



UK Market Overview
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(Representing BFPA)

International Fluid Power Summit Meeting
IFPE, Las Vegas, March 2017

World Economic Prospects – A World with Higher Inflation

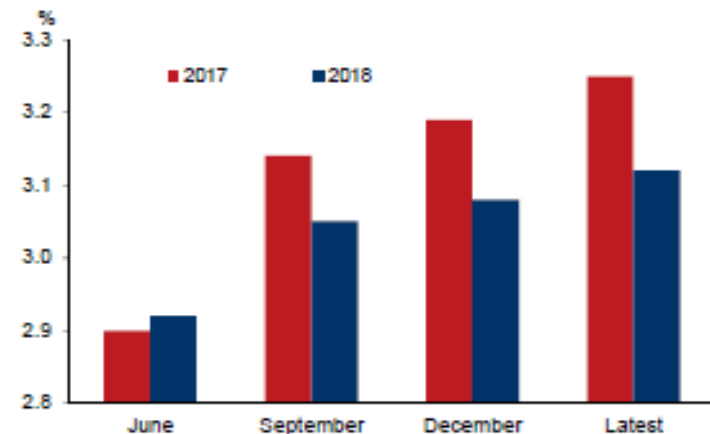
- World GDP growth forecasts are 2.6% for 2017
- Increase in inflation to 3.3% in 2017
- Manufacturing PMI grows to its highest level in three years
- World trade underpinned by stronger growth in the US
- Uncertainty surrounding the Trump administration
- **Uncertainty with UK Brexit assumptions**
- Two year period of exit negotiations
- Transit period for two to three years for free trade arrangements

Global manufacturing PMI



Source : Oxford Economics/Markit

OE World CPI forecasts



Source : Oxford Economics

UK General Economic Data (Feb.2017)

- Brexit...Article 50 to be triggered by end of March 2017.
- UK GDP in Q4 2016 +0.6% compared to Q3 2016
- UK GDP in 2016 +2.0% (slowing from 2.2% in 2015 and 3.1% in 2014)
- Latest BOE forecast for UK GDP in 2017 is +2.0% (up from 1.4% in Nov-16, improved global outlook, strong consumer spending since referendum etc.)

UK General Economic Data (Feb.2017)

- CPI inflation rose by 1.6% in 2016, BOE forecast 2.0% in 2017
- Bank interest rates remain low at 0.25%
- Unemployment rate 4.8% Nov-16 (down from 5.1% a year earlier)
- Consumer confidence is strong?
- Financial services remain buoyant

Situation with UK Brexit

?



UK Brexit – the key challenges...

- Article 50 to be triggered by end of March 2017 – transitional arrangements required i.e. smooth Brexit – no “cliff edges”
- Since referendum on 23 June 2016, depreciation of sterling has led to increased inflationary pressures
- Slowdown in spending post referendum not in evidence to date
- Leave EU but remain in customs union with minimal tariff barriers?
- Carry over bulk of regulation from EU but how to maintain influence?
- Control migration while preventing skills shortages?
- Maintain research collaboration with EU?

UK Brexit

- Confusion over UK Brexit
- We will be out of Europe!
- We still want the best UK trade deals with Europe!
- Are these two points compatible?
- World trade deals in the short term are a fantasy



Worst Case Scenario

- Europe applies tariffs on goods and services
- Customs duties are levied
- UK Business subject to WTO rules
- Inward investment in both manufacturing and services declines
- Financial services industry starts to emigrate



Best Case Scenario

- Fall in the pound/ 20% reduction against major currencies – stabilises
- This stimulates growth for exporters
- Governments subsidies to help manufactures to continue to invest in the UK
- Trade deal with US materialises
- Our **very good friends in Europe** need us and we succeed in a great trade deal with no duties applied !!!

It's a big question mark?



UK Fluid Power Market Estimates

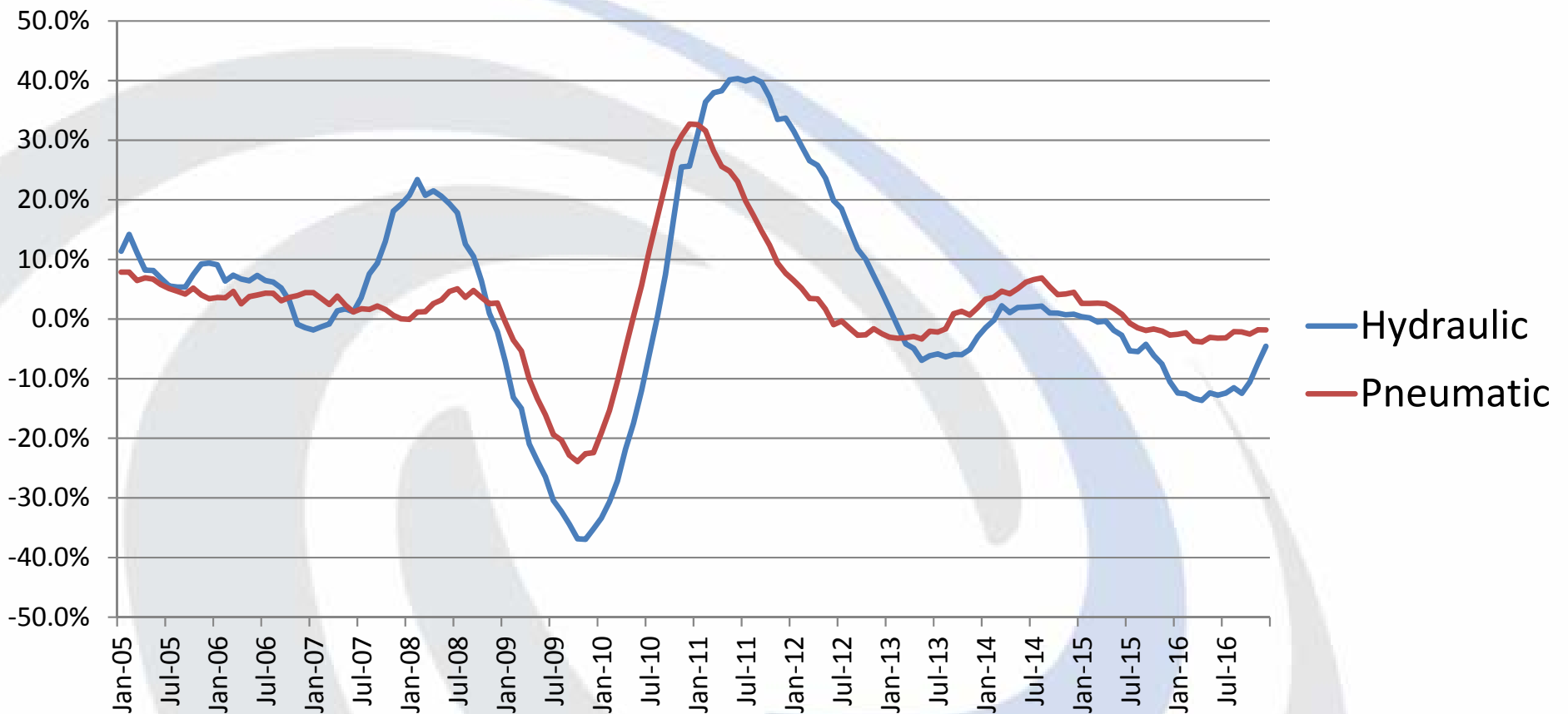
£ GBP Million	2014	2015	% Change 15/14
Hydraulics*	728.3	622.6	-14.5
Pneumatics	162.5	176.5	-8.6
Total Fluid Power	890.8	799.1	-10.3

*Figures relate to components only i.e. excluding market estimates for systems

Source: BFPA Annual Surveys

Latest Trends in UK Hydraulics and Pneumatics

12 Month % Change in Shipments to December 2016



Latest UK Fluid Power Forecast

Home Sales GBP Million (Current Prices)					
	2015	2016F	2017F	2018F	2019F
Hydraulics UK Home Sales <u>Estimate</u>	622.6	589.6	595.5	608.6	622.0
Hydraulics % Change (BFPA/OE Forecast)		-5.3	1.0	2.2	2.2
Pneumatics UK Home Sales <u>Estimate</u>	176.5	174.6	177.0	179.5	181.3
Pneumatics % Change (BFPA/OE Forecast)		-1.1	1.4	1.4	1.0
Total Fluid Power UK Home Sales <u>Estimate</u>	799.1	764.2	772.5	788.1	803.3
Total Fluid Power % Change (BFPA/OE Forecast)		-4.4	1.0	2.0	1.9

Source: BFPA Surveys and BFPA / Oxford Economics October 2016

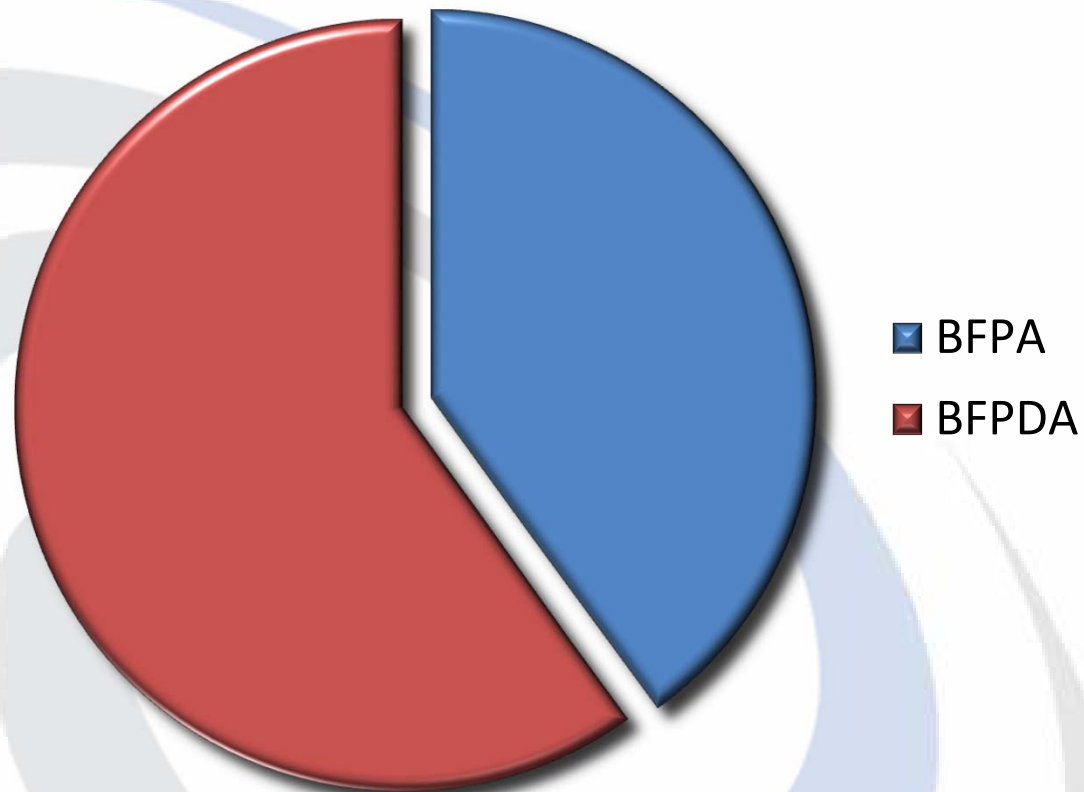
Medium Term UK Fluid Power Market Prospects

- Construction equipment ++
- Mechanical handling ++
- Oil and gas down but signs of recovery for 2017?
- Automotive +
- Other transport (incl. rail) +
- Food and drink +
- MRO ++
- Distribution +

UK Fluid Power Trends

- All companies exporting will benefit from the low pound
- Industry 4.0 / advanced manufacturing
- Synergy between fluid power and electrical
- Systems solutions

BFPA Membership



Number of Members 245 includes BFPA and BFPDA

BFPA Training Courses



INDUSTRY RECOGNISED COURSES FROM THE BFPA

The BFPA have for many years been passionate about raising standards within the fluid power market and industry as a whole, with this objective in mind we have created a suite of valuable training courses now available.

FOUNDATION SAFETY COURSE

This course has been developed to provide an introduction into hydraulic hose, connectors and the safe assembly of these components for industry use. During the day the attendee will gain a knowledge and understanding of safe hose assembly and if applied will only enhance the safety within the hydraulic industry and the attendee.

HOSE ASSEMBLY SKILLS COURSE

The skills course will take the candidate through the many techniques and considerations essential for the safe production of a quality hose assembly and ultimately leading to installation. This two day course involves both the theoretical and practical elements in working with hose and connectors.

HOSE INTEGRITY, INSPECTION & MANAGEMENT

The key themes covered during the one-day course include: hose life expectancy; risk analysis; competence by way of a robust competence assurance system; identify, inspect & record; hose register – recording of a hose assembly prior to it going into service; and visual hose assembly (installation) inspection check list.

SMALL BORE TUBING INTEGRITY COURSE

Candidates are offered a valuable understanding of the complexity surrounding small bore tubing and compression fittings. The course covers generic manufacturers twin ferrule compression fittings, thread awareness, tube and pipe differences and the preparation process, tube manipulation (bending) principles, common installation and routing techniques.



For more information about any of our courses or to check availability please visit:

www.bfpatrainingacademy.co.uk

Please call **01608 647900** or email info@bfpatrainingacademy.co.uk

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