Relocalization – an emerging undertow of globalization?

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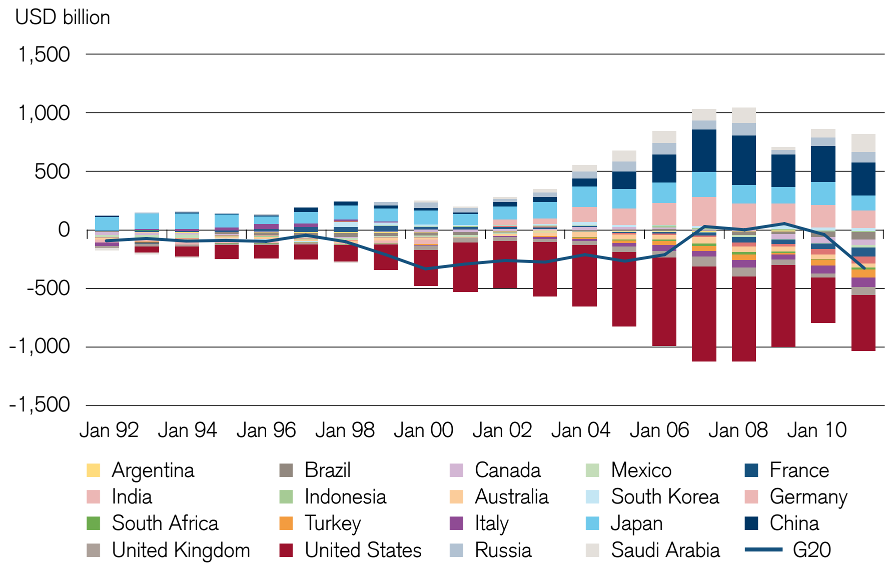
Over the past two decades, there has been a persistent and substantial widening of the aggregate current account balance surpluses and deficits of the G20 countries (see chart 1). The growing G20 current account divergence has brought with it unhealthy excesses in terms of increasingly entrenched net creditor and net debtor nation developments as reflected primarily by China and the United States. Beyond the associated shifts in "national balance sheet" strengths and weaknesses, longstanding current account surpluses and deficits have also been correlated with destabilizing developments such as ever more concentrated asset allocations related to far-flung outsourcing/single sourcing, rising business disruption risks, undue dependence upon manufacturing facilities and transportation networks built on cheap fossil fuels, growing environmental degradation, and excessive currency fluctuations/revaluations. Collectively, such issues have been known to lead to malinvestments, to create material investment uncertainty, and even to constrain optimal strategic investments/R&D in the trade-impacted industries. Ultimately, substantial national current account deficits are unsustainable, meaning they have to be reversed, much as over-indebted households or companies will eventually be denied additional creditor funding.

This article will examine why the pending "rebalancing" could also usher in a trend toward selective relocalization of output by net debtor nations, especially the US. Nations with ample energy-dense (fossil fuel) resources and/or high energy efficiency ought to also (once again) become progressively more attractive locations. Accordingly, strategic investors may be well served to consider "satellite investment diversification" in sectors standing to benefit from such trends.

Chart 1: Current account balance – G20 countries (USD)



Sources: Datastream, Credit Suisse / IDC

Recap of modern day globalization: How we got here

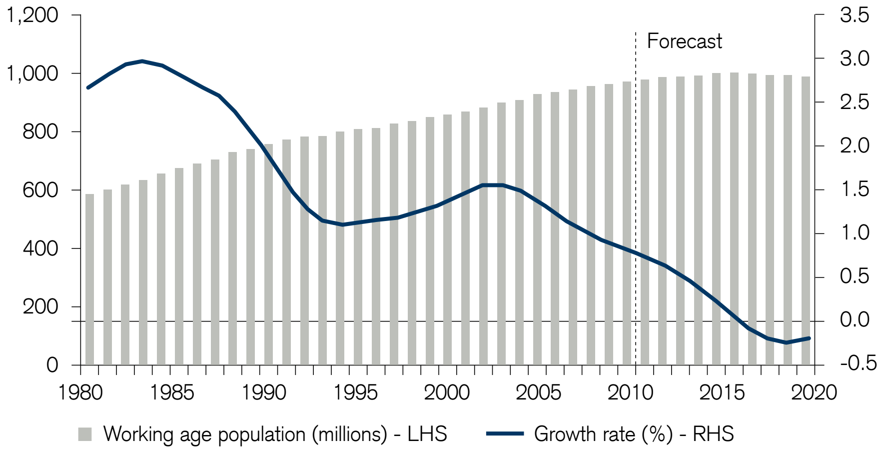
During the post-World War II era, American leaders encouraged their country's intact and unrivaled corporations to intertwine America's economy with those of other industrial nations, both victors and vanquished. The goal was to make the West's system of production even more efficient to better serve the common struggle against the Soviet Union. Moreover, such an interlinking of industry would effectively make conflict with new allies, especially Germany and Japan, more difficult by all but preventing these nations from rebuilding an independent capacity to make war.

When the Soviet Union collapsed in 1991, much of the credit went to the great industrial system that stretched from Western Europe through North America to Japan. Many were convinced that this highly rational, increasingly specialized, capitalist complex had bankrupted the USSR. Modern day globalization – the Roman Empire deployed an uncannily similar "business model" which relied heavily on a network of well-kept roads – actually accelerated after 1991 (see chart 5), unchecked by American policy and underpinned by both the end of the Cold War and by the global communication and transportation revolutions. Ironically, this more rapid globalization has left the nation most supporting it – the US – reliant on a global industrial production system that has whittled away at both economic and national security.

Any review of modern day globalization would be remiss if it did not reflect upon China's state-led industrialization, which has stood in stark contrast to America's de facto post-World War II "de-industrialization." China's shift away from an agrarian society was substantially based for three decades on very low wages and solid growth in the working age population (see chart 2).

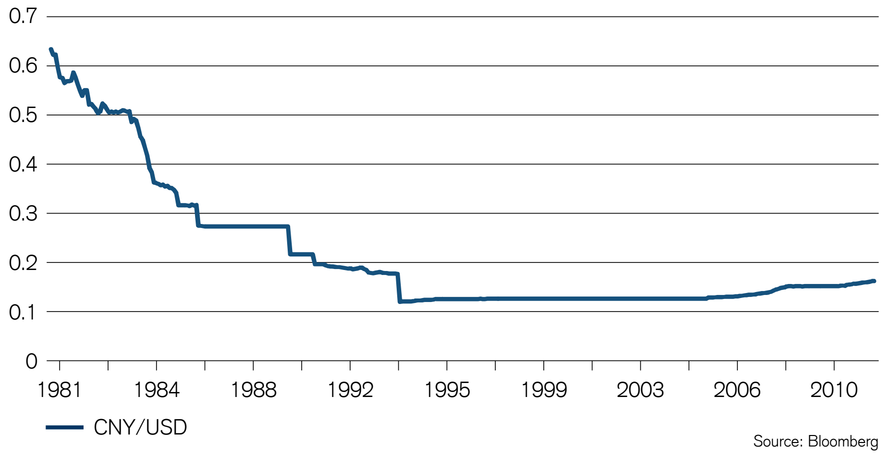
An aggressive policy of yuan devaluation also helped set the stage for Chinese industrialization. That policy saw the Chinese currency fall by 75% against the US dollar between 1981 and 1994 and

Chart 2: Chinese working age population



Sources: UN; Credit Suisse, Global Demographics Research headed by Amlan Roy

Chart 3: Yuan devaluation against the US dollar



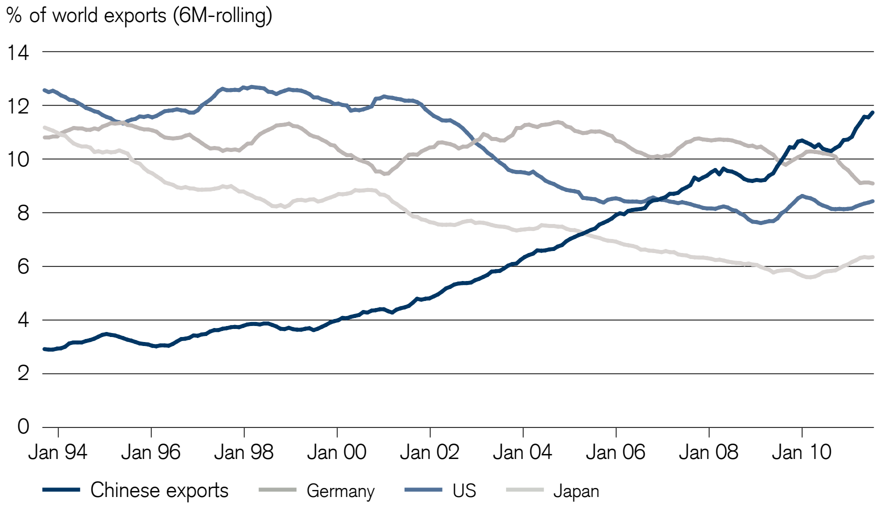
Source: Bloomberg

by 33% from December 1993 to January 1994 alone (see chart 3).

The combination of state-led industrialization, very low Chinese wages, solid growth in the Chinese working age population, and pronounced yuan devaluation resulted in China becoming "the factory of the world." This is reflected in China's share of world exports rocketing from under 3% in 1994 to a leading stake of 10% plus in 2010 (see chart 4).

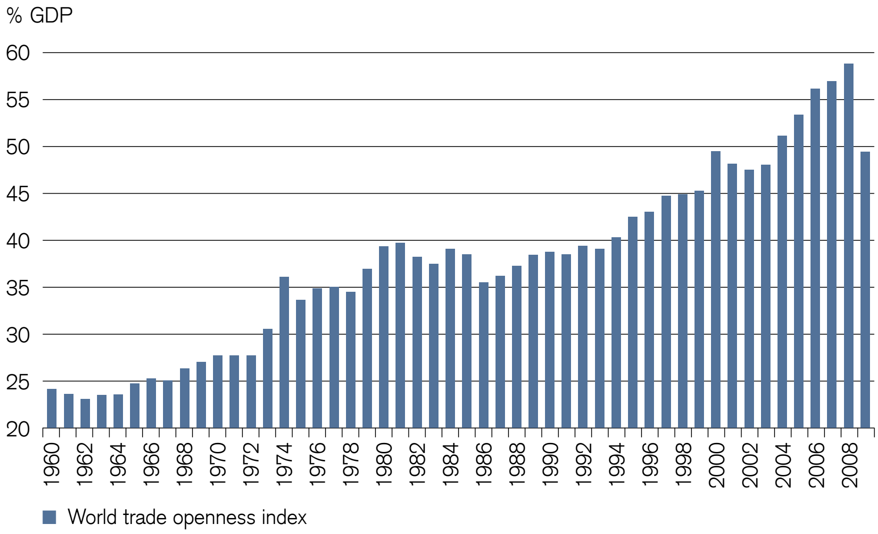
Modern era globalization has been further reinforced by the fact that today's large, developed market-based corporations answer to an ever greater degree to investors, versus more broadly to the nation state-level interests upon which they matured. The same multinationals have

Chart 4: Chinese share of global exports versus Germany, the US, and Japan



Sources: Datastream, Credit Suisse / IDC

Chart 5: Trade (imports and exports) as a percent of global GDP



Sources: Worldbank, Credit Suisse / IDC

built highly efficient industrial networks spanning from Budapest to Bangalore to Beijing – as of 2005, manufacturing accounted for 88.6% of Beijing's economic output, of which foreign-funded enterprises contributed 29.6% (http://english.peopledaily.com.cn/200512/28/eng20051228_231416.html). For a perspective on how substantial global trade has become relative to global GDP, see chart 5.

As globalization grew, a long established "business model" was increasingly reversed. Vertical integration, as initially propagated in the early 20th century along the lines of Ford's famous River Rouge Complex (www.nps.gov/nr/travel/detroit/d38.htm), was replaced by progressively more far-flung outsourcing to tap into cheaper wage rates. "Just in case" inventory levels to protect against inevitable supply disruptions were cast aside in favor of "just in time" inventories. Locally diversified key component sourcing was spurned in favor of consolidation of typically distant component suppliers to amplify the purchasing power of the outsourcing firm and thus exert sustained downward pressure on component prices. The goal: to increase profit margins (see chart 6) and improve asset turnover, thus boosting returns on shareholders' equity and, by extension, profits (see chart 7). This has largely been achieved in the US and, to a lesser degree, elsewhere in developed markets over the past two decades, in sync with heightened globalization.

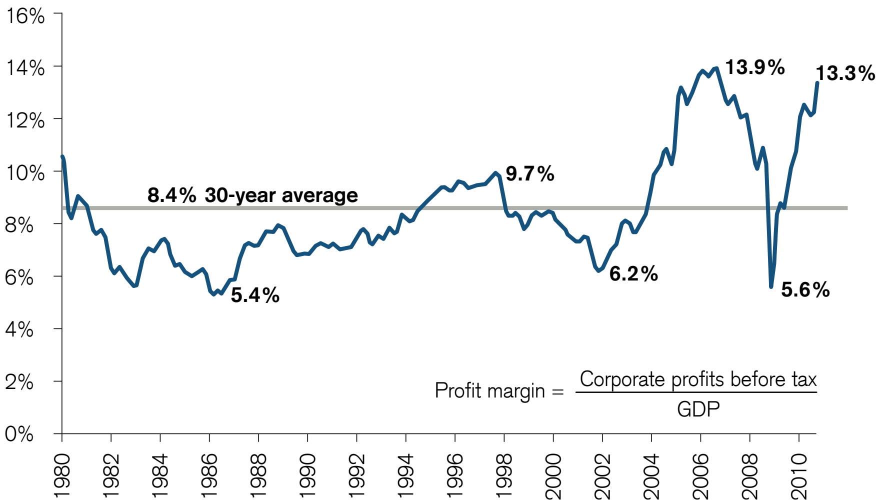
Weaknesses and excesses related to a mounting reliance on globalized outsourcing

While shareholder returns in the developed markets have definitely increased, the "great unwind" of vertical integration and localized value-added (regional outsourcing very much included) has negatively impacted operational stability and, by association, the inherent risk of corporate financial results.

The rise in "supply chain risks" of corporations with more and more geographically distant outsourcing has not only led to greater individual company risks, but has arguably enlarged the societal risk of "cascading economic breakdowns" as well. This is thanks to the growing prevalence of widespread supply chain risks. Specifically, increasing reliance on single corporate sources of supply and dependence on production capacity in a single, frequently distant location has not only accompanied developed market "manufacturers'" ongoing evolution towards becoming assemblers or distributors of products made elsewhere in the world, but it has also led competing brand name firms to embrace the same leading contract manufacturing firms while simultaneously shedding dedicated strategic R&D initiatives.

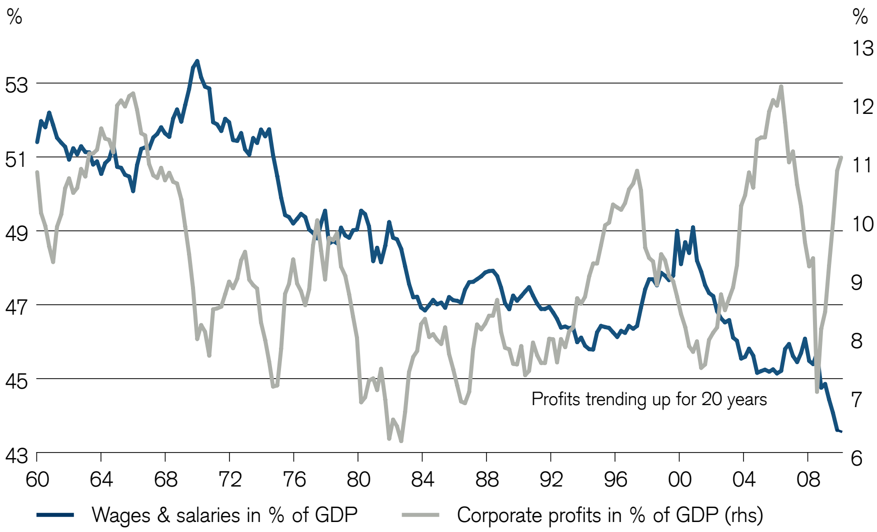
Upshot: in place of multiple production lines of more vertically integrated firms outsourcing locally, we now have progressively more "polygamous" contract manufacturing at firms such as Flextronics, Foxconn, or TSCM where the product runs of intense competitors can take place right next to each other on the factory floor. Case in point: a telecom product stamped with the Cisco brand ("the ideal is for Cisco not to touch the product ever," according to the company's erstwhile top logistics manager) may be assembled within a few meters of a product stamped Juniper or Alcatel-Lucent. The associated growth in corporate supply chain risk has led to a growing number of insurers offering "business interruption" coverage. Unfortunately for the insured, quantifying the damage of even a modest break in supply is nearly impossible. Moreover, as of early in the new millennium one common insurance liability had evolved: no coverage for any chain of production that traced back to Hsinchu Industrial Park in Taiwan.

Chart 6: US pretax profit margins as percent of GDP



Source: Standard & Poor's

Chart 7: US wages and profits as shares of GDP



Sources: Bloomberg, Clariden Leu / IDC

Examples of globalization-related supply chain turbulence:

- The July 1993 explosion at a Sumitomo Chemical chemical plant in Hiihama, Japan, shut down roughly half the global capacity for a high-grade epoxy resin, called cresol, used in the plastic casing of semiconductor chips; by August, the price of memory chips had doubled and PCs had spiked by up to USD 100 per machine (Associated Press, July 20, 1993).

- The September 21, 1999 earthquake in Taiwan, which cut off high tech exports for only one week, led to the shutdown of manufacturing lines around the world. Within one year, it was clear that few companies or industries would do anything to lessen the danger they faced from any future disruption of production within that country or of trade to and from that country (End of the Line, Barry C. Lynn).
- In March 2000, a fire damaged a Philips Electronics semiconductor plant in New Mexico, USA. Ericsson had relied on the New Mexico plant for its entire production of a key handset semiconductor. Without this chip, Ericsson could not launch its new cell phone. Four months later, Ericsson disclosed to investors that it would have a USD 450 mn revenue shortfall for the year. Within six months, the company's stock had fallen by over 50% (WSJ, January 29, 2001).
- On March 13, 2003, the WHO issued an alert about the outbreak of a deadly flu-like respiratory illness called SARS (Severe Acute Respiratory Syndrome). By early April, many businesses began to worry that SARS could cause severe breaks in their supply of goods and components; one consultant warned that any quarantine of China could create a "nuclear winter" in the semiconductor and electronics industries. SARS forced Matsushita Electrical to shut assembly lines and Motorola to close its Beijing headquarters before the disease dissipated as mysteriously as it had begun (Aberdeen Group Consulting, Ashi News, and the WSJ).
- Japan's March 2011 quadruple disaster – earthquake, tsunami, the Fukushima nuclear disaster, and lingering power shortages – put the global supply chain under possibly unprecedented stress, especially given the fact that some Japanese suppliers are "too crucial to do without." For example:
  - Two firms, Mitsubishi Gas Chemical and Hitachi Chemical, control about 90% of the market for a specialty resin used to bond parts of microchips that go into smartphones and other devices. Both firms' plants were damaged, threatening to stop smartphone manufacturers' production lines.
  - Japanese company Kureha produces a polymer that is essential for the compact battery in Apple's iPods; it holds 70% of the market. Kureha's factory was damaged, drawing down battery stocks and endangering continued full iPod production.
  - Car makers from Japan to America relying on components or assemblies single-sourced out of Japan had to scale back and even stop production. Had the Fukushima Complex reactor core meltdowns led to even greater or more prolonged radiation leakage, this could have triggered substantial global economic dislocation.

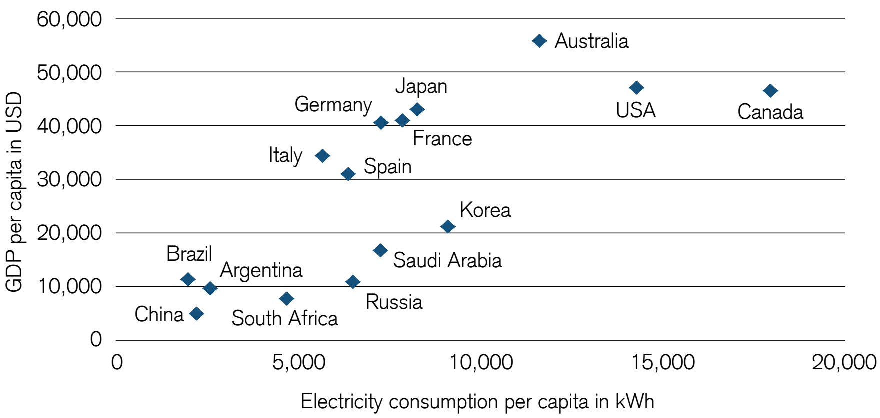
Beyond the deepening logistical challenges related to stepped-up outsourcing, the shift away from "organic R&D" of erstwhile integrated manufacturers to "M&A R&D" by companies as diverse as Cisco and General Electric (GE CEO Immelt in 2004: "I don't want GE managers to think that we can just buy our way into every new idea") hasn't boosted strategic R&D spending. In addition, the generally low margins of contract manufacturers render them incapable of assuming similar R&D budgets. Combined, this "new age R&D business model" has potentially profound long-term implications. Robust sovereign strategic R&D spending generates the technological breakthroughs that provide for the quantum leaps in profits and societal productivity. This is the stuff of rising livings standards. Neglecting it may prove counterproductive.

In summary, the outsourcing revolution, also known as globalization, has arguably weakened the strength of the global production system. Outsourcing erodes the ability of the lead firm to understand and manage the system as a whole; lead firms' insistence upon extracting continuous price concessions from contract manufacturers erodes the ability of these companies to earn adequate returns of capital and thus to absorb lead firms' prior strategic investment initiatives; and the hyperspecialization of production that often results undermines the health of the entire complex.

Any discussion of the risks of mounting reliance on globalized outsourcing would be incomplete without, once again, considering all-important China. Key issues include the ever more prevalent power shortages, the loss of arable land, pollution, and the resource depletion associated with both the rapid industrialization of China as well as much higher agricultural output. Those very issues will increasingly call into question the sustainability of China's "factory of the world" business model. By extension, a profound aspect of globalization, as we've come to know it over the past two decades, could also be subject to revision. A closer look at some salient concerns:

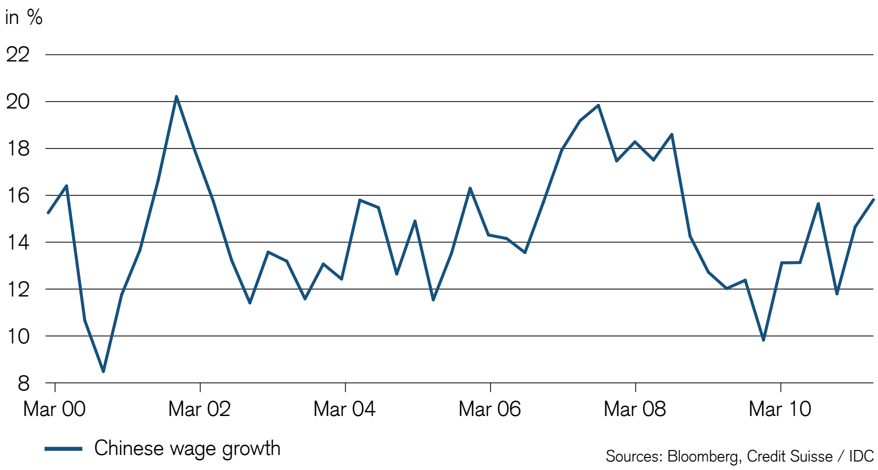
- Between 1996 and 2008, Chinese arable land area fell from 130 mn hectares to 121 mn hectares due to rapid urbanization and desertification, leaving farmland of 0.092 hectares per capita, just 40% of the global average. Meanwhile, grain yields per hectare, which are very high by global standards, have stopped rising and are no longer responding to even more intense fertilizer application (China uses four times as much fertilizer as in 1980) given rising soil deterioration and acidity issues. The consequence: reduced agricultural productivity, which is posing a serious threat to China's grain output, increasing agriculture's labor needs, and reducing the nation's migratory workforce available to manufacturing, fueling further wage inflation (FAO, UN, UBS, http://europe.chinadaily.com.cn/china/2011-07/18/content_12922271.htm).
- China uses 1.3 mn tons of pesticides annually, with usage per area 2.5 times the global average. Heavy fertilizer and pesticide use has led to grave surface water pollution, which further pressures agricultural output and increases health risks. Of the 26 lakes and reservoirs under monitoring, 42.3% are "eutrophicated," a process that can lead to a proliferation of oxygen-robbing plant life caused by excessive levels of phosporous and nitrogen (Chinese Ministry of Environmental Protection, 2011).
- In the past 2.5 years, thousands of workers, villagers, and children in at least nine of mainland China's 31 province-level regions have been found to be suffering from toxic levels of lead exposure, mostly caused by pollution from battery factories and metal smelters. Besides the related human tragedy, calls for better health and environmental protection or sustainable production are bound to raise China's manufacturing costs in these growth industries (http://www.nytimes.com/2011/06/15/world/asia/15lead.html?pagewanted=all).
- China's twelfth five-year plan (2011 to 2015) calls on Inner Mongolia to build 24 large scale coal mines (237 mn tons of coal by 2015) and eight clusters of coal-fired power stations, lifting total power generation by 27%, a growing necessity given increasing power shortages/brownouts. This would not only absorb agricultural land, which is already in short supply, but would place additional large demands on already scarce water supplies. This has prompted the Xilin Gol League government to consider pursuing energy-intensive desalination; China is planning 400 desalination plants off its coast. (http://www.chinadaily.com.cn/business/greenchina/2010-10/20/content_11435079.htm, Bloomberg).
- China has about 300 mn people with no access to water and only 25% of the world's average water resources

Chart 8: Country level energy efficiency



Sources: IEA, IMF, World Bank

Chart 9: Chinese year-on-year wage growth



per capita (Dow Water and Process Solutions).

- All in all, it perhaps comes as no surprise that earlier this year the National Development and Reform Commission (NDRC) stated that China no longer has "the energy, environment, water, and land" to meet provincial demands for stronger growth.

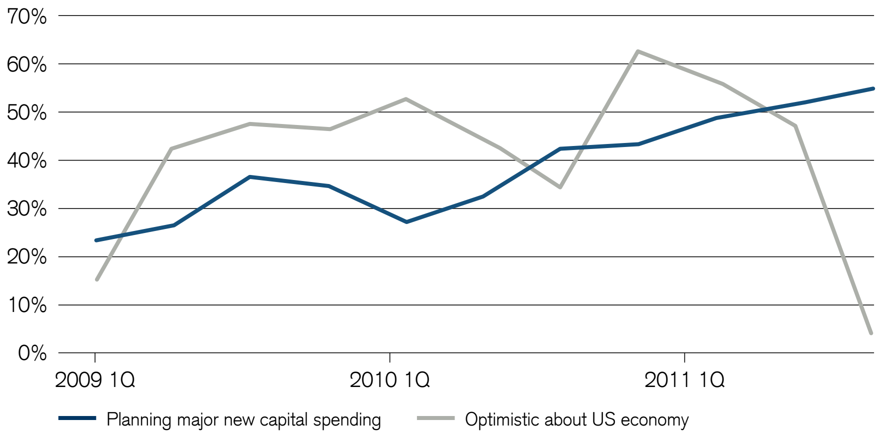
How increased relocalization could be triggered

What could trigger selective relocalization of output? A continuation of rising coal and oil prices would be a pivotal factor. Virtually every economic activity we engage in, from agriculture to transportation to manufacturing to IT to services, is incredibly dense energy dependent (a lot of heat generated per unit volume as exemplified by fossil fuels). For perspective, consider that one barrel of oil is the energy equivalent of 5.8 mn BTUs (British thermal units) of energy or 1,700 kWh (kilowatt hours) of electricity, two common measurements of the capacity to do work. One barrel of oil is also the energy equivalent of over ten years (at 40 hours per week for 50 weeks per year) of agricultural work by one laborer and over one year of horsepower output (IRS, peakoil.com, UBS)! In 2008, oil provided 33% of the world's energy supply, coal 27%, and natural gas 21%. In the same year, progressively more expensive coal generated 41% of global electricity in TWh terms and over 70% of China's and India's rapidly growing power consumption (IEA, OECD).

Looked at through this lens, countries capable of producing high GDP per capita with lower per capita energy usage (kWh) should be constructively positioned in a world facing increasing dense energy scarcity/rising dense energy prices. For example, industry-intensive Japan gets three times the GDP per capita from the same per capita power consumption as China, and both South Korea and Japan produce roughly twice the steel per capita as China (World Steel Association) amidst signs of increasing Chinese GDP energy intensity related to that same nation's resource depletion challenges mentioned above. Manufacturing powerhouse Germany achieves 3.2 times the GDP per capita from the same per capita kWh as China does. Even the gas-guzzling US achieves twice the per capita output of China on the same basis, and it is endowed with the world's leading coal reserves. In other words, in an energy-constrained world, production at the margin is likely to eventually return to countries with higher energy efficiency and/or abundant dense energy assets, i.e., relocalization away from countries with low energy efficiency such as China (see chart 8).

While energy efficiency is a key determinant of long-term industrial competitiveness, oil-based transportation costs are also factor in today's globalized trade (see chart 5). In a world of triple-digit oil prices, distance costs money; for every 10% increase in transportation distance, energy costs rise an estimated 4.5%. For example, the cost of shipping a 40-foot container from Shanghai to America's east coast, roughly halfway around the world, soared from USD 3,000 in 2000 to USD 9,000 in 2008 as oil prices spiked to an all-time high of USD 147 per barrel from USD 20 in 2000. Transportation costs in 2008 amounted to an estimated 9% tariff on goods going to US ports compared with the equivalent of only 3% in 2000 (CBIC World Markets of Toronto). This increase shifted some production of items such as appliance motors, metal castings, heaters, batteries, and furniture from China back to the US and Mexico. The heavier and bulkier the goods, the more sensitive they are to fuel costs, suggesting that if oil prices keep escalating, China and other Asian manufacturers, which often send components to China for assembly and export, will become uncompetitive in a wider range of

Chart 10: Less demand certainty but more capital spending by US firms



Source: PwC Manufacturing Barometer

lower-value goods. When procurement savings fall into the single-digit range, it becomes harder to have work done in distant Chinese factories that take 12 weeks to deliver products and can offer less order flexibility, just as customers are seeking more of that.

In addition to rising energy prices, continuation of the double-digit increases in Chinese wages (see chart 9) over the past decade – increases which output growth per labor hour will be hard-pressed to cut in half – will add further impetus to relocation and relocalization of production away from China.

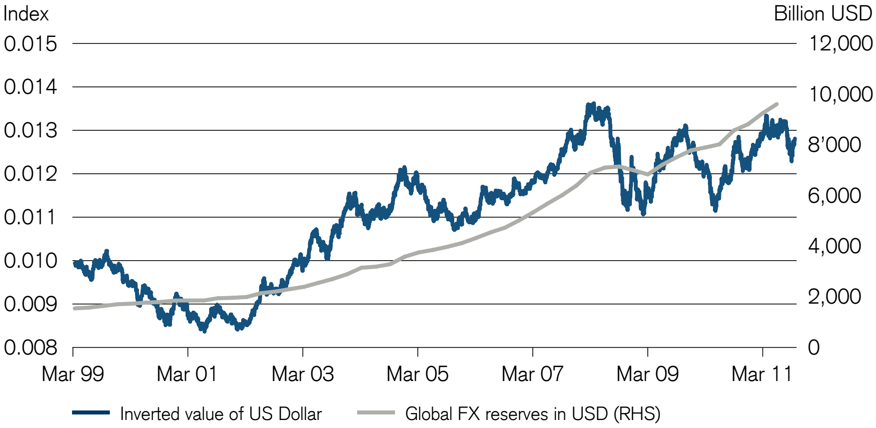
Rising Chinese wages stand to get a further boost from the Chinese labor pool, which is starting to "dry up," as implied in chart 2. According to statements made by Prof. Wang Dewen of the Institute of Population and Labor Economics in September, the Chinese surplus of rural workers has fallen to about 20 mn from over 150 mn previously. This is linked to decades of urbanization and industrialization, to the widespread agricultural production challenges mentioned, which are "soaking up" more workers, and increasingly to Beijing's 33-year "One Child" policy. As a result of that policy, China's old age dependency – the population aged 65 or over/the population 15 – 64 years old – is set to explode from 11% in 2010 to 38% in 40 years. This robust rise will not only eclipse the UN's projected global dependency ratio expansion to 25% in 2050, but will also virtually assure a tight labor market and sustained upward pressure on wages. As such, China's vaunted factor mobilization story, the biggest outsourcing story of all, has likely run its course. Could a generation of outsourcing-based disinflation or outright deflation be set to morph into imported inflation?

Signs of China's low-wage export engine starting to sputter amidst rising relocation and relocalization:

- In 2008, Liu Keli, president of Shanxi Yuncheng Plate-Making Group, invested USD 10 mn in Spartanburg, South Carolina. His aim was to tap the large US market via domestic production. Liu spent about USD 500,000 for 2.8 hectares (7 acres), less than 25% of what it would have cost to buy the same amount of land in Dongguan in SE China, where he runs three plants. US electricity rates were about 75% lower, and in South Carolina Liu didn't have to put up with frequent blackouts. The only thing that was more expensive in Spartanburg was labor at USD 12 – USD 13 per hour, versus USD 2 in Dongguan. But Liu expected to offset some of the higher labor costs with an annual payroll tax credit of USD 1,500 per worker. All in all, the cost gap was not as large as expected, and the firm's US operation has continued to expand into 2011 (http://phx.corporate-ir.net/phoenix.zhtml?c=82169&p=irol-news-Article_pf&ID=1560352&highlight=).
- In 2010, China's share of low-end, light manufacturing imports to the US and the EU peaked at about 50% of those markets. In the US, Asian nations such as Vietnam and Bangladesh as well as Mexico are picking up share; in the EU, Asian nations and Central European nations such as Poland and Hungary are gaining at China's expense (UBS and http://blogs.wsj.com/chinarealtime/2011/09/03/chinas-low-wage-export-engine-starts-to-sputter/).
- The American Chamber of Commerce in Mexico stated that Mexico may garner USD 22 bn in FDI in 2011, up 18% from 2010 and topping the USD 20 bn estimate made by the Mexican finance minister in April of this year.
- HSBC Mexico issued a report in May 2011 highlighting that Mexican wages have fallen over the past ten years from three times the Chinese level to in-line with Chinese wages.

- In Louisville, Kentucky – where GE's Appliance Park has lost about 16,000 workers – jobs are being brought back from China and Mexico, where wages are going up. GE CEO and US "jobs czar" Jeff Immelt: "You know, with the currency weaker, with wage-rate inflation lower here than the rest of the world, we think the US can be quite competitive" (CBS News, October 9, 2011).
- Caterpillar, which has a major presence in China, is building its next plant to make excavating equipment in Texas, tripling its capacity for such equipment in the US.
- Ford is repatriating 2,000 jobs from China after reaching an agreement with the United Auto Workers that it says it can live with.
- NCR has already brought its production of automated teller machines back from China to shrink the time from production to market, to stitch divisions closer together, and to lower operating costs.
- The American toy maker Wham-o is repatriating half of its production of Hula Hoops and Frisbees, mostly from China, some from Mexico (http://www.thefiscaltimes.com/Columns/2011/05/26/Made-in-America-Manufacturing-Jobs-Are-Coming-Home.aspx#page1).
- The Boston Consulting Group, in an October 18, 2011 press release, signaled the beginning of an American renaissance in manufacturing starting by around 2015 as Chinese cost advantages fade rapidly. Seven US industry groups which could enjoy the most significant benefits are transportation goods, electrical equipment and appliances, furniture, plastics, rubber products, machinery, and computers. The projected sea-change caused by repatriating jobs in these industries would be sizable, potentially adding USD 100 bn or 0.7% to America's GDP, while reducing oil consumption due to lower transportation costs.

Chart 11: Inverted value of trade-weighted USD versus global USD FX holdings



Sources: Datastream, CS Global Strategy / IDC

Conversely, a straw in the wind comes from structurally high unemployment – "U6" unemployment was 16.5% in September – America, where there are plenty of workers, weak consumption growth, but rising capital spending conviction (see chart 10).

While few firms are optimistic about the US economy for the next 12 months, more are going ahead with capital spending projects. In fact, shipments of non-defense capital goods jumped 16.7% in the second quarter, the largest gain in five quarters. In addition, new orders for capital goods increased in the third quarter, implying that business investment will keep growing into 2012. US companies' capital spending plans and potentially greater relocalization of supply imply an eventual pickup in production and employment ... and a possible reduction in US imports.

Mushrooming USD FX reserves also suggest trade rebalancing is in the cards

The weaker the trade-weighted USD has become, the more USD-based FX reserves have tended to rise, recently reaching USD 10 trn or over 70% of US GDP. Mushrooming global USD foreign exchange holdings not only point to creditor nations' growing FX devaluation exposure risks resulting from untenable current account trajectories, but to the ineffectiveness of America's long-standing de facto currency devaluation policy to address trade imbalances (see chart 11).

Clearly, something has to give. The greater the accumulated excesses, the more sizable the forthcoming adjustments for creditors and debtors alike. Rising energy prices, key resource constraints, the rising bargaining power of Chinese labor, and gradually more competitive American manufacturing imply that rebalancing could come to a head sooner rather than later – or, perhaps more accurately stated, "better late than never."

A potential strategic investor starting point for relocalization-related allocation thoughts

Long-term investors may wish to consider "satellite" investment candidates along the lines below, especially during periods of strong stock market corrections, which inevitably afford attractive buying opportunities in terms of price/normalized earnings power and thus strategic return prospects:

- Relatively highly (to peers) vertically integrated corporations, such as Intel, Exxon, Royal Dutch Shell, Canadian-based Cameco, and Indian-headquartered Reliance Industries, all of which are positioned to benefit disproportionately should rivals' greater outsourcing result in more frequent supply chain disruptions and/or greater "outsourcing-based cost inflation."
- Commodity and infrastructure firms well positioned to leverage relatively constructive energy/feedstock (North American coal and natural gas – the current natural gas spot price in the US is the cheapest in the world at around USD 3.60 per million British thermal units, about 21% of Asia's current natural gas spot price) or arable land endowments such as Peabody Energy Corp., Dow Chemical, Caterpillar, John Deere, and Potash Corp., all of which also happen to be relatively highly vertically integrated.
- Firms with material national sourcing in the devaluing USD realm, such as small-box value retailers Dollar General and Family Dollar.
- Investments to consider curtailing: companies relying on extensive outsourcing/single sourcing with large geographical concentration risks, outsourcing-based cost inflation risks, and/or yuan currency appreciation risks, such as the Ciscos and WalMarts of the world.

Conclusion

Clearly, modern era globalization has lifted the fortunes of many emerging nations, constrained goods-related inflation in developed markets, and enabled a very robust global expansion of product offerings and services, especially in consumables, communications, computing, and transportation. Yet this constructive development has been accompanied by increasing structural current account imbalances, growing supply chain risks, reduced manufacturing and R&D diversity and vitality, growing environmental degradation, and suboptimal energy utilization in an era of rising energy prices. It thus follows that some reallocation benefits are in the cards for corporations and relatively energy-endowed and/or energy-efficient nations positioned to benefit from such turbulence. These themes are arguably not on most investors' radar screens; in fact, greater vertical integration-based stability, "just in case" inventories, high energy efficiency, and more local outsourcing are generally either not rewarded or are punished in the stock market valuation-wise. This suggests attractive strategic return potential from appropriate investments for investors willing to engage in some contrarian thinking.

Produced by Marketing Asset Management.

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