in the sector.



# Methodology



## Survey method

Computer-assisted telephone interviewing (CATI)



## Market research

Verian Germany



## Group of respondents

Managers from the mechanical engineering industry



## Survey period

26 August to 27 September 2024



## Sample size

n = 150



**Results are rounded to whole numbers.**



# 3

## Results

Economic expectations and  
sector growth



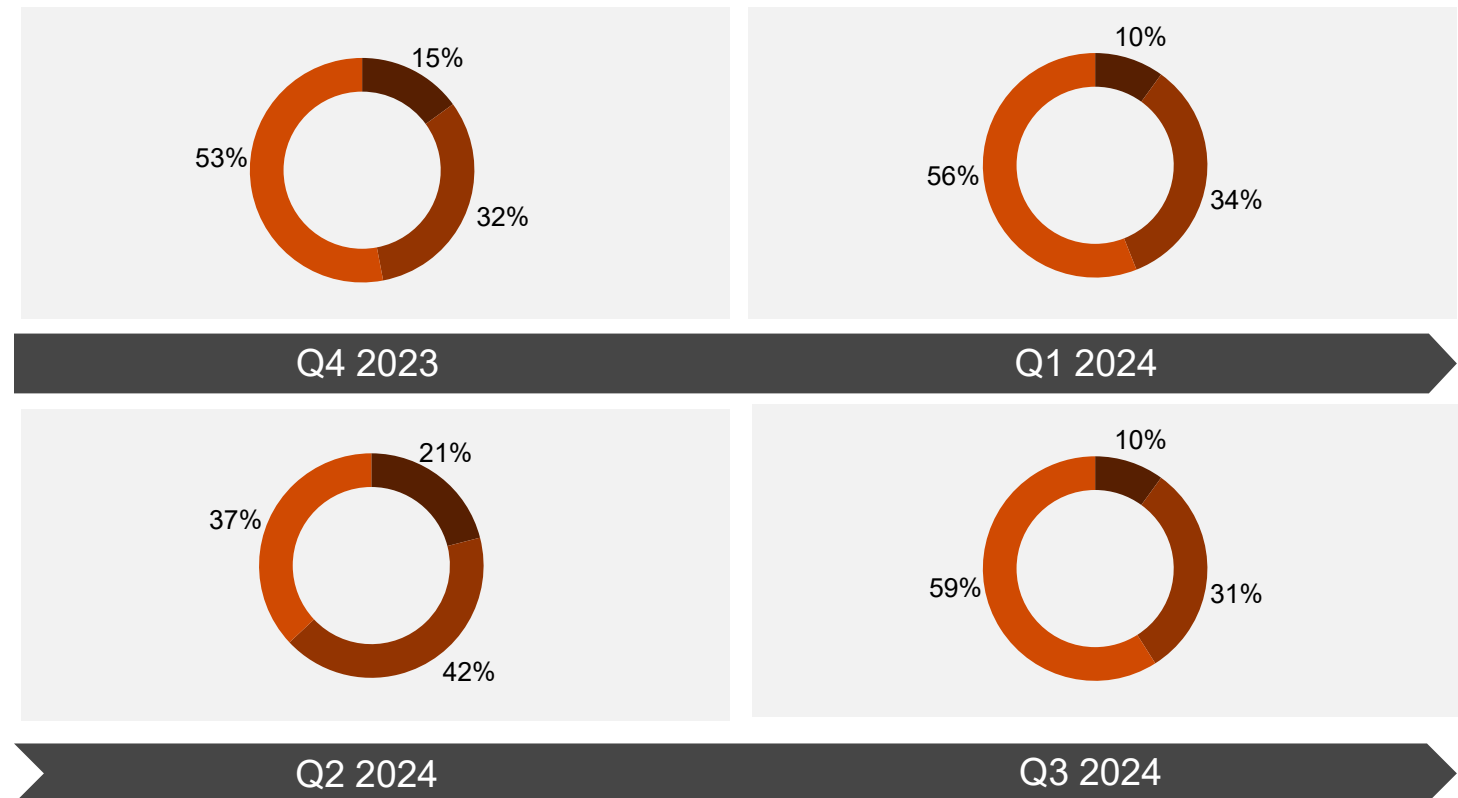
# Pessimism at a record high

The ratio of optimists to pessimists among decision-makers in the industry has tipped clearly in favour of the pessimists. The proportion of mechanical engineers who are sceptical about the development of the German economy over the next twelve months has risen by over 20 percentage points since the summer. Six out of every ten decision-makers surveyed now expect a negative economic trend. This is the highest figure and most downbeat assessment ever recorded since the German Manufacturing Barometer was launched in 2014. Only one in ten respondents still has short-term hopes for the German economy. This proportion has halved again since the previous quarter.



## Looking ahead to the next twelve months, how do you rate the development of the German economy?

■ Optimistic ■ Undecided ■ Pessimistic ■ Not specified





# Developments in the global economy are primarily causing indecisiveness

## Proportion of pessimists is increasing significantly

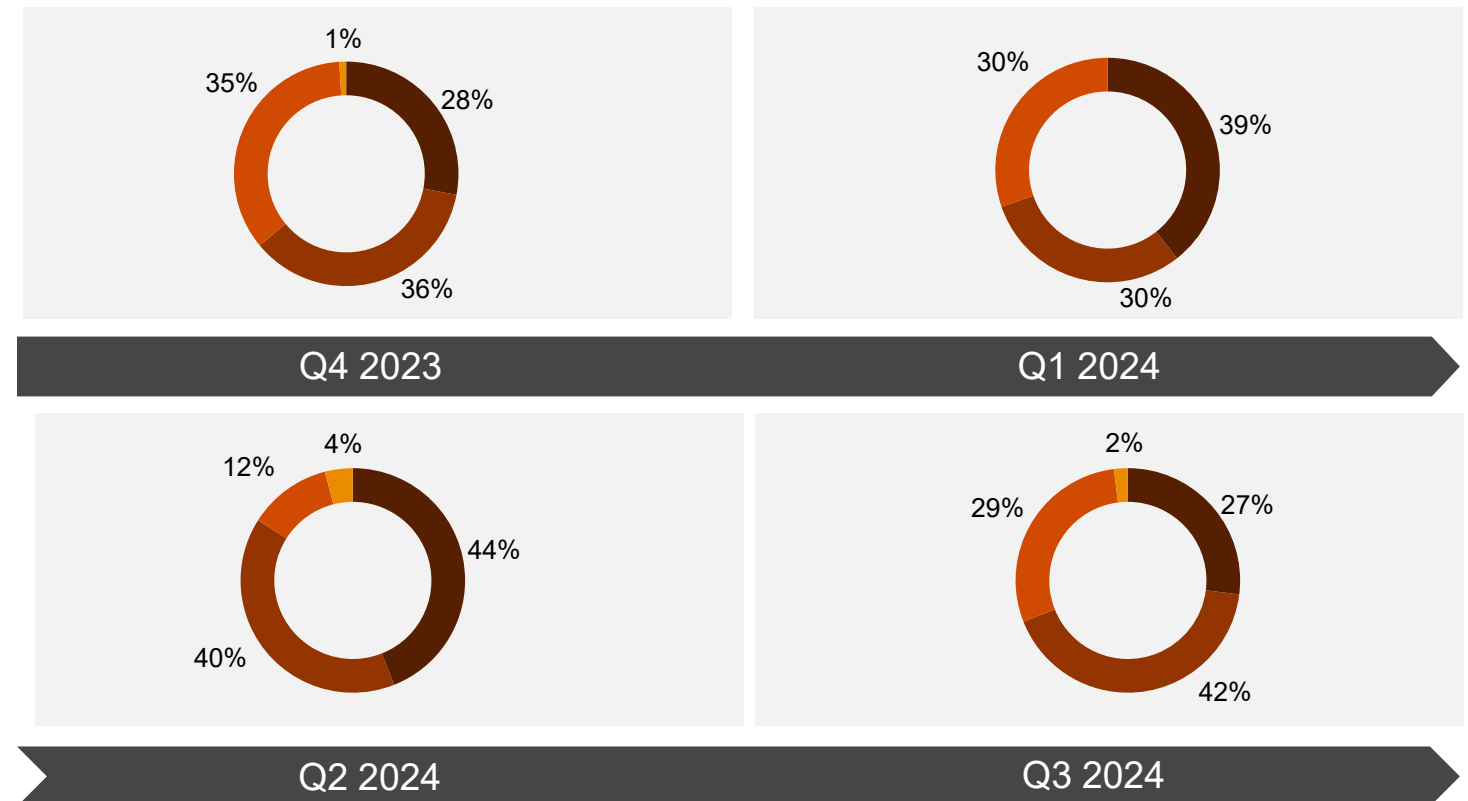
About a third of respondents are openly pessimistic about the development of the global economy over the next twelve months. This proportion has more than doubled since the previous quarter. The proportion of optimists has decreased accordingly, but undecided executives (42%) make up the largest group in this question. This is presumably due to the many imponderables and uncertainties like geopolitics, regional conflicts, vulnerable supply chains, and volatility in energy and raw material procurement.



Economic  
expectations  
(world)

Looking ahead to the next twelve months, how do you rate the development of the global economy?

■ Optimistic ■ Undecided ■ Pessimistic ■ Not specified



# Sector forecast still clearly in the red

Six out of every ten decision-makers expect the industry to shrink

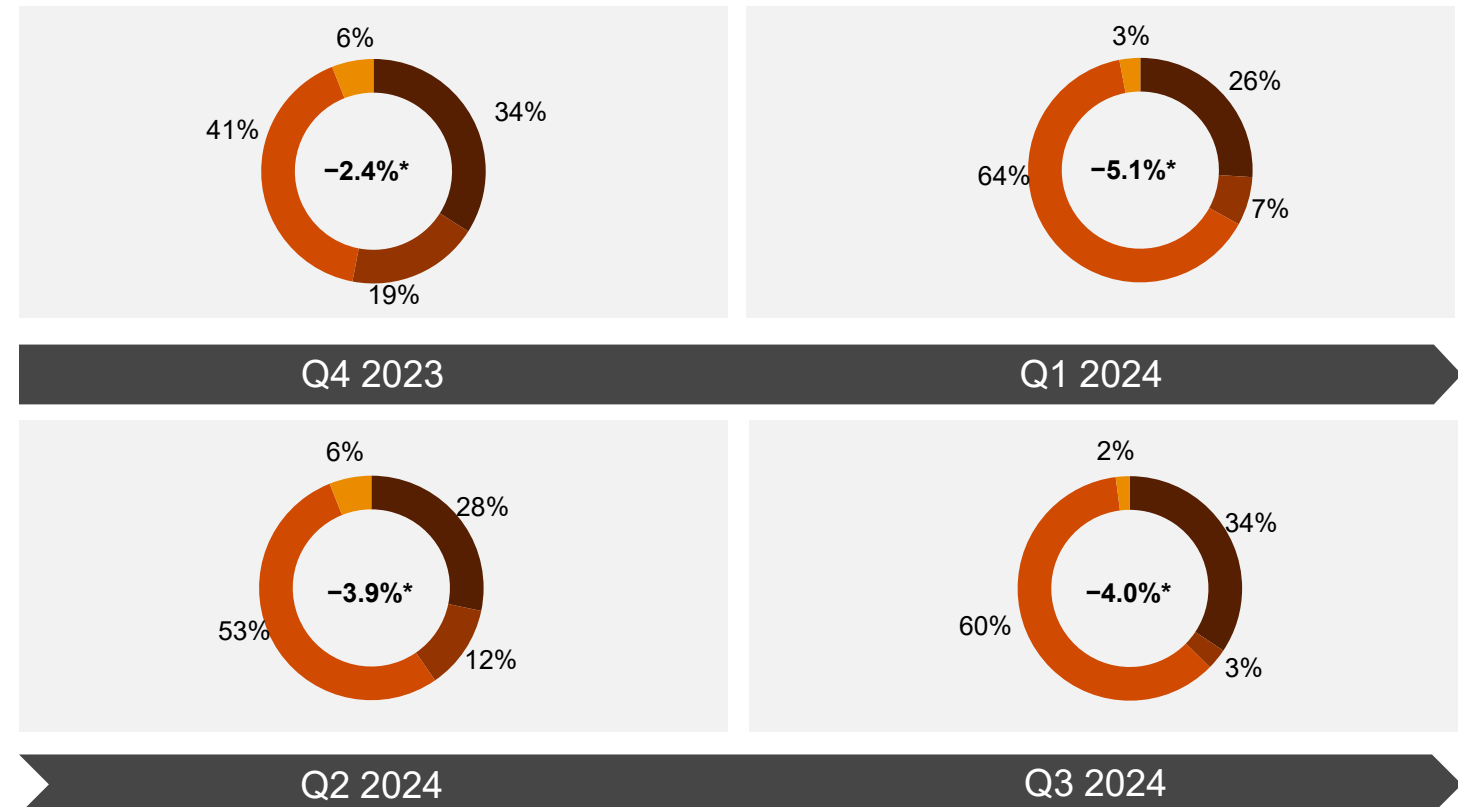
The average expected change in sales for the industry as a whole in 2024 has only been revised downwards slightly by decision-makers compared to the previous quarter, and now stands at  $-4.0\%$  (previous quarter:  $-3.9\%$ ). Six out of every ten respondents expect a negative sales trend for the sector as a whole. We are witnessing the sixth consecutive quarter with a negative average value. This trend is now firmly established, surpassed only by the negative phase during the coronavirus pandemic. Slightly more than a third (34%) expect the industry to grow this year.



Sector development

How do you expect turnover to develop in your industry as a whole for 2024 compared to the previous year?

■ Growth ■ Constant ■ Negative ■ Not specified \*Average expected change in turnover





# Results

Corporate development  
in 2024

# Sales forecasts for respondents' own companies are recovering

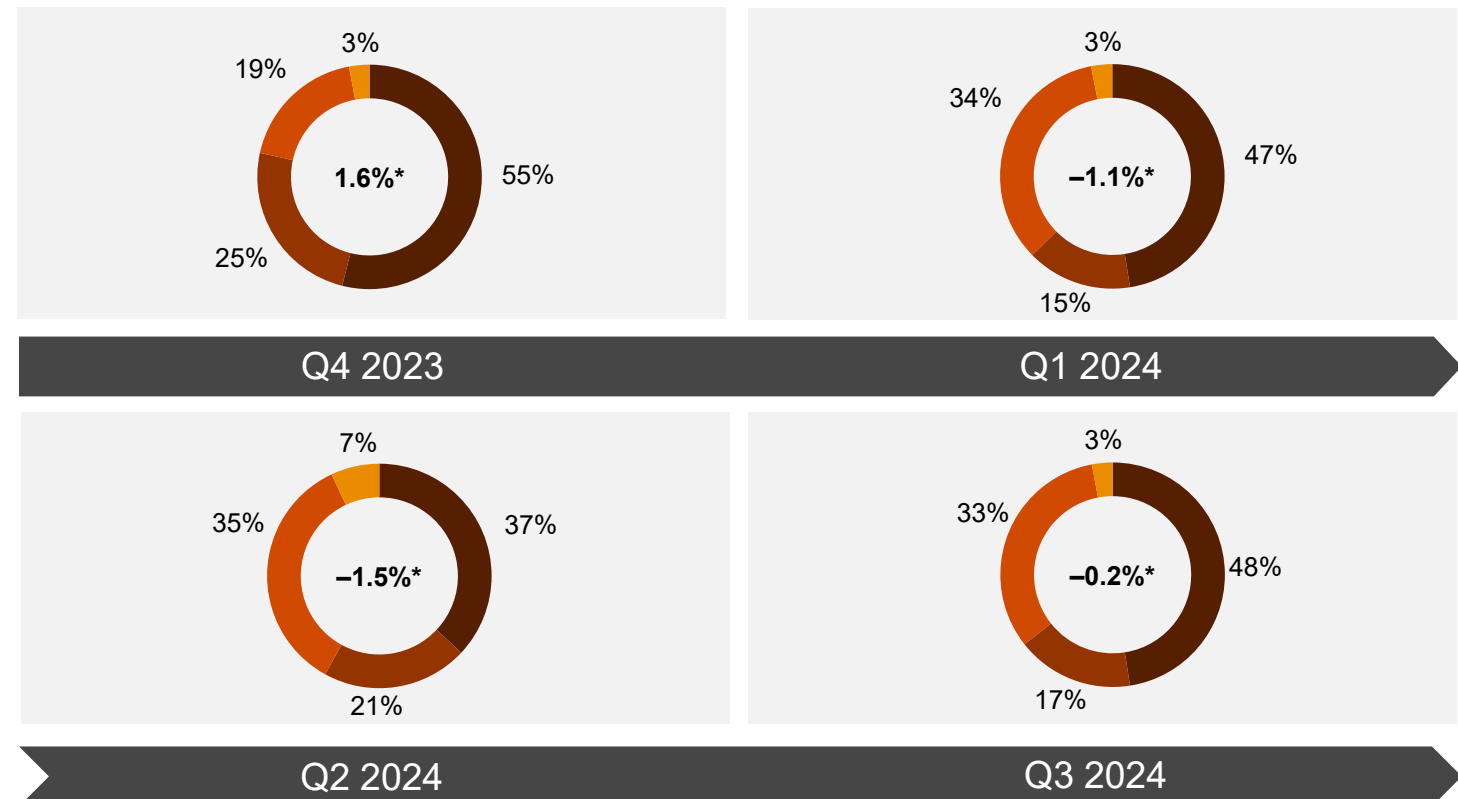
The average forecast change in turnover for respondents' own companies in 2024 has risen to  $-0.2\%$  and has reached its highest level this year. The proportion of decision-makers who expect positive growth for their own company is also at its highest level in 2024, at 48%. The proportion of respondents who have a negative view of their company's own development has stabilised at one third.



Turnover

## How do you expect your company's turnover to develop in 2024?

■ Positive ■ Constant ■ Negative ■ Not specified \*Average expected change in turnover





# Results

## Sustainability

# ESG: focus on social aspects and governance

Environmental measures are not very popular

The sustainability issues with the highest priority in German manufacturing have been the same for years: employee and customer data protection, working conditions, and equal opportunities and anti-discrimination are high priorities for around three quarters of companies. Fewer respondents are focused on the supply chain and procurement. Environmental issues such as emissions and the circular economy are receiving less attention, and companies have also lost a significant amount of interest overall compared to the previous year (–5% for emissions and –11% for the circular economy). These aspects are presumably more difficult to influence and manage, especially for many small and medium-sized companies.



## What priority do you give to the following sustainability issues in your company?

Percentages show proportions of respondents who answered “high” or “very high”.

■ 2024 ■ 2023 ■ 2022



**79%** (78%, 80%)

**1** Data protection

Basis: n = 150, multiple answers allowed



**77%** (82%, 81%)

**2** Working conditions



**72%** (72%, 70%)

**3** Equal opportunities and anti-discrimination

		“High/very high” priority		
		2024	2023	2022
<b>4</b>	Labour and human rights in the supply chain	58%	63%	57%
<b>5</b>	Combating corruption	54%	61%	48%
	Sustainable value chain and procurement	47%	52%	55%
	Emissions	41%	46%	55%
	Risk management and sustainability reporting	36%	38%	37%
	Circular economy	35%	46%	42%



# Sustainability strategies not universal

When it comes to formulating a sustainability strategy for environmental, social and governance (ESG) components, the only area in which this practice is increasing slightly in the manufacturing sector is for governance, which is probably due primarily to new reporting obligations. With regard to the environment, six out of every ten companies have formulated a strategy, while 56% have done so for the areas of social affairs and governance and compliance.

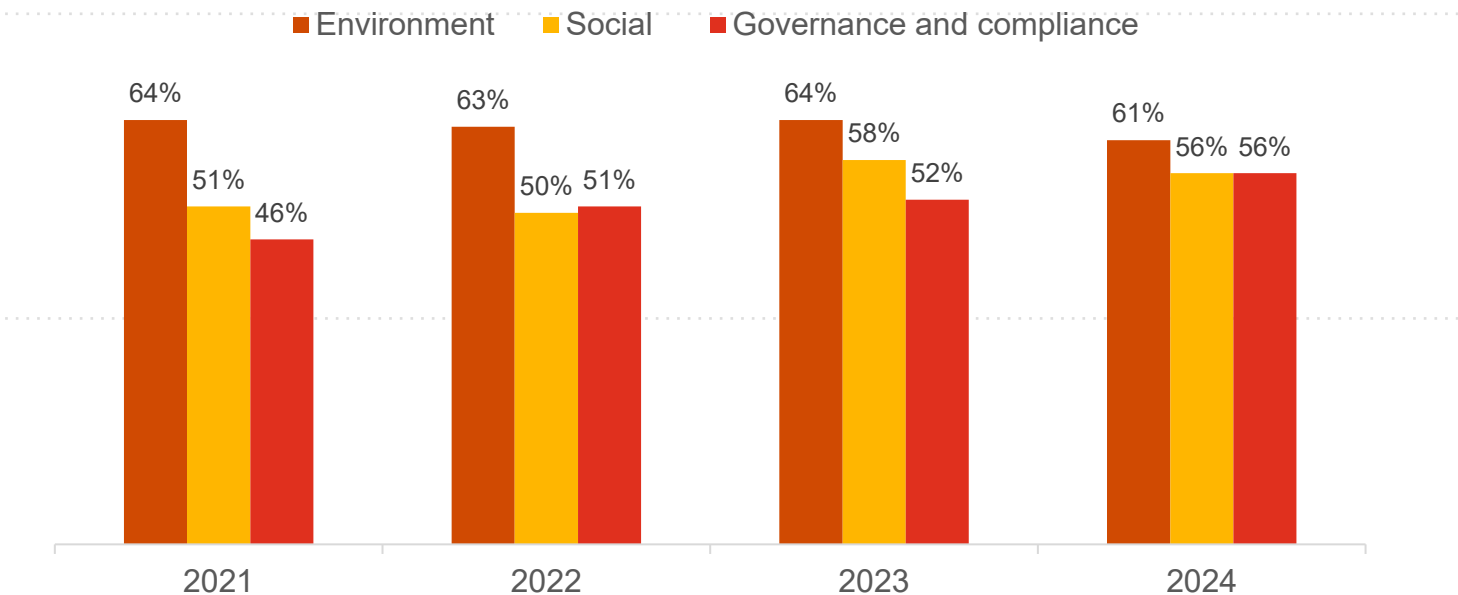
In view of the increasing regulatory requirements and growing competitive pressure, companies would be well advised to work harder on integrated sustainability strategies. After all, four out of every ten companies still have a lot of catching up to do here.



ESG

## Does your company have a sustainability strategy for...?

Percentages show proportions of respondents who answered "yes".



# Roadmaps and reports are becoming less common across the board

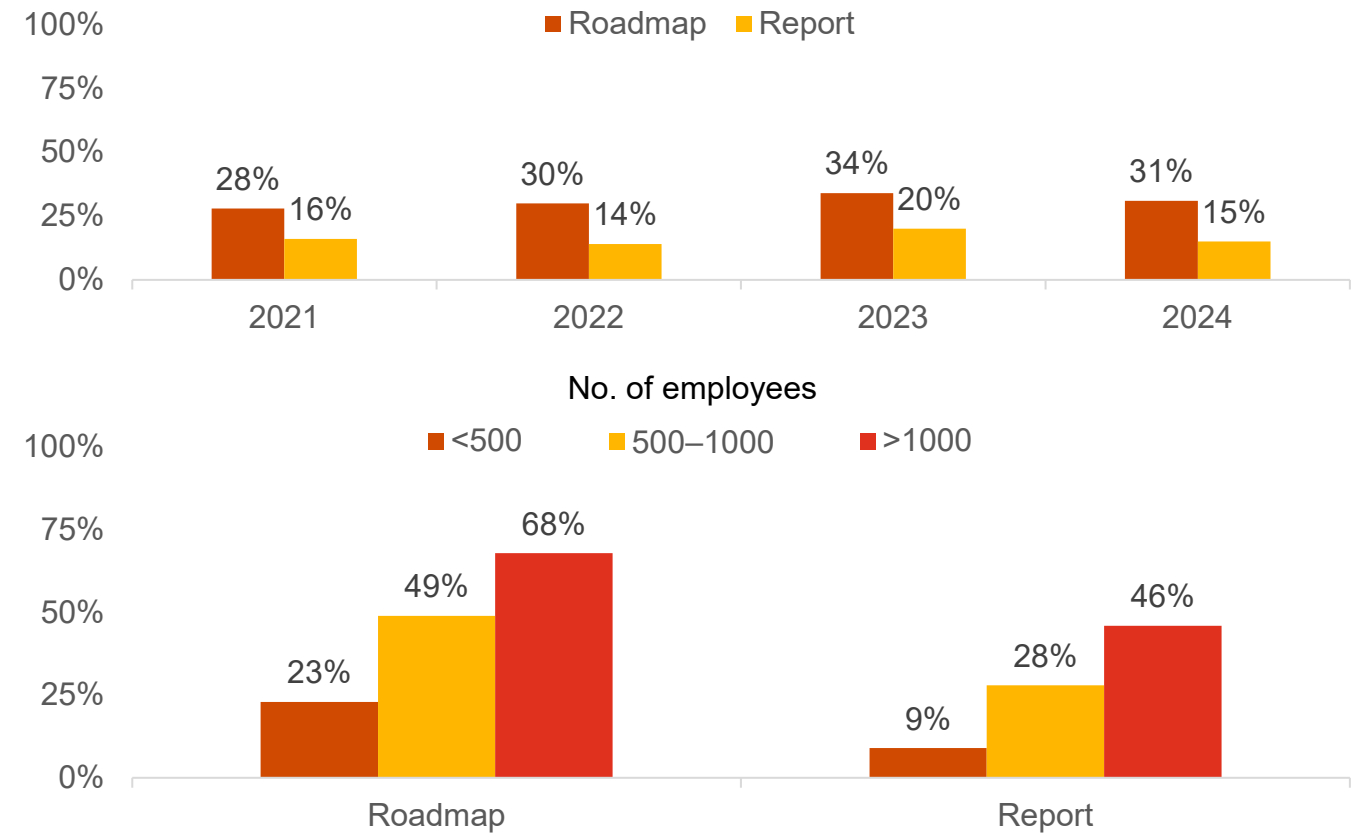
One third of all companies surveyed have so far defined specific sustainability measures with responsibilities in a roadmap. Less than a fifth also publish sustainability reports. Compared to the same period last year, the proportion of these companies has actually decreased.

The results show that as turnover and size increase, roadmaps and reports also become significantly more common. More than two thirds of companies with over 1,000 employees have defined a sustainability roadmap. For companies with fewer than 500 employees, the figure is just 23%. The implementation of the Corporate Sustainability Reporting Directive (CSRD), initially for large companies, is likely to have a significant influence on this difference.



## Has your company defined a sustainability roadmap with specific measures and responsibilities? Does your company publish a sustainability report?

Percentages show proportions of respondents who answered "yes".





# Results

Current capacity utilisation  
and challenges



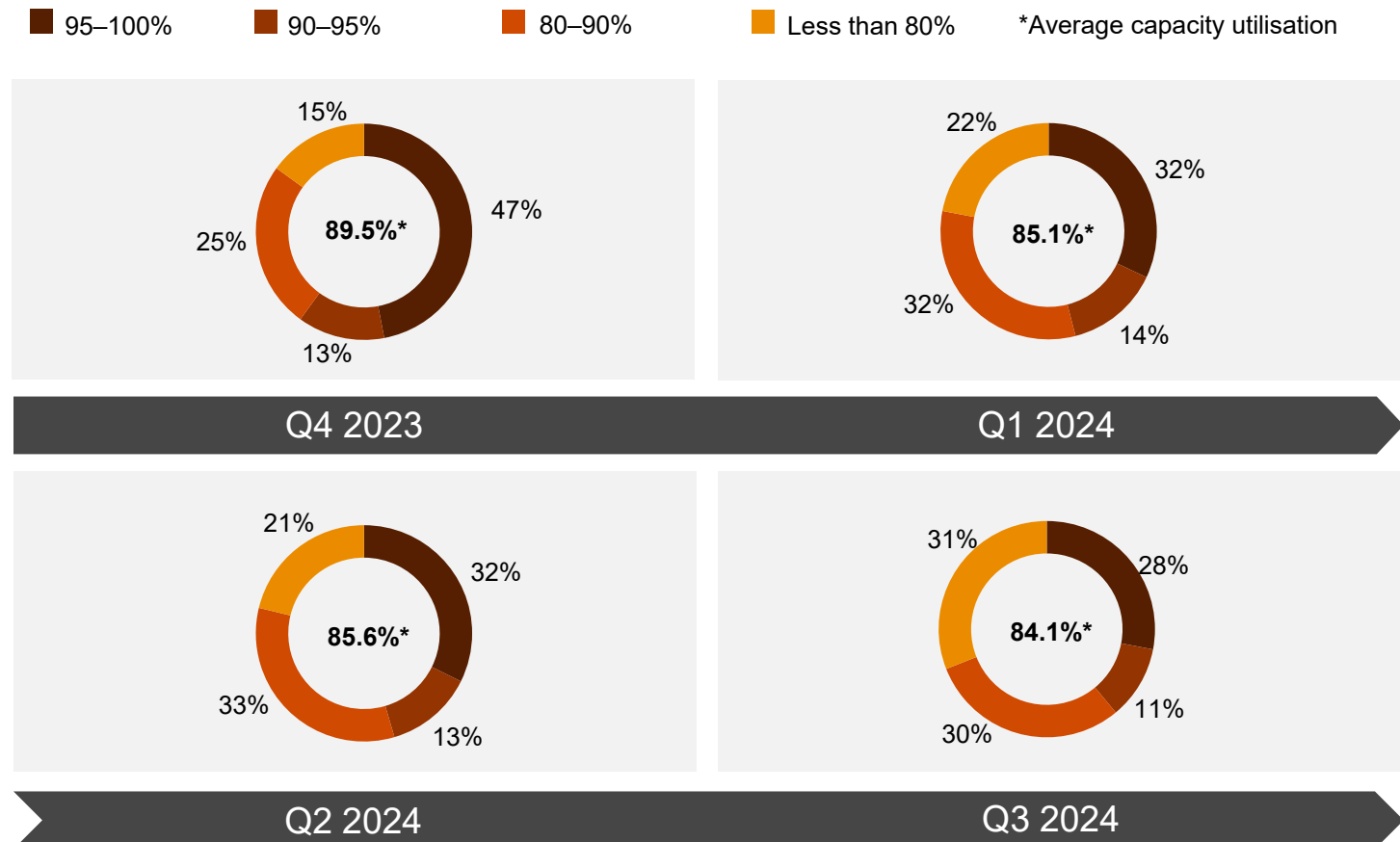
# Worryingly low capacity utilisation

The average capacity utilisation of companies in mechanical engineering is currently 84.1% – a drop of 1.5 percentage points compared to the previous quarter. The level of capacity utilisation shows a constant trend: only 28% of companies are currently working close to full capacity – the lowest figure since the exceptional phase of the Covid-19 pandemic. Below-average capacity utilisation in the long term is due to a combination of a weak global economy, falling demand, uncertainty and reduced competitiveness.



Utilisation

If you think about your company's capacity in general, how high would you estimate your company's current capacity utilisation to be?





# Regulation increasingly challenging

In descending order, industry executives see the greatest obstacles to their company's growth as: increasing cost pressure (83%), the lack of skilled labour (67%), and – for the first time among the top three answers – the difficult regulatory environment (65%). Compared to the previous quarter, the lack of skilled labour has lost the most relevance (–11 percentage points), but is still considered one of the most important future problems in the industry. Regulation is attracting more and more critics: over the past five years, the proportion of those who see regulation as an obstacle to growth has more than doubled.



## Challenges

Please tell me whether or not you currently see the following points as obstacles to your company's growth.

■ Q3 2024 ■ Q2 2024



**83% (82%)**

Increasing cost pressure



**67% (78%)**

Shortage of skilled labour



**65% (60%)**

Difficult regulatory environment

Basis: n = 150, multiple answers allowed

## "Yes" answers

	Q3 2024		Q2 2024
Political developments abroad	65%	↘	69%
Weak demand	56%	↗	50%
More intense competition	48%	↘	49%
Difficult financing environment	26%	↘	30%
Climate change	22%	↔	22%

# 4

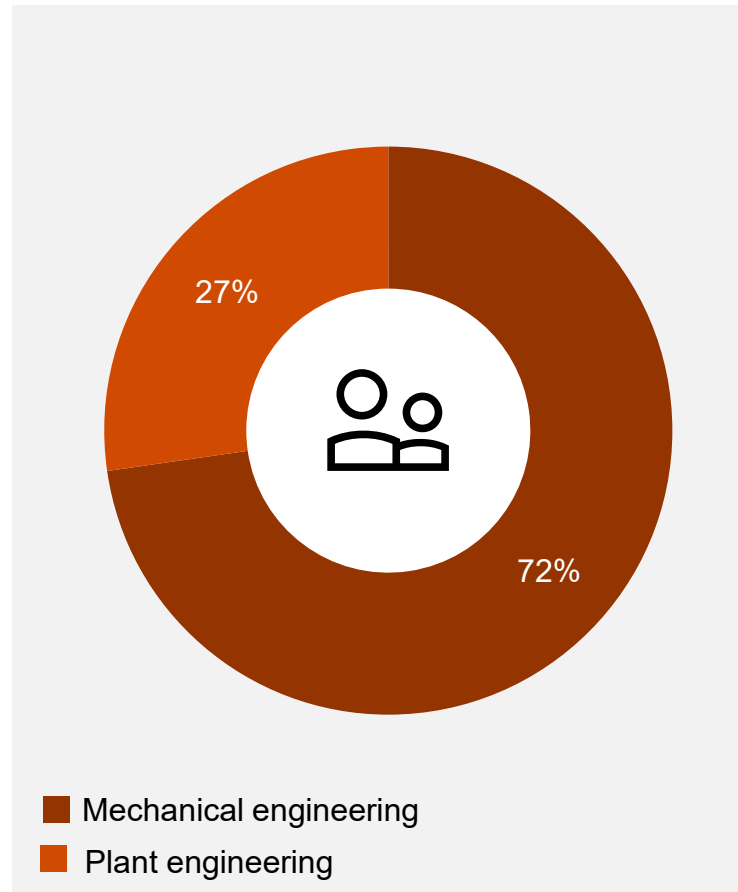
## Survey statistics



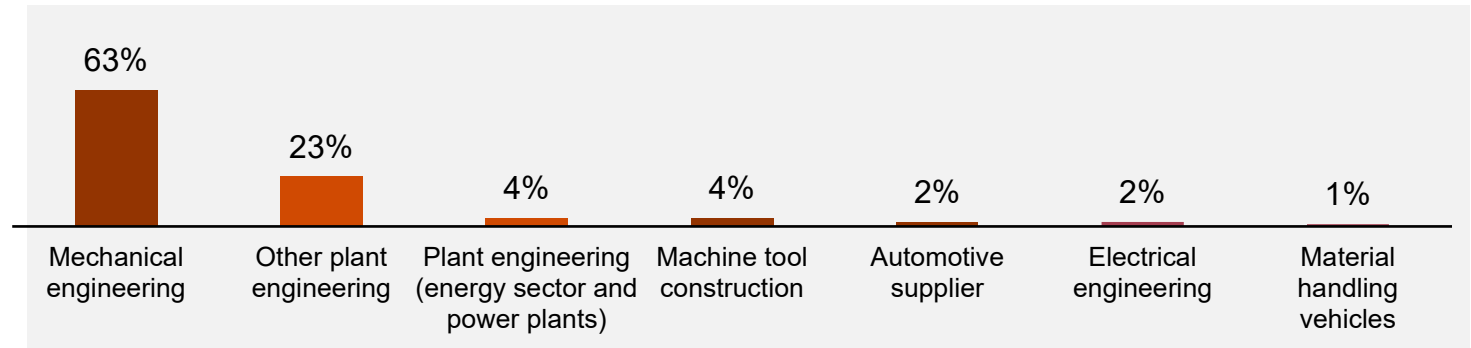


# Survey statistics

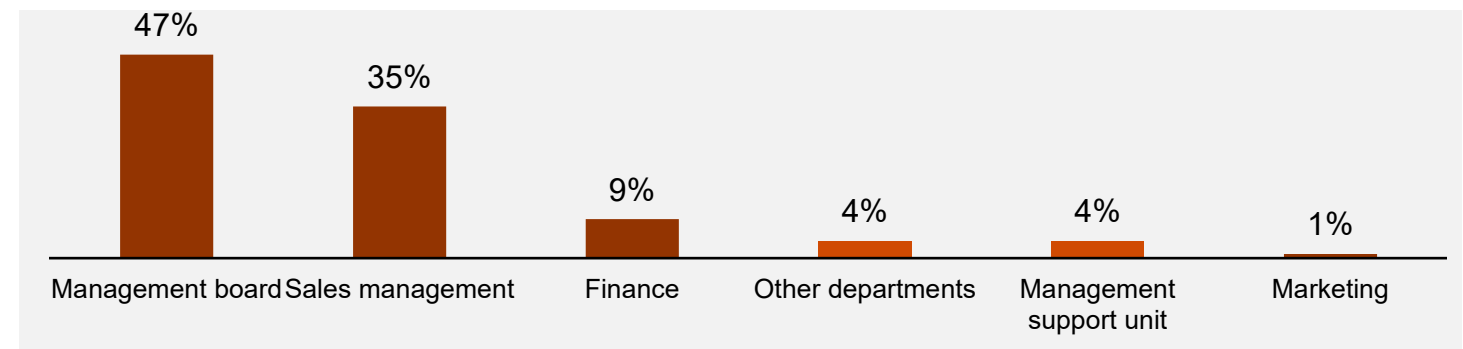
## Industry affiliation



## Industry affiliation in detail



## Function of the interviewees



# 5

## Contact us

# Contact us

Industry: Industrial Manufacturing



**Bernd Jung**

Senior Partner, Head of Industrial  
Manufacturing Practice Group

Mobile: +49 170 2238402  
bernd.jung@pwc.com



**Dr Thomas Wolf**

Senior Manager,  
Business Development

Mobile: +49 170 2208102  
t.wolf@pwc.com



**Sven Michael Hoffmann**

Manager,  
PwC Communications

Mobile: +49 170 5520658  
sven.michael.hoffmann@pwc.com



# Thank you.

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