Improved sales trend in June sustains business climate
Executive summary of the July survey

In June, the European agricultural machinery industry has brought back its business on a slightly higher level again. Turnover was almost flat, while the order intake trend remained in the range of the past months with ca. -5%. A noticeable improvement of demand was reported for France and Italy, which results in higher sales expectations here in the next couple of months.

A rather weak demand continued on the Spanish and German market. Expectations are also lower for sales in Scandinavia and Romania. The UK market seems to almost stabilize on the current level, but the strong currency might have some effect on the final purchasing decision. The CIS region maintains the weakest performance within Europe, and 55% of the companies expect their turnover to further decline. Nevertheless, it has to be mentioned that the outlook for these countries has become slightly better during the past few months.

For the second time, the component manufacturers said they expected both orders from the OEMs and their turnover to increase in the short run, which could be a rather positive sign for the overall business in the second half of this year or at least justify the expectation that the recession is not getting much deeper.

On the other hand, there are still certain obstacles on the European markets. This survey showed for instance that the used equipment stock has become higher in Germany, the UK and France, especially for tractors and harvesting machines.

Staff reduction is going on for temporary working contracts.
Business Climate
Illustration of Business Cycle

Source: CEMA Business Barometer, each value as an average of the last two months
Slightly improved sentiment about the business situation

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

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

Source: CEMA Business Barometer
A rather moderate attitude in the French and Italian industry…

Question: We consider our current business to be ….

Source: CEMA Business Barometer, evaluation of companies based in France resp. Italy
... compared to recent recovery trends (referring to order intake) in both countries.

Question: Compared to the same period a year ago, our order intake in the past month has ...

Source: CEMA Business Barometer, evaluation of companies based in France resp. Italy
General improvement of the business climate index

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
More positive outlook for France

Ranking according to the expected turnover on the single European markets

<table>
<thead>
<tr>
<th>Country</th>
<th>Index 201505</th>
<th>Index 201506</th>
<th>Index 201507</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Switzerland</td>
<td>1</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>2 Spain</td>
<td>0</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>3 Italy</td>
<td>-5</td>
<td>-4</td>
<td>-1</td>
</tr>
<tr>
<td>4 Poland</td>
<td>-5</td>
<td>-6</td>
<td>-4</td>
</tr>
<tr>
<td>5 Czech Republic + Slovakia</td>
<td>-6</td>
<td>-1</td>
<td>-4</td>
</tr>
<tr>
<td>5 UK + Ireland</td>
<td>-6</td>
<td>-10</td>
<td>-6</td>
</tr>
<tr>
<td>7 Other new EU member states</td>
<td>-13</td>
<td>-6</td>
<td>-7</td>
</tr>
<tr>
<td>8 Austria</td>
<td>-17</td>
<td>-10</td>
<td>-7</td>
</tr>
<tr>
<td>9 France</td>
<td>-25</td>
<td>-20</td>
<td>-8</td>
</tr>
<tr>
<td>10 Scandinavia (DK, N, S) + FIN</td>
<td>-12</td>
<td>-5</td>
<td>-10</td>
</tr>
<tr>
<td>11 Belgium</td>
<td>-13</td>
<td>-17</td>
<td>-14</td>
</tr>
<tr>
<td>12 Netherlands</td>
<td>-15</td>
<td>-24</td>
<td>-15</td>
</tr>
<tr>
<td>13 Germany</td>
<td>-23</td>
<td>-25</td>
<td>-16</td>
</tr>
<tr>
<td>13 Romania</td>
<td>-8</td>
<td>-6</td>
<td>-16</td>
</tr>
<tr>
<td>15 CIS countries</td>
<td>-41</td>
<td>-38</td>
<td>-31</td>
</tr>
</tbody>
</table>

Status July 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

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!
The CIS markets remain difficult, but the declines might get less on the current low basis

Question: Turnover expectation for the next 6 months for the CIS market

Source: CEMA Business Barometer
Turnover almost stabilised on the previous year’s level in June

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

For EU markets:
- Average: ca. -3%
- More than -20%: 5%
- -11 to -20%: 9%
- -3 to -10%: 25%
- Flat from +2% to -2%: 27%
- +3 to +10%: 25%
- +11 to +20%: 1%
- More than +20%: 8%

For markets outside the EU:
- Average: ca. -3%
- More than -20%: 12%
- -11 to -20%: 8%
- -3 to -10%: 21%
- Flat from +2% to -2%: 26%
- +3 to +10%: 24%
- +11 to +20%: 8%
- More than +20%: 2%

Source: CEMA Business Barometer July 2015
**Unchanged new order trend**

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

<table>
<thead>
<tr>
<th>Category</th>
<th>EU Markets</th>
<th></th>
<th>Markets Outside the EU</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Average:</strong> ca. -5%</td>
<td><strong>Average:</strong> ca. -5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>more than -20%</td>
<td>6%</td>
<td>11%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-11 to -20%</td>
<td>12%</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-3 to -10%</td>
<td>30%</td>
<td>29%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>flat from +2% to -2%</td>
<td>21%</td>
<td>21%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+3 to +10%</td>
<td>18%</td>
<td>18%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+11 to +20%</td>
<td>5%</td>
<td>9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>more than +20%</td>
<td>8%</td>
<td>6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CEMA Business Barometer July 2015
Current Voices of the Industry (1)
Selection of participants’ comments with indication of their origin by country

► « The regionally very mixed harvest expectations depict our business development. In total still high uncertainty to be noted. » (Germany)

► « Due to the strong decline of the milk price and the drought in wide swathes of Germany the investment in forage harvest equipment has mostly come to a standstill. » (Germany)

► « Market will decrease in the course of lower milk prices. » (The Netherlands)

► « Small improvements in the market. Confidence is restoring in the EU because of better futures on commodities. Farmers expect better prices on grain and potato. Pig prices are disastrous. Milk prices under pressure. Russia seems to do better than expected, as farmers seem to have accepted the new currency level. They seem to get good prices for their products on the local market. Financing is a problem, but small investments are done with available cash. » (Belgium)

► « There are severe delays in the payments of supplies both in Italy and abroad. European market conditions does not allow long-term forecasts, which blocks every form of investment and development … The level of taxation reached in Italy for SMEs is now untenable. » (Italy)

► « Despite the depreciation of the Euro, a significant growth in exports to the USD regions has not yet taken place. On the other hand, the terms of payment from our customers are slightly improved, with greater respect of deadlines. » (Italy)
Current Voices of the Industry (2)
Selection of participants’ comments with indication of their origin by country

► « The strong pound is creating significant difficulties for British dealers. Used machinery cannot be exported to Europe and is accumulating in dealer stock. It has now reached a level which prevents some new business where a trade-in is involved. » (United Kingdom)

► « In the weeks to come, the trend remains bearish. An improvement for new orders can be expected for the sector of major crops, given the prices of cereals in combination with good yields of wheat. The viticulture sector is always good. Totally, an improvement can be expected (already in September?) when the investment aid (tax exemption for materials) will be finally approved and published. » (France)

► « The effect of the tax provision for the year to come (bill MACRON) begins to be felt and causes a stimulation of material wholesales. This will support investment but does not affect the market or demand. » (France)