



Press statement

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Good morning, ladies and gentlemen,

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I also warmly welcome you to the press briefing at the TDI, this year being held at a more decent time than in previous years!

These are special times indeed, and the range of topics seems even broader than usual shortly before Berlin's summer recess. Just to cite two: the German-Chinese government consultations and the end round of deliberations on the government's draft for the 2024 federal budget.

Our TDI agenda also reflects these special times. We are focusing on the tasks facing our country, businesses, and the German government. At the same time, we are broadening our view to include geopolitics – and are delighted to welcome the NATO Secretary General with us for the first time.

Let me start off with the home-grown challenges and describe the economic situation as summer begins. Statistically, Germany is in a recession. The Federation of German Industries (BDI) expects to see a sobering GDP growth of plus or minus zero percent for the current year. We forecast global GDP to grow by around 2.7 percent, which would be a full percentage point less than the average of the past 20 years. But regardless of the last tenth of a percentage point: "zero growth" here and a plus 2.7 global figure says one thing: Germany is falling behind!

Economically, things aren't going that well at the moment, and there is a structural brake on growth that should not be underestimated: **a shortage of labor almost everywhere**, even now in a weak economy.

We need more workers, also from abroad. This is yet another reason why **xenophobia**, prejudices and mood-mongering are fully unacceptable. Our industry stands for **diversity, tolerance, and integration**, and we strictly oppose anyone who stirs up prejudices and divides our society.

Not much remains of last year's confidence. Investment behavior – THE new lead indicator we'll have to watch in the future rather than unemployment statistics – is clearly pointing downward. We expect to see an increase in investments in machinery, equipment and other assets – such as patents and licenses – partly as a catch-up effect. But due to the sharp decline in construction investments, which account for slightly over half of the gross fixed asset investments, we'll end up with a negative total.

At best, we expect a noticeable recovery in the general economy in the coming year. However, the conditions driving growth will remain restrained for the foreseeable future:

- by the aging population,
- the undoubtedly necessary measures to combat inflation,
- the global political tensions with related higher costs for resilience and crisis prevention,
- and by high upfront investments in climate-neutrality and the digital transformation, which initially increase costs and tie up resources in many places.

The country is currently facing a mountain of growing challenges. A feeling of impatience and uncertainty is spreading among many entrepreneurs. An economic upswing won't come on its own. So, there's no all-clear for Germany as an industrial location. On the contrary: policymakers must systematically tackle structural reforms.

Those who believe the energy transition could become the nucleus of a new economic miracle underestimate the fact that investments will largely only replace existing assets, and at much higher cost. All in all, this certainly won't bring us additional economic growth for the time being.

More and more German companies, including small and medium-sized enterprises, are considering shifting parts of their value creation out of Germany because domestic costs – particularly energy costs, speed and bureaucracy – are simply not acceptable for them in comparison.

- We need a better tax conditions for investments in Germany, and we need them now, not sometime in the future.
- And when will the promised sense of proportion in our regulations finally become reality?
- We also need to speed up planning and approval procedures to stimulate investments. So far, this has only been achieved for the LNG terminals.

But instead of speeding up Germany, new reporting and documentation requirements such as the Supply Chain Sourcing Obligations Act – and especially its currently drafted EU-wide version – create major new administrative burdens. And in two places, by the way: for companies and for the authorities. In particular, this is overburdening small and medium-sized enterprises, and the impression is spreading that policymakers are more concerned with economic monitoring than with promoting prosperity.

On energy:

Huge challenges have to be overcome in restructuring the energy supply. Two years ago, shortly before the Bundestag elections, Olaf Scholz spoke to us at the TDI about an electricity price of 4 cents. And to be precise, this wasn't just considered to be the generation costs of solar or wind power at the foot of the wind turbine, but as the final purchase price for the industrial user. Today, we are still miles away from achieving such target prices. We recognize that the German government is specifically pursuing this issue by proposing an industrial electricity price. But the BDI expects the government to not just deliver a bridge solution, but to quickly come up with a concrete, implementable concept that ensures a secure, long-term supply of electricity at internationally competitive costs. After all, it isn't about a bridge here, but the shore at the end of the bridge. The many state-induced burdens such as taxes, surcharges and network fees must be reduced to make electricity more attractive than fossil fuels.

Equally urgent is the need to develop the **necessary infrastructure** and expand the country's supply of electricity. The delta between ambition and actual implementation is growing by the day – for wind turbines and photovoltaic plants, for transmission and distribution grids, for storage facilities, and for reserve power plants.

Take wind power, for example. Rather than installing **four or five wind turbines** per day, as the chancellor also believes is necessary now, just one wind turbine was erected per day in the first half of this year.

Or take the example of hydrogen. We need to develop a comprehensive hydrogen infrastructure. It will be indispensable for many energy-intensive industrial processes and for ensuring the availability of energy at all times. But this, too, is unfinished business.

And who will plan, who will approve, who will build, who will finance, and who will operate the hydrogen-capable gas-fired power plants that are also required? When and where?

Even under optimistic assumptions and relying on imports from our neighbors, we will need at least 25 gigawatts of additional capacity. We're talking here about 30 to 50 power plants. Yet at present, a mere handful of projects are being planned.

What market design will make these investments profitable, even if these power plants only operate sporadically as reserves? As long as there are no reliable answers to these questions, the 25 gigawatts will remain a pipe dream. We can't achieve the energy transition with visions alone. And the bitter reality in the end could be remaining dependent on coal for a long time to come.

On digitalization:

We not only need to make our country climate-neutral but transform it digitally. German industry is a global leader in industrial automation and numerous digital industrial applications. But the basic technologies, key competencies, and research and innovation activities for key digital platforms are almost exclusively dominated by the big players in the United States – and by their new competitors in China. Not to mention the state of digitalization in public administration and healthcare.

Strengthening digital competencies can only succeed in a large, uniform market. Because, as we all know, economies of scale are the be-all and end-all of digitalization. That's why we need to complete the European single market – not as a playground for even more regulation, but as an enabler of growth, competition, and innovation momentum.

Moving from Germany and Europe, I'd like to make a few remarks on **German-Chinese relations** in light of current events. The issues of system competition and rivalry between China and liberal, democratic countries are increasingly becoming the focus of debate.

Yes, China is a systemic rival. China's statement that it is, quote: *"giving more diversity to the concept of human rights"* is irritating – just to cite one example. China is both an economic and a technological competitor. Inevitably, however, the country is also an indispensable partner, for example, in the fight against climate change. We need to maintain a dialogue with China on climate protection as well as on trade and investment relations.

A decoupling from China would be unrealistic and damaging. The fact that the G-7 countries declared their joint commitment to this policy at their summit in Hiroshima is helpful and sends a clear message.

At the same time, companies are working intensively to strategically diversify their sales and procurement markets and build new partnerships.

Germany must address the complexity of rivalry, competition, and partnership in the German-Chinese government consultations. Achieving stability by de-risking and balancing all three factors must be the goal of Germany's China policy.

We expect the Chinese government to show a greater will to improve the framework conditions for economic cooperation and to reduce regulatory and informal hurdles.

Ladies and Gentlemen,

Our country faces a mountain of unresolved issues. There are far more pent-up needs, wishes and ideas than opportunities and resources to tackle everything at once. In short: We must set priorities and neither overestimate what we can achieve nor take on too much.

Businesses as well as citizens expect clear decisions that don't confront anyone with unsolvable challenges.

It's obvious we can't do everything at once. The German government must make clear:

- What is urgent and what can be put on hold,
- and where irrevocable principles are at stake and where pragmatism is appropriate.

We must be open to progress, technology, and innovation. And we must not block or neglect solutions the future could offer us.

Thank you very much.