

Show Me The Money

The HSBC Global Capex Monitor H1 2014

Since we published our last capex monitor in October last year consensus forecasts for 2014e capital expenditure have risen by roughly 4%. This said consensus forecasts still suggests that corporate capex in 2014e will fall by 2% because of declining construction capex in AsiaPac and broader declines in spending by the process industries and utilities globally. Manufacturing capex is the bright spot as it is expected to rise by 6%

The absolute level of global capex of USD2.58trn is still expected to be some 13% higher than the 2008 peak of USD2.27tr. However, there is a significant divide between industries. Process capex (oil & gas, metals & mining, etc) is expected to be 28% above 2008 levels, whereas construction capex is expected to be 22% below its 2008 peak

We see upside risk for construction spending in the Americas and EMEA; balanced risks for manufacturing and transport; and downside risk for process and utilities spending

Among our Overweight recommendations we highlight the following stocks as potential winners: Sandvik, Schneider Electric, SKF and Volvo. As potential losers we identify ABB, Alstom, Hyundai Heavy, Weir and Yangzijiang Shipbuilding among our Underweight recommendations

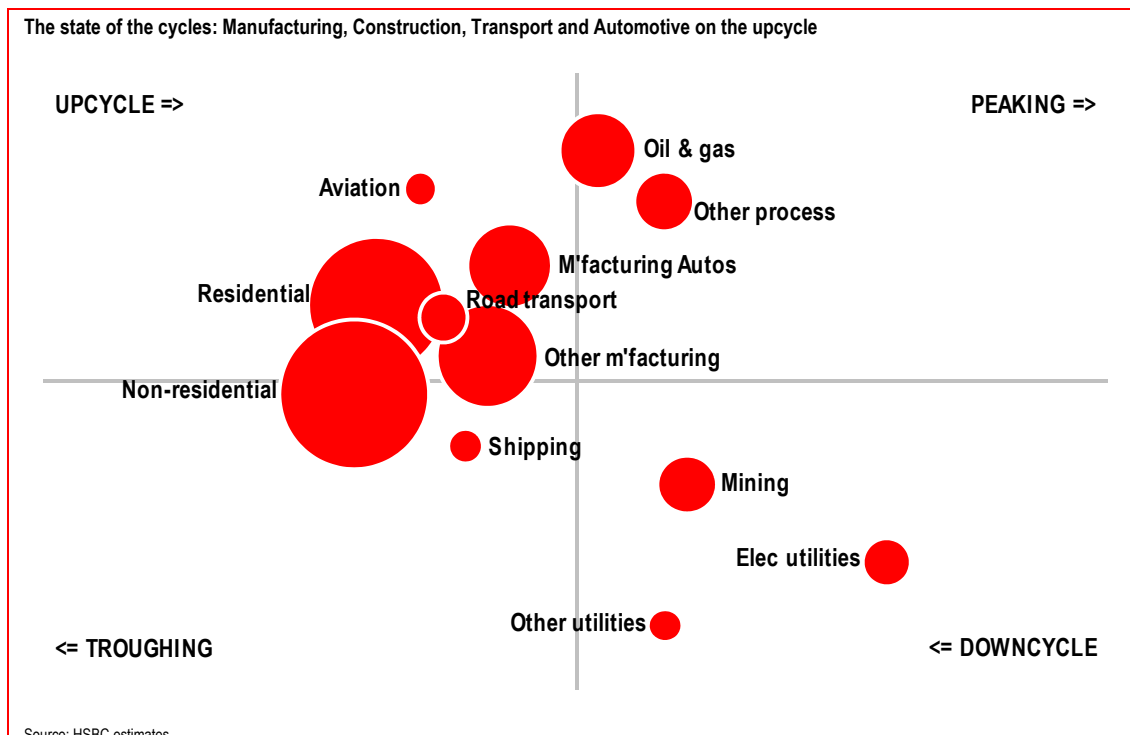
By Colin Gibson and Michael Hagmann

Summary

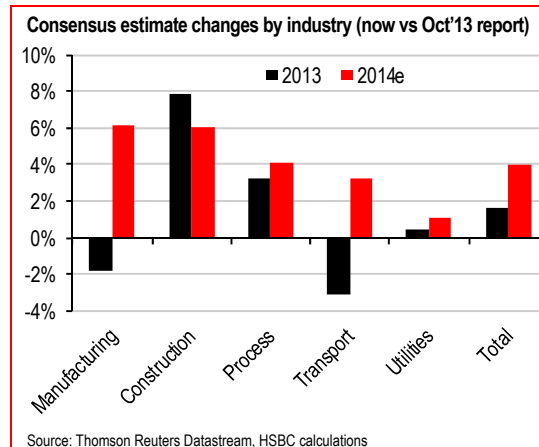
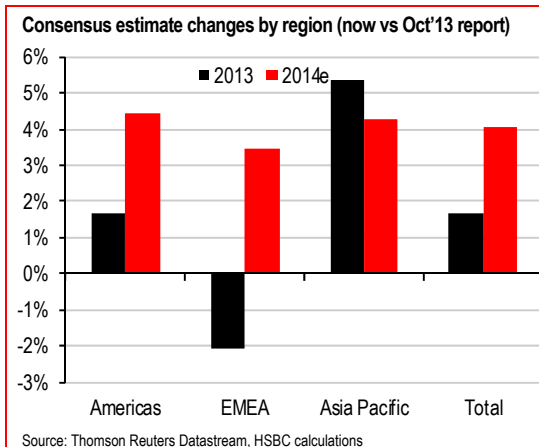
We continue to see a polarisation of trends in 2014-15e between recovering short-cycle demand (after nearly two years of falling growth expectations) and waning long-cycle demand (as capex/depreciation rates normalise from very high levels). We now see seven of the 12 worldwide capex cycles we monitor troughing or in an upcycle currently compared with five peaking or in downcycle.

By industry, “long short-cycle, short long-cycle” still our mantra

Global capex forecasts for 2014e are almost 4% higher than they were when we last published our capex monitor in October last year. This would still represent a decline of 2% versus 2013, but leave us 13% above the pre-crisis level of 2008. Capex by the global manufacturing companies is set to rise by 6%, very diverging trends within transport add up to flat capex levels, whereas capex by the process industries and utilities is set to decline by 3% and 4%, respectively. Capex by construction companies is set to decline a significant 9%. However, this is solely driven by a decline of 19% in APAC. Construction companies in Europe are expected to spend more on capex (as shown in our graph below).



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The biggest revisions over the past six months we have seen are in Manufacturing and Construction, where capex forecasts have risen by 6%, Process (+4%, driven by Oil & Gas and Food & Pharma) and Transport (+3% driven by Airlines and Haulage & Logistics). We note that there is little variance in the revisions by region for 2014. However, there is a big divergence in the actual outcome in 2013 as capital spending in EMEA fell 2% short of analysts' expectations.

Manufacturing capex (short-cycle) close to long-term trend

Global manufacturing capex (some 20% of total) is set to rise 6% in 2014e, leaving it 2% above its 2008 peak, and at 1.30x (6% above its 20-year average capex/depreciation ratio of 1.22x). Within manufacturing, we see both cyclical and structural growth potential; capital is still cheap, whilst "land" (natural resources) is now expensive (commodity prices still >2x 1990s averages) and labour increasingly so (cf EM wage growth). We see **SKF** (55% of 2012 sales from the manufacturing sector) and **Sandvik** (40%) as the potential winners in our global, large-cap, Capital Goods coverage.

Construction (short-cycle): residential leading the recovery, non-residential to follow

Global construction capex (some 5% of listed total, but we estimate up to 40% including unlisted & public sector) was much stronger than expected in 2013. Despite strong growth in Europe, global capex is set to fall 9% in 2014e because of APAC. Capex is 22% below its 2008 peak, and at 1.33x, 9% below its 20-year average capex/depreciation ratio of 1.46x. The decline is primarily driven by the 19% decline in Asia Pacific. We see **Schneider Electric** (34% of 2013 sales to the construction industry) as the potential winner in our global, large-cap, Capital Goods coverage.

Transport (mixed) polarised: road, rail and air strong, shipping in a downcycle

Global Transport capex (some 5% of total) is set to be flat in 2014e, leaving it 3% below its 2008 peak, and at 1.65x, 3% below its 20-year average capex/depreciation ratio of 1.71x. In this sector, trends are heavily polarised: hauliers' capex is forecast to see 2% growth this year, airlines 5% and railways flat, whilst shipping spending is set for a 12% contraction. We see **Volvo** (trucks and buses 72% of 2013 sales) as the potential winner in our global, large-cap, Capital Goods coverage; with **Yangzijiang Shipbuilding** (shipbuilding 88%) and **Hyundai Heavy** (shipbuilding 32%) the key potential losers.

Process capex (long-cycle) now entering post-supercycle mode

Global “process industry” capex (some 55% of listed total, but we estimate 20% including unlisted and public sector) is set to fall 3% in 2014e, leaving it 28% above its 2008 peak, and at 1.92x, 20% above its 20-year average capex/depreciation ratio of 1.60x. Consensus suggests that capex growth in long-cycle industries will be stagnant to negative in 2014e; note now even consensus looks for some contraction in Oil & Gas capex in 2014e. We see **Weir** (80% of 2013 sales to process industry customers), **Metso** (75%) and **Alfa Laval** (65%) as key potential losers in our global, large-cap coverage universe.

Overextended Utilities capex (long-cycle) now expected to decline

Global utilities capex (some 10% of total) is set to fall 4% in 2014e, leaving it 151% above its 2002 peak, and at 1.75x, 4% above its 20-year average capex/depreciation ratio of 1.69x. We see little stimulus for further growth in utilities capex due to lower electricity consumption growth in DMs and emphasis on energy efficiency in EMs. We see **Alstom** (73% of 2013 sales to utility industry customers), **ABB** (40%) and **Siemens** (20%) as the key potential losers in our global, large-cap, Capital Goods coverage.

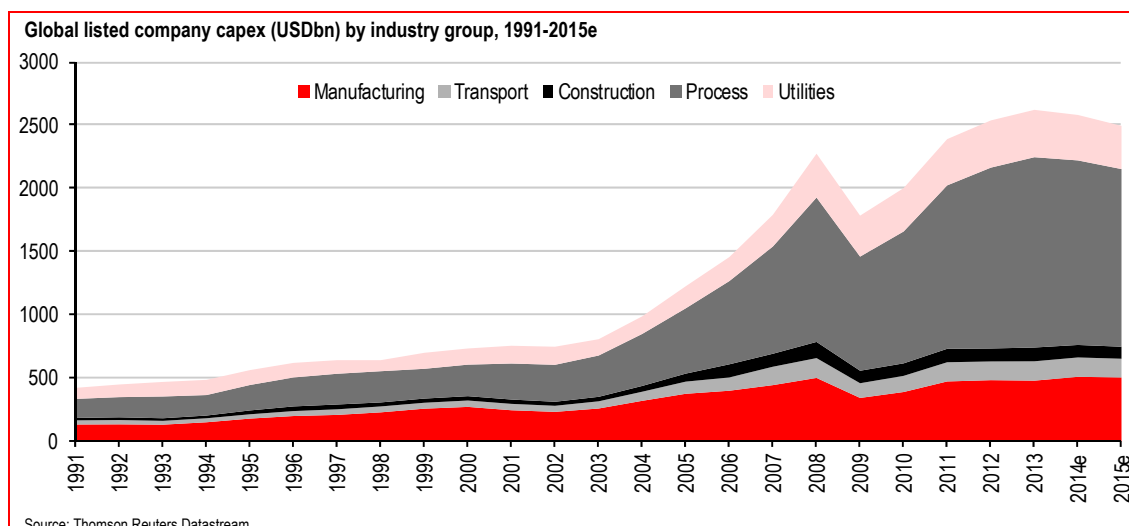
By region, Europe now leads the way

Capex growth is levelling off as oil & gas capex is set to decline

Capex in Americas has enjoyed a 20-year CAGR of 9.5%, primarily driven by strong growth in Process and Utilities capex, offset somewhat by lower growth in Transport and Manufacturing capex. Capex in the Americas (2014e capex of 1.84x depreciation versus a 20-year average of 1.49x) is now levelling off as the short-cycle recovery in manufacturing is offset by a decline in Oil & Gas capex. The Oil & Gas industry accounts for over half – some 53% – of all 2014e listed Americas capex, which is now expected to decline modestly. We highlight **Schneider Electric** (25% of 2013 sales in the Americas) and **Assa Abloy** (25%) as potential winners from the short-cycle recovery in the region.

Asia Pacific is feeling the heat, led by China

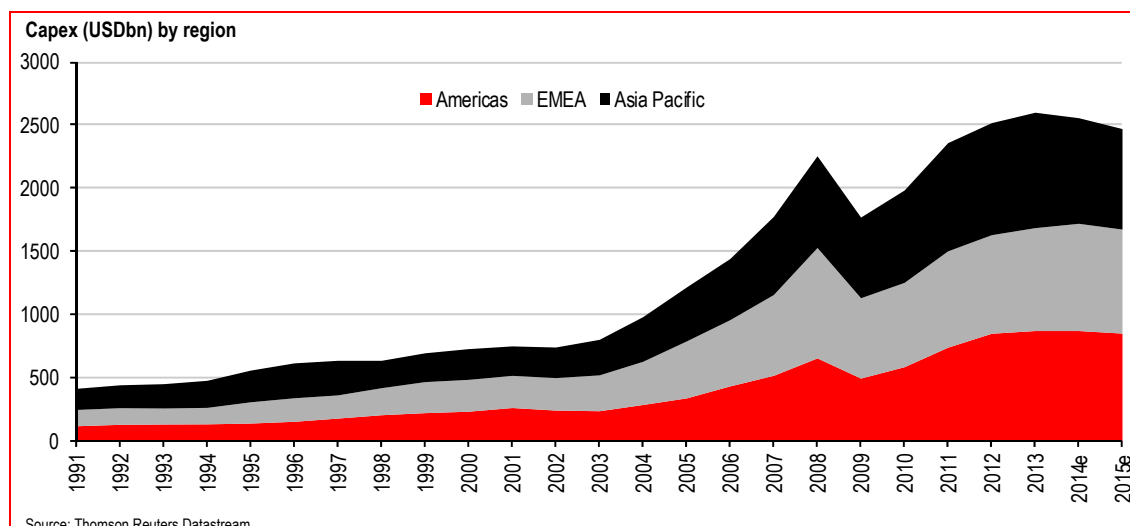
Capex in Asia Pacific has grown at the slowest pace at a 20-year CAGR of 8.0%, due to slow growth (among the three regions) in Utilities capex and the lower importance of the fast growing Oil & Gas investment offset somewhat by the strongest growth in Manufacturing, Construction and Transport capex.



If this sounds surprising, remember that the strength of Chinese capex growth during this period has been offset in aggregate USD terms by the weakness of Japanese capex growth. In '[Global Economics Quarterly: The costs of monetary addiction](#)', published on 20 March 2014, the HSBC economics team concludes that external demand for Chinese exports, especially from the developed world, should improve in the rest of the year and the main reform measures, such as taxation reforms and lowering entry barriers, can revitalise private investment, despite some reforms causing short-term pain. Based on consensus estimates, the aggregate capex for Asia Pacific will fall 8% to USD835bn, at 2014e capex of 1.63x depreciation versus a 20-year average of 1.57x. Consensus expects the biggest declines in Construction, Utilities and Transport capex. We highlight **Alfa Laval** (35% of 2013 sales in Asia-Pacific) and **Kone** (35%) as potential losers from slower Asia Pacific capex growth.

EMEA is showing signs of recovery

Capex in EMEA has experienced a 20-year CAGR of 9.0%, again driven by strong growth in Process and Utilities capex, offset somewhat by lower growth in Manufacturing capex. We expect EMEA capex to rise by 4% in 2014e, and at 1.62x depreciation, it is 15% above its 20-year average 1.41x. Strong growth is expected in Manufacturing, Transport and Construction capex at 26%, 17% and 8% respectively. We highlight **IMI** (45% of 2013 sales in Europe) and **SKF** (also 45%) as potential winners from the short-cycle recovery in the region.



Global sector coverage

HSBC Global Industrials Stock Coverage

Bloomberg	Company	Analyst	Market Cap USDm	Price Currency	Share Price		Rating	EV/ Sales	EV/ EBITDA	P/E	EV/IC	Perf. Y-t-d %
					Current	Target						
2018 HK	AAC Technologies	Yolanda Wang	6592	HKD	41.65	39	Overweight	3.09	9.73	12.68	4.85	8.10
ABBN VX	ABB	Colin Gibson	60046	CHF	23.13	22.5	Underweight	1.34	8.47	15.77	2.44	-1.49
ABB IN	ABB India	Ashutosh Narkar	2956	INR	839.75	630	Underweight	2.15	26.22	49.90	4.35	22.39
ABG/P SM	Abengoa Sa	Sean McLoughlin	4330	EUR	3.756	4.4	Overweight (V)	1.21	6.87	16.62	1.15	72.61
ABE SM	Abertis	Pierre Bosset	20077	EUR	17.11	16	Underweight	5.97	9.25	17.38	1.44	5.94
ANA SM	Acciona	Sean McLoughlin	4832	EUR	61.53	51	Neutral (V)	1.48	7.54	31.20	0.94	47.32
ACS SM	ACS	Tobias Loskamp	12406	EUR	28.745	34	Overweight	0.29	3.53	10.98	1.38	16.74
ADEN VX	Adecco	Matthew Lloyd	15930	CHF	75.05	92	Overweight	0.53	9.04	12.76	2.92	6.30
AERL ID	Aer Lingus	Andrew Lobbenberg	1231	EUR	1.68	2	Overweight (V)	0.32	2.83	12.27	1.06	31.05
AFLT RM	Aeroflot	Dmytro Kononov	1742	RUB	55.8	61.5	Neutral	0.33	3.13	3.51	0.85	-38.50
ADP FP	Aeroports de Paris	Joseph Thomas	12590	EUR	92.76	83	Overweight	3.49	8.83	20.09	1.70	12.44
OMAB US	Aeropuerto Del Centro	Alexandre Falcao	1218	USD	28.67	34	Overweight	4.80	9.35	13.43	8.10	8.06
PAC US	Aeropuerto Del Pacific	Alexandre Falcao	2795	USD	58.62	58	Neutral	5.77	9.07	18.88	7.84	10.84
ASR US	Aeropuerto Del Sureste	Alexandre Falcao	3425	USD	123.63	120	Underweight	7.15	11.67	20.94	0.00	-0.18
AGK LN	Aggreko	Alex Magni	6764	GBP	15.16	15.5	Neutral	2.86	7.22	17.20	2.94	-11.29
AIRARABI UH	Air Arabia	Kenk Orcan	1804	AED	1.42	1.7	Neutral	1.96	10.04	12.05	0.97	-8.39
AB1 GR	Air Berlin Plc	Andrew Lobbenberg	300	EUR	1.87	1.6	Underweight (V)	0.19	6.42	0.00	0.28	12.99
AF FP	Air France-KLM	Andrew Lobbenberg	4801	EUR	11.66	11.75	Overweight (V)	0.29	2.66	5.43	0.47	53.70
AIRA MK	AirAsia	Rajani Khetan	2059	MYR	2.43	2.5	Neutral	2.57	9.53	9.10	1.10	11.82
AAX MK	AirAsia X	Rajani Khetan	552	MYR	0.765	0.7	Underweight (V)	1.65	8.51	18.36	1.14	-22.11
AOT TB	Airports of Thailand	Rajani Khetan	8705	THB	198	185	Neutral (V)	7.21	14.31	22.28	2.49	24.61
ALFAA MM	ALFA	Juan Carlos Mateos	13013	MXN	33.25	42	Overweight	0.90	7.25	19.14	2.20	-9.20
ALFA SS	Alfa Laval AB	Colin Gibson	11317	SEK	176.4	185	Neutral	2.27	12.03	20.31	3.16	6.91
ALLL3 BZ	ALL	Alexandre Falcao	2352	BRL	7.8	8	Neutral	1.31	2.80	11.52	1.05	18.90
ALO FP	Alstom	Michael Hagmann	9160	EUR	21.635	16	Underweight	0.64	6.69	9.32	0.87	-18.28
ANDR AV	Andritz	Joerg-Andre Finke	6540	EUR	45.85	48	Neutral	0.63	6.93	16.08	3.42	0.57
995 HK	Anhui Expressway	Wei Sim	1033	HKD	4.15	4.2	Neutral	3.48	4.92	7.08	0.81	-6.28
MAERSKB DC	AP Moller Maersk	Julia Winarso	26529	DKK	13140	80000	Overweight	0.75	2.73	10.15	0.51	11.64
ARTR3 BZ	Arteris	Alexandre Falcao	2785	BRL	18.44	23.5	Neutral	3.71	4.99	7.79	1.67	-3.20
AHT LN	Ashtead Group	Alex Magni	8173	GBP	9.79	10.75	Overweight	3.15	7.30	16.70	2.27	28.82
1102 TT	Asia Cement	Wei Sim	4161	TWD	38.25	34.1	Underweight	1.37	8.16	19.21	1.37	-0.91
ASSAB SS	Assa Abloy	Colin Gibson	19575	SEK	345.1	360	Neutral	2.47	12.92	18.06	2.41	1.56
ASTRA AB	Astra Industrial Group	Raj Sinha	1201	SAR	60.75	52	Neutral	2.51	13.42	13.23	1.80	16.83
ASII IJ	Astra International	Mark Webb	27882	IDR	7800	7900	Overweight	1.35	9.51	13.43	2.80	13.60
ATCOA SS	Atlas Copco	Colin Gibson	34778	SEK	188.1	215	Overweight	2.36	10.04	15.84	3.93	5.50
BBY LN	Balfour Beatty	Jeffrey G Davis	3393	GBP	2.968	2.85	Neutral	0.21	6.50	11.57	2.17	3.45
B5A GR	Bauer	Juergen Siebrecht	459	EUR	19.555	14	Underweight	0.74	5.88	9.43	0.89	3.99
371 HK	Beijing Enterprises Water	Thomas Zhu	5756	HKD	5.16	6.1	Overweight	6.15	18.52	21.57	1.93	11.29
BRSN LN	Berendsen	Alex Magni	3190	GBP	11.15	9	Neutral	2.00	6.06	15.61	2.32	19.06
BHFC IN	Bharat Forge	Puneet Gulati	1637	INR	423.15	500	Overweight	1.60	9.04	18.15	2.76	28.75
BHEL IN	BHEL	Ashutosh Narkar	7619	INR	187.35	180	Underweight (V)	0.90	7.33	14.64	1.51	6.81
083650 KS	Bhi Co Ltd	Yeonjung Lee	215	KRW	17400	16500	Neutral (V)	0.83	16.62	18.48	1.10	12.34
GBF GR	Bilfinger	Tobias Loskamp	5814	EUR	92.1	100	Overweight	0.50	7.14	12.70	1.58	12.96
BPOST BB	BPost SA/NV	Julia Winarso	4540	EUR	16.55	15.8	Neutral (V)	1.34	6.04	11.55	0.00	16.47
BNZL LN	Bunzl	Rajesh Kumar	8893	GBP	16.06	17	Neutral	0.91	12.41	18.17	2.66	10.76
BVI FP	Bureau Veritas	Matthew Lloyd	13293	EUR	21.925	24.6	Neutral	2.34	11.68	19.62	4.59	3.20

Source: HSBC estimates (data as of 3rd April 2014)

HSBC Global Industrials Stock Coverage (continued)

Bloomberg	Company	Analyst	Market Cap USDm	Price Currency	Share Price		Rating	EV/ Sales	EV/ EBITDA	P/E	EV/IC	Perf. Y-t-d %
					Current	Target						
CPI LN	Capita Plc	Alex Magni	12054	GBP	11	10.6	Neutral	1.88	12.52	17.43	3.34	5.97
CGCBV FH	Cargotec Corporation	Juergen Siebrecht	2832	EUR	32.1	34	Overweight	0.71	8.00	11.74	1.30	18.49
CLLN LN	Carillion	Jeffrey G Davis	2607	GBP	3.653	2.4	Underweight	0.33	6.92	9.83	1.12	10.53
293 HK	Cathay Pacific	Mark Webb	7088	HKD	13.98	19.5	Overweight	0.84	5.37	6.84	0.91	-11.71
CCRO3 BZ	CCR	Alexandre Falcao	13550	BRL	17.5	21	Neutral	4.83	6.69	12.19	3.79	-1.52
CEB PM	Cebu Air	Rajani Khetan	632	PHP	47	60	Overweight	1.36	10.35	13.76	1.06	-0.32
CK TB	CH Karnchang	Tarun Bhatnagar	875	THB	17.2	14	Underweight (V)	1.12	13.78	18.42	1.44	8.39
1800 HK	China Communications Cons	Anderson Chow	10757	HKD	5.63	7.8	Overweight	0.46	5.81	4.47	1.13	-14.72
1919 HK	China COSCO Holdings Co	Shishir Singh	4330	HKD	3.29	3	Underweight (V)	0.98	11.52	102.27	1.05	-12.17
257 HK	China Everbright Intl	Thomas Zhu	6172	HKD	10.68	12.6	Overweight	6.07	13.66	20.44	2.13	5.39
144 HK	China Merchants Internati	Parash Jain	8354	HKD	25.65	31	Overweight	4.58	8.97	13.27	0.48	-9.89
1186 HK	China Railway Constructio	Anderson Chow	9208	HKD	7.43	8.4	Overweight	0.17	3.82	5.85	0.83	-10.23
390 HK	China Railway Group	Anderson Chow	8978	HKD	3.92	3.4	Neutral	0.34	7.80	8.20	0.86	-6.75
2866 HK	China Shipping Contain	Parash Jain	3688	HKD	1.87	1.86	Neutral	0.76	13.42	81.02	0.98	-7.43
1138 HK	China Shipping Developmen	Shishir Singh	2057	HKD	4.69	3.8	Underweight (V)	2.78	9.83	10.35	0.79	-22.26
3311 HK	China State Construction	Anderson Chow	6826	HKD	13.62	15.2	Overweight	0.78	5.62	11.78	7.68	-4.75
COS SP	Cosco Corp Singapore	Neel Sinha	1285	SGD	0.725	0.45	Underweight	0.99	10.23	25.38	1.06	-5.30
1199 HK	COSCO Pacific	Parash Jain	3904	HKD	10.4	12	Overweight	4.02	7.44	10.59	0.76	-2.44
CRG IN	Crompton Greaves Ltd	Ashutosh Narkar	1654	INR	155.2	165	Neutral (V)	0.72	12.06	22.00	2.13	19.85
1766 HK	CSR Corp	Anderson Chow	10507	HKD	6.67	8.2	Overweight	0.28	3.12	9.58	1.22	5.66
KKC IN	Cummins India	Ashutosh Narkar	2683	INR	582.55	585	Neutral	3.28	19.27	24.06	5.45	23.21
000210 KS	Daelim Industrial Co	Brian Cho	2954	KRW	86100	120000	Overweight	0.11	2.36	6.57	0.31	-7.44
047040 KS	Daewoo E&C	Yeonjung Lee	3150	KRW	8020	10000	Overweight	0.38	6.99	9.88	1.24	5.43
042660 KS	Daewoo Shipbuilding & Mar	Paul Choi	5860	KRW	32400	40000	Neutral	0.61	9.54	11.00	1.21	-6.86
DPW GR	Deutsche Post DHL	Julia Winarso	46547	EUR	28.055	26.1	Neutral	0.73	9.18	15.55	1.11	5.87
DEZ GR	Deutz	Juergen Siebrecht	1087	EUR	6.56	7.3	Neutral	0.50	4.71	11.18	1.23	1.16
DKSH SW	DKSH	Rajesh Kumar	4972	CHF	70.6	54	Underweight	0.39	11.29	22.85	3.67	1.88
DMC PM	DMCI	Tarun Bhatnagar	4211	PHP	71.5	56	Neutral	3.45	10.22	14.22	2.07	27.59
GIL GR	DMG Mori Seiki	Juergen Siebrecht	2446	EUR	22.63	26	Overweight	0.58	4.90	12.46	1.27	-2.25
DOHOL TI	Dogan Holding	Bulent Yurdagul	769	TRY	0.67	1.48	Overweight	0.83	5.88	12.43	0.80	-6.94
1072 HK	Dongfang Electric	Jenny Cosgrove	3893	HKD	12.54	12.3	Neutral (V)	0.29	3.78	9.65	1.62	-10.00
000150 KS	Doosan Corporation	Brian Cho	2614	KRW	132500	170000	Overweight	0.13	0.77	8.89	0.28	-5.02
034020 KS	Doosan Heavy Industries	Yeonjung Lee	3501	KRW	34900	50000	Overweight	0.53	7.19	8.95	0.76	-1.41
DPW LN	DP World	Julia Winarso	16175	GBP	11.75	12.86	Overweight	5.92	12.66	22.73	1.11	10.60
DSV DC	Dsv a/s	Julia Winarso	5738	DKK	173.5	182	Neutral	0.75	11.03	16.51	2.55	-2.42
DUE GR	Duerr	Richard Schramm	2843	EUR	59.9	66	Neutral	0.69	6.91	14.19	3.51	-7.58
EZJ LN	EasyJet	Andrew Lobbenberg	11787	GBP	17.91	16	Underweight	1.29	8.51	14.95	2.28	19.58
ECOR3 BZ	Ecorodovias	Alexandre Falcao	3308	BRL	13.5	18.5	Neutral	3.30	6.20	10.96	1.85	-8.52
FGR FP	Eiffage	Pierre Bosset	6692	EUR	54.55	64	Overweight	1.23	7.55	12.84	1.19	30.35
ERJ US	Embraer	Alexandre Falcao	6572	USD	35.5	41	Neutral	0.95	7.18	15.17	1.21	6.67
ICA* MM	Empresas ICA	Alexandre Falcao	1920	MXN	20.78	35	Overweight	1.70	10.38	8.76	5.55	-22.89
ENKAI TI	Enka Insaat	Kenk Orcan	9534	TRY	6.36	8.15	Overweight	0.96	5.68	12.28	1.44	5.65
ERF FP	Eurofins Scientific	Murielle Andre-Pinard	4445	EUR	215	223	Neutral	2.58	13.60	26.37	4.07	9.41
2603 TT	Evergreen Marine Corp	Parash Jain	2042	TWD	17.8	15	Underweight	0.37	4.83	14.58	0.98	-1.65
EXPN LN	Experian Ltd	Rajesh Kumar	17788	GBP	10.8	13	Overweight	3.82	10.53	16.90	3.31	-3.05

Source: HSBC estimates (data as of 3rd April 2014)

HSBC Global Industrials Stock Coverage (continued)

Bloomberg	Company	Analyst	Market Cap USDm	Price Currency	Share Price		Rating	EV/ Sales	EV/ EBITDA	P/E	EV/IC	Perf. Y-t-d %
					Current	Target						
LEY FP	Faiveley SA	Christophe Quarante	1095	EUR	54.61	60	Neutral	0.99	8.18	13.37	1.07	4.18
2038 HK	FIH Mobile Ltd	Yolanda Wang	4335	HKD	4.43	5.6	Overweight (V)	0.20	2.90	13.86	1.16	5.28
FIA1S FH	Finnair	Andrew Lobbenberg	508	EUR	2.89	2.85	Neutral (V)	0.06	0.73	7.76	0.15	4.33
142 HK	First Pacific	Mark Webb	4465	HKD	8.06	8.8	Neutral	1.16	5.83	9.65	1.15	-9.41
FGP LN	Firstgroup	Joseph Thomas	2687	GBP	1.345	1.5	Neutral (V)	0.46	4.67	10.75	0.97	8.82
FLS DC	FLSmidth & Co	Juergen Siebrecht	2840	DKK	290.6	280	Underweight	0.73	6.78	13.21	1.34	-1.86
FLYB LN	Flybe Group Plc	Andrew Lobbenberg	508	GBP	1.4125	1.35	Overweight (V)	0.72	8.60	7.05	0.76	32.63
FRA GR	Fraport	Joseph Thomas	6779	EUR	53.55	50.5	Neutral	2.52	7.63	16.90	1.06	-1.54
GFS LN	G4S Plc	Alex Magni	6284	GBP	2.442	2.6	Neutral	0.68	8.15	12.54	1.72	-6.97
GAM SM	Gamesa Corp Tecnologica S	Sean McLoughlin	2854	EUR	8.197	8.2	Overweight (V)	0.80	5.69	15.30	1.60	8.14
GAM MK	Gamuda Berhad	Tarun Bhatnagar	3269	MYR	4.66	4.8	Neutral	1.73	8.41	13.68	1.91	-2.71
G1A GR	GEA Group	Joerg-Andre Finke	8930	EUR	33.825	40	Overweight	1.48	10.93	16.87	1.98	-2.24
GEBN VX	Geberit	Tobias Loskamp	12378	CHF	292	292	Neutral	4.06	14.94	21.63	7.84	7.95
GOG LN	Go-Ahead Group	Joseph Thomas	1404	GBP	19.68	22.9	Overweight	0.33	5.11	12.15	2.98	11.95
GPACK SP	Goodpack Ltd	Kristy Lee	1026	SGD	2.31	2.15	Neutral	4.72	10.07	14.54	2.13	11.79
GET FP	Groupe Eurotunnel SA	Joseph Thomas	7125	EUR	9.445	9.9	Overweight	6.76	15.66	52.43	1.44	23.63
GCARSOA1 MM	Grupo Carso	Juan Carlos Mateos	11937	MXN	68.39	55	Underweight	#N/A	#N/A	#N/A	#N/A	-1.53
KUOB MM	Grupo Kuo	Juan Carlos Mateos	959	MXN	27.56	26	Neutral	0.65	6.16	13.62	1.29	-4.54
006360 KS	GS Engineering & Construc	Brian Cho	1783	KRW	37000	28000	Underweight (V)	0.23	5.86	10.04	0.58	20.00
525 HK	Guangshen Railway	Anderson Chow	3082	HKD	3.34	4.6	Overweight	0.99	4.32	9.11	0.65	-4.18
117930 KS	Hanjin Shipping	Parash Jain	757	KRW	6320	4600	Underweight (V)	0.59	9.20	17.93	1.16	-16.45
HAS LN	Hays	Rajesh Kumar	3410	GBP	1.462	1.57	Overweight	0.54	11.08	19.39	4.79	12.63
HDD GR	Heidelberger Druck	Richard Schramm	814	EUR	2.53	2.4	Underweight (V)	0.42	5.10	14.81	0.67	-1.75
HHFA GR	HHLA	Joerg-Andre Finke	1724	EUR	17.945	16	Underweight	1.55	5.99	16.70	1.60	0.93
HOT GR	Hochtief	Tobias Loskamp	6227	EUR	65.5	80	Overweight	0.17	2.21	14.33	1.26	5.54
SMCB IJ	Holcim Indonesia	Shishir Singh	1922	IDR	2840	2400	Underweight (V)	2.25	10.05	19.32	1.79	25.71
HG1 GR	Homag Group	Richard Schramm	412	EUR	19.17	21	Neutral	0.46	4.91	12.52	1.18	0.58
44 HK	Hong Kong Aircraft Engine	Mark Webb	1911	HKD	89.15	97	Neutral	0.87	7.78	14.42	1.14	-13.45
737 HK	Hopewell Highway Infra	Wei Sim	1489	HKD	3.75	4.6	Overweight	6.22	7.37	14.52	1.09	1.36
HPHT SP	Hutchison Port HL	Parash Jain	5793	USD	0.665	0.62	Neutral	6.52	11.89	26.71	0.75	-3.80
004800 KS	Hyosung Corp	Yeonjung Lee	2436	KRW	73400	86000	Overweight	0.69	7.15	7.40	1.28	7.97
012630 KS	Hyundai Development Co	Brian Cho	2084	KRW	29250	36000	Overweight	0.60	7.69	9.33	0.79	27.80
000720 KS	Hyundai Engineering & Con	Brian Cho	5938	KRW	56400	90000	Overweight	0.28	3.86	8.13	0.89	-6.43
009540 KS	Hyundai Heavy Industries	Paul Choi	14937	KRW	208000	160000	Underweight	0.35	9.86	18.48	0.83	-17.70
010620 KS	Hyundai Mipo Dockyards	Paul Choi	2901	KRW	153500	130000	Underweight	0.38	7.14	20.33	0.78	-13.20
IJM MK	IJM Berhad	Tarun Bhatnagar	2697	MYR	6.2	6.2	Neutral	2.09	9.76	16.40	1.23	5.44
ILFT IN	IL&FS Transportation Netw	Ashutosh Narkar	500	INR	121.95	164	Overweight	3.23	9.81	5.63	1.22	-9.38
IMI LN	IMI Plc	Sean McLoughlin	6859	GBP	15.24	16.20	Neutral	2.25	10.23	15.54	3.97	-0.07
ICT PM	International Container T	Parash Jain	5044	PHP	111.7	103	Neutral	4.93	11.16	25.92	2.69	9.51
ITRK LN	Intertek Group	Alex Magni	8029	GBP	30	33.5	Neutral	2.28	11.43	18.59	3.58	-4.70
IAG LN	INTL Consolidated Airline	Andrew Lobbenberg	14679	GBP	4.364	4.6	Neutral (V)	0.47	3.26	9.44	0.82	8.72
IRB IN	IRB Infrastructure Ltd	Ashutosh Narkar	590	INR	106.9	103	Neutral (V)	2.88	6.21	7.41	0.97	11.01
ILCO IT	Israel Corporation	Yonah Weisz	4326	ILS	1952	2010	Neutral (V)	0.00	0.00	0.00	0.00	3.06
JPA IN	Jaiprakash Associates Ltd	Ashutosh Narkar	1923	INR	52.15	40	Underweight (V)	3.41	9.07	35.25	0.97	-6.04
JM SP	Jardine Matheson	Mark Webb	42435	USD	62.35	63	Neutral	0.84	6.89	13.23	0.86	20.51
JS SP	Jardine Strategic	Mark Webb	40376	USD	36.04	35	Neutral	0.81	6.07	11.36	2.22	10.67
177 HK	Jiangsu Expressway	Wei Sim	4794	HKD	9.05	7.9	Underweight	2.97	5.33	13.27	1.45	-6.09
JUN3 GR	Jungheinrich	Richard Schramm	2525	EUR	54.14	47	Underweight	0.69	4.44	14.61	2.23	14.47

Source: HSBC estimates (data as of 3rd April 2014)

HSBC Global Industrials Stock Coverage (continued)

Bloomberg	Company	Analyst	Market Cap USDm	Price Currency	Share Price		Rating	EV/ Sales	EV/ EBITDA	P/E	EV/IC	Perf. Y-t-d %
					Current	Target						
002380 KS	KCC	Yeonjung Lee	5398	KRW	543000	650000	Overweight	0.97	6.87	20.29	0.97	17.61
KEP SP	Keppel Corp	Neel Sinha	15530	SGD	10.81	11.75	Neutral	1.12	6.22	12.22	2.36	-3.40
636 HK	Kerry Logistics Network	Mark Webb	2571	HKD	11.8	11.3	Underweight (V)	0.46	4.90	19.27	1.05	8.17
KCO GR	Kloekner & Co	Juergen Siebrecht	1509	EUR	11.03	13	Overweight	0.24	6.05	16.53	0.75	10.83
KCHOL TI	Koc Holding	Cenk Orcan	10930	TRY	9.2	9.3	Neutral	0.28	3.18	8.28	0.66	4.55
SKB GR	Koenig & Bauer	Richard Schramm	286	EUR	12.64	14	Neutral (V)	0.14	2.67	13.87	0.30	-1.83
KNEBV FH	Kone	Michael Hagmann	20806	EUR	31.3	35	Neutral	1.78	11.63	19.63	12.81	-4.57
KCR1V FH	Konecranes	Juergen Siebrecht	2061	EUR	23.75	26	Neutral	0.75	8.57	14.22	3.34	-8.16
KRN GR	KRONES	Richard Schramm	2847	EUR	68.8	70	Neutral	0.60	6.44	14.89	1.69	10.20
KNIN VX	Kuehne & Nagel	Julia Winarso	16782	CHF	124.7	100	Underweight	0.78	13.60	22.17	5.08	6.49
KU2 GR	KUKA	Richard Schramm	1654	EUR	35.55	32	Underweight	0.60	7.28	14.35	2.10	4.41
3008 TT	Largan Precision	Yolanda Wang	6686	TWD	1510	1247	Neutral	4.82	11.05	17.64	11.40	25.51
LT IN	Larsen & Toubro	Ashutosh Narkar	19867	INR	1290.1	1470	Overweight	1.93	15.17	21.72	1.67	20.73
LR FP	Legrand	Michael Hagmann	16631	EUR	45.655	48	Neutral	2.67	11.18	19.88	2.40	13.97
FII FP	Lisi	Christophe Quarante	1742	EUR	117.75	130	Neutral	0.99	5.94	12.94	1.57	9.23
3339 HK	Lonking	Anderson Chow	861	HKD	1.56	1.6	Neutral (V)	0.78	5.00	7.09	0.81	-0.66
LHA GR	Lufthansa	Andrew Lobbenberg	12446	EUR	19.68	24	Overweight (V)	0.28	2.48	6.47	0.46	27.63
MAHB MK	Malaysia Airports Holding	Rajani Khetan	3380	MYR	8.13	7.3	Underweight	3.87	12.14	27.69	1.56	-11.11
2439 TT	Merry Electronics	Joyce Chen	1031	TWD	177.5	220	Overweight (V)	1.35	7.43	11.60	5.96	3.16
MRN FP	Mersen	Christophe Quarante	728	EUR	25.5	26	Neutral (V)	0.88	6.44	11.59	0.94	1.23
MPI PM	Metro Pacific Inv	Neel Sinha	2748	PHP	4.76	6	Overweight	3.44	6.62	11.90	1.18	10.88
MEO1V FH	Metso	Colin Gibson	5799	EUR	28.12	25	Neutral	1.32	8.94	17.18	2.63	18.05
MEXCHEM* MM	Mexichem	Juan Carlos Mateos	7379	MXN	46.1	65	Overweight	1.50	7.22	18.72	2.42	-14.25
MBTN SW	Meyer Burger	Christian Rath	1431	CHF	14.25	10	Underweight (V)	2.10	49.29	0.00	4.09	34.43
MPI LN	Michael Page Int'l	Matthew Lloyd	2598	GBP	4.88	5.85	Overweight	1.19	9.26	17.11	8.56	0.00
MILS3 BZ	Mills	Alexandre Falcao	1579	BRL	28.25	40	Overweight	3.23	6.66	14.97	2.18	-14.39
MTO LN	Mitie Group	Alex Magni	1991	GBP	3.264	3.25	Neutral	0.64	8.95	12.35	1.45	2.67
MSS IN	Motherson Sumi	Puneet Gulati	3795	INR	259.05	330	Overweight	0.74	7.93	17.63	2.97	35.27
66 HK	MTR Corporation Ltd	Stephen Wan	21750	HKD	29.1	29.5	Neutral	4.18	12.95	16.40	1.00	-0.85
MTX GR	MTU Aero Engines	Richard Schramm	4533	EUR	67.69	69	Neutral	1.12	8.56	13.47	1.43	-5.18
NEX LN	National Express Group	Joseph Thomas	2400	GBP	2.828	3	Neutral	1.09	5.98	11.27	1.30	2.76
NCCB SS	NCC	Tobias Loskamp	3825	SEK	230.6	255	Overweight	0.54	7.81	9.48	1.48	9.86
NOL SP	Neptune Orient Lines	Parash Jain	2054	SGD	1	0.9	Underweight	0.51	5.98	6.75	0.93	-11.11
NEX FP	Nexans	Christophe Quarante	2262	EUR	39.22	37	Neutral	0.39	4.54	9.72	0.82	6.50
NOBL SP	Noble Group	Thilan Wickramasinghe	6902	SGD	1.315	1.08	Underweight	0.10	7.51	10.80	1.14	17.29
NOEJ GY	Norma Group	Joerg-Andre Finke	1756	EUR	40.18	35	Underweight	1.88	8.84	15.63	2.62	11.35
NAS NO	Norwegian Air Shuttle	Andrew Lobbenberg	1458	NOK	248.8	160	Underweight (V)	0.57	6.97	13.21	0.48	32.20
OCI NA	OCI NV	Nicholas Paton	9479	EUR	32.8	32	Overweight	2.47	16.47	37.95	1.62	0.20
POST AV	Oesterreichische Post Ag	Julia Winarso	3373	EUR	36.405	38	Neutral	1.12	9.45	15.82	1.76	4.67
OHB GR	OHB	Richard Schramm	480	EUR	20.055	23	Neutral	0.49	6.20	14.52	1.70	14.27
316 HK	Orient Overseas Internati	Parash Jain	2988	HKD	37.05	40	Neutral	0.51	6.31	14.26	0.67	-7.06
OSR GR	Osram Licht AG	Michael Hagmann	6855	EUR	47.74	50	Neutral (V)	0.86	5.95	17.96	2.10	16.44
2343 HK	Pacific Basin Shipping	Shishir Singh	1231	HKD	4.93	3.3	Underweight	0.82	7.77	18.65	0.92	-11.17
PAL AV	Palfinger	Joerg-Andre Finke	1430	EUR	29.19	23	Underweight	1.08	9.12	16.47	1.72	1.18
PWTN SW	Panalpina	Julia Winarso	3732	CHF	140.1	146	Neutral	0.43	11.50	22.24	5.00	-6.29
PGSUS TI	Pegasus Hava Tasimaciligi	Cenk Orcan	1457	TRY	30.4	31.5	Neutral (V)	0.89	5.79	10.54	1.90	-16.25
PFV GR	Pfeiffer Vacuum	Christian Rath	1196	EUR	88.37	96	Neutral	1.59	7.44	13.41	2.84	-10.67
PHIA NA	Philips	Michael Hagmann	33026	EUR	25.675	28	Neutral	0.93	6.43	16.16	1.85	-3.64
PNL NA	PostNL N.V	Julia Winarso	2150	EUR	3.563	3.6	Neutral (V)	0.61	4.92	7.91	0.47	-14.14
PSG SM	Prosegur	Rajesh Kumar	3987	EUR	4.71	4.75	Neutral (V)	0.82	6.62	10.11	2.11	-5.42
PRY IM	Prysmian Spa	Christophe Quarante	5633	EUR	19.14	22	Overweight	0.59	6.02	9.90	1.84	2.30

Source: HSBC estimates (data as of 3rd April 2014)

HSBC Global Industrials Stock Coverage (continued)

Bloomberg	Company	Analyst	Market Cap USDm	Price Currency	Share Price		Rating	EV/Sales	EV/ EBITDA	P/E	EV/IC	Perf. Y-t-d %
					Current	Target						
3369 HK	Qinhuangdao Port	Parash Jain	2878	HKD	4.44	6.1	Overweight (V)	2.70	5.73	9.67	1.29	-1.33
RSL2 GR	R. STAHL	Richard Schramm	282	EUR	34.75	44	Overweight	0.69	5.02	10.27	1.36	-7.46
RAND NA	Randstad	Matthew Lloyd	10537	EUR	43.285	54.2	Overweight	0.42	7.95	12.76	2.46	-8.20
RAA GR	RATIONAL	Richard Schramm	4137	EUR	265.25	258	Neutral	5.08	17.05	26.01	10.46	10.02
RGU LN	Regus PLC	Alex Magni	3519	GBP	2.24	2.6	Overweight (V)	1.14	7.11	14.95	3.15	3.13
RTO LN	Rentokil Initial	Matthew Lloyd	3680	GBP	1.221	1.18	Underweight (V)	1.46	6.03	13.12	1.23	5.44
RXL FP	Rexel	Christophe Quarante	7365	EUR	18.95	17.5	Underweight	0.56	8.45	12.71	1.00	-0.66
RHM GR	Rheinmetall	Richard Schramm	2741	EUR	52.31	60	Overweight	0.56	5.28	9.27	0.96	16.65
RHI AV	RHI AG	Juergen Siebrecht	1311	EUR	24	22	Underweight	0.78	6.28	8.88	1.28	6.41
ROCKB DC	Rockwool	Tobias Loskamp	4213	DKK	1045	1250	Overweight	1.23	7.32	17.40	1.90	8.85
RMG LN	Royal Mail Plc	Julia Winarso	9130	GBP	5.505	7.25	Overweight (V)	0.59	5.95	11.87	1.65	-3.42
RYA ID	Ryanair	Andrew Lobbenberg	14590	EUR	7.69	8.1	Overweight	1.91	8.36	15.55	2.20	22.75
SAHOL TI	Sabanci Holding	Cenk Orcan	8211	TRY	8.59	11	Overweight	0.00	0.00	7.81	1.43	-0.58
SAFT FP	Saft Groupe SA	Pierre Bosset	904	EUR	25.5	32	Overweight	1.03	6.16	12.72	1.13	2.00
SGO FP	Saint Gobain	John Fraser-Andrews	34848	EUR	45.765	32	Underweight	0.76	6.70	15.47	1.04	14.48
000830 KS	Samsung C&T	Brian Cho	9596	KRW	64000	65000	Neutral	0.00	0.00	17.90	0.00	1.82
028050 KS	Samsung Engineering	Brian Cho	2789	KRW	73800	45000	Underweight	0.42	16.92	64.82	3.72	9.70
010140 KS	Samsung Heavy Industries	Paul Choi	6916	KRW	31700	34000	Underweight	0.57	7.96	11.64	1.15	-15.37
SAND SS	Sandvik	Colin Gibson	17545	SEK	91.45	106	Overweight	1.41	7.55	13.25	1.86	0.83
631 HK	Sany International	Jeff Yuan	737	HKD	1.88	3.5	Overweight (V)	0.61	2.78	6.24	0.56	-25.51
SAS SS	SAS AB	Andrew Lobbenberg	760	SEK	15.1	14.5	Underweight (V)	0.00	0.00	0.00	0.00	-8.48
CATERING AB	Saudi Airlines Catering	Raj Sinha	3575	SAR	163.5	174	Overweight	4.76	16.28	19.91	29.04	15.96
SAAC AB	Saudi Arabian Amiantit Co	Raj Sinha	514	SAR	16.7	16.4	Neutral	0.86	6.84	9.85	1.04	7.74
SSP AB	Saudi Steel Pipes	Raj Sinha	506	SAR	37.2	37.5	Neutral	1.59	10.61	13.55	2.37	3.62
SCVB SS	Scania	Colin Gibson	23523	SEK	192.5	200	Underweight	1.46	8.76	15.19	1.65	52.90
SCHN SW	Schindler	Michael Hagmann	17079	CHF	129.7	150	Neutral	1.25	10.07	17.78	15.84	-1.44
SU FP	Schneider Electric	Michael Hagmann	51697	EUR	65.08	78	Overweight	1.63	9.91	13.24	1.50	2.65
SECUB SS	Securitas	Rajesh Kumar	4073	SEK	76.55	60	Underweight (V)	0.49	7.23	13.26	1.91	12.00
SCI SP	SembCorp Industries	Neel Sinha	7699	SGD	5.44	5.95	Overweight	0.63	5.00	9.64	1.59	-2.37
SMM SP	Sembcorp Marine	Neel Sinha	6684	SGD	4.04	4.5	Neutral	0.79	6.25	12.23	13.14	-9.66
SEM AV	Semperit	Richard Schramm	1136	EUR	40.25	44	Overweight	0.81	5.43	12.00	1.50	11.82
SRP LN	Serco Group	Alex Magni	3499	GBP	4.225	4.3	Neutral	0.56	8.14	13.21	1.13	-15.36
SGL GR	SGL Carbon	Juergen Siebrecht	2395	EUR	24.51	16	Underweight	1.63	14.58	169.58	1.63	-14.82
SGSN VX	SGS SA	Rajesh Kumar	19239	CHF	2193	2200	Neutral	2.68	11.93	22.47	6.19	6.87
2727 HK	Shanghai Electric	Jenny Cosgrove	7156	HKD	2.74	2.4	Underweight (V)	0.43	6.34	12.38	2.48	-3.55
363 HK	Shanghai Industrial	Stephen Wan	3573	HKD	25.6	30.5	Overweight	0.98	3.38	10.74	0.42	-9.88
548 HK	Shenzhen Expressway	Wei Sim	1169	HKD	3.53	5.2	Overweight	3.62	4.98	7.55	0.67	1.43
242 HK	Shun Tak Holdings	Stephen Wan	1587	HKD	4.07	4.6	Neutral	2.05	11.10	16.92	0.59	-10.09
107 HK	Sichuan Expressway	Wei Sim	1245	HKD	2.19	2.8	Overweight	3.33	7.32	4.15	0.79	-6.11
SIE GR	Siemens AG	Michael Hagmann	119603	EUR	98.98	100	Neutral	1.29	9.58	14.52	1.91	-0.31
SIEM IN	Siemens India	Ashutosh Narkar	4510	INR	762.2	616	Underweight	1.92	20.32	38.85	5.69	14.81
3311 TT	Silitech Technology Corp	Yolanda Wang	222	TWD	35.85	35	Neutral	0.17	1.32	32.10	2.79	0.85
716 HK	Singamas Container Holdin	Parash Jain	549	HKD	1.76	1.9	Neutral	0.33	4.22	9.46	0.75	-3.30
SIA SP	Singapore Airlines	Mark Webb	9860	SGD	10.38	12.5	Overweight	0.68	3.79	15.89	0.90	-0.58
STEC TB	Sino Thai	Tarun Bhatnagar	826	THB	17.6	20	Overweight (V)	0.49	5.75	14.38	0.00	28.03
368 HK	Sinotrans Shipping Ltd	Shishir Singh	1178	HKD	2.29	1.86	Underweight	0.72	2.09	21.81	0.16	-18.73
SISE TI	Sisecam Holding	Levent Bayar	1774	TRY	2.41	3.40	Neutral	0.72	3.61	6.99	0.65	-11.40
SKAB SS	Skanska	Tobias Loskamp	9348	SEK	152.8	129	Neutral	0.41	7.53	13.64	1.61	16.29
SKFB SS	SKF	Colin Gibson	11726	SEK	168.4	205	Overweight	1.28	7.58	11.42	1.88	-0.18
SKF IN	SKF India Limited	Puneet Gulati	718	INR	819	750	Neutral	1.31	10.67	17.47	3.19	22.23

Source: HSBC estimates (data as of 3rd April 2014)

HSBC Global Industrials Stock Coverage (continued)

Bloomberg	Company	Analyst	Market Cap USDm	Price Currency	Share Price		Rating	EV/ Sales	EV/ EBITDA	P/E	EV/IC	Perf. Y-t-d %
					Current	Target						
SMIN LN	Smiths Group	Sean McLoughlin	8282	GBP	12.66	13.5	Underweight	1.76	8.67	12.63	1.93	-14.46
SOLARB DC	Solar A/S	Christophe Quarante	611	DKK	424	400	Neutral (V)	0.28	7.31	16.36	1.08	25.44
SJET IN	Spicejet Ltd	Rajani Khetan	158	INR	17.76	10	Underweight (V)	1.70	0.00	0.00	1.33	-5.53
SPX LN	Spirax Sarco Engineering	Sean McLoughlin	3696	GBP	29.49	33.5	Overweight	2.56	9.98	17.53	3.98	-1.37
SGC LN	Stagecoach Group	Joseph Thomas	3628	GBP	3.802	4.15	Overweight	0.73	7.71	15.07	3.28	0.48
STHR LN	SThree	Matthew Lloyd	826	GBP	4.01	4.25	Neutral	0.56	8.45	17.03	7.47	11.00
STR AV	Strabag	Tobias Loskamp	3002	EUR	19.2	16.5	Underweight	0.16	2.77	11.06	0.47	-9.94
SUN VX	Sulzer	Joerg-Andre Finke	4876	CHF	126.9	140	Neutral	1.18	8.23	12.90	1.50	-11.81
014620 KS	Sungkwang Bend	Yeonjung Lee	689	KRW	25500	30000	Overweight (V)	1.45	6.13	10.40	1.43	-3.37
2382 HK	Sunny Optical	Joyce Chen	1127	HKD	7.97	7.9	Neutral (V)	0.73	6.60	11.79	2.24	9.28
SUEL IN	Suzlon Energy Ltd	Charanjit Singh	463	INR	11.2	12	Neutral (V)	0.38	4.09	0.00	0.85	-0.88
19 HK	Swire Pacific	Mark Webb	10831	HKD	92.8	101	Overweight	0.00	0.00	11.44	0.00	1.27
044490 KS	Taewoong Co Ltd	Yeonjung Lee	487	KRW	28400	34000	Neutral (V)	0.85	12.15	25.62	0.96	1.95
1101 TT	Taiwan Cement	Wei Sim	5752	TWD	47.2	38	Underweight	2.18	11.08	17.94	1.38	1.73
TAT SP	Tat Hong Holdings Ltd	Kristy Lee	375	SGD	0.75	1.10	Overweight	1.09	5.36	10.65	0.74	-16.67
TAVHL TI	TAV	Cenk Orcan	2817	TRY	16.55	18.8	Neutral (V)	2.63	6.20	10.66	2.03	7.12
TTR1 GR	Technotrans	Richard Schramm	74	EUR	8.65	9.6	Overweight	0.41	3.79	10.60	0.98	12.19
TKFEN TI	Tekfen Holding	Cenk Orcan	861	TRY	4.97	5.4	Neutral	0.42	4.94	9.02	0.91	-0.80
THAI TB	Thai Airways Internationa	Rajani Khetan	934	THB	13.9	10.5	Underweight (V)	0.99	10.12	0.00	0.90	3.62
4 HK	The Wharf (Holdings) Ltd	Sean McLoughlin	21265	HKD	54.45	62	Overweight	3.61	8.59	10.00	0.58	-8.77
TMX IN	Thermax India	Ashutosh Narkar	1499	INR	757.2	830	Neutral	1.38	15.72	25.94	4.09	7.82
TGR SP	Tiger Airways Hldg	Rajani Khetan	312	SGD	0.4	0.35	Underweight	2.23	126.00	0.00	1.24	-20.59
023160 KS	TK Corp	Yeonjung Lee	514	KRW	21100	20300	Neutral	1.08	6.64	13.89	1.15	-4.08
TNTE NA	TNT Express N.V	Julia Winarso	5409	EUR	7.237	6.9	Underweight	0.51	6.43	16.06	0.62	7.25
THYAO TI	Turkish Airlines	Cenk Orcan	4409	TRY	6.82	8	Overweight (V)	0.84	6.96	8.43	1.19	5.90
UNTR IJ	United Tractors	Mark Webb	6892	IDR	20925	20000	Neutral (V)	1.05	5.11	12.59	2.08	10.26
USG NA	USG People NV	Rajesh Kumar	1330	EUR	12.05	13	Overweight (V)	0.40	7.54	12.93	1.65	24.38
VBH GR	VBH Holding	Richard Schramm	176	EUR	2.8	2.6	Underweight (V)	0.31	9.36	17.11	1.26	8.53
VWS DC	Vestas Wind Systems	Sean McLoughlin	9588	DKK	232.9	215	Overweight (V)	1.00	9.26	23.94	3.37	45.38
FLU AV	Vienna Int'l Airport	Joseph Thomas	2074	EUR	72	43.5	Underweight	2.83	7.14	15.24	1.11	18.03
DG FP	Vinci	Pierre Bosset	44914	EUR	54.23	59	Neutral	1.07	7.25	14.01	1.49	13.64
VOLVB SS	Volvo	Colin Gibson	32949	SEK	100.9	120	Overweight	0.74	5.18	10.92	1.61	19.48
VOS GR	Vossloh	Juergen Siebrecht	1282	EUR	70.17	80	Overweight	0.72	6.77	13.52	1.14	-3.21
VT9 GY	VTG	Joerg-Andre Finke	427	EUR	14.545	20	Overweight	1.22	5.55	11.05	0.77	-2.97
WAC GR	Wacker Neuson	Juergen Siebrecht	1217	EUR	12.65	15	Overweight	0.83	5.59	9.87	0.87	10.14
WRTIV FH	Wartsila	Colin Gibson	10997	EUR	40.65	50	Overweight	1.55	10.58	15.80	3.38	13.64
WSU GR	WashTec	Richard Schramm	233	EUR	12.15	14	Overweight	0.53	5.36	12.08	1.47	13.55
WEGE3 BZ	Weg S.A	Alexandre Falcao	8809	BRL	32.35	31	Neutral	2.18	12.28	18.04	3.60	4.09
WEIR LN	Weir Group	Sean McLoughlin	8821	GBP	24.94	22.5	Underweight	2.28	10.30	16.32	2.21	16.98
MF FP	Wendel	Pierre Bosset	7499	EUR	112.5	127	Overweight (V)	1.14	6.36	15.70	1.12	6.18
WPRTS MK	Westports Holdings Berhar	Parash Jain	2628	MYR	2.53	2.26	Underweight (V)	6.52	12.41	19.55	3.26	0.40
WIE AV	Wienerberger	Tobias Loskamp	2238	EUR	13.885	8.8	Underweight	0.95	7.78	26.49	0.91	20.48
WIKA IJ	Wijaya Karya	Tarun Bhatnagar	1355	IDR	2500	1650	Underweight (V)	0.99	11.23	18.82	5.13	57.91
WOS LN	Wolseley	Rajesh Kumar	15273	GBP	34.64	39.3	Overweight	0.69	9.23	14.51	1.90	1.14
968 HK	Xinyi Solar	Walden Shing	1866	HKD	2.54	2.4	Overweight (V)	3.68	14.85	19.68	3.17	56.88
2609 TT	Yang Ming Marine Transpor	Parash Jain	1200	TWD	12.9	10	Underweight	0.71	8.87	18.61	1.16	-7.53
YZJSGD SP	Yangzijiang Shipbuilding	Neel Sinha	4287	SGD	1.135	0.86	Underweight	1.42	7.91	11.66	1.33	-6.75
1052 HK	YueXiu Transport Infrastr	Wei Sim	860	HKD	3.99	6.1	Overweight	3.23	4.17	5.85	0.54	-1.48
ZIIC AB	Zamil Industries	Raj Sinha	812	SAR	50.75	48	Neutral	0.84	8.04	10.53	1.18	17.48
576 HK	Zhejiang Expressway	Wei Sim	4013	HKD	7.17	7.9	Overweight	2.78	5.39	11.86	1.29	-2.86
564 HK	Zhengzhou Coal Min	Jeff Yuan	924	HKD	4.42	6.41	Overweight (V)	0.04	0.24	5.66	0.06	-17.04
3898 HK	Zhuzhou CSR Times	Anderson Chow	4030	HKD	26.6	26.5	Neutral (V)	1.81	9.67	13.99	3.51	-4.48
ZC FP	Zodiac	Christophe Quarante	10327	EUR	26.13	27	Neutral	1.78	10.32	15.17	2.27	1.48
1157 HK	Zoomlion Heavy Industry	Anderson Chow	6104	HKD	6.09	6	Neutral (V)	0.90	6.16	7.12	0.82	-15.88
ZAG AV	Zumtobel	Christian Rath	1103	EUR	18.485	12	Neutral (V)	0.82	8.98	23.61	1.61	62.86
FHZN SW	Zurich Airport	Joseph Thomas	4036	CHF	586	510	Neutral	4.22	7.63	16.59	1.38	12.37

Source: HSBC estimates (data as of 3rd April 2014)

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We acknowledge the assistance of Puneet Garg (Associate, Bangalore) in the production of this report.

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Capex by industry

Manufacturing

- ▶ Global manufacturing capex (some 20% of total) is set to increase 6% in 2014e, leaving it 18% above its 2008 peak. At 1.30x this is 6% above its 20-year average capex/depreciation ratio of 1.22x.
- ▶ We see cyclical and structural growth potential; capital still cheap whilst “land” now expensive (commodity prices still >2x 1990s averages) and labour increasingly so (cf EM wage growth)
- ▶ Potential winners: **SKF** (55% of 2013 sales from manufacturing sector) and **Sandvik** (40%)

Cyclical and structural upside

EMEA is the bright spot

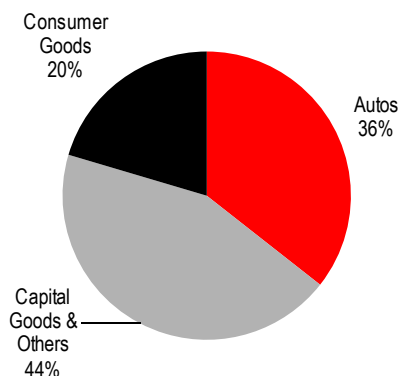
The Americas has seen only eight growth capex years (capex >1.1x depreciation on our definition) in the past 20. However, it seems as if it is finally enjoying a little of a manufacturing renaissance, with consensus expecting 3% growth this year. This is equivalent to 1.19x depreciation, some 15% above the 20-year average of 1.05x.

However, the bright spot is EMEA, where consensus expects 26% growth in manufacturing capex. This would be 10% above the 20-year average of 1.22x depreciation. Asia Pacific 2014e manufacturing capex will be 2% above the 20-year average of 1.33x depreciation.

Historical growth modest...

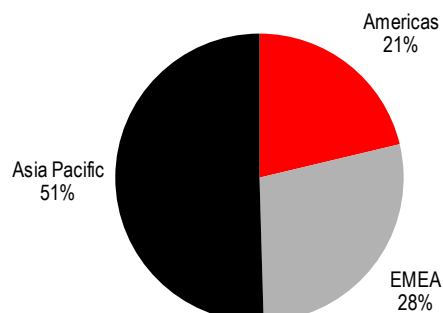
At just over 6%, global manufacturing capex has seen a very modest 20-year CAGR. Together with utilities capex this is the lowest among our five big capex categories. In 2014e global manufacturing

Global manufacturing capex, 2014e by subsector

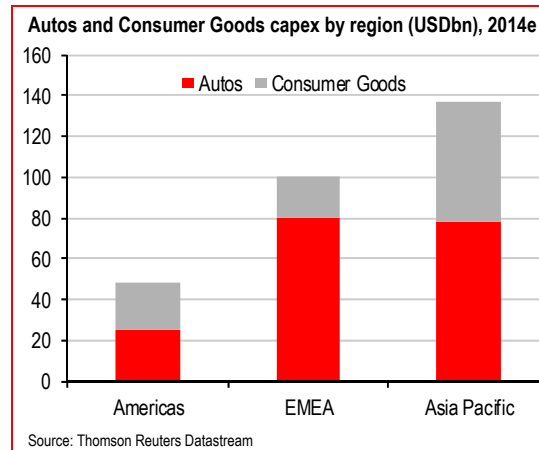
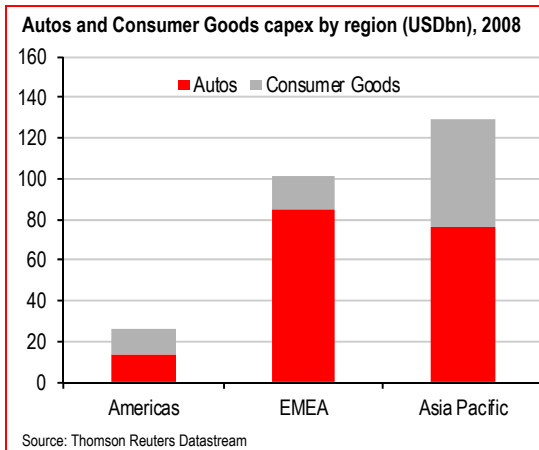


Source: Thomson Reuters Datastream

Global manufacturing capex, 2014e by region



Source: Thomson Reuters Datastream



capex is expected to grow by 6%. This would be 1.28x depreciation, 5% above its 20-year average of 1.22x.

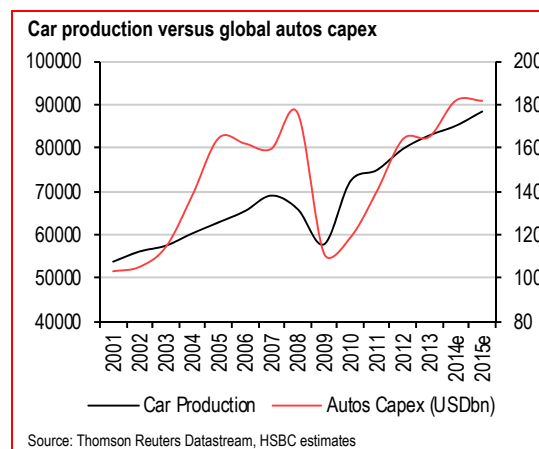
... but manufacturing capex may be set for a prolonged period of above-trend growth

The modest level of manufacturing capex in the global economy over the past 20 years is a reflection of strong growth in the manufacturing sector in China. Given the much lower labour costs it appears this investment has been more labour-intensive than capital intensive.

For much of the past 20 years capital has been relatively expensive (though getting cheaper); labour has been relatively inexpensive (and getting even cheaper thanks to improved access to EMs via the WTO); and “land” (aka natural resources including energy) has been relatively inexpensive (though getting more expensive). This favours high investments in labour at the expense of capital and land.

But the view from today is different: capital is now very cheap (though now getting slightly more expensive); labour is getting more expensive (cf EM blue-collar wage inflation) and, moreover, scarcer (cf age structure of the Chinese population); and “land” prices may have peaked but remain at historically high levels.

In other words, when calculating the appropriate mix of factors of production for efficient and profitable manufacturing, capital (aka manufacturing capex) now looks more attractive than at nearly any time in the past 20 years; and possibly 30 years.



We therefore argue it is reasonable to believe that manufacturing capex levels are near relative lows (the absolute low may have been in 2010) from which they are likely to recover over the coming years. Within the sector we can see that Autos and Consumer capex are already witnessing this recovery driven by investment in the Americas.

Potential winners: SKF and Sandvik

Winners from increasing manufacturing capex include:

SKF (SKFB SS, OW, TP SEK205) with 55% of 2013 sales to the manufacturing industry

Valuation: We value SKF using our proprietary methodology, the market-assessed cost of capital (MACC) analysis. This is essentially a reverse DCF, although the model is driven by a through-cycle cash-ROIC assumption.

Our target price of SEK205 is driven by a target MACC of 9.1% and through-cycle cash-ROIC of 10.0%, equating to an exit (2015e) PE of 13.2x and EV/EBITDA of 8.6x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for Swedish stocks of 10.0%. Our target price implies a potential return of 21.7%, which is above the Neutral band of our model; therefore, we are reiterating our OW rating on SKF. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Key downside risks to our Overweight rating include: 1) downgrades to automotive production; 2) further delays to the hoped-for recovery in industrial demand; and 3) penalties as a result of the ongoing antitrust investigation into SKF's automotive bearings unit.

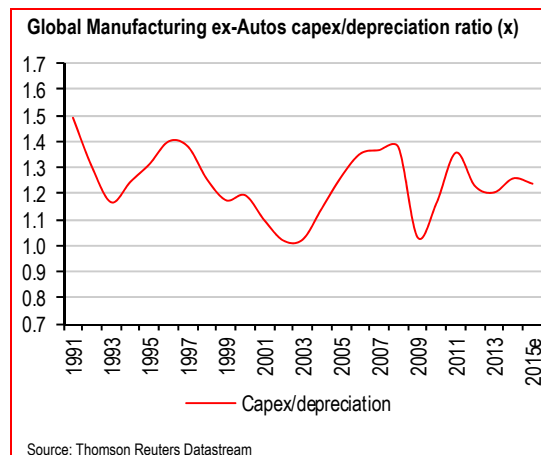
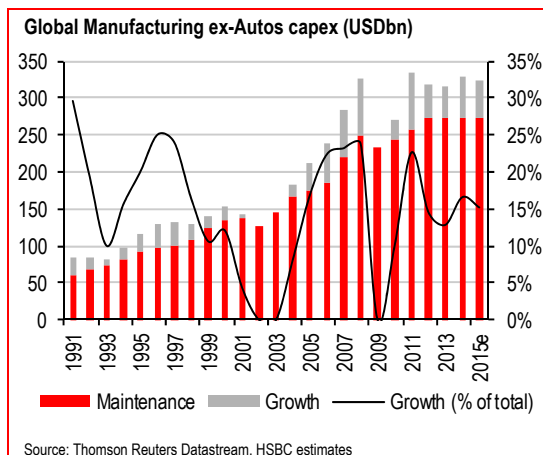
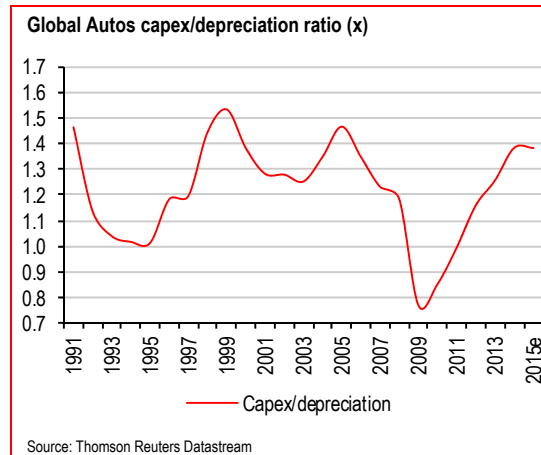
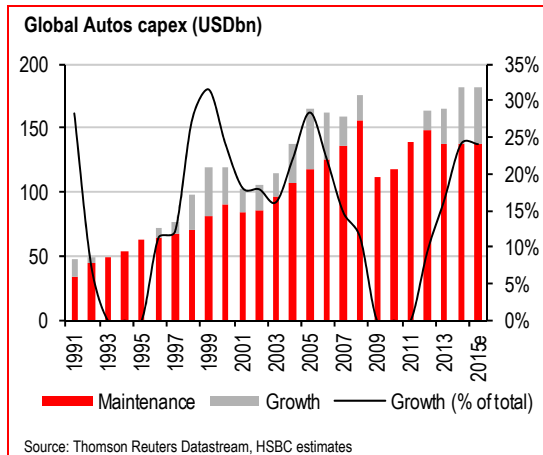
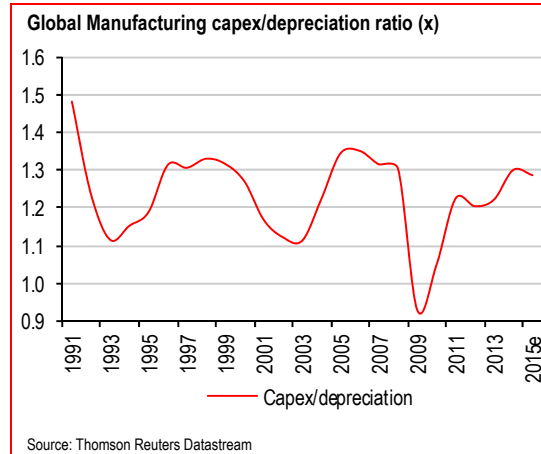
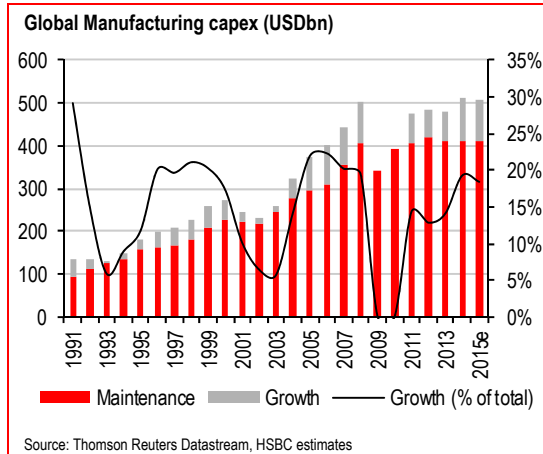
Sandvik (SAND SS, OW, TP SEK106) with 40% of 2013 sales to the manufacturing industry

Valuation: Our target price of SEK106 is driven by a target MACC of 9.6% and through-cycle cash-ROIC of 10.0%, equating to an exit (2015e) PE of 14.2x and EV/EBITDA of 8.1x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for Swedish stocks of 10.0%. Our target price implies a potential return of 15.9%, which is above the Neutral band of our model; therefore, we reiterate our OW rating on Sandvik. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Key downside risks include: (1) execution risk – the new strategy is very encouraging, in our view, but clearly it needs disciplined execution, ie, management must be prepared to employ the “exit” option if the “fix it” ambitions are not met over the target time period of two to three years; and (2) currency risk – further strengthening of the SEK could have a negative impact on earnings.

Manufacturing capex charts



Construction

- ▶ Global construction capex (some 5% of the listed total, but we estimate up to 40% including unlisted & public sector) was much stronger than expected in 2013; despite strong growth in Europe, global capex is set to fall 9% in 2014e because of APAC
- ▶ Capex is 22% below its 2008 peak, and at 1.33x, 9% below its 20-year average capex/depreciation ratio of 1.46x
- ▶ Potential winners: **Schneider Electric** (34% of 2013 sales to the construction industry)

“Res” leads, “non-res” follows

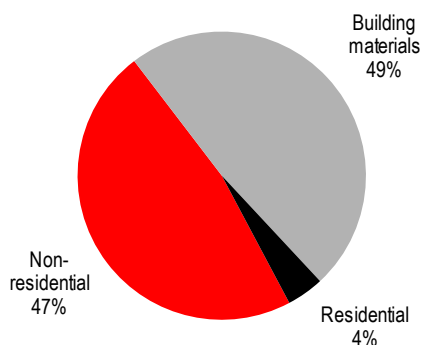
Following a jump in the Americas last year, Europe is now taking the lead

On a 20-year period, Construction capex has seen a CAGR of just over 8%. Construction capex has developed strongly in Asia Pacific with 8.5% growth on strong development in Heavy Construction as well as Building Materials. Construction capex growth has been lowest in the Americas at around 7%. EMEA growth over the

20-year period has been close to 8%.

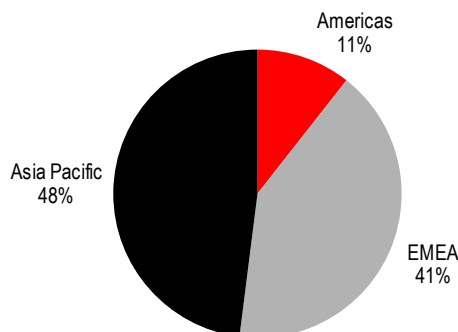
2014e global Construction capex is expected to fall 9% in 2014e. At 1.33x depreciation it is some 9% or 0.4 standard deviations below its 20-year average of 1.46x. The decline is primarily driven by the 19% decline in Asia Pacific construction capex. After a 24% jump in 2013 Americas 2014e capex is expected to be flat and at 1.09x, 8% or 0.3 standard deviations below the 20-year average of 1.17x. EMEA 2014e capex will increase 8% and at 1.20x depreciation will still be running

Global listed Construction capex, 2014e by subsector



Source: Thomson Reuters Datastream

Global Construction capex, 2014e by region



Source: Thomson Reuters Datastream

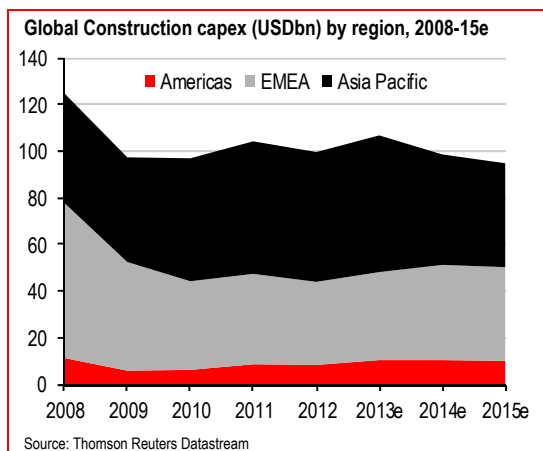
14% or 0.4 standard deviations below its 20-year average of 1.39x. Despite the strong decline Asia Pacific at 1.62x depreciation would only be down to a level broadly in line with the 20-year average of 1.60x.

Residential spending back in line with trend, infrastructure & commercial yet to recover

Residential construction's 2014e capex is running at 1.83x depreciation, 26% or 1.0 standard deviations above its 20-year average of 1.45x.

By contrast, 2014e non-residential construction capex is expected to be 1.36x, 16% or 0.5 standard deviations below its 20-year average of 1.61x.

Building Materials' 2014e capex is running at 1.26x depreciation, 6% or 0.3 standard deviations below its 20-year average of 1.34x.



Potential winner: Schneider Electric

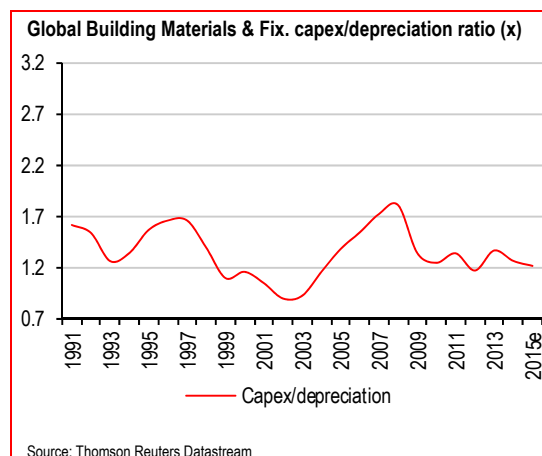
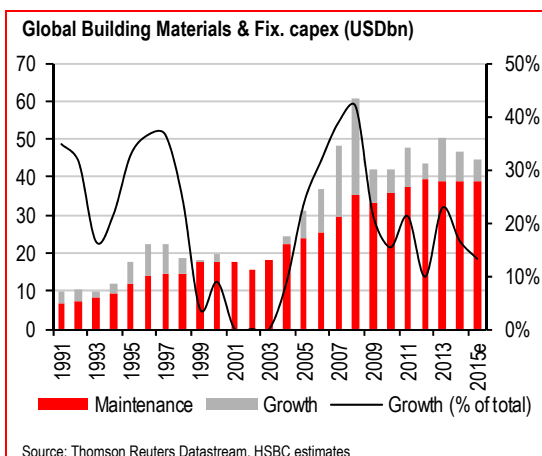
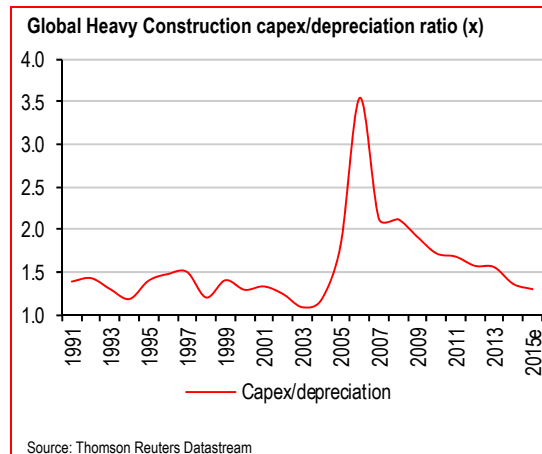
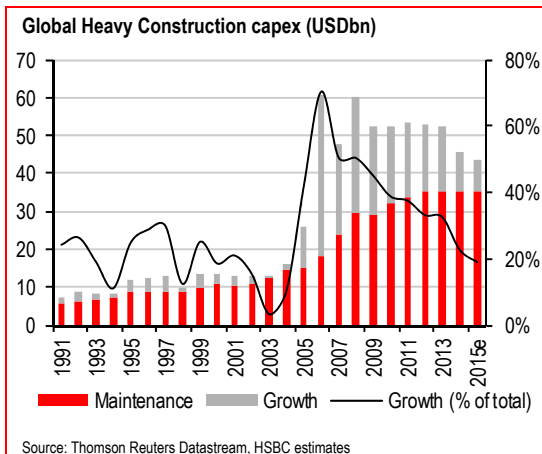
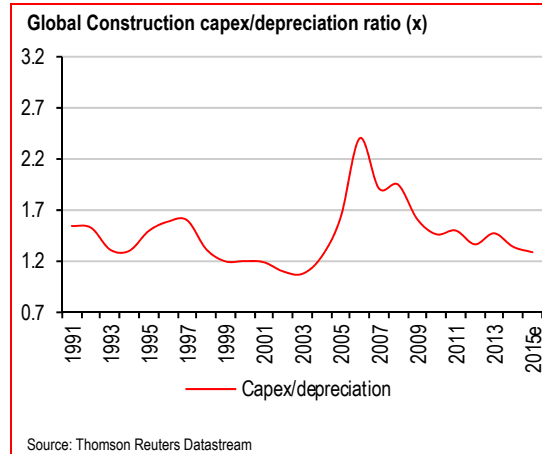
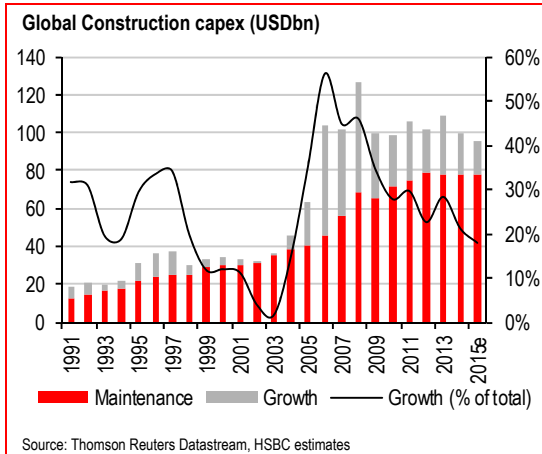
Schneider Electric (SU FP, OW, TP EUR78) with 34% of 2013 sales to the construction industry

Valuation: Our target price of EUR78 is based on a target MACC of 8.4% and through-cycle cash-ROIC of 9.5%, equating to an exit (2015e) PE of 14.8x and 2015e exit EV/EBITDA of 10.6x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for eurozone stocks of 9.5%. Our target price implies a potential return of 19.8%, which is above the Neutral band of our model; therefore, we reiterate our OW rating on Schneider Electric. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Downside risks include: weak recovery in the North American market and a steeper decline in construction markets in DM than expected; an increase in raw materials and a simultaneous reduction in pricing power; a dramatic reduction in energy costs, which could increase payback times for energy-efficiency solutions and a decrease in legislative focus on energy efficiency, which would remove a powerful driver; supply chain risk – Schneider has previously endured component bottlenecks, which can hinder specific product lines; and M&A risk – Schneider may not be able to execute the smaller transactions it has planned – execution and integration associated with larger transactions.

Construction capex charts



Transport

- ▶ Global transport capex (some 5% of total) is set to be flat in 2014e, leaving it 3% below its 2008 peak, and at 1.65x, 3% below its 20-year average capex/depreciation ratio of 1.71x
- ▶ Trends heavily polarised: airlines capex should see 5% growth this year, hauliers' 2% and railway spending is roughly flat, whilst shipping spending is set for a 12% contraction
- ▶ Potential winner – **Volvo** (trucks and buses 72% of 2013 sales); potential losers – **Yangzijiang Shipbuilding** (shipbuilding 88%) and **Hyundai Heavy** (shipbuilding 32%)

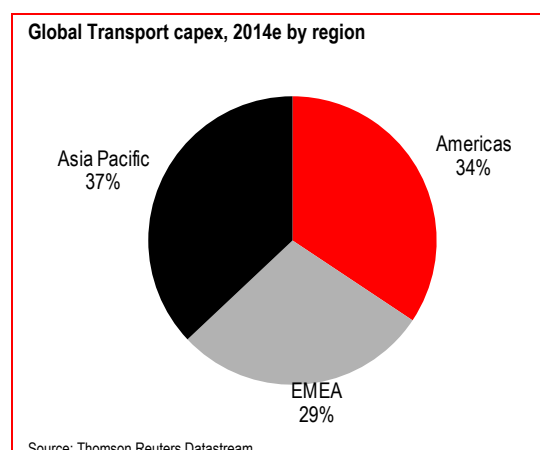
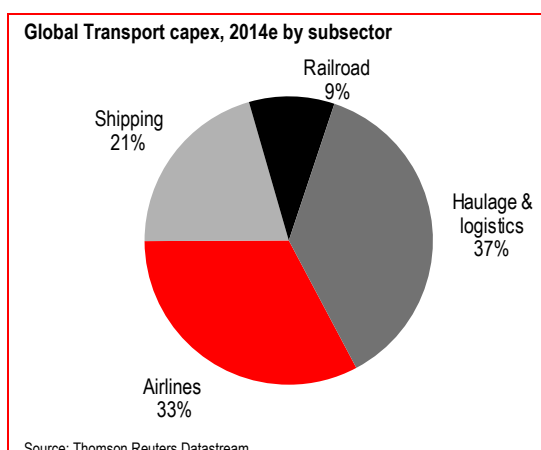
Asia now past the peak

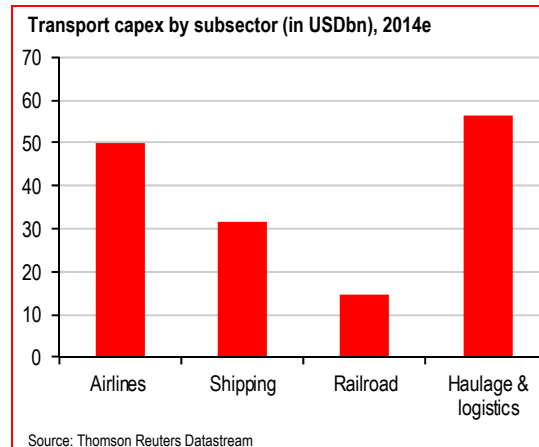
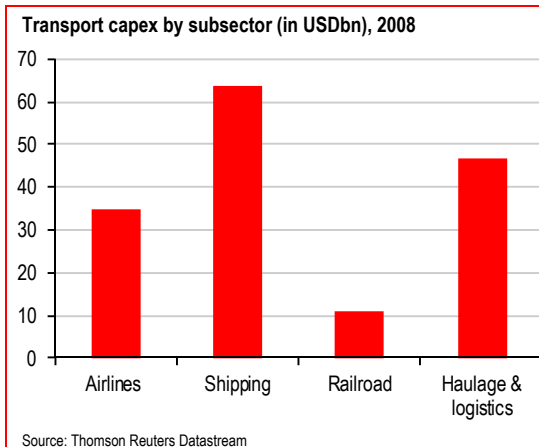
8.3% 20-yr CAGR in transport spending in Asia

Over a 20-year period, Transport capex has seen a 7.3% CAGR. Transport capex has developed strongly in Asia Pacific with 8.3% growth on strong development in Japan in the 1990s, while China drove growth over the past decade. Transport capex growth has been lowest in the Americas at 6.5% due to lower growth in

Airlines, offset somewhat by stronger growth in Trucking. EMEA growth over the 20-year period has been 7.2%, driven by strong growth in Shipping, offset somewhat by lower growth in Trucking & railroads.

According to consensus 2014 global transport capex is set to be flat. At 1.65x depreciation this would be some 3% or 0.3 standard deviations below its 20-year average of 1.71x. The charts below show that





Shipping capex is now down by more than 50% since 2008, while particularly airlines have raised capex considerably. Capex/depreciation is consequently below the 20 year average for shipping and above for all other segments.

High levels of capex to depreciation in the airline industry and in the trucking industry means that Americas 2014e capex is expected to be 1.81x, 5% or 0.5 standard deviations above the 20-year average of 1.73x. In Europe strong spending by airlines and railroads cannot offset weak investment in shipping so that 2014e capex will be running at 1.55x depreciation, 2% or 0.2 standard deviations below its 20-year average of 1.59x. Weak spending on shipping and railroads means that Asia Pacific runs at 1.61x depreciation, 9% or 0.6 standard deviations below the 20-year average of 1.78x.

Air, road & rail capex running above 20-year averages...

Airlines' 2014e capex is running at 1.61x depreciation, 2% or 0.1 standard deviations above its 20-year average of 1.58x. On an absolute level, 2014e capex is expected to rise by 5% y-o-y.

Market expects 2014e haulage & logistics capex to be 1.71x depreciation, 7% or 0.5 standard deviations above its 20-year average of 1.61x. On an absolute level, 2014e capex is expected to rise by 2% y-o-y.

Market expects 2014e Railroads capex to be 1.93x depreciation, 9% or 0.8 standard deviations above its 20-year average of 1.77x. However, on an absolute basis, 2014e capex should be flat y-o-y.

... maritime running below

Market expects 2014e Shipping capex to be 1.53x, 25% or 0.7 standard deviations below its 20-year average of 2.03x, reflecting oversupply in the market and companies struggling with their cash flows and finding it difficult to meet their financial obligations.

Potential winner: Volvo

Volvo (VOLVB SS, OW, TP SEK120) with trucks and buses accounting for 72% of 2013 sales

Valuation: Our target price of SEK120 is driven by a target MACC of 13.1% and through-cycle cash-ROIC of 9.1%, equating to an exit (2015e) PE of 13.0x and EV/EBITDA of 6.1x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for Swedish stocks of 10.0%. Our target price implies a potential return of 18.9%, which is above the Neutral band of our model; therefore, we reiterate our OW rating on Volvo. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Key downside risks to our Overweight rating include: (1) higher-than-anticipated “post-buy” impact in the European market; (2) lower-than-expected benefits from cost-out programme; and (3) a renewed slowdown in European and South American truck markets in 2014 after strength in 2013.

Potential losers: Yangzijiang Shipbuilding and Hyundai Heavy

Yangzijiang Shipbuilding (YZJ SP, UW, TP SGD0.86) with shipbuilding accounting for 88% of 2013 sales

Valuation: We value the core shipbuilding business separately from the financial or HTM investment business. We value the core business using the average of three methodologies: 12-month forward PB (based on the stock’s listing history), 12-month forward EV/EBITDA (based on the stock’s listing history) and DCF (assuming a long-term ROIC of 20% and a WACC of 7.9%). Averaging the three values, we arrive at SGD0.47.

For the financing business, we have chosen to use a 30% discount to the average of the current forward price to book value of publicly traded Chinese banks with market caps <USD5bn (current average PB is 0.70x). For YZJ, we have chosen to use a 30% discount as it does not have the risk control expertise or experience of a bank; YZJ’s risk control or investment management system is unlikely to be similar to banks that are regulated for lending activities. This translates to a forward PBV multiple of 0.5x, which leads us to a value of SGD0.36 per share for the financing business.

Adding the contribution of the financing and shipbuilding businesses and dividends (only % contribution from non-DCF components to our sum-of-the-parts valuation has been taken), we arrive at a price of SGD0.86. Our target price implies a 2014e PE of 9.5x, which is 12% above the five-year median of YZJ’s trading history.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for Singapore stocks of 9.0%. Our target price implies a potential return of -24%, which is below the Neutral band of our model; therefore, we reiterate our UW rating on Yangzijiang Shipbuilding. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Key upside risks to our rating include: better-than-expected earnings and better-than-expected new orders.

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¹ *Employed by a non-US affiliate of HSBC Securities (USA) Inc, and is not registered/qualified pursuant to FINRA regulations.*

Hyundai Heavy Industries (009540 KS, UW, TP KRW160,000) with shipbuilding accounting for 32% of 2013 sales

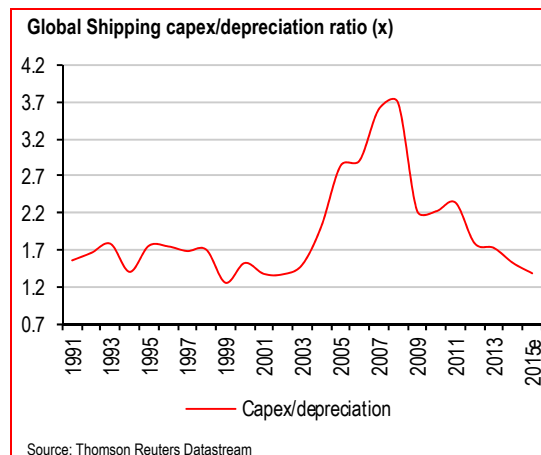
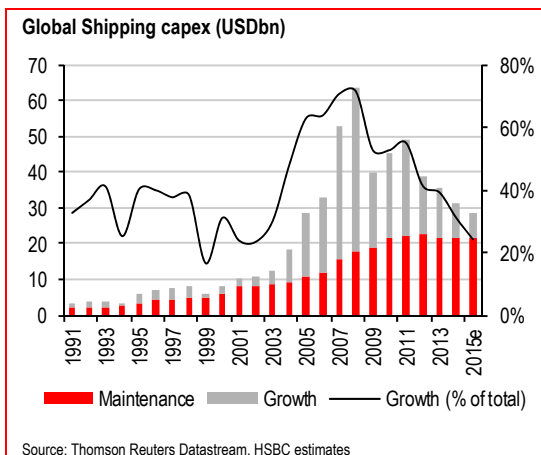
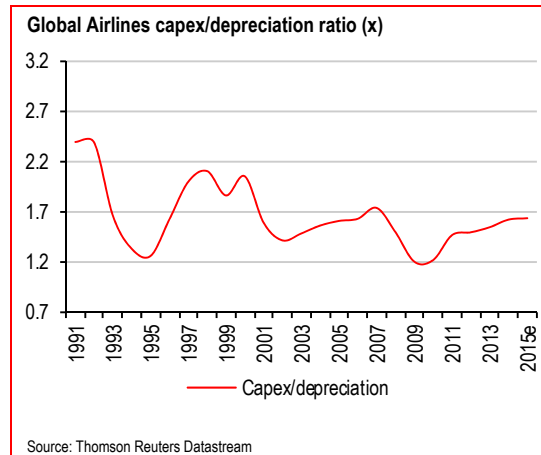
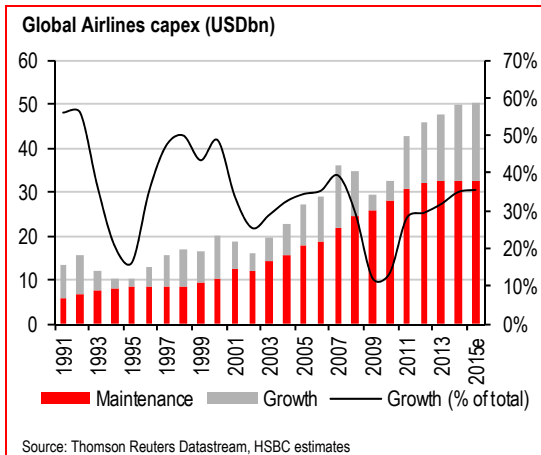
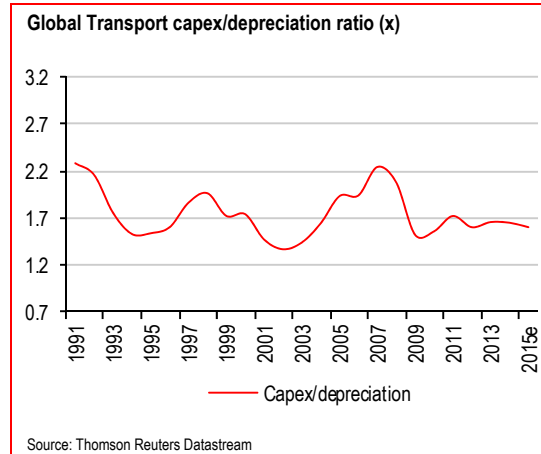
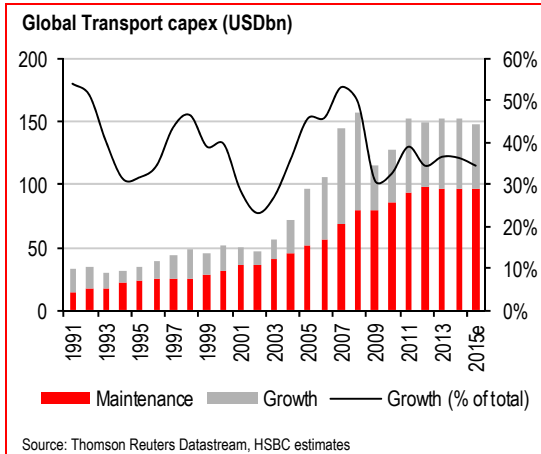
Valuation: Our target price of KRW160,000 is based on SOTP methodology. We believe SOTP is an appropriate valuation methodology, given HHI's divisional structure, broad range of activities and various investment assets. Our SOTP valuation includes HHI's investment assets, treasury shares and its business divisions, which are valued at 6.0x 2015e EV/EBITDA, in line with industrial sector average.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for Korean stocks of 10%. Our target price implies a potential return of -23.0% (including 1.4% prospective dividend yield), which is below the Neutral band of our model; therefore, we reiterate our UW rating on Hyundai Heavy Industries. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Key upside risks include: 1) better-than-expected offshore new order flows; and 2) macro recovery leading to an earlier-than-expected pick-up in demand for commercial vessels.

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Transport capex charts



Process industries

- ▶ Global “process industry” capex (some 55% of *listed* total, but we estimate 20% including unlisted and public sector) is set to fall 3% in 2014e, leaving it 28% above its 2008 peak, and at 1.92x, 20% above its 20-year average capex/depreciation ratio of 1.60x
- ▶ We forecast capex growth in long-cycle industries will be stagnant to negative in 2014e; note now even consensus looks for some contraction in Oil & Gas capex in 2014e
- ▶ Potential losers: **Weir** (80% of 2013 sales to process industry customers), **Metso** (75%) and **Alfa Laval** (65%)

Rolling over...

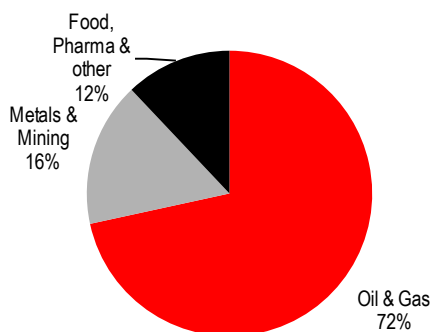
“Process” is a catch-all term for industries encompassing Oil, Gas & Petrochemicals; Metals & Mining; Chemicals; Pulp & Paper; and other industries that refine or otherwise add value to raw materials.

#1 winner from the “supercycle”

Over the past decade, the supercycle in commodities has led to rising capital investments in long-cycle natural resource industries and

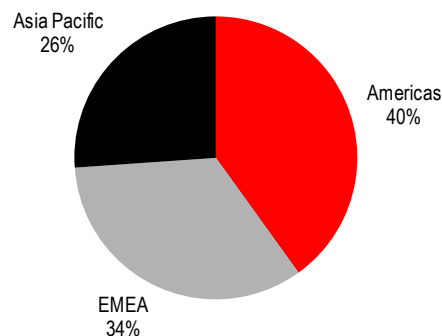
rampant growth in demand for process-based products, most notably Oil & Gas and Mining. Global process industry capex has enjoyed a brisk 20-year CAGR of 11.2% with little regional variation. Consensus forecasts suggest that global process capex in 2014e will be 1.92x depreciation, some 20% or 1.3 standard deviations above its 20-year average of 1.60x.

Global Process capex, 2014e by subsector



Source: Thomson Reuters Datastream

Global Process capex, 2014e by region



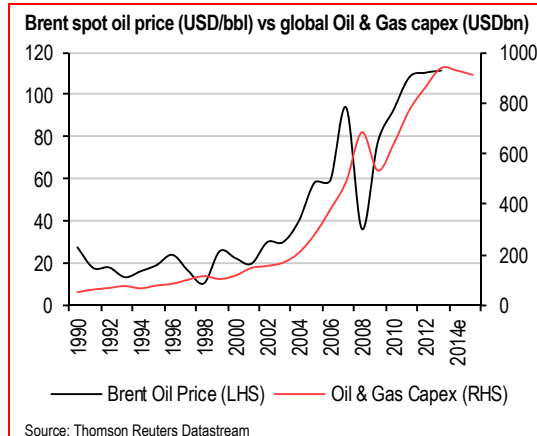
Source: Thomson Reuters Datastream

Process capex has been driven by both Oil & Gas (2.20x depreciation in 2014e, 28% or 1.5 standard deviations above its 20-year average of 1.72x) and Metals & Mining (1.87x depreciation in 2014e, 8% or 0.4 standard deviations above its 20-year average of 1.72x).

Food & Pharma (which at a mere 1.13x depreciation in 2014e is some 6% or 0.5 standard deviations below its 20-year average of 1.21x) and Paper (at 0.98x depreciation, 17% or 0.7 standard deviation below its 20-year average of 1.17) in contrast were industries that sweat their assets.

Mining capex has already rolled over; Oil & Gas to follow?

In HSBC's 29 November 2012 report, [After the Goldrush](#), we argued that this supercycle is over. Mining capex has already fallen significantly as miners increasingly favour capital discipline over expansionary investment. Oil & Gas investment, which has dwarfed other end-markets over the past decade is forecast to be flat this year after four years of mid teen average growth.

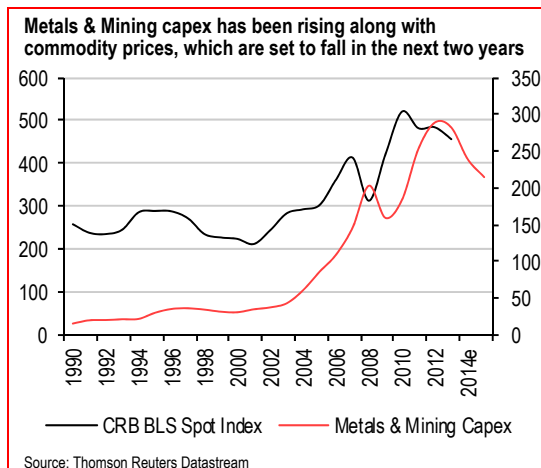


Many of the larger Capital Goods suppliers to these industries have robust business models that offset their risky capex exposure with much more sustainable opex exposure, so shareholders have, in most cases, no immediate cause for panic. But now is not the time to be chasing extended valuations, as and where these arise.

Potential losers: Weir, Metso and Alfa Laval Weir (WEIR LN, UW, TP GBp2,250) with 80% of 2013 sales exposed to the process industry

Valuation: Our target price of 2,250p is based on target MACC of 8.2% and through-cycle cash-ROIC of 10.0%, equating to an exit (2015e) PE of 14.6x and EV/EBITDA of 9.3x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for UK stocks of 8.0%. Our target price implies a potential return of -9.7%, which is below the Neutral band of our model; therefore, we reiterate our UW rating on Weir Group. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.



We believe it is reasonable to believe that process (ex Food & Pharma) capex levels are near relative highs and that they will struggle to remain at this level in the long run. The decline will not happen in a hurry, partly because of the long lead times involved. But no industry maintains capex at over 2.0x depreciation (consensus 2014e for Oil & Gas 2.2x) forever.

Key upside risks include faster-than-expected recovery in overall US rig count, signs of an earlier-than-expected expansion of shale gas overseas from the US, Greenfield mining project pick-up and higher-than-expected utilities capex spending.

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Metso (MEO1V FH, N, TP EUR25) with 75% of 2013 sales to the process industry

Valuation: Our target price of EUR25 is based on target MACC of 9.6% and through-cycle cash-ROIC of 10.0%, equating to an exit (2015e) PE multiple of 15.3x and EV/EBITDA of 8.0x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for eurozone stocks of 9.5%. At the time we set our target price, it implied a potential return that was within the Neutral band of our model; therefore, we rate the stock Neutral. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

The main upside risks to our Neutral call are: a) a quicker-than-expected recovery in mining equipment orders; and b) a faster-than-expected ramp-up of restructuring benefits. The main downside risk is a “deeper for longer” mining capex downturn. A further palpable risk that may provide either upside or downside is that Metso may now look to acquire further assets: note the long-running press speculation (Finnish business daily *Kauppalehti* on 28 August 2013) that Metso, post demerger, may look to enter into a business combination with Finnish mining equipment peer Outotec.

Alfa Laval (ALFA SS, N, TP SEK185) with 65% of 2013 sales to the process industry

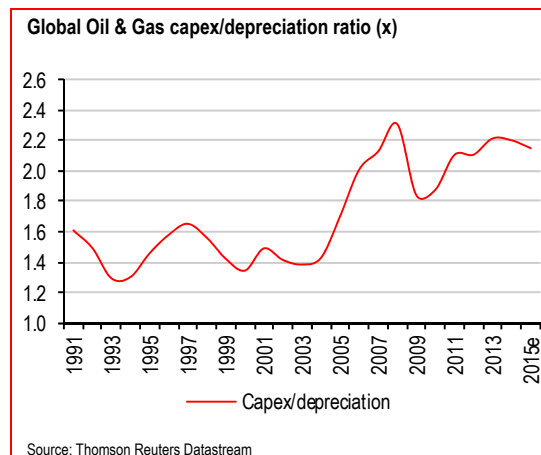
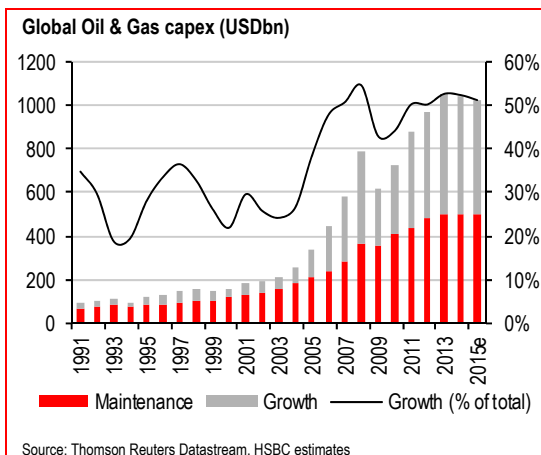
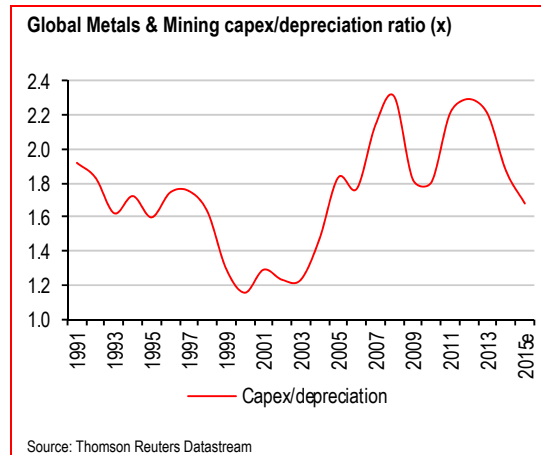
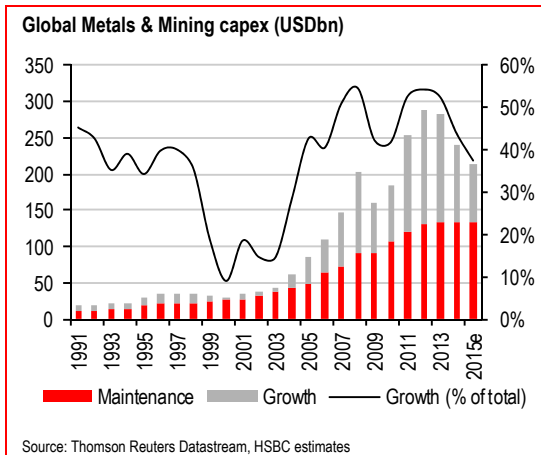
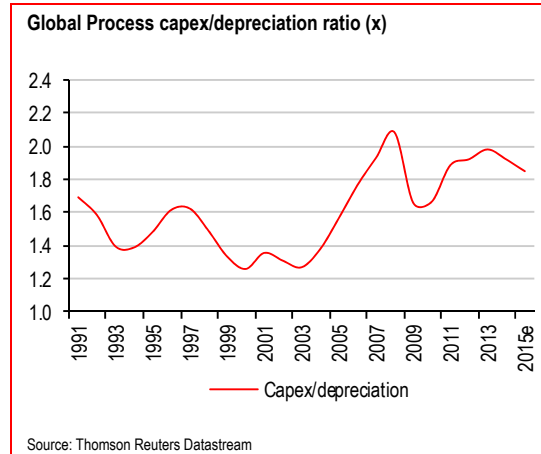
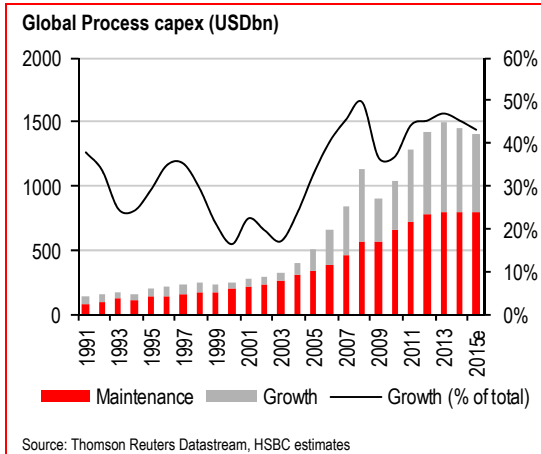
Valuation: Our target price of SEK185 is driven by a target MACC of 7.5% and through-cycle cash-ROIC of 12.7%, equating to an exit (2015e) PE of 21.3x and EV/EBITDA of 12.6x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for Swedish stocks of 10%. At the time we set our target price it was within the Neutral band; therefore, we reiterate our N rating on Alfa Laval. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Key upside risks to our Neutral rating include: 1) a stronger-than-expected recovery in orders in 2014; and 2) any further stake increase by Rausing or the Wallenberg family could have a positive impact on the stock. Key downside risks include: 1) a slower-than-expected recovery in orders in 2014; 2) any further strengthening of the SEK; and 3) pricing may weaken should slowing growth be further negative for raw material prices (Alfa Laval has in the past successfully passed on cost increases).

¹ *Employed by a non-US affiliate of HSBC Securities (USA) Inc, and is not registered/qualified pursuant to FINRA regulations.*

Process capex charts



Utilities

- ▶ Global utilities capex (some 10% of total) is set to fall 4% in 2014e, leaving it 151% above its 2002 peak and at 1.75x, 4% above its 20-year average capex/depreciation ratio of 1.69x
- ▶ We see little stimulus for further growth in utilities capex due to lower electricity consumption growth in DMs and emphasis on energy efficiency in EMs
- ▶ Potential losers: **Alstom** (73% of 2013 sales to utilities industry customers), **ABB** (40%) and **Siemens** (20%)

Low growth and energy efficiency drive

Electricity capex set to decline

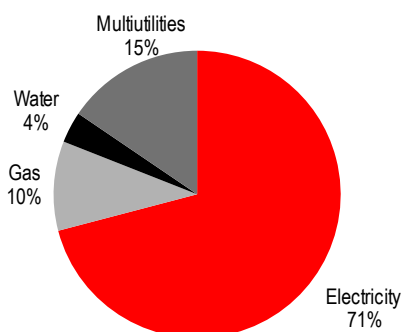
Global utilities industry capex has seen a 20-year CAGR of 6.5%, with 2014e global utilities capex expected to be 1.75x depreciation, 4% or 0.2 standard deviations above its 20-year average of 1.69x.

Counter-intuitively, utilities capex has grown most strongly in the Americas (20-year CAGR of

8.9%) and least strongly in Asia Pacific (20-year CAGR of 4.2%), with EMEA ending up in the middle at 8.3%. This is because in Asia Pacific, a Japanese utilities CAGR of -0.4% (!) offsets a Chinese CAGR of 14.2%.

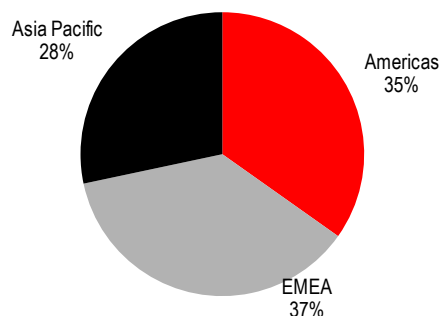
We see little stimulus for further growth in utilities capex worldwide, which is coming off some high levels and looks likely to be compromised by lower electricity consumption growth in developed economies, new emphasis on energy-efficiency measures in emerging

Global Utilities capex, 2014e by subsector



Source: Thomson Reuters Datastream

Global Utilities capex, 2014e by region



Source: Thomson Reuters Datastream

economies (first and foremost China as it rebalances its demand towards alternative fuel) and an absence of a large-scale grid overhaul.

A convergence of factors such as economic slowdown, structural changes, energy efficiency, carbon and environmental regulations, renewable obligations, improving cost competitiveness of renewable technologies, water stress, as well as energy substitution driven by energy pricing are impacting coal- and gas-based demand. HSBC forecasts c300GW of orders for new coal- and gas-based turbines in 2013-15e, implying c15% decline over the 2009-12 order estimates. This is in sharp contrast to the positive expectations industry leaders had two to three years ago. We think the outlook is relatively better for distribution investment and for wind post reinstatement of the PTC in the US, which is leading to a recovery there. Consequently, this should benefit Schneider Electric and Vestas.

Potential losers: Alstom, ABB & Siemens

Generally then we are cautious on suppliers with major exposure to utilities capex, eg, Alstom, ABB and Siemens.

Alstom (ALO FP, UW, TP EUR16) with 73% of 2013 sales to the utilities industry

Valuation: Our target price of EUR16 is based on target MACC of 13.2% and through-cycle cash-ROIC of 6.0%, equating to an exit (FY16e) EV/EBITDA of 5.1x and a (pre-dilution) PE of 6.4x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for eurozone stocks of 9.5%. Our target price implies a potential return of -26%, which is below the Neutral band of our model; therefore, we reiterate our UW rating on Alstom. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

The key upside risks to our Underweight rating include: a) better cash flows resulting from better-than-anticipated orders, especially thermal power; and b) improved balance sheet status on successful asset disposal programme.

ABB (ABBN VX, UW, TP CHF22.5) with 40% of 2013 sales to the utilities industry

Valuation: Our target price of CHF22.5 is based on target MACC of 10.4% and through-cycle cash-ROIC of 11.0%, equating to an exit (2015e) PE of 15.3x and EV/EBITDA of 8.2x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for Swiss stocks of 7.5%. Our target price implies a potential return of -2.7%, which is below the Neutral band of our model; therefore, we reiterate our UW rating on ABB. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Key upside risks to our Underweight rating include: 1) faster-than-expected recovery for end-markets such as process automation and power transmission; 2) quicker-than-expected amelioration of price pressure in the transformers business; and 3) better-than-expected performance on acquisitions.

Siemens (SIE GR, N, TP EUR100) with 20% of 2013 sales to the utilities industry

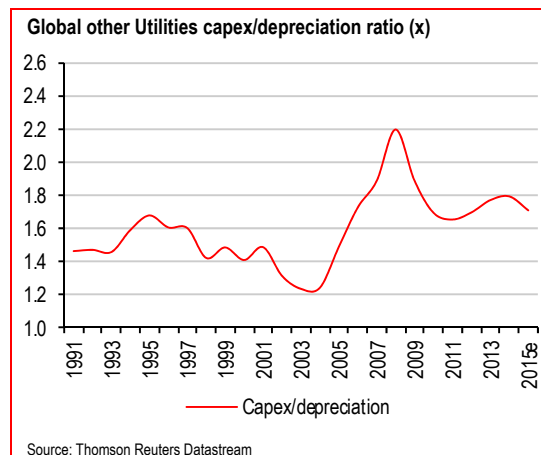
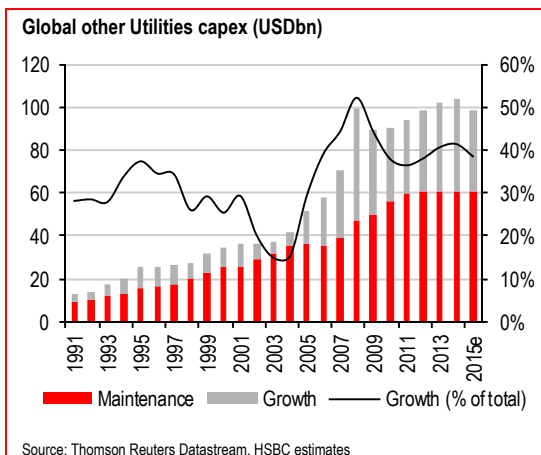
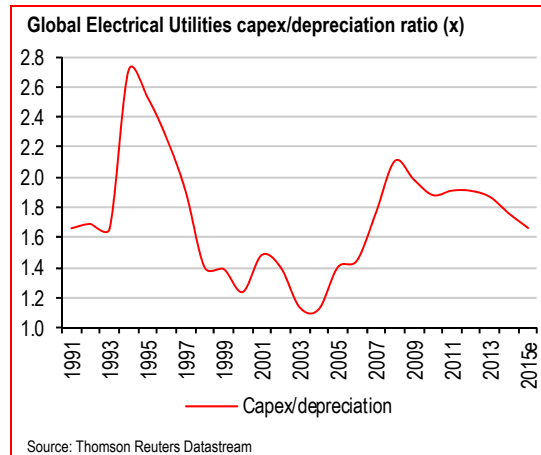
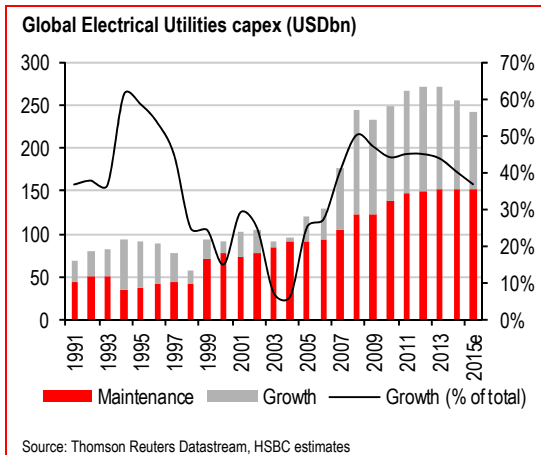
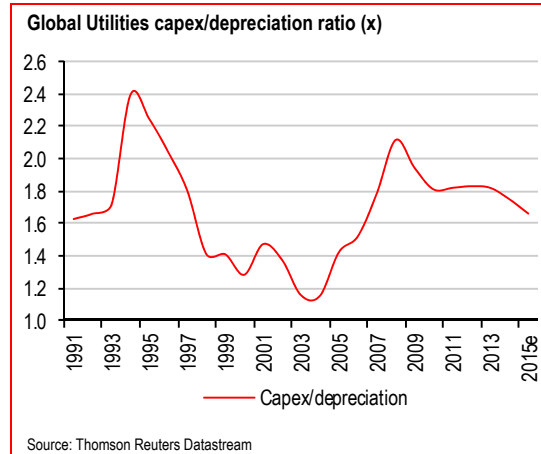
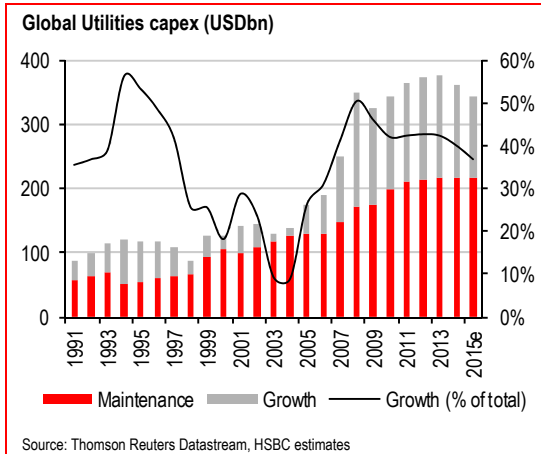
Valuation: Our target price of EUR100 is based on LT CROIC of 7% and target MACC of 7.9%, equating to exit (2015e) PE of 14.7x and EV/EBITDA of 9.7x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for eurozone stocks of 9.5%. At the time we set our target price, it implied a potential return that was within the Neutral band of our model; therefore, we rate the

stock Neutral. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

A key upside risk is much better margin progression and a more comprehensive portfolio adjustment; the key downside risks are further charges, a further delay in the realisation of restructuring benefits and pricing pressure over and above the assumption of 2-3%.

Utilities capex charts



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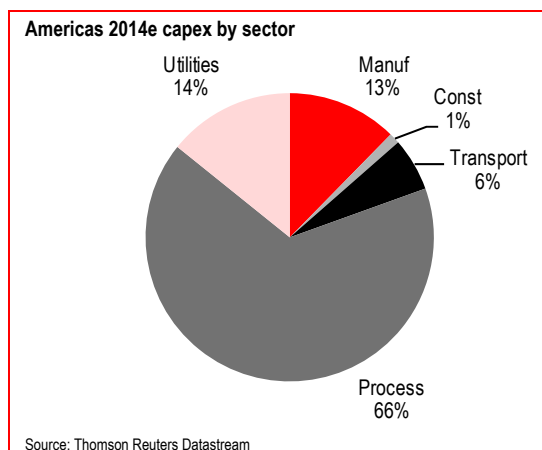
Capex by region

Regional analysis

- ▶ Pre-salt and shale drive capex in the Americas to record levels
- ▶ Asia Pacific is feeling the heat, led by China
- ▶ EMEA is showing signs of recovery

Oil & Gas capex keeps America flat

Capex in Americas has enjoyed a 20-year CAGR of 9.5%, primarily driven by strong growth in Process and Utilities capex, offset somewhat by lower growth in Transport and Manufacturing capex. Capex in the Americas (2014e capex of 1.84x depreciation versus a 20-year average of 1.49x) is now levelling off as the short cycle recovery in manufacturing capex is offset by a decline in Oil & Gas capex.



The Oil & Gas industry accounts for over half – some 53% – of all 2014e listed Americas capex, which is now expected to decline modestly. We highlight Schneider Electric (25% of 2013 sales in the Americas) and Assa Abloy (25%) as potential winners from the short-cycle recovery in the region.

Schneider Electric (SU FP, OW, TP EUR78)

Valuation: Our target price of EUR78 is based on a target MACC of 8.4% and through-cycle cash-ROIC of 9.5%, equating to an exit (2015e) PE of 14.8x and 2015e exit EV/EBITDA of 10.6x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5ppt above and below the hurdle rate for eurozone stocks of 9.5%. Our target price implies a potential return of 19.8%, which is above the Neutral band of our model; therefore, we reiterate our OW rating on Schneider Electric. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Downside risks include: weak recovery in the North American market and a steeper decline in construction markets in DM than expected; an increase in raw materials and a simultaneous reduction in pricing power; a dramatic reduction in energy costs, which could increase payback times for energy-efficiency solutions and a decrease in legislative focus on energy efficiency, which would remove a powerful driver; supply chain risk – Schneider has previously endured component bottlenecks, which can hinder specific product lines; and M&A risk – Schneider may not be able to execute the smaller transactions it has planned – execution and integration associated with larger transactions.

Assa Abloy (ASSAB SS, N, TP SEK360)

Valuation: Our target price of SEK360 is based on target MACC of 6.5% and through-cycle cash-ROIC of 10.0%, equating to exit (2015e) PE of 16.9x and 2015e exit EV/EBITDA of 11.8x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for Swedish stocks of 10.0%. At the time we set our target price, it implied a potential return within the Neutral band of our model; therefore, we reiterate our N rating on Assa Abloy. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Key upside risks include: Improvement in market environment in EMEA, easing of current market environment enabling more M&A activity for the company. Key downside risks include: further increases in market concerns about global economic growth, resulting in a sector-wide sell-off for industrials; any significant slowdown in 2014e from the strong organic revenue growth that ASSA enjoyed in the US in H1; any perceived deterioration in the company's secular growth story in electromechanical locks; and any execution problems in ongoing restructuring programmes.

Asia Pacific is feeling the heat, led by China

Capex in Asia Pacific has grown at the slowest pace at a 20-year CAGR of 8.0%, due to slow growth (among the three regions) in Utilities capex and the lower importance of the fast growing Oil & Gas investment offset somewhat by the strongest growth in Manufacturing, Construction and Transport capex. If this sounds surprising, remember that the strength of Chinese capex growth during this period has been offset in aggregate USD terms by the weakness of Japanese capex growth. In 'Global Economics Quarterly: The costs of monetary addiction', published on 20 March 2014, the HSBC

economics team concludes that external demand for Chinese exports, especially from the developed world, should improve in the rest of the year and the main reform measures, such as taxation reforms and lowering entry barriers, can revitalise private investment, despite some reforms causing short-term pain. Based on consensus estimates, the aggregate capex for Asia Pacific will fall 8% to USD835bn, at 2014e capex of 1.63x depreciation versus a 20-year average of 1.57x. Consensus expects the biggest declines in Construction, Utilities and Transport capex. We highlight Alfa Laval (35% of 2013 sales in Asia-Pacific) and Kone (35%) as potential losers from slower Asia Pacific capex growth.

Alfa Laval (ALFA SS, N, TP SEK185)

Valuation: Our target price of SEK185 is driven by a target MACC of 7.5% and through-cycle cash-ROIC of 12.7%, equating to an exit (2015e) PE of 21.3x and EV/EBITDA of 12.6x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for Swedish stocks of 10%. At the time we set our target price, it implied a potential return within the Neutral band of our model; therefore, we reiterate our N rating on Alfa Laval. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Key upside risks to our Neutral rating include: 1) a stronger-than-expected recovery in orders in 2014; and 2) any further stake increase by Rausing or the Wallenberg family could have a positive impact on the stock. Key downside risks include: 1) a slower-than-expected recovery in orders in 2014; 2) any further strengthening of the SEK; and 3) pricing may weaken should slowing growth be further negative for raw material prices (Alfa Laval has in the past successfully passed on cost increases).

Kone (KNEBV FH, N, TP EUR35)

Valuation: Our target price of EUR35 is based on a target MACC of 4.3% and through-cycle cash-ROIC of 16.0%, equating to an exit (2015e) PE of 20.7x and EV/EBITDA of 12.1x

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for eurozone stocks of 9.5%. Our target price implies a potential return of 11.8%, which is within the Neutral band of our model; therefore, we reiterate our N rating on Kone. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Key upside risks include: stronger growth in China and North America; and moderation of competition and pricing pressure in services business. Key downside risks include: lower growth in the Chinese market may lead to more intense price competition; and Kone, like some of its peers, has been fined for price fixing – a further fine would be very detrimental.

EMEA showing signs of recovery

Capex in EMEA has experienced a 20-year CAGR of 9.0%, again driven by strong growth in Process and Utilities capex, offset somewhat by lower growth in Manufacturing capex. We expect EMEA capex to rise by 4% in 2014e, and at 1.62x depreciation, it is 15% above its 20-year average 1.41x.

Strong growth is expected in Manufacturing, Transport and Construction capex at 26%, 17% and 8% respectively. We highlight IMI (45% of 2013 sales in Europe) and SKF (also 45%) as potential winners from the short-cycle recovery in the region.

IMI (IMI LN, Neutral, TP 1,620p)

Valuation: Our target price of GBP1,620 is based on target MACC of 7.0% and through-cycle cash-

ROIC of 12.0%, equating to an exit (2015e) PE of 16.5x and EV/EBITDA of 12.3x.

Under our research model, for stocks without a volatility indicator, the Neutral band is 5 percentage points above and below the hurdle rate for UK stocks of 8.0%. Our target price implies a potential return of 6.3%, which is within the Neutral band of our model; therefore, we reiterate our N rating on IMI. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Key upside risks include: better-than-expected truck pre-buy volumes in H2; and more large order wins in the Severe Service division. Key downside risks include: setbacks in LNG infrastructure and oil pipeline spending projects in North America; a slower-than-expected recovery in global industrial production; and M&A risk – rising acquisition multiples.

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SKF (SKFB SS, OW, TP SEK205)

Valuation: We value SKF using our proprietary methodology, the market-assessed cost of capital (MACC) analysis. This is essentially a reverse DCF, although the model is driven by a through-cycle cash-ROIC assumption.

Our target price of SEK205 is driven by a target MACC of 9.1% and through-cycle cash-ROIC of 10.0%, equating to an exit (2015e) PE of 13.2x and EV/EBITDA of 8.6x.

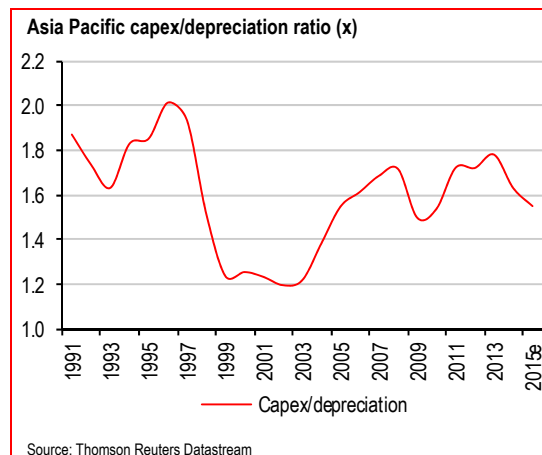
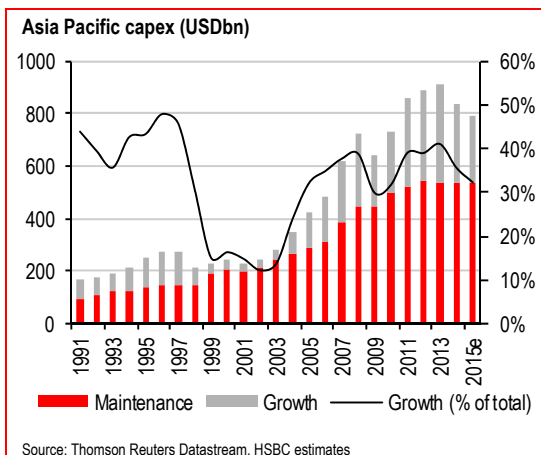
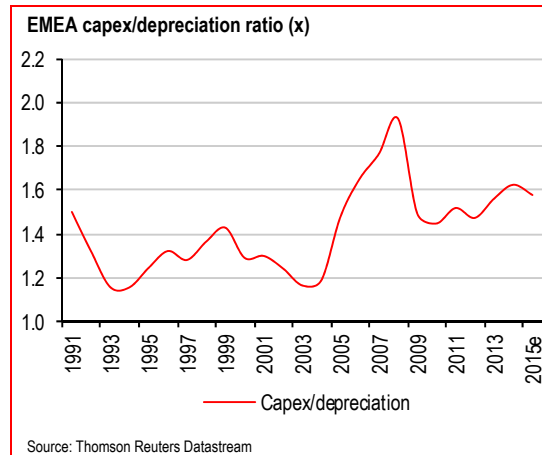
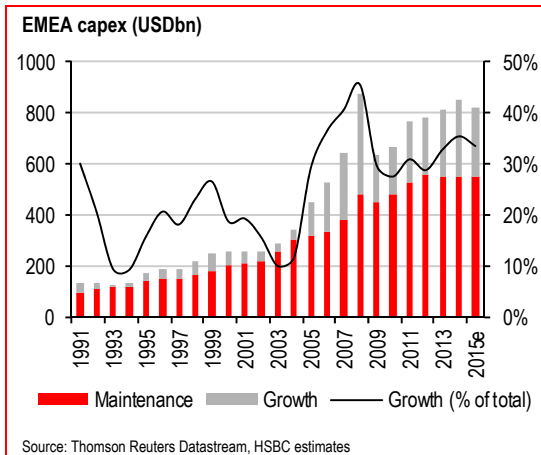
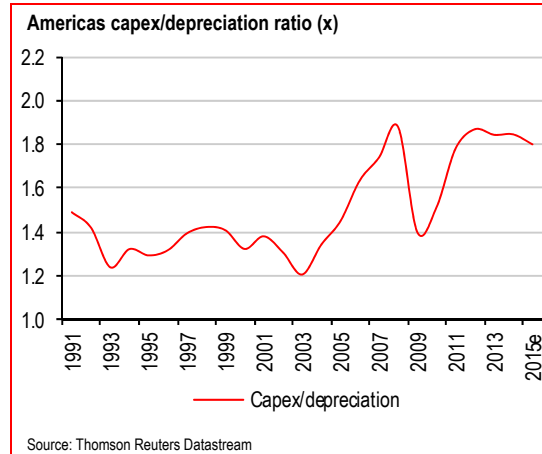
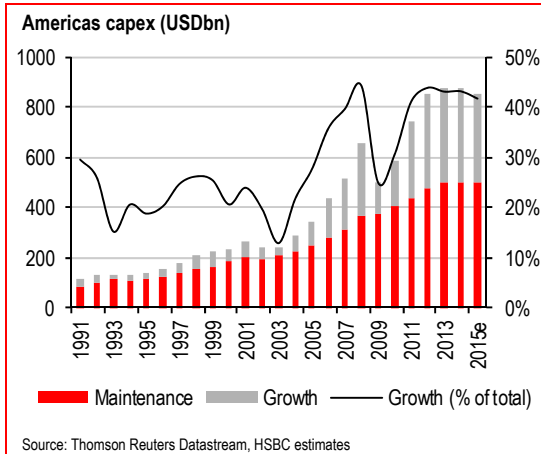
Under our research model, for stocks without a volatility indicator, the Neutral band is 5ppt above and below the hurdle rate for Swedish stocks of 10.0%. Our target price implies a potential return

¹ *Employed by a non-US affiliate of HSBC Securities (USA) Inc, and is not registered/qualified pursuant to FINRA regulations.*

of 21.7%, which is above the Neutral band of our model; therefore, we are reiterating our OW rating on SKF. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Key downside risks to our Overweight rating include: 1) downgrades to automotive production; 2) further delays to the hoped-for recovery in industrial demand; and 3) penalties as a result of the ongoing antitrust investigation into SKF's automotive bearings unit.

Capex by region



Appendix 1: Tables

Manufacturing capex by subsectors and region USDbn

Manufacturing Capex	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014e	2015e	CAGR (1991-2015e)
Capital Goods & Others																										
Americas	17.5	18.1	18.1	22.2	22.4	26.7	30.7	34.6	40.7	40.9	41.0	35.8	32.1	37.6	42.5	50.4	54.9	57.8	38.7	43.7	56.4	63.6	62.8	59.8	61.2	5.3%
EMEA	13.2	14.8	11.8	13.6	20.1	21.0	20.4	22.5	23.2	26.0	23.6	18.4	21.2	25.8	30.6	33.5	44.7	52.1	36.1	36.4	40.2	38.3	35.9	43.1	42.6	5.0%
Asia Pacific	30.0	28.8	30.6	35.6	41.6	47.0	45.2	41.3	41.0	46.8	43.5	42.3	50.9	63.8	72.6	84.7	108.6	130.2	96.4	109.8	133.0	125.1	119.6	118.8	112.5	5.7%
Total	61.9	62.4	60.9	71.9	84.9	95.7	97.4	99.4	105.8	114.4	108.6	96.8	104.8	127.8	146.8	170.1	210.0	242.4	172.7	191.9	231.9	229.8	221.2	224.5	219.7	5.4%
<i>y-o-y change</i>	9%	1%	-2%	18%	18%	13%	2%	2%	6%	8%	-5%	-11%	8%	22%	15%	16%	23%	15%	-29%	11%	21%	-1%	-4%	1%	-2%	
Autos																										
Americas	7.8	7.7	9.2	12.7	12.8	12.6	14.2	15.0	14.8	15.0	12.6	13.1	13.7	13.4	14.1	13.4	13.2	13.6	14.6	14.3	20.1	25.1	26.4	25.1	27.3	5.4%
EMEA	16.7	17.8	17.7	18.0	23.5	28.6	28.8	49.2	66.8	67.8	52.8	56.4	71.3	84.4	83.9	72.5	85.3	44.9	48.8	48.8	58.5	59.2	80.0	79.2	79.2	6.7%
Asia Pacific	23.6	23.5	22.3	22.9	26.7	30.8	34.3	33.4	37.1	36.8	37.6	41.4	44.1	53.2	65.8	64.3	73.5	76.5	51.6	55.1	70.3	79.8	78.7	78.3	76.3	5.0%
Total	48.1	48.9	49.4	53.7	63.1	72.2	77.5	97.9	118.8	119.6	103.1	105.1	114.4	138.0	164.5	162.0	159.5	176.0	111.3	118.6	139.8	164.0	165.1	181.8	181.7	5.7%
<i>y-o-y change</i>	0%	2%	1%	9%	18%	14%	7%	26%	21%	1%	-14%	2%	9%	21%	19%	-2%	-1%	10%	-37%	7%	18%	17%	1%	10%	0%	
Consumer Goods																										
Americas	4.6	5.4	6.1	5.7	6.7	7.0	8.0	9.0	9.2	9.3	7.8	6.9	7.4	8.0	9.2	10.5	11.5	12.0	10.0	11.3	13.7	14.6	15.3	22.8	21.9	6.7%
EMEA	4.5	4.0	3.5	3.6	5.3	6.0	5.9	6.0	6.4	6.2	6.3	5.7	6.7	8.8	10.9	11.3	13.4	16.3	10.3	12.8	15.9	16.0	18.2	20.1	21.0	6.7%
Asia Pacific	14.2	12.7	11.8	15.2	19.0	19.5	20.1	16.1	17.6	21.8	19.5	17.9	26.2	37.5	43.1	44.4	48.2	53.2	38.0	53.7	62.0	57.3	58.1	58.5	57.8	6.0%
Total	23.5	22.5	21.7	24.7	31.2	32.8	34.2	31.3	33.7	37.9	34.2	31.1	40.8	54.9	64.3	67.3	74.8	83.1	59.6	79.4	101.1	89.5	93.5	104.3	103.7	6.4%
<i>y-o-y change</i>	10%	-5%	-3%	14%	26%	5%	4%	-8%	7%	13%	-10%	-9%	31%	35%	17%	5%	11%	11%	-28%	33%	27%	-11%	4%	12%	-1%	
Manufacturing Total																										
Americas	29.9	31.1	33.4	40.5	42.0	46.4	52.9	58.6	64.8	65.3	61.4	55.8	53.2	59.0	65.8	74.3	79.5	83.5	63.3	69.3	90.2	103.3	104.5	107.7	110.4	5.6%
EMEA	34.3	36.6	33.0	35.2	48.9	55.6	55.0	77.7	96.5	100.0	82.7	74.7	84.3	105.9	125.9	128.7	130.6	153.7	91.3	98.0	104.9	112.8	113.3	143.2	142.8	6.1%
Asia Pacific	67.9	65.0	64.7	73.8	87.2	97.4	99.7	90.8	95.7	105.4	100.7	101.6	121.2	154.5	181.5	193.4	230.3	259.8	186.0	218.7	265.2	262.3	256.4	255.6	246.7	5.5%
Total	133.5	133.8	132.0	150.3	179.2	200.6	209.1	228.6	258.3	272.0	245.9	233.0	259.9	320.7	375.5	399.4	444.3	501.5	343.5	389.9	472.8	483.3	479.8	510.5	505.1	5.7%
<i>y-o-y change</i>	21%	0%	-1%	14%	19%	12%	4%	9%	13%	5%	-10%	-5%	12%	23%	17%	6%	11%	13%	-31%	13%	21%	2%	-1%	6%	-1%	

Source: Thomson Reuters Datastream

Manufacturing capex/depreciation by subsectors and region

Manufacturing Capex/depreciation	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014e	2015e
Capital Goods & Others																									
Americas	1.32	1.24	1.14	1.30	1.24	1.34	1.35	1.25	1.32	1.20	1.15	1.14	0.98	1.05	1.16	1.31	1.23	1.15	0.77	0.87	1.10	1.14	1.08	1.03	1.05
EMEA	1.21	1.19	0.97	1.06	1.25	1.30	1.25	1.21	1.14	1.13	0.99	0.84	0.86	0.91	1.11	1.28	1.45	1.37	1.01	0.96	1.01	0.97	0.91	1.10	1.08
Asia Pacific	1.77	1.50	1.39	1.40	1.44	1.68	1.64	1.42	1.16	1.32	1.24	1.13	1.15	1.29	1.37	1.50	1.56	1.68	1.32	1.47	1.70	1.60	1.55	1.54	1.46
Total	1.49	1.34	1.21	1.29	1.34	1.48	1.45	1.31	1.21	1.22	1.13	1.06	1.02	1.11	1.24	1.39	1.43	1.44	1.07	1.16	1.35	1.30	1.25	1.26	1.24
Autos																									
Americas	1.04	0.88	0.96	1.12	0.89	0.81	0.84	0.82	0.78	0.71	0.59	0.65	0.70	0.72	0.72	0.61	0.69	0.71	0.59	0.78	1.07	1.39	1.40	1.33	1.45
EMEA	1.30	0.90	0.83	0.82	0.89	1.12	1.09	1.77	2.15	1.78	1.60	1.52	1.46	1.51	1.63	1.63	1.40	1.37	0.83	0.92	0.84	0.93	1.11	1.50	1.49
Asia Pacific	1.88	1.60	1.34	1.18	1.24	1.56	1.60	1.56	1.35	1.36	1.45	1.44	1.33	1.45	1.62	1.39	1.26	1.14	0.79	0.82	1.11	1.32	1.33	1.33	1.29
Total	1.46	1.14	1.04	1.02	1.01	1.18	1.20	1.45	1.53	1.38	1.28	1.28	1.25	1.35	1.47	1.35	1.23	1.18	0.77	0.85	1.00	1.16	1.26	1.38	1.38
Consumer Goods																									
Americas	1.49	1.50	1.46	1.40	1.44	1.34	1.40	1.35	1.18	1.13	0.93	0.91	0.93	0.94	1.00	0.99	1.02	1.01	0.85	0.94	1.07	1.12	1.15	1.71	1.64
EMEA	1.45	1.22	0.99	1.01	1.16	1.09	1.04	1.10	1.10	0.95	0.89	0.85	0.85	0.96	1.27	1.33	1.34	1.35	0.90	1.07	1.23	1.09	1.26	1.39	1.46
Asia Pacific	1.50	1.10	0.94	1.07	1.22	1.22	1.22	1.02	1.02	1.15	1.05	0.93	1.13	1.40	1.45	1.35	1.23	1.24	0.95	1.27	1.38	1.09	1.10	1.10	1.09
Total	1.49	1.21	1.06	1.13	1.25	1.22	1.22	1.11	1.08	1.11	0.99	0.91	1.03	1.22	1.33	1.27	1.22	1.22	0.93	1.17	1.37	1.07	1.12	1.25	1.24
Manufacturing Total																									
Americas	1.25	1.16	1.13	1.25	1.13	1.14	1.17	1.11	1.12	1.02	0.94	0.94	0.88	0.94	1.01	1.04	1.06	1.02	0.73	0.86	1.09	1.19	1.16	1.19	1.22
EMEA	1.28	1.03	0.89	0.92	1.04	1.18	1.14	1.50	1.68	1.47	1.29	1.21	1.19	1.25	1.43	1.49	1.41	1.37	0.90	0.95	0.95	0.96	1.06	1.34	1.34
Asia Pacific	1.74	1.43	1.26	1.25	1.33	1.53	1.52	1.37	1.19	1.29	1.26	1.19	1.21	1.37	1.47	1.43	1.38	1.39	1.04	1.18	1.42	1.37	1.36	1.35	1.30
Total	1.48	1.24	1.12	1.15	1.19	1.31	1.31	1.33	1.32	1.27	1.17	1.12	1.11	1.22	1.34	1.35	1.32	1.30	0.93	1.05	1.23	1.20	1.22	1.30	1.29

Source: Thomson Reuters Datastream

Construction capex by subsectors and region USDbn

Construction Capex	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014e	2015e	CAGR (1991-2015e)
Non-residential																										
Americas	0.3	0.7	0.5	0.7	0.6	0.8	1.0	1.4	1.1	0.9	0.6	0.5	0.6	0.7	1.0	1.6	2.2	3.0	2.0	1.9	3.1	3.1	4.2	3.9	3.8	10.5%
EMEA	3.6	3.9	2.7	2.8	4.7	4.0	3.7	3.8	7.3	7.3	7.4	6.8	6.6	8.1	16.0	46.3	27.1	34.1	27.4	21.7	21.4	20.4	19.7	22.5	22.4	7.9%
Asia Pacific	3.3	4.2	5.3	4.7	6.6	7.9	8.1	4.9	5.0	5.1	5.1	5.6	5.9	7.3	9.1	12.9	18.5	23.0	23.1	28.7	29.1	29.3	28.4	21.6	20.0	7.8%
Total	7.2	8.8	8.5	8.2	11.9	12.7	12.8	10.1	13.5	13.3	13.1	12.9	13.0	16.1	26.2	60.8	47.8	60.1	52.5	52.4	53.6	52.8	52.4	45.7	43.6	7.8%
<i>y-o-y change</i>	22%	22%	-3%	-4%	45%	7%	1%	-21%	34%	-1%	-1%	-2%	1%	24%	62%	132%	-21%	26%	-13%	0%	2%	-2%	-1%	-13%	-5%	
Building Materials																										
Americas	1.3	1.9	2.0	2.5	2.6	2.7	3.2	4.0	4.0	4.5	3.5	3.1	3.1	4.5	5.1	7.5	7.9	8.0	3.7	4.0	5.1	5.0	6.0	6.2	5.9	6.4%
EMEA	4.2	4.0	4.0	4.3	5.9	6.6	7.0	8.2	8.6	8.8	8.2	6.8	7.9	10.4	15.1	16.3	22.7	31.2	18.7	15.9	16.9	14.8	16.7	17.2	16.9	5.9%
Asia Pacific	4.6	4.7	4.0	5.2	8.8	12.9	12.3	6.6	5.5	6.3	6.0	5.7	6.9	9.4	11.0	13.1	17.4	21.4	19.5	22.2	25.5	24.0	27.7	23.0	21.8	6.7%
Total	10.1	10.6	9.9	12.0	17.4	22.1	22.5	18.9	18.1	19.5	17.7	15.6	17.9	24.4	31.2	36.9	48.0	60.6	41.9	42.1	47.5	43.8	50.4	46.7	44.9	6.4%
<i>y-o-y change</i>	7%	4%	-6%	21%	45%	27%	2%	-16%	-4%	8%	-9%	-12%	15%	36%	28%	19%	30%	26%	-31%	0%	13%	-8%	15%	-7%	-4%	
Residential																										
Americas	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.3	0.5	0.6	0.7	0.6	0.5	0.3	0.2	0.3	0.4	0.3	0.3	0.4	0.4	11.6%
EMEA	0.3	0.1	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.3	0.7	0.5	1.6	1.2	0.5	0.3	0.5	0.4	0.5	0.8	0.7	3.8%
Asia Pacific	0.9	1.5	1.4	1.6	1.5	1.4	1.4	1.2	1.1	1.0	1.0	0.9	1.0	1.4	1.9	2.2	2.3	2.7	2.2	1.8	2.2	2.4	2.5	2.9	3.0	5.2%
Total	1.2	1.7	1.6	1.9	1.7	1.7	1.8	1.5	1.5	1.5	1.4	1.4	1.8	2.4	3.4	3.4	4.5	4.3	3.0	2.6	3.2	3.2	3.4	3.9	4.0	5.1%
<i>y-o-y change</i>	37%	40%	-4%	18%	-10%	0%	6%	-16%	-3%	4%	-5%	0%	23%	35%	43%	-1%	32%	-3%	-31%	-14%	25%	-1%	6%	16%	2%	
Construction Total																										
Americas	1.7	2.6	2.5	3.2	3.4	3.5	4.3	5.5	5.2	5.5	4.3	3.8	4.1	5.8	6.9	9.7	10.6	11.3	5.9	6.3	8.6	8.4	10.4	10.4	10.0	7.7%
EMEA	8.1	8.0	6.8	7.2	10.7	10.8	11.0	12.2	16.2	16.4	15.8	13.8	14.8	18.8	31.9	63.1	51.4	66.4	46.6	38.0	38.8	35.5	37.8	40.8	40.2	6.9%
Asia Pacific	8.8	10.5	10.7	11.6	16.9	22.2	21.9	12.7	11.7	12.5	12.1	12.3	13.8	18.2	21.9	28.2	38.1	47.1	44.9	52.7	56.8	55.7	58.6	47.3	44.5	7.0%
Total	18.6	21.1	20.1	22.1	31.0	36.5	37.2	30.5	33.1	34.4	33.6	32.1	35.4	45.4	63.2	103.4	101.9	127.0	99.2	98.7	106.1	101.6	109.0	99.1	95.2	7.0%
<i>y-o-y change</i>	14%	13%	-5%	10%	41%	18%	2%	-18%	8%	4%	-2%	-5%	10%	28%	39%	64%	-1%	25%	-22%	-1%	8%	-4%	7%	-9%	-4%	

Source: Thomson Reuters Datastream

Construction capex/depreciation by subsectors and region

Construction Capex/depreciation	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014e	2015e
Non-residential																									
Americas	1.59	1.61	1.21	1.39	1.39	1.32	1.47	1.74	1.24	0.93	0.83	0.86	0.91	0.93	1.27	1.54	1.76	1.78	1.17	0.99	1.44	1.33	1.67	1.54	1.50
EMEA	1.68	1.54	1.09	1.12	1.46	1.29	1.19	1.27	2.01	1.81	1.83	1.45	1.06	1.08	2.04	4.66	1.96	1.94	1.74	1.31	1.24	1.14	1.13	1.28	1.28
Asia Pacific	1.15	1.31	1.45	1.20	1.35	1.61	1.70	1.06	0.99	0.96	1.00	1.09	1.14	1.33	1.58	2.07	2.50	2.51	2.31	2.39	2.33	2.18	2.09	1.59	1.47
Total	1.39	1.43	1.30	1.18	1.40	1.47	1.50	1.20	1.40	1.29	1.33	1.24	1.09	1.17	1.81	3.54	2.12	2.12	1.91	1.72	1.68	1.57	1.56	1.36	1.30
Building Materials																									
Americas	0.99	1.33	1.41	1.59	1.47	1.31	1.39	1.62	1.39	1.42	0.97	0.84	0.80	1.15	1.11	1.46	1.33	1.19	0.61	0.62	0.77	0.76	0.90	0.93	0.89
EMEA	1.27	1.14	0.99	0.93	1.17	1.13	1.20	1.40	1.18	1.15	1.08	0.87	0.86	1.00	1.39	1.48	1.78	1.94	1.30	1.04	1.08	0.88	1.03	1.05	1.04
Asia Pacific	2.82	2.36	1.59	1.87	2.05	2.33	2.24	1.27	0.86	1.01	1.03	0.95	1.07	1.38	1.52	1.67	1.88	1.99	1.78	1.80	1.90	1.67	1.96	1.63	1.54
Total	1.61	1.53	1.26	1.34	1.56	1.65	1.65	1.39	1.09	1.15	1.04	0.89	0.92	1.15	1.37	1.54	1.72	1.80	1.33	1.24	1.33	1.16	1.36	1.26	1.21
Residential																									
Americas	0.41	0.43	0.66	1.15	0.85	0.79	1.28	0.89	0.69	0.64	0.57	0.93	1.39	1.40	1.69	1.06	0.73	0.61	0.53	0.93	0.99	0.74	0.81	0.97	0.99
EMEA	5.61	1.80	1.99	2.67	1.46	2.84	2.05	1.64	1.63	2.24	1.43	1.42	1.59	1.48	4.18	3.11	8.90	5.04	3.08	2.21	4.18	2.62	3.60	6.20	5.00
Asia Pacific	2.17	2.59	1.95	1.69	1.56	1.53	1.56	1.21	0.96	0.95	1.05	1.05	1.10	1.37	2.04	2.54	2.02	1.99	1.49	1.08	1.32	1.56	1.68	1.90	1.96
Total	2.11	2.14	1.77	1.63	1.44	1.50	1.53	1.18	0.95	1.00	0.98	1.06	1.21	1.38	2.13	2.03	2.16	1.97	1.40	1.12	1.40	1.44	1.57	1.83	1.86
Construction Total																									
Americas	1.04	1.35	1.34	1.52	1.43	1.29	1.40	1.61	1.32	1.27	0.92	0.84	0.86	1.13	1.18	1.44	1.35	1.27	0.72	0.72	0.94	0.91	1.09	1.09	1.05
EMEA	1.47	1.31	1.04	1.01	1.29	1.20	1.21	1.36	1.46	1.39	1.34	1.09	0.95	1.04	1.68	2.99	1.92	1.96	1.54	1.19	1.17	1.02	1.11	1.20	1.18
Asia Pacific	1.79	1.80	1.56	1.50	1.67	1.96	1.96	1.18	0.92	0.99	1.02	1.02	1.10	1.36	1.58	1.89	2.15	2.21	1.99	2.03	2.06	1.90	2.00	1.62	1.52
Total	1.54	1.52	1.30	1.29	1.49	1.58	1.59	1.31	1.19	1.19	1.18	1.09	1.07	1.23	1.62	2.39	1.90	1.94	1.60	1.45	1.49	1.36	1.46	1.33	1.28

Source: Thomson Reuters Datastream

Transport capex by subsectors and region USDbn

Transport capex	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014e	2015e	CAGR (1991-2015e)
Trucking & Others																										
Americas	4.1	2.8	3.1	5.7	6.9	6.3	6.3	6.9	7.2	7.7	6.6	5.7	5.9	8.2	10.2	14.1	15.4	14.9	10.4	14.6	20.0	21.8	21.6	22.9	22.7	7.4%
EMEA	2.6	3.1	2.3	3.3	3.0	3.0	3.9	5.0	5.8	5.2	5.5	5.4	6.6	8.1	13.1	11.2	17.9	17.3	12.4	10.7	10.8	11.1	14.5	15.2	14.1	7.3%
Asia Pacific	2.7	3.5	4.0	4.0	4.7	5.0	6.0	5.6	5.1	4.7	4.2	4.5	6.5	8.4	9.5	9.7	13.5	14.7	12.1	13.8	15.3	19.3	18.4	17.3	8.0%	
Total	9.5	9.5	9.3	13.0	14.6	14.4	16.2	17.6	18.1	17.6	16.2	15.6	19.0	24.7	32.9	34.9	46.8	46.9	34.9	39.1	46.1	48.1	55.3	56.5	54.1	7.5%
<i>y-o-y change</i>	9%	0%	-2%	39%	12%	-2%	13%	8%	3%	-3%	-8%	-4%	22%	30%	33%	6%	34%	0%	-26%	12%	18%	4%	15%	2%	-4%	
Airlines																										
Americas	5.5	6.9	4.1	3.5	3.1	4.1	6.6	7.8	8.0	9.4	7.4	3.8	5.2	4.7	6.3	6.9	8.7	6.8	4.6	5.2	7.1	11.5	12.6	12.4	13.2	3.7%
EMEA	2.5	2.8	2.6	1.3	1.9	2.0	2.1	2.9	3.0	4.8	4.9	3.5	4.2	6.3	7.6	9.4	10.9	11.9	10.8	10.7	12.3	10.1	12.3	15.2	16.3	8.2%
Asia Pacific	5.2	5.7	5.4	5.4	5.3	6.8	7.0	6.3	5.4	6.0	6.3	8.7	10.4	11.7	13.0	12.5	16.5	16.1	14.0	16.4	23.5	24.0	22.4	21.8	20.3	5.8%
Total	13.2	15.5	12.1	10.2	10.3	12.9	15.7	17.0	16.4	20.2	18.7	16.0	19.7	22.8	26.9	28.9	36.1	34.9	29.4	32.3	42.9	45.7	47.5	49.8	50.2	5.7%
<i>y-o-y change</i>	14%	18%	-22%	-15%	0%	25%	21%	9%	-4%	23%	-7%	-15%	24%	15%	18%	7%	25%	-3%	-16%	10%	33%	7%	4%	5%	1%	
Shipping																										
Americas	0.5	0.5	0.5	0.4	0.6	0.6	0.4	0.5	0.6	0.4	0.9	1.2	1.3	2.2	6.0	5.0	8.6	8.8	5.0	9.4	8.6	3.1	5.6	4.5	4.0	9.3%
EMEA	0.8	0.6	0.8	0.8	1.4	1.6	1.9	2.3	1.9	2.4	5.1	4.6	4.6	6.3	11.1	14.1	19.4	26.8	15.9	11.6	13.9	12.9	10.2	12.9	12.4	12.3%
Asia Pacific	1.9	2.5	2.7	2.2	3.9	4.9	5.0	5.0	3.7	5.5	4.4	5.0	6.5	9.6	11.3	13.6	24.4	27.5	19.0	24.0	26.0	22.5	20.7	14.5	12.4	8.2%
Total	3.1	3.6	3.9	3.4	5.8	7.1	7.3	7.8	6.1	8.3	10.5	10.7	12.5	18.1	28.5	32.9	52.8	63.5	40.2	45.5	48.9	38.9	35.5	31.4	28.5	9.7%
<i>y-o-y change</i>	-12%	14%	10%	-13%	72%	22%	3%	7%	-22%	35%	27%	3%	17%	45%	57%	15%	60%	20%	-37%	13%	7%	-21%	-9%	-12%	-9%	
Railroads																										
Americas	3.0	3.8	3.5	3.9	3.2	3.8	4.6	5.0	4.9	4.5	4.3	4.5	4.5	5.5	6.7	7.3	8.4	9.4	7.6	9.0	11.7	12.8	12.4	12.5	13.0	6.3%
EMEA	3.1	2.0	1.4	0.7	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.2	0.2	0.4	0.6	0.4	0.4	0.4	-8.6%
Asia Pacific	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.6	0.7	0.9	0.9	1.0	0.5	1.2	2.6	1.4	2.0	1.9	1.7	1.6	1.4	11.2%
Total	6.3	5.9	5.1	4.8	3.6	4.2	5.0	5.5	5.4	5.0	4.9	5.1	5.3	6.4	7.7	8.5	9.2	11.0	10.5	10.6	14.1	15.4	14.6	14.6	14.9	3.7%
<i>y-o-y change</i>	0%	-5%	-14%	-7%	-24%	15%	21%	9%	-1%	-9%	-2%	6%	3%	22%	20%	10%	8%	20%	-5%	1%	33%	9%	-5%	0%	2%	
Transport Total																										
Americas	13.1	14.0	11.1	13.6	13.8	14.9	17.9	20.3	20.7	22.0	19.2	15.2	17.0	20.7	29.3	33.4	41.2	39.9	27.7	38.1	47.4	49.2	52.2	52.2	52.9	6.0%
EMEA	9.0	8.6	7.0	6.1	6.3	6.6	8.0	10.3	10.8	12.5	15.6	13.6	15.5	20.8	32.0	34.8	48.3	56.3	39.3	33.2	37.4	34.8	37.3	43.8	43.2	6.8%
Asia Pacific	9.9	11.9	12.3	11.7	14.2	17.1	18.4	17.2	14.6	16.6	15.4	18.6	24.1	30.5	34.8	36.7	55.0	59.6	47.6	55.6	66.7	63.7	63.8	56.0	51.2	7.1%
Total	32.4	34.7	30.5	31.4	34.4	38.6	44.3	48.0	46.2	51.2	50.4	47.6	56.7	72.2	96.3	105.5	145.5	157.0	115.5	128.0	152.6	148.7	152.9	152.2	147.9	6.5%
<i>y-o-y change</i>	7%	7%	-12%	3%	10%	12%	15%	8%	-4%	11%	-1%	-6%	19%	27%	33%	10%	38%	8%	-26%	11%	19%	-3%	3%	0%	-3%	

Source: Thomson Reuters Datastream

Transport capex/depreciation by subsectors and region

Transport capex/depreciation	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014e	2015e
Trucking & Others																									
Americas	1.88	1.27	1.32	1.65	1.79	1.55	1.92	1.93	1.83	1.75	1.30	1.11	1.14	1.49	1.36	1.71	1.75	1.51	1.08	1.53	1.91	1.90	1.86	1.97	1.95
EMEA	3.29	2.89	2.05	1.72	1.49	1.10	1.46	2.02	2.01	1.67	1.65	1.46	1.25	1.20	2.09	1.60	2.06	1.54	1.27	1.10	1.05	1.05	1.35	1.42	1.31
Asia Pacific	2.13	2.15	2.05	1.73	1.80	1.88	2.22	2.03	1.59	1.44	1.34	1.37	1.75	1.99	2.10	1.86	2.00	1.88	1.52	1.48	1.49	1.45	1.83	1.74	1.64
Total	2.22	1.92	1.73	1.69	1.73	1.51	1.87	1.99	1.80	1.63	1.41	1.29	1.34	1.50	1.79	1.71	1.93	1.62	1.27	1.37	1.48	1.48	1.68	1.71	1.64
Airlines																									
Americas	3.24	3.57	1.87	1.70	1.41	1.66	2.67	2.97	2.76	2.77	1.66	1.08	1.39	1.22	1.47	1.49	1.81	1.23	0.80	0.82	0.99	1.48	1.58	1.55	1.65
EMEA	2.15	1.73	1.45	0.76	0.91	1.07	1.25	1.56	1.35	1.96	1.55	1.26	1.09	1.44	1.46	1.90	1.84	1.73	1.41	1.37	1.36	1.12	1.37	1.71	1.83
Asia Pacific	1.95	1.96	1.61	1.37	1.35	1.86	1.87	1.74	1.45	1.49	1.52	1.72	1.79	1.84	1.78	1.53	1.63	1.47	1.26	1.31	1.78	1.73	1.61	1.57	1.46
Total	2.39	2.38	1.65	1.32	1.25	1.62	1.99	2.10	1.85	2.05	1.58	1.41	1.48	1.56	1.60	1.62	1.73	1.49	1.20	1.21	1.46	1.49	1.54	1.61	1.63
Shipping																									
Americas	2.07	1.94	1.58	1.44	1.99	1.69	0.91	1.36	1.51	0.87	1.30	1.53	1.49	2.57	5.41	3.90	5.20	3.70	2.04	3.38	2.75	0.95	1.72	1.37	1.23
EMEA	1.97	1.44	1.84	1.95	3.03	3.04	2.73	3.12	2.51	2.25	1.73	1.54	1.34	1.67	2.68	2.87	2.90	3.47	2.02	1.33	1.60	1.40	1.25	1.58	1.52
Asia Pacific	1.36	1.68	1.81	1.28	1.51	1.54	1.55	1.44	0.98	1.40	1.13	1.22	1.64	2.21	2.39	2.69	3.91	3.95	2.50	2.74	2.92	2.50	2.31	1.61	1.39
Total	1.56	1.66	1.78	1.40	1.76	1.75	1.69	1.70	1.26	1.52	1.38	1.37	1.50	2.02	2.83	2.91	3.60	3.69	2.23	2.22	2.34	1.79	1.73	1.53	1.39
Railroads																									
Americas	1.58	1.75	1.60	1.72	1.70	1.86	1.93	2.11	1.92	1.56	1.45	1.49	1.54	1.68	1.72	1.80	1.97	1.98	1.62	1.79	2.19	2.23	2.13	2.14	2.23
EMEA	17.52	24.87	18.24	3.14	0.45	0.32	0.32	0.44	0.56	0.71	0.93	0.43	0.44	0.44	0.36	0.44	0.81	0.82	0.68	0.67	0.93	1.73	1.03	1.04	0.97
Asia Pacific	0.80	0.99	1.40	1.19	1.47	1.44	1.67	1.75	1.84	1.90	2.18	2.86	3.33	4.28	4.56	3.24	1.74	2.66	4.63	1.47	1.67	1.45	1.26	1.19	1.04
Total	2.80	2.50	2.11	1.80	1.56	1.68	1.79	1.96	1.83	1.54	1.47	1.52	1.57	1.74	1.75	1.81	1.90	1.95	1.86	1.68	2.03	2.06	1.93	1.93	1.97
Transport Total																									
Americas	2.17	2.14	1.59	1.67	1.68	1.66	2.09	2.26	2.11	1.98	1.46	1.22	1.33	1.53	1.74	1.83	2.10	1.77	1.22	1.62	1.82	1.74	1.82	1.81	1.84
EMEA	3.56	2.67	2.07	1.42	1.33	1.24	1.52	1.95	1.79	1.84	1.63	1.41	1.21	1.38	2.00	2.03	2.25	2.15	1.53	1.25	1.32	1.19	1.32	1.55	1.53
Asia Pacific	1.82	1.92	1.77	1.45	1.52	1.76	1.86	1.72	1.34	1.45	1.35	1.49	1.76	2.02	2.07	1.96	2.35	2.27	1.75	1.76	1.99	1.83	1.83	1.61	1.47
Total	2.28	2.16	1.75	1.53	1.54	1.60	1.86	1.96	1.72	1.74	1.47	1.37	1.44	1.64	1.93	1.94	2.24	2.08	1.52	1.56	1.72	1.60	1.66	1.65	1.60

Source: Thomson Reuters Datastream

Process capex by subsectors and region USDbn

Process capex	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014e	2015e	CAGR (1991-2015e)	
Oil & Gas																											
Americas	37.6	42.5	44.4	37.2	40.5	44.8	55.3	60.8	55.7	61.1	80.7	77.8	86.2	104.8	141.1	199.1	245.1	345.5	250.0	310.1	391.6	458.3	475.3	475.2	461.4	11.0%	
EMEA	35.6	35.0	36.0	33.6	41.4	44.4	51.5	58.2	53.9	57.9	69.5	73.9	82.8	90.3	119.0	150.3	206.1	291.8	217.9	245.1	289.5	298.5	334.5	338.1	334.6	9.8%	
Asia Pacific	22.1	24.1	26.5	26.5	35.1	41.1	40.5	37.3	34.2	36.3	36.1	38.3	42.8	56.4	74.5	96.4	124.7	150.9	150.2	163.8	191.0	209.3	231.8	221.9	215.1	10.0%	
Total	95.9	102.0	108.2	97.7	117.2	130.6	147.8	156.8	144.2	155.6	187.2	190.6	212.1	251.8	335.7	447.6	578.2	791.9	621.0	723.1	877.7	971.1	1050.3	1044.5	1019.9	10.4%	
<i>y-o-y change</i>	14%	6%	6%	-10%	20%	11%	13%	6%	-8%	8%	20%	2%	11%	19%	33%	33%	29%	37%	-22%	16%	21%	11%	8%	-1%	-2%		
Metals & Mining																											
Americas	3.1	3.5	4.1	4.3	4.8	5.9	7.0	7.5	6.5	7.1	6.7	6.2	5.7	9.1	15.0	20.8	26.9	39.4	27.3	34.6	52.9	64.8	62.8	50.9	47.7	12.0%	
EMEA	5.2	4.7	4.2	5.0	7.0	8.2	8.3	9.3	10.2	11.9	14.1	15.6	17.4	23.0	31.4	40.3	52.8	79.9	54.1	63.1	92.3	102.8	96.5	89.3	75.2	11.8%	
Asia Pacific	11.7	12.1	13.0	12.4	18.2	21.1	20.8	17.2	14.6	11.8	14.0	15.7	19.9	28.7	38.8	46.6	63.4	80.5	75.8	83.1	103.8	118.0	120.4	95.7	89.7	8.9%	
Total	20.0	20.4	21.4	22.0	30.3	35.4	36.4	34.6	31.7	30.9	34.9	37.6	43.1	61.1	86.1	109.4	145.9	203.0	159.2	183.4	252.8	288.8	282.1	239.0	214.7	10.4%	
<i>y-o-y change</i>	29%	2%	5%	3%	38%	17%	3%	-5%	-8%	-2%	13%	8%	15%	42%	41%	27%	33%	39%	-22%	15%	38%	14%	-2%	-15%	-10%		
Food & Pharma																											
Americas	12.9	14.3	13.6	14.3	15.1	16.4	17.0	20.1	21.2	20.9	22.5	24.3	25.6	40.0	26.6	29.5	34.6	38.0	34.6	39.0	43.0	44.0	43.9	46.9	46.5	5.5%	
EMEA	10.4	11.0	12.9	13.2	15.4	19.7	15.9	15.5	18.8	17.8	18.3	18.5	20.9	28.1	31.6	34.4	45.0	54.1	39.3	40.3	47.3	49.0	51.7	56.7	55.5	7.2%	
Asia Pacific	6.6	7.4	9.9	10.5	12.9	14.5	14.9	10.7	10.7	12.5	12.8	13.5	15.2	17.9	21.9	23.1	27.6	33.7	33.4	41.4	53.4	59.9	58.8	52.3	48.6	8.7%	
Total	30.0	32.8	36.5	38.1	43.5	50.8	48.0	46.4	50.9	51.6	53.9	56.7	62.0	86.4	81.3	88.6	109.0	127.8	109.0	122.6	146.2	154.9	156.7	160.2	155.2	7.1%	
<i>y-o-y change</i>	19%	9%	11%	4%	14%	17%	-6%	-3%	10%	1%	4%	5%	9%	39%	-6%	9%	23%	17%	-15%	12%	19%	6%	1%	2%	-3%		
Paper																											
Americas	1.9	2.1	2.8	1.2	2.7	2.7	2.3	2.4	2.3	2.8	2.5	2.6	2.9	3.0	3.4	3.2	3.2	3.4	2.4	3.1	5.1	5.3	5.1	5.1	5.0	4.1%	
EMEA	1.6	2.1	1.5	2.1	3.4	4.3	3.2	3.8	3.4	4.8	3.5	2.8	3.6	4.8	6.4	4.2	5.0	7.0	4.3	3.2	3.1	3.6	3.5	4.1	3.9	3.9%	
Asia Pacific	1.5	1.1	1.7	1.5	3.8	4.9	5.9	3.6	3.1	2.8	2.5	2.3	2.6	3.3	4.1	5.3	7.1	8.0	6.1	7.4	7.6	6.7	6.4	5.5	5.1	5.4%	
Total	4.9	5.2	6.1	4.8	9.9	11.9	11.4	9.8	8.8	10.4	8.5	7.7	9.1	11.2	14.0	12.8	15.4	18.7	12.9	13.9	15.9	15.8	15.2	15.2	14.5	4.6%	
<i>y-o-y change</i>	-3%	6%	16%	-21%	106%	20%	-4%	-14%	-11%	19%	-18%	-10%	19%	22%	25%	-8%	21%	21%	-31%	8%	15%	-1%	-3%	0%	-4%		
Process Total																											
Americas	55.5	62.4	64.9	57.0	63.0	69.8	81.6	90.8	85.8	91.9	112.3	110.9	120.3	156.9	186.1	252.6	309.8	426.2	314.3	386.8	492.6	572.4	587.1	578.2	560.6	10.1%	
EMEA	52.7	52.8	54.7	53.9	67.2	76.7	78.8	86.8	86.4	92.4	105.4	110.8	124.8	146.2	188.4	229.2	308.8	432.8	315.6	351.7	432.2	453.8	486.3	488.1	469.2	9.5%	
Asia Pacific	41.8	44.6	51.1	51.0	70.1	81.6	82.0	68.8	62.5	63.4	65.4	69.9	80.4	106.2	139.2	171.3	222.7	273.1	265.5	295.7	355.8	393.9	417.4	375.4	358.6	9.4%	
Total	151.0	160.4	172.2	162.5	200.9	228.7	243.5	247.6	235.6	248.6	284.6	292.6	326.4	410.4	517.0	658.3	848.5	1141.3	902.1	1042.9	1292.6	1430.6	1504.3	1458.8	1404.3	9.7%	
<i>y-o-y change</i>	16%	6%	7%	-6%	24%	14%	6%	2%	-5%	6%	14%	3%	12%	26%	26%	27%	29%	35%	-21%	16%	24%	11%	5%	-3%	-4%		

Source: Thomson Reuters Datastream

Process capex/depreciation by subsectors and region

Process capex/depreciation	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014e	2015e
Oil & Gas																									
Americas	1.49	1.37	1.14	1.27	1.39	1.56	1.84	1.86	1.52	1.50	1.69	1.54	1.53	1.66	1.96	2.23	2.25	2.47	1.80	1.98	2.31	2.36	2.31	2.31	2.25
EMEA	1.55	1.45	1.22	1.16	1.28	1.30	1.41	1.33	1.31	1.19	1.39	1.36	1.30	1.20	1.45	1.79	2.01	2.27	1.80	1.82	1.97	1.88	2.08	2.10	2.08
Asia Pacific	1.96	1.84	1.80	1.61	1.86	2.10	1.78	1.55	1.46	1.38	1.31	1.30	1.30	1.50	1.76	1.99	2.13	2.05	1.98	1.79	1.96	2.00	2.21	2.11	2.05
Total	1.61	1.49	1.29	1.30	1.46	1.58	1.65	1.56	1.42	1.34	1.49	1.41	1.38	1.43	1.70	2.01	2.13	2.31	1.84	1.88	2.11	2.11	2.21	2.20	2.15
Metals & Mining																									
Americas	1.48	1.57	1.01	1.80	1.83	1.83	1.78	1.66	1.31	1.28	1.12	1.00	0.87	1.26	1.85	2.35	2.40	2.72	1.88	2.04	2.79	2.99	2.59	2.10	1.97
EMEA	1.85	1.66	1.59	1.79	1.85	1.96	1.75	1.86	1.58	1.41	1.60	1.53	1.39	1.44	1.69	1.37	2.07	2.29	1.71	1.76	2.16	2.12	2.04	1.89	1.59
Asia Pacific	2.14	2.03	2.01	1.66	1.46	1.65	1.73	1.50	1.13	0.94	1.16	1.13	1.26	1.60	1.96	2.04	2.09	2.16	1.90	1.75	2.03	2.17	2.20	1.75	1.64
Total	1.92	1.83	1.62	1.72	1.60	1.74	1.75	1.63	1.29	1.15	1.29	1.23	1.23	1.47	1.83	1.77	2.14	2.31	1.82	1.80	2.21	2.29	2.21	1.87	1.68
Food & Pharma																									
Americas	1.96	1.85	1.55	1.48	1.42	1.41	1.29	1.33	1.29	1.14	1.11	1.25	1.08	1.50	0.93	0.97	1.05	1.08	0.94	0.78	0.79	0.81	0.82	0.87	0.87
EMEA	1.59	1.53	1.42	1.34	1.28	1.55	1.31	1.16	1.18	1.07	1.03	0.97	0.91	0.98	1.03	1.12	1.25	1.24	0.94	0.90	0.93	0.94	0.99	1.09	1.06
Asia Pacific	1.89	1.86	2.05	1.75	1.70	1.92	1.93	1.34	1.16	1.22	1.29	1.30	1.29	1.37	1.53	1.53	1.54	1.51	1.31	1.41	1.62	1.72	1.72	1.53	1.42
Total	1.81	1.74	1.61	1.49	1.44	1.59	1.45	1.27	1.22	1.14	1.12	1.16	1.06	1.26	1.10	1.15	1.24	1.25	1.03	0.98	1.05	1.09	1.11	1.13	1.10
Paper																									
Americas	1.65	1.51	1.54	0.74	1.34	1.30	1.08	1.06	0.87	0.87	0.78	0.88	0.91	0.91	1.00	0.95	0.84	0.71	0.52	0.62	1.05	1.05	1.00	1.00	0.98
EMEA	1.88	2.38	1.12	1.42	1.65	1.93	1.46	1.18	0.96	1.29	0.94	0.73	0.80	0.86	1.09	0.79	0.96	1.26	0.94	0.69	0.66	0.81	0.68	0.79	0.75
Asia Pacific	3.02	1.99	2.88	2.32	2.07	2.25	2.54	1.45	1.07	1.10	1.17	0.98	1.01	1.25	1.54	1.94	2.21	2.14	1.57	1.73	1.53	1.30	1.26	1.07	1.01
Total	2.00	1.88	1.60	1.28	1.68	1.83	1.71	1.23	0.97	1.10	0.94	0.84	0.88	0.96	1.16	1.12	1.26	1.33	0.98	0.99	1.09	1.06	0.98	0.98	0.93
Process Total																									
Americas	1.59	1.48	1.21	1.32	1.42	1.53	1.65	1.67	1.41	1.36	1.45	1.40	1.34	1.56	1.66	1.92	1.98	2.20	1.61	1.69	1.99	2.08	2.04	2.01	1.94
EMEA	1.59	1.50	1.28	1.25	1.34	1.44	1.42	1.33	1.29	1.20	1.31	1.27	1.20	1.17	1.37	1.53	1.82	2.04	1.59	1.60	1.76	1.72	1.83	1.84	1.77
Asia Pacific	2.02	1.90	1.92	1.66	1.72	1.94	1.83	1.50	1.29	1.23	1.26	1.24	1.28	1.49	1.76	1.92	2.02	2.00	1.83	1.71	1.91	1.98	2.10	1.89	1.80
Total	1.69	1.59	1.40	1.39	1.48	1.62	1.62	1.49	1.33	1.26	1.36	1.31	1.27	1.38	1.57	1.76	1.93	2.08	1.66	1.67	1.89	1.92	1.98	1.92	1.85

Source: Thomson Reuters Datastream

Utilities capex by subsectors and region USDbn

Utilities capex	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014e	2015e	CAGR (1991-2015e)	
Electricity																											
Americas	14.1	15.6	16.2	15.3	14.0	14.5	15.6	21.0	32.3	34.7	48.1	43.1	32.5	31.7	36.8	44.8	55.1	66.7	62.2	62.8	73.4	83.5	82.6	86.3	81.4	7.6%	
EMEA	17.2	17.8	16.4	15.9	18.4	21.1	16.7	14.2	22.4	15.5	20.0	26.8	23.4	27.9	42.3	37.7	61.5	104.3	88.2	92.1	96.8	94.7	90.6	85.8	82.9	6.8%	
Asia Pacific	38.0	47.3	49.3	62.1	58.4	52.7	46.5	22.2	38.4	41.1	35.1	35.3	35.7	37.1	41.7	46.1	60.2	73.9	81.3	94.0	97.0	93.5	97.7	82.8	76.8	3.0%	
Total	69.4	80.6	81.9	93.2	90.8	88.3	78.8	57.4	93.1	91.3	103.3	105.3	91.6	96.7	120.8	128.6	176.9	244.9	231.7	249.0	267.2	271.6	270.9	254.9	241.1	5.3%	
y-o-y change		16%	2%	14%	-3%	-3%	-11%	-27%	62%	-2%	13%	2%	-13%	6%	25%	6%	38%	38%	-5%	7%	7%	2%	0%	-6%	-5%		
Multi-utilities																											
Americas	2.7	2.6	2.7	3.0	2.7	2.9	3.7	5.3	10.2	11.4	13.0	10.4	7.4	7.2	8.3	10.9	11.8	14.8	13.5	13.7	15.2	18.8	18.7	19.9	19.8	8.7%	
EMEA	5.6	6.3	7.0	10.0	13.8	12.2	11.4	8.4	7.6	8.3	8.0	10.4	12.2	13.2	18.3	20.2	26.3	43.8	40.5	40.5	38.4	34.7	36.0	31.0	30.0	7.2%	
Asia Pacific	0.2	0.2	0.3	0.3	0.4	0.5	0.6	0.4	0.4	0.3	0.3	0.6	1.0	1.4	1.5	2.0	3.0	4.0	4.3	4.3	3.9	4.7	4.9	4.6	3.6	12.3%	
Total	8.5	9.1	10.0	13.4	16.9	15.7	15.7	14.1	18.2	20.0	21.3	21.4	20.5	21.8	28.1	33.1	41.1	62.7	58.3	58.5	57.5	58.2	59.6	55.5	53.5	7.9%	
y-o-y change	16%	7%	9%	35%	26%	-7%	0%	-10%	29%	9%	7%	1%	-4%	6%	29%	18%	24%	53%	-7%	0%	-2%	1%	2%	-7%	-4%		
Gas Distribution																											
Americas	1.2	1.3	1.3	1.6	1.6	1.9	1.9	2.5	2.4	2.7	3.8	3.0	3.0	4.4	5.0	5.7	7.3	10.2	7.3	7.2	9.9	12.0	13.3	14.9	12.8	10.3%	
EMEA	0.3	0.3	0.9	0.7	0.9	1.3	0.8	1.0	1.2	2.0	1.8	2.1	2.4	3.3	4.3	4.1	4.8	6.6	6.6	5.9	6.5	7.0	7.4	8.0	8.3	15.4%	
Asia Pacific	0.9	1.2	2.9	2.6	3.8	4.1	3.9	3.7	4.6	4.0	3.9	3.7	4.1	4.5	5.2	5.7	6.5	7.1	7.3	8.5	9.7	11.0	11.1	12.6	11.9	11.3%	
Total	2.4	2.8	5.1	4.8	6.2	7.4	6.6	7.2	8.2	8.8	9.5	8.8	9.5	12.2	14.5	15.5	18.7	24.0	21.2	21.6	26.0	30.0	31.8	35.5	33.0	11.6%	
y-o-y change	21%	15%	87%	-6%	29%	18%	-10%	9%	14%	7%	8%	-7%	8%	28%	19%	6%	21%	29%	-12%	2%	20%	16%	6%	12%	-7%		
Water																											
Americas	0.3	0.3	0.3	0.4	0.5	0.5	1.6	1.7	1.2	1.1	1.2	0.9	1.0	1.0	1.7	2.3	2.4	3.3	2.6	2.4	2.8	2.3	3.1	3.3	3.3	10.7%	
EMEA	1.8	1.7	1.5	1.4	1.3	1.7	2.0	4.0	4.3	4.4	4.4	4.5	5.7	6.2	6.7	6.3	7.7	8.6	7.0	6.7	7.2	6.9	5.6	6.7	6.6	5.6%	
Asia Pacific	0.2	0.3	0.2	0.2	0.3	0.4	0.5	0.4	0.2	0.3	0.1	0.2	0.3	0.4	0.5	0.8	0.6	0.8	0.7	1.2	0.9	1.0	2.2	2.6	2.5	11.0%	
Total	2.2	2.3	2.0	2.0	2.1	2.5	4.1	6.1	5.7	5.8	5.7	5.7	7.0	7.6	8.9	9.4	10.7	12.7	10.3	10.2	10.8	10.1	11.0	12.6	12.4	7.4%	
y-o-y change	15%	3%	-13%	-3%	6%	22%	64%	47%	-7%	1%	0%	-1%	23%	10%	16%	6%	13%	19%	-19%	-1%	6%	-6%	8%	15%	-2%		
Utilities Total																											
Americas	18.3	19.7	20.6	20.3	18.8	19.8	22.8	30.6	46.1	49.8	66.1	57.4	43.9	44.4	51.8	63.7	76.7	95.1	85.5	86.1	101.2	116.6	117.5	124.1	117.2	8.0%	
EMEA	24.9	26.1	25.7	28.0	34.4	36.4	30.9	27.6	35.6	30.2	34.2	43.9	43.7	50.5	71.7	68.4	100.3	163.3	142.4	145.2	148.9	143.3	139.6	131.5	127.7	7.1%	
Asia Pacific	39.4	49.0	52.7	65.2	62.8	57.7	51.5	26.6	43.5	45.8	39.4	39.9	41.0	43.4	48.8	54.6	70.4	85.8	93.6	108.0	111.5	110.2	115.6	101.1	93.1	3.7%	
Total	87.0	99.0	115.2	119.2	117.8	116.3	107.2	87.2	126.9	127.9	140.6	143.4	129.6	139.7	174.4	189.6	249.9	347.7	324.6	341.9	364.5	372.7	374.7	360.4	342.1	5.9%	
y-o-y change	24%	14%	16%	3%	-1%	-1%	-8%	-19%	46%	1%	10%	2%	-10%	8%	25%	9%	32%	39%	-7%	5%	7%	2%	1%	-4%	-5%		

Source: Thomson Reuters Datastream

Utilities capex/depreciation by subsectors and region

Utilities capex/depreciation	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014e	2015e
Electricity																									
Americas	1.36	1.39	1.33	1.16	1.01	0.97	0.90	1.10	1.66	1.46	2.10	1.82	1.43	1.39	1.50	1.65	1.93	2.14	1.99	1.80	1.98	2.07	2.03	2.12	2.00
EMEA	1.35	1.24	1.20	1.21	1.17	1.22	0.97	0.88	1.15	0.88	1.21	1.37	1.03	1.05	1.70	1.45	1.95	2.51	2.14	1.96	1.94	1.86	1.68	1.59	1.54
Asia Pacific	2.04	2.13	2.08	7.53	9.12	7.69	6.70	3.76	1.37	1.27	1.16	1.10	1.01	1.01	1.13	1.28	1.49	1.71	1.83	1.86	1.84	1.83	1.94	1.64	1.53
Total	1.66	1.69	1.66	2.71	2.53	2.26	1.91	1.40	1.39	1.24	1.48	1.40	1.13	1.12	1.40	1.44	1.76	2.11	1.98	1.88	1.91	1.91	1.87	1.76	1.66
Multi-utilities																									
Americas	1.35	1.30	1.35	1.47	1.29	1.07	1.06	1.25	2.33	2.54	2.81	2.22	1.42	1.37	1.47	1.84	2.09	2.54	2.23	2.04	2.18	2.32	2.16	2.31	2.30
EMEA	1.15	1.17	1.16	1.65	1.84	1.66	1.75	1.17	1.00	0.91	0.91	0.96	1.05	1.09	1.53	1.90	2.12	2.47	2.14	1.87	1.64	1.54	1.63	1.40	1.36
Asia Pacific	1.29	1.37	1.56	1.55	1.56	1.71	1.69	1.37	1.49	1.26	1.34	1.53	1.61	1.65	1.50	1.80	2.16	2.76	2.83	2.15	1.64	2.03	2.02	1.90	1.49
Total	1.21	1.21	1.21	1.60	1.71	1.50	1.51	1.20	1.49	1.44	1.56	1.34	1.18	1.20	1.51	1.88	2.12	2.50	2.20	1.93	1.75	1.77	1.80	1.68	1.61
Gas Distribution																									
Americas	1.87	1.79	1.76	1.83	1.60	1.70	1.56	1.81	1.50	1.54	1.75	1.42	1.40	1.32	1.49	1.69	2.12	2.66	1.76	1.87	2.37	2.45	2.65	2.96	2.55
EMEA	2.03	2.20	2.26	1.77	1.70	1.91	0.82	1.07	1.14	1.23	1.06	1.14	1.21	1.24	1.60	1.43	1.48	1.71	1.46	1.08	1.11	1.14	1.24	1.35	1.40
Asia Pacific	1.30	1.57	1.61	1.05	1.30	1.47	1.47	1.27	1.24	1.07	1.09	1.00	0.97	1.01	1.20	1.31	1.29	1.30	1.25	1.28	1.39	1.67	1.75	1.99	1.87
Total	1.62	1.72	1.73	1.31	1.42	1.59	1.36	1.37	1.29	1.22	1.28	1.15	1.14	1.17	1.40	1.46	1.59	1.82	1.46	1.35	1.53	1.70	1.84	2.05	1.90
Water																									
Americas	3.26	3.14	2.87	3.08	3.43	2.53	3.05	2.98	2.27	1.85	2.04	1.97	2.39	1.44	1.86	2.19	2.13	2.50	2.30	1.76	1.78	1.44	1.97	2.09	2.06
EMEA	6.39	5.66	4.33	3.51	2.73	3.11	3.32	2.50	1.87	1.66	1.66	1.53	1.60	1.62	1.54	1.60	1.69	1.68	1.46	1.35	1.44	1.37	1.14	1.35	1.33
Asia Pacific	1.74	2.23	1.67	1.26	1.84	2.49	3.37	2.11	0.76	1.30	0.42	0.65	0.90	1.14	1.30	1.83	1.21	1.31	1.00	1.55	1.11	1.11	2.38	2.84	2.76
Total	4.68	4.40	3.49	2.99	2.69	2.89	3.22	2.59	1.87	1.67	1.62	1.51	1.63	1.56	1.57	1.74	1.73	1.80	1.56	1.45	1.48	1.35	1.47	1.69	1.67
Utilities Total																									
Americas	1.40	1.41	1.37	1.25	1.10	1.04	1.01	1.21	1.77	1.63	2.18	1.86	1.44	1.38	1.51	1.70	1.98	2.25	2.01	1.84	2.04	2.12	2.10	2.22	2.09
EMEA	1.38	1.29	1.26	1.41	1.42	1.40	1.22	1.07	1.17	0.97	1.15	1.25	1.09	1.12	1.63	1.58	1.94	2.39	2.05	1.84	1.77	1.70	1.61	1.51	1.47
Asia Pacific	2.00	2.10	2.04	5.91	6.47	5.70	5.12	2.87	1.35	1.25	1.15	1.09	1.02	1.02	1.15	1.31	1.49	1.69	1.78	1.80	1.77	1.81	1.93	1.68	1.55
Total	1.63	1.66	1.72	2.40	2.24	2.04	1.80	1.41	1.41	1.28	1.47	1.38	1.16	1.15	1.42	1.52	1.78	2.12	1.94	1.81	1.82	1.83	1.82	1.75	1.66

Source: Thomson Reuters Datastream

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Appendix 2

Methodology

Methodology

We use Thomson Reuters Datastream for the historical capital expenditure and depreciation data, and consensus estimates of capital expenditure in this report.

All numbers are in nominal USD.

We assume depreciation to be constant at 2012 levels for 2014e and 2015e.

Maintenance capex is assumed to 1.05x depreciation. Growth capex is capex greater than 1.05x depreciation.

For the companies listed in China and Hong Kong, where we don't have data going back till 1990, we use GFCF numbers from our '[Show me the Money: The HSBC Global Industrial Capex Monitor Q1 2012](#)' report (24 February 2012) for pro-rata calculation of the corresponding capex numbers in the historical period. We assume the corresponding depreciation numbers to be constant for the same timeframe.

We have aggregated these capital expenditure and depreciation numbers for the companies based on their ICB sector classification and country where they have been listed. Further, we have combined the different ICB sectors to form our five distinct industry groups as follows:

Manufacturing

- ▶ Autos – Automobile and Parts (Consumer Goods) – 898 companies

- ▶ Consumer Goods – Personal Goods, Leisure Goods and Household Goods (Durables and Non-durables) – 3,043 companies
- ▶ Capital Goods & Others – Aerospace and Defense, Electronic and Electric equipment, General Industrials, Industrial Engineering, Industrial Suppliers and Waste/Disposal Systems – 5,616 companies

Construction

- ▶ Non-residential – Heavy Construction (Industrial) – 1,168 companies
- ▶ Building Material and Fixtures (Industrial) – 1,329 companies
- ▶ Residential – Home Construction (Consumer Goods) – 150 companies

Transport

- ▶ Airlines (Consumer Services) – 119 companies
- ▶ Shipping – Marine Transportation (Industrial Transport) – 286 companies
- ▶ Railroads (Industrial Transport) – 42 companies
- ▶ Haulage & logistics – Trucking, Transport Services, Delivery Services (Industrial Transport) – 611 companies

Process

- ▶ Oil & Gas – Oil & Gas, Chemical (Basic Materials) – 4,030 companies

- ▶ Food & Pharma – Food & Beverage (Consumer Goods), Pharma & Biotech (Healthcare) – 4,190 companies
- ▶ Metals and Mining – Mining, Industrial Metals & Mining (Basic Materials) – 4,297 companies
- ▶ Paper – Forestry & Paper (Basic Materials) – 348 companies

Utilities

- ▶ Electricity – Alt. Electricity and Con. Electricity – 620 companies
- ▶ Multi-utilities – 53 companies
- ▶ Gas Distribution – 158 companies
- ▶ Water – 110 companies

The list of companies used in this analysis can be provided on request.

Valuation methodology

What is MACC?

We use our proprietary valuation methodology (market-assessed cost of capital or MACC) to value and derive our target prices for European large-cap Capital Goods stocks. The MACC approach has grown out of our frustration with the practical problems of most conventional valuation tools, which are built around the capital asset pricing model (CAPM) developed in the 1950s.

The CAPM is faultless in theory but problematic in practice and many of those problems revolve around a concept (and an input) crucial to the CAPM: the WACC (weighted-average cost of capital). WACC can only be calculated using a beta value and beta values can only be established empirically, ie, by historical observation. The problem is that for the beta value to be statistically robust, it must be based on multiple observations going back several years. And over a period of

that length, two things can happen to undermine the practical relevance of the beta value obtained:

- ▶ The underlying basket of assets the stock represents may change significantly; and
- ▶ The market's view of risk, both absolute (for an entire class of securities) and relative (for an individual security) may change profoundly several times over.

Accordingly, calculation of the beta value, a vital input to CAPM, is flawed, in our view. Analysts in our experience often try to overcome these difficulties by positing their own arbitrary beta values stock by stock, but once things have gone this far, the shortcomings of the approach are all too obvious.

MACC is not a panacea but does avoid these intractable problems. MACC turns conventional valuation methodology on its head: rather than comparing return on capital (ROIC or CROIC) and cost of capital (WACC) to arrive at an estimate of fair value, it compares return on capital (CROIC) with market value to arrive at an estimate of the market's assessment of risk (MACC). This MACC value can then be compared with historical observations for the same stock, or with contemporary observations for peer stocks.

MACC's major weakness compared with CAPM is that it is less ambitious: it abandons any attempt at an absolutist view that stock A's 'fair value' is X, because it does not recognise the concept of a timeless fair value irrespective of investors' views of absolute and relative risk. A world without fair values is, strictly speaking, a world without target prices (though we use MACC in this report to generate a target price – as will be explained presently) and that may be judged a less helpful world. But we would argue a world of target prices based on fictitious and/or out-of-date inputs is no improvement.

Modelling MACC

There are four distinct stages to our MACC modelling:

- ▶ Calculating key inputs such as gross cash invested (GCI) and cash flow return on investment (CROIC) and adjusting these for inflation to facilitate 10-year historical studies (we term the inflation-adjusted GCI and CROIC data AGCI and ACROIC, respectively);
- ▶ Assuming long-term ACROIC rate and long-term AGCI growth rates;
- ▶ Calculating MACC (via a process of iteration carried out using Visual Basic macros in Microsoft Excel); and
- ▶ Comparing each stock's current MACC with MACC values obtained over the past 10 years and with the global sector average.

Methodological details

To understand the data in this report fully, the following should be acknowledged:

- ▶ Our base-case assumption for long-term future ACROI is that of 'naïve induction', ie that the future will be like the past. However, where micro- or macroeconomic structural changes would make such an assumption counter-intuitive, we are happy to forecast long-term future ACROIC either higher or lower than the historical average.
- ▶ In the interest of simplification, we have in our MACC calculation assumed one common low rate of long-term growth for GCI across the entire sector, such that AGCI growth approximates to zero. That is to say, we assume the growth in each firm's capital base approximates to the global GDP deflator over the long term. A look at history suggests this assumption is surprisingly close to the mark (remember dividend payments significantly dilute AGCI growth). It might, nonetheless,

be argued that this assumption is too low: while it might have seemed reasonable five years ago (when the Capital Goods sector was seen universally as ex-growth), Asia Pacific industrialisation has for the time being persuaded some that the sector's long-term growth prospects have sustainably improved.

- ▶ However, experience suggests to us that such 'permanent' shifts in opinion can be surprisingly ephemeral.

Disclosure appendix

Analyst Certification

Each analyst whose name appears as author of an individual chapter or individual chapters of this report certifies that the views about the subject security(ies) or issuer(s) or any other views or forecasts expressed in the chapter(s) of which (s)he is author accurately reflect his/her personal views and that no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendation(s) or view(s) contained therein: Colin Gibson, Michael Hagmann, Neel Sinha, Sean McLoughlin and Paul Choi

Important disclosures

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This report addresses only the long-term investment opportunities of the companies referred to in the report. As and when HSBC publishes a short-term trading idea the stocks to which these relate are identified on the website at www.hsbcnet.com/research. Details of these short-term investment opportunities can be found under the Reports section of this website.

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Rating definitions for long-term investment opportunities

Stock ratings

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For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The price target for a stock represents the value the analyst expects the stock to reach over our performance horizon. The performance horizon is 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, must exceed the required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands are classified as Neutral.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation of coverage, change of volatility status or change in price target). Notwithstanding this, and although ratings are subject to ongoing management review, expected returns will be permitted to move outside the bands as a result of normal share price fluctuations without necessarily triggering a rating change.

*A stock will be classified as volatile if its historical volatility has exceeded 40%, if the stock has been listed for less than 12 months (unless it is in an industry or sector where volatility is low) or if the analyst expects significant volatility. However, stocks which we do not consider volatile may in fact also behave in such a way. Historical volatility is defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility has to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

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HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
ABB	ABBN.VX	21.95	25-Mar-2014	2, 5, 6, 7, 11
ALFA LAVAL AB	ALFA.ST	170.70	25-Mar-2014	2, 5, 6, 7
ALSTOM	ALSO.PA	20.25	25-Mar-2014	1, 2, 4, 5, 6, 7, 11
HYUNDAI HEAVY INDUSTRIES	009540.KS	209000.00	26-Mar-2014	5, 6, 7
IMI PLC	IMI.L	14.50	25-Mar-2014	7
KONE	KNEBV.HE	29.20	25-Mar-2014	6, 7
METSO	MEO1V.HE	23.21	25-Mar-2014	5, 6, 7, 11
SANDVIK	SAND.ST	89.20	25-Mar-2014	2, 5, 6, 7, 11
SCHNEIDER	SCHN.PA	64.74	25-Mar-2014	2, 4, 5, 6, 7, 11
SIEMENS AG	SIEGn.IB	97.15	25-Mar-2014	1, 2, 4, 5, 6, 7, 11
SKF	SKFb.ST	165.00	25-Mar-2014	1, 2, 5, 6, 7, 11
VOLVO	VOLVb.ST	100.30	25-Mar-2014	2, 5, 6, 7, 11
WEIR GROUP	WEIR.L	25.13	25-Mar-2014	4

Source: HSBC

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