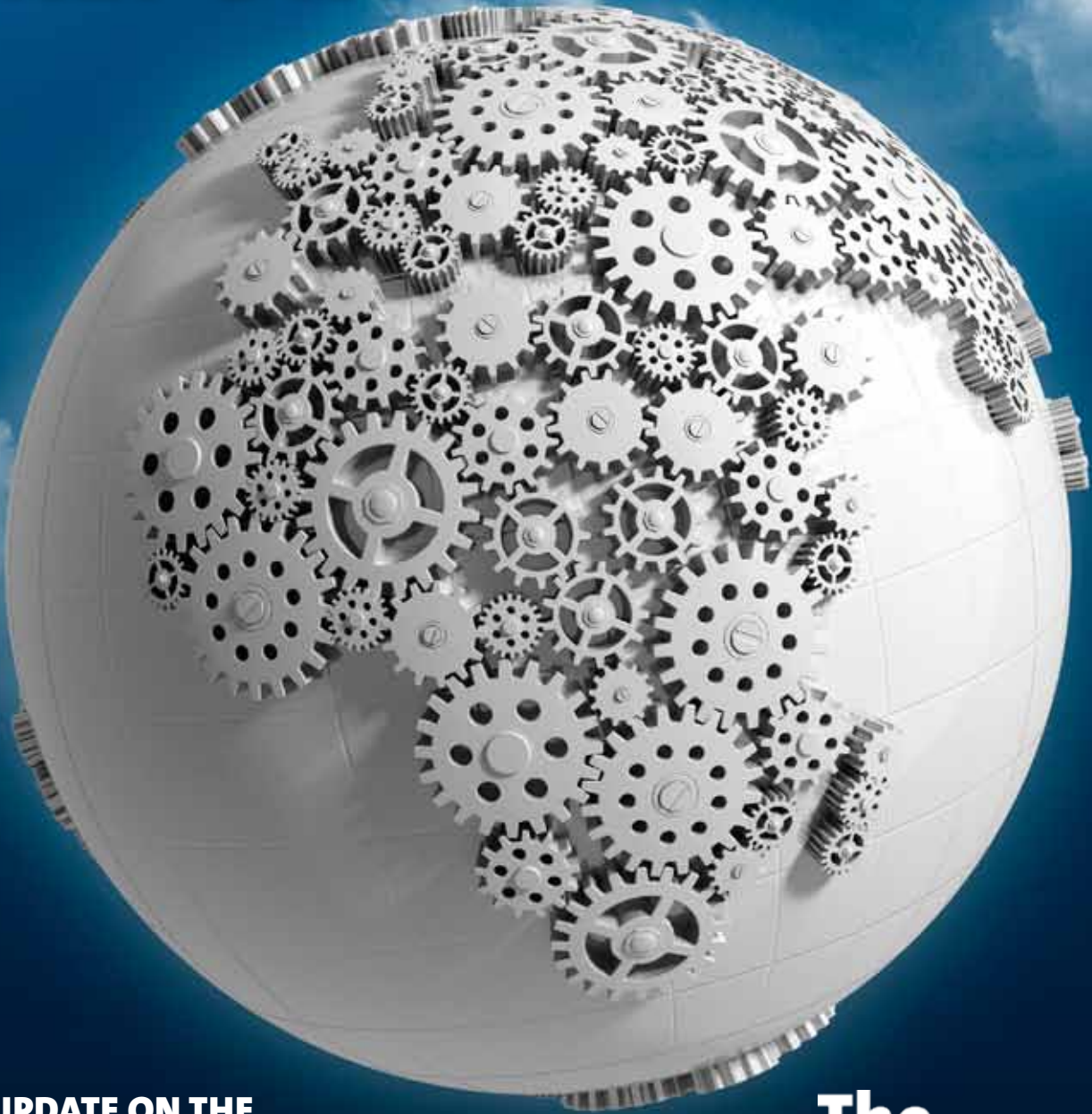


# BUSINESS INDICATOR REPORT



**UPDATE ON THE  
ECONOMIC SITUATION  
AND DEVELOPMENT IN  
SELECTED SECTORS**

**The  
Knowledge  
Link**

Machining industry

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## 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 a monthly version in English only.**

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## Grundfos analyst: Continued downward trend means increased pessimism from industry



The world's economic situation continued to decline in July and August, with decreases in all but one market.

Order intake and production figures from the machine tool industry decreased in Japan and the U.S. On the bright side, the German machine tool industry showed surprisingly high growth with July export orders.

September's ITMS exhibition in Chicago may give a boost to the U.S. machine tool industry, but it is still unclear to what extent slow consumption will affect the global machining industry in the coming months.

*Frank Baake*  
Senior Marketing Analyst

### 1

## Economic Expectations for Key Countries and Industry Sectors



The Centre for European Economic Research (ZEW) writes,

“The ZEW Indicator of Economic Sentiment for Germany has dropped by 5.9 points in August 2012. The indicator is now standing at a level of minus 25.5 points. This is the lowest value of the indicator in 2012 so far.

Economic expectations for the Eurozone have only slightly changed in August. The indicator has risen by 1.1 points to minus 21.2 points.

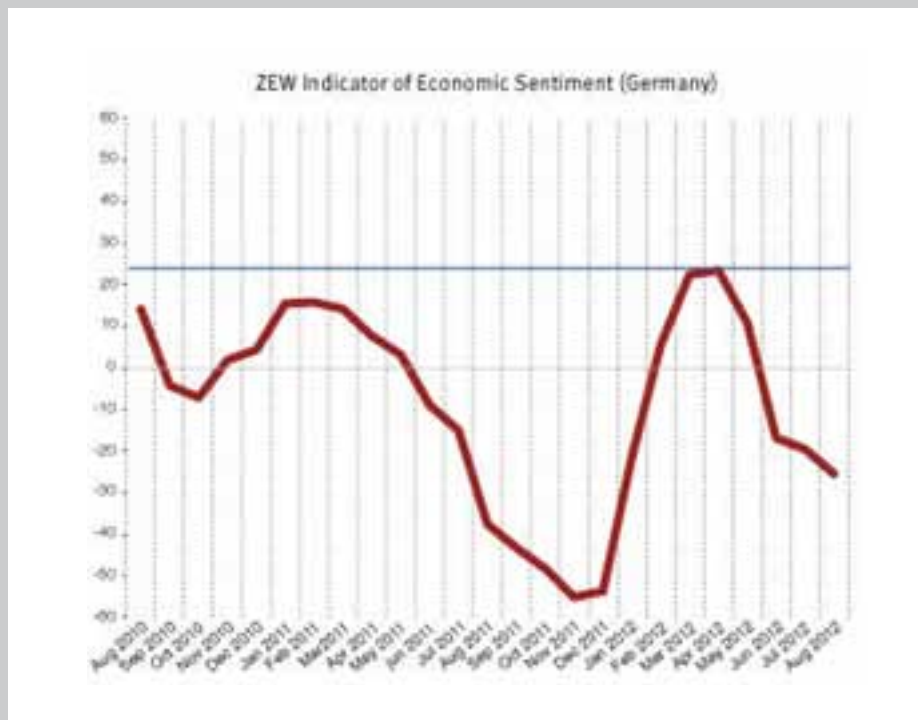
‘The indicator’s decline in August signals that financial market experts still expect the German economy to cool down throughout the next six months,’ says ZEW President Prof. Dr. Dr. h.c.

Wolfgang Franz. ‘Especially export-oriented sectors may be affected.’”

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](http://zew.de).

## ZEW Indicator of Economic Sentiment (Germany)



## ZEW - Financial Market Survey: Results August 2012

Economic expectations	improve		no change		get worse		balance	
Eurozone	15.2	(+ 0.8)	48.4	(- 0.5)	36.4	(- 0.3)	-21.2	(+ 1.1)
Germany (ZEW Indicator)	14.0	(- 3.4)	46.5	(+ 0.9)	39.5	(+ 2.5)	-25.5	(- 5.9)
USA	23.5	(- 0.3)	57.4	(+ 1.3)	19.1	(- 1.0)	4.4	(+ 0.7)
Japan	13.7	(- 2.2)	68.0	(+ 1.7)	18.3	(+ 0.5)	-4.6	(- 2.7)
United Kingdom	11.7	(- 4.2)	61.7	(+ 2.0)	26.6	(+ 2.2)	-14.9	(- 6.4)
France	9.8	(- 0.9)	53.0	(+ 3.4)	37.2	(- 2.5)	-27.4	(+ 1.6)
Italy	11.0	(+/- 0.0)	49.4	(+ 0.5)	39.6	(- 0.5)	-28.6	(+ 0.5)
Sectors	improve		no change		get worse		balance	
Banks	8.5	(+ 0.9)	27.8	(- 0.3)	63.7	(- 0.6)	-55.2	(+ 1.5)
Insurance companies	8.1	(+ 2.1)	36.5	(+ 0.2)	55.4	(- 2.3)	-47.3	(+ 4.4)
Automobile	9.1	(- 3.4)	49.1	(- 0.9)	41.8	(+ 4.3)	-32.7	(- 7.7)
Chemicals / Pharmaceuticals	19.1	(+ 1.3)	62.7	(- 2.2)	18.2	(+ 0.9)	0.9	(+ 0.4)
Steel	8.2	(- 0.5)	50.5	(- 0.8)	41.3	(+ 1.3)	-33.1	(- 1.8)
Electronics	9.7	(- 3.0)	65.4	(- 0.4)	24.9	(+ 3.4)	-15.2	(- 6.4)
Mechanical engineering	10.9	(- 4.3)	50.7	(- 1.2)	38.4	(+ 5.5)	-27.5	(- 9.8)
Retail / Consumer goods	19.1	(- 0.4)	65.0	(+ 0.1)	15.9	(+ 0.3)	3.2	(- 0.7)
Construction	21.8	(- 3.8)	56.8	(+ 3.3)	21.4	(+ 0.5)	0.4	(- 4.3)
Utilities	17.4	(+ 5.2)	67.0	(+ 0.6)	15.6	(- 5.8)	1.8	(+11.0)
Services	21.1	(+ 2.7)	67.9	(- 4.9)	11.0	(+ 2.2)	10.1	(+ 0.5)
Telecommunications	8.7	(- 0.9)	75.3	(+ 3.2)	16.0	(- 2.3)	-7.3	(+ 1.4)
Information technology	21.9	(+ 2.7)	67.9	(- 1.3)	10.2	(- 1.4)	11.7	(+ 4.1)

Note: 262 analysts participated in the August-survey which was conducted during the period 7/30-8/13/2012. Analysts were asked about their expectations for the next 6 months. Numbers displayed are percentages (month-over-month percentage point changes in parentheses). Balances refer to the difference between positive and negative assessments.

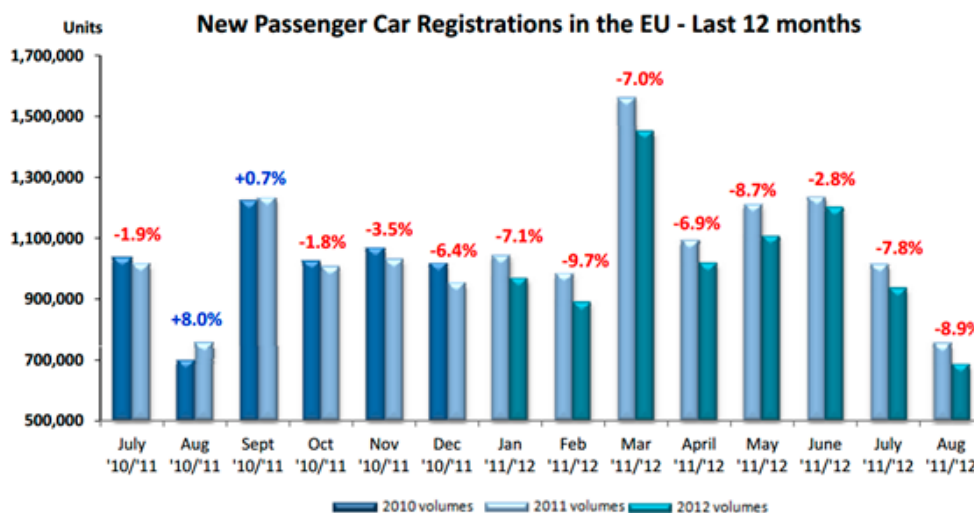
## 2 New Passenger Car Registrations in Europe



**ACEA**  
EUROPEAN AUTOMOBILE MANUFACTURERS' ASSOCIATION

The European Automobile Manufacturers Association writes: "After declining by 7.8% in July, new passenger car registrations were down by 8.9% in August. Eight months into the year, the downturn reached 7.1% as the EU registered 8,268,642 new cars.

In August, EU markets performed diversely. Germany saw its demand contract by 4.7%, while France (-11.4%) and Italy (-20.2%) faced double-digit downturns. The Spanish (+3.4%) expanded and the British remained stable. From January to August, the UK was the only market to post growth

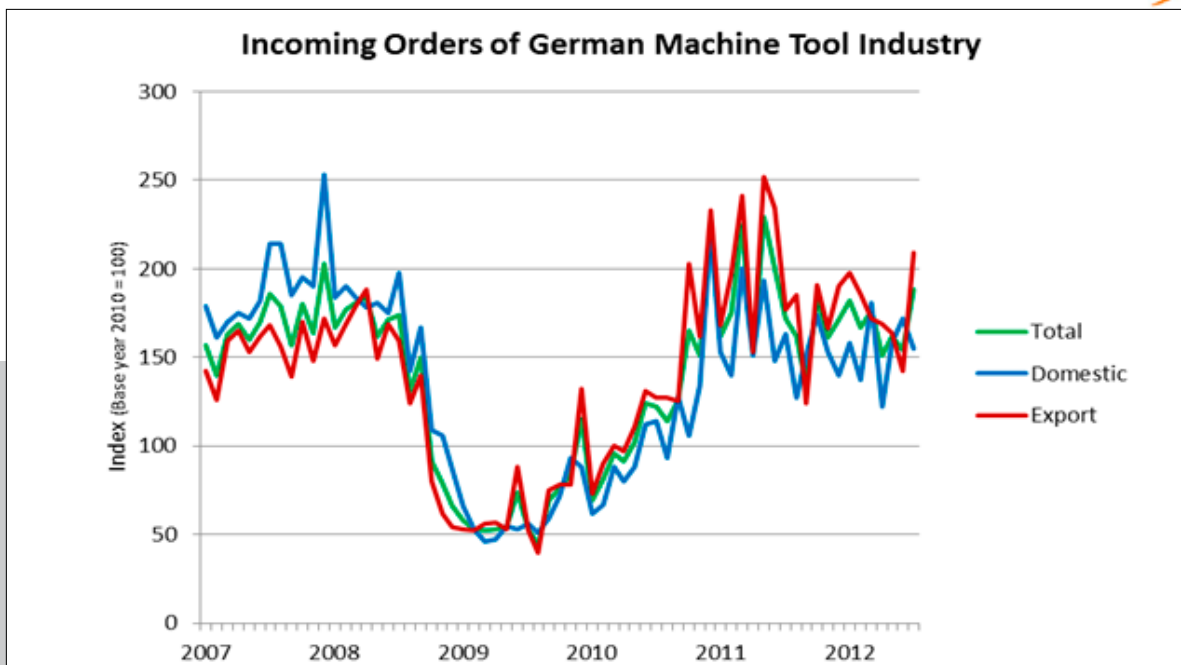


Not adjusted for working days

(+3.3%). Negative figures were recorded for Germany (-0.6%), Spain (-8.5%), France (-13.4%) and Italy (-19.9%)."

For more information, see ACEA's website at [acea.be](http://acea.be).

## 3 Machine Tool Order Intake in Germany

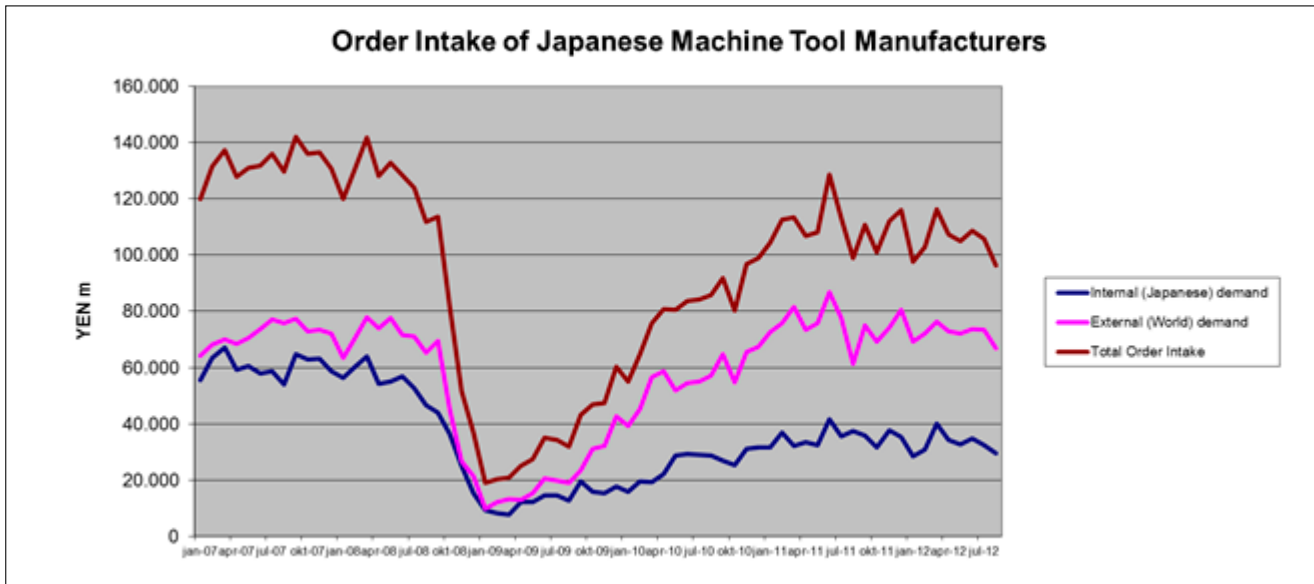


For the German machine tool industry, the order intake in July was +9.4% compared to the same month in 2011, according to figures from the German Engineering Federation (VDMA). This extremely high increase in export orders is a turnaround from the negative trend of the previous five months.

The VDMA (Verband Deutscher Maschinen- und Anlagenbau - German Engineering Federation) is a network of around 3,000 engineering industry companies in Europe.

For more information, please visit the VDMA's website at [vdma.org](http://vdma.org).

## Machine Tool Order Intake in Japan



The order intake for the Japanese Machine Tool Industry in August 2012 was -2.6% compared to August 2011 and -8.9% compared to previous month July 2012, according to figures from the Japan Machine Tool Builders' Association (JMTBA).

For more information, please visit the JMTBA's website at [jmtba.or.jp](http://jmtba.or.jp)

## Machine Tool Order Intake in U.S.A.



The Association for Manufacturing Technology (AMT) writes, "July U.S. manufacturing technology orders totalled \$449.69 million, according to AMT. This total, as reported by companies participating in the USMTO program, was down 2.3% from June and down 10.5% when compared with the total of \$502.33 million reported for July 2011.

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.

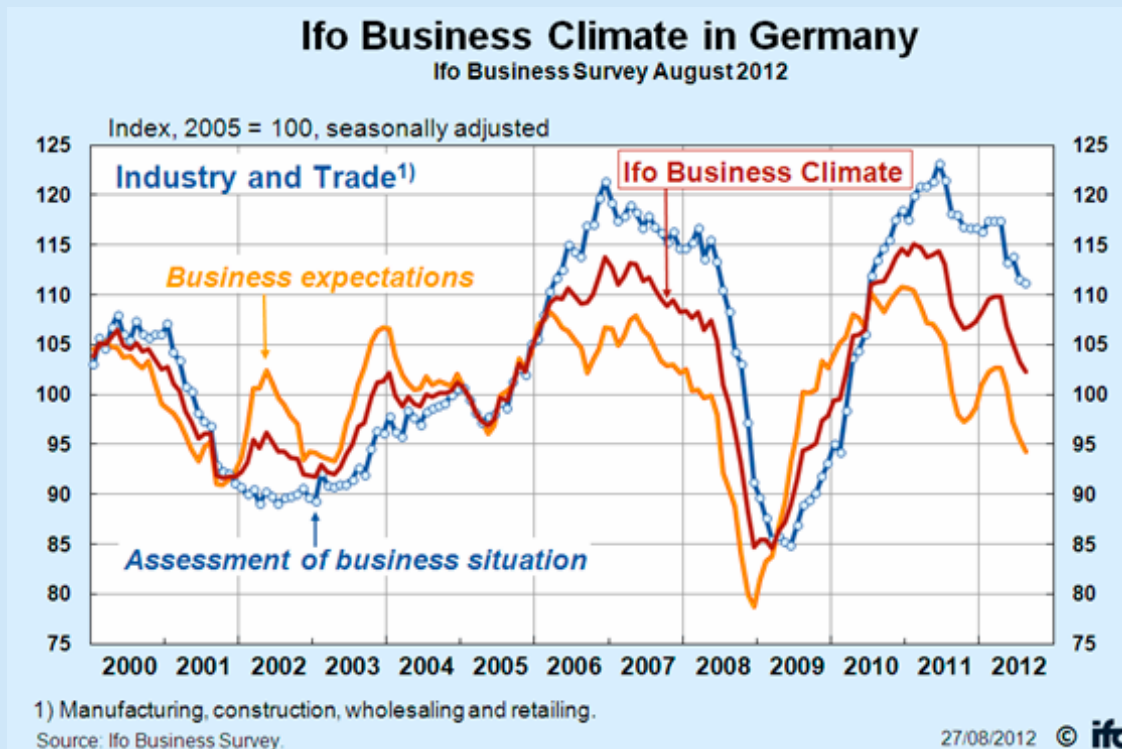
With a year-to-date total of \$3,132.23 million, 2012 is up 5.4% compared with 2011."

For more information, visit the website at [amtonline.org](http://amtonline.org).

USMTO		U.S. Manufacturing Technology Orders					July 2012		
		A statistical program of AMT							
	Jul 12 (P)	Previous Month	% Change	Year Ago Month	% Change	YTD 12 (P)	YTD 11 (R)	% Change YTD	
<b>National</b>									
Metal Cutting	374.32	415.87	-10.0%	397.64	-5.9%	2,802.11	2,643.38	6.0%	
Metal Forming & Fabricating	75.37	44.44	69.6%	104.69	-28.0%	330.12	328.93	0.4%	
<b>Total</b>	<b>449.69</b>	<b>460.31</b>	<b>-2.3%</b>	<b>502.33</b>	<b>-10.5%</b>	<b>3,132.23</b>	<b>2,972.31</b>	<b>5.4%</b>	

## 6 German Business Climate – Industry and Trade

CESifo  
Group Munich



### Ifo Business Climate Germany:

“The Ifo Business Climate Index for industry and trade in Germany continued to fall in August. The decline, however, was weaker than last month. The current business situation deteriorated only slightly, but companies expressed greater pessimism regarding future business developments. The German economy continues to falter.”

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.

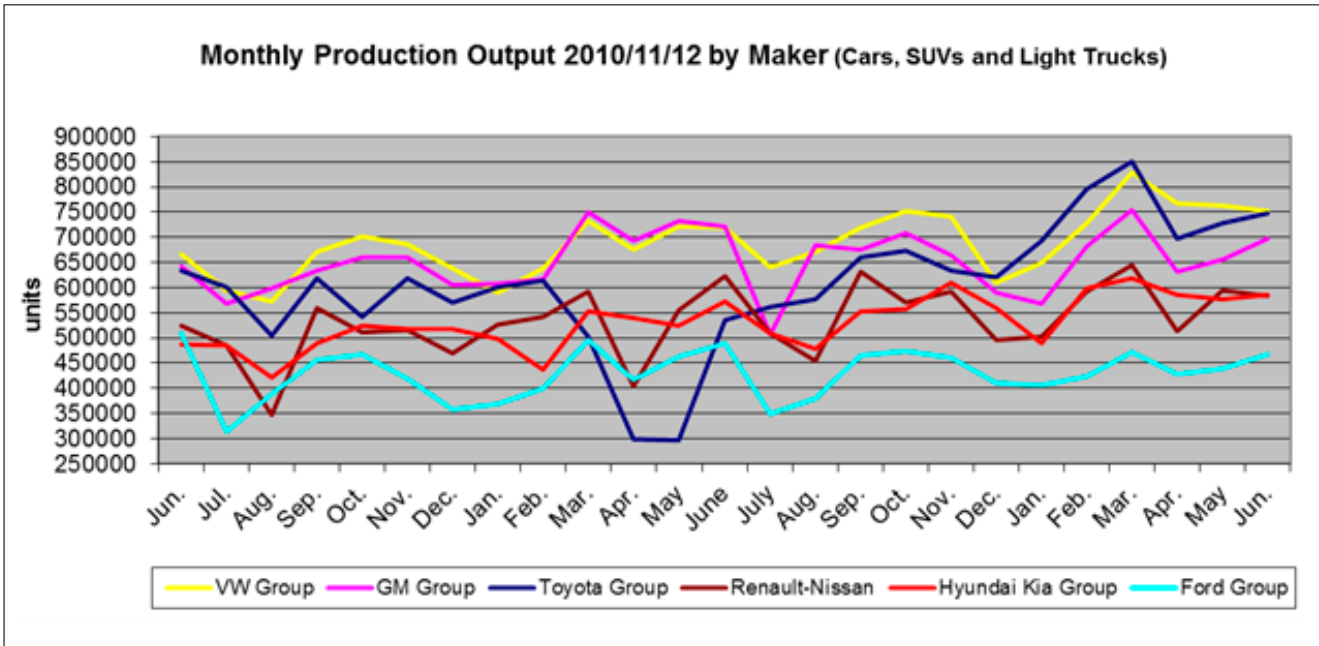
The CESifo Group, consisting of the Centre for Economic Studies (CES), the Ifo Institute for Economic Research and the CESifo GmbH (Munich Society for the Promotion of Economic Research) is a research group unique in Europe in the area of economic research. It combines the theoretically oriented economic 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](http://cesifo-group.de).

# 7 The Grundfos Global Automotive Indicators

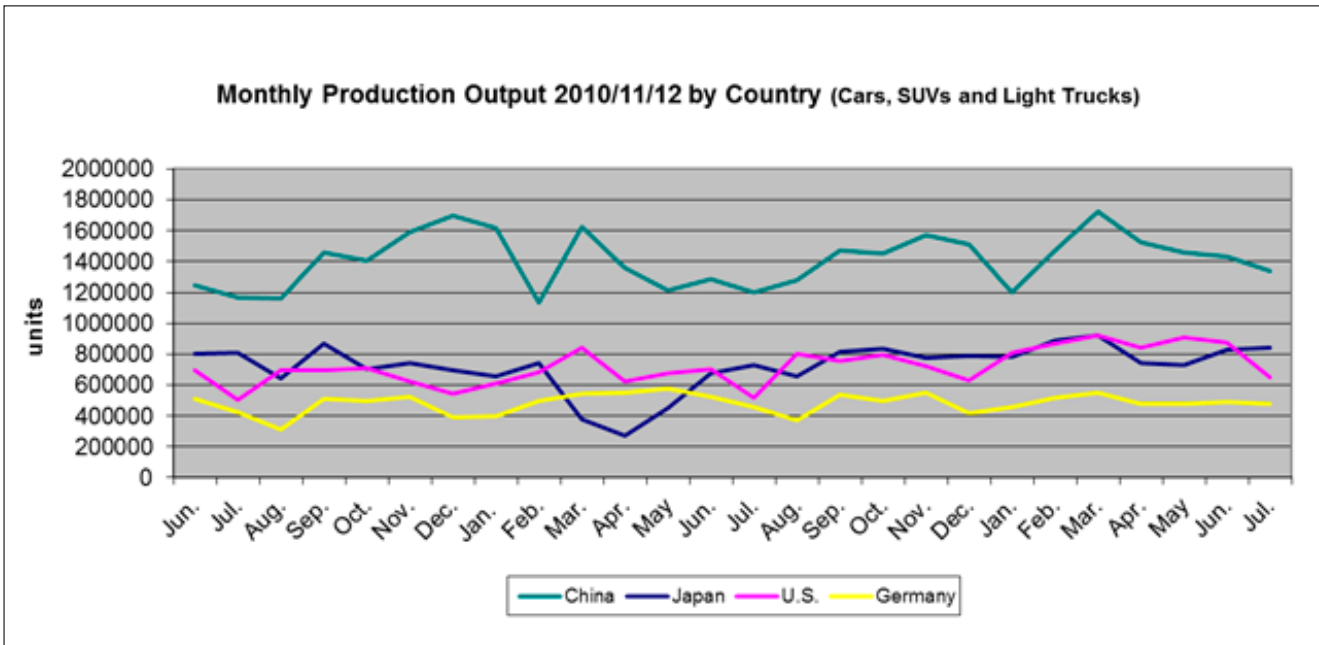
Data source: MarkLines Co. Ltd



Automobile production figures showed a positive picture in June. Reports from Russia, Uzbekistan and Ukraine are currently not available.

There is an expected decrease, especially for U.S. producers. U.S. production fell by 25% in July. A downward trend continued in China as well.

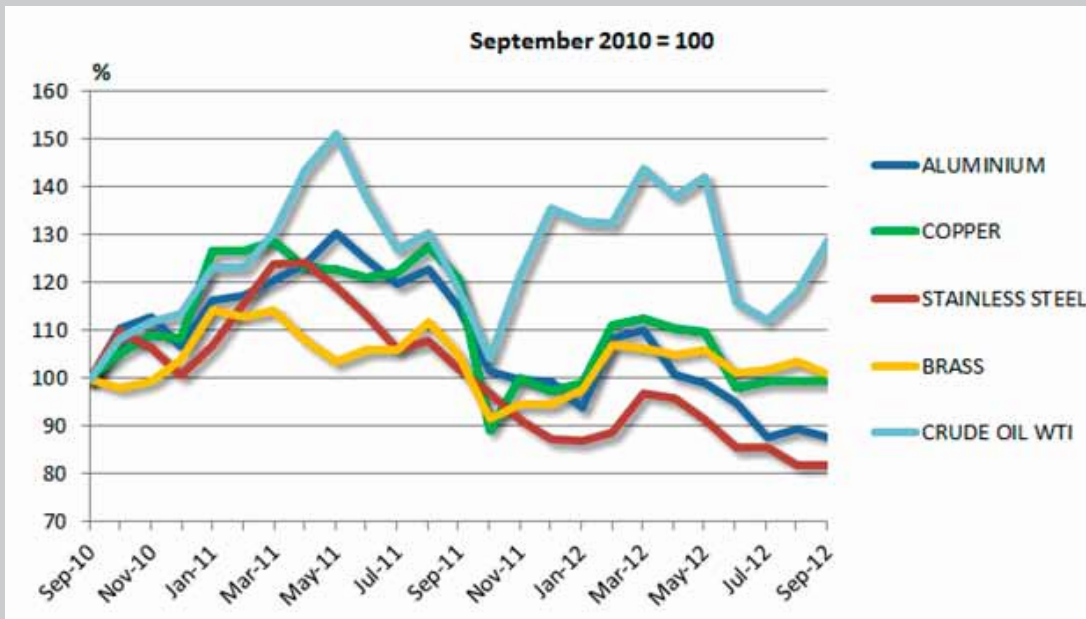
Data source: MarkLines Co. Ltd



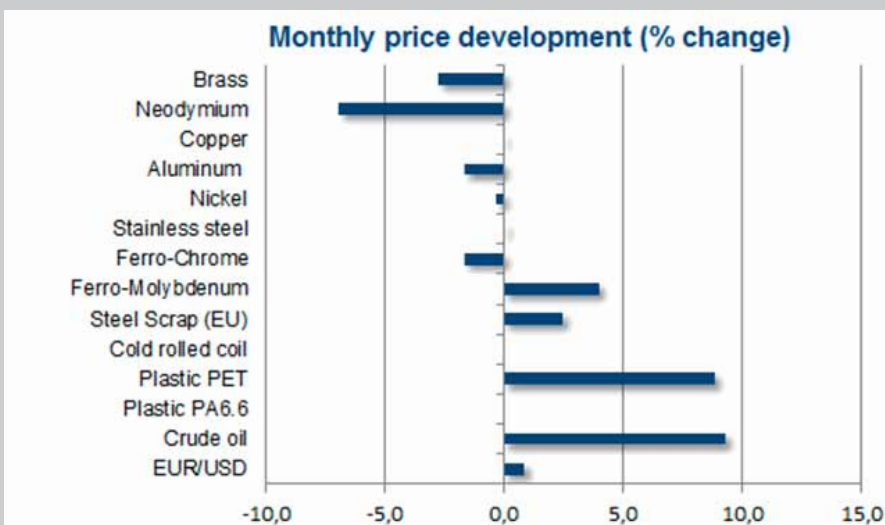


# 8 The Grundfos Raw Materials Price Index

## Raw Materials Update



Source: London Metal Exchange, Steel Business Briefing, CME Group.



## Raw materials price index, General status July 2012

Source: London Metal Exchange, Steel Business Briefing, CME Group.

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

### Commodities in regression

- The global cyclical downturn has led to widespread sell-offs in commodities since mid-spring.
- Oil prices have come down slightly from last week's highs on speculation that the International Energy Agency (IEA) may release oil from its

emergency stocks. Middle East tensions and continued draws on US crude stocks continue to set a floor for oil prices.

- In June, the Metal Bulletin reported local governments in China were giving additional energy subsidies to aluminium smelters to help them stay in production and remain competitive against new capacity in the northwest regions. "In late June, the Henan province said would subsidise five aluminium producers' electricity bills by 0.08 yuan/KWh or 1,100 yuan

per tonne," says Nick Trevethan, senior metals strategist at ANZ in Singapore. "Brazil is also considering cutting industrial power tariffs from September. We estimate most of the country's capacity will make money at current prices."

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