# CECIMO Statistical Toolbox

April 2016

cecimo

European Association of the Machine Tool Industries

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

# Introduction

April's new estimates add gloom to the global economy outlook. The forecast for world's growth in 2016 was cut by 0.2% to 3.2%, a signal that the undergoing recovery will face more obstacles than expected. Two factors are weighing up on the slowdown: the upcoming referendum in UK and its potential departure from the EU, and China's downturn as the country transitions from an investment- and export-led economy to a consumer-led model. A stronger global performance is still expected in 2017, where developing markets should pick up the slack in growth. Estimates of recovery in the eurozone were confirmed, but lowered by 0.2% to 1.5% in 2016 and by 0.1% to 1.6% in 2017. The drop in oil prices is set to contribute to growth across the bloc only moderately, as offsetting factors such as a fall in external demand affect the outlook.

The plunging energy prices had their effect on inflation as well. April's ECB experts' survey forecast consumer prices to rise by 0.3% in 2016, far below January's estimates of 0.7%. The inflation picture for next year is thought to remain relatively stable on the back of the oil price expected to pick up. More positive news come instead from easing credit conditions. Polled eurozone banks reported a net easing of credit standards on loans to firms in the first quarter of the year, and expect the trend to continue over the next months. This may be a confirmation that the ECB's decisions taken in March was appropriate, when the central bank slashed its main interest rate to zero so as to foster credit supply. The three main rates were kept unchanged at the following meeting in April.

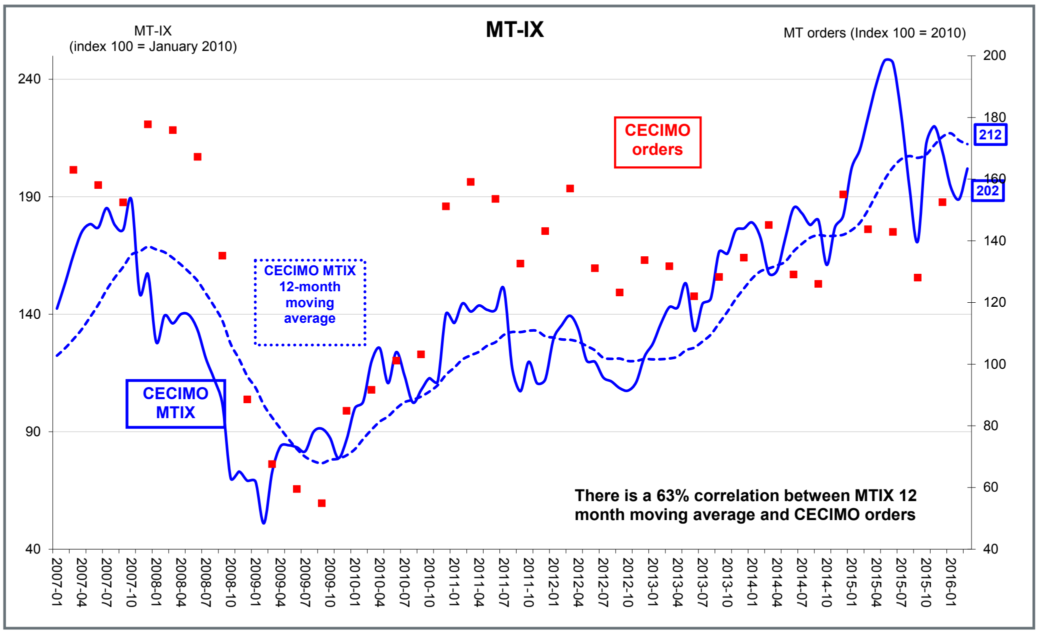
April also brought news on trade. The new CECIMO figures for the full 2015 revealed that the CECIMO machine tool builders' exports reached over 18.7 bn euro in value terms, witnessing a remarkable 2% rise year-on-year. Europe (both CECIMO and non-CECIMO countries) and the Americas, respectively the largest and third-largest destination markets for CECIMO exports, led the 2015 growth on the back of factors such as a depreciating euro. The strong performance of the Americas' as export destination adds to the relevance of the EU-US TTIP deal for CECIMO machine tool builders. The EU and American blocs met at the end of April to advance on negotiations on a wide range of issues. The round of talks came in the wake of a renewed push by leading American and European policy-makers as well as international leading organisations  to complete the discussions by end-2016. April's negotiation round was set to gain traction from such political momentum.

# 1. Data specific to the European machine tool market

## 1.3 MT-IX ⓘ

In March, the MT-IX increased by 6.6% and posted at 202 points. The index gained 13 points compared to February's value.

The market value of machine tool companies increased in Brazil, Korea, Japan, the United States and Switzerland, whereas it decreased in Taiwan and the United Kingdom. The market capitalisation of companies in the eurozone presented a mixed picture.




## 1.4 CECIMO trade

The latest data on CECIMO machine tools exports paint a rosy picture for 2015. The value of CECIMO total exports to other regions grew by 2% to 18.774 billion euro compared to 2014. Higher exports to Europe, where both CECIMO and non-CECIMO countries are included, and the Americas were the two key engines behind the increase. The European region further consolidated its position as top export market for CECIMO machine tool builders: half of their total products were shipped there over the last year. The rise in demand from the Americas comes as the depreciation of the euro across 2015 may have helped the boost in total exports to the bloc. Otherwise, the economic slowdown in the Asian market has ground export growth to the area to a halt. Asia's share of CECIMO total exports shrank by 6% in 2015 compared to a year earlier. Yet, the largest percentage fall was recorded for Russia and CIS, where a likely mix of low oil prices and economic sanctions weighed up on Russia's demand.

The steep decline in oil prices may have played a major role in CECIMO total imports performance as well. The full-year 2015 figures signal a total value increase of 11% year-on-year, driven mainly by the sharp rise of CECIMO imports from the European bloc. In value terms, the region supplied to CECIMO over 6.5 billion euro of machine tool components. The double-digit increase in demand (16%) can be interpreted with the oil-importing profile of several of the CECIMO's member countries, as well as a strengthening of consumption in the eurozone, where most of them are located. Asia continued to represent the second largest supplier to CECIMO in 2015, sustained by a 4% year-on-year increase of CECIMO machine tools imports from the region. Taken together, the figures for Europe and Asia show the two regions supplied about 95% of machine tool components to CECIMO in 2015. CECIMO imports from the Americas remained relatively stable throughout the year, while those from Russia + CIS posted a drop of 22%.

**CECIMO exports and imports per zones - 2015**

**EXPORTS**

| Zone | 2015 | 2014 | 2015/ 2014 | Share 2015 | Share 2014 |
|---|---|---|---|---|---|
| I. ASIA | 4 516 284 | 4 806 422 | -6% | 24% | 26% |
| II. AMERICAS | 3 005 288 | 2 722 413 | 10% | 16% | 15% |
| III. EUROPE | 9 450 910 | 8 658 905 | 9% | 50% | 47% |
| IV. Russia + CIS | 856 396 | 1 253 412 | -32% | 5% | 7% |
| V. OTHERS | 945 573 | 903 896 | 5% | 5% | 5% |
| TOTAL EXPORTS | 18 774 451 | 18 345 048 | 2,3% | | |

**IMPORTS**

| Zone | 2015 | 2014 | 2015/ 2014 | Share 2015 | Share 2014 |
|---|---|---|---|---|---|
| I. ASIA | 2 793 395 | 2 689 725 | 4% | 28% | 30% |
| II. AMERICAS | 480 608 | 486 078 | -1% | 5% | 5% |
| III. EUROPE | 6 553 202 | 5 652 018 | 16% | 66% | 64% |
| IV. Russia + CIS | 12 487 | 15 973 | -22% | 0% | 0% |
| V. OTHERS | 51 269 | 44 472 | 15% | 1% | 1% |
| TOTAL IMPORTS | 9 890 961 | 8 888 266 | 11% | | |

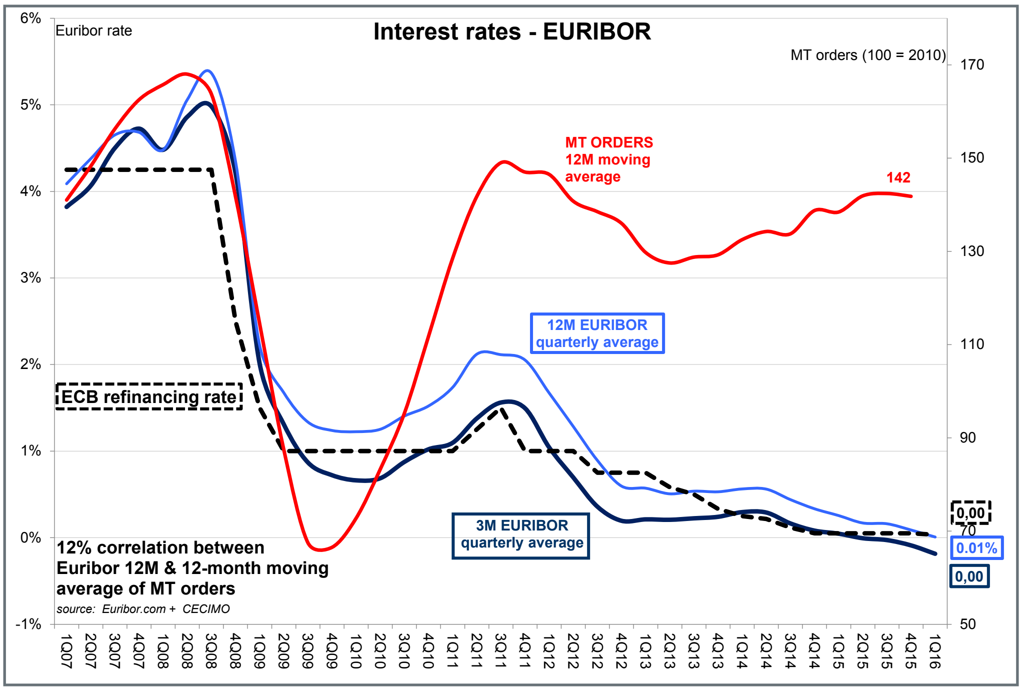
# 2. Macroeconomic data in relation with machine tool orders

## 2.2 Interest rates – EURIBOR ⓘ

The average 3-month and 12-month Euribor posted respectively -0.19% and 0.01% in March 2016. Compared to February 2016, the average 3-month Euribor decreased by 3 percentage points and the average 12-month Euribor decreased by 5 percentage points. Meeting on 21 April 2016, the Governing Council of the ECB decided to keep unchanged the interest rate on the main refinancing operations as well as that on the marginal lending facility, respectively at 0.00% and 0.25%. It also decided to maintain unchanged the interest rate on deposit facility at -0.40%.

An upward revision of inflation figures for the eurozone moved the bloc out of negative territory in March. Consumer prices remained effectively unchanged comparing to a year earlier. The initial estimate was instead of a 0.1% decline.

***See graph on next page***



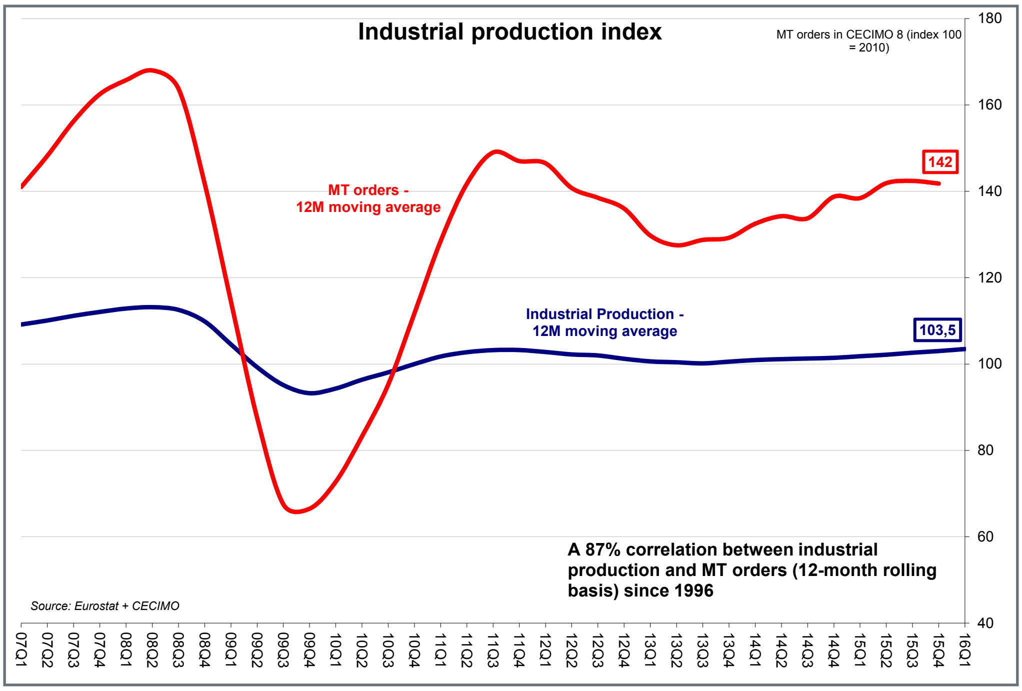

## 2.3 Industrial production index ⓘ

In February 2016 compared with January 2016, the seasonally adjusted industrial production fell by 0.8% in the euro area (EA19) and by 0.7% in the EU28, according to estimates from Eurostat. In January 2016, industrial production rose by 1.9% in the euro area and by 1.5% in the EU28.

The decrease of 0.8% in industrial production in the euro area in February 2016, compared with January 2016, is due to production of non-durable consumer goods falling by 1.8%, energy by 1.2%, durable consumer goods by 0.4% and capital goods by 0.3%, while production of intermediate goods remained stable. In the EU28, the decrease of 0.7% is due to production of non-durable consumer goods falling by 1.4%, energy by 1.2%, capital goods by 0.5% and durable consumer goods by 0.1%, while production of intermediate goods rose by 0.1%.

Among Member States for which data are available, the largest decreases in industrial production were registered in Ireland (-10.5%), Greece (-4.4%) and Croatia (-1.6%), and the highest increases in Lithuania (+2.5%), Slovakia (+2.4%) and Malta (+1.8%).

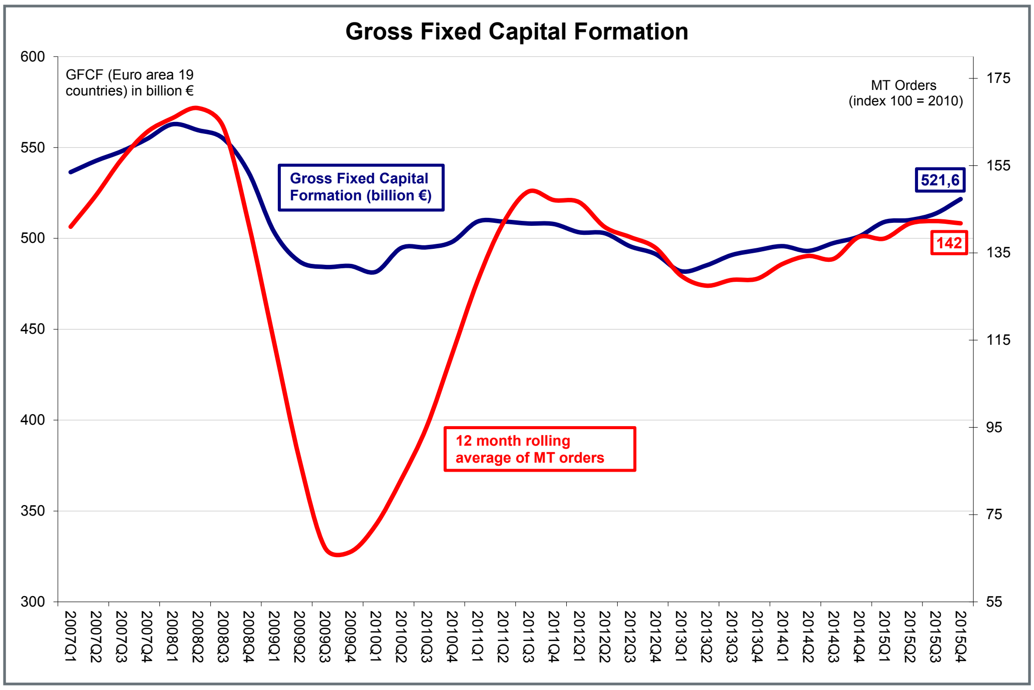
In February 2016 compared with one year earlier, industrial production increased by 0.8% in both the euro area and in the EU28. The rise in the euro area is due to production of capital goods rising by 3.0%, intermediate goods by 1.9%, durable consumer goods by 0.8% and non-durable consumer goods by 0.7%. Production of energy instead fell by 5.2% on a year-by-year basis. In the EU28, the 0.8% growth is due to production of capital goods rising by 2.7%, both intermediate goods and durable consumer goods by 1.6% and non-durable consumer goods by 0.5%. Production of energy declined also here, by 3.6%.




## 2.4 Gross Fixed Capital Formation (GFCF)

During the fourth quarter of 2015, gross fixed capital formation (GFCF) rose by 1.3% in the euro area and by 1.1% in the EU28 (after +0.4% for both zones) compared to the previous quarter, according to estimates published by Eurostat.

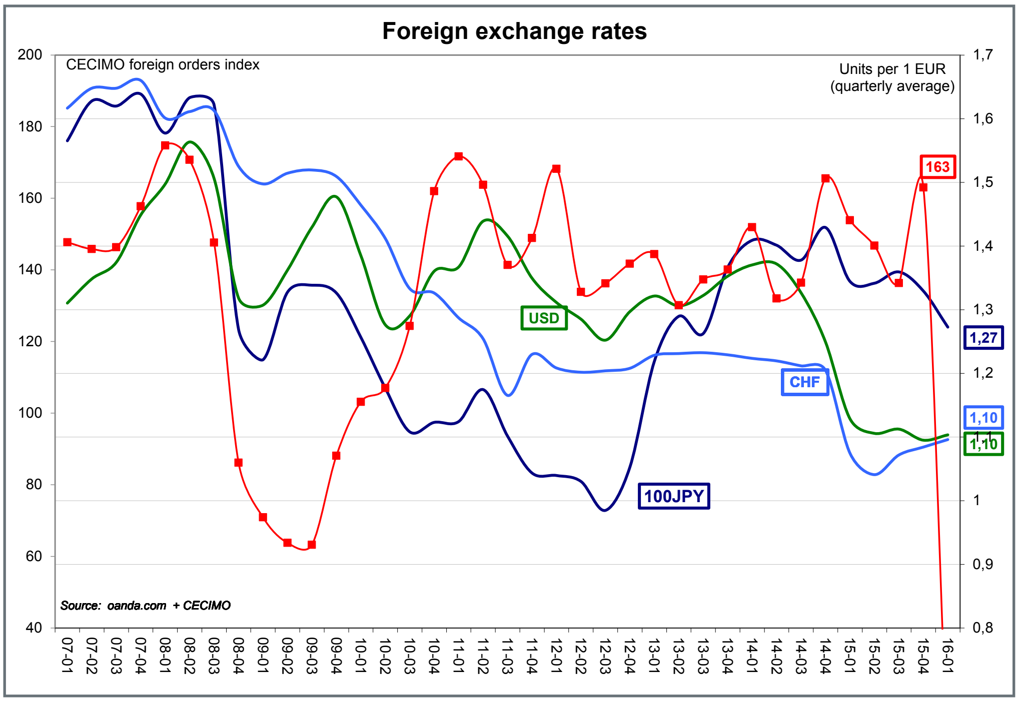
Among Member States for which data are available, Ireland (+28.2%), Slovakia (+19.4%), Romania (+11.0%) and Cyprus (+10.4%) recorded the highest growth compared with the previous quarter. Decreases were registered in Luxembourg (-14.9%), Denmark (-1.4%), Portugal (-0.3%) and Estonia (-0.2%).



## 2.7 Foreign exchange rates

The effective exchange rate of the euro slightly depreciated in March 2016. This followed a period of marked appreciation between early December 2015 and mid-February 2016, generated by heightened global uncertainty. The nominal effective exchange rate of the euro, as measured against the currencies of 19 of the euro area's most important trading partners, was 0.7% lower than in February. It stood however 3.8% above its level of one year earlier.

Uncertainty is also part of the rate picture in bilateral terms. The average euro exchange rate continued to appreciate against the pound sterling, as the UK referendum on its EU membership draws nearer. In the twelve months to March 2016, the euro rate has risen by 7.8% against the pound above its March 2015 level. The last month shows, too, a slightly higher euro rate against the US dollar compared to February 2015. Conversely, the bloc's currency depreciated against the Japanese yen by 1.5% and against the Swiss franc by 0.9% between February and March 2016.

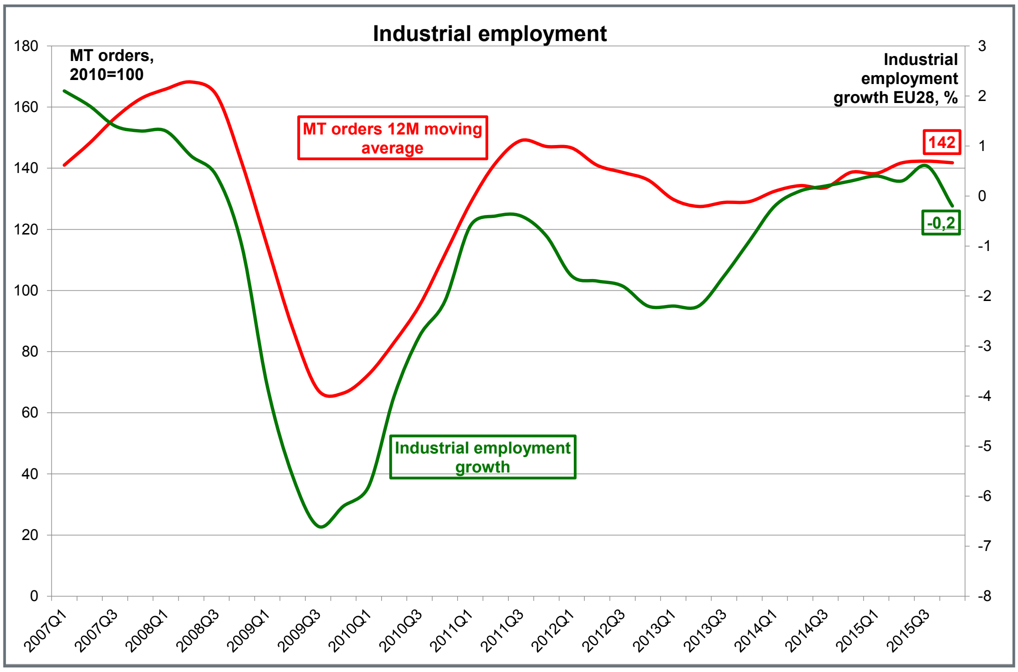



## 2.8 Industrial employment

According to Eurostat's estimates, the number of persons employed in manufacturing increased by 0.2% in the euro area (EA19) and fell by 0.5% in the EU28, compared with the previous quarter. These figures are seasonally adjusted. Compared with one year earlier, the non-seasonally adjusted figure rose by 0.5% in the euro area and declined by 0-.2% in the EU28. Overall, Eurostat estimates that in the last three months of 2015, 229.9 million men and women were employed in the EU28, of which 151.9 million were in the euro area. These figures are seasonally adjusted.

Among Member States for which data are available for employment in the total economy, Malta (+1.7%) and Croatia (+0.8%) recorded the highest increases in Q4 2015 on a quarterly basis, followed by Spain, Luxembourg, Poland, Portugal and Sweden (all +0.7%). Estonia (-2.4%), the United Kingdom (-1.0%) and Lithuania (-0.3%) recorded decreases.

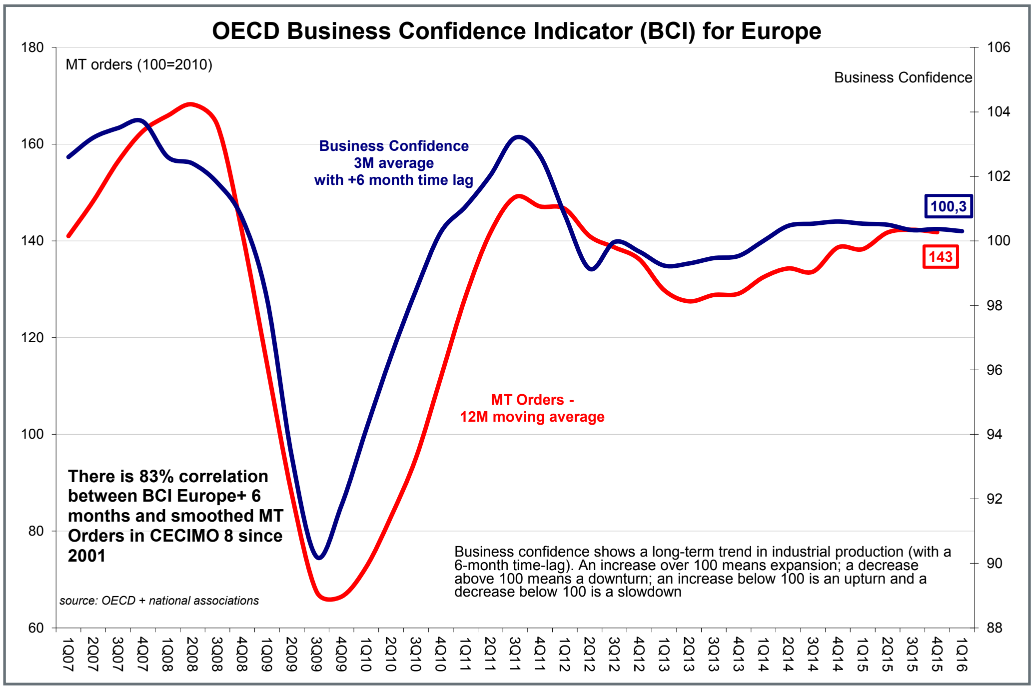
***See graph on next page***




## 2.9 Business confidence index ⓘ

The OECD Business confidence index (BCI), designed to anticipate turning points in economic activity relative to trend, stood above 100 points for the first time in March since July 2015 for the OECD area as a whole. A reading above the 100 mark indicates firms expect a growing economic activity in the immediate future. The US led the trend, posting the highest index in the last eight months. The economic confidence of enterprises improved in China as well, where the index hedged closer to 100.

A slight drop in business confidence is instead recorded for the eurozone, albeit it comes from a relatively high basis. Germany shows easing growth momentum together with Austria and, more moderately, Spain and Italy. The improvement in confidence accelerated remarkably in the United Kingdom, where the index reached a 5-month high in March.



## ▲ 2.10 Purchasing Managers' Index (PMI) ⓘ

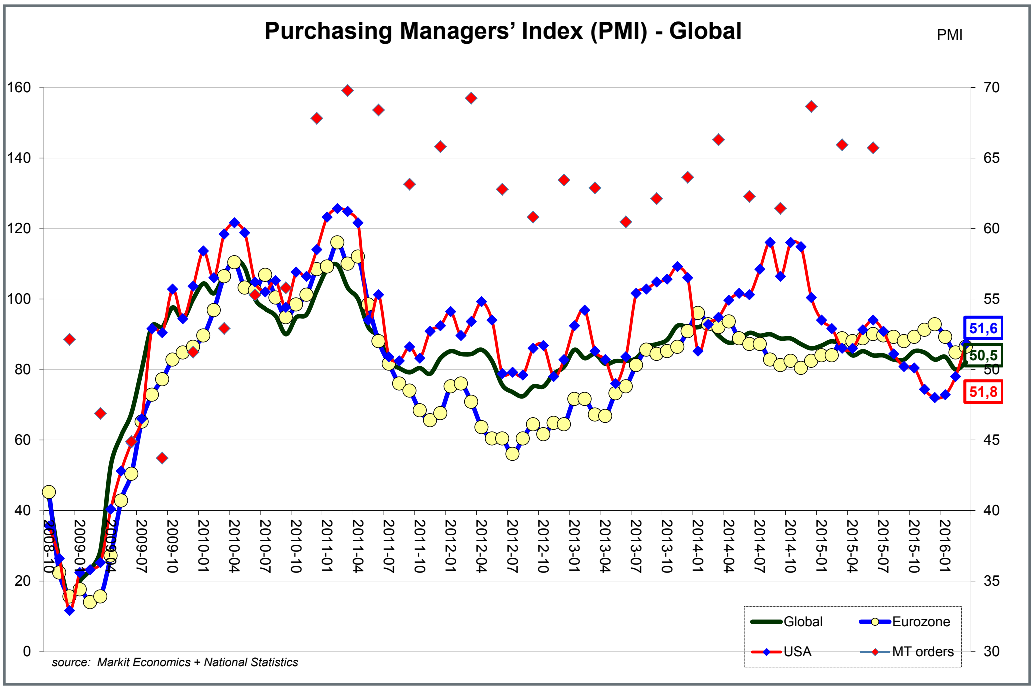
The global manufacturing PMI rose to 50.5 over the last month. The index emerges as a rebound signal for the world's economy, after it dropped to the 50-point mark in February 2016. A reading above 50 signals economic expansion, while one below such mark indicates a contracting economy.

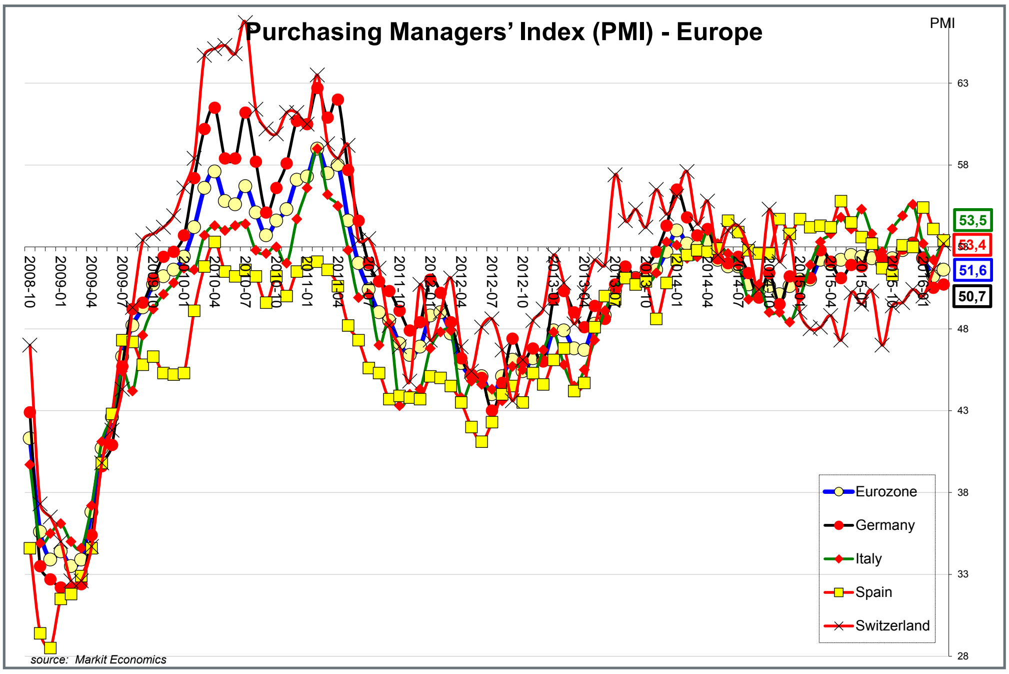
An improvement of Asia's economic outlook is underway. At the forefront of this trend is China, where the PMI points to increased chances of a halt in the economic slowdown. While still below the mark indicating manufacturing expansion, China's reading rose from 48 to 49.7 over the last month. Other key economies in the region performed similarly well. India's growth in manufacturing activity accelerated further on the back of stronger domestic demand and exports. The PMI for the country posted the highest level since July 2015. Japan was the main Asian country resisting the positive trend, since its PMI slipped in contraction territory.

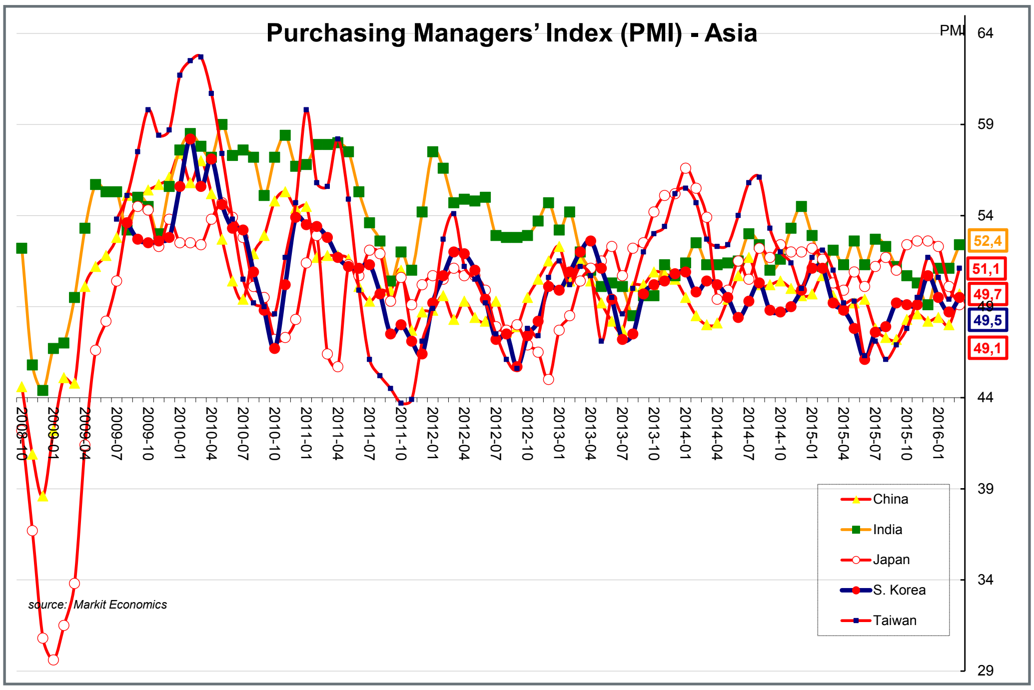
The US manufacturing activity moved in the opposite direction: The index rebounded to expansion mode after the industrial output showed contraction at the beginning of the year.

The eurozone manufacturing PMI rose to 51.6 between February and March 2016. Yet, mixed signals about the health of factory activity across the bloc emerged, as the reading represents the second slowest improvement in industrial activity for just over a year. The slowdown is obvious in France, where the index slipped into reverse gear hitting a 7-month low, and Germany, where it continued to hover just above the 50-threshold. A group of other eurozone countries brought more positive signs. Benefiting from new orders and larger exports, the Netherlands's PMI hit a 5-month high, while Italy's hedged up to 53.5. Domestic consumption picking up in Austria favoured industrial output in the country, reflecting the third increase month-on-month in the index. Looking at the rest of Europe, the British PMI was relatively stable in March, whereas Switzerland's reached the highest level since the beginning of 2015.

"*Although the PMI ticked higher, March still saw the second-weakest improvement in manufacturing conditions seen for just over a year. The data suggest manufacturing grew by only around 0.2% in the first quarter, acting as a drag on the wider economy. Deflationary pressures are especially evident in the 'core', with prices falling sharply as Germany more or less stagnated for a second successive month and France slipped back into decline for the first time since last August. Both also bucked the wider hiring trend by reporting net job losses. Pockets of brighter light persisted outside of the core. With the exception of Greece, which remained in decline, most other countries surveyed — including Spain, Italy, the Netherlands and Austria — saw robust rates of growth. However, it was Ireland, where the economy continues to boom, which topped the growth rankings on the back of rising domestic and export sales*." commented Markit.


Purchasing Managers' Index (PMI) - Global
PMI
Global
Eurozone
USA
MT orders
51,6
50,5
51,8
source: Markit Economics + National Statistics


Purchasing Managers' Index (PMI) - Europe
PMI
Eurozone
Germany
Italy
Spain
Switzerland
53,5
53,4
51,6
50,7
source: Markit Economics


Purchasing Managers' Index (PMI) - Asia
PMI
China
India
Japan
S. Korea
Taiwan
52,4
51,1
49,7
49,5
49,1
source: Markit Economics

# Glossary ⓘ

## 1.3 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.

## 2.2 Interest rates - Euribor

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

## 2.3 Industrial production index

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

## 2.9 OECD Business Confidence Indicator (BCI) for Europe

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

The standardised BCIs represent only the manufacturing sector. BCI shows a long-term trend in industrial production (with a 6-month time-lag). An increase over 100 means expansion; a decrease above 100 means a downturn; an increase below 100 is an upturn and a decrease below 100 is a slowdown.
http://stats.oecd.org/mei/default.asp?lang=e&subject=5

## 2.10 Purchasing Managers' Index (PMI)

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

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