MORE GROWTH – BUT SLOW

UPDATE ON THE ECONOMIC SITUATION AND DEVELOPMENT IN SELECTED SECTORS
Economic Expectations for Key Countries and Industry Sectors
(Source: ZEW indicator, ZEW, 17 February 2015)

New Passenger Car Registrations in Europe
(Source: ACEA, 17 February 2015)

Machine Tool Order Intake in Germany
(Source: VDMA, 15 March 2015)

Fig. 4, Machine Tool Order Intake in Japan
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(Source: London Metal Exchange, Steel Business Briefing, CME Group, February 2015)

ABOUT GRUNDFOS INDUSTRY INDICATORS

This quarterly newsletter can give you a general idea of which way the wind is blowing in the machine tools industry. It is a special supplement to our subscribers of Knowledge Link, our website for the machining industry.

Almost all the charts and graphs here are publicly available. They come from the three major machine tool associations — in Germany, Japan and the United States — as well as global surveys from market analysts.

We make the final graphs ourselves, the Grundfos Raw Materials Index and the automotive Monthly Production Output by country and manufacturer. We build the latter up from available automotive production figures. Grundfos Machining Industry segment uses automotive production statistics, because that market is such a big part of the machine tools industry.

Based on that, we try to estimate how the coming one- to three months will look.

Why do we want to share these statistics? Because we have a common interest in seeing how the market is doing. So please: read these statistics and comments as indicators alone.

We publish a full version of the Grundfos Industry Indicators quarterly in three languages, as well as a monthly version in English only.

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Grundfos analyst:  
‘Cautious optimism’ continues

Global manufacturing production continues to rise, but at a slow speed. China, Japan and Europe show moderate expansion, partially helped by weak currencies and low energy costs – perhaps temporary – while the U.S. remains the prime driver.

Business expectations for Germany and the Eurozone are optimistic, though they will be affected by developments in Greece and the Ukraine/Russia conflict. At this moment, however, all signs are rather positive.

Frank Baake  
Senior Strategy & Intelligence Analyst

Economic Expectations for Key Countries and Industry Sectors

The Centre for European Economic Research (ZEW) writes,

"Gaining 4.6 points compared to the previous month, the ZEW Indicator of Economic Sentiment for Germany stands at 53.0 points in February 2015. Reaching its highest value since February of 2014, the indicator has increased for the fourth consecutive time.

Sentiments of financial market experts concerning the economic development of the Eurozone is improving as well. ZEW's Indicator of Economic Sentiment for the Eurozone has increased by 7.5 points to a reading of 52.7 points."

The ZEW Indicator of Economic Sentiment is ascertained monthly. Up to 350 financial experts take part in the survey. The indicator reflects the difference between the share of analysts that are optimistic and the share of analysts that are pessimistic for the expected economic development in Germany in six months. The survey also asks for the expectations for the Euro-zone, Japan, Great Britain and the U.S.A.

For more information, visit ZEW's website at zew.de.
ZEW Indicator of Economic Sentiment November 2014 (Germany)

ZEW - Financial Market Survey: Results February 2015

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Note: 227 analysts participated in the February-survey which was conducted during the period 2/2-2/16/2016. Analysts were asked about their expectations for the next 8 months. Numbers displayed are percentages (month-over-month percentage point changes in parentheses). Balances refer to the difference between positive and negative assessments.
New Passenger Car Registrations in Europe

“In January 2015, EU passenger car registrations recorded growth for the seventeenth consecutive month (+6.7%), reaching almost 1 million units (998,860). Looking at the largest markets, the increase in demand was driven mainly by the significant growth recorded in Spain (+27.5%) and Italy (+10.9%), followed by the UK (+6.7%), France (+6.2%) and Germany (+2.6%).

Substantial growth was also posted by the new EU member states (+4.8%) contributing to last month’s positive outcome across the region.”

For more information, see ACEA’s website at acea.be.

Machine Tool Order Intake in Germany

For the German Machine Tool Industry, the order intake in January was -10.4% compared to the same month in 2014. For more information, please visit the VDMA’s website at vdma.org.
Machine Tool Order Intake in Japan

The order intake for the Japanese Machine Tool Industry in February 2015 was +28.9% compared to February 2014 (8.6% up from January 2015). In the first 2 months of 2015 the growth was +24.7%.

Machine Tool Order Intake in U.S.A.

“January U.S. manufacturing technology orders totalled $341.17 million according to AMT – the Association for Manufacturing Technology. This total, as reported by companies participating in the USMTO program, was down to 32.9% from December’s $508.57 million. In comparison to the sum of $358.45 million reported in January last year, the total was down to 4.8%.

“To understand why we saw this drop in orders for January, December 2014 saw a sharp increase in sales. This was driven by many end-of-year orders that had been rushed through in order to qualify for tax rebate provisions that were enacted at the last minute for 2014,” said Douglas K. Woods, AMT President.”

The United States Manufacturing Technology Consumption (USMTC) report, jointly compiled by the two trade associations representing the production and distribution of manufacturing technology, provides regional and national U.S. consumption data of domestic and imported machine tools and related equipment.

Analysis of manufacturing technology consumption provides a reliable leading economic indicator as manufacturing industries invest in capital metalworking equipment to increase capacity and improve productivity.

For more information, visit the website at amtonline.org.
“The Ifo Business Climate Index for industry and trade in Germany rose to 106.8 points in February, compared to 106.7 points in January. Satisfaction with the current business situation somewhat decreased. Nevertheless, companies expressed greater confidence in future business developments. The German economy is proving robust in the face of geopolitical uncertainty.

In manufacturing, the business climate indicator fairly rose. Manufacturers had slightly less favourable assessments of the current business situation compared to last month. However, the six-month business outlook improved, reaching its highest level since August 2014. International business remains a key driver.”

The Ifo Business Climate Index is based on ca. 7,000 monthly survey responses of firms in manufacturing, construction, wholesaling and retailing. The firms are asked to give their assessments of the current business situation and their expectations for the next six months. They can characterise their situation as “good,” “satisfactorily” or “poor” and their business expectations for the next six months as “more favourable”, “unchanged” or “more unfavourable.” The balance value of the current business situation is the difference of the percentages of the responses “good” and “poor”; the balance value of the expectations is the difference of the percentages of the responses “more favourable” and “more unfavourable.” The business climate is a transformed mean of the balances of the business situation and the expectations. For calculating the index values, the transformed balances are all normalised to the average of the year 2000.

The CESifo Group, consisting of the Centre for Economic Studies (CES), the Ifo Institute for Economic Research and the CESifo GmbH (Munich Society for the Promotion of Economic Research) is a research group unique in Europe in the area of economic research. It combines the theoretically oriented economic research of the university with the empirical work of a leading Economic research institute and places this combination in an international environment.

For more information, visit the website at cesifo-group.de.
The Grundfos Global Automotive Indicators

The six main manufacturers produced +0.2% in January (vs. last year).

Production in the 4 main vehicle producing countries increased by +4.1% in January compared to same month last year.
The Grundfos Raw Materials Price Index

Grundfos Cost Analyst Menno Buikema comments on the price fluctuations of raw materials and their impact on the manufacturing industry. He writes:

In February, the prices of commodities most used by Grundfos were relatively stable with the exception of Molybdenum and Crude Oil.

The downward spiral of Crude Oil prices that started in June last year came to a halt at the end of January. However, the prices started to rise again in the beginning of February, which has continued throughout the month, resulting in an average price per barrel of 58.1 USD.

The price increase reflects news of falling U.S. crude oil rig counts, reductions in capital expenditures by major oil companies, as well as lower than expected Iraqi crude oil exports.

Molybdenum prices have decreased by 13.5% compared to last month, which brings them to an average price of 17,173 USD per ton, which is an almost 6 year low point.

Although prices of Molybdenum have been relatively volatile over the last year, this low point is noteworthy, particularly since the development throughout the month suggests that the bottom price has not been reached yet.

Analysts blame oversupply on the market, which has resulted in demand for low prices. Another reason for the low demand is the infrequent need for Molybdenum from the gas and oil industry this year, as well as the general weak European and Chinese economy.