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MINUTES

CHIEF ECONOMISTS GROUP

24 SEPTEMBER 2024

Participants:

Mr Patrick Slaets (Agoria, Chair), Ms Hanne Mikkonen (TIF), Mr Fhaheen Khan & Mr James Brougham (Make UK), Mr Alexandre Jagot (UIMM), Stefan Solle (Gesamtmetall), Ms Pauline Dubois-Graffin (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.

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 varying across participants. Recession is installed in most countries and starts affecting all MET industry sectors. This situation is leading to an overall economic recession in the EU. EU countries are forecasting 1% GDP growth for 2024/2025and are hoping for a turnaround in economic trends.
- **Common challenges** include lack of demand, labour shortages, high interest rates, energy prices and political uncertainty.
- **Production** declines even in the tech sector. However, France explained that the added value, the wealth produced during the production process that reflects the additional value given by the company through its activity (work) to goods and services from third parties, is more efficient despite the decrease of the volume of the production.
- **Confidence** is high in some member countries of Ceemet. However, in some instances, this is not backed up by performance. Members predicted that the confidence would decline in the next few months.
- **Lack of demand** is weak. The companies were optimistic in their predictions and are now disappointed by an increasingly noticeable lack of orders.
- **Investments** are drastically decreasing. Members welcomed the Draghi report to highlight the need to invest but disagreed on the selective investment that has been proposed. Companies postpone their investment due to the closing of manufacturing especially in Germany and Belgium.
- **Labour shortages** remain one of the key challenges; however, they have been superseded by demand.
- **Vacancies** are still numerous despite the lack of activity, the decline in productivity and the closing of plants in the automotive industry in some member countries. Vacancies are not only in STEM jobs but in all activities such as administrative or accountant jobs.

- **The defense industry** is a beacon of hope in the struggling economic landscape. The sector is increasing its production and investments and is expected to seek more and more recruitment opportunities.
- **Exports** are declining in the EU. However, UK exports more and more outside of the EU. Uncertainty is affecting exports, with geopolitical tensions.

A focus was made on the closure of car plants in and on the current collective bargaining negotiation underway in Germany. Germany explained that for the first time in history, the demand of the trade unions is extremely high around 7% of wages increasing. Employers hope for a long-term agreement but at this stage the demand and contract are not clear.

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 production decreases due to the diminution of the order book. Productivity is likely to decrease in 2024 as production declines, but the employment rate is dropping at a slower pace. This does not augur well for the competitiveness of European companies over the coming six months.

Companies are expected to dismiss employees, and employment is likely to fall as a result of this recession and the lack of orders. However, given the recruitment difficulties, vacancies rate are resisting and still very high. Companies are trying to maintain their workforce as much as possible because they believe it will be difficult to find the right skills later if needed. Once the economy improves, they will need an efficient workforce available. The vacancies rate remains very high because companies are seeking different profiles that are scarce in the market, particularly to support the twin transition.

3. European Commission Autumn Package

a. Update by the Secretariat

The Secretariat gave an update on this topic. As part of the European Semester, the European Commission publishes their Autumn Package in November each year. This year it will be interesting to examine the new package in comparison of the Draghi Report published on 9th September 2024.

It was the occasion for the Secretariat and the participants to agree on what to do with the Chief Economists report and the Chief Economists Outlook after the departure of John Harkin.

There is no further information on the main topics that will be dealt with in this year's edition however as usual it should be more nationally 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. However, the Draghi report is more detailed and precise about its recommendations. It was the occasion for the CEG to express their thought about this Draghi reports.

- Draghi's report reactions

The members considered the report to be clear, acknowledging for the first time the reality of Europe's loss of competitiveness. They also praised the fact that it addressed the excessive production of regulations. Nevertheless, the members of Ceemet expressed concern about the direct and unfiltered implementation of this report. They noted that the amount of investment required was unrealistic given the current economic situation and emphasized that it was essential to take action across all sectors of activity for a sustainable economy, rather than investing solely in a few sectors as the report advocates

- Structure of the new Chief economist's Outlook

Members agreed on several paragraphs that the Chief Economists Outlook should contain divided in two parts. One more negative about the global economy and another one more positive with a political speech.

In more negative aspect:

- Difficult situation of the Market: Productivity and competitiveness decrease. Productivity is slow related to cost labour cost energy, and flexibility of the market.
- Energy Crisis
- Administrative Burdens
- The rejection of sector-specific investments.
- Labour shortages: the paradox of communication because the employment in MET sector slightly declines and the need for a workforce will stay high. How to get a positive message and how to explain the labour market that dismisses workers but needs more workers in the long-term. This paragraph should integrate the position of the MET industries regarding the immigration which is one of the solution to tackle labour shortages

In more positive aspects:

- What MET industries can achieve – compared to our economy. What the MET sector can deliver and play a central role in robotics digitalization (part of the challenge) how can MET industry can support Europe (decarbonization).
- France will provide more information about the value added that is more productive than production data.
- Protectionism may be a solution, but it is a two-way street. It can weaken the European economy, which should focus on European solutions while protecting the single market more thoroughly from unfair competition. Regarding for example Chinese importation, it set to help the industry can have negative effects.

4. Integration of UK data in the Ceemet figures

The chair and members decided to integrate this point in the discussion regarding the figures in point 5.

5. Discussion on Ceemet figures

Presentation of the latest figures

a. Labour cost by Alexandre Jagot

It will be published with EU 27 without the UK data. Gaps of cost between sectors. In methodology, we will keep the OECD data because the calculation is even different between France and Germany. The data of the cost evolution in UK manufacturing is almost the same in the UK.

b. Production by Bengt Lindqvist (not present)

It will be published with the UK data.

c. R&D by Fhaheen Khan

It will be published with the UK data. OECD data until 2021. Graphs need to be adapted to remove Turkey. It shows that the investment cannot be in specific sectors and joint for all of the EU. A collaboration could be an opportunity only between some countries (2 or 3 countries) that share the same specificity to be more efficient.

d. Exports by Patrick Slaets

Our sector is heavily dependent on crises and external impacts. With the energy crisis and geopolitical uncertainties, European competitiveness and exports are declining. We cannot include data from the UK, as it would distort the European picture, given that 60% of their exports go outside the EU.

e. Productivity by Lars Kroemer (Represented by Stefan Solle)

Make UK will give the data to integrate it. Stefan Solle will ask Lars Kroemer to start the figures in 2010 or even before.

f. Employment by Lars Kroemer (Represented by Stefan Solle)

We can integrate UK even there is not so much difference between EU and UK data.

g. Hours worked by Elena Falcone (not present)

The slides will come soon.

h. Investment by Hanne Mikkonen

UK is not integrated as it's Eurostat. It's not a good year for investment and not even the same level as what it was before Covid-19.

6. Any other business

a. Recommendation for the next meeting

The participants would like to exchange information about the changes in the national economic policy.

They ask to share more data like their publications between the members by email and not only that the Secretariat publishes it in the basic documentation of the website.

b. Date and place of next meeting

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

Make UK will come back to the Secretariat to welcome a Chief Economists Group meeting next year. The other meeting will be a hybrid meeting or a full Visio conference.