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Global Sectors Review

The climate is improving for nearly every sector

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Economic Outlook



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- IT and telecoms services
- Semiconductors & components
- Chemicals
- Distribution
- Consumer electronics

- Paper and pulp
- Machinery
- Rail, maritime & aeronautics equipment manufacture
- Automobiles
- Steel
- Clothing



- Pharmaceuticals
- Energy
- Food products and beverages



Euler Hermes Economic Outlook – Global Sectors Review has been prepared by Euler Hermes analysts with the support of local risk experts in the group's 40 local offices around the world ■ **Head of Market Management, Strategic and Economic Studies:** Karine Berger • **Business sectors Manager:** Yann Lacroix • **Sector economists:** Bruno Goutard, Marc Livinac, Didier Moizo • **Has also contributed:** Dan North • **Graphic Design:** Claire Mabile – Paris • **Production editors:** Martine Benhadj, Anne-Marie Bégoc, Valérie Bissoo • **Administration and documentation:** Anne-Marie Bégoc • **Translation:** Charles Prager – London • **For further information, contact:** Support Direction des Marchés et Marketing groupe 1, rue Euler 75008 Paris – Tel: +33 (0)1 40 70 53 77 ▶ Euler Hermes is a limited company with a Directoire and Supervisory Board, with a capital of 14,426,627.20 euros • **Photoengraving:** Evreux Compo, Evreux, France – Permit July 2010; SSN 1 162 – 2 881 • **Publication Director:** Karine Berger ■ July 30, 2010

Editorial

The three questions to ask at the start of autumn 2010

The period following the return from summer holidays is often more crucial for businesses than the post-Christmas period. The pace of the recovery in activity following the summer break often sets the tone for the entire winter. After the global recovery of the first half of 2010, most sectors will benefit from a fairly better autumn, as our global sectors climate report shows. All the same, in assessing whether this will prove a successful period, there are three questions that we need to seriously consider.

1. Will my business increase its sales?

The answer is rather in the affirmative, but not in all markets nor in all sectors. Consumption is now stalling in certain countries – in the US and in Europe – with the progressive start of a period of public budget austerity and of continued debt reduction by households. Very noticeable in sectors such as automaking, where the end of scrappage allowances is bringing a plunge in sales, the less dynamic household demand should lead to caution in a number of sectors: consumer electronics, construction and distribution. By contrast, in Asia and Latin America, demand should continue to grow at impressive rates. Also, there will be no relief on the public demand front, and this will hit the civil engineering and infrastructure equipment sectors.

2. Should I expect an increase in production costs?

Here, the answer is clearly 'yes'. Prices of agricultural commodities, metals and energy have returned to their record highs of early 2008, even exceeding them in some cases. A significant production cost shock is now spreading through industry, rail equipment, aeronautics, chemicals and steel, and this will initially act to reduce margins.

3. How do I project my business's budget for 2011?

The relative share of your business turnover accounted for by exports to – or production in – the emerging countries is an important factor. Growth will come next year nearly entirely from the emerging regions (Asia, Latin America, etc.). Businesses that are positioned in these markets can anticipate turnover growth of more than 10%. By contrast, growth in Europe and the US will be far more modest, and undoubtedly at roughly half the average rate seen in those countries over the past ten years.



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