

Tech and Industry employer's views on the Annual Growth Survey 2020

Introduction

Economic growth continues in some Member States, however at a slower pace, indicating that there are economic clouds on the horizon. Growth in the EU-28 in 2018 stood at 2.0%, which is a decline of 0.5 percentage points on 2017. Furthermore, according to the European Commission Summer Economic Forecast, the EU-28 is poised to grow at a rate of 1.4% in 2019¹, this is a decrease of 1.1 percentage points since 2017, showing a clear slowing of the EU economy. This highlights one of the challenges for our sector, the slowdown globally but also the slowdown in the automotive sector in particular, which represents over 20% of our sector. Furthermore, the recent US tariffs on steel will hurt our industries more acutely as the largest consumer of steel in the EU. A possible no-deal Brexit, or any rise in US tariffs on manufactured goods such as automotive or machines, would adversely affect the MET industries competitiveness in a globalised world.

These problems will only be exacerbated by the too high number of vacancies within our sector, the lack of digital skills and the productivity and investment gaps which risk turning into chasms. This further highlights the need for continued reforms of EU labour markets ensuring adequate links between the education systems and those labour markets, which need better support to ensure the digital transformation. This should be done involving companies and social partners.

Some of the opportunities we see for our sector will be detailed further in this paper, such as low interest rates, digitalisation of industry and the durable growth which has been commonplace in the EU for some years now.

Current situation for the MET industries

1. Employment rate/Unemployment rate

Despite the high level of vacancies, employment creation in the MET sector has been both durable and high speed, our sector has created 1.25 million new and quality jobs between 2014 and 2017. The share of MET employment in relation to total manufacturing employment rose in recent years and in 2019 arrived at 49.8%, with an overall figure of over 17.4 million persons employed². Manufacturing of fabricated metal products, the automotive industry and mechanical engineering are the heavy weights of the MET industry in Europe, representing nearly 62% of all employees in our sector. Having said that, with economic clouds on the horizon, employment figures in some member countries of Ceemet are not as positive.

ABOUT Ceemet

Ceemet represents the metal, engineering and technology-based industry employers in Europe.

Member organisations represent 200,000 companies in Europe, providing over 17 million direct and 35 million indirect jobs.

Ceemet is a recognised European social partner at the industrial sector level, promoting global competitiveness for European industry through consultation and social dialogue.

¹ https://europa.eu/rapid/press-release_IP-19-3850_en.htm

² Eurostat and Ceemet calculations – (lfsq_egan22d); *2005 – 2007: NACE REV 1.1; 2019: average value of Q1 – Q2

2. Net international investment position

Investment within our sector has been buoyant since a sharp drop during 2008 and 2010. In 2017 gross investment in tangible goods in our industries stood at nearly €118 billion³. However, the indicator that we as MET employers feel provides the best overview of the economic situation, the investment rate as a percentage of gross added value, presents a worrying statistic. Our sector has spent too many years under our 2008 peak of just over 12%, in 2010 we only obtained 9.6% and hovered between 9.6% and 10.6% until 2015. We continue to remain under 11% as of 2017. This clearly shows the investment gap within our sector. Furthermore, in 2016 the investment rate of enterprise R&D expenditure of our sector as a percentage of gross added value was 8.9%, below its 2009 peak of 9.3%⁴.

3. Productivity

The productivity gap within our industries is a huge issue for companies, even with the massive investments made in digital skills over the past years, the gap remains. We can now see a drop in industrial productivity which began in 2017 and seems set to continue in the figures for 2019, real industrial productivity per hour worked went down by 2% during the same period. Higher productivity in relation to our international competitors is essential for the competitiveness of the MET industries. In order to enhance productivity growth, governmental and private investments in the EU must be increased.

As has been outlined above we see too weak productivity development in our sector, this is a worrying development as it can in some instances lead to companies having to lay off personnel. Furthermore, if labour costs increase too rapidly compared to productivity, this can be a dangerous development and difficult to reverse quickly.

4. Export market share - % of world exports

At present, exports within the MET sector are strong and account for about 70% of our sales, representing around 46% of the total exports of goods in the EU. This underlines the importance of EU competitiveness vis-à-vis the other industrial regions of the world and also the fact that the current tariffs on steel, or any new protectionist trade measures, would be very disadvantageous for our industries.

Exports outside the European Union have become relatively more important over the last 16 years, they have more than doubled during that period. For more recent figures, in 2002, 32.3% of our exports went outside the EU, in 2018 it was almost 36.3%.

5. Hourly labour cost

Labour costs in the MET industry in 2017⁵ were €27.7 per hour, whereas in comparison to some of our competing sectors, such as services, costs were €26.6 per hour and in construction, labour costs were as low as €23.7. Alongside issues such as productivity, labour costs are a crucial factor in analysing competitiveness, figures show a clear disadvantage for our sector in this regard. Furthermore, the rights of social partners at national level to bargain wages must be respected and there should be no interference from the European level.

³ Eurostat – Structural Business Statistics

⁴ Eurostat and Ceemet calculations – Structural Business Statistics, National Accounts (gross value added)

⁵ Eurostat and Ceemet calculations – wages + employer's social contributions + employer's taxes – subsidies

6. Production

Production in the MET industries continued its upward trajectory since 2013, however in recent years at a much slower pace, with a value of annual production arriving at close to €3.7 billion in 2018 and is forecast to remain at a similar level in 2019⁶. However, this is not the same picture across the whole of the sector, some member countries of Ceemet will suffer a decline in real production in 2019 and currently there are no signs that the situation will improve in the near future.

7. Gross earnings

The gross earnings of workers in the MET industries are higher than in comparable sectors. In 2016, gross earnings in the EU 28 were 11% higher in our sector than in the average of the manufacturing industries, they were also 11% higher than in the private sector⁷ and a massive 22% higher than in construction⁸.

8. Individual's level of digital skills

Digital skills within our industries are of paramount importance, and demand is only increasing, furthermore the half-time of knowledge is only exacerbating the already existing digital skills gap. This is shown by the too high vacancy rate within our sector, that shortage of skilled workers is, according to 2018 figures, 2% of the workforce and 25% of these were digital experts – this indicates a digital skills job vacancy rate of above 5% in our sector⁹. In that same year, our sector was spending 10% of its training hours on digital training, however the mismatch between the skills required by manufacturers and the skills available on the labour market continues to be a problem, this is also a major cause of reduced competitiveness for MET companies.

Upcoming challenges and opportunities

Many risks remain to the health of both the EU and global economies. It has now become clear that economic growth is slowing across the EU, in this light some of the more important challenges for the MET industries are highlighted below.

The increase in steel tariffs have already seen a huge impact in our sector. As the largest consumer of steel in the EU, this is without question an issue of note for our industries. Latest figures show that our sector consumes almost 50% of the steel in the EU¹⁰. Steel tariffs have been seen as a method to continue talks on trade, however it is important to point out that after the agreement of the USMCA, steel tariffs remained. Threats around automotive tariffs are also a huge issue, MET industries could not countenance an escalation on any of these tariffs. Flagging growth in some Member States, including some of the engines of the European Union, and more particularly in the automotive industry, are seen as a great concern for our sector.

Earlier in 2019, there was a promise from the UK Government of Theresa May which would have seen tariffs on 87% of goods 0-rated. However, the position of the current UK Government is that they would review these tariffs and under

⁶ Eurostat and Ceemet calculations – nace codes 25-30,32,33

⁷ All sectors of economy, except public administration

⁸ Eurostat data and Ceemet calculations for companies with more than 10 employees, excluding apprentices

⁹ Eurostat data and Ceemet calculations

¹⁰ <http://www.eurofer.org/Issues%26Positions/Economic%20Development%20%26%20Steel%20Market/REPORT%20-%20Economic%20and%20Steel%20Market%20Outlook%20-%20Quarter%203,%202019.pdf.pdf> p 16

a possible no-deal Brexit the implications for our sector could be highly problematic, particularly for manufactured goods such as automotive and machines, That being said, the outcome of that review is not known at this stage.

On a more positive note, the lower interest rates have seen a more generally healthy economy from the MET industries perspective and digitalisation of our industries continues to be a driver of growth, even though not all companies are seizing these opportunities. Finally, the durable growth which has been commonplace in the European Union for many years now created a business climate which was optimistic within our industries. However, recent figures do not paint a positive picture of the health of the European economy and of the MET industries in particular.

Conclusion

As has been outlined in this paper, our industries are particularly sensitive to the economic changes which we see occurring, and even though employment, for the moment, remains at a high level, we see too many vacancies, and this is a drag on the growth of the sector.

Productivity remains an issue, despite massive investments in digital skills, furthermore the cost of labour continues to be higher than comparable sectors. In order to attain higher productivity, it is essential to enhance private investment, alongside GDP growth.

While in some Member States, production figures remain high, and at present, exports continue to drive growth both inside and outside of the EU, the investment gap continues to be a problem for our sector.

Digitalisation in itself is a huge boost to the industries we represent, there is still a reluctance of some companies to reap these benefits.

The upcoming economic situation is both fragile and unpredictable, we must ensure that as the primary exporter in the EU, the MET industries is not hampered via its international competitors and continues to be the provider of quality and well-paid employment in the EU.

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EU Transparency Register
[61370904700-45](https://ec.europa.eu/transparency/regexp1/index.cfm?do=home.home&mylang=en)