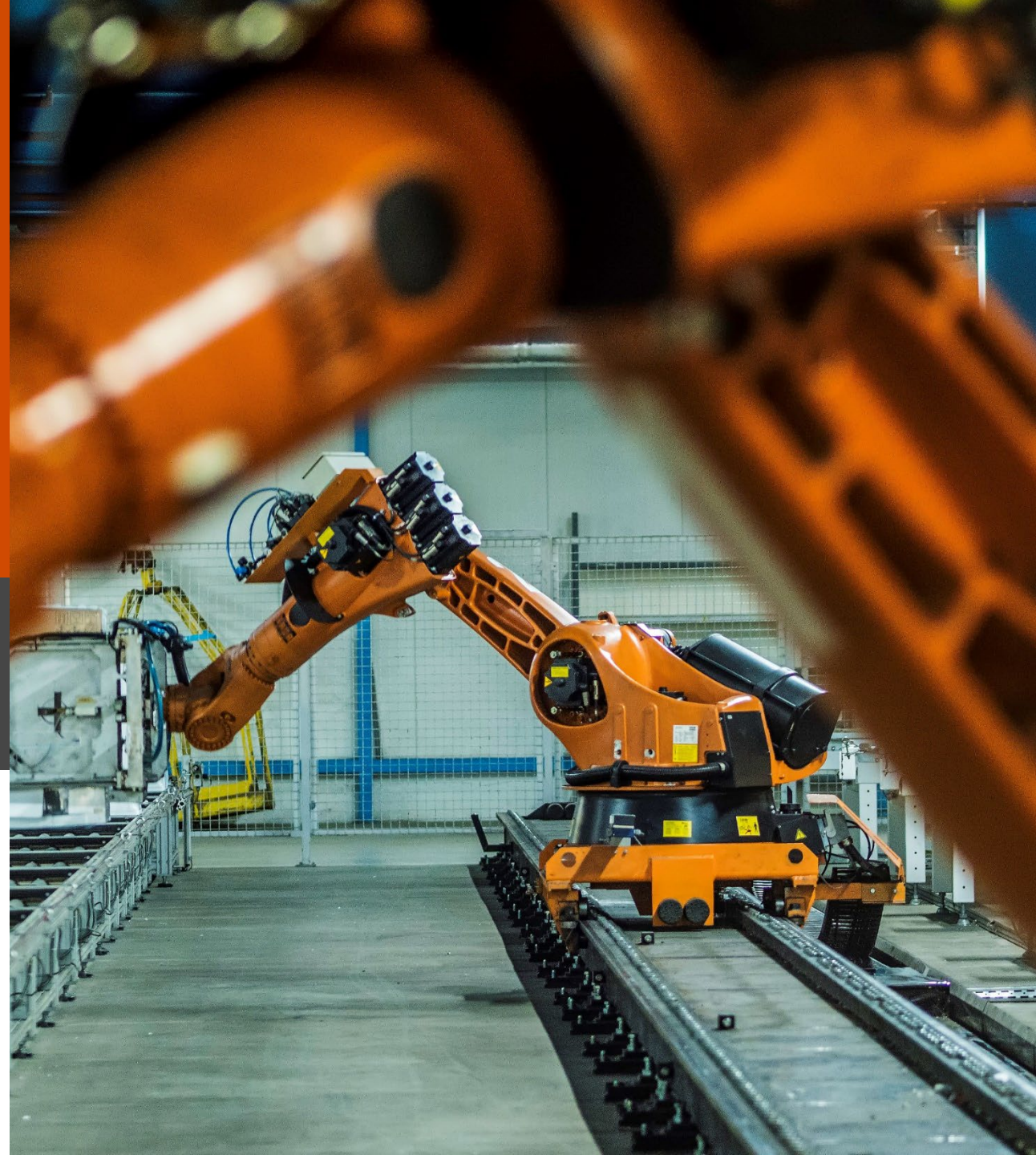


# German Manufacturing Barometer

## Outlook for 2025

[www.pwc.de/en/industrial-products.html](http://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 new edition of our PwC German Manufacturing Barometer reveals a significant rise in pessimism amongst mechanical and plant engineering executives. 65% of them are deeply concerned about the growth of the German economy, marking a 30-percentage point increase in pessimism since Q2 2024. Only 10% of them are still optimistic, while 25% are undecided, which also indicates deep-seated concerns about the future.

Sector sales forecasts for 2025 predict a decline of 5.6%, the strongest downturn since the Covid-19 pandemic. Furthermore, it marks the seventh consecutive quarter of negative forecasts. Currently, 64% of the surveyed managers predict negative sales compared to 25% of them expecting growth – and this is set to be endangered by struggles with cost pressures, regulatory challenges and a skilled worker shortage.

Cost forecasts for 2025 indicate rising personnel expenses (71% of decision-makers expect an increase; average expected increase of 4.4%). Meanwhile, 40% of respondents predict that costs for raw materials and intermediate goods will rise, with an average expected increase of 5.6%. A further 34% expect energy costs to rise, with an average increase of 7.2%. Despite these challenges, a significant portion of companies anticipate stable costs, reflecting cautious optimism about expense management in 2025.



# Executive summary

Pessimism among German mechanical and plant engineering executives has reached a record high. Sales forecasts for the industry as a whole and for individual companies remain negative. More and more decision-makers are recognising a broad variety of obstacles to growth (cost pressure, geopolitics, regulation, a shortage of skilled workers, declining demand). In addition to underutilised production capacity, companies will be burdened by rising personnel costs in 2025. But there is a silver lining on the horizon: less than half of all respondents anticipate rising costs for raw materials and energy.

## 65%



of the mechanical and plant engineering executives are **pessimistic about the development of the German economy** over the next 12 months.

## -5.6%



is the forecast for **sales growth for the sector as a whole** in 2025.

## 7 in 10



decision-makers surveyed expect **personnel costs to rise** in the coming year – the average expected increase is 4.4%.

## One third of

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

## -0.3%

is the **average expected sales growth** for **respondents' own companies** in 2025.

## 84.8%



is the current average **capacity utilisation** among the companies surveyed – 29% are working at close to full capacity, well below the average of the last ten years.



# 2

## Methodology

# About the study



150 companies in Germany

PwC's **German Manufacturing Barometer** is an analysis of a quarterly panel survey of executives in the German mechanical and plant engineering sector. In addition to an assessment of general economic developments, the study provides an overview of companies' growth expectations, KPI development, challenges and so on. This issue also sheds light on cost forecasts for 2025 with regards to personnel, raw materials, intermediate goods and energy.



# Methodology



## Survey method

Computer-assisted telephone interviewing (CATI)



## Market research

Verian Germany



## Group of respondents

Managers from the mechanical engineering industry



## Survey period

4 to 27 November 2024



## Sample size

n = 150



**Results are rounded to whole numbers.**

# 3

## Results

Economic expectations and  
sector growth





# Pessimism in a deeply worried industry

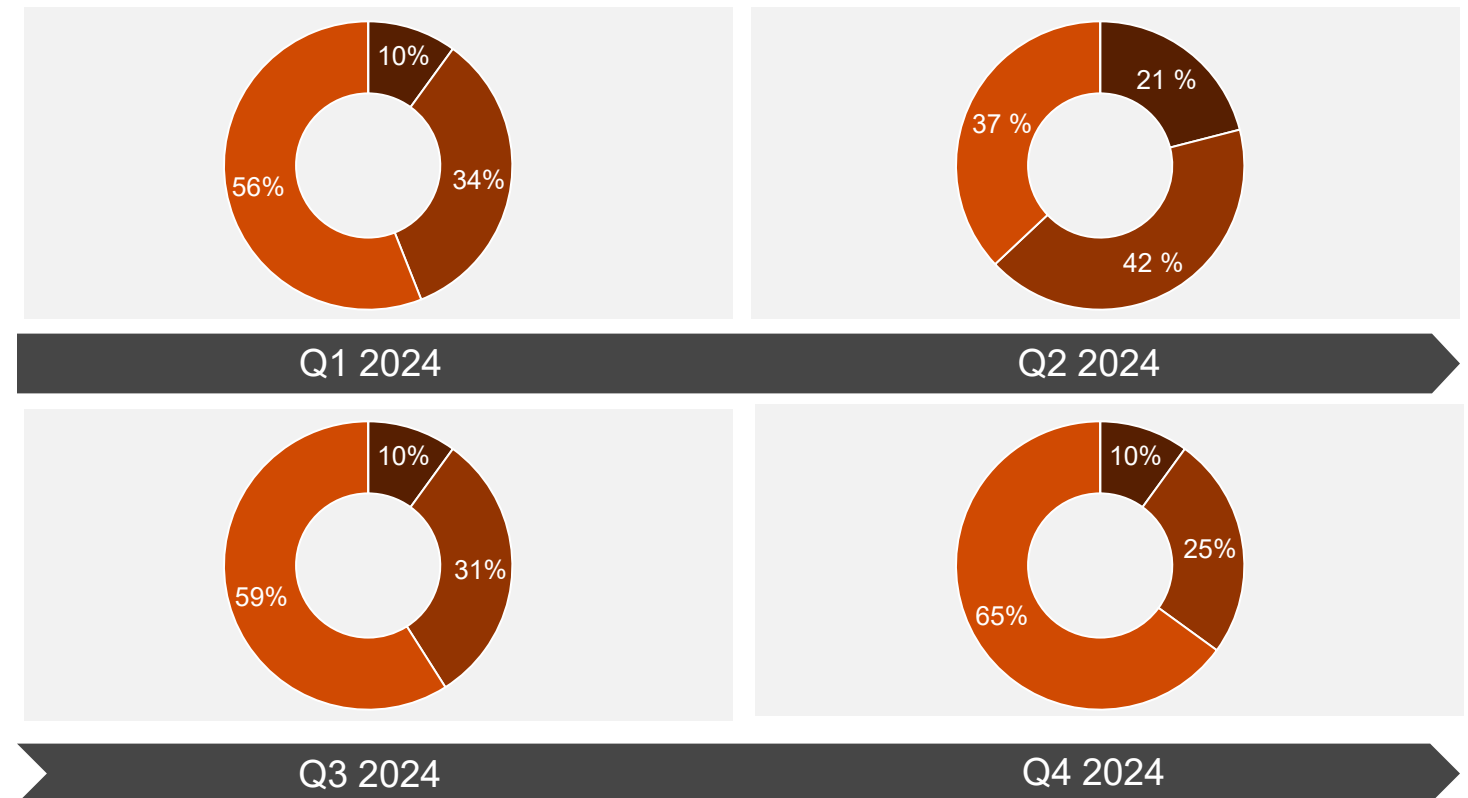
The proportion of mechanical engineers who are sceptical about the development of the German economy over the next 12 months has risen by a further 6 percentage points since the last survey in the previous quarter: currently, 65% of the decision-makers surveyed are pessimistic about the economy in 2025 – the highest figure ever recorded by the German Manufacturing Barometer.

Since the second quarter of 2024, the proportion of pessimists has risen rapidly, by almost 30 percentage points.

Only one in ten respondents is still positive about the German economy in 2025, while a quarter of respondents are undecided on this question.

## Looking ahead to the next 12 months, how do you rate the development of the German economy?

■ Optimistic ■ Undecided ■ Pessimistic ■ Not specified



# Pessimism at a ten-year high

At no point during the surveys of the last ten years have respondents been as pessimistic as they are today.

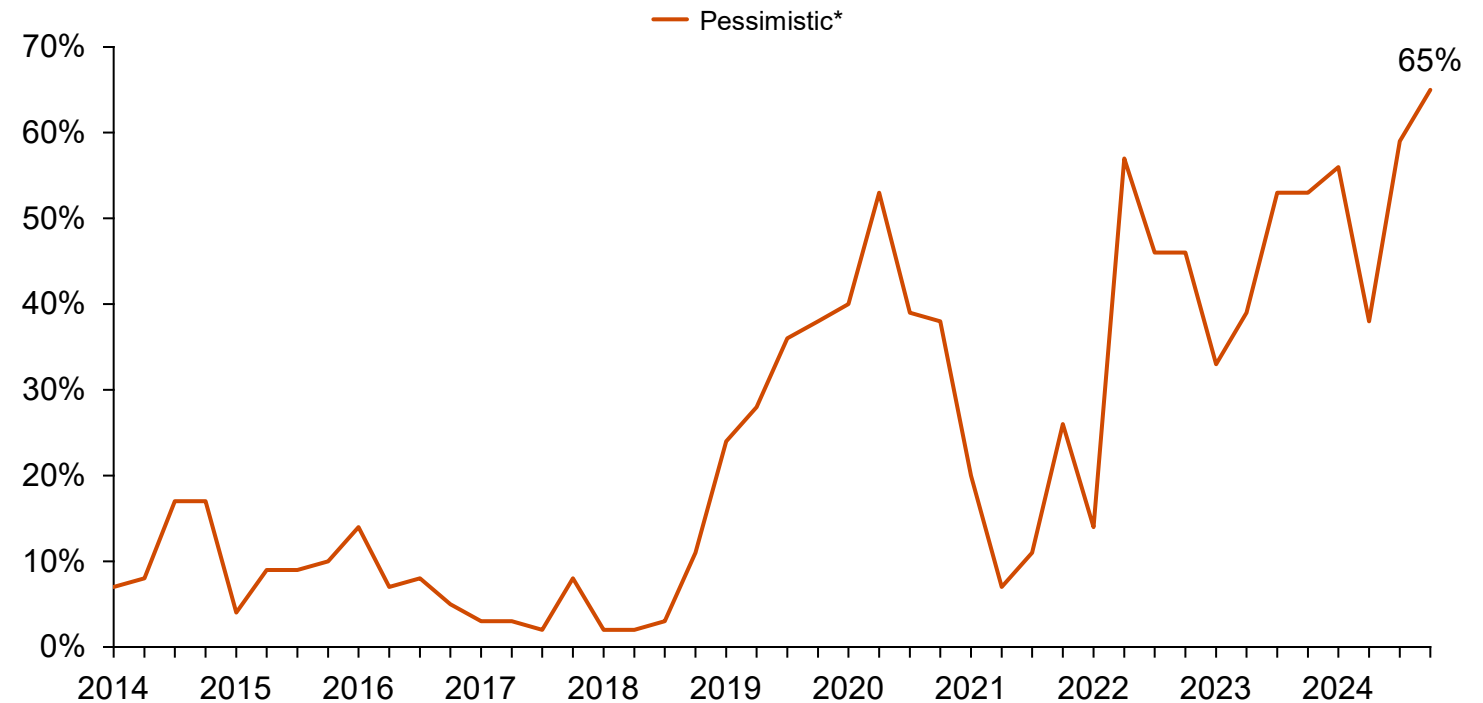
The highest levels to date were measured at the two key times of the first lockdown of the Covid-19 pandemic and at the start of the Russian war against Ukraine.

The average proportion of pessimistic decision-makers in all our surveys over the last ten years is 33%. The value at the end of 2024 was double the average. This illustrates the significant economic downturn over the past nine months.



## Proportion of pessimists regarding the development of the German economy: ten-year trend in Germany

Looking ahead to the next 12 months, how do you rate the development of the German economy?



\* Proportion of "very pessimistic" and "rather pessimistic" answers

# Development of the global economy leading to mixed expectations

Expectations for the global economy in 2025 are a mixed picture. A third of respondents are pessimistic about future developments – an increase of 4 percentage points compared to the previous quarter. At the same time, 36% of respondents are undecided on this question. The proportion of optimists is 30%, and has risen again slightly compared to the previous quarter.

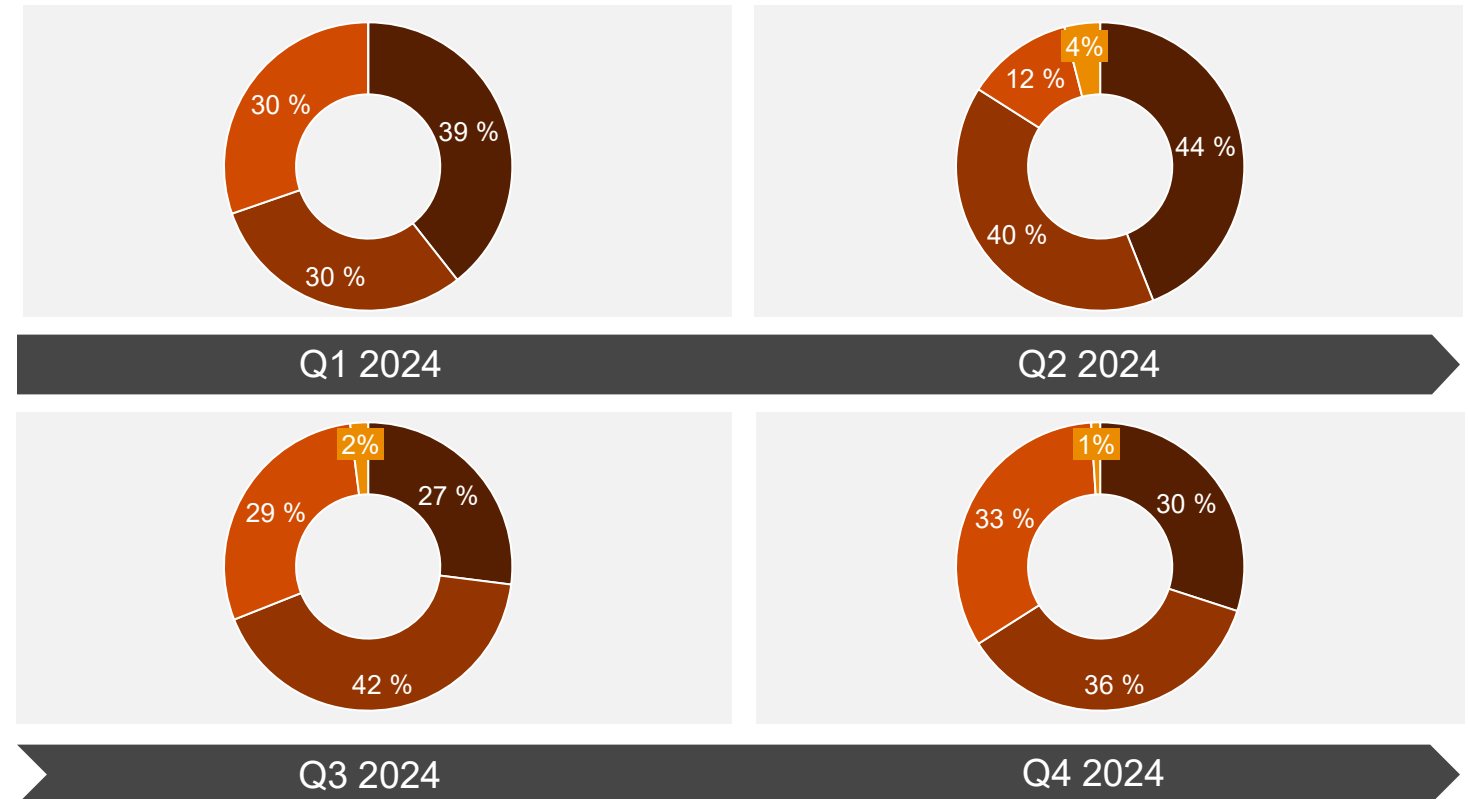
Overall, it can be said that although expectations for the global economy are better than those for Germany, two thirds of decision-makers feel at least insecure about the global economy due to the many international uncertainties and geopolitical conflicts.



Economic  
expectations  
(world)

Looking ahead to the next 12 months, how do you rate the development of the global economy?

■ Optimistic ■ Undecided ■ Pessimistic ■ Not specified



# Industry forecast slips deeper into the red

## Sales forecasts in decline

The average forecast change in sales for the industry as a whole in 2025 is  $-5.6\%$ . This is the lowest figure since 2020 (Covid-19 pandemic), with almost two thirds of managers (64%) expecting a negative sales trend and only one in four still anticipating growth.

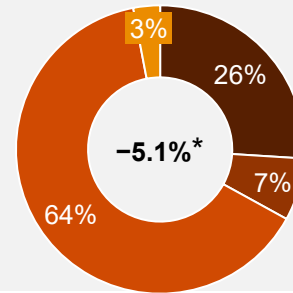
We are witnessing the seventh consecutive quarter with negative average sales development; a trend like this has never been seen before outside of the pandemic.



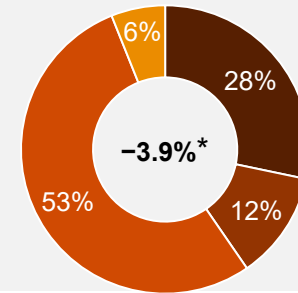
Sector  
development

How do you expect turnover to develop in your industry as a whole in 2025 compared to the previous year?

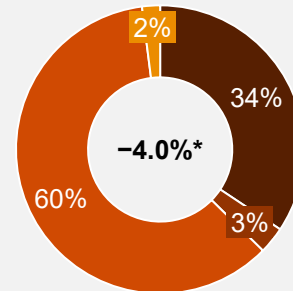
■ Growth ■ Constant ■ Negative ■ Not specified \*Average expected change in turnover



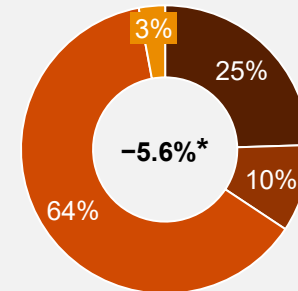
Q1 2024



Q2 2024



Q3 2024



Q4 2024

# Ten-year trend: no optimism for sector growth

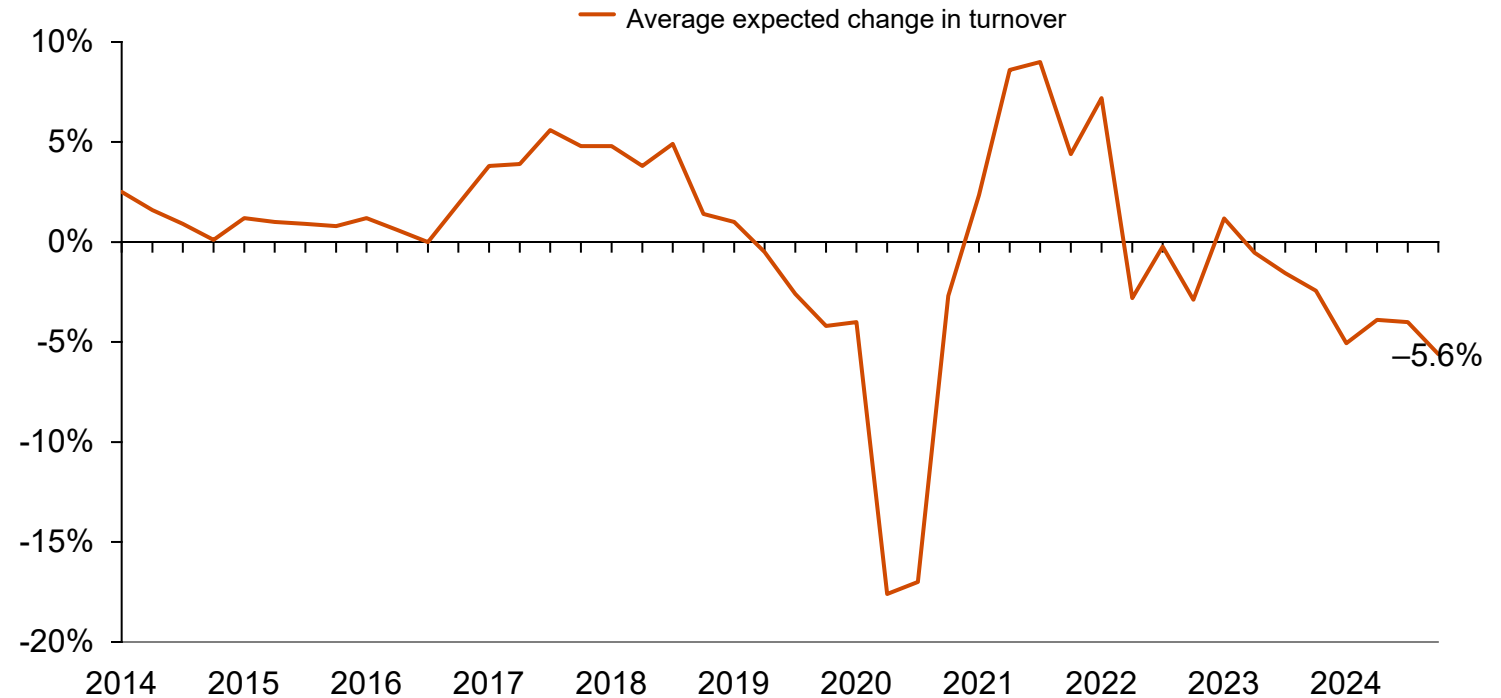
The annual overview of average growth expectations for the industry as a whole reveals a worrying negative trend for the mechanical and plant engineering industry.

With an expected average change in turnover of –5.6% compared to the previous year, the industry has reached its lowest point since the negative record of the Covid-19 pandemic (–17.6%). Starting in the second quarter of 2023, the industry has now recorded declining sales forecasts for seven consecutive quarters. The average forecast value has slipped by almost 7 percentage points since then.

Due to this ongoing negative trend and the exceptional phase of the pandemic, expected growth in sales for the industry as a whole over the last ten years averaged just 0.03%. Even excluding the outlier of the pandemic, it was still only 0.8%.

## Average growth expectations for the sector as a whole: ten-year trend in Germany

How do you expect turnover to develop in your industry as a whole for 2025 compared to the previous year?



# Results

Corporate development  
in 2025

# Turnover under pressure in 2025

The average forecast change in turnover for respondents' own companies in 2025 is  $-0.3\%$ , a forecast that has hardly changed since the last quarter.

The proportion of decision-makers who expect positive growth for their own company is 46%. The proportion of respondents who have a negative outlook on their company's own development is now at 37%, its highest level since the record figures during the pandemic.

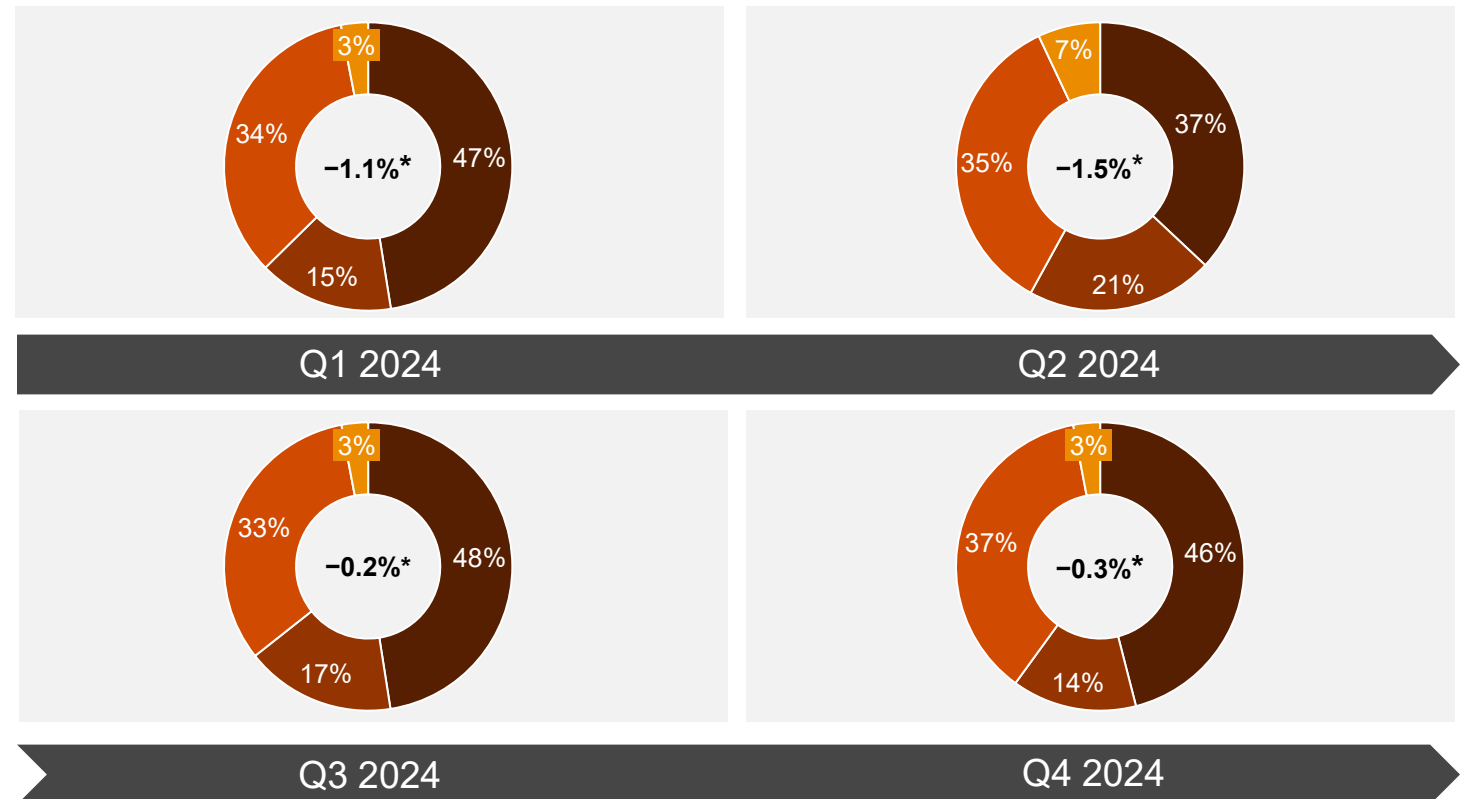
The sales crisis in mechanical and plant engineering has intensified. 2024 ends with a negative outlook for the coming business year. This is now the fourth quarter in a row with a negative growth forecast – the longest dry spell in the last ten years.



Turnover

## How do you expect your company's turnover to develop in 2025?

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



# Results

Current capacity utilisation  
and challenges



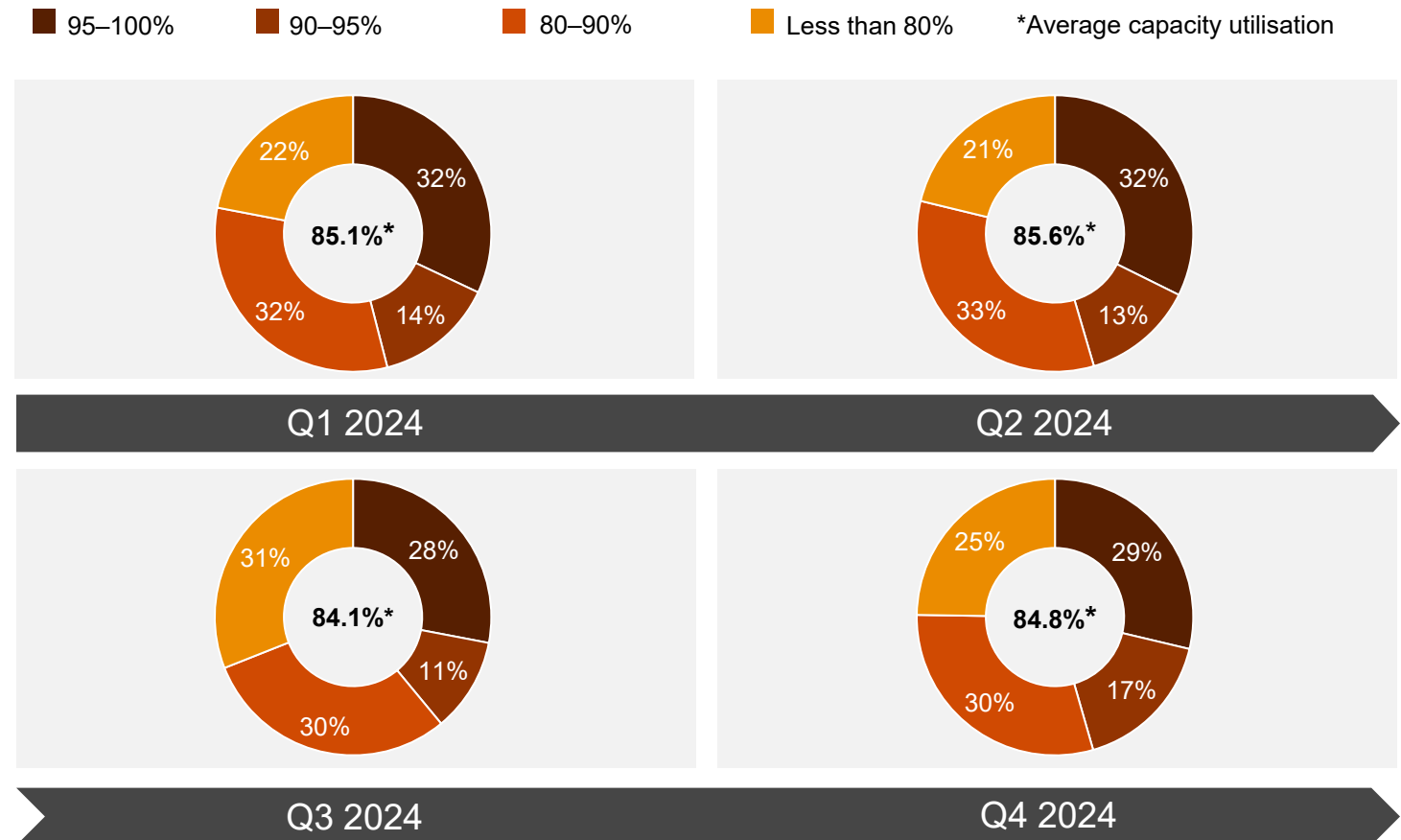
# Capacity utilisation remains under pressure

The average capacity utilisation of companies in the mechanical engineering sector currently stands at 84.8% – not a significant improvement compared to the previous quarter (84.1%). There were only slight changes in the level of capacity utilisation: currently, 29% of companies are working close to capacity, while 17% are achieving capacity utilisation of between 90% and 95% – an increase of 6 percentage points. These figures illustrate that capacity utilisation remains a critical problem. The industry is clearly struggling with volatile costs, weak orders and considerable sales difficulties in its target markets, which have also come under severe pressure. Production is also suffering as a result, and is additionally being burdened by the shortage of skilled labour.



Utilisation

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



# Productivity crisis: ten-year trend

Average capacity utilisation in mechanical and plant engineering has fluctuated significantly over the last ten years, reflecting various political, financial and socioeconomic impacts.

Capacity utilisation currently stands at 84.8% – a worryingly low figure compared to the long-term trend. A similar negative trend was observed during the pandemic, when capacity utilisation reached a low of 73.9%.

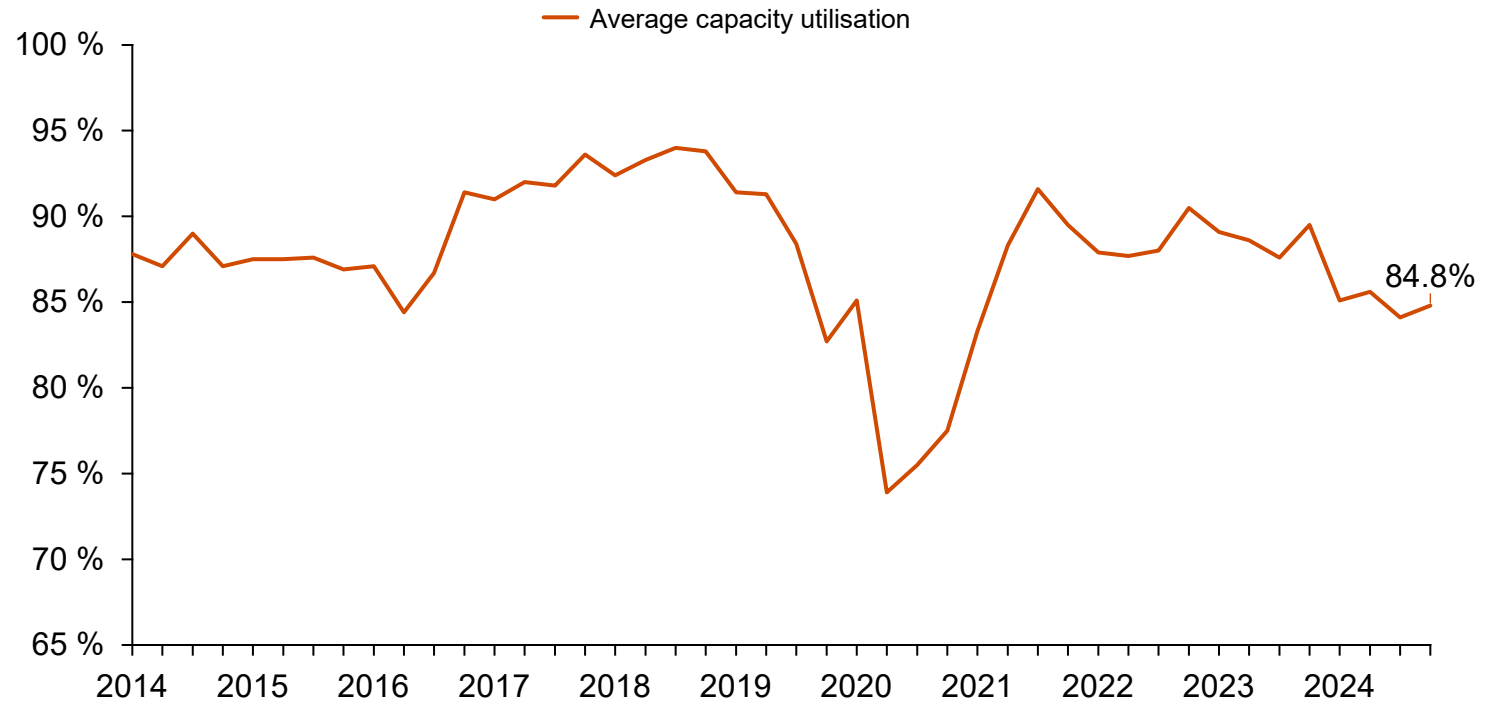
Since the beginning of 2024, there has been a discernible downward trend in capacity utilisation, which has now resulted in a value that is around 3 percentage points below the all-time average of our previous surveys. Over the last ten years, capacity utilisation has fallen by 0.32% per year.



Utilisation

## Average capacity utilisation: ten-year trend in Germany

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



# Obstacles are increasing

In descending order, the respondents see the three biggest obstacles to their company's growth as: increasing cost pressure (79%), the shortage of skilled labour (75%), and political developments abroad (66%). Compared to the previous quarter, the shortage of skilled labour has become significantly more relevant, rising by 8 percentage points. Weak demand has also become a more significant obstacle to growth, rising by 7 percentage points. Furthermore, six out of every ten respondents are concerned about the difficult regulatory environment. Financing is also becoming increasingly problematic, as the increase of 6 percentage points to 32% shows. Overall, the survey results clearly show that the number and importance of obstacles is increasing. Six out of the eight obstacles surveyed are above the average of all previous surveys.



## Challenges

Please tell me whether you currently see the following points as obstacles to your company's growth.



**79% (83%)**

Increasing cost pressure



**75% (67%)**

Shortage of skilled labour



**66% (65%)**

Political developments abroad

Basis: n = 150, multiple answers allowed

## "Yes" answers

	Q4 2024		Q3 2024
Difficult regulatory environment	64%	↘	65%
Weak demand	63%	↗	56%
More intense competition	49%	↗	48%
Difficult financing environment	32%	↗	26%
Climate change	17%	↘	22%

# Results

Cost forecast for 2025

# Staff will be more expensive in 2025

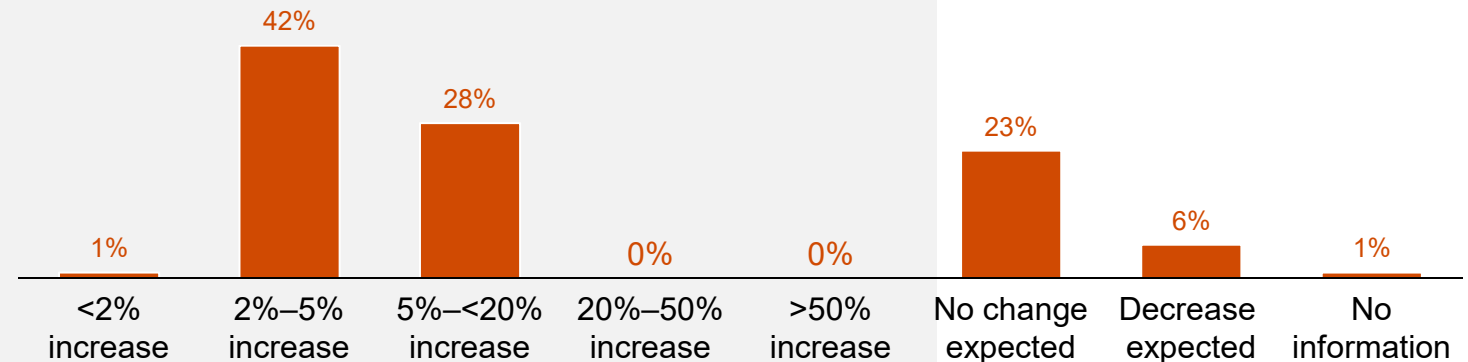


Personnel costs

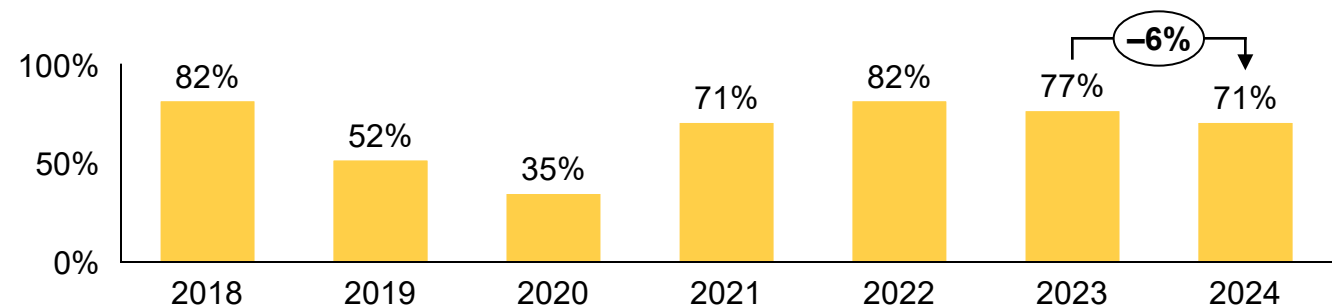
## How do you expect your personnel costs to develop in the coming year?

**71% anticipate rising personnel costs.**

**Average expected increase: 4.4%**



## Proportion of mechanical engineering companies that expect personnel costs to rise



Seven out of every ten decision-makers surveyed expect personnel costs to rise in 2025, with an average expected increase of 4.4%. This is a slight improvement compared to the previous year, when 77% expected personnel costs to rise. The average expected increase has fallen by 1.9 percentage points. 23% of decision-makers expect personnel costs to remain unchanged.

# Stable prices for raw materials and intermediate goods

The majority do not expect prices to rise

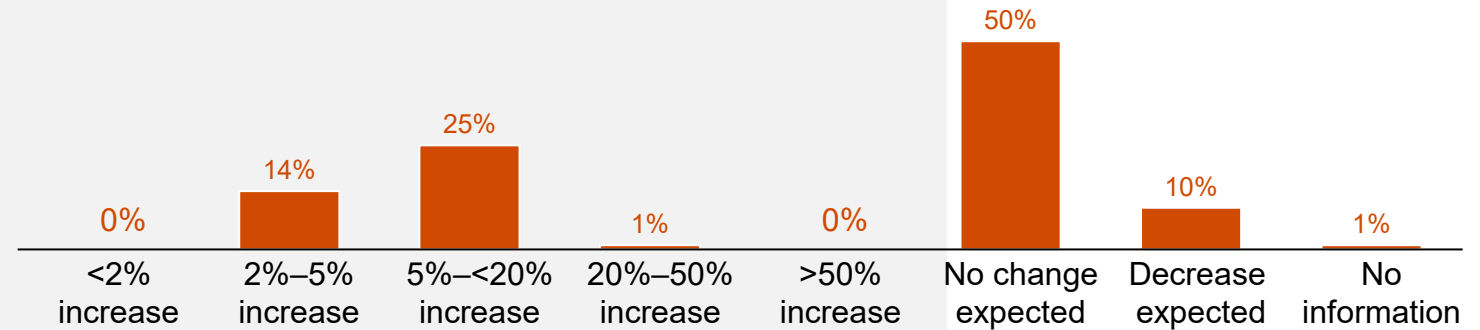
As in the previous year, four out of every ten decision-makers (40%) expect the cost of raw materials or intermediate goods to rise in 2025. They anticipate an average increase in costs of 5.6% – a significant decrease of 4.6 percentage points compared to the previous year's forecast. The majority of companies anticipate stable costs for raw materials and intermediate goods, which not only represents a significant increase compared to the previous year (+14 percentage points), but is also the highest value ever recorded in the German Manufacturing Barometer.



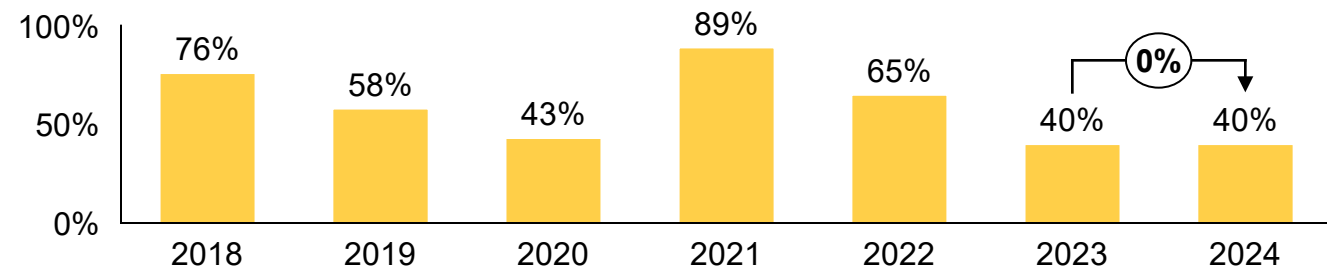
## How do you expect your costs for raw materials and intermediate goods to develop in the coming year?

40% anticipate rising costs for raw materials and intermediate goods.

Average expected increase: 5.6%



## Proportion of mechanical engineering companies expecting rising costs for raw materials and intermediate goods



# Energy prices will rise ... but only for some

Stability in energy prices is increasing overall, despite growing concerns

Around a third of those surveyed expect energy prices to rise in the coming year – a slight increase compared to 30% in the previous year. On average, they expect costs to rise by 7.2%, which represents a significant decrease of 19.4 percentage points compared to the previous year's forecast of 26.6%. At the same time, 48% of companies expect energy costs to stabilise – a decrease of 6 percentage points compared to the 54% in the previous year.

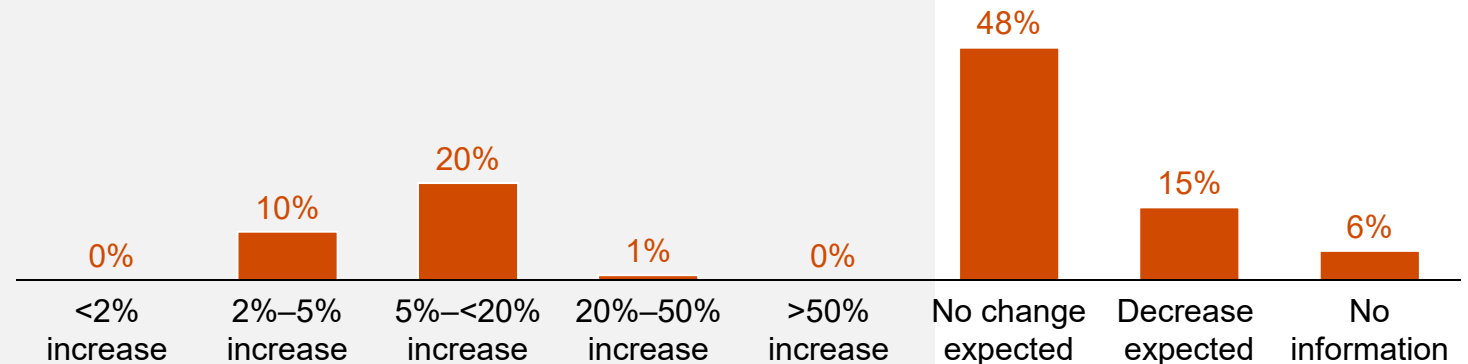


Energy costs

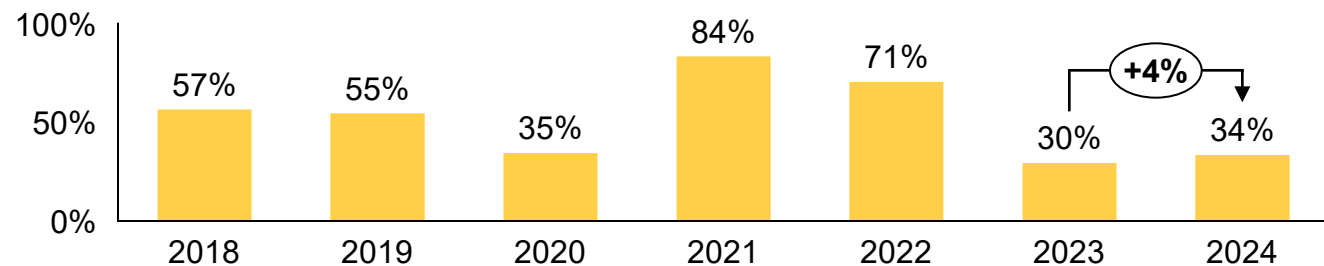
## How do you expect your energy costs to develop in the coming year?

**34% expect energy costs to rise.**

**Average expected increase: 7.2%**



## Proportion of mechanical engineering companies expecting rising energy costs



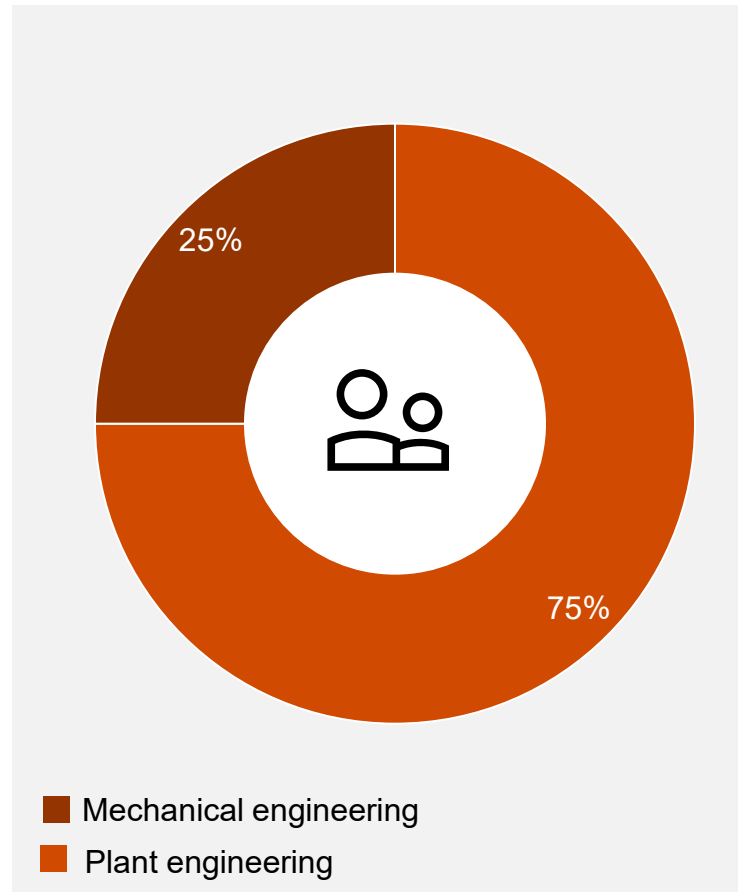
# 4

## Survey statistics

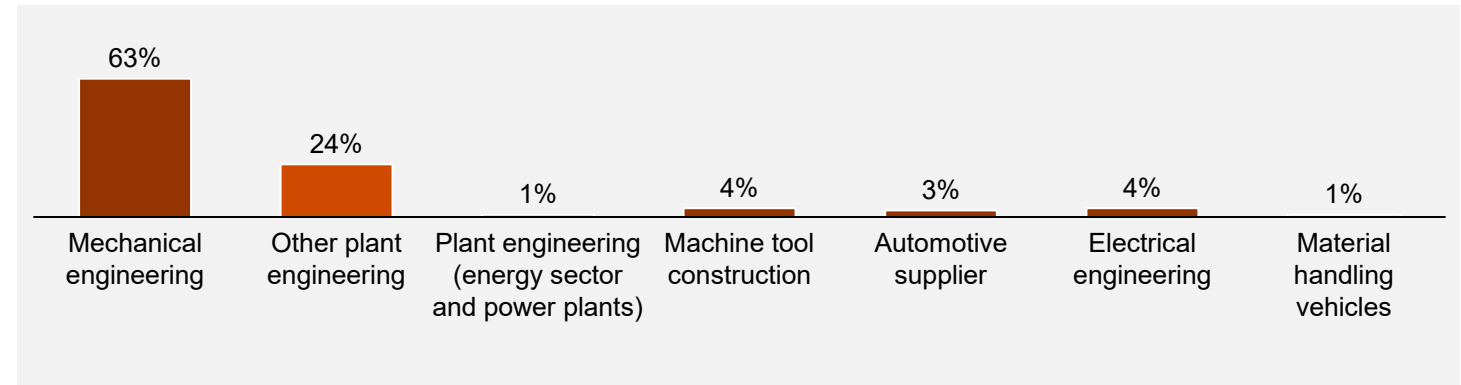


# Survey statistics

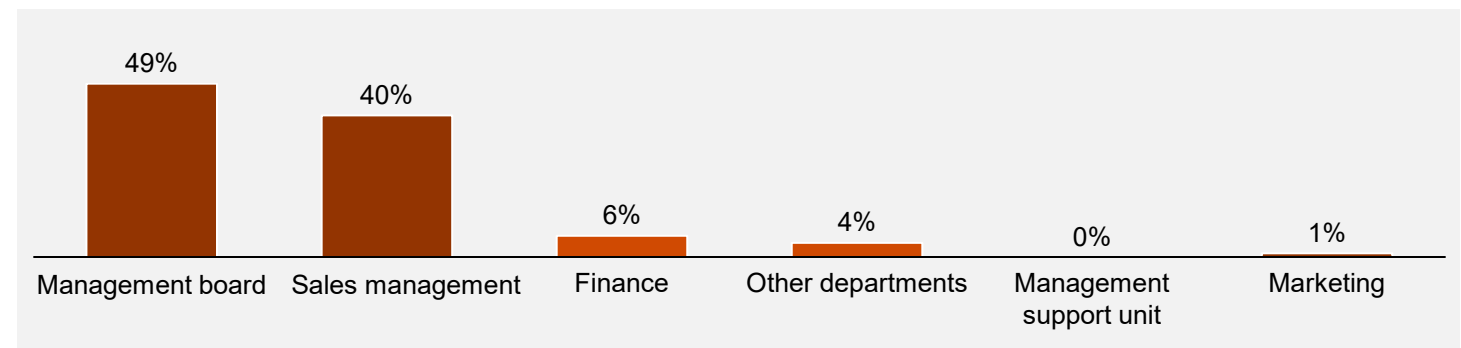
## Industry affiliation



## Industry affiliation in detail



## Function of the interviewees



# 5

## Contact us

# Contact us



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# Thank you.

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