

# Tech and Industry employer's views on the Annual Sustainable Growth Strategy 2022

## Current situation for the MET industries

Following one of the most challenging years for our sector, as economies begin to open up and life 'returns to the new normal', Ceemet takes stock of one of the worst crises in living memory. A crisis larger in scale than the 2008/2009 crisis with considerably higher unemployment figures, the corona crisis has certainly left its mark on our societies and economies.

With a more than 11% decrease in production figures, the MET industries have been experiencing the worst industrial crisis since WWII. The figures are stark and reflect what may fairly be termed as an 'unprecedented' recession. We have seen a steep drop in our predicted investment figures in 2020 of more than 11%, while exports have fallen off a cliff seeing a dramatic decrease of 10,7% between the figures for 2019 and 2020.

This crisis will undoubtedly rumble on and its consequences will be felt for years to come. Some of the Ceemet sub-sectors have been able to continue with some semblance of normality while others have seen their business models turned on their heads and will continue to suffer for some time to come. To make things worse, some of those sectors are facing structural problems e.g. aeronautical and automotive. Furthermore, the lack of the essentially important supply of resources continues to weigh heavily on the MET industries.

## The road to recovery

In November 2020, MET economists predicted that we were likely to see a 'Nike swoosh' shaped recovery. However, now we see it as a less pronounced 'Nike swoosh' due to better than expected figures in the first two quarters of 2021 and also the last two quarters of 2020. These positive figures have of course been in a large part due to the measures taken, both at EU and national level, and the roll out of the vaccination programmes across the Member States. Growth rates will vary among Member States and recoveries will not all take place at the same time. Despite this, there is consensus among MET economists that the recovery is better than expected and in many sectors we already have pre-COVID levels of activity. However, this brings with it its own set of challenges e.g. the lack of resources, everything from steel to microprocessors. Currently, the supply chain issues being experienced by our industries are outstripping the COVID-19 issues. This could be detrimental to the recovery which is currently happening in large parts of our sector. We must see adequate investment in key industries to ensure European manufacturers are less depended on supply chains. Investment in own resources, autonomy of EU manufacturing and the security of supply chains are of paramount importance. Furthermore, we must guarantee the production of key technologies in the EU.

This does not mean to say that the MET industries are out of the woods; national governments must not stop the temporary employment measures abruptly. Companies must be given adequate time to adapt before stopping the measures. For some subsectors, such as aeronautics and automotive, it will be necessary to withdraw them gradually. There is ambiguity around the effects of ending the multitude of support measures. It is therefore why MET employers are calling on national governments to be prudent when assessing this option.

## Beyond recovery

MET employers however are looking to a world beyond the corona crisis. While the current economic situation is positive and growth is bolstered by many of the factors laid out above, we must remain cognisant of the ongoing problems within the EU pre-corona crisis. Furthermore, we must not forget the longer-term issues which will continue to affect our MET industries in Europe. In the short term, it appears that the situation in our sector is positive e.g. where we see demand exceeding supply.

However, in Europe we experienced weak economic growth before the corona crisis and we must not lose sight of this problem as the current crisis begins to fade. In this regard, properly implemented structural reforms can go a long way to ensure a positive effect on long-term growth. Furthermore, targeted labour activation measures alongside upskilling and reskilling of the workforce will sow the seeds of a durable economic recovery.

## MET Economic Data

### 1. Employment

The shining light of the MET industries is without doubt the employment figures within our sector where, despite the current crisis, we have seen a slight increase in the figures to 17.5 million workers. An extraordinary achievement to which measures such as short time work schemes contributed. Just as did social partner cooperation keeping companies open and safe during the crisis. Today 51% of the workers in manufacturing are employed in MET sector companies.

However, in terms of employment in the MET industries we have still not fully compensated the losses suffered during the 2008/2009 crisis. There was still more than a 1 million job shortfall in 2020. Manufacturing of fabricated metal products, mechanical engineering and the automotive industry remain the heavy weights of the MET sector. They represent over 61% of all employment in our sector.

### 2. Investment & Production

Having said that, it has not all been plain sailing: in 2018, the investment levels of the MET industries was €134 billion. However, it is predicted to drop in 2020 with investment regaining some of its growth to €130 billion by 2022. The latest data from 2018 shows quicker growth. Nevertheless as predicted by MET economists, things will take a turn for the worse from 2020 to 2022. Measures to increase and stimulate investments in Europe are still needed. With this in mind, we must be cautious about what is happening outside the EU concerning, for instance, different kinds of investments stimulus measures.

When we look at production figures within our sector, this gives us a stark reminder of the fact that MET companies are experiencing the worst industrial crisis in decades. Figures such as the value of production in the MET sector have fallen through the floor with a decrease from a preliminary €3446 billion to €3045 billion or by 11,6% in 2020. In terms of volume this represents, according to short term data, a decrease of 13%.

### 3. Exports

There has been a dramatic decrease of 10,7% in the export figures in the MET sector in 2020 vis-à-vis 2019. Intra EU exports have decreased by 9,4% with extra EU exports down by 12,6%. This highlights the severe shock which the current crisis has had on the lifeblood of our industries, trade.

Furthermore, our share of total EU exports has also taken a dive, dropping from 46,1% in 2019 to 44,8% in 2020. During better years, between 2010 and 2012, there was a boost

in exports towards Brazil, Russia, India and China. Following that, between 2013 and 2019, there was a sustainable increase of exports across the globe. However, as outlined above, the corona crisis has since ended this upswing.

## The Green and Digital Transition

There is consensus among MET economists about the need to move toward a digital and green transformation. This transition continues to gain ground and MET companies are well positioned to take advantage of it. However, the corona crisis will put further pressure on an already unsustainable shortage of digital experts. The right policies must be put in place to ensure the required level of digital skills are available within the EU to take full advantage of this twin transition. There is no doubt that we are seeing a digital acceleration in the way we work, and what is vital is that those skills of the future are available to manufacturing companies across Europe. In this context, a mix of governmental measures and proposals negotiated between social partners will light the way towards a better skilled future.

## Recovery and Resilience plans

With the investment plans provided by the Next Generation EU, the European Commission and national governments must make sure that our sector benefits from the support schemes for industry. On the other hand, MET employers are getting ready to do their part to boost productivity and create economic growth. Whether we speak about semiconductors or supply chains we find that the Commission is working on the issues relevant to our sector. MET economists stand ready to work hand in hand with the Commission to come forward with policies and plans to be put into action. Continuity of operations for European manufacturers must remain of paramount concern.

However, implementation of these plans is key and the involvement of social partners both at a national and European level is not an option, but an obligation. The links which sectoral social partners have with companies can be leveraged in order to ensure the correct role out of the Next Generation EU.

## Conclusion

As has been outlined above, the MET industries have been experiencing the worst economic crisis in living memory. That being said, the recovery is progressing better than was expected and while we have seen some dramatic figures for 2020, there is cautious optimism among MET economists for the coming months. However, not all sub-sectors of the MET industries are experiencing a return to pre-COVID levels of activity, structural issues remain and in many sectors the supply of resources is still an issue of vital importance. While employment figures are buoyant, support schemes must remain in place, particularly for those sectors most affected. The Green and Digital transition, alongside the Next Generation EU, are seen by the MET industries as the way to ensure sustainable growth in the short to medium term. However, we must ensure the right skills are available to European manufacturers and the correct involvement of social partners in the implementation of these policies.

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## About Ceemet

- Ceemet represents the metal, engineering and technology-based industry employers in Europe.
- Member organisations represent 200,000 companies in Europe, providing over 17 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.