

German manufacturers of mining equipment expect turnover to increase by 12 per cent

Mining

For the first time since the crisis years after 2013, there will be an increase in the turnover generated by the mining equipment manufacturers producing in Germany this year. VDMA expects an increase of 12 per cent to nearly EUR 3.1 billion in 2018, with further growth expected for the coming year.

Essen, November 22, 2018 – For German manufacturers of mining equipment, the domestic market now only plays a minor role in their business plans, with a total turnover expected to decline by 22 per cent to EUR 90 million in 2018. According to Dr. Michael Schulte Strathaus, Chairman of VDMA Mining, the current policies demonstrate little affinity to the business of raw materials, and therefore mining, and are highly unlikely to provide any impetus for domestic business. Germany's mining equipment industry is therefore becoming increasingly dependent on foreign business. While Germany's last hard coal mine has been shut down, Poland is currently expanding the country's hard coal mining activities in an effort to reduce its dependence on imports. Hardly any impetus is also expected from the potash and salt industry, as Schulte Strathaus emphasized during the association's annual press conference. The sector expects a further decline on the domestic market in the coming year, with the best-case that of a stagnating turnover.

13 per cent more export-generated turnover

According to the forecast by VDMA, export revenues will increase by 13 per cent to approximately EUR 3 billion. 25 per cent of exports are delivered to EU countries, a figure which has declined from the 31 per cent achieved in 2017. The biggest customers are Italy, Austria, Poland, France and Belgium. As Schulte Strathaus explained, the market is primarily marked by major infrastructure projects which will gradually be completed, and there are currently no adequate replacements in sight. VDMA is therefore expecting stagnant exports to EU countries in 2019, with slight increases at best.

According to calculations by VDMA, the USA's share of the total export volume will increase from 15 per cent in the past year to 17 per cent this year. Schulte Strathaus cited President Trump's changes to energy policies as one of the reasons for this development. Restrictions have been loosened, an effect which has led to an increased use of hard coal mined in the USA. This has led to

considerable demand for machines that can increase productivity, and consequentially, profit; a development which benefits German manufacturers in particular. The industry is expecting a further moderate increase in exports to the USA in the coming year.

Healthy business with China

German mining equipment manufacturers are also enjoying healthy business with China, with the export share to the country expected to increase from 7 per cent to almost 10 per cent this year. According to Schulte Strathaus, policymakers in China have realized that establishing high-performance mines can only be realized to a limited extent when only domestic technology is used. German manufacturers provide technologies that are either unavailable in China or only available to a very limited degree, however, China is making considerable efforts to close existing technology gaps. Schulte Strathaus: “We still have an edge when it comes to extraction technology, especially in underground mining. However, we do not know how long we will be able to maintain our lead, or perhaps expand it.” The industry expects that its exports to the People’s Republic of China will increase further over the coming year.

The future for German mining equipment manufacturers lies outside domestic borders, Schulte Strathaus emphasized. With the support of VDMA, the sector began increasing its activities abroad at an early stage. New markets were the subject of intense exploration and development, and it is therefore no surprise that the sector has an optimistic view of the future. The demand for raw materials will continue to increase. Schulte Strathaus pointed to an assessment by the OECD which found that the demand for raw materials will nearly double by 2060. This will have a positive and sustained impact on business. Increased demand is primarily expected by companies which extract raw materials to be used in the production of alternative energy generation.

Roadmap aims to support companies

German mining equipment manufacturers will increasingly have to deal with demands that society places on raw materials extraction and thus the mine operators as customers of the equipment manufacturers. Schulte Strathaus used the keywords sustainability, green mining and safe and healthy working conditions. Together with VDMA, a roadmap is currently in development, which is intended to support companies in identifying new challenges and reacting to them in line with market requirements and thus successfully. The task is to now filter the decisive parameters from the vast amounts of machine data collected and make it usable for controlling the machines and, ultimately, the entire process. The Chairman: “This is exactly where one of our strengths lies.”