

In its second study on process technology trends, the VDMA Process Plant and Equipment Association confirms that the Chinese market is hugely significant to manufacturers of process machinery and equipment. The importance of Asian markets to manufacturers is only surpassed by the markets in Germany and Europe. Industry experts expect that Asia will move to the top of the list by 2010. Producers of process machinery and equipment are focusing on two countries in particular, namely India and China.

Market trends

The Chinese economy continues to perform well. Economic development, particularly in the coastal regions, is driving consumer demand which now mirrors consumer patterns in the industrialized nations. Demand for luxury goods continues to increase (the annual growth rate in the luxury goods sector is expected to be 20% through 2008 and 10% through 2015), and this is having a noticeable effect on the car sector, food, beverages, real estate, jewelry, etc. Consumers in China are becoming more discerning as demand for these goods rises.

Experts predict that the sales markets will continue to expand. Chemical and pharmaceutical producers will have to increase production capacity. Deutsche Bank expects that turnover of chemical products will rise at an annual rate of ten percent between now and 2015 compared to 3.5 percent in the US and 3 percent in Germany. This would make China the world's second largest producer of chemicals. Only US output would be higher. Chinese and international chemical companies will continue to expand production capacity in China.

However the planned expansion of capacity for a number of products is expected to result in overcapacity. The current five year plan (2006 – 2010) is designed to avoid misguided development which has occurred in the past (excess production as well as safety and environmental problems) in order to guarantee more sustainable develop-

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ment. Experts expect that the State Environmental Protection Agency (SEPA) will tighten up the approval process for chemical plants.

Sales opportunities for German producers in China

German engineering firms will only draw limited benefits from the construction boom in China. In order to survive in a highly competitive market, European companies which build production plants in China will have to be very cost efficient and comply with local safety and environmental standards. Domestic suppliers or engineering firms that have local production facilities are likely to get the orders for standard equipment, and good quality standard products are already available. Industrial gas is a typical example. There are already a number of local suppliers which can

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supply adequate air separation solutions and similar systems at attractive prices. The situation is different when it comes to highly complex systems and special designs. There is little or no opportunity to undercut German suppliers on tailored solutions (if the items are available at all). Process-critical equipment and solutions where protection of intellectual property is a priority will continue to be available only as imports.

The VDMA study also looks at the production of process machinery and equipment in China, automation technology, environmental standards and special aspects of the Chinese market. In addition, the study contains an analysis of business and engineering trends as seen by manufacturers and university faculty members. ■

The study was published by VDMA-Verlag in October 2006. www.vdma-verlag.de