

### Top Stories

*PSR-sponsored Experimental Vehicle*

*Global Truck Production Climbs 12.4%*

*Aerial Lift Production Is Flat*

*Global Economies Are Solid*

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*China Plans Diesel NS 6*

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*Europe Getting Better & Better*

*Connected Trucks Get Boost in Japan*

### About Us

**Power Systems Research (PSR)** is a world leader in providing power equipment information, whether it's pure data, analysis, forecasting or specific business intelligence. This product information ranges from IC engines to battery-electric and hybrid powertrain technologies. PSR has been providing world class business and market intelligence to industry leaders for more than 40 years. How can we help you? For details call **+1 651.905.8400** or email **info@powersys.com**. **www.powersys.com**

**Power Systems Research: Data....Forecasts...Strategies**

### Data Point: Aerial Lifts

## 30,695

*By Carol Turner, Senior Analyst, Global Operations*


This is the estimate by Power Systems Research of the number of Aerial Lifts that will be produced in the US and Canada in 2018. Articulating boom lifts, telescopic boom lifts, scissor lifts, and other types of aerial work platforms are used to allow workers and materials to be raised to optimum operating heights.

With combined plant totals of 47%, Genie leads in production of Aerial Lifts in North America. In second position, with combined plant totals, is JLG with 36%. Third, is Canadian-based Skyjack, with 12%.

From 2016-2017 Aerial Lift production in North America decreased a nominal 3%. Production remains flat with a slight gain of nearly 2% expected for 2017-2018. Aerial work platforms are used by in nearly all construction related activities and are especially popular among rental fleets. Still, production has been disappointing.

The demand for aerial lifts was expected to surge along with the rise in building and home construction related activities after the 2012 recovery period. Despite gains in construction, the demand for aerial lifts has not followed suit. Production is expected to fluctuate over the next 3-5 years as warranted by economic factors.

This information comes from two proprietary databases maintained by Power Systems Research: **EnginLink™** and **OE Link™**. **PSR**

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## PSR Experimental Vehicle Grabs Fifth Place in Shell International Competition

The PSR-sponsored experimental vehicle designed, produced and raced by a team of high school students from suburban St. Paul, Minnesota, USA, finished as the top school from the US, and won fifth place overall, during international competition in London recently.

The team from St. Thomas Academy (STA) high school won the USA competition this year for the second consecutive year. The team won the international title last year.

The PSR-STA car was the class of the field this year, and the team received many compliments on the boys' workmanship. Unlike other teams whose moderators are overly involved in race dynamics, STA faculty advisors had the luxury of sitting back and watching the boys make race decisions on their own, a key learning element in this after-hours program. **PSR**

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## Q2 2018 Truck Production Index climbs 12.4%

*Power Systems Research*



*Truck Production Index*

St. Paul, MN (July 19, 2018)—The Power Systems Research Truck Production Index (PSR-TPI) increased from 113 to 127, or 12.4%, for the three-month period ended June 30, 2018, from the Q1 2018. The year-over-year (Q2 2017 to Q2 2018) gain for the PSR-TPI was 124 to 127, or 2.4%.

The PSR-TPI measures truck production globally and across six regions: North America, China, Europe, South America, Japan & Korea and Emerging Markets.

This data comes from CV Link™, the proprietary database maintained by Power Systems Research.

Global Index: On a global basis, commercial vehicle demand is expected to remain strong through the rest of the year and into 2019. Outside of Japan and Korea, production levels are relatively strong or are showing good improvement in all other regions.

North America: In 2018, medium and heavy commercial truck production is expected to increase by 14.7% over last year, driven by extremely strong class 8 demand along with continued strength in the medium duty (class 4-7) segment. Production levels for class 8 trucks are expected to increase by 26.6% this year while medium truck production is expected to remain strong and increase by 1.3% over 2017. **Read More. PSR**

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*Several risk factors to continued growth exist, including the geo-political environment, higher expected interest rates and inflation, as well as possible economic trade disagreements and new political tensions.*

## Global/North America Report

By *Yosyf Sheremeta*, PSR Director of Product Management & Customer Experience. *Michael Aistrup*, PSR Senior Analyst, contributed to this report.

### Amid Trade Uncertainties, Global Economies Power Ahead (First of Two Parts)

Global economies look strong, amidst trade tensions and global politics. Most global markets have been enjoying a positive outlook and an increasing level of business activities. Unless new economic escalations take place globally, PSR estimates that current strong conditions will last at least 12 months.



*Yosyf  
Sheremeta*

European markets and North America enjoy low unemployment, very low interest rates and low inflation. However, several risk factors to this continued growth exist, including the geo-political environment, higher expected interest rates and inflation, as well as possible economic trade disagreements and new political tensions.

With the growth of economic activities, we expect to continue to see rapid shifts in political situations and money capital between industries and markets going forward.

This growth certainly has benefited the oil and gas industries, and infrastructure and financial sectors of the economy; however, this might not continue. The financial and stock markets, after reaching record highs in January, turned into a short-term correction in early February, which was very much needed and somewhat overdue. The correction was short-lived, and most markets already have recovered and are nicely set for new growth.

The financial markets certainly will be volatile during 2018. During Q2 2018, stock markets did not make any significant moves in any direction, and PSR considers this state as a healthy development.

On the other hand, some markets that face high risk of being affected by possible new policies soon have employed wait and see tactics without any new large investment initiatives on the global scale.

When our analysts study current and future market trends, we do not speculate on rumors or future policies, and we have not made any significant changes in our projections related to escalated global trade tensions and economic disagreements.

Overall, in the very near term, the global economic drivers will remain stable and will mainly rely on strong economic performance in their markets; oil prices regained significant ground during Q2 2018, reaching US\$ 79 per barrel in May 2018. Today, oil is at US\$ 76.

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## Global/North America Report

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This was a very solid gain of over 20% YTD, which continued the upward trend begun last year. Just a note that oil price was around US\$ 45 only a year ago, in June 2017. Employment levels are at record highs and projections are positive; however, interest rates, while climbing, remain near record lows.

As we look to the remainder of 2018, we are standing behind our previous forecast. We are not making significant changes to our previous projections, and we remain optimistic on overall global performance for the rest of the year.

New proposed trade policies certainly will have an impact on current markets and future growth; however, these changes will not be immediate and will depend greatly on the outcome of such policies.

Most markets are growing at modest rates, and we are in the middle up-trend of the global growth cycle in the developed economies, such as Europe, and in developing markets, such as India.

2017-2018 showed continued positive trends globally; we also have seen the start of a turnaround in Brazil, which we expect will continue to accelerate in 2018. However, it will take some time to get to pre-recession levels in that region.

At the same time, positive news from India and South East Asia, as well as the developed markets of North America and Europe, helped drive growth in the global economy. The Chinese economy, on the other hand, faces fears of a slowdown and an escalation of the trade war. Financial markets in China have reacted negatively, pushing the SHANGHAI SE Composite Index down 14% YTD.

In North America, while the general economy is doing very well, we believe the overall consumer markets are rapidly approaching their peaks, and we expect to see some slight decline in production activities in 2018 for some consumer-oriented segments. Still very low interest rates and low unemployment help support this trend.

Nevertheless, we have already started to see warning signs in some segments; a few production assembly plants for passenger cars and minivan/SUVs were idled for short periods during 2017-2018, mainly to align inventories and current demand levels, as the trends from previous years peaked and began losing steam.

Such trends may continue through the rest of 2018. However, personal transportation markets, while lacking any significant drive factors, still show very healthy levels of demand.

Last year (2017), the U.S. auto industry suffered its first annual sales decline (dropping 1.8%) since the financial crisis nine years ago. But a streak of strong profits is expected to overshadow a slowdown in dealership traffic.

On the other hand, the Agricultural and Construction segments saw no growth in the years prior to 2017; however, year 2017 was quite promising, especially for Construction, and small Agricultural equipment. This gives optimism for the near future, and we expect this trend to carry over into 2018-2019.

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## **Global/North America Report**

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*We have seen a slowdown in demand from emerging markets for equipment and products made in the well-developed regions of North America and Europe. However, solid demand from domestic markets compensated for losses from export activities for these developed countries.*

During H1 2018, we have seen positive performance from emerging markets, but lately the progress and outlook stalled a bit and the markets are taking a break. Other regions, such as Brazil, China and Russia, due to various factors, have already approached the bottom of their downturn cycles, and have started to see improvements in 2017-2018.

This should further improve and continue in 2018-2019. Key countries in Central America and South America will be busy in 2018 with elections, which could bring more uncertainty and could postpone recovery. More than 80% of the population in those regions are expected to go to the polls, so there is a lot at stake!

We have seen a slowdown in demand from emerging markets for equipment and products made in the well-developed regions of North America and Europe. However, solid demand from domestic markets compensated for losses from export activities for these developed countries.

This partially explains the situation where smaller OEMs, which are mainly focused on domestic markets, are performing much better than their larger competitors, which rely heavily on exports. According to the U.S. Census Bureau, there was a slight decrease in export activities from the U.S. recently. Exports of goods and services in January 2018 vs December 2017 declined; specifically, April exports were \$211.2 billion, \$0.6 billion more than March exports. The goods and services deficit was \$46.2 billion in April, down \$1.0 billion from \$47.2 billion in March. Year-over-year, the average goods and services deficit increased \$4.9 billion from the three months ended in April.

In Brazil, we finally started to see a significant turnaround in 2017, especially in the Agricultural and Construction segments (up 11% and 28%, respectively) vs 2016. It is worth mentioning, that almost all segments have suffered drastic declines of more than 30%-50% over the last few years.

We expect significant improvements in Brazil in 2018-2019. Our projection for the region remains at high single to double digits growth annually over the next two years (Agricultural at about 11%, Construction at 10 % and Industrial at 3%); however, that is far from adequate to recover the losses in 2014 -2016. Do not be surprised if we revise our projections up as the year progresses.

China continues to experience a slowdown in some segments, such as Agricultural, Marine, and Power Generation, as well as consumer-oriented markets such as Passenger Cars and recreational Vehicles, but the growth estimates should be in line with our earlier projections from Q1 2018.

Possible trade tensions do not help these market segments. At the same time, Construction, Industrial and the Medium-Heavy Vehicles segments reported solid performance in 2017, and we expect that trend to continue in 2018 and 2019.

The Indian subcontinent shows very strong performance across almost all segments, with some reaching mid to high double digits growth in 2018 and 2019, including Agricultural, Construction, LCV and MHV, Passenger Cars and Recreational Products.

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## Global/North America Report

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**AGRICULTURAL** production worldwide suffered a major slump in 2014 and 2015, and the recovery in 2016 was not near the earlier projected levels. We believe the overall market reached its bottom in 2016, especially for lower HP equipment, which saw some double-digit growth in sales in 2016 vs 2015.

At the same time, increased demand and level of activities last year did not produce much of the expected recovery in 2017; however, we believe these conditions will improve and the overall trend will change to positive in H2 2018.

Sales of higher HP equipment were flat in H2 2017, but we expect the overall level of activities to increase and a recovery to take place in 2018.

The global Agricultural sector is expected to decline 3.4 % in 2018, down slightly (by 2.7%) from the previous quarter. This decline is mainly due to the replacement of 2-wheel drive tractors in China with larger HP machines.


Currently, we do not expect any rapid recovery or high growth until later in 2018, mainly due to current global economic conditions in the segment and record low commodity prices. We forecast the recovery will be very slow and the market will not reach its prior high levels in the foreseeable future. Future trade tensions might impact the global trade of commodities, and that will have a direct impact on the segment at the regional level.

**CONSTRUCTION.** The global Construction sector performed very well in 2017, posting an overall growth rate of 13.4% over 2016. This rate was slightly higher than the previously projected rate of 13.1%, as of Q1 2018. Some equipment seems to be gaining solid ground in Europe and showing a healthy recent demand from domestic markets in North America, especially for smaller equipment. Overall, we project the segment to gain 6.6% in 2018 over 2017, which is up by 1% from Q1 2018.

China showed a significant increase in the segment during H2 2017, and the whole year posted a solid 62.4% gain over 2016. Furthermore, we project additional growth of 18% for the segment in 2018. Additionally, Brazil experienced significant improvements in 2017, with 27.9% growth in 2017 vs 2016, and we project an additional 10% increase annually in 2018 and 2019.

At the same time, the economy in North America seems to be gaining new breath, especially in the Construction segment, and that will greatly improve, based on the production schedules for 2018-2019. Growth rates are expected to gain ground and remain in mid-single digits. We currently forecast global construction markets to achieve 4% growth in 2018, and 3.3% in 2019.

A big push for the segment is expected to come from the implementation of the new tax reform in the U.S. At the same time, the bright spot in 2017 for the segment has been in mining and oil and gas equipment. These industries have suffered double digit declines globally, but recent gains in commodity prices certainly helped the segment, especially the higher HP equipment.

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## Global/North America Report

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Based on the most recent developments over the past year, the mining sector is looking very promising. Additionally, a proposed increase in infrastructure spending in the U.S. could drive this sector higher.

In terms of the overall economic cycle, we expect most developed markets to be solid in 2018. Within the Construction segment, we see India and China showing very strong performance in emerging markets, and North American as well as European markets and Japan leading this trend.

Brazil and Russia experienced significant declines in production trends and reached the bottom in 2015-2017, followed by a very gradual and slow recovery in 2017-2018. This will carry forward into 2019-2020. There might be some minor regional and segment differences and timing of the cycle, especially for Brazil, which was in deep recession in 2015-2016 and almost flat in 2017. We will continue to monitor the cyclical trend and will make updates to it, as necessary.

Other Off-Highway segments, such as Industrial, Lawn and Garden and Power Generation, will closely follow economic trends globally. One product application that is especially worth mentioning, Rough Terrain Forklifts, is experiencing tremendous growth. Within this application, one product--Telescopic Boom Forklifts--has shown significant growth, especially in North America and Europe. This product is projected to deliver double digit growth in 2018 at 15-20% and 9-11% annually over the course of 2019-2020.

For the On-Highway sectors, we see a lot of new development in 2018 from electric technology and new electric models that are planned to be introduced by most major OEMs. At this point, the overall volume for electric vehicles (both commercial and for personal use) is still insignificant in terms of market share, but we do expect rapid adoption of these technologies over the next 5-10 years.

During Q2 2018, we have significantly increased our projections and growth rates for electric buses. However, the base line production volumes remain low in terms of overall market share for these applications. **PSR**

*Next Time: North America Forecast Trends*

### BRP, Polaris Expand Into Marine Segment

BRP has acquired Alumacraft. Evinrude announced today that it is now a part of the newly established BRP Marine Group with the acquisition of Alumacraft. Terms of the Alumacraft acquisition were not disclosed.

Tracy Crocker, senior vice president and general manager of Evinrude since 2017, has been appointed president of the group. Crocker will be responsible for the strategic direction and operations of the BRP Marine Group while maintaining his role at Evinrude.

Evinrude, which developed the first commercially viable outboard in 1909, will join Alumacraft, a 70-plus-year-old manufacturer of aluminum fishing boats. Tracy

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## Global/North America Report

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*“This is an opportunity for BRP and is the first step of many toward our goal to become a leading marine company,” Crocker said in a statement.*

Crocker will head up the new marine group for BRP. “This is an opportunity for BRP and is the first step of many toward our goal to become a leading marine company,” Crocker said in a statement. “The formation of BRP Marine Group with two iconic marine industry players in Evinrude and Alumacraft will open up a world of possibilities for us within the marine industry. Our key objective is to provide high quality, innovative opportunities that help families create unforgettable memories on the water.

**PSR Analysis:** Apparently BRP was feeling pressure from Polaris’s latest purchase of pontoon boat maker Boat Holdings and they made a purchase. We now seem to be in an acquisition race, in the powersports industry, to see who can purchase what the fastest. —**Michael Aistrup**

## Brazil/South America Report

By *Fabio Ferraresi*, PSR Director, Business Development, South America

### Ford Starts Global Engine Production in Brazil



*Fabio Ferraresi*

At the same time Ford launches three new products in the 50 years anniversary of Taubaté plant, announces the start of production of the 3-cylinder engine 1.5 Ti-VCT Flex Fuel (Gasoline and Ethanol).

**Source:** *Correio Popular*

**PSR Analysis:** These engines have superior performance of competitors 4-cylinder and will be used mostly for Ford local production and exported to Argentina Ford Plants.

### Agricultural OEMs Hike Production and Sales Forecasts

Anfavea raised growth forecast on sales of Agricultural Machines from 3.7% to 7% for 2018 over 2017. At the same time, export growth was reduced from 9.9% to 7% due to Argentina crisis.

**Source:** *Valor Economico*

**PSR Analysis:** China response on taxing soy bean from USA made farmers and Agricultural Machines OEMs optimistic. The expected demand increase and currency devaluation compensating commodities price possible reduction points to harvest increase, that demands heavier investment on machines and boost the agribusiness in Brazil and South America countries.



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## Brazil/South America Report

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## Construction Equipment Market in Brazil Grows

Despite the idleness in the Construction Industry, OEMs are increasingly optimistic. The sales for 2018 over 2017 have grown from 8% to 20%.

**Source:** *M&T*

**PSR Analysis:** Although the sales of Q1 2018 were extremely high when compared to 2017, OEMs were cautious to forecast double-digit growth because of a lack of underlying fundamentals. The new bids of mining and the reduction of used equipment offer now makes them confident to raise the forecast as the actual sales are demonstrating

## Electronic Bidding Will Boost Mining in Brazil

The regulation of the ANM – National Mining Agency – will open more than 20,000 new areas for mining in Brazil. The text of the new regulation is ready for publishing, but the market will take longer to respond, because the new agency needs to start its activities and define the Electronic Bidding model to start.

**Source:** *M&T* [Read The Article](#)

**PSR Analysis:** We already see signs of increased Mining activity impacting the CE equipment market in H1 2018. As the expansion of mining continues, the expected impact could be much higher than the growth now we see in 2018 over 2017. **PSR**

## China Report

By *Qin Fen*, PSR Business Development Manager-China.

### China Plans Diesel NS 6 in 2021




*Qin Fen*

The MEE (Ministry of Ecology and Environment), China's environment authority, is planning to enforce diesel NS 6 emission standard nationwide in 2021.

**Sources:** *MEE Reports* [Read The Article](#), [Another MEE Article](#), [One More MEE Article](#); *Hebei Youth Daily* [Read The Article](#); *Up Politics*; *Ji'ning News*; *Sina*.

**PSR Analysis:** A year from now, NS 6 compliant natural gas will be running on the road; two years from now, NS 6 compliant diesel and natural gas vehicles will be running in the city; three years from now, NS 6 compliant diesel and natural gas vehicles will be running all over the country. That's basically what's outlined in MEE's policy paper.

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## China Report

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*Question: 1. Will this emission standard be seriously enforced? 2. If so, will there be cities enforced ahead of schedule?* Answers to both questions are, Yes.

NPC just held a special congressional hearing where they gathered 15 ministers/vice-ministers group headed by one state councilor. The two-day hearing focused on what they call “the battle for blue sky”. Last time they had such meetings, it was about election scandals and constitution amendment. That tells you about how they value the meeting this time.

Also the NPC Chairman, third most powerful person in China’s politics, who is also President Xi’s most important political ally, presided over the hearing and actually touched upon issues of on-road and off-road machineries.

Here are two background stories, if you want to know why the sudden “hurry up!”

“Battle for Blue Sky” is one of the three policy papers laid out by President Xi, and we saw how government enforced it last year. The momentum is so big, no one can stop it now. The only choice is to join the force now.

“Electification” If anyone in the engine industry thinks the cost to switch to NS 6 compliant vehicle is too high, this time the central government will turn to EV. In fact, the transportation ministry is already encouraging people/business to switch to electric buses, taxis and trucks.

We see great opportunities for after-treatment industry, battery industry. A pre-buy could also happen, because most people bought NS 3 compliant trucks in 2008. That’s 10 years!

## China Transportation Ministry Plans To Switch To Railway

The Ministry of Transport, China’s transportation authority, plans to cut highway transportation and switch to railway.

**Source:** *Ministry of Transport of the People’s Republic of China* [Read The Article](#)

**PSR Analysis:** Funny, when you look at how ecology ministry and transportation ministry are dealing with air pollution in their respective ways. The Ecology ministry is forcing the engine industry to upgrade, while the Transportation ministry is trying to eliminate engine industry by:

- Encouraging highway, airport, urban bus/logistics/express, harbor and port to switch to electric vehicle;
- Encouraging coal, ore transportation through train and ship; a clear timeline to do so for all the costal harbors

Some of the measures, though, are in line with ecology ministry, like inland vessel replacement and marine engine emission upgrade. **PSR**

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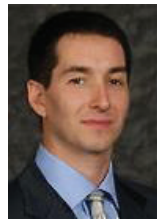
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*DEUTZ AG published preliminary consolidated figures for the first half of 2018 showing that order intake increased year-on-year by 36.6% to 1.097 million euros.*

## Europe Report

By *Emiliano Marzoli*, PSR Business Development Manager-Europe  
*Christopher Bamforth* contributed to this report

### Will Deutz Keep Momentum?



*Emiliano Marzoli*

#### Read The Article

**PSR Analysis.** DEUTZ AG published preliminary consolidated figures for the first half of 2018 showing that order intake increased year-on-year by 36.6% to 1.097 million euros. In the previous year, it amounted to 803 million euros. Following the strong start to the year, order intake in the Q2 2018, at 522 million euros, was very high, up 30.5% over the previous year (Q2 2017: 400 million euros).

The order backlog has increased by 60 million euros from the previous quarter to 488 million euros. Sales in the first half of 2018 amounted to 105,201 engines sold, including 6,345 Torqeedo electric motors. This is 32.2 percent more than in the previous year (79,599 engines). Revenues amounted to 878 million euros. This was around 20 percent higher than in the previous year (H1 2017: 735 million euros).

In the second quarter of 2018, sales of € 463 million improved by 11.6% compared to the previous quarter and by 21.2% over the previous year (Q1 2018: € 415 million, Q2 2017: € 382 million).

“The start of the new financial year has clearly exceeded our expectations,” says DEUTZ CEO Dr. Ing. Frank Hiller, adding: “The sharp increase in the EBIT margin signals that the measures introduced to improve earnings are having an effect.”

The positive course of business in the first half of the year, however, is clouded by the strike at Neue Halberg-Guss GmbH. The important supplier of DEUTZ AG for castings is meanwhile stricken in the fourth week. To date, the effects at DEUTZ have largely been offset by adjustments to production planning. However, a continuing strike will lead to production losses at DEUTZ and the rest of the supply chain in the current quarter.

The coming emissions regulations in Off-Highway equipment is amongst the drivers behind Deutz strong performances. This trend will continue during the year and will extend into 2019 but limited to the 56to 130 kW range that will fall under stage V emissions standards in 2020. —EM

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## Europe Report

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## MarineLink™

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## Europe “Going Better and Better”

### Read The Article

**PSR Analysis:** Over the past decade, the construction sector in Europe has been trying to recover from the crisis and get back to its former growing self. The high debt left over from the crisis has left government spending on maintenance and renovation lacking, which is a big contributor to the EU construction industry.

The latest report from the FIEC suggests that, although those levels have still not been reached, we are seeing some very positive strides in that direction. Europe is “going better and better” as we can see in 2017 the European construction industry has grown 3.5% from 2016 and is projected to grow another 2.9% in 2018. “This is positive, but we have not yet reached the pre-crisis levels, except in the housebuilding segment.” As stated the main drivers for this was housebuilding, which grew 8.6% and the private non-residential segment, which grew 2.8%. The good news is also that we are seeing a recovery in civil engineering activity, which depends most on public spending, increasing 2.8%. This being said there is still some disparities between member states, in general terms the North West countries are doing better than south east member states. Fortunately it is clear that for those countries hardest hit by the crisis are starting to see light at the end of the tunnel. Unemployment levels are also highlighting this trend rising by 2.1% in 2017.

There is however some cause for concern ahead that have been highlighted and the main one is the threat posed by Chinese state-owned enterprises (SOEs) and EU public procurement. This is where Chinese state-owned enterprises are bidding in EU Public finance contracts. The main example used is the “OBOR (One Belt One Road, also known as BRI, Belt & Road Initiative)” where a consortium of Chinese SOEs have won a bid to for the Pelješac bridge in Croatia. This is warned to be a sort of trojan horse and that the “playing field” is unfair. The FIEC and EIC are asking the European Commission to step in to restore faire competition and a level playing field. PSR —**CB PSR**

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## Far East/Southeast Asia Report

By *Akihiro Komuro*, PSR Research Analyst, Far East and Southeast Asia

### Far East: Japan

#### Connected Trucks Get Boost in Japan



*Akihiro  
Komuro*

Japan's fleet of internet-connected trucks is expected to grow by 150% to more than 500,000 units in 2020 as commercial vehicle makers target the logistics industry suffering from a driver shortage, corporate plans show.

UD Trucks plans to have 100,000 connected trucks on Japanese roads in 2020 and 150,000 in 2025. Its Quon line of heavy-duty trucks features communications systems as standard equipment. The company also will offer a wide

variety of remote services, such as predicting engine problems to ensure efficient maintenance.

Mitsubishi Fuso Truck and Bus will expand the range of connected models in its Super Great line. These systems will also be added to new models, such as the electric eCanter, which is slated for a full rollout in 2020. The automaker is aiming for 100,000 connected trucks by that year.

Isuzu Motors, planning 250,000 connected trucks by fiscal 2020, will expand the monitoring service in its heavy-duty Giga series to light and medium trucks. Hino Motors will roll out similar services for medium and heavy trucks in April.

This influx would boost the share of connected trucks in Japan to around 15% of the country's 3.5 million or so trucks, up from about 5% now.

**Source:** *Nikkei Asian Review* [Read The Article](#)

**PSR Analysis:** The trend of the connected car is strongly and rapidly impinging on the truck industry. The number of drivers has declined in inverse proportion to an increase in distribution demand, and the aging of the drivers continues. Auto-driving still needs time to reach full-scale operation. In the meantime, it would be a realistic measure to relieve the situation by reducing the burden on the driver.

Looking to overseas markets, Daimler runs 500,000 connected trucks. They also have a subsidiary that is responsible for the operation and management services of the shipping company, broadens the source of revenue.

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## Far East/Southeast Asia Report

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Each of the Japanese truck OEMs is working on its own, but sometimes a logistics company asks for a common platform for efficiency. In the future, there may be situations where truck OEMs cooperate in this field. **PSR**

## Far East: South Korea

### Hyundai Expands Excavator Production in India

Hyundai Construction Equipment is continuing its overseas expansion by expanding its excavator plant in India. Hyundai said it will gradually increase annual production capacity at the plant in Pune, India, to 10,000 units by the end of 2019 to meet excavator demand in India. Currently, the Pune factory produces 6,000 units of small- and mid-sized excavators in the 8- to 34-ton class.

**Source:** *The Construction Equipment News* [Read The Article](#)

**PSR Analysis:** Hyundai is making decisions to respond quickly to meet the demand growth in Indian construction equipment. Their presence in China's construction equipment market is already well known, but they know that relying too much on the Chinese market leads to management risk. Compared to Japan and other Asian construction equipment OEM, Korean OEMs such as Hyundai and Doosan, are taking action very quickly in overseas markets. **PSR**

## Southeast Asia: Thailand

### Toyota Makes Big Investment in Ride-Hailing Company

Toyota, the 80-year-old Japanese car maker, is betting big on the future of ride-hailing firms. It has invested \$1 billion in the Singapore-based ride-hailing company Grab, the Southeast Asian firm, which called it the largest investment by an auto maker in the ride-hailing sector. The move comes soon after Grab purchased Uber's regional operations in March, making it the the biggest ride-hailing company in Southeast Asia. The move deepens Toyota's status as one of the sector's most active investors.

**Source:** *Quartz* [Read The Article](#)

**PSR Analysis:** The penetration rate of smartphones in Southeast Asia is phenomenal, and mobile services are spreading explosively. The size of Toyota's investment indicates the potential of a ride-sharing service. Ride-sharing in Southeast Asia, where urban traffic congestion and air pollution are serious problems, is a possible solution to these problems **PSR**

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## **Far East/Southeast Asia Report**

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*Concrete Asia, the international exhibition for the Asian concrete sector, showcases a comprehensive range of concrete and cement products, technologies and techniques.*

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### **INTERMAT ASEAN Planned for Bangkok Sept. 6-8, 2018**

INTERMAT ASEAN will be held in Bangkok, Thailand. Sept. 6-8, 2018. This Southeast Asian trade exhibition on construction and infrastructure, focuses on five key sectors - Earthmoving & Demolition, Roads, Minerals & Foundations, Building Industry and Lifting, and Handling & Transportation. Providing opportunities to explore the latest trends and to source products, the trade exhibition brings together more than 5,000 leading companies and brands in a strategic location – Bangkok, Thailand

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## India Report

By *Jinal Shah*, Regional Director, South Asia Operations



*Jinal  
Shah*

### VECV plans Rs 500cr Investment this year; to up truck volumes

Volvo Eicher Commercial Vehicles (VEVC), a joint venture between Swedish automaker Volvo and Eicher Motors, is planning to invest Rs.500 crores this year for business growth and aims to increase truck volumes by 50% to meet the growing demand. [Read The Article](#)

**PSR Analysis:** VECV has been a strong player in the Light-Medium Duty segment, and has focused on value-selling and efficient premium products. We believe the demand environment looks robust at least until BSVI norms are implemented. The company is operating at optimum capacity in the existing plant, and on average VECV produces about 4500-5000 units from its plants and has clocked in 8000 units/month to meet the growing demand.

The planned investments across all areas of its business will provide further impetus on the Pro Series trucks along with new product launches to boost domestic volumes. VECV has seen growth in its export business and plans to develop a new range of light and heavy-duty buses exclusively for Middle-East and African markets. Eventually, it plans to create satellite assembly plants outside India.

### Sonalika Goal: Double Sales in Five years. Plans to Invest Rs 450 Crore

To meet the sales target of 200,000 tractors by fiscal 2023, the company is focusing on new areas and developing new range of tractors.

**PSR Analysis:** Sonalika crossed one lakh units sales milestone in FY2017-18 and appears bullish on next level of growth by investments for developing and introducing new products, expanding into new markets, meeting future emission norms.

India offers a huge opportunity for the tractor industry as tractor availability at 20 per 1,000 hectares is quite low. While India has 670,000 villages, industry-wide sales have never crossed the number of one sale per village in a year, hence the potential to grow is huge. **PSR**



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*Hyundai plans to start engine production in St. Petersburg with capacity of 150,000 engines/year. Plans call for the plant to begin production within three years.*

## Russia Report

By *Maxim Sakov*, Market Consultant, Russia

### Ministry of Trade To Continue Auto OEM Support



*Maxim  
Sakov*

The Russian minister of trade has announced plans to continue automotive OEM support in 2019. The support volumes have not been disclosed, but the support programs, including demand stimulating programs, are under discussion now.

The Ministry keeps production growth forecast for 2018 at 15% and sales growth at 10%.

The minister also said that the special investment contract with Hyundai is expected to be signed in Q3 2018. Hyundai plans to start engine production in St. Petersburg with capacity of 150,000 engines/year. Plans call for the plant to begin production within three years. **[Read The Article](#)**

**PSR Analysis:** Automotive industry support from the State is considered an important tool in general economic development of the country, and it is expected to continue for the next several years.

Following similar moves by VW and Ford, Hyundai has decided to place its engine production in Russia. Hyundai already has car assembly plants in the country. The new engine plant will allow Hyundai to bring its local parts and components share to 60%.


### Khabarovsk Region Projects New Railway

Work has started on the new railway to Sakhalin island. The estimated price for the project is US\$ 9 billion. The line will include a sea bridge 5.9 km long. **[Read The Article](#)**

PSR Analysis: This is another mega-project of infrastructure development in Russia. It's even more complicated, than the Crimean bridge because of the more severe climate and the rougher terrain. **PSR**

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