

### I. Economic situation in the MET Industry

- The significantly worsened conditions of the production location Germany are hindering competitiveness on export markets. At the same time, this is causing domestic investments to collapse. The MET industry is massively affected by the consequences of the crisis of the production location.
- In August, **new orders** fell by 7.2 percent compared to the previous month. The temporary stabilization in June and July was the result of individual large orders. The downward trend, however, is still unbroken: M+E companies rated **demand** and **order backlog significantly worse** in September.
- **MET production** was able to stabilize in August after seasonal adjustment, but this was due to the early end of the holidays in some German federal states. Nevertheless, the **sixth consecutive quarter of recession is foreseeable**. Production plans were revised downwards again in September due to the persistently weak capacity utilization.
- The **downward trend in sales and turnover** was slowed in August, which, as with production, was due to early plant holidays at some locations. Nevertheless, sales from January to August were 4.5 percent lower than in the same period last year and price-adjusted sales were 6.1 percent lower. Despite the robust global economy, **foreign sales have fallen noticeably** and the **export forecasts** of MET companies **continue to trend downward**.
- Labour market: The number of MET employees in July was **0.4 percent lower than the previous year**. Seasonally adjusted, this was the **sixth consecutive month-on-month decline**. The employment plans are being revised downwards significantly, which means that dismissals are threatening to become more severe despite ongoing skills shortages. The **number of unemployed people in M+E occupations was 13 percent higher in September than the previous year**, while the **number of vacancies fell by 9 percent**.
- The **MET business climate** continues to **deteriorate gradually** and fell in September to its **lowest level since June 2020**. German MET companies assessed both the current situation and the outlook for the coming months even **more negatively**. Truck traffic also continued to decline in September. **Stabilization or an economic turnaround** are therefore still **not in sight**.

### II. Current Collective Bargaining Round 2024

- On 9<sup>th</sup> of July 2024, the executive board of the IG Metall trade union published its official request for the collective bargaining round 2024, and **demands 7.0 percent wage increase for a runtime of 12 months and an increase of 170 euros for trainees**. Gesamtmetall criticized the union's demand: "IG Metall and we warn against deindustrialization and point out the poor framework conditions for companies in Germany. And then IG Metall tables one of the highest demands in recent history: In the past 30 years, IG Metall has only made a higher demand once."

- On 15<sup>th</sup> of October 2024, the second round of negotiations for the 2024 collective bargaining round has started. An offer in times of economic challenges and crises must primarily be based on what companies can still cope with without endangering their existence. Assuming this, our regional member associations tabled the following offer, agreed by the Collective Bargaining Policy Board of Gesamtmetall, as a possible solution to the IG Metall:
  - A **total wage increase of 3.6 percent over a collective agreement term of 27 months**. This increase would take place in two stages; 1.7 percent from 1st of July 2025, and a second step of 1.9 percent from 1st July 2026.
  - A **one-off disproportionate increase in apprenticeship allowances** as conceivable element within the framework of an overall agreement.
  - The **automatic differentiation of the T-ZUG (B) as a permanent component of the CA** on Additional Pay. In addition, the differentiation volume must be expanded.
  - The results of the working group on special leave days (Freistellungstage) will be part of the overall package. The details will be finalized in the joint working group.
- IG Metall rejected the offer as “disappointing” and announced to decide soon about warning strikes. **Peace obligation ends on 28<sup>th</sup> of October 2024**, after which warning strikes are possible.
- Gesamtmetall still hopes to find a solution for the ongoing Collective Bargaining Round still in November 2024.

### III. Political situation in Germany

#### Federal state elections in the eastern German states

- Germany's political landscape is more fractured than ever. In the eastern German states of Thuringia and Saxony the far-right Alternative for Germany (AfD) was the big winner. In Thuringia, it became the strongest party, far ahead of the established parties, the center-right Christian Democrats (CDU) and center-left Social Democrats (SPD). In Saxony, the AfD finished second with 30.6%. The left-wing nationalist Sahra Wagenknecht Alliance (BSW), founded at the beginning of the year by former members of the socialist Left Party, finished third in both states, securing 11.8% of the vote in Saxony and 15.8% in Thuringia. In Brandenburg AfD was beaten only by the SPD. Both the AfD and the BSW are currently decisive political forces in all three federal states. Their primary issues are the rejection of an open asylum and migration policy, and less support for Ukraine in the fight against Russia. These developments represent a turning point for the postwar German party system. Never before has there been such a massive shift away from traditional parties such as the CDU and SPD.
- The “Traffic light”-coalition, the nearly three-year partnership between Scholz's Social Democratic party (SPD), the Greens and the liberal Free Democrats (FDP) is deeply unpopular, publicly divided and strikingly ineffective. In addition, there is a long-running public bickering among the three Berlin coalition parties over the 2025 German budget, a retirement package, tax reductions, social insurance contributions, etc.
- Germany is confronting its longest period of low growth since the second world war. It badly needs political renewal to tackle issues ranging from managing public finances and re-engineering defence capabilities to boosting the digital economy and controlling immigration.
- Unfortunately, the most likely outcome from an early German general election or the regular one in 2025 would be another ‘grand coalition’ between the Christian Democrats (CDU), led by Friedrich Merz, probable next chancellor, and the SPD – an uninspiring format unlikely to produce much-needed regeneration.