

**NOT TO BE RELEASED BEFORE  
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**Arbeitsgemeinschaft  
Marine Equipment  
and Systems**

## **Shipbuilding supplier: Visible recovery after major show of strength**

- **Sales and orders in 2020 decline as a result of the Corona pandemic**
- **Orders increase significantly again in 2021**
- **Maritime energy turnaround gets boost from machinery and plant construction**
- **China becomes more important as a customer and as a competitor**

**Hamburg, 7 June 2021** – The maritime suppliers in Germany cannot be satisfied with the 2020 financial year, but now expect good business developments in the current year, despite the still ongoing imponderables. "Due to the short-term slump in the order situation, we did not achieve our sales targets last year. However, the current development in the markets with a significant increase in incoming orders makes the industry optimistic, and expectations for the future are positive," says Martin Johannsmann, Chairman of the Board of VDMA Marine Equipment and Systems and CEO of SKF GmbH. "Even if there is still insufficient capacity utilisation in parts of the industry now, the increasing orders for new ships give more than hope for 2021 and 2022," he adds. "We have learned to respond flexibly to the needs of the pandemic."

### **Production proceeding, but service and distribution activities hampered by travel restrictions**

Despite the three Corona waves so far, production in the sector has continued and orders have been processed. "This has been a major effort for the employees and the management for more than a year now. The establishment of new shift models, partially ineffective home offices and necessary organisational measures have significantly increased costs," explains Dr Bernd Sitte, member of the board of VDMA Marine Equipment and Systems and

managing director of Dipl.-Ing. H. Sitte GmbH & Co. KG. International quarantine restrictions are also a problem for service and sales staff. Commissioning and new contracts are delayed. "Here, politics must enforce international solutions in the recognition of vaccinations (digital vaccination passport) as quickly as possible. Our export economy needs this flexibility and speed," explains Sitte. At the same time, digital solutions are being further developed and expanded in the companies. Digital teleservices, such as remote commissioning and maintenance for international customers, have increased significantly and function perfectly from a technical point of view. At the same time, it is important here to recognise the legal effects and formulate them in a binding manner.

### **Turnover drops by 4.9 per cent**

The German shipbuilding and offshore equipment industry, with its 63,000 highly-skilled employees (minus 2.5 per cent compared to 2020), recorded a 4.9 per cent drop in turnover to 10.5 billion euros last year due to the Corona impact. Orders even fell by 10.9 per cent in the same period. After bridging the order lull in manufacturing, the further outlook for 2022 is very positive with increasing order intake in the current year 2021.

### **Achieving climate targets with high-tech from Germany and Europe**

Over 90% of transport services globally continue to be by sea. CO<sub>2</sub>-neutral fuels and drive systems are the key to the maritime energy transition, and research institutes, maritime equipment suppliers and political decisionmakers are cooperating to develop long-term concepts. Green hydrogen and the resulting power2X energy carriers are the solution, particularly also for intercontinental cargo transport, yet they will not be available on the requisite industrial scale before 2035, even according to optimistic scenarios. LNG (Liquid Natural Gas) and other intermediate products will be needed. However, German marine and offshore equipment suppliers are not only the "enablers" that implement ideas as innovations – they also contribute solutions in all maritime areas to make shipping cleaner and more competitive. Topics here are operational and route optimisation, life-cycle costs, systems for ballast water treatment and lubricating oil recycling, efficiency gains through predictive maintenance throughout the entire life of the ship.

The industry is also successful in the construction and supply of offshore wind turbines. "For the planned offshore wind turbine projects around the world with their hundreds of gigawatts of capacity, a great many new installation and service vessels will be needed. Here we see very good opportunities for the German supply industry and also the shipyards," Martin Johannsmann points to the future of the industry.

### **Success with digitalisation in the competitive international market**

In addition to the markets for new special ships, it is also always a question of the rapid technical modernisation of the often outdated global fleet in terms of efficiency and environmental protection. German shipbuilding and offshore suppliers deliver their components and systems to all types of ships. "The industry is heterogeneous; there are small and large companies, broadly positioned and very specialised firms. However, maritime machinery and equipment manufacturers are always characterised by flexibility and innovative strength," Johannsmann explains. At the moment it is particularly important to win new markets and to adapt and expand one's own products and services for further customer groups. In the current situation, it is becoming increasingly clear that digitalisation is the main driver in the maritime industry.

Digitised products continuously provide data that, together with data from other components and systems, bring previously undreamed-of results and open up possibilities for action through the use of artificial intelligence (AI). Those who set the standard in this field have a competitive advantage. This is precisely where Europe, and Germany in particular, want to lead the way. In mechanical engineering, open interfaces based on the Universal Machine Technology Interface (umati) are being defined for all sub-sectors. The joint efforts of the German maritime industry in drawing up the VDMA standard sheet on MTP (Module Type Package) give the industry a head start. But other nations, above all China, also want to set the standard.

### **Responding to China as customer and competitor**

In 2020, the German shipbuilding and offshore supply industry exported 14 percent of its production directly to Chinese shipbuilding. This share is expected to increase significantly in 2021. In mechanical and plant engineering as a whole, China has just overtaken the USA again as the number one export market. At the same time, competition for the German shipbuilding and offshore supply industry will continue to increase in China and in export markets. To secure a level playing field, trade policy instruments in Germany and Europe must be realigned. This involves, on the one hand, protecting the EU's internal market from subsidised competitors from third countries and, on the other, opening up markets in third countries.

## Indicators for marine and offshore equipment suppliers in Germany

**No. of employees: 63,000**

**Sales (2020): €10.5 billion (2019: €11.1 billion)**

**Export rate: 76%**

**Decline in incoming orders:** Down 10.9% on average for 2020

**Different trends in export markets:** Other European countries remained a major export market for German equipment suppliers (attracting 34% of exports), thanks to the continued favourable order situation for leading European shipbuilding companies in their particular special segments prior to the pandemic, as well as a high delivery volume of European manufacturers among one another for producing large systems for global shipbuilding. The entire Asian region claimed 34% of German equipment exports in this period. Of the main Asian countries, China's share of exports of German equipment suppliers diminished to 18.1%, whereas Korea's share edged up to 9%. The situation will probably change in China's favour in 2021.

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

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The VDMA represents approx. 3,300 German and European companies in the engineering and plant construction sector. This industry, which is noted for its innovation, export orientation and small and medium-sized enterprises, employs about four million persons in Europe, including more than a million just in Germany.

VDMA – Marine Equipment and Systems represents the export-oriented maritime sector serving the global markets of shipping, shipbuilding and the offshore oil & gas industry.