



OXFORD
ECONOMICS

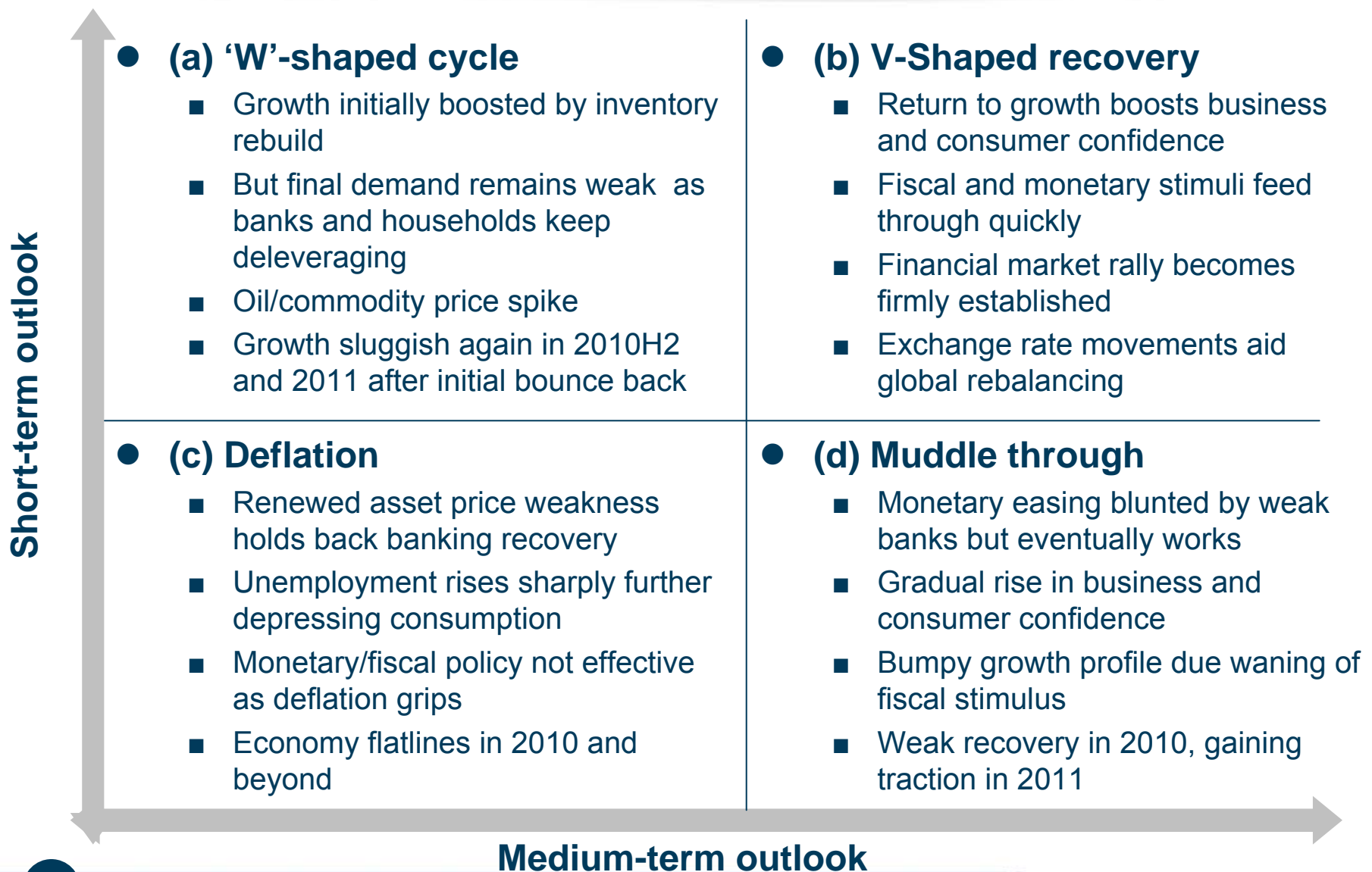
Global Economy & the Machine Tool Outlook

Jan 2010

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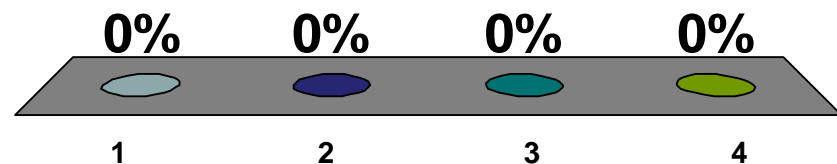
Which scenario do you favour?



What do you now think is the most likely scenario?

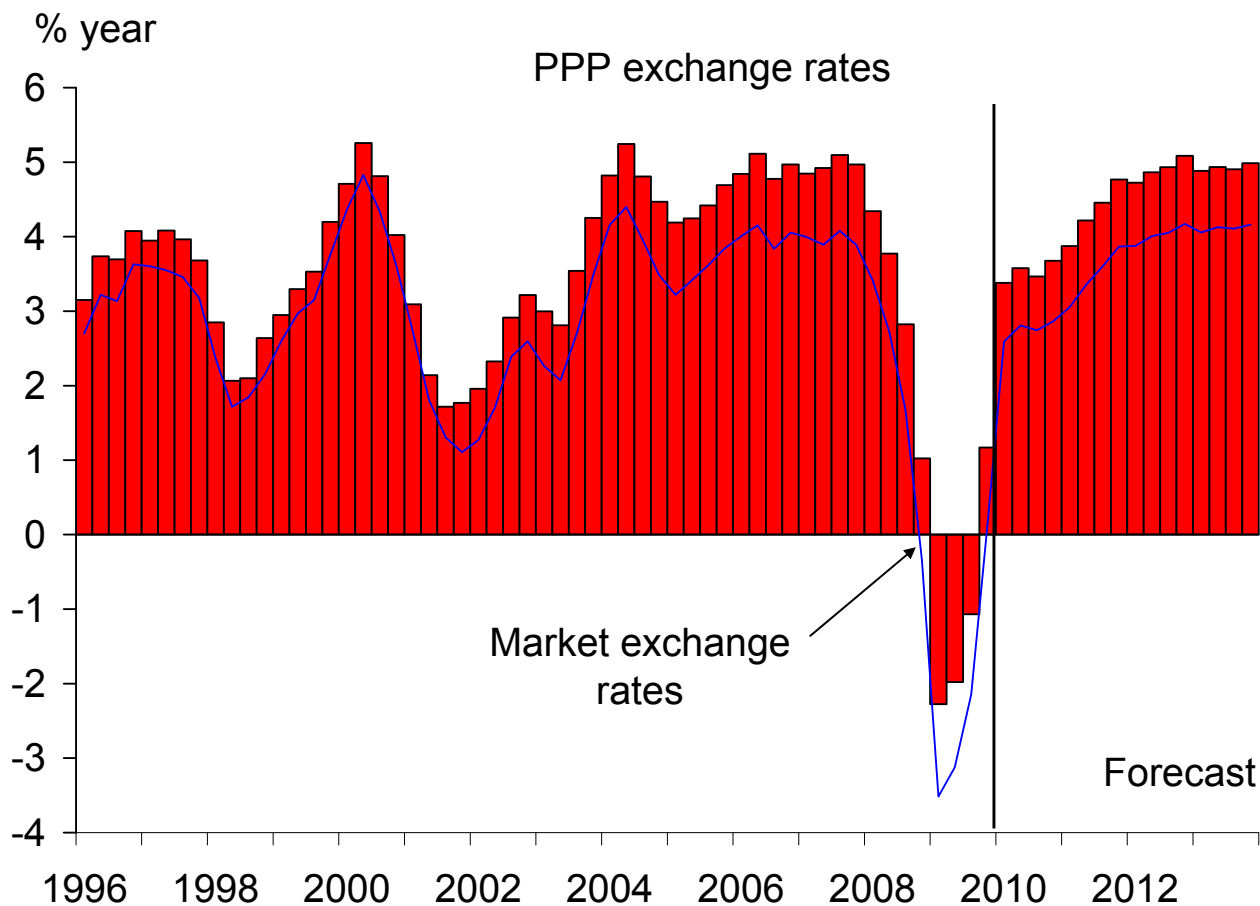


1. W -shaped
2. V -shaped
3. Deflation
4. Muddle Through



Recession giving way to recovery

World: GDP growth

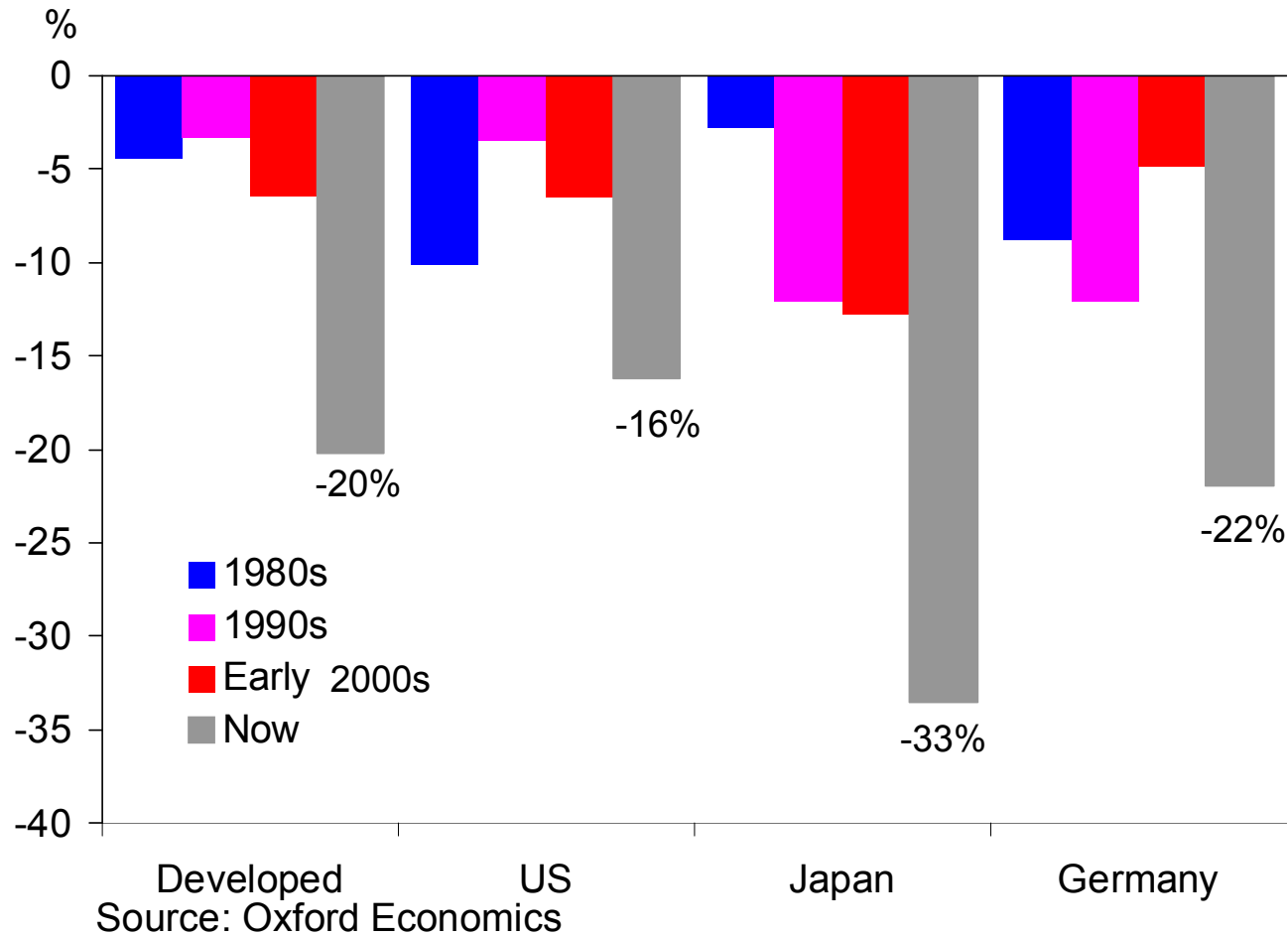


Source: Oxford Economics

Recession giving way to recovery

Recession was particularly deep

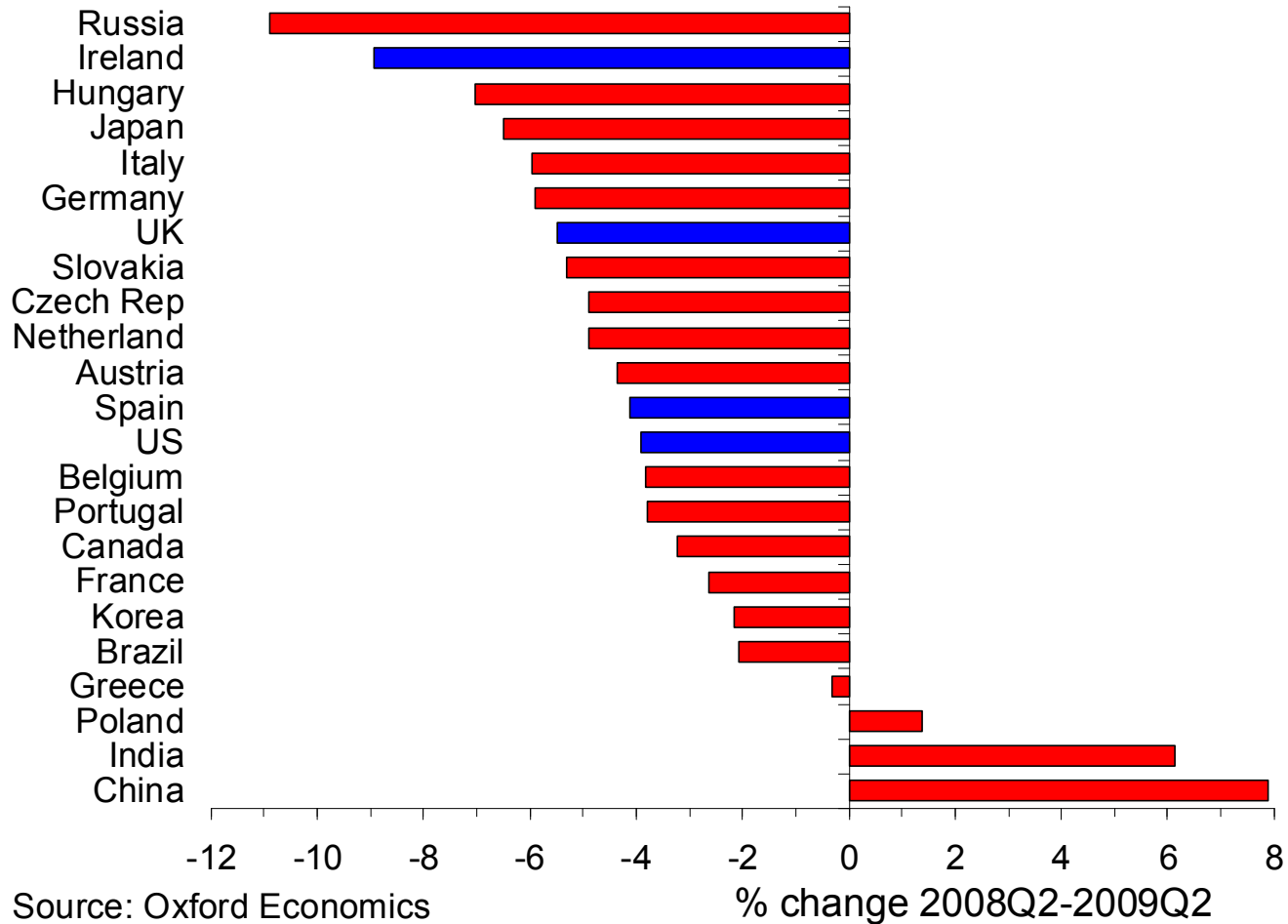
Peak to trough fall in manufacturing output



Recession giving way to recovery

And perhaps surprising in terms of its focus

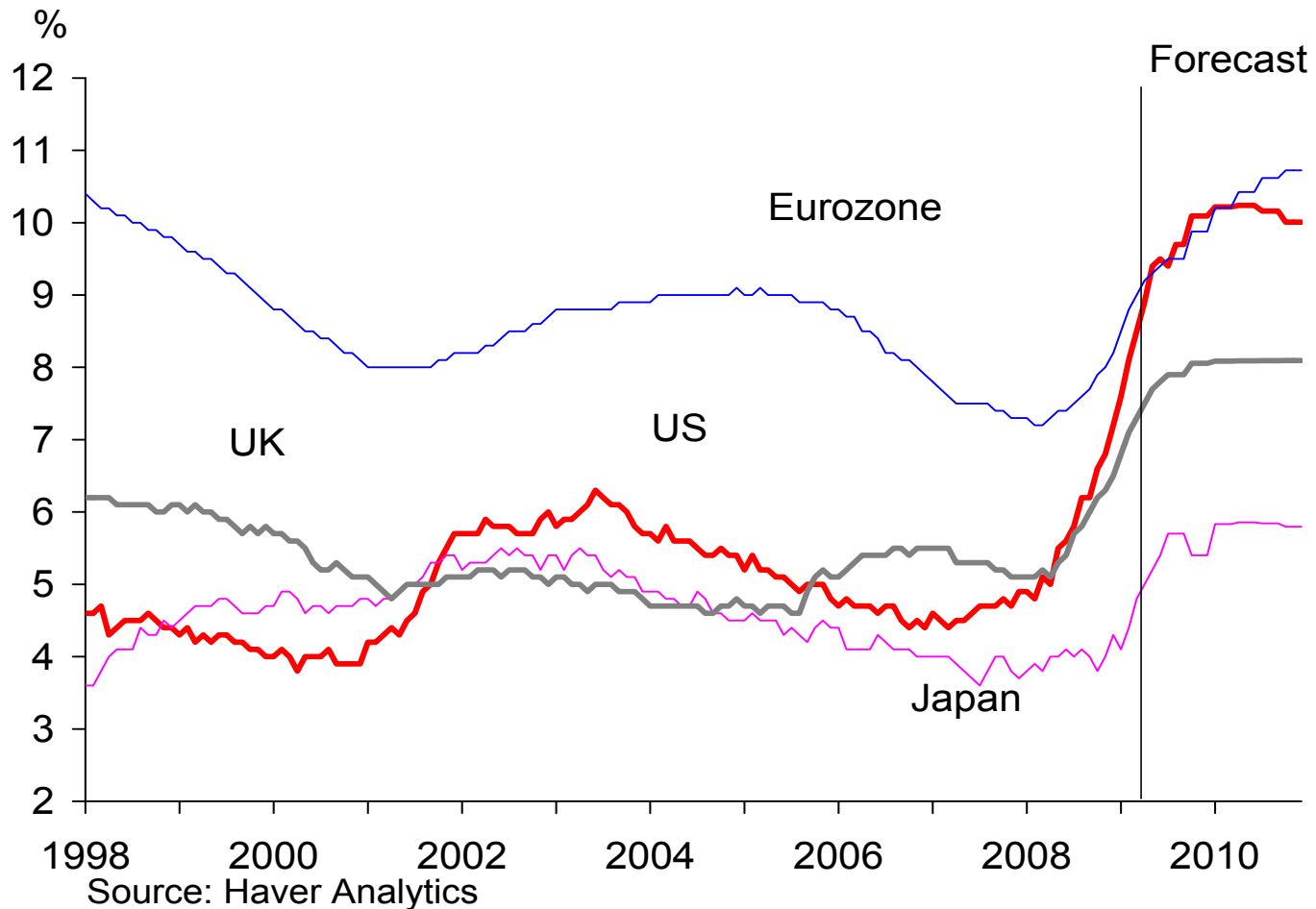
% change in GDP



Recession giving way to recovery

Different reactions in the labour market

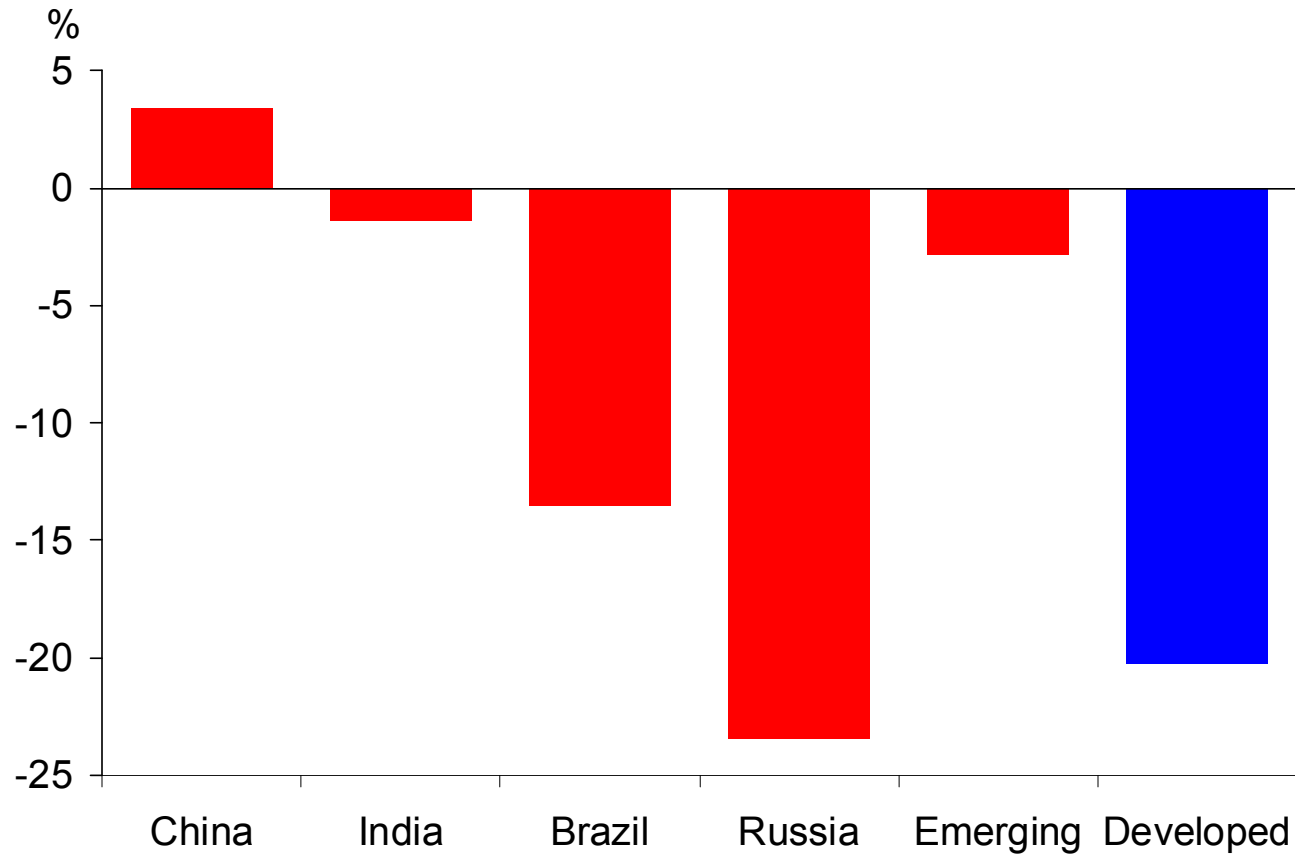
World: Unemployment rate



Recession giving way to recovery

But some Emergers have coped quite well

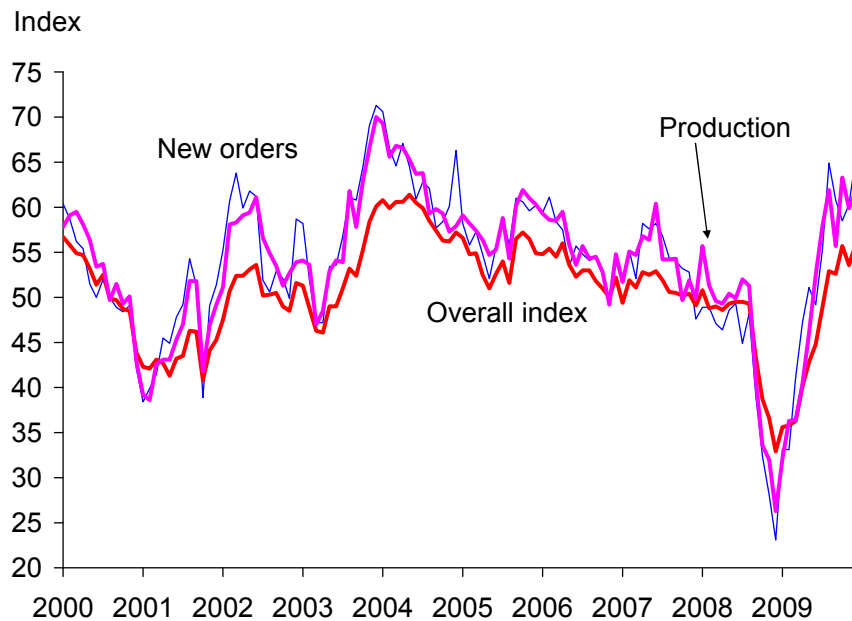
Change in manufacturing output during recession



Recession giving way to recovery

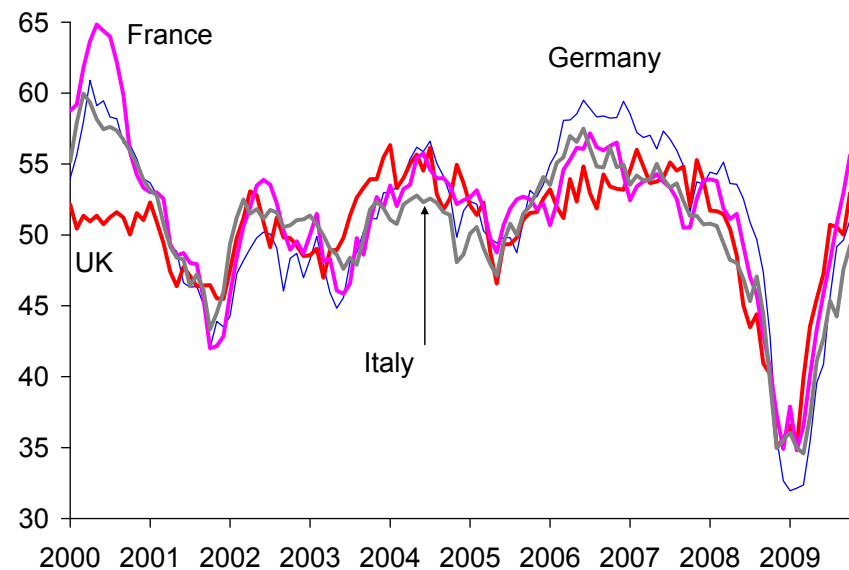
The cycle has turned ...

US purchasing managers survey



Source: Haver Analytics

PMI: Manufacturing

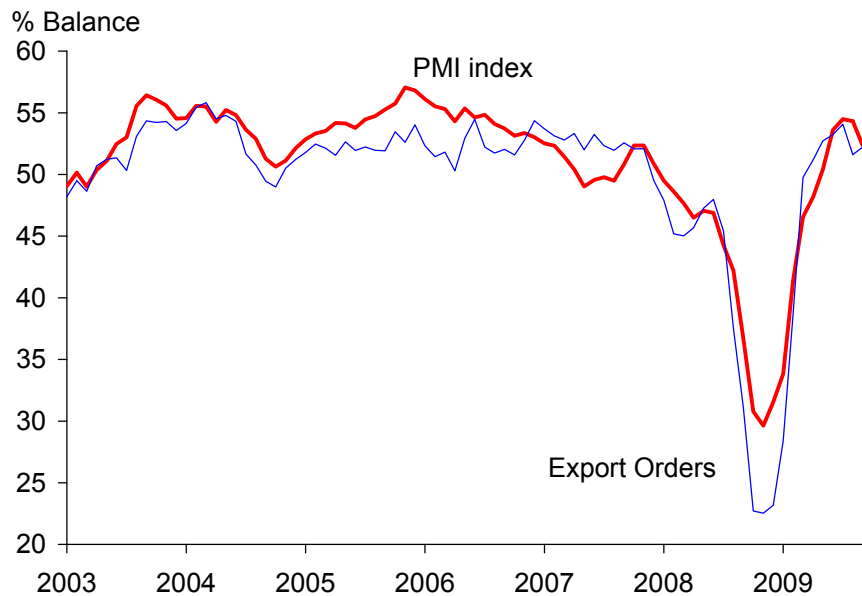


Source: Haver Analytics

Recession giving way to recovery

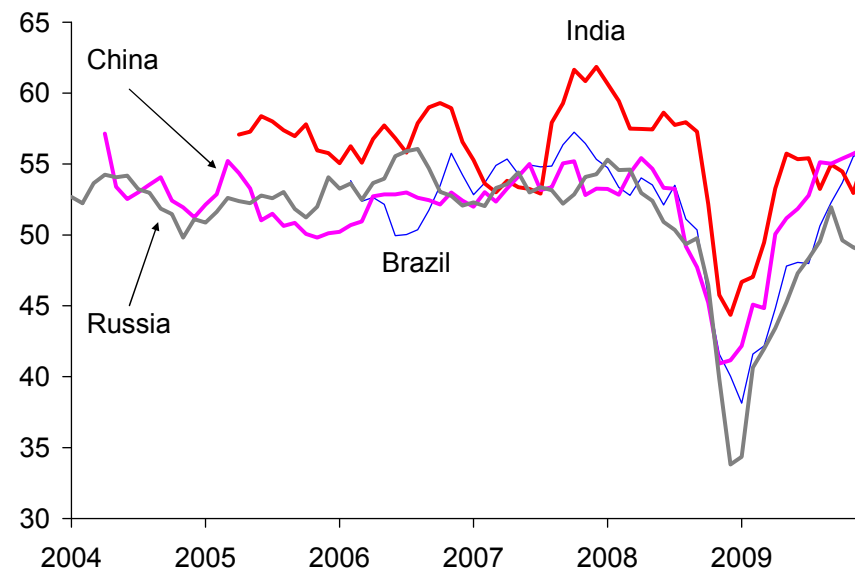
... across all major blocs

Japan: PMI Index Vs Exports



Source : Oxford Economics/Markit

PMI

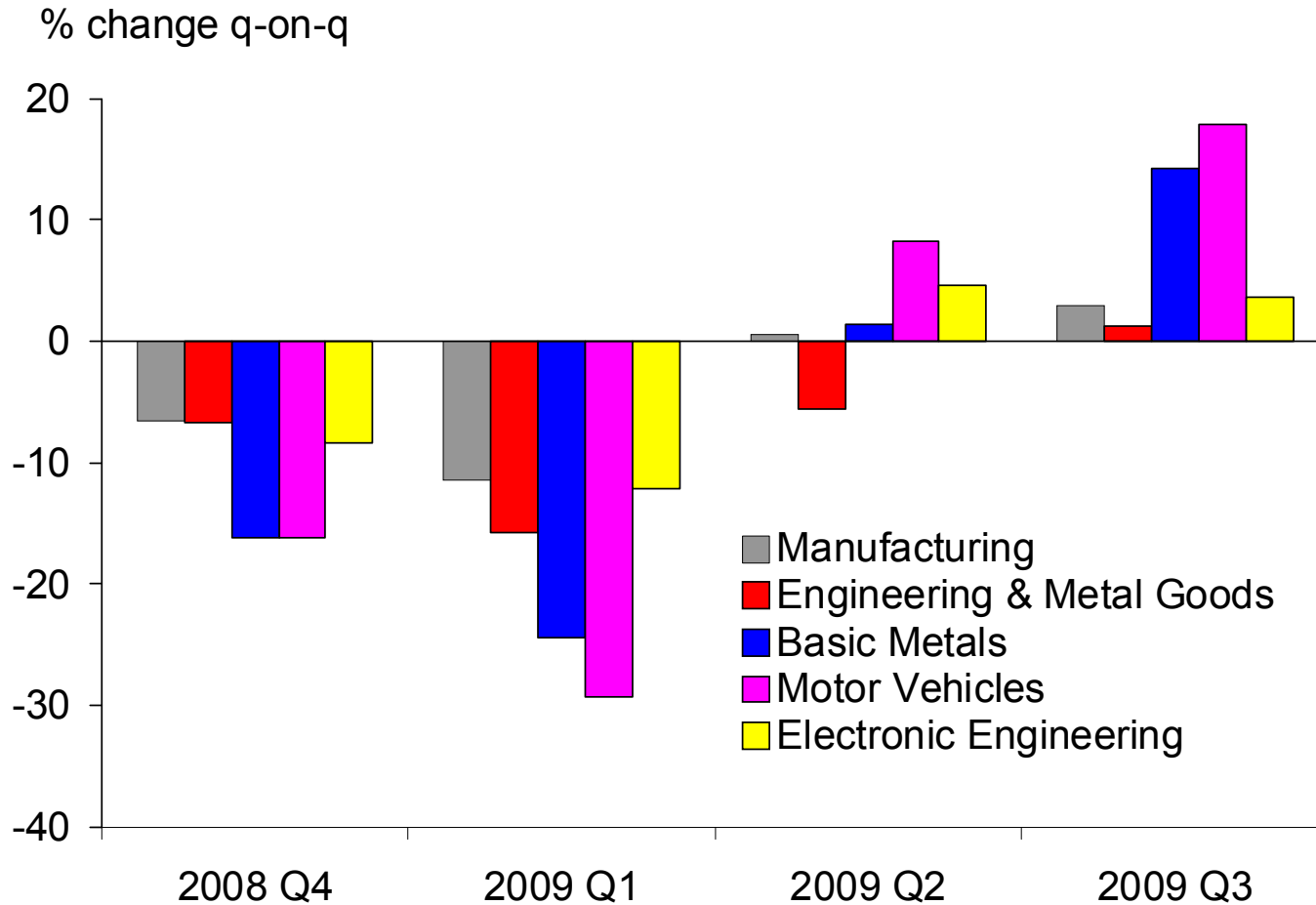


Source: Haver Analytics

Recession giving way to recovery

But recovery is narrowly based

Developed economies

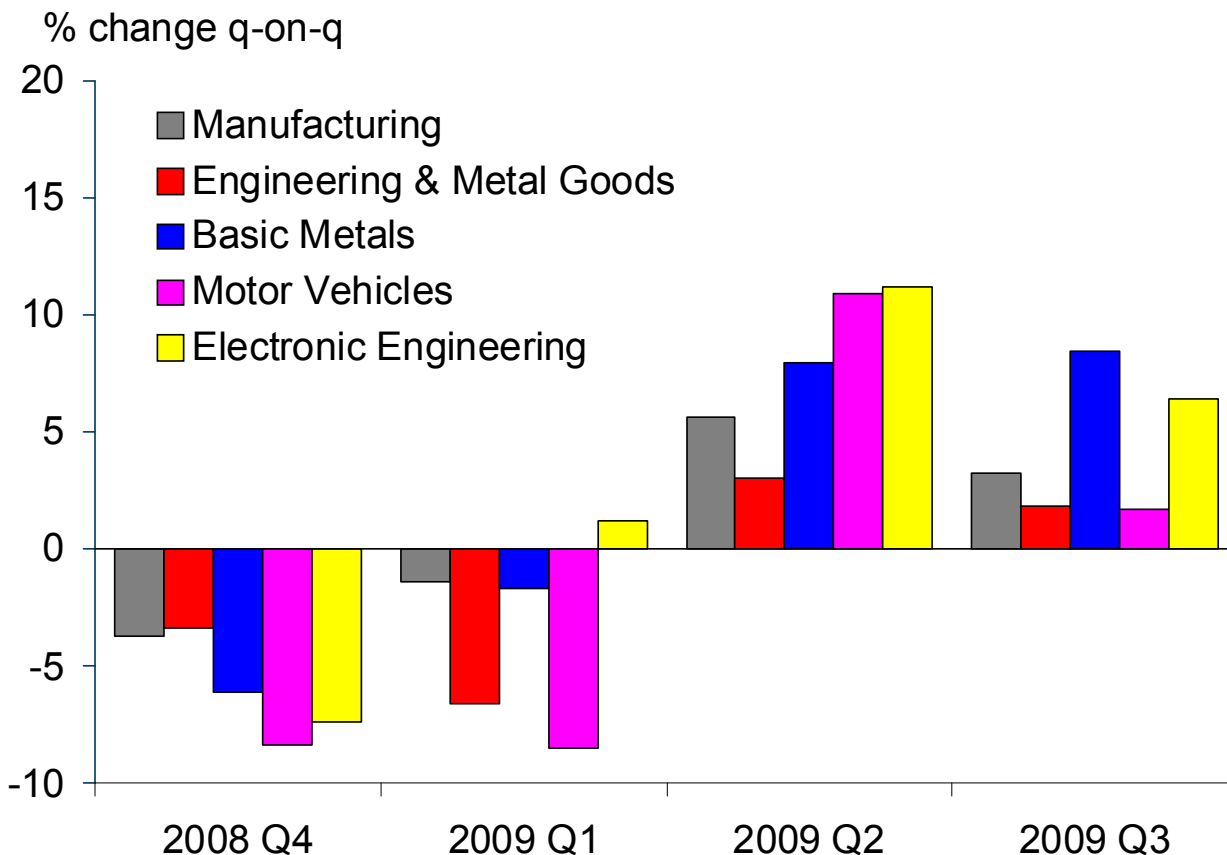


Source: Oxford Economics

Recession giving way to recovery

Only a bit more diverse in emerging markets

Emerging economies

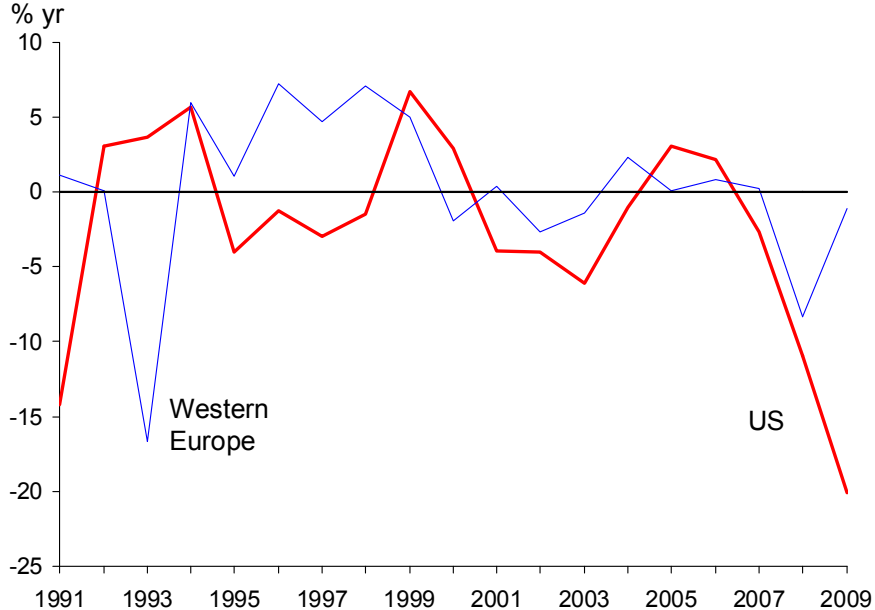


Source: Oxford Economics

Recession giving way to recovery

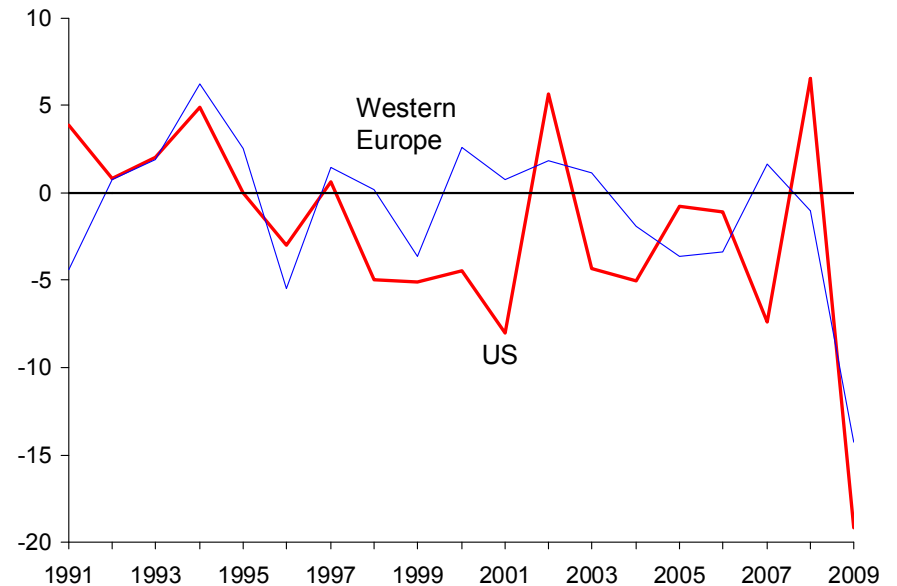
Outlook looks better for US car production

Car sales



Source : Oxford Economics/Haver Analytics

Car Production less sales

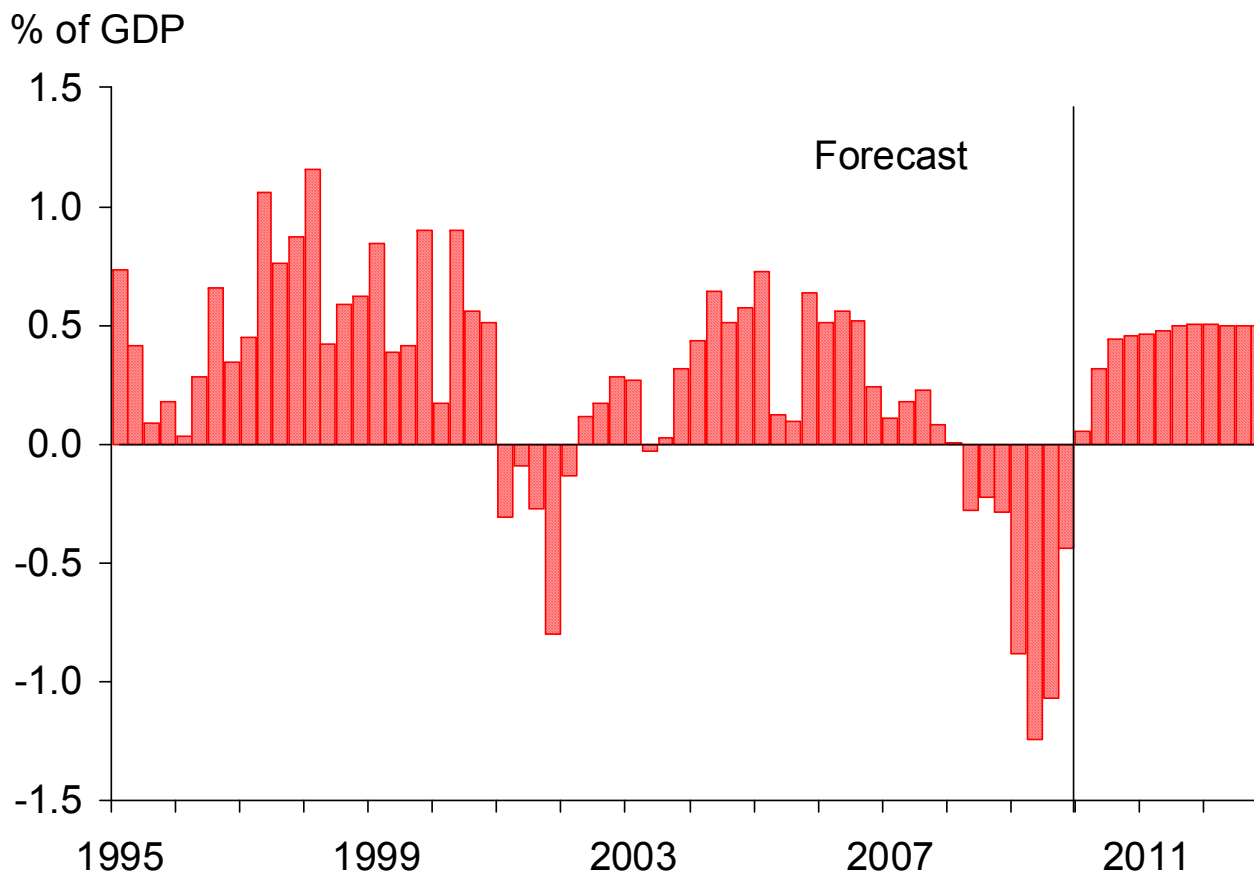


Source : Oxford Economics/Haver Analytics

How big a payback from “cash for clunkers”?

Inventories major contributors to the cycle

US: Inventories



Source: Oxford Economics

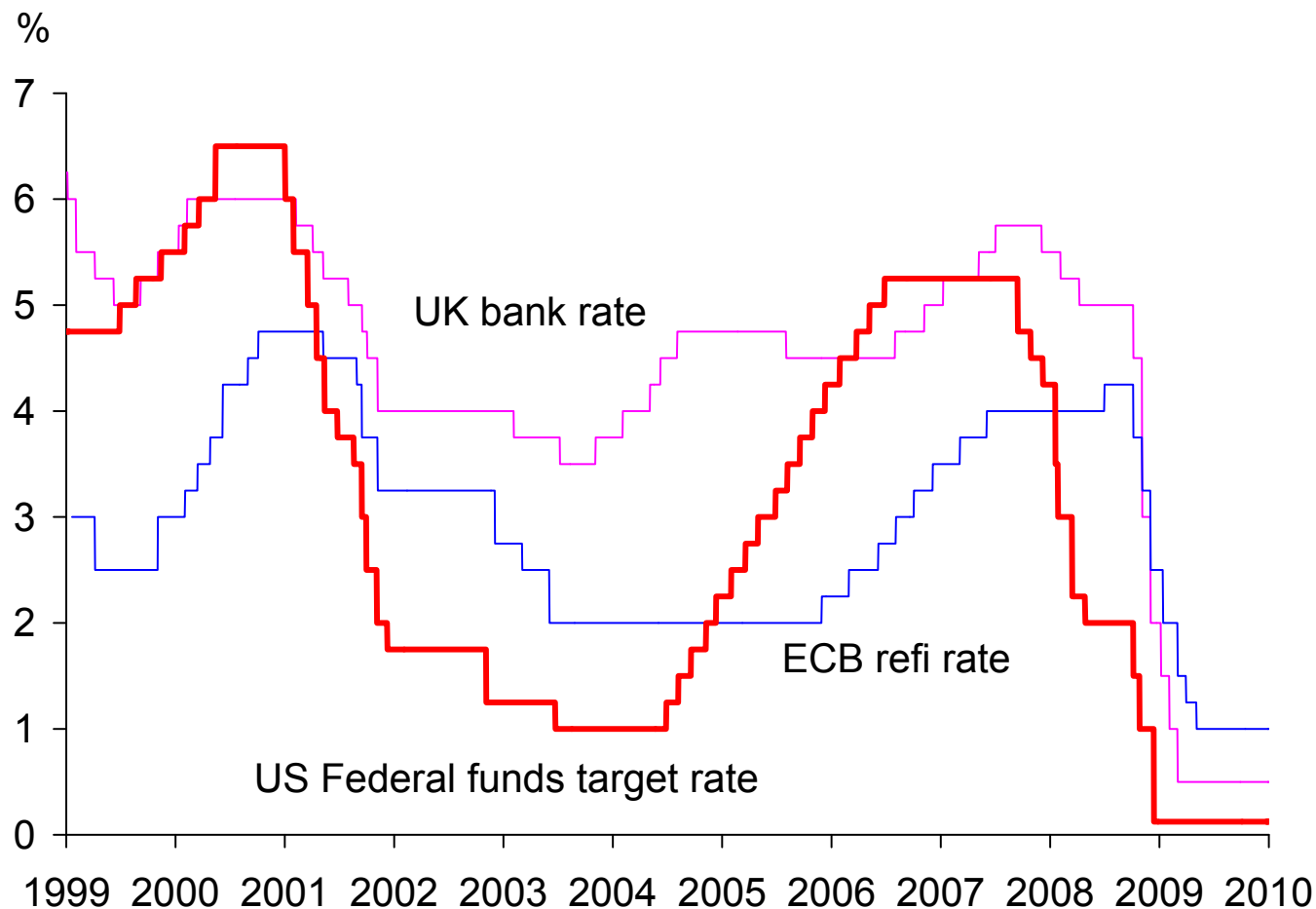
How big a bounce from inventories

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

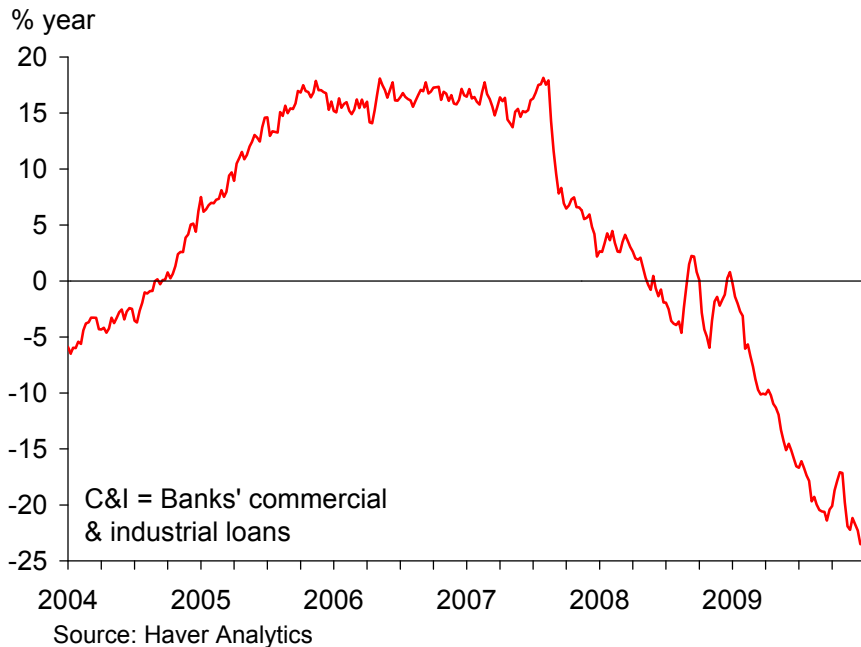


Source: Haver Analytics

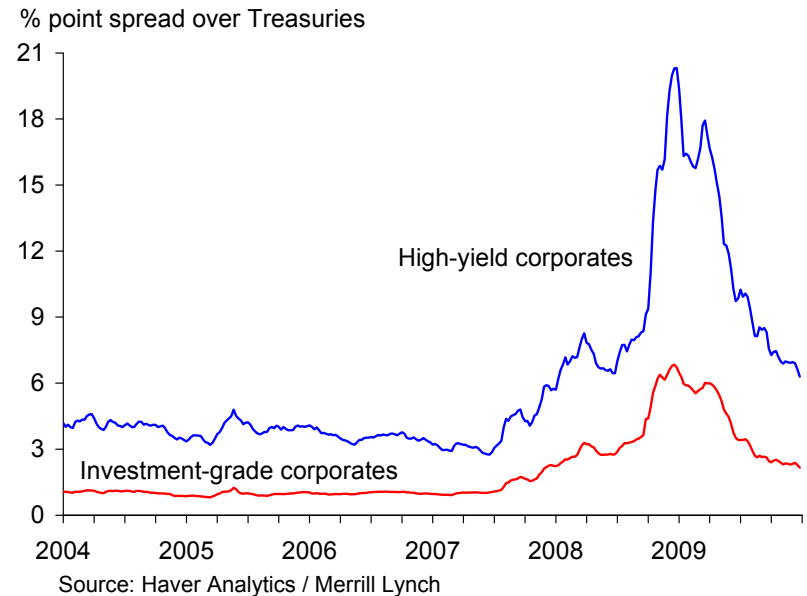
How strong will the recovery be?

Bank lending down, but corporate bond markets returning to normal

US: C&I loans & CP outstanding



US: Risk spreads

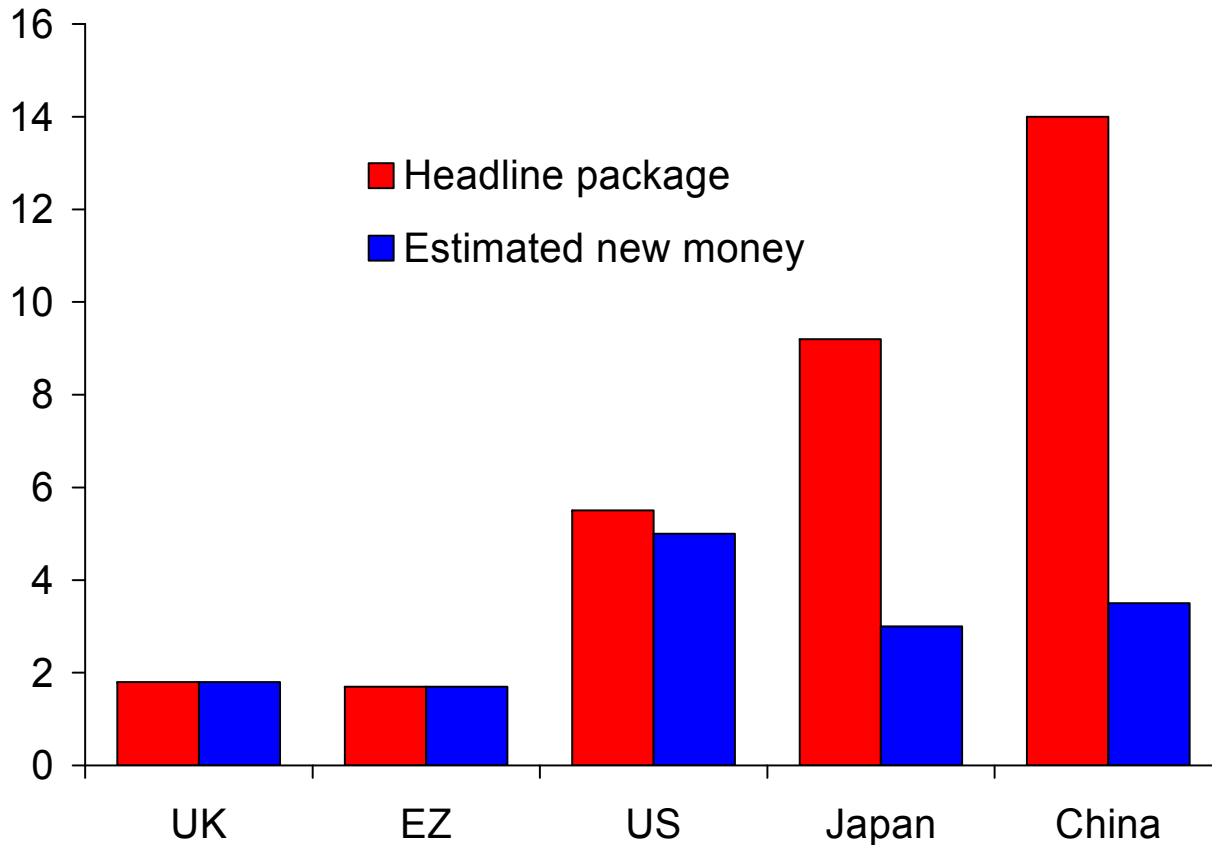


How strong will the recovery be?

Fiscal policy supportive for now

World: fiscal stimulus packages

% of GDP



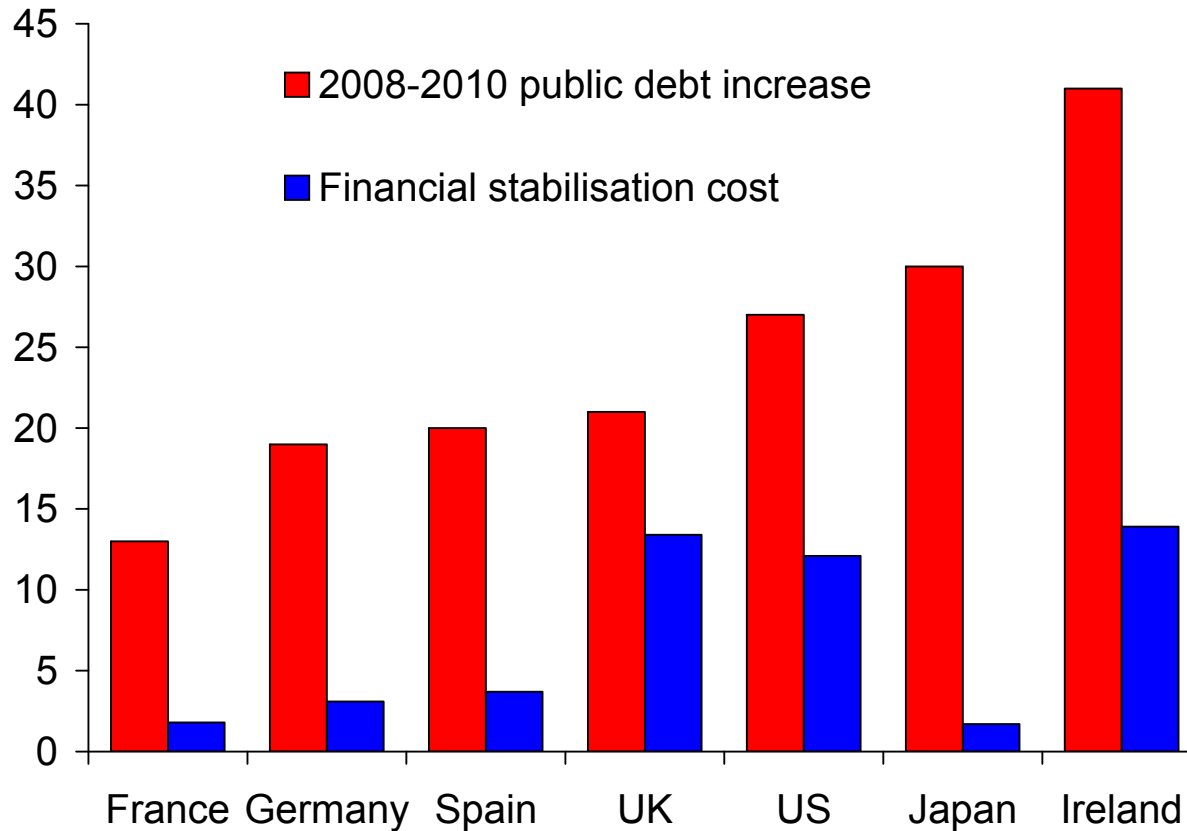
Source : Oxford Economics/Haver Analytics

How strong will the recovery be?

Downside risks for those burdened by massive debt

Fiscal costs of the recession

% of GDP

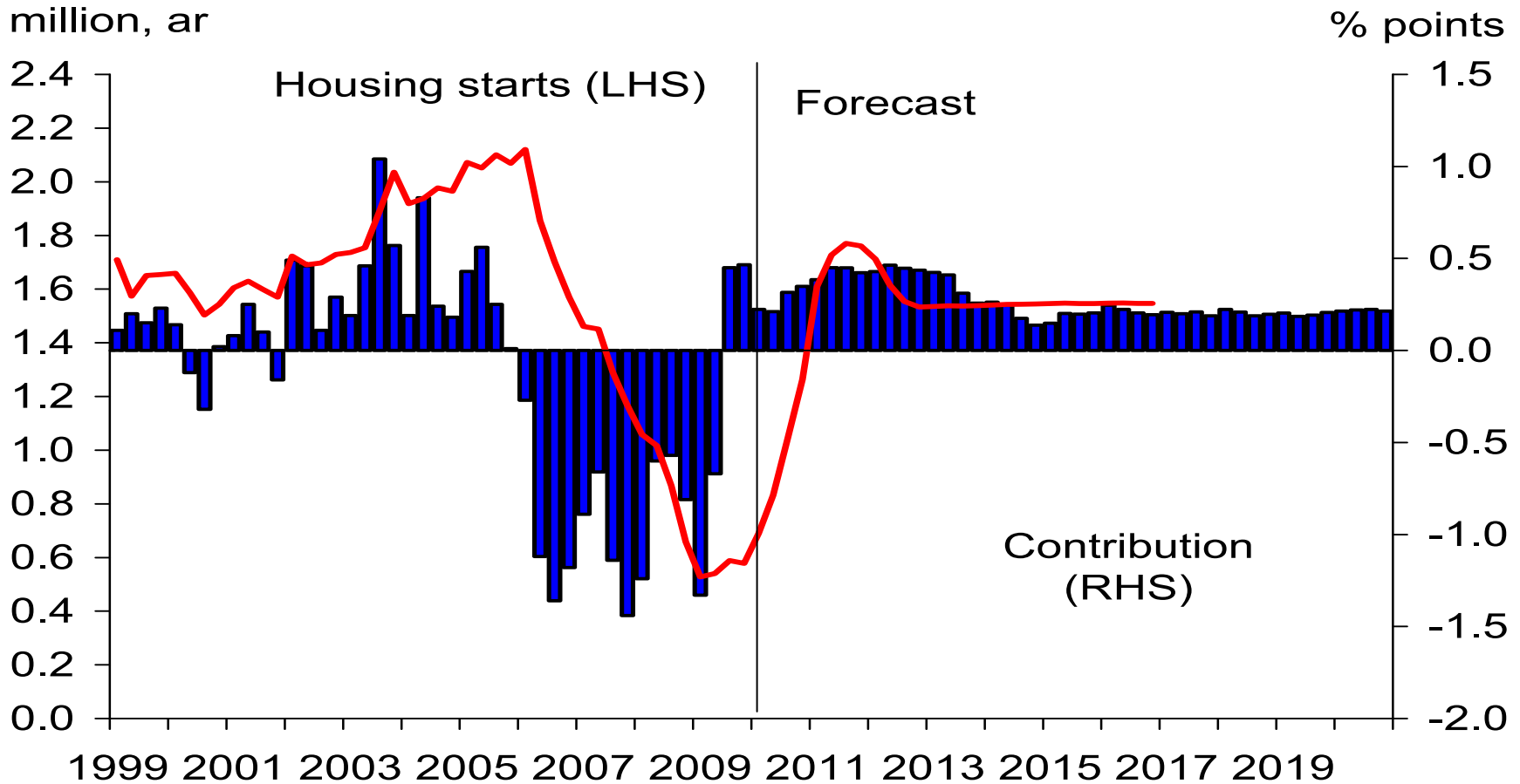


Source : Oxford Economics/IMF

How strong will the recovery be?

Housing to be a big contributor to recovery

Contribution to growth from residential investment

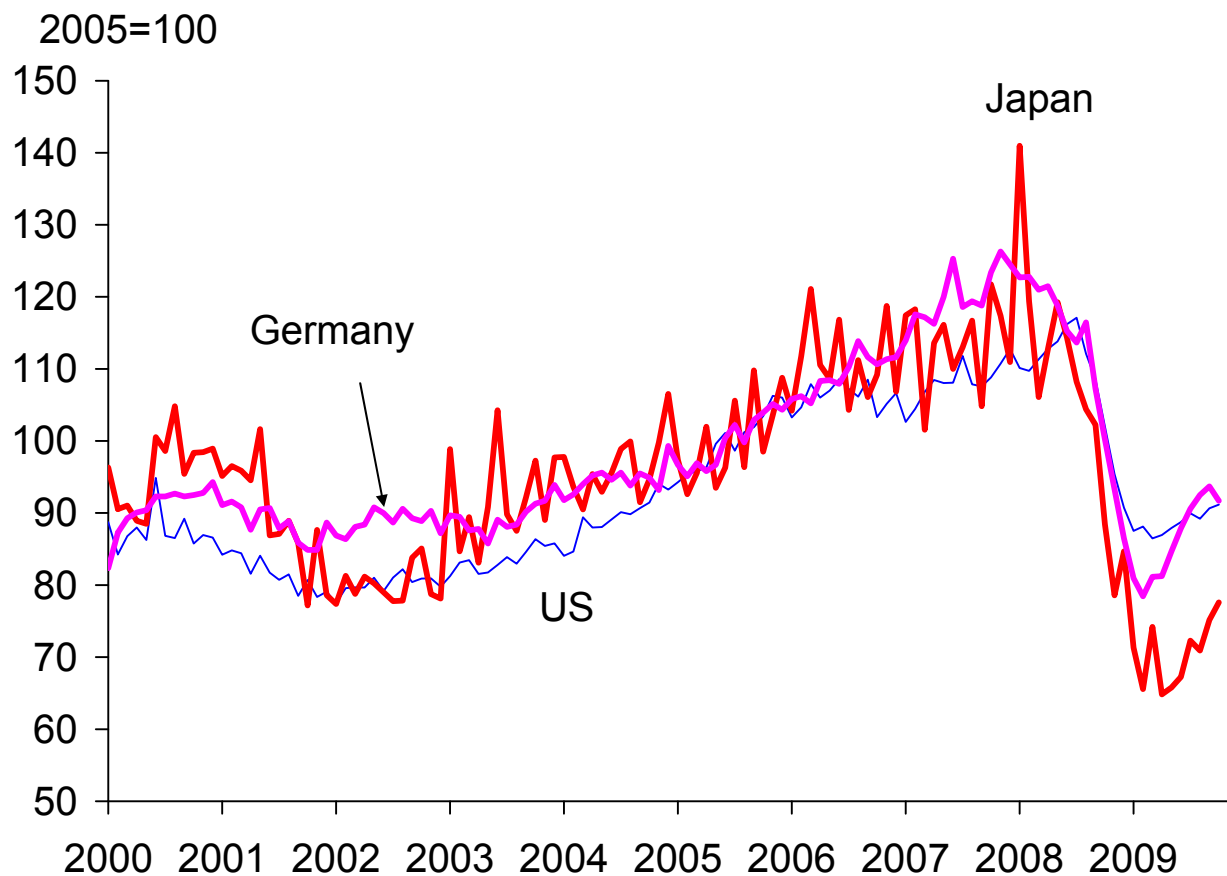


Source: BEA, Census, Oxford Economics

How strong will the recovery be?

Orders on the rebound from low levels

Orders

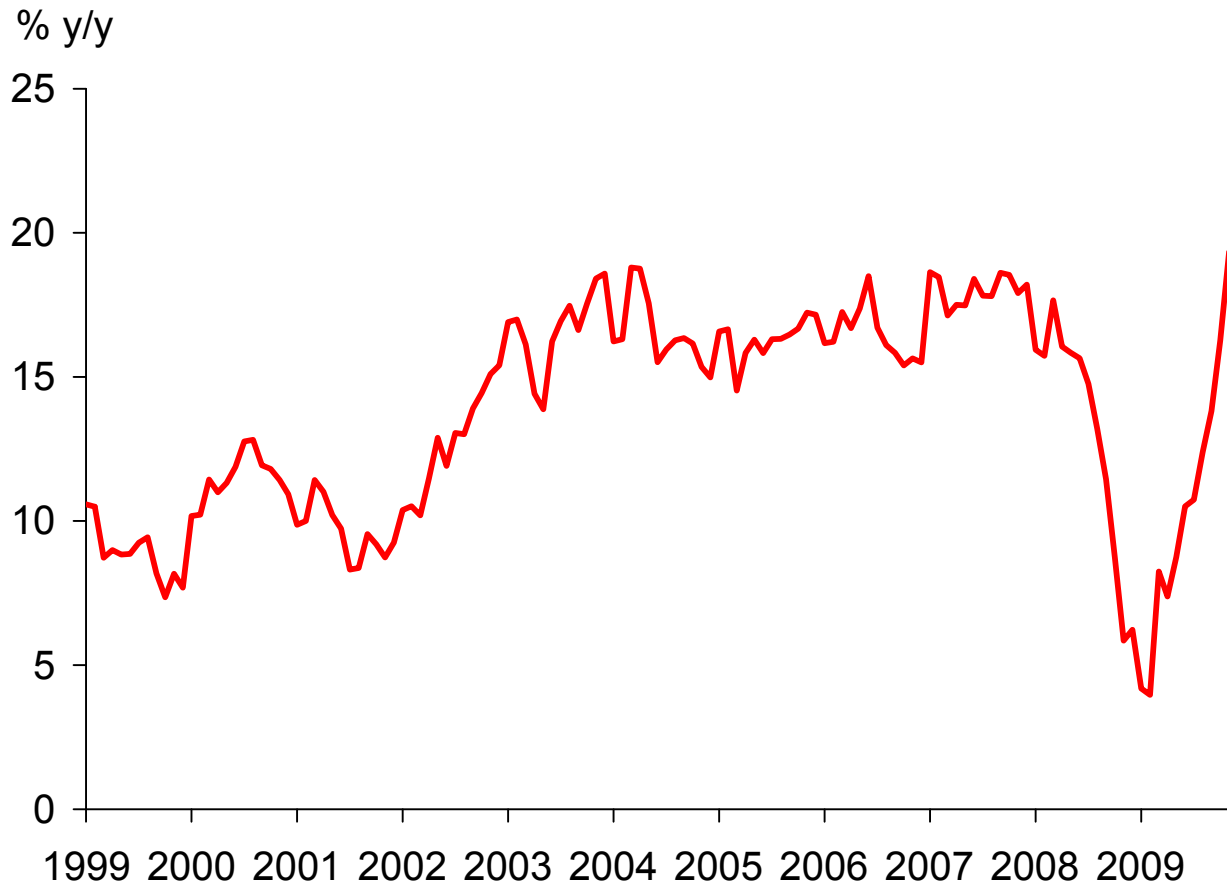


Source: Haver Analytics

How strong will the recovery be?

China - remarkable growth in output

China: Industrial production

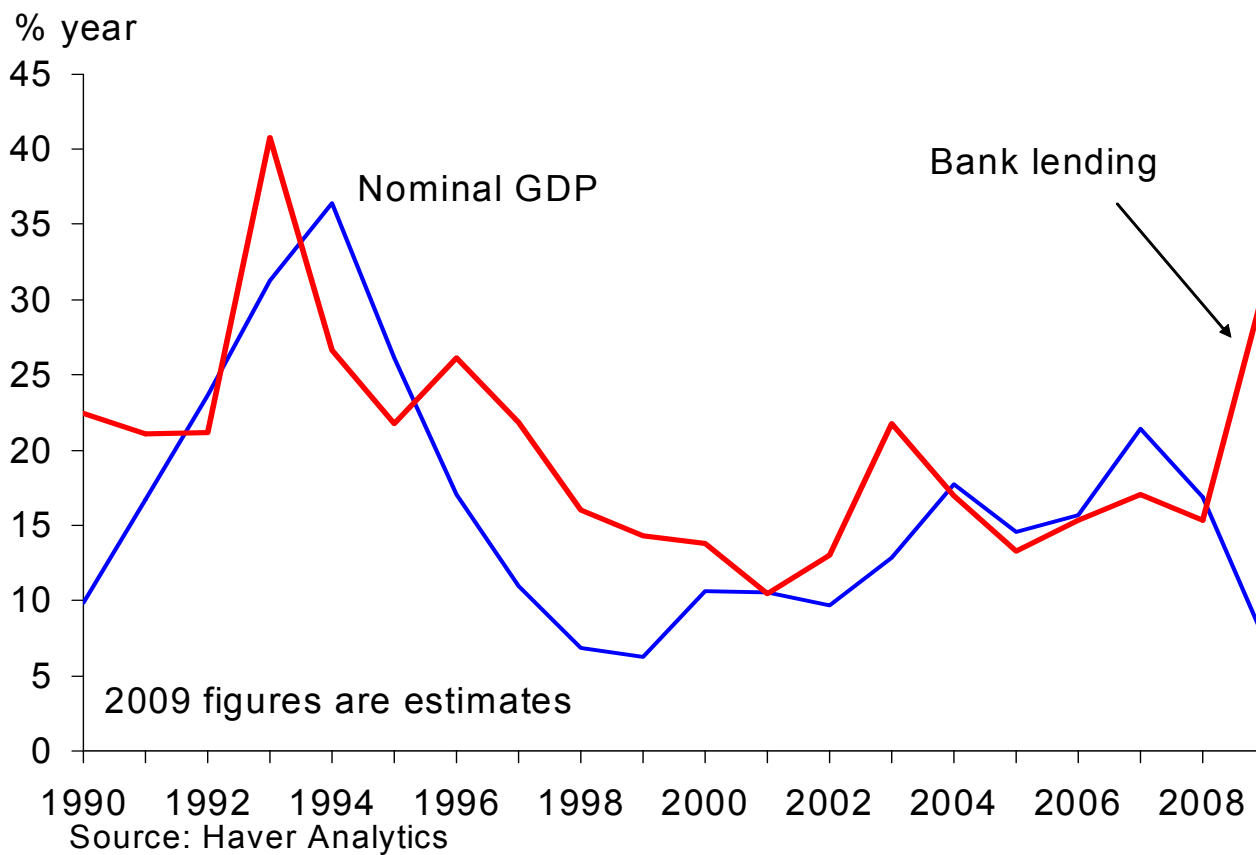


Source: Haver Analytics

Can China and India remain so robust?

Possible risks from expansionary policy

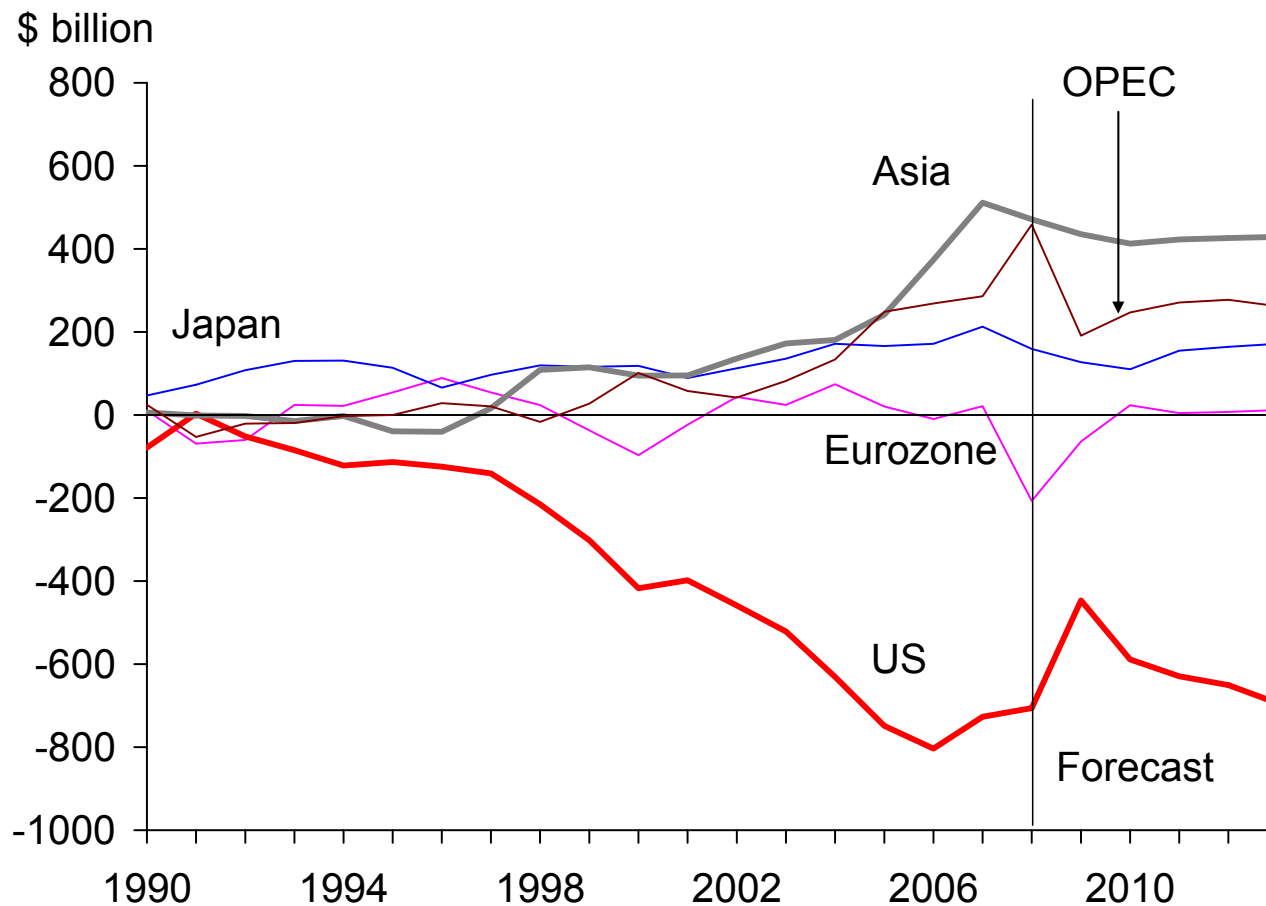
China: Bank lending & nominal GDP



Can China and India remain so robust?

And from global trade tensions

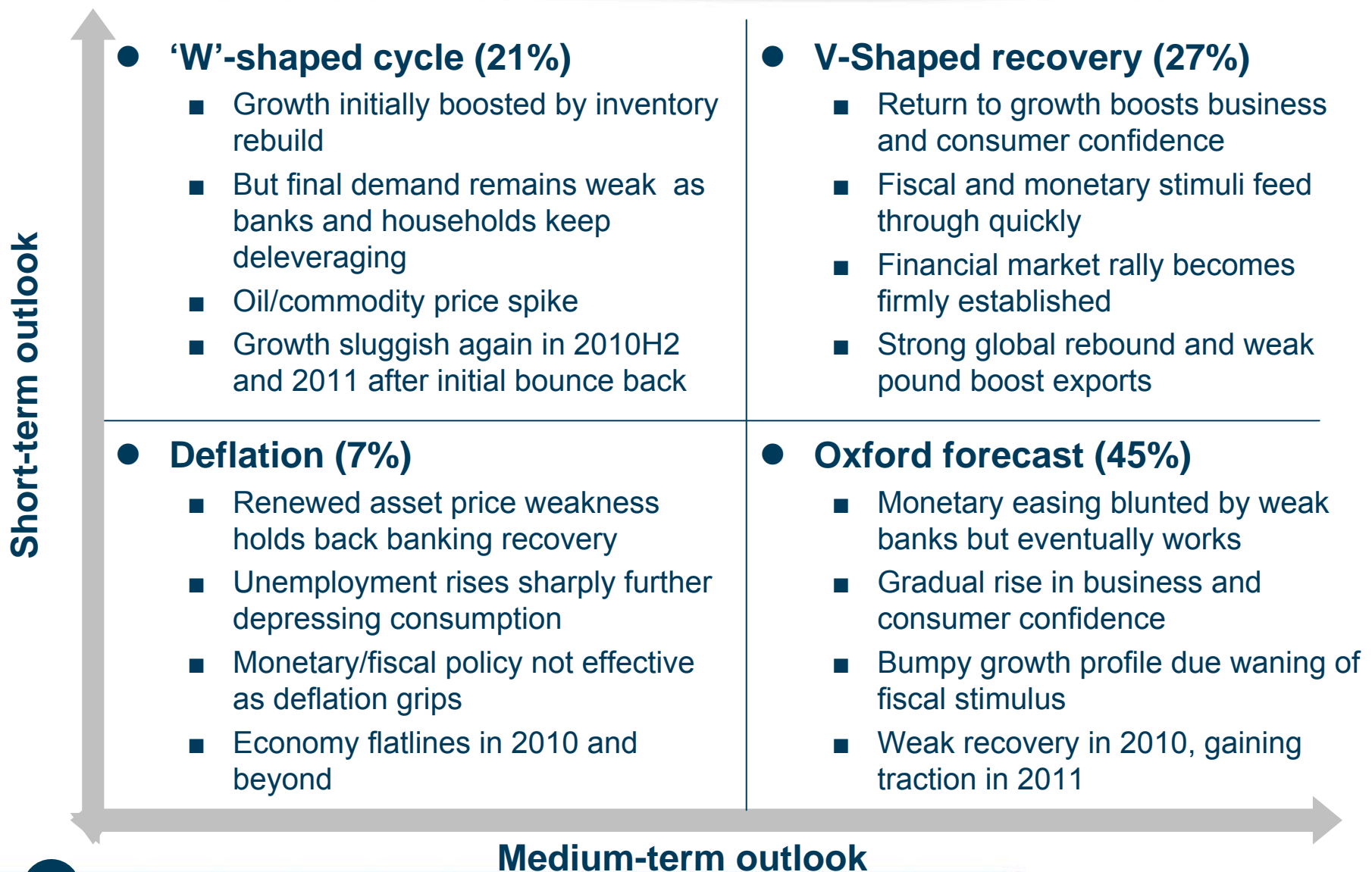
World: Current account imbalances



Source: Oxford Economics

Can China and India remain so robust?

Scenarios for the economic outlook



The Oxford Economics forecast

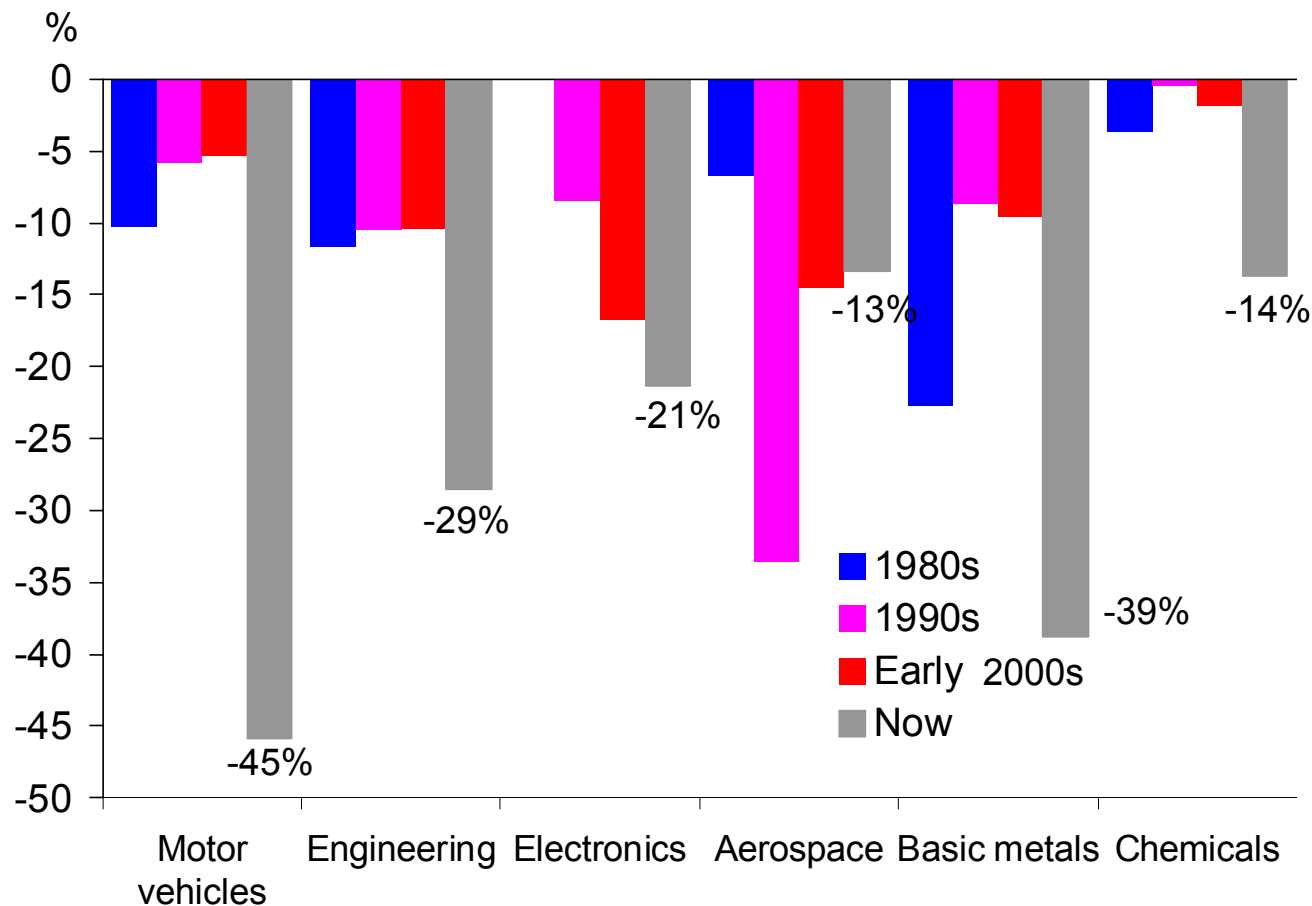
World GDP Growth % Change on Previous Year						
	2008	2009	2010	2011	2012	2013
US	0.4	-2.5	3.2	3.0	3.2	3.1
Japan	-1.2	-5.3	1.2	1.6	2.1	2.4
Eurozone	0.5	-4.0	1.1	1.5	2.1	2.4
of which:						
Germany	1.0	-4.8	1.6	1.7	2.1	2.3
France	0.3	-2.3	1.3	1.4	1.8	2.2
Italy	-1.0	-4.8	1.0	1.3	1.8	2.2
South Korea	2.2	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

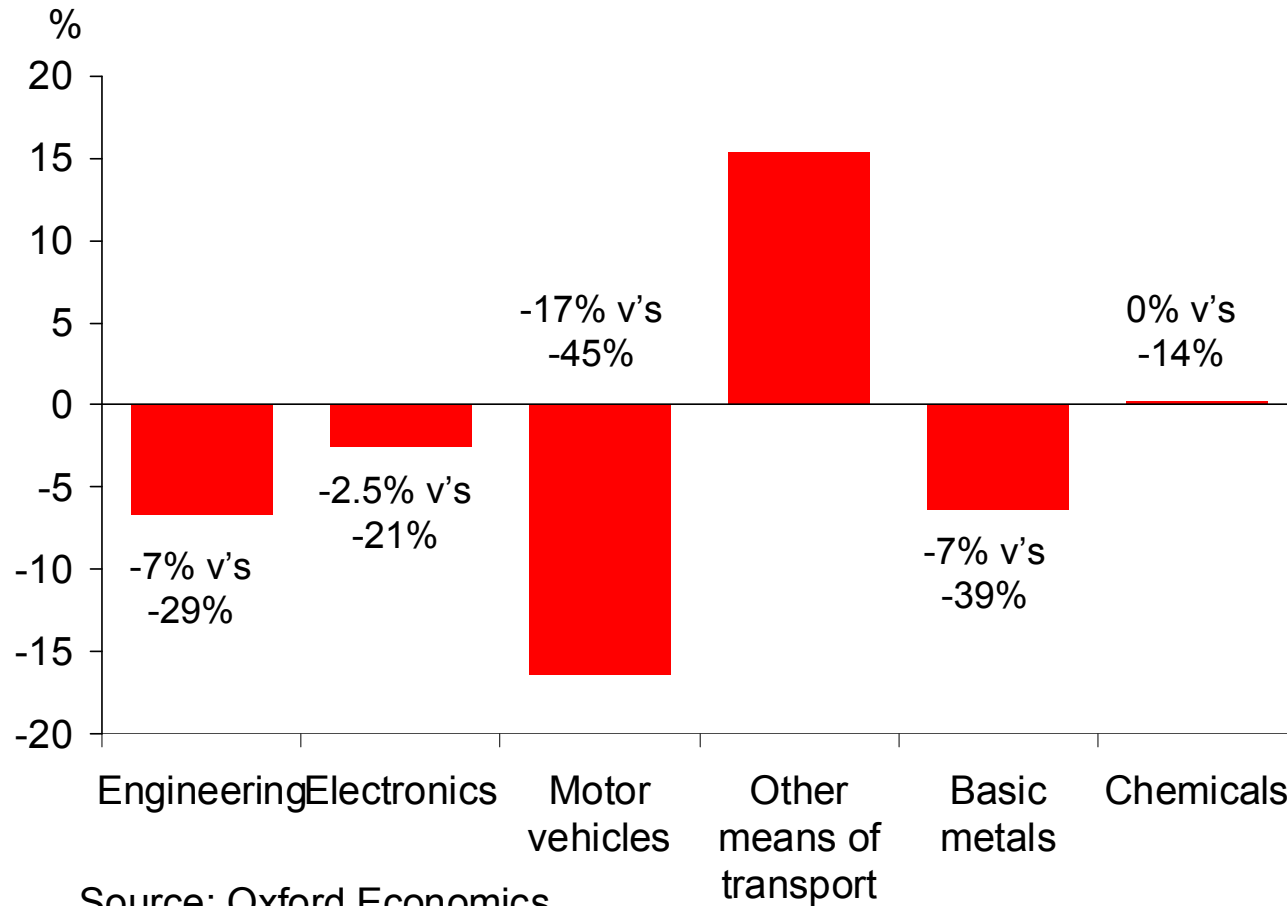


Source: Oxford Economics

Industrial outlook

Performance in Emergents more mixed

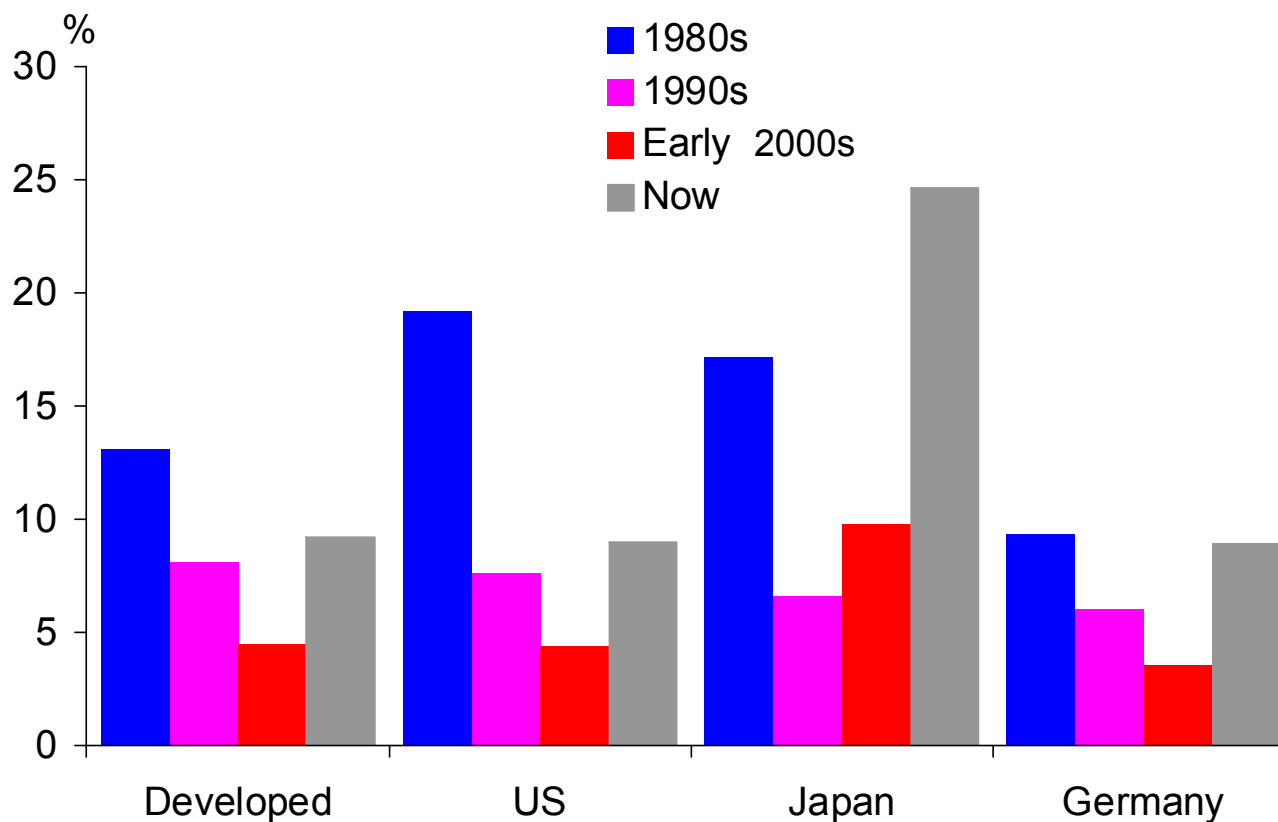
Change in output during current recession



Industrial outlook

Recovery in developed world similar to 1990s

Manufacturing output - rise in first 2 years of recovery

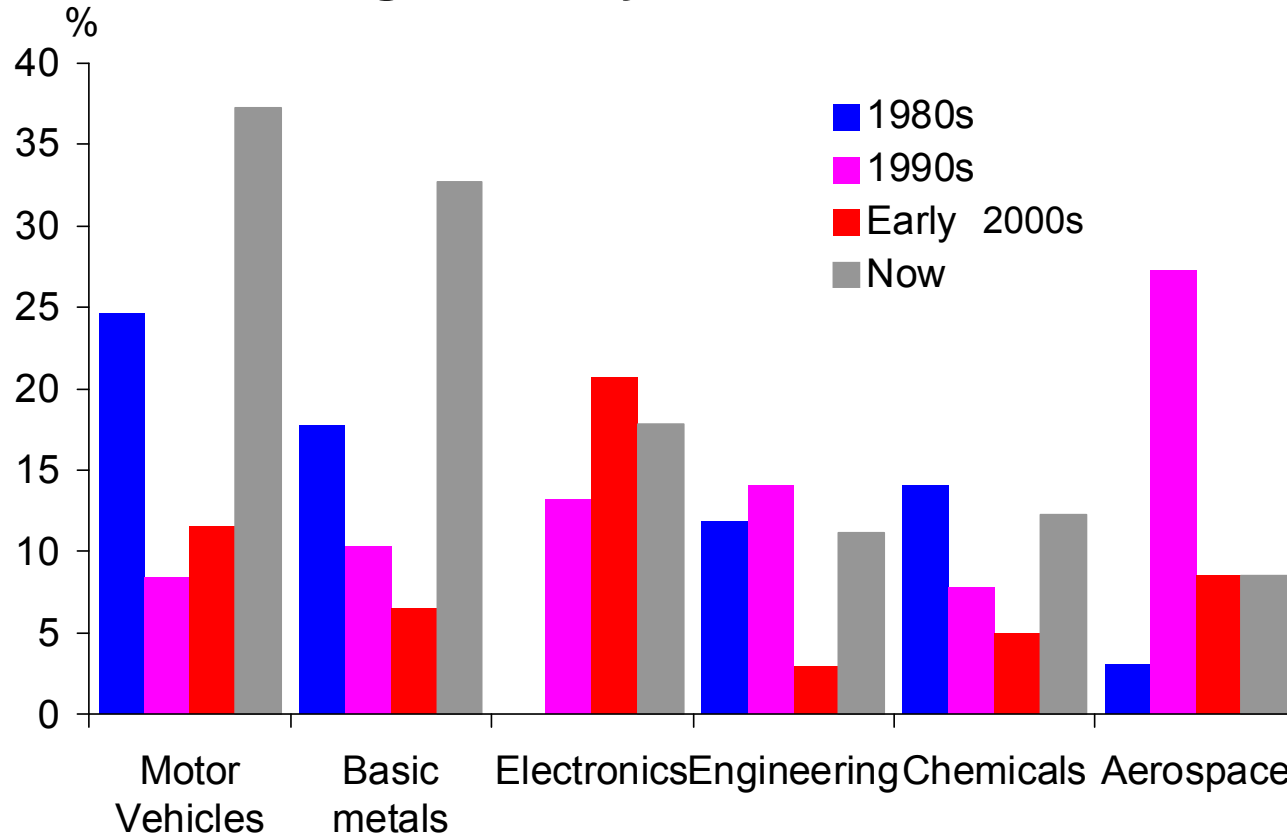


Source: Oxford Economics

Industrial outlook

Motor vehicles sees strongest initial rise

Developed - rise in first 2 years of manufacturing recovery

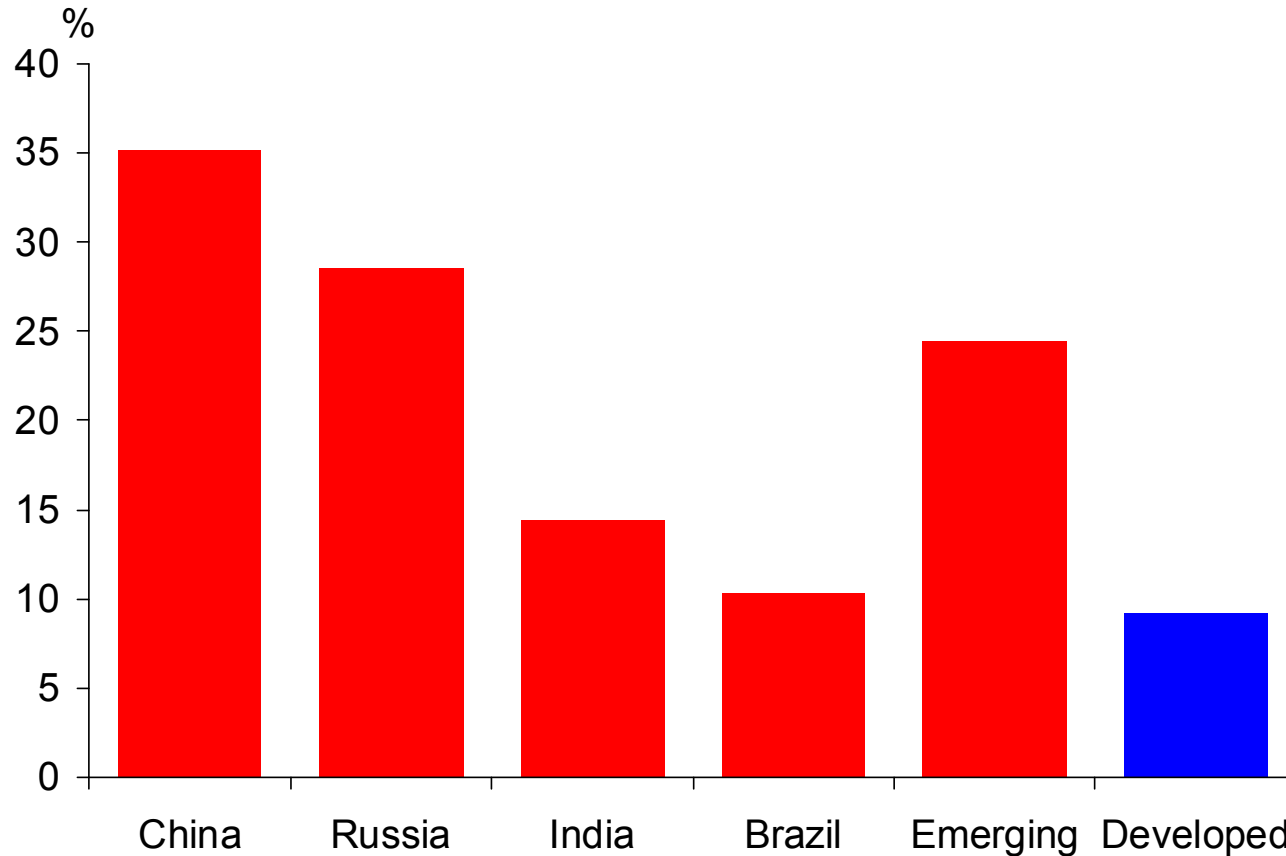


Source: Oxford Economics

Industrial outlook

Much faster growth in emerging markets

Manufacturing rise in first 2 years of recovery

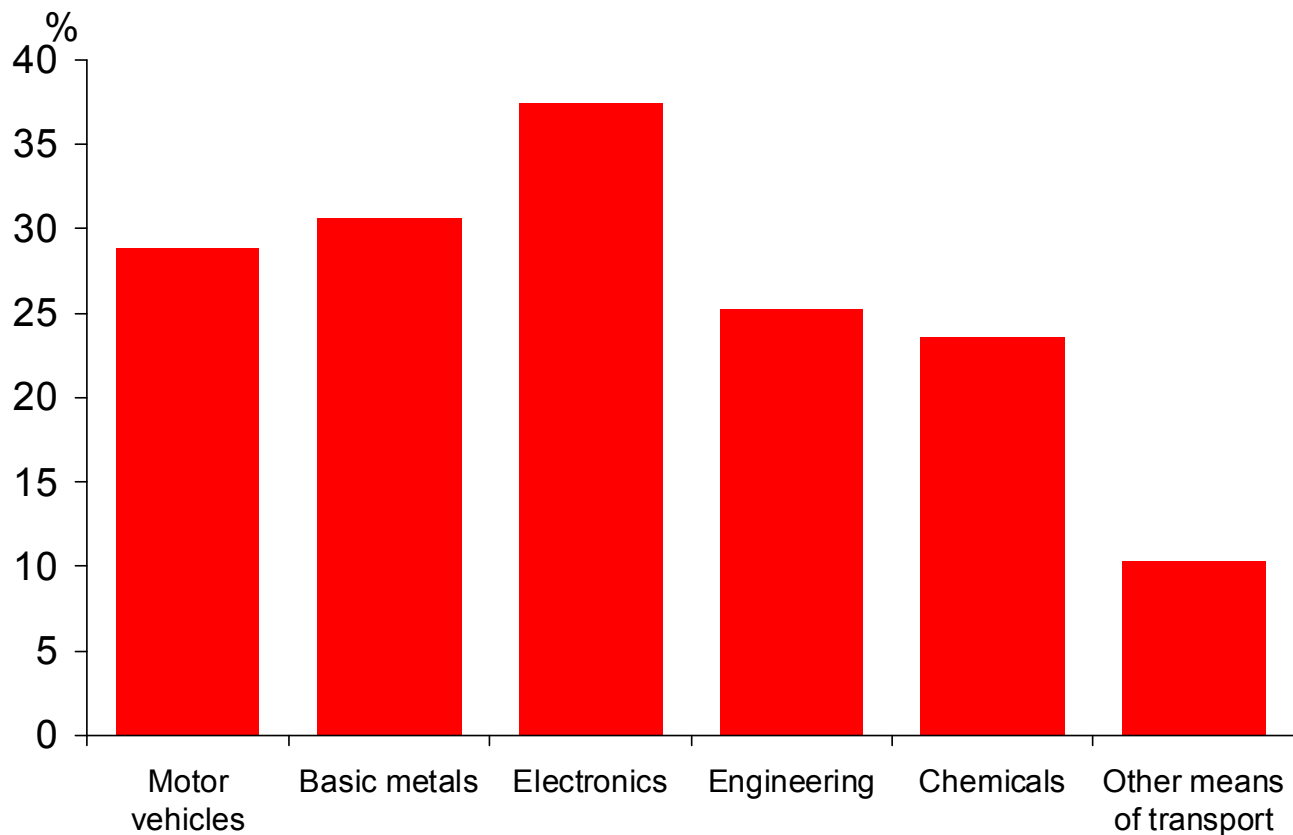


Source: Oxford Economics

Industrial outlook

...and gains will be widespread

Emerging markets - rise in first 2 years of manufacturing recovery

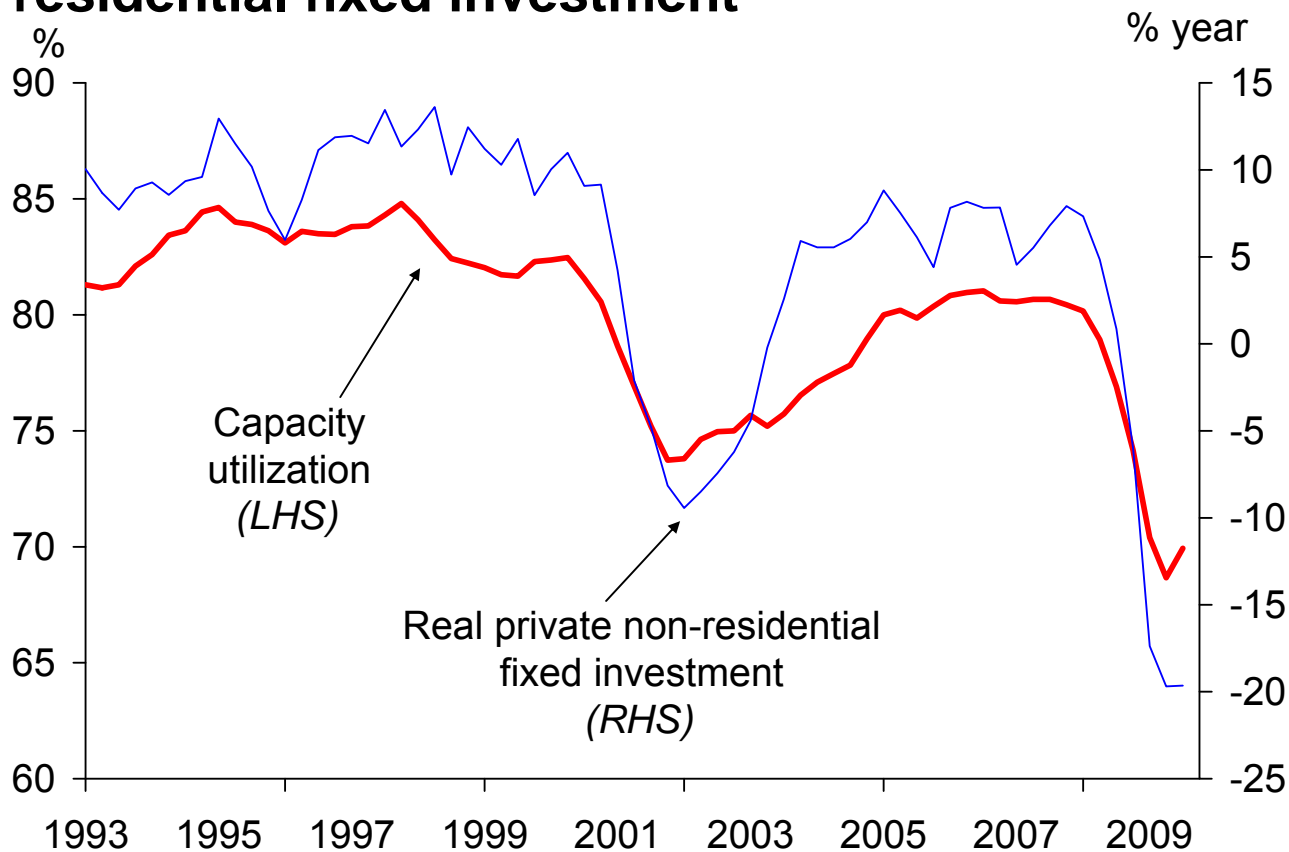


Source: Oxford Economics

Industrial outlook

No immediate need to boost investment

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

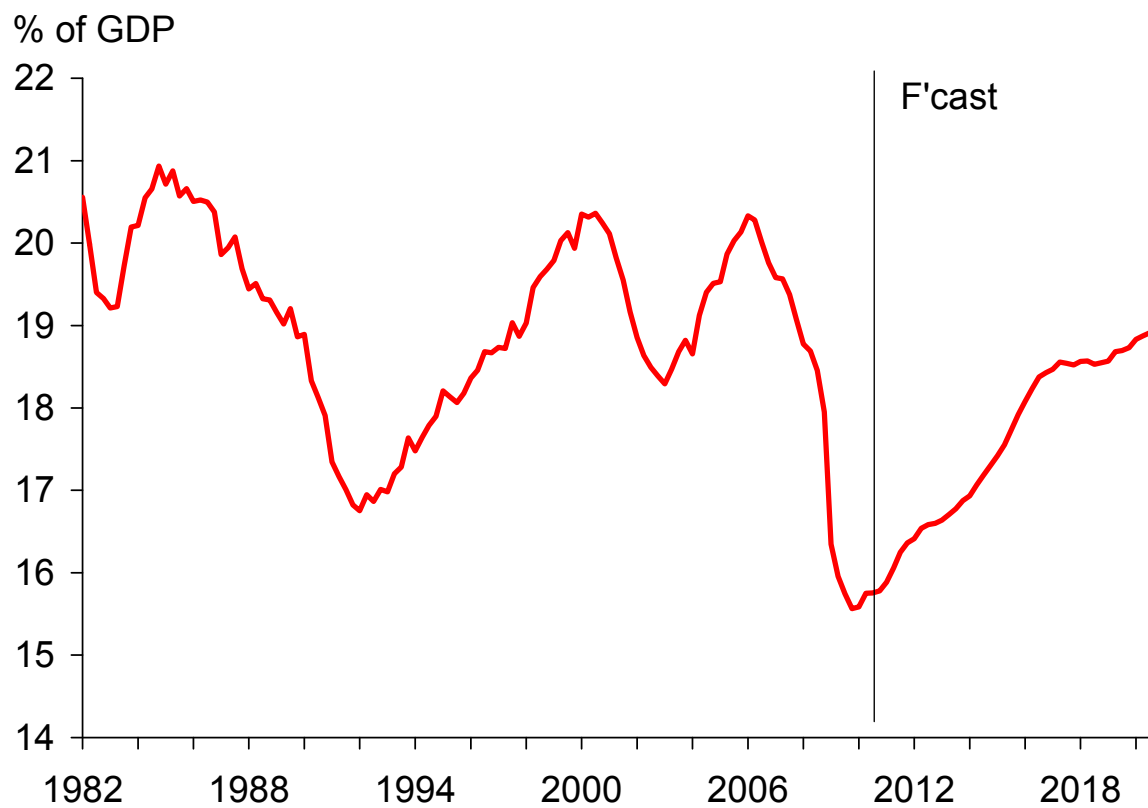


Source: Federal Reserve

Investment outlook

So investment share slow to recover

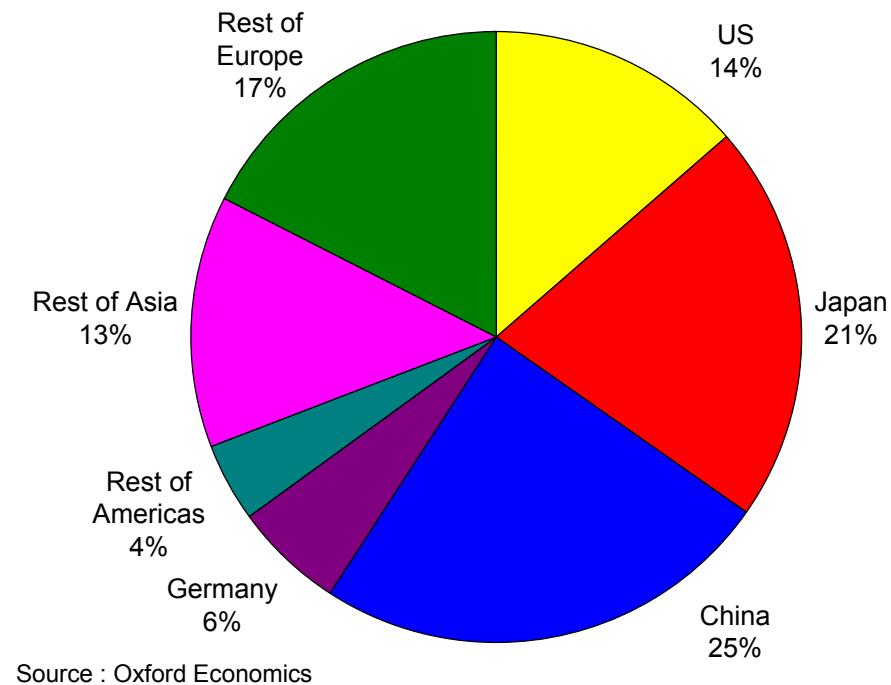
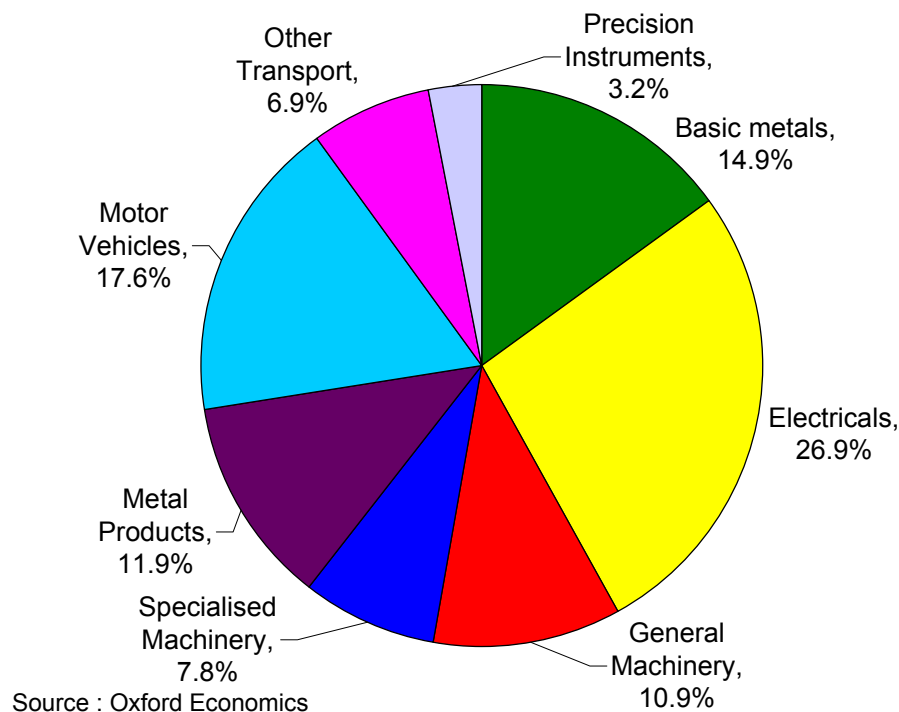
US: Nominal investment, share of GDP



Source: Oxford Economics

Investment outlook

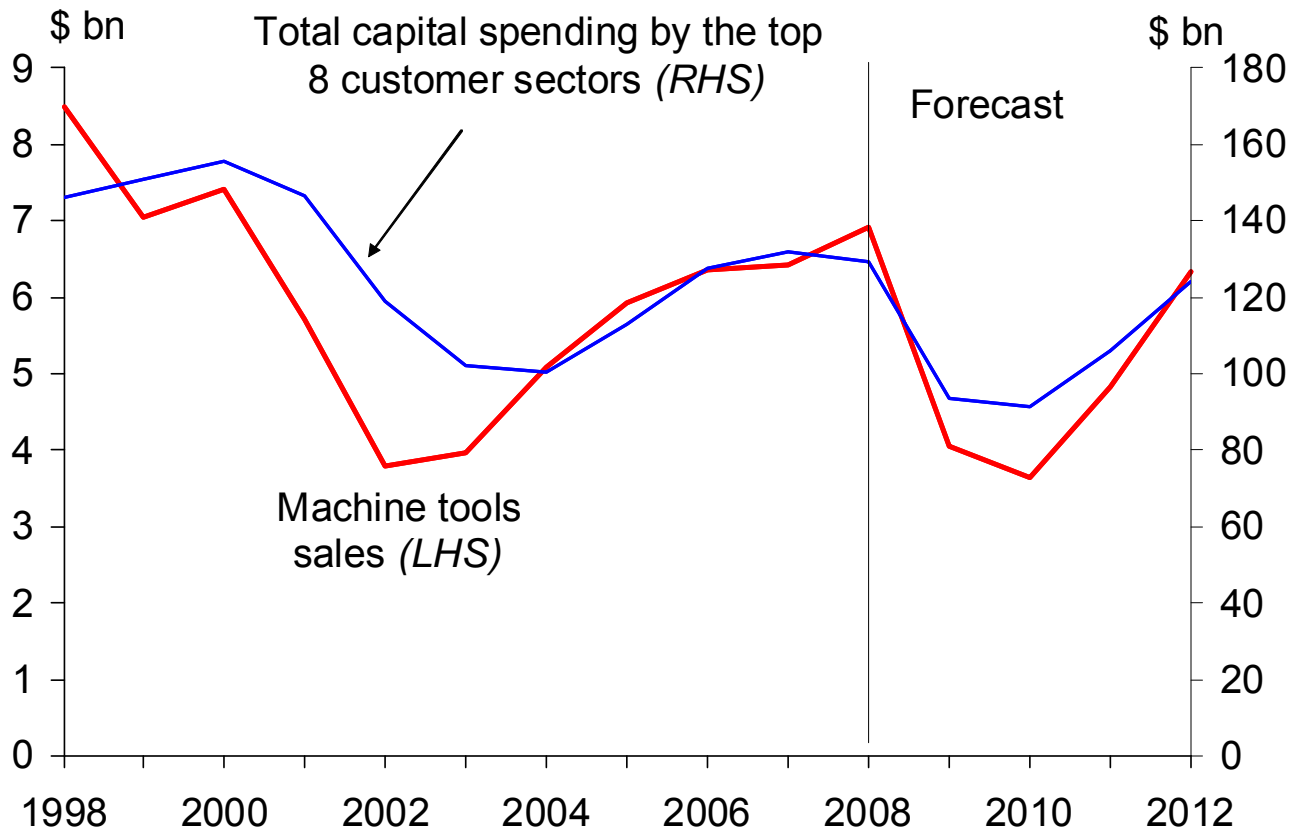
Global investment patterns - 2009



Investment outlook

Forecast for the US

US

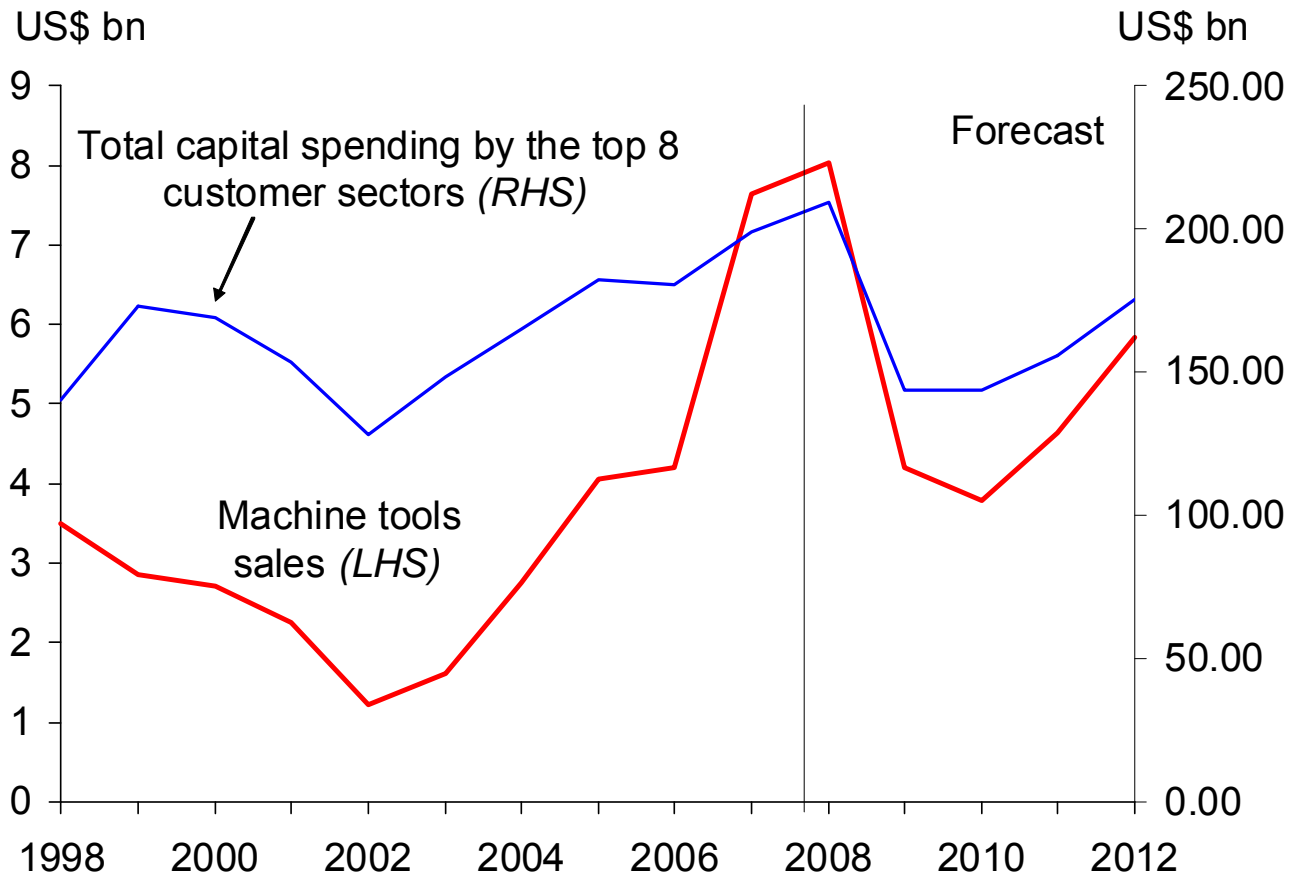


Source: Oxford Economics

Machine tools sales

Forecast for Japan

Japan

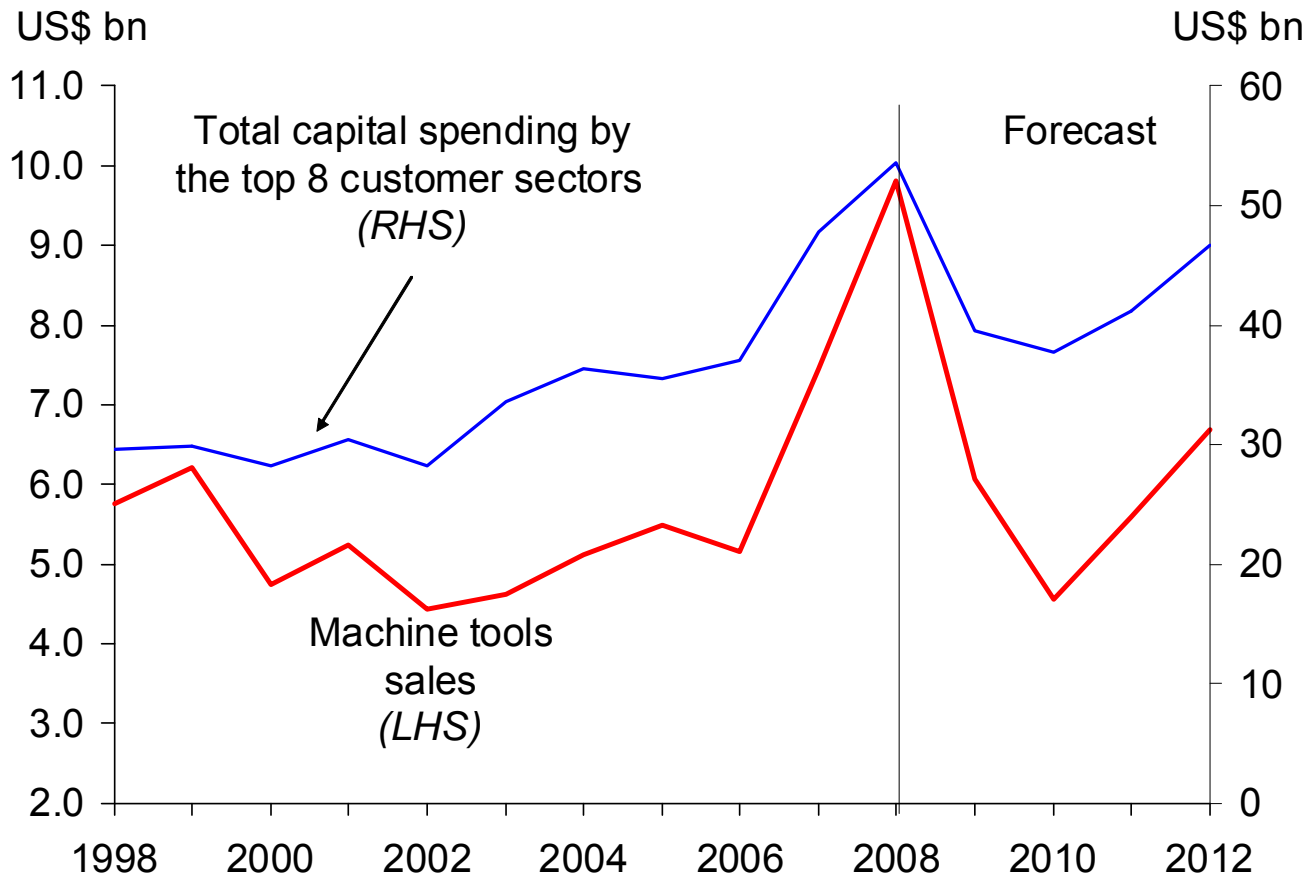


Source: Oxford Economics

Machine tools sales

Forecast for Germany

Germany

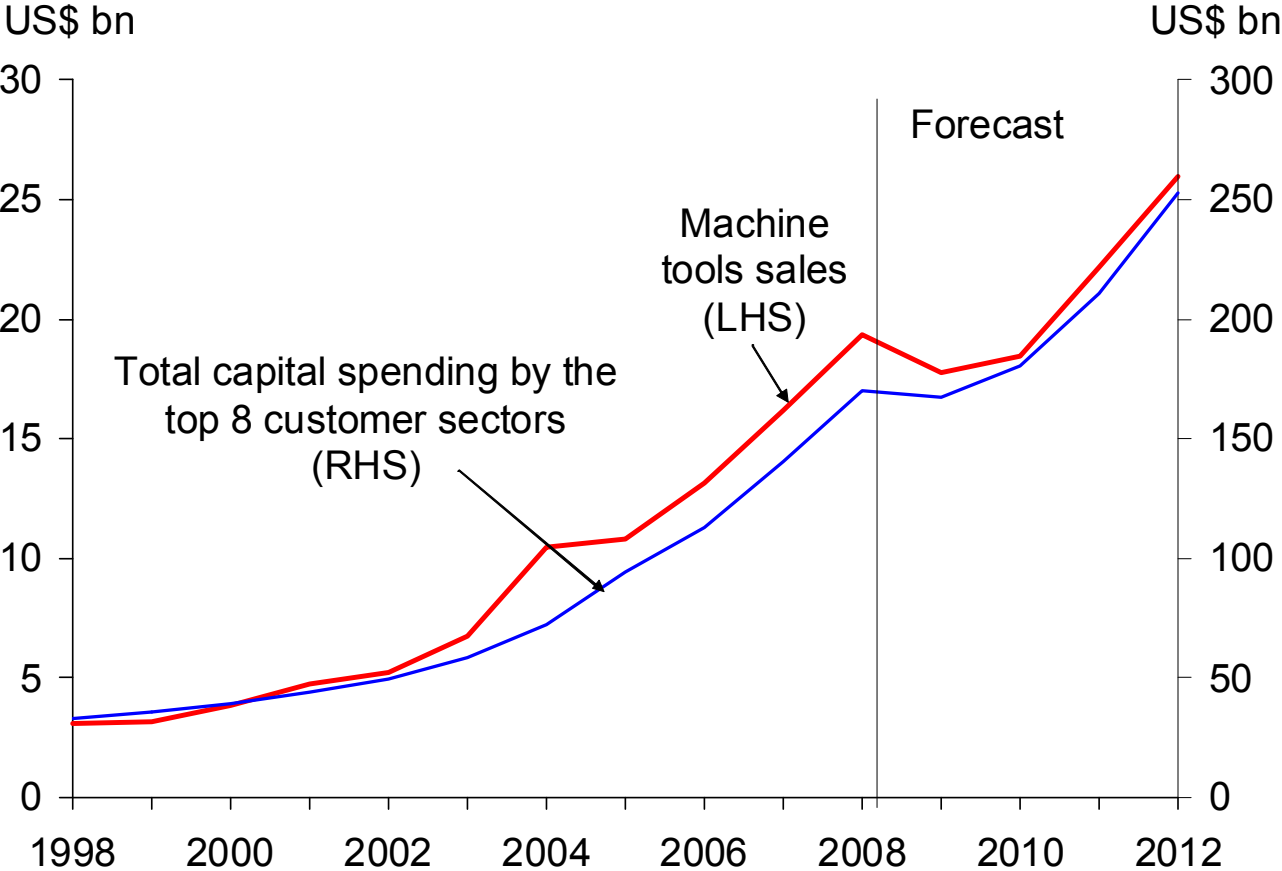


Source: Oxford Economics

Machine tools sales

Forecast for China

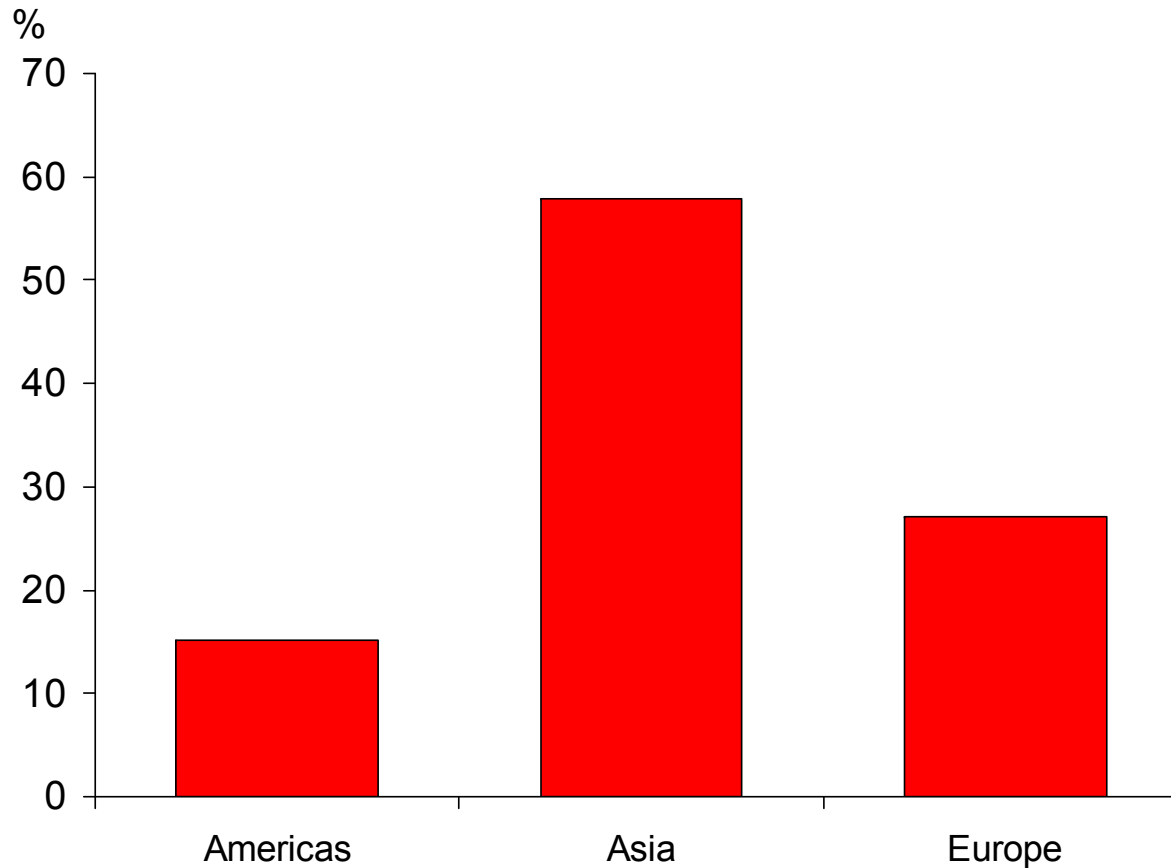
China



Source: Oxford Economics

Machine tools sales

Percentage of global sales - 2009

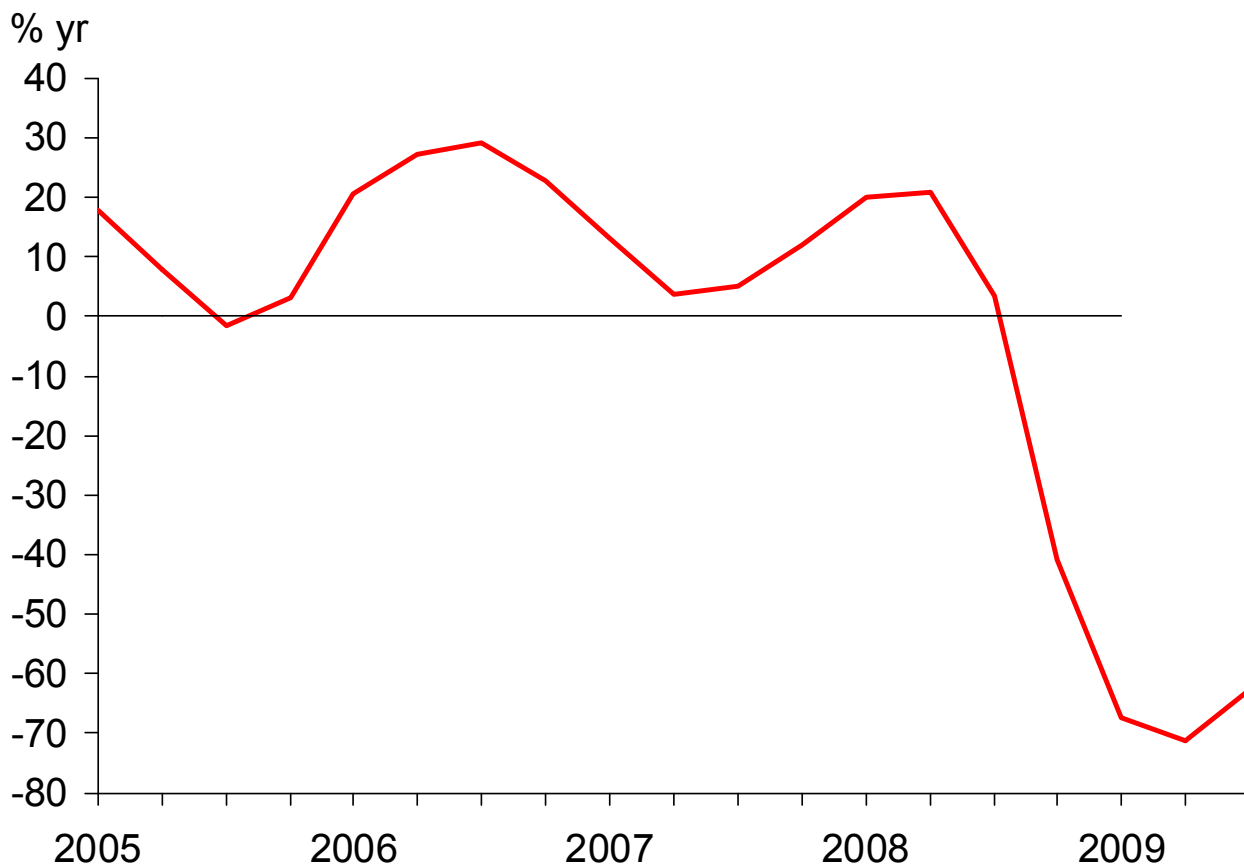


Source : AMT\Oxford Economics

Machine tool consumption

Plunge in orders in late 2008

US machine tools orders annual growth

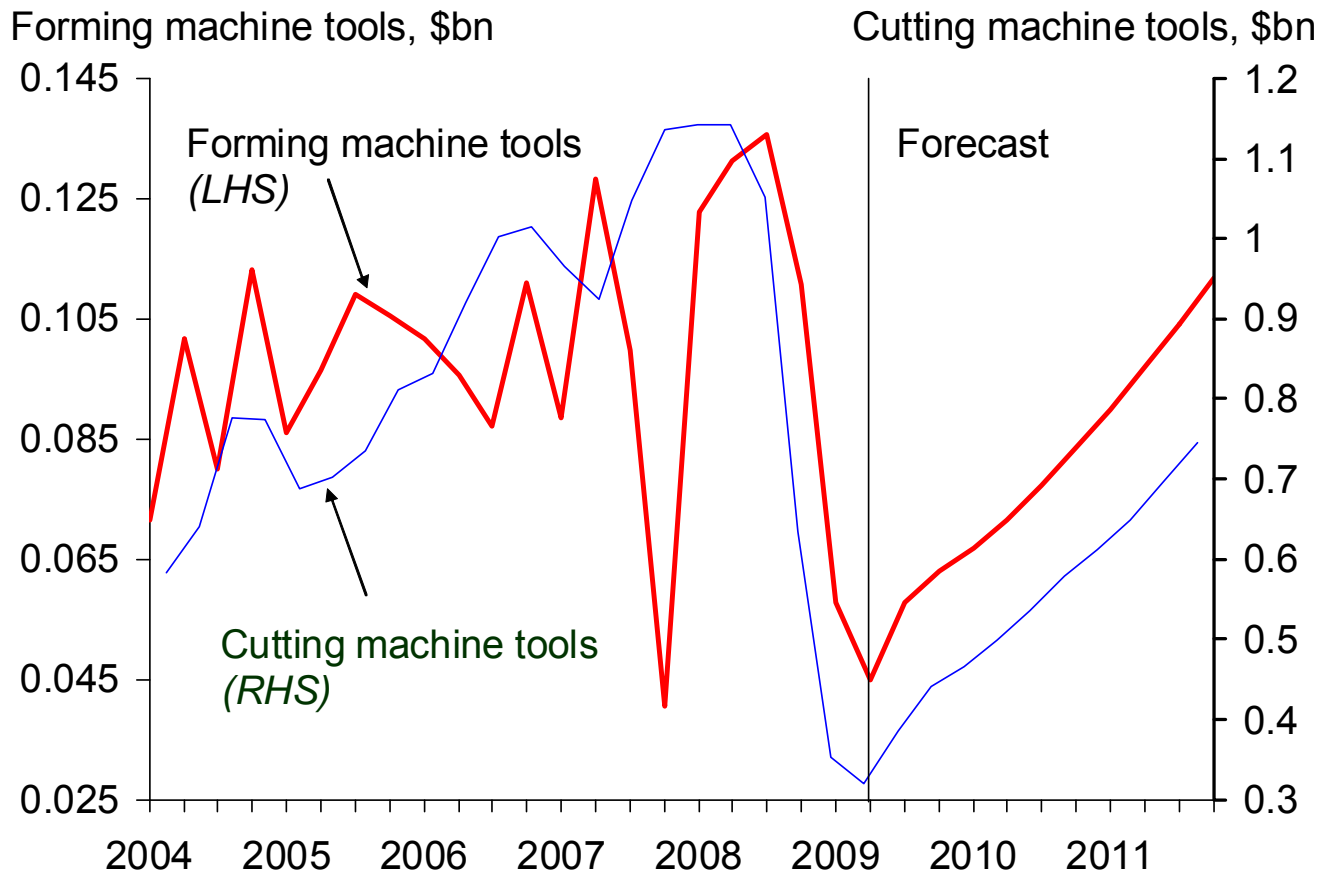


Source : Oxford Economics

US orders

Quarterly USMTC orders forecast...

US metalworking machine tools orders, USMTC

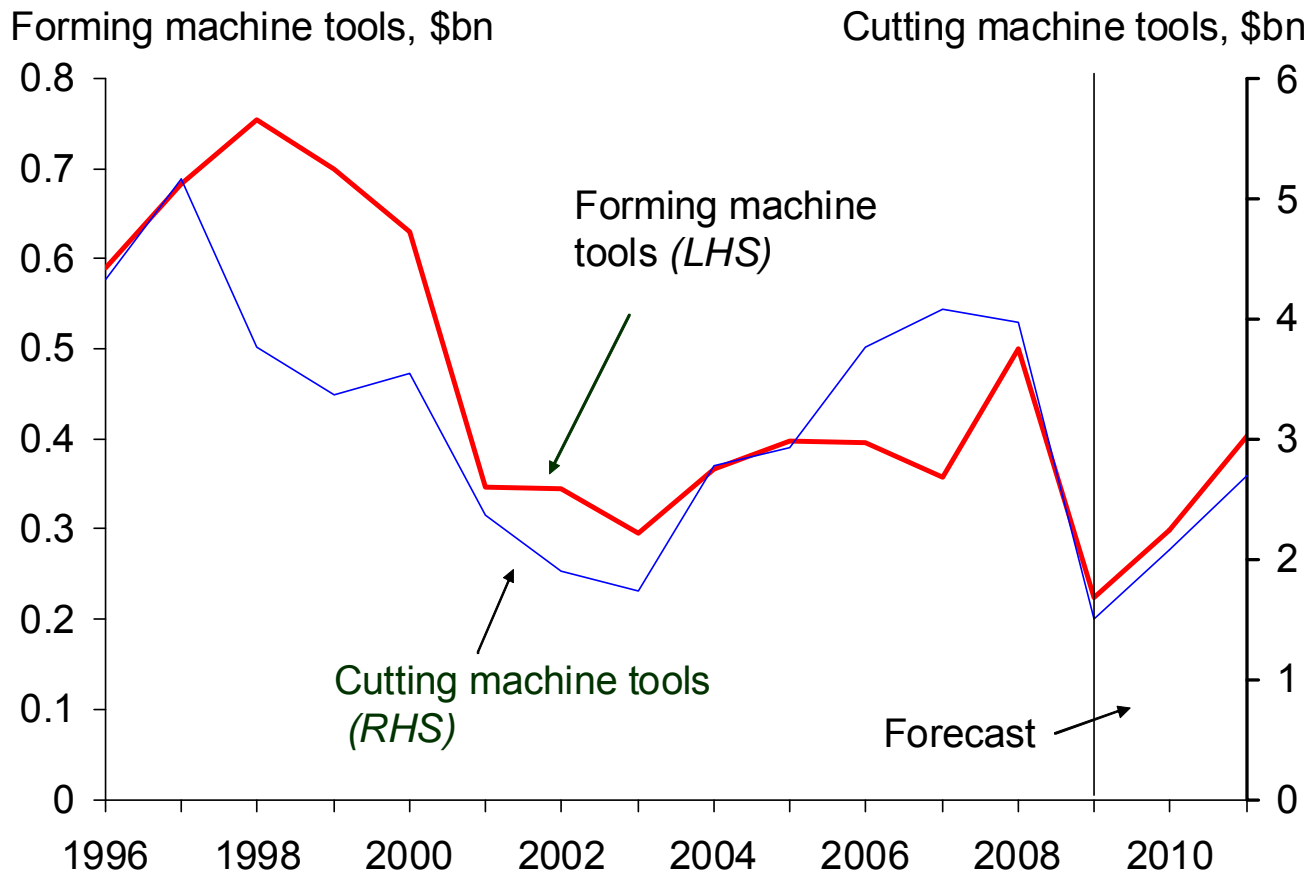


Source : Oxford Economics

US orders

...and on an annual basis

US metalworking machine tools orders, USMTC

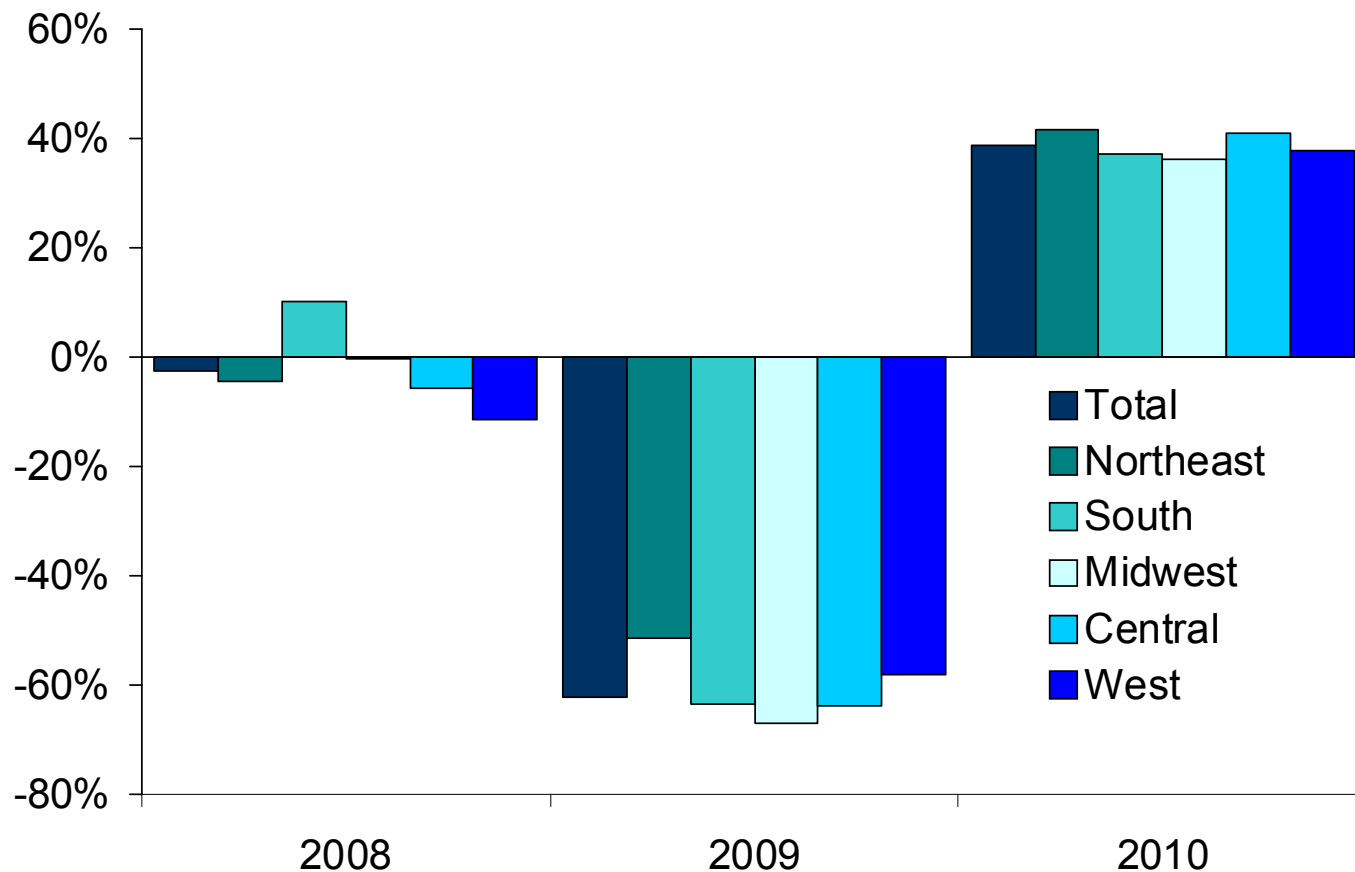


Source : Oxford Economics

US orders

General regional rebound in 2010

Growth in value of orders for cutting machines by region

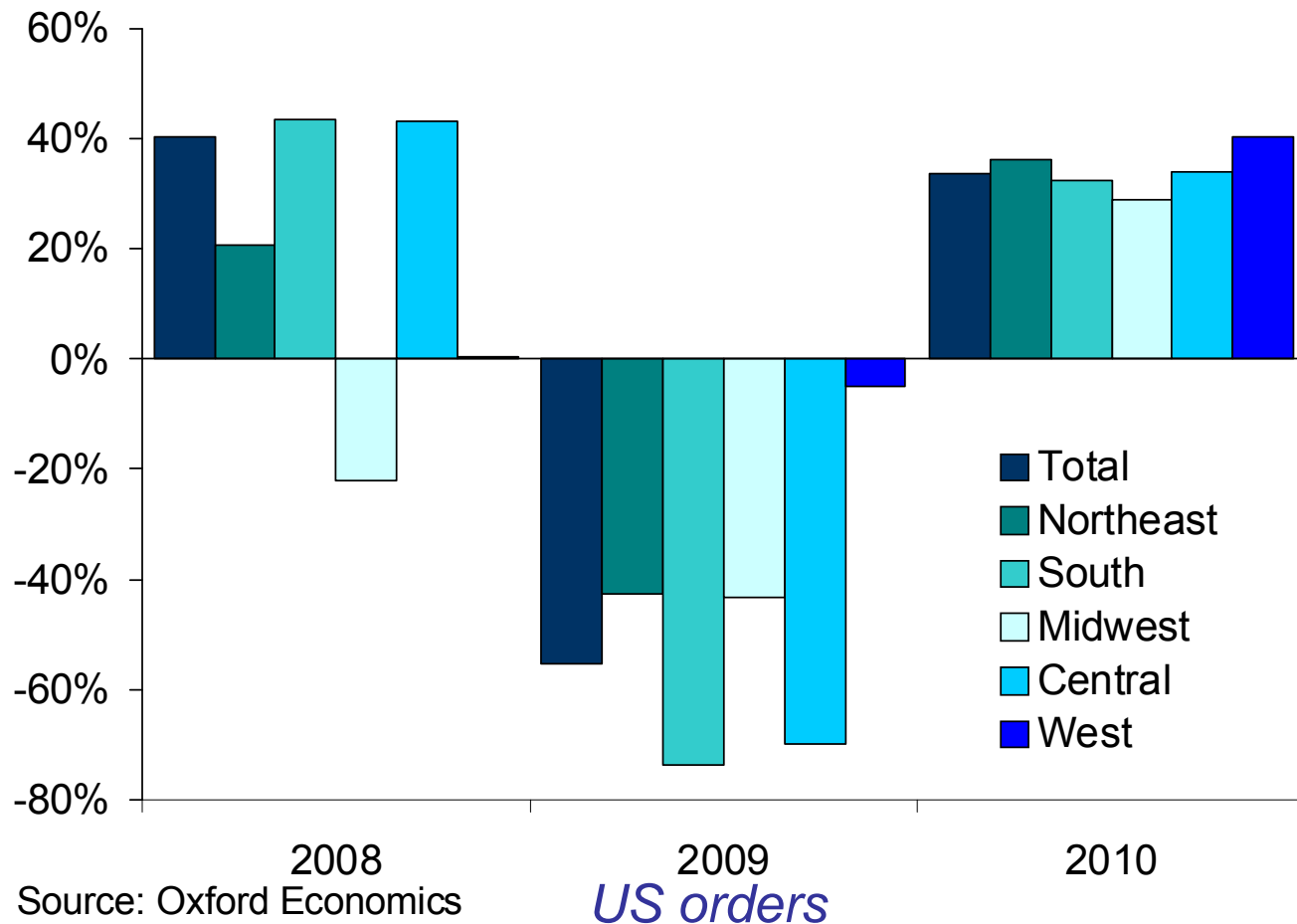


Source: Oxford Economics

US orders

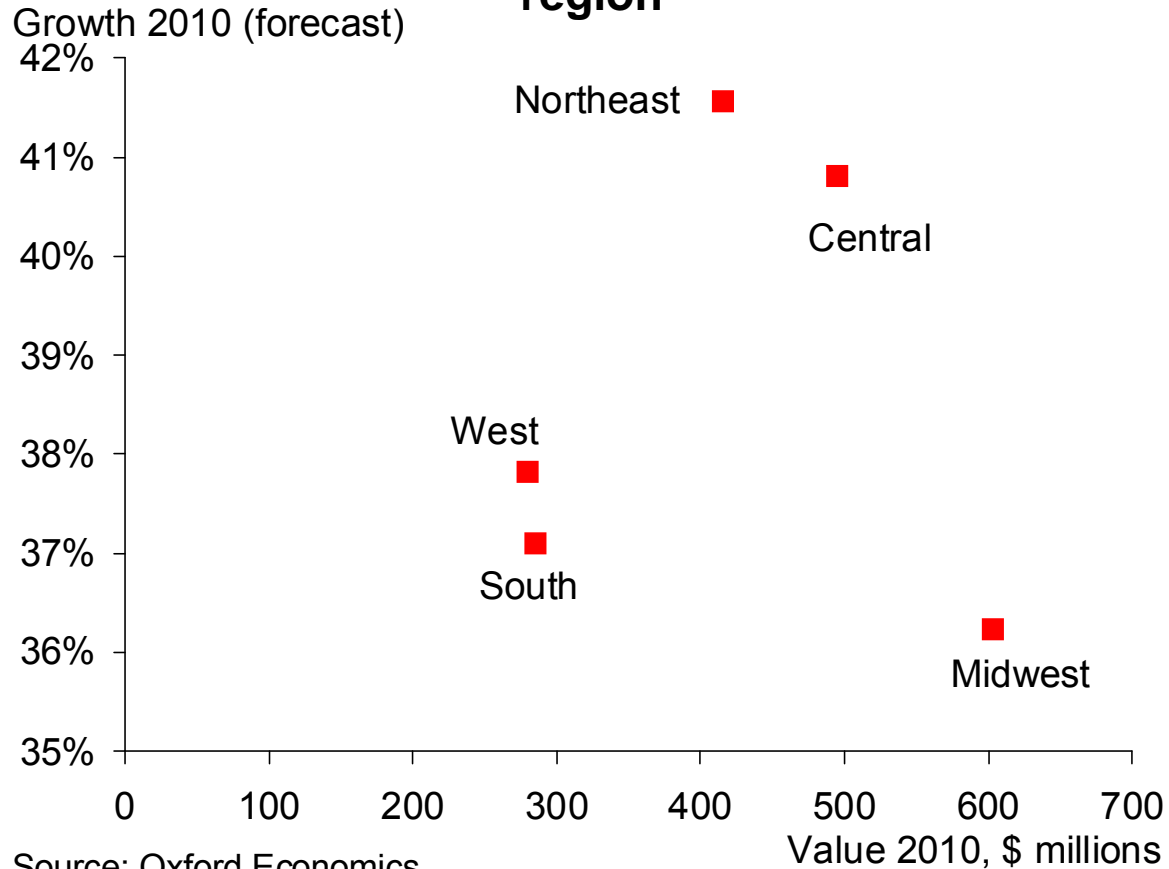
Similar story in forming orders

Growth in value of orders for forming machines by region



Cutting: All regions stronger in 2010

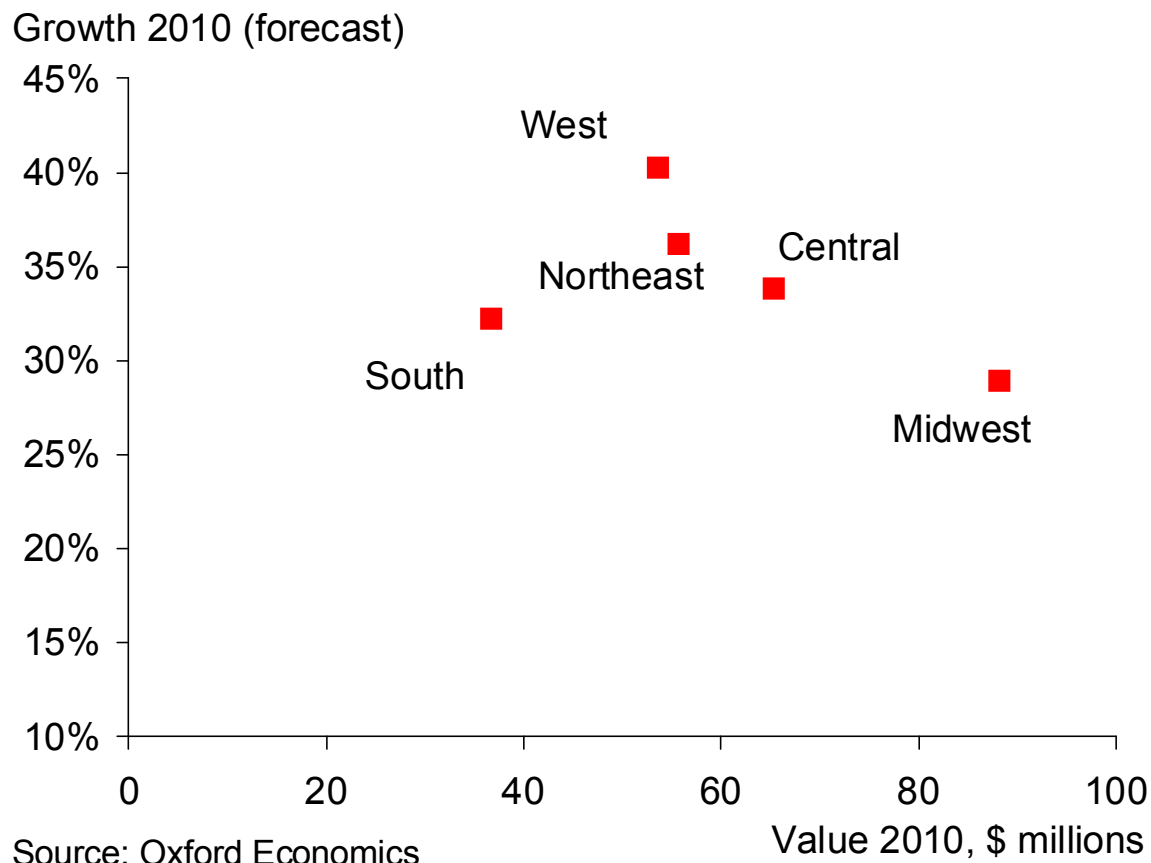
Cutting Machines, US orders levels and growth, by region



US orders

Forming: Stronger growth in 2010

Forming Machines, US orders levels and growth, by region



US orders

Thank you