



CECIMO PRESS RELEASE

THE MACHINE TOOL SECTOR IN TRYING TIMES – AN EXAMPLE OF RESILIENCE THAT BRINGS PROFITABLE BUSINESS OPPORTUNITIES

Brussels, 3 December 2020 – During its virtual General Assembly, CECIMO outlined a negative economic outlook for the machine tool (MT) industry's performance during the pandemic. Forward-looking economic figures indicate that the MT market will undergo a two-phase recovery cycle, the makeup of which would tend to vary across regions and industrial sectors. On the policy side, the General Assembly has put the spotlight on the EU automobile industry at this critical juncture. The discussion focused on the challenges the wider automotive supply chain (including suppliers) faced during the coronavirus public health crisis. The auto industry has recorded its deepest crisis in history, highlighted by the strongest drop in car demand ever.

Dr Hans-Martin Schneeberger, President of CECIMO, underlined that the coronavirus pandemic has deeply shaken many economic sectors across the world, from services to manufacturing. However, he ascertained that European MT builders are still at the forefront in production of reliable and quality machines for other sectors and can still provide new technological solutions. For that reason, the European MT sector will be able to recover from this crisis and help create a resilient and strong business environment for capital and durable goods manufacturers.

According to Eurostat, the European Union's (EU27) Industrial Production Index (IPI) has decreased significantly in Q2 2020, recording an average drop of -19,1% against the same quarter of the previous year (down to an average score of 85,5 in Q2 2020 from 104,8 points in Q2 2019). New figures for Q3 2020 signal a weak manufacturing performance in the Union despite its relative improvement: IPI bounced back partially, reaching 99,3 points, but nevertheless decreased by more than -5% compared to the same quarter in the previous year. Concerning the capacity utilization rate of European investment goods sector, data provided by Eurostat show a similar trend. The operating rate of European manufacturing companies plummeted to 64,6% in Q2 2020, after recording a score of 83% in the previous quarter. The indicator has, much like the IPI, recovered partially over the second half of 2020, sitting at 78% as of Q4 2020, but far from pre-crisis levels.

In terms of machine tool order intake, CECIMO foreign orders dropped by -51% in Q2 2020 against Q2 2019, while domestic orders fell by -45% on the same basis. CECIMO total orders have dropped by -49% over the same period. The latest machine tool trade trends outline a similar scenario. According to UN/ITC figures, CECIMO world exports have decreased by -41% in Q2 2020 against the same quarter of the previous year, while CECIMO machine tool world imports contracted by -43% on the same basis. It is the sixth consecutive quarter with yearly negative growth and the largest rollback in global machine tool trade since the second half of 2009.

Considering figures provided by Oxford Economics, the European machine tool consumption is expected to decrease by -33,1% in 2020 due to the global effects of the pandemics, as overall volumes fall to 13 billion euros. By 2021, apparent consumption is estimated to increase by 23,5%, a strong push that, however, does not make up for the losses of the previous year. European machine tool consumption is forecasted to continue growing between 2022 and 2024, yet the growth pattern should flatten as the time progresses. Lastly, Europe is not expected to return to pre-crisis consumption volumes during the forecasted period. By 2024, European machine tool consumption should stand at 18,8 billion euros, still lower than 2019's 19,8 billion euro reading. In contrast, Chinese apparent consumption will go down by -8% in 2020, following a -19,1% drop in the previous year. However, consumption volumes should return to 2019 levels as early as 2021 (20 billion euros) and will potentially continue to expand over the 2022-2024 period, ultimately reaching the 22 billion euros threshold.

From a sectoral standpoint, automotive and aerospace, two traditional machine tool buying sectors, are expected to underperform during this critical period and will only return to Q4 2019 levels of output by 2022 and 2023,



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respectively. This is due, essentially, to the impact of the pandemic on demand for new vehicles and air travel, but also to factors such as excess capacity at industry level and a low business sentiment, which hinder investment prospects. Other sectors, such as electrical engineering, should recover at a faster pace.

Director General of the European Automobile Manufacturers' Association (ACEA), Eric-Mark Huitema underlined during CECIMO's General Assembly that the coronavirus outbreak has had a swift and severe impact on the automotive sector. According to ACEA, Europe has lost a production of more than 4 million motor vehicles so far, which represents 22,3% of total EU output in 2019. The auto industry experienced the strongest drop in car demand ever. ACEA estimates that car sales will fall from 12.8 million units sold in 2019 to 9.6 million this year, a 25% yearly decrease.

The coronavirus pandemic has indeed proven to be a challenge for the machine tool sector and for European manufacturing altogether. However, the European machine tool industry remains an important innovation hub, enabling the development of complementary technologies such as additive manufacturing solutions and industry-oriented digital applications. Furthermore, it continues to deliver reliable, quality machines to key manufacturing sectors, maintaining a strategic role in global manufacturing supply chains.

“The European machine tool industry -Marcus Burton, Chairman of CECIMO's Economic Committee states- is a clear example of resilience; even though it has suffered the impact of the pandemic as well as the fallout of its client sectors' woes, European machine tool builders are committed to technological innovation, digital change and environmental sustainability. This sends positive signals to investors and clients alike and shows that our industry offers new, potentially profitable business opportunities, even in trying times”.

In addition to the industry's push towards innovation, the European Union has laid out an ambitious Recovery Fund to help Member States re-boost their economies in the aftermath of the pandemic. This emergency fund, though controversial and still being debated by the European institutions, will require the Member States to design consistent national-level reform plans and will give access to funds that can help manufacturers, including machine tool builders, embrace the twin transition and enhance their productivity. This once in a lifetime funding opportunity, should it ultimately be approved and the national governments duly implement their country-specific plans, would help our companies to remain competitive in the long-term.

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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