

CECIMO Statistical Toolbox

October 2015



cecimo
European Association of
the Machine Tool Industries

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Glossary

The items in grey are not available in this edition of the Statistical Toolbox.

Introduction

From 5 to 10 October 2015, the machine tool industry gathered in the beautiful city of Milan to attend the EMO Milano exhibition. About 1600 companies presented their latest technology on 120,000 square meters of exhibition area, and the metalworking world was shown from every angle, including breakthrough technologies like additive manufacturing. Over 155,000 people visited the exhibition, and they depict well the European machine tool industry's global dimension: 51% of the visitors came from outside Italy. The foreign visitors came from 120 countries including Germany, Switzerland, Japan, France, Turkey, China and Taiwan.

While Italy showed the future of manufacturing, on the other side of the Atlantic the International Monetary Fund presented the World Economic Outlook. We can conclude that economic players, including the machine tool industry, have to keep in mind three forces shaping the future. The first is China's transition from export- and investment-led growth and manufacturing, towards consumption and services. This will have implications for China's and its trade partners' growth. Secondly, the fall in commodity prices that resulted from declining demand. Thirdly, the United States' monetary policy is likely to change soon, given that their favourable output and price performance could soon justify an interest-rate increase. These developments make the global growth subdued and uneven with higher downside risks for the near future.

Global growth is expected to reach 3.1% in 2015, which is slightly lower than in 2014. Global activity is forecasted to gather some pace in 2016 and grow 3.6%. In advanced economies, the modest recovery that started in 2014 will strengthen further to 2.2% in 2016. In emerging markets and developing economies, countries that were in economic distress in 2015, like Brazil and Russia, are back on track, which is expected to offset the gradual slowdown in China. Developing countries are forecasted to grow 4.5% in 2016.

The European economy is recovering but still, in the next 10 years, 90% of the global growth will happen outside Europe's borders. The European machine tool industry is well aware of this fact and exports about 40% of its production outside Europe. The innovative companies leading internationally generate a highly positive trade balance with the rest of the world. Keeping in mind the global success of our sector, CECIMO welcomes the European Commission's new trade and investment strategy for the European Union, entitled 'Trade for All: Towards a more responsible trade and investment policy'.

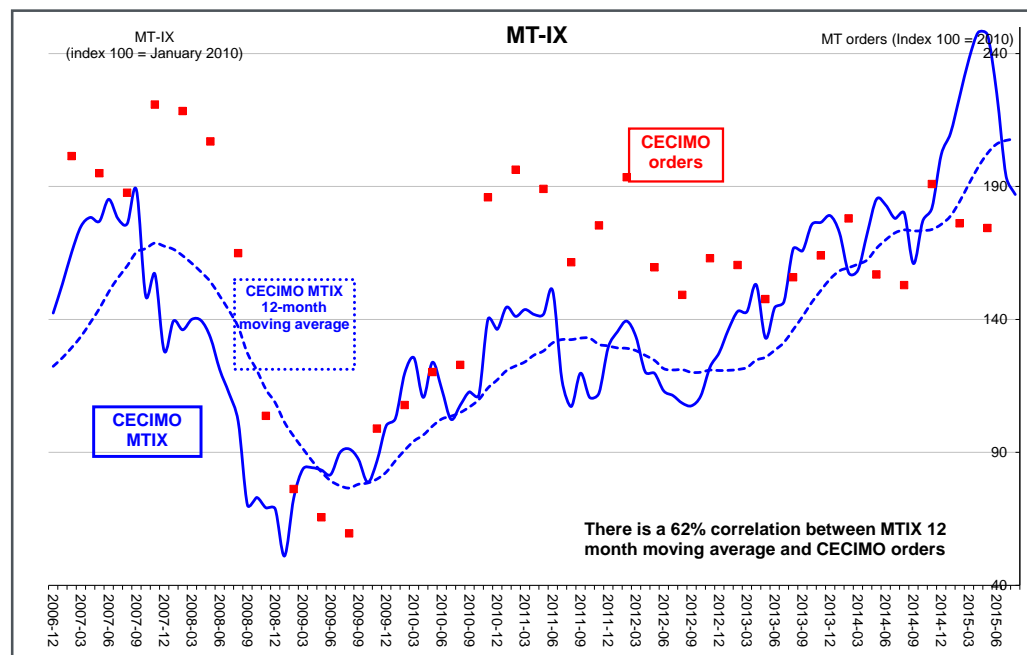
European machine tool builders export to 200 countries. It is quite obvious that this spectrum cannot be covered with free trade agreements coming from individual governments. Therefore, CECIMO supports the multilateral trade arrangements like the WTO agreements and we are glad to notice that the EC prioritises the Doha Round of WTO among several trade topics. Even if multilateral talks deliver less spectacular trade liberalisation than some FTAs, they have important effects for the SME-dominated machine tool industry because of the number of countries involved.

1. Data specific to the European machine tool market

▼ 1.3 MT-IX ⁱ

In September, the MT-IX decreased of 3.6%. The index lost 7 points compared to August's value, and posted at 187 points in September 2015.

The market value of machine tool companies decreased in Brazil, Japan, Switzerland and the United Kingdom. In the United States and euro area, the market capitalisation of machine tool companies booked more varied results. The market capitalisation of companies increased in South-Korea and Taiwan.



▲ 1.4 CECIMO trade

In the second quarter of 2015, CECIMO exports increased of 1% to 4.5 billion euro, supported by the improving economic growth in developed countries. Exports to Europe and the Americas recorded a solid growth of 15% and 16% respectively. Europe is the most important market for European machine tool builders and because business confidence is gradually recovering, this importance is increasing even further: the share of machine tools shipped to Europe grew from 45% to 51% while the machine tool exports to Asia and the CIS declined 19% and 37%.

The most important single export markets of CECIMO remain the same: China, the United States and Russia. The Asian region is strongly affected by the economic transition in China: CECIMO's exports to China decreased 27% to 709 million euro in the second quarter of 2015. European machine tool builders exported 19% more machines (in value of 467million euro) to the United States. Despite some recent appreciation, the euro's exchange rate remains at low levels. This forecasts for the second half of 2015 a good performance for the export flows.

The firm European consumption drove CECIMO imports to increase by 14% to 2.4 billion euros in the second quarter of 2015. CECIMO imports originate from Europe or Asia in a proportion of 93%. CECIMO imports from Europe reached to 1.6 billion euro, gaining 13%. Imports from Asia rose 16% to 0.7 billion euro. The main suppliers to European industry outside the EU are Japan, Taiwan and China.

EXPORTS

Zone	2Q2015	2Q2014	2Q2015/ 2Q2014	Share 2Q2015	Share 2Q2014
I. ASIA	1 055 574	1 307 905	-19%	23%	29%
II. AMERICAS	719 736	620 581	16%	16%	14%
III. EUROPE	2 315 352	2 010 203	15%	51%	45%
CECIMO	1 841 153	1 617 025	14%		
non CECIMO	474 199	393 178	21%		
IV. Russia + CIS	195 951	309 483	-37%	4%	7%
V. OTHERS	241 129	213 973	13%	5%	5%
TOTAL EXPORTS	4 527 742	4 462 145	1%		

IMPORTS

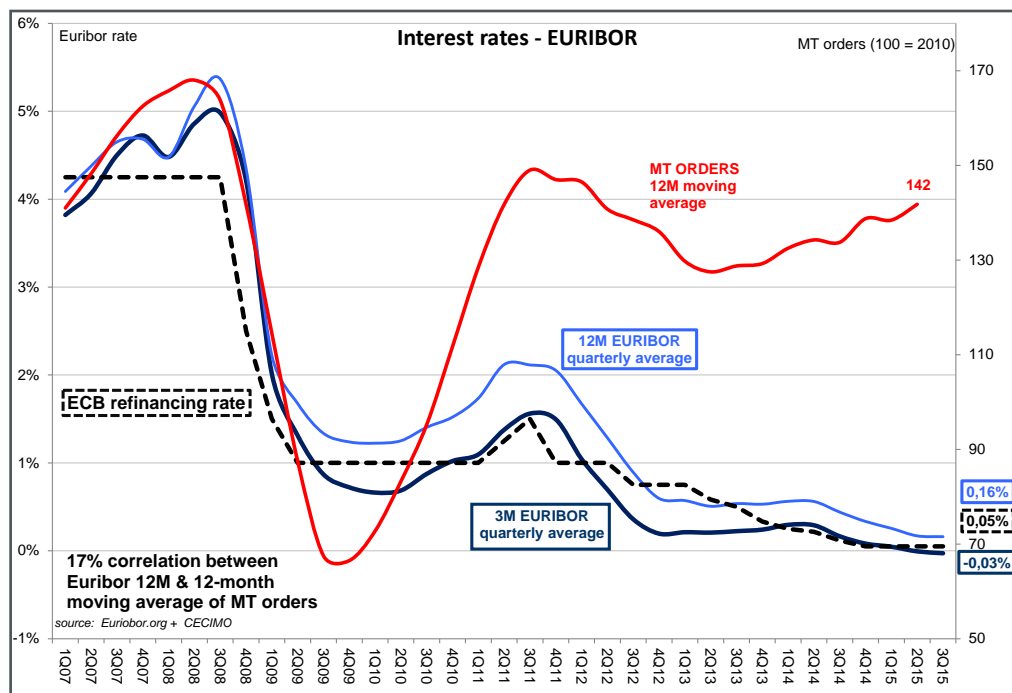
Zone	2Q2015	2Q2014	2Q2015/ 2Q2014	Share 2Q2015	Share 2Q2014
I. ASIA	690 084	596 462	16%	28%	28%
II. AMERICAS	145 643	120 337	21%	6%	6%
III. EUROPE	1 590 293	1 407 438	13%	65%	66%
CECIMO	1 526 982	1 346 594	13%		
non CECIMO	63 311	60 844	4%		
IV. Russia + CIS	3 421	3 640	-6%	0%	0%
V. OTHERS	11 913	9 181	30%	0%	0%
TOTAL IMPORTS	2 441 354	2 137 058	14%		

2. Macroeconomic data in relation with machine tool orders

▼ 2.2 Interest rates – EURIBOR [ⓘ]

The average 3-month Euribor and 12-month Euribor recorded respectively -0.04% and 0.15% in September. Compared to August, the average 3-month and 12-month Euribor decreased both by 1 percentage point. The European Central Bank has kept its key interest rates unchanged already for a year.

Despite the continuous expansionary monetary policies the euro area, the real GDP increased by 0.3% in the second quarter of 2015, less than previously expected. Overall, the economic recovery is continuing but the slowdown in emerging market economies slows down the pace. The more modest pace in the economy also brings down the price levels. The euro area annual inflation was -0.1% in September 2015, down from 0.1% in August and 0.2% in July.



▼ 2.3 Industrial production index i

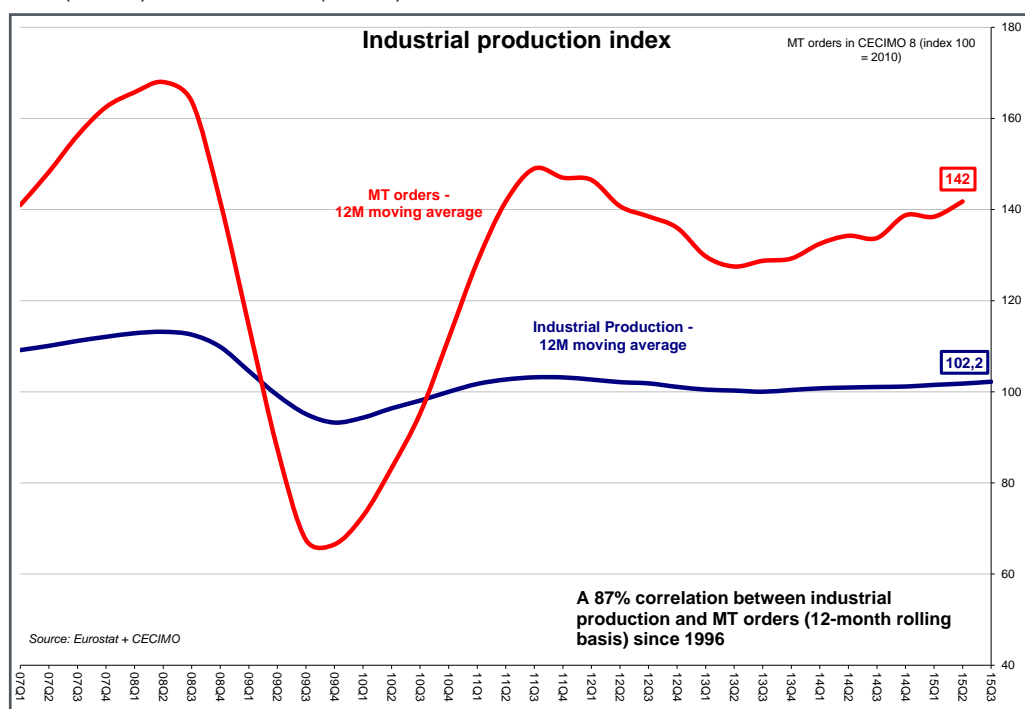
In August 2015 compared with July 2015, the seasonally adjusted industrial production fell by 0.5% in the euro area and by 0.3% in the EU28, according to estimates from Eurostat, the statistical office of the European Union. In July 2015, industrial production rose by 0.8% and 0.4% respectively.

The decrease in industrial production in the euro area is due to the production of energy falling by 3.0%, the production of capital goods by 1.0% and the production of non-durable consumer goods by 0.1%, while the production of production of intermediate goods rose by 0.2% and the production of durable consumer goods by 2.3%. In the EU28, the decrease is due to the production of energy falling by 1.2%, the production of capital goods by 0.3% and the production of nondurable consumer goods by 0.1%, while the production of intermediate goods remained stable and the production of durable consumer goods rose by 1.3%.

Among Member States for which data are available, the highest increases in industrial production were registered in Sweden (+4.0%), Greece (+3.9%), Denmark and France (both +1.6%), and the largest decreases in the Czech Republic (-4.3%), Croatia (-4.1%) and Lithuania (-3.5%), and the.

In August 2015 compared with August 2014, industrial production increased by 0.9% in the euro area and by 1.9% in the EU28. The increase in the euro area is due to the production of durable consumer goods rising by 4.5%, the production of capital goods by 2.8% and the production of non-durable consumer goods by 0.9%, while the production of intermediate goods fell by 0.6% and the production of energy by 1.6%. In the EU28, the increase is due to the production of durable consumer goods rising by 3.6%, the production of capital goods by 3.1%, the production of energy by 1.8%, the production of non-durable consumer goods by 1.1% and the production of intermediate goods by 0.2%.

In yearly comparison among Member States for which data are available, the highest increases in industrial production were registered in Ireland (+15.0%), Malta (+9.3%), Latvia (+6.4%), the Czech Republic and Sweden (both +6.3%). Decreases were observed in the Netherlands (-8.9%), Estonia (-2.7%), Finland (-2.3%) and Slovakia (-0.4%).

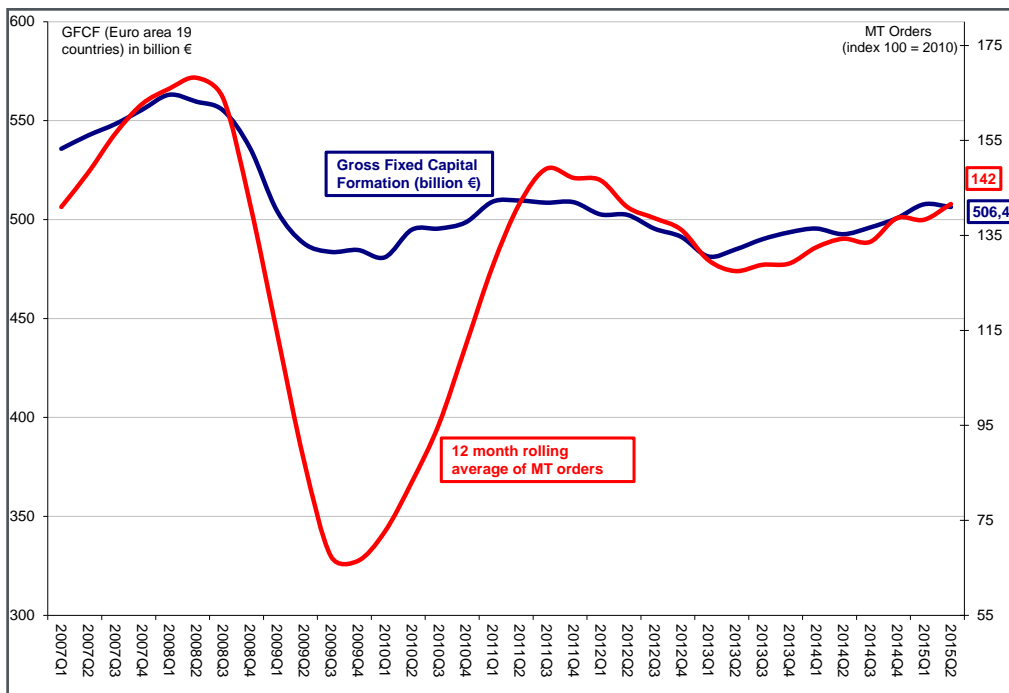


▼ 2.4 GFCF

The gross fixed capital formation (GFCF) declined by 0.5% in the euro area and by 0.1% in the EU28 during the second quarter of 2015 compared with the previous quarter, according to a second estimate published by Eurostat. In the first quarter of 2015, GFCF grew by 1.4% in both areas. Compared with the same quarter of the previous year, the GFCF rose by 1.9% in the euro area and by 2.6% in the EU28 in the second quarter of 2015, after increases of 1.8% and 2.6% respectively in the previous quarter.

Among Member States for which data are available, the highest growth compared with the previous quarter was recorded in the Czech Republic (+4.8%), Lithuania (+4.5%), Malta (+4.2%), followed by Romania (+3.8%), the Netherlands (+3.2%) and Spain (+2.0%). The biggest decreases were registered in Greece (-10.6%), Belgium (-9.6%) and Slovenia (-1.6%).

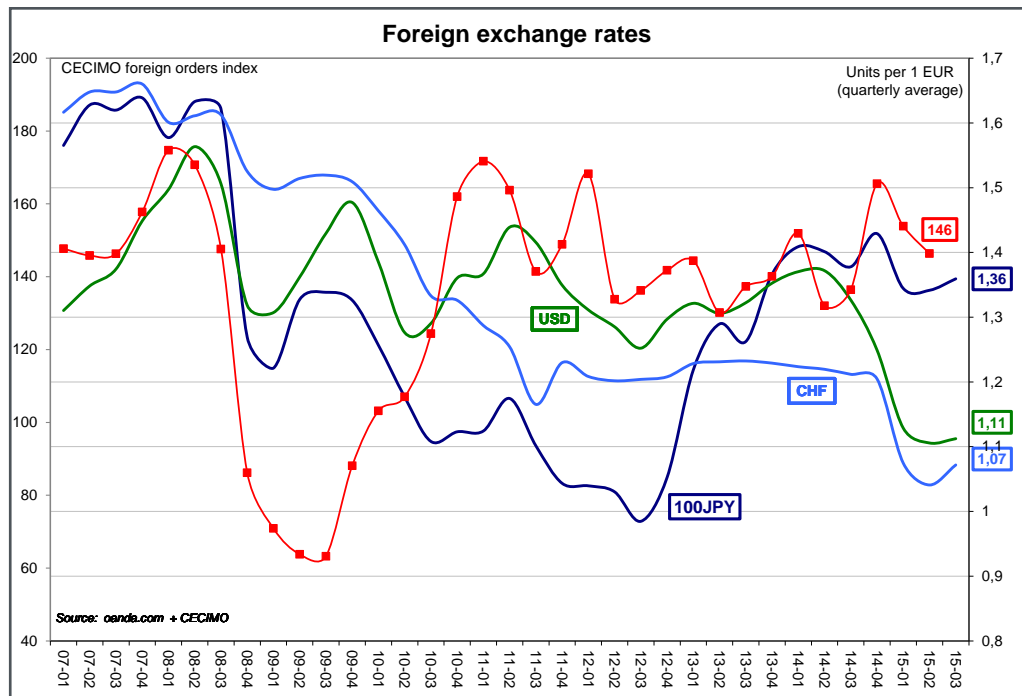
During the second quarter of 2015, GFCF in the United States increased by 1.5% compared with the previous quarter (after +0.4% in the first quarter of 2015). In Japan the GFCF gained 0.2% (after 1.6% in the first quarter of 2015). Compared with the same quarter of the previous year, GFCF grew by 4.1% (after +4.1% in the previous quarter) in the United States. The Japanese GFCF increased 1.1% in the second quarter after decline of 3.3% in the previous quarter.



▲ 2.7 Foreign exchange rates

In September, the euro exchange rate continued strengthening. The nominal effective exchange rate of the euro, as measured against the currencies of 19 of the euro area's most important trading partners, stood in September 0.8% above August's but 6.1% below its level one year earlier.

On bilateral level, the picture is more diverse. The average euro exchange rate appreciated against the US dollar by 1.0% and against the Swiss franc by 1.4%. The euro depreciated against the Japanese yen by 1.5% in August compared to the previous month.

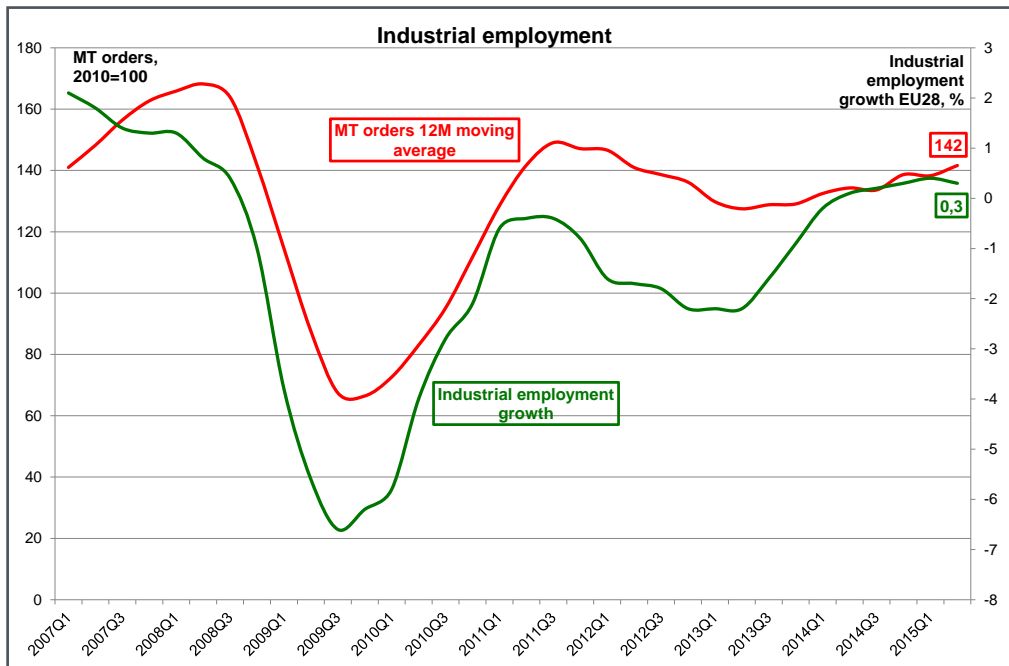


▲ 2.8 Industrial employment

The number of persons employed increased by 0.3% in the euro area and by 0.2% in the EU28 in the second quarter of 2015 compared with the previous quarter, according to national accounts estimates published by Eurostat. In the first quarter of 2015, employment increased by 0.2% in the euro area and 0.3% in the EU28. These figures are seasonally adjusted.

Compared with the same quarter of the previous year, employment increased by 0.8% in the euro area and by 0.9% in the EU28 in the second quarter of 2015 (after +0.8% and +1.0% respectively in the first quarter of 2015). Eurostat estimates that, in the second quarter of 2015, 228.8 million men and women were employed in the EU28, of which 151.0 million were in the euro area.

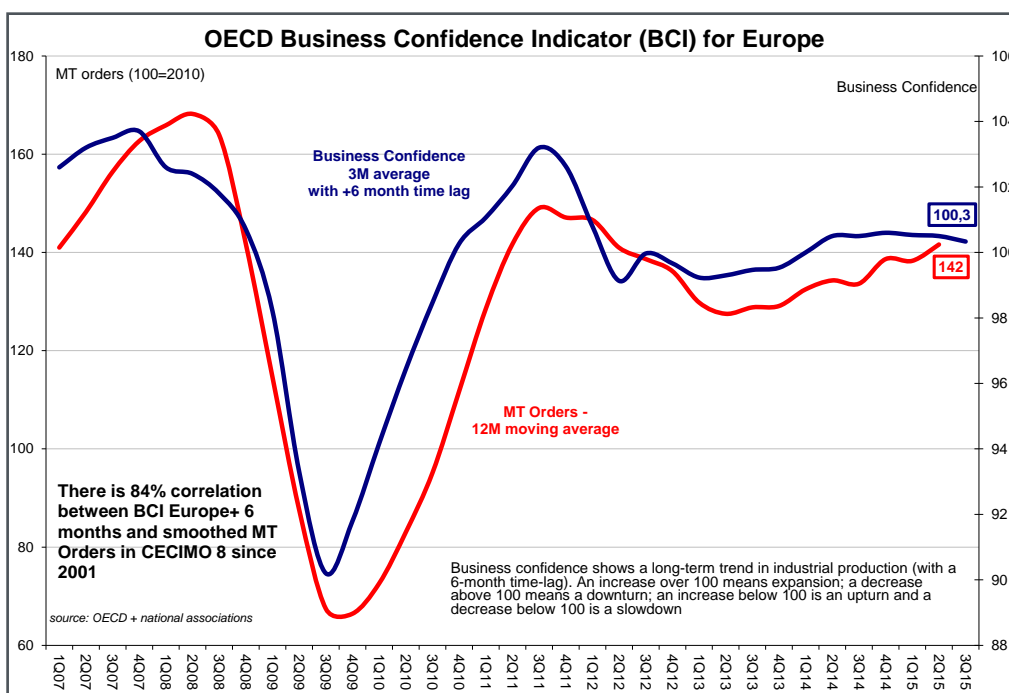
Portugal (+1.3%) and Greece (+1.2%) recorded the highest increases in the second quarter of 2015 compared with the previous quarter, followed by Ireland and Spain (both +0.9%), Estonia (+0.8%), Luxembourg and Slovakia (both +0.7%). Decreases were recorded in Finland (-0.3%), the United Kingdom (-0.2%), Bulgaria and Lithuania (both -0.1%).



2.9 OECD Business Confidence Indicator (BCI) for Europe ⁱ

Business confidence indicators (BCIs), designed to anticipate turning points in economic activity relative to trend, show signs of a moderating growth outlook in most major economies. The BCI for the OECD area as a whole points to growth easing, with a loss of growth momentum anticipated in the United Kingdom and the United States, albeit from relatively high levels. The BCI for Japan points to stable growth above the long term trend.

In Italy, Spain and in broader Europe, a stable growth momentum is anticipated. In Germany, France and the euro area as a whole, the BCI points to firming growth. Among the major emerging economies, BCIs continue to point to a loss of growth momentum in China and Brazil where the growth remains below the long term trend. A stable growth momentum is also expected in India and growth is firming in Russia.

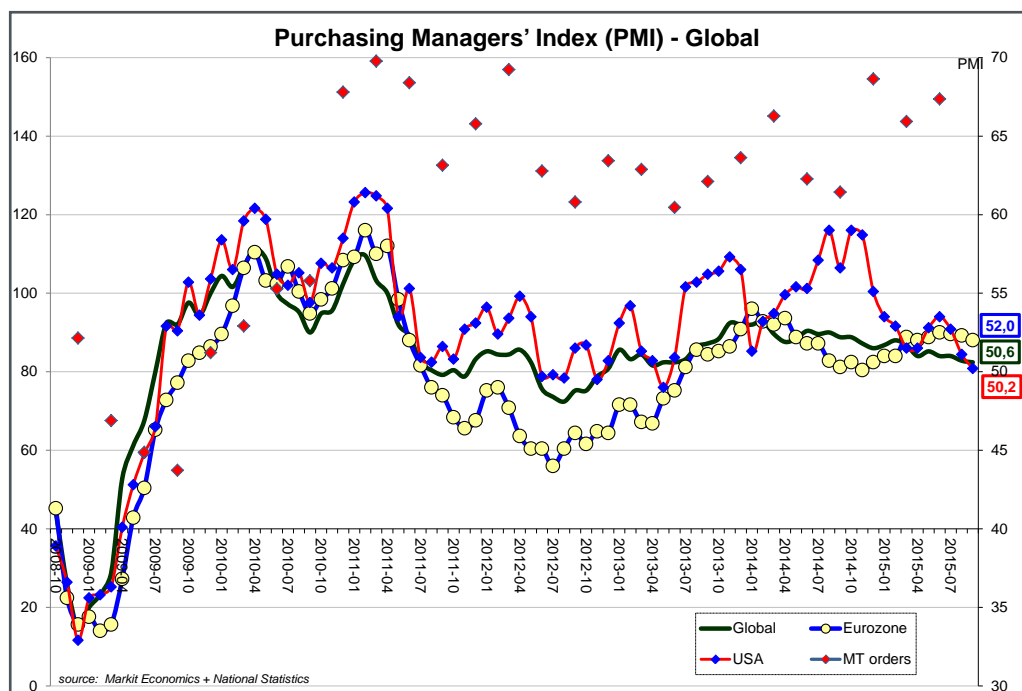


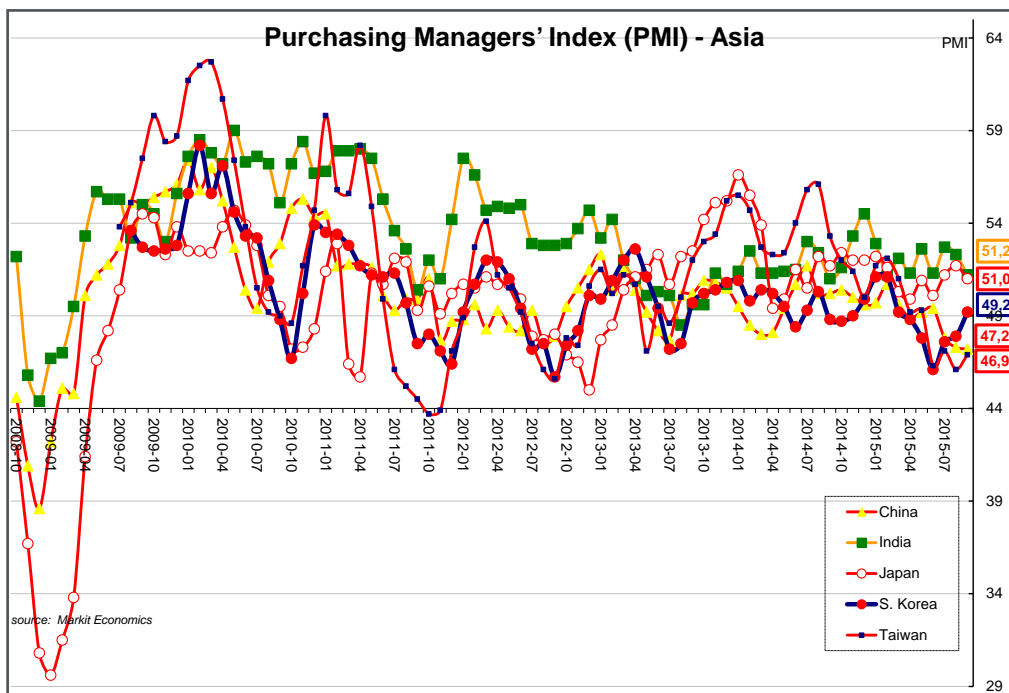
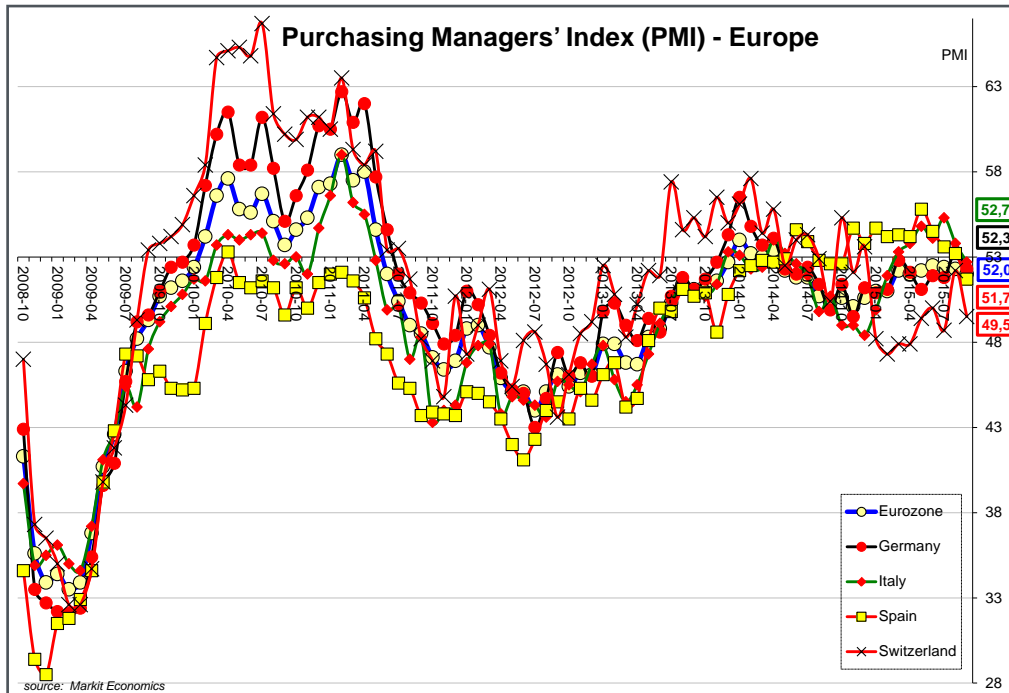
▼ 2.10 Purchasing Managers' Index (PMI) [ⓘ]

The world manufacturing growth lost its momentum in September, with China's factory output shrinking again, and with the euro area and the United States manufacturing growth slowing. Global PMI posted at 50.6 in September, down from 50.7 in August but remaining above the 50-mark separating expansion from contraction. China's PMI slipped to 47.2 in September, the lowest reading since March 2009. American manufacturing struggles with the rising dollar, weak demand in global markets, a downturn in business investment and financial market volatility. The manufacturing activity's pace slowed to 50.2 in September and remains at its lowest level since May 2013. The Japanese manufacturing activity expanded at a slower pace as new export orders tumbled the most in almost three years, the final PMI recorded 51.0.

The euro area PMI data showed that manufacturing output weakened slightly in September. The final PMI recorded 52.0, down from August's 52.3. The German PMI fell to 52.3 from 53.3 the previous month. Still, manufacturers kept the economy on a solid growth track supported by the consumer goods producers' strong output and rising new orders. French manufacturing grew faster than in August reaching to 50.6. Both Italian manufacturing output and new orders increased, but the increase rates slowed and the PMI posted 52.7. Outside the euro area, British factory growth lost steam and shed jobs for the first time since 2013.

“Despite unprecedented central bank stimulus and substantial currency depreciation, the eurozone manufacturing sector is failing to achieve significant growth momentum and even risks stalling again. The pace of expansion has been range-bound since the uplift following the start of QE earlier in the year, remaining disappointingly modest and even slipping to a five-month low in September. The manufacturing sector is likely to provide only a minor boost to the overall economy in the third quarter, restraining GDP growth to around 0.4%. Export orders rose at a slower rate in September, in part reflecting weaker demand from emerging markets, with the darkening global economic picture dampening business optimism and causing companies to pull-back on their hiring plans. With prices charged by manufacturers falling at the fastest rate in seven months amid a rapid descent in input prices, deflation worries will intensify and put pressure on the ECB to act more aggressively,” commented Markit.





Glossary

1.3 MT-IX

MTIX is an index based on the capitalization of 23 leading, publicly listed machine tool producing companies. The capitalization of the companies included is weighted by the share of machine tool turnover in total revenues. The total capitalization calculated in that way is weighted then by an estimated share of the European companies in the world total output in 2010.

2.2 Interest rates - Euribor

Euribor® (Euro Interbank Offered Rate) is the rate at which euro interbank term deposits are being offered by one prime bank to another within the EMU zone.
<http://www.euribor-ebf.eu/>

2.3 Industrial production index

The objective of the production index is to measure changes in the volume of output at close and regular intervals, normally monthly. It provides a measure of the volume trend in value added over a given reference period. The production index is a theoretical measure that must be approximated by practical measures. Value added at basic prices can be calculated from turnover (excluding VAT and other similar deductible taxes directly linked to turnover), plus capitalised production, plus other operating income plus or minus the changes in stocks, minus the purchases of goods and services, minus taxes on products which are linked to turnover but not deductible plus any subsidies on products received. The division of production in construction between building construction and civil engineering is based on the classification of types of construction (CC). Statistical population: Production: sections B, C, D of NACE (D353 excluded); Base period: Year 2010 = 100.
http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/is_esms.htm

2.9 OECD Business Confidence Indicator (BCI) for Europe

The Composite leading indicators (CLI), which BCI is part of, comprises a set of component series selected from a wide range of key short-term economic indicators to ensure that the indicators will still be suitable when changes in economic structures occur in future. While theory says that a turning point in the CLI signals a turning point in the reference series, such turning points, in reality, are determined by a complicated process. Therefore, one often needs to wait for several periods to draw a more definite conclusion. A useful way to exploit the information in CLIs is to take their year-on-year growth rate.

The standardised BCIs represent only the manufacturing sector. BCI shows a long-term trend in industrial production (with a 6-month time-lag). An increase over 100 means expansion; a decrease above 100 means a downturn; an increase below 100 is an upturn and a decrease below 100 is a slowdown.

<http://stats.oecd.org/mei/default.asp?lang=e&subject=5>

2.10 Purchasing Managers' Index (PMI)

The Global Report on Manufacturing is compiled by Markit based on the results of surveys covering 9,000 purchasing executives in 30 countries. Together these countries account for an estimated 86% of global manufacturing output. Questions are asked about real events and are not opinion based. Data are presented in the form of diffusion indices, where an index reading above 50.0 indicates an increase in the variable since the previous month and below 50.0 a decrease.

<http://www.markiteconomics.com/Survey/Page.mvc/AboutPMIData>

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