



German Textile Machinery: Asia remains the key market

by Dr. Noor Ahmed Memon.

In the world, the German economy ranks 6th largest country in terms of GDP and 5th in terms of purchasing power. Germany is the world's second largest trader both in terms of imports and exports. It is a leading exporter of machinery, vehicles, chemicals, and household equipment and benefits from a highly skilled labour force and also is the hub of global scientific and technological developments.

These advances, as well as a government subsidized, reduced working hour scheme, have helped to explain the relatively modest increase in unemployment during Germany's 2008-09 recession - the deepest since World War II.

Another factor is that the strength of the euro against other currencies is making it hard for German companies to maintain their market share, because their products have become more expensive abroad.

It is this strong and productive work force that enabled Germany to face recession with a resilient face and the Germany economy could manage to have a GDP (purchasing power parity) of \$2.8 trillion in 2009, even in the recession marred years.

The German economy is heavily export oriented, with one-third of national output going to the external sector. As a result, exports traditionally have been a key element in German macro-economic expansion. Germany is a strong advocate of closer European economic integration, and its economic and commercial policies are increasingly determined by agreements among European Union (EU) members.

Textile Machinery

The production of textile machines and equipment in Germany amounted to more than € 6 billion. Based upon weak economic conditions within the most important markets, the industry had to go through a difficult year. The uncertainty on the finance markets on the one hand and the dependence of the textile industry on state subsidies in many parts of the world on the other hand, impede a well-founded prognosis. Despite the difficult economic situation, Germany has been able to defend its top position as the leading supplier of textile machinery. The annual turnover now reaches € 3 billion to € 4 billion covering about one-third of worldwide exports of textile machinery. German textile machinery is characterized by its high quality and customer-specific production.

In VDMA's annual press conference Dr. Ralph Wiechers, the Organisation's Chief

Economist said that for Germany's plant and machinery manufacturers, 2009 was the worst year for decades. The sector had to cope with an almost -25% fall in production output. Even for the plant and machinery manufacturers, who are familiar with severe cyclical fluctuations and know how to cope with these scenarios, the year 2009 was a cataclysm.

The massive loss of confidence on the financial markets evolved into a globe-girdling economic crisis. Machinery customers at home and abroad reacted with growing uncertainty - and imposed far-reaching curbs on investment and expenditure. Dr. Ralph Wiechers predicted, that Germany's mechanical engineering sector will in 2010 be able to more or less sustain the low production volume of the crisis year 2009, with a slight uptrend over the course of the year. This means that Germany's production output of machinery will in the first few months of 2010 still be significantly lower than in the preceding year's equivalent period. Later on the year, however, the sector may succeed in reporting plus rates again.

With an export quota of 95%, the German textile machinery industry is one of the highest export-oriented branches within the engineering industry. According to the VDMA Textile Machinery Association, in 2007 this sector exported machinery and accessories worth € 3.8 billion and saw the most successful year of this decade.

In 2008 and 2009, German textile companies had to accept a historical slump with its consequences on production and export. After a slump had developed in the first quarter of 2009, from the fourth quarter

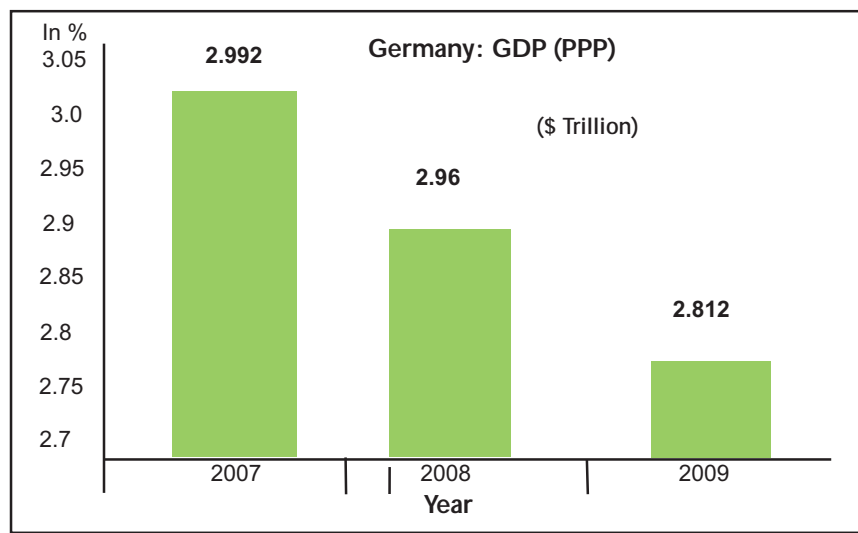
Table 1: Major Exports Markets of German Textile Machinery
Value: Million €

Country	2007	2008	2009
China / Hongkong	1,004	779	628
India	301	213	161.3
Turkey	408	155	65.2
USA	182	234	141.7
Italy	186	144	49
Czech Republic	117	101	51.2
Brazil	116	120	63
Saudi Arabia	5	16	11
Pakistan	55	29.35	11.7
Switzerland	65	54	22.3
Iran	37.9	23.7	28.2
Russia	90.3	87	33.5
Poland	56.5	37.17	32.97
Others	1,135	1,143	513.93
Total	3,850	3,037	1,813

Source: German Textile Machinery Manufacturers Association, VDMA.

2009 the incoming orders significantly increased. As a result, the exports also developed positively. In the last quarter of 2009 they reached a volume of € 555 million.

Asia is the biggest market as it absorbed 40% of the German textile machinery exports in 2009. India is the single largest client in Asia. It alone purchased €161.3 million of the German textile machines in 2009, thus representing the largest export market for the industry. The second popular





German textile machines was USA bought €141.7 million. The 10 largest export markets for German textile machines and accessories in 2009 were India, China (including Hong Kong), Turkey, the US, Italy, the Czech Republic, Brazil, Saudi Arabia and Pakistan. According to VDMA figures, in 2009 export of German manufacturers of textile machinery and accessories decreased by 55% to €1.81 billion. The major market of German textile machinery exports is given in Table-1.

In January and February 2010 already, textile machinery worth € 533 million have been exported so that – even with a conservative estimate – a clear increase of the exports has to be expected for the overall first quarter.

In January and February 2010, the exports to China rose by 37% to € 83 million compared to the same period the year before. Besides China also the exports to other Asian countries showed a clear stimulation of the market: Iran € 6.8 million (+50 %), Thailand € 4.1 million (+42 %), Vietnam € 1.7 million (+35 %), Bangladesh € 2.7 million (+8 %), Pakistan € 2.8 million (+38%).

Spinning machinery remained the largest seller of German textile machinery industry to Pakistan with an export value of € 6.68 million in 2009 from € 20.41 million in 2008. The growth of knitting and hosiery machinery was also declined to 48%, to reach € 1.76 million from € 3.39 million in 2008. Germany sold € 2.72 million of finishing machinery and € 0.52 million of weaving machinery in 2009 to Pakistan. Category-wise export of German Textile Machinery to Pakistan is given in Table-2.

Germany is not only known for high-quality machinery, but also for excellent after-sale service all around the globe. In Germany, universities and technical colleges conduct intensive research in the fields of mechanical and textile engineering. As a result, new practical solutions for more modern technologies are explored and

Table 2: Exports of German Textile Machinery to Pakistan
Value € 000

	2008	2009
Spinning	20,411	6,677
Weaving	1,339	519
Knitting	3,387	1,757
Finishing	4,220	2,725
Total	29,357	11,678

Source: German Textile Machinery Association, VDMA.

implemented in new marketable machinery. Today, there is hardly any area of life without the use of High Tech in textile machines for higher quality and productivity.

Pak - German Trade

At present Germany is one of the most important trading partners of Pakistan. Despite some fluctuations, bilateral foreign trade has developed well. It is the 4th largest importer of Pakistani products and the 7th largest supplier of goods to Pakistan. Trade between Pakistan and Germany is conducted in freely convertible currency in terms of the Trade Agreement signed in 1957. The total trade volume was over US\$ 18.1 billion between the two countries during the year 2008-09. During the past four year's balance of trade remained in Germany's favour.

Germany is a good market for Pakistani textile products specially readymade garments, bed wear cotton fabrics and knitwear. The main items of exports included cotton fabrics, towels, synthetic textiles, cotton yarn, carpets, bed wear, cotton bags and other made-ups textiles, besides textile and clothing articles.

Germany also imports a variety of other products from Pakistan, which include, leather clothing, leather gloves, sports goods and surgical instruments. Export of textile items from Pakistan to Germany decreased from US \$ 665 million in 2007-2008 to US \$ 547 million in 2008-2009. Export of textile and other major items from Pakistan to Germany is given in Table-3.

The Government continued to improve and rationalize its import policy with a view to allowing liberal imports of industrial raw materials, capital goods and essential consumer goods. These included usually high imports of machinery, chemicals and other raw materials.

Pak & German government are maintaining talks on bi-lateral cooperation on some mega projects of alternate energy like solar, wind & hydal energy. German origin machinery & technology is being used in the Jhimpir Windmill power project which is being constructed by a Turkish Company.

Germany is in favour of allowing market access to Pakistan and in the next EU Pakistan summit conference, the matter will be accorded top priority, said Michael Koch, Ambassador Federal Republic of Germany. He was addressing the textile exporters at Pakistan Textile

Table 3: Pak - German Trade
Value: US \$ Million

Year	Export	Import	Balance of Trade
2005-06	688.6	8,96.6	-208.0
2006-07	711.9	1,205.2	-493.3
2007-08	816.6	1,070.4	- 461.7
2008-09	737.9	1,070.4	- 332.5

Source: State Bank of Pakistan.

Exporter Association. He said that summit would be held on June 4th, 2010. Germany is fully aware of the problems being confronted by Pakistan due to the war against terrorism, but we are not in a position to make any decision unilaterally. We being a member of 27-members European Union are living in a much-legalised environment and we have to accept the final decision of EU and Pakistan should make a good case for the summit to win over the support of maximum EU members.

Dr Michael Koch said that Germany is one of the important trade partners of Pakistan and invested US \$350 million in Pakistan with US \$1.7 billion trade during the last year. This is not enough, both countries have potential to increase the trade volume and we must carve out ways and means to exploit the available potential. ♦

Table 4: Export of Textile products from Pakistan to Germany Value : US\$ 000

Product	2008-09	2007-08
Apparel and Clothing	59,883	52,734
Cotton bags / Sacks	1,701	1,224
Ready made Garments	174,501	209,663
Bedwear	114,103	116,826
Cotton Cloth	72,964	81,312
Knitwears	72,217	74,284
Towels	23,742	24,276
Textile Made ups	15,604	22,288
Man made Textile	7,057	74,054
Cotton yarn	4,407	7,031
Yarn other than C yarn	113	442
Textile Fabric Woven	24	99
Waste Material of Textile	19	24
Cotton Waste	621	553
Cotton Thread	68	9
Knitted or Croe Fabric	47	31
Total	547,071	664,850

Source: Trade Development Authority of Pakistan.