

The background of the slide is a dark, industrial scene. On the right side, a mechanical tool, possibly a laser cutter or a grinding wheel, is shown in the process of cutting or grinding a metal surface. This action produces a bright, intense burst of orange and yellow sparks that fan out towards the left. Overlaid on the left and center of the image is a line chart with multiple data series. The lines are thin and colored in shades of blue, teal, and orange. They show a fluctuating trend, with a notable peak followed by a sharp decline and then a recovery, suggesting a cyclical pattern. The overall lighting is dim, with the primary light source being the sparks from the industrial process.









# MET Germany Business Cycle Report

# MET Industry remains on a downward Trend ahead of Tariff Escalation - Staff cuts accelerated

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- Even before the **new US tariff announcements**, the Industry failed to stabilize. The most important economic indicators remained on a downward trend.
- **New orders** in February were only at the weak level of the previous month. In a less volatile three-month comparison, there was a drop of 4.0%. The order situation remains weak for the most part, with capacity utilization and order backlog rated as poor. At least there were signs of a slight stabilization by April.
- **MET production remained unchanged** at a weak level in February. The stabilization in January was significantly weaker than initially reported. In a three-month comparison, output fell by 1.2%. In the first two months of the year, production was 3.9% down on the previous year.
- **Revenue stabilized** over the turn of the year due to the invoicing of several large orders. In a three-month comparison, turnover at least remained stable, but price-adjusted sales fell by a further 0.6%. In addition, the previous year's results were revised downwards by the Federal Statistical Office.
- The **number of MET employees fell significantly** in February and was down 83,200 or 2.1% on the previous year. The decline has accelerated significantly since the start of the year. Compared to September 2023 - the peak after the coronavirus crisis - 113,000 jobs have been lost in the MET industry. The majority of M+E companies also anticipate further staff reductions.
- The **MET business climate deteriorated noticeably in April** as a result of the tariff escalation and remains in recession territory as a result. In particular, companies' expectations fell noticeably. MET companies also lowered their production and export plans as a result of the customs uncertainties. Hopes of stabilization are thus being offset by increasing downside risks due to the customs conflict.
- The **competitive position** in relation to other countries is still considered to be poor due to the significant deterioration in location conditions. The general conditions have deteriorated further, particularly in relation to non-European locations. In addition to the domestic location crisis, the threat of a trade war is now also increasing global uncertainty to new record levels, which is poison for the global economy going forward.

# Review of 2024: A severe Year of Recession for Germany's leading Industry

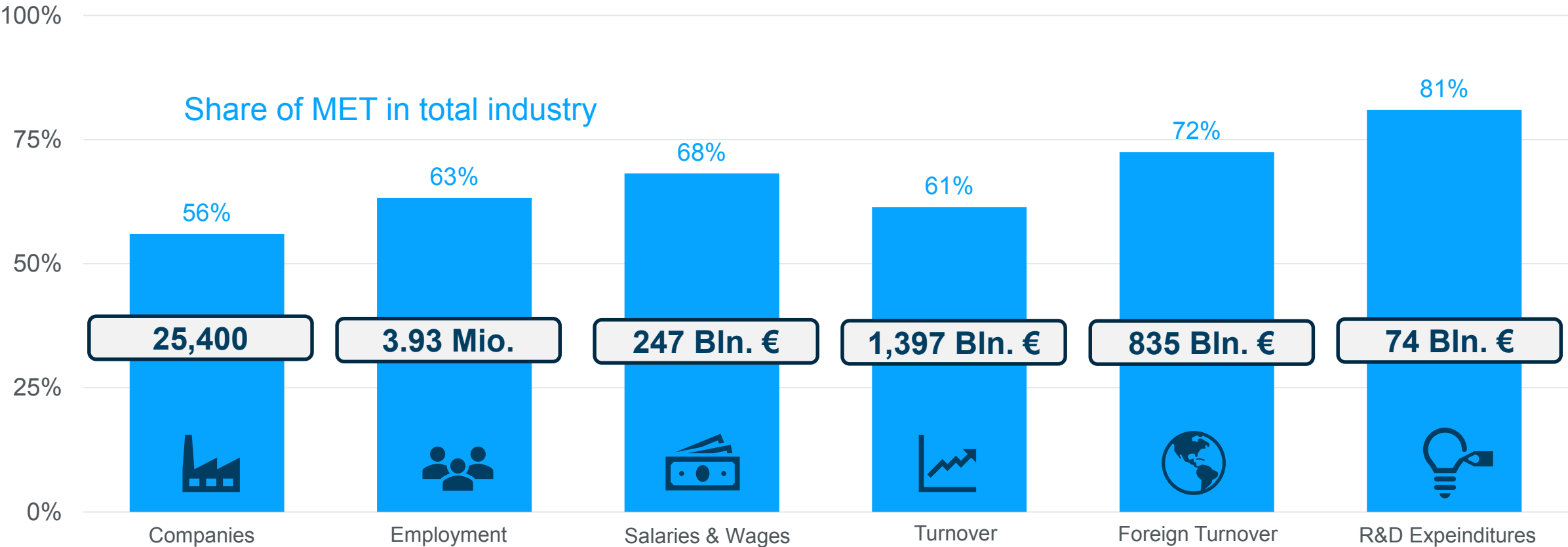
|  | Real** | Nominal |   | Nominal |
|--|--------|---------|---|---------|
| <div><b>New Orders*</b><br/>(Δ Jan-Dez)</div>         | -4.5%  | -3.1%   | <div><b>Employment</b><br/>(Δ Sep)</div>               | -1.1%   |
| <div><b>Production*</b><br/>(Δ Jan-Dez)</div>         | -6.5%  |         | <div><b>Hours Worked</b><br/>(Δ Jan-Dez)</div>         | -1.5%   |
| <div><b>Turnover*</b><br/>(Δ Jan-Dez)</div>           | -6.0%  | -4.2%   | <div><b>Wages &amp; Salaries</b><br/>(Δ Jan-Dez)</div> | +3.3%   |
| <div><b>Foreign Turnover*</b><br/>(Δ Jan-Dez)</div> | -5.0%  | -3.1%   | <div><b>Unit Labour Costs</b><br/>(Δ Jan-Dez)</div>  | +10.8%  |

Change in economic indicators in the German metal and electrical industry January to December 2024 compared to the same period of the previous year, economic indicators by annual survey, employees: Values for September 2024 from annual survey for companies ≥ 20 employees Source: Federal Statistical Office; GdM calculations \*Calendar-adjusted values \*\*Price-adjusted values

# MET Industry Accounts for Two Thirds of Germany's Industrial Value Added









## Scope and share of the MET industry in manufacturing 2024

Businesses with generally 20 or more employees.



Projected R&D expenditure for 2023 based on planning data on internal R&D expenditure and national accounts data, source: Federal Statistical Office; Stifterverband; Gesamtmetall calculations

# Annual Overview of MET Industries 2025: A Severe Recession Year for Germany's Key Industry

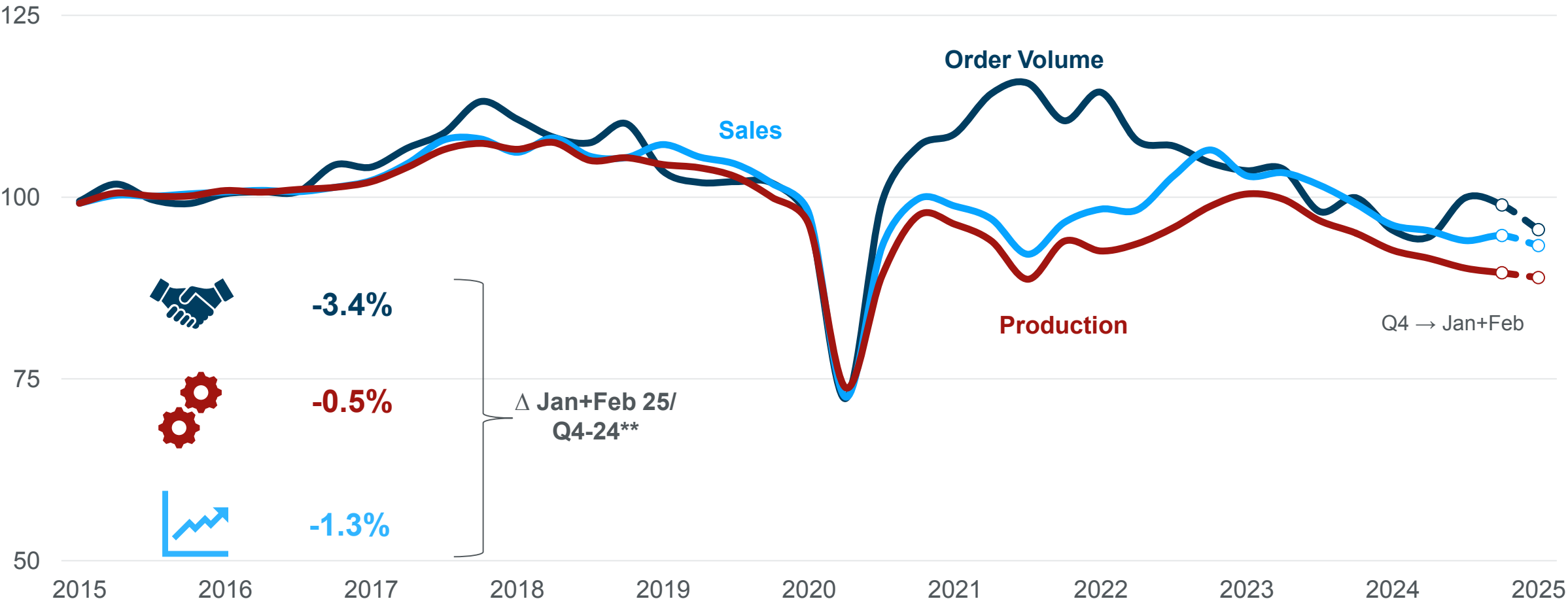
|   | Real** | Nominal |  | Nominal |
|---|--------|---------|--|---------|
|  <b>New Orders*</b><br>(Δ Jan.-Feb.)         | -0.3%  | +1.4%   |  <b>Employment</b><br>(Δ Feb.)                | -2.1 %  |
|  <b>Production*</b><br>(Δ Jan.-Feb.)         | -3.9 % |         |  <b>Hours worked</b><br>(Δ Jan.-Feb.)         | -5.8 %  |
|  <b>Turnover*</b><br>(Δ Jan.-Feb.)           | -3.0 % | -1.2 %  |  <b>Wages &amp; salaries</b><br>(Δ Jan.-Feb.) | -1.9 %  |
|  <b>Foreign Turnover*</b><br>(Δ Jan.-Feb.) | -2.1 % | -0.2 %  |  <b>Unit Labour Costs</b><br>(Δ Jan.-Feb.)  | +4.2 %  |

Changes in Economic Indicators for the German Metal and Electrical Industry, preliminary values for January to February 2025 compared to the same period last year, Employment: Latest available monthly data, Source: Federal Office of Statistics (DESTATIS); Gesamtmetall calculations \*Calendar and seasonally adjusted values \*\*Price-adjusted values

# Trend Q1 2025: MET Industries Remain in Recession Despite Large Orders

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

Price, calendar, and seasonally adjusted values, reindexed to Avg. 2015 = 100



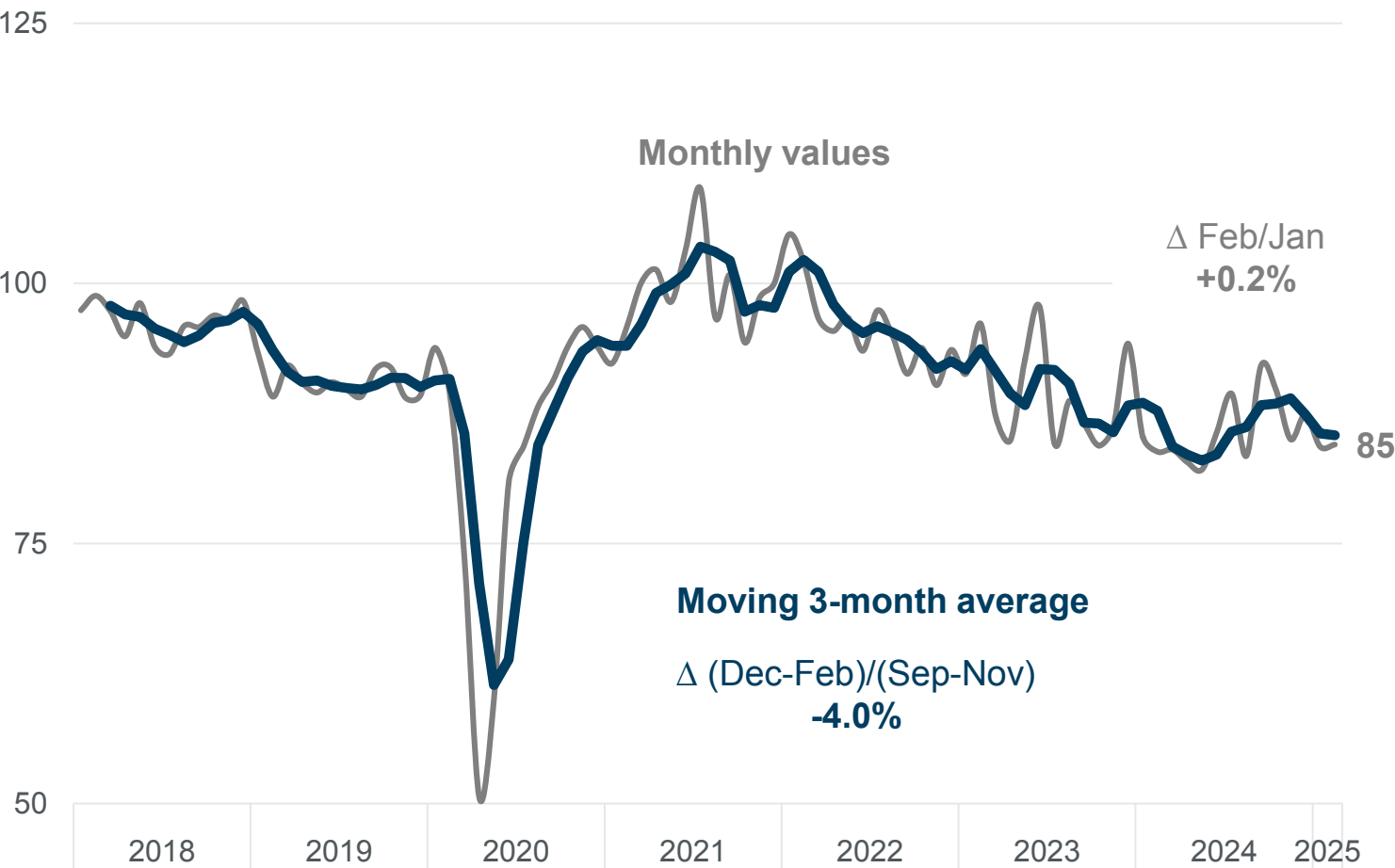
Source: Federal Statistical Office; Gesamtmetall calculations; corrected values 2024 after annual correction \*Indices re-indexed to Ø 2015 = 100 without WZ 32+33 \*\*Rates of change MET incl. WZ 32+33



# Order situation remains desolate - no sustainable stabilization even before new US tariffs

## New Orders MET-Industry

Price, calendar & seasonally adjusted index (Ø 2021 = 100).



In February, new orders were only at the weak level of the previous month. In a 3-month comparison, which is less susceptible to fluctuations, orders fell by 4.0%. Demand therefore remains very weak and a sustained stabilization has yet to materialize.

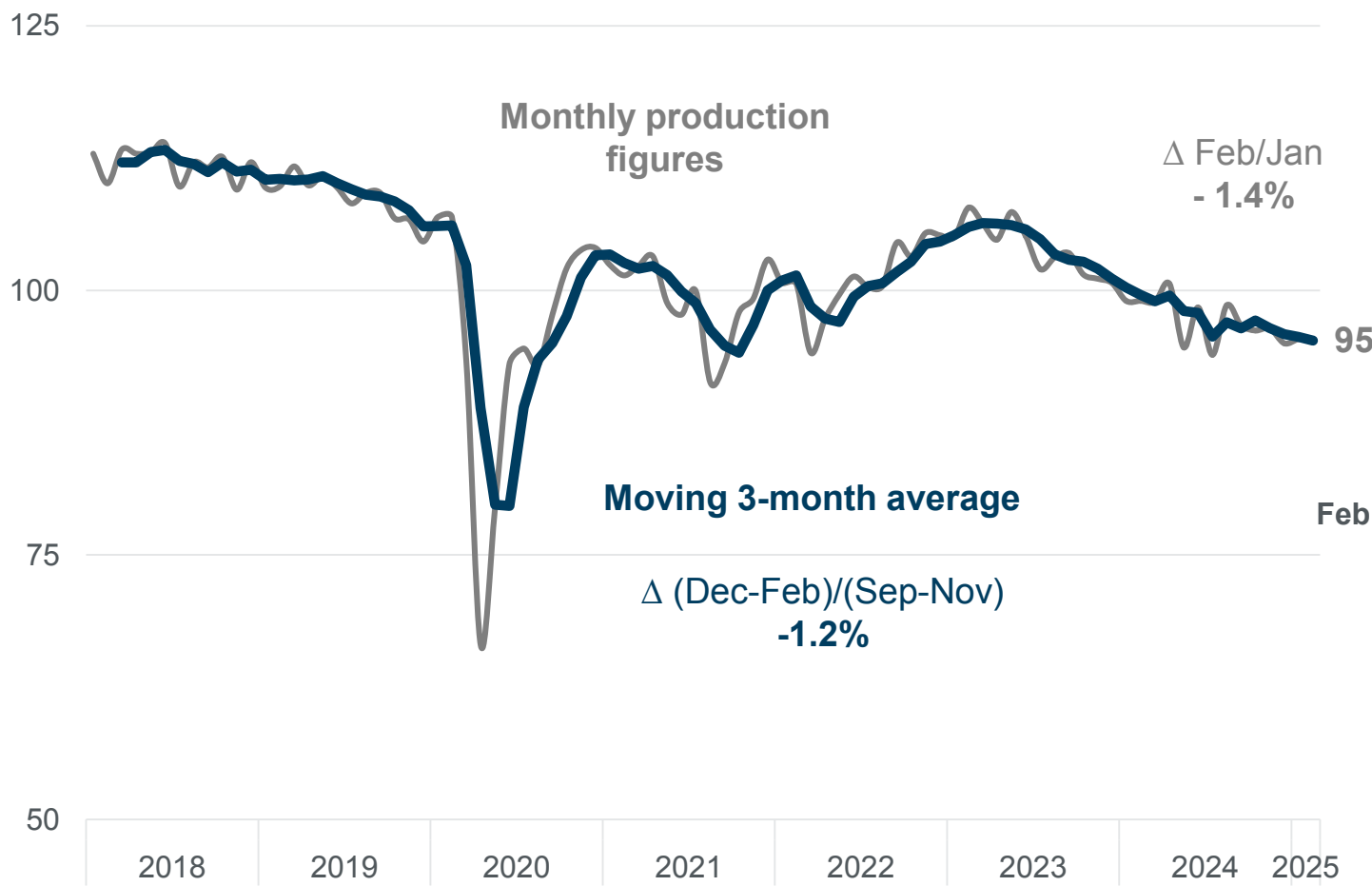
The order situation in the majority of MET companies remains desolate: almost 50% of MET companies report a lack of orders as an obstacle to production. Order backlogs are rated as miserable, while inventories are full. The lows here appear to have been passed. However, the consequences of the new US tariffs are not yet foreseeable

Source: Federal Statistical Office; annual values 2024 according to annual survey

# MET Production on a Historic Downward Trend - Stabilization fails to materialize

## Production development MET industry

Price, calendar & seasonally adjusted index (Ø 2021 = 100).



Source: Federal Statistical Office; annual values 2024 according to annual survey

MET production was unable to stabilize further in February & remained at the weak January level. The slight recovery in January (+0.4% compared to December) was even weaker than initially reported. In a 3-month comparison, production fell by 1.2%. As a result, the recession threatens to continue throughout Q1-2025, which would mean the 8th quarterly decline in a row.

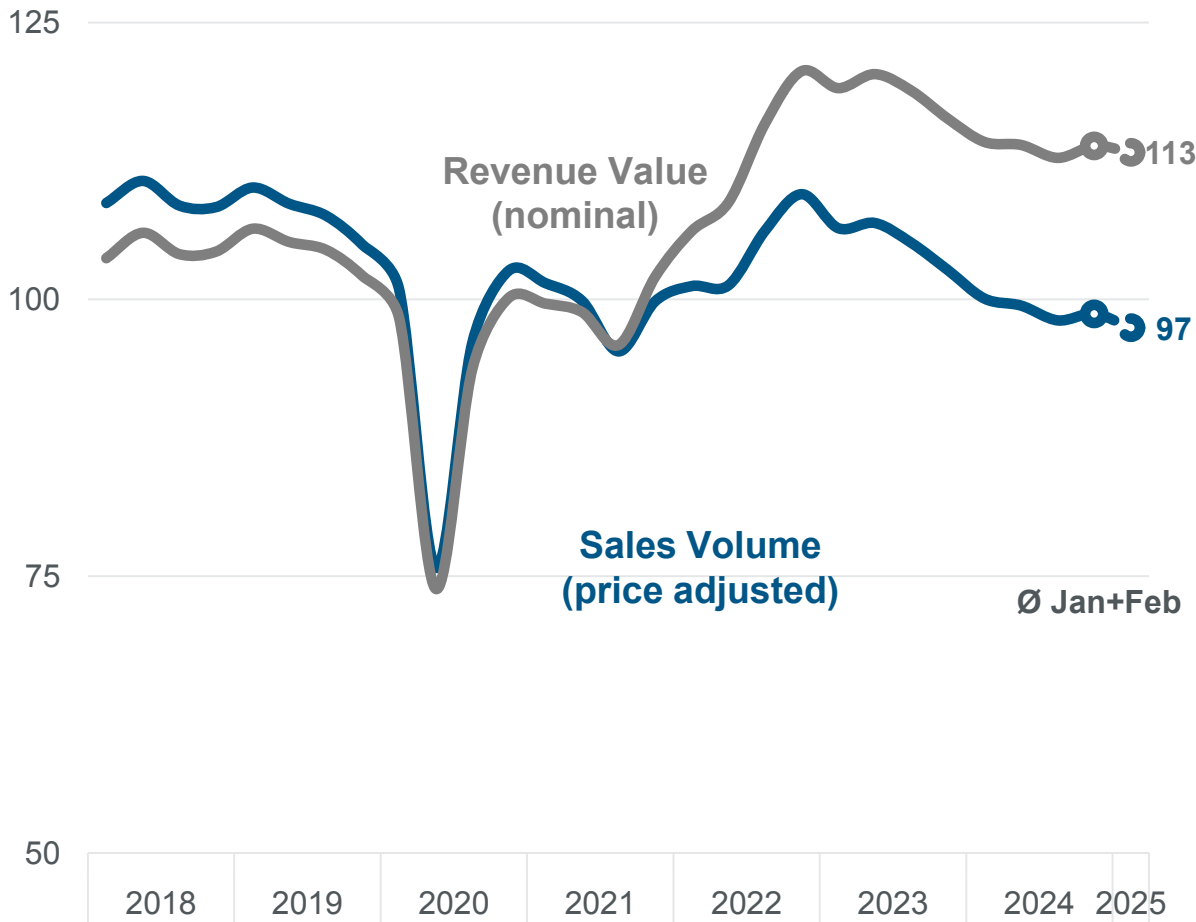
The stabilization of ifo production plans in the 1st quarter was abruptly interrupted by the US government's renewed escalation of tariffs. Both production and export plans showed negative balances again in April. Further stabilization in the coming months is associated with great uncertainty in view of the tariff disputes.



# Revenues in MET Industries Continue to Decline – No Trend Reversal in Sight

## Revenue & Sales Development in the MET Industry

Calendar & Seasonally Adjusted Quarterly Values, Indices Avg. 2021 = 100



Source: Federal Statistical Office; annual values 2024 according to annual survey

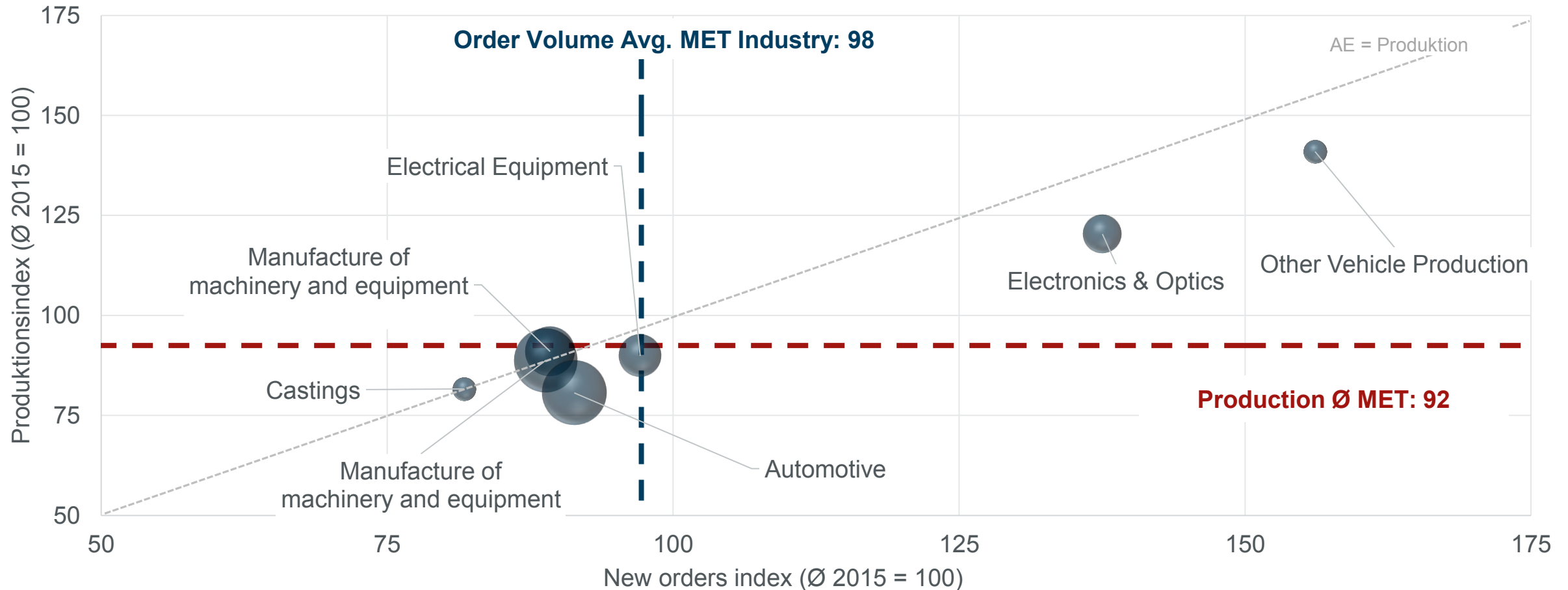
As a result of the invoicing of several large orders, revenue has recently stabilized somewhat. In a 3-month comparison ( $\Delta$  Dec-Feb/Sep-Nov), turnover remained unchanged, while price-adjusted sales volumes continued to fall by 0.6%. The level remains below the already low prior-year figures. In the corrected annual result for 2024, unit sales were 6.0% & turnover 4.2% below the previous year's level. Significant declines were recorded in all regions, with both the continuing weakness of investment in Germany and the cost-related competitive problems in foreign markets having a negative impact.

Export plans were assessed negatively again as a result of the US tariff escalation in April after initial signs of recovery in March.

## Sectoral Development: Select Industries Benefit from Special Conditions – Overall Levels Remain Very Low

### MET Industry Sector Portfolio (Real) January-December 2024

Order & Production Index for MET Industry Sectors\*, Price-, Calendar- & Season-Adjusted Values, Reindexed to Avg. 2015 = 100

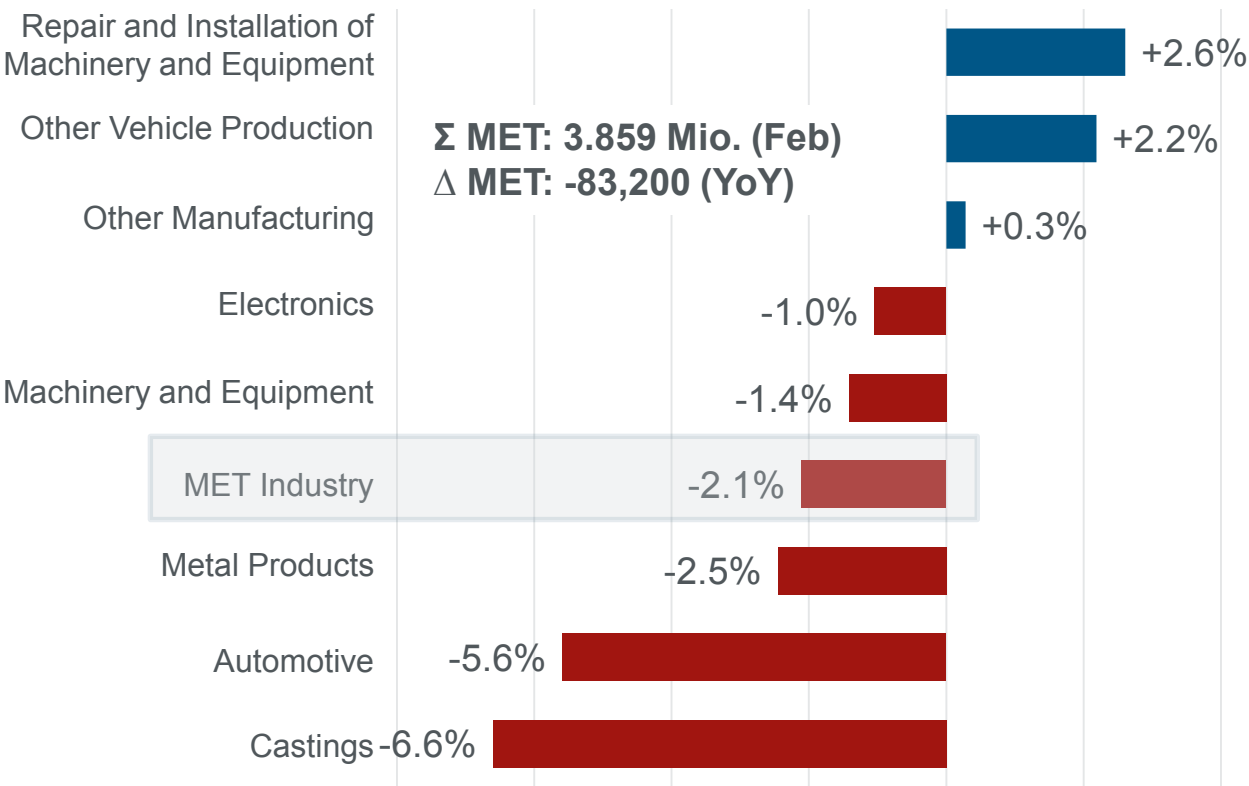


Source: Federal Statistical Office; Gesamtmetall calculations; annual values 2024 according to annual survey; figures exclude WZ 32+33, as these are not subject to AE reporting

# MET Labor Market under Pressure: Significant Decline in Employment - Employment Plans remain negative

## Change in MET Employment

by Industry Sectors, Δ Feb. 2025 vs. Same Month Last Year



In February, the number of MET employees fell significantly to less than 3.86 million. The month-on-month decline accelerated to -0.4% (seasonally adjusted). The number of employees fell for the 13th month in a row. Compared to the same month last year, the reduction in headcount amounted to 83,200 (-2.1%). Compared to the peak after the corona crisis in Sep. 2023, ~ 113,000 MET jobs have been cut. Automotive, metal manufacturers (where many suppliers are grouped) & foundries/metal producers have seen particularly sharp declines.

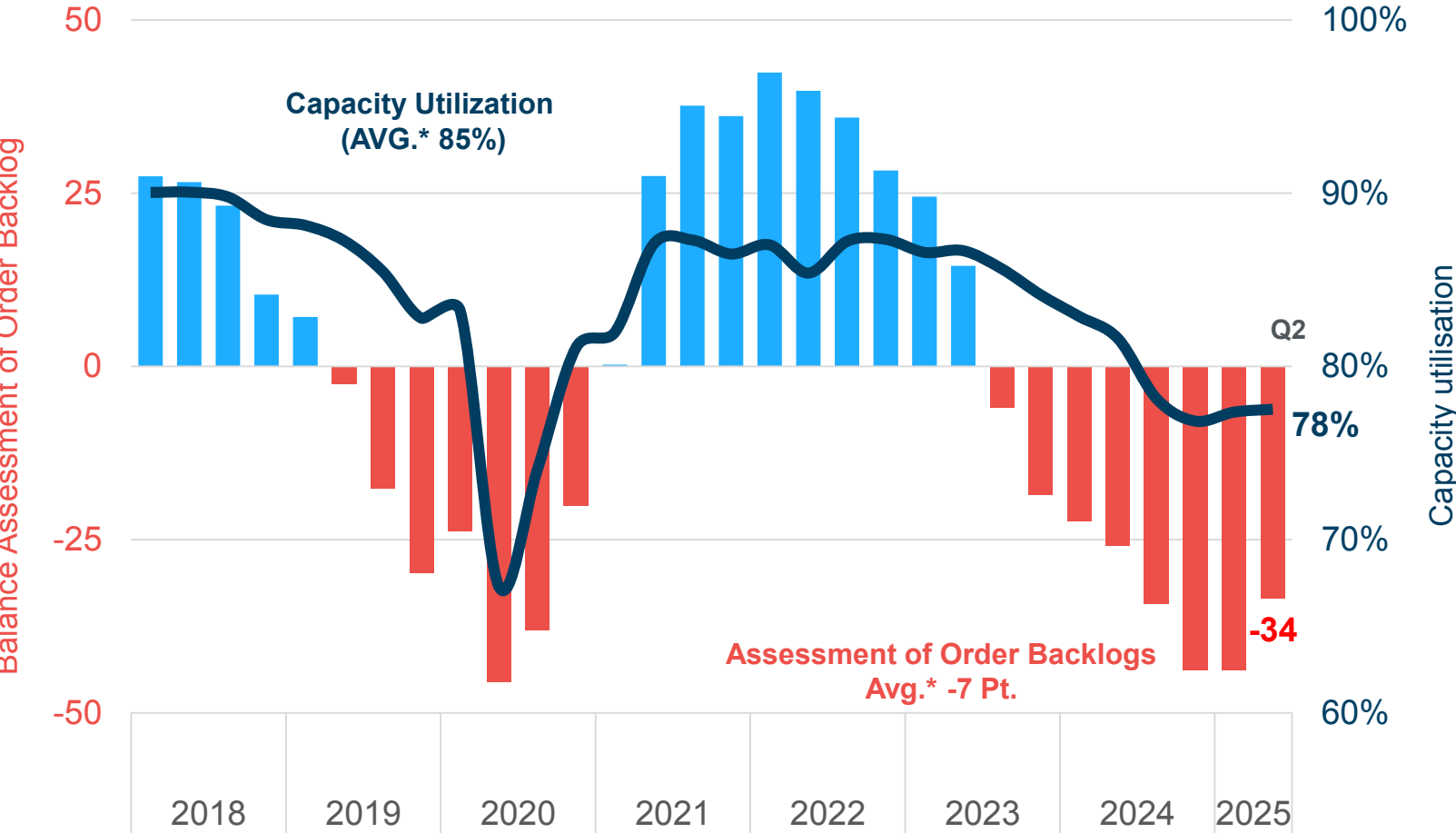
Personnel plans were no longer assessed quite as negatively in April as in the previous month, but remained deep in negative territory (-19 points). 28% of MET companies are planning (further) layoffs, while only 9% want to increase their workforce. Many companies are having to adjust their capacities due to lower capacity utilization & deteriorating framework conditions. The number of unemployed people in MET occupations was 16% higher in March than in the previous year. Seasonally adjusted, the highest level since April 2021 was reached. At the same time, the number of job vacancies is falling at an accelerated rate.

Source: Federal Statistical Office; total metal industry; companies ≥ 20 employees (projection 2025 based on monthly reports for companies ≥ 50 employees)

# Capacity Utilization & Order Backlogs at Historically Low Levels

## Order Backlog & Utilization in the MET Industry

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



Capacity utilization at MET companies is still unable to recover from the slump in H2-2024. At 78%, it remained well below the long-term average of 85% and - despite capacity adjustments - was thus historically weak.

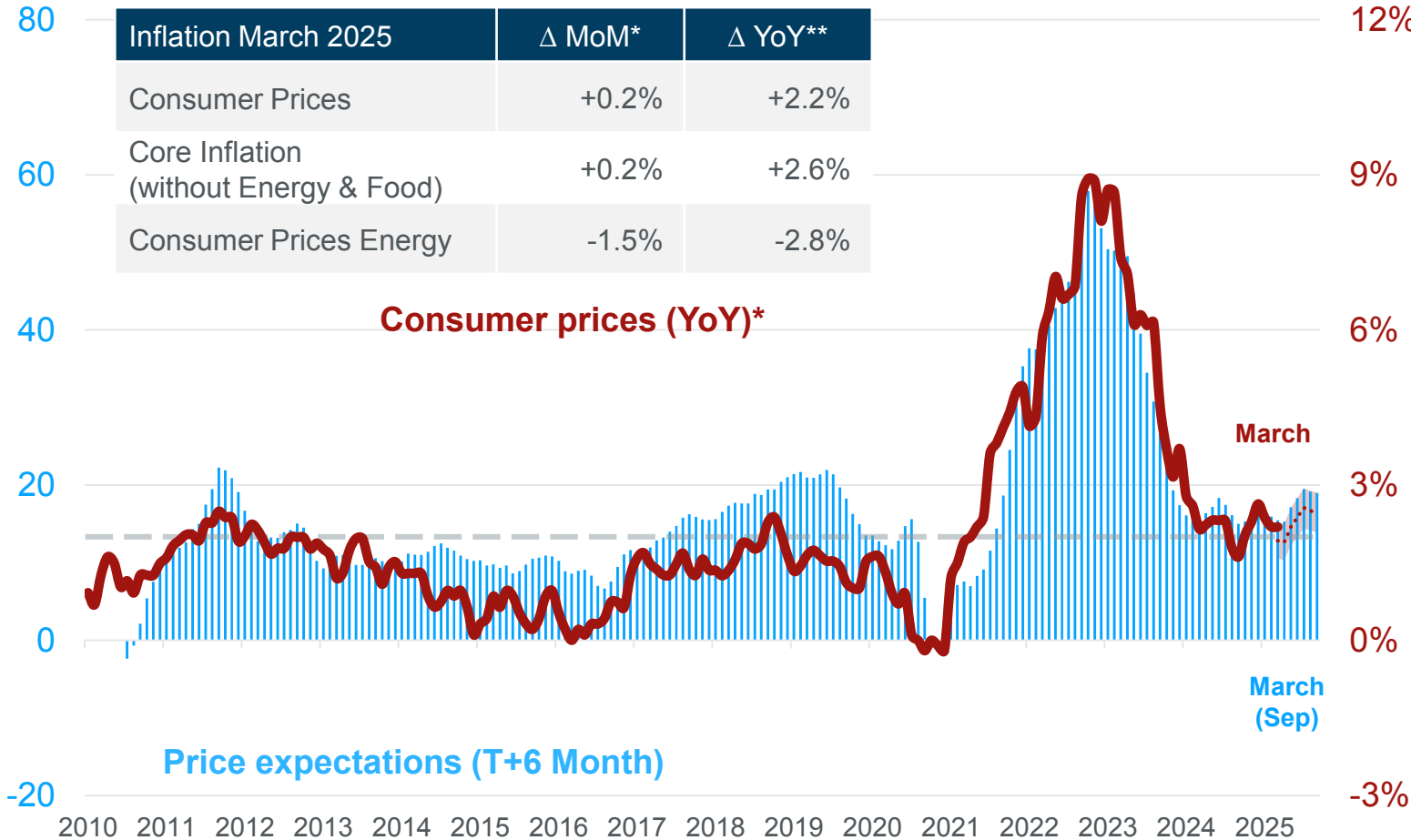
The assessment of the order situation remains miserable due to the long period of weak demand. Inventories are also still overflowing. At least the two leading indicators appear to have bottomed out, but in view of the weak level, the significant underutilization of capacity in MET companies is likely to continue for the time being. In addition, the consequences of new US tariffs are not yet foreseeable.

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

## Inflation Declines at the Start of the Year – Price Pressures Likely to Remain Elevated

### Development & Outlook Inflation Rate

Balance of ifo Price Expectations in the Commercial Sector (left) &  $\Delta$  Consumer Prices (right)



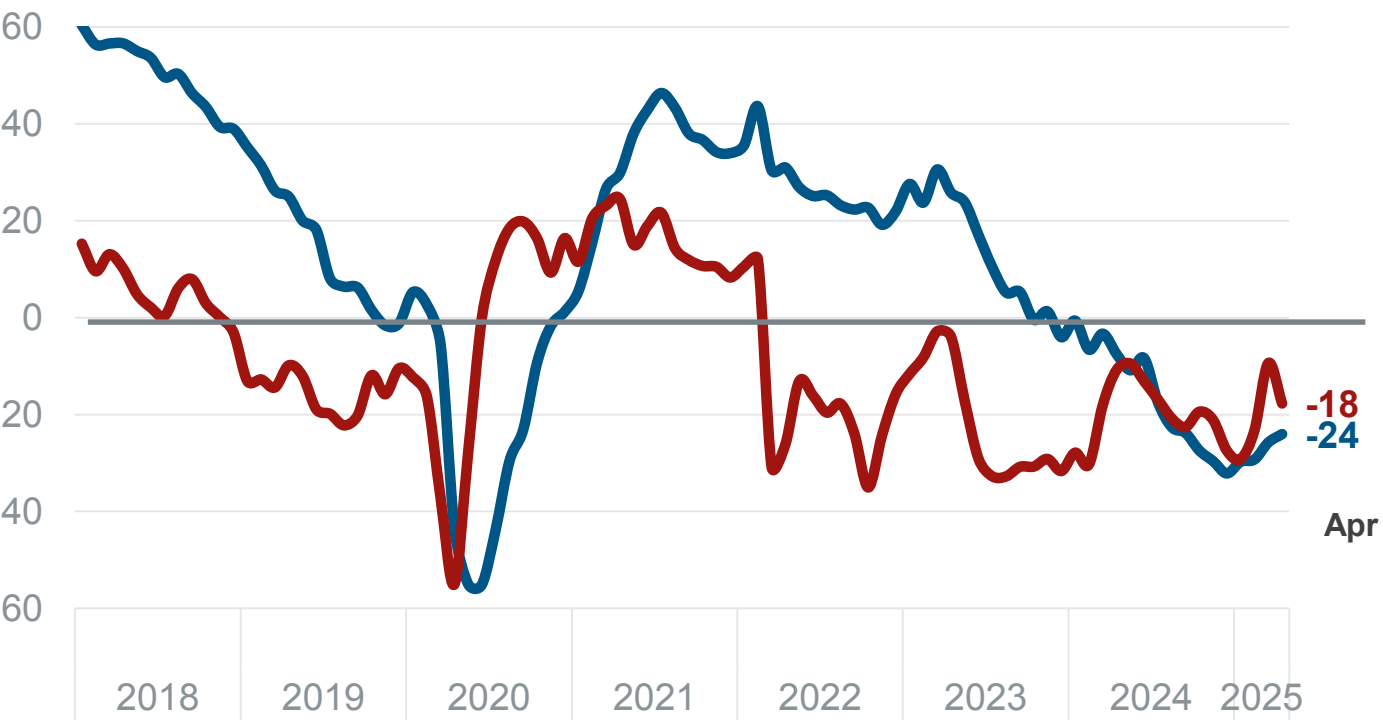
In March, consumer prices were 2.2% higher than in the previous year. Although the inflation rate thus remained slightly below the previous month's level (2.3%), it was still above the ECB's target. On the one hand, energy prices fell slightly as a result of cheaper oil. On the other hand, core inflation weakened further (albeit less than initially reported) as services no longer rose quite as sharply as in previous months. By contrast, the rise in food prices accelerated again.

According to the Bundesbank report from March, a slight reduction in inflation is to be expected in the coming months. However, price expectations in the Ifo Business Survey remain at an elevated level.

Source: Price expectations: Ifo business survey, moving 3-month value shifted forward by 6 months, Gesamtmetall forecast: LR model with 95% conf. interval; \*calendar and seasonally adjusted values from the Deutsche Bundesbank; \*\*rates of change from the Federal Statistical Office

# MET Business Climate More Stable Prior Trade Escalation – Business Climate Worsens Due to Recession

Ifo Business Climate MET-Industries, Seasonally adjusted balances of the +/- reports



The MET business climate fell again in April as a result of the tariff escalation by the US. Companies' expectations deteriorated noticeably. Export plans in particular were revised significantly downwards. Production plans were also more negative on balance. At the same time, price expectations rose noticeably again. Although the situation was still assessed as poor, it was slightly better than in the previous month. Demand and order backlogs did not fall any further and destocking is also progressing somewhat. A turnaround in the MET industry is therefore still not in sight. Slight signs of recovery are overshadowed by strong uncertainties due to the US tariff escalation.

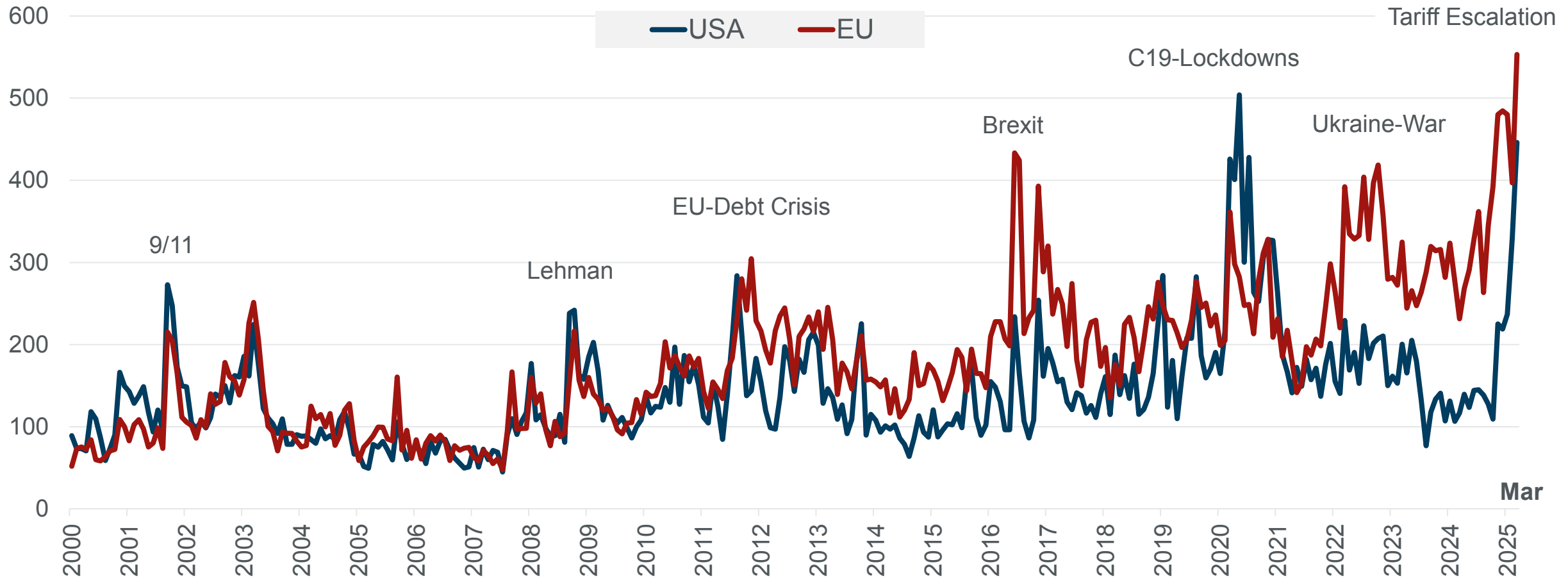
|   |                              |                             |
|---|------------------------------|-----------------------------|
| Assessment of order book: -34 Pt.             | Production Plans: -6 Pt.     | Personnel Plans: -19 Pt.    |
| Demand Compared to the Previous Month: +8 Pt. | Export expectations: -13 Pt. | Price expectations: +17 Pt. |

Source: Ifo Business Survey, balances from +/- reports for April 2025; the arrows indicate the level and trend over the last three months

# Outlook: Trump's Tariff Escalation drives Global Uncertainties to new Record Levels

## Development of Economic Policy Uncertainty in the USA and Europe

Economic Policy Uncertainty Index (EPU) for the USA (News Based Policy Uncertainty Index) and EU (European News Index)

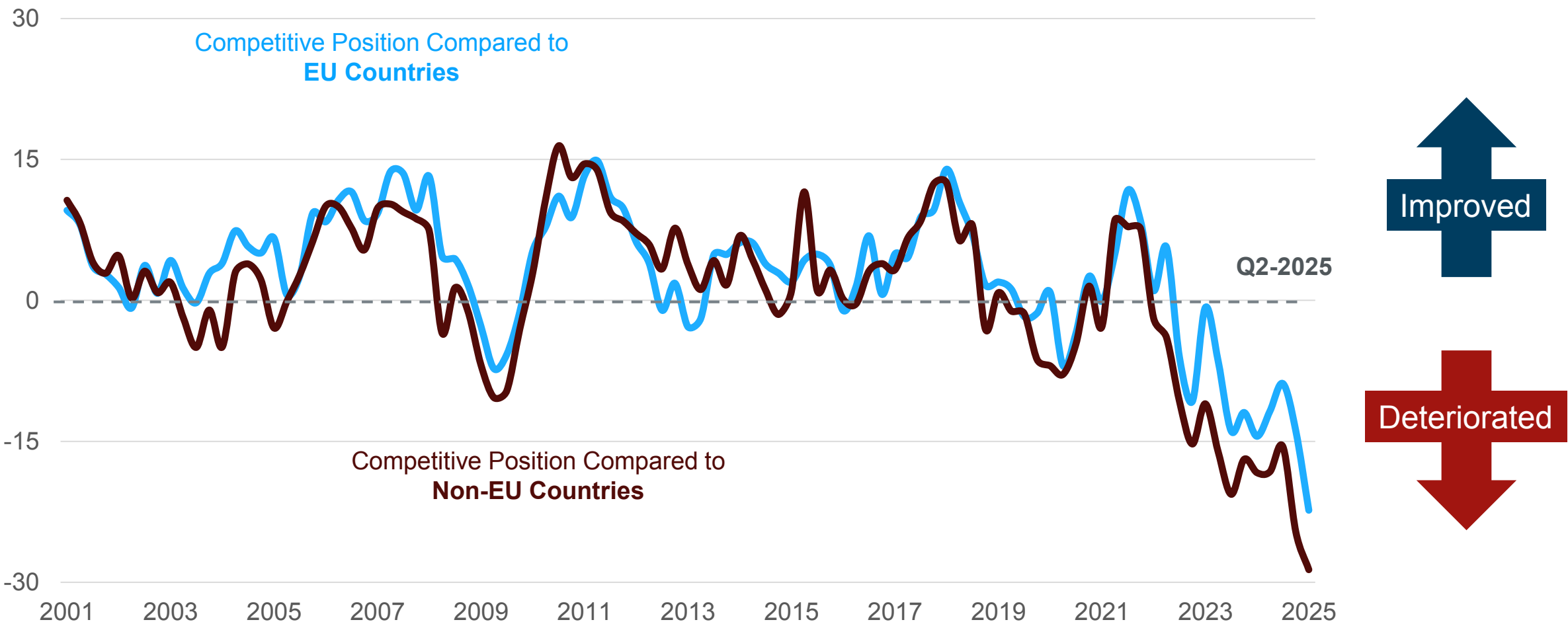


Source: <https://www.policyuncertainty.com>



# Background: MET Companies Assess Their Global Competitiveness as Increasingly Dire

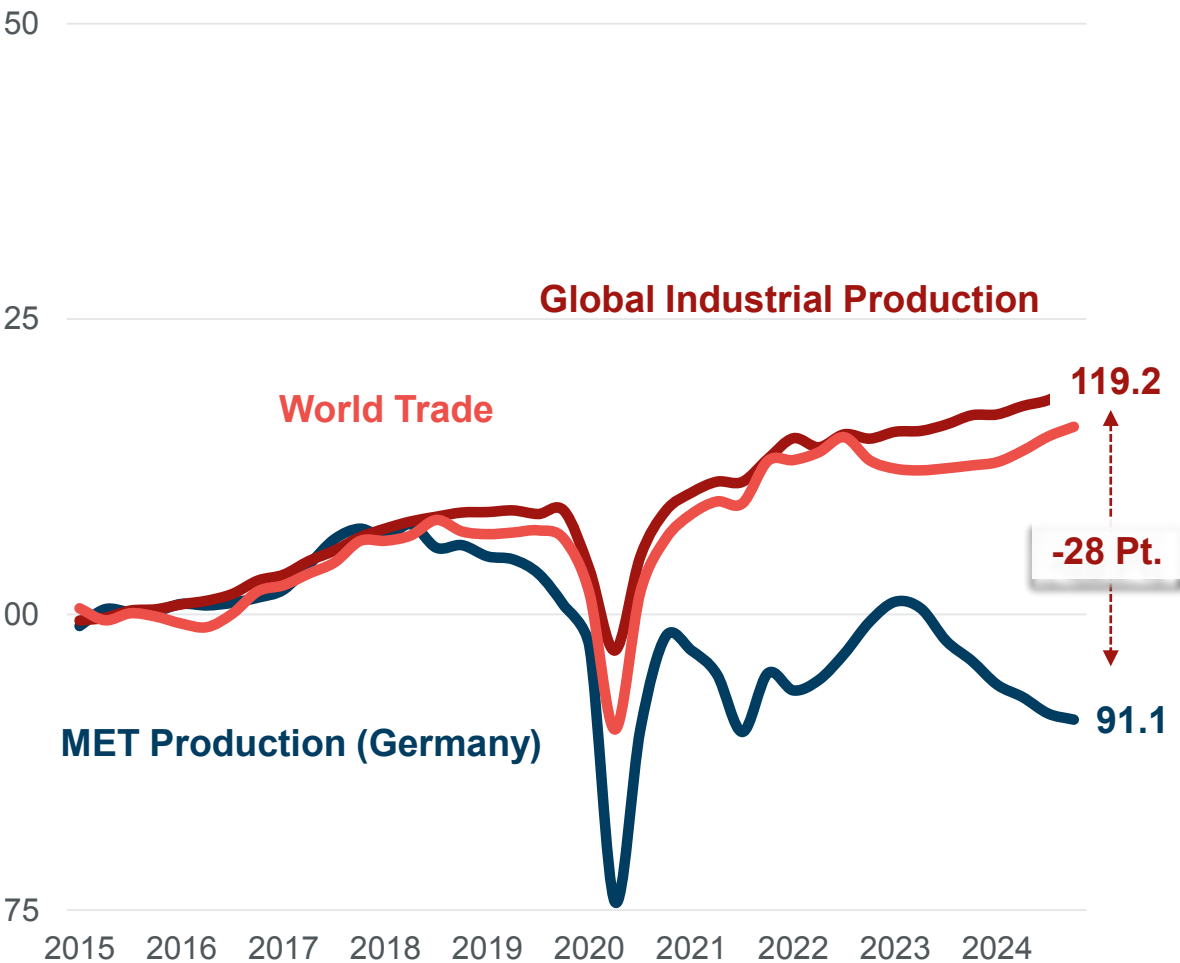
**Assessment of Competitive Position Abroad**  
Balance of +/- Reports from MET Companies, Seasonally Adjusted Quarterly Figures



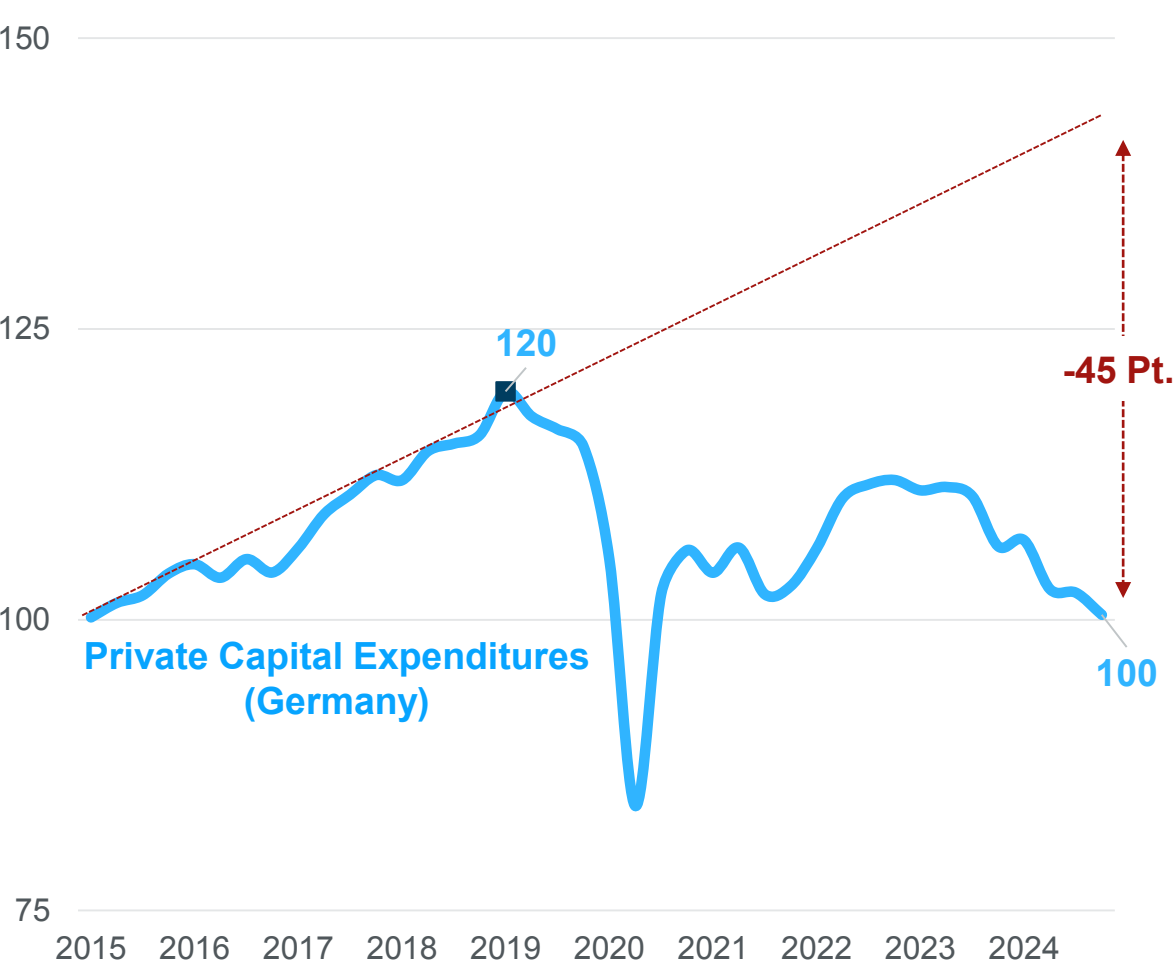
Source: Ifo Business Survey

# Competition & Investment Crisis – Local Industry Conditions burdens on the MET Industry

**MET Production vs. Global Industrial Production & World Trade**  
Price-, Calendar- & Seasonally Adjusted Indices (Ø 2015 = 100)



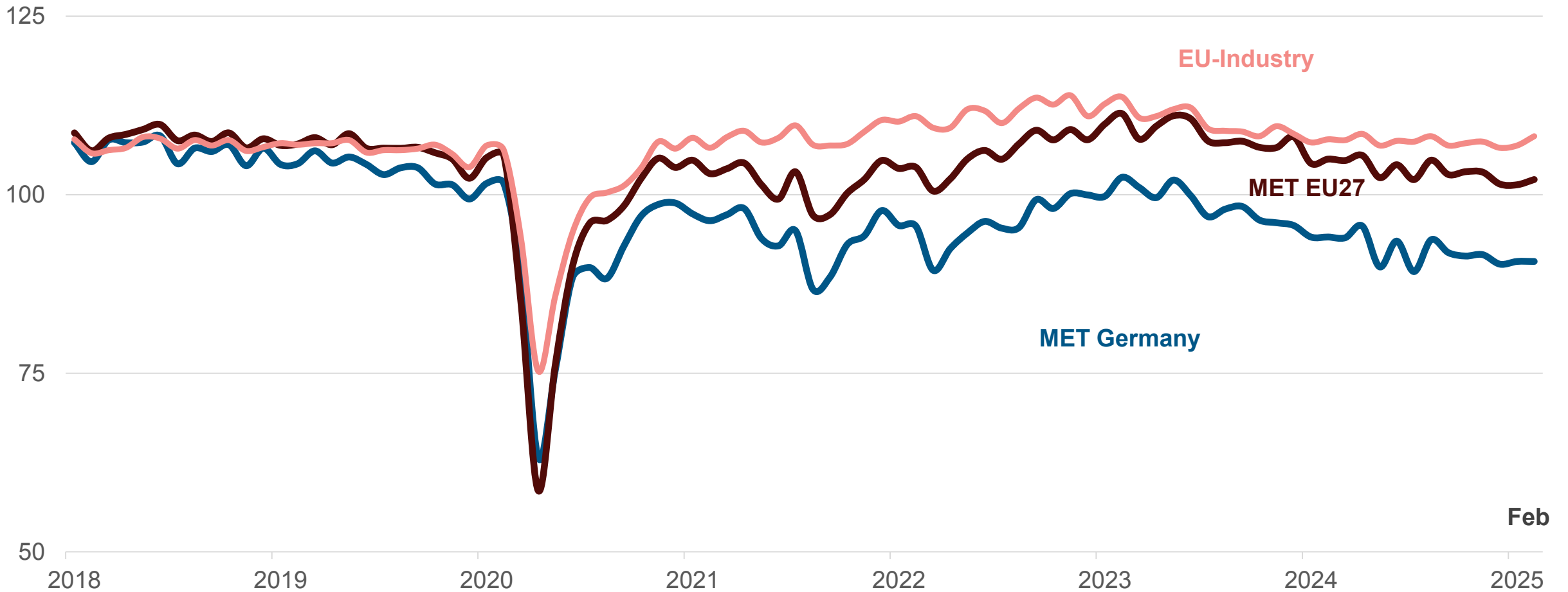
**Capital Expenditures of Non-Governmental Sectors in Germany**  
Price-, Calendar- & Seasonally Adjusted Index (Ø 2020 = 100)



Sources: CPB WORLD TRADE MONITOR, Industrial production volume excluding construction, Production weighted, seasonally adjusted; National accounts (calculation status 25.02.25), Fachserie 18 Reihe 1.3, Stat.Difference to the linear growth trend from Q1-2015 to Q1-2019

## Industrial weakness increasingly pronounced across Europe

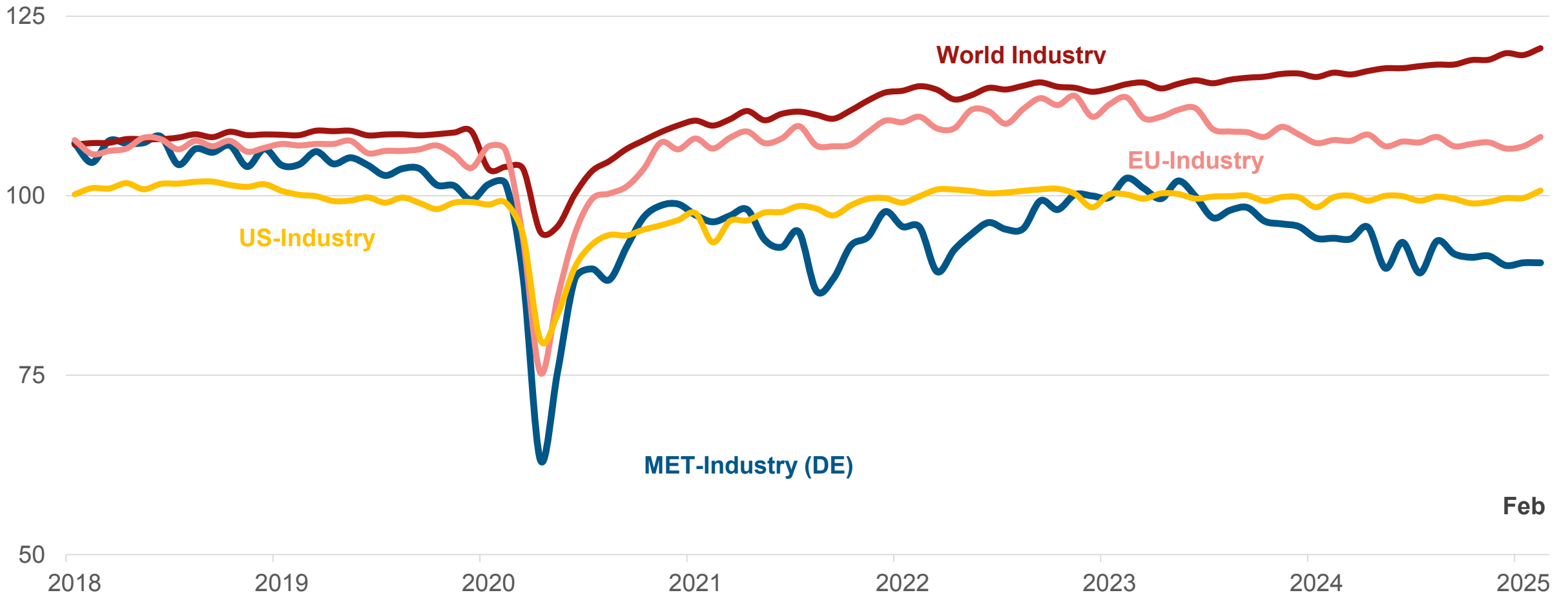
MET production compared to the development of European industrial production (EU27), price-, calendar- & seasonally-adjusted indices (Ø 2015 = 100)



Source: Eurostat; Federal Statistical Office; Gesamtmetall calculations

## Europe's Industry increasingly affected by Global Trend - US Industry Stagnates

MET production compared to the global trend in industrial production, price, calendar & seasonally adjusted indices (Ø 2015 = 100)



Source: CPB WORLD TRADE MONITOR; FRED, Industrial Production: Manufacturing (NAICS); Eurostat; Federal Statistical Office; Gesamtmetall calculations