

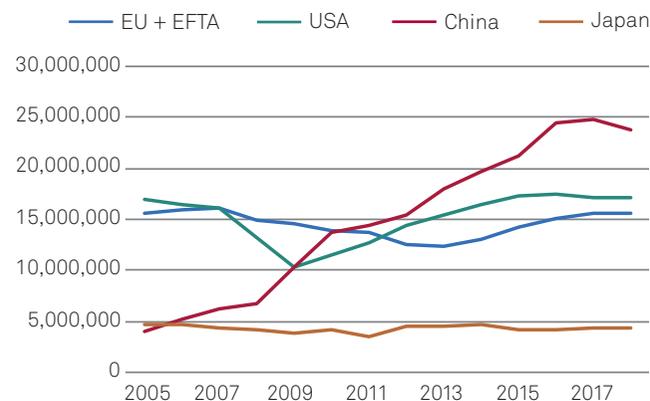
Industrial Production Is Declining in All Regions of the World, Particularly Europe and Asia

hpo economic commentary 4th quarter 2019

Industrial production and consumption will lose momentum in all regions of the world by 2020.

The decline in **industrial production in Europe and Asia** previously reported in economic commentaries continued unabated in the third quarter of 2019. The sharp declines in incoming orders in individual sectors in the third quarter mean that no recovery can be expected in the coming months.

As forecasted by hpo forecasting, the data also show a slight downward trend in **industrial production in the USA**, although the level and thus the drop rate are still high. According to our forecast, the decline will intensify further and continue until around 2021.



Vehicle sales per year

(Source: OICA, BEA; USA incl. Light Trucks)

The **consumption cycle** presents a different picture in Europe and the USA than in Asia. While consumption in the West is still strong, the Asian growth rates seem to be slowly approaching the trough. The low point is expected to be reached in the course of next year. In the West, on the other hand, consumer growth rates will decline over a more extended period.

The downward trend in the OECD's **Business Confidence Index (BCI)** continued in all three major economic regions in the third quarter. All regions are now clearly in the contractionary zone. The BCI is empirically a reliable indicator of short-term demand for capital goods and thus points to a further decline in order intake in many industries in the coming months.

The **automotive industry** is of utmost significance for industrial production. Particularly since 2008, the global automotive industry has benefited from the strong growth in automobile sales in China, while the automotive markets in the USA, Europe, and Japan have long been saturated (see chart). 2018 was the first year since China's economic rise in which automobile sales declined. The decline continued in 2019. Our analyses lead us to conclude that China will no longer be a growth engine in this market for several years to come. Considering the level of prosperity and the size of the population, the market, as in the other major sales

markets, appears to have reached saturation point. Our industry forecasts indicate that **vehicle sales** in the USA, Europe, and China **will continue to decline in 2020**, which is likely to be even more accentuated than in 2019.

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Who is hpo forecasting?

The forecasting specialists at hpo forecasting create company-specific forecasts for the incoming orders of industrial companies (capital goods and consumer durables). The forecasts are based on the scientifically founded and empirically proven Peter Meier Forecasting Model.

hpo forecasting – we predict your business