

For Now, Manufacturing Automation Orders Look Strong, ARC Advisory Group Says

Automation Projects Have Longer Cycles and Horizons, Reducing Short Term Impact of Slowdown

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Perhaps surprising, industrial automation orders looked pretty strong for the latest quarter despite a sagging global economy, according to research by ARC Advisory Group.

In a recent ARC Insight titled **Automation Stands Strong Against a Faltering Economy**, analysts Allen Avery, David Humphrey, and Larry O'Brien say that in the short term, automation providers seem to be weathering the economic storm OK, and that the longer term future also looks bright due to expected global spending on infrastructure.

"With such bad news about the economy, it would be easy to assume that automation suppliers are also in the throes of hard times," ARC wrote. "While suppliers to the discrete manufacturing industries are facing some challenges, almost all of the major automation suppliers are still posting year-on-year revenue growth in the double digits."

ARC notes for example that the Industry division of automation giant Siemens, the leader in many automation market segments, recently cited an order backlog 21 percent higher than the same quarter in 2007, although it did expect growth rates for new orders to decline. Kuka, a leading supplier of industrial robots and welding systems, reported mixed results in Q4, but also mentioned a higher than average order backlog, according to ARC.

Most of that good news is certainly the result of orders placed months ago in better times, given the long lead time between order and delivery for many automation systems.

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Nonetheless, it seems almost certain that capital spending for nearly all sectors will be reduced in 2009.

The chart on page 2 summarizes ARC's analysis of the Q3 results for more than two dozen automation suppliers. While not all fared well, the overall news is certainly positive.

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Supplier	Q3 2007	Q3 2008	YoY Gr.
ABB Process Automation Q3	1,512.0	1,920.0	27.0%
ABB Automation Products Q3	2,203.0	2,612	18.6%
AspenTech Q1FY09 (license revenue)	36.0	35.0	-2.8%
Danaher Industrial Technologies Q3	773.0	820.0	6.1%
Danaher Professional Instrumentation Q3	880.0	1,214.0	38.0%
Emerson Process Management Q4 FY08	1,665.0	1,888.0	13.4%
Flowserve Flow Solutions Division Q3	140.7	170.9	21.5%
GE Consumer and Industrial Q3	3,163.0	2,989.0	-5.5%
GE Enterprise Solutions Q3	1,137.0	1,192.0	4.8%
Honeywell ACS Q3	3,196.0	3,688.0	15.4%
Invensys Process Systems + Eurotherm H1 FY09	787.0	883.3	12.2%
Matrikon Q4 FY08	18.4	20.1	9.4%
Metso Automation Q3	238.4	277.4	16.4%
Mitsubishi Electric Q2 FY09	2,382.3	2,382.3	0.0%
Moog Industrial Systems Q4 FY08	110.9	136.3	22.9%
Omron IAB H1 FY08	1,519.9	1,496.2	-1.6%
Parker Industrial Q1 FY09	2,106.7	2,330.3	10.6%
Rockwell Automation Q4 FY08	1,370.5	1,474.3	7.6%
Schneider Electric Automation & Control Q3	1,843.7	1,930.4	4.7%
Siemens Industry Automation Q4 FY08	3,139.8	3,303.0	5.2%
Siemens Drive Technologies Q4 FY08	3,128.2	3,496.7	11.8%
Siemens Industry Solutions Q4 FY08	2,655.7	3,011.2	13.4%
Thermo Fisher Q3	2,401.2	2,588.1	7.8%
Yamatake H1 FY08	1,083.2	1,053.1	-2.8%
Yaskawa H1 FY08	1,736.1	1,789.8	3.1%
Yokogawa H1 FY08	1,929.7	1,858.9	-3.7%
Total	41,157.4	44,560.3	8.3%

**Supplier Revenues for Calendar Q3 2008 vs. Calendar Q3 2007
(Millions of Dollars)**

Source: ARC Advisory Group