



Asia Pacific Industry Outlook: Which Industries Gain and Which Lose in a Slowing Asian Economy?

Mark Killion, CFA

Managing Director
World Industry Service
Global Insight



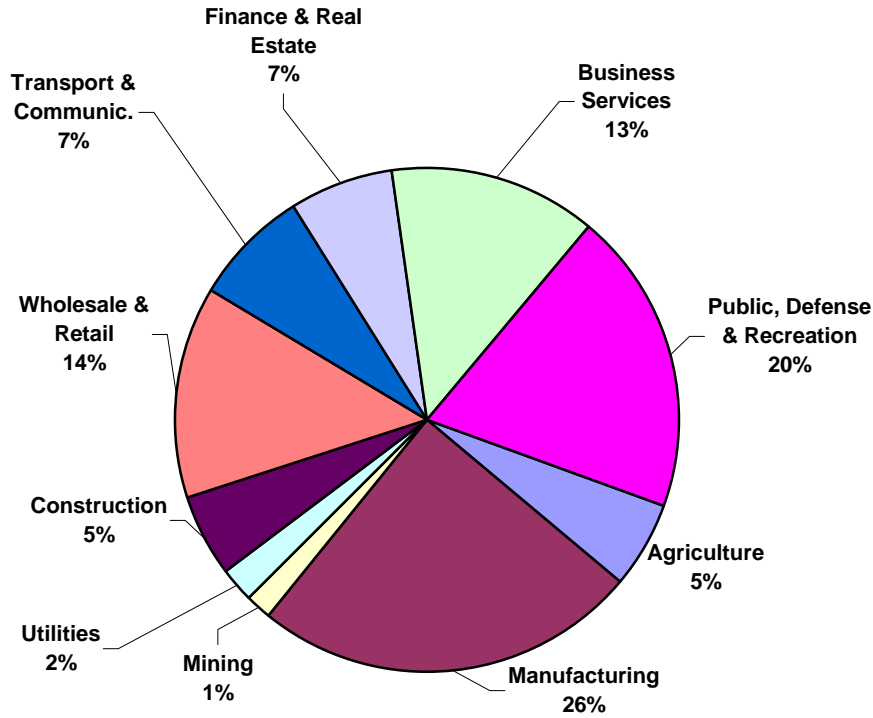
Agenda

- **Outlook for Industry Sales and CapEx**
- **Rankings of Industry Winners and Losers**
- **Conclusion**

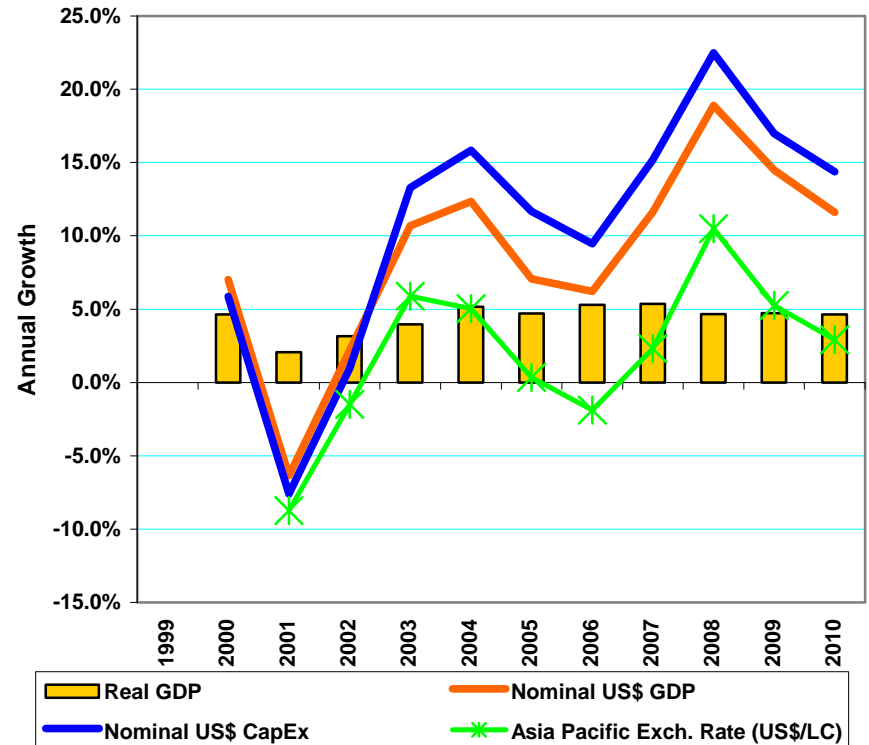


CapEx is Typically More Cyclical than GDP

Sector Shares in GDP, Asia Pacific 2007



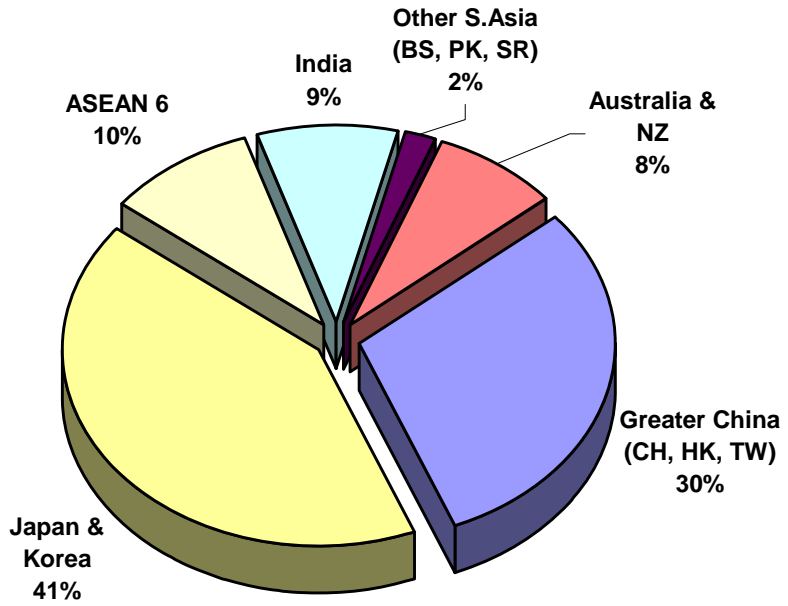
Growth in GDP and CapEx: Asia Pacific (US \$ terms)



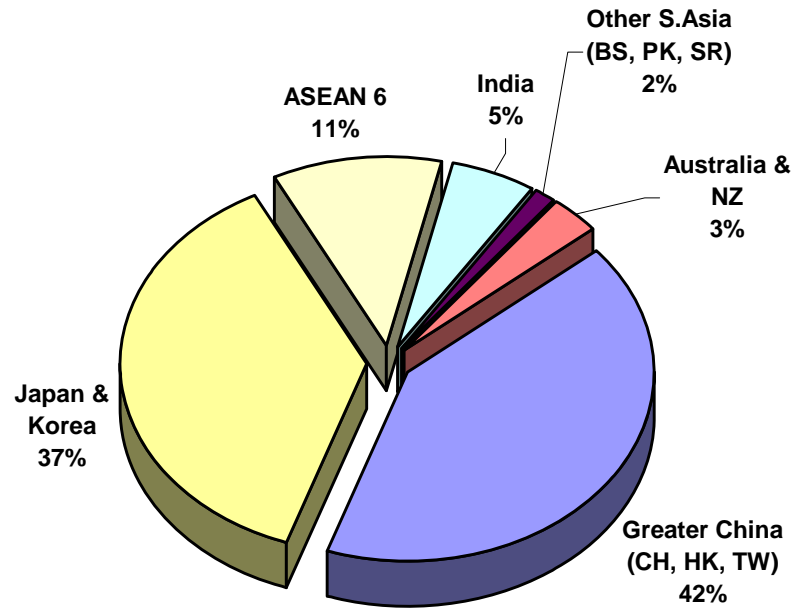


OECD Countries dominate in Services; Greater China is Dominant in Manufacturing

Shares in Asia Pacific GDP (2007)



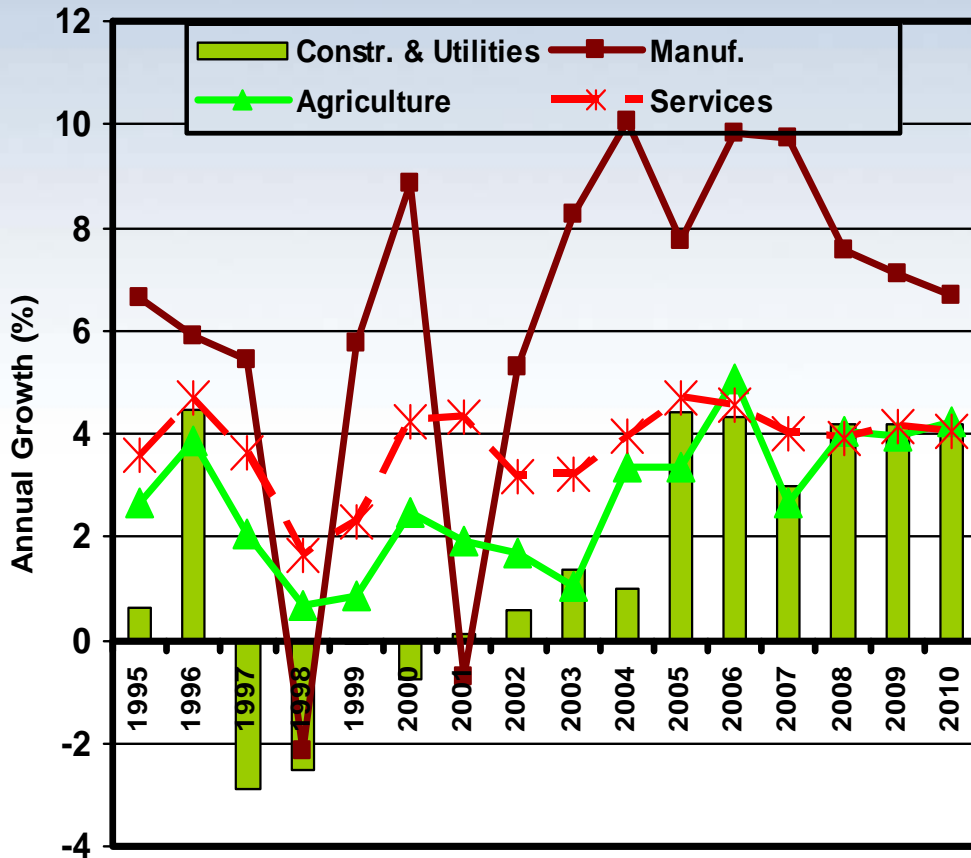
Shares in Manufacturing VA (2007)





Sector Composition of Macro Economic Growth

Annual Percent Growth of Real Output in Asia Pacific for 4 Broad Sectors

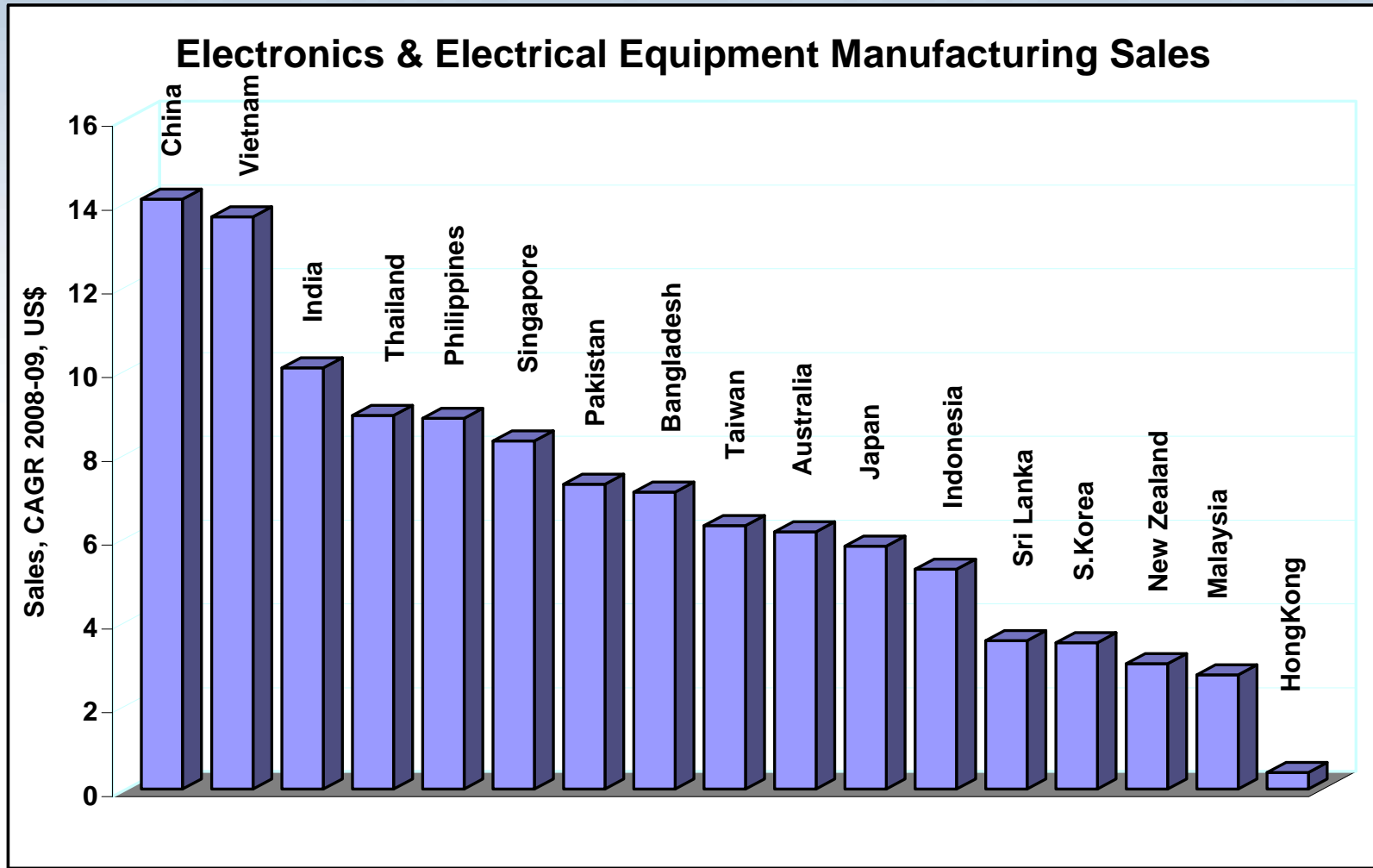


Key Growth Industries for Asia Pacific

- Transportation Equipment
- Communications, Electronics & Computers
- Metals, Rubber & Plastics
- Energy



Prospects of Electricals & Electronics Manufacturing





Which Industries Will Show the Fastest “Real” Growth? (Industry Ranking of 2008-2009 Growth Rates in Inflation Adjusted Sales)

Top Twelve Real Growth Performers Ranked by Growth Rate in Sales (Real, CAGR 2008-09)

Ranking in Asia Pacific	Share in Real GDP (%)	CAGR Growth 2006-07 (%)	CAGR Growth 2008-09 (%)	Ranking in Other Regions/Countries (Strongest is Ranked 1)					
				World	U.S.	Japan	China	India	ASEAN 6
1. Computers & Office Equip.	1.22	14.8	12.7	1	2	8	2	6	5
2. Aluminum & Non-Ferrous Metals	0.60	19.7	12.7	4	30	32	1	3	35
3. Railroad Equipment	0.16	8.4	11.5	2	39	17	10	24	26
4. General Electrical Apparatus & Parts	0.47	15.1	11.2	3	36	25	5	30	14
5. Synthetic Resins	0.65	11.3	9.0	6	31	21	12	17	36
6. Plastics & Rubber Products	0.71	10.9	8.8	9	29	24	9	7	31
7. Textiles & Apparel	1.41	7.9	8.4	11	41	45	13	21	28
8. Food & Beverages	3.00	6.8	8.0	13	15	27	8	23	18
9. Fabricated Metal Products	0.97	6.8	7.7	23	35	43	3	40	3
10. Electrical Appliances & Housewares	0.32	11.7	7.6	8	45	29	24	39	10
11. Cement & Construction Material	0.70	7.8	7.2	19	40	44	19	25	9
12. Iron & Steel	1.44	11.0	7.1	10	23	20	11	32	27



Which Industries Show the Slowest “Real” Sales Growth? (Industry Ranking of 2008-2009 Growth Rates in Inflation Adjusted Sales)

Most Modest Real Growth Performers Ranked by Growth Rate in Sales (Real, CAGR 2008-09)

Ranking in Asia Pacific	Share in Real GDP (%)	CAGR Growth 2006-07 (%)	CAGR Growth 2008-09 (%)	Ranking in Other Regions/Countries (Weakest is Ranked 1)					
				World	U.S.	Japan	China	India	ASEAN 6
1. Recreational & Cultural	2.1	1.3	2.0	5	35	8	32	8	4
2. Renting & Leasing (Machinery & Equip.)	0.4	5.5	2.6	8	33	33	7	9	23
3. Real Estate	7.1	3.1	2.7	1	2	11	24	5	3
4. Insurance	1.4	5.9	2.9	9	30	9	18	13	12
5. Paper & Printing	1.2	3.1	3.3	3	12	13	11	18	35
6. Special Industry Machinery	0.3	3.9	3.4	22	34	24	1	30	39
7. Wood & Furniture	0.4	3.9	3.8	2	4	4	29	10	27
8. Commercial Research & Development	0.5	3.9	3.9	29	43	41	6	17	26
9. Mining of Metals & Minerals	0.3	-0.6	4.0	6	9	27	3	27	5
10. Agriculture	5.4	3.9	4.0	17	20	6	5	3	2
11. Construction	5.1	3.1	4.0	4	3	5	30	24	7
12. Business Services	5.0	4.5	4.1	18	39	40	15	11	33



Which Industries Show the Fastest “Nominal” Sales Growth?

(Industry Ranking of 2008-2009 Growth Rates in Nominal US\$)

Top Twelve Revenue Performers

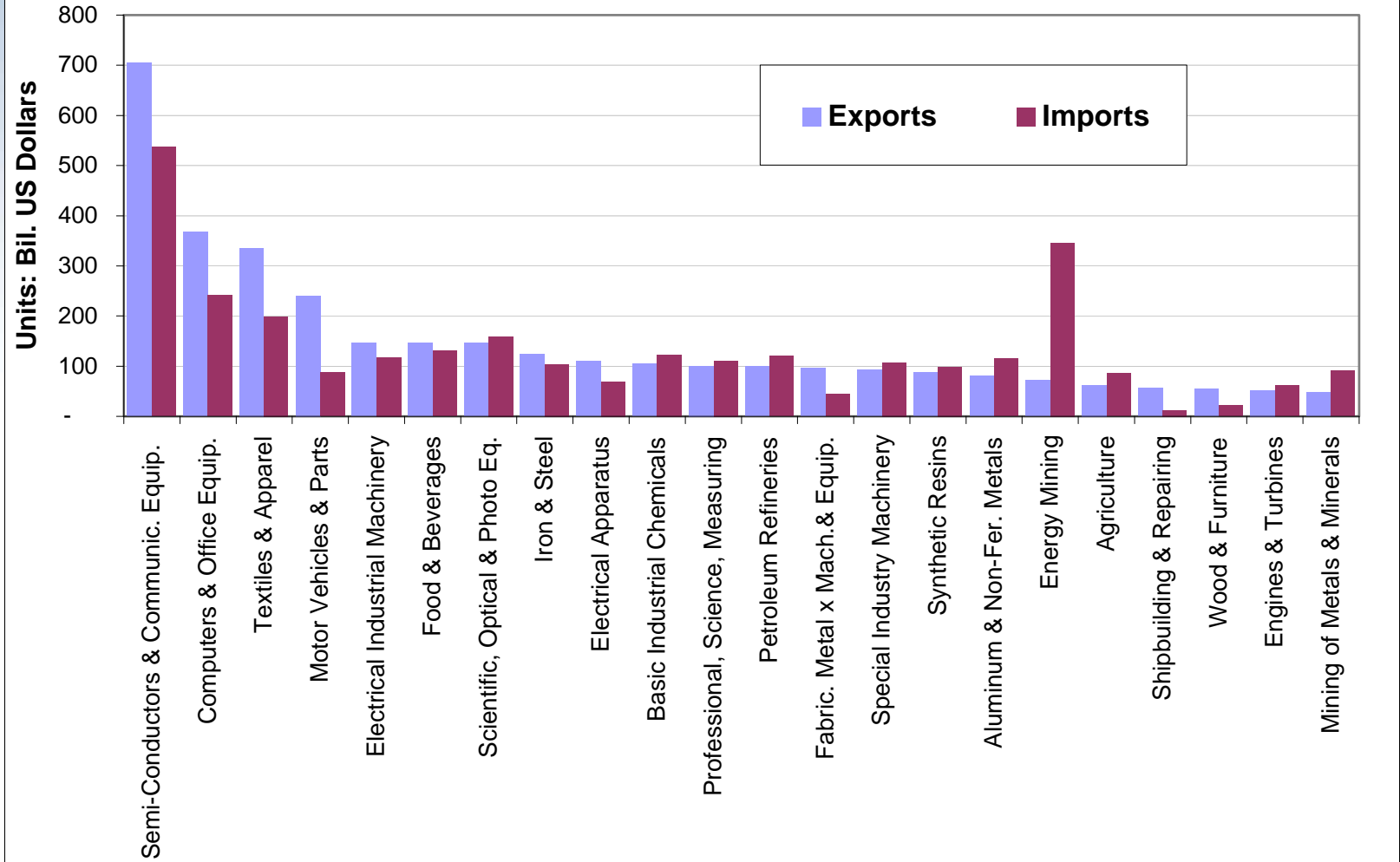
Ranked by Growth Rate in Sales (Nominal US\$, CAGR 2008-09)

Ranking in Asia Pacific	Share in Real GDP (%)	CAGR Growth 2006-07 (%)	CAGR Growth 2008-09 (%)	Ranking in Other Regions/Countries (Strongest is Ranked 1)					
				World	U.S.	Japan	China	India	ASEAN 6
1. Aluminum & Non-Ferrous Metals	0.60	49.8	30.6	1	20	17	1	2	25
2. General Electrical Apparatus & Parts	0.47	17.7	24.2	5	36	21	4	28	17
3. Synthetic Resins	0.65	17.4	23.3	4	30	25	10	20	31
4. Computers & Office Equip.	1.22	20.5	23.1	2	26	26	21	39	30
5. Energy Mining	1.10	15.9	23.1	9	2	2	9	26	19
6. Petroleum Refineries	0.70	19.5	22.8	3	1	1	3	1	1
7. Electrical Appliances & Housewares	0.32	19.1	22.1	7	43	29	23	37	14
8. Railroad Equipment	0.16	12.3	22.1	12	38	22	8	25	18
9. Utilities	2.47	10.4	20.0	10	5	9	16	22	13
10. Fabricated Metal Products	0.97	13.1	19.9	28	33	38	2	40	9
11. Engines & Turbines	0.07	14.8	19.7	24	34	13	6	13	7
12. Plastics & Rubber Products	0.71	16.6	19.7	17	29	31	7	10	40



Asia Pacific Merchandise Trade in 2007: Communications Equipment, Computer/Electronics, Textiles, Motor Vehicles & Parts; By far the Largest Deficit in Energy.

Goods Sector Trade, Asia-Pacific, 2007





Industries of Export Interest to Asia Pacific

Industries Where Asia-Pacific is a large Exporting Region in Global Trade

		Size of Exports by Sector, Asia-Pacific (Based on US\$ Exports in 2007)		
		Large	Medium	Small
Global Consumption Growth, Real (2006-'08)	Fast	Semi-Conductors & Communication Equipment; Computers & Office Equipment; Iron & Steel; General Electrical Apparatus & Parts	Aluminum & Non-Ferrous Metals; Shipbuilding & Repairing; Electrical Appliances & Housewares; Rubber Products	Motorcycles & Bicycles; Aircraft & Aerospace; Pottery & China; Railroad Equipment; Other Transportation Equipment
	Medium	Textiles & Apparel; Electrical Industrial Machinery; Food & Beverages; Fabric. Metal x Mach. & Equip.	Synthetic Resins; Engines & Turbines; Plastic Products; Photographic & Optical Goods; Drugs & Medicines	Machine Tools ; Cement & Construction Material; Fertilizers & Pesticides; Agricultural Machinery
	Slow	Motor Vehicles & Parts; Scientific, Optical & Photo Equipment; Basic Industrial Chemicals; Petroleum Refineries	Energy Mining; Agriculture; Wood & Furniture; Mining of Metals & Minerals; Paper & Printing	Paints & Varnishes; Soap & Cleaning Preparations; Watches & Clocks



Which Industries Show Fastest Growth in Capital Expenditures?

(Industry Ranking of 2008-2009 Growth Rates in Capital Spending, in Nominal US\$)

Top Ten Investment Performers

By Growth Rate in CapEx (Nominal US\$, CAGR 2008-09)

Ranking in Asia Pacific	Share in Macro CapEx US\$ (%)	CAGR Growth 2006-07 (%)	CAGR Growth 2008-09 (%)	Ranking in Other Regions/Countries (Strongest is Ranked 1)					
				World	U.S.	Japan	China	India	ASEAN 6
1. Synthetic Resins	0.94	22.0	29.4	1	37	37	11	23	36
2. Aluminum & Non-Ferrous Metals	0.61	26.3	28.7	2	28	22	6	2	16
3. Engines & Turbines	0.17	27.0	27.7	5	34	5	23	15	26
4. Petroleum Refineries	0.94	25.1	27.5	4	4	1	7	1	5
5. Energy Mining	2.30	18.8	25.8	24	5	3	13	12	2
6. Fabricated Metal Products.	0.70	16.9	25.0	18	33	38	9	35	4
7. Iron & Steel	1.88	20.6	24.3	3	27	32	19	22	38
8. Cement & Construction Material	0.70	19.1	23.9	15	40	40	21	9	24
9. Food & Beverages	1.81	15.7	23.2	14	29	31	18	16	13
10. General Electrical Apparatus & Parts	0.16	16.4	23.2	11	36	24	12	20	12



Which Industries Show the Highest Rate of return on Capital Expenditures? (Industry Ranking of 2008-2009 Return on Fixed Capital, Nominal)

Top Twelve Investment Profitability By ROFIC Ratio (Profits/3-yr CapEx, Nominal, 2008-09)

Ranking in Asia Pacific	ROFIC 2007	Share in CapEx, 2007 (%)	Ranking in Other Regions/Countries (Strongest is Ranked 1)					
			World	U.S.	Japan	China	India	ASEAN 6
1. Electrical Industrial Machinery	1.27	0.37	1	18	19	2	14	43
2. Electrical Appliances & Housewares	1.17	0.08	6	8	21	4	39	6
3. Computers & Office Equip.	1.10	0.44	23	42	27	5	23	20
4. Agriculture	1.03	4.85	16	27	29	33	6	17
5. General Electrical Apparatus & Parts	0.97	0.16	15	12	25	3	41	7
6. Drugs & Medicines	0.96	0.50	2	3	6	17	22	2
7. Machine Tools	0.96	0.11	29	40	9	44	31	22
8. Aluminum & Non-Ferrous Metals	0.96	0.61	10	1	5	11	5	5
9. Motor Vehicles & Parts	0.95	0.80	37	43	14	20	25	10
10. Energy Mining	0.91	2.30	9	33	23	7	10	19
11. Scientific, Optical & Photo Eq.	0.90	0.14	25	41	11	10	20	14
12. Construction	0.87	3.67	7	11	36	6	12	37

Limited to Sectors with at least 0.05% share in Total CapEx



Compare Indicators Among the Fastest Growing Sectors in Asia Pacific

(Ranked by Real Sales Growth, Other Columns Show Ranks for Forecast Growth in Nominal Sales and CapEx)

Asia Pacific: Sectors with The Strongest Forecast Growth in Sales. CAGR 2008-09

Ranking in Asia Pacific Based on Sales CAGR 2008-2009	Share in GDP(%)	Industry Ranking for Other Factors & Indicators (H) – Highest is Ranked Best: E.g. Profit Margin (L) – Lowest & negative Ranked Best. E.g.. CapEx/Sales					
		Profit Margin (H)	Growth in Gross Profits (H)	CAGR Growth in CapEx '08-'09 (H)	Free Cash Flow (Growth) (H)	Ratio:Cap Ex/Sales (L)	ROFIC (H)
1. Computers & Office Equip.	1.22	30	8	19	32	3	4
2. Aluminum & Non-Ferrous Metals	0.60	31	1	42	10	8	9
3. Railroad Equipment	0.16	8	6	14	36	4	1
4. General Electrical Apparatus & Parts & Parts	0.47	21	9	33	12	5	6
5. Synthetic Resins	0.65	35	14	43	5	24	29
6. Plastics & Rubber Products	0.71	34	11	27	1	25	32
7. Textiles & Apparel	1.41	38	17	31	19	19	30
8. Food & Beverages	3.00	41	32	34	26	13	25
9. Fabricated Metal Products.	0.97	42	7	37	29	16	33
10. Electrical Appliances & Housewares	0.32	24	13	30	15	1	3
11. Cement & Construction Material	0.70	29	22	35	35	26	34
12. Iron & Steel	1.44	22	16	36	37	20	27

ROFIC = Gross Profits/ 3-Yr. Cumulative CapEx



Thank You

Mark Killion, CFA
Managing Director

Prem Premakumar, Ph. D.
Principal/Applications Manager

E-mail: mark.killion@globalinsight.com
prem.premakumar@globalinsight.com