CELIMO

European Trade Association for Machine Tools, Tooling and Technologies

Europe
Finally blooming?

CELIMO Building networks to create opportunities

Tooling Group Meeting, Friday 10 November 2017, Stockholm

This document contains the economic presentation given by Geoff Noon (CELIMO Secretary) to the CELIMO Tooling Group Meeting, held on Friday 10th November 2017 in Stockholm

In addition, the pdf version of this document incorporates the economic presentations given by delegates to the meeting.

All slides have had notes added to show the comments made in these presentations.

The European Economy

- Economic growth is accelerating …
- … and most economies are now larger than before the recession …
- Unemployment is still falling …
- … but remains high in some countries
- Inflation remains generally low …
- … but some are seeing an increase
- Bank lending has increased as credit conditions ease

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The European Economy

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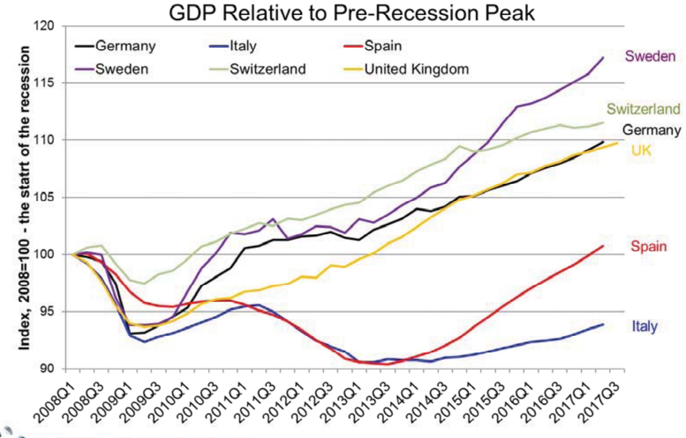
The European Recovery



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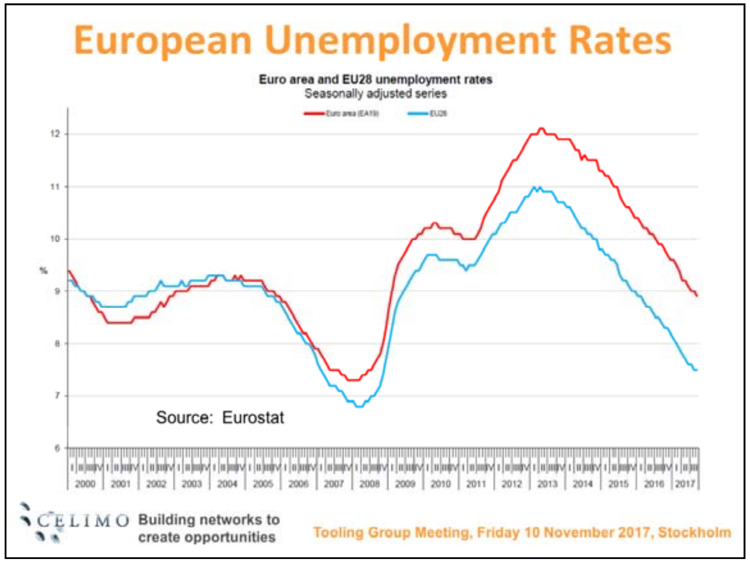
Economic growth in Europe has picked up over the past 12 months; quarter-on-quarter growth (the columns in the chart) has been above +0.5% in each of the last 4 quarters. Through 2017, the annualised rate has been above +2.0%, reaching +2.5% in the preliminary release of data for the 3rd quarter. This is the fastest annualised rate since the 1st quarter of 2011.

Comparing the size of the various economies to the level in the 1st quarter of 2008 (which in most cases was the pre-recession peak), it is significant to note that Spain returned to this level in the 2nd quarter of 2017 and, among the major economies, only Italy is still has to get back to this level.

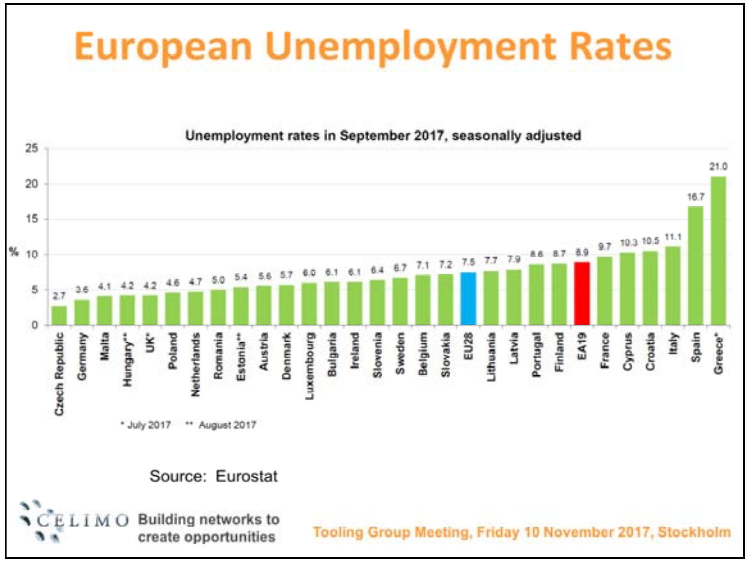


Unemployment in the Euro-zone was 8.9% in September and its lowest rate since January 2009; the rate for the EU28 as a whole was 7.5% which, in this case, is the lowest since November 2008.

Unemployment in Europe (on both measures) has been falling since the middle of 2013. For the EU28 as a whole it is approaching the pre-recession boom levels, but for the Euro-zone it is only just back to the 2003-04 level.

In September 2017, the youth unemployment rates were 18.7% for the Euro-zone and 16.6% for the EU28.

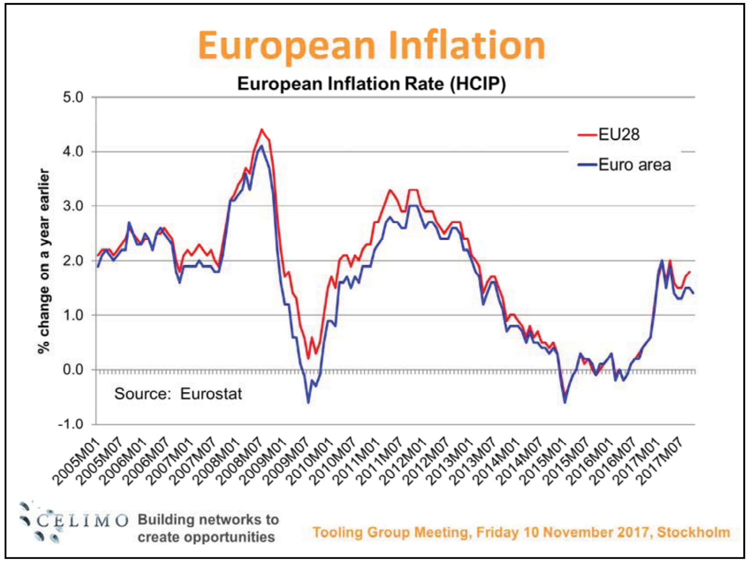
The overall rate of unemployment ranges from 2.7% in the Czech Republic and 3.6% in Germany up to 16.7% in Spain and 21.0% in Greece.



Unemployment is also above the average for the Euro-zone (8.9%) in Italy and France.

Compared to September 2015, unemployment has fallen in most Member States - the exceptions are Lithuania (up from 7.6% to 7.7%) and Finland (unchanged at 8.7%) - although the fall in France is only marginal.

Inflation has been accelerating in Europe for the past 12 months or so and in recent months there has been a noticeable divergence between the Euro-zone and EU28 data. This is mainly due to an acceleration in inflation in the UK.



Despite this pick-up in inflation, the rate for the Euro-zone remains stubbornly below the European Central bank target of +2%, although it did just touch this level in February 2017. This is why we do not expect any significant tightening of monetary policy in the short-term in Europe (unlike the UK).

Bank lending for both mortgages and commercial borrowing has improved significantly over the past 3 years but, although now generally positive, consumer credit is still relatively small.

Other Data to Note

- The Euro has strengthened as the economy picks-up:
  - Biggest increases is against the US$ and the Japanese Yen as these currencies weaken
  - Now at its highest point against the Swiss Franc (CHF1.15) since January 2015
  - In August, the Euro reached its highest level vis-à-vis the Pound since October 2009
- Government debt remains high, but stable …
- … although the deficit situation continues to improve

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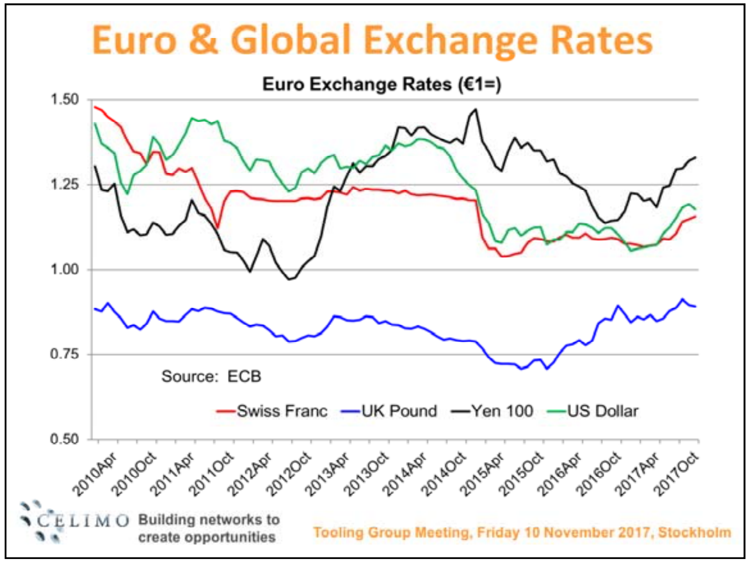
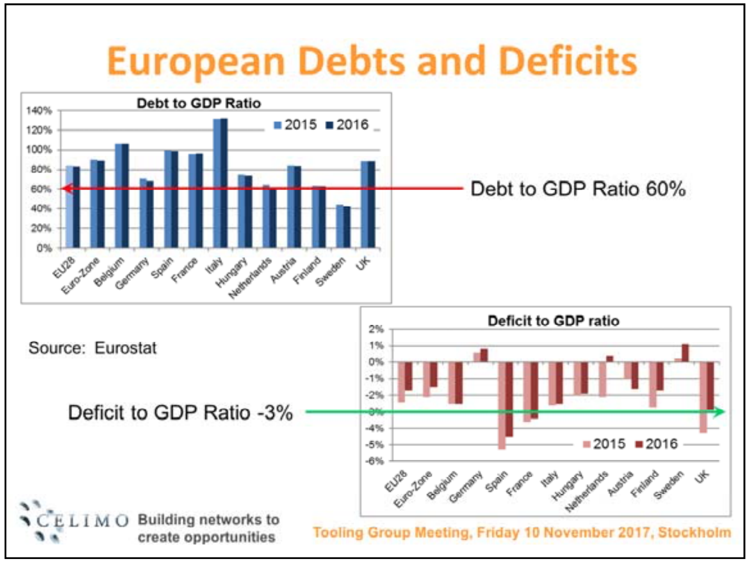


As the European economy improves, so the Euro has strengthened against the other major global currencies. However, exchange rates are always have two-sides, so we see the greatest strengthening this year against the US$ and the Japanese Yen because these currencies have weakened.

It is also worth noting the relative levels. The Euro is at its highest against the Swiss Franc (CHF1.15) since the Swiss Central Bank withdrew its currency support in January 2015, although it still has a long way to go before it returns to “normal” levels. In August 2017, the Euro was at its highest against the GB£ since October 2009, although it has dropped back slightly in the last two months.

The Yen rate is back to the levels we saw at the end of 2015, but for the US Dollar we have to go back to the end of 2014 to find a higher rate.

Note: a rising line implies that the Euro has strengthened against the currency concerned.



This is revised data from Eurostat for 2015 and 2016. We still see most of the economies above the maximum levels of debt which were set for European Monetary Union, but the rates are generally stable.

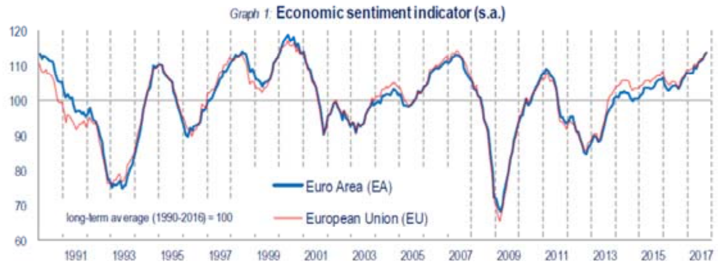
However, the rate of government deficits continues to fall in most places and there are only 2 economies in 2016 where it was greater than the threshold of -3% - Spain and France, with the UK having edged just below this level (the UK is not, of course, part of the Euro-zone). In 2016, Germany and Sweden were joined by Netherlands in having a budget surplus.

Note: according the Maastricht Treaty, Government debt was not supposed to exceed 60% of GDP, while the deficit on Government Spending was limited to -3%.

European Business Climate

- The European Commission's Economic Sentiment Indicator continues to improve …
- … driven (in part) by industry confidence improving
- Euro-zone PMI's have moved to a high level
- Capacity Utilisation is high generally and in most countries
- Investment ratios are also increasing …
- … but the profit ratio has flattened off

European Business Climate



Source: European Commission

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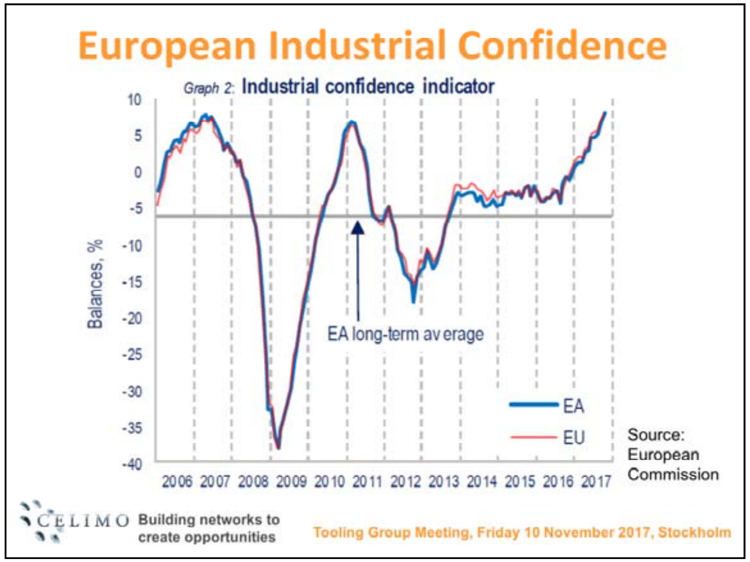
The Economic Sentiment Indicator (ESI) for both the euro-zone and the EU28 has been rising steadily since over the past 12 months and in October, it reached its highest level since January 2001 for the Euro-zone and June 2007 for the EU28.

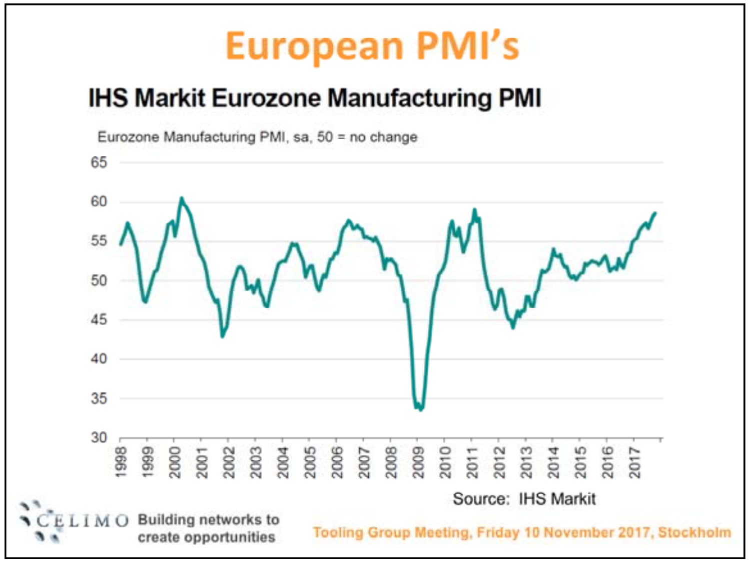
The most recent pattern bears some similarity with the 2001 to 2007 period, so we hope that there is not another economic crisis around the corner!



Industry Confidence is one of the drivers of this general improvement and both the Euro-zone and the EU28 levels are the highest since the trend began in 1990.

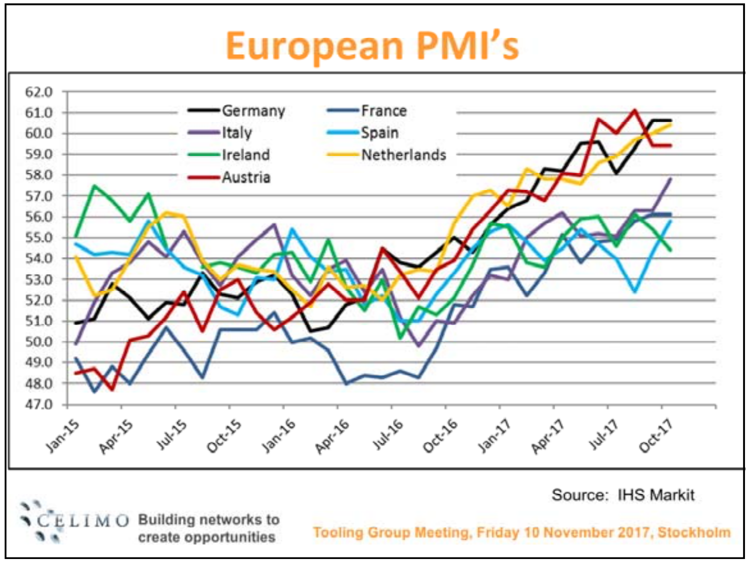
The improvement in October resulted from improved appraisals by the respondents of the current level of order books and the stocks of finished products, although their expectations about future output fell slightly (although from high levels).

Note: the horizontal line marks the long-term average of the survey indicator for the euro-zone



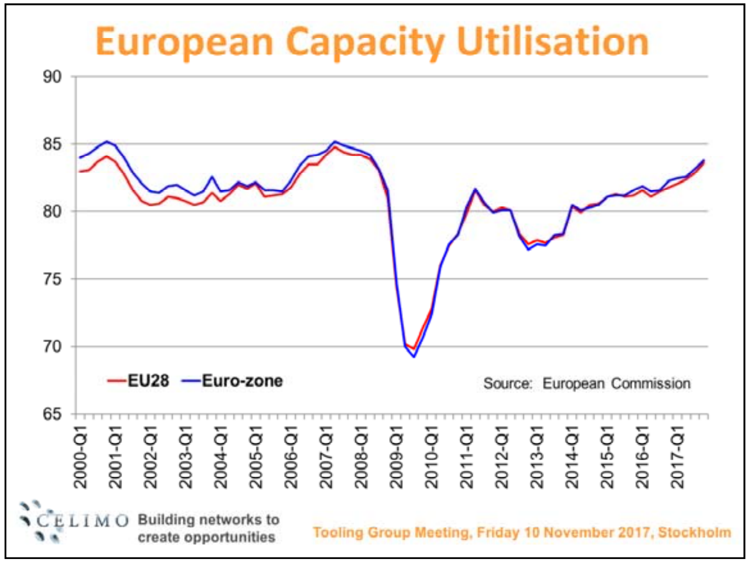
The Purchasing Managers Index (PMI) for manufacturing in the Euro-zone has been increasing since last August and in October it reached its highest level for 80 months (it has been in positive territory every month back to July 2013).

Among the components of the index, although output eased a little compared to September, the pace of increase in new orders accelerated and job creation set a new survey record high level of growth.



This acceleration of the growth in activity has generally been shared across the Euro-zone. Although direct comparisons between countries are not necessarily valid, a leading growth of Germany, Austria and Netherlands seems to have emerged, with Italy pushing up towards there in the past couple of months.

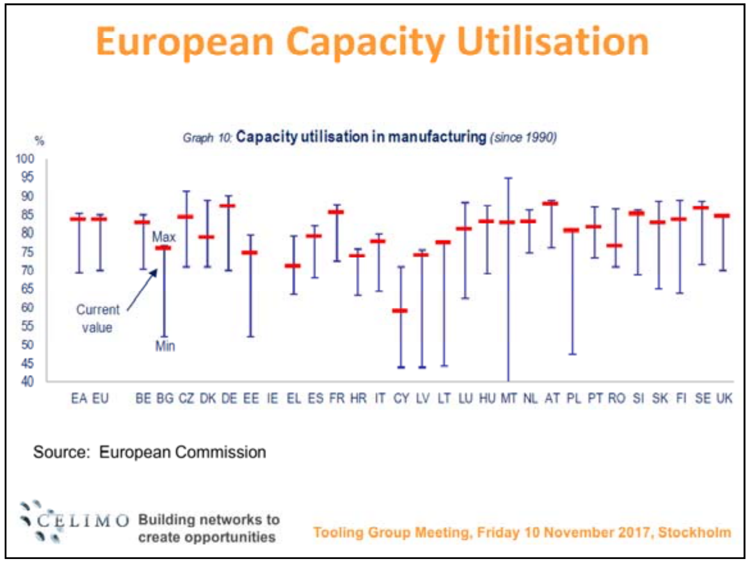
In October, Italy was at an 80-month high, France matched the 77-month record set in September and Spain (at a 29-month high) also saw an improvement - although it looks like a wobble in the Summer, even the low point of 52.4 in August still implies expansion of activity in the sector.



The long-run average (back to 1985) level for the EU28 is 81.2 and the capacity utilisation reading has been above this level for six quarters; the long-run average for the Euro-zone it is 81.4 and the reading has been above this for 9 quarters.

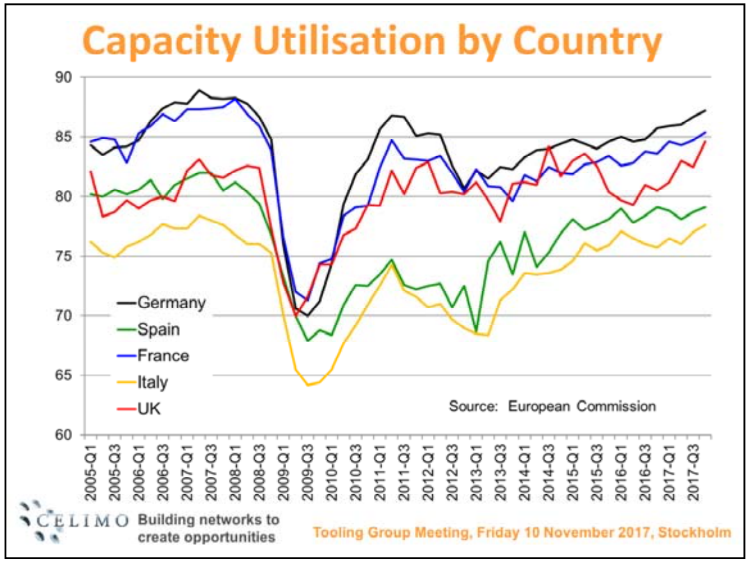
Capacity utilisation at a European level has been improving over the past year and is now approaching the pre-recession peak level; it is above the level we saw between 2002 and 2005.

Note: Data for Q4 refers to the surveys published in October, but which was data collected about the situation in the 3rd quarter- the time periods are, in effect, moved on 1 quarter



Capacity utilisation cannot be compared directly between countries (as we will see in the next chart), so this chart is very useful to see wher ethe latest reading is in relation to the historical range across Europe. Therefore, while the absolute levels in Bulgaria and Lithuania look to be lower than many other countries, they are right at the top of the historical range for that country.

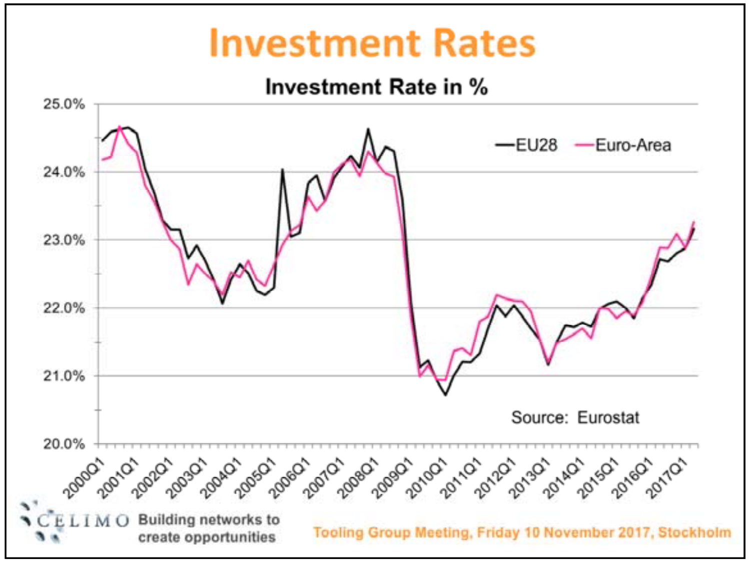
The capacity reading in most countries is near the top of the range – the main exceptions among countries with a reasonable manufacturing sector are Denmark and Romania.



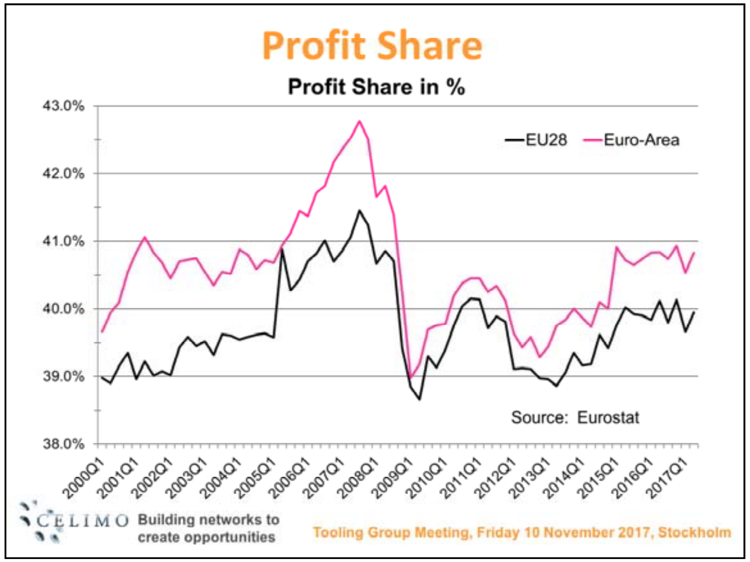
This comparison of the five major EU economies (we don’t have the data series for Switzerland or Turkey), illustrates the difficulties of direct comparisons. The reading for Italy, although the lowest of the five shown in this chart, it actually high as it is nearly back to the pre-recession peak level.

By contrast, Spain and France, which both have a higher reading than Italy, are still a little way of their pre-recession level.

The rate of capacity utilisation in the UK is above its pre-recession level - it is at its highest since 1995 – and Germany also has a high rate of utilisation, although not quite back to pre-recession levels.



The investment rate (gross fixed capital formation divided by gross value added) has picked up significantly since the middle of 2015 and is now moving back towards its pre-recession levels having failed to show any real improvement after the immediate recovery.



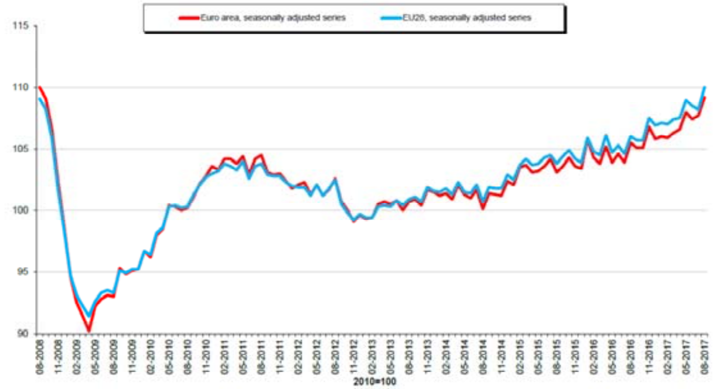
Although the profit share (gross operating surplus divided by gross value added) did have a burst of growth at the start of 2015, it has been broadly flat since then and shows little sign of getting back towards the pre-recession levels.

The Euro-zone profit share is now above the 2011 level and is matching the rates we saw in the 2002-05 period. For the EU28, while the rate has got above the period up to the end of 2004, it has barely reached the post-recession bounce level in Q4-10 and Q1-11.

European Industrial Output

- The pace of growth in total industrial production has accelerated this year
- The Capital Goods industries (which include most customers for tooling) are seeing the strongest growth among the sub-sectors
- Automotive and Aerospace output are at record high levels …
- … but other key sectors have yet to see a proper recovery, although activity has picked up in 2017

European Industrial Production

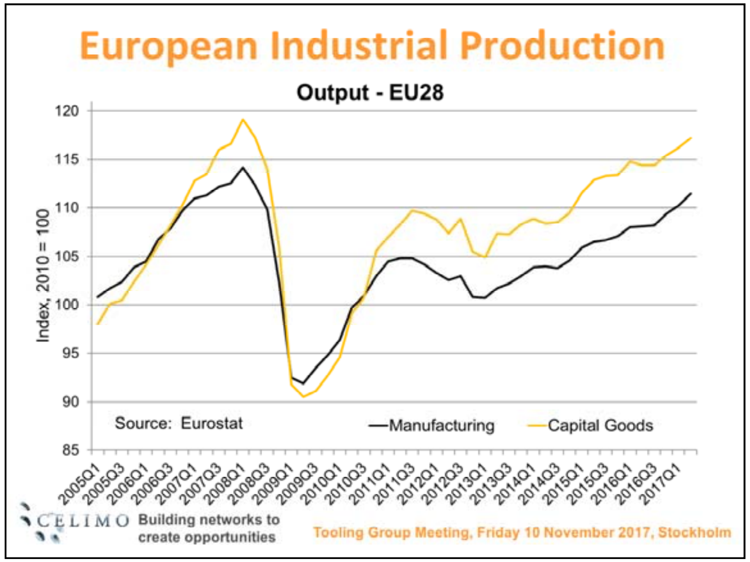


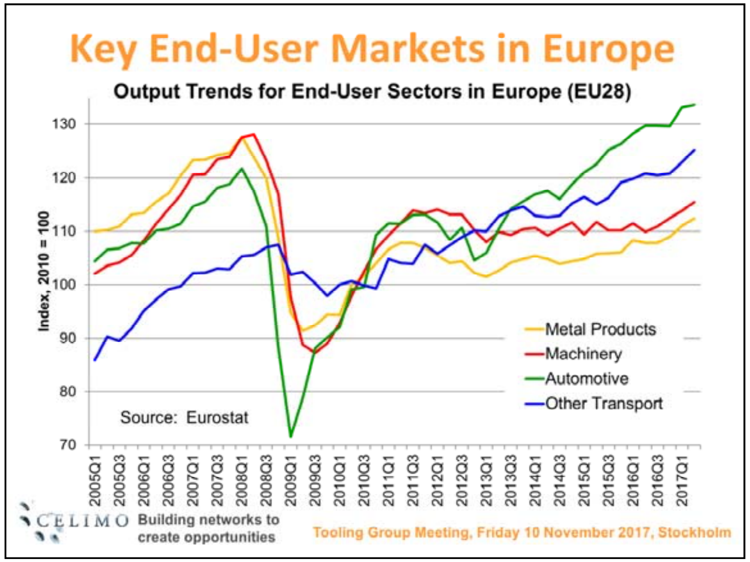
Source: Eurostat

Growth in total industrial production has accelerated during 2017. By August, total output in the EU28 had got above where it was in the same month of 2009 and the Euro-zone was close to this level; however, both areas have some way to go to get back to the pre-recession levels which were around 115 for the Euro-zone and 113 for the EU28 (it is unfortunate that the Eurostat chart is now chopping off the pre-recession period).

The sector in the EU28 as a whole looks to be ahead of the Euro-zone, but this gap opened at the end of 2016 and has not been closed down during 2017.

Note: Industrial Production covers manufacturing (this is the largest part), utilities (electricity, water, etc.) and extraction (mining, oil & gas, etc.).





Manufacturing output (the main element of industrial production, although this also includes extraction and utilities output) overall has also picked-up the pace of growth in 2017 and it is now close to its pre-recession peak.

The Capital Goods sub-sector is generally among the strongest elements of industrial production. Although a gap emerged between Capital Goods and manufacturing at the end of 2010, this has broadly been maintained since.

Output of both the Automotive industry (including engines and other major components, as well as the actual vehicles) and Other Transport Equipment (which is dominated by Aerospace) continues to set new records each quarter.

Since about 2011, the Machinery and Metal Products industries has been flat at only a moderate level, but there are signs that a recovery has taken off in these industries as well in recent quarters. If these recent trends continue we could see activity in these industries getting close to their pre-recession levels next year.

COUNTRY REPORTS

Delegates are invited to give some comments on the latest trends in their country; we have an introduction slide for each country

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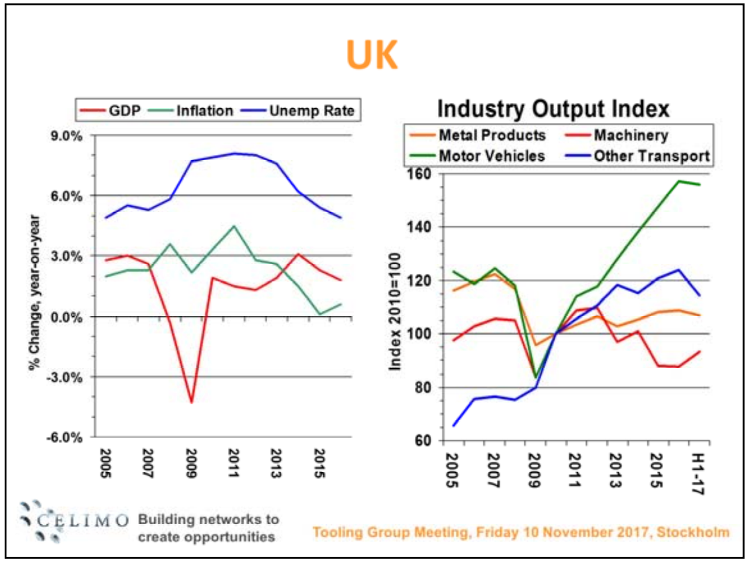
The following section includes the presentation given by each delegation at the Tooling Group meeting. They all start with a summary slide which shows two charts, covering:

- Macro-economic indicators of GDP, inflation and unemployment rate
- Output trends for the 4 key industries

These slides have also been provided for the other countries represented within CELIMO, but with no commentary or additional information for those countries.



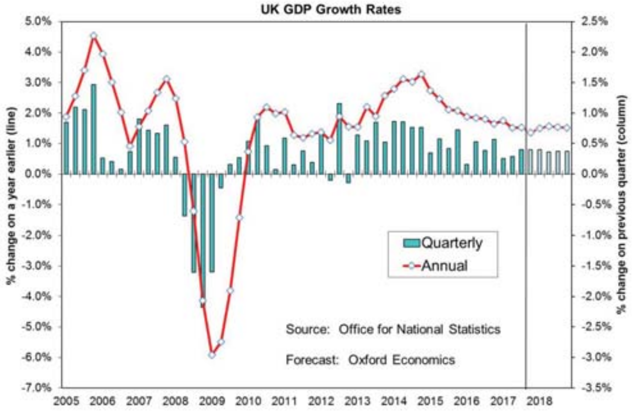
The preliminary data for the 3rd quarter of 2017, although better than for the first two quarters of the year, continued the theme of the UK economy of showing slower growth than a year ago. The quarter-on-quarter rate was +0.4%, with the change of the past 12 months at +1.5%.

Overall, the UK economy grew by +1.8% in 2016, but we expect 2017 to be down to +1.5%, with the same rate forecast for 2018.

In September, consumer price inflation reached +3.0%, its highest rate since April 2012 and right at the top of the target range.

The core of engineering based manufacturing

UK GDP is slowing …



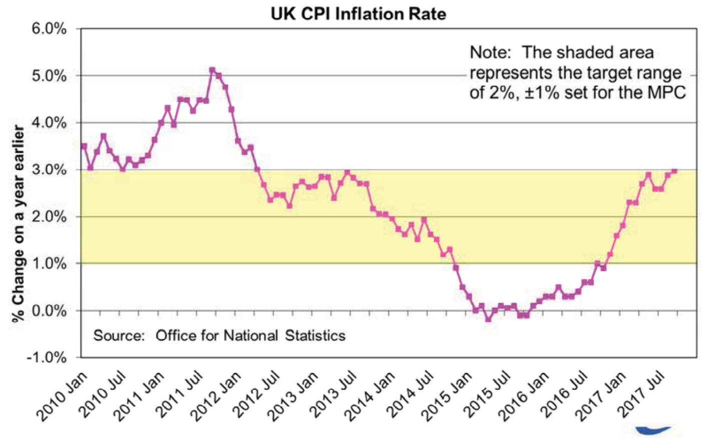
The core of engineering based manufacturing

UK Economic Situation

- The UK economy has grown more slowly than in recent years in 2017 …
- … but inflation is accelerating …
- … and despite low unemployment …
- … the UK consumer is being squeezed.
- The movement in exchange rates is also driving up the price of imports.

The core of engineering based manufacturing

… as inflation is rising …



The main drivers of the latest increase were transport (air fares and fuel), computer games (which is a volatile series) and a wide range of food prices (which fell at this time last year).

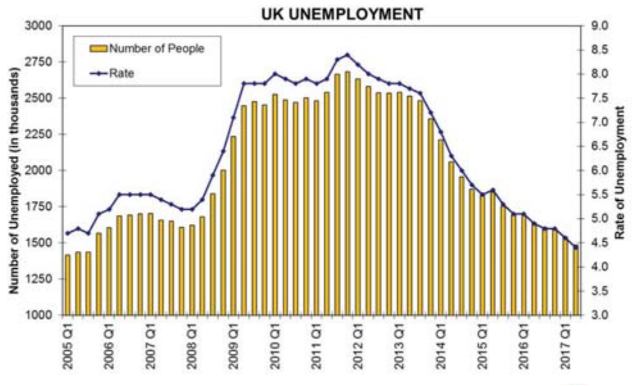
This was the main reason for the increase in interest rates announced by the Bank of England on 2nd November.

The UK unemployment rate was 4.4% in the 2nd quarter and fell again to 4.3% in July - this is its lowest level since May 1975!

The rise in prices has not been accompanied by rising wages, especially since the start of 2017.

The core of engineering based manufacturing

… and despite low unemployment …

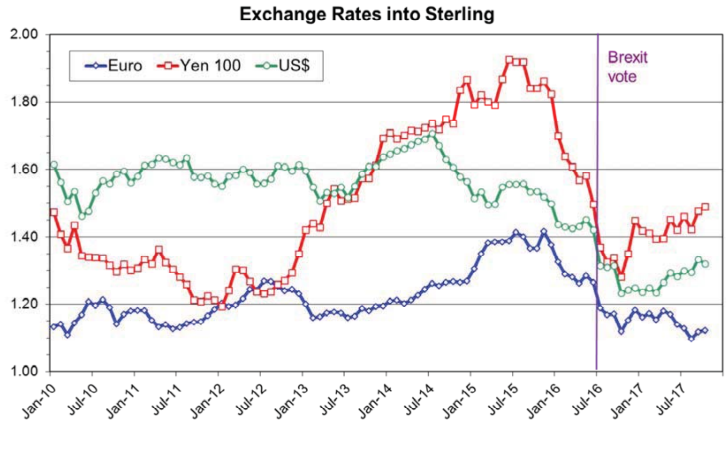


The core of engineering based manufacturing

… wages are not keeping up

The core of engineering based manufacturing

Mixed trends for Sterling …



This is creating a squeeze in consumer spending which is the main reason for slower growth in the UK economy.

Sterling has moved in different directions recently. Against the strong Euro, the GB£ weakened from April to August, reaching its lowest level since October 2009, although the past couple of months have seen a small recovery.

Against the US$ and the Yen, Sterling has been strengthening this year; in the case of the Yen, it was almost back to its pre-referendum level of £1=Y150.

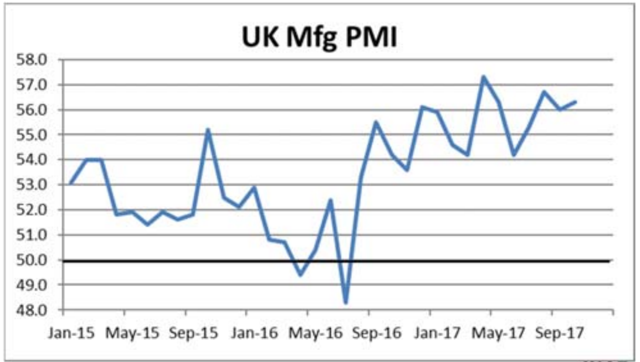
The core of engineering based manufacturing

UK Manufacturing Sector

- The manufacturing PMI for the UK is strong
- … and output is increasing …
- … although the industry detail is mixed:
  - Aerospace and Automotive are at record levels
  - Machinery has seen a modest improvement
  - Metal Products remains flat
- The UK Cutting Tool market has been strong in 2017
- Nearly 50% is carbide inserts and holders

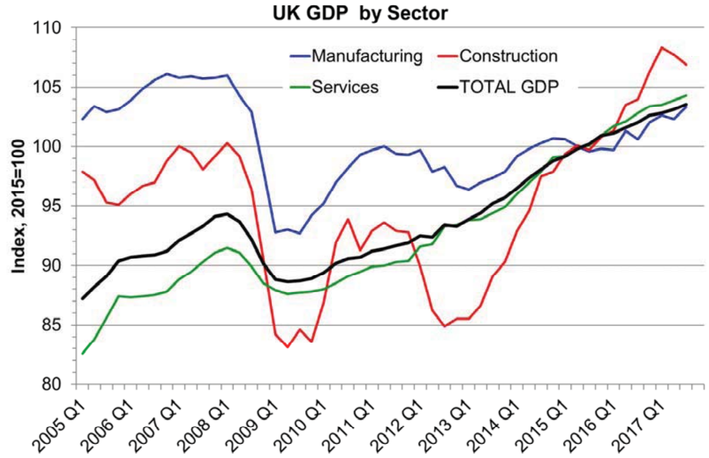
The core of engineering based manufacturing

The manufacturing PMI is strong …



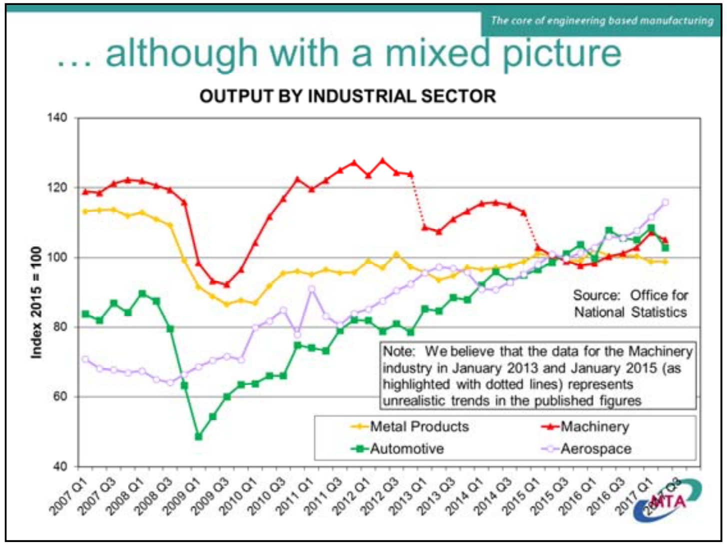
The core of engineering based manufacturing

… and output is increasing …



The PMI for the manufacturing sector in the UK is, like many other countries, at a high level - even the dips we saw in March and June were still above 54. New orders, output and employment have all been strong elements in the index, but the publishers have noted in recent months that input prices are rising again and acting as a drag on the index.

Economic Statistics in the UK have been re-based to 2015 which has served to make the most recent trends harder to see, but manufacturing is just about keeping up with the economy in general over the past couple of years.

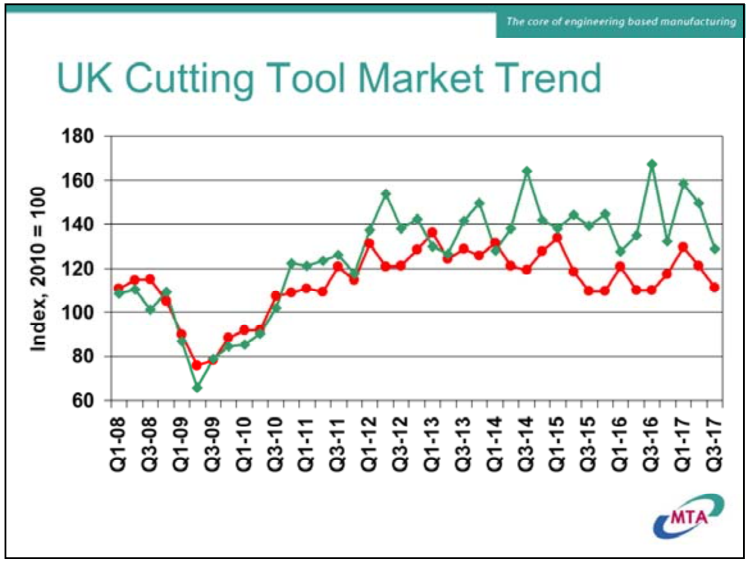


This re-basing has also affected the industry chart.

The Aerospace industry continues to set new records for output and the prospects here remain strong, despite the Boeing-Bombardier dispute.

Automotive output dipped in the summer due to some model changes, but we expect modest growth return.

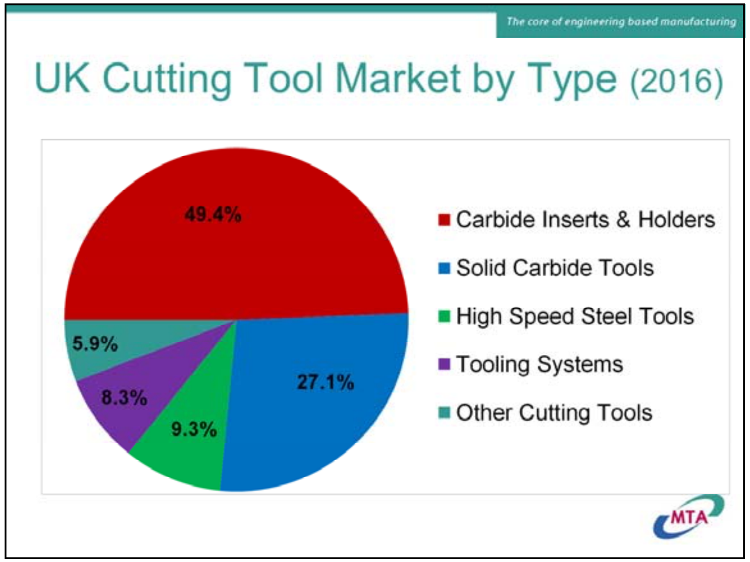
The Machinery industry seems to have done a bit better over the past couple of years, but it remains to be seen if the dip in Q2 is a blip or a trend.



Output of Metal Products continues to be rather flat, which is slightly surprising given that it is a significant supplier of components to the other 3 industries.

After a dip in 2016, we saw the cutting tool market pick-up in the first half of 2017, although the preliminary data for the 3rd quarter suggests a return to last year's level.

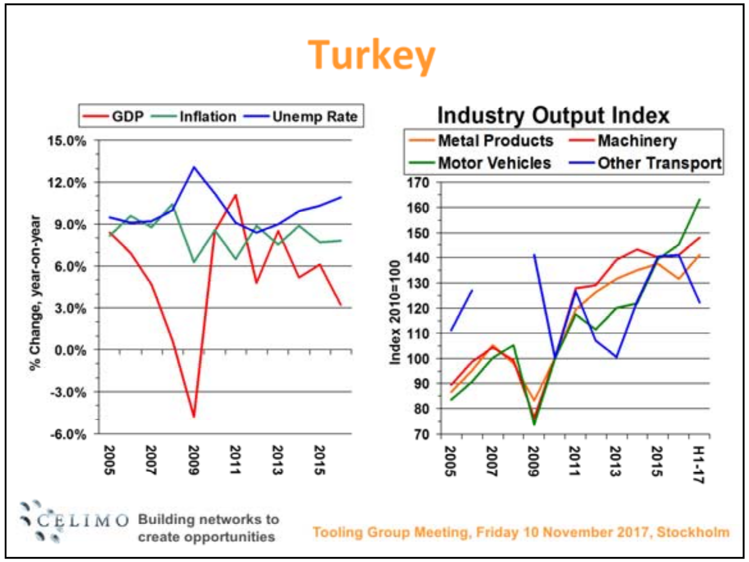
For work-holding equipment, recent periods have been volatile and a clear trend is hard to discern, but the year looks likely to be close to the 2016 level.



This chart shows the breakdown of the UK Cutting Tool market by type of product in 2016.

The market is dominated by Carbide Inserts (including the value of their holders), with Solid Carbide Tools accounting for another ¼ of the total.

Anecdotal comments suggest that the cutting tool market has picked up again in the 4th quarter of this year and there are generally positive expectations for UK tooling demand.



Other Transport Equipment in 2007/08 not shown as it was excessively large and off the scale; the figures are 2007 = 224.8, 2008 = 255.8.

The Turkish economy has been growing since 2010 and following a dip in 2016, it has picked up in the first half of 2017.

However, inflation has accelerated in 2017; this is mainly due to the exchange rate and price increases as a result of relationship with neighbouring countries. It was also noted that Turkey's reserves of foreign currency are falling.

STRONG UNITY REPRESENTING THE MACHINE TOOLS SECTOR

tiad.org

MACHINE TOOLS INDUSTRIALISTS AND BUSINESSMEN ASSOCIATION

CELIMO TOOLING GROUP MEETING
10th November 2017
Stockholm – Sweden

Samet Burcin AYDOGMUS
TIAD Deputy Secretary General

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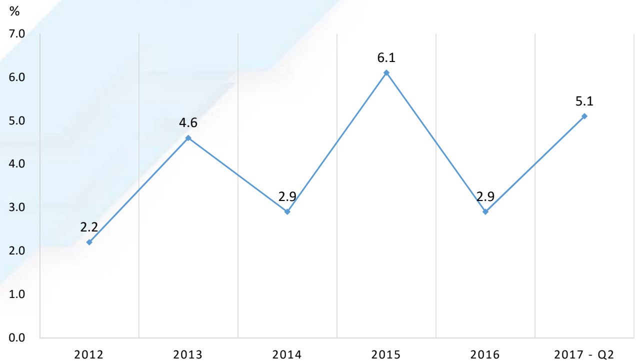
GROWTH RATES From 2012 to 2017-Q2



Source: TURKSTAT, IMF

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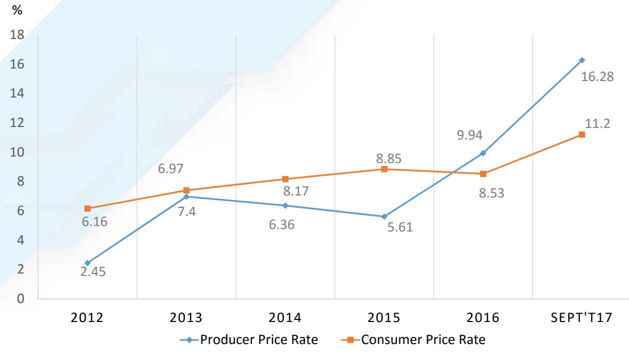
RATE OF INFLATION FROM 2012 to August 2017



Source: TURKSTAT

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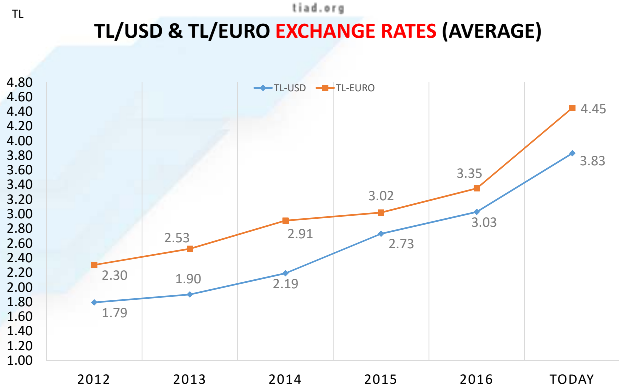
TL/USD & TL/EURO EXCHANGE RATES (AVERAGE)



Source: CENTRAL BANK OF THE REPUBLIC OF TURKEY

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TURKISH TOOLING INDUSTRY GENERAL TREND

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TURKISH TOOLING INDUSTRY GENERAL TREND

CUTTING TOOLS

Million USD	2012	2013	2014	2015	2016	2017 1st Half
EXPORT	20,00	24,47	28,41	27,13	21,39	11,7
Change Ratio (%)	-9,09%	22,35%	16,10%	-4,51%	-21,16%	9,40%
IMPORT	98,00	99,11	110,24	100,52	93,83	46,5
Change Ratio (%)	2,08%	1,13%	11,23%	-8,82%	-6,66%	-0,88%

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TURKISH TOOLING INDUSTRY GENERAL TREND

HOLDING TOOLS

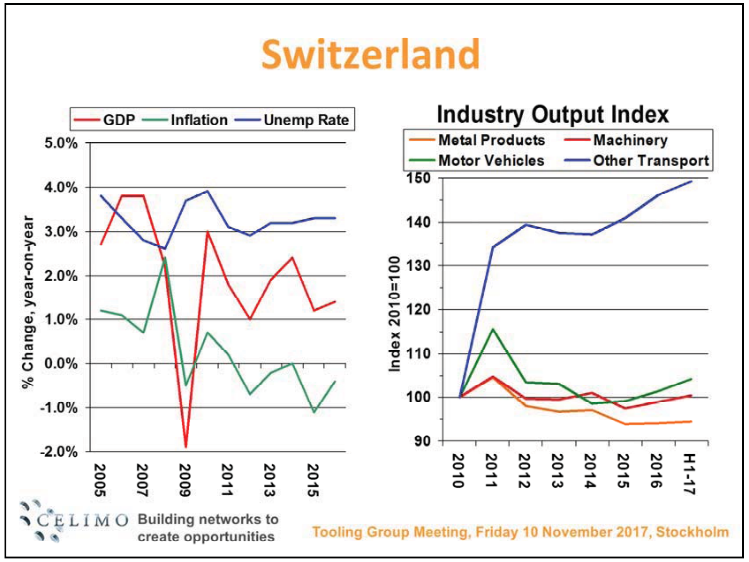
Million USD	2012	2013	2014	2015	2016	2017 1st Half
EXPORT	18,00	18,70	20,14	23,12	23,68	11,4
Change Ratio (%)	-14,29%	3,89%	7,70%	14,80%	2,42%	-3,72%
IMPORT	23,00	23,01	21,93	40,87	44,09	20,00
Change Ratio (%)	9,52%	0,04%	-4,69%	86,37%	7,88%	-9,28%

TIAD

The value of the Turkish Lira against both the Euro and the US$ has roughly halved over the past 5 years.

Imports of tooling have grown steadily since the low point in 2009, although there was a small dip in 2016. The first half of 2017 is running just slightly below the pace of a year earlier.

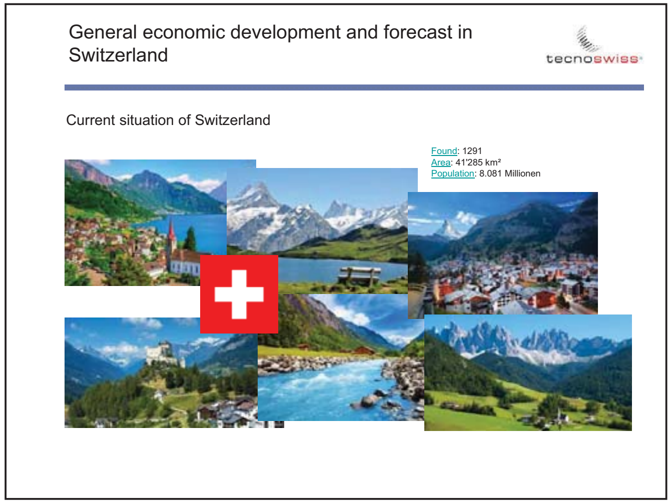
However, there has been a fall of -9.3% in imports of holding tools in the 1st half of the year.

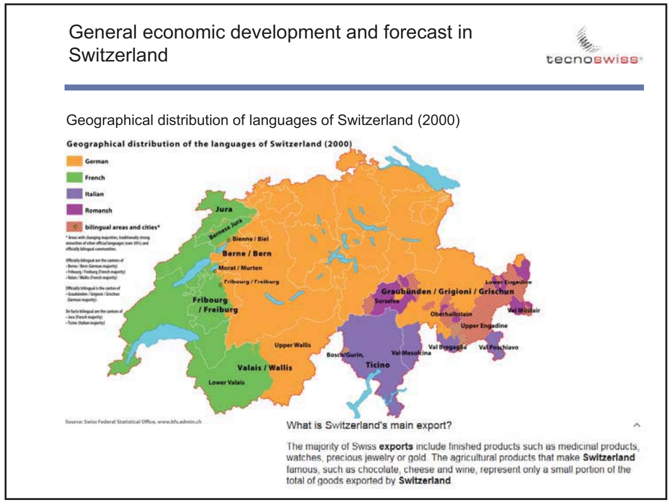


It was noted that since the end of July, the Euro has been recovering against the Swiss Franc, helping Swiss manufacturers, although it is still short of the 1.20 level which is really needed.

Growth in the Swiss economy is relatively slow this year and although it remains low, inflation is starting to pick up. The unemployment rate remains low.

Note: For reasons of data availability, the Industry output chart starts at 2010.





EURO exchange rate development

tecnoswiss

Euro - Schweizer Franken 1.1698 CHF

(EUR - CHF)

CHART - EUROKURS

Intraday 1W 3M 1J 3J 5J MAX

actualized
26th of October 2017

Switzerland GDP

tecnoswiss

Historical Forecast Alerts Data API

Switzerland GDP 1960-2017 | Data | Chart | Calendar | Forecast | News

The Gross Domestic Product (GDP) in Switzerland was worth 659.83 billion US dollars in 2016. The GDP value of Switzerland represents 1.06 percent of the world economy. GDP in Switzerland averaged 240.17 USD Billion from 1960 until 2016, reaching an all time high of 702.71 USD Billion in 2014 and a record low of 9.52 USD Billion in 1960.

Switzerland GDP Annual Growth Rate

tecnoswiss

Historical Forecast Alerts Data API

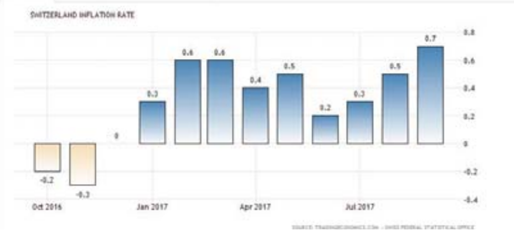
Switzerland GDP Annual Growth Rate 1981-2017 | Data | Chart | Calendar

The Gross Domestic Product (GDP) in Switzerland expanded 0.30 percent in the second quarter of 2017 over the same quarter of the previous year. GDP Annual Growth Rate in Switzerland averaged 1.72 percent from 1981 until 2017, reaching an all time high of 5.80 percent in the first quarter of 1990 and a record low of -3.40 percent in the second quarter of 2009.

Switzerland Inflation Rate

tecnoswiss

Historical Forecast Alerts Data API



Switzerland Inflation Rate 1956-2017 | Data | Chart | Calendar | Forecast

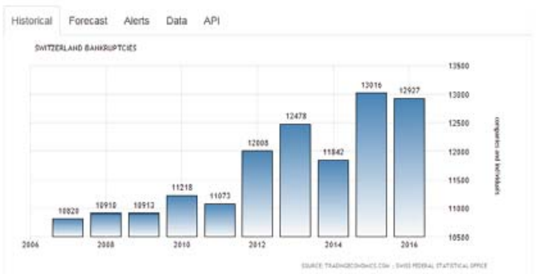
Swiss consumer prices increased by 0.7 percent year-on-year in September 2017, following a 0.5 percent gain in the previous month and beating market consensus of 0.6 percent. It was the highest inflation rate since March 2011, mainly due to rising prices of food and clothing. Annual core inflation, which strips out volatile price components like food, beverages, tobacco, seasonal products, energy and fuel, rose to 0.5 percent, also the highest since March 2011, from 0.4 percent in August. On a monthly basis, consumer prices went up by 0.2 percent after showing no growth in August. Inflation Rate in Switzerland averaged 2.43 percent from 1956 until 2017, reaching an all time high of 11.92 percent in December of 1973 and a record low of -1.40 percent in August of 2015.

Switzerland Unemployment Rate

Switzerland Unemployment Rate 1995-2017 | Data | Chart | Calendar

Swiss unadjusted unemployment rate stood at 3.0 percent in September of 2017, the same as in the prior three months. The figure remained at its lowest since October 2014 and matching market consensus. Adjusted for seasonal factors, the unemployment edged down to 3.1 percent from 3.2 percent in the prior five months. Unemployment Rate in Switzerland averaged 3.33 percent from 1995 until 2017, reaching an all time high of 5.40 percent in March of 1997 and a record low of 1.60 percent in November of 2000.

Switzerland Bankruptcies



Switzerland Bankruptcies 1980-2017 | Data | Chart | Calendar | Forecast

Bankruptcies in Switzerland decreased to 12927 companies and individuals in 2016 from 13016 companies and individuals in 2015. Bankruptcies in Switzerland averaged 8645.49 companies and individuals from 1980 until 2016, reaching an all time high of 13016 companies and individuals in 2015 and a record low of 3040 companies and individuals in 1981.

Switzerland Capacity Utilization

Switzerland Capacity Utilization 1967-2017 | Data | Chart | Calendar

Capacity Utilization in Switzerland increased to 81.84 percent in the third quarter of 2017 from 81.23 percent in the second quarter of 2017. Capacity Utilization in Switzerland averaged 83.57 percent from 1967 until 2017, reaching an all time high of 90 percent in the first quarter of 1971 and a record low of 75.04 percent in the fourth quarter of 1975.

The rise in the number of bankruptcies in Switzerland is explained largely by the exchange rate movement in January 2015. This had an immedaite impct on profitability for Swiss exporters and led to the sharp rise in bankruptcies. Turnover may be recovering, but not yet for profits.

Capacity utilisation is improving, but has not yet reached 85% which is the level which triggers investment in Switzerland.

Industrial orders increased for only the second time in the past 2½ years in the 2nd quarter of 2017 and indsutrial production had its best quarter for some time.

Switzerland Industrial Orders

Switzerland Industrial Orders 2000-2017 | Data | Chart | Calendar

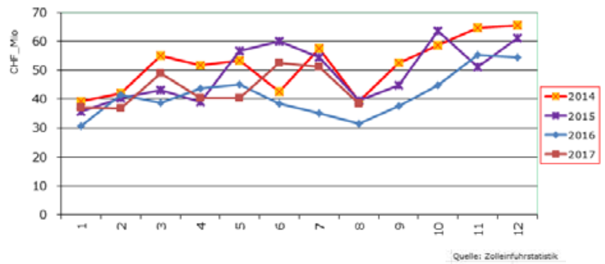
Orders to the Swiss industry rose 2.8 percent year-on-year in the second quarter of 2017, recovering from a 4.2 percent drop in the previous period. Industrial orders increased for consumer durable goods (27.2 percent from 8.6 percent in Q1), capital goods (3.8 percent from -1.7 percent) and consumer non-durable goods (0.1 percent from -6.1 percent). Meanwhile, orders for intermediate goods continued to fall (-7.1 percent from -11.4 percent in Q1). Factory Orders in Switzerland averaged 1.62 percent from 2000 until 2017, reaching an all time high of 17.10 percent in the fourth quarter of 2006 and a record low of -24 percent in the first quarter of 2009.

Switzerland Industrial Production

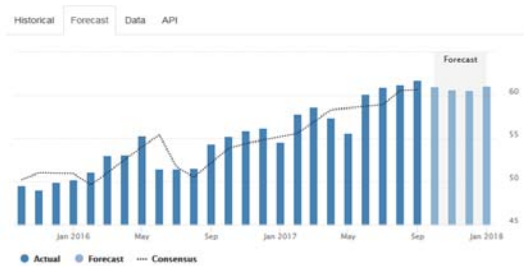
Switzerland Industrial Production 1991-2017 | Data | Chart | Calendar

Industrial production in Switzerland increased 2.9 percent year-on-year in the second quarter of 2017, following a downwardly revised 1 percent drop in the previous period. It is the biggest rise in industrial output since the second quarter of 2014, boosted by a rebound in manufacturing (4 percent compared to -0.2 percent in the previous quarter), namely manufacture of metal products (2.5 percent compared to -1.9 percent); electronic products; watches and clocks (3.2 percent compared to -6.7 percent); food and tobacco (3.5 percent compared to -6.4 percent); wood and paper products (5.1 percent compared to -4.6 percent) and transport equipment (12.7 percent compared to -0.2 percent). In addition, production fell less for mining and quarrying (-1.4 percent compared to -3.8 percent) and electricity (-4.7 percent compared to -6.8 percent). Industrial Production in Switzerland averaged 2.07 percent from 1991 until 2017, reaching an all time high of 13.60 percent in the third quarter of 2007 and a record low of -8.90 percent in the first quarter of 2009.

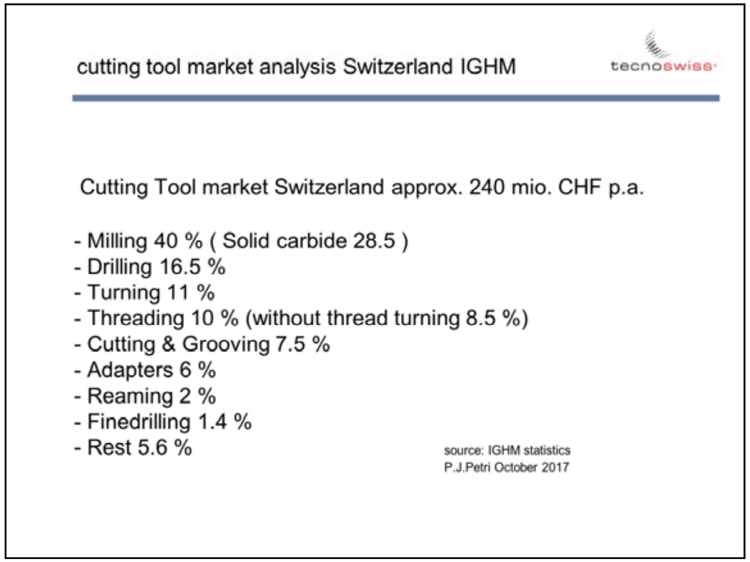
Importation volume development 2014 up to 2017 for metal working Machine tools into Switzerland



Development of the Swiss Purchasing Managers' Index (PMI) as an indicator for tool distributors



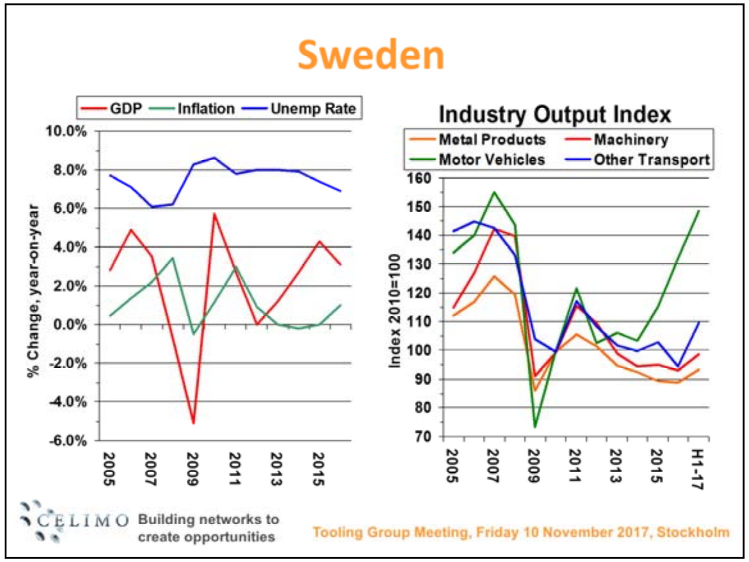
Manufacturing PMI in Switzerland is expected to be 60.29 by the end of this quarter, according to Trading Economics global macro models and analysts expectations. Looking forward, we estimate Manufacturing PMI in Switzerland to stand at 56.34 in 12 months time. In the long-term, the Switzerland Manufacturing PMI is projected to trend around 54.24 in 2020, according to our econometric models.



Import volumes for machine tools remain modest, despite a significant improvement in the PMI.

A new analysis of the cutting tool makret in Switzerland has come from a joint initiative of SWiSSMEM and tecnoswiss; this covers about 80% of the Swiss market for cutting tools.

The market is estimated to be around CHF240 million, although it was noted that this is about 10% less than it was 5 years ago.



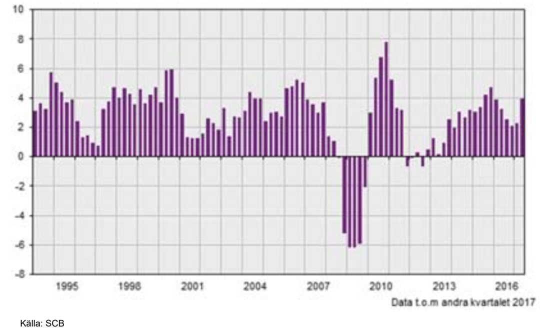
Growth in Swedish GDP (BNP on the chart) accelerated in the 2nd quarter reaching an annualized rate of +4%.

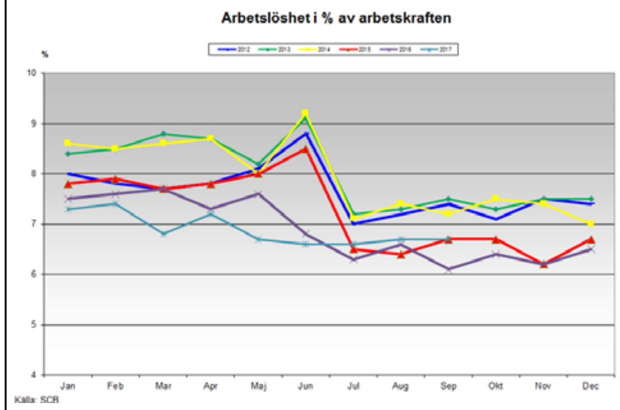
Inflation has been rising steadily over the past couple of years and is now at the target level of +2%.

Unemployment is falling slightly, but the influx of refugees in 2015 helped keep it higher than it might have been. It was noted that it is hard to find skilled people to work in industry.

The industrial production index has flattened out at a reasonable level.

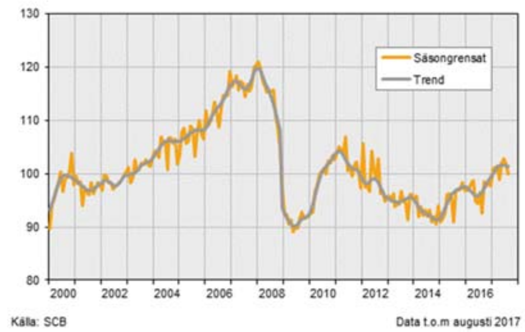
BNP, förändring mot motsv kv föregående år, %



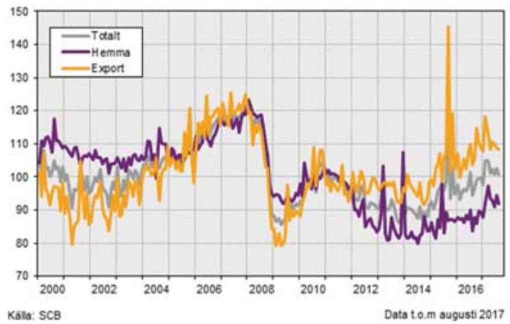


Inflation

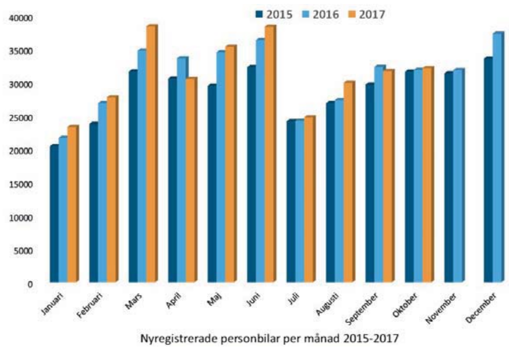
Industriproduktionsindex

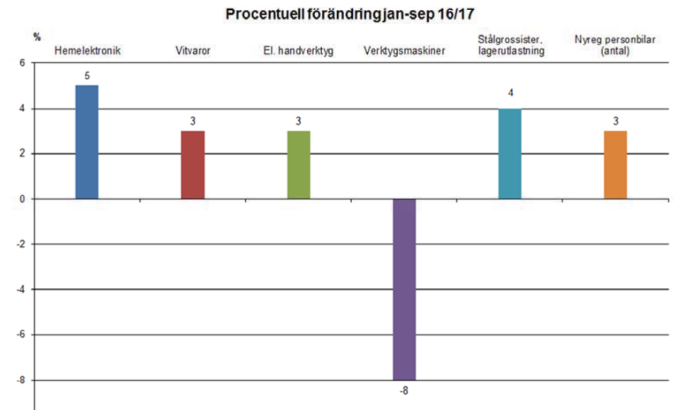


Industrins orderingång



Bilar, nyregistreringar per månad

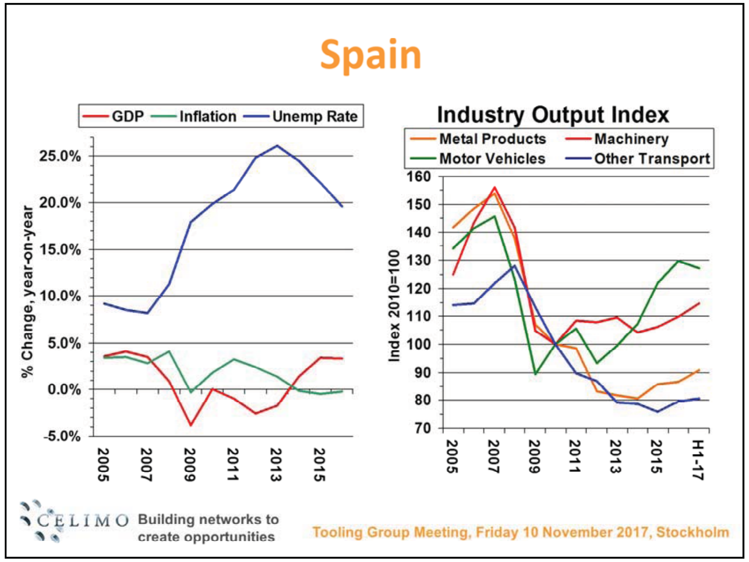




Car registrations had been going up every month until April, but this seems only to have been a temporary halt and growth has resumed in the following months.

The machinery business is down on 2016, but it is dependant on large orders from the automotive sector which can be volatile.

Activity in the tooling market is strong as although investment in new machines maybe down, output of the customer industries is high. It looks like 2017 could be the best year ever.



It was noted that the market data covers Spain and Portugal (most of the Mould & Die activity is here) as all of the dealers operate in both countries.

The customer sectors are dominated by the Automotive industry; this includes the car manufacturers and a large number of sub-contractors who are suppliers to the German manufacturers.

The breakdown in the types of tooling comes from a new survey within AIMHE.

AIMHE ASOCIACIÓN DE IMPORTADORES DE MÁQUINA - HERRAMIENTA

OBJETIVOS

Present situation :

- 45 Companies associates.
- 15 Tooling companies associates = 33 %

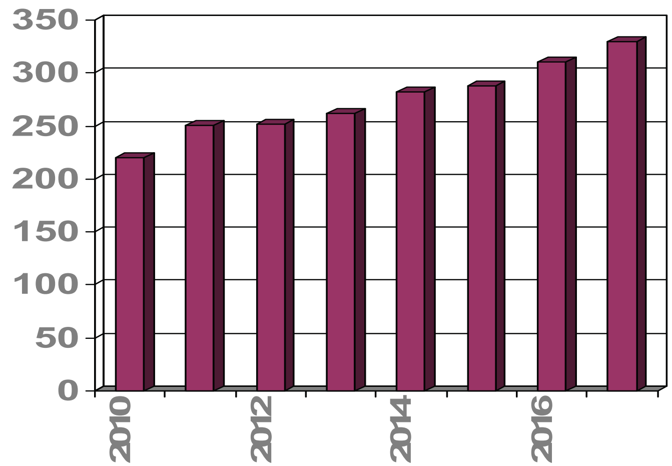
Objectives :

- 60/70 Companies associates.

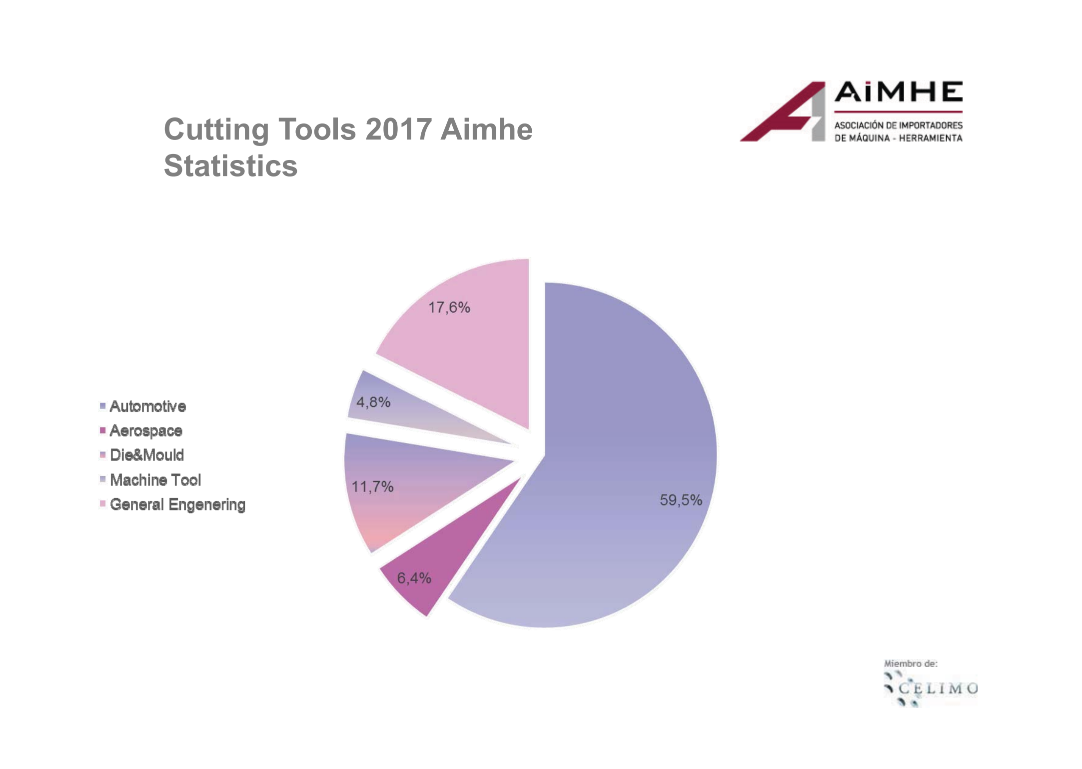
Miembro de: CELIMO

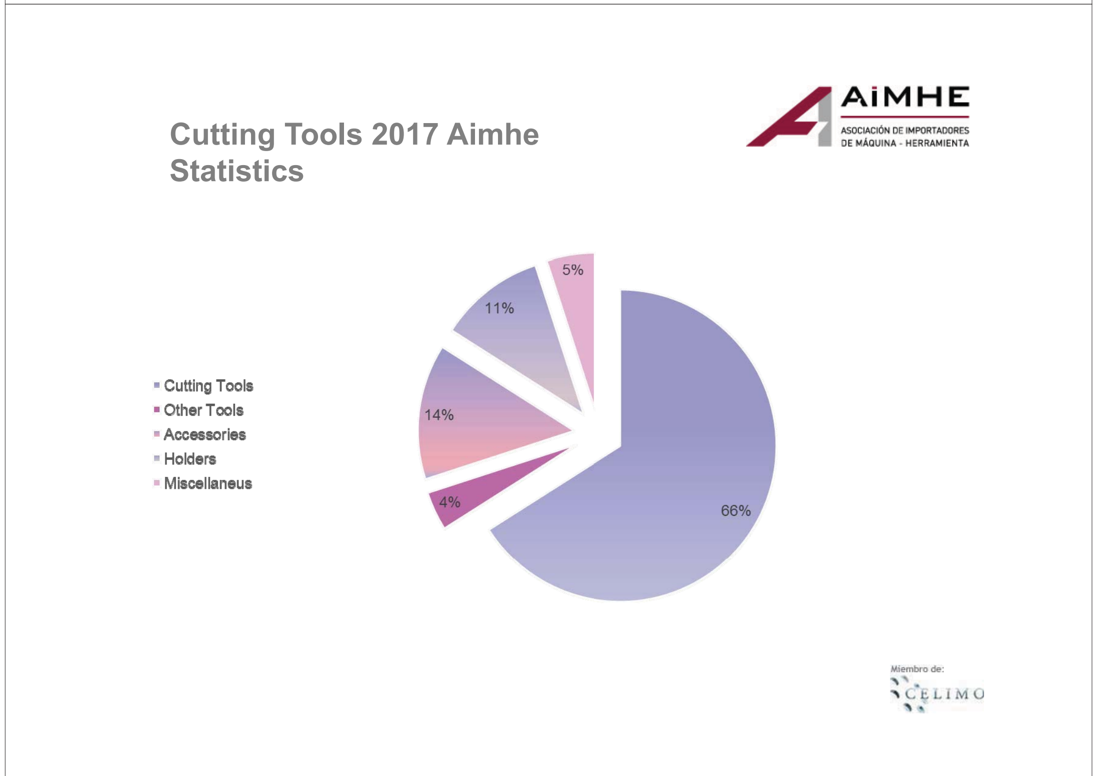
Cutting Tools Potential

AIMHE ASOCIACIÓN DE IMPORTADORES DE MÁQUINA - HERRAMIENTA



Miembro de: CELIMO





Cutting Tools 2017 Aimhe Statistics

AiMHE
ASOCIACIÓN DE IMPORTADORES DE MÁQUINA - HERRAMIENTA

	Tendence % 1Q	Tendence % 2Q	Total Tendence
Cutting Tools	10,80%	0,30%	6%
Other Tools	14,10%	10%	12%
Accessories	-2,80%	21,40%	9%
Holders	65%	4,90%	35%
Others	26%	26%	26%

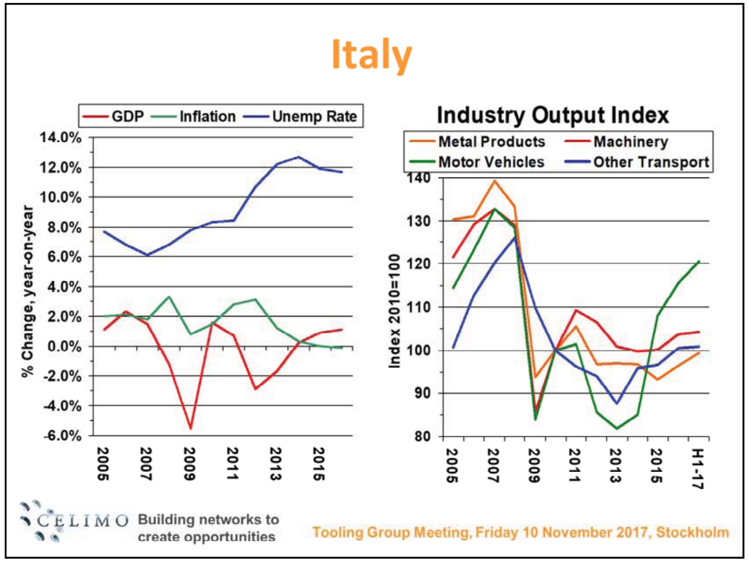
CELIMO Building networks to create opportunities

Tooling Group Meeting, Friday 31 October 2014, Malvern

The 1st quarter of the year was strong for cutting tools and although Q2 was flat, it looks as though Q3 will be good again. The other elements in the survey have a different pattern.

The meeting was reminded that the Spanish economy needs to grow at more than 2½% in order to reduce unemployment.

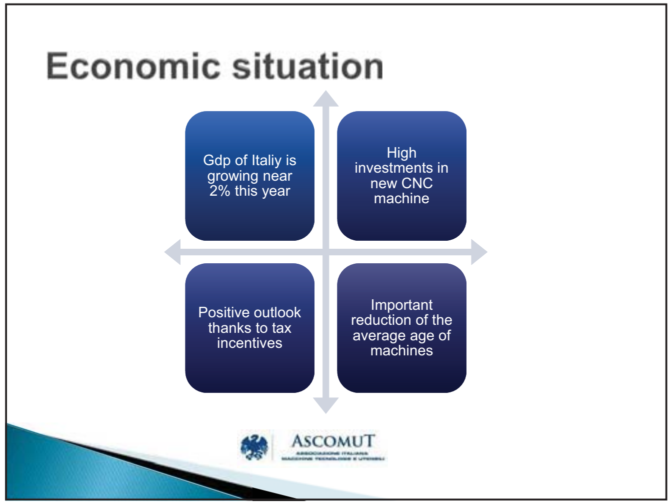
Apart from the immediate issues around Catalonia, an emerging problem is that Spain has a large debt repayment due in the Autumn of 2018 which could create problems for the economy.



The Italian economy is growing at nearly +25 for the first time in 10 years.

The high level of investment in CNC machine tools is being driven by the super-depreciation allowance of 40%, with 150% available for machines and companies meeting certain criteria related to Industry 4.0.

This has just been extended to 2018, with a carry-over into 2019 for delivery of machines ordered by the end of 2018. This initiative has been important in reducing the average age of machine tools in Italy.

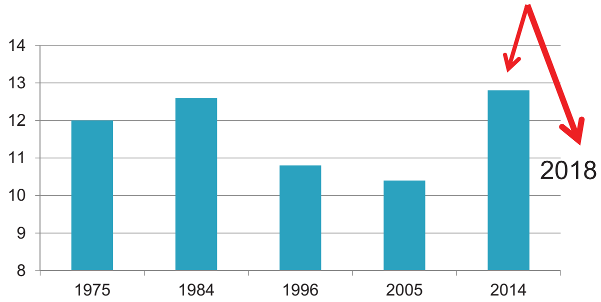


Actual situation and outlook, source UCIMU

	2016	2017	2018
		percentage changes	
GDP	1,0%	1,8%	1,4%
Industrial Production	0,7%	1,8%	3,2%
Investments	-0,9%	7,2%	0,0%
internal consumation	-7,7%	7,8%	1,3%
		Million of Euro	
CNC machines	3.180 €	3.470 €	3.480 €

ASCOMUT

Average age of the Italian Machine park, source UCIMU



ASCOMUT

The Italian Tool market

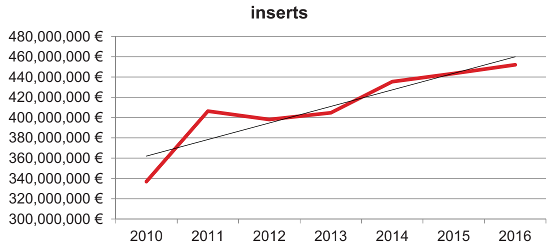
ASCOMUT

By 2014, the average age of Italian machines had reached its highest ever level and this impacts on productivity and competitiveness.

The 3rd quarter of 2017 saw an increase of +65% in new machine orders in Italy, although this is partly ahead of the renewal of the allowance into 2018.

The value of cutting tool sales includes distribution margins. Inserts, including the related holders, accounts for the largest part of the market.

The main products - inserts



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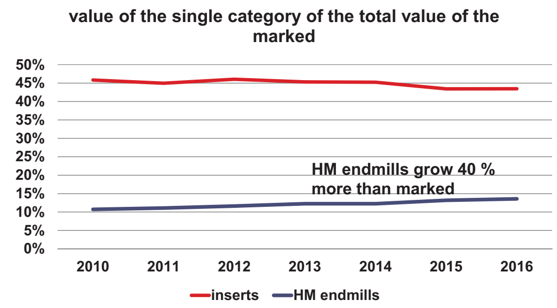
Development of the importance of the main category



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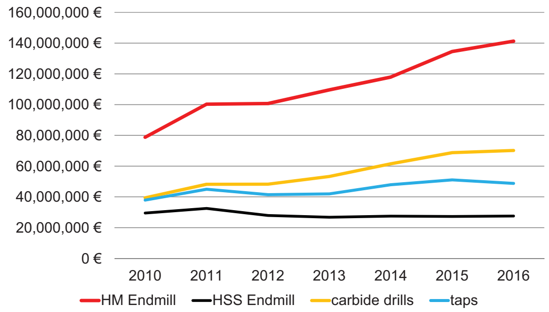
The main products – carbide (HM) and HSS



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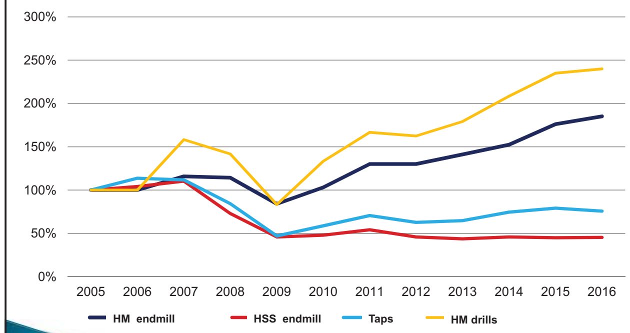
Sales development in the last 10 years, 2005 is value 100%



ASCOMUT

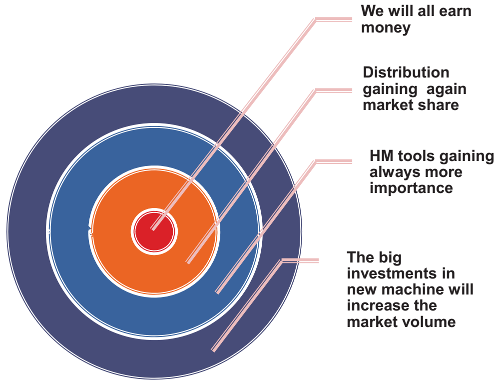
Sales channels
value of the distribution

	2014	2015	2016
HSS	50%	53%	56%
INSERTS	46%	46%	49%
HM	46%	44%	49%

Sales channels
real grow of distribution

	2014	2015	2016
HSS	5%	5%	7%
INSERTS	5%	2%	9%
HM (endmills and drills)	6%	8%	16%

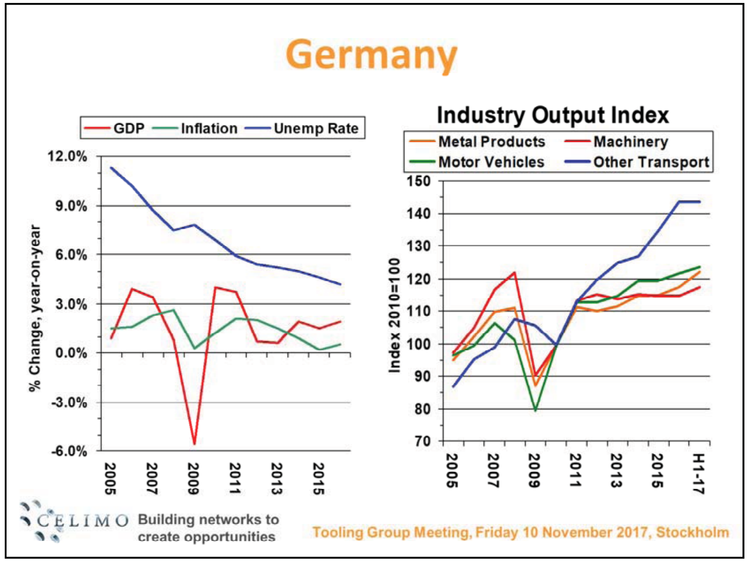
Conclusion



Since 2010, there has been a small fall in the market share for inserts, with a corresponding gain for solid carbide (HM) tooling.

Since 2014, there has been a small but steady growth in the share of sales which go through distributors at the expense of direct sales.

In conclusion, it was noted that the Italian market is in a good position at the moment and that there is room for all players to earn money.



The German economy is growing at +1.9% (to the 2nd quarter), with inflation moderate at +1.7% and a headline unemployment rate of +5.7% (although the internationally comparable rate is +3.6%). The problem is that there are not enough people to work.

The PMI is running at a high level and in the past couple of months has been above 60.

The FDM survey for 2017 (up to August) shows all the lines are positive except clamping tools; there are some supply issues for this product which is extending delivery times.

The latest expectations survey shows 75% of companies surveyed see favourable business conditions over the next 6 months, with the remainder expecting them to be satisfactory.

FDM – Trend Survey 2007 - 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Hand tools	7,9	7,3	-18,8	14,6	12,9	1,9	1,7	3,5	7,0	3,1
Power tools	14,9	9,0	-11,6	13,7	14,5	4,6	0,0	8,1	6,0	9,9
Cutting tools (all cutting materials)	15,4	11,0	-30,7	24,1	16,0	9,0	1,5	1,7	1,6	1,8
Grinding tool, cut-off, roughing	7,0	4,2	-16,6	6,6	10,7	3,6	0,8	2,0	2,6	1,0
Clamping tools	21,2	9,5	-38,9	22,7	33,5	10,2	0,3	3,9	1,2	2,1
Measuring tools, measuring machines	10,7	11,9	-29,1	22,8	19,5	11,3	0,3	3,1	2,5	5,2
Workshop and storage (benches/cabinets)	23,5	16,7	-21,3	9,9	23,2	14,2	4,6	8,1	6,4	1,5
Work safety, auxiliary and operation materials	8,1	15,4	-14,9	14,0	9,9	10,5	4,2	2,6	7,5	4,4

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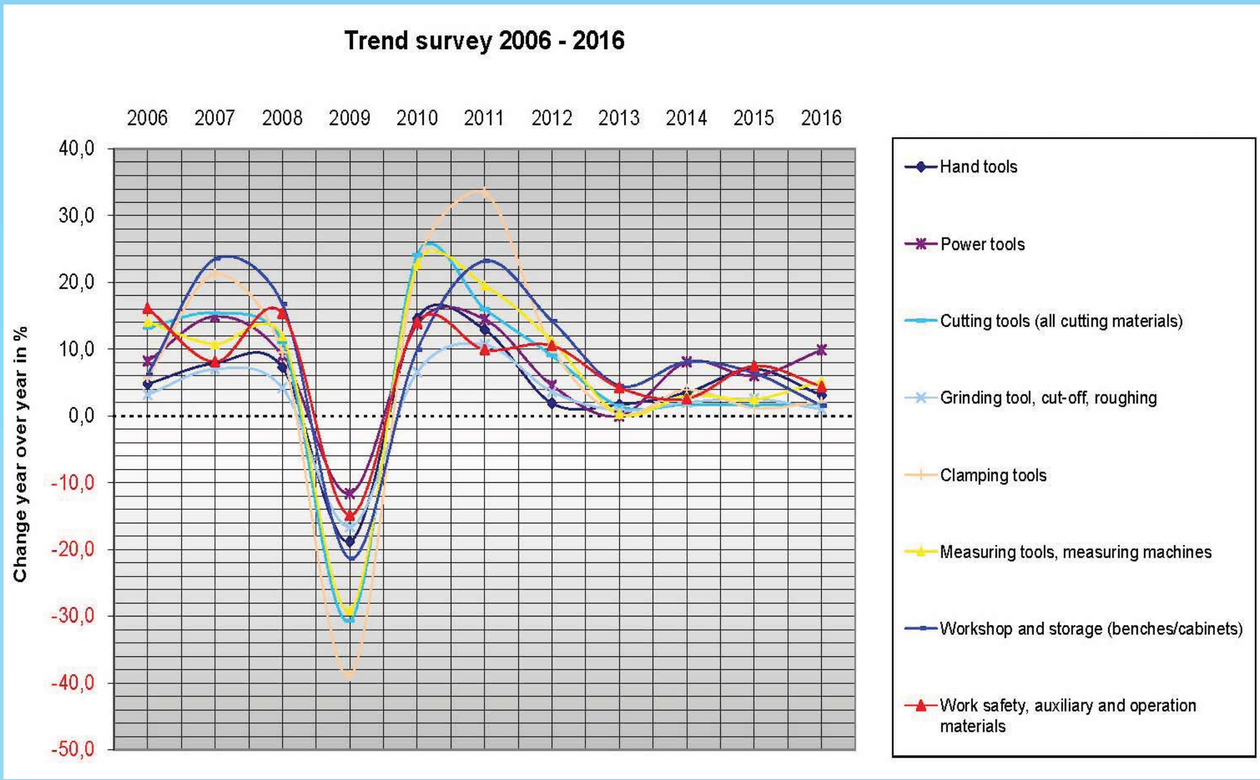
FDM – Trend Survey 2006 - 2016



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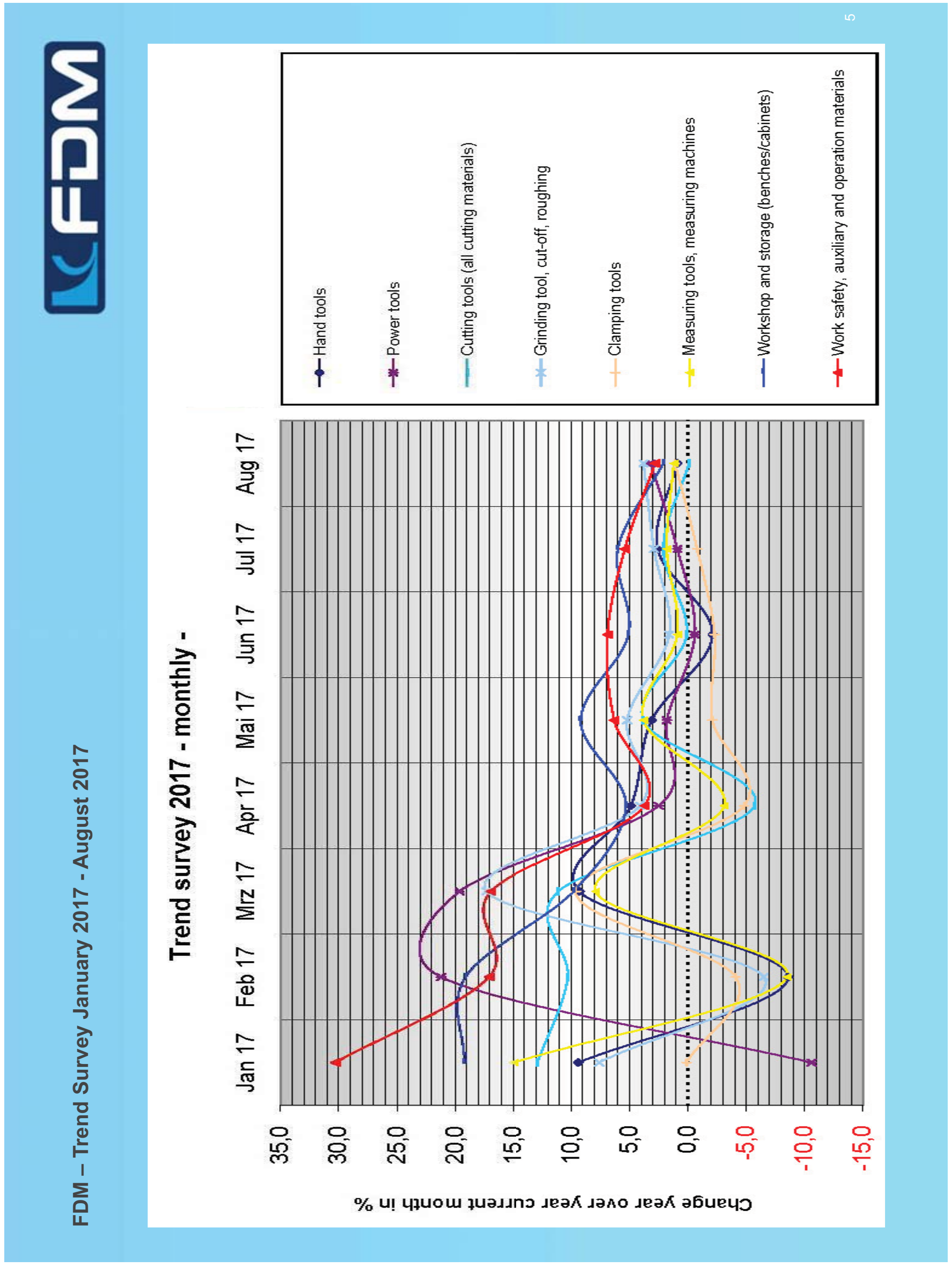
FDM – Trend Survey January 2016 - August 2017

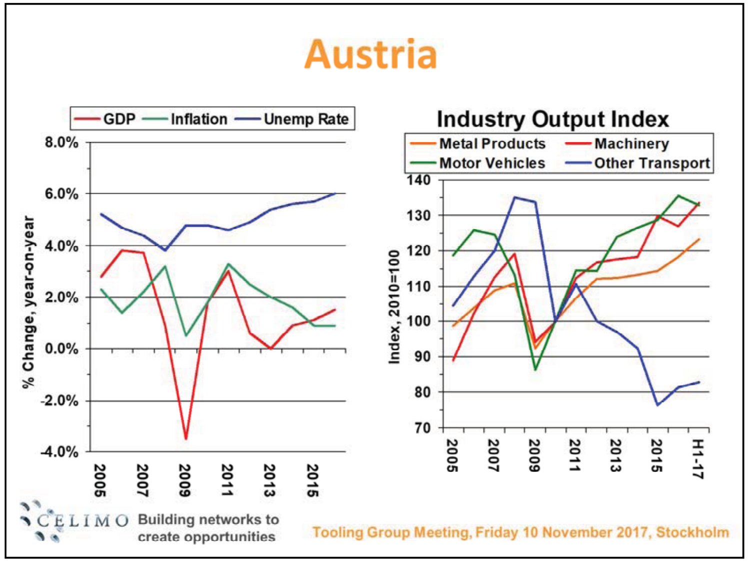
	2016					
	January	February	March	April	May	June
Hand tools	-0,5	14,5	0,2	5,8	7,4	7,5
Power tools	15,9	12,1	-2,6	3,8	12,9	14,9
Cutting tools (all cutting materials)	-4,9	6,3	-5,6	4,7	6,5	6,3
Grinding tool, cut-off, roughing	-4,1	13,6	-2,7	3,3	3,4	-0,5
Clamping tools	-2,5	10,2	-10,9	0,4	8,1	13,0
Measuring tools, measuring machines	-8,3	10,2	1,1	20,7	11,4	18,3
Workshop and storage (benches/cabinets)	-8,4	-0,5	-10,7	10,1	8,3	5,1
Work safety, auxiliary and operation materials	1,2	8,9	3,1	2,5	9,8	4,8

	2016						
	July	August	September	Oktober	November	Dezember	∑ 2016
Hand tools	0,5	13,3	-3,0	-7,6	-1,0	0,2	3,1
Power tools	7,9	12,6	18,1	7,8	6,2	8,7	9,9
Cutting tools (all cutting materials)	2,1	12,3	2,2	-5,4	-3,1	0,2	1,8
Grinding tool, cut-off, roughing	-1,5	7,8	-0,5	-5,7	-0,1	-1,1	1,0
Clamping tools	-5,2	11,3	1,9	-4,1	0,8	2,0	2,1
Measuring tools, measuring machines	1,5	10,1	3,3	-5,3	0,1	-1,2	5,2
Workshop and storage (benches/cabinets)	-3,5	6,7	13,5	-5,7	-0,5	3,2	1,5
Work safety, auxiliary and operation materials	0,5	14,5	5,5	-1,3	1,2	1,9	4,4

	2017 (temporary)								
	January	February	March	April	May	June	July	August	∑ 01-08/2017
Hand tools	9,4	-8,6	9,3	4,9	3,1	-2,1	2,6	0,9	2,4
Power tools	-10,6	21,2	19,6	2,5	1,8	-0,6	0,9	3,2	4,8
Cutting tools (all cutting materials)	12,9	10,3	11,1	-5,7	3,8	0,1	2,1	-0,1	4,3
Grinding tool, cut-off, roughing	7,6	-6,5	17,3	4,1	5,2	1,6	2,9	3,8	4,5
Clamping tools	0,1	-4,1	9,6	-4,8	-2,1	-2,3	-0,8	1,1	-0,4
Measuring tools, measuring machines	14,9	-8,5	7,9	-3,1	3,8	0,9	1,8	1,2	2,4
Workshop and storage (benches/cabinets)	19,2	19,1	9,8	5,3	9,2	5,1	6,0	2,1	9,5
Work safety, auxiliary and operation materials	30,3	17,1	16,9	3,7	6,3	6,9	5,4	2,8	11,2

4





The Austrian economy is also in a good position, with GDP growth of +2.3% and inflation running at the same rate. However, unemployment is edging up and is now at 5.8%.

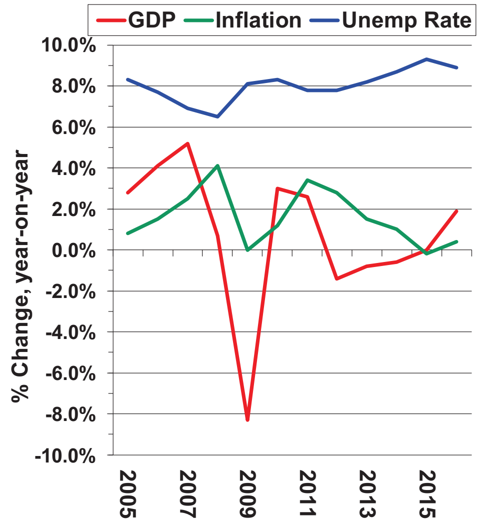
The investment climate is very positive and the recent elections should lead to policies that will encourage economic activity.

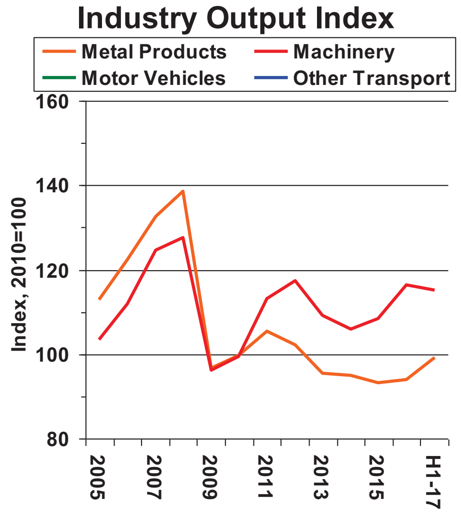
It was noted that Ceratizit, who had hosted our meeting in 2013, had recently taken over Komet.

COUNTRY REPORTS

The following are the general information slides for the CELIMO Member countries that were not represented at the Tooling Group meeting.

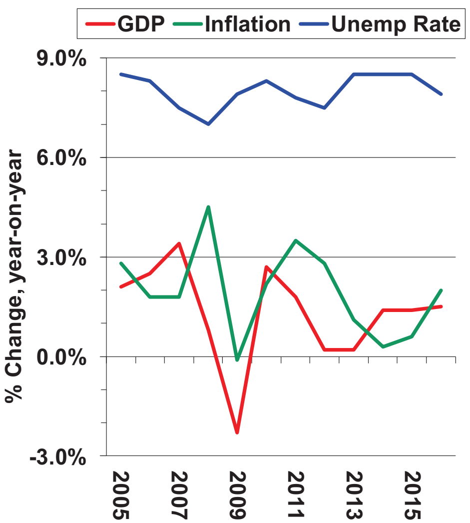
Finland

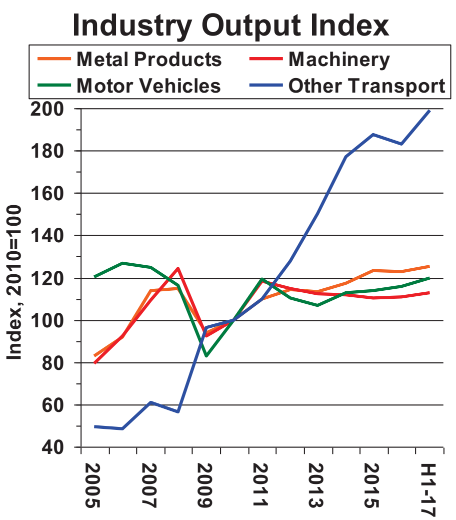




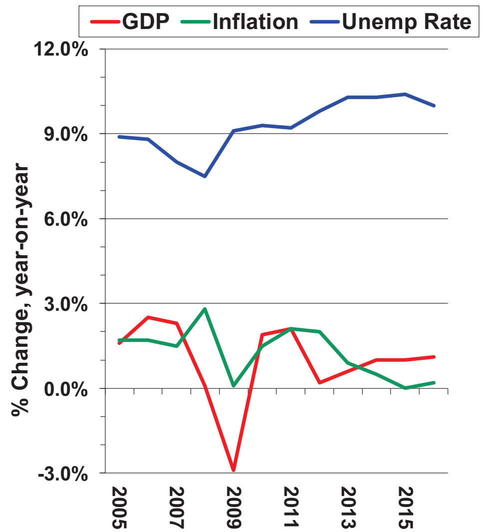
Note that Eurostat does not publish data for the Automotive or Other Transport Equipment industries for Finland

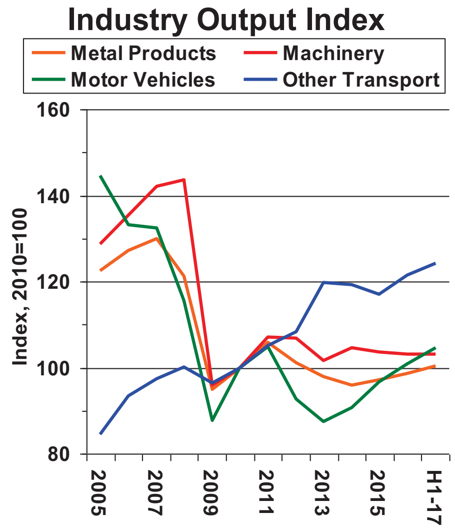
Belgium



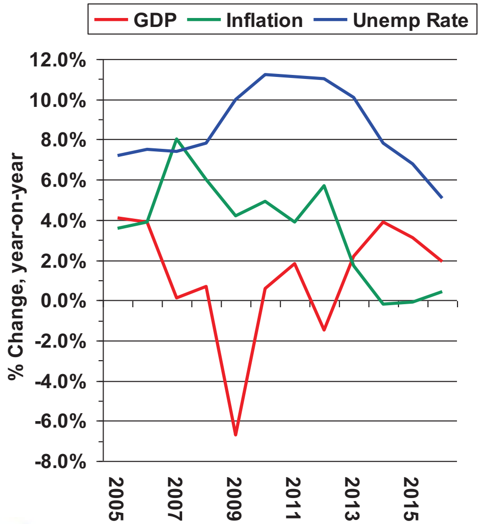


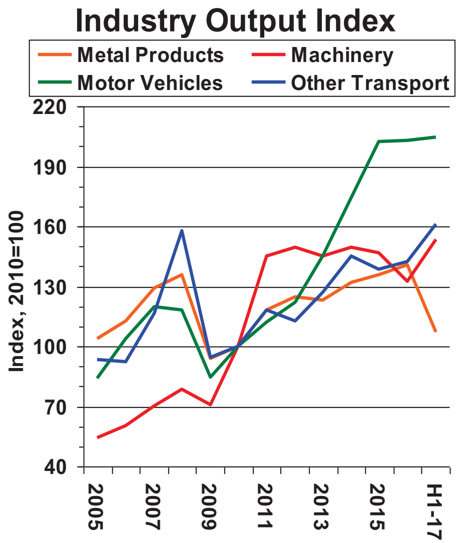
France





Hungary





Netherlands