

The background of the slide is a dark, industrial scene. On the right side, a machine tool is shown cutting through a metal piece, creating a bright, intense burst of orange and yellow sparks that fan out to the right. On the left side, there is a faint, semi-transparent line chart with multiple lines in shades of blue and green, showing fluctuating data trends. The overall lighting is dim, with the primary light source being the sparks from the industrial process.









# **MET Germany Business Cycle Report**

## MET industries in a sixth consecutive recessionary quarter – Sentiment remains highly pessimistic.

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- **MET production** declined by 2.5% in September compared to August. As a result, Q3 marked the sixth consecutive recessionary quarter (-1.4% versus Q2) and fell 6% below Q3 2023 levels. Production plans were further downgraded in autumn due to continued decreases in capacity utilization.
- **Revenue and sales** volumes dropped by 0.9% and 1.3%, respectively, in Q3 compared to the previous quarter, marking the fifth consecutive quarterly decline. Year-on-year, Q3 2023 revenue and sales fell by 5% and 7%, respectively. Despite a robust global economy, exports continue to decline, with export outlooks remaining negative.
- **New orders** increased by 6.9% in September compared to the previous month, recovering from the 6.6% slump in August. This fluctuation stemmed from several large orders during the summer, resulting in a year-on-year quarterly increase (+2%) for the first time in nine quarters. However, this growth has not been broadly distributed: MET companies rate capacity utilization and order backlogs as poorly as during the peaks of the financial and COVID-19 crises.
- Consequently, job cuts are accelerating. The number of **MET employees** in September was 40,000, or 1.0%, below the prior year's figure. One in three MET companies plans workforce reductions, and an increasing number are resorting to short-time work schemes.
- The **MET business climate** continues to deteriorate. In November, expectations remained firmly pessimistic, while assessments of the current situation progressively worsened. Additionally, investment plans for 2025 have been significantly curtailed. Stabilization or a cyclical turnaround remains unlikely, given the sharply deteriorated operating conditions.

# Annual Overview 2024: Recession Persists – Unit Labour Costs Surge

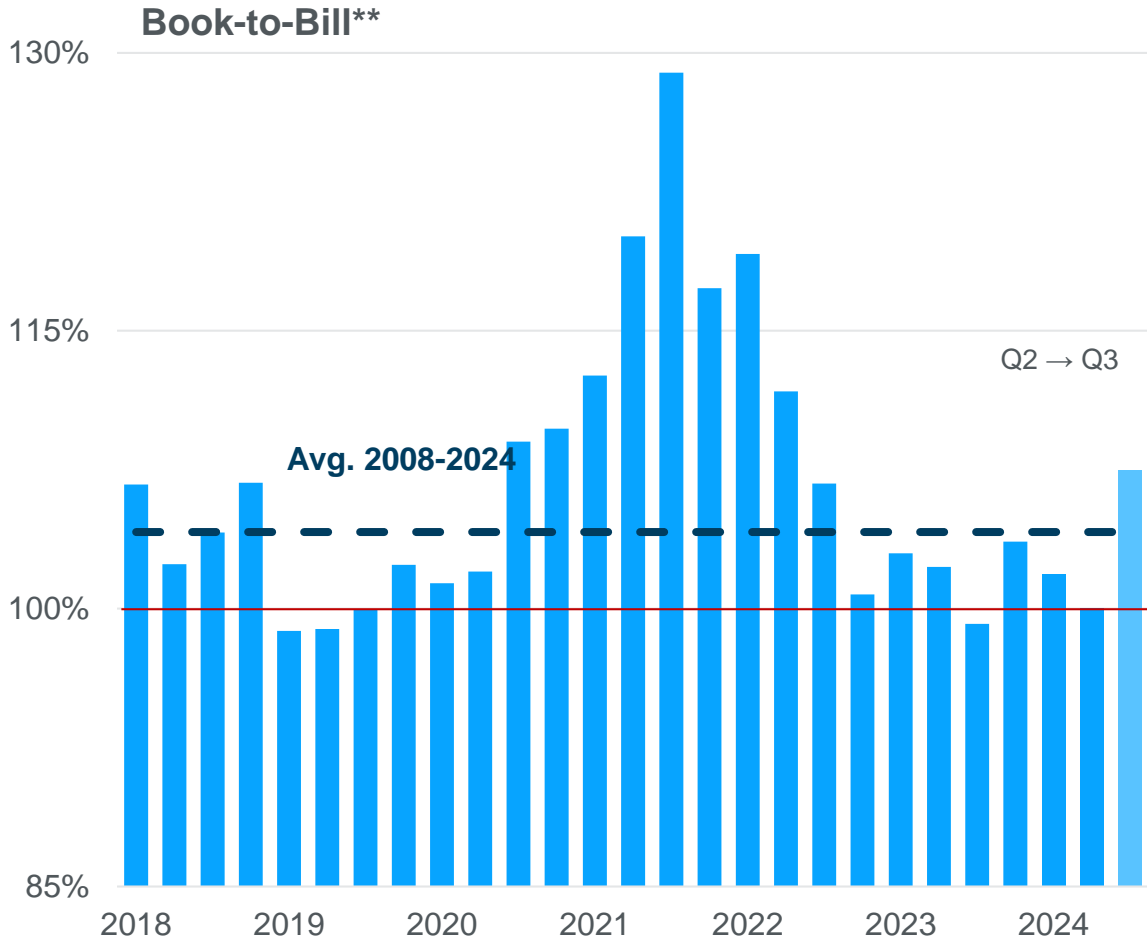
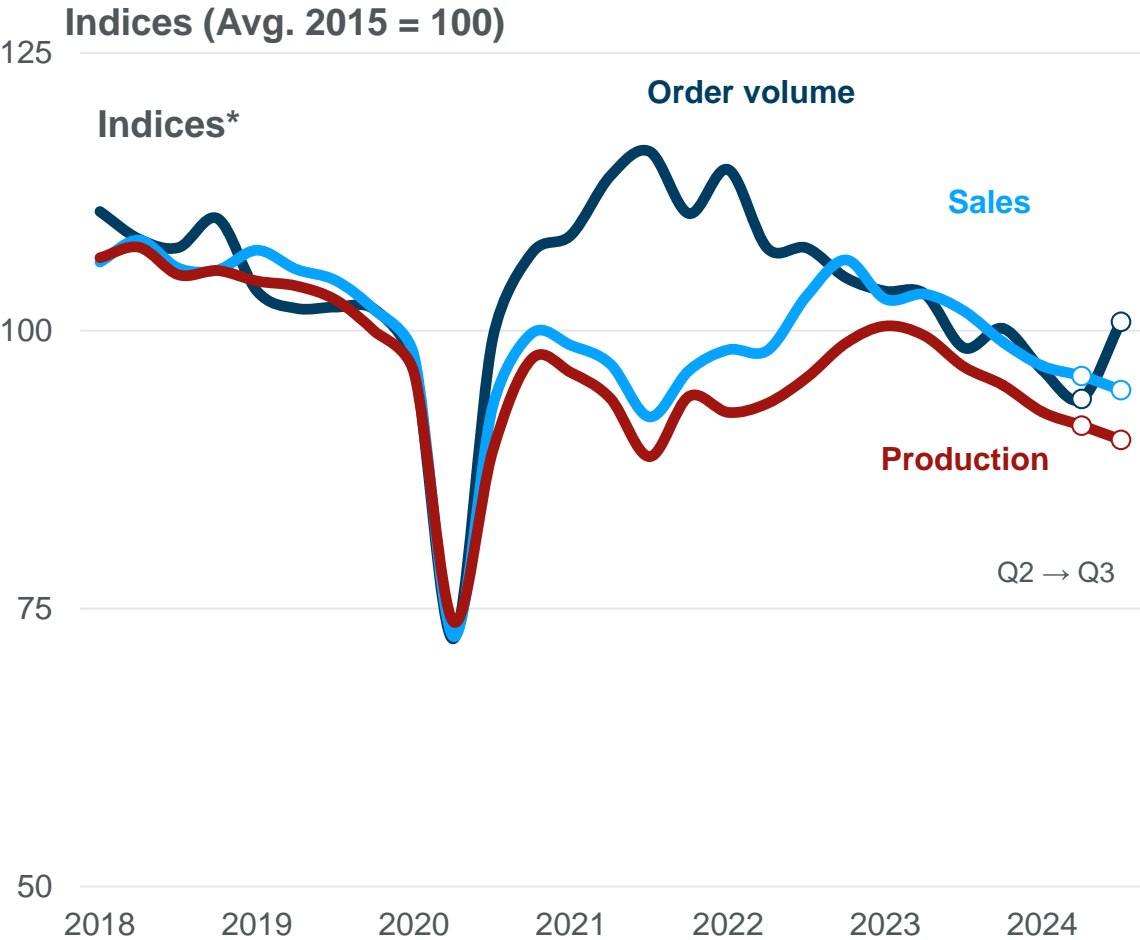
	Real**	Nominal		Nominal
 <b>New Orders*</b> (Δ Jan.-Sep.)	-5.3 %	-3.8 %	 <b>Employment</b> (Δ Sep.)	-1.0 %
 <b>Production*</b> (Δ Jan.-Sep.)	-7.1 %		 <b>Hours worked</b> (Δ Jan.-Sep.)	-1.1 %
 <b>Turnover*</b> (Δ Jan.-Sep.)	-6.2 %	-4.5 %	 <b>Wages &amp; salaries</b> (Δ Jan.-Sep.)	+3.6 %
 <b>Foreign Turnover*</b> (Δ Jan.-Sep.)	-4.9 %	-3.0 %	 <b>Unit Labour Costs</b> (Δ Jan.-Sep.)	+11.0 %

Changes in Economic Indicators for the German Metal and Electrical Industry, preliminary values for January to September 2024 compared to the same period last year, Employment: Latest available monthly data, Source: Federal Statistical Office; Gesamtmetall calculations \*Calendar and seasonally adjusted values \*\*Price-adjusted values

# Q3 2024 Development: MET Industries Remain in Recession Despite Large Orders

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

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



Source: Federal Office of Statistics; Gesamtmetall calculations

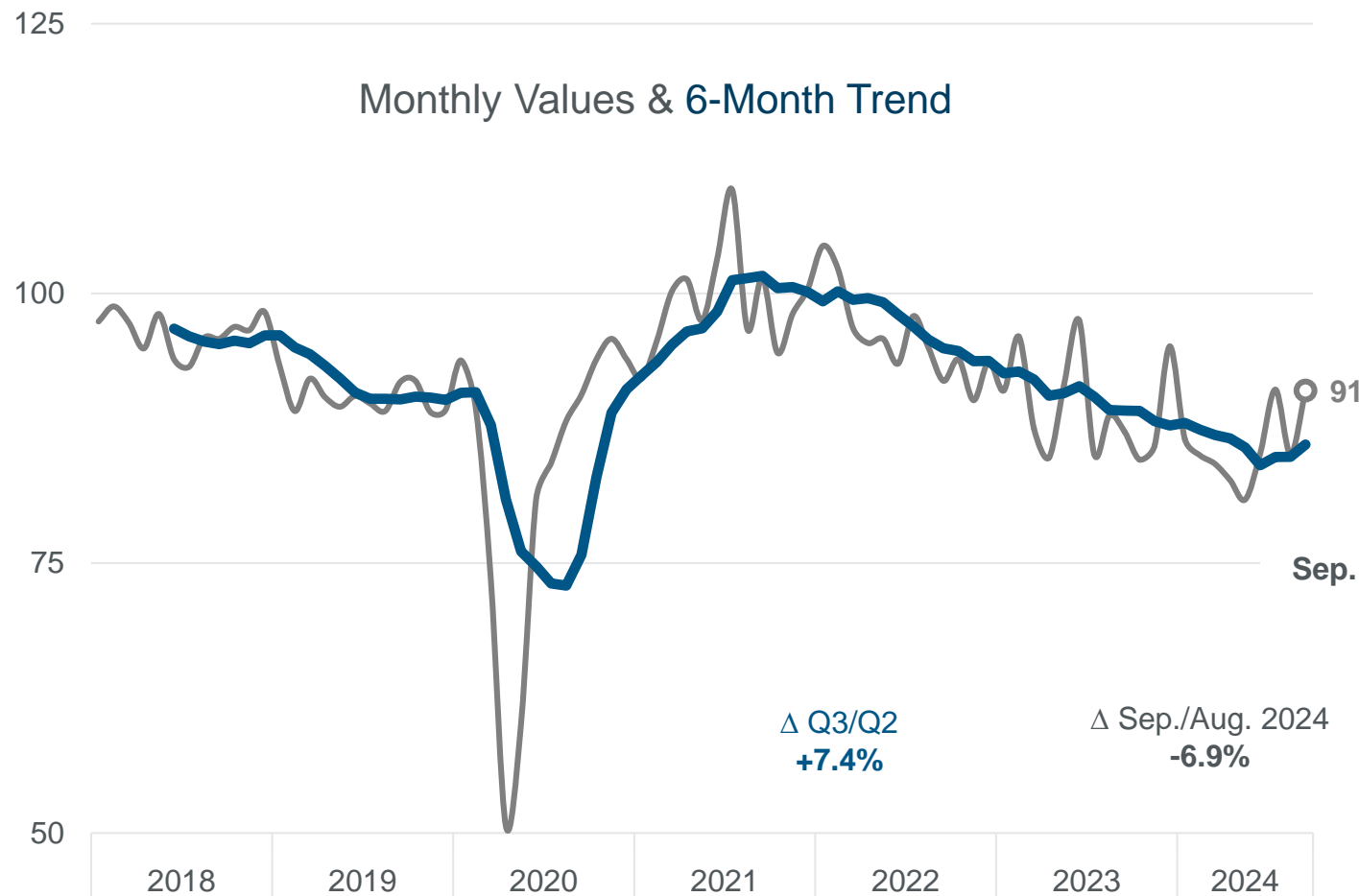
\*Reindexed to Avg. 2015 = 100

\*\* Incoming orders in relation to sales

# New Orders Turn Positive Due to Large Contracts – Overall Order Situation Remains Dire

## New Orders MET Industries

Price-, Calendar- & Seasonally Adjusted Indices (Avg. 2021 = 100)



Source: Federal Office of Statistics

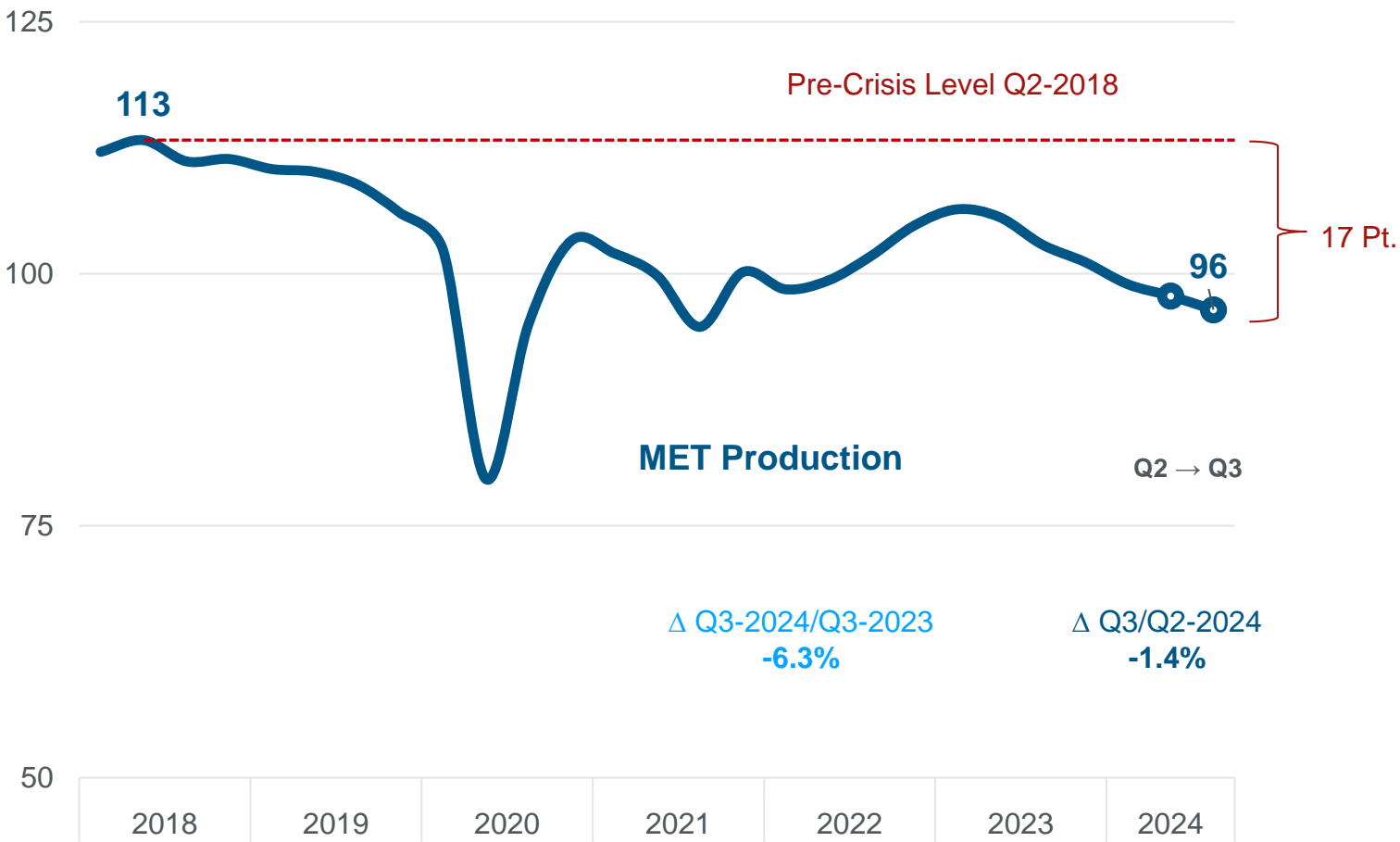
In September, new orders increased by 6.9% compared to the previous month, offsetting the 6.6% drop in August. As a result, order intake in Q3 rose by 7.4% compared to Q2. For the first time in nine quarters, order intake was also slightly above the previous year's quarterly level (+2%).

However, this stabilization was largely driven by several large contracts. A broader recovery across MET industries has yet to materialize: order backlogs are rated as extremely poor, with assessments rivaling the lows seen during the 2009 financial crisis and the 2020 COVID-19 crisis. More than 50% of MET companies report being affected by a lack of orders.

# MET Production: Sixth Consecutive Recessionary Quarter – Pre-Crisis Gap Widens to 17 Percentage Points

## Production Trends in MET Industries

Price-, Calendar-, and Seasonally Adjusted Indices (Ø 2021 = 100), Quarterly Data



MET production declined by 2.5% in September compared to August, leading to a 1.4% reduction in Q3 output compared to Q2 2024. This marks the sixth consecutive quarterly decline.

For Q4, a continuation of the recession is anticipated. In autumn, as capacity utilization dropped further, production plans were revised downward once again. In November, 37% of MET firms planned to cut output, while only 13% expected an increase. This results in a negative balance for production plans for 18 consecutive months—unseen since the structural crisis of 1992–1994.

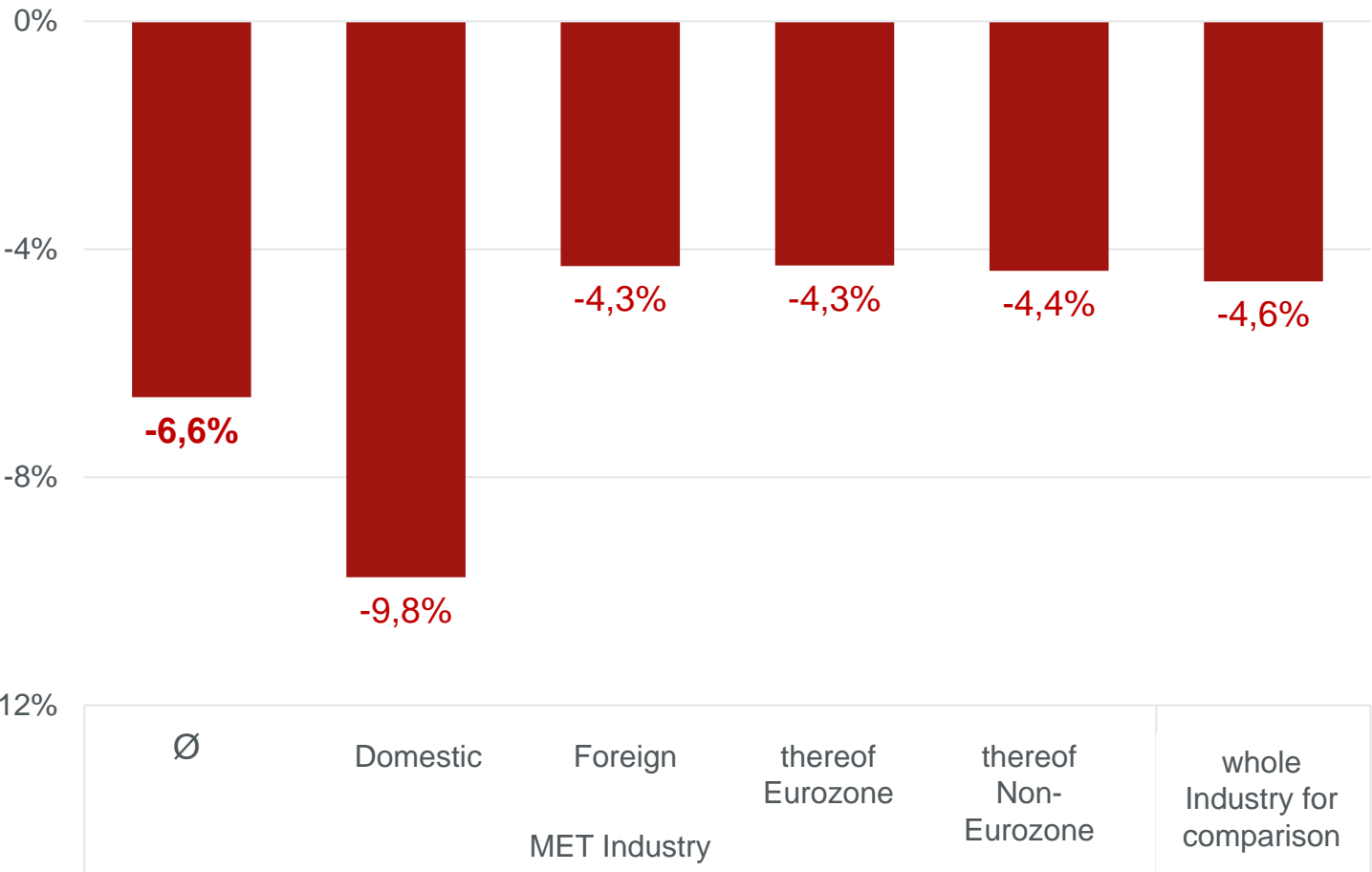
Source: Federal Office of Statistics



# Collapse in Domestic Sales & Persistently Weak Exports Despite Robust Global Economy

## Revenue Development in the MET Industry by Region

Calendar-Adjusted Change Compared to the Same Period Last Year. Δ Q3-2024/Q3-2023



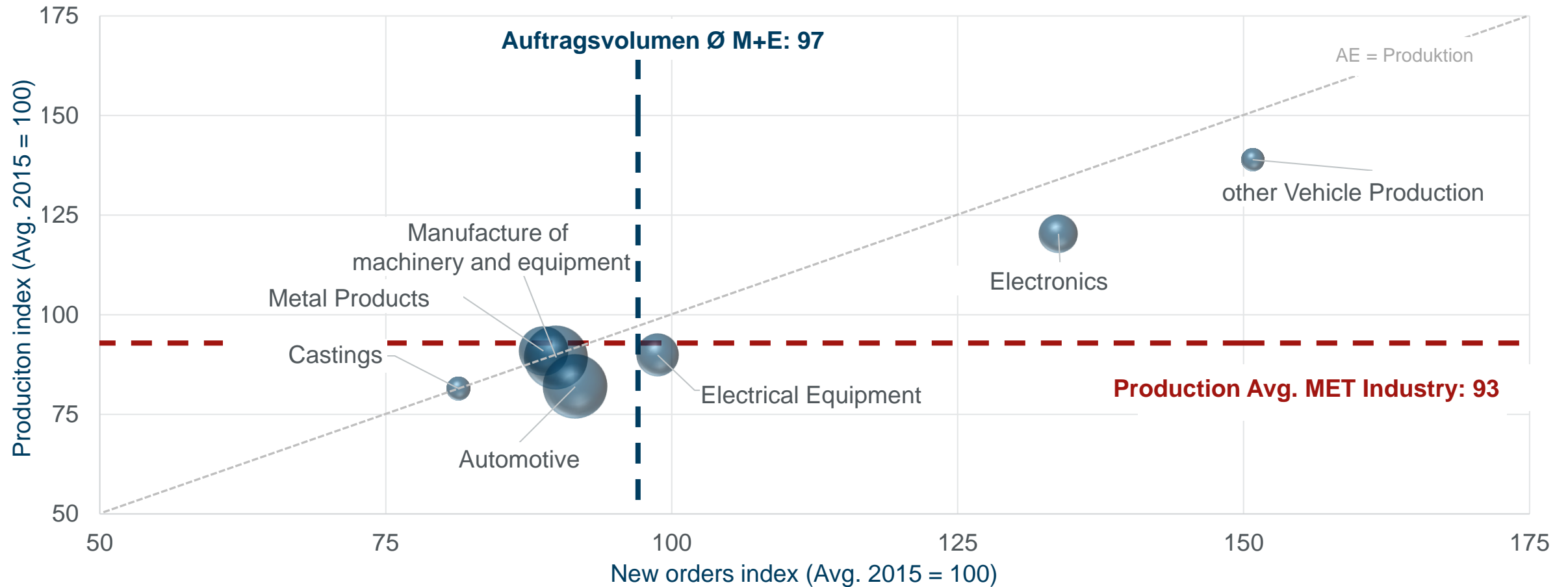
Source: Federal Office of Statistics

With declines of -1.4% and -1.5% compared to the previous month, revenue and sales in September returned to the downward trend seen in the first half of the year, following an apparent stabilization in August caused by an early end to school holidays in some states. In Q3, revenues fell by 0.9% overall and, after price adjustments, by 1.3% compared to Q2, marking the fifth consecutive quarterly decline. Year-on-year, Q3 revenues and sales were down by 5.0% and 6.6%, respectively. Domestic sales continued to collapse due to the ongoing investment crisis, while exports remained weak. According to the Federal Statistical Office, exports to non-EU countries even dropped by approximately 7% in October compared to September. Export plans of MET companies also remained deeply negative in November.

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

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

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



Source: Federal Office of Statistics, Gesamtmetall calculations

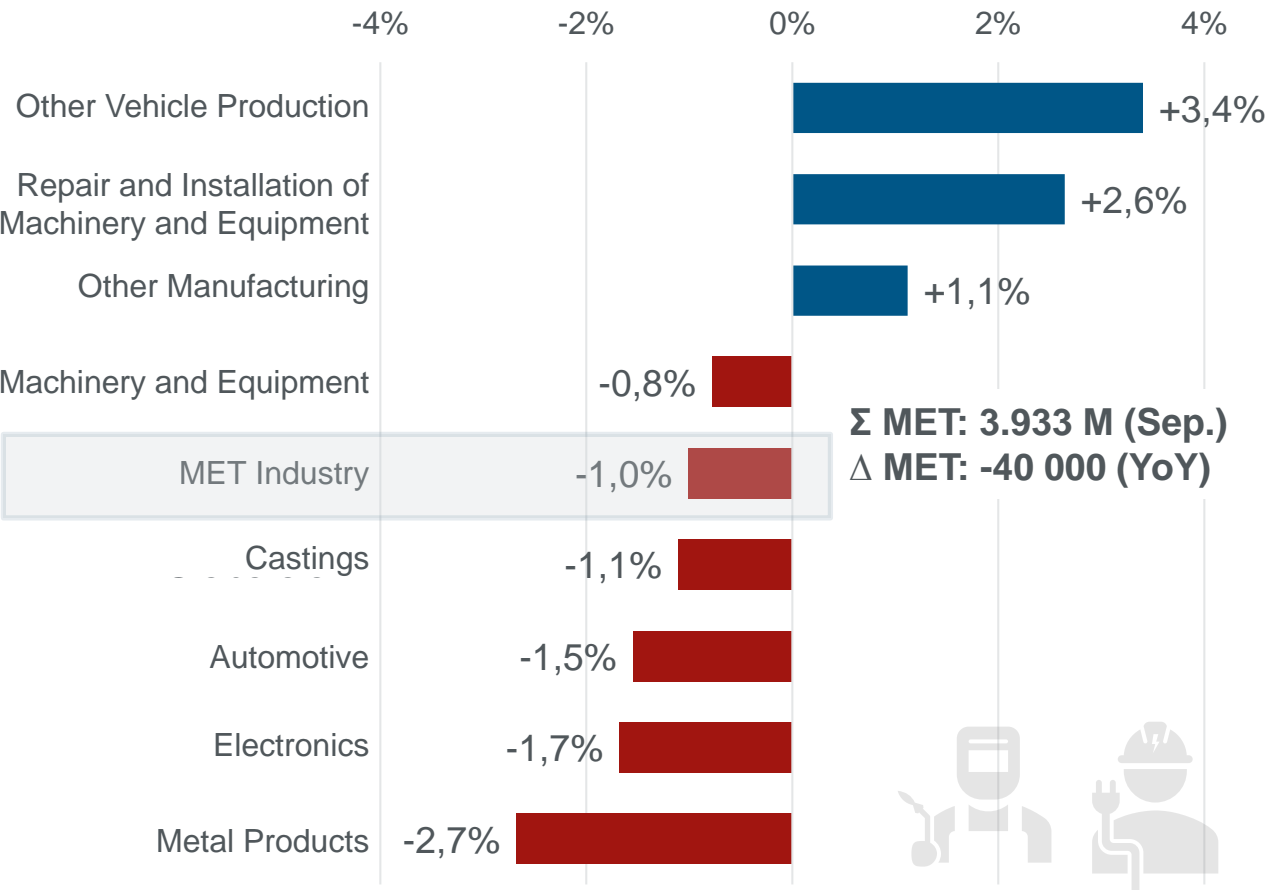
\*Values without WZ 32+33



# Job Cuts Intensify Significantly – Skills Shortages Ease Due to Recession

## Change in MET Employment

by Industry Sectors, Δ Aug. 2024 vs. Same Month Last Year



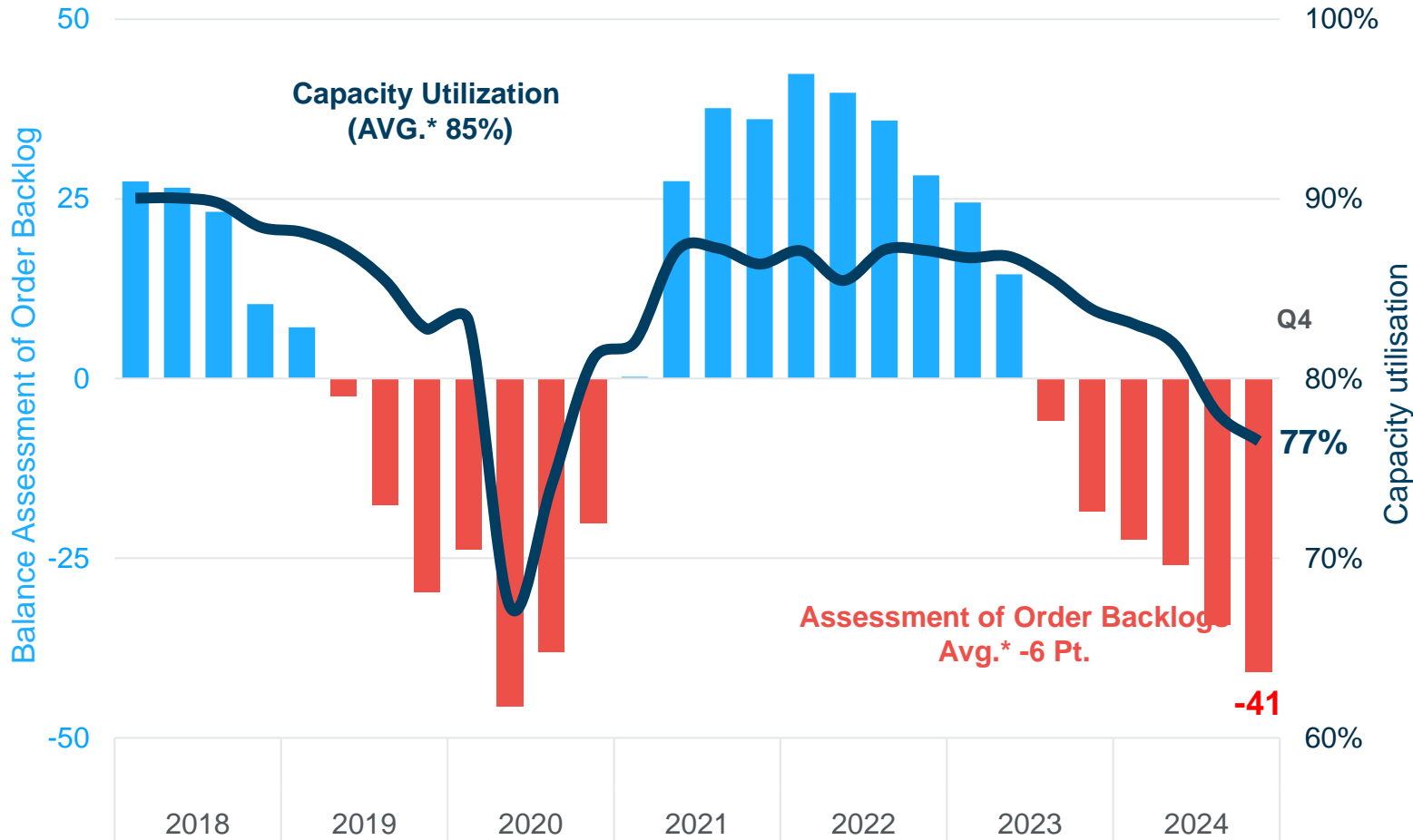
In September, approximately 3.933 million MET employees were active. Seasonally adjusted figures show the workforce declining for the eighth consecutive month compared to the previous month. The workforce was 40,000 employees, or 1.0%, below the prior year’s level. Personnel plans collapsed in autumn: in November, 32% of MET companies planned workforce reductions in the coming months, while only 5% intended to expand. The number of unemployed individuals with MET-related occupations has significantly increased compared to the previous year, while fewer job vacancies are being reported to the Federal Employment Agency. As a result, skills shortages are easing from the perspective of MET companies. At the same time, new short-time work registrations are rising. According to ifo, 22% of MET companies are already utilizing short-time work, with 34% expecting to rely on it in the coming months.

Source: Federal Office of Statistics; Gesamtmetall Calculations; Companies with ≥ 20 Employees (2024 Projections Based on Monthly Reports for Companies with ≥ 50 Employees)

# Utilization Collapses Due to Persistently Weakening Order Backlog

## Order Backlog & Utilization in the MET Industry

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



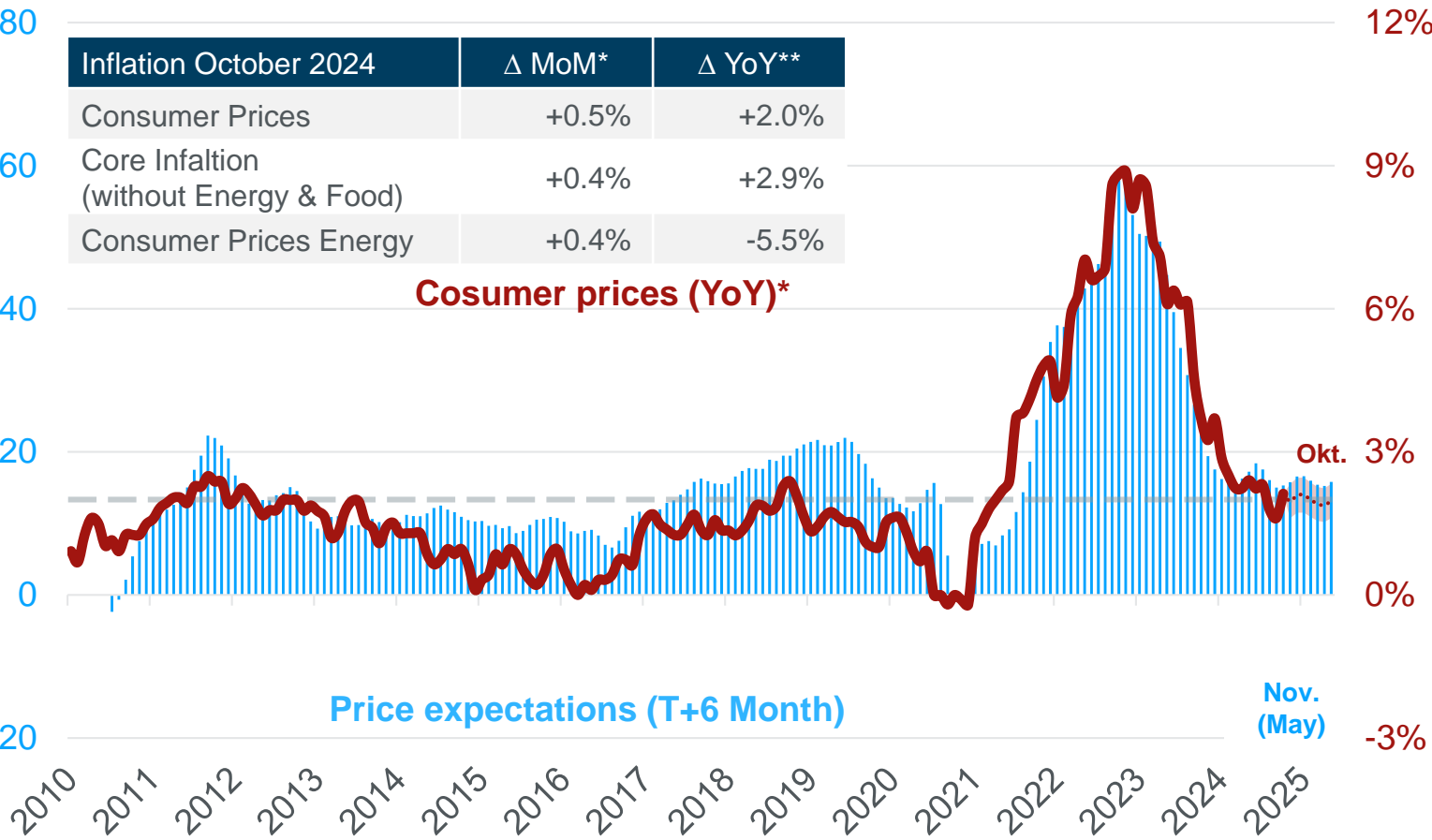
Source: ifo Business Survey \*Long-term average since 2002

The remaining order backlogs are being increasingly negatively assessed due to persistent weak demand and a lack of call-offs. As a result, capacity utilization among MET companies has plummeted: following the Q3 downturn, utilization fell again in Q4 to just 76.5%. This is more than 8 percentage points below the long-term average of 85%. Only during the 2009 financial crisis and the 2020 COVID-19 crisis were capacity utilization and order backlogs rated as poorly. All MET sectors are significantly underutilized on average.

# Inflation Rate Rises Slightly as Expected

## Development & Outlook Inflation Rate

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

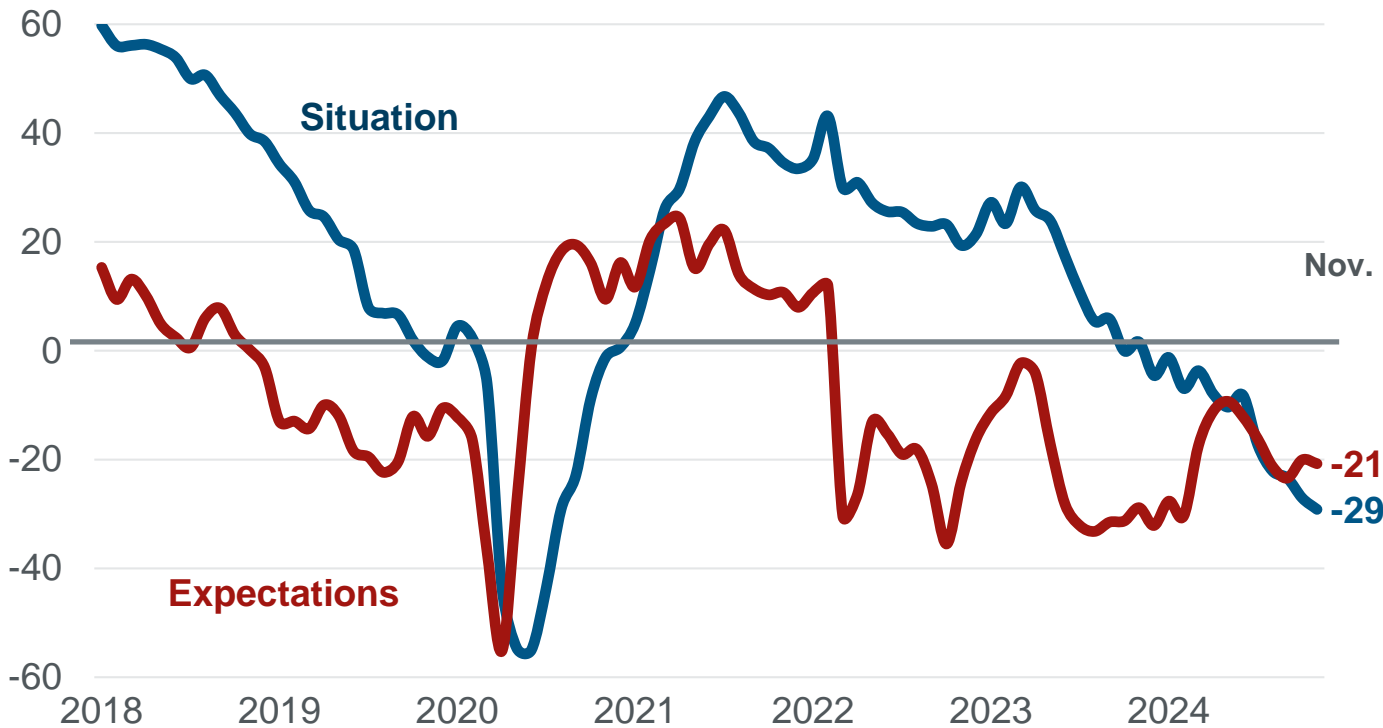


In October, consumer prices were 2.0% higher than the previous year. As anticipated, the inflation rate increased slightly after four consecutive months of decline. Core inflation remained above average. According to the Bundesbank, a temporary further rise in inflation is expected around the turn of the year. Contributing factors include the fading base effects from energy and travel, ongoing wage-driven price increases in services, and anticipated special effects from the "Deutschlandticket" and higher health insurance contributions.

Source: Price Expectations: ifo Business Survey, Rolling 3-Month Average Shifted Forward by 6 Months, Gesamtmetall Forecast: LR-Model with 5% Confidence Interval;  
\*Calendar- and Seasonally Adjusted Values from the Deutsche Bundesbank; \*\*Rates of Change from the Federal Statistical Office

# Further Decline in Sentiment in November – MET Business Climate Continues to Worsen

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



The MET business climate deteriorated further in November, continuing its steady decline since April. While expectations remain persistently pessimistic, assessments of the current situation have worsened. A turnaround in demand and orders has yet to materialize. Production, export, and personnel plans are all trending downward, with no signs of stabilization in the coming months. As a result, the recession is expected to persist into Q4. Additionally, investment plans for 2025 have been significantly reduced.

Assesment of order book: -40 Pt. ➡

Production Plans: -24 Pt. ➡

Personnel Plans: -27 Pt. ➡

Demand Compared to the Previous Month: -19 Pt. ➡

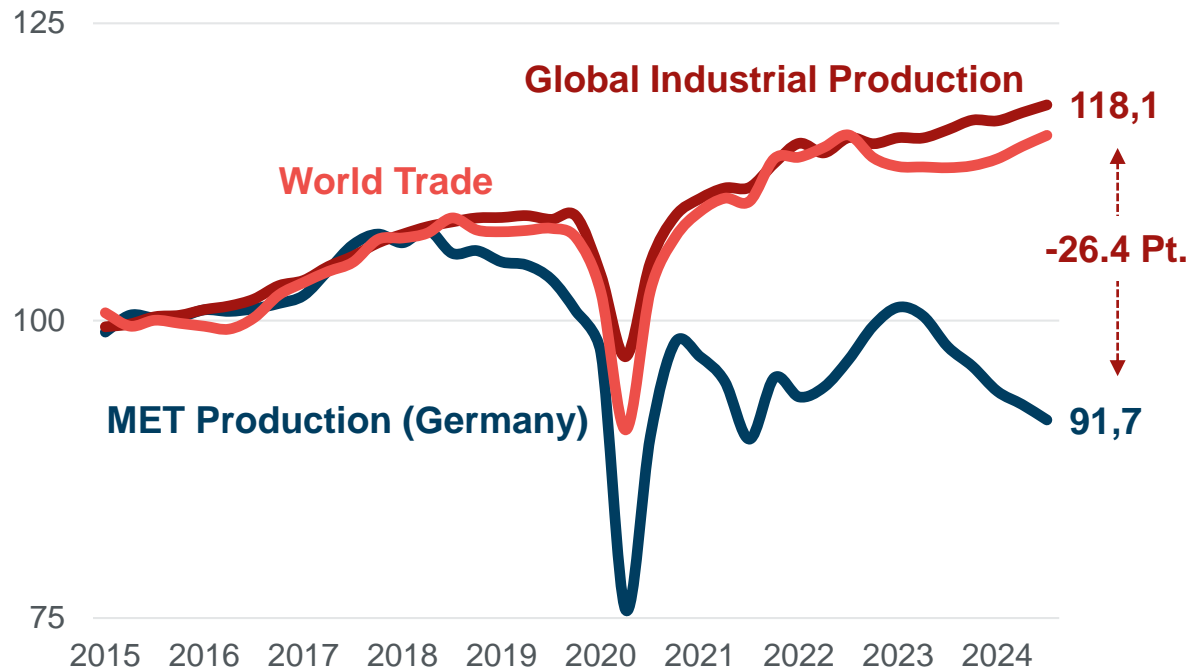
Export expectations: -15 Pt. ➡

Price expectations: +7 Pt. ➡

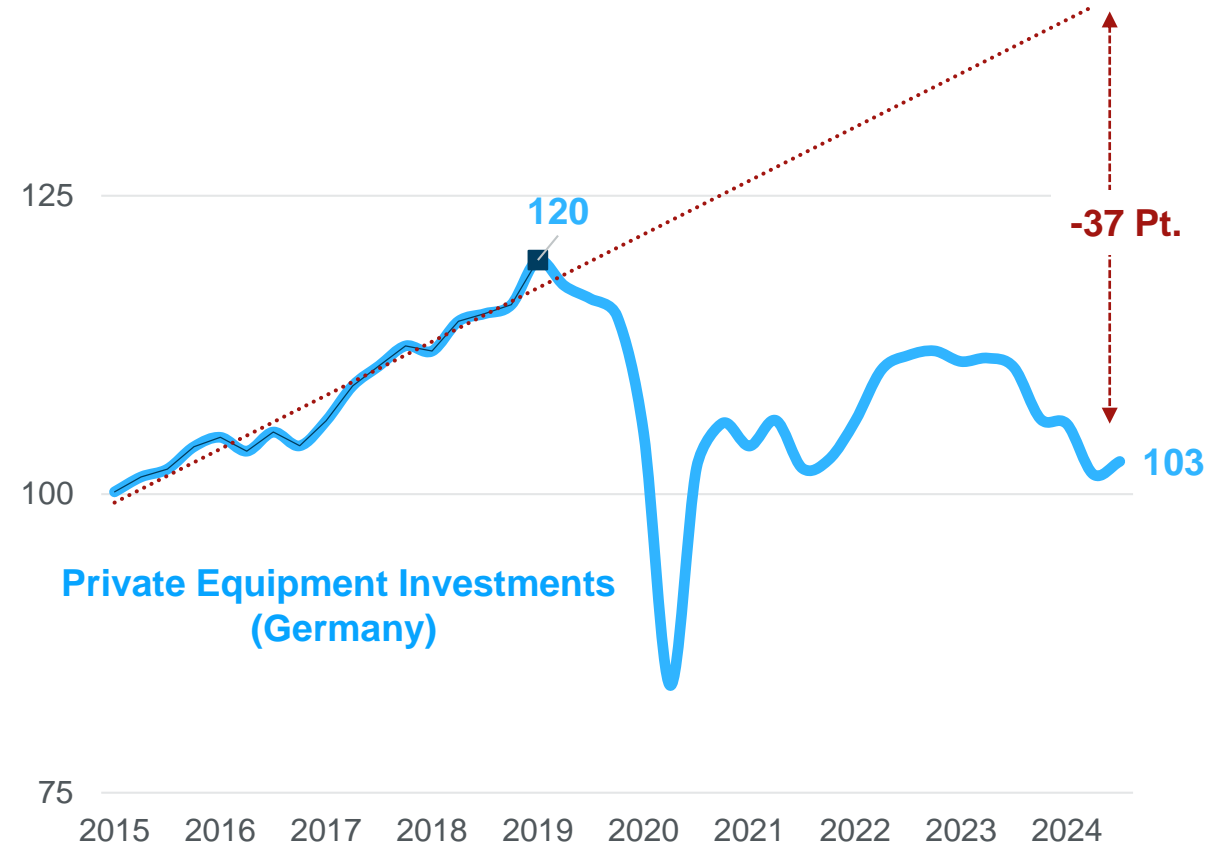
Source: Ifo Business Survey, Balances of +/- Reports for November 2024; the arrows indicate the level and trend over the past 3 months

# Competition and Investment Crisis – Operating Conditions Severely Strain MET Industries

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



**Equipment Investments of Non-Governmental Sectors in Germany**  
Price-, Calendar- & Seasonally Adjusted Index (Avg. 2020 = 100)



Sources: CPB WORLD TRADE MONITOR, Industrial production volume excluding construction, Production weighted, seasonally adjusted; National Accounts, Series 18 Row 1.3, Federal Statistical Office, Revised and Reindexed Values