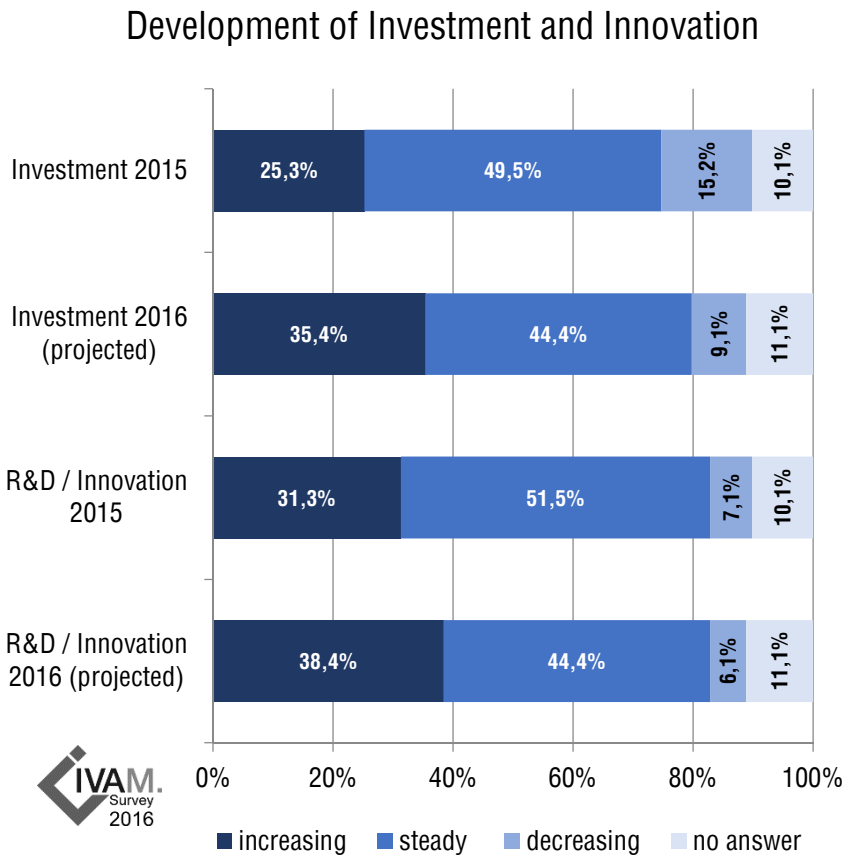
Microtechnology industry keen to invest and innovate

In spite of the continued low level of investment in Europe, the microtechnology industry is rather keen to invest and innovate. According to the IVAM Survey, more than a third of all European microtechnology companies intend to increase investments and intensify R&D efforts in 2016. Altogether, the business situation of the European microtechnology industry has continuously improved since 2012. However, the lack of cohesion in the EU and the special status of some European countries slow down the innovativeness of the European high-tech industry.

The European Commission complains that the level of investment in Europe is still 15 percent below the level of 2007, the period before the financial and economic crisis. The Juncker investment plan, which was installed in early 2015, is supposed to overcome the investment backlog. As the European Commission announced in early 2016, only 7.5 billion have been drawn from the European Fund for Strategic Investments (EFSI) with its total deposits of 315 billion euros in 2015. The Juncker plan is supposed to have a stronger impact in 2016, since a large part of 2015 was needed to create the necessary structural conditions.

The European Central Bank's step to cut the main interest rate down to 0.0 percent and the deposit rate for dormant bank deposits to -0.4 percent in March 2016 is also supposed to increase investment. Banks are meant to part from their unprofitable deposits and provide industry loans and enable businesses to invest. However, the continuously falling interest rates should have had this same effect all along.



According to the annual economic data survey of the IVAM Microtechnology Network, the microtechnology industry is rather keen to invest and innovate.

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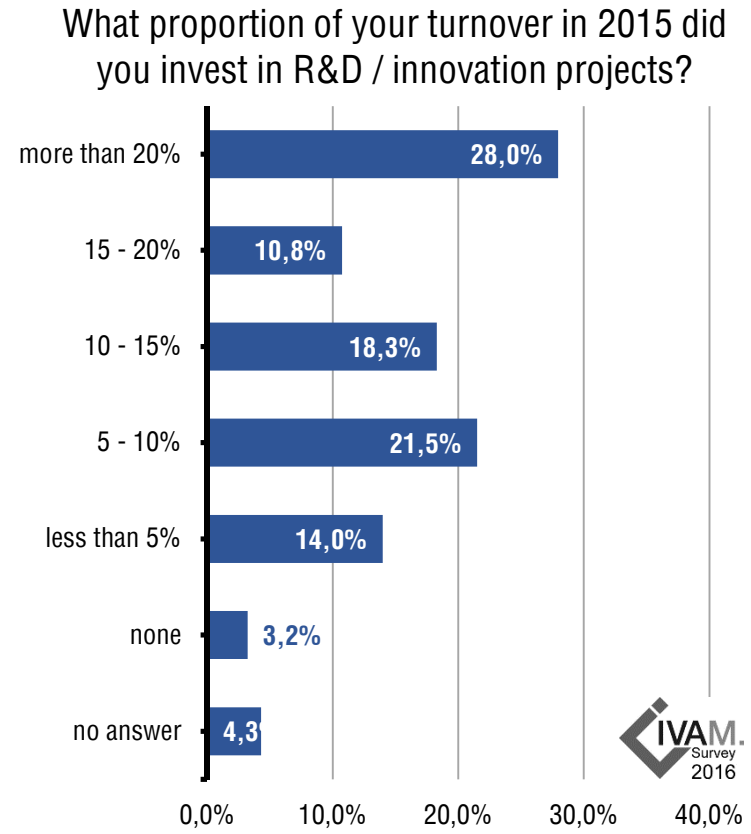
35.5% of companies want to invest more in 2016 – approximately 10 percent more than the year before (35.4%). 38.4% of companies intend to increase R&D and innovation in 2016 – 7 percent more than in 2015 (31.3%).

Microtechnology industry invests a lot of own revenue



Instead of relying on the effects of European monetary policy and easier loans, the microtechnology industry invests a lot of its own revenue. In 2015, 28 percent of companies have invested more than 20 percent of their turnover in research and development. The "EU Industrial R&D and Investment Scoreboard" of the European Commission assesses an R&D intensity of more than 10 percent as exceptionally high and has determined an R&D intensity of just over ten and six percent for Bosch and Siemens respectively.

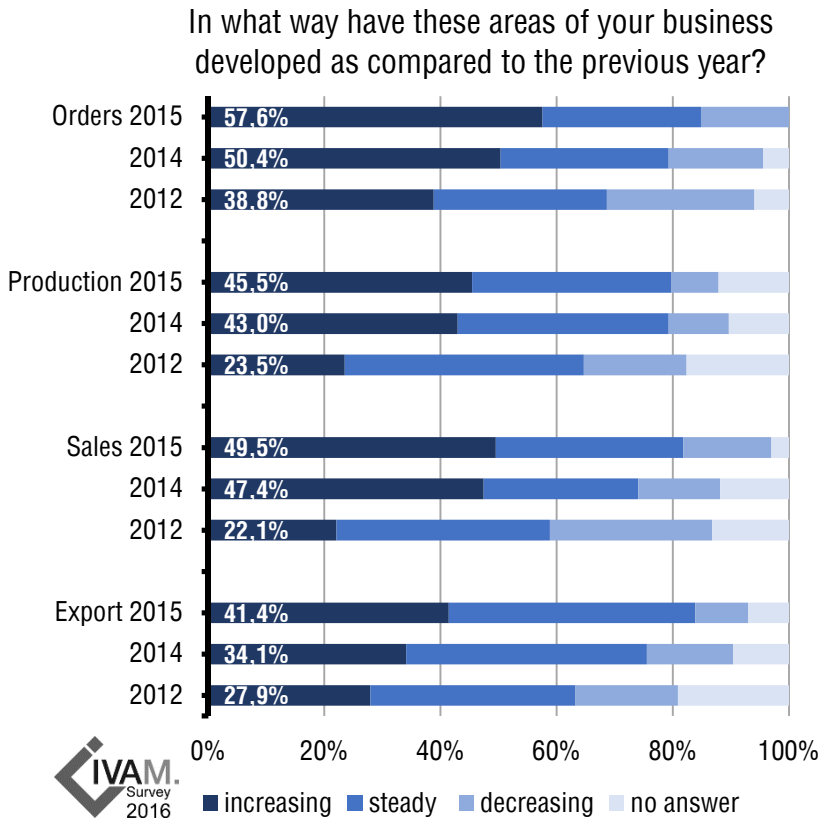
This leaves the microtechnology companies with few resources to invest in marketing and personnel development, both areas in which they have invested quite a low share of their revenue in 2015.

E-mobility drives innovation in Germany

In Germany the new energy policy and the demand for new drive concepts for electric mobility have obviously given a boost to innovation and created new business opportunities in the supplying industry. While in the rest of Europe the medical technology and healthcare industry continues to be the major target market for the highest percentage of companies, in Germany the automotive industry has now clearly outrun medical technology as top target market.

In addition to electric mobility, other trends such as autonomous driving and connectivity are likely to have contributed to this trend.

Continued upward tendency in the European microtechnology industry



In the past years, the business situation of the European microtechnology industry has continuously improved. The proportion of companies that were able to improve their business as compared to the year before has kept rising since 2012.

Increases are very obvious especially in the areas orders, production, sales and export.

For 2016, the European microtechnology companies predict further improvement. In particular, they intend to increase production and export.

Lack of cohesion in Europe slows down innovation

What slows down the innovativeness of the European high-tech industry are the lack of cohesion in the EU and the special status of some European countries. The partly associated status within the EU framework program Horizon 2020 to which the EU has downgraded Switzerland after the referendum on the mass immigration initiative in February 2014 negatively affects the R&D performance of high-tech companies and institutes throughout Europe, since joint research activities and projects are hampered. With its expertise in precision technologies, Switzerland is an important partner for joint research and development in microtechnology. The industry representatives fear further disadvantages for cooperation, innovation and, ultimately, the competitiveness of the European microtechnology industry, if the majority of the population of Great Britain opted for the country's withdrawal from the EU in the referendum in June 2016.

IVAM Survey

The IVAM Microtechnology Network collects economic data of the microtechnology, MEMS, nanotechnology, advanced materials and optical/photonics industries once a year. In February 2016, more than 3,000 companies and research institutes in Europe have been asked about their economic situation and business strategy, the possible exit of Great Britain from the European Union, and the status of Switzerland in Europe. Information: www.ivam.de/research

