

PowerTALK

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Worldwide News & Analysis

Power Systems Research (PSR) is a worldwide research company, providing production data, forecasts and intelligence on engines and power equipment. www.powersys.com info@powersys.com

PSR-Sponsored Experimental Vehicle Wins International Race

EAGAN, MN--**The St. Thomas Academy (STA)** high school Experimental Vehicle Team (EVT) that's sponsored by Power Systems Research won its class in the International Shell Eco-Marathon Drivers' World Champions held today (May 28, 2017) in London.

The race was cancelled after the first of four laps due to rain, but STA had the fastest lap in the time trial and was in first place by a wide margin when the race was called. Our team's good fortune this year makes up for our bad luck last year when the STA car crashed while leading the race.

We'll have details on the PSR website next week.

Read more about the Power Systems Research sponsorship of high school STEM programs [here](#).

Editor's Note

We've changed the format of *PowerTALK* so that you can read it quicker and easier. *PowerTALK* now contains summaries of reports from key regions that we study instead of the entire report. Now, you can quickly skim through *PowerTALK* to find the information you need.

Complete reports each month will be found on the PSR website at www.powersys.com. You can read details on each report by clicking on the **Read More** link in each section. To return to *PowerTALK*, simply click on the link to the *PowerTALK* PDF that shows up with the report.

Global/North America Report

By Yosyf Sheremeta, PSR Director of Product Management & Customer Experience

Growth Expected for Agricultural, Construction Segments in 2017



Yosyf
Sheremeta

Agricultural and Construction segments could see a modest recovery in 2017 with Ag growing by about 2% and Construction climbing 3.4%. We expect growth for 2017 in Agricultural to show a flat to slow increase in activities. We do not expect any rapid recovery or significant growth until H2 2017. Some Construction equipment seems to be slowly gaining ground in Europe and is showing a healthy demand in domestic markets in North America, especially for smaller equipment.

China, Brazil and Russia have experienced significant declines in production trends and reached the bottom in 2015 - 2017; they will start a very gradual and slow recovery in 2017-2018. There might be some minor regional differences and timing of the cycle, especially for Brazil, which was in deep recession in 2015-2016 and now is seeing slow growth possible for 2017. We will continue to monitor the cyclical trend and will make updates to it, as necessary. **PSR**

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Far East/SE Asia Report



Akihiro Komuro

*By Akihiro Komuro, Far East and Southeast Asia Analyst
Southeast Asia , Indonesia, Thailand, the Philippines, Vietnam, Malaysia, Singapore*

Far East: Japan

MAN Diesel & Turbo Expands Mitsui Pact

This comprehensive agreement promises to produce unique product portfolio for these two firms, who are long-standing partners with multiple previous collaborations. They have now agreed to extend their mutual activities initially to cover sales, production, R&D, and EPC (engineering, procurement, construction). This latest move could help both companies maintain the top position in the marine engines market in Japan. **PSR**

Far East: South Korea

South Korea's New Leader Moon Jae-in Takes on Family-Owned Empires

SEOUL — South Korea's new president is taking on a challenge that has defied all of his predecessors: reforming the big family-controlled conglomerates that dominate the economy. While jobs are a top priority, strong public pressure following a corruption scandal that toppled his predecessor, Park Geun-hye, leaves him with little choice but to go after the chaebol, as they are called.

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PSR Analysis: Korea is facing uncertainties in many areas. The former president's scandal over a long period of time has arrived at by the new President's inauguration, but this does not mean that they can get out of the economy as soon as possible. It is still unknown how the chaebol reform, which is one of his commitments, will develop. Last month in Seoul, 10,000 construction equipment operators struck and held a large-scale demonstration seeking better working conditions. Moon Jae-in cannot afford a honeymoon period while workers' dissatisfaction builds. South Korea, with its high dependence on external demand, will watch closely as the revival of manufacturing in the United States, Japan, and Southeast Asian countries develops. **PSR**

Southeast Asia: ASEAN

ASEAN PMI rises to 51.1 in April

The Nikkei ASEAN Manufacturing Purchasing Managers' Index, or PMI, rose to 51.1 in April from 50.9 in March. The rate of improvement was the most recorded in 33 months. A reading above 50 indicates economic expansion, while a reading below 50 points toward contraction.

Latest PMI data showed that six of the seven countries covered by the survey saw growth across their manufacturing sectors. Vietnam, the Philippines and Myanmar remained the top three performers, although in three cases business conditions improved at a slower rate compared to March.

PSR Analysis: ASEAN's new export order has entered the expansion phase. Dollar appreciation and depreciation of the Asian currencies, which advanced based upon expectations for US economic policy, gave a boost to exports. Economic activity in Southeast Asia is increasing, and if infrastructure proceeds, demand will be increased even more. **PSR**

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Brazil/South America Report



Carlos Briganti

*By Carlos Briganti, PSR Managing Director, South America
Fabio Ferraresi contributed to this report*

Agrishow Registers Sales Increase of 13%

The biggest agricultural fair in Brazil posted sales of 2.2 billion BRL, up 13% compared to last year's show. The volume might be even higher when adding business done by banks and transactions started at the fair. Total results are expected in the next weeks.

Source: Automotive Business [Read The Story](#)

PSR Analysis: The fair is an important barometer for the agricultural segment in Brazil. Usually, the sales at the fair set a trend for the agricultural machine segment. We were expecting activities at least 10% higher this year, based on expected record crop levels this year.

Road Buses Sales Will Grow in 2017

Sales of road buses could grow more than 50%, reaching 14,000 units this year.

Source: Automotive Business [Read The Story](#)

PSR Analysis: New regulations could help bus manufacturers. However, more credit and increased economic stability is necessary before entrepreneurs will invest their money in renewing their fleets.

Argentina Increases Car Imports from Brazil

Argentinan car purchases from Brazil grew more than 50% in the first four months this year, compared to the same period of 2016, reaching 67% of the total exports of companies in Brazil. Other countries also increased their imports from Brazil. According to ANFAVEA, today, 1 of 3 cars produced in Brazil is exported.

Source: O Estado de São Paulo

PSR Analysis: . The recent data provides hope for the Brazilian automotive segment, which has been battling weak sales.

Electric Cars Get Advantage in New IPI Tax Plan

Electric cars today are charged the highest taxes (25%) because they do not fit in any vehicle category identified by legislation.

Source: Valor Econômico Newspaper April 18th.

PSR Analysis: If the new method of IPI calculation under consideration is accepted, it may open a new market for electric car manufacturers in Brazil. **PSR**

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China Report



By Erik Martin, Director-Asia Region

Beijing Holds Its Breath as Ozone Surges

Beijing and parts of neighboring Hebei province and Tianjin were blanketed by smog infused with high levels of ozone in mid-May. amid a heat wave sweeping across parts of northern China.

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Erik Martin

PSR Analysis: The strengthening of emissions standards for engine-powered vehicles and equipment has helped reduce some air pollutants in China. However, long-term solutions are needed to reverse the growth of severe respiratory disease in China. **PSR**

Methane Hydrate Can Be Major New Fossil Fuel

Commercial development of the globe's huge reserves of a frozen fossil fuel known as “combustible ice” has moved closer to reality after Japan and China successfully extracted the material from the sea floor off their coastlines.

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PSR Analysis: The sea floor deposits found off the coasts of Japan and China offer tremendous energy potential, and could be the “clean” source of fuel China desperately needs. Yet, the potential for ecological disaster exists if extraction is careless. **PSR**

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Europe Report



*By Emiliano Marzoli, PSR Business Development Manager-Europe
Natasa Mulahalilovic contributed to this report.*

Surviving the 2016 pre-buy quake

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Emiliano
Marzoli

PSR Analysis: Registrations of motorcycles and mopeds in the EU dipped to 254,487 units in Q1 2017, down 3.3% from Q1 2016, according to the latest figures released by the European Association of Motorcycle Manufacturers (ACEM). While France, and Italy increased (+3.35% and + 1.11% respectively) all the other major markets were down: Germany -6%, Spain -9% and the UK -15%.

Farm Machinery Sales Set To Rebound

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PSR Analysis: For the past three years, sales of farm machinery have been in a slump. This softness is primarily due to weaknesses in France and Germany, which are the two largest European markets, low commodity prices and sub-par growing seasons. However, there are some trends that suggest 2017 is going to see sales bouncing back, despite a slow start this year. **PSR**

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India Report



By Jinal Shah, PSR Manager, South Asia Operations

Electric Vehicles To Cut Fuel Costs by \$60 Billion

Accelerated adoption of electric and shared vehicles could save \$60 billion in diesel and petrol costs while cutting down as much as 1 giga-tonne (GT) of carbon emissions for India by 2030.

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Jinal Shah

PSR Analysis: Leading EV manufacturers such as Tesla Inc. and Toyota Motor Corp. are showing interest in the Indian market. All that is needed now are a few bold entrepreneurs to take advantage of the unfolding opportunity.

Auto Regs Could Cost Rs 1 lakh crore (USD15 Billion)

The Indian auto sector is expected to invest about Rs 1 lakh crore (USD15 Billion) for upgrading products to meet upcoming regulations related to emissions, safety and fuel efficiency.

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PSR Analysis: Over the past decade, India has emerged as a major automotive manufacturing hub. If these new regulations on safety and emissions come into force by the proposed deadline, many of the models will need to be re-engineered in terms of size and price tags. **PSR**

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Russia Report



By Maxim Sakov, Market Consultant, Russia

Automotive News

VW is negotiating with Russian Gazprom about making a NG fuelled car. VW Group is developing a 20-year strategy, which will include vehicles powered by electricity and/or NG.

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Maxim Sakov

PSR Analysis: The move to promote NG fuelled vehicles started in Russia several years ago, but it only now is involving local OEMs.

KAMAZ is negotiating JV with Weichai Power

KAMAZ is planning to make a JV with Chinese Weichai Power in Yaroslavl on Tutaev Motor Plant. A KAMAZ representative said that it covers engines with displacement above 20 liters. Recently, KAMAZ has started to install Weichai engines on NG fuelled KAMAZ trucks (up to 1,000 units/year)

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PSR Analysis: Making JVs is a standard approach of KAMAZ for adapting new technologies, and it's been tested with many international companies. Current annual sales volumes of Chinese OEMs in Russian are only about USD 1M.

New Passenger Cars and LCVs Show Growth for Second Month

For April, the growth was about 7% (to 129,000 vehicles), March growth was 9,4%. In total, sales volume since this year has reached 450,000 cars, 2.3% more than for the same period in 2016.

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PSR Analysis: While this growth is “fragile,” it shows that demand from individuals in Russia has returned. Also, it shows the good effect of support measures from government (privileged credit terms on the cars with cost below 30 K\$, sponsored by the state)

Engine Builder “Zvezda” Develops Engine

“Zvezda” has registered two patents for a new generation of engines, named Pulsar. Mass production is scheduled to start this year.

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PSR Analysis: This is 12-cylinder, turbocharged engine with a displacement of 37 liters and a power range of 800 – 1830 kWt. Pilot engines have been installed on gen-sets with power of 1000 kW and 1500 kW. **PSR**

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Questions, Comments?

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