



**Food Processing and
Packaging Machinery**

Statement

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Food Processing and Packaging Machinery

Process Plant and Equipment

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- Check against delivery! -

Good morning, Ladies and Gentlemen,

Welcome to the joint press conference of Messe München and VDMA on occasion of drinktec 2017. I am very pleased that we can once again experience "live", what German machinery manufacturers in the field of beverage technology have to offer.

First, I shall briefly outline the significance and current condition of the mechanical engineering industry. And - about two weeks before the general elections - please also allow me to line out the most important demands the mechanical engineering industry has to ask from those holding political power.

After this speech, Volker Kronseder, Chairman of the VDMA Group for Beverage Machinery and President of drinktec, will inform you about the situation and the prospects of the beverage machinery industry.

Let me begin with some records we established:

In 2016, the mechanical engineering industry generated sales of around 220 billion euros, which is a record value. Machinery production grew by only one percentage point to 203 billion euros, but this, too, sets a new record.

Finally, the number of employees of the companies' permanent workforce in Germany has risen for the sixth time in a row to 1.02 million people in 2016. This makes mechanical engineering the most active industry with the largest number

of employees in our country. Some 6,800 companies are active in this business sector - a clear indication for the size and importance of this industry.

Despite the record value in 2016, it must be said that mechanical engineering showed a sideways movement in machine production in the period 2012 to 2016. The average growth rate for the last five years was around 1 percent annually. The year 2017, though, looks as if it is going to become significantly better: In the first half of the year, production increased by 2.4 percent, capacity utilization reached 87.8 percent in July. As a result, the utilization rate again exceeded the long-term average of 85.9 percent for the first time since 2012. The results of the first half-year suggest that the growth forecast of 3 percent for real production will be met this year.

Order intake also gives reason to be optimistic: In the first half of the year, it exceeded the previous year's level by 4 percent. While domestic demand grew by 2 percent, foreign orders rose by 5 percent. So let me move on to foreign trade, the driving force of our industry. In 2016, machines worth 155.9 billion euros were sold abroad, an amount roughly identical with the one in 2015 (+0.2 percent). The average export rate for the entire mechanical engineering sector is 76.4 percent. In the first half of 2017, German foreign trade rose by almost 6 percent. Let me highlight some important exporting regions and countries:

EU

The EU is known to be the most important sales market for German machinery manufacturers: 46 percent of total exports are sold to EU partner countries. In the first half of 2017, exports to the EU rose by 2 percent and surpassed the already high level of the previous year. This shows that the investment activities of the companies remain high.

The Brexit, of course, is a cause for unease. This is a "lose-lose situation" for both the EU and UK. The negotiations so far are progressing very slowly, as the UK seems to be badly prepared. If the worst comes to the worst, no negotiation outcome will be achieved by the end of March 2019 and the British might leave the EU without an agreement. From the VDMA point of view, this would be the "worst-case scenario" as it would entail considerable economic distortions. The UK is the fourth largest market for EU machinery construction (2016: EU exports to the UK 20 billion euros) with Germany as the biggest supplier country (2016: German exports to the UK: 7.4 billion euros). Conversely, the United Kingdom itself exports machinery and is one of the top 10 suppliers (2016: Rank 9).

The important point now is to curtail the damage by creating an extensive free trade agreement between the EU and the UK in order to prevent the two parties from drifting apart completely. However, the premise must always be that the UK

cannot be given the same rights as an EU member, otherwise the cohesion of the EU would be jeopardized.

US

Notwithstanding the political antics of the US President - business with the US is and will remain very important for the German mechanical engineering industry. After a negative trend of exports to the United States last year (2016: -2.9 percent), exports to the US are back on track towards growth this year. They rose by 7.3 percent in the first half of the year.

The USA remain the most important sales market for German mechanical engineering even before China. Provided there are no serious changes in US foreign trade policy, the prospects continue to be positive despite the current marginal changes in exchange rates.

China

German machinery exports to China increased by 23 percent in the first half of 2017. That is more than we expected. However, the high rate of change is also due to the low figure from the year before. For the rest of the year, we expect a slight slowdown in Chinese sales growth.

Any future of business with China is still in the air as the 19th Party Congress of the Communist Party in the autumn is likely

to lead to crucial decisions. Moreover, it remains to be seen how the North Korean crisis will influence the situation.

Russia

Between 2013 (7.8 billion euro) and 2016 (4.4 billion euro), German exports to Russia almost halved due to the oil price shock and sanctions. In 2017, the figures seem to be recovering, machine exports increased by 21 percent in the first half of the year.

The increase is due to several factors: The rubel has stabilized; the oil price has recovered, and Russia simply has some considerable catching-up to do where investments are concerned. The exports of food processing and packaging machinery particularly have risen sharply. Mr. Kronseder will elaborate further on this.

So much about the most important markets of the engineering industry as a whole.

Ladies and Gentlemen,

As promised, I shall talk politics now: There will be general elections in just two weeks. The next federal government has the task of creating framework conditions that allow the mechanical engineering industry to continue to fulfil its role as the backbone of the German economy. VDMA has formulated a

set of demands that you can find on the website in detail.

I would like to address three topics from the list:

World Trade and Trade Agreements:

The mechanical engineering industry is based on the free circulation of goods, services and people. As already stated, nearly 80 percent of our machines get exported, 6 out of 10 jobs are dependent on foreign trade. The government must commit itself to Germany's strong position in foreign trade, both internally and externally. Our success as an export nation depends on this.

The reduction of customs duty and technical trade barriers is particularly important for small and medium-sized enterprises. Due to their size, they are often unable to build up local production facilities abroad.

Export financing for contracts worth less than EUR 5 million - the so-called Small Tickets - are further components which allow many companies to start business abroad at all. Again, speedy action is required.

Bureaucracy:

The companies have become so inundated by bureaucracy that they could form entire departments that do nothing else than handle red tape.

VDMA calls for the reduction of bureaucracy – to an extent where it conforms with actual down-to-earth business practice. Topics included here are labour market policy and labour

law, workplace regulations, as well as temporary employment or the use of temp agencies. If politics were to ignore “actual fact” here, we would have massive problems to keep Germany internationally competitive as a business location.

Digitization and data infrastructure:

The mechanical engineering industry leads the way in matters of industry 4.0 or the internet of things – both as a supplier and user. It is us who create the new digitized work environments. For this we need the best possible broadband network for Germany: "Gigabyte instead of megabit", in other words: we need a consistent and well-structured expansion of the digital infrastructure.

So the stakes are high when we vote Sunday 24th September. We do hope that after the election important steps will be taken to maintain the competitiveness and the innovative power of our industry. It is the very basis of prosperity and welfare in our country.

Thank you for your attention. I shall now hand you over to Mr. Kronseder.