

# Process Industries Weather Current Economic Storm

Process industry automation growth continued in 2007 with robust investments in manufacturing and infrastructure industries. Automation expenditures in the process industries reached \$45.5 billion dollars in 2007 and is forecasted to exceed \$61 billion by 2012.

Emerging economies, such as those in Brazil, Russia, India and China (BRIC), the Middle East and eastern Europe, helped propel this growth with increasing consumer demand from the growing global middle class, a healthy lending environment for capital investments that project solid returns, and the need for producing and saving energy to cope with rapidly rising energy demands and costs across the globe.

Growth in emerging Asia remained exceptionally strong in the first half of 2007. The regional expansion was led by China where real gross domestic product grew robustly as exports and investments accelerated, and by India where gains in domestic demand (particularly investments) underpinned strong growth.

However, during the last quarter of 2007, the economic landscape changed quickly. In fact, through most of 2008 and into 2009, the global economy was hampered by the deepening crisis in financial markets, major corrections in housing markets in a number of advanced economies, volatile commodity prices, weak consumer confidence, rising unemployment rates and decreasing demand across nearly all industries. Going forward, the market will not continue to grow at levels seen in 2007 or 2008.

“The economic recession has had a substantial impact on the overall market, and significant challenges remain for process manufacturers and automation suppliers alike,” according to analyst [Joseph Gillespie](#) [1], principle author of [ARC Advisory Group's](#) [2] “Automation Expenditures for Process Industries Worldwide Outlook” [report](#) [3].

### **Economic Landscape Will Dictate Market Performance**

Several economic trends threaten to adversely affect automation growth in the process industries through the forecast period. The severity of these factors, combined with the length of the economic downturn, will have a large impact on the performance of all markets. Nonetheless, process industries are suffering less than discrete industries during this downturn because the process markets do not rely as heavily on consumer expenditures.

Many governments have also allocated billions of dollars in economic stimulus that

focuses on rebuilding, retrofitting and developing new infrastructure projects. This money is expected to benefit the process industries more than discrete or hybrid industries, which may mean that process industries will be some of the first to emerge from the recession.

### Asia & Middle East Offer Greenfield Growth Potential

Regionally, suppliers can expect to see the largest growth in the Middle East due to its high concentration of oil and gas activities, and in Asia where investment in new plant construction in core sectors remains steady. In the mature North American and western European markets, suppliers will rely on replacement business. Additionally, Latin America will see above average growth due to Brazil's expanding ethanol industry and recent offshore oil discoveries, but will remain a relatively small market for process automation suppliers.

### Upgrading Industrial Infrastructure Can Provide Growth Opportunities

In recent years, after several high-profile accidents, the decaying U.S. infrastructure has become a primary issue for local and federal governments all across the country. Much U.S. infrastructure is more than half a century old. ARC estimates that there is \$65 billion worth of process automation systems that are nearing the end of their useful lives.

Industrial end users need to be aware that significant investments must be made in the existing control system infrastructure to get systems and plants up to date. The need to modernize infrastructure in the developed economies of North America and western Europe will significantly affect overall automation spending over the next decade.

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### Links:

- [1] <mailto:jgillespie@arcweb.com>
- [2] <http://www.arcweb.com>
- [3] <http://www.arcweb.com/res/auto-process>