

PRESS RELEASE

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

Bucharest, November 28, 2023 – The situation of the German metals sector has never been easy, but it got more challenging with the emergence of the competition of Chinese state-supported metal products as well as the downturn of the German automotive sector since 2018. 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.

Germany's metals sector faces a number of economic hurdles

Several economic factors have slowed down the German metals industry. **State-sponsored competition from China** has succeeded in outperforming European companies by offering cheaper products. Over the years, these subsidies have led to significant over-capacities and an oversupply on the global market, weighing on prices of industrial metals, particularly steel and aluminum.

Germany's industrial transformation towards green technologies, particularly in the automotive industry, has triggered an industrial recession that has affected the metals sector as well.

Since mid-2018, the production of the German metals sector is on a downward trend. 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**. According to the employers' association of the metals and electronics industry, the gross profit margin in the sector decreased from 4.4% in 2017 to 3.5% in 2021¹. In May 2023, **34% of companies in the metals and electronics sector indicated that they had, in 2022, either very low profit margins** (between 0% and 2%) or even a negative profit margin (14% of respondents). In September 2023, 15% are preparing themselves for profit losses for this year.

Payment terms get shorter each year

Due to the strong participation of metals companies in the annual Coface payment survey for Germany, it is possible to compare not only the payment behaviour of several sectors in one year, but also to compare the results of the metal sector over time.

In 2019, **82% of metals companies requested for short-term payment terms of up to two months**, and still 16% had the opportunity to pay after two months. The situation has changed noticeably. In 2023, 53% are asking to be paid within the first 30 days after delivery and only 5% gave payment terms longer than two months.

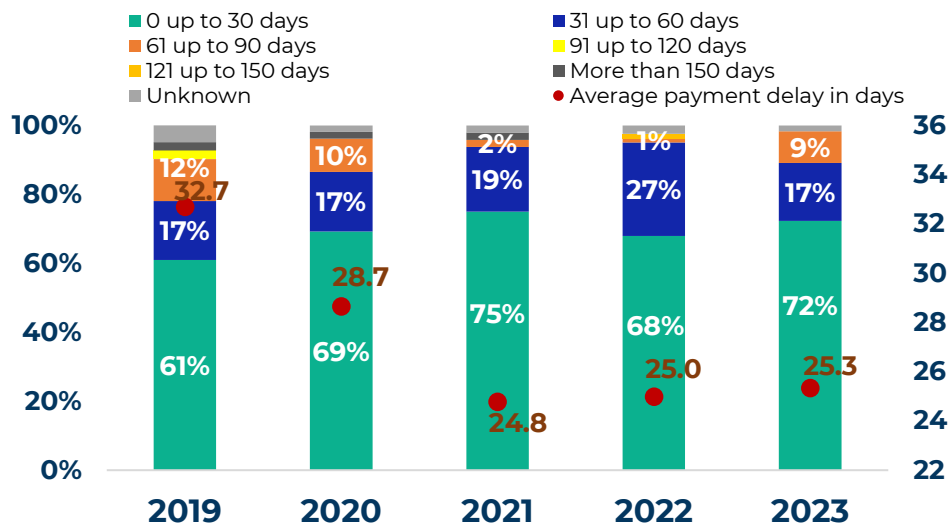
¹ Die Arbeitgeberverbände der Metall- und Elektro-Industrie: Zahlen 2022, <https://www.gesamtmetall.de/zahlen-fakten/zahlenheft/>

The average payment term in the metals sector has fallen from 44 days in 2019 to 31 in 2023. In the same period, the payment term for all companies in Germany decreased only marginally from 34 days to 32 days.

Payment delays: a common practice, but they are short

Even though the share of companies in the German metals sector that report payment delays increased from 62% in 2022 to 77% in 2023, the delay time is short. One main reason for the high number of delays is that 32% of the surveyed companies considered this practice to be a market standard in 2023. The metals industry remains among the German sectors where most companies receive their payments within the first 30 days after the payment is due. In 2023, there were even **no delays longer than 90 days** reported. Overall, except for 2020, the average payment delays of the metals sector have consistently remained below the economy-wide average payment delay time.

Payment delays in the German metals sector over time



Sources: Coface Corporate Payment Surveys

Risks and outlook

Despite the pessimism, what stands out in comparison with other sectors is that, while the metals sector remained more pessimistic than the overall average, it does not belong to the most pessimistic anymore but is positioned directly below the average of the total economy.

Among the main risks identified by companies are in 2023: **challenging business and production conditions in Germany** (for 21.4% of the respondents), **rising commodity prices** (17.9%) as well as the **lack of skilled workforce** (12.5%) and **political risks** (11.6%).

As a reaction to especially the political risks, the metals sector seems to have adapted earlier than other industries to the changing economic environment: 13.6% of companies had already implemented risk reduction strategies by 2023.



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