



OXFORD  
ECONOMICS

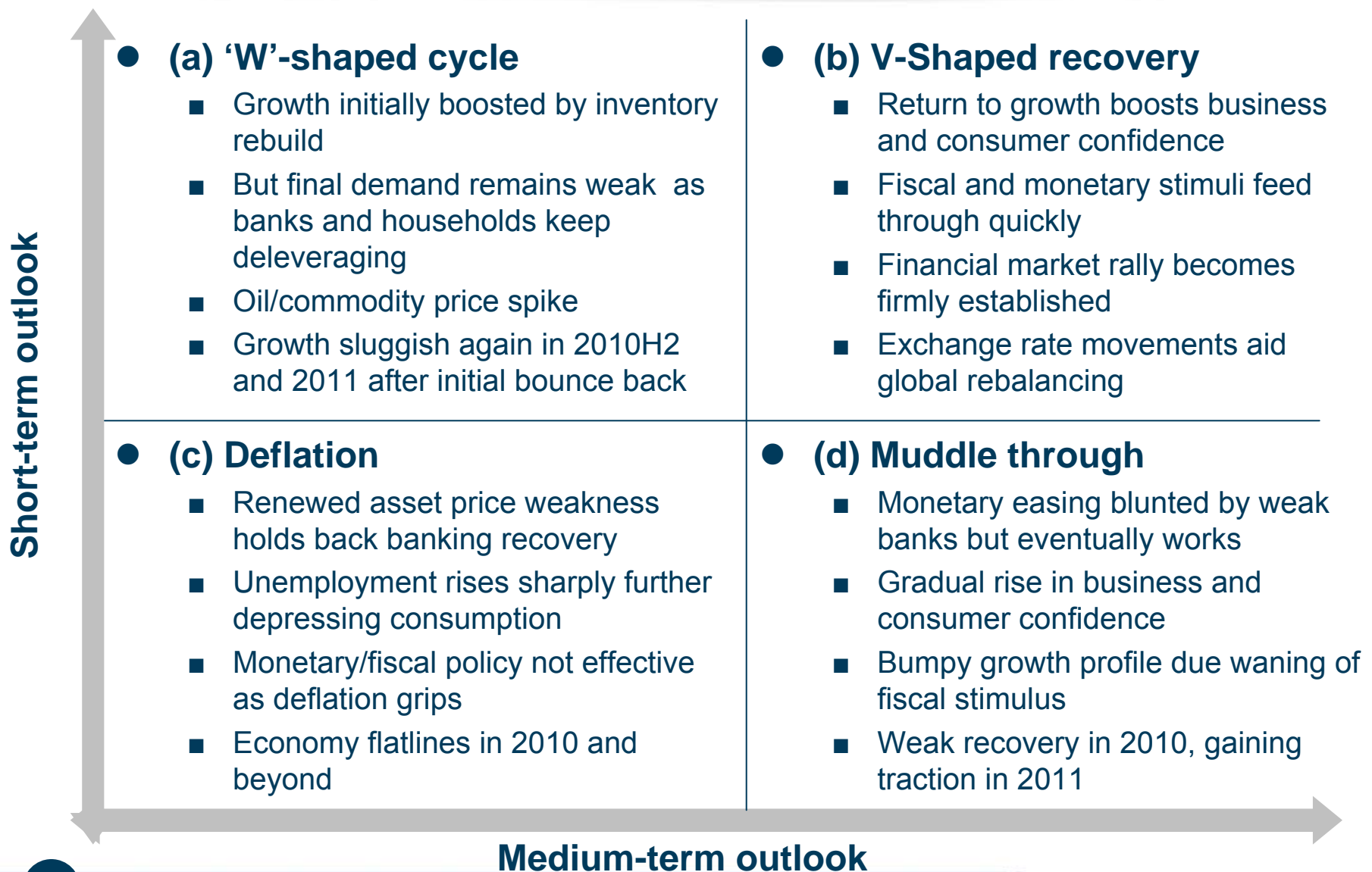
# **Global Economy & the Machine Tool Outlook**

Jan 2010

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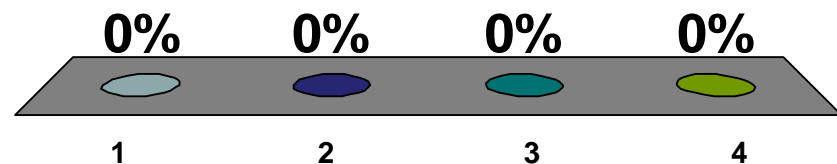
# Which scenario do you favour?



# What do you now think is the most likely scenario?

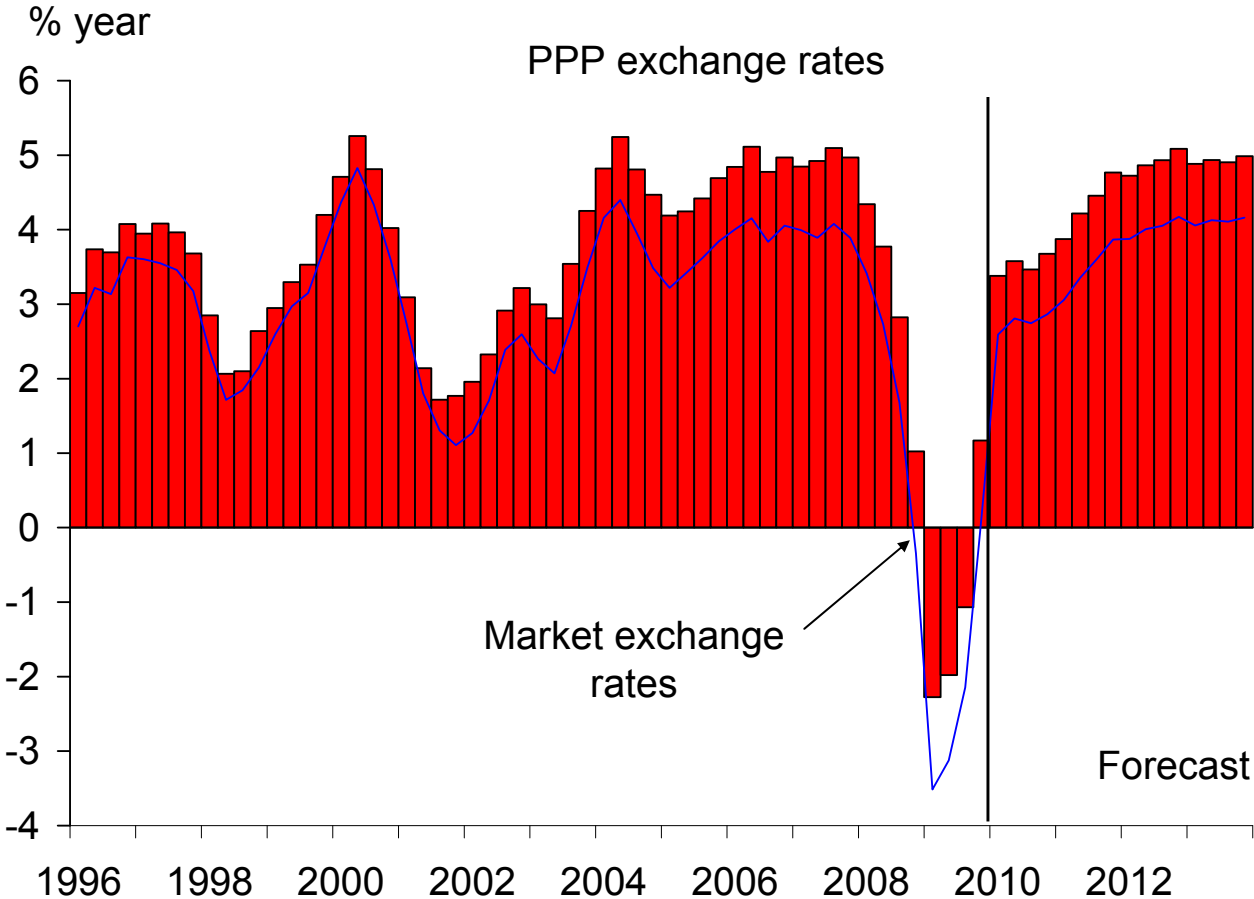


1. W -shaped
2. V -shaped
3. Deflation
4. Muddle Through



# Recession giving way to recovery

## World: GDP growth

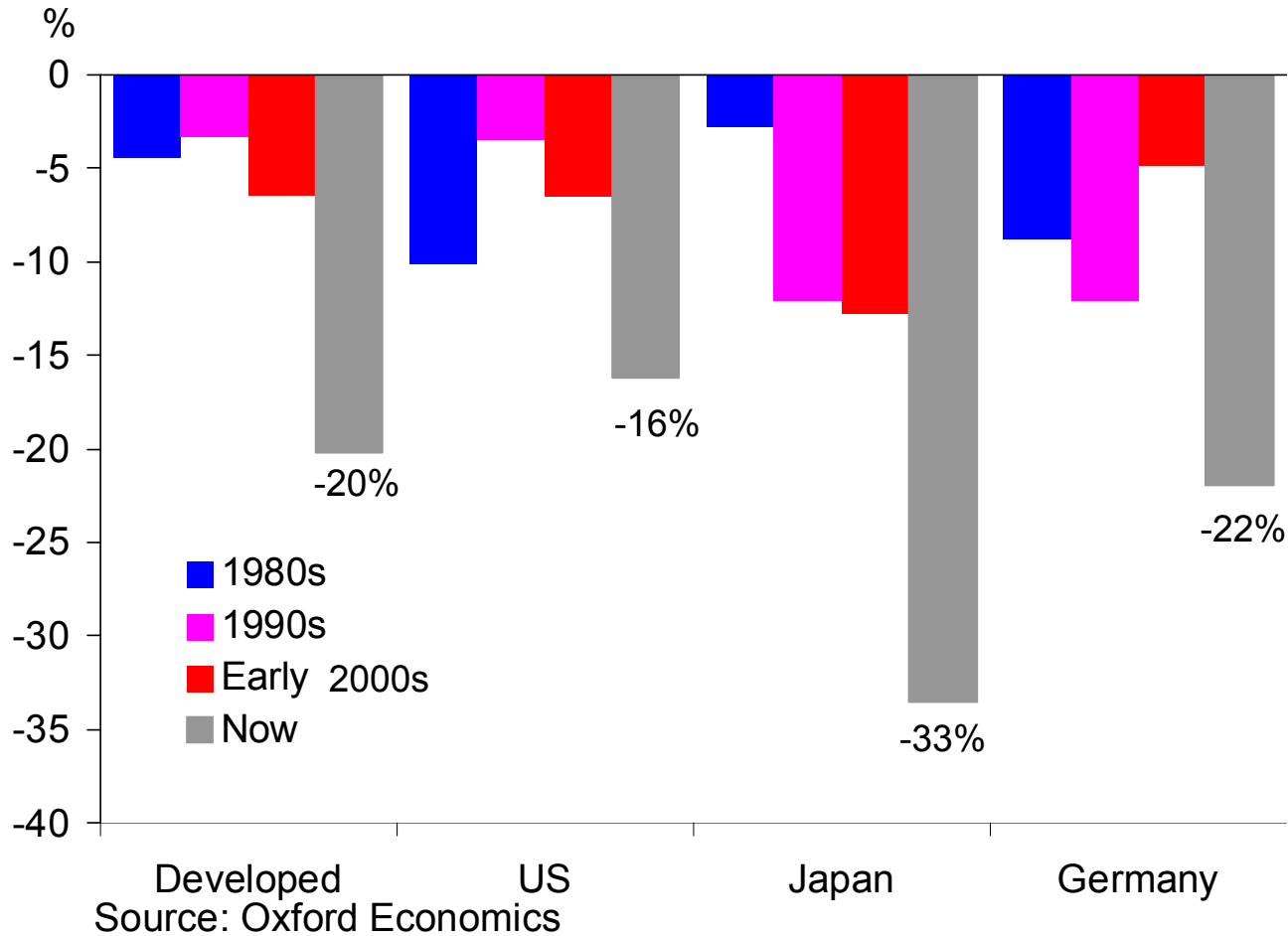


Source: Oxford Economics

*Recession giving way to recovery*

# Recession was particularly deep

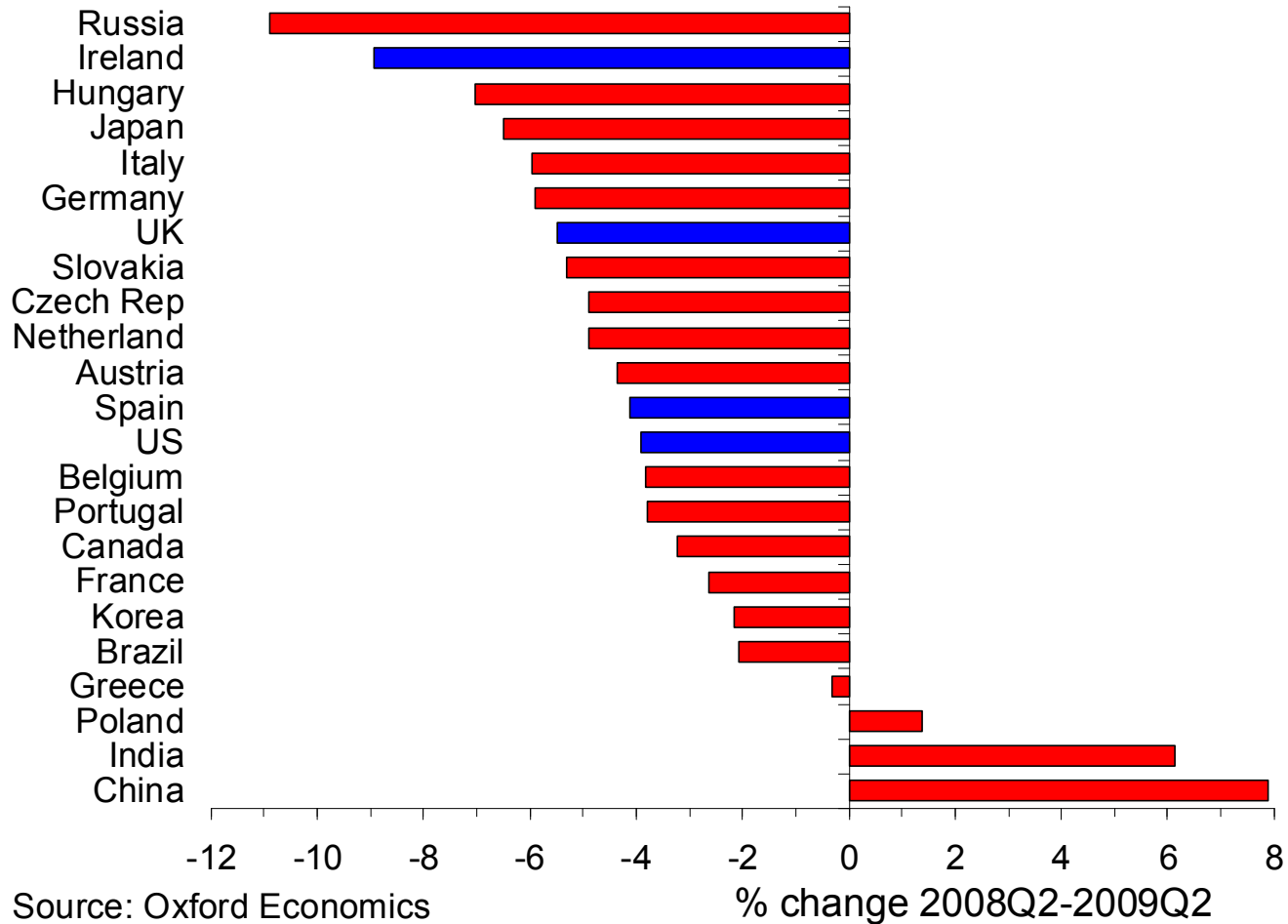
## Peak to trough fall in manufacturing output



*Recession giving way to recovery*

# And perhaps surprising in terms of its focus

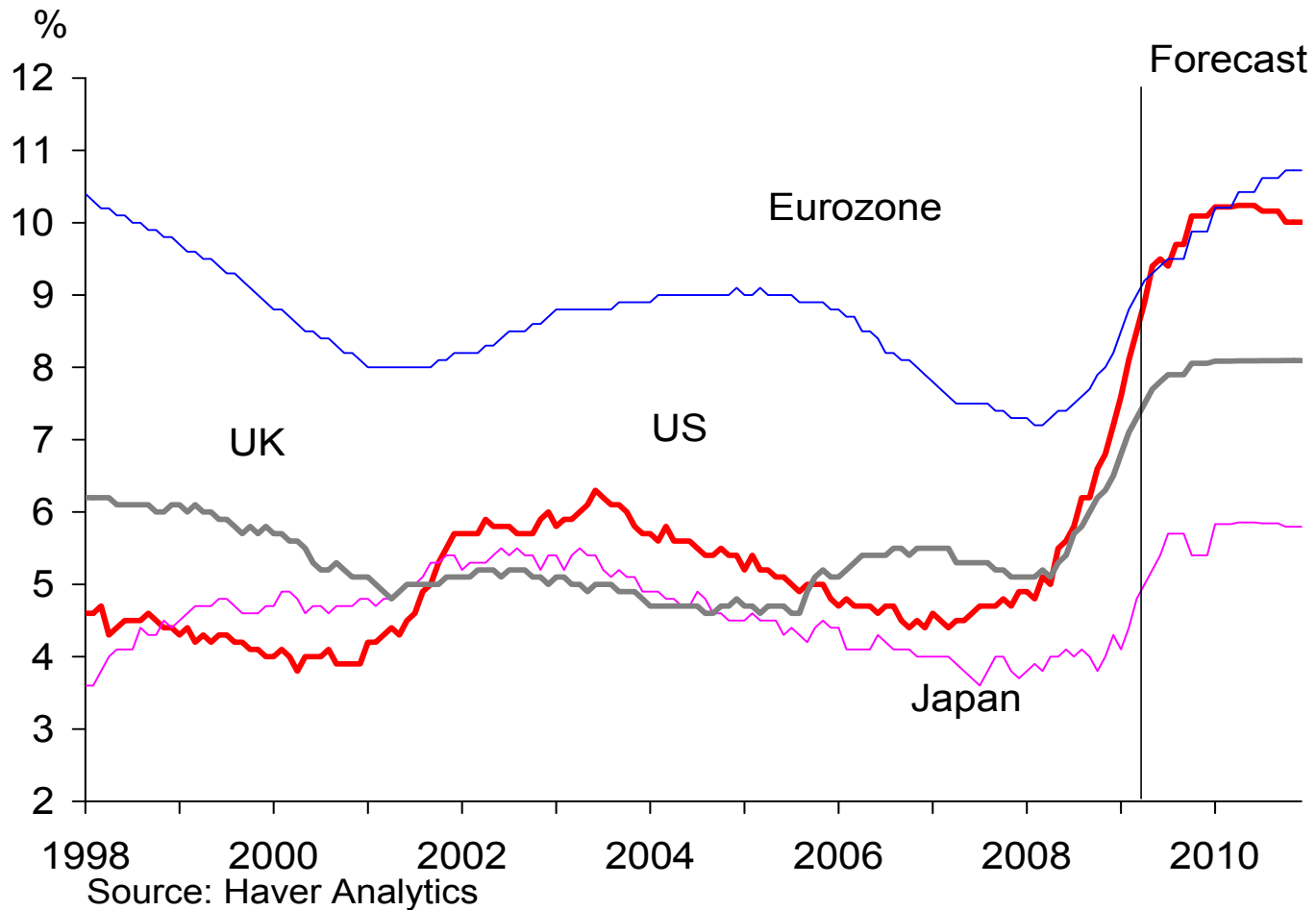
## % change in GDP



*Recession giving way to recovery*

# Different reactions in the labour market

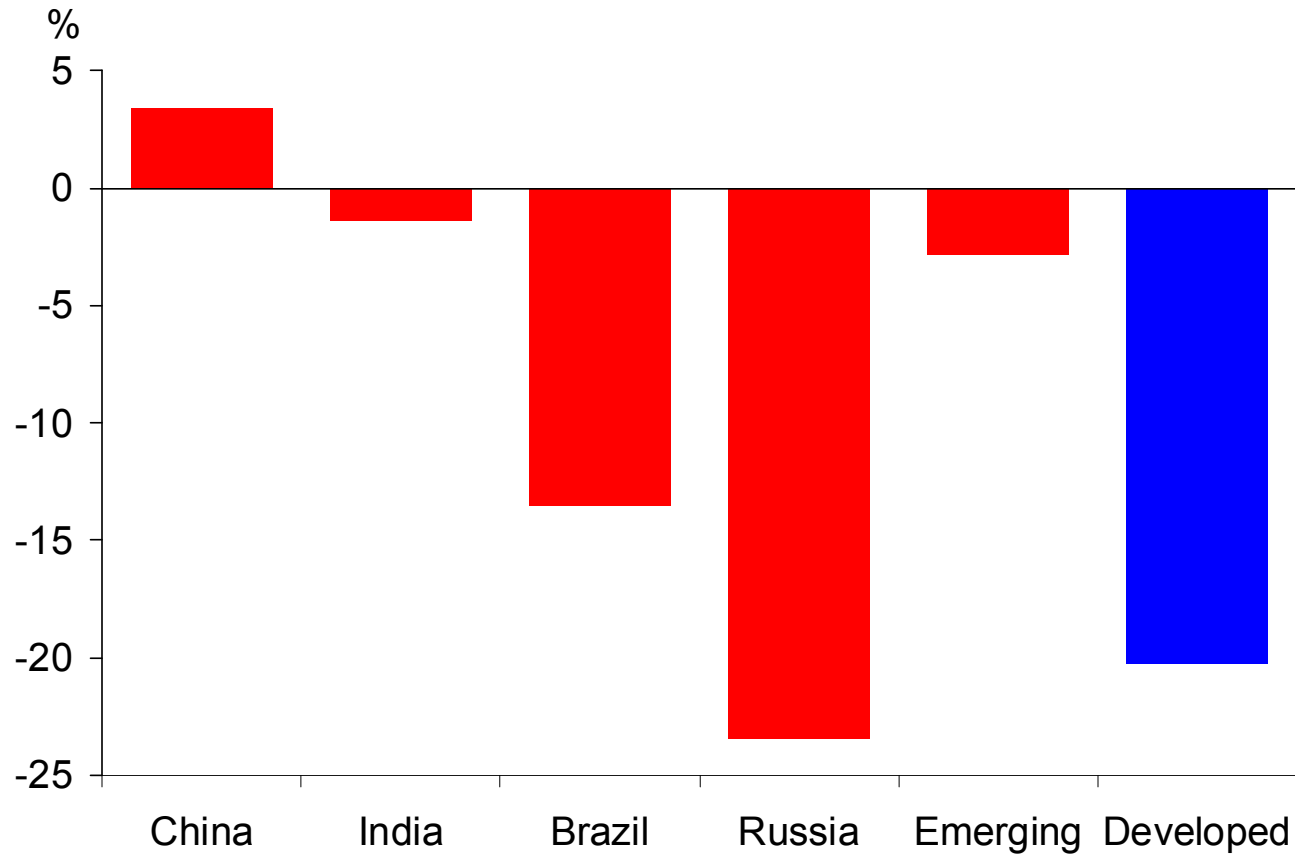
## World: Unemployment rate



*Recession giving way to recovery*

# But some Emergers have coped quite well

## Change in manufacturing output during recession

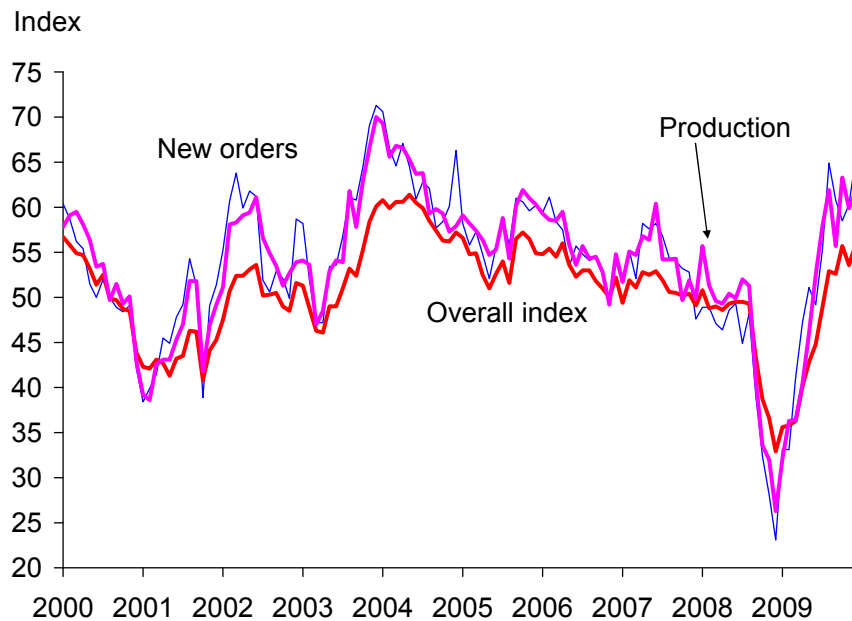


Source: Oxford Economics

*Recession giving way to recovery*

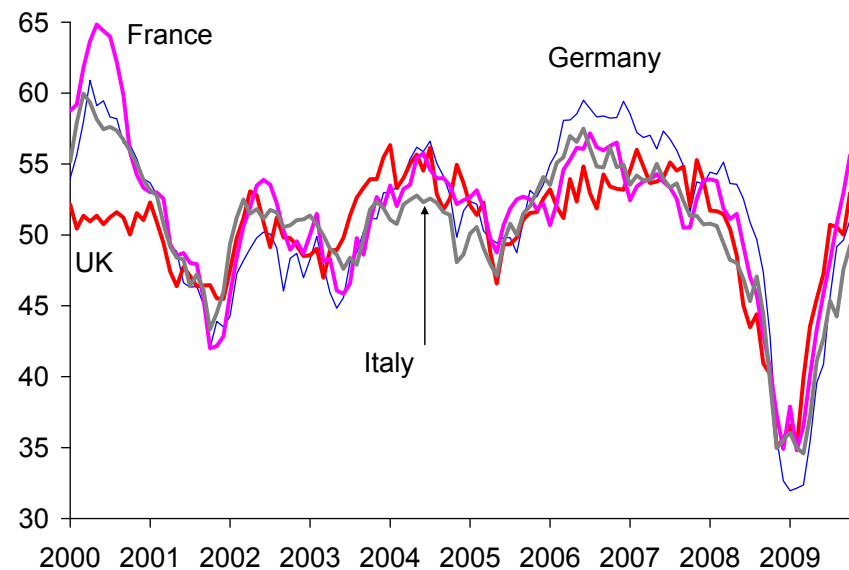
# The cycle has turned ...

## US purchasing managers survey



Source: Haver Analytics

## PMI: Manufacturing

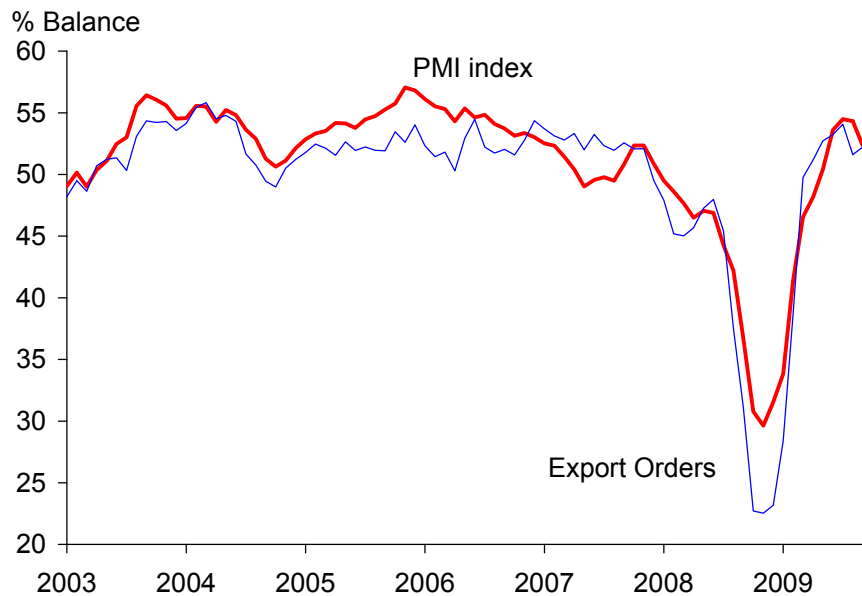


Source: Haver Analytics

*Recession giving way to recovery*

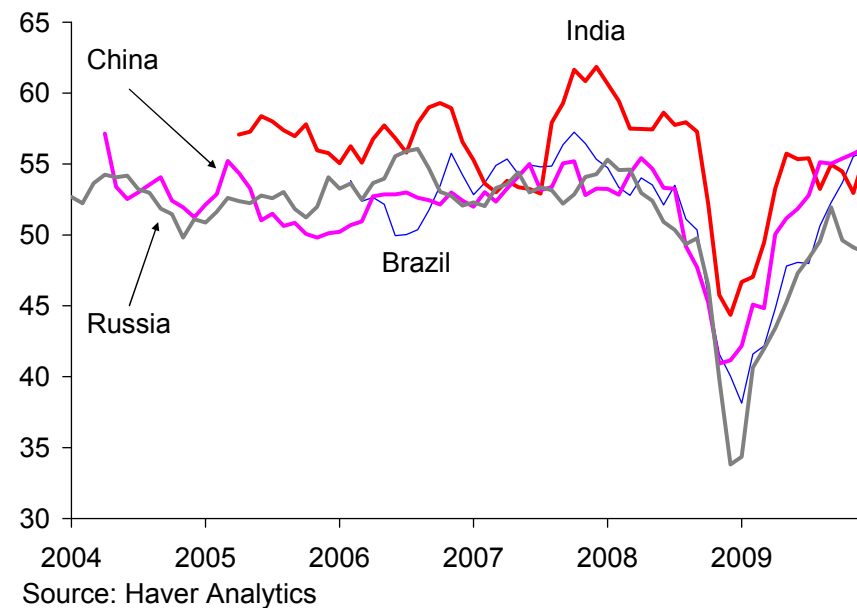
# ... across all major blocs

## Japan: PMI Index Vs Exports



Source : Oxford Economics/Markit

## PMI

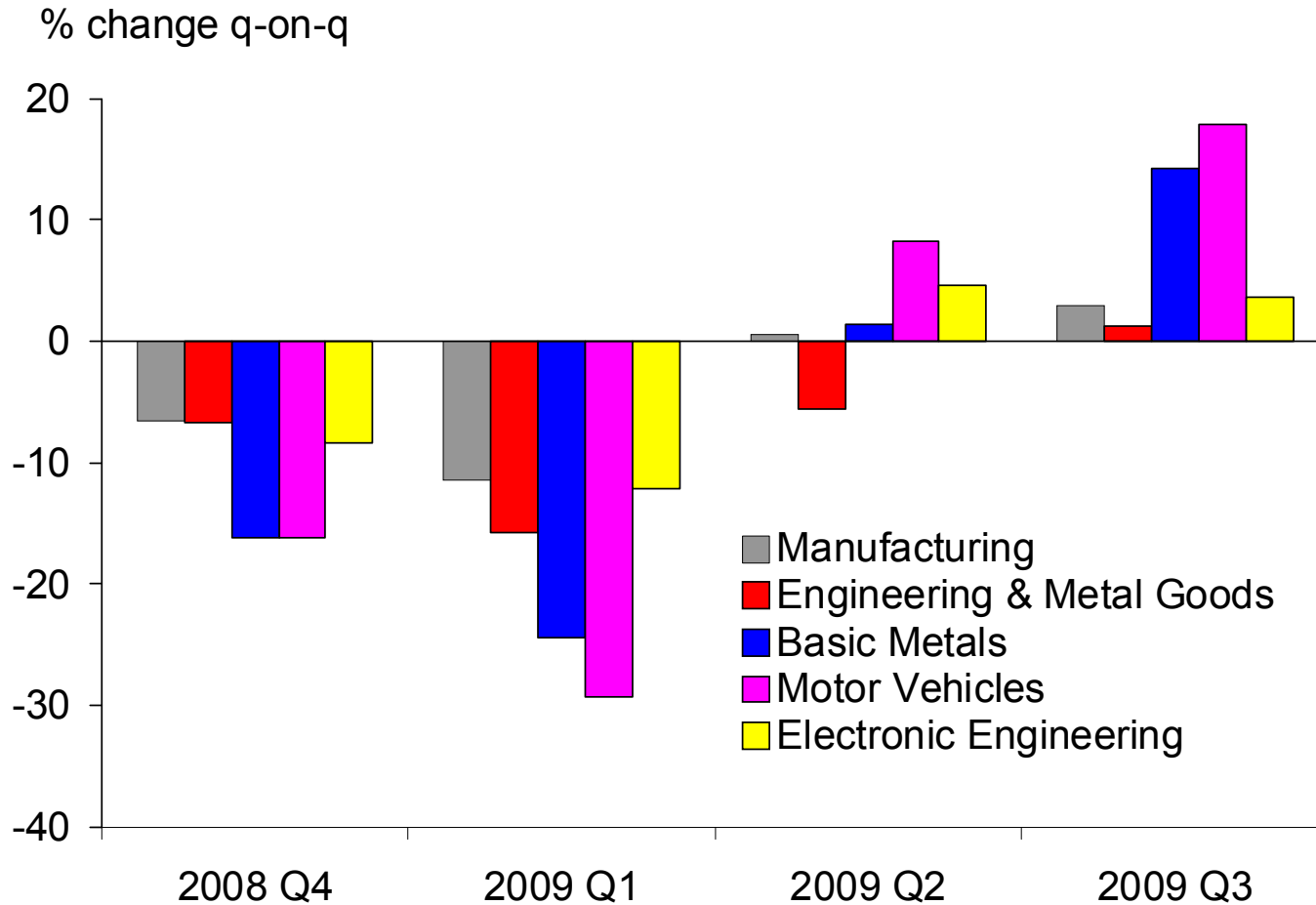


Source: Haver Analytics

*Recession giving way to recovery*

# But recovery is narrowly based

## Developed economies

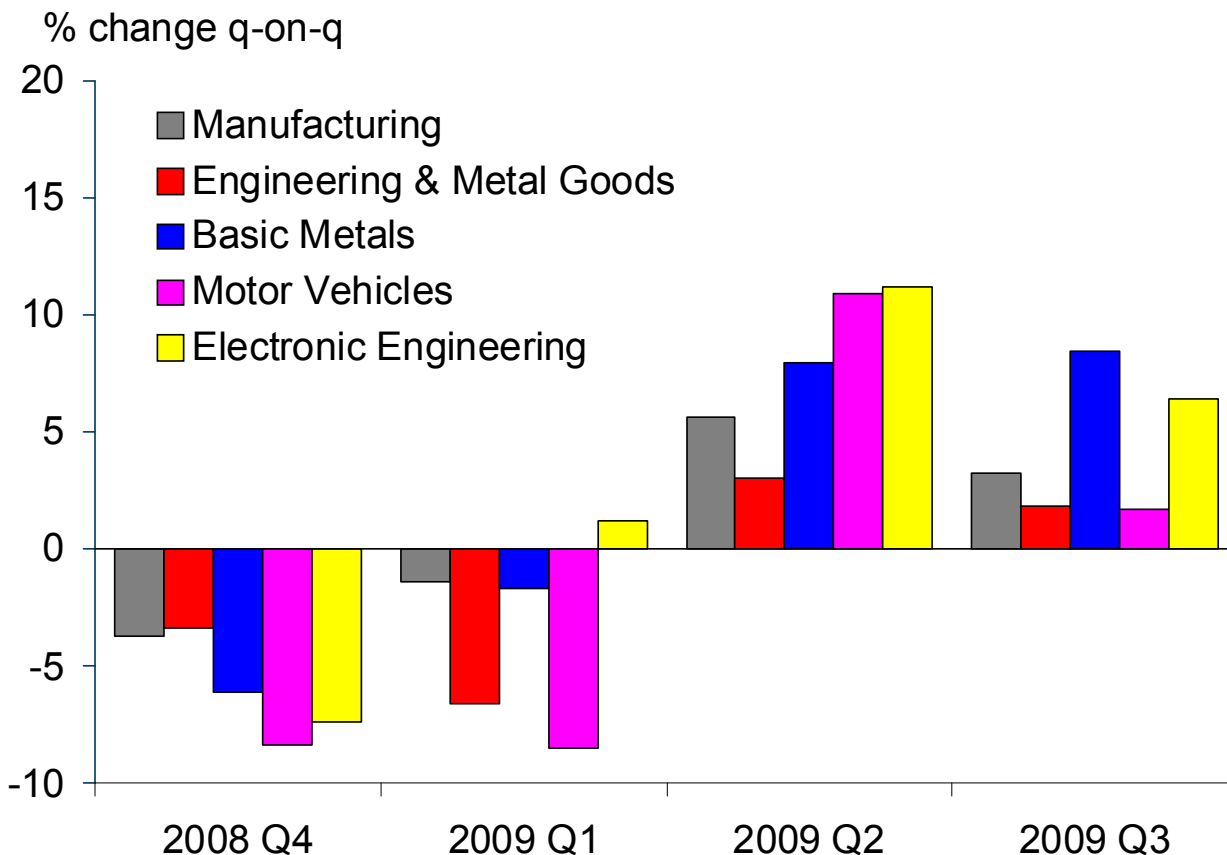


Source: Oxford Economics

*Recession giving way to recovery*

# Only a bit more diverse in emerging markets

## Emerging economies

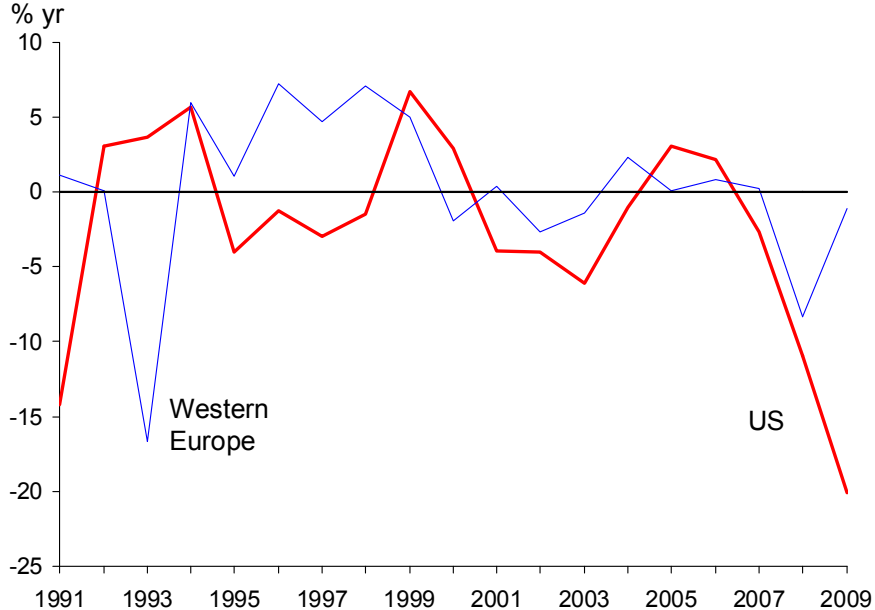


Source: Oxford Economics

*Recession giving way to recovery*

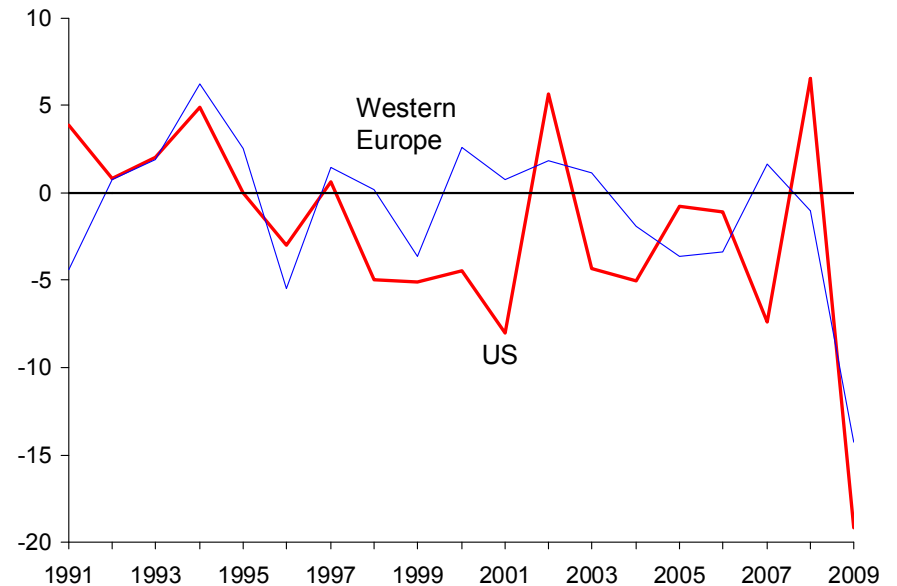
# Outlook looks better for US car production

## Car sales



Source : Oxford Economics/Haver Analytics

## Car Production less sales

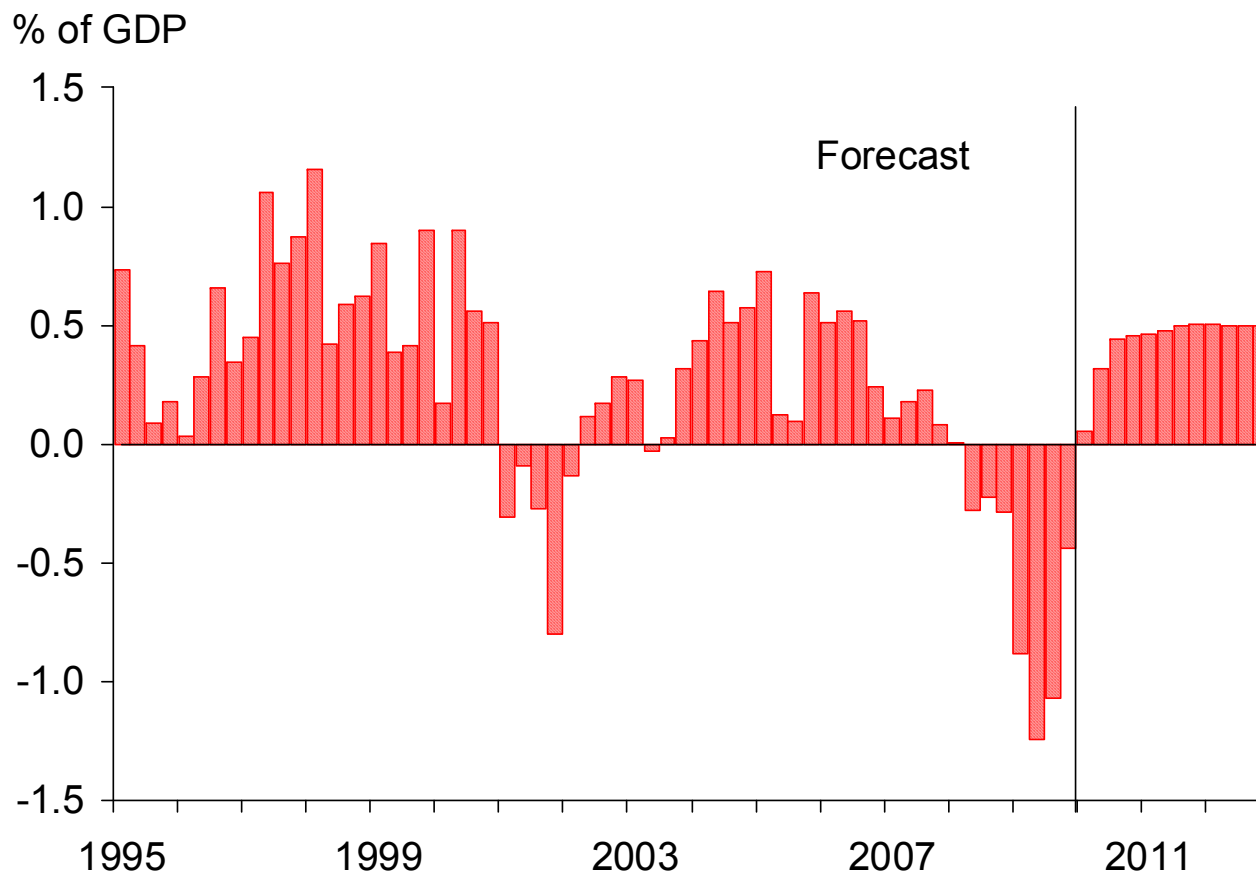


Source : Oxford Economics/Haver Analytics

*How big a payback from “cash for clunkers”?*

# Inventories major contributors to the cycle

## US: Inventories



Source: Oxford Economics

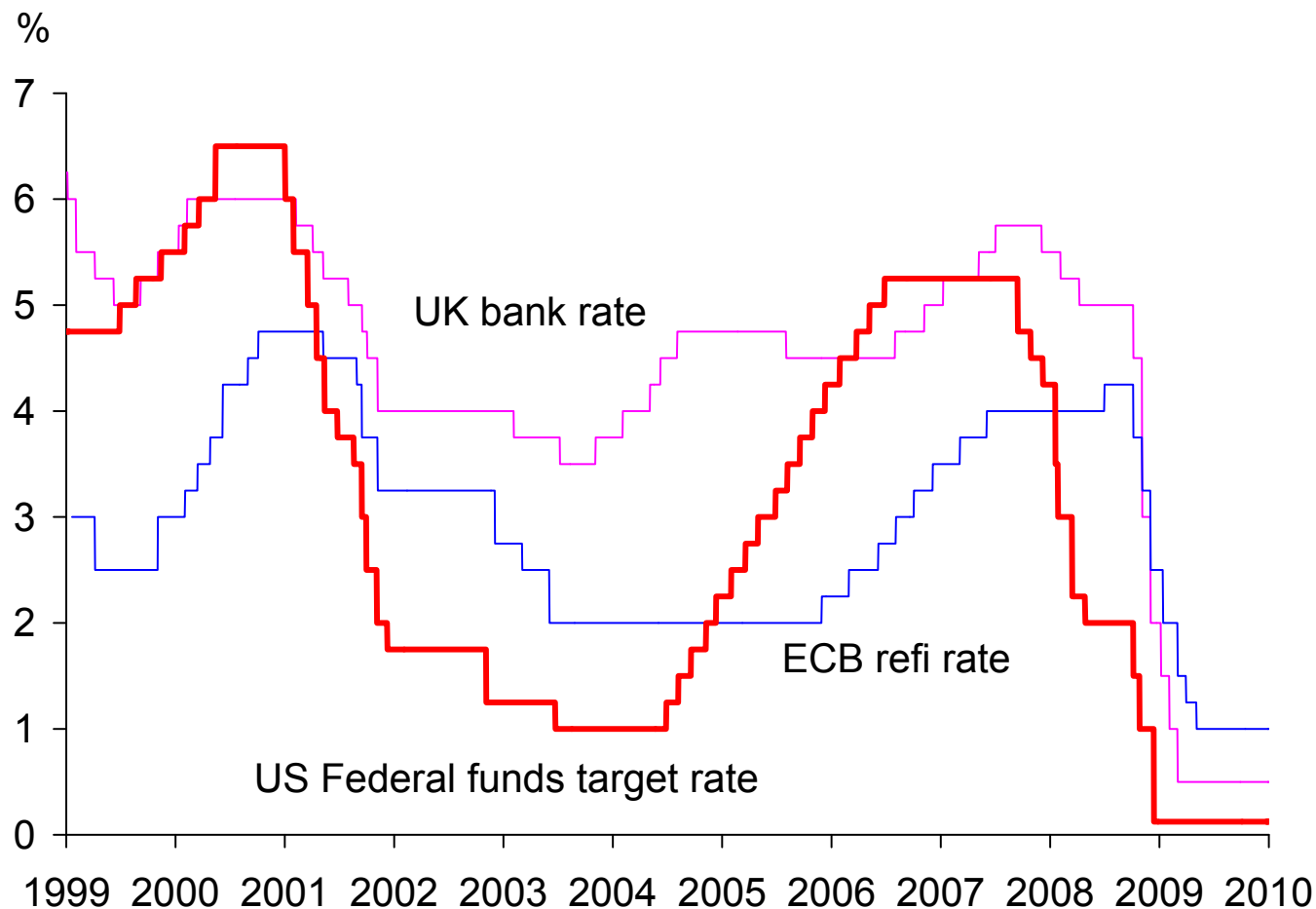
*How big a bounce from inventories*

# Recession over but key questions remain

- How fast a recovery in final demand?
- Judging the “normalisation” of policy
- Can China and India remain so robust?
- How much will high levels of spare capacity hold back investment spending ?

# Monetary policy on full throttle...

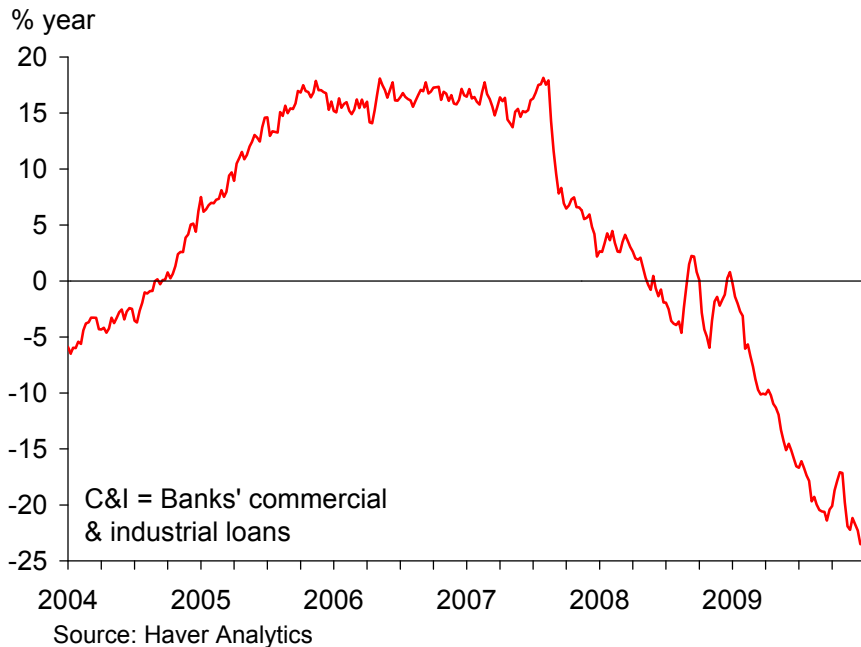
## Official interest rates



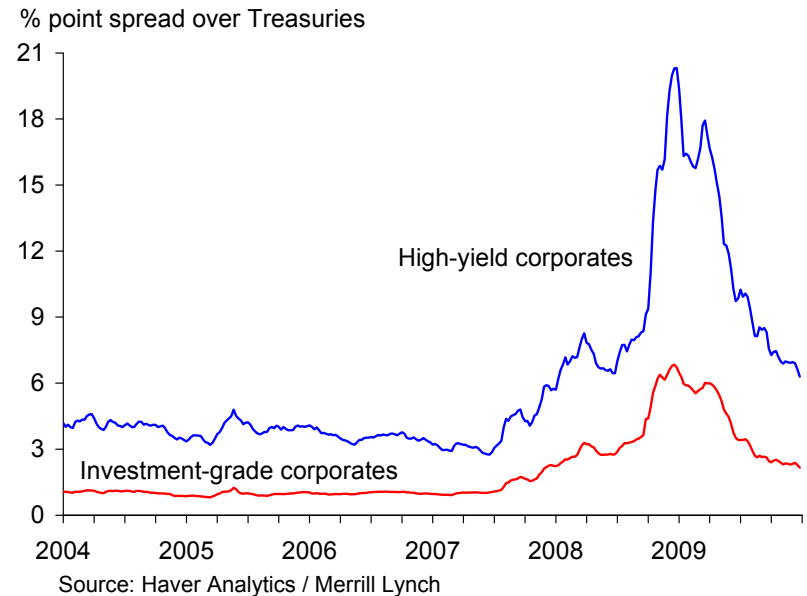
*How strong will the recovery be?*

# Bank lending down, but corporate bond markets returning to normal

## US: C&I loans & CP outstanding



## US: Risk spreads

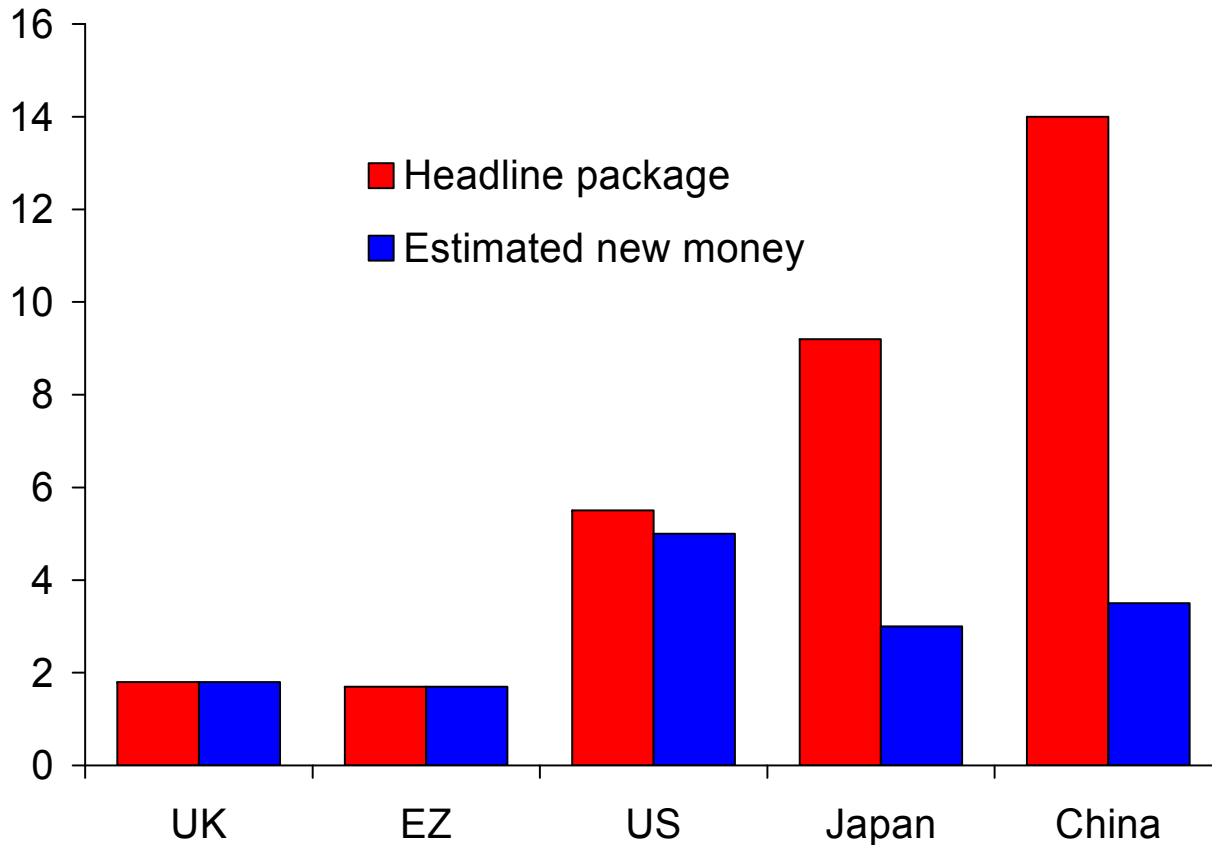


*How strong will the recovery be?*

# Fiscal policy supportive for now

## World: fiscal stimulus packages

% of GDP



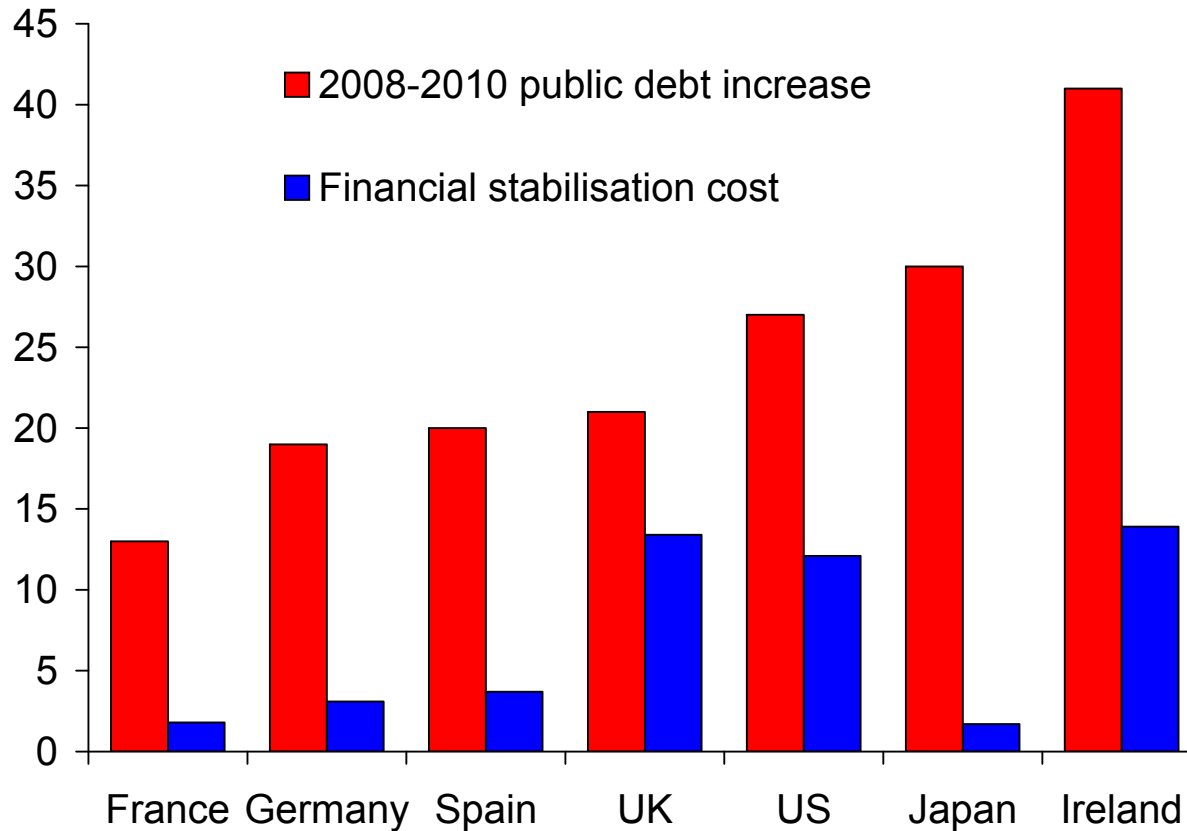
Source : Oxford Economics/Haver Analytics

*How strong will the recovery be?*

# Downside risks for those burdened by massive debt

## Fiscal costs of the recession

% of GDP

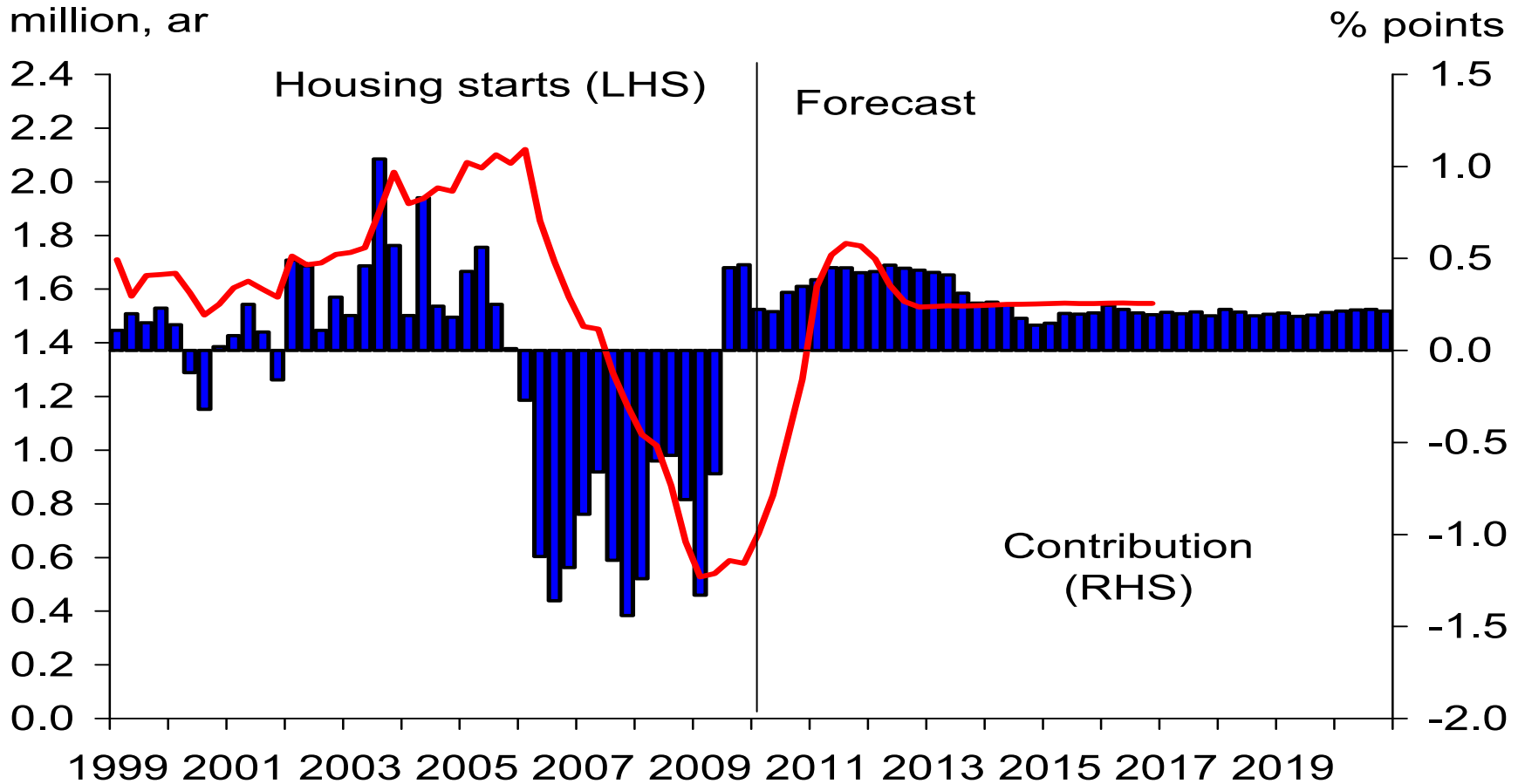


Source : Oxford Economics/IMF

*How strong will the recovery be?*

# Housing to be a big contributor to recovery

## Contribution to growth from residential investment

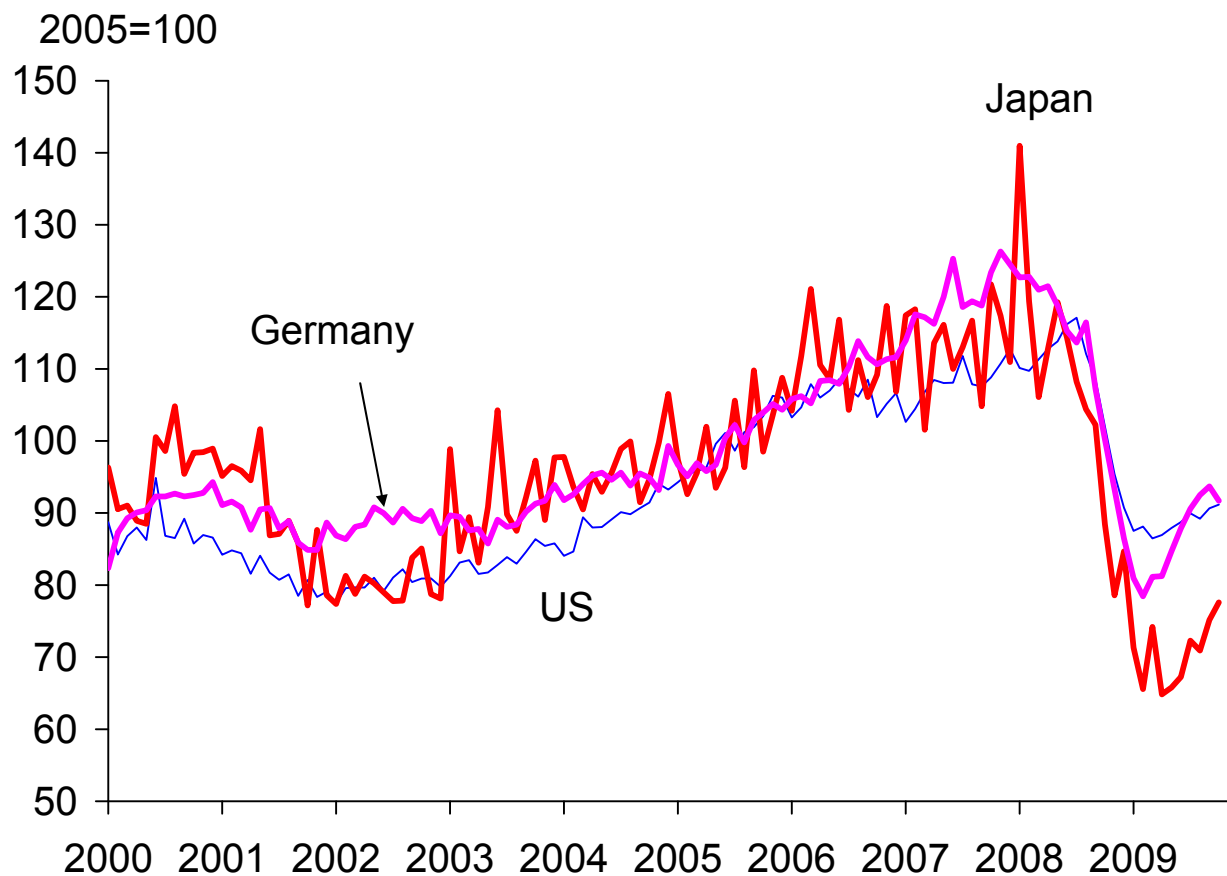


Source: BEA, Census, Oxford Economics

*How strong will the recovery be?*

# Orders on the rebound from low levels

## Orders

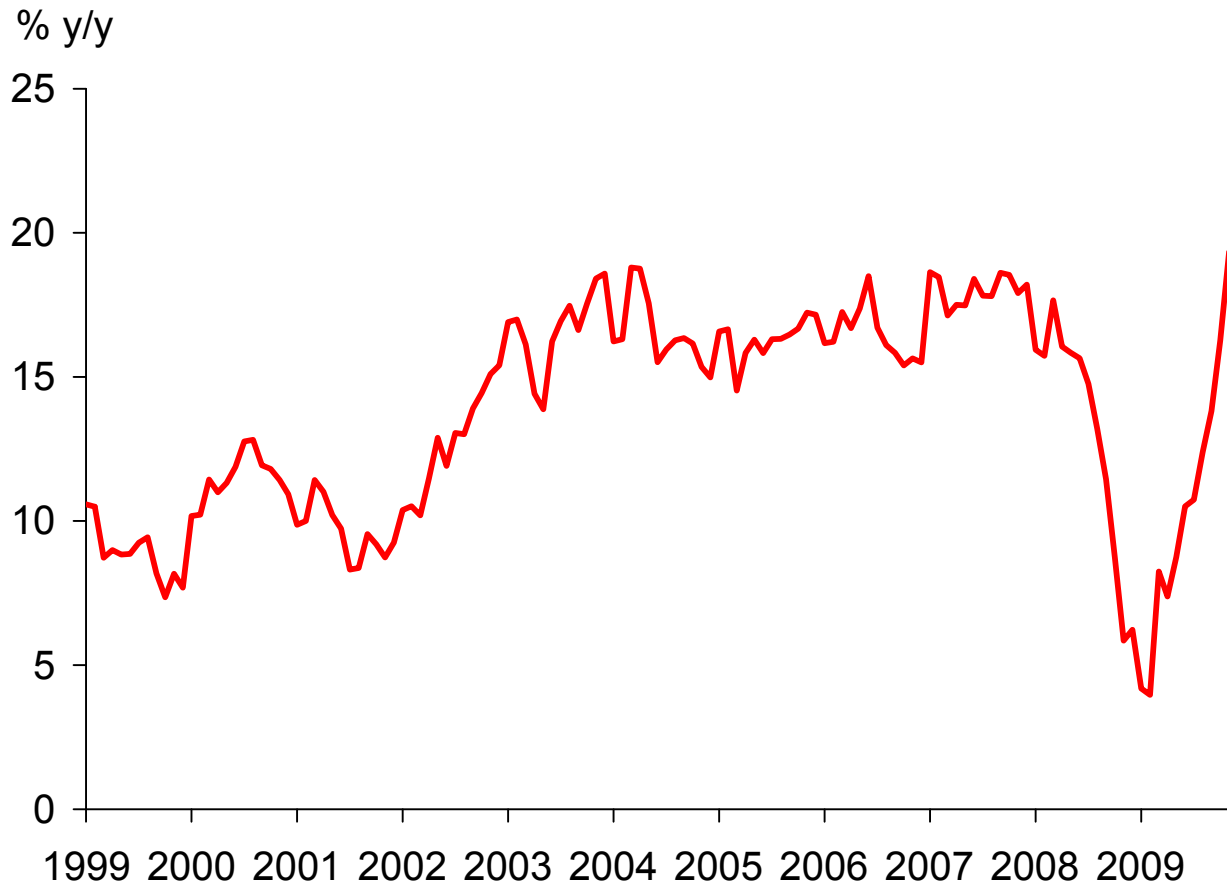


Source: Haver Analytics

*How strong will the recovery be?*

# China - remarkable growth in output

## China: Industrial production

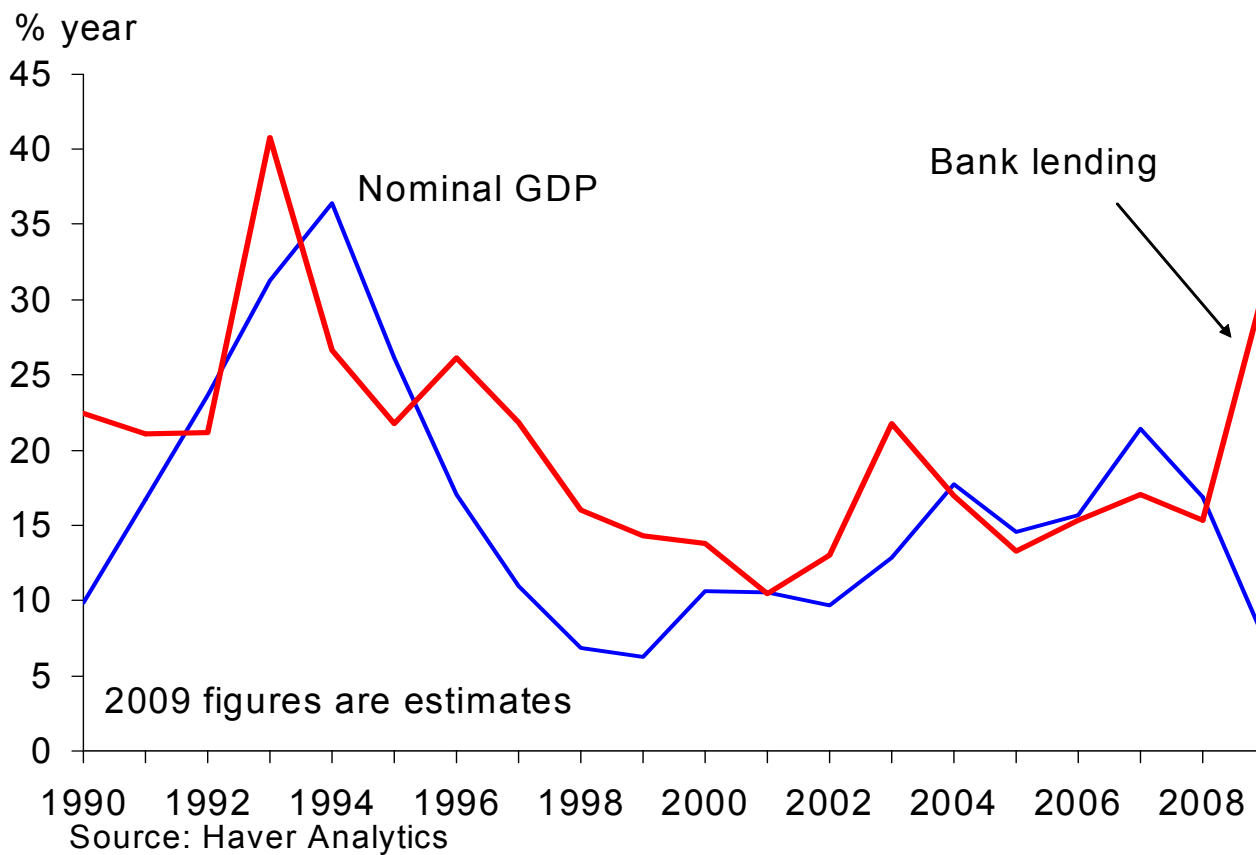


Source: Haver Analytics

*Can China and India remain so robust?*

# Possible risks from expansionary policy

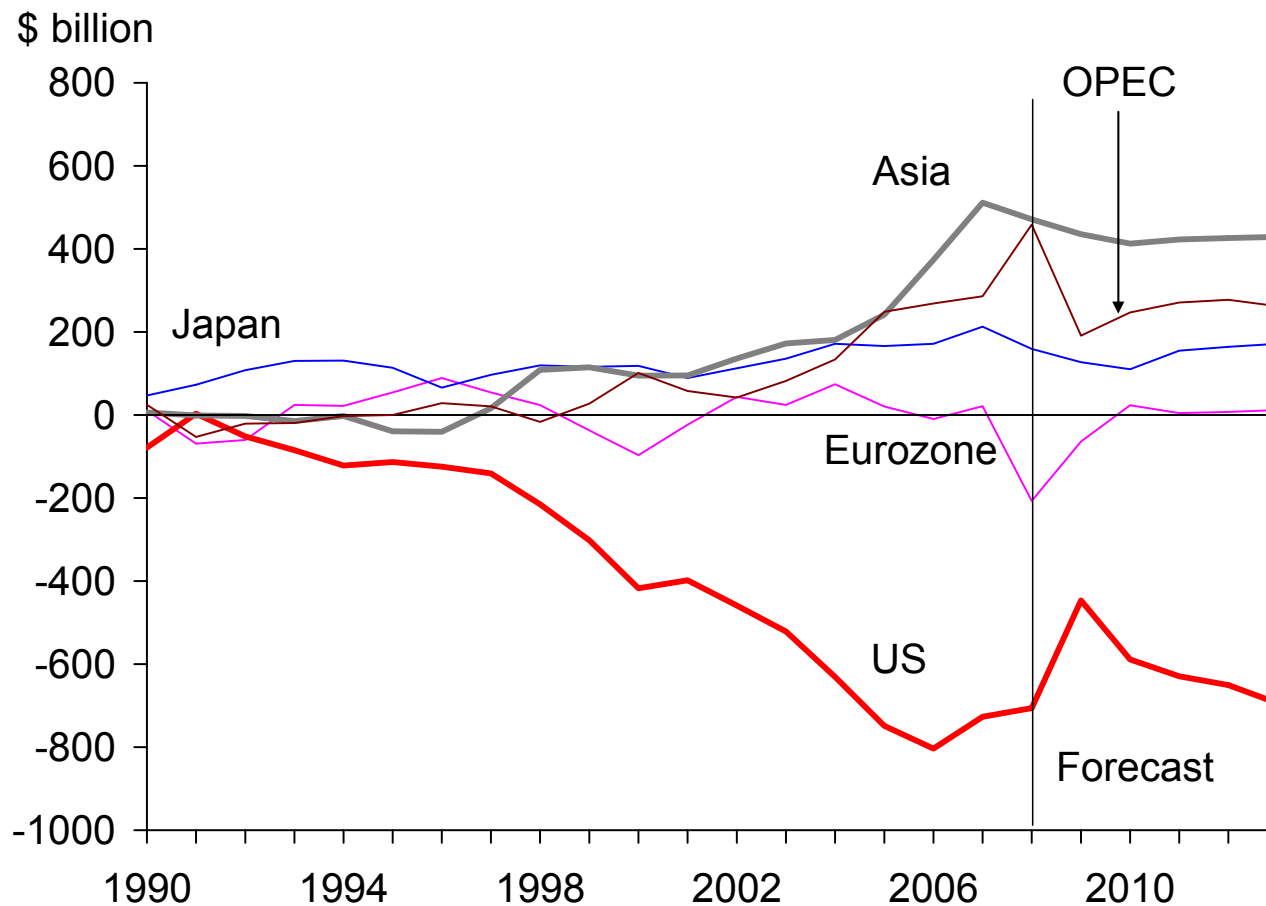
## China: Bank lending & nominal GDP



*Can China and India remain so robust?*

# And from global trade tensions

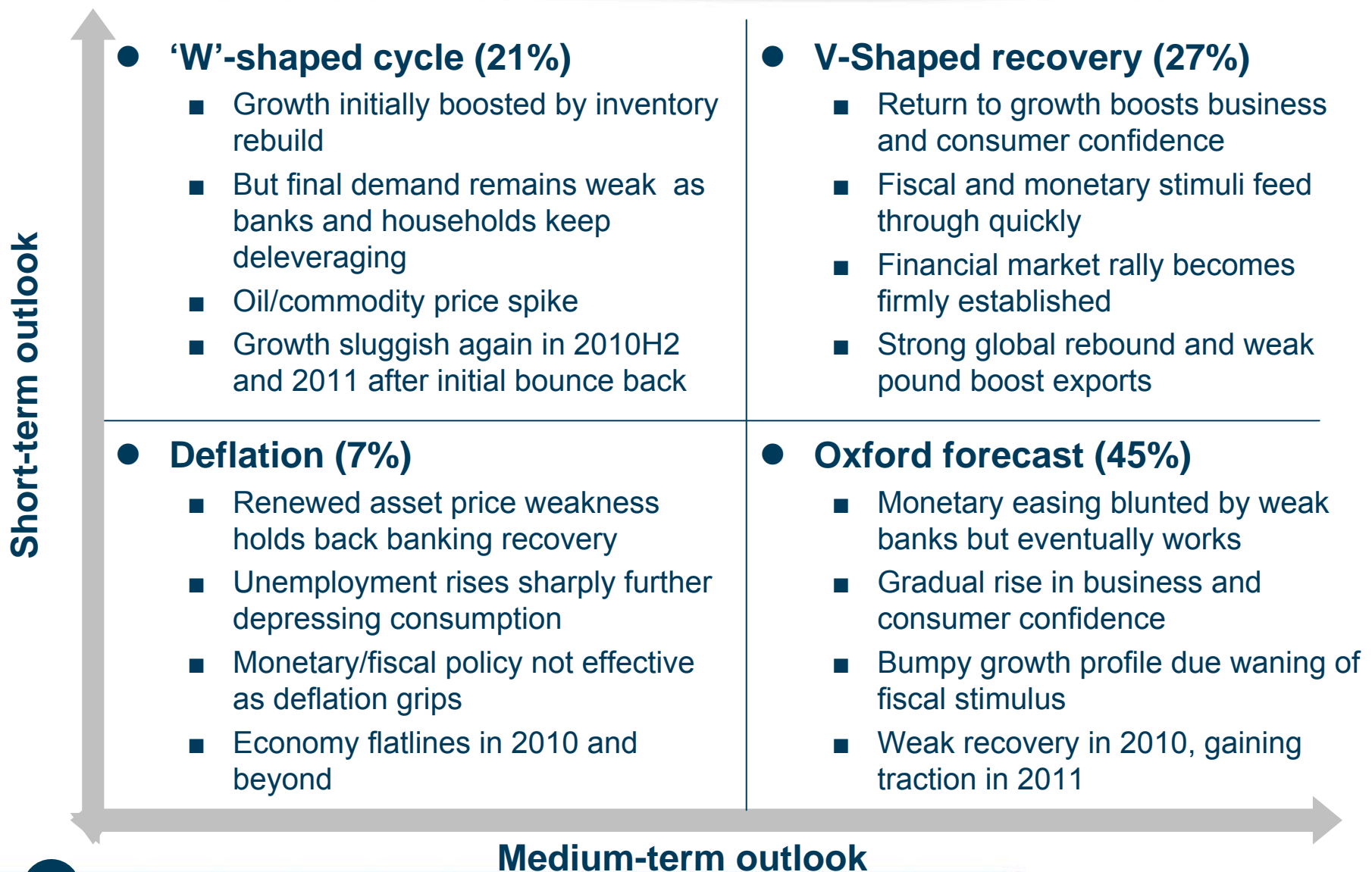
## World: Current account imbalances



Source: Oxford Economics

*Can China and India remain so robust?*

# Scenarios for the economic outlook



# The Oxford Economics forecast

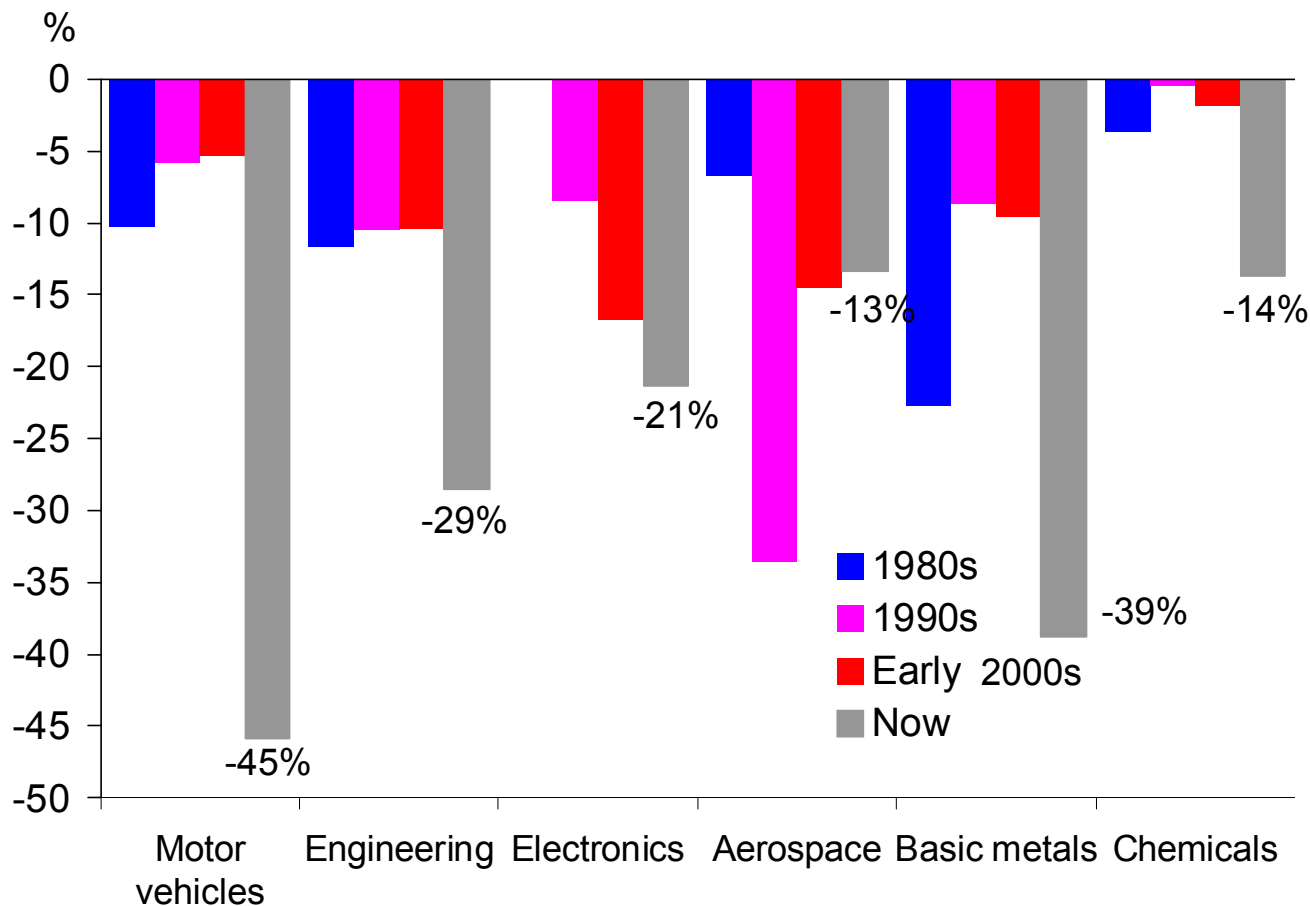
<b>World GDP Growth % Change on Previous Year</b>						
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
US	0.4	-2.5	3.2	3.0	3.2	3.1
Japan	-1.2	-5.3	1.2	1.6	2.1	2.4
Eurozone	0.5	-4.0	1.1	1.5	2.1	2.4
of which:						
Germany	1.0	-4.8	1.6	1.7	2.1	2.3
France	0.3	-2.3	1.3	1.4	1.8	2.2
Italy	-1.0	-4.8	1.0	1.3	1.8	2.2
South Korea	2.2	0.2	4.6	4.4	4.5	4.3
China	9.6	8.7	9.5	9.0	9.0	9.0
India	7.5	6.7	7.4	9.1	9.0	8.8
Other Asia	4.7	0.0	3.6	4.6	5.5	5.3
Mexico	1.4	-6.6	4.5	5.1	5.4	4.8
Brazil	5.2	-0.3	5.4	5.1	5.0	4.6
Other Latin America	4.7	-0.7	3.5	4.7	5.0	4.3
Eastern Europe	5.6	-6.4	2.9	4.6	6.2	6.3
World	1.7	-2.1	3.0	3.5	4.0	4.1
World (PPP)	3.0	-1.0	3.7	4.4	4.9	4.9

# Risks

- Global economic environment less uncertain than last winter but weighting on base forecast still lower than usual
- Risks no longer biased on downside, particularly in US, for both the overall economy and machine tools
- Downside scenarios of “W” cycle and deflation would both be negative for MT
- Still have to face the normalisation of policy with potential that moves will be made too early or too late
- Global imbalances still in place increasing the risk of sharp exchange rate movements and protectionism

# All sectors in developed economies hit

## Peak to trough fall in output

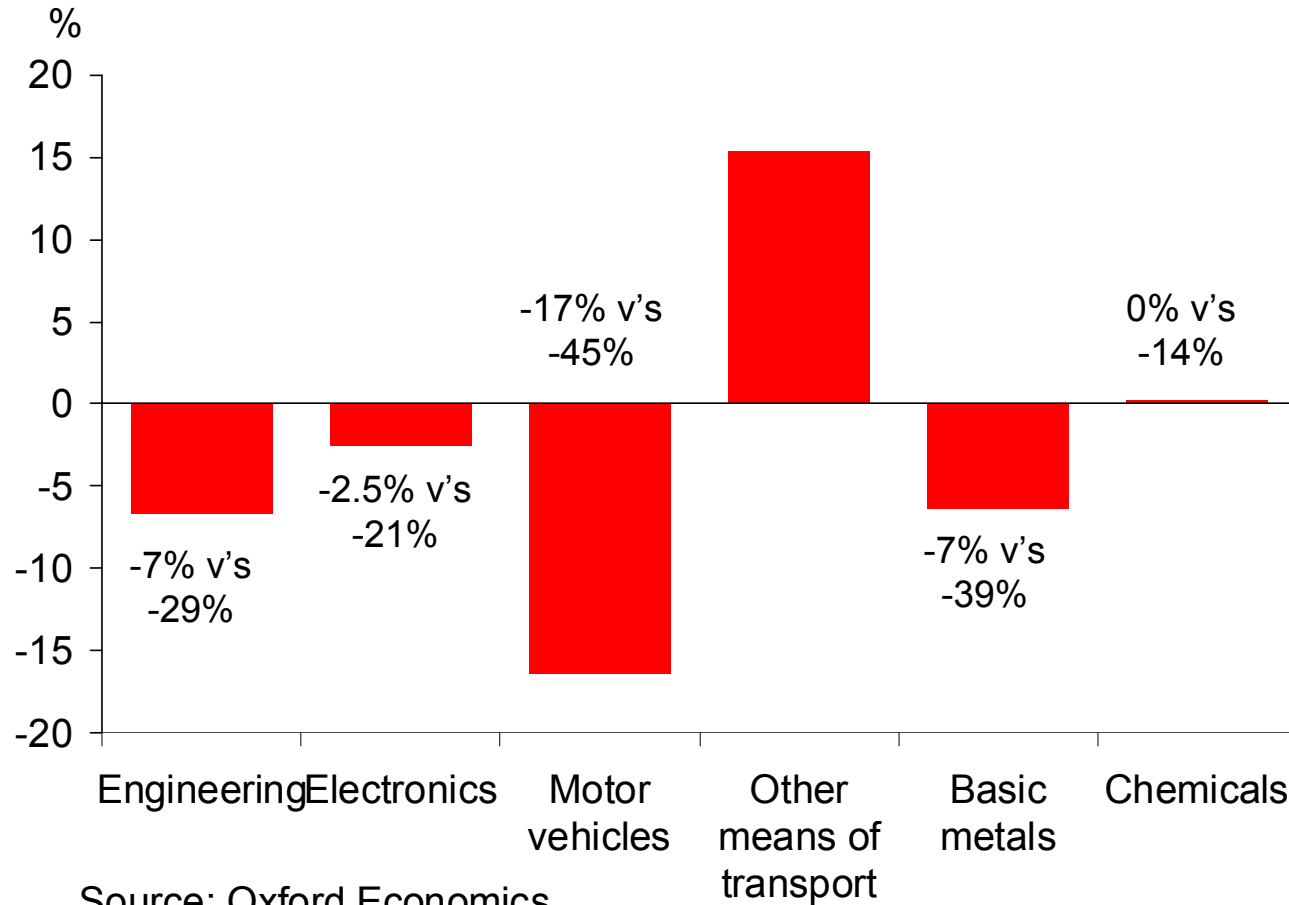


Source: Oxford Economics

*Industrial outlook*

# Performance in Emergents more mixed

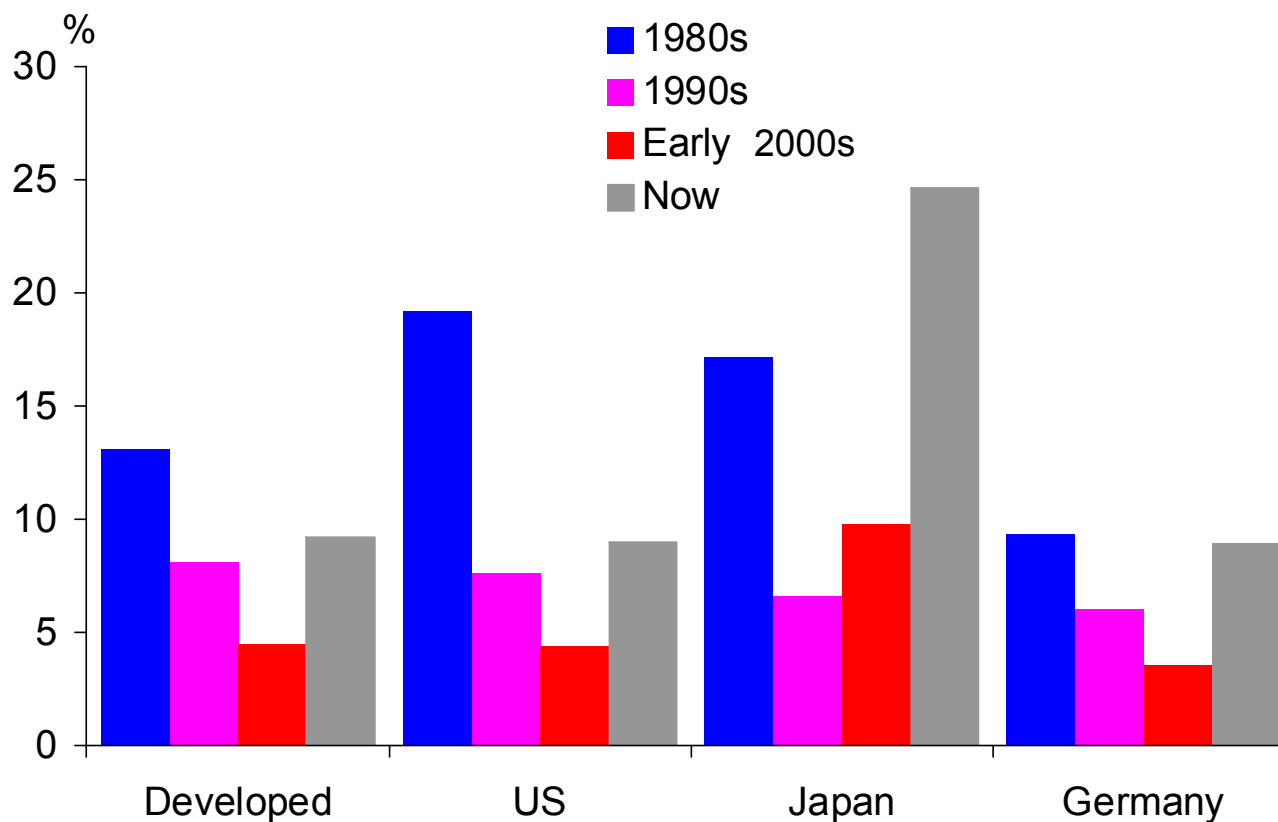
## Change in output during current recession



*Industrial outlook*

# Recovery in developed world similar to 1990s

## Manufacturing output - rise in first 2 years of recovery

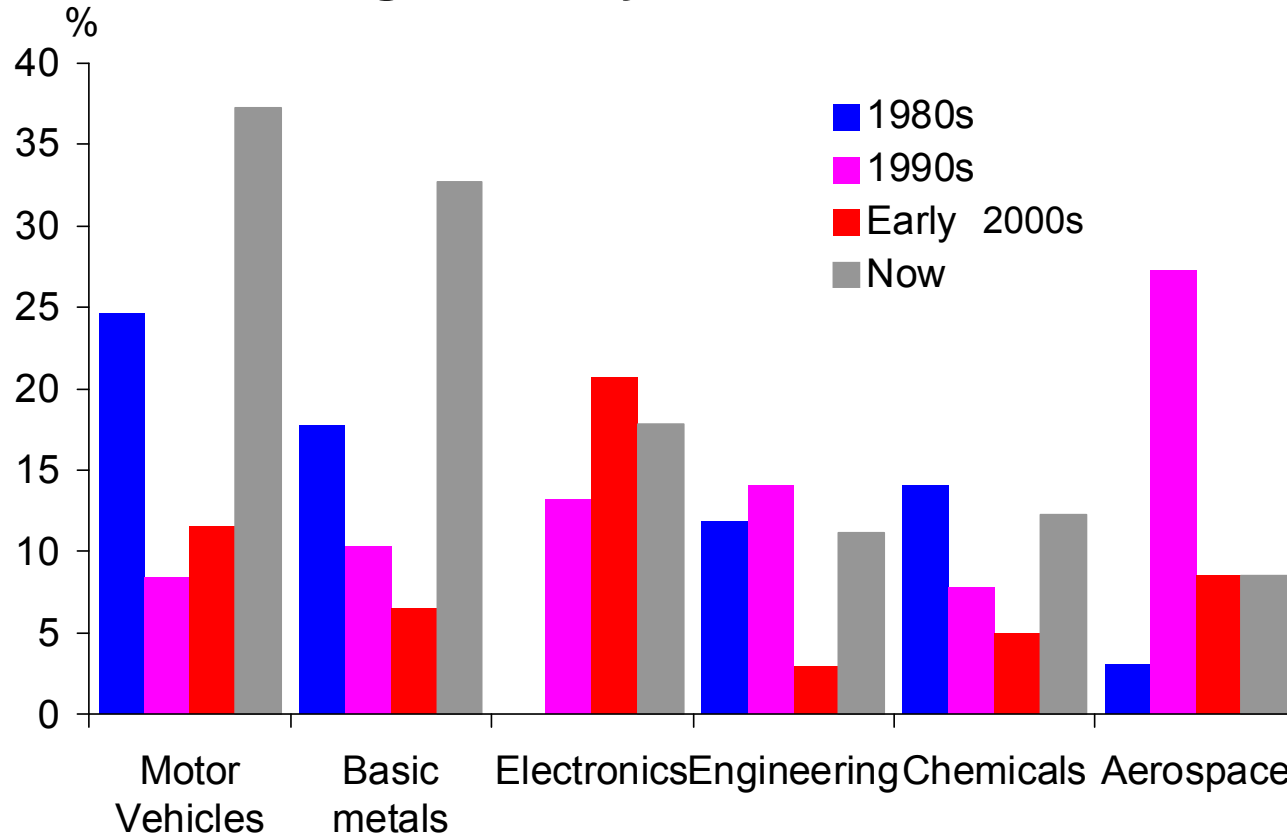


Source: Oxford Economics

*Industrial outlook*

# Motor vehicles sees strongest initial rise

## Developed - rise in first 2 years of manufacturing recovery

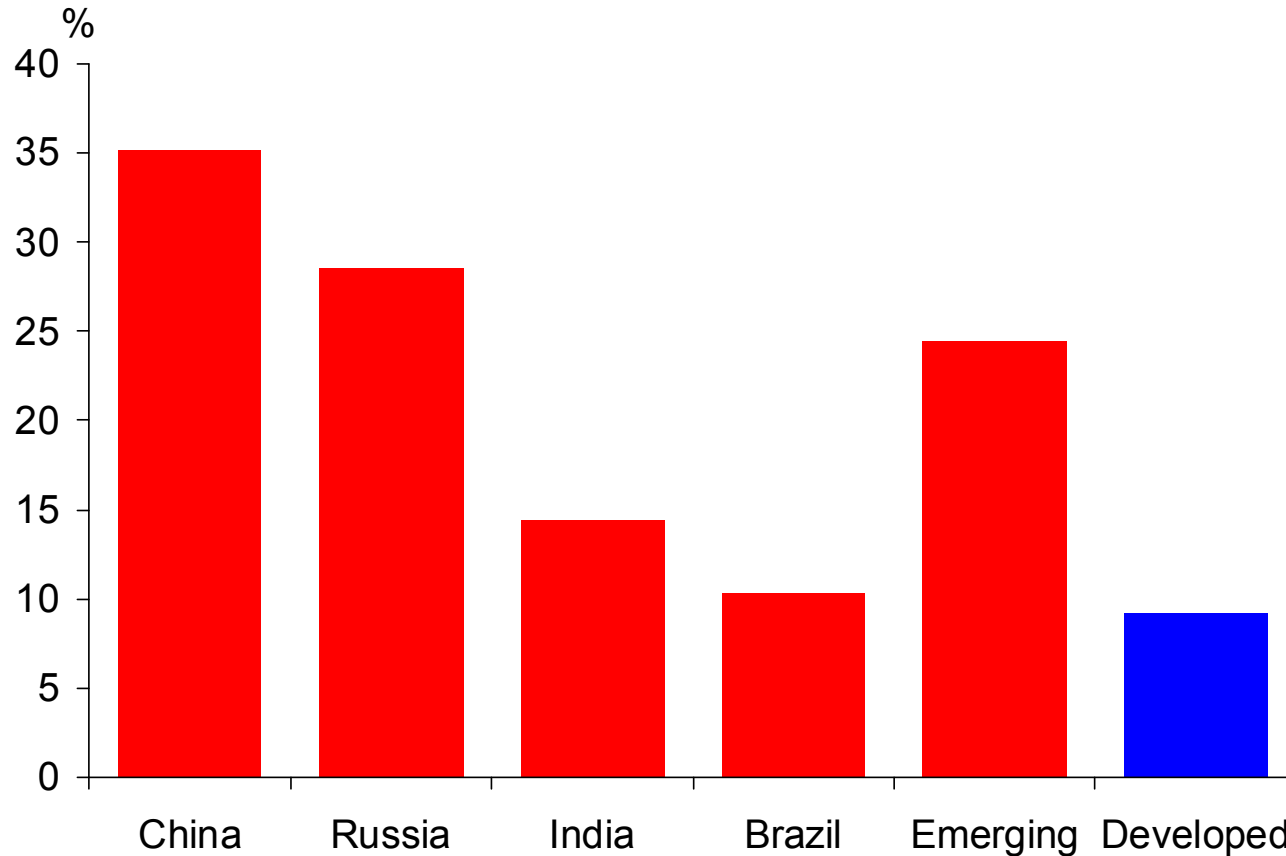


Source: Oxford Economics

*Industrial outlook*

# Much faster growth in emerging markets

## Manufacturing rise in first 2 years of recovery

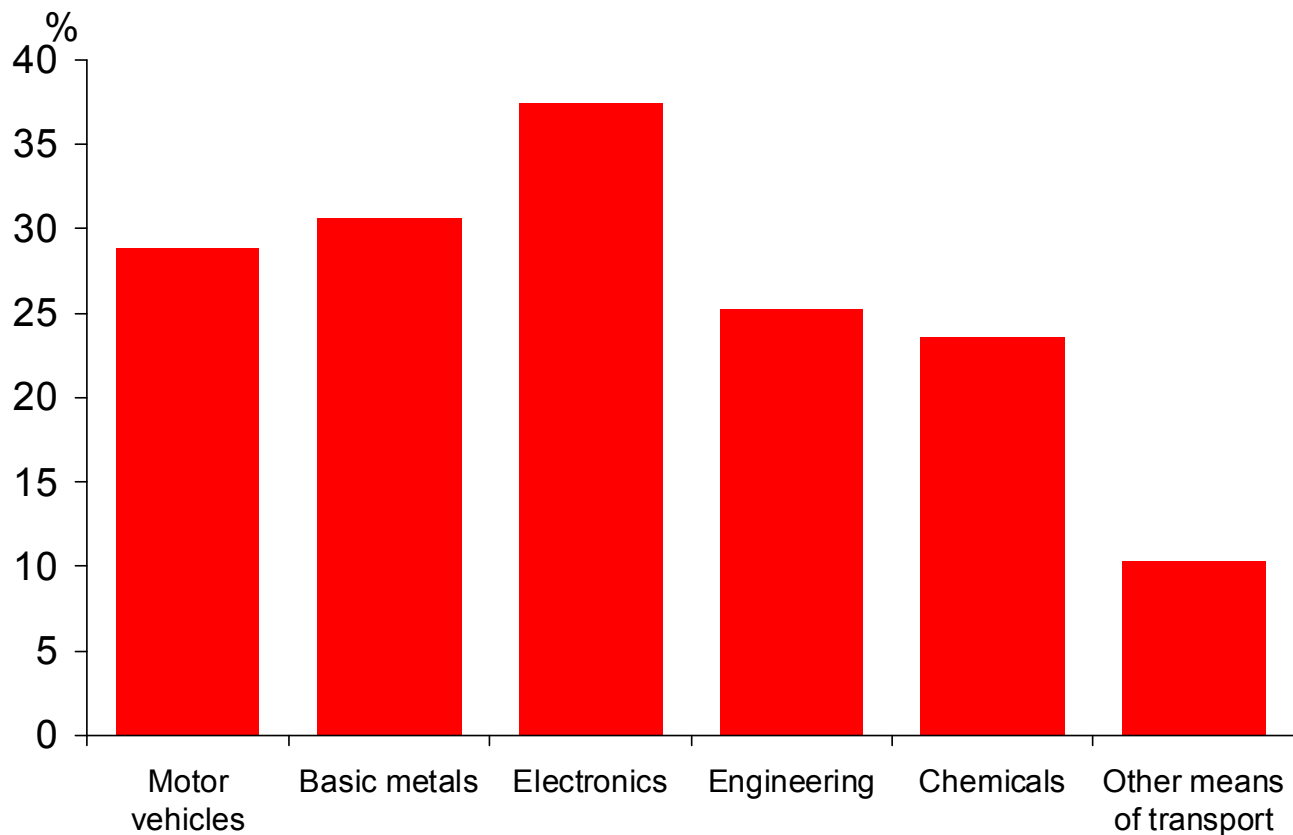


Source: Oxford Economics

*Industrial outlook*

# ...and gains will be widespread

## Emerging markets - rise in first 2 years of manufacturing recovery

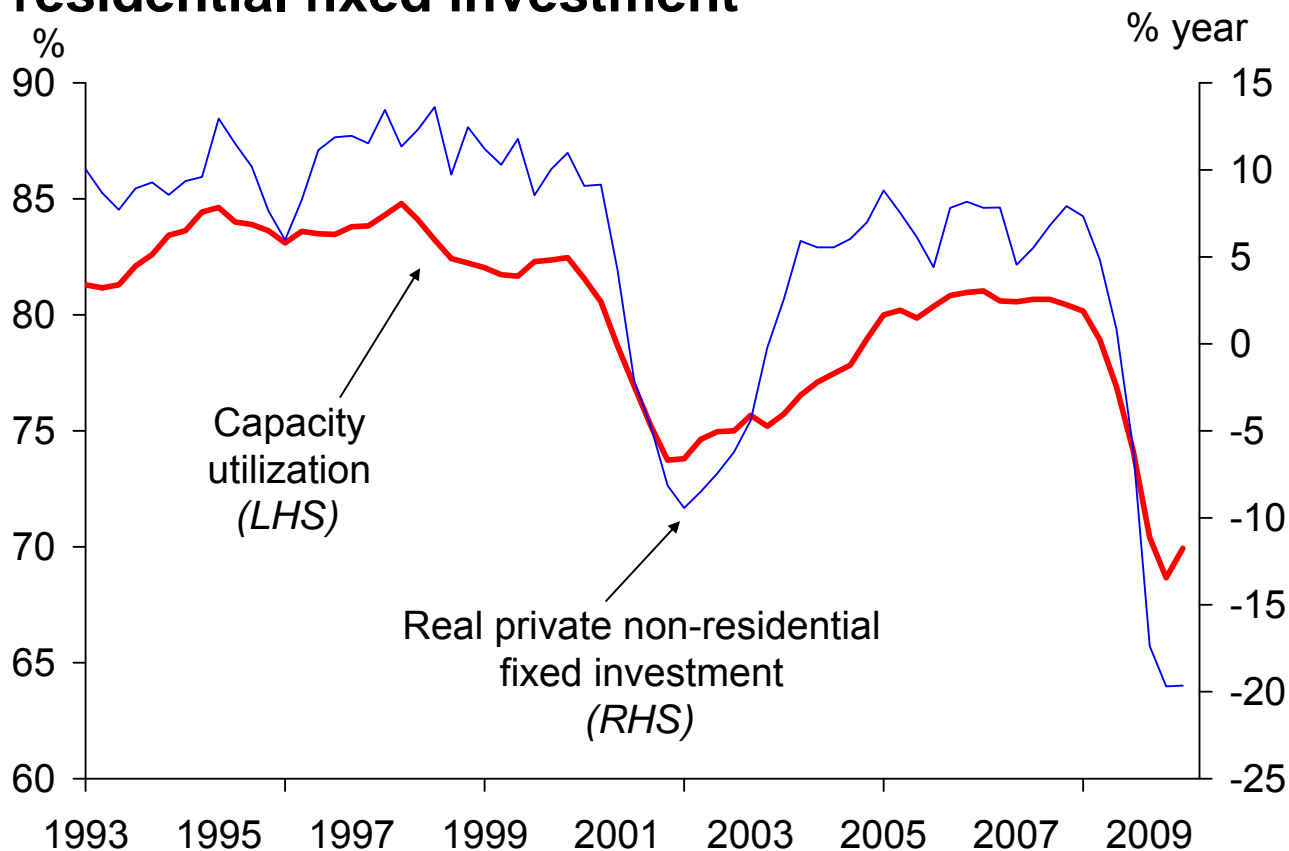


Source: Oxford Economics

*Industrial outlook*

# No immediate need to boost investment

## US: Capacity utilization and real private non-residential fixed investment

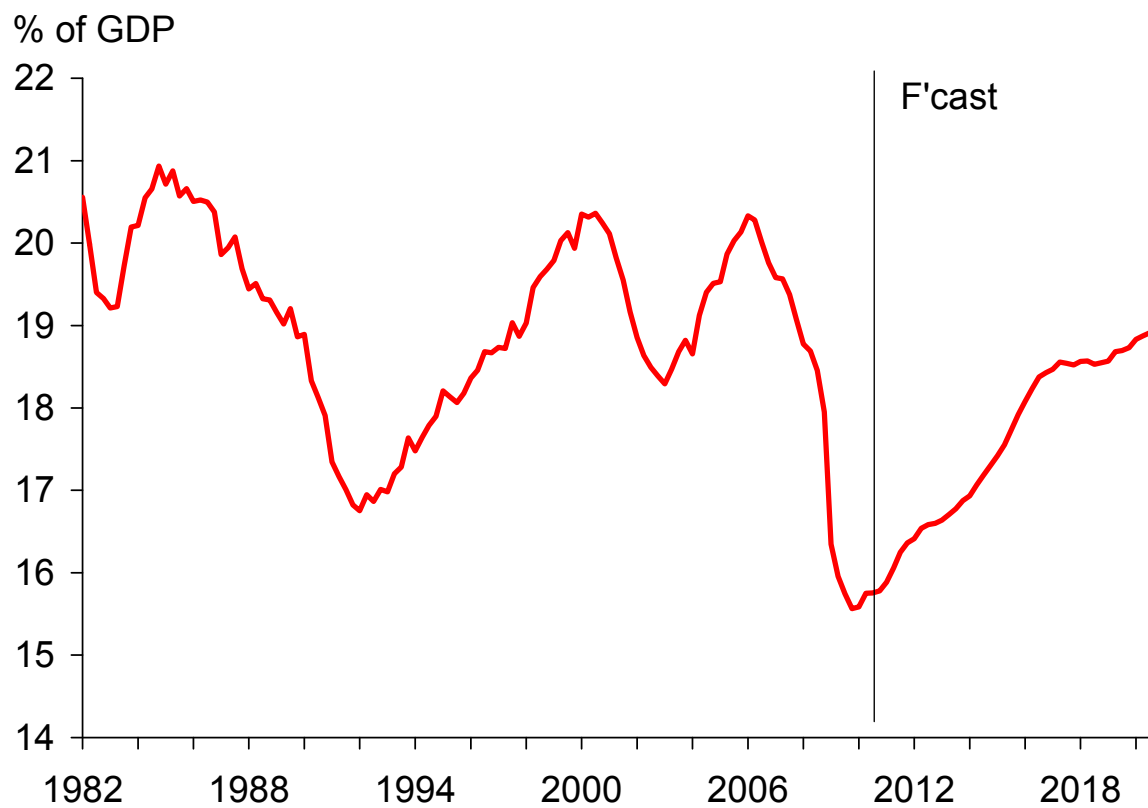


Source: Federal Reserve

*Investment outlook*

# So investment share slow to recover

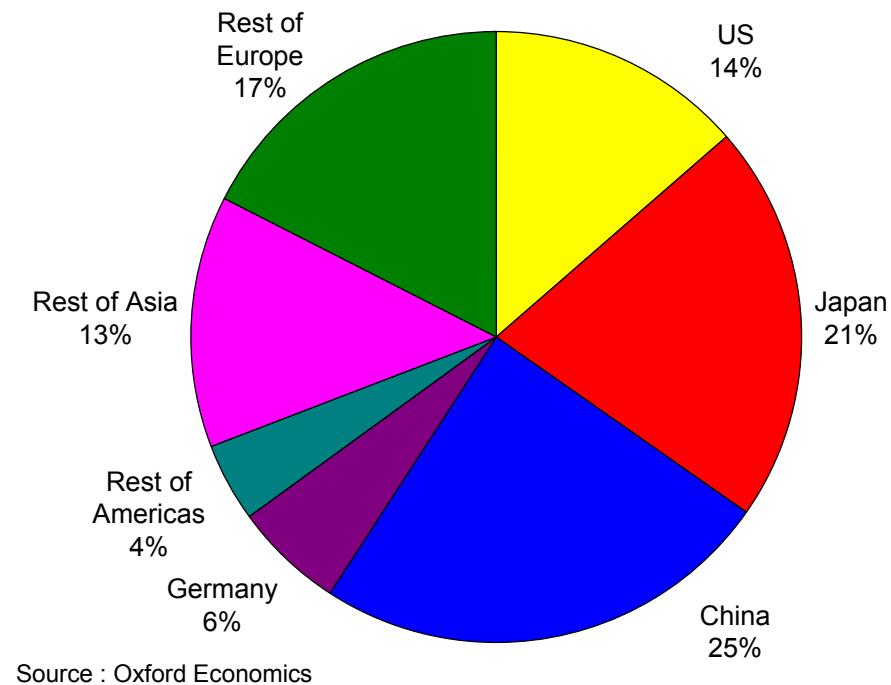
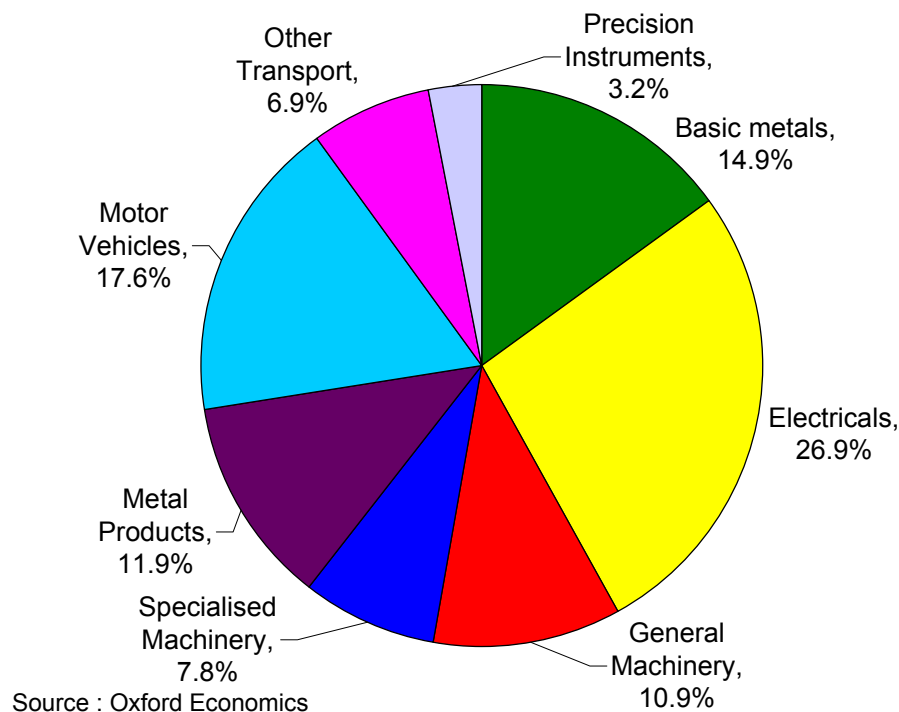
## US: Nominal investment, share of GDP



Source: Oxford Economics

*Investment outlook*

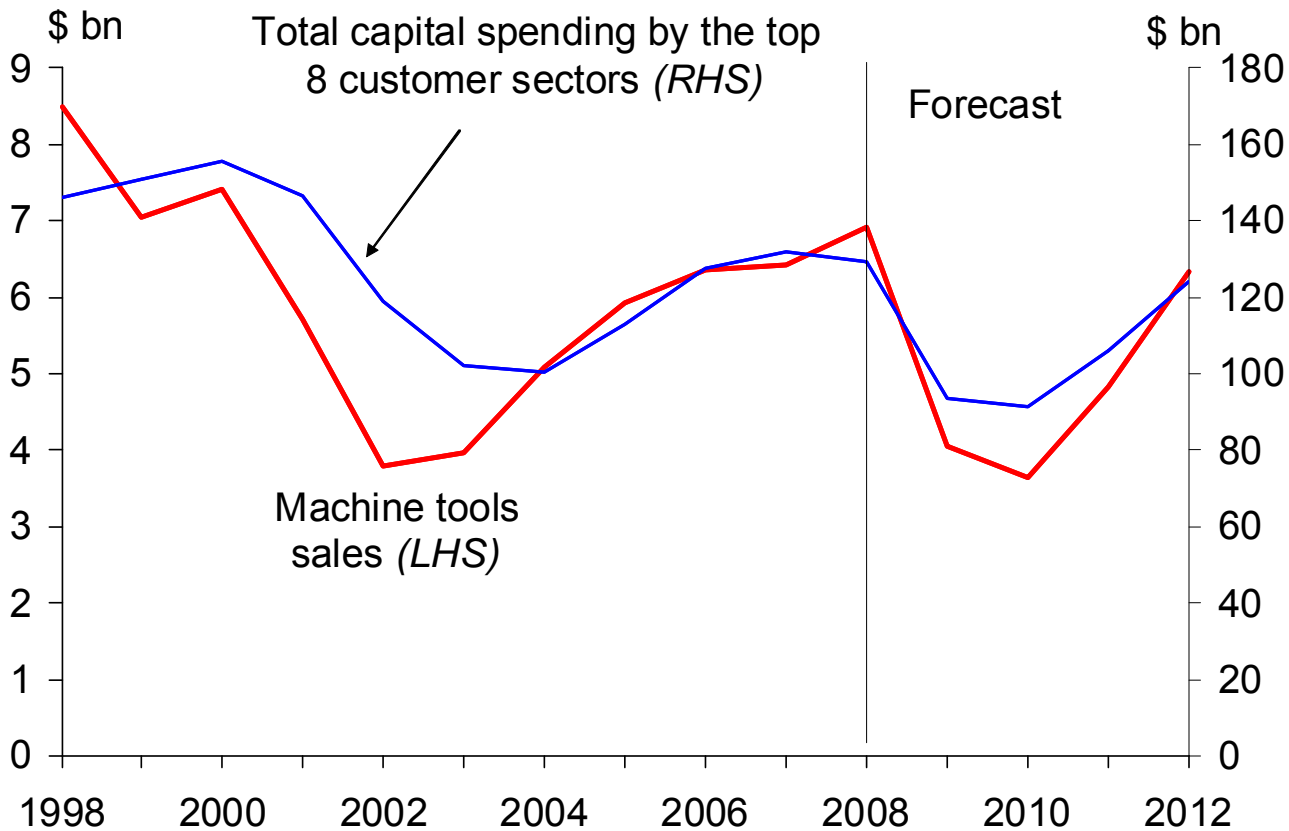
# Global investment patterns - 2009



*Investment outlook*

# Forecast for the US

## US

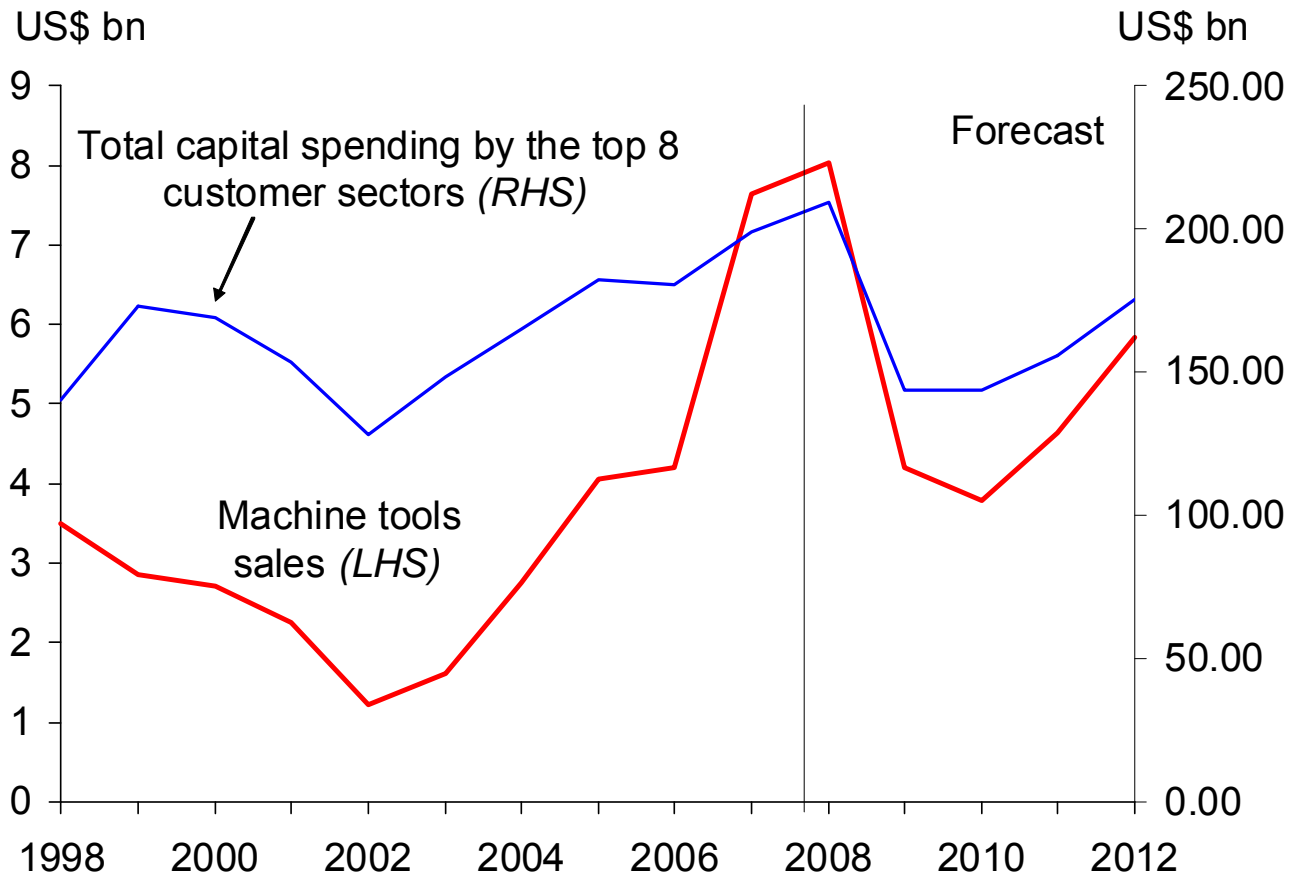


Source: Oxford Economics

*Machine tools sales*

# Forecast for Japan

## Japan

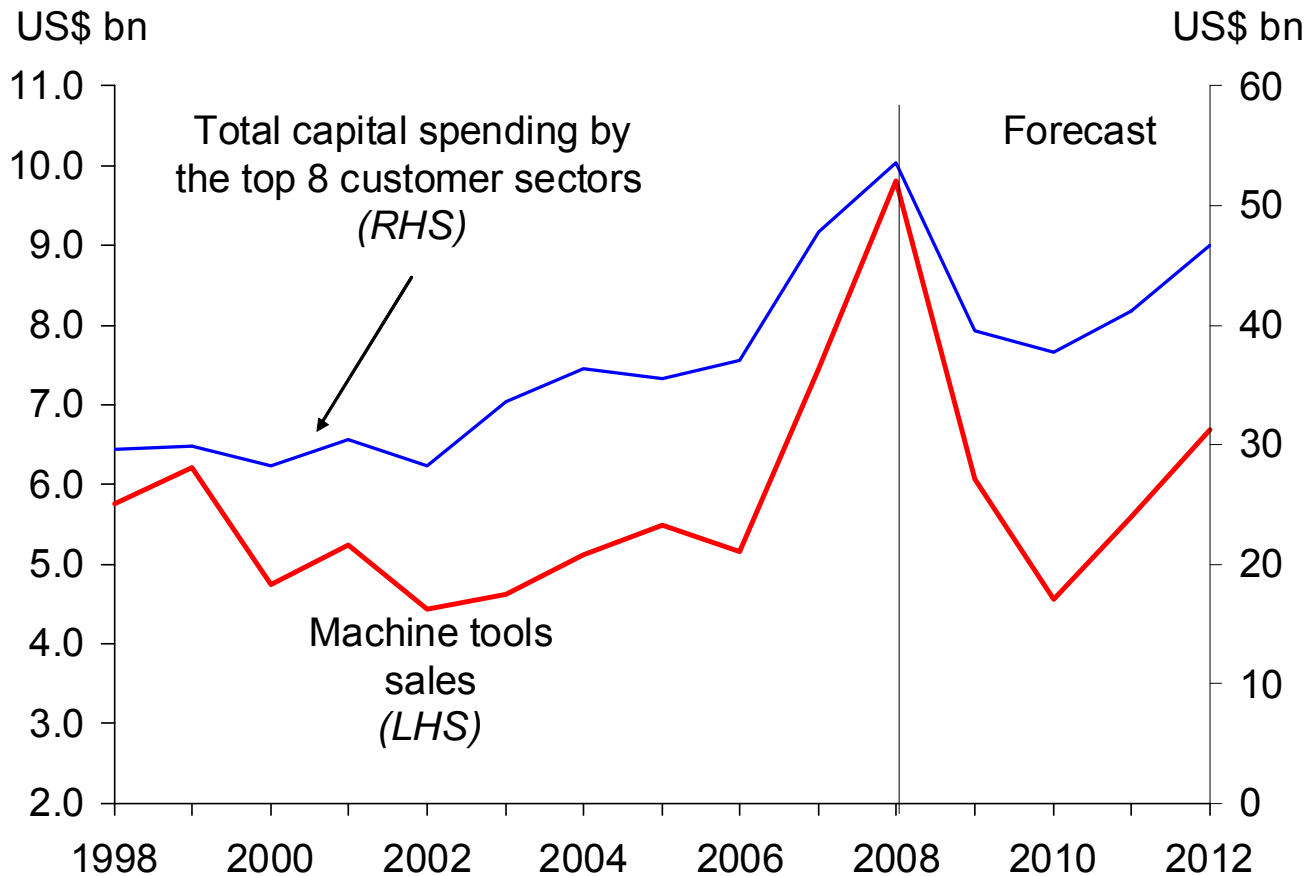


Source: Oxford Economics

*Machine tools sales*

# Forecast for Germany

## Germany

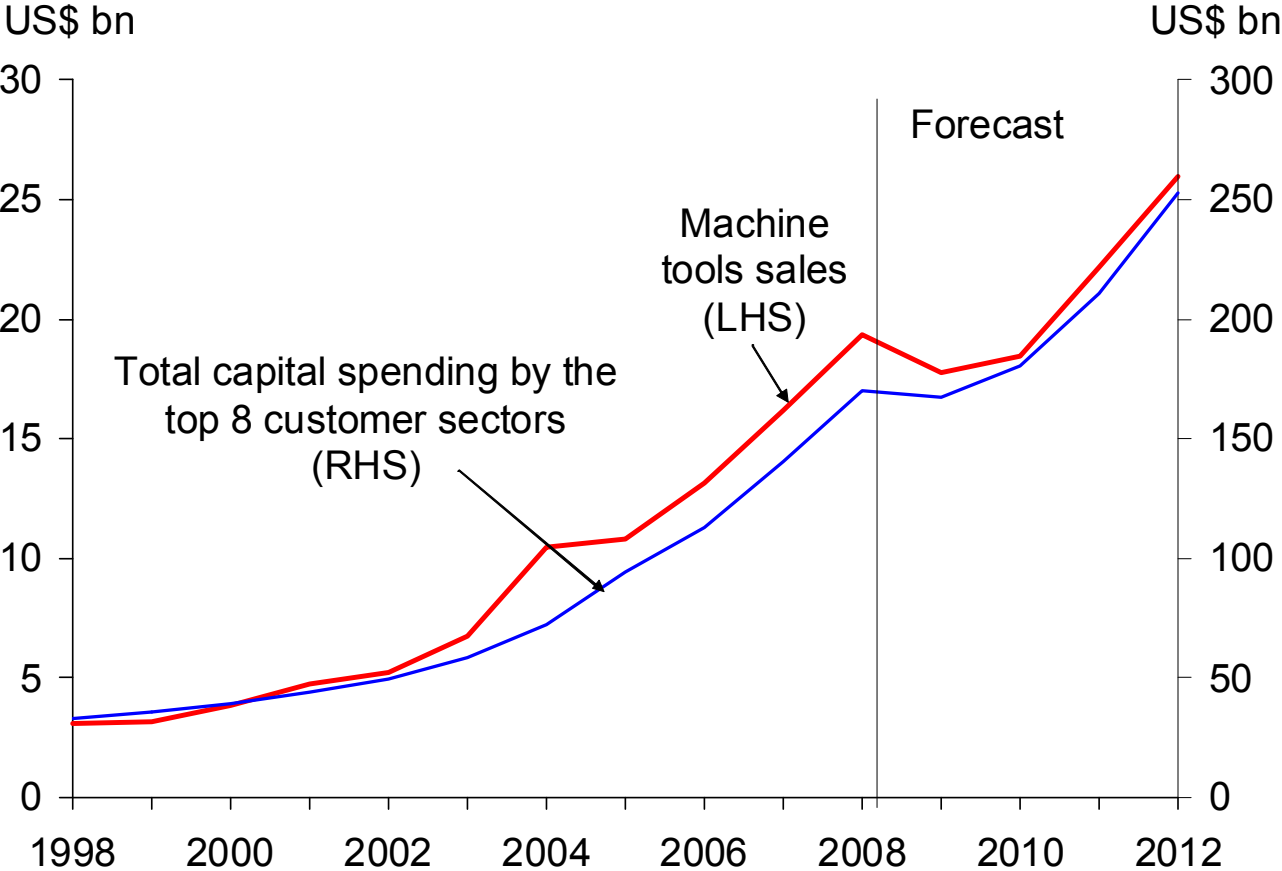


Source: Oxford Economics

*Machine tools sales*

# Forecast for China

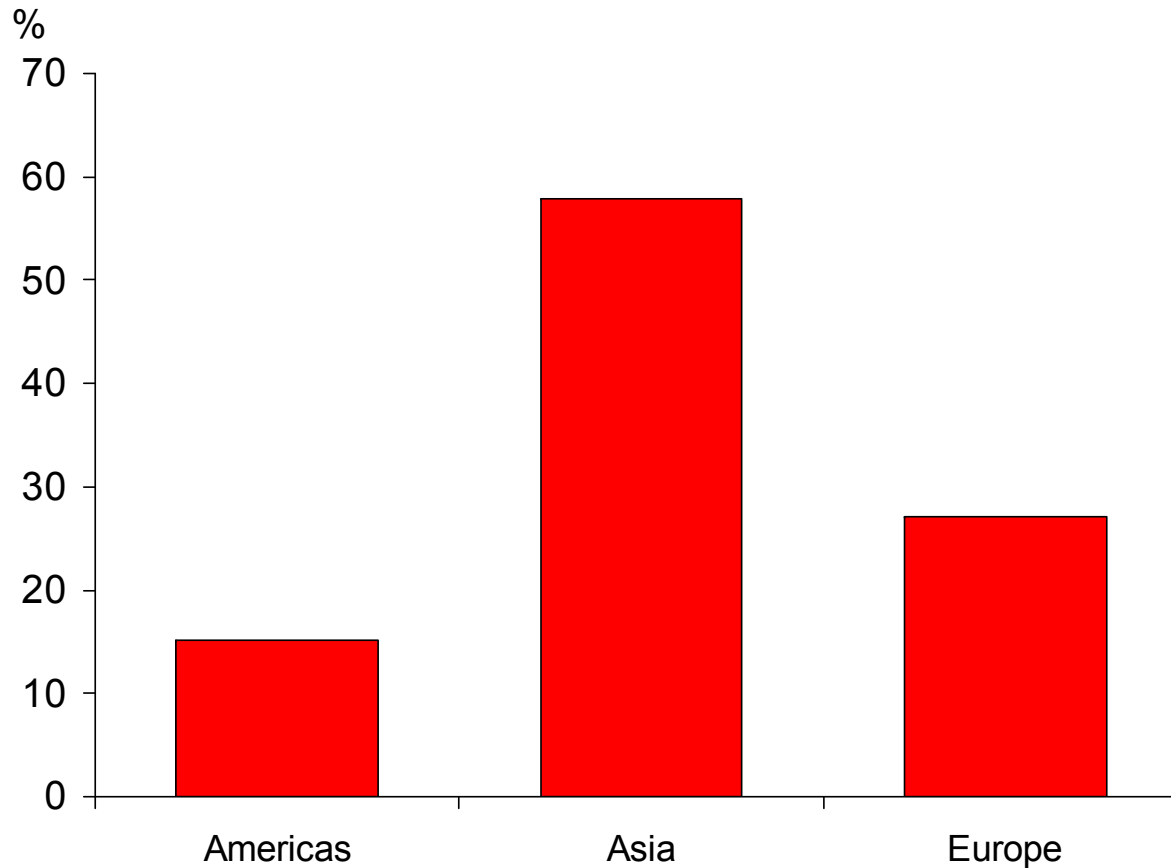
## China



Source: Oxford Economics

*Machine tools sales*

# Percentage of global sales - 2009

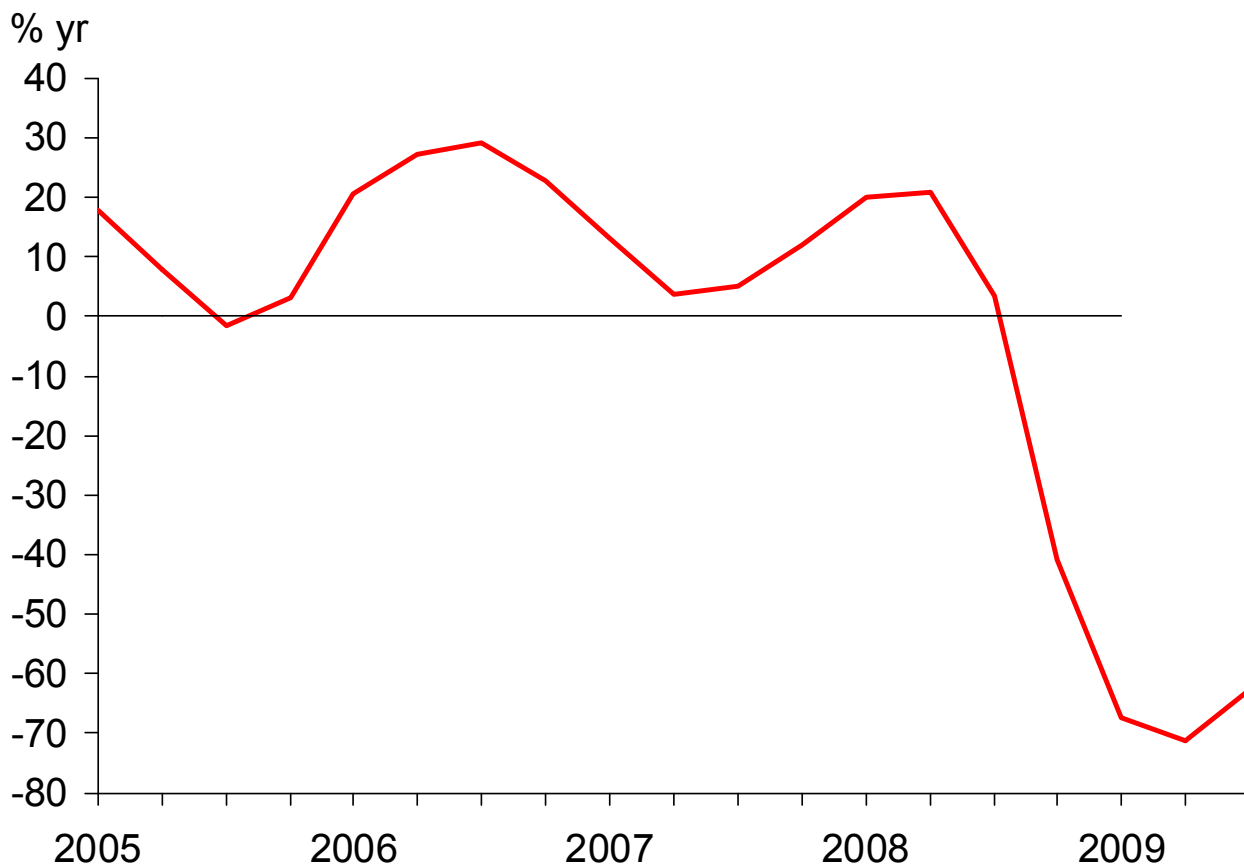


Source : AMT\Oxford Economics

*Machine tool consumption*

# Plunge in orders in late 2008

## US machine tools orders annual growth

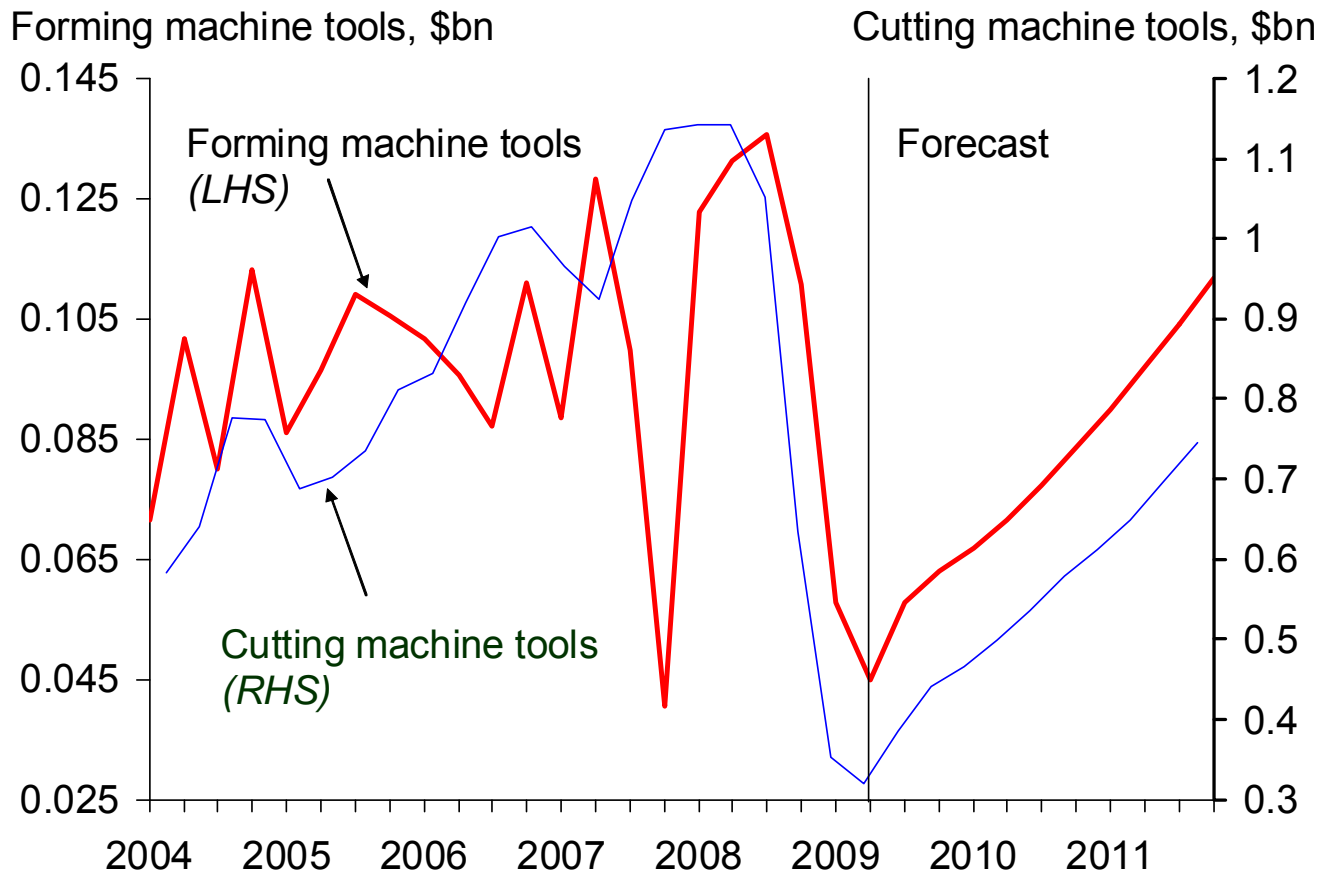


Source : Oxford Economics

*US orders*

# Quarterly USMTC orders forecast...

## US metalworking machine tools orders, USMTC

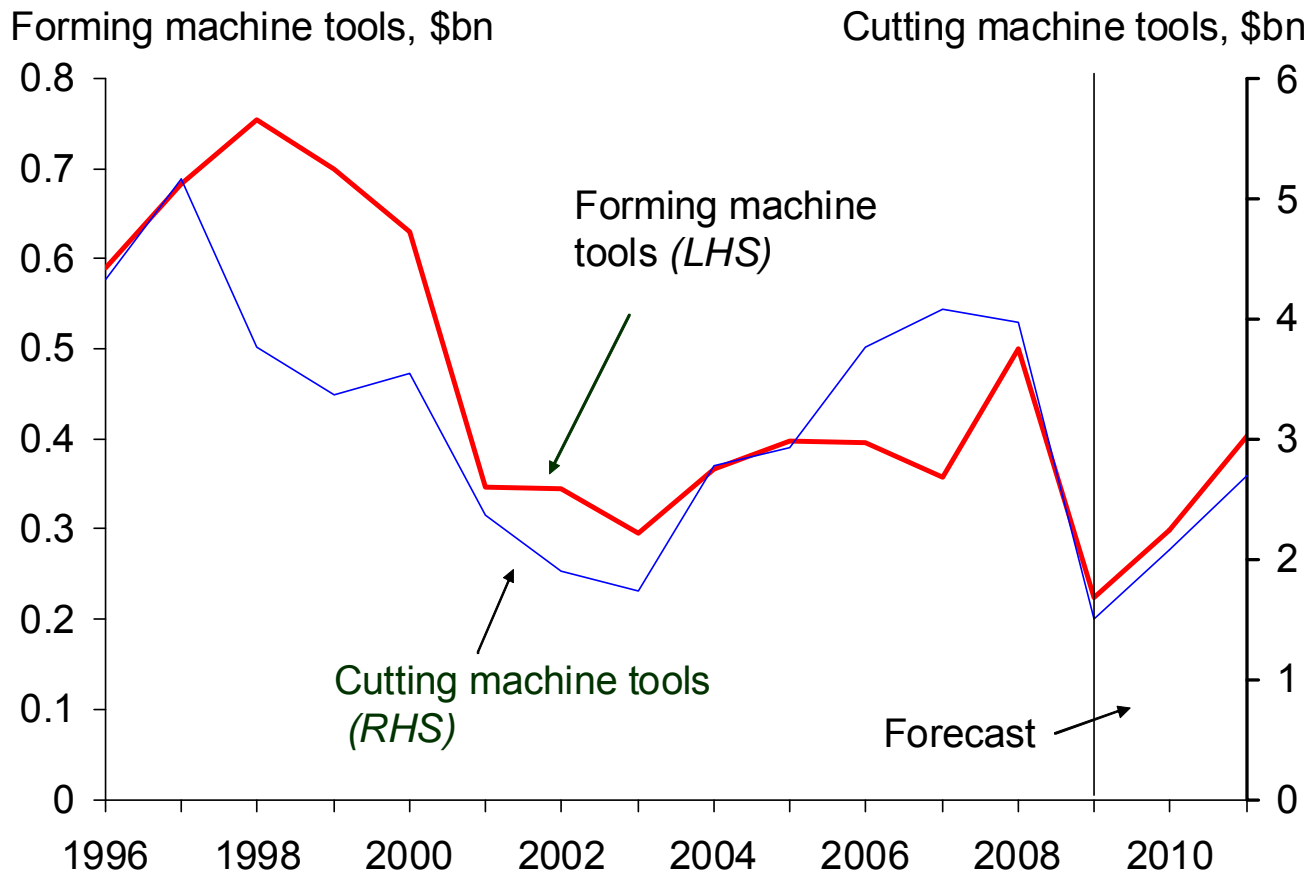


Source : Oxford Economics

*US orders*

# ...and on an annual basis

## US metalworking machine tools orders, USMTC

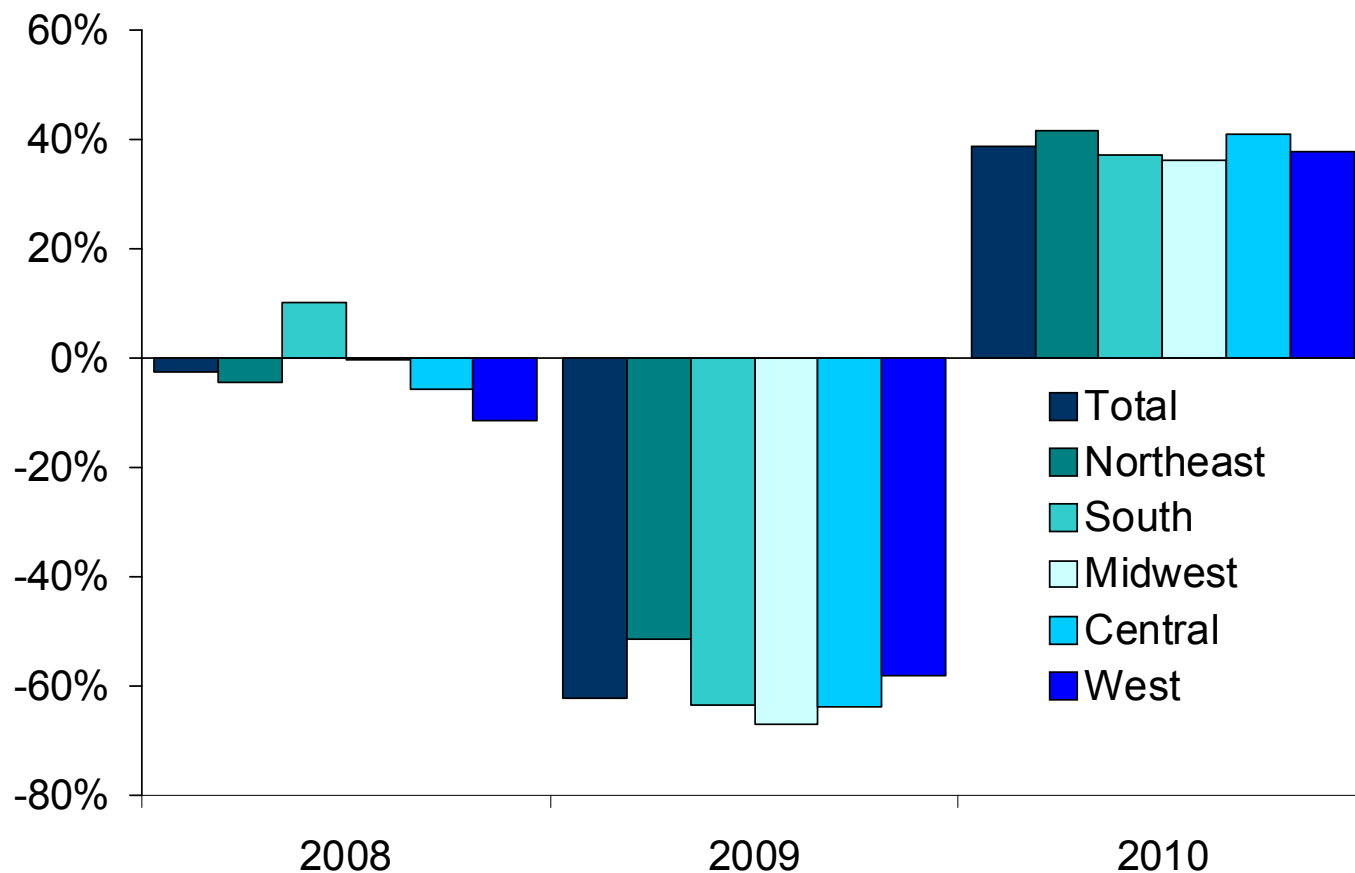


Source : Oxford Economics

*US orders*

# General regional rebound in 2010

## Growth in value of orders for cutting machines by region

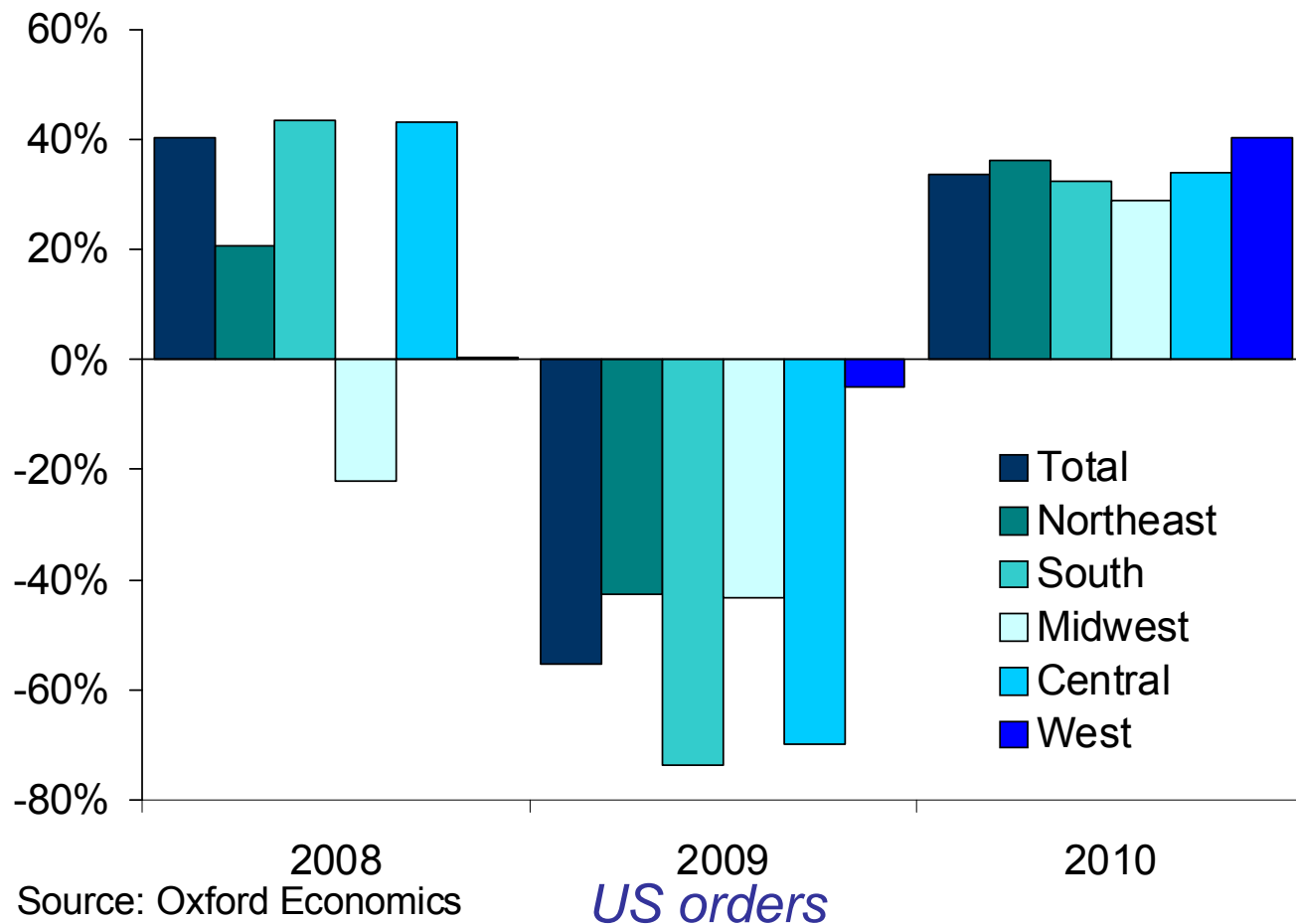


Source: Oxford Economics

*US orders*

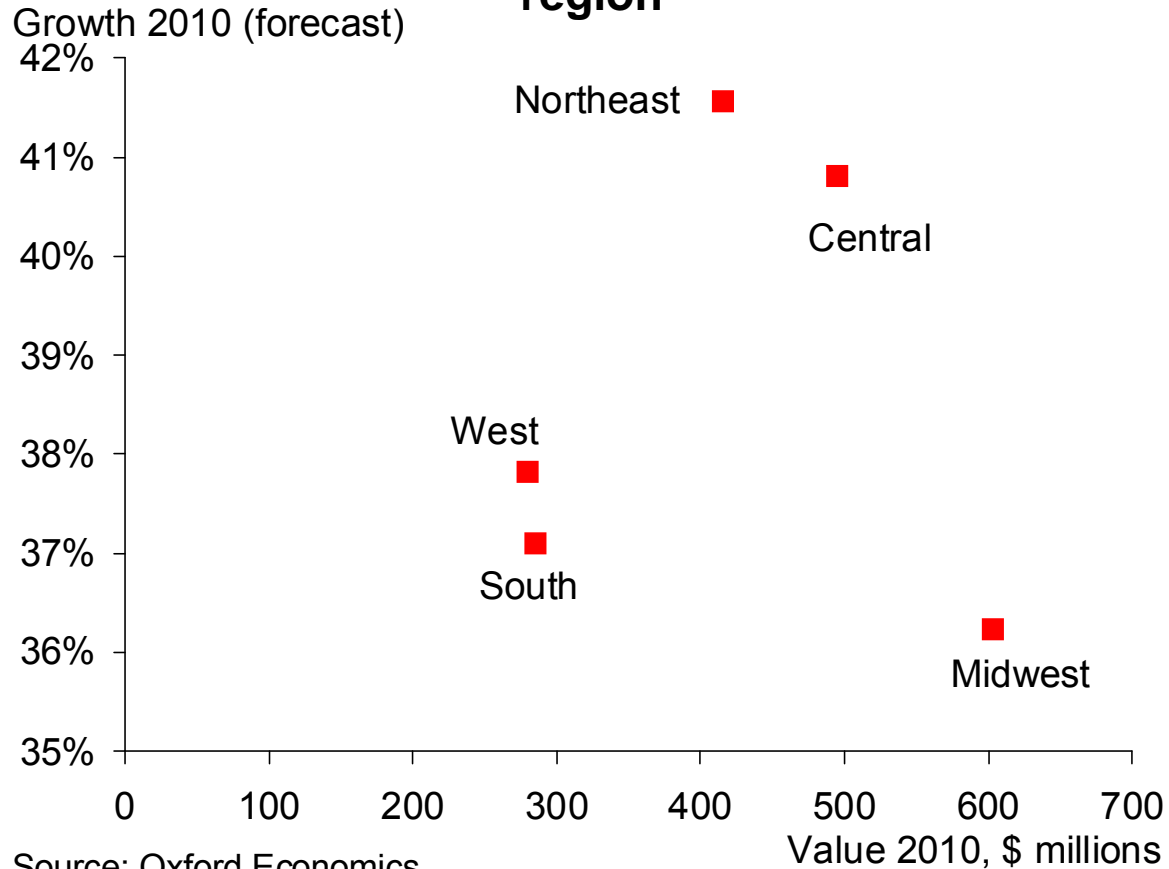
# Similar story in forming orders

## Growth in value of orders for forming machines by region



# Cutting: All regions stronger in 2010

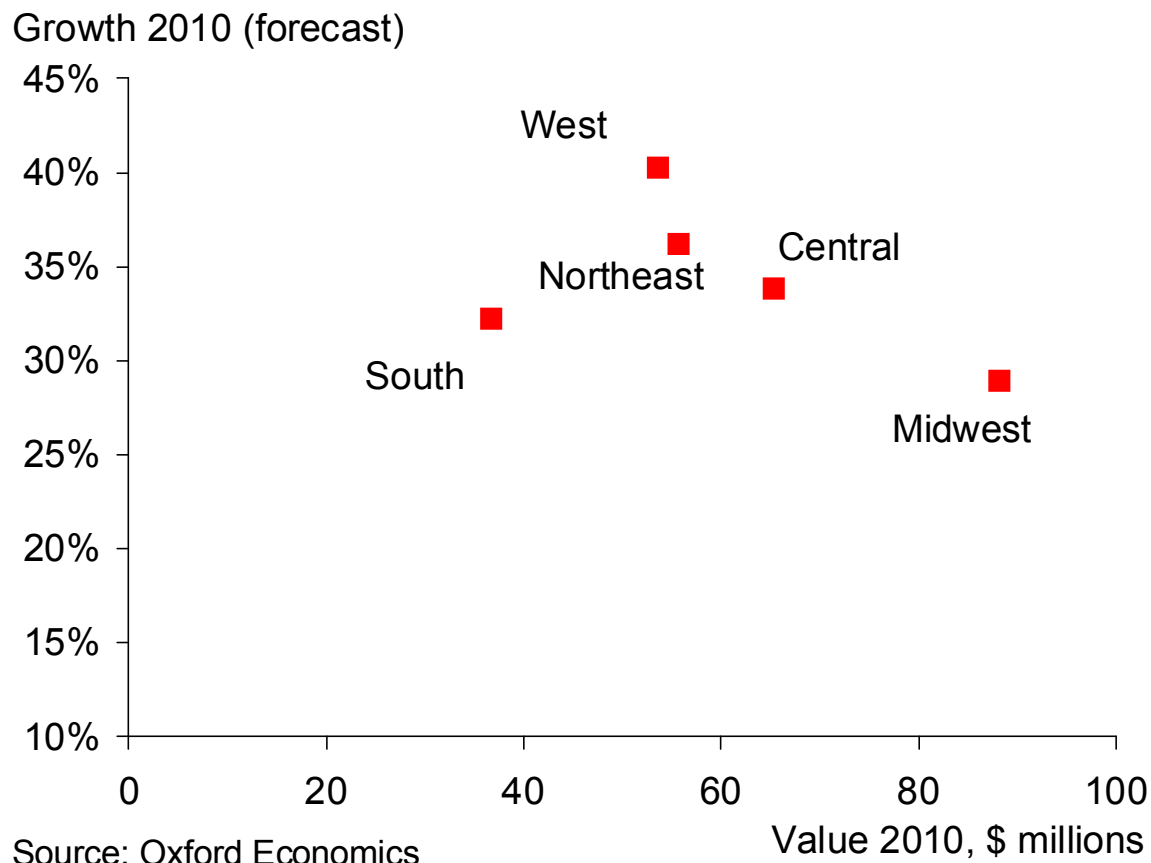
**Cutting Machines, US orders levels and growth, by region**



*US orders*

# Forming: Stronger growth in 2010

## Forming Machines, US orders levels and growth, by region



*US orders*

**Thank you**