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Global Corporate Capex Survey 2015

OVERVIEW

- **Commodity crunch.** Non-financial corporate capex will fall for a third-year running, declining 1% this year and 4% next according to our survey. Global corporate capex is struggling to make headway in the face of the commodity-capex crunch. Energy and materials accounted for 39% of global capex in 2014, and their capital spending in 2015 is expected to decline by 14% followed by a further 5% next year.
- **Optimism.** There is better news in other industries, with a broad-based pickup in capex expected this year, led by IT, autos, healthcare and telecoms. As a result, global capital spending *excluding energy and materials* is expected to grow by 8% in 2015. If realized, this will be the first positive growth since 2012. The optimism does not yet extend to 2016 capex, but many industries now appear willing to resume capex growth. This may be the start of a more sustained capex recovery that can outweigh the commodity decline.
- **Conundrum.** The puzzle of why capex growth is not stronger remains, especially as our survey companies have \$4.4 trillion of cash and equivalents on the balance sheet. To blame buybacks – a largely North American trend – and management focus on equity performance is wide of the mark, in our view. Other factors are at play: capex has been being constrained by weak operating trends, those holding the most cash (tech, autos) may not be best placed to increase capex and traditional heavy-industry investment is becoming less prevalent.

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CAPEX RECOVERY HINDERED BY COMMODITY-CAPEX CRUNCH

The commodity capex crunch means total capex will continue to shrink

Global corporate capex is still struggling to make headway. Our analysis suggests non-financial capex growth will fall for the third year running by 1%, fall further by 4% in 2016 and only stabilize in 2017. The gloom is explained by the commodity-capex crunch, which began last year and is now gathering momentum. A decade-long commodity boom may have ended, but related industries remain crucial to overall capex growth. Energy and materials accounted for 39% of global capex growth in 2014, and capex spending for these sectors is expected to fall 14% this year and another 5% next year. In some sub sectors, the declines are even more pronounced. Global energy equipment and services are projected to see capex fall by 31% this year, for example.

COMMODITIES WEIGH ON GROWTH BUT IN OTHER INDUSTRIES A CAPEX UPTURN IS UNDERWAY

CHART 1 | GLOBAL NON-FINANCIAL CAPEX GROWTH

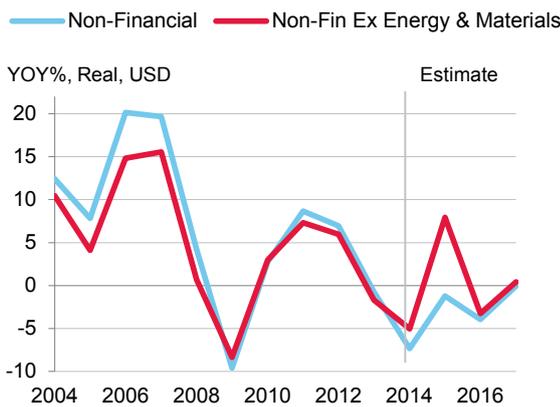


CHART 2 | GLOBAL NON-FINANCIAL CAPEX VALUE

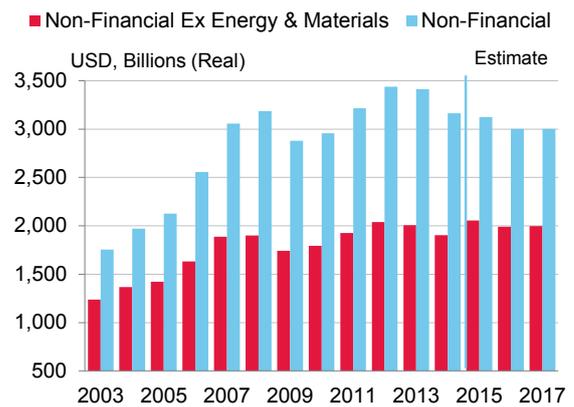


CHART 3 | GLOBAL NON-FINANCIAL CAPEX GROWTH BY REGION

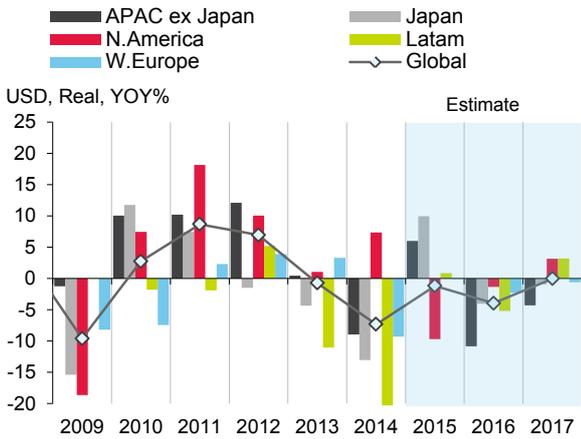
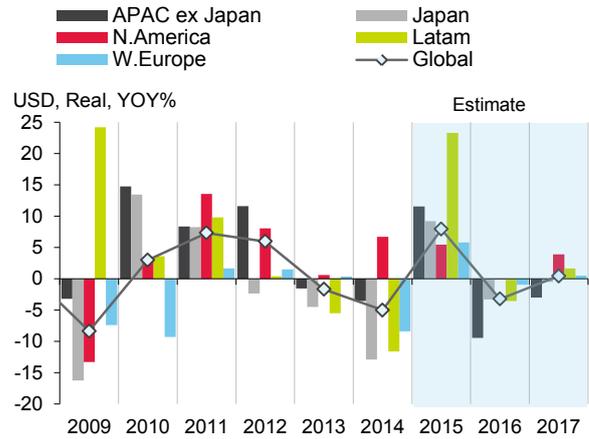


CHART 4 | GLOBAL NON-FINANCIAL CAPEX GROWTH BY REGION EXCLUDING ENERGY AND MATERIALS



Source: S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

Exclude energy and materials and global corporate capex set to grow 8%

The good news is that the picture is far less gloomy for other industries. Our analysis suggests an upturn in capex is underway in other sectors, led by a pickup in investment in the information technology, auto, healthcare and telecom sectors. As a result, non-financial corporate capex, *excluding energy and materials*, is expected to grow by 8% this year. Encouragingly, this recovery is apparent across all regions. If realized, this turnaround will offer a much needed fillip to a world economy still struggling to return to pre-crisis growth rates, still reliant on extraordinarily low interest rates and being buffeted by prolonged episodes of economic and political volatility.

Standard & Poor's Corporate Capital Expenditure Survey

This is the third edition of our annual corporate capital expenditure survey, designed to track, assess and help form views on global capital expenditure (capex) trends.

The survey makes use of S&P Capital IQ data to inform our analysis, tracking a rolling universe of 2,000 global non-financial companies (rated and unrated, public and private) that spend the most on capex. For 2014, capex by companies in this universe ranged from \$248 million to \$61 billion.

Key trends and forecasts are shown in USD (U.S. dollar) terms based on historical exchange rates. The history is shown in real terms, using International Monetary Fund (IMF) inflation data to deflate financial line items based on the country of incorporation. In our view, this adjustment is essential to make meaningful comparisons through time and across countries.

We base our capex projections on a combination of recent company guidance, where available, and consensus estimates from S&P Capital IQ. For further details on methodology, please see the Appendix.

Disappointing 2016-17 forecasts might reflect the downward bias in market-consensus capex

Even for non-commodity industries, expectations for 2016-17 are disappointing (-3.2% and +0.4%, respectively). This suggests the possibility that 2015's turnaround may be a blip rather than a change of trend. We are mindful though of our analysis last year of the evolution of consensus forecasts for capex, which revealed that market analysts regularly underestimate capex growth, perhaps generally assuming that capex will fall back to a lower average level. In reality, capex growth keeps pace with developments in revenues and profitability. With our global economics forecasts suggesting that the operating environment is likely to improve over the next couple of years, we suspect that these gloomy medium-term capex forecasts will be subject to positive revision.

Recent consensus-forecast trends are more encouraging

In that light, it is interesting to note that the recent evolution of consensus capex forecasts have taken a positive turn. 6 month percentage revisions to consensus forecasts for the next 12 months of capex have turned positive again for non-financials excluding energy and materials (see Chart 5), ending a sharp downswing that began late last year. This change of direction is consistent across all major regions, with Asia-Pacific ex Japan and North America leading the way (see Chart 6).

FORECAST REVISIONS STARTING TO IMPROVE FOR NON-FINANCIALS EX ENERGY AND MATERIALS

CHART 5 | GLOBAL NON-FINANCIAL CORPORATE CAPEX CONSENSUS FORECAST REVISIONS

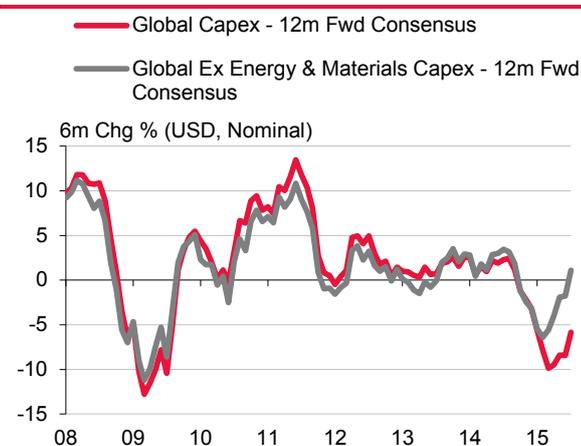
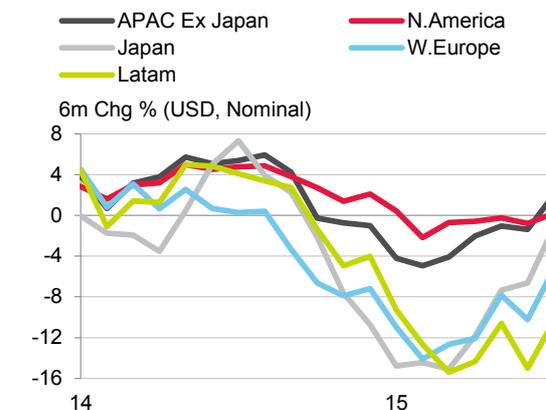


CHART 6 | GLOBAL NON-FINANCIAL EX ENERGY & MATERIALS CORPORATE CAPEX CONSENSUS FORECAST REVISIONS BY REGION



Source: S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

REGIONAL CAPEX OUTLOOK

Last year, North America was the *only* region delivering positive capex growth. In 2015, this performance is expected to reverse, and it is the only region expected to deliver a significant negative contribution. This downturn is not expected to persist though, with renewed positive capex growth expected for North America in 2016-17. The region remains the largest spender on capex globally and continues to gain share relative to other developed economies like Western Europe where capex growth remains static.

Energy capex cuts having major impact on North American capex

The severity of cuts to commodity-linked capex in North America is the cause of this weak performance from the region overall. Substantial reductions in 2015 capex are expected from the likes of Chevron, Exxon Mobil and ConocoPhillips, all of whom rank amongst the largest spenders in our global universe. Once again, though, it is important to keep in mind that, *excluding energy and materials*, all regions – including North America - are expected to see positive capex growth in 2015.

ASIA-PACIFIC LEADS 2015 RECOVERY, BUT FALTERS IN 2016. NORTH AMERICAN CAPEX GROWTH HIT HARD BY COMMODITY CUTS THIS YEAR. EMERGING MARKET SHARE OF CAPEX DWINDLING.

CHART 7 | CONTRIBUTION TO GLOBAL NON-FINANCIAL CAPEX GROWTH BY REGION

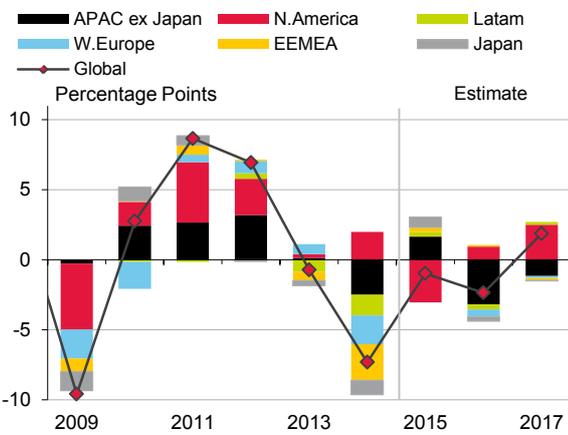


CHART 8 | SHARE OF GLOBAL CORPORATE CAPEX BY REGION

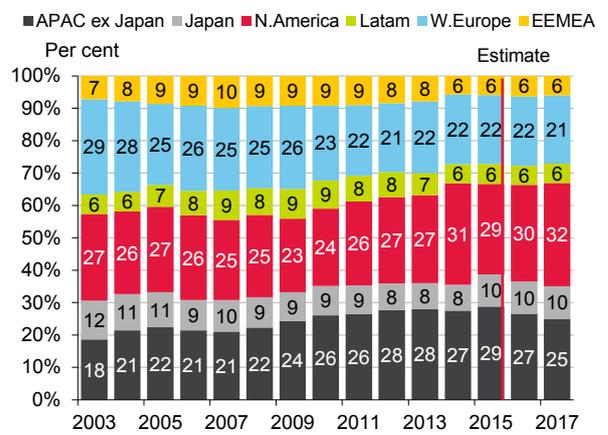
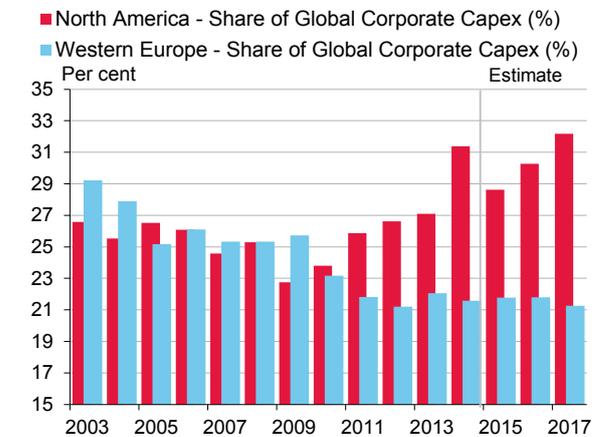


CHART 9 | EMERGING MARKET SHARE OF GLOBAL CORPORATE CAPEX



CHART 10 | NORTH AMERICA AND WESTERN EUROPE - SHARE OF GLOBAL CORPORATE CAPEX



Source: S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

FX market or Purchasing Power Parity (PPP) currency conversion – different weights but similar trends

Currency conversion methods affect capex growth estimates. We use historic market exchange rates to convert to USD, but this can overstate the importance of U.S. capex and understate growth rates in countries with depreciating currencies, something particularly relevant at present. PPP is an alternative method of converting to a common currency that estimates exchange rates by comparing the cost across countries of a comparable basket of goods and services.

Charts 13 and 14 give a sense of the difference that using PPP conversion to USD makes – Asia's PPP share of global capex is far higher than North America, rather than being much the same in market rate terms. Overall growth trends are similar, although 2014-17 capex is essentially flat in PPP-terms rather than contracting when using market exchange rates.

CHART 11 | EEMEA NON-FINANCIAL CORPORATE CAPEX GROWTH

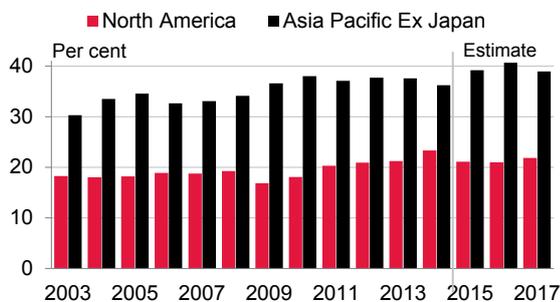
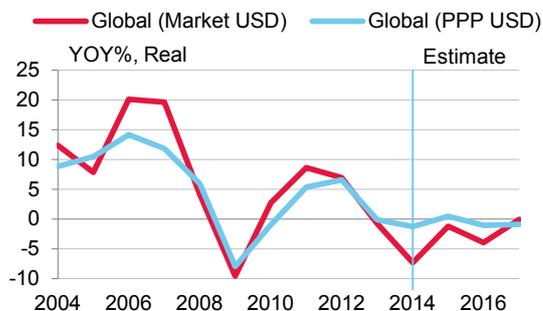


CHART 12 | EEMEA – SHARE OF GLOBAL CORPORATE CAPITAL EXPENDITURE



S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

Asia-Pacific ex Japan is expected to deliver the largest positive contribution to global capex growth in 2015, despite substantial anticipated cuts in capex from large commodity spenders such as BHP Billiton, Reliance and Rio Tinto. In APAC, commodity cutbacks are outweighed by positive contributions from telecoms and technology companies, notably Samsung and many of the large Chinese telecoms companies. In Japan, auto capex spending exerts a positive influence. In contrast to North America, this pickup in APAC capex is not projected to continue into 2016.

EEMEA capex affected by falling oil prices, conflict in Ukraine and sanctions on Russia

The deepening conflict in 2014 in Ukraine and the sanctions consequently imposed on Russia by many OECD countries has had a sharply negative impact on USD-denominated capex in EEMEA (Eastern Europe, Middle-East and Africa). In dollar-terms, capex for the EEMEA members of our Global Capex 2000 index fell by one-third in 2014 (see Chart 11) and the region's share of global non-financial capex slumped from 8% to just under 6% (see Chart 12). Lost confidence and weaker economic activity has taken a toll, but the decline also reflects sharp currency depreciation. Russian non-financial corporate capex dropped 31% in USD, but only 3% in local currency terms. To get a sense of the underlying picture we have also calculated growth using purchasing power parity (PPP) currency conversion. 2014's capex drop was a more modest 9% in PPP-adjusted dollar terms, although the poor post-2007 growth performance remains.

CHART 13 | EEMEA NON-FINANCIAL CORPORATE CAPEX GROWTH

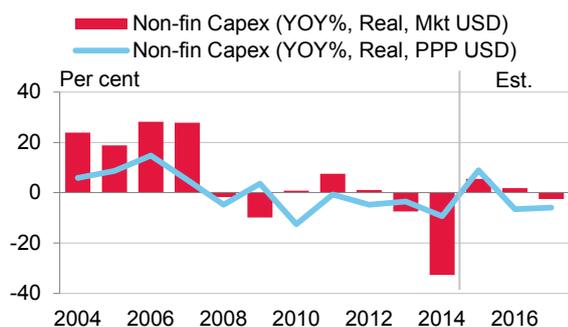
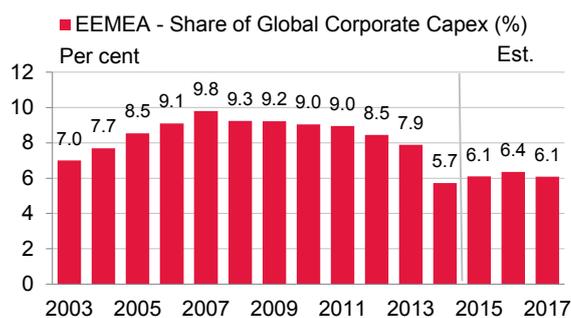


CHART 14 | EEMEA – SHARE OF GLOBAL CORPORATE CAPITAL EXPENDITURE



S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

2015 brings a return to capex growth for non-commodity sectors

SECTOR CAPEX OUTLOOK

It is in the sector detail of our survey that some grounds for optimism become apparent. Chart 15 shows the contribution to global capex growth by sector. It makes very clear the large negative effect on overall capex from energy and materials in 2015 and beyond, inevitably so given the scale of the expected cuts and the share of total capex coming from these industries (see Chart 16).

But what is also really striking is the reversal from negative to positive contributions from most other sectors between 2014 and 2015. IT and telecoms, consumer products, industrials and utilities are all projected to deliver a positive capex growth contribution that marks their strongest year for capex since 2012. Looking at the actual forecast growth rates for industries (see Chart 17) makes the same point very clearly. There is a broad-based recovery in capex expected, with seven out of nine sectors expected to increase capex. Chart 18 shows the industry level detail: autos, all three tech sectors, consumer durables, transportation, pharmaceuticals and telecoms lead the way. Again the breadth is encouraging, with 17 out of 20 industries expecting capex to grow.

AUTOS, TECH AND HEALTHCARE ARE LEADING 2015's RECOVERY BUT THE ENERGY SLUMP STILL WEIGHS HEAVILY ON OVERALL GROWTH THIS YEAR AND NEXT

CHART 15 | CONTRIBUTION TO GLOBAL NON-FINANCIAL CAPEX GROWTH BY SECTOR

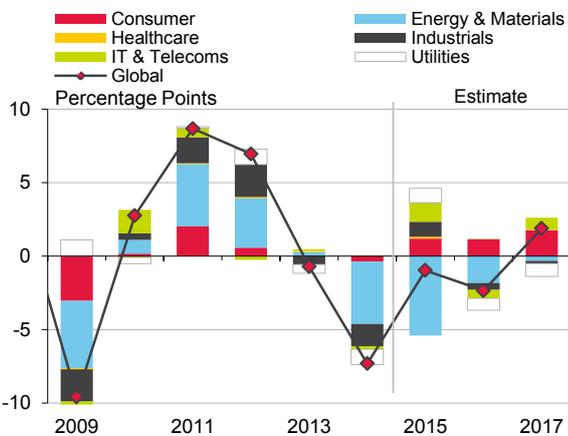


CHART 16 | SHARE OF GLOBAL CORPORATE CAPEX BY SECTOR

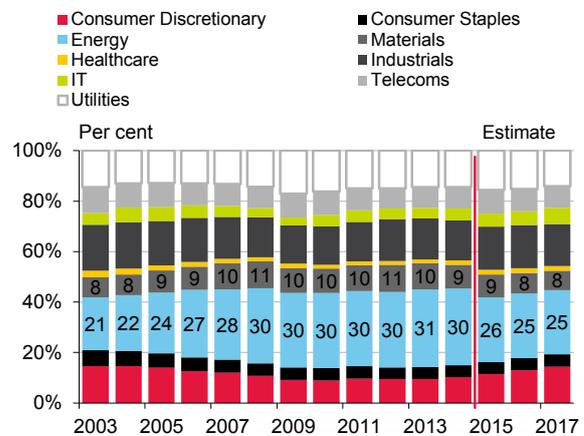


CHART 17 | GLOBAL CAPEX GROWTH BY SECTOR 2014-15 AND LONG-TERM COMPOUND GROWTH

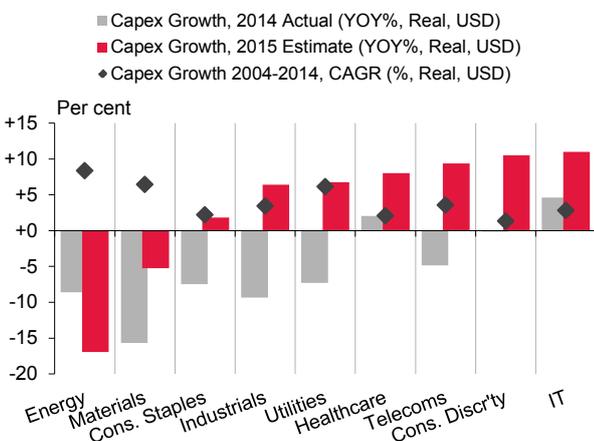
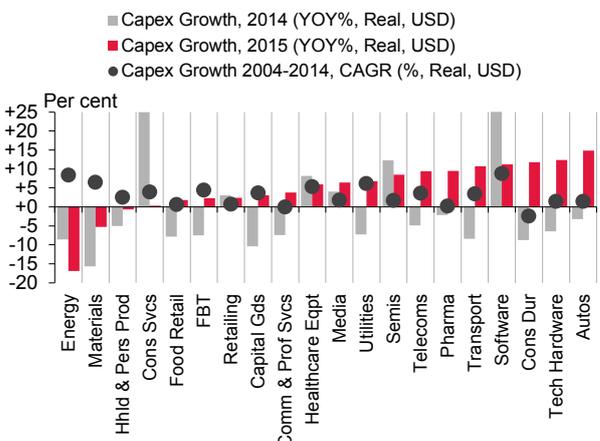


CHART 18 | GLOBAL CAPEX GROWTH BY INDUSTRY 2014-15 AND LONG-TERM COMPOUND GROWTH



Source: S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

As discussed in the overview, current projections for 2016 are far more cautious, with only five industries (food retailing, healthcare equipment, retailing, semiconductors and software) expecting positive growth to continue beyond 2015. Given the inherent caution in market consensus capex forecasts beyond the current year and our expectation that economic growth will pick up further in 2016, we suspect some projections will see upward revision. Nevertheless, sectors that are expected to be true capex “champions” – consistently growing capex over the next few years – are limited. Global tech and healthcare are the only examples (see Charts 19-20).

SECTOR CAPEX LEADERS

CHART 19 | GLOBAL INFORMATION TECHNOLOGY CAPEX

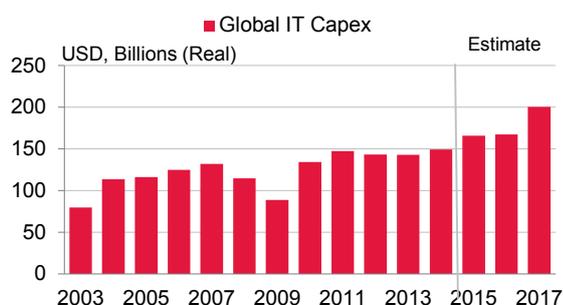
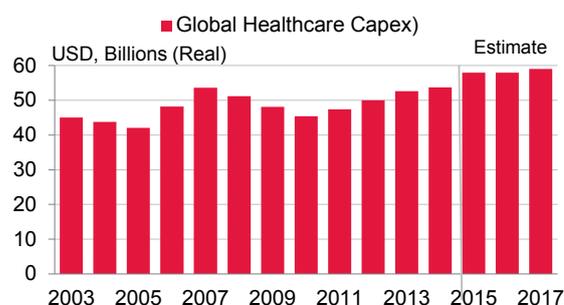


CHART 20 | GLOBAL HEALTHCARE CAPEX



S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

Looking for capex champions

To add colour around this at the company level, Table 1 shows the top 20 individual capex “champions”, companies where current market consensus or corporate guidance (both of which are subject to regular revision) suggest that capex will grow consistently over the next three years. They are shown in descending order of 2014 capex to indicate their relative weight in growth calculations.

The list provides an interesting insight into growth areas. Auto manufacturers are well represented – perhaps inevitably given highly structured product cycles – as are some of the U.S. technology champions like Google, Apple and Amazon. Surprisingly, energy companies are included, a number of them located in emerging markets, an illustration that some commodity capex is still expected to grow. Utilities and industrials – traditional capex heavyweights – are only lightly represented. For utilities, this perhaps speaks to uncertainties around investment plans at present given the complexities of multi-year investment, regulation, environmental legislation and market structure. Telecoms are also notably absent, despite ranking third in the 2015 growth ranking. The current pickup in 4G-related investment is not expected to persist through 2017.

TABLE 1 | GLOBAL CAPEX CHAMPIONS – COMPANIES EXPECTED TO GROW CAPEX EVERY YEAR TO 2017 RANKED BY 2014 CAPEX

Company	Country	Sector	Capex FY 2014 (USD Billion)	Company	Country	Sector	Capex FY 2014 (USD Billion)
Sinopec	China	Energy	20.1	BMW	Germany	Consumer Products	7.4
Volkswagen	Germany	Consumer Products	14.5	Southwestern Energy	U.S.	Energy	7.3
Nissan Motor	Japan	Consumer Products	13.2	YPF	Argentina	Energy	5.9
Wal-Mart Stores	U.S.	Consumer Products	12.2	Daimler	Germany	Consumer Products	5.9
Google	U.S.	I.T.	11.0	Amazon.com	U.S.	Consumer Products	4.9
Apple	U.S.	I.T.	9.6	National Grid	U.K.	Utilities	4.6
Taiwan Semiconductor	Taiwan	I.T.	9.1	Nestlé	Switz'd	Consumer Products	3.9
Rosneft	Russia	Energy	8.7	Repsol	Spain	Energy	3.2
Mærsk	Denmark	Industrials	8.6	Renault	France	Consumer Products	3.0
Ford Motor	U.S.	Consumer Products	7.5	Pepsico	U.S.	Consumer Products	2.9

Source: S&P Capital IQ, S&P Ratings calculations. Universe is Global Capex 2000. Shows data for last complete fiscal year. The forecasts used to prepare this list are derived from either public corporate guidance tracked by S&P Capital IQ or from CIQ market consensus data.

HOW LONG WILL THE COMMODITY CAPEX SLUMP LAST?

With the commodity capex crunch exerting such a significant negative drag on capex overall, how long this downturn lasts becomes a critical question. Estimating this is a difficult task, reflecting as it does the highly uncertain price, demand and supply environments of complex global industries and global economics and politics more broadly (the outcome with respect to nuclear proliferation talks with Iran for example).

A multi-year commodity capex crunch

Whilst acknowledging this uncertainty, we can look at what current estimates and guidance suggest in terms of the duration of the commodity capex downturn and how this will affect the tensions between capital spending, returns to shareholders and operating cash flow that underlie the need to cut back investment spending. Projections for the companies in our Global Capex 2000 index suggest that commodity-linked capex cutbacks are expected to continue until 2017, with further significant percentage declines expected for both energy and materials (see Charts 21 and 22).

Commodity capex crunch likely to continue until 2017

OIL & GAS AND METALS & MINING CAPEX CRUNCH IS EXPECTED TO CONTINUE UNTIL AT LEAST 2017

CHART 21 | GLOBAL OIL & GAS CAPEX GROWTH

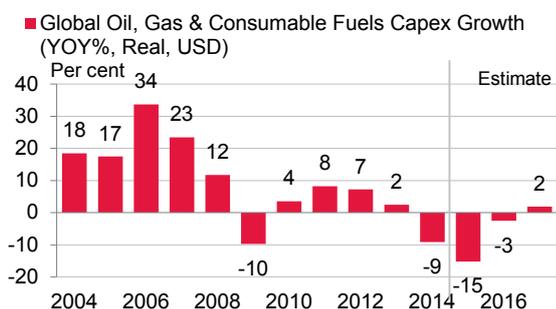
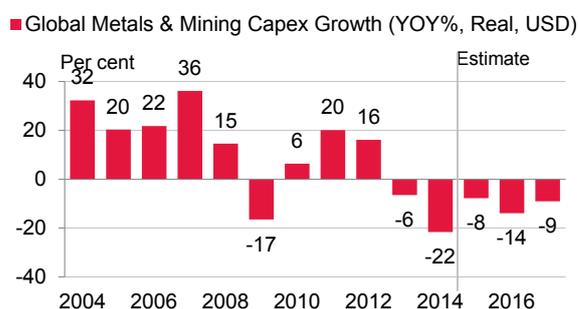


CHART 22 | GLOBAL METALS & MINING CAPEX GROWTH



Source: S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000. Projections for capex follow the same approach as used throughout the survey. Buyback and dividends have been assumed to be held constant at the 2014 level.

Cash flow pressures explain the need for cuts

Comparing cash flow, capex, dividend and buyback trends for two of the key component industry groups – oil, gas & consumable fuels and metals & mining – gives a sense of the scale of adjustment required. In both industries the total cash outlay on capital expenditure, buybacks and dividends has exceeded operating cash flow in recent years. This might make sense in an environment of booming prices and volumes, but is less tenable when prices are under pressure and demand uncertain, as now.

Oil and gas capex still exceeds operating cash flow

For the oil and gas companies in our survey, 2014 capital expenditure (USD 891 billion) exceeded operating cash flow (USD 823 billion). Dividends and buybacks cost a further USD 257 billion, implying that the pre-financing cash-flow gap remains wide. Given a reluctance to cut shareholder payouts, this goes a long way to explaining the intensity of capex cuts expected this year and why more might be needed if oil prices fall further.

Metals and mining companies cut capex aggressively in 2014 by 22%. This took capex as a percentage of operating cash flow back below 90% and the gap between operating cash flow and combined spending on capex and shareholder returns is less pronounced for metals and mining than oil companies. Even so, fundamental pressures remain acute with metal and ore prices yet to recover and additional supply from prior investments still coming on stream. As a result, substantial capex cuts are currently expected to continue through to 2017.

OIL & GAS AND METALS & MINING CAPEX CRUNCH IS EXPECTED TO CONTINUE UNTIL AT LEAST 2017

CHART 23 | GLOBAL OIL & GAS CASHFLOW, CAPEX, DIVIDENDS AND BUYBACKS*

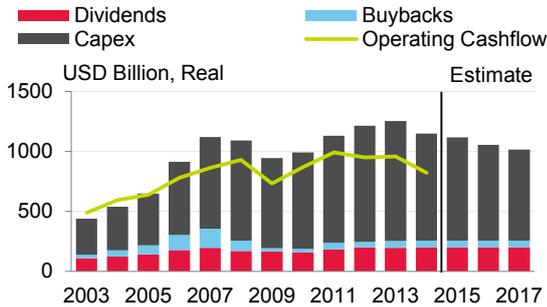


CHART 24 | GLOBAL METALS & MINING CASHFLOW, CAPEX, DIVIDENDS AND BUYBACKS*

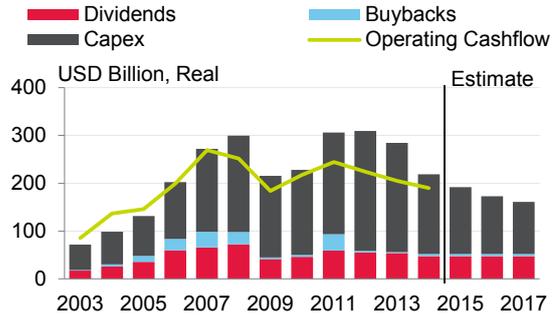


CHART 25 | GLOBAL OIL & GAS- CAPEX, DIVIDENDS AND BUYBACKS AS SHARE OF OPERATING CASHFLOW

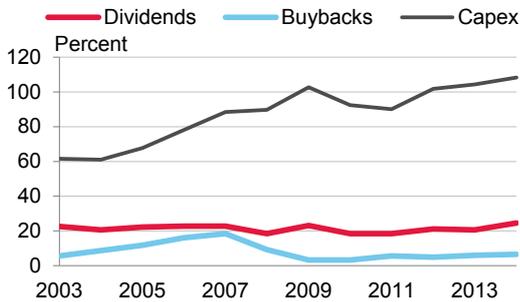


CHART 26 | GLOBAL METALS & MINING- CAPEX, DIVIDENDS AND BUYBACKS AS SHARE OF OPERATING CASHFLOW

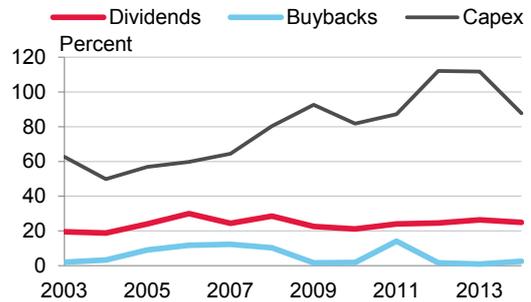
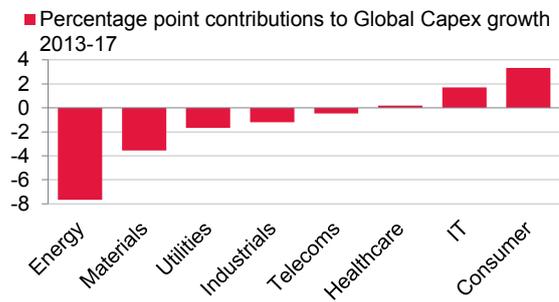


CHART 27 | GLOBAL ENERGY & MATERIALS CAPEX GROWTH



CHART 28 | SECTOR CONTRIBUTIONS TO GLOBAL NON-FINANCIAL CAPEX GROWTH 2013-17



Source: S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000. Projections for capex follow the same approach as used throughout the survey. * Buyback and dividends have been assumed to be held constant at the 2014 level.

Commodity capex is a major part of the total so declines inevitably weaken overall growth

In terms of the effect on global capex trends, these estimates suggest that – barring a substantial turnaround in commodity prices – the commodity capex crunch will continue to drag overall capex growth lower for the next few years. Even after the sharp falls in capex expected in 2015, these industries will still account for around 35% of global spending and they dominate the top 60 ranking list of capital spenders (see page 17). For this reason, declines of 14%, 5% and 1% in combined energy and materials capex in 2015, 2016 and 2017 respectively, will weigh heavily on overall capex growth.

ARE BUYBACKS AND DIVIDENDS HURTING CAPEX? NOT GLOBALLY

The resurgence of share buybacks in recent years and the harm it may be doing to global capex has been a controversial topic in recent years. It has become part of a wider debate as to whether equity-linked management incentives are causing companies to focus on short-term measures likely to raise equity prices rather than undertaking capital investment which will only pay off in the longer run. The weakness of capex in recent years, despite plentiful cash balances and exceptionally low interest rates, is presented as prima facie evidence of this incentive distortion at work.

More buybacks, less capex

For our Global Capex 2000 universe as a whole, the last five years has seen the share of operating cash flow directed towards buybacks and dividends rise in relation to the share going to capex. In 2014, capex was equivalent to 58% of operating cash flow, dividends 25% and buybacks 17% (see Chart 29). These proportions represent a move back to the pre-crisis 2007 position (capex 58%, dividends 21% and buybacks 21%)¹ redolent of excessive focus on financial engineering. Moreover, since 2012, the absolute value of capex has fallen while that of buybacks has risen (see Chart 30), whereas in prior years values generally moved in the same direction.

Capex's share of operating cash flow has fallen back to 2007 trough

BUYBACKS AND DIVIDENDS ARE ABSORBING MORE OPERATING CASHFLOW RELATIVE TO CAPEX

CHART 29 | GLOBAL CAPEX 2000 EX ENERGY & MTLs - RELATIVE SPEND ON DIVIDENDS, BUYBACKS AND CAPEX

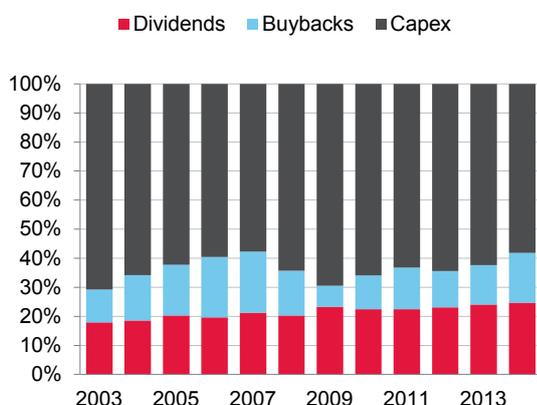
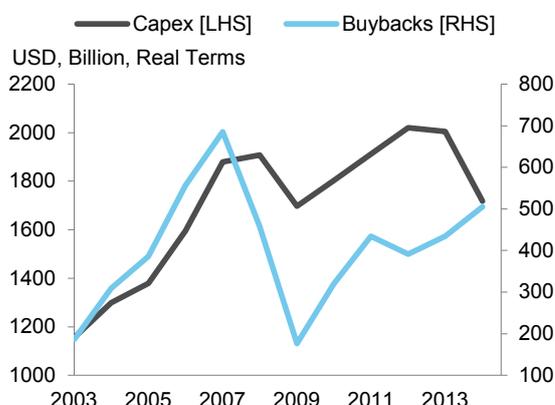


CHART 30 | GLOBAL CAPEX 2000 EX ENERGY & MTLs - VALUE OF CAPEX AND BUYBACKS



Source: S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

Buyback spending concentrated in North America

However, the surge in buybacks is essentially a North American phenomenon. Companies in this region accounted for just under 80% of the USD 613 Billion of share buybacks undertaken by Global Capex 2000 companies in 2014 and have led the surge in buybacks since 2009 (see Chart 31). While expenditure on buybacks by North American members of the index was equivalent to nearly a third of operating cash-flow in 2014, the proportions were much smaller in all other regions. Western Europe is a distant second at 10%, with other regions much lower still and in Asia-Pacific, Japan and Western Europe have not returned to the 2007 peak (see Chart 32).

Debt-funded buybacks

The use of debt to finance share buybacks has been another cause of concern, in that it suggests that low interest rates designed to stimulate growth and investment are instead

¹ For these figures, we have only included non-energy and materials companies in order to strip out any distorting effect from a decade-long commodity capex boom.

encouraging largely unproductive financial engineering. This may well be a valid concern, but evidence for it is again largely constrained to North America where debt's share of balance sheets has risen during the period that buybacks have surged (see Chart 33).

DEBT-FUELLED BUYBACKS LARGELY A NORTH AMERICAN TREND; CAPEX WEAKNESS HAS BEEN GLOBAL

CHART 31 | GLOBAL CAPEX 2000 CONSTITUENTS - REGIONAL SPENDING ON BUYBACKS

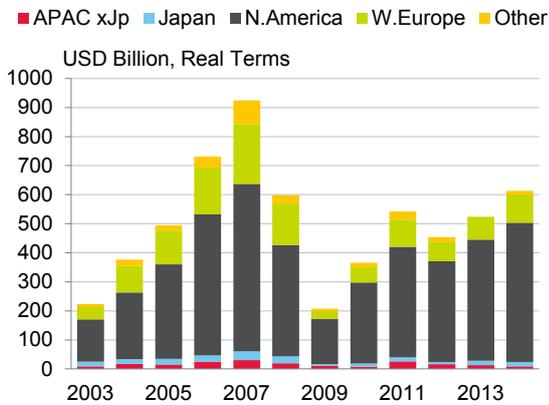


CHART 32 | GLOBAL CAPEX 2000 CONSTITUENTS - BUYBACKS / OPERATING CASHFLOW BY REGION

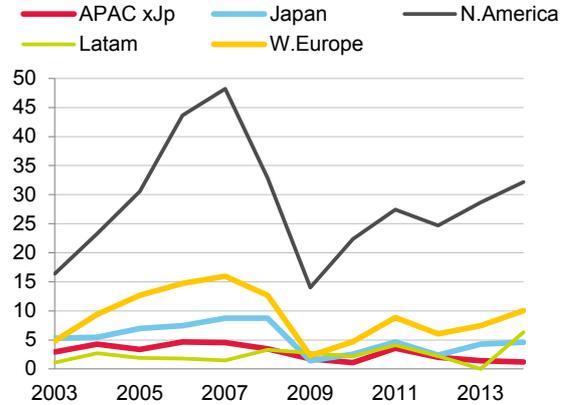
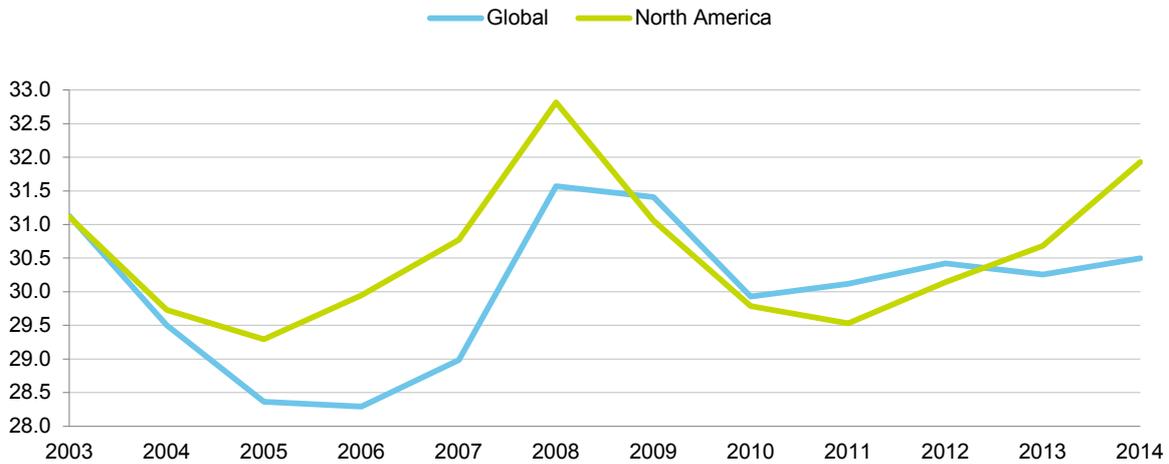


CHART 33 | GLOBAL CAPEX 2000 CONSTITUENTS - TOTAL DEBT TO TOTAL ASSETS



Source: S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

Weak capex has been a global problem

The problem with blaming buybacks for underinvestment is that the weakness in capex in recent years has been a global trend. It has been apparent in regions with no great appetite for buybacks on the scale seen in the U.S. Moreover, the region making *greatest* use of buybacks has also seen its share of global capex rise consistently from 2009 onwards. While it is plausible to suggest that U.S. capex might have risen more were it not for the buyback vogue and that perhaps management short-termism takes other forms in other regions (cost-cutting for example), this does not, in our view, convincingly explain why the global capex cycle has been so subdued.

WHY ARE COMPANIES STILL NOT INVESTING AS MUCH AS HOPED FOR?

Non-commodity capex is expected to return to positive growth in 2015, yet projected growth rates remain far short of what could be called a ‘capex boom’ and subsequent-year projections cast doubt on the persistence of this pickup. Similarly, survey data with respect to future capex intentions has been consistently positive at a global level for some years, but – equally consistently – has failed to come through in terms of survey reports of actual spending (see Chart 34). Why the persistent disappointment?

Regional capex growth trends have been more volatile

Regional trends reveal more of a mixed picture in terms of future intentions (see Chart 35). From 2007-2010, capex intentions appeared closely synchronized across regions but since then regional trends have become much more volatile, reflecting the fragmented nature of global recovery. With capex spending having become more global in nature for the largest global spenders, this perhaps explains the disconnection between sentiment and spending. Western European capex sentiment has improved in recent quarters, but with 35-40% of their capex in recent years spent outside Europe, the deteriorating trends apparent in Asia-Pacific and Latin America may be deterring investment in those markets.

SURVEY SENTIMENT REMAINS POSITIVE (LATAM EXCEPTED) BUT LIMITED FOLLOW THROUGH

CHART 34 | IFO WORLD ECONOMIC SURVEY - CAPITAL EXPENDITURE - ALL COUNTRIES

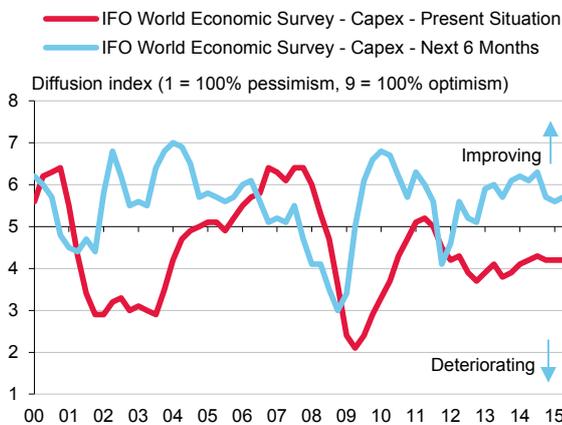
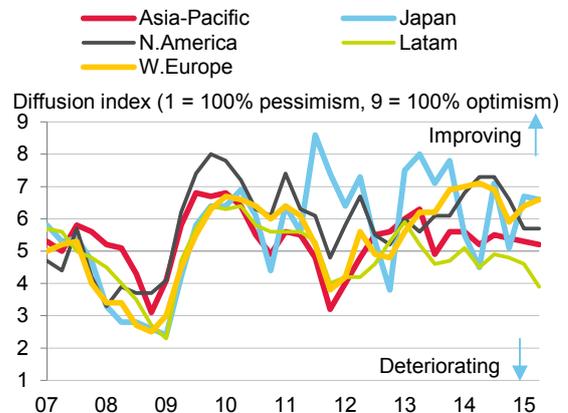


CHART 35 | IFO WORLD ECONOMIC SURVEY - CAPITAL EXPENDITURE - REGIONAL TRENDS



Source: Thomson Reuters Datastream, IFO World Economic Survey, ICC (Paris). Country weights are weighted by exports and imports as a shared of world trade.

Capex fundamentals are not signaling under-investment

As we have argued before, it is not necessarily the case that there has been a shortfall in investment. Key fundamental ratios that are used to gauge the health of capex, such as capex-to-sales and capex-to-depreciation, do not suggest that global corporate capex has been abnormally low (see Charts 36 and 37).

CAPEX NOT ABNORMALLY LOW ON FUNDAMENTAL MEASURES

CHART 36 | GLOBAL NON-FINANCIAL CORPORATE CAPEX-TO-SALES RATIO

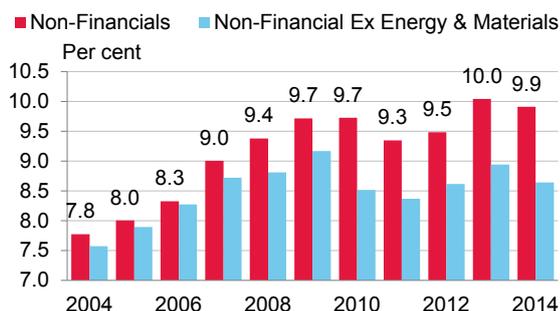
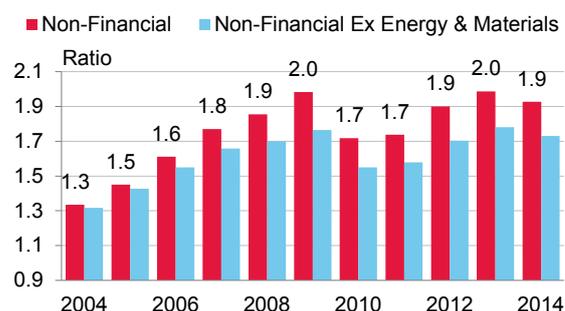


CHART 37 | GLOBAL NON-FINANCIAL CORPORATE CAPEX-TO-DEPRECIATION RATIO



S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

Plenty of cash but the translation to capex is not straightforward

\$4.4 trillion of cash on the balance sheet

It remains the case that the corporate sector has plenty of cash at hand to support a more robust recovery than the one we expect. The members of the Global Capex 2000 index have some \$4.4 trillion of cash and equivalents on the balance sheet, equivalent to 9.4% of total assets (the highest figure since 2010). But the assumption that this will translate to a capex boom is complicated by the realities of who holds the cash and what their investment priorities are.

Breaking the cash pile down by region and sector reveals that the greatest concentrations are held in North American technology companies, APAC ex Japan industrials and Western European consumer product companies (with automakers the lion's share).

BALANCE SHEET CASH PLENTIFUL ALTHOUGH THE LINK WITH CAPEX NEEDS IS MORE COMPLEX

CHART 38 | GLOBAL NON-FINANCIAL CORPORATE CASH HOLDINGS BY REGION AND CASH / TOTAL ASSETS

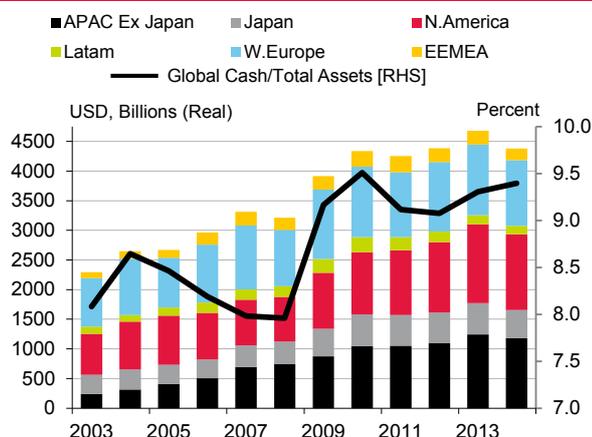
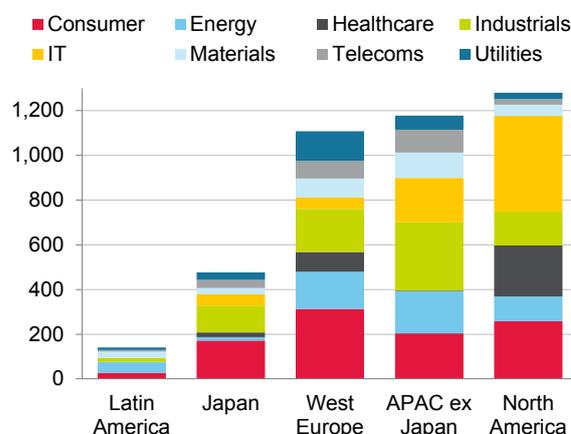


CHART 39 | REGIONAL NON-FINANCIAL CORPORATE CASH HOLDINGS BY SECTOR (2014)



Source: S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000.

CASH RICH INDUSTRIES ARE NOT ALWAYS CAPEX-INTENSIVE

CHART 40 | GLOBAL NON-FINANCIAL CORPORATE SECTORS - BALANCE SHEET CASH (2014)

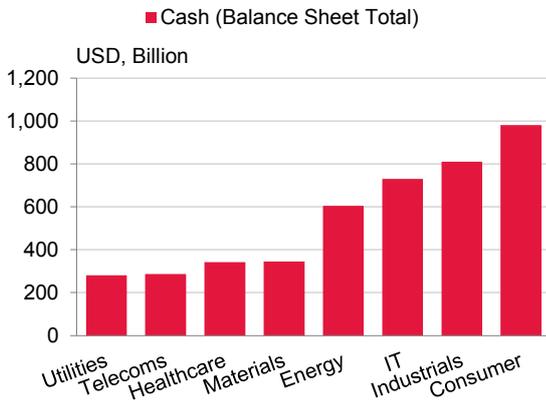


CHART 41 | GLOBAL NON-FINANCIAL CORPORATE SECTORS - CURRENT & AVG CASH AS PERCENTAGE OF TOTAL ASSETS

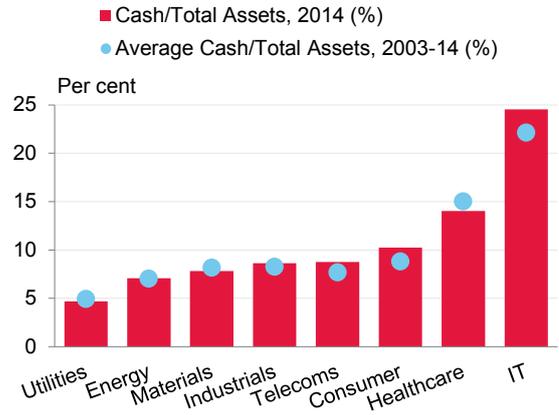


CHART 42 | CONSUMER PRODUCTS - SHARE OF CASH HELD BY INDUSTRY GROUPS (2014)

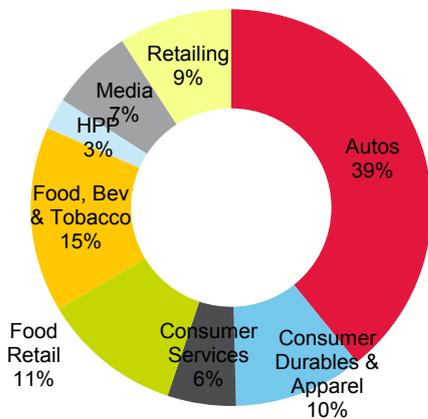
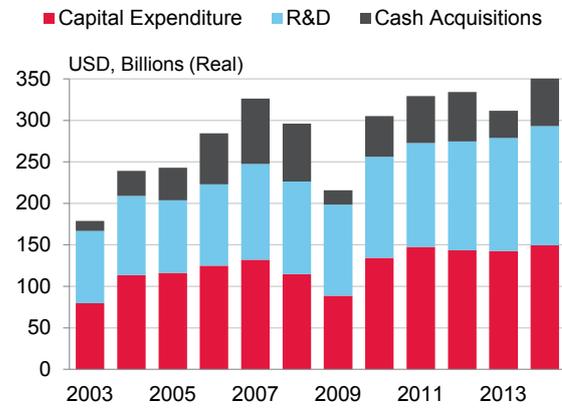


CHART 43 | GLOBAL INFORMATION TECHNOLOGY SPENDING ON GROWTH DRIVERS



Source: S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000.

While the aggregate cash holding is impressive, it is not necessarily the case that cash held by these industries should translate to capital spending:

- The U.S. tech sector has tax issues in terms of the substantial amounts of cash held overseas and, more broadly, this is an industry that spends more on R&D than capex. It is also highly acquisitive in nature, often choosing to buy capability rather than develop it in-house. While technology hardware still has a manufacturing component, software and technology services are essentially capex-light industries.
- Global automakers continue to wrestle with overcapacity. Exceptionally low interest rates have brought a financing boom, boosting auto sales and encouraging a pick-up in capex. And some automakers are clearly committed to substantial and sustained investment programmes, as shown in our “capex champions” list (see page 7). But with the interest-rate cycle likely to turn in the U.S. and plentiful global capacity, automakers may wish to preserve cash rather than increase capex further.

Capex growth tends to follow revenue and profitability trends, both of which have been poor

More generally, capex growth is closely correlated with revenue and profits growth in terms of both direction and magnitude (see Chart 44) and, despite exceptionally low interest rates and the unprecedented use of “quantitative easing” by a number of central banks, the pace of recovery has been slow and halting. The most prosaic explanation for weak corporate investment is simply the weakness of the revenue and profits cycle. Should these turn more convincingly positive, then it would not be unreasonable to expect a stronger capex cycle to follow.

CAPEX CONSTRAINED BY WEAK GROWTH AND PROFITABILITY

CHART 44 | GLOBAL NON-FINANCIAL CORPORATE SALES, EBITDA AND CAPEX GROWTH

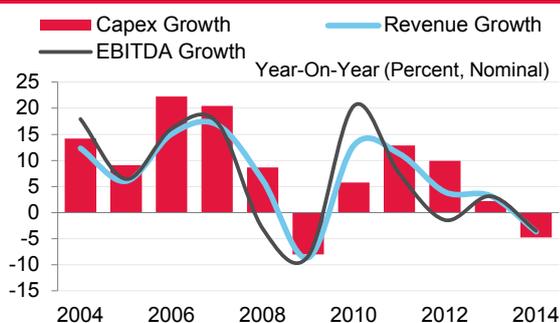
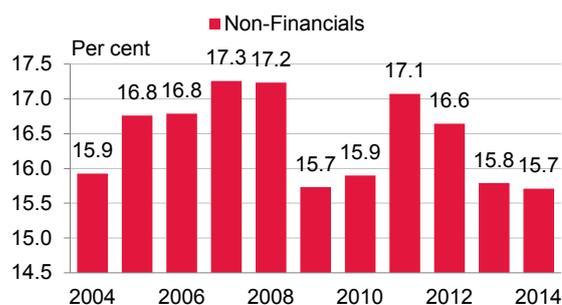


CHART 45 | GLOBAL NON-FINANCIAL CORPORATE EBITDA MARGIN



S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

The changing face of investment

It has become fashionable to blame the weakness of the recovery on the failure of the corporate sector to invest, but this ignores the fact that long-term investment requires more than simply low policy rates, but confidence in future growth, a relatively stable operating environment and consistent and well-functioning financial systems. Many of these appear in flux at present and, in this context, it is notable that ‘uncertainty around returns’ and a ‘lack of available projects’ tend to rank more highly than ‘access to finance’ as reasons given by companies as constraints to investment.

We would highlight a number of other structural issues that are likely to be hampering hopes for a stronger capex recovery:

Economic uncertainty: both cyclical and structural concerns are creating uncertainty. The Eurozone continues to wrestle with its imbalances and weak growth, the U.S. appears set to move on a rate tightening cycle for the first time since 2004-06, China faces a corporate debt overhang, over-extended real estate and a difficult transition away from investment-led growth. Emerging markets more generally are under pressure from factors such as the upheaval in commodity markets and vulnerabilities to an accumulation of USD-denominated debt in the face of a strengthening dollar and a likely rise in U.S. interest rates. At present, they are no longer offering the obvious route to profitable capex that they did a few years ago.

Technological change: This is nothing new of course, but ever greater use of portable computing and communication devices are often disrupting barriers to entry or radically altering business models. Think of the effects of Uber on taxis, AirBnB on accommodation or – in the longer run – of 3D printing on the need for traditional production lines and of self-driving cars on the auto industry.

Complexity: The commodity boom represented a traditional kind of capex boom, involving large scale construction projects and acquisition of advanced plant and machinery. Significant demand exists for traditional heavy investment of this kind in industries such as utilities and infrastructure. However, the process of investing in these

areas has arguably become more complicated for the companies involved given the need for large financial outlays with very long-time horizons and which often necessitates complex government regulation, financial support and control over pricing mechanisms. Recognition of environmental impact and attempts to price externalities (carbon emission trading for example) has added another layer of complexity to many long-term investment schemes.

Undue caution is not the whole story

For all these reasons, the narrative that cash should lead to capex and that cautious corporates are holding back recovery, often for reasons of short-term equity performance, is not the whole picture in our view. The reality is that companies will invest when they can feel sufficiently confident of adequate return and the best guarantee of that is some degree of visibility around economic and financial trends.

The good news is that our analysis suggests that, for many industries, a greater degree of confidence exists now than in the prior two years of our report. This may prove to be the seed of a more sustained capex recovery that can start to outweigh the commodity downturn. The persistence of this recovery will depend on the global economy successfully managing the transition to higher interest rates in the U.S., on Europe maintaining and broadening its recovery and on emerging markets proving resilient to dollar strength and China's growth and debt challenges.

RELATED RESEARCH

- [Lower Oil Prices Mean Less Spending For The U.S. Exploration And Production Sector, But Not Less Production](#), June 30, 2015
- [Russian Companies Cut Back On Capital Spending As Debt Market Shutters Fall, But Longer Term Risks Emerge](#), June 15, 2015
- [Global Corporate Capital Expenditure Survey 2014](#), June 30, 2014
- [Global Corporate Capital Expenditure Survey 2013](#), July 10 2013
- [Cash, Caution and Capex – Why a Trillion Euro Cash Pile Is Unlikely To Drive A European Capex Boom](#), 5 February, 2013

THE TOP 60 GLOBAL CAPEX SPENDERS

The table below shows the top 60 global non-financial capex spenders contained in our universe, who together invested close to \$1 trillion over the last year. They are ranked in descending order by their nominal U.S. Dollar spending for the last full fiscal year.

Despite the sharp fall in energy capex, companies in this industry still account for nearly half of the list (27) and dominate the top ten. Also of note is the greater prevalence of telecoms which, with 12 companies, is the second most represented industry group (10 last year). Telecoms accounted for 17.2% of top 60 capex in 2014 versus 14.6% the year before.

TABLE 2 | TOP 60 NON-FINANCIAL CAPEX SPENDERS – GLOBAL

Company	Country	Sector	Capex FY 2014 (USD Billion)	Company	Country	Sector	Capex FY 2014 (USD Billion)
China National Petroleum	China	Energy	61.3	Apache Corp.	U.S.	Energy	12.4
Chevron	U.S.	Energy	35.4	Wal-Mart Stores	U.S.	Consumer Products	12.2
Exxon Mobil	U.S.	Energy	33.0	NTT	Japan	Telecoms	12.0
Royal Dutch Shell	Netherlands	Energy	31.9	General Motors	U.S.	Consumer Products	11.9
Petrobras	Brazil	Energy	30.8	China Utd Network Comms	China	Telecoms	11.8
Toyota Motor	Japan	Consumer Products	28.0	SoftBank Corp.	Japan	Telecoms	11.6
China Mobile	Hong Kong	Telecoms	27.5	China Unicom (Hong Kong)	Hong Kong	Telecoms	11.2
TOTAL	France	Energy	26.3	Telefónica	Spain	Telecoms	11.1
Petróleos de Venezuela	Venezuela	Energy	24.6	Google	U.S.	I.T.	11.0
BP	U.K.	Energy	22.5	Occidental Petroleum	U.S.	Energy	10.6
Gazprom	Russia	Energy	22.1	Oil and Natural Gas Corp.	India	Energy	10.5
AT&T	U.S.	Telecoms	21.4	Deutsche Bahn	Germany	Industrials	10.3
Samsung Electronics	South Korea	I.T.	20.2	Reliance Industries Limited	India	Energy	10.1
Sinopec	China	Energy	20.1	Intel	U.S.	I.T.	10.1
Petroliam Nasional Berhad	Malaysia	Energy	18.5	Network Rail Limited	U.K.	Industrials	10.0
China National Offshore Oil	China	Energy	18.2	Vale	Brazil	Materials	9.9
Verizon Communications	U.S.	Telecoms	17.2	Canadian Natural Resources	Canada	Energy	9.9
ConocoPhillips	U.S.	Energy	17.1	Vodafone	U.K.	Telecoms	9.8
BHP Billiton Limited	Australia	Materials	17.0	Apple	U.S.	I.T.	9.6
Electricite de France	France	Utilities	16.6	Anadarko Petroleum	U.S.	Energy	9.5
Statoil	Norway	Energy	16.4	Taiwan Semiconductor	Taiwan	I.T.	9.1
Petroleos Mexicanos	Mexico	Energy	15.7	Enbridge	Canada	Energy	9.1
LUKOIL	Russia	Energy	14.5	Glencore	Switzerland	Materials	9.1
Volkswagen	Germany	Consumer Products	14.5	Deutsche Telekom	Germany	Telecoms	8.7
General Electric	U.S.	Industrials	13.7	Rosneft	Russia	Energy	8.7
Saudi Electricity	Saudi Arabia	Utilities	13.4	Freeport-McMoRan	U.S.	Materials	8.6
Korea Electric Power	South Korea	Utilities	13.3	A.P. Møller - Mærsk	Denmark	Industrials	8.6
Nissan Motor	Japan	Consumer Products	13.2	America Movil	Mexico	Telecoms	8.6
China Telecom	China	Telecoms	12.9	BG	U.K.	Energy	8.5
Eni	Italy	Energy	12.9	EOG Resources	U.S.	Energy	8.2

Source: S&P Capital IQ, S&P Ratings calculations. Universe is Global Capex 2000. Shows data for last complete fiscal year.

ASIA-PACIFIC EX JAPAN

Falling energy and materials spending drove 2014 capex down by 9%, a bigger decline than anticipated at this time year. 2015 is expected to bring about a recovery of 6% for non-financials and 12% growth if those sectors are excluded. Further contraction is expected from the likes of BHP Billiton, Reliance and Rio Tinto but China's telecoms companies and Samsung are amongst large capex spenders projected to deliver offsetting uplifts to capex this year. Estimates for 2016-17 remain relatively pessimistic for now.

TABLE 3 | TOP 20 NON-FINANCIAL CAPEX SPENDERS - ASIA PACIFIC EX JAPAN

Company	Country	Sector	Capex FY 2014 (USD Billion)	Company	Country	Sector	Capex FY 2014 (USD Billion)
China National Petroleum	China	Energy	61.3	China Unicom	Hong Kong	Telecoms	11.2
China Mobile	Hong Kong	Telecoms	27.5	Oil and Natural Gas	India	Energy	10.5
Samsung Electronics	South Korea	I.T.	20.2	Reliance Industries	India	Energy	10.1
Sinopec	China	Energy	20.1	Taiwan Semiconductor	Taiwan	I.T.	9.1
Petroleum Nasional Berhad	Malaysia	Energy	18.5	Rio Tinto	Australia	Materials	8.2
China National Offshore Oil	China	Energy	18.2	China Resources National	China	Industrials	7.1
BHP Billiton	Australia	Materials	17.0	China Shenhua Energy	China	Energy	7.1
Korea Electric Power	South Korea	Utilities	13.3	China Comms Construction	China	Industrials	6.9
China Telecom	China	Telecoms	12.9	SK Holdings	South Korea	Industrials	5.2
China Utd Network Comms	China	Telecoms	11.8	Power Construction of China	China	Industrials	5.0

Source: S&P Capital IQ, S&P Ratings calculations. Universe is Global Capex 2000. Shows data for last complete fiscal year.

ASIA-PACIFIC EX JAPAN - CAPITAL EXPENDITURE OUTLOOK

CHART 46 | ASIA PACIFIC EX JAPAN - NON-FINANCIAL CORPORATE CAPEX GROWTH

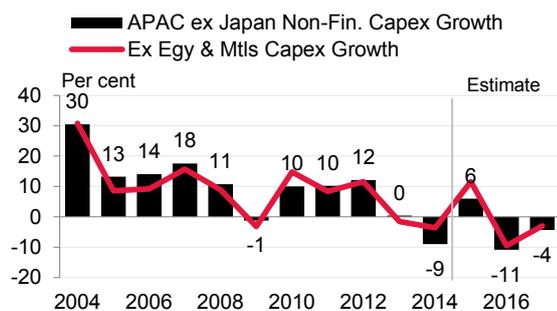


CHART 47 | ASIA PACIFIC EX JAPAN - SHARE OF GLOBAL CORPORATE CAPITAL EXPENDITURE

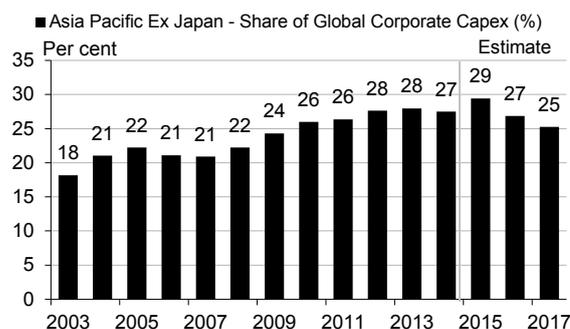


CHART 48 | APAC EX JAPAN NON-FINANCIAL CORPORATE CAPEX GROWTH - SECTOR CONTRIBUTION ANALYSIS

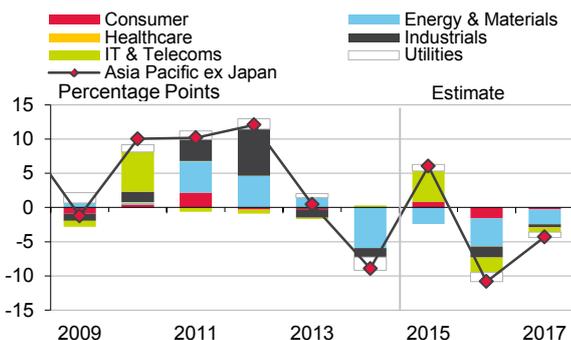
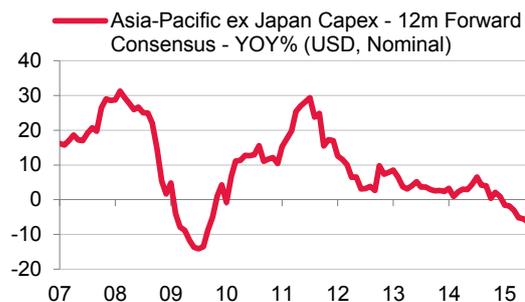


CHART 49 | APAC EX JAPAN - YEAR ON YEAR CHANGE IN 12 MONTH FORWARD CONSENSUS CAPEX FORECAST



S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

JAPAN

Last year's improvement in expectations proved short-lived. However, with limited exposure to commodity investment, expectations for 10% non-financial capex growth in 2015 is the most positive of all regions. Positive growth is expected from all industry groups. Amongst the largest spenders, significant increased spending is anticipated from Toyota, Nissan, Inpex, KDDI and Mitsui amongst others. This is illustrative of the breadth of industries involved in the upturn and if realized, it would end a three-year contraction.

TABLE 4 | TOP 20 NON-FINANCIAL CAPEX SPENDERS - JAPAN

Company	Country	Sector	Capex FY 2014 (USD Billion)	Company	Country	Sector	Capex FY 2014 (USD Billion)
Toyota Motor	Japan	Consumer Products	28.0	Kansai Electric Power	Japan	Utilities	3.5
Nissan Motor	Japan	Consumer Products	13.2	KDDI	Japan	Telecoms	3.3
NTT	Japan	Telecoms	12.0	Mitsui	Japan	Industrials	3.2
SoftBank	Japan	Telecoms	11.6	Denso	Japan	Consumer Products	3.0
Hitachi	Japan	I.T.	6.7	Nippon Steel & Sumitomo Metal	Japan	Materials	2.7
Honda Motor	Japan	Consumer Products	5.4	Mitsubishi	Japan	Industrials	2.6
Tokyo Electric Power	Japan	Utilities	4.7	Kyushu Electric Power	Japan	Utilities	2.4
East Japan Railway	Japan	Industrials	4.2	Bridgestone	Japan	Consumer Products	2.4
Inpex	Japan	Energy	3.7	JX Holdings	Japan	Energy	2.4
Aeon	Japan	Consumer Products	3.6	Seven & i Holdings	Japan	Consumer Products	2.3

Source: S&P Capital IQ, S&P Ratings calculations. Universe is Global Capex 2000. Shows data for last complete fiscal year.

JAPAN - CAPITAL EXPENDITURE OUTLOOK

CHART 50 | JAPAN - NON-FINANCIAL CORPORATE CAPEX GROWTH

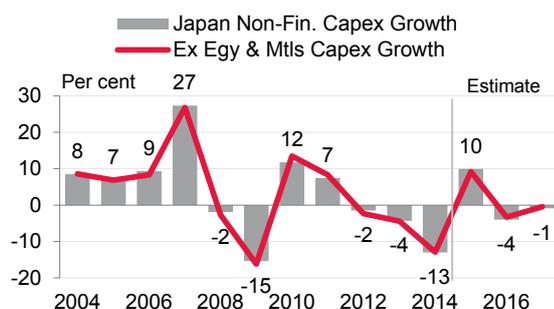


CHART 51 | JAPAN - SHARE OF GLOBAL CORPORATE CAPITAL EXPENDITURE

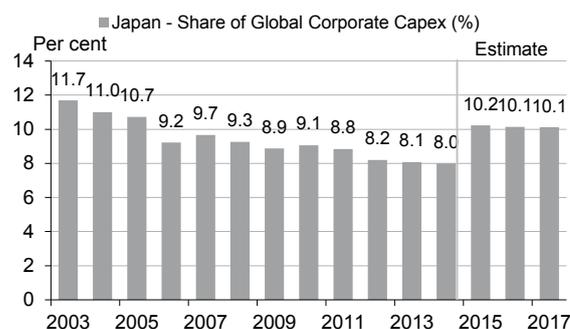


CHART 52 | JAPAN NON-FINANCIAL CORPORATE CAPEX GROWTH - SECTOR CONTRIBUTION ANALYSIS

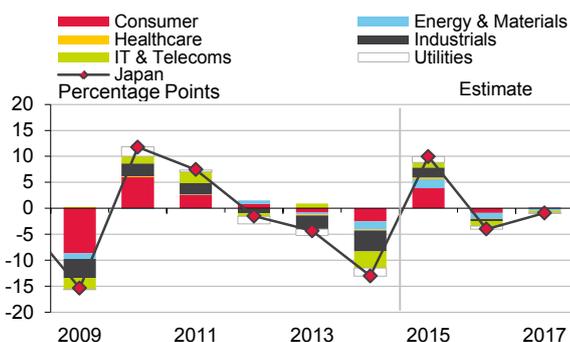
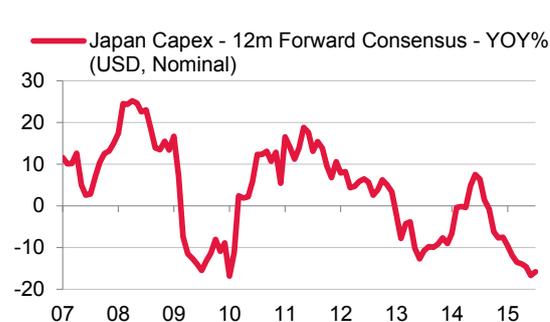


CHART 53 | JAPAN - YEAR ON YEAR CHANGE IN 12 MONTH FORWARD CONSENSUS CAPEX FORECAST



S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

LATIN AMERICA

Capex slumped in 2014 by 21% (measured in USD) as energy and material investment was sharply curtailed. Further cuts in capex from Petrobras, PEMEX and Vale will weigh on 2015 growth, although YPF is expected to buck the trend and increase investment. Non-financial capex is expected to grow by barely 1% as a result, but as with other regions the ex-energy and materials growth rate is much healthier(+23%). Strong capex growth is expected from America Movil, Eletrobras and LATAM Airlines.

TABLE 5 | TOP 20 NON-FINANCIAL CAPEX SPENDERS - LATIN AMERICA

Company	Country	Sector	Capex FY 2014 (USD Billion)	Company	Country	Sector	Capex FY 2014 (USD Billion)
Petrobras	Brazil	Energy	30.8	Oi	Brazil	Telecoms	2.0
Petróleos de Venezuela	Venezuela	Energy	24.6	Telemar Participações	Brazil	Telecoms	2.0
Petroleos Mexicanos	Mexico	Energy	15.7	Braskem	Brazil	Materials	2.0
Vale	Brazil	Materials	9.9	Empresas CMPC	Chile	Materials	1.5
America Movil	Mexico	Telecoms	8.6	LATAM Airlines	Chile	Industrials	1.4
Ecopetrol	Colombia	Energy	6.6	Enerasis	Chile	Utilities	1.4
YPF	Argentina	Energy	5.9	JBS	Brazil	Consumer Products	1.3
CODELCO	Chile	Materials	3.8	Grupo Televisa	Mexico	Consumer Products	1.2
CFE	Mexico	Utilities	3.2	Fomento Económico Mexicano	Mexico	Consumer Products	1.2
Grupo México	Mexico	Materials	2.4	Klabin	Brazil	Materials	1.1

Source: S&P Capital IQ, S&P Ratings calculations. Universe is Global Capex 2000. Shows data for last complete fiscal year.

LATIN AMERICA - CAPITAL EXPENDITURE OUTLOOK

CHART 54 | LATIN AMERICA - NON-FINANCIAL CORPORATE CAPEX GROWTH

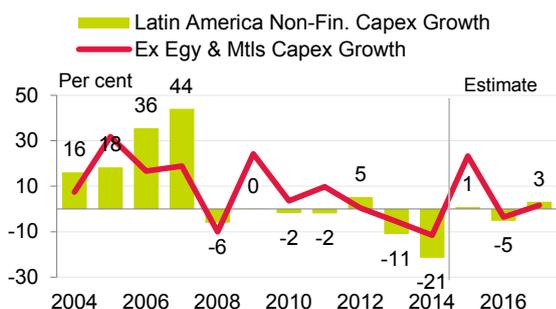


CHART 55 | LATIN AMERICA - SHARE OF GLOBAL CORPORATE CAPITAL EXPENDITURE

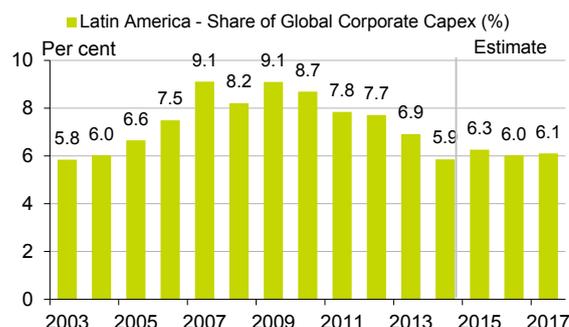


CHART 56 | LATIN AMERICA NON-FINANCIAL CORPORATE CAPEX GROWTH - SECTOR CONTRIBUTION ANALYSIS

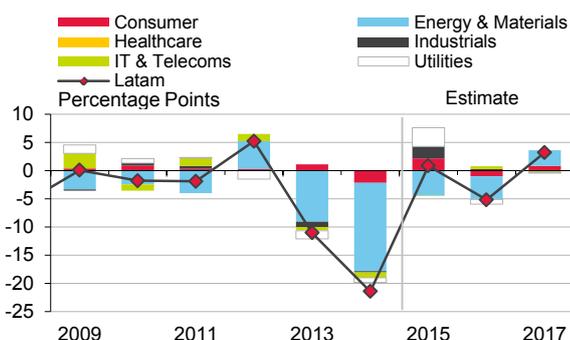
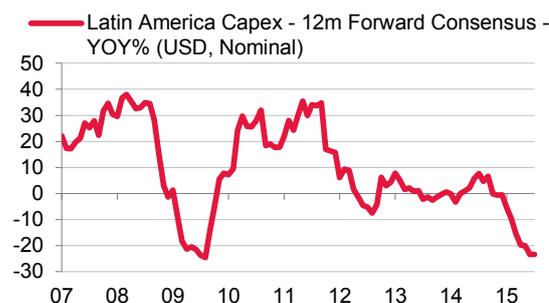


CHART 57 | LATIN AMERICA - YEAR ON YEAR CHANGE IN 12 MONTH FORWARD CONSENSUS CAPEX FORECAST



S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000. Shows data for last complete fiscal year.

NORTH AMERICA

Capex grew more strongly in 2014 than projections this time last year suggested, bolstered by strong growth in energy, IT and telecom spending. Strong growth is expected in 2015 from the likes of GE, GM and Apple, but the scale of cuts to energy capex (Chevron, Exxon Mobil and ConocoPhillips) means that non-financial capex overall is expected to slump 10%. Excluding energy reveals a better underlying trend, with growth of 5%, 0% and 4% from 2015 to 2017 respectively.

TABLE 6 | TOP 20 NON-FINANCIAL CAPEX SPENDERS - NORTH AMERICA

Company	Country	Sector	Capex FY 2014 (USD Billion)	Company	Country	Sector	Capex FY 2014 (USD Billion)
Chevron	U.S.	Energy	35.4	Occidental Petroleum	U.S.	Energy	10.6
Exxon Mobil	U.S.	Energy	33.0	Intel	U.S.	I.T.	10.1
AT&T	U.S.	Telecoms	21.4	Canadian Natural Resources	Canada	Energy	9.9
Verizon Communications	U.S.	Telecoms	17.2	Apple	U.S.	I.T.	9.6
ConocoPhillips	U.S.	Energy	17.1	Anadarko Petroleum	U.S.	Energy	9.5
General Electric	U.S.	Industrials	13.7	Enbridge	Canada	Energy	9.1
Apache	U.S.	Energy	12.4	Freeport-McMoRan	U.S.	Materials	8.6
Wal-Mart Stores	U.S.	Consumer Products	12.2	EOG Resources	U.S.	Energy	8.2
General Motors	U.S.	Consumer Products	11.9	Ford Motor	U.S.	Consumer Products	7.5
Google	U.S.	I.T.	11.0	Comcast	U.S.	Consumer Products	7.4

Source: S&P Capital IQ, S&P Ratings calculations. Universe is Global Capex 2000. Shows data for last complete fiscal year.

NORTH AMERICA - CAPITAL EXPENDITURE OUTLOOK

CHART 58 | NORTH AMERICA - NON-FINANCIAL CORPORATE CAPEX GROWTH

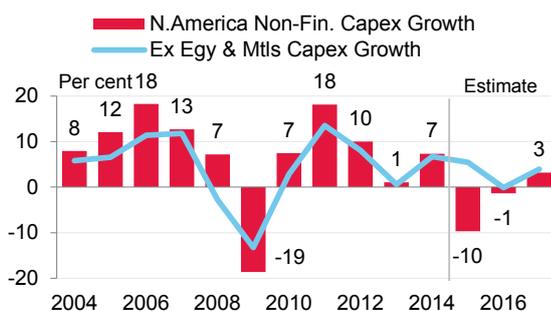


CHART 59 | NORTH AMERICA - SHARE OF GLOBAL CORPORATE CAPITAL EXPENDITURE



CHART 60 | NORTH AMERICA NON-FINANCIAL CORPORATE CAPEX GROWTH - SECTOR CONTRIBUTION ANALYSIS

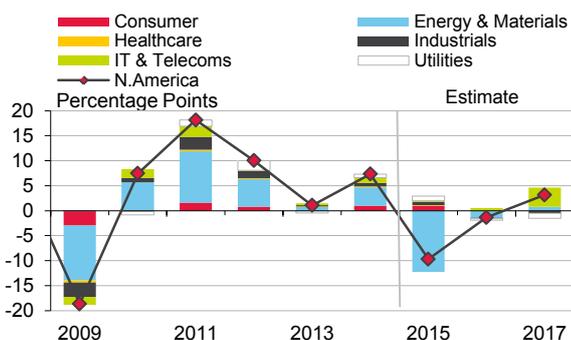


CHART 61 | NORTH AMERICA - YEAR ON YEAR CHANGE IN 12 MONTH FORWARD CONSENSUS CAPEX FORECAST



S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

WESTERN EUROPE

Capex disappointed in 2014, adversely affected by sharp cuts in energy and materials spending. More of the same is expected this year, with further cutbacks from oil majors (Shell, Total, BP), miners (Glencore, Anglo American) and chemical producers (BASF). Countering this are substantial increases expected from telecoms (Vodafone, Deutsche Telekom) and some utilities (ENEL, ENGIE). The overall projection is for zero growth for non-financials overall, but a more healthy 6% growth if energy and materials are excluded.

TABLE 7 | TOP 20 NON-FINANCIAL CAPEX SPENDERS - WESTERN EUROPE

Company	Country	Sector	Capex FY 2014 (USD Billion)	Company	Country	Sector	Capex FY 2014 (USD Billion)
Royal Dutch Shell	Netherlands	Energy	31.9	Vodafone	U.K.	Telecoms	9.8
TOTAL	France	Energy	26.3	Glencore	Switzerland	Materials	9.1
BP	U.K.	Energy	22.5	Deutsche Telekom	Germany	Telecoms	8.7
Electricite de France	France	Utilities	16.6	A.P. Møller - Mærsk	Denmark	Industrials	8.6
Statoil	Norway	Energy	16.4	BG	U.K.	Energy	8.5
Volkswagen	Germany	Consumer Products	14.5	BMW	Germany	Consumer Products	7.4
Eni	Italy	Energy	12.9	Enel	Italy	Utilities	7.3
Telefónica	Spain	Telecoms	11.1	SNCF Réseau	France	Industrials	7.3
Deutsche Bahn	Germany	Industrials	10.3	Fiat Chrysler Automobiles	U.K.	Consumer Products	7.1
Network Rail	U.K.	Industrials	10.0	ENGIE	France	Utilities	7.0

Source: S&P Capital IQ, S&P Ratings calculations. Universe is Global Capex 2000. Shows data for last complete fiscal year.

WESTERN EUROPE - CAPITAL EXPENDITURE OUTLOOK

CHART 62 | WESTERN EUROPE - NON-FINANCIAL CORPORATE CAPEX GROWTH

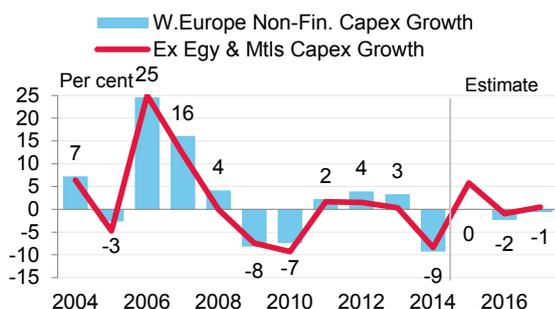


CHART 63 | WESTERN EUROPE - SHARE OF GLOBAL CORPORATE CAPITAL EXPENDITURE



CHART 64 | WESTERN EUROPE NON-FINANCIAL CORPORATE CAPEX GROWTH - SECTOR CONTRIBUTION ANALYSIS

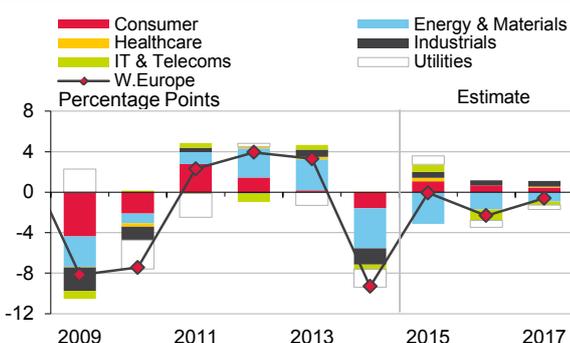
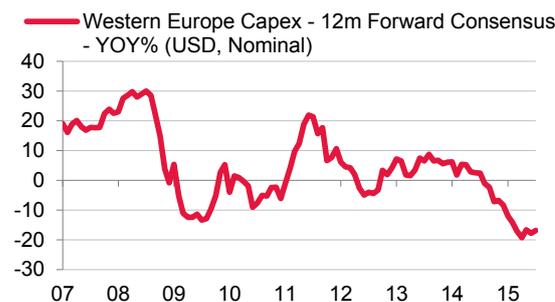


CHART 65 | WESTERN EUROPE - YEAR ON YEAR CHANGE IN 12 MONTH FORWARD CONSENSUS CAPEX FORECAST



S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000

APPENDIX: METHODOLOGY

Our survey assesses capital expenditure trends for a rolling universe of the 2,000 companies that spend the most globally. It covers public and private companies, rated and unrated and extends the analysis into the subsidiaries that often account for most spending in some regions. All financial data is sourced from S&P Capital IQ and is adjusted into real terms to allow for meaningful long-term and cross-country analysis.

DATA SOURCES

Financial data.	All financial data used in this report has been derived from S&P Capital IQ. This includes financial statement line items, country and sector identifiers, ratings data and currency adjustments. Growth rates, ratios and real-terms adjustment have then been calculated by S&P Ratings Services.
Economic data.	Inflation data comes from the IMF World Economic Outlook (WEO) database via Thomson Reuters Datastream. Purchasing Power Parity (PPP) adjustments, where used, are also from the IMF's WEO.

UNIVERSE SELECTION

Ranking.	The selected universe represents – for each fiscal year – the top 2000 ranking companies globally in terms of US dollar-denominated capital expenditure. Currency conversion is performed on a historical basis (i.e. using the exchange rate applicable at the date of the financial statement).
Item definition.	Capital expenditure is defined as Capital IQ standardized capital expenditure taken from the cash flow statement.
Size of the universe.	We have chosen a constant universe of 2000 with a view to ensuring breadth of geographic coverage and a deep enough coverage to capture meaningful global, country and industry trends. Chart 66 shows the maximum, minimum and median capital expenditure undertaken by universe constituents between 2003 and 2014.
Global coverage.	A universe of this size also ensures broad and representative geographic coverage. Chart 67 shows the proportion of companies headquartered in each region for the index in 2014. North America and Asia are the dominant regions by numbers of companies, followed by Europe. But there are also meaningful numbers of Latin American and Emerging Europe, Middle East and African companies represented too.
Weighting.	All figures are aggregated on a summed basis (rather than being equally-weighted or averages). The biggest capex spenders will have the most bearing on overall growth rates. Chart 68 gives an illustration of the cumulative value of capital expenditure from the biggest spenders to the smallest in our universe. For example, the top 100 companies account for 40% of total capital expenditure and the top 500 account for over 70%.
Type of company.	The selection universe includes both publically listed and private non-financial companies. It also covers both operating companies and subsidiaries. Including subsidiaries raises the risk of double-counting, as dual listings often refer to the same financial data. However, there are a significant number of large companies where the overall operating or holding company provides no financial information, with the capital expenditure recorded at the subsidiary level. There are many examples of this in China. Consequently we have included both types of company and have taken care to exclude duplicating operations on a case-by-case basis.

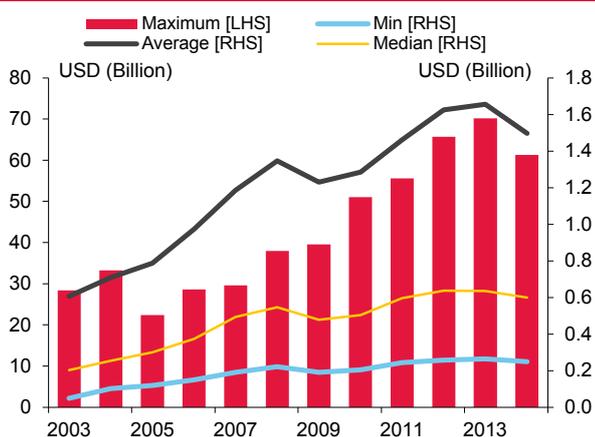
CALCULATIONS

Real-terms adjustment. When looking at longer-term trends, particularly including economies where relatively high inflation rates are prevalent, it is important to express values in real terms. We have done this by restating all individual corporate financial items in present-value terms using the IMF's annual inflation series for the country of incorporation. The difference this makes to annual growth rates is illustrated in chart 69.

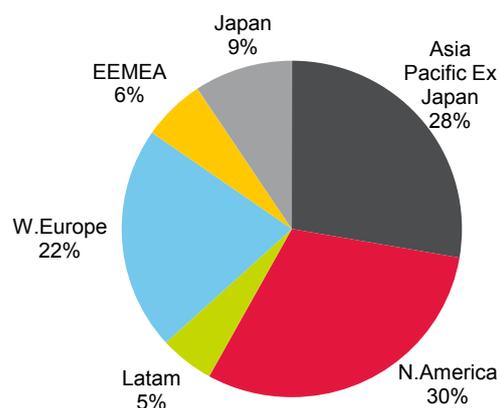
Forecasts. Forward-looking estimates have been constructed from a combination of company guidance and the CIQ consensus. If company guidance for capital expenditure has been issued or reiterated since May we have used that in the projection; otherwise we have used the CIQ consensus if available.

GLOBAL CAPEX 2000 CONSTITUENT ANALYSIS

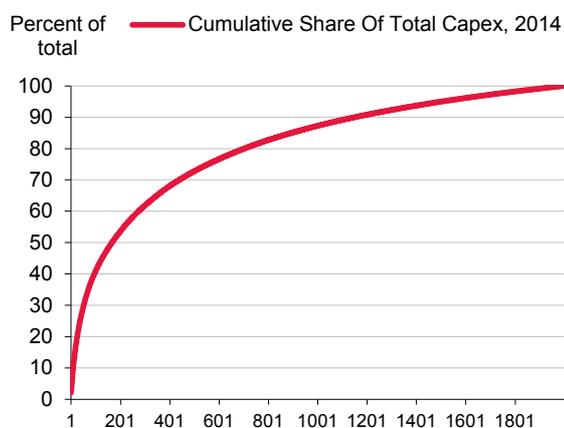
**CHART 66 | GLOBAL CAPEX 2000
MAXIMUM, MINIMUM AND MEDIAN CAPEX BY YEAR**



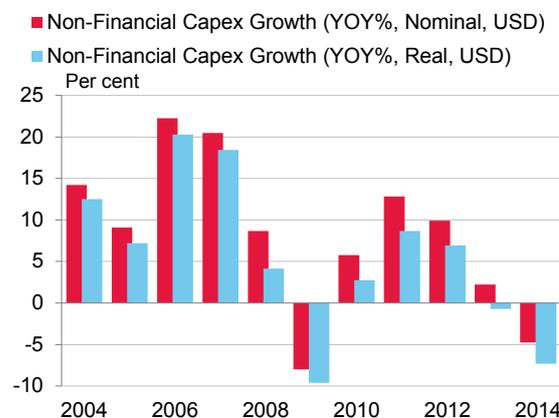
**CHART 67 | GLOBAL CAPEX 2000
SHARE OF CONSTITUENTS BY REGION, 2014**



**CHART 68 | GLOBAL CAPEX 2000
CUMULATIVE SHARE OF TOTAL GLOBAL CAPEX**



**CHART 69 | GLOBAL NON-FINANCIAL CORPORATE CAPEX
GROWTH - REAL AND NOMINAL**



S&P Capital IQ, S&P Ratings calculations, IMF. Universe is Global Capex 2000 * Calculated as of June 23, 2015

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