

European Press Conference by EISENWARENMESSE - INTERNATIONAL HARDWARE
FAIR COLOGNE
October 29, 2020

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After the keynote by Oliver Frese, COO Koelnmesse GmbH, on the plans for the INTERNATIONAL HARDWARE FAIR COLOGNE 2021, I would now like to take a look at the sectors represented at the fair and their development.

First of all, a few words about the overall status quo of the industry before we move on to the individual sectors.

The good news: So far, most of the industries represented here have developed positively despite the pandemic and temporary closures - this particularly applies to the DIY and Home Improvement sectors.

The bad news: The pandemic is ongoing, and consequently there is great uncertainty across all industries. In addition, the Association of German Tool Manufacturers suffered significant losses in terms of export business and incoming orders.

Now let's take a closer look at the respective sectors and start with the DIY/garden and home improvement industry.

The majority of the worldwide 214 members of the European DIY Retail (EDRA) and the global Home Improvement Industry (GHIN) can look back on a record year. This development is expected to continue in the medium term.

There are several key drivers for this:

- Given the lockdowns, end consumers have increasingly discovered the importance of their own homes and invested accordingly.
- Customers appreciate the consistency and high safety standards provided by DIY stores.
- The sector has successfully demonstrated its system relevance during the shutdown phase.
- The do-it-yourself sector is benefiting from the new desire for change.

The industry can look back on a successful year not only globally; especially in Germany, Austria, and Switzerland (DACH), retailers can report positive figures:

Despite temporary store shutdowns, retailers in the DIY and gardening sector closed the first half of the year with increased sales:

Germany: EUR 11.82 billion (+15.6 percent)

Austria: EUR 1.49 billion (+ 8.3 percent)

Switzerland: EUR 1.69 billion (+ 3.5 percent).

This upward trend is likely to continue in the second half of 2020.

The members of the Manufacturers' Association House & Garden e.V. report increased sales in the first half of 2020 despite delayed or interrupted supply chains.

However, we see different developments for sales in Germany and Europe:

In Germany, we are recording a year-on-year sales growth of 9.3 %. The main growth drivers here were paints and coatings + related supplies, hardware and security technology as well as construction materials (with double-digit growth rates).

In Europe, on the other hand, we are seeing a slight drop in export sales in comparison with the previous year.

The development of the European market up to the end of June was significantly different. The members of the Herstellerverband Haus & Garten e.V. (Home & Garden Manufacturers' Association) were unable to replicate the results of the previous year in their sales to foreign markets and instead reported slightly lower figures.

In conclusion, the DIY sector has developed favorably. But what is the situation in the hardware trade?

In this sector, too, the year 2020 will be marked by the Corona crisis and the temporary closure of many hardware retail stores during the lockdown phase.

Nevertheless, the hardware sector has (so far) come through the corona pandemic better than expected and was able to hold its ground thanks to a steady sales volume in many areas. The reasons for this are as follows: In addition to high demand for products for the home and garden, there is also growth in the construction industry and the skilled trades.

Developments in the production connection trade (PVH) and the hardware retail trade in particular were heterogeneous.

Now let's take a closer look at the individual sectors in the hardware trade.

In the hardware and household goods retail sector, there was an increased willingness to invest in products for the home and garden.

Overall, in the months following the lockdown, the hardware and household goods retail sector managed to make up for the almost complete standstill lasting around 4-6 weeks (depending on location) by the summer months; it concluded the first half of the year with a slight sales growth between 0.5 % and 1 %.

	2016	2017	2018	2019	Q1+2 2020	Forecast 2020
Household goods specialized trade	+1.1 %	+1.1 %	-1.5 %	+1.1 %	+0.9 %	+1.4 %
Hardware retail overall	+1.3 %	+1.3 %	+0.5 %	+2.4 %	+0.5 %	+1.0 %
Retail trade overall	+2.2 %	+3.1 %	+2.8 %	+3.3 %	+1.5 %	+1.8 %

Source: ZHH, Stat. Bundesamt

For the year as a whole - but especially in the second half and the fourth quarter with regard to the Christmas business - much will depend on the further development of the Corona numbers and the corresponding measures in the autumn and winter months. The sector is approaching the final months of the year with cautious optimism and can be content with what has been achieved to date.

In the area of the tool and building hardware production connection trade (PVH), the development was satisfactory and stable compared to the previous year.

	2016	2017	2018	2019	Q1+2 2020	Forecast 2020
Tools	+1.5 %	+1.8 %	+2.8 %	+1.6 %	-0.8 %	-1.3 %
Building hardware	+2.5 %	-0.3 %	+2.4 %	+2.8 %	+0.9 %	+0.7 %
Wholesale overall	-0.9 %	+7.8 %	+2.7 %	+1.7 %	-1.8 %	-3.5 %

Source: Business survey by ZHH, Stat. Bundesamt

The year started quite respectably, and the 1st quarter was overall positive (also because the sector was not affected by plant closures). Thanks to order backlogs from the previous year in the construction industry and the skilled trades, declines in the metal and machine-building industries could be cushioned in many companies in the PVH sector.

The building hardware specialized trade and the manufacturing industry benefited greatly from the fact that projects were largely continued in March and April and, in contrast to other specialized trade sectors, there were hardly any state-imposed closures and activity bans.

Under unchanged general conditions, the building hardware industry is quite optimistic for the further development of the 2020 business year and forecasts a growth of +0.7 % for the year as a whole.

Next, let us talk about the specialised tool trade.

We notice two different trends here: on the one hand, there is a declining and difficult business climate in the metal and machine-building industry. On the other hand, we observe growing sales in the construction and finishing trades and in the building industry, also thanks to an existing order backlog.

Fortunately, many specialised tool retailers were able to offset and at least partially compensate for these severe sales losses with other product ranges, especially with occupational safety and items protecting against Corona. The wide-ranging positioning of the specialist tool trade made a significant contribution to the still respectable development in the first half of the year, which can be concluded with a sales trend that is almost on a par with the same period of the previous year.

In the last few weeks, a summer slump put additional pressure on business. As a result, previous year's sales figures are unlikely to be achieved again. Although there were signs of a revival on the market in September and the tools trade is cautiously optimistic, a weaker second half of the year overall and a continued challenging business development with product range distortions are on the horizon.

Finally, let us take a look at the tool industry.

A recent FWI survey (January - August 2020) shows the dramatic decline in incoming orders by more than 10 % at 51% of German companies. The losses in the export business are even more significant: -23 % for the UK and -15 % for the USA. It will not be possible to compensate for these losses before the end of the year.

The development in the export business is also influenced by political factors in important export markets such as the USA and Great Britain - e.g. the punitive tariffs imposed by the USA on some core assortments such as pliers, screwdrivers, and axes, not to mention the complicated Brexit negotiations.

However, the business climate improved in the second half of the year: in August, only 26.8 % of companies described the current situation as "unsatisfactory" (-19 % compared to the previous month). In addition, the share of tool manufacturers with short-time work fell from its peak of 70 % (August) to around 52 %.

The hand of the FWI business cycle clock has been pointing to an upswing phase since May 2020. The positive expectations of recent months have been reflected in an improved assessment of the current situation and thus proven to be correct: The assessment of the current situation has improved significantly by 18 points since July 2020 and now stands at -20 points.

But the crisis is not yet over: In August 2020, the expectations of the companies were again worse than in the previous month. Only 23.7 percent of the companies (seven percent less than in July) still expect an economic recovery in the next six months. More than half of the companies expect no changes. One in five of the respondents forecasts a deterioration of the business situation.

After this overview of the current year, we would now like to take a look at the outlook for 2021.

A recent FWI survey of member companies' plans for 2021 shows the following results (compared with 2020):

