

The background features a dark blue industrial scene with a laser cutting process. Bright orange sparks are flying from a cutting head on the right. Overlaid on this are several thin, light blue and white line graphs that fluctuate across the frame, suggesting economic data or trends.

# **MET** **Business cycle report**

## MET industries significantly below last year's level – only vague signs of stabilisation

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- Due to the **accelerated recession**, the main economic indicators for the German Metal, Engineering & Technology-based Industries (MET industries) were significantly below last year's values at the start of the year.
- The **production volume** in MET industries for January and February 2024 was 7% below the level of the previous year. Production plans remained predominantly downward in April as well.
- **Revenue & sales** stabilized somewhat in February. However, the already weak January figures were revised downwards. The first quarter is indicating a decline of ~5% from the previous quarter. Consequently, the downward trend has accelerated - time-lagged relative to the decline in orders. Sales are now ~8% below the previous year.
- **New orders** in January & February were almost 11% lower in real terms and 9% lower in nominal terms compared to the previous year. The bottom of the demand trend does not appear to have been reached yet. The assessment of order books worsened again in April. 2 out of 5 MET companies are now affected by a lack of orders.
- The number of **MET industry employees** was still up by 0.6% in February compared to last year. Seasonally adjusted, the sideways movement has continued since spring 2023. The skills shortage is becoming more entrenched despite the recession.
- The **business climate** in the MET sector stabilized again somewhat in April but remained overall negative. The proportion of pessimists for the coming months has decreased again. However, the current assessment of the situation continued to deteriorate.
- The **GDP forecasts for 2024** are being further downgraded for Germany. According to the latest IMF forecast, the discrepancy with robust global growth expectations is increasing. A production decline of 2 to 3% is likely in the MET industries, although the downside risks have increased due to ongoing weak demand.
- The **inflation rate** continued to decrease to 2.2% in March. Despite cost pressures, the price plans of MET companies are currently on the decline.

# Annual Overview 2024: MET industries start the year in an accelerated recession

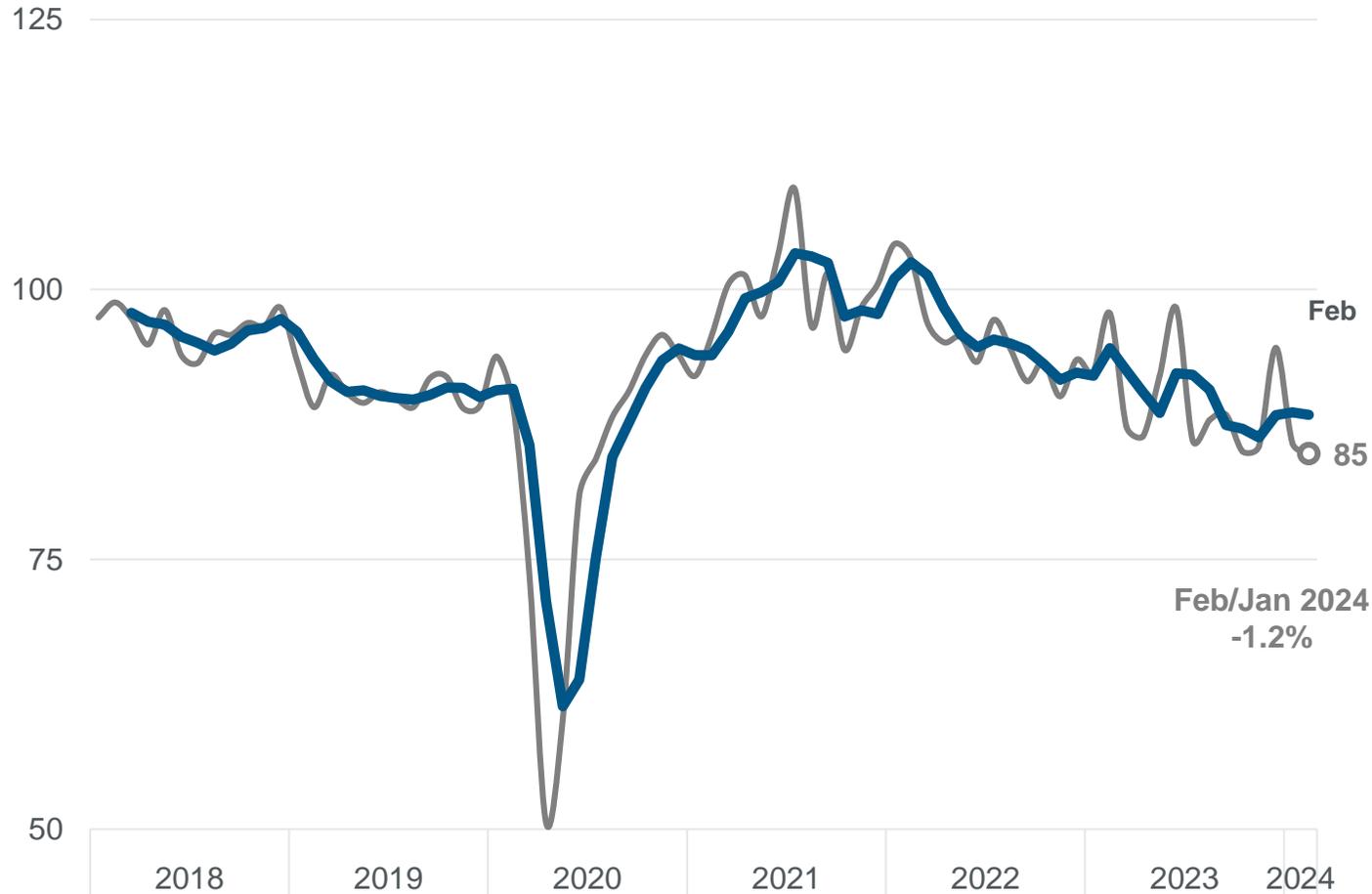
	Real**	Nominal		Nominal
 <b>New Orders*</b> (Δ Jan-Feb)	-10.7%	-9.3%	 <b>Employment</b> (Δ Feb)	+0.6%
 <b>Production*</b> (Δ Jan-Feb)	-7.2%		 <b>Hours worked</b> (Δ Jan-Feb)	+1.9%
 <b>Turnover*</b> (Δ Jan-Feb)	-8.2%	-6.5%	 <b>Wages &amp; salaries</b> (Δ Jan-Feb)	+4.5%
 <b>Foreign Turnover*</b> (Δ Jan-Feb)	-8.6%	-6.5%	 <b>Unit Labour Costs</b> (Δ Jan-Feb)	+9.4%

Changes in Economic Indicators for the German Metal and Electrical Industry from January-February 2024 compared to the Same Period in the Previous Year, Employment: Latest available monthly data, Source: Federal Statistical Office; Gesamtmetall calculations \*Calendar and seasonally adjusted values \*\*Price-adjusted values

# MET New Orders in Continuing Downtrend

## New Orders MET Industries

Index Ø 2021 = 100. Price-, season- and calendar-adjusted monthly values & 3-Month moving average.



Source: Federal Office of Statistics

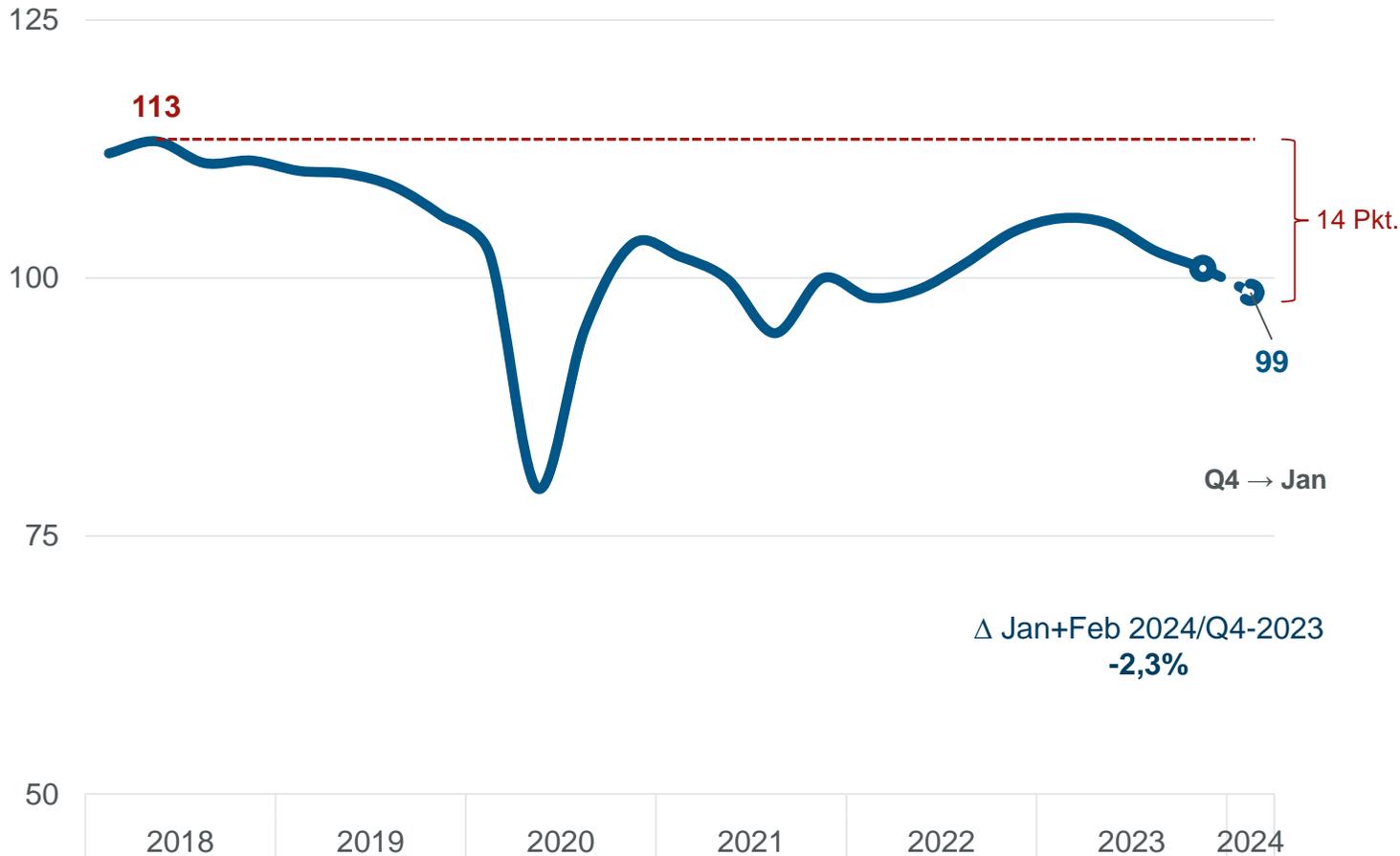
New orders continued to decline in February, perpetuating the downward trend (excluding major orders). In January and February, the price-adjusted order volume was almost 11% below the level of the previous year. The order value also fell 9% below the previous year. All regions and sectors exhibited a negative trend. Only in machinery and equipment did major orders lead to a slight stabilization compared to the (weak) previous quarter.

In April, the proportion of MET companies experiencing a shortage of orders increased further. Demand compared to the previous month worsened further. A stabilization in this trend is not yet apparent.

# MET Production: Recession Accelerates – Gap to Pre-Crisis Levels Continues to Widen

## Production MET Industries

Index Ø 2021 = 100. Price-, season- and calendar-adjusted quarterly values



Source: Federal Office of Statistics

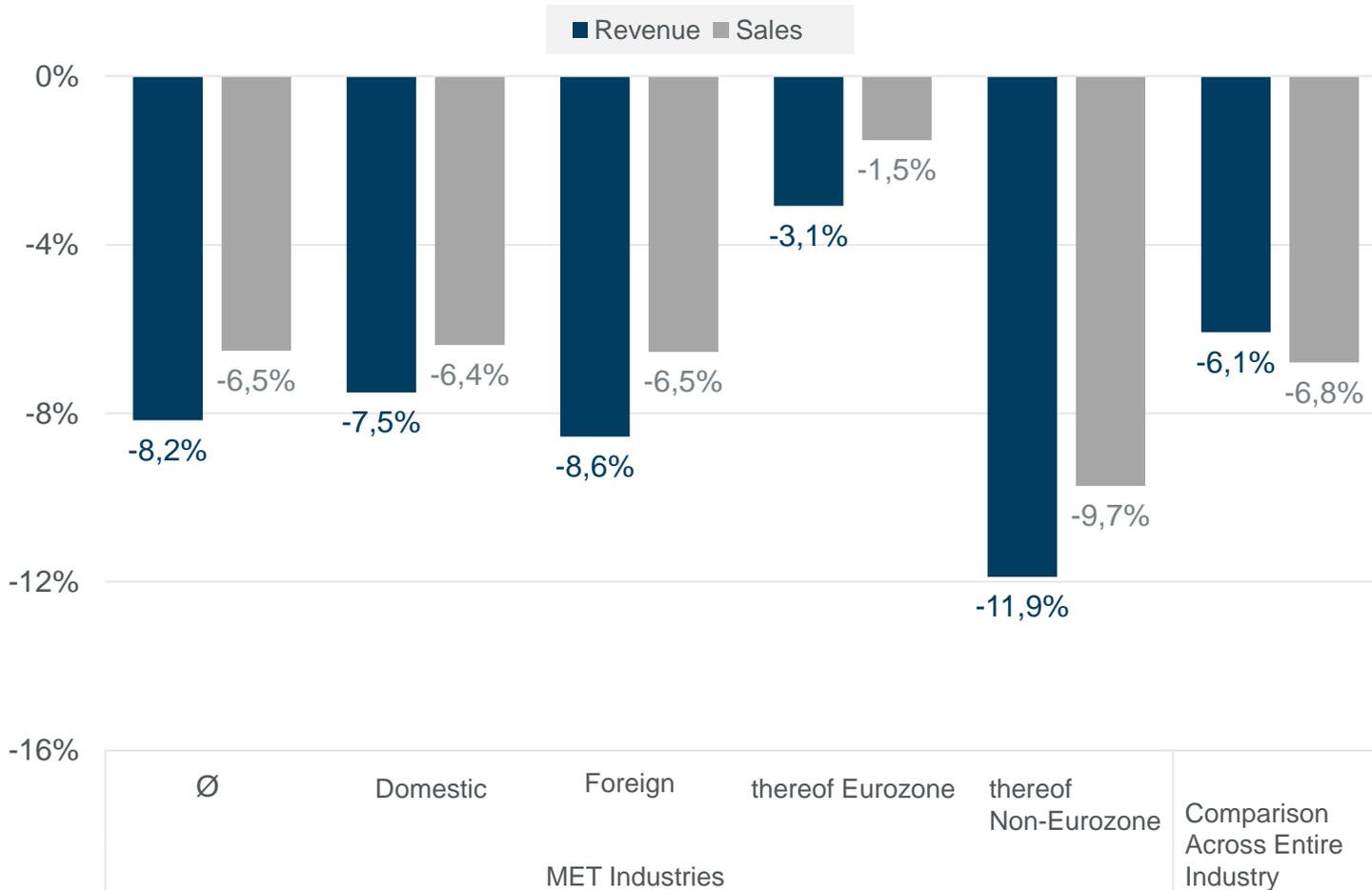
The decline in MET production has further accelerated. Despite a slight counter-movement in February (+0.4% from January), a production decline of ~2% from the previous quarter is anticipated for Q1-2024. This places the production volume 7% below the previous year and 14 points below the pre-crisis level of Q2-2018.

Despite an improved material situation, the production plans of MET companies continue to be predominantly downward. In April, 21% of MET firms planned to reduce production, while only 14% anticipated an expansion.

# Revenue & Sales: Decline Sharpens Further at the Start of the Year

## Revenue Development by Sales Regions in the MET Industry

Δ Jan-Feb 2024, Calendar-Adjusted Change from the Same Period Last Year, Sales = Price-Adjusted



Source: Federal Office of Statistics

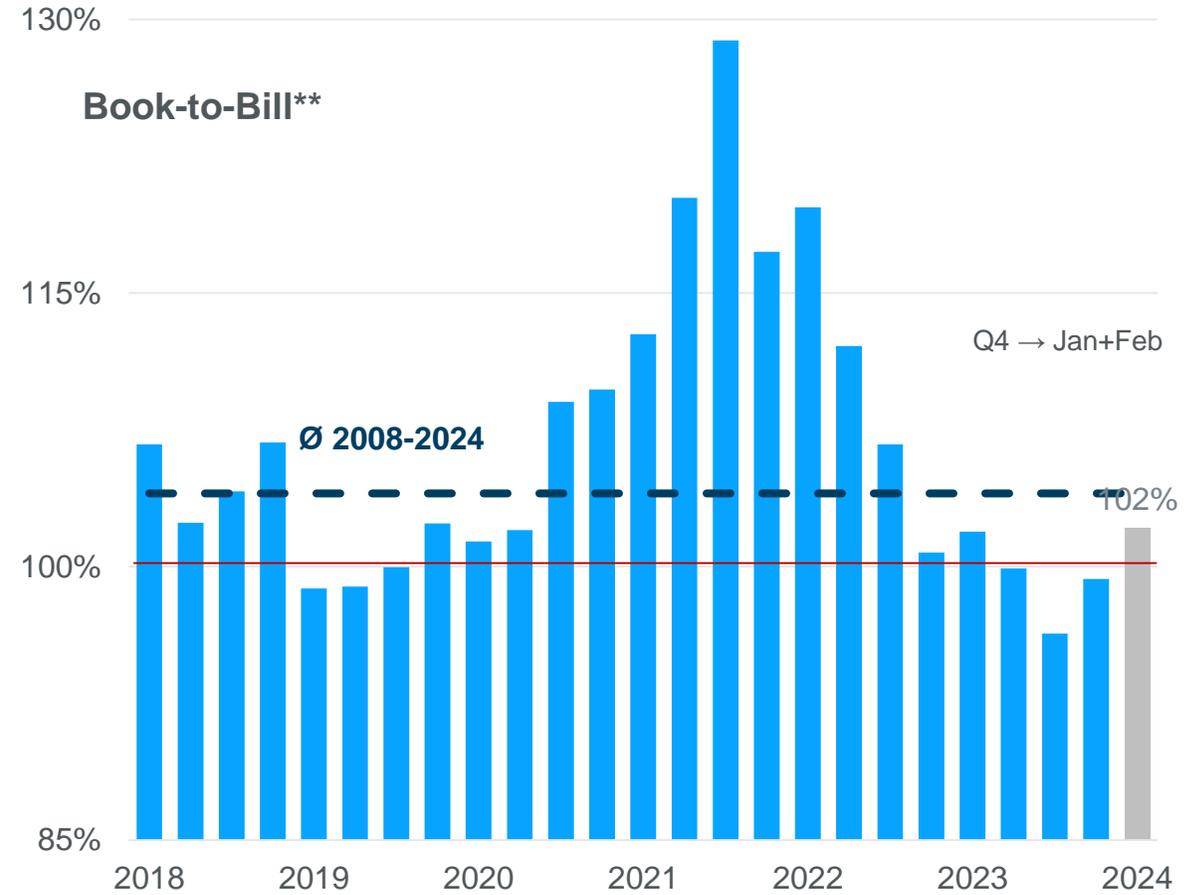
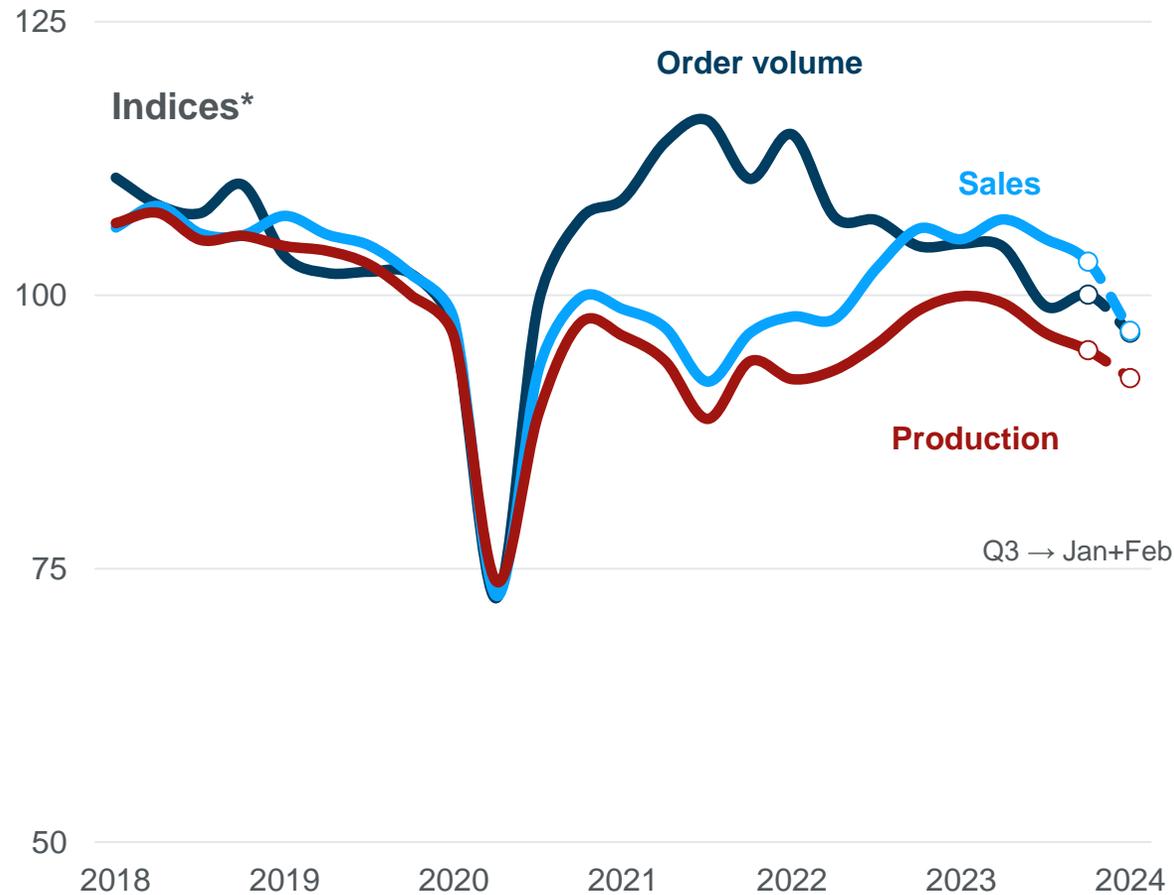
Revenue and sales in the MET industries noticeably reduced at the start of the year. Although the figures recovered slightly in February compared to the previous month, the preliminary values for January were significantly revised downward. In total, revenue and sales from January to February were down 6.5% and 8.2% respectively from the previous year's level.

For Q1, a decline of ~5% from the previous quarter is indicated. Thus, the downward trend has accelerated. MET companies are increasingly feeling the impact of structural problems domestically and weak global demand. Despite a recovery in the global economy, export plans remained weak in April.

# Key Economic Indicators in the MET Industry: Recession Intensifies at the Start of the Year

## Development of incoming orders, sales & production in the MET Industry

Price, calendar, and seasonally adjusted values.



Source: Federal Office of Statistics; Gesamtmetall calculations

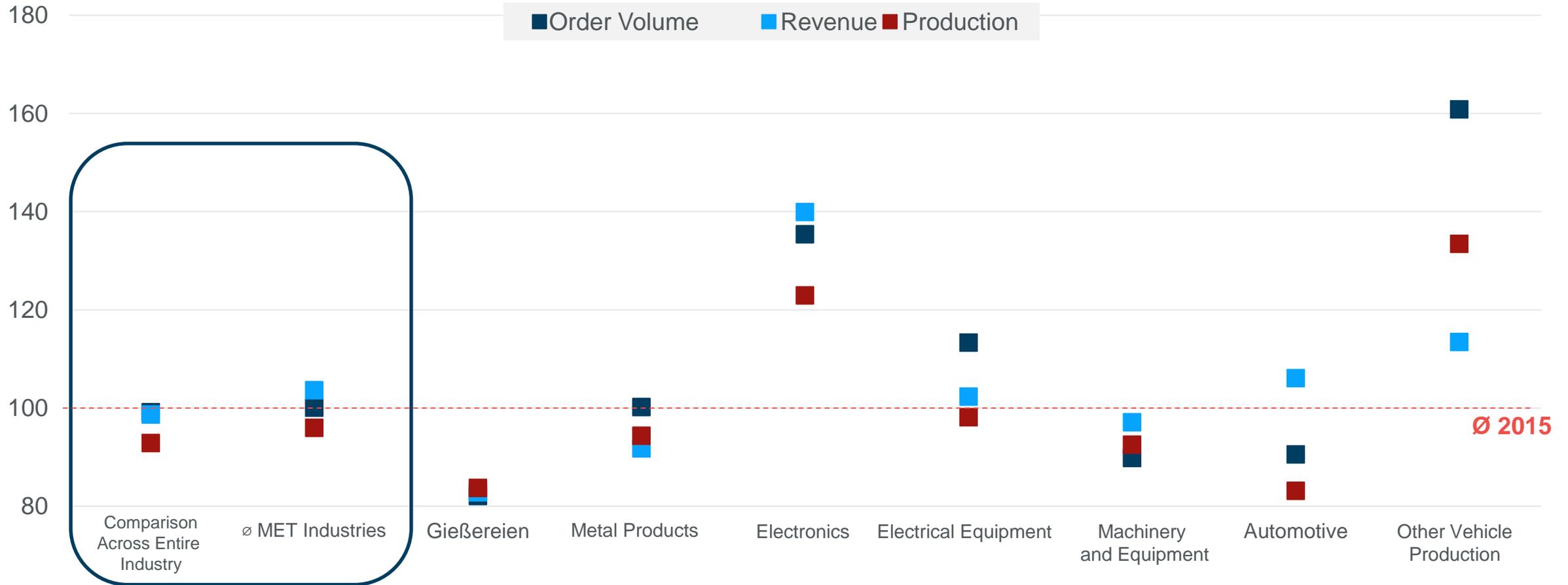
\*Reindexed to Ø 2015 = 100

\*\* Incoming orders in relation to sales

# Industry Overview: Very Large Differences Due to Crisis Mix & Structural Change

## Order, Revenue & Production Levels in MET Industry Sectors\*

Price-, season-, and calendar-adjusted values for January-February 2024, Indices Avg. 2015 = 100\*\*



Source: Federal Office of Statistics; Gesamtmetall calculations

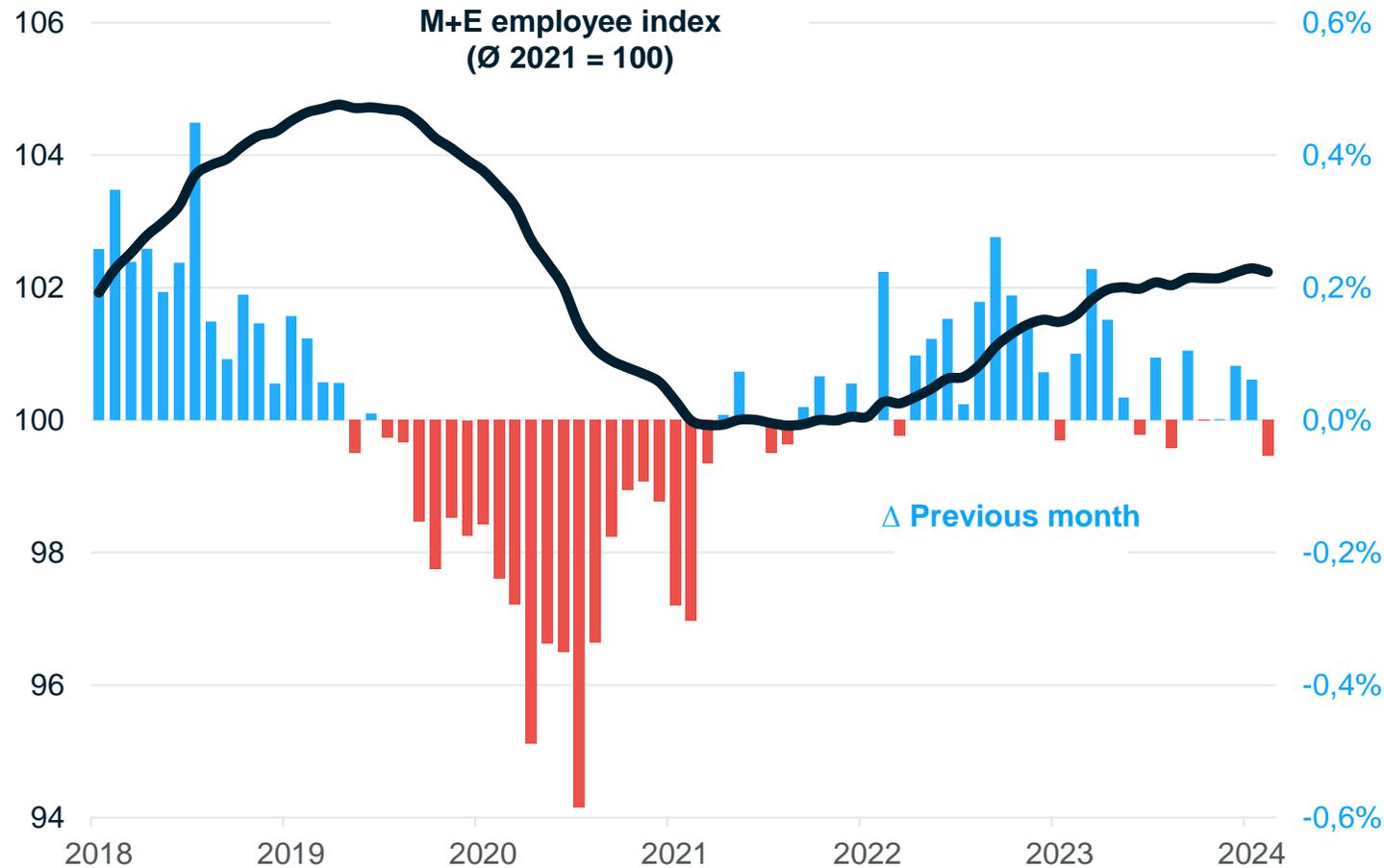
\*Reindexed to Ø 2015 = 100

\*\* Incoming orders in relation to sales

# Employment Development Continues to Weaken

## Change in MET Employment

Seasonal adjusted Index (left) and  $\Delta$  Previous month (right)



In February, approximately 3.95 million MET employees were active, an increase of 23,100 or 0.6% from a year ago. However, seasonally adjusted, the number of employees slightly decreased compared to January (-0.1%).

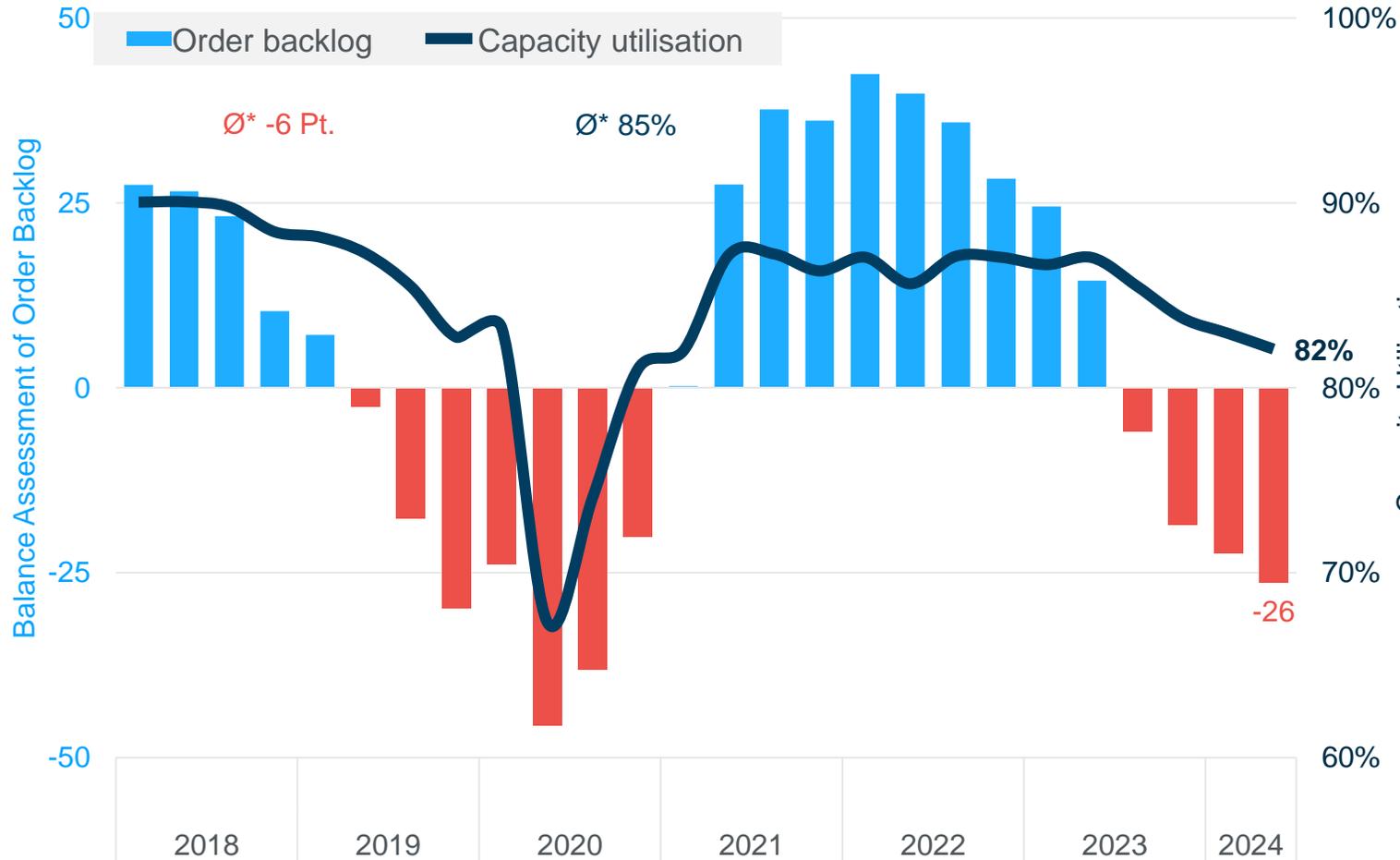
The recovery is being hindered by the recession on one hand, with personnel plans remaining predominantly negative in April. On the other hand, workforce shortages continue to be a significant problem. 28% of MET companies viewed this as a production obstacle. The skills gap remains at a high level: in March, 244,000 STEM positions could have been filled if suitable personnel had been available.

Source: Federal Office of Statistics; Gesamtmetall calculations; projections based on monthly reports for companies  $\geq$  50 employees

# Utilization Continues to Decline – Result of an Increasingly Weaker Order Backlog

## Order Backlog & Utilization in the MET Industry

Balance of +/- Reports (left); Utilization of Normal Operating Capacity (right)



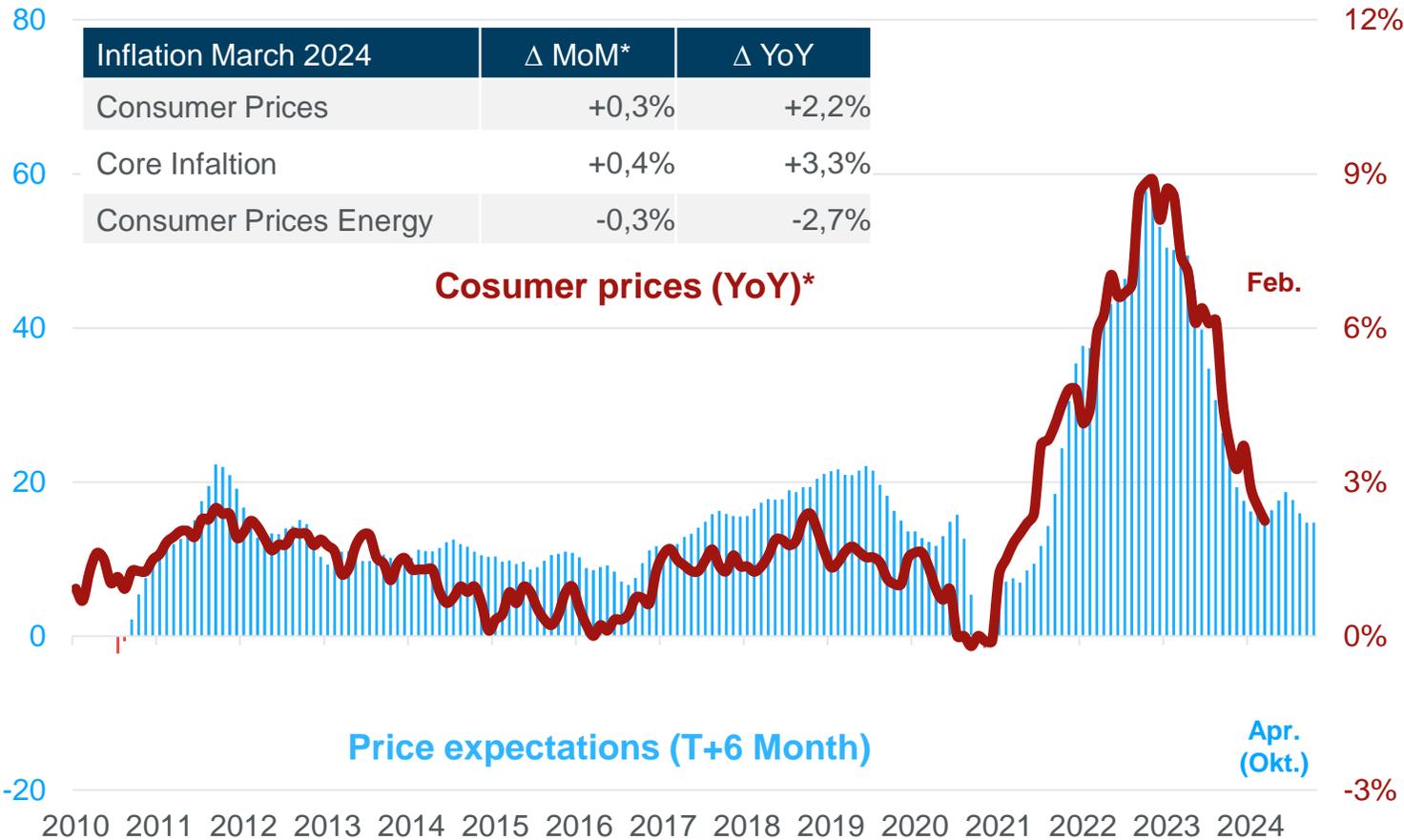
Source: ifo Business Survey \*Long-term average since 2002

The assessment of the order backlog was again worse in April than in the previous month, continuing the downward trend. While the order coverage is still above average on average, this is partly due to individual large orders. On the other hand, booked orders are hardly or only very reluctantly called off. Therefore, utilization has declined again and is now at 82%, which is 3 percentage points below the long-term average. Along with the metal sector, companies in the electrical industry in particular reported weak capacity utilization.

# Inflation Rate Continues to Decline – Core Rate Remains High Due to Political Measures & Second-Round Effects

## Development & outlook inflation rate

Δ Consumer prices\* (right) & balance of ifo-survey price expectations (left)

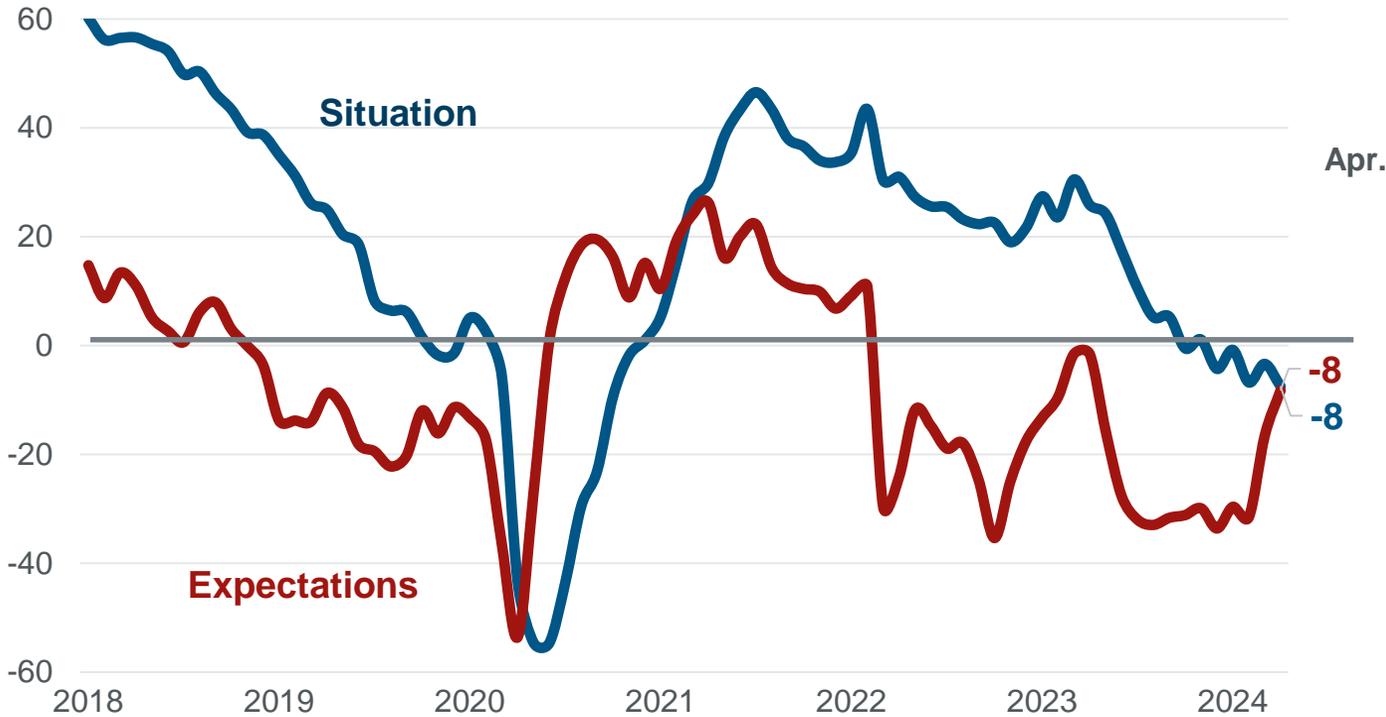


In March, consumer prices were 2.2% higher than in the same month last year. The decline in the inflation rate thus continues to follow (with a time lag) the slowdown in price plans and the continued year-on-year decline in import, wholesale and producer prices. However, core inflation (+3.3%) remained almost unchanged at a high level. This reflects cost increases as a result of political measures & significant wage increases. Service prices in particular (+3.7%) continued to rise in March. The Bundesbank expects the inflation rate to fluctuate until the summer due to special effects.

Source: \*calendar and seasonally adjusted values from the Deutsche Bundesbank; price expectations: ifo Business Survey, moving 3-month-average, value shifted forward by 6 months

# Pessimism eases - but signs of bottoming out remain very vague

Ifo business climate MET-Industries, Seasonally adjusted balances of the +/- reports



The MET industries business climate stabilised again somewhat in April, but remained in negative territory. While the current situation was assessed more negatively than in the previous month, expectations are less pessimistic than at the beginning of the year. MET companies are increasingly harbouring hopes of an imminent bottoming out. However, the more concrete indicators remain in negative territory. The order backlog, for example, was again rated worse. Demand is only stabilising slowly and in a very differentiated manner. Plans for the coming months therefore remain predominantly downbeat.

Assesment of order book: -26 Pt.

Production Plans: -8 Pt.

Personnel Plans: -12 Pt.

Demand Compared to the Previous Month: -2 Pt.

Export expectations: -3 Pt.

Price expectations: +9 Pt.

Source: Ifo Business Survey, April 2024