

Forecast Bulletin

April 14, 2026

Q1 2026 REPORT

FIVE-YEAR FORECAST BY REGION AND SEGMENT



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Looking Ahead To 2031

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.



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Commercial Vehicle Outlook

Medium and heavy truck production in North America is expected to increase by 9.4% this year compared with low 2025 production. While class 8 truck production is expected to increase by 11.3% this year as order rates for class 8 trucks improved strongly from December – February.

To get the full story, contact us today.



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I. Executive Notes



Technology on Display at CONEXPO 2026

CONEXPO 2026 wrapped up in Las Vegas a few weeks ago. Several members from Power Systems Research (PSR), including myself, attended the show. True to form, CONEXPO once again demonstrated massive size and the ongoing vibrance of the global construction industry.

When I attend a large show such as CONEXPO, I compare and contrast the current show against the last show three years earlier. Many of the products on display were much the same, but there were also some themes and trends that were prominent in 2026. Here are some key themes/trends that I took away from the show:

- Battery-Electric is suitable but only for the right applications. Equipment powered solely by Battery-Electric may have found its niche in smaller equipment and some medium-sized machines, depending on the application and duty cycle. The need for full electric must fit the specific use case as

the cost of a battery electric machine will most often be more expensive than a machine powered by diesel.

- Hybrid power rather than a full electric solution seemed to be most favored. In 2023, there were a greater number of OEMs showing full electric powered prototypes; this year, while there were electric machines present, the focus seemed to be more on hybrid solutions utilizing a combination of an IC engine and battery electric powertrain.
- Smarter Machines. Smart Machines proactively offer on-board problem solutions and fuel-saving steps; they don't just identify and signal problems, they begin addressing them immediately.
- A diverse range of Alternative Power has become a reality in equipment. Equipment at the show demonstrated a mix of battery power, hydrogen powered IC engines and traditional diesel power.
- AI is being utilized to maximize effectiveness. OEMs are using AI to increase safety and productivity, which is an important tool in managing a job site and also managing a fleet of equipment that may be operating across several locations. Large OEMs like Komatsu and Caterpillar quite prominently promoted these

Author



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tools leveraging AI to maximize fleet operational efficiency.

- **Connected Fleets.** Connected Technology, where equipment fleets can be monitored from a central location to optimize equipment utilization, evaluate operator productivity and proactively monitor potential issues and help prevent downtime, also were popular items at the show.

Overall, when I compare CONEXPO 2026 to CONEXPO 2023 it is evident that advancements in several areas of technology have been applied to the equipment on display. The advancements in technology within the powertrain and drivetrain enhance the overall experience for end users who invest in an OEMs brand of equipment. This translates into a better overall ROI to the construction fleet in terms of maximizing the value delivered for the machine cost and in meeting environmental and carbon footprint considerations.

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 Q1 2026 update, we incorporated the important insights gathered during the first quarter to provide our best outlook for 2026 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.

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 special 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 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 2026 as well as an overview from the previous three quarters of what we anticipated for 2026 production levels. This provides a quick snapshot of how 2026 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 (2026) production in the region.

Each segment level forecast is represented by a bar chart showing the change in production volumes for the current year (2026) as well as our five-year forecast from 2027-2031.

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 2026 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 2031

Forecast Production Trends To 2031

This chart shows the five-year regional Forecast out to 2031 in terms of percent change in total unit production for the years 2027-2031.



2031 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

2031 Market Drivers

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

DRIVERS	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 indebted.	▼
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 boiling over and Strait of Hormuz continues to be a flash point.	▼
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	Whilst global production of oil remains fairly buoyant, transport of oil; remains severely restricted in the Strait of Hormuz, and this is leading to rapid price hikes all around the world.	▼

Global Forecast

Continued from page 6

Overall Solid Growth Expected Through 2031

SUMMARY. Despite today's global uncertainties led by the wars in Ukraine and Iran and the chaotic US tariff policies, the global economy looks as though it will produce overall solid growth through 2031. The Medium and Heavy Vehicles and the Marine Propulsion Segments are the only segments expected to decline in both 2026 and 2031, but they are both likely to grow during the remaining years. The average market growth rate is at a solid +3.2% and the market is forecast to grow +42.150 million units by the end of the forecast period.

AGRICULTURAL. The Agricultural sector is showing consistent signs of good growth in the range of +1.2% to +3.1%. The average growth rate remains at +2.4% and the market is expected to grow by +548,000 units by the end of the forecast period. Most of this growth comes from China (averaging +3.2%) and India (averaging +1.6%) with Japan showing the slowest growth of the major agriculture countries, at +1.3% average over the forecast period.

CONSTRUCTION. The global Construction Equipment sector is expected to grow by +5.3% in 2026 and then continue growing well until an expected recession in 2030 (with -1.7%). The average growth rate remains at +2.3% and the market is seen growing by +128,000 units by the end of the forecast period. Of the major countries, China adds most of the volume with +70k by the forecast end.

INDUSTRIAL. Industrial is expected to remain positive throughout most of the forecast period with average growth rate remaining at a solid +3.1% and the market grows by +929k by the end of the forecast period. Of the big two manufacturing countries, only China continues positive growth throughout the period, averaging +4.8%, while the USA declines in 2030 but still averages +2.1%. The next fastest growing major region is India with average growth of +5.6%.

LAWN & GARDEN. Lawn & Garden remains positive in all forecast years except 2030 when it is expected to decline by -2.5%. The average growth rate remains

at +2.3% and the market grows by +3,150,000 by the end of the forecast period. The USA is the largest producer for this sector with almost half of the total volume, so a fall in 2030 of -3.9% contributes significantly to the 2030 market decline. Of the big five producers only China and Brazil remain positive throughout the whole forecast period.

Despite today's global uncertainties led by the wars in Ukraine and Iran and the chaotic US tariff policies, the global economy looks as though it will produce overall solid growth through 2031.

LIGHT COMMERCIAL VEHICLES. This segment is expected to remain positive throughout the forecast period with the average growth rate remaining at a good +2.8%. The market is expected to grow by +1,898,000 by the end of the forecast period. Of the top two countries (China and USA) China remains positive throughout the period and adds +570,000 units while the USA shows mixed growth/decline figures throughout most of the forecast and ends the forecast period with a decline of +217,000 units.

MARINE AUXILIARY/MARINE PROPULSION. After a difficult 2025, this segment is expected to grow throughout the remainder of the forecast period with the average growth rate remaining at +1.8%, and the market growing by +75,000 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 +2.6% and add +56,000 units.

MEDIUM & HEAVY VEHICLES. This segment is expected to decline in 2026 and 2031 but grow for the remaining years. The average growth rate remains at +2.0% and the market is forecast to grow +477,000 by the end of the forecast period. None of the big three



Global Forecast

Continued from page 7

production countries remain positive throughout the period but China adds +277,000 with average growth rates of +1.8%.

PASSENGER CARS/MINIVANS & SUVs. Generally, 2026 is expected to remain a solid year for these segments with a growth averaging +3.3% (Minivans +5.5% and Passenger Cars at +2.3%) and the market grows by +13,252,000 by the end of the forecast period. 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 and USA both averaging +4.9%.

POWER GENERATION. Power generation is expected to continue to grow strongly during the whole of the forecast period with growth ranging from +2.0% to +4.4%. The average growth rate remains solid at +3.1% and the market is expected to grow by +1,363,000 by the end of the forecast period. The top 2 power generation countries (China and United States) show mixed result with China averaging +4.4% and USA averaging -2.4%.

RAILWAY. Global railway production is expected to grow strongly throughout the forecast period with an average growth rate of +4.8% and increase in size by just over +1.5k. The market is dominated by China (60% of the production) which is forecast to have an average growth rate of +3.3%.

RECREATIONAL PRODUCTS. This segment continues to grow strongly with volumes growing on average by +3.6% and adding 20,329,000 units by 2030. The size of this segment is so large that it can distort overall market views. Growth rates for the future years are driven by China and India who 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. Battery Electric Vehicles are expected to grow at a rate between +4.8% and +8.9%, with an average growth rate of 7.4%. The segment is expected to add an extra 28,874,000 units by 2031. The Internal Combustion vehicles on the other hand are growing much slower with changes ranging from -1.2% to +1.7% and averaging +0.9%. **PSR**

North America Forecast to 2031



Forecast Production Trends To 2031

This chart shows the five-year regional Forecast out to 2031 in terms of percent change in total unit production for the years 2027-2031.



2031 Forecast Trends Comments

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

2031 Market Drivers

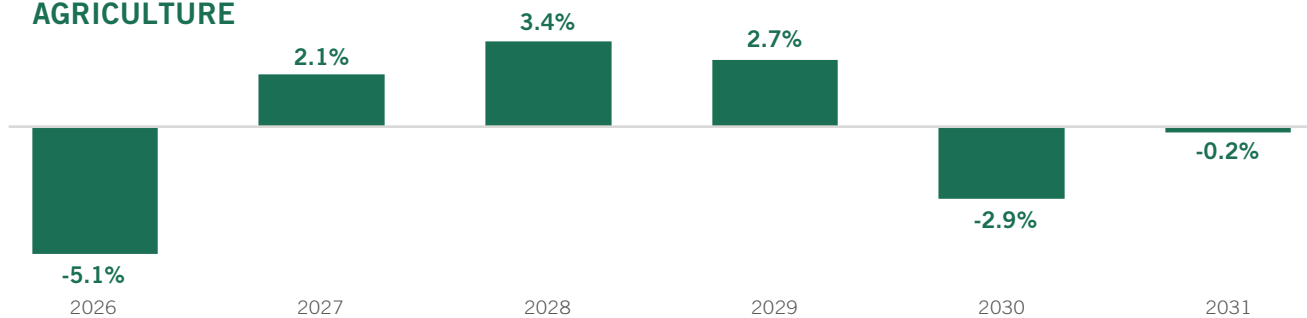
These Market Drivers are Global, Regional or Segment forces and events that may influence the five-year regional Forecast out to 2031.

DRIVERS	COMMENTS	IMPACT ON FORECAST
Trade Tariffs & Policy Shifts	Tariffs have raised input costs for OEMs, squeezing profits. Difficult for long term planning. Costs being passed onto customers.	▼
Ongoing Wars in Iran & Ukraine	Supply chain disruptions, high energy costs, and costly fertilizer are resulting from these conflicts.	▼
Large-scale Infrastructure Projects	Federal and state funded initiatives for building roads, bridges, etc.	▲
Technological Innovation & Manufacturing	Advancing AI and manufacturing technologies strengthens economic competitiveness and secures supply chains.	▲

North America Forecast

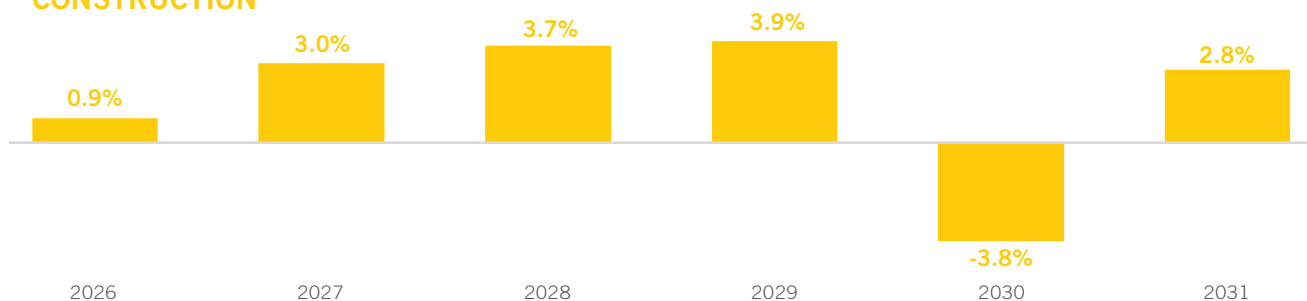
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AGRICULTURE



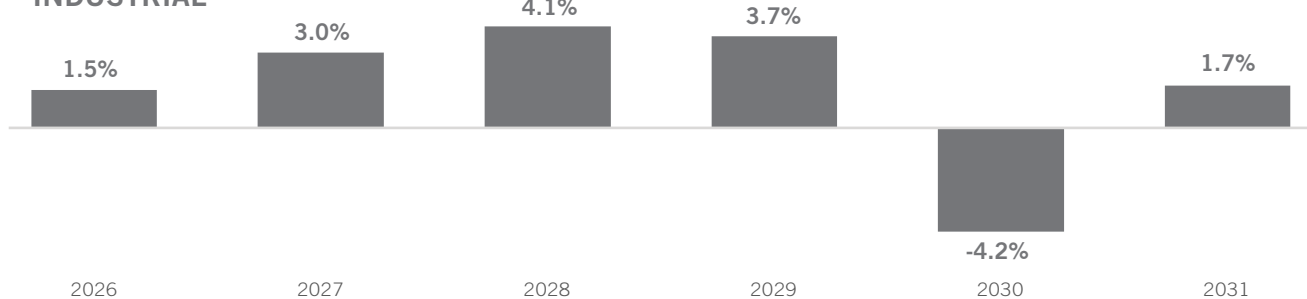
Falling commodity prices, high interest rates, machine oversupply, increased input costs, labor shortages, and ongoing tariffs have all affected the ag market negatively.

CONSTRUCTION



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.

INDUSTRIAL

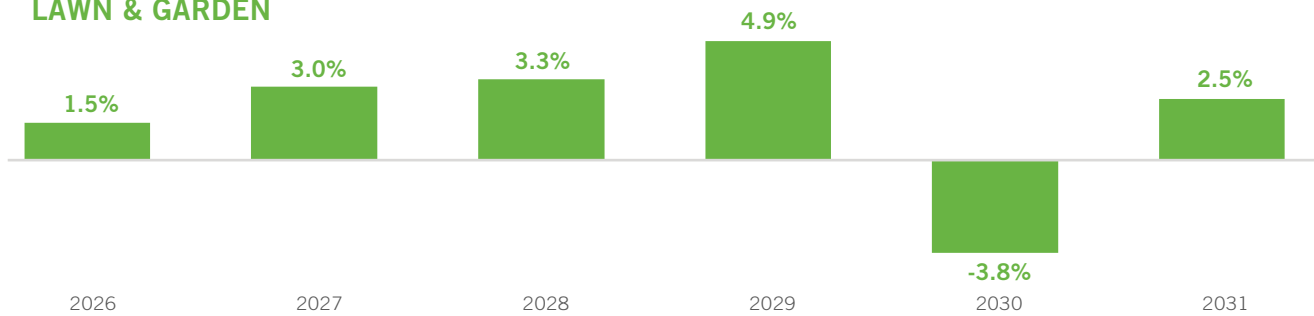


With predominant backorders, the Industrial segment is predicted to continue to grow. The trade policy within North America currently may have a negative effect on the market.

North America Forecast

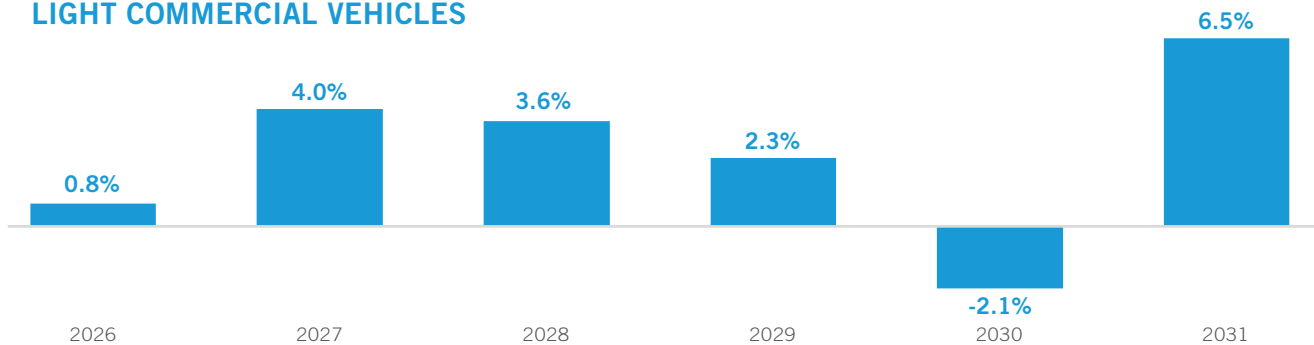
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LAWN & GARDEN



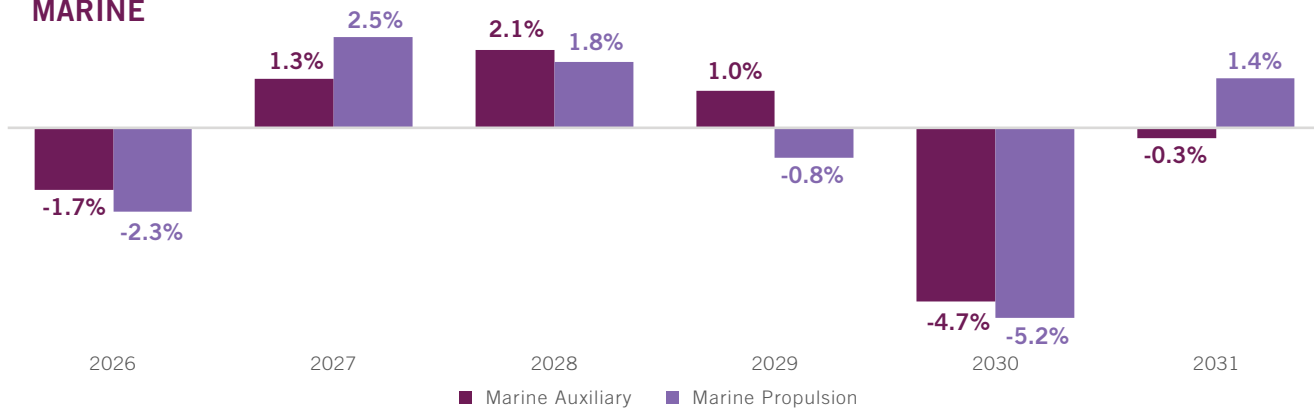
The Lawn & Garden Segment is expected to bounce back strongly after the decline in 2025.

LIGHT COMMERCIAL VEHICLES



Despite strong growth in 23/25, LCV's are dropping back in 2026.

MARINE

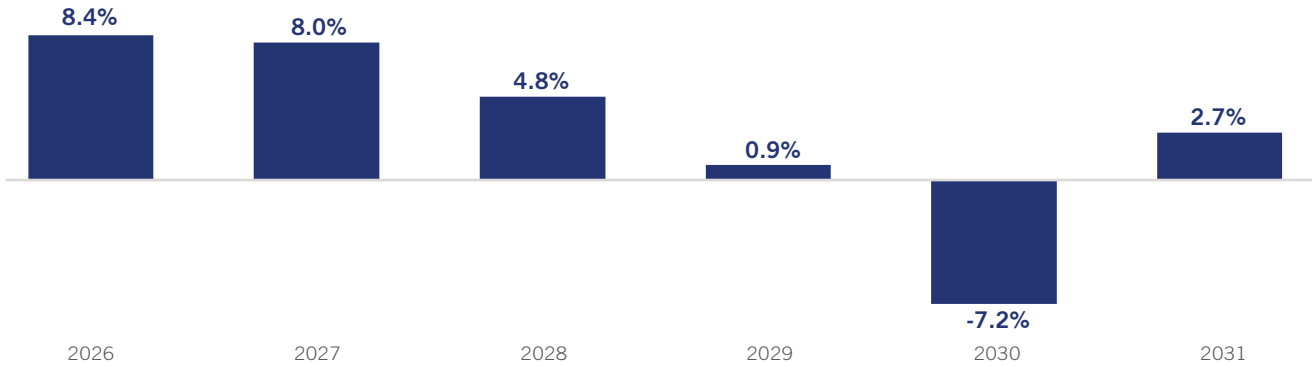


Both Marine sub segments declined in 2025 and will continue to decline in 2026 before posting several years of growth.

North America Forecast

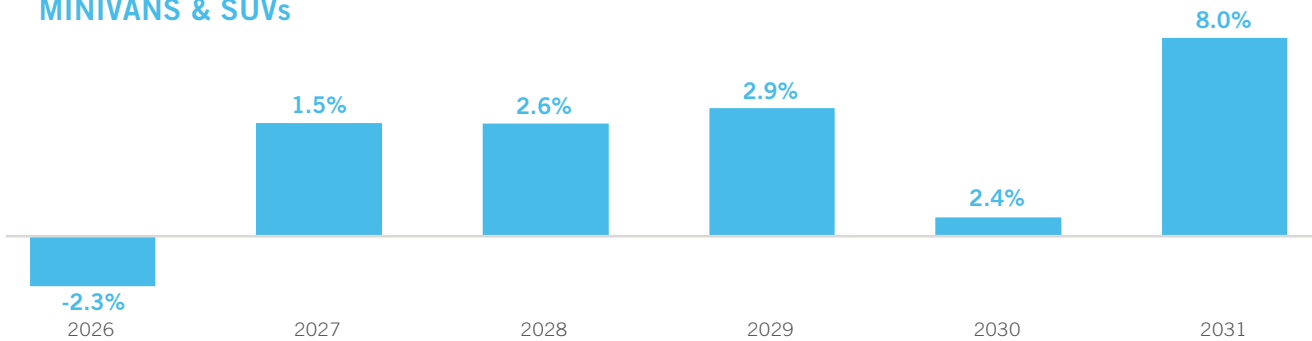
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MEDIUM & HEAVY VEHICLES



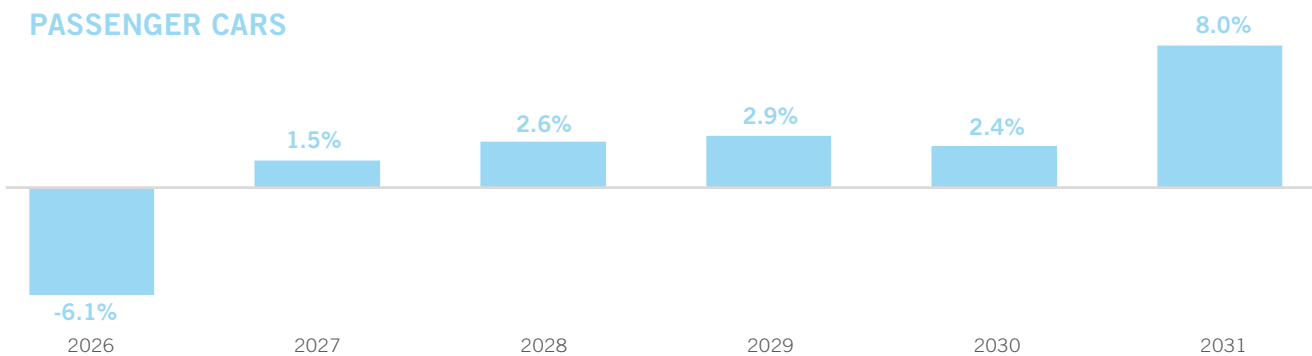
The industry continues to be negatively impacted by the weight of the tariffs, low freight demand, excess truck capacity, and high finance rates.

MINIVANS & SUVs



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

PASSENGER CARS

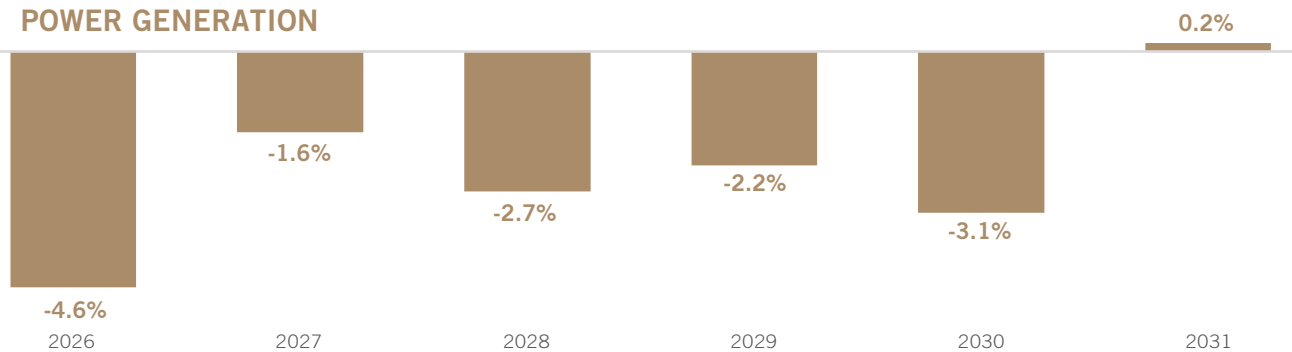


ICE Passenger Cars are expected to decline throughout the Forecast whilst EV cars are expected to grow again from 2026.

North America Forecast

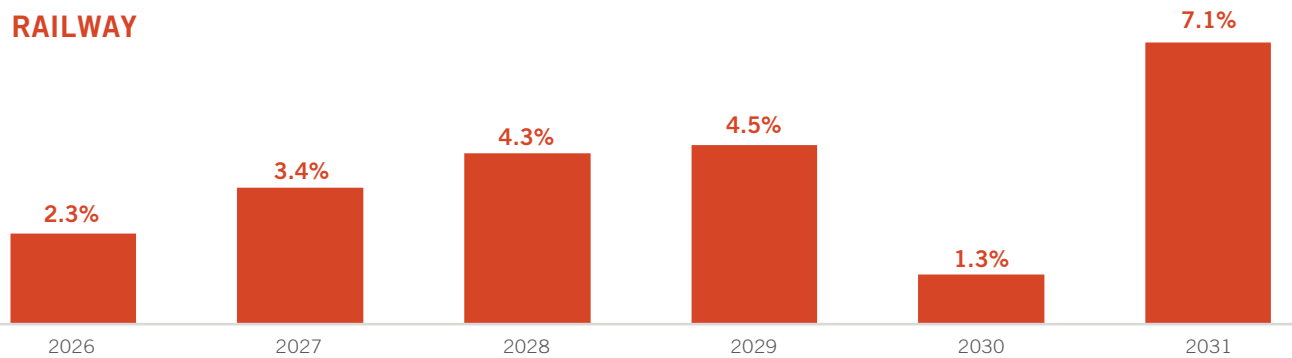
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POWER GENERATION



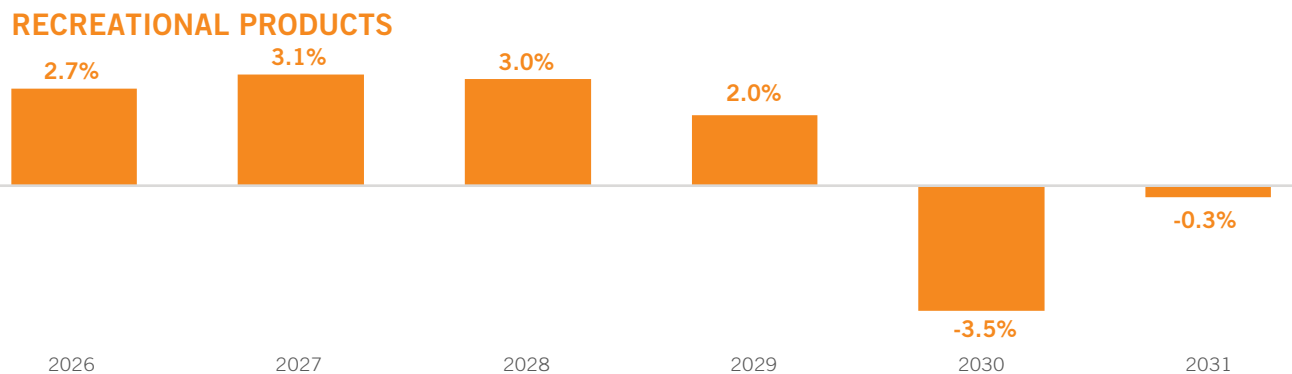
Falling demand for smaller gensets is pulling down the market.

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 2031

Forecast Production Trends To 2031

This chart shows the five-year regional Forecast out to 2031 in terms of percent change in total unit production for the years 2027-2031.



2031 Forecast Trends Comments

2025 was an overall difficult year for the engine industry, with projected positive indicators and signs for recovery in 2026. However, the newly escalated Iran war could have significant short- and long-term consequences for the global economy. Other negative market drivers could also contribute to the adverse effects on current trends. Yet we expect modest growth over the next three years.

2031 Market Drivers

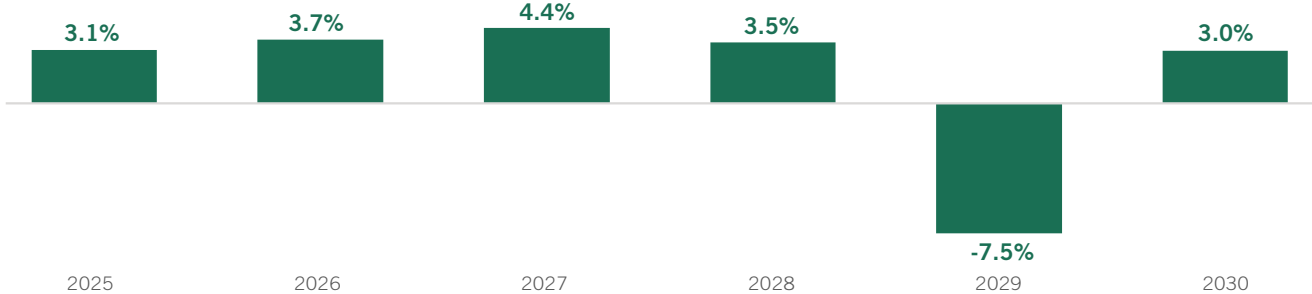
These Market Drivers are Global, Regional or Segment forces and events that may influence the five-year regional Forecast out to 2031.

DRIVERS	COMMENTS	IMPACT ON FORECAST
Geopolitical Conflicts and Security Risks	The Ukraine-Russia war remains a significant challenge for Europe and NATO, including the issue of energy supply to Eastern EU members. The open conflict with Iran and its neighboring countries has disrupted the transport routes for oil and gas. Both conflicts have a substantial impact on price predictability and supply chains.	▼
Trade Protectionism and US–EU Tensions	Despite setbacks in President Trump’s tariff policy, the 15% baseline and 50% on steel/aluminum tariff continue to apply. Unilateral US actions have eroded trust, and as a result, its EU partners have begun to scrutinize a US-EU trade agreement, complicating European industrial planning.	▼
Inflation and Global Economy Impacts	While inflation is slightly below the ECB target (1.9%), the BoE is above (3%), indicating a negative trend towards reduced household spending and smaller business margins. With an uncertain end to the Iran conflict, the global economy is feeling the effects, with most likely impacts on the energy, housing, infrastructure, and manufacturing sectors.	▼
Economic Stabilization and Policy Support	The positive signs of economic recovery in 2025 continue into 2027-28, projecting growth until 2029, when a slight drop is expected as markets self-regulate. The ECB maintains its monetary policies to stabilize the EU economy, with EU funding programs and policies supporting consumption and investment.	▲

Europe Forecast

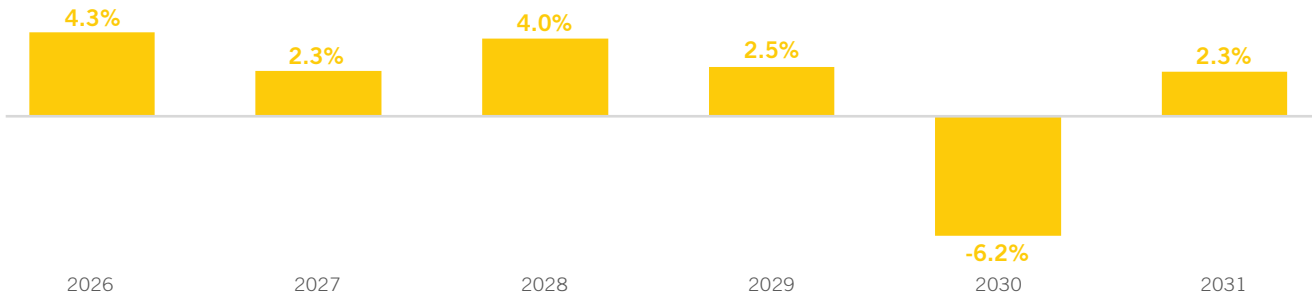
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AGRICULTURE



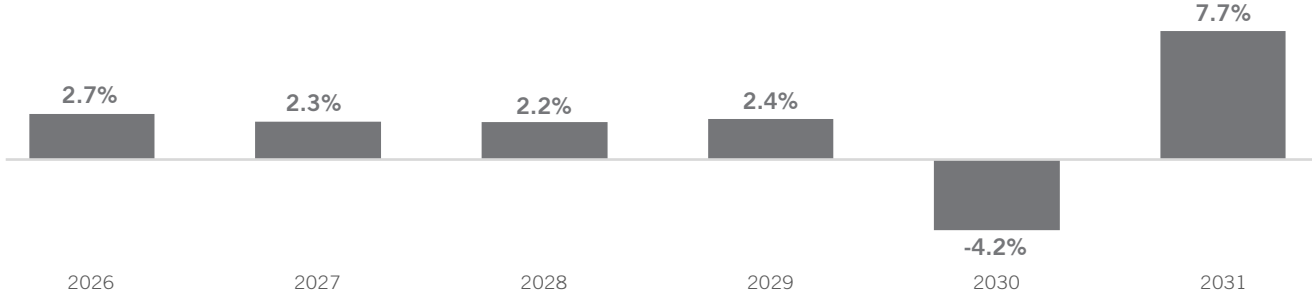
The recovery will be stunted by the current socio-economic climate and tariffs creating much uncertainty.

CONSTRUCTION



The 2026 recovery was going to be fuelled by government expenditures and higher business activity, especially in the residential and private sectors, but, we are probably going to see a slowdown in the very short term.

INDUSTRIAL

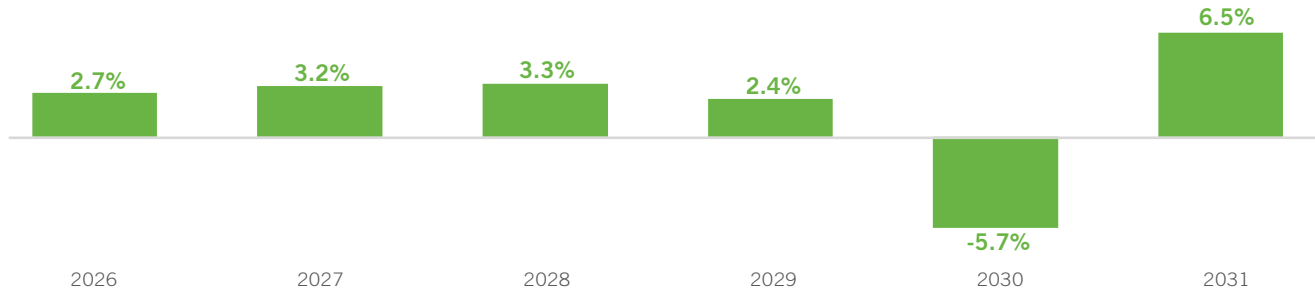


This segment has been experiencing similar trends to both Agriculture and Construction on a more subdued level.

Europe Forecast

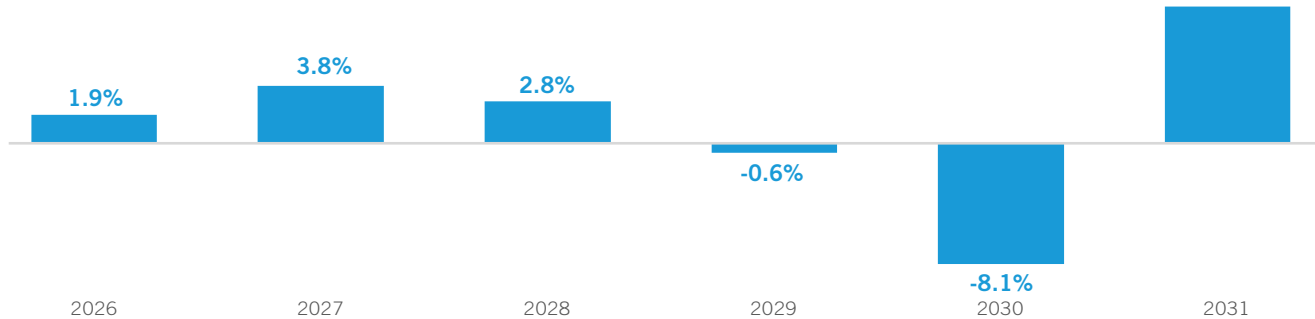
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LAWN & GARDEN



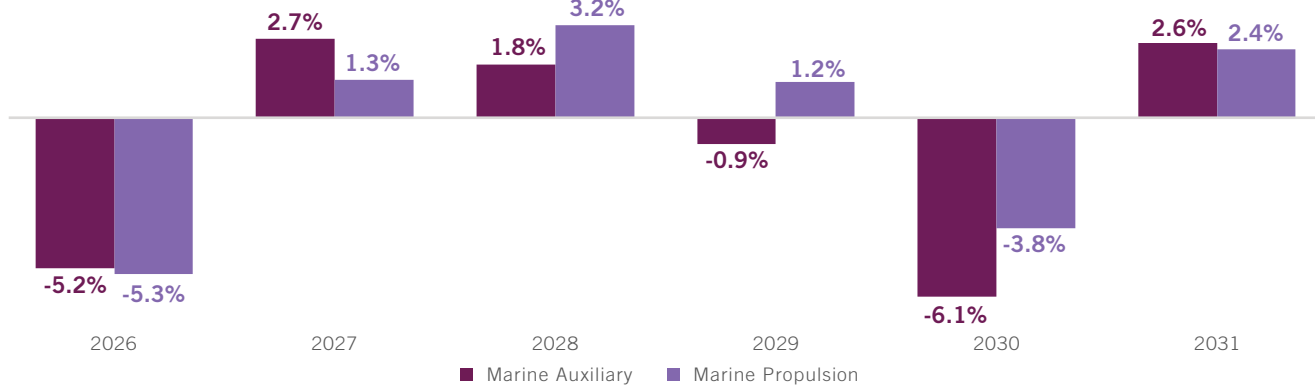
We are expecting some downward trends affecting this segment, due to the economic uncertainties, although to a lesser degree than other segments.

LIGHT COMMERCIAL VEHICLES



The Light Commercial Vehicle (LCV) segment is currently the “bright spot” in European production, following a difficult 2025 where EU registrations fell by 8.8% to roughly 1.4 million units.

MARINE

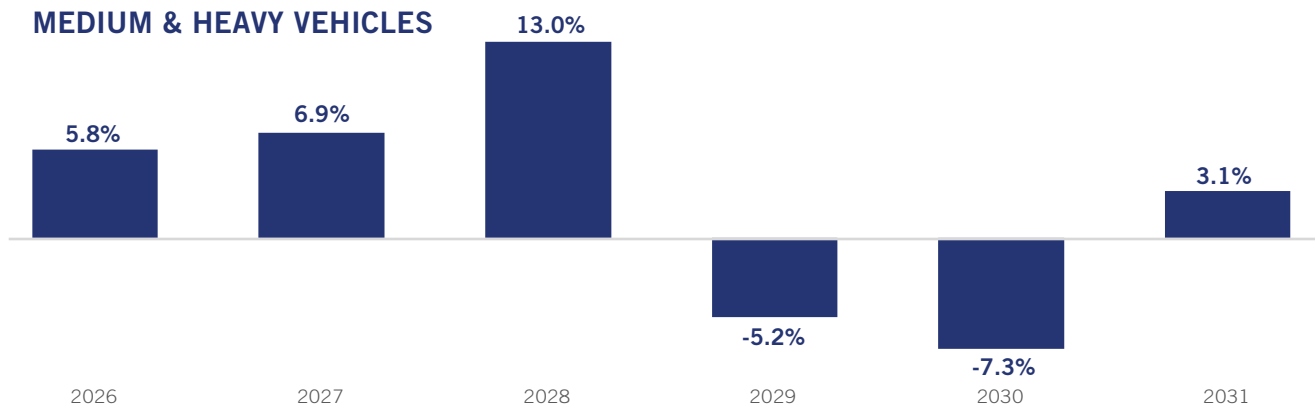


There are numerous challenges, including inventory overhang, economic uncertainty, exchange rate fluctuations, stock market volatility, tariffs, high interest rates, rising marina fees, and unclear regulations.

Europe Forecast

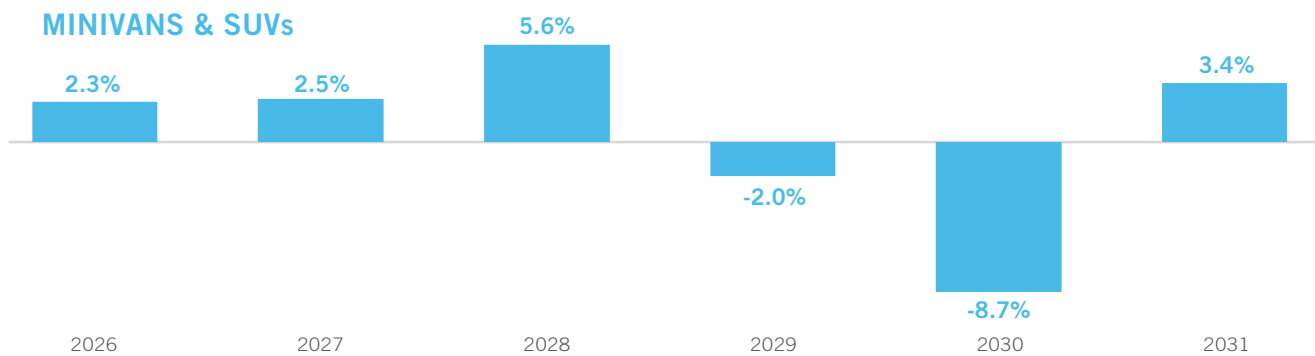
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MEDIUM & HEAVY VEHICLES



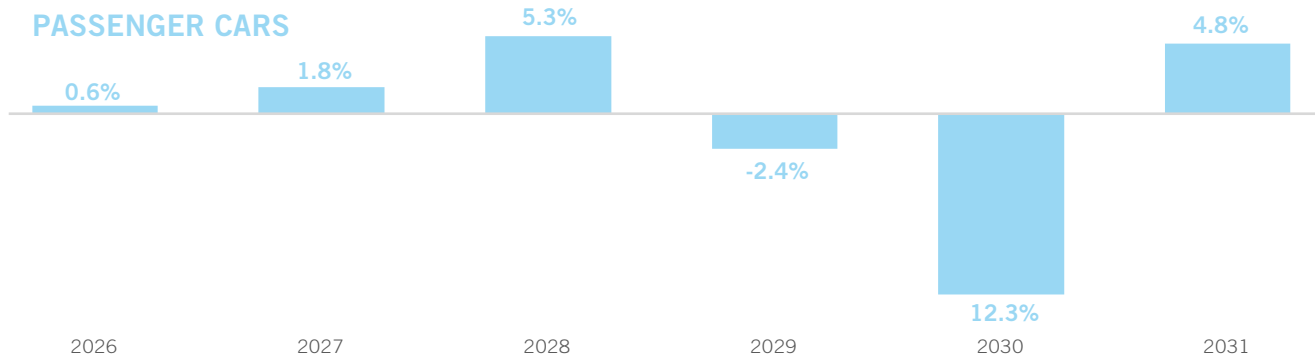
2024 was not a good year for Medium Heavy Vehicles and this continued into 2025 however several years of good growth are now expected.

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

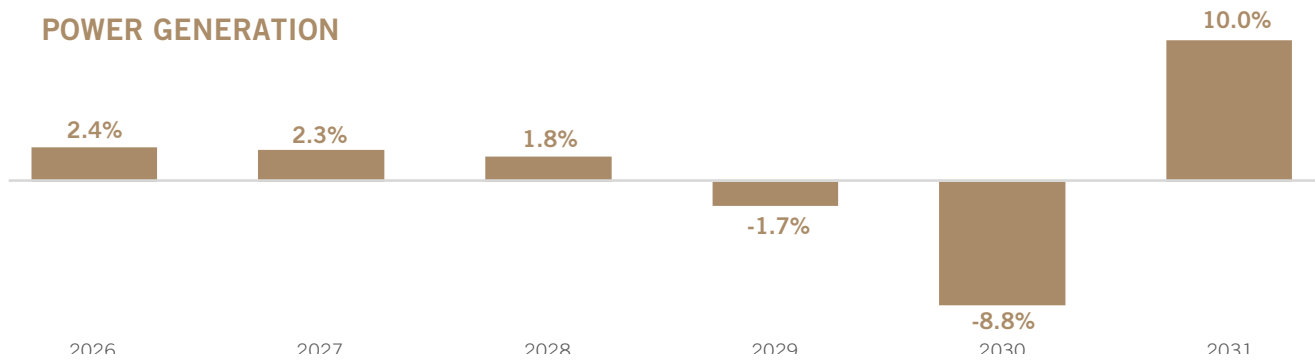


European Commission scrapped the requirement for a 100% reduction in CO2 emissions from new cars by 2035. This is a direct concession to the reality that the European passenger car industry is in a state of managed decline.

Europe Forecast

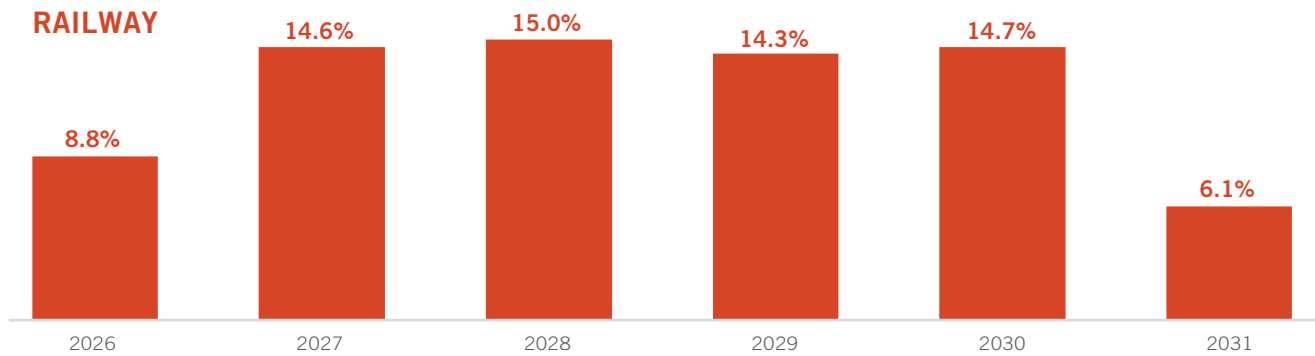
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POWER GENERATION



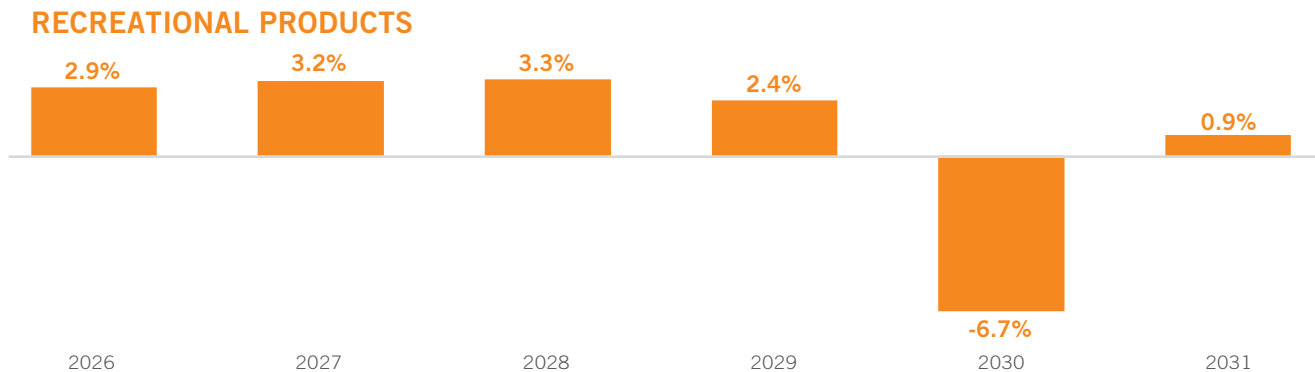
Due to the recent Iran conflict and the resulting higher oil prices, the industry's long-term outlook faces increased uncertainty and instability.

RAILWAY



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

RECREATIONAL PRODUCTS



The European two-wheeler industry is navigating a high-stakes structural realignment, transitioning from a "survival phase" into a complex calculation of domestic vs. global assembly.

South America/Brazil Forecast to 2031

Forecast Production Trends To 2031

This chart shows the five-year regional Forecast out to 2031 in terms of percent change in total unit production for the years 2027-2031.



2031 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.

2031 Market Drivers

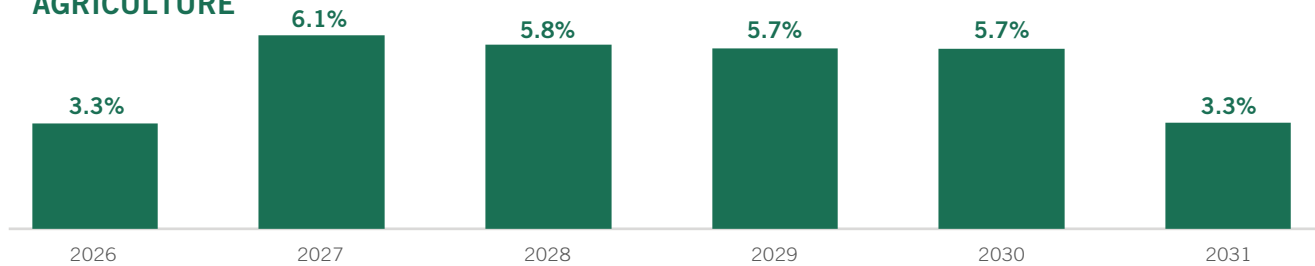
This region will remain an important producer of agricultural commodities, iron ore, minerals, meat, and O&G. The region also will be a key supplier of biofuels to support energetic transition.

DRIVERS	COMMENTS	IMPACT ON FORECAST
U.S. Trade Policy	Potential U.S. tariffs on South American exports may delay investment, weigh on exposed sectors, and soften medium-term equipment demand.	▼
Oil Price Volatility	Higher oil prices support upstream activity in the region and related equipment demand but add inflationary pressure and may delay monetary easing, constraining broader capital goods and transport demand.	▼
Political Instability	South American economies oscillate due to political cycles and conflicts, affecting short- and medium-term volumes.	▼
Substitution of imports	Ongoing investment in regional production capacity supports localization, sustains volumes, and offsets pressure from low-cost imports.	▲
Food Production	Expansion of crop output and planted area supports agricultural equipment sales and production volumes.	▲
Data centres Expansion	AI-driven hyperscale data center investments are expected to support medium-term demand across selected equipment segments.	▲
Mining	Continued iron ore and copper activity, with rising focus on Nb, Ni, and rare earth elements, supports equipment demand.	▲
Infrastructure	Pent-up demand and gradual investment recovery support infrastructure development and equipment activity.	▲
Regional economy	Fiscal adjustment post-elections (2027) should support Brazil's recovery, while Argentina points to gradual stabilization and recovery	▲

South America/Brazil Forecast

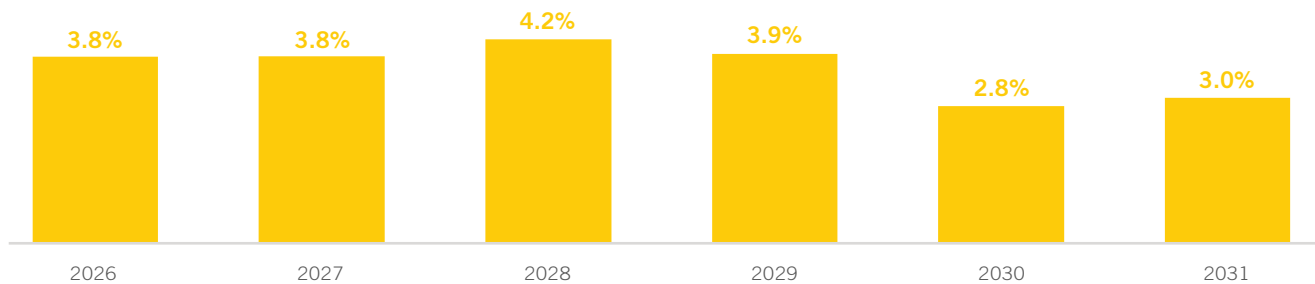
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AGRICULTURE



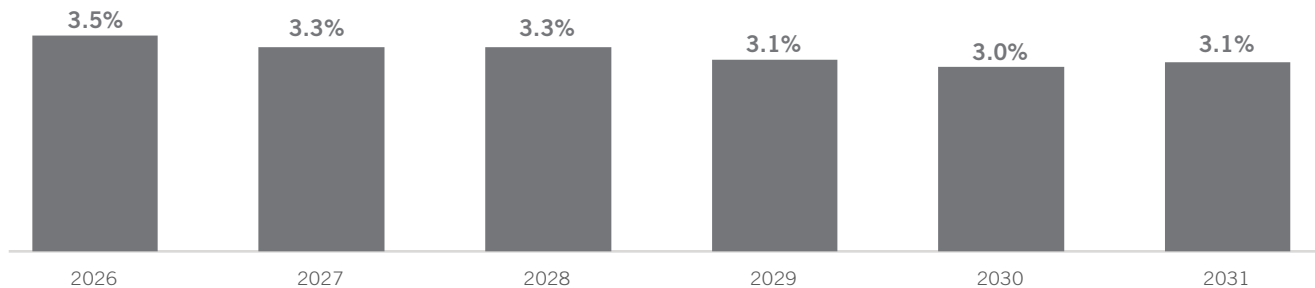
The market remains predominantly replacement-driven amid constrained financing conditions. Price escalation of agricultural supplies, with the conflict in Middle East may compromise farmers cash and investment ability.

CONSTRUCTION



The segment continues in a normalisation phase following several strong years, with utilisation rates, parked fleets, and disciplined capital allocation limiting short-term upside rather than signaling a downturn.

INDUSTRIAL

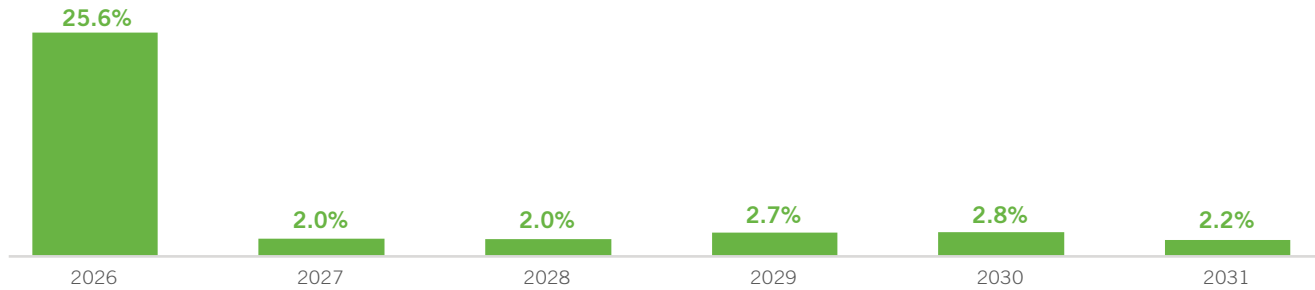


The industrial equipment outlook entering 2026 remains stable to slightly positive, with demand anchored in core industrial activity, infrastructure maintenance, Oil & Gas, mining, and project-driven investments.

South America/Brazil Forecast

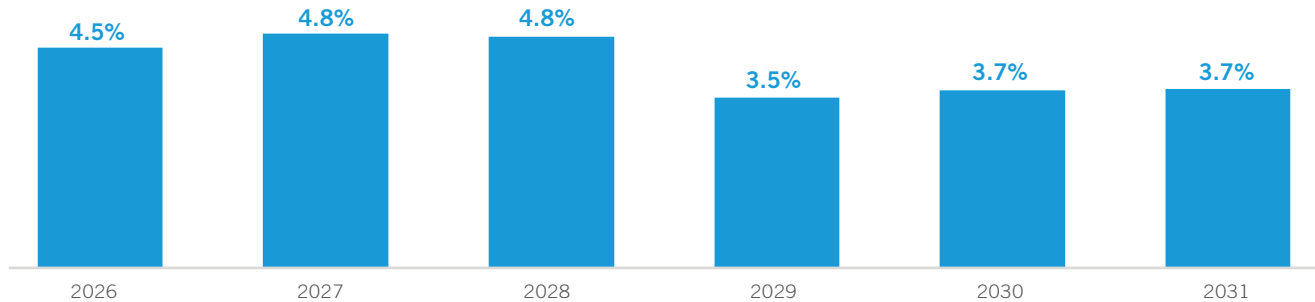
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LAWN & GARDEN



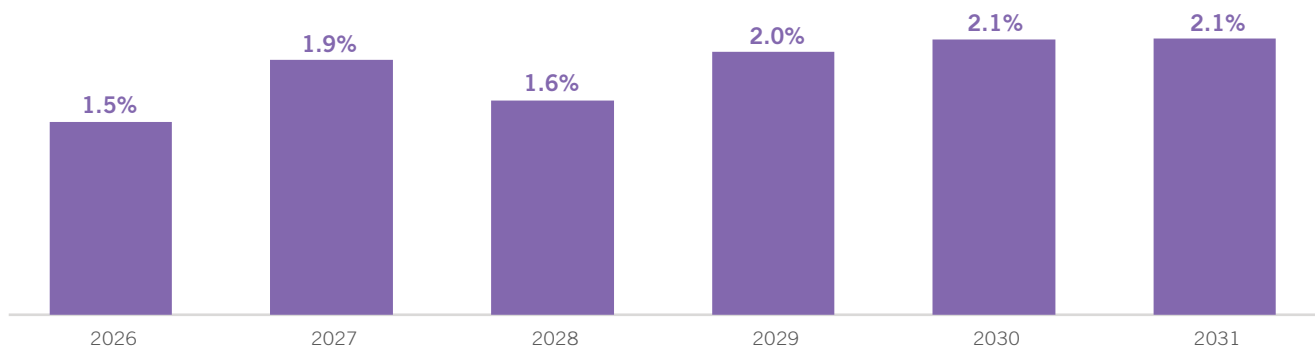
The Lawn & Garden sector has been supplemented with additional products such as Augers, Trimmers etc. This causes a spike in 2026 volumes.

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

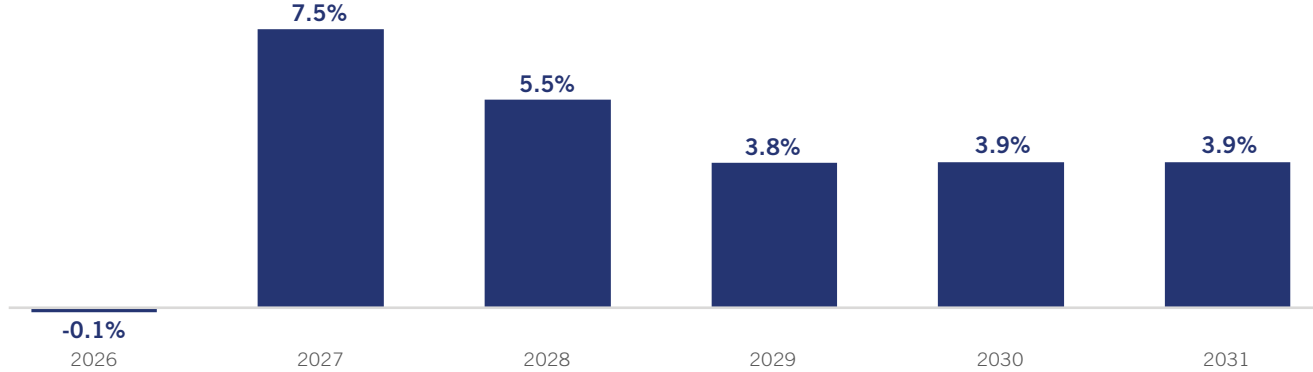


High Performance Ship Engines are the only Marine product made in Central / South America.

South America/Brazil Forecast

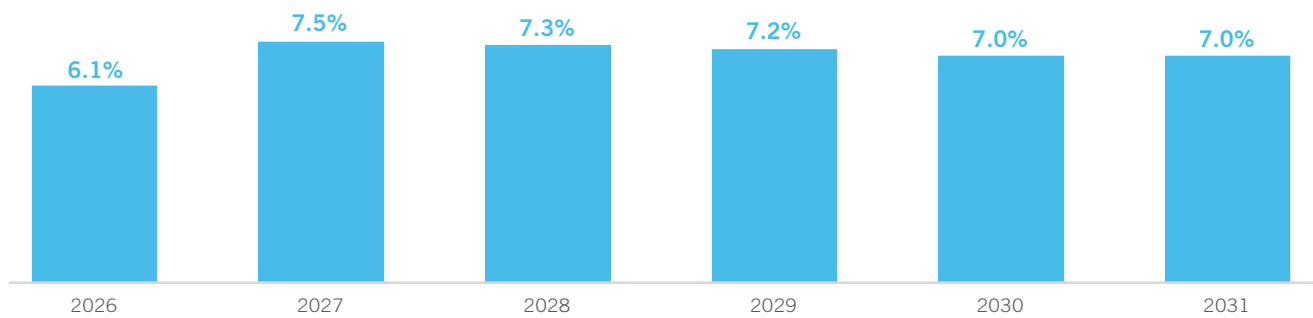
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MEDIUM & HEAVY VEHICLES



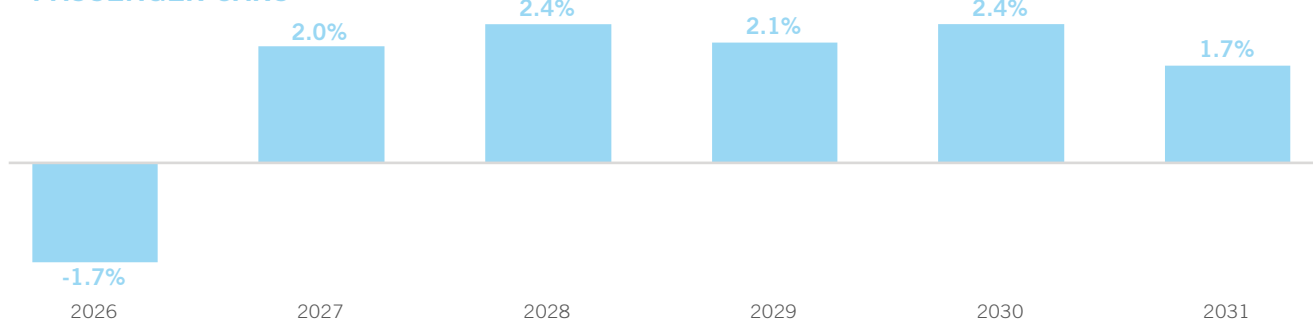
The MHV outlook entering 2026 remains cautious, with demand still primarily constrained by financing conditions despite supportive freight fundamentals.

MINIVANS & SUVs



The regional light-vehicle outlook remains constructive but constrained by financial conditions. In Brazil, elevated interest rates continue to limit a faster demand recovery despite stable labour market conditions and resilient replacement demand.

PASSENGER CARS

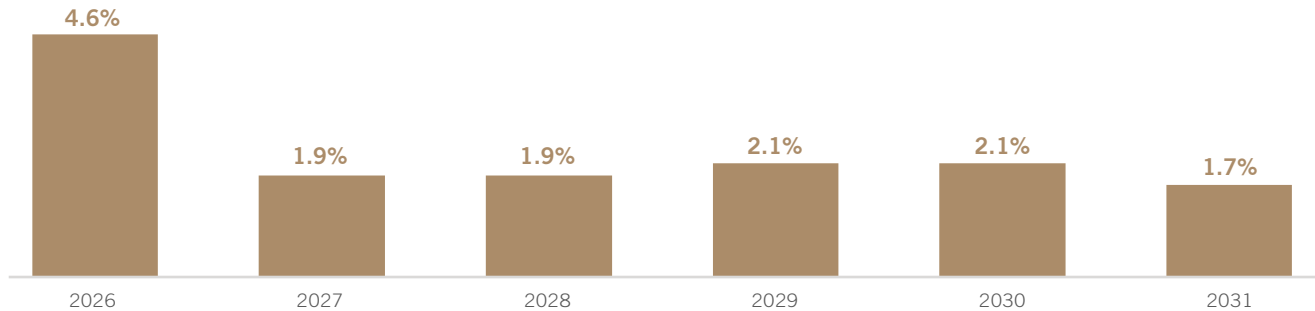


Gradual growth in from 2026 with credit availability and household purchasing power remain the main short-cycle drivers.

South America/Brazil Forecast

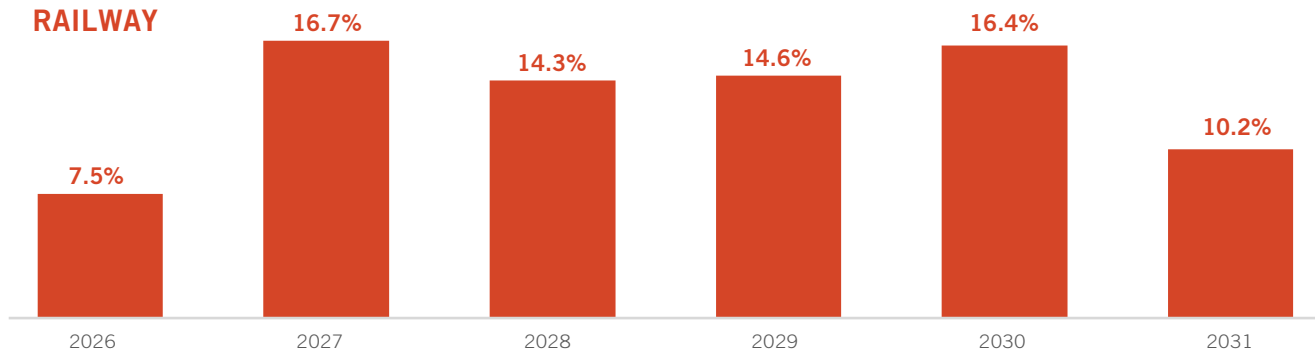
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POWER GENERATION



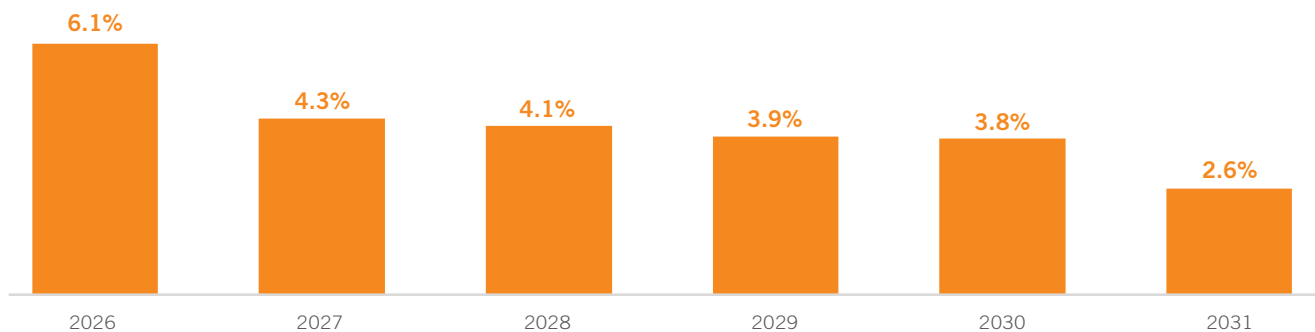
The power generation equipment market in South America continues to outperform the broader industrial cycle, supported by the ongoing expansion of data centers in Brazil and Chile.

RAILWAY



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

RECREATIONAL PRODUCTS



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 2031

Forecast Production Trends To 2031

This chart shows the five-year regional out to 2031 in terms of percent change in total unit production for the years 2027-2031.



2031 Forecast Trends Comments

India’s automotive and off-highway equipment industry is expected to witness steady production expansion over the next five years, supported by domestic demand, infrastructure development, and exports. Total output across on-road vehicles and off-road segments such as construction equipment and tractors is projected to scale meaningfully, with passenger vehicles, agricultural equipment, and EVs driving incremental production. Overall, the industry is likely to strengthen its position as a diversified manufacturing hub, with growth anchored in both mobility and infrastructure-led demand.

2031 Market Drivers

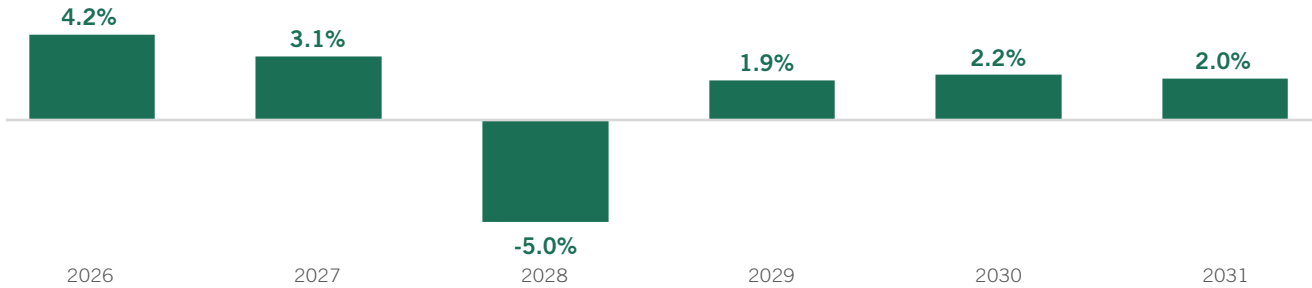
These Market Drivers are Global, Regional or Segment forces and events that may influence the five-year regional Forecast out to 2031.

DRIVERS	COMMENTS	IMPACT ON FORECAST
Infrastructure and Construction Push	Sustained government spending on roads, mining, and urban development is driving strong production demand for CVs and construction equipment.	▲
Rural Income and Agricultural Output	Monsoon-linked farm income supports tractor and entry-level 2W production, though variability in rainfall can create demand volatility.	▬
Export Market Expansion	Increasing focus on global markets is stabilizing production cycles and improving capacity utilization across multiple segments.	▲
Regulatory and Emission Norms	Stricter emission standards and safety regulations are driving technology upgrades and cleaner products, but they increase production costs and can temporarily impact volumes through portfolio rationalization.	▼

India Forecast

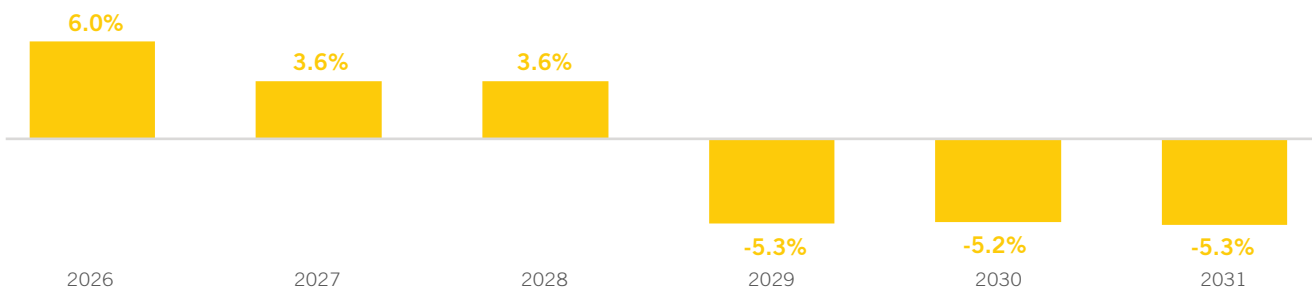
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AGRICULTURE



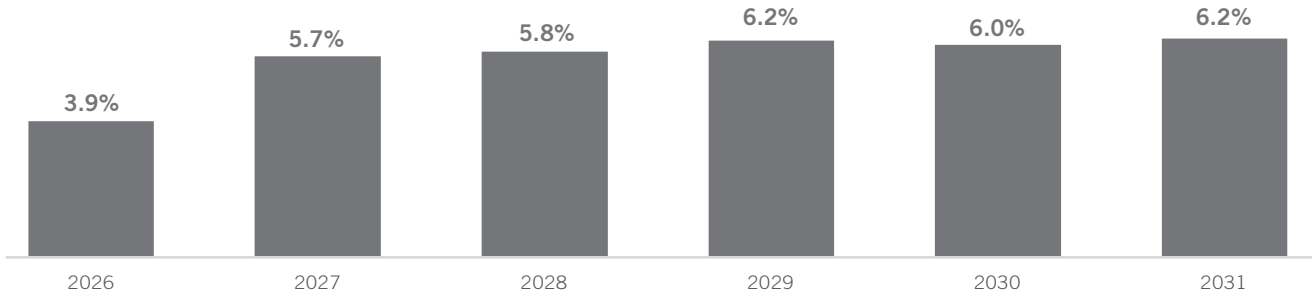
The agricultural machinery segment is supported by robust rural sentiment, favorable monsoon conditions, and policy support such as GST reduction, which improved affordability and accelerated farm mechanization.

CONSTRUCTION



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

INDUSTRIAL

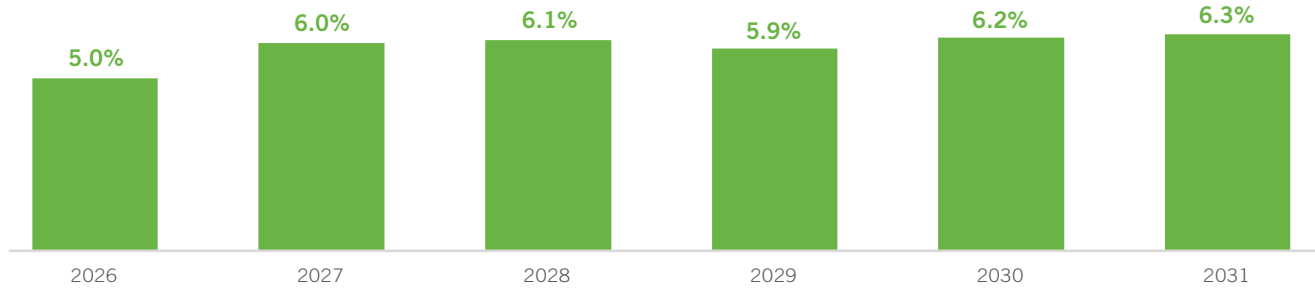


This segment grows through the forecast period and is dominated by General Industrial Pumps.

India Forecast

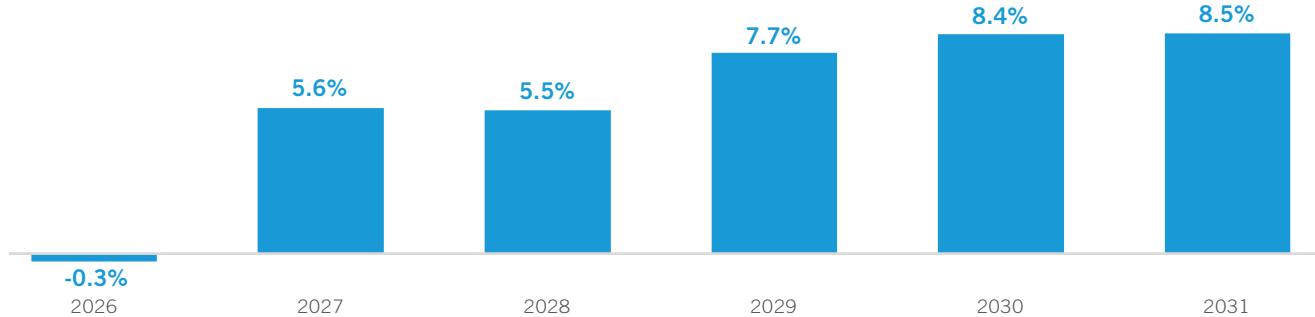
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LAWN & GARDEN



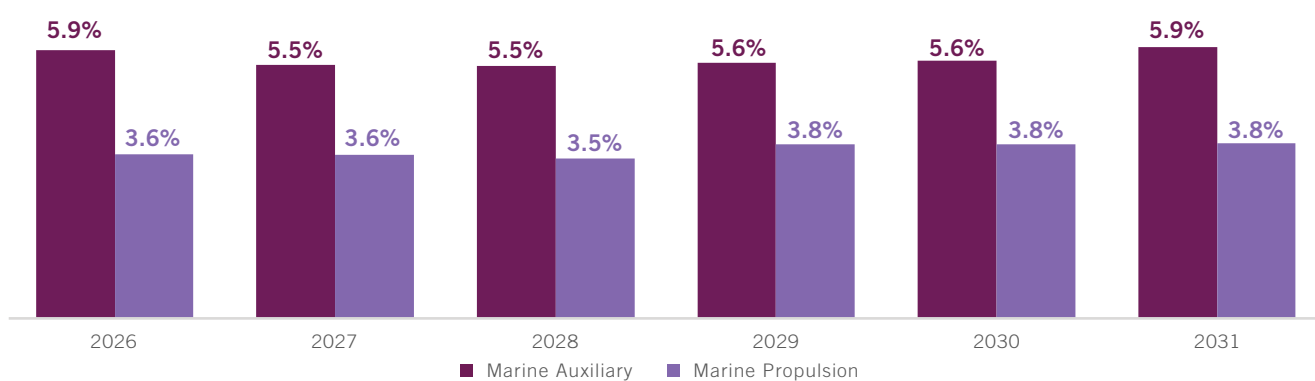
Unlike this segment in other regions, in India this is mostly ICE powered.

LIGHT COMMERCIAL VEHICLES



Despite a projected decline in 2026, LCVs continue to benefit from growing e-commerce, urban logistics, and last-mile connectivity demand.

MARINE

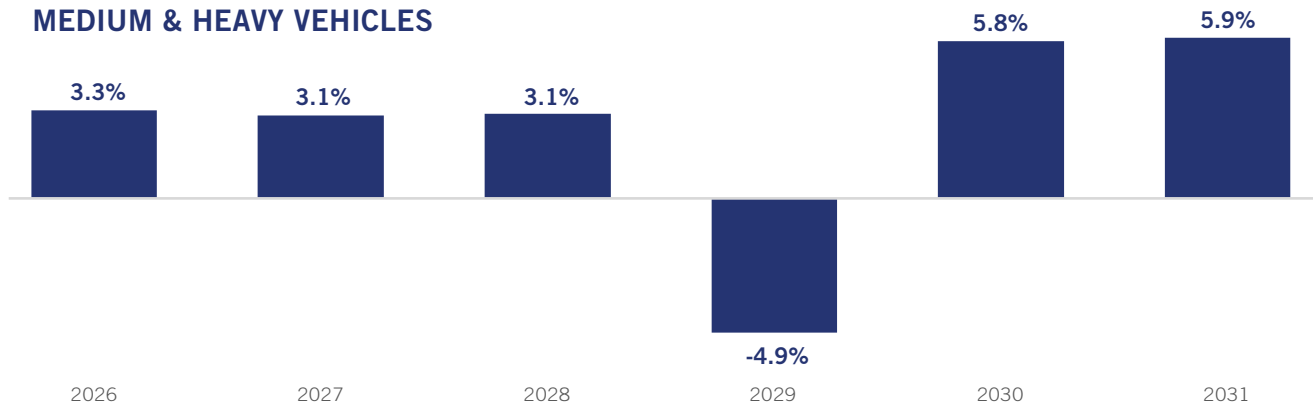


Whilst not large in volume terms, these segments have shown solid and consistent growth.

India Forecast

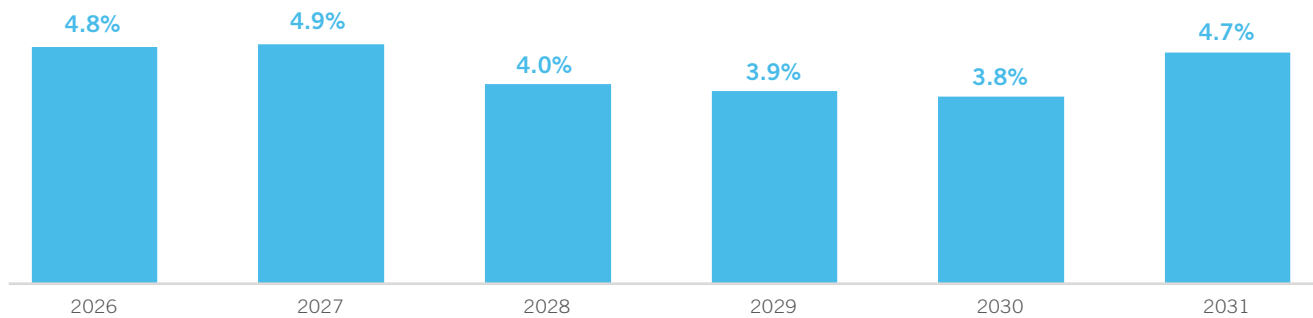
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MEDIUM & HEAVY VEHICLES



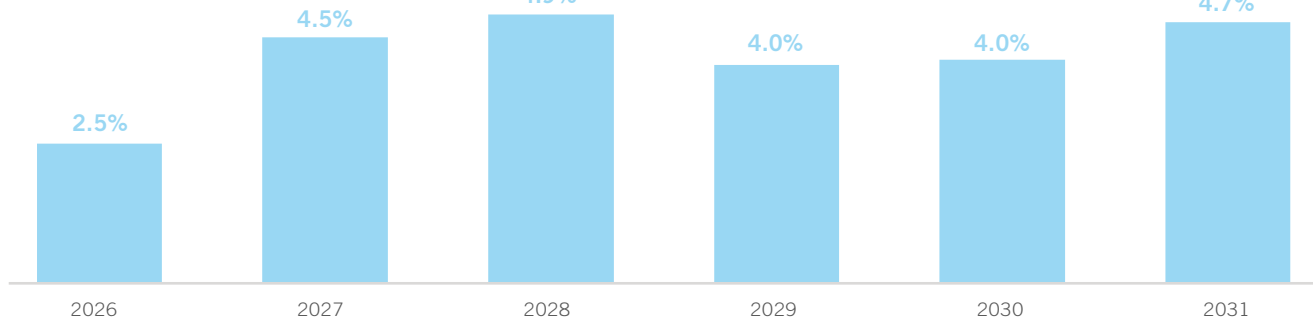
Medium & heavy commercial vehicles are witnessing a measured production cycle, closely linked to infrastructure activity, freight demand, and fleet utilization trends.

MINIVANS & SUVs



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

PASSENGER CARS

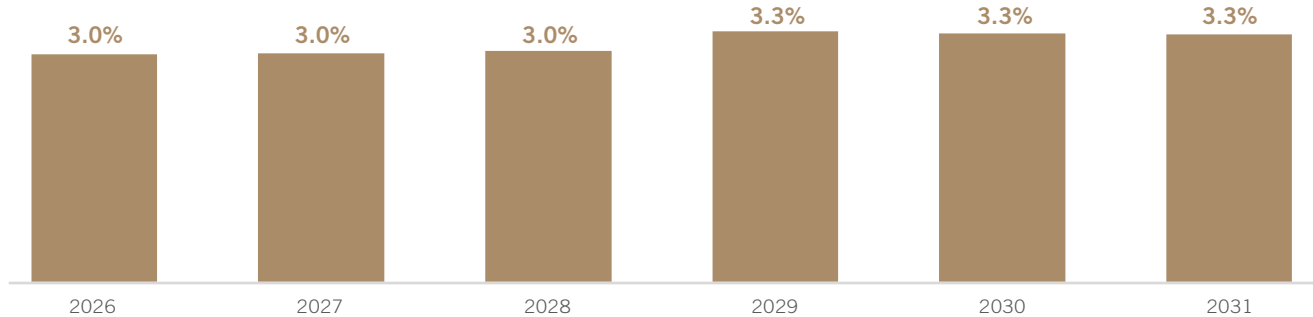


The passenger vehicle industry is also witnessing increased localization of advanced powertrain technologies to align with India's clean mobility roadmap.

India Forecast

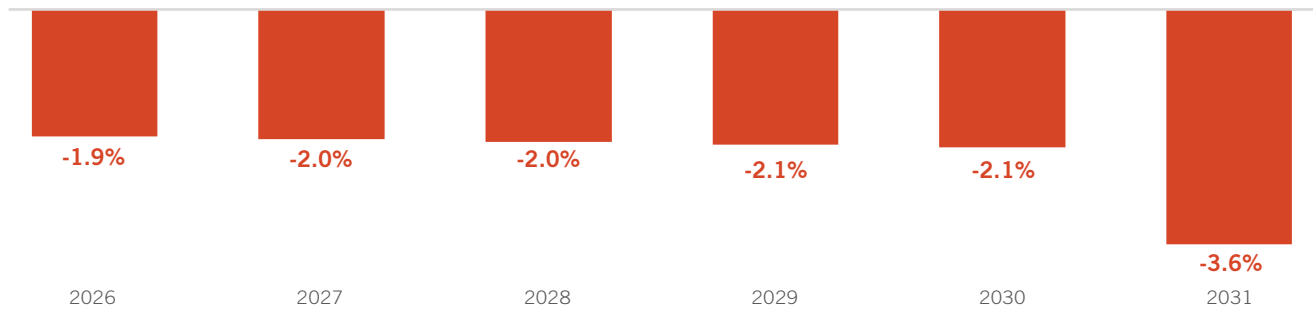
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POWER GENERATION



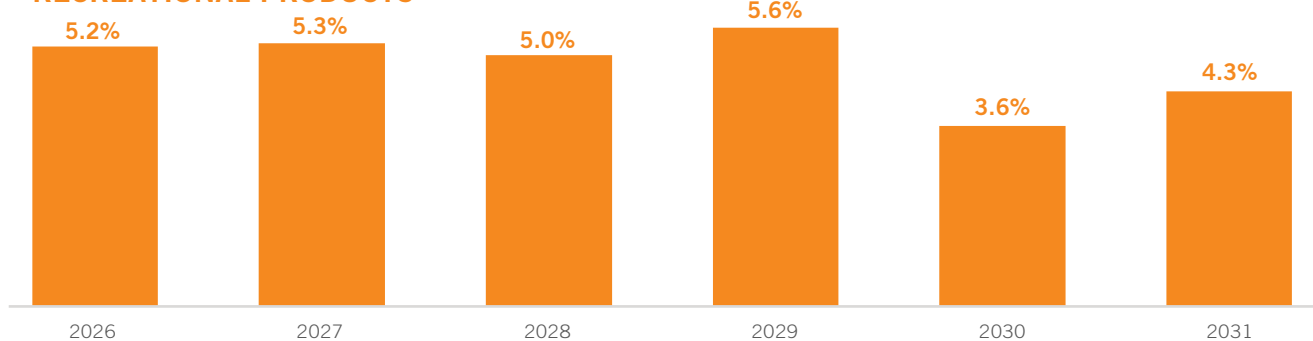
Power Generation market in India remains robust and continues to grow solidly.

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 2031



Forecast Production Trends To 2031

This chart shows the five-year regional out to 2031 in terms of percent change in total unit production for the years 2027-2031.



2031 Forecast Trends Comments

During the 15th Five-Year Plan period (2026–2030), China’s economy will shift from high-speed growth to high-quality development, with an average annual GDP growth target of approximately 4.5%–5%. The automobile industry (particularly new energy vehicles) will remain an important growth driver. However, export growth is expected to slow significantly, while domestic demand (consumption) will become the primary engine for stable economic expansion.

2031 Market Drivers

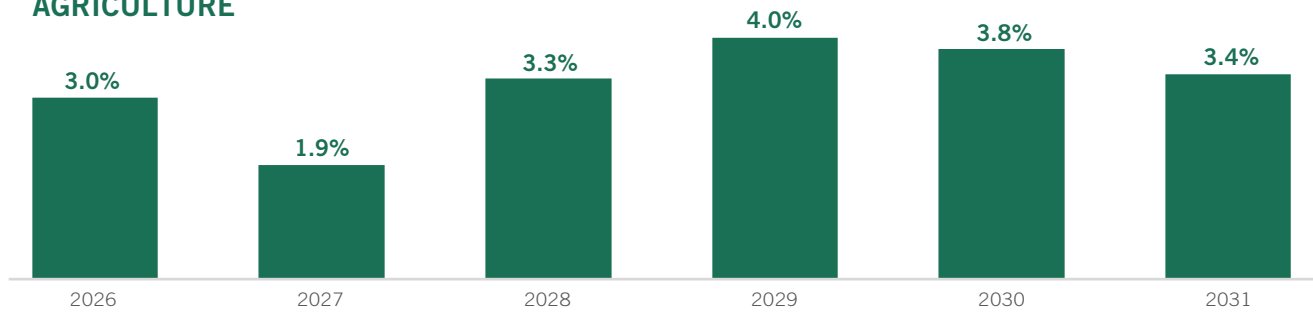
These Market Drivers are forces and events that influence the Forecast whether Globally or Regionally or by Segment

DRIVERS	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.	▲
Middle East War	Conflicts in the Middle East have triggered violent fluctuations in global oil and natural gas prices, exerting significant pressure on energy security and industrial production across countries.	▼

China Forecast

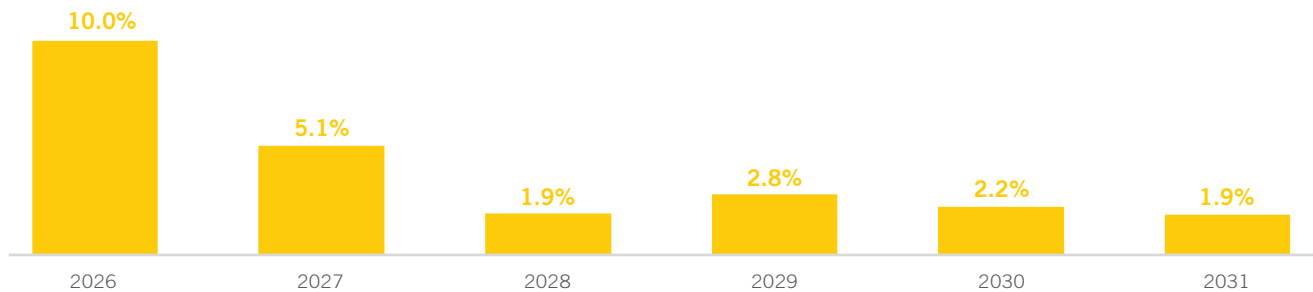
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AGRICULTURE



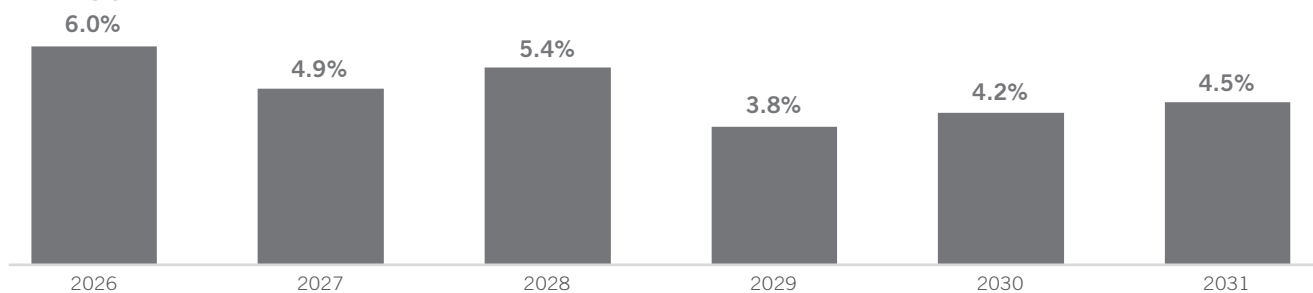
China's agricultural machinery market is undergoing a structural transformation driven by dual forces of policy precision guidance and industrial upgrading.

CONSTRUCTION



The construction machinery market is expected to demonstrate a development trend of "steady progress with improved quality and efficiency" under the dual influence of policy-driven initiatives and demand upgrades.

INDUSTRIAL

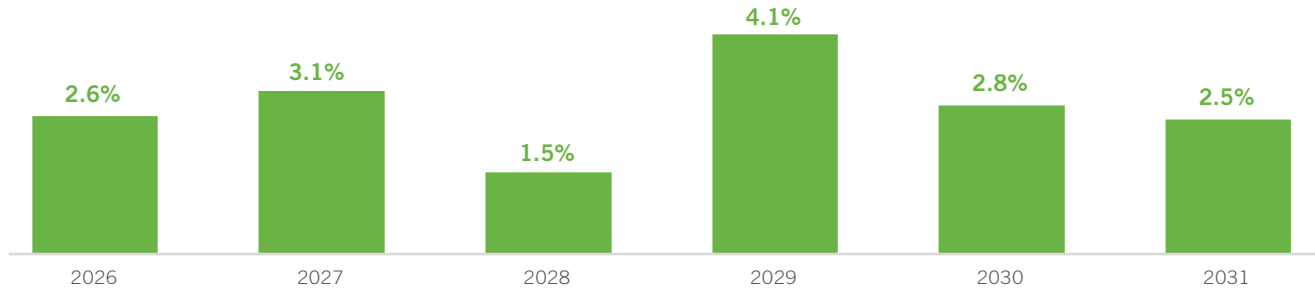


The trend toward electrification is accelerating: the market share of electric forklifts is projected to exceed 75%, with a lithium-ion battery penetration rate surpassing 55%.

China Forecast

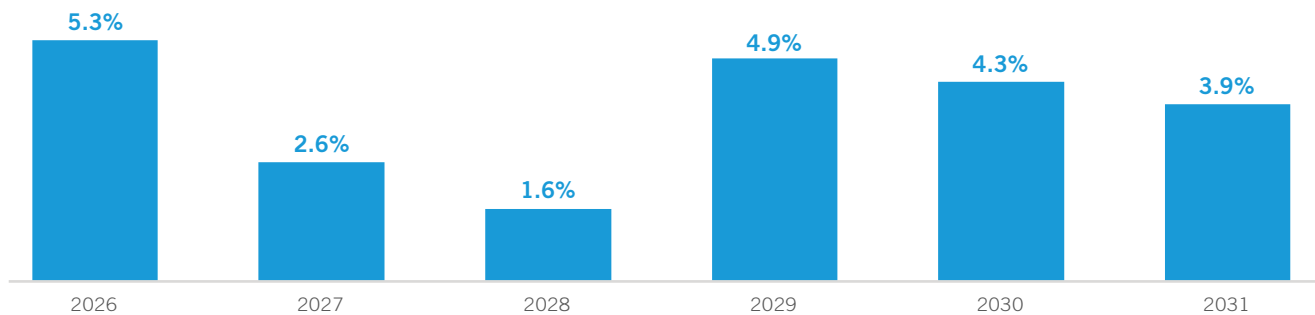
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LAWN & GARDEN



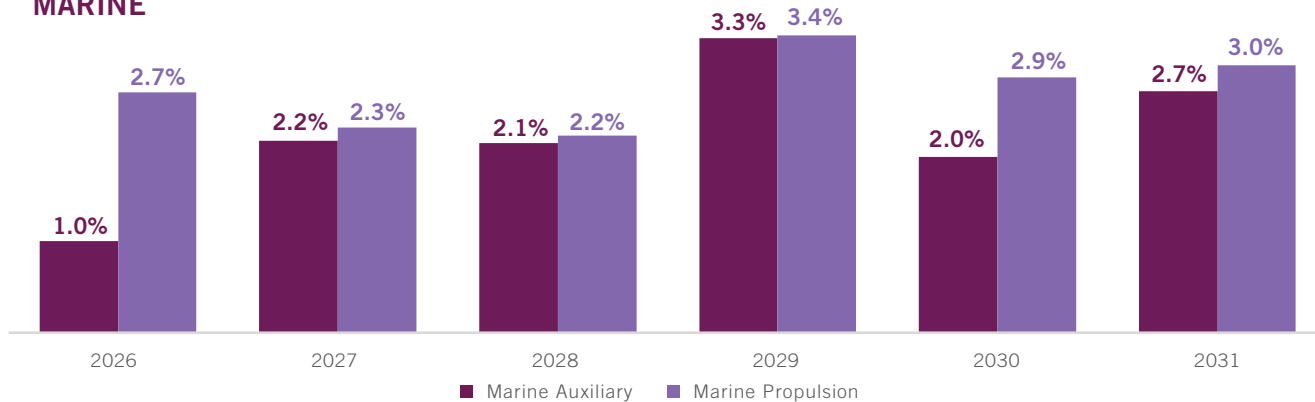
Rising urbanisation rates, upgraded household gardening consumption, and higher municipal greening standards are driving average annual demand.

LIGHT COMMERCIAL VEHICLES



Light Commercial Vehicles segment continues to bounce back strongly after a poor 2025.

MARINE

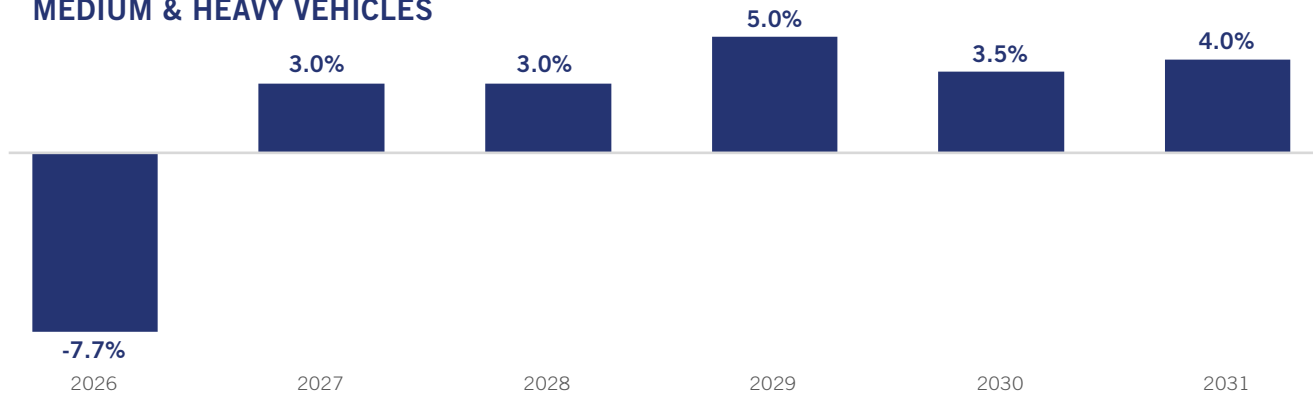


These segment has maintained the LT growth pattern through out the forecast period.

China Forecast

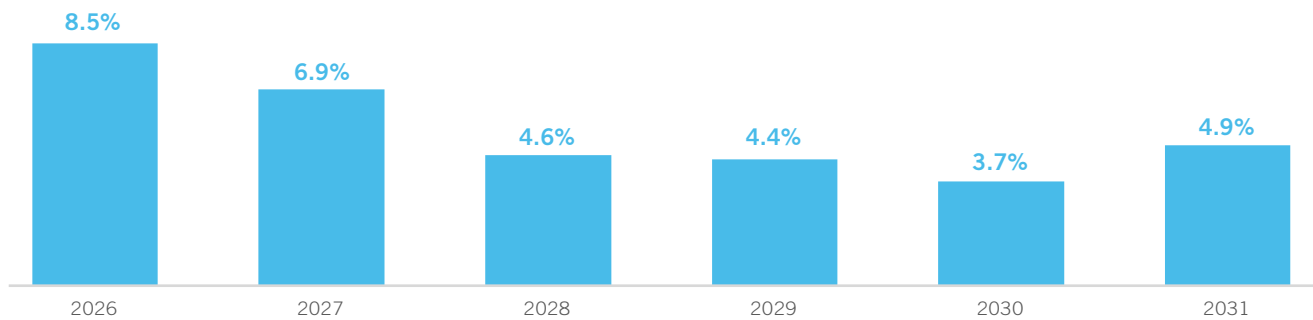
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MEDIUM & HEAVY VEHICLES



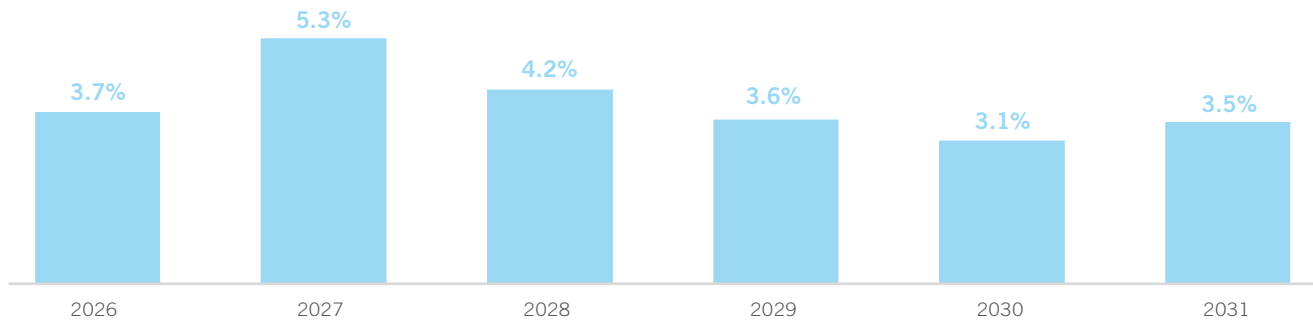
Policy-driven effects continue to evolve, as the National IV scrappage-and-replacement policy expands to cover more operating vehicle categories and regional subsidies for new energy heavy trucks are enhanced.

MINIVANS & SUVs



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

PASSENGER CARS

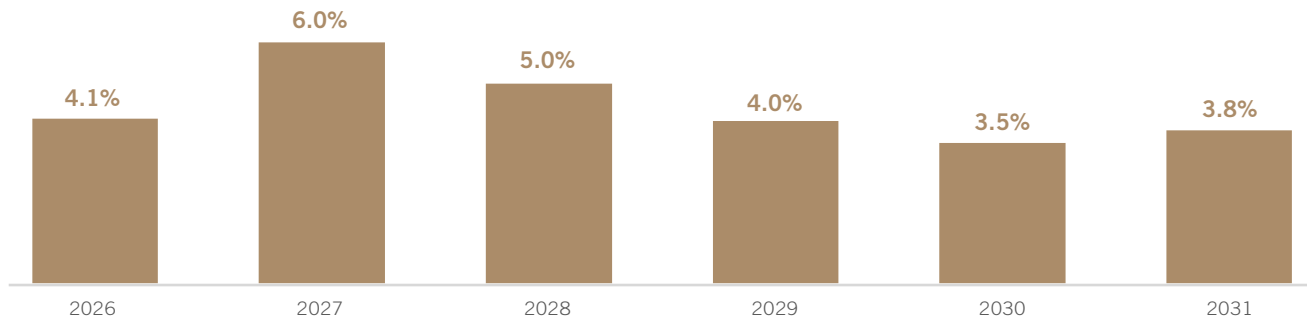


China's passenger car market in 2026 is undergoing profound structural transformation, with new energy vehicles (NEVs) demonstrating accelerated penetration and solidifying mainstream dominance.

China Forecast

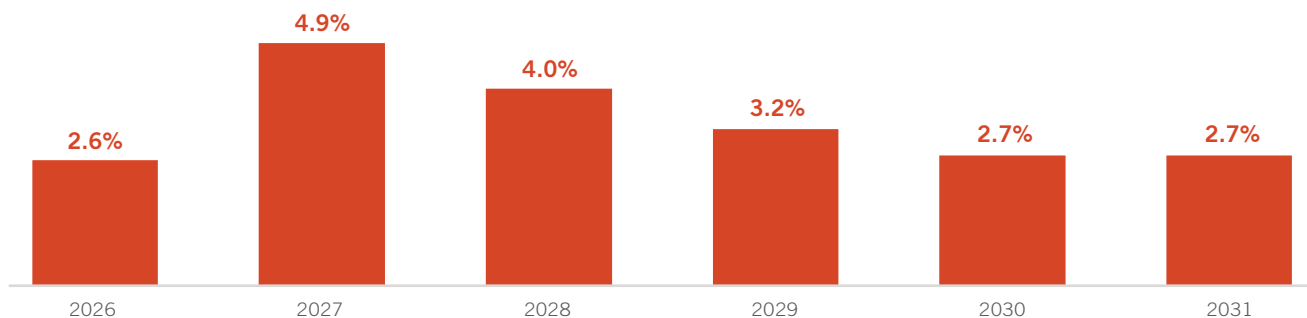
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POWER GENERATION



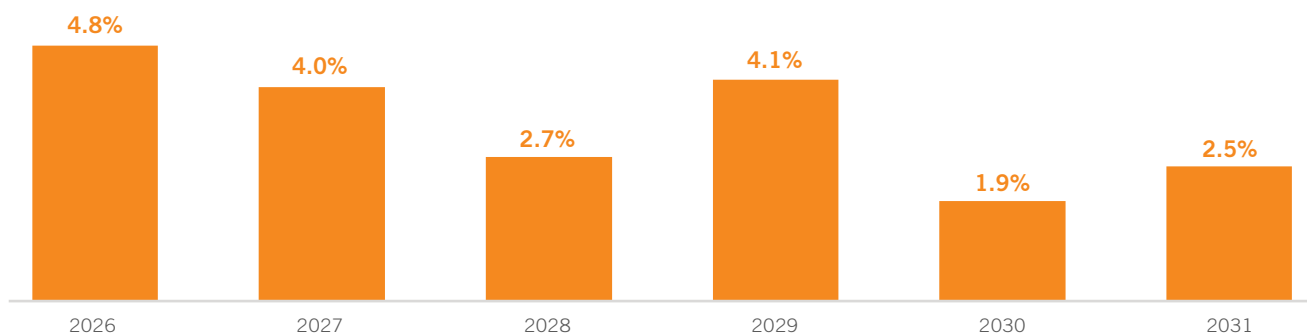
Diesel generator sets, and natural gas generator sets are expected to maintain stable growth, driven by both the energy structure transition (coal-to-gas conversion) and the demand for backup power generation to support renewable energy sources.

RAILWAY



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

RECREATIONAL PRODUCTS



China's motorcycle market in 2026 is projected to exhibit a marked trend of structural differentiation and accelerated transformation from a marginalized industry to a niche mobility solution.

Far East Forecast to 2031

Forecast Production Trends To 2031

This chart shows the five-year regional Forecast out to 2031 in terms of percent change in total unit production for the years 2027-2031.



2031 Forecast Trends Comments

Japan’s engine-related machinery market is expected to remain mature over the next five years, with modest growth anticipated. Due to population decline and sluggish capital investment, domestic demand is expected to be driven primarily by replacement purchases. Japanese manufacturers are highly dependent on exports, and the structure in which overseas demand dictates market trends is expected to persist. Although electrification is advancing, engines are likely to remain important in sectors such as construction machinery, agricultural machinery, and generators for the time being.

South Korea’s domestic market is small, but an export-oriented industrial structure forms the foundation of machinery demand. Overall, the Far East market is expected to remain low-growth and mature, with demand primarily supported by export markets and equipment replacement.

2031 Market Drivers

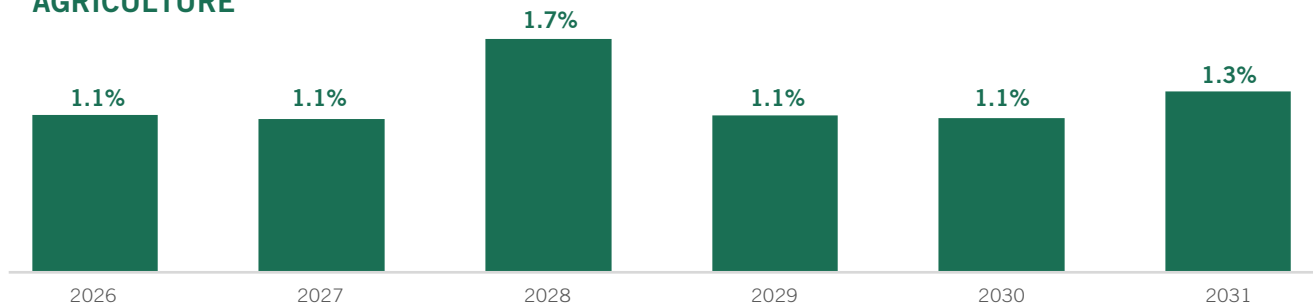
Although the Far East market is mature and rapid growth is unlikely, demand is supported by exports, equipment upgrades, and investment in mechanization. Conversely, population decline and stagnant domestic investment constrain growth.

DRIVERS	COMMENTS	IMPACT ON FORECAST
Export demand for infrastructure equipment	Japanese and South Korean manufacturers are heavily influenced by overseas demand. Investment in infrastructure in the Middle East, India, and Southeast Asia is likely to increase the demand for exports of construction machinery, generators, and industrial machinery.	
Equipment fleet renewal	The number of agricultural and construction machines in operation remains high in Japan and South Korea, and replacement cycles are a key factor in maintaining stable demand.	
Population decline limiting domestic demand	Because the population is declining, construction of housing and personal consumption are shrinking. Therefore, the potential for growth in domestic demand for machinery is likely limited.	
Energy transition uncertainty	Electrification remains subject to technical constraints in the construction and agricultural machinery sectors, which could delay capital investment decisions.	

Far East Forecast

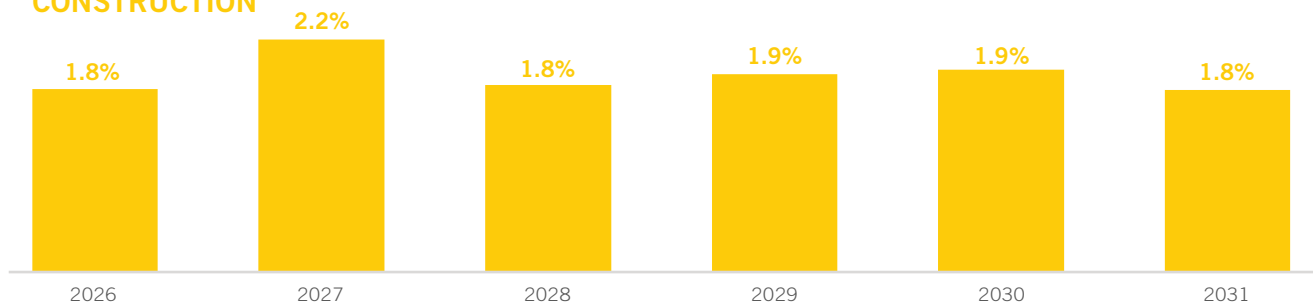
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AGRICULTURE



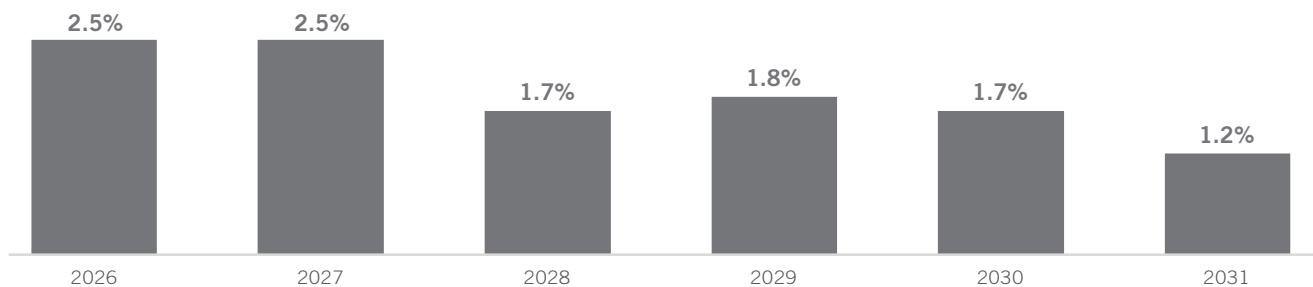
Exports vary significantly by region and remain highly susceptible to exchange rate fluctuations and local agricultural conditions, including those in ASEAN markets

CONSTRUCTION



Investment is shifting from replacing individual vehicles to comprehensive logistics systems that include warehouse automation, material handling systems, and software integration.

INDUSTRIAL

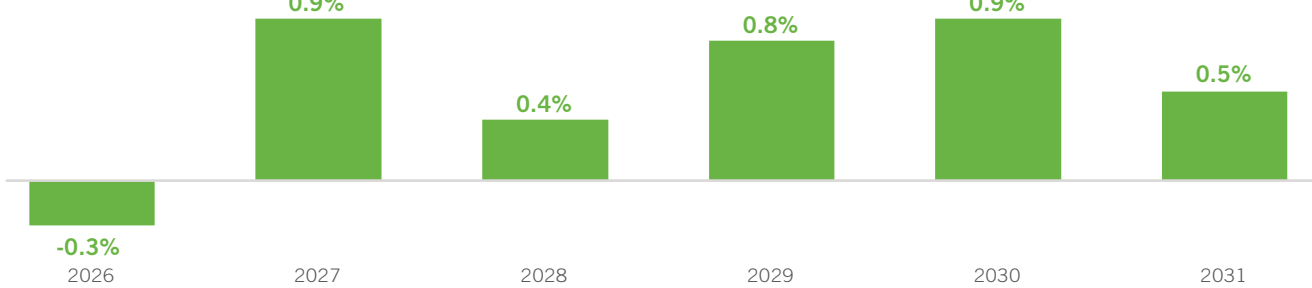


Investment in labour-saving measures and operational efficiency improvements for logistics and warehousing remains robust.

Far East Forecast

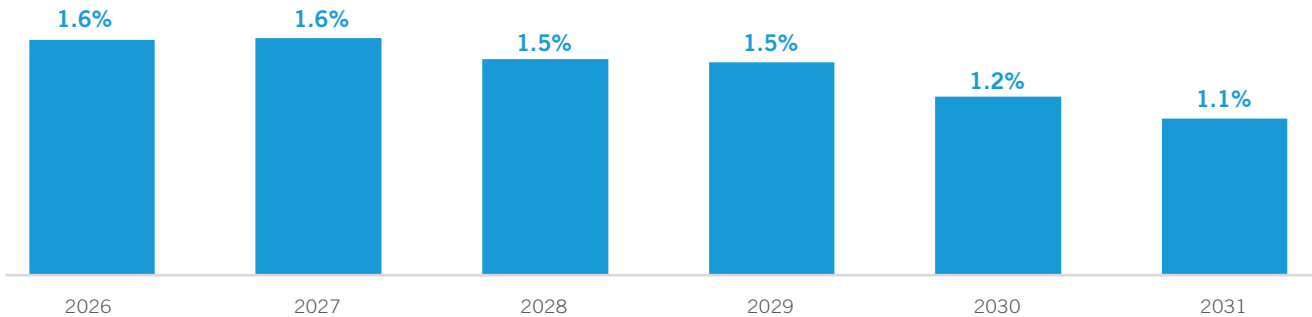
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LAWN & GARDEN



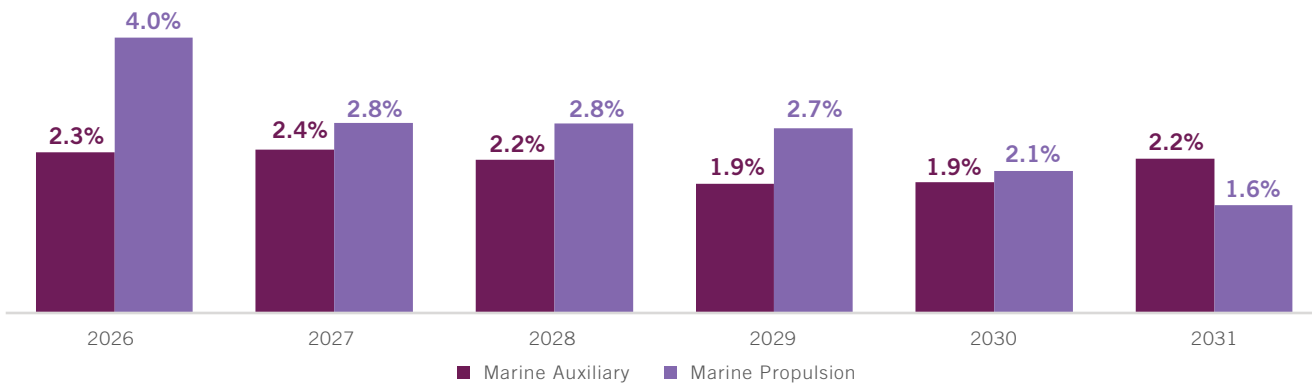
The performance of batteries in hand tools has improved, resulting in an increase in battery models comparable in terms of performance.

LIGHT COMMERCIAL VEHICLES



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

MARINE

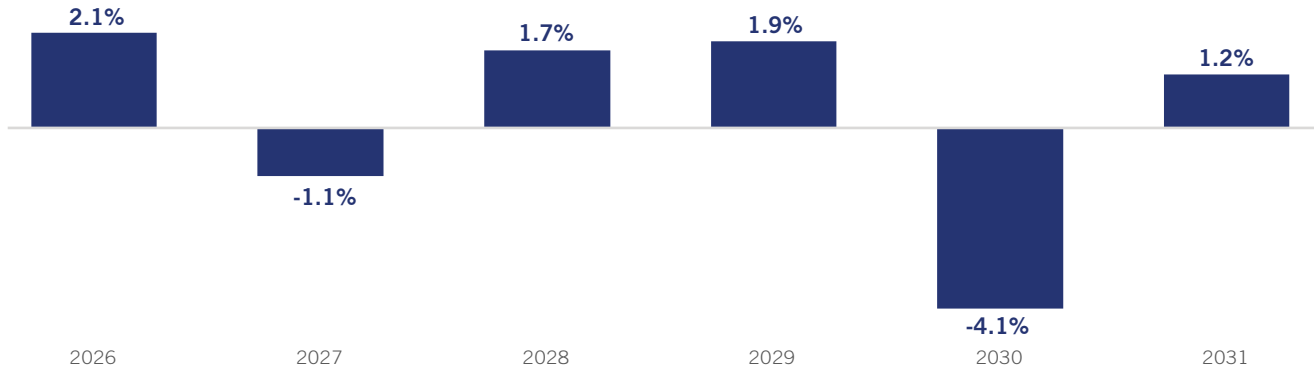


Since the long-term fuel outlook remains uncertain for shipowners, there is a growing trend of considering designs for new builds that can accommodate future use of multiple fuels.

Far East Forecast

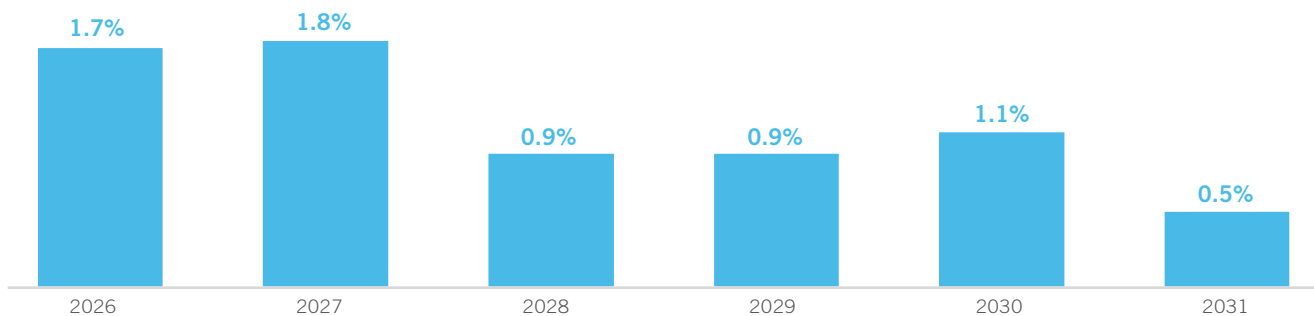
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MEDIUM & HEAVY VEHICLES



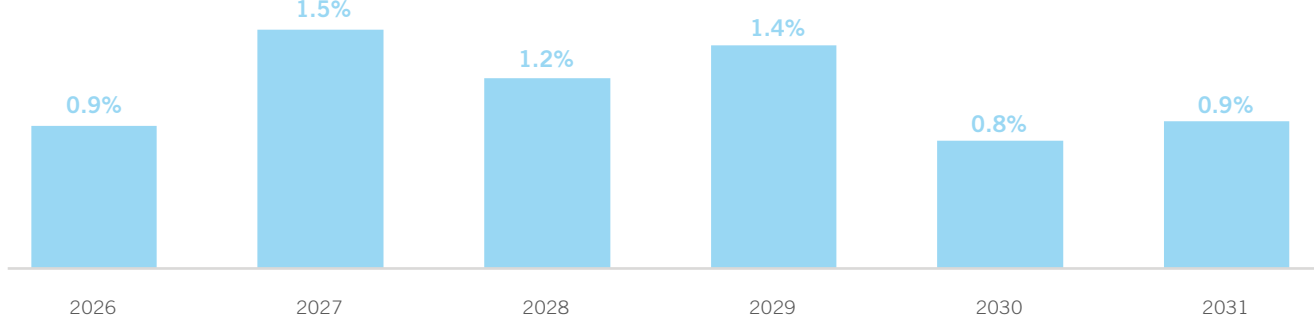
Most Products in this segment have returned to growth in 2025 / 2026 with mixed results forecast from then on.

MINIVANS & SUVs



Volumes are bouncing back following the 2025 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

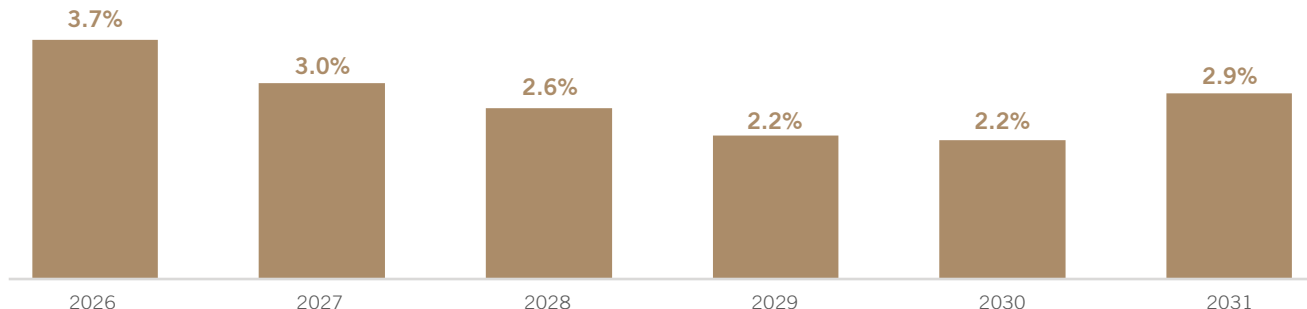


A failed merger between Nissan and Honda (and Mitsubishi) is adding to market uncertainty.

Far East Forecast

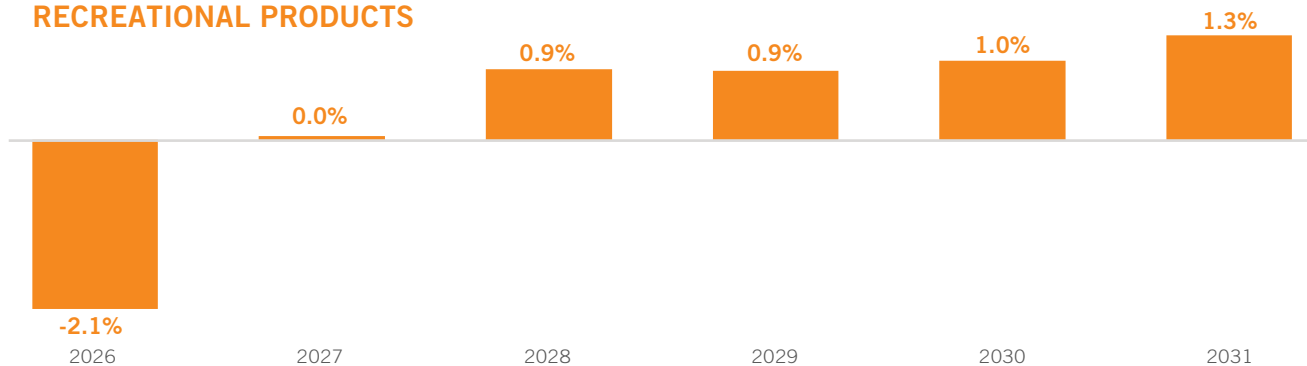
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POWER GENERATION



This demand is driven by business continuity planning (BCP) measures and the need to ensure a reliable power supply.

RECREATIONAL PRODUCTS



The domestic market is likely to become increasingly polarized between a shift toward the 125cc class and stable demand for mid-to-large-sized models, which are more popular among enthusiasts.



Southeast Asia Forecast to 2031

Forecast Production Trends To 2031

This chart shows the five-year regional Forecast out to 2031 in terms of percent change in total unit production for the years 2027-2031.



2031 Forecast Trends Comments

Over the next five years, the engine-related machinery market in Southeast Asia is expected to grow faster than in other regions. However, the market is susceptible to fluctuations in national investment cycles and changes in the external environment.

Foreign direct investment (FDI) expansion in manufacturing, along with infrastructure investments in industrial parks, logistics, and power generation, will likely support the demand for construction machinery, generators, light commercial vehicles (LCVs), and agricultural machinery. Conversely, fluctuations in trade policies and external demand tend to affect capital investment. Although electrification is advancing, engines will likely remain significant components in sectors such as construction machinery, generators, marine vessels, and regional logistics in the foreseeable future.

Overall, the Southeast Asian market is a growth market but is susceptible to external demand and policy environments, so it may continue to exhibit significant year-to-year fluctuations.

2031 Market Drivers

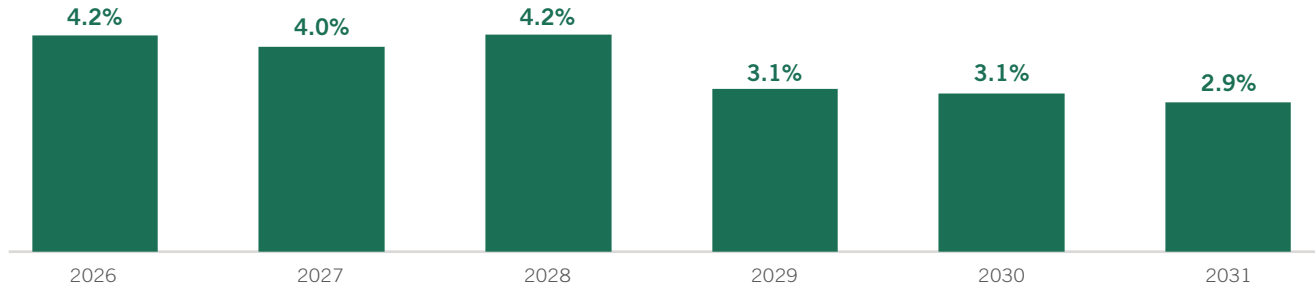
Although the Southeast Asian market has room for growth, driven by manufacturing investment and infrastructure development, it remains vulnerable to changes in external demand and policy.

DRIVERS	COMMENTS	IMPACT ON FORECAST
Manufacturing relocation	Manufacturing investment is growing, especially in Vietnam and Indonesia. This growth is likely to increase demand for automobile- and auto part-related equipment, as well as industrial machinery.	
Infrastructure and power capacity expansion	Countries such as Indonesia and the Philippines continue to invest in power and logistics infrastructure, which provides a foundation for the demand of construction equipment and generators.	
Resource and agri-export production base	In countries such as Indonesia and Thailand, the resource and agricultural export sectors are likely to drive demand for agricultural machinery and related equipment.	
Exposure to external demand cycles	The manufacturing sector in Southeast Asia relies heavily on exports. Therefore, a slowdown in external demand or changes in trade policy can easily lead to fluctuations in capital investment.	

Southeast Asia Forecast

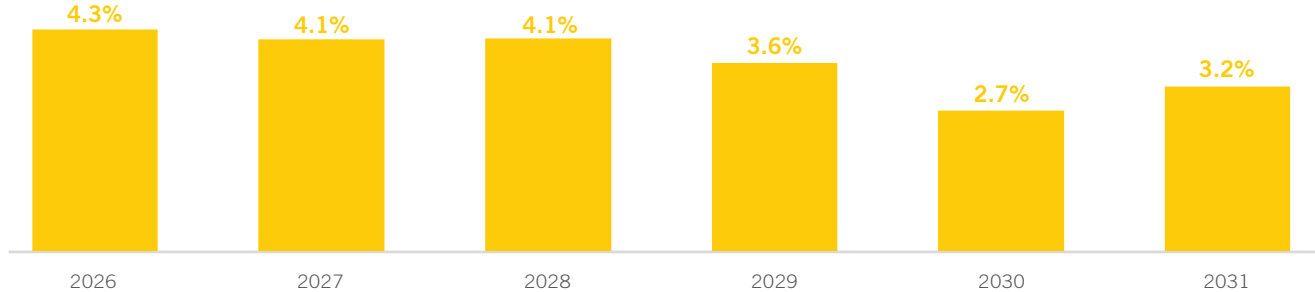
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AGRICULTURE



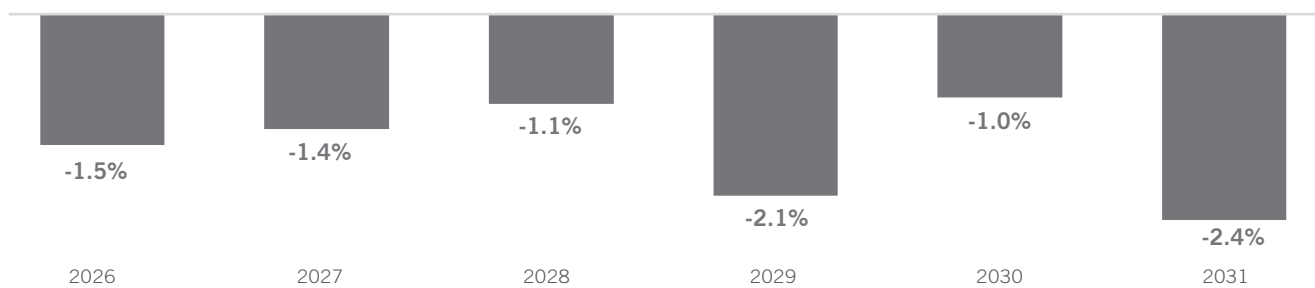
Demand for agricultural machinery remains resilient, driven by advancing mechanization and labour shortages.

CONSTRUCTION



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

INDUSTRIAL

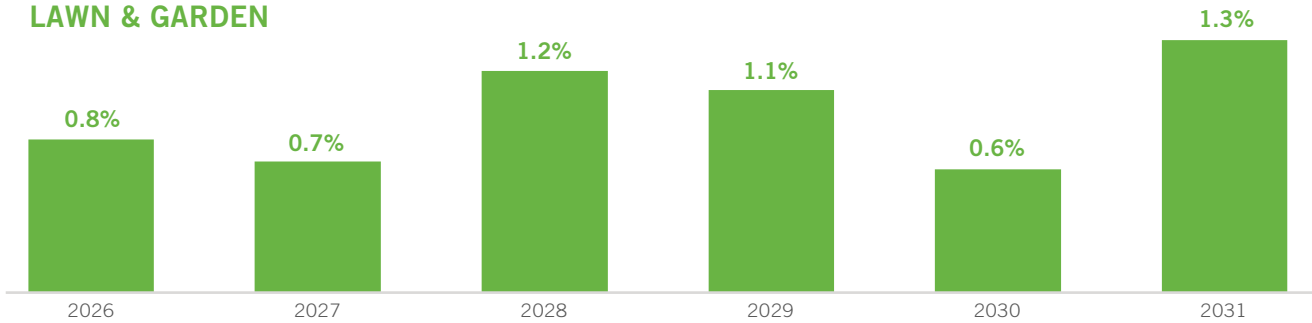


This segment has very small volume so modest volume decreases often show as significant percentage decreases.

Southeast Asia Forecast

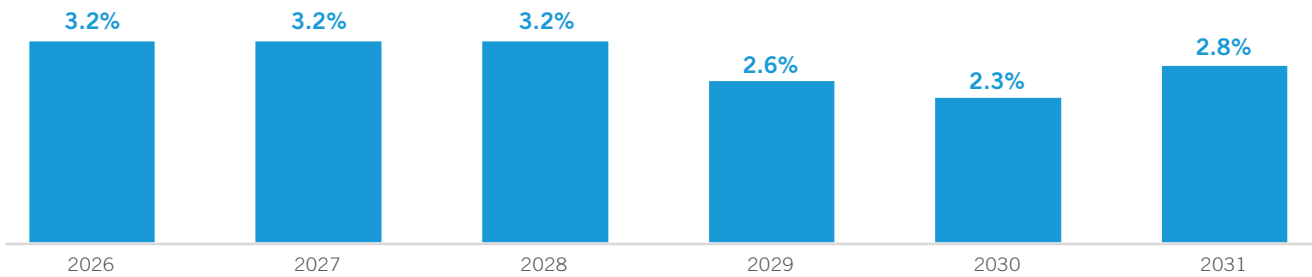
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LAWN & GARDEN



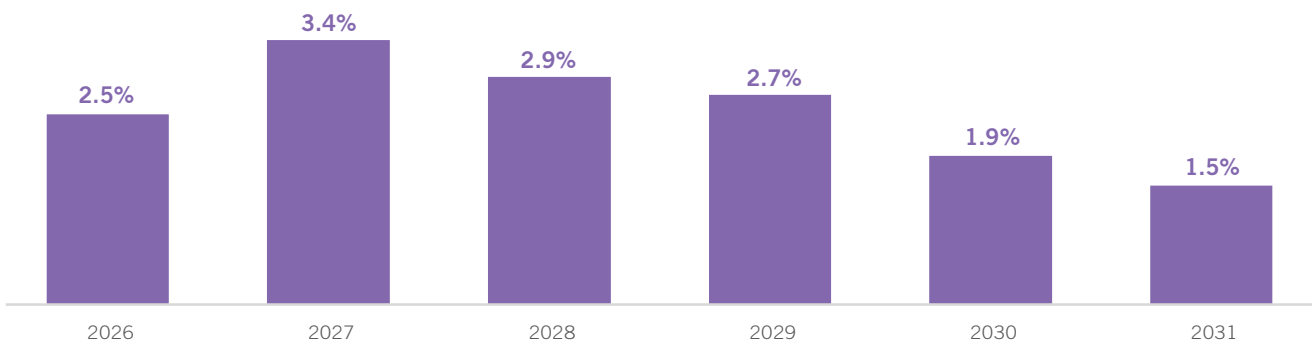
Lawn & Garden continues to make a very slow, multi year recovery from 2024 decline.

LIGHT COMMERCIAL VEHICLES



Following a decline in 2024 Light Commercial Vehicles have bounced back quickly and continue to grow solidly.

MARINE PROPULSION

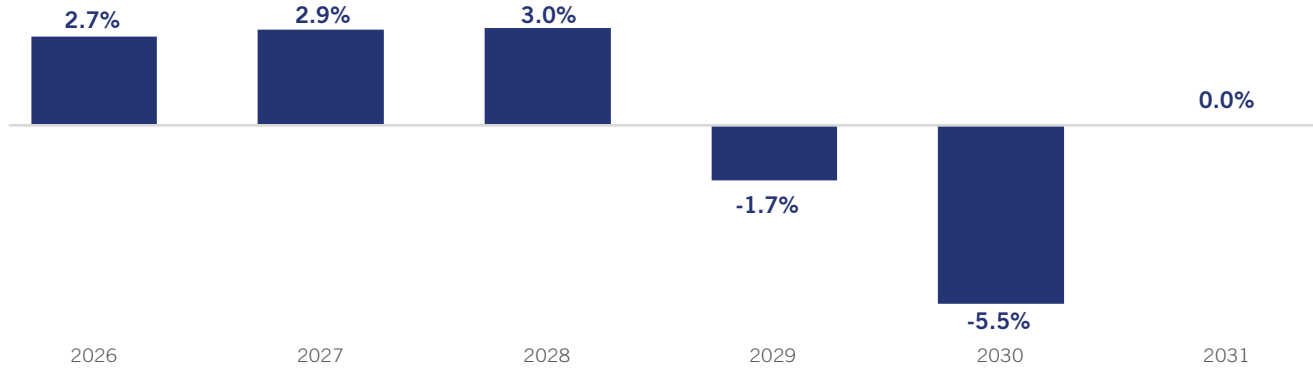


Marine Propulsion shows good growth throughout the forecast period.

Southeast Asia Forecast

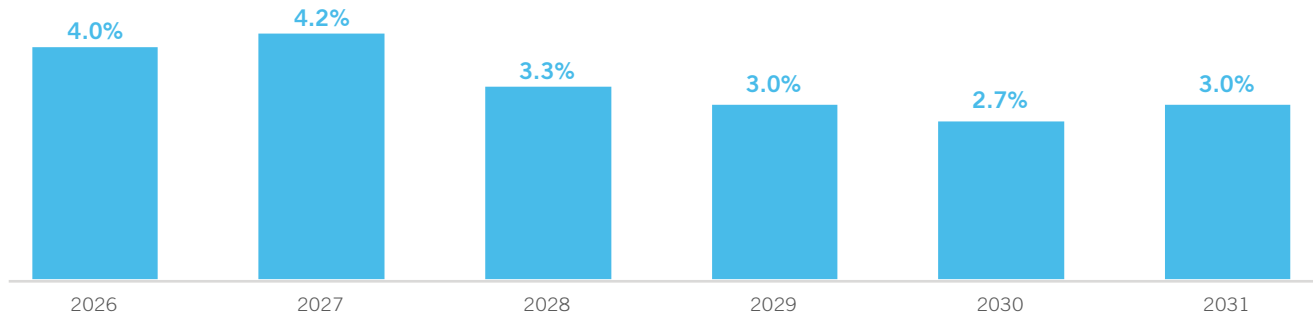
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MEDIUM & HEAVY VEHICLES



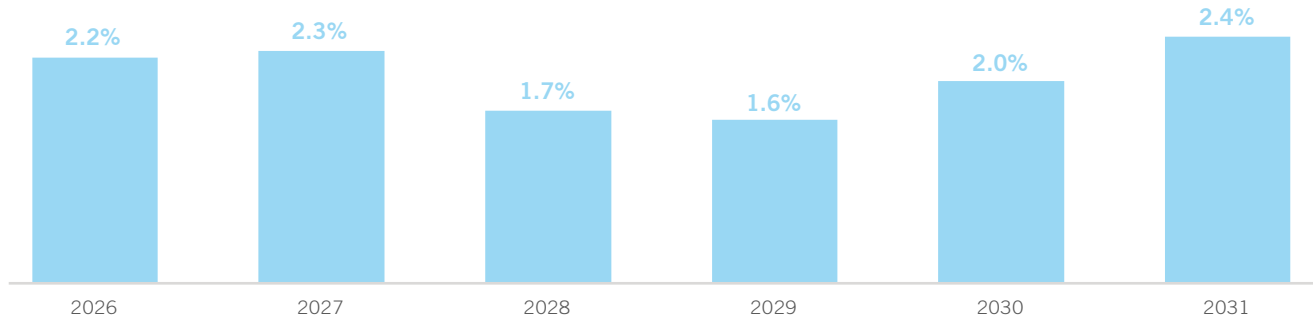
Medium Heavy Vehicles segment is expected to recover strongly from 2025's decline until the last few years of the forecast period.

MINIVANS & SUVs



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

PASSENGER CARS

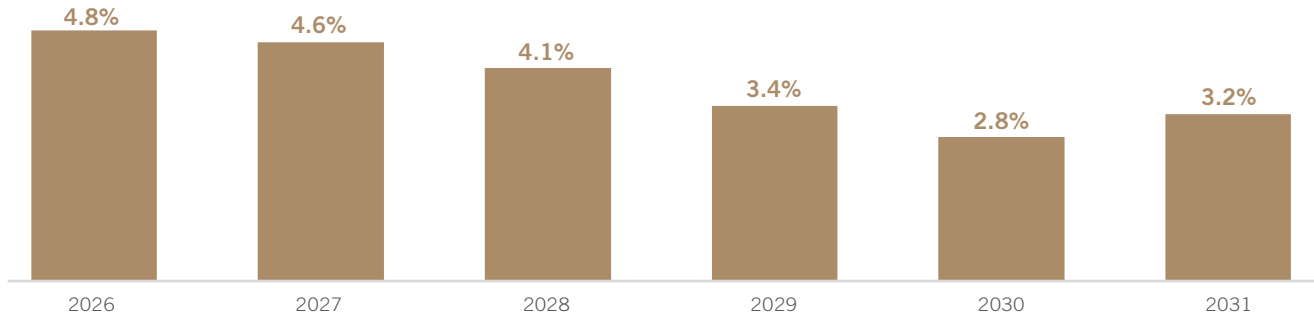


Chinese brands, especially in Thailand, continue to invest and are beginning to take market share from the dominant Japanese brands.

Southeast Asia Forecast

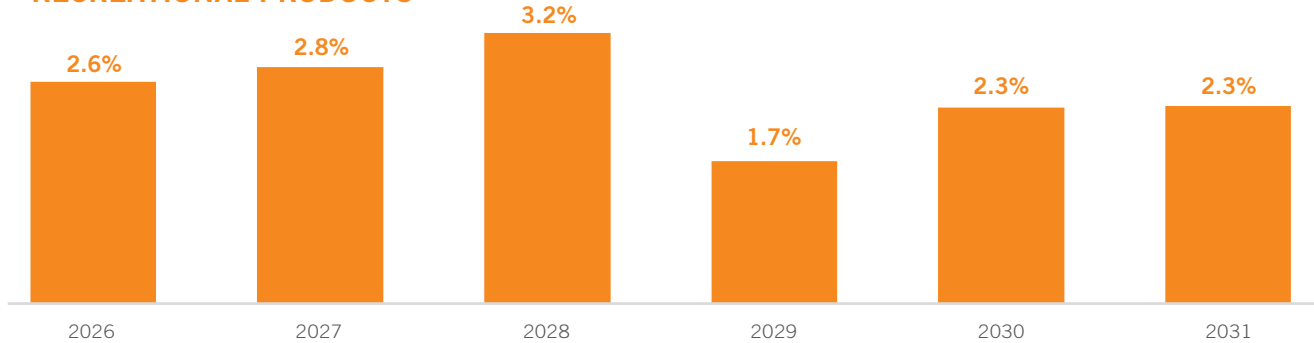
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POWER GENERATION



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

RECREATIONAL PRODUCTS



The suspension of EV subsidies in Thailand caused electric vehicle sales to stall, demonstrating the direct impact of policy changes on supply and demand.



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.

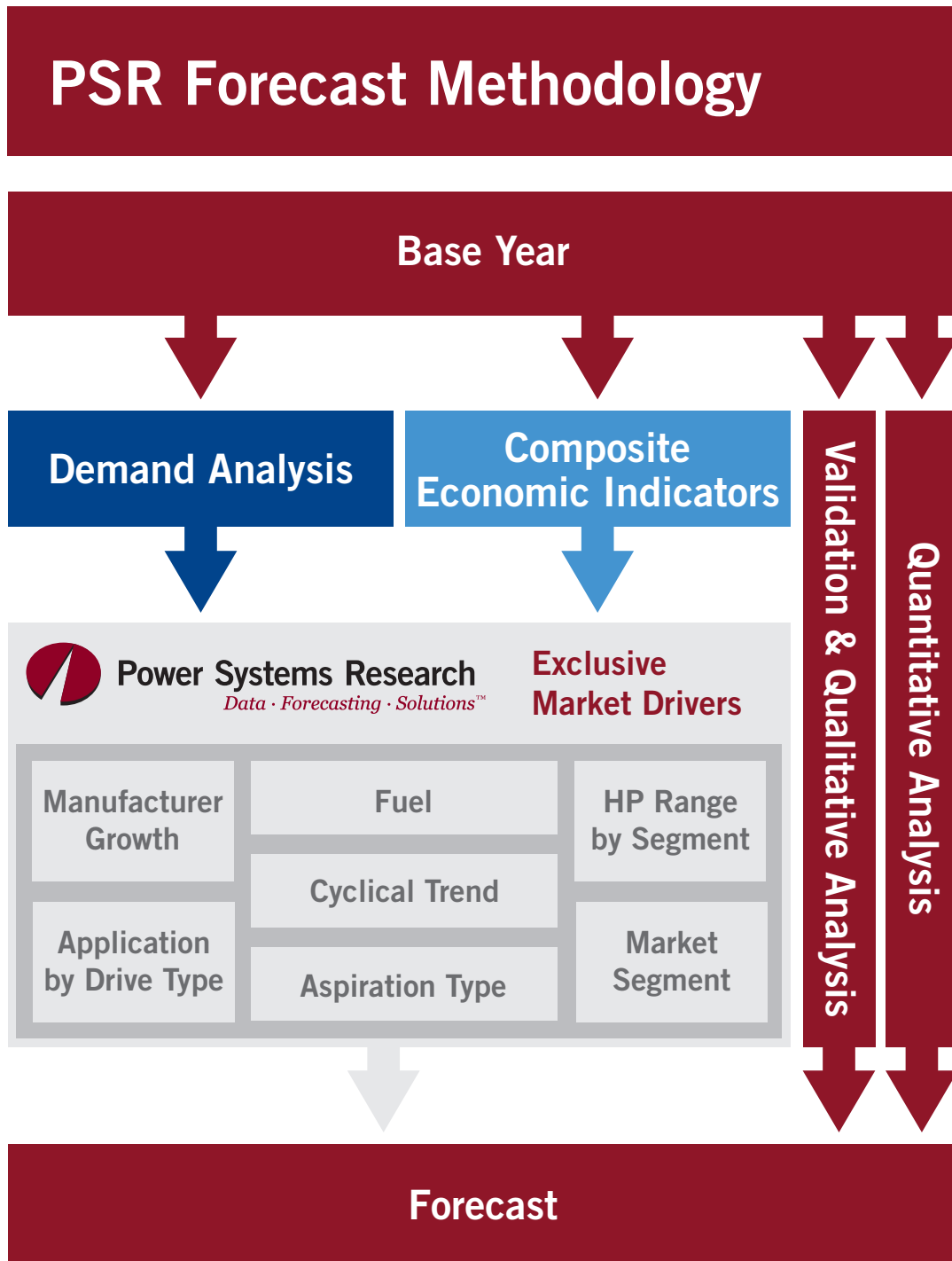
PSR RESEARCH METHODOLOGY



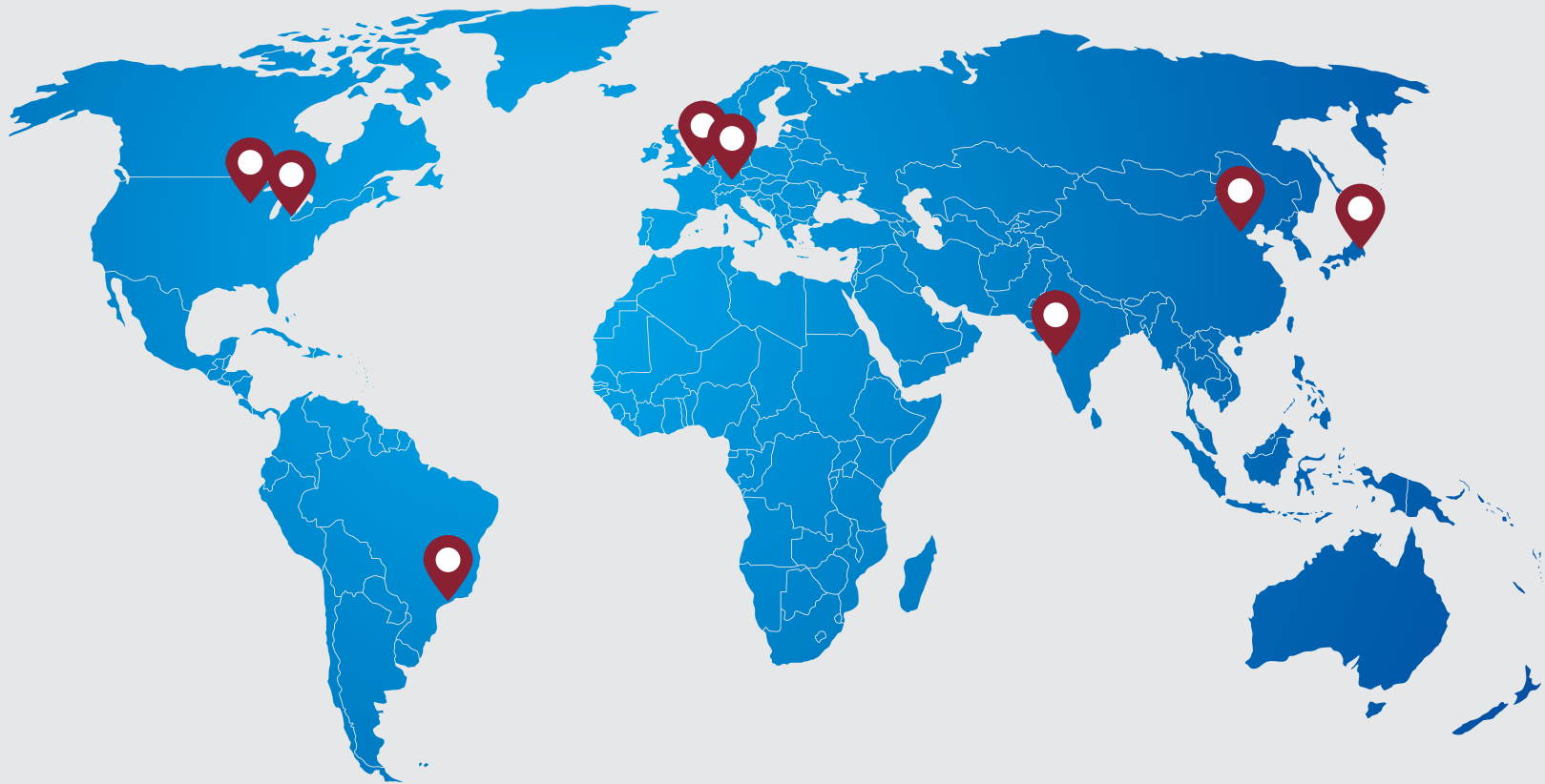
V. Forecast Methodology

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.



VI. Contact Information



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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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