REFERENCE SCENARIO

MACROECONOMIC SCENARIO

The global situation partially stabilised during the second half of the year, even if economic activity remained generally weak despite continuing expansionary monetary policies by central banks. Slowing growth in emerging economies contributed to this weakness.

The year 2013 was characterised by a weak macro environment, with a general slowdown reported in most of the world economies, whether developed or emerging.
In particular, first-half economic activity expanded at a sluggish pace, continuing the downward trend underway since the second half of 2011, held back by recession in the Eurozone and by a gradual slowing of growth in emerging countries and in the United States.

The macro environment partially stabilised in the second and third quarters of 2013; however, despite the continuation of expansionary monetary policies by central banks, growth in global economic activity remained weak overall, reflecting among other things, a slowdown in growth rates in emerging economies, as well as uncertainty over impending public finance decisions in the United States, due to the fiscal consolidation measures undertaken to reduce deficit levels. In the latter part of the year, the risks to the global economy eased slightly due to fewer uncertainties about US government policy in support of domestic private consumption, to the gradual decline in the unemployment rate in the United States, and to a decline in risk premiums on government debt in European countries, leading to a reduction in spreads on government bonds. However, despite general stabilisation in the macro environment, the dynamics of the global economy remained generally weak, with unemployment rates still high in many developed economies and industrial output stagnant or declining in several others. Growth estimates for international trade in 2013 were gradually revised down over the course of the year, with world output projected to strengthen only from 2014.

Despite the difficult political and macroeconomic scenario, global demand in 2013 nonetheless reported an overall increase: in fact, global GDP grew by +3.0%* on the previous year (compared with growth of +3.1%* and +3.9%* in 2012 and 2011 respectively), driven by the significant, albeit slowing, growth achieved by Asia's emerging economies (China +7.7%*, ASEAN5 – Indonesia/ Malaysia/Philippines/ Thailand/Vietnam +5.0%*).

China, in particular, has confirmed a high growth rate (+7.7%*) in line with the previous year but still a far cry from that in the recent past (+11.2% average annual growth in the period 2006-2010), reflecting the slowdown in global demand as well as some difficulties in its domestic market.
In the United States, despite the positive signs on the domestic demand side and a gradual decline in the unemployment rate, uncertainties over the federal budget and the possible tapering of quantitative easing contributed to slower growth than in the previous year: GDP grew by +1.9%* in 2013, down from +2.8%* the previous year.
Europe saw another slight deterioration in economic activity, although the first signs of stabilisation emerged in the latter part of the year, especially in countries like Germany, France and the United Kingdom. Eurozone GDP contracted by -0.4%* on 2012, compared with -0.7%* in the previous year.
In general, the negative economic trend, which began in the second half of 2011, was further exacerbated by consolidation of the deficit-cutting measures in several Eurozone countries (for example, Greece, Portugal, Spain, Italy and France), involving not only public spending cuts but also higher taxes, with an adverse impact on domestic demand and consumer confidence.

* Source: IMF, World Economic Outlook Update – January 2014.

CABLE INDUSTRY TRENDS

The slowdown starting in 2011 continued in 2013, albeit with major differences between geographical areas and between the various market segments. Stable or low growth for high value-added businesses, special cables for the OEM market and the offshore oil industry.

The world cable market was still sluggish in 2013, in line with the slowing trend underway since 2011, reflecting the uncertainty of the macro environment and the reduction in investments primarily in Europe. However, there were major differences within the industry both geographically and between the various market segments.

In geographical terms, the negligible increase in global cable demand was driven by high-growth regions, such as the Middle East, Asia and, albeit to a lesser extent, South America. In fact, these regions saw continued investments to expand and upgrade infrastructures and buildings in response to growing demand by industrial operators and local communities. In the United States, the slowdown in the pace of economic recovery was reflected in a modest growth in demand. Lastly, in Europe the recessionary scenario and debt crisis in several EU countries further exacerbated not only the construction market but also infrastructure investment and energy consumption, resulting in a general reduction in demand for energy cables and systems.

Even the various market segments displayed great diversity in 2013. On the one hand, performance by higher value-added businesses was stable or marginally better; this was the case for high and extra high voltage submarine cables for offshore wind farm connections in Europe, for special cables for OEMs and for cables for the offshore oil industry, whose major players increased their investments on the previous year, on the strength of the high average price of Brent crude, reaching around USD 109 a barrel in 2013. On the other hand, demand declined for power distribution cables, especially in Europe, and for building wires, in line with the general slowdown of this market, particularly in countries like Italy, Germany, France, Spain and Australia. Demand for special renewable energy cables (onshore wind, solar) was sharply down, especially in Europe, due to the absence of incentives to support investments in this sector. As for optical fibre cables, global growth in 2013 was exclusively attributable to countries in Asia, particularly China and India, while demand fell steeply in the United States, due to the ending of incentives, and in Europe, albeit by somewhat less.

Lastly, demand for copper telecom cables continued to fall, in line with the trend since 2004 that has benefited optical fibre cables.