

# HENDERSON FORECAST SUMMARY

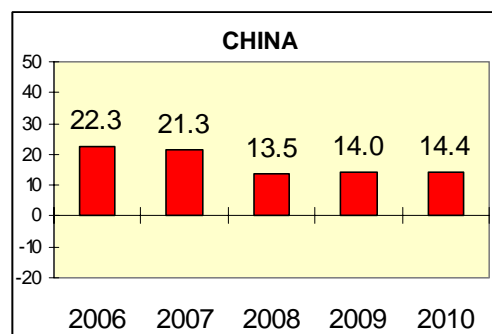
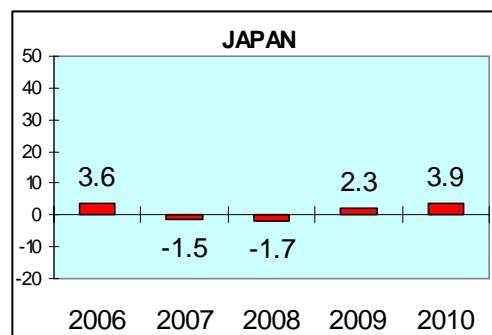
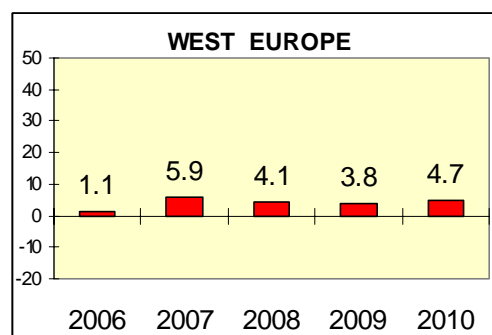
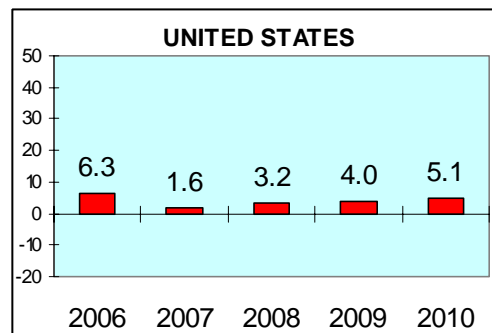
June 2008

## *Less attractive growth rates for China*

It is believed that the era of 20+ percent growth rates for Chinese electronic equipment production is behind us. In the short run, a more challenging economic environment, along with disruptions caused by the massive earthquakes in May, will tamp down short-term equipment production. Longer term, an appreciating currency, fast-growing labor costs and more restrictive environmental policies will reduce the attractiveness of manufacturing bases in China. That is not to say that equipment growth rates will not be attractive. They will. However, expansion rates will be considerably more subdued in the years ahead. During 2008, output is expected to grow by only 13.5 percent, compared to a 21.3 percent gain in 2007. Slightly better growth is predicted for 2009 and 2010, as shown in the bottom chart.

**Torpid growth elsewhere** The advanced economies continue to be in the grip of a financial squeeze that is accompanied by accelerating inflation. The resultant GDP slippage is tamping down equipment demand, particularly higher-end PCs and cellphones. The resultant shift to low-end models is creating slumping growth rates for world equipment production values. Output is forecast to grow by only 6.4 percent this year, after a more attractive 9.1 percent advance in 2007. Moreover, the market recovery will be hampered by less-generous monetary policies in 2009 as central bankers focus on fighting inflation. Global equipment production is forecast to be up 7.5 percent next year, followed by an 8.8 percent gain in 2010.

## GLOBAL EQUIPMENT OUTLOOK Converted at Constant Exchange Rate



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