



SPOTLIGHTMETAL
the network for light metal casting

Webcast Series „From Expert to Expert“

Expert Panel – Focus on German Foundries

April 2020

About the Webcast

Central Topics



The webcast series "From Expert to Expert" was launched to give foundries guidance and answer important questions during the uncertain period of the **corona crisis**. In this series, which focuses on **German foundries**, the following aspects are addressed:

- Review: What was the situation before the corona crisis?
- Status Quo and Crisis Management
- Support measures and recommendations
- Conclusion
- Outlook

About the Webcast

Participating Experts



Max Schumacher
Managing Director
of the Federal
Association of the
German Foundry
Industry (BDG)



**Dr. Fynn-Willem
Lohe**
Plant Officer at the
Federal Association
of the German
Foundry Industry
(BDG)



**Johannes
Messer**
Freelance
Consultant at
Johannes Messer -
Consulting GmbH



**Christopher
Boss (host)**
Director and
International
Product Manager
of EUROGUSS



Review

What was the Situation before the Corona Crisis?

Review

What was the Situation before the Corona Crisis?

“With the iron foundries, steel foundries, non-metal foundries and numerous materials, we are dealing with a very heterogeneous branch. Looking at the overall picture, in 2019 the industry was down by about 9 %, which statistically is largely due to the iron and steel foundries, who suffered double-digit losses in production last year. Although the **non-ferrous metal foundries** only recorded a minus of 2.6 % and with a minus of 2.3 % in aluminum decor, even these figures did not do justice to the situation.

To **interpret these statistics**, the year 2019 must also be considered. Especially for customers of foundries, incoming orders have often been in the 16/17 % minus range. This means that the production decline of minus 2 % may give a wrong picture, as large foundries, especially those from the OEM sector, have a very strong influence on the statistics. So essentially this means that **foundries were already in 2019 facing a very difficult year.**”

Max Schumacher

Review

What was the Situation before the Corona Crisis?

“What additionally complicates the situation - especially the non-ferrous metal casters and die casters have known only an upswing since the financial crisis in 2008. It was not until 2018 that **WLTP had the first impacts**. Since then there has been an industrial recession and in addition to this crisis, which is unusual for founders, there is now Corona. This has created a **crisis within a crisis**, which could have catastrophic consequences for individual companies.”

Max Schumacher

“The diesel affair, trade conflicts, electrification, but also brexit and the industrial environment in Germany (labor- and energy costs and taxes but also productivity problems in foundries) have created a **situation that was unknown to the industry so far**. In view of the steady growth in the past, it must therefore be stressed that not only the decline itself represents a loss, but also the 5 % growth that was added in the years before. This is the crisis in which foundries were and still are in before the outbreak of corona virus.”

Johannes Messer



Current Situation

Status Quo and Crisis Management

Current Situation

Status Quo and Crisis Management

“Currently, many foundries are at a production standstill. In detail, employees are on **short-time work** and are taking off shifts and holidays. This standby phase will at some point change into a restart. During this exciting time, the industry will face great challenges. In view of customer requests to restart the first product lines, there will be a great **need for coordination** throughout the entire production and value chain to reduce costs.”

Johannes Messer

“The downward trend is supported by the **corona crisis**. The loss of employees is definitely noticeable in 90 % of the foundries. Many employees are at home due to safety and quarantine conditions. In quarantine cases, the entire production shift is cancelled. But many foundries also have **supply bottlenecks**, which leads to **closures** at 70 % of the plants. In addition, **turnover decreases** of up to 30-40 % are expected.”

Dr. Fynn-Willem Lohe

Current Situation

Status Quo and Crisis Management

“The downward trend is supported by the **corona crisis**. The loss of employees is definitely noticeable in 90 % of the foundries. Many employees have called in sick or are at home due to safety and quarantine conditions. In quarantine cases, the entire production shift is cancelled. But many foundries also have **supply bottlenecks**, which leads to **closures** at 70 % of the plants. In addition, **turnover decreases** of up to 30-40 % are expected.

The **alcohol bottleneck** poses another particular problem. Alcohol is needed in iron foundries for sizing. The high demand for disinfectants in the medical industry and private consumers leads to a price war. Also the **lack of protective masks** is a problematic issue, as they are required for production workers in foundries.”

Dr. Fynn-Willem Lohe

Current Situation

Status Quo and Crisis Management

“Regarding the developments in the foundries, we worked together with W&V Metalle to ensure that the **10 % risk assumption** was taken up by the German government. First of all, this means that medium-sized companies are guaranteed 100 % **credit security**.

Since the loans are used to finance losses and the repayment with 3 % interest accordingly burdens the liquidity of the foundries, the government is requested to examine **lost subsidies** as an appropriate means. This would certainly be a far-reaching intervention in the market, but in such exceptional situations everything should be done to **ensure the competitiveness** of the foundry industry as a key sector.”

Max Schumacher



Current Situation

Support Measures and Recommendations

Current Situation

Support Measures and Recommendations

“To give foundries an overview of the various options for action and aid measures during the crisis, we at the BDG have put together so-called **emergency kits**. They contain information regarding

- short-time work compensation
- labour law and occupational safety
- dates and deadlines
- financial assistance programme
- taxes and duties
- legal issues

This helps foundries to reduce the organizational effort.”

Dr. Fynn-Willem Lohe

Current Situation

Support Measures and Recommendations

“In the wake of the crisis, the **deglobalisation of supply chains** is certainly an important issue. I think there will be a short-term effect, but in the long term, deglobalization is unsustainable. We have to face international competition. In the long term, the market will maintain regulation.”

Johannes Messer

“However, this is only possible as long as we have a market and a level playing field with, for example, Chinese competitors. In this context, how we work with OEMs is also very important. There have already been cases where second sourcing has not worked. For example, foundries have built a second line in consultation with OEMs, which was dismantled after the production run in China. Here you have to remain realistic and we have spoken to all OEMs in order to come to a **fair cooperation** based on partnership and to create **reliable framework conditions**. Ultimately, we simply have to embrace our market economy and reflect on our strengths.”

Max Schumacher



Current Situation

Conclusion

Current Situation

Conclusion



“The foundry industry must now play to its strengths in a market economy system. Equal **partnerships between foundries and OEMs** and the positioning as an innovative technology driver are particularly important.”

Max Schumacher

“German foundries are still in a **good position in Europe**. Regarding the fact that China's largest 50 foundries have been built in the last 15 years, additional markets will certainly emerge. But concerning the technological aspect and the handling of the crisis, I do not believe that learnings from China can be transferred to the German foundry industry.”

Johannes Messer

“A great advantage is the innovation and adaptability of the customer foundries. They can deal very well with customer requirements and have a good network. Foundries must **make use of these core competences** and recall old strengths.”

Dr. Fynn-Willem Lohe



Future Outlook

Future Outlook

"We may not assume that after this crisis things will continue as they did in 1994/1995 or 2008/2009. A sudden increase in turnover and growth will not happen this time. Foundries are strongly advised not to be overly optimistic, but rather realistic in their planning and to expect **declining figures**. The entire cost structure must be adjusted to this. But we will do our best and by using our expertise we will overcome the crisis."

Johannes Messer

"The world will certainly be different after the crisis. For the foundry industry, **flexibility** will be extremely important to learn how to be profitable with a rapidly changing workload between 70 % and 110 %. We also have to **adapt to the circular economy** and try to keep everything going."

Max Schumacher

Future Outlook



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“The world will certainly be different after the crisis. For the foundry industry, **flexibility** will be extremely important to learn how to be profitable with a rapidly changing workload between 70 % and 110 %. We also have to **adapt to the circular economy** and try to keep everything going.”

Max Schumacher

“Insolvencies will continue to be a major issue in the future, as the crisis affects not only individual companies, but all of them. Politicians will have to make an effort to preserve industrial Germany. It will not work to carry on as before after the Corona crisis.”

Dr. Fynn-Willem Lohe

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