Foreign Investments of Manufacturing Companies 2025

Report on foreign investment of the DIHK Economic Survey from the Beginning of 2025

DIHK German Chamber of Commerce and Industry

IHK German Chambers of Commerce and Industry

Foreign investment in manufacturing industry

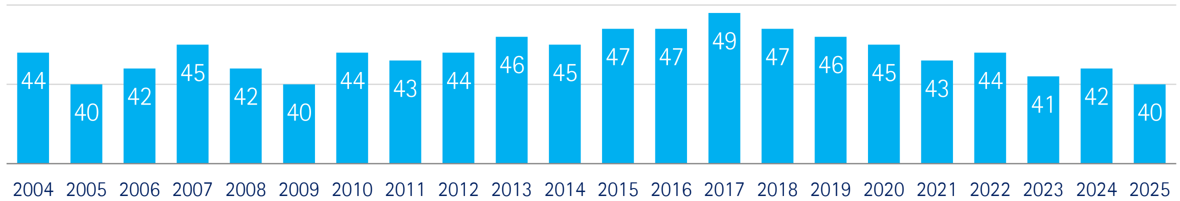
Analysis of around 1,700 responses from internationally active companies in the manufacturing industry from the DIHK economic survey from the beginning of 2025

Declining competitiveness in Germany as a business location, but also a weak economy and geopolitical risks are determining the foreign investments of German industrial companies. In addition, have to companies factor an increasing number of trade barriers into their location decisions. Accordingly, with 40 per cent, slightly fewer companies than in the previous year (invest abroad)42 per cent. The extent to which Germany's competitiveness as a business location is under pressure can be seen in the reasons for investing abroad: Whereas for many years market exploration was the main motive, cost savings have recently taken centre stage. As in the previous year, more than a third (35 per cent) of companies are planning to invest outside Germany for this reason - almost as many as in 2008 during the financial market crisis.

Smaller in particular industrial companies are currently finding it difficult to invest abroad. Only three in ten (30 per cent after 31 per cent previously) of companies (up to 200 employees) are planning investments outside of Germany. Before the coronavirus pandemic, the proportion was between 35 and 39 per cent. For large companies with 1,000 employees or more, the proportion is falling also slightly, albeit from a high level of 81 per cent to the current 80 per cent.

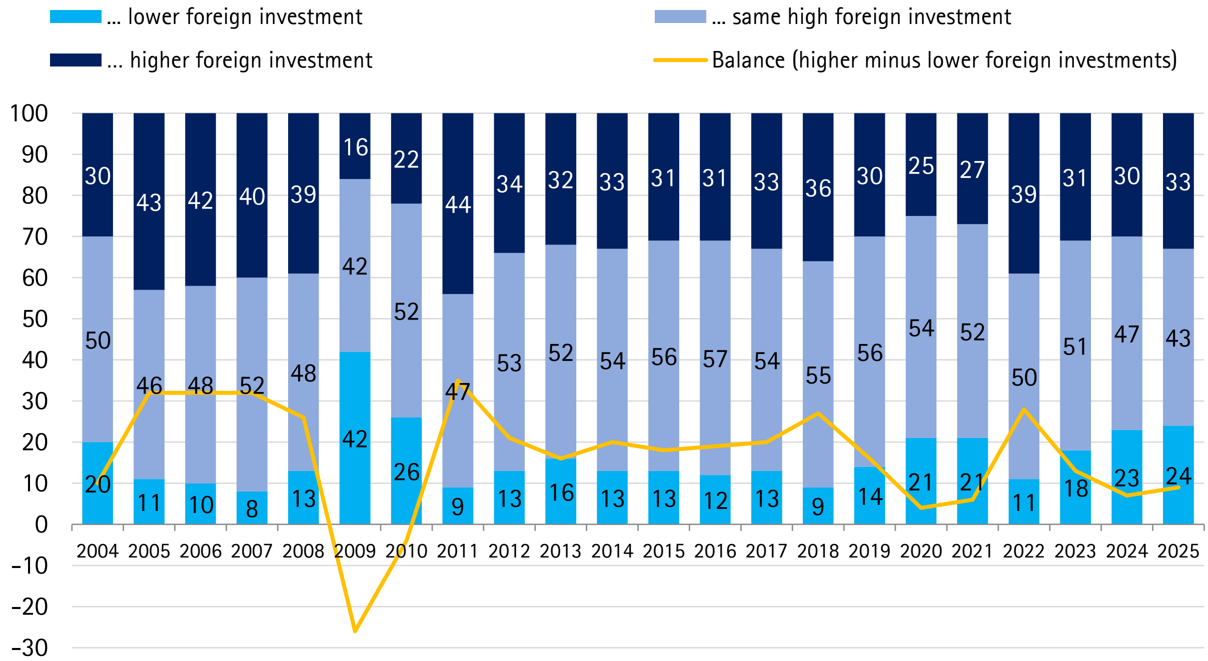
Share of German industrial companies with plans for foreign investments

Share in per cent



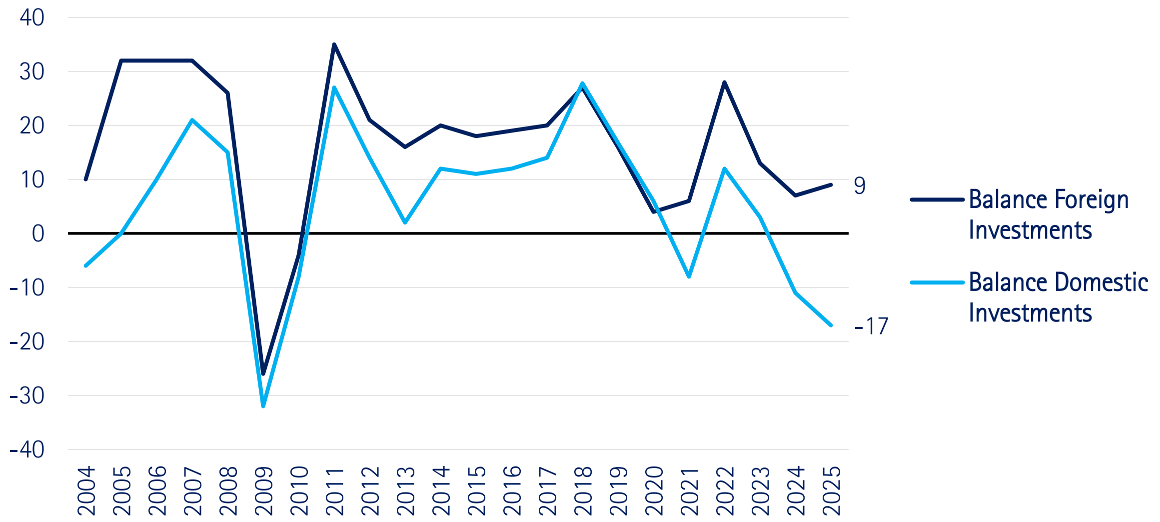
Of the industrial companies planning to invest abroad, ...

Shares in per cent, balance in points



Investment intentions of industrial companies in Germany and

(balance of "higher" minus "lower" responses)



The persistently negative business expectations, continuing high energy prices, high interest rates and numerous bureaucratic burdens as well as geopolitical risks are putting pressure on companies' budgets - and are also impacting the scope for investment, both domestically and abroad. Smaller companies are often less resilient to cost increases than larger ones.

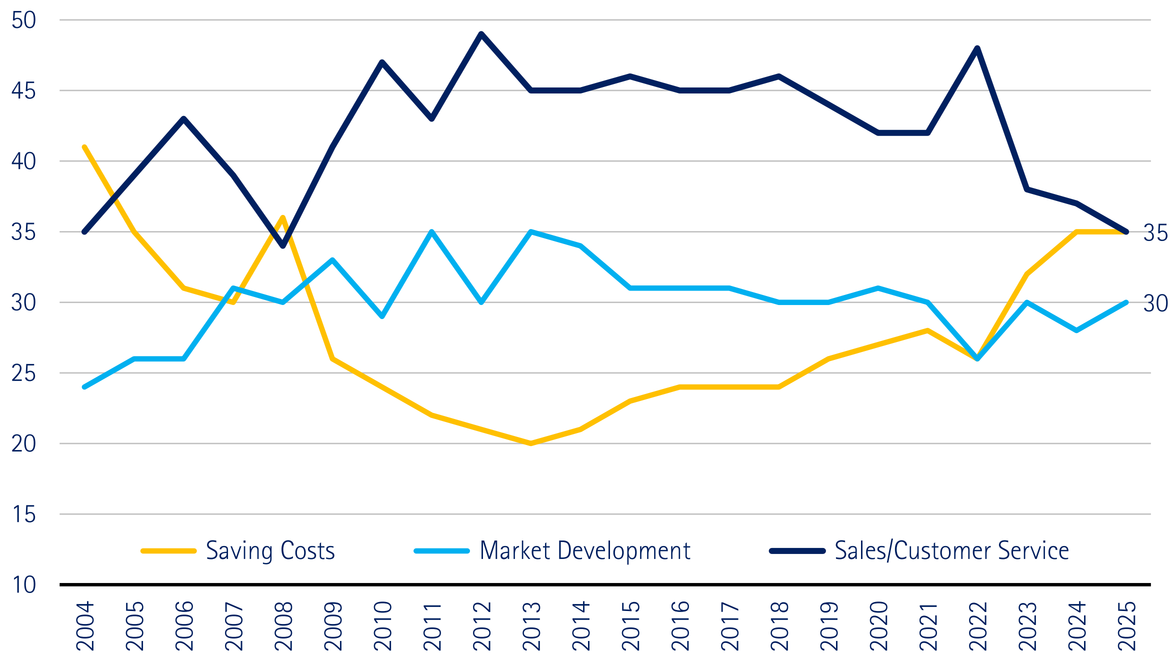
Overall, intend to a third (33 per cent after 30 per cent in the previous year) of companies that generally plan to invest abroad increase their foreign investment budget. In contrast, almost one in four companies (currently 24 per cent after 23 per cent in the previous year) planning to cut back. the balance of planned foreign investments Compared to the previous year, rose slightly from seven to nine points. This is only slightly higher than during the coronavirus pandemic (2021: balance of six points) and is below the long-term average of 17 points.

The comparison of is very striking foreign and domestic investments: At nine points, the balance for foreign investment is significantly more expansive than investment by manufacturing industry in this country (minus 17 points), despite the relatively low level. In principle foreign investment plans are, almost always more positive than planned domestic investments: on average, they are eleven points higher. However, is currently significantly to 26 points - a sign of the major challenges facing Germany's competitiveness as a business location the gap climbing

For many large companies (with 1,000 or more employees), most of which have an international presence, the answer to lies the current numerous risks in an increased and even more diverse commitment abroad. Despite the downturn, the balance for investments in foreign locations among large companies is still close to the average at 22 points (after 24 points in the previous year) at least close to the average (average since 2004: 26 points). The balance of level foreign investments among smaller companies up to with 200 employees is at (balance of plus one point, after minus two points in the previous year; average since 2004: eleven points). While the larger companies for foreign investments have significantly more positive investment balances than smaller companies, this is only partially the case for domestic investment plans (balance of investment intentions in Germany for industrial companies with 1,000 or more employees: minus 13 points after minus 14 in the previous year; industrial companies with up to 200 employees: minus 18 points after plus three in the previous year). This is further evidence of the current problems in Germany as an industrial location.

	Manufacturing Industry (excluding construction)	Capital goods producers	Intermediate goods Producers	Consumption and use goods producers	Energy-intensive industry	Motor vehicle construc-tion	Mechanical engineering	Electrical engineering	Chemical industry
Companies operating abroad (share in per cent)									
2025	40	48	39	33	41	58	48	51	50
2024	42	50	39	39	41	65	52	52	48
2023	41	49	41	33	n.a.	57	48	51	49
2022	44	52	41	38	n.a.	67	54	53	52
2021	43	49	42	39	n.a.	60	49	50	51
Planned foreign investments by companies (balance of "higher" minus "lower")									
Balance 2025	9	15	2	14	-1	30	10	12	7
Balance 2024	7	16	0	3	-3	19	17	-1	9
Balance 2023	13	24	8	-4	n.a.	34	22	24	-2
Balance 2022	28	32	30	10	n.a.	43	31	35	24
Balance 2021	6	2	13	0	n.a.	22	-3	8	6
Companies invest abroad for these reasons (in per cent)									
Costs	35	30	40	39	47	43	26	36	39
Market development	30	29	33	20	27	47	25	35	31
Sales/Customer Service	35	41	27	41	26	10	49	29	30
Companies invest in these regions (in per cent, multiple answers possible)									
Eurozone	64	62	62	70	63	79	56	58	58
other EU, Switzerland, Norway, UK	24	29	20	23	16	37	24	25	16
Eastern/Southeastern Europe (excluding EU), Russia, Turkey	13	16	10	19	12	23	16	12	17
North America	48	56	45	34	43	62	61	45	49
South and Central America	21	28	18	14	28	46	26	16	35
Africa, Near and Middle East	14	20	9	18	13	37	15	17	24
China	31	40	29	13	25	57	39	40	27
Asia/Pacific (excluding China)	21	22	22	15	28	14	22	27	41

Motives for foreign investment by German industrial companies
in per cent; no survey on foreign investment plans in 2002



Cost motive remains dominant...

The main motives for foreign investment by German industrial companies are **cost reduction** and the establishment and expansion of **sales and customer service** abroad - which primarily to support the trading activities of serves companies. However, the latter motive is once again losing importance at the start of 2024. these Only still 35 per cent of companies cite it as their main motive. Three years ago, it was still 48 per cent. Selling products "Made in Germany" abroad, providing on-site customer advice and after-sales service are low-threshold ways of establishing a presence in foreign markets and seizing market opportunities. For this reason, smaller are particularly likely industrial companies with fewer than 200 employees to invest in sales and customer service abroad (43 per cent after 46 per cent in the previous year). For large companies with more 1,000 employees, than this is the main reason for only one fifth (20 per cent after 24 per cent in the previous year) for planned investments. A look at the three main industrial groups shows that sales and customer service are significantly less important for manufacturers of intermediate goods (27 per cent compared to 29 per cent in the previous year) than for manufacturers of capital goods (41 per cent, unchanged from the previous year) or consumer goods (41 per cent compared to 46 per cent).

In relation to all industrial companies with foreign investments, more than a third now cite **cost savings** as the main motive for investing abroad. The proportion remains at a consistently high level – 35 per cent as in the previous year. This is the highest figure since 2008 (36 per cent). The appears to be domestic cost pressure among smaller companies even greater. At with fewer than 200 employees 37 per cent (unchanged from the previous year), just as many smaller companies cite cost savings as their main motive as in 2005, when Germany was still considered the "sick man of Europe". The cost motive significant is also for large companies (33 per cent as in the previous year) but is still below the high of 44 per cent in 2004. For manufacturers of intermediate goods, cost savings is with a share of 40 per cent the main motive. Only in 2004 was their share even higher at 43 per cent, as in the previous year. In the energy-intensive sectors, the proportion was as high as 47 per cent. In general, energy-intensive see themselves industries *(Energy-intensive industries: chemical industry, paper industry, coking plants and mineral oil processing, metal production and processing as well as glass, ceramics and stone processing -processing and glass, ceramics and stone processing (see also the definition of the Federal Statistical Office).* even more burdened by high energy costs than manufacturing industry as a whole: 76 per cent of energy-intensive companies energy and raw material prices currently cite as a business risk (manufacturing industry as a whole: 66 per cent).

Domestic investment and employment plans of Industrial companies that invest abroad (balance in points)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Domestic investment balance of industrial companies ...													
Total (all industrial companies)	2	12	11	12	14	27	16	-1	-1	23	3	-11	-17
of which companies with plans for foreign investments	6	18	17	16	21	35	17	-9	4	31	12	-11	-19
... with foreign investments for the purpose of cost savings	-5	13	11	7	15	27	8	-12	-8	14	2	-24	-30
... with foreign investments for the purpose of market development	7	21	17	14	18	35	15	-2	12	34	19	0	-16
... with foreign investments for the purpose of servicesales/customer	10	18	20	21	25	38	23	8	7	38	15	-6	-9
Domestic employment balance of industrial companies ...													
Total (all industrial companies)	-4	5	2	4	7	21	10	-10	-9	15	4	-13	-19
of which companies with plans for foreign investments	1	12	6	8	16	31	15	0	-5	27	12	-11	-19
... with foreign investments for the purpose of cost savings	-14	-1	-7	-5	2	13	0	-24	-22	10	-2	-32	-39
... with foreign investments for the purpose of market development	-1	13	10	5	12	31	13	-15	0	23	13	0	-16
... with foreign investments for the purpose of servicesales/customer	9	17	10	16	24	39	24	3	2	37	23	0	-7

The proportion of companies that want to invest abroad primarily to **open up new markets** is 30 per cent (after 28 per cent in 2024). This figure is in line with the long-term average. For large companies, production for the purpose of accessing new markets is the main reason for investing abroad (47 per cent after 43 per cent in the previous year). For smaller industrial companies with fewer than 200 employees, this only applies to 20 per cent (previously 17 per cent). In terms of sectors, opening up new markets is significantly more important for manufacturers of intermediate goods (33 per cent after 31 per cent in the previous year) and manufacturers of capital goods (29 per cent after 30 per cent in the previous year) than for manufacturers of consumer goods (20 per cent after 13 per cent in the previous year). This also reflects the desire for a diversification of supply chains and easier access to strategically important raw materials as well as the issue of cost-effective energy supply.

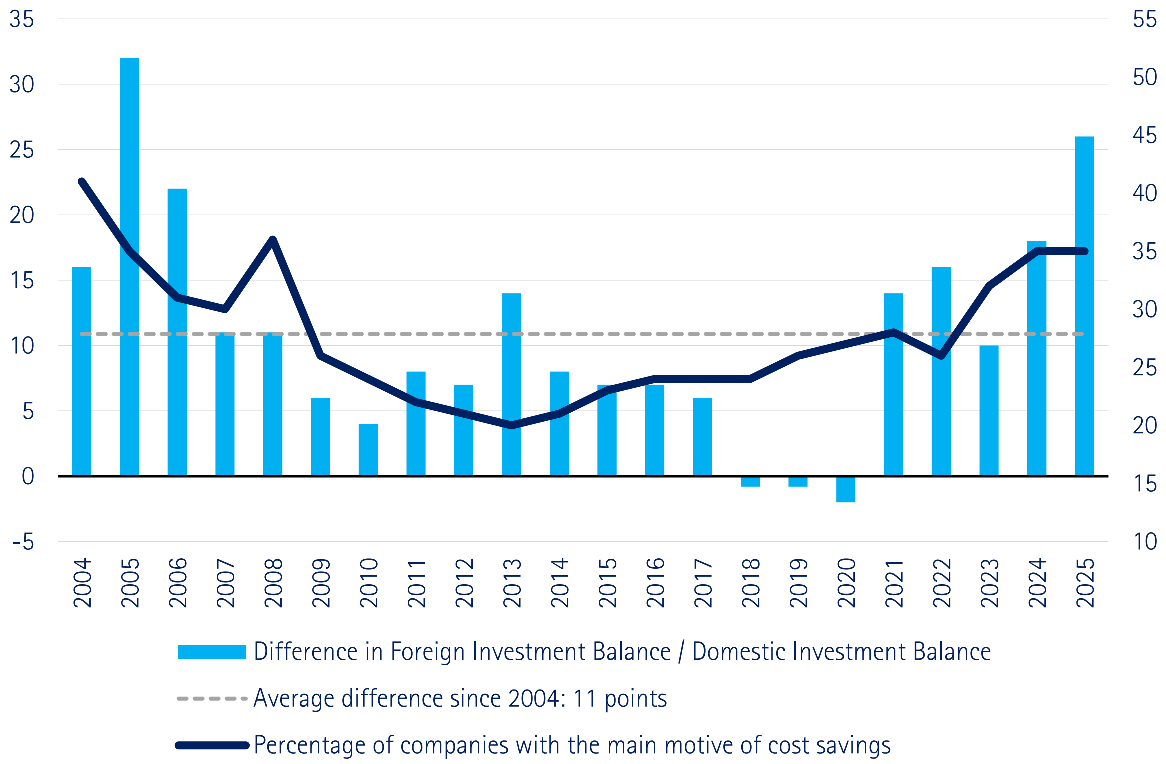
Overall, there are no significant differences in domestic investment or employment intentions between industrial companies with foreign investments and the overall manufacturing industry average. However, there are differences when the main motives for foreign investment are taken into account: Companies with sales/customer service as their main motive have both a significantly higher domestic employment balance (minus seven points) and a higher domestic investment balance (minus nine points) than the manufacturing industry as a whole (minus 19 and minus 17 points respectively). Involvement abroad also has a positive impact on the domestic labour market and location, as this foreign involvement is often a necessary support for the export economy of the companies concerned.

Until the previous year, this was also the case for companies that primarily want to invest abroad to open up new markets. However, in 2025, the investment and employment plans of these companies are only slightly better than the overall manufacturing industry average (minus 19 and minus 17 points respectively) at 16 points each. This may indicate that production at foreign locations is increasingly 'local for local' and therefore the positive feedback on the domestic value chain is weaker than before.

… threat of loss of added value at home

While international integration also stimulates employment and investment in Germany, the picture is very different when it comes to investment for cost reasons. Of the companies that abroad primarily tends to want to invest to save costs, 72 per cent see local labour costs and the economic policy framework as a risk to business development, while 63 per cent see energy and raw material prices as a problem.

Investment intentions of industrial companies at home and
Difference in foreign investment balances and investment balances domestic of manufacturing industry in points (left axis); share in per cent (right axis); until 2001 company responses from the autumn of the previous year, from 2003 from the beginning of the year; no survey in 2002



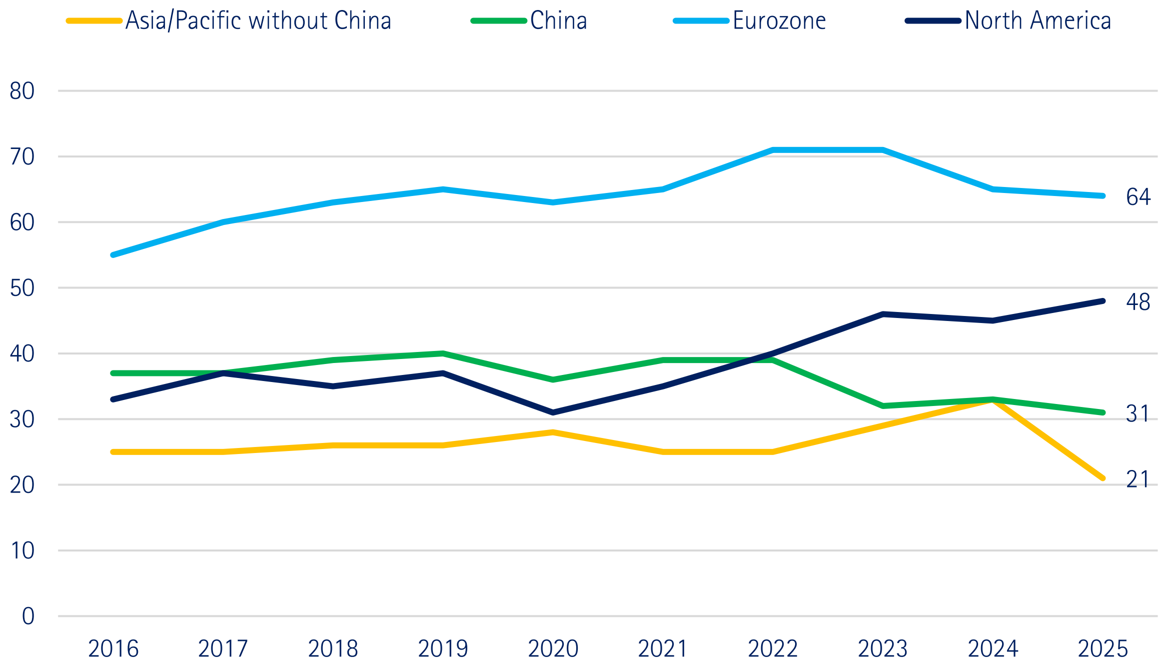
Fundamental challenges in Germany, such as high energy costs, long approval procedures, high taxes and duties, a shortage of skilled labour and infrastructure deficiencies, make **Germany a location** much less attractive for investment than other countries. This is shown on the one hand by a comparison of the investment balances of manufacturing industry abroad (balance plus nine points) and at home (balance minus 17 points). The gap is currently 26 points, which was last higher in the first half of the 2000s, when the German economy was in a deep structural crisis. On the other hand, the development of the cost motive for foreign investment also confirms this: It has also recently risen again (35 per cent) and is at a level that was also observed in the early to mid-2000s. This finding is all the more alarming as industrial companies that invest abroad for cost reasons nationally have lower investment plans (balance: minus 30 points) and employment plans (balance: minus 39 points) than the average of industrial companies overall (balance of domestic investment plans: minus 17 points, balance of employment plans: minus 19 points).

America is getting interesting

In the target regions of German industrial companies with foreign investments, the American continent is becoming increasingly attractive. Growth has been recorded in North America in particular. In the Asia/Pacific region (excluding China), on the other hand, there is currently a significant decline in investment. The changes in the remaining target regions are only slight.

Target regions of foreign investments by German industrial companies

in per cent; multiple answers



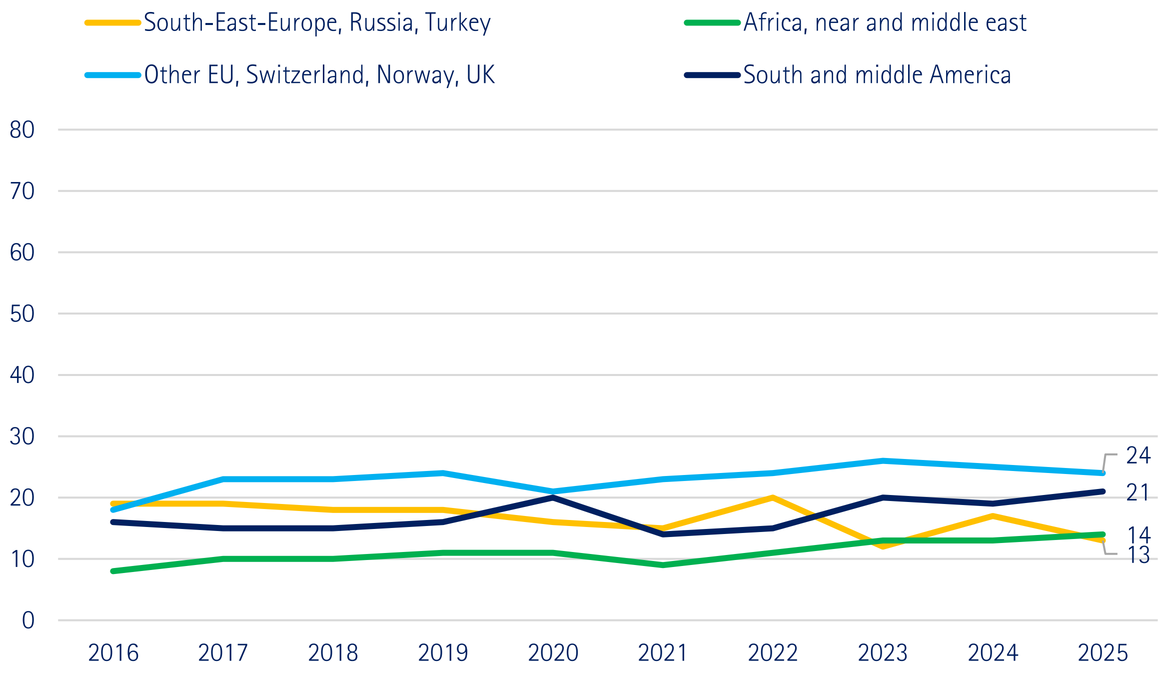
The **eurozone** remains by far the most important target region for foreign investment by German industrial companies. Almost two-thirds of industrial companies investing abroad (64 per cent after 65 per cent in the previous year) plan to invest here in 2025. Not only the single market, but also the single currency make it easier to invest in the single currency area. At 70 per cent, the proportion of companies in the consumer goods industry is even above average. The proportion of companies looking to invest in the rest of the EU, including **Switzerland, Norway and the UK**, also remains almost stable at 24 per cent (previously 25 per cent).

Investment plans in the target region of **Eastern/South Eastern Europe (excluding the EU), Russia and Turkey.** Are still influenced by the Russian war in Ukraine. Only 13 per cent (previously 17 per cent) plan to invest there. As in the previous two years, companies that are also active there cite cost savings as the most frequent focus of their foreign investments (42 per cent after 38 per cent in the previous year).

North America remains the second most important target region. Many German companies are attracted not only by the size of the market, but also by the attractive conditions for creating value locally, such as comparatively low energy costs and a low tax burden. In addition, local content regulations and the threat of trade conflicts also make it seem opportune to have a presence in the North American market. The proportion of industrial companies intending to invest there has risen from 45 per cent to 48 per cent. In the case of machinery and automotive manufacturers, the proportion even reached record levels of 61 per cent and 62 per cent respectively. For a long time, the cost aspect played only a minor role for companies investing in North America. In view of the significantly lower energy prices, the proportion of companies with investments in North America that invest abroad mainly for cost reasons is rising steadily from ten per cent in 2022 to 23 per cent most recently (2024: 22 per cent). The proportion of companies investing to open up new markets will decrease only slightly from 37 to 36 per cent. Companies investing in North America are increasing their foreign investment plans slightly on balance by one point to an above-average 26 points.

Target regions of foreign investments by German industrial companies

in per cent; multiple answers



German manufacturing industry's involvement in the Asian region is currently declining again. At 31 per cent of all German industrial companies, slightly fewer companies are investing in China than in the previous year (33 per cent). The gradual withdrawal from the Chinese market, which was observed in the wake of the global supply chain disruptions in 2022, is thus continuing again after a brief interruption. The also balance of planned foreign investments by companies with commitments in China fell from 25 to 14 points. The proportion of companies with foreign investment plans in **Asia (excluding China)** fell significantly from the high previous year's (33 per cent) to just 21 per cent. Interest is declining in Asian locations outside of China among capital manufacturers goods in particular: the proportion of companies planning to invest in the region has even fallen from 43 per cent in 2024 to 22 per cent currently.

The proportion of companies active abroad that are involved in **South and Central America** rose slightly from 19 per cent to 21 per cent. However, the balance of planned foreign investments by companies wishing to invest in this region fell significantly by nine points to 17 points. Market development plays the largest role as the main investment motive at 41 per cent (previously 37 per cent). With the hope that the Mercosur agreement will soon be finalised, interest in deeper involvement in South and Central America is also increasing.

The attractiveness of the **Africa, Middle East and Africa** region in terms of foreign investment has improved slightly compared to last year. The proportion of industrial companies looking to invest there has risen from 13 to 14 per cent. Electrical engineering companies in particular (17 per cent after 14 per cent in the previous year) are increasing their commitment. However, the balance of planned foreign investments by companies wishing to invest there fell from 23 to 15 points.

Questionnaire

How will your company's expenditure on investments abroad develop in 2025 compared to 2024?

- Higher expenses
- constant expenses
- Lower expenses
- No foreign investments in either year

Where is your company planning to invest abroad in 2025? (multiple answers possible)

- Eurozone
- Other EU, Switzerland, Norway, United Kingdom (UK)
- Eastern/Southeastern Europe (excluding EU), Russia, Turkey
- North America
- South and Central America
- Africa, Near and Middle East
- China
- Asia/Pacific (excluding China)

What will be the functional focus of your company's foreign investments in 2025?

- Production for cost savings
- Production for the purpose of market development
- Sales/Customer Service
- Other: (as comment field)

Imprint

German Chamber of Commerce and Industry (DIHK) | Berlin | Brussels

Postal address: 11052 Berlin |
House address: Breite Straße 29 | Berlin-Mitte
Phone: 030 20308-0

DIHK Online
Homepage | Facebook | X (Twitter) | Linkedin | Instagram Youtube |

Editors: Iason Tsakiris, Dr Jupp Zenzen

Graphic: Sebastian Titze, DIHK

Status: March 2025