

## National Report – Germany

### 1. Economic Situation

MET industries back in recession in Q1 – as effects of Iran war intensify

- **MET new orders** rose by 7.3% month-on-month in March. Higher order volumes were recorded primarily in electrical equipment and machinery and equipment. This likely reflects pull-forward effects due to anticipated price increases resulting from the Iran war. Nevertheless, orders in Q1 overall fell by 3.7% compared to the previous quarter, mainly due to high new orders in the defence sector at the end of last year. Overall, the order situation remains weak: capacity utilisation at the start of Q2 was almost unchanged at 79%, remaining significantly below the long-term average of 85%. 34% of MET companies reported a lack of orders as a production constraint. Dissatisfaction with the current order backlog remains high.
- **MET production** stagnated in March at the weak February level. Q1 as a whole saw a slump of 2.5% compared to the previous quarter, falling 1.3% below the already very weak prior-year level (Q1 2025). The longest recession in post-war history thus continues. A turnaround appears unlikely in the short term, especially as MET companies increasingly feel the impact of the Iran war. In April, 12% of MET companies again reported production disruptions due to material shortages. As a result, production and export plans were revised downwards in April.
- **MET turnover** stabilised due to the invoicing of several large-scale orders. However, this stabilization is supported by only a few industrial sectors and is accordingly, highly fragmented. The price-adjusted sales volume in Q1 remained at the weak level of the prior year.
- The number of **MET employees** fell further in March to 3.766 million (-2.4% or -92,100 compared to the previous year). On a seasonally adjusted basis, employment decreased by 7,700 (-0.2%), marking the 30th consecutive month of month-over-month decline. Compared to 2019, nearly 300,000 MET jobs have been lost. Furthermore, on balance, over 20% of MET companies expect (further) staff reductions. Unemployment in M+E occupations is rising noticeably and reached its highest April level since 2013.
- The **MET business climate** remained unchanged in recessionary territory in April. While the assessment of the current situation was slightly less negative, expectations for the coming months grew more pessimistic. The competitive position relative to other locations continues to be rated negatively, almost without change.

### 2. Collective bargaining in the MET Industry

The collective bargaining round for the mechanical and electrical industry will take place in autumn 2026. In December 2025, an agreement was reached with IG Metall to postpone the necessary deadlines for the upcoming bargaining round. This postponement was requested by the union to avoid having to formulate and finalize its demands before the summer break.

Under this agreement, the demands will now not be submitted to employers until the end of September 2026. The first negotiations will then take place in early October 2026. The peace

obligation remains in force until 31. October 2026, meaning that strikes are possible from 1. November 2026.

The collective bargaining round is expected to take place against a very difficult backdrop. As outlined above, the economic remains bleak and is unlikely to improve by autumn. The political climate is also weighing heavily on the negotiations, as the reforms needed to improve competitive conditions are slow in coming. Companies find themselves caught between a recession and poor business conditions, and are also struggling with excessively high unit labour costs. Germany is already losing around 10,000 industrial jobs every month. A round of collective bargaining with the wrong outcome will further fuel the deindustrialisation that is already taking place. At the same time, it must be borne in mind that the metal and electrical industry is very heterogeneous and that flexibility is therefore important. This too must be considered during the collective bargaining round.

IG Metall will not finalize its demands for the collective bargaining round until September. At the moment, it is impossible to predict what those demands will look like. Rising inflation will certainly play a role in the formulation of the demands. But given the uncertain situation, it is impossible to make a reliable prediction as to exactly what IG Metall will demand.