



CEMA Business Barometer

Executive summary report February 2015



Low order stock increases uncertainty

Executive summary of the February survey

The European agricultural machinery industry is facing a significant weakness in demand compared to the past (boom) years. The average new order stock went down to 9 weeks in terms of production capacity, which is 2 weeks less than one year ago. Only 10% of the companies currently possess order volumes that will utilize their production for more than 3 months.

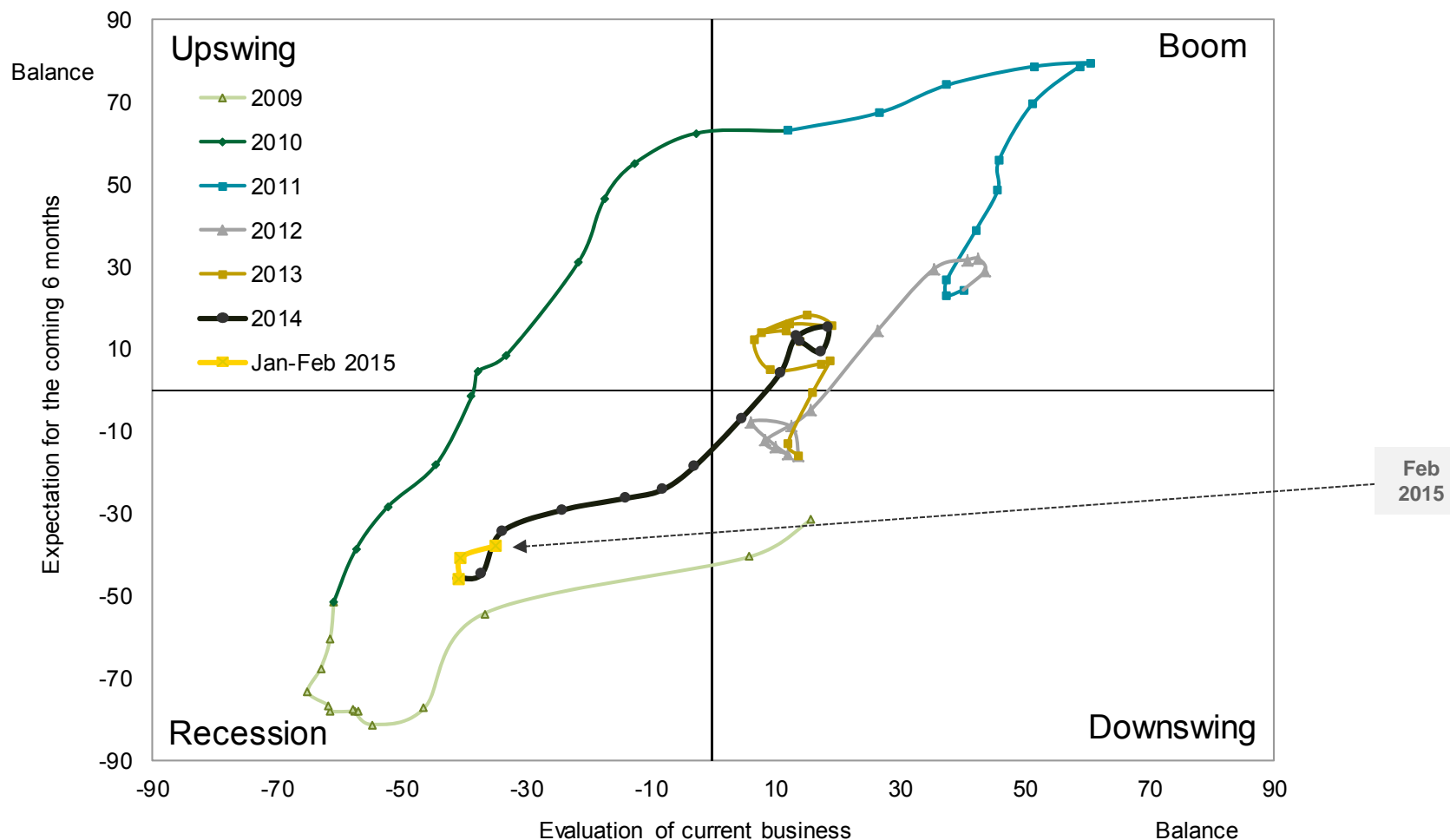
These weak signals from the market lead to an unchanged cautious evaluation and outlook for the business. Every second industry representative is not satisfied with the current situation, and only 16% expect their turnover to grow. The fact that the business climate index (which is calculated from these indicators) has risen by 9 points for the past 3 months should not be over estimated – it does not yet illustrate a basic economic change for the industry.

However, it includes and indicates a certain higher level of content in Spain and Italy, where recently the order intake has come up again. Accordingly, the growth expectations have become higher for these two markets. On the other hand, the situation in France seems to remain difficult. Sales were at least “flat” in January, but new order stimuli were missing again. A similar situation can be reported for Germany, the biggest market of the continent.

The regional outlook within Europe remains rather bearish. A slight growth is only anticipated for Spain and Switzerland, while sales perspectives for the CIS region have become even weaker than in 2014.

Business Climate

Illustration of Business Cycle

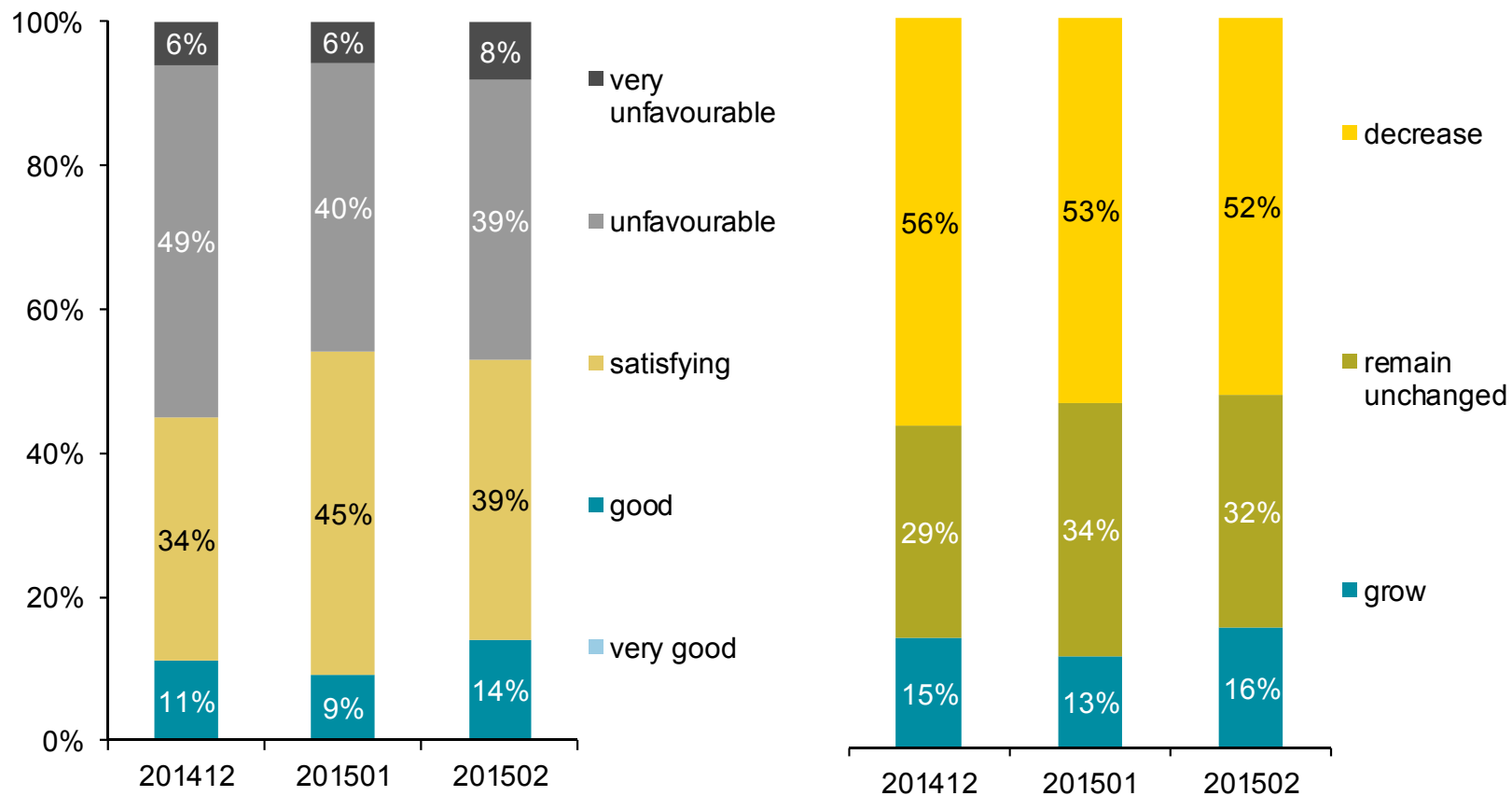


Source: CEMA Business Barometer, each value as an average of the last two months

Slightly better current situation, while outlook remains very cautious.

Question: We consider our current business to be

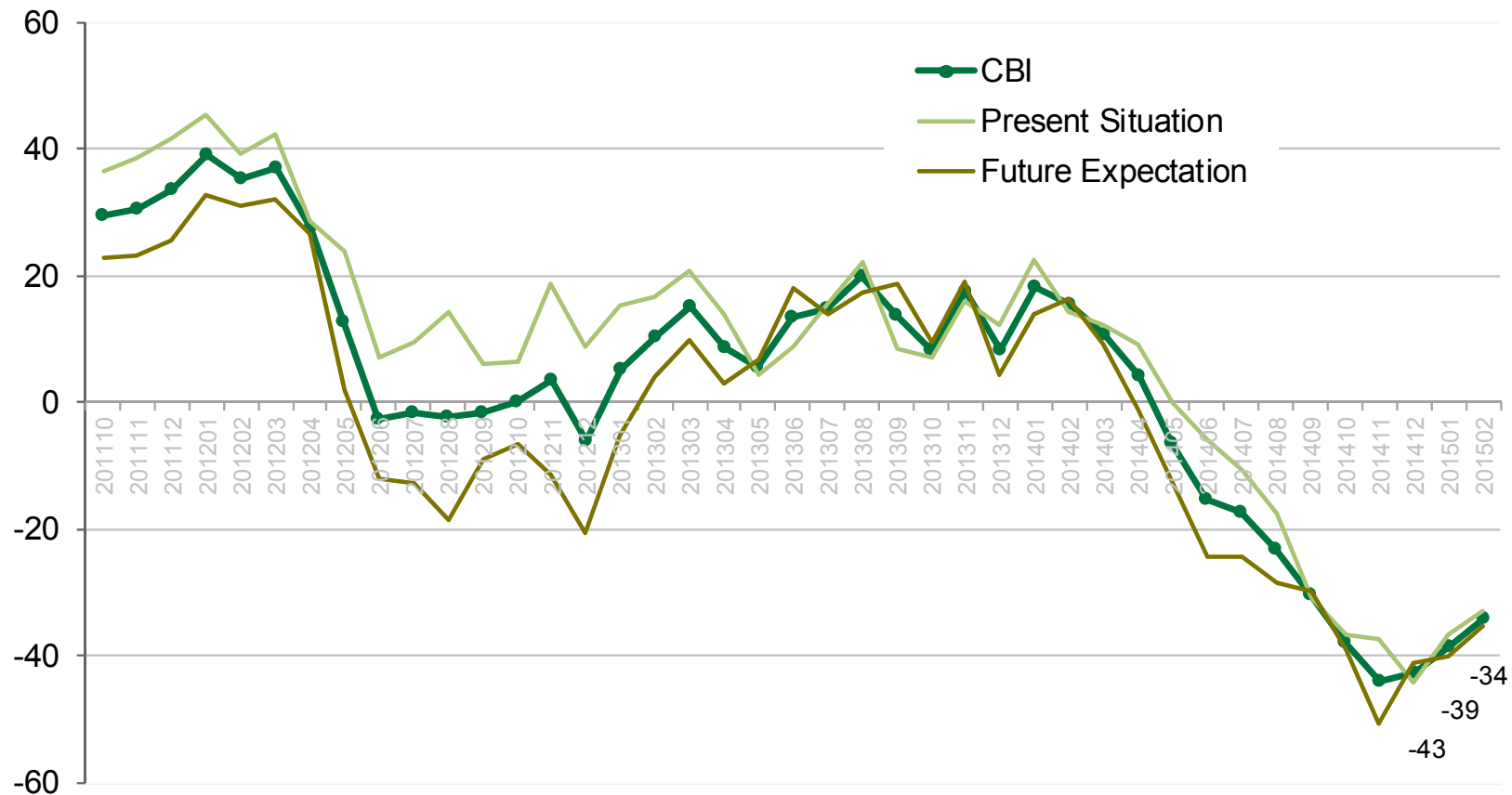
Question: We expect our overall turnover within the next 6 months to....



Source: CEMA Business Barometer

Increasing business climate index – but it is too early to be regarded as a trend change

CEMA Business Climate Index (CBI)



Perspectives for the major markets remain rather low.

Ranking according to the expected turnover on the single European markets

	Country	Index	Variation*	
		201502	201501	201502
1	Spain	9	6	-3
2	Switzerland	4	2	5
3	UK + Ireland	-4	3	-3
4	Czech Republic + Slovakia	-4	12	-7
5	Poland	-5	3	0
6	Italy	-9	5	5
7	Austria	-13	0	1
7	Romania	-13	9	-5
9	Germany	-15	7	-2
10	Other new EU member states	-19	3	-8
11	Scandinavia (DK, N, S) + FIN	-20	5	-15
12	Belgium	-20	-2	-2
13	France	-21	10	-1
14	Netherlands	-21	12	-11
15	CIS countries	-52	-1	-2


* variation in index points compared to previous month


Status February 2015

Explanatory note:

Possible index scale: from -100 to +100

All single market indications given in the survey are summed up and weighted according to the extent of expected decrease/increase

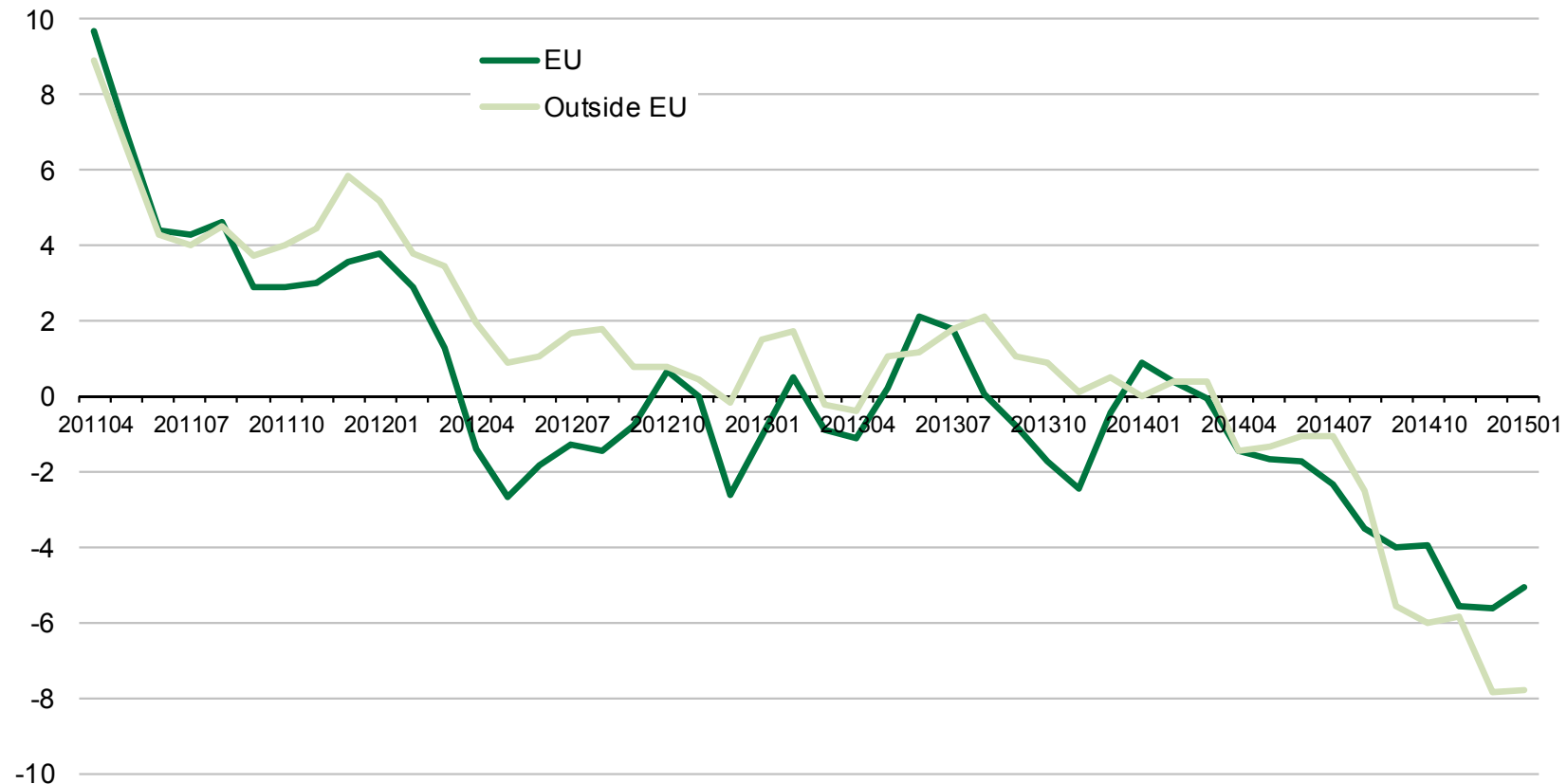
 → positive index value illustrates prevailing expectation for **increasing** turnover in this market over the next six months

 → negative index value illustrates prevailing expectation for **decreasing** turnover in this market over the next six months

Country ranking ascending from highest increase resp. lowest decrease to lowest increase resp. highest decrease

Order trends between -5 and -10%...

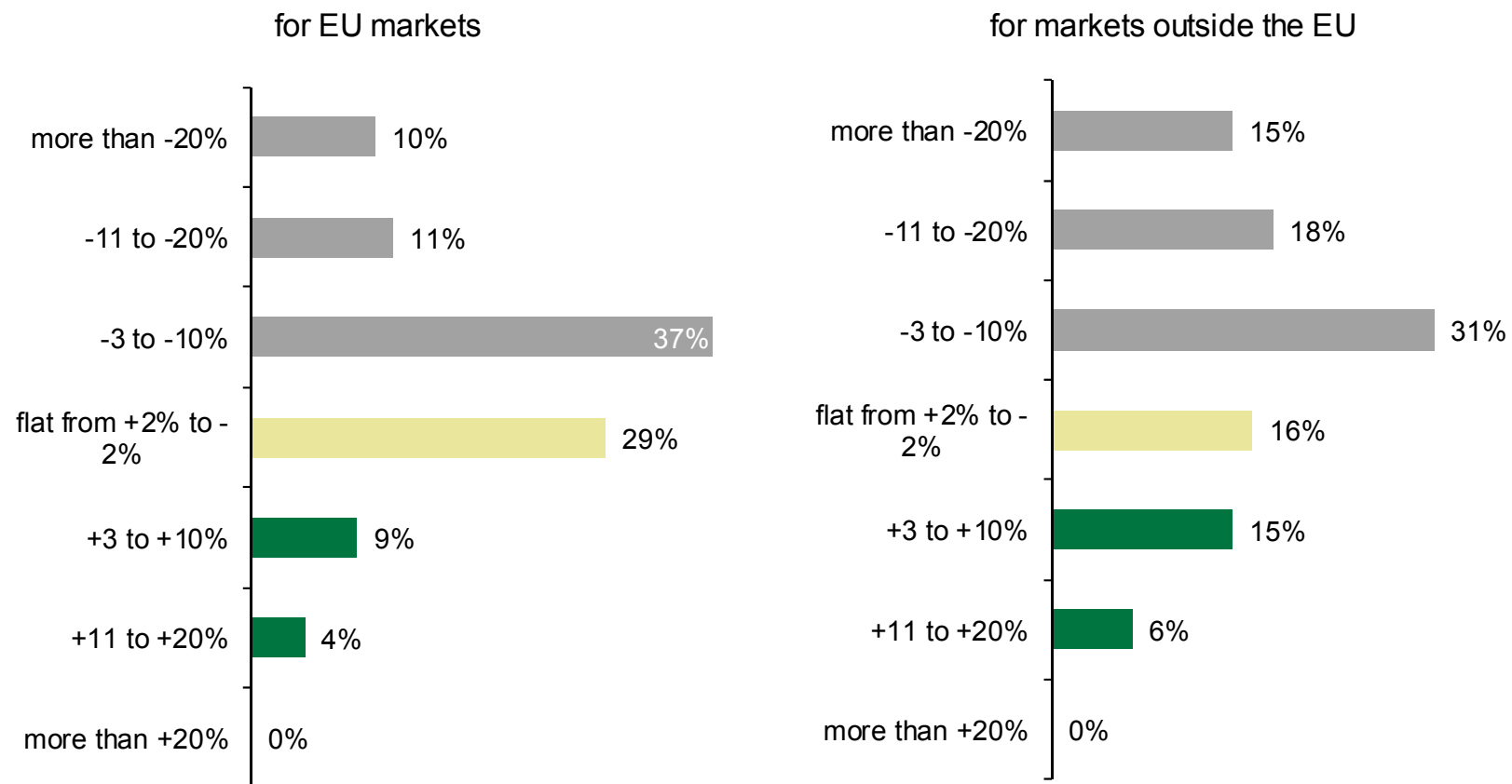
Order intake development: % change trend for EU and non-EU markets
calculated as an unweighted average value and illustrated as an average for the past two months



Source: CEMA Business Barometer, last indication for Jan 2015

... showing similar average trends inside and outside Europe

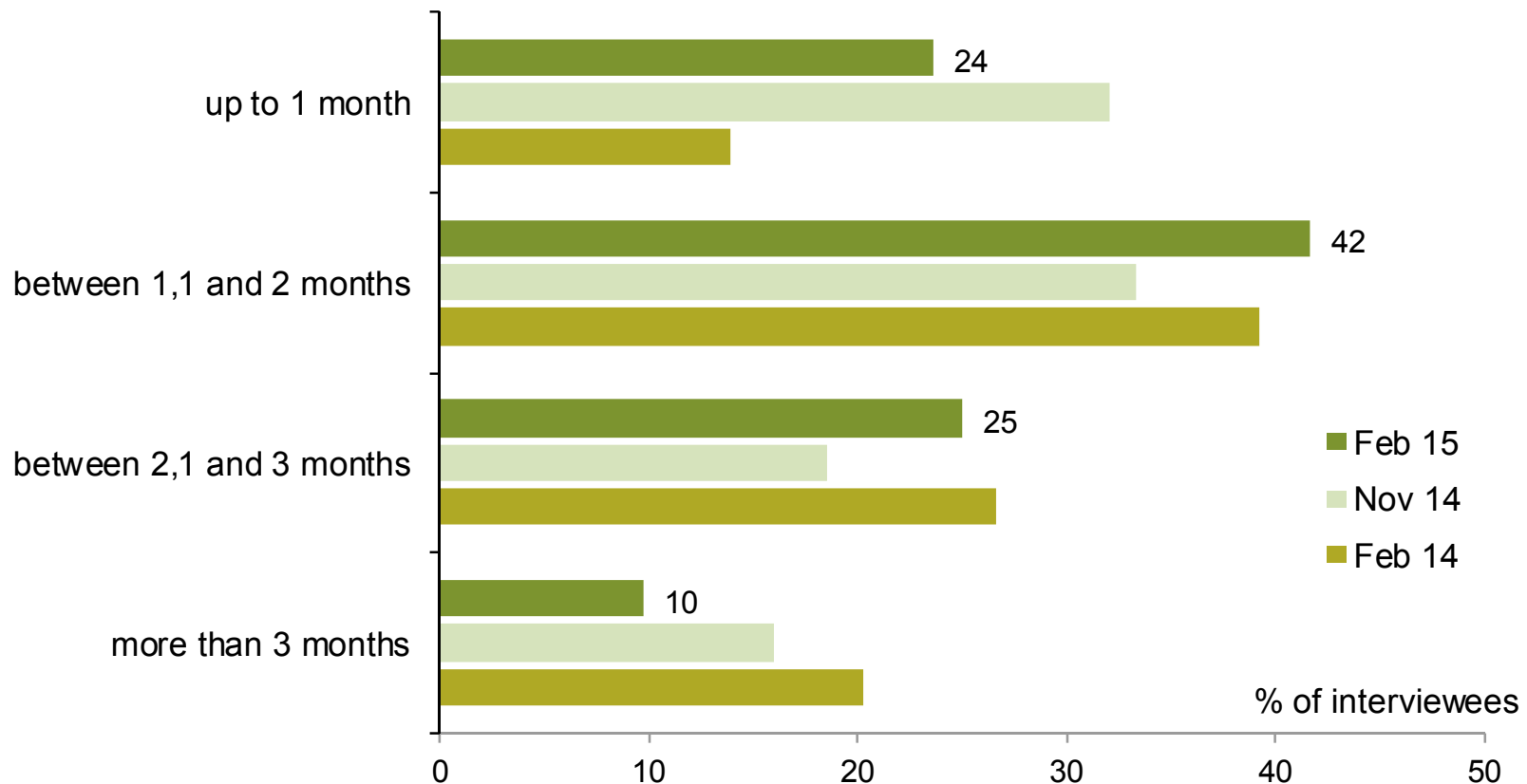
Question: Compared to the same period a year ago our volume of **incoming orders** in the past month developed as follows:



Source: CEMA Business Barometer February 2015

2/3 of the companies report order stock levels up to 2 months.

Question: Our volume of orders corresponds currently to a production period of ... months.



Source: CEMA Business Barometer

Current Voices of the Industry

Selection of participants' comments with indication of their origin by country

- ▶ « We were surprised by the speed of the decline. » (Germany)
- ▶ « The CIS markets remain highly problematic and might fal out completely for the season 14/15 (grassland machinery). A lower milk price and the end of the quota regulation are producing a depressive mood among dairy farmers. » (Germany)
- ▶ « Farmers are hesitant to confirm new investment orders. Milk price (trend) is negative and does not provide the required confidence. » (The Netherlands)
- ▶ « The biggest cause for concern at present is the dairy sector where low prices have stalled the market. It is understood that almost 100 producers went out of the industry in January alone. » (United Kingdom)
- ▶ « There is a significant pressure towards higher competition and on the prices. » (Spain)
- ▶ « French turnover is mainly supported by the wine sector this month. Our contracts for the temporary employees will not be totally renewed. January was a very quiet month, both regarding the French market and exports. No vision of a resumption of activity in the short term. » (France)