



CECIMO PRESS RELEASE

The manufacturing sector in the COVID-19 crisis

Brussels, 9 June 2020 – During its General Assembly, exceptionally held on-line, CECIMO discussed the different actions undertaken to fight the COVID-19 crisis that violently shook the Manufacturing sector all over Europe and worldwide. Our industry is expected to undergo a significant slowdown in 2020, yet it will partially recover in 2021. Industry is now a top priority for European policymakers.

Economic outlook and trends

The current public health crisis has disrupted the European business environment. It is difficult to calculate the economic impact of the COVID-19 pandemic, but many industrialists can ascertain that the damage is pervasive. According to an internal survey conducted by CECIMO amongst its Delegates, the operating rate among many of the CECIMO companies has been, on average, below 50% in the period covering March and April. Furthermore, specific activities in machine tool companies have also been carried out well below full capacity, especially those related to machinery installation and servicing. These have been consistently undertaken, on average, below 40% capacity since the outbreak began in mid-March.

This critical juncture takes place in the midst of a steady slowdown in production, trade flows and consumption in the European machine tool industry. In 2019, the total CECIMO output decreased by -4,1% compared to 2018 levels. Furthermore, the provisional results for CECIMO Q1 2020 MT orders intake show that the machine tool demand is still in decline, undoubtedly driven further down by the pandemic. Compared to Q1 2019 data, CECIMO domestic orders have fallen by -34%, foreign orders by -30% and total orders by -29%.

The new MT Outlook Forecast from Oxford Economics (Spring 2020) includes the coronavirus outbreak scenario to their report. The new forecast shows that global manufacturing is expected to remain weak in Q2 before a swift rebound is seen in H2 2020 as the spread of the virus slows and confinement measures are eased. Concerning the specific case of the European machine tool industry, machine tool consumption is foreseen to decrease by 25,8% in 2020. This contraction in machine tool demand is concurrent with the deep production and supply chain strains the current pandemic has caused to MT buying sectors. Especially relevant is the case of the automotive industry, one of key MT consumer. Demand for automobiles has decreased sharply in Europe, North America, China and elsewhere, which has hindered the sectoral demand for capital goods, namely machine tools. For instance, European automobile companies' investment in MT equipment is expected to drop by -10,7% in 2020, according to Oxford Economics. Furthermore, the automotive sector is undergoing a deep transformation due to the implementation of generally unclear sustainable car policies, which is already having a deep impact on the overall demand of cars.



The European machine tool industry, however, is expected to recover partially as of 2021. As confinement rules loosen, manufacturing activities are set to restart. Consumption estimates show a rebound in European MT consumption, with a 19,6% yearly growth rate. It is also expected that consumer-sectors partially recover in the short-term, which would help alleviate some of the hardships European manufacturers have experienced.

Machine tool consumption will potentially stabilize by 2022, while maintaining a growth rate of 5% in 2022. However, it is also expected that incoming orders during the current recovery period might be rather weak. The situation will therefore remain volatile.

However, long term uncertainties should not divert European manufacturers from the fact that the COVID-19 crisis could also be an opportunity. As Marcus Burton, CECIMO's Economic Committee Chairman, stated "policymakers, both national and European, acknowledge the importance of a well-structured manufacturing sector and a diversified industrial supply chain. Governments are now focusing on putting forward stimulus packages and other emergency measures to protect manufacturing businesses, such as machine tool companies". Moreover, as CECIMO's work proves, lawmakers are now more committed to listening to our industry on issues like Industry 4.0, sustainability or the digital transformation of manufacturing or the facilitation of machinery exports to key foreign markets, such as China.

CECIMO advocacy actions during the pandemic

During the crisis, CECIMO undertook dedicated advocacy actions publishing different position papers, such as CECIMO's recommendations to policymakers, in which national and European decision-makers were called upon putting into place tax relief schemes, extraordinary financial aid and payment facilitation framework for manufacturing companies. CECIMO also carried out activities such as dealing with the measures restricting the free movement of workers and the cancellation of contracts based on the force majeure clause and developing a set of recommendations to policymakers for unleashing the potential of Additive Manufacturing to fight COVID-19.

CECIMO also supported the fight against the pandemic helping directly in the field. The swift spread of the Covid-19 virus in Europe challenged the usual production and distribution chain for medical devices. During this time, CECIMO launched a call to action, through which the association demanded the Additive Manufacturing sector to contribute to the printing of valves, masks and other items urgently needed in hospitals. The participation to the initiative has been incredibly high, with companies offering solidarity and aid from all over Europe.

CECIMO now urges the EU, along with its Member States, to define an ambitious EU manufacturing recovery plan, by releasing a proposal for the plan that highlights the important points to be addressed. CECIMO calls upon Member States to work closely with the European Commission to map their strategies on the different measures, and to ensure a coordinated approach on the exit strategy, for the reason that the behaviours of the EU member states during the crisis have not always been coherent, which has led to the implementation of separated measures in the European market. The new EU recovery plan should aspire to a



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regulatory and fiscal environment for businesses that enables them to invest, grow and make space for new jobs. It should also ensure to unlock the full potential of the Single Market and guarantee free and fair-trade conditions. Furthermore, it would be necessary an agreement on a revision of the Multi Annual Financial Framework (MFF) and the constitution of a European Recovery Fund.

During the COVID-19 crisis, CECIMO also took the opportunity to raise awareness on Additive Manufacturing problematics and listed four points to be assessed to promote the sector's growth in the coming years, such as the need of dedicated AM standards and certification, of rethinking conventional supply chain, and the lack of skilled workforce.

CECIMO keeps focusing on strategic decisions to align its agenda with the one of the EU. For that reason, the association is currently working on the EU Industrial Policy and the EU Digital Single Market as well as the EU Circular Economy. In fact, only through a unified European approach and a fast implementation of the EU industrial strategy, can we ensure that the Single Market continues to function without hiccups.

About CECIMO

CECIMO is the European Association of the Machine Tool Industries and related Manufacturing Technologies. 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 98% of the total machine tool production in Europe and about 35% worldwide. It accounts for more than 150,000 employees and a turnover of nearly €26.8 billion in 2019. More than three quarters of CECIMO production is shipped abroad, whereas half of it is exported outside Europe.

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