



Press release

The water sports market has remained stable in 2019

Initial signs of an economic slowdown

General review – international situation

The maritime industry in Europe has been growing for 7 years in succession now.

In spite of increasing uncertainty due to trade disputes and protectionism, the EU Commission is continuing to forecast GDP growth of 1.2% in the eurozone, while the forecast for 2020 has been reduced slightly to 1.4%, because of the slower growth anticipated during the remaining months of this year (spring forecast: 1.5%).

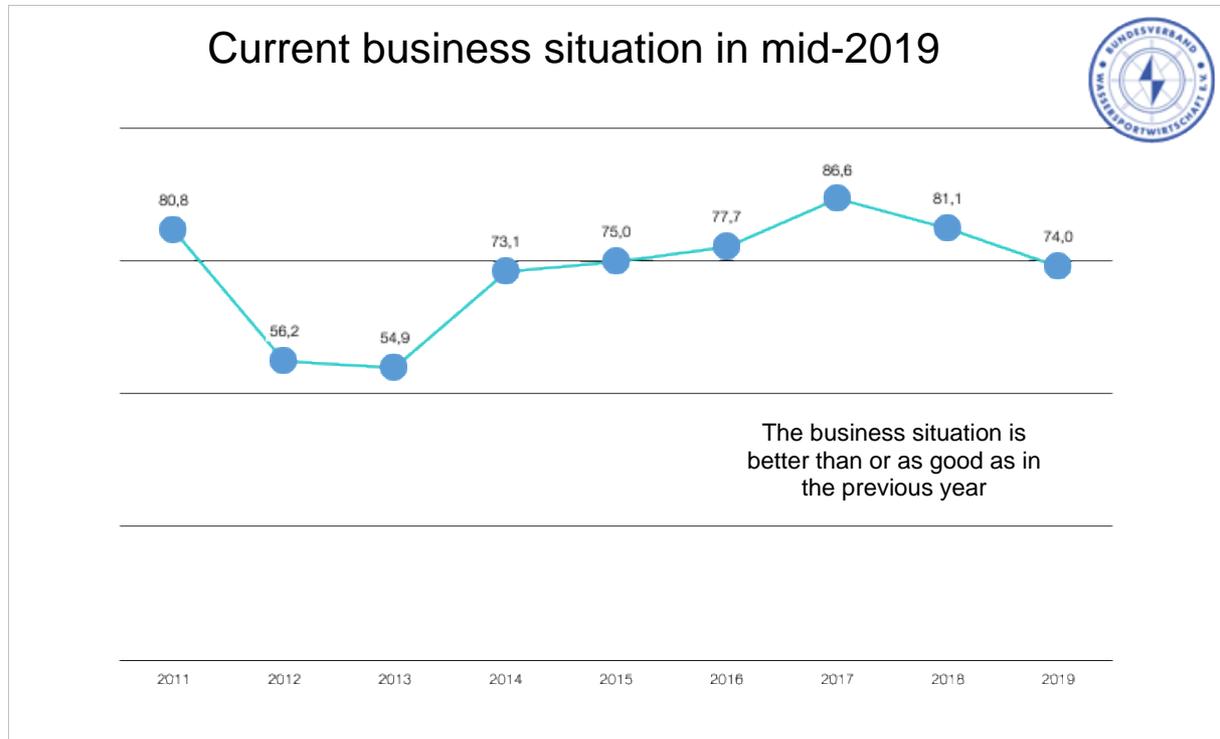
The GDP forecast for the EU as a whole is still 1.4% in 2019 and 1.6% in 2020. The Commission believes that domestic demand, particularly private household consumption, will continue to stimulate growth in Europe.

Not all the member states are benefitting from this positive development to the same extent, however. The country that has been the driving force behind economic development in recent years – Germany – has in particular lost considerable momentum. The German government is expecting GDP growth of 0.5% in 2019 and 1.5% in 2020. Economic research institutes are substantially more cautious and are forecasting growth of 1% in the coming year.

The maritime industry in Europe has benefitted from this growth phase that has lasted many years. Following lengthy hard times, the market leaders among the shipyards have been operating profitably again for some time now and are investing heavily in new models. The good situation in which the international maritime industry finds itself at the moment is reflected at the world's leading water sports trade fair boot Düsseldorf too: boot is becoming even more international and is continuing to grow. The latter is true of the number of exhibitors and the stand area booked as well.

General review – German market

The German water sports industry started the 2019 season in full swing following a very successful boot Düsseldorf 2019. An economic survey half way through the year showed that companies were satisfied with business development in the first half of 2019.



However, the results of the surveys since 2017 reveal that there is a definite trend. Whereas the current business situation was still considered positive by almost 87% of the respondents in 2017, the figure this year is only 74%. So it is clear that the economy is slowing down somewhat.

General economic data confirm this trend. Although the German Ministry of Economics was still announcing proudly in June that the German economy was now growing for the 10th year in succession, the Ministry does in actual fact only expect the real Gross Domestic Product to increase minimally by 0.5% in 2019. Those who are by nature less optimistic would probably tend to talk about stagnation rather than growth in this context.

Domestic demand is the most important factor that is stimulating the economy at present. It remains to be seen whether the negative news about global economic developments and the increasingly unstable political situation will unsettle consumers and have an impact on their spending. The 2019/2020 trade fair season will show whether this will affect the maritime industry too.

So far, however, the industry is still benefitting from the positive mood in which it began the new season following a good business year in 2018. The 2019 business year will fulfil the expectations. It is estimated that sales of maritime products and services will total EUR 2.16 billion by the end of the year. This corresponds to growth of just under 3% over the previous year.

Boats and yachts are getting bigger and bigger

There continues to be a trend towards larger motor and sailing yachts. In the category of boats that are more than 12 metres long, 91% of the sailboat dealers and 90% of the motorboat dealers report that business has remained consistently good. Finance and insurance companies confirm this too. The amounts financed and insured are increasing, whereas the number of contracts themselves is tending to decrease.

There continues to be strong demand for catamarans as well. Delivery periods of a year or more are not unusual any more. For a long time now, catamarans have not been based exclusively in the Mediterranean or Caribbean any more; they can be found in the Baltic Sea as well to an increasing extent. There is still a lack of appropriate infrastructure here, however. Port operators will need to respond to this in the coming years.

There is one exception to the good overall demand in the boat market, however: recreational boats up to 7.5 metres long. Almost 1/3 of the companies report that sales have decreased in this area. The market leader of recent years, of all companies, has not been left completely unscathed. It is only possible to speculate about the reasons for this. One reason might be that the market is somewhat saturated in the meantime. Smaller, trailerable boats have benefitted to a particularly large extent from the rule introduced in 2012 that no licence is required for 15-horsepower boats and have attracted numerous newcomers to recreational boating. It is apparent that this special factor is having less impact in the meantime. By comparison with the same period in the previous year, sales of outboard motors for which no licence is required dropped by about 6% in the first 9 months of 2019. The economic expectations of boat motor dealers reflect this. 1/3 of the dealers report that sales have been lower than in the same period the previous year.

Boat exports: continued success for German manufacturers

German boat manufacturers are still operating successfully on the international market. In the 1st half of 2019, a total of 4,961 boats and yachts worth EUR 166.3 million were exported. By value, this represents growth of 4.6% over the same period the previous year. The number sold was, however, down 13.3%.

The export figures are impressive confirmation of the trend towards larger yachts. While the number of sailing yachts more than 12 m long that were exported increased by 11.5% and the number of motor yachts exported in the same segment was up 23.5%, exports of sailboats and motorboats less than 12 m long that were exported decreased considerably. The average value of exported boats increased by about 20% in the first half of 2019 over the same period the previous year, from EUR 27,800 to EUR 33,500.

Demand for pre-owned boats remains strong

The prices of pre-owned boats have dropped substantially in recent years. About 20,000 boats and yachts come onto the market every year. This provides newcomers in particular with good opportunities to start experiencing recreational boating with a restricted budget.

Repair, equipment and upkeep

Repair, equipment and upkeep are important areas of operation for companies in the industry. More and more boat owners are commissioning professionals to provide the services they need for their boats; they want to focus entirely on boating itself and spend as little as possible of their often limited spare time working on their boats.

They do not economise on new equipment either. Comfort and safety on board are given high priority. Modern heating, cooling and cooking technology is just as important as state-of-the-art navigation, information and communication technology. In a nutshell: life on board is required to be as similar as possible to home life. Both boat manufacturers and port operators need to make sure they satisfy these requirements. More and more boating enthusiasts are unwilling to accept digital wildernesses on board or in harbours.

Boat owners spend a great deal of money on the services they require for their yacht and for the equipment they need on board. The roughly 460,000 boat owners invest some EUR 700 million on their yachts every year.

Satisfaction levels among service companies are therefore high: 95% of them report that sales are consistently high or increasing.

Further expansion is, however, being hampered by the acute shortage of qualified skilled staff. Almost 43% of companies want to recruit additional personnel before the end of this year – and not only technical personnel has been involved here any more for a long time now. Qualified personnel on the commercial side account for 40% of the vacant jobs in the meantime.

The German Marine Federation is helping the industry to find staff with the job market www.bootsjobs.de that was launched at the beginning of this year. All the companies in the industry can take advantage of this service that the Federation is providing free of charge, so that national searches throughout Germany can be made for suitable trained personnel. The Federation advertises the platform extensively on online platforms, in social networks and on the DMAX television channel. The aim of this is not just to publicise individual job opportunities but also to position the entire boating industry more effectively as an employer.

Chartering market is continuing to grow

The chartering market is also benefitting from the general social trend towards “using rather than owning”. Many people no longer want to commit themselves to spending all their leisure time on one specific hobby; they prefer to enjoy a variety of different leisure activities alongside each other.

The chartering market is responding to this trend by offering additional options that can be booked flexibly alongside a motor or sailing yacht. Why choose either boating or diving, if it is possible to do both during a holiday? The same applies to mountain bike tours in the course of a day in port. Greater flexibility in holiday planning is the motto: families and friends accompanying them appreciate this and boating holidays are upgraded as a result, while chartering companies have the additional advantage of being able to boost their sales into the bargain.

Thanks to the positive development, the booking period has been starting unusually early. Holidaymakers were no longer able to book all the boats they wanted as early as boat Düsseldorf 2019. So it is no surprise that about 92% of houseboat rental businesses reported half way through the year that sales were developing just as well as or better than in the same period the previous year. The season has been similarly positive on the Baltic Sea. Here too customers worked on the assumption that the excellent summer of 2018 would be followed by another one. And they were right.

The situation in the charter field in other countries is mixed: Croatia and the Balearic Islands have become less attractive because of their high price level. Although Greece and Turkey are reporting substantial growth, it is a long way away from its former level.

It is extremely uncertain whether the positive trend in Turkey will be continuing. From 2020 onwards, the Turkish Ministry of Tourism plans to force chartering companies to operate their fleets under the Turkish flag. This in turn means that yachts will be subject to Turkish import sales tax and that a Turkish majority owner must be on board. It is doubtful whether the many private owners (Germans, for example), who have invested in ships run by chartering companies will agree to this. It does not, at any rate, seem out of the question that the fleets may be relocated to Greece, for instance.

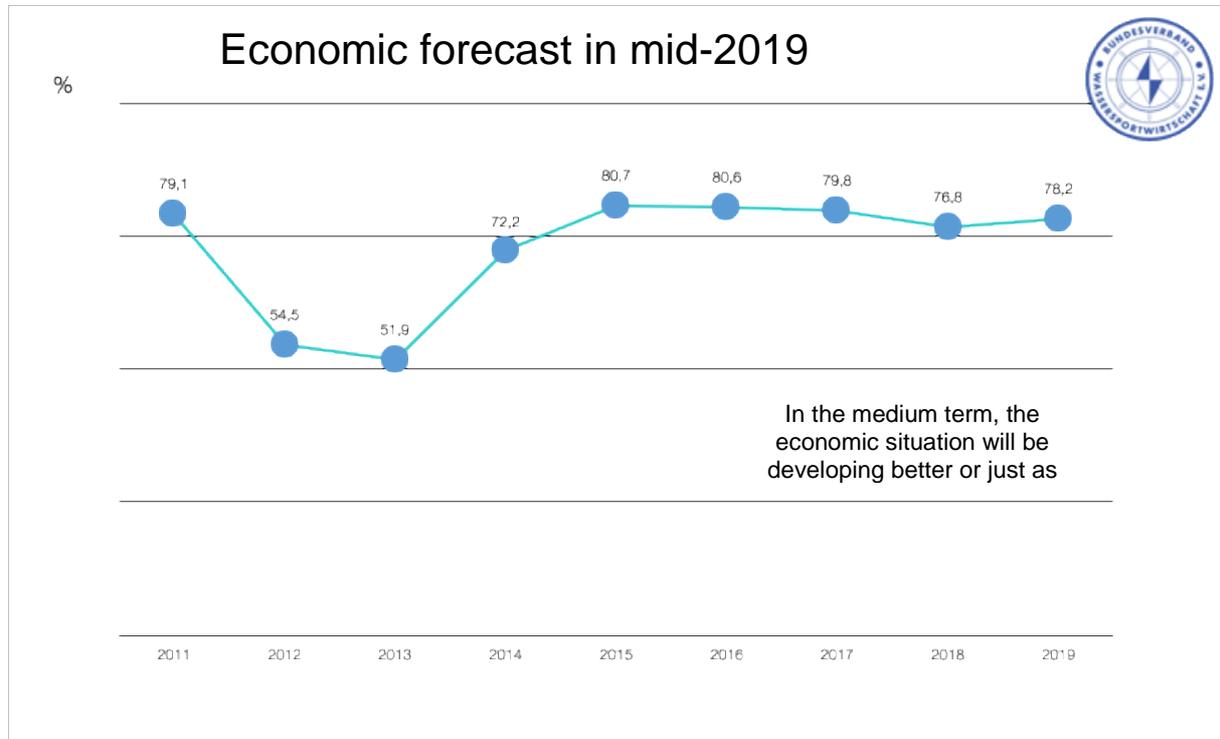
Recreational diving

The recreational diving market is growing. Never before have so many different companies decided to take part in the world's largest recreational diving trade fair in the context of boat Düsseldorf. Now that the political situation in Egypt has calmed down, the travel and instruction markets are, however, the primary areas that are reporting growth. Egypt is by far the most important recreational diving destination for the European market.

The recreational diving industry itself is expecting sales to decrease slightly in 2019. The reason for this is the Asian market, which is declining considerably and is making life difficult for manufacturers.

Outlook

The German water sports companies remain optimistic about the future.



Since 2015, about 80% of the companies have consistently reported that they expect medium-term economic developments to be just as good as or better than in the previous year. This positive way of thinking is typical of the water sports industry. Optimism is the default mode in leisure industries. And there is in actual fact little cause for concern in the equipment & accessories, service & maintenance fields – or in any market segment that benefits from existing boats.

Increasing scepticism is, however, apparent when discussions are held with boat manufacturers and dealers. Companies are expecting an unchanged market in 2020. An economic downturn is not considered out of the question in subsequent years.

Quite apart from international developments, self-inflicted problems are also inhibiting the growth of water tourism in Germany, which – after all – generates gross sales of about EUR 7 billion. The water tourism infrastructure on the federal waterways (inland waterways) that are used primarily for touristic purposes is falling into disrepair to an increasing extent. According to the German Ministry of Transport and Digital Infrastructure, a considerable proportion of the 142 locks and 120 weirs have reached the end of their useful lives. The average age of the locks is 105 years, while the weirs are 75 years old on average.

As long ago as 2016, the German Ministry presented a water tourism concept. The activities announced back then included the provision of additional personnel and budget resources as well as maintenance of the navigability of the waterways used by tourists. So far, nothing has happened. In the 3 years that have passed, it has not even been possible either to evaluate the structural condition

of the infrastructure, to specify the investment requirements needed as a result and to compile a list of priorities.

Instead of this, Zaaren Lock, the most important connection between Berlin and the Müritz region, was closed for practically the entire season in 2019. The companies affected lost millions as a result and may not survive in some cases. The damage to the region's image is incalculable. It is high time that the German government meets its commitments and creates the basis for water tourism in Germany to continue developing positively by providing a viable infrastructure.

Cologne, November 2019

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The German Marine Federation (BVWW) is the official mouthpiece for the water sports industry in Germany and has been representing the interests of the industry at the national and international level for more than 50 years now. Its members include companies and associations that operate commercially in the water sports industry. The federation is one of the organisations backing boot Düsseldorf – the biggest water sports leisure trade fair in the world – and liaises with the trade fair to promote major initiatives in the water sports industry.