cecimo

European Association of the Machine Tool Industries
and related Manufacturing Technologies

Economic & Statistical Toolbox

Fourth Quarter 2018

www.cecimo.eu

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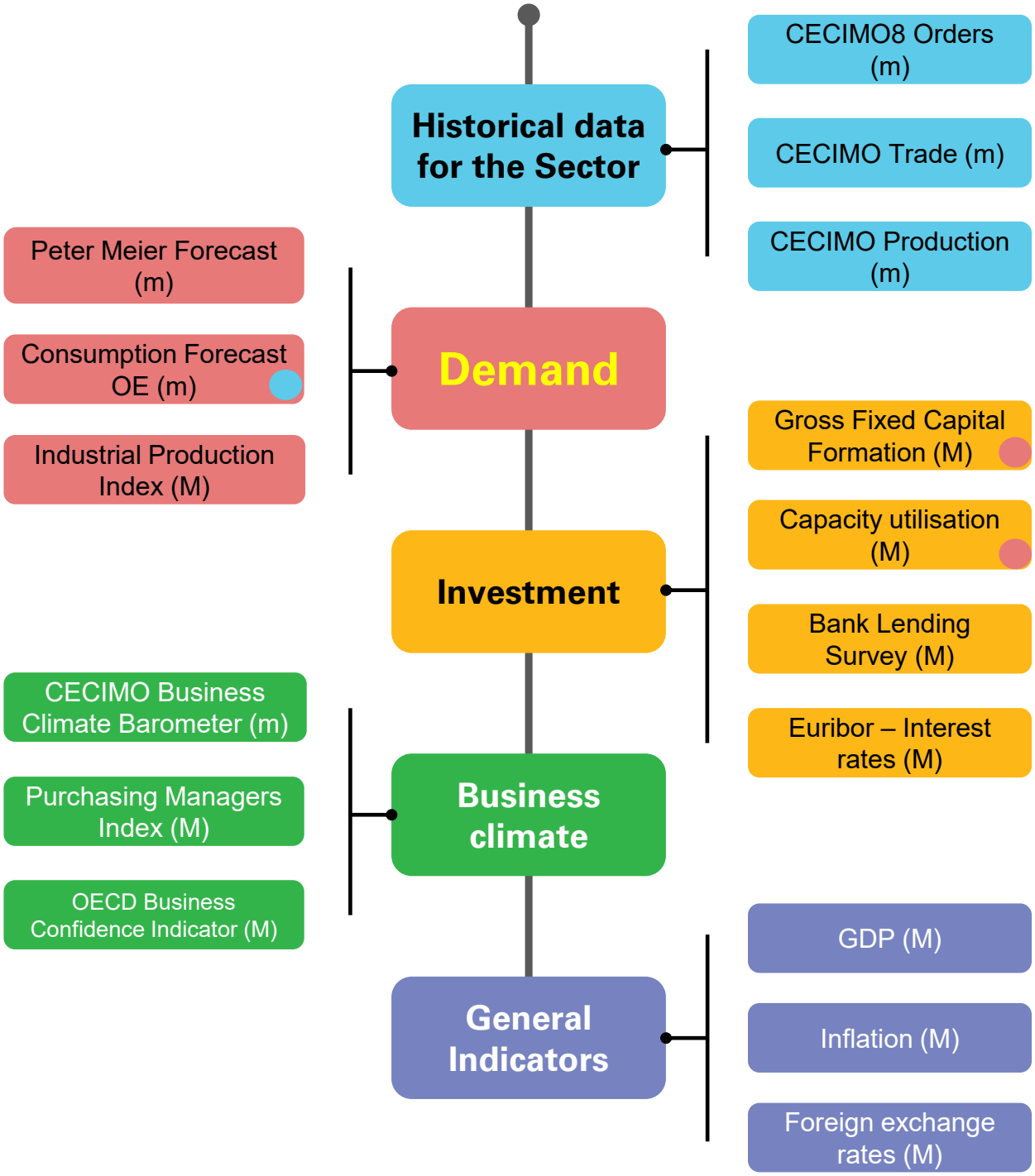
Introduction

The EU economy is entering its sixth year of uninterrupted growth. But the rebound of global growth, driven by stronger-than-ever trade in 2017, is wearing off amid greater trade tensions and an economic outlook clouded by domestic and interrelated external risks. Both the European Commission and the European Central Bank (ECB) have signalled that the European economy has moved down a gear.

Robust domestic fundamentals should support some economic activity. The ECB finally announced the end of its quantitative easing policy. But investment will still benefit from favourable financing conditions, despite the upcoming normalisation of the monetary policy.

In the third quarter, demand for machine tools is usually lower. But, this year, the drop appears to be sharper, due to the real economy context. GDP growth weakened, partially reflecting production bottlenecks in the car manufacturing sector. Inflation picked up in the third quarter but moderated towards the end of the year. In the near term, growth is projected to recover.

Toolbox Mind Map

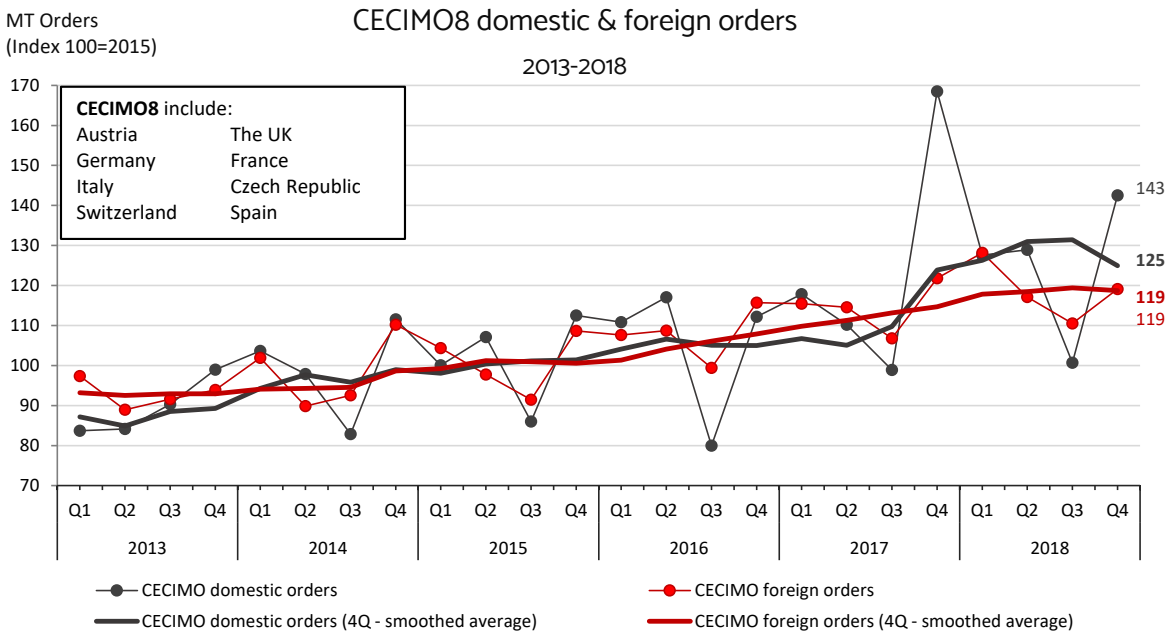


1. Historical Data for the Sector

1.1 Orders (m)

On a quarter-to-quarter basis, Quarter Four (Q4) 2018 saw an 11% recovery of total CECIMO8 Orders.

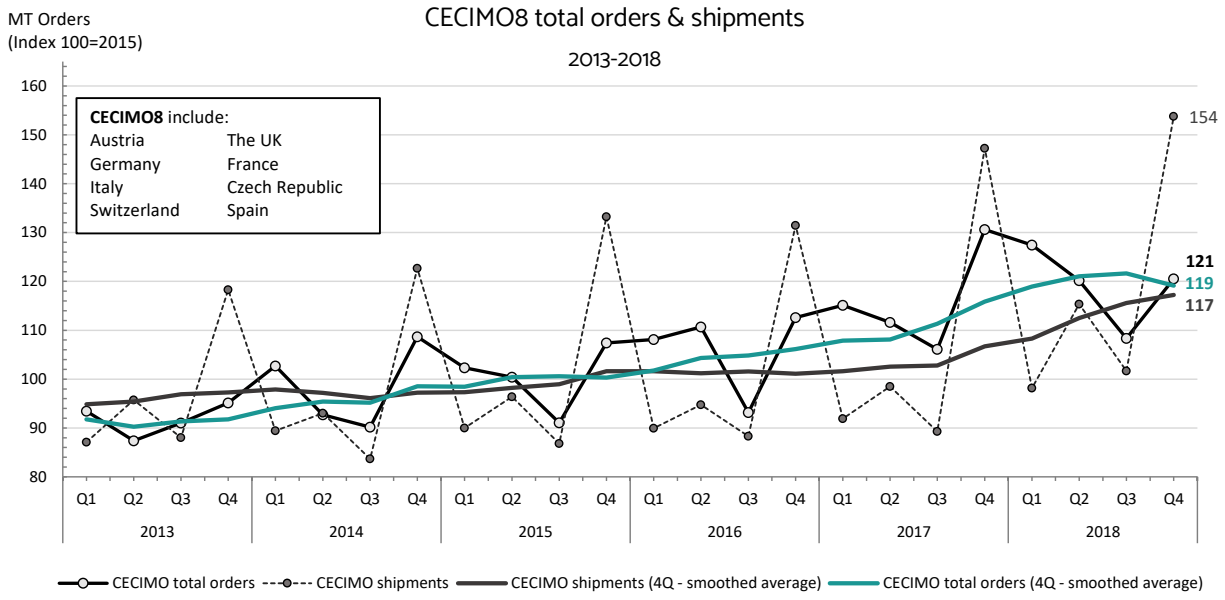
However, compared to Q4 2017, orders fell by -8%. The drop was driven by a big loss in domestic demand (-15%) and a smaller contraction in foreign orders (-2%).



At a national level, the indicator developed as follows:

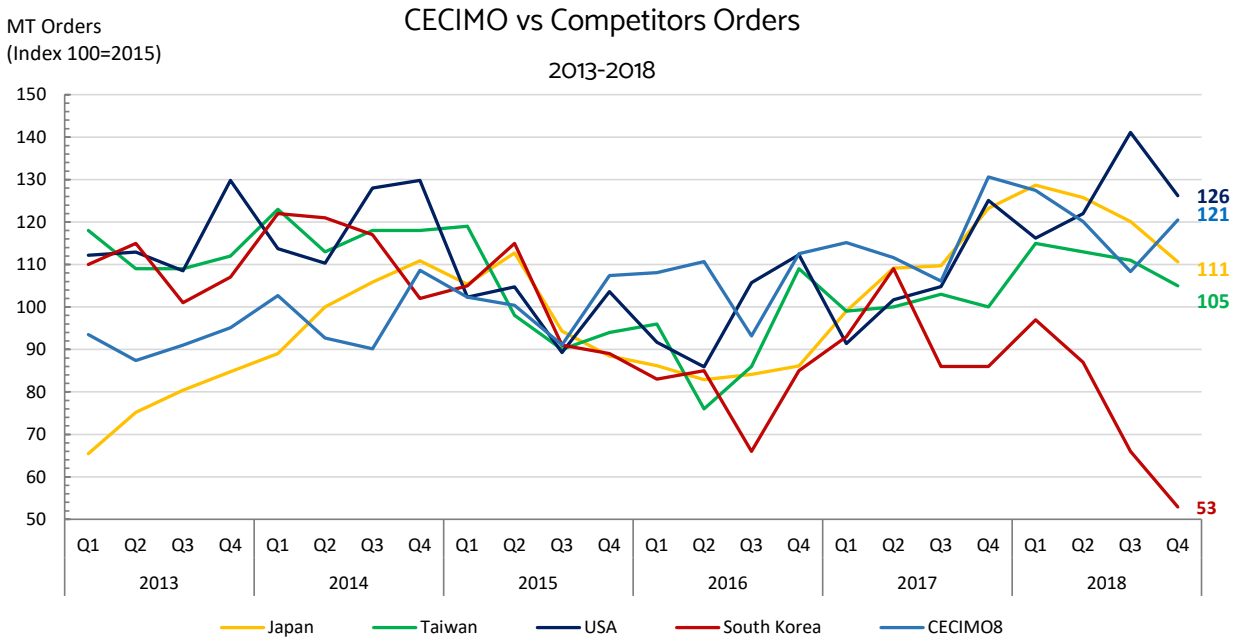
• Sharp **erosion of total Orders** in Germany (-13%), Austria (-12%), Spain (-8%) and to a lesser extent Switzerland (-4%) and the UK (-2%).
• Moderate **pickups in total orders** were observed in France (+7%) and Czechia (+3%).
• Steep **decreases in domestic orders** in Austria (-44%), Germany and Spain (-27%), France (-23%) and the UK (-20%).
• Switzerland showed a +12% **increase in domestic demand.**
• On the **foreign orders** side, the Swiss index swung by -7%, and Germany, Austria and Spain recorded a-4% fall. Italy and the UK registered a moderate **increase** of +4% and +9%.
• France saw a sharper +25% **improvement**.

Although some of these results are attributed to poorer industrial production and weak business sentiment overall, trade conflicts, Brexit uncertainties etc., part of it is due to exceptionally high performances in the fourth quarter of 2017. This might ease production pressures on manufacturers.

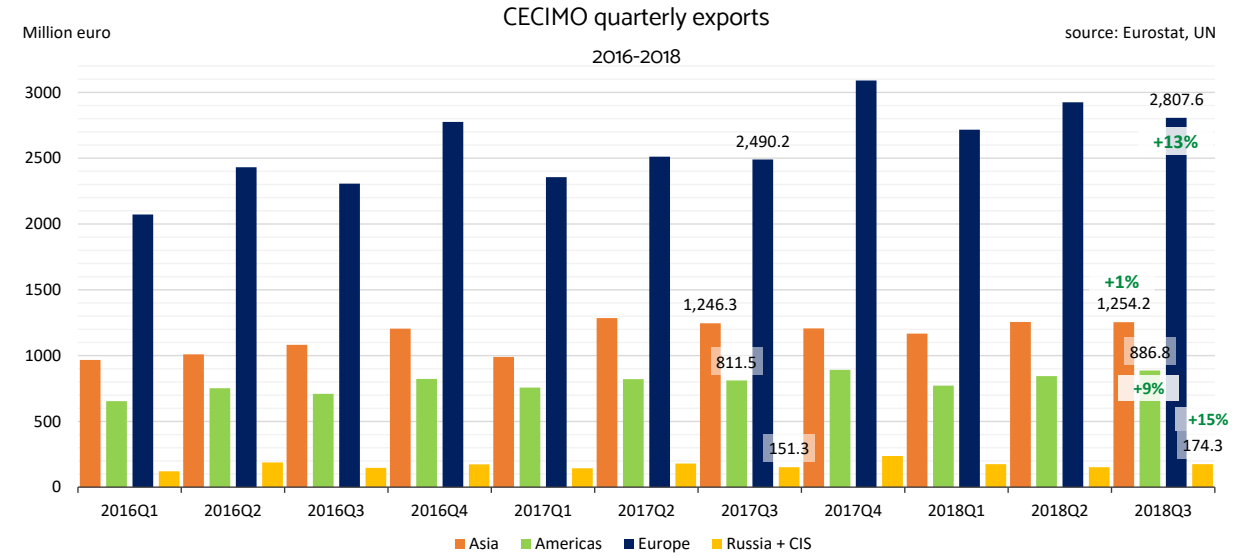


Our competitors face a similar picture at the closing quarter of 2018.

• Total orders have decreased in **Japan** (-10%), due to falling demand for **metal-cutting** machines (-13%), especially from foreign clients. The **metal-forming** sector expanded by +8%.
• **South Korea** saw a -12% decrease in demand (+13% domestic, but -38% foreign).
• **Taiwan** recorded a +5% expansion compared to the fourth quarter last year.
• **The US** registered a modest 1% expansion in orders.

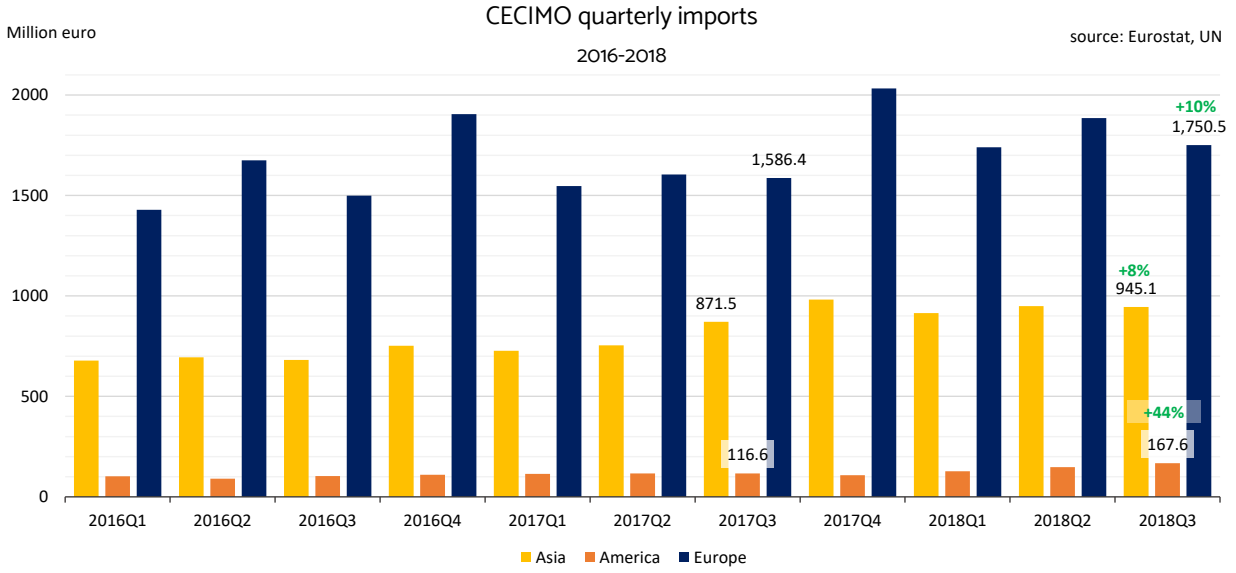


1.2 CECIMO Trade (m)



The latest complete data on quarterly trade refers to the third quarter of 2018. CECIMO's quarterly **exports** for Q3, compared to the same quarter previous year:

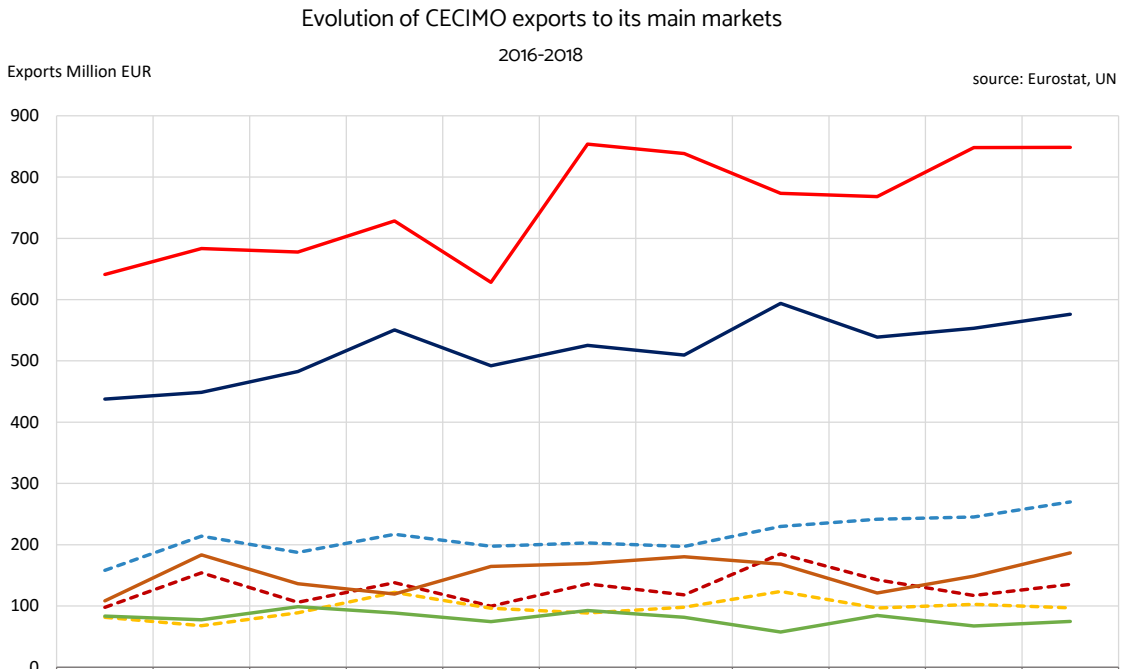
- €5.4 billion (€2.2 billion intra-CECIMO)
- +8% **increase** in total exports (+10% intra-CECIMO)
- +9% **increase** in exports to the Americas, and +15% to Russia & CIS countries
- Marginal +1% **increase** in exports to Asia.



CECIMO quarterly **imports** for Q3, compared to the same quarter previous year:

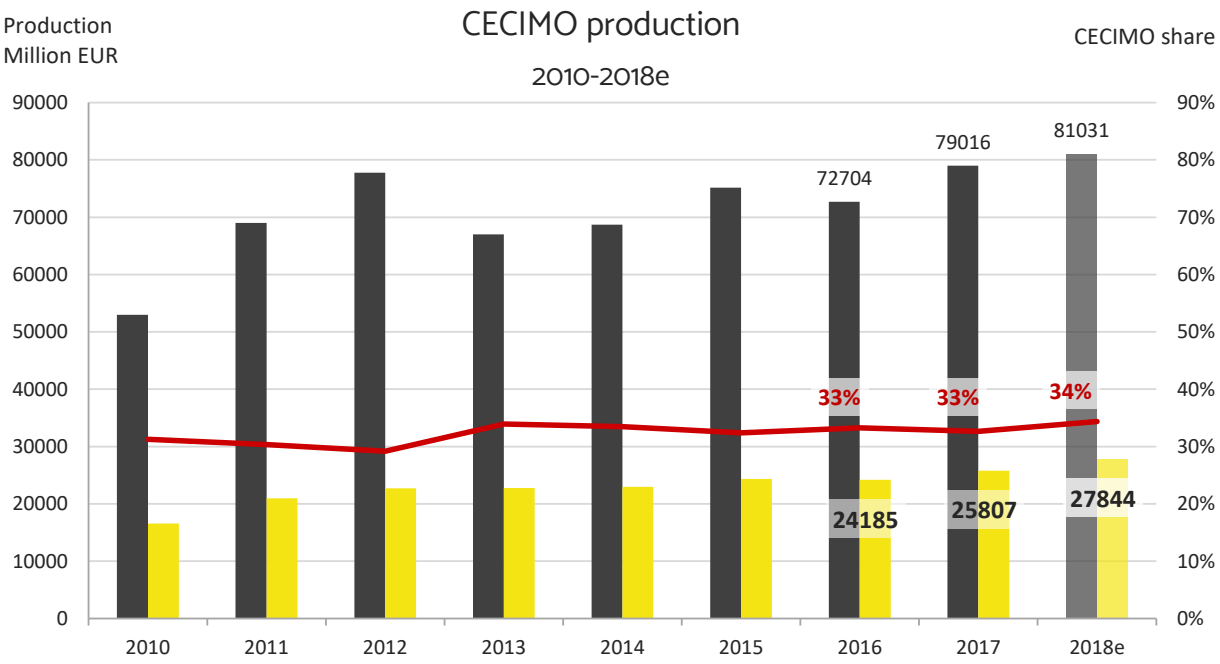
- €2.9 billion (€1.7 billion intra-CECIMO)
- +11% **increase** in total imports (+11% **increase** intra-CECIMO)
- An astonishing 66% **increase** in imports from Russia & CIS countries and a 44% **increase** from the Americas region. Although small in absolute terms, imports from Africa tripled.
- +8% **increase** in imports from Asia.

Overall, the import figures grew slightly faster than exports. Early estimates for 2018 signal an +8.5% annual growth in exports and a +13.9% annual growth in imports.



	2016-Q1	2016-Q2	2016-Q3	2016-Q4	2017-Q1	2017-Q2	2017-Q3	2017-Q4	2018-Q1	2018-Q2	2018-Q3
China	641	684	678	728	628	854	838	773	768	848	848
USA	438	449	483	550	492	525	509	594	539	553	576
Russia	98	154	106	138	100	136	118	185	143	117	135
India	82	68	89	122	96	88	98	124	96	103	97
Poland	158	214	187	217	197	203	197	230	242	245	270
South Korea	83	77	99	89	74	93	81	58	84	67	75
Mexico	108	183	136	120	165	169	180	168	121	149	187

1.3 Production (m)



source: CECIMO, Gardner, national associations

Revised figures for 2017 show a total production of €25.8 billion for CECIMO countries – 7% higher than in 2016. In 2017, CECIMO production grew at a slightly slower pace than world production. Provisional figures for 2018 suggest an 8% increase in output, which is €27.8 billion in absolute value. Based on preliminary Gardner intelligence data, global production is expected to grow at 3%.

2. Demand

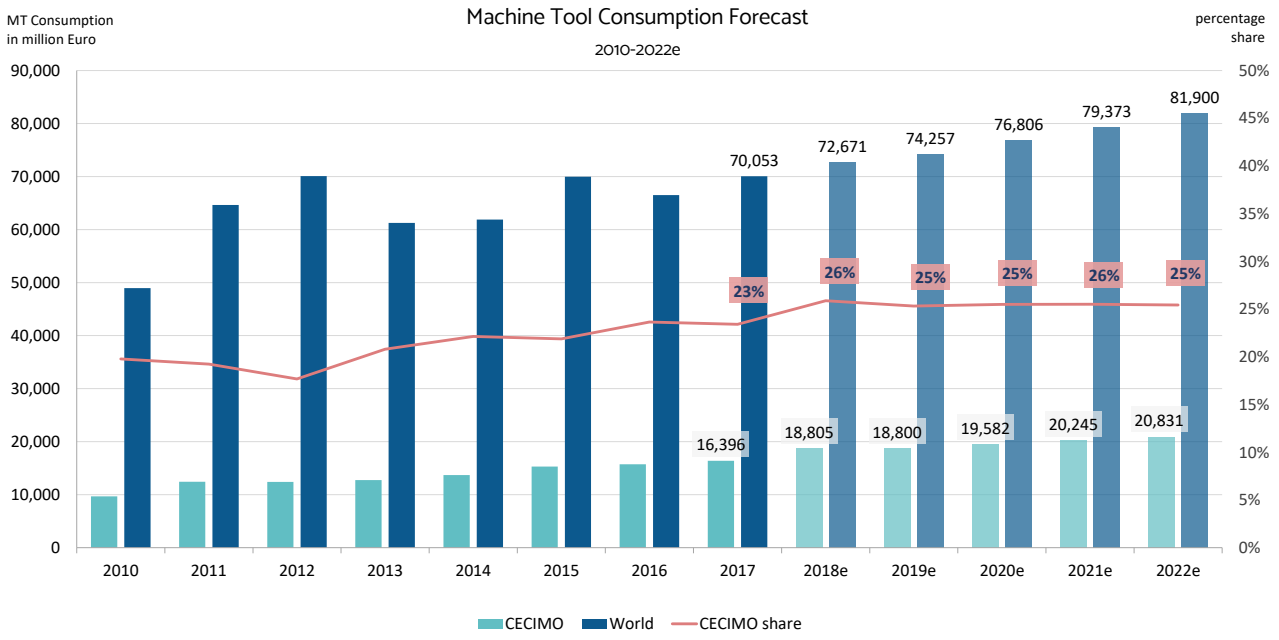
2.1 CECIMO Consumption (m)

Oxford Economics Consumption Forecast

CECIMO MT consumption reached €16.4 billion in 2017 – 5% higher than in 2016.

Forecasts (Spring 2019 issue):

- Oxford Economics adjusted the CECIMO consumption growth upward, from 13.9% to 14.7% in 2018 compared to 2017.
- OE's forecasts are more optimistic, as consumption levels are expected to have reached €18.8 billion last year. World machine tool consumption is foreseen to increase to 5.3%, as shown on the graph.
- Consumption growth is expected to slow down and average out at 2.6% for CECIMO and 2.9% for the world in the next 4 years.

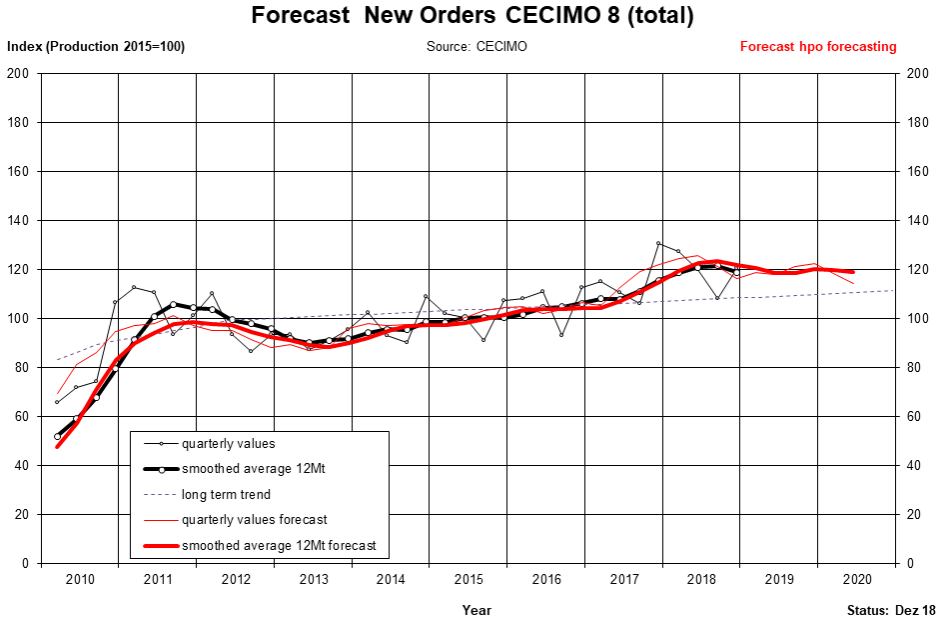


MT consumption will be supported by the dynamism of MT buying sectors from emerging countries. More importantly, the nature of MT consumption will change due to the alterations in the traditional automotive sector and its gradual shift towards e-mobility.

2.2 Peter Meier / HPO CECIMO8 Orders Forecast (m)

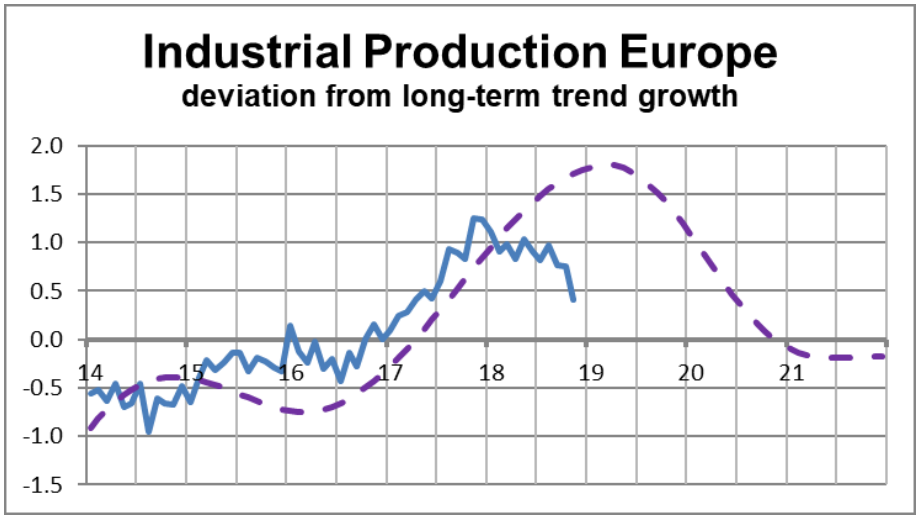
In Q4 2018, new orders recovered again on a seasonal basis. The recovery, however, is weaker than in Q4 2017. The 12-month average is slightly below the forecast curve (thick red line), due to lower than expected rates in the orders data.

New economic indicators paint a cloudier outlook. The peak of mid-2019 was adjusted downwards to a sideways movement throughout 2019.



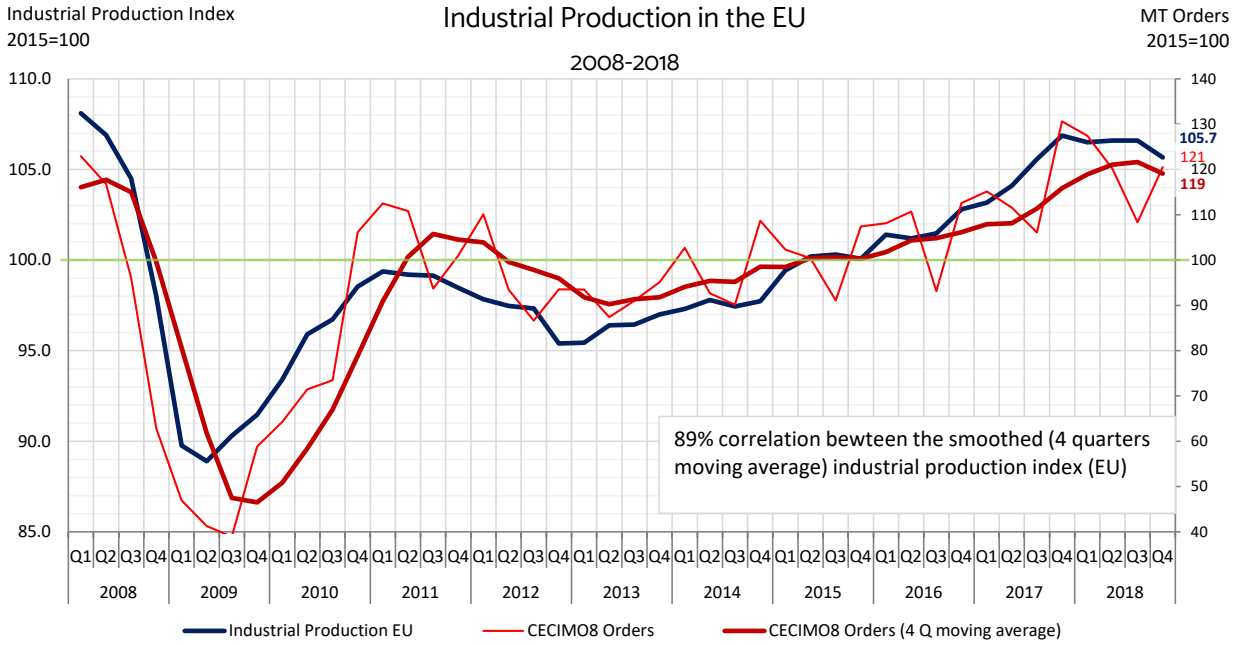
Euphoric sentiment in the US has now passed its peak, as was the case in Asia and Europe. The mood in Europe and the US remains positive by historical standards but is expected to deteriorate in the next quarters. Sentiment in Asia dropped further in Q4.

Industrial production in the US and Asia are still following long-term trends and are both at high levels. Oppositely, in Europe it remained below expectations. Since 2017, output growth has slowed down significantly and as the industrial cycle is quite advanced, it is unlikely the shortfall will be recovered in the coming months. Based on the data, it appears the peak of the momentum in Europe occurred earlier than expected in many sectors and the downward trend will continue in the next quarters.



2.3 Industrial Production Index (M)

In December 2018, industrial production decreased by 2.7% in the EU28 and by 4.2% in the Euro Area. The average industrial production for the past year, compared to 2017, rose by 1.3% in the EU28 and 1.1% in the euro area. Overall, industrial production in the EU is still looking positive and industrial production of capital goods still has momentum but is showing signs of a slowdown.



Source: Eurostat + CECIMO

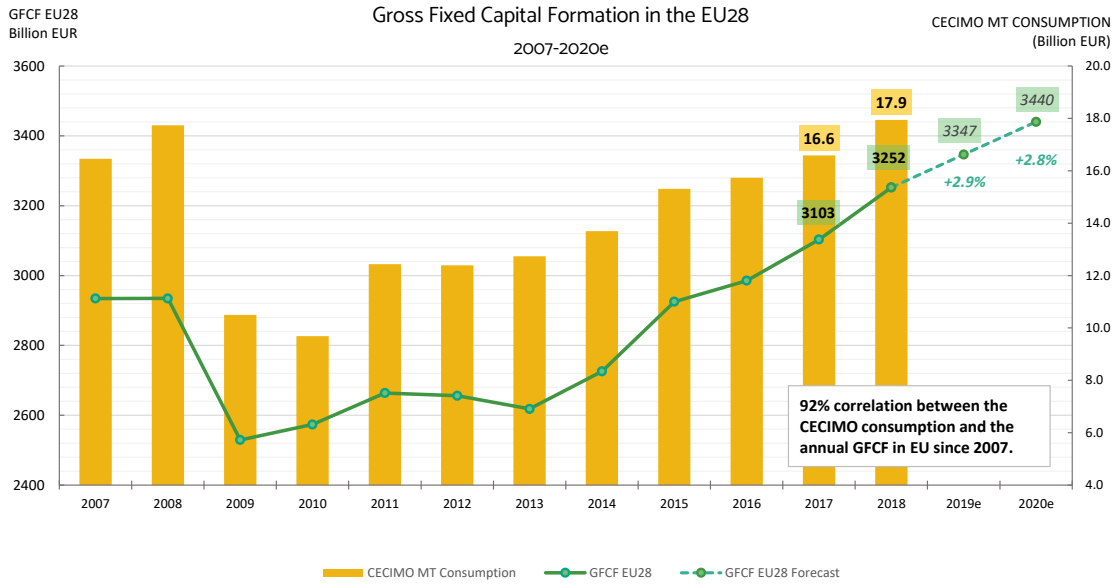
- The highest increases in industrial production among CECIMO members were registered in Denmark (+14.3%), Finland (+3.3%) and Sweden (+2.3%).
- The sharpest decreases were observed in Spain (-6.7%), Italy (-5.5%), the Netherlands (-4.2%) and Germany (-3.9%).

EU 28	Oct 2018/ Oct 2017	Nov 2018/ Nov 2017	Dec 2018/ Dec 2017
Total industrial production	**1.30%**	**-2.20%**	**-2.70%**
Capital goods	3.30%	-2.90%	-4.20%
Durable consumer goods	1.20%	-1.40%	-2.90%
Intermediate goods	0.10%	-2.20%	-3.20%
Energy	-1.70%	-3.20%	-1.50%
Non-durable consumer goods	1.50%	1.20%	-0.20%

The highest production indexes for total industry were registered in Denmark (121.4), the Czech Republic (115.5) and Finland (114.8).

3. Investment

3.1 Gross Fixed Capital Formation (M)



In Q4 2018, Gross fixed capital formation (GFCF) gained 5% compared to the same quarter last year, and reached €871.3 billion in absolute value, adding up to €3.25 trillion for the year.

	2017			2018		
Country / label	At current prices (EUR million)	% of GDP	y-on-y growth rate	At current prices (EUR million)	% of GDP	y-on-y growth rate
Germany	663,063.0	20.3%	5.2%	703,288.0	20.8%	6.1%
France	515,921.0	22.5%	5.7%	539,253.0	23.0%	4.5%
United Kingdom	400,426.6	17.2%	-1.0%	405,374.6	17.0%	1.2%
Italy	300,605.8	17.6%	4.3%	315,702.6	18.0%	5.0%
Spain	239,176.0	20.5%	6.9%	256,044.0	21.2%	7.1%
Netherlands	151,199.0	20.5%	6.7%	162,637.0	21.0%	7.6%
Sweden	118,977.7	25.0%	6.3%	118,388.5	25.4%	-0.5%
Belgium	101,769.2	23.5%	2.7%	107,286.3	23.8%	5.4%
Austria	86,916.1	23.6%	6.6%	92,248.3	23.9%	6.1%
Finland	49,578.0	22.1%	5.8%			
Czech Republic	47,334.8	24.8%	7.6%	54,103.4	26.1%	14.3%
Portugal	31,217.7	16.6%	10.3%	34,363.8	17.1%	10.1%

European Commission investment forecasts: total investment in the EU28 is expected to increase by 2.9% in 2019 and 2.8% 2020.

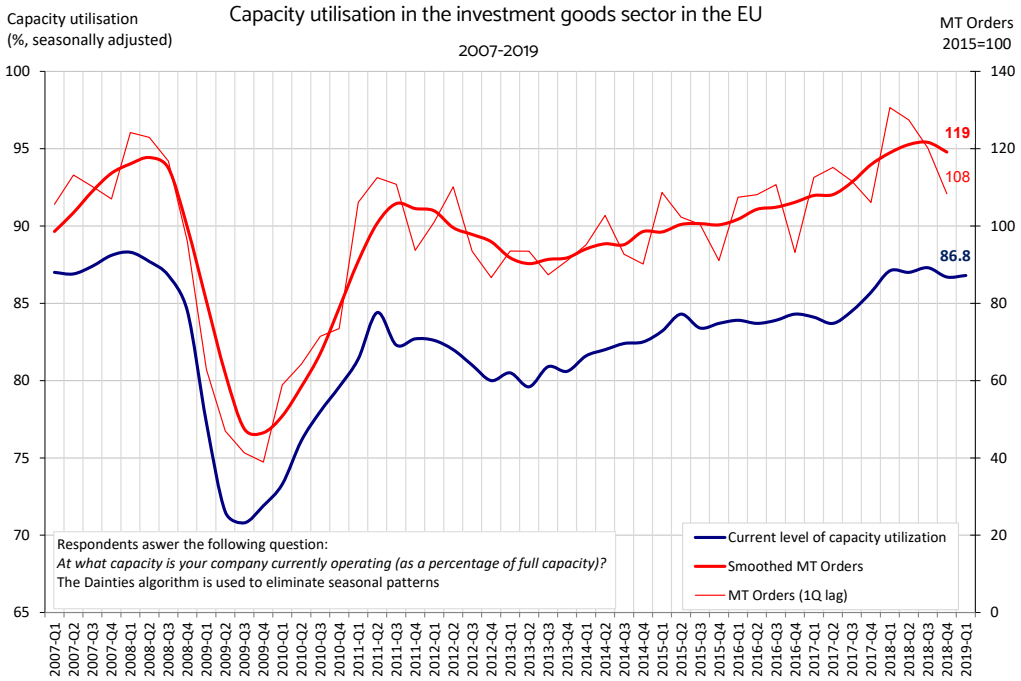
Investment in equipment increased at a sharper pace in 2018 (4.8%), in line with the previous forecast (4.9%) but is expected to slow down towards 2019 (3.3%) and 2020 (3.1%).

OECD investment forecasts: GFCF is expected to increase by 3.1% in 2019 and 2.8% in 2020 in the Euro Area. Investment in OECD economies as a whole is expected to increase by 2.6% and 3.0% in the same years.

Historically, the growth between the EU and Euro Area was comparable. The high correlation (92%) between annual GFCF and CECIMO consumption suggests that we can expect MT consumption to continue to grow until 2020, but at a decreasing pace.

3.2 Capacity Utilisation in the Investment Goods Sector (M)

The capacity utilisation level in the EU remained largely the same; slightly increasing from 86.7% to 86.8% in the first quarter of 2019 and reaching below the yearly average for the past year (of 87%). Capacity utilisation and the CECIMO MT Orders indicator are highly correlated (96%). A modest improvement is indicative of a small increase (if any) in MT orders. As long as the levels are above the threshold (80%-90%), manufacturers are still willing to invest in additional capacity and keep MT demand up.



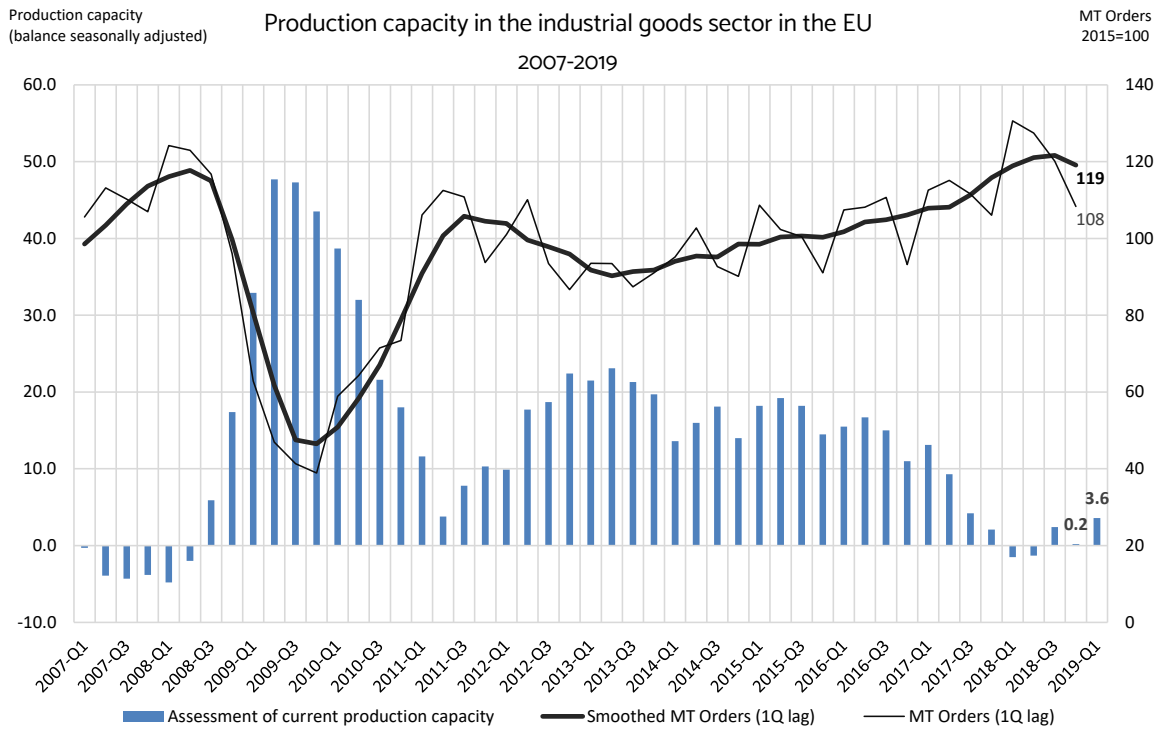
Production Capacity (balance in %)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Austria	1.9	-3.6	-2.6	-3	0
Czech Republic	12.3	12.8	14.9	12.7	11.2
France	-13.3	-11.3	-9.6	-16.8	-13.3
Germany	-8.1	-5.6	0.1	-1.3	1.5
Italy	19.9	18.5	17.2	19.9	19.2
Spain	12.9	7.8	6.4	12.9	4.4
United Kingdom	-3.2	2.8	10	-3.2	23.9

Capacity Utilisation (% of total capacity)

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Austria	89.3	89.4	88.3	89.6	85.8
Czech Republic	87.6	91.3	88.5	89.8	87.8
France	89.3	88.9	89.5	89.2	89.0
Germany	89.6	88.8	91.1	88.9	89.9
Italy	80.3	79.9	79.1	79.8	79.9
Spain	86.4	87.7	86.7	85.5	86.4
United Kingdom	86.4	87.7	84.4	85.8	82.6

Production capacity in the industrial goods sector in the EU remained flat at 0.2% in Q4. This means that a similar number of managers assessed their production capacity as sufficient, compared to those who assessed it as insufficient. We cannot conclude major trend changes for MT orders.



3.3 Bank Lending Survey (M)

The January 2019 round of the European Central Bank's (ECB's) Bank Lending Survey confirmed that credit standards are broadly unchanged in Q4 2018, according to predictions in the previous round.

Credit standards for loans to enterprises in the Euro Area stand at -1% in Q4, compared to the -6% in Q3, continuing an easing trend since 2014.

• The main drivers for easing were competitive pressure from other banks, neutral risk perceptions and balance sheet constraints.

• Credit standards on loans to enterprises eased in Germany and the Netherlands, remained unchanged in Spain and France, and tightened in Italy.

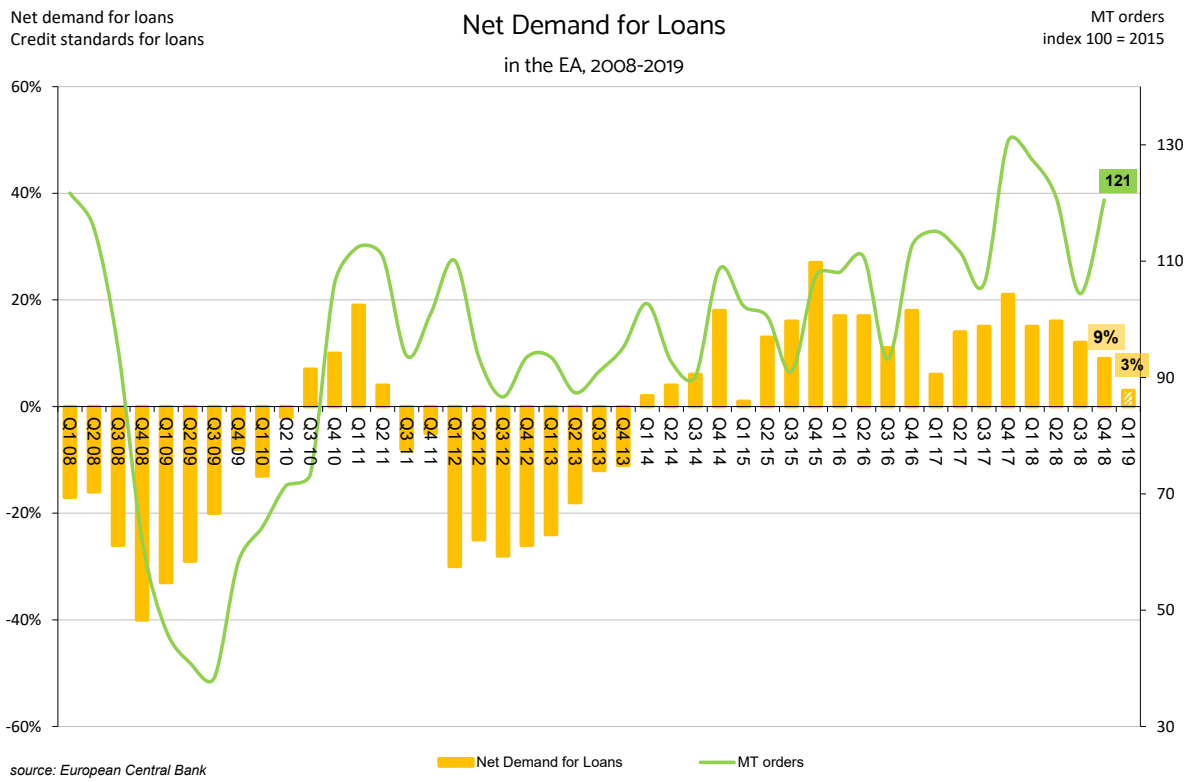
• They remained unchanged for SMEs (-1%) but continued to ease for large firms (-5%).

• Euro Area banks expect a slight tightening of credit standards for loans to enterprises (by +2%) in the first quarter of 2019.

The **net percentage share of rejected loan applications** increased across all categories in the fourth quarter (+5%, compared to 1% in Q3) but remained below the historical average since 2003.

The **net demand for loans to enterprises** continued to increase in the fourth quarter (+9%, after 12% in Q3), in line with banks' expectations in the previous round.

• Net demand for loans to businesses **increased** in Germany, Italy and the Netherlands.
• Demand for loans **declined** in France and Spain.
• **The main drivers** of the increase were a low general level of interest rates, fixed investment and M&A activity. Use of alternative finance impacted firms' loan demand modestly.
• In the first quarter of 2019, banks expect a moderation of the net increase in loan demand from enterprises to 3%.

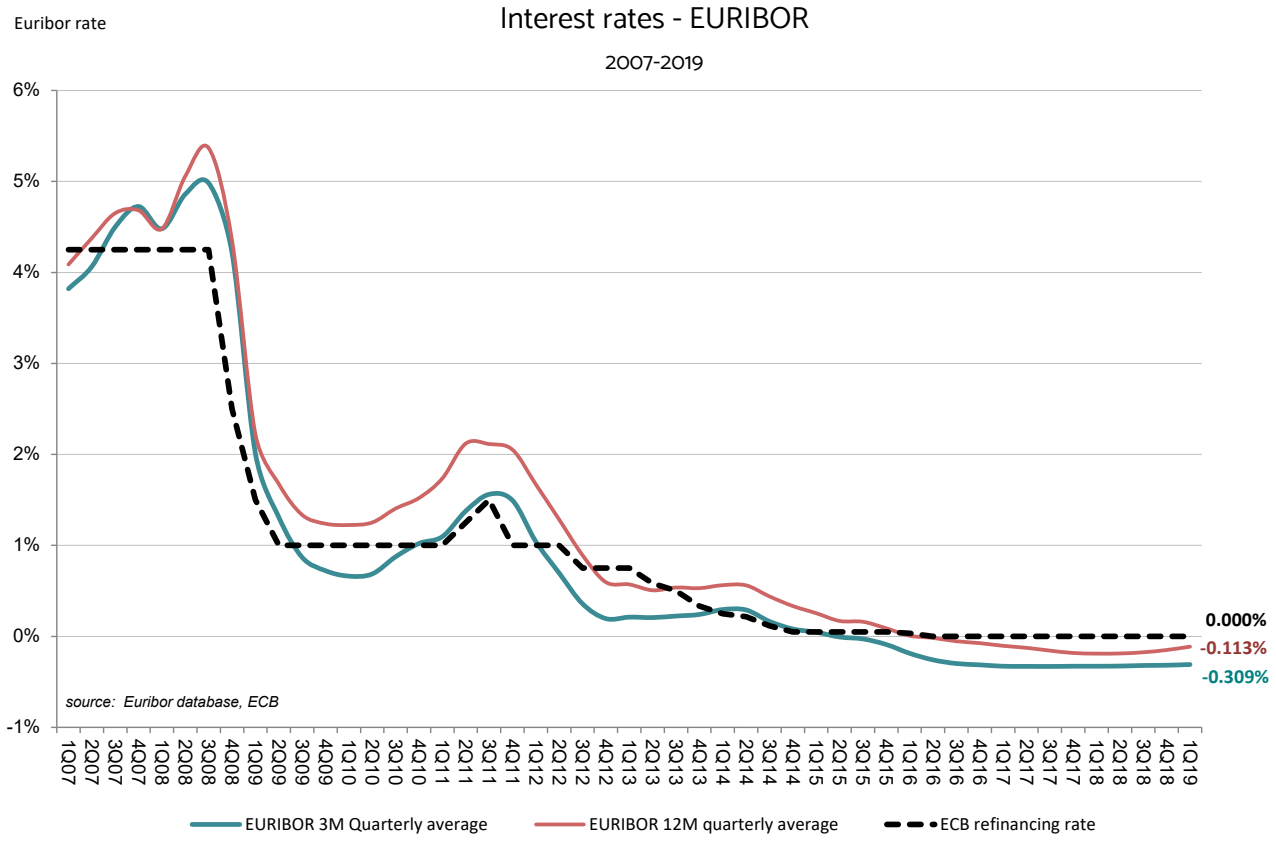


CECIMO MT Orders have a 71% correlation with a 2-quarter lagged demand for loans. As credit standards are expected to tighten slightly and the net demand is expected to slow down in the first quarter, we can expect our clients to be more reluctant in borrowing and investing in new machine tools, pointing to a slowdown in MT demand. The President of the ECB reaffirmed that the central bank will keep key interest rates at current levels throughout the summer, or longer if needed.

3.4 Euribor - Interest Rates (M)

After the ECB decision in December to end its massive bond-buying program, Mario Draghi, the President of the ECB, confirmed that the institution intends to continue to reinvest principal payments from maturing securities (TIROLs) that were bought under the bond-buying program. This should keep borrowing costs down until 2021. In a press conference in January, Mr Draghi explained that the ECB will keep the key interest rates unchanged.

Geopolitical factors, vulnerabilities in emerging markets and volatile financial markets have dragged down economic sentiment in the Euro Area. Poor growth in Germany, France and Italy Q4 2018 created uncertainties among investors. Near-term data is likely to be weaker than expected. Meanwhile, supportive financing conditions, good labour market dynamics and rising wages are supporting a Euro Area expansion.



The ECB is expected to proceed very slowly with a gradual normalisation of monetary policy.

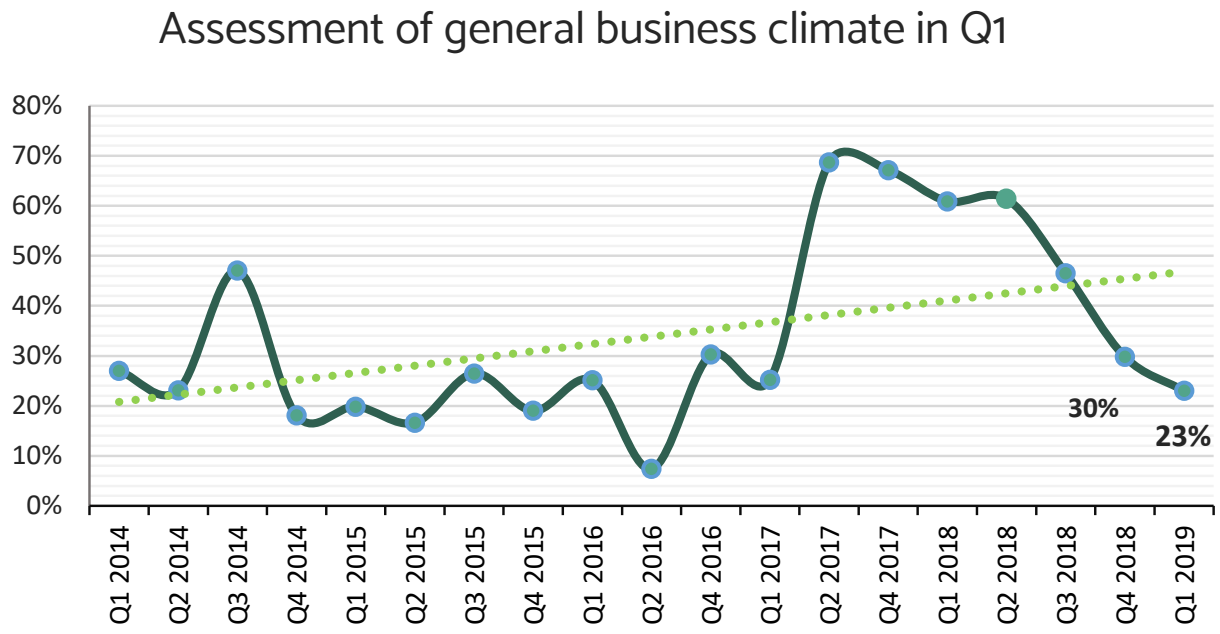
4. Business Climate

4.1 CECIMO Business Climate Barometer (m)

The Business Climate Barometer is a quarterly survey that assesses CECIMO-based companies' current business sentiment and expectations for the next quarter. This edition is based on the responses of companies and national associations from 8 CECIMO member countries and was carried out in January 2018.

Methodology

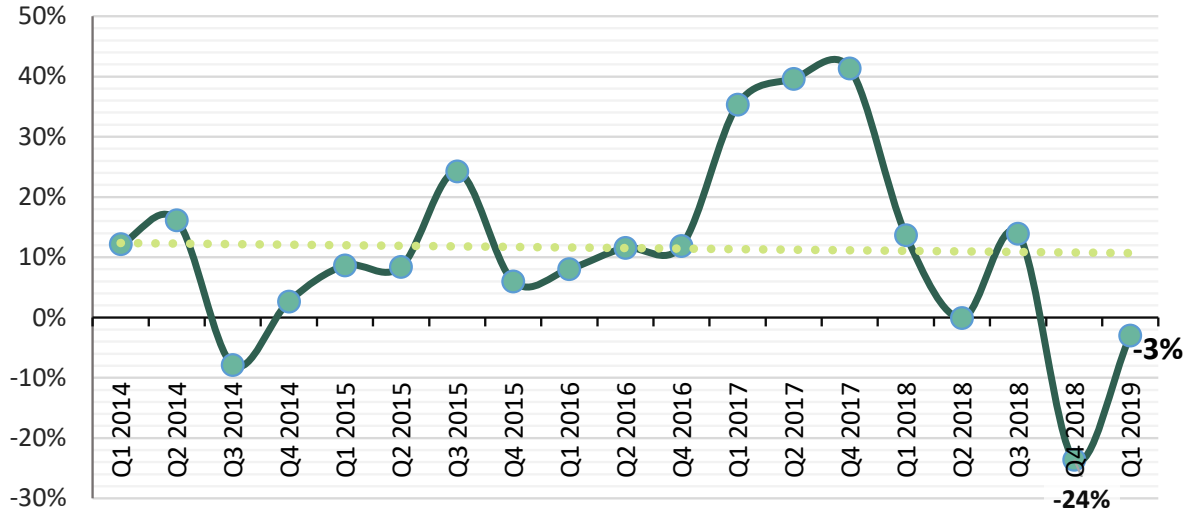
National associations and individual companies assess their business climate and expectations for Q1 2019 on the basis of three options (positive, neutral and negative), regarding demand, domestic production, export sales and employment. Moreover, respondents state their current rate of operation and indicate the factors hindering their activities. The results shown below correspond to the difference between positive and negative answers for each question – excluding the neutral ones, which are represented on the Y axis. The X axis corresponds to a timeline.



▶ The general business climate among CECIMO members dropped further to 23% in Q4, marking the third quarter of consecutive deterioration in business climate. It is the lowest level we have observed since the second quarter of 2016.

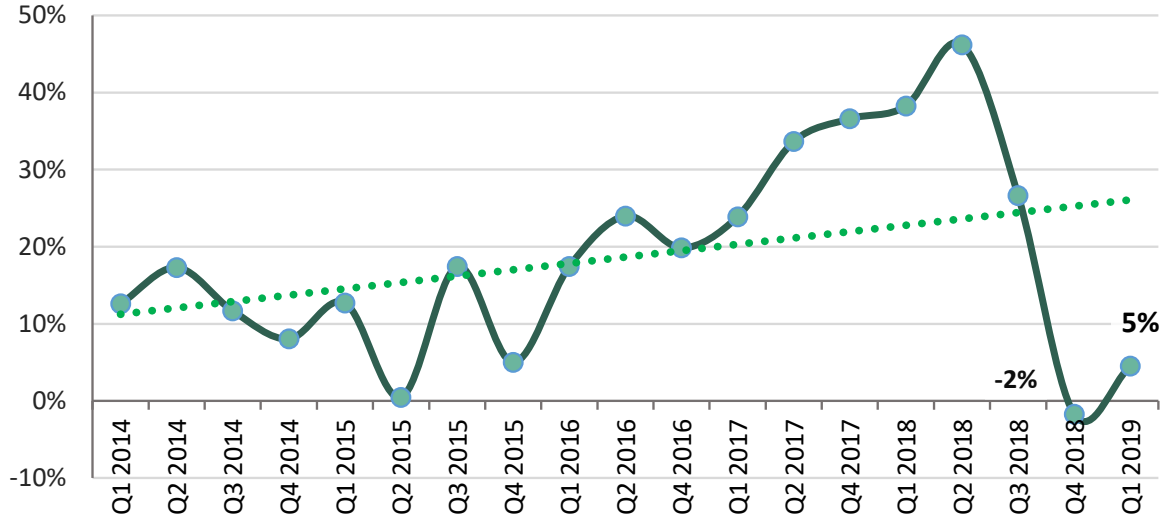
Business expectations over the next six months turned out negative (-16%) for the first time since the beginning of the survey.

Net order intake January



In January, only 3% more CECIMO respondents concluded their net order intake had decreased. The level had risen since the previous quarter, when order intake had hit the bottom low of -24%.

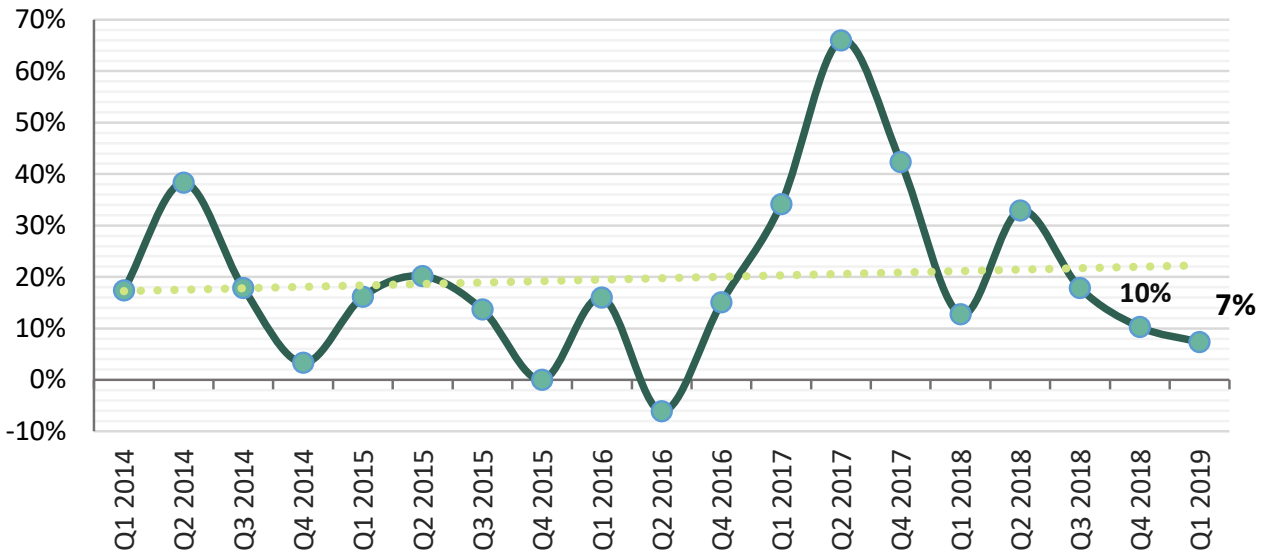
Expectations over domestic production in Q1



Expectations on domestic production returned to a positive area, reaching 5%, after a -2% low in Q3. This level is still below the five-year trend.

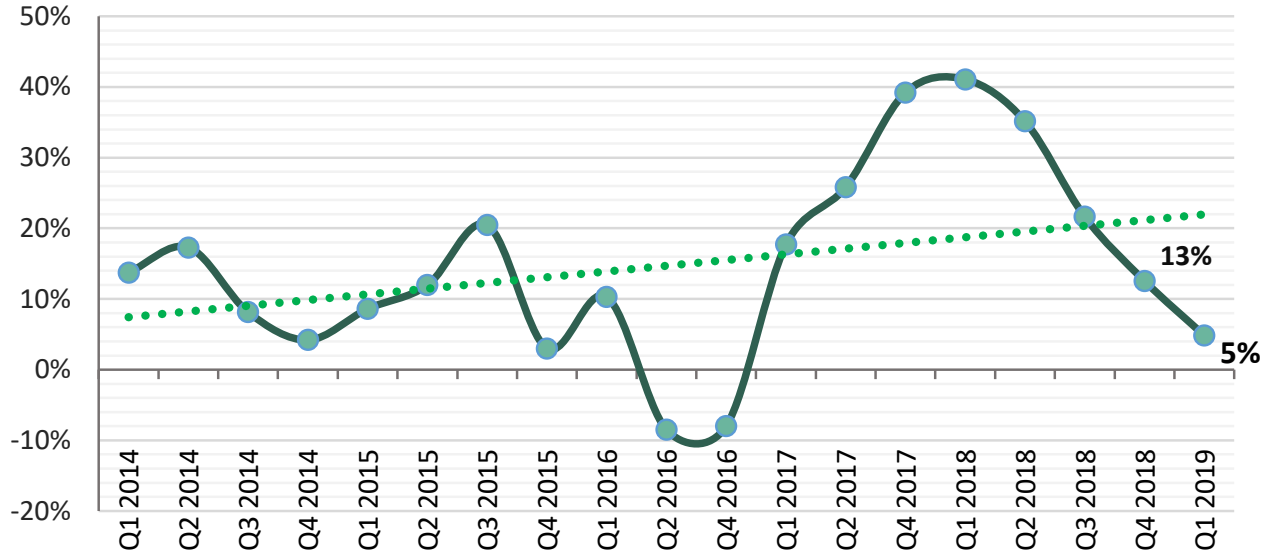
More graphs on next page

Expectations over exports in Q1



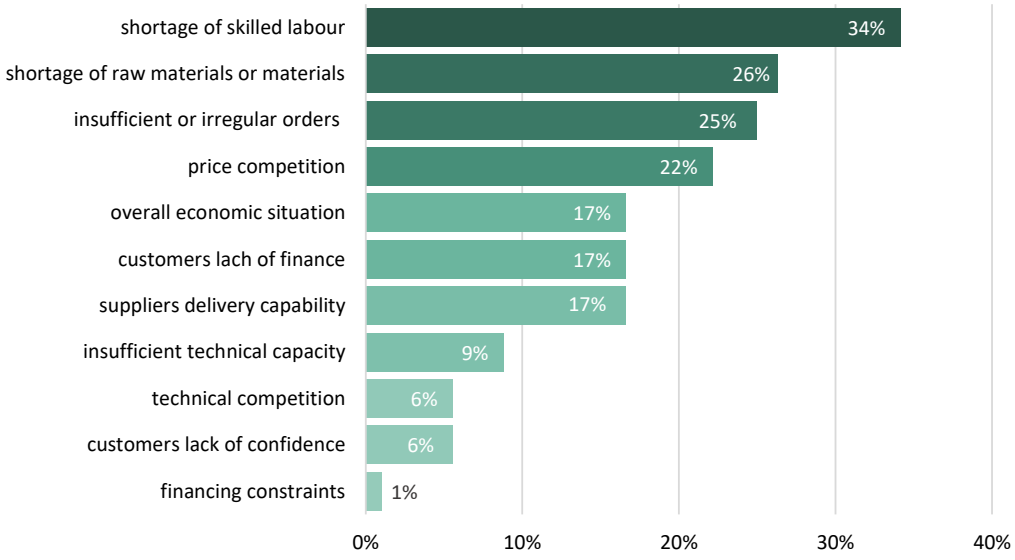
CECIMO's expectations for exports in Q1 reached 7% in this round of survey, which is lower than the last quarter's results, but the balance is still positive.

Expectations over employment in Q1



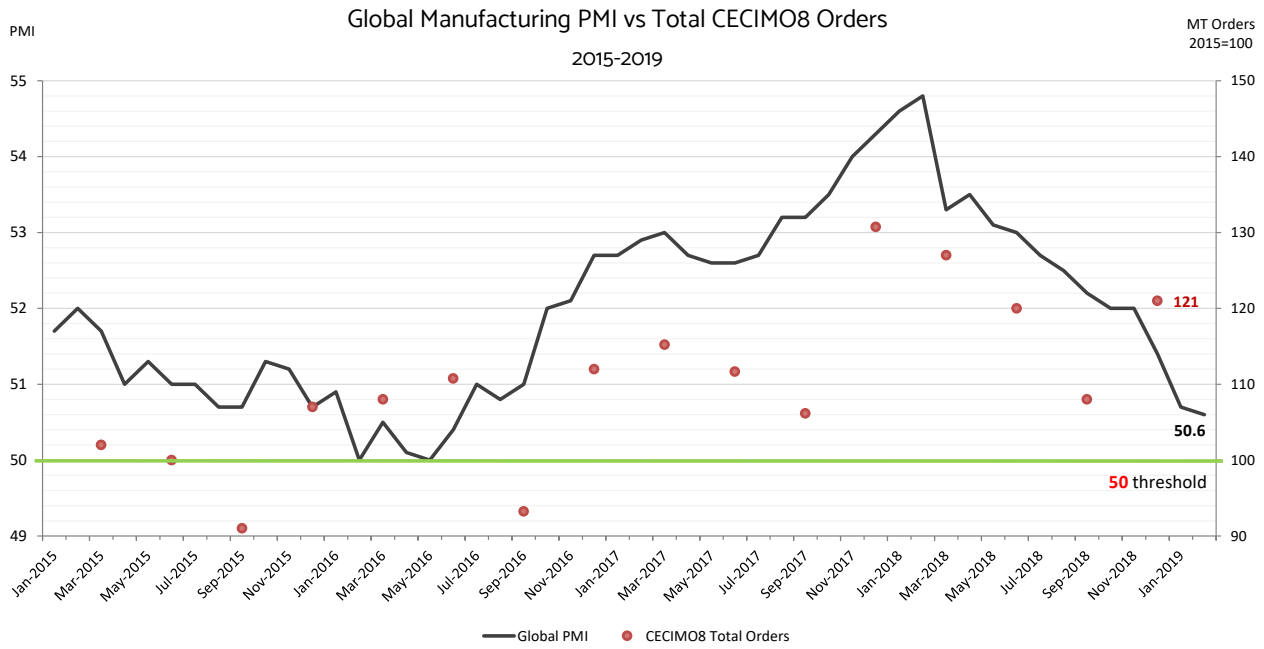
Regarding employment, 5% more machine tool managers assessed their expectations as positive, compared to those that expected it to decrease. The results mark the fourth consecutive drop since the beginning of 2018.

Obstacles hindering the activity

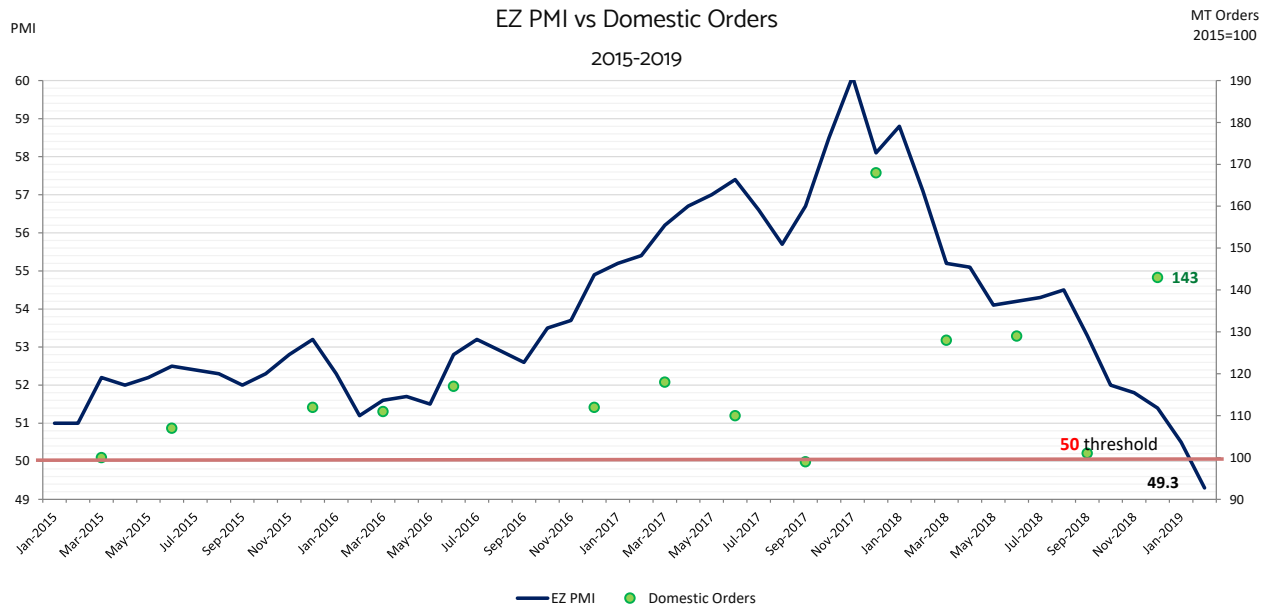


74% of respondents in CECIMO signalled that their production activity is hindered. The most common constraints appear to be insufficient or irregular orders, price competition, insufficient financial resources on the side of the customers and the overall poorer economic situation. The average rate of operation across CECIMO members is 89% in Q1 2019.

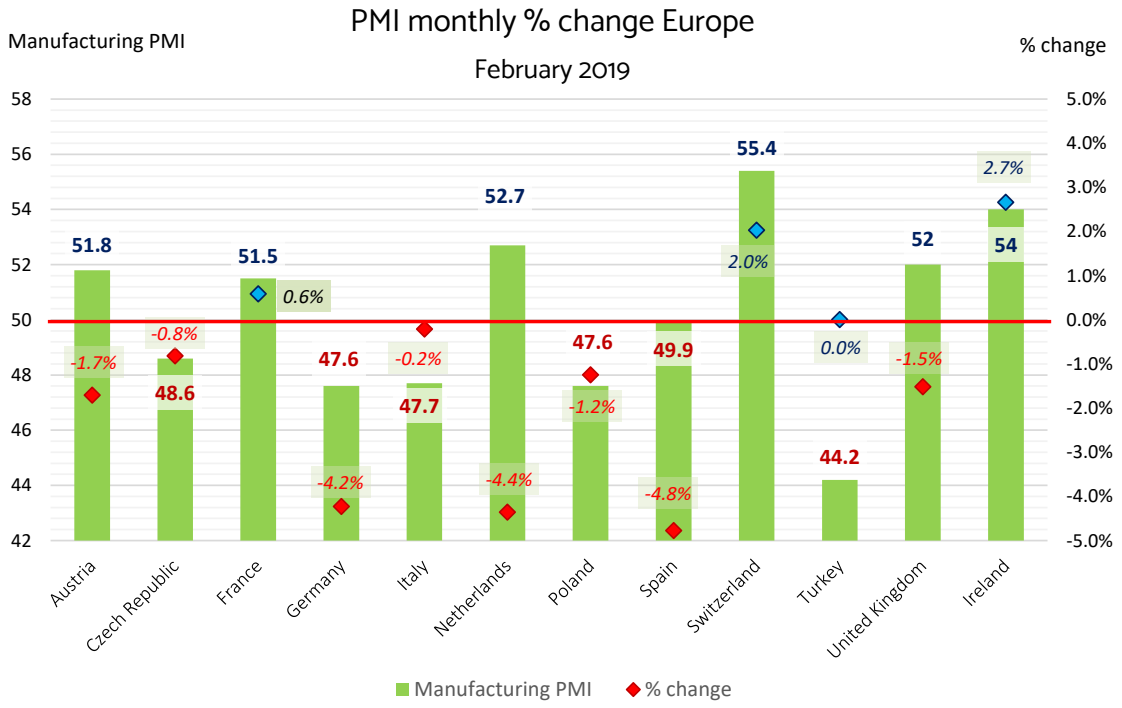
4.2 Purchasing Managers Index (M)



Global manufacturing PMI hit a 32-month low in February, falling to 50.6. That is due to an almost stagnant expansion in new orders. Operating conditions improved in the consumer and investment goods sectors but deteriorated for intermediate goods. However, results vary across nations. The US, the UK, India, Brazil, Mexico, Canada and Australia scored above the 50.0 threshold, whereas Japan and China fell below.



Eurozone manufacturing activity contracted in February and **scored below 50.0 for the first time since June 2018**. The indicator was dragged down by weaknesses in the intermediate and investment goods sectors. Although price pressures softened, output and new orders declined in the past month. The weakest performers were Germany and Italy, CECIMO's two top MT producers.



Austria's manufacturing sector recorded a **slowdown** and a **37-month low** PMI, driven by falling export orders, deterioration of supplier delivery times and slower employment growth.

Czech Manufacturing PMI signalled the **sharpest deterioration** in operating conditions **in over six years,** marking the third consecutive month of contraction. The decline was conditioned by faster reductions in output and new orders.

France saw a **faster improvement in business conditions,** as output increases for the first time in five months due to an expansion in new orders and higher productivity. A rise in sales conditioned an increase in employment.

Germany hit a **74-month low** PMI level, further contracting its manufacturing economy after scoring below 50 in January for the first time in more than four years. All sub-components of the indicator have eroded, except for employment.

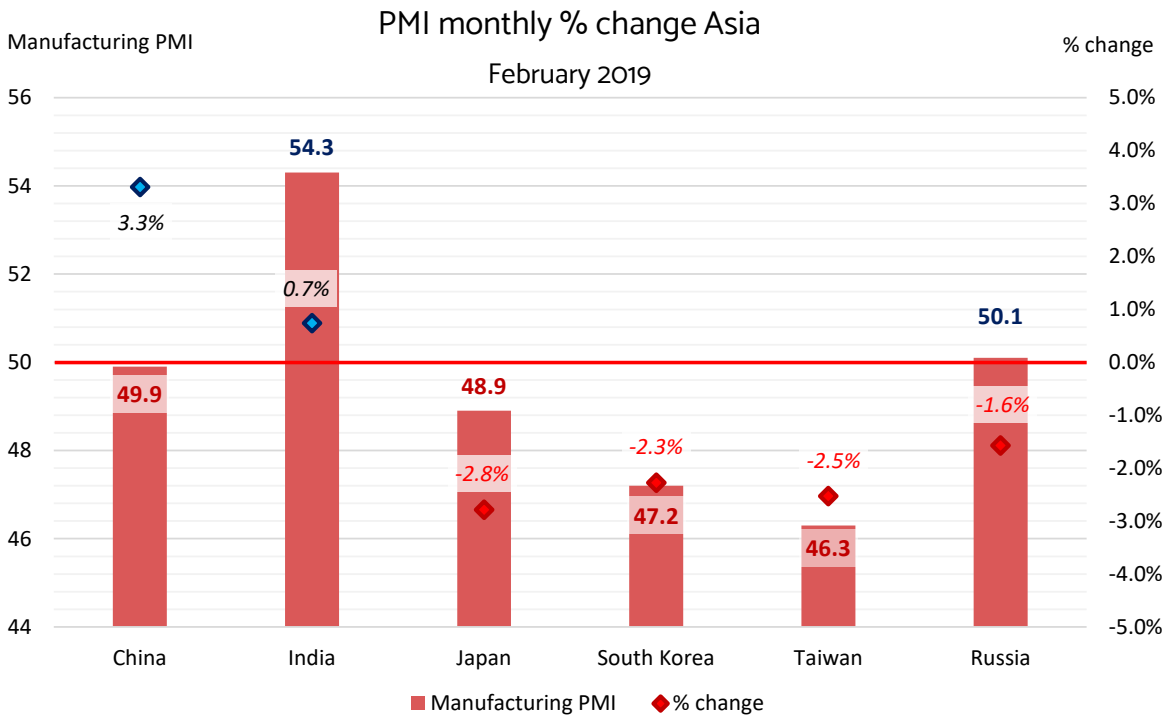
Italian manufacturing operating conditions **deteriorated at the fastest pace** since May 2013, further sinking the PMI below 50 for the fifth month in a row. Production and new orders saw sharp falls.

Spain registered the **first fall in new orders since July 2016** and faces weaknesses in the investment goods sector and employment. Manufacturing PMI slipped below the 50.0 no-change mark for the first time since November 2013.

Swiss manufacturing increased compared to the beginning of the year, **beating market expectations,** and was supported by increases in production, new orders, strong employment, sales stock and delivery times.

Turkey hit its six-month high, remaining **far below the no-change threshold** of 50.0. Business conditions contracted to a slower pace, since the slowdown of new orders was more moderate and export business improved.

UK Manufacturing PMI scored 52.0 in February. Purchasing activity increased stockpile inputs which led to a record expansion in input inventories. The PMI is currently at its **second-lowest level since July 2016** (the month following the EU referendum).



Chinese manufacturing production increased, moving the manufacturing PMI up to **slightly below the 50.0 threshold**. Increases in output were driven by firmer domestic demand and marginal decreases in export demand. Cost pressures put downward pressure on staffing levels.

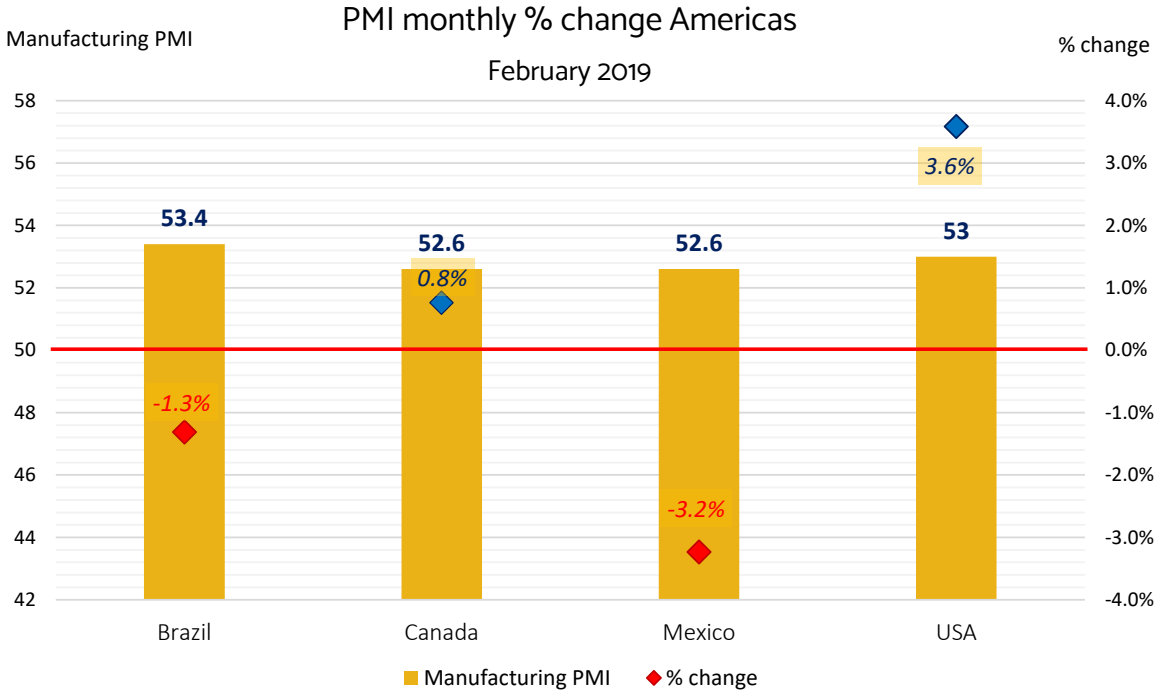
More optimistically, the **Indian** manufacturing sector strengthened further, driven by sharp increases in sales, production and employment. Manufacturers saw the strongest improvement in business conditions since December 2017. Stocks decreased to cope with higher demand.

Japanese manufacturing **production declined at the fastest rate since May 2016**. In addition, order intake declined at a steeper pace. This sank the manufacturing PMI into the contraction area, hitting its lowest level in 32 months.

South Korean manufacturers saw stronger declines in new orders from domestic and foreign clients. Manufacturing **PMI fell to a 44-month low**, sinking further into recession territory for the fourth month in a row. Business confidence remains subdued, though output might increase later.

Taiwanese manufacturing PMI slipped to a **three-and-a-half-year low**. The deterioration was influenced by a steeper decline in operating conditions and drops in production and new orders. This was all accompanied by the sharpest decline in export sales since November 2011.

Russia saw the lowest manufacturing PMI in five months, but production and new business continued to grow slightly. Foreign demand fell further and export orders contracted, but businesses remained upbeat.



Buoyant domestic demand in **Brazil** drove employment growth to a nine-year peak, while stock purchases grew at their fastest rate in a decade. Manufacturing PMI reached its highest levels in 11 months.

Canada's manufacturing PMI slipped to a 26-month low as the manufacturing sector registered subdued business conditions, and the slowest growth in production and new orders in the last two years. Softer levels of employment creation and stagnating pre-production stocks held back the index.

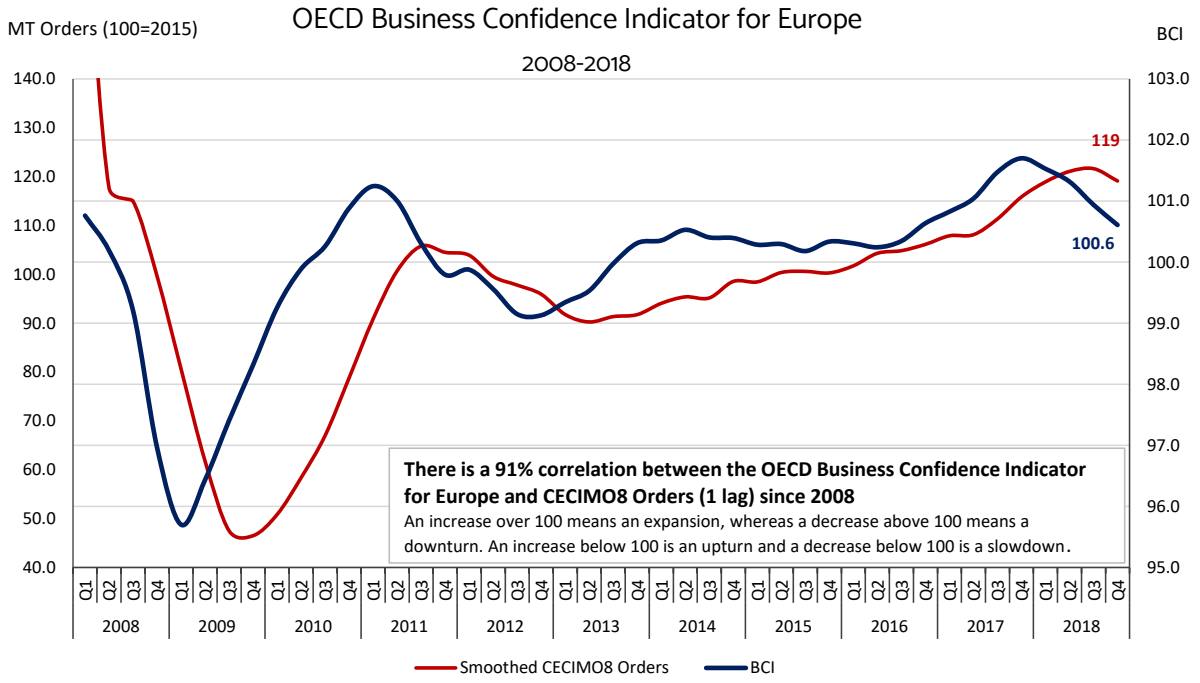
Mexico's manufacturing industry moved up a gear, registering the strongest rise in orders in 15 months. Output, new orders, employment and stock purchases increased, whereas input price inflation moderated, and exports sales expanded, strengthening business sentiment.

US manufacturing PMI signals a softer but solid improvement in operating conditions, dipping to an 18-month low. Output and new orders grew more slowly than expected, sliding to 17 and 20-month lows. Foreign demand continued to rise marginally.

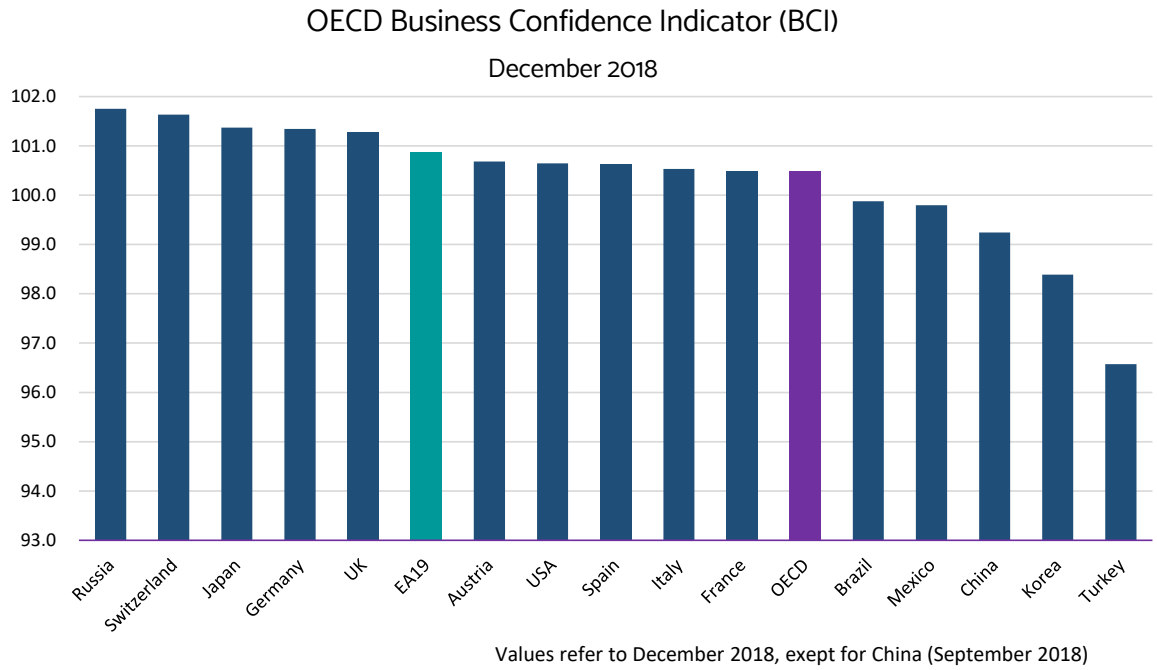
4.3 OECD Business Confidence Indicator (M)

The OECD Business Confidence Indicator (BCI) for Europe increased moderately, from 100.6 to 100.7 in December 2018, closing the weakest quarter in terms of BCI in 2018.

Given that CECIMO8 Orders usually follow the BCI with about 2 quarters delay, we can expect MT orders demand to decelerate further but keep rising as long as the BCI remains above 100.



Russia has registered the highest BCI in both December and January. Among CECIMO members, Switzerland, Germany and the UK registered the highest BCI, whereas Turkey registered the lowest business confidence in the group. Business sentiment remained below 100 and the average for OECD economies in Brazil, Mexico, China and Korea.



5. General Indicators

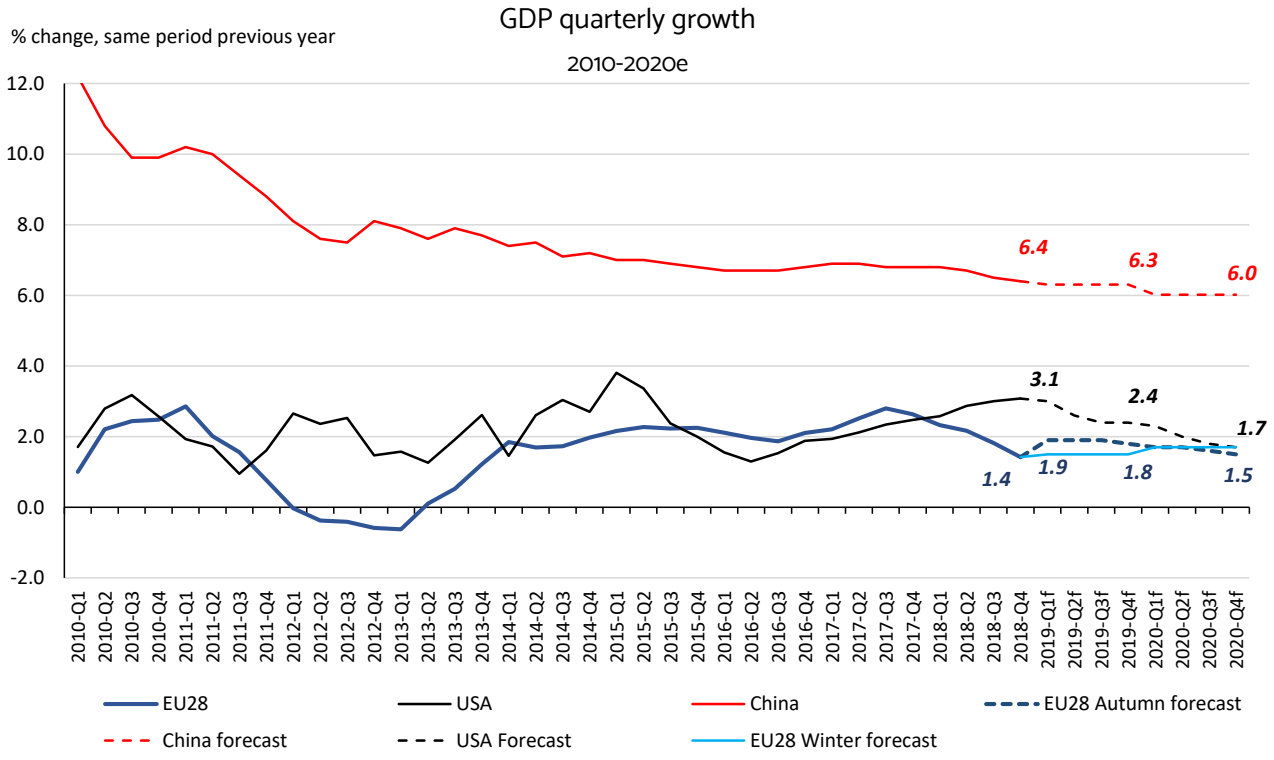
5.1 GDP (M)

Year-to-year **quarterly GDP growth** in Q4 2018 based on OECD:

• **EU28** sees a drop in business confidence, affected by the external factors, falling PMI and fewer car registrations in Q3 and Q4. Y-to-y quarterly GDP picked up by +1.4%.
• **US** +3.1%.
• **China's** economy grew by +6.4% but is losing growth momentum.

The European Commission's Economic Forecast for Winter 2019 readjusted the GDP growth for the EU28 downwards (light blue line):

• **EU** +1.5% in 2019 and 1.7% in 2020.
• **The US** is expected to grow above potential by +2.6% on average for 2019 and +2.0% for 2020.
• **China** is expected to cool down due to uncertainty about the outcome of the US-China trade relationship, growing by +6.3% in 2019 and 6.0% in 2020, based on OECD & European Commission GDP forecasts.

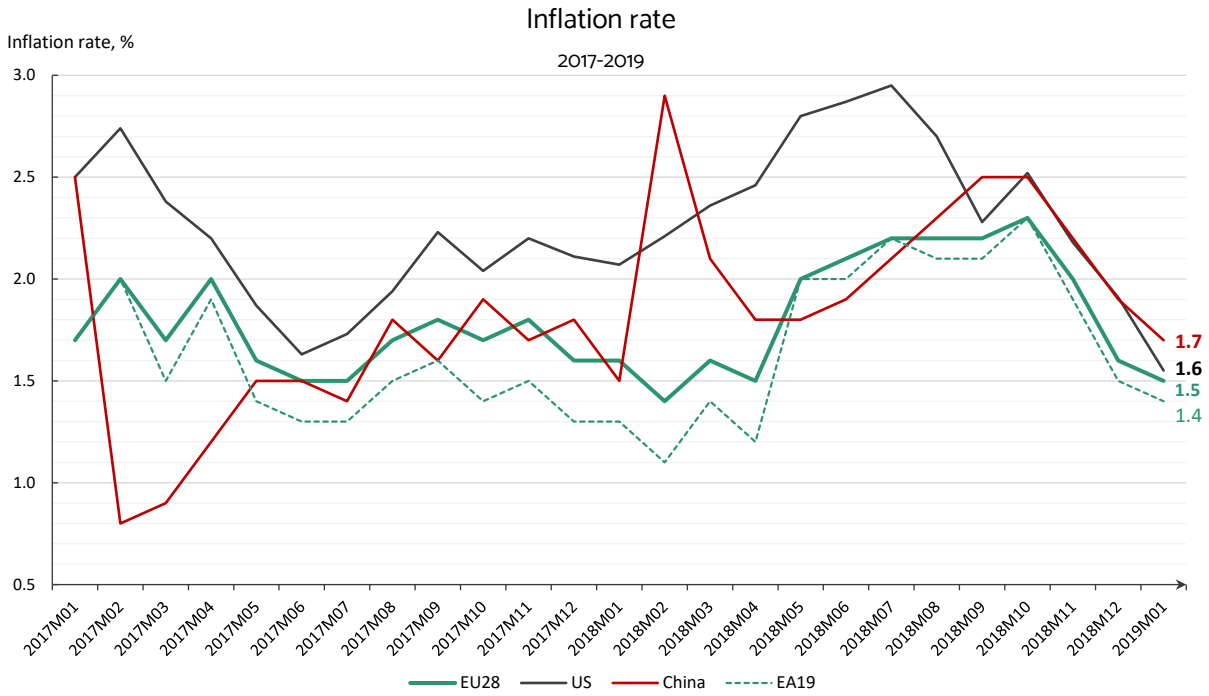


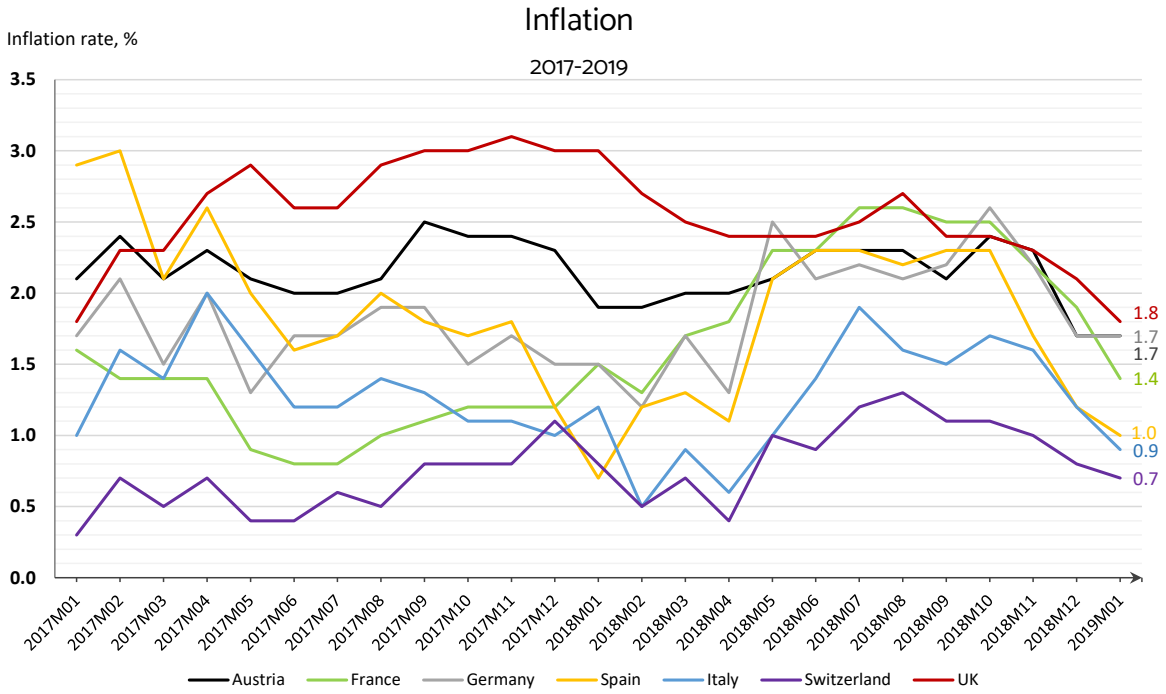
Note: GDP growth rates on the graph are quarterly, while the forecasted values presented above are yearly estimations.

5.2 Inflation (M)

The annual inflation rate of change averaged out at 1.9% for the EU28 and 1.8% for the Euro Area in 2018, in line with projections and movements in global energy prices.

This year started with a 1.4% monthly inflation rate for the Eurozone and 1.5% for the EU28. In February, the ECB stated it expects EZ inflation to reach 1.5% and average out at 1.5% for the first quarter of 2019. The rise is driven by the highest annual increases in energy (3.5%), food, alcohol and tobacco (2.4%), and services (1.3%).





Projections:

The European Commission revised inflation forecasts for both EA19 and EU28, making them **lower**, due to diminished expectations concerning future oil prices. We expect inflation to moderate in 2019 and see an up-tick in 2020.

- EC Winter forecasts for EZ: 1.4% in 2019 and an up-tick to 1.5% in 2020.
- EC Winter forecasts for EU28: 1.6% in 2019 and 1.8% in 2020.
- OECD estimates for China: 3.012% in 2019 and 3.000% in 2020
- OECD estimates for US: 2.275% in 2019 and 2.357% in 2020.

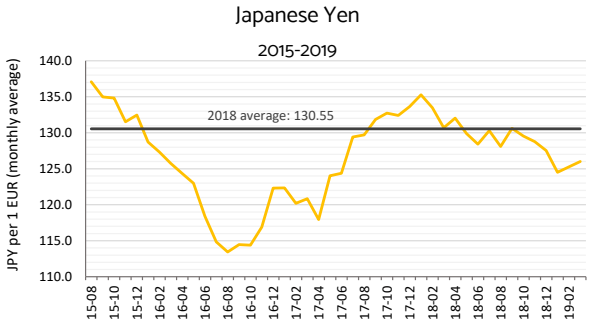
Monthly Inflation (%) Q4 2018

	Oct-18	Nov-18	Dec-18	Jan-19
Austria	2.40	2.30	1.70	1.70
France	2.50	2.20	1.90	1.40
Germany	2.60	2.20	1.70	1.70
Spain	2.30	1.70	1.20	1.00
Italy	1.70	1.60	1.20	0.90
Switzerland	1.10	1.00	0.80	0.70
UK	2.40	2.30	2.10	1.80

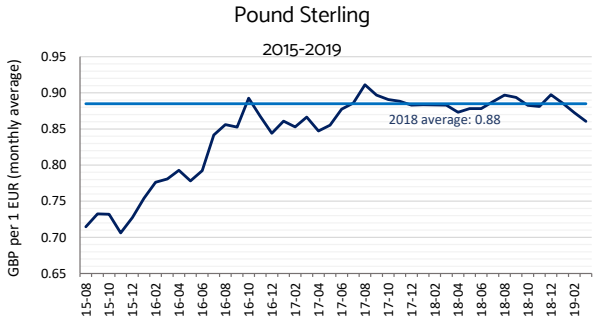
Forecasts (%)	OECD		EC	
	2019	2020	2019	2020
Austria	2.13	1.99	2.00	2.00
France	1.84	1.84	1.40	1.70
Germany	2.17	2.16	1.40	1.50
Spain	1.87	1.74	1.20	1.50
Italy	1.56	1.39	1.00	1.30
Switzerland	0.94	1.06		
UK	2.25	2.07	1.80	1.20

5.3 Foreign Exchange Rates (M)

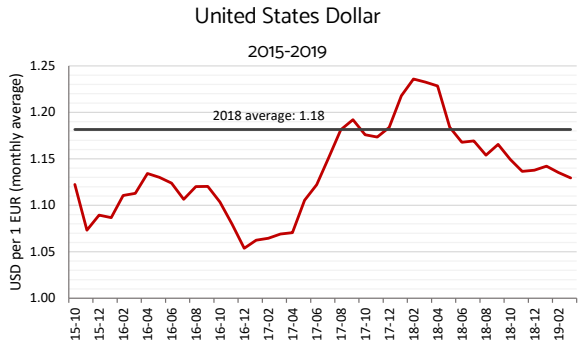
The Euro celebrates its 20th anniversary by stepping off a troubled path since the beginning of the year. The hard GDP deceleration, driven by weakened Italian and German economies. Although business surveys suggest the trend will continue into 2019, the euro saw a pick-up, as the euro zone's industrial production figures posted better results than the estimates.



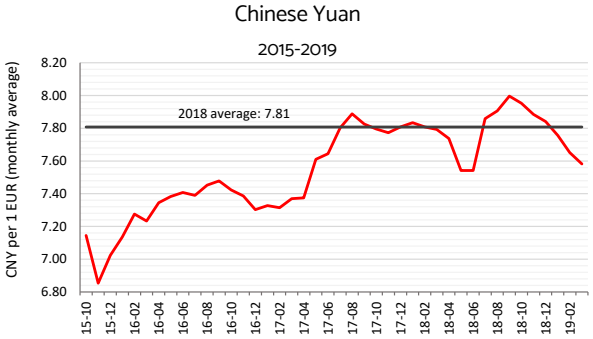
Slight improvement of global sentiment in the last few weeks increased appetite for risk and weakened the Yen against the Euro. Bloomberg expects the single currency to remain stable against the Yen in 2019 at 126.



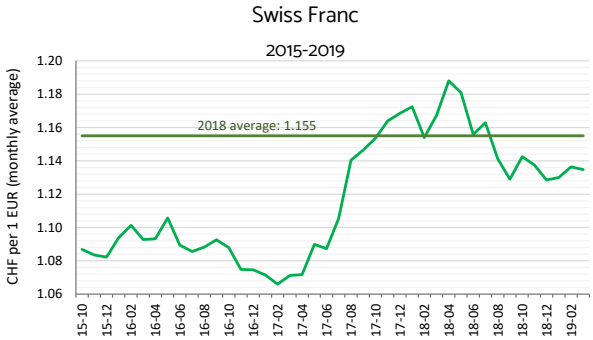
The Pound stayed below 2018's average in the first quarter of 2019. Sterling performed the best among major currencies, due to hopes for a Brexit deal, but again sank against the Euro after Prime Minister Theresa May's failed vote in the House of Commons.



The US Dollar has been weaker against the Euro and remained below the 2018 yearly average ever since June last year. ERSTE Bank analysts expect the Dollar to recover. The US is likely to escape economic pessimism sooner, as the Eurozone still faces uncertainties over Brexit. But there are still some leverage for the Dollar in next few months.



Following news of US President Donald Trump's tariff delays on Chinese imports, risk appetite in financial markets increased and the Chinese Yen slid to a two-month low against the Euro and the Dollar.



The Swiss Franc weakened against the Euro in the past few weeks, due to an increasingly friendly market environment. It is expected to weaken further by Q2 2019, unless the Eurozone is hit by a 'hard Brexit' scenario, poor economic performance of Italy, or further trade disputes.

Glossary [i]

1.1 CECIMO8 orders

This section presents the "new orders received index" showing the development of the machine tool demand as an indication of future production. An order is defined as the value of the contract linking a producer and a third party in respect of the provision by the producer of goods and services.

The CECIMO8 orders index combines the relevant indexes of Austria, the Czech Republic, France, Germany, Italy, Spain, Switzerland and the United Kingdom. The weights of the different indexes correspond to the countries shares in total production of the eight countries in 2010. The new orders received are split according to the origin of the order, based on the change of ownership. This identification is the basis for domestic and foreign new orders. The origin is determined by the residency of the third party that has made the order.

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. Industrial production is compiled as a fixed base year Laspeyres type volume-index.

Base period: Year 2010 = 100.

Source: Eurostat.

3.1 Gross Fixed Capital Formation

The Gross Fixed Capital Formation (GFCF) consists of resident producers´ aquisitions, less disposals, of fixed tangible or intangible assets. This covers in particular machinery and equipment, vehicles, dwellings and other buildings. The GFCF is a key determinant of both aggregate demand and supply.

Source: Eurostat and ECB.

3.2 Capacity Utilisation in the Investment Goods Sector

Population: Investment goods producers. Data covered: Assessment of current production capacity, measured as a balance (seasonally adjusted); Current level of capacity utilization, measured in % (seasonally adjusted). More than 38.000 industrial firms are surveyed every month, while the biannual investment survey includes over 44.000 units. Answers obtained from the surveys are aggregated in the form of "balances". Balances are constructed as the difference between the percentages of respondents giving positive and negative replies. The Commission calculates EU and euro-area aggregates on the basis of the national results and seasonally adjusts the balance series.

http://ec.europa.eu/economy_finance/db_indicators/surveys/documents/userguide_ en.pdf

3.3 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

3.4 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. Monthly data are calculated as averages of daily values from the banks with the highest volume of business in the euro area money markets.

http://www.euribor-ebf.eu/

The deposit facility rate is the one the banks receive for depositing money with the central bank overnight.

The so-called main refinancing rate, minimum bid rate or rate for the main refinancing operations (MROs) is the interest rate which banks do have to pay when they borrow money from the ECB for a period of one week.

4.2 Purchasing Managers' Index (PMI)

The Global Report on Manufacturing is compiled by IHS Markit and J.P. Morgan in association with ISM and IFPSM 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, below 50,0 a decrease and equal to 50.0 means no change on prior month. All the indices are seasonally adjusted at the national sector level.

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

4.3 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. CLIs are calculated for 33 OECD countries (Iceland is not included) and several regional aggregates, based on enterprises' assessment of production, orders and stocks, together with its current position and expectations for the near future.

These indexes are designed to anticipate turning points in economic activity relative to trend, on average 6 to 9 months before they happen. 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. Turning points in the detrended reference series are usually found about 4 to 8 months in advance. 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.

Typical indictors in the CLI include orders and inventories changes, financial market indicators, business confidence surveys and data on key sectors and trend in the main trade partners.

The standardised BCIs represent only the manufacturing sector. It is based on companies' assessment of production, orders, stocks and its current position and expectations. 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

Geographical Information

CECIMO countries

The European Association of the Machine Tool Industries and related Manufacturing Technologies brings together 15 national associations of machine tool builders from the following countries: Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Italy, the Netherlands, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

Euro area (EA) / Eurozone (EZ)

The euro area (EA19), also called the Eurozone, consists of Member States of the European Union that have adopted the euro as their currency. It includes Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.

European Union (EU)

The European Union (EU28) includes Belgium, Bulgaria, the Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden and the United Kingdom.

Other Symbols and Acronyms

M / m (Toolbox headings)
M = Macro-economic. non-caps (m) = microeconomic.

GDP
Gross Domestic Product

Billion
Billion means one thousand million

US
United States

Q1, Q2, Q3, Q4
1st quarter, 2nd quarter, 3rd quarter, 4th quarter

EUR / €
Euros

USD / $
United States Dollar(s)

CHF
Swiss Franc(s)

ECB
European Central Bank

Fed
Federal Reserve (System), the US Central Bank

GBP
Great Britain Pound(s), the Pound Sterling

IMF
International Monetary Fund

WB
World Bank

MT
Machine tools

CECIMO countries
Countries whose machine tool sector is represented by CECIMO

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Association of Metaltechnology Industries
www.metalltechnischeindustrie.at

Belgium: AGORIA
Federatie van de Technologische Industrie
www.agoria.be

Czech Republic: SST
Svazu Strojírenské Technologie
www.sst.cz

Danish Manufacturing Industries Cooperation
A part of the Confederation of Danish Industry
www.isa.di.dk

Finland: Technology Industries of Finland
www.teknologiateollisuus.fi

France: SYMOP
Syndicat des Entreprises de Technologies de Production
www.symop.com/fr

Germany: VDW
Verein Deutscher Werkzeugmaschinenfabriken e.V.
www.vdw.de

Italy: UCIMU
Associazione dei costruttori Italiani di macchine utensili robot e automazione
www.ucimu.it

Netherlands: FPT-VIMAG
Federatie Productie Technologie / Sectie VIMAG
www.ftp-vimag.nl

Portugal: AIMMAP
Associacâo dos Industriais Metalúrgicos, Metalomecãnicos e Afins de Portugal
www.aimmap.pt

Spain: AFM - Advanced Manufacturing Technologies
Asociación española de fabricantes de máquinas-herramienta, accesorios, componentes y herramientas
www.afm.es

Sweden: SVMF
Machine and Tool Association of Sweden
www.svmf.se

Switzerland: SWISSMEM
Die Schweizer Maschinen-, Elektro- und Metall-Industrie
www.swissmem.ch

Turkey: MIB
Makina Imalatcilari Birligi
www.mib.org.tr

United Kingdom: MTA
The Manufacturing Technologies Association
www.mta.org.uk

cecimo is the European Association representing the common interests of the Machine Tool Industries and related manufacturing technologies globally and at EU level. We bring together 15 National Associations of machine tool builders, which represent approximately 1500 industrial enterprises in Europe (EU + EFTA + Turkey), over 80% of which are SMEs. CECIMO covers more than 98% of total machine tool production in Europe and more than one third worldwide. CECIMO assumes a key role in determining the strategic direction of the European machine tool industry and promotes the development of the sector in the fields of economy, technology and science.