

KONECRANES®

LIFT TRUCKS QUARTERLY

December 2017



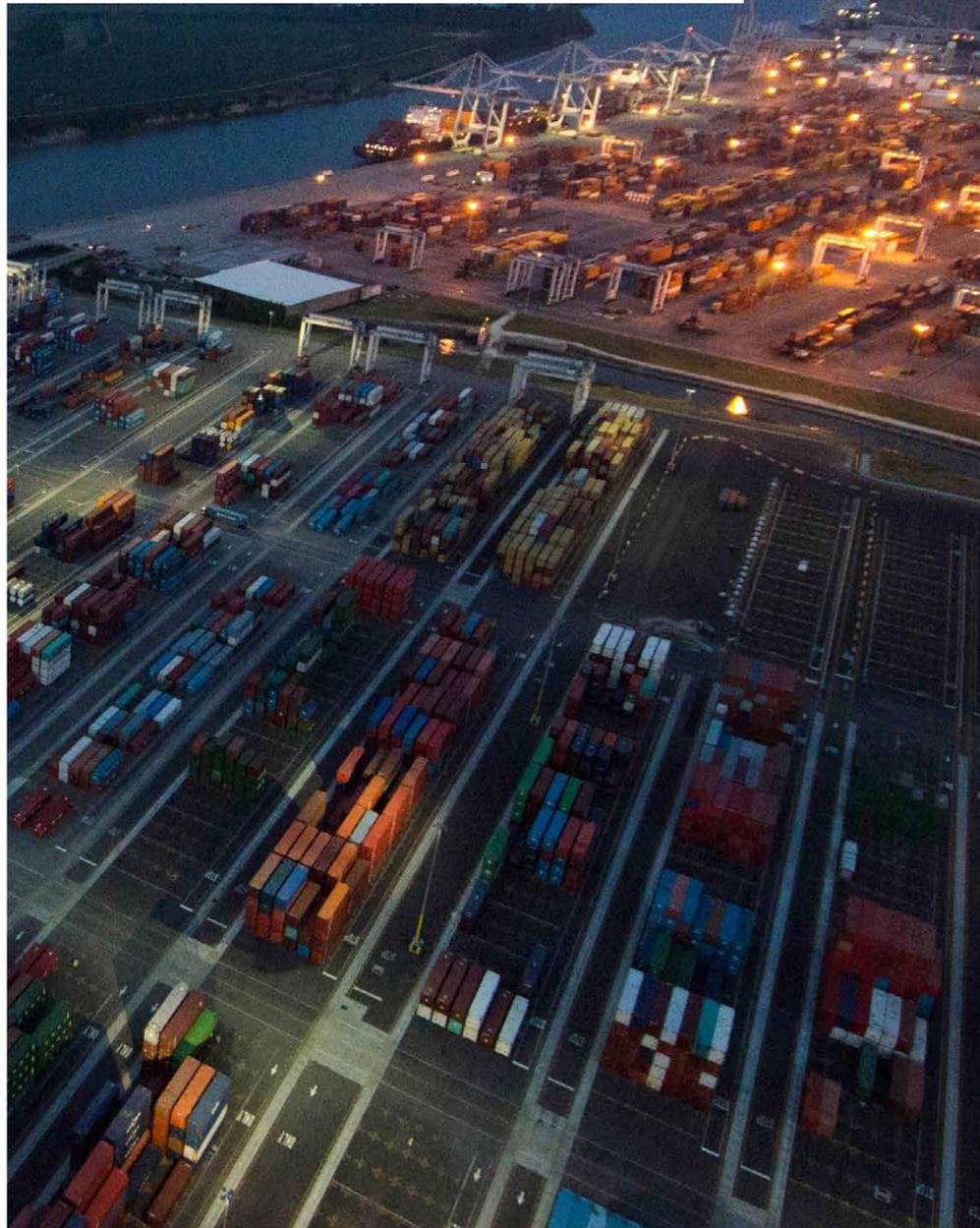
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MACROECONOMIC TRENDS

GLOBAL ECONOMIC MOMENTUM, WHICH BEGAN PICKING UP IN THE SECOND HALF OF 2016, HAS SOLIDIFIED THROUGHOUT 2017.

REAL GDP GROWTH

Q3 GDP went up in eurozone countries, Japan and the US, went down in the UK, Russia and China.

INDUSTRIAL PRODUCTION

Industrial production levels have gone up year-on-year in most economies.

INFLATION

Inflation fell in eurozone countries, the US, Russia, went up in China, India and Brazil.

CURRENCIES

In October, EUR depreciated against GBP, JPY, USD, CNY, INR, and appreciated against BRL, SEK, RUB.

CAPACITY UTILIZATION

Capacity utilization went up in the EU and the US.

POLICY INTEREST RATES

Policy interest rates remained unchanged in November for major economies but went up in the UK.

PURCHASING MANAGERS INDEX

PMI went up in Germany, France, Italy, the UK, Spain, Brazil, Russia and India.



HOW ROBINSON CONTAINER INDEX AND BALTIC DRY BULK

CONTAINER VOLUMES ON COURSE FOR RECORD YEAR

Drewry's last Container Forecaster, published in October, predicted that the world's loaded container traffic would break the 200 million teu threshold for the first time ever this year.

Recent port and trade statistics confirm that outcome is a certainty.

The RWI/ISL Container Throughput Index shows no sign of slowing down, with the latest trading for September being nearly 10 points above the same month in 2016.

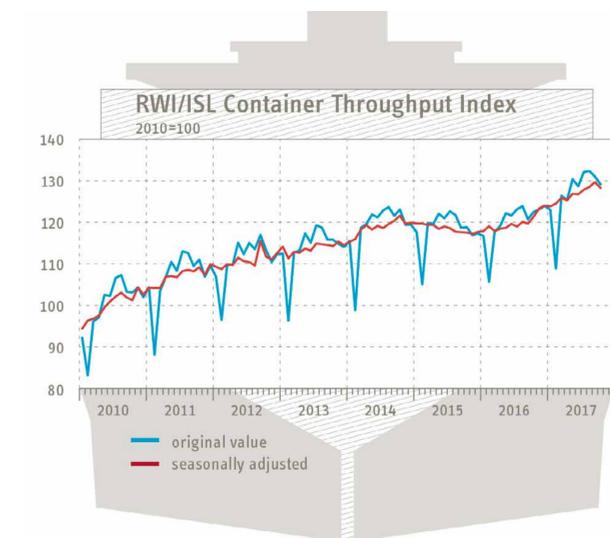
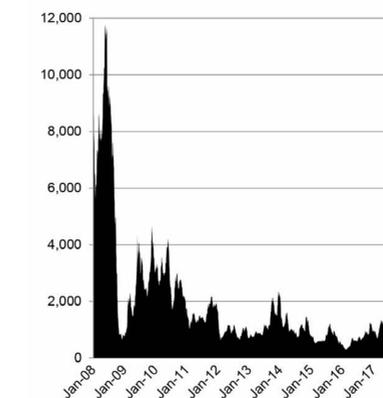
The trend has been relentlessly positive in 2017, following on from a slower growth pattern in 2016.

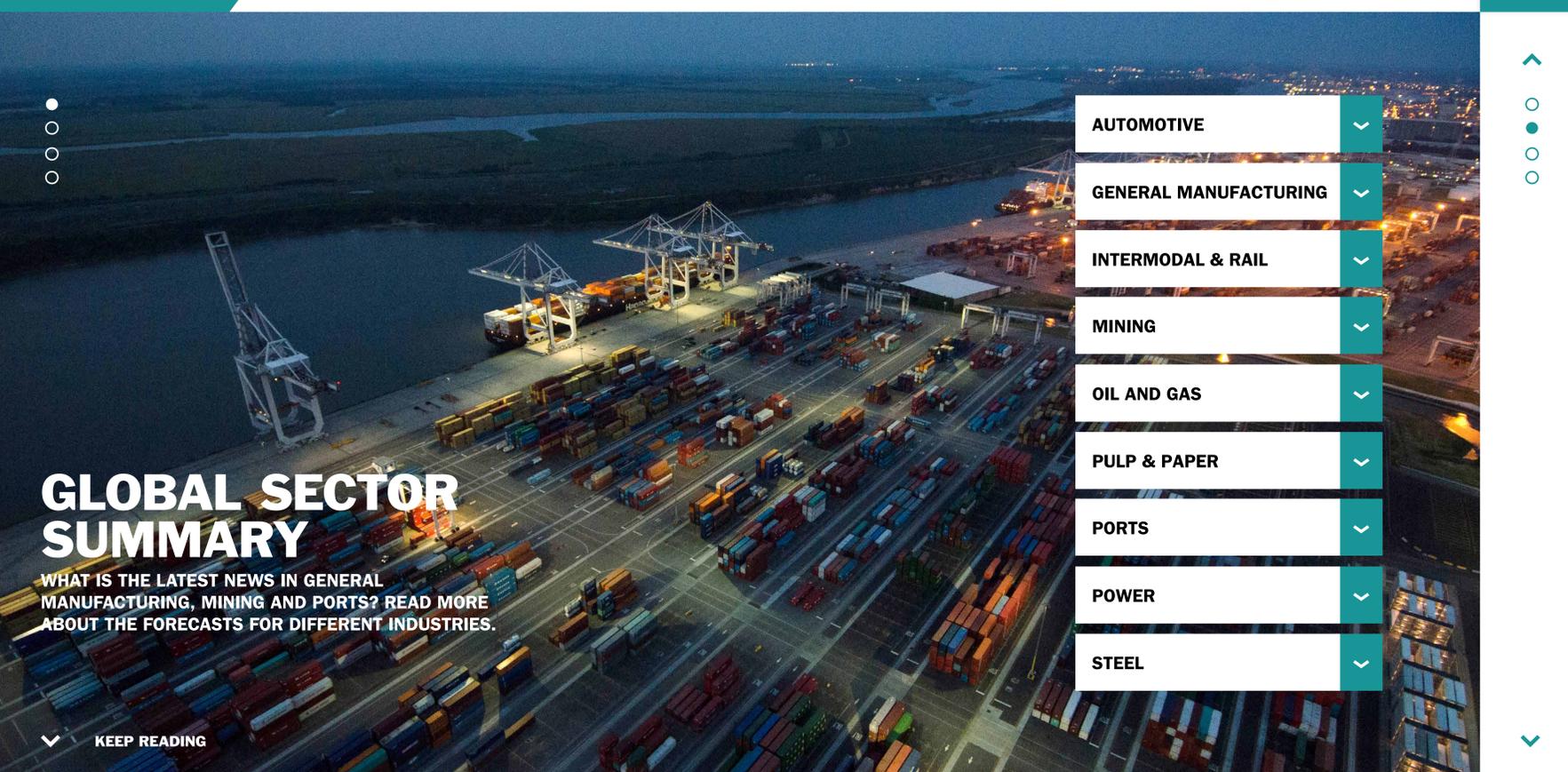
Growth has been widespread, with all regions showing year-on-year improvement.

The fastest-growing regions were North America (+12.6%), Latin America (+11.1%) and China (10.3%). The slowest was Europe (4.4%).

Source: Lloyd's Loading List, 30 November 2017 ■

Baltic Dry Index





GLOBAL SECTOR SUMMARY

WHAT IS THE LATEST NEWS IN GENERAL MANUFACTURING, MINING AND PORTS? READ MORE ABOUT THE FORECASTS FOR DIFFERENT INDUSTRIES.

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AUTOMOTIVE

ELECTRIFIED VEHICLES TO TAKE HALF THE GLOBAL AUTO MARKET BY 2030

Internal combustion engines (ICEs) will continue to play a major but changing role in the auto industry, as most electrified vehicles will be hybrids, according to new Research by BCG. ICEs will be the dominant power train, at least until the end of 2020, as the price of electrified vehicles will remain high, even with incentives, and the payback period based on total cost of ownership (TCO) for consumers will be too long to be attractive. After 2025, falling battery prices and rising consumer demand based on TCO will drive rapidly-increasing sales of all electrified vehicles. Pure ICEs will decline from today's 96% market share to about half of all vehicles around 2030.



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GENERAL MANUFACTURING

TECHNOLOGY MAY HELP COMPENSATE FOR AFRICA'S LACK OF MANUFACTURING

In many parts of the world, advanced robotics and 3D printers are seen as a threat to manufacturing jobs. Yet across most of Africa, manufacturing has never taken off, contributing just 5% of the continent's jobs, compared with 15–18% in other developing regions. So robots are unlikely to replace many African jobs. Instead, they offer the opportunity to create new ones by helping African firms overcome bottlenecks in production and by lowering barriers to entering industry. One example of developing technology in South Africa is the world's largest 3D printer, which can print aircraft parts from powdered titanium. (The Economist, 9 November, 2017)



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INTERMODAL AND RAIL

UK PLANS TO PULL TRAIN SERVICE AND TRACK OPERATION CLOSER

The UK government's strategic vision for rail plans to integrate the running of trains and tracks, in a move ministers hope will placate frustrated passengers by improving efficiency. The reform will force greater collaboration between private train operators and the state-owned Network Rail, which maintains infrastructure, in an effort to make services more reliable. Rail experts largely welcomed the plans, which many in the industry have long called for. The new strategy also proposes to break up two of the biggest train franchises, and reopen some of the lines closed during sweeping cuts organized by British Railways in the 1960s.



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MINING

GOVERNMENT SUPPORT AND UNTAPPED GEOLOGICAL POTENTIAL MAKE FINLAND A STANDOUT INVESTMENT OPPORTUNITY

Miners have literally just scraped the surface of Finland's mineral potential. Most, if not all, of the major projects in the country have come from outcrop deposits, which make up 1–2% of its mineral wealth. This major geological potential, coupled with a supportive code and reliable infrastructure, means Finland should be high on any explorer's list. One surprising positive is the accessibility of sites and well-maintained roads, even north of the Arctic Circle in winter. Finland has one the best geological databases in the world; all of its surface has been mapped to a 200m line spacing, and most of it by electromagnet as well. (Source: Mining Journal World Risk Report)



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OIL AND GAS

DROP IN DEMAND COULD SHUT QUARTER OF GLOBAL REFINING CAPACITY IN 2DS WOLRD

A quarter of global refining capacity could become unviable by 2035 as a swelling tide of climate regulations and rapid advances in clean technologies cut oil demand. The think-tank analyzed 492 refineries representing 94% of global capacity. Falling oil demand would squeeze margins across the industry and drive the most unprofitable refineries out of business. Processing less oil at lower margins means that refinery profits and therefore values could halve by 2035. In contrast to 2DS, the industry expects oil demand to grow steadily until 2035. The report says that Total and Eni are companies most at risk from 2DS, and can expect a 70–80% fall in profits by 2035 as demand stalls. (Source: A report by Carbon Tracker)



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PULP AND PAPER

TREES ARE COVERING MORE OF THE LAND IN RICH COUNTRIES

Trees are spreading in almost every European country. Because many of these forests are young, the quantity of wood in them is growing faster than the terrain of wood. Forests also occupy a third of America's land, having grown by 2% in the past decade. They are even expanding in Australia, following a long decline. Nevertheless, deforestation in South America and Africa remains huge – equivalent to 4.8 m hectares a year, and far outweighs gains elsewhere. The growth of forests is partly a result of changes in food markets, as the best farming areas have become more productive, and rich countries have imported more of their food. Forests are also growing because governments have encouraged them through laws and subsidies. (Source: The Economist, 30 November, 2017)



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PORTS

MIDSIZE VESSELS OUTPACE MEGASHIPS IN BERTH PRODUCTIVITY

Productivity is weaker on megaships, compared with midsize vessels, according to data from 12 of the world's largest container ports. There has been an average drop in performance on ships larger than 14,000 teu, supporting long-held claims by terminal operators that megaships are not efficient in port. Productivity is optimal for vessels in the 4,000 to 14,000 TEU range and lower for smaller vessels. The need for higher speaker hoists and longer trolley distances is likely the cause of the performance drop on vessels larger than 14,000 teu. Crane cycles take longer on ships that have 19 to 22 containers across instead of 13 to 19. (Source: JOC, 30 November 2017)



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POWER

WASTE-TO-ENERGY: 4NEW, the world's first tangible, blockchain-based ecosystem is revolutionizing the waste-to-energy utility sector.

It is a platform to convert waste, collected from households into energy, and then sold back to them through national grids and aggregators. **FOSSIL FUELS:** More than half of the EU's coal power makes a loss due to the changing economics of renewables, air pollution policy and rising carbon prices. **WIND POWER:** On track to become Europe's number one electricity source soon after 2030. The International Energy Agency (IEA) predicts continued strong growth in both onshore and offshore wind and says renewables will account for 80% of new power generation capacity in Europe between now and 2040.



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STEEL

CHINA, US AT ODDS REGARDING OVERCAPACITY AT G20 FORUM

A report by the Global Forum on Steel Excess Capacity reveals that overcapacity worldwide hit 737 million tons in 2016, the highest level seen in the history of the steel industry. About half of that was in China. The structure of the Chinese steel sector has changed fundamentally over the last 18 months, leading to higher capacity utilization, lower exports and higher pricing. Global Forum members must ensure market-based outcomes, refrain from market-distorting subsidies and other government support measures that contribute to overcapacity, provide a level playing field between state-owned and private companies, and enact effective adjustment policies.



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BETTER QUALITY FOR YOUR WORLD

When building high performance heavy lift trucks for customers in different industries, with different challenges, in different climates, quality without compromise is the key to attaining the goal. Full focus on quality in both product and performance has been one of the major reasons why Konecranes is a world leader in lift truck manufacturing.

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To always meet or exceed our customers' demands and expectations is the basis of everything Konecranes Lift Trucks does. We put our customers' needs into every lift truck we make.

Our focus on quality is always the same. At each production site, there is a process and a team responsible for ensuring quality. At our Markaryd factory in Sweden, the test department consists of a team of testers, reconditioners and a test manager that all work with great passion and responsibility. Some team members have over 20 years of experience in testing lift trucks.

The testing process is the final step before a truck goes to the customer from any of the Konecranes Lift Trucks three production sites.

WE HAVE ALWAYS PRIORITIZED SAFETY AND QUALITY

"Since the very start of the company in 1994, we have carefully tested every machine that leaves our factory. We believe we are not better than our most recently-delivered machine. We invest a lot of time in quality assurance for the new products and features we develop, in order to meet the ever-increasing expectations for availability and safety in the market. We don't try to just meet our customers' expectations, but to exceed them," says **Conny Persson**, Director of Supply Operations for Konecranes Lift Trucks.

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HOURS OF TESTING GUARANTEES QUALITY PERFORMANCE

Initially, all lift trucks go through a test of the basic machine functions before they move on to the hard performance tests. **The basic test** includes checking all fluids, going through weight, transmission, steering joints and the other features needed to safely operate the machine.

After the basic test, it is time for **the hard performance test**. The lift trucks are driven to their limits, with maximum load capacity, to ensure safety with overload and stability systems. The transmission is tested and fine-tuned to give customers the best reliability, highest performance and smoothest operation on the market. On average, every Konecranes Lift Truck is tested for a total of eight hours.

CONTINUOUS QUALITY DEVELOPMENT

Through the years, the technical department at Konecranes Lift Trucks has been leading the industry,

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industry through products such as the world's first hybrid reach stacker and smart connected lift trucks.

This makes the test department a very dynamic team that constantly develops and improves Konecranes Lift Trucks. Through the digitalization and development of Konecranes Smart Connected Lift Trucks – which allows customers to remotely monitor lift truck data in real time – brings smart features into the test process.

This makes the test department a stimulating working place. Team members are continuously being trained and developed to be the best at their game.

"We want to see every machine as a challenge. That motivates the test department to always go the extra mile and always deliver a 100% perfect machine to each customer. Quality is our number one focus and pride: this motivates us to do our job," concludes **Emil Widén**, Test Manager of Konecranes Lift Trucks. ■

“ We believe we are not better than our most recently-delivered machine. ”

Conny Persson, Director of Supply Operations, Konecranes Lift Trucks.



60 SECONDS WITH

MALIN TENGELIN
HR DIRECTOR,
KONECRANES LIFT TRUCKS

WHY DID YOU CHOOSE A CAREER IN HUMAN RESOURCES?

HR made it possible for me to combine two subjects that I find very interesting – people and business. I actually thought about studying either psychology or business administration when I was young. Working in HR, I have both areas of interest in the same job.

AS THE HR DIRECTOR OF KONECRANES LIFT TRUCKS, WHAT HAVE BEEN THE HIGHLIGHTS OF 2017?

I would like to mention two things. Firstly, the integration of Terex MHPS. It has been an exciting and interesting

time to build a new, combined and bigger organization.

Secondly, I would like to mention the fact that we have had a very good year with growing business, and as a result, we have taken on some new employees.

Both mean that we have extended our Lift Trucks team with many new competent and passionate people.

WHAT WOULD YOU CONSIDER TO BE THE BIGGEST CHALLENGES WHEN BUILDING AN ORGANIZATION LIKE KONECRANES LIFT TRUCKS?

We value our people and our culture very highly.

Being a global organization with employees spread around the world, it is challenging to maintain our culture everywhere. Even if we are a big company, it's important that we feel close to each other.

Our goal is to maintain and build on our culture of "Lift trucks with heart". This means that we want to have a working environment where all employees feel passion, dedication and belonging. We want to empower our employees to take ownership and feel responsibility to make the best lift trucks for our customers and also to create a sense of community and "we-feeling".



“Digitalization has radically changed both our working methods and how we recruit and manage employees.”

It's always challenging to keep the feeling of familiarity you have in a small company while transforming into a bigger one – a company where employees still choose to stay for a long time and where they continue to be committed and motivated.

As we grow, we need to be even better at creating great teams. By developing our employees and letting them take on new challenges, we also develop our business.

WHAT DO YOU SEE AS THE MAJOR TRENDS IN THE HR INDUSTRY FOR THE NEXT FEW YEARS?

There are global forces that drive change that we need to adapt to,

both the HR organization and the organizations we support.

In terms of demographic changes, employees are becoming both younger and older – and more diversified. “Millennials” expect payoff, meaningfulness, constant learning and career development opportunities. This requires inclusive workplaces and shared values.

Digital technology, digitalization and social networks have radically changed both our working methods and how we recruit and manage employees. Digital HR allows for simplified and improved HR processes.

An increased rate of change requires a fast-paced and flexible organization to maintain competitiveness. We will certainly see examples of how traditional organizational structures are replaced by other models, such as networks of independent and flexible teams.

We need to find new ways to retain and attract employees. The younger generations change employers more

often and look carefully at what organizations can offer. In order to handle an increasing number of freelancers and also to keep older employees longer, new demands are also being made on HR routines, leadership and culture.

CAN YOU DESCRIBE YOUR MOST IDEAL DAY OFF WORK?

It would be to be a day at a yoga retreat. I find yoga the perfect way to relax and get energized. ■



TECH TODAY

OWNER'S INTERACTION WITH ROBOT DOG SHAPES ITS BEHAVIOR

The robot dog Aibo wanders around your home, responds to your voice commands and scratches itself. Sony has updated its electronic, internet-connected robot dog with modern components and a brand new look, after it stopped selling the original version of the dog back in 2006.

Cute but hairless Aibo weighs 2.2 kg and has a battery that lasts for two hours. It features power and volume buttons, two cameras, speakers and four microphones.

AIBO LEARNS ABOUT ITS ENVIRONMENT

Aibo loves the colour pink and can learn new tricks, but doesn't like

heights or tight spaces. Sony says Aibo can develop its own unique personality.

"It can form an emotional bond with members of the household while providing them with affection, and the joy of nurturing and raising a companion."

Aibo can change its facial expressions and exhibit different eye, ear and tail movements. It can also make a variety of noises and recognise and respond to your voice commands, smiles and petting.

"This adaptable behavior is made possible through well-designed, deep learning technology in the

form of inbuilt sensors that can detect and analyze sounds and images," Sony explains.

Aibo keeps records of everything it experiences in day-to-day life, uploads the data to the cloud, and creates a database of memories that you can browse with the "My aibo" app. The app lets you check out your robot dog's pictures and add "tricks" to its repertoire.

Aibo was available for pre-order in November 2017, but only to consumers in Japan.

[WATCH VIDEO](#)

EVENT CALENDAR



THE PRECAST SHOW 2018

22-24 February

Denver, USA,
Stand 1641

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INTERMODAL SOUTH AMERICA

12-15 March

Sao Paulo, Brazil

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We are coming to the end of 2017. It has been a fruitful year, with substantial growth for Konecranes Lift Trucks. Join us as we continue to lead the market in lift trucks in an exciting 2018.



I and the rest of Konecranes Lift Trucks wish you all a Merry Christmas and Happy New Year!

Lars Fredin

Senior Vice President Business Unit Lift Trucks

THANK YOU FOR READING!

If you have questions about Lift Trucks or about this newsletter, please contact us:
communication.lifttrucks@konecranes.com

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