

TPI

Truck Production Index



Power Systems Research
Powerful Possibilities™

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The PSR-TPI measures truck production globally and across six regions: North America, China, Europe, South America, Japan & Korea and emerging markets. Data comes from CV Link™, the proprietary database maintained by Power Systems Research.

3rd Quarter 2017

Power Systems Research Truck Production Index (PSR-TPI) drops 9.5%

ST. PAUL, MN (OCTOBER 12, 2017)—The Power Systems Research global Truck Production Index (PSR-TPI) decreased from 116 to 105, or -9.5%, for the three-month period ended September 30, 2017, from Q2 2017. However, the year-over-year (Q3 2016 to Q3 2017) gain for the PSR-TPI was 101 to 105, or 3.9%.

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.

OVERALL, the global commercial truck industry is stronger than it has been in a number of years and is expected to continue to be strong moving into 2018. While there are still concerns about regional economies such as **SOUTH AMERICA** and **GREATER CHINA**, the global economies continue to improve.

While production in China also is expected to increase and **SOUTH ASIA** also is expected to post gains, India is not expected to do as well. Japan and Korea are expected to decline this year.

With the exception of **INDIA**, all of the countries of South Asia are expected to have a good year for medium and heavy commercial vehicle demand. Demand has slowed in India with the strict implementation of the BS-IV emission regulations on April 1, which increased the cost of the vehicles by 6% – 10%. There was very little truck pre-buy during Q1 2017, and there was a sharp decline in demand during the second quarter. However, demand appears to have stabilized in the third quarter.

Medium and heavy commercial truck demand are starting to see improvements in countries such as Brazil and Russia in which we expect to see double digit growth this year after a number of years with dismal

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demand levels. Along with a soft economy and the implementation of Euro VI emission regulations last year, Turkey is still struggling with demand levels.

In **NORTH AMERICA**, medium and heavy commercial truck production is expected to increase by 2.3% this year compared with 2016. The class 8 heavy truck segment continues to improve and production is expected to finish slightly higher than 2016. The medium truck (class 4-7) segment is expected to remain strong with production increasing by 5.2% over last year primarily driven by a strong vocational segment. Demand for class 8 trucks declined last year but demand is improving and is expected to continue into 2018.

Also seeing improvement is **GREATER EUROPE**. Here, production for medium and heavy commercial vehicles is expected to increase by 5.5% this year compared with 2016. After a relatively strong couple of years in Western Europe, demand has moderated somewhat, but production has improved 3.6% compared to last year. After very low demand in Eastern Europe during the past few years, the market has stabilized and is expected to improve by 15.3% this year as fleets continue to upgrade their equipment.

The next update of the Power Systems Research TPI will be in January 2018 and will reflect changes in the TPI during Q4 2017. **PSR**

Power Systems Research Global Truck Production Index (PSR-TPI) (Class 3-8 Trucks & Bus Chassis)

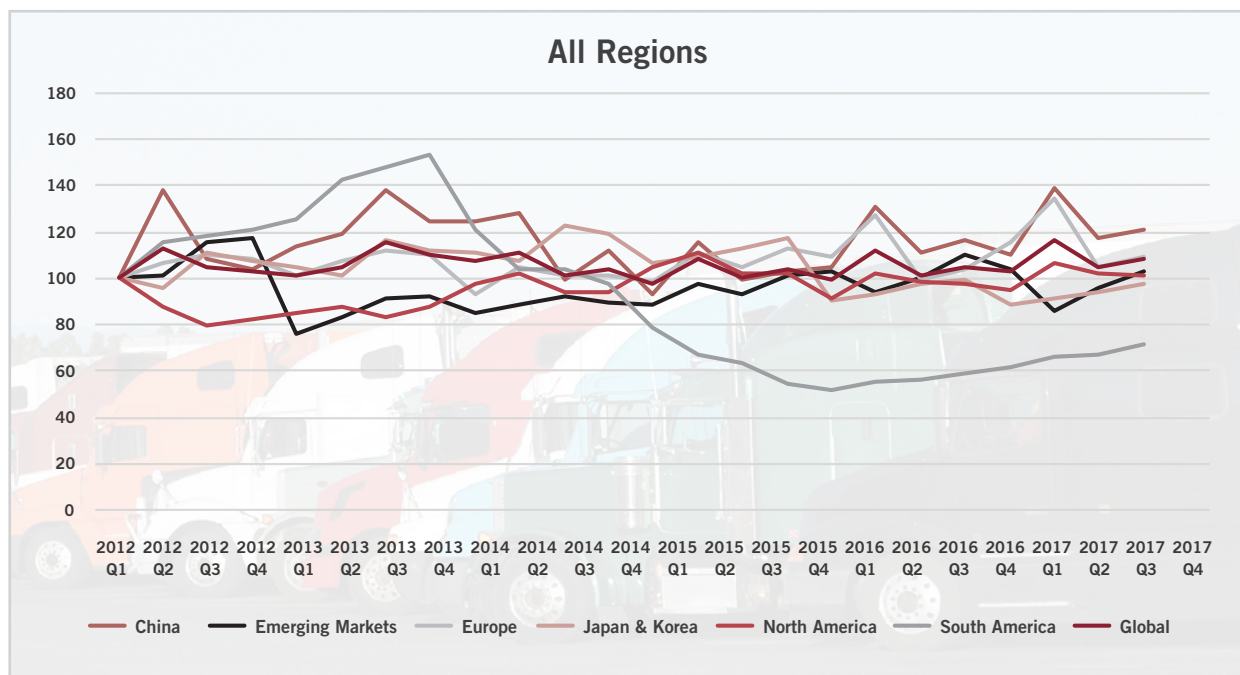
BASE								
	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4
China	100	138	108	104	114	119	138	124
Emerging Markets	100	101	115	117	76	83	91	92
Europe	100	106	110	108	101	107	112	110
Japan & Korea	100	96	111	107	105	101	116	112
North America	100	87	79	82	85	87	83	87
South America	100	115	118	121	125	142	148	153
Global	100	113	105	103	101	105	115	110
Total Volume	1,230,487	1,386,186	1,290,531	1,271,851	1,243,176	1,293,900	1,416,286	1,357,704

	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
China	124	128	99	112	93	115	99	103
Emerging Markets	85	88	92	89	88	97	93	101
Europe	93	105	101	101	98	111	105	113
Japan & Korea	111	107	123	119	106	109	113	117
North America	97	102	94	94	105	111	102	102
South America	121	104	104	97	78	67	63	54
Global	107	111	101	104	97	108	100	104
Total Volume	1,320,940	1,362,370	1,243,243	1,284,054	1,189,394	1,334,209	1,231,740	1,281,684

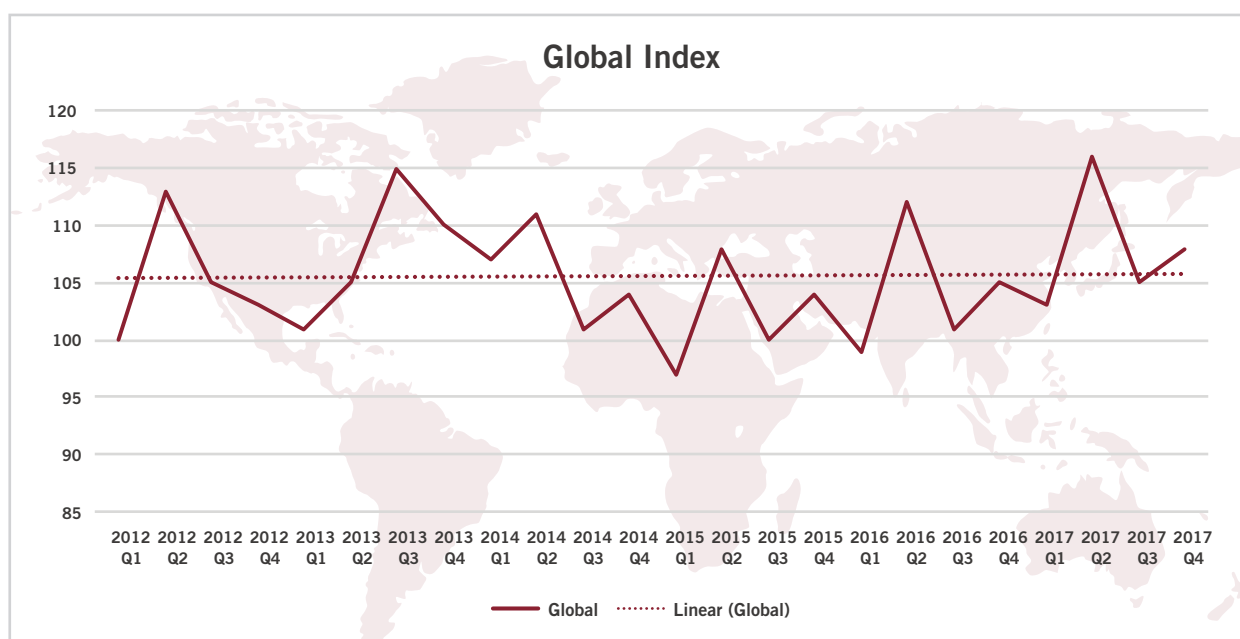
	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4
China	105	131	111	116	110	139	117	121
Emerging Markets	103	94	100	110	104	86	96	103
Europe	109	127	99	104	115	134	105	109
Japan & Korea	90	93	97	99	88	91	94	97
North America	91	102	98	97	95	106	102	101
South America	51	55	56	59	61	66	67	71
Global	99	112	101	105	103	116	105	108
Total Volume	1,216,031	1,379,000	1,248,804	1,295,819	1,261,630	1,426,392	1,289,170	1,329,611

Source: CV Link™

Power Systems Research Global Truck Production Index (PSR-TPI) (Class 3-8 Trucks & Bus Chassis)

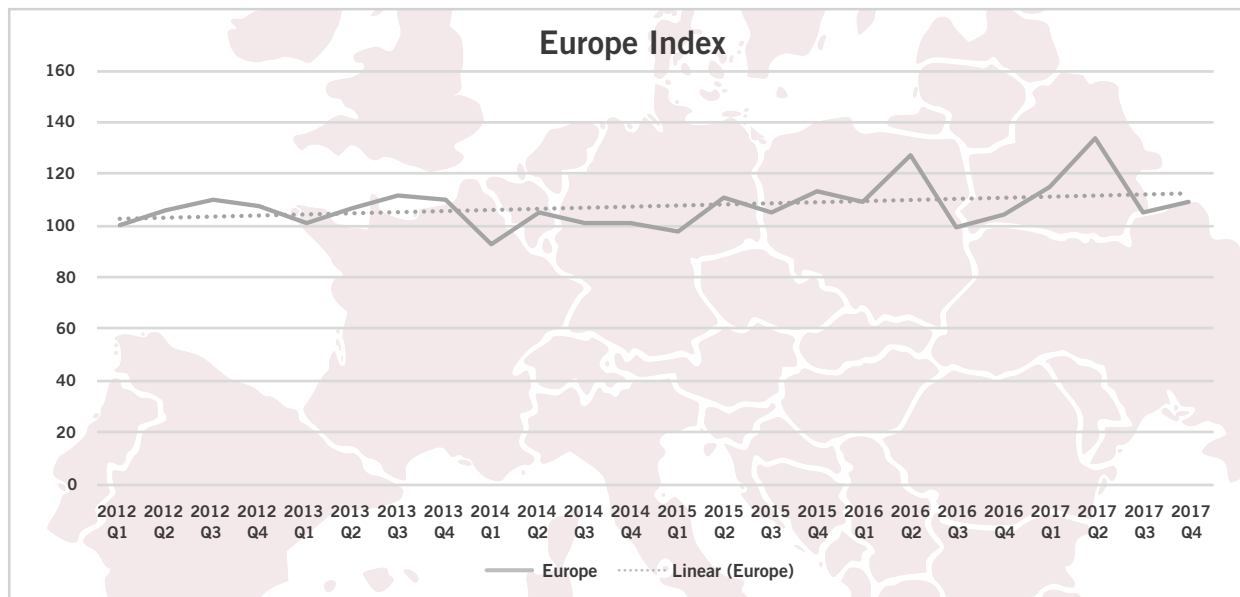


Medium and heavy commercial truck demand are starting to see improvements in countries such as Brazil and Russia in which we expect to see double digit growth this year after a number of years with dismal demand levels. Along with a soft economy and the implementation of Euro VI emission regulations last year, Turkey is still struggling with demand levels.

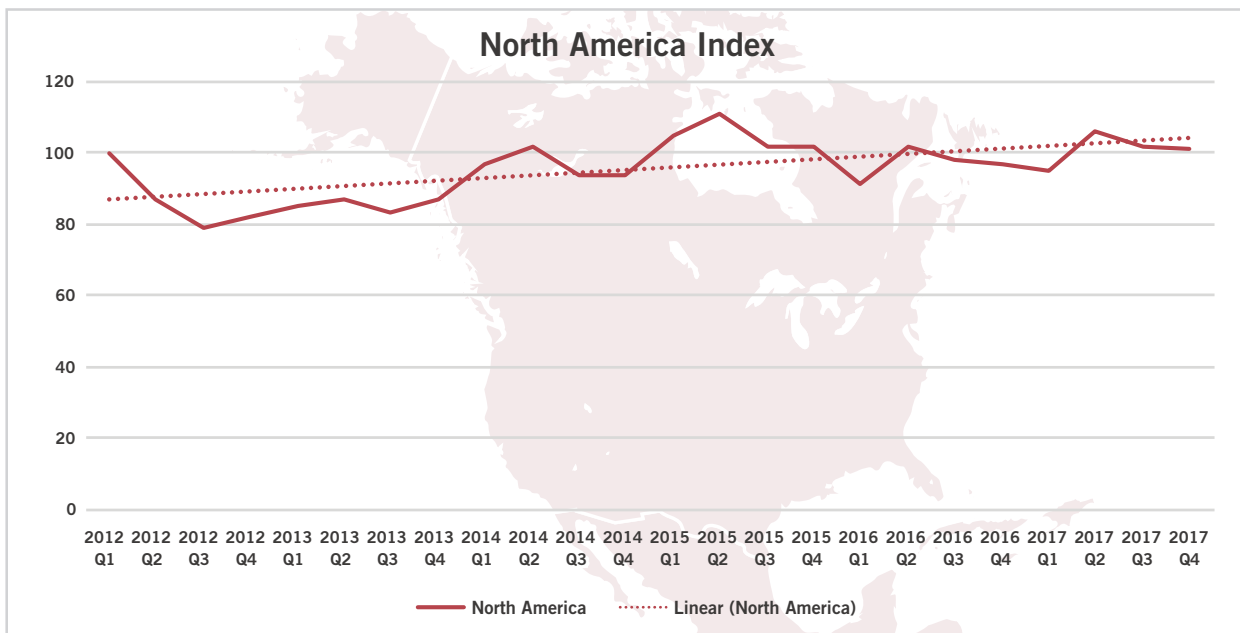


Overall, the global commercial truck industry is stronger than it has been in a number of years and is expected to continue to be strong moving into 2018. While there are still concerns about regional economies such as South America and Greater China, the global economies continue to improve.

Power Systems Research Global Truck Production Index (PSR-TPI) (Class 3-8 Trucks & Bus Chassis)

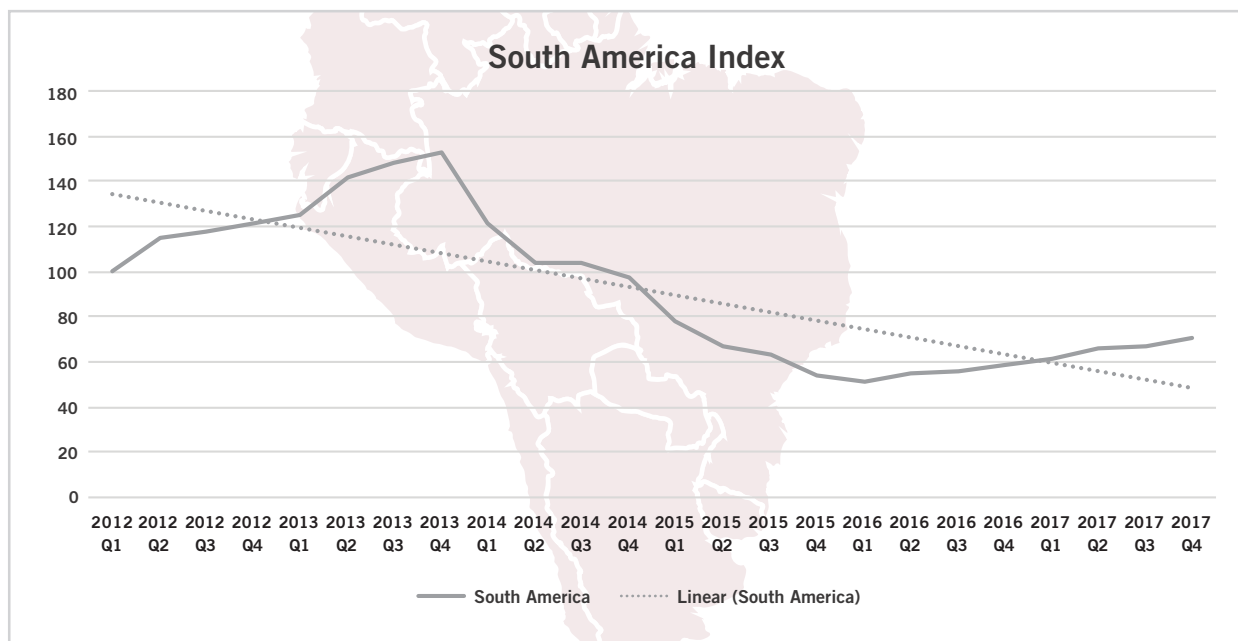


In Greater Europe, production for medium and heavy commercial vehicles are expected to increase by 5.5% this year compared with 2016. After a relatively strong couple of years in Western Europe, demand has moderated somewhat with production improving by 3.6% compared with last year. After very low demand in Eastern Europe during the past few years, the market has stabilized and is expected to improve by 15.3% this year as fleets need to upgrade their equipment.

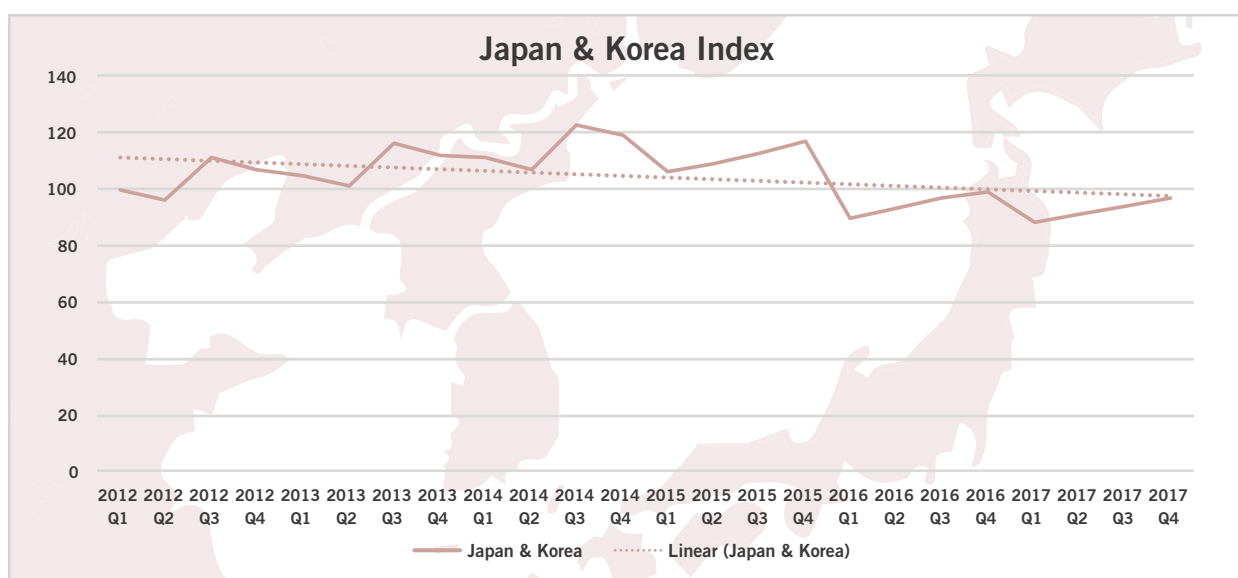


Medium and heavy commercial truck production is expected to increase by 2.3% this year compared with 2016. The class 8 heavy truck segment continues to improve and production is expected to finish slightly higher than 2016. The medium truck (class 4-7) segment is expected to remain strong with production increasing by 5.2% over last year primarily driven by a strong vocational segment. Demand for class 8 trucks declined last year but demand is improving and is expected to continue into 2018.

Power Systems Research Global Truck Production Index (PSR-TPI) (Class 3-8 Trucks & Bus Chassis)



Medium and heavy commercial vehicle production appears to have finally stabilized albeit, at very low levels and production is expected to increase by 20% - 25% compared to 2016. Much of South America remains in recession or very close to it and stagnate domestic economies along with low commodity prices continue to put pressure on demand. Despite the low GDP in Brazil, the export markets primarily for South America, Mexico and Africa are becoming very attractive which is favorable for demand moving forward.

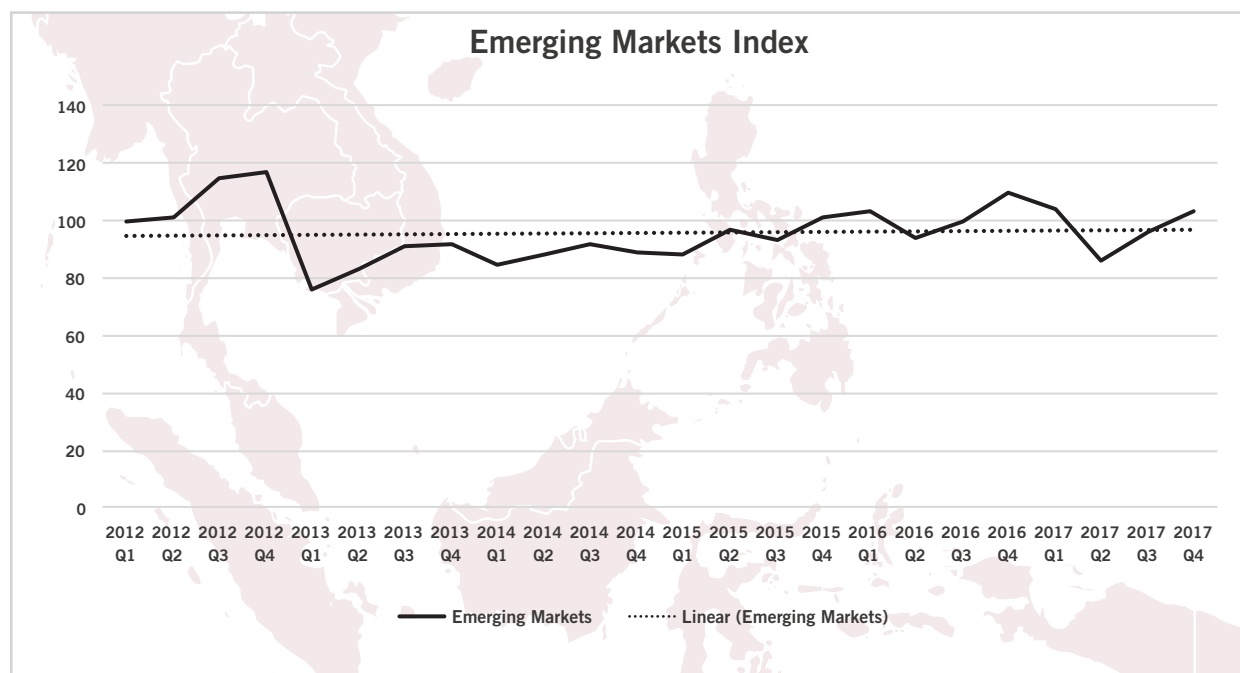


Domestic and export demand for medium and heavy commercial vehicles are expected to decline this year compared with 2016. Production for medium and heavy commercial vehicles is expected to decline by 5.1% this year. In Japan, the government moved out a scheduled tax increase to October 2019 due to the economic weakness in the country. To compete globally, both Japan and Korea rely on traditional export markets for increase revenue.

Power Systems Research Global Truck Production Index (PSR-TPI) (Class 3-8 Trucks & Bus Chassis)



Production of medium and heavy commercial trucks are expected to increase by 14.4% this year over 2016. The Chinese economy continues to struggle with overcapacity primarily in real estate and manufacturing however the fleets still need to replace aging equipment. We are not expecting any increase in expansion demand for commercial vehicles through the remainder of the year.



With the exception of India, all of the countries of South Asia are expected to have a good year for medium and heavy commercial vehicle demand. Demand has slowed in India with the strict implementation of the BS-IV emission regulations on April 1st which increased the cost of the vehicles by 6 – 10%. There was very little truck pre-buy during the first quarter but a sharp decline in demand during the second quarter. However, demand appears to have stabilized in the third quarter.



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Power Systems Research has been tracking the production of engines and their use around the world since 1976. We're the leading company in the world doing this research and building these databases.

We have many of the largest companies in the world as our customers. They subscribe to our unique databases, and their facilities around the world access our data and forecasts through the internet 24/7.

We're based in St. Paul, Minnesota, and we have offices and analysts located around the world, from Brussels to Beijing and Tokyo to Brazil, to help us collect and analyze this data.

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