



# CEMA Business Barometer

Executive summary report May 2015



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# Recession trends cover all European markets now.

## Executive summary of the May survey

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The sentiment of the European agricultural machinery industry remained more or less unchanged in the last survey compared to the slightly improved trends that we saw in April. After the strong decline in business over the past nine months, the level of orders and sales has reached a new base. Only a minority of the managers thinks that this base will become considerably lower during this recession phase. So the expectation meanwhile goes towards an overall “flat development”.

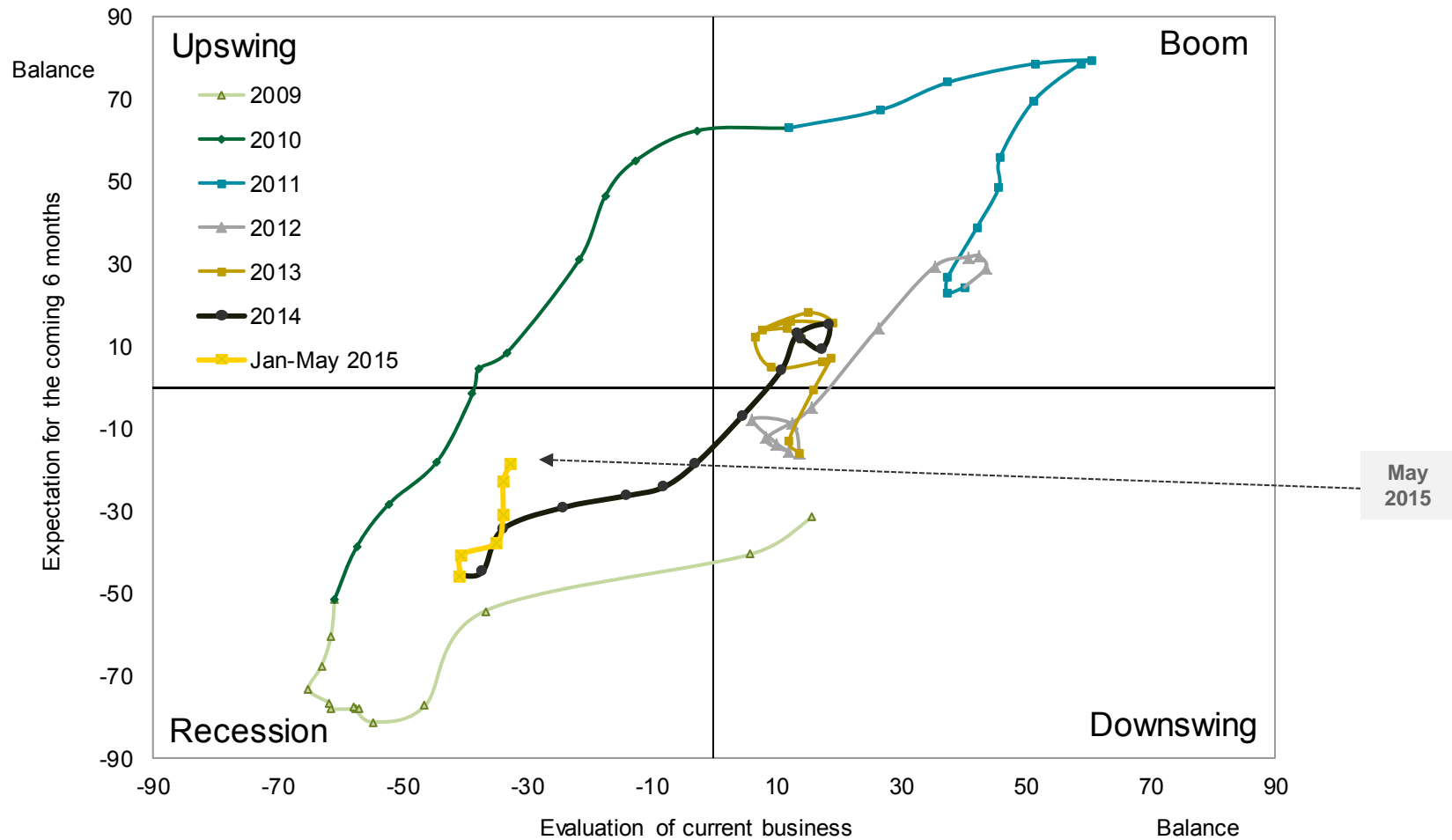
On the other hand, an astonishing result in this survey was that the concrete market expectations by country have all fallen back again, contrary to the changed picture one month ago, so there is a kind of “zigzag development” over the past few months, which might be the expression of uncertainty. There is no single European market left now for which the industry expects a higher demand in the following short-term period. For Germany and France, expectations have slightly deteriorated so that now around 50% and more expect a further decline, although only to a limited extent.

The reach of the orders on hand is 2.2 months currently. Since the start of this survey, only in 2010, this value was minor at this point of time. Most companies do have a visibility for their business that only reaches from one to two months of production time.

The workforce in the companies has already been reduced, so that the speed of further reduction is lower now. Temporary workers are even hired by some companies in order to manage the high season business.

# Business Climate

## Illustration of Business Cycle

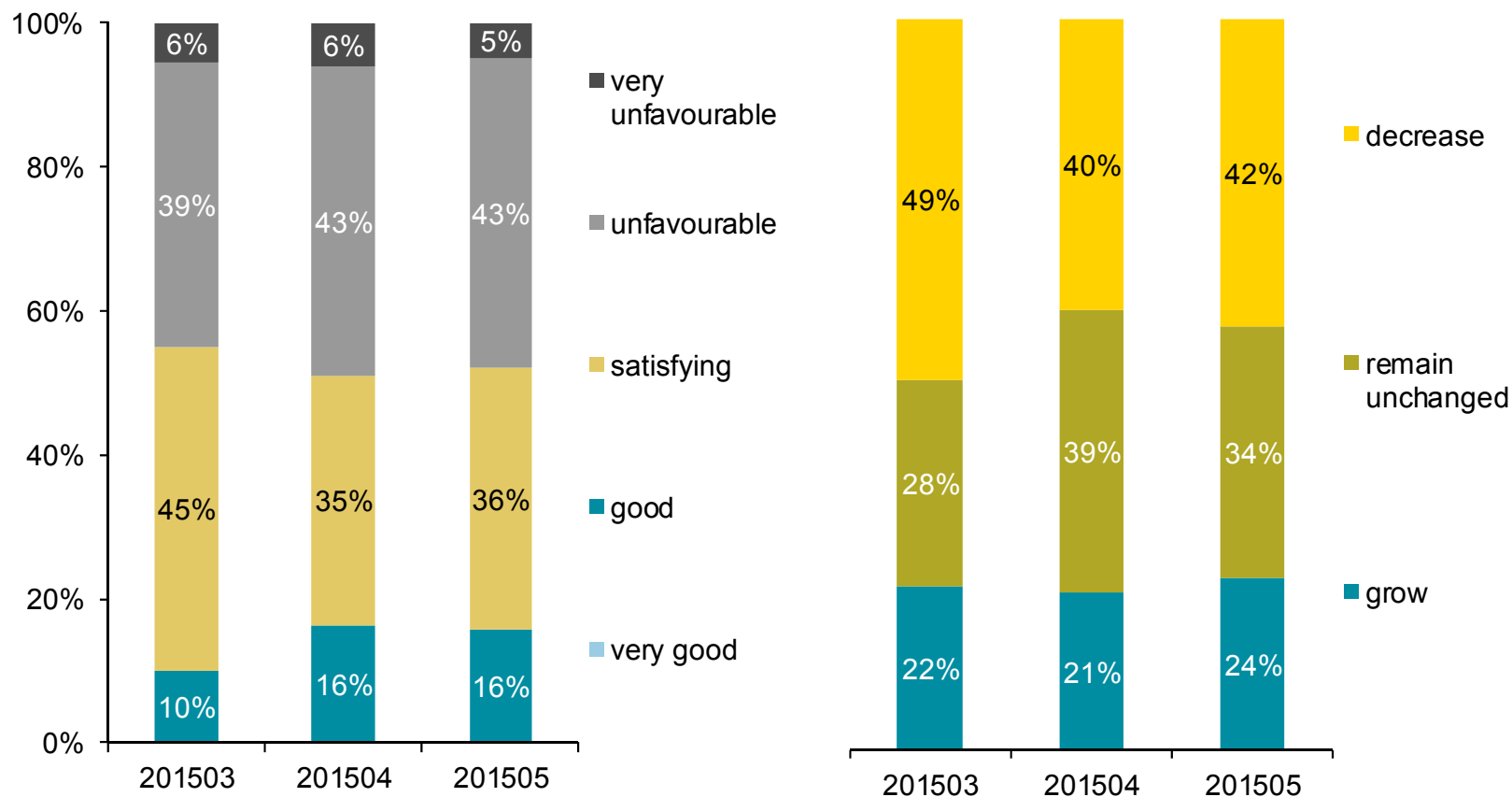


Source: CEMA Business Barometer, each value as an average of the last two months

# Similar overall trends in current business evaluation and expectation: slightly negative in the short-term view

Question: We consider our current business to be ....

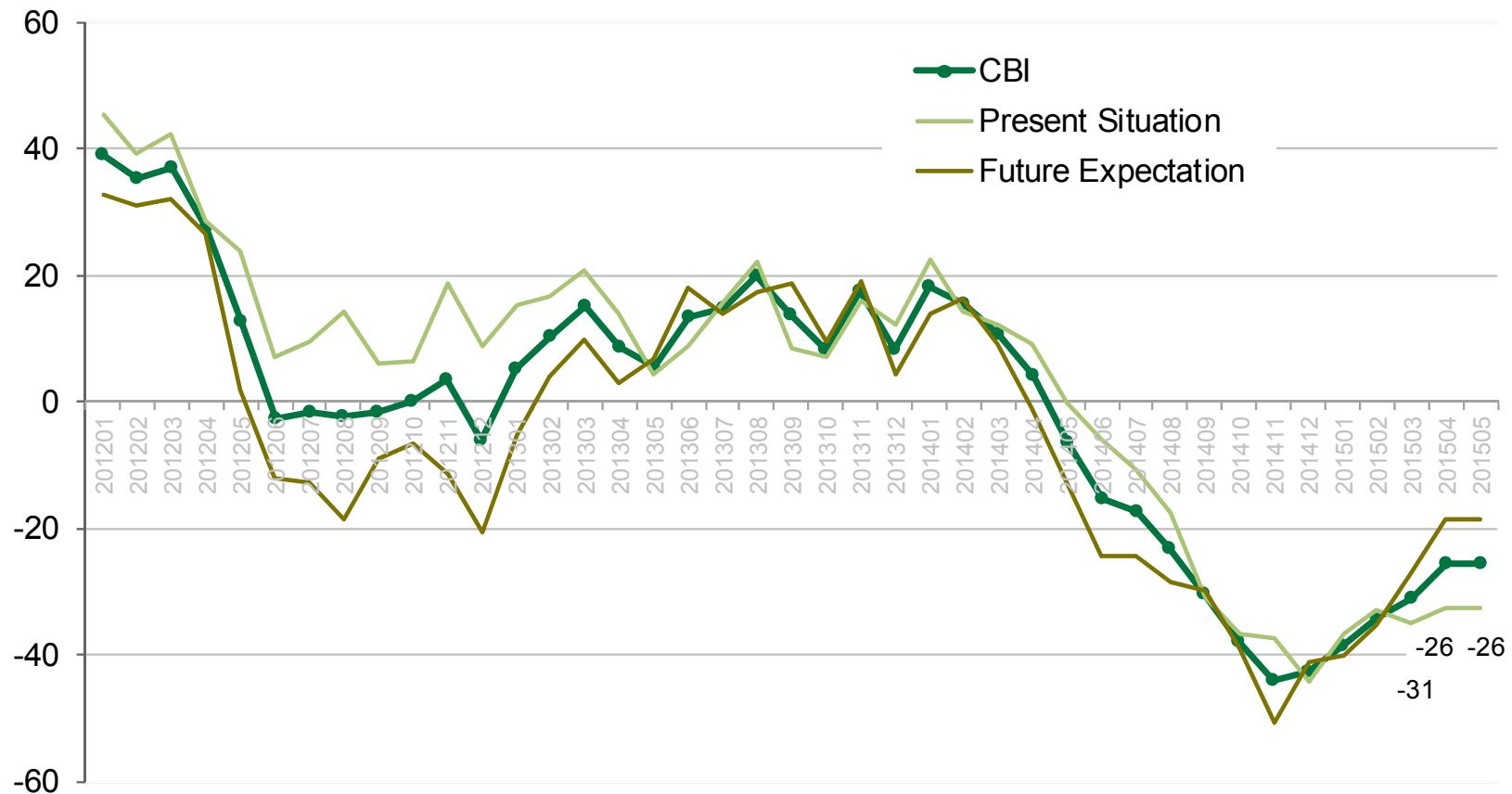
Question: We expect our overall turnover within the next 6 months to....



Source: CEMA Business Barometer

# Business climate is remaining on low levels.

CEMA Business Climate Index (CBI)



Source: CEMA Business Barometer

Index = sum of 1) evaluation of the current business situation and 2) turnover expectation, scale from -100 to +100

# Recovery trend of previous month is set off again for the European markets


	Country	Index		
		201503	201504	201505
1	Switzerland	7	10	1
2	Spain	11	12	0
3	Poland	-2	5	-5
4	Italy	-9	3	-5
5	UK + Ireland	-2	0	-6
5	Czech Republic + Slovakia	-4	0	-6
7	Romania	-12	-10	-8
8	Scandinavia (DK, N, S) + FIN	-21	-5	-12
9	Other new EU member states	-21	-12	-13
10	Belgium	-18	-16	-13
11	Netherlands	-21	-17	-15
12	Austria	-9	-9	-17
12	Germany	-21	-17	-23
14	France	-27	-17	-25
15	CIS countries	-50	-49	-41


Status May 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

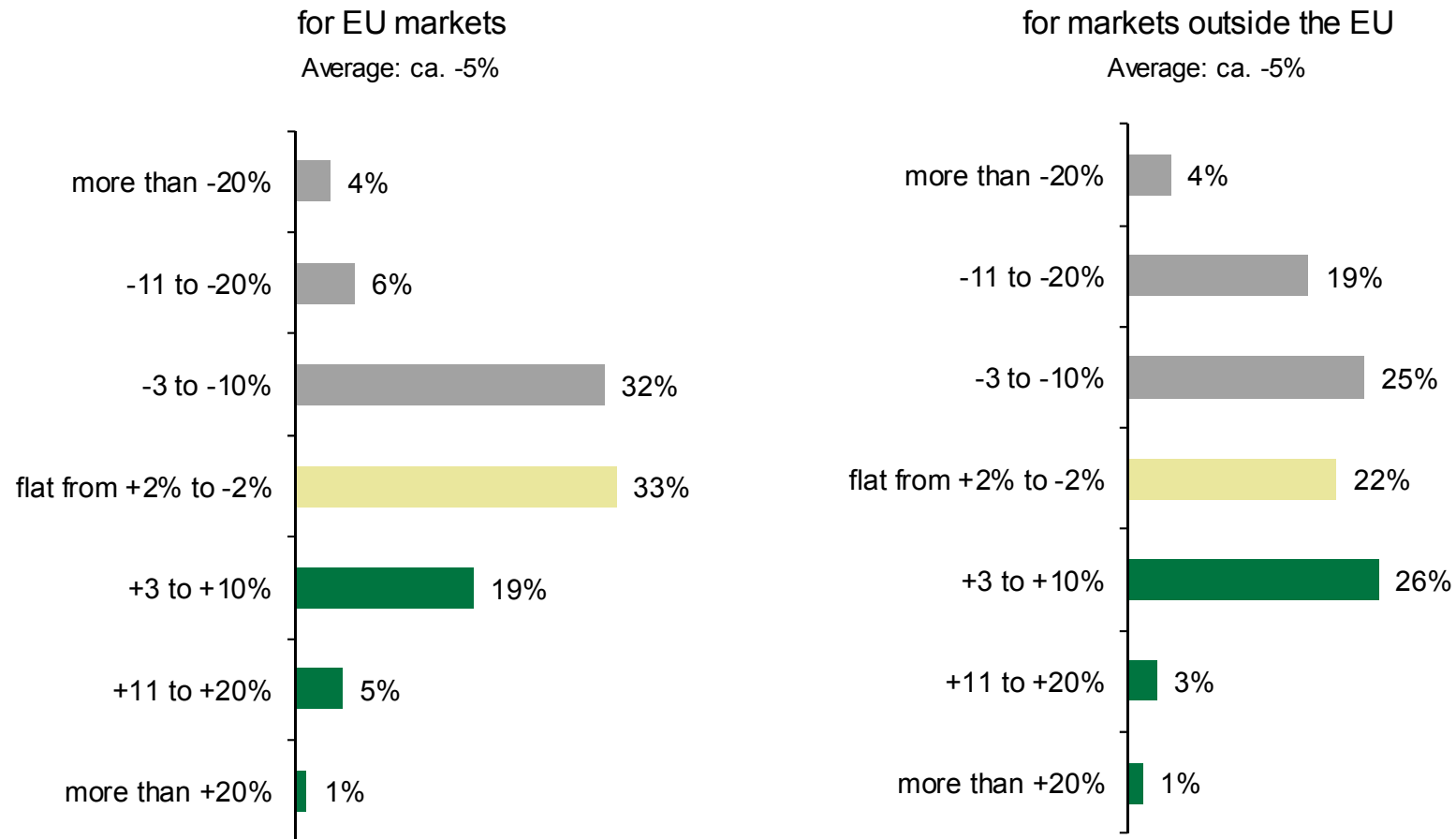
 → positive index value illustrates prevailing expectation for **increasing** turnover in this market over the next six months

 → 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

# Slight decline of turnover in April

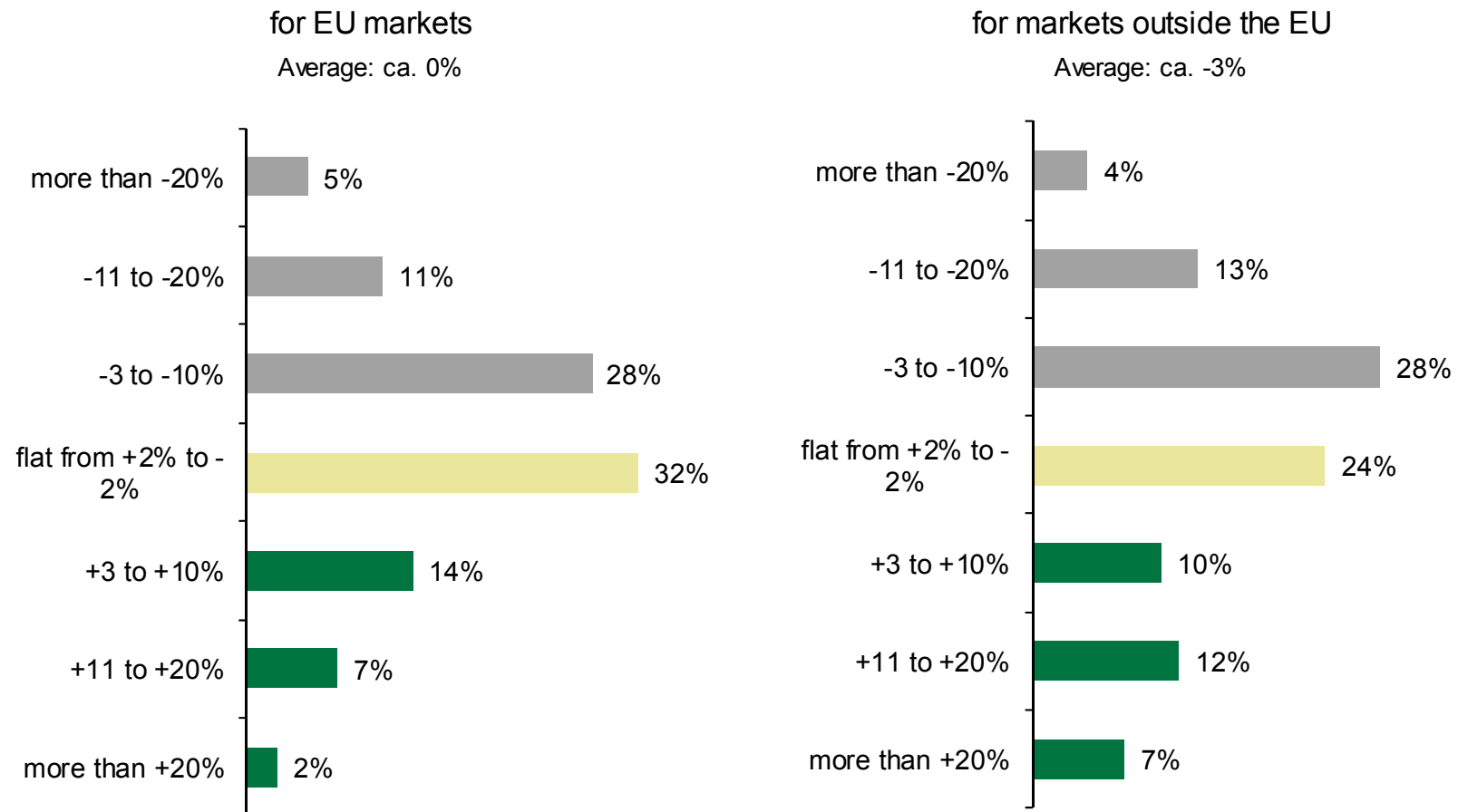
Question: Compared to the same period a year ago our **turnover** in the past month developed as follows:



Source: CEMA Business Barometer May 2015

# No major impulses for new orders

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

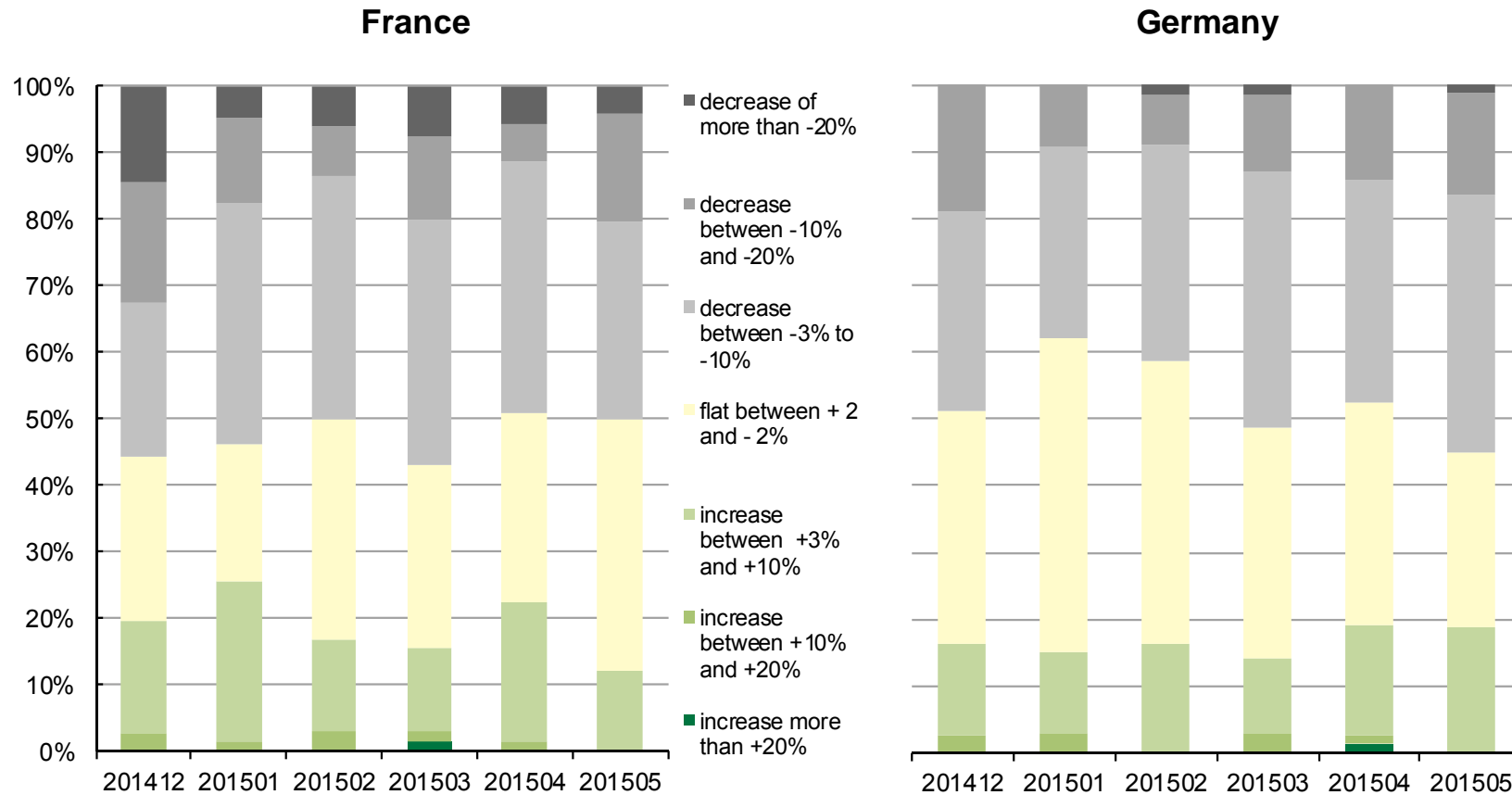


Source: CEMA Business Barometer May 2015



# Major markets in Europe remain „bearish“.

Question: Turnover expectation for the next 6 months on the two biggest European markets



Source: CEMA Business Barometer

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# Current Voices of the Industry

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

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- ▶ « Dealers are nervous to order new machines due to high numbers of 2nd hand machines in their possession. » (United Kingdom)
- ▶ « Due to the lack of rainfalls, the crop season will be below 2014 level, and we think (sales) won't be better than in the previous year despite the general economic upswing of the country. » (Spain)
- ▶ « The climate has been really positive this spring, and if the prices follow, we can surpass the 2014 level. » (Spain)
- ▶ « Market trend is uncertain and customers are waiting for higher cereal prices. » (Spain)
- ▶ « ... confirmation of new orders are delayed to the maximum, which leads to higher request for flexibility. Additionally, pressure on sales prices is increased and thus profitability badly affected. » (Spain)
- ▶ « Quoting activity in CIS picked up recently but quotes did not turn into orders yet. Market situation in South America deteriorated due to weak local currencies (even against the Euro). Depreciation of the Euro expected to support export business in some regions in the coming months. » (Belgium)
- ▶ « Sales tunnel is reasonably filled, however farmers just delay final decision making. The unclarity in available subsidies delays order intake in Nordics and Eastern Europe. The French and German markets remain very sluggish. » (The Netherlands)
- ▶ « French farmers mood is remaining uncertain. » (France)
- ▶ « ...The delay of the season and the trends in arable farming bring a big decline in orders. Very uncertain market until the next harvest. » (France)