Press release

Hardware trade in turbulent times

Düsseldorf, 22 May 2023 **– The hardware retail sector was impacted by the exceptional circumstances in 2022 on many levels says the Central Association of the Hardware Trade (ZHH), Düsseldorf, including disruptions in product supply, frequent price adjustments and restraint in consumer spending. Despite these challenges, the hardware trade managed to weather the past year fairly well overall thanks to the continued brisk demand.**

Looking at the next few months, the challenges will not be less, but the hardware industry is optimistic as the economy continues to recover and solutions are in place for the various national and international issues. Furthermore, the trends of recent years, such as cocooning, safety, connectivity, and sustainability, are expected to continue, creating opportunities and possibilities for the hardware industry in both retail and the industrial B2B sector.

Hardware and household goods retail sector

The brick-and-mortar hardware and household goods retail sector was confronted with additional challenges in 2022. The year was marked by the outbreak of war in Ukraine and faced significant challenges following a promising start. It was heavily impacted by the energy crisis, surging prices and a level of inflation not seen since the post-war period.

As a result, consumer spending fell steadily over the summer months, leading to a sharp decrease in store footfall. However, the hardware retail sector saw a solid to strong holiday season in the last two months of 2022 thanks to political measures taken to stabilise the economy, which contributed to the year ending on a relatively satisfactory note.

With the exception of small electrical appliances, glassware and gardening equipment, all product categories performed quite well. At the same time, there has been a noticeable shift in values, lifestyle and consumer behaviour. The hardware and household goods retail sector has responded to these changes by expanding its service offerings, providing in-store expert advice and embracing digitalisation.

The following table provides an overview of the development to date:

	2018	**2019**	**2020**	**2021**	**Forecast 2022**	**Forecast 2023**
Retail specialists for household goods/glass, porcelain, ceramics	-1.5%	+1.1%	+2.4%	-5.0%	+6.9%	+2.5%
Total hardware trade	+0.5%	+2.4%	+2.1%	-1.0%	+6.2%	+3.0%
Total retail trade (including furniture/household goods/building supplies)	+2.6%	+3.2%	+5.6% (+5.9%)	+2.8% (-10.8%)	+7.8% (+11.5%)	+4.5 %

Source: Zentralverband Hartwarenhandel e.V. (ZHH/Central Association of the Hardware Trade), Federal Statistical Office of Germany (Destatis)

As for all retail sectors, 2023 will also not be an easy year for the hardware and household goods business. There are many challenges ahead and future developments are difficult to predict.
However, the trends of recent years are expected to benefit the retail industry this year as well, resulting in continued strong demand for products in the sector. Nevertheless, a decline in real-term sales is anticipated.

Tool and building hardware trade (industrial B2B)

The year 2022 was fairly successful for the tool and building hardware retail sector in industrial B2B even though it was characterised by considerable challenges and massive price increases. The sentiment remained cautiously optimistic despite the impact of the COVID pandemic and war in Ukraine. Contributing to this was the existing order situation in the construction industry and skilled trades as well as the recovery in the tool and mechanical engineering sector.

The following table provides an overview of the developments in industrial B2B for tools and fittings:

	2018	2019	2020	2021	2022	Forecast 2023
Tools	+2.8%	+1.7%	-0.8%	+3.4%	+8.5%	+4.0%
Building hardware	+2.4%	+2.8%	+3.5%	+4.6%	+14.3%	+6.0%
Total wholesale	+2.7%	+1.6%	-0.4%	+4.5%	+19.2%	+8.0%

Source: ZHH economic surveys, Federal Statistical Office of Germany (Destatis)

The building hardware retail sector saw a nominal sales increase of 14.27 percent in the past year, which was attributable to double-digit growth in window fittings, chemical fastening technology, door fittings, building components and plant equipment. The plant equipment product category in particular, excluding the automation group, recorded significant overall growth (+3.05 percent). The substantial price increases were primarily responsible for the most of the growth in the individual product groups.

Similarly, the tool retail sector saw a comparable trend, but with lower growth in the product categories. There were positive developments in the areas of machining, precision tools, power tool accessories and hand-held tools, which benefited from the improved situation in mechanical engineering and tool manufacturing. Plant equipment also experienced notable growth, whereas occupational safety had to contend with declines in some cases after posting extraordinary increases during the COVID period. Despite the increasingly difficult market environment over the course of the year, the tool retail sector also achieved decent overall sales growth, driven primarily by price increases.

The outlook for 2023 is difficult to assess due to the economic and geopolitical landscape. However, the economic recovery has gained traction and although the number of orders in customer sectors have decreased, inventory levels (still) remain satisfactory to some extent. This helped the industrial B2B sector get off to a satisfactory start to the year. Noticeable changes are underway, such as a shift in the construction industry from new builds to renovations as well as a surge in demand for products like heat pumps and photovoltaic systems.
At the same time, the impact of further price increases throughout the year, rising personnel costs and the significant shortage of skilled workers in customer sectors and the industrial B2B trade is expected to put a damper on development. This means that companies need to adapt their resources and strategies accordingly in order to deal with these hurdles. The year 2023 will continue to present ongoing challenges!

About ZHH

For 125 years, the Central Association of the Hardware Trade (ZHH) has been the representative body for the medium-sized hardware retail sector consisting of specialist retailers and industrial B2B companies. Hardware is a collective term encompassing a wide range of goods and product categories, primarily including hardware, tools, fittings, building components, security technology, power tools, household goods, DIY supplies, fitted kitchens, and large and small electrical household appliances. The ZHH represents the various product categories through its working groups and associations. As an industry association, the ZHH is committed to promoting the interests of medium-sized retailers. Within the group of central associations, the ZHH represents the professional interests of the hardware trade and is active internationally through its involvement in the International Federation of Hardware and Housewares Association (IHA).

Working groups of ZHH e.V.

- Building hardware working group (AKB)
- Tools working group (AKW)
- German association of medium-sized kitchen retailers (BMK)
- Trade association for German hardware and household goods (FDE)
- Expert group for household goods/glass, porcelain, ceramics (FHG)
- Federal Association of Industrial B2B Trade (multitec)
- Motorist association (VDM)
- Berlin/Brandenburg hardware trade working group (AHB)

Press contact:

Zentralverband Hartwarenhandel e.V.
Thomas Dammann, Chief Executive Officer
Dorentina Kodralija, Managing Director
Tel: +49 211 – 470 50 0 E-mail: zhh@zhh.de Website: www.zhh.de