

A tough journey that has just begun

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The tool industry in Europe has a tough month in the back, and there is a great risk that the situation will worsen further in the near future.

Through a variety of measures, the vast majority of toolmaking companies have managed to keep their companies under arms during the first quarter of the year. But fear is creeping ever closer to what is to come. That the situation is just the start of a journey whose consequences will not have an impact in a year's time. We have talked to toolmaking companies in Sweden as well as industry representatives in a number of other countries. The votes are quite consistent. Production has been kept decent, but with too many orders books are not sufficiently filled to provide a restful sleep at night.

Fewer business is waiting

Laurie Harbor, a consultant in manufacturing and financial affairs in the US, believes that bidding activity will slow down during the latter part of the year, which will result in fewer tool jobs. But even though many tool manufacturers have had tools to build or repair, there is a risk that certain investments and investments will be interrupted as a result of a negative financial impact. This would mean that the jaws will only be reminded about six to twelve months from now. So in all likelihood most of our toolmaker companies should expect a reduction in new business some time to come.

In an interview with Plastics News magazine, Laurie Harbor says she has talked to business executives at several hundred utility companies and injection molding companies in recent weeks. (read April) Automotive, an important market for tools, was severely affected last year when car manufacturers pulled back new launches. Some tool companies were then forced to close down, and others were bought by bigger players. But during the pandemic, the entire industrial spectrum has been affected, not just the companies that have links to the automotive industry, she says.

The tool industry is severely affected

Portugal is a major exporter of tools to the international market. The customers are companies in several industrial areas, where the automotive industry stands out. In this context, the industry is strongly influenced by the current economic situation, which has resulted in a substantial reduction in

activity for many companies. However, the industry organization Cefamol has not received any indications that any company has completely stopped its operations.

The reduction and downtime of new projects has led Portuguese companies to adapt their organization to the pandemic situation, says Manuel Oliveira, secretary general of Portugal's trade association Cefamol. Oliveira believes that the current situation will cause large companies to analyze the supply chains they have created in recent years and which they become dependent on. If we consider the EU as a domestic market, I believe that in the long run we will all have advantages in favor of suppliers and value chains that are closer, he says. At the moment, our priority should be to solve health problems and contain the pandemic at a global level, but before that situation is resolved, there is a risk that difficulties will arise in the market with reduced purchasing power and unemployment as a result. Under these conditions, it will also be difficult to release new projects or products, which will have an impact to all segments within the industrial and tool industries are not an exception. Once we get out of this phase, however, I believe that Europe will enter a new period of development and growth in generating and releasing new concepts and products. Then we are sure that the Portuguese tool industry can become an indispensable partner,"Oliveira concludes.

Great optimism despite pessimistic forecasts

"I have talked to several business leaders in the Polish plastics industry and must say that despite the very pessimistic forecasts in the official media, the plastics industry is still quite optimistic," says Wojciech Filek, publisher of Tworywa Media magazine. He has no financial data to disclose, but says most people he spoke to believe that the covid crisis in a longer perspective, will paradoxically strengthen the plastic industry.

"I believe that the Polish plastic and tool industry may be one of the fastest to recover, although no one can predict what will happen in the next few months," says Filek. Much depends on our politicians and their financial support. In Poland, this support seems to be very inadequate, especially when compared to other EU countries.

How have Swedish actors been affected?

We received several new orders as early as April and have actually filled our order books considerably both at our Swedish and Danish units,"says Leif Fänegård, Marketing Manager for Formteknik Verktygs AB. The tools they manufacture go towards companies that produce medical devices and consumer packaging.

Of course, I have a concern that several utility companies will be forced to close again after the pandemic. This is a shrinking industry and has been so for many years, so there is a general concern, although it is going well for us. Our goal is to double our sales within five years, says Fänegård.

SAMEK TOOL AB has mainly customers in medical technology since the company chose to steer its production towards high-precision tools almost fifteen years ago.

"We have so far not had any decline in our order backlog, it has rather been strengthened," says Svante Hultén, CEO of Samek Tool AB. But if the situation we are in for a long time is too long, we will probably

also be affected. I hope the situation has made everyone understand the importance and value of having a strong domestic production, says Svante Hultén.

FORSHEDA STEEL TOOLS works both with tool trading towards China and has its own tool manufacturing in the house.

"Demand for the production of tools in the house has increased since January while trading has decreased," says Fredrik Fransson, CEO of Forsheda Stålverktyg. We do not undertake such large projects here in Forsheda, but we also work on modifications and repairs of tools, which has been good to lean on in these times. With regard to the future, he believes it will play a big role if the pandemic becomes persistent or if it soon starts to ring.

"If we do not overcome the epidemic and the situation remains the same in a year, I think everything will be a little less global and more local. I do not think that customers will stop buying utensils from China altogether, but possibly that market shares will be strengthened in Europe. It can actually take any turn, but decisive is probably how long the pandemic lasts," says Fredrik Fransson.

Imports from China will pick up again

The Chinese tool giant HongGao Precision Mold has since February started its tool production again. Mold Experts Sweden AB is the company's channel in Sweden. We have talked to the Swedish company's CEO, Olof Vistedt, who believes that the pandemic will affect the industry for a long time to come.

There is still concern about a second corona wave in China, which could hamper the desire that European companies want to buy tools from Asia in the short term. In such a situation, I think Portugal is the country that will do best while other countries in southern Europe will suffer hard, he says. But in the long term, he believes that imports from China will start rolling again. The tool capacity available in Europe today is not long enough. The market shares from China have previously been so large that these cannot be replaced, says Olof Vistedt.

The turmoil is strong

Many toolmakers state that they have not felt any major decline in their work. They are currently working at full capacity, but everyone is afraid of how it will develop in the coming months as new orders will not come in at the same rate anymore, says Ales Hancic, CEO of the Slovenian Tool and Die Development Centre TECOS, Slovenia.

The worst affected are the utility companies that deliver to the automotive industry, where the inflow of orders was low even before the pandemic. Sure, it would be nice if more companies chose to buy more tools from domestic companies in the future, but I think this is more of a wish. If the customer built their business model at low prices before the crisis, it must return to this even after the pandemic in order to remain competitive, Hancic says.

But even though Ales Hancic does not see any change in the short term, he still believes that there is evidence to suggest that some tool production will be moved home from China.

The standard of living in China is increasing and the wage situation is therefore not much lower than in Europe. Adding to that the costs of transport and the time needed for home delivery of the tools is not an impossibility that more and more customers will be thinking about, which would benefit the Slovenian and European tool industry, he says.