NFPA: Forecast of End-Use Markets

Autumn 2024

Contents

Overview

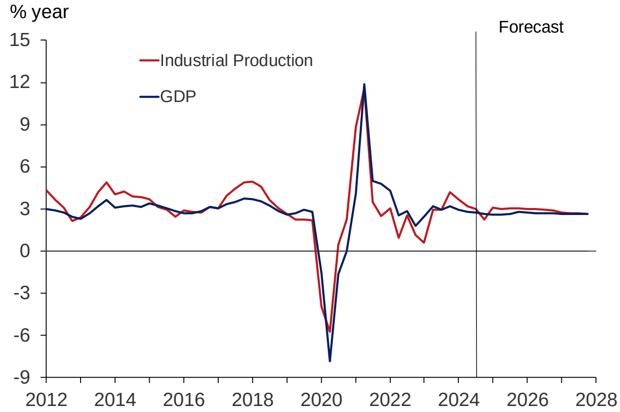
Global macroeconomic outlook

- The global economy remains on track to grow at a steady pace in H2, keeping our short-run forecast relatively unchanged from the previous quarter. We continue to expect global GDP to grow by approximately 2.7% in both 2024 and 2025, as policy rates slowly fall and the lagged effects of previous rate hikes begin to ease.
- While inflation is expected to continue slowing at a similar rate, services inflation is not decelerating as quickly as CPI, and wage growth remains relatively strong. This makes it difficult to estimate when inflation may reach its target rate. Nevertheless, we expect central banks to maintain inflation around the target rate in the medium to long term. Since June, central banks in major global economies have cut rates. The US began reducing interest rates in September as it became less focussed on inflation and shifted some attention to the labour market. We anticipate that central banks will proceed cautiously, opting to lower policy rates at a cautious pace within a context of gradually tightening fiscal policy.
- Productivity assumptions and the impact of generative AI have led to significant changes in our long-run outlook. The US is set to be the largest beneficiary, with the information and communications sector experiencing the most substantial productivity gains.

Industrial production outlook

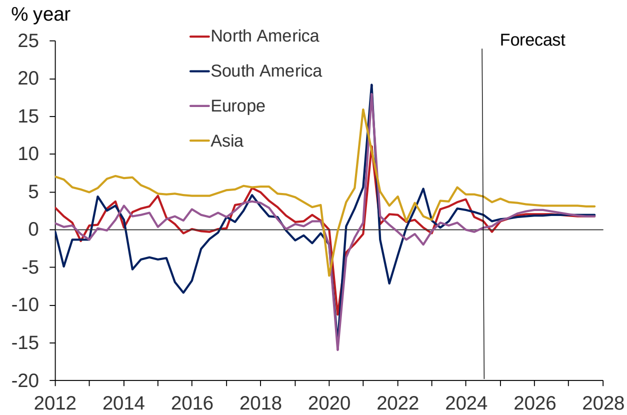
- We still expect that global industrial output will continue its recovery track, growing by 2.6% in 2024. That pace of growth represents a notable upgrade from 2023's low of 1.8%, which is a multi-decade low outside of major global recessions. But, it is also a transition to the more robust growth of 3.1% we expect next year, which is more in line with global production coming back to firing on all cylinders. Headwinds from past rate hikes are weighing strongly on growth in advanced economies, but they should fully turn around in 2025.
- Europe remains ground zero for global industrial weakness. The EU's industrial output is expected to contract by 0.7% this year, owing largely to a worse-than-previously estimated drop in industrial output in the first quarter of the year. The industrial rebound does not seem to be materialising as quickly as we had forecast, with monthly industrial production figures yet to reach a trough, and high frequency manufacturing PMIs for the major economies remaining below the growth threshold (50). It appears that the insulation offered from high order backlogs in interest-sensitive capital goods and construction sectors is beginning to fade. Additionally, the continued hawkishness of ECB council members has likely capped the positive passthrough to financial conditions from the possibility of rate cuts in the way that happened in the US. Consequently, we have delayed our expectation for industrial recovery on the continent, but still expect positive industrial growth of 2.7% in 2025.

World: GDP and industrial production



Source : Oxford Economics/Haver Analytics

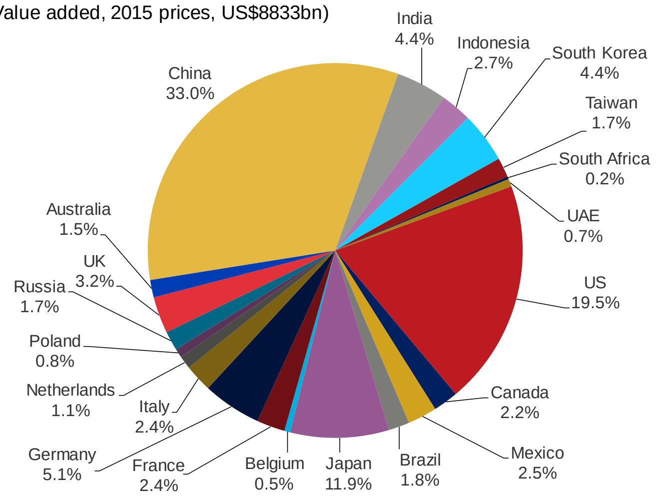
World: Industrial production



Source : Oxford Economics/Haver Analytics

Output in end-use markets by country in 2023

(Value added, 2015 prices, US$8833bn)



Source: Oxford Economics

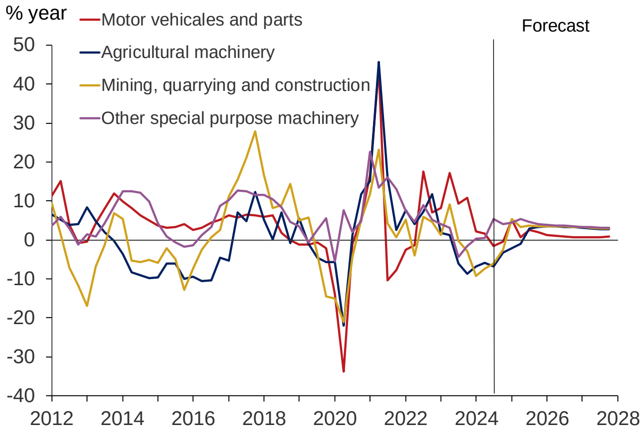
Fluid power end-use markets—global trends

- Electronic components & boards continues to be the fastest growing sector in 2024, forecast to grow 8.2%. The growth is set to slowdown, but remain high, at a 5.4% in 2025. The expanding sector is benefitting from unprecedented levels of semiconductor production, driven by strong demand for AI-related services.
- The outlook for machinery output is stagnant as it appears activity in Europe is finally nearing a bottom, after Germany, the largest national sector in Europe, experiences a false start in its recovery.

High-level regional dynamics

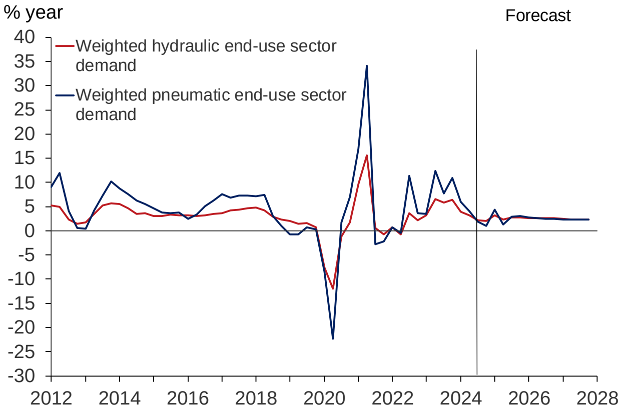
- Our forecast for the collective performance of hydraulics-consuming sectors globally in 2024 has been revised upwards by 0.2 ppts, but it is still expected to contract by 0.4%. It will rebound in 2025 with an expansion of 2.8%. While we upgraded our growth expectations in Europe and North America, a large part of the increases was offset by downgrades in the Middle East and South America.
- Similarly, our forecast for pneumatics-consuming sectors has been revised upwards by 1.3 ppts, to 4.4% annual growth in 2024. Growth upgrades across the globe managed to offset a 4.7 ppt downgrade in the Middle East.

World: Key fluid power demand sectors



Source : Oxford Economics/Haver Analytics

World: Weighted fluid power products end-use sector demand



Source : Oxford Economics/Haver Analytics

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	1.8	1.1	2.9	3.4	2.5	2.5
South America	-7.5	-1.2	3.6	3.5	2.5	2.1
Europe	5.5	-5.6	1.8	2.5	2.0	1.8
Asia	4.2	2.7	2.4	2.4	2.5	2.1
Middle East and Africa	5.5	-4.2	5.6	2.0	1.7	1.7
World	4.1	-0.4	2.8	2.7	2.4	2.1
Pneumatic end-use markets						
North America	3.9	2.3	2.5	3.9	2.9	3.6
South America	-12.5	6.8	4.2	5.4	3.3	2.9
Europe	9.4	-0.6	3.2	2.8	2.0	1.6
Asia	9.7	5.4	3.6	2.7	2.8	2.4
Middle East and Africa	0.9	-1.1	8.0	2.1	1.5	1.2
World	7.8	4.4	3.1	3.0	2.7	2.6
World industrial production	2.7	3.1	2.9	2.8	2.6	2.4
World GDP	3.0	2.8	2.6	2.7	2.6	2.6

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

Market Outlook: US

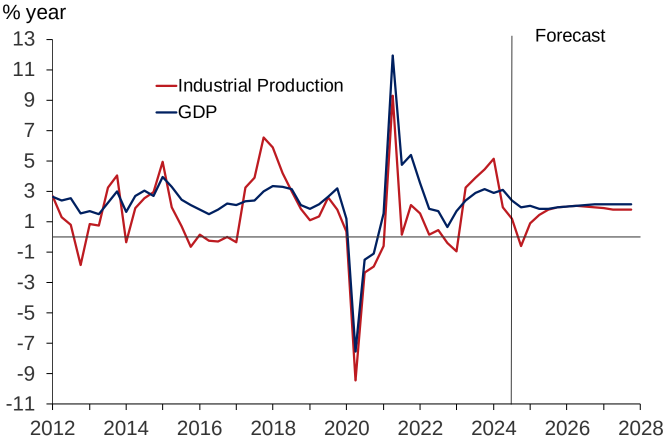
Macro overview

- Real GDP rebounded, and real final sales to domestic purchasers—the engine of the economy—increased in Q2. Real final sales to domestic purchasers have risen by at least 2% at an annualised rate for six consecutive quarters, and other parts of the economy are also doing well. Real business investment in equipment posted double-digit growth in Q2, significantly above its trend rate of expansion.
- Despite a softening labour market and slower, less restrictive monetary conditions, solid household and non-financial corporate balance sheets should foster a normalisation of economic growth in 2025, rather than a recession. Following 2.7% growth in 2024, we expect GDP to expand close to its 2% trend growth from 2025. The upward revisions are mainly attributed to our stronger forecast for real equipment spending as fundamentals are strong, including solid corporate profit margins, tight corporate bond spreads, and a shift from a structures to equipment cycle.

Sector trends

- We forecast weighted growth of hydraulics end-use sectors to grow 2.2% in 2024, a mere 0.2 ppts downward revision. The only area of weakness is in motors except for vehicles, an interest-sensitive sector still suffering from previous hikes.
- Similarly, weighted pneumatic-consuming demand growth was downgraded to 3.4% in 2024. Irrespective of the revision, sectoral growth continues its steady growth, which will help make up for slowing automotive production and continue growing in 2025.

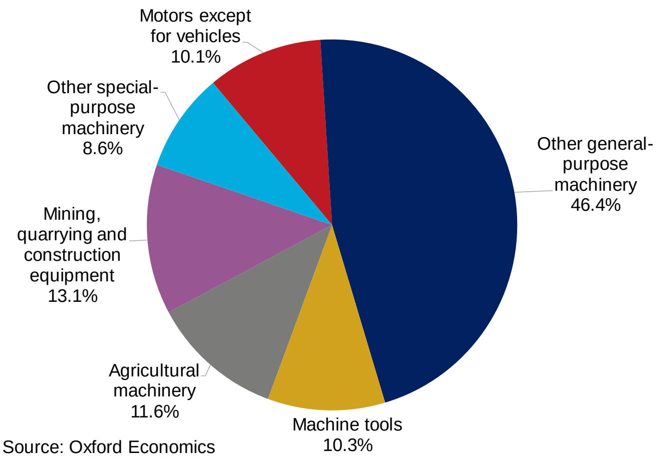
US: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $166.46bn)



Source: Oxford Economics

United States: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	2.0	-3.8	4.7	3.4	2.5	1.8
Other general-purpose machinery	0.8	1.9	4.0	4.4	3.4	2.7
Machine tools	-7.1	-1.5	4.7	4.6	3.6	2.9
Agricultural machinery	-3.5	-1.7	3.4	4.1	3.1	2.4
Mining, quarrying and construction equipment	1.5	2.7	4.7	4.6	3.6	2.9
Other special-purpose machinery	-3.4	-2.2	4.6	5.0	4.0	3.3
Motor vehicles and parts	6.4	3.5	0.8	1.5	0.9	2.9
Medical and surgical equipment	-1.9	4.2	3.1	3.5	3.4	3.3
Electronic components and boards	5.0	8.3	4.5	9.7	10.2	8.8
Construction	1.0	6.6	2.0	2.4	2.4	2.0
Food	-1.1	1.1	1.2	1.3	1.3	1.3
Chemicals excluding pharmaceuticals	0.2	1.1	3.3	2.8	2.2	2.1
Weighted hydraulic end-use sector demand	0.9	2.2	3.1	3.4	2.7	2.6
Weighted pneumatic end-use sector demand	3.2	3.4	2.4	3.7	3.3	3.9
Industrial production	2.7	1.9	1.5	2.0	1.8	1.8
GDP	2.5	2.6	1.9	2.1	2.2	2.1

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Market Outlook: Canada

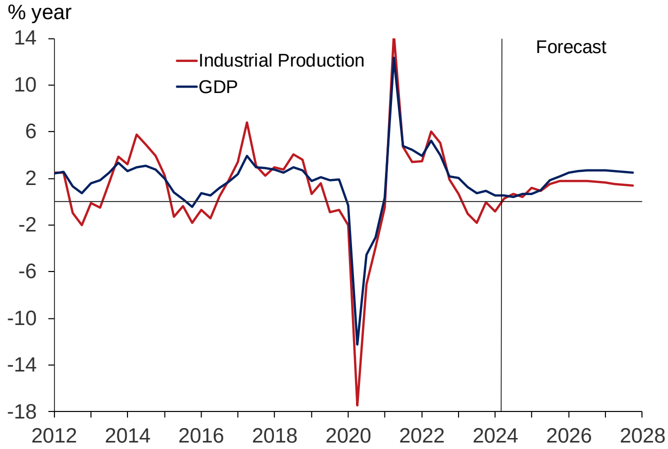
Macro overview

- We upgraded our 2024 GDP growth forecast for Canada by 0.4 ppts to 0.9%, largely due to stronger-than-expected growth in Q2. This pickup in economic growth will likely not continue since it mainly reflected one-off, higher government spending on retroactive wage settlements and capital expenditures on aircraft, ships, locomotives, and railway rolling stock.
- The Canadian economy is losing momentum, particularly in the private sector. We think the economy has slipped into a shallow downturn in Q3, as the lagged impact of past rate hikes endures, especially for households resetting mortgages at higher rates. The underlying trend of weak hiring in the labour market is also putting the lid on consumer spending. Non-residential and housing investment will likely begin to slowly gain momentum next year amid lower borrowing costs from steady rate cuts, improving corporate profits, and a recovery in the housing market. But this likely won't be enough to spur a material boost in aggregate GDP growth.

Sector trends

- After reducing output forecasts for all downstream sectors except construction, we expect upstream hydraulic and pneumatic sector demand to decline by 5.9% and 6.2%, respectively, a decrease of 2.3 ppts and 2.5 ppts in 2024. Machine tools experienced the largest downgrade, with a decrease of 17.3 ppts from the previous forecast, but it is set to slightly recover in 2025.
- The motor vehicles and parts sector continues its downward spiral, dragging down demand for both headline outputs, with a forecast decline of 10.4%, a decrease of 3.7 ppts.

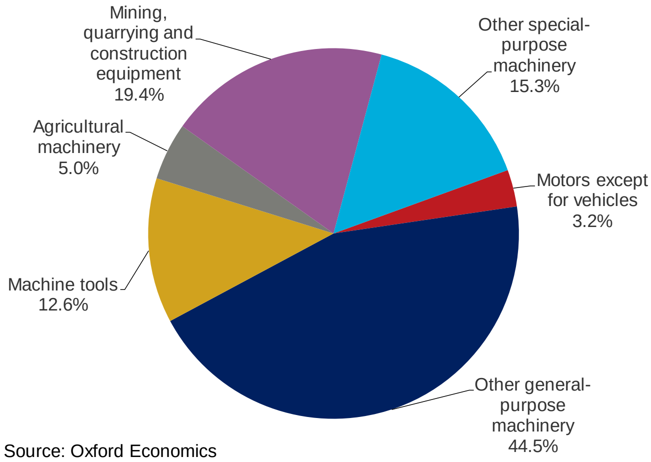
Canada: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $14.53bn)



Source: Oxford Economics

Canada: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	17.3	2.4	3.8	4.7	3.8	2.9
Other general-purpose machinery	5.3	0.3	4.3	5.2	4.3	3.4
Machine tools	6.5	-7.7	4.3	5.2	4.3	3.4
Agricultural machinery	12.2	-9.2	2.1	3.1	2.2	1.3
Mining, quarrying and construction equipment	12.2	-8.5	4.1	5.1	4.2	3.2
Other special-purpose machinery	8.3	-3.5	4.5	5.4	4.5	3.6
Motor vehicles and parts	19.7	-10.4	5.2	10.4	4.7	-0.5
Medical and surgical equipment	-1.8	-0.5	6.3	5.9	4.8	4.3
Electronic components and boards	-5.6	-1.7	6.6	4.8	3.6	3.1
Construction	-1.4	-0.6	1.6	2.1	2.1	1.7
Food	0.7	0.7	0.6	1.8	2.2	2.7
Chemicals excluding pharmaceuticals	-3.3	1.5	1.4	1.3	1.1	1.5
Weighted hydraulic end-use sector demand	10.1	-5.9	3.6	5.3	3.6	1.9
Weighted pneumatic end-use sector demand	10.0	-6.2	5.1	7.5	4.3	1.5
Industrial production	-0.6	0.1	1.4	1.8	1.5	1.4
GDP	1.2	0.5	1.4	2.6	2.6	2.3

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Market Outlook: Mexico

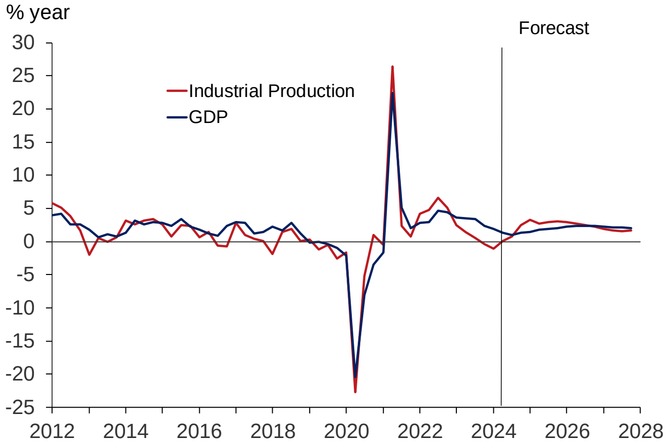
Macro overview

- The latest economic data have been mixed. Revised Q2 GDP brought downward revisions to output levels in the first half of the year, while industrial production picked up from May to July and exports jumped 6% m/m in July. Supply shocks caused fresh food prices to soar in Q2, which caused headline inflation to peak in July.
- Mexico's central bank is shifting its focus to the loss in economic momentum from weak consumption drivers and a sluggish construction sector. The heightened uncertainty from the president's latest attempt to pass a battery of reforms warrants a pause in the bank's normalisation cycle. We now expect GDP growth to slow to 1.1% this year and accelerate to 1.9% in 2024, after anticipating two more rate cuts in Q4. Meanwhile, the peso has lost nearly 10% of its value since the presidential election, but has likely reverted to its fair value and may experience additional volatility ahead of the US election.

Sector trends

- While the motors except for vehicles sector was upgraded 5.4 ppts in 2024, it was not enough to lift the end-use sector demand for weighted hydraulics out of a contraction, declining 3.8%. Mining, quarrying and construction equipment continues to drag the headline sector down, decreasing by a further 3.8 ppts.
- The upgrade to motor vehicles and parts had a greater impact for weighted pneumatic end-use sector growth, where the 2024 growth figure is now up 2.1 ppts, but still at a 3.4% contraction. We expect a small expansion in 2025.

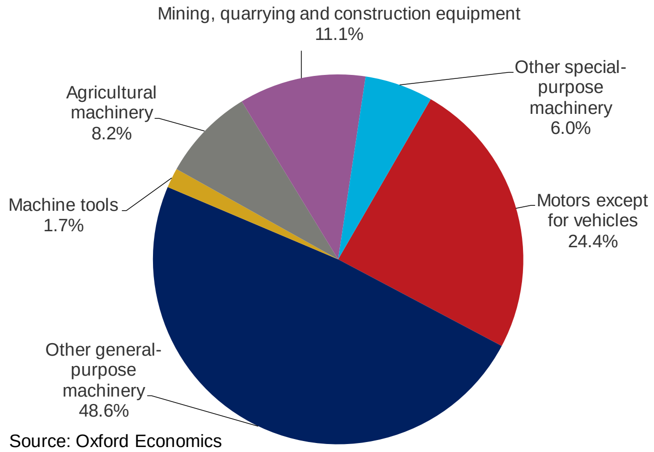
Mexico: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $11.40bn)



Source: Oxford Economics

Mexico: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-2.7	-3.8	-1.2	0.8	1.9	1.9
Other general-purpose machinery	6.0	-1.9	-2.5	1.3	2.5	2.4
Machine tools	-12.5	-19.0	-1.6	1.0	2.2	2.1
Agricultural machinery	-6.0	-9.5	-4.3	0.5	1.7	1.7
Mining, quarrying and construction equipment	-3.7	-8.0	-4.1	0.9	2.1	2.0
Other special-purpose machinery	-3.1	-7.9	-3.6	0.5	1.6	1.5
Motor vehicles and parts	8.2	-0.7	0.7	1.4	-3.0	0.9
Medical and surgical equipment	27.2	-3.3	1.5	2.3	1.9	1.4
Electronic components and boards	-0.5	-5.1	3.8	3.4	2.9	2.1
Construction	15.4	4.7	0.9	2.0	3.1	2.4
Food	-0.7	0.4	2.8	2.3	2.8	2.2
Chemicals excluding pharmaceuticals	-6.2	3.7	0.9	1.6	1.9	1.4
Weighted hydraulic end-use sector demand	3.0	-3.8	-1.8	1.2	1.1	1.8
Weighted pneumatic end-use sector demand	5.1	-3.4	0.7	1.8	-0.3	1.4
Industrial production	1.0	0.6	3.0	2.6	1.7	1.8
GDP	3.2	1.4	1.7	2.3	2.1	1.9

Market Outlook: Brazil

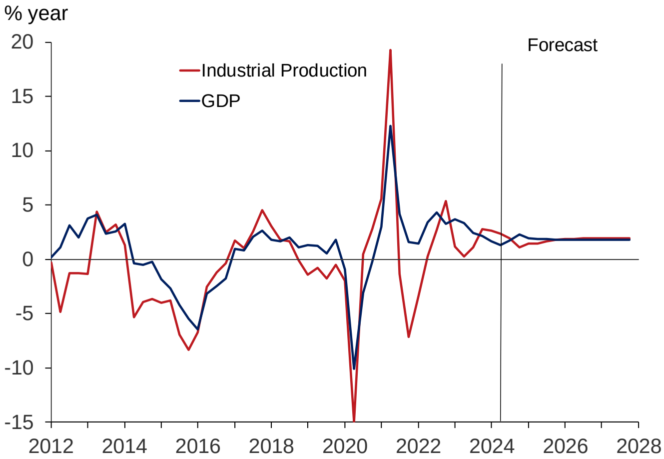
Macro overview

- Despite the negative impact of floods in Rio Grande do Sul, consumption in May was more than enough to offset it. The Brazilian real's recent 7.5% sell-off since May is already pushing firms' marginal costs up through input prices, like fuels. However, core inflation dynamics have surprised us to the downside in the last three months, keeping us from raising our inflation forecast for now.
- Monthly activity indicators signal resilient momentum for June and July, maintaining our view that household consumption will likely correct in the medium term as we expect policy tightening will hold back credit and earnings growth. We expect the Brazilian Central Bank to keep its normalisation cycle on hold until H2 2025, leading us to forecast GDP growth of 3.0% in 2024 and 2.1% in 2025. Risks lean to the downside as the government is abandoning a 20-year spending cap with a more lenient fiscal framework that will pose a major challenge for debt sustainability in the long term. This leniency may cause market interest rates to run too high, which would lead to an uncontrollable rise in public debt.

Sector trends

- A 7.2 ppts upgrade to motor vehicle and parts led to an upward revision in end-use sector demands for weighted hydraulic and pneumatic sectors in 2024, with their forecasts increasing by 2.7 ppts and 5.1 ppts, respectively. Growth is set to continue in 2025.
- Weighted hydraulic end-use sector demand remains negative, after agricultural machinery is forecast to decline 20.2%, a 6.0 ppts revision from the previous forecast. The sector is expected to stop contracting and expand instead in 2025.

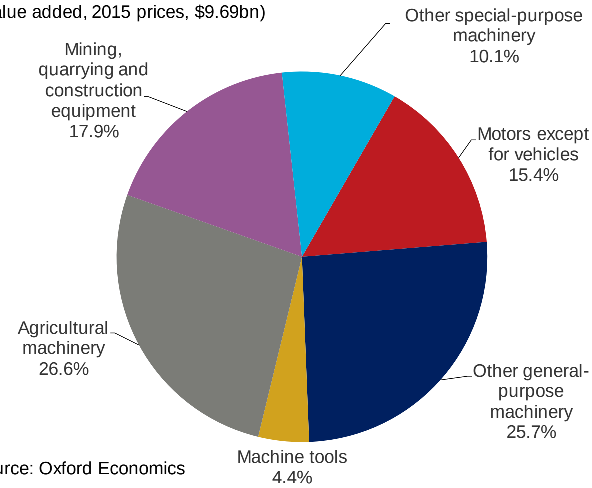
Brazil: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $9.69bn)



Source: Oxford Economics

Brazil: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-6.6	7.2	4.1	2.3	2.4	1.9
Other general-purpose machinery	1.1	18.7	2.9	2.2	2.3	1.9
Machine tools	-18.0	-2.4	3.4	2.6	2.6	2.2
Agricultural machinery	-11.0	-20.2	2.2	1.7	1.8	1.4
Mining, quarrying and construction equipment	-12.4	-9.1	5.3	2.3	2.3	1.9
Other special-purpose machinery	-9.6	-4.1	5.7	3.0	3.0	2.6
Motor vehicles and parts	-8.4	9.0	3.7	8.0	3.6	3.3
Medical and surgical equipment	-6.3	-0.8	3.3	1.5	2.3	2.6
Electronic components and boards	-34.2	12.1	6.9	4.2	4.1	2.9
Construction	-0.4	1.9	2.6	2.4	1.9	1.8
Food	3.9	2.3	0.4	1.2	1.9	1.9
Chemicals excluding pharmaceuticals	-7.8	-1.3	4.0	2.0	2.1	1.8
Weighted hydraulic end-use sector demand	-7.5	-1.2	3.6	3.5	2.5	2.1
Weighted pneumatic end-use sector demand	-12.5	6.8	4.2	5.4	3.3	2.9
Industrial production	1.3	2.0	1.6	1.9	1.9	1.9
GDP	2.9	1.8	1.9	1.8	1.8	1.8

Market Outlook: Belgium

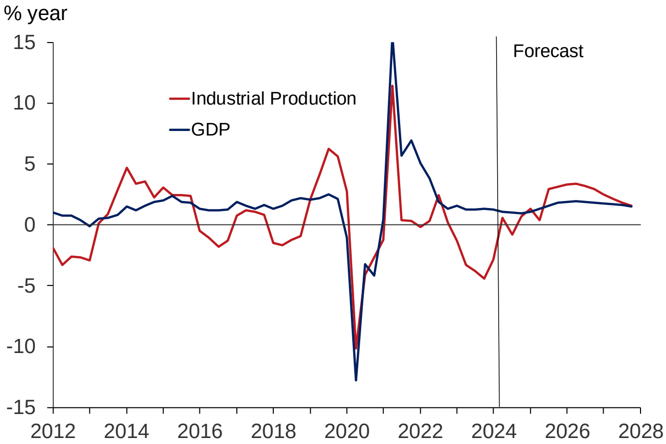
Macro overview

- The economy expanded by 0.2% q/q in Q2, a tad lower than in the previous four quarters. Domestic demand supported growth, whilst exports contracted more than imports and stock-building was a drag. Value added in industry resumed its descent, whereas services continued to grow, and construction bounced.
- We forecast the Belgian economy will grow by 1.1% this year and 1.5% next, as the impact of monetary policy unwinds and manufacturing recovers. While the consumer confidence index dropped 0.9% in Q2, it recovered in July after dropping to a near four-decade trough. As private consumption bounces back, so too is manufacturing sentiment, suggesting that the industry is likely troughing. Belgium's industrial sector—the most gas-intensive in the eurozone—is benefitting from competitive energy prices, but it is vulnerable to energy supply shortages and squeezed profit margins. Meanwhile, the labour market is healthy, and the unemployment rate is likely to gradually recede as economic activity picks-up.

Sector trends

- Most key end-use sectors for hydraulic demand have been downgraded, consequently dragging the weighted aggregate by 1.2 ppts to a 1.6% contraction. Agricultural machinery and mining, quarrying and construction equipment downstream sectors are mainly to blame, as they both experienced double digit downward revisions of 12.6 ppts and 2.0 ppts, respectively. Both sectors will return to expansion in 2025.
- Our forecast for 2024 weighted hydraulic end-use sector growth has been upgraded to 1.6%, a 9.3 ppts positive revision due to a surge in motor vehicles & parts.

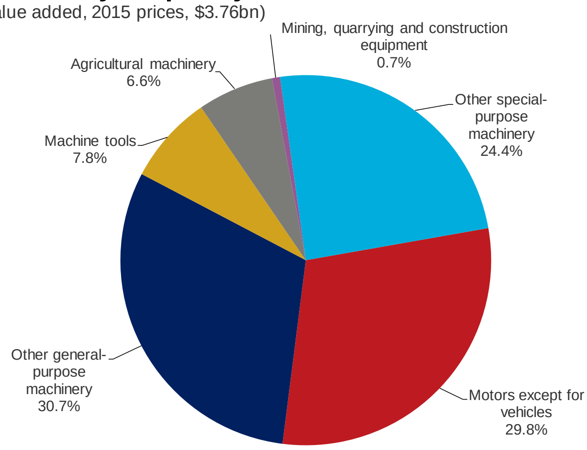
Belgium: GDP and industrial production



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	8.4	-8.6	3.8	0.1	0.8	0.7
Other general-purpose machinery	11.5	-7.7	3.9	0.1	0.8	0.7
Machine tools	16.5	-9.6	4.6	0.1	0.8	0.7
Agricultural machinery	11.3	-19.9	2.0	0.1	0.8	0.7
Mining, quarrying and construction equipment	19.0	-14.5	3.4	0.1	0.8	0.7
Other special-purpose machinery	17.3	-14.8	3.4	0.1	0.8	0.7
Motor vehicles and parts	20.4	31.2	-20.7	2.7	2.6	0.1
Medical and surgical equipment	17.9	-12.3	0.5	2.9	2.3	2.1
Electronic components and boards	14.7	-4.8	5.5	2.5	1.9	1.7
Construction	1.9	1.3	0.6	0.5	1.0	1.0
Food	10.8	-4.7	0.2	-1.6	-0.2	0.7
Chemicals excluding pharmaceuticals	-0.3	3.6	0.5	0.1	0.3	0.4
Weighted hydraulic end-use sector demand	13.5	-1.6	-2.5	0.7	1.2	0.7
Weighted pneumatic end-use sector demand	17.6	11.0	-8.4	1.9	1.9	0.7
Industrial production	-3.2	-0.6	2.0	3.2	2.0	1.3
GDP	1.4	1.1	1.5	1.9	1.7	1.5

Market Outlook: France

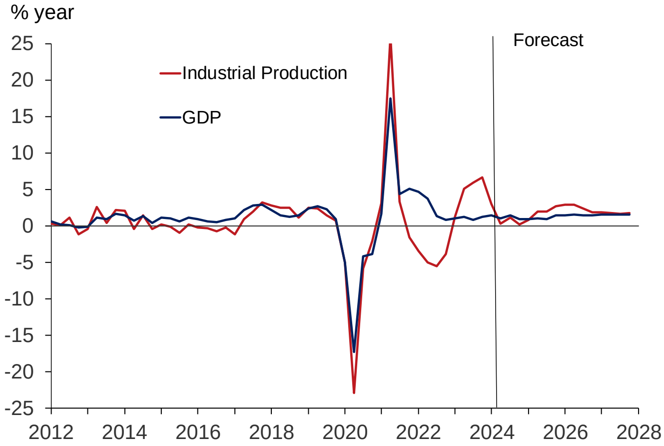
Macro overview

- Q2 GDP growth of 0.3% q/q surprised to the upside in France, but a rebound in private consumption is yet to materialise, as it remained flat in Q2 and declined slightly in Q1. On a slightly more positive note, private investment, which had been battered by high interest rates, appears to have stabilised in Q2. Business investment posted a small expansion after two quarters of marked declines, while residential investment fell.
- Despite what we view as weak economic fundamentals, 2024 growth should prove resilient thanks to better-than-expected Q2 GDP figures and the one-off boost from the Paris Olympics in Q3. Beyond that, the economic outlook remains very cloudy. Weaker external demand will limit the strength of the economic rebound from 2025. Meanwhile, political instability in France will cause businesses to delay investment and hiring, also hampering the recovery. We expect GDP to expand 1.2% in 2024 and 1% in 2025.

Sector trends

- Despite a 10.1 ppts upwards revision to machine tools, weighted hydraulic end-use sector demand has been revised down by 2.4 ppts, to a 9.3% contraction. Key sectors, like motor vehicles and parts, continue to contract, reflecting the wider industrial production recession in the eurozone.
- Weighted pneumatic end-use sector demand growth was downgraded by a similar magnitude yet again and now sits at a contraction of 8.8% for 2024. In 2025, we expect the expansion to negate the entire contraction.

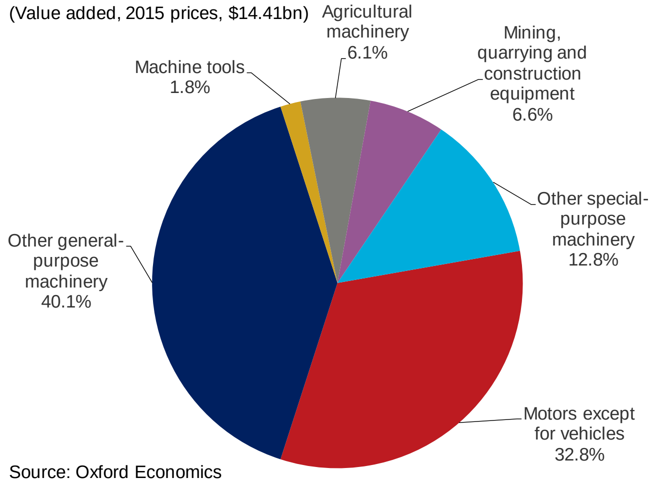
France: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $14.41bn)



Source: Oxford Economics

France: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	2.4	-5.6	-0.4	1.6	1.1	1.1
Other general-purpose machinery	1.3	-3.7	-0.1	2.4	1.9	1.9
Machine tools	1.9	-4.1	4.1	2.9	2.4	2.4
Agricultural machinery	8.1	-23.1	7.0	2.1	1.3	1.3
Mining, quarrying and construction equipment	7.2	-7.2	0.7	2.1	1.6	1.6
Other special-purpose machinery	7.2	-7.1	1.0	2.4	1.9	1.9
Motor vehicles and parts	12.0	-11.0	11.2	1.9	-0.6	-1.5
Medical and surgical equipment	10.8	-14.0	15.0	7.0	2.6	3.0
Electronic components and boards	2.8	-8.1	5.5	9.5	3.9	2.8
Construction	2.2	-3.3	0.6	1.2	1.4	1.4
Food	0.0	1.8	0.3	2.2	2.9	3.4
Chemicals excluding pharmaceuticals	1.9	-0.3	1.0	2.3	1.9	1.7
Weighted hydraulic end-use sector demand	6.5	-9.3	4.0	2.0	1.1	0.9
Weighted pneumatic end-use sector demand	8.0	-8.8	8.0	3.8	1.2	0.6
Industrial production	4.7	1.2	1.9	2.5	1.8	1.6
GDP	1.1	1.2	1.1	1.5	1.6	1.6

OXFORD ECONOMICS

Market Outlook: Germany

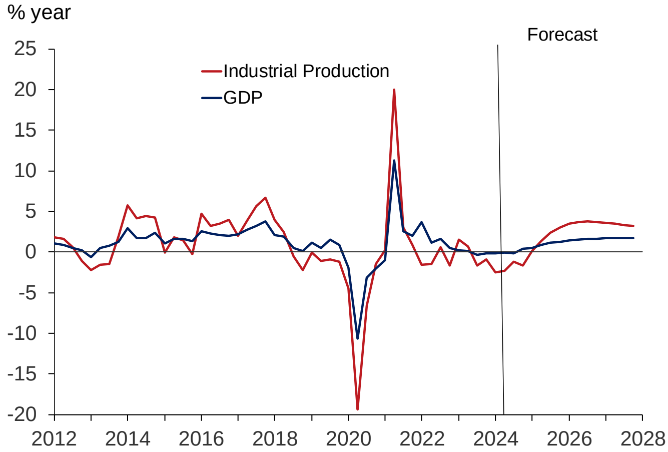
Macro overview

- The detailed Q2 GDP release confirmed the initially reported 0.1% q/q fall that partially reversed earlier gains. But the growth composition was even weaker than we thought, with a larger 2.2% q/q investment drop and a modest 0.2% decline in private consumption.
- We've lowered our GDP growth forecast for Germany in 2025 by 0.2 ppts to 0.7% and still expect GDP to stagnate this year. More recent data has surprised to the downside as the drag from industry's recession remains large. Underlying factory orders are stagnant, rather than recessionary. But overall, the incoming industrial data has remained poor as weak global demand, domestic policy, and structural shifts drag on activity. We still expect the sector to start recovering later in the year, but from a lower starting position. Downside risks to the labour market are building. Subdued demand, poor profitability, and weak demand expectations have dragged hiring intentions into contractionary territory.

Sector trends

- Downgrades for most key end-use sectors, have led to a 3.6 ppts downward revision to our forecast for weighted hydraulics-consuming sectors, expecting it to contract 7.8% this year and grow by just 0.6% in 2025.
- Conversely, we have upgraded our forecast for weighted pneumatics-consuming sectors as the prospects for a crucial sector, electronic components & boards, has seen an upwards revision of 4.0 ppts. Nevertheless, the weighted aggregate is still expected to contract 2.1% in 2024.

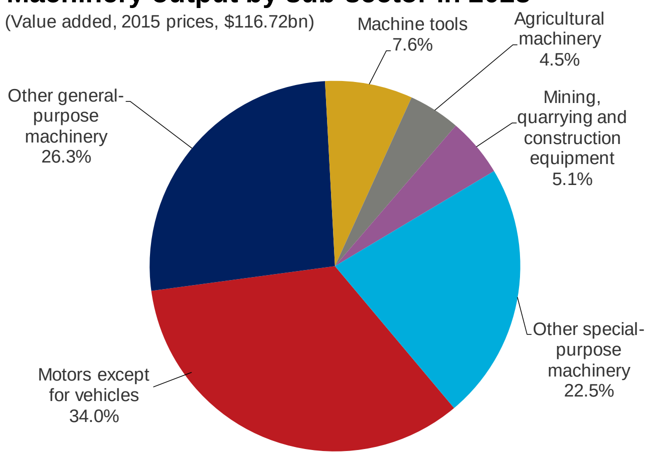
Germany: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $116.72bn)



Source: Oxford Economics

Germany: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-0.2	-3.5	1.0	2.2	3.0	3.0
Other general-purpose machinery	1.6	-5.2	0.9	2.4	3.2	3.2
Machine tools	6.8	-3.6	2.7	2.7	3.5	3.5
Agricultural machinery	5.3	-16.7	-0.6	2.6	3.5	3.4
Mining, quarrying and construction equipment	7.0	-12.7	-1.3	2.3	3.2	3.1
Other special-purpose machinery	4.7	-5.5	1.3	2.5	3.4	3.4
Motor vehicles and parts	13.1	-4.0	2.4	-0.1	0.6	0.5
Medical and surgical equipment	-1.4	4.0	4.8	5.1	4.2	3.3
Electronic components and boards	9.4	2.0	6.6	9.3	5.9	3.7
Construction	0.2	-2.9	0.8	2.3	1.9	1.6
Food	-0.1	4.3	-0.1	2.4	2.2	1.3
Chemicals excluding pharmaceuticals	-9.2	7.4	0.5	2.4	2.2	1.6
Weighted hydraulic end-use sector demand	5.8	-7.8	0.6	1.9	2.5	2.4
Weighted pneumatic end-use sector demand	8.8	-2.1	3.0	2.6	2.5	1.9
Industrial production	-0.1	-1.9	1.7	3.7	3.4	2.8
GDP	-0.1	0.0	0.9	1.6	1.7	1.6

Market Outlook: Italy

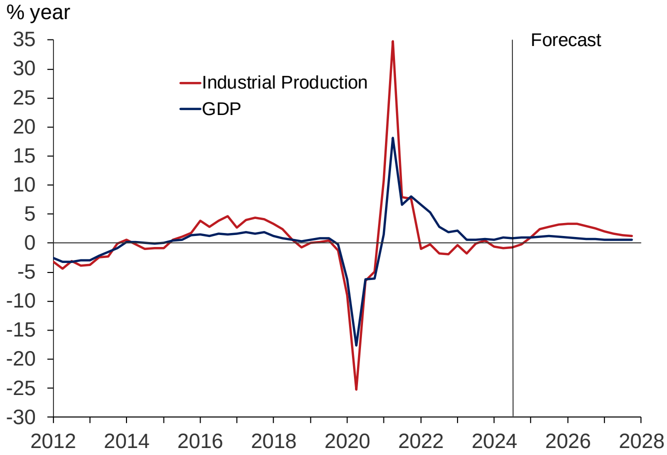
Macro overview

- Italy's GDP growth marginally exceeded expectations in Q2, expanding by 0.2% q/q, a touch lower than at the start of this year. The expansion was driven by domestic demand, with stock-building as the main contributor, while net trade was a drag on growth. Moreover, monthly hard data for industrial production confirmed that the sector is still struggling, showing production declined for a fifth consecutive quarter in Q2.
- Recent monthly surveys have been less positive than at the start of Q2, but after a weak start to the summer, there have been some improvements in August. Composite PMI edged up in August, in line with the ISTAT business confidence. The construction sector will not be as strong as in previous quarters due to the fading of the “superbonus” tax incentives, which are much less generous this year. We expect the growth in services to continue, but there are some signs of weakening. We expect GDP to expand by 0.8% in 2024 and 1% in 2025.

Sector trends

- Large decreases in key end-use consuming sectors have led our 2024 weighted hydraulics-using sector growth for Italy to come down to 8.5%. Machinery, quarrying and construction equipment are primarily responsible due to their downgrades of 8 ppts and 8.2 ppts, respectively. Nevertheless, the headline demand is set to return to a bleak expansion of 1.7% in 2025.
- Weighted pneumatics-using sector growth prospects in 2024 are no better: we expect a contraction of 7.5%, a downgrade of 2.8 ppts relative to our previous forecast.

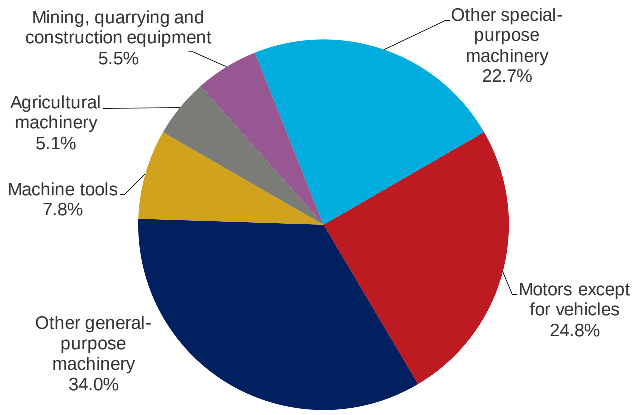
Italy: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $50.71bn)



Source: Oxford Economics

Italy: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-3.5	-3.1	3.3	3.1	1.0	0.8
Other general-purpose machinery	5.4	1.6	3.2	2.8	0.8	0.5
Machine tools	5.7	-8.2	4.3	3.1	0.8	0.6
Agricultural machinery	-5.9	-11.6	0.9	2.5	0.4	0.1
Mining, quarrying and construction equipment	5.1	-23.3	0.3	2.4	0.3	0.0
Other special-purpose machinery	7.1	-1.3	3.9	2.8	0.7	0.5
Motor vehicles and parts	8.0	-15.7	2.0	12.2	3.8	3.8
Medical and surgical equipment	6.3	-3.1	2.8	3.5	2.6	1.8
Electronic components and boards	8.5	6.3	2.4	1.1	1.3	1.2
Construction	4.3	7.9	0.9	0.8	0.5	0.8
Food	0.6	3.8	1.2	1.3	1.5	1.2
Chemicals excluding pharmaceuticals	-4.1	0.7	1.2	1.7	1.3	0.9
Weighted hydraulic end-use sector demand	3.8	-8.5	1.7	4.3	1.2	1.1
Weighted pneumatic end-use sector demand	7.1	-7.5	2.4	7.1	2.5	2.4
Industrial production	-0.4	-0.6	2.4	3.0	1.6	0.9
GDP	1.0	0.8	1.1	0.8	0.6	0.6

Market Outlook: Netherlands

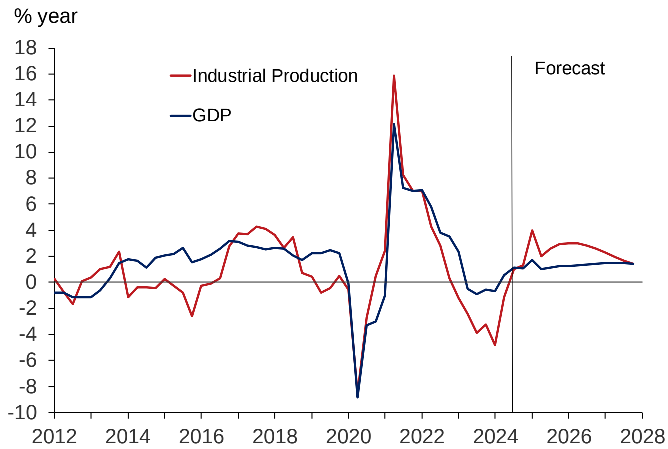
Macro overview

- The latest national accounts data for Q2 came in stronger than we expected. Private consumption declined sharply by 1% q/q in Q2, weighing on GDP growth. But net trade largely offset the decline, driven by strong export growth. Additionally, healthy growth in fixed investment and government spending propped up economic growth in the quarter.
- We've left our GDP growth forecast for the Netherlands in 2024 unchanged at 0.5%, and we nudged up our 2025 forecast to 1.4% from 1.3%. Timely indicators have been mixed. At the margin, we think the indicators suggest growth momentum is beginning to ease given increases in consumer confidence and passenger car registrations. We continue to expect economic growth will gain pace heading into 2025 as the impact of tight monetary policy unwinds, purchasing power rises, and external demand picks up. Wages have increased in recent months and will likely climb further and improve household purchasing power, which we expect will keep core inflation from falling below 2% in the next few quarters.

Sector trends

- While pneumatic end-use sector demand growth is expected to contract by 12.2% in 2024, a sharp increase of 7.8 ppts in motor vehicles and parts has led to a 4.7 ppts upward revision in our growth demand forecast, relative to our previous estimate.
- Similarly, bar agricultural machinery, most hydraulic consuming sectors have increased uniformly, upgrading the growth prospect for demand by 1.8 ppts to -9.2%. In 2025, we expect an expansion of 2.5% that will negate a part of this contraction.

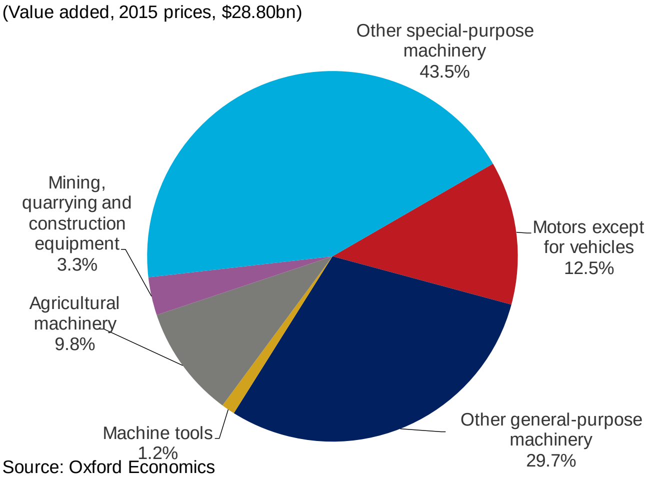
Netherlands: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $28.80bn)



Source: Oxford Economics

Netherlands: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-1.4	-2.0	3.7	4.2	3.7	3.2
Other general-purpose machinery	1.4	-1.0	3.9	4.2	3.7	3.2
Machine tools	5.9	-3.1	4.5	4.2	3.7	3.2
Agricultural machinery	1.1	-14.2	2.0	4.2	3.7	3.2
Mining, quarrying and construction equipment	8.1	-1.8	3.7	4.2	3.7	3.2
Other special-purpose machinery	5.5	-2.4	4.1	4.2	3.7	3.2
Motor vehicles and parts	10.1	-25.7	0.9	4.5	1.7	0.3
Medical and surgical equipment	-14.6	-0.9	5.1	4.2	3.2	2.3
Electronic components and boards	-17.0	4.0	7.7	7.8	4.8	3.1
Construction	1.8	-3.1	1.8	1.3	1.3	1.1
Food	-4.2	1.8	3.9	3.6	2.4	1.5
Chemicals excluding pharmaceuticals	-14.8	5.7	3.5	2.2	1.0	0.3
Weighted hydraulic end-use sector demand	5.0	-9.2	2.5	3.7	2.8	2.2
Weighted pneumatic end-use sector demand	1.4	-12.2	3.3	4.9	2.8	1.6
Industrial production	-2.7	-0.9	2.9	2.8	1.8	1.2
GDP	0.1	0.5	1.3	1.4	1.5	1.4

Market Outlook: Poland

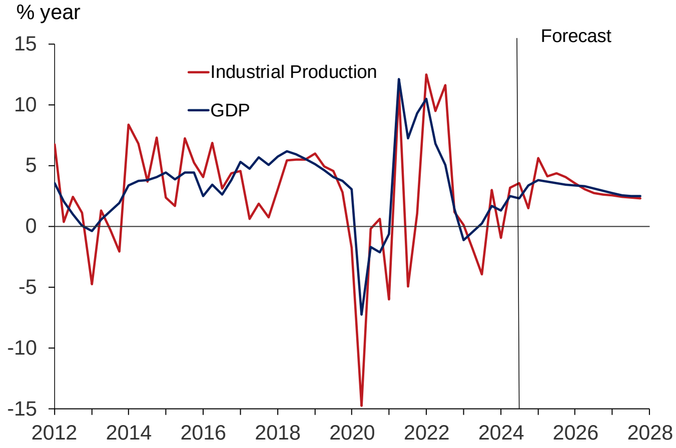
Macro overview

- GDP growth surprised to the upside in Q2 as sequential growth picked up to 1.5% q/q (3.2% y/y). The breakdown of national accounts revealed a relatively healthy growth structure, with a quarterly 0.7% q/q increase in consumption and a 2.5% q/q rise in investment, supporting activity over the quarter.
- We forecast GDP growth for Poland to be 3.3% for 2024 and to improve to 3.6% for 2025. The revisions were triggered by our negative reassessment of the eurozone outlook. But the upside surprise in Q2, when the GDP grew 1.5% q/q, points to upside risks and reaffirms our cautious optimism that domestic demand will recover: we think consumers will remain willing to spend despite high interest rates and signs of labour market loosening, as real incomes will grow on the back of subdued inflation and double-digit wage growth. We think investment outlays will recover gradually in 2025 and beyond, benefitting from the roll out of EU co-funded projects.

Sector trends

- Uniform downgrades across key hydraulic consumer sectors have seen demand drop by 5.2 ppts to 4.1%, marking a turnaround from growth to contraction. Other special-purpose machinery notably dropped 8.5 ppts relative to our previous forecast.
- Our forecast for weighted pneumatic end-use sector growth has been revised downwards yet again, coming down by 2.2 ppts and now sits at 2.5%. Improvements in surgical equipment and electronic components growth prospects were countered by downgrades in all other pneumatic-consuming sectors.

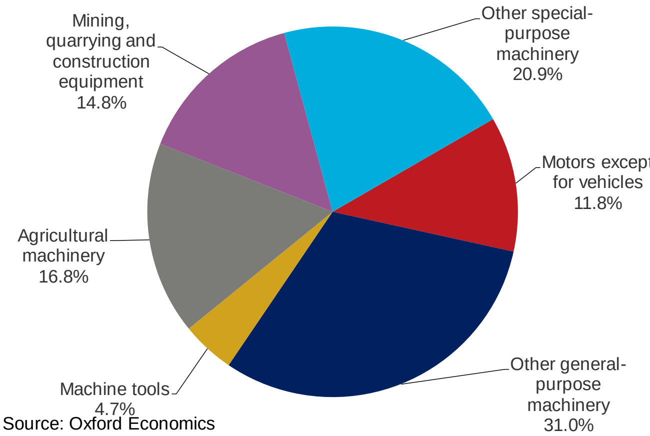
Poland: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $6.02bn)



Source: Oxford Economics

Poland: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	0.5	-3.3	5.0	5.9	4.0	3.3
Other general-purpose machinery	3.4	-2.1	5.3	6.3	4.1	2.7
Machine tools	8.0	-4.3	6.1	7.4	4.7	3.1
Agricultural machinery	3.2	-15.6	1.4	5.2	2.5	1.4
Mining, quarrying and construction equipment	10.2	0.8	5.5	7.0	4.9	3.6
Other special-purpose machinery	7.6	-3.5	5.8	6.7	4.7	3.5
Motor vehicles and parts	11.3	0.1	2.1	2.0	2.1	2.8
Medical and surgical equipment	-7.5	6.3	8.7	10.7	9.2	7.5
Electronic components and boards	-10.0	12.9	10.0	9.4	8.1	6.6
Construction	2.0	-5.7	2.6	2.5	2.7	2.6
Food	0.5	5.0	4.2	4.1	4.5	4.5
Chemicals excluding pharmaceuticals	-12.9	7.6	4.2	2.7	2.4	2.7
Weighted hydraulic end-use sector demand	6.5	-4.1	3.6	4.7	3.4	2.8
Weighted pneumatic end-use sector demand	4.5	2.5	4.8	5.0	4.3	4.0
Industrial production	-0.7	1.8	4.5	3.0	2.4	2.3
GDP	0.1	2.4	3.6	3.2	2.6	2.4

Market Outlook: Russia

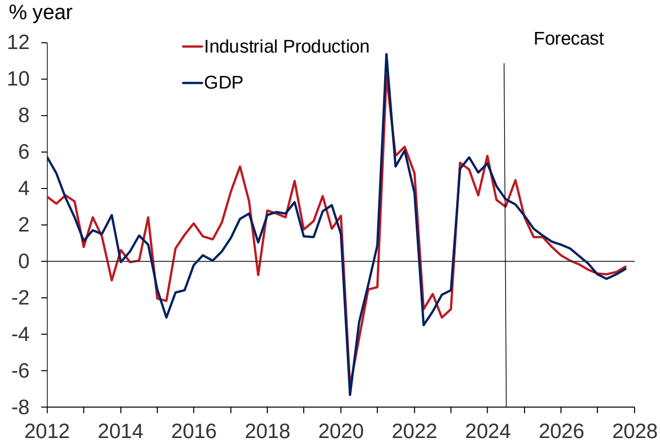
Macro overview

- The official estimate of Q2 GDP growth has been raised to 4.1% from 4%. The supply-side Q2 GDP data show that growth was broad-based. Manufacturing, financial services and insurance, and trade each contributed between 1 ppt to 1.1 ppts to annual growth, with construction and communications also making substantial inputs. Given the drop in oil production, mining was the only sector dragging growth greatly.
- In 2024, Russia's GDP will grow by 3.9%, predominantly driven by government consumption and investment. We expect the economy to start cooling in H2 because of tighter monetary conditions, and slow notably in 2025 due to fiscal consolidation and an extremely stringent monetary policy. We see initial signs that household credit growth is moderating following 300 bps of rate hikes implemented in Q3. Wage growth that had propelled buoyant household demand appears to be losing steam. The recent withdrawal of the most popular mortgage subsidy will help deflate the housing bubble, but it will also dampen construction growth.

Sector trends

- A drastic decrease of 18.5 ppts in the growth prospect for mining, quarrying and construction equipment has weighed heavily on our forecast for weighted hydraulic end-use sectors' growth. Overall, it is expected to contract 1.9% in 2024, down 3.3 ppts, but grow 3.3% in 2025.
- On the contrary, pneumatic end-use sector demand is expected to continue its double-digit growth of 15.0% in 2024. The motor vehicles and parts sector, a large downstream consumer, has seen a 5.0 ppts upwards revision, positively affecting the weighted aggregate.

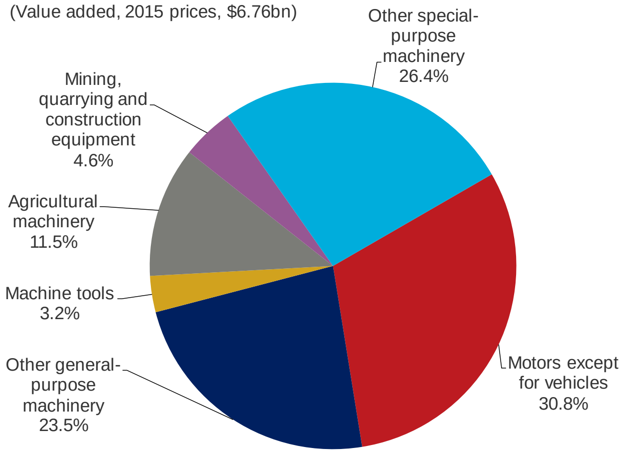
Russia: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $6.76bn)



Source: Oxford Economics

Russia: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	6.0	9.4	1.1	1.9	1.0	2.0
Other general-purpose machinery	-12.5	-12.8	2.8	1.4	0.5	1.5
Machine tools	28.9	-7.1	2.5	1.6	0.7	1.7
Agricultural machinery	-2.2	0.6	1.2	0.7	-0.2	0.8
Mining, quarrying and construction equipment	6.9	-20.4	-0.5	1.1	0.2	1.2
Other special-purpose machinery	13.3	-20.8	1.2	1.4	0.5	1.5
Motor vehicles and parts	10.1	19.9	11.6	-0.2	0.7	-6.8
Medical and surgical equipment	20.5	55.6	2.2	-14.9	-10.0	-0.1
Electronic components and boards	34.4	20.8	5.3	-0.5	-1.2	-0.2
Construction	7.2	3.4	1.5	3.1	1.1	0.9
Food	4.2	5.9	6.7	1.6	-0.6	1.5
Chemicals excluding pharmaceuticals	2.9	3.1	1.9	-0.2	-1.3	0.5
Weighted hydraulic end-use sector demand	5.5	-1.9	3.3	1.2	0.5	-0.5
Weighted pneumatic end-use sector demand	15.1	15.0	7.5	-1.0	-0.6	-3.0
Industrial production	2.8	4.1	1.5	-0.1	-0.5	0.4
GDP	3.2	3.8	1.7	0.5	-0.7	0.3

Market Outlook: UK

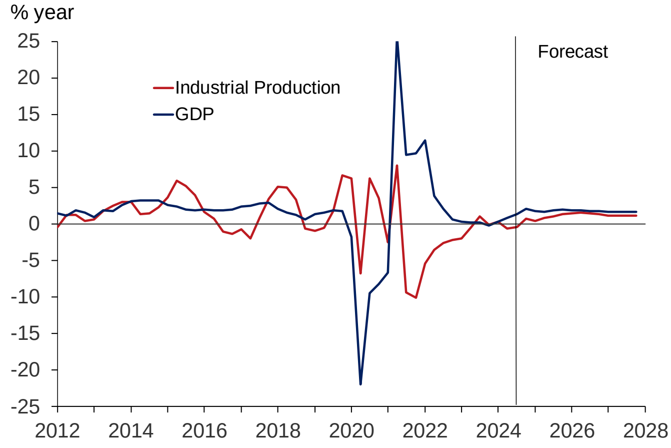
Macro overview

- GDP rose by 0.6% q/q in Q2, just short of the 0.7% increase in Q1 and well above our estimate of trend growth. According to business survey data, Q3 has gotten off to a decent start, with all three PMIs rising between June and July. The composite PMI was broadly in line with the average for H1 2024. Plus, retail sales recovered in July and junior doctors held strikes on only one day, compared to four days in the previous month.
- We forecast UK GDP growth in 2024 of 1.1% before an increase to 1.7% in 2025, on the back of stronger consumer spending. With inflation finally reaching the Bank of England's targets and pay growth remaining above inflation, spending power is increasing, which will be compounded by pay rises of 5 to 6% in many public sectors.

Sector trends

- Motor vehicles & parts growth remains the only key sector to be pulling up end-use sector demand for both weighted hydraulics and pneumatics. While construction and food did see increases of 0.6 ppts and 1.1ppts, respectively, for its 2024 forecast growth, it was not enough to bring demand for hydraulics into a positive range. We expect an expansion of 2.1% in 2025.
- Most pneumatic-consuming sectors have remained stagnant or seen decreases, particularly electronic components and boards, as it experienced a 1.8 ppt decline for anticipated growth in 2024. Consequently, weighted pneumatic end-use sector growth in 2024 has seen a 0.6 ppts downward revision from our last forecast, but is still expected to be positive (3.9%).

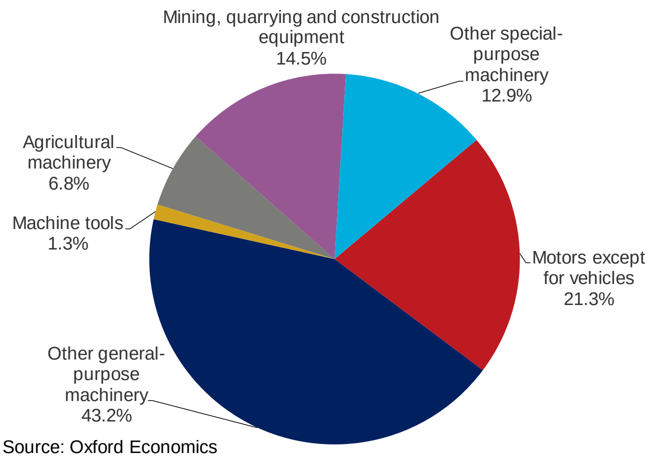
UK: GDP and industrial production



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	-4.2	-4.6	3.3	4.0	2.8	2.4
Other general-purpose machinery	-4.2	-4.7	3.1	3.9	2.7	2.3
Machine tools	3.5	-4.6	3.4	4.1	2.9	2.5
Agricultural machinery	-4.4	-4.6	3.3	4.0	2.8	2.4
Mining, quarrying and construction equipment	0.1	-4.7	2.9	3.6	2.4	2.0
Other special-purpose machinery	-2.2	-4.6	3.4	4.1	2.9	2.5
Motor vehicles and parts	20.1	10.0	-1.1	2.4	2.5	1.3
Medical and surgical equipment	3.4	0.2	0.8	2.0	2.2	2.3
Electronic components and boards	6.0	-1.2	-1.4	2.9	3.2	3.3
Construction	2.1	-0.5	2.4	2.8	1.9	1.4
Food	-0.8	3.8	0.8	1.0	0.5	0.7
Chemicals excluding pharmaceuticals	-10.1	-2.1	-0.2	1.1	1.1	1.2
Weighted hydraulic end-use sector demand	3.4	-0.7	2.1	3.3	2.5	1.9
Weighted pneumatic end-use sector demand	10.8	3.9	-0.1	2.7	2.5	1.9
Industrial production	-0.4	0.0	0.9	1.5	1.1	1.0
GDP	0.1	1.1	1.8	1.8	1.7	1.6

Market Outlook: Australia

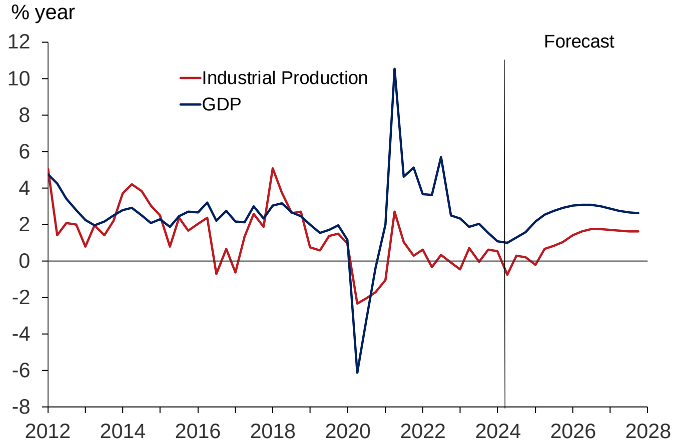
Macro overview

- Australia's GDP growth was broadly in line with our expectations in Q2, at a meagre 0.2% q/q. Consumer spending contracted in Q2, led by weakness in discretionary components such as travel and hospitality spending. Although some of this weakness is due to transitory strength in Q1, households are clearly tightening their belts in response to tight policy settings and the ongoing, but abating, squeeze on real incomes from inflation.
- The economy is lacking a clear engine of growth, and the private sector is clearly struggling against restrictive policy settings. Public demand growth continues to prop up GDP growth, but at the cost of exacerbating inflation pressures, which remain broad and elevated. We still expect the economy will gain momentum over H2, but we've lowered our 2024 growth forecast to 1.1% from 1.3%. We now expect growth of 2.1% next year, down from 2.6%.

Sector trends

- The consumer-focussed stimulus and tighter policies will do little to boost industrial production prospects for key end-use sectors. All hydraulics and pneumatics-consuming sectors have been revised down between 0.7 ppts and 0.8 ppts in 2024, indicating a two-quarter consecutive downgrade.
- Consequently, weighted 2024 pneumatic and hydraulic end-use sector growths have been downgraded to -0.6% and -0.5%, respectively. We expect next year to be stronger.

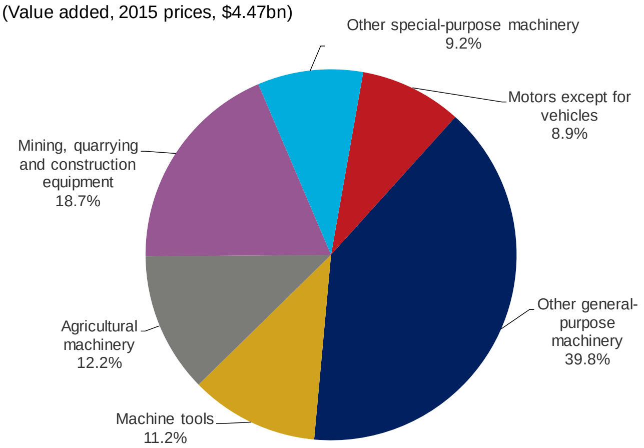
Australia: GDP and industrial production



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	-2.3	0.7	2.1	2.2	2.1
Other general-purpose machinery	-2.9	-2.3	0.7	2.1	2.2	2.1
Machine tools	-3.1	-2.3	0.7	2.1	2.2	2.1
Agricultural machinery	-2.8	-2.2	0.7	2.1	2.2	2.1
Mining, quarrying and construction equipment	-3.4	-2.3	0.7	2.1	2.2	2.1
Other special-purpose machinery	-3.3	-2.3	0.7	2.1	2.2	2.1
Motor vehicles and parts	-2.4	-2.2	0.7	2.1	2.2	2.1
Medical and surgical equipment	-2.0	-2.3	0.7	2.1	2.2	2.1
Electronic components and boards	-	-	-	-	-	-
Construction	3.1	2.6	3.5	0.4	2.3	2.9
Food	4.7	1.2	1.7	1.9	1.7	1.9
Chemicals excluding pharmaceuticals	-10.1	7.2	-0.8	-1.1	-1.2	-0.5
Weighted hydraulic end-use sector demand	-1.7	-1.3	1.2	1.8	2.2	2.2
Weighted pneumatic end-use sector demand	-1.8	-1.6	0.6	1.7	1.7	1.7
Industrial production	0.2	0.1	0.6	1.6	1.7	1.7
GDP	2.0	1.3	2.6	3.1	2.7	2.6

Market Outlook: China

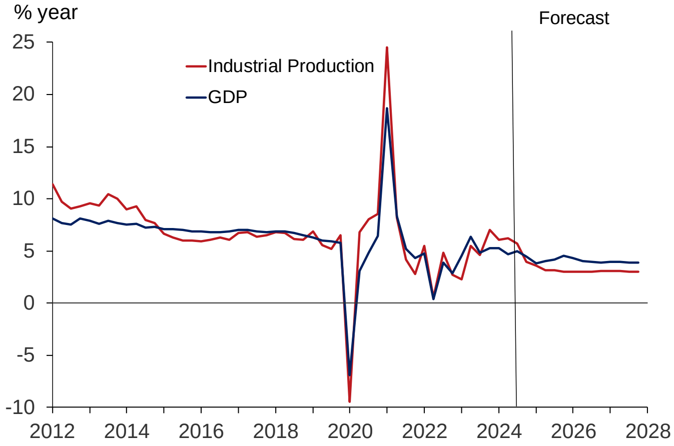
Macro overview

- Data for Q2 GDP disappointed markets but were broadly in line with our expectations. Even with real goods exports growing at a double-digit y/y pace and destocking proceeding slower than we previously anticipated, the economy grew at just half the pace it did in Q1. China is struggling to exit its longest deflationary spell since the Asian Financial Crisis, with the GDP deflator at -0.7% in Q2.
- We assume headwinds from sluggish consumer spending, rising tariff risk, and deflationary forces will likely more than offset stimulus tailwinds in the near term. Export growth has been resilient in recent months, but we expect momentum will ease as the benefit from front-loaded orders and price competitiveness fade. Nevertheless, the People's Bank of China embarked on a series of unexpected rate cuts earlier this month, underscoring the start of another fresh round of high-profile monetary easing. We think the policy calculus has now shifted in favour of a weaker currency over weaker growth. Overall, we estimate GDP growth of 4.8% in 2024 and 4.1% in 2025.

Sector trends

- The hydraulic end-use sector demand has experienced a complete reversal, increasing by 14.3 ppts relative to our previous forecast and changing from a contraction to an expansion of 13.2% in 2024. Almost all down-stream sectors experienced a positive change in growth, with agricultural machinery receiving a 71.8 ppts upward revision for growth in 2024.
- Similarly, pneumatic end-use sector demand saw a 3.1 ppts upward revision, expecting to grow 9.2% in 2024.

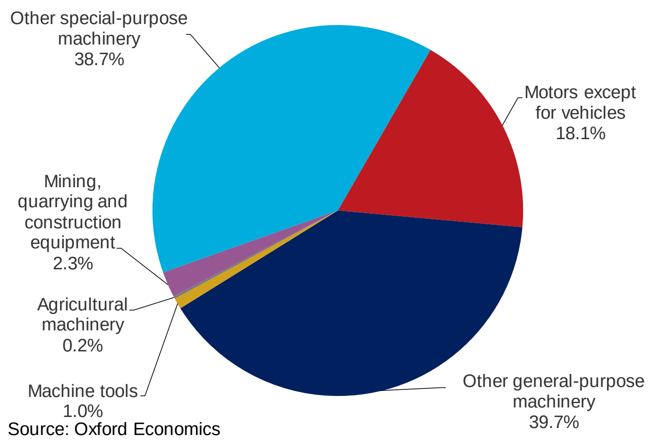
China: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $533.07bn)



Source: Oxford Economics

China: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-22.7	-1.4	2.0	4.0	3.8	3.5
Other general-purpose machinery	21.2	6.2	4.4	3.1	2.9	2.6
Machine tools	10.1	-5.9	10.1	3.4	3.2	3.0
Agricultural machinery	-11.4	75.6	-32.4	-1.2	2.3	2.1
Mining, quarrying and construction equipment	-3.2	-7.8	10.0	3.3	3.1	2.8
Other special-purpose machinery	4.1	3.7	4.3	3.4	3.2	3.0
Motor vehicles and parts	14.1	5.2	1.0	-0.4	0.8	0.1
Medical and surgical equipment	23.3	18.6	6.3	6.5	7.3	6.9
Electronic components and boards	20.8	27.1	-2.3	7.7	7.2	6.6
Construction	7.1	4.2	2.1	3.1	2.6	2.3
Food	4.1	5.2	5.2	5.8	5.2	4.9
Chemicals excluding pharmaceuticals	10.6	6.6	3.0	3.4	3.4	3.2
Weighted hydraulic end-use sector demand	4.0	13.2	-1.4	1.8	2.4	2.0
Weighted pneumatic end-use sector demand	14.5	9.2	2.1	2.6	3.1	2.6
Industrial production	4.8	5.5	3.2	3.0	3.0	2.8
GDP	5.2	4.7	4.1	4.0	3.9	3.8

Market Outlook: India

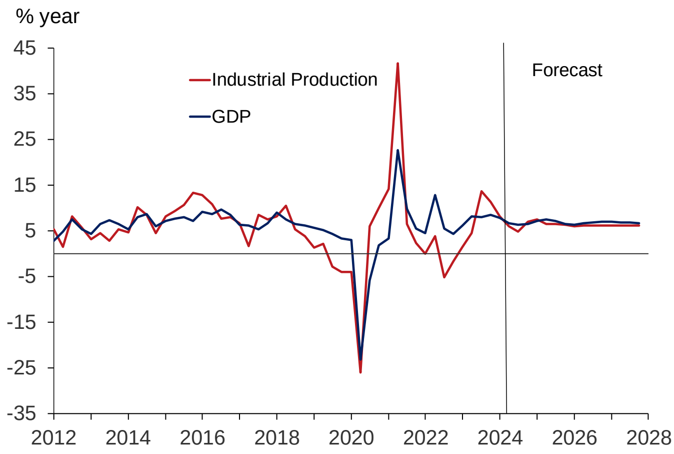
Macro overview

- GDP data for Q2 showed a moderation to 6.7% growth y/y from 7.8% in Q1, as strong domestic private demand offset falling government spending and a softening external sector. However, statistical discrepancies partly distorted the strong growth numbers in previous quarters, meaning the economic slowdown is not as severe as the headline numbers suggest. In seasonally adjusted terms, activity expanded by an estimated 1.1% q/q, only marginally slower than in the previous quarter.
- India's economy is forecast to grow by 6.8% in 2024 and 7.0% in 2025. Private consumption should improve over this year but will likely stay soft. The budget from the new coalition government demonstrates continued commitment to planned land reforms, a long-standing but contentious issue. However, it should still incentivise greater private-sector investment over the medium term. Investment will continue to receive support from the public sector, but the private sector will likely remain slow to pick up. Recent survey data show business expectations for production declined for a third consecutive quarter at the start of Q3. On the external front, growth momentum has softened recently.

Sector trends

- All hydraulic and pneumatic-consuming sectors, bar food, saw positive revisions, with the electronic components and boards sector seeing the largest upward revision with an increase of 8.2 ppts in 2024.
- Growth for end-use sector demands for hydraulics and pneumatics have seen positive revisions of 2.4 ppts and 2.3 ppts in 2024, respectively. Growth will continue in 2025, with both headline outputs to grow significantly.

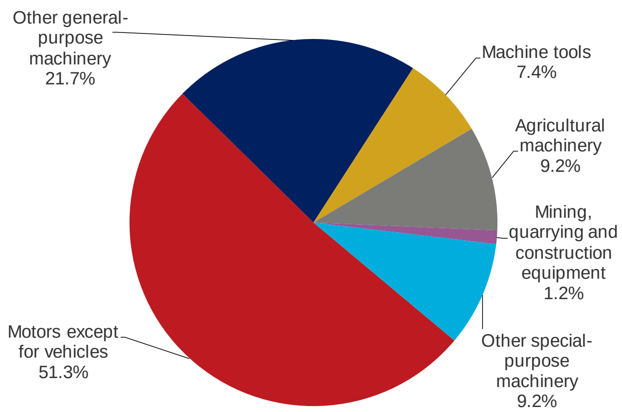
India: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $22.19bn)



Source: Oxford Economics

India: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	14.0	5.4	8.7	7.4	6.7	6.3
Other general-purpose machinery	14.0	5.4	8.7	7.4	6.7	6.3
Machine tools	14.0	5.4	8.7	7.4	6.7	6.3
Agricultural machinery	14.0	5.2	8.1	6.7	6.1	5.7
Mining, quarrying and construction equipment	14.0	5.3	8.3	6.9	6.3	5.9
Other special-purpose machinery	14.0	5.5	9.2	7.9	7.3	6.9
Motor vehicles and parts	16.5	6.6	1.7	3.0	3.4	3.8
Medical and surgical equipment	-13.2	13.4	14.3	13.1	11.9	11.0
Electronic components and boards	-13.2	12.4	13.0	11.8	11.4	10.8
Construction	9.7	4.7	3.2	4.7	3.4	4.2
Food	7.5	-1.6	7.9	8.5	8.5	8.4
Chemicals excluding pharmaceuticals	4.8	6.6	8.3	6.3	6.9	6.8
Weighted hydraulic end-use sector demand	13.7	5.5	6.0	5.8	5.2	5.2
Weighted pneumatic end-use sector demand	7.9	7.5	6.5	6.5	6.4	6.4
Industrial production	7.6	6.5	6.7	6.2	6.1	6.0
GDP	7.8	6.8	7.1	6.7	6.8	6.6

Market Outlook: Indonesia

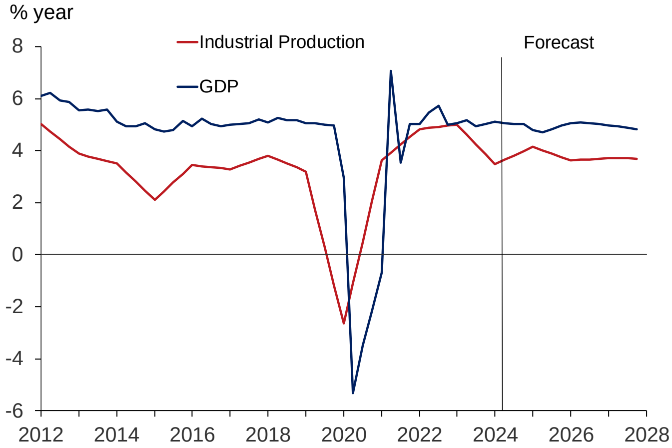
Macro overview

- Indonesia's GDP grew by 5% y/y in Q2, similar to the growth rate in Q1. Investment increased by 4.4% y/y in Q2, edging up from 3.8% in Q1. We expect more accommodative monetary policy will support investment growth. We also anticipate government spending will remain solid, but prudent. Government consumption cooled significantly to 1.4% y/y in Q2 from 19.9% y/y in Q1. Temporary election-related spending drove the Q1 outturn.
- We forecast Indonesia's GDP to expand by 5.1% this year. We expect the recent growth momentum to hold throughout the rest of this year as private consumption remains robust, consumer confidence stays positive, and as the Bank Indonesia continues to cut its policy rate. Capital goods imports, the leading indicator for investment, has been gaining momentum, but some headwinds remain due to soft external demand, along with relatively low levels of capacity utilisation in industries compared to pre-Covid-19. Beyond 2024, we forecast GDP to continue its steady growth of 4.9% in 2025.

Sector trends

- The 2024 outlook for weighted hydraulic-using sector has been significantly revised downwards by 10.2 ppts to a 8.7% contraction. Mining, quarrying and construction equipment is primarily responsible, given its 35.4 ppts decline since our last forecast.
- Continued broad-based downgrades for pneumatic end-use sectors dragged down our 2024 weighted pneumatic-using sector growth forecast to a 4.0% contraction, a 7.6ppts downwards revision. In 2025, we anticipate a large expansion of 8.9%.

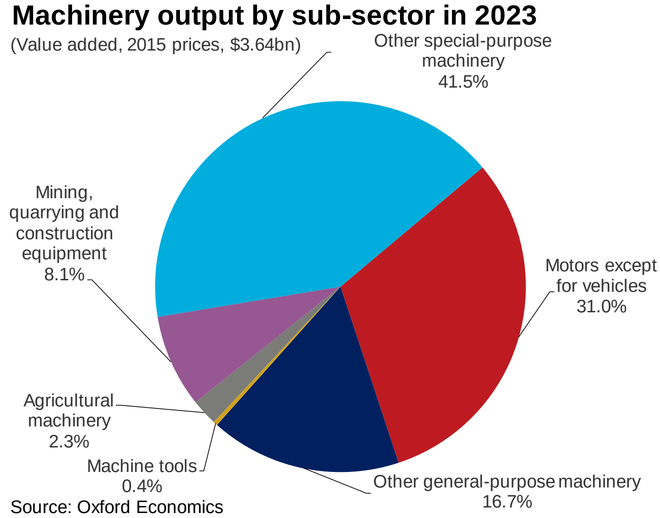
Indonesia: GDP and industrial production



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	14.4	7.9	7.2	7.3	6.4
Other general-purpose machinery	0.0	-9.0	7.9	7.2	6.8	5.9
Machine tools	0.0	5.5	7.7	7.1	6.6	6.3
Agricultural machinery	0.0	-12.3	7.8	7.1	6.7	5.9
Mining, quarrying and construction equipment	0.0	-30.2	8.1	7.5	6.8	6.1
Other special-purpose machinery	0.0	7.0	8.2	7.5	7.0	6.0
Motor vehicles and parts	7.7	-11.2	10.9	4.2	4.2	2.5
Medical and surgical equipment	13.7	4.2	6.2	5.5	4.8	5.0
Electronic components and boards	13.7	4.8	7.5	5.4	4.8	5.1
Construction	4.9	6.9	8.6	6.2	6.0	5.7
Food	4.6	3.7	3.7	3.7	3.7	4.1
Chemicals excluding pharmaceuticals	0.2	5.9	4.9	4.4	4.3	4.4
Weighted hydraulic end-use sector demand	2.6	-8.7	8.7	6.4	6.1	5.2
Weighted pneumatic end-use sector demand	7.5	-4.0	8.9	5.1	4.9	4.0
Industrial production	5.0	3.5	4.1	3.6	3.7	3.7
GDP	5.0	5.1	4.8	5.1	4.9	4.7

Market Outlook: Japan

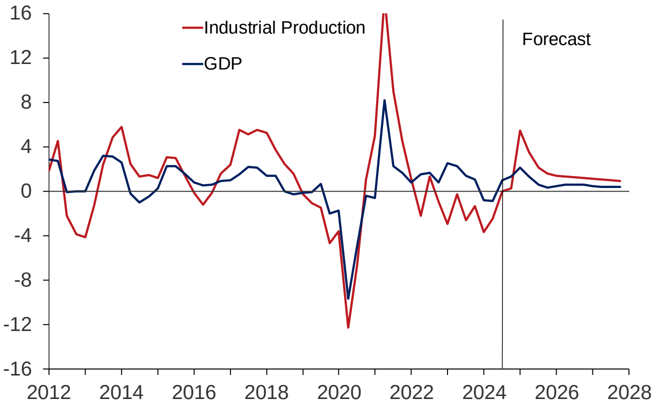
Macro overview

- According to the preliminary estimate, Japan's real GDP grew by 0.8% q/q in Q2, after contracting by 0.6% in Q1. Business investment gained by 0.9% q/q in Q2, following a 0.4% dip in Q1, supported by fleet purchases. We expect business investment to recover, supported by labour-saving expenditures and investment in digitalisation. But its pace will stay modest given high material prices and labour shortages in investment fields.
- We expect the economy will continue to recover in the following quarters, as consumption will be supported by gains in households' real incomes. However, exports are likely to improve only gradually due to weak demand from the EU. Many Japanese equities plummeted in early August due to a surprise interest rate hike negatively affecting the “Yen carry trade”. Nevertheless, we think the Japanese equities will stay firm, supported by healthy corporate earnings and cheap valuations. We expect the Japanese economy to expand by 1.1% in 2025, after registering an estimated annual increase of 0.2% in 2024.

Sector trends

- The industrial production downgrade, mostly (but not entirely) driven by the auto production shutdowns from numerous testing scandals, are weighing heavily on hydraulic- and pneumatic-consuming sectors. We expect the weighted pneumatic sectors to contract in 2024 by 2.3%, down 4.7 ppts, but grow 5.6% in 2025.
- Similarly, we expect a large decrease of 4.7 ppts for weighted hydraulic output as agricultural machinery, a key sector, has seen a decline of 17.2 ppts relative to our last forecast. We expect next year to be more robust.

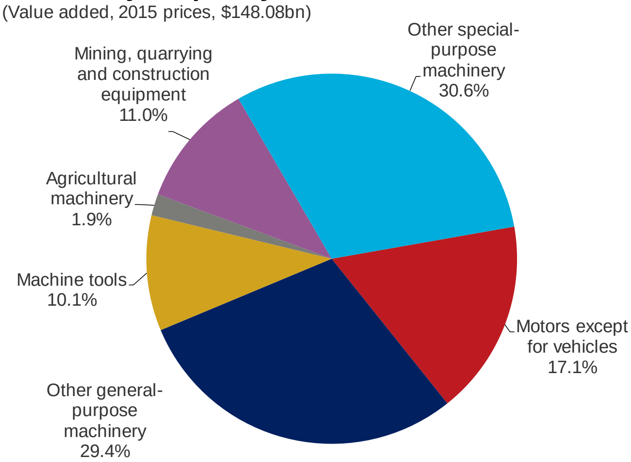
Japan: GDP and industrial production



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	-9.2	2.8	2.6	2.9	2.0
Other general-purpose machinery	-5.4	-4.0	2.1	2.0	2.3	1.4
Machine tools	-5.3	-12.3	2.7	2.3	2.6	1.7
Agricultural machinery	-20.0	-17.6	-2.4	1.2	1.5	0.6
Mining, quarrying and construction equipment	3.3	-7.9	1.8	2.3	2.6	1.7
Other special-purpose machinery	-10.0	0.8	5.8	2.8	2.2	1.6
Motor vehicles and parts	13.6	-3.6	5.9	-0.9	-0.5	-0.1
Medical and surgical equipment	-5.9	-9.0	6.3	-1.8	-0.1	0.0
Electronic components and boards	-11.1	6.6	8.5	10.1	8.5	6.4
Construction	3.8	0.5	-0.1	0.2	0.4	0.6
Food	-2.7	0.1	0.7	-0.1	-0.3	-0.3
Chemicals excluding pharmaceuticals	-7.9	-1.7	1.3	0.5	0.2	-0.2
Weighted hydraulic end-use sector demand	-0.6	-6.0	2.0	1.1	1.3	0.9
Weighted pneumatic end-use sector demand	2.7	-2.3	5.6	1.7	1.7	1.4
Industrial production	-1.8	-1.5	3.2	1.3	1.0	0.7
GDP	1.8	0.2	1.1	0.6	0.4	0.3

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Market Outlook: South Korea

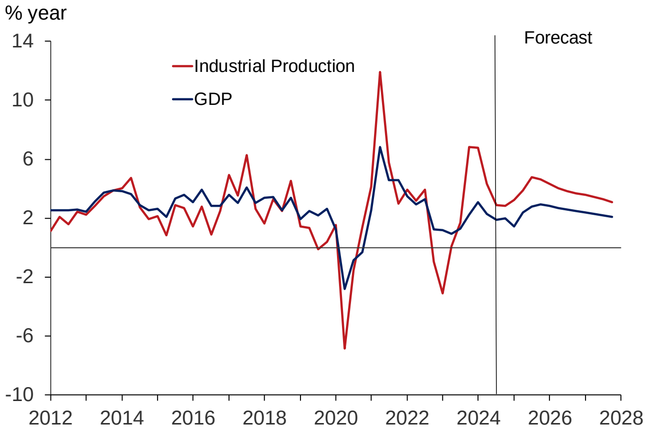
Macro overview

- There was an unexpected quarterly contraction of 0.2% in Q2, following weak regional investment and poor private consumption. We expect the weakness to be temporary, as investment should pick up gradually in the following quarters due to the still-intact stocking process in the technology sector. While import volumes contracted in general, capital goods imports—an indicator of business capital investment—expanded by 4% in Q2.
- We have upgraded our GDP forecast for South Korea to 2.4% growth in 2024. The economy is benefitting from the global semiconductor uptrend and rising AI demand. Major Korean electronics manufacturers have therefore accelerated their capex plans to prepare for sustained global demand in the next couple of years. The local labour market is holding up, and the unemployment rate is low at 2.8%. This will help to support household incomes and private consumption in the near term. Given the positive outlook and potential upside risks to inflation, we think the Bank of Korea (BoK) is in no rush to kick off its easing cycle in the near term.

Sector trends

- The anticipated increase in capital expenditures is yet to bear fruit in the short-run machinery growth forecasts. Despite an upgrade in motor vehicles and parts, the increase was not enough to negate the broad-based downgrades in the space. Weighted hydraulic end-use demand for 2024 will remain negative, at a 2.0% contraction, but likely expand by 3.5% in 2025.
- Weighted pneumatic end-use demand is more dependent on the motor vehicles and parts sector and has therefore seen a 0.9 ppts increase relative to our previous forecast.

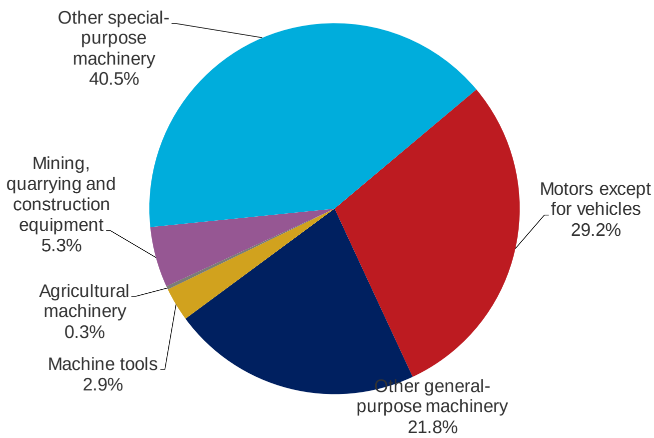
South Korea: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $41.12bn)



Source: Oxford Economics

South Korea: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	2.1	0.3	5.4	4.0	2.7	1.2
Other general-purpose machinery	2.1	0.3	5.3	3.6	2.2	0.9
Machine tools	-10.7	-3.4	6.2	5.1	3.7	2.1
Agricultural machinery	-10.7	-3.6	5.4	4.4	3.0	1.4
Mining, quarrying and construction equipment	-10.7	-3.5	6.0	5.0	3.6	1.9
Other special-purpose machinery	-10.7	-3.4	7.0	6.5	5.1	3.1
Motor vehicles and parts	14.2	-1.6	0.1	2.0	-0.9	0.0
Medical and surgical equipment	4.3	5.9	4.0	2.7	2.0	1.1
Electronic components and boards	2.3	16.6	5.4	6.0	6.5	5.7
Construction	3.1	-0.2	0.4	1.5	0.9	0.7
Food	-1.4	2.0	3.7	2.5	1.8	1.0
Chemicals excluding pharmaceuticals	-4.5	1.1	3.9	3.5	2.8	1.6
Weighted hydraulic end-use sector demand	-1.1	-2.0	3.5	3.5	2.0	1.1
Weighted pneumatic end-use sector demand	6.0	2.2	2.8	3.5	1.8	1.6
Industrial production	1.3	4.2	4.1	4.0	3.3	2.6
GDP	1.4	2.3	2.4	2.6	2.2	1.9

Market Outlook: Taiwan

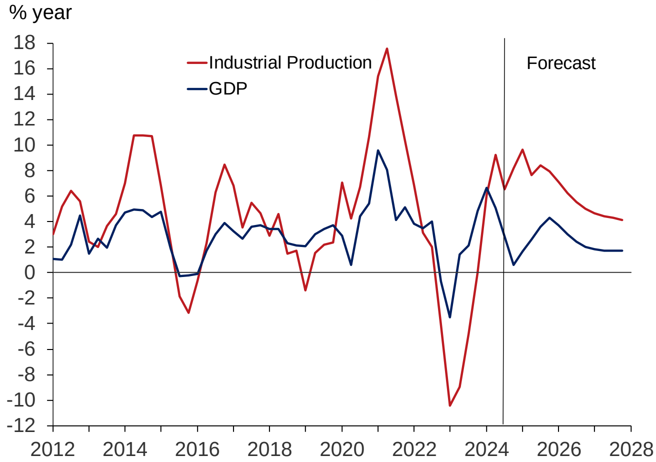
Macro overview

- Sales revenue of Taiwan's top five chip fabrication companies rose by 28% y/y in June, ending Q2 on a strong note. The local property market has rallied again this year with mortgages growing rapidly, which caught policymakers' attention. Instead of using its policy rate, the CBC redeployed the so-called selective credit control measures at its Q2 monetary policy meeting, lowering the loan/to/value ratio for second-home purchases.
- We have maintained our 2024 GDP growth forecast for Taiwan at 3.6% y/y. Market jitters in August were driven by concerns about global tech cycle and hence will not change the resilient fundamentals of Taiwan's tech sector. Additionally, the unexpected softness of exports appears to be due to the extreme weather, which is likely a temporary effect. The upcoming launch of new electronic gadgets will support Taiwan's export orders and industrial production in the coming months. Capital investment is likely to advance as a result, as the business sector is embracing the tech uptrend.

Sector trends

- Weighted demand growth this year is now forecast to be 2.2 ppts higher, after key consuming sectors, like construction and other special purpose, have experienced broad-based upwards revisions. Our forecast now stands at 2.9% in 2024 and 5.3% in 2025.
- We expect weighted pneumatic end-use sector growth to stagnate this year. While it has been benefitting from upgrades in electronic components & boards, it is being weighed down substantially by depressed prospects in motor vehicles & parts.

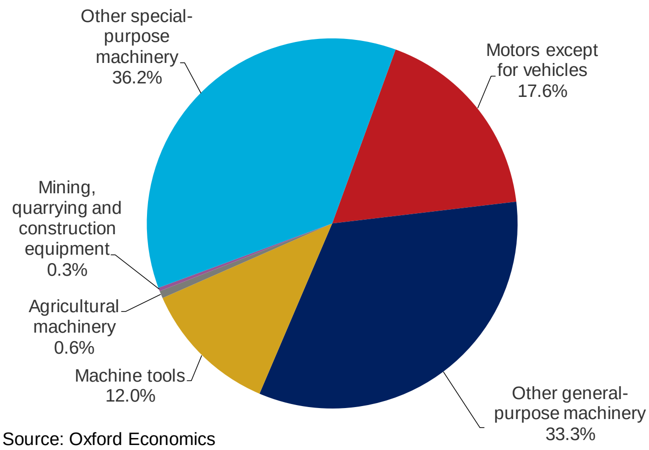
Taiwan: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $10.60bn)



Source: Oxford Economics

Taiwan: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	-14.8	1.0	6.7	3.4	2.0	1.5
Other general-purpose machinery	-8.9	-1.8	7.0	3.5	2.1	1.6
Machine tools	-15.9	-7.7	6.9	3.5	2.1	1.6
Agricultural machinery	-5.8	11.0	6.4	2.6	1.2	0.8
Mining, quarrying and construction equipment	0.9	4.7	5.9	3.4	2.0	1.5
Other special-purpose machinery	-11.7	11.8	8.3	3.4	2.0	1.5
Motor vehicles and parts	8.6	-5.3	3.2	1.5	0.9	1.8
Medical and surgical equipment	-9.6	-12.2	23.4	32.3	16.1	8.7
Electronic components and boards	-12.4	16.6	12.3	9.2	7.7	7.0
Construction	-5.2	4.1	3.4	1.6	0.8	1.2
Food	5.8	3.3	3.6	2.8	1.9	1.4
Chemicals excluding pharmaceuticals	-5.4	0.0	5.2	6.9	4.4	3.2
Weighted hydraulic end-use sector demand	-2.6	2.9	5.3	2.5	1.4	1.4
Weighted pneumatic end-use sector demand	-0.7	0.0	7.2	5.7	3.6	3.2
Industrial production	-6.1	7.5	8.4	6.0	4.4	3.8
GDP	1.3	3.7	3.0	2.8	1.7	1.7

Market Outlook: South Africa

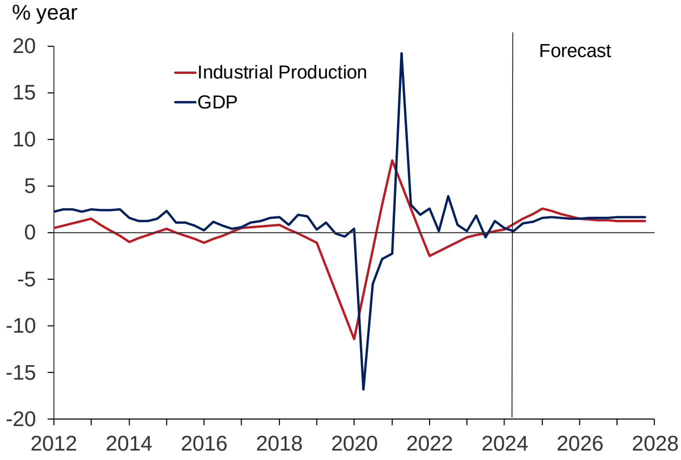
Macro overview

- The South African economy grew at a quicker pace of 0.4% q/q in Q2 2024 (0.0% q/q in Q1). Supply-side growth came in broadly as expected at 0.4% q/q, while demand-side growth (0.5% q/q) exceeded our projections somewhat. Specifically, household consumption expenditure grew by 1.4% q/q, following a period of weak growth. Overall, economic growth was sluggish in H1, but the outlook has improved since the elections in May.
- Our base case is for real GDP to expand by 1.0% in 2024, reaching 1.7% next year due to improved post-election growth prospects. The latest result in RMB/BER BCI, a business sentiment survey in South Africa, marked its best level since Q4 2022, reflecting cautious optimism about improving business conditions given the stable electricity supply and more political certainty following the elections in May. Businesses are less gloomy than they have been over the past few quarters, but there is still a lot of ground to be made up (12 points to reach the neutral level). Increased private-public partnerships might help and are fundamental to unlocking new investment to boost South Africa's growth potential.

Sector trends

- Significant across-the-board downgrades for hydraulic consuming sectors have led to a negative revision of 7.0 ppts to our 2024 weighted hydraulic demand forecast, which now shows a contraction of 7.8%.
- Similarly, pneumatic demand growth has seen a drastic downwards revision of 5.7 ppts, leading to an expected contraction of 3.0% in 2024. We anticipate a complete reversal next year, with a forecast growth of 7.8%.

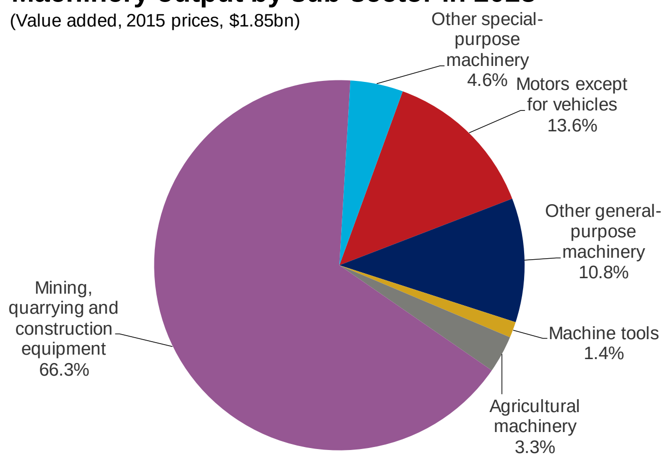
South Africa: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $1.85bn)



Source: Oxford Economics

South Africa: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	0.9	-5.7	3.5	1.7	1.2	1.5
Other general-purpose machinery	0.9	-6.4	3.7	1.6	1.2	1.5
Machine tools	5.5	-9.7	4.8	2.7	2.2	2.0
Agricultural machinery	5.5	-10.6	3.2	0.7	0.4	0.6
Mining, quarrying and construction equipment	7.0	-15.7	1.7	1.9	2.1	2.4
Other special-purpose machinery	5.5	-9.2	3.6	1.5	1.2	1.5
Motor vehicles and parts	5.0	-4.0	12.6	1.6	0.1	-0.5
Medical and surgical equipment	-61.9	3.4	3.7	1.7	2.2	2.7
Electronic components and boards	8.4	2.1	2.9	0.6	0.6	0.8
Construction	-0.1	-1.8	1.0	2.3	2.0	1.6
Food	1.3	2.9	1.4	3.3	1.9	1.9
Chemicals excluding pharmaceuticals	-2.3	1.1	1.9	1.5	1.5	1.7
Weighted hydraulic end-use sector demand	4.0	-7.8	4.6	1.7	1.2	1.2
Weighted pneumatic end-use sector demand	0.2	-3.0	7.8	1.6	0.8	0.6
Industrial production	-0.4	0.4	2.6	1.5	1.3	1.2
GDP	0.7	0.8	1.6	1.6	1.7	1.7

Market Outlook: UAE

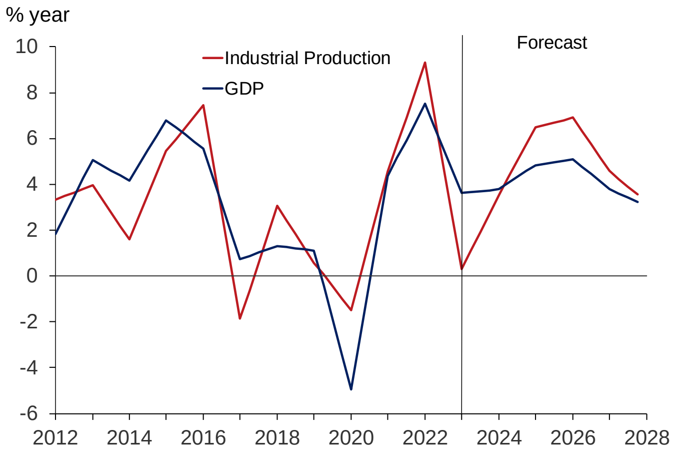
Macro overview

- Robust activity growth slowed in June, as the UAE non-oil private-sector PMI fell to 54.6, marking the lowest reading since February 2023. Nevertheless, a record-high number of passengers travelled through Dubai's international airport in H1 2024, and non-oil trade hit a record high in H1 with the value of non-oil exports (excluding re-exports) rising 25% y/y in current prices.
- We continue to expect non-oil GDP in the UAE will grow 4.6% this year. But momentum in the UAE economy appears to be slowing, so we think non-oil growth will ease to 4.1% in 2025. The UAE's economy continues to face headwinds, despite the positive high-frequency surveys. Higher interest rates are weighing on consumption and private investment too. Although shrouded in some uncertainty, OPEC+ policy will be critical to determining the UAE's overall GDP growth. 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 3.8% in 2024, gaining pace to 4.8% growth in 2025 as new oil facilities are utilised to ramp up oil production.

Sector trends

- All hydraulics and pneumatics-consuming sectors, bar mining, quarrying and construction equipment, have seen uniform upgrades in their forecast. The other general-purpose machinery sector experienced the greatest increase, with an upgrade of 4.1 ppts, continuing the robust growth trend in both headline demands.
- We now anticipate weighted hydraulic and pneumatic end-use sector demand to grow 7.1% and 6.8%, respectively, representing a 0.5 ppts and 0.7ppts upwards revision. We anticipate this robust growth to continue into 2025.

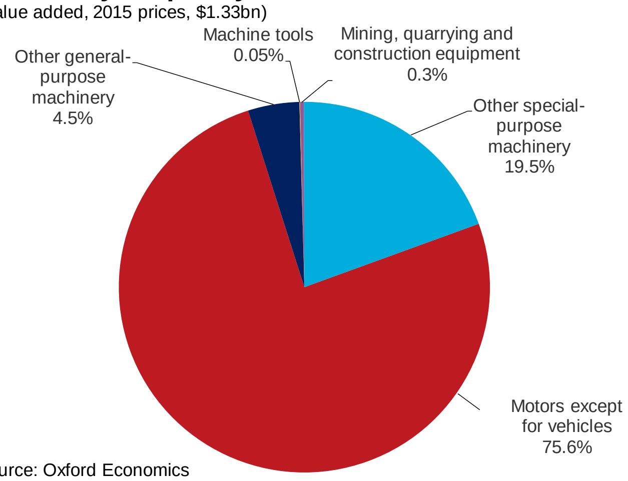
UAE: GDP and industrial production



Source : Oxford Economics/Haver Analytics

Machinery output by sub-sector in 2023

(Value added, 2015 prices, $1.33bn)



Source: Oxford Economics

United Arab Emirates: Sector output forecasts

(Annual percentage changes unless specified)

	2023	2024	2025	2026	2027	2028
Motors except for vehicles	3.8	9.7	9.2	2.2	3.6	4.5
Other general-purpose machinery	3.8	11.6	9.3	2.3	3.5	4.6
Machine tools	3.8	9.5	9.5	2.5	3.6	4.8
Agricultural machinery	3.8	9.0	9.2	2.3	3.5	4.5
Mining, quarrying and construction equipment	3.8	5.3	9.3	2.3	3.5	4.6
Other special-purpose machinery	3.8	10.4	9.3	2.3	3.5	4.6
Motor vehicles and parts	3.8	5.1	5.5	6.2	5.9	3.6
Medical and surgical equipment	3.8	8.1	5.7	6.6	7.9	7.4
Electronic components and boards	3.8	8.0	7.8	10.8	10.6	7.6
Construction	8.9	7.8	4.3	3.2	2.5	2.5
Food	3.8	5.2	3.7	5.9	6.2	5.2
Chemicals excluding pharmaceuticals	3.8	5.0	7.1	6.1	4.6	3.5
Weighted hydraulic end-use sector demand	4.8	7.6	7.5	3.3	3.8	4.0
Weighted pneumatic end-use sector demand	3.8	6.8	6.6	6.3	6.4	4.9
Industrial production	0.3	3.5	6.5	6.9	4.6	3.2
GDP	3.6	3.8	4.8	5.1	3.8	3.1

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