

CEMA Business Barometer

Public excerpt April 2020



What is the CEMA Business Barometer?

- ▶ A monthly survey within the European agricultural machinery industry (started in 2008)
- ▶ Coverage of all major sectors – from tractors to municipal equipment
- ▶ Target group: 140 senior managers from 9 (CEMA) countries
- ▶ Implementation: online survey
- ▶ Questionnaire available in five languages
- ▶ Executed by VDMA for CEMA
- ▶ Subjects of the survey:
 - ▶ current and future business situation
 - ▶ situation of order intake
 - ▶ development of turnover
 - ▶ turnover expectation per country
 - ▶ production plans
 - ▶ employment plans
 - ▶ special topics, e.g. delivery times
- ▶ Deadlines: starting ca. 5th each month, closure: ca. 13th



Shock in the European AG Machinery Industry

Executive summary of the survey in April

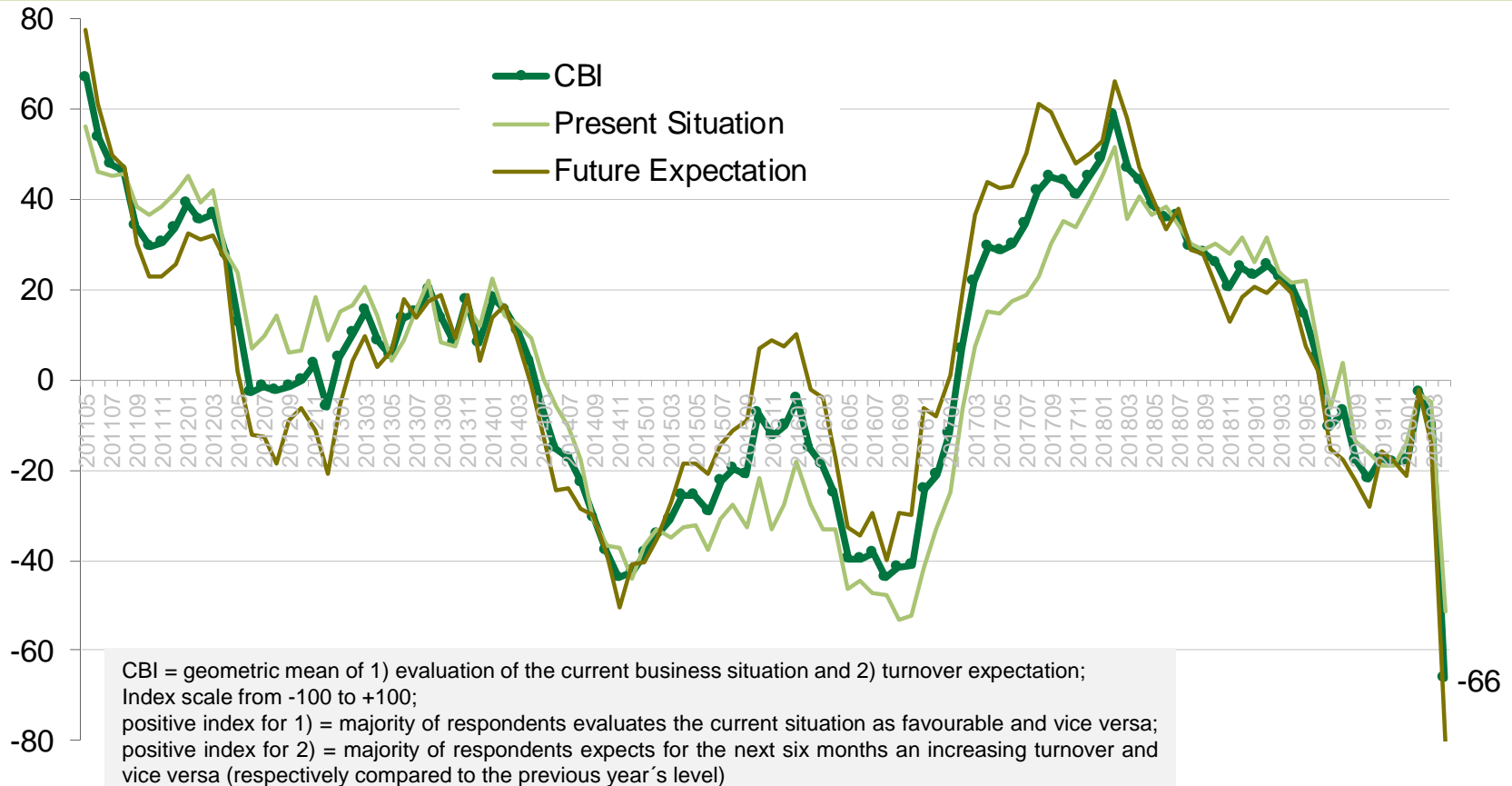
The general business climate index for the agricultural machinery industry in Europe has dropped as sharply and deeply as it has not since the financial crisis of 2008/09. The recent developments in the wake of COVID-19 have obviously also shocked the agricultural machinery industry.

While the evaluations of current business have deteriorated to their worst level since 2016, the future expectations have dropped even more sharply to a historically negative level. It is also remarkable that the survey participants have lowered their expectations practically without differentiation across all segments and markets. This inevitably raises the question of whether the massive deterioration in future expectations is a temporary overreaction. Furthermore, the actual incoming orders collapsed in the last month of March, but not by far to the same extent as the future expectations.

On the other hand, the developments in the course of COVID-19 have only started to have a major impact since mid-March. Moreover, the restrictions in the course of COVID-19 are undoubtedly massive: On average of all companies participating in the survey, the production capacity utilization is only at 60% of the level before COVID-19. 79% of the companies report shortages on the supplier side. And on the distribution side, the partners are able to run business at only 58% of the level before COVID-19. Accordingly, compared to the previous month, the participants have also significantly downgraded their turnover forecast for the total year 2020 (Median: from 0% to -15%, Arithmetic mean from +1% to -13%).

Business Climate Index Development

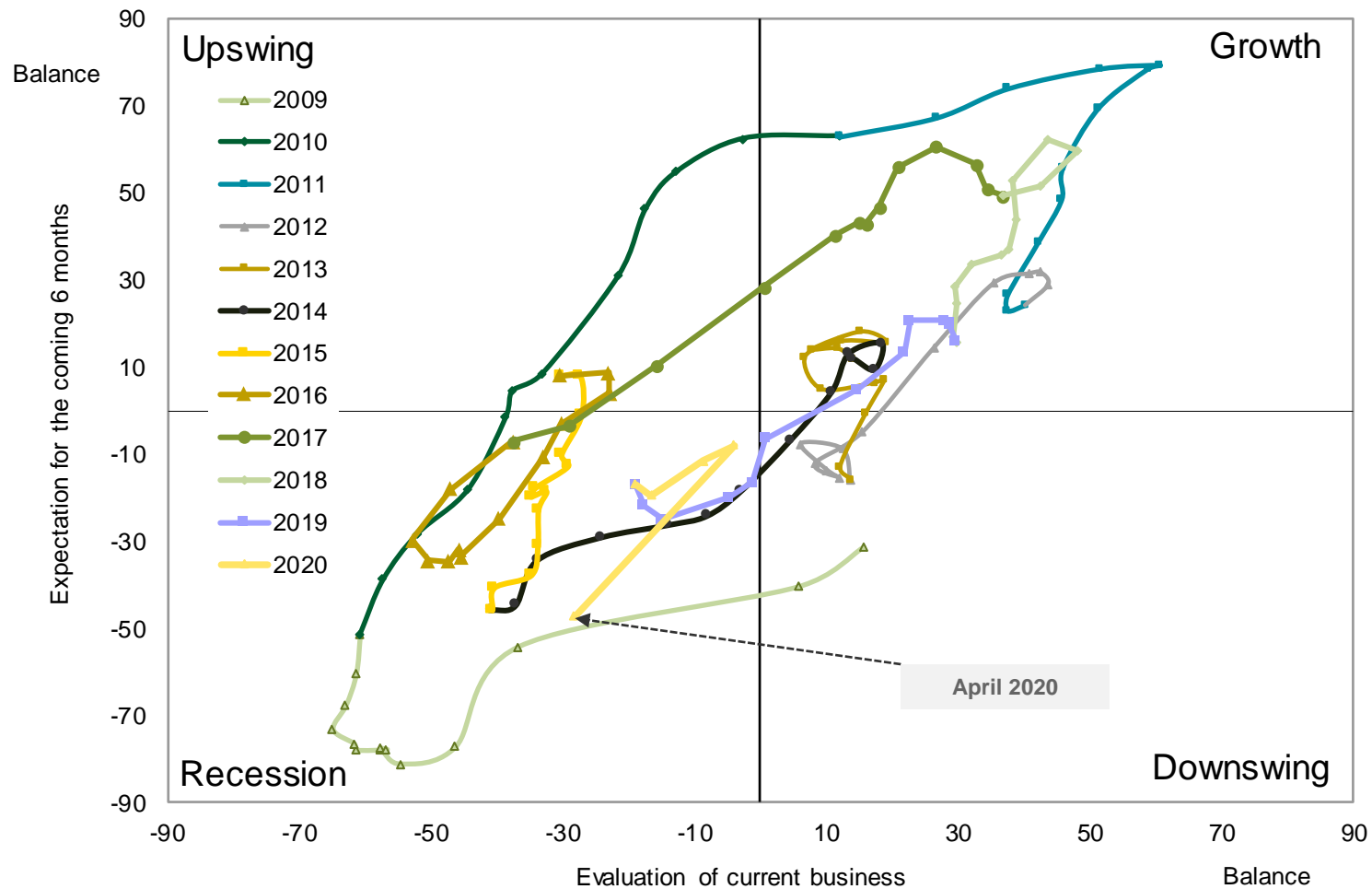
CEMA Business Climate Index (CBI) -Total



Source: CEMA Business Barometer

Business Climate

Illustration of Business Cycle



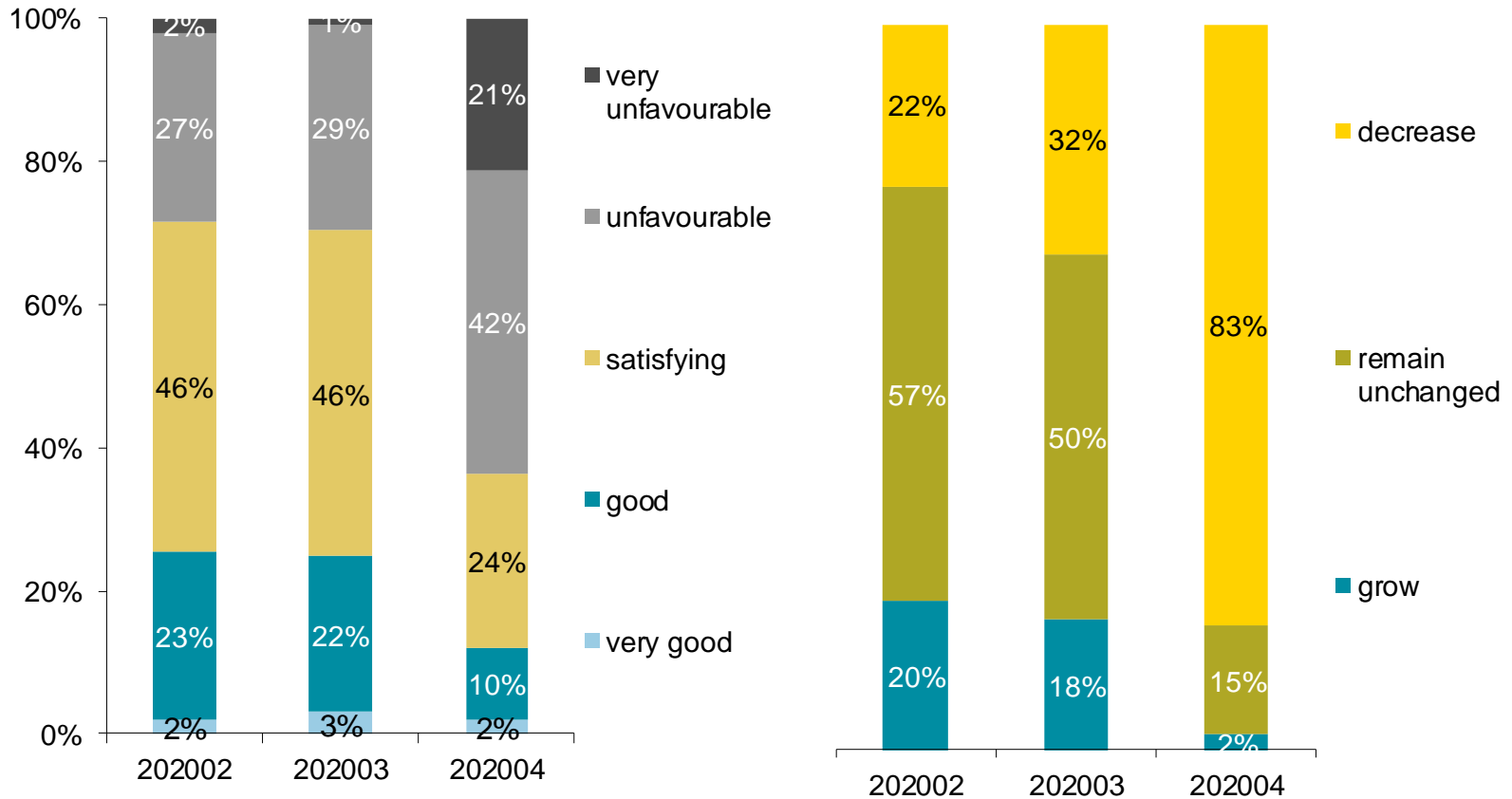
Source: CEMA Business Barometer, each value as an average of the last two months

Business Climate

Current Evaluation and Expectations

Question: We consider our current business to be

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

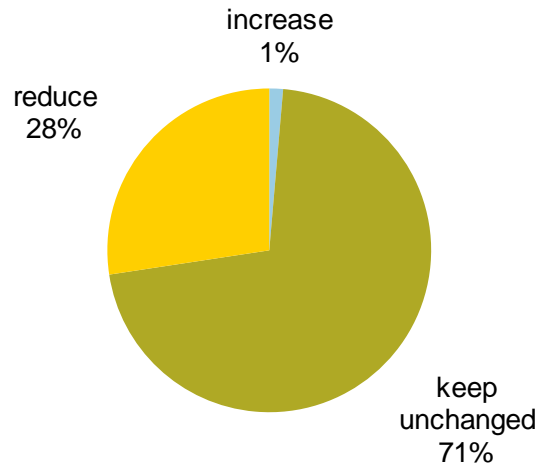


Source: CEMA Business Barometer

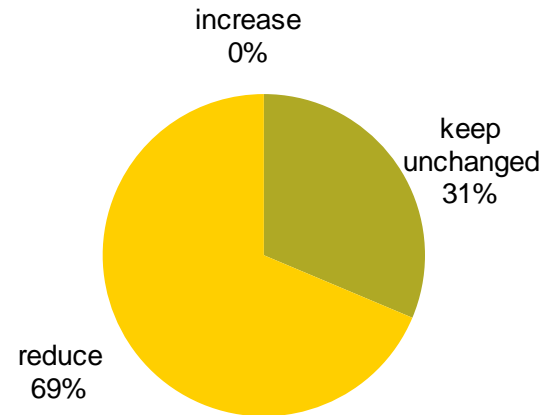
Employment

Question: Our plans regarding the workforce

Regular employees



Temporary employees



Source: CEMA Business Barometer April 2020