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Ceemet's Economic Trends 2024/2025

Current situation for the Metal, Engineering & Technology (MET) industries

For several years now, the MET industries have been sending warning signals about the deterioration of their economic situation, which is directly affected by the political, geopolitical, economic and structural crises that continue to mount. They have proposed various solutions, such as the reduction of regulatory gaps, diverse measures to solve the increasing labour and skills shortages or the need to invest in innovation, research, and development. On the latter, the capacity for companies to invest in Europe is a key element to increase the competitiveness of the EU. This approach was confirmed by the publication of the Draghi Report on 9th September 2024. It was also translated in the European Commission's announcement of its intention to create a European Competitiveness Fund financed by national, private and institutional budgets, in addition to the Industrial Decarbonisation Acceleration Act to support industries and businesses during the transition. Unfortunately, so far, the lack of commitment and the disconnection between the rules imposed and the reality have jeopardised the competitiveness of European MET industries.

1. An increasingly complex global political and economic situation: the MET industries in recession

The long-needed recovery of competitiveness and growth in the EU is being delayed by an increasingly complicated geopolitical situation - for example in Ukraine and the Middle East - as well as by public deficits in European countries with rising debt levels. In addition, the increasingly protectionist strategies of some trading partners (such as China and the United States) will also have a significant impact on the EU's competitiveness in 2024 and in 2025, particularly in the European automotive industries. At its core, however, the European growth problem is self-inflicted and lies in far too much regulation and over-bureaucratic intervention, which inhibits and prevents investment and innovation in Europe.

Even if the European Commission highlights that the creation of a single defence market could strengthen the EU's production capacity, the forecasts for the MET sector remain gloomy. It is likely that the MET industries will not follow the trends towards European economic growth.

In fact, the EU economy should benefit from a modest growth of 0.9% in 2024, 1.2% in 2025 and 1.4% in 2026. However, forecasts are constantly being revised downwards, meaning that without a fundamental improvement in the framework conditions in the EU, growth threatens to continue to disappoint. For the MET industries, production decreased in recent quarters. and a return to positive growth rates will not occur in the next quarter. The weak growth is weighing on MET industries and their productivity, which is due in the lack of investment in the recent years. It will be difficult for companies to sustain real wage growth, which could lead to a reduction in the workforce or higher costs for consumers. Investment is also directly influenced by inflation, as the European Central Bank has to raise interest rates. On a global scale, the MET industries benefiting from market economy status are following these trends and are even forecasting a fall in production by 2025.

This situation is worrying for the global economy, as the MET industries play a key role in improving productivity. High productivity is essential for the competitiveness of the European MET industries operating in global markets. Therefore, in order to improve productivity growth, public and private investment in the EU must be increased.

Thanks also to the geopolitical situation, the defence industry has become a source of hope in the European economic landscape, particularly for the MET industries. This subsector is increasing its production and investment and is likely to be looking for further recruitment opportunities.

Another solution could come from the various measures announced by the EU Commission to support AI-producing companies, with the result that the EU market for service robots is expected to continue to grow at a compound annual growth rate of 14% between now and 2026. This announcement is welcomed by the MET industries as they use those solutions to increase their productivity. This should help boost European productivity by reducing equipment breakdowns on assembly lines, cutting maintenance costs, increasing the accuracy with which quality problems are detected, reducing stocks and increasing labour productivity thanks to AI. However, the key framework conditions for the competitive implementation and further development of AI are a high supply of electricity and low energy costs. The Commission must encourage its Member States to create the right conditions for this.

2. Powering Through the Energy Crisis: Tackling Costs for a Resilient Industry

Energy prices have fallen but are still at a high level in Europe. Energy prices no longer make a negative contribution to inflation in Europe. In December, inflation in the eurozone was 2.4%. European gas prices are expected to be higher than forecasted in 2024 and 2025, while wholesale electricity prices have been slightly higher in 2024, but will be lower in 2025.

This is due to the fact that oil prices have fallen since spring 2024, notably because of the weak demand from China. Despite the volatility of oil prices due to the intensification of the Middle East conflict, the gradual fall over the summer has put the annual average of oil futures prices on a downward trajectory over the forecast period. Gas and electricity prices should fall in 2026 compared to their 2025 levels.

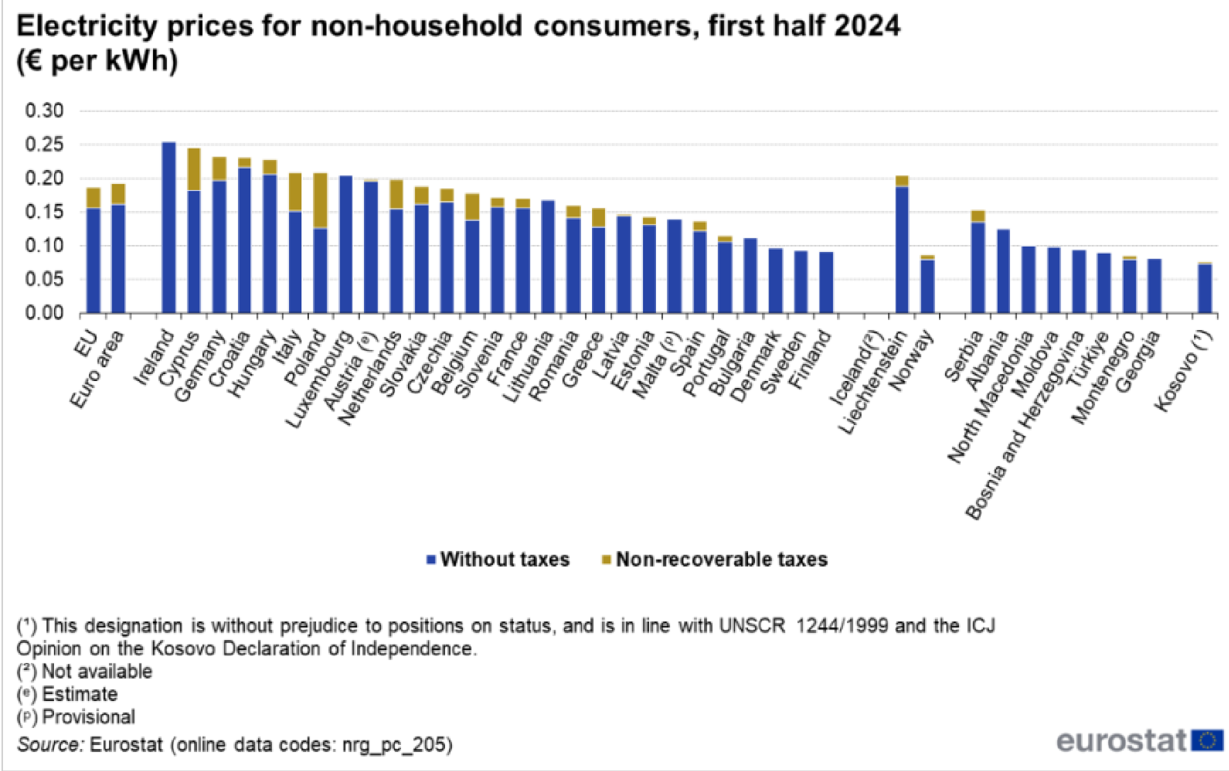


Figure 6: Electricity prices for non-household consumers, first half 2024
(€ per KWh)
Source: Eurostat (nrg_pc_205)

However, even this slight improvement cannot ultimately improve the competitiveness of European companies, as energy prices in the USA and Asia remain much lower than in the EU, particularly within the MET industries, which are already massively hampered by high energy costs. The projected lowering of fuel prices needs also to be put into perspective because the geopolitical situation will continue to undermine Europe's energy security.

The question of energy supply and costs remains central, and the MET industries are certainly consumers, but they are also sources of solutions and are an integral part of Europe’s green transition ambitions. Industries benefiting from the market economy are also a source of relief in terms of energy efficiency. Therefore, a credible energy supply policy at a reasonable price is essential if EU businesses are to regain their competitiveness.

3. Driving Through Turmoil: The Automotive Sector’s Unprecedented Structural Crisis

Unfortunately, the automotive industry is the example that best reflects the European Union's economic forecasts. It both illustrates and suffers from the various geopolitical crises. It is also the first sector impacted by evolving standards, geopolitical crises, and emerging technologies driven by the green and digital transitions, compelling a thorough reassessment of its production model, infrastructure, and workforce. On top of all these difficulties, 2024 has been marked by the introduction of protectionist measures by trading partners, notably China and the United States, which is weighing on world trade, hurting the EU's very open economy and had direct negative consequences on the automotive industry in particular.

The automotive industry, which until now had been operating at full capacity and on extremely tight margins, is beginning to seriously run out of steam. Small margins in combination with lower production led to a fall in the number of employees in the sector over the last six months, a trend that will continue in 2025. In some countries, such as Belgium and Germany, the automotive industries have already announced the closure of several plants. In Belgium, 5,000 workers are affected directly. In France, some 65,000 jobs in five years are threatened out of a total of 350,000 in the sector. In the Netherlands, the automotive industry lost 4.000 employees in 2024, which represents basically everyone as the only plant closed.

Detailed Analysis of Economic Data

Employment

The unemployment rate has fallen to 6.1% in 2024 in the EU and 6.5% in the eurozone. The situation should be even better in 2025, with a rate of 5.9% in the EU and 6.3% in the eurozone, which is a historically low level. Unfortunately, the MET industries will not follow this trend. Ceemet members have highlighted several plant closures, particularly in the automotive industry, which will have a direct impact on the sector's employment rate in 2025. This comes after several years when the MET industries have held up well and have not reduced their workforce despite successive crises.

Paradoxically, there are still many vacancies despite the lack of activity, falling productivity, and plant closures in the automotive industry in some member countries. Vacancies are no longer confined to STEM jobs but cover all activities such as administration and accounting. There are also jobs linked to the digital and ecological transition. The MET industries continue to be actively involved in promoting STEM as well as the up-skilling and reskilling of their own workforce.

Investment

In the Commission's view, the slightly contractionary fiscal stance and the new budgetary framework should allow for a gradual adjustment of Member States' budgets and should not be at the expense of investment. Despite positive announcements from the European Commission, which explains that investment should pick up thanks to the solidity of corporate balance sheets, the recovery in profits, improved credit conditions, and the impetus provided by the recovery and resilience mechanism, the MET industries are postponing investment, notably because of plant closures, particularly in Germany and Belgium. Investment has fallen drastically even though the MET industries continued to spend €182bn in research and development (R&D).

Although companies have welcomed the Draghi report and the need to invest, the report does not take sufficient account of the situation, and indeed the historic crisis, that the MET industry is currently experiencing. Moreover, the Draghi report mentions the need for €800 billion of additional investment if the EU is to remain competitive and attractive in the years ahead. The proposals for settling this bill are hardly feasible at a time when the Member States are having to recover their debts, European industry and the private sector are trying to survive, and the purchasing power of citizens continues to decline.

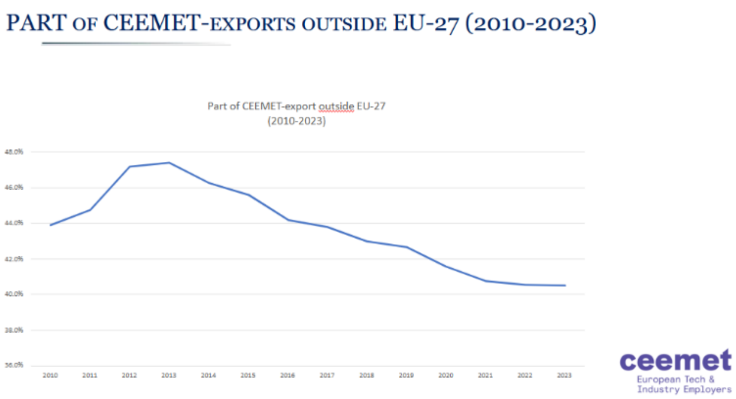
Production

The output of MET companies continued to decline over the last six months, even in the technology sector. Given the continued very pessimistic mood in these companies, it is questionable whether the situation can improve in the second half of 2025.
Although 2024 was a gloomy year, the MET industries in some countries were able to observe that value-added, i.e. the wealth produced during the production process which reflects the additional value contributed by the company, through its activity (labour), to the goods and services coming from third parties, is more efficient despite the fall in the volume of production.

Export

In 2023, MET industries were able to partially recover from the health and geopolitical situation, with an 8% increase in total exports (in value terms). They have increased their exports by 23% over the period 2021-2023.

However, with the addition of the latest protectionist decisions by its trading partners, the share of non-EU-27 exports in total exports from the MET industries has eroded over the last decade. The EU is experiencing a decline in its exports, both internally and externally, and is losing its competitiveness and attractiveness. In 2024, only the United Kingdom has been in a better position, as it exports more and more outside the EU.



Conclusion

The economic outlook remains gloomy at European level, and even pessimistic for the MET industries. Nevertheless, the MET industries remain inventive and are trying to find solutions to the pressures of the changing markets and the European transition plans.

Although employment is set to decline by 2025, particularly in the automotive sector, it is being redirected towards the trades of the future, where there is however a growing shortage of labour. Despite their difficulties, MET companies are investing in R&D. The European automotive industry had a record year in 2024 and has established itself as a world leader in terms of investment in research and development (R&D).

The European Commission hopes that the recommendations of the European Semester will mitigate the negative impacts of the recent geopolitical turmoil, strengthen its long-term competitiveness and increase the EU's resilience. It wishes to pursue its efforts to address structural and socio-economic challenges, to support the green and digital transitions, skills development, investment, and innovation. The European Commission expects renewed competitiveness and growth in the coming years. This will also help it to regain the EU economic attractiveness.

To make these wishes a reality, it is essential to **strengthen and complete the European internal market with less administrative burdens** and to **offer investment capacity** to the European Industries and particularly to the MET companies. The EU policymakers must engage in a pragmatic dialogue with MET industries, in order to not be surprised once again by over-optimistic predictions for the year ahead and support them with less but better regulations that are understandable, transparent, and, above all, consistent with the reality of the overall economic situation.

In 2025, it will be crucial that political decision-makers encourage Member States to **pursue their investments** while trying to regain economic stability. They should engage in a **long-term energy policy** in which all energy sources and technologies are used to achieve a sound energy supply policy at reasonable prices, whereby the global climate targets must of course be taken into account. The potential of eFuels in particular must be given high priority.

Those recommendations will allow greater **flexibility conducive to innovation and competitiveness**. Ceemet is ready to contribute to and implement a realistic **European industrial plan** that drives the reopening of the single market, fosters investment, and promotes employment and innovation. In essence, it aims to relaunch **the future of European competitiveness**.

About Ceemet

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

• Member organisations represent 200,000 companies in Europe, providing over 16 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.