

Markets & Countries

2016: SLIGHT DECREASE IN WORLD MACHINERY TURNOVER



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By 1 percent to 2,530 billion euros: Machinery turnover declined last year due to political crises and economic uncertainties. The result was also influenced by exchange rate fluctuations.

By Katrin Pudenz

According to initial estimates by VDMA economists, global machinery turnover (without services) amounted to 2,530 billion euros in 2016, which means they dropped by a nominal 1 percent compared to the previous year. "However, this result is strongly influenced by exchange rate effects," emphasizes Anke Uhlig, expert from the

VDMA Economic and Statistic Affairs department. "But it is necessary to use a currency evaluation to determine the global sales volume. Conversely, when observing the developments for comparison with the previous year, it is better to perform a currency and price-adjusted evaluation at a national as well as international level. Hereafter, world machinery turnover showed a small increase in sales by 1 percent."

Last year, Germany was able to maintain its position as the third-largest machine producer with a nominal turnover of 262 billion euros, i.e. a 1 percent increase, which amounted to around 10 percent of worldwide machine sales. "The investment propensity stagnated in nearly all parts of the world last year. Consumption and construction activities were the two main drivers of the gross domestic product in many countries around the globe," analyzes Dr. Ralph Wiechers, VDMA Chief Economist.

World's first: China

The leading position in the country rankings by a clear margin was held by China, thus remaining the world's largest machine manufacturer in 2016. The country achieved an overall turnover of 964 billion euros. When compared to the previous year, this demonstrates a decline by nearly 2 percent, although the local machine sales in China exceeded those from the year before by 4 percent when adjusted for price. The development is contrary, as the Renminbi was devalued by about 5 percent in the middle of the year in relation to the euro.

Just as in the previous year, the USA held second place, with an even stronger decline in turnover (minus 4 percent) to a total of 335 billion euros. Changes in the exchange rates, however, were not important in the case of the USA.

Changes among the top ten

VDMA economists recorded significant changes and fluctuations among the top ten largest machine manufacturers. Japan remained in fourth place with a strong growth (by 11 percent) to a total of 238 billion euros. The United Kingdom, on the other hand, moved from eighth place to ninth place and recorded a considerable decline in sales (minus 9 percent to 38 billion euros). India managed to grow and navigated to eighth place with 41 billion euros in sales. Canada left the top ten while the Netherlands climbed up to tenth place with 27 billion euros in sales.

However, it is important to keep in mind that changes in the exchange rates had a considerable influence on these results, as Anke Uhlig emphasizes. While the value of the yen rose by about 12 percent last year, the British pound lost about 11 percent.

The three large economic blocks showed no shift last year. Asia remained the largest region by a clear margin (equivalent to 1,395 billion euros, the year before: 1,390 billion euros). More than half of the total global machine turnover was generated there. Trailing by a considerable margin, Europe came in second (minus 1 percent to 722 billion euros), ahead of North America (minus 5 percent to 360 billion euros).

Moderate growth in global mechanical engineering expected

For the past few months, VDMA specialists in mechanical engineering recorded a positive development in incoming orders and production in various different countries. Industrial production returned to a steady path of growth in the developed national economies over the last year. The global Purchasing Manager Index is going from strength to strength. This is particularly true for the mood among purchasing managers in the eurozone. "We therefore expect a moderate growth in global mechanical engineering with above average positive developments in China and the USA. For Germany, but Italy as well, we predict moderate growth ranging around 1 percent. For Japan, a growth of 2 percent seems realistic," Uhlig reports. The five countries mentioned here already represent 76 percent of worldwide machine sales.

Nonetheless, a number of uncertainties still exist around the world, which could burden the economic recovery and the investment propensity in particular. The first to be mentioned by Anke Uhlig are risks through increasing protectionism and populism. In Europe, the many open questions concerning the United Kingdom's exit from the European Union (EU) are putting a strain on business perspectives as are problems in the euro zone, such as those the bank sector is having in Italy. And although the economic picture is currently brighter in China, growth could slow down significantly in the country in the medium term. "But by now, there is an increasing number of investment projects that can simply not be put off any longer," explains the VDMA President, Carl Martin Welcker.

There could also be positive surprises for global mechanical engineering

But there could also be positive surprises for global mechanical engineering according to the VDMA economists. Tax reductions and infrastructure expenditure could give growth in the US a boost. Furthermore, the policies of the Chinese government could make a stable and lasting economic growth possible, which mechanical engineering companies outside China would also profit from. And while early economic indicators have frequently painted too positive a picture in the past, this time the sentiment indicators could once again (as they did before the world economic crisis) show a development that will be reflected in hard facts, i.e. in investments. ■

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