

BFPA UK Market Overview

Chris Buxton – BFPA Director & CEO

21st April 2021



CETOP – Market Outlook

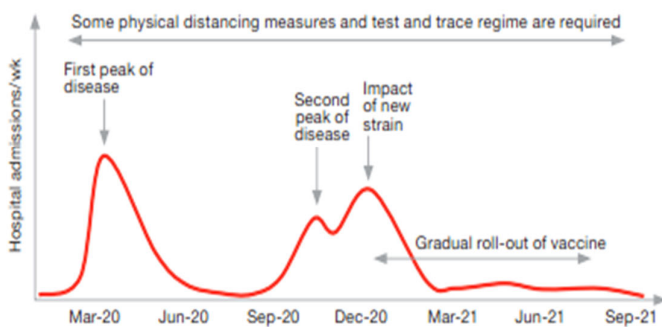
General UK Outlook

GDP Growth

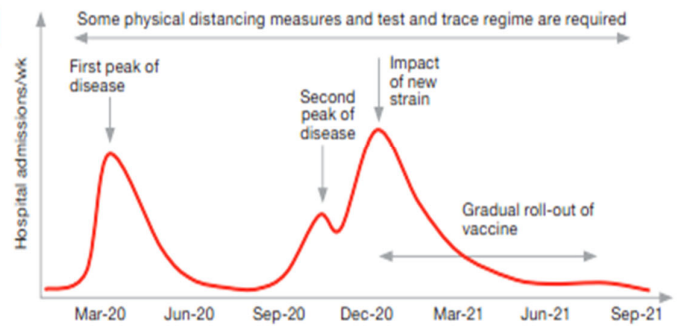
Real GDP growth	2020	2021	2022	2023
Quick recovery scenario	-11.0%	4.8%	6.3%	2.0%
Slow recovery scenario	-11.0%	2.2%	5.1%	1.7%

(End 2020)

1 Quick recovery



2 Slow recovery



General UK Outlook

GDP Growth

Real GDP growth	2020	2021	2022	2023
Quick recovery scenario	-11.0%	4.8%	6.3%	2.0%
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(End Q1 2021)

GDP only fell 2.9% m/m in January, a much smaller decline than expected.

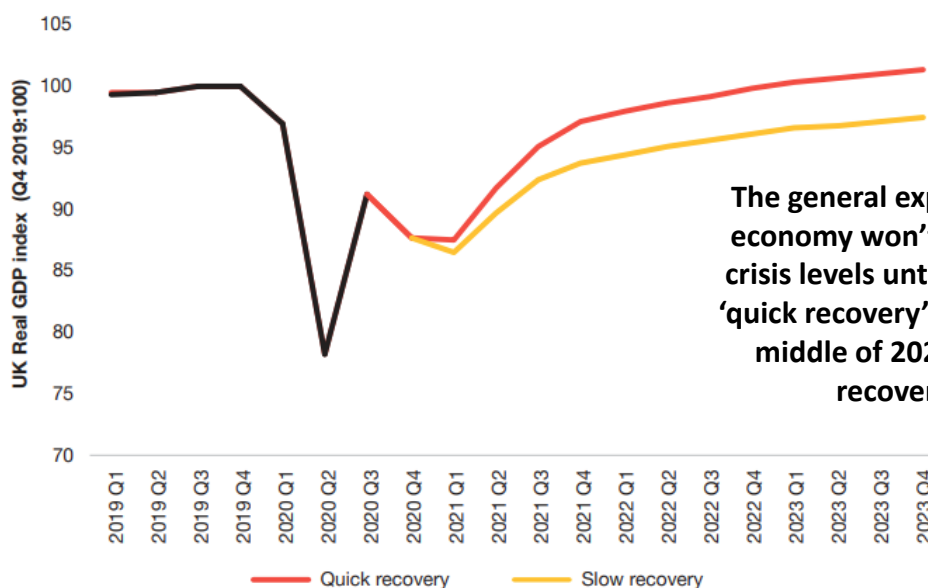
- Due to sizeable adjustments for the testing and tracing and vaccination schemes,
- Consumers and firms have adapted to life under lockdown, for example significantly increasing the share of retail sales conducted online.

Oxford Economics raised their forecast for 2021 GDP growth to 7.2%, from 5.9% seen last month, after output fell by less than expected at the start of the latest lockdown.

As restrictions are relaxed through Q2, the UK expects a strong consumer-led recovery to take hold.

General UK Outlook

GDP Growth

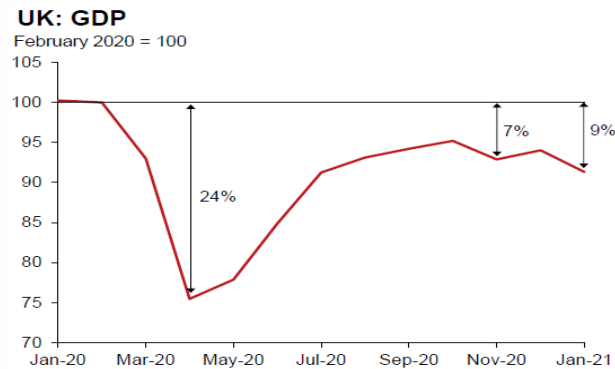


The general expectation is that the economy won't recover to the pre-crisis levels until Q1 2023 under the 'quick recovery' scenario, and by the middle of 2024 under the 'slow recovery' scenario.

Source: PwC analysis

General UK Outlook

- The theme of consumers and firms being able to maintain a higher level of activity during lockdowns continued through the remainder of Q1. Retail sales rose 2.1% m/m
- In February, while debit and credit card data reported a firming in consumer spending through Q1 despite restrictions on social consumption remaining in place.
- Generally expect GDP to have fallen by 2.0% q/q in Q1, much smaller than the 19% drop in Q2 2020.

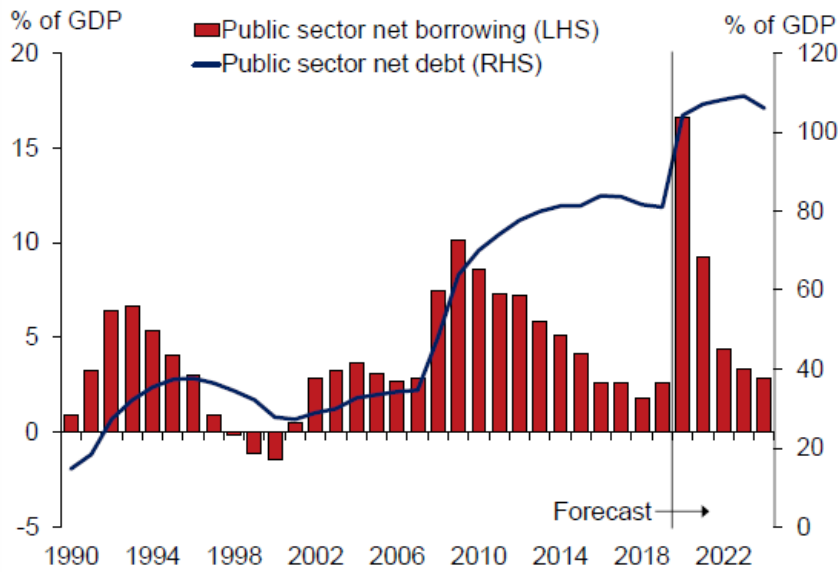


General UK Outlook

- The lifting of restrictions on social consumption, and associated boost to confidence, should trigger a strong consumer-led recovery, with GDP growing by around 6% q/q in Q2
- Continued fiscal support: the Budget loosened the fiscal stance by almost 3% of GDP in fiscal year 2021/22, ensuring fiscal policy remains highly stimulative.
- Most of the Covid-related support schemes are due to remain in place until the autumn, a few months beyond the planned end of restrictions

1. General UK Outlook

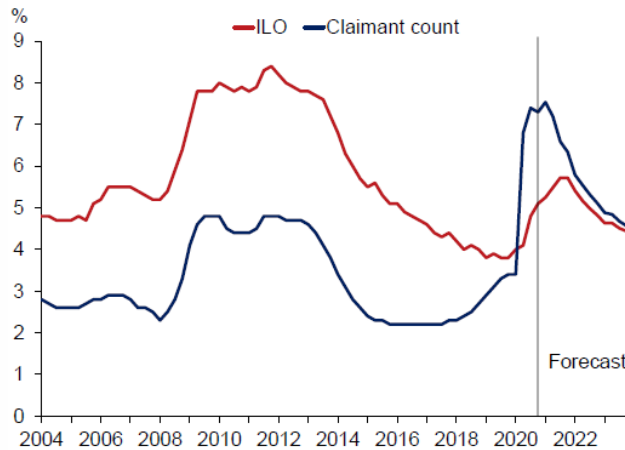
UK: Government finances



General UK Outlook

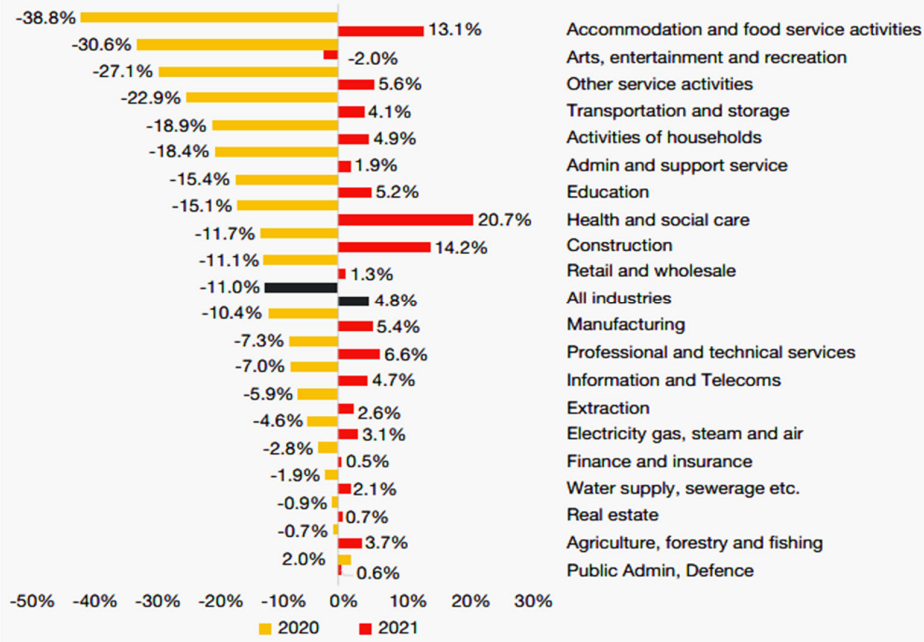
In particular, demand for labour should be recovering strongly by the time that the Job Retention Scheme is wound down at the end of September. So the peak in unemployment is expected to be around 5.7%

UK: Unemployment rate



Recovery by sector

Quick recovery scenario



Major industries driving Fluid Power

Sectors that are predicted to grow	Sectors that are predicted to remain static or decline.
Marine	Steel & Metals
Maintenance	Manufacturing in general
Food	Oil and off-shore
Pharma	Agriculture - Static
Medical	Construction
Life sciences	Plant hire
Packaging	Water static
Health & Safety	Industrial
Laboratory automation	Mobile
	Automotive
	Aviation
	General Transport
	OEM
	Off-highway construction

MEMBER DATA - HYDRAULICS

- Mobile orders slipped back after a strong January, reducing to 105.9 (from 115.6), while industrial orders improved by a few percentage points to 90.3 in February.
- Shipments of mobile hydraulics increased again, up by 9.5% compared to January, to 95.7. Industrial hydraulic sales also rose slightly to 80.7 (from 78.2 in January).
- Total UK orders were up 13.3% compared to the first two months in 2020, thanks to a high mobile order intake in January 2021.

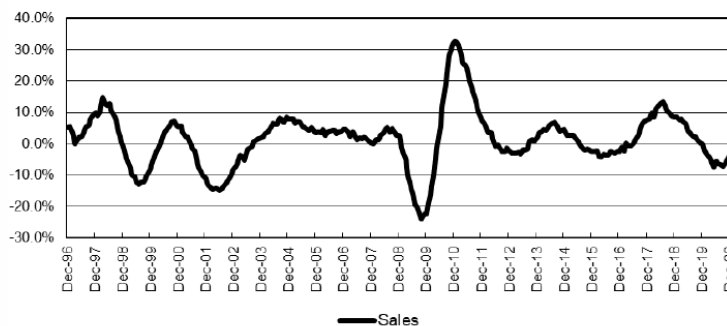
Cumulative 12-Month % Change - Hydraulic Monthly Index



MEMBER DATA - PNEUMATICS

- Core pneumatic sales increased month on month by 3.2% to 105.1 in February, while not core sales slipped a little to 115.1 from January's high figure of 117.6. Overall sales were some 2.2% up in February compared to January at 106.7.
- February 2021 was another strong month for respondents to this survey, with year-to-date core pneumatic shipments 3.6% above, and not core sales 14.5% ahead of the first two months of 2020. Overall sales were 5.4% higher than January and February 2020.

Cumulative 12-Month % Change in UK Sales -
BFPA Pneumatic Index



Key Underlying Message at the start of Q2 2021

“Business is definitely improving and results are generally better than expected. Pipelines and enquiry levels are strong. There was a particular surge in business during March 2021.”

Key challenges remain access to suitably skilled technician level staff

Brexit has created problems; especially around rules of origin and VAT considerations. The Irish Protocol has been particularly complicated and challenging. It is generally felt that it will result in price increases of the order of 10% as manufacturers and distributors pass increased costs on to their customers.

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BRITISH FLUID POWER ASSOCIATION

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