

## EUROPE BUSINESS OWNERS SEE PROLONGED MARGIN SQUEEZE — CONNECT4B

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European business owners entered 2026 facing weak profits, soft demand and contracting investment, while cost and regulatory pressures remained elevated across major markets, according to the latest Connect4B Business Owner Survey.

Germany: Operating conditions remain under strain. Earnings -35% (Q1 2026); revenues -20%; domestic orders -24%; international orders -15%. Cost pressures remain acute with business expenses +63% and personnel costs +72%. Forward-looking indicators show limited relief: earnings expectations -30%, investment expectations -23%.

Switzerland: Firms remain comparatively resilient but momentum has weakened. Earnings -15%; revenues -15%; investment -6%. Structural frictions persist, with personnel costs +34% and red tape +36%.

Austria: Profitability and investment remain under pressure. Earnings -32%; investment expectations -23%. Personnel cost pressure remains close to 70%.

France: Margin pressure persists. Earnings -30%; investment -37%. Personnel costs exceed 60%, while regulatory burdens remain among the highest in the survey.

United Kingdom: Firms remain defensive. Earnings -40%; revenues -33%; hiring -25%; investment expectations -29%. Personnel costs +75%, alongside elevated tax and regulatory pressures.

Bottom line: Across all surveyed markets, negative revenue and earnings balances coincide with falling investment and weak hiring, while cost, tax and regulatory pressures remain elevated, pointing to a prolonged margin squeeze rather than a short-lived cyclical slowdown.

Data: Connect4B Business Owner Survey, Q1 2026. Net balances (% reporting increase minus % reporting decrease). Sample: Business owners. Coverage: Germany, Switzerland, Austria, France, United Kingdom.

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