Press release

Not to be released before
July 10th 2018, 11:00 o’clock

VDMA: Increase in incoming orders received by marine equipment suppliers in Germany – concern about the future of free trade

- Incoming orders up again at last, by 2.7 percent
- Technological development focusing on maritime energy transition
- Digital service becoming increasingly important

“We welcome the growth in incoming orders, but we’re also greatly concerned about the increasing protectionist tendencies in many places in the world,” says Alexander Nürnberg, Chairman of VDMA – Marine Equipment and Systems.

Incoming orders up, sales still down

German marine and offshore equipment suppliers with their 63,500 highly qualified employees are now over the worst and have again been able to announce increasing incoming orders for the first time in three years. Companies have reported a growth increase of 2.7 percent in 2017 compared with the previous year. The outlook for 2018 is also positive. Despite a further decline in sales (€10.6 billion, down 4.4 percent), slight growth is expected for 2018 – which is also urgently necessary, as after the long lean period suppliers have to maintain a balance between investment in the future and profitability.

“Our companies are part of a global value added chain and we support our components and systems over a ship’s entire lifecycle, so customs barriers, entry restrictions and complicated export...
inspections are really bad news for the market, which is just recovering," explains Dr. Alexander Nürnberg.

"We're used to ups and downs in our main export markets and respond to them as flexibly as we possibly can. But the increasing restrictions on free trade with the USA, India, China, Russia and also Turkey are now jeopardizing jobs and prosperity in Germany and elsewhere," adds Nürnberg.

**Changes in markets**

The established markets are currently not the drivers of the incoming orders. Instead, suppliers have to convince new customers in Asia as well as the Near and Middle East with offers exactly meeting customer requirements, which are becoming more demanding with the progress in digital technology. New ideas have to be implemented with technical innovation, and at the same time system availability in continuous operation has to be contractually guaranteed. That is both a challenge and an opportunity, as it involves one of the competitive advantages of German maritime suppliers. Requirements in the established markets in Asia are also changing in the medium term. Apart from Japan and South Korea, China is now also entering special-purpose shipbuilding, particularly for ferries and cruise ships for the local market. The European markets are the drivers for low emission shipping.

**Maritime energy transition**

"The climate goals are leading to new innovation requirements with marine propulsion systems. Consumption-optimised conventional engines are being supplemented by multi-fuel drives, while hybrid systems are being refined in order to offer operators an individual cost-effective and ecological solution," explains Lex Nijsen, executive board member of VDMA – Marine Equipment and Systems in Hamburg. Electric drive systems are not always the optimal solution. "What functions well with ferries doesn't work for overseas container transport. We're thus supporting the further establishment of LNG (Liquid Natural Gas) in shipping with the project for the production and use of synthetically produced fuels with the aid of Power-to-X procedures, which make it possible to give up fossil fuels in the long term."

**Digital service offers increasingly important**

Maritime business areas are undergoing change. Increasing shares of sales are being generated with new services that go well beyond pure maintenance and repair. The provision of service offers high earnings potential as well as representing a distinguishing
competitive feature, so it will crucially determine companies' success in future. The digitalisation of service at maritime equipment suppliers is leading to great changes and opportunities for the sector. The comprehensive availability of the latest data from ship operation, the ever more efficient communication solutions and the transfer of innovative procedures for analysing large data volumes are prompting companies to implement new business models, which will involve increasing value added with databased services. In the VDMA study “Digitalisation of service at maritime equipment suppliers”, more than 50 percent of companies surveyed state that data security, shortage of skilled staff and lack of expertise are regarded as the greatest challenges with implementation. At the same time, over 70 percent of firms see great opportunities for themselves with the new technology, even if they could face new competitors. Companies must now recruit urgently needed specialists in a competitive market environment to enable them to assess and handle the digital challenges and opportunities.

**Indicators for marine and offshore equipment suppliers in Germany**

Number of employees: 63,500  
Sales (2017): €10.6 billion (2016: €11.1 billion)  
Export rate: 74 percent

**Increase in incoming orders worldwide:** Up 2.7 percent on average for 2017

**Different developments in export markets:** Other European countries have confirmed their stable role as main export market for German equipment suppliers (accounting for 35 percent of exports). This reflects the good order situation at leading European shipbuilding companies in their respective special segments, but also an enormous delivery volume of European suppliers among each other for building of larger systems and packages for the global shipbuilding. The long-standing front runner Asia trails with 30 percent. The most important Asian countries China and Korea lost shares of exports of German suppliers during the past year, China with 16 and South Korea with close on 8 percent, whereas the share for the rest of Asia fell increased from 3.5 to 6.4 percent in 2016. The share accounted for by North America was recorded with a substantial growth to more than 12 percent.

**Ship newbuilding orders at low level:** In the first quarter of 2018, 292 oceangoing vessels totalling 13.7m gt were ordered worldwide (up on the 223 units with 5.0m gt ordered in the 1st quarter of 2017), including 62 in South Korea (19), 75 in PR China (66), 3 in the Philippines (5), 70 in Japan (28) and 38 in the EU-28 (51), including 3 in Germany (1). Global orders on hand for ships came to 4,705 (4,840) as of the 1st quarter of 2018.
VDMA – Marine Equipment and Systems belongs to the Mechanical Engineering Industry Association (VDMA e.V.), the largest industrial association in Europe. VDMA – MES with its more than 240 member companies represents this export-oriented industrial sector serving the global shipping, shipbuilding and offshore oil & gas industry markets.

The VDMA represents more than 3200 companies in the medium-sized mechanical and plant engineering sector. With 1.35 million employees in Germany and a turnover of 226 billion euros (2017), the sector is the largest industrial employer and one of Germany’s leading industrial sectors overall.

If you have any questions, please do not hesitate to contact:
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