News from Teknikföretagen

BUSINESS ACTIVITY

Business activity Third quarter 2009

The Business activity survey for the Swedish engineering industry was carried out in mid August 2009. 489 companies participated. Their annual value of production amounts to 716 billion SEK, (70 billion Euros), of which 77 % is exported.

The extensive drop in new orders is over

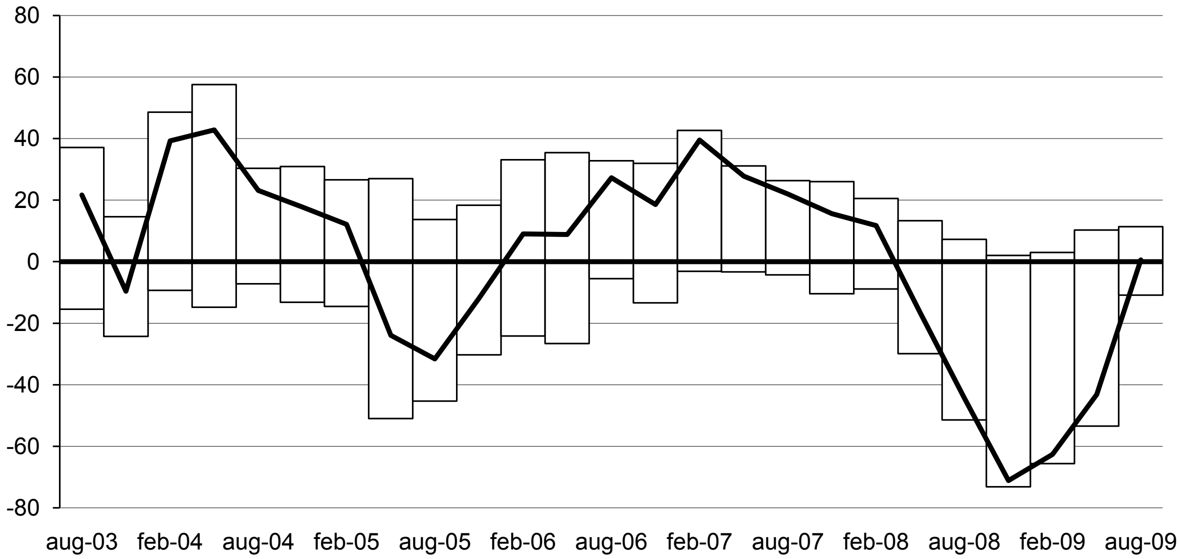
The survey on business activity in the Swedish engineering industry indicates a stabilisation as new orders increase marginally. The net balance of opinions of total new orders came in at + 1 compared to – 43 during the second quarter. Both export orders as well as domestic orders improve. It is mainly instrument engineering, industry of electrical machinery and suppliers to the motor car industry that report an increase in new orders.

Domestic orders increase in the transport equipment industry, while export orders for that sector decline but at a lower rate than earlier this year. The decline in new orders for industry of machinery and equipment is not as deep as in the second quarter.

There is a slight positive change in the assessment of the size of the order stock for total engineering industry. The motor car industry and industry of machinery and equipment report a more positive assessment than during the second quarter, even though the order stock is small by historical standards. On the other hand is the order stock still low in metal goods industry, in industry of machinery and equipment and for suppliers to the motor car industry, reflecting historically low demand at present.

Capacity utilisation, that reached a very low level with just 13 percent of respondents working at full capacity during the second quarter, increases slightly to 15 percent. The improvement in utilisation is widespread and affects all sectors, with the exception of metal goods. The shortage of labour remains low.

Total new orders volume. Swedish engineering industry.



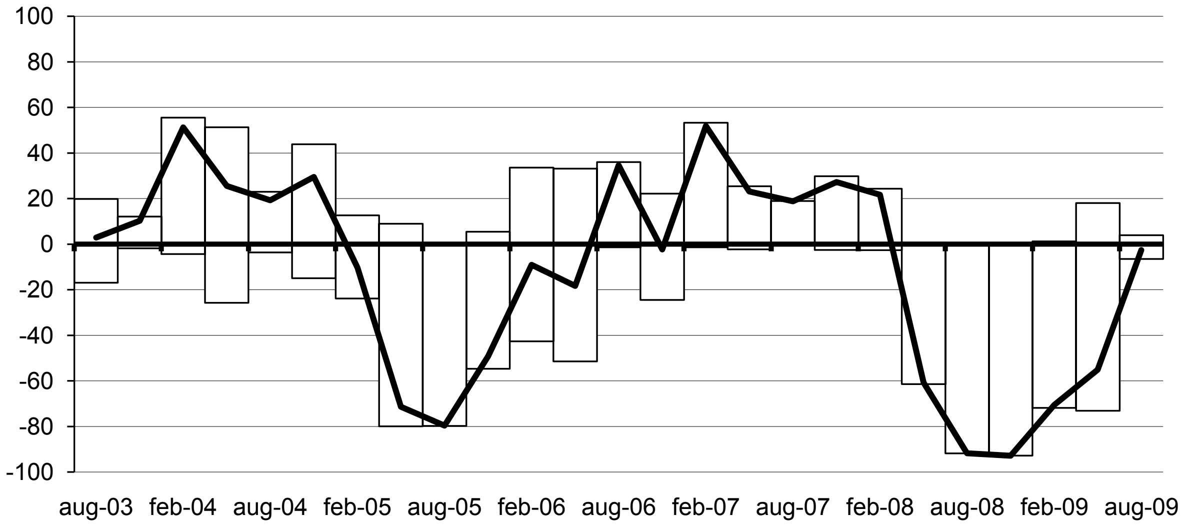
Number of companies in the Swedish engineering industry (NACE 28-35) reported that total orders received increased (+) or decreased (-) during the latest quarter. The solid line is the algebraic difference between positive and negative replies. Source: Teknikföretagen

The situation in industry sectors

Export orders improve in the **industry of transport equipment** as there is a moderation in the rate of decline. The net balance of responses for export orders is at -3 compared to -55 in the previous quarter. Domestic orders increase for the first time since the first quarter in 2008. The improvement from the domestic market is rather limited as two thirds of respondents report unchanged orders.

The assessment of the order stock is not as pessimistic as during the second quarter. Half of the respondents report a normal order stock compared to 90 percent that assessed it as below normal during the second quarter. Inventories of finished products that were reduced to a large extent during the second quarter have been slightly further reduced.

Total new orders volume. Industry of transport equipment.

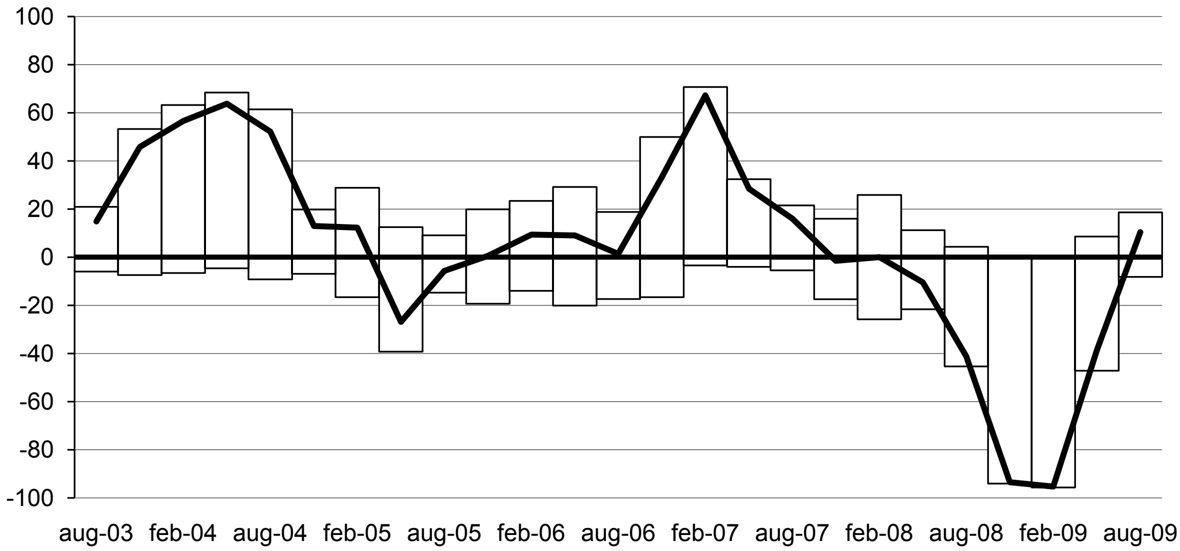


Number of companies in the Swedish transport equipment industry reported that orders received from the total market increased (+) or decreased (-) during the latest quarter. The solid line is the algebraic difference between positive and negative replies. Source: Teknikföretagen

The business situation for **suppliers to the motor car industry** is somewhat better than before the summer. New export orders increase for the first time since the first quarter last year.

The improvement is limited as a majority or 75 percent report unchanged export orders compared to the second quarter. Demand is higher on the domestic market for the first time since autumn 2007 and orders pick up compared to the second quarter. Despite an improvement in new orders a record high of 95 percent assess the order stock as below normal.

Total new orders volume. Suppliers to the motor car industry.



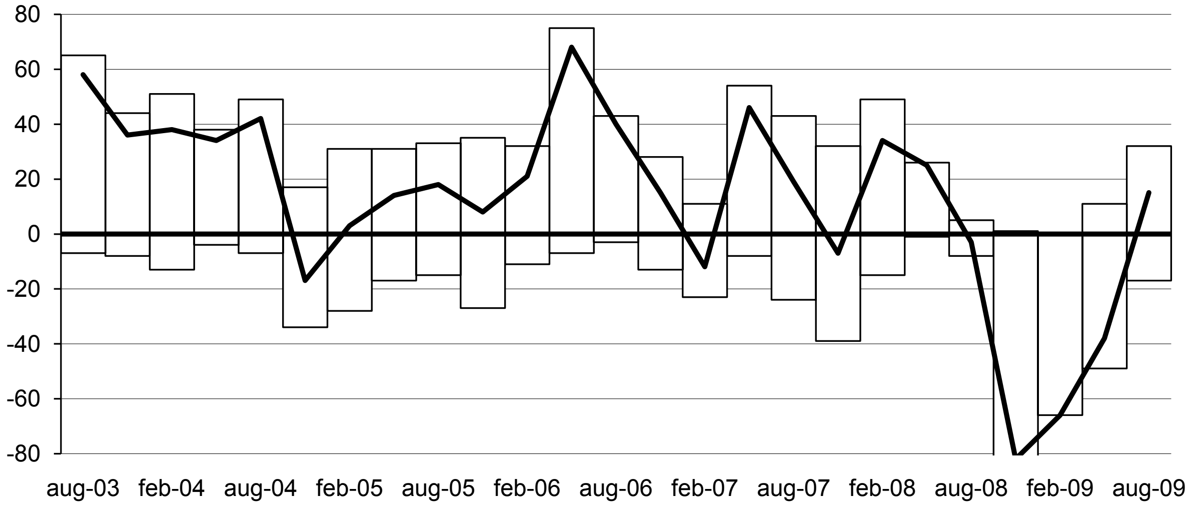
Number of companies among suppliers to the motor car industry reported that orders received from the total market increased (+) or decreased (-) during the latest quarter. The solid line is the algebraic difference between positive and negative replies. Source: Teknikföretagen

There is a considerable improvement in new orders for manufacturers of **electrical machinery**. Export orders improve strongly and to a large extent. Domestic orders decline but there is a moderation in the rate of contraction. The assessment of the order stock also improves considerably since two thirds of respondents assess it as above normal.

There is an improvement in the inflow of new orders for **suppliers** to the **electrical-** and telecommunication industry as the decline is not as extensive as during the second quarter. It is especially new export orders that improve and companies report an increase for the first time since the second quarter of 2008. Domestic orders decline however, but not as extensively as during the second quarter.

There is also an improvement in the business situation for **instrument** engineering as the export orders increase for the first time in a year and at a rather high rate.

New export orders. Suppliers to telecommunication- and electrical engineering industry.

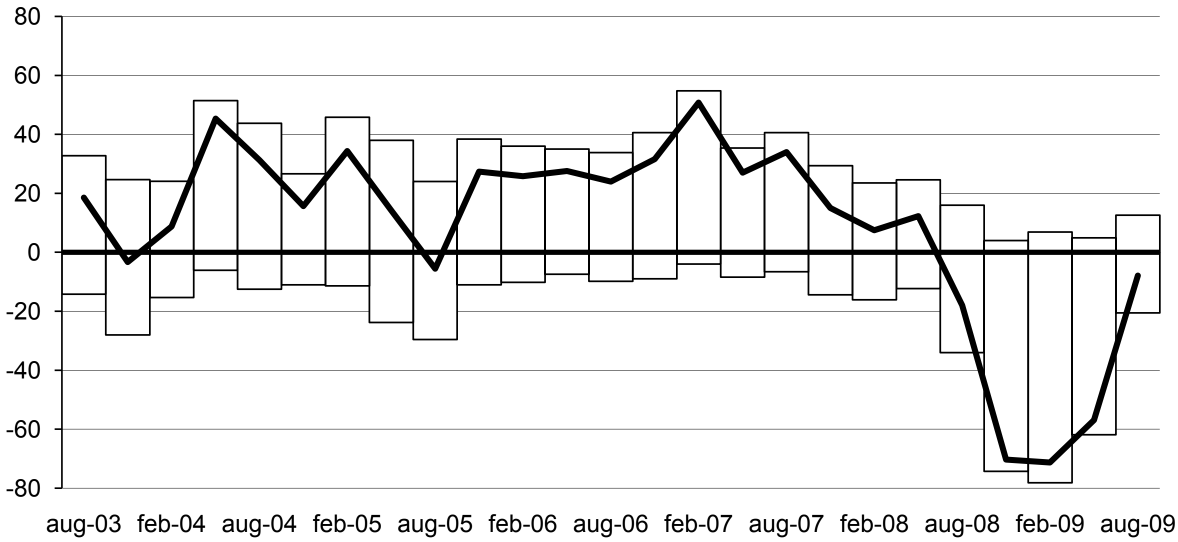


Number of companies amongsuppliersto electrical engineering and telecom industries thatreported that orders received from the export market increased (+) or decreased (-) during the latest quarter. The solid line is the algebraic difference between positive and negative replies. Source: Teknikföretagen

The demand for investment goods has fallen rapidly over the past couple of quarters. This is reflected in the inflow of export orders to the industry of **machinery and equipment**. The rate of decline is however not as high as during the second quarter. However, two thirds of respondents still face sluggish demand as they report unchanged export orders compared to the second quarter. The rate of contraction for domestic orders is not as deep as during the second quarter. Despite some improvement in new orders is the assessment of the size of the order stock more pessimistic than during the second quarter. The net balance of opinions of the order stock came in at - 65. (large minus small)

A positive factor for industry of machinery and equipment is that inventories of finished goods have been reduced.

Total new orders volume. Industry of machinery and equipment.



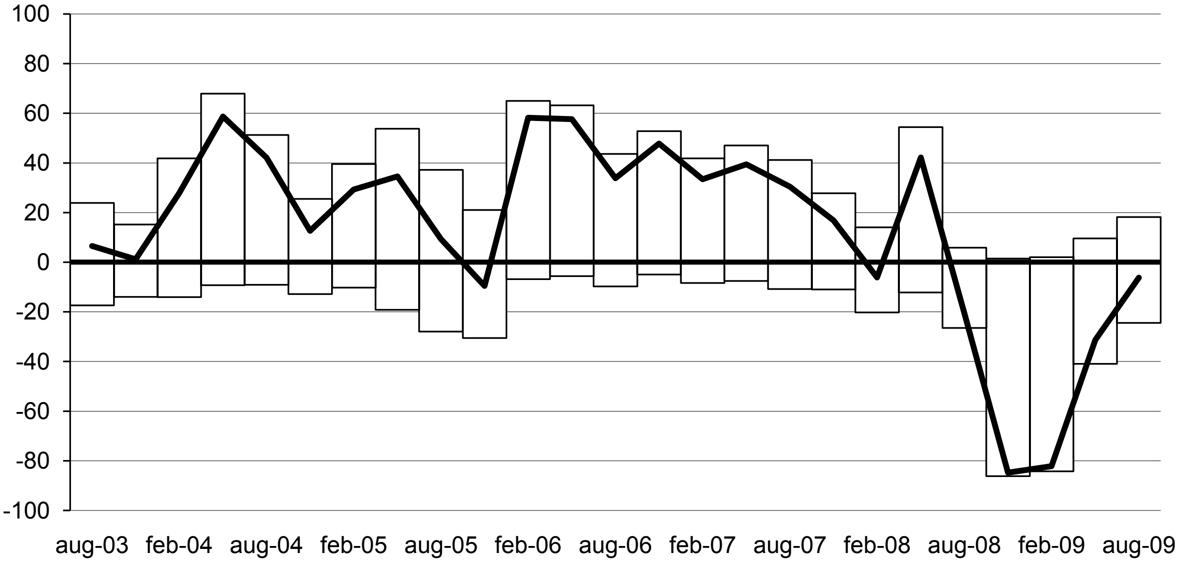
Number of companies in the Swedish machinery and equipment industry reported that orders received from total market increased (+) or decreased (-) during the latest quarter. The solid line is the algebraic difference between positive and negative replies. Source: Teknikföretagen

Suppliers to the industry of **machinery** and equipment also report a slight improvement in new orders as the rate of decline is not as high as in May. Conditions on the domestic market are still gloomy, but the net balance of opinions concerning new domestic orders is not as negative as during the second quarter. The situation is assessed about the same for the export market. The order stock is still small and 93 percent of respondents assess them as below normal.

New orders from the export market do not decline as much as earlier this year for the **metal goods** industry. Net balance of responses for new export orders came in at -12 compared to – 15 during the second quarter and -85 during the first quarter. Domestic orders improve and the sector reports an increase for the first time since the second quarter 2008.

Demand for the sector is nevertheless low, as 89 percent of respondents assess the order stock as below normal. Inventories of finished goods have been reduced, but close to 40 percent assess them as above normal.

Total new orders. Metal products.



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

The inflow of new orders contract at a considerably lower rate for **suppliers** to the construction industry during the third quarter. The net balance of opinion of export orders improves from - 79 to – 9 and for domestic order from – 57 to -1.Demand is still low. This is reflected in the assessment of the size of the order stock with 70 percent of respondents reporting the order stock as below normal.

Capacity utilisation

Utilisation of capacity for the total engineering industry increases modestly from 13 percent of respondents to 15 percent. However, the increase is widespread and all industry sectors apart from the metal goods industry report an increase. Utilisation rises the most in transport equipment or by seven percentage points to 22 percent followed by industry of machinery and equipment and electrical engineering where about one out of five respondents respectively report full capacity of utilisation.

Labour market

Demand for labour is still very low. Only 4 percent of the companies report a shortage of skilled metal workers, and is up by just a percentage point compared to the second quarter. The shortage of engineers/technicians falls by three percentage points to 3 percent, which is the lowest figure ever recorded.

News from Teknikföretagen

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

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