

NFPA: Forecast of End-Use Markets

Summer 2024

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Overview

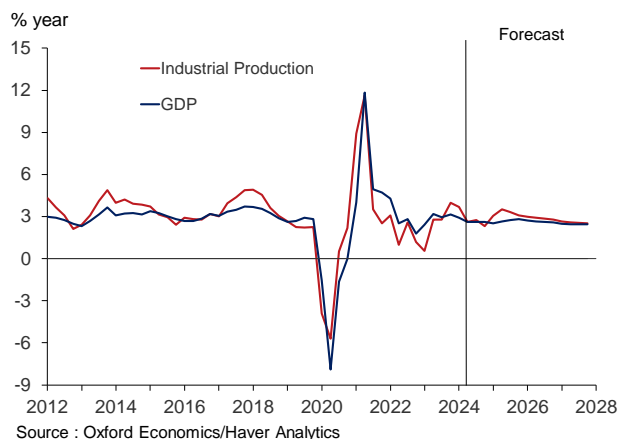
Global macroeconomic outlook

- Our latest forecast shows global GDP expanding by 2.6% in 2024 and 2.8% in 2025. At a global level recent data, particularly sentiment surveys, continue to paint a broadly positive and improving picture of the economic outlook, which has helped bring up our global growth estimate somewhat.
- However, we remain relatively cautious about survey data: in the past years sentiment has, though still being a reasonably good directional guide, been more volatile than the underlying growth trends. While we think there is potentially some upside risk to our near-term forecast for a slight growth slowdown, we do still think the growth acceleration thereafter will be gradual and unspectacular.
- The expected pivot by advanced economy central banks to rate cuts has begun: both the Bank of Canada and ECB have cut their policy rates already. However, it is not a coincidence that these two regions have weaker economic growth forecasts this year relative to the US, where we do not expect rate cuts until September. Still-elevated services inflation is causing central bankers to be cautious, but we do think that a more forward-looking posture will lead most to cut by the end of the year, albeit at a slow pace.

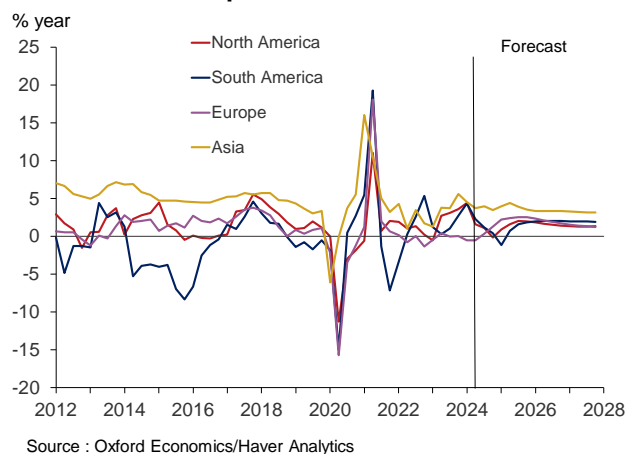
Industrial production outlook

- We continue to expect that 2024 will be the year when global industrial growth picks up again. Our current forecast shows 2.6% growth, up from just 1.8% last year but down slightly since our last forecast update because of worse-than-expected Japanese growth in Q1. Otherwise, first quarter production and survey data have come in largely as we expected, which is raising our conviction that momentum is shifting upwards. However, we also continue to believe that the upturn will be gradual: we expect q/q growth to be weak in Q2, and it will take until the second half of the year for there to be a sustained upturn in activity.
- There are several tailwinds that should help the acceleration in industrial activity. We think the worst is close to being over for the European industrial recession, as falling real incomes, inventory destocking, and the drag from high energy prices are or should imminently start fading. Consumer sectors all over the world will benefit from falling inflation rates and rising consumer sentiment, but high interest rates and enduring reluctance to spend money on big-ticket purchases means that much of the benefit will initially go to nondurable, smaller scale, and less discretionary consumer segments like food rather than bigger or more interest-sensitive purchases like automobiles or furniture. The return of consumer demand should also benefit export-oriented industries, which we are already seeing in the form of increasing global trade in terms of Chinese goods exports and US goods imports.

World: GDP and industrial production

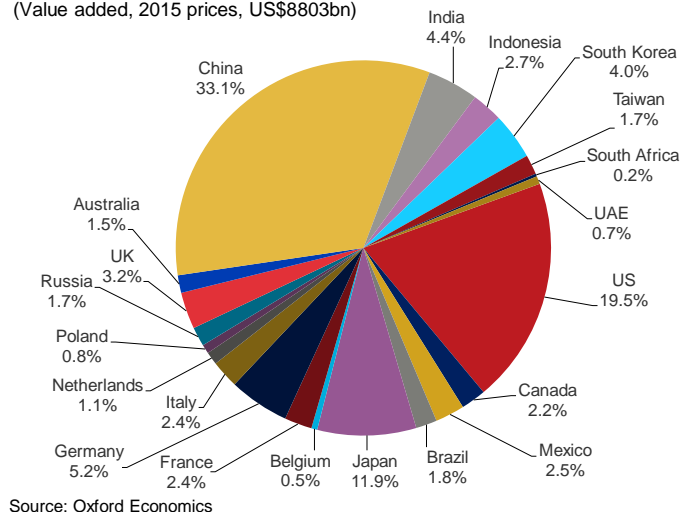


World: Industrial production



Output in end-use markets by country in 2023

(Value added, 2015 prices, US\$8803bn)



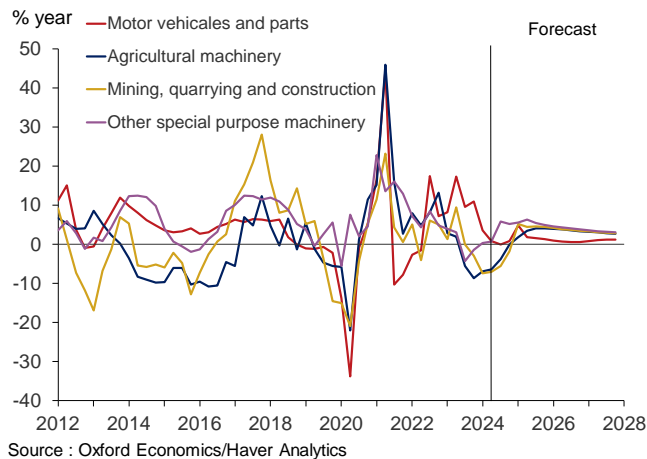
Fluid power end-use markets—global trends

- Electronic components & boards continues to be by far the fastest growing end-use sector: we have upgraded our 2024 forecast to 12.0%, 3.1ppts higher than in the March update. The sector is benefitting from two key tailwinds: a broad-based upturn in electronics production, which bottomed out earlier than broader industry, and red-hot semiconductor production amidst strong demand for AI-related services.
- The outlook for construction is weakening: the boost we expect for the sector once interest rates come substantially down is being pushed back as central banks delay rate cuts.

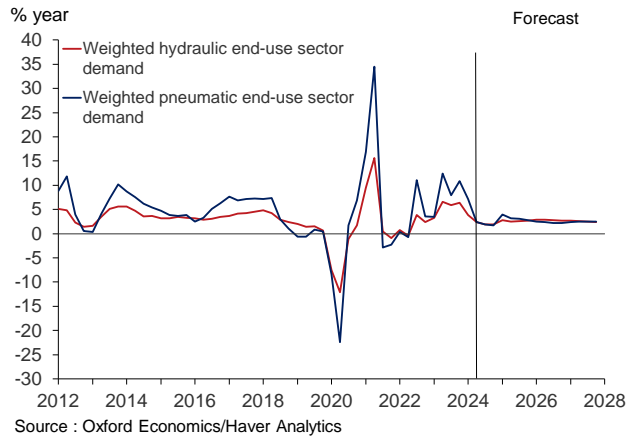
High-level regional dynamics

- Our forecast for the collective performance of hydraulics-consuming sectors globally in 2024 has dropped again, this time enough to push our expectation down to a contraction of 0.6% (down 0.9ppts). Regionally we downgraded growth everywhere except in North America, most severely in Europe and Asia.
- Our forecast for pneumatics-consuming sectors on the other hand has edged up by 0.1ppt, to 3.1% annual growth. Growth upgrades in the Americas managed to offset a 2.9ppt downgrade in Europe.

World: Key fluid power demand sectors



World: Weighted fluid power products end-use sector demand



Weighted growth forecasts for key fluid power end use markets

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Hydraulic end-use markets						
North America	2.6	1.4	2.8	3.6	2.7	2.5
South America	-7.5	-3.8	3.8	4.2	3.4	2.7
Europe	5.2	-3.5	2.9	2.5	2.6	2.1
Asia	4.2	-1.1	4.5	2.8	2.4	2.1
Middle East and Africa	3.9	1.7	3.3	1.7	1.6	1.5
World	4.3	-0.6	3.7	3.0	2.5	2.2
Pneumatic end-use markets						
North America	4.9	2.7	2.7	3.7	2.7	2.9
South America	-12.5	1.7	3.1	5.5	4.4	3.6
Europe	9.0	-1.2	3.2	2.1	2.7	2.2
Asia	9.6	3.8	4.4	2.9	3.0	2.5
Middle East and Africa	0.6	3.6	3.0	1.8	1.4	0.8
World	7.9	3.5	3.7	3.0	2.8	2.6
World industrial production	2.6	2.9	3.1	2.7	2.5	2.3
World GDP	3.0	2.7	2.7	2.6	2.5	2.4

Notes: World and regional aggregates consist of the 21 countries included within the analysis

Market Outlook: US

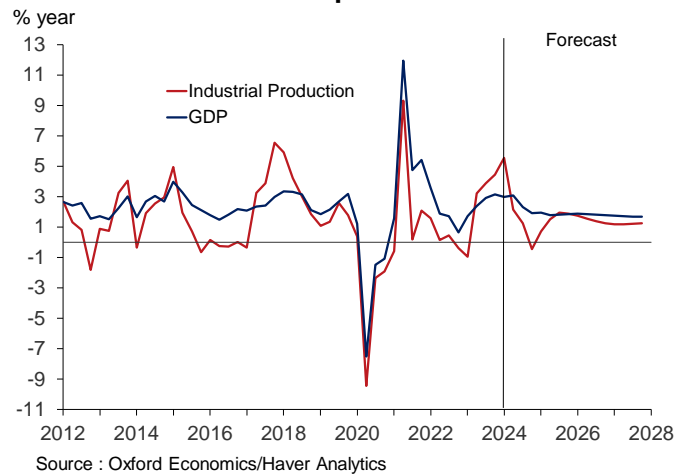
Macro overview

- For the first time in over a year, quarterly annualised real GDP growth came in below expectations in Q1. While the 1.3% q/q growth is still healthy, it does represent a notable slowdown of the pace of growth both relative to the previous quarter and, indeed, all quarters since mid-2022. Underneath the hood the details were robust: private consumption and fixed investment grew by more than the headline, the latter substantially so. The main drag was surging imports.
- GDP should grow at a similar rate this year as in 2023. There has been some weakening in the labour market but we see this as a slowdown to a more sustainable growth path—we see little sign that the economy is at a cliff's edge. Deceleration seems orderly and there are not a lot of red flags. We see positive news on inflation coming, as we think m/m rates will moderate in H2. However, the progress will not be enough to speed Fed policy rate cuts: we are only forecasting two this year, one each in September and December.

Sector trends

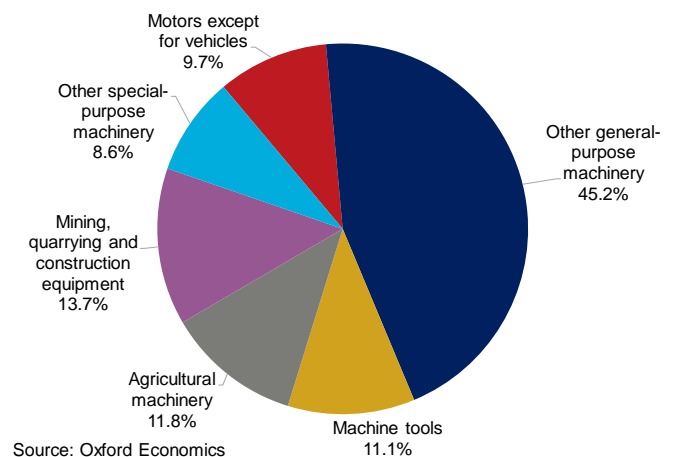
- Our forecast for the weighted growth of hydraulics end-use sectors is notably higher than in our previous report: we now think growth will be 2.4% in 2024, 1.7ppts higher. The only area of weakness is in various kinds of machinery, which are still being weighed down by interest rate rises.
- This year's weighted pneumatic-consuming demand growth forecast was also upgraded: it is now 4.2%, up 1.0ppt. Sectoral growth should be much more broad-based than last year, which will help make up for slowing automotive production.

US: GDP and industrial production



Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$167.37bn)



United States: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-5.0	-11.1	2.7	3.5	2.5	2.0
Other general-purpose machinery	-1.7	2.0	3.6	4.4	3.4	2.9
Machine tools	-1.8	-1.9	3.9	4.6	3.6	3.2
Agricultural machinery	-2.1	-0.6	3.3	4.1	3.1	2.6
Mining, quarrying and construction equipment	4.7	2.9	3.8	4.6	3.6	3.1
Other special-purpose machinery	-1.4	-1.0	4.2	4.9	3.9	3.5
Motor vehicles and parts	7.7	5.4	0.3	0.9	0.6	1.6
Medical and surgical equipment	-2.0	3.9	2.7	2.5	2.0	2.0
Electronic components and boards	6.7	6.7	7.8	9.6	8.9	7.6
Construction	1.0	5.1	3.1	3.8	3.3	2.4
Food	-1.1	0.8	0.8	0.4	0.6	1.1
Chemicals excluding pharmaceuticals	-0.6	3.2	3.0	2.2	1.7	2.0
Weighted hydraulic end-use sector demand	1.9	2.4	2.8	3.5	2.8	2.6
Weighted pneumatic end-use sector demand	4.5	4.2	2.6	3.3	2.8	3.0
Industrial production	2.7	2.1	1.5	1.5	1.2	1.4
GDP	2.5	2.6	1.9	1.8	1.7	1.6

Market Outlook: Canada

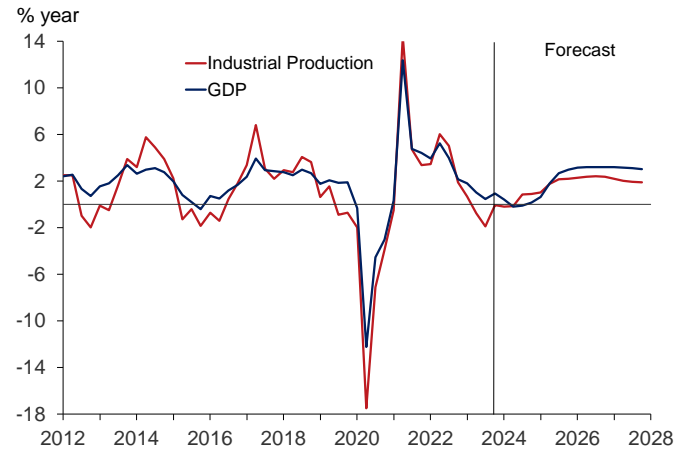
Macro overview

- In Q1 2024, GDP grew 0.4% q/q and while the pace was stronger than the 0.1% rise we expected, it was weaker than consensus and the preliminary estimate. The growth was broad-based, with strong consumer spending on services at the heart of the pickup, but all segments of GDP save stock building contributed positively.
- Our view of the Canadian economy is mixed. On the one hand, the performance of the past few quarters has been stronger than expected given the sharp rise in interest rates and the vulnerability of Canadian households to those rate increases. This has led us to up our forecast for 2024 to positive growth, up 0.6ppts to 0.1%. On the other hand, near-term prospects are still not great: we are forecasting a 0.5% drop in GDP from Q1 to Q3 as the lagged impact of past rate hikes hurt consumption, new-home building, and business capital outlays. Slowing inventory accumulation will also be a large drag, while net exports should provide a modest buffer amid the start of oil exports along the Trans Mountain Pipeline, strong US demand, and a weaker Canadian dollar.

Sector trends

- The improved outlook is reflected in better industrial prospects, which itself has helped boost the outlook for hydraulics. The weighted demand forecast is however still negative this year, as substantial upgrades in some general-purpose machinery production was not enough to outweigh a largely unchanged contraction in automotive and falls in construction and specialised machinery.
- We expect weighted pneumatic-using sector growth to be similarly negative this year, as the large automotive contraction outweighs the mild growth elsewhere.

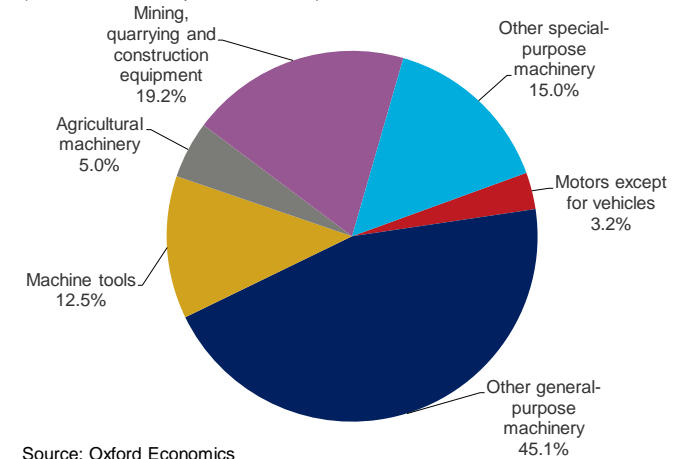
Canada: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$14.52bn)



Source: Oxford Economics

Canada: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	16.7	10.8	4.4	5.2	4.6	3.2
Other general-purpose machinery	6.7	0.6	4.9	5.6	5.0	3.7
Machine tools	4.8	9.6	4.9	5.6	5.0	3.7
Agricultural machinery	11.4	-3.6	2.7	3.5	2.9	1.6
Mining, quarrying and construction equipment	11.4	-2.4	4.8	5.5	4.9	3.5
Other special-purpose machinery	7.0	-1.8	5.1	5.8	5.2	3.9
Motor vehicles and parts	20.1	-6.7	4.0	7.9	2.1	-1.0
Medical and surgical equipment	-3.5	0.3	6.9	6.1	5.3	4.6
Electronic components and boards	-5.8	1.4	7.1	4.9	4.0	3.4
Construction	-1.4	-1.5	1.2	2.1	2.1	1.6
Food	0.2	0.4	1.9	2.9	3.3	3.3
Chemicals excluding pharmaceuticals	-2.9	2.4	2.3	2.0	1.8	1.7
Weighted hydraulic end-use sector demand	9.9	-2.3	3.6	5.1	3.5	1.9
Weighted pneumatic end-use sector demand	9.8	-2.5	4.9	6.5	3.3	1.4
Industrial production	-0.5	0.4	1.8	2.4	2.0	1.6
GDP	1.1	0.1	2.0	3.2	3.1	2.6

Market Outlook: Mexico

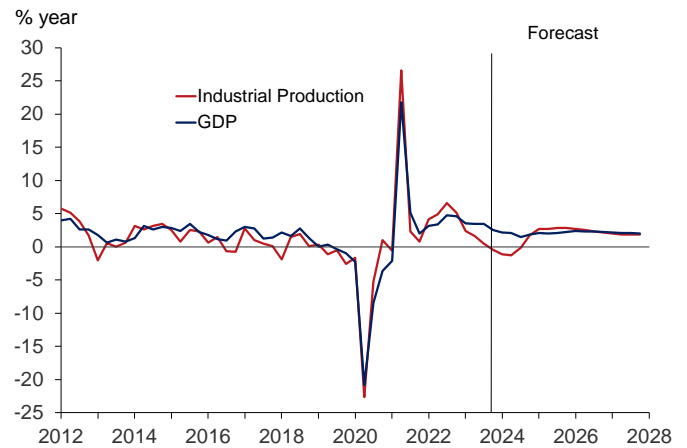
Macro overview

- Preliminary GDP showed only 0.2% q/q growth in Q1, following an already weak 0.1% expansion in Q4 last year. Industrial activity fell 0.4% q/q as volatile construction activity offset weak manufacturing. Services expanded 0.7% q/q on the back of strong commerce, media, healthcare, and transport.
- Our growth forecast is little unchanged from our last update: we expect growth of just under 2% in 2024 and 2025. The election results, where the Morena party of incumbent President Lopez Obrador won in a landslide, have introduced some volatility in markets. The peso has, for example, been selling off since it became clear that Morena was close to achieving a legislative supermajority needed to push through constitutional changes. However, we see reasonably strong fundamentals: increasing trade with a resilient US economy, benefits from nearshoring investment, and rate cuts from the Bank of Mexico.

Sector trends

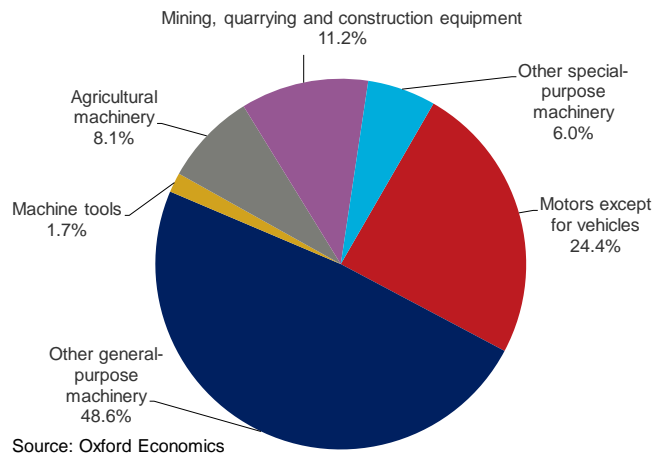
- Industrial production remains the weak part of the growth outlook and most key end-use sectors are at the centre of that weakness. An upgrade to mining, quarrying, and construction equipment production has helped offset downgrades elsewhere, but the -4.8% 2024 contraction in weighted hydraulics end-use sectors is still 0.8ppts worse than previously.
- The downgrade for weighted pneumatic end-use sector growth (-4.6ppts) was significantly worse because of large downgrades to electronic components & boards and motor vehicles & parts, with no meaningful upgrades to offset them.

Mexico: GDP and industrial production



Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$11.40bn)



Mexico: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-2.6	-9.2	-4.7	1.1	2.0	1.8
Other general-purpose machinery	6.0	-4.7	-0.4	1.7	2.6	2.3
Machine tools	-12.7	-18.9	-0.7	1.4	2.3	2.0
Agricultural machinery	-6.6	-12.1	-0.6	0.9	1.8	1.6
Mining, quarrying and construction equipment	-3.4	-4.6	1.7	1.3	2.2	1.9
Other special-purpose machinery	-2.9	-8.7	0.0	0.9	1.7	1.5
Motor vehicles and parts	8.2	-3.5	0.8	3.5	-0.4	1.7
Medical and surgical equipment	26.9	-7.0	4.2	1.5	1.8	1.4
Electronic components and boards	-0.5	-6.8	5.0	2.6	2.8	2.1
Construction	15.5	4.1	1.5	1.9	2.9	2.4
Food	-0.7	-0.1	2.0	1.4	2.4	2.1
Chemicals excluding pharmaceuticals	-6.2	2.8	0.8	0.8	1.4	1.2
Weighted hydraulic end-use sector demand	3.0	-4.8	0.5	1.8	1.7	1.9
Weighted pneumatic end-use sector demand	5.1	-5.5	1.7	2.6	1.0	1.8
Industrial production	1.0	-0.2	2.7	2.4	1.9	1.9
GDP	3.2	1.9	2.1	2.3	2.1	1.9

Market Outlook: Brazil

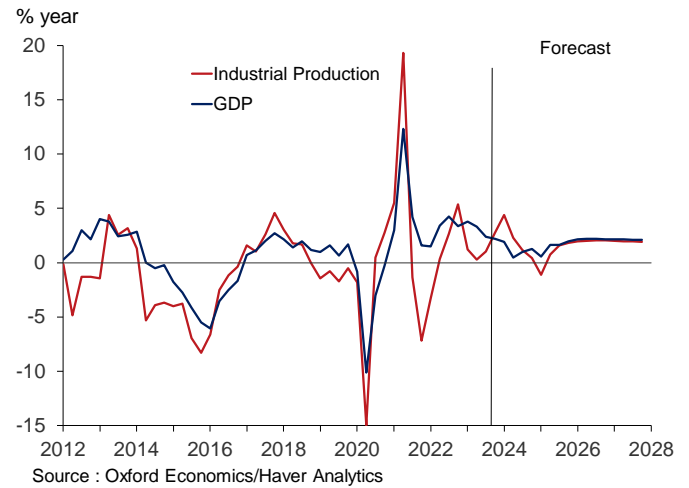
Macro overview

- Data for Q1 confirmed a broadly expected improvement in growth momentum (0.8% q/q), driven mostly by agriculture and services. Positive outturns in agriculture (+11.3% q/q), and services (+1% q/q) were offset by statistical discrepancies and a stagnating industrial sector. From an expenditure perspective growth was domestically driven: private consumption and fixed investment expanded while net trade—strong imports in particular—dragged growth down.
- The strong start to the year has boosted our growth outlook for 2024. While we expect moderate quarterly growth, the high level of output relative to most of 2023 should ensure that annual growth comes in at 1.2%. Agriculture should be less of a drag than last year, but we expect weakness in industry to persist and be matched, at least in H1, by weakness in services. The central bank policy rate coming down slowly, uncertainty around the government’s fiscal policy, and falling support from commodity prices will all weigh on growth this year and prevent it from gaining significant momentum until next year.

Sector trends

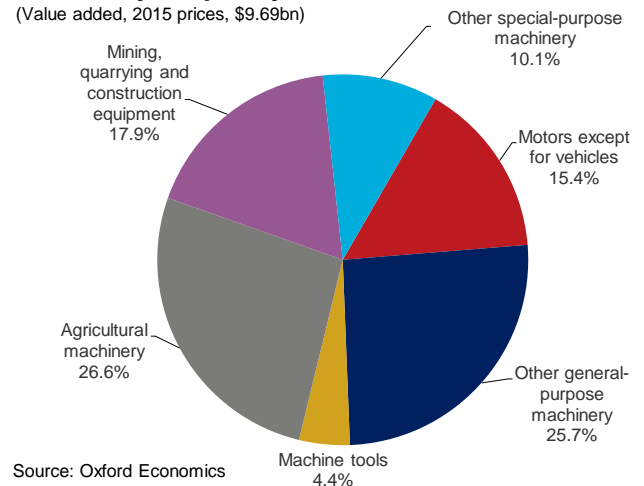
- There has been an upgrade to the growth prospects for general purpose machinery and automotive, but this was not enough to outweigh downgrades to other key end-use sectors. As such, our forecast for 2024 hydraulics-consuming sector growth is negative (-3.8%), 1.5ppts worse than in March.
- The upgrade to automotive had a greater impact for weighted pneumatic end-use sector growth, where the 2024 growth figure is now up 1.3ppts to 1.7%.

Brazil: GDP and industrial production



Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$9.69bn)



Brazil: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-6.6	4.2	5.0	3.9	3.1	2.4
Other general-purpose machinery	1.1	11.9	0.0	3.8	3.1	2.3
Machine tools	-18.0	-1.7	5.3	4.2	3.4	2.6
Agricultural machinery	-11.1	-14.2	5.0	3.3	2.6	1.8
Mining, quarrying and construction equipment	-12.4	-16.2	5.0	3.9	3.1	2.3
Other special-purpose machinery	-9.6	-4.1	10.5	4.6	3.8	3.0
Motor vehicles and parts	-8.4	1.8	2.1	6.5	5.3	4.5
Medical and surgical equipment	-6.3	-6.4	-0.5	2.5	2.8	2.9
Electronic components and boards	-34.2	6.7	4.8	7.0	4.7	3.2
Construction	-0.4	2.0	2.0	2.8	2.2	2.0
Food	3.9	5.3	0.0	1.5	1.7	1.7
Chemicals excluding pharmaceuticals	-7.8	-0.3	2.6	1.8	1.8	1.7
Weighted hydraulic end-use sector demand	-7.5	-3.8	3.8	4.2	3.4	2.7
Weighted pneumatic end-use sector demand	-12.5	1.7	3.1	5.5	4.4	3.6
Industrial production	1.3	2.1	0.8	2.0	2.0	1.9
GDP	2.9	1.2	1.4	2.2	2.1	2.0

Market Outlook: Belgium

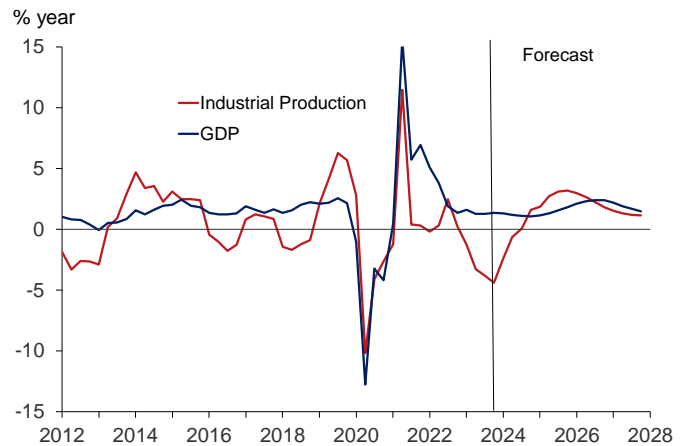
Macro overview

- In line with our expectations, the economy expanded by a solid 0.3% q/q for a third consecutive quarter in Q1. For the first time in more than a year, value-added in industry ceased to fall back, supporting growth together with services. Construction turned into a drag after sustaining the expansion. Growth was sustained primarily by fixed investment, which partially rebounded after the exceptional collapse in Q4, and to a lesser degree by domestic consumption.
- We have maintained our 2024 GDP growth forecast at 1.2% and expect a 1.5% expansion next year. The economy has been resilient throughout the interest rate hiking cycle, and we expect that will continue as the rest of the eurozone recovers. Crucially, consumer confidence has rebounded and is back in solidly positive territory, and we think that industrial production has bottomed out and is poised to contribute positively to growth again. We have revised our 2024 average inflation outlook down by 0.2ppts to 3.5% due to lower-than-anticipated food inflation.

Sector trends

- Our forecast for 2024 weighted hydraulic end-use sector growth is mostly unchanged relative to March. Underneath the hood the sector prospects were split: most forms of machinery production and mechanical engineering were downgraded, offset by a strong upgrade to motor vehicles & parts.
- Output of the weighted pneumatics-using sectors on the other hand has been upgraded by 4.7 ppts to 1.7% growth, largely on the back of the stronger automotive outlook.

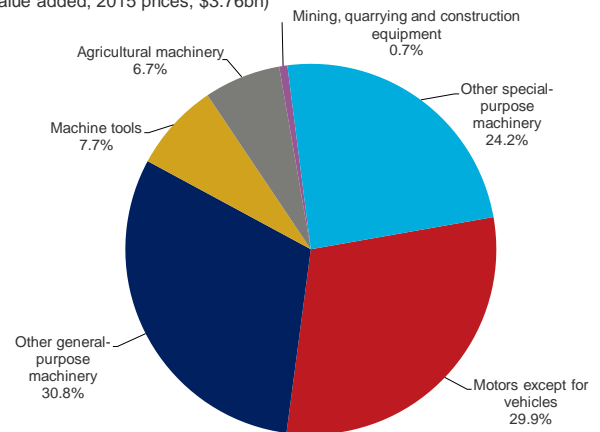
Belgium: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$3.76bn)



Source: Oxford Economics

Belgium: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	8.6	-3.1	1.5	-0.5	0.2	0.5
Other general-purpose machinery	12.0	-2.7	1.3	-0.5	0.2	0.5
Machine tools	16.4	0.8	4.0	-0.5	0.2	0.5
Agricultural machinery	11.1	-7.3	2.3	-0.5	0.2	0.5
Mining, quarrying and construction equipment	19.2	-2.5	3.0	-0.5	0.2	0.5
Other special-purpose machinery	16.5	-1.5	3.0	-0.5	0.2	0.5
Motor vehicles and parts	20.5	6.5	-6.7	-2.5	1.8	0.4
Medical and surgical equipment	14.9	-7.3	1.4	2.2	1.7	1.8
Electronic components and boards	16.2	-3.1	1.2	1.8	1.3	1.5
Construction	1.9	1.6	1.1	1.3	1.2	1.1
Food	10.8	-2.4	-0.4	-0.8	-0.3	0.2
Chemicals excluding pharmaceuticals	-0.3	0.0	-1.0	-0.3	-0.1	0.4
Weighted hydraulic end-use sector demand	13.5	-0.4	0.3	-0.6	0.8	0.6
Weighted pneumatic end-use sector demand	17.6	1.7	-2.4	-0.9	1.3	0.7
Industrial production	-3.2	-0.4	2.7	2.4	1.3	1.1
GDP	1.4	1.2	1.5	2.3	1.8	1.4

Market Outlook: France

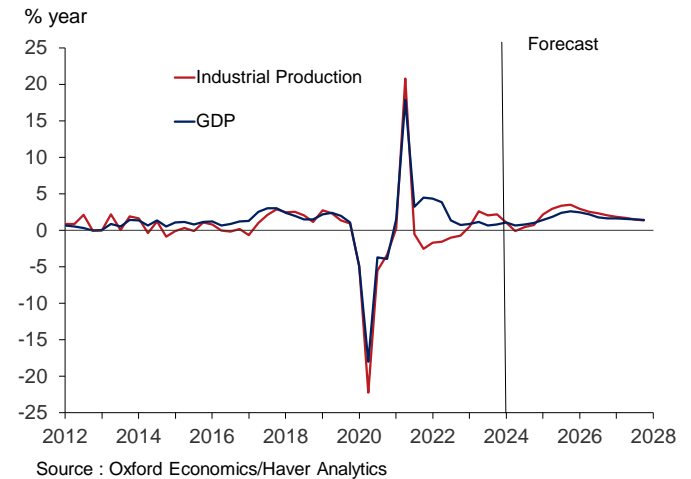
Macro overview

- Q1 GDP grew by 0.2% q/q, but GDP growth in Q4 2023 was revised up from 0.1% to 0.3%, producing a more favourable carry-over for 2024. The data show that domestic demand in Q1 was weak: private consumption was nearly flat (+0.1%), while business investment is now contracting (-0.5%), consistent with still-tight credit conditions. Growth came from net trade and government consumption, as it did in Q4.
- The short-run outlook for the French economy is steady but uninspiring. Investment in particular has been weak in the face of high borrowing costs, which we expect will persist through most of the year and be exacerbated by the uncertainty around the legislative election. We expect a hung parliament with policy paralysis is the most likely outcome, but a win for the far left or far right could also heighten uncertainty and lead to the rise of unconventional economic policies. In our baseline forecast GDP grows by 0.9% this year, but this is subject to higher-than-usual uncertainty in the face of potential shifts in government.

Sector trends

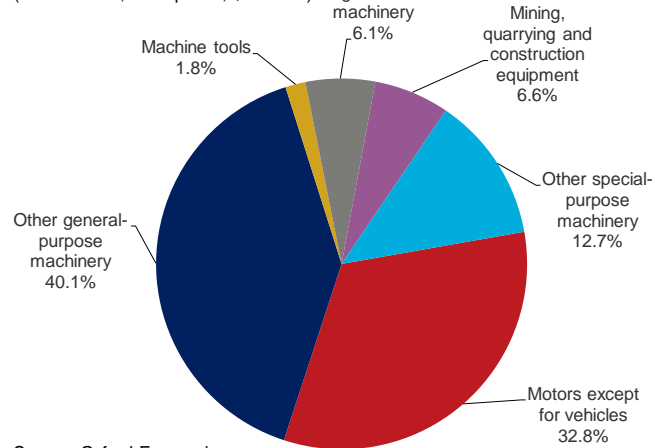
- While the forecast for industrial production as a whole has remained steady since the last update, growth has been downgraded, severely in many cases, in most key end-use sectors due to a very weak start to the year. Weighted hydraulic end-use sector demand growth this year is now expected to come in at -6.9%, 5.6ppts lower than previously.
- Weighted pneumatic end-use sector demand growth was downgraded by a similar magnitude and now sits at a forecast at -7.1% for 2024.

France: GDP and industrial production



Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$14.02bn)



France: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	2.2	-3.5	0.8	2.4	1.7	1.1
Other general-purpose machinery	0.9	-3.8	1.5	3.5	2.8	2.2
Machine tools	1.2	-14.1	1.5	3.3	2.6	2.0
Agricultural machinery	7.3	-13.5	0.8	2.7	1.9	1.3
Mining, quarrying and construction equipment	6.4	-8.2	1.1	2.9	2.2	1.6
Other special-purpose machinery	6.4	-8.2	0.9	2.7	1.9	1.3
Motor vehicles and parts	11.0	-6.9	11.0	0.0	-0.7	-2.4
Medical and surgical equipment	9.7	-20.5	18.6	6.5	3.7	3.3
Electronic components and boards	2.1	-2.7	1.6	3.5	3.2	2.7
Construction	-1.1	-0.4	1.6	1.4	1.3	1.1
Food	-1.0	2.3	1.4	2.1	2.1	2.7
Chemicals excluding pharmaceuticals	1.3	1.0	1.3	2.0	1.5	1.3
Weighted hydraulic end-use sector demand	5.2	-6.9	3.3	2.0	1.4	0.6
Weighted pneumatic end-use sector demand	7.1	-7.1	7.4	1.8	1.1	0.0
Industrial production	1.8	0.5	3.0	2.5	1.6	1.3
GDP	0.9	0.9	2.1	2.0	1.5	1.2

Market Outlook: Germany

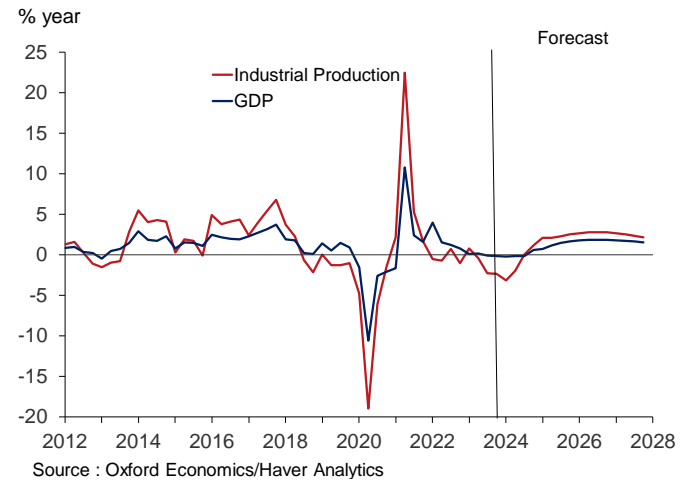
Macro overview

- The Q1 GDP report supports our view that the 0.2% q/q gain overstated the recovery momentum a little. The rise was driven by a 2.7% surge in construction, which was largely due to the mild winter. Net exports were the other growth pillar as the destocking cycle ends and a pick-up in global trade lifts exports. Imports were soft given weak domestic demand as private and government spending contracted.
- We still expect that the German economy will stagnate in 2024, but have revised up our forecast to 0.1% growth. This slightly more front-loaded recovery can be traced back to the combination of a still-weak investment outlook, tightening pressures from fiscal policy, a nascent recovery in industry, and a brightening picture in terms of consumer real incomes and confidence.

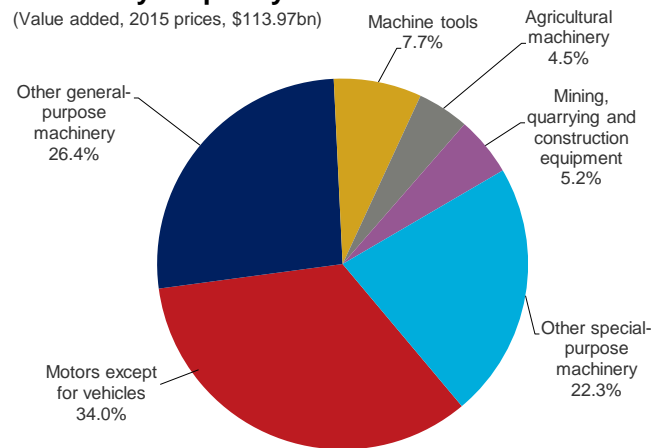
Sector trends

- We have once again downgraded our growth forecast for German industrial production this year, with downgrades for most key end-use sectors as well. With the exception of some general-purpose machinery all end-use sectors saw downgrades, and all are expected to contract this year. As such, our forecast for weighted hydraulics-consuming sectors is a contraction of 4.2% this year.
- We are forecasting a contraction for weighted pneumatics-consuming sectors as well, as the prospects for the most important sectors, motor vehicles & parts and electronic components & boards, have both deteriorated notably since our last forecast update.

Germany: GDP and industrial production



Machinery output by sub-sector in 2023



Germany: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-1.3	-2.9	2.2	4.4	4.8	3.7
Other general-purpose machinery	0.3	-3.0	2.4	4.6	5.0	4.0
Machine tools	5.7	-7.4	2.7	4.9	5.3	4.2
Agricultural machinery	4.2	-10.4	2.0	4.2	4.5	3.5
Mining, quarrying and construction equipment	6.5	-6.4	2.4	4.5	4.9	3.9
Other special-purpose machinery	3.2	-4.7	2.7	4.8	5.2	4.2
Motor vehicles and parts	12.4	-3.0	4.3	-1.5	2.6	2.7
Medical and surgical equipment	-2.5	-1.4	1.2	7.5	4.9	3.1
Electronic components and boards	7.6	-2.0	6.1	9.8	6.1	3.8
Construction	0.1	1.8	2.8	2.3	1.9	1.6
Food	-1.2	3.0	-0.6	2.1	1.7	1.1
Chemicals excluding pharmaceuticals	-8.9	7.7	0.4	1.5	1.4	1.0
Weighted hydraulic end-use sector demand	5.1	-4.2	2.8	2.8	3.8	3.2
Weighted pneumatic end-use sector demand	7.8	-2.7	3.8	2.6	3.8	3.1
Industrial production	-1.0	-1.0	2.3	2.8	2.4	1.9
GDP	0.0	0.0	1.3	1.9	1.7	1.3

Market Outlook: Italy

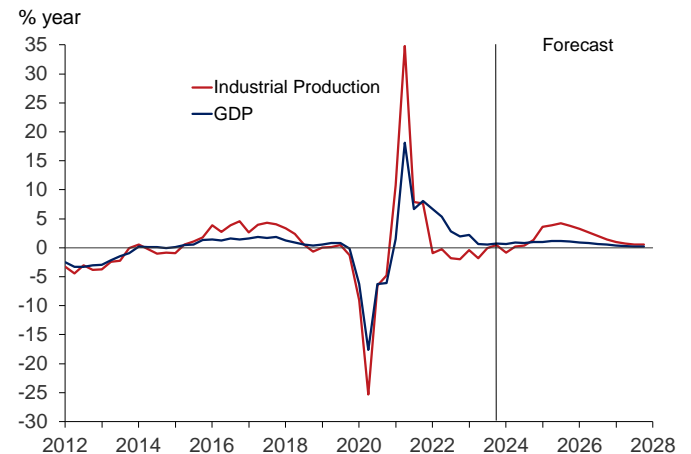
Macro overview

- Italian GDP growth surprised on the upside by rising 0.3% in Q1, stronger than expected but in line with our view that economic activity was on an uptrend. Net trade was the main contributor to growth. Meanwhile, domestic demand was a drag, although this was mainly a consequence of a negative stock dynamic. Private consumption and investment both edged up during the quarter
- We do not expect the robust Q1 GDP growth to be maintained in Q2 as it was driven by some temporary factors, such as the strong growth in construction activity. Construction activity will be less supportive in Q2 because of the end of the very generous super bonus scheme, which concluded in December last year. Industrial production declined by 1% m/m in April, mainly driven by a contraction in the production of intermediate goods. We expect that the economy will grow by 0.8% this year, somewhat slower than the 1% of last year, buoyed by improving real disposable incomes, external demand, and financial conditions.

Sector trends

- Our 2024 industrial forecasts for Italy have come down, and machinery, quarrying & construction machinery in particular, have been severely downgraded, leading to a large downgrade in weighted hydraulics-using sector growth prospects to a contraction of 4.6% this year.
- Weighted pneumatics-using sector growth in 2024 are no better: we expect a contraction of 4.7%, a downgrade of 4.4ppts relative to the March report, due mostly to a big downgrade to automotive production.

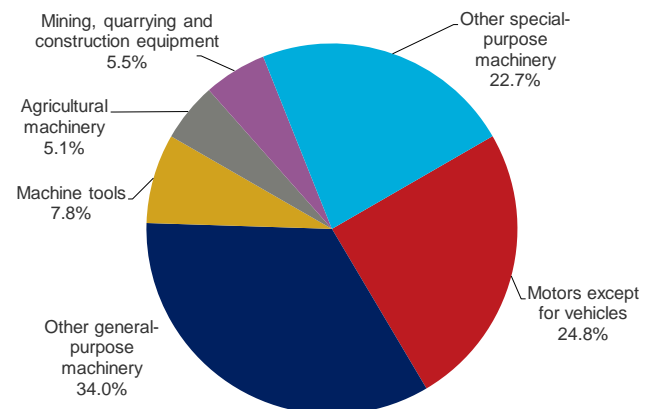
Italy: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$50.72bn)



Source: Oxford Economics

Italy: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-3.5	-0.6	3.3	2.0	1.2	0.8
Other general-purpose machinery	5.4	2.3	3.0	1.7	1.0	0.7
Machine tools	5.7	-4.0	3.1	1.7	1.3	0.9
Agricultural machinery	-5.9	-3.6	2.5	1.2	0.3	0.1
Mining, quarrying and construction equipment	5.1	-15.1	2.5	1.2	-0.3	-0.4
Other special-purpose machinery	7.1	-2.4	3.1	1.7	1.1	0.8
Motor vehicles and parts	8.0	-8.7	4.0	4.2	-1.2	1.3
Medical and surgical equipment	6.3	-2.3	4.9	1.9	1.7	1.2
Electronic components and boards	8.6	0.5	3.7	2.5	1.9	1.3
Construction	4.3	4.7	1.1	1.6	1.3	1.1
Food	0.6	3.6	2.0	1.3	1.0	0.6
Chemicals excluding pharmaceuticals	-4.1	2.1	1.9	1.3	0.8	0.4
Weighted hydraulic end-use sector demand	3.8	-4.6	2.7	2.0	0.2	0.6
Weighted pneumatic end-use sector demand	7.1	-4.7	3.7	3.0	0.1	1.1
Industrial production	-0.4	0.3	3.9	2.3	0.7	0.4
GDP	1.0	0.8	1.1	0.7	0.3	0.2

Market Outlook: Netherlands

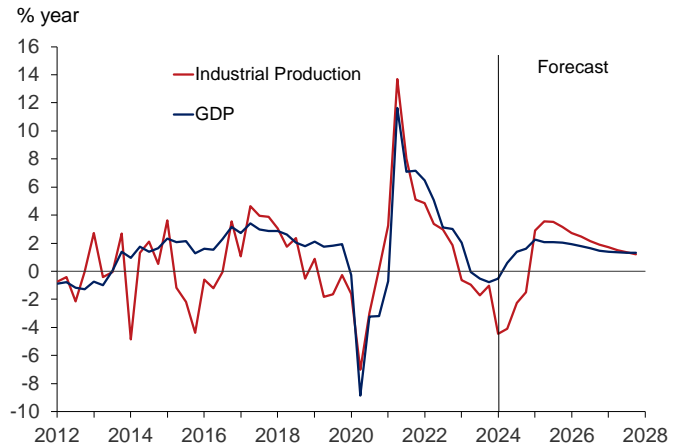
Macro overview

- According to the latest national accounts data the Dutch economy underperformed relative to the eurozone in Q1, contracting by 0.1% q/q. Net trade and a faster pace of destocking weighing on economic growth. On the other hand, private consumption, fixed investment, and government consumption expanded over the quarter, indicating positive momentum for domestic demand. We think the unusually large statistical discrepancy for Q1 could result in favourable data revisions.
- We expect modest economic growth for the Netherlands this year relative to the 2015-2019 average rate, with quarterly growth gaining traction as the impact of tighter monetary policy fades. We think strong wage growth along with lower inflation will help drive the consumption recovery as purchasing power increases. But we still assume the slow industrial recovery, weak external demand, and tight financial conditions will limit the upside in the near term. There is some upside risk to the growth impulse from fiscal policy if the new government is promptly sworn in and implements its agenda, but on the other hand there could be conflicts with the EU over migration and climate policy.

Sector trends

- We forecast weighted hydraulic-consuming sector demand will fall by 11.0% in 2024, a bit better than previously because of upgrades for some types of machinery. Motor vehicles continue to be the largest negative contributor due to the closure of a BMW plant.
- The story of the BMW plant is by far the largest driver of weighted pneumatic-consuming sector demand as well—we expect a decline of 16.9% in 2024, similar to March.

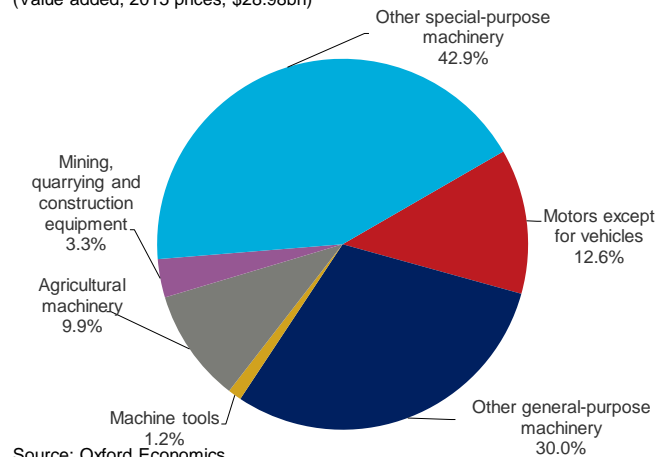
Netherlands: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$28.98bn)



Source: Oxford Economics

Netherlands: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	0.8	-4.2	4.4	3.9	3.7	2.7
Other general-purpose machinery	3.9	-3.2	4.4	3.9	3.7	2.7
Machine tools	8.1	-8.3	4.4	3.9	3.7	2.7
Agricultural machinery	3.0	-10.8	4.4	3.9	3.7	2.7
Mining, quarrying and construction equipment	10.5	-3.7	4.4	3.9	3.7	2.7
Other special-purpose machinery	6.1	-2.2	4.3	3.9	3.7	2.7
Motor vehicles and parts	11.8	-33.5	-1.6	3.2	1.2	0.6
Medical and surgical equipment	-14.7	-2.6	5.1	4.2	2.1	1.6
Electronic components and boards	-13.7	3.0	9.7	8.1	3.8	2.4
Construction	2.6	-2.6	2.3	1.5	1.1	0.9
Food	-2.7	-0.1	3.8	2.5	1.6	1.6
Chemicals excluding pharmaceuticals	-13.6	1.4	2.7	1.4	0.5	0.6
Weighted hydraulic end-use sector demand	6.7	-11.0	2.7	3.3	2.6	1.9
Weighted pneumatic end-use sector demand	3.2	-16.9	2.4	4.3	2.2	1.4
Industrial production	-1.1	-3.1	3.3	2.3	1.4	1.1
GDP	0.2	0.8	2.1	1.7	1.3	1.2

Market Outlook: Poland

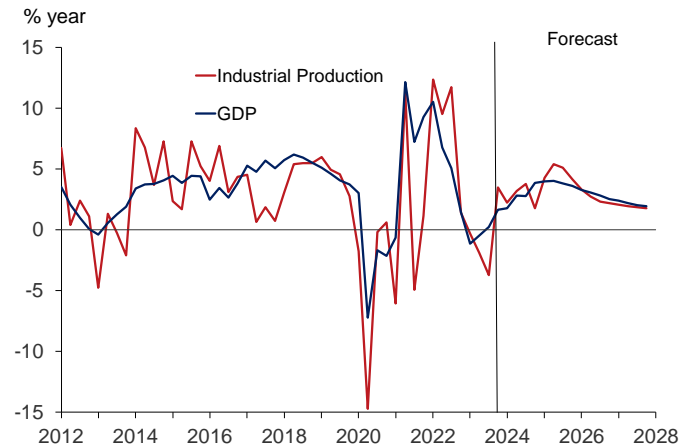
Macro overview

- Q1 GDP grew by 0.5% q/q. The breakdown indicated that consumption was the main growth engine, increasing by 2% q/q. Investment disappointed, shrinking by 3% q/q, primarily on the back of lower public outlays. The delays in disbursements of the EU funding, both under the RRF and structural programmes, weighed on investment. Net exports also dragged down the headline print.
- We remain broadly optimistic on the Polish growth outlook. The robust recovery in real incomes on the back of elevated nominal wage growth will allow households to boost consumption. That said, its scale will be limited by households' willingness to rebuild financial buffers. We think that most of the new spending will fall on services rather than goods, however. The investment outlook is less rosy due to a slow start to the year—we now expect this year's annual investment growth at only 1.7%. But we forecast next year will pick up to 9.8%, driven by a boost in the EU co-funded investment projects and resilient private fixed capital formation.

Sector trends

- Our forecast for weighted end-use sector demand for hydraulics in 2024 is 1.1%, down by 2.5ppts. All key hydraulics end-use sectors save agricultural machinery and construction saw growth prospects downgraded amidst a downgrade for industry overall.
- Our forecast for weighted pneumatic end-use sector growth has come down by 4.6ppts and now sits at 4.8%, as an automotive downgrade was only partially countered by an electronic components upgrade.

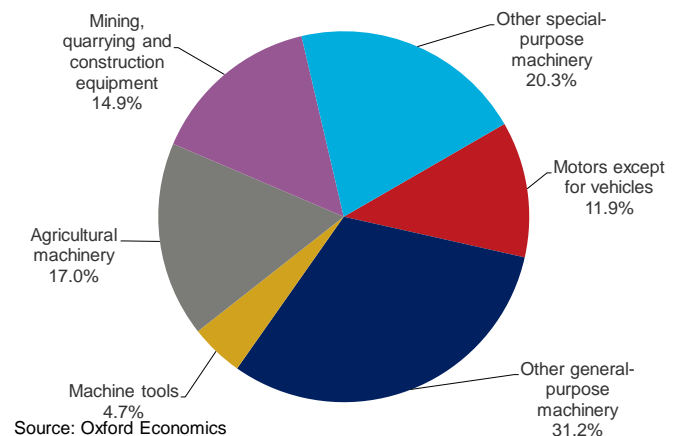
Poland: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$6.04bn)



Source: Oxford Economics

Poland: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	1.4	-0.3	5.4	7.1	3.6	1.7
Other general-purpose machinery	4.5	0.7	5.4	7.1	3.6	1.8
Machine tools	8.7	-4.6	5.4	7.1	3.6	1.8
Agricultural machinery	3.7	-7.7	3.3	5.0	1.5	-0.3
Mining, quarrying and construction equipment	11.2	2.9	5.3	7.0	3.5	1.6
Other special-purpose machinery	6.8	5.0	6.2	7.9	4.4	2.5
Motor vehicles and parts	11.7	3.8	-2.8	-0.6	1.7	3.1
Medical and surgical equipment	-9.3	4.3	5.8	10.2	9.0	7.7
Electronic components and boards	-8.2	10.6	6.8	8.7	7.5	6.3
Construction	2.9	3.1	1.4	1.2	0.9	0.7
Food	0.8	7.6	2.9	3.7	4.6	4.8
Chemicals excluding pharmaceuticals	-12.6	10.2	2.5	2.5	2.5	3.0
Weighted hydraulic end-use sector demand	7.1	1.1	2.6	4.0	2.4	1.5
Weighted pneumatic end-use sector demand	4.8	4.8	1.6	3.7	3.9	3.9
Industrial production	-0.6	2.7	4.7	2.6	1.9	2.1
GDP	0.1	2.8	3.9	2.9	2.1	1.9

Market Outlook: Russia

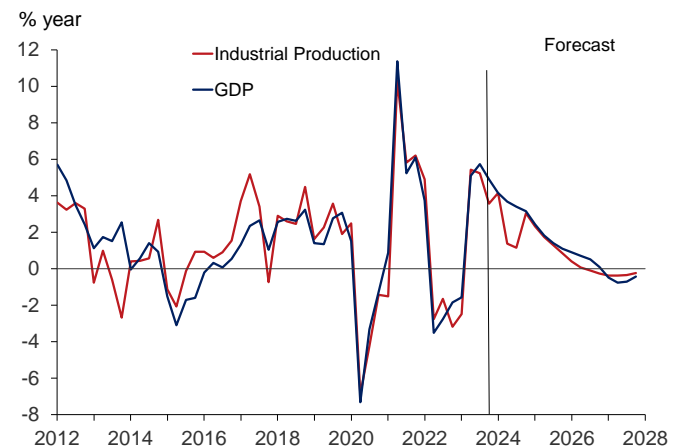
Macro overview

- Russian GDP grew by 1.1% q/q in Q1, a mild acceleration relative to the previous quarter. The strongest driver of growth was in consumer spending, as retail sales data have been growing robustly on the back of very strong nominal and real wage growth, itself powered by a very tight labour market. Industrial growth on the other hand fell back in the latest monthly data, but some of that is attributable to base effects.
- We have again raised our 2024 GDP growth forecast for Russia, this time to 3.6%. The 2025 forecast remains mostly unchanged at 1.6%. Front-loaded fiscal spending and rapid wage and credit growth have fuelled demand this year. Unseasonably cold weather in Russia's main agricultural regions raised the spectre of a new regional food price shock, with possible implications for monetary policy trajectory. Monetary policy is generally being challenged by an inflationary environment—we see rates on an upward trajectory until the end of the year at least.

Sector trends

- Sharp decreases in the growth outlook for most mechanical engineering sub-sectors has weighed heavily on our forecast for weighted hydraulic end-use sectors' growth. The forecast has been cut to just 1.4% growth in 2024, down 7.9ppts relative to our last update. Exceptions to the downgrades are motors and agricultural machinery, which were both upgraded.
- Though significantly downgraded, the relatively strong growth forecast for motor vehicles & parts is helping prop up weighted pneumatic end-use sector growth, which we are forecasting at 9.1% this year.

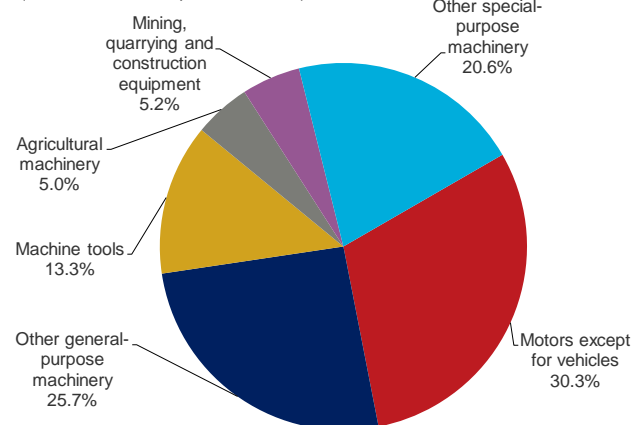
Russia: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$9.26bn)



Source: Oxford Economics

Russia: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	4.9	22.1	3.5	1.3	0.7	1.3
Other general-purpose machinery	-13.4	-9.6	3.0	0.8	0.2	0.8
Machine tools	27.4	-2.6	3.2	1.0	0.4	1.0
Agricultural machinery	-3.0	6.6	2.3	0.1	-0.5	0.1
Mining, quarrying and construction equipment	8.6	-2.0	2.7	0.5	-0.1	0.5
Other special-purpose machinery	12.3	-14.3	2.7	0.5	-0.2	0.5
Motor vehicles and parts	10.5	14.9	3.5	2.1	0.7	-2.5
Medical and surgical equipment	20.7	11.3	-2.1	0.1	0.3	1.2
Electronic components and boards	33.8	13.1	-1.7	-1.4	-1.2	-0.5
Construction	7.2	-4.3	3.1	3.9	1.8	0.9
Food	4.9	8.1	6.3	0.4	0.1	0.7
Chemicals excluding pharmaceuticals	3.5	4.0	2.1	-0.8	-2.2	-0.9
Weighted hydraulic end-use sector demand	5.6	1.4	3.0	1.5	0.4	0.0
Weighted pneumatic end-use sector demand	15.1	9.1	2.2	1.0	0.1	-1.1
Industrial production	2.9	2.4	1.5	0.0	-0.3	0.1
GDP	3.0	3.6	1.7	0.6	-0.6	0.3

Market Outlook: UK

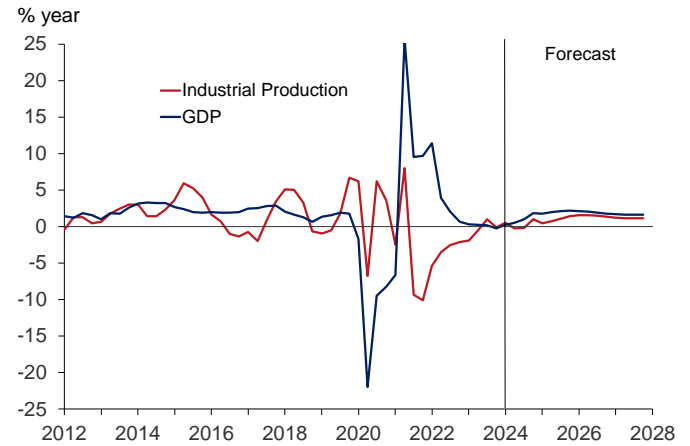
Macro overview

- The preliminary estimate for Q1 reported q/q GDP growth of 0.6%, more than offsetting the small falls in output seen in H2 2023. Though February's m/m growth was revised up, to 0.2% from 0.1%, the upside surprise was largely due to a 0.4% increase in GDP in March. Some of March's consumer strength might reflect the earlier-than-normal Easter, suggesting there could be some payback in Q2. Another key driver of March's upturn was the lack of a drag from industrial action in the health sector.
- We raised our UK GDP growth forecast for 2024 to 0.9% from 0.6% due to a much stronger-than-expected outturn for Q1 and evidence that the momentum has been sustained in early Q2. We still expect the economy to grow by 2% next year. Consumers will lead the recovery, with much lower inflation boosting spending power. However, the lagged effects of past interest rate hikes and tighter fiscal policy are expected to result in a steady, rather than spectacular, recovery.

Sector trends

- Motor vehicles & parts growth remains the single sectoral bright spot for weighted hydraulic end-use sector demand in 2024. Not only is it the only major sector forecast to see positive growth, it was also upgraded by the most of any sector (+3.9ppts) since March. All other important hydraulic end-use sectors were also upgraded, albeit by lesser amounts, leading to a shallower expected contraction of 0.8% this year, up 1.8ppts.
- Weighted pneumatic end-use sector growth in 2024 is expected to be positive (4.6%) on the back of that strong automotive performance, a 2.4ppt upgrade relative to December.

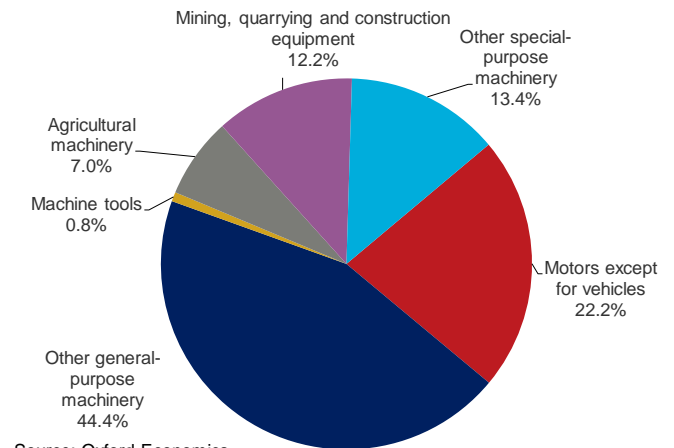
UK: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$20.08bn)



Source: Oxford Economics

United Kingdom: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-3.6	-4.8	3.6	3.5	2.8	2.5
Other general-purpose machinery	-3.6	-4.7	5.0	3.6	2.7	2.3
Machine tools	-3.6	-4.7	5.3	4.0	2.9	2.5
Agricultural machinery	-3.6	-4.8	4.6	3.8	2.8	2.4
Mining, quarrying and construction equipment	-3.6	-4.8	5.5	3.5	2.4	2.0
Other special-purpose machinery	-3.6	-4.8	5.2	4.0	2.9	2.6
Motor vehicles and parts	20.1	10.6	-3.4	2.1	2.6	1.6
Medical and surgical equipment	4.0	0.8	0.7	2.2	2.3	2.3
Electronic components and boards	4.0	0.6	1.2	3.1	3.3	3.4
Construction	2.1	-1.1	2.2	2.8	1.5	1.2
Food	-0.8	3.9	1.1	1.0	0.5	0.7
Chemicals excluding pharmaceuticals	-10.1	-3.2	0.8	1.4	1.2	1.2
Weighted hydraulic end-use sector demand	2.6	-0.8	2.7	3.2	2.4	1.9
Weighted pneumatic end-use sector demand	10.0	4.6	-0.3	2.6	2.6	2.1
Industrial production	-0.4	0.3	0.9	1.5	1.2	1.0
GDP	0.1	0.9	2.0	1.9	1.6	1.6

Market Outlook: Australia

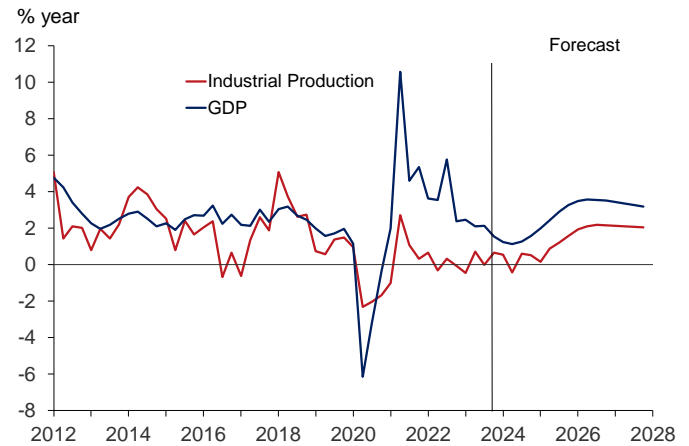
Macro overview

- GDP increased by just 0.1% q/q in Q1. Household consumption growth was surprisingly strong, but we see this as a transitory bounce caused by changes to subsidies and spending on major events rather than a turning point. Construction activity was disappointing in Q1, with investment activity stepping back from its recent peak in the mining sector and dwelling investment contracting.
- The Q1 GDP print was a little below our expectations. However, net overseas migration has been a little stronger than we expected. The uplift this will provide to output over the next year has broadly offset the weaker starting point for growth in 2024. Accordingly, we still expect modest growth of 1.3% in 2024. We see the labour market continuing to slacken gradually through the year, with the unemployment rate set to rise close to 4.5% by the end of the year. Fiscal policy settings will ease in H2 as recently announced consumer subsidies flow through to households, which will support growth in the second half of the year. We now see interest rates as on hold until early 2026.

Sector trends

- The consumer-focused stimulus and higher population inflows will do little to boost industrial production prospects for key end use sectors. Hydraulics-consuming sectors were all, with the exception of construction, downgraded, leading to a new, worse weighted 2024 forecast of a 0.8% contraction.
- Similarly, weighted 2024 pneumatic end-use sector growth has been downgraded to -1.0%, down by 2.4ppts.

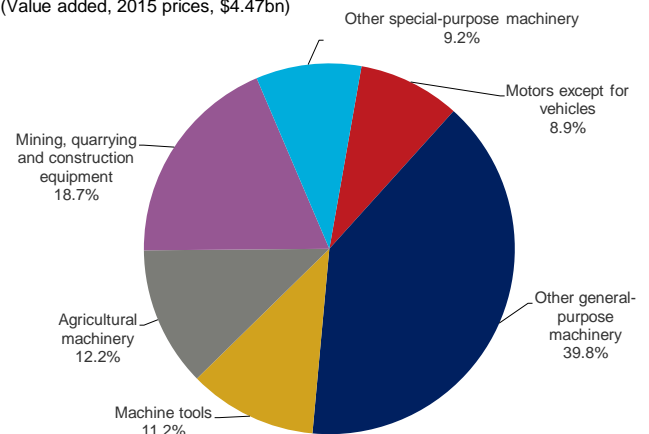
Australia: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$4.47bn)



Source: Oxford Economics

Australia: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-2.9	-1.6	0.8	2.7	2.7	2.3
Other general-purpose machinery	-2.9	-1.6	0.8	2.7	2.7	2.3
Machine tools	-3.1	-1.7	0.8	2.7	2.7	2.3
Agricultural machinery	-2.8	-1.6	0.8	2.7	2.7	2.3
Mining, quarrying and construction equipment	-3.4	-1.6	0.8	2.7	2.7	2.3
Other special-purpose machinery	-3.3	-1.6	0.8	2.7	2.7	2.3
Motor vehicles and parts	-2.4	-1.6	0.8	2.7	2.7	2.3
Medical and surgical equipment	-2.0	-1.7	0.8	2.7	2.7	2.3
Electronic components and boards	-	-	-	-	-	-
Construction	3.1	2.2	2.9	2.1	4.8	4.6
Food	4.7	1.9	1.8	2.5	2.2	2.2
Chemicals excluding pharmaceuticals	-10.1	7.9	-0.7	-0.5	-0.7	-0.2
Weighted hydraulic end-use sector demand	-1.7	-0.8	1.2	2.6	3.1	2.8
Weighted pneumatic end-use sector demand	-1.8	-1.0	0.7	2.2	2.2	1.9
Industrial production	0.2	0.3	1.0	2.1	2.1	2.0
GDP	2.0	1.3	2.9	3.6	3.3	3.0

Market Outlook: China

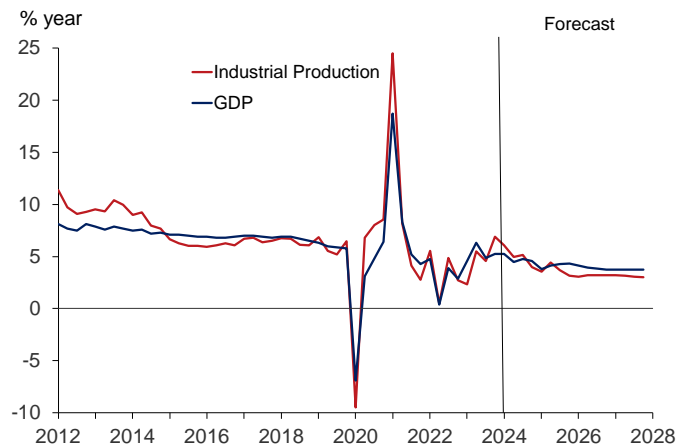
Macro overview

- GDP grew robustly in Q1 at a rate of 1.9% q/q, the fastest pace in a year. However, markets were left unimpressed. Retail sales and industrial production declined towards the end of the quarter and the persistence of disinflationary pressures meant that nominal GDP came in weak, which implies poor outcomes for corporates' nominal earnings. Thanks to the roughly 5% depreciation of the yuan against the dollar over the past year, GDP in nominal dollar terms actually contracted on a y/y basis.
- The Q1 figure relied on manufacturing growth alongside falling capacity utilisation, which suggests that there was inventory buildup that is likely to unwind over the coming quarters. This, combined with slowing momentum in household consumption, suggests weak domestic demand that should however be offset by rising goods exports. These factors are driving our view that sequential growth is likely to slow in the coming quarters, bringing total GDP growth for the year to 4.7%, just under the government's 5% target.

Sector trends

- Upgrades to most hydraulics end-use sectors' growth prospects were overwhelmed by sharp deterioration in growth for machine tools, general purpose-machinery, and mining & construction equipment production. We expect a 2024 weighted demand contraction of 1.1%.
- The outlook for weighted pneumatic end-use sector growth is better: we expect growth of 6.1% this year, largely unchanged from our last forecast update as notable upgrades for electronic components outweighed the downgrades to machinery.

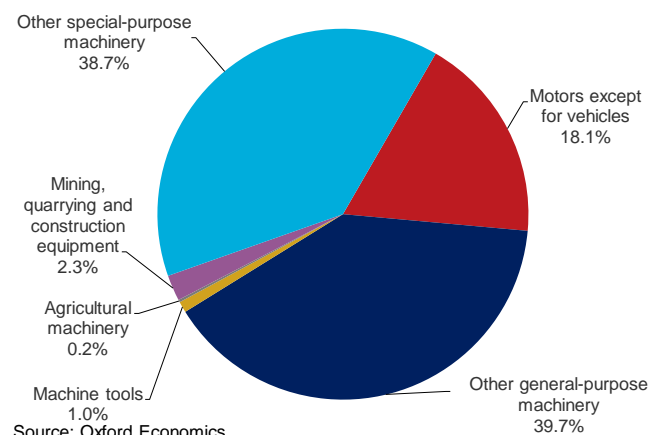
China: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$533.02bn)



Source: Oxford Economics

China: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-22.7	3.9	8.7	4.7	3.7	3.3
Other general-purpose machinery	21.2	4.1	5.7	3.8	2.8	2.4
Machine tools	10.0	-17.5	7.8	4.2	3.1	2.7
Agricultural machinery	-10.9	3.9	-2.0	3.3	2.2	1.8
Mining, quarrying and construction equipment	-3.2	-19.0	6.3	4.0	3.0	2.6
Other special-purpose machinery	4.1	4.7	5.6	4.1	3.1	2.7
Motor vehicles and parts	14.1	4.6	1.6	-0.1	0.7	0.1
Medical and surgical equipment	23.2	12.9	5.2	6.6	7.1	6.8
Electronic components and boards	20.7	18.4	4.4	7.5	6.9	6.5
Construction	7.1	3.4	2.1	3.1	2.5	2.1
Food	4.1	6.2	5.2	5.5	5.5	5.0
Chemicals excluding pharmaceuticals	10.6	4.7	3.1	3.8	3.5	3.4
Weighted hydraulic end-use sector demand	4.1	-1.1	3.1	2.9	2.3	1.9
Weighted pneumatic end-use sector demand	14.5	6.1	3.5	2.9	3.0	2.5
Industrial production	4.8	5.0	3.7	3.2	3.1	2.9
GDP	5.2	4.7	4.1	3.9	3.7	3.6

Market Outlook: India

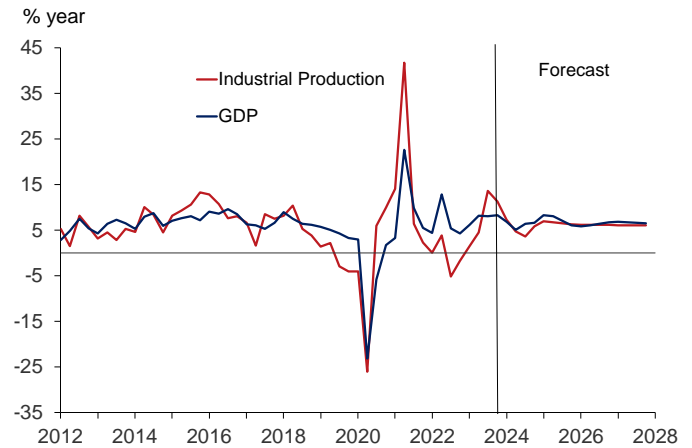
Macro overview

- Real GDP grew by 1.3% q/q in Q1, a mild slowdown from the significantly upwardly-revised Q4. The revised figures show that GDP was 2.3% higher at the end of last year than previously thought. Slowing consumption growth and a sharp decline in fixed investment were the main culprits behind the slowdown, made up for somewhat by surging net trade, itself driven by a large rise in exports.
- While there are various challenges for the Indian economy, the robust growth of the last few months has prompted us to raise our outlook for growth: we now expect an economic expansion of 6.3% in 2024, up 0.5ppts from our last report. We continue to expect some moderation in activity over the next quarters, but fundamentals, including a very strong labour market and new welfare spending by the government, remain supportive for consumption growth. The result of the national election, where Prime Minister Modi's party was unexpectedly reduced to a minority government, may end up weighing on growth in the medium run if infrastructure spending is diverted to more welfare and subsidy growth and if necessary structural reforms are watered down or delayed.

Sector trends

- Our 2024 industrial production forecast is up by 2.1ppts since March in a broad-based sectoral revision. Consequently, weighted hydraulic end-use sector growth this year is up to 3.1%, up 3.6ppts.
- Weighted pneumatic end-use sector growth is also up and now stands at 5.2% this year, up 2.5ppts.

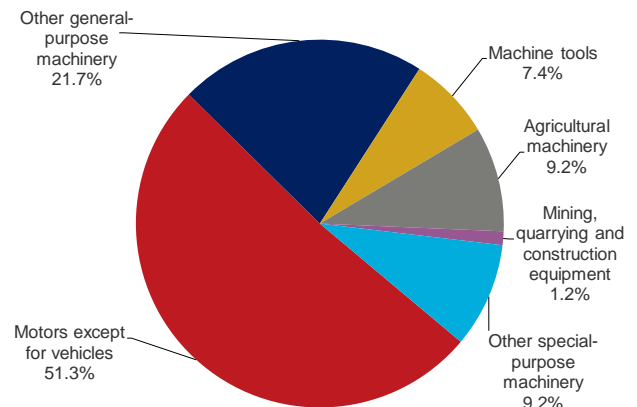
India: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$22.20bn)



Source: Oxford Economics

India: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	14.1	2.4	6.9	7.3	6.7	6.8
Other general-purpose machinery	14.1	2.4	6.9	7.3	6.7	6.8
Machine tools	14.1	2.4	6.9	7.3	6.7	6.8
Agricultural machinery	14.1	2.2	6.3	6.7	6.1	6.2
Mining, quarrying and construction equipment	14.1	2.2	6.5	6.9	6.3	6.4
Other special-purpose machinery	14.1	2.6	7.5	7.9	7.3	7.4
Motor vehicles and parts	16.6	6.7	2.9	2.8	3.3	3.9
Medical and surgical equipment	-13.1	6.8	12.3	12.9	11.4	11.0
Electronic components and boards	-13.1	4.2	10.5	11.6	10.9	10.8
Construction	9.6	1.5	4.1	5.2	3.4	4.3
Food	7.6	2.4	9.7	8.7	8.4	8.2
Chemicals excluding pharmaceuticals	4.8	4.1	6.5	6.4	7.1	7.0
Weighted hydraulic end-use sector demand	13.7	3.1	5.4	5.8	5.2	5.6
Weighted pneumatic end-use sector demand	8.0	5.2	6.2	6.4	6.2	6.5
Industrial production	7.7	5.4	6.6	6.2	6.1	6.1
GDP	7.7	6.3	7.4	6.3	6.7	6.5

Market Outlook: Indonesia

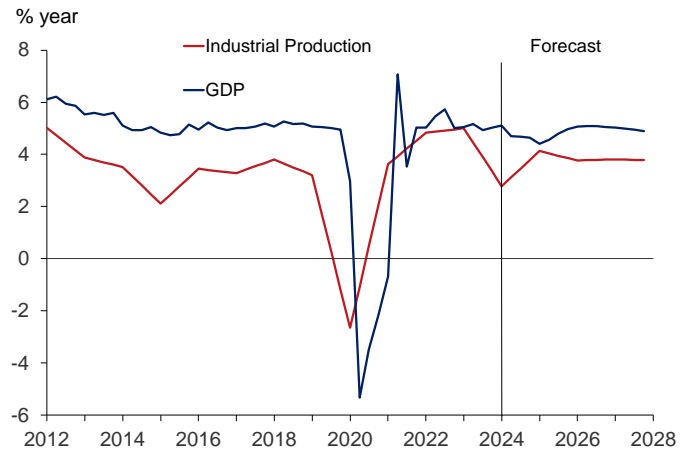
Macro overview

- Indonesia's GDP grew by 5.1% y/y in Q1, beating expectations. Strength came from domestic consumption: private consumption grew 5.3% y/y, reversing the declining trend over the past two quarters. More surprising was the strength in government consumption, which jumped by 19.9% y/y, the strongest in 15 years. While we expected a robust sequential pickup given the election-related spending, the outcome far exceeded our forecast. Meanwhile, investment growth undershot even our modest growth forecast, settling at 3.8% y/y, because of softness in buildings and vehicles investment.
- The Q1 GDP reading lifted our 2024 forecast by 0.3ppts to 4.8%, but we still think that growth will slow from last year. Although private consumption surprised to the upside, other major components undershot our estimate. We expect household spending to prop up the headline growth this year, while exports suffer from soft global economy. Consequently, subdued external demand will reduce investment appetite and will likely lead to higher unemployment as firms try to maintain their profit margins.

Sector trends

- The 2024 outlook for weighted hydraulic-using sector growth is mildly worse at 1.5% (-0.6ppts) than previously, as a boost to the construction forecast mostly outweighed mild downgrades in all other important sectors.
- Broad based downgrades for pneumatic end-use sectors pulled down our 2024 weighted pneumatic-using sector growth forecast to 3.6%.

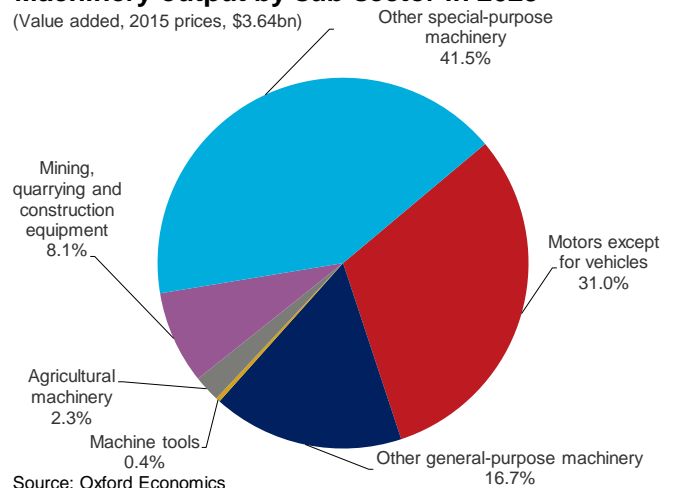
Indonesia: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$3.64bn)



Source: Oxford Economics

Indonesia: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	0.0	15.5	8.7	7.4	6.9	6.2
Other general-purpose machinery	0.0	-8.1	8.6	7.3	6.4	5.7
Machine tools	0.0	6.5	8.4	7.2	6.2	6.1
Agricultural machinery	0.0	-11.5	8.5	7.2	6.4	5.7
Mining, quarrying and construction equipment	0.0	5.2	8.9	7.6	6.5	5.9
Other special-purpose machinery	0.0	8.0	9.0	7.6	6.6	5.9
Motor vehicles and parts	7.7	2.9	6.0	3.0	3.3	2.4
Medical and surgical equipment	13.7	4.8	6.8	5.9	5.0	5.0
Electronic components and boards	13.7	5.4	8.1	5.8	5.0	5.1
Construction	4.9	6.1	3.2	6.0	6.1	6.0
Food	4.6	1.7	4.0	3.5	3.8	4.1
Chemicals excluding pharmaceuticals	0.2	4.0	5.0	4.3	4.4	4.3
Weighted hydraulic end-use sector demand	2.6	1.5	7.1	6.2	5.7	5.1
Weighted pneumatic end-use sector demand	7.5	3.6	6.9	4.6	4.4	3.9
Industrial production	5.0	2.8	4.1	3.8	3.8	3.8
GDP	5.0	4.8	4.7	5.1	5.0	4.8

Market Outlook: Japan

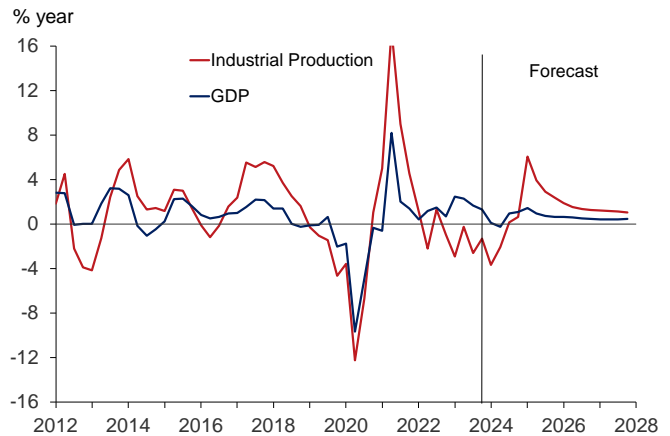
Macro overview

- According to the preliminary estimates, Japan's GDP contracted by 0.5% q/q in Q1 after staying flat in Q4 2023. The weakness was broad based as most final demand components shrank in q/q terms, partly due to a temporary auto production halt across a few automakers in early Q1.
- We have mildly downgraded our 2024 GDP growth forecast for Japan to 0.5%. Broadly the economy should shake off the one-off negative factor of the auto production halt, as we expect production to broadly recover by Q2. However, industrial activity will take a permanent hit to the annual growth figure, as we do not expect “catch-up” production. We expect activity will improve as households' real incomes recover, particularly in H2. But weak external demand will continue to hamper growth. Considering the robust wage settlement releases as well as Bank of Japan's inflation outlook and its desire to end the zero interest rate policy, we now think the bank will raise its policy rate this autumn, rather than waiting until next year.

Sector trends

- The industrial production downgrade, mostly but not entirely driven by the auto production shutdowns, are weighing heavily on hydraulic- and pneumatic-consuming sectors. We expect the weighted hydraulic sectors to contract in 2024 by 4.0%, down 2.7ppts.
- Similarly, we expect that pneumatic-consuming sectors' weighted contraction this year will come in at 3.6%, 2.5ppts worse than in our previous forecast.

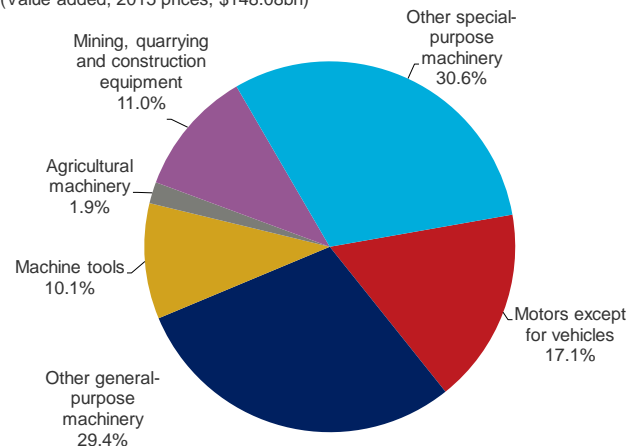
Japan: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$148.08bn)



Source: Oxford Economics

Japan: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-7.0	-8.9	7.5	2.9	2.3	2.0
Other general-purpose machinery	-5.4	-3.3	7.0	2.4	1.7	1.5
Machine tools	-5.3	-12.6	7.2	2.7	2.0	1.7
Agricultural machinery	-20.0	-7.7	6.1	1.6	0.9	0.7
Mining, quarrying and construction equipment	3.3	-5.7	7.2	2.7	2.0	1.7
Other special-purpose machinery	-10.0	-1.2	7.2	2.7	2.0	1.7
Motor vehicles and parts	13.6	-4.2	5.2	-0.7	0.2	0.0
Medical and surgical equipment	-5.9	-24.3	12.3	4.4	2.6	1.9
Electronic components and boards	-11.1	8.0	10.5	10.1	8.1	5.6
Construction	3.7	1.5	0.3	0.3	0.4	0.5
Food	-2.7	-0.3	0.6	0.0	-0.3	-0.3
Chemicals excluding pharmaceuticals	-7.9	-0.9	1.7	0.6	0.2	-0.1
Weighted hydraulic end-use sector demand	-0.6	-4.0	5.2	1.3	1.1	0.9
Weighted pneumatic end-use sector demand	2.7	-3.6	6.8	2.3	2.1	1.5
Industrial production	-1.8	-1.2	3.8	1.5	1.1	0.8
GDP	1.9	0.5	0.9	0.5	0.4	0.4

Market Outlook: South Korea

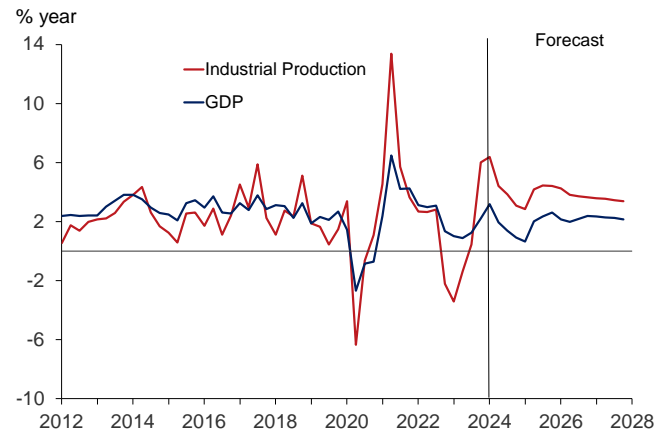
Macro overview

- South Korea's GDP grew by 1.3% q/q in Q1, the fastest in nine consecutive quarters, due to the recovery in domestic demand. Investment rebounded by 1.5% q/q and consumption by 0.8% q/q, in total contributing 0.8ppts to growth in the quarter. Sequential improvement in exports turned soft in Q1 but remained on track in our view.
- Our 2024 GDP growth forecast has come up to 1.8% since the spring report. After a softening in the beginning of the year, Q2 export growth momentum has turned markedly positive, with May registering a staggering 45.5% y/y growth in electronics exports. The strong interest in AI and semiconductors is playing to South Korea's advantages, and the so-called "chip campaign" can be seen across the macro and micro levels in South Korea in terms of big stated investment and activity by individual corporates as well. This should help boost capital expenditure in the short and medium run.

Sector trends

- Unfortunately, the anticipated increase in capital expenditures is not yet being felt in the short-run machinery growth forecasts. Downgrades in this space mean that, despite a better picture for construction and electronics, weighted hydraulic end-use demand for 2024 is negative, at a 1.3% contraction.
- Weighted pneumatic end-use demand on the other hand benefits more strongly from the growth upgrade to electronic components & boards, and as such is expected to grow by 1.3% this year.

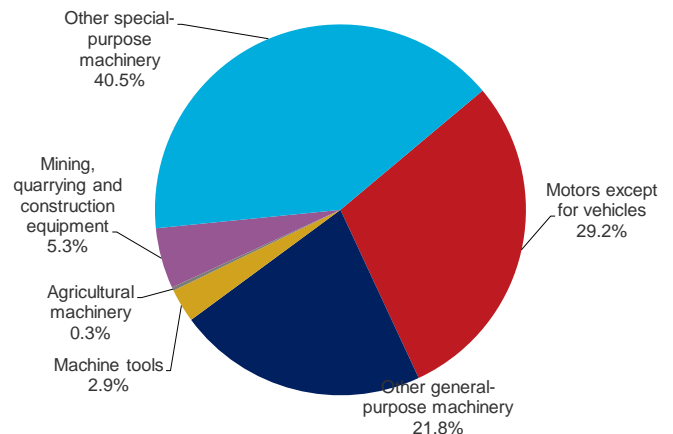
South Korea: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$37.43bn)



Source: Oxford Economics

South Korea: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	1.3	2.1	5.9	4.5	3.0	2.0
Other general-purpose machinery	1.3	2.1	5.8	4.1	2.5	1.7
Machine tools	-11.4	-2.3	6.7	5.6	4.0	2.9
Agricultural machinery	-11.4	-2.6	5.9	4.9	3.3	2.2
Mining, quarrying and construction equipment	-11.4	-2.4	6.5	5.4	3.9	2.7
Other special-purpose machinery	-11.4	-2.3	7.5	7.0	5.4	3.9
Motor vehicles and parts	13.3	-3.4	2.4	1.3	2.0	0.8
Medical and surgical equipment	3.4	1.1	2.2	2.8	2.5	1.9
Electronic components and boards	1.4	17.6	5.4	5.9	5.9	5.6
Construction	3.1	1.4	0.6	0.9	0.9	0.7
Food	-2.2	0.8	3.1	2.6	2.4	1.8
Chemicals excluding pharmaceuticals	-5.3	-1.6	3.3	3.1	2.9	2.4
Weighted hydraulic end-use sector demand	-1.7	-1.3	4.4	3.6	2.8	1.8
Weighted pneumatic end-use sector demand	5.1	1.3	3.8	3.2	3.2	2.2
Industrial production	0.4	4.4	4.0	3.8	3.5	3.1
GDP	1.3	1.8	1.9	2.2	2.3	2.0

Market Outlook: Taiwan

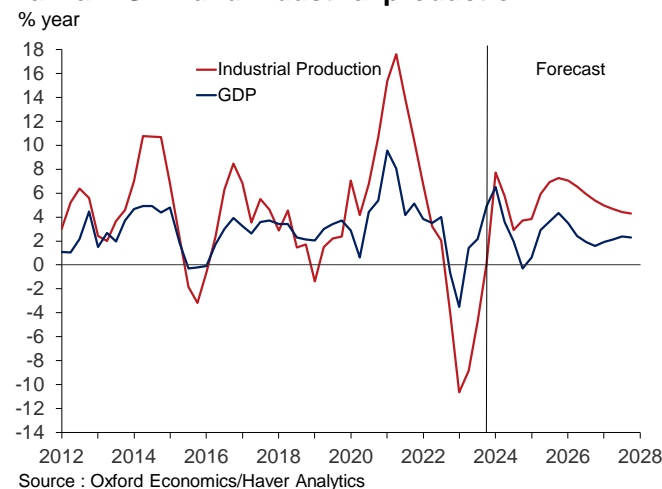
Macro overview

- Taiwan's Q1 GDP came in at 0.3 q/q, which represents a slowdown relative to the three blockbuster quarters prior. Domestic demand contributed the most to quarterly growth, with fixed investment in particular registering healthy growth after contracting severely for most of the year. Net trade subtracted substantially from growth, though mostly due to high imports rather than export weakness.
- While our growth forecast for 2024 remains at 2.8%, there are increasing signs of activity related to the global AI boom. We had already upgraded our forecasts for this reason, but there are growing upside risks that may precipitate another upgrade in the coming quarters. Many of the cutting-edge chips needed for AI-related work are produced in Taiwan, and the local semiconductor companies involved in this production are signalling strong expectations for revenue in the coming year. Indeed, we are also seeing some upstream businesses like power supply and downstream businesses like packaging and testing feeling the heat.

Sector trends

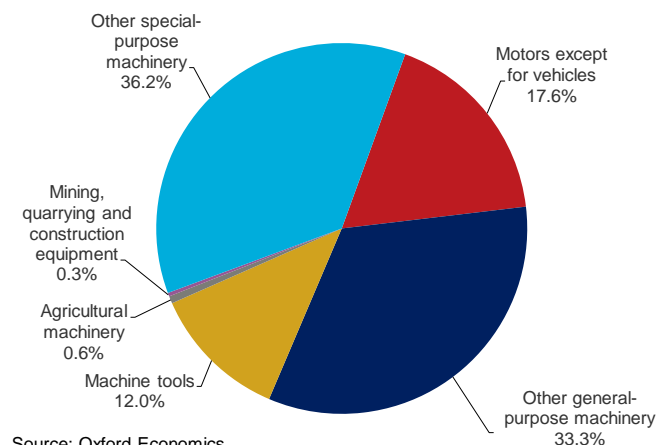
- We have upgraded the 2024 industrial production forecast by 0.8ppts, which has boosted a wide range of hydraulics-using sectors. Weighted demand growth this year is now forecast to be 3.3ppts higher than in our previous report and now stands at 0.7%.
- While weighted pneumatic end-use sector growth has been benefitting from upgrades in electronic components & boards, it is being weighed down substantially by depressed prospects in motor vehicles & parts. We expect a contraction of 0.9% this year.

Taiwan: GDP and industrial production



Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$10.60bn)



Taiwan: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-14.8	0.9	6.4	5.1	4.7	3.3
Other general-purpose machinery	-8.9	-3.2	6.5	5.2	4.8	3.4
Machine tools	-15.9	-8.9	6.5	5.2	4.8	3.4
Agricultural machinery	-5.8	8.2	5.6	4.3	3.9	2.5
Mining, quarrying and construction equipment	0.8	2.6	6.3	5.0	4.7	3.2
Other special-purpose machinery	-11.7	6.1	6.4	5.1	4.7	3.3
Motor vehicles and parts	8.6	-5.5	2.0	1.3	1.0	2.3
Medical and surgical equipment	-9.5	-4.3	2.6	3.4	2.9	3.2
Electronic components and boards	-12.4	11.7	9.0	10.4	8.2	6.8
Construction	-5.2	0.9	1.9	1.8	1.6	1.7
Food	5.8	4.8	2.9	2.5	1.6	1.8
Chemicals excluding pharmaceuticals	-5.4	-3.6	5.8	5.2	3.5	3.4
Weighted hydraulic end-use sector demand	-2.6	0.7	4.4	3.5	3.2	2.6
Weighted pneumatic end-use sector demand	-0.7	-0.9	4.3	3.9	3.2	3.4
Industrial production	-6.1	5.0	6.0	6.2	4.6	4.0
GDP	1.3	2.8	2.9	2.3	2.2	1.8

Market Outlook: South Africa

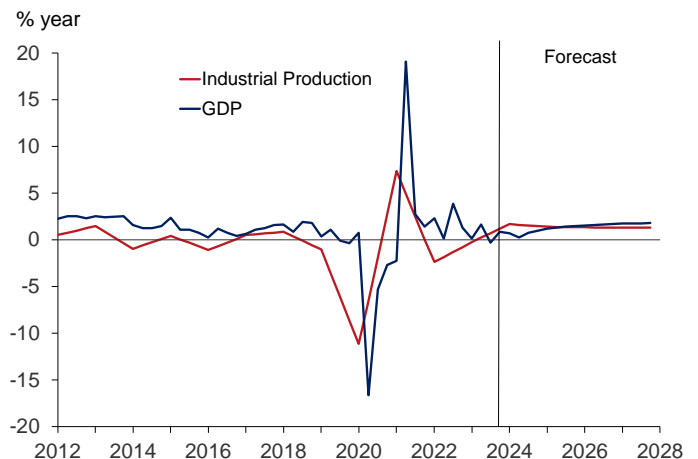
Macro overview

- South Africa's economy contracted by 0.1% q/q at the start of 2024. Softer industry and construction activity contributed to the downward momentum on the supply side of the economy, while the demand side experienced a decline across all components.
- Although not our base case, the latest quarterly contraction opens the door for a possible economic recession in Q2 2024. There have not been any scheduled power outages since late March, but disappointing new vehicle sales thus far for Q2 show that demand remains weak, and it is unlikely that economic activity would have picked up strongly ahead of the elections. We retain our below-consensus real GDP growth forecast of 0.7% for 2024. The results of the national and regional elections are, relatively speaking, positive. From a macroeconomic perspective the worst outcome of a nationalist/left-wing coalition was avoided, and instead the ANC has chosen to govern with the business-friendly DA. This should help bolster confidence, support the currency, and unlock investment. This should hopefully provide economic momentum towards the end of this year.

Sector trends

- Across-the-board downgrades to the outlook for hydraulics end-use sectors have led to a negative revision of 2.6ppts to our 2024 weighted forecast, which now shows a contraction of 0.7%.
- While also weighed down by downgrades to key end-use sectors, the weighted pneumatic-consuming sector forecast still shows growth in 2024 at 2.8%, bolstered by motor vehicles & parts sector growth.

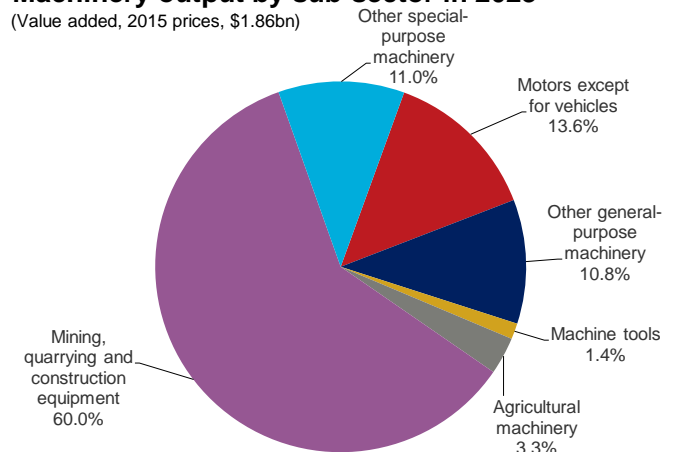
South Africa: GDP and industrial production



Source: Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$1.86bn)



Source: Oxford Economics

South Africa: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	1.1	0.3	3.1	1.5	1.5	1.3
Other general-purpose machinery	1.1	-0.4	3.3	1.4	1.5	1.3
Machine tools	5.7	-4.1	4.4	2.6	2.6	1.8
Agricultural machinery	5.7	-5.0	2.8	0.6	0.7	0.5
Mining, quarrying and construction equipment	-3.0	-0.9	1.4	1.7	2.4	2.3
Other special-purpose machinery	5.7	-3.5	3.2	1.3	1.5	1.4
Motor vehicles and parts	5.2	5.1	2.2	1.2	0.3	-0.9
Medical and surgical equipment	-63.2	3.1	2.4	2.0	2.3	2.5
Electronic components and boards	8.5	1.8	1.7	0.9	0.7	0.7
Construction	3.4	-2.2	0.4	2.7	2.5	2.1
Food	1.6	4.3	0.5	3.3	1.8	1.6
Chemicals excluding pharmaceuticals	-2.2	2.4	1.4	1.6	1.5	1.5
Weighted hydraulic end-use sector demand	2.9	-0.7	2.1	1.6	1.5	1.1
Weighted pneumatic end-use sector demand	0.1	2.8	2.3	1.4	0.9	0.3
Industrial production	-0.2	1.7	1.4	1.3	1.3	1.3
GDP	0.6	0.7	1.4	1.6	1.8	1.8

Market Outlook: UAE

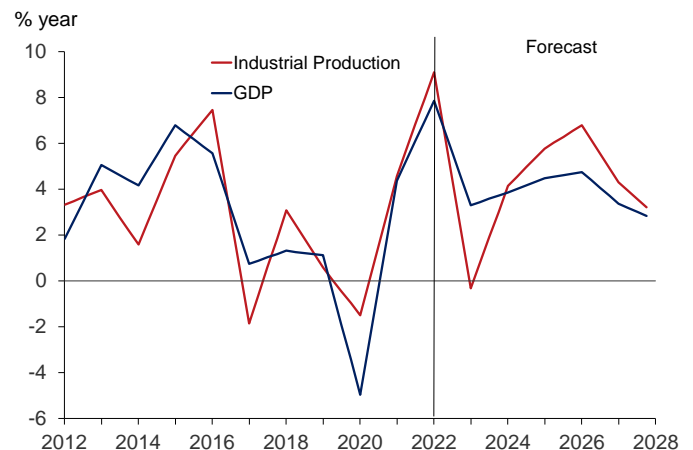
Macro overview

- The UAE economy expanded by 3.6% in 2023 due to a resilient non-oil sector, which grew 6.2%. The strongest-performing sector was financial services, achieving growth of 14%, the fastest growth since 2013. As a result of this strong momentum, we raised our non-oil GDP growth forecast for 2024 to 4.6%. However, momentum slowed in April as the non-oil private-sector PMI fell to 55.3; floods impacted new orders and employment growth was sluggish.
- The economy is facing headwinds despite positive high-frequency surveys. Higher interest rates are weighing on consumption and private investment, as is the external environment. Though uncertain, OPEC+ policy will be critical to determining the UAE's overall GDP growth. Despite new reference production quotas, the UAE maintained production levels in April at 3.15mn b/d. Significant unwinding of some of the past year's cuts to oil production is unlikely until next year. As a result, we think the economy will expand by 3.9% in 2024 before accelerating to 4.5% in 2025.

Sector trends

- We continue to expect that 2024 will be a robust year for the weighted hydraulic end-use sectors, with annual growth reaching 7.1%. This is however 2.3ppts better than in our previous report, reflecting across-the-board upgrades to end-use sectors' outlooks.
- Similarly, our forecast for weighted pneumatic end-use sector growth in 2024 is also up (+2.5ppts). We now expect growth of 6.1% this year.

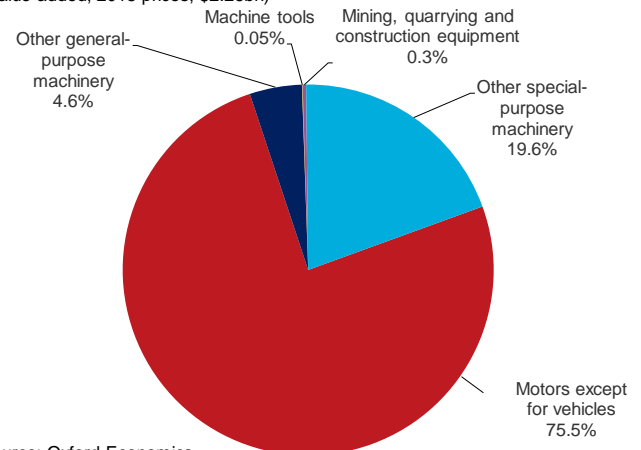
UAE: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, \$2.26bn)



Source: Oxford Economics

United Arab Emirates: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	0.7	7.8	8.0	1.1	2.4	3.7
Other general-purpose machinery	2.6	7.6	8.1	1.2	2.4	3.8
Machine tools	0.8	7.4	8.3	1.4	2.5	4.0
Agricultural machinery	0.4	7.4	8.0	1.2	2.3	3.8
Mining, quarrying and construction equipment	-5.0	9.6	8.1	1.2	2.3	3.8
Other special-purpose machinery	1.5	7.5	8.1	1.2	2.4	3.8
Motor vehicles and parts	4.0	4.9	4.3	5.0	4.7	2.9
Medical and surgical equipment	9.8	7.6	4.9	5.5	6.4	6.1
Electronic components and boards	9.4	7.5	7.1	9.7	9.1	6.3
Construction	11.0	6.0	4.2	2.8	2.0	2.0
Food	0.4	3.9	3.9	4.8	4.5	3.6
Chemicals excluding pharmaceuticals	3.0	7.7	7.5	7.7	5.6	3.3
Weighted hydraulic end-use sector demand	2.5	7.1	6.5	2.3	2.8	3.3
Weighted pneumatic end-use sector demand	4.6	6.1	5.6	5.2	5.1	4.0
Industrial production	-0.3	4.1	5.8	6.8	4.3	2.9
GDP	3.3	3.9	4.5	4.7	3.4	2.7



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