

The background features a close-up of a laser cutting process on a metal sheet, with bright orange sparks flying out from the cut. Overlaid on this scene are several semi-transparent line graphs in shades of blue and orange, showing fluctuating data trends across the width of the image.









# MET Germany Business Cycle Report

## MET production falls for the second consecutive year – job cuts continue unabated

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- **MET production** fell significantly by a preliminary 2.5% in December compared to November. Nevertheless, after 10 consecutive quarters of recession, a slight increase over the previous quarter was achieved for the first time in Q4. However, for the full year 2025, this still resulted in the second consecutive annual decline (-1.2%). Furthermore, production remains 13% below 2018 levels.
- **MET turnover** also suffered a setback in December. In the fourth quarter as a whole, price-adjusted sales volume declined for the second time in a row. For the full year 2025, sales volume was once again below the already weak prior-year figure. Turnover only slightly exceeded the previous year's level due to price effects.
- **New orders** in the MET industries benefited again in Q4 from major orders in the defence sector. Adjusted for these effects, new orders only saw a slight increase and remain at a weak level. Furthermore, MET companies have revised their assessment of demand downwards again. The evaluation of order backlogs remains almost unchanged at a negative level, and capacity utilisation at the beginning of 2026 fell by a further 2 percentage points to just 78%.
- The number of **MET employees** fell to 3.792 million in December (-2.6% year-on-year). For the first time since July 2015, the number of jobs fell below the 3.8 million mark. Since 2019, more than 270,000 MET jobs have been lost. Plans for job cuts continued to clearly predominate in January.
- The **MET business climate** brightened slightly in January but remained in recessionary territory at -10 points. Both expectations and the current situation were rated less negatively than in December, primarily due to more optimistic export plans. However, the survey largely excludes the recent US tariff threats.
- At the start of the year, one in three MET companies continued to rate their **competitive position abroad** negatively – especially compared to non-European locations. The **gap compared to world trade** and global industrial production widened further in Q3 2025. Private investment in equipment continued to decline in 2025. Furthermore, **investment plans** remain negative. The business location is sustainably damaged. Without bold structural reforms, deindustrialisation will continue.

# MET annual review 2025: Downward trend merely slowed - Job cuts continue unabated

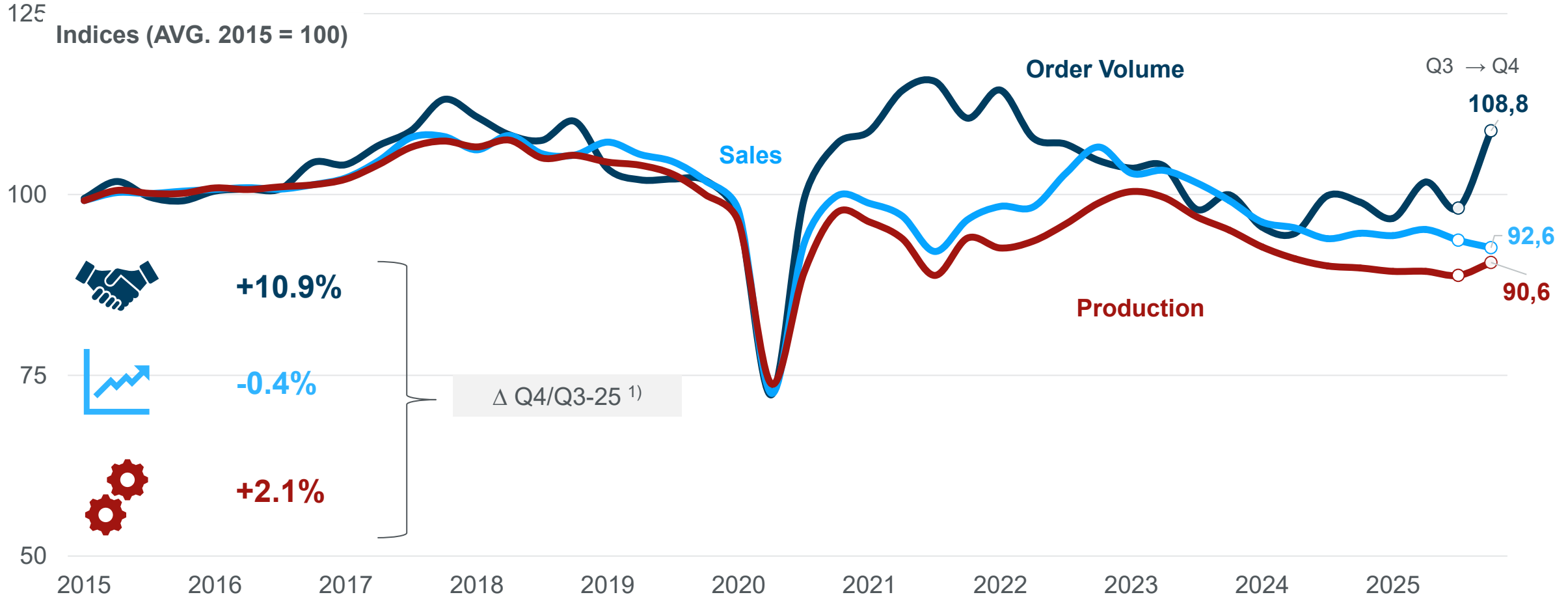
	Real**	Nominal		Nominal
 <b>New Orders*</b> (Δ Jan-Dec)	+4.2%	+5.5%	 <b>Employment</b> (Δ Dec)	-2.6%
 <b>Production*</b> (Δ Jan-Dec)	-1.2%		 <b>Hours Worked</b> (Δ Jan-Dec)	-2.6%
 <b>Turnover*</b> (Δ Jan-Dec)	-0.8%	+0.6%	 <b>Wages &amp; Salaries</b> (Δ Jan-Dec)	-1.2%
 <b>Foreign Turnover*</b> (Δ Jan-Dec)	-0.7%	+0.6%	 <b>Unit Labour Costs</b> (Δ Jan-Dec)	+0.6%

Change in economic indicators in the German MET industries January to December 2025 compared to the same period of the previous year, Employment: Extrapolation based on monthly reports for establishments with ≥ 50 employees Source: Federal Statistical Office; Gesamtmetall calculations \*Calendar-adjusted values \*\*Price-adjusted values

# MET trend: Performance varies significantly due to large-scale orders in Q4

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

Price-, calendar- & seasonally-adjusted quarterly values (reindexed to AVG. 2015 = 100, excluding WZ 32+33)



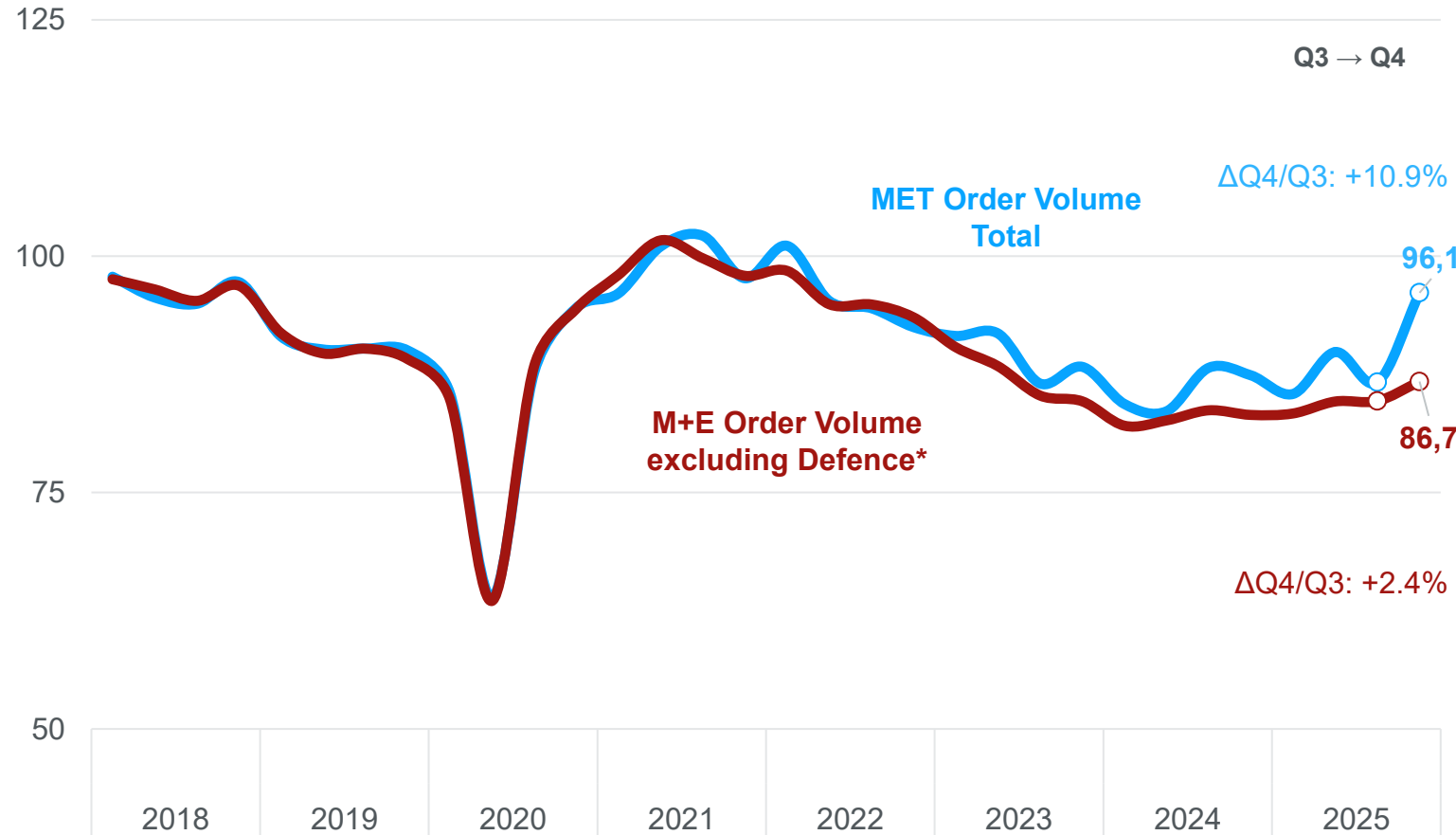
Source: Federal Statistical Office. 1) Provisional values Q4 2025; rates of change incl. classification 32+33

# MET orders: Defence orders lead to increase - but stabilization lacks the necessary breadth



## New Order in the MET industries

Price-, calendar- & seasonally-adjusted quarterly values (Indices AVG. 2021 = 100)



MET new orders rose by a preliminary 2.6% in December compared to November, driven by renewed large-scale orders from the defence sector. The strong November figure was also revised upwards (+6.9% instead of the preliminary +6.5% on October). This resulted in a robust 10.9% increase in Q4. However, adjusted for those industrial branches where the majority of defence orders are typically booked, the increase stood at just 2.4%. New orders in machinery and equipment and electrical equipment were the primary drivers here at year-end.

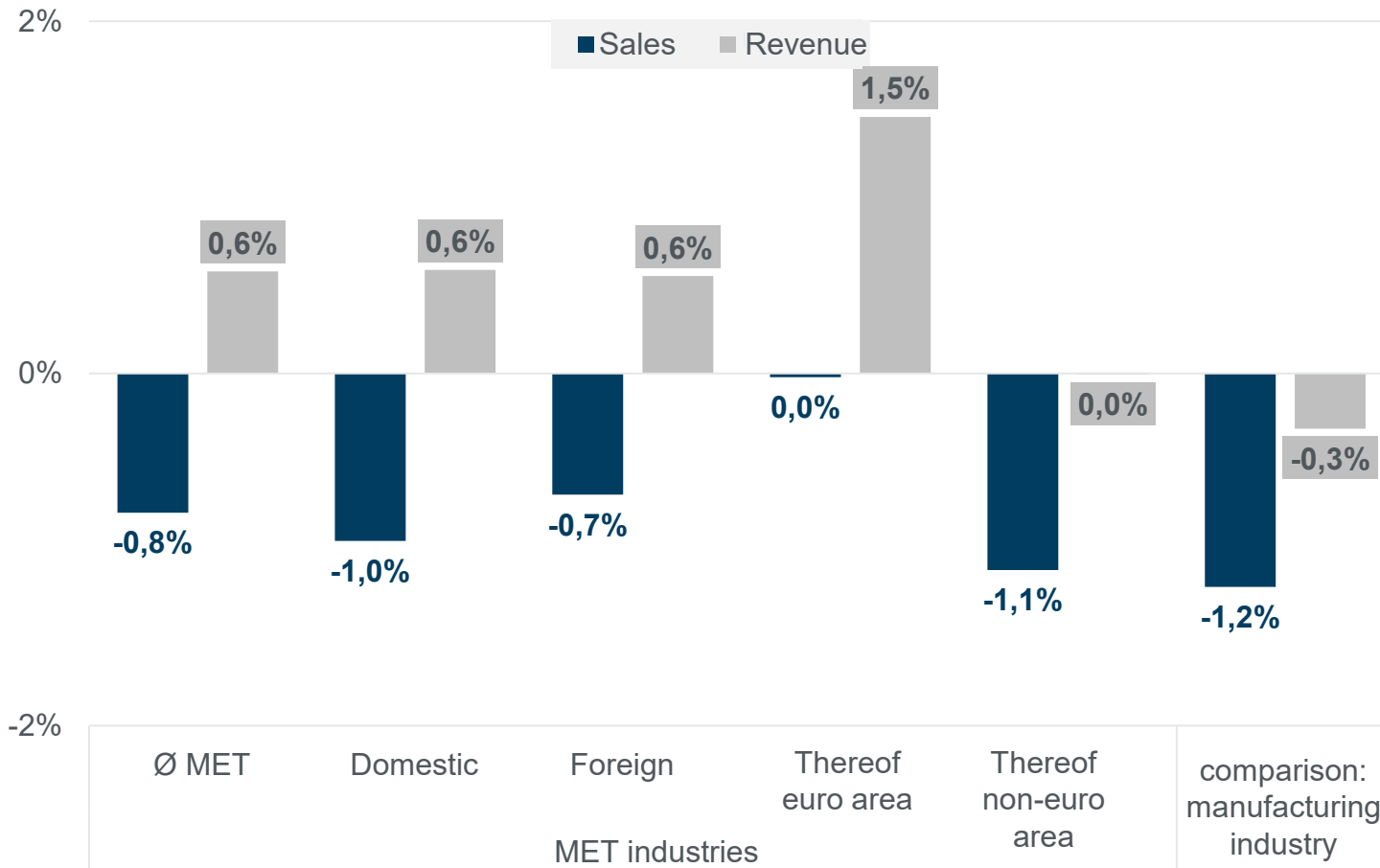
Across the wider MET industries, however, new orders remain at a weak level. This is also reflected in the judgement of MET companies: the assessment of demand was negative again in December and January. Correspondingly, order backlogs are assessed as remaining poor, and capacity utilisation slipped again at the start of the year.

Source: Federal Office of Statistics (DESTATIS), preliminary data, Gesamtmetall calculations, \*WZ 30 = "Other Vehicle Production" & WZ 254 "Manufacture of weapons and ammunition"

# MET revenue remains weak – Trade conflicts & domestic weakness weigh heavily

## Revenues & sales in the German MET industries

Δ Jan-Dec 2025/2024. Calendar-adjusted values. Sales = price-adjusted.



Revenue fell significantly again in December (nominal -1.2% and price-adjusted +1.6% compared to November). In the fourth quarter as a whole, nominal turnover remained almost stable compared to the previous quarter (+0.2%), while price-adjusted sales volume declined by 0.4%. Sales volumes thus fell for the second consecutive quarter. While domestic business stabilised somewhat in H2, foreign business declined noticeably.

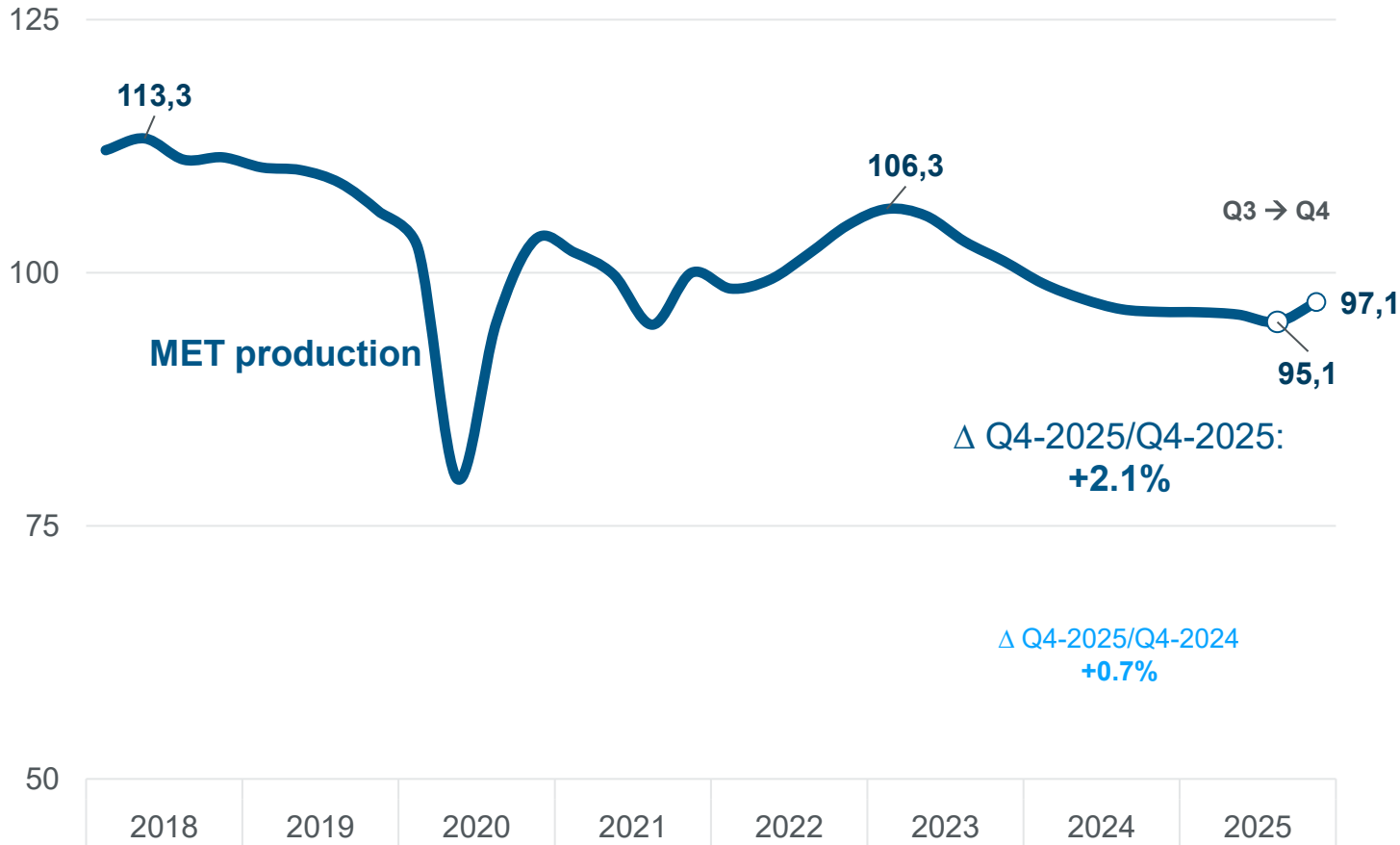
In the preliminary annual review for 2025, price-adjusted sales volume was once again 0.8% below the weak level of the previous year. Only sales to the Eurozone were stable; otherwise, both domestic sales and foreign sales outside the Eurozone recorded declines. Turnover only just exceeded the previous year's level as a result of price effects.

Source: Federal Statistical Office; preliminary data, Gesamtmetall calculations

# MET production: Special factors in autumn - but sustainable turnaround not yet achieved

## Production development in the MET industries

Price-, calendar- & seasonally-adjusted quarterly values (Indices AVG. 2021 = 100)



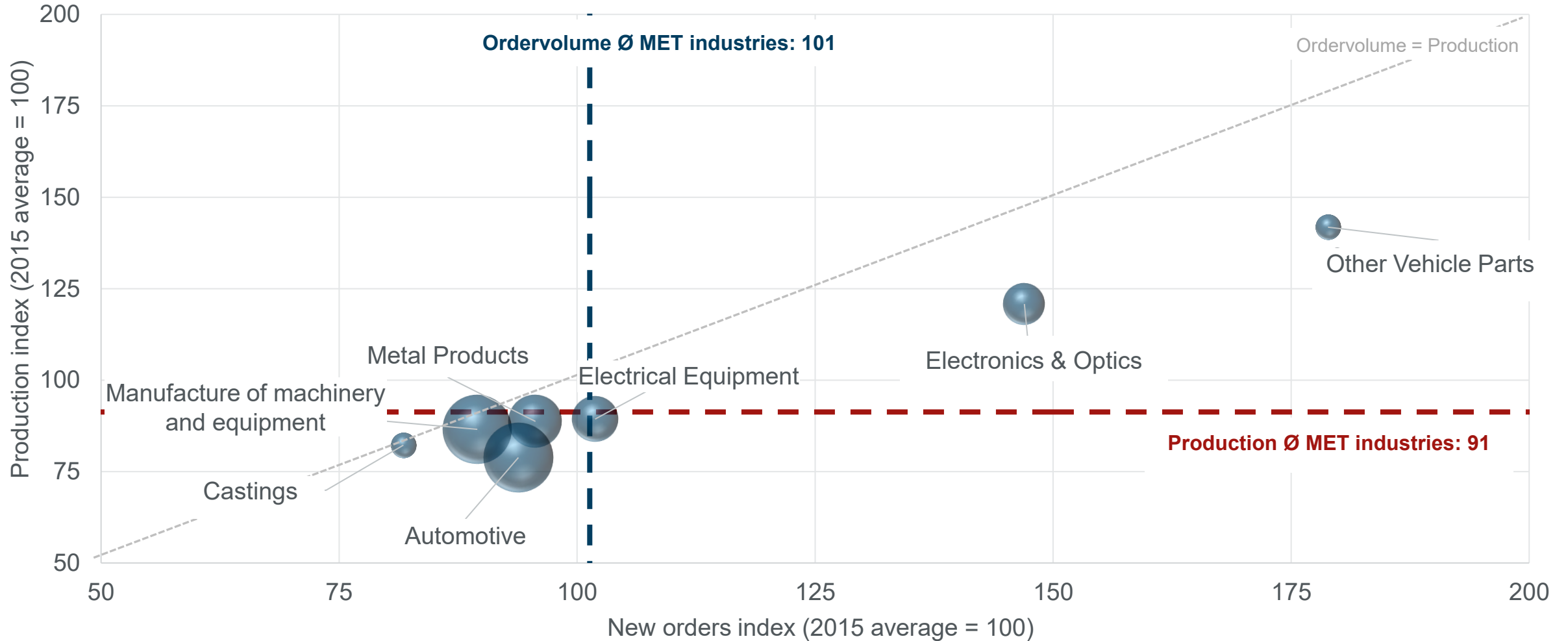
MET production suffered a noticeable setback again in December, falling by 2.5% compared to November. Nevertheless, Q4 as a whole saw an increase of 2.1% – the first growth after 10 consecutive quarters of recession. Production increased primarily in other vehicle production, electrical equipment and repair and installation. Consequently, MET production was also slightly up on the previous year for the first time since Q3 2023. Nevertheless, the full year 2025 saw a production decline of 1.2% – the second annual drop in a row. The level is correspondingly very low, remaining 13% below the 2018 level in Q4. However, there was another glimmer of hope in January: having been consistently negative in Q4, production plans turned slightly into positive territory again at the start of the year.

Source: Federal Statistical Office, provisional values particularly for the latest month.

# Sectoral development: Individual industries experiencing a special boom - levels otherwise persistently weak

## MET industry portfolio (real prices), January – December 2025

New orders & production index for MET industry branches, price-, calendar- & seasonally-adjusted values (reindexed to AVG. 2015 = 100)

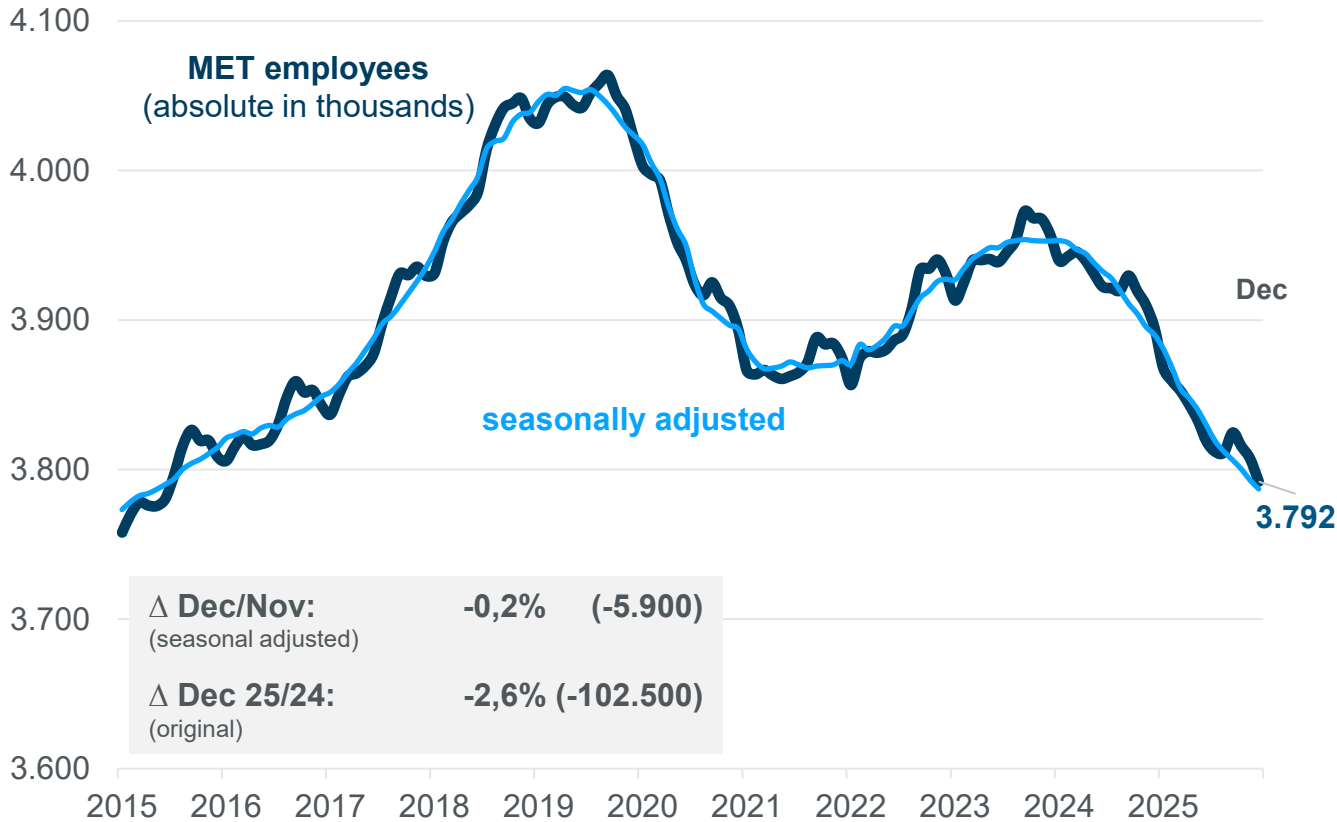


Source: Federal Statistical Office, preliminary data; Gesamtmetall calculations. Figures exclude WZ 32+33, as these are not subject to mandatory new orders reporting.

# More than 270,000 MET jobs lost since 2019 – employment plans remain on a downward trend

## Development of MET employment

Absolute figures in thousands, original & seasonally adjusted values, companies with ≥ 20 employees.



In December, the number of MET employees fell to 3.792 million. For the first time since July 2015, there were fewer than 3.8 million employees in the MET industries. With a seasonally adjusted loss of 5,900 jobs (-0.16%) compared to the previous month, the 23rd consecutive monthly decline was recorded. Compared to the previous year, 102,500 jobs have been lost (-2.6%). Since 2019, cumulative job losses total > 270,000.

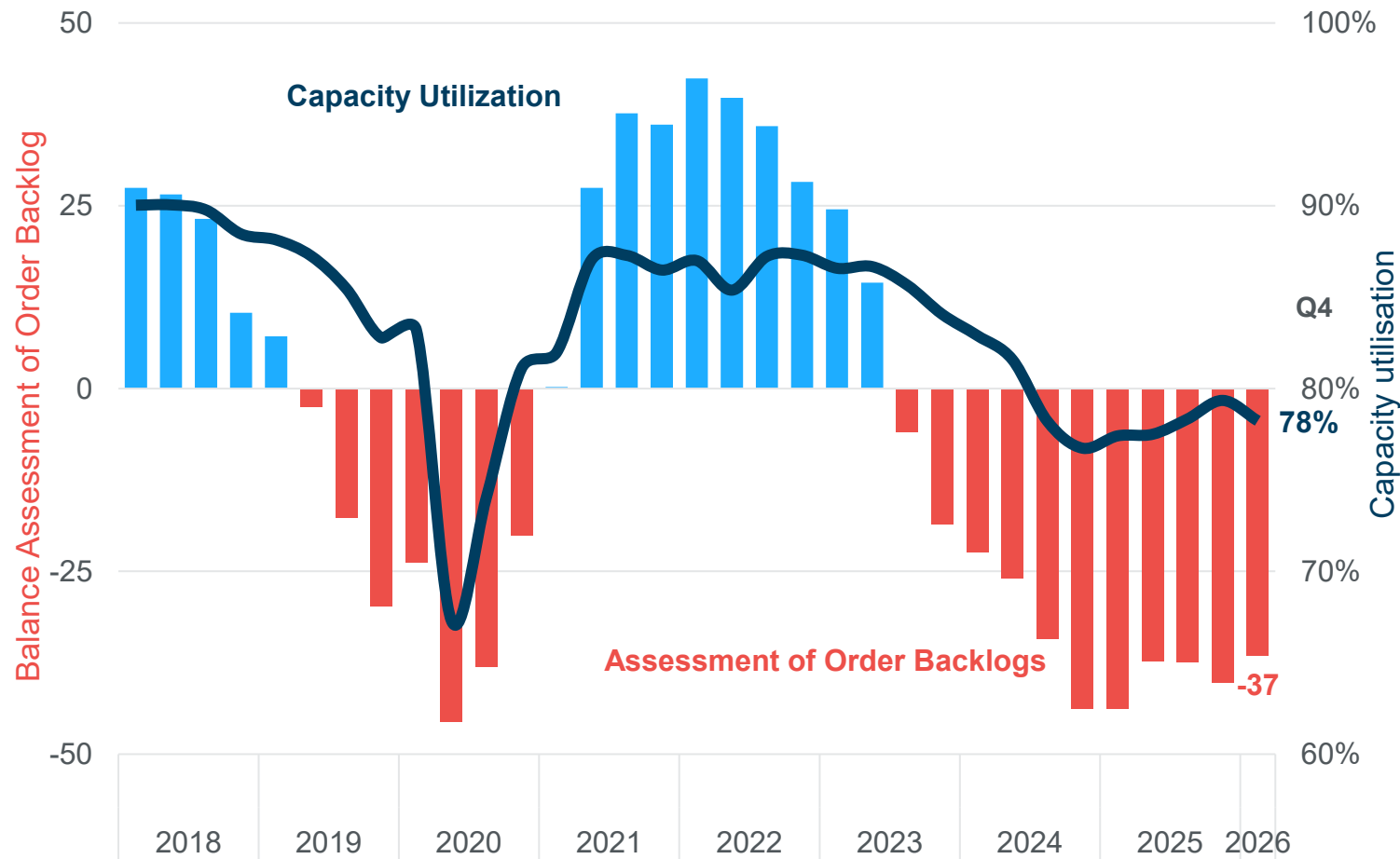
Pressure on jobs remains high in view of underutilisation: at -23 points (balance of recruitment/reduction), plans for job cuts in January 2026 outweighed recruitment plans for the 31st month in a row (!) – the longest negative phase since the early 2000s. Accordingly, a turnaround in unemployment failed to materialise. In January 2026, the number of unemployed persons in MET occupations rose by a further 0.2% seasonally adjusted compared to the previous month. In contrast, the stock of vacancies fell by 0.2%.

Source: Federal Statistical Office; Gesamtmetall calculations; companies ≥ 20 employees (monthly extrapolations based on monthly reports for companies with ≥ 50 employees)

# Capacity utilisation remains below average – order backlogs still rated as dismal

## Order Backlog & Utilization in the MET industries

Balance of +/- responses (left); utilisation of normal operating capacity (right)



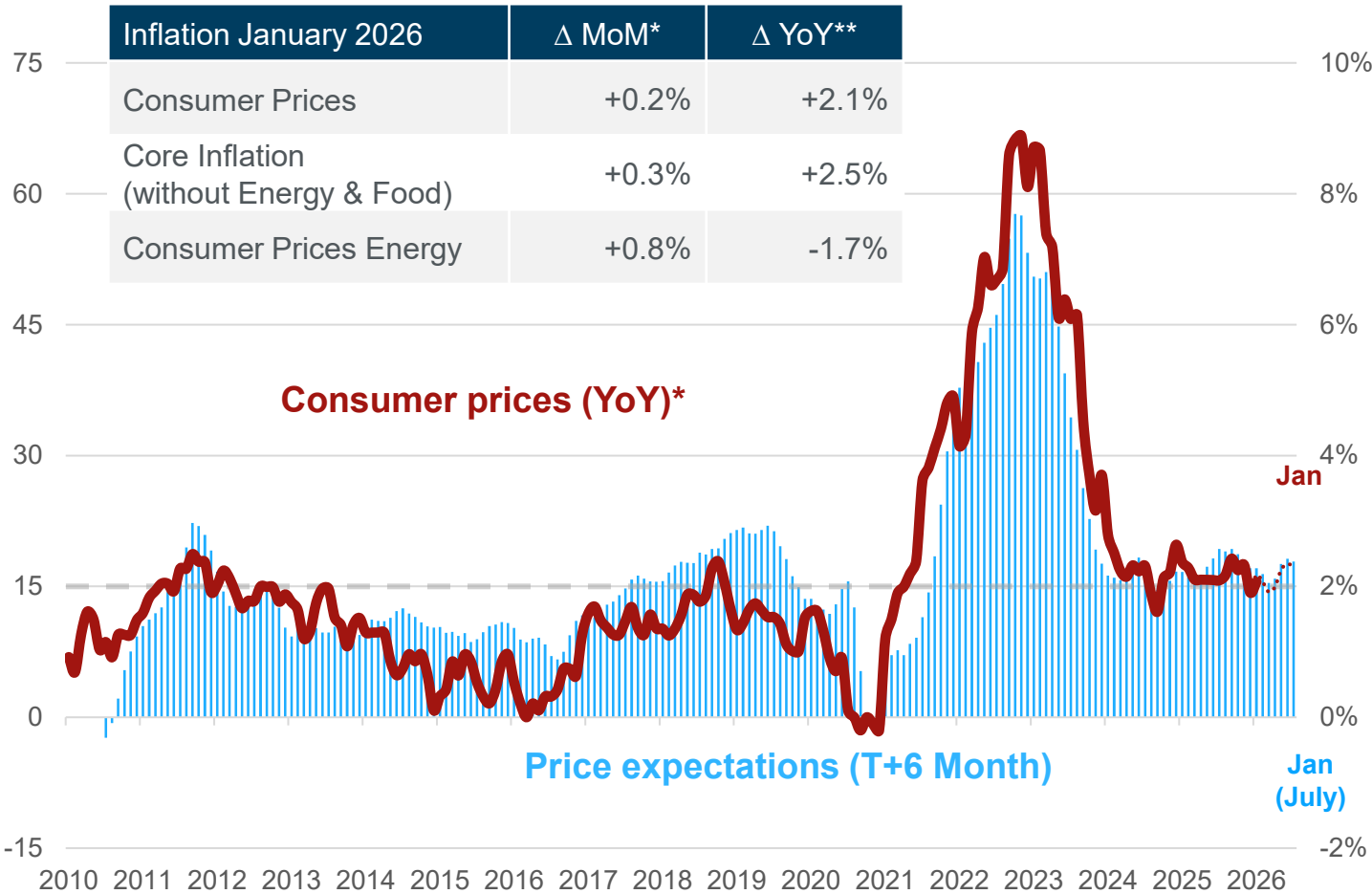
Capacity utilisation and order backlogs in the MET industries remain dismal. At the start of the year, capacity utilisation averaged just 78%, which is 1 percentage point below the previous quarter's figure. Capacity utilisation thus remains far below the long-term average (85%). The assessment of order backlogs also remained deep in negative territory in January, almost unchanged with a balance of -37 points. Such a prolonged period of underutilisation was last seen in the early 2000s – i.e. prior to the Agenda 2010 labour market and social reforms. The only glimmer of hope is the reduction of finished goods inventories, although this is proceeding very slowly.

Source: ifo Business Survey

# Inflation rate back just above 2% in January – Bundesbank expects similar rates in coming months

## Development & Outlook Inflation Rate

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



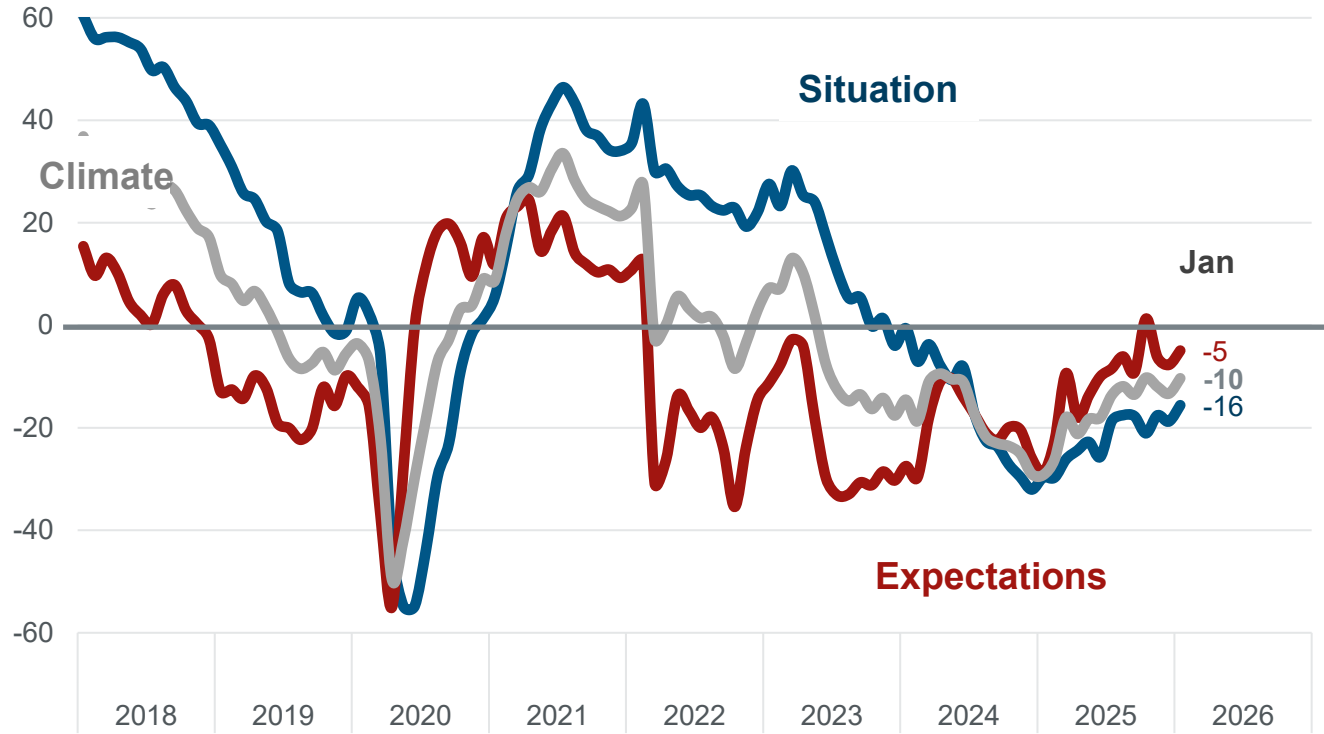
In January, consumer prices were a preliminary 2.1% higher than the previous year. While energy prices were slightly below the previous year's level, core inflation strengthened slightly again to +2.5%. The primary driver here remains inflation in services, although this at least slowed to +3.2%. In addition, food prices rose again due to weather conditions.

On an annual average for 2025, inflation stood at +2.2%, the same level as in 2024. This marks the fifth consecutive year that the ECB target of 2% has been exceeded. The Bundesbank expects rates slightly above 2% for the coming months and has revised its forecast for 2026 upwards to +2.2%; the core rate is also likely to be higher than originally expected at +2.4%.







Source: Price expectations: ifo Business Survey, 3-month moving average shifted 6 months forward; Gesamtmetall forecast: 95% LR model; \*calendar and seasonally adjusted values of the Deutsche Bundesbank; \*\*rates of change from the Federal Statistical Office.

# Worse start to the year than hoped - sentiment remains predominantly pessimistic

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



The MET business climate improved slightly at the start of the year to -10 points (Dec: -13) but remained deep in recessionary territory. Both the current situation and expectations were assessed slightly less pessimistically than in the previous month. Concrete plans for the coming months have also improved. However, the improvement was weaker than hoped, especially as the ifo survey was largely conducted before the renewed uncertainties caused by US tariff threats regarding Greenland. Of particular concern are the continued very weak order situation & negative employment plans.

Assessment of order book: -37 Pt. 	Production Plans: +5 Pt. 	Personnel Plans: -23 Pt. 
Demand Compared to the Previous Month: -9 Pt. 	Export expectations: +5 Pt. 	Price expectations: +20 Pt. 

Source: Ifo Business Survey, balances from +/- reports for January 2026; the arrows indicate the level and trend over the last three months