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The German Metals Industry: Negative outlook, but surprisingly positive payment behaviour

EXECUTIVE SUMMARY

The situation of the German metals sector has never been easy, but it got more challenging since the 2000s and the emergence of the competition of Chinese state-supported metal products. This competition has been able to outperform European companies by offering cheaper products. Another significant factor altering the industrial landscape was Germany's industrial transformation towards green technology, notably in the automotive industry. The change towards e-mobility contributed to a recession in the German industry, including the metals sector. Since mid-2018, manufacturing production has declined, with few exceptions. Adding to these challenges, the surge in energy prices amid the post-pandemic recovery and following Russia's invasion of Ukraine has heightened production costs. As metals companies were not able to fully pass through the cost increase to their customers, profits seem to have declined in recent quarters.

Despite challenges, the payment behaviour has - counter-intuitively - improved over the years in the metals sector according to the results of our annual Germany payment surveys. While giving out payment terms is standard practice in the metals industry, they shortened noticeably from 44 days in 2019 to 31 in 2023. In our 2023 survey, 77% of respondents in the metals industry indicated that they experienced payment delays. While this marks an increase compared with the pandemic years, many companies view them as commonplace. Around one third of participants indicated that paying bills late is normal practice. Furthermore, the average payment delay in the metals sector - around 25 days - is relatively short compared with other sectors in Germany.

Our payment surveys also highlight that, while the economic outlook of the German metals sector remains more pessimistic than the German average, it has improved over time. One potential explanation is that the metals sector seems to have adapted earlier than other industries to the shifting economic environment: 13.6% of participants already have de-risking strategies in place in 2023, aiming to be less dependent on single suppliers, customers, or financial sources. Export destinations, including Russia - even before the war in Ukraine - and China, have become less attractive. Additionally, the adjustment of the sector, in the form of insolvencies, took place earlier. The main increase in insolvencies was experienced in 2020. Since then, they have remained relatively low and are stagnating in 2023 compared with the previous year.