CECIMO Business Climate Report

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Overview

***Note:** The CECIMO Business Climate Barometer survey was conducted between April and May 2026. Consequently, all expectations and assessments reflect conditions during that period, and subsequent developments are not captured in these results.*

The latest CECIMO Business Climate Barometer results continue to point to a challenging environment for European machine tool builders. The general business situation remains in negative territory, indicating that current conditions are still weak. At the same time, expectations collected in Q1 2026 for the following quarter show a more cautious and uneven picture: while sentiment has improved compared with the lows recorded in 2023–2024, the latest reading suggests that the recovery remains fragile.

The CECIMO Business Expectations Index confirms this gradual but uncertain improvement. The improvement observed in late 2025 therefore represents a positive signal, but the latest expectations for Q2 2026 do not yet point to a broad-based recovery. The underlying components also suggest a mixed outlook.

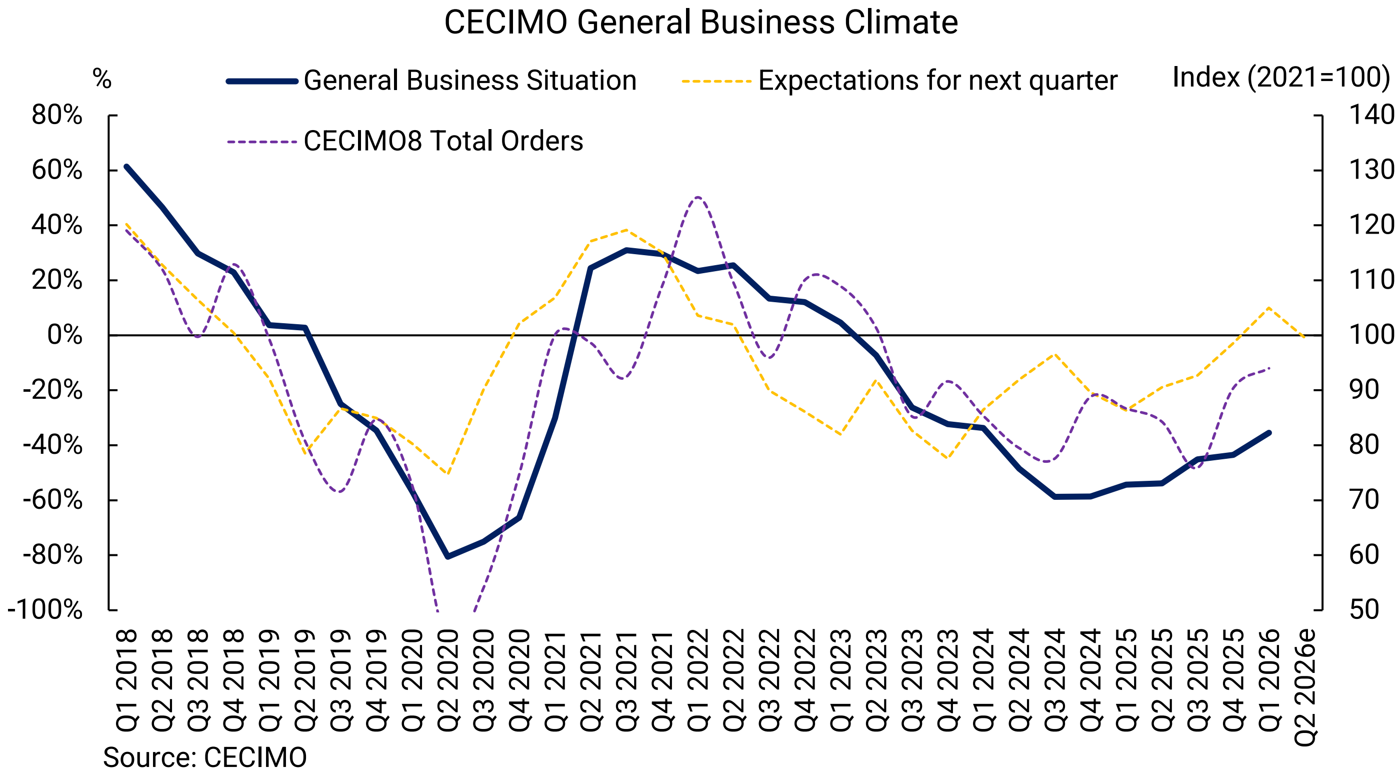
This cautious improvement must also be interpreted against a rapidly evolving global environment. Continuous trade tensions, the risk of new tariff regimes and geopolitical instability could weigh on export opportunities and undermine medium-term investment planning. For a sector that depends heavily on open international trade, any deterioration in global market access would have significant implications.

Renewed geopolitical instability also poses risks for energy markets and supply chains. Higher energy and input costs could further squeeze margins, while weaker confidence among end-users in key downstream sectors could delay capital investment decisions. These pressures would add to the difficulties already highlighted by survey respondents, including insufficient and irregular order flows, weak customer confidence, intensifying price competition, tighter financing conditions and persistent shortages of skilled labour.

Overall, the results suggest that the sector may be moving away from the weakest phase of the recent cycle, but the recovery remains fragile given that current business conditions are still weak and the external environment remains highly uncertain. The latest improvement in sentiment is therefore encouraging, but it should be interpreted carefully: ***a renewed deterioration in geopolitical, trade or macroeconomic conditions could quickly negatively impact confidence, investment, employment and output across the European machine tool industry.***

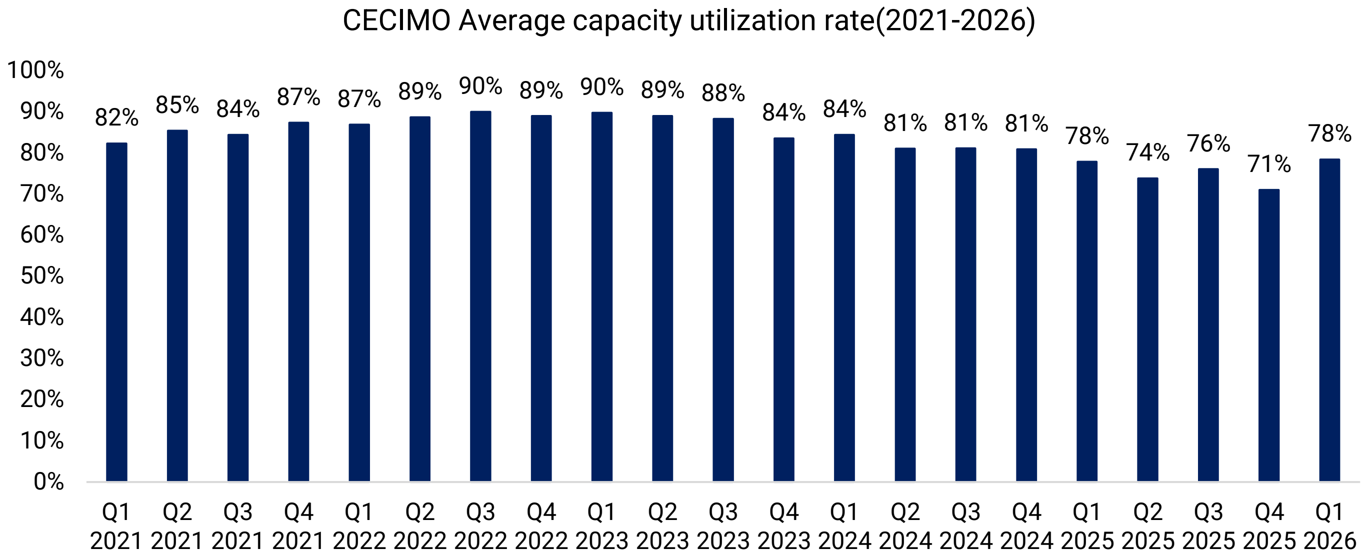
1.CECIMO

1.1 CECIMO Business Climate Barometer



Source: CECIMO
% = weighted average of the national balances (increase-decrease), in %

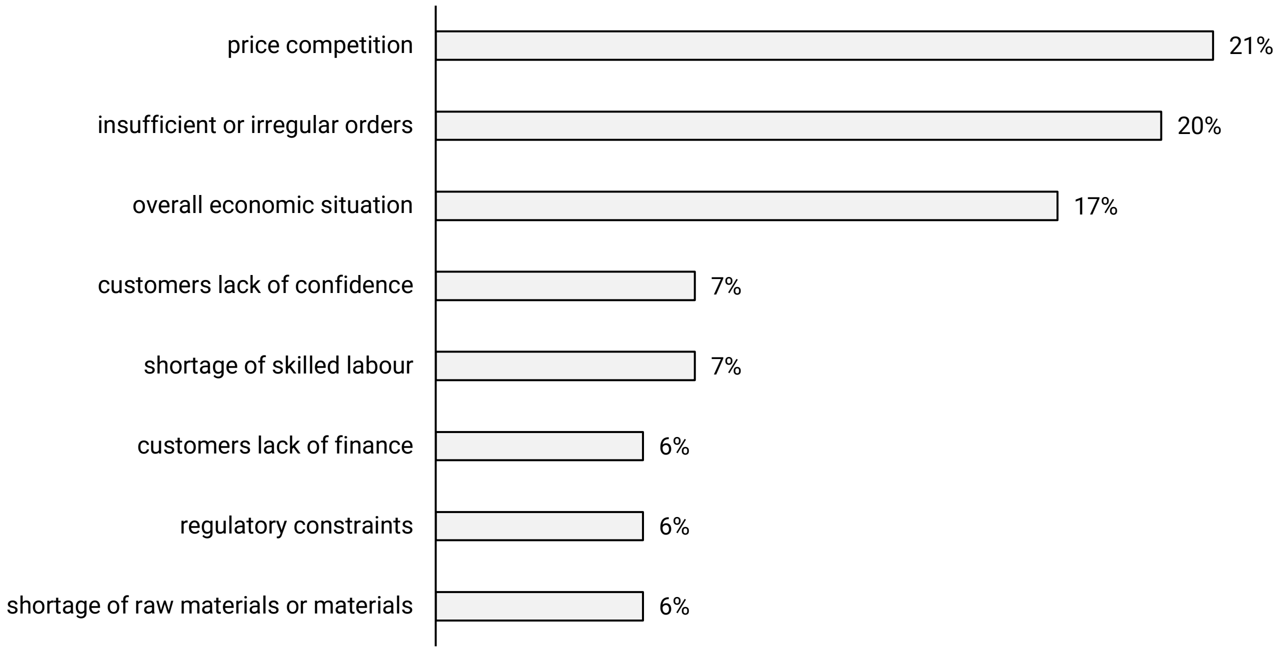
According to the latest results of the CECIMO Business Climate Barometer, the first quarter of 2026 recorded an improvement, although overall sentiment remains negative compared to Q4 2025 (-35% compared to -44%). Moreover, expectations for Q2 2026 point to a further contraction in confidence. The deterioration in expectations may be linked to worsening business conditions following the intensification of the crisis in the Middle East, which contributed to higher energy and input prices and increased uncertainty in market conditions.



Source: CECIMO

Capacity utilisation increased from 71% to 78%, suggesting a clear improvement in the use of productive capacity among respondents. This points to a recovery in operational activity compared with the previous survey period, even though firms continue to report a challenging business environment. However, the improvement in capacity utilisation should be read alongside the persistent concerns over order flows, price competition and the broader economic situation, which indicate that the recovery remains uneven and not yet fully consolidated.

Main factors limiting activity
Share of respondent selections



Source: CECIMO

For instance, European MT firms continue facing a broad set of constraints, but the most prominent pressures appear to be linked to price competition, insufficient or irregular orders, and the overall economic situation. These factors point to a demand-side weakness: companies are not only facing uncertainty in the general economic environment, but also stronger competitive pressure affecting order flows. At the same time, the presence of customers' lack of confidence and customers' lack of finance indicates that difficulties are also coming from downstream sectors, which may be delaying or scaling back investment decisions.

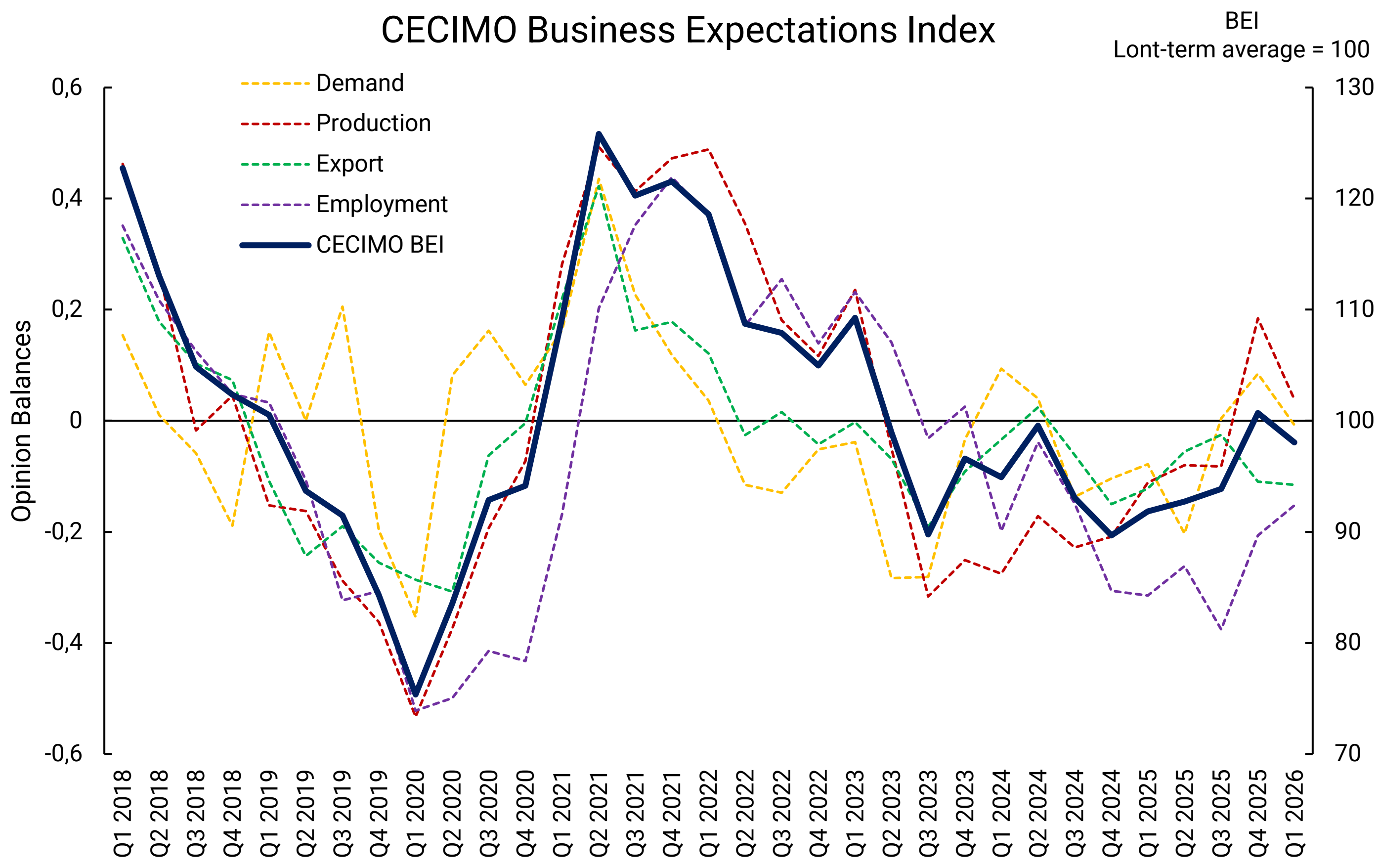
Overall, there is still a fragile business environment: the main challenges are no longer only linked to supply disruptions, but increasingly to weak demand, cautious customers and competitive pressure.

1.2 CECIMO Business Conditions Index

Note: *For additional information or clarifications regarding the detailed methodology, please contact tommaso.lolli@cecimo.eu*

The CECIMO Business Expectations Index (BEI) — a composite indicator summarising firms' expectation for demand, production, exports and employment — points to a gradual improvement in the outlook during 2025, after a prolonged period of weak expectations. The index recovered towards its long-term average by the end of 2025, reaching its strongest level since Q2 2024, before easing slightly in Q1 2026. For instance, the improvement observed in late 2025 suggests a partial recovery in sentiment, although the slight decline in Q1 2026 indicates that the recovery remains fragile rather than firmly established.

Among the underlying components, demand expectations remain the most volatile, while production expectations show the clearest recent rebound. Export expectations remain subdued, and employment expectations continue to recover only gradually, suggesting that firms are still cautious about future hiring despite some improvement in the overall outlook.



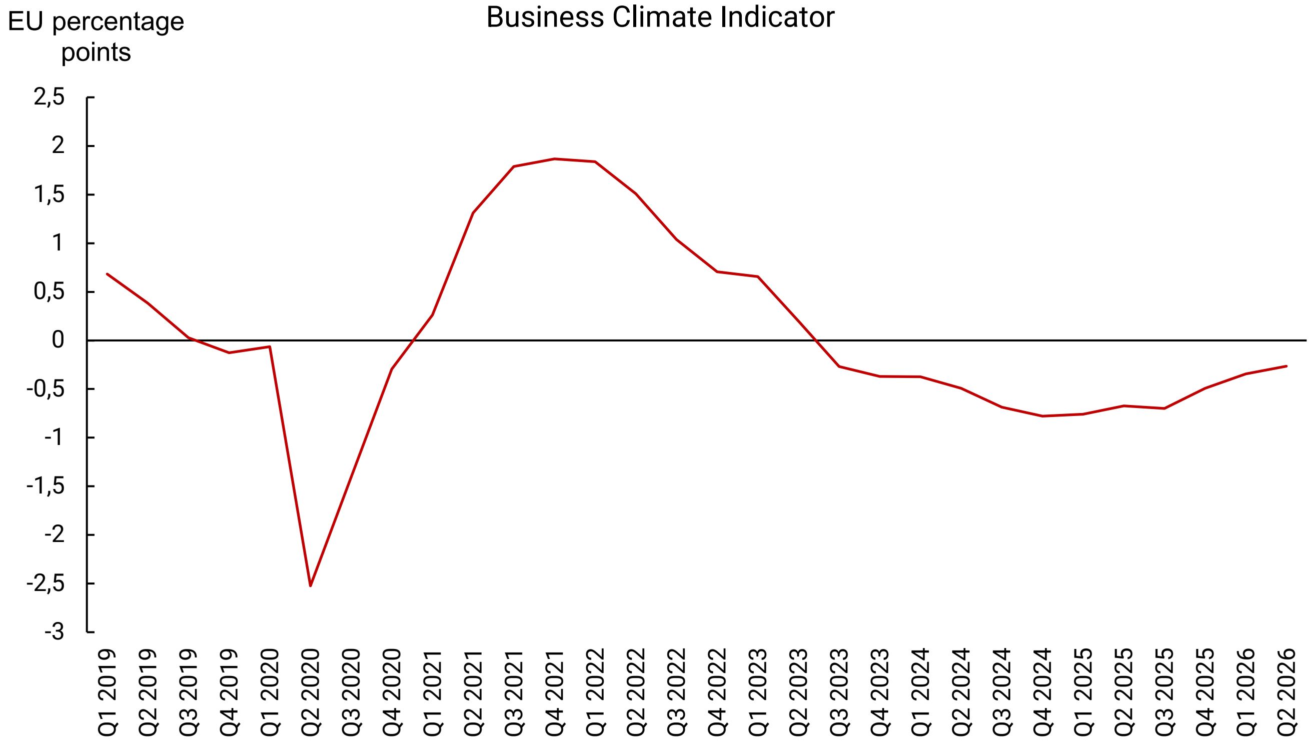
Source: CECIMO

2. EUROPEAN UNION

2.1 Euro Area Business Climate Indicator

The graph below illustrates the Industry Confidence Indicator (ICI) reported by the European Commission for the Euro Area, which remains in negative territory, reflecting persistent weakness in industrial sentiment.

Euro area
Business Climate Indicator

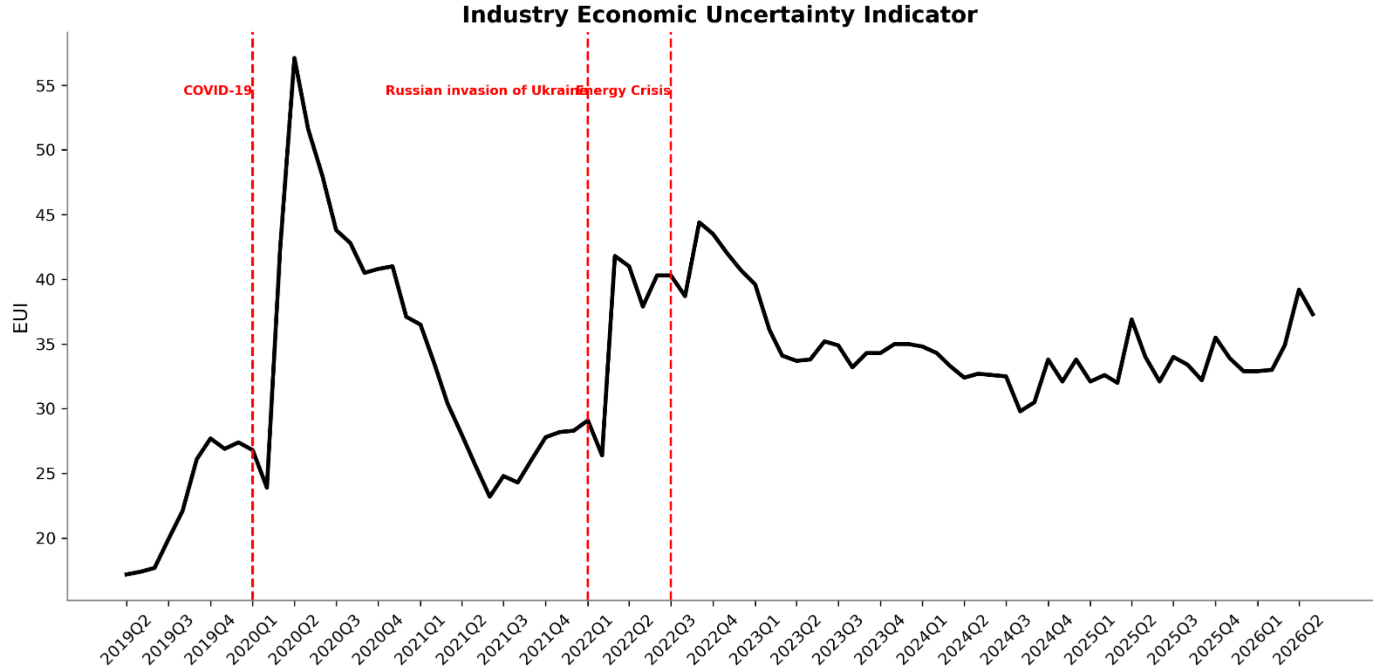


Source: European Commission

The euro area Business Climate Indicator remains in negative territory, but the latest readings point to a gradual improvement. After reaching -0.49 in Q4 2025, the indicator rose to -0.34 in Q1 2026 and further to -0.27 in Q2 2026, suggesting that business sentiment is still weak but slowly recovering similarly to the movements reported for the CECIMO Business Climate before.

For instance, it is interesting to highlight how the CECIMO Business Climate tracks the Euro area Business Climate Indicator very closely, with a correlation of 89%, confirming that machine tool builders are a highly reliable indicator for broader European industrial sentiment. This close alignment between the two indicators throughout the series provides strong external validation for the CECIMO Business Climate Indicator as a meaningful and timely measure of sector conditions within the broader European industrial landscape.

2.2 Economic Uncertainty Indicator (EUI)

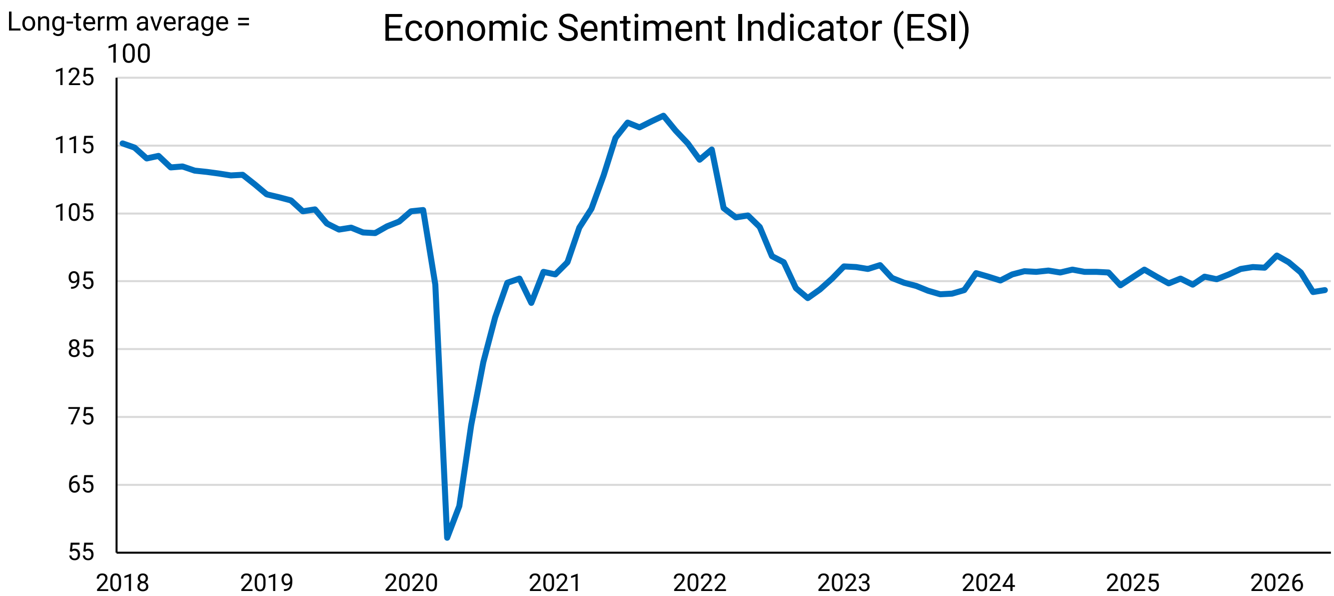


Source: European Commission

The chart above shows the evolution of the EUI in the European Union's industrial sub-sector over time. The monthly series highlight sharp increases in uncertainty during major shocks, especially the COVID-19 pandemic, the Russian invasion of Ukraine, and the energy crisis. Since the beginning of 2025, the index has remained broadly stable, fluctuating around the low-to-mid 30s, with a few temporary spikes but no sustained upward trend. However, in the last period an increase in uncertainty has been recorded.

2.3 European Economic Sentiment Indicator

In May 2026, the Economic Sentiment Indicator (ESI) moved broadly in both the EU (+0.3 points) to 93.7 in the EU.



Source: European Commission

Glossary

CECIMO Business Climate Barometer (BCB) is a quarterly survey that assesses CECIMO-based companies' current business sentiment and expectations for the next quarter. Methodology: CECIMO & National association surveyed individual companies and assessed their current business climate and their expectations (next q) in relation to demand, domestic production, export sales and employment. The balances of opinions of the CECIMO BCB are calculated as the difference (net percentage) between the percentage of positive and negative responses, while neutral responses are excluded or accounted for separately.

Balance=(%Positive responses)-(%Negative responses)

The results are then weighted by the share of national production in 2021 among participating CECIMO countries.

Note: Q1 2026 results are based on the responses of the following CECIMO countries: Austria, Switzerland, Germany, the United Kingdom and Italy. In the last round, around 150 companies participated. A recent revision of the CECIMO survey has adjusted some of the reported figures, leading to updates in business sentiment assessments that may differ from previously published results. These changes highlight the evolving nature of economic perceptions and the importance of continuously monitoring sentiment indicators to capture shifts in confidence and uncertainty within the industrial sector.

The Economic Uncertainty Indicator (EUI) developed by the European Commission is a survey-based measure that reflects the difficulty business managers/consumers experience in predicting their future business or financial situations. Participants respond to questions about the predictability of their future circumstances, with options ranging from "easy to predict" to "difficult to predict." The EUI aggregates these responses to assess overall economic uncertainty. The indicator's scale is determined by the aggregation of the survey data, and its values can fluctuate based on the level of uncertainty reported by respondents. Therefore, the EUI does not have a predefined maximum value; it varies over time, reflecting changes in economic conditions and perceptions of uncertainty.

The European Commission's Economic Sentiment Indicator (ESI) is a composite measure of economic health, derived from surveys of businesses and consumers across the EU. It is composed of weighted confidence indicators from five sectors: industry (40%), services (30%), consumers (20%), retail (5%), and construction (5%). An ESI value above 100 indicates above-average economic sentiment, while a value below 100 suggests below-average sentiment.