PRESS RELEASE

Corneliusstrasse 4
60325 Frankfurt am Main
GERMANY
Tel. +49 69 756081-0
Telefax +49 69 756081-11
Email vdw@vdw.de
Internet www.vdw.de

From Sylke Becker
Telephone +49 69 756081-33
Telefax +49 69 756081-11
Email s.becker@vdw.de

German machine tool industry expects another record production output in 2014

Sector rejects the top-runner principle of the German coalition government

Frankfurt am Main, 6 February 2014. – Germany's machine tool industry expects its production output to rise by 4 per cent in 2014 to what will then be around 15.1 billion euros. "This means the previous production output record will be broken yet again", reports Martin Kapp, Chairman of the VDW (German Machine Tool Builders' Association), speaking at the annual press conference in Frankfurt am Main on 6 February 2014.

This optimism is based on growth forecasts from international economic experts. Oxford Economics, the VDW's forecasting partner, expects global GDP to rise by 2.9 per cent, industrial production output by 4.6 per cent, and finally capital investment by 4.3 per cent. International machine tool consumption is thus also set to rise in 2014, by a predicted 5 per cent.

According to the pundits, the principal drivers will be America and Asia, with an overproportional rise in capital investment. From Europe, too, stimuli on a lesser scale are anticipated. Following two tough years with declining investment, there are definite signs of a stable turnaround there.

For 2014, the VDW is expecting order bookings for machine tools to rise by one-tenth, with domestic and export orders predicted to contribute equally to this figure. “Many of the German customers are recovering their optimism”, reports Martin Kapp. For example, the steel and electrical engineering industries, the mechanical engineering segment, rail vehicle manufacturers and the aviation sector are anticipating an overproportional rise in their production output. And for this they need state-of-the-art production technology, preferably Made in Germany.

2013’s sectoral record already exceeded

Last year, the sector had already exceeded its previous record high, with growth of 2 per cent to 14.5 billion euros. The good result is attributable primarily to the high order backlog of more than eight months at the beginning of the year. “Despite shrinking order bookings, it ensures good capacity utilisation of almost 93 per cent averaged out over the year”, says Kapp.

In addition, increased production output is also owed to forming technology, which contributes about 30 per cent to the overall result. By reason of large-scale projects with its principal customer grouping, the automotive industry, it is not so sensitive to cyclical fluctuations as metal-cutting technology, the second major category in the machine tool industry. The production output of forming technology thus showed a concomitant rise of 14 per cent, whereas metal-cutting showed a slight fall of 1 per cent.

The machine tool industry’s performance was underpinned by the domestic market. Following two years of marked caution, domestic consumption of machines rose by 5 per cent. Exports, by contrast, showed a decrease, down by 4 per cent, though starting from their high point in 2012. The paramount adverse effect came from the shrinking dynamism of the biggest export market, China. From January to November 2013, exports to the People’s Republic fell by 11 per cent. This was the first time following twelve years of uninterrupted growth that deliveries had fallen.

Averaged over the year as a whole, around 71,400 women and men were employed in the sector, corresponding to an increase of 3 per cent. The last time the payroll total reached this order of magnitude was 20 years ago.

German machine tool production output in the whole world continues to grow

Nowadays, many German manufacturers of machine tools are also operating production facilities in their most important markets, so as to be close to their customers. In 2012, according to a survey commissioned by the VDW, production output abroad has increased by more than a fifth compared to the preceding year, at 2.03 billion euros. Measured against the total production output of the survey's respondents, that is almost 31 per cent. In the past decade, production output abroad has thus more than doubled. "The sector is upgrading its structures so as to survive and prosper even under the conditions being created by globalisation", comments the VDW's Chairman.

The number of employees working in the production facilities abroad of German vendors rose by 11 per cent to reach almost 8,500 people. The highest payroll upsizing was recorded in China, with a rise of 40 per cent.

Germany upgrades its position on the global market

In 2013, worldwide production output of machine tools fell by 13 per cent on a euro basis. Germany is numbered among the very few in the ranks of the major vendor nations that have achieved actual growth. So in the global production rankings, the sector won the silver medal, behind the world champion China, but in front of the perennial competitor Japan.

This latter was very far from unscathed: production output in Japan itself shrank by 35 per cent. About half of this figure is attributable to the devaluation of the yen. What is called "Abenomics", with which the Japanese central bank sent the yen's exchange rate plummeting, has so far not significantly boosted exports of machine tools. Japanese exports likewise fell by 35 per cent in 2013. The devaluation of the yen also accounted for around half of this figure.

Germany, by contrast, cleaned up on the global market. With exports down by a mere 3 per cent excluding parts and accessories, the nation regained top position among global exports after four years. Its share of the world's market is 23.7 per cent.

Sector aims to save energy by self-regulation

For four years now, the German machine tool industry, in conjunction with the European trade association CECIMO, has been endeavouring to convince those responsible in Brussels that what is called self-regulation is a viable approach for reducing energy consumption in production processes. There are many years of experience to draw upon with this instrument for questions involving machine safety.

“No one knows the requirements applying to his product as closely as the manufacturer concerned”, is how Martin Kapp describes the preconditions. The manufacturer, he continues, can form a soundly based judgement on how far his technical solutions meet the market's requirements, and respond to the market's needs by technically improving his product.

Within the framework of the self-regulation process, each machinery manufacturer subjects his products to a transparent assessment system, it is proposed. The manufacturer involved himself also initiates improvement measures for increasing energy-efficiency, and reports them to a higher-order independent agency. This agency checks whether the assessment process in the companies meets the stipulations involved and what savings have been achieved. Black sheep can in this way be effectively identified without violating the principle of confidentiality in the competition for customers.

“One thing is obvious: ultimately, the sector has to make its own contribution towards achieving the European targets on climate protection, and to this it has committed itself”, says Kapp. “We are very optimistic that we can successfully implement this using self-regulation.”

Top-runner principle of the German federal government rejected for machine tools

The VDW fears some friendly-fire damage from the federal government, which in the coalition agreement incorporated a paradigm shift in the Eco-Design Guideline: the top-runner principle now applies instead of the minimum-efficiency approach. This principle requires as a first step identification of which product at a particular juncture is most efficient in terms of resource consumption. Its values are then defined as the minimum standard for all other products. Within a transitional period, competing vendors have to bring their own products up to this or a higher level, or disappear from the market. “This, it is estimated, would affect 80 % of the products”, says Kapp.

For consumer goods, the top-runner principle may be a viable approach. For highly complex technologies and capital goods, with highly differentiated applications, the machine tool industry rejects the idea. “*Bona fide* implementation is completely impossible”, criticises the VDW’s Chairman. “The provision in the coalition agreement shows once again that the new government is keen on regulatory intervention, but grants little scope for autonomous responsibility. Our fear is that in future entrepreneurial freedom of action will be more and more restricted by increasing numbers of regulations”, concludes Kapp.