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The business of boating

EUROPEAN ROUND-UP

Will trade wars and uncertainties spoil the party?

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BUILDING AN ICON

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Big cat demand and weak rand provide boost but systemic challenges remain Page 44

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association Sweboat, confirmed the robust market situation. “2019 looks surprisingly good. This comes after 2018, which was the third year in a row with growth and thanks to a fantastic summer 2018 ended with a 10% increase in volume. Some economic and political signals have made us cautious – but so far we note that expectations in the industry for 2019 are, as already said, surprisingly positive. Though, we need to be observant on reports coming regarding interest rates, employment figures, household surveys and other economic aspects,” he added.

“2019 looks surprisingly good. This comes after 2018... the third year in a row with growth thanks to a fantastic summer”

Swedish customers in general are particularly sensitive to shifting trends, and that could go some way to explaining the fluctuations in sales patterns in the boat market.

“Sailboat builders are still having a tough time – there remain a large range of attractive pre-owned boats for sale out there. Larger powerboats seem to be undergoing a revival, though at a modest level. It’s aluminium, ‘care-free’ boats that are dominating the Swedish market – vehicles for recreational activities, rather than the boat being the hobby itself,” says Eriksson.

Swedish regulators and authorities have a history of being proactive, especially where environmental matters are concerned.

Sweboat is predicting some challenges on the horizon. “A coming age limit on personal water craft can affect the demand, and all environmental requirements – often with regional differences – make the industry a little



▲ Sweboat’s CEO, Mats Eriksson

cautious at the moment. So does Brexit, Trump and other phenomena as well, of course,” Eriksson comments.

“One common challenge is that most need more workforce. Sweboat has therefore initiated a project named the ‘Boating industry’s integration project’ in order to offer immigrants and people newly arrived in Sweden to join our industry. Since we are out of people, we need to find them outside our box.” ■



▲ Local builder Sirena is doing well

The Turkish currency and debt crisis of 2018 had a significant effect on the country’s leisure marine market. The sharp devaluation of the lira – down at one stage by almost 30% against the US dollar – high inflation, rising interest rates and a slowdown in economic growth dragged Turkey into an official recession last year, one that it has only just climbed out of. A bitter and divisive general election is said to have worsened market confidence and the overall mood of buyers.

REAL GDP GROWTH (2018)	2.8%
REAL GDP GROWTH (2019 est)	-1.7%
NUMBER OF ADULTS	54.4 MILLION
NUMBER \$ MILLIONAIRES	54,000
BOAT PARK	95,000
CONSUMER CONFIDENCE	
(Change in index points Jun/Jul)	+1.8%
NEW CAR SALES	
(Change Jan-Jun ‘18/19)	-25.6%

Speaking on behalf of Turkish industry association Dentur, Deniz Özçakır of Trio Deniz, one of the county’s leading boat dealerships, told *IBI* that the silver lining is in the Turkish superyacht market, which remains solid.

“UHNWIs are not distracted by a ‘negative’ economy, as megayachts are a long-term project in which buyers invest a lot of time on preparation and selection, and wait even longer to take delivery.

“We’re also seeing a rise in demand for outboard boats, mainly from 8m and up

with high horsepower engines,” Özçakır claims. “Most of the buyers are first-time owners, so it is very positive for the future growth of the marine market in Turkey, as they will most likely want to upgrade to bigger boats in years to come.”

Cruising in comfort, more living space, brand reliability, and dealer reliability in terms of aftersales service are increasingly sought after, he says.

But the industry is definitely less positive than it was at this time last year, Özçakır maintains. “Some pockets of the market are still doing well and we need to focus on these.”

Turkish builders have always produced yachts for the European and North American markets – two regions where the economy is strong. Furthermore, some US brands are looking for alternatives to China in terms of building their products. Turkey, with its highly-developed boatbuilding infrastructure, offers a good solution.

But a depreciating lira against the euro is causing some upheaval on the ➔

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domestic market. “The buying power of the middle and upper-middle classes in Turkey has been significantly reduced,” says Özçakır. “We’ve seen a shrinkage in the 30ft-50ft motoryacht and sailboat markets, which are preferred by these buyer groups.

“Due to our deteriorating economy, the cost of financing went up significantly and credit became less available, which hit the upper-middle class buyer who was

accustomed to reasonable interest rates and easy credit for boat purchases over the last 7-8 years.

“A government regulation that banned financing in foreign currency for individuals, which is much cheaper than lira financing, has also negatively impacted those who were financially capable to do so but not allowed to anymore.”

But there is still room for optimism, Özçakır maintains. “The Turkish economy



▲ Dentur's Deniz Özçakır

traditionally tends to bounce back quickly after a recession, which creates new opportunities.” ■



▲ Southampton remains a key show

REAL GDP GROWTH (2018) 1.4%
REAL GDP GROWTH (2019 est) 1.3%
NUMBER OF ADULTS 50.9 MILLION
NUMBER \$ MILLIONAIRES 2.43 MILLION
BOAT PARK 550,000
CONSUMER CONFIDENCE
(Change in index points Jun/Jul) -1.1%
NEW CAR SALES
(Change Jan-Jun '18/19) -3.4%



◀ British Marine's CEO, Lesley Robinson

“In 2018 leisure marine exports surpassed £1bn for the first time since 2013, representing an impressive increase of 16% compared to the previous year,” British Marine CEO Lesley Robinson told *IBI*. “We can attribute this increase to the strong global economic growth during 2018 and notably the weakened sterling (as a consequence of Brexit) making British products more price competitive compared to international rivals.”

But with the proposed EU exit deadline looming, the future health of the industry is not guaranteed. Business confidence among marine firms and consumer confidence in the UK are both on the decline. “Business confidence within the industry relies on consumer confidence and if this uncertainty continues, the industry will pay the price,” Robinson warns. “After all, leisure activities are almost always the first thing consumers cut down on during tougher times.”

While marine tourism had some small growth at the end of 2018 – principally in overseas charter and inland hire – the UK's domestic market is flat with new and used boat sales having declined over the last year. This is in part due to low consumer confidence and a shrinking customer base.

“The eurozone and wider EU remains a fundamental market for the sector, accounting for half of all industry exports,

and therefore a strong, frictionless trade agreement with them post-Brexit is crucial,” says Robinson, adding that the US is fast becoming an increasingly important trading partner for British companies, accounting for a quarter of British exports.

“The continued uncertainty is a significant barrier to growth, impacting business investment and consumer confidence,” Robinson maintains. “The skills shortages across sectors are also having an impact, making it difficult to compete and maintain service levels. Looking ahead, leaving the EU would put an increased strain on the supply chain and further increase this critical skills shortage.

“Marine businesses also suffer from the traditional challenges to small and medium sized enterprises (SMEs) in terms of financial resources for marketing, research and development,” she adds. “This has become more acute in recent years with rising inflation and increased costs from overheads to materials and labour.”

While the mood amongst UK marine firms is relatively positive, Robinson says they are less optimistic today than they were a year ago. Political uncertainty, lower consumer confidence, reduced sales and challenging trading conditions all have their part to play.

“Brexit is one of the biggest challenges the market faces now and in the future,” says Robinson. “Whilst a weakened pound has provided much needed support to industry exports, this has been at the expense of the UK's domestic boating market which has become reliant on the regular spending of existing boat owners.” ■

The British leisure marine market celebrated its seventh consecutive year of growth in 2018, with a 1.7% year-on-year increase with revenues of £3.17bn. A weak pound helped boost exports, while local tourism benefitted from a greater number of Brits deciding to holiday at home.

According to industry association British Marine, more than half of the increased revenue last year is attributed to the production of large motoryachts over 12m in length, a large proportion of which was exported. This segment supports much of the industry supply chain.



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