

Caterpillar "confident" in China's economic rebound

BEIJING, Aug. 13 (Xinhua) -- Caterpillar, a U.S.-based construction equipment maker, is confident that China's economy will experience a soft landing, as the government has taken appropriate measures to drive an economic rebound, one of the company's top officials said Monday.

Kevin Thieneman, country manager of Caterpillar China, India and ASEAN, told Xinhua in an exclusive interview that the Chinese government is taking the appropriate steps to drive a rebound in economic growth by the fourth quarter of this year and in 2013.

China's economy expanded 7.6 percent year on year in the second quarter of 2012, slowing from 8.1 percent in the first quarter. The growth rate marked the sixth consecutive quarter of decline and was the slowest pace since the first quarter of 2009.

"Our corporate forecast for China's GDP growth is right at 8 percent," Thieneman said. This forecast is higher than the 7.5-percent target set by the government.

Earlier this year, China pared its gross domestic product growth target for 2012 to 7.5 percent from 8 percent in the face of a persistent slump in the United States and spreading debt woes in the European Union.

To buoy the economy, China has adopted a string of pro-growth measures, including lowering banks' reserve ratio to boost lending, subsidizing energy-saving household electrical appliances and speeding up approval for major construction projects.

"With China's interest rate cuts and the reduction in the reserve ratio, as well as the recent announcement of stimulating infrastructure investment, we are very confident that we'll see a soft landing in China," Thieneman said.

However, as the economy slows, Caterpillar has felt some changes due to thwarted demand.

"In the first half of 2011, our industry reached a record high. As we came into 2012, we thought the industry would continue to grow, so we tooled up our factories, our suppliers are ready to go and we build according to a higher level of demand," Thieneman said.

As a consequence, the company ended the first half of 2012 with a relatively high level of inventory and had to align its production with demand in China and divert its finished goods inventory outside China.

Last month, Caterpillar Inc. posted record-high profits and revenue for the second quarter this year despite uncertainties clouding the global economy.

Its profit per share was 2.54 U.S. dollars, an all-time quarterly record, and a 67-percent increase from the same period of 2011. Sales and revenue stood at 17.37 billion U.S. dollars, also an all-time record.

"However, China was a bit of an aberration compared with what we saw globally," Thieneman said.

The company's China business reached a high point in the first half of 2011, and has seen steady decline since. The first and second quarters of 2012 were down year on year.

"For our industry, we think that things got a little overheated in 2011, so a bit of slowdown is healthy for our industry," Thieneman said.

Caterpillar entered China in the late 1970s, and the company currently has 18 manufacturing facilities, nine new facilities under construction, four R&D centers, three logistics and parts centers and more than 15,000 employees across China.

Thieneman said the company has slowed some of its capacity expansion plans due to the economic downturn.

"For the mid-term and long term, we are still very optimistic, and we are cautiously optimistic about 2013. Our business is driven by infrastructure and GDP growth, and the outlook for 2013 is still positive with some warning signals there," he said.

Over the years, Caterpillar has become more focused on China. In 2005, it listed the Chinese market as one of the eight factors for the

company to achieve its vision for 2020. One year later, Caterpillar moved its Asia Pacific headquarters from Tokyo to Beijing.

China's 12th Five-year Plan (2011-2015) has underlined high technology, clean and sustainable development and high-end equipment manufacturing.

"All of those fit right in the spots of our products, services and solutions, and we are well-positioned to serve the 12th Five-year Plan," Thieneman said.