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## In This Issue



## About Us

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# Alternative Power

*By Guy Youngs, Forecast & Adoption Lead*

## Hitachi Energy Powers Construction Site with Hydrogen Gen-set

*Guy Youngs*

Hitachi Energy has successfully deployed its first-ever customer HyFlex hydrogen fuel cell (HFC) generator in Rotterdam, Netherlands, where the generator will replace an equivalent diesel generator producing 500-kilovolt-amperes (kVA). In doing so, the HyFlex-powered construction site could save as much as 200,000 gallons of diesel fuel per year, and reduce the company's carbon-dioxide emissions by about 2,900 tons.

Hitachi plans to have a full zero-emission "ecosystem" on display at the pilot site, with plans to deploy similar low carbon ecosystems in noise-and pollution-sensitive areas like hospitals, critical data centers, disaster relief efforts, or shore-to-ship power applications.

**Source:** *Electrek* **Read The Article**

**PSR Analysis:** Most Hydrogen is not readily available except as a byproduct of fossil fuels. So, it might be misleading to call this a clean power source depending on the source of the hydrogen, and the question remains about how readily available is the hydrogen. **PSR**

## Trump Threatens Massive Tariffs After China's Rare Earth Curb

President Trump is threatening new tariffs (at 100%), after China introduced new restrictions on exports of rare earths and related technology.

Analysts say the export controls were an attempt to boost China's leverage in trade talks with the United States, but Trump now says he may call off a planned meeting with Chinese leader Xi Jinping later this month.

European firms are expecting more shutdowns and suffering losses as China continues to hold a tight grip on rare earth exports despite a July agreement to fast-track shipments to the bloc, the European Union Chamber of Commerce in China said on Tuesday.

**Source:** *NPR* **Read The Article**

**PSR Analysis:** China processes about 90% of the world's rare earths, which are critical inputs in everything from smartphones to advanced fighter jets. China has used its dominance in rare earths to apply pressure to the United States as trade friction intensified this year following Trump's "liberation day" tariffs. **PSR**



 

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***Alternative Power***

***Continued from page 2***

*The report suggests that the two-year extension of the targets allowed carmakers to take the foot off the gas and will lead to 2 million fewer electric cars being sold between 2025 and 2027.*

## Most Carmakers on Track to Meet EU $CO_2$ Reduction Requirements

European carmakers sold 38% more electric cars in the first seven months of this year, ensuring that all but Mercedes-Benz are on track to comply with the EU's 2025–27 emission targets, new T&E research finds.

The report suggests that the two-year extension of the targets allowed carmakers to take the foot off the gas and will lead to 2 million fewer electric cars being sold between 2025 and 2027.

**Source:** *CleanTechnica* **Read The Article**

**PSR Analysis:** Despite the extension of the target from 2025 to 2027, the EU is under pressure from carmakers to weaken their 2030 and 2035 emissions targets. There is a big risk for Europe's car industry if the EU postpones these targets even further as Chinas is unlikely to relax its drive towards electrification and the related innovation. The most likely outcome of any further delay would be to consign the European car industry to being the second tier in the EV market.

## Why Electrifying Motorcycles In India Is Important

2W mobility in India represents over 70% of all mobility in India and accounts for 60% of gasoline consumption. Motorcycle sales are twice the scooter sales in India. While scooters are seeing ~20% penetration of EV, motorcycles are at 0.1%. This implies that a very significant portion of 2W mobility remains untouched from electrifications.

The market is vast - The number of motorcycles in India is approximately 250 M and almost all are entirely petrol powered. Every year 20M new motorcycles are sold in India. Petrol's share today is approximately 99.9%.

**Source:** *CleanTechnica* **Read The Article**

**PSR Analysis:** The most popular motorbikes in India are in the range of 100-125cc. These are the kind of class that electric motorbikes should be able to compete in; there are a lot of "125cc-equivalent" electric motorbikes around. The cost of purchase and the ease of charging are key drivers in the potential growth of 2W electric machines. **PSR**

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# DATAPOINT:
## *North America Combine Production*
## 4,600

*By Carol Turner, Senior Analyst, Global Operations*

4,600 units is the estimate by Power Systems Research of the number of Combines expected to be produced in North America during 2025.

A Combine is a farm machine that harvests grain crops. Combines can reap, thresh and winnow crops into a single process. Crops include wheat, oats, rye, barley, corn, etc.

This product information comes from industry interviews and from two proprietary databases maintained by Power Systems Research: **EnginLink™**, which provides information on engines, and **OE Link™**, a database of equipment manufacturers.

**Market Share:** With 62.5% of total units produced, John Deere captured the lead for Combine production in North America (US). In second position, is Case with 22%; third, is Claas Omaha with 9%. .

**Trends.** In 2024, production of combines in North America decreased nearly 13%. However, production is expected to gain 8% in 2025. In 2020, Covid-19 related factors drove a decline in Combine production, especially regarding parts availability and a drop in orders for new machinery. Sales of combines picked up in Q4 2020 after a tough spring for sales.

Expect production of combines to gain 8% by 2030. **PSR**

# Truck Production Report

*By Jim Downey, Vice President-Global Data Products*
*and Chris Fisher, Senior Commercial Vehicle Analyst*

## Q3 2025 Truck Production Index (PSR-TPI) Falls -8.5%

Power Systems Research TPI Truck Production Index

*ST.PAUL, MN* – The Power Systems Research Truck Production Index (PSR-TPI) decreased from 117 to 107, or -8.5%, for the three-month period ending Sept. 30, 2025, from Q2 2025. The year-over-year (Q3 2024 to Q3 2025) loss for the PSR-TPI was, 109 to 107, or -1.8%.

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

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## Truck Production Report

*Continued from page 4*

*Jim Downey*

*Chris Fisher*

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

**All Regions.** In 2025, Medium and heavy commercial vehicle production in South America, Greater China, South Asia and Japan/Korea are expected to increase while European and North American production is expected to decline significantly this year over 2024. Truck demand in North America and Europe is expected to show slight improvement in 2026.

**Global Index.** Globally, medium and heavy commercial vehicle production is expected to decline 3.2% this year over 2024. A moderate softening of the global economy along with negative impacts from increased tariffs has placed pressure on vehicle demand this year. However, global truck demand is expected to see some improvement in 2026.

**North America.** Medium and heavy truck production in North America is expected to decline 15.8% this year compared with 2024. The commercial truck market in North America remains in a "wait and see" mode with regard to truck sales this year. Uncertainty about the economy and the impact of the trade tariffs moving forward is causing hesitancy among many fleets. Many fleet owners also believe the EPA will modify or outright cancel the phase 3 GHG emission regulations, thus significantly reducing the cost of the MY 2027 vehicles and effectively eliminating any significant 2026 truck pre-buy. At the time of this writing, PSR believes there will be no significant truck pre-buy through the rest of this year and a significantly reduced pre-buy, if any, in 2026. Demand is expected to be strong in 2027 – 2029 as the fleets replace their aging trucks purchased in the 2022 – 2024 time-cycle. **PSR**



# Europe Report

*By Natasa Mulahalilovic, Marine Pleasure Boat Analyst-Europe*

## MODX 70 Offers Luxury and Eco-Responsible Sailing

*Natasa Mulahalilovic*

**Read the Article**

No other boat has pushed the boundaries of green yachting as far as the MODX 70, winner of the 2025 Multihull of the Year award for its advanced, intelligent vision of zero-carbon sailing, announced at the Cannes Yachting Festival.

The concept was introduced in 2008 and finally brought to life in 2025 through the combined efforts of Ocean Development, VPLP Design, Aeroforce, MG Energy, Madden Tech, and many other visionary partners.



 

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## Europe Report

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> *The first MODX 70 has already been acquired by Mr. Stan Shih, co-owner of Acer Group Taiwan, who will use it to champion clean, quiet, and intelligent yachting.*

The project has earned recognition from the French government under the France 2030 Plan, receiving support through the i-Nov competition for sustainable and intelligent mobility in 2021, which helped fund the ambitious and costly development.

At Cannes, the final product was unveiled: a 21.33-meter, fully electric, high-performance trimaran offering 200 m² of living space.

Ocean Development, led by passionate sustainability and yachting advocates Marco Simeoni, Franck David, and Jean Guyon, developed the concept and oversaw construction of the vessel in Lorient, France. The design phase, managed by VPLP Design, took four years, while building the first unit required 18 months.

The MODX 70 is equipped with two retractable wings inspired by aeronautics and developed by Aeroforce. These inflatable wings rise 23 meters high, can be adjusted from 25% to 100% efficiency, and operate fully automatically. With no need for traditional rigging, navigation is simplified and comfortable.

Propulsion is powered by a 250 kWh MG Energy Systems LiFePo4 battery storage system, divided into two banks. These feed two ENGIRO electric motors of 40 kW each, supported by 70 m² of NME3 Next Generation solar panels and a hydrogeneration system.

An AI-driven autopilot system developed by Madden Tech oversees vessel operations, seamlessly integrating propulsion and wing management.

The first MODX 70 has already been acquired by Mr. Stan Shih, co-owner of Acer Group Taiwan, who will use it to champion clean, quiet, and intelligent yachting. **PSR**

# South America/Brazil Report

*By Fabio Ferraresi, Director Business Development South America*

## Mahindra Starts Construction of AG Equipment Plant

*Fabio Ferraresi*

Mahindra Brazil has started construction of its new manufacturing facility in Dois Irmãos (RS), supported by an investment of around US$ 17.5 million over five years. The new plant will cover 89,000 m², with 38,568 m² built and an expansion potential of 24,000 m², tripling production capacity from 3,000 to 9,000 tractors per year. The project is expected to create about 300 direct and indirect jobs and marks Mahindra's transition toward a more localized industrial base in Brazil.

**Source:** *Cultivar* **Read The Article**

**PSR Analysis:** Mahindra's new plant marks a strategic localization milestone: the company is investing in production capacity, as well as in brand legitimacy.

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## South America Report

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By positioning itself as a Brazilian manufacturer with Indian heritage, Mahindra mitigates the "low-cost foreign brand" perception and strengthens its long-term competitive base in the Southern Cone agricultural machinery market. It also brings opportunities for components suppliers to increase the local content in the equipment and allow access to funding lines like FINAME. **PSR**

## Stellantis Begins Production of Ram Dakota Pickup in Argentina

Stellantis has started production of the Ram Dakota pickup at its plant in Córdoba, Argentina, with market launch in Brazil expected for 2026. The model shares its platform with the Fiat Titano, which in turn is derived from the Changan Kaicene F70 architecture, also marketed as the Peugeot Landtrek.

The Dakota will use the 2.2-liter Multijet turbodiesel engine produced in Argentina and will be positioned between the Rampage and the Ram 1500 in the regional lineup. The new pickup reinforces Stellantis' regional manufacturing integration, as both the vehicle and its powertrain are produced within Mercosur. According to Herlander Zola, the company's new President for South America, "this launch is a concrete example of how local integration drives regional competitiveness."

**Source:** *Automotive Business* **Read The Article**

**PSR Analysis:** The Ram Dakota marks a key move in Stellantis' regional integration strategy, combining vehicle and engine production in Argentina to boost scale efficiency and cost competitiveness within Mercosur. Positioned between the Rampage and the Ram 1500, it strengthens Stellantis' mid-size pickup lineup and leverages shared architectures across brands and partners to reduce development costs. The model also supports Ram's brand expansion in South America's one-ton pickup segment, challenging Toyota, Ford, and VW with a more localized and accessible product. **PSR**

## Volkswagen Completes Plant Updates for Mid-compact Pickup in Brazil

Volkswagen has completed the adaptation of its São José dos Pinhais (PR) plant to produce a new mid-compact pickup, positioned to compete directly with Fiat Toro. The factory, which also builds the T-Cross, resumed operations in October after modernization works and now has capacity for about 125 vehicles per day. The company confirmed that supplier sourcing and integration are already defined, and pre-series units are expected in early 2026, with full production ramp-up to follow.

**Source:** *Automotive Business* **Read The Article**

**PSR Analysis:** Volkswagen's new pickup project aligns with the strong growth of mid-size and lifestyle-oriented pickups, a segment that has been capturing share from heavier one-ton trucks and compact SUVs. By positioning its model between the Saveiro and Amarok, VW targets customers seeking passenger-car comfort with light-commercial versatility, a trend led by Fiat Toro and Chevrolet Montana.

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## South America Report

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*The 4.5-liter engine delivers 97 kW (130 hp @ 2200 rpm) and will power Dynapac's CA25, CA30, and CA35 compactors starting in 2026*

Local production in Paraná enhances cost competitiveness and supply-chain agility, while allowing VW to re-enter one of the fastest-growing and most profitable vehicle segments in Brazil, crucial for sustaining volume and profitability in the post-sedan era. **PSR**

## Cummins Brazil Introduces QSF 4.5 Engine for Compaction Equipment

Cummins Brazil has introduced the QSF 4.5 electronic diesel engine for soil and asphalt compaction applications, produced at its Guarulhos (SP) plant since April 2024 and developed by local engineering teams.

The 4.5-liter engine delivers 97 kW (130 hp @ 2200 rpm) and will power Dynapac's CA25, CA30, and CA35 compactors starting in 2026, in addition to the CP28 pneumatic roller already using the same platform.

Designed for Tier 3 emissions compliance, the QSF 4.5 combines high power density, fuel efficiency, and extended maintenance intervals, enhancing uptime and reducing operating costs for construction contractors. The collaboration between Cummins and Dynapac strengthens both companies' positions in the road-building equipment segment and underscores Cummins Brazil's role as a regional engineering and manufacturing hub for off-highway engines.

**Source:** *Cummins Press Release* **Read The Article**

**PSR Analysis:** The QSF 4.5 reflects Cummins Brazil's shift toward locally engineered solutions tailored to regional operating and service conditions, which enhances competitiveness, supply-chain resilience, and responsiveness to local OEMs like Dynapac.

However, this approach also diverges from Cummins' global standardization strategy, introducing greater product variability and complexity across its portfolio. While it reinforces the Brazilian industrial ecosystem and reduces dependency on imports, it challenges the company to balance local customization with global efficiency and common-platform synergies. **PSR**

## Iveco Daily Multifuel Concept Capable of Running on Several Fuels

Iveco has unveiled the Daily Multifuel concept, a light commercial vehicle capable of operating on ethanol, CNG, or biomethane. It's positioned as a low-emission alternative to diesel for urban cargo transport. Tested in 3.5- and 7.2-ton versions, the model uses the FPT Industrial F1C 3-liter Otto-cycle engine, rated at 100 kW (136 hp) and 35.7 kgfm of torque. The engine integrates dual fuel-injection systems — one for liquids such as ethanol and another for gaseous fuels — and was developed in cooperation with Unesp, UFPA, and UNIFEI.

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## South America Report

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According to Iveco, $CO_2$ emissions reach 28.5 $gCO_2$/MJ with ethanol and 9.38 $gCO_2$/MJ with biomethane, versus 86.5 $gCO_2$/MJ for diesel, representing up to a 90% reduction in greenhouse gases. The concept maintains the payload capacity of the traditional Daily line while exploring production feasibility at Sete Lagoas (MG). It is part of Iveco's multi-energy strategy, which includes electric, gas, and renewable-fuel solutions tailored for Latin America's energy matrix

**Source:** *Estradão* **Read The Article**

**PSR Analysis:** Although still a prototype, the Daily Multifuel represents an important technical exploration of diversified propulsion for regions where fuel infrastructure is limited or uneven. By enabling operation with ethanol, CNG, and biomethane, Iveco addresses the supply-security and refueling-network challenges that currently restrict broader adoption of alternative energies.

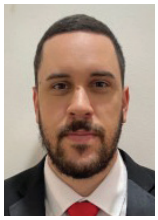
If future commercialization ensures reliable fuel availability and cost parity with diesel, the concept could evolve into a practical bridge technology—providing fleet flexibility and supporting decarbonization even in areas with lack of infrastructure and reliable CNG of biomethane reliable supplys. **PSR**

# Show Report

*By Fabio Ferraresi, Director of Business Development-South America and Heitor Aguiari, Senior Analyst*

## South America Paving Expo 2025 Sets Records

*Fabio Ferraresi*



*Heitor Aguiari*

São Paulo– This year's Paving Expo, held Sept. 23–25 at São Paulo's Distrito Anhembi, marked another record edition for Latin America's largest event dedicated to paving, road construction, and infrastructure technologies.

With all exhibition space sold out, more than 300 companies showcased their solutions to an audience expected to surpass 20,000 industry professionals, while the technical congress (Paving Conference) attracted some 4,000 delegates.

The numbers reflect the sector's growing dynamism: nearly 9,600 visitors attended on the opening day alone, and projections indicated up to 30,000 participants over the full three-day program. Last year's edition closed with 24,000 attendees, underscoring the show's consistent expansion.

**The PSR South America Perspective**

At the show, Heitor Aguiari and Fábio Ferraresi, from the Power Systems Research (PSR) South America team, gathered insights directly from exhibitors and visitors.

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***Show Report***

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Overall, the sentiment was that 2025 has been a slow year for the market, constrained by economic uncertainty and cautious investment decisions. Some stakeholders said that despite the growing presence of advanced technologies—such as digital paving controls, smart compaction systems, and next-generation asphalt plants—a key bottleneck for productivity gains is the capacitation of the workforce, as operators are often not fully trained to exploit these machines' potential.

The construction industry grew by around 2.5% in 2025, underpinned by housing programs, renewable energy projects, and road concessions. Cement consumption, a proxy for construction activity, has risen steadily this year, showing increases above 5% compared to 2024 and even with the positive drivers, the investment in equipment was low due to conflicting political and economic signs.

Looking ahead, exhibitors expect 2026 to bring a temporary upswing, driven mainly by the elections and the traditional increase in public spending that accompanies them. Still, this is seen as temporary increase of sales rather than a structural, long-term driver, even with the demand of infrastructure investment in Brazil and the positive impact it would bring in the Equipment Supply Chain and overall economy, underlining both the opportunities and the fragility of demand cycles in Brazil's paving and construction equipment markets.

Economy Analysts forecast an average annual growth rate of nearly 4% for construction between 2026 and 2029. Brazil's government projects GDP expansion of 2.4% in 2026, slightly slower but still supportive of infrastructure demand. **PSR**



## Far East: Japan Report

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

### Kawasaki Heavy Industries Launches Hybrid Hydrogen Engine

*Akihiro Komuro*

Kawasaki Heavy Industries has launched a generator engine that runs on a mixture of natural gas and hydrogen. It can operate using a hydrogen blend of up to 30% by volume relative to natural gas. This is the world's first product of its kind to be launched.

The newly launched 'Hydrogen-Blended Gas Engine' is based on existing natural gas-fueled power generation engines. Due to the explosion risk posed by hydrogen, it is equipped with safety devices and mechanisms to remove residual hydrogen from piping. The engine can also run on a fuel blend of city gas and hydrogen.

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## *Japan Report*

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*Using existing natural gas power generation facilities while transitioning to hydrogen utilization is expected to reduce customer investment risk.*

When blended with 30% hydrogen, an 18-cylinder model operating at 50 Hz has a power output of 7,800 kilowatts. Kawasaki Heavy Industries is expanding its product range to include hydrogen supply network products.

**Source: The Nikkei**

**PSR Analysis:** Using existing natural gas power generation facilities while transitioning to hydrogen utilization is expected to reduce customer investment risk. This approach is likely to attract the attention of infrastructure companies and local governments in domestic and international energy transition markets, particularly in Asia and Europe. It aligns with Japan's policy of promoting a 'hydrogen society', and its adoption in public projects is anticipated.

However, resolving challenges in the fuel supply network, such as hydrogen cost and stable procurement, will be key to the speed of adoption.

Kawasaki Heavy Industries will enhance its brand value across the entire shipbuilding, power generation and hydrogen supply chains, thereby strengthening its position as a comprehensive energy company. In the medium to long term, market expansion is anticipated as a stepping stone towards full hydrogen combustion. **PSR**

# 極東 > 日本レポート:

小室 明大 – 極東及び東南アジア リサーチアナリスト

## 川崎重工業、天然ガスと水素を混ぜて発電できるエンジン発売

川崎重工業は天然ガスと水素を混ぜた燃料で駆動する発電機用エンジンを発売した。体積比で天然ガスに対して水素を最大3割混ぜて使うことができる。同様の製品の発売は世界初だという。

発売した「水素混焼ガスエンジン」は天然ガスを燃料に使う既存の発電用エンジンを元に開発した。水素は爆発などの危険性があるため、安全装置や配管の中に残った水素を取り除く機構を追加した。都市ガスと水素を混ぜた燃料でも駆動する。

水素を3割混ぜた際の発電出力はシリンダーが18本の機種で50ヘルツの場合に7800キロワット。川崎重工は水素の供給網にまつわる製品を拡充している。

**参考: 日経**（一部筆者により元記事内容を改編しました）

**PSR 分析:** 既存の天然ガス発電設備を活かしつつ水素利用へ移行できる点が、顧客の投資リスク低減につながると予測される。国内外のエネルギー転換市場（特にアジア・欧州）でインフラ企業や自治体の注目を集めやすい。「水素社会」を掲げる日本の政策文脈にも合致し、公共案件での導入実績が期待



 

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## *Japan Report*

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される。燃料供給網（水素コスト・安定調達）の課題解決が普及速度のカギになるだろう。川崎重工は船舶・発電・水素サプライチェーン全体でのブランド価値を高め、総合エネルギー企業的なポジション強化につながる。中長期的には、完全水素燃焼への橋渡し製品として市場拡大が見込まれる。**PSR**

# Far East: South Korea Report

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

## U.S. Tariffs Up To 50% Impact South Korean Exports

*Akihiro Komuro*

The U.S. Department of Commerce has announced tariffs of up to 50% on 407 steel and aluminum derivative products from South Korea.

The department's Bureau of Industry and Security said this measure would apply to hundreds of products, including wind turbines and their components, mobile cranes, bulldozers, railway vehicles, furniture, compressors and pumps.

The Korea International Trade Association (KITA) has analyzed the tariff targets, which include refrigerators, freezers, auto parts, elevators, transformers, construction machinery, wires and cables, and forklifts.

KITA particularly pointed out that auto engine parts, which were previously exempt, are now also subject to tariffs, which will inevitably damage the industry.

**Source: DKNET News**

**PSR Analysis:** U.S. tariffs of up to 50% on steel and aluminum products could impose broad cost pressures on South Korean cranes, construction machinery, compressors and auto parts. This would reduce the profitability of exports to the U.S., and manufacturers are expected to respond in the short term by passing on price increases and adjusting inventories. In the medium term, they are likely to shift production to the U.S. or within the USMCA region, source parts locally and substitute materials. They are also likely to intensify efforts to apply for tariff exemptions and engage in lobbying activities. **PSR**

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## South Korea Report

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# 極東 > 韓国レポート:

小室 明大 – 極東及び東南アジア リサーチアナリスト

## 米国、鉄鋼・アルミ派生製品に最大50%の関税...韓国輸出を直撃

米商務省が19日、鉄鋼・アルミニウム派生製品407品目に対して最大50%の高率関税を課すことにした。

商務省産業安全保障局は、今回の措置が風力タービンと部品、移動式クレーン、ブルドーザー、鉄道車両、家具、コンプレッサー、ポンプなど数百種類の製品に適用されると発表した。

韓国貿易協会は、今回の関税対象に冷蔵・冷凍庫、自動車部品、エレベーター、変圧器、建設機械、電線・ケーブル、フォークリフトなどが含まれていると分析している。

特に、これまで除外されていた自動車エンジン部品まで新たに関税の対象になり、業界の被害は避けられないと指摘している。

**参考:DKNET News**（一部筆者により元記事内容を改編しました）

**PSR 分析:** 米国の鉄鋼・アルミ派生品への最大50%関税は、韓国のクレーン・建機・コンプレッサー・自動車部品に広くコスト圧力を与え、米国向け輸出の採算悪化を招くリスクがある。メーカーは短期的に価格転嫁や在庫調整、中期的には米国内・USMCA域内での生産移管、部品の現地調達、素材置換などで対応し、同時に関税除外申請やロビー活動を強化する動きが予想される。**PSR**

# Indonesia Report

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

## China's LiuGong To Invest in Factory in Karawang, West Java

*Akihiro Komuro*

In October 2025, LiuGong Indonesia, the Indonesian subsidiary of the Chinese construction machinery manufacturer LiuGong, signed a memorandum of understanding regarding its investment plan for an industrial zone. The new factory in Karawang, which is expected to begin operations in 2026, will have an annual production capacity of 5,000 units and will require a total investment of $317 million. The factory will incorporate AGVs, MES and a dedicated R&D center for electric construction machinery, advancing the adoption of advanced technologies.

Through partnerships with local suppliers, the company aims to increase its TKDN (local content requirement) and achieve certification within five years. Products

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## *Indonesia Report*

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will be exported to the domestic market, as well as to Southeast Asia, Australia and North America, with an expected annual foreign exchange earnings effect of $40 million. LiuGong views this investment as a contribution to strengthening Indonesia's heavy equipment industry ecosystem and supporting sustainable development.

**Source: LiuGong**

**PSR Analysis:** This is a multi-purpose investment, primarily aimed at capturing domestic demand in Indonesia while also targeting the development of export hubs in Southeast Asia, Australia and North America, and TKDN compliance.

TKDN stands for Tingkat Komponen Dalam Negeri, which translates to Domestic Component Level in English. It is an Indonesian government policy and regulatory framework that measures the percentage of local (Indonesian) content used in goods or services.

TKDN represents the proportion of domestic materials, labor, and services used in production relative to the total production cost. Its primary goal is to strengthen local industries, reduce dependence on imports, and ensure that more economic value is generated within Indonesia.

In particular, TKDN compliance could become a priority condition for government procurement, suggesting an intent to increase the likelihood of selection for domestic public works projects. Given the expectation of continued stable growth in Indonesia's construction machinery market, the environment is conducive to improving the economic viability of local production. These developments are also likely to increase the presence of Chinese manufacturers in Indonesia and other Southeast Asian countries. **PSR**

# 東南アジア > インドネシアレポート:

小室 明大 – 極東及び東南アジア リサーチアナリスト

## 建機製造の現地化：中国・柳工（LiuGong）が西ジャワ・カラワンに建機工場投資を決定

中国の建機メーカーであるLiugongのインドネシア子会社・リューゴン・インドネシアは2025年10月、工業地域への投資計画に関する覚書を締結した。2026年の稼働開始を目指すカラワンの新工場は年間5,000台規模の生産能力を持つ予定で、総投資額は3億1,700万ドル。工場にはAGVやMES、電動建機専用R&Dセンターを備え、先進技術の導入を進める。地元サプライヤーとの提携を通じてTKDN（国内部品調達比率）を高め、5年以内の認証取得を目指す。生産品は国内市場だけでなく東南アジアや豪州、北米へも輸出され、年間4,000万ドルの外貨獲得効果が見込まれる。Liugongはこれをインドネシアの重機産業エコシステム強化や持続可能な開発への貢献と位置づけている。

**Source: Liugong**

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## *Indonesia Report*

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*In China this year, green construction machinery is seeing rapid growth, and demand across multiple scenarios is becoming unmistakable.*

**PSR 分析:** これはインドネシア国内の需要の取り込みが主目的の一つだが、同時に輸出ハブ化（SE Asia・豪州・北米）とTKDN対応(国内部品比率、政府方針)を狙う多目的投資である。特にTKDNは政府調達の優先条件になり得るため、国内公共工事案件での採択制を高める狙いがあると見られる。インドネシアの建機市場は引き続き安定的な成長が期待できるため、現地生産での経済性が高まりやすい環境と言えるだろう。こうした動きは、インドネシアをはじめ東南アジア各国における中国メーカーのプレゼンスが高 まるきっかけにもなるだろう。**PSR**

# China Report

*By Jack Hao, Senior Research Manager - China*

## Green Construction Equipment Sees Growth

*Jack Hao*

In China this year, green construction machinery is seeing rapid growth, and demand across multiple scenarios is becoming unmistakable. EVE Energy is delivering full-scenario solutions for earthmoving equipment, aerial work platforms and specialized machinery. After six years of shipments in the construction-machinery segment, EVE Energy now ranks second nationwide; individual vehicles have logged more than 16,000 operating hours, and the company's products are fitted to over 60 OEMs including LiuGong, SANY and Lingong.

According to data from the Construction Machinery Association, domestic sales of new-energy construction equipment are expected to surpass one million units by 2028, and the incremental market for green machinery is opening up rapidly—yet pain points remain: bulky batteries, short cycle life and complex assembly.

EVE Energy's Huang Xiaobin noted that the company leverages cutting-edge battery innovations to precisely solve these application challenges under tough operating conditions. Its high-performance battery solutions significantly boost equipment efficiency, runtime and safety while cutting full-life-cycle operating costs, accelerating the sector's march toward efficient, low-carbon and sustainable development.

**Source:** *Finance Sina* **Read The Article**

**PSR Analysis:** This year is seen by China's construction industry as the "Year of Electrification," and is expected to see penetration leap to 20–25 % with sales of around 120, 000 units and new-energy machines topping 1 million by 2028.

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## China Report

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Government policies have shifted from incentives to mandates, and dozens of cities are banning sub-China-IV equipment from urban job sites, forcing a replacement wave. Battery prices have fallen 15–20% in three years while energy density has risen 20%. Coupled with fast-charge, swap and CTB highly integrated packs, the total-cost-of-ownership payback has been improved by two years.

Penetration is following a "small-first, large-later" strategy: forklifts >60%, mini-excavators 20%, wheel loaders 30%, heavy mining trucks <5%, with swap and hydrogen solutions set to unlock the upper-weight segment after 2027. More than 90% of the value chain is now domestic—CATL, EVE Energy, BYD, SVOLT, Xingyi Technology, TELD and others forming a full ecosystem—lifting Chinese brands' global share from 20% to an expected 40%.

Policies are setting required hard targets for 2025 use of ≥10% of new or renewed construction machines of zero-emission and 80% of public projects in key regions are to be zero-emission equipment. A central 2.5% interest rebate on equipment-upgrade loans, plus local subsidies of RMB 300–500k for every electric excavator, erases roughly 30% of the purchase-price gap.

On the technology side, LFP+CTP/CTB packs deliver >180 Wh/kg, 6,000 cycles and 80% capacity at –30°C; EVE and SVOLT's 800V platforms recharge to 80% in 15 min. Sany and XCMG's 5-minute whole-pack swap is already in volume use, raising daily utilization by 8–10%.

XCMG's 120kW hydrogen wheel loader runs 8h and refuels in 5min, with a 2026 system-cost target of RMB800/kW. In the market, assuming 2,000 operating hours/year and RMB0.7/kWh electricity, a 5-tonne electric loader saves RMB280k over three years versus diesel, paying back in 1.8 years.

"Battery rental + pay-per-hour" schemes from Sany and Zoomlion cut the down-payment by 40%, speeding SME adoption. Meanwhile, Southeast Asia and the Middle East are demanding electric mini excavators at 50% annual growth; Chinese makers, leveraging cost advantages, have captured 70% of those export orders, creating a new outlet for capacity. **PSR**



## India Report

*By Aditya Kondejkar, Research Analyst – South Asia Operations*

### GST 2.0 Could Be Fiscal Reset for Auto Industry

The Indian automobile industry has received a significant policy boost with the rollout of GST 2.0, a major change in indirect taxes aimed at restoring affordability and stimulating consumption. The reform, which reduces GST rates on vehicles and components, arrives at a crucial juncture when entry-segment sales, rural demand, and OEM margins have been under pressure.

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## India Report

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*Aditya Kondejkar*

**SCALE OF REDUCTION AND MARKET IMPACT.** GST 2.0 lowers the rate on small cars and two-wheelers from 28% to 18%, while standardizing the rate on most auto components at 18% instead of the earlier 18%–28% range. Larger SUVs and luxury models now fall under a simplified 40% composite slab, down from nearly 50% earlier. These changes translate into tangible price cuts—ranging from $750 USD (₹65,000) for hatchbacks to over $3,400.00 USD (₹3 lakh) for premium models—resulting in an estimated 10-percentage-point drop in overall tax burden for the sector. Analysts see this as a long-awaited correction that could lift FY26 passenger-vehicle demand by 8–10%.

**POLICY RATIONALE AND MACRO TRIGGERS.** The government's objective extends beyond short-term relief. Automobiles are a high-multiplier industry, supporting 35 million jobs and 7% of GDP. By making vehicles more affordable, GST 2.0 aims to reignite consumption, improve manufacturing utilization, and counter weak rural sentiment. Preliminary data suggests a potential $7.952 billion USD (₹70,000 crore) boost in consumption with a manageable fiscal impact of about $5.45 billion USD (₹48,000 crore). The uniform component tax also removes inverted-duty complications, improving liquidity for Tier-1 and Tier-2 suppliers.

**OEM STRATEGIES AND INITIAL RESPONSE.** Automakers have quickly adapted. Maruti Suzuki reported a 70% surge in bookings for small cars within weeks of the announcement. Tata Motors and Hyundai fully passed on tax benefits, cutting prices across the board, while Mahindra and Kia are using the reform to reposition compact SUVs. The consensus across OEMs is clear: short-term margin sacrifice in exchange for long-term volume recovery. Dealerships, however, face the immediate challenge of clearing old inventory purchased at pre-GST prices.

**RURAL VS URBAN DEMAND SHIFT.** The sharpest benefit is expected in rural and semi-urban markets, where affordability is the primary constraint. A $575.00 USD (₹50,000) cut in entry-car prices significantly improves financing access, particularly as rural credit expands through NBFCs. Urban consumers will also benefit, though elasticity remains lower among SUV buyers. OEMs are therefore ramping up Tier-2 dealership presence and focusing marketing on first-time car owners and two-wheeler upgraders.

**SEGMENT-WISE IMPLICATIONS.** Entry cars and commuter motorcycles are the clear winners, while luxury cars see limited incremental demand despite partial relief. EVs, still taxed at 5%, lose some cost advantage, as petrol and CNG models become cheaper. That said, lower component GST supports both ICE and EV supply chains, potentially reducing production costs. The rationalization also strengthens component manufacturers, improving cash flow and compliance efficiency across the ecosystem.

**INDUSTRY ECONOMICS AND SUPPLY-CHAIN GAINS.** Uniform input taxation is expected to lower working-capital lock-ups and simplify refund cycles. Over

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## India Report

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> *Industry analysts project double-digit volume growth in FY26, led by rural demand and small-car revival.*

time, higher plant utilization and smoother supplier cash flow should offset the short-term hit from price pass-throughs. The reform also improves export competitiveness by streamlining credit accumulation for CKD and component shipments.

**STRATEGIC IMPLICATIONS.** The new tax environment is pushing OEMs to re-segment product portfolios towards the $6,800 USD to $9,100 (₹6–8 lakh) bracket, where price sensitivity and replacement demand are highest. Financial institutions anticipate growth in small-ticket auto loans, aided by improved LTV ratios. EV makers may re-evaluate pricing and localization strategies to preserve competitiveness in a now narrower cost gap.

**OUTLOOK AND CONCLUSION.** Industry analysts project double-digit volume growth in FY26, led by rural demand and small-car revival. The sustainability of this uptrend, however, depends on stable input costs, steady credit flows, and fiscal prudence to avoid compensatory taxes. If these align, GST 2.0 could permanently lift India's vehicle penetration curve and reinforce its position as a global manufacturing base.

In essence, GST 2.0 is more than a tax revision—it's a strategic reset. It could restore affordability, strengthen supply-chain efficiency, and rekindle consumer sentiment at the grassroots. For OEMs that adapt swiftly with pricing agility, rural outreach, and financial innovation, the policy could well mark the beginning of India's next automotive growth cycle. **PSR**



## Russia Report

***Editor's Note:*** *Power Systems Research has paused all research and business development activities in Russia. We maintained an important presence in Russia from 2013-2022 to bring important updates to our clients about the powered equipment markets within Russia. We are continuing to monitor the current situation and hope to again establish this presence when the conflict with Ukraine is resolved. Please contact us at* ***info@powersys.com*** *if you have questions regarding business conditions in Russia. Thank you.* **PSR**

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