Turnover drop between 5 and 10% for European industry
Executive summary of the June survey

Every second company representative in the agricultural machinery industry sees his business to be in an unfavorable condition at the moment. Together with a lower share of those who claim the contrary, the business climate slightly declined by 3 index points in this month. Recession is manifest, but there are some optimistic views getting ground among component manufacturers – the ones who should be the first in the machinery supply chain to feel a change in demand.

A confirmed trend is the continuously better performance of the lawn and garden segment – a niche of our industry that depends on different customers.

Turnover in May declined again, as well as the new order intake. Nevertheless, the extent of decline again was rather moderate in average, so that the European industry realistically does not lose more than 10% of its revenue for the calendar year 2015. Indeed, the correspondent question referring to turnover forecast in this survey had never shown a very pessimistic view. The new European average in June was -5% (compared to -3% one quarter ago).

On the other hand, the single market perspectives remain bearish, although the country indices went slightly up again for 10 of the 15 markets in scope. But in total, there is no growth in sight.

A considerable share of participants reports that they now have to concede longer payment periods for their deliveries to the distributors – especially in Italy and Germany.
Business Climate
Illustration of Business Cycle

Source: CEMA Business Barometer, each value as an average of the last two months
A rather pessimistic evaluation of the current business is predominant again

Question: We consider our current business to be ….
- very unfavourable
- unfavourable
- satisfying
- good
- very good

Question: We expect our overall turnover within the next 6 months to:
- decrease
- remain unchanged
- grow

Source: CEMA Business Barometer
Better future expectations still need to be proved (by real figures)

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
Component manufacturers recently see more potential for growth in the short run

Expectation for turnover in the next six months (> 0: increase, < 0 decrease)

Source: CEMA Business Barometer, Index from +100 to -100
## Improvement for country indices, but still with overall negative perspectives

Ranking according to the expected turnover on the single European markets

<table>
<thead>
<tr>
<th>Country</th>
<th>201504</th>
<th>201505</th>
<th>201506</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Switzerland</td>
<td>10</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>2 Spain</td>
<td>12</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>3 Czech Republic + Slovakia</td>
<td>0</td>
<td>-6</td>
<td>-1</td>
</tr>
<tr>
<td>4 Italy</td>
<td>3</td>
<td>-5</td>
<td>-4</td>
</tr>
<tr>
<td>5 Scandinavia (DK, N, S) + FIN</td>
<td>-5</td>
<td>-12</td>
<td>-5</td>
</tr>
<tr>
<td>6 Other new EU member states</td>
<td>-12</td>
<td>-13</td>
<td>-6</td>
</tr>
<tr>
<td>7 Poland</td>
<td>5</td>
<td>-5</td>
<td>-6</td>
</tr>
<tr>
<td>8 Romania</td>
<td>-10</td>
<td>-8</td>
<td>-6</td>
</tr>
<tr>
<td>9 Austria</td>
<td>-9</td>
<td>-17</td>
<td>-10</td>
</tr>
<tr>
<td>9 UK + Ireland</td>
<td>0</td>
<td>-6</td>
<td>-10</td>
</tr>
<tr>
<td>11 Belgium</td>
<td>-16</td>
<td>-13</td>
<td>-17</td>
</tr>
<tr>
<td>12 France</td>
<td>-17</td>
<td>-25</td>
<td>-20</td>
</tr>
<tr>
<td>13 Netherlands</td>
<td>-17</td>
<td>-15</td>
<td>-24</td>
</tr>
<tr>
<td>14 Germany</td>
<td>-17</td>
<td>-23</td>
<td>-25</td>
</tr>
<tr>
<td>15 CIS countries</td>
<td>-49</td>
<td>-41</td>
<td>-38</td>
</tr>
</tbody>
</table>

Status June 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. The index figures do not show expected %-change rates in turnover, just the expected trend up/down!
Decline for turnover in May…

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

for EU markets
Average: ca. -7%

- more than -20% 6%
- -11 to -20% 15%
- -3 to -10% 29%
- flat from +2% to -2% 35%
- +3 to +10% 5%
- +11 to +20% 6%
- more than +20% 3%

for markets outside the EU
Average: ca. -2%

- more than -20% 13%
- -11 to -20% 10%
- -3 to -10% 22%
- flat from +2% to -2% 33%
- +3 to +10% 15%
- +11 to +20% 3%
- more than +20% 3%

Source: CEMA Business Barometer June 2015
… and another drop for the order intake

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

For EU markets
- Average: ca. -5%
  - More than -20%: 6%
  - -11 to -20%: 10%
  - -3 to -10%: 37%
  - Flat from +2% to -2%: 21%
  - +3 to +10%: 18%
  - +11 to +20%: 4%
  - More than +20%: 4%

For markets outside the EU
- Average: ca. -3%
  - More than -20%: 11%
  - -11 to -20%: 13%
  - -3 to -10%: 24%
  - Flat from +2% to -2%: 26%
  - +3 to +10%: 18%
  - +11 to +20%: 2%
  - More than +20%: 6%

Source: CEMA Business Barometer June 2015
Some distribution partners are asking for more time to pay their machines.

Question: At present, do your national distribution partners use longer credit periods for delivered machines?

Europe total

- Yes: 29%
- No: 71%

Selected markets

- Italy: 62% yes, 38% no
- Germany: 32% yes, 68% no
- Netherlands: 25% yes, 75% no
- France: 10% yes, 90% no

Source: CEMA Business Barometer June 2015
Current Voices of the Industry
Selection of participants’ comments with indication of their origin by country

- « Farmers willing to expand post abolishment of the milk quota have done so by now and are not in the market for machinery purchases anymore. Order intake has slowed down over recent weeks. Continuously declining milk prices and insecurity around future (manure) legislation prevents farmers to sign purchasing contracts. » (The Netherlands)

- « We hope crisis will come to an end by the end of the year. » (Belgium)

- « Cereal harvest is definitely bad (this year), and it is to see if the excellent perspectives for olives, wine and dried fruit are able to compensate this. » (Spain)

- « The major drought we are having in Spain affects our sales very badly. While the start of the season was promising, the situation has turned mainly due to drought conditions. » (Spain)

- « Arable equipment markets are in waiting position for the next harvest, viticulture is doing well after two good (economic) years in this sector. » (France)

- « We anticipate a reversal of the economic cycle in the 2nd half of this year (after two seasons in crisis), the crops forecast is good and the depreciation incentives (authorizing the withdrawal of the tax base by 40% of an investment on its linear depreciation base) should boost those investments towards the end of the year 2015. » (France)

- « Despite the favourable Euro exchange rate, we have not yet achieved a turnover that we hoped for our overseas business. Indeed, after an interesting growth at the beginning of the year … order intake here is slowing down. The markets of the Middle East region are mostly stagnant, the same in Latin America. » (Italy)