Forecast Bulletin

January 15, 2026

Q4 2025 REPORT

FIVE-YEAR FORECAST BY REGION AND SEGMENT

Power Systems Research
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Looking Ahead To 2030

In this *Forecast Bulletin* report analysts at Power Systems Research examine the key events and drivers in seven global regions and 12 industry segments. We also provide a look ahead five years in each of these segments and regions. For more detailed information, contact your account manager at +1 651.905.8400.

Inside

I. Executive Notes

PowerTALK News Highlights Important Industry Developments

As we start the 2026 year, I would like to briefly discuss our monthly PowerTALK News publication. We have published PowerTALK for 10 years, and it has grown into an important industry publication that informs our readers about the latest events in the global powered equipment markets. At the same time, it helps us stay engaged in the industries we follow and regularly communicate with industry stakeholders.

The articles published in PowerTALK are a supplement to our core research with OEMs that enables us to remain current on important trends in the global powered equipment markets. Our goal with PowerTALK articles is to identify and analyze many of the most interesting and significant industry events we see.

Executives read PowerTALK to discover global events that might affect their operations; they look for important stories and updates that our analysts see each month.

Author

Joe Zirnhelt is President and CEO of Power Systems Research.

You will not find comprehensive market reviews in PowerTALK. That's not the purpose of this newsletter. It's designed to provide a quick snapshot of what's happening around the world of powered equipment and then give you our analysis regarding these events.

We select articles to share in PowerTALK that we feel will most help our readers obtain a picture of the latest market developments from alternative power to commercial vehicles. In addition to re-capping the event, PSR analysts provide their own analysis of the event and explain to readers its importance and possible implications, based on our extensive industry data and intelligence.

Over time this helps us correlate what we are hearing directly from OEMs and component suppliers and incorporate this information into our forecasts and market trends reports.

The November issue, for example, contains an interesting story on the expansion of China based OEM Lingong Heavy Machinery expanding into Brazil with the recent establishment of their subsidiary company in São Paulo. The subsidiary will provide a large spare parts warehouse to increase the efficiency of their service network. The establishment of this subsidiary provides a milestone for the Chinese OEM's expansion into the South American market and brings the OEM closer to their customers in the Construction and Mining segments.

Lingong Heavy Machinery establishing this subsidiary adds to the existing presence of other Chinese OEMs such as XCMG and Zoomlion which have set up similar initial locations in Brazil to efficiently serve the South American market.

You can learn more about PowerTALK and sign up for a free subscription to the publication by visiting our archives here. **PowerTALK Newsletters I Power Systems Research**

Today, there are many forces at play in the current environment for the worldwide production of powered equipment. As we move forward, Power Systems Research will continue to monitor developments and reflect this knowledge in our data and intelligence. Our mission is to keep you as informed as possible while we support your market planning and forecasting initiatives.

As we prepared this Q4 2025 update, we incorporated the important insights gathered during the fourth quarter to provide our best summary of 2025 as well as our five-year forecast.

We hope you find this database update of value at this important time. As always, we appreciate your feedback and continued dialogue as you review this latest update.

We realize that you most likely consider many sources of information but are confident that this update bulletin will offer some chance to corroborate and validate the overall picture and complement your existing data and information you are receiving from Power Systems Research.

If you are facing new challenges or issues that require data-driven solutions, talk to us. We can be an important resource.

Thanks for reading and for being a valued client of Power Systems Research. **PSR**

II. Introduction

Welcome to *Forecast Bulletin*, a new publication from Power Systems Research (PSR) that provides five-year production forecasts for seven global regions and 12 industry segments.

Founded in 1976, Power Systems Research has developed and maintained comprehensive market data specific to the powered products and drivetrain industry for nearly 50 years. Because accurate and reliable market data has always been at the heart of its activities, PSR has developed a unique family of highly specialized databases. These core databases are:

- **EnginLink™** – Engine Production and Forecast Database
- **OE Link™** – Original Equipment Production and Forecast Database
- **CV Link™** – Commercial Vehicle Production and Forecast Database
- **PartsLink™** – Original Equipment In-Service Population Database

Using this proprietary data, combined with the related intelligence developed by our analysts, we have created unique and targeted five year regional forecasts by industry segment. In this Forecast Bulletin you will find forecasts for these 12 industry segments organized by the following regions: Global, North America, Europe, China, Far East, Southeast Asia, Brazil/South America and India.

- Agricultural
- Construction
- Industrial
- Lawn & Garden
- Light Commercial Vehicles
- Marine
- Medium & Heavy Vehicles
- Minivans and SUVs
- Passenger Cars
- Power Generation
- Railway
- Recreational Products

Each regional section includes an opening with an illustrated production outlook for the current year 2025 as well as an overview from the previous three quarters of what we anticipated for 2025 production levels. This provides a quick snapshot of how 2025 production levels have trended over the last four quarters.

Also included for each region is a Summary statement of the current economic situation plus a chart of the key drivers affecting current year (2025) production in the region.

Each segment level forecast is represented by a bar chart showing the change in production volumes for the current year (2025) as well as our five-year forecast from 2026-2030.

This package of forecasts is designed to give you a snapshot of five-year forecasted production trends by region and industry segment. It allows you to see—and compare—at a glance production for a segment in a region over the next five years. This is valuable for your market planning.

Please feel free to circulate these forecasts to your colleagues; they may be useful as your company develops business plans for 2025 and beyond.

If you have any questions regarding this Forecast, please contact us via email at support@powersys.com or by phone at 651-905-8400.

Thank you for your continued support of Power Systems Research. **PSR**

IV. Forecast Trends

Global Forecast to 2030

Forecast Production Trends To 2030

This chart shows the five-year global forecast out to 2030 in terms of percent change in total unit production for the years 2026-2030.

2026	2027	2028	2029	2030
↑ 3.6%	↑ 2.8%	↑ 2.8%	↑ 3.6%	↓ -1.7%

2030 Forecast Trends Comments

The forecast is expected to pick up starting next year with strong growth until 2030. This reflects the acceptance around the tariffs raised by President Trump

2030 Market Drivers

These Market Drivers are forces and events that influence the Forecast Globally or Regionally or by Segment.

DRIVER	COMMENTS	IMPACT ON FORECAST
Risk of Recession	Risk of widespread recession remains in the background for several countries, notably USA, Germany, France and UK (especially within the German auto industry). Asia seems less affected.	▼
National Debt	The burden of national debt (as measured by Debt / GDP ratio) remains high and is expected remain high at 94.7% of global GDP. The USA 125%, UK +94%, France 113%, Canada 111%, Italy 137% and Japan 230% are the most endebted.	▼
High Inflation	Inflation continues to be a concern with central banks holding their interest rates at high levels. This poses a risk to global economic growth. Inflation and price increases are putting OEMs in a difficult situation.	▼
Political Turmoil	Despite recent easing of the turmoil in most of Europe, some countries (such as France) have increased levels of political turmoil, so this remains of some concern .	▬
Middle East Tension	Middle East tensions are still continuing over the but have eased in recent months.	▼
Grain Prices	Ukrainian exports of wheat, other grains and fertilizer remain depressed when compared to pre-war levels, supporting increased prices for grain.	▲
Ukraine	The war in Ukraine has become stagnant and shows no sign of a speedy conclusion despite recent moves towards a ceasefire.	▼
Supply Chains	Supply chains continue to remain constrained and show few signs of improving but Europe and China are looking at alternative sources to the USA because of tariffs.	▬
Oil Demand	IEA expects global supply to rise by 3 million bpd in 2025, and has trimed demand growth forecast this year to 710,000 bpd. This implied surplus to reach 4 million bpd in 2026.	▼

Global Forecast

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Positive Outlook for Most Segments

AGRICULTURAL. The Agricultural sector is showing consistent signs of good growth with growth in the range of +1.1% to +3.2%. The average growth rate remains at +2.4% and the market is expected to grow by +566k units by the end of the forecast period. Most of this growth comes from China (averaging +3.2%) and India (averaging +2.5%) with Japan showing the slowest growth of the major agriculture countries, at +1.1% average over the forecast period.

CONSTRUCTION. The global construction equipment sector is expected to have grown +2.0% in 2025 and then grow well for three years before dropping back to +1.7% growth in 2029 and negative growth in 2030. The average growth rate remains at +2.1% and the market is expected to grow +154k units by the end of the forecast period. Of the major countries, China adds most of the volume with +87k by the forecast end.

INDUSTRIAL. The Industrial Segment is expected to remain positive throughout most of the forecast period with average growth rate remaining at a solid +2.8% and the market growing +838k units by the end of the forecast period. Of the big two manufacturing countries, only China remains in positive growth throughout the period, averaging +6.2% ,while the USA declines in 2025 and 2030, but averages +1.1%. The next fastest growing major region is India with average growth of +5.3%.

LAWN & GARDEN. Lawn & Garden remains positive in all forecast years except 2030 when it is expected to decline by -1.7%. The average growth rate remains at+2.1% and the market is forecast to grows +3.254m units by the end of the forecast period. The USA is the largest producer for this segment, with almost half of the total volume, so a fall in 2030 of-3.6% will contribute significantly to the 2030 market decline. Of the big five producers only China and Brazil remain positive throughout the entire forecast period.

LIGHT COMMERCIAL VEHICLES. This segment is expected to remain positive throughout the forecast period with the average growth rate remaining a good +2.4%. The market is expected to grow +1.729m units by the end of the forecast period. Of the top two countries (China & USA), China remains positive throughout the period and adds +587k units while the USA shows a mixed growth/decline performance throughout most of the forecast but still ends the forecast period with decline of +123k.

> *The global construction equipment sector is expected to have grown +2.0% in 2025 and then grow well for three years before dropping back to +1.7% growth in 2029 and negative growth in 2030.*

MARINE AUXILIARY/MARINE PROPULSION. After a difficult 2025, this segment is expected to grow throughout the remainder of the forecast period with an average growth rate of +1.5%, and the market growing by +81k units by the end of the forecast period. Japan is the largest producer in this Segment with over half the volume and is expected to grow by an average of +2.5% and add +75k units in volume.

MEDIUM & HEAVY VEHICLES. This segment is expected to decline at the start and end of the forecast period. The average growth rate remains low at +1.2% and the market is expected to grow by +3761 units by the end of the forecast period. Of the big three production countries, only China remains positive throughout the period with growth rates ranging from +3.0% to +5.0% and adding 234k in volume.

PASSENGER CARS/MINIVANS & SUVs. Generally, 2025 is expected to remain a solid year for these segments when final numbers are tallied, with a growth rate topping +4.6% in 2028. Despite this the average growth rate remains healthy at +3.1% (Minivans +3.9% and Passenger Cars at +2.0%) and the market grows by +12.186m units by the end of the forecast period.

Global Forecast

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China and USA produce a little over half of the volume in these segments and both remain strongly positive for most of the forecast period, with China averaging +5.9% and USA +2.7%. Germany starts the forecast period off with a decline of -5.0% in 2025 before returning to growth for a few years.

POWER GENERATION. Power generation is expected to continue to grow strongly during the entire forecast period with growth ranging from +2.0% to +4.0%. The average growth rate remains solid at +3.0% and the market is expected to grow +1.218m units by the end of the forecast period. The top two power generation countries (China and United States) show mixed results, with China averaging +4.3% and USA averaging -2.5%.

RAILWAY. Global railway production is expected to grow strongly throughout the forecast period with an average growth rate of +9.2% and increase in size by just over +3k. The market is dominated by China (60% of the production) which is forecast to have an average growth rate of +3.5%.

RECREATIONAL PRODUCTS. This segment continues to grow strongly with volumes growing on average by +3.7% and adding at 21.939m units by 2030. The size of this segment is so large that it can distort overall market views. Growth rates for future years are driven by China and India which dominate the market (over 80% share). The key factors to better performance in Recreational Products are affordable personal transportation, significant demand for these products, the impact of electrification and higher consumer spending with more disposable income.

ALTERNATIVE POWER. After growth of +5.8% in 2025, Battery Electric Vehicles are expected to grow at between +4.6% and +8.4%, with an average growth rate of 7.1%, and add an extra 25.902m units by 2030. The Internal Combustion vehicles on the other hand are growing much slower with changes ranging from -0.6% to +1.9% and averaging +1.2%. **PSR**

North America Forecast to 2030

Forecast Production Trends To 2030

This chart shows the five-year regional Forecast out to 2030 in terms of percent change in total unit production for the years 2026-2030

2026	2027	2028	2029	2030
↓ -0.3%	↑ 3.3%	↑ 3.6%	↑ 4.0%	↓ -1.4%

2030 Forecast Trends Comments

Expected recovery should start happening in North America production in 2027 and 2028.

2030 Market Drivers

These Market Drivers are Global, Regional or Segment forces and events that may influence the five-year regional Forecast out to 2030.

DRIVER	COMMENTS	IMPACT ON FORECAST
Tariffs/Trade Uncertainty	President Trump's tariff policies (10% baseline, 50% on steel/aluminum) affect trade agreements, add cost to OEMs, and complicate industrial planning.	▼
High Interest Rates	Leading to slump in new equipment/machinery sales.	▼
Infrastructure Investment	Government backed spending programs to support initiatives for infrastructure growth.	▲
Technological Advancements	Adoption of AI, automation, telematics, autonomous vehicles/machines, electric trend, and digital tools.	▲

North America Forecast

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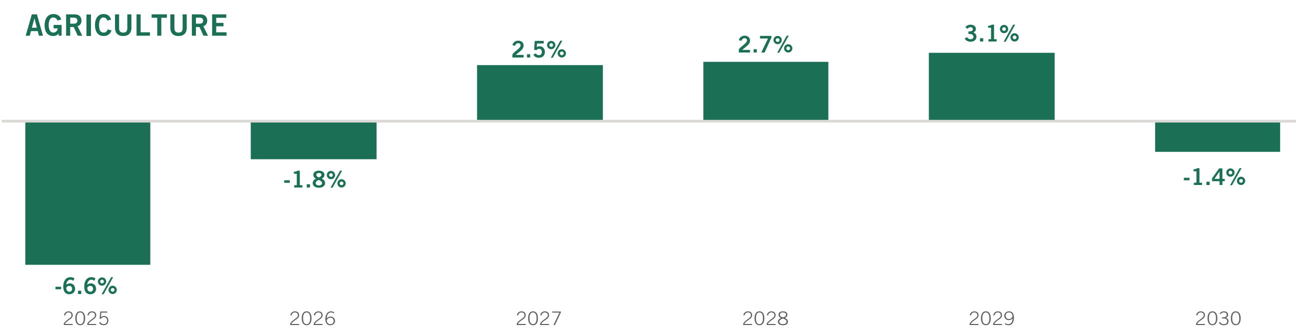
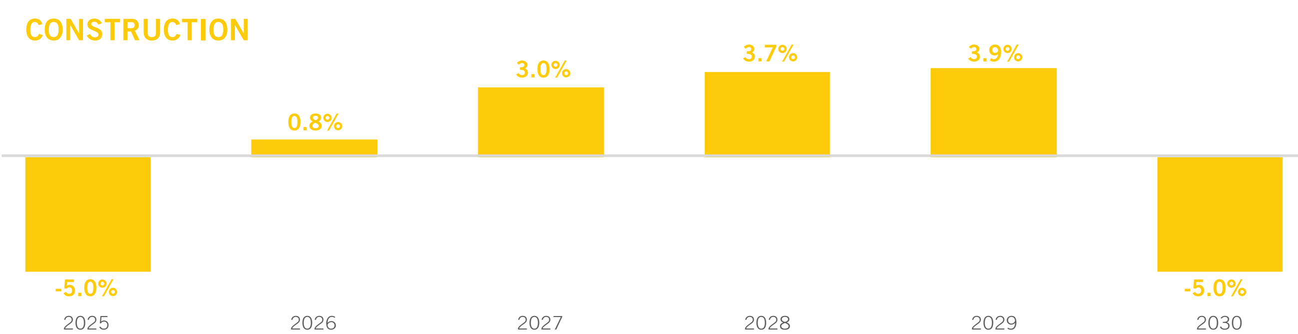
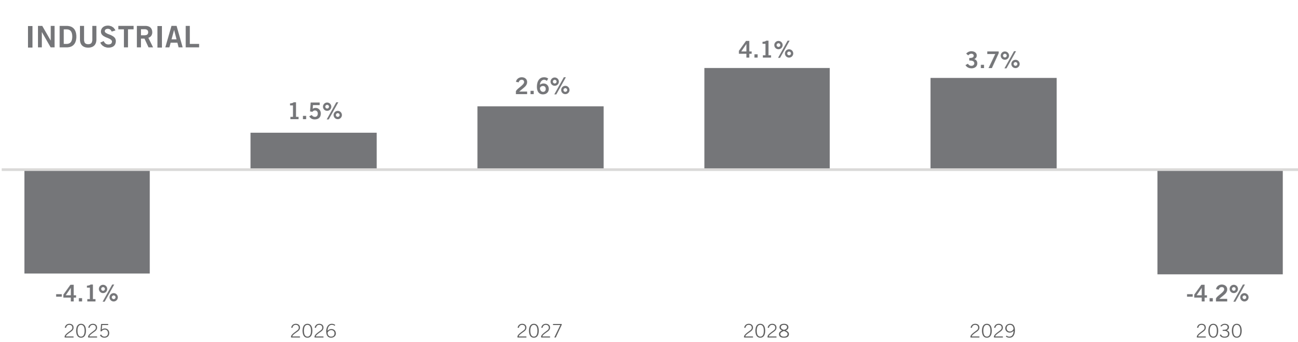


Falling commodity prices, high interest rates, machine oversupply, increased input costs, labour shortages, and ongoing tariffs have all affected the ag market negatively



New tariffs increase costs for steel and other components, squeezing manufacturer margins and raising equipment prices, forcing some OEMs to absorb costs or raise prices



With predominant backorders, the Industrial segment is predicted to continue to grow into the future. The trade policy within North America currently may have a negative effect on the market

North America Forecast

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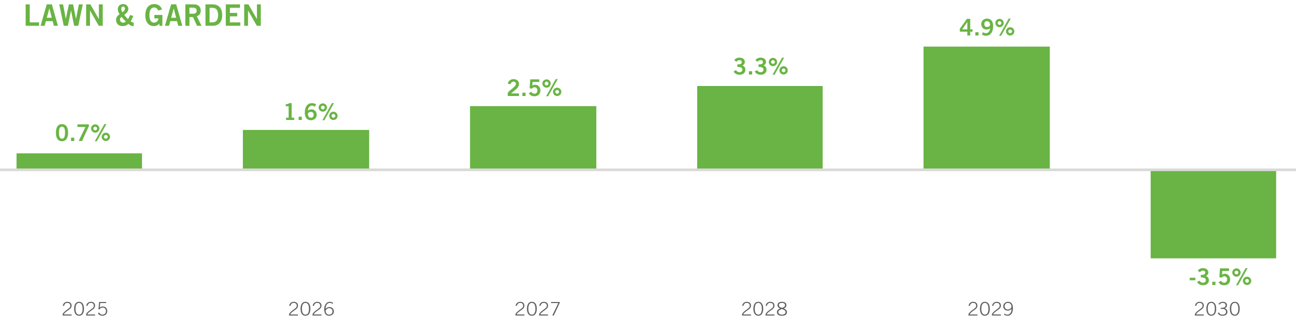
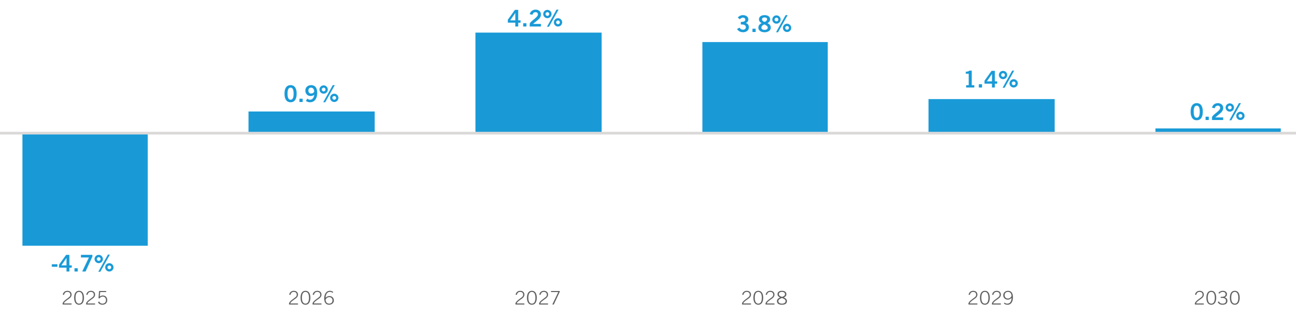
LAWN & GARDEN



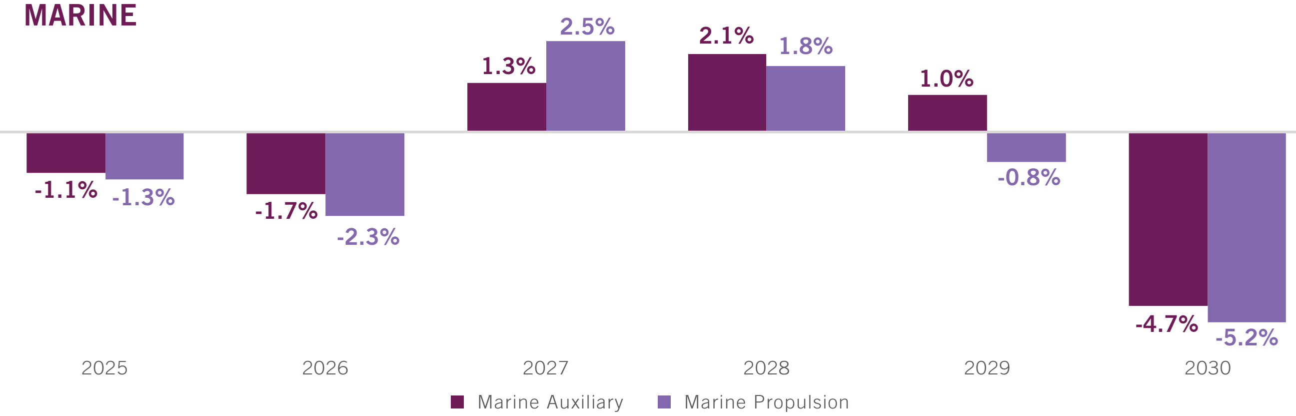
Lawn & Garden is expected to bounce back strongly after the decline in 2024

LIGHT COMMERCIAL VEHICLES



Despite strong growth in 23/24, LCV's have dropped back in 2025

MARINE



Both Marine sub segments decline in 2025 and 2026 before several years of growth

North America Forecast

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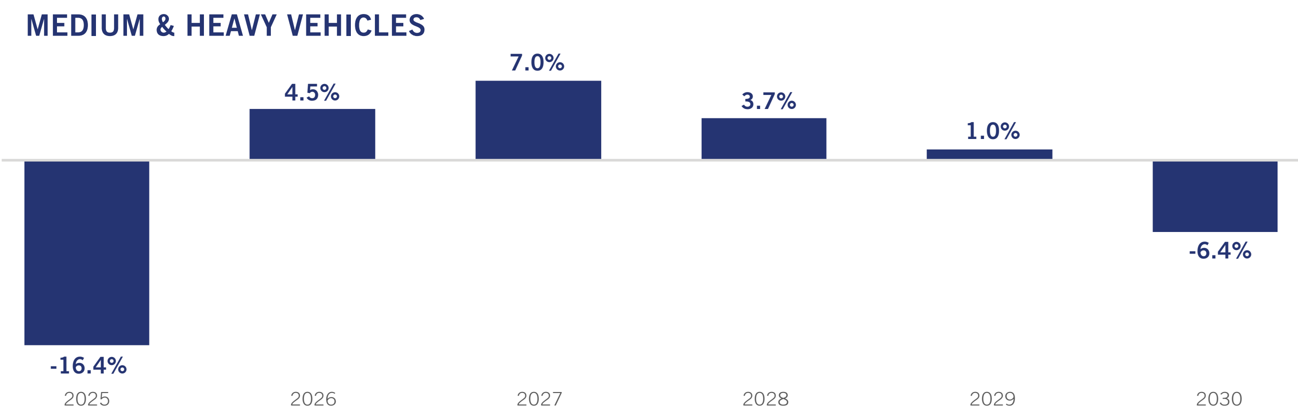
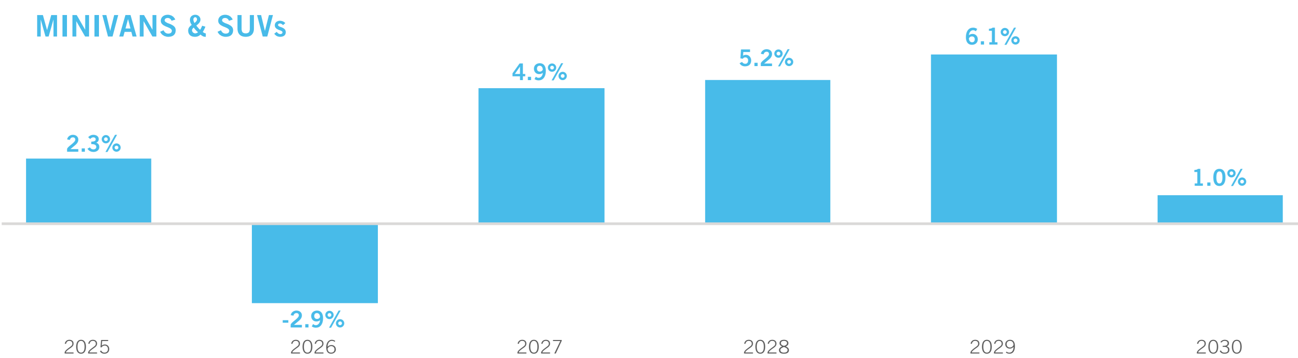
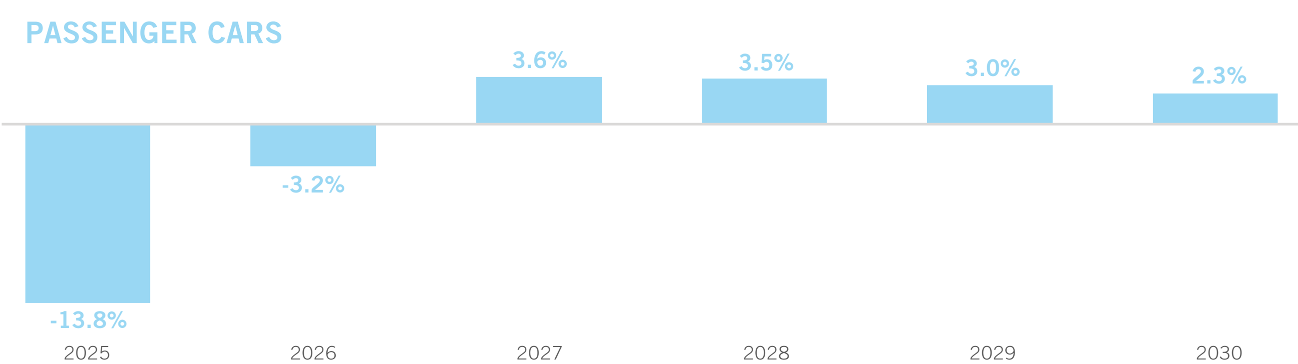


The industry continues to be negatively impacted by the weight of the tariffs, low freight demand, excess truck capacity, and high finance rates



Falling demand for ICE powered vehicles and Tesla Model Y is slowing demand in 2026



ICE Passenger Cars are expected to decline throughout the Forecast amd EV cars are expected to grow again from 2026

North America Forecast

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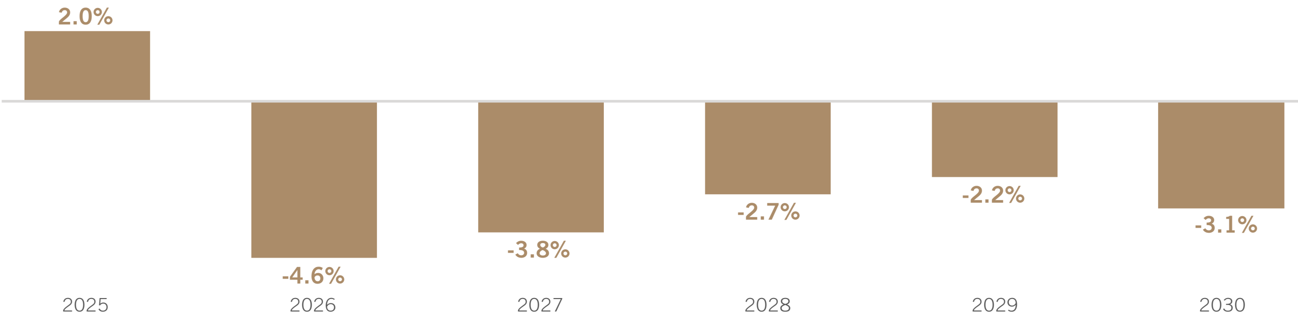
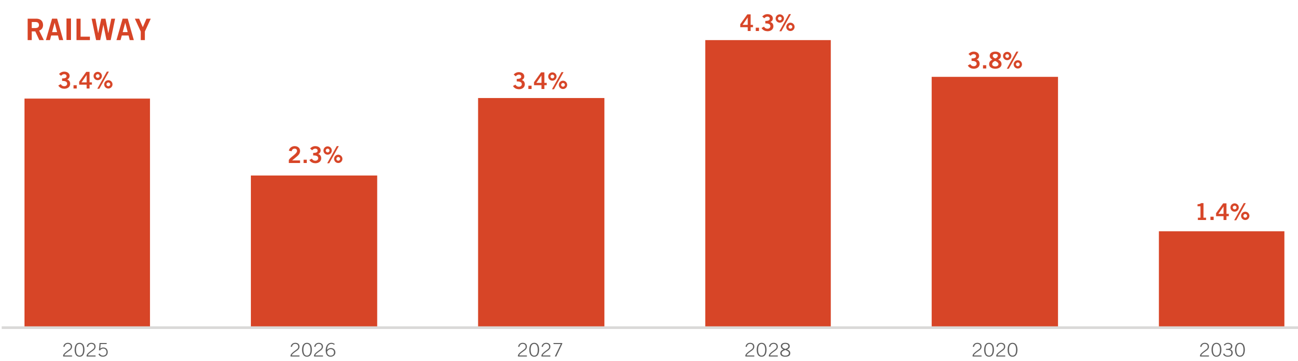
POWER GENERATION



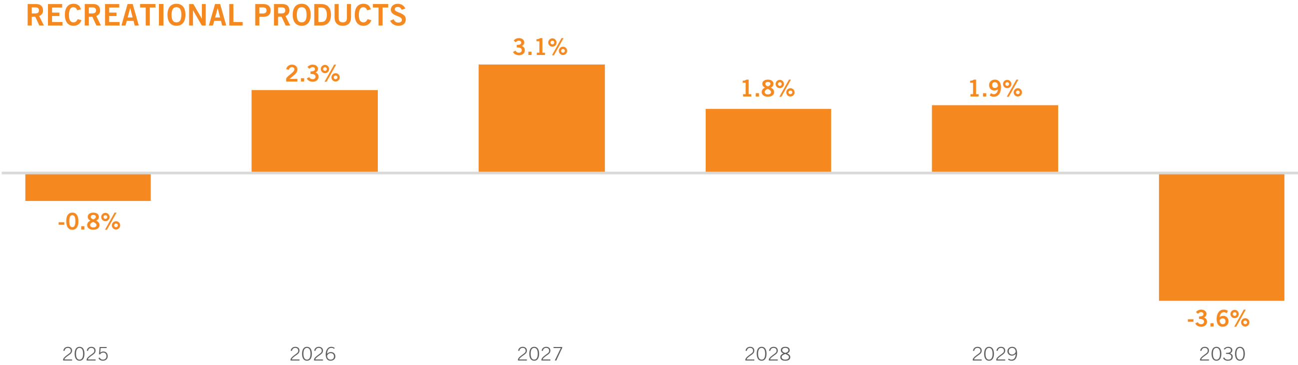
Falling demand for smaller gensets is pulling down the market

RAILWAY



This is a very small segment, but it continues to show good growth

RECREATIONAL PRODUCTS



New tariffs are also beginning to affect pricing and trade dynamics, adding another layer of complexity and cost

Europe Forecast to 2030

Forecast Production Trends To 2030

This chart shows the five-year regional Forecast out to 2030 in terms of percent change in total unit production for the years 2026-2030.

2026	2027	2028	2029	2030
↑ 2.7%	↑ 3.2%	↑ 3.3%	↑ 2.4%	↓ -3.7%

2030 Forecast Trends Comments

We had a pretty tough 2025 overall. There are some good indicators and signs of recovery for 2026 highlighted by the ECB. This being said there are still a big number of negative drivers that could have a devastating impact on the current trends. All things considered we are expecting to see sign of recovery and modest growth for the next four years.

2030 Market Drivers

These Market Drivers are Global, Regional or Segment forces and events that may influence the five-year regional Forecast out to 2030.

DRIVER	COMMENTS	IMPACT ON FORECAST
Geopolitical Conflicts and Security Risks	**Russia–Ukraine** war continues to destabilize Eastern Europe, prompting NATO military buildup. **Israel–Iran confrontation** and broader Middle East tensions disrupt energy markets and shipping routes (e.g., Strait of Hormuz). These conflicts heighten uncertainty, increase commodity price volatility, and threaten supply chains.	▼
Trade Protectionism and US–EU Tensions	President Trump's **tariff policies** (10% baseline, 50% on steel/aluminum) undermine trade agreements. Unilateral US actions erode trust and complicate European industrial planning.	▼
Inflation and Interest Rate Dynamics	Inflation remains above central bank targets (ECB ~3%, BoE >2%), pressuring household spending and business margins. Elevated interest rates affect housing, infrastructure, and manufacturing sectors.	▼
Economic Stabilization and Policy Supporta	Signs of **economic recovery** in mid-2025, with modest growth projected for 2026–2027. ECB's monetary policy and EU funding programs support consumption and investment.	▲
The Rise of "Agentic" and Physical AI	Labor shortages and an aging workforce will accelerate the deployment of **autonomous "Agentic AI"** and humanoid robotics on factory floors	▲

Europe Forecast

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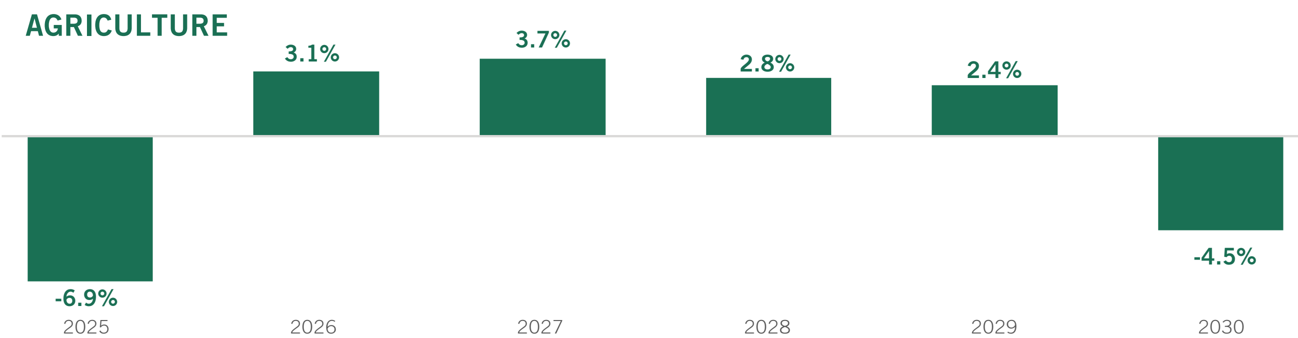
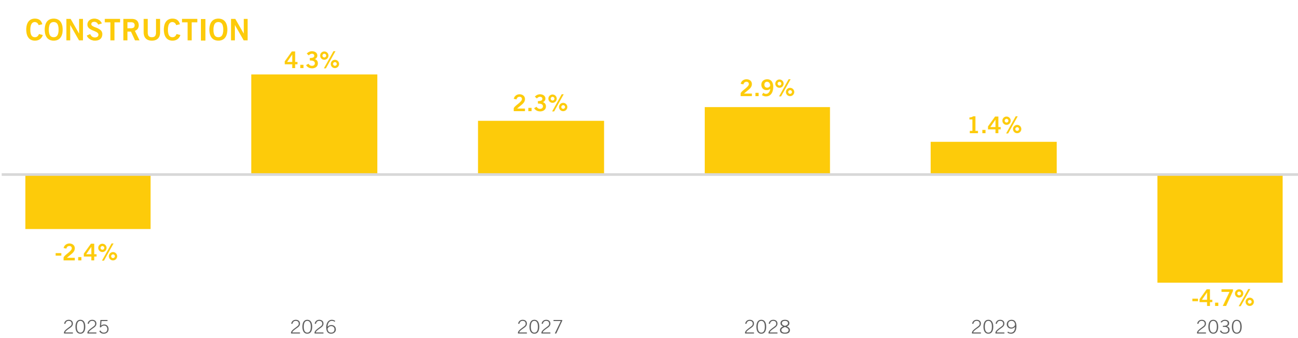
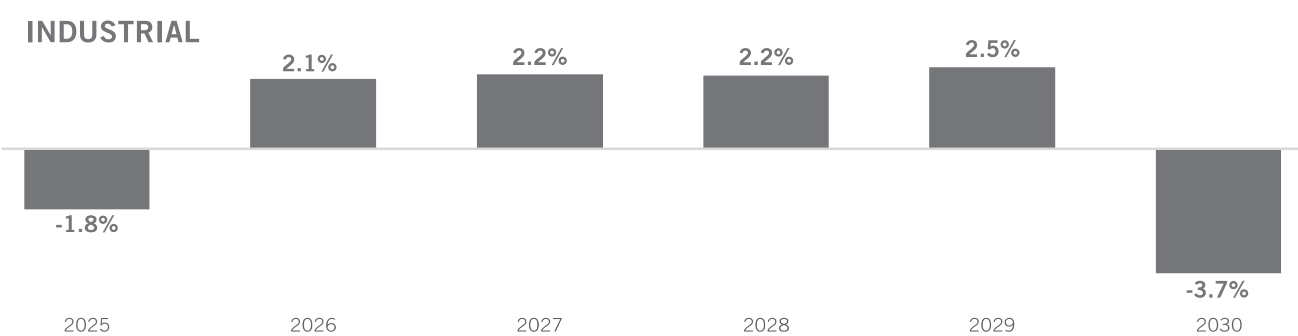


The caution optimism for the second part of 2025 did not become reality. Instead, we have seen a significant decline in production of agriculture machinery. This trend will continue into early 2026, fortunately there is some light at the end of the tunnel.



We are expecting some good recovery early to mid 2026, fuelled by government expenditure and higher business activity, especially in the residential and private sectors.



This segment has been experiencing similar trends to both Agriculture and Construction on a more subdued level. We expect this trend to turn around in 2026 showing an overall slight recovery, not yet catching up to 2023 levels

Europe Forecast

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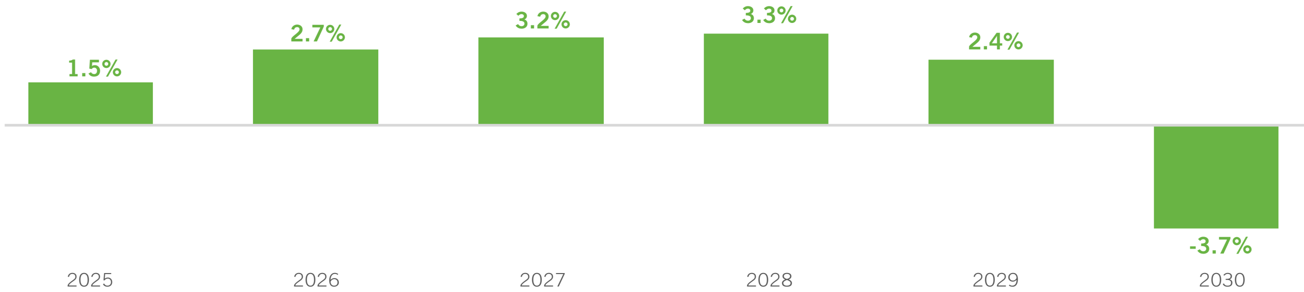
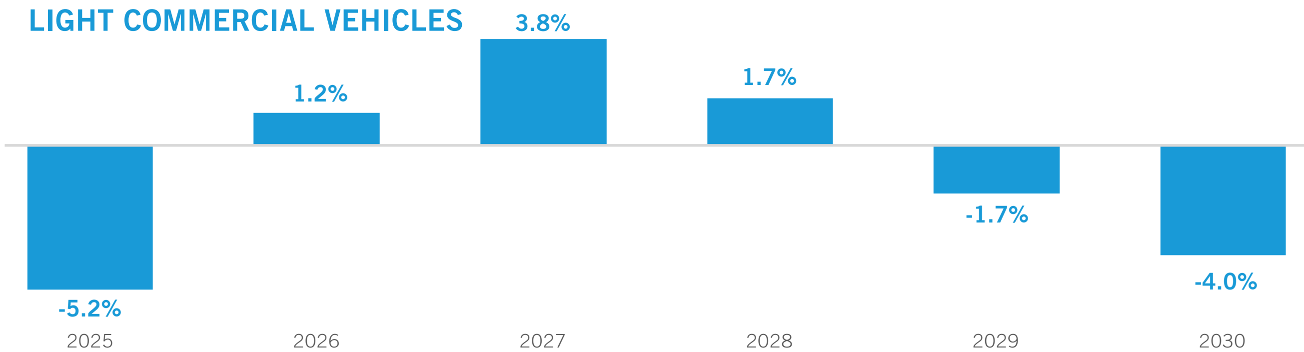
LAWN & GARDEN



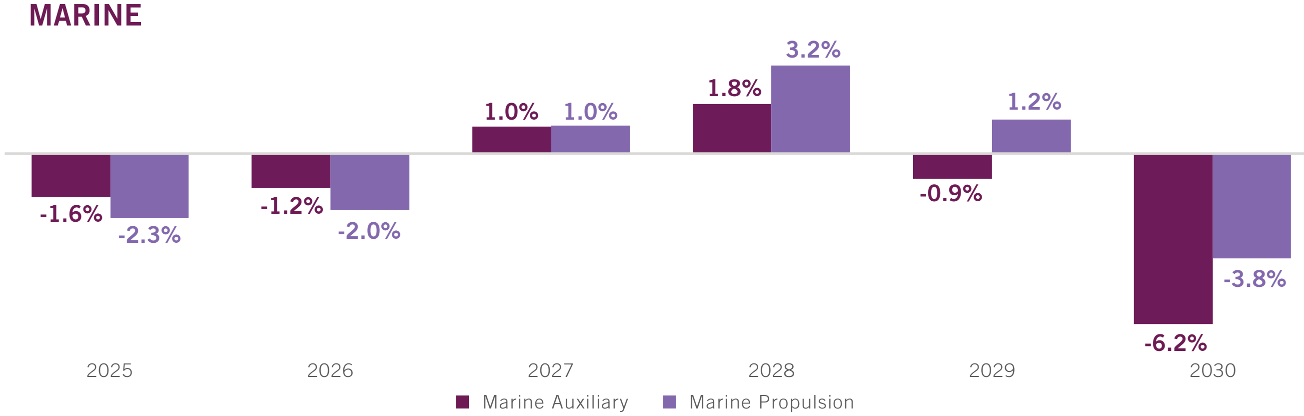
Many consumers are investing or switching to battery-powered equipment, and even professionals are switching so they can use it as a USP (unique selling point).

LIGHT COMMERCIAL VEHICLES



Light Commercial Vehicles continues to follow its own trends which are often different to other segments.

MARINE



The European market is facing numerous challenges, including inventory overhang, economic uncertainty, exchange rate fluctuations, stock market volatility, tariffs, high interest rates, rising marina fees, and unclear regulations

Europe Forecast

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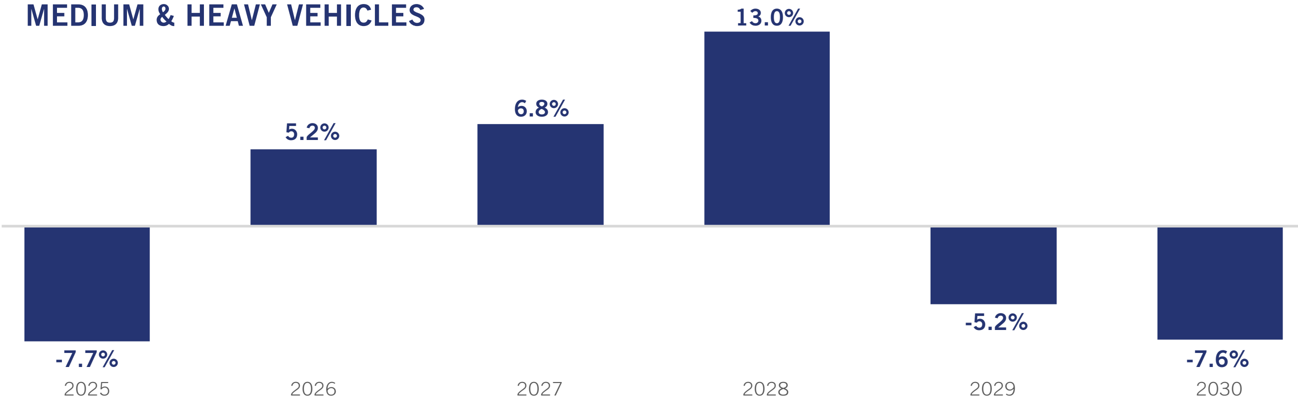
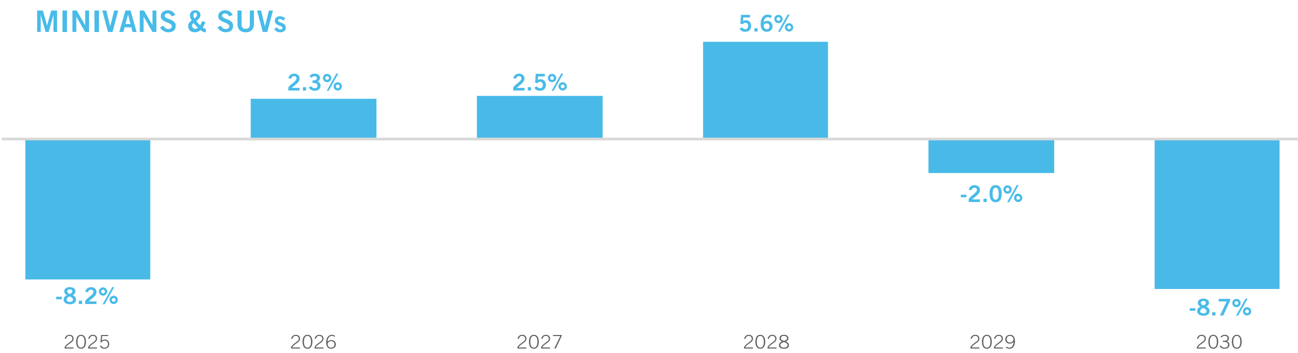
MEDIUM & HEAVY VEHICLES



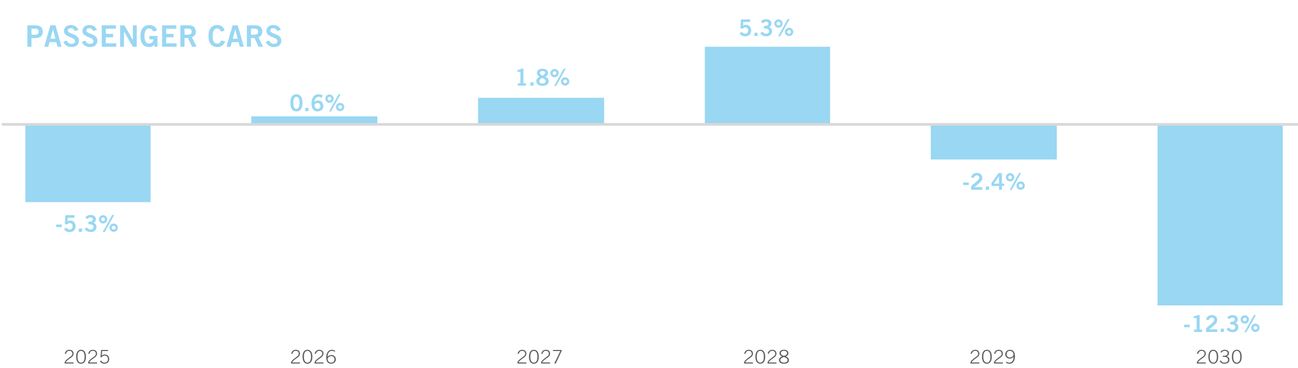
2024 was not a good year for Medium Heavy Vehicles and this continued into 2025 before several years of good growth.

MINIVANS & SUVs



EU and the European manufacturers need to realise that a greater challenge than Euro 7 is on the horizon, namely the EV revolution but in places this is faltering.

PASSENGER CARS



European Commission scrapped the requirement for a 100% reduction in CO_2 emissions from new cars by 2035. This is a direct concession to the reality that the European passenger car industry is in a state of managed decline.

Europe Forecast

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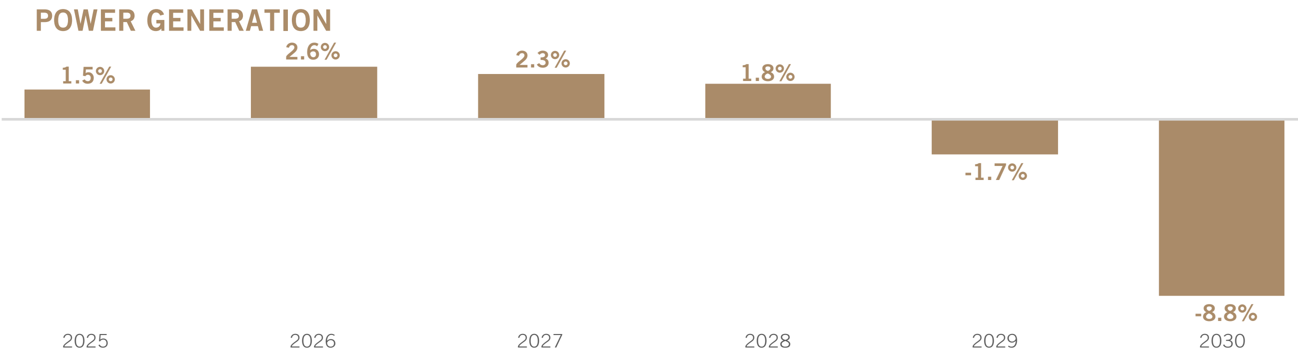
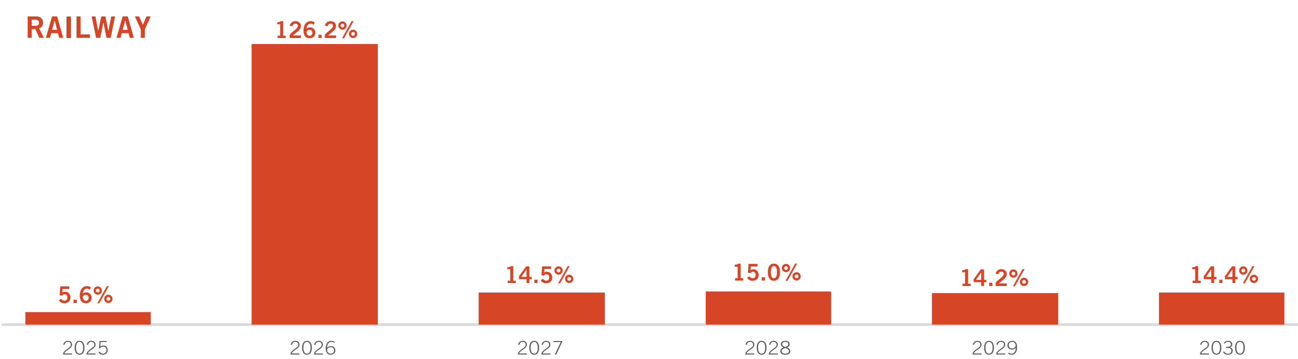
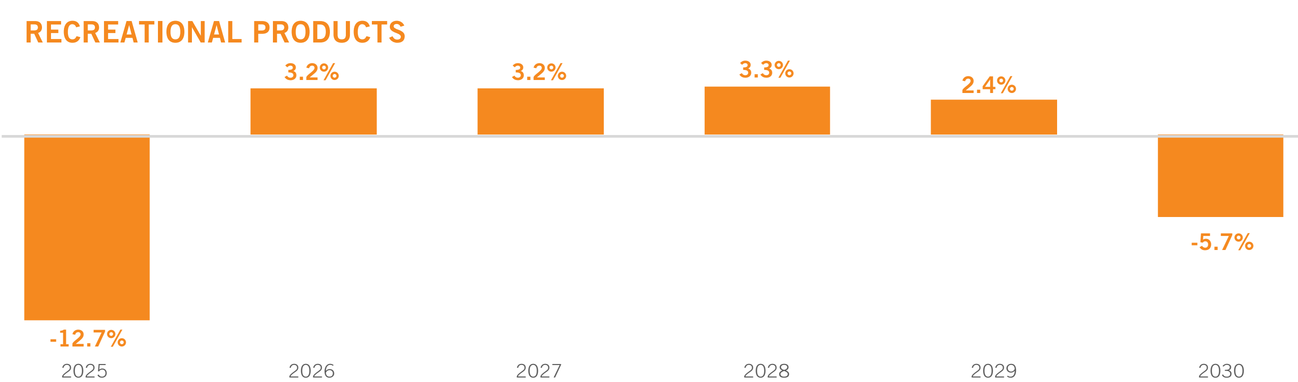


A rebound in investments towards the end of the year, Gen-Set demand will start to pick up, and in 2025 the segment has returned to growth, followed by a more robust performance in 2026.



Demand in this segment is less affected by current market trends as contracts are usually over several years.



The segment was shaken at the end of 2024: KTM AG, Europe's largest motorcycle manufacturer, has faced significant financial challenges that have led to a strategic restructuring plan.

South America/Brazil Forecast to 2030

Forecast Production Trends To 2030

This chart shows the five-year regional Forecast out to 2030 in terms of percent change in total unit production for the years 2026-2030.

2026	2027	2028	2029	2030
↑ 3.9%	↑ 2.0%	↑ 2.0%	↑ 2.7%	↑ 2.8%

2030 Forecast Trends Comments

Developing region with significant opportunity for food production in the long term, basis for green energy production and supply of critical minerals for new technologies.

2030 Market Drivers

This region will remain one of most important producers of agricultural commodities, meat, and O&G. The region also will be a key supplier for minerals and biofuels to support energetic transition.

DRIVER	COMMENTS	IMPACT ON FORECAST
Substitution of imports	Significant growth of local production of Lawn and Garden products, also impacted by increase of demand	▲
Political Instability	South America countries historically show economy oscillation due to political conflicts, and it affects the short-term and medium-term volumes	▼
Food Production	Growth of crops production and planted area in the region	▲
Data centers Expansion	AI Hyperscale data centers plan for medium term to boost determined segments	▲
Mining	Continuity of mining of iron and cooper, with increase of Nb, Ni and Rare Earth Elements.	▲
Infrastructure	Developing region with pent demand for investments in infrastructure to remove development bottlenecks.	▲
Regional economy: Brazil	Adjusting and reducing public deficit in the post election (2027) Brazil is expected to accelerate growth.	▲
Regional economy: Argentina	Argentina's economic outlook points to a gradual but sustained recovery over the coming years, supported by structural adjustments, improving macro stability, foreign investment and domestic demand.	▲

South America/Brazil Forecast

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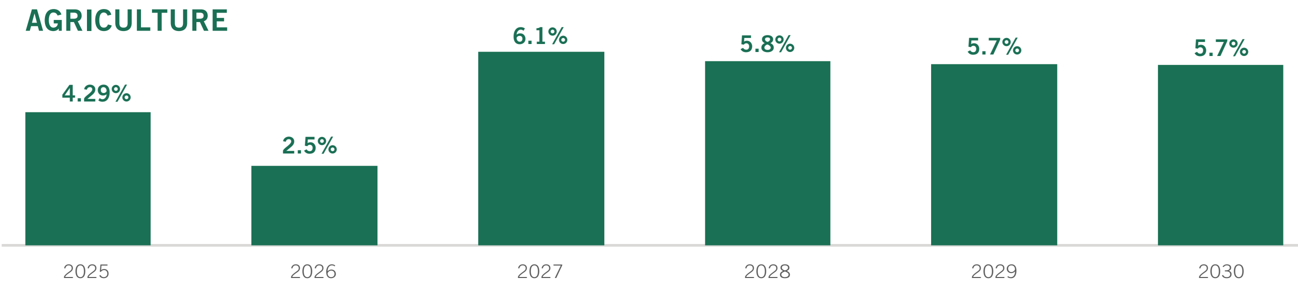
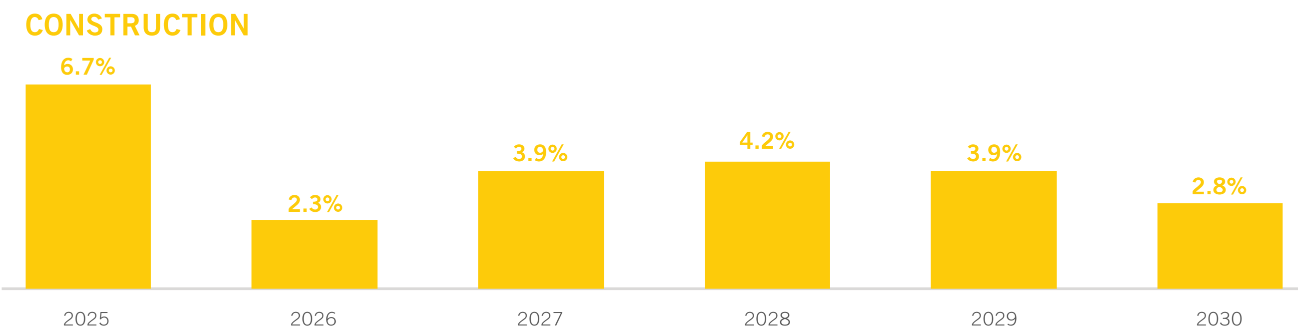
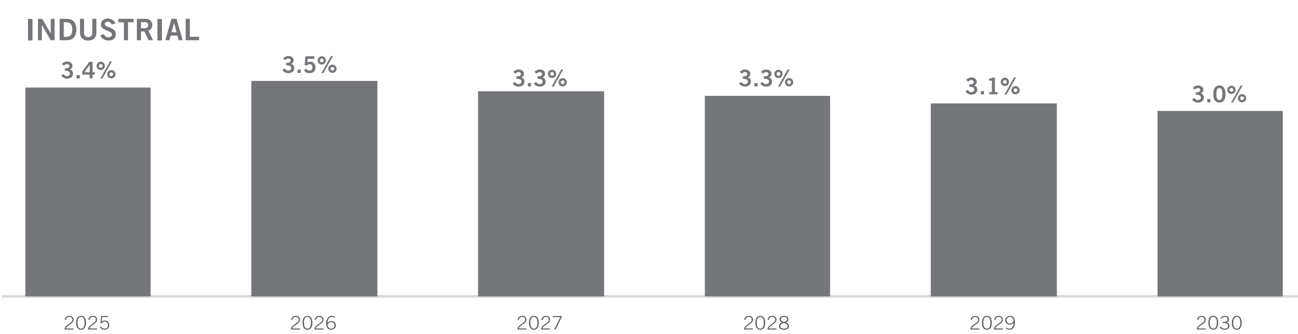


Despite solid harvest volumes, weaker commodity prices and financing conditions keep the market replacement-driven rather than expansion-led



After several years of elevated sales volumes, demand is consolidating at structurally higher levels, with utilization rates, parked fleet size, and disciplined capital allocation limiting short-term upside rather than signalling a downturn.

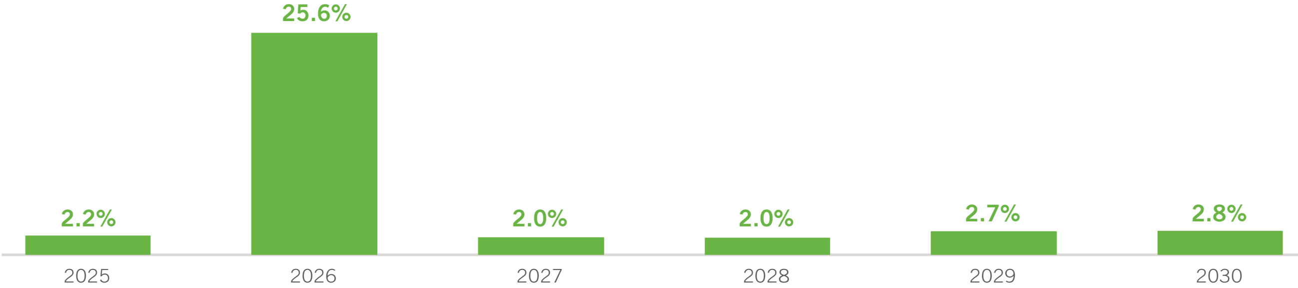


There is a remarkable growth in the production level of Forklifts in Brazil due the penetration of Electrical units powered by Li batteries imported from China

South America/Brazil Forecast

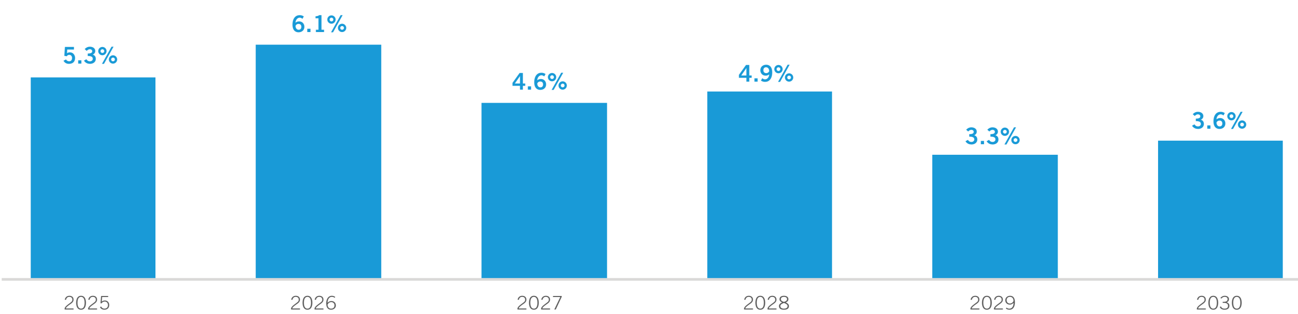
Continued from page 20

LAWN & GARDEN



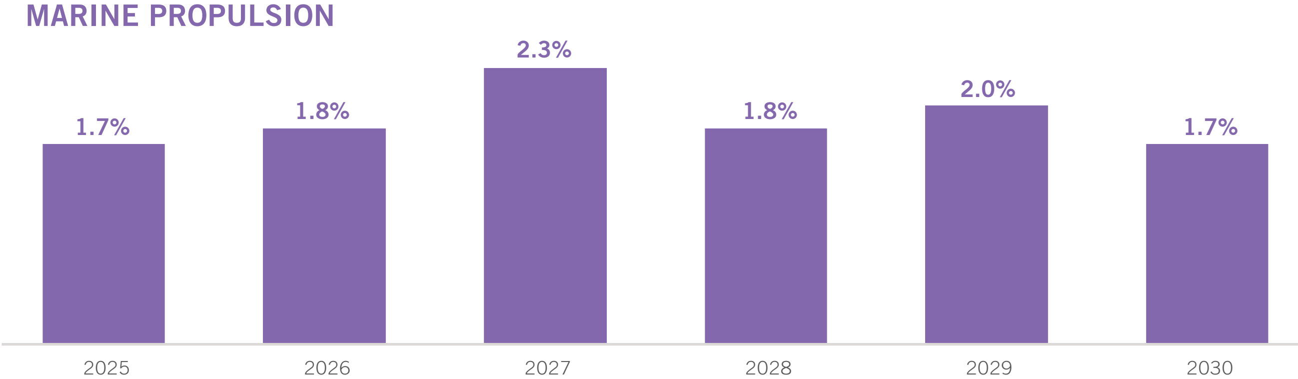
The Lawn & Garden sector has been supplemented with additional products such as Augers, Trimmers etc

LIGHT COMMERCIAL VEHICLES



LCV production in South America remains comparatively resilient, supported by urban logistics, services, and fleet-based demand. The overall scenario shows replacement demand and operational needs sustaining production levels into 2026

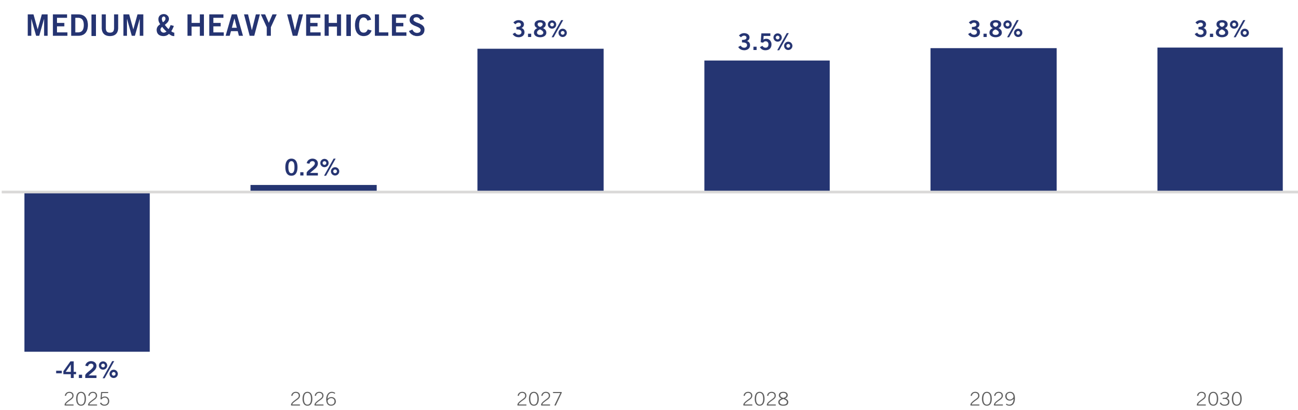
MARINE PROPULSION



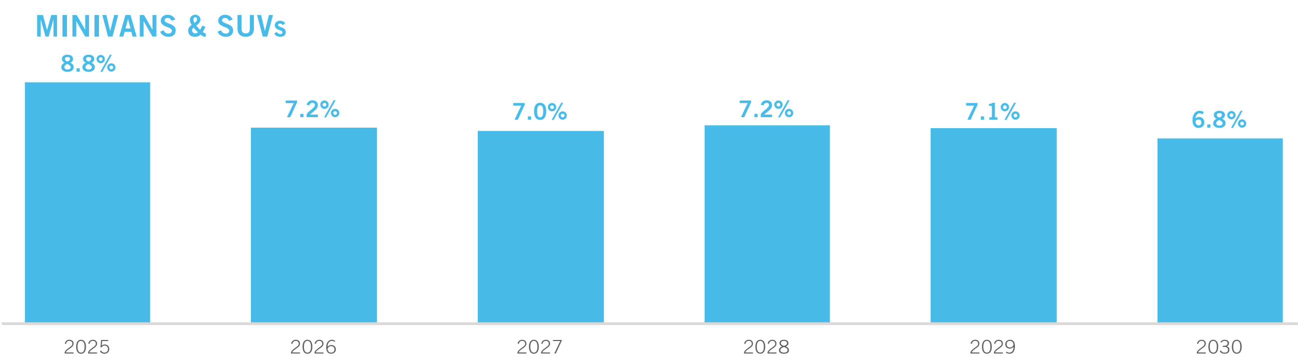
High Performance Ship Engines are the only Marine product made in Central / South America

South America/Brazil Forecast

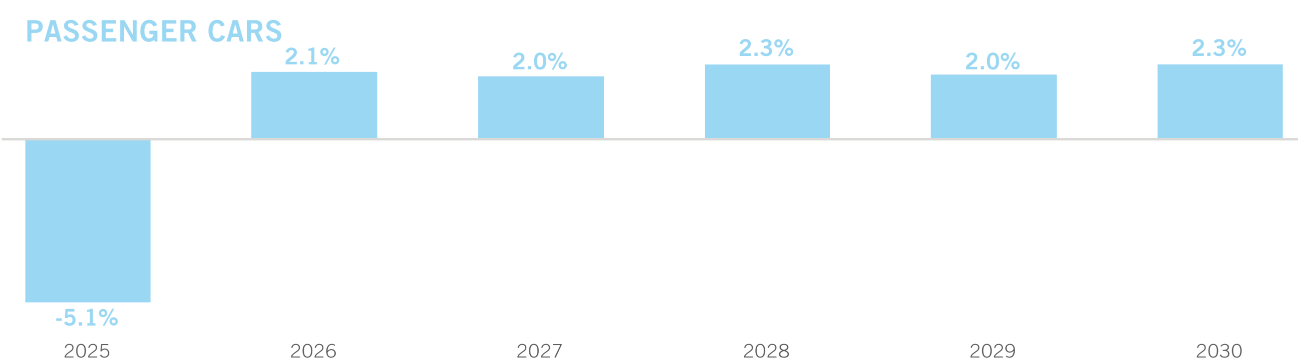
Continued from page 21



High interest rates and restrictive credit conditions continue to constrain demand, particularly in heavy and extra-heavy trucks, keeping OEM production planning cautious.



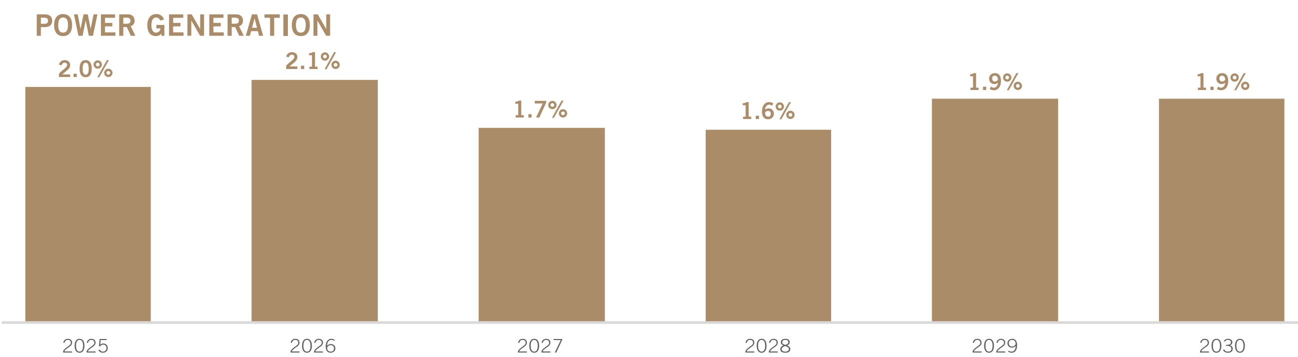
After a strong 2025, the trend for Minvans & SUVs continues at average of over 7% during the forecast period



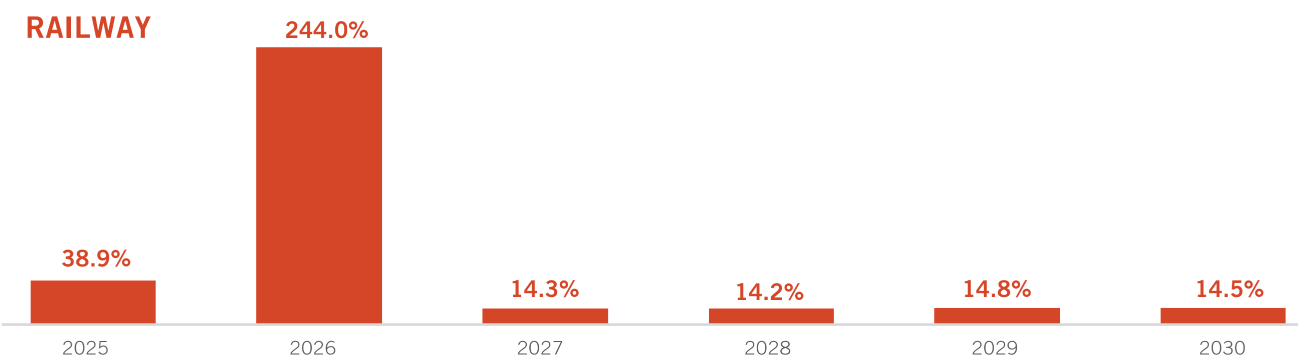
Gradual growth in from 2026 with credit availability and household purchasing power remain the main short-cycle drivers

South America/Brazil Forecast

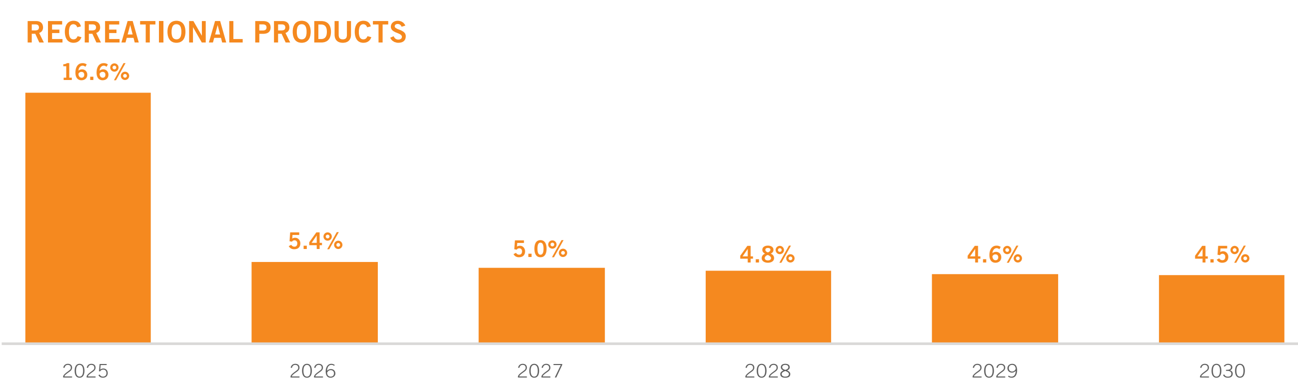
Continued from page 22



The power generation equipment market in South America continues to outperform the broader industrial cycle, supported by the ongoing expansion of data centers in Brazil and Chile



The volumes in the segment are low so increases appear large. New infrastructure plans announced in 2021 are continuing to support growth



The motorcycle segment in South America is expected to remain resilient heading into 2026, anchored by strong fundamentals in Brazil and supportive regional trends

India Forecast to 2030

Forecast Production Trends To 2030

This chart shows the five-year India Forecast out to 2030 in terms of percentage change in total unit production for the years 2026-2030.

2026	2027	2028	2029	2030
5.0%	6.0%	6.1%	5.9%	6.2%

2030 Forecast Trends Comments

India's automotive sector is expected to grow steadily over the next five years, supported by domestic consumption, exports, and a structural shift toward cleaner and more premium mobility. Production is likely to expand at a moderate CAGR driven by rising localisation, technology upgrades, and the emergence of India as a manufacturing hub for several OEMs.

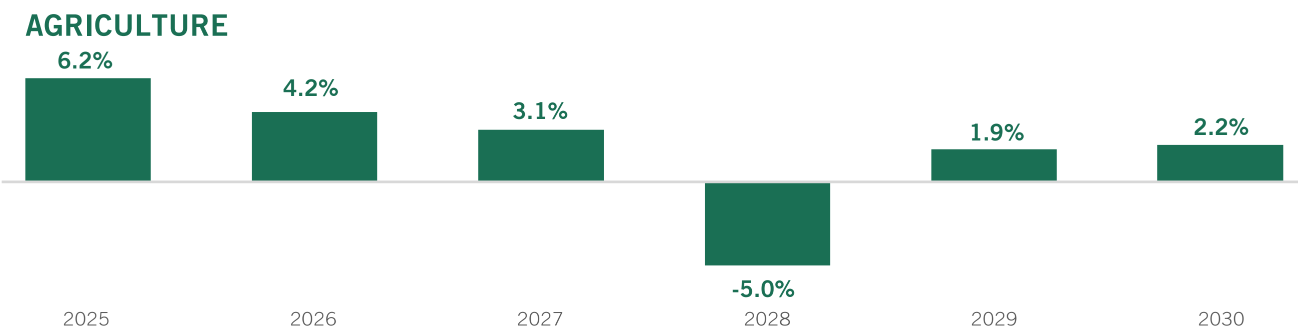
2030 Market Drivers

These Market Drivers are forces and events that influence the Forecast Regionally or by Segment.

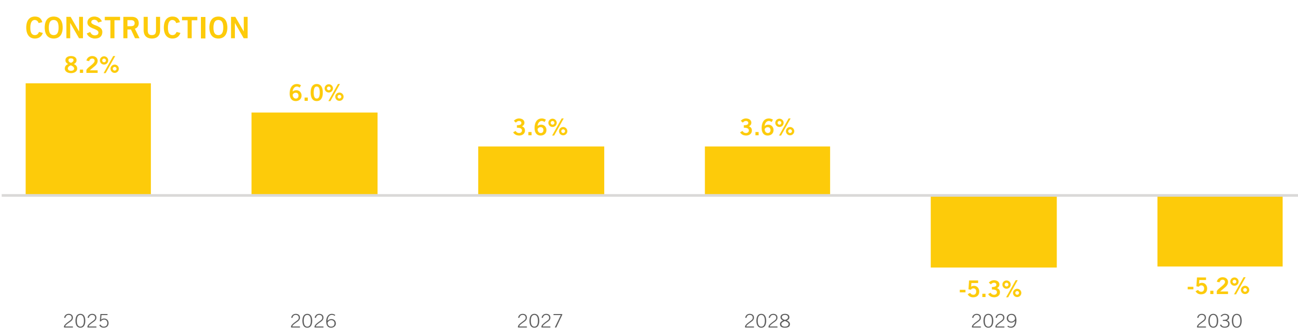
DRIVER	COMMENTS	IMPACT ON FORECAST
Policy Push and Regulatory Framework	Continued support for localization, manufacturing incentives, and EV/hybrid policies will boost capacity expansion. However, tighter emission norms (e.g., transition to BS6.3 / OBD-III and future fleet-level CO_2 rules) may temporarily raise costs and disrupt production cycles.	
Export Competitiveness and Global Demand	India is positioned to become a major export hub for two-wheelers, compact cars, and small commercial vehicles. If global markets stabilize and OEMs diversify sourcing away from China, India's automotive exports will deliver sustained production growth.	
Input Costs, Supply Chain Stability & Technology Transition	Stable commodity prices, improved semiconductor availability, and deeper localization will support production. But rapid transitions toward EVs, hybrids, CNG and hydrogen may require significant capex, creating short-term production volatility for OEMs adjusting platforms and supply chains.	

India Forecast

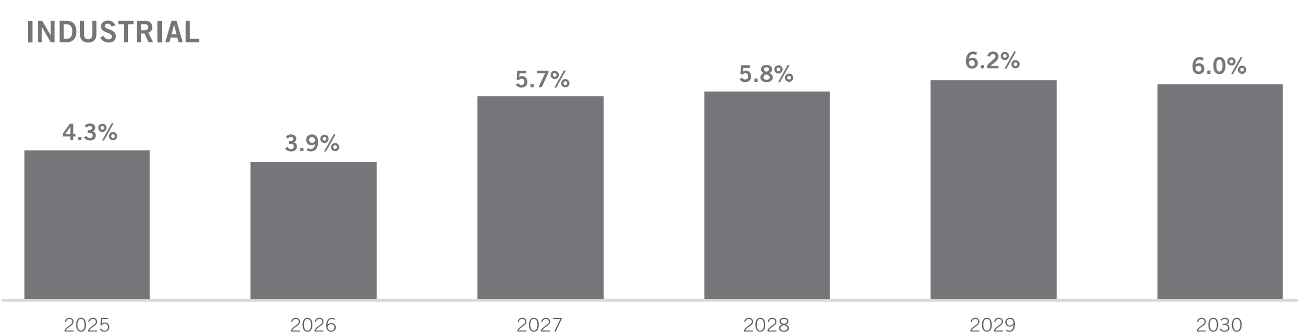
Continued from page 24



The agricultural machinery segment has been relatively strong, supported by government initiatives to modernize farming practices and promote mechanization.



Road construction, mining, and housing projects are driving demand for excavators, backhoe loaders, and tippers.

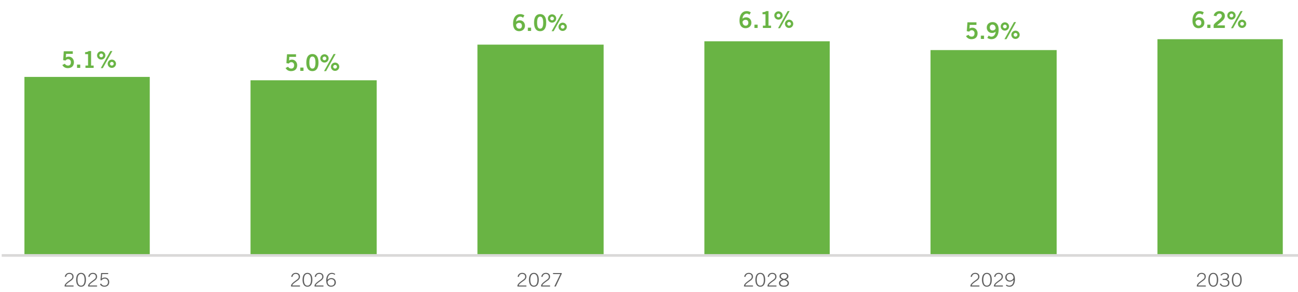


This segment grows through the forecast period and is dominated by General Industrial Pumps

India Forecast

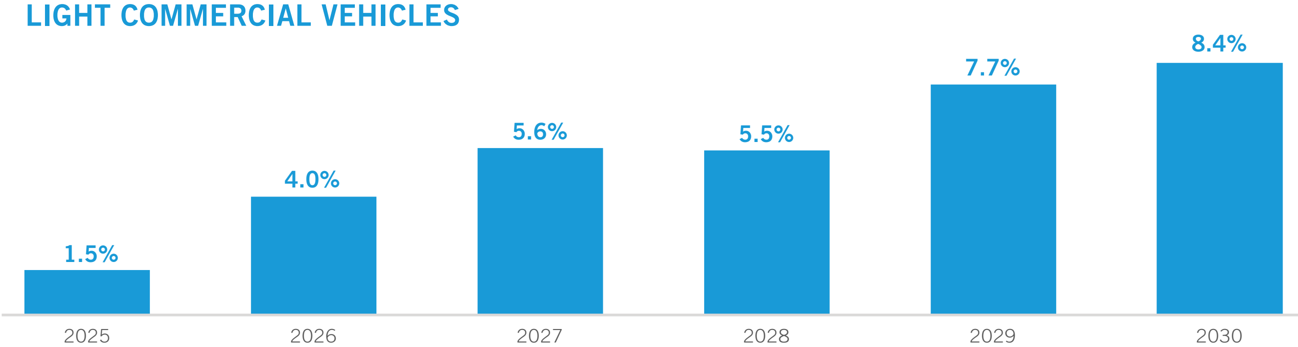
Continued from page 25

LAWN & GARDEN



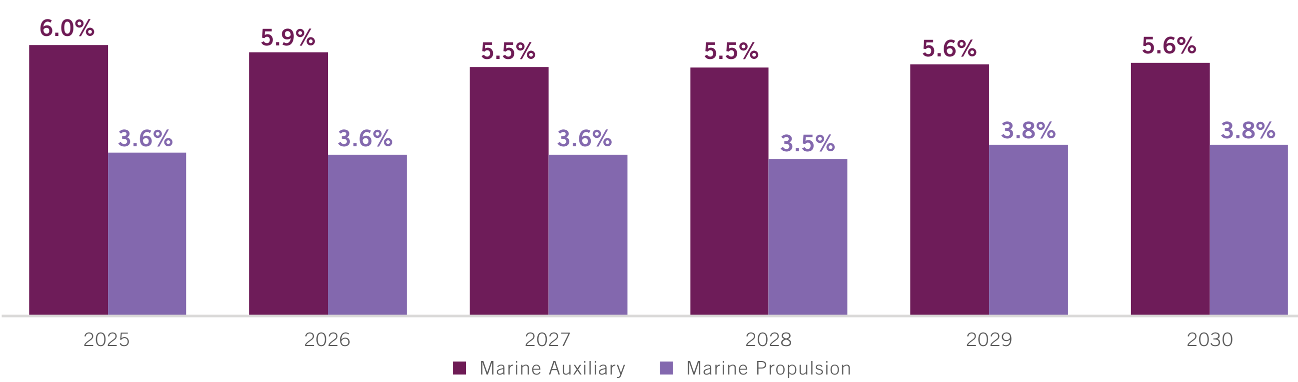
Unlike this segment in other regions, in India this is mostly ICE powered

LIGHT COMMERCIAL VEHICLES



LCVs continue to benefit from growing e-commerce, urban logistics, and last-mile connectivity demand

MARINE

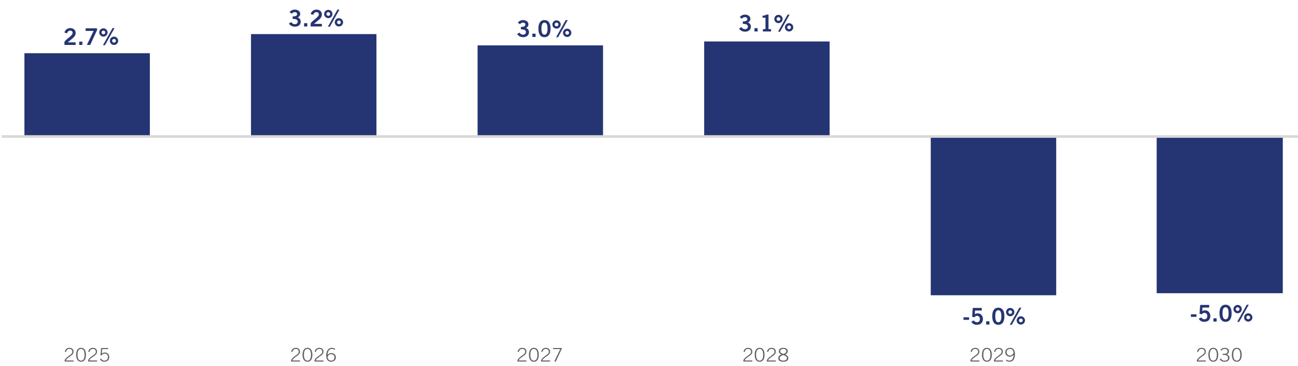


Whilst not large in volume terms, these segments have shown solid and consistent growth

India Forecast

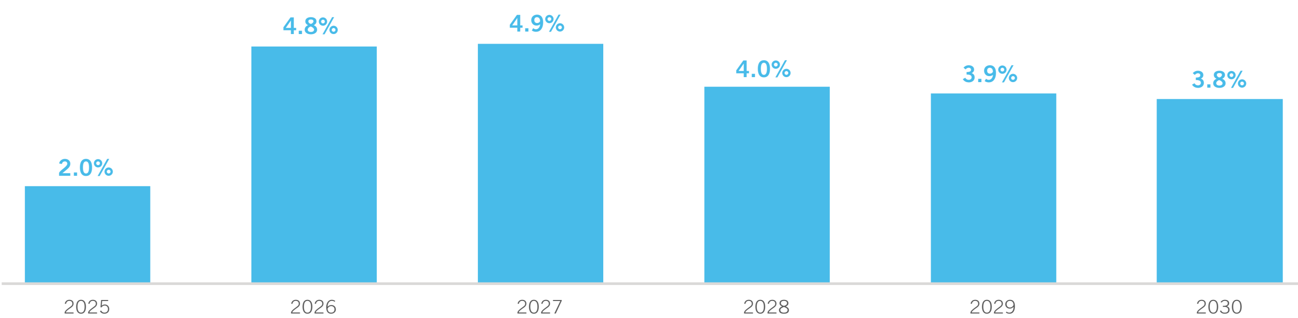
Continued from page 26

MEDIUM & HEAVY VEHICLES



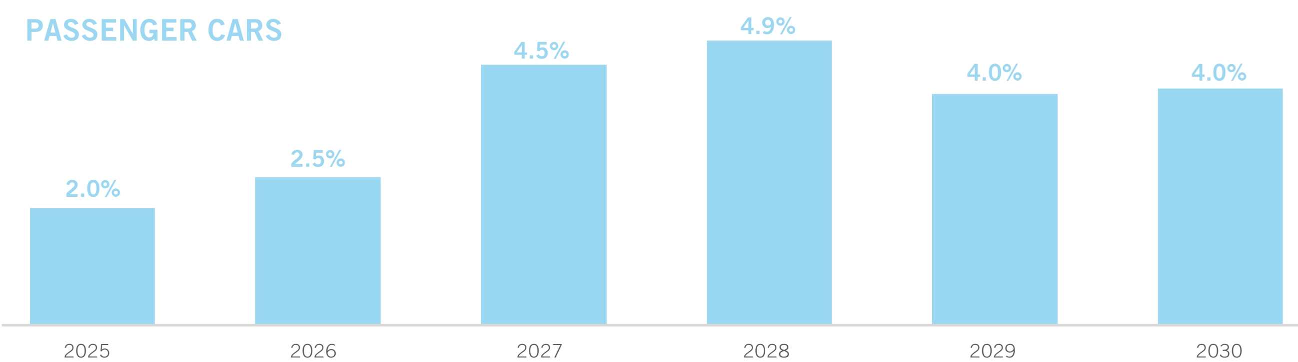
With construction, mining and road projects operating at full capacity, heavy-duty trucks saw consistent utilisation rates. However, fleet operators remained selective in new purchases, balancing caution around costs with the necessity to modernise fleets

MINIVANS & SUVs



The preference for larger, feature-rich vehicles is reshaping OEM portfolios, leading to significant investments in capacity and product development

PASSENGER CARS

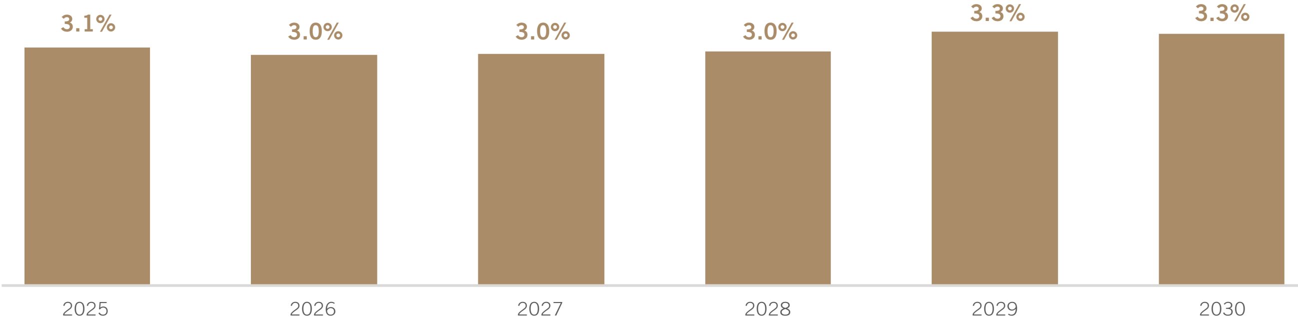


The passenger vehicle industry is also witnessing increased localization of advanced powertrain technologies to align with India's clean mobility roadmap

India Forecast

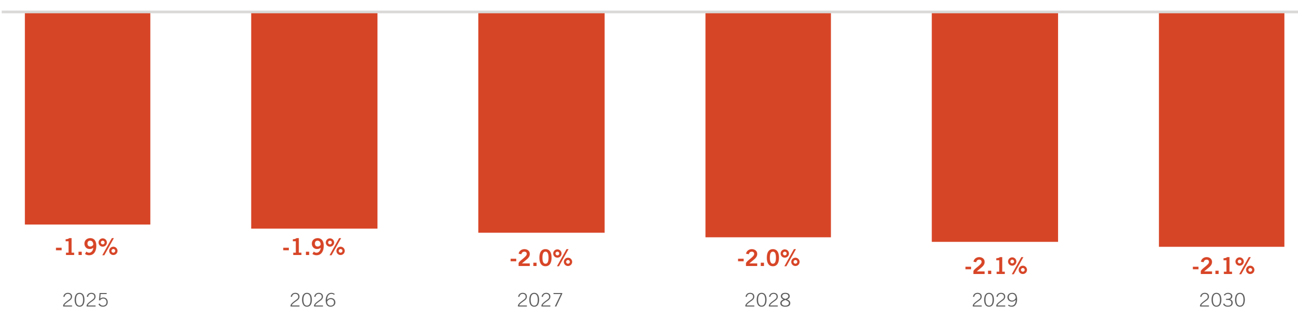
Continued from page 27

POWER GENERATION



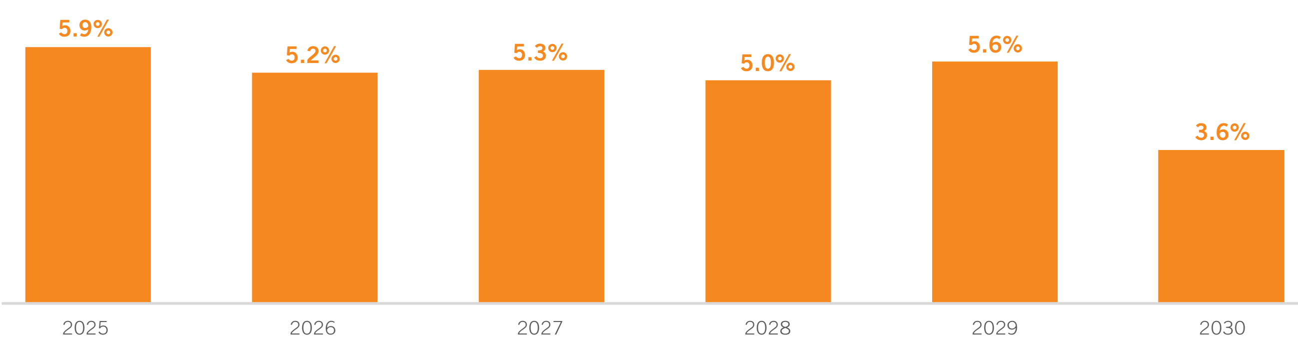
Power Generation market in India remains robust and continues to grow solidly

RAILWAY



This is a very small segment which shows a consistent decline

RECREATIONAL PRODUCTS



The two-wheeler industry is navigating a dual trajectory of steady rural recovery and strong premiumisation trends

China Forecast to 2030

Forecast Production Trends To 2030

This chart shows the last four quarters for the current forecast year and give an indication of how the total or regional market is trending.

2026	2027	2028	2029	2030
2.6%	3.1%	1.5%	4.1%	2.8%

2030 Forecast Trends Comments

In Q4 2025, China's overall GDP maintained a stable posture, providing a favorable internal environment for the high-speed growth of the industrial and automotive industries, thereby driving sustained high-speed growth in both the forklift and electric vehicle industries.

2030 Market Drivers

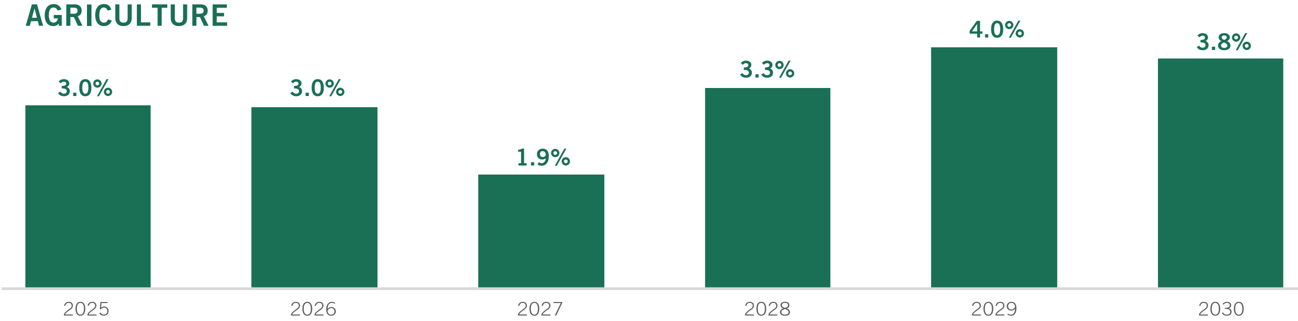
These Market Drivers are forces and events that influence the Forecast whether Globally or Regionally or by Segment

DRIVER	COMMENTS	IMPACT ON FORECAST
Domestic Economic Circulation	Insufficient effective demand and weak investment growth constitute a dual constraint: heightened household savings willingness and cautious consumption spending have made demand insufficiency the core contradiction hindering economic recovery, leaving the macroeconomy under persistent pressure.	
Trade Tariffs	The easing of tariff policies and short-term stabilization of trade frictions have created a more favorable external environment and a valuable strategic window of opportunity for domestic exports.	
Economic Transformation	The rebalancing from investment-led to consumption-led growth, and from external to internal demand drivers, may entail short-term adjustment pressures as growth drivers shift.	

China Forecast

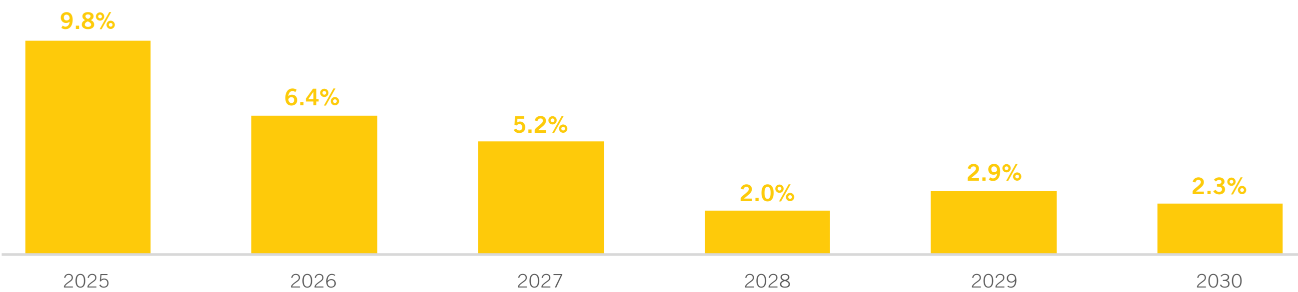
Continued from page 29

AGRICULTURE



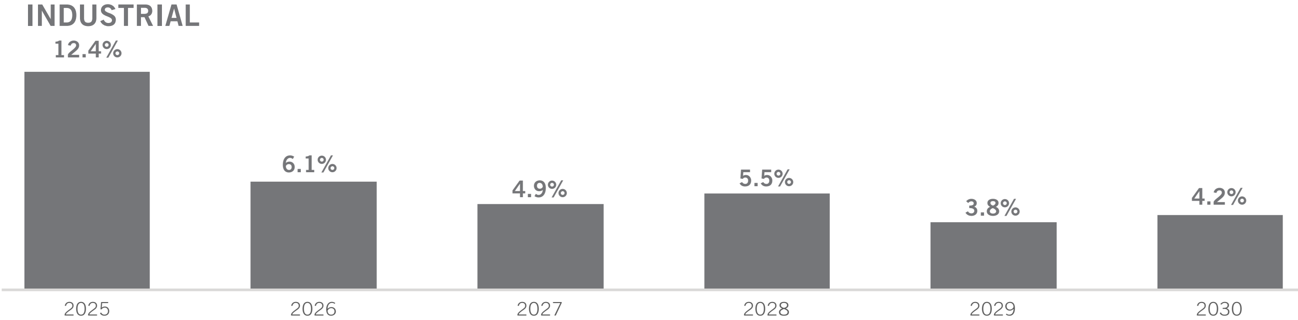
China's agricultural machinery market is undergoing a structural transformation driven by dual forces of policy precision guidance and industrial upgrading. The agricultural machinery market will continue to benefit from the resonance of policy dividends and demand upgrades.

CONSTRUCTION



The market scale is expected to exceed 1 trillion yuan, with intelligentization, digitalization technologies (such as 5G and AI-driven unmanned equipment), and new energy transformation serving as core drivers.

INDUSTRIAL

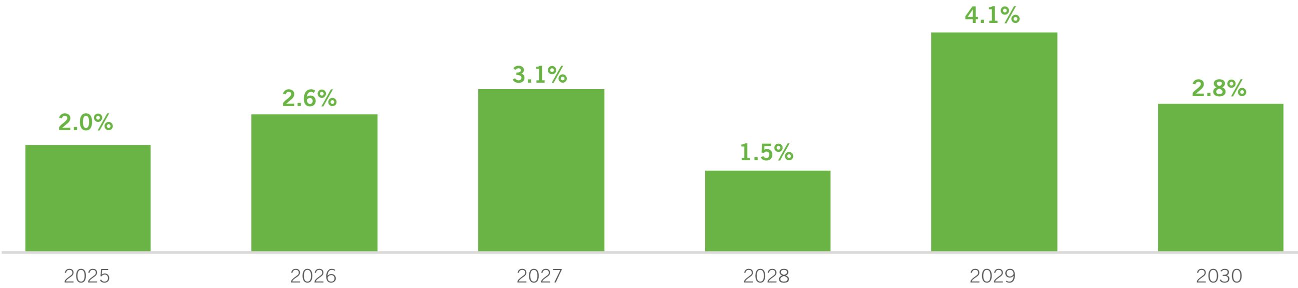


The trend toward electrification is significant: with the market share of electric forklifts already exceeding 65%, with a lithium-ion battery penetration rate surpassing 40%.

China Forecast

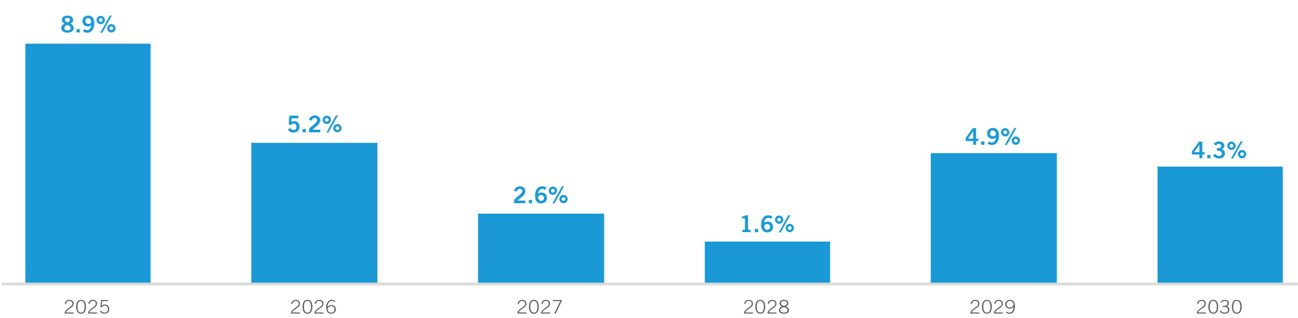
Continued from page 30

LAWN & GARDEN



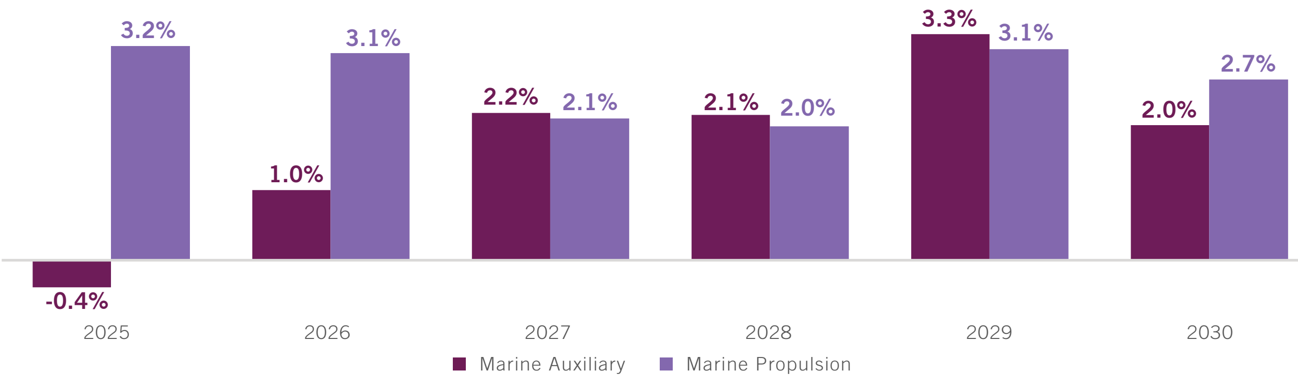
Rising urbanisation rates, upgraded household gardening consumption, and higher municipal greening standards are driving average annual demand.

LIGHT COMMERCIAL VEHICLES



Light Commercial Vehicles segment continues to bounce back strongly after a poor 2024.

MARINE



These segment has maintained the LT growth pattern through out the forecast period

China Forecast

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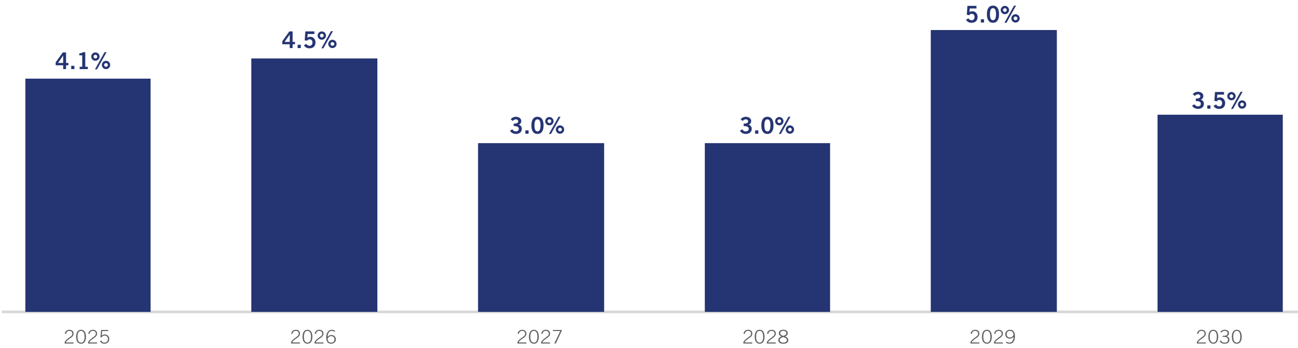
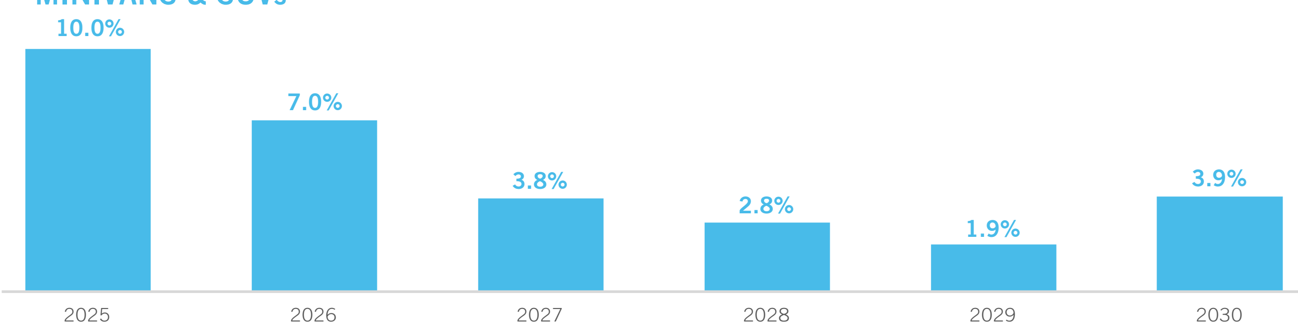
MEDIUM & HEAVY VEHICLES



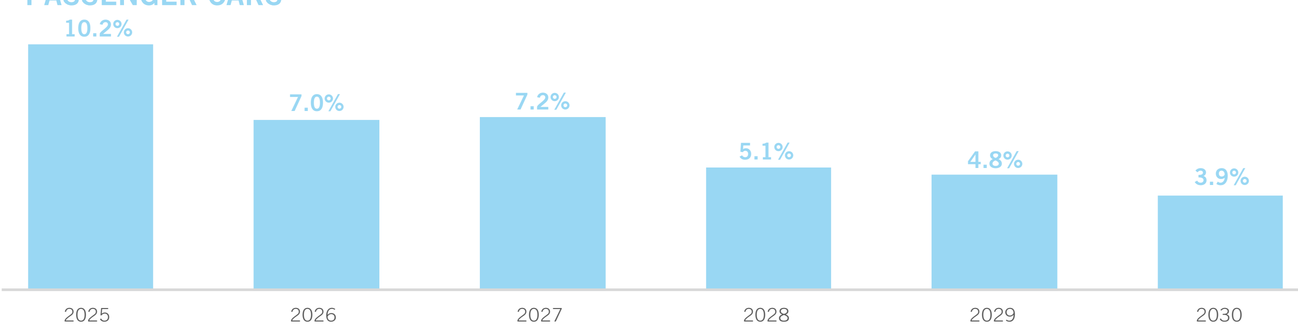
Subsidies for scrapping and updating old commercial trucks and the promotion of new-energy heavy-duty vehicles are accelerating fleet renewal.

MINIVANS & SUVs



Good solid growth will lead China to produce around 22m Minivans / SUV's pa by 2030.

PASSENGER CARS



The passenger car market will see a rise in new energy vehicle sales. Traditional fuel vehicles will gradually lose market share due to environmental policies prioritizing green and low-carbon development.

China Forecast

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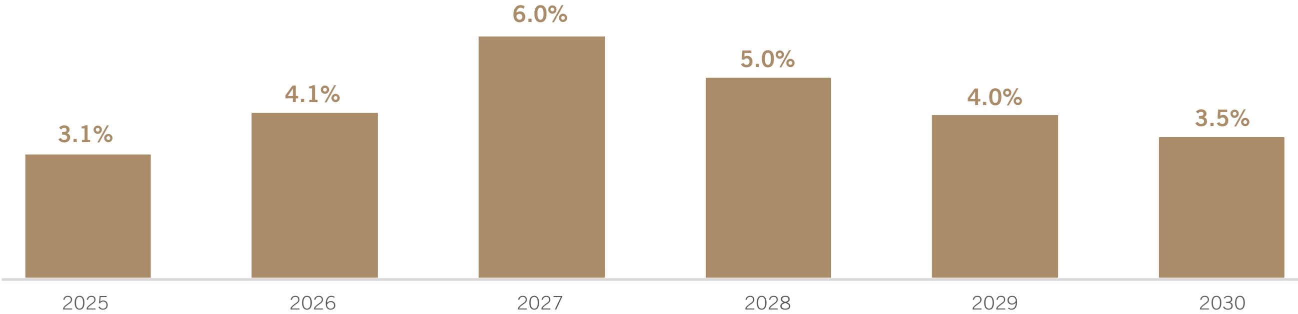
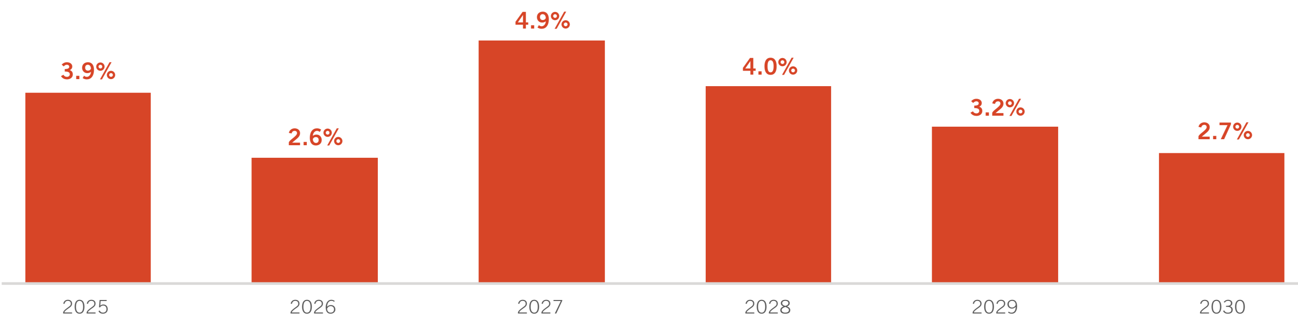
POWER GENERATION



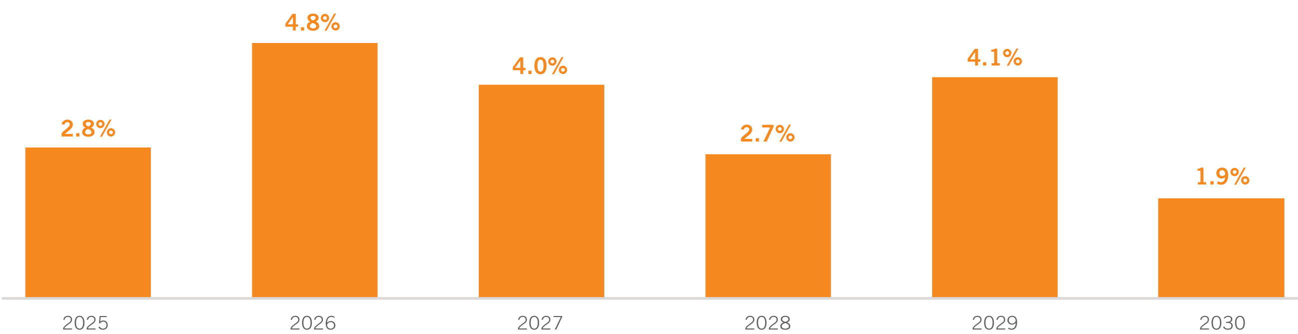
High-horsepower diesel generator sets, and natural gas generator sets are expected to maintain stable growth, driven by both the energy structure transition and the demand for backup power generation to support renewable energy sources.

RAILWAY



Despite being a relatively small segment in unit terms, Railway show solid growth throughout the forecast period.

RECREATIONAL PRODUCTS



Electric motorcycles stand to benefit from rising urban short-distance travel needs, government policy support, and technological advancements such as improved battery performance and broader charging infrastructure.

Far East Forecast to 2030

Forecast Production Trends To 2030

This chart shows the five-year regional Forecast out to 2030 in terms of percent changes in total unit production for the years 2026-2030.

2026	2027	2028	2029	2030
↑ 2.0%	↑ 1.8%	↑ 1.6%	↑ 0.8%	↑ 0.9%

2030 Forecast Trends Comments

Japan's manufacturing industry is projected to stabilize as a mature sector not reliant on volume growth by 2030. Domestic demand will center on replacements, with little expansion.

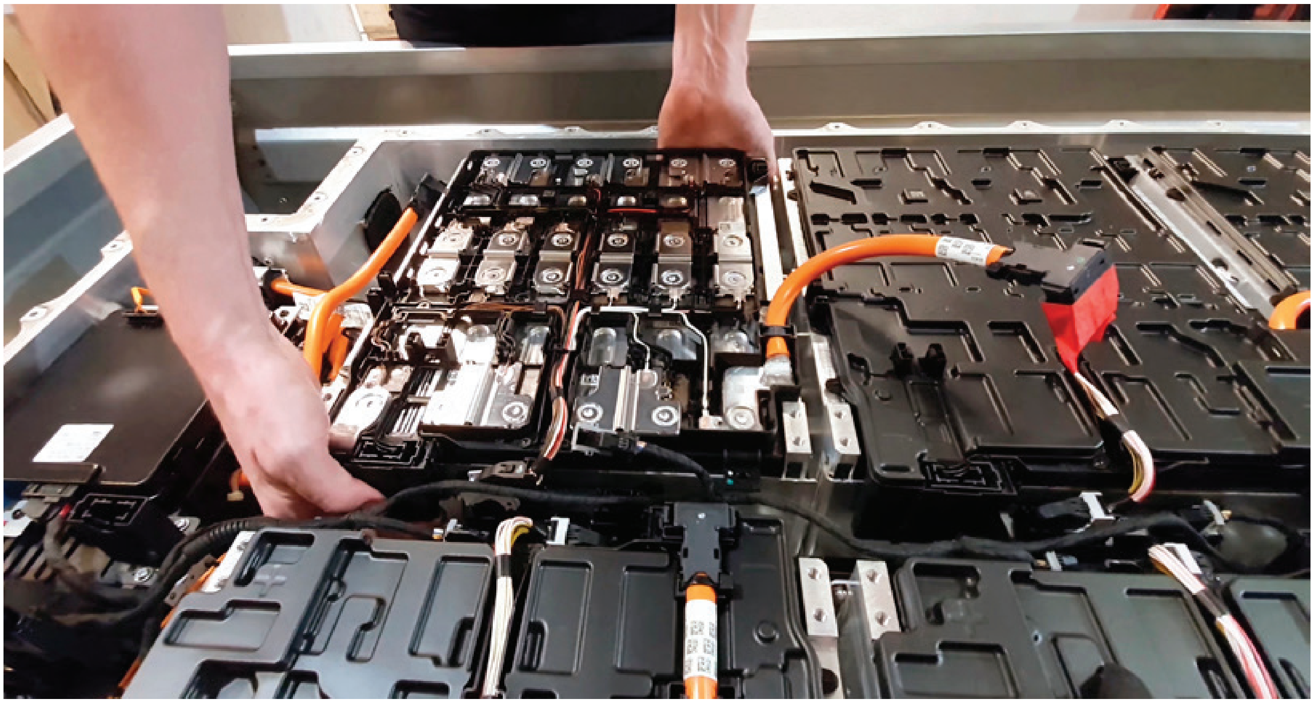
Engines will maintain their core role as power units, incorporating electrification and alternative fuels. Competition will shift toward reliability, operational stability, and lifecycle value. Japan will retain its position defining the high-value-added market.

South Korea's manufacturing sector will strengthen its role as a global supply hub while transitioning to next-generation drive technologies. Engine equipment will continue to serve as a revenue base for exports, while investments in hydrogen, fuel cells, and electric powertrains will enter the implementation phase, solidifying a two-tier structure.

By 2030, South Korea will have defined its character as a nation fully leveraging its engine industry as a bridge to next-generation technologies.

Far East Forecast

Continued from page 34



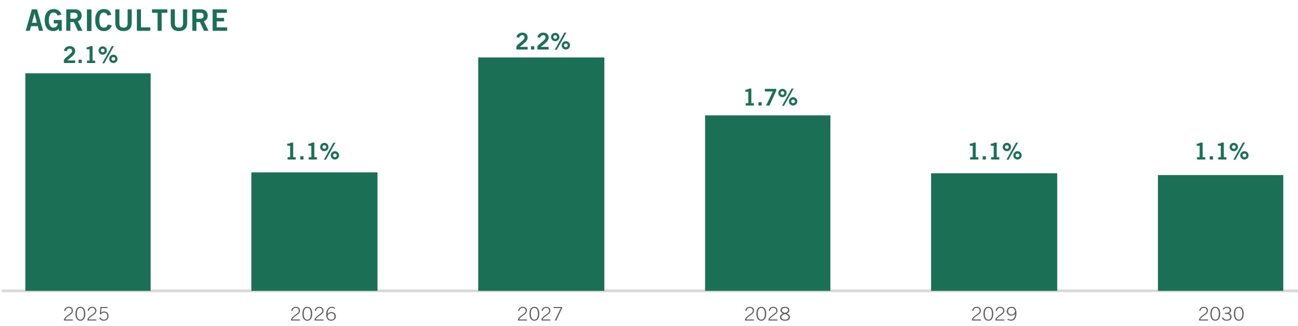
2030 Market Drivers

Region will remain as one of most important producer of agricultural commodities, meat, O&G. On top of this the region will be a key supplier for minerals and biofuels to support energetic transition

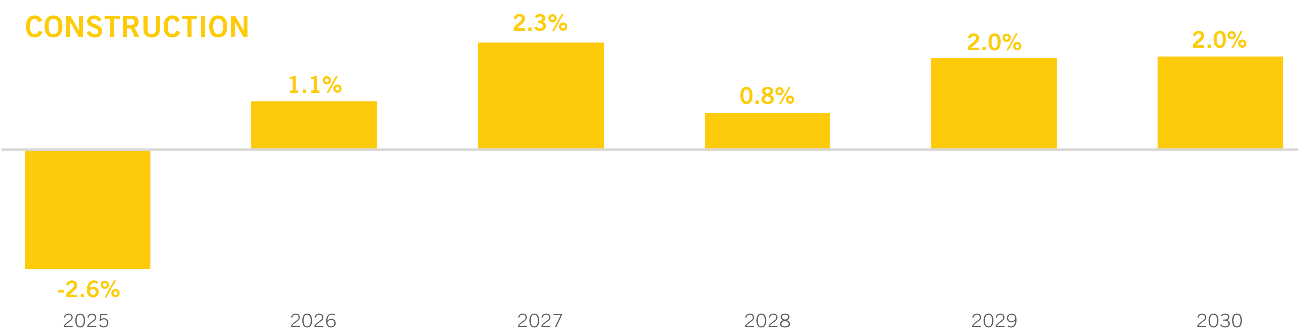
DRIVER	COMMENTS	IMPACT ON FORECAST
Increasing sophistication and complexity of environmental regulations	A regulatory design that extends beyond emissions reduction to include fuel diversity and operational efficiency will help Japanese and Korean manufacturers maintain their competitive advantage in advanced engine design, control, and integration technologies.	▲
High-reliability power demand for infrastructure and industrial applications	Against the backdrop of disaster response, stable energy supply, and business continuity planning, the demand for non-stop, long-life power units will remain strong through 2030. This will support market value, even amid declining unit volumes.	▲
Investment efficiency is reduced due to the pursuit of multiple technologies simultaneously.	The ongoing pursuit of electric, hydrogen, and alternative fuels, coupled with the prolonged payback period for technological investments, will put pressure on short- to medium-term profitability	▼
Increasing competitive pressure from emerging manufacturers' improved quality and control technologies	The gap is narrowing in terms of not only price, but also performance and reliability. This intensifies price competition, especially for standard applications. This limits the growth areas available to Japanese and Korean manufacturers, restricting them to high-value-added segments.	▼

Far East Forecast

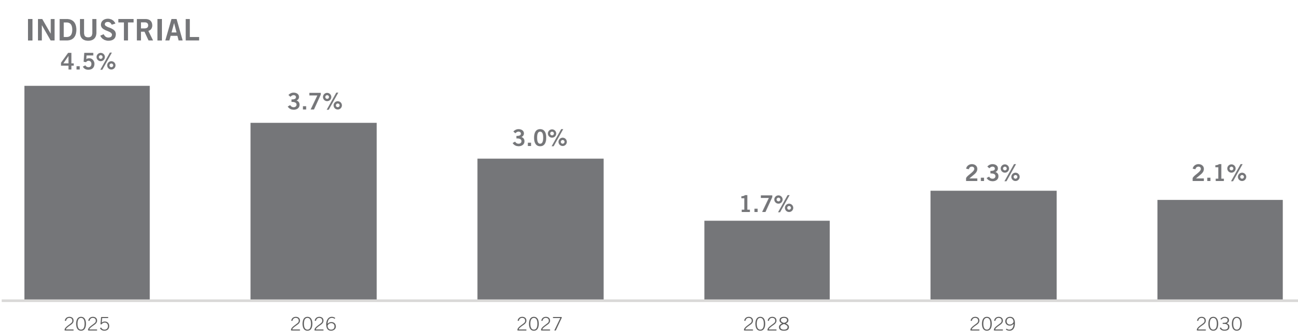
Continued from page 35



Demand for equipment upgrades is supporting the AG economy. This growth resulted from equipment reaching the end of its useful life, coupled with rising rice prices and government policies aimed at increasing rice production. However, exports have slowed



Domestic demand remains weak, mainly due to a slowdown in private construction investment, project delays caused by labour shortages and high material costs resulting in delayed new equipment purchases, and the prolonged use of existing machinery

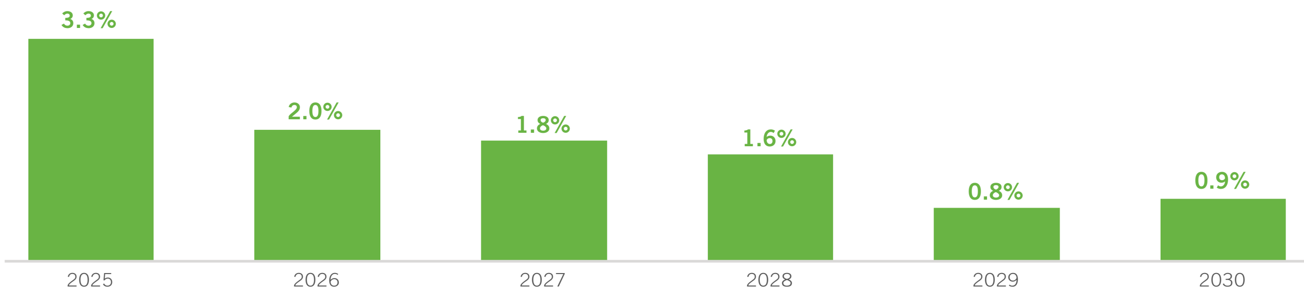


Investment in labor-saving measures and operational efficiency improvements for logistics and warehousing remains robust.

Far East Forecast

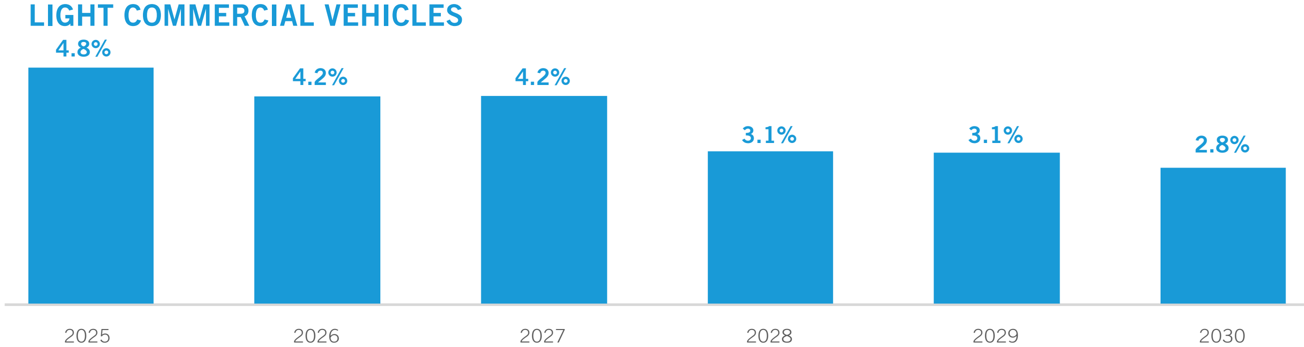
Continued from page 36

LAWN & GARDEN



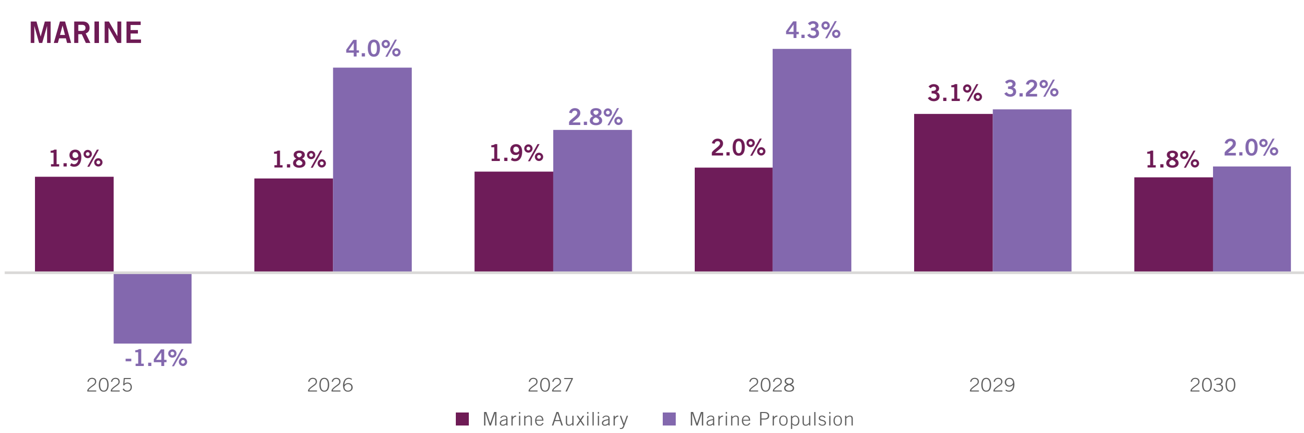
The performance of batteries in hand tools has improved, resulting in an increase in battery models comparable to engine models in terms of performance.

LIGHT COMMERCIAL VEHICLES



Pickups have returned to growth and this is driving the market forwards.

MARINE

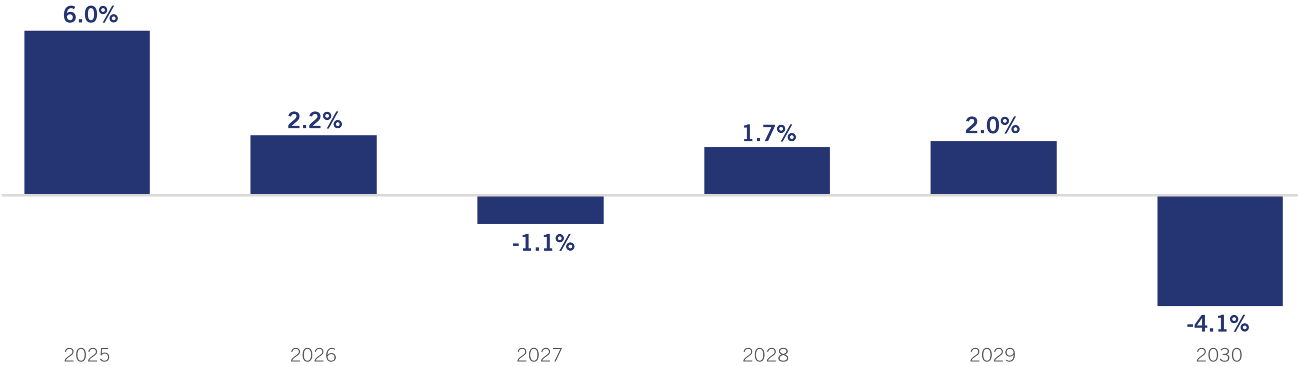


Actual demand was driven by retrofitting needs for the existing fleet, such as compliance with EEXI/CII, improvements in fuel efficiency and operational optimization, and preparation for fuel conversion.t

Far East Forecast

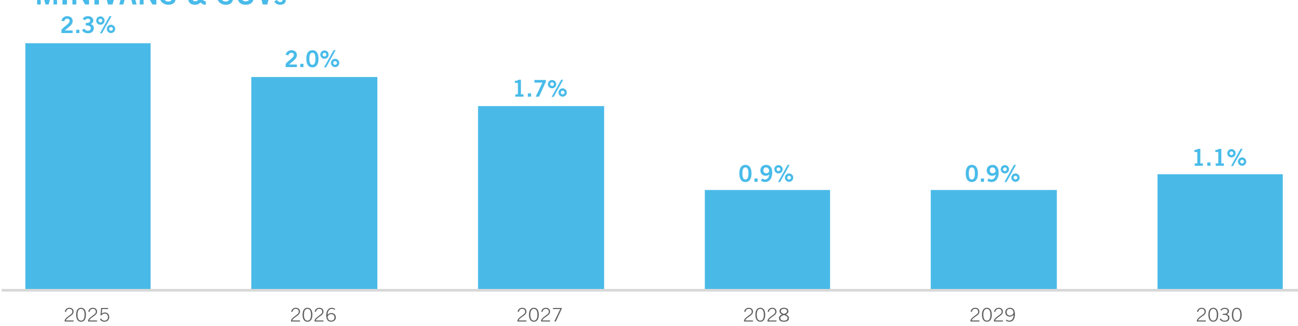
Continued from page 37

MEDIUM & HEAVY VEHICLES



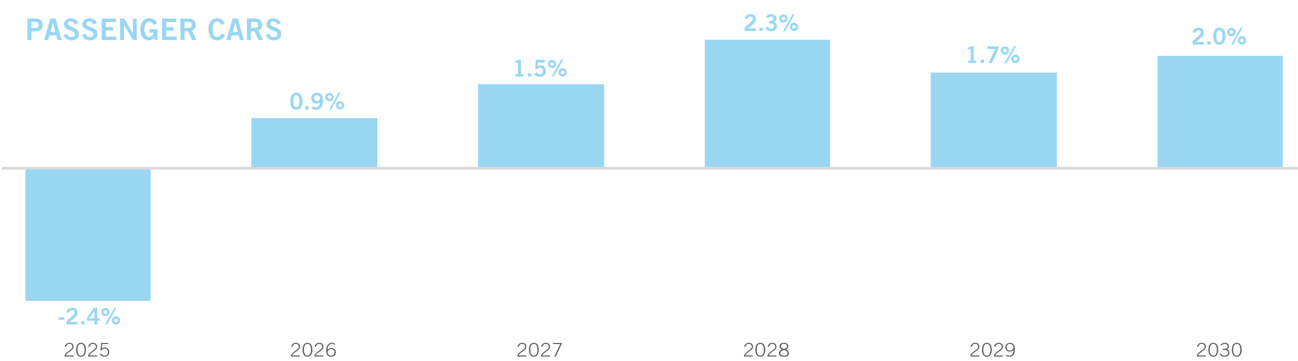
Most Products in this segment have returned to growth in 2025 / 2026 with mixed results forecast from then on.

MINIVANS & SUVs



Volumes are expected to bouncing back following the 2024 decline due to the impact of the temporary suspension of shipments caused by the irregular inspection of many manufacturers, as well as a slight slowdown in exports.

PASSENGER CARS



A failed merger between Nissan and Honda (and Mitsubishi) is creating market uncertainty.

Far East Forecast

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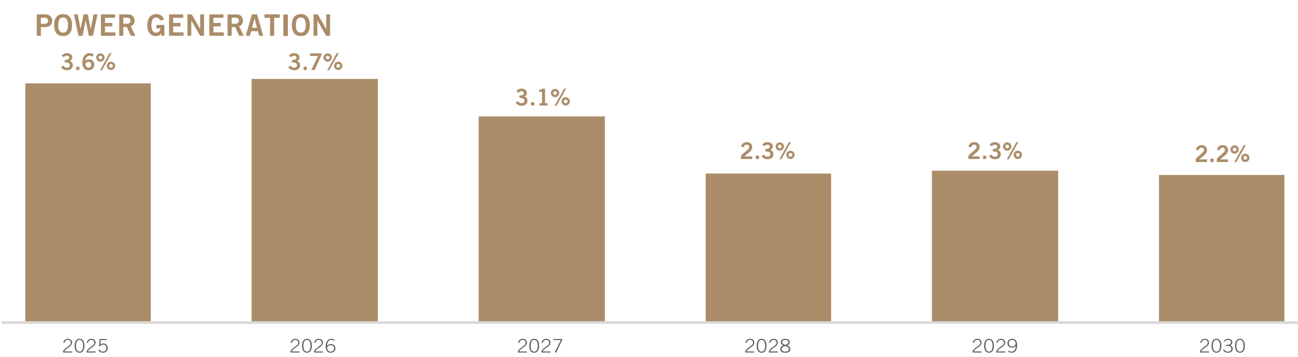
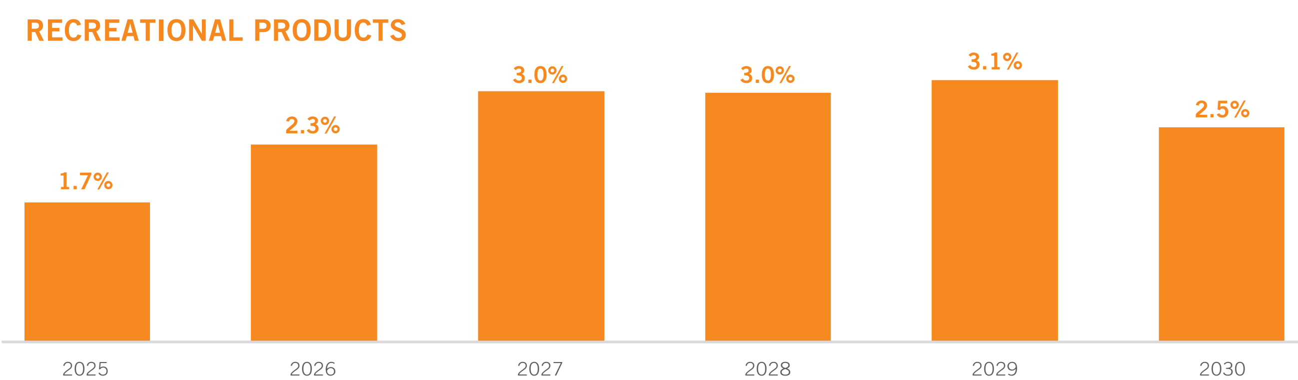


Power Generation remains positive but growth is expected to slow during the forecast period.



Electric models are growing in popularity, but challenges remain, including the slow development of charging and battery-swap infrastructure and high vehicle prices, which hinder adoption.

Southeast Asia Forecast to 2030

Forecast Production Trends To 2030

This chart shows the five-year regional Forecast out to 2030 in terms of percent changes in total unit production for the years 2026-2030.

2026	2027	2028	2029	2030
↑ 0.8%	↑ 0.7%	↑ 1.2%	↑ 1.5%	↑ 1.7%

2030 Forecast Trends Comments

Southeast Asia is one of the few regions where volume growth continues. Against a backdrop of population growth, urbanization, infrastructure investment, and mechanized agriculture and logistics, new installations and replacements proceed simultaneously across a wide range of applications. Electrification and environmental regulations will be introduced gradually, but internal combustion engines (ICE) will remain dominant even by 2030. Market growth is more likely to be uneven with peaks and valleys rather than a stable upward trajectory due to differences in national policies and regulations. On the production side, local manufacturing of finished vehicles and machinery, along with CKD assembly, will expand steadily increasing supply capacity within the region. While the growing presence of Chinese manufacturers will intensify price competition, the market itself will continue to expand. Consequently, by 2030, Southeast Asia will increasingly solidify its character as a manufacturing hub where growth is assured but competition becomes fiercer.

2030 Market Drivers

Region will remain as one of most important producer of agricultural commodities, meat, O&G. On top of this the region will be a key supplier for minerals and biofuels to support energetic transition.

DRIVER	COMMENTS	IMPACT ON FORECAST
Continued infrastructure investment and urbanization	Infrastructure development will continue over the medium term, sustaining demand for engine-equipped equipment through 2030.	▲
Increase demand for mechanization and equipment upgrades drive by rise incomes and industrial advancement	Mechanization is replacing traditional manual labor and outdated machinery in agriculture, logistics, and manufacturing. This involves new installations and replacements happening at the same time.	▲
Policy and Regulatory Discontinuity	Frequent changes in emissions regulations, incentives for electrification, import restrictions, and subsidy programs tend to lead to a pattern of pulled-forward demand followed by a rebound decline.	▼
Price-driven competition due to the rapid penetration of Chinese manufacturers	Chinese manufacturers are increasing their presence in construction machinery, motorcycles, and small commercial machinery. This contributes to market expansion but also suppresses quality growth through falling prices and declining profit margins.	▼

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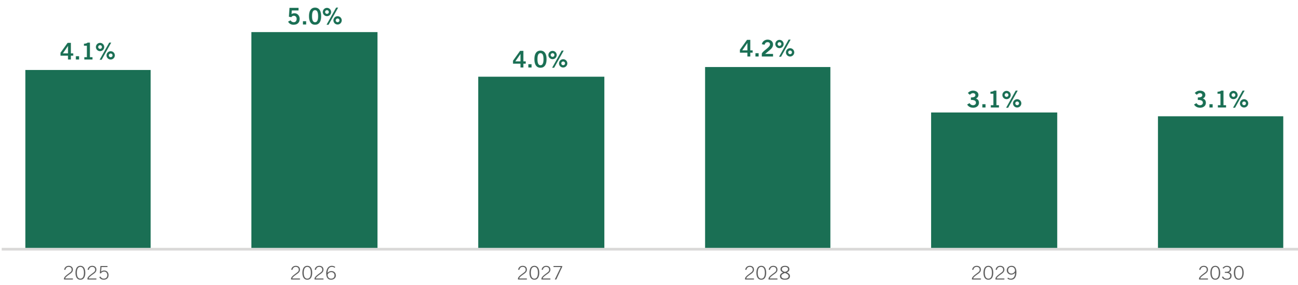
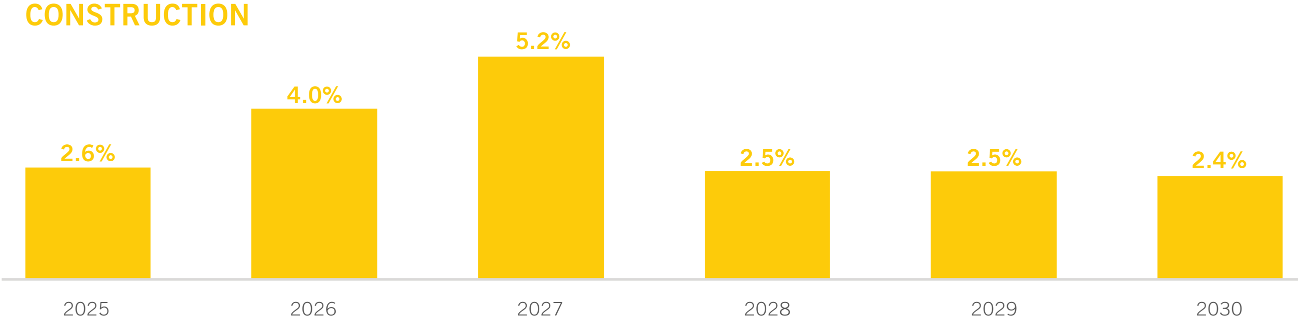
AGRICULTURE



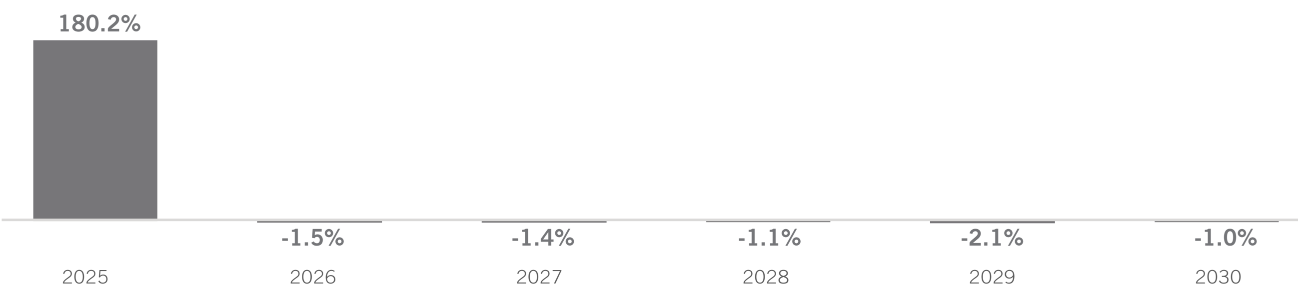
Demand for agricultural machinery remains resilient, driven by advancing mechanization and labour shortages.

CONSTRUCTION



Although supported by substantial investments in infrastructure, logistics hubs, and data centers, variations exist depending on each country's economy and project progress

INDUSTRIAL



This segment has very small volume so modest volume increases often show as significant percentage increases

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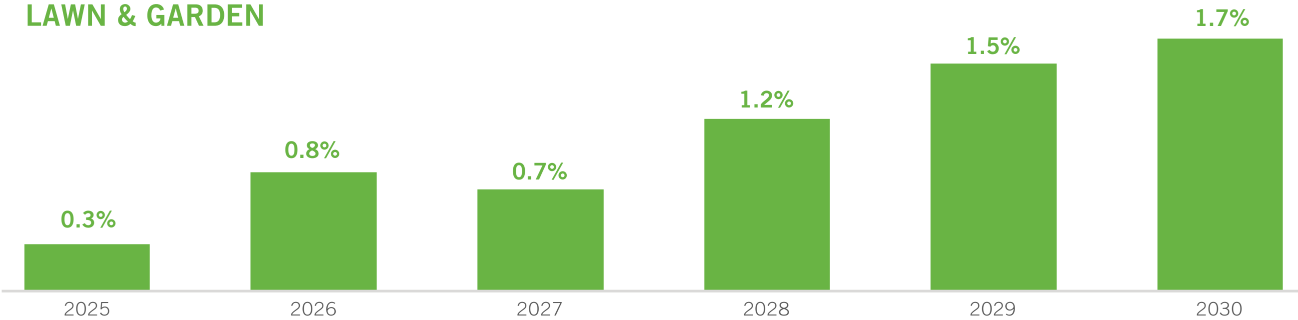
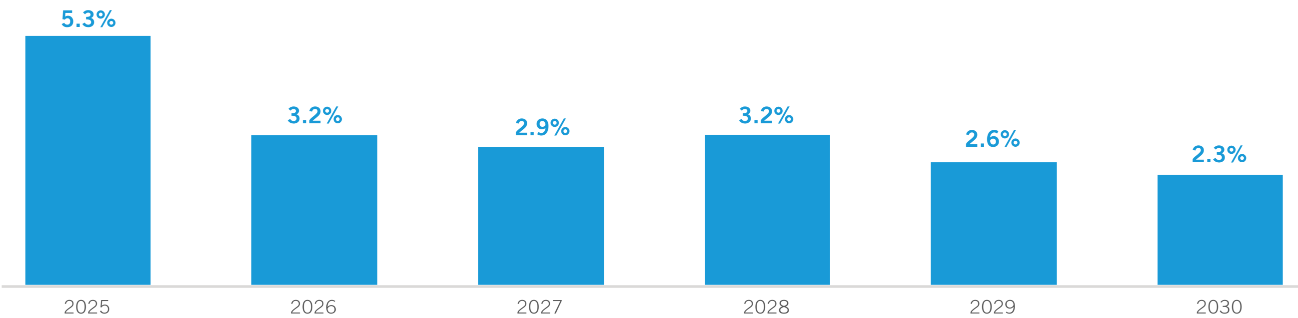
LAWN & GARDEN



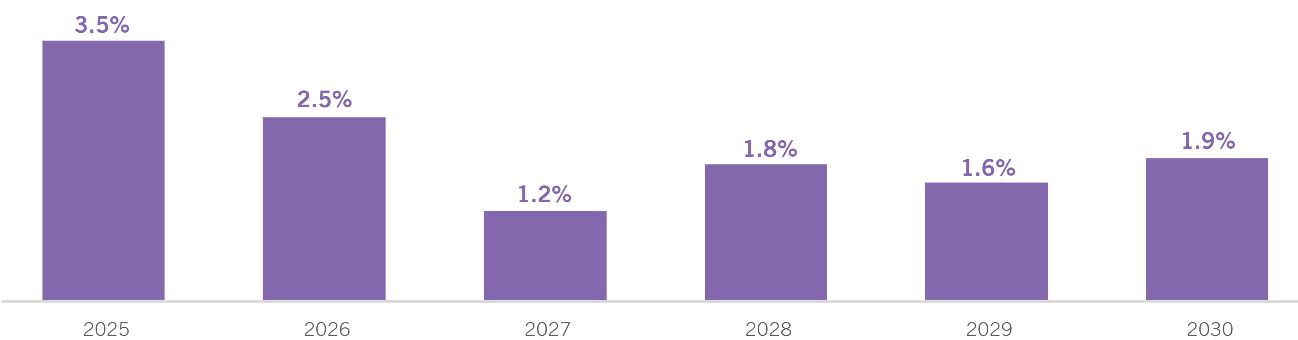
Lawn & Garden makes a very slow, multi year recovery from 2024 decline.

LIGHT COMMERCIAL VEHICLES



Following a decline in 2024 Light Commercial Vehicles are expected to bounce back quickly.

MARINE PROPULSION



Marine Propulsion shows good growth throughout the forecast period.

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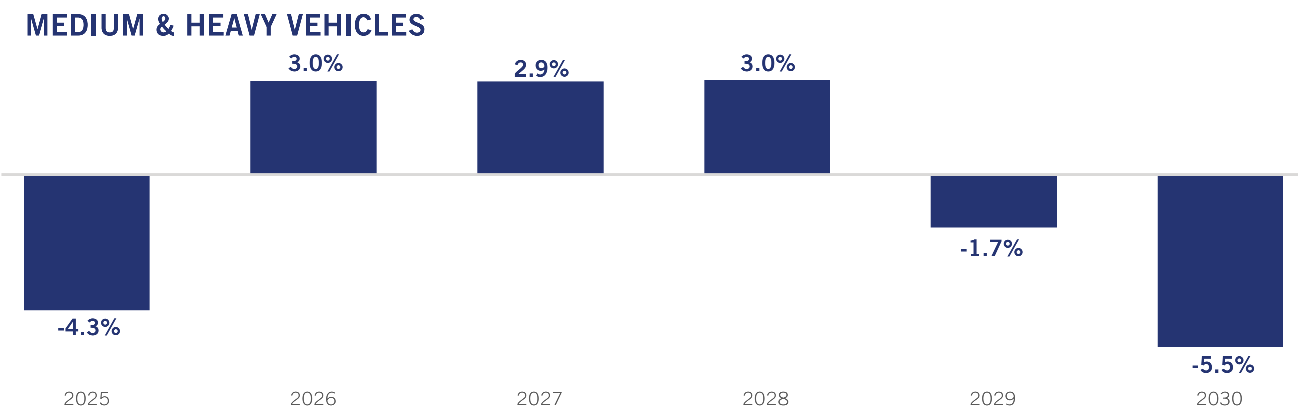
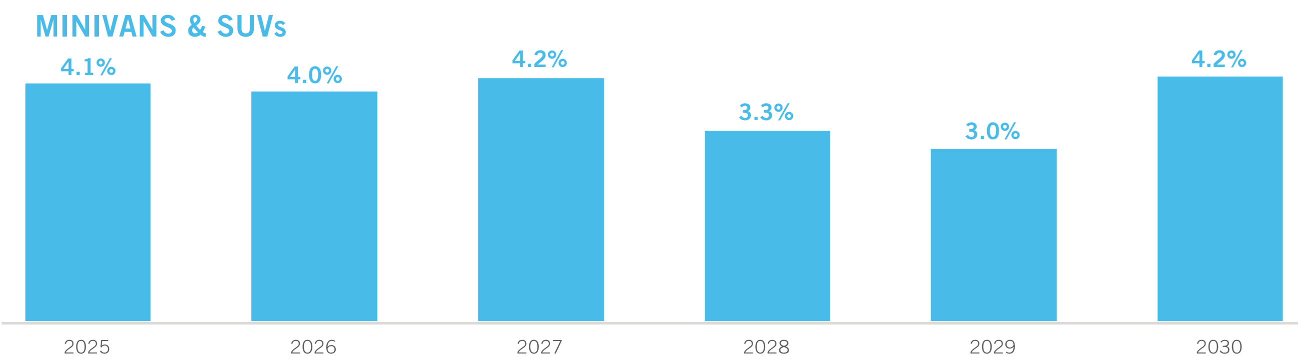
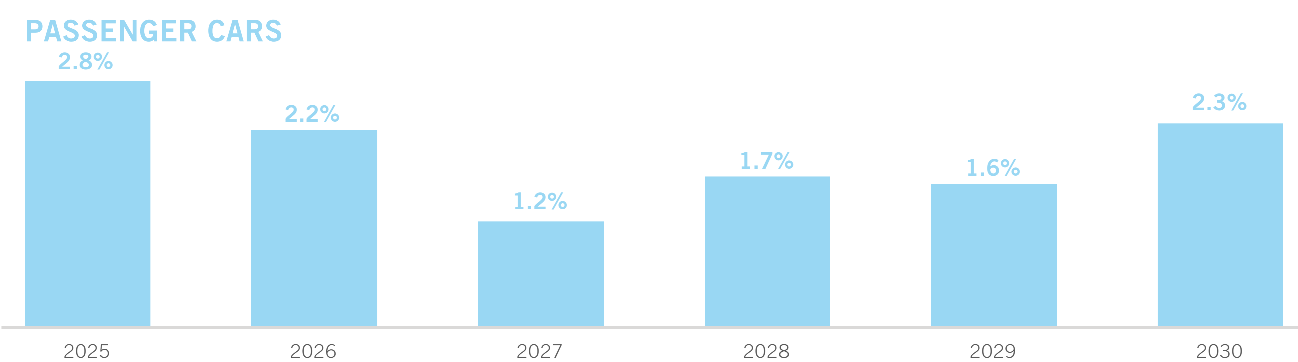


Medium Heavy Vehicles segment is expected to recover strongly from 2025's decline until the last 2 years of the forecast period.



Minivans and SUVs bounce back strongly from a decline in 2024.



Chinese brands, especially in Thailand, continue to invest and are beginning to take market share from the dominant Japanese brands.

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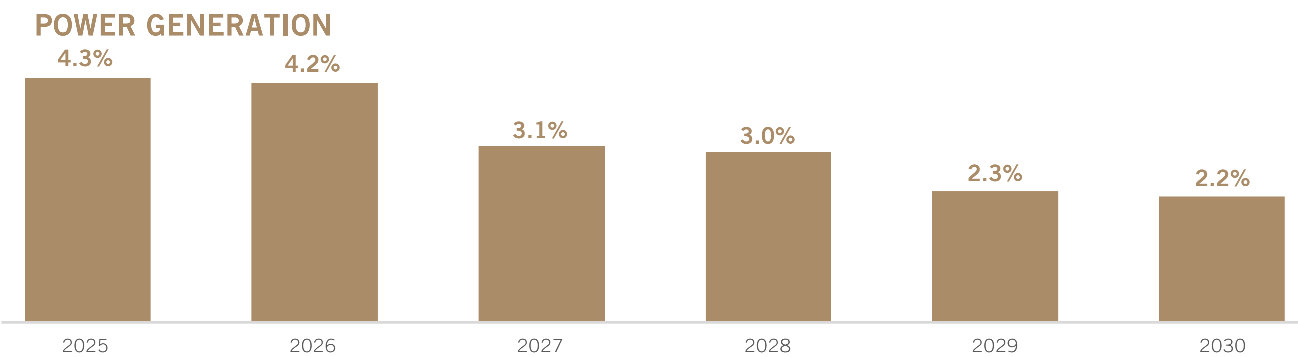
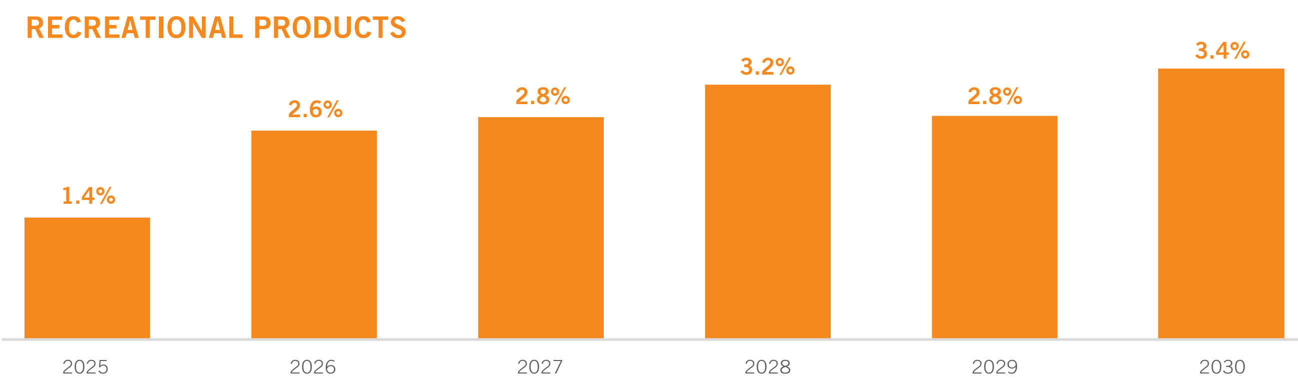


Power Generation is not a large sector but shows strong and consistent growth



The suspension of EV subsidies in Thailand caused electric vehicle sales to stall, demonstrating the direct impact of policy changes on supply and demand. In Hanoi, a ban on fossil fuel-powered motorcycles starting in July 2026 will accelerate the electrification trend through urban regulations.

IV. Research Methodology

Power Systems Research (PSR) Research Methodology

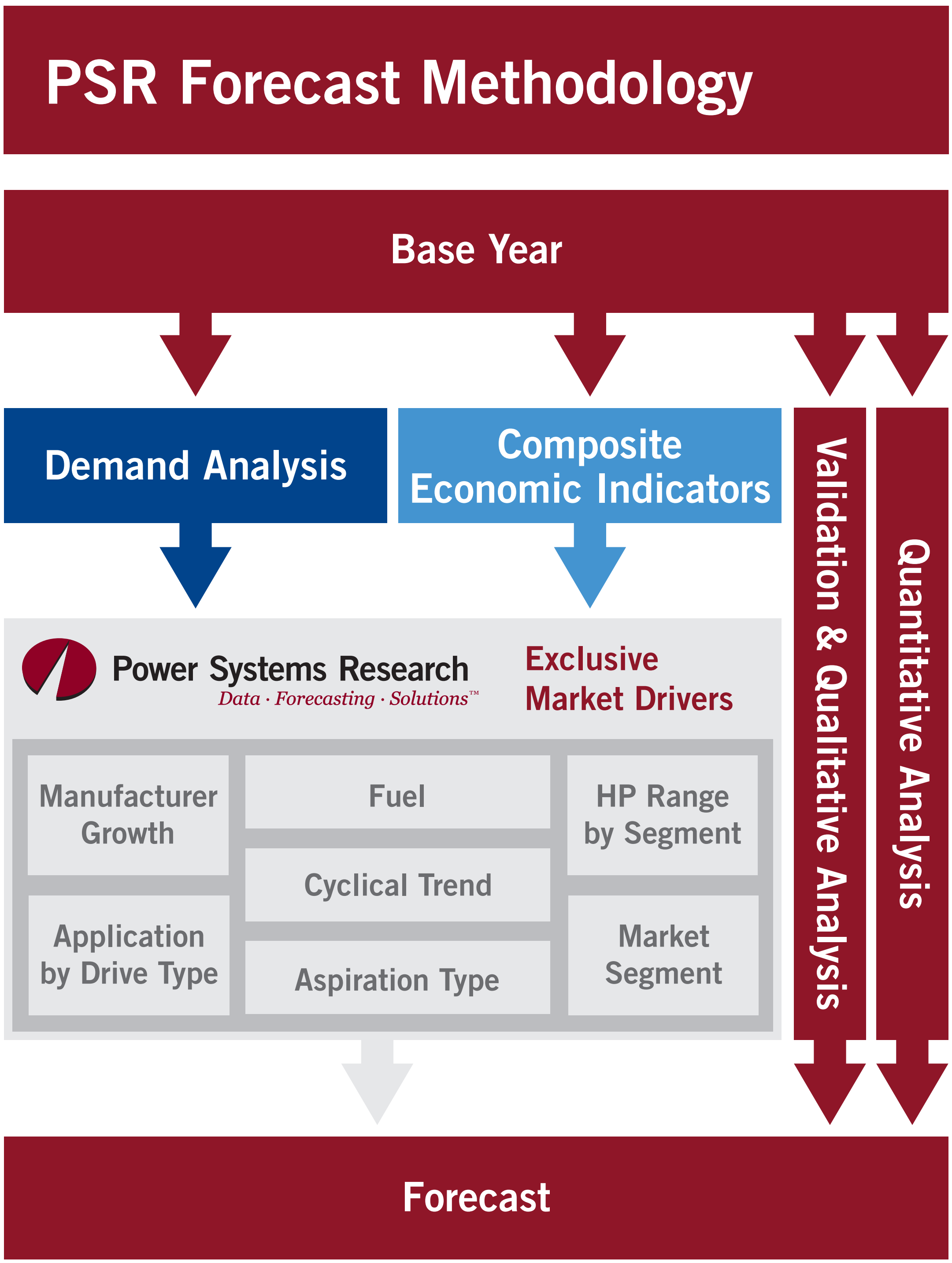
Research begins with the gathering of information from primary and secondary sources. Next, the PSR analyst team reviews and validates all data against industry benchmarks. If our analysts discover anomalies in the data, additional research and validation is performed before publishing.

PSR RESEARCH METHODOLOGY

V. Forecast Methodology

Power Systems Research (PSR) Forecast Methodology

The analysis begins with the Base Year and key historical data then adds current and future economic indicators and market demand. Next, our exclusive market drivers are entered and the Power System Research proprietary algorithm is applied. Extensive analysis and discussion by our PSR Analyst team validates and produces the forecast.



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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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