

# TPI

October 18, 2023

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## Truck Production Index



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 OE Link™, the proprietary database maintained by Power Systems Research.

### Third Quarter 2023

#### Q3 2023 Power Systems Research Truck Production Index (PSR-TPI) Climbs 3.6%

*ST. PAUL, MN* — The Power Systems Research Truck Production Index (PSR-TPI) climbed from 104 to 108, or 3.6%, for the 12 months ended Sept. 30, 2023. The PSR-TPI dropped from 117 to 108, or 7.7%, for the three-month period ending Sept. 30, 2023, from Q2 2023.

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

This data comes from OE Link™, the proprietary database maintained by Power Systems Research. Here is our region-by-region analysis of truck production in Q3 2023.

**All Regions.** Medium and heavy commercial truck production in Europe and North America will continue to be strong through much of the year, primarily due to on-going replacement demand for heavy trucks. In Brazil, truck demand has been declining this year, primarily due to the implementation of the P8 emission regulations last year which resulted in a vehicle pre-buy. In China, demand has stabilized after very low levels of demand in 2022.

**Global Index.** After a decline in medium and heavy commercial vehicle production in 2022, primarily driven by a significant decline in China, MHCV production is expected to increase by 3.4% in 2023 over last year. Much of the growth will be driven by strong truck replacement demand in Europe and North America along with improved vehicle demand in China. However, global vehicle demand is expected to decline in 2024 as global economic conditions soften.

**North America.** Medium and heavy commercial vehicle production is expected to increase by 4.8% this year over 2022, primarily driven by on-going pent-up demand in the class 8 segment. Stricter 2024 emission regulations in California are driving modest heavy-truck pre-buy largely in the drayage segment this year. Continued softness in the overall freight market will negatively impact truck demand moving into 2024. Relatively high inflation and interest rates will also pressure demand moving forward. As a result, PSR expects a downturn in class 8 truck demand next year as truck capacity re-balances from back-to-back years of high truck production.

#### TPI authors



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*Jim Downey is vice president - global data products at Power Systems Research*



**Europe.** After relatively strong commercial vehicle demand in Europe last year, MHCV production is expected to increase by 8.7% this year over 2022. Vehicle deliveries were generally strong during the first half of this year and the order books remain at healthy levels moving into the second half of the year. Overall, the supply chain has improved and much like North America, pent-up heavy truck demand will fuel production levels through the remainder of this year and into 2024. PSR expects truck production to slow moderately in 2024 due to re-balanced truck capacity and a slower economy in part due to on-going inflation and higher interest rates.

**South Asia.** After an elevated level of replacement commercial truck demand in 2022, truck production has moderated and overall is expected to achieve a 5.3% increase in 2023. The moderate growth is primarily due to a re-balanced truck capacity along with a forecasted slowdown in freight demand in India. Commercial vehicle production in India is expected to increase by 7.4% this year and decline by 10% in 2024. Medium and heavy commercial vehicle production in Indonesia is expected to decline by 2.9% this year over 2022. In Malaysia, pent-up truck demand resulted in high production rates in 2022 which continued into the first quarter of 2023 but is expected to decline through the remainder of the year. MHCV in Pakistan was down sharply through the first seven months of the year.

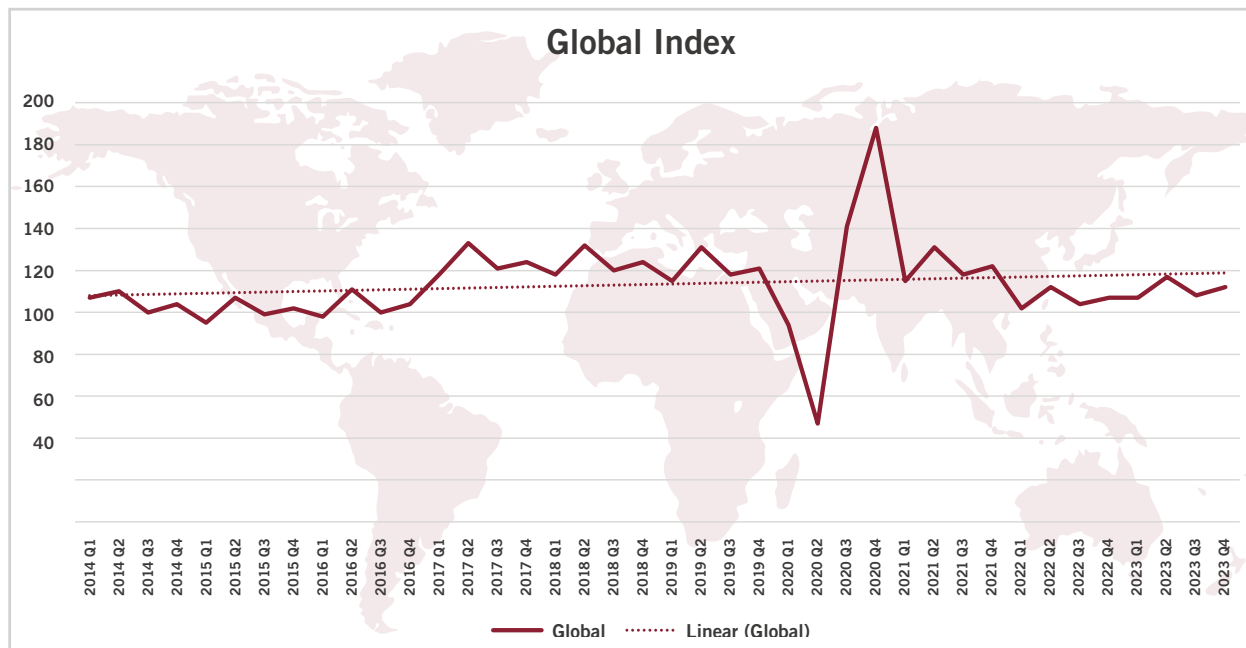
**South America.** Medium and heavy commercial vehicle production is expected to decline by 34.4% this year

compared with 2022 primarily driven by a generally weaker economy and the implementation of the Proconve 8 emission regulations in Brazil this year. The P8 emission regulation in Brazil increased the total cost of truck ownership due to the higher up-front truck price and resulted in little to no improvement in fuel economy. Vehicle production in Argentina is forecasted to increase by 10% this year while production in Columbia is expected to decline by 27.8% over last year.

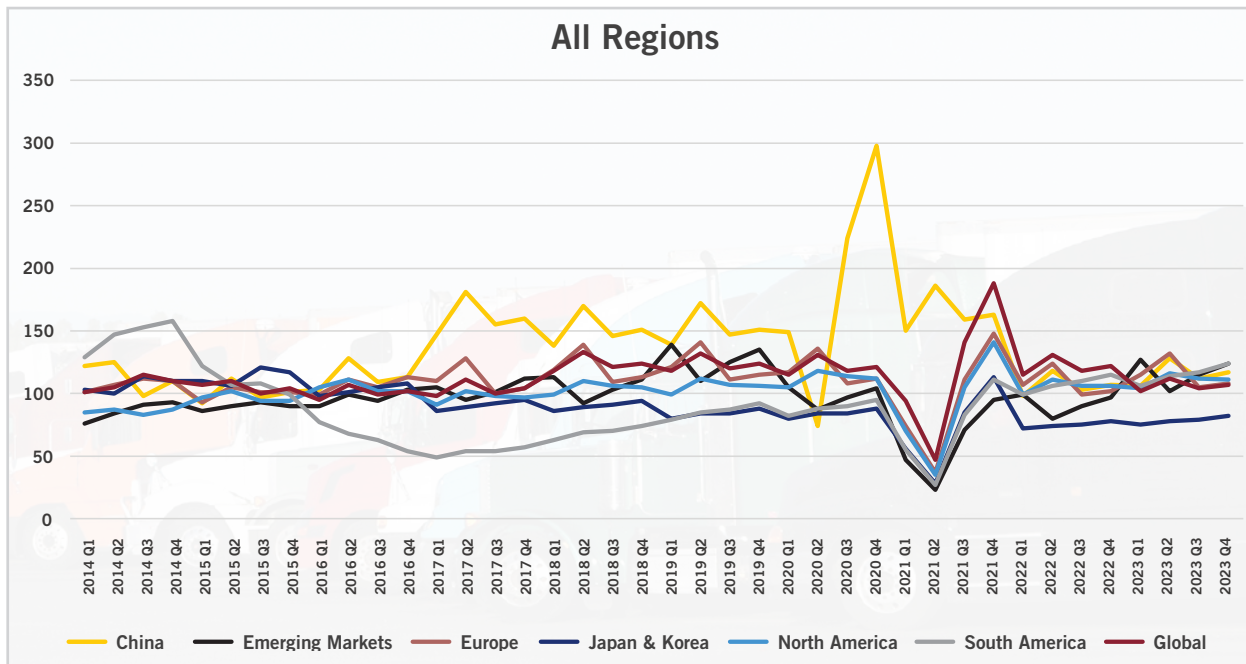
**Japan/Korea.** Medium and heavy commercial vehicle production in Japan and South Korea is increase by 2.7% this year over 2022. Commercial vehicle production is expected to increase by 2% in Japan and 9.3% in South Korea. The supply chain has shown relatively good improvement which led to stronger than expected production levels last year especially in South Korea.

**Greater China.** Demand for medium and heavy commercial vehicles declined sharply in 2022 primarily due to a slowing economy and the effects from Covid-related lockdowns. Also impacting demand was the implementation of the vehicle scrappage scheme in 2020 and 2021 along with a truck pre-buy ahead of the China VI emission regulations implemented in July 2021 which resulted in a relatively young truck fleet in China. Commercial vehicle demand has since stabilized and MHCV production is expected to improve by 7.7% in Greater China this year over 2022. Production is expected to increase by 7.9% in China and decline by 21.6% in Taiwan this year. **PSR**

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

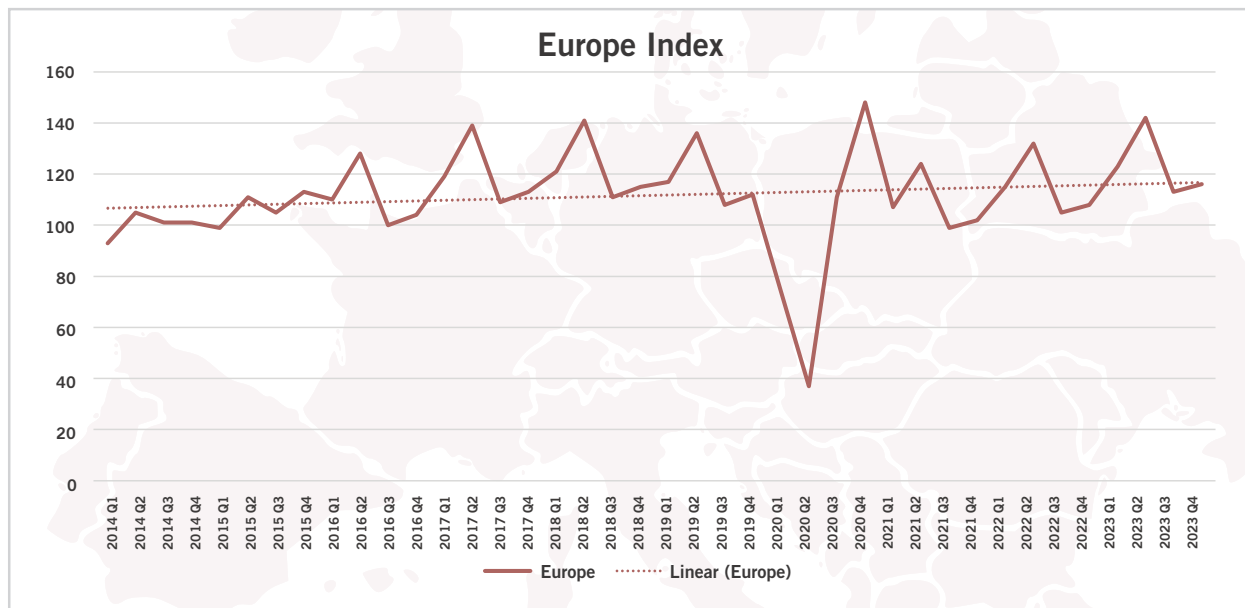


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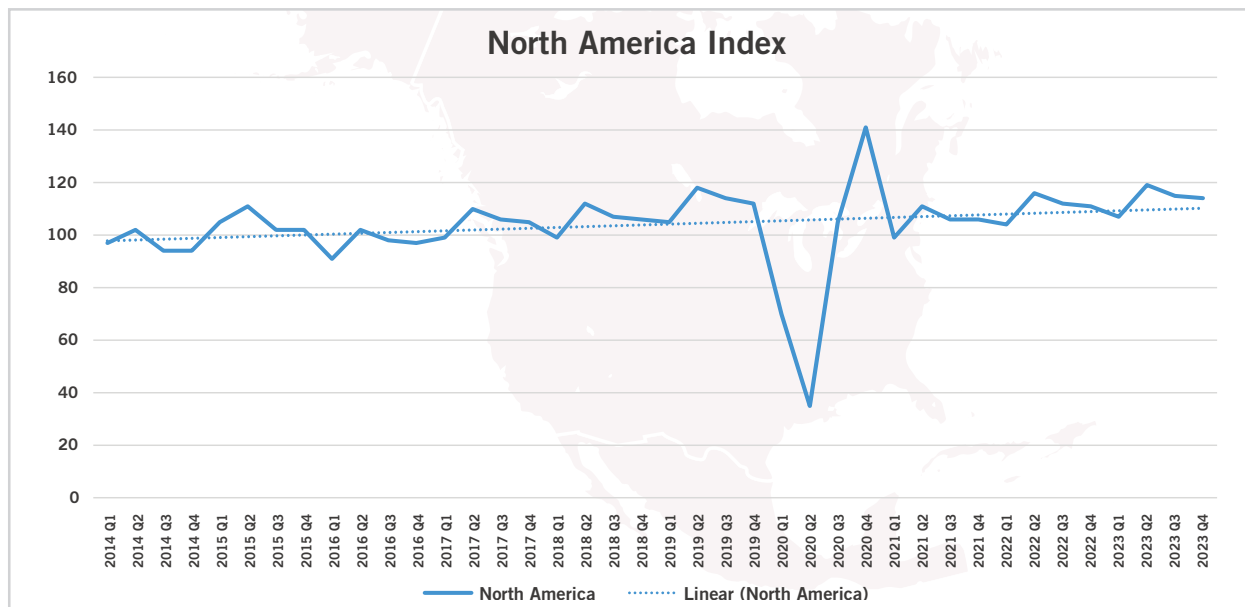


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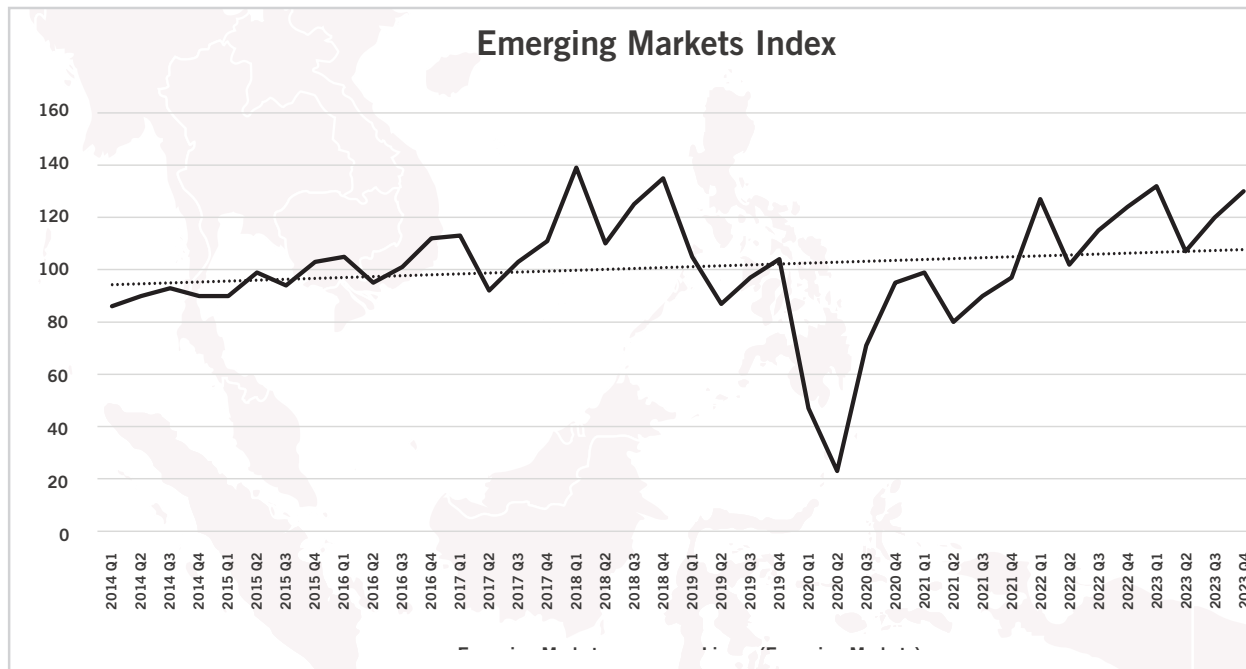
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Medium and heavy commercial vehicle production is expected to increase by 4.8% this year over 2022 primarily driven by on-going pent-up demand in the class 8 segment. Stricter 2024 emission regulations in California are driving modest heavy-truck pre-buy primarily in the drayage segment this year. Continued softness in the overall freight market will negatively impact truck demand moving into 2024. Relatively high inflation and interest rates will also pressure demand moving forward. As a result, PSR expects a downturn in class 8 truck demand next year as truck capacity re-balances from back-to-back years of high truck production.



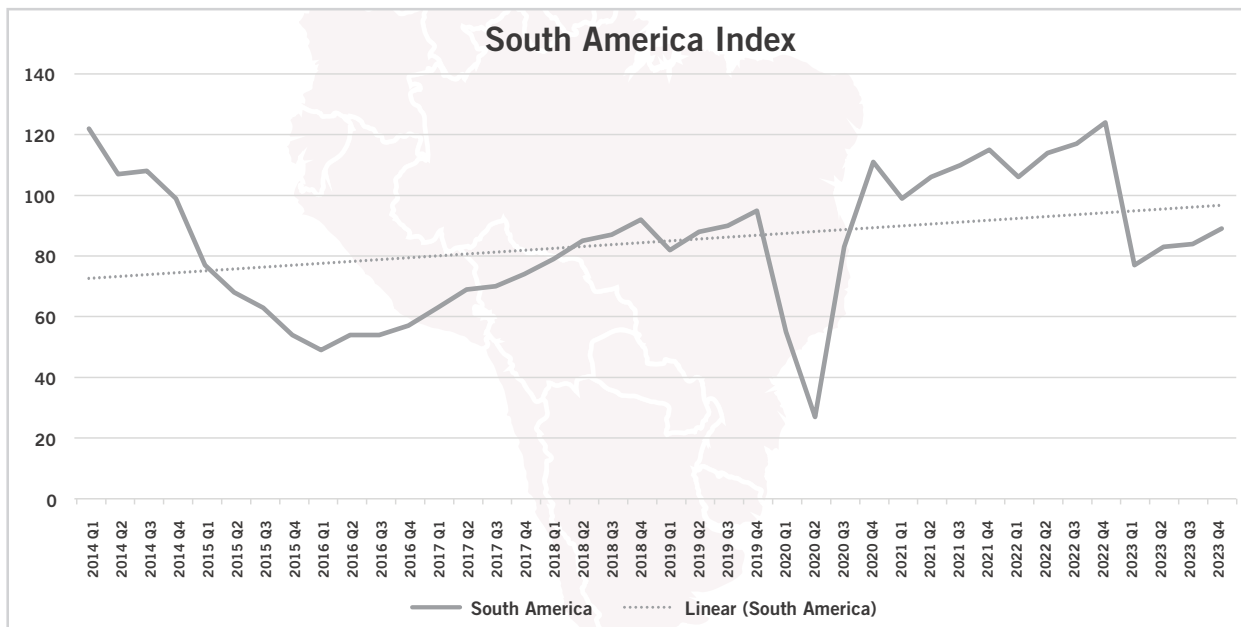
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## Power Systems Research Global Truck Production Index (PSR-TPI) (Class 3-8 Trucks & Bus Chassis)



Medium and heavy commercial vehicle production is expected to decline by 34.4% this year compared with 2022 primarily driven by a generally weaker economy and the implementation of the Proconve 8 emission regulations in Brazil this year. The P8 emission regulation in Brazil increased the total cost of truck ownership due to the higher up-front truck price and resulted in little to no improvement in fuel economy. Vehicle production in Argentina is forecasted to increase by 10% this year while production in Columbia is expected to decline by 27.8% over last year.

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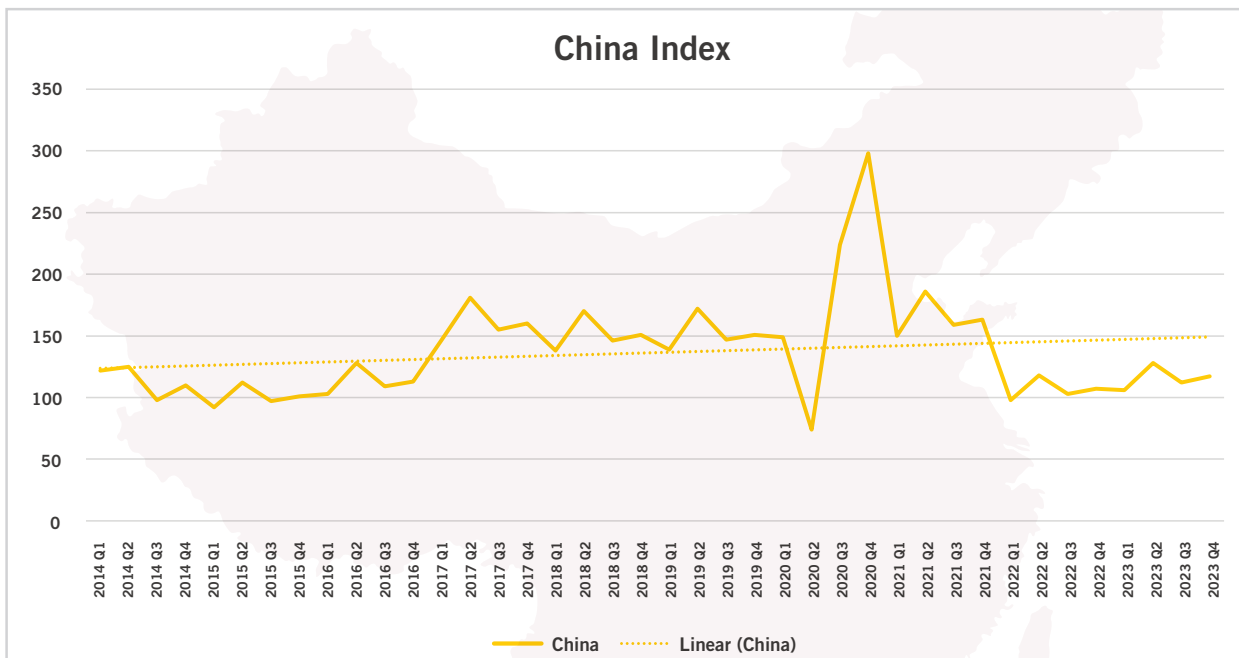
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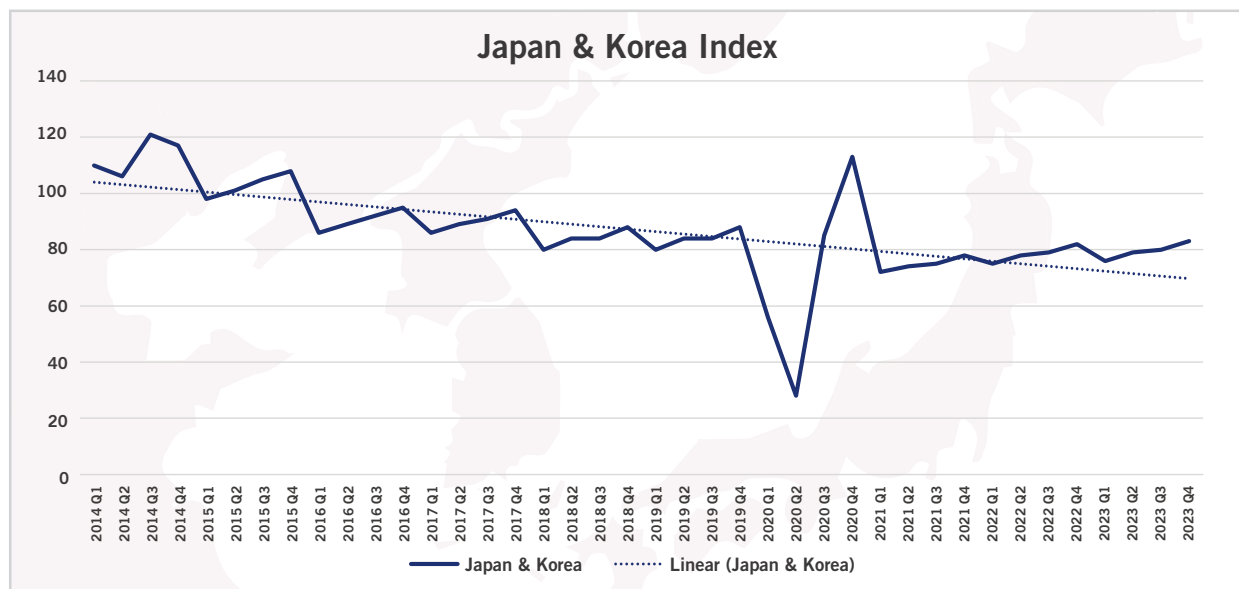
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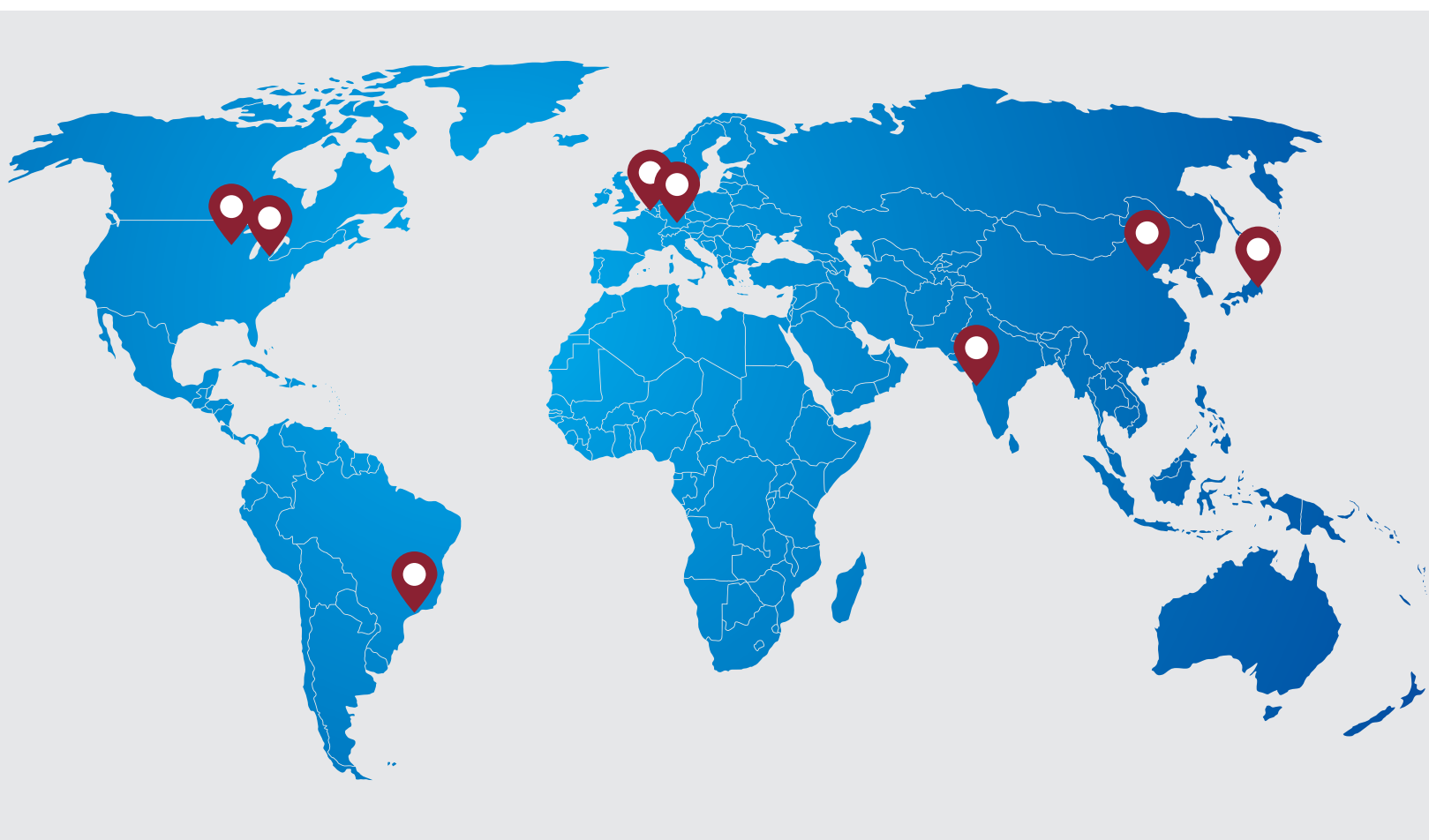
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## About Power Systems Research

Power Systems Research (PSR), established in 1976, is the leading source of data, analysis and forecasting on the global production of engines and engine-powered equipment, including class 8 vehicles. One of its databases, EnginLink,™ includes production figures down to the model level for OEMs in key market segments, such as commercial vehicles. PSR's global research network includes eight offices and stretches across 200 countries and four continents.



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