



PRESS RELEASE

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European construction equipment industry in a good mood

Half of the European construction equipment manufacturers evaluate their current economic situation as good or very good and an additional one third is satisfied with the situation. The strongest boom is reported from Russia, where the drop during the crisis years has been very sharp. This is the result of the latest CECE Business Barometer survey.

The survey, which summarizes the evaluations of the European construction equipment industry, also shows that for the nearer future the participants stay optimistic: Within the next 6 months 3 out of 4 companies expect further growth in their sales, while only 8% fear a slow-down of their business.

However, there are differences in the evaluation depending on the markets: In Europe demand in Germany and France is regarded as strong and stable, while Spain, Portugal and Italy are seen as lagging behind. VDMA, the German Engineering Federation, is even working on the assumption that – thanks to good developments in construction machines – the 10 percent revenue growth, projected for the entire industry early this year, might actually be higher.

As before, business is mainly being stimulated from outside Europe. In fact, the booming markets in China, India and Latin-America are evaluated still very positive, although less enthusiastic throughout the last 2 months, with a strongest growth reported in Russia.

According to the AEB Construction Equipment Committee (CEC), in 2009 the Russian construction equipment market contracted severely, some sectors dropped by 80% or more. There was a recovery in market numbers in 2010: volumes accelerated significantly starting from July 2010. Demand for some machine types doubled or even trebled measured by year on year demand. This pattern of demand improvement has continued into 2011, despite the production restrictions experienced by some manufacturers following the Japanese tsunami earlier this year.

The outlook for the balance of 2011 appears strong, according to the AEB CEC data. Private sector users of machinery are typically looking for a project to pay back within two to three years, end users continue to purchase equipment. The continued price of oil over \$105/barrell also gives municipal and government infrastructure projects sufficient funding to continue developing the country. However, Russia's mineral wealth is dependent on outside demand, caution should be given for 2012 from the continued sluggish US economy and Euro debt problems.

David Hill, Chairman of AEB CEC, commented: "Russia is a market that relies heavily on commodity prices, particularly oil, and also business confidence, so far both these factors are positive. The Russian market is growing very quickly, but it had much further to recover than almost every other country market. 2012 is a difficult year to predict and has the additional aspect of a presidential election. However, growth will continue if all other factors remain positive albeit at a much slower rate".

Some European countries' domestic markets too, such as in Germany, are developing very well, with growth rates in incoming orders and sales above those in other countries.

The ongoing recovery in the demand for European construction equipment also had a positive effect on the employment situation in the sector. However, the main effect seems to be over: 81% of the participants want to keep the number of regular employees steady, 16% want to further increase the number of fully employed staff.

Strong fluctuations in demand are still requiring companies to be highly flexible in their production but in mastering this, they come close to reaching their limits.

Manufacturers are equally concerned about their suppliers who are apparently also struggling with fluctuations. Companies from all sectors are reporting bottlenecks in the delivery of components and problems with the quality of the delivered parties. Also, price increases are not far from plausible.

“The effects of these problems on the supply chain will also be analyzed and discussed at the next CECE Economic Forum (12th October 2011)¹” says Ralf Wezel, Secretary General of CECE “where the representatives of the industry and renown economists will debate on how to overcome the difficulties and what kind of economic and financial developments we can expect next year for our industry”.

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About CECE

CECE is the Committee for the European Construction Equipment Industry. It represents and promotes the interests of this important industry sector on a European level and in close co-operation with its sister associations in North America, Japan and Korea also worldwide. CECE is an international non-profit association according to Belgium law, registered in Brussels, Belgium.

About Construction Equipment Committee of the AEB

The Committee was founded in February 2008. Chairman: David Hill, JCB Russia. Vice Chairman: Andrey Komov, Volvo Construction Equipment. Committee members are the major overseas producers of construction equipment, such as Caterpillar, CNH, Hitachi, JCB, John Deere, Komatsu, Liebherr, Volvo. The Committee is a part of *the AEB*, an independent non-commercial association with a membership of over 600 companies from across the European Union and Russia. Our members range from large multi-national corporations to SMBs and are united by their commitment to forging stronger economic ties between the EU and Russia, as well as improving the business environment here in Russia.

¹ The CECE Economic Forum is one of the events included in the programme of the CECE 2011 Summit, which will take place in Brussels and will host around 300 participants from the industry, together with politicians and EU decision makers on 11-12 October 2011. More information available at info@cece.eu