



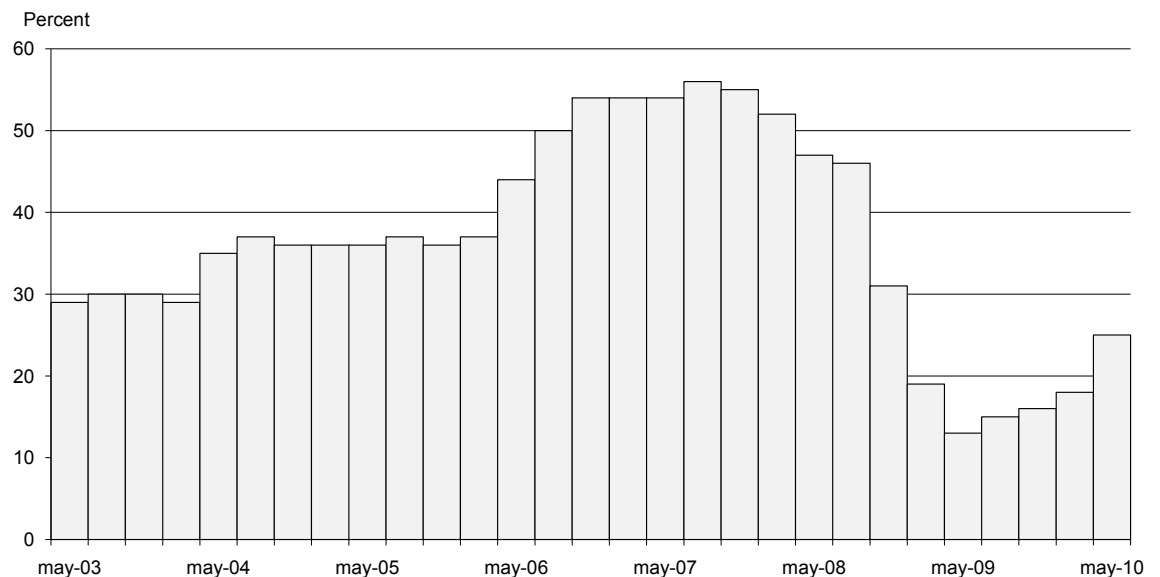
Orders improve with a rise in capacity utilisation and demand for labour

The inflow of new export orders in the Swedish engineering industry has improved further during the second quarter of 2010 and the positive trend that the sector has shown since second half of 2009 continues. It is important to keep in mind that the improvement after the recession starts from a low level.

All sectors report an increase in new export orders. The net balance of opinions of total new export orders increased to + 70 from + 60 during the first quarter. It is especially the transport equipment industry and suppliers to the motor car industry that report a strong improvement. In those sectors, 90 % of respondents respectively report an increase in export orders. Orders continue to grow for telecom, electronics and instruments but a slightly lower rate than earlier.

Demand from the domestic market is also stronger and grows just as extensively as for exports. The net balance of opinions of total new domestic orders increased to + 69 from + 40 during the first quarter. All sub-sectors report an impro-

SHARE OF RESPONDENTS OPERATING AT FULL CAPACITY



Share of respondents operating at full capacity. Swedish Engineering Industries. Source: Teknikföretagen

vement in domestic orders. Suppliers to electrical engineering and telecom are the only exception and new domestic orders grow less extensively than in the first quarter.

It should be noted that it is just 7 % of the companies assess the order stock as above normal. But as growth in new orders has accelerated a lower share of respondents, or about 35 %, assesses the order stock as below normal compared to 53 % in

” The gradual rise in capacity utilisation continues.

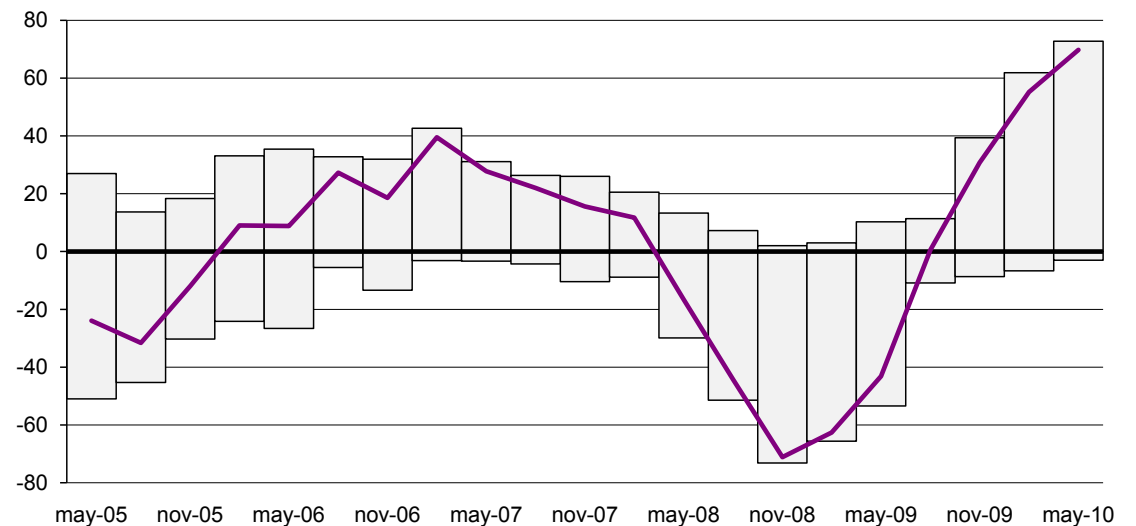
the previous quarter. It is especially industry of mechanical machinery that is dissatisfied with

the order stock as about half of the respondents assess it as below normal. However, other sectors report a slightly more positive assessment of the order stock, although it is still on a low level.

The share of respondents with full capacity utilisation takes a rather big jump and increases to 25 % compared to 18 % in the previous quarter. The rise in utilisation is rather uniform and all sectors apart from transport equipment industry report higher utilisation.

Demand for labour rises hand in hand with higher activity. The share of respondents with shortage of skilled metal workers increases to 14 % compared to 6 % in the first quarter. Demand for engineers is also higher compared to the first quarter.

Total new orders volume. Swedish engineering industry.



Number of companies in the Swedish engineering industry (NACE 25-30) reported that total orders received increased (+) or decreased (-) during the latest quarter. The solid line is the algebraic difference between positive and negative replies.
Source: Teknikföretagen

THE SITUATION IN INDUSTRY SECTORS

The inflow of new orders improves further from a high level in the industry of **transport equipment** as export orders increase for the third consecutive quarter. The net balance of responses for export orders came in at +98 compared to +88 in the first quarter. Domestic orders continue to increase for

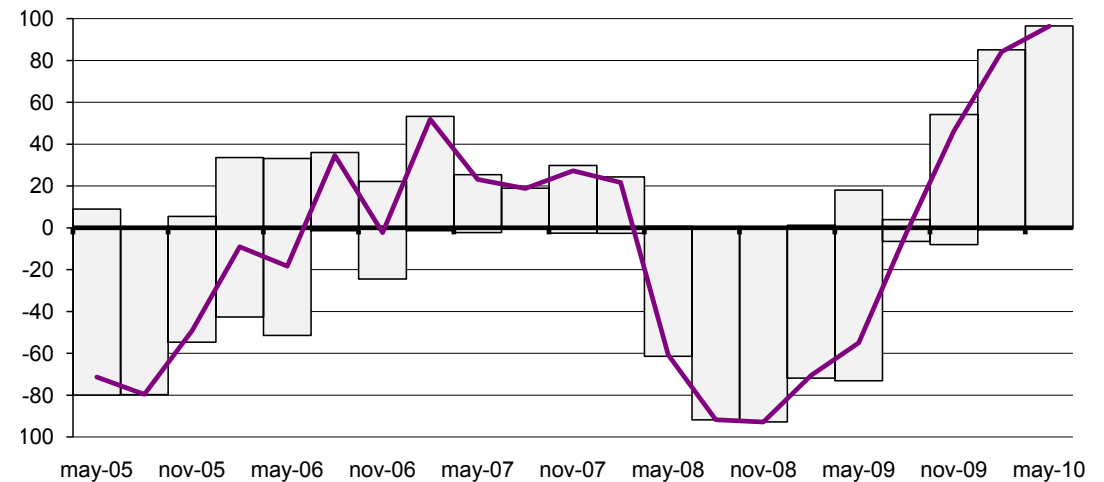
the fourth straight quarter, and at a considerably higher rate than earlier with 90 % of respondents reporting an increase.

The assessment of the order stock is considerably better than in the previous quarter since a lower share of respondents assess it as below normal. But just 3 % of respondents assess it as above normal. Inventories of finished products are unchanged compared to the previous quarter.

In line with a pick-up in activity for final producers, the business situation for **suppliers** to the **motor car industry** has continued to improve. The net balance of opinions of new domestic orders increase to +86 from +54 compared to the previous quarter.

Demand is also higher on the export market as the growth of orders increase at the fastest rate in over three years. The improvement in business activity for the suppliers starts from a very low level. This is reflected in the assessment of the size of the order stock. A majority or 61 % assess it as below normal. That figure is just slightly better than in the previous quarter.

Total new orders volume. Industry of transport equipment.



Number of companies in the Swedish transport equipment industry reported that orders received from the total market increased (+) or decreased (-) during the latest quarter. The solid line is the algebraic difference between positive and negative replies. Source: Teknikföretagen.

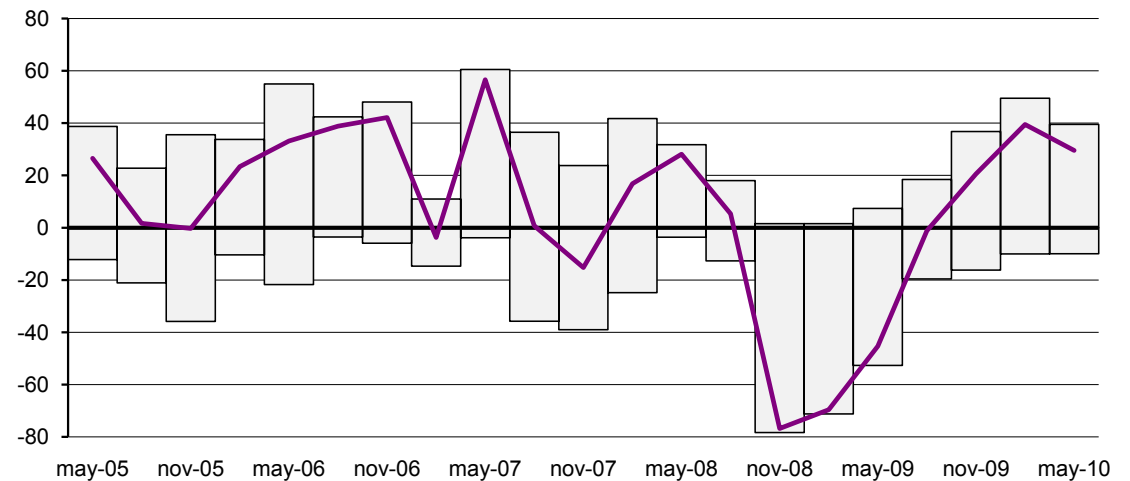
Manufacturers of **electrical machinery** report an increase in export orders, but at a lower rate compared to the previous quarter. Domestic orders also increase but at a lower rate than earlier this year. With slightly less strong inflow of new orders, the assessment of the order stock is not as positive as earlier. Only 9 % assess it as above normal.

The inflow of new orders for **suppliers** to the **electrical-** and **telecommunication** industry continue to grow but not as extensively as in the first quarter. The improvement in export

“ **Electrical engineering and instruments report a deceleration in new orders.** orders moderates for the straight second quarter. Domestic orders continue to grow at about the same rate as in the first quarter.

The **instrument** industry reports a deceleration in new orders. Both export orders and domestic orders are affected and are not growing as extensively as during the first quarter. As a consequence, the share of respondents that assess the order stock as above normal is lower.

New orders volume. Suppliers to telecom-and electrical engineering.



Number of companies among suppliers to the telecom and electrical engineering industry reported that orders received from the total market increased (+) or decreased (-) during the latest quarter. The solid line is the algebraic difference between positive and negative replies. Source: Teknikföretagen.

New orders from the export market continue to rise for the **industry of machinery and equipment** and at a faster rate compared to the previous quarter. A majority or 56 % of respondents reports an increase in export orders and just 2 % a decrease. Demand from the domestic market also improves and at about the same rate as for export orders.

The improvement for the sector has started from a low level as half of the respondents assess the order stock as below normal. There is a slight improvement in the order stock as the share of respondents with a order stock above normal is higher than in the first quarter.

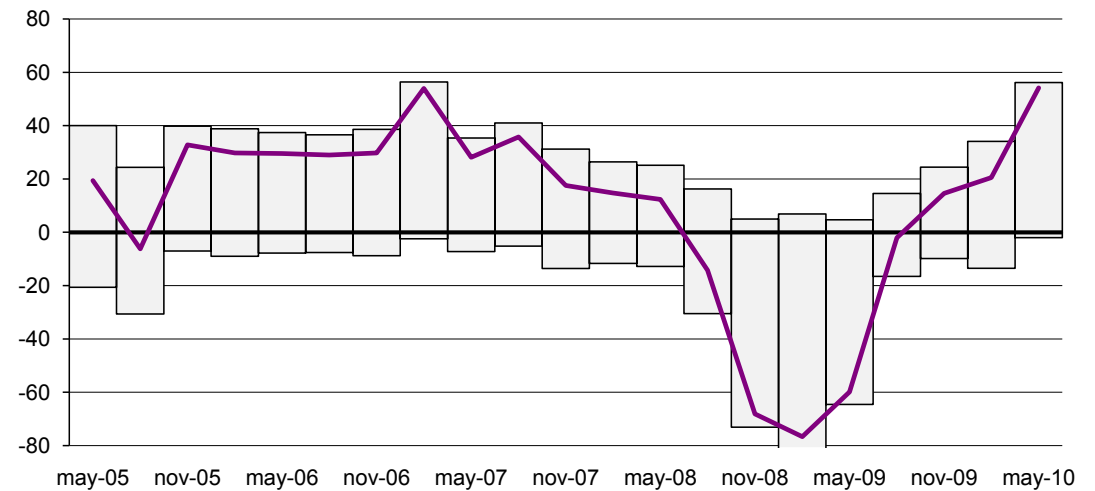
Contrary to final producers of machinery, **suppliers** to the industry of **machinery** and equipment report somewhat lower inflow of new orders from the export market. But as

“ The order situation in industry of machinery indicates that investment is picking up.

domestic orders increase substantially with 83 % of respondents reporting an in-

crease the overall situation improves. Despite three consecutive quarters of growth in orders, the order stock is still small and 50 % of respondents assess it as below normal.

Total new orders volume. Industry of machinery and equipment.



Number of companies in the Swedish machinery and equipment industry reported that orders received from total market increased (+) or decreased (-) during the latest quarter. The solid line is the algebraic difference between positive and negative replies. Source: Teknikföretagen.

New orders from the domestic market increase for the fourth straight quarter in the **metal goods** industry. The improvement is also more extensive than earlier. Net balance of responses for new domestic orders was + 56 compared to + 24 during the previous quarter. Export orders increase at lower rate than for domestic orders with a net balance of + 46 %.

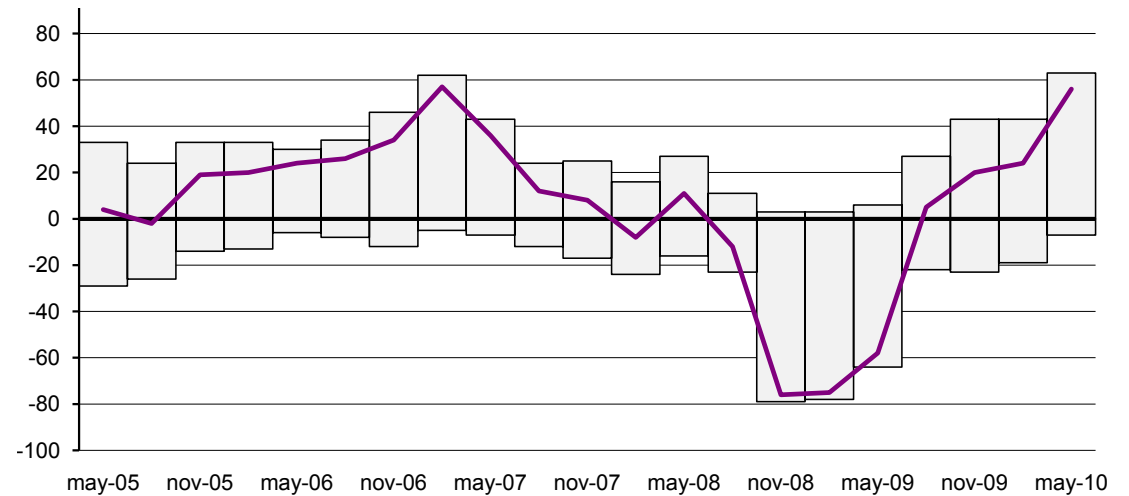
The assessment of the size of the order stock is more positive. The share of companies with an order stock above normal

“ Domestic demand is up for the fourth straight quarter in metal goods industry.

increases slightly and fewer companies consider it as below normal. The inflow of new orders increases for **suppli-**

ers to the **construction industry** during the second quarter. Two thirds of the companies report an increase in new orders. The main contribution is from the domestic market that picks up considerably after a temporary deceleration in the first quarter. Export orders also accelerate and for the third consecutive quarter. The assessment of the size of the order stock improves, but a majority or 75 % consider it as normal.

New domestic orders volume. Metal goods industry.



Number of companies in the Swedish metal goods industry reported that orders (volume) received from domestic markets increased(+) or decreased (-) during the latest quarter. The solid line is the algebraic difference between positive and negative replies. Source: Teknikföretagen.

CAPACITY UTILISATION

The trend with higher utilisation of capacity continues. One out of four companies operates at full utilisation compared to 18 % in the first quarter. Utilisation increases in all sub sectors apart from the transport equipment industry which report a marginally lower utilisation compared to the first quarter.

LABOUR MARKET

The share of respondents with shortage of skilled metal workers increases to 14 % compared to 6 % in the first quarter. Demand for engineers is also higher compared to the first quarter.

The shortage of engineers increases from 10 % to 16 % of the participating companies.

The Business activity survey for the Swedish engineering industry was carried out in mid May 2010. 527 companies participated. Their annual value of production amounts to 602 billion SEK, (61,5 billion Euros), of which 76 % is exported.

” The trend with higher utilisation of capacity continues.

News from Teknikföretagen

Business activity

Results are presented in March, June, September and December.

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