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MINUTES – 27/05/2024

Chief Economists Group: 19 April 2024

Participants:

Mr Patrick Slaets (Agoria, Chair), Allan Sørensen (DI), Ms Hanne Mikkonen (TIF), Ms Elena Falcone, Mr Ezio Civitareale (Federmeccanica), Mr Mark Spils (FME), Mr Fhaheen Khan, Mr James Brougham (Make UK), Mr John Harkin (Ceemet)

1. Opening and welcome

The chair welcomed the participants to the meeting and thanked all members for their participation. Apologies were given on behalf of those members not in attendance. Mark Spils (FME) was welcomed to his first meeting.

2. Update on the situation in the MET Industries

a. National updates

Members gave updates on the broader economic situation, and that of the MET sector, in their countries. The general trends are to be found below:

- **Growth** is generally disappointing in most countries, with economic performance varied across participants. Some industries are experiencing growth, but overall economic sentiment remains cautious. Recession has been experienced in certain quarters, with growth driven only by specific sectors.
- **Common challenges** include lack of demand, labour shortages, high interest rates, energy prices and political uncertainty. There have been challenges in production due to labour shortages, lack of materials, and weak demand.
- **Confidence** is high in some member countries of Ceemet, however in some instances this is not backed up by performance. Geopolitical tensions and global competition heavily influence business outlooks.
- **Lack of demand** was highlighted as the key current challenge by many members. Consumer confidence has stalled, impacting purchasing behaviour in some countries. Rising interest rates are affecting mortgage holders in some countries, limiting new purchases.
- **Labour shortages** remain one of the key challenges, however they have been superseded by demand in the short-term.
- **Vacancies** are less of a challenge in some countries.
- Competition from the US and China is leading to particular challenges for **production** in specific sectors.
- There is a slight upward trend observed in **employment** in some countries. However, others are experiencing flat growth. Weak demand is impacting employment; however, a stable employment trend is expected despite the weaker demand.
- Firms are cautious about expansion and **investment** decisions due to political uncertainty and high interest rates.
- **Exports** are a mixed picture among the membership**.** Uncertainty is affecting exports, with geopolitical tensions and credit supply as major concerns.
- The **EV sector** is increasing its production in a few countries.

b. Summary by the chair

The chair gave an overview of the presentations by the members on the economic situation both for the general economy and for the MET sector. The following similarities were outlined:

- The sector should avoid recession, but it does not look like there will be meaningful growth. There is a decrease in demand, with orders decreasing. The lack of personnel and

material shortages stay at a historical high level, but they are currently less important challenges than one year ago.
- Vacancy rates are decreasing, also due to diminishing demand, this might lead to a small break in production. And they may support a small growth in employment.
- Prices and costs are under control for the most part. Inflation should decrease in 2024, with interest rates being less high also.

3. European Commission Spring Package

a. Update by the Secretariat

The Secretariat gave an update on this topic saying that as part of the European Semester, the European Commission publishes their Spring Package, usually in May each year. This year it will be published on 19 June 2024. It will be published later due to the fact that it is an election year and policy makers are trying to finalise many files.

There is no further information on the main topics which will be dealt with in this year's edition however as usual it should be more national focused with the country-specific recommendations providing advice to Member States on a wide range of topics, including on how to boost jobs, growth and investment, while maintaining sound public finances. The employment guidelines are also a relevant publication, they provide guidelines for the employment policies of the Member States

b. The Ceemet Chief Economists Report 2024

The Secretariat updated members saying that following the meeting, and the input received from members, the Secretariat will begin the drafting of the Ceemet Chief Economists Report for 2024. This agenda point was the opportunity for members to provide initial input on the main points they would like addressed in this year's edition. This year the interactive Chief Economists Report will be hosted on the Ceemet website, with a separate PDF available. We would also endeavour to have a leaflet which can be used as a handout.

As members didn't have any concrete suggestions for improvements following the presentation, the Secretariat would continue in the manner laid out.

4. Integration of UK data in the Ceemet figures

a. Presentation on this topic

As happened at our last meeting, Fhaheen Khan (Make UK) gave an update on his work on integrating the UK data into the Ceemet figures. This work would allow Ceemet to develop EU-27 + UK statistics for our publications.

Fhaheen began by saying that due to Brexit, UK data is no longer available in Eurostat, however, Make UK have been working on ways to bring forward this data. It is not easy to get all of the data, some data sets are available to two-digit levels, others only to three-digit levels. For some examples, the UK figures on exports have had a recalculation making it difficult to compare them with EU figures and labour cost poses some challenges but both can be achieved.

It was agreed that we would trial this system for the Autumn update of the structural data.

ACTION: The Secretariat to produce a methodological note for the structural data with what members need to do to produce it. We will include the UK methodology in this.

This is to be a point on the agenda for the next meeting.

5. Discussion on Ceemet figures

b. Presentation of the latest figures

i. Labour cost by Alexandre Jagot (not present)

Slides provided beforehand, shown briefly at the meeting.

ii. Production by Bengt Lindqvist (not present)

No slides, will send them after the meeting.

iii. R&D by Fhaheen Khan

There has been little update since the last meeting but the same percentage breakdown between countries is often shown. However, it has been particularly challenging to collect the data this year as the OECD is doing an update. The data is quite outdated, therefore current R&D figures could be higher due to e.g. investment in EVs.

iv. Exports by Patrick Slaets

Exports in Ceemet's sectors increased by 6% in 2023 (vis-à-vis 2022) in value. They are at their historical highest level. Both Intra-EU & Extra-EU-levels increased by 6%. This is in absolute figures. In relative terms, the Ceemet part in total exports increased from 38.7% to 41.9%. Export figures in volume could tell a different story.

v. Productivity by Lars Kroemer (not present)

No slides, will send them after the meeting.

vi. Employment by Lars Kroemer (not present)

No slides, will send them after the meeting.

vii. Hours worked by Elena Falcone

A recent increase in manufacturing activity suggests an increase in the hours worked data. The OECD data source is now used, we have seen an increase from 2022 to 2023. The number of hours worked continues to be divided by gender in the figures. Typically, men work more hours weekly than women. However, in the past three years, male hours returned to 2020 levels, while female hours stayed high.

viii. Investment by Hanne Mikkonen

The figures are the same as last time as the data hasn't been updated. Therefore, the graphs are similar to the last graphs in September. The data used is from Eurostat. There will be another update in September 2024.

6. International comparison of data with other regions

a. Presentation on this topic

One of the action points from a previous meeting was to put on the agenda, every second meeting, the international comparison of data with other regions. Similar to the meeting at the end of March 2023, Allan Sørensen (DI) took the floor to give a presentation to the working group in this regard.

Allan suggested that most of the data for comparison for the MET industries is from 2018, so this is a difficulty in trying to provide up to date data. However, if we were to do this for manufacturing then we could have much more updated data. Comparing labour costs is difficult due to the fact that they are incredibly diverse in the EU. In relation to production, the EU outstrips the US and other competitors however value added is less positive for the EU. Employment is also much higher in the EU however that is to be expected.

At this point a discussion began on what we can do with MET figures and broader manufacturing figures. It was agreed that we could try to do a MET comparison with the US only to begin with and then see what we can do with other available data sets. This will be put on the agenda of the next meeting.

7. Any other business

a. EU value chains

Before the meeting, members were asked to prepare their thoughts on the issue of the restructuring of value chains within the EU. Members were particularly asked to consider the point regarding the use of funding by Member States to attract new business to Europe and the success, or lack of it, of the EU's measures to support industry via the Green Deal Industrial Plan and other similar initiatives.

Patrick Slaets (Agoria) took the floor in his own capacity and set out some of the challenges which Europe is facing in this regard such as international competition and subsidising of industries in other countries. He also pointed to the actions of some EU Member States to attract foreign direct investment.

In the debate which ensued, some members spoke in favour of action in this area both from the EU and at a national level. Others spoke against such actions, citing size and financial capability as their reasons.

b. Date and place of next meeting

The date for the next meeting will be organised by a Doodle Poll.