MET Germany
Business Cycle Report

MET industries with seven consecutive quarters of recession – no trend reversal in sight

- **MET production** declined again in December, bringing Q4 2024 output 1.0% below the previous quarter. This marks the seventh consecutive quarter of recession—a new negative record. Over the course of 2024, production contracted by a total of 6.6%, an even sharper decline than initially feared.
- **Revenue** fell by 0.4% in Q4 2024 compared to the previous quarter, while price-adjusted sales volumes declined by 0.6%. Compared to the same quarter of the previous year, revenue was down by 2.5% in nominal terms and by 4.2% in real terms. The downward trend in earnings continued, albeit at a slower pace. The outlook remains bleak: In addition to the domestic investment crisis, export expectations remained negative in January.
- **New orders** fell by 1.6% in Q4 2024 compared to the previous quarter and were 0.8% lower than in Q4 2023. Large-scale orders, particularly in other vehicle production, are currently causing strong monthly fluctuations, as seen in December. However, the overall order situation remains persistently weak. MET companies assess their capacity utilisation and order backlog as negatively as during the financial crisis or the COVID-19 crisis.
- The number of **MET employees** in November was 53,200 lower than the previous year, a decline of 1.3%. A large majority of MET companies expect further job cuts, and the use of short-time work is increasing.
- The **MET business climate** remained deep in recession at the start of the year. The current situation assessment remained weak, with a net 30% of companies rating their current situation as poor. At the same time, businesses have become even more pessimistic about the months ahead. Above all, the competitive position relative to foreign markets has deteriorated more severely than ever due to worsening domestic conditions. This structural crisis threatens to keep MET industries trapped in recession.

Annual Overview of MET Industries 2024: A Severe Recession Year for Germany’s Key Industry

	Real**	Nominal
New Orders* (Δ Jan.-Dec.)	-3.9 %	-2.5 %
Production* (Δ Jan.-Dec.)	-6.6 %	
Turnover* (Δ Jan.-Dec.)	-5.7 %	-4.0 %
Foreign Turnover* (Δ Jan.-Dec.)	-4.5 %	-2.6 %

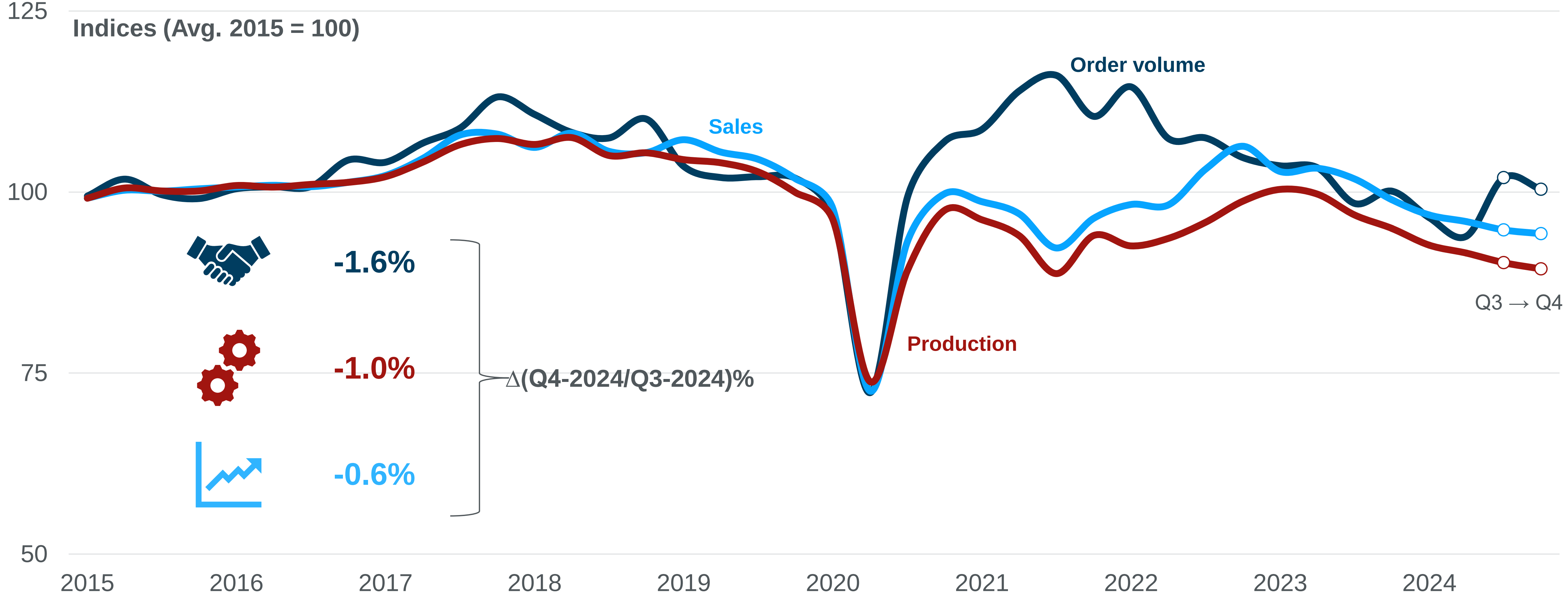
	Nominal
Employment (Δ Nov.)	-1.3 %
Hours worked (Δ Jan.-Nov.)	-1.3 %
Wages & salaries (Δ Jan.-Nov.)	+3.3 %
Unit Labour Costs (Δ Jan.-Nov.)	+10.3 %

Changes in Economic Indicators for the German Metal and Electrical Industry, preliminary values for January to November/December 2024 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 Q4 2024: 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

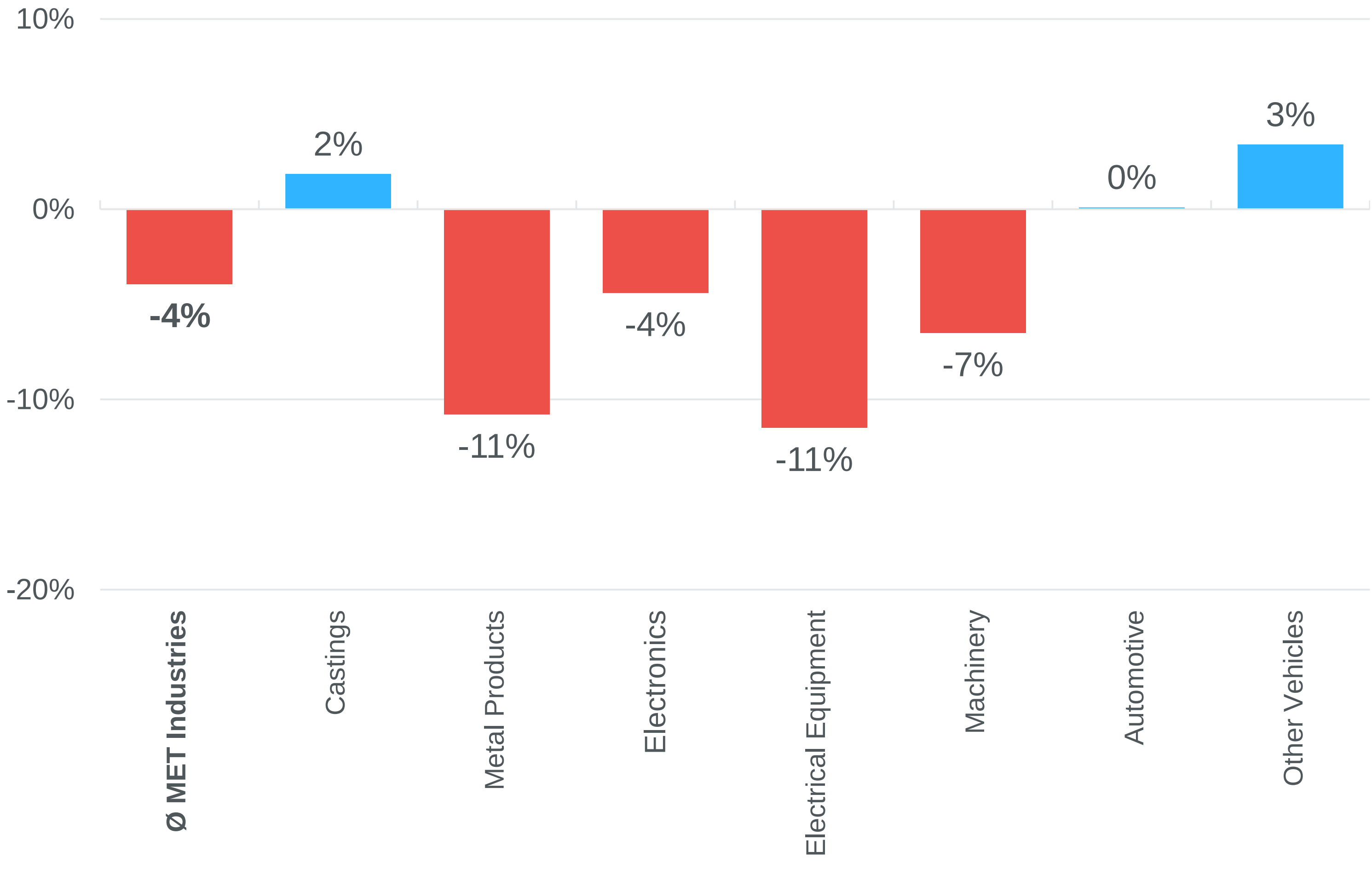


Source: Federal Office of Statistics (DESTATIS); Gesamtmetall calculations

Order Situation Remains Largely Dire – Large Orders Stabilise Annual Results

New Orders in MET Industries by Sector

Δ(Jan.–Dec. 2024)%, Price- and Calendar-Adjusted Change Compared to Previous Year



Source: Federal Office of Statistics (DESTATIS); preliminary annual figures for 2024

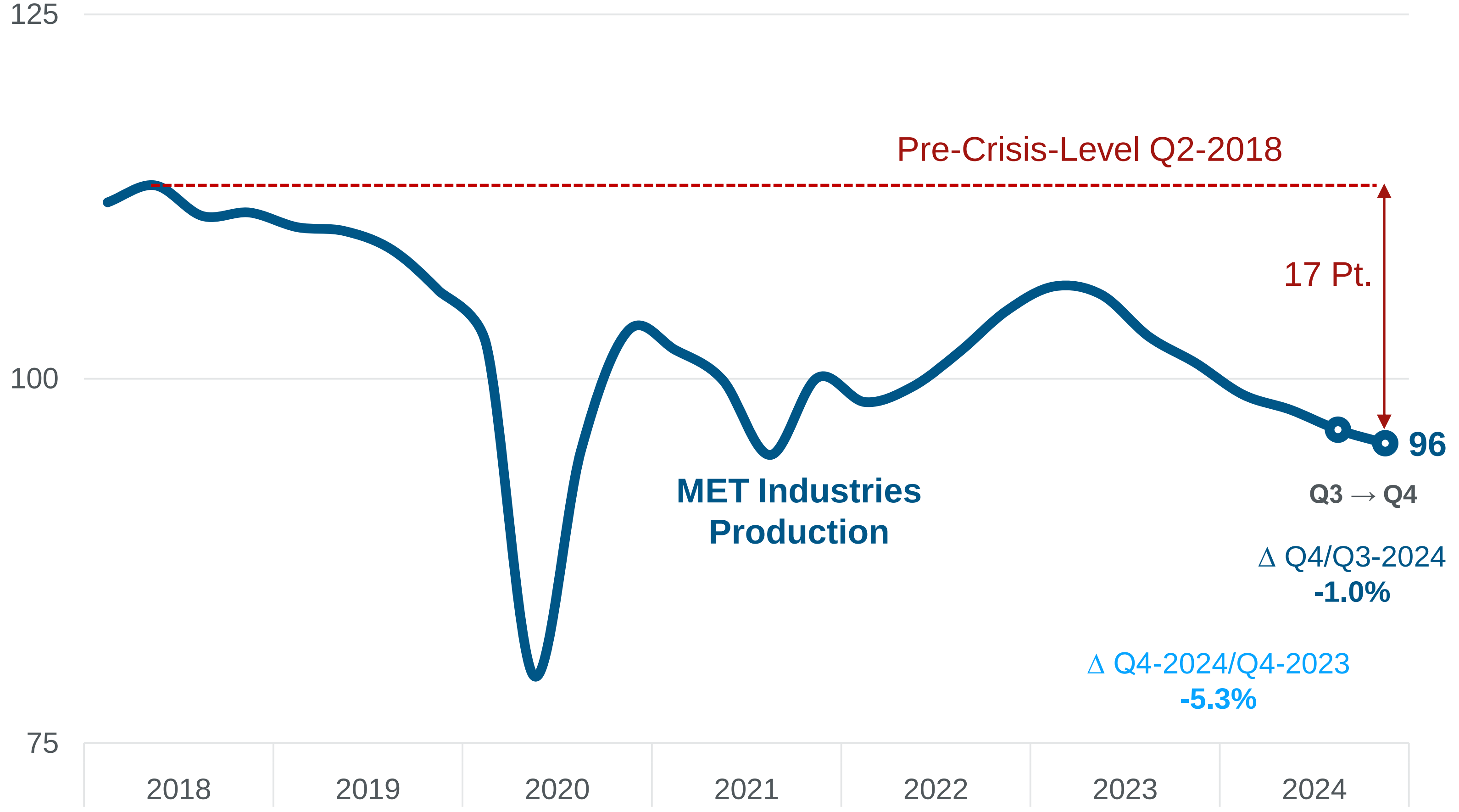
In December, new orders rose by 5.5% compared to the previous month. However, this increase was primarily driven by large-scale orders, particularly in other vehicle production, continuing the pattern of strong monthly fluctuations. Despite this, total new orders in Q4 2024 declined by 1.6% compared to the previous quarter and were 0.8% below the level of Q4 2023. For the full year, orders fell by around 4%, with almost all MET sectors recording declines.

Overall, the order situation in MET industries remains dire. According to the ifo Business Survey from January, demand assessments remained negative, marking nearly three consecutive years in the red. Nearly 50% of MET companies reported a lack of orders as a production constraint. Order backlogs are now rated worse than during the COVID-19 crisis in 2020. Only at the peak of the financial crisis in 2009 was the situation assessed as even more severe.

MET Production: Seventh Consecutive Recession Quarter – Downward Trend Continues

Production Trends in MET Industries

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



MET production slumped by 2.6% in December compared to November. Given weak automotive production and scaled-back production plans, this renewed decline was expected. In Q4 2024, overall output fell by 1.0% compared to Q3 2024, marking the seventh consecutive quarterly decline. Since unified German records began in 1991, MET industries have never experienced such a prolonged recession. For the full year, production contracted by 6.6%, an even steeper drop than initially feared. As a result, the production index now stands 17 percentage points below pre-crisis levels from 2018.

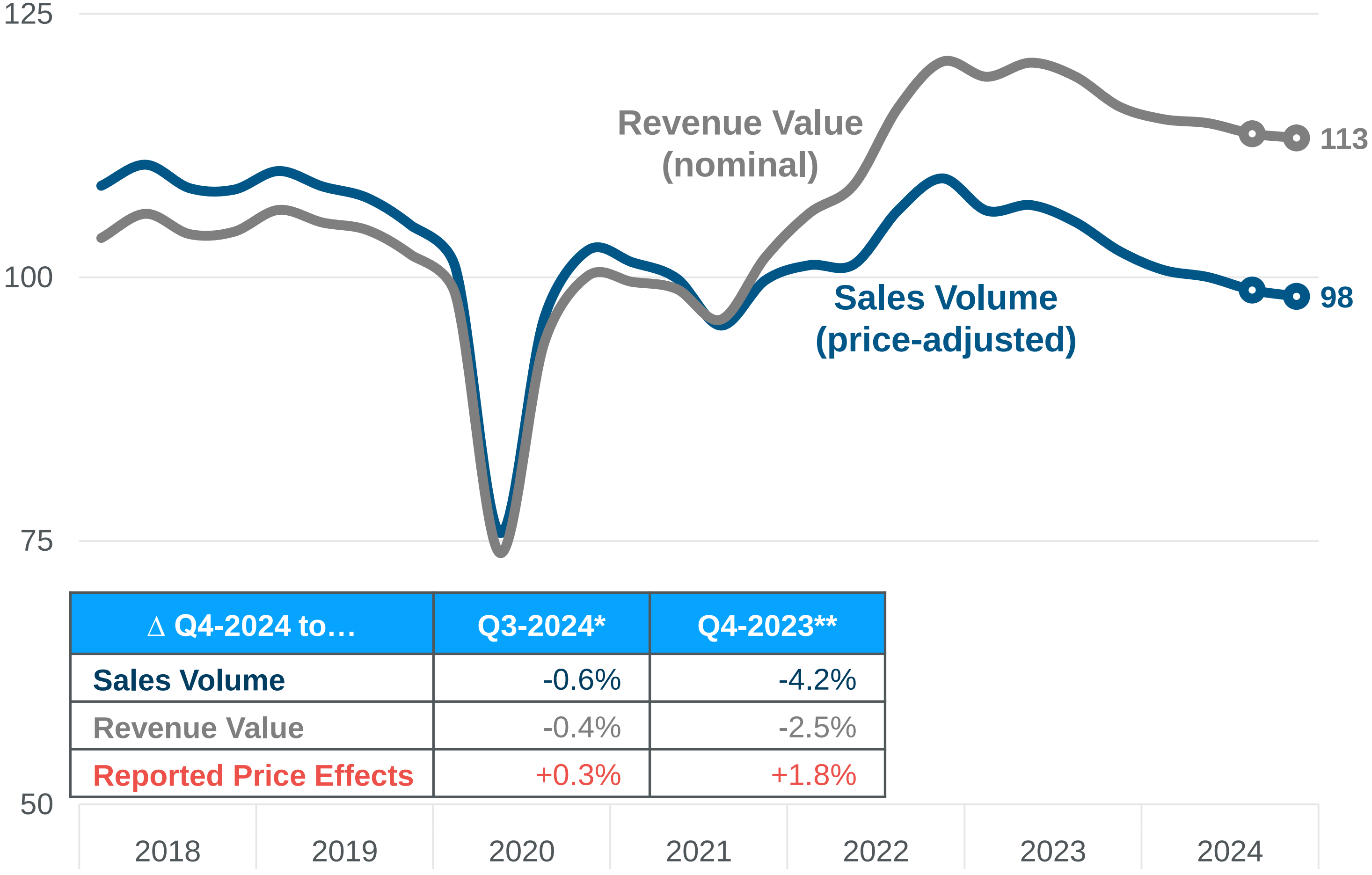
Production plans in the ifo Business Survey remain negative overall. However, following the sharp declines in Q4, early 2025 at least shows signs of stabilisation.

Source: Federal Office of Statistics (DESTATIS)

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



∆ Q4-2024 to…	Q3-2024*	Q4-2023**
Sales Volume	-0.6%	-4.2%
Revenue Value	-0.4%	-2.5%
Reported Price Effects	+0.3%	+1.8%

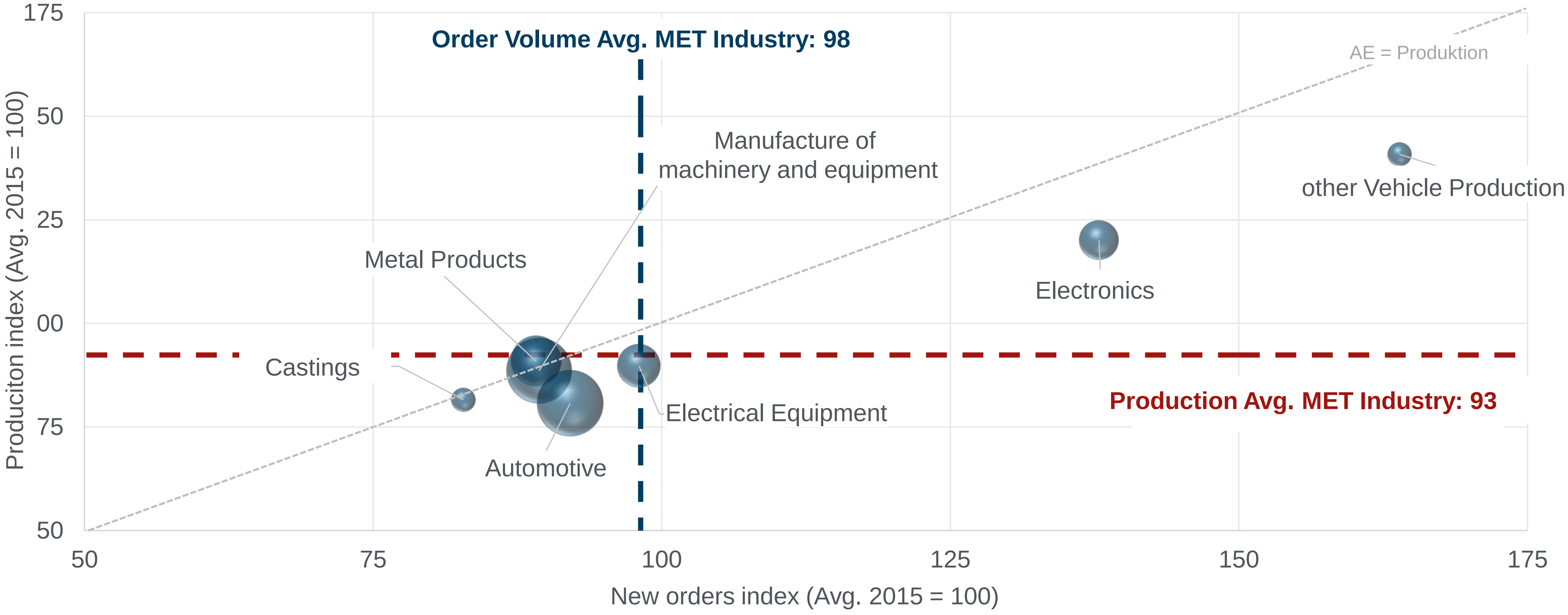
Source: Federal Office of Statistics (DESTATIS); *calendar & seasonally adjusted, **calendar adjusted, preliminary figures

Despite the invoicing of several large orders in recent months, MET revenues remain on a downward trend. In Q4-2024, turnover was 2.5% lower than in the same quarter of the previous year, while price-adjusted sales volumes fell by 4.2%. Domestic sales (-5.5%) declined more sharply than foreign sales (-3.3%), with business particularly weak outside the Eurozone (-5.0%). Exports to China, in particular, saw a significant drop.

There are no signs of a trend reversal. Investment remains persistently weak. While MET companies' export expectations have stabilised somewhat, they remained predominantly negative at the start of the year. Additionally, tariff threats from the new U.S. administration are likely to create further uncertainty.

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

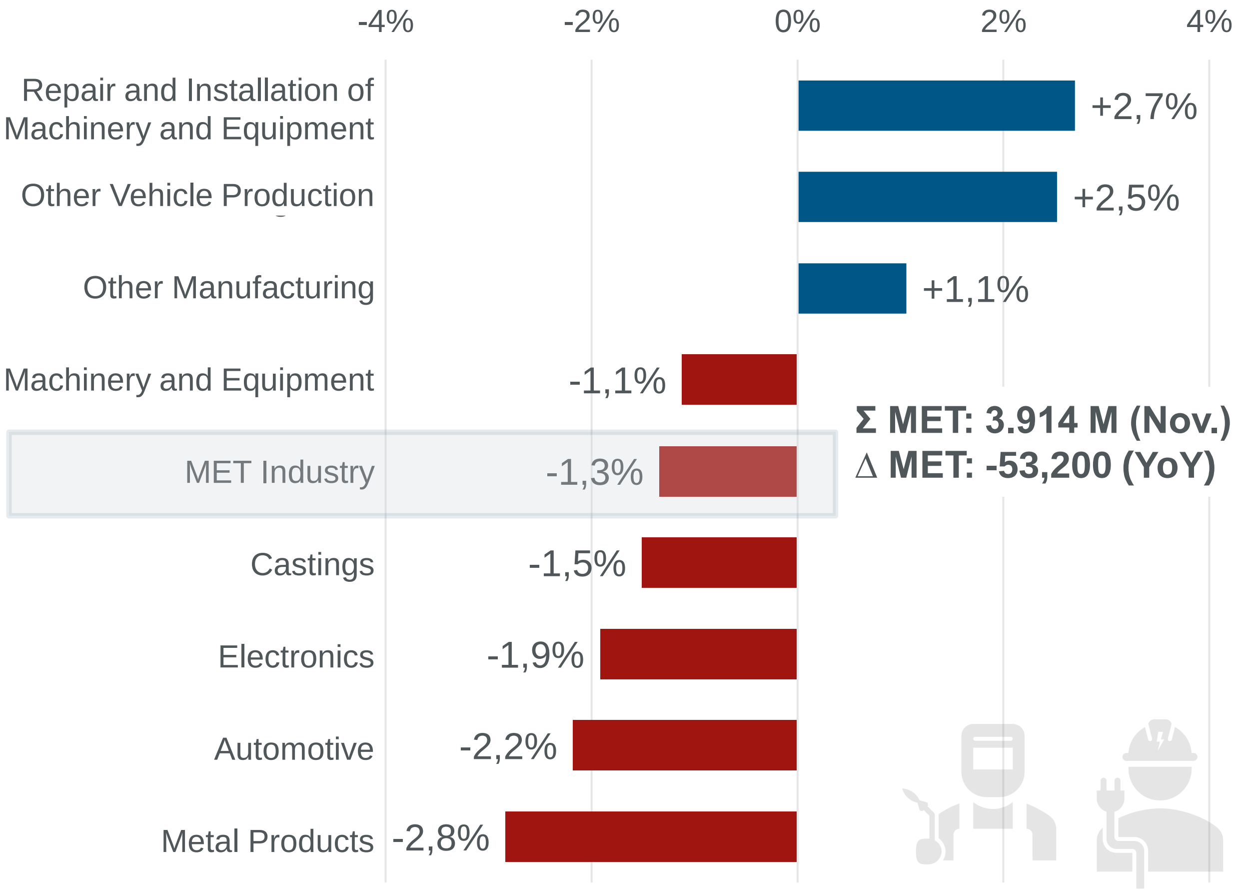


Source: Federal Office of Statistics (DESTATIS), Gesamtmetall calculations *Values without WZ 32+33

Job Cuts Intensify Significantly – Short-Time Work on the Rise

Change in MET Employment

by Industry Sectors, ∆ Nov. 2024 vs. Same Month Last Year



In November, approximately 3.914 million people were employed in MET industries. Seasonally adjusted, the number of employees declined for the tenth consecutive month. Compared to the previous year, employment was down by 53,200 jobs, a decrease of 1.3%. The majority of MET companies continue to have negative employment plans, as many firms are forced to adjust their workforce due to declining capacity utilisation and deteriorating business conditions. As a result, labour shortages are becoming significantly less of a concern for MET companies.

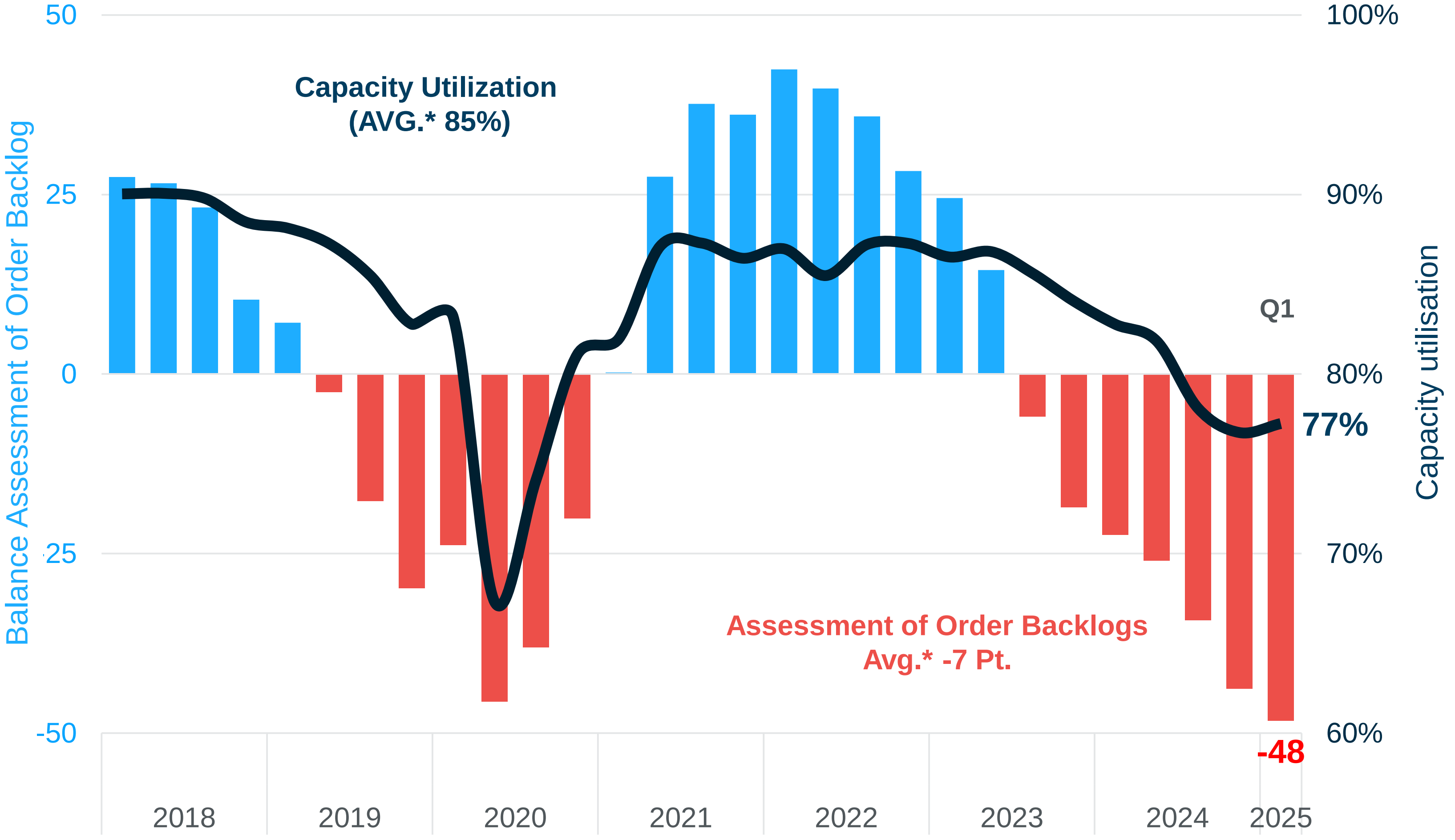
Unemployment among MET professionals continued to rise in January, standing 15% higher than a year ago. At the same time, short-time work is increasing: According to estimates from the Federal Employment Agency, around 185,000 MET employees were on short-time work in October—the highest level since March 2022, when the start of the Ukraine war caused supply chain disruptions. New applications indicate a further rise in short-time work is likely.

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

Capacity Utilisation & Order Backlogs at Historically Low Levels

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

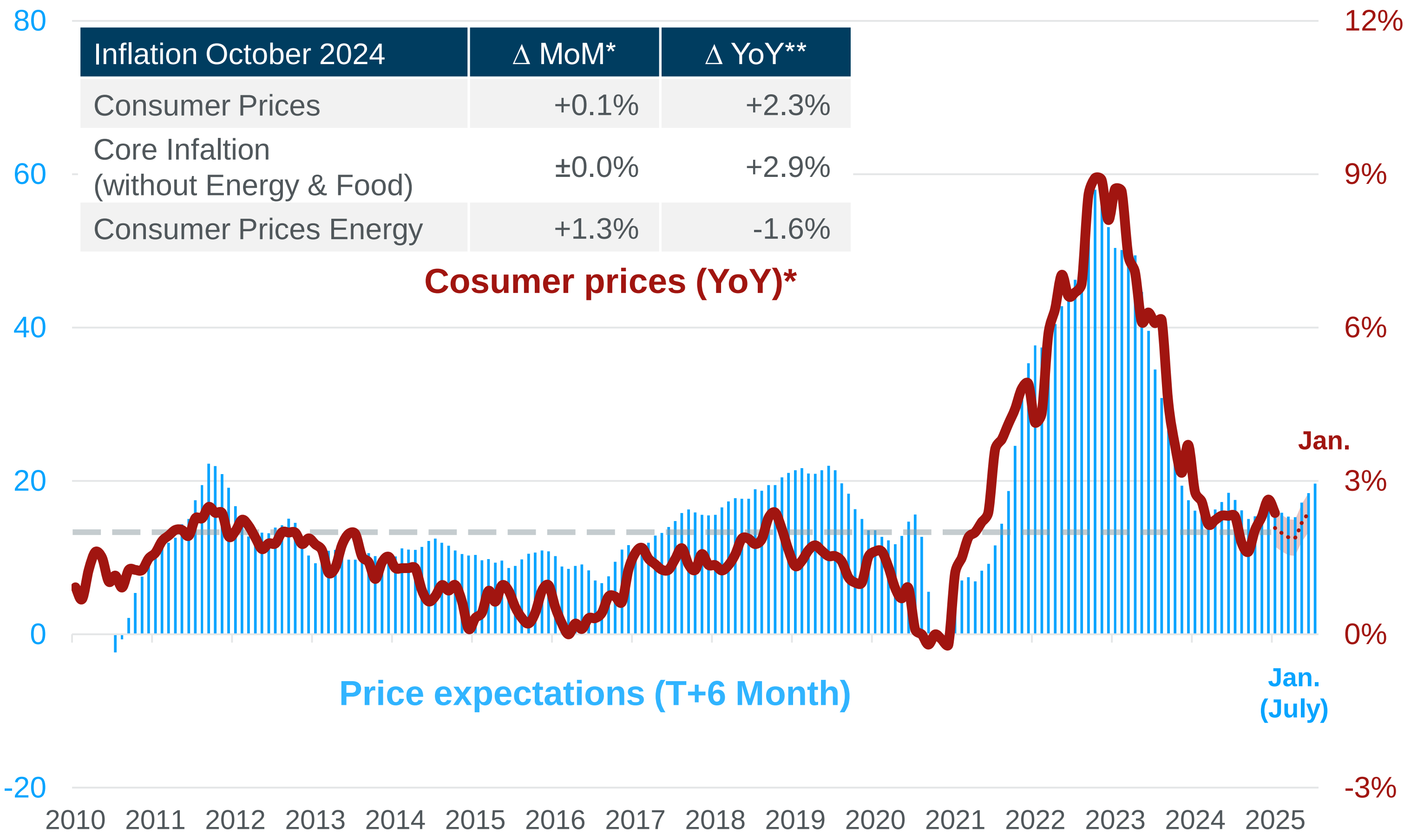
At the start of the year, capacity utilisation in MET industries showed no recovery from the sharp decline in the second half of 2024. At just 77%, it remained well below the long-term average of 85% and, despite ongoing capacity adjustments, at a historically weak level.

The assessment of order backlogs has further deteriorated due to persistently weak demand. On balance, order evaluations are now worse than at the peak of the COVID-19 crisis in 2020 and as bleak as during the financial crisis of 2009. However, unlike the current situation, the previous crises were triggered by massive external macroeconomic shocks that led to abrupt global downturns.

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) & ∆ Consumer Prices (right)



Inflation October 2024	∆ MoM*	∆ YoY**
Consumer Prices	+0.1%	+2.3%
Core Infaltion (without Energy & Food)	±0.0%	+2.9%
Consumer Prices Energy	+1.3%	-1.6%

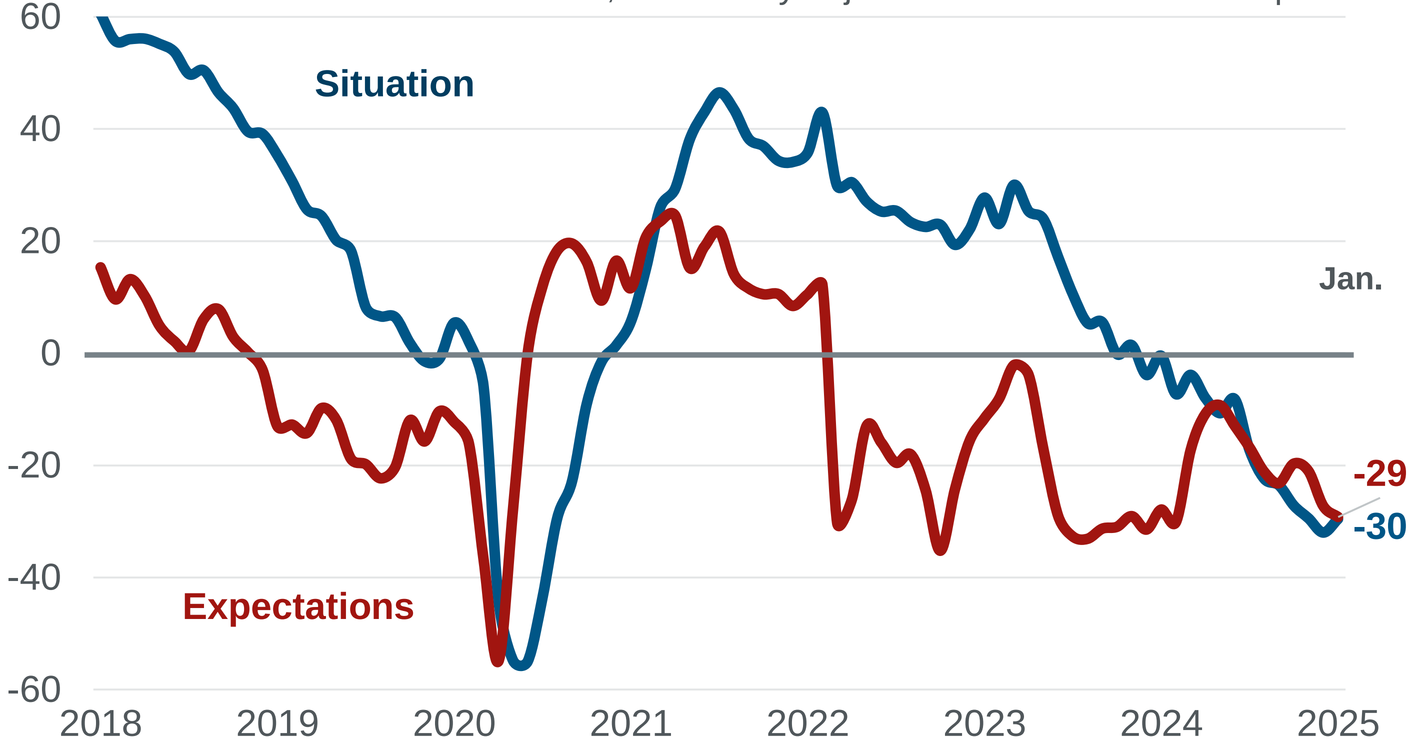
In January, consumer prices were 2.3% higher than a year earlier. This marks a slight decline in the inflation rate after three consecutive increases, though it remained above the ECB's target. The German Bundesbank's January monthly report anticipated that inflation would remain elevated at the start of the year. Key factors include the further increase in CO_2 pricing on fossil fuels, rising costs for the Deutschlandticket, and higher insurance premiums. A more noticeable decline in inflation is expected in the following months.

Business price expectations in the ifo Business Survey remained elevated through January and continue to lead inflation by approximately six months with a high correlation. As a result, the inflation rate is likely to hover around 2% in the coming months.

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 remains firmly in recession as the year begins. The current situation is rated as poor as in December, with nearly one in three MET companies expressing dissatisfaction. Demand continues to decline, and order backlogs have collapsed. While export, production, and employment plans have at least stabilised at a low level, even more companies are pessimistic about the coming months than at the end of the previous year. A near-term recovery remains out of sight.

Assesment of order book: -48 Pt.

Production Plans: -6 Pt.

Personnel Plans: -23 Pt.

Demand Compared to the Previous Month: -16 Pt.

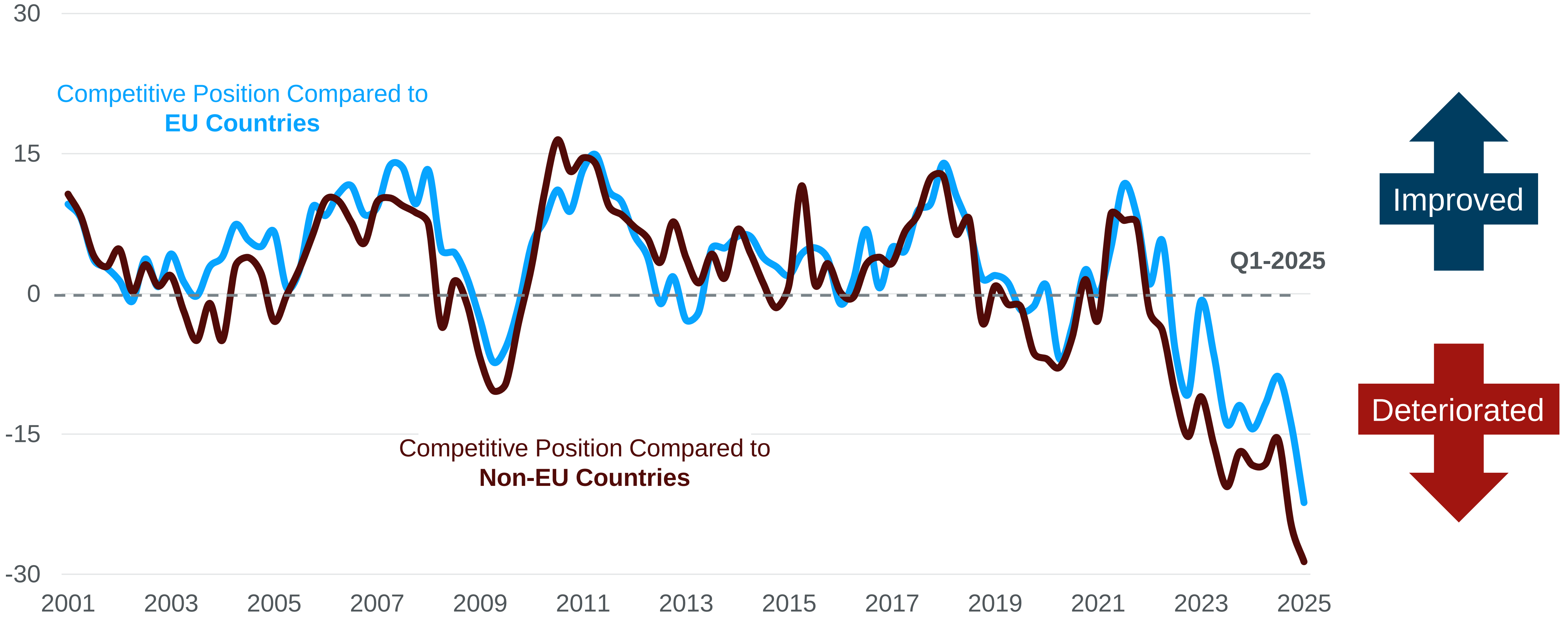
Export expectations: -5 Pt.

Price expectations: +14 Pt.

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

Background: MET Companies Assess Their Global Competitiveness as Increasingly Dire

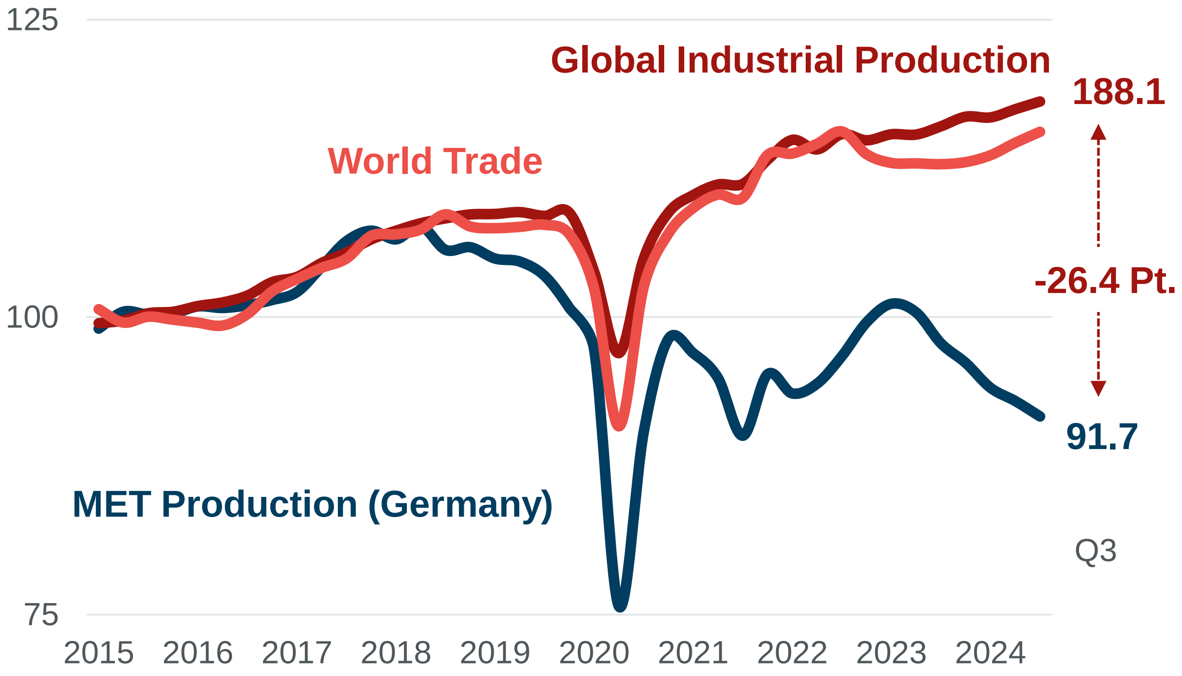
Assessment of Competitive Position Abroad
Balance of +/- Reports from MET Companies, Seasonally Adjusted Quarterly Figures



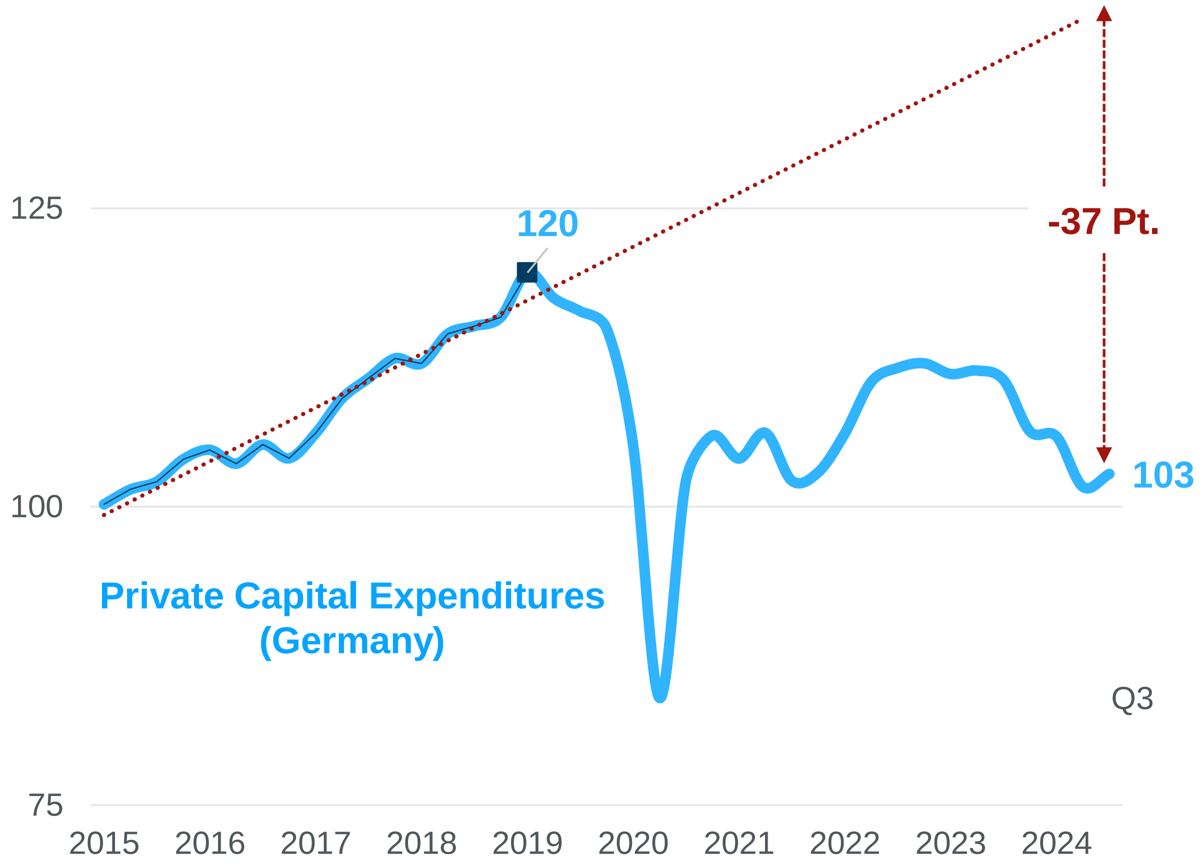
Source: Ifo Business Survey

Consequence: Competitiveness & Investment Crisis – Business Conditions Weigh Heavily on MET Industries

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)



Source: CPB World Trade Monitor – Industrial production volume excluding construction, production-weighted, seasonally adjusted;
National Accounts (VGR), Series 18, Row 1.3, Federal Statistical Office (Destatis) – Revised and re-indexed figures