

Economic & Statistical Toolbox

First Quarter 2019

IN THIS ISSUE

Data shows the consequences of **WEAKER TRADE** on businesses and economy.

Machine tool **ORDERS DETERIORATED**, especially due to a falling foreign markets' demand.

Single **CURRENCY** has been **APPRECIATING** and might need to be capped to make up for weaker trade and support inflation.

European Commission once again **ADJUSTED** its **ECONOMIC FORECASTS DOWNWARDS** for 2019 and 2020.



Table of Contents

Introduction

Mindmap

1 **Historical Data for the Sector**

- 1.1** CECIMO8 Orders (m)
- 1.2** CECIMO Trade (m)
- 1.3** CECIMO Production (m)

2 **Demand**

- 2.1** CECIMO Consumption. Oxford Economics Consumption Forecast (m)
- 2.2** Peter Meier CECIMO8 Orders Forecast (m)
- 2.3** Industrial Production Index (M)

3 **Investment**

- 3.1** Gross Fixed Capital Formation (M)
- 3.2** Capacity Utilisation in the Investment Goods Sector (M)
- 3.3** Bank Lending Survey (M)
- 3.4** Euribor – Interest rates (M)

4 **Business Climate**

- 4.1** CECIMO Business Climate Barometer (m)
- 4.2** Purchasing Managers Index (M)
- 4.3** OECD Business Climate Indicator (M)

5 **General Indicators**

- 5.1** GDP (M)
- 5.2** Inflation (M)
- 5.3** Foreign exchange rates (M)

Glossary ⁱ

Geographical Information

Other symbols and acronyms

Introduction

Industrial activity in the European machine tool sector continued to slow down in the first quarter of 2019.

- Total CECIMO orders are down by -14%, due to falls in both domestic and foreign demand.
- Downward trends are observed among our Asian competitors, especially in the Japanese metal cutting sector.

Trade data show clear signs of a slowdown of global trade. CECIMO quarterly exports shrank in the first quarter among all the main regions. Increases in imports to CECIMO countries were marginal if any.

Production figures for 2017 and 2018 were revised downwards, due to updated Swiss figures. For 2019, the expected growth rate for CECIMO production is rather weak (+2%), in line with world MT output.

Demand:

- Consumption should decelerate this year because of weak global trade and geopolitical uncertainties.
- The scenario of an economic crisis becomes increasingly likely.
- Industrial production shrank, mainly in Germany and UK.

Investment gained in the first quarter but is expected to slow down in the next two years.

- Capacity utilisation continuously decreases, which is bad news for the MT orders.
- Banks are quite accommodative with credit standards for loans to enterprises.
- ECB monetary policy continues to be supportive for Eurozone growth.

Business climate:

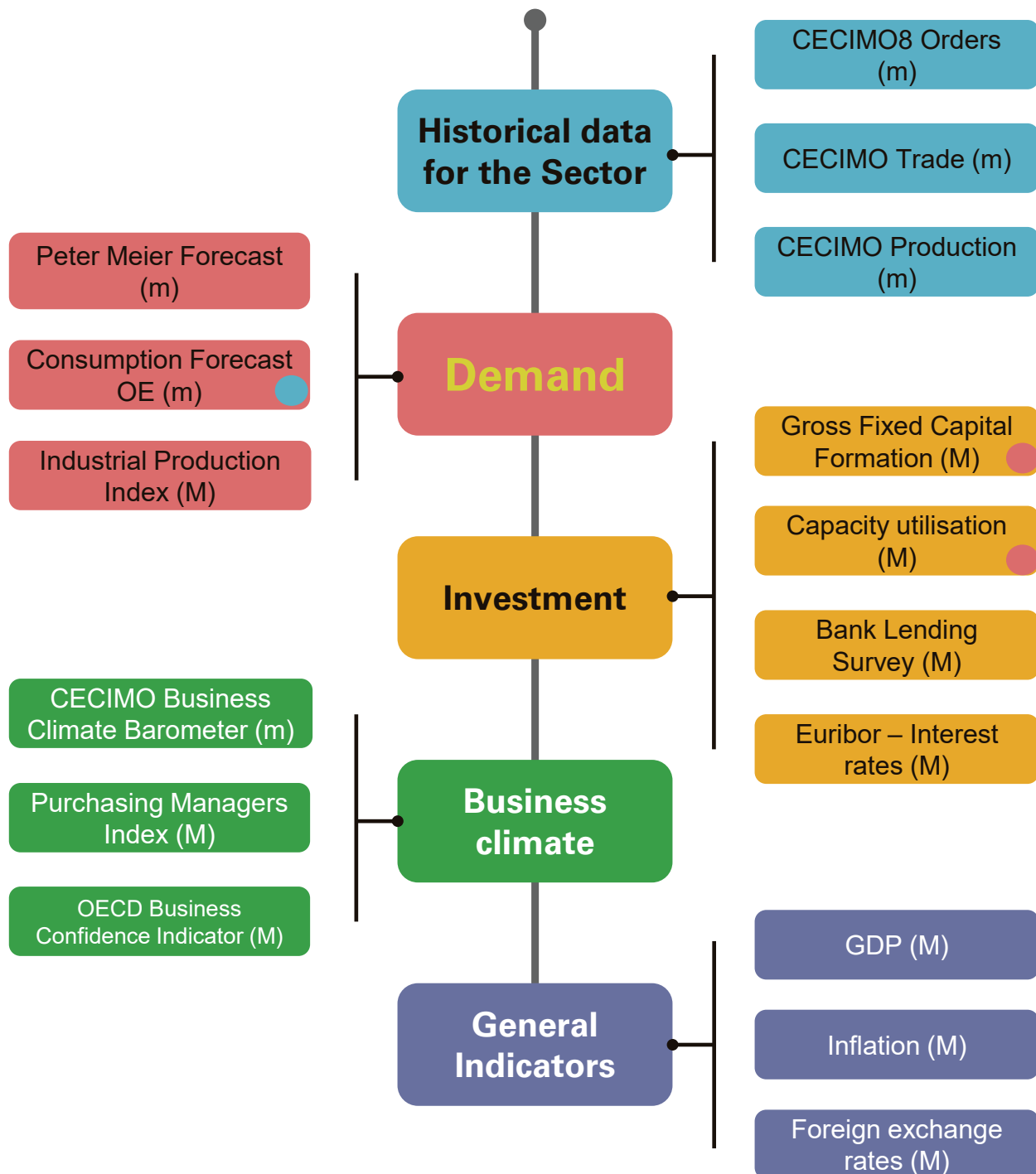
Manufacturing PMI hits new lows and goes into the negative territory across all the regions. European manufacturing sector is continuously declining except for France. Asian manufacturers show similar negative trends, except for India.

Business Confidence Indicator reached the no-change level of 100.

EU **GDP** increased at the slowest pace among the big economies. Forecasts for macroeconomic indicators were readjusted downwards.

Euro has been appreciating. The ECB is willing to cut the monetary policy rate to stimulate inflation.

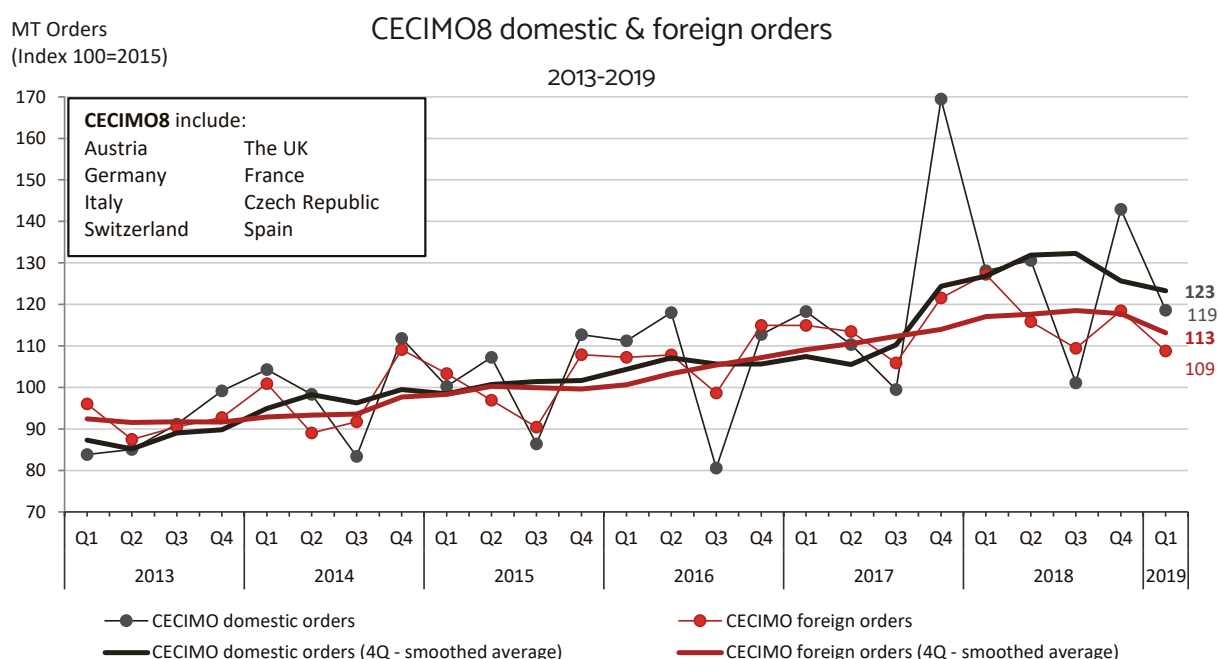
Toolbox Mind Map



1. Historical Data for the Sector

1.1 Orders (m)

The first quarter of 2019 saw a -14% drop in total orders, against the Q1 of 2018. The foreign demand was affected the most by -17%, while domestic orders dropped by -10%.



Breakdown by countries

Total Orders

- Sharp erosion of Czech (-27%), German (-20%) and Spanish (-16%) total orders.
- Slower decreases observed in Italy (-7%) and Switzerland (-4%), while Austrian orders marginally increased (+1%).
- UK registered a +15% increase.

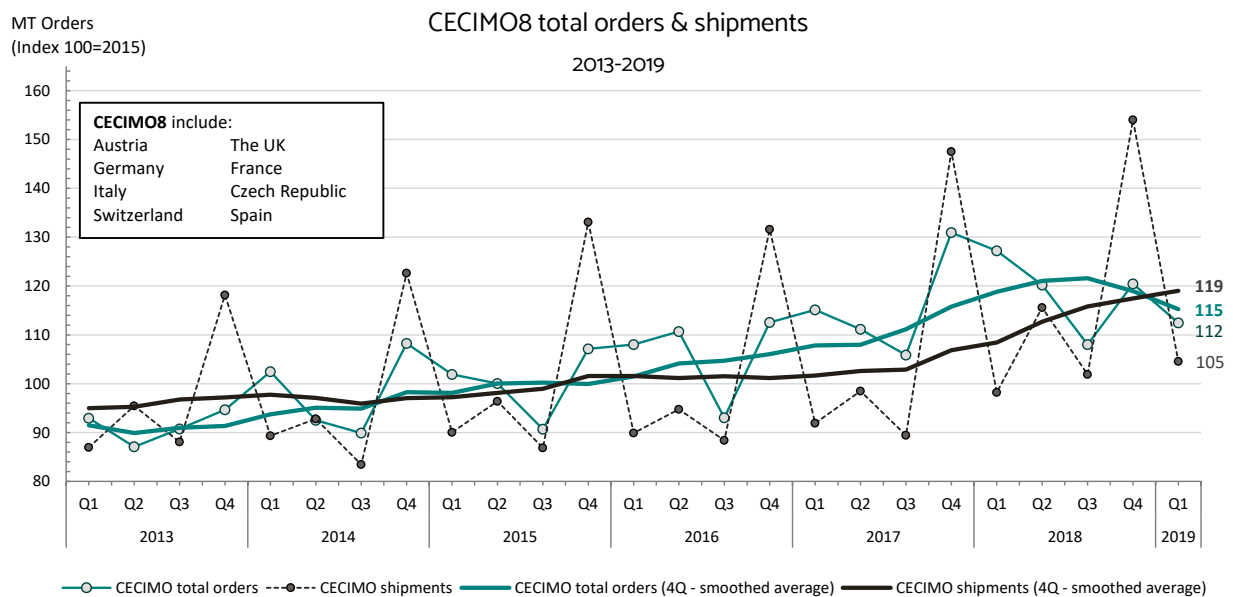
Domestic Orders

- Steep drop of domestic orders in Spain (-49%) and Austria (-20%), and to a lesser extent Czech Republic (-12%), Germany and Italy (-9%).
- Marginal drop in domestic Swiss orders (-1%), while UK saw a +10% increase in domestic demand.

Foreign orders

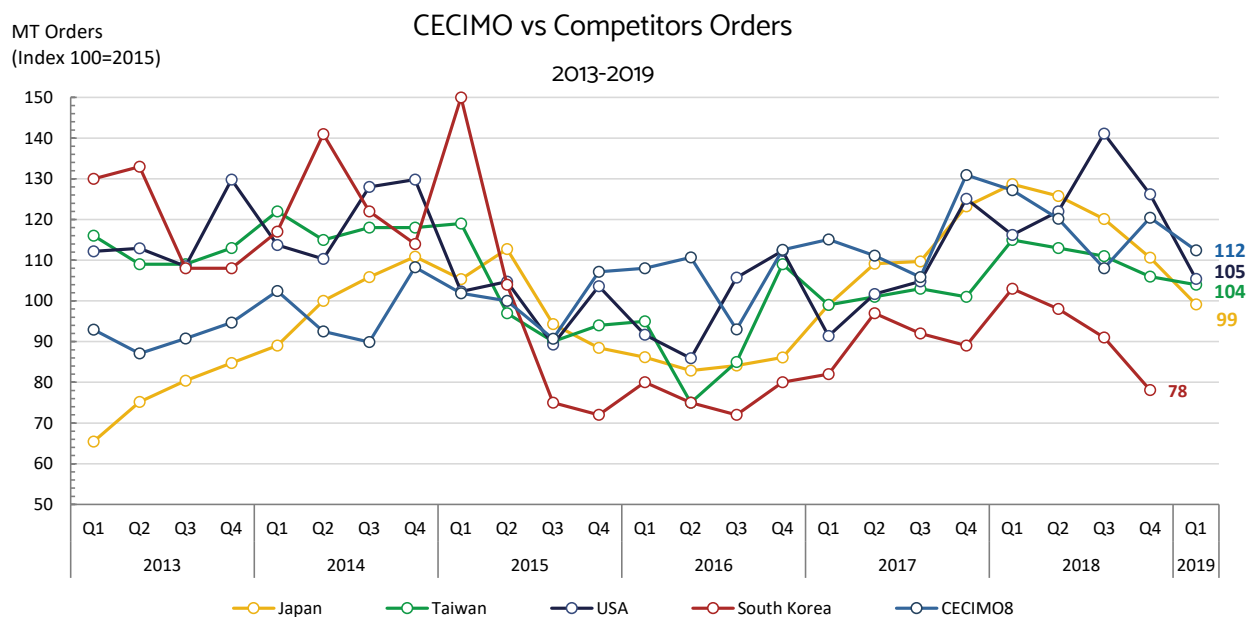
- Drastic negative growth rates registered in the Czech Republic (-31%) and Germany (-26%).
- Milder drops in foreign orders for Switzerland (-4%), Italy and Spain (-7%).
- Austria and UK registered positive growth rates of +3% and +19% respectively.

German foreign orders are affected by the sharp downturn of Asian demand, mainly driven by the downturn in China. Italian MT builders are worried for the international market. The main machine tool building companies observe a downturn, especially the companies selling to the automotive industry that shows clear signs of slowing down its production.



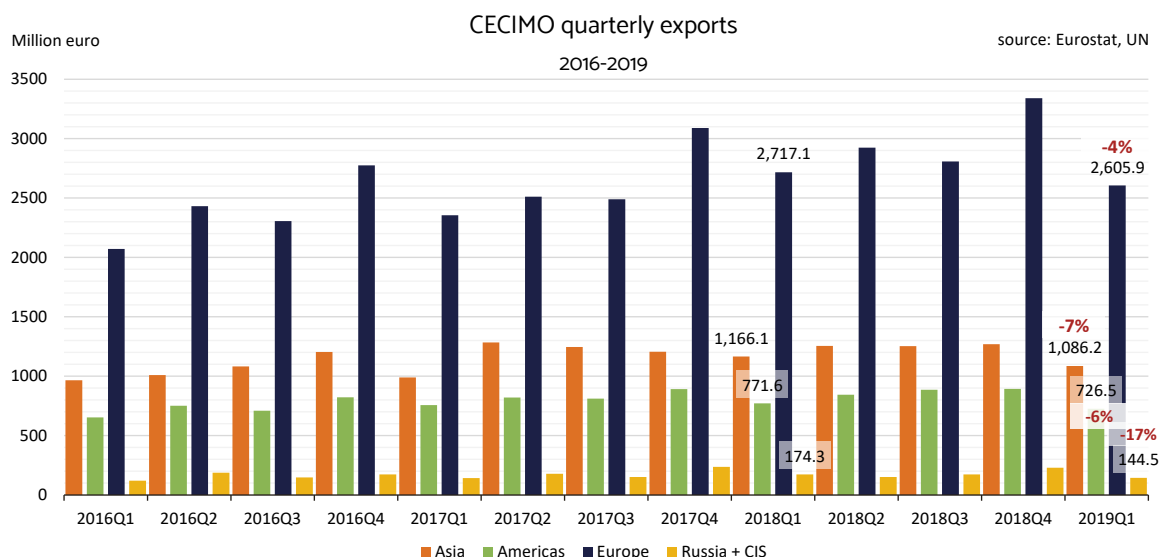
Our competitors

- Sharp fall of Japanese metal cutting orders of -26%, dragged down by the decreases in both domestic (-25%) and foreign (-26%) demand.
- Metal forming orders fell less sharply by -2% compared to Q1 2018, as foreign orders made up to some extent (+6%) for the shortfall in domestic demand (-6%).
- -9% contraction in domestic orders for US.
- -10% drop in total Taiwanese orders, driven by -10% decreases in both foreign and domestic demand.



1.2 CECIMO Trade (m)

Trade data for the first quarter of 2019 show a clear deterioration of machine tools trade activity across the main regions.

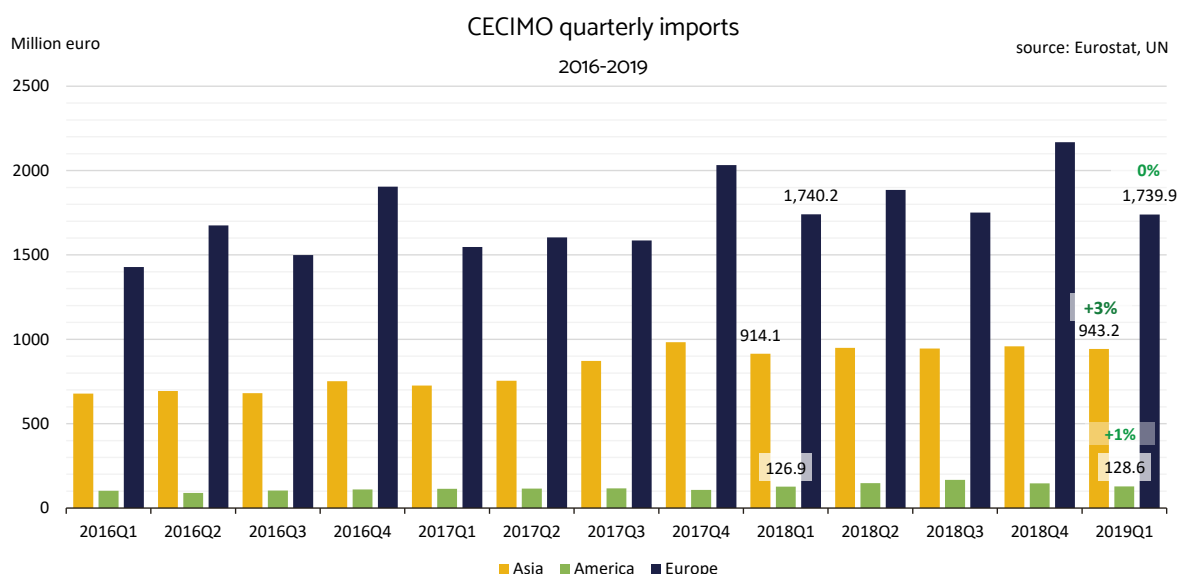


CECIMO quarterly exports in Q1 2019 compared to Q1 of 2018:

- 4.77 billion euros in the 1st quarter.
- -5% decrease in Q1 2019, compared to Q1 2018.
- -6% quarterly decrease of exports outside CECIMO, compared to the beginning of 2018.
- -7% fall of exports to Asia, -6% for exports to Americas and -4% to Europe.
- Exports to Russia and CIS countries drastically fall by -17%.

Annual exports for 2018:

- 21.7 billion euros (12.5 billion euros outside CECIMO)
- 8% increase in total exports (+6% increase in exports outside CECIMO).
- Exports to Asia and Americas increased by +4% and +5%, respectively. Exports to Russia and CIS countries picked up by +3%.
- Sharper expansion of exports to Europe (+13%).



CECIMO quarterly imports in Q1 2019 compared to Q1 2018:

- 2.8 billion euros in the 1st quarter.
- Marginal 1% increase in imports against Q1 2018.
- Flat growth of quarterly imports from Europe.
- Marginal increase in imports from Americas (+1%) and Asia (+3%).

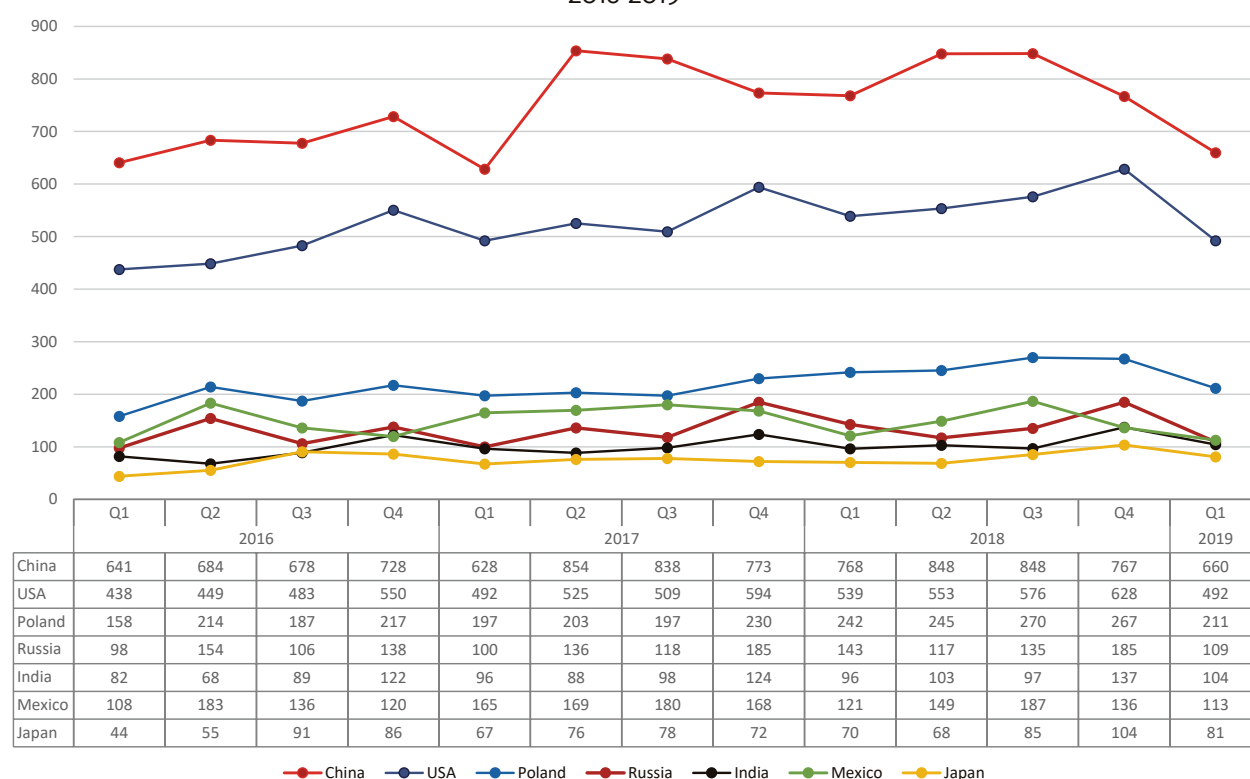
Annual imports for 2018:

- 12 billion euros (4.7 billion euros imported from outside CECIMO)
- +12% increase in total imports (+13% increase in imports outside CECIMO)
- +30 increase of imports from Americas, while imports from Asia and Europe grew at a steep but more moderate pace (+13% and +11%).
- -2% drop of imports from Russia and CIS countries.

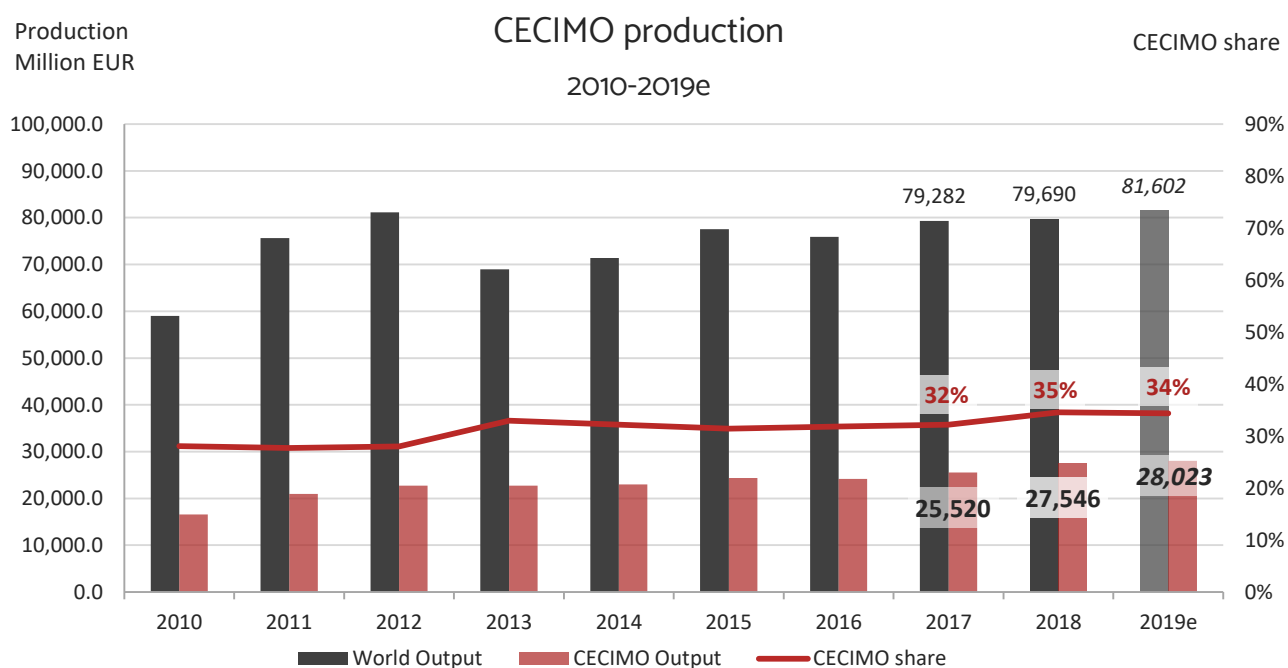
source: Eurostat, UN

Main export destinations

2016-2019



1.3 Production (m)



After the submission of updated figures from Switzerland for 2017 and 2018, CECIMO production was revised downwards to 25 billion euros in 2017 and 27.5 billion euros in 2018. Hence the new annual production growth rates are of +6% in 2017 against 2016 (previously 7%) and +8% in 2018 against 2017 (as previously estimated). The early estimates for 2019 suggest a more moderate expansion of 2% totalling to 28 billion euros.

World production over the past two years grew at slower rates (+4%) in 2017 and +3% in 2018). Estimates for the current year suggest a similar flat rate (+2%) as for CECIMO.

2. Demand

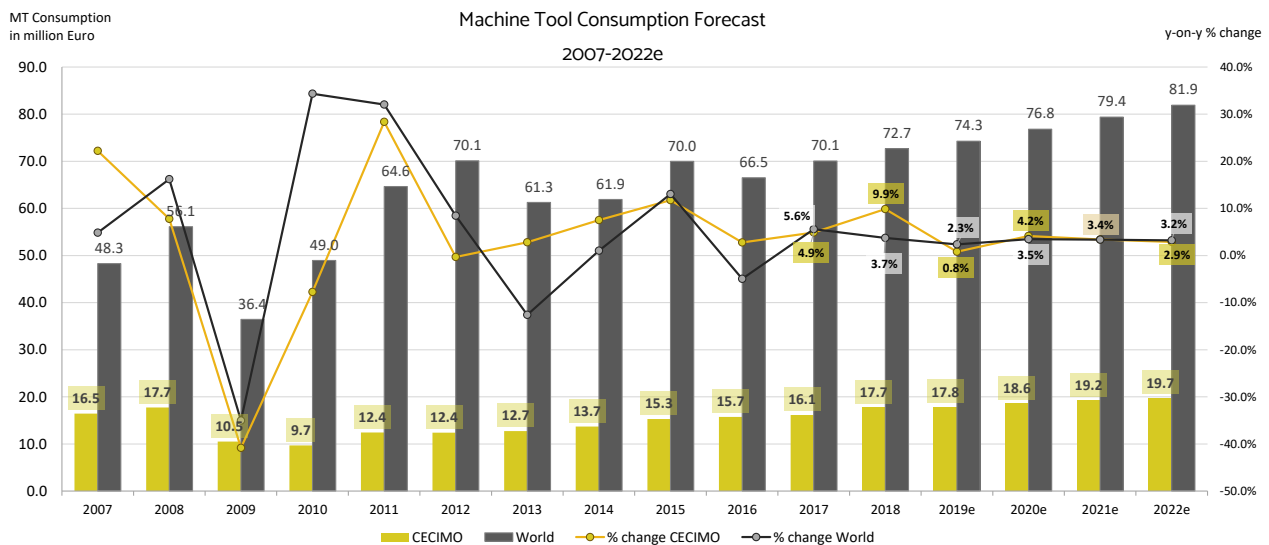
2.1 CECIMO Consumption (m)

Oxford Economics Consumption Forecast

According to our latest data submissions, CECIMO MT consumption reached €17.7 billion in 2018 – 10% higher than the previous year. Our estimates for 2019 suggest a flat 0.8% increase in consumption, adding up to €17.8 billion.

Forecasts (Spring 2019 issue):

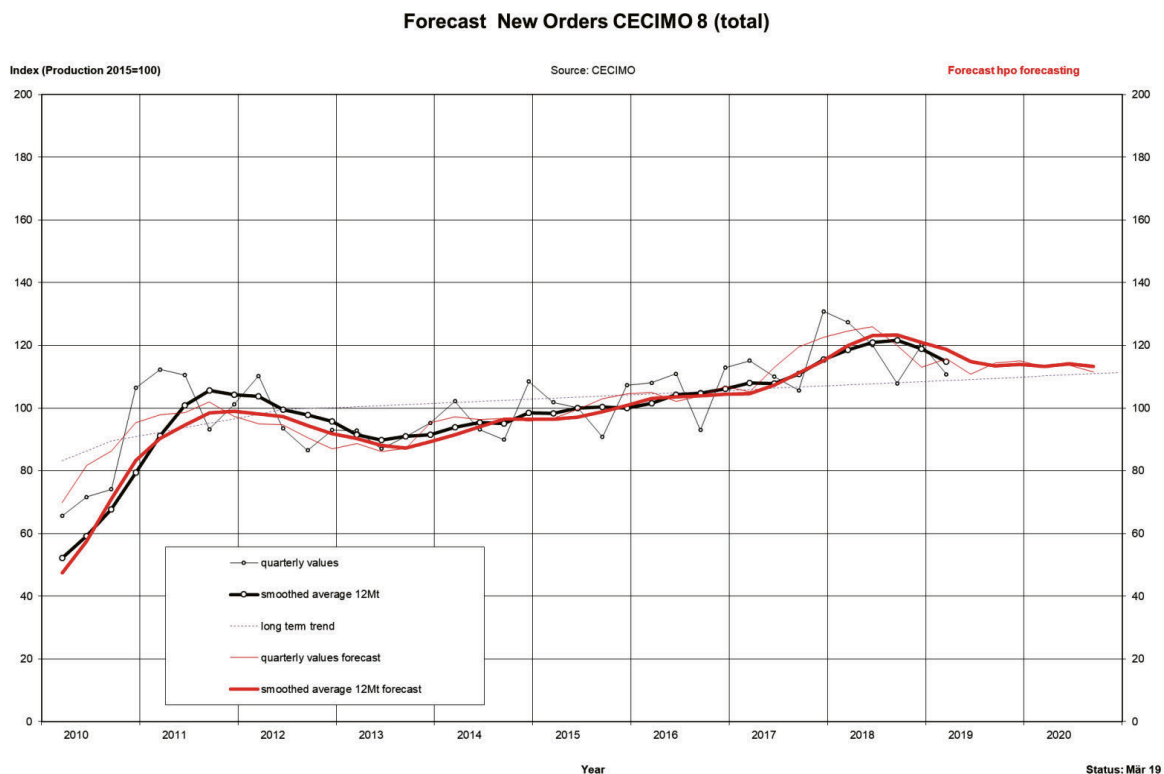
- Oxford Economics consumption growth estimates for CECIMO for the past year were adjusted downwards from +14.7% to +12.4% for 2018 against 2017 (our data showed +10%). World consumption was supposed to grow more moderately by +4%.
- 2019 is expected to show a flat +0.8% growth of MT consumption for CECIMO and +2.3% growth for the whole world.
- In the next 3 years, CECIMO MT consumption is forecast to pick up to 4.3%, +3.6% and 3.1%, while world consumption should grow at 3.5%, 3.4% and 3.2%, in 2020, 2021 and 2022 respectively.



The machine tool market will decelerate sharply in 2019, due to global trade slowdown, Brexit uncertainties, etc. The world production in key consuming sectors is also expected to slow down to 2.3% in 2019 and slightly pick up to 2.6% in 2020. European MT will most likely see the slowest growth, while Asia is forecast to see a growth acceleration in 2019.

2.2 Peter Meier / HPO CECIMO8 Orders Forecast (m)

The Q1 orders index fell slightly below the long-term trend line. The thick 12mt-average is slightly below the red forecast line. New indicators flattened the forecasts for 2019, meaning that the peak was passed in 2018.



HPO and Peter Meier confirm that an economic crisis becomes increasingly likely. According to them, there are four main reasons that point to an economic crisis:

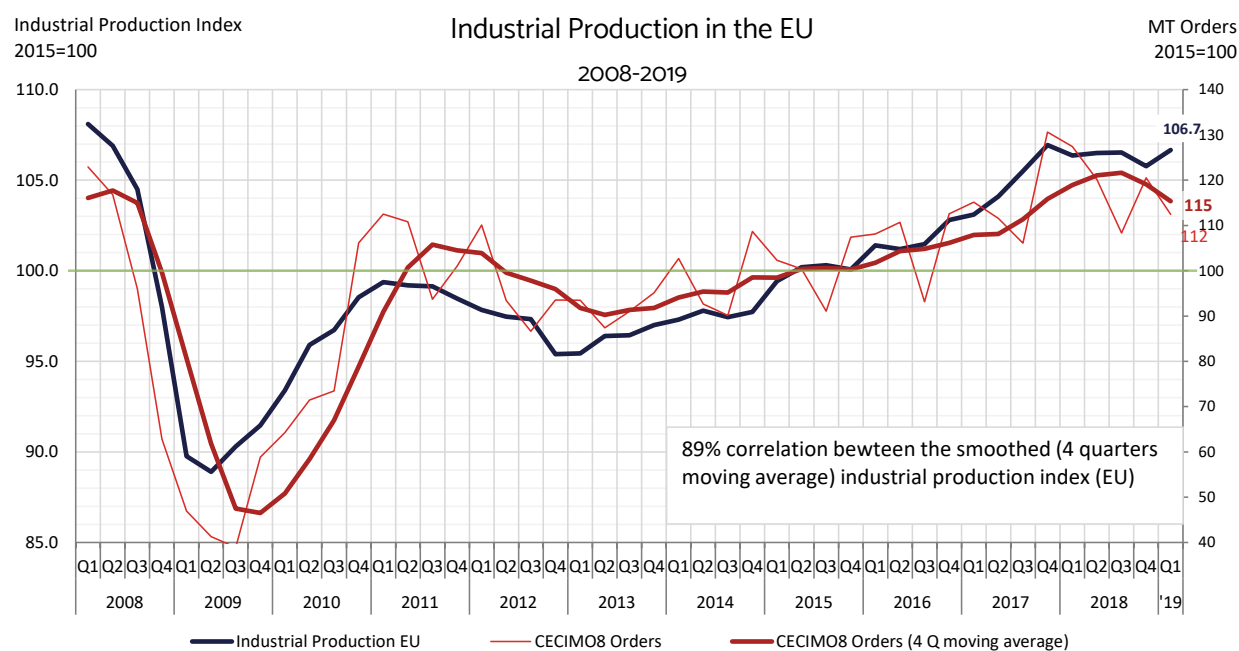
- Consumer and industrial cycles have already peaked in all major economic regions.
- The order intake figures are falling in almost all capital goods industries, some with record sharp declines.
- Business confidence indicators saw a sharp decline. Such declines preceded major economic crises in the past.
- The America yield curve has flattened out considerably and has fallen into negative territory in mid-May.

Financial markets are still withstanding the pressure of the real economy due to support of central banks, not the economic activity. However, it is not clear how long that can last.

2.3 Industrial Production Index (M)

In April 2019, the industrial production further fell by -0.7% in the EU28 and by -0.5% in the EA19, compared to the previous month. Compared to April 2018, industrial production showed a flat growth (+0.1%) in the EU28 but registered a drop of -0.5% in the Eurozone. Industrial activity continues to slow down since the beginning of the year but is still in the positive territory both in Eurozone (104.8) and EU28 (105.9).

The average industrial production for the past year, compared to 2017, rose by 1.3% in the EU28 and 1.1% in the euro area.



Source: Eurostat + CECIMO

Monthly comparison:

- Countries (in the CECIMO membership) with the largest decreases in industrial production were the UK (-27%) and Germany (-2.3%).
- The highest increases were observed in Portugal (+2.9%) and Finland (-2.2%).

On an annual basis:

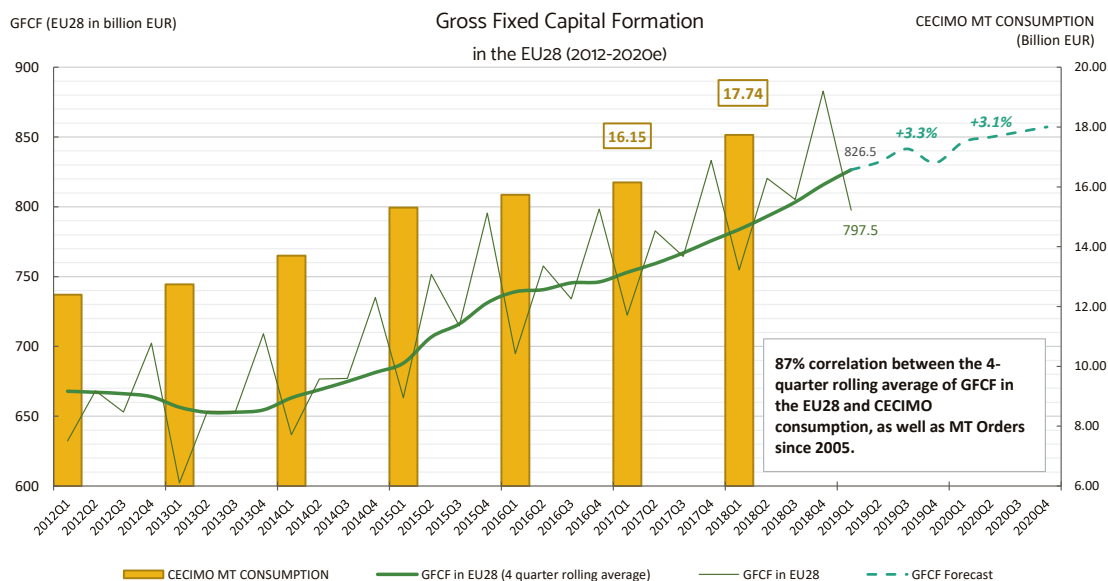
- Countries with the largest decreases in industrial production were Germany (-3.4%), the Netherlands (-2.7%) and the UK (-2.4%).
- The highest increases were recorded in Finland (+6.5%), Czech Republic (+3.3%) and Sweden (+3.2%).

EU 28	Jan 2019/ Jan 2018	Feb 2019/ Feb 2018	Mar 2019/ Mar 2018	Apr 2019/ Apr 2018
Total industrial production	-0.40%	0.30%	0.40%	-0.10%
Capital goods	-2.40%	0.50%	1.50%	-1.60%
Durable consumer goods	-0.10%	0.70%	0.10%	0.20%
Intermediate goods	-1.20%	0.40%	0.80%	-0.10%
Energy	2.90%	-4.40%	-6.20%	-0.60%
Non-durable consumer goods	1.40%	3.10%	1.70%	2.80%

The highest production indices per total industry were registered in Finland (114.6), Czechia (114.2) and Denmark (111.4).

3. Investment

3.1 Gross Fixed Capital Formation (M)



In Q1 2019, gross fixed capital formation gained +6% compared to the same quarter in 2018 and reached €797.5 billion in absolute value. In 2018, the GFCF added up to €3.16 trillion (+5.2% higher than the previous year).

(updated)				2017			2018		
Country / label	At current prices (EUR million)	% of GDP	y-on-y growth rate	At current prices (EUR million)	% of GDP	y-on-y growth rate	At current prices (EUR million)	% of GDP	y-on-y growth rate
Germany	665,722.0	20.3%	5.7%	703,419.0	20.8%	5.7%	703,419.0	20.8%	5.7%
France	515,926.0	22.5%	5.7%	537,918.0	23.0%	4.3%	537,918.0	23.0%	4.3%
United Kingdom	400,712.9	17.2%	-0.9%	406,090.0	17.0%	1.3%	406,090.0	17.0%	1.3%
Italy	303,738.8	17.6%	5.4%	315,675.5	18.0%	3.9%	315,675.5	18.0%	3.9%
Spain	238,952.0	20.5%	6.8%	256,371.0	21.2%	7.3%	256,371.0	21.2%	7.3%
Netherlands	148,670.0	20.5%	4.9%	157,502.0	21.0%	5.9%	157,502.0	21.0%	5.9%
Sweden	118,582.8	25.0%	6.0%	119,232.0	25.4%	0.5%	119,232.0	25.4%	0.5%
Belgium	103,198.1	23.5%	4.1%	108,323.0	23.8%	5.0%	108,323.0	23.8%	5.0%
Austria	87,357.9	23.6%	7.1%	92,248.3	23.9%	5.6%	92,248.3	23.9%	5.6%
Finland	50,035.0	22.3%	6.8%	52,559.0	22.6%	5.0%	52,559.0	22.6%	5.0%
Czech Republic	47,334.8	24.8%	7.6%	52,965.6	26.1%	11.9%	52,965.6	26.1%	11.9%
Portugal	32,290.2	16.6%	14.1%	34,415.3	17.1%	6.6%	34,415.3	17.1%	6.6%

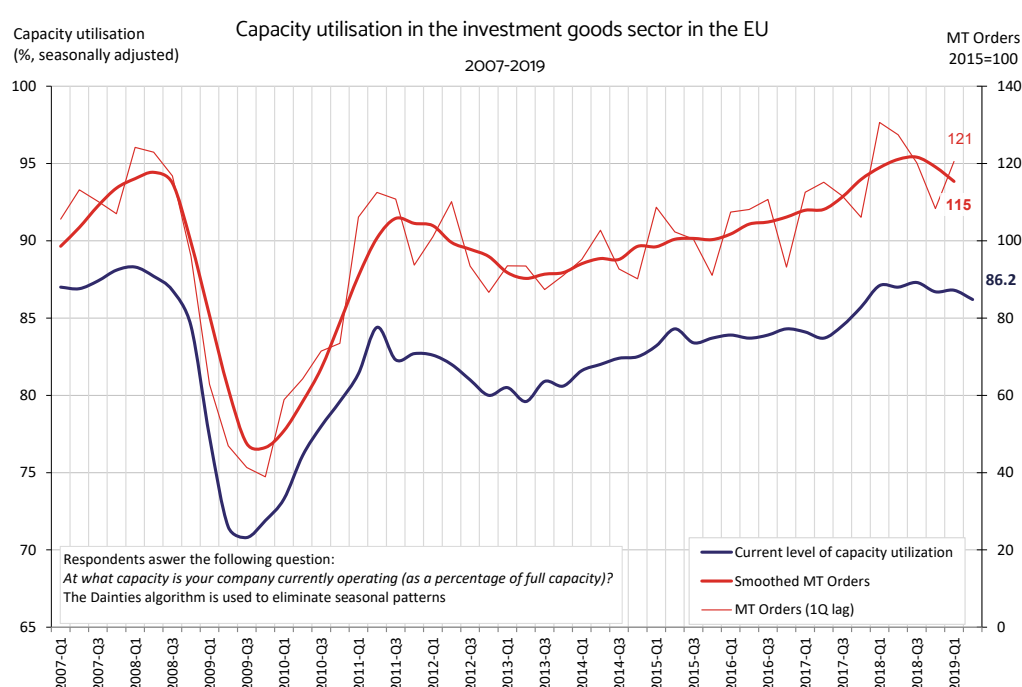
European Commission investment forecast (Spring 2019 European Economic Forecast): total investment in the EU28 is expected to **slow down** from 3.2% in 2018 to 2.1% in 2019 and 2.1% in 2020 (**adjusted downwards**, compared to Autumn 2018 forecast).

Investment in equipment is expected to **slow down** from +3.5% in 2018 to +1.5% in 2019 and +2.4% in 2020 (**significant adjustments downwards** compared to the Autumn 2018 forecast).

OECD investment forecast: investment growth to **slow down** from +3.3% in 2018 to +2.63% in 2019 and +2.22% in 2020 in the euro area. Investment in the total OECD economies is expected to slow down from +2.88 in 2018 to +1.65% in 2019 and pick up at +2.52% in 2020.

3.2 Capacity Utilisation in the Investment Goods Sector (M)

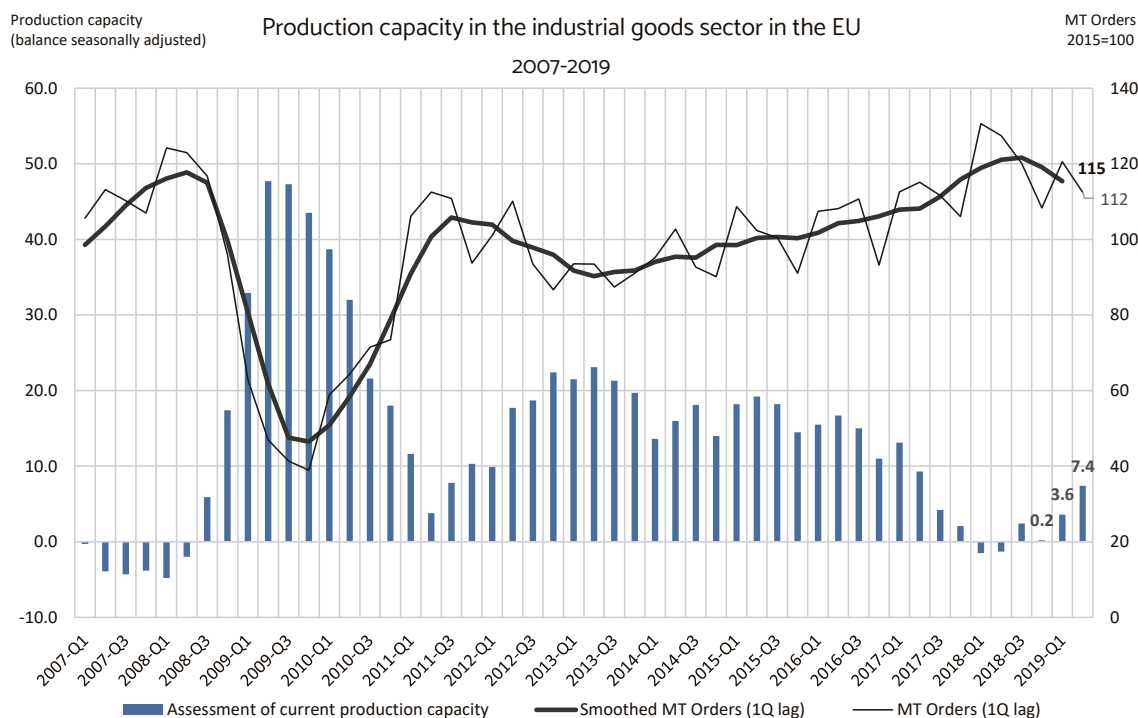
In the second quarter of this year, capacity utilisation level in the EU dropped by -1% against the same quarter last year and reached 86.2% in the whole EU. In annual terms, this is the first negative growth rate since Q3 2016. Capacity utilisation and CECIMO MT orders are highly correlated (96%). A dip in capacity utilisation suggests a deceleration of demand for machine tools. Although the levels are within the threshold (80%-90%), we clearly see a continuous decrease of capacity utilisation since Q3 2018, which might mean that machine tool orders will not see any sensible recovery in the next one or two quarters.



Capacity Utilisation (% of total capacity)

	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Austria	89.4	88.3	89.6	85.8	87.8
Czech Republic	91.3	88.5	89.8	87.8	85.5
France	88.9	89.5	89.2	89.0	88.3
Germany	88.8	91.1	88.9	89.9	89.5
Italy	79.9	79.1	79.8	79.9	78.7
Spain	87.7	86.7	85.5	86.4	87.5
United Kingdom	87.7	84.4	85.8	82.6	81.2

The assessment of the current production capacity in Q2 2019 picked up by 7.4%, compared to the 3.6% in Q1 2019. An increasing number of managers assess their production capacity sufficient, rather than insufficient. This suggests that they don't see the need to invest in additional capacity. For CECIMO, this means that we should not see a sensible increase in MT orders in the near future.



Production Capacity (balance in %)

	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Austria	-3.6	-2.6	-3	0	6.1
Czech Republic	12.8	14.9	12.7	11.2	27.4
France	-11.3	-9.6	-16.8	-13.3	-11.4
Germany	-5.6	0.1	-1.3	1.5	9.6
Italy	18.5	17.2	19.9	19.2	20.7
Spain	7.8	6.4	12.9	4.4	0.4
United Kingdom	2.8	10	-3.2	23.9	14

3.3 Bank Lending Survey (M)

The results of the April 2019 round of the bank lending survey show that the credit standards in Q1 2019 remained broadly unchanged for loans to enterprises. The results were more positive than the expectations in the previous round.

Credit standards for loans to enterprises in the eurozone stand at -1% like the previous quarter. We have observed an easing trend since Q1 2017:

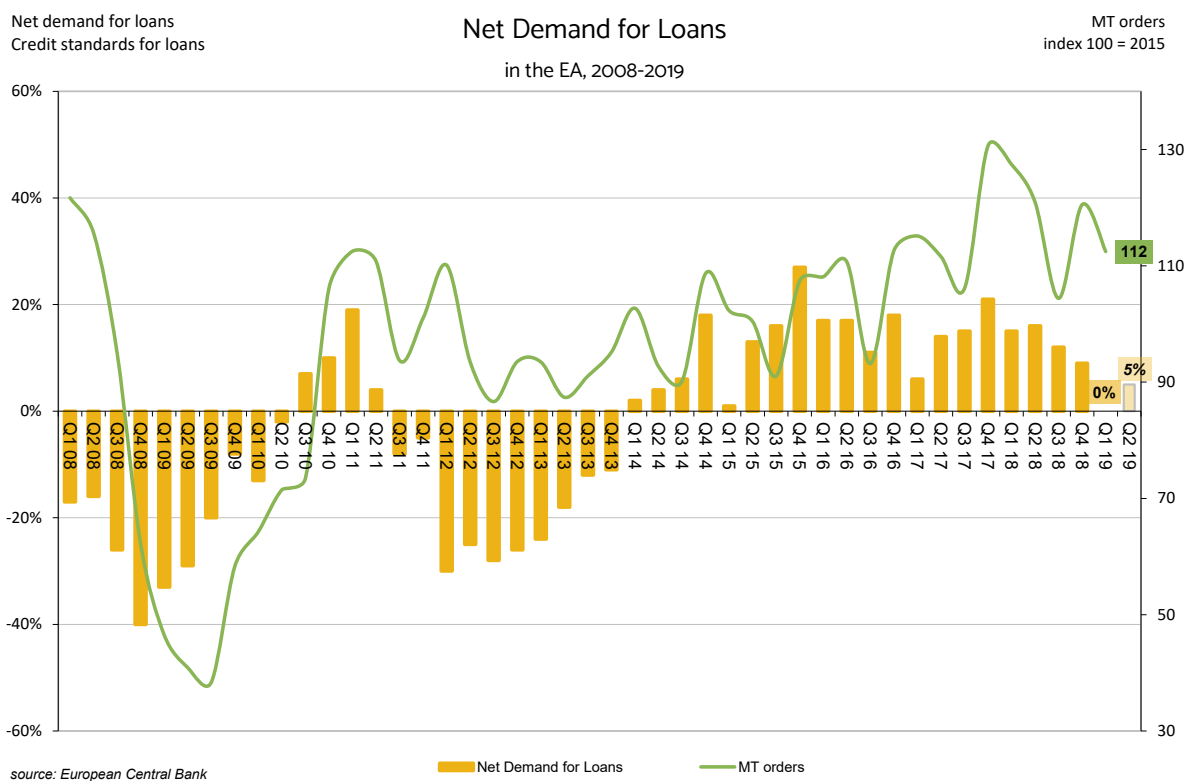
- For SMEs credit standards remained unchanged (+1%).
- For larger firms, they continued to ease (-5%).
- Main driver for easing: competitive pressures from other banks.
- Credit standards for loans to enterprises **eased** in France and Netherlands but **tightened** in Germany. They remained **unchanged** in Italy and Spain
- In Q2, EA **banks expect a further easing of credit standards for loans to enterprises** (-2%)

Overall terms and conditions for new loans or credit lines remained unchanged in the EA but tightened in Germany, France and Italy.

The **rejection rate for loans to enterprises** continued to increase by 2% in Q1 2019 after 5% in Q4 2018, but remained unchanged in Germany, Spain and France.

The net demand for loans to enterprises remained stable in Q1 at 0% (9% in Q4 2018), after having increased since Q2 2015. Banks expected this moderation.

- Demand increased for loans to SMEs, but at a slower pace and remained unchanged for large firms.
- Net demand for loans to enterprises increased in Germany and the Netherlands.
- Demand for loans decreased in Spain and Italy.
- Main drivers to support demand: low interest rates and fixed investment.
- The use of alternative finance had a negative impact on loan demand.
- In Q2, banks expect a net increase in loan demand from enterprises.

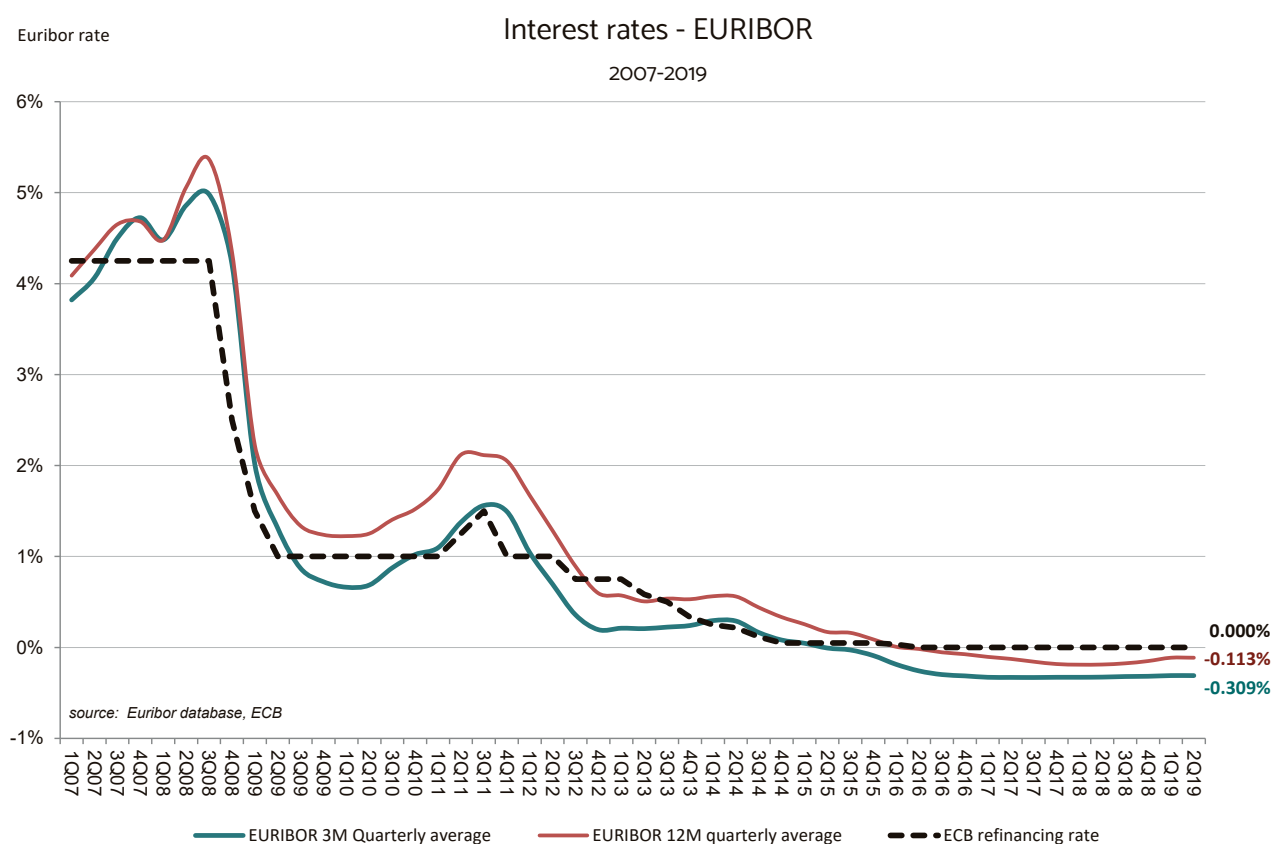


CECIMO MT Orders have a 71% correlation with the 2-quarter lagged demand for loans. As credit standards are expected to slightly ease and net demand for loans to enterprises is expected to increase, these are positive signs that our clients will be more willing to borrow and invest in new machine tools. Financial markets are supportive to economic activity.

3.4 Euribor - Interest Rates (M)

ECB announced its main monetary policy decisions aimed at ensuring that inflation remains close to 2% on medium-term and the **financial conditions remain supportive** of the euro area expansion:

- The interest rate on the main ECB **interest rates** (marginal lending facility and the deposit facility) **will remain unchanged at 0.00%, 0.25% and -0.40%** respectively, until first half of 2020 at least.
- The Governing Council of the ECB will continue reinvesting payments from mature securities purchased under the massive asset purchase program to **maintain favourable liquidity conditions** and **high degree of monetary accommodation as long as possible**.
- Key parameters for new TLTRO III: interest rates set at 10 basis points above average Eurosystem's refinancing operations rate.



4. Business Climate

4.1 CECIMO Business Climate Barometer (m)

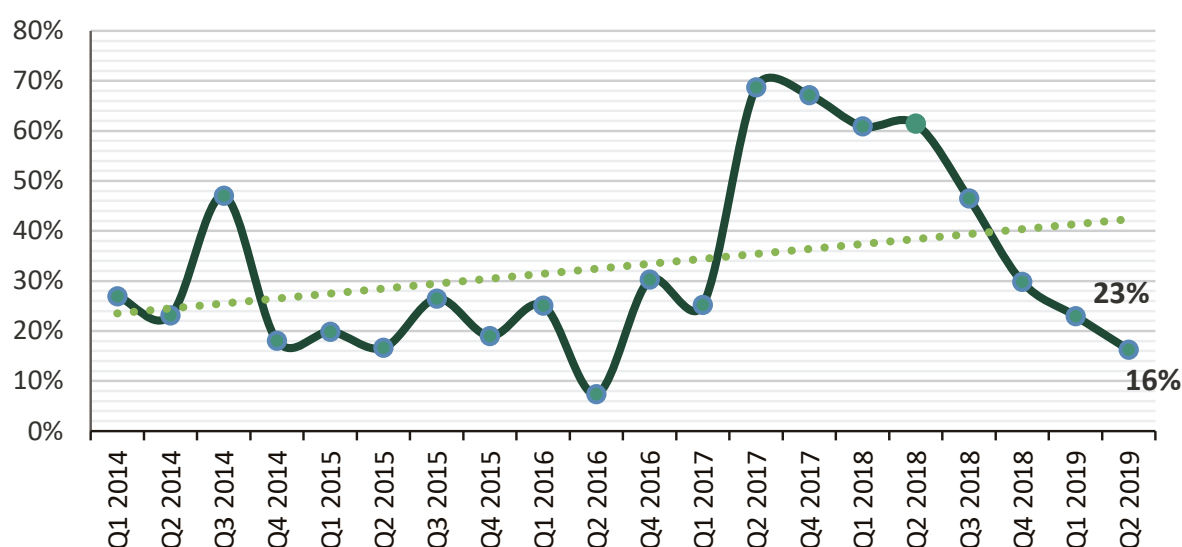
The Business Climate Barometer is a quarterly survey that assesses CECIMO-based companies' current business sentiment and expectations for the next quarter. This edition is based on the responses of several companies and national associations from 8 CECIMO member countries and was carried out in April 2019.

Note: The response rate was insufficient to draw meaningful conclusions. The Business Climate Barometer will be reviewed at the next SPT meeting.

Methodology

National associations and individual companies assess their business climate and expectations for Q2 2019 on the basis of three options (positive, neutral and negative), regarding demand, domestic production, export sales and employment. Moreover, respondents state their current rate of operation and indicate the factors hindering their activities. The results shown below correspond to the difference between positive and negative answers for each question – excluding the neutral ones, which are represented on the Y axis. The X axis corresponds to a timeline.

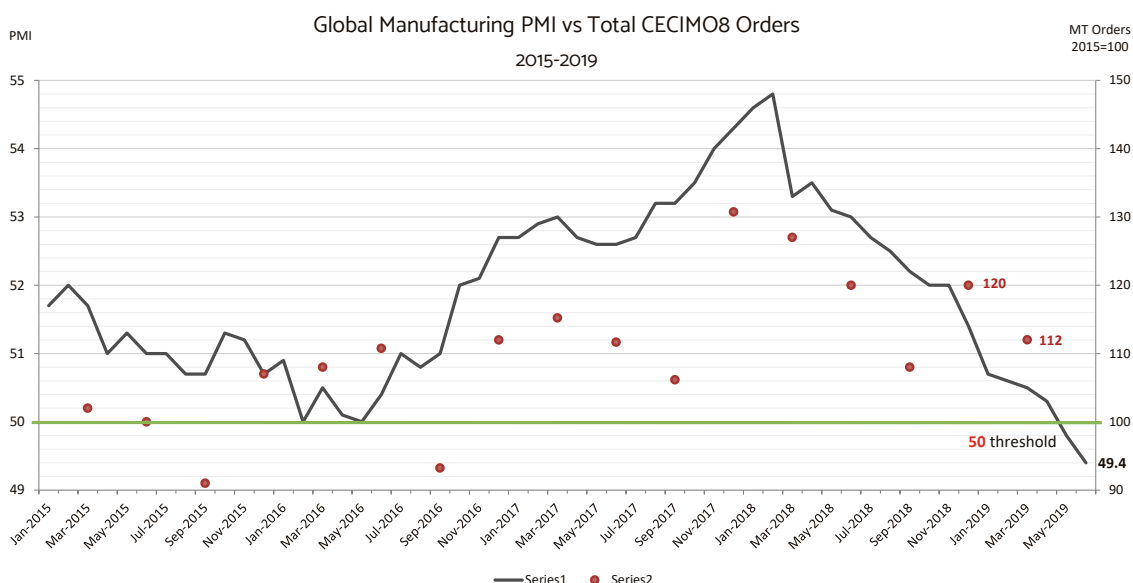
Assessment of general business climate of Q1



- The general business climate among CECIMO members continued to deteriorate for the fourth quarter in a row, dropping from 23% in Q4 2018 to 16% in Q1 2019.

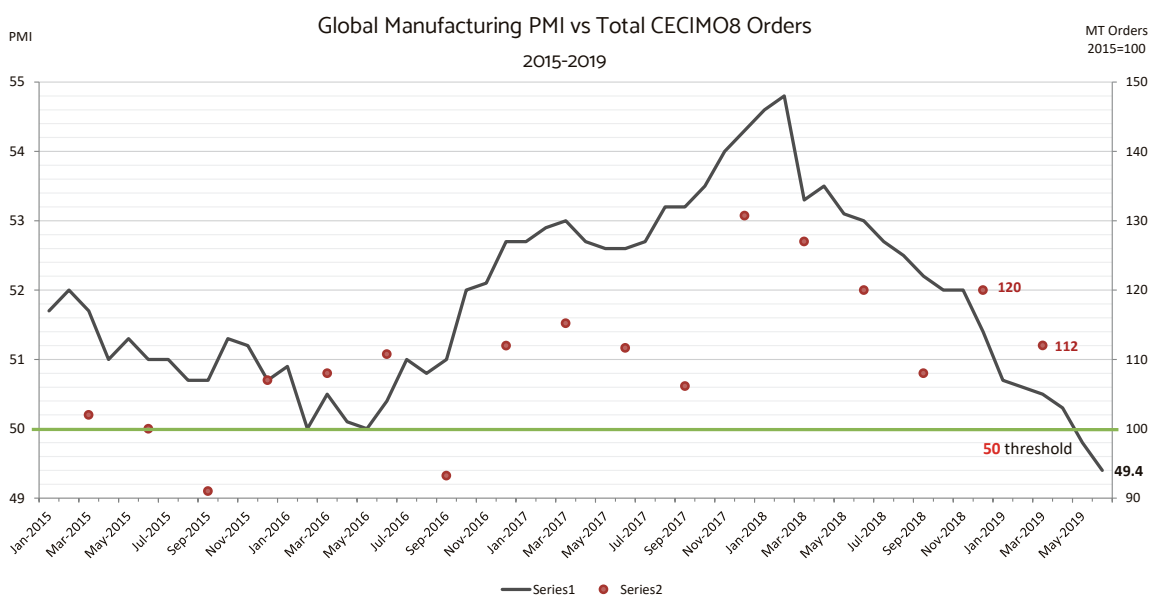
Business expectations for the second and third quarters together picked up only marginally, just enough to get into positive territory (from -3% to +2%).

4.2 Purchasing Managers Index (M)



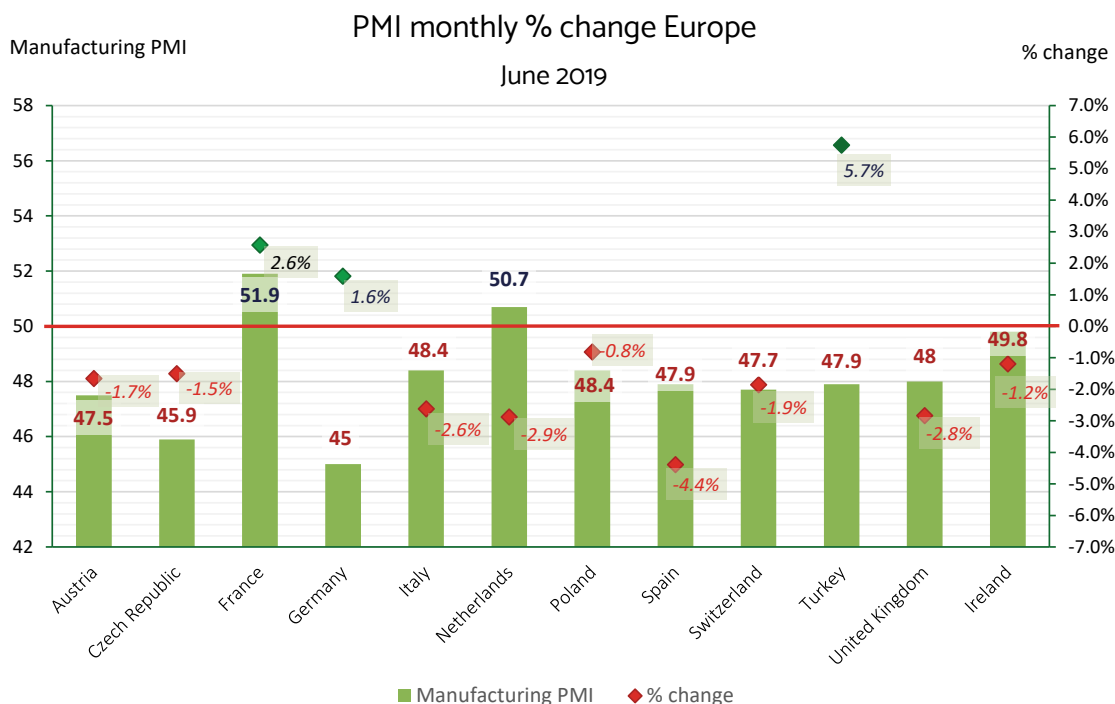
Global manufacturing PMI falls below the threshold of 50 in June for the second month in a row and hits its lowest level since October 2012 (49.4 down from 49.8 in May). New orders contracted at the fastest pace in seven years.


- Operating conditions deteriorated again for intermediate and investment goods.
- Consumer goods expanded but at the lowest pace in three years.
- US, India Brazil and Australia registered growth.
- China, Japan, Germany, UK, Taiwan, South Korea, Italy and Russia registered downturns.





Eurozone manufacturing sector further contracted. The EZ Manufacturing PMI posted a slightly weaker mark than the earlier flash reading and stayed below the no-change mark of 50 for the fifth month in a row (47.6 in June after 47.7 in May).


- Operating conditions were generally bad according the single currency area.
- New orders fell for nine successive months.
- Global trade, political uncertainties and the underperformance of the automotive industry deteriorated manufacturing orders books. Germany was the weakest underperforming nation.





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Austrian manufacturing PMI hit its 55-month low (47.5 in June, after 48.3) and continued to fall in the negative territory. Operating conditions continued to deteriorate. Output and orders declined, and firms further cut their purchasing activity. Domestic and foreign demand weakened, especially from the automotive sector.
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Czech PMI dips to its lowest (45.9 down from 46.6 in May) since July 2009. A faster decrease in production and new orders resulted in a reduction in employment. Operating conditions deteriorated. Export orders fell the fastest in a decade.
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Germany's manufacturing sector continued to decline (PMI at 45.0 up from 44.3 in May). Weaker external demand (from Asia in particular) and the downturn in the automotive industry put downward pressure on orders. Output and employment declined as a result.
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Spanish manufacturing PMI stepped into negative territory (47.9 down from 50.1). Production fell for the first time in more than five-and-a-half years. Demand shrank from domestic and foreign markets. Operating conditions and employment also registered a downturn.
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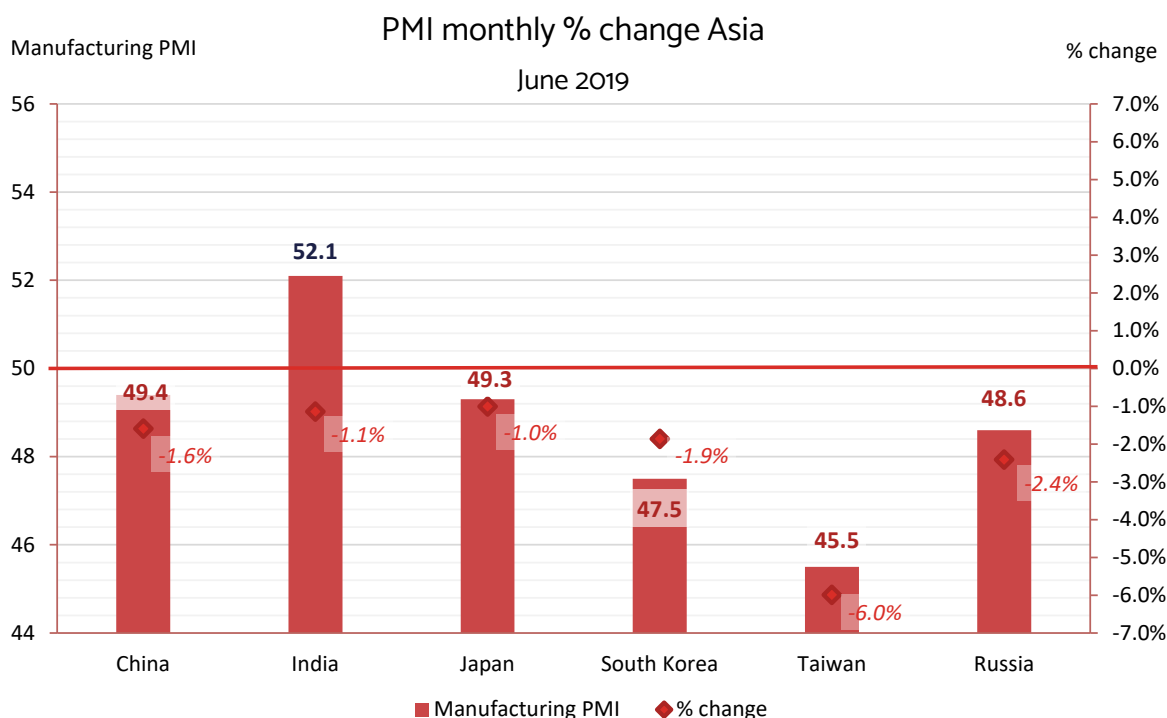
In **France**, the manufacturing sector has seen its fastest rise in output since last August. Manufacturing PMI rose to 51.9 in June (up from 50.6 in May) and hit its highest level in nine months. Demand conditions improved, especially due to new foreign orders from Asia, US and several European countries.
- 

Italian firms recorded the 11th consecutive decline in output and new orders. Export sales deteriorated at the fastest pace since August 2012. Manufacturing PMI registered 48.4 in June, down from 49.7.
- 

Swiss manufacturing PMI fell to 47.7 in June from 48.6 in May, below market expectations and the lowest since October 2012. The fourth consecutive decline in industrial activity was driven by falling production and orders that dropped to the lowest level in 7 years.
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Turkish manufacturing PMO hit its 11-month high of 47.9 in June, up from 45.3. New export orders returned to growth. The improvement of foreign demand helped lead to a softer moderation of new orders.
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UK manufacturing PMI hit a 76-month low of 48.0 in June, down from 49.4. The already high stock levels driven by the pre-Brexit stockpiling slowed down output and new orders intakes. Demand from both domestic and foreign markets weakened.



Trade tensions caused declines in sales, export orders and production for **Chinese** manufacturers. The indicator scored below the 50-no-change mark, but only recorded a marginal deterioration of the manufacturing sector (49.4 in June, after 50.2 in May).



The **Indian** manufacturing sector lost growth momentum in June, following an acceleration in May. The Manufacturing PMI was at 52.1 in June, after May's three-month high of 52.7. Softer upturn in sales underpinned slower output growth. Employment increased at a lower speed.



Business conditions in the **Japanese** manufacturing sector deteriorated for the second month in a row. Manufacturing PMI registered 49.3 in June after 49.8 in May. Production hit its six-month low and decreased at its sharpest pace since March. The period of decline is the longest since 2012-13.



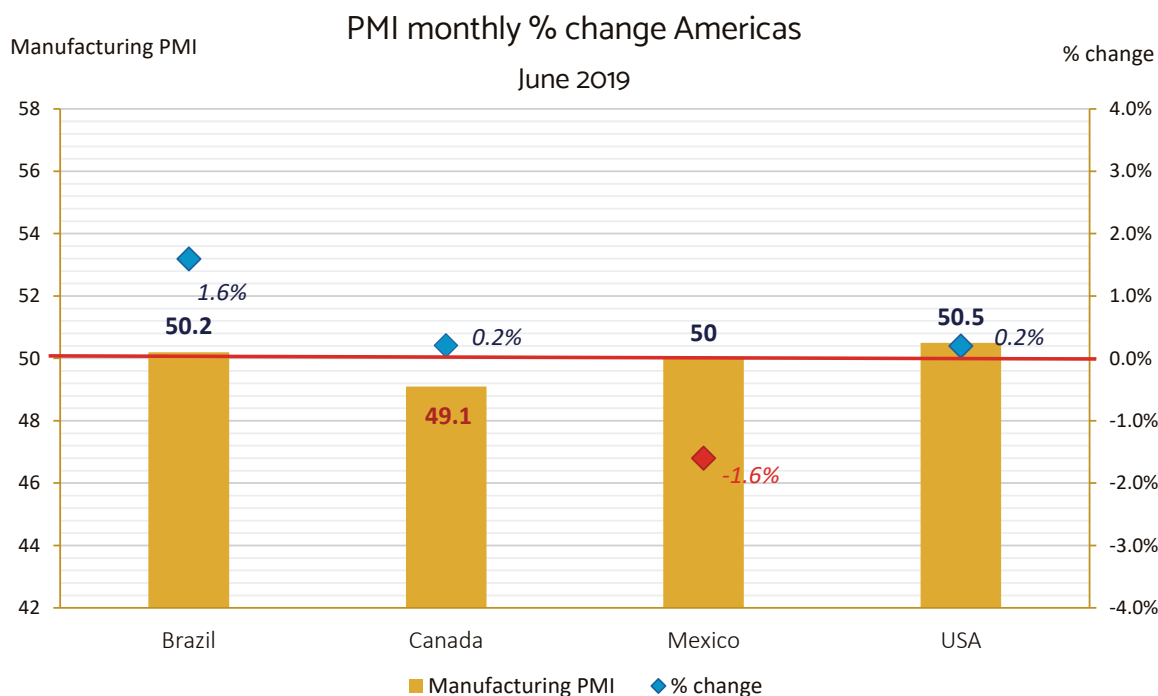
South Korean PMI hit a four-month low in June (at 47.5, after 48.4 in May), as both output and new orders declined at faster rates. The indicator signalled a deterioration of the health of the manufacturing sector for the seventh time.



Manufacturing PMI in **Taiwan** falls at its lowest level since November 2011, hitting 45.5 after 48.4 previous month. Fewer sales and softer demand from domestic and foreign markets (especially China, Europe and the US) dragged down the output.



Russian manufacturing sector deteriorated for the second successive month. The decrease in new business underpinned the fall of the PMI to its lowest in almost a year (48.6 in June, down from 49.8 in May).



US manufacturing PMI posted 50.6 in June, signalling a marginal improvement of the manufacturing sector's health from 50.5 in May. The growth rate for production quickened, due to a rise in new orders, but new employment was the slowest in 3 years.



Subdued economic conditions in the domestic and foreign markets contributed to the sharpest decline of production in three-and-a-half years for **Canadian** manufacturers. PMI picked up fractionally from 49.1 in May to 49.2 in June. Order books have been deteriorating for the past four months.



Operating conditions in **Mexico's** manufacturing sector remained challenging. PMI fell to its lowest since the beginning of the survey (49.2 after 50.0 in May). New orders inflows declined at the swiftest pace in the history of the survey. Weak demand from domestic and external customers, paired with a lack on investment subdued client's confidence.



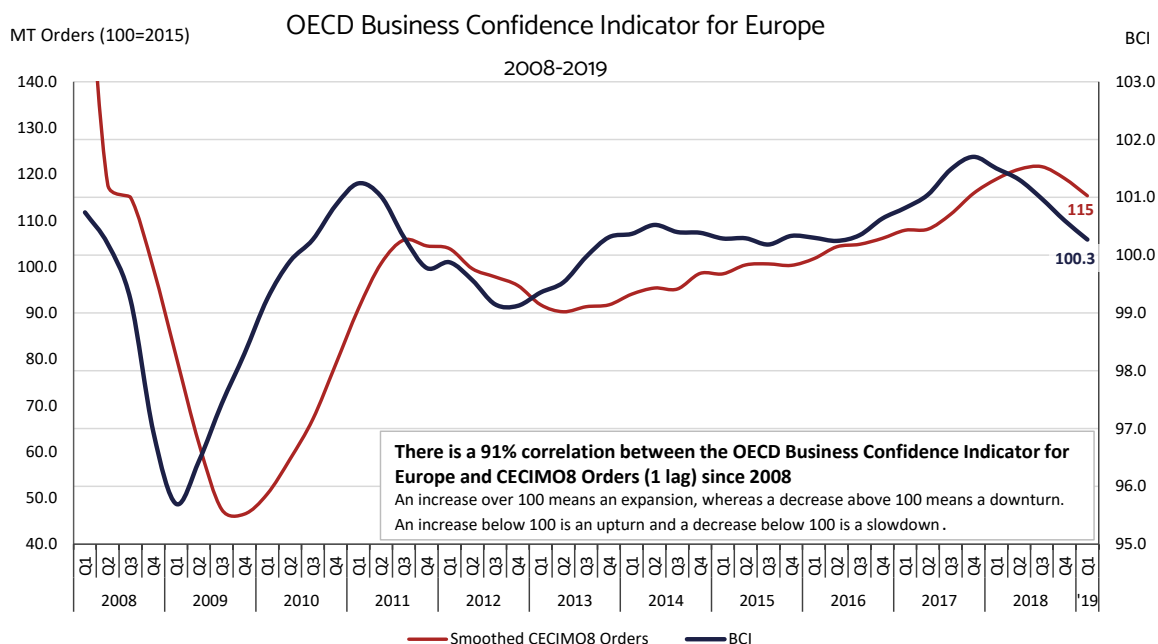
Brazil observed an improvement of its manufacturing industry. PMI rose from 50.2 in May to 51.0 in June. A renewed increase in new work supported production growth and business sentiment, but exports contracted it the sharpest pace in two-and-a-half years.

4.3 OECD Business Confidence Indicator (M)

In May 2019, the OECD BCI for Europe moderately dropped by -0.1% (from 100.1 in April), and **reached the no-change level of 100** for the first time since August 2013.

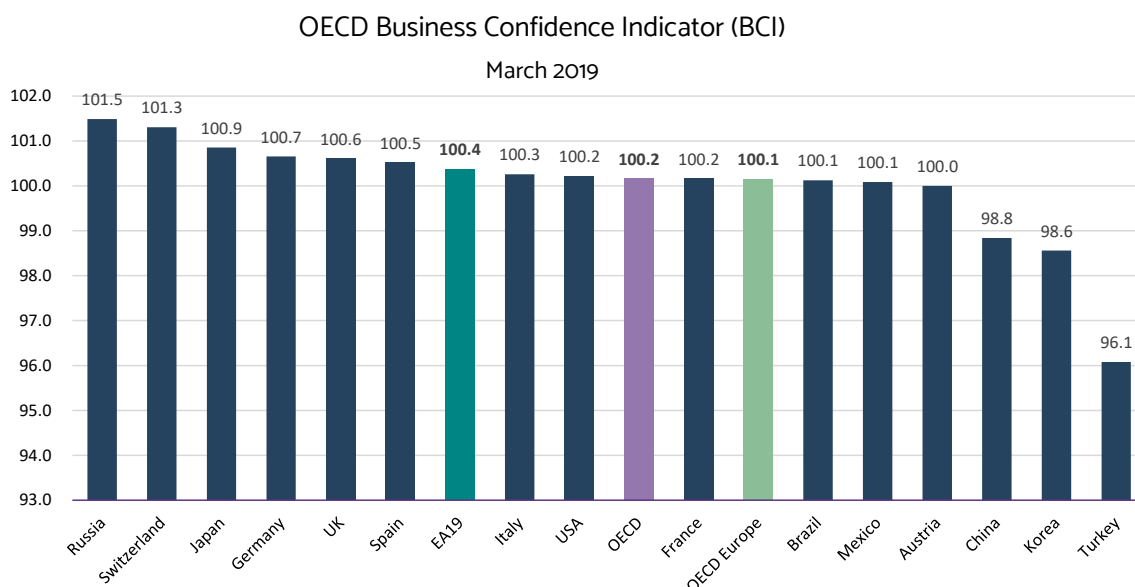
- The BCI for Europe in Q1 2019 averaged at 100.3 – the lowest since the Q2 2016.

Usually CECIMO8 Orders index follows the BCI with 1 to 2 quarters delay. We can expect further decrease in demand for MT.



The latest complete data is available for March:

- Russia registered the highest BCI among the countries of interest (see below)
- China and South Korea scored below the 100-threshold.
- Among CECIMO members, the countries with the highest BCI were Sweden (101.5), Switzerland (101.3) and the Netherlands (101.0).
- Turkey registered the lowest score (96.1).



5. General Indicators

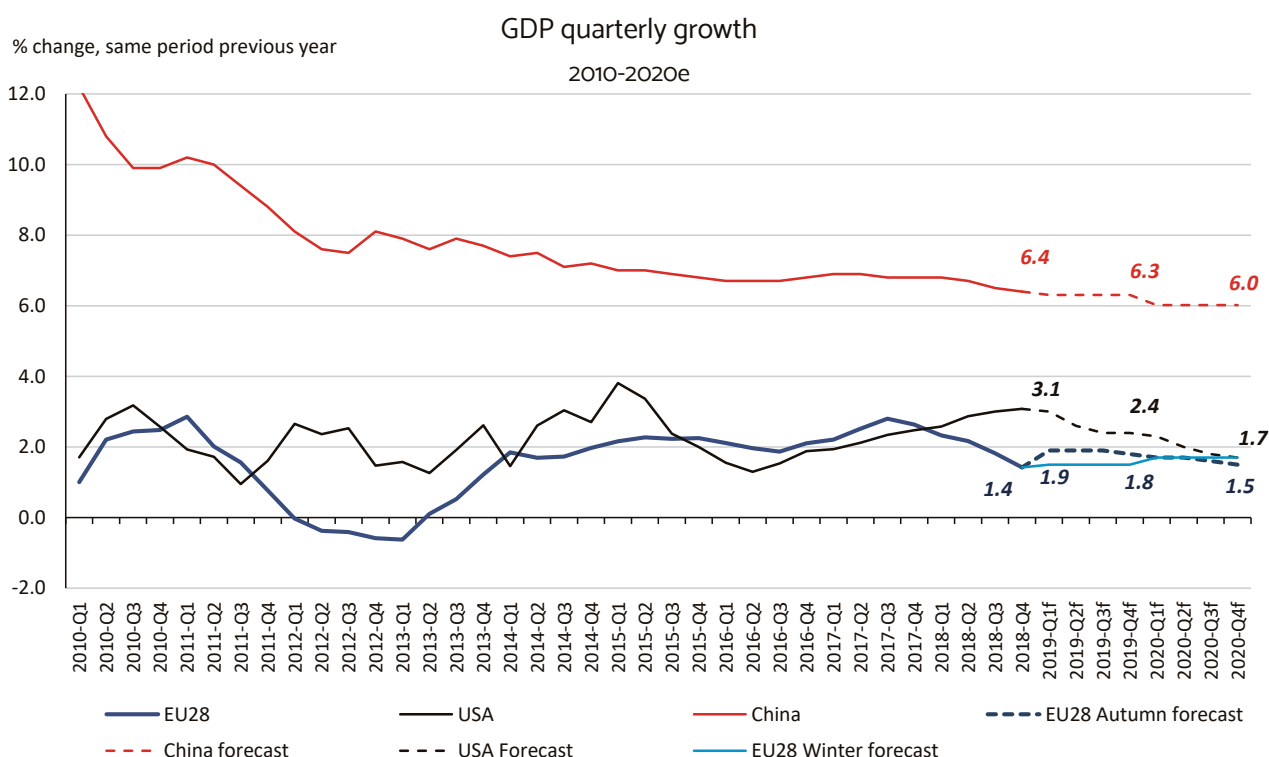
5.1 GDP (M)

Year-on-year quarterly GDP growth in Q1 2019:

- Quarterly GDP rose by +1.2% in **EA19** and by +1.5% in **EU28** (Eurostat).
- GDP in the **US** increased by +3.2% (Eurostat).
- **Japanese** GDP increased by +0.93% (OECD).
- **China's** economy grew by +6.4% (OECD).

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

- **EA19** economy to grow by +1.2% in 2019 and +1.5% in 2020 (European Commission (EC)).
- **EU** GDP to grow by +1.4% in 2019 and by +1.6% in 2020 (EC).
- The **US** GDP to increase by +2.4% in 2019 and +1.9% in 2020 (EC).
- **Japanese** economy to increase by +0.8% in 2019 and by 1.6% in 2020 (EC).
- **Chinese** GDP expected to increase by +6.199% in 2019 and by +6.012% in 2020 (OECD)



Note: quarterly GDP growth rates on the graph (for EU, US and Japan) are estimates from the EC Winter 2019 forecast. The forecasted values for China are annual.

5.2 Inflation (M)

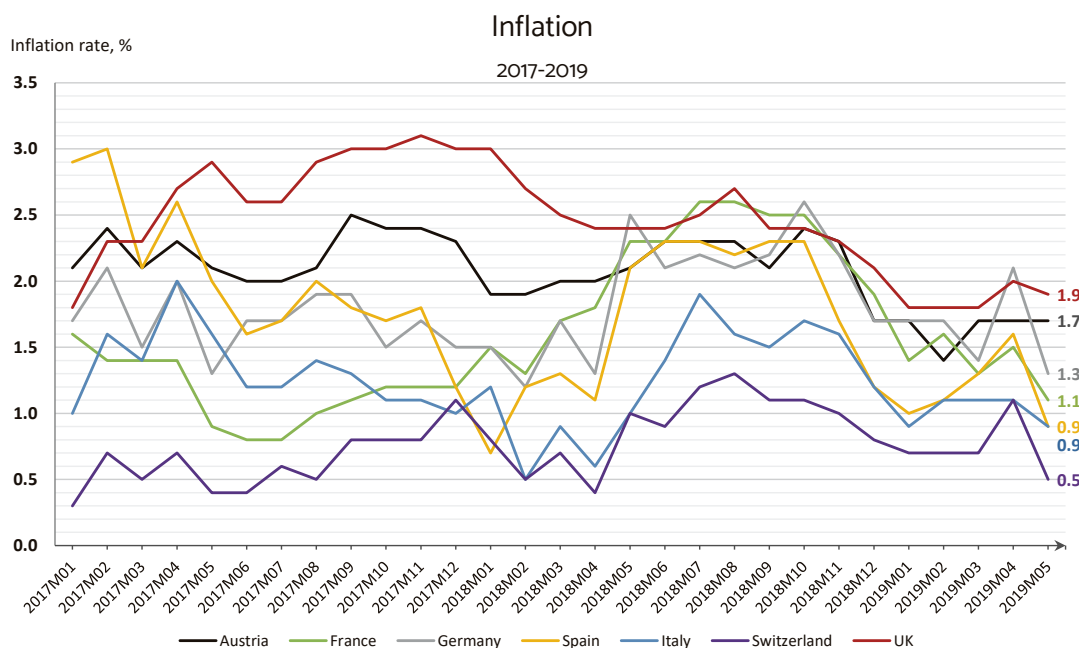
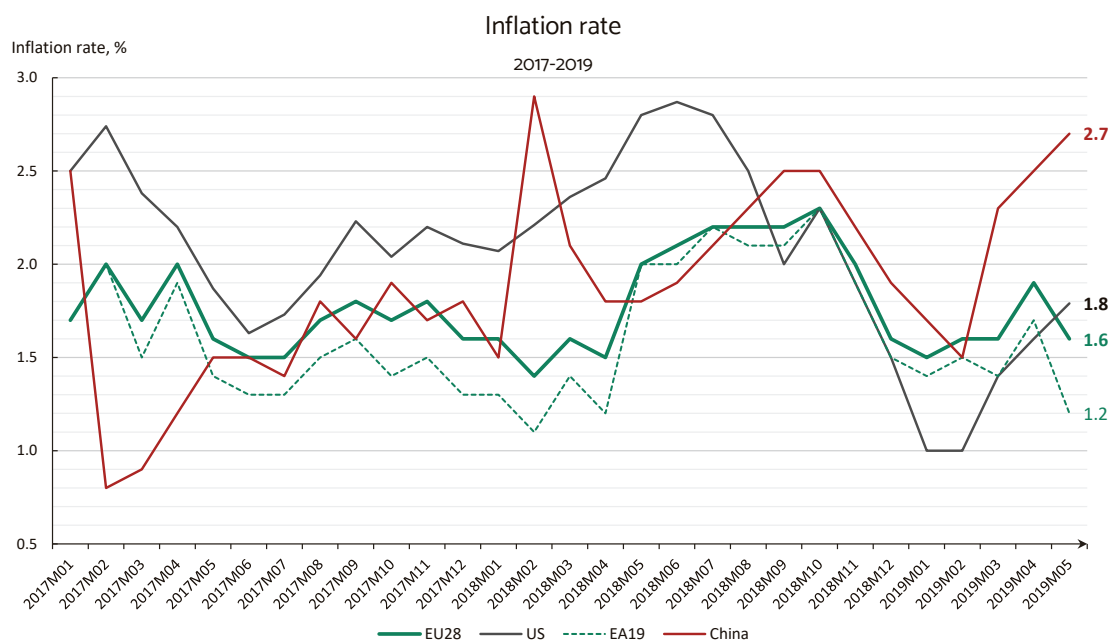
Annual inflation rate was at 1.2% in May 2019 for the Euro area, down from 1.7% in April. The EU inflation rate was at 1.6%, down from 1.9% in April. A year earlier, the rate was 2.0% for both EA and EU.

In the first quarter the annual inflation averaged at 1.4% for the EA and 1.6% for the EU.

- Lowest annual rate among our members were registered in Portugal (0.3%).
- The highest annual rates were recorded in Czechia (2.6%) and the Netherlands (2.3%)
- Annual inflation fell in 16 member states.

Services (+0.47 percentage points), energy (+0.38 pp), food, alcohol and tobacco (+0.29 pp) contributed positively to the inflation. Non-energy industrial products contributed to a lesser extent (+0.08 pp).

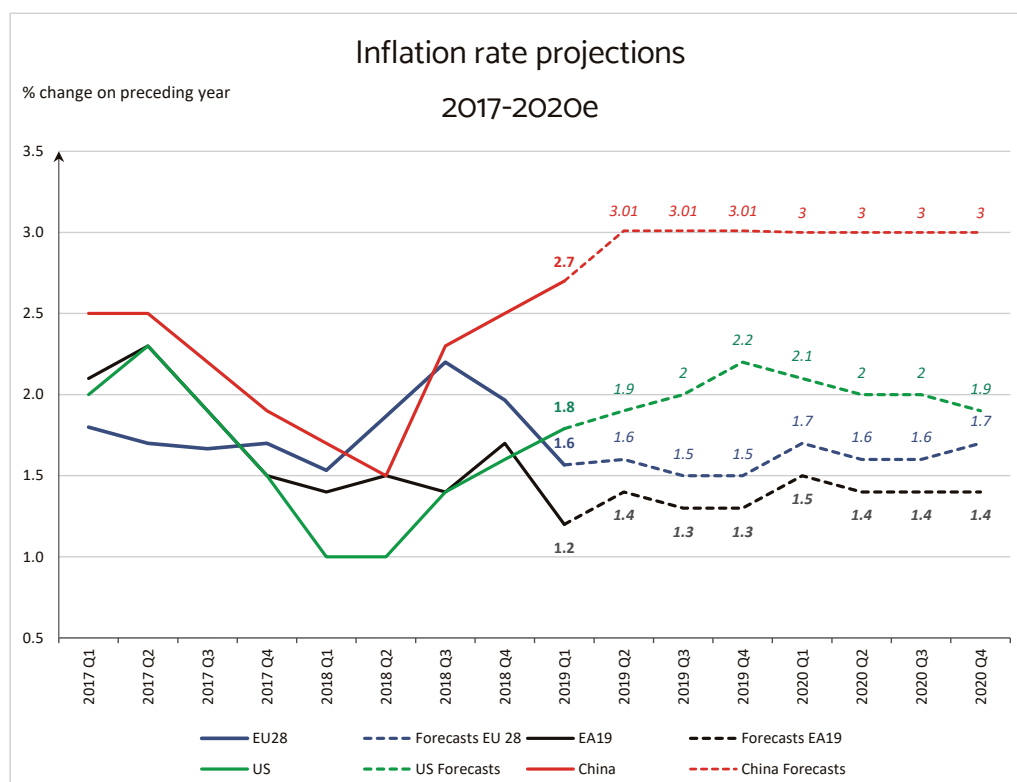
In June, Euro area annual inflation is expected to stay stable at 1.2% and average at 1.4% for the Q2, based on a flash estimate from Eurostat.



Projections:

European Commission's Spring 2019 **Economic Forecast adjusted inflation projections further downwards** for 2019 and 2020, compared to the Winter 2019 and Autumn 2018 economic forecasts:

- EC Spring forecasts for Eurozone: 1.4% in 2019 and 2020.
- EC Spring forecasts for EU: 1.6% in 2019 and 1.7% in 2020.
- EC Spring forecasts for the US: 2.0% in 2019 and 2.2% 2020.
- OECD estimates for China: 3.01% in 2019 and 3.00% in 2020.



Monthly Inflation (%) Q1 2019

	Jan-19	Feb-19	Mar-19	Apr-19	May-19
Austria	1.70	1.40	1.70	1.70	1.70
France	1.40	1.60	1.30	1.50	1.10
Germany	1.70	1.70	1.40	2.10	1.30
Spain	1.00	1.10	1.30	1.60	0.90
Italy	0.90	1.10	1.10	1.10	0.90
Switzerland	0.70	0.70	0.70	1.10	0.50
UK	1.80	1.80	1.80	2.00	1.90

Forecasts (%)

	OECD	EC
	2019	2020
Austria	2.13	1.99
France	1.84	1.84
Germany	2.17	2.16
Spain	1.87	1.74
Italy	1.56	1.39
Switzerland	0.94	1.06
UK	2.25	2.07

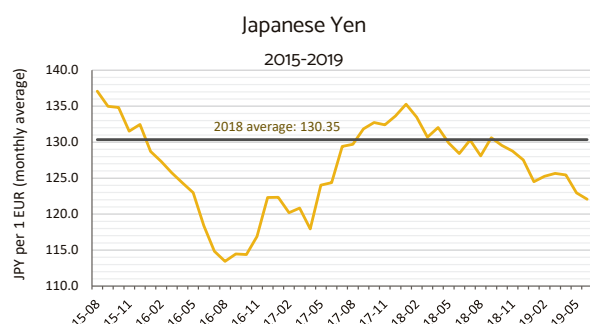
Note: Chinese values are yearly averages.

The improvements in the labour market (employment growth and rising compensation per employee levels) have to yet exert a noticeable impact on inflationary pressures. As economic growth slows, any pick-up in inflation is expected to be delayed.

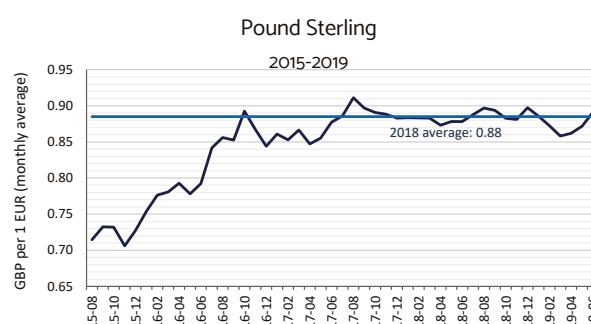
5.3 Foreign Exchange Rates (M)

The Euro has been appreciating and might need to be capped. This is bad news for bloc's exporters who are already bearing negative consequences from trade disputes. ECB policy makers are willing to cut the monetary policy rate to stimulate inflation, in case economic growth weakens in the rest of the year.

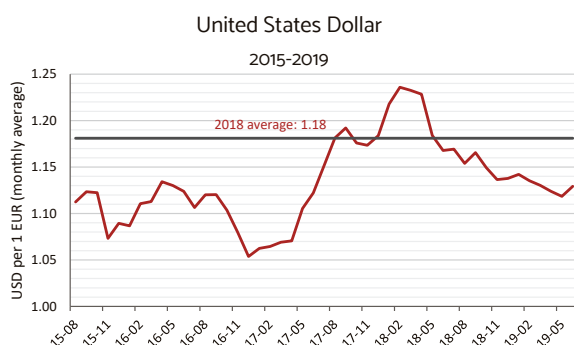
In late May, the US Department of Commerce proposed a list of tariffs to counterbalance the advantage of weaker Euro and Yuan for European and Chinese exporters.



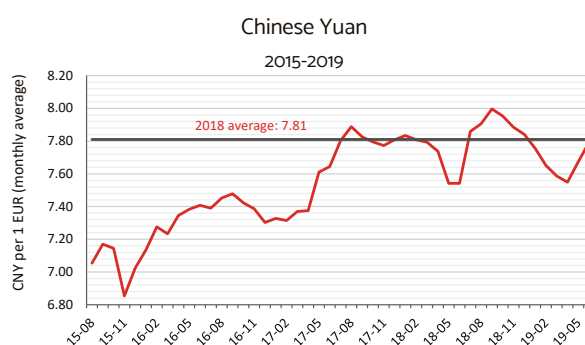
Japanese Yen had a busy first half of 2019, starting with a significant surge of strength that was slowly priced out from January to April. In early May, items of risk aversion began to show.



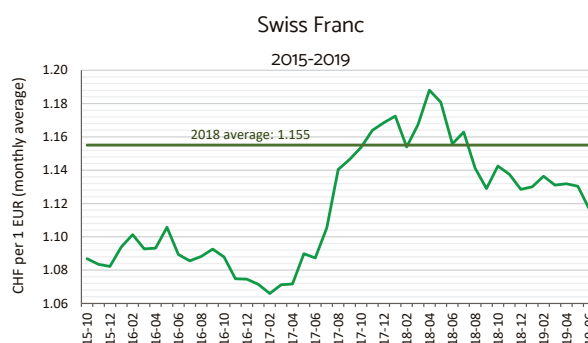
The Pound Sterling sees losses against the Euro in June. Commerzbank anticipates the British pound to struggle in the next months as the contenders for the Conservatives' leadership to replace Theresa May will inject additional political uncertainty.



The dollar has never been so popular. The sentiment around the US currency has improved following a vastly better than anticipated Nonfarm Payrolls release and implications for the Federal Reserve interest rate decisions.



As US President increased again tariffs, Chinese yuan devaluated. It is unlikely that China allows the fall below the psychological level of 7.00 against the USD. Despite the boost for Chinese exporters, such measure can trigger currency outflows, as businesses seek to stabilize their assets.



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

Glossary ⁱ

1.1 CECIMO8 orders

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

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

2.3 Industrial Production Index

The objective of the production index is to measure changes in the volume of output at close and regular intervals, normally monthly. It provides a measure of the volume trend in value added over a given reference period. The production index is a theoretical measure that must be approximated by practical measures. Value added at basic prices can be calculated from turnover (excluding VAT and other similar deductible taxes directly linked to turnover), plus capitalised production, plus other operating income plus or minus the changes in stocks, minus the purchases of goods and services, minus taxes on products which are linked to turnover but not deductible plus any subsidies on products received. Industrial production is compiled as a fixed base year Laspeyres type volume-index.

Base period: Year 2010 = 100.

Source: Eurostat.

3.1 Gross Fixed Capital Formation

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

Source: Eurostat and ECB.

3.2 Capacity Utilisation in the Investment Goods Sector

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

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

3.3 Bank Lending Survey

The bank lending survey is addressed to senior loan officers of a representative sample of euro area banks. Its main purpose is to enhance the understanding of bank lending behaviour in the euro area. The questions distinguish between three categories of loan: loans or credit lines to enterprises; loans to households for house purchase; and consumer credit and other lending to households. For all three categories, questions are posed on credit standards for approving loans; credit terms and conditions; and credit demand and the factors affecting it.

The responses to questions related to credit standards are analysed in this report by focusing on the difference ("net percentage") between the share of banks reporting that credit standards have been tightened and the share of banks reporting that they have been eased. A positive net percentage indicates that a larger proportion of banks have tightened credit standards ("net tightening"), whereas a negative net percentage indicates that a larger proportion of banks have eased credit standards ("net easing"). Likewise, the term "net demand" refers to the difference between the share of banks reporting an increase in loan demand and the share of banks reporting a decline. Net demand will therefore be positive if a larger proportion of banks have reported an increase in loan demand, whereas negative net demand indicates that a larger proportion of banks have reported a decline in loan demand.

<http://www.ecb.eu/stats/money/surveys/lend/html/index.en.html>

3.4 Interest Rates - Euribor

Euribor® (EURO InterBank Offered Rate) is the rate at which euro interbank term deposits are being offered by one prime bank to another within the EMU zone. Monthly data are calculated as averages of daily values from the banks with the highest volume of business in the euro area money markets.

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

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

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

4.2 Purchasing Managers' Index (PMI)

The Global Report on Manufacturing is compiled by IHS Markit and J.P. Morgan in association with ISM and IFPSM based on the results of surveys covering 9.000 purchasing executives in 30 countries. Together these countries account for an estimated 86% of global manufacturing output. Questions are asked about real events and are not opinion based. Data are presented in the form of diffusion indices, where an index reading above 50,0 indicates an increase in the variable since the previous month, below 50,0 a decrease and equal to 50.0 means no change on prior month. All the indices are seasonally adjusted at the national sector level.

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

4.3 OECD Business Confidence Indicator (BCI) for Europe

The Composite leading indicators (CLI), which BCI is part of, comprises a set of component series selected from a wide range of key short-term economic indicators to ensure that the indicators will still be suitable when changes in economic structures occur in future. CLIs are calculated for 33 OECD countries (Iceland is not included) and several regional aggregates, based on enterprises' assessment of production, orders and stocks, together with its current position and expectations for the near future.

These indexes are designed to anticipate turning points in economic activity relative to trend, on average 6 to 9 months before they happen. While theory says that a turning point in the CLI signals a turning point in the reference series, such turning points, in reality, are determined by a complicated process. Turning points in the detrended reference series are usually found about 4 to 8 months in advance. Therefore, one often needs to wait for several periods to draw a more definite conclusion. A useful way to exploit the information in CLIs is to take their year-on-year growth rate.

Typical 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. <http://stats.oecd.org/mei/default.asp?lang=e&subject=5>

Geographical Information

CECIMO countries

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

Euro area (EA) / Eurozone (EZ)

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

European Union (EU)

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

Other Symbols and Acronyms

M / m (Toolbox headings)

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

GDP

Gross Domestic Product

Billion

Billion means one thousand million

US

United States

Q1, Q2, Q3, Q4

1st quarter, 2nd quarter, 3rd quarter, 4th quarter

EUR / €

Euros

USD / \$

United States Dollar(s)

CHF

Swiss Franc(s)

ECB

European Central Bank

Fed

Federal Reserve (System), the US Central Bank

GBP

Great Britain Pound(s), the Pound Sterling

IMF

International Monetary Fund

WB

World Bank

MT

Machine tools

CECIMO countries

Countries whose machine tool sector is represented by CECIMO



cecimo

European Association of the Machine Tool Industries
and related Manufacturing Technologies

Member Associations

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www.metalltechnischeindustrie.at

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

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

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

Finland: Technology Industries of
Finland
www.teknologiateollisuus.fi

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

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

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

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

Portugal: AIMMAP
Associação dos Industriais
Metalúrgicos, Metalomecânicos e
Afins de Portugal
www.aimmap.pt

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

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

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

Turkey: MIB
Makina Imalatçileri Birliği
www.mib.org.tr

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

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