Global Machine Tool Revenues Expected to Decline 10% to 2017 Levels

Companies selling laser and other optical products into the global machine tool sector should expect a decline in sales in 2019 near 10%, compared to 2018. This would place this year's sales for components and systems in the category near the value for 2017, second only to 2018, according to OIDA's mid-year forecast.

This continues to be a 'half full and half empty' market for companies in this sector. Sales are off from the peak, but it is mid-2019 and the economy is holding. Many economic indicators in the U.S. are nominally very good, such as record low unemployment and low inflation but economists warn that the economy is fragile, and particularly vulnerable to repercussions from trade disputes, Tom Hausken, PhD, OSA Senior Industry Advisor notes. A large part of the growth in recent years has been to Chinese customers, with sales by prominent laser companies to China as much as 43% of company revenues, making them especially exposed in a trade war. Investors reacted in 2018, and the share prices of some companies in the sector were driven down by 50% or more.

OIDA monitors over two dozen companies in the sector, and tracks quarterly results of a group that have combined revenues over US$ 40 billion annually. OIDA's index indicates a stronger decline than usual in Q1 2019, falling 14% from the previous quarter, following weakness in the second half of 2018. OIDA expects quarter-over-quarter growth in Q2, but sales in the second half are unlikely to match the levels of 2018.
Longer term, OIDA expects compounded growth in the range of 5%, slightly greater than global economic growth. But current conditions may delay a return to growth until after 2019, or possibly after 2020.

More information appears in the June issue of OIDA's OIDA Market Update, available to OIDA members.

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