



Economic Factors Impacting Business Investment

Don Johnson
Chief Economist
Caterpillar Inc.

Forward Looking Statement

Statements in this presentation relate to future events and expectations and are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to known and unknown factors that may cause Caterpillar's actual results to be different from those expressed or implied in the forward-looking statements. Words such as "believe," "estimate," "will be," "will," "would," "expect," "anticipate," "plan," "project," "intend," "could," "should" or other similar words or expressions often identify forward-looking statements. All statements other than statements of historical fact are forward-looking statements, including, without limitation, statements regarding our outlook, projections, forecasts or trend descriptions. These statements do not guarantee future performance, and Caterpillar does not undertake to update its forward-looking statements.

It is important to note that Caterpillar's actual results may differ materially from those described or implied in its forward-looking statements based on a number of factors, including, but not limited to: (i) global economic conditions and economic conditions in the industries and markets Caterpillar serves; (ii) government monetary or fiscal policies and government spending on infrastructure; (iii) commodity or component price increases and/or limited availability of raw materials and component products, including steel; (iv) Caterpillar's and its customers', dealers' and suppliers' ability to access and manage liquidity; (v) political and economic risks associated with our global operations, including changes in laws, regulations or government policies, currency restrictions, restrictions on repatriation of earnings, burdensome tariffs or quotas, national and international conflict, including terrorist acts and political and economic instability or civil unrest in the countries in which Caterpillar operates; (vi) Caterpillar's and Cat Financial's ability to maintain their respective credit ratings, material increases in either company's cost of borrowing or an inability of either company to access capital markets; (vii) financial condition and credit worthiness of Cat Financial's customers; (viii) inability to realize expected benefits from acquisitions and divestitures, including the acquisition of Bucyrus International, Inc.; (ix) international trade and investment policies, such as import quotas, capital controls or tariffs; (x) the possibility that Caterpillar's introduction of Tier 4 emissions compliant machines and engines is not successful; (xi) market acceptance of Caterpillar's products and services; (xii) effects of changes in the competitive environment, which may include decreased market share, lack of acceptance of price increases, and/or negative changes to our geographic and product mix of sales; (xiii) union disputes or other employee relations issues; (xiv) Caterpillar's ability to successfully implement the Caterpillar Production System or other productivity initiatives; (xv) adverse changes in sourcing practices of our dealers or original equipment manufacturers; (xvi) compliance costs associated with environmental laws and regulations; (xvii) alleged or actual violations of trade or anti-corruption laws and regulations; (xviii) additional tax expense or exposure; (xix) currency fluctuations, particularly increases and decreases in the U.S. dollar against other currencies; (xx) failure of Caterpillar or Cat Financial to comply with financial covenants in their respective credit facilities; (xxi) increased funding obligations under our pension plans; (xxii) significant legal proceedings, claims, lawsuits or investigations; (xxiii) imposition of operational restrictions or compliance requirements if carbon emissions legislation and/or regulations are adopted; (xxiv) changes in accounting standards or adoption of new accounting standards; (xxv) adverse effects of natural disasters; and (xxvi) other factors described in more detail under "Item 1A. Risk Factors" in Part I of our Form 10-K filed with the SEC on February 22, 2011 for the year ended December 31, 2010. This filing is available on our website at www.caterpillar.com/secfilings. This presentation is not an update or description of Caterpillar's financial condition or outlook.

Caterpillar Dealer Machine Retail Statistics

Good growth

Changes Measured in Constant Dollars

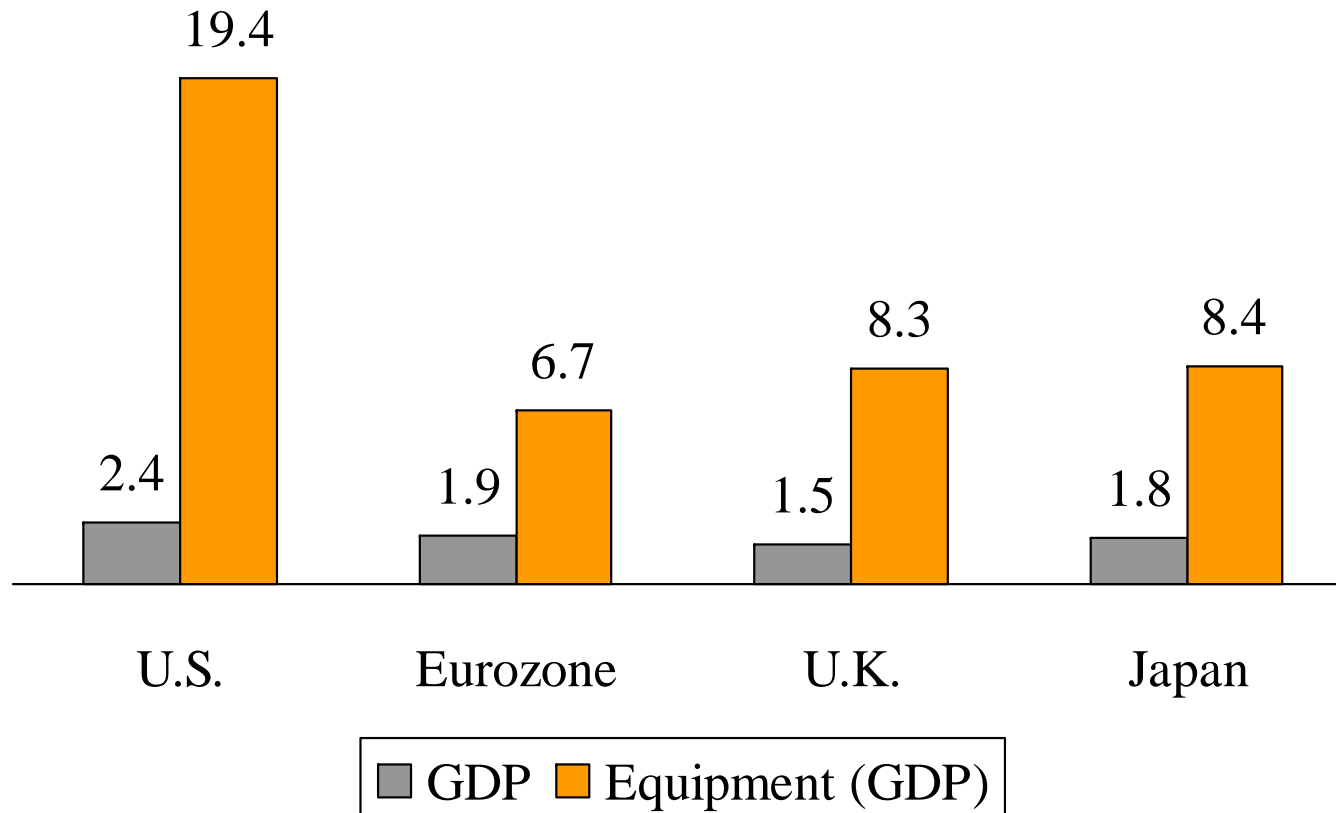
	<u>Aug. – Oct. 2011/ Aug. – Oct. 2010</u>
Asia/Pacific	+33
Europe/Africa/ME/CIS	+32
Latin America	+16
<hr/>	
Outside North America	+28
North America	+38
<hr/>	
World	+31

Source: Caterpillar Inc. Form 8-K filed 11/18/2011

Equipment Sectors Growing Rapidly

Spending on equipment growing faster than overall economy

Average Annual Rates of Growth
(from 2009 Trough in Equipment Spending)

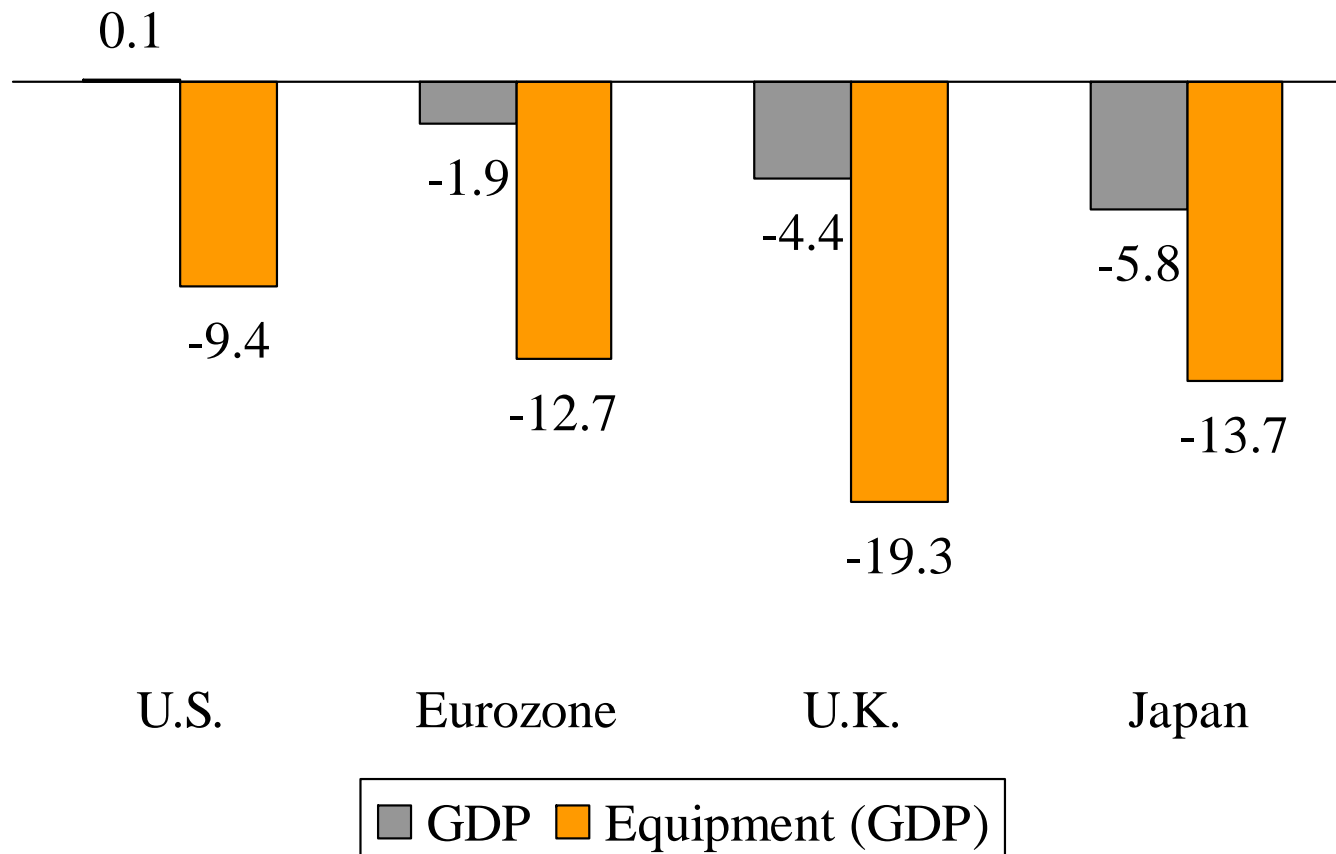


Source: Selected government national accounts/Haver Analytics

Equipment Recoveries Still Incomplete

Equipment spending dropped much further

Latest Quarterly Data vs. Prior Peaks
(Percent Differences)

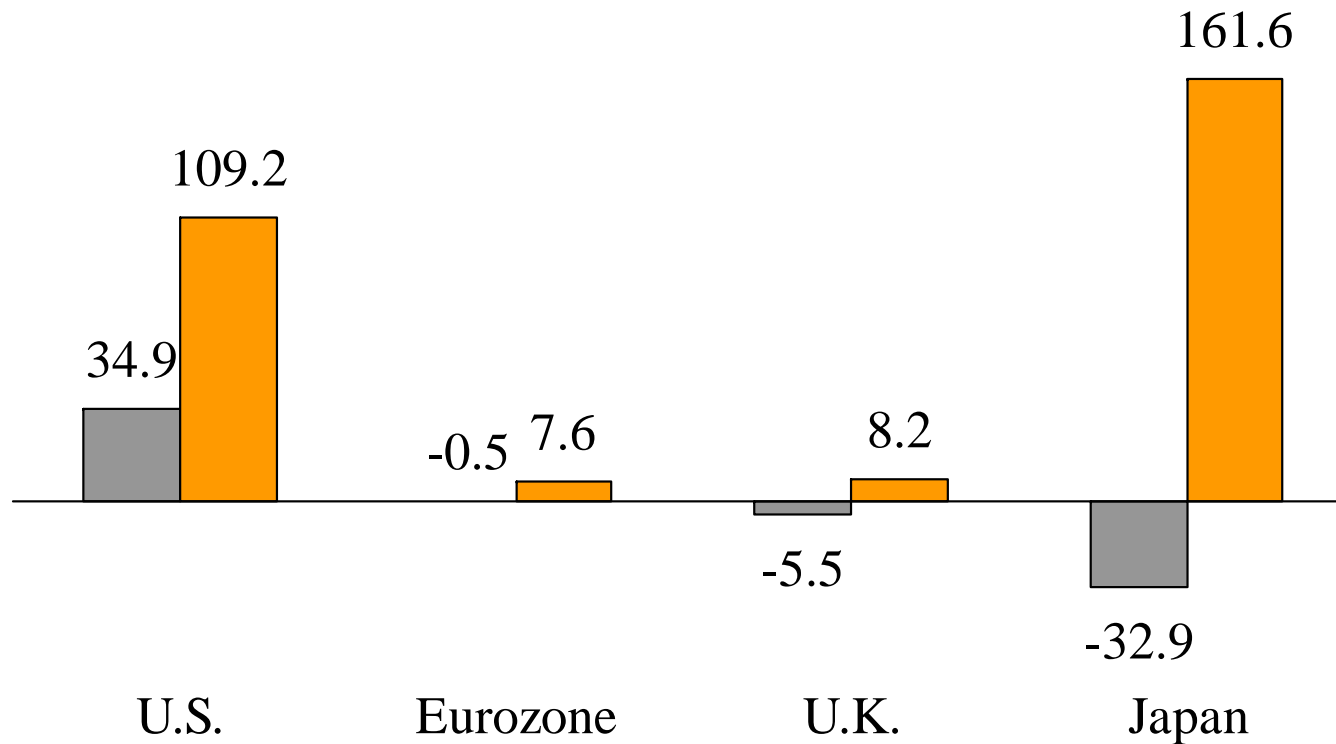


Source: Selected government national accounts/Haver Analytics

Some Improvement in Business Profits

Business profits generally faring better than consumer incomes

Quarterly Business Profit Estimates
(Latest Quarter Comparisons in Percents)



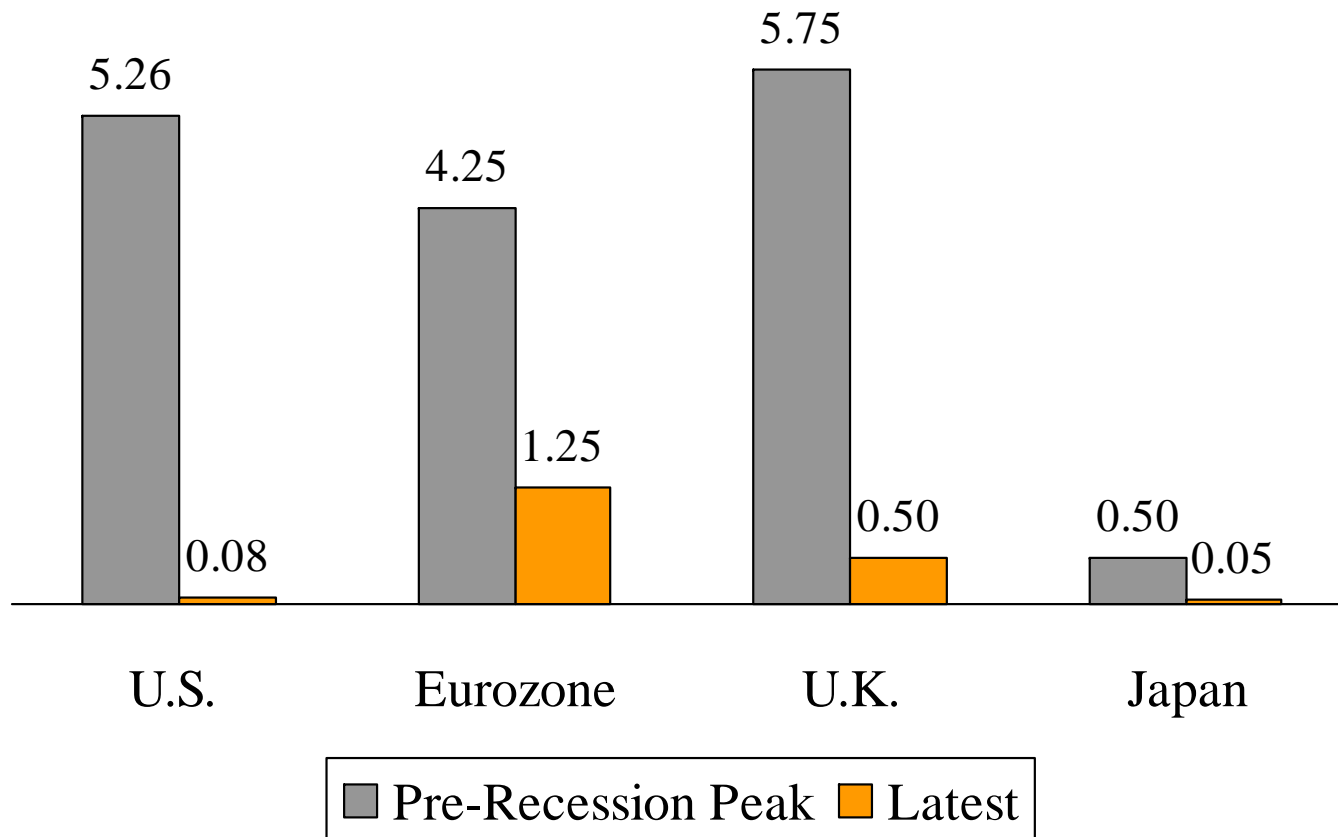
■ vs. Pre-Recession Peak ■ vs. Recent Low

Source: Selected government national accounts/Haver Analytics

Very Low Interest Rates

Low rates favor
shortening lives of
business equipment

Central Bank Target Interest Rates
(Percents)



Source: Selected central banks/Haver Analytics

Current Status by Key Regions

Have many areas of strength

		Economic Policies			
		Easy/Easing		Tight/Tightening	
Equipment Spending	Strong/ Strengthening	U.S. Africa/ME Australia Indonesia Japan Russia L. America ex Brazil Canada		Dev. Asia India	
	Weak/ Weakening	Europe Brazil China		South Korea	

Source: Caterpillar Business Economics assessment

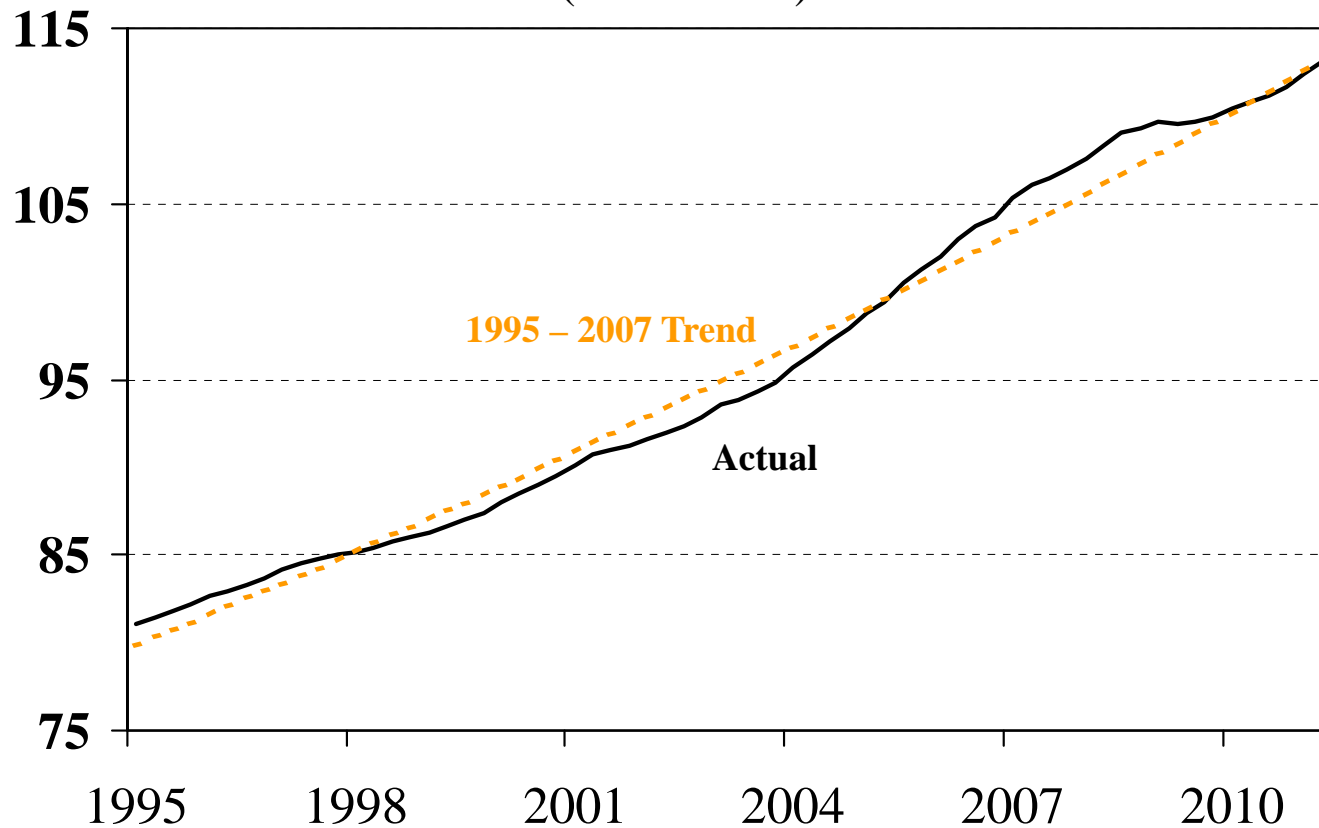


Factors Impacting Future Investment

Inflation Is Not a Problem

U.S. on 2.2% trend;
Eurozone lagging
1.8% trend

U.S. Gross Domestic Product Chain Price Index
(2005 = 100)

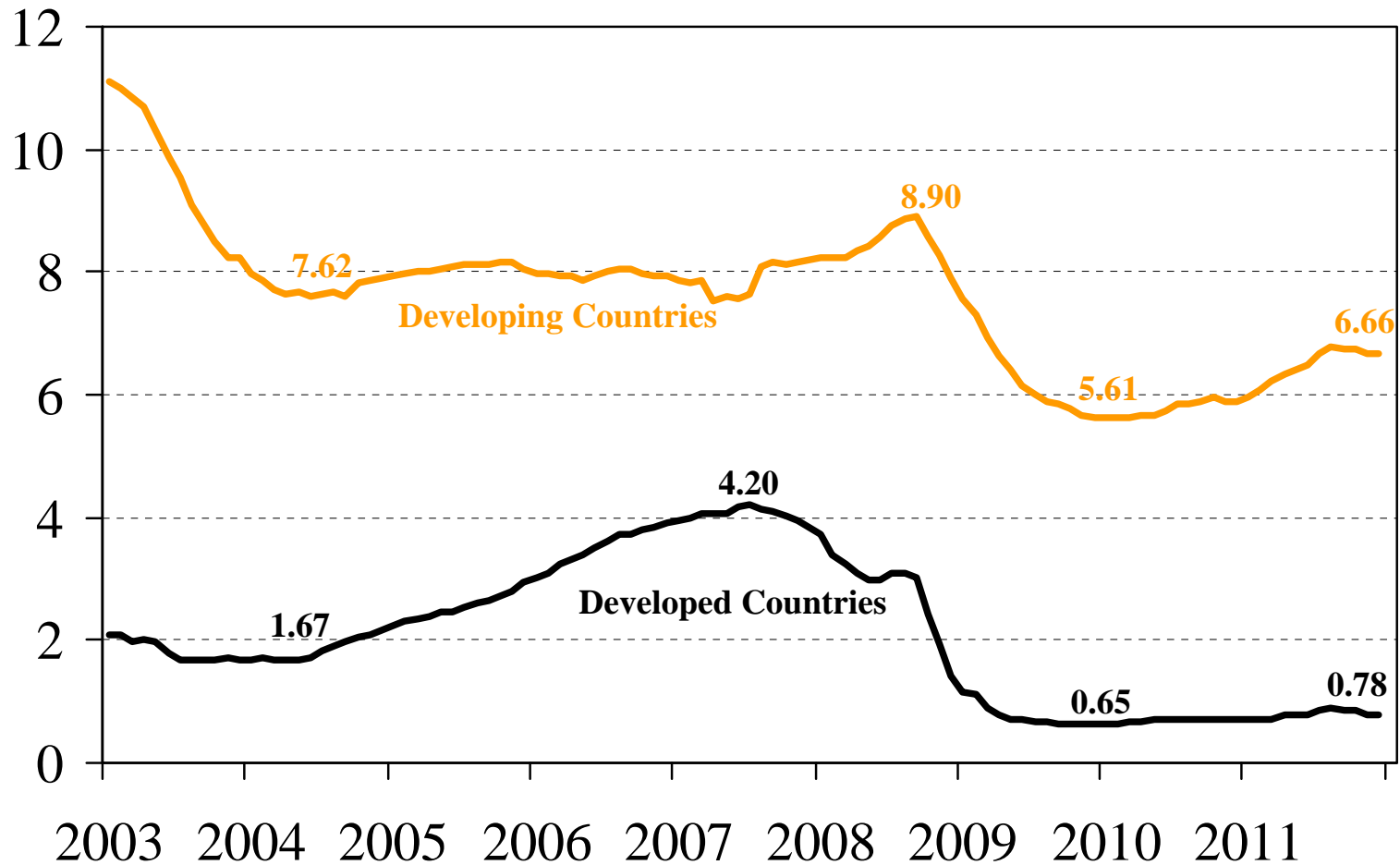


Source: Bureau of Economic Analysis/Haver Analytics

Low Interest Rates to Continue

Interest rates
heading down

Percents Weighted by GDP

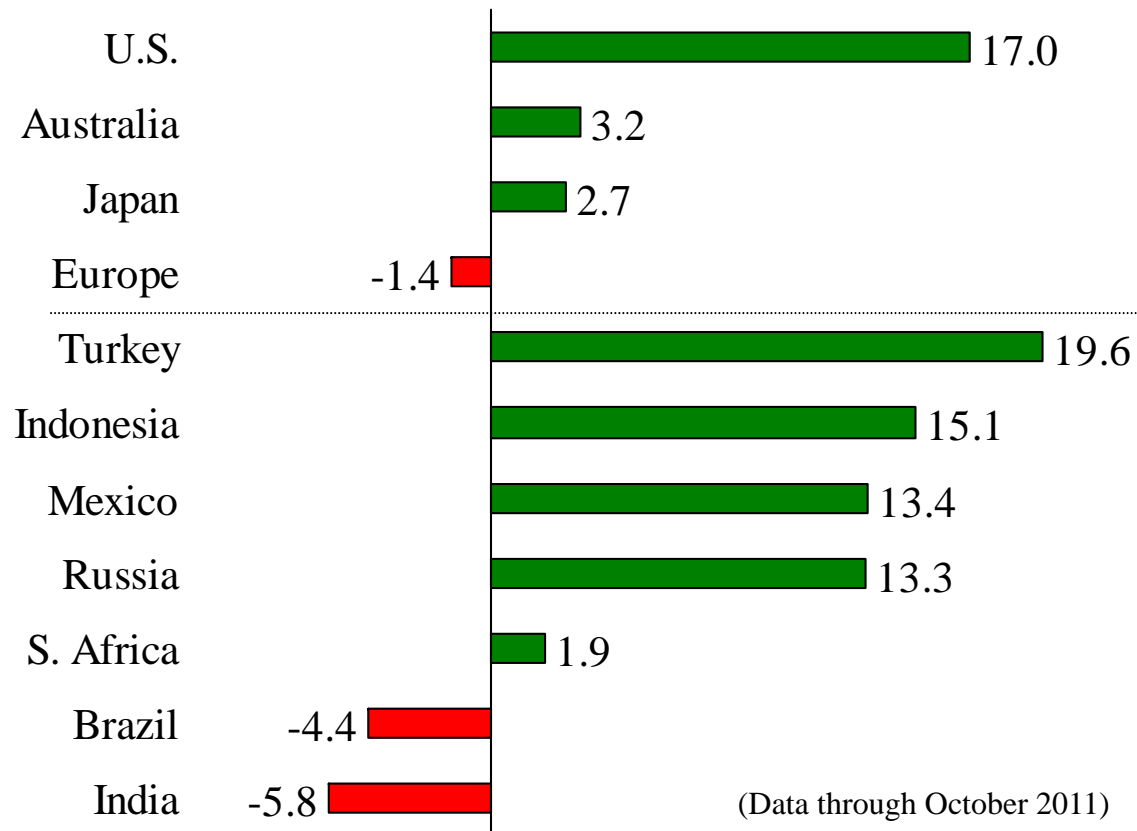


Source: Haver Analytics/Caterpillar Business Economics calculations

Liquidity Is High

Generally good
growth

Growth in Real Money Supply from a Year Earlier

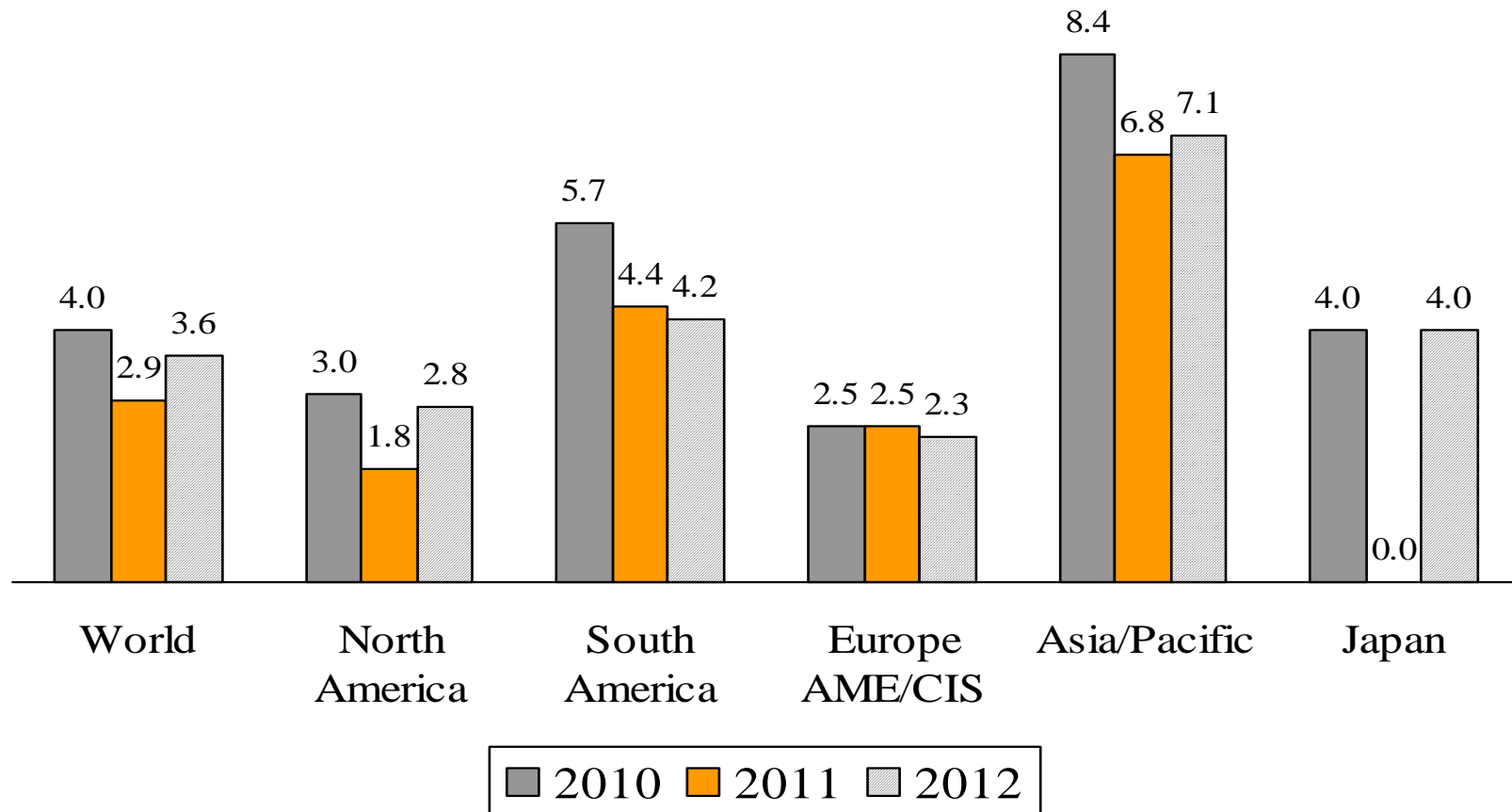


Source: Haver Analytics

World GDP Forecasts

Somewhat slower
growth in 2011

Percent Changes in Real GDP

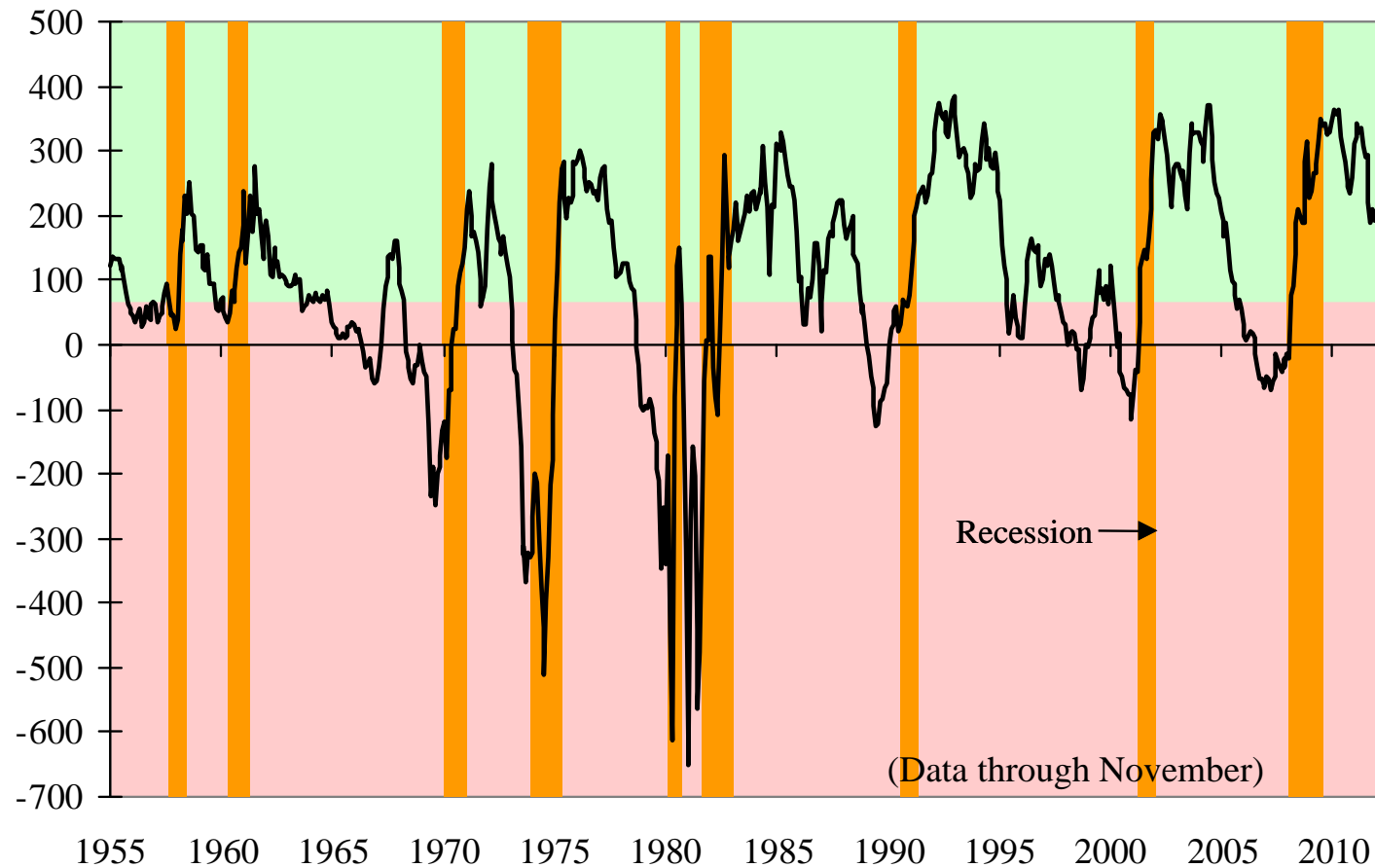


Source: Haver Analytics, Forecasts from Caterpillar Inc. Financial Release dated 10/24/2011

U.S. Yield Curve

Not in a
danger zone

10-Year Treasury Less the Fed Funds Rate (Basis Points)

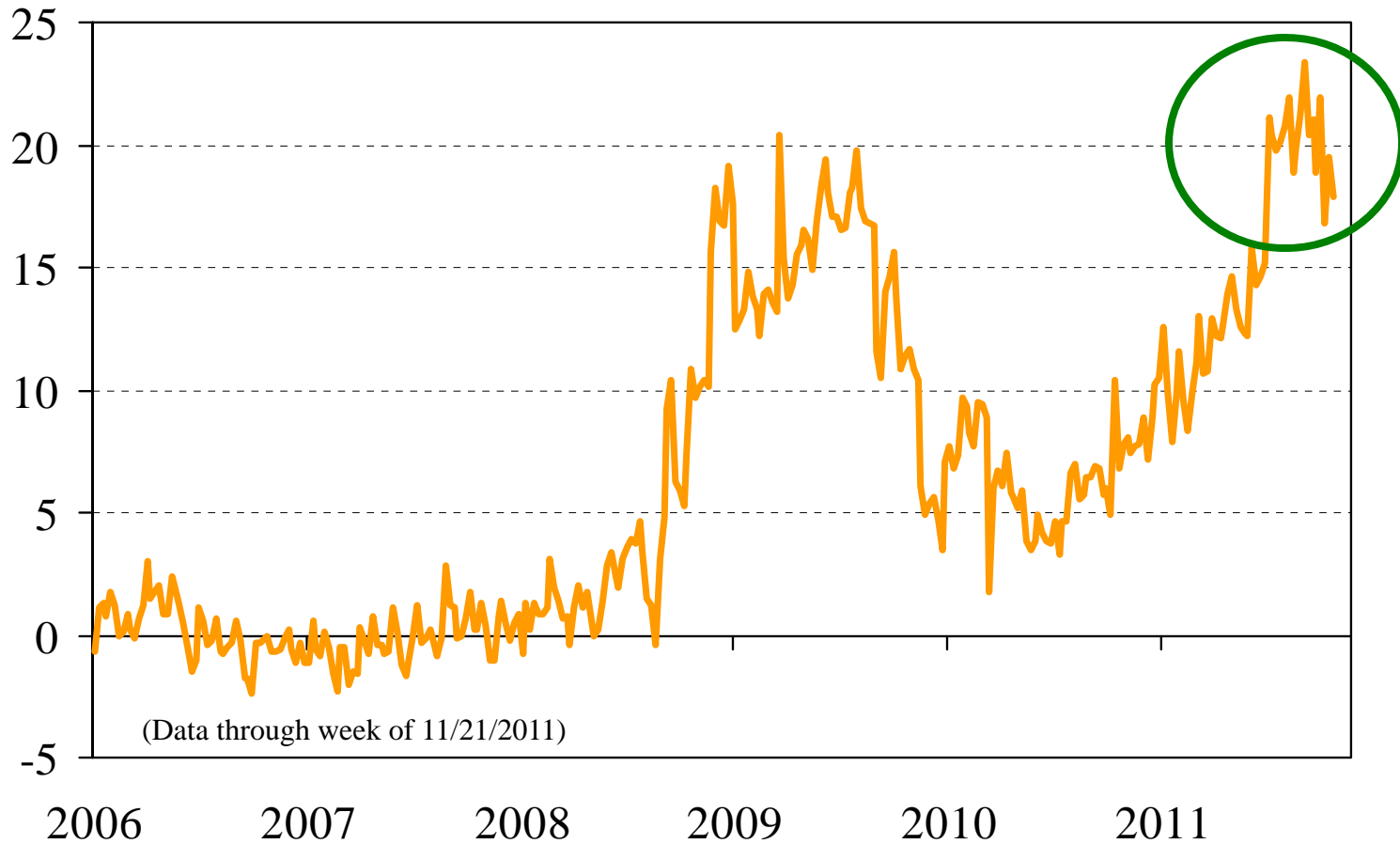


Source: Federal Reserve Board/ Haver Analytics

U.S. Money Growth

Averaged 20%
growth since July

M1: Percent Change from a Year Earlier

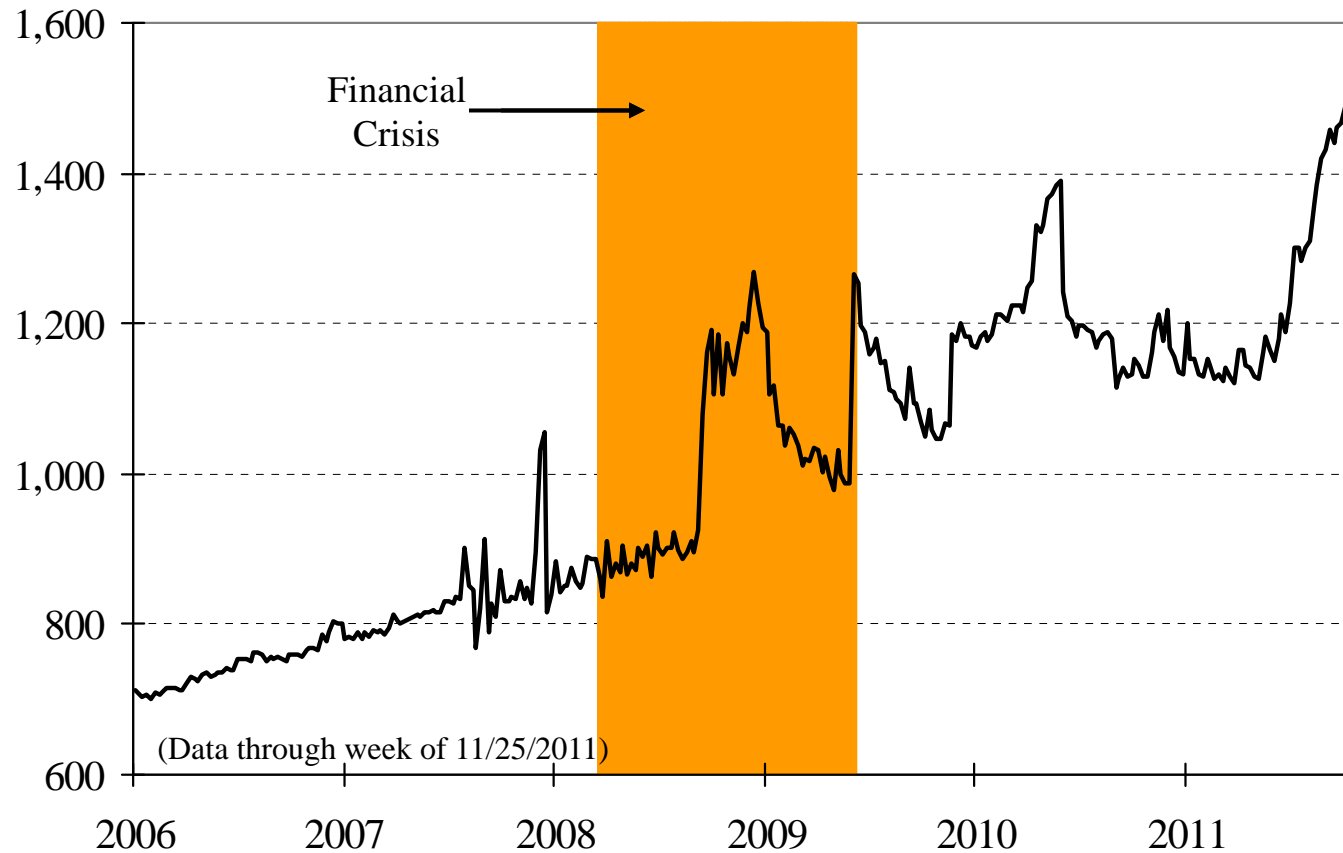


Source: Federal Reserve Board/ Haver Analytics

Eurozone Indicator

Up 29% since
end of July

Eurozone Weekly Base Money Proxy
(Billions of Euro)



Source: European Central Bank/ Haver Analytics

Summary

Considerable
positives in the
world economy

- Equipment spending generally doing better than overall economies
- Investment positives include depreciated capital stocks, good business profitability and low interest rates
- Expect interest rates to trend down in 2012; liquidity to remain favorable
- Stronger economies in 2012 should allow equipment spending to continue growing