Press Release

No.11 / Krf / November 2017, Cologne
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EISENWARENMESSE - International Hardware Fair Cologne: The industry associations balance for the 3rd quarter of 2017

***The German industry was able to continue the upswing for the current fiscal year thanks* to the good domestic economy. The hardware industry can partly participate in this upswing and record slight growth. However, the industry associations participating at EISENWARENMESSE - International Hardware Fair Cologne 2018 (4 to 7 March) are not able to paint a uniform, positive picture.**

According to the German Association of the DIY, Building and Garden Specialist Stores (BHB), the German DIY trade achieved a total gross income of Euro 14.20 billion in the first nine months of 2017 and thus at the end of the 3rd quarter had achieved a growth in turnover of 0.8 percent compared to the previous year. On adjusted retail space the industry was also able to realise a 0.5 percent growth in turnover. As such, the industry is on track to achieve its targets for the overall fiscal year 2017. The German DIY stores recorded the highest absolute turnovers in the reporting period with building chemicals/building materials (Euro 1.45 billion), sanitary and heating products (Euro 1.27 billion), garden equipment (Euro 1.09 billion), paints/painting accessories (Euro 977 million) and tools/machines/workshop equipment (Euro 940.4 million). With in total Euro 3.64 billion and thus 25.6 percent of the gross turnover of the overall year, the garden product ranges underlined their major significance for a successful business in the DIY store trade.

With a view to the turnover result after nine months, in spite of the restrained development in the 3rd quarter, the BHB is drawing a positive interim balance.

In spite of not exactly ideal framework conditions due to the unfavourable weather in the summer months, the industry has remained on the stable and growth course it set itself at the beginning of the year. As a whole, the trading companies that are members of the BHB have succeeded in increasing their turnover. This demonstrates that with its offers, product ranges, services and sales concepts the trade reaches its customers and inspires them to undertake projects around the home and garden. Here, at the start of the year the BHB forecast a 1.3 percent increase in turnover for the fiscal year 2017, and a 1.0 percent increase for the adjusted retail surface which is thus in line with the economic forecasts of leading German economic institutes for the current year 2017.

INTERNATIONALE EISENWARENMESSE KÖLN

INTERNATIONAL HARDWARE FAIR
04.03.–07.03.2018
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Stable market environment for the manufacturers association

Overall, due to the current economic framework conditions the industry partners organised within the **House & Garden Manufacturers Association (HHG)** are also expecting a stable market environment for the coming year. However, depending on the product range section the last months have partly been down on the desired turnover expectations in the DIY market sales channel. Especially for this sales channel, surveys among the members indicated among others a weaker performance in the commodity groups paints and accessories. The previous year results in the segments hardware and tools were also not met. "In some cases it is difficult for us to come to a conclusive explanation for the reason why less paint or tools are currently in demand," stated Ralf Rahmede, Association Director. "On the contrary, a lot speaks in favour of a negative trend not establishing here. It does however also become clear how fragmented the trade with products for the do-it-yourself sector has become in the meantime. The stationary DIY trade still maintains it leading position, however other sales channels were in some cases able to achieve significant growth.

Tools industry in a stable state

The turnovers achieved with tools amounted to Euro 4.3 billion in 2016. In the first half of 2017 the turnovers increased by a further 7.2 percent. According to the **German Tool Manufacturers Association (FWI)** primarily larger impulses from the domestic economy contributed towards this good result in the first half of 2017. The domestic demand for German tools increased by 9.7 percent in the first half of 2017. But also the traditional export strength of the German tools industry was once again confirmed by a 7.7 percent increase in the number of incoming orders from abroad.

According to estimates by the Tool Industry Trade Association, in terms of value, the tool exports amounted to Euro 4.0 billion in 2016, which means they were up by 3.2 percent compared to last year. In the first six months of 2017 the exports increased by 3 percent. Totalling around 72.5 percent of the overall exports, Europe is the most important target region for German tool manufacturers; indeed 59 percent of the total exports went to EU member countries alone in the first half of 2017 - however, the exports to these countries only rose minimally by 0.5 percent. The USA is the most important export country. The tool exports to the USA only rose by 3 percent in 2016; in the first half of 2017 they exceeded the previous year level by 10.6 percent and made up an 8.6 percent share of the total global exports of tools. The exports to Asiatic countries declined in 2016 (-3.9%). In the first half of 2017, the market revived (+8.7 percent) and the exports achieved a 12.8 percent share of the overall exports. Predominantly, the exports to China have increased enormously over the past five years by almost 40 percent. However, in the year 2016, they declined by 8 percent and totalled Euro 194 million. However, in the first six months of 2017 they rose by 24.4 percent.

According to the estimations of the FWI, the tool imports amounted to Euro 2.2 billion in 2016 and exceeded the previous year level by 1.6 percent, whereby the imports from Asiatic countries (share of the overall imports approx. 42 percent) rose by 6.6 percent. Accounting for around 55 percent of the Asiatic imports between 2010 and 2016, the imports from the People's Republic of China more or less remained constant. In terms of value, that corresponds to around Euro 515 million for the year 2016. In the first half of 2017, the imports minimally increased (+0.4 percent) compared to the previous year; the imports from China also only rose slightly (+1.1 percent).

Rainer Langelüddecke, FWI Executive Director is counting on a small growth in the one-digit percent area for 2018, because the business climate in the German tool industry remains to be very optimistic. The exports to the EU partner countries should approximately retain their current pace of growth and a decline in the deliveries to the United Kingdom (1st half of 2017: -8.3 percent) can be compensated by an increase in the domestic market in 2018. But the association also forecasts a positive development for the exports to overseas target countries in spite of a slight appreciation of the Euro. The USA, countries in South America and Asia dominate among the countries that German tool manufacturers intend to target more strongly, there is also even increased interest in Africa, especially since the FWI particularly views this continent to be one of the future markets long-term.

The hardware and household retail trade is noticing the influence of E-Commerce

As the **Central Association of the Hardware Trade e.V. (ZHH)** reports, the hardware and household retail trade was only able to profit from the ongoing good domestic economy to a limited extent so far this year. The situation didn't start to improve until the summer months, so that the hardware retail trade was able to record 0.6% growth after the first half, the hardware hardware/household retail trade lost 0.1% overall. The stationary sales areas recorded a further decline in the number of customers, which is due to the increase usage of the internet.

In terms of the product sections, predominantly the product ranges that require intensive consulting as well as services showed a satisfactory development. This especially applies for the fasteners and fixings and safety technologies, but also power tools, hardware and fittings are displaying an acceptable trend. Finally, the development in the pots, porcelain, glass and weather-related garden furniture segments was weaker. The small electrical appliance and grill section has reached its limits in the specialised trade or is shifting strongly towards the world-wide-web through price-driven campaigns. Hence, the specialised dealers are concentrating more and more on special ranges or high-priced brand products, which require intensive consulting or in some cases planning or assembly.

Driven by the two-digit growth rates for the online trade, 3% growth is expected for the overall retail trade for 2017. The positive framework conditions, the good domestic economy and an anticipated orderly Christmas business should allow the turnovers for the hardware and household retail trade to increase up to a growth of between 1.1% and 1.4%.

The current framework conditions indicate that the upwards trend in Germany will continue in 2018, which the hardware and household goods retail trade should be able to profit from if it adapts its presence to suit the customers' expectations.

Overall the production-association trade is enjoying a positive industry situation in 2017, which should benefit in the second half of the year from an increased upswing in the customer groups. The building industry, the tool and mechanical engineering sector as well as the handicraft trade increased their forecasts in the summer after the positive developments and increased incoming orders. This means that an improvement in the turnovers of the production-associated trade is expected for the coming months.

In the building fittings production-related trade the positive development of the last years is ongoing, even if at 2.5% the expected growth in turnover was somewhat lower than in the year 2016 (3.7%). Since however 2016 achieved an above-average positive result, a further increase at this level was not to have been expected.

The sections security technology, fastening and fixing technologies and building elements are still showing very positive development. Here in some cases two-digit growth rates could be achieved. The window fittings section can at least record a slight plus, whereby the European imports - especially from Poland - continue to put strong pressure on the sales figures and margins. The growth in the door fittings section is stable. Initial successes were achieved in the future market Smart Home and in the service sector, whereby the overall turnovers are still low here.

Since the order books of most of the processors are well-filled, it can be assumed that mid-term the positive economic development in the building industry and the related building fittings specialised trade will be ongoing. The declining figures for building permits shouldn't noticeably affect the economic development in 2018.

The specialised tool trade will be able to continue the good turnover development of 2016 with slightly improved figures. An improvement compared to the previous year was already recorded in the first quaarter compared to last year, which brought a 1.6% increase in turnover after the first six months. If one takes a look at the individual product sections, however, the development varies. The growth in the sections work protection, precision tools and industrial supply is higher than the overall company growth. Whereby, hand-held tools, stationary tool machines and factory equipment are recording growths in turnover of between 1.3% and 1.5%. The electronic tools and electronic tool accessories sections are expanding, whereas the turnovers of fasteners, fixings and building fittings stagnated in the first half. Over the summer months the situation stabilised to reach an orderly level and a further improvement is anticipated for the third quarter. On top of this, there is an increased readiness to invest among the customer groups, so that a growth of around 1.8% is forecast for the overall year of 2017. Hereby the trend towards battery-operated devices is continuing unabated, which in the meantime accounts for good 50% of the business turnover in the electronic tools section.

The customer groups' increased number of orders also indicates that the environment for the production-related trade will be comparably good in 2018.

The importance of the INTERNATIONAL HARDWARE FAIR COLOGNE

The importance of the INTERNATIONAL HARDWARE FAIR COLOGNE for the industries, especially from the point of view of European dealers, is emphasized by John W. Herbert, General Secretary European DIY Retail Association (EDRA) and Global Home Improvement Network (GHIN). The members of the Global Home improvement Network (GHIN) which includes the European DIY Retail Association (EDRA) are very much looking forward to the INTERNATIONAL HARDWARE FAIR (EISENWARENMESSE) in Cologne in March next year. In the every increasing annual global market sales in home improvement retailing assessed today by fediyma at about €540 Billion, the INTERNATIONAL HARDWARE FAIR is THE worlds leading trade fair in our industry for the hardware industries and is vitally important for our members. At least 300 buyers from home improvement companies from all continents of the globe will coming to Cologne. We believe at GHIN/EDRA, that trade fairs are the life blood of our industry and the INTERNATIONAL HARDWARE FAIR is one of the major EDRA/GHIN Recommended trade fairs. EDRA/GHIN will host the many members buyers and will include members buyers dinner as well as organize a store tour of the leading home improvement retailers in the Cologne area.Our overseas visitors are particularly thankful to the Koelnmesse who always provide an exemplary service.

Note for editorial offices:
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