



CEMA Business Barometer

Executive summary report August 2015



Business remains calmer than usual during summer

Executive summary of the survey in August

July and August are traditionally calm months for the agricultural machinery business and do not set strong trends for the full year. Nevertheless, manufacturers report that the dynamics during this summer have even underperformed the already low level of 2014, when the order books had a reach of no more than 2 months. Both turnover and order intake in July dropped by another ca. 5-7%.

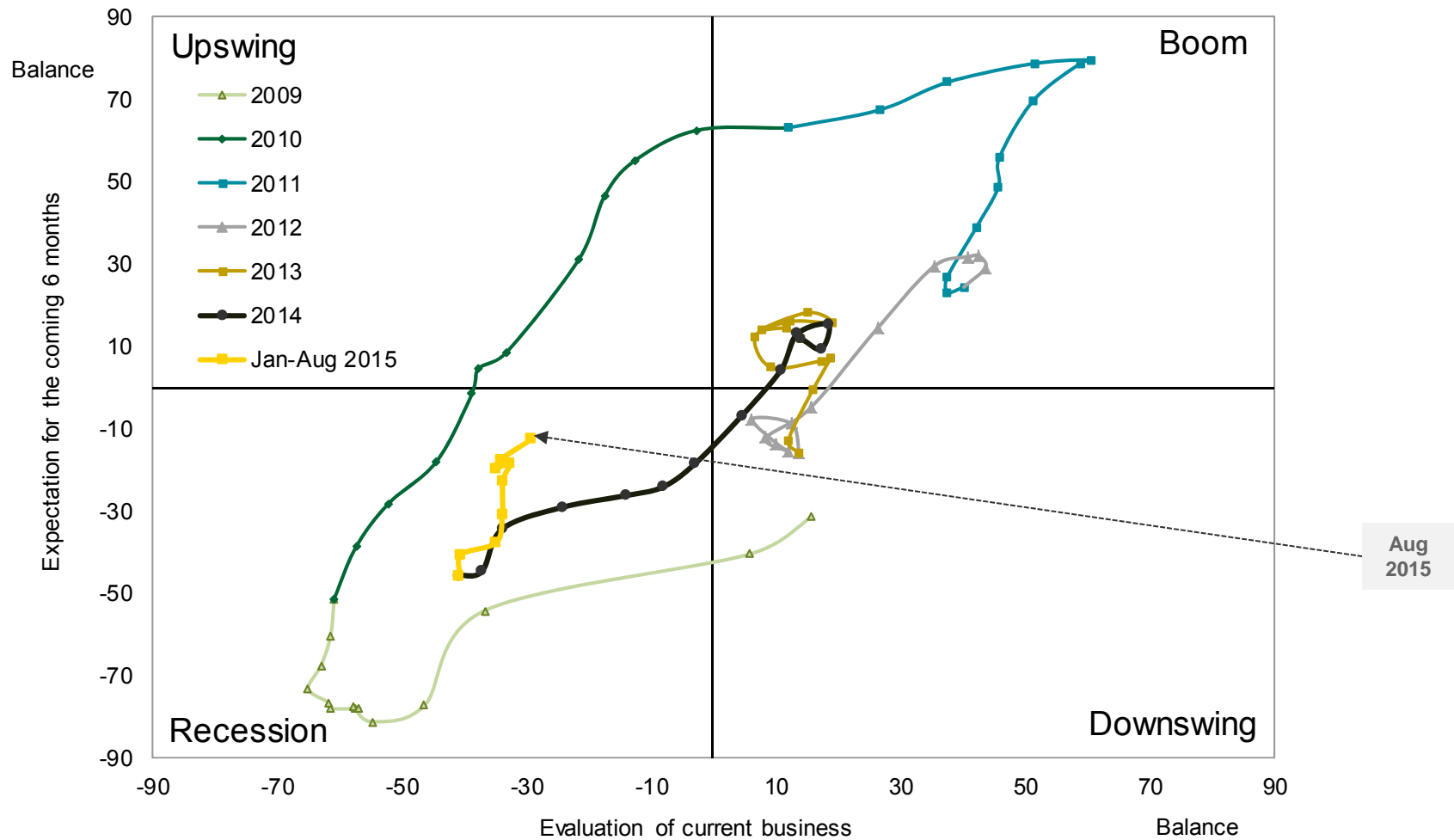
The general sentiment in the industry has remained unchanged compared to last survey, with a preponderance of dissatisfaction about the current situation and a sceptical look into the near future. But it is also visible that the gap between the optimists and pessimists has become wider, so there might be more companies that are doing much better respectively worse than average.

For some months now, the survey shows that the German industry has a more pessimistic view on the next half year development, although their current situation is not much different from the companies at other locations in Europe. The again very poor expectations for the Eastern European markets might be a reason behind: Currently, 3 out of 4 managers surveyed expect the CIS markets to further decline; so the slightly higher optimism of the past 3 months disappeared.

Perspectives for the other European markets have generally become lower, and there is no single market left for which the industry forecast is positive. On the other hand, declines might remain very limited or even overstated for Spain, Switzerland, Italy – and France.

Business Climate

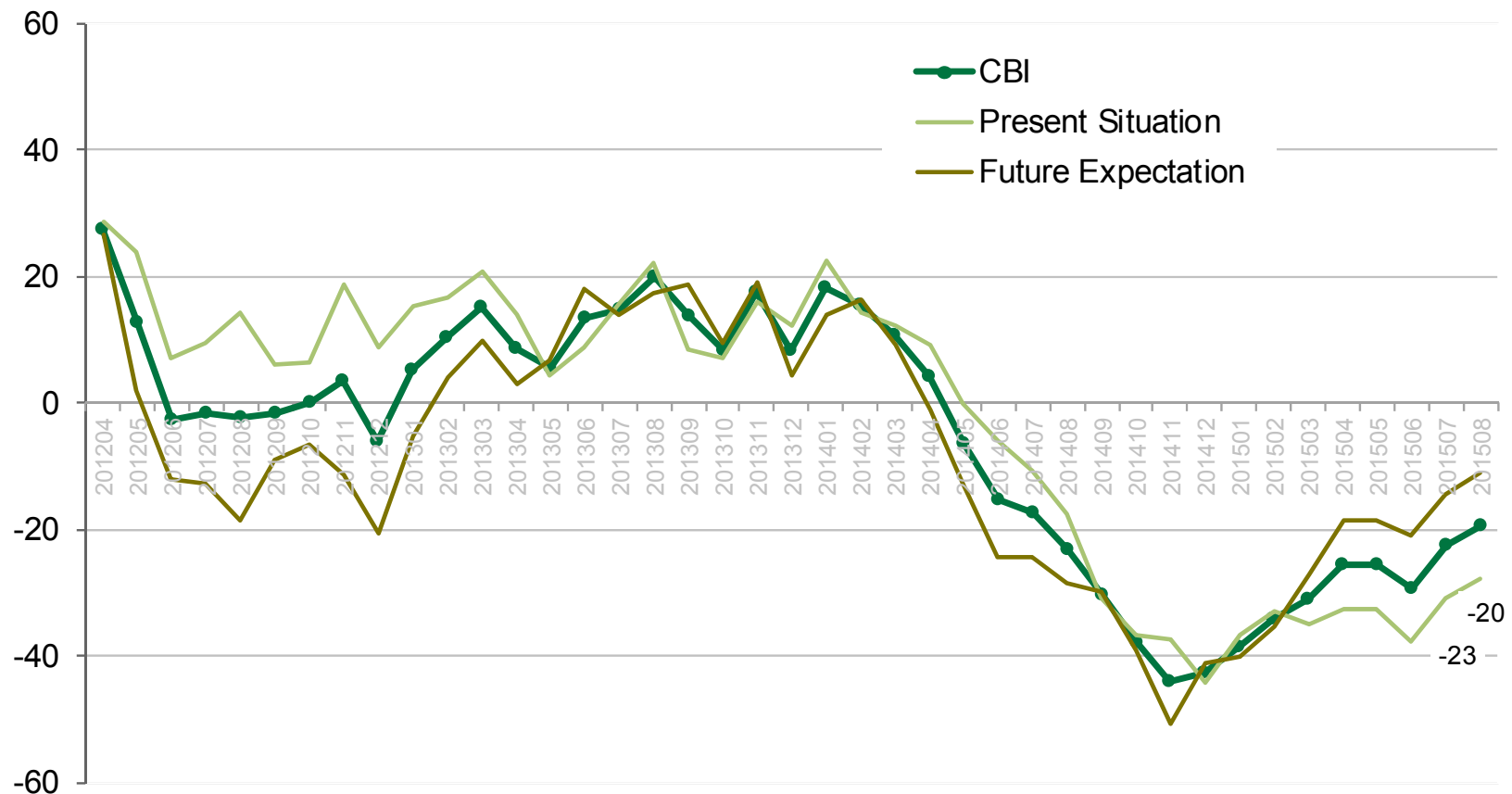
Illustration of Business Cycle



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

Continuous slight improvement of the business climate index

CEMA Business Climate Index (CBI)

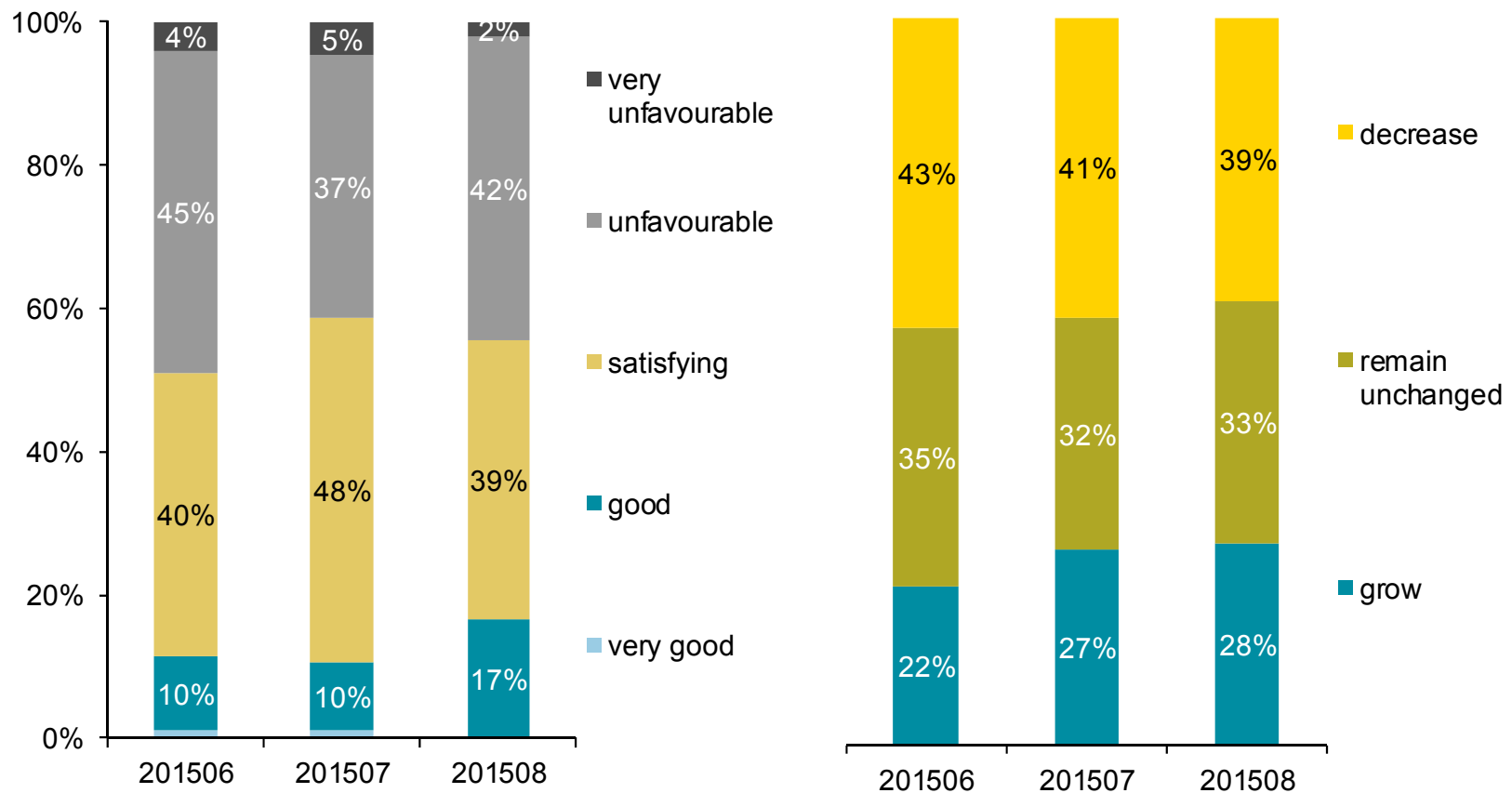


Source: CEMA Business Barometer
 Index = sum of 1) evaluation of the current business situation and 2) turnover expectation, scale from -100 to +100

Real optimists are still a minority in the agricultural machinery business

Question: We consider our current business to be

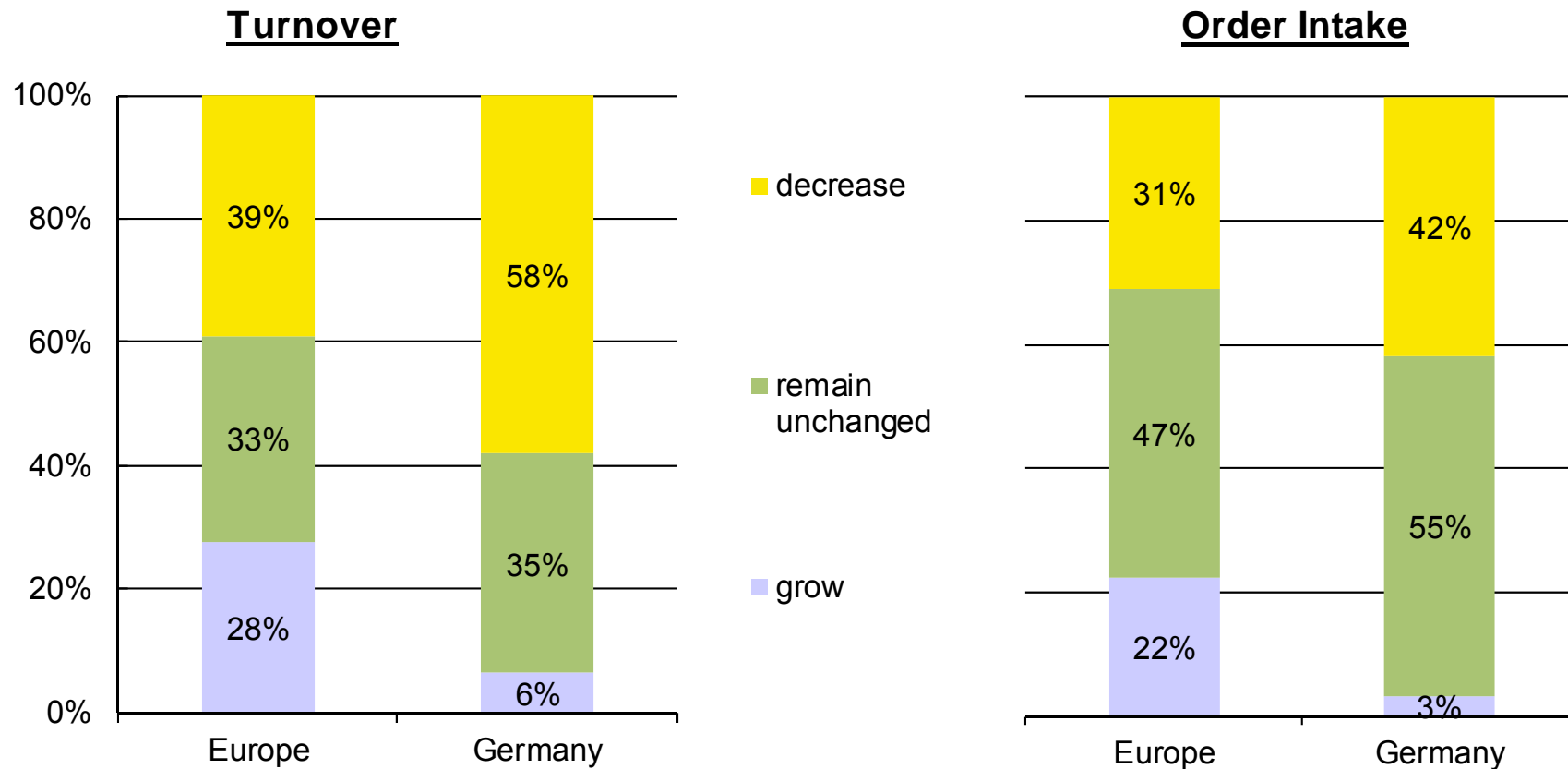
Question: We expect our overall turnover within the next 6 months to....



Source: CEMA Business Barometer

German companies have a more pessimistic view on the near future than others

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



Source: CEMA Business Barometer August 2015


More positive outlook for France, depression in the CIS region

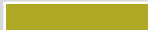
Ranking according to the expected turnover on the single European markets

	Country	Index		
		201506	201507	201508
1	Spain	4	1	-2
2	Switzerland	6	6	-3
3	Italy	-4	-1	-3
4	France	-20	-8	-3
5	Poland	-6	-4	-5
6	Czech Republic + Slovakia	-1	-4	-7
7	UK + Ireland	-10	-6	-10
8	Romania	-6	-16	-11
9	Other new EU member states	-6	-7	-12
10	Scandinavia (DK, N, S) + FIN	-5	-10	-13
11	Austria	-10	-7	-16
12	Belgium	-17	-14	-17
13	Germany	-25	-16	-17
14	Netherlands	-24	-15	-18
15	CIS countries	-38	-31	-43

Status August 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

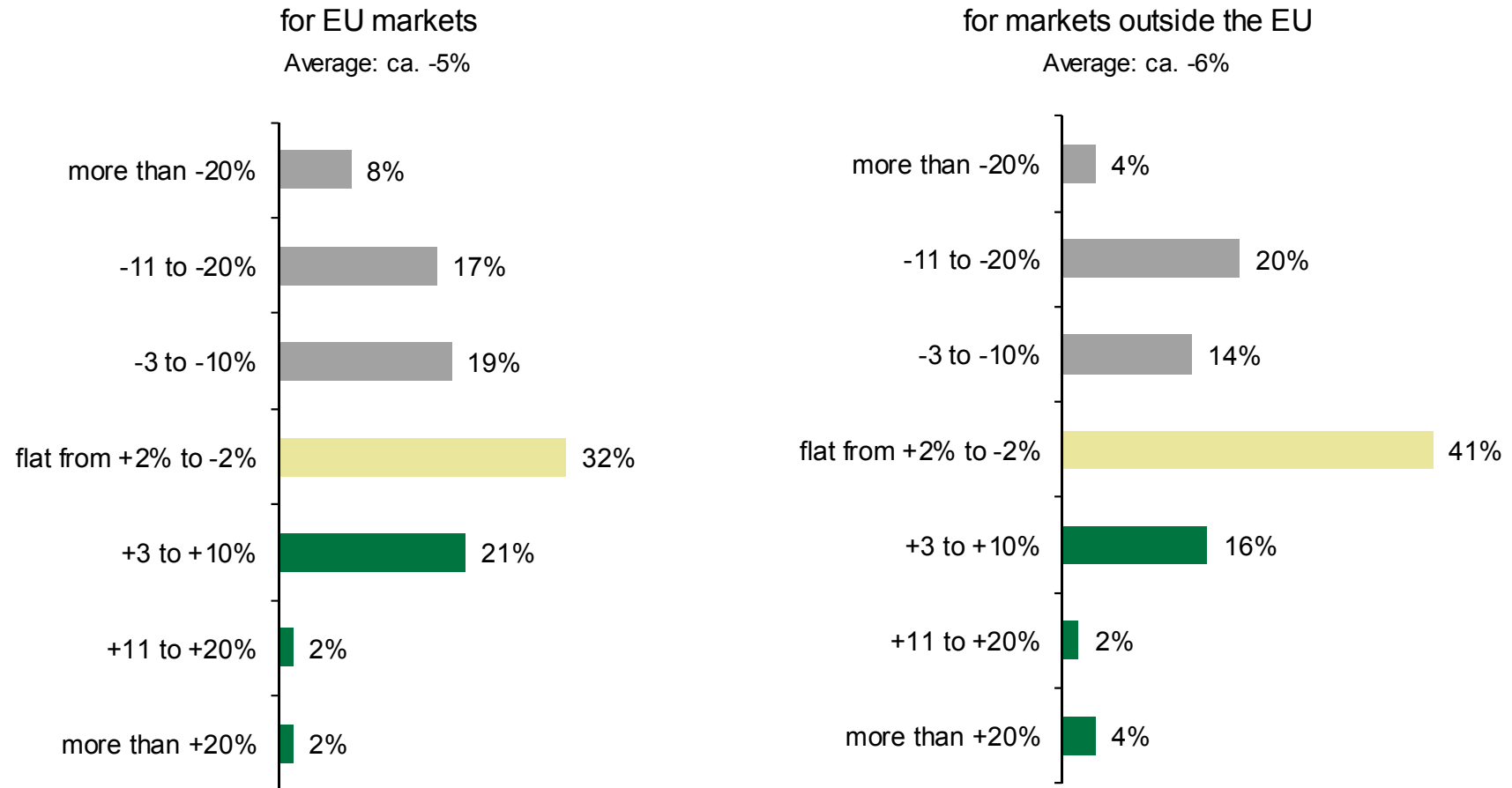
 → positive index value illustrates prevailing expectation for **increasing** turnover in this market over the next six months

 → 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!

Remarkably lower turnover results in July

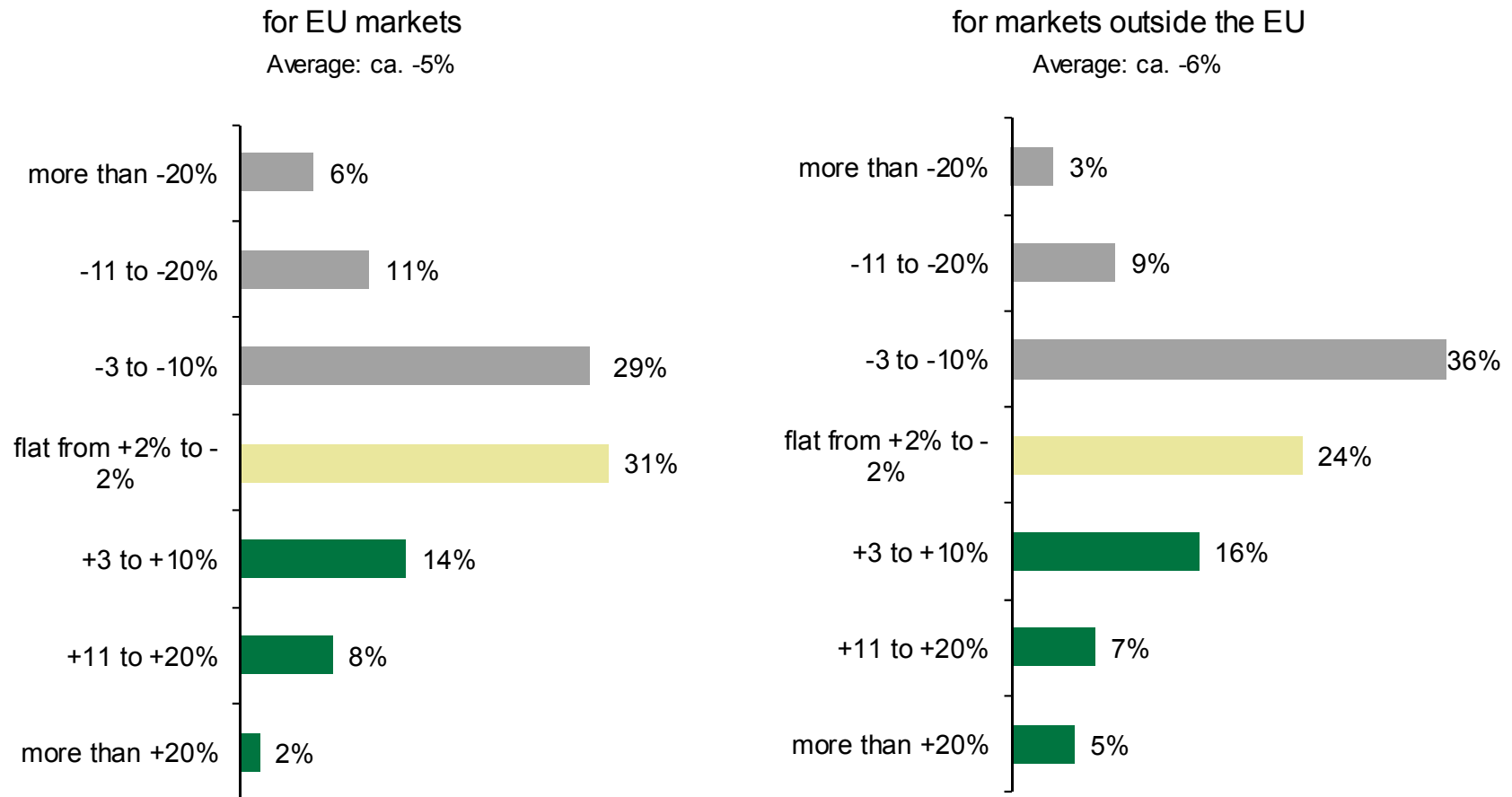
Question: Compared to the same period a year ago our **turnover** in the past month developed as follows:



Source: CEMA Business Barometer August 2015

Negative trend 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 August 2015

Current Voices of the Industry

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

- ▶ « Uncertainty for manufacturers and dealers is high. Prices for our farmers are extremely volatile, which has correspondent consequences on investment! » (Germany)
- ▶ « Due to the extremely low milk prices, dairy farmers are delaying investment decisions. On top of this, post abolishment of the milk quota, the regulatory environment for growth of dairy farms is not clear, making banks very hesitant to finance growth plans. » (The Netherlands)
- ▶ « Gradual improvement of the situation » (Italy); « Gradually improving confidence and investment appetite » (United Kingdom)
- ▶ « The market is tough and I do not see a huge potential for improvement in 2016. If we are lucky the market will stabilize at the lower level of 2015 but I fear that some products will see further falls in numbers. » (United Kingdom)
- ▶ « There was a slight improvement in the order situation in July but we expect the market to continue to underperform for the remainder of the year. » (United Kingdom)
- ▶ « ... Short-term-business is moving and filling our order books. Still nobody is neither able to plan nor to forecast, but demand shows always more regularity. » (Spain)
- ▶ « The order situation in France is buoyed by the wine sector and by the law Macron on the tax exemption of investment. The rest of the activity is still low, in some EU markets there is a waiting attitude for subsidies. CIS activities are at a standstill. » (France)
- ▶ « After a weak July ...we anticipate a recovery from the act Macron with very probably a cyclical switch in Q4 2015 by catching up and anticipation of productive investments. » (France)