



# Global forecast overview: Economic crisis or turning point?

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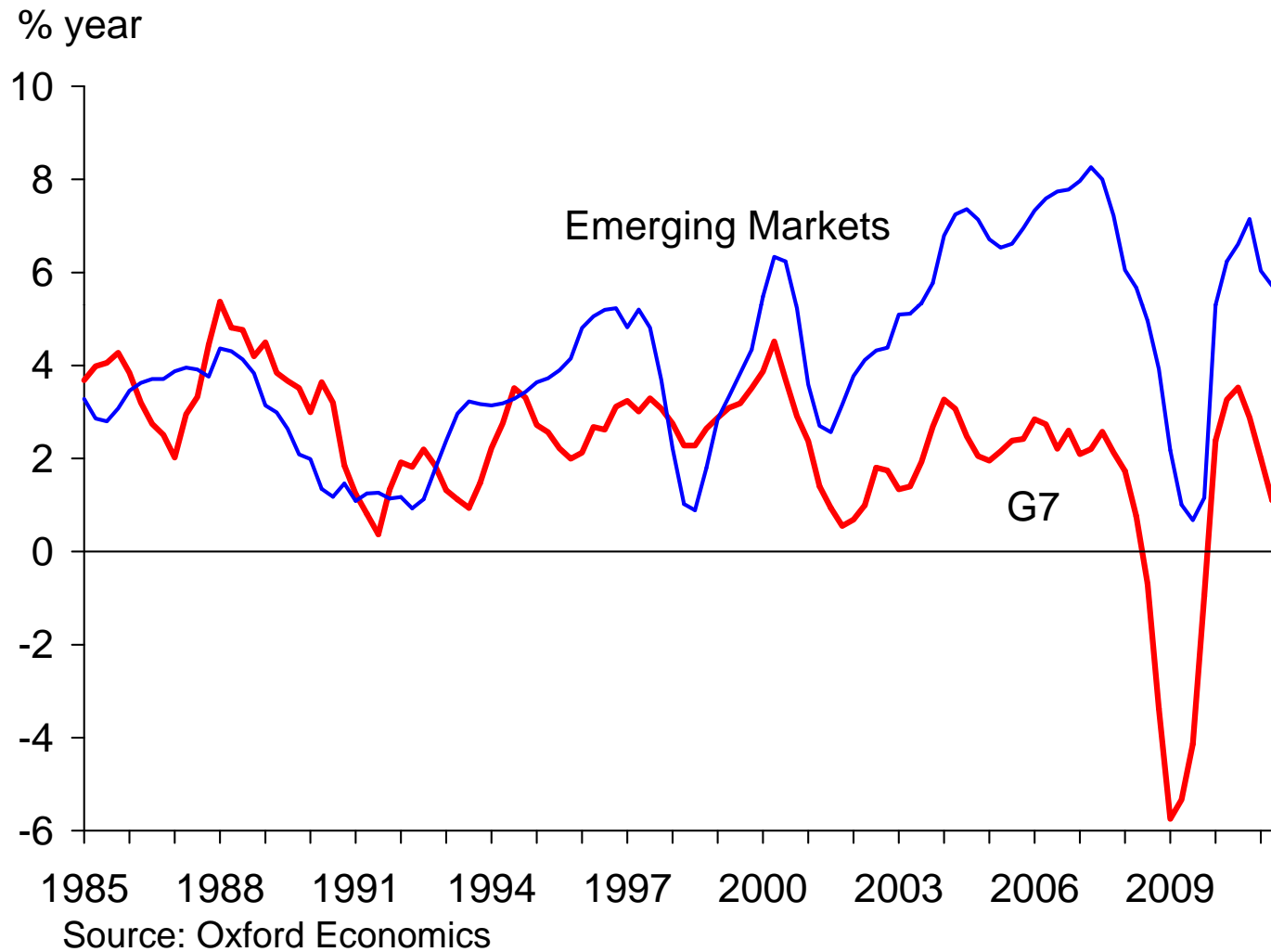
Adrian Cooper



March 2012

# Global growth lost momentum through winter

## G7 & Emerging Markets: GDP growth

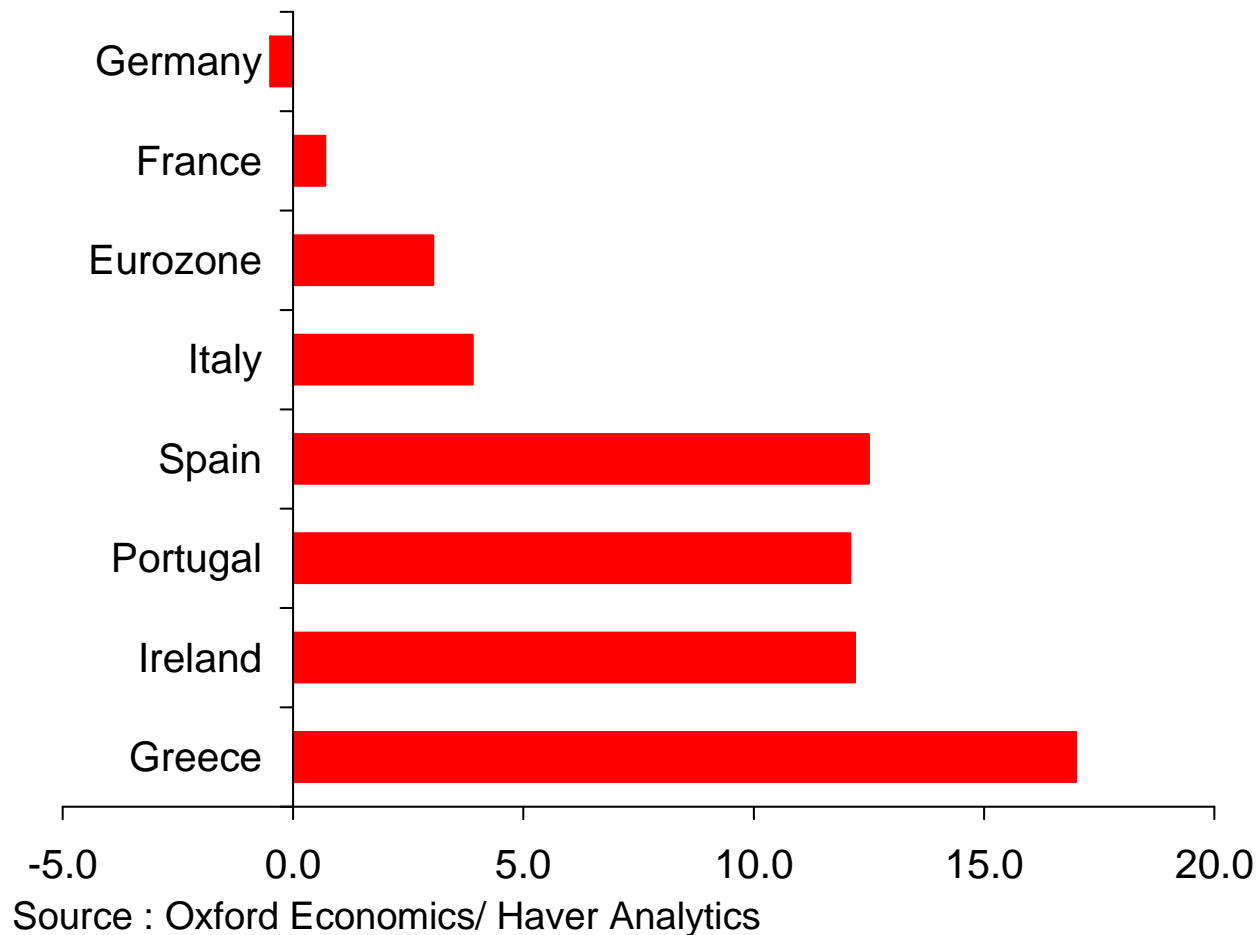


# European fiscal tightening increasingly severe...

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## Discretionary fiscal tightening, 2010-13

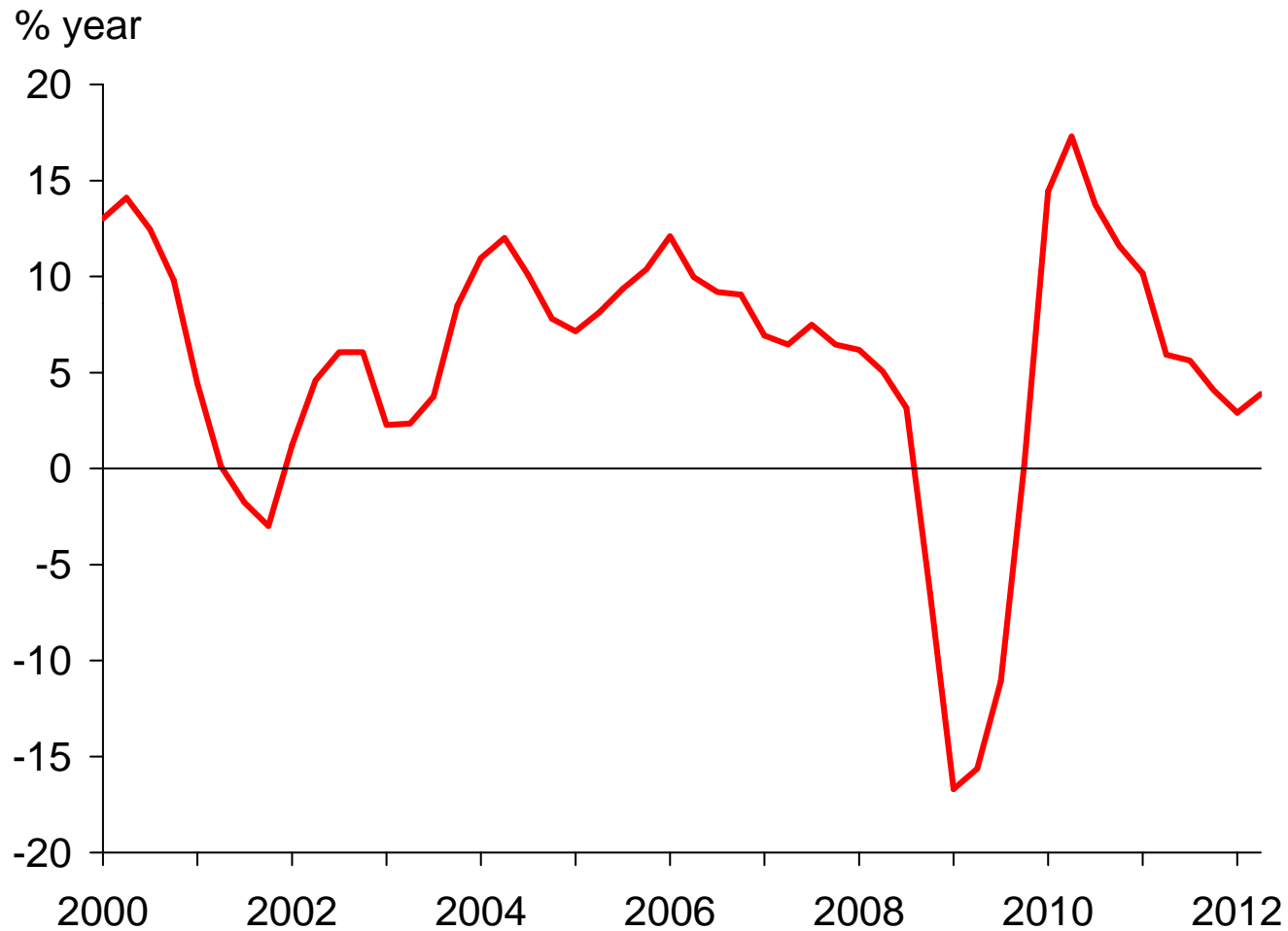
% of GDP, total 2010-13



# ...so world trade growth down sharply

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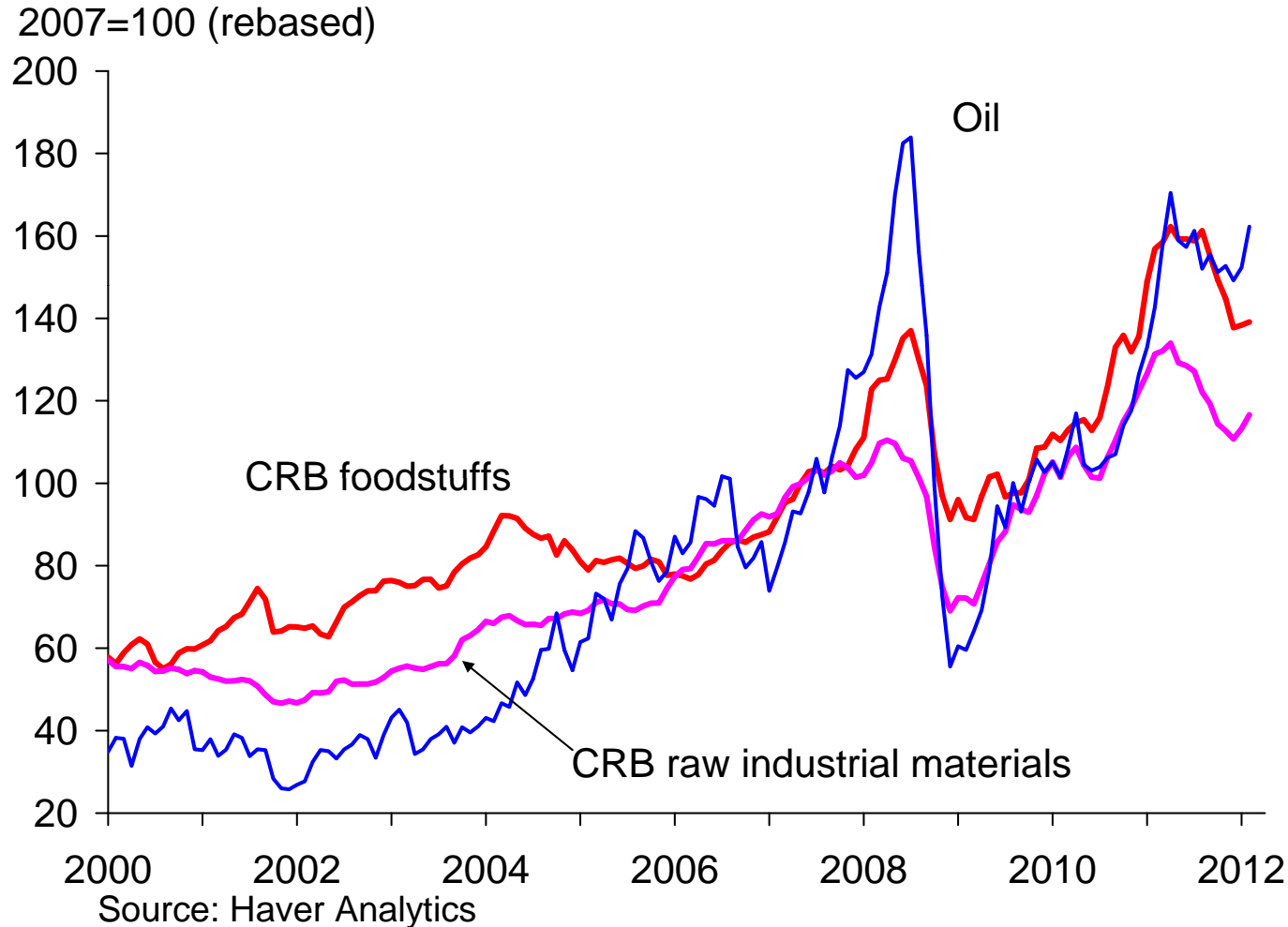
## World: Trade index



Source: Oxford Economics

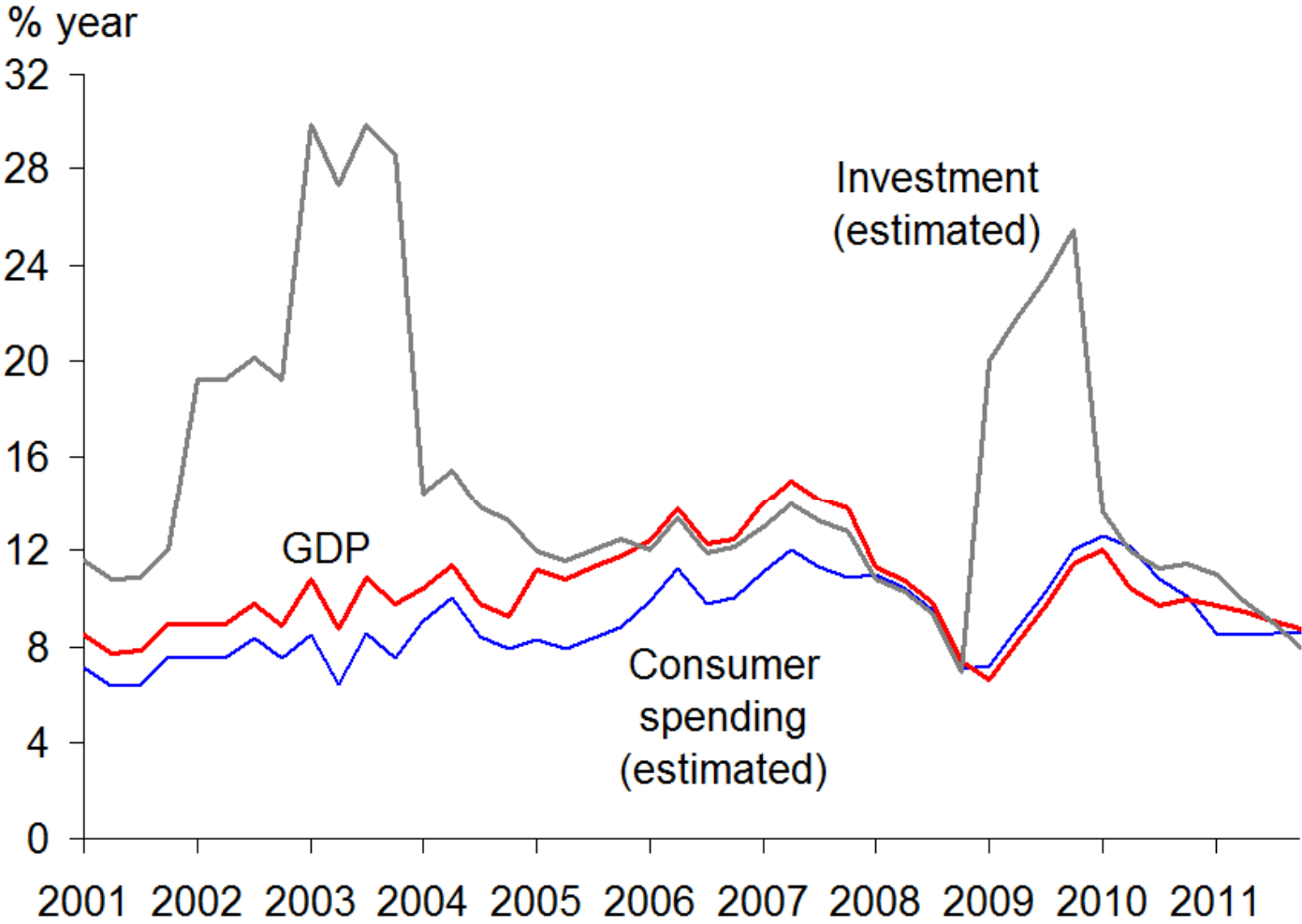
# Commodity prices like tax rise for net importers

## World: Commodity prices



# Tighter policy also slowing China...

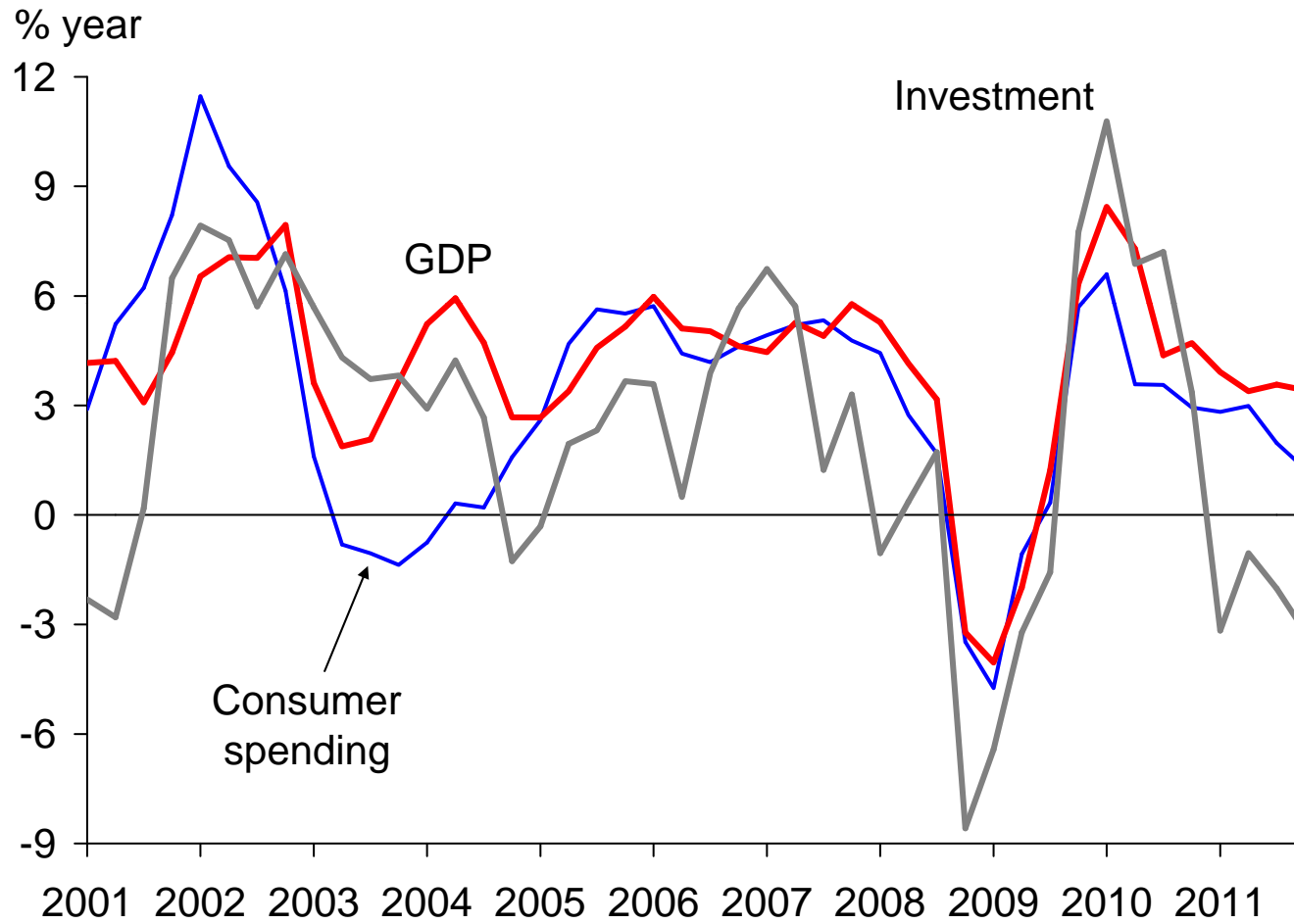
## China: Real GDP



Source: Haver Analytics

# ...adding to downturn across rest of Asia

## Korea: Real GDP

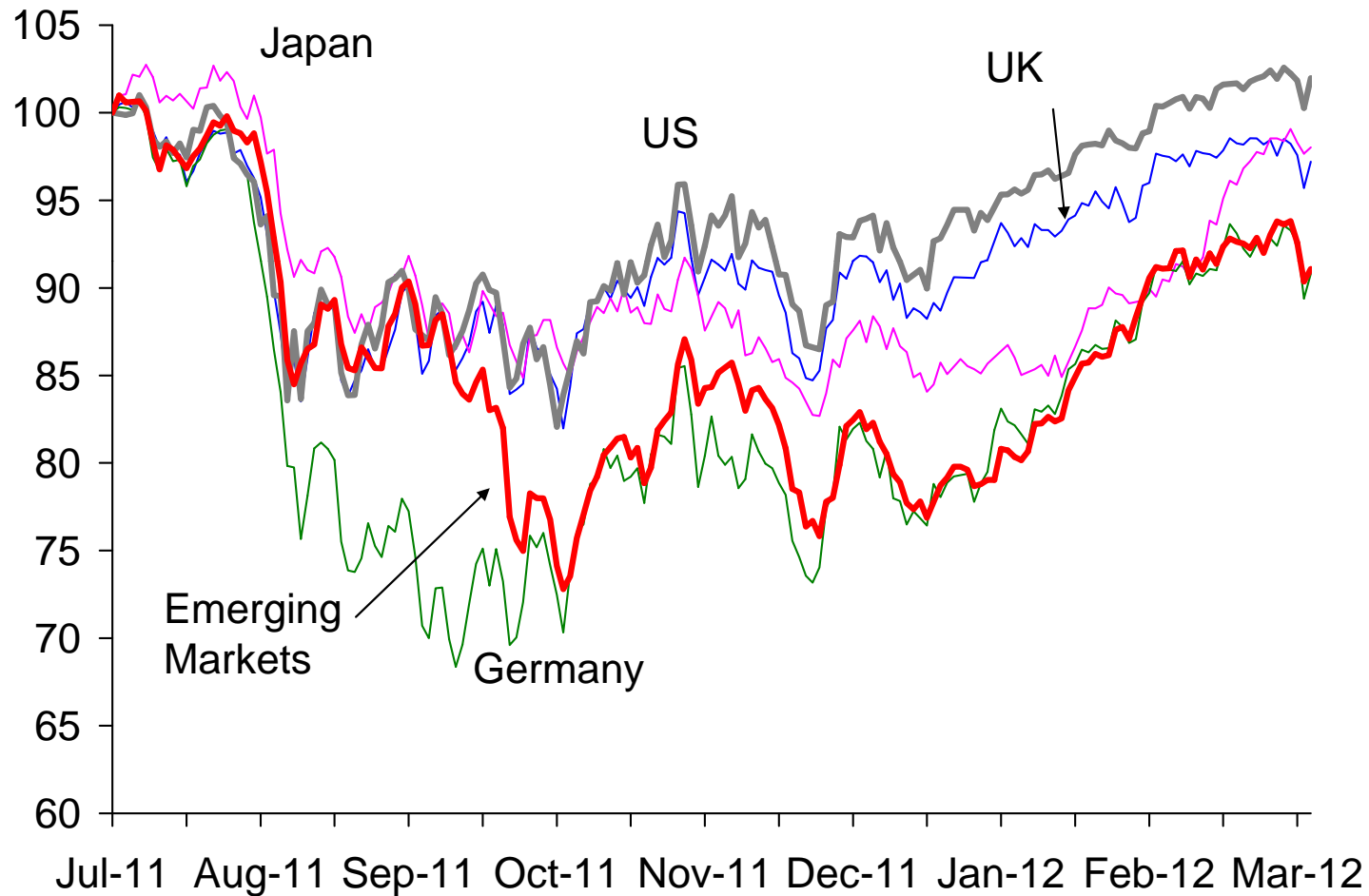


Source: Haver Analytics

# But markets getting more optimistic...

## Share price indices

1st day = 100

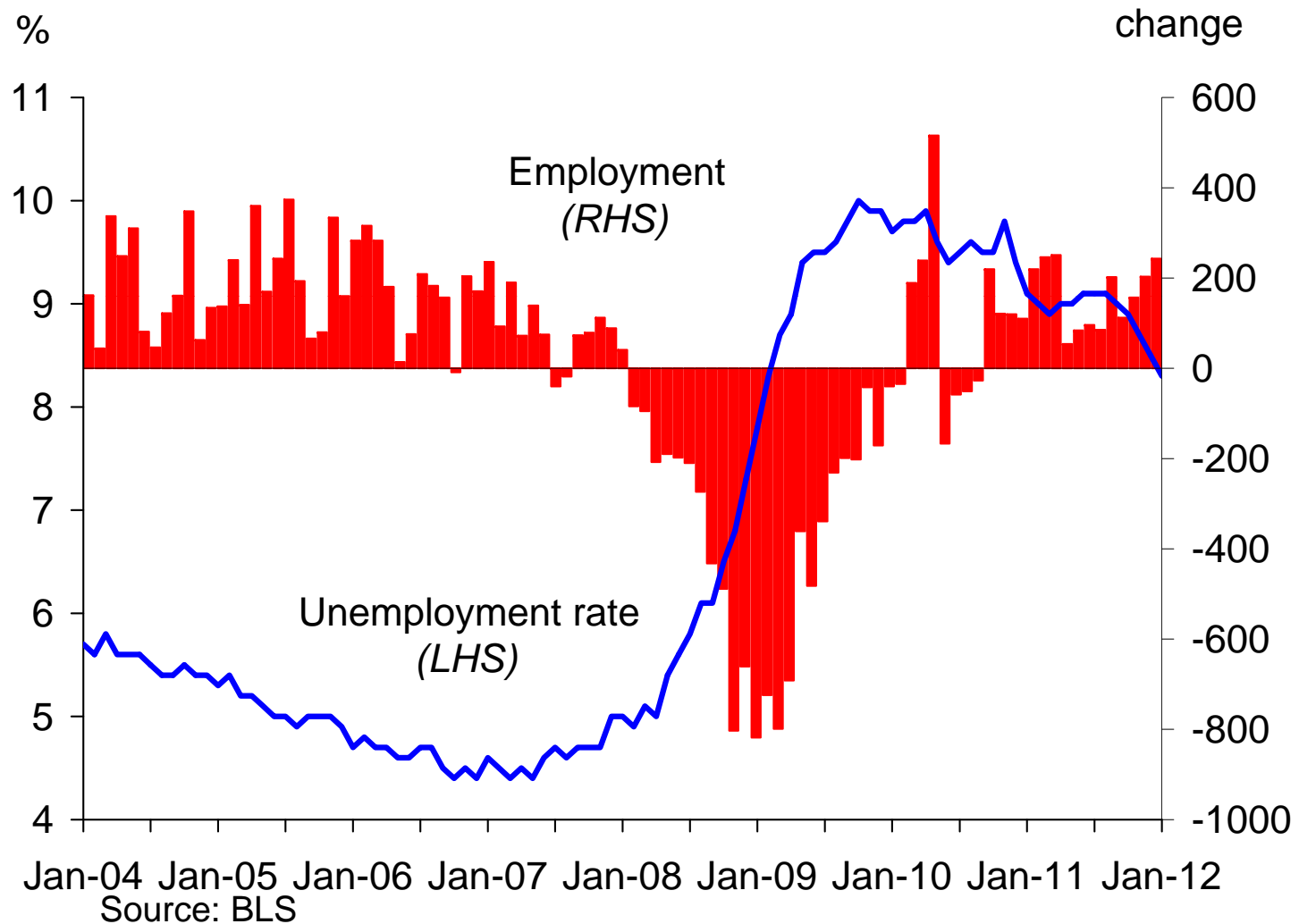


Source: Haver Analytics / JP Morgan / Merrill Lynch



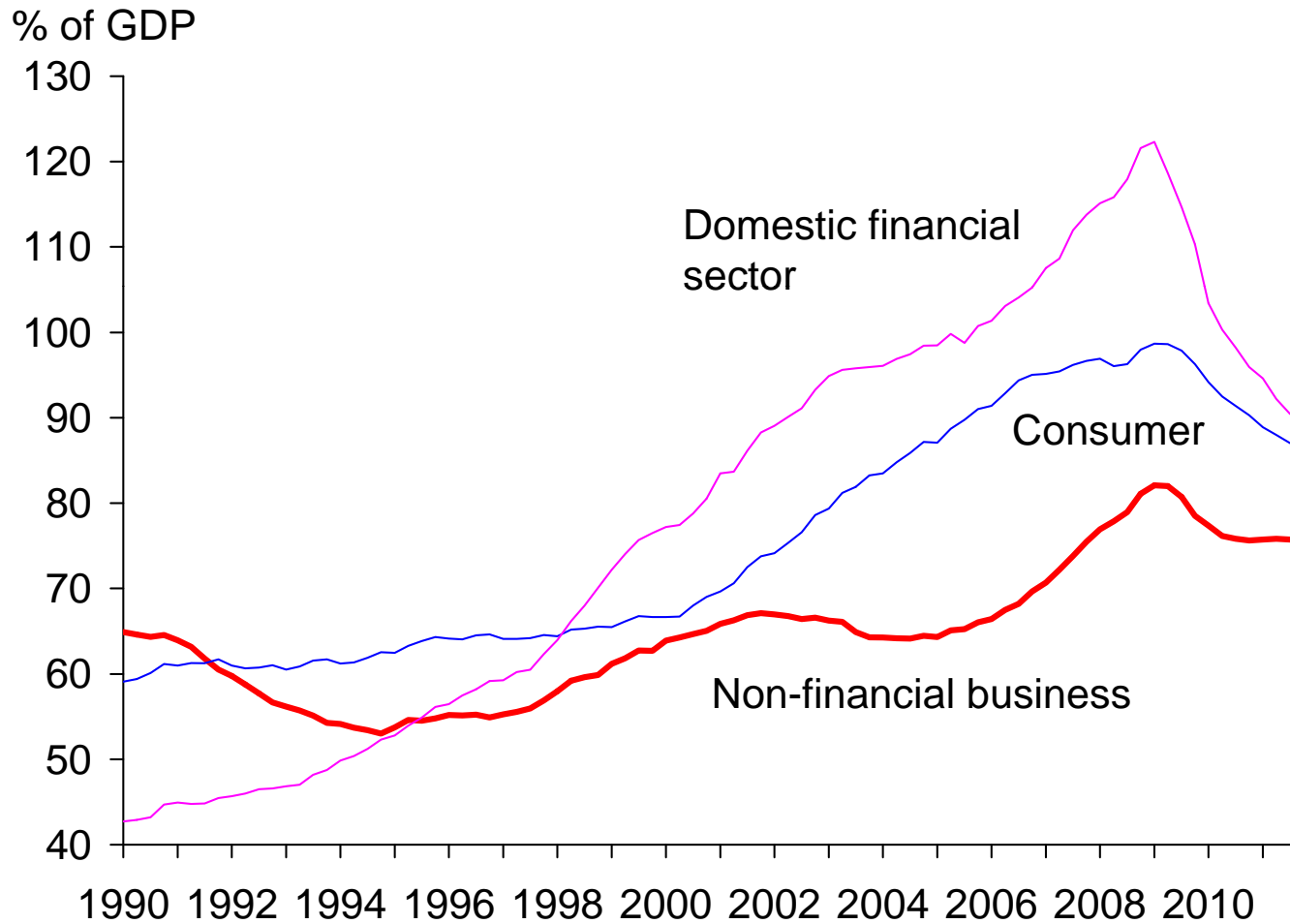
# ...as US economy looks stronger

## Employment and unemployment



# US financial sector debt much lower

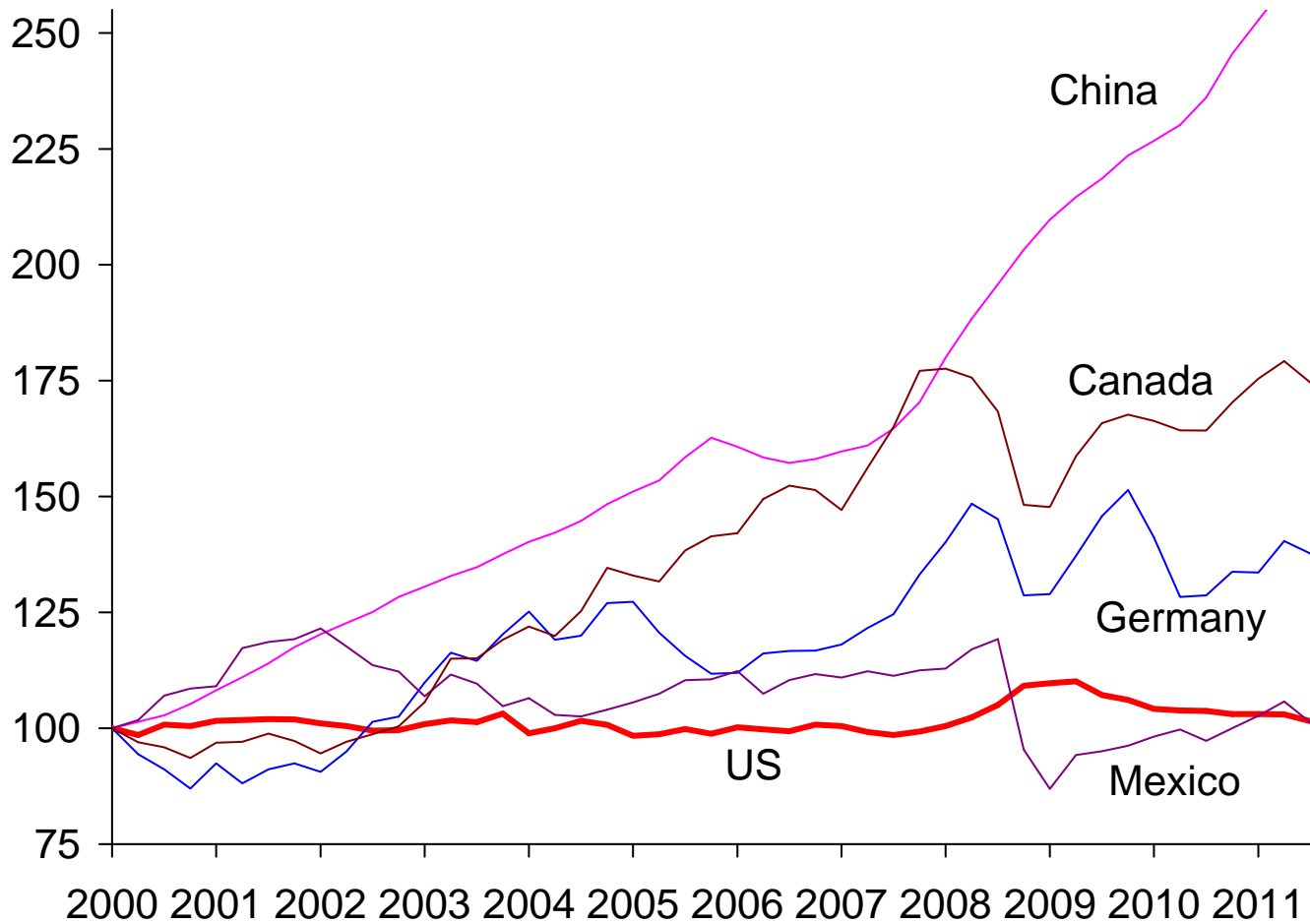
## US: Sectoral indebtedness



Source : Oxford Economics/Haver Analytics

# US economy now very competitive

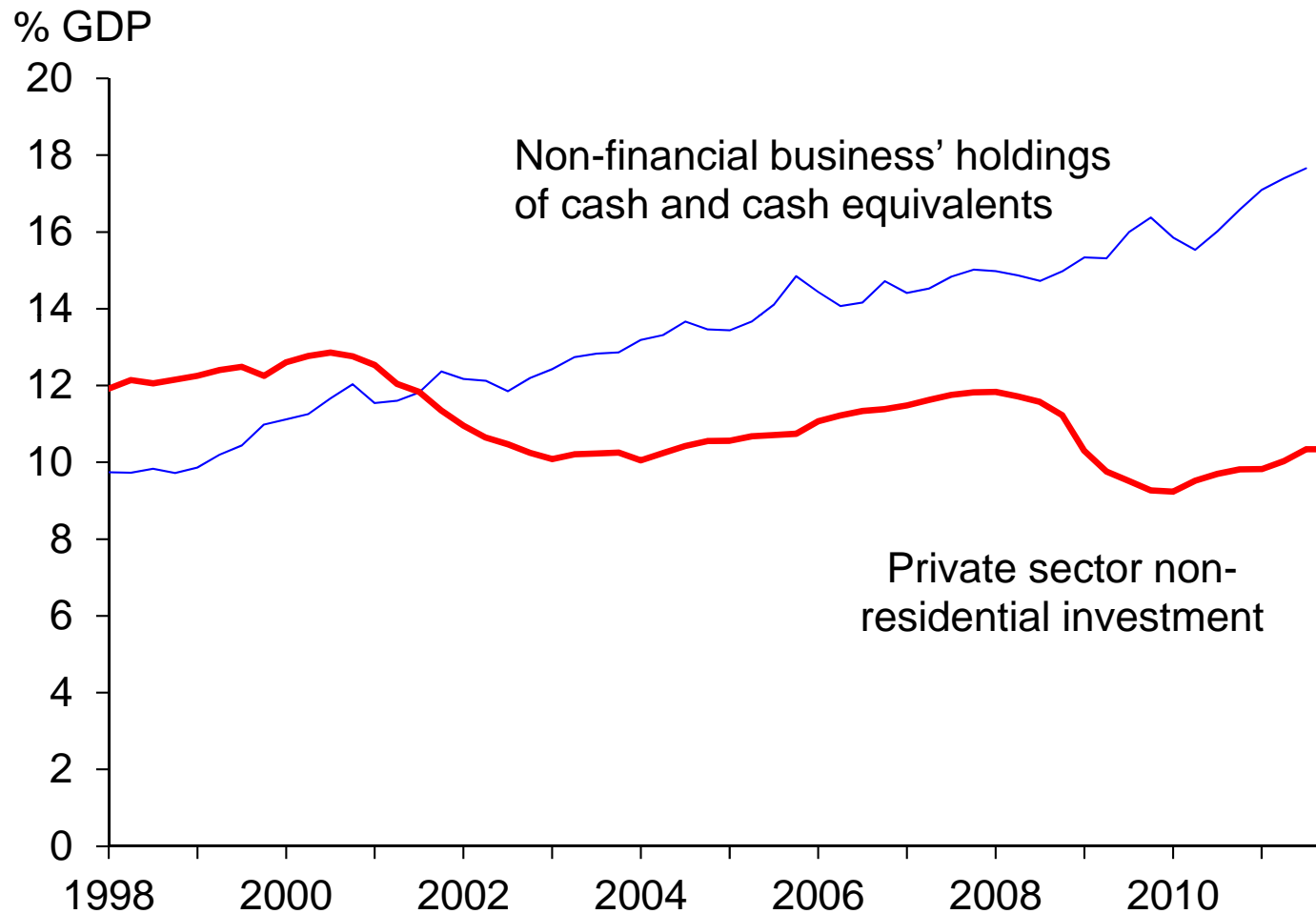
Unit labour costs in manufacturing in US\$, 2000Q1=100



Source : Oxford Economics

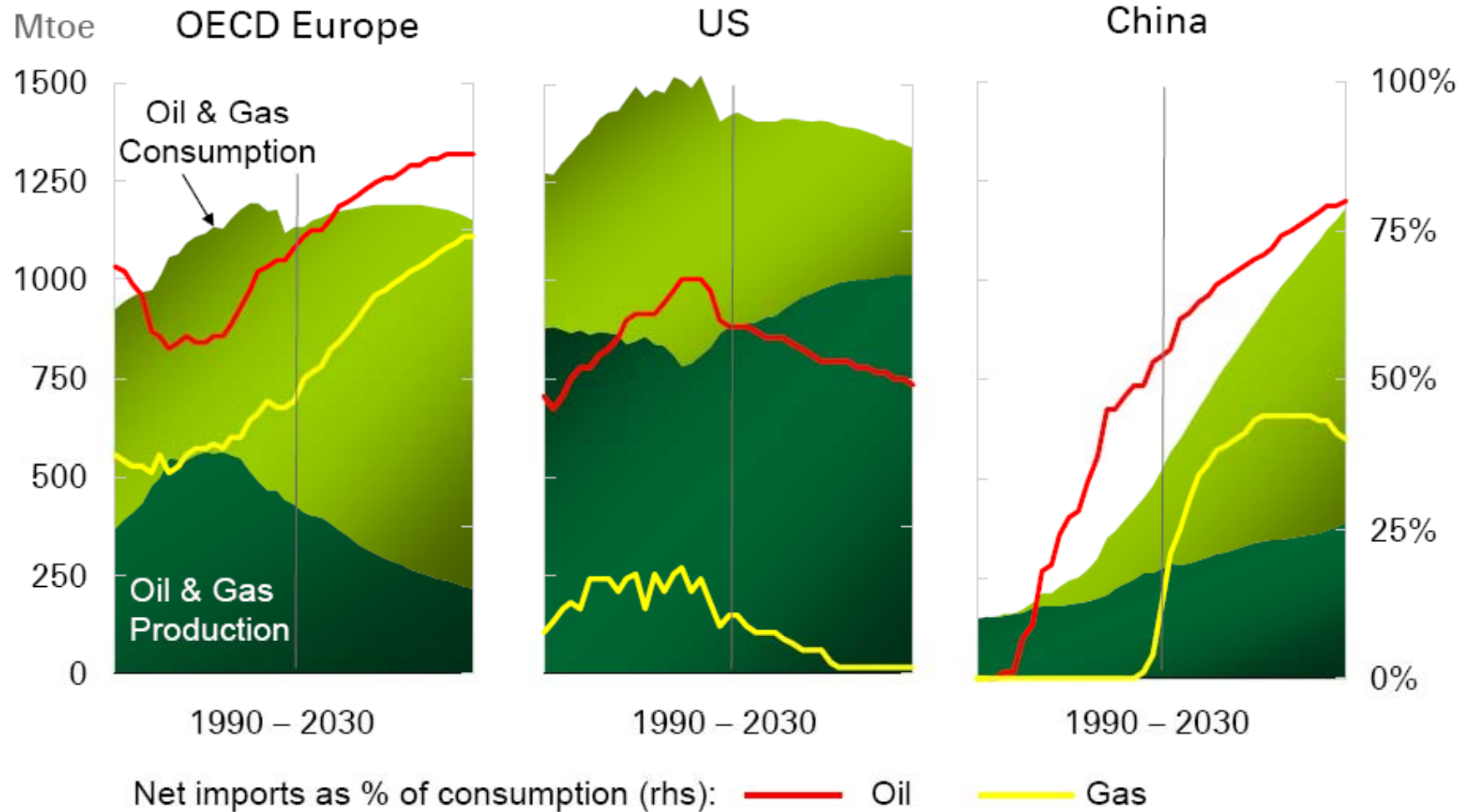
# Corporate cash piles still growing

## US: Corporate cash holdings and investment



Source : Federal Reserve/Oxford Economics

# Dependency on imported fuel declining



# Oxford Economics' baseline forecast

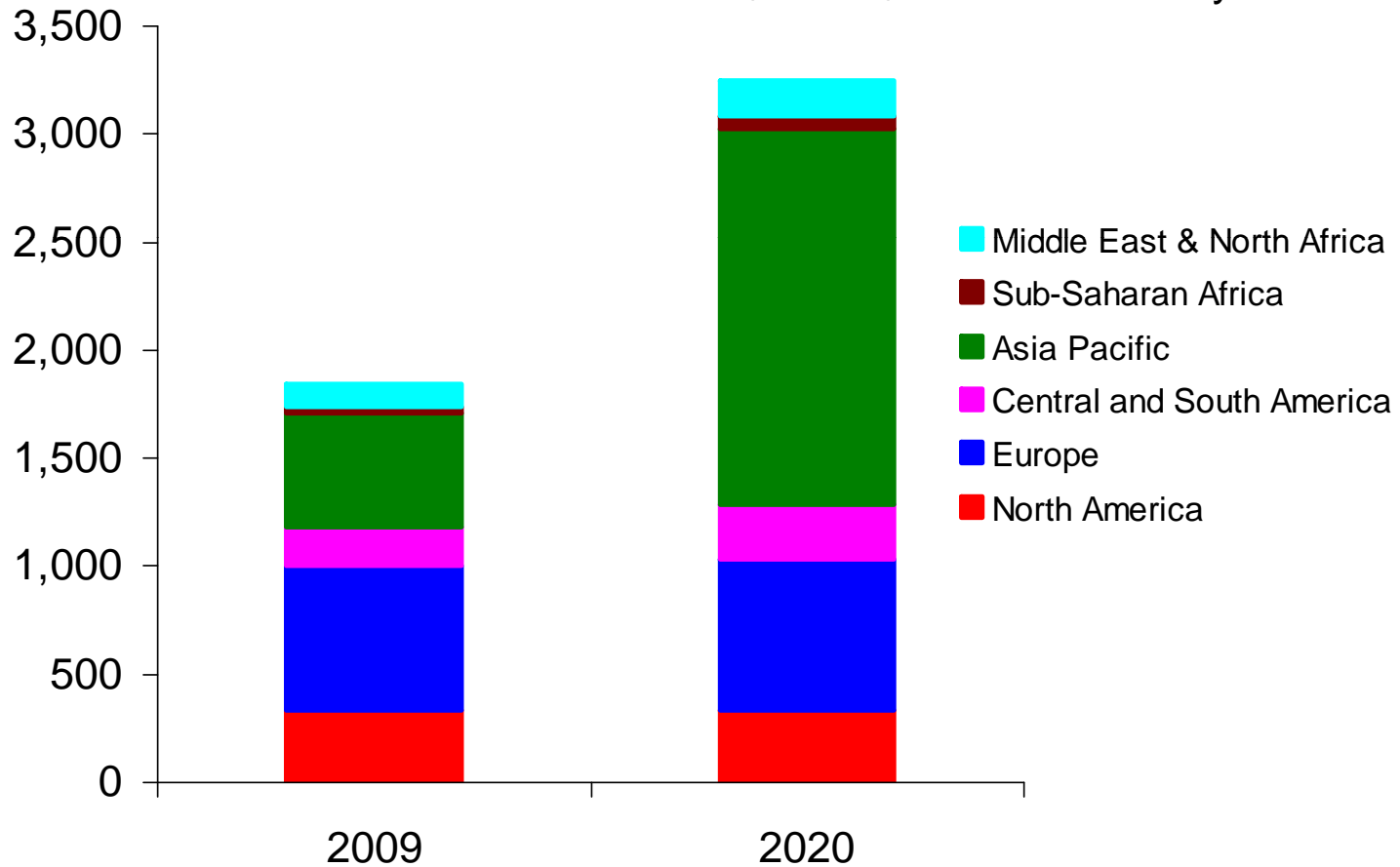
World GDP Growth % Change on Previous Year						
	2010	2011	2012	2013	2014	2015
US	3.0	1.7	2.3	2.5	3.3	3.2
Japan	4.5	-1.0	1.3	2.9	2.2	1.5
Eurozone	1.8	1.6	-0.4	0.8	1.7	2.0
of which:						
Germany	3.6	3.0	0.6	1.7	2.1	2.0
France	1.4	1.6	-0.2	1.3	1.9	2.0
Italy	1.4	0.4	-1.6	-0.3	1.0	1.5
Spain	-0.1	0.7	-1.2	-0.6	0.8	2.0
UK	2.1	0.9	0.3	1.8	2.8	2.8
China	10.4	9.2	8.4	8.8	8.8	8.3
India	8.7	7.1	6.5	8.7	9.2	8.6
Other Asia	7.0	5.1	4.0	5.8	6.1	5.9
Mexico	5.4	3.9	3.8	5.0	5.0	4.2
Brazil	7.5	2.8	3.1	5.0	4.5	4.4
Other Latin America	4.4	4.9	3.2	4.2	4.3	4.0
Eastern Europe	0.9	3.8	3.2	2.9	4.1	4.4
MENA	5.1	4.9	4.1	5.0	5.2	5.0
<b>World</b>	<b>3.9</b>	<b>2.8</b>	<b>2.4</b>	<b>3.4</b>	<b>3.8</b>	<b>3.8</b>
<b>World (PPP)</b>	<b>4.6</b>	<b>3.8</b>	<b>3.3</b>	<b>4.2</b>	<b>4.7</b>	<b>4.5</b>

# Rising middle class underpinning Asian growth

## Global middle class

Millions

Household income of \$10 to \$100 dollars a day in PPP

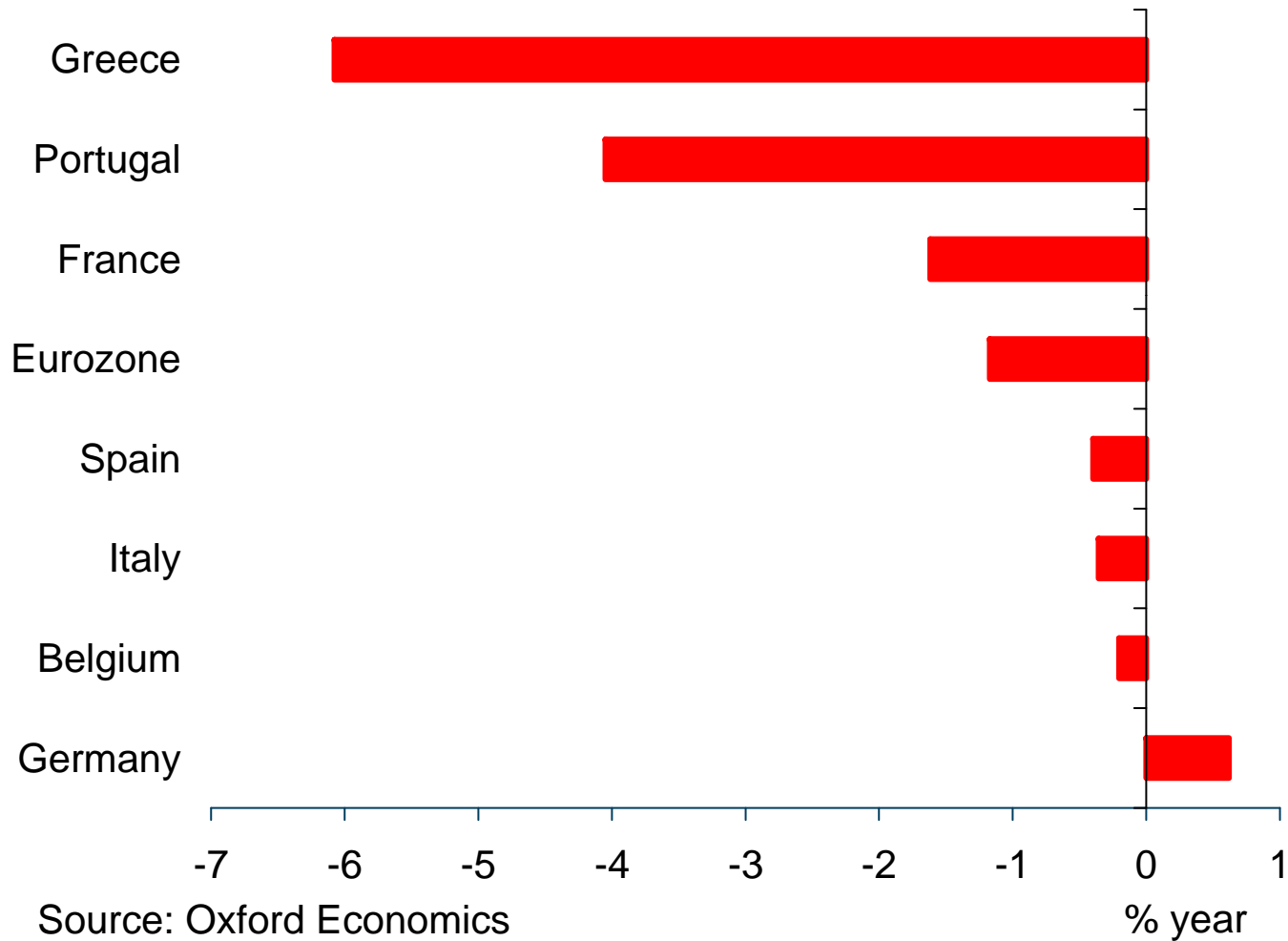


Source: OECD

# Eurozone recession deepening

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## GDP: 2012 growth

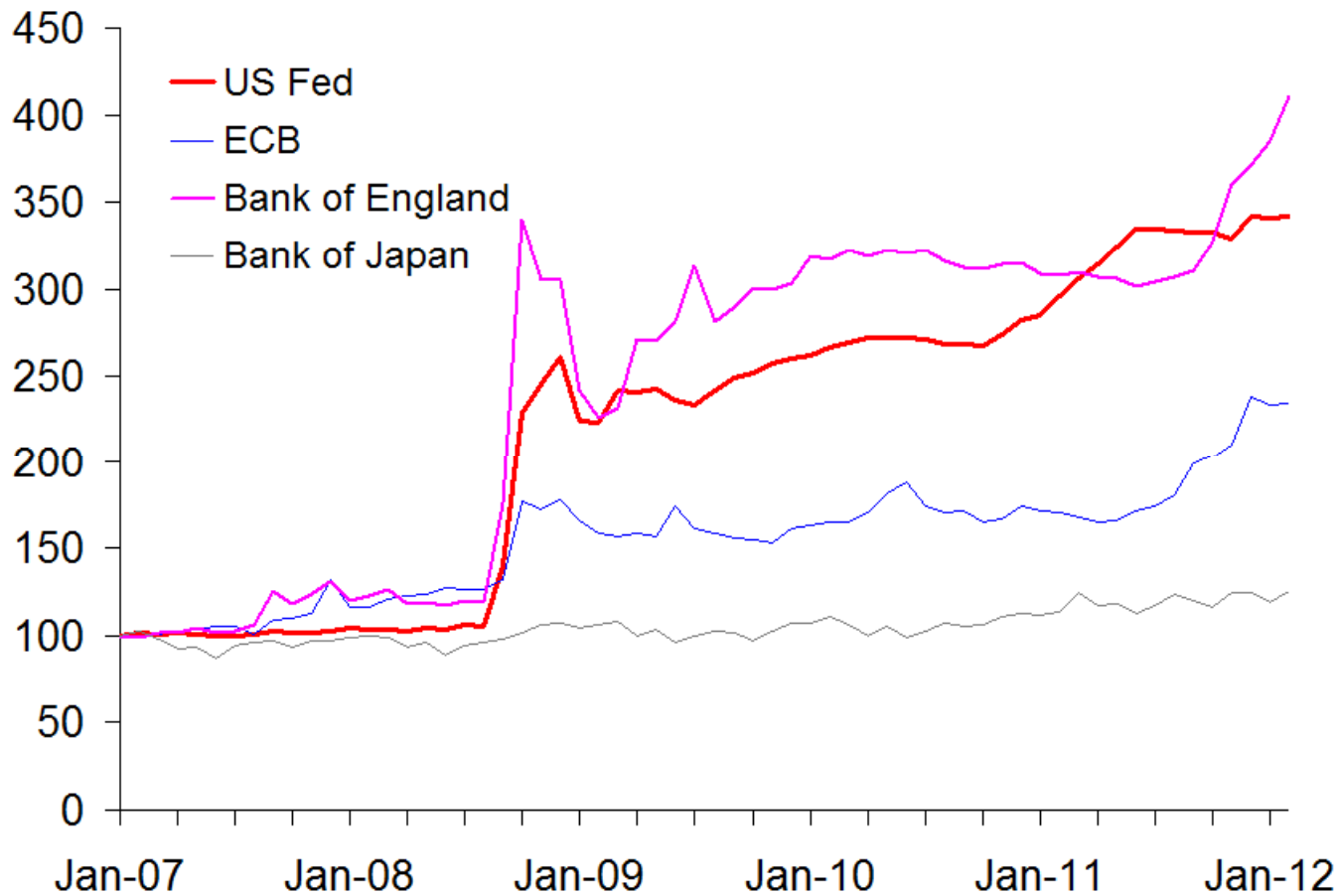




# ECB now pumping in cash to support banks...

## World: Central bank balance sheets

Index, Jan 2007=100

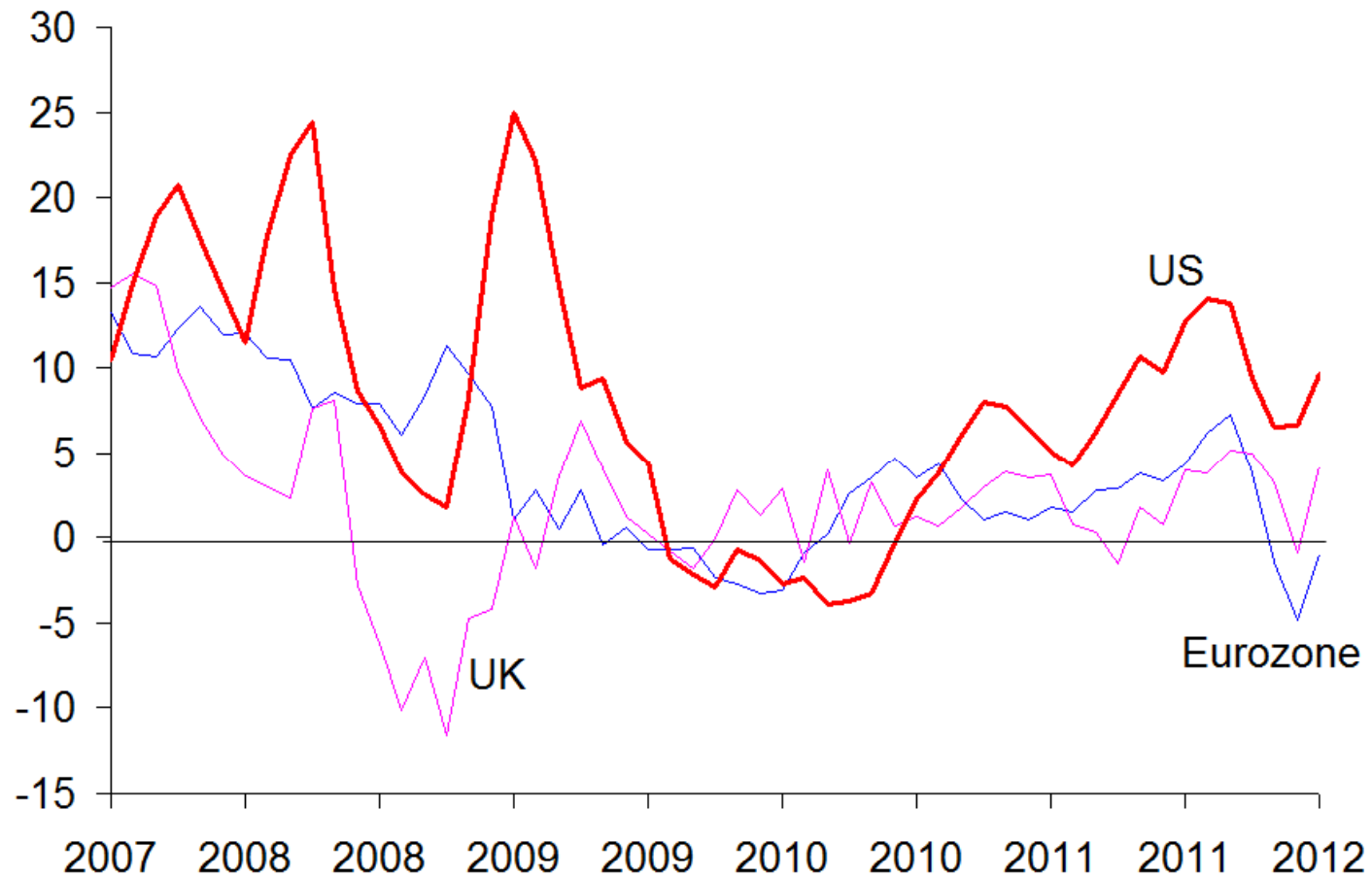


Source : Oxford Economics/Haver Analytics

# ...but credit crunch endangering EMU

## World: Broad money growth

3-month annualised, %

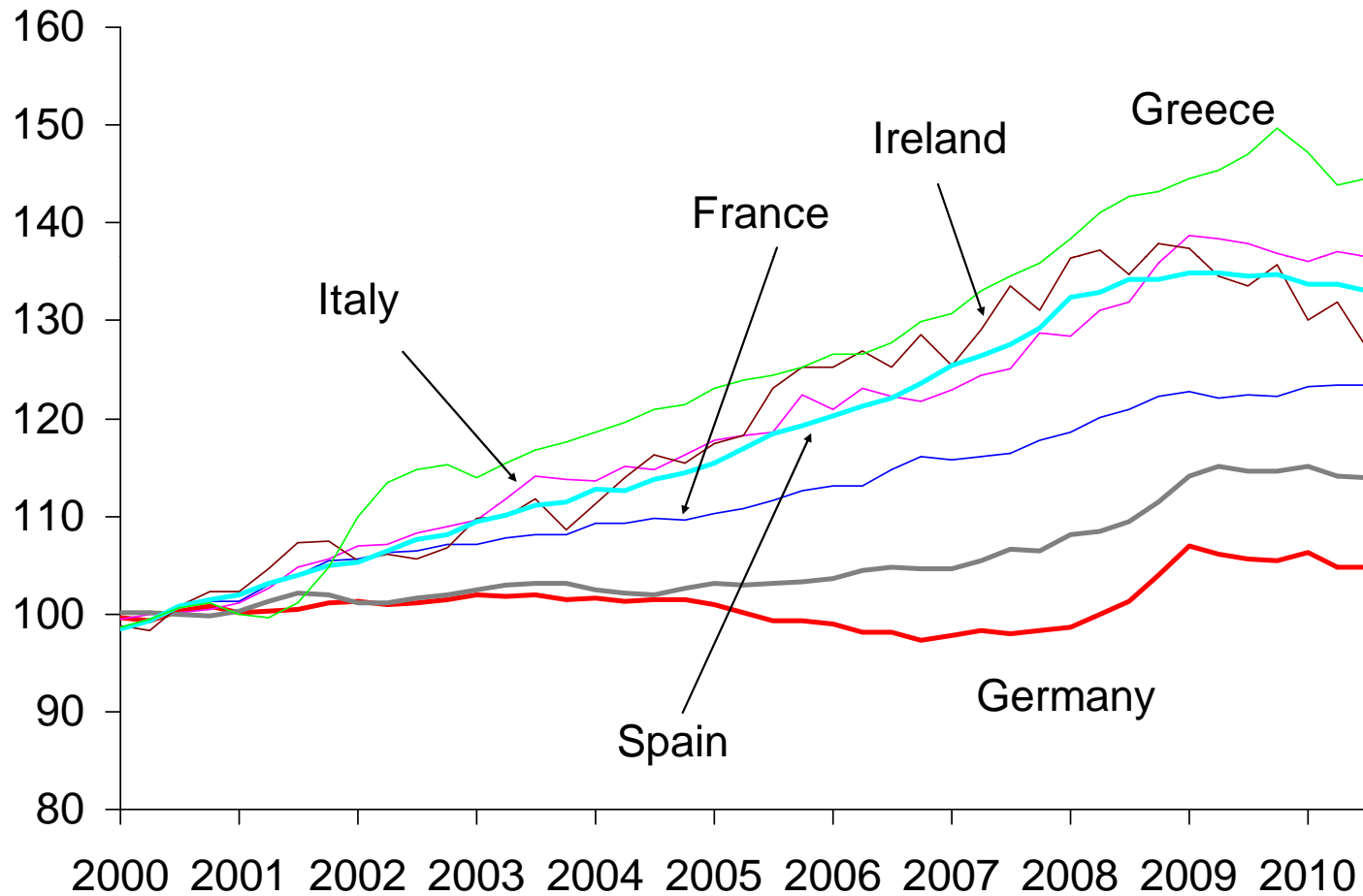


Source : Oxford Economics/Haver Analytics

# Competitiveness disparities still to be addressed

## Unit labour costs

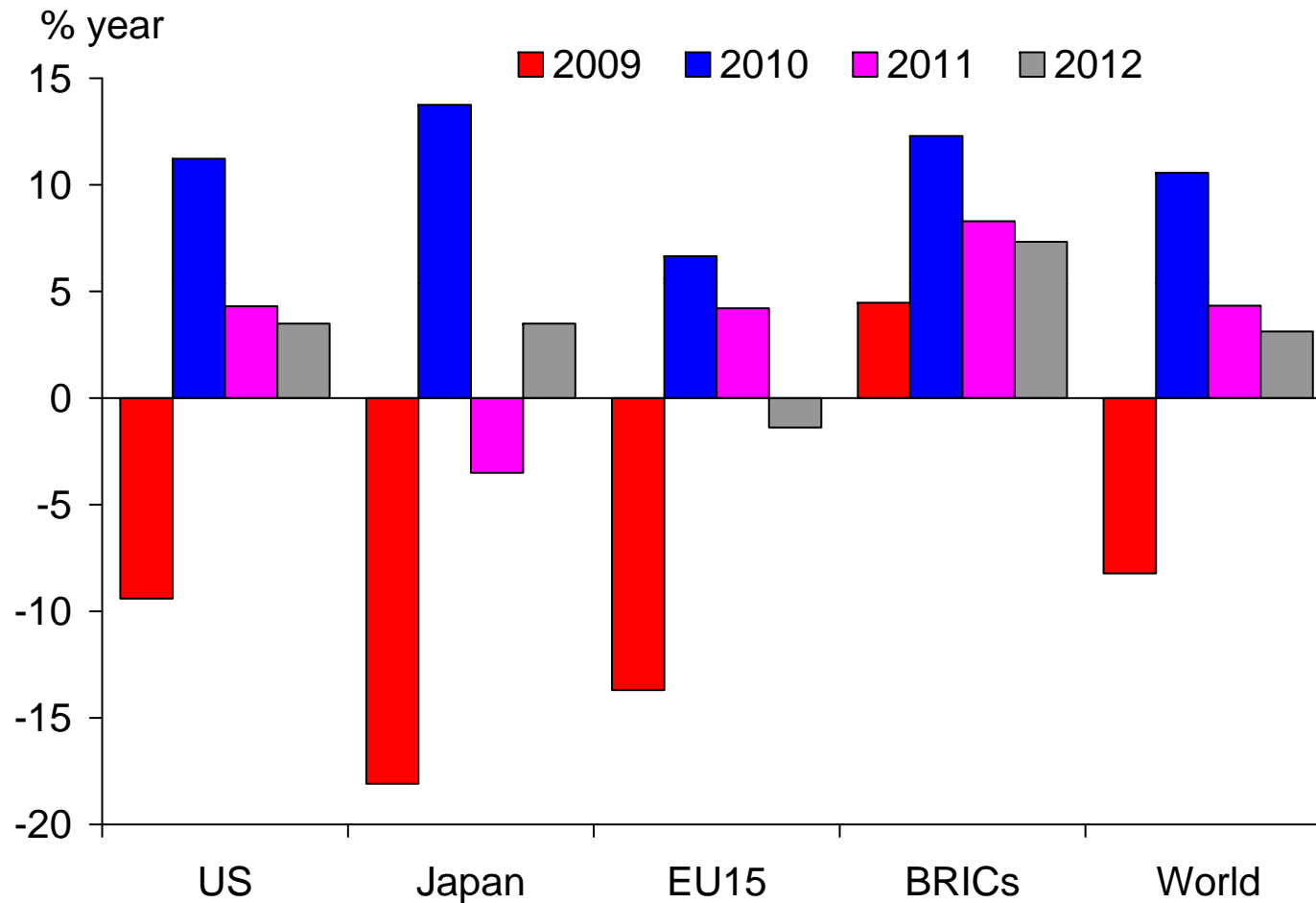
2000=100



Source : Oxford Economics/Haver Analytics

# Manufacturing outlook subdued globally in 2012

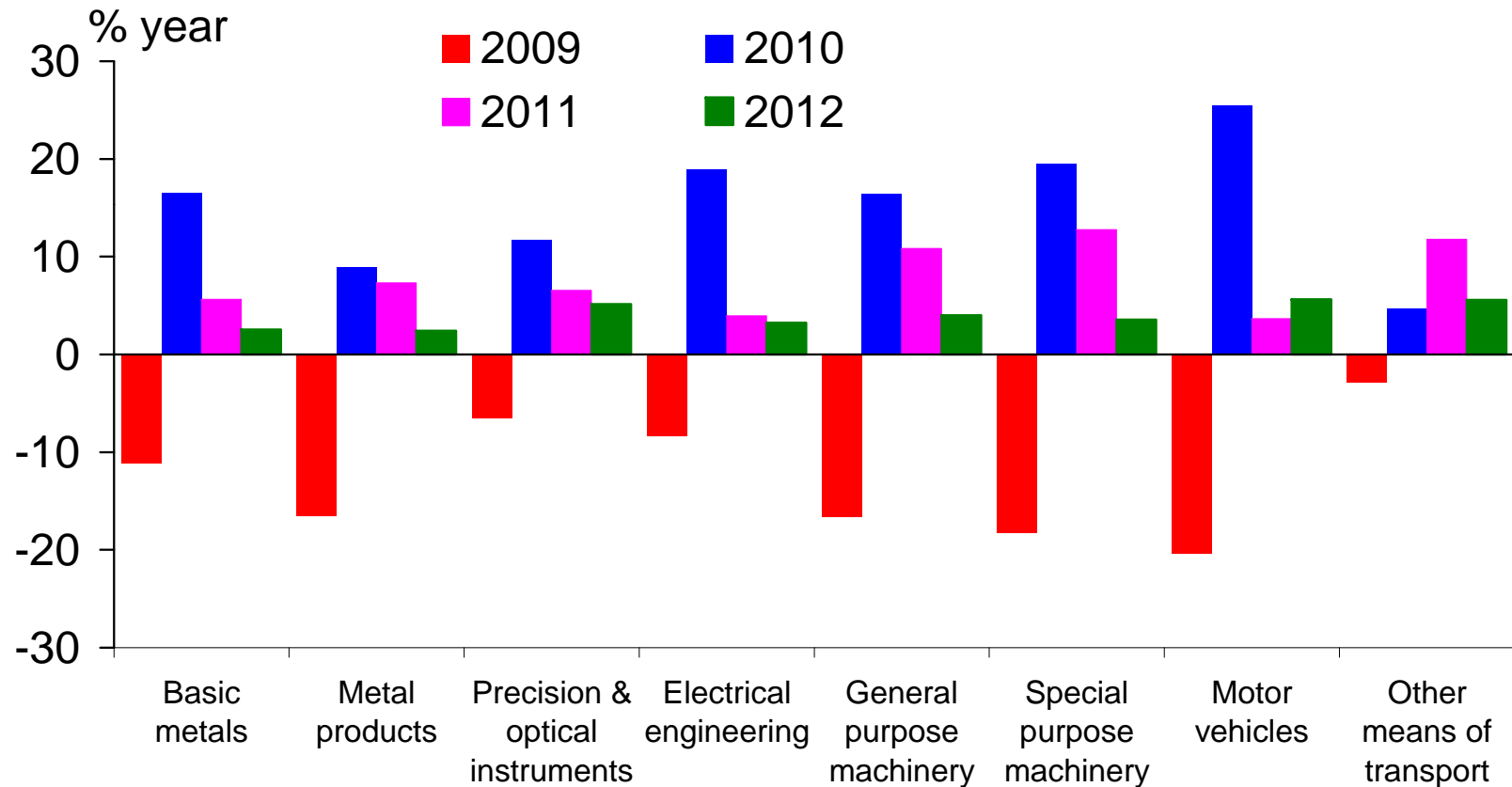
## World: Manufacturing growth by region



Source: Oxford Economics

## But key MT client sectors still robust...

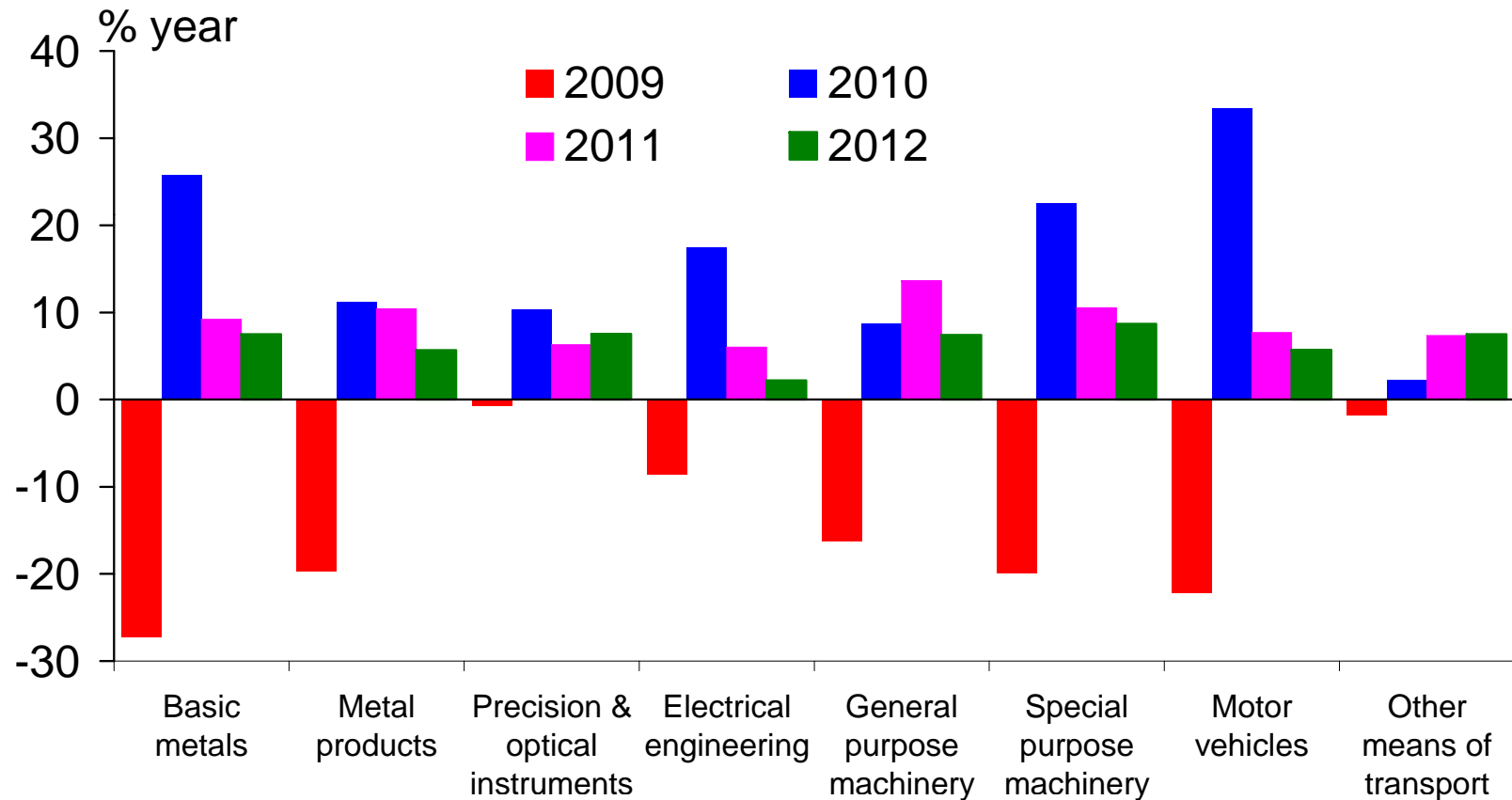
### World: Growth in industrial production of machine tool customer sectors (% year)



Source: Oxford Economics

## ...and also in the US

### US: Growth in industrial production of machine tool customer sectors (% year)



Source: Oxford Economics

# Forecast for investment by MT customers

World - Investment by key sectors						
US Dollars - % change						
	2010	2011	2012	2013	2014	2015
Metal products	3.6	18.8	11.7	11.9	12.2	9.8
Basic metals	11.6	16.4	12.3	11.6	10.0	7.3
Electrical engineering	16.5	6.6	14.6	14.6	13.1	12.1
Other means of transport	-3.8	16.4	9.2	10.4	10.6	7.5
Motor vehicles	21.9	10.3	15.2	12.5	15.2	12.3
Precision and optical instruments	15.5	9.5	10.4	11.6	13.5	12.0
General Purpose Machinery	-0.3	30.5	11.6	5.8	10.4	11.9
Special Purpose Machinery	14.8	16.7	10.3	11.8	11.6	10.1
<b>Total</b>	<b>11.5</b>	<b>14.7</b>	<b>12.8</b>	<b>11.6</b>	<b>12.3</b>	<b>10.7</b>

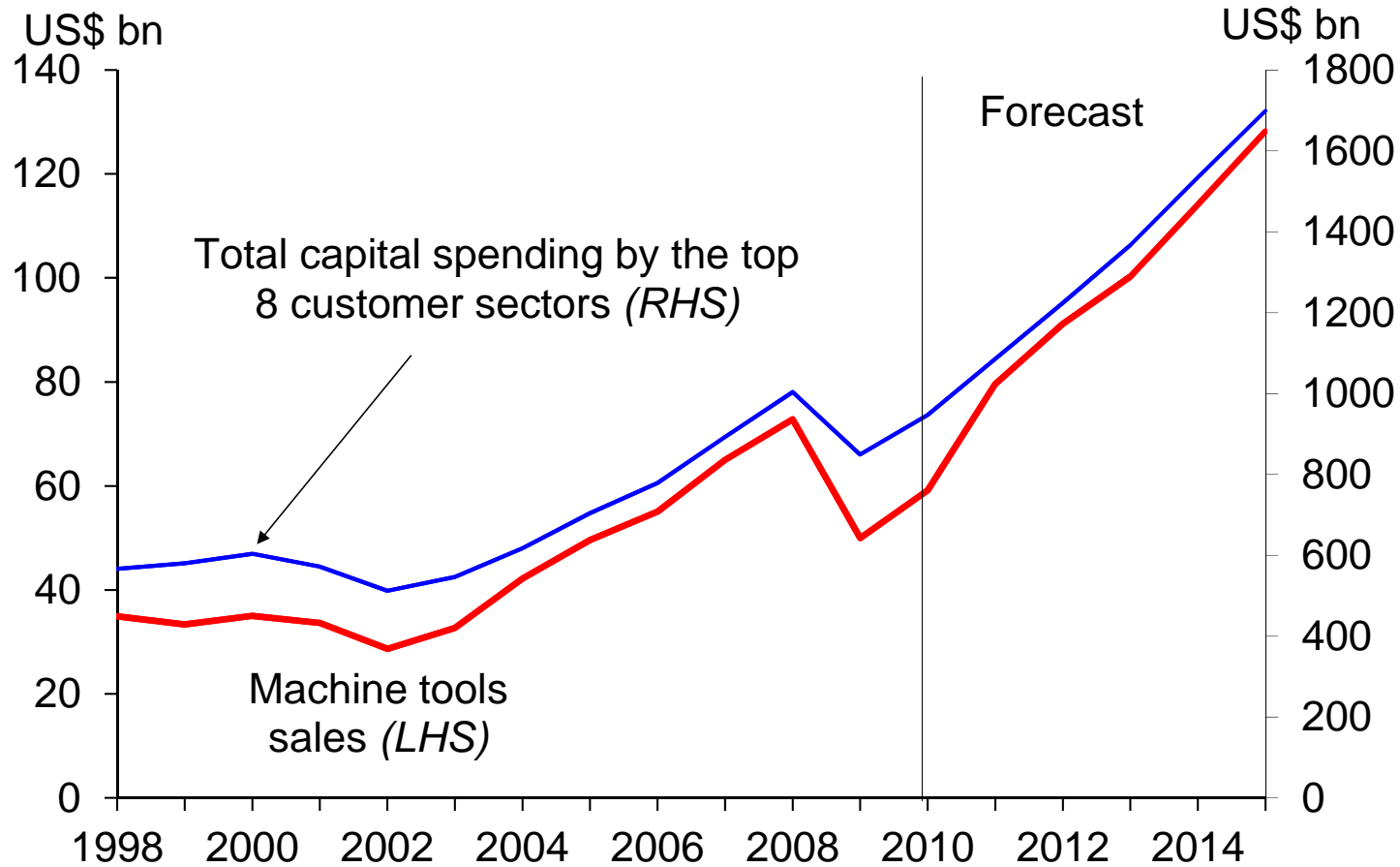
# Forecast for investment by MT customers

US - Investment by key sectors						
US Dollars - % change						
	2010	2011	2012	2013	2014	2015
Metal products	1.1	15.4	3.0	2.3	10.7	11.1
Basic metals	1.0	16.2	6.3	4.1	7.2	8.1
Electrical engineering	4.9	11.0	7.9	9.9	11.1	9.8
Other means of transport	-8.0	11.6	9.0	7.0	7.5	7.1
Motor vehicles	21.1	10.5	8.3	12.1	12.6	7.2
Precision and optical instruments	1.2	8.9	10.9	9.8	8.5	9.1
General Purpose Machinery	-19.8	22.5	20.7	10.3	8.5	9.0
Special Purpose Machinery	3.5	7.9	13.0	9.3	9.4	8.4
<b>Total</b>	<b>-0.3</b>	<b>13.8</b>	<b>8.0</b>	<b>6.3</b>	<b>10.0</b>	<b>9.4</b>



# Global machine tools sales forecast

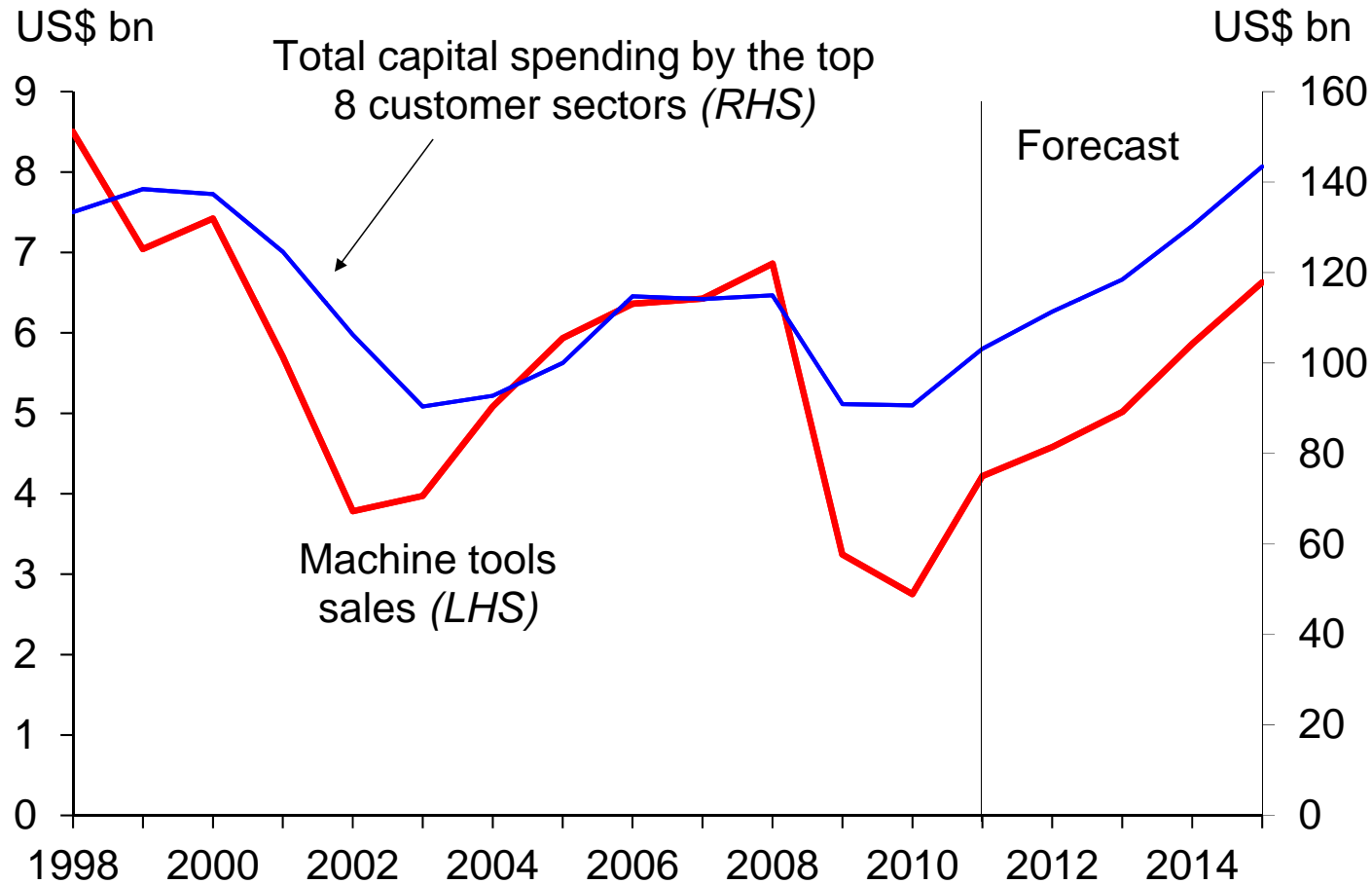
## World: Investment spending & machine tool sales



Source: Oxford Economics

# Machine tools sales forecast for the US

## US: Investment spending & machine tool sales



Source: Oxford Economics

# Global machine tool forecast

Machine tool sales US Dollars bns - constant exchange rate						
	2010	2011	2012	2013	2014	2015
China	28.5	38.4	45.0	50.8	58.5	66.7
Japan	4.4	6.9	7.3	7.7	8.3	8.8
Germany	4.7	7.0	7.4	7.8	8.6	9.4
US	2.8	4.2	4.6	5.0	5.9	6.6
World	59.2	79.5	91.1	100.3	114.1	128.2

Machine tool sales US Dollars - % change						
	2010	2011	2012	2013	2014	2015
China	43.8%	34.7%	17.3%	13.0%	15.1%	14.0%
Japan	36.3%	56.8%	5.4%	6.2%	7.2%	6.2%
Germany	-19.6%	48.7%	6.6%	4.7%	10.5%	9.3%
US	-15.2%	53.3%	8.6%	9.5%	16.9%	13.0%
World	18.4%	34.4%	14.6%	10.0%	13.8%	12.3%