Dramatic Decline in the German Economy in 2024

by Rainer Apel and Claudio Celani

July 18—All sectors of the German economy show dramatic decline at the half-year mark of 2024. Moreover, the two new sets of policy proposals—from NATO for more war production, and from the European Union for more green "re-naturalization"—promise catastrophe, unless stopped. The following reports give a snapshot of the situation.

Industrial Production: As of mid-year, German industrial production is down 6.6% year-on-year. May was the fifth consecutive month of decline in output, falling 2.9% compared to April, with capital goods declining 4% and construction output declining 3.3% compared to April. The chief economist for Commerzbank, Dr. Jörg Krämer, said of the statistics:

> The significant drop in industrial production makes it clear once again that a rapid and significant economic recovery is nowhere in sight.

The German Federal Statistics Office also reported a sizable drop in orders for industrial goods. As of mid-year, orders are down 8.6% year-on-year. May was the fifth month in a row for decline, posting a 1.6% drop from April. The chief economist for the Landesbank Baden-Württemberg, Dr. Jens-Oliver Niklasch, commented on the fall in orders,

> Another piece of bad news from the industry. It seems that a turn for the better is further away than ever.

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Coalition representatives "preparing for war" with Russia, by deindustrializing Germany (l. to r.): Economics and Environment Minister Robert Habeck of the Greens; Chancellor Olaf Scholz of the Social Democrats; and Christian Democratic Finance Minister Christian Lindner.

All across the 20-nation euro zone, industrial production is falling. Eurostat reported that, as of April, industrial production was down overall 3% on a yearly basis. Germany had the biggest drop—falling 3.7%—among the large economies, followed by that of Italy—down 2.9%—and France, which posted an anemic 1% growth.

Employment: A job loss of 40,000-50,000 in industry is pending over the next three to four years, estimated Dr. Stefan Wolf, president of *Gesamtmetall* (Federation of German Employers' Associations in the Metal and Electrical Engineering Industries). In an interview with Funke Media Group, aired May 22, Wolf said that this is no "economic dip." Unless the government does something,

> I can already see the beginnings of deindustrialization. There are many relocations taking place—everywhere. Larger automotive suppliers have already announced layoffs. And I hear that this is developing real momentum.

Agriculture Income: For the agriculture year July 1, 2023-June 30, 2024, aggregate farm income—the total of all farmers' gross income—is estimated to be 30-50% below that of the prior year. Joachim Rukwied, president of the German Farmers' Union, said in May, "Our farms have once again found themselves in more troubled economic waters." He and other farm leaders point out that, while farm income was higher in the last two years, the five before that were low-income years for farmers. At present, dairy farmers, for example, are faced with prices below their costs of production. This whip-saw pattern is untenable.

German farmers were in the lead of the mass street protests by farmers Europe-wide last Winter. Their demands included affordable prices for diesel fuel, fertilizer, and other inputs; prices for their output that were above costs-of-production; a stop to the anti-scientific, so-called green dictates from Berlin and Brussels; and a break-up of the monopolistic practices of retail and processing food cartels.

Despite the unprecedented, mass wave of farmer protests in Germany and across Europe, no significant remedy has been offered.

Trade: Germany, the past world leader in exports of high-tech goods, is now experiencing declines in both exports and imports. At present, Germany is running a current-account trade surplus, but only because its imports are falling more than its exports. Year-on-year, the value of imports has dropped a dramatic 8.7%, while exports dropped "only" 1.6%. German exports dropped 2.9%, however, to the United States, Germany's top export market. German exports to China over the last year plunged by a whopping 10.2%.

Other factors are kicking in, to complicate and worsen the picture. On July 5, European Union punitive tariffs went into effect against electric vehicle imports from China. German carmakers will be hit hard, because they produce in China, then export to Europe. Volkswagen, for example, is now under the highest tariff rate, 38%.

In this hostile environment, some plans by Chinese firms to build e-vehicle components within Germany have notably been cancelled. SVOLT Energy Technology Co., Ltd., a spin-off of Chinese automaker Great Wall Motor Company Ltd., announced in May that it would halt its plans to build a battery cell plant in Lauchhammer, in Brandenburg State. SVOLT blamed a carmaker cancelling a large order, which was rumored to be BMW. E-vehicle battery producer Contemporary Amperex Technology Co., Limited (CATL) halted its expansion in Arnstadt, after Volkswagen reduced its EV production in Zwickau.

Economist Folker Hellmeyer said in a May interview in the *Schwäbische Zeitung*, the daily in the highly industrialized region of Baden-Württemberg,

> Germany is steering haphazardly through the biggest crisis in the West since the end of the Second World War, because of its insane energy and foreign policies.... The warning signs are increasing. We are currently experiencing the highest net capital outflows [from Germany] in history, and more and more companies are migrating to other countries.

Infrastructure: The condition of all basic infrastructure of power, water, transportation, health care—is deteriorating under the economic decline. For example, there is neglect throughout the transport sector, which is exemplified in rail. Average train speed is markedly down on many lines. On the German high-speed ICE trains, which potentially could run at 250-300 km per hour, the speed has slowed down to not more than 120-160 km/hr on a large number of routes.

There are 41 high-speed or otherwise main routes urgently in need of repair or replacement, but this cannot be done all at the same time, for both logistics and resources reasons. Deutsche Bahn, the national rail agency, lacks both construction capacity and manpower. Therefore, the Ministry of Transport has begun a selective shutdown of lines for repair.

Two ICE high-speed lines will be closed for weeks beginning July 16—Cologne to Frankfurt, and Frankfurt to Mannheim. This latter line is the key span of high-speed rail service between north and south Germany, and its outage will affect rail transport in several neighboring countries as well.

Bankruptcies: In the first six months of the year, 11,000 company bankruptcies were recorded in Germany, a steep increase of 30% over 2023 numbers for that same time period. The service sector was particularly affected, recording a 35% increase, to 6,500 bankruptcies. There was also a sharp rise of 30% in construction firm insolvencies, and over 20% in trade-handling companies. Manufacturing insolvencies increased by 21%. Moreover, the firms going under are larger than those in recent years.

The head of Creditreform Economic Research, Patrik-Ludwig Hantzsch, foresees more than 20,000 bankruptcies in Germany in 2024, higher than both the COVID-associated and pre-COVID levels. There were 17,814 company bankruptcies in 2023, slightly fewer than the 18,830 in 2019. Hantzsch said in June:

> In the first half of 2024, companies are continuing to battle against the effects of the recession in 2023, ongoing crises, and the weak economic development this year. [This will] break the back of many companies. Corporate stability in Germany is currently shakier that it has been for many years.

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Rheinmetall Unterlüß in Lower Saxony, where the company is now adding a new factory for 155 mm artillery ammunition.

Shrinking Economy Militarized and 'Greened'

Instead of intervening to upgrade the German economy, the government is aligned with NATO, the United States, and the UK for more militarization. At the NATO Summit in Washington D.C., July 9-11, Germany agreed to the new NATO Industrial Capacity Expansion Pledge, for more military output, and weaponry to Ukraine.

On June 11 German arms manufacturer Rheinmetall opened its first tank repair facility in Ukraine. Since then, Rheinmetall has announced that its Lynx infantry fighting vehicle will also be manufactured in Ukraine. Besides Rheinmetall, two other German manufacturers now have operations in Ukraine, according to Kiev's Minister for Strategic Industries, Oleksandr Kamyshin. They are the tank manufacturer KNDS Deutschland (formerly KMW, i.e., Krauss-Maffei Wegmann), and Flensburger Fahrzeugbau GmBH, which maintains and repairs old tanks, among other functions.

On July 17, the coalition government presented its budget to the Bundestag, including what appears to be an increase of 1.2 billion euros in the defense budget. This is far less than the 6.7 billion euros asked for by Defense Minister Boris Pistorius, but there is a catch. The Defense Ministry is additionally authorized to buy weapons for over 10 billion euros, which is to be paid for in 2028—somehow. This trick is called a "commitment appropriation," or *Verpflichtungsermächtigung*, and fools no one. Pistorius told the Bundestag on June 5, "We must be war-capable as of 2029."

Even trickier, parts of a secret defense plan were leaked this Spring, among whose provisions were that manufacturers may be *ordered* to produce war materiel, if needed, and that conscription be reintroduced. Beyond this, the leaked parts of the defense plan include fantasy descriptions of mandatory civilian support duties. The hypothetical case is given, that if American forces have to move across Germany, civilians must have advance communications and concrete plans worked out. Lt. Gen. André Bodemann said in an April interview in the *Frankfurter Allgemeine Zeitung* (FAZ):

> The [military] convoy would get fuel from petrol stations or civilian vehicles. The Red Cross would provide medical care, and food would come from a civilian caterer. This is a classic case.

The raft of Green Deal regulations and mandated cutbacks in economic activity continue. There are many examples, emanating from the Berlin government and from the European Union (EU). The so-called "heating law" in Germany bans fossil-fuel heating for new homes. The EU has decreed a new supply-chain regulation, which limits trade by purporting to respect standards of "sustainability" and labor rights in trade-partner countries. It is "hypocritical" and a "heavy scandal" that Berlin supported it, said Senator (ret.) Christoph Ahlhaus, president of the national association of *Mittelstand* [small and medium-size] companies, the BVMW. In an interview July 8 in the *FAZ*, Ahlhaus said that German trade with China, already down, will be significantly impacted.

On June 17, EU Environment Ministers voted up the "Restore Nature Law." Passed with just above the 65% vote required, the Green Deal measure mandates that farmers set aside up to 20% of their land from any economic use by 2030. This is to restore the allegedly "original nature" of swamps, moors, forests, and lakes.

Marcia Merry Baker contributed to this article.