European Association of the Machine Tool Industries
Where manufacturing begins

CECIMO Statistical Toolbox

February 2015 Edition

In this edition:

NB: only the highlighted indicators are available in this edition of the toolbox

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Introduction

(Glossary at the end of the document)

The Transatlantic Trade and Investment Partnership (TTIP)'s 8th round of negotiations were held in Brussels in February. The Commissioner First name Malmström and her counterpart, US Trade? Ambassador Michael Froman had already agreed on a political direction for these negotiations as well as the need to intensify the talks and make as much progress as possible in 2015. Therefore this last round focused on almost all chapters of TTIP.

TTIP's negotiators aim for an ambitious and comprehensive agreement, it is fundamentally different from other classical trade negotiations. As a milestone in trade talks, the EU presented a draft text outlining ways to encourage the regulators' future cooperation and work coordination. The proposal also includes good regulatory practices (for example: impact assessment, stakeholder consultations) that are important values in both regulatory systems. European officials have stressed that no trade-offs will be made on grounds of consumer, health, labour or environmental protection standards.

In the next rounds, discussions will continue to identify the concrete outcomes that could be achieved with the TTIP in each of the nine sectors. European machine tool industry is covered with the chapter on engineering that includes both electrical and mechanical engineering industries. The SME-dominated sector can clearly profit form regulatory convergence and transparent rules. Overcoming information asymmetries and the need to adapt their products can be resources-intensive that SMEs can be discouraged to engage in transatlantic trade. Therefore, regulatory coherence combined with a free US online helpdesk, where smaller firms find all the information they need for their business transactions in the US, would bring European machine tool trade to the new level.

The TTIP, by addressing non-tariff barriers, will have highly positive impact on economic growth on both sides of the Atlantic. And this is badly needed because, according to the latest economic outlook of the European Commission, the EU economy as a whole should rise by 1.7% and the euro area by 1.3% in 2015. In 2016, annual growth should reach 2.1% and 1.9% respectively, on the back of strengthened domestic and foreign demand, very accommodative monetary policy and a broadly neutral fiscal stance.

Uncertainty, the economic outlook and high public and private debt in parts of the EU hold back investments. That is why President Juncker made the Investment Plan for Europe, that mobilises 315 billion euro in private and public investment, his first priority. Now, based on the decision by the Board of Governors of the European Investment Bank (EIB), SMEs across Europe should be able to start benefiting from the first funds. This first step will be followed by a broader European Fund for Strategic Investments that should be running by September 2015.

2.2 Interest rates – EURIBOR

The average 3-month Euribor recorded 0.06% and 12-month Euribor 0.30% in January. Compared to December, the average 3-month Euribor decreased of 2 and 12-month Euribor of 3 percentage points.

Euro area annual inflation is expected to be -0.6% in January 2015, down from -0.2% in December 2014. The continuing deflation was also a strong argument for the European Central Bank (ECB) to announce an extensive quantitative easing program in January. An expanded asset purchase programme will encompass the existing purchase programmes for asset-backed securities and covered bonds. The program will amount to 60 billion euros monthly.

See glossary for definitions

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2.3 Industrial production index

In December 2014 compared with November 2014, the seasonally adjusted industrial production was stable in the euro area (EA18) and rose by 0.1% in the EU28, according to estimates from Eurostat, the statistical office of the European Union. In November 2014, industrial production grew by 0.1% in both zones. The average industrial production for the year 2014, compared with 2013, rose by 0.6% in the euro area and by 1.0% in the EU28.

Industrial production was stable in the euro area in December 2014, compared with November 2014. The production of durable consumer goods rose by 2.3%, the production of intermediate goods by 1.1%, the production of energy by 1.0% and the production of capital goods by 0.2%, while the production of non-durable consumer goods fell by 1.8%. In the EU28, the industrial production's increase of 0.1% is due to the production of durable consumer goods rising by 2.0%, the production of intermediate goods by 1.0%, the production of capital goods by 0.7% and the production of energy by 0.3%, while the production of non-durable consumer goods fell by 1.4%.

The largest decreases in industrial production were registered in Ireland (-12.4%), Portugal (-3.6%) and Malta (-3.3%), and the highest increases in Poland (+2.0%), France (+1.6%) and Sweden (+1.2%).

In December 2014 compared with December 2013, industrial production decreased by 0.2% in the euro area and increased by 0.3% in the EU28.The decrease in the euro area is due to the production of energy falling by 1.7%, the production of durable consumer goods by 0.5%, the production of capital goods by 0.3% and the production of intermediate goods by 0.2%, while the production of non-durable consumer goods rose by 0.7%. In the EU28, the increase is due to the production of durable consumer goods rising by 3.0%, the production of capital goods by 1.2%, the production of intermediate goods by 0.8% and the production of non-durable consumer goods by 0.5%, while the production of energy fell by 1.8%.

In yearly comparison, the largest decreases in industrial production were registered in Greece (-4.2%), Malta (-3.8%) and Portugal (-3.1%), and the highest increases in Ireland (+18.2%), Estonia (+7.6%) and Poland (+5.7%).
See glossary for definitions

2.6 Bank lending survey

According to the January 2015 bank lending survey, credit standards for all loan categories continued to ease in net terms in the fourth quarter of 2014. Euro area banks reported an easing of credit standards on loans to non-financial corporations in the fourth quarter of 2014 (a negative tightening of -5%, after -2% in the previous quarter) which was in line with banks' expectations as expressed in the previous survey round. Across firm sizes, credit standards were eased on loans to both large firms and to small and medium-sized enterprises (SMEs). Less stringent conditions were applied with regard to the size of loans or credit lines, loan covenants and loan maturity.

Net demand for loans to enterprises (i.e. the difference between the sum of the percentages of banks reporting an increase and that of banks reporting a decline in demand) continued to recover in the fourth quarter of 2014. The net demand for loans to enterprises increased to 18%, from 6% in the previous quarter, remaining above its historical average. In particular, financing needs related to fixed investment (11%, from -6% in the previous quarter) contributed to the increase in net loan demand by euro area enterprises, recording the first significantly positive contribution since mid-2011. Other financing needs also continued to contribute to the positive net loan demand (11%, from 13% in the previous quarter). These reflected the demand for debt restructuring and the financing needs for mergers and acquisitions as well as for inventories and working capital. Looking ahead, for the first quarter of 2015, euro area banks expect a further net increase in demand for loans to enterprises.
See glossary for definitions

2.7 Foreign exchange rates

Because further diverging monetary policies were expected in the euro area and abroad, the euro continued to depreciate. Overall, the euro weakened by 3.4% in

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trade-weighted terms from 4 December 2014 to 21 January 2015. In the euro area, the subdued inflation outlook and the declining benchmark bond yields reflected, among other things, the global increase in risk aversion, weighed on the exchange rate.

In January the average euro exchange rates depreciated against Japanese yen by 6.2% and against the US dollar by 5.3%. Following the announcement of the Swiss National Bank on 15 January 2015 that it would discontinue its minimum exchange rate target of 1.20 Swiss francs per euro, the euro depreciated sharply against the Swiss franc, to trade at around parity thereafter. The average euro rate against the Swiss franc fell by 8.2%.

3.1 OECD Business Confidence Indicator (BCI) for Europe

Business confidence indicators (BCIs) are designed to anticipate turning points in economic activity relative to trend. They point to a loss in growth momentum in the OECD area as whole but with diverging patterns across most major economies. BCIs indicate stable growth momentum in Japan and Brazil. The growth is slowing in the United States and Russia. The BCIs point to growth below historical average in China and India.

The BCIs point to a stable growth momentum in euro area as a whole, and also in Germany, Italy and Spain. In broader Europe and France the growth is losing its momentum. The outlook for the United Kingdom is unchanged from last month's assessment, with stable growth momentum anticipated.
See glossary for definitions

3.2 Purchasing Managers' Index (PMI)

Global manufacturing activity accelerated modestly in January. The global PMI rose to 51.7 from 51.5 in December. Chinese manufacturing has been struggling at the start of 2015 when the PMI slightly increased to 49.7 in January, but stayed under the 50.0 level that separates growth from contraction. The Japanese PMI edged up to 52.2 in January from December's 52.0. That marked the eighth straight month of expansion and looked to owe much to the sustained weakness of the yen. The PMI of U.S. manufacturing showed the pace of growth slowed in January with the index falling to 53.5 from 55.1.

The euro area PMI increased to 51.0 in January from 50.6 in December, exceeding the flash estimate from the end of January. Although at a six-month high, it was only just above the 50 mark. Indexes for Germany, the Netherlands and Spain signalled accelerating growth, while French output shrank for a ninth month. Manufacturing contraction continued in Italy and Austria. Out of the euro area, British manufacturing grew slightly faster in January thanks in part to a modest recovery in export orders and falling prices

"*Eurozone manufacturing showed signs of pulling out of the doldrums at the start of the year, but the rate of expansion remained disappointingly meagre, vindicating the ECB's decision to take drastic action to revive the economy. The ECB's 'bazooka' of full-scale quantitative easing should boost the euro area economy via improved business and consumer confidence and the weakening of the euro. The currency's fall should benefit exporting manufacturers in particular over coming months. Lower oil prices will also help reduce manufacturers' costs, with reduced fuel costs also freeing up more consumer income to spend on goods*," commented Markit.
See glossary for definitions

4 MT-IX

In January, the MT-IX increased 11.0%. The index gained 20 points compared to December's value, and posted at 202 points in December 2014.

The market value of machine tool companies decreased in the United States, Brazil, Switzerland and the United Kingdom. The machine tool builders in the euro area, South-Korea and Taiwan showed growing market capitalisation. Machine tool companies from Japan booked more varied results.
See glossary for definitions

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5.3 CECIMO Business Climate Barometer

January's CECIMO Business Climate Barometer shows a slightly improving outlook for the European machine tool industry. The survey included 72 machine tool companies in Europe and was distributed to the respondents between 8 January and 15 February 2015. The responses to questions in the CECIMO Business Climate Barometer are analysed as the difference ("net percentage") between the share of companies reporting increase and the share of companies reporting decrease in their business activities.

The net percentage of European machine tool builders reporting a good business situation recorded a modest increase to 20% in January 2015 from 18% in October 2014. Expectations regarding demand, production, exports and employment also showed a positive trend. Notably, export activity is expected to grow during the next 3 months. 16% more companies forecast their exports to grow rather than decrease, which is 13 percentage points more than in October.

European machine tool builders share the most uniform views on market opportunities in the Americas, no company expects its exports to decline to the region. Europe also remains a high-potential market. Slowing economic growth in China has made machine tool companies' to trim their expectations but in long run, the biggest share of global machine tool consumption is concentrated in Asia. Despite the continuing tension in Crimea and the establishment of the EU's sanctions, some European machine tool builders still assess the potential of Russia and the CIS countries as being quite good. On the other hand, the share of declining opportunities is also the biggest in the CIS countries.

In January, 91% of respondents experienced limitations to their production compared to 86% in October. The most common restrictions remain a shortage of skilled labour, a low level of orders and financing constraints.

Our respondents comment:
"*Financing is more and more a limiting factor. Customers usually expect financing support no matter what markets and what circumstances and we have no way to offer a systematic financing solution from Europe.*"

"*Russian market is almost frozen.*"

6 European Commission's Forecast

The pace of the recovery remains slow as Europe continues to struggle to leave the legacies of the crisis behind. The economic recovery in the EU and the euro area is expected to have lacked momentum in 2014, with annual GDP increasing by respectively 1.3% and 0.8%. Annual GDP growth in the EU is then forecast to accelerate to 1.7% this year and 2.1% next year, while growth in the euro area is expected to pick up to 1.3% in 2015 and 1.9% in 2016.

Growth prospects across Europe are still limited by a weak investment environment and high unemployment. However, since the autumn, a number of key developments have brightened the near-term outlook. Oil prices have declined faster than before, the euro has depreciated noticeably, the ECB has announced quantitative easing, and the European Commission has presented its Investment Plan for Europe. All these factors are set to have a positive impact on growth.

Global growth is expected to be 3.3% in 2014 and to accelerate to 3.6% in 2015 and 4.0% in 2016.

In the US, real GDP growth, driven mainly by private consumption, gathered considerable momentum over the course of 2014 and lower energy prices are set to provide an additional boost to the economy in 2015. Among the emerging market economies, China also stands to gain from lower oil prices and is expected to continue growing by about 7% this year while slowing down to a more sustainable growth path as the economy rebalances. The growth outlook for many commodity-exporting countries like Russia has deteriorated.
See glossary for definitions

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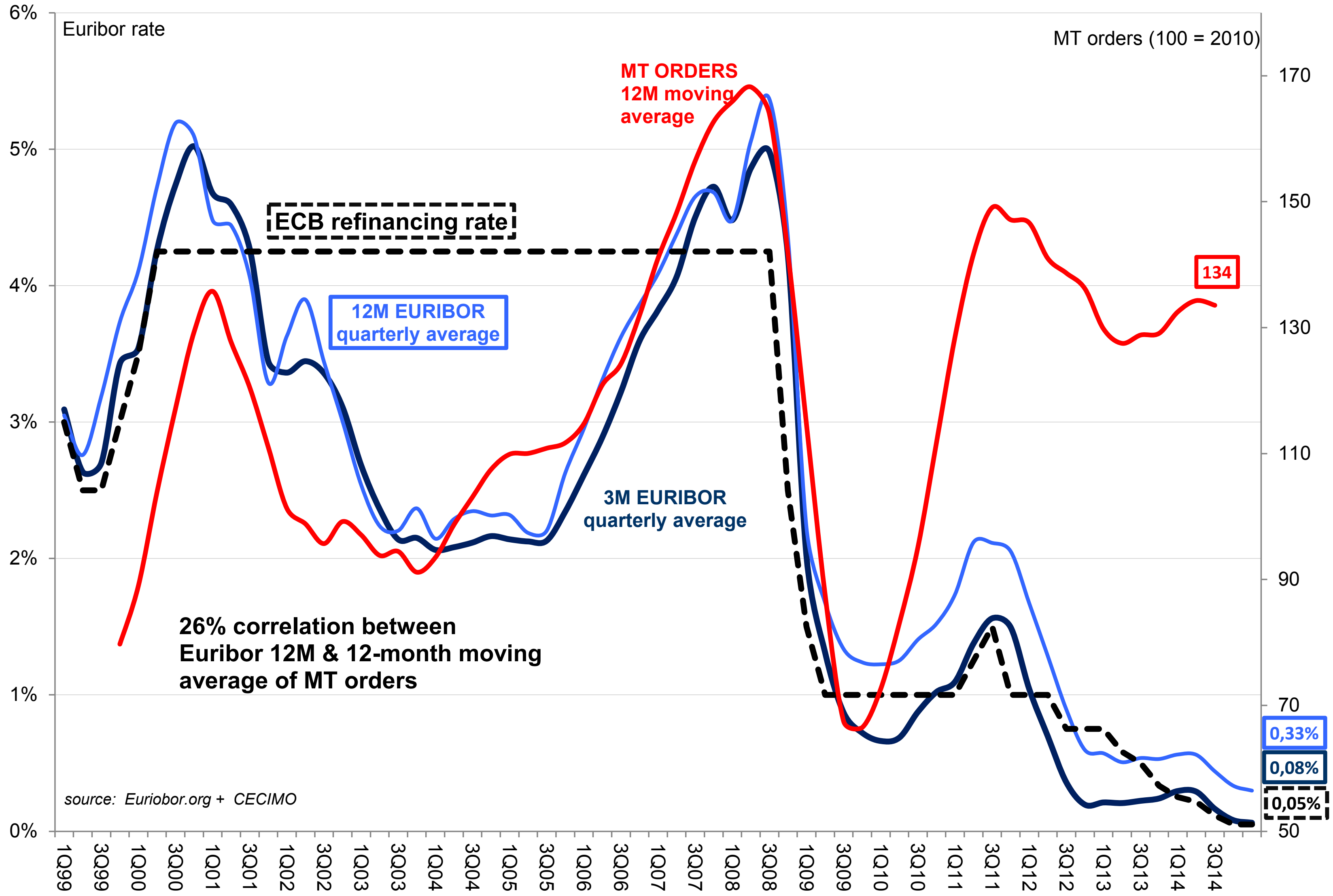
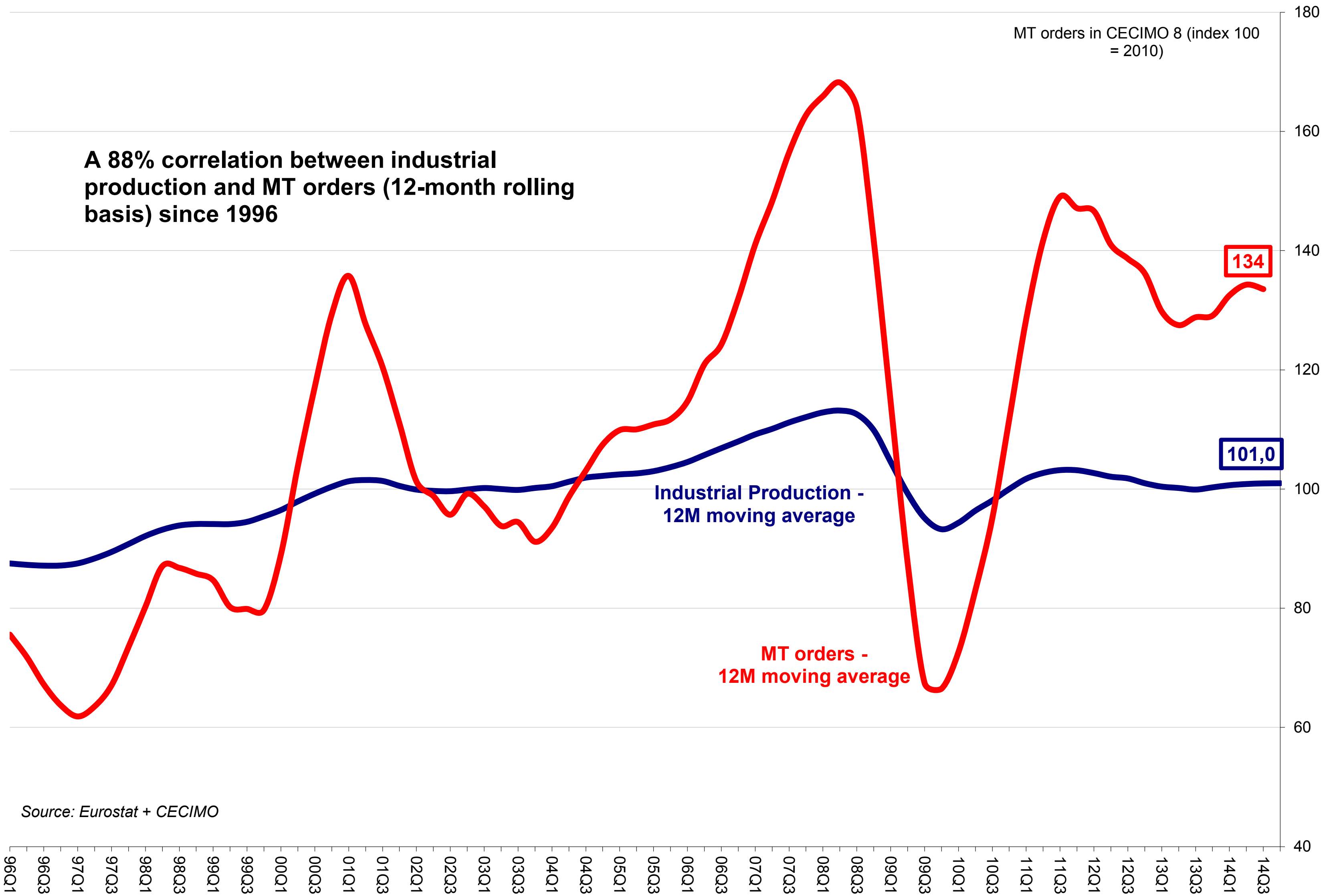
2.2 Interest rates - EURIBOR

see commentary



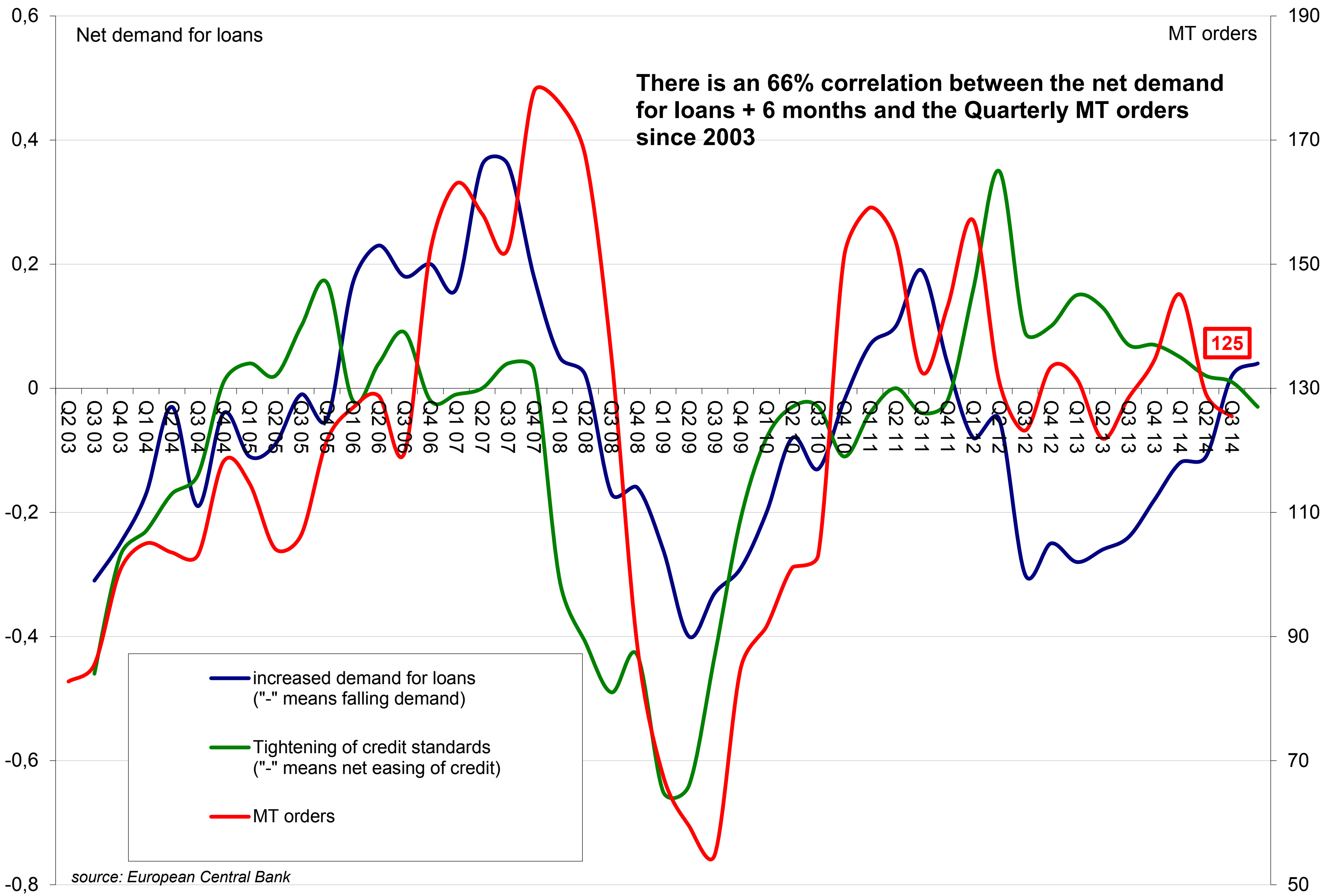
2.3 Industrial production index

see commentary



2.6 Bank lending survey

see commentary



2.7 Foreign exchange rates

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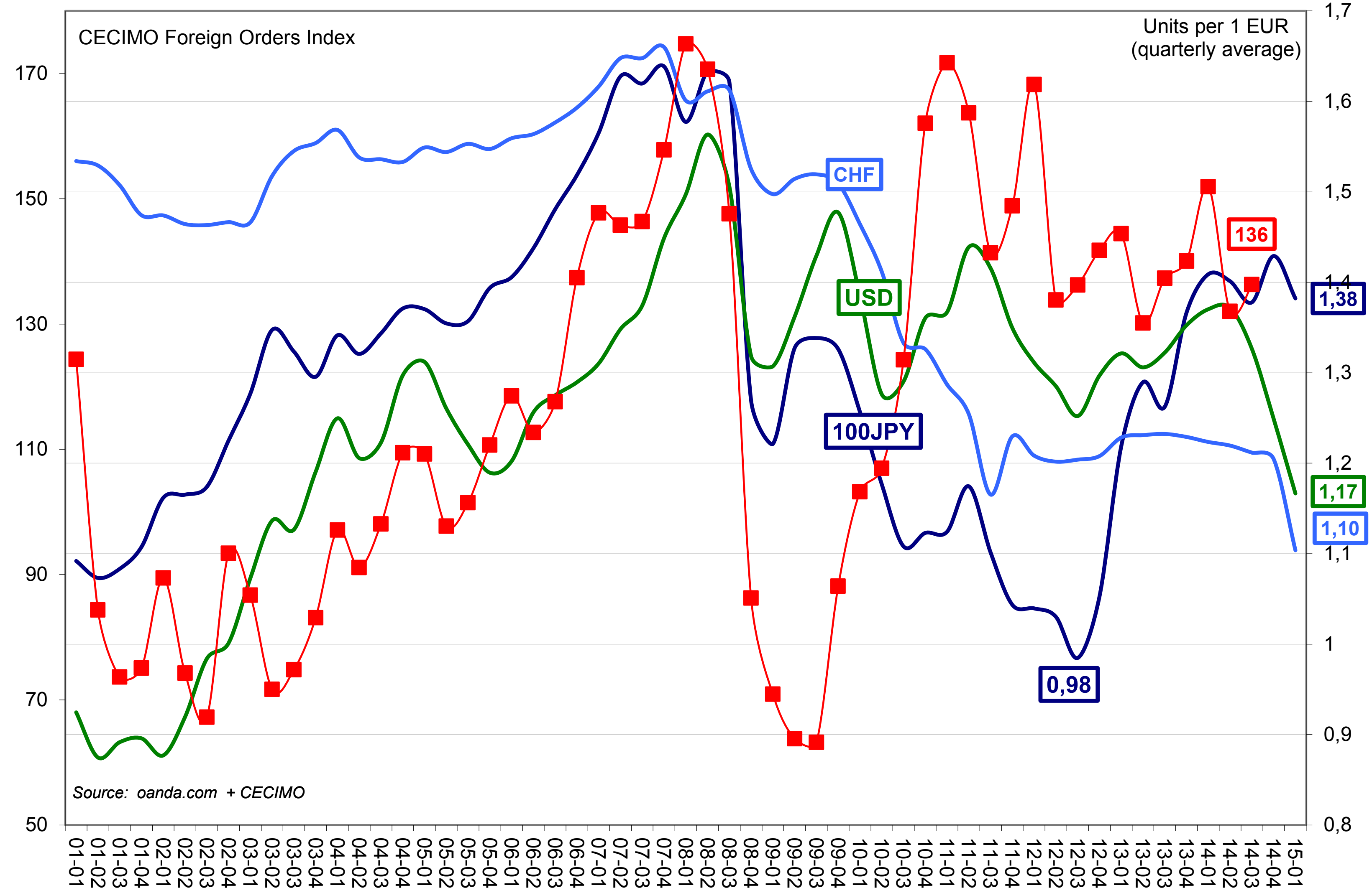
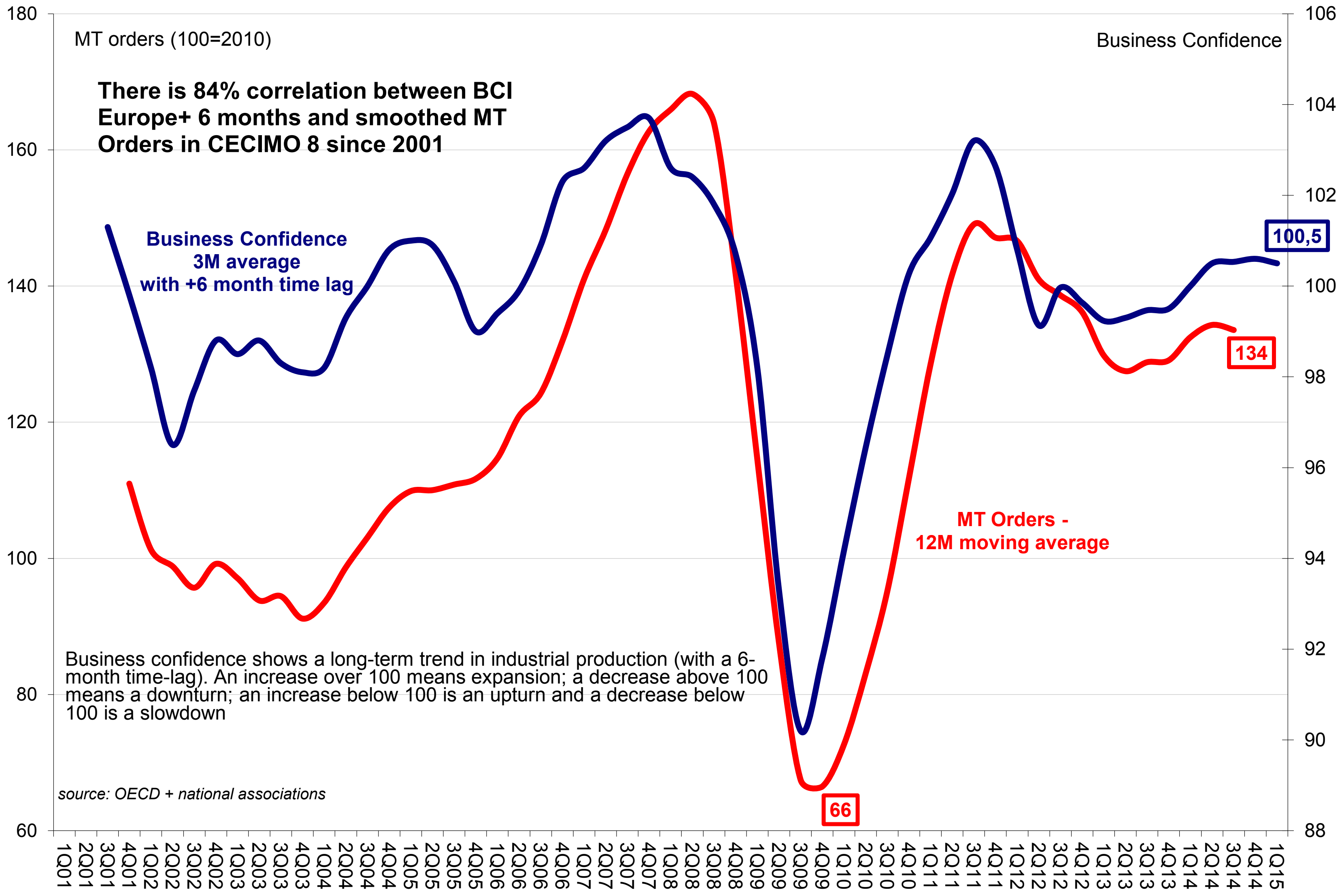


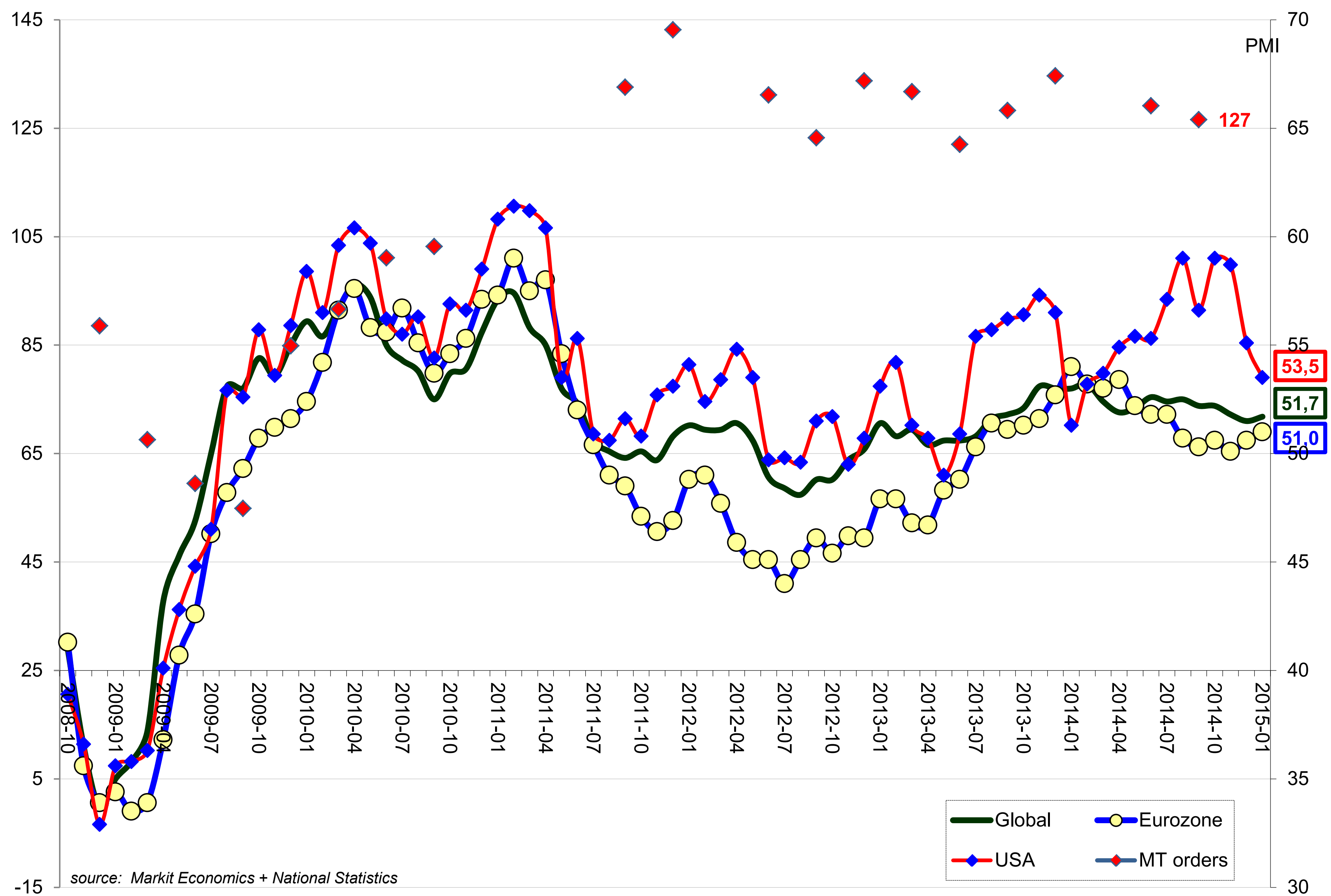
3.1 OECD Business Confidence Indicator (BCI) for Europe

see commentary



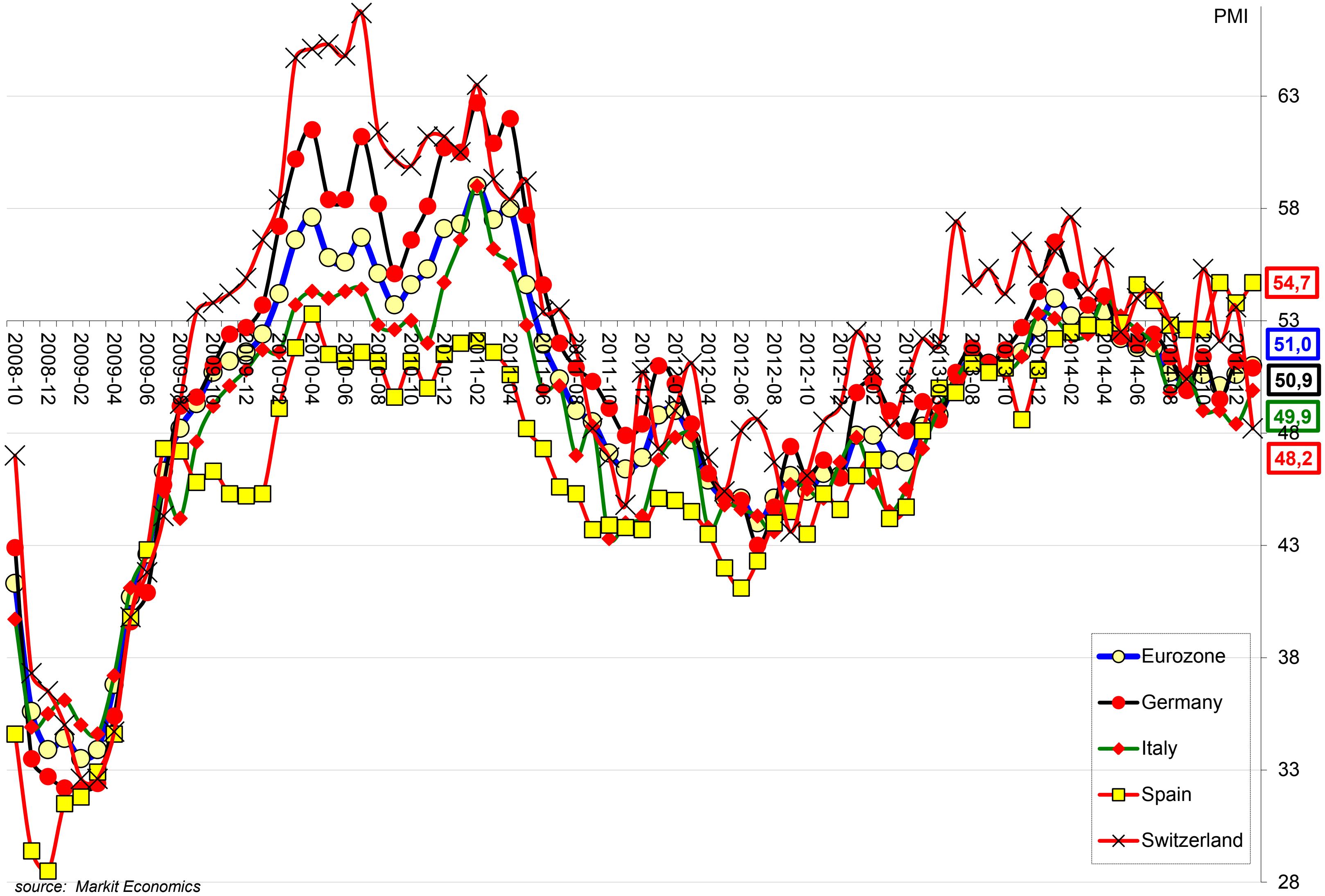
3.2 Purchasing Managers' Index (PMI) - Global

see commentary



3.2 Purchasing Managers' Index (PMI) - Europe

see commentary



3.2 Purchasing Managers' Index (PMI) - Asia

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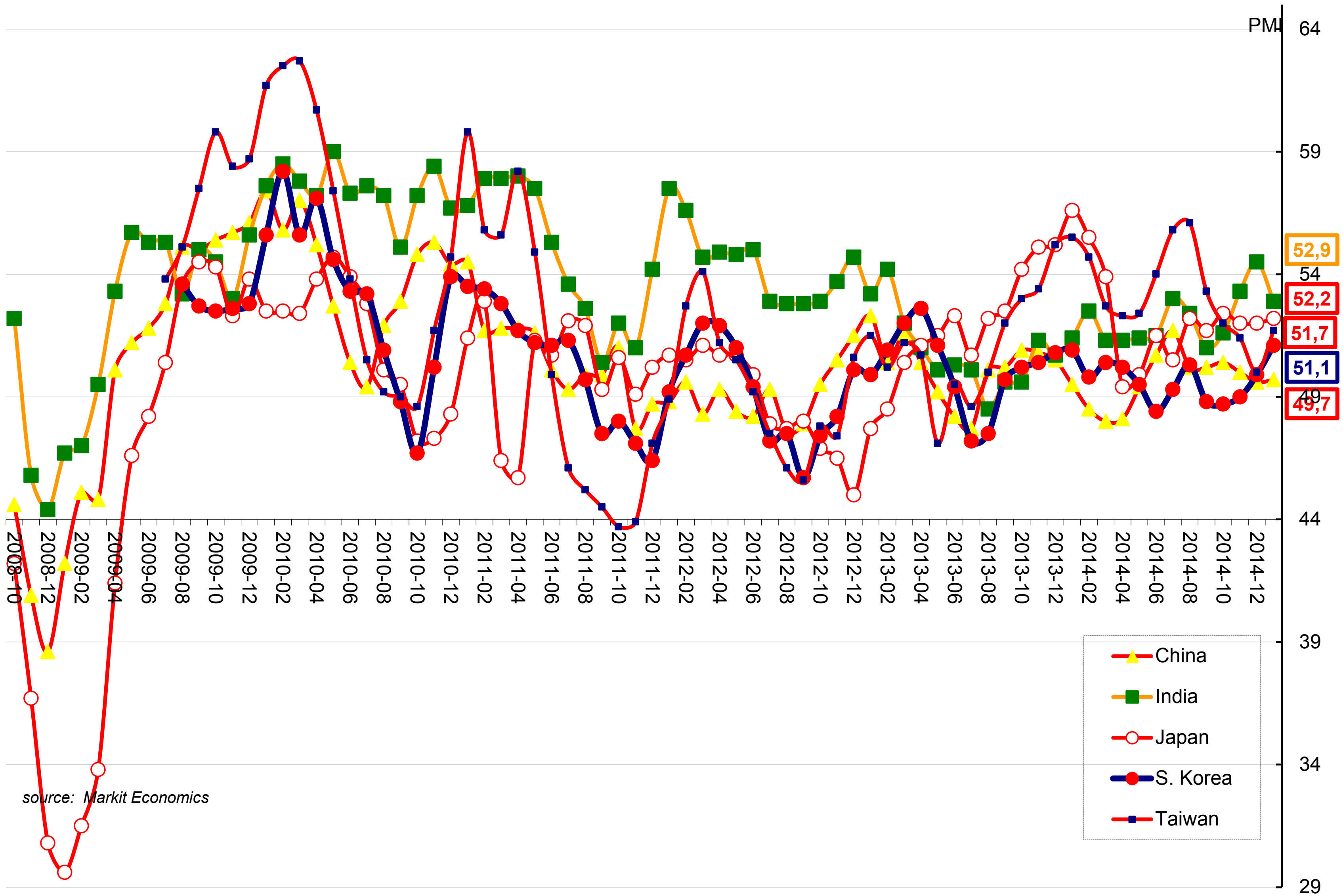

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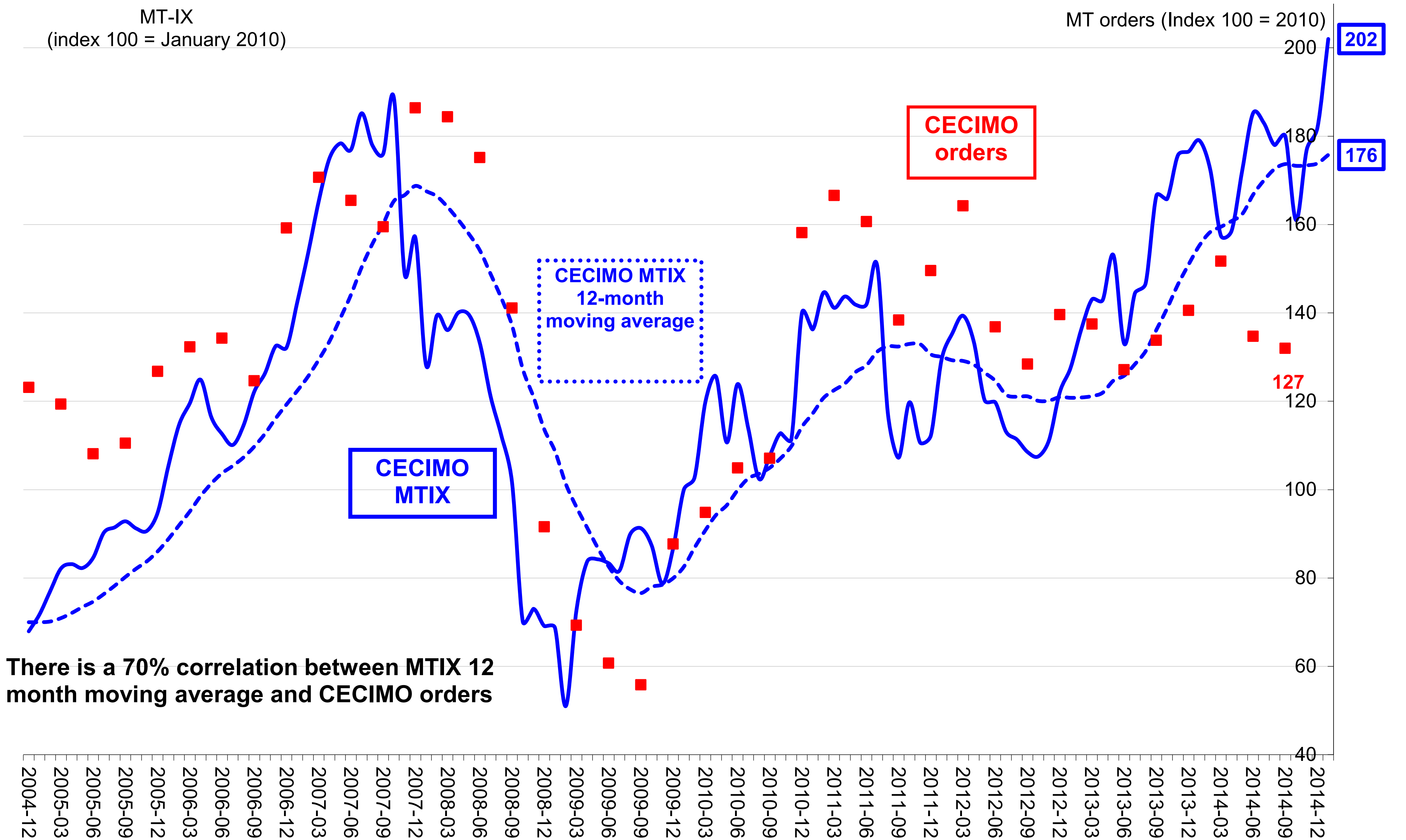
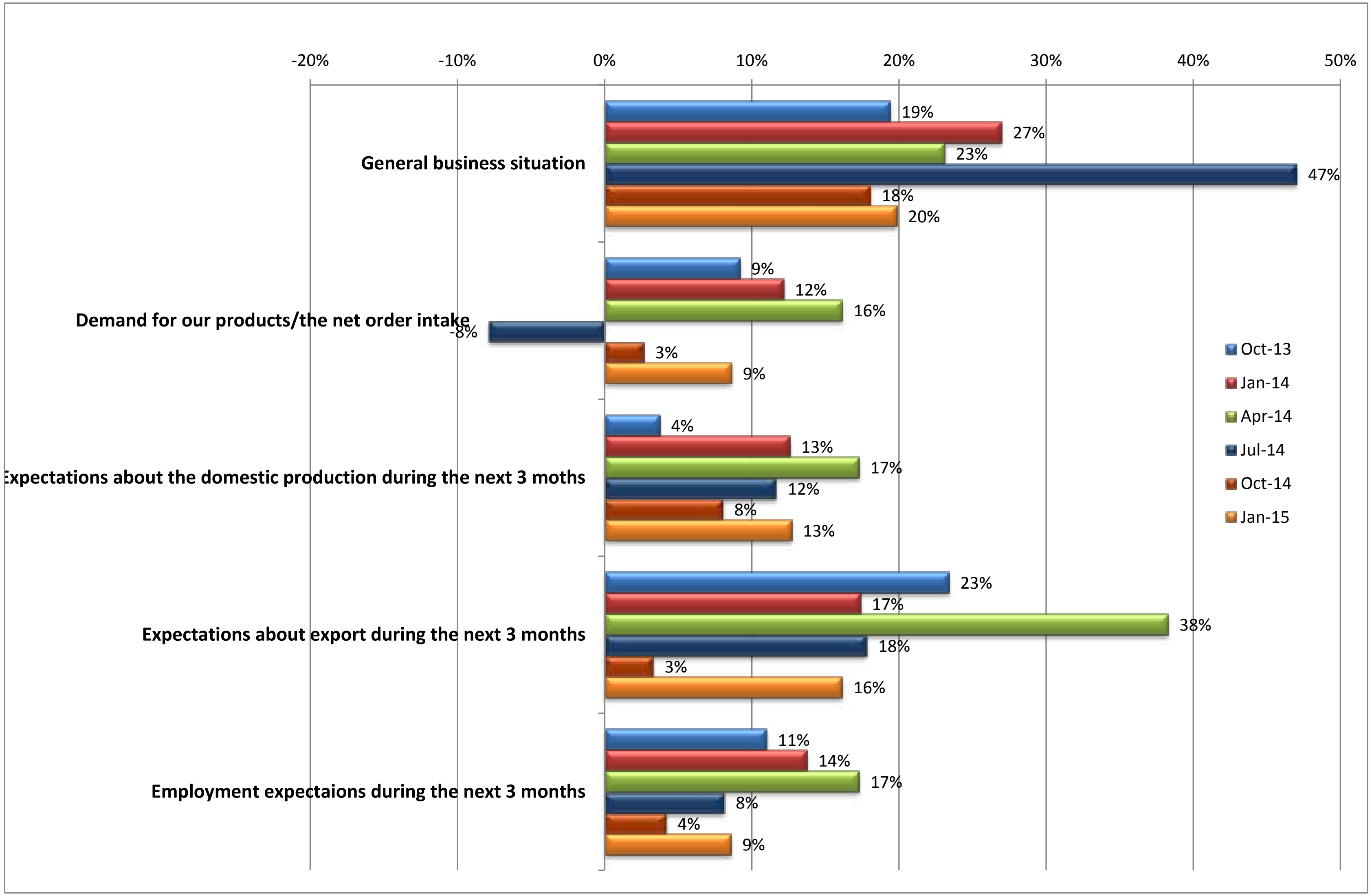
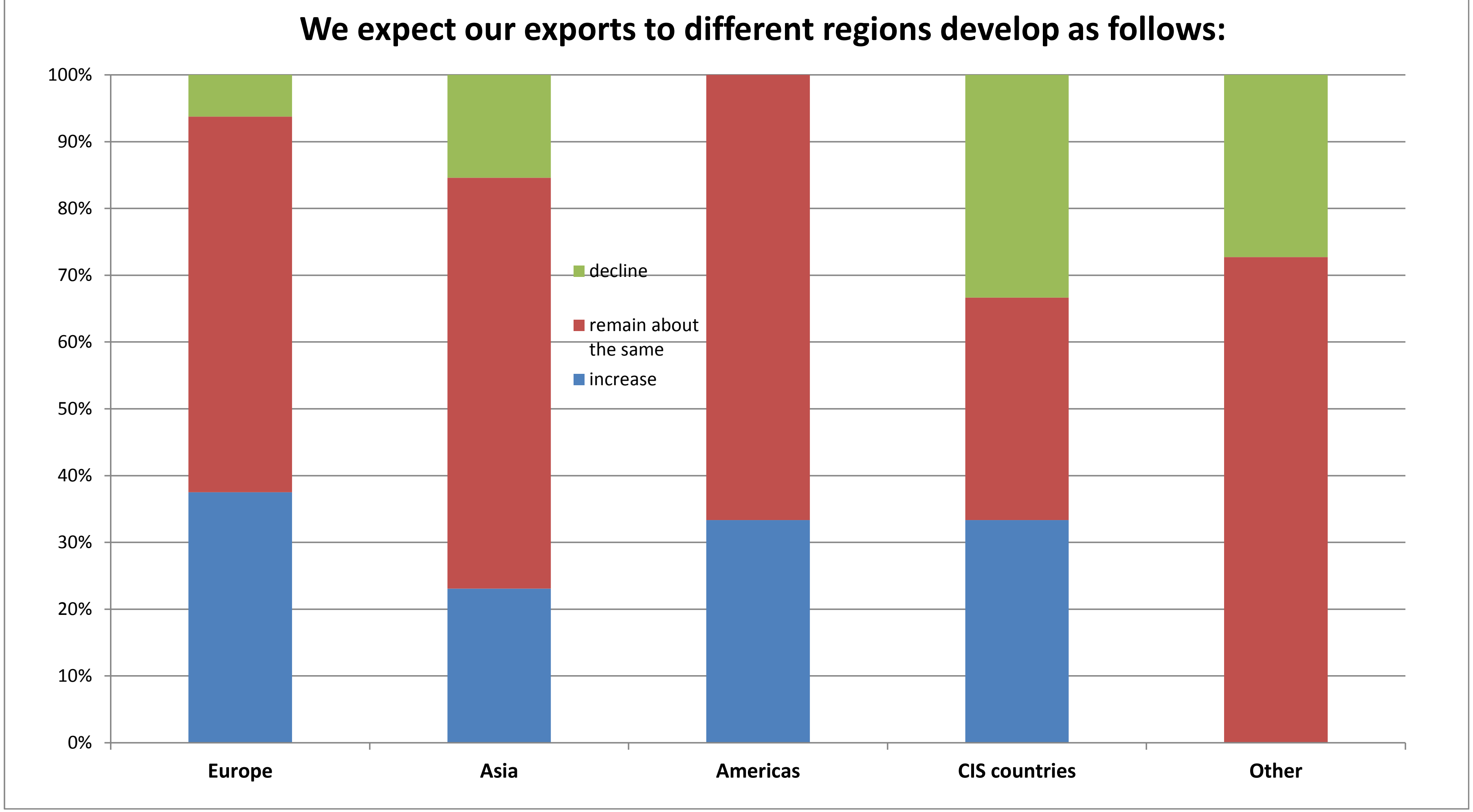


5.3 CECIMO Business Climate Barometer

see commentary



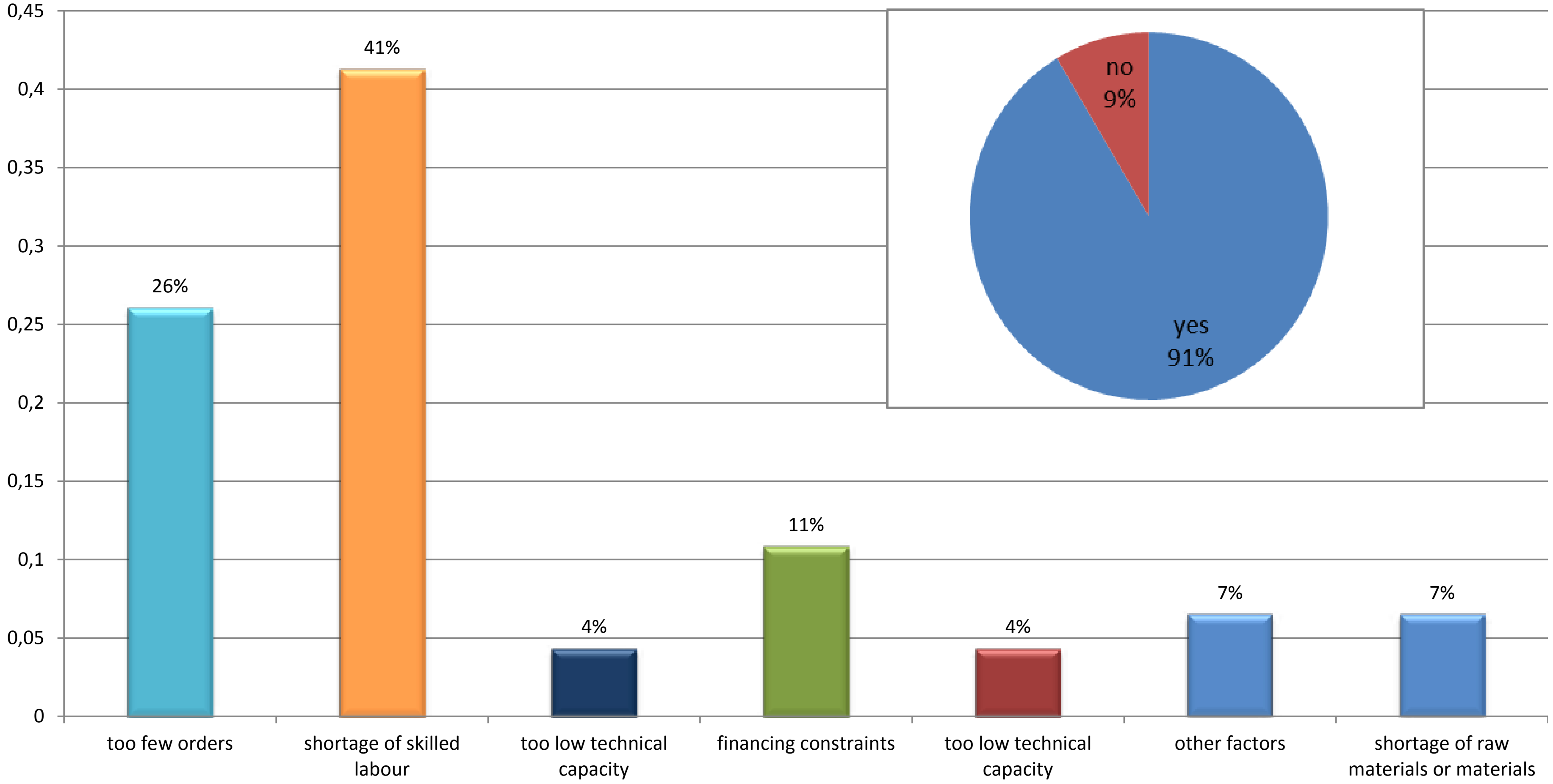
see commentary



5.3 CECIMO Business Climate Barometer

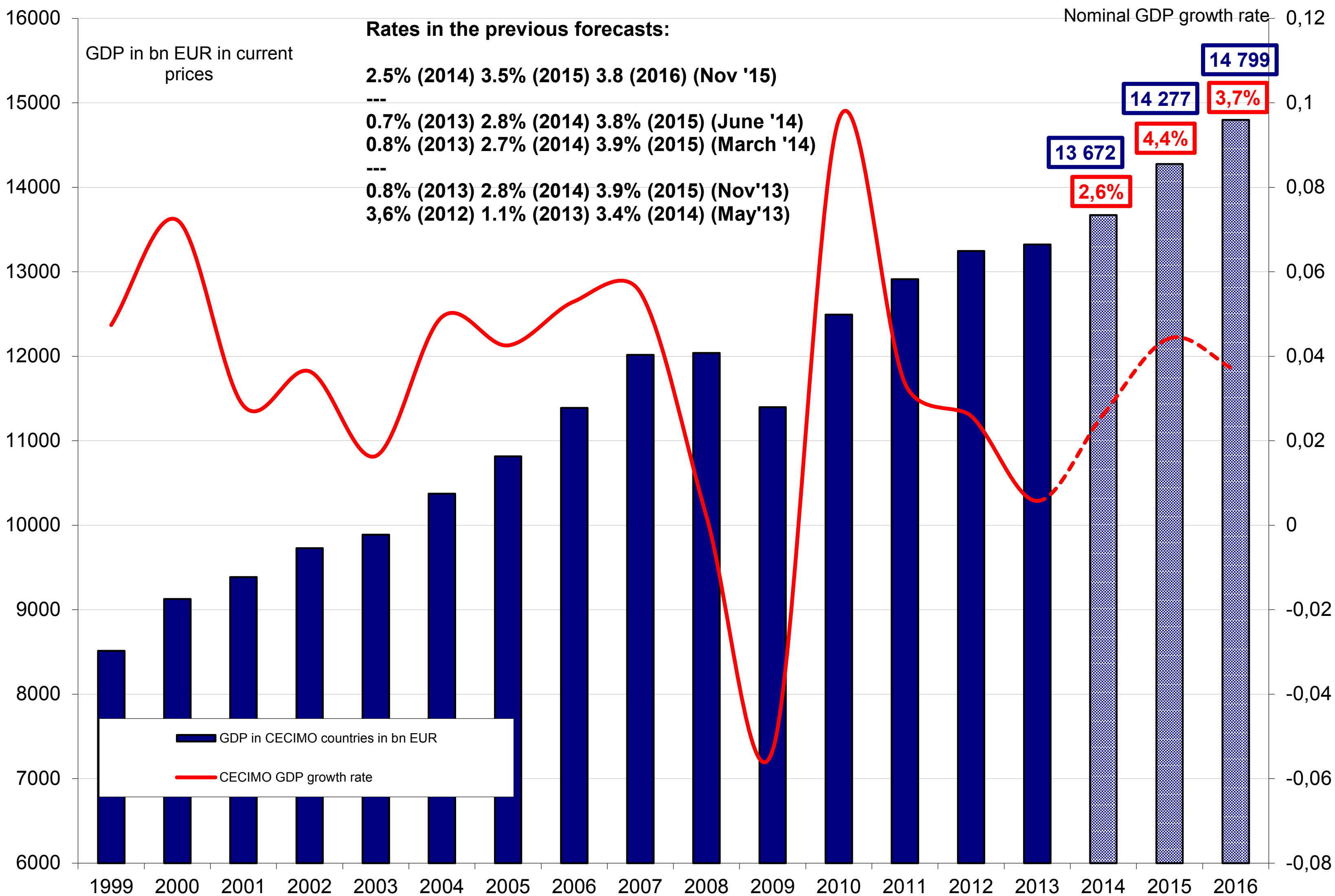
see commentary

Are there factors limiting your output? If yes, what factors:



6 European Commission's forecast - 1

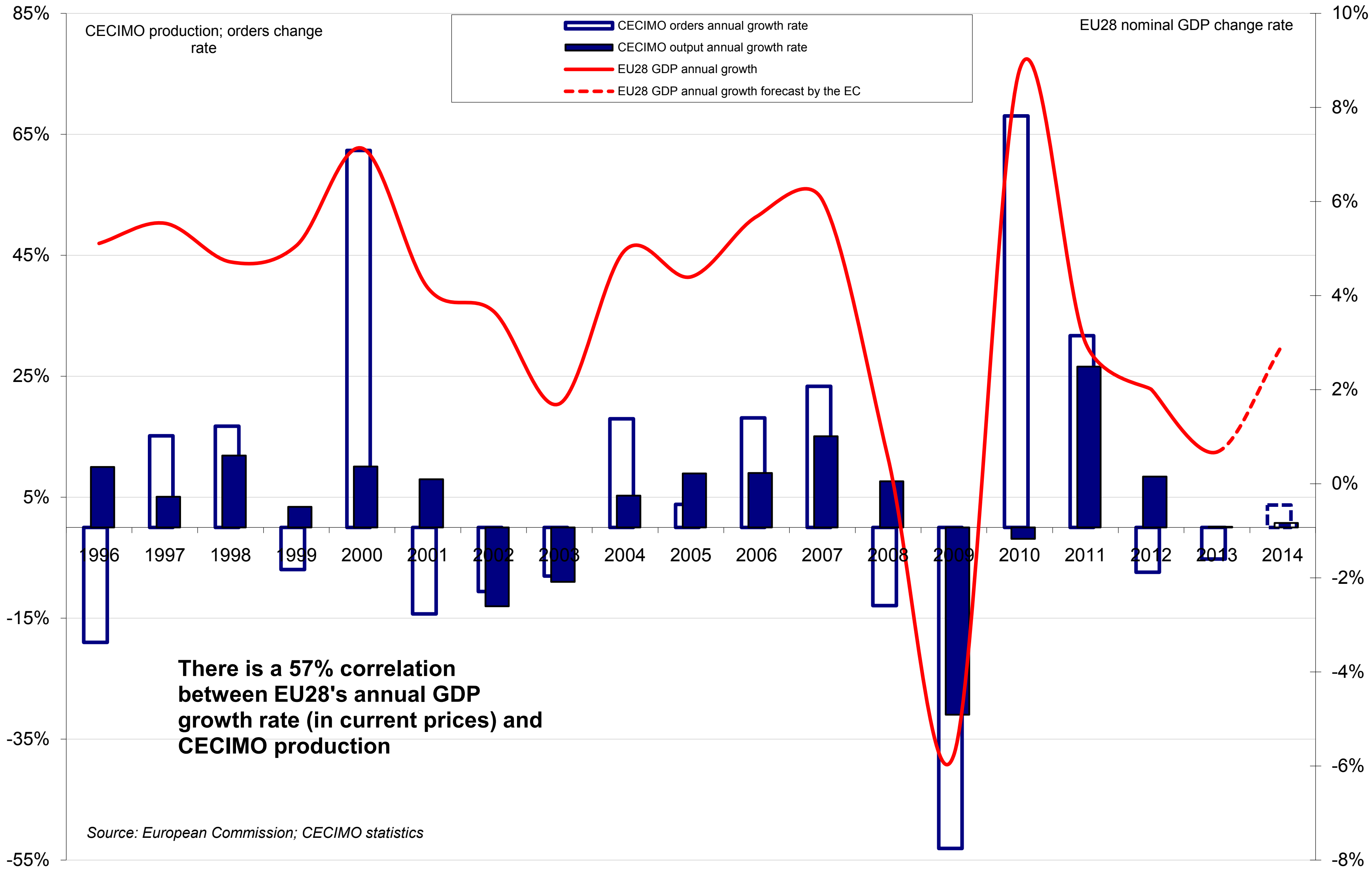
see commentary



Source: European Commission

6 European Commission's forecast - 2

see commentary



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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 2005 = 100.
http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/EN/is_esms.htm

2.6 Bank lending survey

The bank lending survey is addressed to senior loan officers of a representative sample of euro area banks. Its main purpose is to enhance the understanding of bank lending behaviour in the euro area. The questions distinguish between three categories of loan: loans or credit lines to enterprises; loans to households for house purchase; and consumer credit and other lending to households. For all three categories, questions are posed on credit standards for approving loans; credit terms and conditions; and credit demand and the factors affecting it.

The responses to questions related to credit standards are analysed in this report by focusing on the difference ("net percentage") between the share of banks reporting that credit standards have been tightened and the share of banks reporting that they have been eased. A positive net percentage indicates that a larger proportion of banks have tightened credit standards ("net tightening"), whereas a negative net percentage indicates that a larger proportion of banks have eased credit standards ("net easing"). Likewise, the term "net demand" refers to the difference between the share of banks reporting an increase in loan demand and the share of banks reporting a decline. Net demand will therefore be positive if a larger proportion of banks have reported an increase in loan demand, whereas negative net demand indicates that a larger proportion of banks have reported a decline in loan demand.
http://www.ecb.eu/stats/money/surveys/lend/html/index.en.html

3.1 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

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3.2 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

4 MT-IX

MTIX is and 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 and estimated share of the European companies in the world total output in 2010.

6 European Commission economic forecast

European Commission Directorate General for Economic and Financial Affairs produces short-term macroeconomic forecasts twice a year, in the spring and autumn. These forecasts concentrate on the Member States, the euro area and the EU, but also include outlooks for candidate countries as well as some non-EU countries.
Each forecast has at least a two-year time horizon (with an additional year added each autumn) covering the current year and the next. The forecasting process considers a total of 180 variables and is the result of several iterative rounds.
The forecasts are not based on a centralised econometric model. Instead, they result from analyses made by the DG ECFIN country desks, each of which uses statistical methods to varying degrees. The forecasts are checked for consistency, in particular as regards trade flows. The EU and euro-area variables are not a direct forecast, but are obtained by aggregating the individual Member State forecasts.

In between the fully-fledged spring and autumn forecasts, interim forecasts are produced in which an update of real GDP growth and inflation is estimated for the seven largest Member States and for the current year only. The interim forecasts are largely prepared using indicator-based models.
http://ec.europa.eu/economy_finance/eu/forecasts/index_en.htm

The weights of the Member States in the EU and euro area aggregates can be found through the link below.
http://circa.europa.eu/Public/irc/dsis/ebt/library?