

## MACHINE-TOOL: WITHSTAND NOW TO TAKE FLIGHT IN 2021

- *The industry is attempting to maintain production by completing the feasible portfolio of orders that it began the year with.*
- *The freeze undergone by industrial activity during recent months has entailed a sudden drop in orders and subjected the sector to tremendous pressure.*
- *The gradual recovery of client industries (automotive, aeronautic, railway, consumer goods, energy, etc.) will be decisive for the machine-tool sector, which has equipped itself with funding to face the even more demanding months that lie ahead.*



**San Sebastian, 18 June 2020.**- The year 2019, which already portended a drop in production and exports, is far behind. The final figures for the close of the financial year are somewhat worse than those estimated in February, due to a greater drop in the metal forming sub-sector, but with slight increases in the rest.

After five years of constant growth that exceeded 30%, the industry as a whole shrunk by 9.46% in 2019. Machine-tools fell by 11.95%, metal cutting by 8.77% and metal forming, which had already been punished by the situation of the automotive industry in 2019, fell by 17.17%.

The rest of the sectors also underwent a drop in volume: parts, -7.29%, tools, -5.52%, accessories, -7.37%

Exports fell by 5.08% overall, with the following decreases per sub-sector: metal cutting, -8.02%, metal forming, -8.41%, tools, -4,26%, accessories, -1.99%, with the exception of parts, which enjoyed a slight growth of 2.9%.

The list of export destinations was headed by Germany, followed by the USA, Italy, France and Portugal. The sixth spot was taken by China, after which came Mexico, India, United Kingdom and Canada. Compared to the previous year, Italy and France improved their positions, while Mexico and China fell behind.

## CURRENT SITUATION

The President of AFM Cluster, César Garbalena, analysed the current situation of the sector: *“We have faced the worst stage of the pandemic during the last three months, which has consisted in a continuous struggle against a relentless reality, fought mainly on three fronts:*

*First, we had to guarantee a safe business scenario for the people involved, upon which to build the rest of our requirements. We have acted quickly, with responsibility and by showing example when designing and implementing protocols to protect our people which have allowed the majority of our companies to continue operating even during the state of alarm.*

*Second, we needed to finish building and shipping the equipment previously ordered by our customers. The equipment has been assembled and fine tuned while mobility was reduced to a minimum and after sales services and machine maintenance has commenced gradually.*

*Third, and now the most complicated and important challenge of all, is our marketing and sales activity. We are implementing new remote contact strategies to maintain close relations with our customers, which is essential to ensure investment needs.*

*However, our primary customers, such as the automotive, aeronautic, railway, consumer goods and energy industries, etc. have been inactive and continue at very low levels of business activity, which severely compromises their investment needs”.*

Orders over the first five months of the year fell by more than 35%, mostly concentrated in the last three months. This reduction was somewhat more acute in the metal forming sub-sector. This drop was more severe in foreign markets, especially because 2019 was already a poor year for the domestic market. None of the continents has yet to show positive progress and slowdowns are visible in the major European (Germany, Spain, Italy, France) and American markets (USA, Mexico and Brazil), with the sole exception of Asia, where China has shown a certain degree of growth after April and started off the year with improvements over 2019.

## CLOSURE FORECAST 2020

The two realities of the sector will appear more evident than ever in 2020. On the one hand, as regards production, the need to extend the accumulated portfolio for as long as possible and thereby allow many companies to reach the end of the year, although with losses in turnover of approximately 20%. On the other hand, reception of orders will show an even sharper downturn and will depend on our customers' ability to gain traction. In any event, we expect orders to fall by approximately 40%.

Xabier Ortueta, General Manager of AFM Cluster stated the following in this respect: *“We expect our business activity to undergo a difficult year as regards reception of orders and the expected upturn in the activity of our client industries in 2021 will be crucial for our survival.*

*Our prospective studies indicate a gradual recovery in the last quarter of the year, which should gain momentum during the first 6 months of 2021”.*

## NEEDS OF THE SECTOR

From a general perspective, it will be very important for the advanced manufacturing industry to concentrate on four scenarios that, in some cases, are shared with other sectors:

- Measures to uphold company financing. The position of the sector is much more solid than it was when it had to face the crisis of 2008 and it has equipped itself with funding to get through complicated months. However, the current situation has no precedent and **since the sector will be beset by the ensuing difficulties in the coming months, it will need to obtain funding** until machine-tool users and consumers invest once more.
- Employment increased by 0.8% in 2019, in an industry where people are an irreplaceable asset. Machine-tools are industrial products of a very advanced and complex technological nature, tailor made for each application. The companies that comprise AFM Cluster **take care of their human teams** and need to preserve them; therefore, **the measures for employment flexibility** will allow for a strong recovery when the time comes.
- **Innovation is another of the main challenges** facing a sector that provides state-of-the-art production technology to the major industries that drive the economy. During these times of less activity, it is essential to count on sufficient resources to continue research and development of innovative applications. **It is crucial to work with public institutions to build the R&D bridge** so the market can be prepared to launch new proposals.
- **International activities** (trade shows, travel, marketing expeditions, etc.) have been suspended for several months, but will gain momentum once more in 2021. It will therefore be important to have all the possible resources on hand, both our own and those comprising institutional support, to head out together to compete for customers. Therefore, **both ICEX and local administrations should prepare a full range of flexible programs intended to provide a boost for companies.**

As regards the needs of the sector, César Garbalena added the following: *“Our intention is to accelerate the construction of an industrial future; therefore, we support plans for relaunching industry-driving sectors such as the automotive or aeronautical industries, which should be accompanied by a decisive boost in investment in production equipment that have a high cumulative impact. The industry must upgrade its machinery to continue being competitive and the full range of public institutions involved must support and promote this investment with tax legislation that paves the way for reinvestment of profits and plans for the renewal and digitalisation of the means of production. After this downturn, we will have to embark on a formidable process of industrial recapitalisation.*

*We therefore welcome the Renove plans for machinery and 4.0 recently announced by the Basque Government and encourage Spanish and European institutions to follow this example and make a decisive commitment in favour of industry.”*

## EVENTS 2020

ASSEMBLY 2020: 19 June

BIEMH 2020: 23-27 November, at BEC (Bilbao)

FIGURES 2019

. million €

SECTOR TOTAL	2019	2018	% 19/18
<b>TOTAL PRODUCTION*</b>	<b>1,626.12</b>	<b>1,796.10</b>	<b>-9.46%</b>
Metal cutting machines	676.31	741.36	-8.77%
Metal forming machines	373.51	450.91	-17.17%
Components	194.68	209.99	-7.29%
Tools	127.59	135.05	-5.52%
Accessories	65.88	71.12	-7.37%
Other machines	130.47	123.54	5.61%
Machining and other services	73.25	80.96	-9.52%
<b>TOTAL EXPORTS</b>	<b>1,293.93</b>	<b>1,363.19</b>	<b>-5.08%</b>
Metal cutting machine exports	618.63	672.58	-8.02%
Metal forming machine exports	303.88	331.77	-8.41%
Component exports	125.46	121.93	2.90%
Tool exports	69.70	72.80	-4.26%
Accessory exports	47.74	48.71	-1.99%
Other machine exports	79.50	64.97	22.36%
Machining and other service exports	49.02	50.43	-2.80%
Domestic sales	332.19	432.91	-23.27%
Exports / Production	79.57%	75.90%	

\* After deducting the components and accessories included in domestic machine tools.

. million €

	PRODUCTION	EXPORTS
2014	1,383.00	1,101.18
2015	1,474.18	1,111.19
2016	1,496.67	1,184.75
2017	1,703.49	1,239.77
2018	1,796.10	1,363.19
2019	1,626.12	1,293.93

. million €

MACHINE TOOLS	2019	2018	% 19/18
<b>TOTAL PRODUCTION</b>	<b>1,049.82</b>	<b>1,192.27</b>	<b>-11.95%</b>
Metal cutting	676.31	741.36	-8.77%
Metal forming	373.51	450.91	-17.17%
<b>TOTAL EXPORTS</b>	<b>922.51</b>	<b>1,004.35</b>	<b>-8.15%</b>
Metal cutting	618.63	672.58	-8.02%
Metal forming	303.88	331.77	-8.41%
Domestic sales	251.85	328.23	-23.27%
Exports / Production	87.87%	84.24%	
Imports	520.88	542.24	-3.94%
Apparent consumption*	662.03	745.23	-11.16%

\*Production - exports (excluding used machine tools, 13.83m€) + imports

. million €

COMPONENTS AND EQUIPMENT	2019	2018	% 19/18
<b>TOTAL PRODUCTION</b>	<b>194.68</b>	<b>209.99</b>	<b>-7.29%</b>
<b>TOTAL EXPORTS</b>	<b>125.46</b>	<b>121.93</b>	<b>2.90%</b>
Domestic sales	69.22	88.06	-21.39%
Exports / Production	64.44%	58.06%	

. million €

TOOLS	2019	2018	% 19/18
<b>TOTAL PRODUCTION</b>	<b>127.59</b>	<b>135.05</b>	<b>-5.52%</b>
<b>TOTAL EXPORTS</b>	<b>69.70</b>	<b>72.80</b>	<b>-4.26%</b>
Domestic sales	57.89	62.25	-7.00%
Exports / Production	54.63%	53.91%	

. million €

ACCESSORIES	2019	2018	% 19/18
<b>TOTAL PRODUCTION</b>	<b>65.88</b>	<b>71.12</b>	<b>-7.37%</b>
<b>TOTAL EXPORTS</b>	<b>47.74</b>	<b>48.71</b>	<b>-1.99%</b>
Domestic sales	18.14	22.41	-19.05%
Exports / Production	72.47%	68.49%	

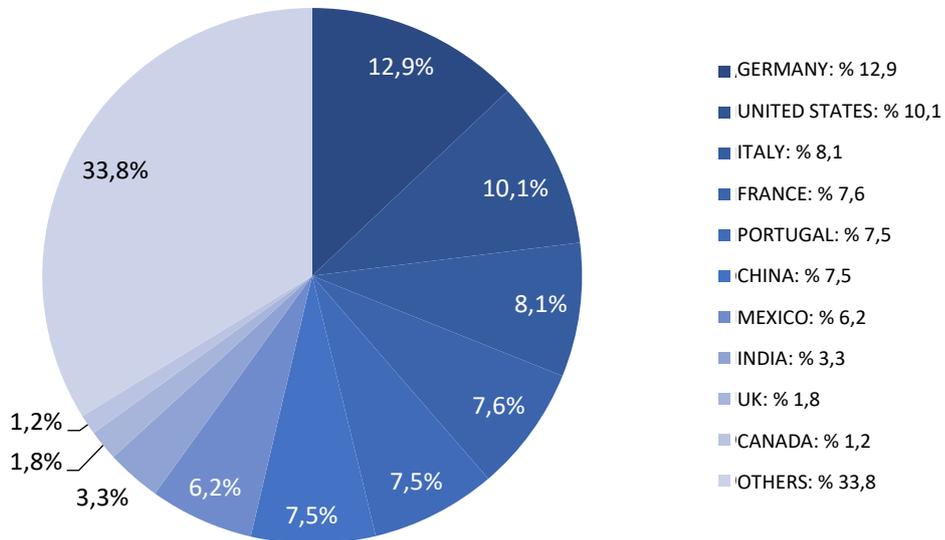
. million €

OTHER MACHINES	2019	2018	% 19/18
TOTAL PRODUCTION	130.47	123.54	5.61%
TOTAL EXPORTS	79.50	64.97	22.36%
Domestic sales	50.97	58.57	-12.98%
Exports / Production	60.93%	52.59%	

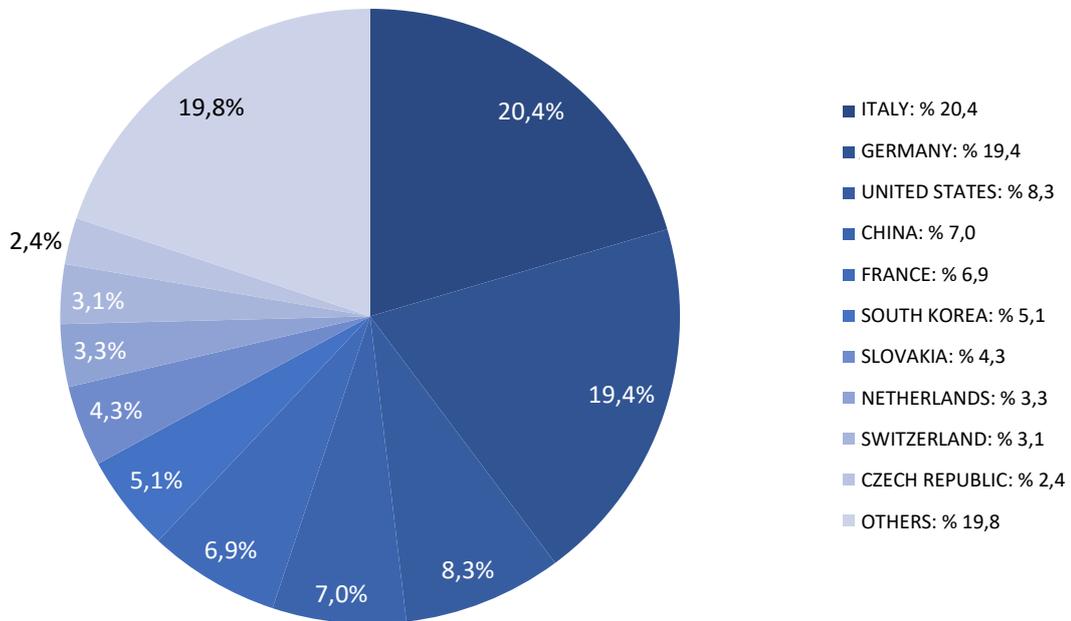
. million €

MACHINING AND OTHER SERVICES	2019	2018	% 19/18
TOTAL PRODUCTION	73.25	80.96	-9.52%
TOTAL EXPORTS	49.02	50.43	-2.80%
Domestic sales	24.23	30.53	-20.64%
Exports / Production	66.92%	62.29%	

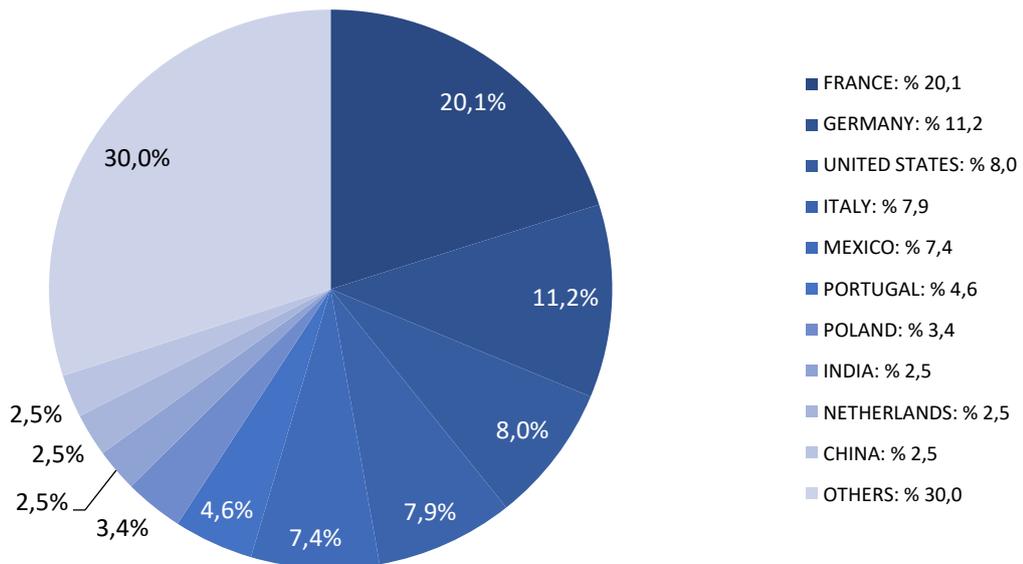
**Spanish exports of machine tools per country in 2019**  
(percentage of total)



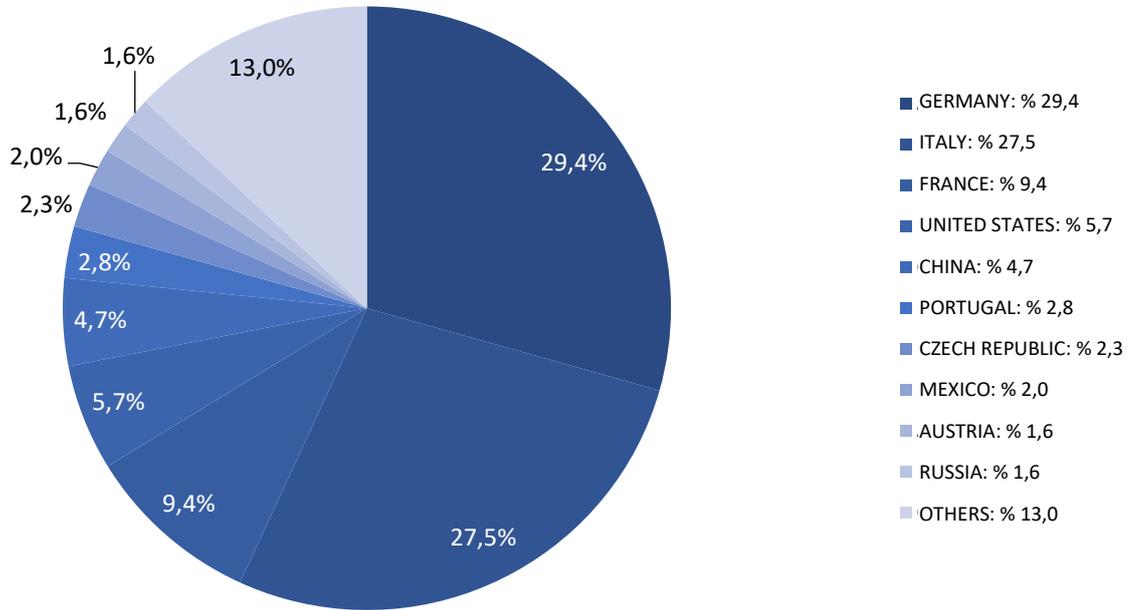
**Spanish exports of components for machine tools by country in 2019**  
(percentage of total)



**Spanish exports of tools for machine tools by country in 2019**  
(percentage of total)



**Spanish exports of accessories for machine tools by country in 2019**  
(percentage of total)



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**ABOUT AFM CLUSTER**

AFM CLUSTER is the organisation that represents the interests of Advanced and Digital Manufacturing in Spain. Made up of five industry associations, it groups more than 500 companies, which employ 16,500 people and have a joint turnover of over 3.000 million euros. From its headquarters in San Sebastian, and its set-up in Tianjin (China), AFM CLUSTER works to promote the internationalisation, industrial development, strategic positioning and training of people in its associated companies. The five related and synergistic sectors that AFM CLUSTER provides services to are the following:

- Machine-tool and advanced manufacturing technologies. AFM-Advanced Manufacturing Technologies is the founding association, which gives its name to the cluster. With more than 70 years of history, it has 127 members that provide the industry with machine tools and other equipment for the manufacture of components, accessories and cutting tools.
- Additive Manufacturing and 3D Printing. ADDIMAT brings together 92 companies operating in this new sector, destined to be a relevant part in many industrial sectors, such as, for example, the aerospace, biomedical and automotive sectors.
- Hand Tools, Hardware and Industrial Supply. ESKUIN represents 22 companies that manufacture hand tools and hardware products in Spain, under the highest standards of quality and safety.
- Machining and Metal-Mechanical Transformation. AFMEC joins the machining and meta-mechanical transformation workshop collective. With more than 185 member companies, it aims to give visibility and services to one of the most important industrial groups in Spain.
- Technology-based companies and startups. UPTEK represents 75 technological companies and startups dedicated to advanced and digital manufacturing.

AFM CLUSTER also has 78 services companies for the industry as partners. All these companies form the great family of advanced and digital manufacturing in Spain. AFM CLUSTER forms part of various international associations such as CECIMO, ECTA or CEO, and organises trade fairs and international events such as BIEMH, ADDIT3D, INDUSTRY TOOLS, SUBCONTRATACIÓN, WORKINN, BEDIGITAL or the CMH-Congress of Advanced Manufacturing and Machine Tools.