

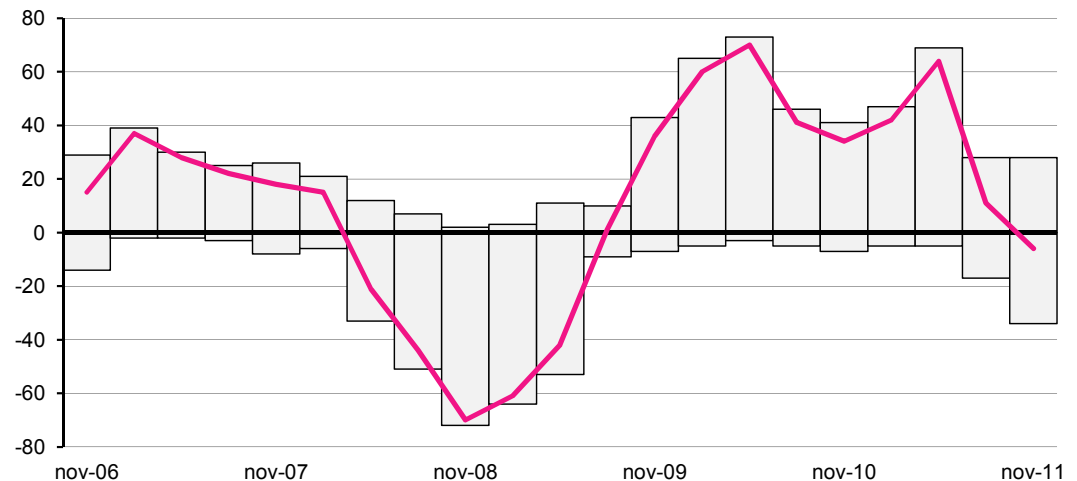


New orders decline, lower utilisation and lower demand of labour

The year ends with a decline in new orders for the Swedish engineering industry for the first time in over two years. All major sub-sectors report a drop in new incoming orders. The fall is particularly extensive in the metal goods industry and for suppliers to the motor car industry and industry of machinery and equipment. The shortage of skilled metal workers is considerably lower and utilisation of capacity fell during the final quarter of 2011.

The inflow of new export orders decreased during the fourth quarter for the first time since spring 2009. The recovery that the sector has seen since then is broken due to the financial turbulence in Europe. The net balance of export orders drops from +11 in the third quarter to -6 during the fourth quarter. All major industry sectors report a decrease, to various extents, in new incoming orders from the export market. Hardest hit is the metal goods industry where the deterioration in new export orders escalates compared to the third quarter. A minor contraction is reported in industry of machinery and equipment. Demand from the export market for the

Total new export orders. Swedish Engineering industries Sweden



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

motor car industry is considerably lower compared to the third quarter and the net balance of opinions of export orders drops from +24 to +0 during the final quarter of 2011.

Suppliers also face lower international demand, especially suppliers to industry of machinery, electrical engineering and suppliers to the motor car industry where new export orders decrease substantially. All groups of suppliers report a decline in new export orders for the second consecutive quarter, a

” A decrease in new incoming orders for the first time in over two years.

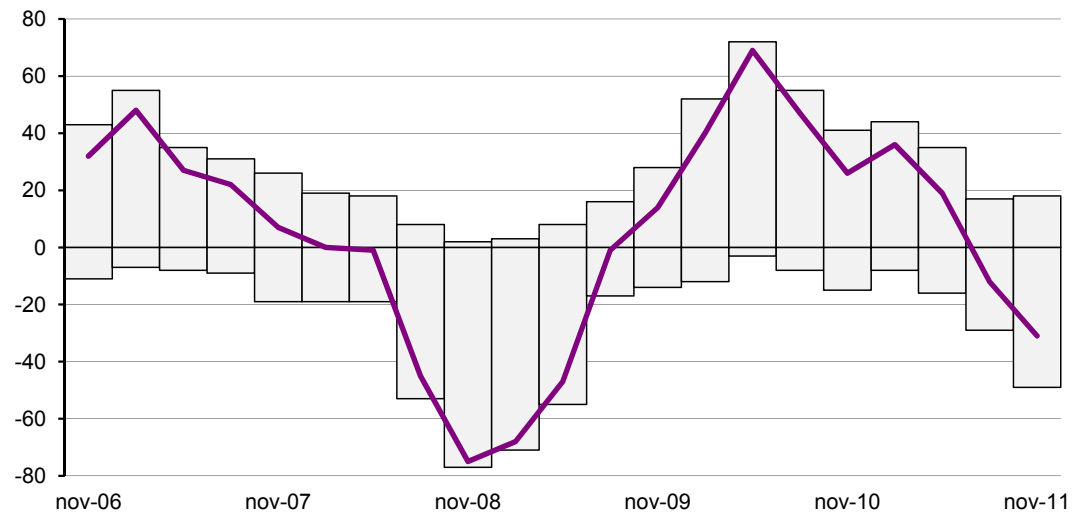
fact that reflect a slowdown in international demand and an ending of the high activity that we have seen for over a year.

The trend with a decrease in new domestic orders has continued. The net balance of total new domestic orders slowed from -12 in the third quarter to -31 in the fourth quarter. No major industry sector report an increase in domestic orders. A considerable drop is reported in the metal goods industry and in the industry of machinery and equipment. All other sectors and suppliers report a decrease to various extents.

Since the overall inflow of orders has deteriorated, companies do not assess the size of the order stock as positively as earlier this year. The share of companies with order stock above normal falls from 20 percent in the second quarter to 16 percent. At the same time the share of respondents assessing the order stock as below normal is higher.

As demand has deteriorated, the share of respondents with full capacity utilisation fell from 45 percent in the third quarter to 37 percent. The share of respondents with a shortage of labour is lower, especially for skilled metal workers.

Total new domestic orders volume. Engineering industries Sweden



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

After eight consecutive quarters of growth, new orders decline in the **industry of transport equipment**.

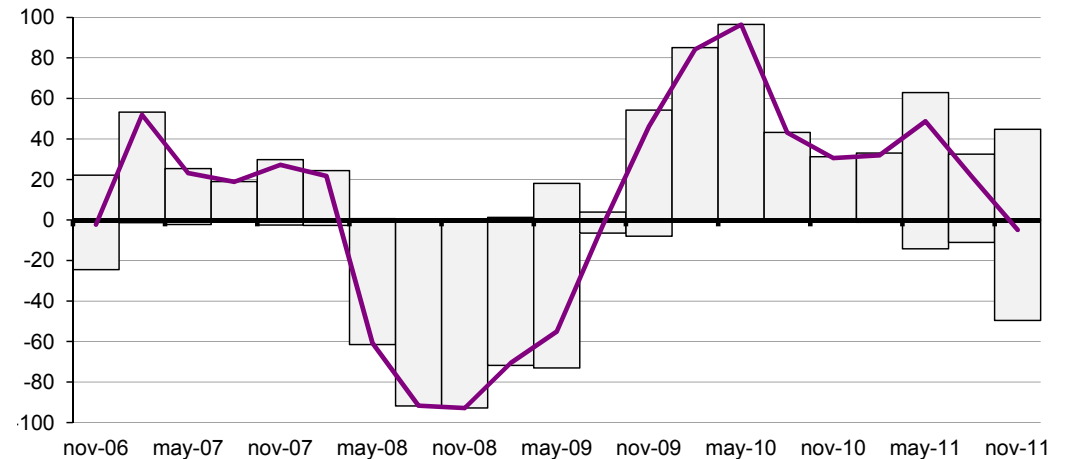
The net balance of responses for export orders came in at +/-0 compared to +29 in the previous quarter. Domestic orders decreased to a higher extent. This was the third consecutive quarter with negative growth.

“ Overall demand for the transport equipment industry fell during the final quarter.

The assessment of the order stock shows a deterioration. Only five percent of the respondents assess the order stock as above normal

compared to 20 percent in the previous quarter. At the same time close to 30 percent assess the order stock as below normal.

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.

The trend with a deceleration of domestic orders continues for **suppliers to the motor car industry**. The net balance of opinions of new domestic orders drops from +/-0 to -55 compared to the previous quarter. Export demand shows deterioration as well. The net balance of export orders came in at +18 during the third quarter but fell to -22 this quarter.

Demand for manufacturers of electrical machinery is still assessed as unfavourable. The net balance of opinions is, however, not as negative as during the third quarter. The assessment of the order stock is positive as a consequence of

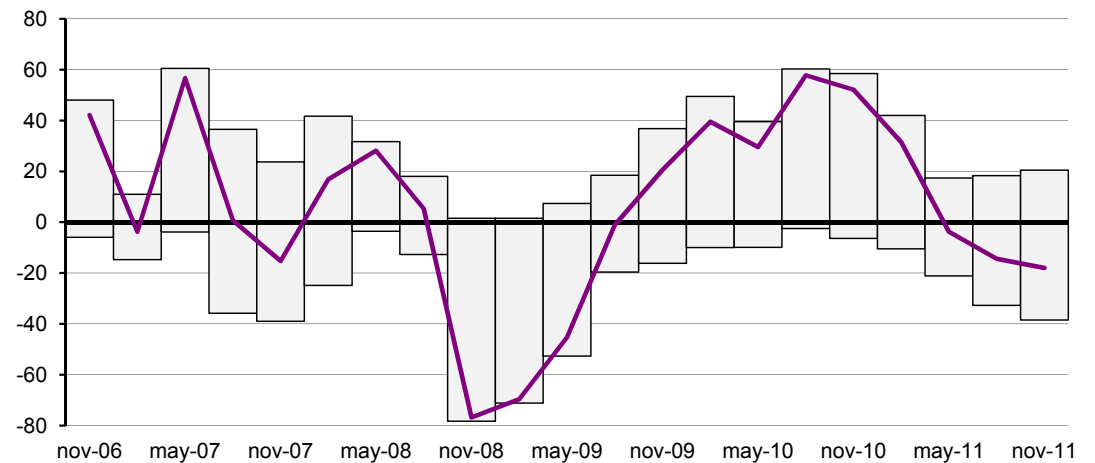
“ A high order stock in electrical engineering, but suppliers dissatisfied with the business situation.

a strong inflow of orders during the first three quarters that includes projects stretching over several years.

The sluggish demand for **suppliers to electrical and telecommunications industry** continues. The net balance of opinions for domestic orders shows some improvement but companies report deterioration from the export market. As a consequence, a higher share of suppliers than earlier this year or 54 percent, assess the size of the order stock as below normal.

The **instrument industry** reports a decline in new business. The outcome in new orders during the final quarter is not as negative as in the previous quarter.

Total 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 decreased moderately for the **industry of machinery and equipment** after positive but low growth in the third quarter. Demand from the domestic market, which contracted marginally during the third quarter, has fallen at a higher rate. The net balance on domestic orders came in at -32 during the final quarter.

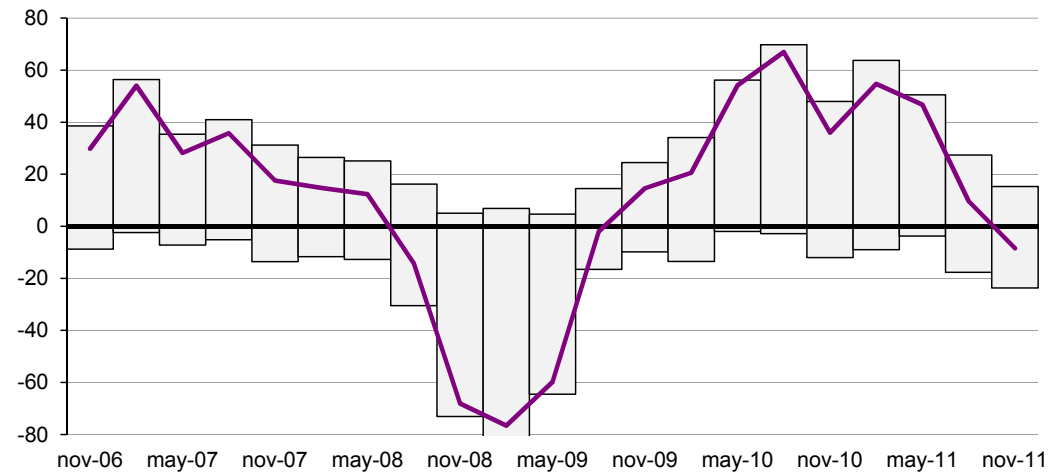
As orders have stopped growing, the assessment of the size of the order stock has deteriorated. A lower share considers it as above normal and the share of respondents with an order

“ Considerably lower demand for machinery and equipment.

stock below normal is higher. Foreign demand for **suppliers to the industry of machinery and equipment**

is contracting for the second consecutive quarter. The outcome this quarter is even more negative compared to the previous quarter. Half of the companies surveyed assess a decline in export orders compared to 14 percent in the previous quarter. after seven consecutive quarter of growth. Domestic orders fall for the first time in two years.

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. NACE 29. Source: Teknikföretagen.

The business situation in the **metal goods industry** has worsened considerably. The contraction in new export orders escalates. The net balance of opinions for export orders came in at - 29 compared to -4 in the third quarter. Companies also report a decline in domestic orders for the third consecutive quarter.

There is a turnaround in foreign demand for suppliers to the **construction industry**. Export orders contract but not as extensively as during the third quarter. Net balance of opinions improves from -60 to -1.

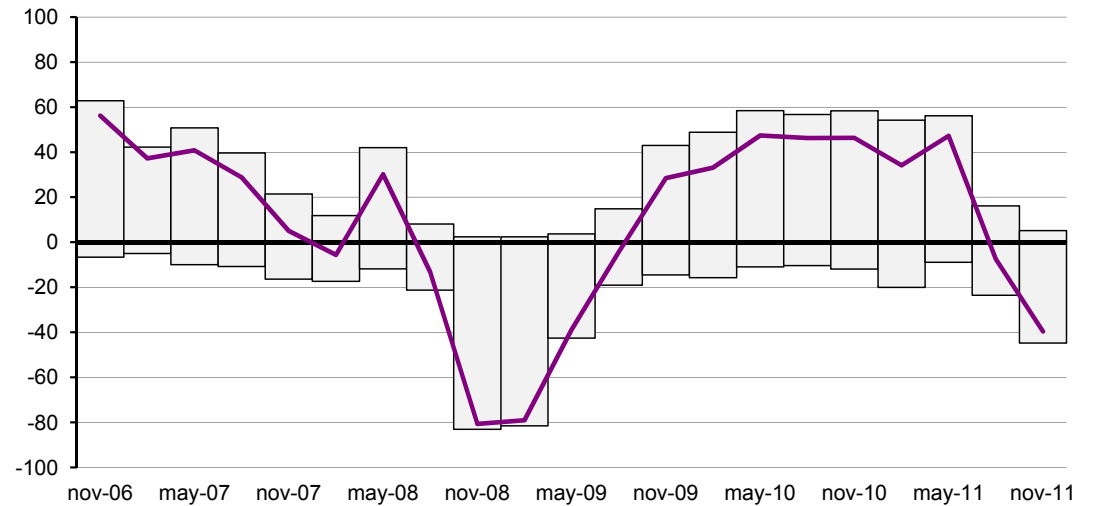
” The contraction of demand in the metal goods industry escalates

On the other hand, demand from the domestic market is falling at a higher rate compared to the previous quarter.

CAPACITY UTILISATION

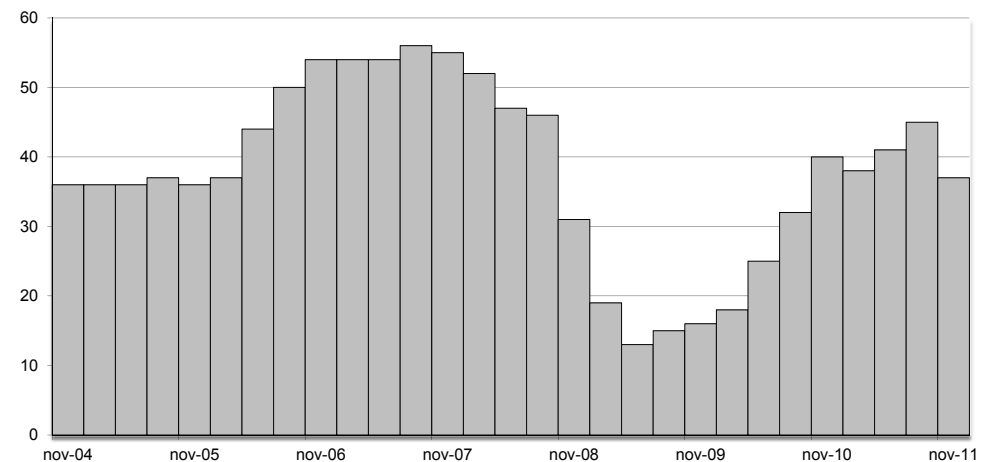
Utilisation of capacity is lower as a result of less business activity during the fourth quarter. Full utilisation of capacity is reported by 37 percent of the respondents compared to 45 percent during the previous quarter. A considerable drop is mainly reported for suppliers to the motor car industry and for suppliers to electrical and electronic engineering.

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.

Respondents operating at full capacity



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

The share of respondents with a shortage of **skilled metal workers** has fallen rather dramatically this quarter. With 12 percent of the respondents having shortage of metal workers the number has almost reached the same low level that industry saw during the previous recession in 2009. The drop is broad-based in the sense that all sectors and all groups of suppliers report less shortage.

Demand for **engineers** started to ease somewhat during the third quarter and has continued to do so during the final quarter. The share of respondents with a lack of engineers went down to 27 percent compared to 30 percent during the third quarter. All major sub-sectors apart from instrument engineering report a lower shortage of engineers.

” Utilisation of capacity and shortage of labour went lower during the fourth quarter.

News from Teknikföretagen

Business activity

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

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