



Competing in an **evolving** global landscape



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Agenda

Observations about global economic conditions

Global CFO priorities

Megatrends shaping the future manufacturing industry

Manufacturing industry competitiveness

High performing manufacturers in the third millennium



Global economic conditions



IMF world economic outlook predicts global growth to moderate



WTO recently cut its estimate for growth in global goods trade



Global Manufacturing PMI dips to 27-month low in September



Sovereign debt issues causing pressure in the Eurozone



Soft landing and pace of growth slowing in emerging markets



Business and consumer confidence weaken

Global market outlook

US

- Double dip unlikely, but possible
- No significant impact from S&P downgrade, but obstacles to growth remain
- Structure of economy changes from consumer to export driven growth

Europe

- Recession possible in 2011-2012
- Challenge to resolve Eurozone issues

China

- Challenge to fight inflation
- Currency also driving higher costs
- Excessive investment portends slowdown

Japan

- Reconstruction will spur growth in short term
- Longer term problems remain, expect slow growth

Other BRICs

- India: strong growth, challenge of corruption
- Russia: conflict between Medvedev and Putin; dependency on energy and resources
- Brazil: challenge with commodity dependence

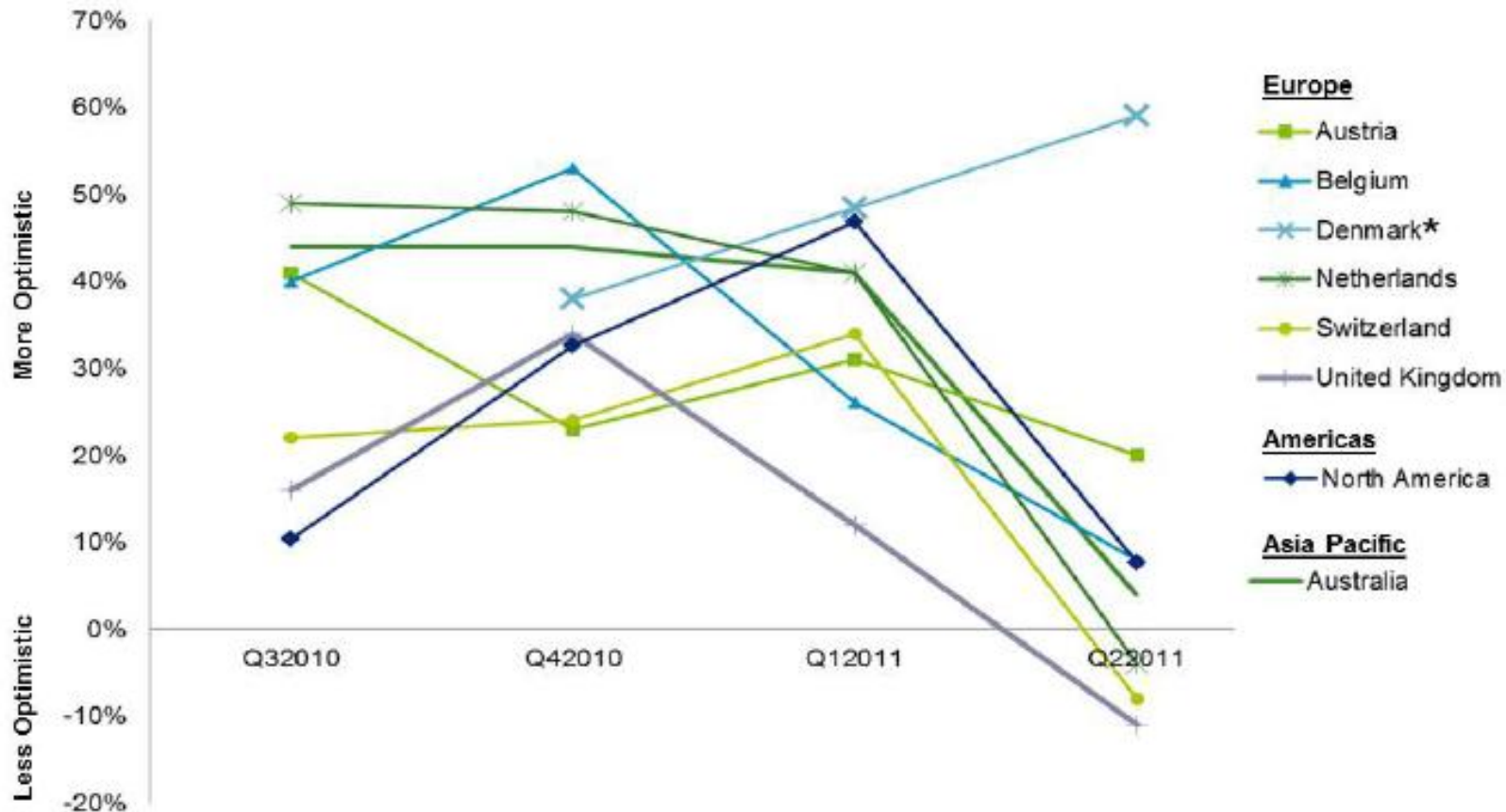


Global CFO Signals

CFO optimism in many countries was at its lowest levels since before the financial crisis thanks to both internal and external uncertainty.

CFO Sentiment: Net Change in Optimism

Net % of CFOs who are more optimistic about the financial prospects of their company now than 3 months ago.



*A trend line has been plotted for this country as the survey is conducted on a semi-annual basis. Actual data only available for Q4 2010 and Q2 2011.

NB: Comparative survey data was not available for the following participating countries: Central Europe and Ireland

Please note that the surveys conducted vary in timing, sample size and demographic of respondents. As such, these survey responses may not be a statistically accurate representation of the countries / regions identified. Please refer to the end of this publication for information on the scope and survey demographics for each participating survey.

Global CFO Priorities

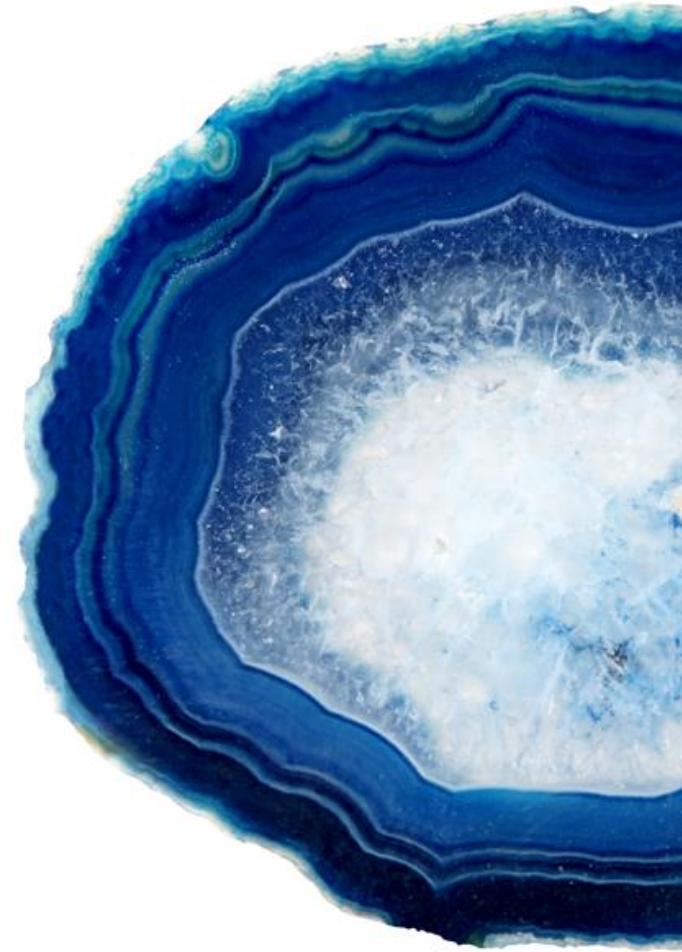
1. Growth strategies
2. Cash utilization
3. External risk mitigation
4. Regulatory policy



Global CFO Signals is a survey conducted in Q2 2011 by Deloitte member firms in Austria, Australia, Belgium, Central Europe, Denmark, Ireland, Netherlands, North America, Switzerland, and United Kingdom. To view the latest survey, please visit www.deloitte.com and go to the [CFO connect](#) section

Amid uncertainty, manufacturers are seeking alternatives for growth and competitiveness in a changing landscape

- Re-examining their product portfolio – in some cases getting leaner and sticking to the core
- Using of advanced supply chain optimization and solutions from other industries to manage complexity and stay cost competitive
- Looking towards product/service solutions that provide opportunities for high margin and recurring revenue
- Realizing that sustainable technology and producing market leading products requires new models more innovation
- Adopting a better framework for commodity management
- Leading companies are stepping up their games in pricing management



Megatrends reshaping the future manufacturing industry



- Globalization
- Connectivity
- Sustainability
- Changing demographics

Example: Megatrends and the global chemical industry

New construction solutions

- Bayer's current offering on eco commercial building – covering their entire portfolio



Electric car conundrum

- Solution to electric vehicles require solution to mass storage
- Chemical companies such as Solvay working on solving this problem

Renewable energy and feedstock

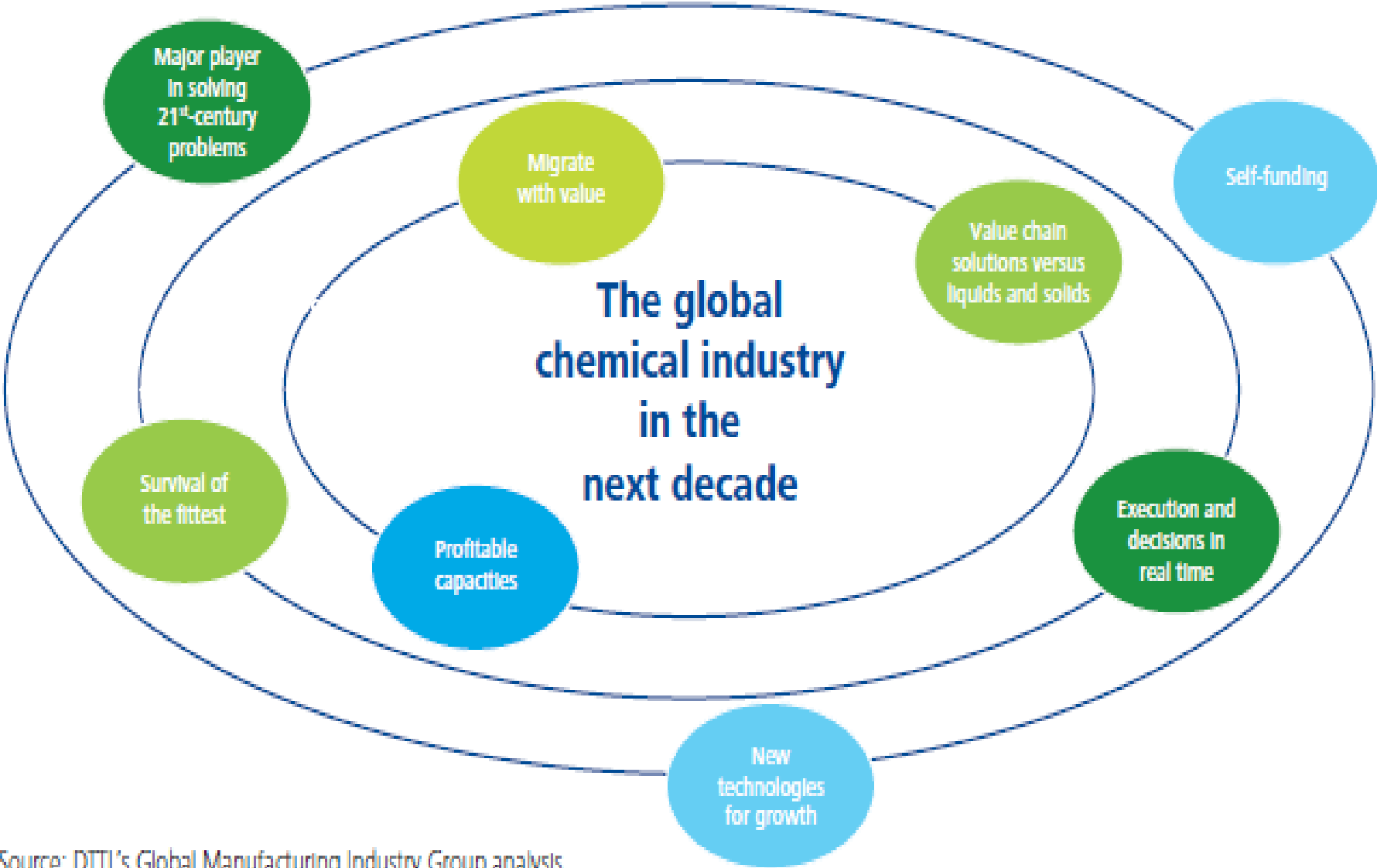
- Shell's ethanol to ethylene in Brazil
- Coal to chemicals investments in China

Coming together of disciplines

- New materials require engineering, chemistry and physics to come together

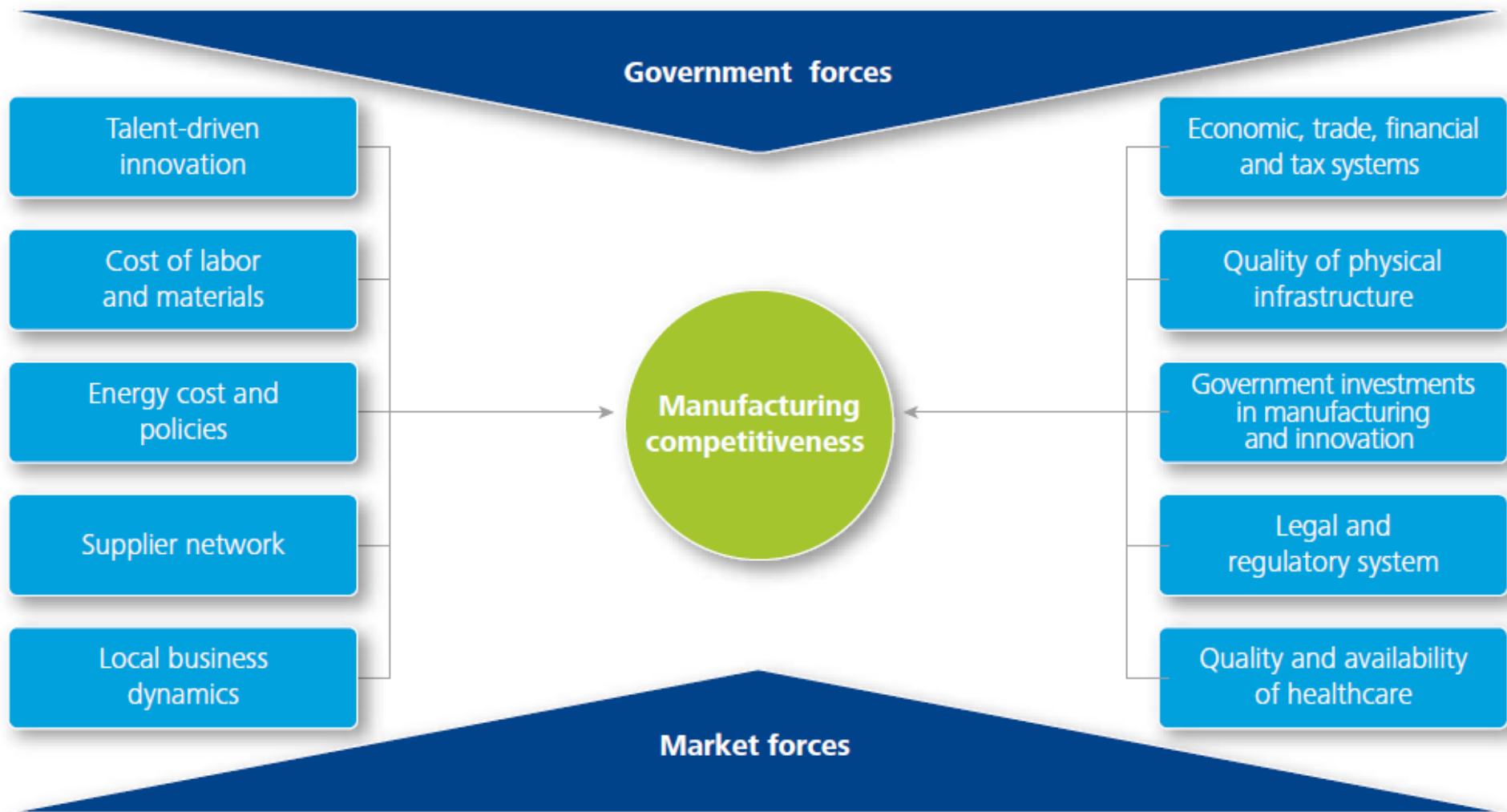
Source: DTL's Global Manufacturing Industry Group analysis.

Can the global chemical industry make a quantum change?



Source: D TTL's Global Manufacturing Industry Group analysis.

Drivers that will create a globally competitive environment



Source: Deloitte and US Council on Competitiveness - 2010 Global Manufacturing Competitiveness Index; ©Deloitte Touche Tohmatsu, 2010.

Global manufacturing CEOs view talent-driven innovation as key to being competitive

Rank	Drivers	Driver score	
		10=High	1=Low
1	Talent - driven innovation	9.22	
2	Cost of labor and materials	7.67	
3	Energy cost and policies	7.31	
4	Economic, trade, financial and tax systems	7.26	
5	Quality of physical infrastructure	7.15	
6	Government investments in manufacturing and innovation	6.62	
7	Legal and regulatory system	6.48	
8	Supplier network	5.91	
9	Local business dynamics	4.01	
10	Quality and availability of healthcare	1.81	

Source: Deloitte and US Council on Competitiveness - 2010 Global Manufacturing Competitiveness Index; ©Deloitte Touche Tohmatsu, 2010.

Some competitiveness factors vary by region

Table 2: Regional comparison - Drivers of manufacturing competitiveness

United States and Canada		Mexico and South America	
Drivers	Rank	Drivers	Rank
Talent-driven innovation	1	Quality of physical Infrastructure	1
Cost of labor and materials	2	Talent-driven innovation	2
Economic, trade, financial and tax systems	3	Energy cost and policies	3
Energy cost and policies	4	Economic, trade, financial and tax systems	4
Legal and regulatory system	5	Cost of labor and materials	5
Quality of physical infrastructure	6	Legal and regulatory system	6
Government's investments in manufacturing and innovation	7	Government's investments in manufacturing and innovation	7
Supplier network	8	Quality and availability of healthcare	8
Local business dynamics	9	Supplier network	9
Quality and availability of healthcare	10	Local business dynamics	10

Europe		Asia	
Drivers	Rank	Drivers	Rank
Talent-driven innovation	1	Talent-driven innovation	1
Energy cost and policies	2	Government's investments in manufacturing and innovation	2
Quality of physical Infrastructure	3	Cost of labor and materials	3
Cost of labor and materials	4	Economic, trade, financial and tax systems	4
Legal and regulatory system	5	Energy cost and policies	5
Economic, trade, financial and tax systems	6	Quality of physical infrastructure	6
Supplier network	7	Legal and regulatory system	7
Government's investments for manufacturing and innovation	8	Supplier network	8
Local business dynamics	9	Local business dynamics	9
Quality and availability of healthcare	10	Quality and availability of healthcare	10

Source: Deloitte and US Council on Competitiveness - 2010 Global Manufacturing Competitiveness Index; ©Deloitte Touche Tohmatsu, 2010.

Brazil Panorama

Performance

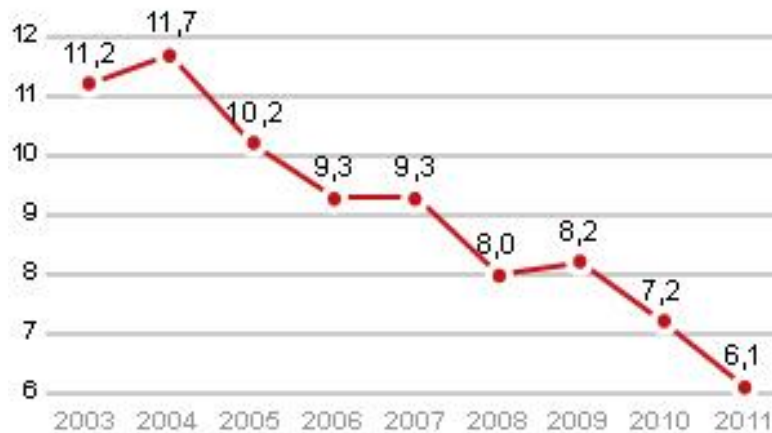
“Brazil will be the 5th major economic power in 2014”. (The Economist: “Brazil Takes Off” (November, 2009))

Global Economic Powers - 2010

	Country	% of Worldwide GDP
1 st	USA	23.6%
2 nd	China	9.3%
3 rd	Japan	8.7%
4 th	Germany	5.3%
5 th	France	4.1%
6 th	United Kingdom	3.6%
7 th	Brazil	3.4%
8 th	Italy	3.3%
9 th	Canada	2.5%
10 th	Russia	2.4%

The Economist

Unemployment evolution rate in January/11



IBGE

“Brazil is in 15th or 16th place in unemployment rate (one of the highest rate of unemployment) ”. The IBGE (February, 2011)

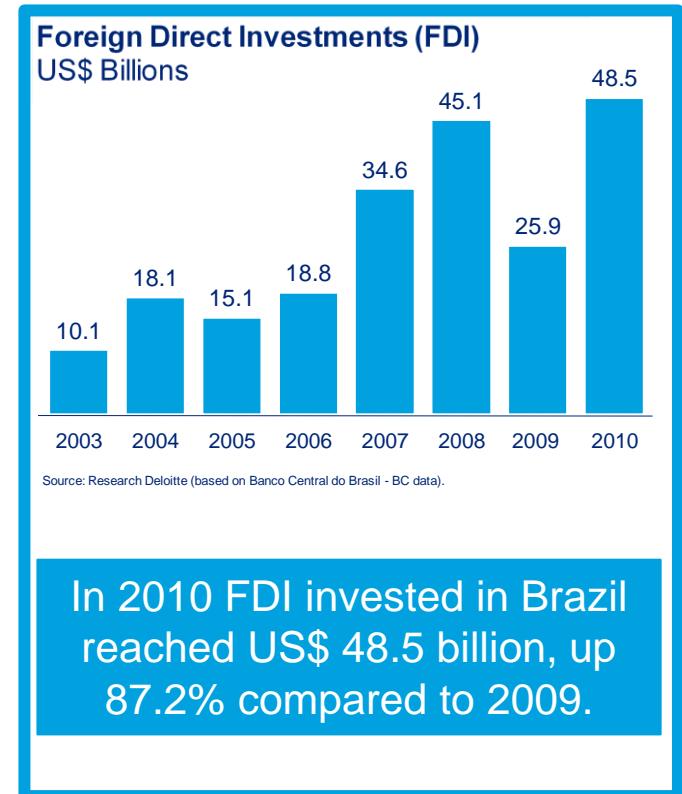
Brazil: Sustainable Growth

The investment needs...

- In order for Brazil to have an appropriate **transportation infrastructure**, investments need to move up to **R\$ 30 billion** a year according to the Transportation Ministry.
- “Brazil still **needs to invest R\$ 280 billion** to achieve excellence in **agricultural production**” - National Confederation of Agriculture (CNA).
- More than **5,5 million homes need to be built** to reduce housing deficit, according to the last IBGE and João Pinheiro Foundation survey.
- It is expected that Rio 2016 will drive an investment over **US\$ 100 billion** in the next years.
- World Cup 2014 will demand approximately **R\$180 million** in investments in the **energy sector**.
- Brazil will also need **R\$ 1 trillion in investments in electric power**, oil, gas and ethanol in Brazil until 2020.

- As in the 2009 and 2010 Surveys, Brazil should see the largest increase in new investors in the next two years – 14% of private equity investors expect to begin investing in Brazil. **“Brazil displaces China as the most attractive emerging market for GP deal making”**.

Emerging Markets Private Equity Survey, 2011.



Brazil manufacturing expected to become more competitive by 2015

Current competitiveness

Rank	Country	Index score	
		10=High	1=Low
1	China	10.00	
2	India	8.15	
3	Republic of Korea	6.79	
4	United States of America	5.84	
5	Brazil	5.41	
6	Japan	5.11	
7	Mexico	4.84	
8	Germany	4.80	
9	Singapore	4.69	
10	Poland	4.49	
11	Czech Republic	4.38	
12	Thailand	4.17	
13	Canada	4.11	
14	Switzerland	3.07	
15	Australia	3.07	
16	Netherlands	2.90	
17	United Kingdom	2.82	
18	Ireland	2.78	
19	Spain	2.67	
20	Russia	2.58	
21	Italy	2.42	
22	South Africa	2.28	
23	France	1.70	
24	Belgium	1.18	
25	Argentina	1.03	
26	Saudi Arabia	1.00	

Competitiveness in 5 years

Rank	Country	Index score	
		10=High	1=Low
1	China	10.00	
2	India	9.01	
3	Republic of Korea	6.53	
4	Brazil	6.32	
5	United States of America	5.38	
6	Mexico	4.84	
7	Japan	4.74	
8	Germany	4.53	
9	Poland	4.52	
10	Thailand	4.35	
11	Singapore	4.30	
12	Czech Republic	3.95	
13	Canada	3.71	
14	Russia	3.47	
15	Australia	3.40	
16	Spain	2.63	
17	Netherlands	2.63	
18	Switzerland	2.62	
19	South Africa	2.52	
20	United Kingdom	2.51	
21	Ireland	2.43	
22	Italy	2.37	
23	France	1.92	
24	Argentina	1.53	
25	Saudi Arabia	1.32	
26	Belgium	1.00	

Source: Deloitte and US Council on Competitiveness - 2010 Global Manufacturing Competitiveness Index; ©Deloitte Touche Tohmatsu, 2010.

High performing manufacturers in the third millennium

- Successful manufacturers will be global
- Innovation will be the most important competitive differentiator
- The development of new products and services will be a recurring theme
- Innovation will interweave ideas, investment, talent and infrastructure
- Effectively collaborate with suppliers, partners and customers
- Superior collaboration, leadership, technology diffusion, and commercialization
- Rapidly and continually shift their global footprints
- Execution excellence



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