European Association of the Machine Tool Industries

Where manufacturing begins

CECIMO Statistical Toolbox

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In this edition:

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

Introduction

(Glossary at the end of the document)

The European Commission released a report on the Transatlantic Trade and Investment Partnership (TTIP) that shows significant potential for small and medium sized enterprises. The report maps the challenges European SMEs face when exporting to the United States. It also uses newly available data to look at the scale of exports by EU SMEs to the United States. SMEs already benefit greatly from transatlantic trade. 150,000 SMEs exported to the United States in 2012, accounting for 28% of all EU exports there. The European machine tool sector, for its part, exported to the United States in value of 1.7 billion euro in 2014. That is over 15% of CECIMO exports outside Europe.

The report also shows that EU SMEs face challenges when exporting to the US market. Many of these challenges can be eased by a TTIP agreement that is ambitious, comprehensive and maintains high standards of regulatory protection. For European machine tool builders, the issues include compliance with technical rules and regulations: the highly innovative SMEs also encounter difficulties accessing information about which regulation applies to their product. It is also difficult to find their way between different authority levels (federal or local) and between the legislators of different US states.

The regulatory part of TTIP is one of the points on the agenda during the 9th round of negotiations held in New York City. EU and US negotiators will consolidate their work in all three pillars of the negotiations (market access, regulatory cooperation and rules) and hopefully reach to compromises favourable for SMEs on both side of the Atlantic.

While the European Commission promotes private investment using public support via the so-called Juncker Plan, better business sentiment and returning economic growth already increase the investment. Gross fixed capital formation grew 0.4% in both the euro area and EU28 in the fourth quarter of 2014. The economic sentiment indicator has also shown an upward trend since the beginning of 2015. In March, the index increased by 1.6 points to 103.9 in the euro area and by 0.9 points to 106.1 in the EU.

On the other hand, we have to keep in mind that in this era of record low interest rates, the lack of investment's main cause is not the lack of financing, but rather the lack of confidence, so using financial flows to fill the investment gap will not solve the problem. The European investment plan should, as priority, target more decisively the improvement of the investment environment. . Investors need an economic policy agenda that creates predictability of taxation and regulation. The policies should target further developments of the Single Market (e. g., European Energy Union, Digital Single Market), the simplification of regulation and the reduction of bureaucratic burdens. In conclusion, the actions taken to improve the investment climate should provide permanent improvements rather than a temporary push.

2.2 Interest rates – EURIBOR

The average 3-month Euribor recorded 0.03% and 12-month Euribor 0.21% in March. Compared to February, the average 3-month Euribor decreased of 2 and 12-month Euribor of 5 percentage points.

Euro area annual harmonised consumer price (HIPC) inflation was -0.1% in March 2015, up from -0.3% in February and -0.6% in January. This pattern largely reflects an increase in oil prices in euro terms since mid-January. However, the annual HICP inflation is expected to remain very low or still negative in the coming months ahead, in answer to which the ECB will pursue its expansionary monetary policy.
See glossary for definitions

2.3 Industrial production index

In February 2015 compared with January 2015, the seasonally adjusted industrial production rose by 1.1% in the euro area (EA19) and by 0.9% in the EU28, ac-

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cording to estimates from Eurostat, the statistical office of the European Union. In January 2015, the industrial production fell by 0.3% in both zones.

The increase of 1.1% in industrial production in the euro area is due to the production energy rising by 1.1%, both the production of capital goods and the production of durable consumer goods by 1.0% and the production of intermediate goods by 0.3%. In the EU28, the increase of 0.9% is due to the production of capital goods rising by 0.9%, the production of energy by 0.6%, the production of durable consumer goods by 0.5% and the production of intermediate goods by 0.3%.

The highest increases in industrial production were registered in Ireland (+16.3%), Lithuania (+6.1%), Croatia (+3.5%) and Greece (+2.5%), and the largest decreases in Malta (-1.3%), Bulgaria (-0.6%) and Portugal (-0.5%).

In February 2015 compared with February 2014, industrial production increased by 1.6% in the euro area and by 1.4% in the EU28. The increase of industrial production in the euro area is due to the production of energy rising by 6.6%, the production capital goods by 1.1% and the production of durable consumer goods by 0.5%, while the production of intermediate goods fell by 0.2%. In the EU28, the increase is due to the production of energy rising by 3.9%, the production of capital goods by 1.7%, the production of durable consumer goods by 1.3%, and the production of intermediate goods by 0.7%.

In yearly comparison, the highest increases in industrial production were registered in Ireland (+30.3%), the Netherlands (+6.6%), Hungary (+5.9%) and Slovenia (+5.8%), and the largest decreases in Finland (-5.2%), Sweden (-3.7%) and Denmark (-2.5%).
See glossary for definitions

2.4 GFCF

During the fourth quarter of 2014 compared with the previous quarter, gross fixed capital formation (GFCF) increased by 0.4% in both the euro area and the EU28 (after 0.0% and +0.3% in the previous quarter). In the third quarter of 2014, the GFCF grew by 0.0% in the euro area and by 0.3% in the EU28. Gross fixed capital formation also had a positive contribution to GDP growth in the euro area and the EU28 (+0.1 percentage points for both zones).

In the fourth quarter of 2014 compared with the same quarter of the previous year, the seasonally adjusted GFCF rose by 0.3% in the euro area and by 1.5% in the EU28, after +0.4% and +1.8% respectively in the previous quarter.

Among Member States for which data are available for the fourth quarter of 2014, Malta (+12.9%), Sweden (+2.7%) and Denmark (+2.5%) recorded the highest growth compared with the previous quarter. Belgium (-5.5%), Slovenia (-3.6%), Finland (-2.6%) and Croatia (-2.0%) registered decreases.

During the fourth quarter of 2014, the GFCF in the United States increased by 1.1% compared with the previous quarter (after +1.6% in the third quarter of 2014). Compared with the same quarter of the previous year, the GFCF grew by 4.4% keeping the level of the previous quarter.

Over the whole year 2014, the GFCF rose by 1.0% in the euro area and by 2.3% in the EU28, compared to -2.5% and -1.5% in 2013. In the United States, the GFCF grew by 3.9% in 2014 and by 2.8% in 2013.

2.7 Foreign exchange rates

The euro's exchange rate has weakened significantly over recent months, and even more steeply in March. In early March, the effective exchange rate of the euro stood around 10% below the level recorded one year earlier. This weakening of the euro's exchange rate supports the euro area exports. Exports of goods and services from the region rose by 1.3% in the third quarter of 2014 compared to the previous quarter.

Regarding bilateral exchange rate developments, the average euro exchange rate depreciated against the Japanese yen by 3.2% and against the US dollar by 4.5%. The euro appreciated marginally against the Swiss franc by 0.1% in March compared to the previous month.

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2.8 Industrial employment

The number of persons employed increased by 0.1% in the euro area (EA18) and by 0.2% in the EU28 in the fourth quarter of 2014 compared with the previous quarter, according to national accounts estimates published by Eurostat. In the third quarter of 2014, 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 0.9% in the euro area and by 1.0% in the EU28 in the fourth quarter of 2014 (after +0.7% and +0.9% respectively in the third quarter of 2014). Eurostat estimates that, in the fourth quarter of 2014, 226.7 million men and women were employed in the EU28, of which 148.6 million were in the euro area. These quarterly data on employment provide a picture of labour input consistent with the output and income measure of national accounts.

Among Member States for which data are available, Spain and Latvia (both +0.7%), as well as Ireland and Slovakia (both +0.6%) recorded the highest increases in the fourth quarter of 2014 compared with the previous quarter. Portugal (-1.4%), Cyprus (-0.6%), Poland (-0.3%), Italy (-0.2%) and Malta (-0.1%) recorded decreases.

3.1 OECD Business Confidence Indicator (BCI) for Europe

Business confidence indicators (BCIs), designed to anticipate turning points in economic activity relative to trend, point to a strengthening growth momentum in the euro area. In Italy and Spain, the signs of a positive change in momentum, which were assessed as tentative in March, have now been confirmed while the BCI for Germany continues to point to a positive change in momentum. In France, the BCI points to stable growth momentum. The growth in broader Europe is slowing down. The BCI of the United Kingdom is also dropping speed while remaining well above historical average.

The growth momentum's outlook is declining in the OECD area as a whole. The growth is below its historical average and declining in the United States, India and Brazil. The BCIs of Japan and China show stable growth momentum. In Russia, BCI points to a loss in growth momentum.
See glossary for definitions

3.2 Purchasing Managers' Index (PMI)

Global manufacturing growth pulled back slightly in March when the PMI stood at 51.8. The Chinese manufacturing struggles with weak demand, the PMI fell under 50-markt to 49.6. Manufacturing in the U.S. expanded in March at the slowest pace in almost two years. The PMI index declined to 51.5 from 52.9 a month earlier. The Japanese PMI recorded 50.3 in March reflecting slower growth as domestic orders contracted for the first time in almost a year. Indian manufacturing growth accelerated slightly in March despite increasing prices.

A growing demand for exports helped drive the output index of Europe. The PMI of euro area rose to 52.2 from 51 in February. That was the highest in 10 months and exceeded a preliminary reading of 51.9. It's also well above the 50 level that divides expansion from contraction. The increase is due to solid growth in Spain and Italy and a stronger performance in Germany, the region's largest economy. France and Austria saw their PMI readings to remain below the neutral 50.0 mark

"The final PMI reading signalled slightly stronger growth of the manufacturing economy than the preliminary reading, adding further to signs that the eurozone economy is reviving after last year's slowdown. Producers are benefitting from the weaker euro, which has had the dual effect of boosting competitiveness in export markets as well as making competing imports more expensive in the home markets. New orders are consequently showing the best growth for nearly a year, and the fact that manufacturers are boosting their payroll numbers at the fastest rate for three-and-a half years indicates optimism that the upturn will be sustained in coming months," commented Markit.
See glossary for definitions

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4 MT-IX

In March, the MT-IX increased 6.7%. The index gained 14 points compared to February's value, and posted at 224 points in March 2015.

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

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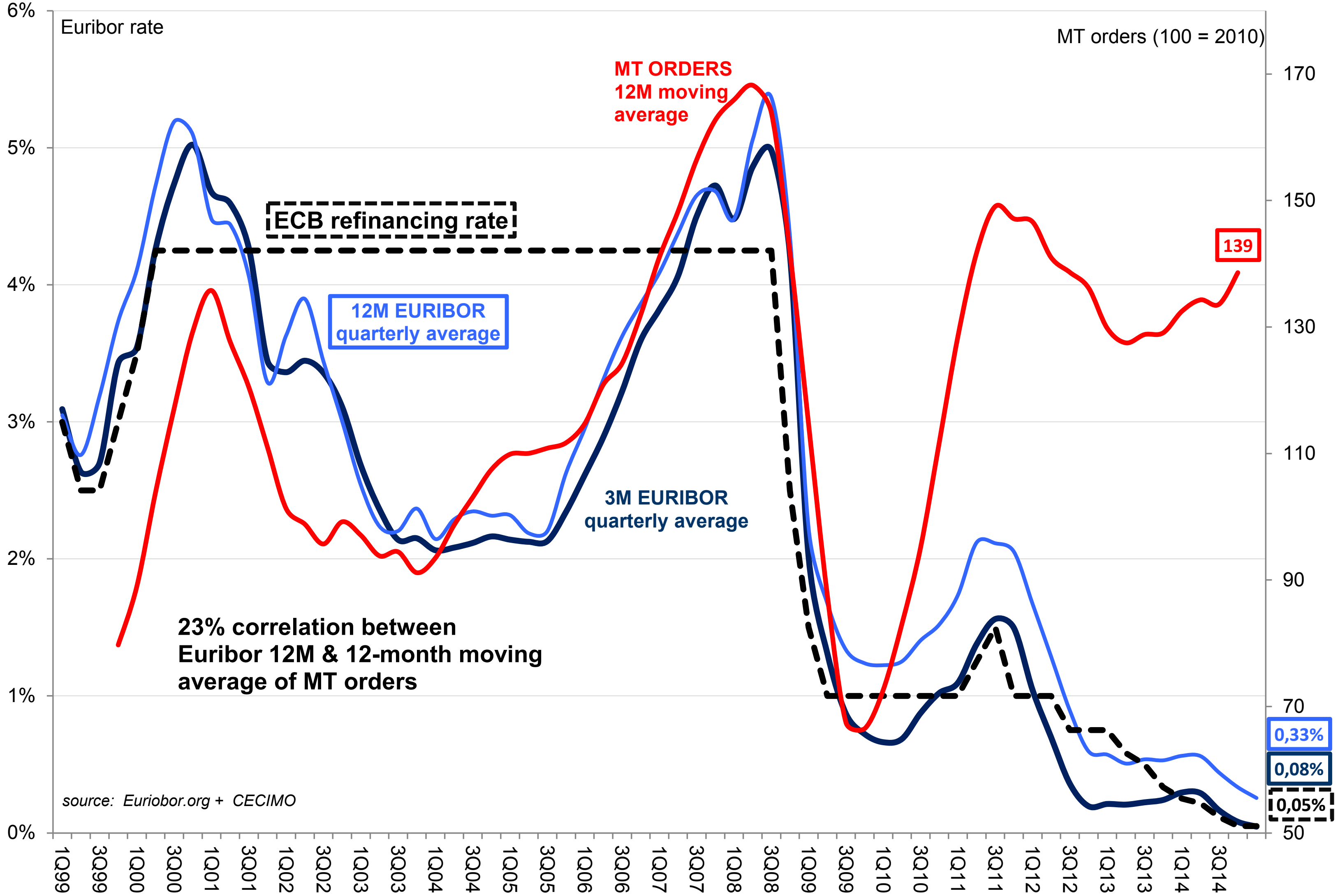
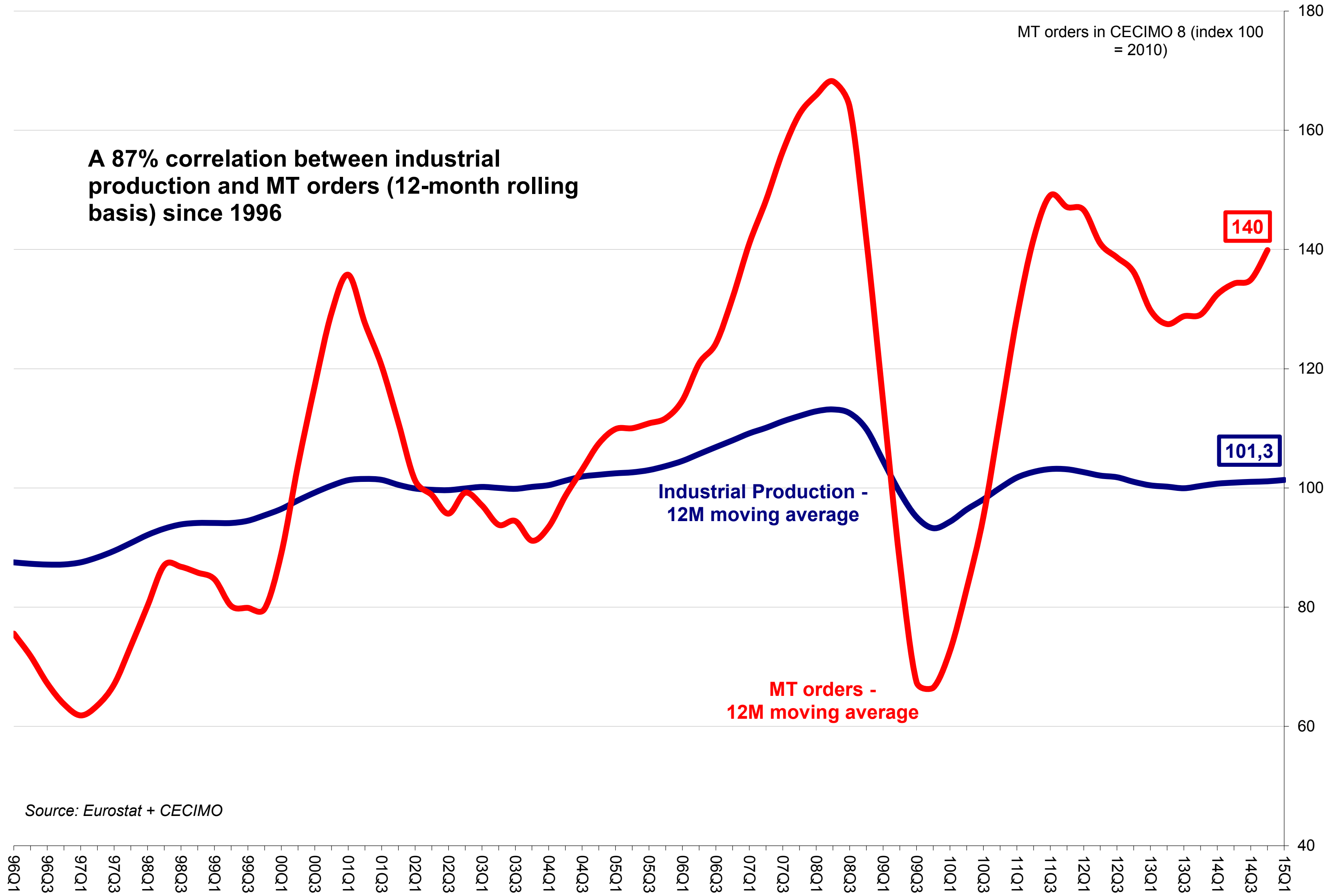
2.2 Interest rates - EURIBOR

see commentary



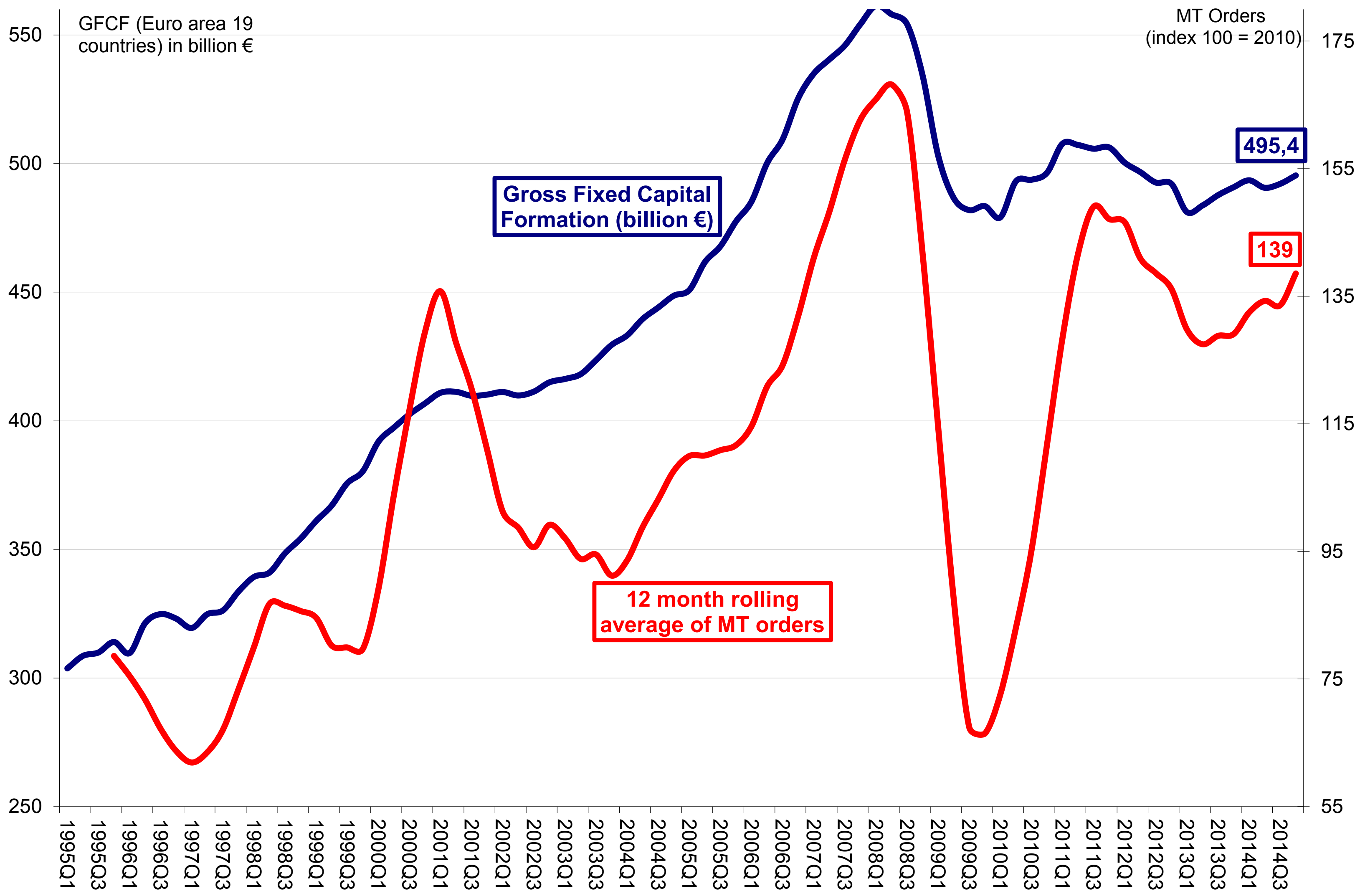
2.3 Industrial production index

see commentary



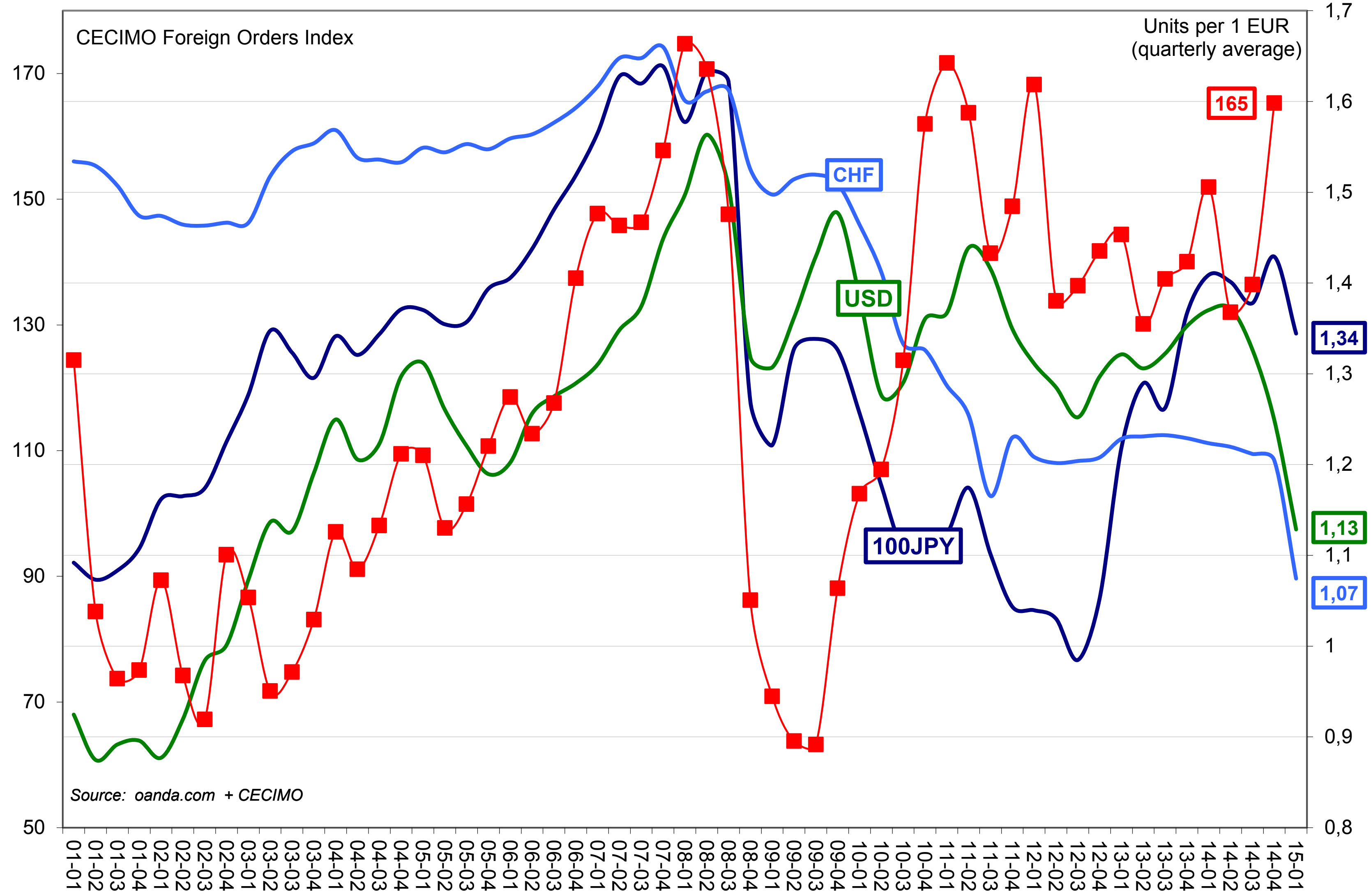
2.4 GFCF

see commentary



2.7 Foreign exchange rates

see commentary



2.8 Industrial employment

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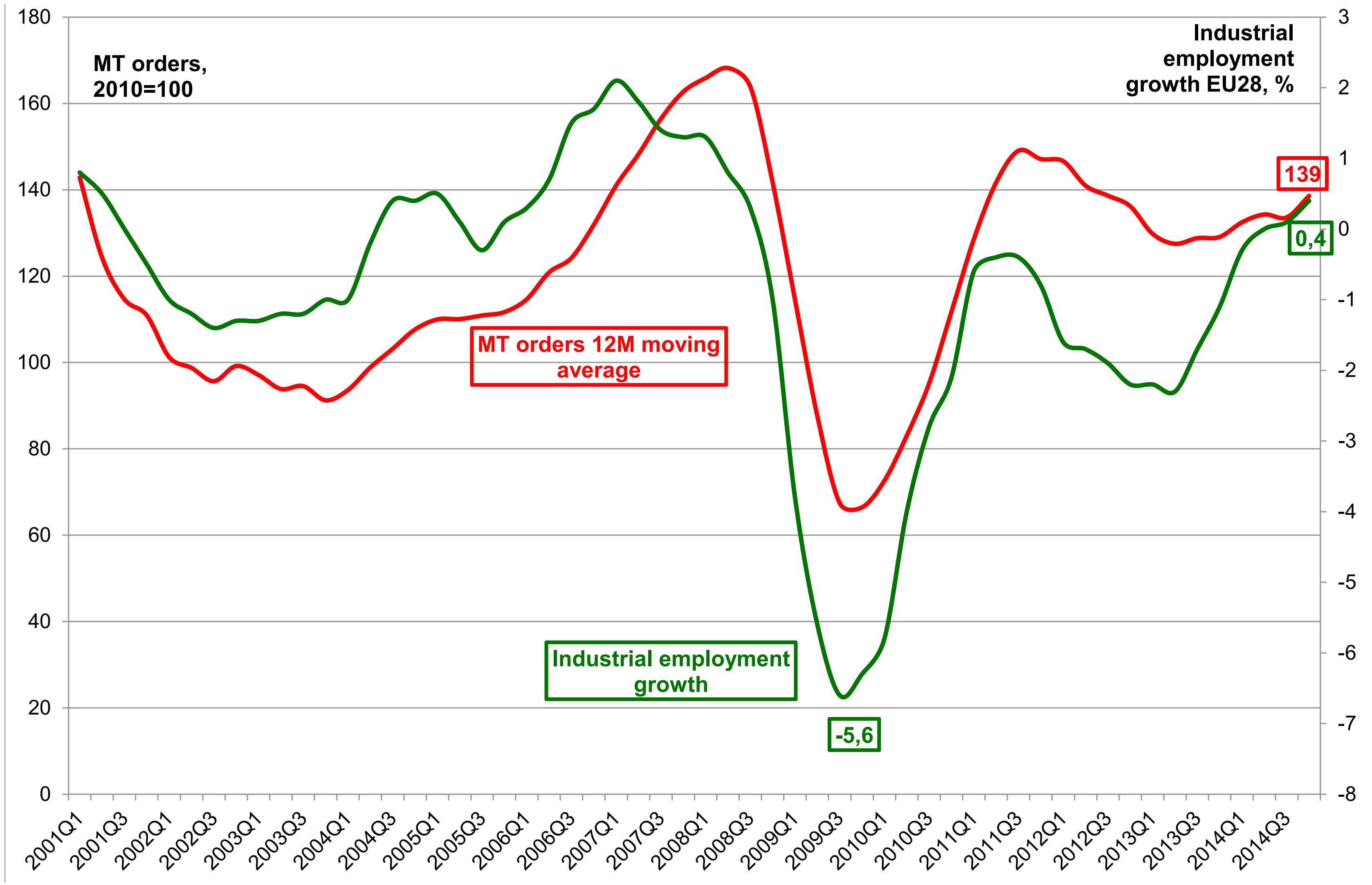

3.1 OECD Business Confidence Indicator (BCI) for Europe

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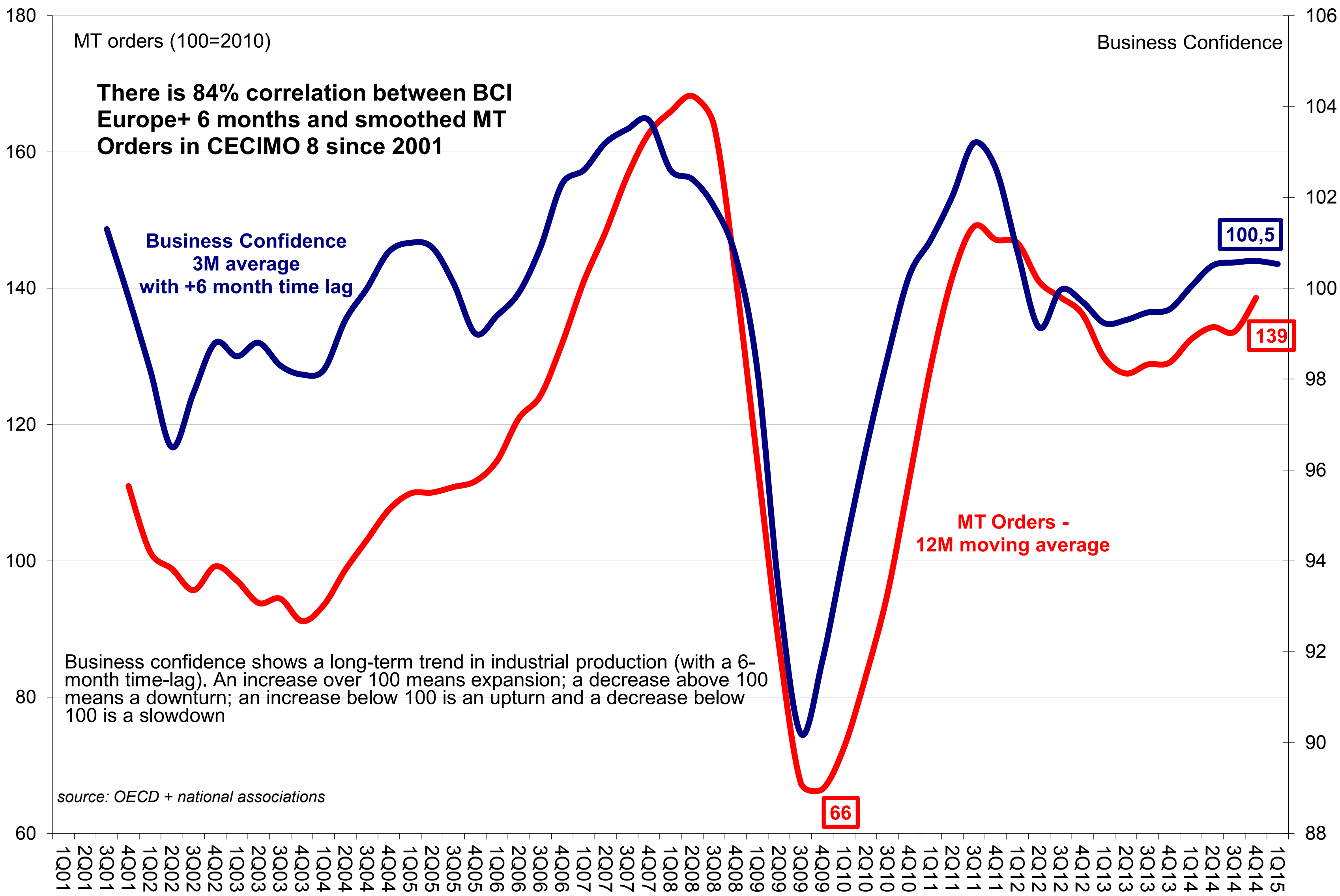
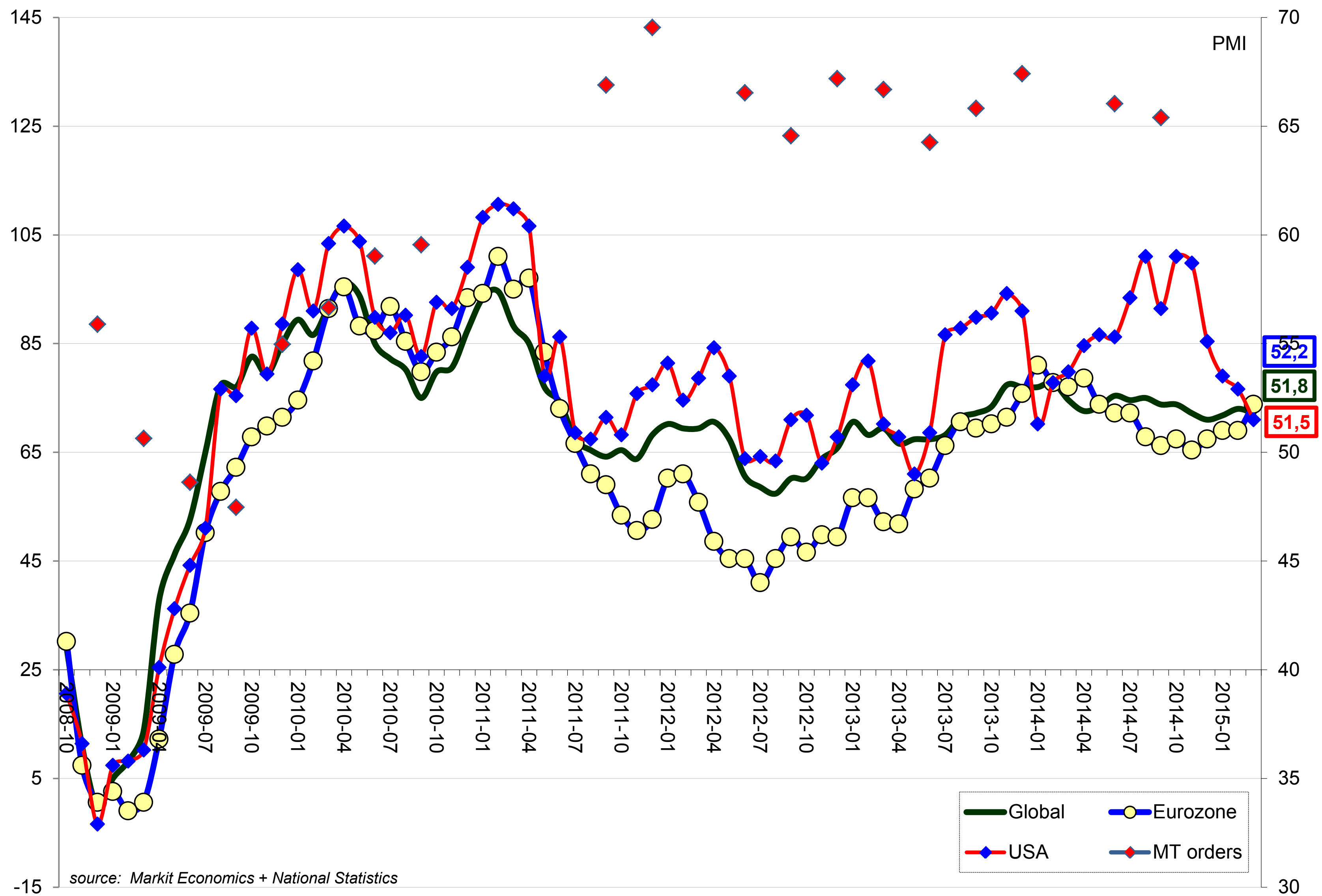


3.2 Purchasing Managers' Index (PMI) - Global

see commentary



3.2 Purchasing Managers' Index (PMI) - Europe

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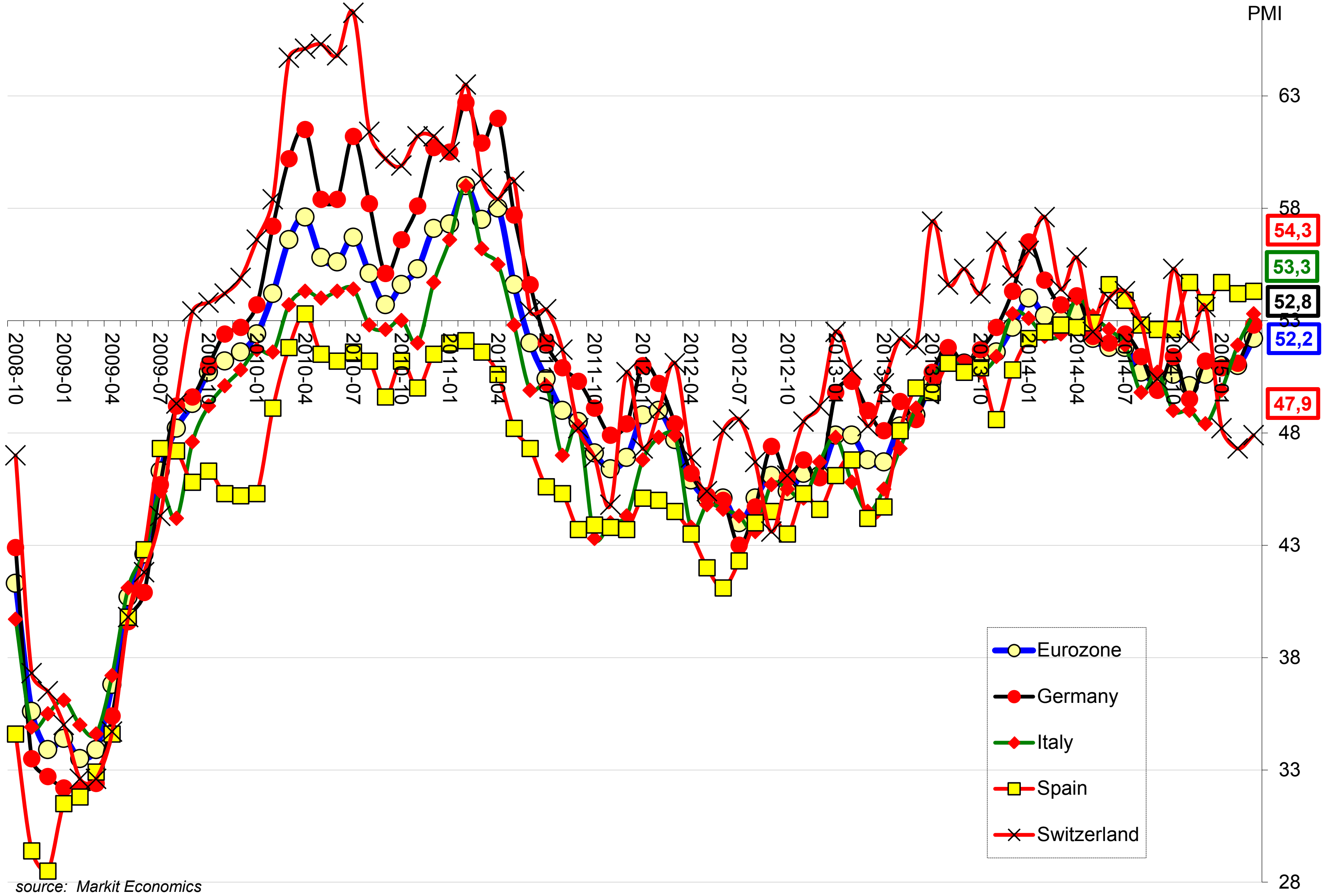

3.2 Purchasing Managers' Index (PMI) - Asia

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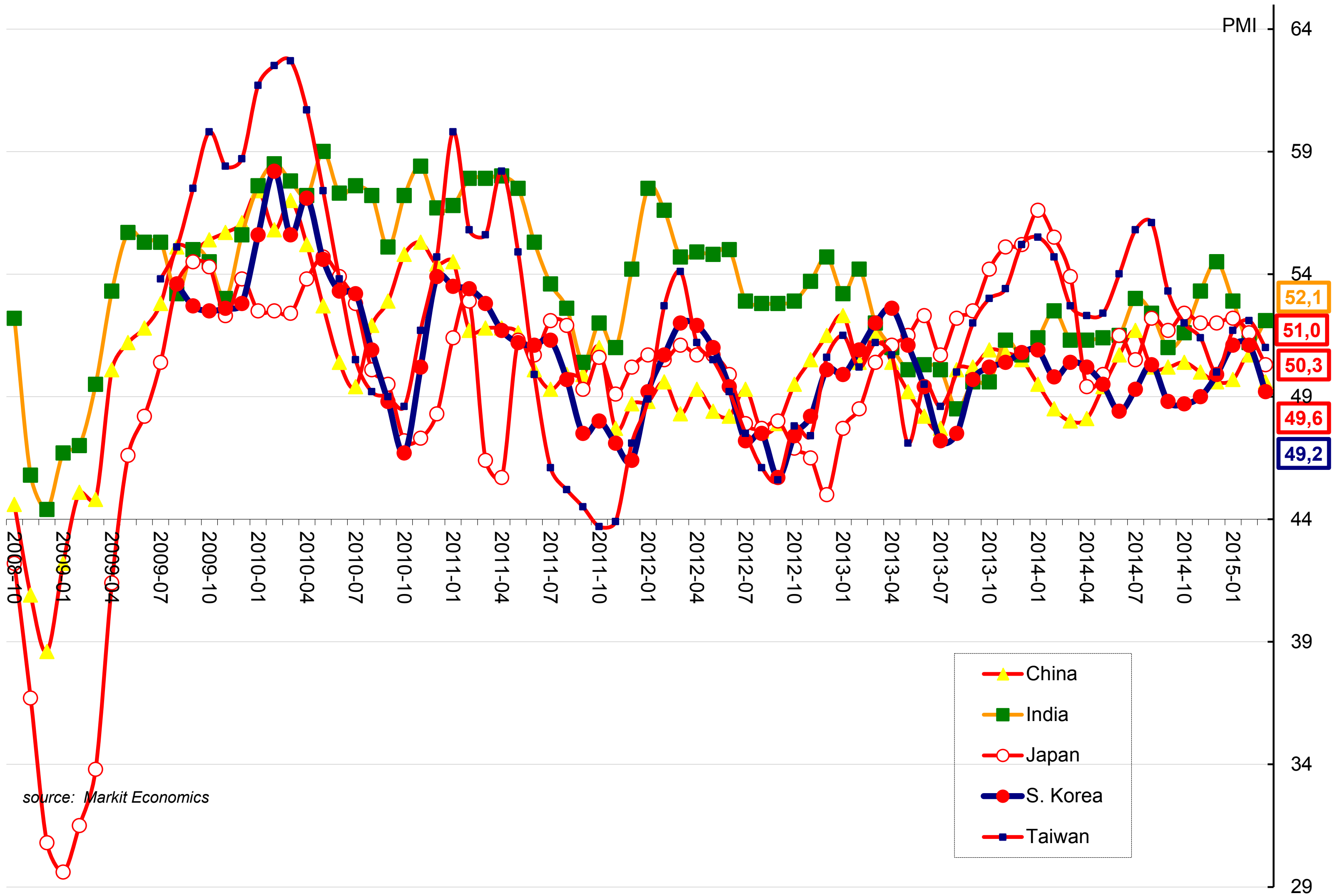

4 MT-IX

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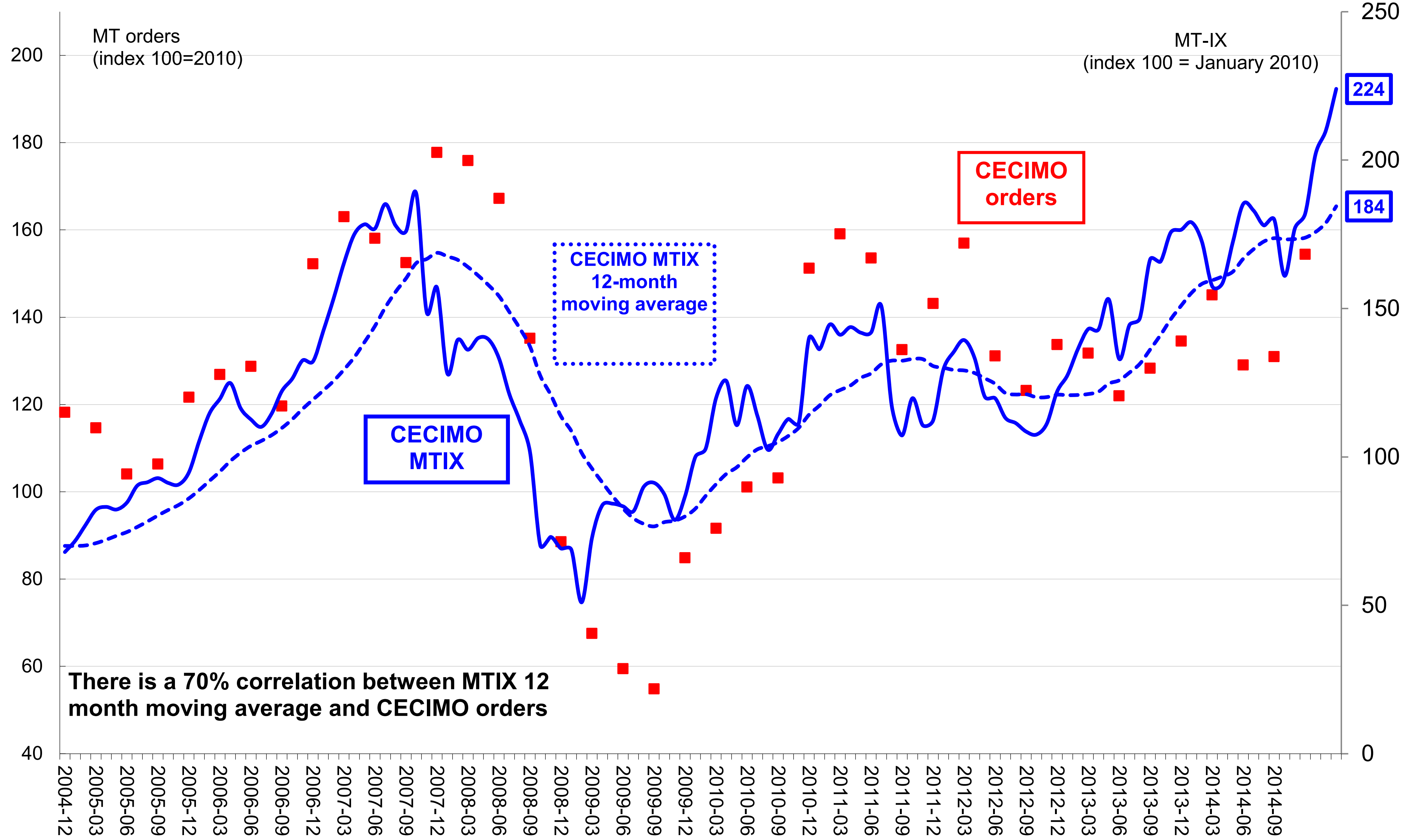

Glossary

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

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

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 2005.