Q3 2023

ECONOMIC AND STATISTICAL TOOLBOX

Key Highlights

- CECIMO8 Total Orders continues to show a downward trend
- Despite a slight recovery in recent months, European business sentiment indicators remain in negative territory
- CECIMO MT Production to reach about 26.6 billion EUR in 2023
- CECIMO MT Production and Consumption to remain stable in 2024

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INTRODUCTION

CECIMO's Economic and Statistical Toolbox for the **third quarter of 2023** provides the latest data update for the European and global MT sector. As usual, the report covers the third quarter of the year, but wherever possible we have included the most recent data available.

In terms of the European economy, the European Commission's Autumn Economic Forecast (November 2023) show slightly downward revision for the EU. Growth in the EU is now expected to be weak in 2023, followed by a mild recovery in 2024. In total, **EU GDP** is projected to grow by 0.6% in 2023, 1.3% in 2024 and 1.7% in 2025.

In the EU, headline **inflation** is forecast to fall from 6.5% in 2023 to 3.5% in 2024 and 2.4% in 2025. In the euro area, it is forecast to fall from 5.6% in 2023 to 3.2% in 2024 and 2.2% in 2025.

Weak domestic and global economic activity, coupled with high interest rates and credit constraints, are expected to put significant pressure on business investment in the coming quarters. The **EU Industrial Production Index (IPI)** continued to fall in the third quarter of 2023, while the latest data for October 2023 show a further deterioration, implying continued uncertainty about output growth in the period ahead.

The **euro area manufacturing PMI** remained below the level of 50.0 for the seventeenth consecutive month, indicating a continued deterioration in operating conditions. However, it is important to highlight that during November, contractions in output, new orders, purchasing activity, and inventories slowed, which resulted in an increase in the index to 44.2 points in October, the highest level since May. Regarding other Business Climate Indicators, while still in an unfavourable zone, it is worth mentioning that the **European Business Confidence Index**, according to the latest October data, suggests a stabilisation and slight improvement, with the index rising to 99.4 from 99.3 in September.

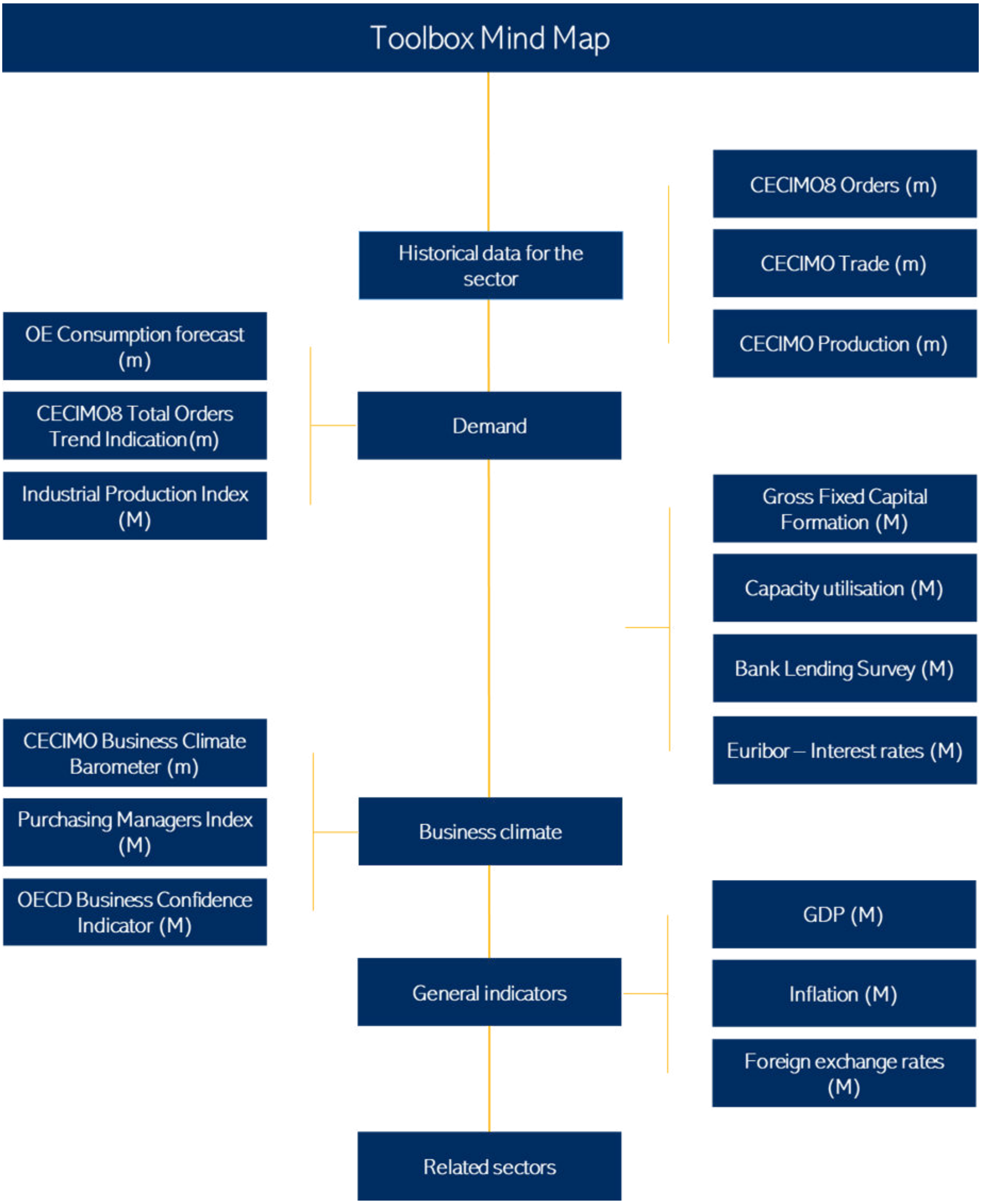
In terms of the **European MT sector**, we remain optimistic about the output levels of our MT builders in 2023. While the latest estimates for world MT production (machine tools) show a slight decline in 2023 (-2.5%), MT production in the CECIMO countries is expected to increase by around **5.0% to reach about 26.6 billion EUR in 2023**. It is important to highlight that the decrease in global MT production in 2023 is mainly due to lower MT production expectations in China, the USA and Japan (estimates from September 2023). In line with lower orders intake and the general business climate, it is expected that next year will bring more **stable production levels** for European MT Builders. As elaborated in the previous report, the latest forecast from October shows that CECIMO machine tool consumption is expected to grow by around 4.8% in 2023, **remain stable in 2024**, before stronger growth of 5.6% in 2025.

In terms of **CECIMO8 Total orders**, following developments in domestic and foreign markets, new CECIMO8 total orders deteriorated further in Q3 2023, falling by 20% on a quarterly basis and 16% down compared to the same period last year. It is important to highlight that the negative trend was driven more by a stronger worsening situation in domestic markets. As part of our regular update, you will also find a new update regarding CECIMO's total orders trend indication. As pointed out later in the report, total CECIMO8 MT orders are expected to fall by 17% on an annual basis in 2023 before recovering slightly (+4%) in 2024.

In terms of **CECIMO's exports and imports**, our latest estimates for 2023 show an increase in total MT exports of around 7.6% and an increase in MT imports of around 3.5%. These developments should result in a positive trade balance of around 7.7 billion EUR.

Looking at related sectors, recent developments show further improvements in both **automotive and aerospace**. Whilst new passenger car registrations are showing growth compared to the previous year's levels, it is important to highlight that high vehicle prices and tight credit conditions continue to challenge consumer demand across the regions. In terms of aerospace sectors, it is important to highlight growing orders, and both Airbus and Boeing recorded a significant 12% increase in deliveries in the first ten months of this year compared to the same period last year.

According to the World Bank's Commodity Markets Outlook (October 2023), **energy prices** are expected to fall by almost 5% in 2024, but stabilise in 2025. After an expected 12% decline in 2023, base **metal prices** are forecast to fall by 5% in 2024 due to slowing demand, with a subsequent recovery in 2025 as global economic activity improves and demand for metals in renewable energy technologies accelerates. It is important to note that demand for critical minerals such as cobalt, lithium and molybdenum is increasing, driven by the growing popularity of electric vehicles.


Toolbox Mind Map
CECIMO8 Orders (m)
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1. HISTORICAL DATA FOR THE SECTOR

1.1 CECIMO 8 ORDERS (M)

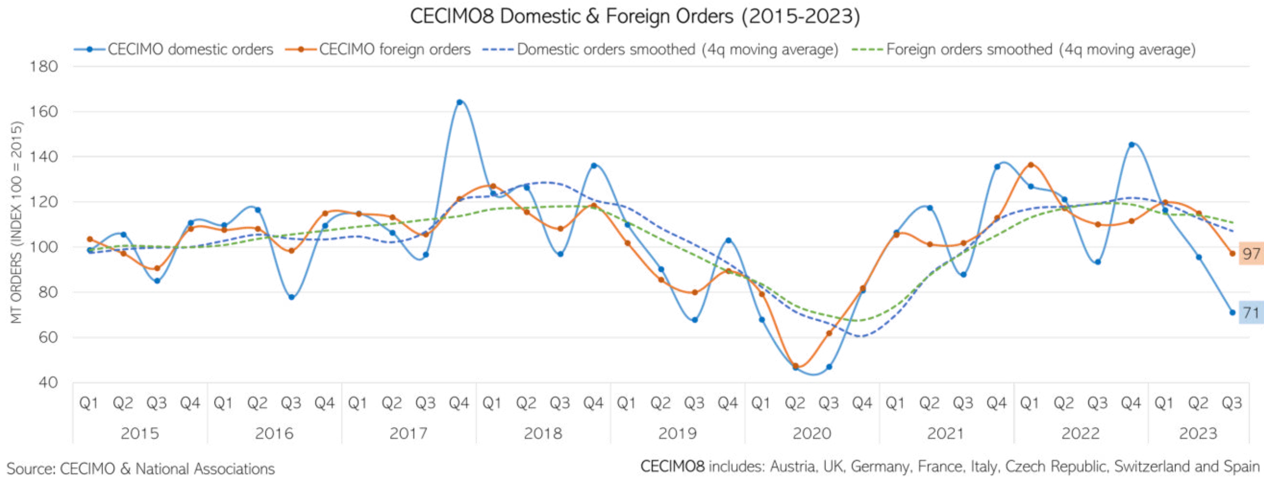
Historically, the third quarter usually brings the lowest order intake for CECIMO MT builders. This year was no exception, and in Q3 2023, CECIMO8's total new orders continued their downward trend on a quarterly basis and were below the level of the third quarter of 2022. As in the previous quarter, the decline in new orders is more pronounced on the domestic market than on the foreign market.

Both quarter on quarter (-26%) and year on year (-24%) new domestic orders were significantly lower in the CECIMO8 region. It is important to note that all CECIMO8 countries recorded a quarterly decrease in new domestic orders.

Similar developments can be observed in the foreign market. After new foreign orders dropped by 4% quarterly in the second quarter of 2023, the level of the index decreased by 15% in Q3 2023 and reached the lowest level since Q3 2021. Compared to the same period a year earlier, the level of the index is 12% lower. Italy, France and the Czech Republic recorded very small quarter-on-quarter improvements. However, other countries experienced more significant declines, which impacted the overall CECIMO8 index.

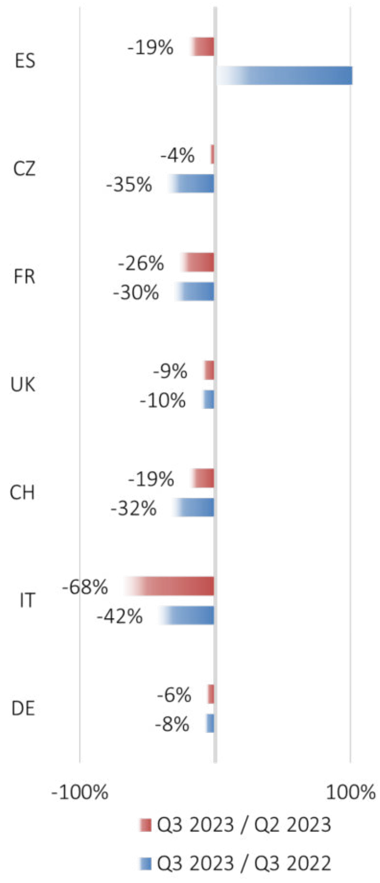
Based on developments in the domestic and foreign markets, the CECIMO8 index of total new orders recorded a level that was 20% lower than in the previous quarter and around 16% lower than in the same period of the previous year. Based on historical trend it is expected that last period of 2023 will be more stable in terms of orders, with possible quarterly growth, but the level of index is expected to remain significantly below the one seen in Q4 2022.

Note: Austrian data for Q3 2023 were not available at the time of writing.



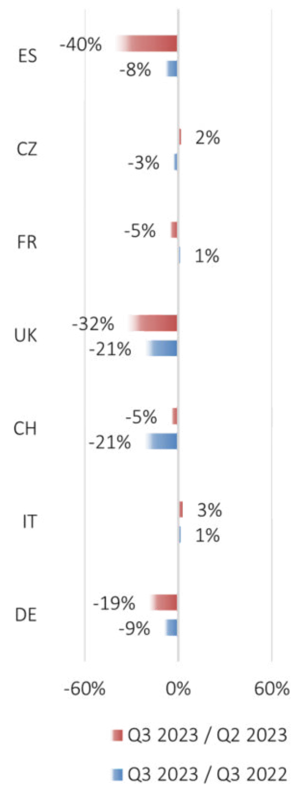
Domestic Orders

- All CECIMO countries recorded a fall in new domestic orders in the third quarter of 2023 compared to the previous quarter. The largest decreases were recorded in Italy (-68%), France (-26%) Switzerland (-19%) and Spain (-19%).
- When looking at differences compared to the same period last year, only Spain registered an increase of about 104%. However, it is important to highlight that Spain had reached a record high in orders in Q2 2022 and then very low levels in Q3 2022.
- Italian MT orders were down by 42% compared to the same period last year, and a similar trend can be observed in France (-30%).
- Domestic orders in the Czech Republic decreased by 4% on a quarterly basis and were 35% down compared to the same period last year.
- German domestic orders, after a slight growth of 2% on a quarterly basis in Q2 2023, recorded a decline of 6% in Q3 2023. The index reached a level which is approximately 8% lower compared to the same period last year.
- Domestic orders in the United Kingdom were 10% down on the same period last year and 9% down on the previous quarter.

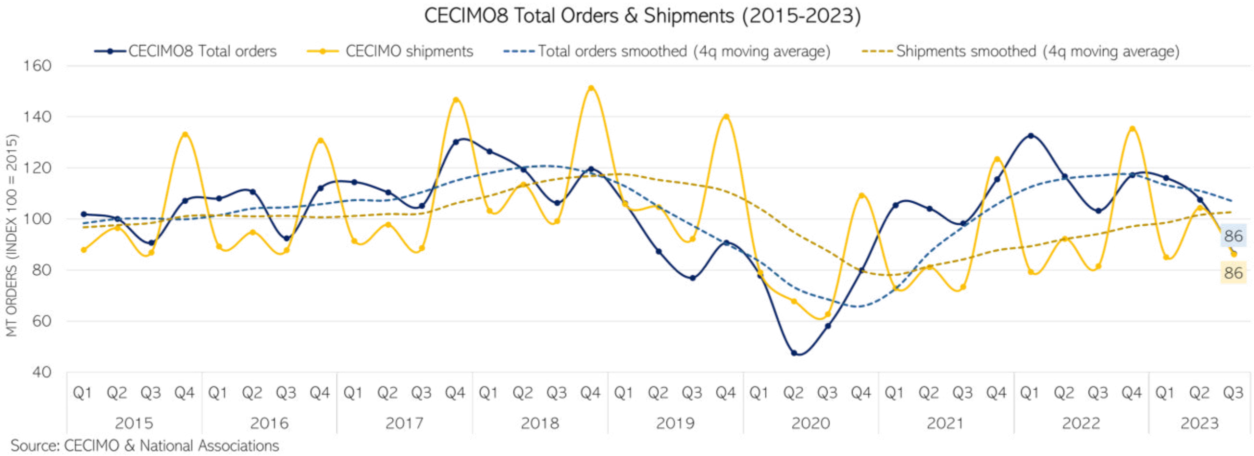


Foreign Orders

- As previously mentioned, CECIMO's foreign orders remained at a higher level compared to the domestic market, but the trend is also negative.
- The strongest declines (-21%) on an annual basis can be observed in Switzerland and the UK.
- The level of foreign orders remained stable only in Italy and France, compared to the same period of the previous year. Other countries recorded an annual decline.
- Quarterly growth was recorded in Italy and the Czech Republic.
- The strongest decline on a quarterly basis in new foreign orders was recorded in Spain (-40%). However, it is important to highlight that Spain's MT Producers recorded quarterly growth in Q2 2023.
- German new foreign orders were down by -19% on a quarterly basis and reached the level of 9% below the levels seen in Q3 2022.



Total Orders

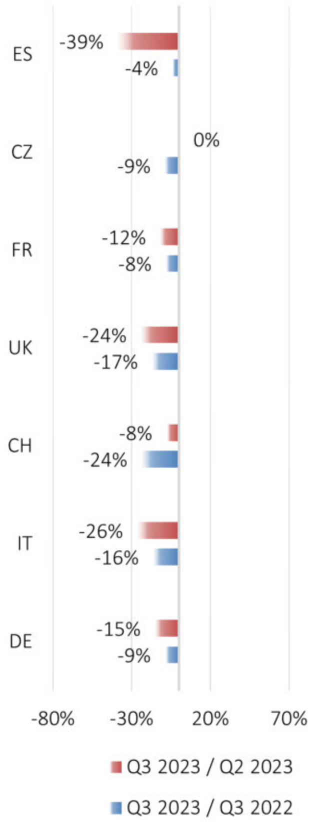


Source: CECIMO & National Associations

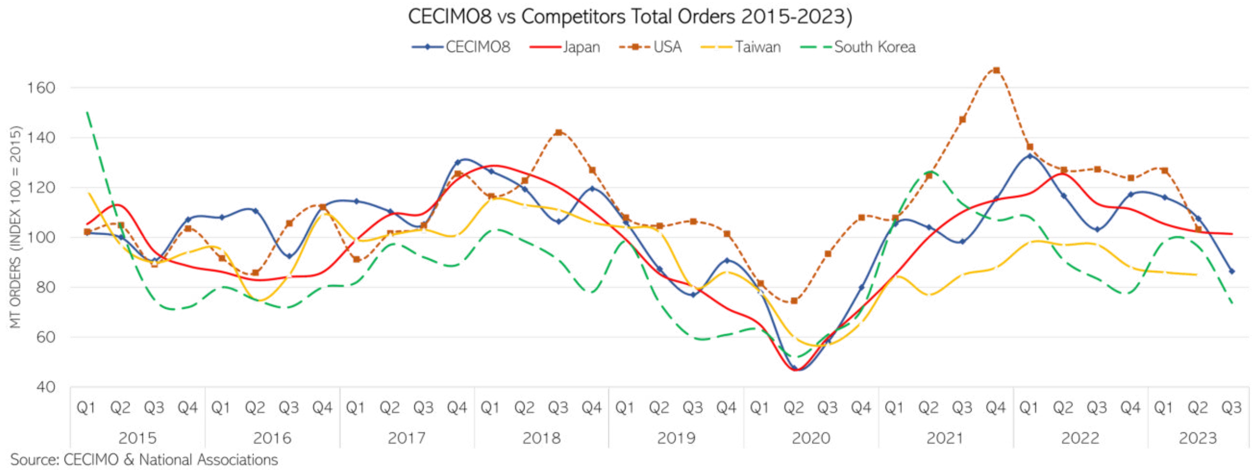
Following developments in domestic and foreign markets, new CECIMO8 total orders deteriorated further, falling by 20% (blue line) on a quarterly basis and 16% down compared to the same period last year (red line). The negative trend was more driven by a stronger deteriorating situation in domestic markets.

In terms of shipments, after an increase in the second quarter of 2023, the third quarter was marked with a decline on a quarterly basis. This trend is something that is usual for the third quarter if we look at the historical data. It is important again to note the reduction in the gap between the smoothed curve for shipments and the smoothed curve for total new orders, indicating a reduction in the backlog of orders in 2023, compared to the opposite situation seen at the end of 2021 and in 2022.

- With the exception of the Czech Republic, which reported the same level of orders as in the previous quarter, all other countries recorded a quarterly decline in total MT orders.
- The strongest decline on a quarterly basis was recorded in Spain (-39%), Italy (-26%) and the UK (-24%).
- Compared to the same period last year, Switzerland recorded the largest decrease (-24%), followed by the UK (-24%) and Italy (-16%).
- Smaller decreases compared to the same period of the previous year were recorded in Germany (-9%), the Czech Republic (-9%), France (-8%) and Spain (-4%).
- Looking at the latest expectations for the coming period, we see a downward trend in average CECIMO8 total orders in the first half of 2024, and some kind of stabilisation and possible new upturn in the second half of 2024.



CECIMO Competitors

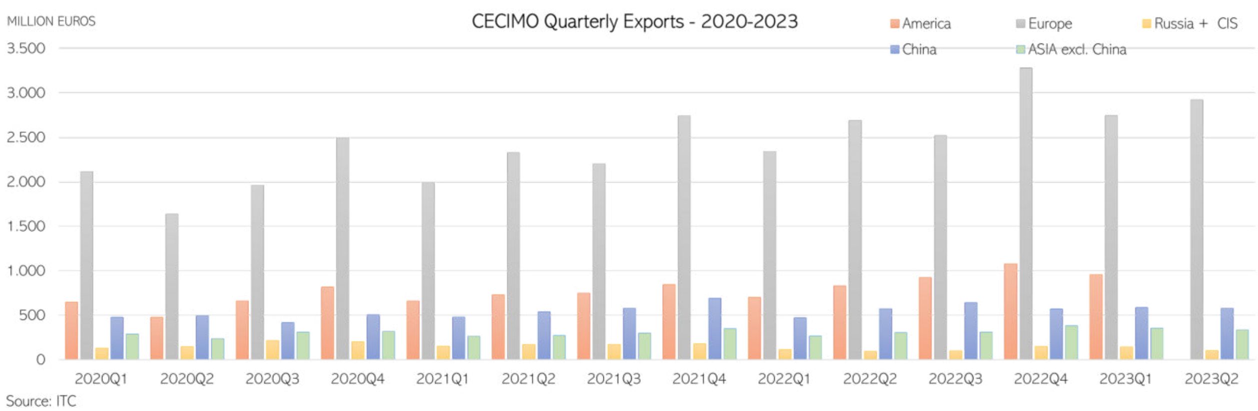


- Looking at total Japanese MT orders, Japanese MT producers recorded the level of orders at approximately the same level as in the second quarter of 2023. However, the level of total orders was 11% lower than in the same period a year earlier. Orders for metal forming performed better, but this was not enough to offset the negative trend in metal cutting, which has a stronger impact on the total orders index.
- In terms of total Korean MT orders in the third quarter of 2023, orders fell more sharply in the latest period (-23%), following a 2% quarterly decline in the previous quarter. The level of new orders was also 12% lower than in Q3 2022. Looking at different markets, the decline in Q3 2023 was more pronounced in the domestic market.
- Note that MT orders data for the US and Taiwan were not available at the time of writing.

1.2 CECIMO TRADE (M)

Note: The following analysis refers to Q2 2023 trade figures. ITC Q3 2023 figures for all regions were not available at the time of writing. The trade balance in the final section refers to CECIMO total trade figures and the latest estimates for 2023.

Q2 2023 Exports



- Looking at the second quarter of 2023, total CECIMO MT exports increased slightly - by 3% on a quarterly basis, and the level of exports remained around 10% higher than in the same period of the previous year.

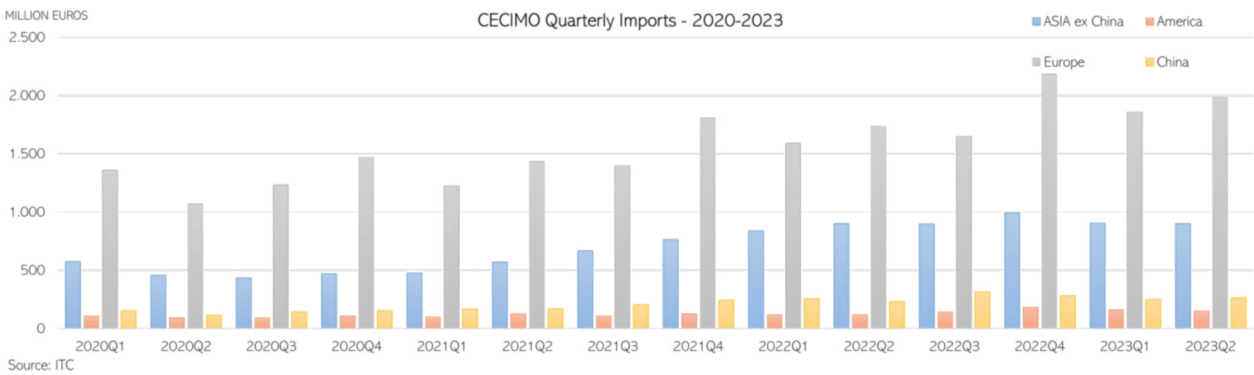
- Looking at exports between CECIMO countries, MT exports improved by 8% in the second quarter of 2023 and remained 10% higher than in the same period of the previous year. As can be seen from the graph, exports from the CECIMO countries to Asia and Russia (CIS) declined on a quarterly basis.

- Looking at Asia as a whole, exports were slightly lower than in the previous quarter, but remained 4% higher than a year before. Compared with the previous quarter, exports to China fell by 4% and to the rest of Asia by 1%.

- After falling by 11% in the second quarter, exports to the Americas improved by around 3% on a quarterly basis. The level of exports was 18% higher than in the same period a year earlier.

- As the graph above shows, the United States remained the main MT export destination for the CECIMO countries in the second quarter of 2023, closely followed by China.

Q2 2023 Imports



- After the decline in total MT imports in the CECIMO region in the first quarter of 2023, the second quarter brought a slight improvement, with orders increasing by 4% on a quarterly basis. The level of total orders remained around 11% higher than in the same period of the previous year.

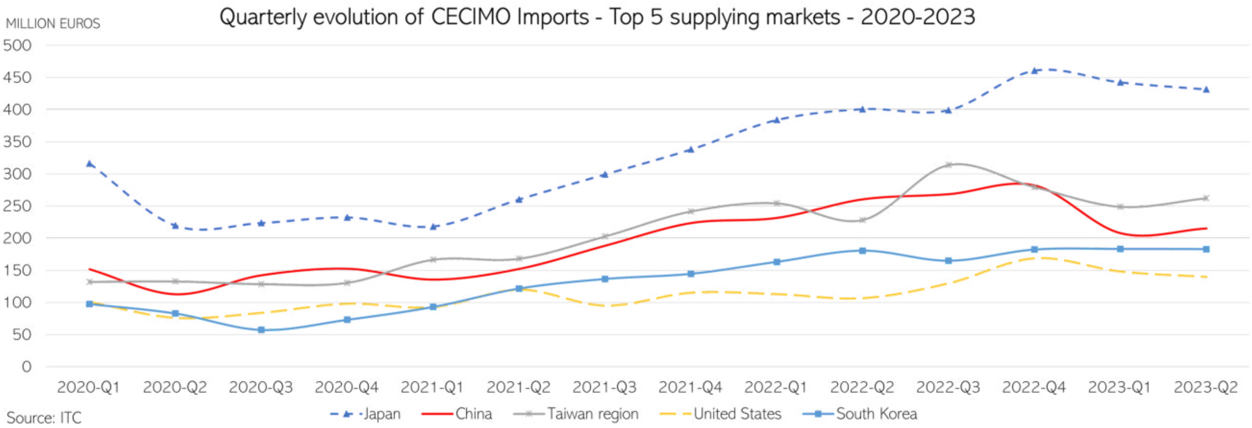
- While imports from the Americas region continued to decline on a quarterly basis (-6%), the level of imports remained significantly higher than in the same period a year earlier (+27%).

- Looking at Asia, imports into the CECIMO region remained stable (+1% on a quarterly basis and +3% compared to the same period of the previous year). It is important to note that imports from China also improved by 5%, while imports from the rest of Asia remained the same as in the previous quarter.

- Imports from the CIS region fell by 14% compared with the same quarter of a year before, but remained 27% higher than in the previous quarter.

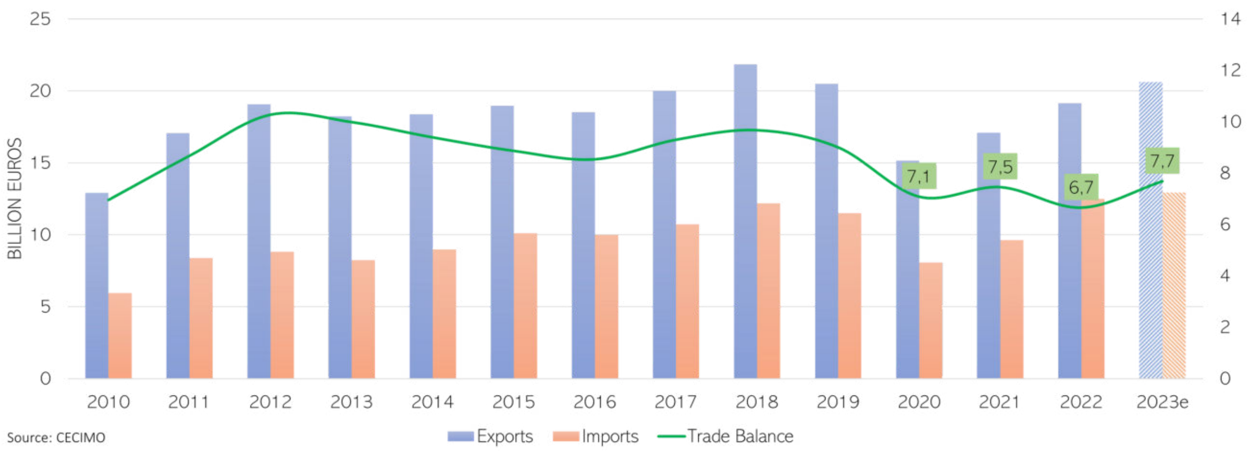
- MT imports from the Africa region fell by 8% on a quarterly basis and the level of imports in the second quarter of 2023 was around 21% lower than in the same period of 2022.

- MT imports from 'other' countries fell by 36% on a quarterly basis, but remained 92% higher than in the same period of the previous year.



- As shown in the graph above, Japan remained the main supplying market in the second period of 2023. In addition, Taiwan was the second most important supplier to the CECIMO countries, following the significant fall in MT imports from China in recent quarters.

CECIMO Trade Balance

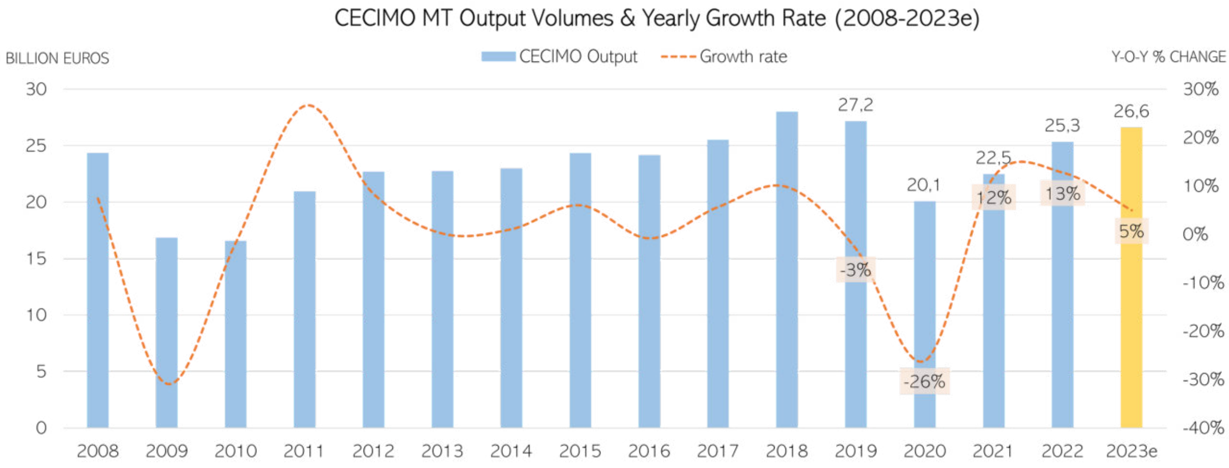


- The graph above shows CECIMO's latest trade balance estimates for 2023 (last updated in December 2023).

- Our latest estimates for 2023 show an increase in total MT exports of around 7.6% and an increase in MT imports of around 3.5%. These developments should result in a positive trade balance of around 7.7 billion EUR.

1.3 PRODUCTION (M)

According to our latest estimates (December 2023), global MT production is expected to decrease slightly (-2.5%) and reach the level of EUR 77.2 billion in 2023. We have also made new estimates for the CECIMO region, and MT production in the CECIMO countries is expected to increase by around 5%, and with a level of 26.6%, the CECIMO countries are about to reach a share of more than 34% of world MT production.



Source: CECIMO & National Associations

As reported at the recent CECIMO General Assembly (December 2023), the average of the CECIMO8 total orders index for the first three quarters of 2023 was around 12% lower than in the corresponding period of the previous year. Notably, domestic orders experienced a more pronounced decline at -17%, compared to foreign orders, which decreased by -9%. As a result of the deterioration in business sentiment indicators, which are closely linked to our sector, and the slowdown in the global economy, the latest CECIMO trend indicators for total orders show a downward trend, which will eventually stabilise at the end of 2024.

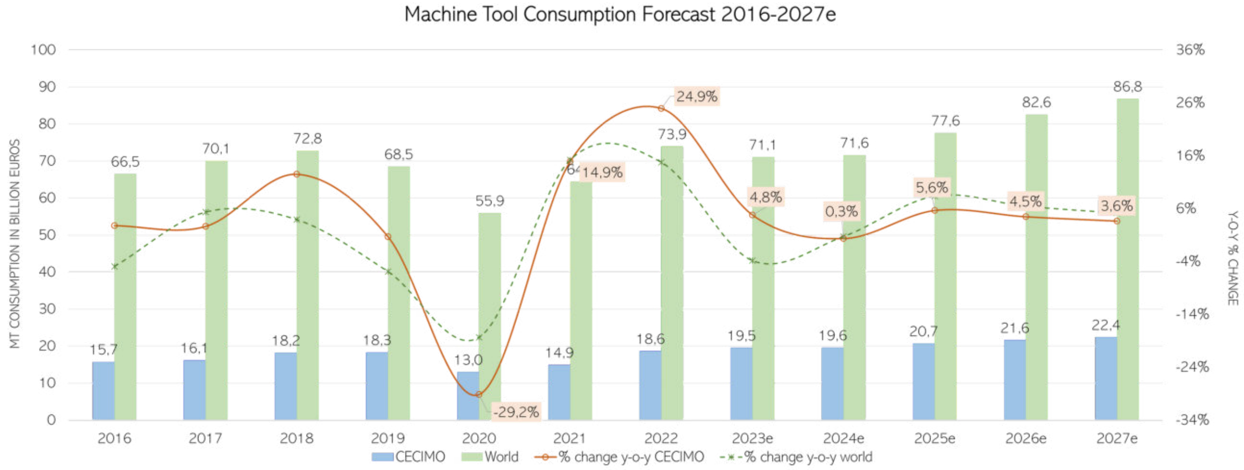
Consistent with these trends, Marcus Burton, Chairman of the Economic Committee, remarked in his presentation that the upcoming year is anticipated to pose greater challenges for global machine tool production and consumption.

2. DEMAND

2.1 CECIMO CONSUMPTION (M)

Note: Consumption = Production + Imports - Exports

As shown in the previous report, the latest Oxford Economics Global MT Outlook of October 2023 shows a less optimistic situation in terms of MT consumption, with global MT consumption expected to decline by 3.9% in 2023 before remaining stable in 2024 (EUR values).



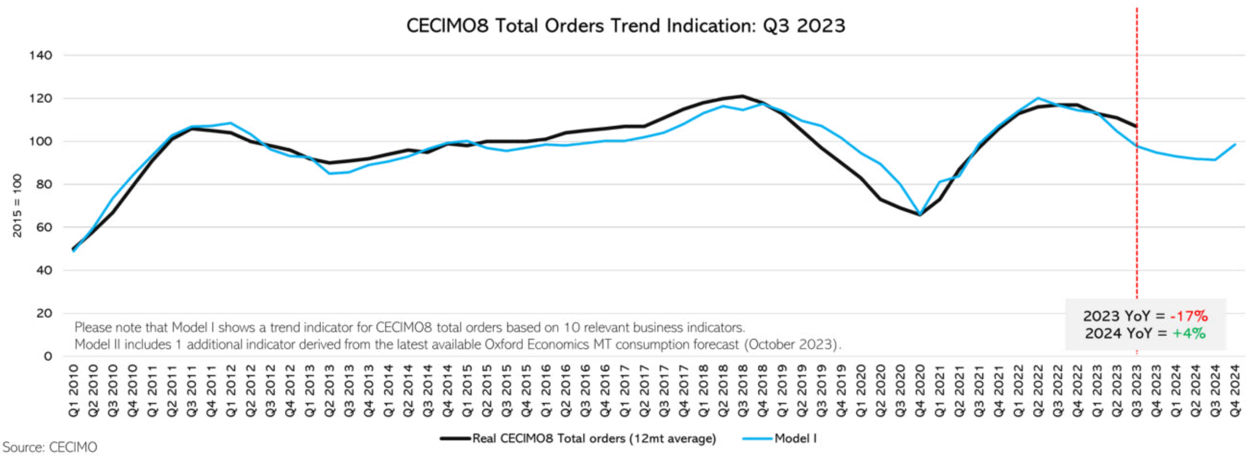
Source: CECIMO & Oxford Economics 2023-2027 estimates are based on OE consumption estimates for Germany, Italy, Switzerland, Austria, Spain, Czech Republic, France, UK and Turkey (October 2023)

The latest forecast from October shows that CECIMO machine tool consumption is expected to grow by around 4.8% in 2023, remain stable in 2024, before stronger growth of 5.6% in 2025. Thanks to the stronger growth of CECIMO consumption compared to the other regions, the share of CECIMO countries in total MT consumption is expected to increase from 25% in 2022 to 27% in 2023.

Please note that the next update on this forecast will be available after a new report is released (April 2024).

2.2 CECIMO8 TOTAL ORDERS TREND INDICATION (TESTING PHASE)

Note: This chapter presents a new CECIMO project focused on providing trend expectations for CECIMO8 total MT orders. As indicated in the title, please note that the project is in the testing phase.



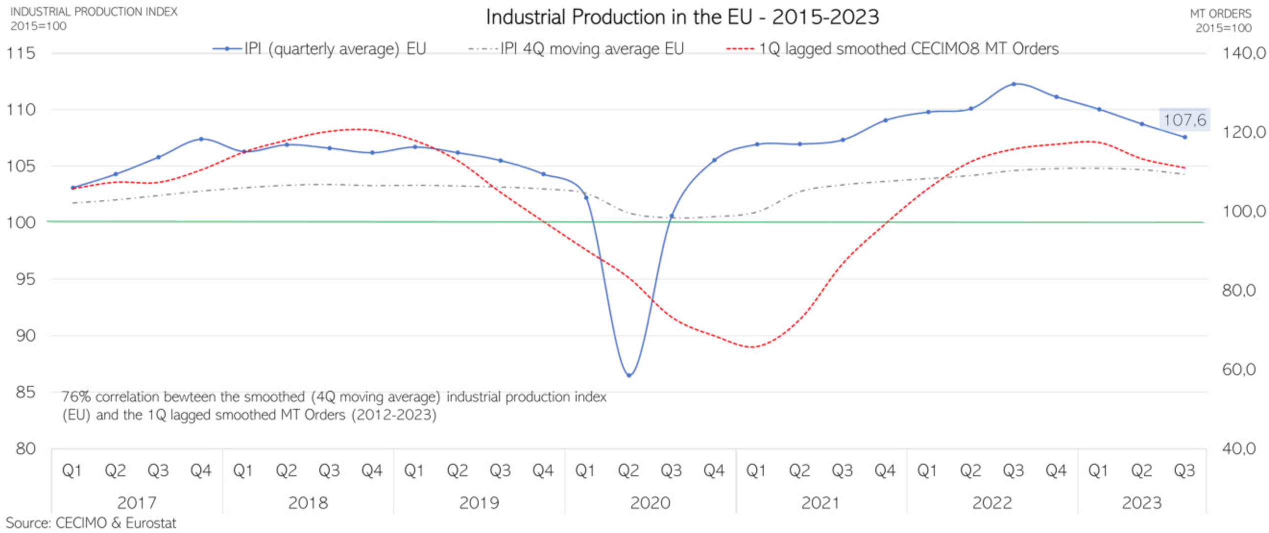
Source: CECIMO

According to the latest data update, estimates for 2023 remain broadly unchanged. However, the Model I shown in the chart now points to a slight upward trend in 2024. As shown in the chart above, the downward trend in orders (12-month average) is expected to bottom out in the second half of 2024, and the new upward trend is expected mainly in the last period of 2024.

Total CECIMO8 MT orders are expected to fall by 17% on an annual basis in 2023, before recovering slightly (+4%) in 2024. It should be noted that in the previous reporting period, the estimates of this model did not include estimates for the last quarter of 2024, which is expected to contribute the most to this growth on an annual basis.

This is in line with key indicators such as the Purchasing Managers' Index, the OECD Business Confidence Index, and IFO Export Expectations, which show some signs of recovery in recent months. As a reminder, the model is based on a lot of indicators where the current developments in index trends are usually reflected afterward on the CECIMO8 Total Orders trend.

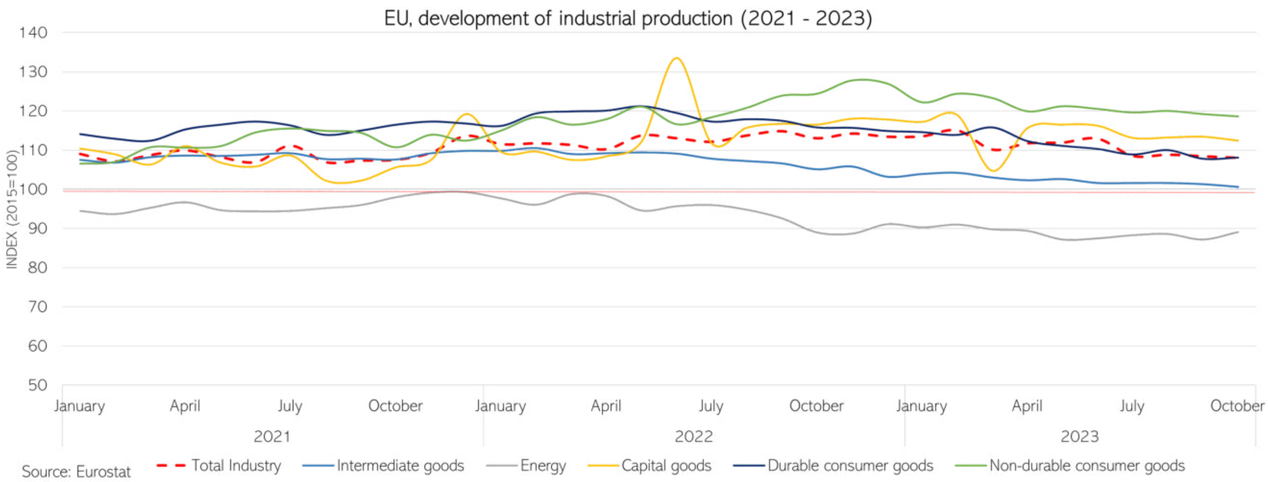
2.3 INDUSTRIAL PRODUCTION INDEX (M)



The EU Industrial Production Index (IPI) continued to fall in the third quarter of 2023, indicating a further decline in output by European manufacturers. Moreover, the latest data for October 2023 shows a further deterioration which implies continued uncertainty about output growth in the period ahead.

On a quarterly basis, the index fell to 107.6 points, some 1.1% lower than in the previous quarter and 4.3% below the level recorded in the third quarter of 2022. The analysis of the industrial production index is important due to its strong correlation with the CECIMO8 total new orders, and while positive developments in the index could be an indication of growth in the CECIMO8 new orders, negative developments tend to have the opposite effect.

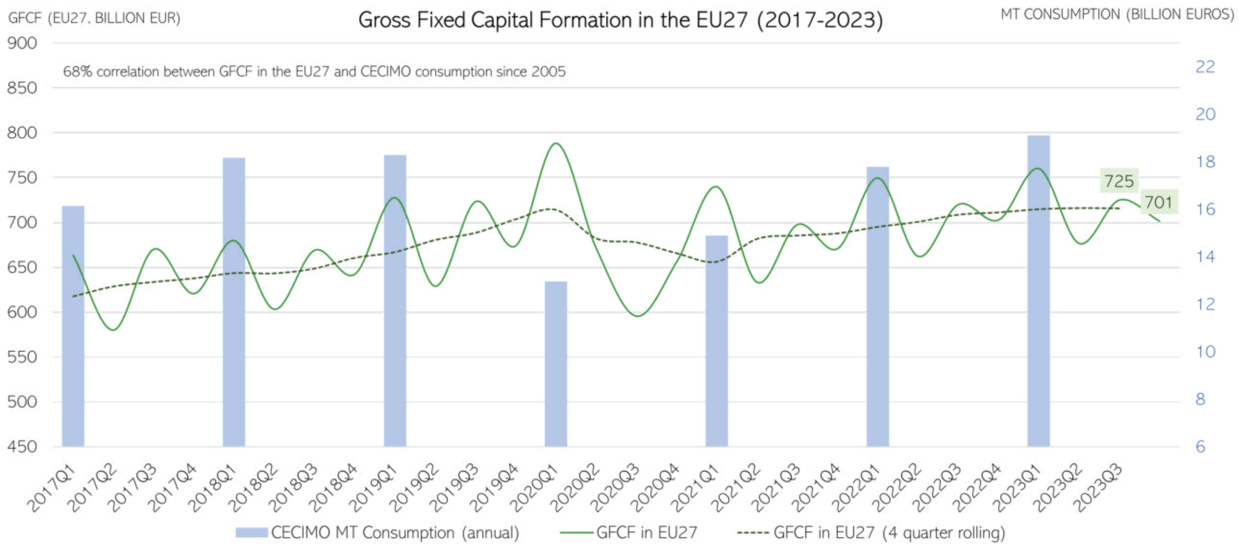
From a sectoral point of view, in the third quarter of 2023, the strongest quarterly declines were recorded in the capital goods and durable consumer goods sectors. More stable developments can be observed for intermediate goods, energy and non-durable consumer goods.



3. INVESTMENT

3.1 GROSS FIXED CAPITAL FORMATION (M)

Gross fixed capital formation (GFCF), also called "investment", is defined as the acquisition of produced assets, including the production of such assets by producers for their own use, minus disposals. The relevant assets relate to assets that are intended for use in the production of other goods and services for a period of more than a year (OECD).



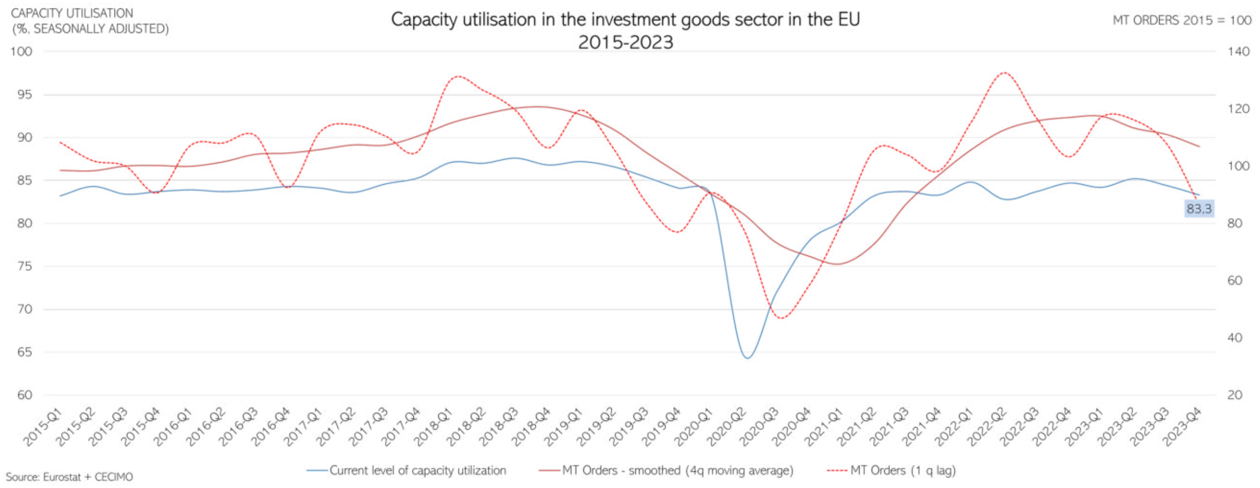
After increasing by almost 7% in the second quarter of 2023, gross fixed capital formation in the EU27 fell by 3.2% in the third quarter of 2023 (q/q-1). In absolute terms, investments amounted to 701.5 billion euro in the third quarter of 2023, slightly lower (-0.2%) than the 702.8 billion euro recorded in the same period of the previous year.

As mentioned in the last report, weak domestic and global economic activity, coupled with high interest rates and credit constraints, are expected to put significant pressure on business investment in the coming quarters. While inflation is expected to continue to decline in 2024, central banks are not expected to start lowering interest rates before 2025. Business investment is therefore expected to remain more stable in 2024.

3.2 CAPACITY UTILISATION AND PRODUCTION CAPACITY (M)

Methodological note: The dates in this section refers to when the results were published; so, the Q4-2023 figures were published in Q4-2023 but reflect the position at the end of the previous quarter when the data collection took place (Q3 2023).

The latest data for capacity utilisation in the EU's capital goods sector show a further decline in the fourth quarter of 2023, with a fall of around 1% on a quarterly basis. As a result, the indicator now stands at 83.3 points, 1.2% lower than in the same period a year earlier.



At national level, the Czech Republic continued to record the highest capacity utilisation rate, with a slight decrease from 91% to 90%. While France and Spain recorded higher capacity utilisation rates than in the previous quarter, Austria, Germany and Italy recorded lower levels and a decrease on a quarterly basis.

Capacity Utilisation (% of total capacity)

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Austria	87,7	87,3	87,3	88,3	86,3	88,9	89,3	88,7	86,4
Czech Republic	63,2	81,1	78,3	81,0	75,4	80,6	90,0	91,0	90,1
France	80,3	81,7	80,4	80,0	80,9	82,0	84,9	82,1	84,0
Germany	85,3	89,6	83,7	86,0	87,9	87,4	88,3	87,1	85,3
Italy	79,9	80,3	81,3	80,1	79,7	79,4	78,9	79,1	77,6
Spain	82,0	80,7	85,6	85,3	86,1	84,3	81,3	83,5	85,1
Switzerland	87,2	89,8	91,9	90,3	89,5	89,6	89,5	88,2	
United Kingdom	81,0	83,0	82,0	83,0	80,0	80,0	80,0	78,0	

Source: Eurostat, MTA, SWISSMEM

Methodological note: To track production capacity, business managers are asked to assess their current levels of production as sufficient or not, considering the changes in the order book and demand of capital goods.

After rising to 11% in the previous quarter, spare capacity in the EU's industrial goods sector increased further to 18% in the fourth quarter. In line with the decline in new orders observed since the beginning of the year, it is expected that spare capacity will remain at a somewhat elevated level until a more substantial recovery in both domestic and export demand is observed.

Looking at the selected CECIMO countries, Austria was the only country to show no change in the level of spare production capacity. Spain maintained the lowest level of spare capacity, while French manufacturers reported the largest increase in spare capacity, from -4% in Q3 2023 to +15.5% in Q4 2023. Other countries also recorded an increase in the level of spare production capacity, with Germany reporting the highest level at +25.4%.

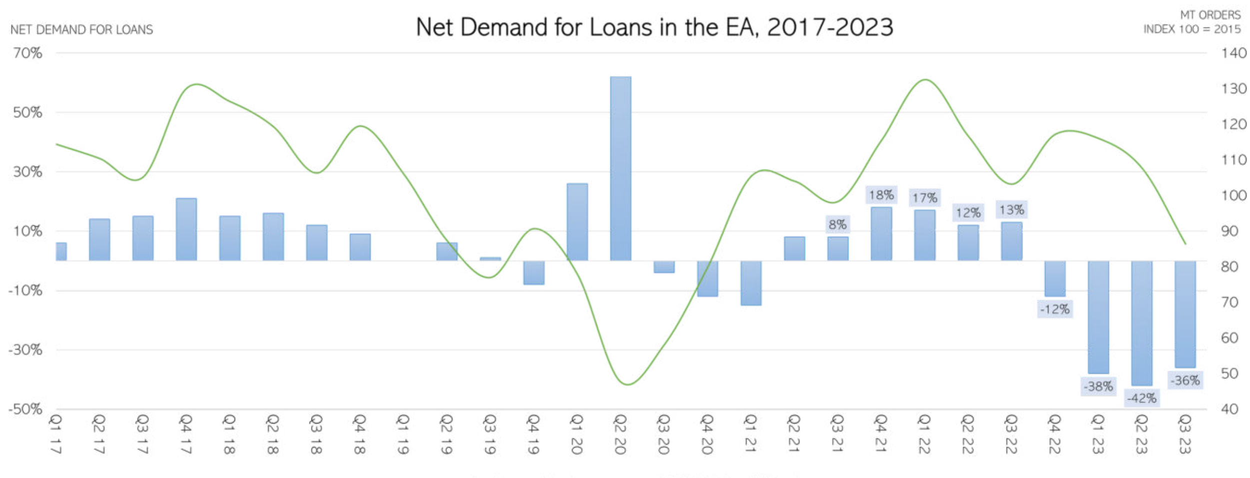
Production Capacity (balance in %)

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Austria	-3,3	-5,6	-2,2	-8,5	6,3	9,4	-4,2	9,1	9,0
Czech Republic	12	9,1	49,2	9,1	10,3	44,1	11,3	4,5	7,1
France	17,5	-4,1	-0,7	9,5	-14,9	-23,3	-8,2	-4,0	15,3
Germany	-8	-6,5	-5,3	14,3	4,6	-5,0	6,1	20,7	25,4
Italy	15,9	16,4	14,2	12,8	12,9	16,1	11,2	15,9	21,9
Spain	16,8	-19,1	-6,6	2,2	-10,2	-13,2	-4,5	-5,9	0,3

Source: Eurostat

3.3 BANK LENDING SURVEY (M)

The results reported in the October 2023 bank lending survey (BLS) relate to changes observed during the third quarter of 2023 and expectations for the fourth quarter of 2023.



Source: European Central Bank

- **Credit standards** – In the third quarter of 2023, euro area banks reported a further tightening of credit standards for loans or credit lines to enterprises (12%, down from 14% in the second quarter of 2023). The main factors driving this tightening were risks related to the company-specific situation and the economic outlook. The tightening reflects the increase in credit risks as a result of higher debt servicing costs for firms and slower economic growth.

- **Banks' overall terms and conditions** for new loans to enterprises continued to tighten, albeit at a somewhat slower pace than in the previous quarter (net percentage of 8%, after 23%).

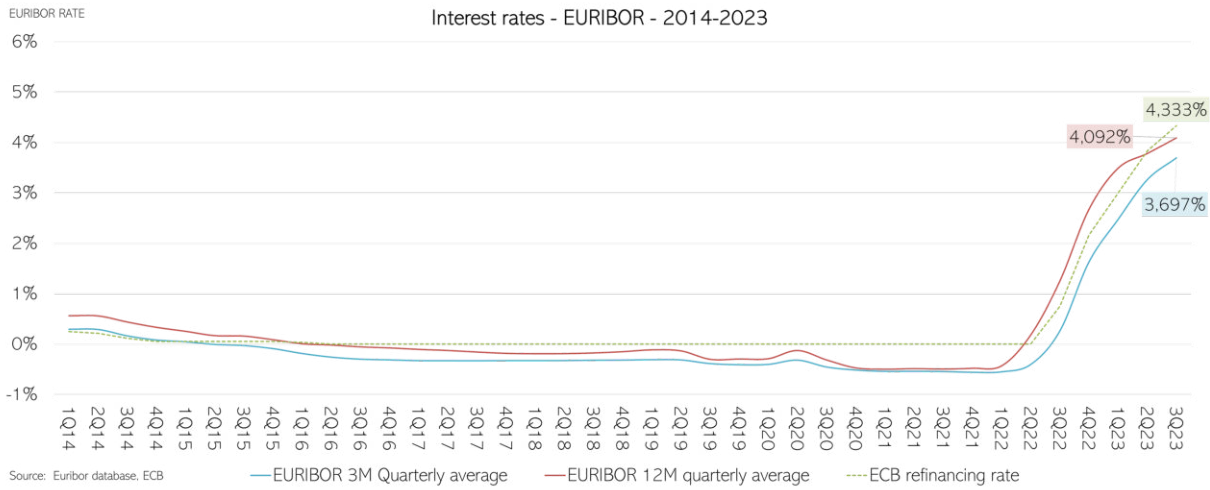
- **Rejected loan applications:** In the third quarter of 2023, banks reported a further net increase in the share of rejected applications for loans to firms (net percentage of 8%, after 16% in the previous quarter).

- **Net demand for loans** continued to fall in the third quarter of 2023 (net share of -36%, compared with -42% in the second quarter of 2023). It is important to highlight that demand for loans to large enterprises fell almost as much as the all-time low reached during the global financial crisis (-37% in the fourth quarter of 2008). Rising interest rates and falling fixed investment remained the main drivers of the net decline in loan demand.

- **Looking ahead to the next quarter**, banks expect a smaller net decrease in the demand for loans to enterprises in the fourth quarter of 2023 compared to the third quarter (net percentage of -21%).

3.4 EURIBOR (M)

In line with the European Central Bank's (ECB's) ongoing efforts to combat inflation, the ECB's refinancing rate has risen steadily from 3.50% in March to 4.5% in September 2023. As shown in the chart below, the average refinancing rate fluctuated around 4.333% during the third quarter. Meanwhile, the 3-month EURIBOR averaged 3.697%, while the 12-month averaged 4.092%.



According to the ECB's latest statements, key interest rates will remain stable and future decisions will depend on economic developments and inflation. The interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 4.50%, 4.75% and 4.00% respectively.

Regarding the economy, the ECB has highlighted in its recent publications that many companies are still working through their existing orders and that higher interest rates are having a dampening effect on economic activity, particularly in construction and manufacturing.

The latest ECB projections (December 2023) for the euro area point to a gradual decline in inflation next year, with a target of 2% by 2025. Overall, the latest expectations show headline inflation averaging 5.4% in 2023, 2.7% in 2024, 2.1% in 2025 and 1.9% in 2026. This represents a downward revision for 2023 and especially for 2024 compared with the September projections.

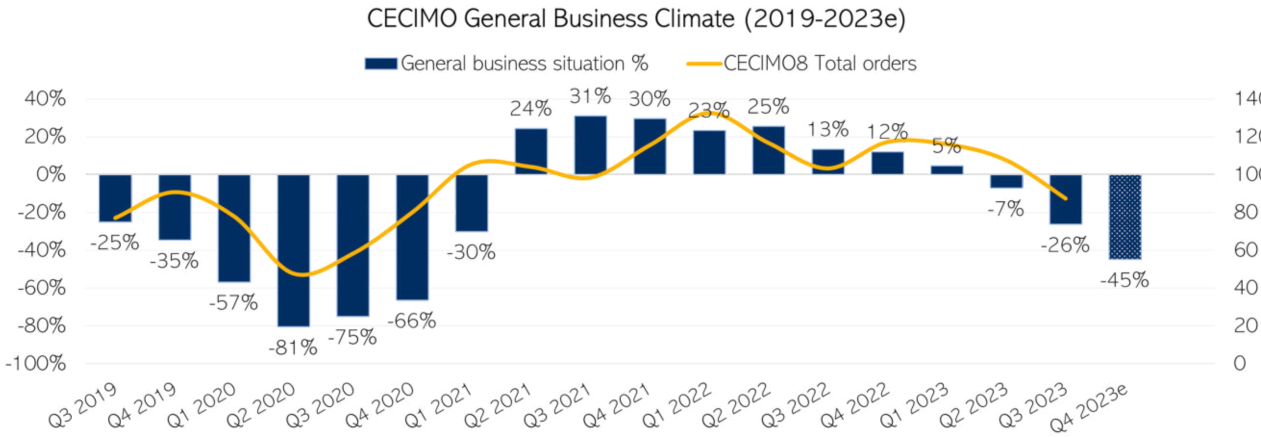
4. BUSINESS CLIMATE

4.1 CECIMO BUSINESS CLIMATE BAROMETER (M)

The Business Climate Barometer (BCB) is a quarterly survey that assesses CECIMO-based companies' current business sentiment and expectations for the next quarter.

Methodology: CECIMO & National association surveyed individual companies and assessed their current business climate and their expectations (next q) in relation to demand, domestic production, export sales and employment. The responses of the CECIMO BCB are analysed as the difference (net percentage) between the share of companies reporting an increase/decrease in their business activities. The results were weighted by the share of national production in 2015 among participating CECIMO countries.

Note: Q3 2023 results are based on the responses of the following CECIMO countries: Austria, Switzerland, Germany, the United Kingdom and Italy.

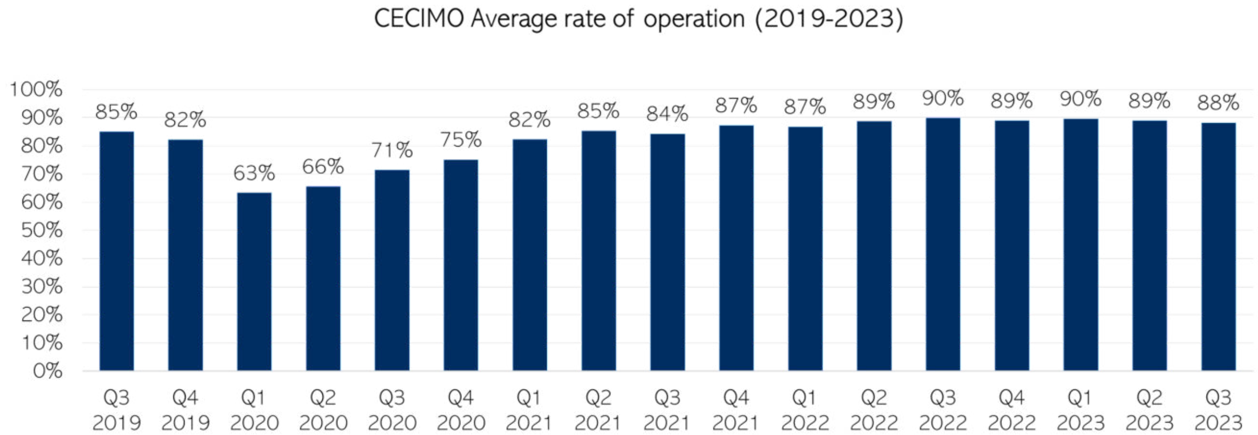


Source: CECIMO & National associations I e - expectatoins

% = weighted average of the national balances (increase-decrease), in %

According to the latest results of the CECIMO Business Climate Barometer, the third quarter of 2023 shows a more negative general business climate among our MT builders, with a net balance of -26%, the lowest since the first quarter of 2021. As shown in the chart above, expectations for the general business climate in the fourth quarter of 2023 are also significantly negative (-45%).

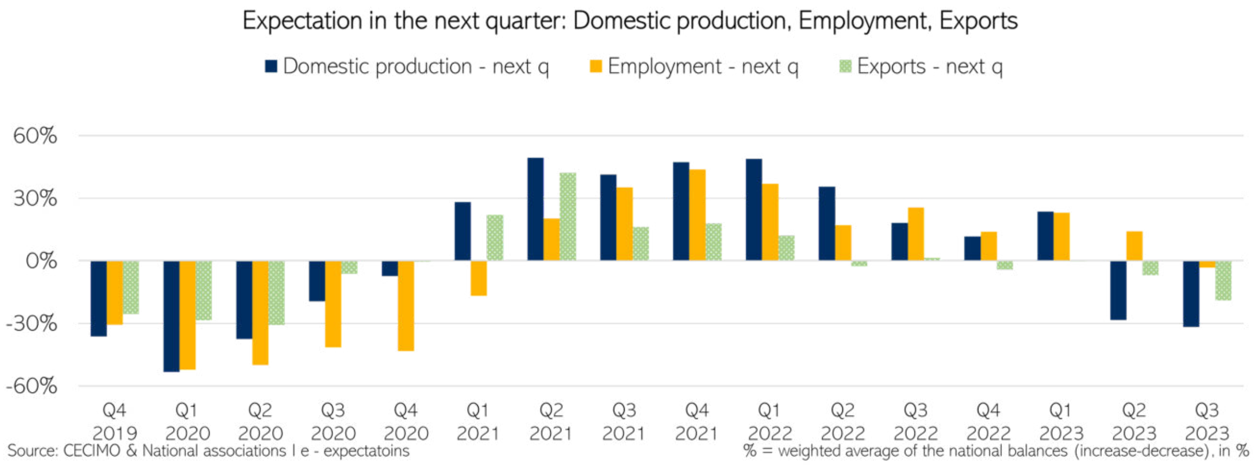
In line with the deterioration in the general business climate and the lower order intake in previous quarters, it is important to note that the average capacity utilisation rate of CECIMO's MT builders deteriorated slightly to 88% in Q3 2023.



Source: CECIMO & National associations

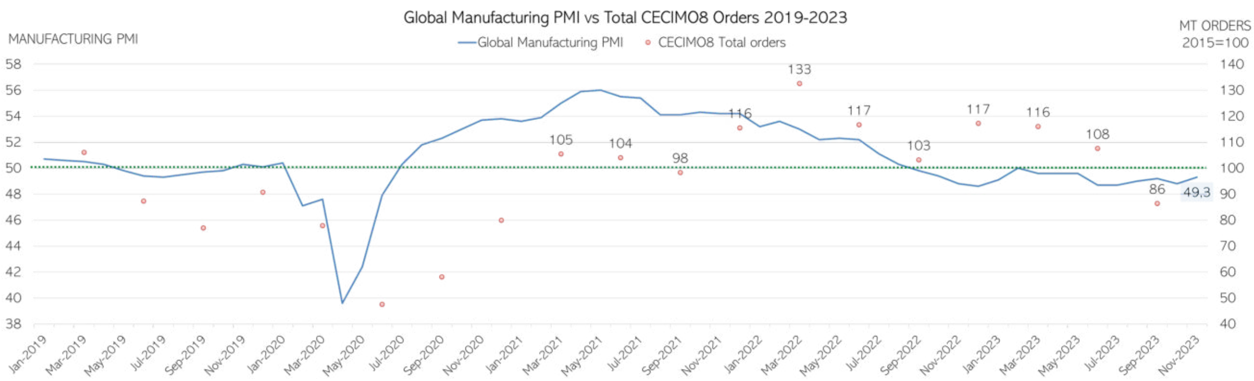
With the deterioration of the general business situation, our managers' expectations for domestic production in the next three quarters decreased further to -32% in Q3 2023. As shown in the chart below, expectations for exports reached -19%, the lowest level since Q2 2020, and at the same time expectations for new hiring turned negative, with a balance of -3%.

The main factors limiting their production in this round of the survey were, among others, insufficient or irregular orders and the general economic situation.



4.2 PURCHASING MANAGERS INDEX (M)

The IHS Markit PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 300 manufacturers Global Manufacturing PMI. The most recent data (November) were collected in mid-November 2023.

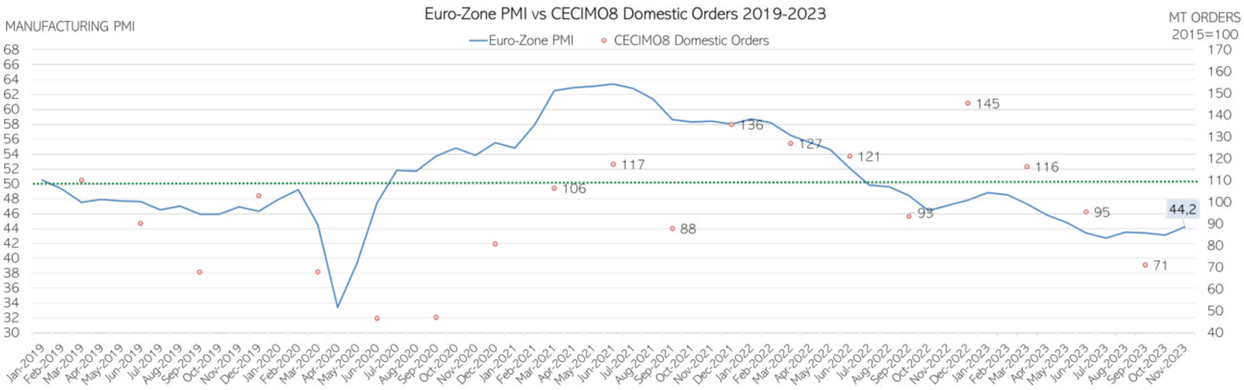


As shown in the chart above, the Global PMI rose to a six-month high of 49.3 in November, up from 48.8 in October, but remained below the neutral level of 50.0 for the fifteenth consecutive month.

However, it is important to stress that the latest survey results show that the global manufacturing sector is moving closer to stabilisation. Although the decline in production extended to six consecutive months, the rate of contraction was the weakest in this sequence. Business optimism also picked up as firms' outlook brightened despite continued market uncertainty and cost-consciousness.

Looking at individual country data, IHS Markit reports that ten of the 31 countries for which PMI data was available in November saw output expand, including the US, mainland China and India. However, the November data also showed that output contracted in the euro area (on average) and in the UK. Production also contracted in Japan.

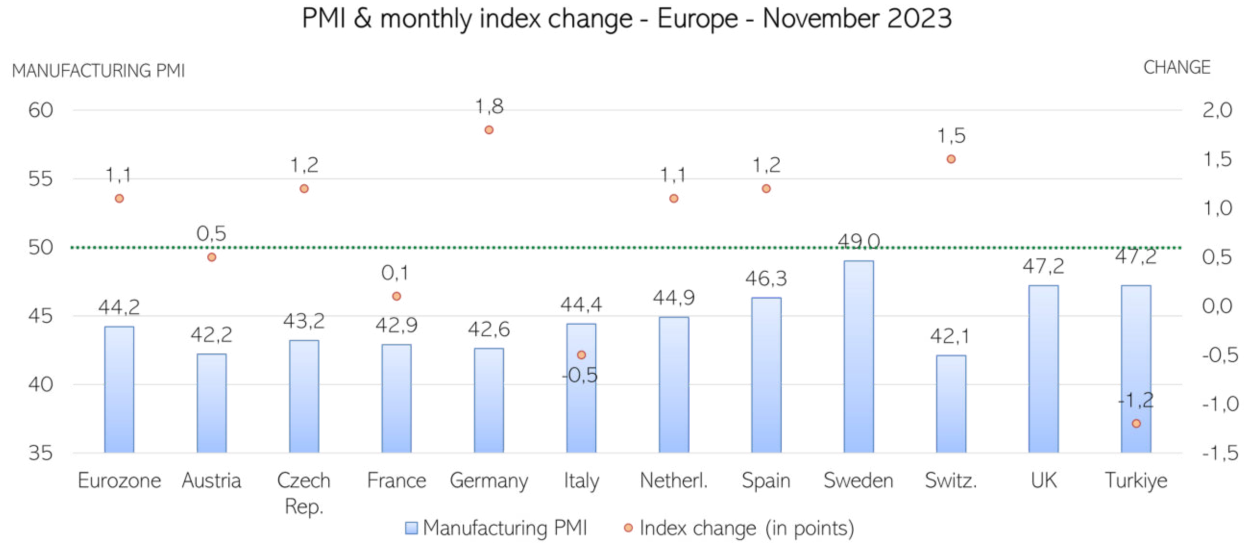
Eurozone Manufacturing PMI



The euro area manufacturing PMI remained below the level of 50.0 for the seventeenth consecutive month, indicating a continued deterioration in operating conditions. However, during November, contractions in output, new orders, purchasing activity and inventories slowed.

While the latest reading of 44.2 points to another sharp deterioration, it is up from 43.1 in October and the highest since May. Of the eight countries included in the HCOB eurozone manufacturing PMI, six were in contraction territory. Austria was the worst performer in November, closely followed by Germany and France.

On positive developments it is important to highlight significant reduction in costs faced by eurozone factories, shortened delivery times and business confidence edging up to a three-month high in November.



Austria

The Austrian manufacturing PMI remained at a very low level in November, although it has improved slightly in recent months after bottoming out in July. Although still below 50.0, the index improved slightly from 41.7 in October to 42.2 index points in November. According to the latest survey results, the increase in the headline index was largely driven by a slower decline in new orders. It is important to note that business expectations rose sharply to their highest level since June, after hitting a 12-month low in October.

Czech Republic

The Czech manufacturing sector has also remained in the unfavourable zone since the last reporting period. As shown in the previous chart, the Czech manufacturing PMI rose from 42.0 in October to 43.2 in November. However, it is important to note that output, new orders and employment all declined at a softer pace in November. In addition, business confidence rose to a three-month high.

Germany

At 42.6 in November, the German PMI index remained well below the 50.0 no-change mark, although it was up from 40.8 in October and marked the fourth consecutive monthly increase. Although still unfavourable zone, the PMI index has improved slightly over the last three months, boosting optimism for the period ahead. Among other factors, managers reported the weakest declines in output and new orders for the past six months. Although still not as optimistic, German manufacturers' expectations regarding the outlook for output in the next 12 months reached the highest level since May 2023.

Spain

The Spanish manufacturing sector continued to contract in November, with output, new orders and purchasing activity all falling compared with October. In a context of political and economic uncertainty, optimism about the future was limited. The Spanish manufacturing PMI improved slightly compared with October but remained below 50.0. This is the eighth consecutive month that operating conditions have deteriorated. The adjusted PMI for November was 46.3, compared with 45.1 in the previous month.

France

France's manufacturing sector faced increasing challenges in November, with a sharp decline in new orders leading to the fastest fall in production volumes since May 2020. Pessimistic expectations for the next 12 months led to significant job cuts, and firms adjusted their inventories downwards, with the fastest fall in purchase stocks in three and a half years. As a result, the French manufacturing PMI remained close to October's 41-month low, rising only slightly to 42.9 in November. Production volumes continued to contract at a rapid pace, particularly for intermediate goods and capital goods. Weak demand was cited as a key factor behind the production cutbacks.

Italy

In November, the Italian manufacturing PMI stood at 44.4, indicating a further deterioration in the health of the Italian manufacturing sector, slightly lower than in October. The significant fall in new orders, both domestic and foreign, reflects the ongoing weakness in demand. There is a lack of optimism among Italian manufacturers, with future expectations showing some improvement but remaining below the long-term average. The pessimism of the companies surveyed is attributed to geopolitical tensions and concerns about a sustained decline in future demand.

Netherlands

In November, the Dutch manufacturing sector continued to face challenges, with subdued customer demand leading to a sustained decline in both output and new orders. As result, the Netherlands Manufacturing PMI of 44.9 in November (up from 43.8 in October) indicated a further deterioration in the health of the sector, marking the 15th consecutive month of contraction. Confidence in future production continued to deteriorate and firms reduced their inventories.

Sweden

Sweden's manufacturing sector showed improvement in November, as reflected in the Swedbank Manufacturing PMI, which rose to 49 from a revised 46.2 in October. This was the highest reading since September 20-22, driven by positive changes in new orders, production and employment.

Switzerland

The Swiss PMI registered 42.1 in November, up slightly from 40.6 in October. Despite this increase, the index remained below the critical no change threshold of 50.0, indicating a further month-on-month deterioration in operating conditions in the manufacturing sector. The headline figure showed improved readings for both production and order books. In addition, delivery times continued to shorten, mainly reflecting developments in weaker demand.

Türkiye

In November, Turkey's manufacturing sector experienced a deepening slowdown, with significant declines in output, new orders, purchasing, and employment compared to October. Currency weakness continued to drive up input costs and output prices. The headline PMI dropped to 47.2, below the 50.0 level for the fifth consecutive month, indicating a solid moderation in business conditions and marking the sharpest decline in a year. Subdued market conditions domestically and internationally led to a slowdown in new orders in the final quarter of the year, reaching the lowest point since November 2022.

United Kingdom

The UK Manufacturing Purchasing Managers' Index rose to 47.2 in November from 44.8 in October, the third consecutive monthly increase and the highest since April. Although the trend is improving, the PMI has remained below the neutral 50.0 level in each of the past 16 months. The main contributors to the improvement in November were slower declines in output and new orders. Input costs continued to fall in November, while optimism for the next 12 months also rose slightly as firms hoped that a new year would bring greater stability and growth.

China

Although still very close to no change, China's manufacturing sector showed a positive trend in November, with PMI data pointing to an improvement in the health of the sector. The seasonally adjusted PMI rose from 49.5 in October to 50.7 in November, marking the third recent period of marginal improvement in the health of the manufacturing sector. While the rise in new orders contributed to a marginal increase in factory output for the third time in the last four months, manufacturers reported only a marginal fall in staffing levels and a slight increase in purchasing activity, accompanied by growing confidence about the year ahead.

India

India continues to maintain the highest level of the PMI among the countries being monitored. Manufacturing sector continued to perform strongly in November, with output growth accelerating on the back of stronger customer demand and improved input supply conditions. The seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index (PMI) rose to 56.0 from an eight-month low of 55.5 in October, indicating a robust improvement in operating conditions. It is also important to note that the outlook for India's manufacturing sector remained favourable in November.

Japan

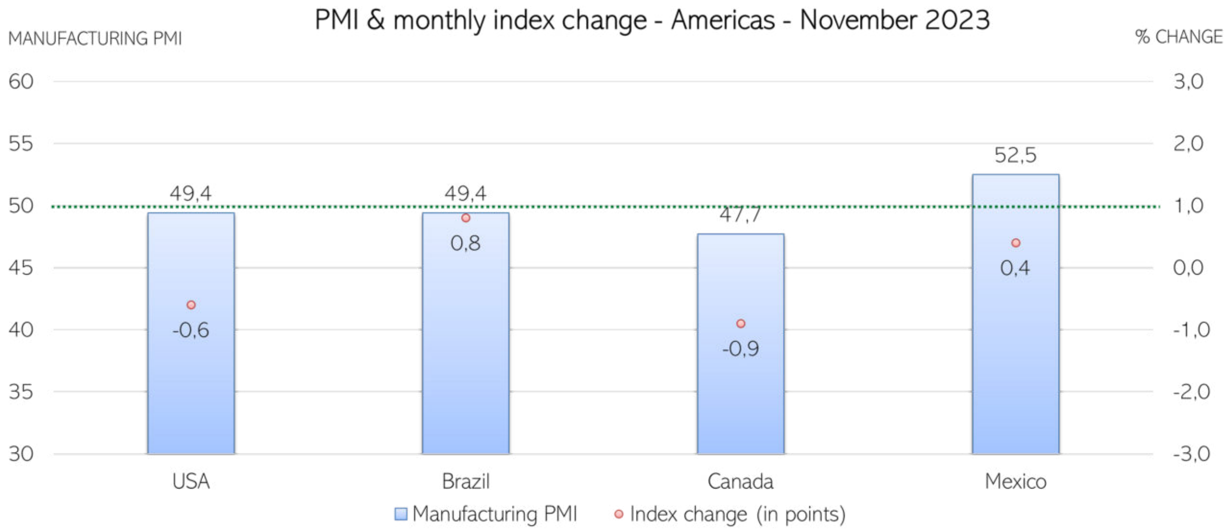
Japan's manufacturing PMI fell from 48.7 in October to 48.3 in November, indicating a deterioration in the health of the sector. Japanese manufacturers recorded a further decline in overall business conditions for the sixth consecutive month, marked by significant falls in both output and new orders (both domestic and export). Despite the continued weakness, manufacturers reported an increase in optimism about production levels over the next 12 months, driven by new product launches and a broader economic recovery.

South Korea

In November, the South Korean PMI improved to 50.0 from 49.8 in October, the best reading since June 2022 and the first time in 17 months that the index has exceeded the 50.0 no-change mark. Output was broadly stable and the decline in new orders slowed, while employment continued to rise. Both input and output grew at a marked pace. However, business sentiment reached its lowest level since June, suggesting some caution despite the overall improvement in the PMI.

Taiwan

The downturn in Taiwan's manufacturing sector has shown signs of easing in recent months. The PMI rose from 47.6 at the start of the fourth quarter to 48.3 in November, indicating a deterioration in overall business conditions for the eighteenth consecutive month, but at a modest pace and the slowest since March. New orders fell at a modest pace, and the decline in inventories and employment slowed, with employment falling at the slowest pace in eight months. In addition, firms were again more optimistic about the 12-month outlook for production.



United States

The operating conditions of US manufacturers deteriorated again in November, as lower new orders weighed on the sector's overall performance. As a result, the seasonally adjusted US manufacturing PMI remained unchanged from the flash estimate at 49.4 in November, down from 50.0 in October. However, it is important to note that new export sales returned to growth for the first time since May 2022. Looking ahead, business expectations rose from October's recent lows, but remained below the survey's long-term average.

Canada

The Canadian PMI stood at 47.7 in November, down from 48.6 in October. This reflects the continued contraction of the Canadian manufacturing sector, with output, new orders and purchasing activity all falling. Faced with faster input price inflation, firms opted to use existing inventories of inputs where possible. Despite the difficult conditions, growth expectations were positive, leading manufacturers to increase staffing levels for the first time in seven months.

Mexico

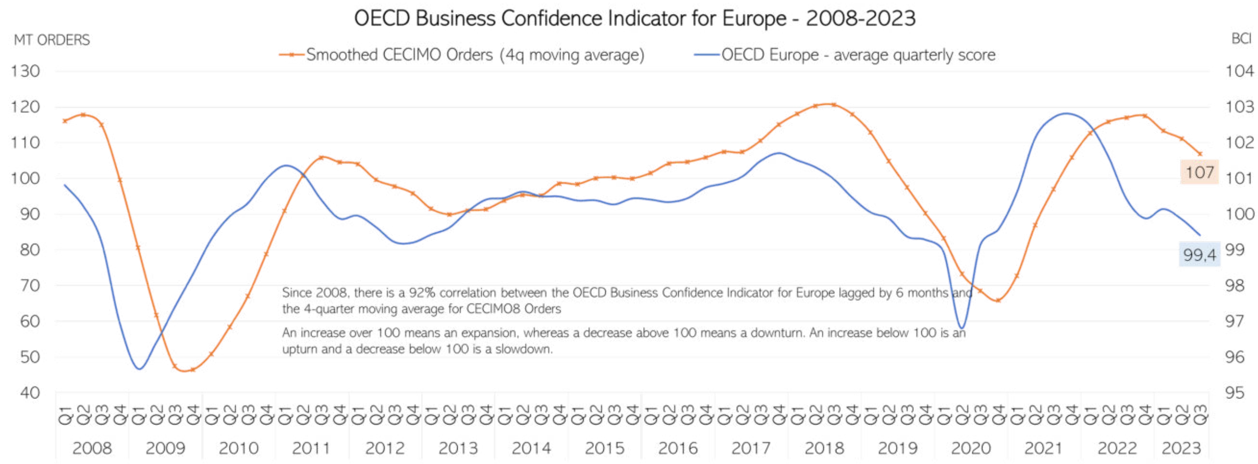
In November, the Mexico manufacturing PMI rose to 52.5, its highest level since July and above its long-term average. The Mexican manufacturing sector saw a marked improvement in demand, leading to job creation, increased input purchases and higher production volumes. A notable contributor was the new orders sub-component, which together marked the strongest rebound in sales in almost five years. However, international sales continued to decline due to economic uncertainty in the US and global investment challenges. Overall business confidence reached a 19-month high in November.

Brazil

The Brazilian manufacturing PMI rose to 49.4 in November 2023 from 48.6 in October, signalling a more moderate contraction in Brazilian factory activity, with slower declines in both output and new orders. Business sentiment, driven by expectations of a pick-up in demand and anticipation of future interest rate cuts, reached a four-month high.

4.3 OECD BUSINESS CLIMATE INDICATOR (M)

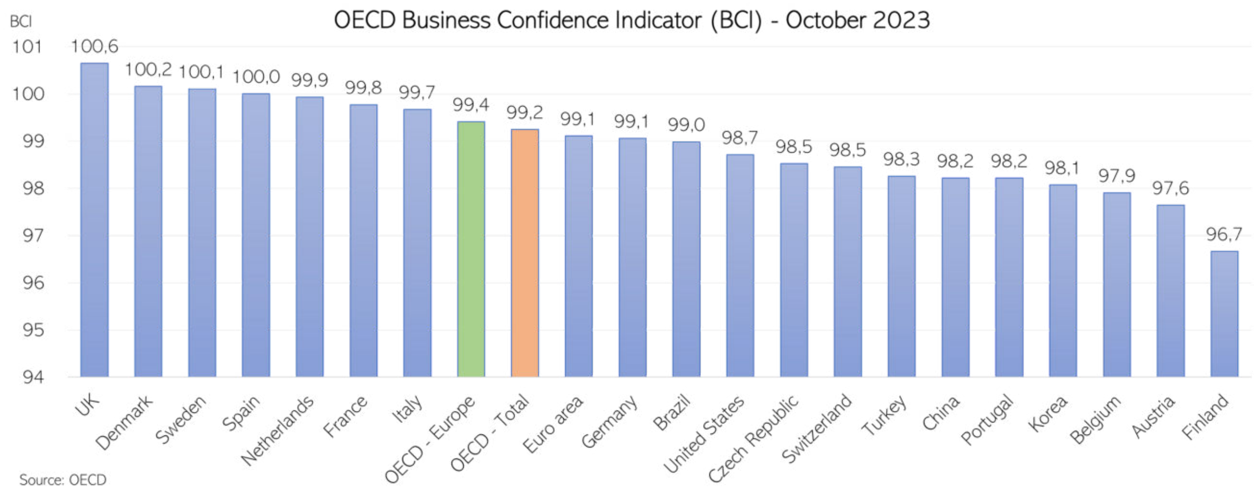
The Business Confidence Indicator (BCI) can be used to monitor output growth and predict turning points for economic activity. Numbers above 100 suggest an increased confidence in near future business performance, and numbers below 100 indicate pessimism towards future performance.



The European BCI continued its decline from 99.9 points in the second quarter to 99.4 points in the third quarter, and a similar trend can be observed in the euro area (19 countries). In particular, the latest data for October suggests a stabilisation and slight improvement, with the European BCI rising to 99.4 from 99.3 in September. Meanwhile, within the euro area, the index has remained stable at 99.1 since August.

As a reminder, the European BCI and CECIMO8 total new orders remain closely correlated, with shifts in orders typically lagging a few quarters. Please note that the European BCI indicator is included in the CECIMO8 Total Orders trend indication models as a predictor for developments in the next two quarters.

The OECD total BCI has remained below 100 points, registering 99.2 points in the third quarter of 2023. The most recent data for October 2023 (bearing in mind that the previous chart reflects quarterly averages) show a stable index level, remaining at 99.2 points.



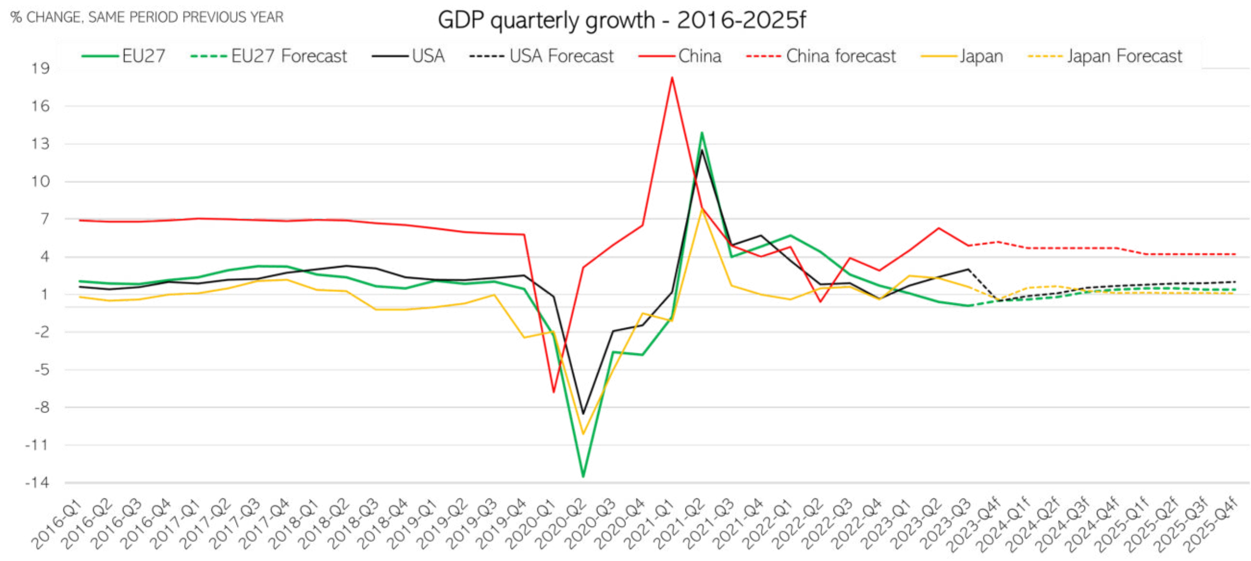
Source: OECD

Country-specific BCI readings for October 2023 (latest available data) show:

- Among the European markets, the UK (100.6), Denmark (100.2) and Sweden (100.1) recorded levels in favourable territory, with BCI values above the Eurozone and European averages.
- While Spain and Greece remained at the no-change mark (100.0), other European countries remained in the unfavourable zone.
- The Netherlands, France, and Italy recorded BCI values above the European and total average.
- Among the Asian markets (based on available data), the latest data show that South Korea and China remain in the unfavourable zone.
- The BCI for the United States also remained below 100.0 points.

5. GENERAL INDICATORS

5.1 GDP (M)



Source: CECIMO, European Commission Forecast (EU), OECD (US, China, Japan)

The most recent quarterly developments in terms of the quarterly evolution of GDP and the forecasts for the years 2023, 2024 and 2025:

- In the third quarter of 2023, GDP fell by 0.1% in the euro area and improved slightly (+0.1%) in the EU compared with the previous quarter. According to the European Commission's latest forecast (November), EU economic growth has been revised slightly downwards to 0.6% in 2023 and 1.3% in 2024. It is expected to pick up further to 1.7 % in 2025.

- China's economy continues to grow in the third quarter of 2023. GDP in the third quarter of 2023 was about 4.9% higher than in the same quarter of the previous year. According to the latest OECD forecasts, China's growth will be around 5.2% in 2023, 4.7% in 2024 and 4.2% in 2025.

- According to the OECD's latest projections, annual GDP growth in the United States is expected to slow from 1.7% this year to 1.3% in 2024, before picking up slightly in 2025 (1.7%).

- In the third quarter of 2023, the Japanese economy recorded GDP growth of 1.6% on an annual basis, but remained at -0.7% compared to the revised data of the previous quarter. The Japanese economy is expected to grow by 1.6% in 2023, 1.4% in 2024 and 1.3% in 2025.

European Commission's Forecast – Autumn 2023:

According to the European Commission's latest economic forecast (November 2023), growth in the EU is expected to be weak in 2023, followed by a mild recovery. EU real GDP is projected to grow by 0.6% in 2023, 1.3% in 2024 and 1.7% in 2025. In the euro area, GDP growth is forecast to be slightly lower, at 1.2% in 2024 and 1.6% in 2025.

In the EU, headline inflation is forecast to fall from 6.5% in 2023 to 3.5% in 2024 and 2.4% in 2025. In the euro area, it is forecast to fall from 5.6% in 2023 to 3.2% in 2024 and 2.2% in 2025.

Risks to the outlook:

- On the risk side, the forecast notes that uncertainty and downside risks to the economic outlook have increased in recent months, mainly due to the protracted conflict between Russia and Ukraine and tensions in the Middle East. Energy markets are particularly vulnerable, with potential disruptions threatening global production and energy prices.

- Risks are also compounded by economic developments in major trading partners, particularly China.

- On the domestic front, the transmission of monetary policy tightening could have a larger impact on economic activity than initially anticipated.

- Apart from energy price risks, the risks to the inflation outlook are broadly balanced.

- In addition, growing concerns about climate change, as evidenced by frequent and widespread natural disasters, pose additional challenges to the economy.

5.2 INFLATION (M)

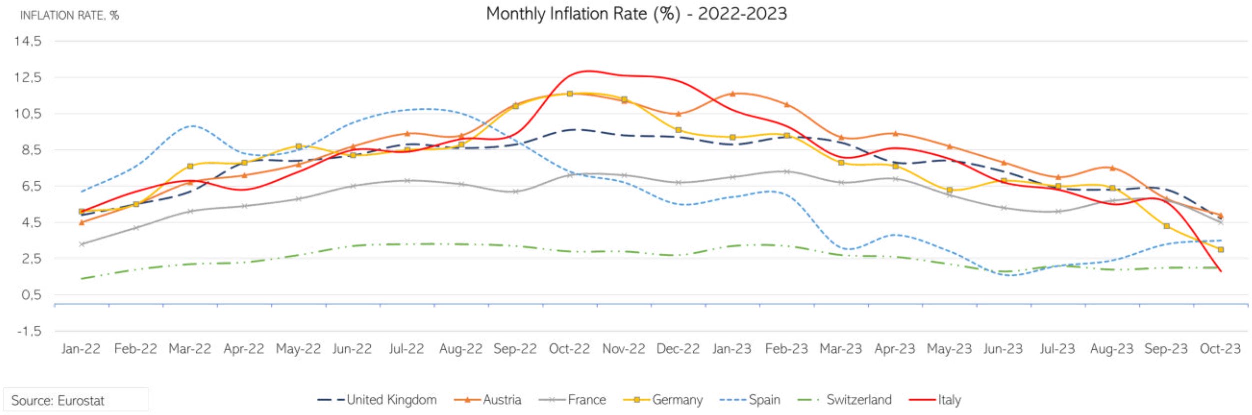
Q3-2023 average inflation data:
- EU27: 5.6%
- Eurozone: 4.9%
- United States: 3.5%
- United Kingdom: 6.3%
- Turkiye: 56.3%
- Switzerland: 2.0%
- China: -0.1%

In the third quarter of 2023, euro area inflation continues to ease, averaging 4.9% y/y, down from 6.2% y/y in the previous quarter. Inflation in the EU27 follows a similar trend, averaging 5.6% yoy in the third quarter of 2023.

The European Central Bank's latest projections (December 2023) for the euro area: Inflation is expected to decline over the next few years, but at a slower pace than recently. Easing cost pressures and the impact of ECB monetary policy are expected to reduce overall inflation from 5.4% in 2023 to 2.7% in 2024, 2.1% in 2025 and 1.9% in 2026.
- Energy inflation is projected to rise sharply temporarily, before declining again in the second half of 2024 and falling to around zero in 2025 and 2026.
- Food inflation is projected to fall sharply in the course of 2024 and to decline more gradually thereafter.

Inflation in the United States continued to fall, averaging 3.5% (y/y) in Q3 2023, down from 4.0% (y/y) in Q2 2023. Regarding China, China's inflation rate also continued to fall, averaging -0.1% in Q3 2023, down from 0.1% (y/y) in Q2 2023.

According to the latest OECD forecasts (November 2023), in the absence of further large shocks to food and energy prices, projected headline inflation is expected to return to levels consistent with central bank targets in most major economies by the end of 2025. Annual headline inflation in the OECD is expected to decline gradually from 7.0% in 2023 to 5.2% and 3.8% in 2024 and 2025 respectively.



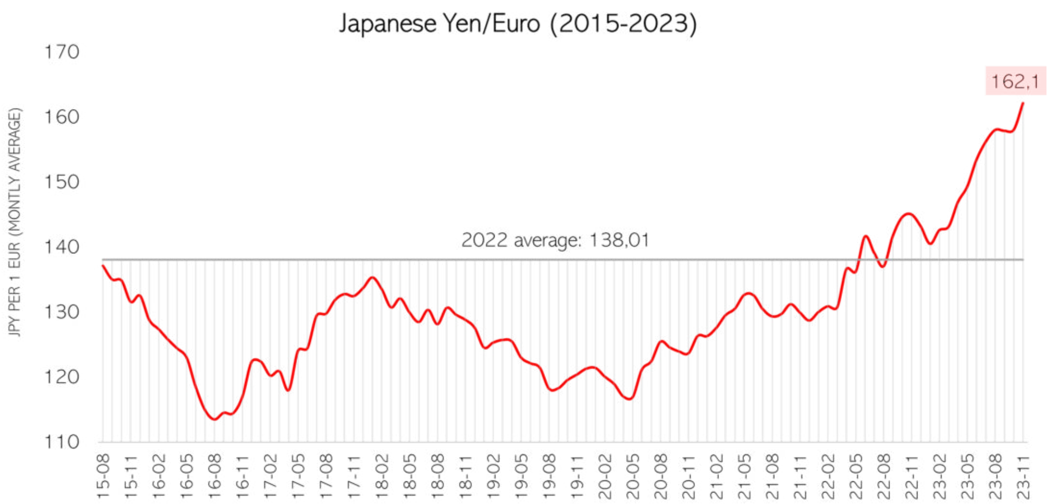
Looking at the main CECIMO MT-producing countries (table below), average inflation fell in all countries in the third quarter of 2023. The latest data (October 2023) show the following inflation rates: Germany 3.0%, Switzerland 2.0%, UK 4.7%, France 4.5%, Spain 3.5% and Italy 1.8% (year on year). It is important to note that Spain has recorded a slight increase in inflation since June 2023.

Inflation rates by Country (October 2022 - October 2023)

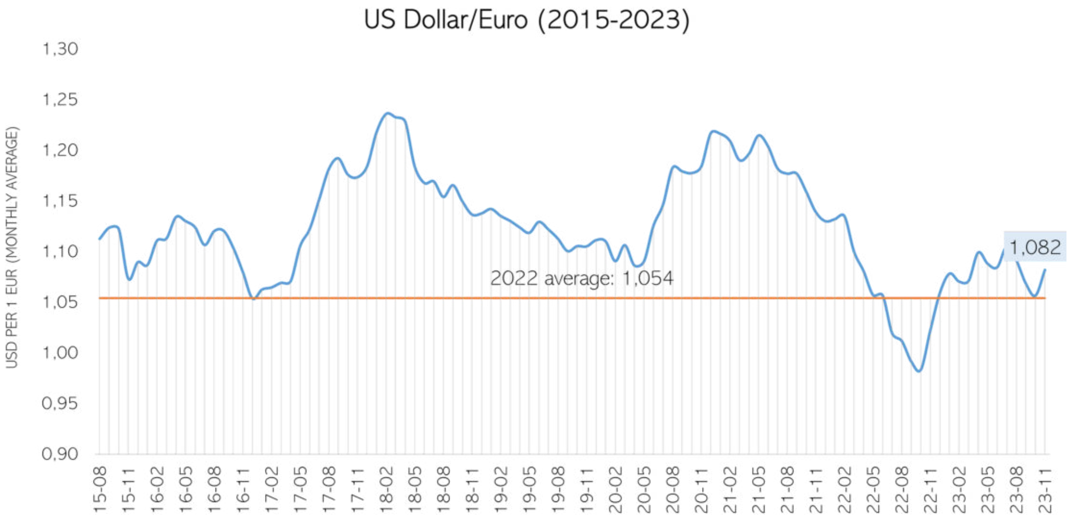
% change on a year earlier	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
Austria	11,6	11,2	10,5	11,6	11,0	9,2	9,4	8,7	7,8	7,0	7,5	5,8	4,9
France	7,1	7,1	6,7	7,0	7,3	6,7	6,9	6,0	5,3	5,1	5,7	5,7	4,5
Germany	11,6	11,3	9,6	9,2	9,3	7,8	7,6	6,3	6,8	6,5	6,4	4,3	3,0
Italy	12,6	12,6	12,3	10,7	9,8	8,1	8,6	8,0	6,7	6,3	5,5	5,6	1,8
Spain	7,3	6,7	5,5	5,9	6,0	3,1	3,8	2,9	1,6	2,1	2,4	3,3	3,5
Switzerland	2,9	2,9	2,7	3,2	3,2	2,7	2,6	2,2	1,8	2,1	1,9	2,0	2,0
United Kingdom	9,6	9,3	9,2	8,8	9,2	8,9	7,8	7,9	7,3	6,4	6,3	6,3	4,7

Source: Eurostat & OECD

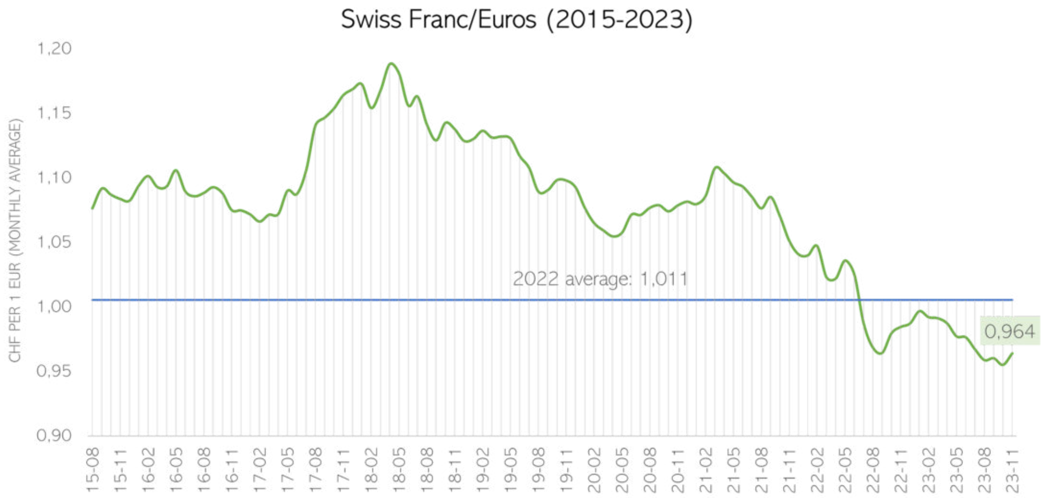
5.3 FOREIGN EXCHANGE RATES (M)



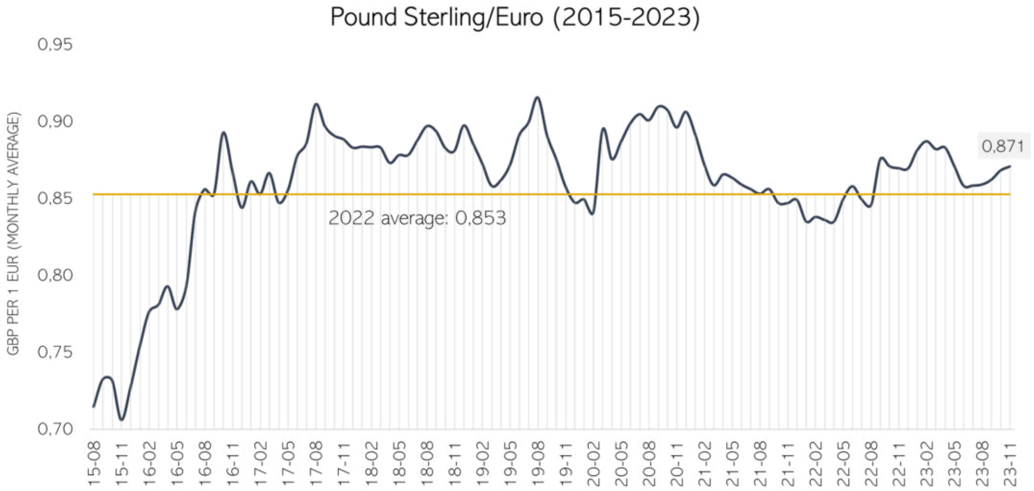
In the third quarter of 2023, the exchange rate between the Japanese yen (JPY) and the euro (EUR) averaged 157.3, much higher than in the previous quarter (149.8), suggesting a significant weakening of the JPY against the EUR for the second consecutive quarter. Moreover, the latest data show that the JPY has continued to weaken, with the exchange rate reaching 162.1 JPY per EUR in November.



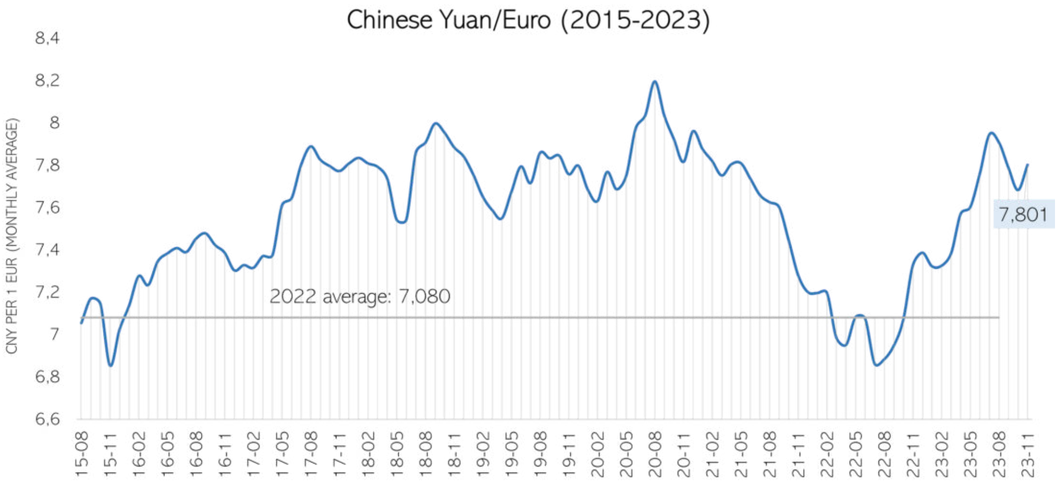
The average exchange rate of the USD against the EUR in the third quarter was 1.088, almost the same as in the previous quarter. Looking at recent months, after three months of USD appreciation against the EUR in August, September and October, the USD weakened markedly in November, stabilising at USD 1.082 per euro.



The average exchange rate of the Swiss franc (CHF) to the euro was 0.962 in the third quarter, slightly lower than in the second quarter. Looking at recent months, the CHF strengthened against the euro in October, but the latest data for November show a slight weakening. As a result, the CHF/EUR exchange rate stood at 0.964 CHF per euro in November.



The average exchange rate of the pound sterling (GBP) in the third quarter of 2023 was 0.860 per euro, indicating a slight strengthening of the GBP against the euro for the second consecutive quarter. However, if we look at the period since July 2023, we see a slight weakening of the GBP against the euro. The latest data show that the exchange rate stood at GBP 0.871 per euro in November.



During the third quarter, the average exchange rate of the Chinese yuan (CNY) per euro was 7.880, indicating a further weakening of the CNY compared to the average of the previous quarter (7.643). Although the euro weakened against the CNY in August, September and October, the latest data for November show the opposite trend. As shown in the graph, the exchange rate in November was 7.801, significantly higher than the average in 2022.

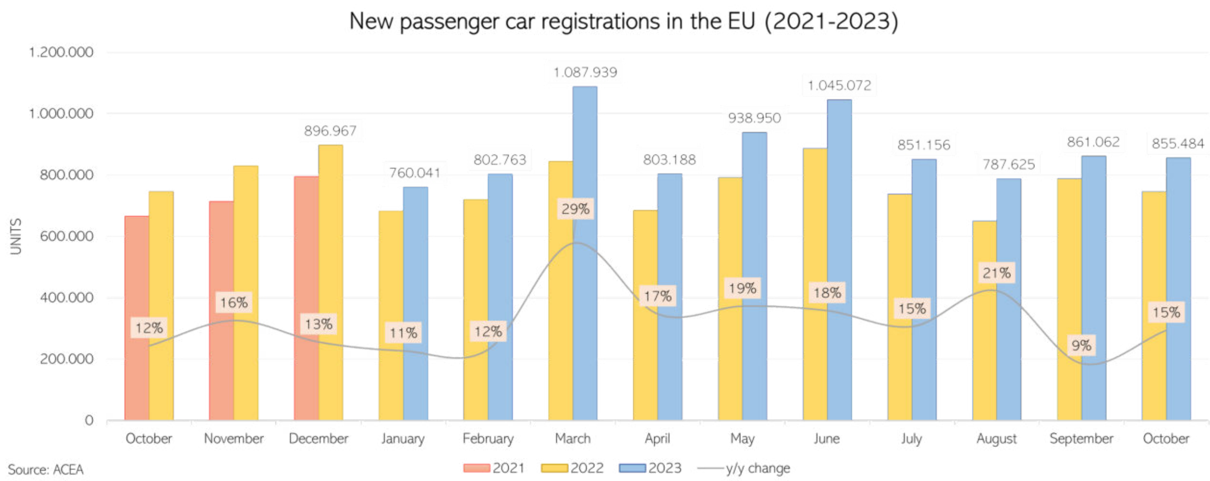
6. RELATED SECTORS

The Related Sectors section provides a brief overview of the automotive and aerospace sectors, major MT buying sectors. Moreover, the last section presents recent trends in commodity prices.

6.1 AUTOMOTIVE

According to the latest S&P Global Mobility Forecast (October 2023), Light vehicle production is showing short-term resilience, with growth in several regions. However, persistently high vehicle prices and tight credit conditions continue to challenge consumer demand.

- In Europe, the production forecast for the last quarter of 2023 has been revised slightly downwards due to a lack of orders. While destocking is expected to accelerate in the coming months, S&P's latest projections indicate a potential 2% decline in volumes in 2024 compared to 2023.
- Conversely, Greater China's light vehicle production forecasts have been revised upwards for both 2023 and 2024. The robust performance is being attributed to a strong export market and a resilient domestic demand that is being fuelled by price cuts and other promotional initiatives.
- In the North American context, it's important to recognise the short-term production challenges posed by the ongoing UAW strike. This situation is affecting production dynamics in the region.



According to ACEA (the European Automobile Manufacturers' Association), in October 2023, the EU passenger car market expanded significantly, with new registrations rising by 14.6% to 855,484 units. This was the fifteenth consecutive month of growth, with notable double-digit percentage increases in three of the largest markets: France (+21.9%), Italy (+20%) and Spain (+18.1%). However, the German market recorded a more modest increase of 4.9% year on year.

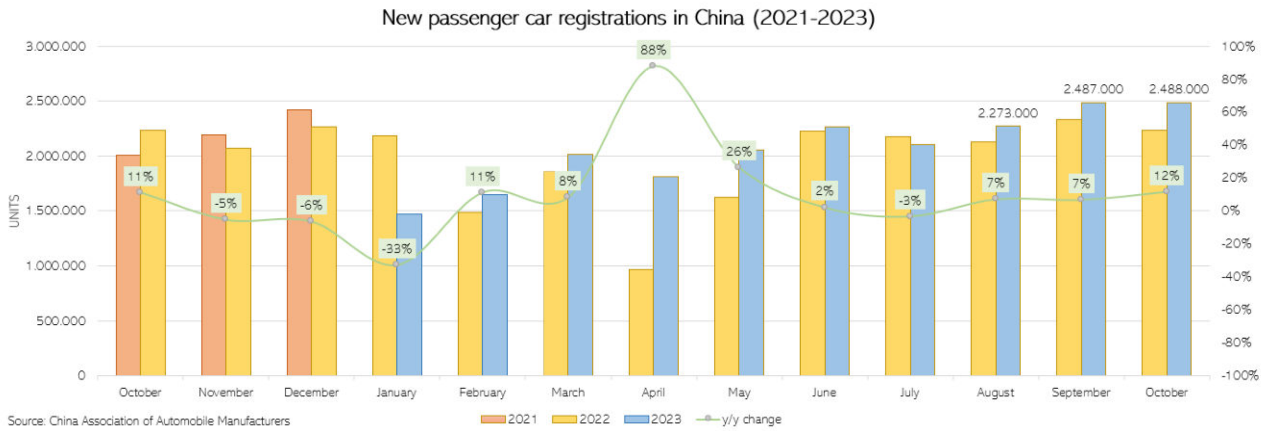
In October, the market share of battery electric cars rose to 14.2%, compared to 12% in the same month last year. The year-to-date share is now 14%, surpassing diesel for the first time. Hybrid electric cars secured second place with a market share of nearly 29%, while petrol cars maintained their lead, albeit down to 33.4% in October.

Total and EV new Passenger Car registrations in the EU

	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Total new PC registrations	2.165.540	2.173.642	2.246.248	2.362.562	2.176.387	2.363.252	2.650.743	2.787.210	2.499.843
Total (Q/Q-4)	-22%	-25%	-12%	-16%	1%	9%	18%	18%	15%
EV new PC registrations	409.882	532.721	423.252	439.914	443.899	694.254	510.337	594.953	604.278
EV % of Total	19%	25%	19%	19%	20%	29%	19%	21%	24%
EV (Q/Q-4)	50%	12%	19%	-1%	8%	30%	21%	35%	36%

EV = Electric Vehicles including BEV and PHEVs *Source: ACEA*

As shown in the table above, the total number of new passenger car registrations in the EU in the third quarter of 2023 increased by 15% compared to the same period of the previous year (2022). The share of new electric passenger cars reached 24% of total registrations. Importantly, the electric car segment continued to show significant growth with +36% in Q3 compared to the same period last year.



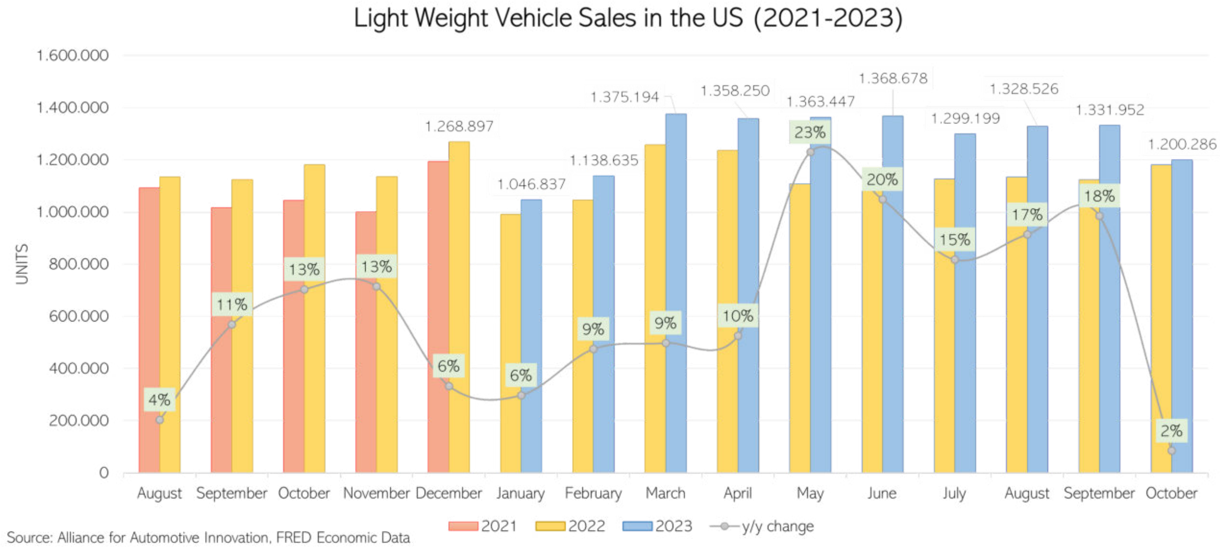
After the slight decline in new car sales in China in July (-3%), following three months were marked with a significant increase in new car sales in China, reaching almost 2.5 million units in October. In this month new car sales were about 12% up on the same month last year. According to CAAM, as national policies to stabilise economic growth have started to take effect and measures such as regional subsidies and incentives to purchase vehicles have been continued, demand will continue to grow in Q4.

Total and EV new Passenger Car registrations in China

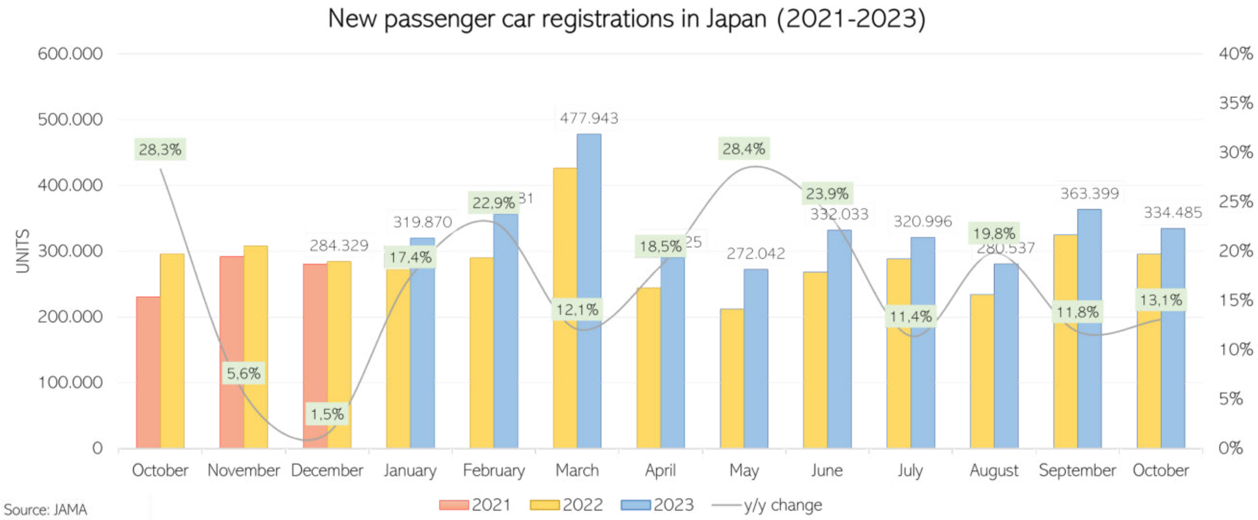
	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Total new PC registrations	4.854.000	6.621.000	5.537.000	4.810.000	6.631.000	6.571.000	5.139.000	5.481.000	6.860.000
Total (Q/Q-4)	-12%	-2%	9%	-2%	37%	-1%	-7%	14%	3%
EV new PC registrations	904.000	1.291.000	1.224.000	1.342.000	1.967.000	2.314.000	1.586.000	1.814.000	2.530.000
EV % of Total	19%	19%	22%	28%	30%	35%	31%	33%	37%
EV (Q/Q-4)	198%	131%	150%	110%	118%	79%	30%	35%	29%

EV = Electric Vehicles including BEV and PHEVs *Source: China Association of Automobile Manufacturers*

In the third quarter of 2023, the total number of new passenger car registrations in China increased by 3% compared to the same period last year (2022), as shown in the table above. The share of new electric passenger cars reached 37% of total registrations. The growth of the electric car segment compared to the same period last year was around 29%.



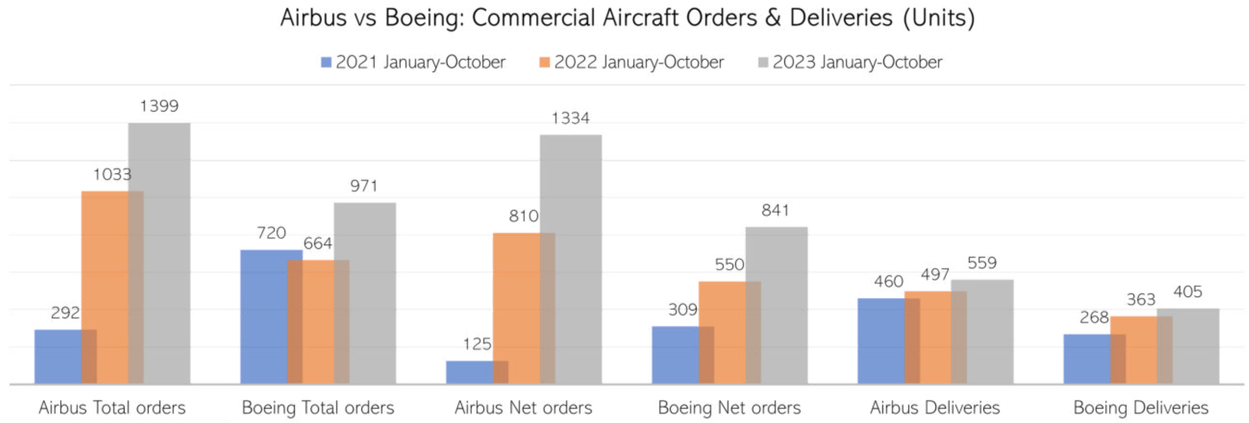
The latest data for the US automotive sector shows that the level of light vehicle sales in the US continues to be higher than in 2022. As shown in the graph above, the level of light vehicle sales in October 2023 was about 2% higher than the level of light vehicle sales in October 2022. The latest expectations from the Alliance for Automotive Innovation for November and December are for an increase in sales. Sales of electric vehicles (BEV, PHEV & fuel cell) accounted for 9.4% of total vehicle sales in October.



According to the Japan Automobile Manufacturers Association (JAMA), new car registrations/sales in Japan continued the trend of reaching higher levels than in the same period last year. The latest available data, for October 2023, shows that the level of new passenger car registrations in Japan was up by around 13.1% compared with the same month last year.

6.2 AEROSPACE

Eurocontrol's latest forecast for 2023-2029, last updated in October 2023, predicts 10.9 million flights in 2024, a full-year recovery to 98% of 2019 pre-pandemic traffic levels, despite the impact of the invasion of Ukraine and global economic challenges.



Source: Airbus & Boeing

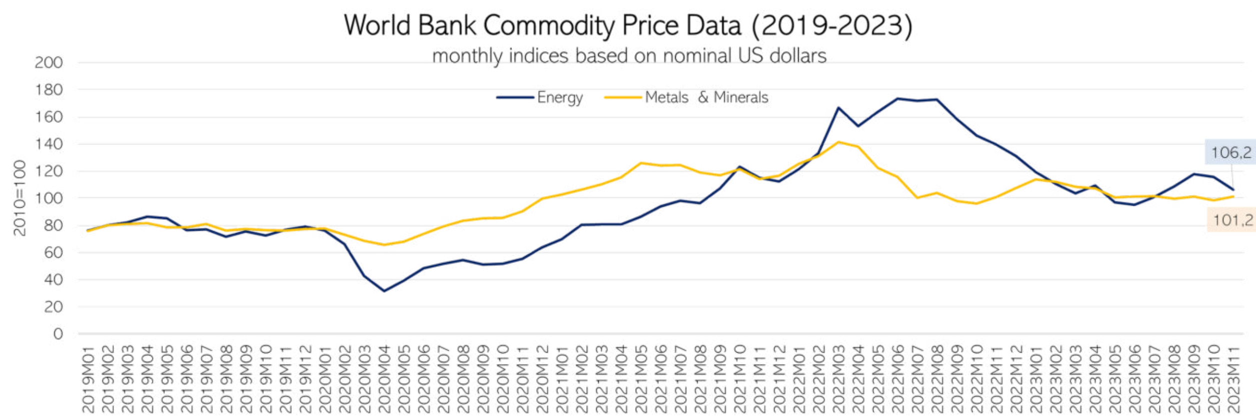
After the challenges posed by the COVID-19 pandemic in 2020, the following three years mark a period of recovery for the two leading commercial aircraft manufacturers. Encouragingly, the aerospace sector is poised for a period of stability in production, driven by a significant increase in new orders throughout the year 2023.

Boeing received a total of 971 orders, offset by 130 cancellations, resulting in a net order intake of 841, according to a detailed analysis of data for the first ten months of 2023. This represents a significant rebound from the net order levels observed in the corresponding period of 2022. Airbus also recorded a robust 1334 net orders over the same period, underlining its strong performance.

In addition, both Airbus and Boeing recorded a significant 12% increase in deliveries in the first ten months of this year compared to the same period last year.

6.3 ENERGY & METALS

This chapter gives a brief overview of energy and metal prices from the World Bank and London Metal Exchange sources. While the World Bank's commodity price data presents monthly indices based on the nominal US dollars, the prices for certain metals are based on information available on the London Metal Exchange (LME) website at the time of writing this report.



Energy Index Weights: Coal (4.7%), Crude Oil (84.6%), Natural gas (10.8%)
Metals & Minerals Index Weights: Aluminium (26.67%), Copper (38.43%), Iron Ore (18.86%), Lead (1.79%), Nickel (8.06%), Tin (2.09%), Zinc (4.07%).

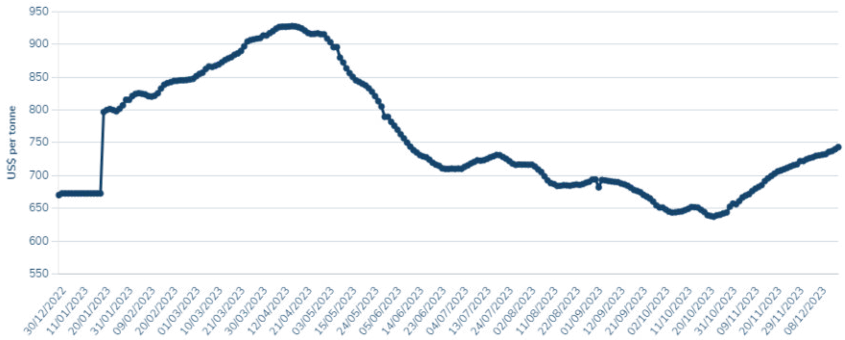
As can be seen from the graph above, energy prices fell by 8.2% in November, after having risen slightly in previous months. The fall in November was led by coal (-12.9%) and oil (-8.7%). Metal prices rose by 2.7% in November, led by iron ore (+10.4%) and zinc (+5.3%).

The World Bank's Commodity Markets Outlook (October 2023) projects a 4% decline in the World Bank Commodity Price Index in 2024, following a steep 24% decline in 2023 - the largest decline since the start of the pandemic. Energy prices are expected to fall by almost 5% in 2024, but stabilise in 2025. Meanwhile, persistently high natural gas prices in Europe remain vulnerable to disruptions at LNG terminals.

Metal prices have weakened on concerns about demand. Weakness in China's heavy industry and residential construction has been offset by resilient demand in the production of metal-intensive renewable energy products. After an expected 12% decline in 2023, base metal prices are forecast to fall by 5% in 2024 due to slowing demand, with a subsequent recovery in 2025 as global economic activity improves and demand for metals in renewable energy technologies accelerates.

Demand for critical minerals such as cobalt, lithium and molybdenum is increasing, driven by the growing popularity of electric vehicles (which account for one in five cars sold globally). Although these mineral prices initially followed the downward trend in base metal prices, they remain volatile due to market dynamics. Forecasts suggest a rebound in metals and minerals prices in 2025, driven by strengthening global growth and policies to support renewable energy infrastructure. As highlighted in the report, global investment in clean energy infrastructure will increase by nearly 28% between 2021 and 2023, driving demand for copper, lithium and nickel. The text below provides an overview of the latest developments in metal prices on the LME.

LME Steel HRC EXW NW Europe (Argus) Closing prices graph (December 18 = 743.1 USD/t)

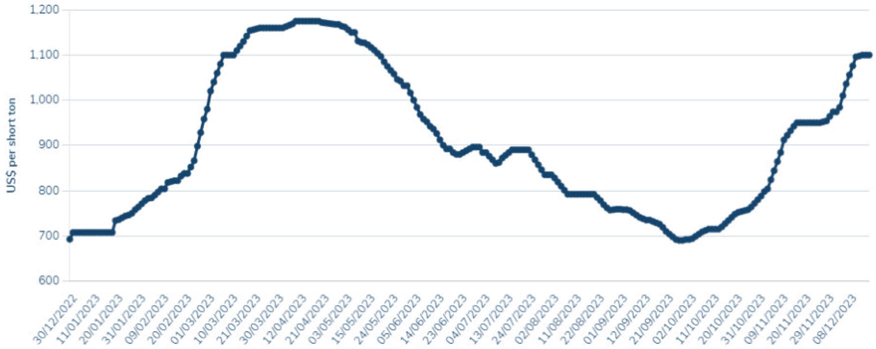


In recent months, as shown in the graph above, Northern European domestic HRC prices have been slightly higher than in the first half of the year. The LME closing price on 18 December was USD 743.1 per tonne, slightly higher than the previous reporting date (20 September - USD 676.26 per tonne). According to S&P Global, HRC prices rebounded from a three-year low in November to ease cost pressures on steel margins, while a stronger euro helped costs, according to an analysis by S&P Global Commodity Insights on 7 December.

LME Steel HRC FOB China (Argus) Closing prices graph (December 18 = 578.0 USD/t)

When looking at the chart, no big fluctuations can be seen on the Chinese HRC market. The price of HRC FOB China closed at USD 578.0/tonne on 18th December, some 3.8% higher than in the previous reporting period when the price closed at USD 557.0/tonne on 20th September. However, it is important to highlight that the level is still below levels seen in the first quarter of 2023.

LME Steel HRC EXW N America (Platts) Closing Prices graph (December 18 = 1100.0 USD/t)



On the US steel market, the closing price on 20 September was USD 719 per tonne, but by 18 December it had significantly increased to USD 1100 per tonne, a sharp increase of around 50% in three months. Despite challenges like the UAW strike and low steel capacity utilisation rates, US steelmakers managed to secure price uptrends, with longer mill lead times and reduced production levels contributing to price increases.

LME Aluminium Closing Prices (December 18 = 2.283 USD/t)

The current aluminium closing price stands at USD 2,283 per tonne, slightly up from the 20th September level of USD 2,256 per tonne. According to Goldman Sachs' forecast, aluminium supply faces pressure due to capacity reaching a cap and production cuts during China's Yunnan winter. Anticipated onshore primary production growth is limited to 2% next year. Additionally, China's recent stimulus policies to support the property sector contribute to rising aluminium prices. In addition, the expected implementation of a looser monetary policy by the Fed and potentially weakening the US dollar could further strengthens aluminium prices.

LME Copper Closing Prices (December 18 = 8.482,5 USD/t)

In November and December, LME copper closing prices witnessed an increase, reaching USD 8,482/t on 18th December, exceeding the previously reported closing price of USD 8,345/t on 20th September. This upward trend is influenced by a weaker dollar, boosting foreign demand for USD-priced base metals. Supply concerns also played a role as Panama's decision to close First Quantum's Cobre mine disrupted a key source of global copper supply. However, it is also important to mention that the upswing is tempered by cautious demand expectations from China, attributed to the absence of stimulus announcements in recent policy meetings, limiting the overall surge in copper prices.

7. GLOSSARY

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.

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 2015 = 100.
Source: Eurostat.

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.

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

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

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 indicators 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.

8. 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, Turkiye and the United Kingdom.

Euro area (EA) / Eurozone (EZ)

The euro area (EA20), 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, Finland and Croatia.

European Union (EU)

The European Union (EU27) includes Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, Sweden.

9. OTHER

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)

HF
Swiss Franc(s)

ECB
European Central Bank

Fed
Federal Reserve (System), the US Central Bank

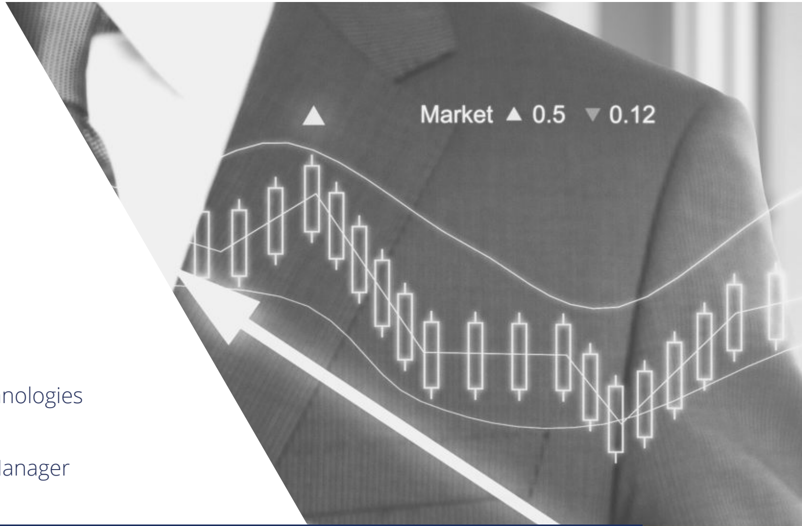
GBP
Great Britain Pound(s), the Pound Sterling

IMF
International Monetary Fund

WB
World Bank

MT
Machine tools

CECIMO countries
Countries whose machine tool sector is represented by CECIMO



cecimo
European Association of Manufacturing Technologies

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MEMBER ASSOCIATIONS

Austria: FMTI, Association of Metaltechnology Industries
www.metalltechnischeindustrie.at

Belgium: AGORIA, the Federation of the Technology Industry
www.agoria.be

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

Denmark: Danish Manufacturing Industry
www.danskindustri.dk

Finland: Technology Industries of Finland
www.teknologiateollisuus.fi

France: Evolis, Organisation professionnelle des biens d'équipement
www.evolis.org

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 - Cluster for Advanced and Digital Manufacturing
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

Turkiye: MIB, Makina Imalatcilari Birligi
www.mib.org.tr

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

CECIMO is the European Association of Manufacturing Technologies. With a primary focus on machine tools and additive manufacturing technologies, we bring together **15 national associations**, which represent approximately **1500** industrial enterprises in Europe (EU + UK+ EFTA + Türkiye), over **80%** of which are SMEs. CECIMO covers **97%** of the total machine tool production in Europe and about **1/3 worldwide**. It accounts for approximately **150,000** employees and a turnover of around **25.3 billion** euros in 2022.