Forecast Bulletin

June 30, 2026

Q2 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.

Inside

Commercial Vehicle Outlook

Medium and heavy truck production in North America is expected to increase by 9.5% this year compared with low 2025 production. While class 8 truck production is expected to increase by 13.5% this year as order rates for class 8 trucks improved strongly throughout much of the year.

To get the full story, contact us today.

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I. Executive Notes

Components & Consumables Modules Can Enhance Data Utility

In this column, we will briefly highlight the information available from the Power Systems Research (PSR) database component modules. Especially for those clients who are new or tend to maintain a consistent scope year-to-year, you may not be aware of the current scope of coverage available within our component modules.

Our Component Module data covers components and consumables and relate their attributes down to the model level within EnginLinkTM, OE LinkTM, CV LinkTM and/or PartsLinkTM as applicable. There are three key types of components modules including specifications, components and consumables.

Here is a brief overview of the available module types:

- Specifications: Engine Oil Specifications, Engine Oil Capacity, Engine Oil Change Intervals, Engine Oil Consumption, Emissions and Electrical System Voltage.
- Components: Brake Type, Cylinder Block Material, Cylinder Head Material, Fuel Injection Equipment (FIE), Generators (Alternators), Axle Configuration, Transmissions and Turbos.
- Consumables: Batteries, Spark/Glow Plugs and Tires.

You can find the fields associated with each of these module types as well as further information at this link:

PSR Components & Consumables Module Directory

When relating the components and consumables information to our data, many clients find this a value-added tool in market sizing for components as well as in gaining further insight into product details and specifications. If you are interested in learning more, please inquire with your PSR account manager.

Today, there are many forces at play in the current environment for the worldwide production of powered equipment. As we move forward, you can be assured that 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 Q2 2026 Update, we incorporated important insights we have gathered during the second quarter to provide our best outlook for 2026 as well as our five-year forecast out to 2031.

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**

Joe Zirnhelt

Author

Joe Zirnhelt is President and CEO of Power Systems Research.

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.

2027	2028	2029	2030	2031
↑ 4.1%	↑ 3.8%	↑ 3.5%	↑ 1.1%	↑ 3.3%

2031 Forecast Trends Comments

The forecast is expected to pick up starting next year with strong growth until 2031. The Global economic outlook is muddied by wars, mixed tariffs, oil shortages and inflation. The wars in the Middle East and Ukraine show no signs of coming to an end anytime soon, and the Middle East fighting continues to cause global oil shortages which push up inflation. The tariff wars begun by US President Donald Trump have upset production across the globe and further stimulated inflation. Despite these worldwide problems, the global economy is expected to show solid growth through the forecast period.

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 widespread and is based around the double whammy of Trump's tariffs and the US attack on Iran together with Iran's attacks on neighbouring states.	▼
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 124%, UK +94%, France 113%, Canada 111%, Italy 135% and Japan 237% are the most indebted.	▼
High Inflation	Global inflation is expected to decline from 4.2% in 2025 to 3.1% in 2026, reflecting progress in price stability across many regions. This poses a risk to global economic growth particularly as the inflationary impacts of tariff and oil prices are beginning to be felt globally. Inflation and price increases are putting OEMs in a difficult situation.	▼
Political Turmoil / Middle East	Despite recent easing of the turmoil in most of Europe, tensions have now escalated throughout the Middle East with the US / Israeli attack on Iran, and Iran's retaliation.	▼
Ukraine	The war in Ukraine has become stagnant and shows no sign of a speedy conclusion despite recent moves towards a ceasefire and Ukraine's recent long range strikes on Russian energy industry.	▼
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

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Economic Growth Despite Wars, Tariffs, Inflation, Oil Problems

SUMMARY. The Global economic outlook is muddied by wars, mixed tariffs, oil shortages and inflation. The wars in the Middle East and Ukraine show no signs of coming to an end anytime soon, and the Middle East fighting continues to cause global oil shortages which push up inflation. The tariff wars begun by US President Donald Trump have upset production across the globe and further stimulated inflation. Despite these worldwide problems, the global economy is expected to show solid growth through the forecast period.

The Global economic outlook is muddied by wars, mixed tariffs, oil shortages and inflation. ... Despite these worldwide problems, the global economy is expected to show solid growth through the forecast period.

AGRICULTURAL. The Agricultural sector is showing consistent signs of good growth with growth in the range of +2.5% to +4.2%. The average growth rate grows toa level of +3.3% and the market grows by +820k by the end of the forecast period. Most of this growth comes from China and India which both add over 300k units during the forecast period. Japan shows 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 +6.7% in 2026 and then grow well until an expected recession in 2030 (with -0.4%). The average growth rate remains at +2.8% and the market grows by +162k units by the end of the forecast period. Of the major countries, China adds most of the volume with +76k units by the forecast end.

INDUSTRIAL. Industrial is expected to remain positive throughout most of the forecast period with average growth rate remains a solid +2.8% and the market grows by +872k by the end of the forecast period. Of the big two manufacturing countries, only China remains in positive growth throughout the period averaging +4.8%, while the USA declines in 2030 but still averages +2.0%. 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 for 2030 when it is expected to decline by -2.5%. The average growth rate remains at+2.4% and the market grows by +3.317m 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.

LIGHT COMMERCIAL VEHICLES. This segment is expected to remain positive throughout most of the forecast period with the average growth rate remains a good +2.4% and the market is expected to grow by +1.656m by the end of the forecast period. Of the top two countries (China & USA) China remains positive throughout the period and adds +565k whilst the USA shows a mixed growth/decline figures throughout most of the forecast but still end the forecast period with decline of +175k.

MARINE AUXILIARY/MARINE PROPULSION. After a difficult 2025, this segment is expected to grow throughout most of the remainder of the forecast period with the average growth rate remaining at +1.7%, and the market growing by +74k by the end of the forecast period. Japan is the largest producer with over half the volume and is expected to grow by an average of +2.6% and add +56k in volume.

MEDIUM & HEAVY VEHICLES. This segment is expected to decline in 2026 and 2030 but grow for the remaining years. The average growth rate remains at +2.0% and the market grows by +452k by the end of the forecast period. None of the big three production countries remain positive throughout the period but China adds +282k with average growth rates of +1.9%.

Global Forecast

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PASSENGER CARS/MINIVANS & SUVs. Generally, 2026 is expected remain a solid year for these segments with a growth averaging +3.3% (Minivans +4.2% and Passenger Cars at +2.1%) and the combined market grows by +12.890m 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 +5.0% and USA +4.0%.

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 +5.2%. The average growth rate remains solid at +3.8% and the market grows by +1.581m 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 +3.5% and adding 10.158m 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 between +5.6% and +9.2%, with an average growth rate of 7.7%, and add an extra 31.443m units by 2031. The Internal Combustion vehicles on the other hand are growing much slower with changes ranging from -1.4% to +2.9% and averaging +1.0%. **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.

2027	2028	2029	2030	2031
↑ 3.4%	↑ 4.0%	↑ 3.9%	↓ -2.2%	↑ 4.0%

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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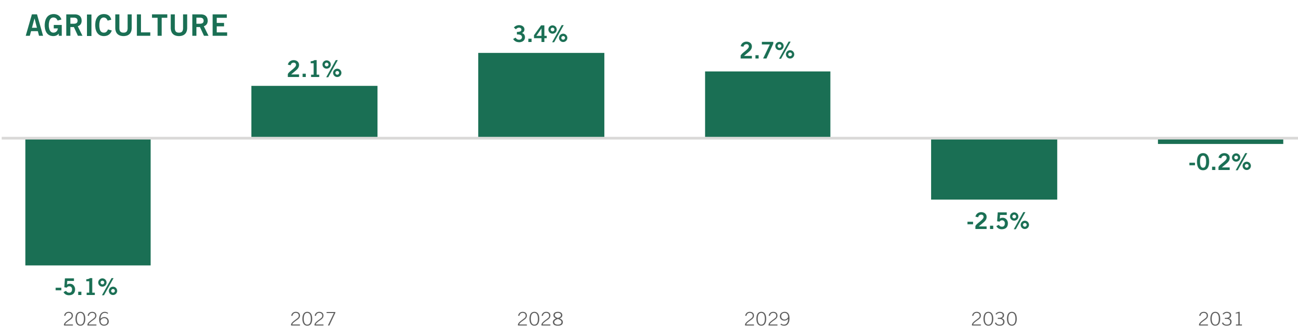
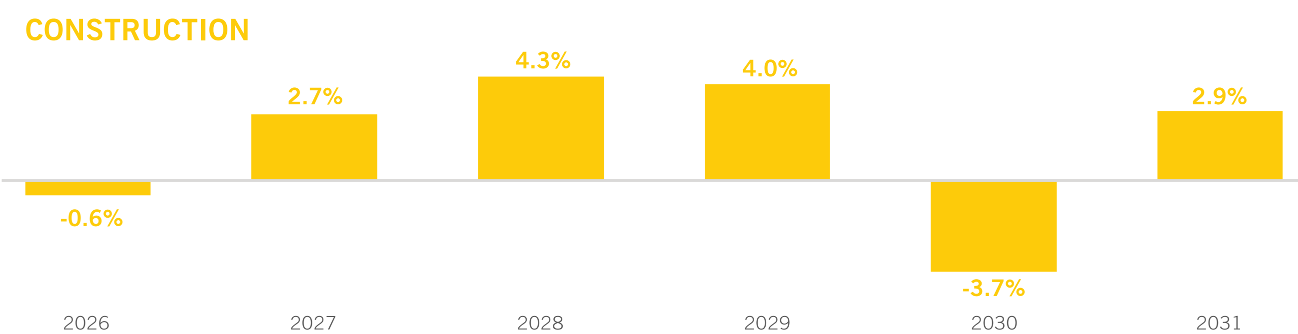
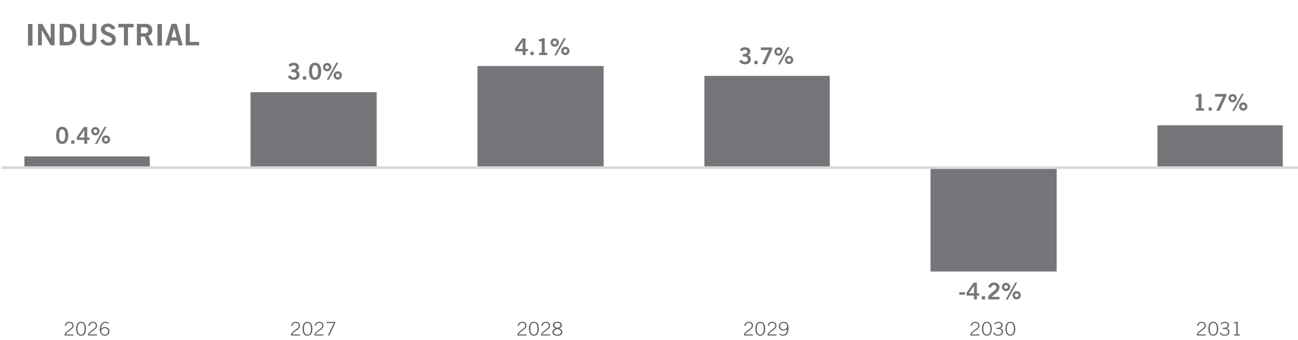


Falling commodity prices, high interest rates, machine oversupply, increased input costs, labour shortages, and ongoing tariffs have all affected the AG market negatively.



New tariffs and increased costs for steel and other components are squeezing manufacturer margins and raising equipment prices. These trends are forcing some OEMs to absorb costs or raise prices.



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

North America Forecast

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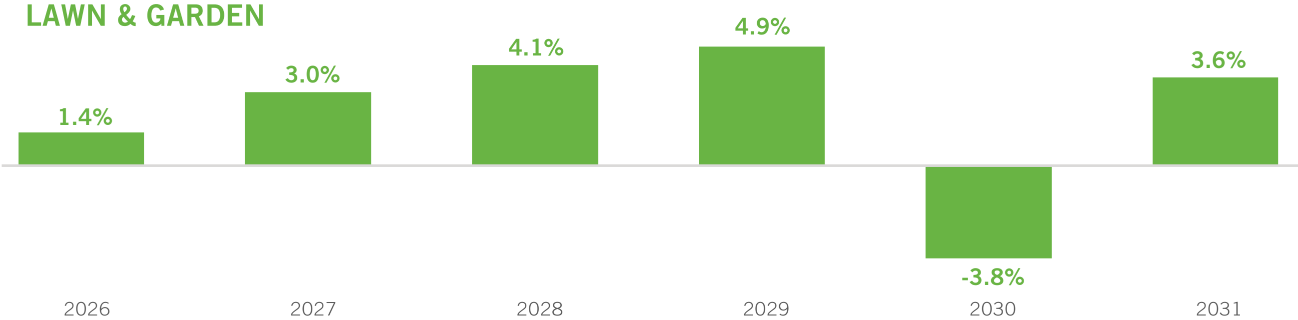
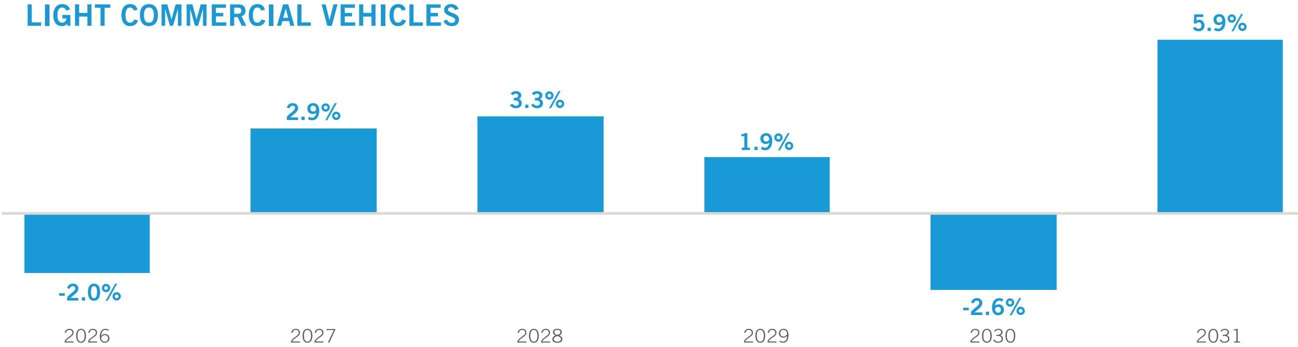
LAWN & GARDEN



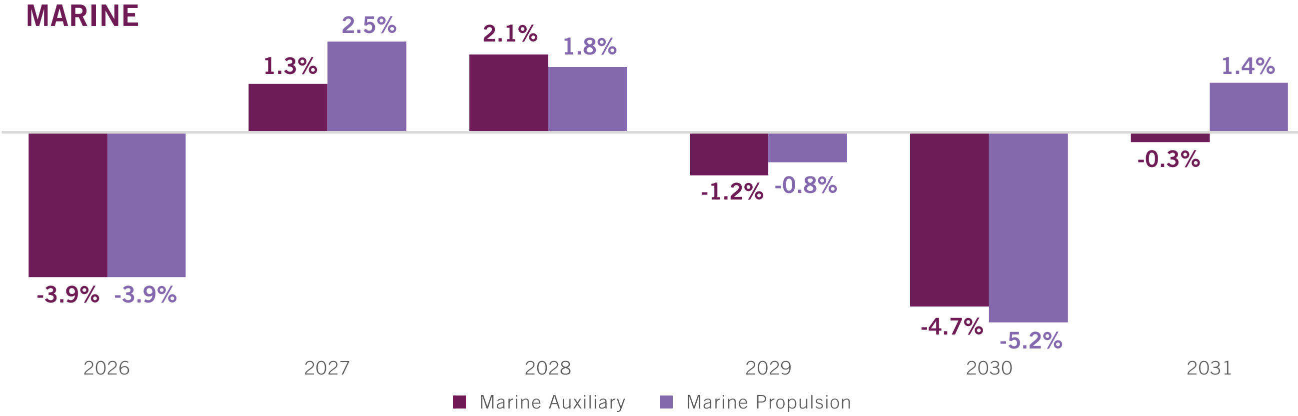
Lawn & Garden shows evidence of a strong bounce back after the decline in 2025.

LIGHT COMMERCIAL VEHICLES



Despite strong growth in 2026, LCV's are expected to recover in 2027 to 2029.

MARINE



Both Marine subsegments declined in 2025 and 2026 before seeing several years of expected growth.

North America Forecast

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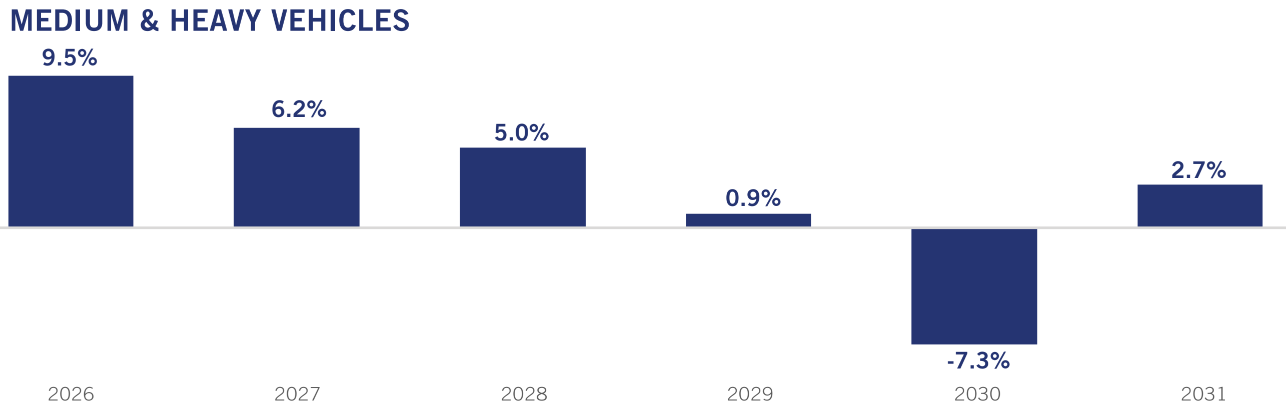
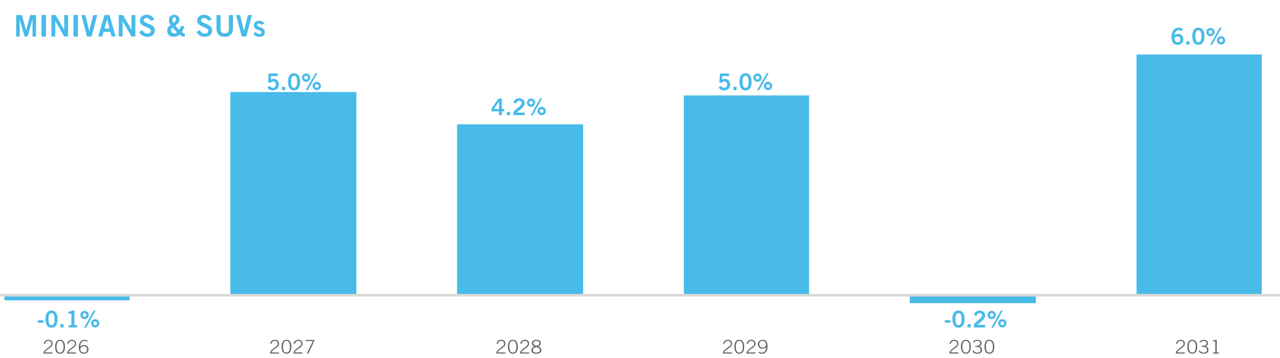
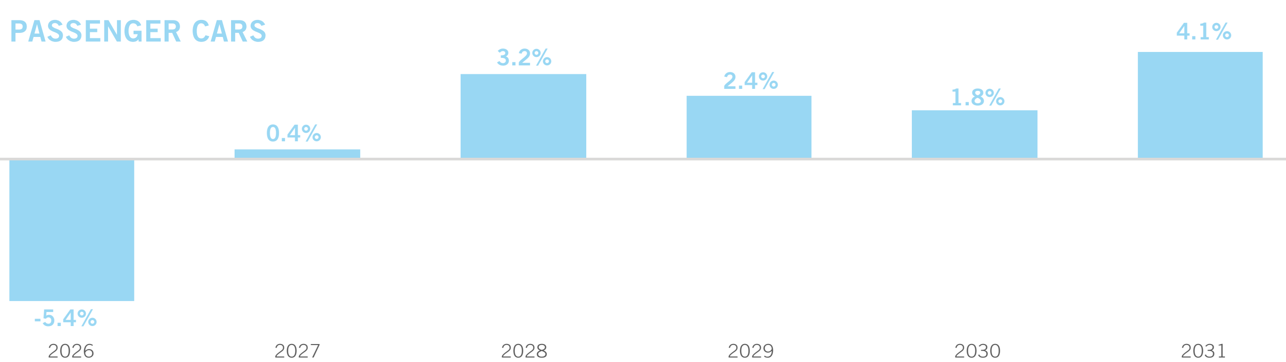


The negative impact of the tariffs, low freight demand, excess truck capacity, and high finance rates appear to be more than balanced by pent up demand due to replacement cycles.



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 period, while EV cars are expected to grow again from 2027.

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North America Forecast

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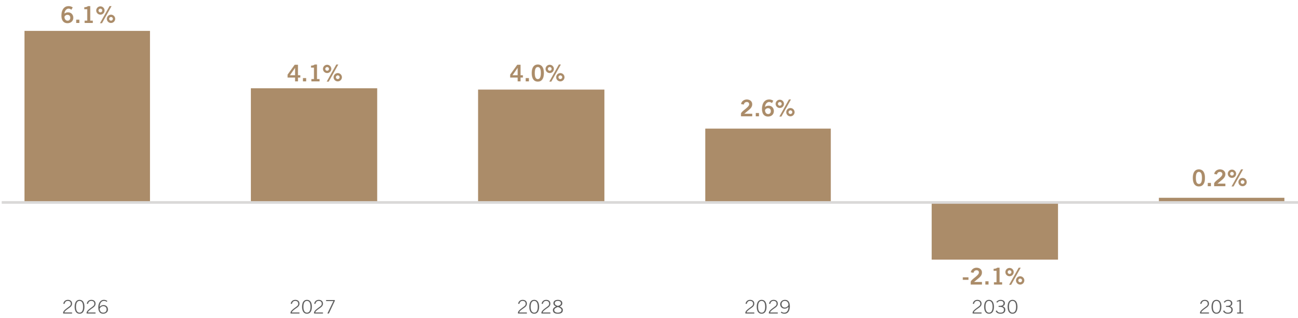
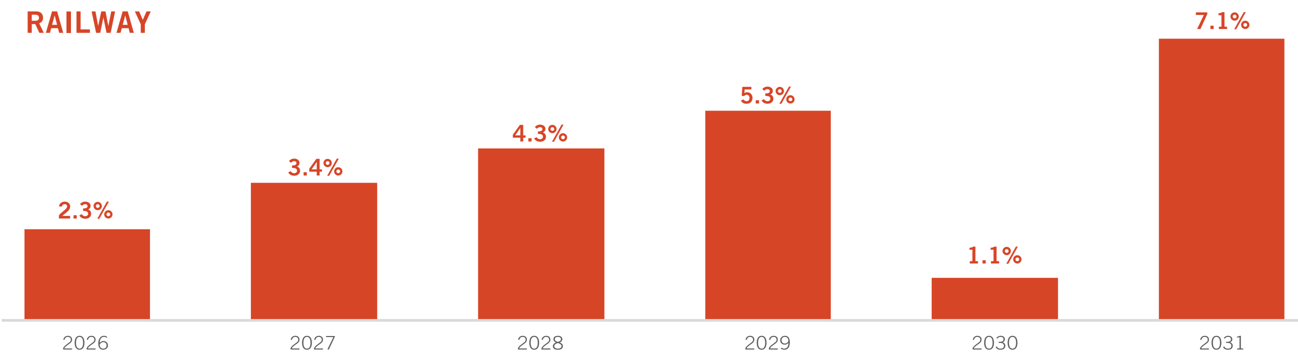
POWER GENERATION



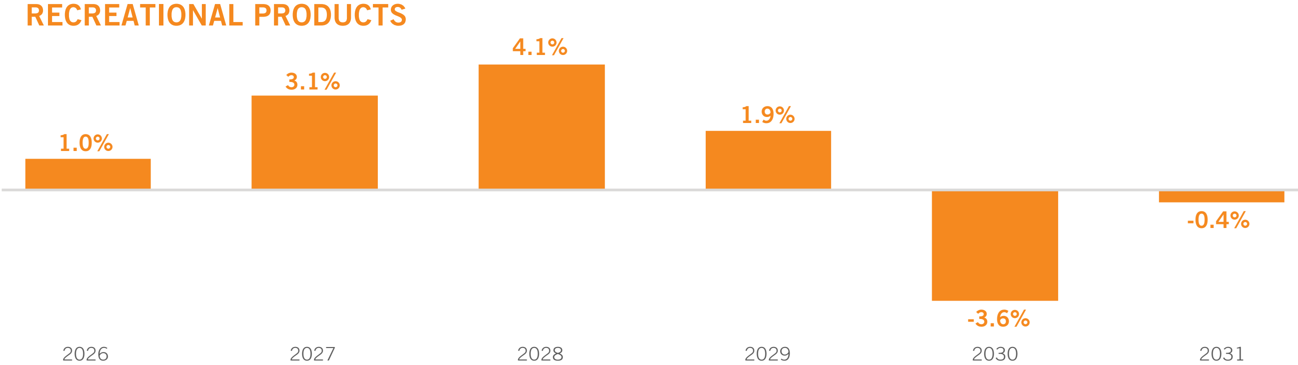
Falling demand for smaller gen-sets is expected to pull down the market, but growth still remains strong.

RAILWAY



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

RECREATIONAL PRODUCTS



New tariffs also are 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.

2027	2028	2029	2030	2031
↑ 2.6%	↑ 4.3%	— 0.0%	↓ -8.1%	↑ 5.4%

2031 Forecast Trends Comments

After an overall difficult year 2025 for the engine industry, 2026 has started with a recovery. However, the continuing war in Iran has already had short-term consequences for the global economy and will continue to have them the longer the conflict goes on. 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 continues to be a major concern for Europe, including the consistent supply of energy to Eastern European Member States. However, the ongoing US-Iran war and its resulting oil and natural gas crisis has additionally challenged European industries, such as destabilising supply chains and energy prices. Both wars disclose Europe's weakness on energy reliability.	▼
Trade Protectionism and US–EU Tensions	After a lengthy interinstitutional negotiations the EU institutions agreed on a final agreement, including several safeguards to protect the European economy. Given Trump's past actions, uncertainty and concerns from EU partners remain over a long-lasting deal that could normalize trade relations and help the EU economy to recover.	—
Inflation and Global Economy Impacts	Inflation in the Eurozone has risen to 3%, indicating that current economic and geopolitical events impacted consumer behavior and reiterate earlier predictions on increased pressure on businesses. The drop in growth rates in segments such as agriculture and construction, while an increase in the military equipment and industrial segment, demonstrates a shift in European priorities, aiming to stabilize its economy and boost it infrastructure.	▼
Economic Stabilization and Policy Support	The cautious signs of economic recovery in 2025 continue into 2027-28, projecting growth until 2029, when a noticeable drop is expected as markets self-regulate. The EU and its institutions use their financial and policy tools to counter the negative impacts caused by economic and geopolitical pressures.	▲

Europe Forecast

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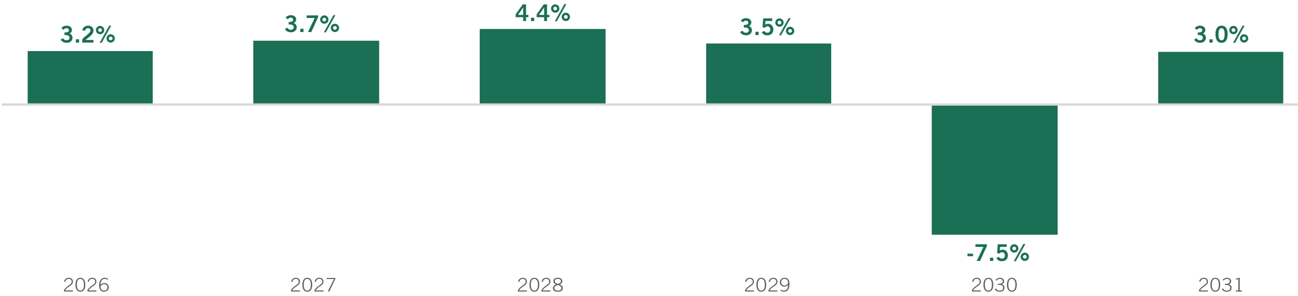
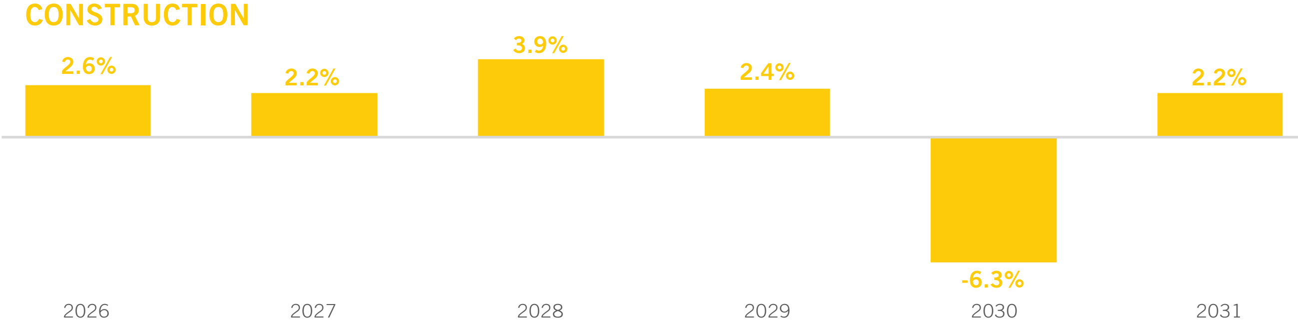
AGRICULTURE



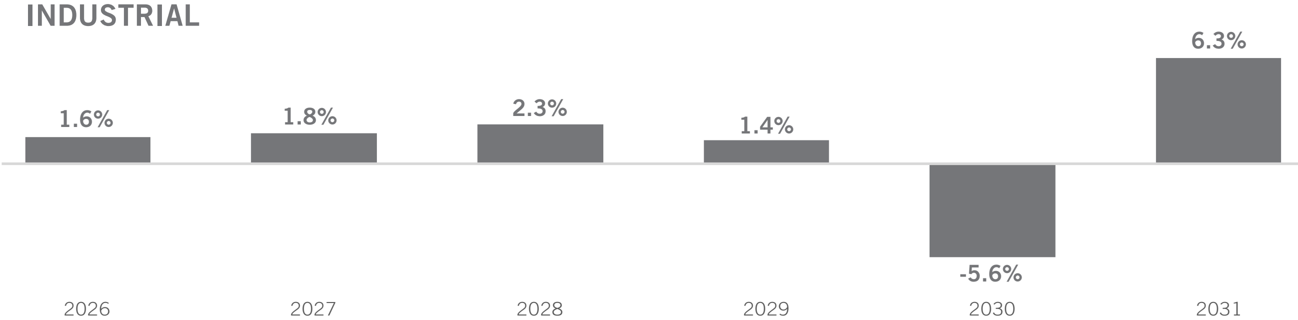
The recovery will be stunted by the current socio-economic climate and tariffs creating much uncertainty, which in turn is slowing the recovery.

CONSTRUCTION



We are expecting some recovery early to mid-2026. The recovery is going to be fuelled by government expenditures and higher business activity, especially in the residential and private sectors.

INDUSTRIAL



The European industrial machinery market is poised for steady slow growth through 2026 and 2027, driven by increasing industrial automation, modernization efforts, and demand for energy-efficient equipment.

Europe Forecast

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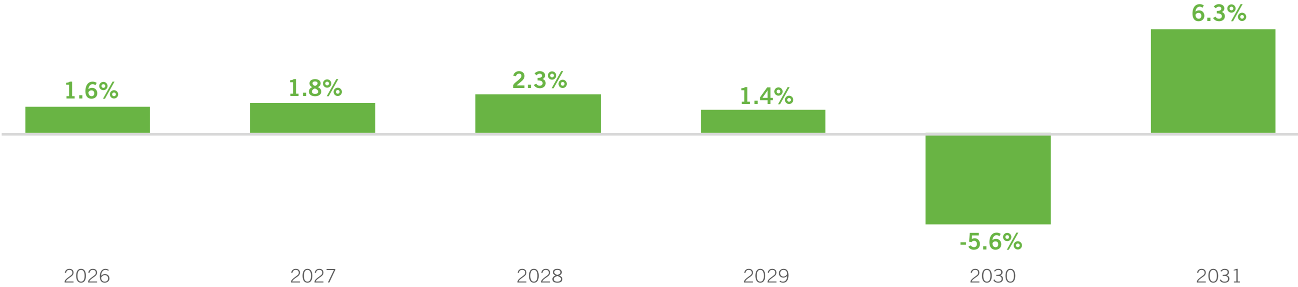
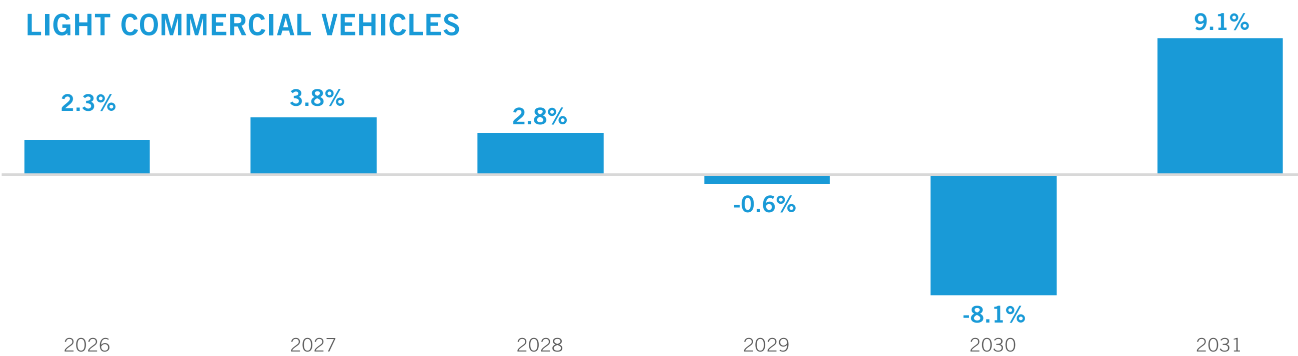
LAWN & GARDEN



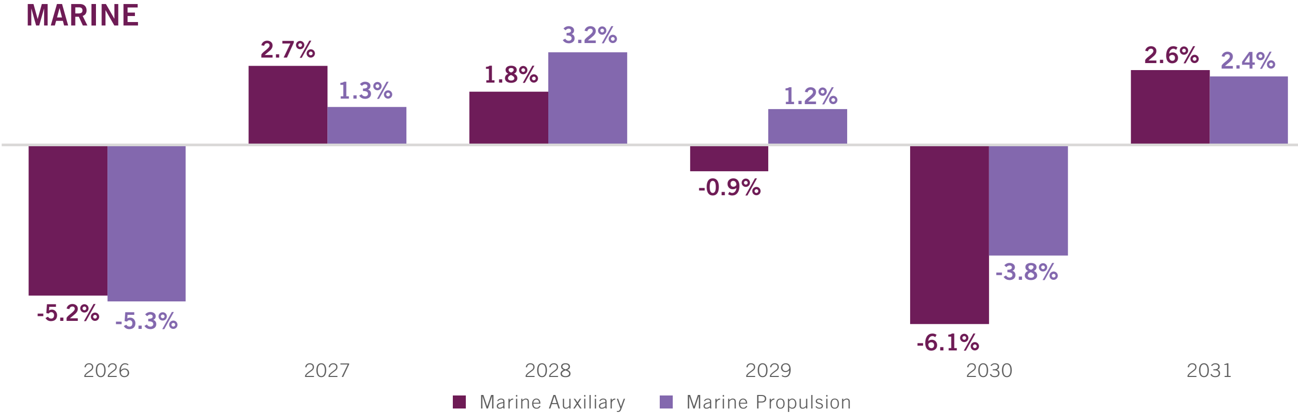
We are expecting some downward trends affecting this segment, due to the uncertainties, although to a lesser degree than other segments.

LIGHT COMMERCIAL VEHICLES



The Light Commercial Vehicle (LCV) segment remains a resilient operational focus in European automotive production. This follows a highly challenging 2025, during which EU commercial registrations contracted significantly

MARINE



The European marine pleasure industry in 2026 is expected to move from correction to stabilization, with selective growth depending on segment, size, and business model.

Europe Forecast

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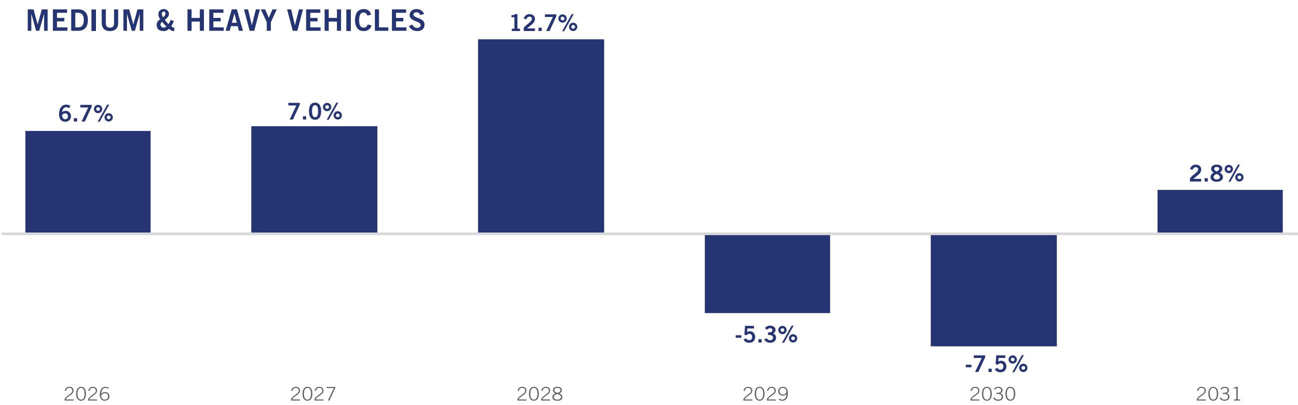
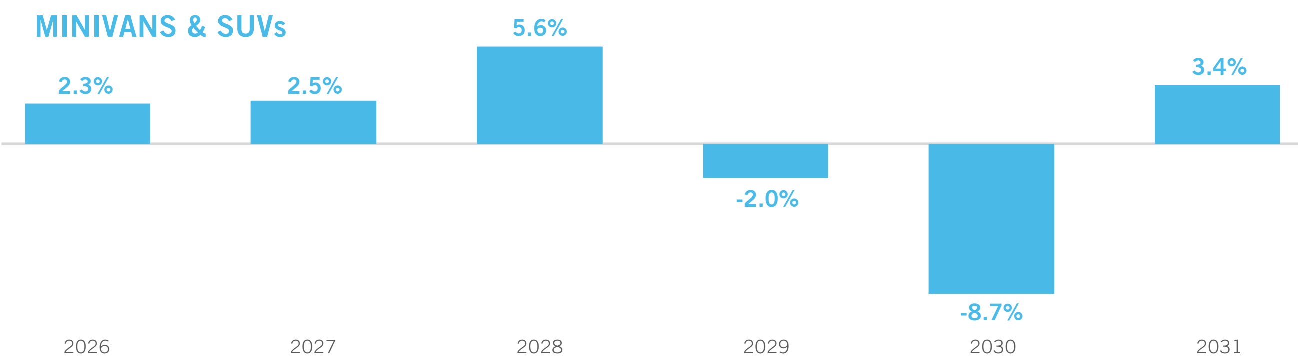
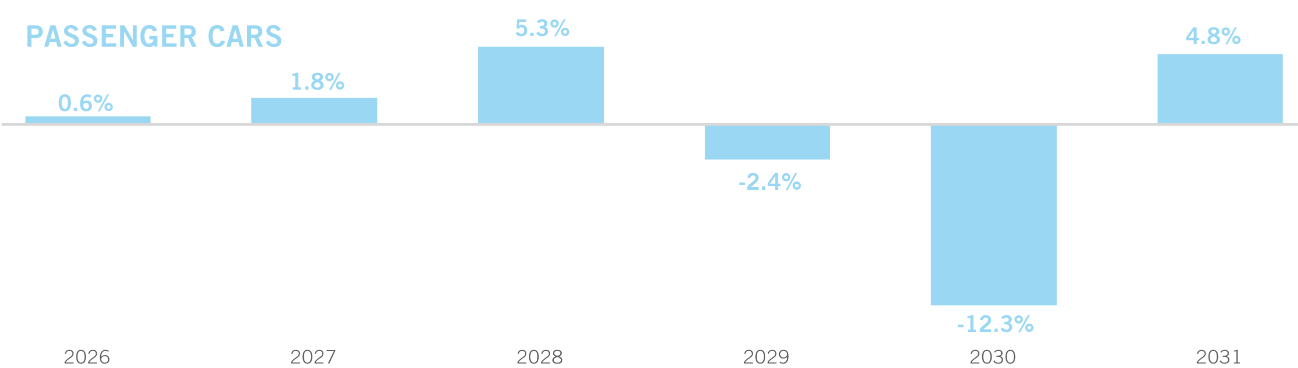


2024 was not a good year for Medium Heavy Vehicles and this continued into 2025 however several years of good growth are now expected.



In a historic pivot on Dec. 17, 2025, the European Commission officially scrapped the requirement for a 100% reduction in CO2 emissions from new cars by 2035. This has been replaced by a 90% reduction target.



In a historic pivot on Dec. 17, 2025, the European Commission officially scrapped the requirement for a 100% reduction in CO2 emissions from new cars by 2035. This has been replaced by a 90% reduction target.

Europe Forecast

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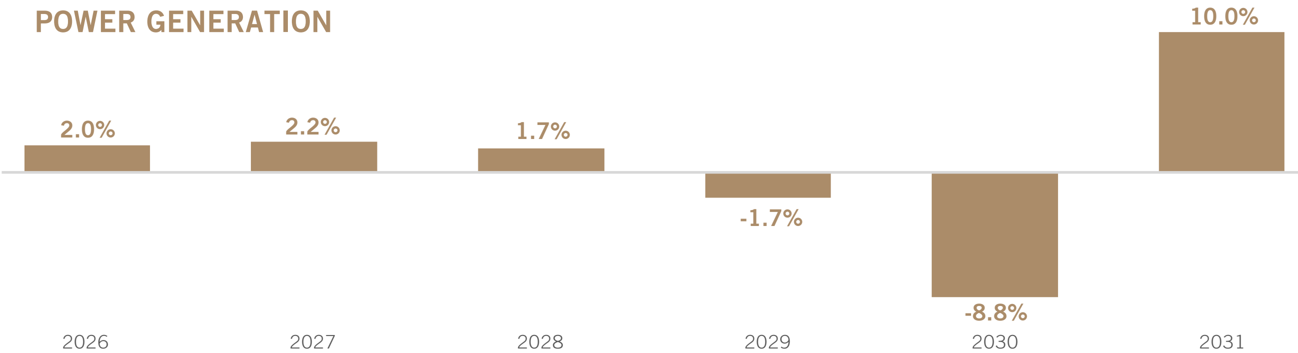
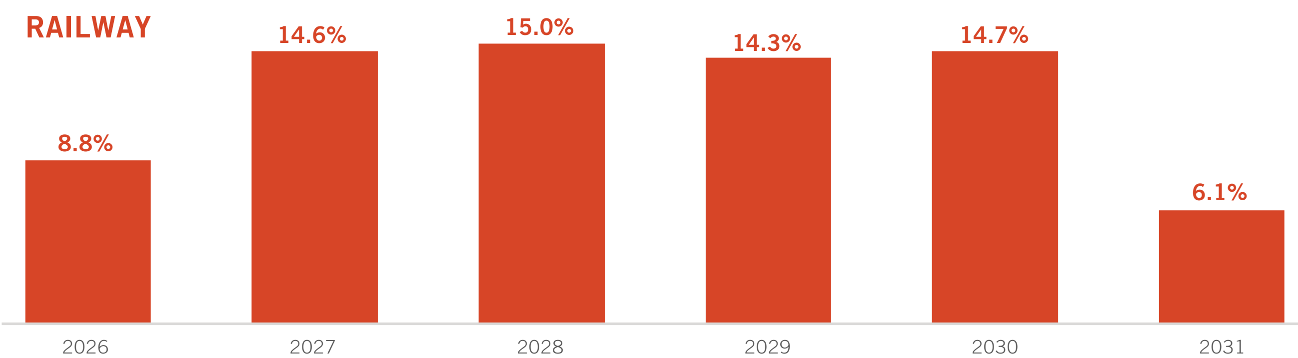
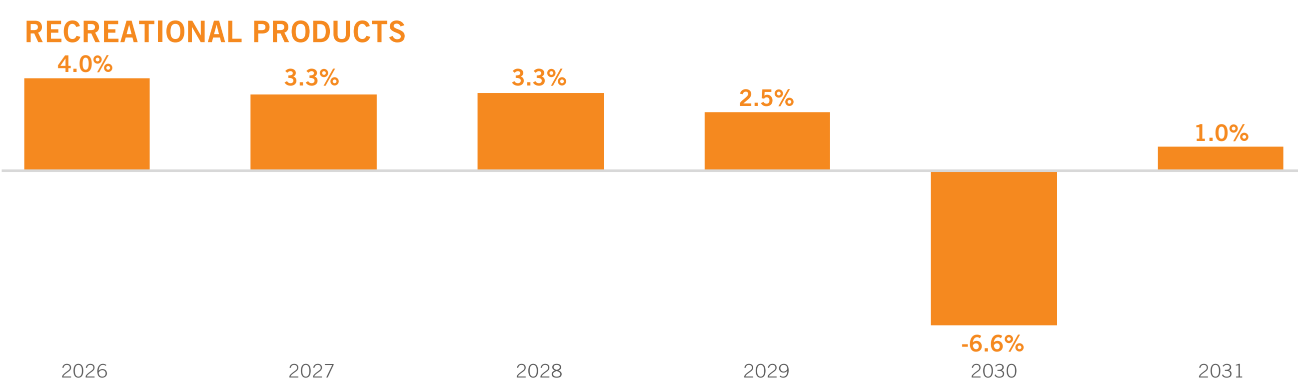


The main drivers remain data centers, critical infrastructure, healthcare, industrial backup power and grid resilience. However, the Iran conflict and the associated disruption risk around the Strait of Hormuz have increased fuel price uncertainty and ambiguity regarding strong supply channels.



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



As of late March 2026, the European two-wheeler industry was 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.

2027	2028	2029	2030	2031
↑ 4.0%	↑ 4.0%	↑ 3.9%	↑ 3.9%	↑ 3.1%

2031 Forecast Trends Comments

South America's medium-term outlook is supported by food production, mining, energy, infrastructure, fleet renewal and localized manufacturing, although recovery will vary by segment.

2031 Market Drivers

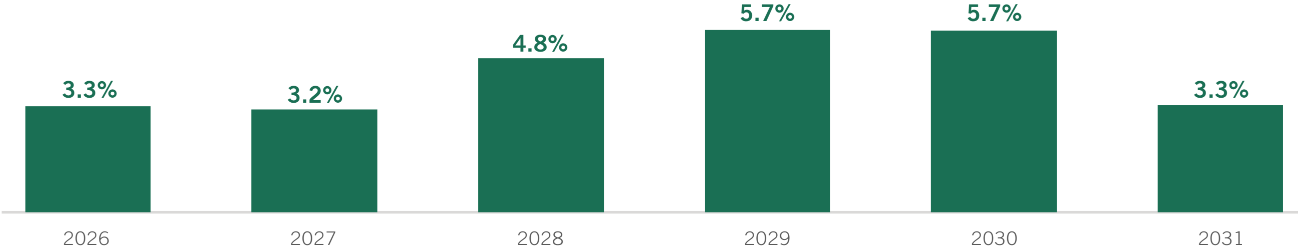
This region will remain an important producer of agricultural commodities, iron ore, minerals, meat, and O&G. The region also will be a key supplier of biofuels to support energetic transition.

DRIVERS	COMMENTS	IMPACT ON FORECAST
Regional Economic Recovery	Moderate growth should support production after a weaker 2026, with Brazil and Argentina driving most of the regional recovery from 2027 onward.	▲
Financing and Fleet Renewal	Lower interest rates over the forecast period should gradually support replacement cycles in trucks, buses, agricultural machinery and other capital equipment.	▲
Trade Policy and Export Exposure	U.S. tariff risk may delay investment and affect exposed export sectors, mainly in 2026–2027, although the medium-term impact depends on exemptions and negotiations.	▼
Oil Prices and Energy Investment	Higher oil prices pressure inflation, logistics and farming costs, but also support upstream O&G activity, power generation and related equipment demand, but in a lower scale	▼
Politics and Election-Cycles Risk	Political cycles in South America Countries affect fiscal policy, exchange rates and investment timing, creating volatility in production planning.	▼
Localization and Import Substitution	New regional production lines, Chinese OEM investment and local assembly support production growth in selected vehicle and equipment applications.	▲
Food Production and Farm Productivity	Crop expansion, replacement demand and productivity gains support agricultural equipment over the medium term.	▲
Mining and Critical Minerals	Copper, iron ore, lithium, niobium, nickel and rare earth investments support demand for construction, industrial, power generation and mining equipment.	▲
Infrastructure and Logistics Corridors	Public works, concessions, rail, port, highway and waterway projects support medium-term equipment demand across construction and transport applications.	▲
Data Center and Energy Reliability Demand	Data center expansion and backup power needs support Gen-Sets, construction and selected industrial equipment, especially in Brazil and Chile.	▲

South America/Brazil Forecast

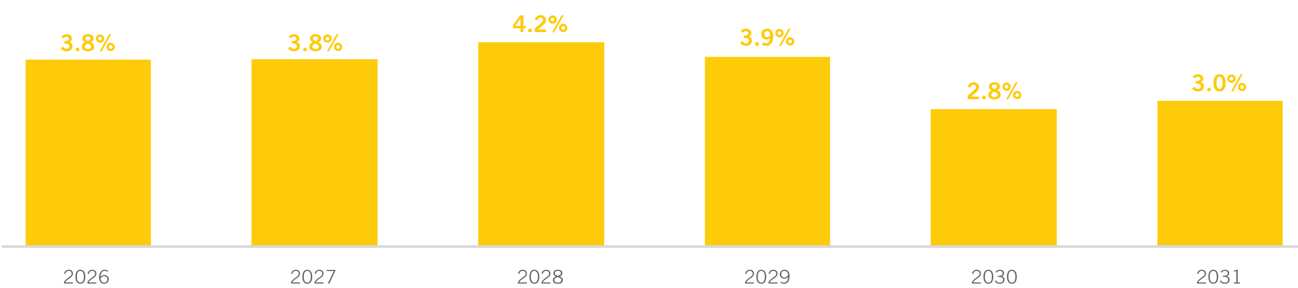
Continued from page 18

AGRICULTURE



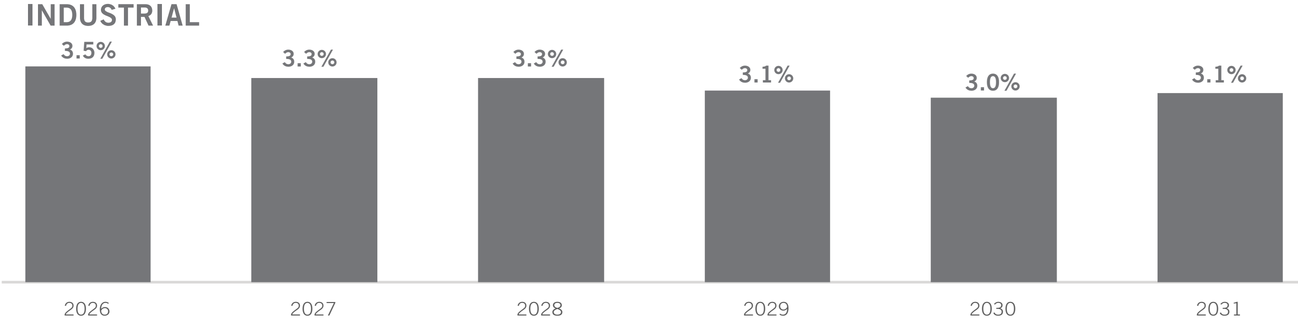
Agricultural equipment faces one of the most challenging environments among South America's major equipment segments, with production forecasts moving lower as high financing costs, elevated producer indebtedness, and restricted credit availability weigh on purchasing decisions.

CONSTRUCTION



Infrastructure activity, rental fleet replacement, mining projects, and selected industrial investments support demand.

INDUSTRIAL

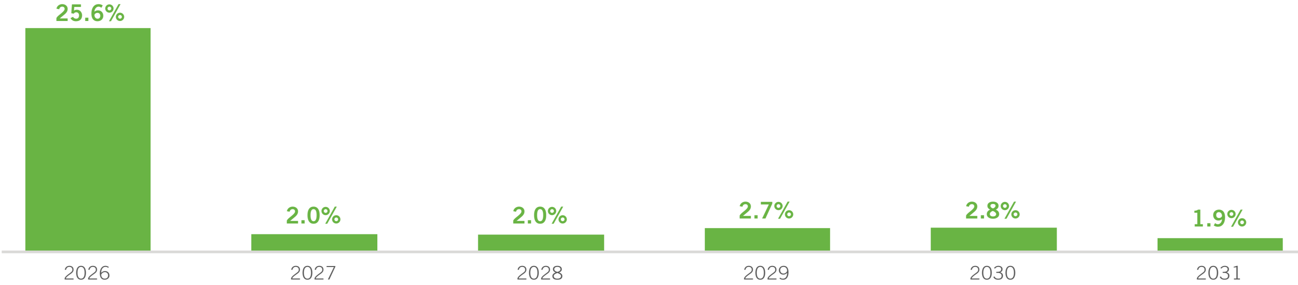


Although it still demonstrates growth, the industrial equipment outlook has softened since the previous forecast. Recent revisions from industry associations and weaker investment indicators point to a more cautious environment for capital expenditures across manufacturing and industrial sectors.

South America/Brazil Forecast

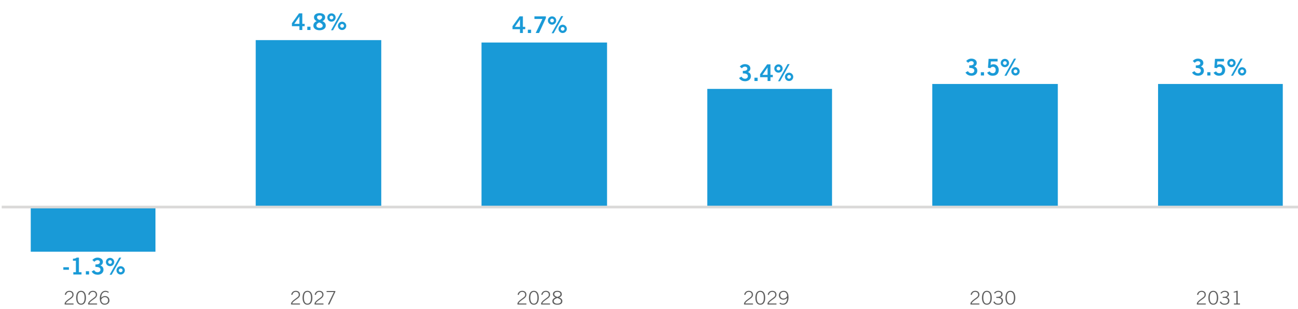
Continued from page 19

LAWN & GARDEN



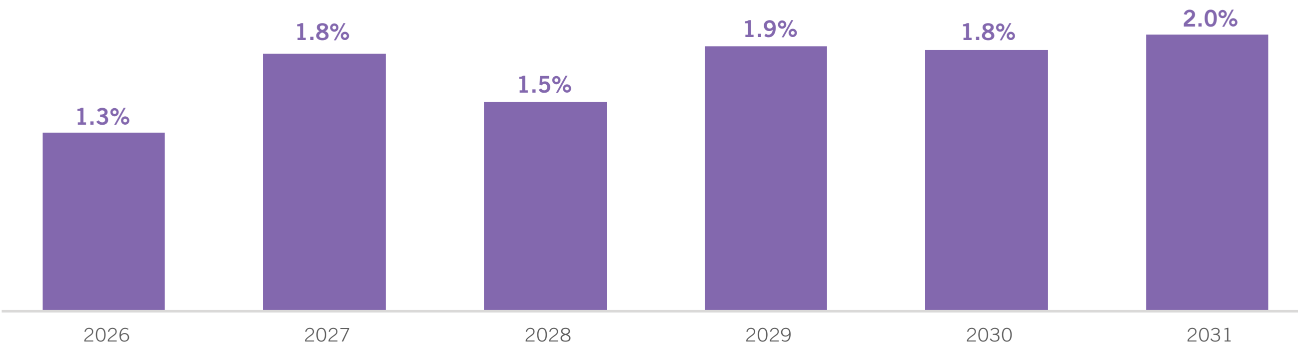
The Lawn & Garden sector has been supplemented with additional products such as Augers, Trimmers etc. This causes a spike in 2026 volumes.

LIGHT COMMERCIAL VEHICLES



Demand from urban logistics, services, e-commerce, and fleet operations supports production activity across the region.

MARINE PROPULSION

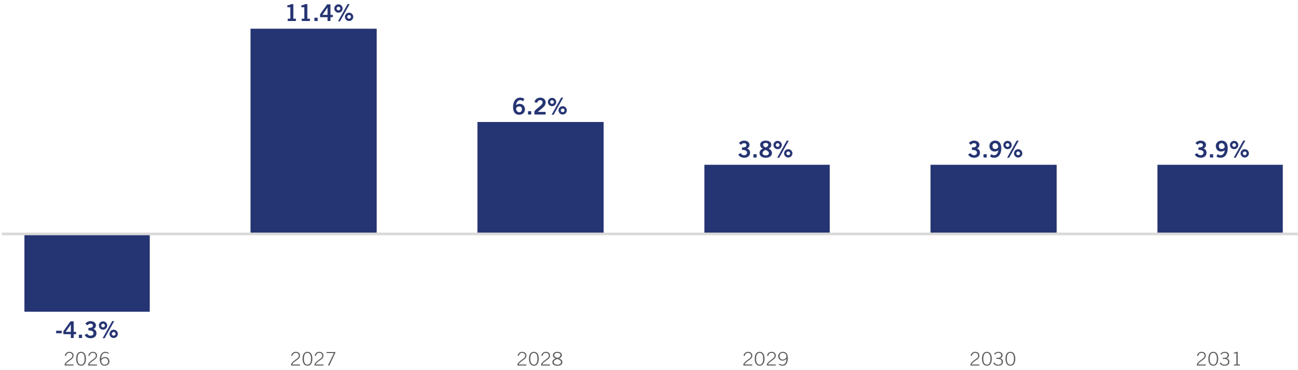


High Performance Ship Engines are the only Marine product made in Central / South America.

South America/Brazil Forecast

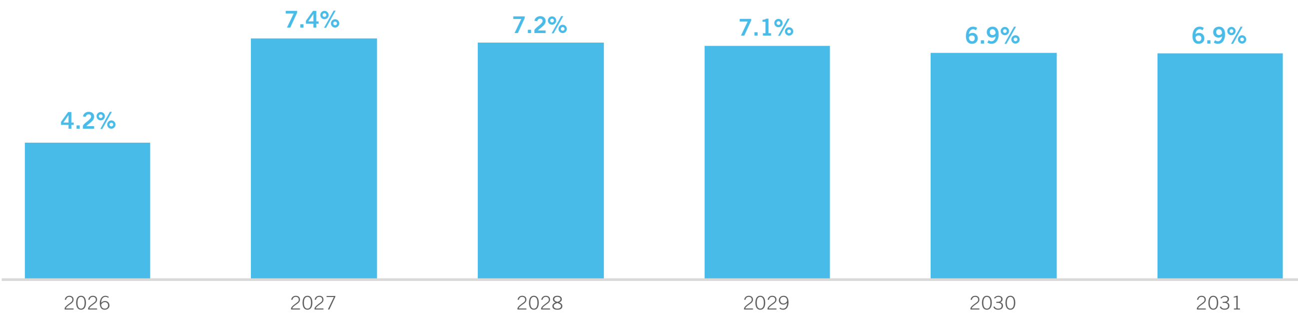
Continued from page 20

MEDIUM & HEAVY VEHICLES



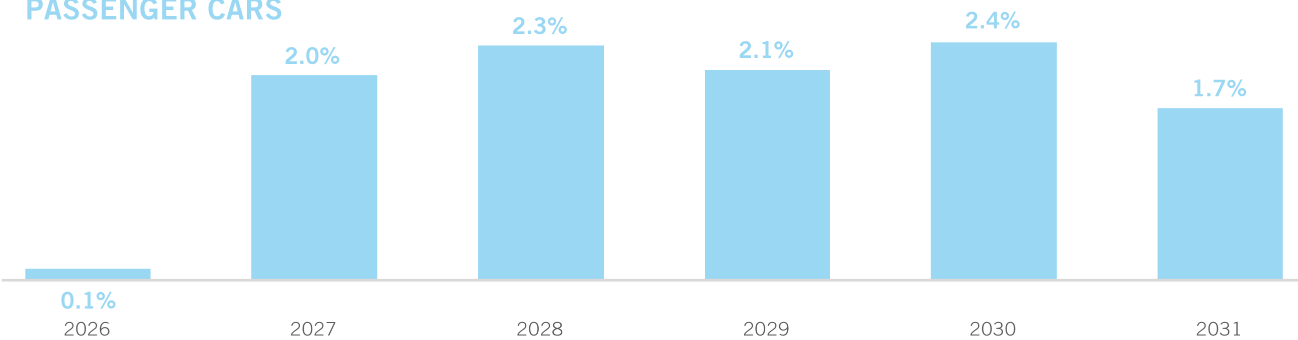
The outlook for Medium and Heavy Vehicles has weakened since the previous forecast cycle and it is estimated to be down by -4%, driven by Brazil (-5,8%) especially in Heavy Trucks.

MINIVANS & SUVs



New production capacity and increasing local assembly activity support output growth and gradually reduce dependence on imports in selected vehicle categories.

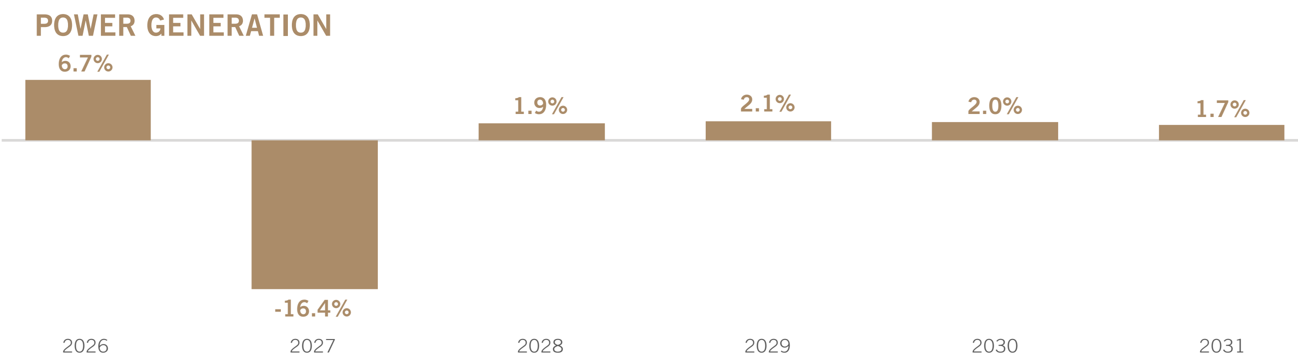
PASSENGER CARS



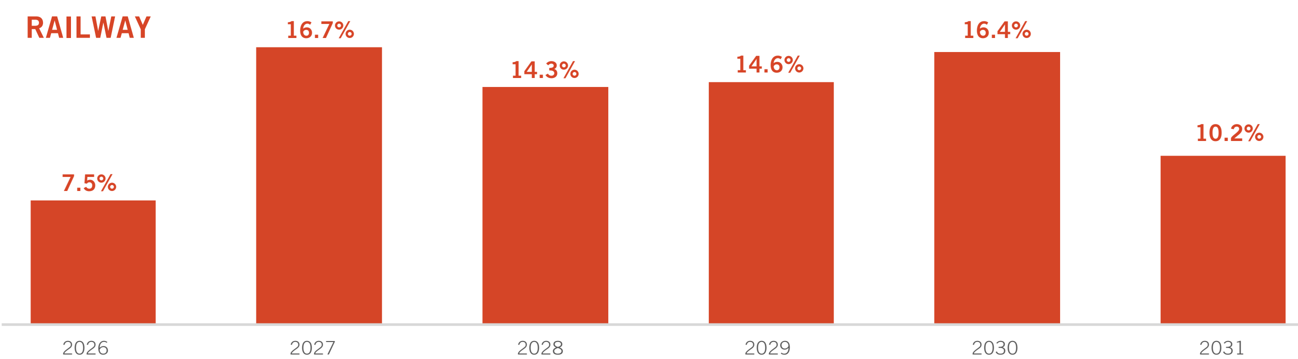
Gradual growth in from 2026 with credit availability and household purchasing power remain the main short-cycle drivers.

South America/Brazil Forecast

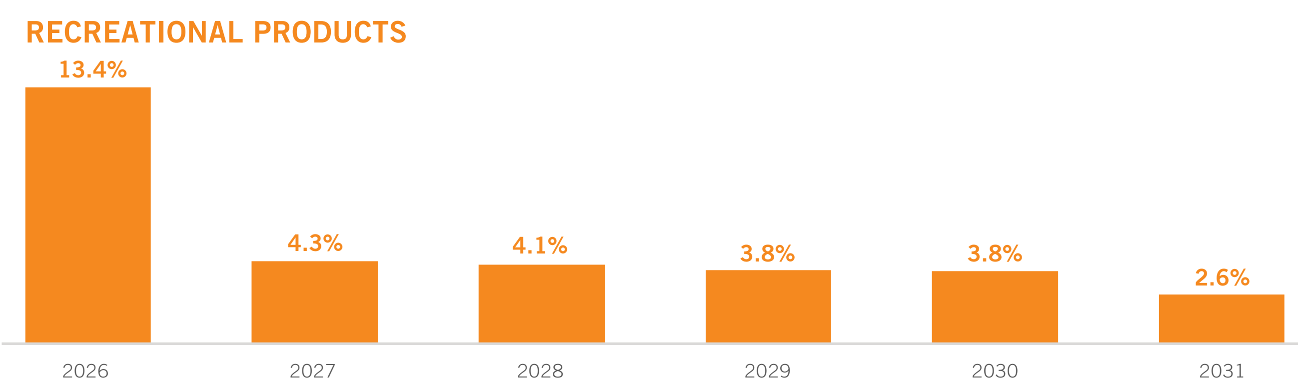
Continued from page 21



Power Generation is one of the most interesting segments in the region. It benefits from data center expansion, energy reliability concerns, oil and gas activity, and mining investments.



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



Motorcycle production is the main highlight in the region which benefits from strong urban mobility demand, delivery services, and affordability advantages relative to passenger vehicles.

India 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.

2027	2028	2029	2030	2031
↑ 6.6%	↑ 6.0%	↑ 5.5%	↑ 3.3%	↑ 3.1%

2031 Forecast Trends Comments

The Indian automotive industry is expected to maintain a positive growth trajectory through 2031, supported by rising vehicle penetration, infrastructure development, rural prosperity, urbanization and expanding export opportunities. Growth will increasingly be driven by technology adoption and fuel diversification, including EVs, ethanol, CNG, LNG and hydrogen. While geopolitical uncertainties and commodity price volatility remain key risks, India's strong manufacturing base, localization efforts and favourable demographic profile position the industry for sustained long-term expansion.

2031 Market Drivers

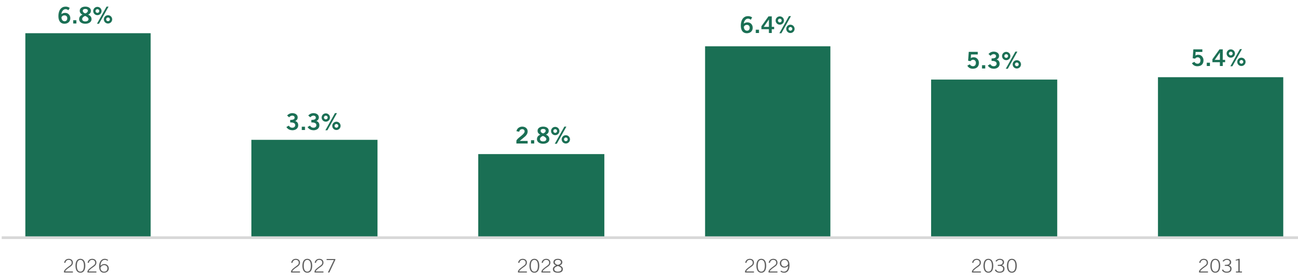
These Market Drivers are Global, Regional or Segment forces and events that may influence the five-year regional Forecast out to 2031.

DRIVERS	COMMENTS	IMPACT ON FORECAST
Rising Vehicle Penetration	India remains significantly underpenetrated versus developed markets, creating long-term volume potential across 2Ws, PVs and CVs	▲
Alternative Fuel Transition	EVs, ethanol, CNG, LNG and hydrogen will create new production streams, localization opportunities and replacement cycles	▬
India as a Global Manufacturing & Export Hub	Expanding exports of vehicles, components and engineering services will improve capacity utilization and production scale	▲
Geopolitical Risks & Commodity Volatility	Crude oil shocks, freight disruptions and supply-chain interruptions remain key downside risks	▼

India Forecast

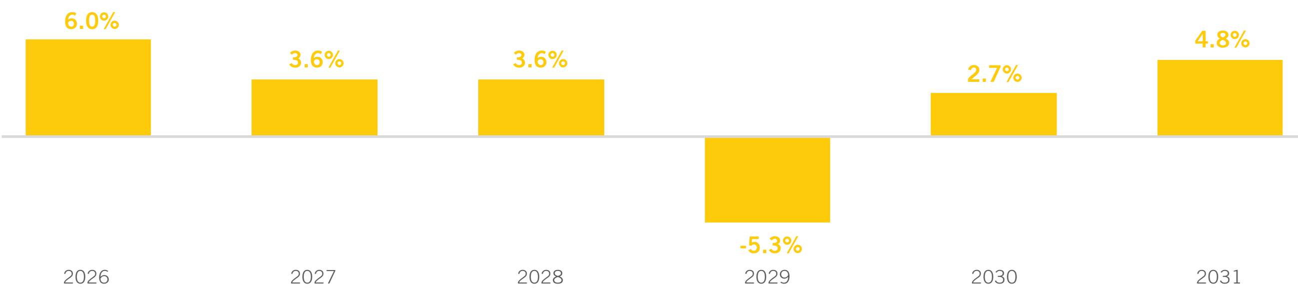
Continued from page 23

AGRICULTURE



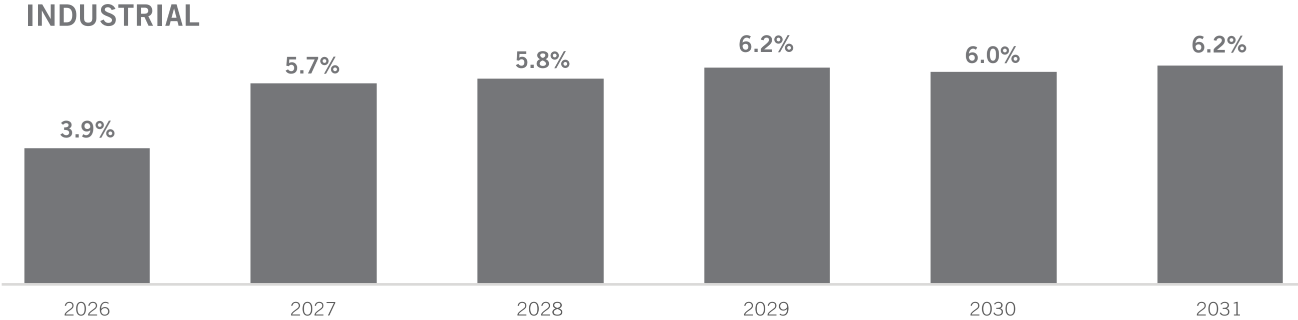
The Indian agricultural tractor industry has remained resilient during 2026, supported by favourable farm sentiment, continued farm mechanization and sustained government emphasis on improving agricultural productivity.

CONSTRUCTION



The Indian construction equipment industry continues to benefit from sustained infrastructure execution, with activity remaining robust across roads, railways, urban development, mining and renewable energy projects.

INDUSTRIAL

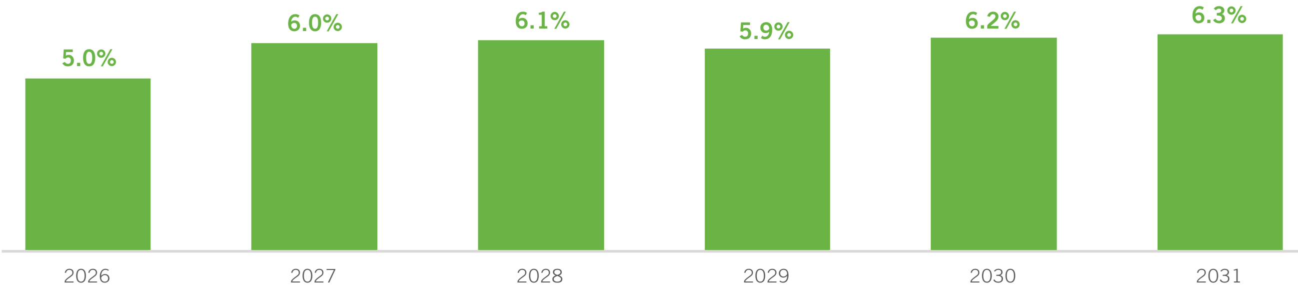


This segment grows through the forecast period and is dominated by General Industrial Pumps.

India Forecast

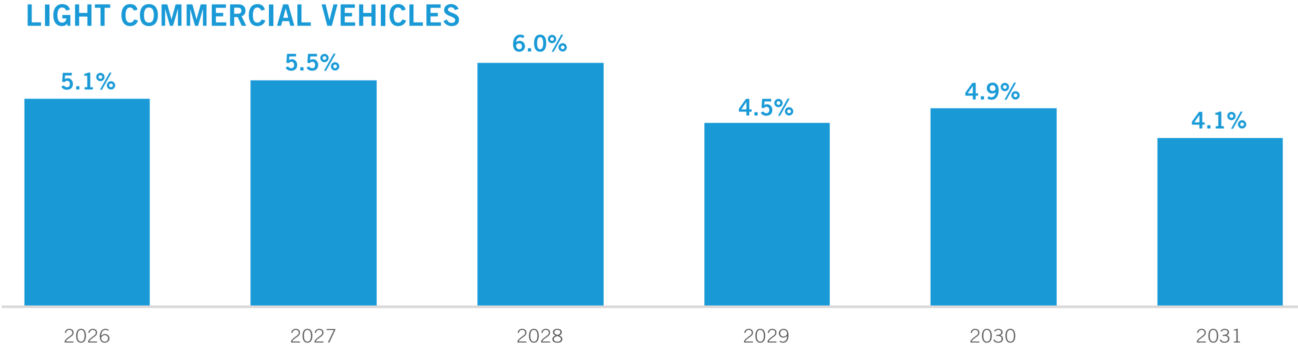
Continued from page 24

LAWN & GARDEN



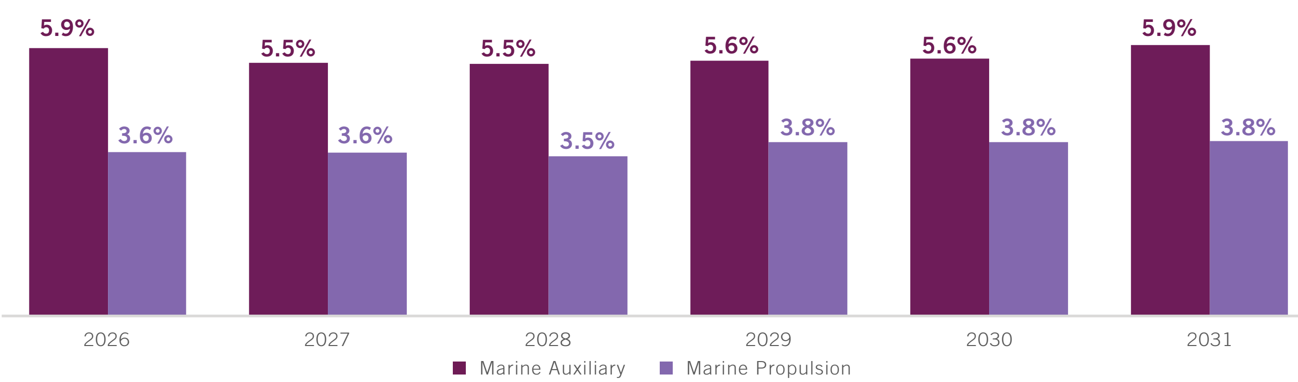
Unlike this segment in other regions, in India this is mostly ICE powered.

LIGHT COMMERCIAL VEHICLES



The Indian light commercial vehicle (LCV) industry is witnessing a gradual normalization phase in 2026 following several years of strong replacement-led and e-commerce-driven growth.

MARINE

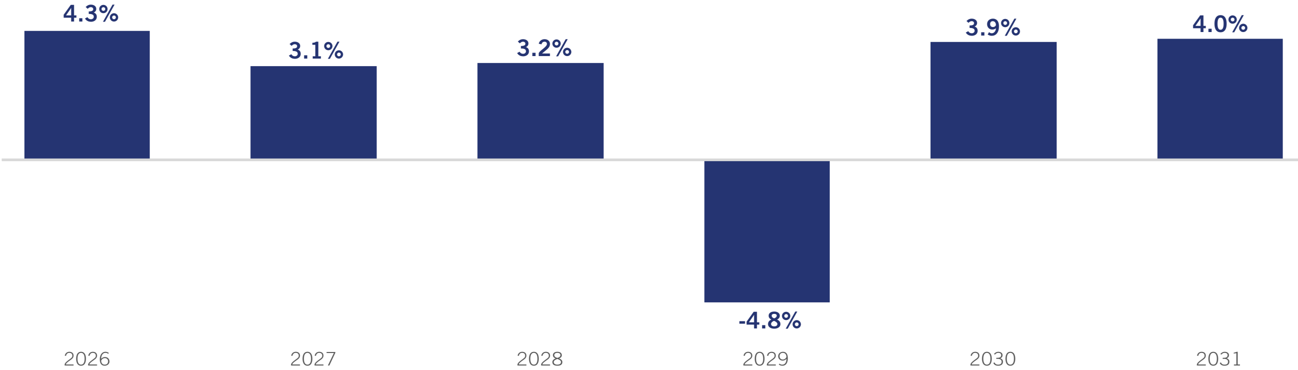


While not large in volume terms, these segments have shown solid and consistent growth.

India Forecast

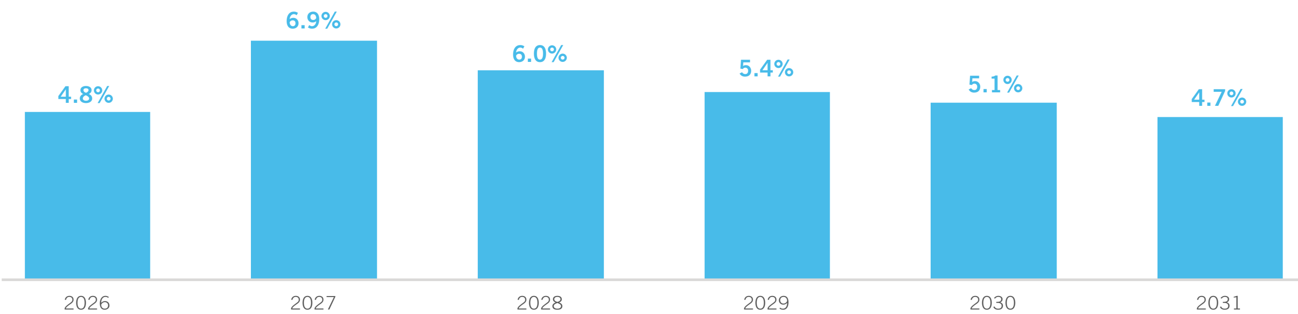
Continued from page 25

MEDIUM & HEAVY VEHICLES



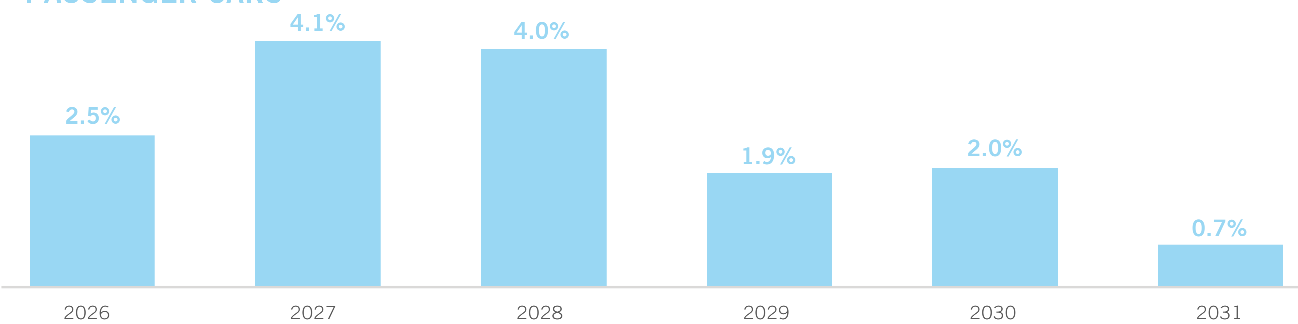
While fleet expansion has become more measured, underlying freight demand remains healthy and vehicle utilization levels continue to support replacement purchases.

MINIVANS & SUVs



The market is increasingly becoming multi-powertrain rather than purely SUV-centric, with strong hybrids, plug-in hybrids and electric vehicles gaining strategic importance alongside conventional petrol offerings.

PASSENGER CARS

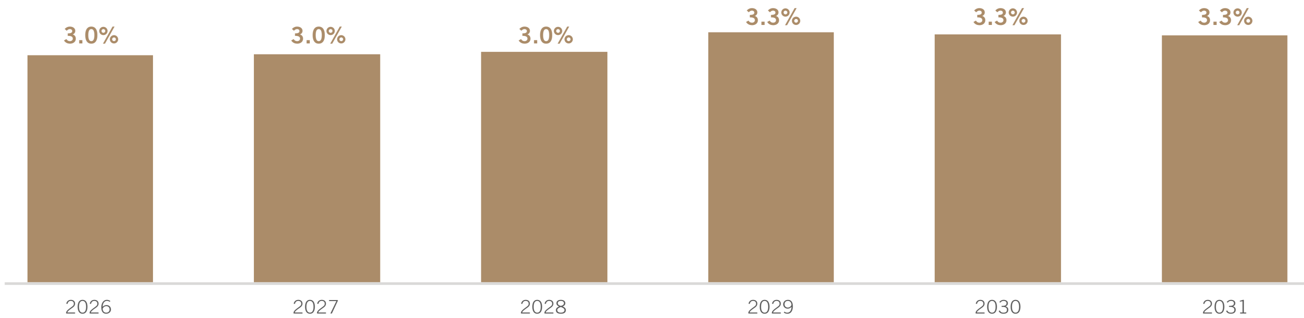


SUVs continue to dominate product development and consumer preference across most price bands, prompting manufacturers to expand their utility vehicle portfolios while reducing emphasis on traditional hatchback and sedan segments.

India Forecast

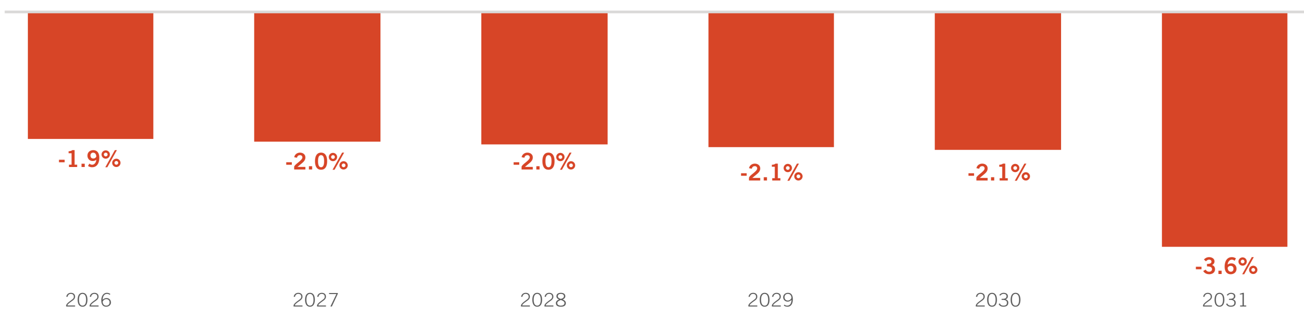
Continued from page 26

POWER GENERATION



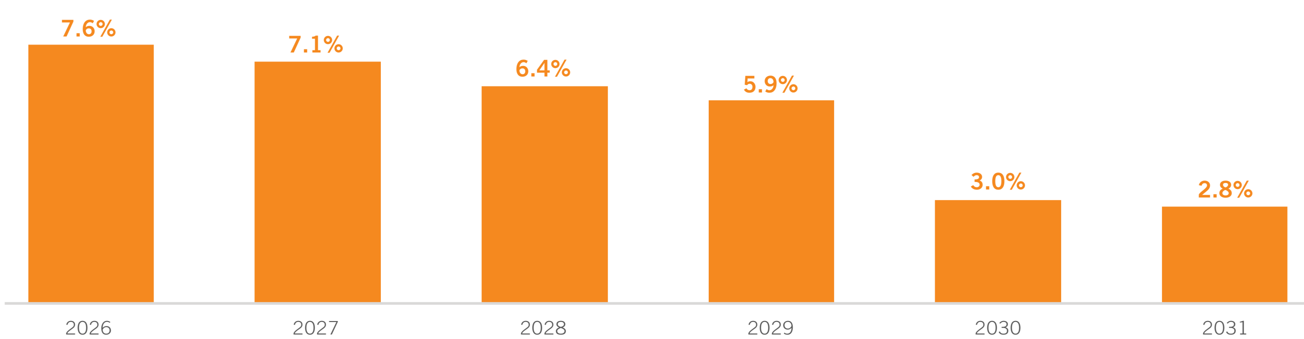
The Power Generation market in India remains robust and continues to grow solidly.

RAILWAY



This is a very small segment which shows a consistent decline.

RECREATIONAL PRODUCTS



The Indian two-wheeler industry has maintained a positive trajectory through the first quarter of FY27, with market activity supported by resilient rural demand, improving consumer sentiment, and continued preference for personal mobility.

China 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.

2027	2028	2029	2030	2031
↑ 4.4%	↑ 3.4%	↑ 3.9%	↑ 2.8%	↑ 3.2%

2031 Forecast Trends Comments

From 2026 to 2031, the core logic of China's economic development can be summarized as maintaining a medium-to-high growth rate of 4.5%–5% as the baseline, with technological innovation and domestic consumption serving as the dual engines of growth, and the intelligent, green, and international development of the automotive industry as a key lever, to achieve the leap from an "automotive giant" to an "automotive powerhouse." Exports will continue to record growth but will no longer be the primary driver of expansion; domestic consumption—particularly upgraded consumption in new energy vehicles, smart products, and other categories—will become the ballast for stabilizing economic growth.

2031 Market Drivers

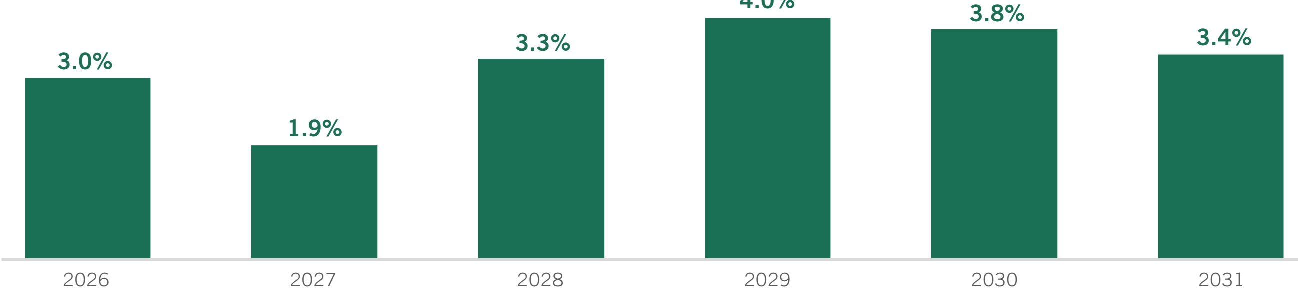
These Market Drivers are forces and events that influence the Forecast whether Globally or Regionally or by Segment

DRIVERS	COMMENTS	IMPACT ON FORECAST
Domestic Consumption	The policy focus has shifted comprehensively toward boosting consumption, with upgraded consumption categories—such as new energy vehicles and smart home products—serving as the core lever for expanding domestic demand. Income growth for residents and improvements in social security will unlock trillions of yuan in consumption potential, becoming the "ballast stone" for stabilizing economic growth.	▲
Net Exports	Rising global trade protectionism, compounded by tariff barriers and carbon footprint barriers, has significantly slowed export growth in automobiles and other sectors. The contribution of net exports to GDP continues to weaken, while uncertainty over external demand has risen markedly.	▼
Inflation	The primary risk facing the economy is low inflation or even deflationary tendencies caused by insufficient effective demand. Persistently low CPI growth undermines corporate profit expectations and residents' real purchasing power, constraining the recovery of consumption.	▼

China Forecast

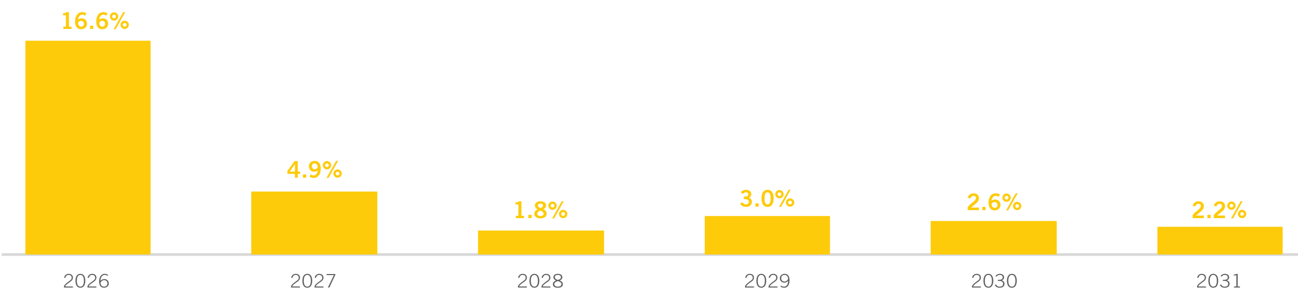
Continued from page 28

AGRICULTURE



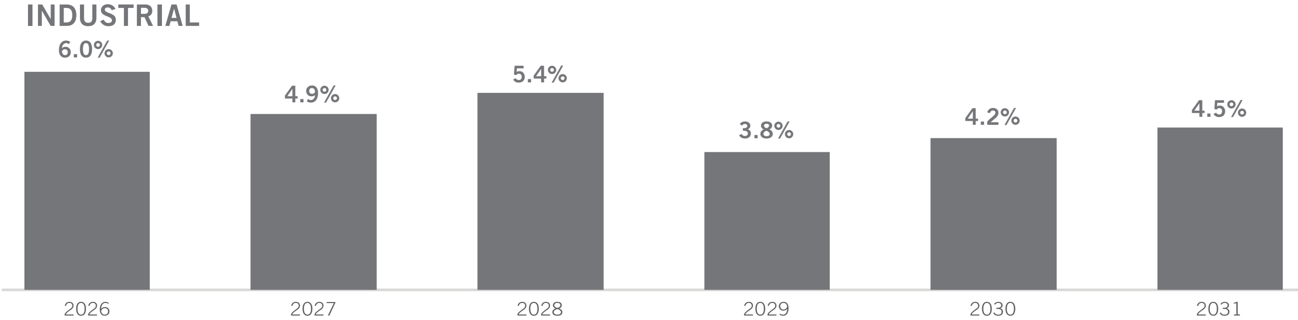
China's agricultural machinery market is shifting from basic mechanization to smart, green equipment. In 2026, subsidies are more targeted.

CONSTRUCTION



Smart tech, 5G/AI automation, and green energy are the main growth engines, while the Belt and Road Initiative keeps pushing for high-value exports.

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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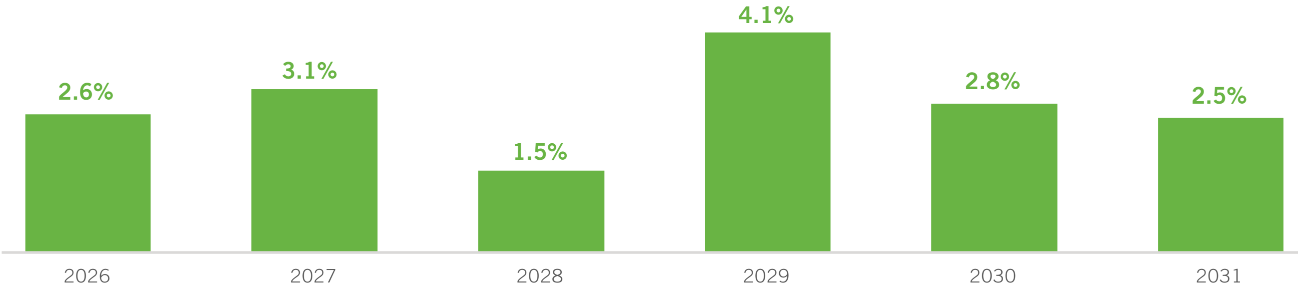
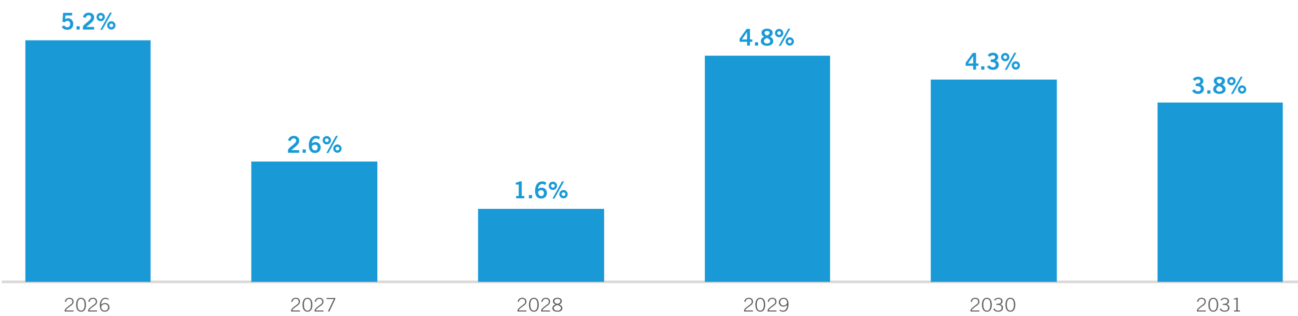
LAWN & GARDEN



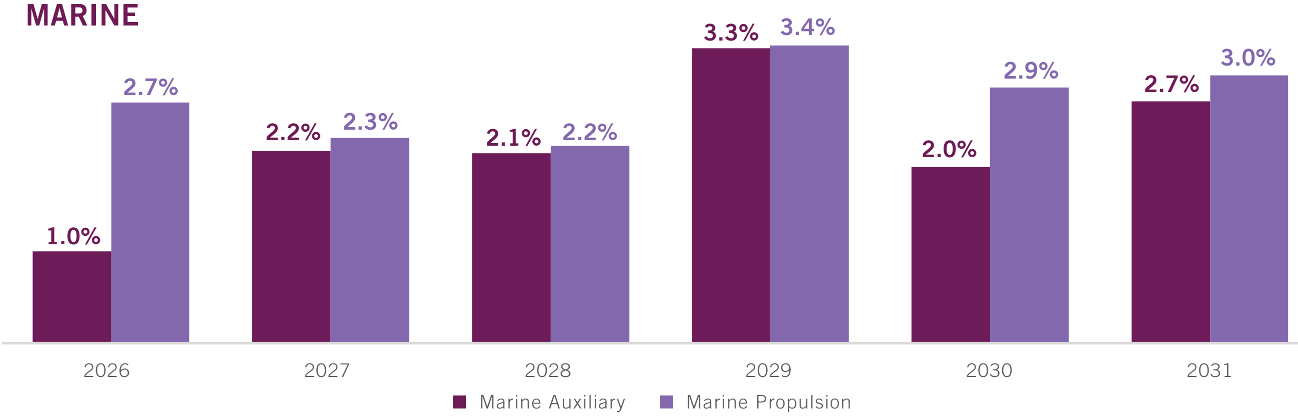
Rising urbanization rates, upgraded household gardening consumption, and higher municipal greening standards are driving average annual demand with the market shifting fast to electric and smart products.

LIGHT COMMERCIAL VEHICLES



The Light Commercial Vehicles Segment is bouncing back strongly after a poor 2025.

MARINE



These segments have maintained a LT growth pattern through out the forecast period.

China Forecast

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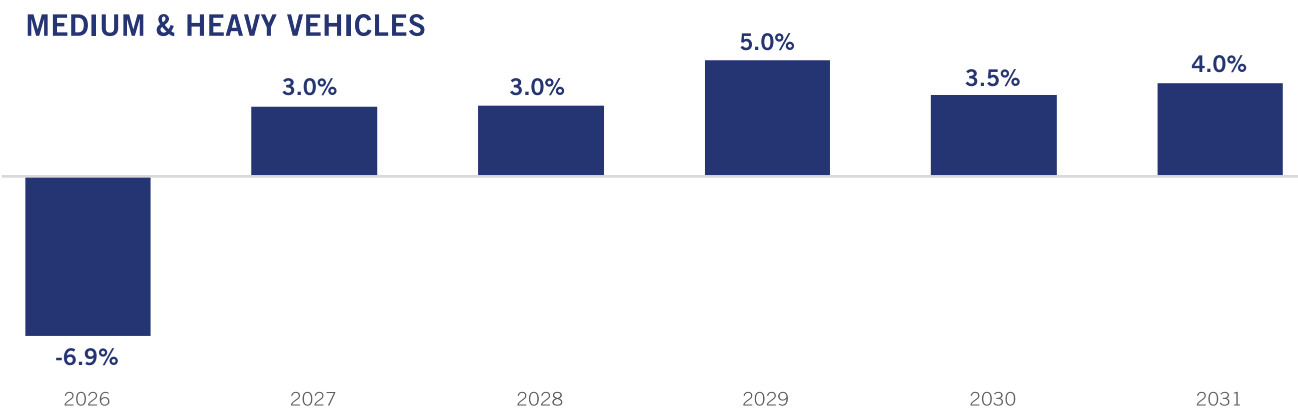
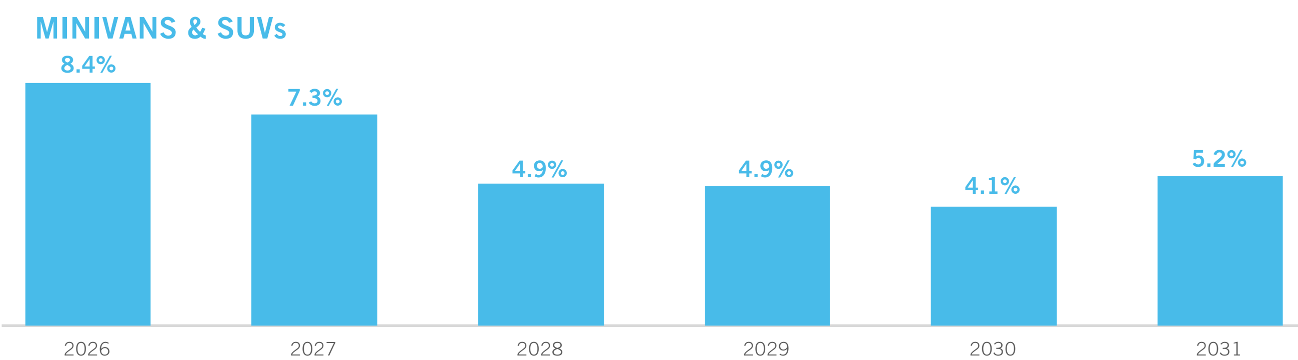
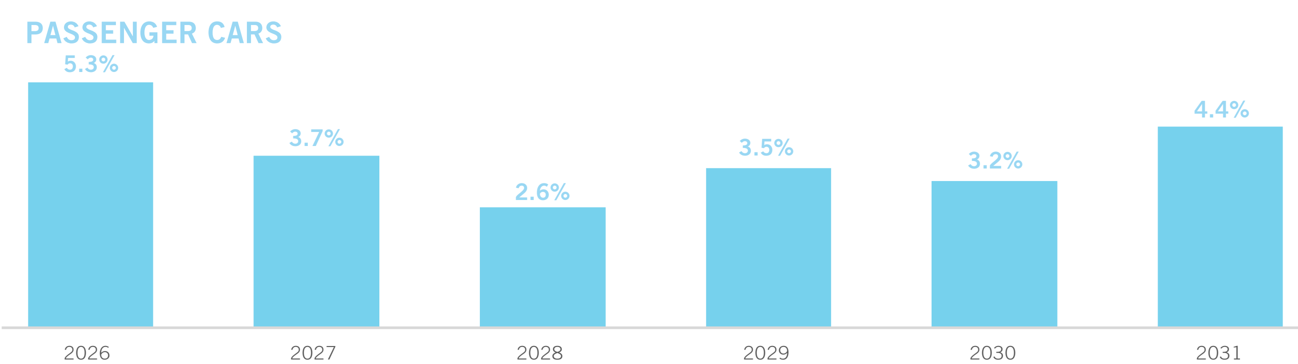


New energy heavy trucks are booming. Jan-May 2026 sales hit 92,900 units (+82.2% YoY), with May alone breaking 30,000 units. Full-year 2026 sales are projected at 234,100 units.



Good solid growth will lead China to produce around 22m Minivans / SUV's by 2031.



Domestic brands now command a market share of over 65%. For the first time, the top 10 best-sellers were all NEVs, with ICE vehicles falling to just 37.1% share.

China Forecast

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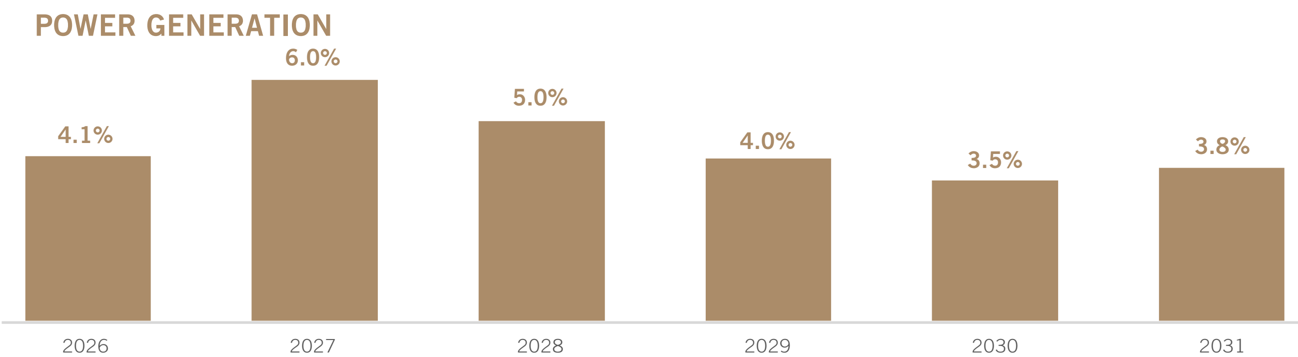
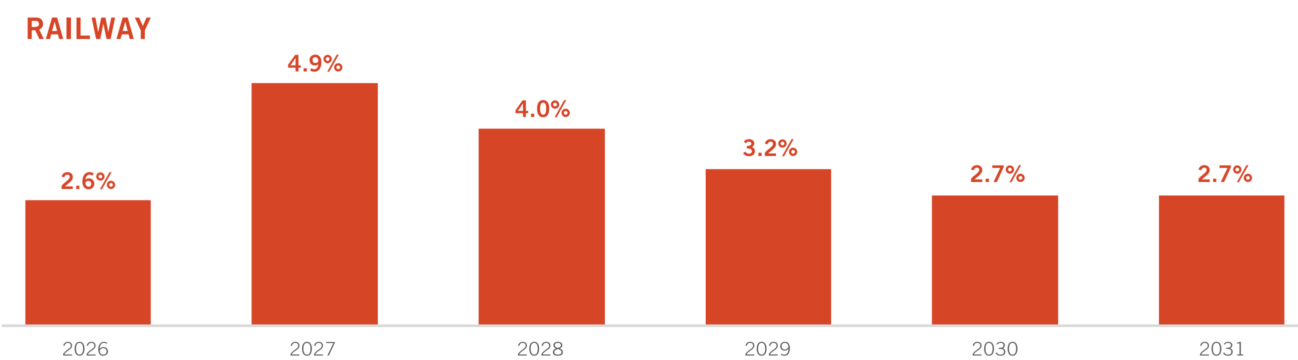
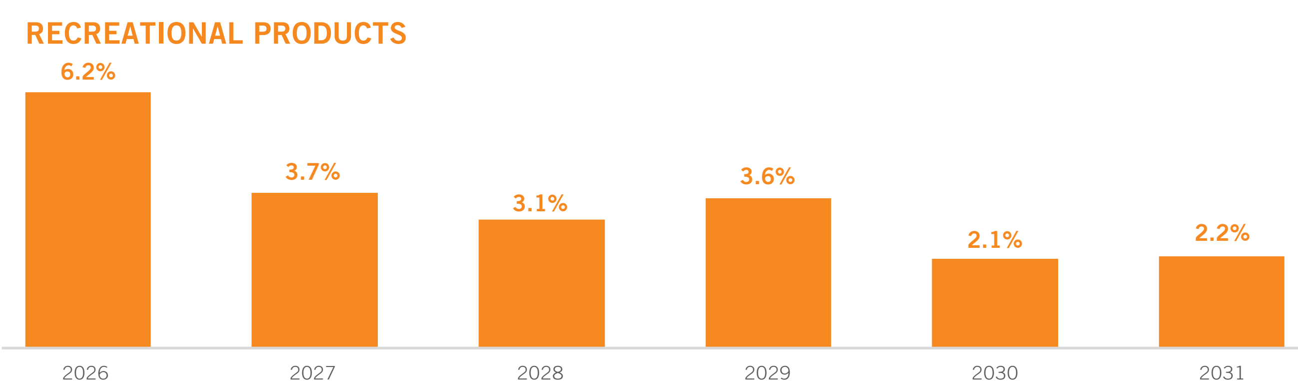


The gen-set market is splitting between high-horsepower diesel and natural gas sets, which are growing steadily on energy transition and backup power for renewables, while small gas generators face volatility from export market dependence.



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



By 2031, electric motorcycles will dominate urban markets with 70%+ share, connected intelligence will be standard, and Chinese brands will hold 45%+ global share through localized production and certification compliance.

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.

2027	2028	2029	2030	2031
↑ 1.4%	↑ 1.1%	↑ 1.1%	↑ 1.0%	↑ 0.8%

2031 Forecast Trends Comments

Japan remains a mature engine-related market. A clearer split by application. Road vehicles and consumer-related machinery are unlikely to add much volume. Construction, agricultural and industrial equipment should be supported mainly by replacement, infrastructure renewal, disaster-prevention work and labor-saving investment. Power generation is the best upward segment in the Far East forecast. Data-center/AI projects and tighter reserve margins are making standby and distributed generation more visible, although this does not change the region into a high-growth market.

South Korea's domestic base is smaller, but export-oriented industries give better support to selected machinery markets. Shipbuilding, defense, semiconductors and advanced manufacturing should help marine, industrial and power-related equipment. Overall, Far East remains a modest-growth region through 2031. Engines continue to have practical demand in construction, agriculture, marine and backup power, while the vehicle side remains mature and increasingly affected by EVs and hybridization.

2031 Market Drivers

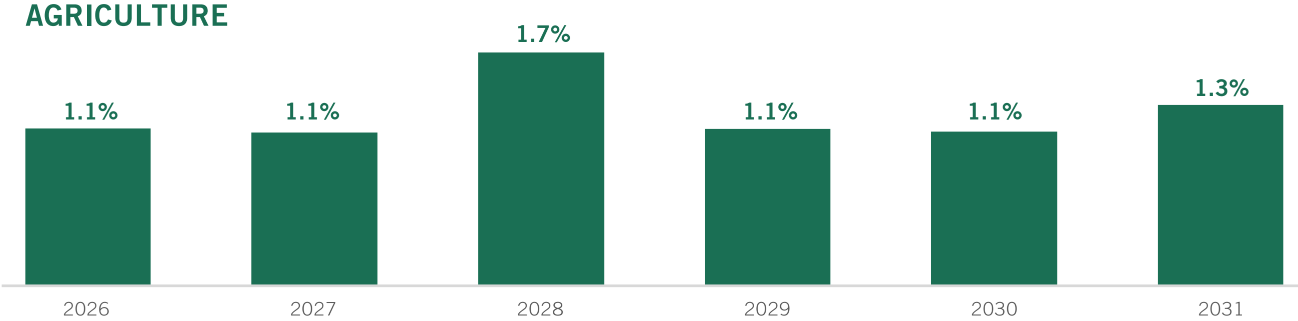
Far East is still a low-growth region, but not a declining one. The better items are power generation, data-center related work, export-linked machinery and fleet renewal. Upside is limited by mature vehicle and equipment markets, demographics, high energy costs, EV substitution in road vehicles and tariff uncertainty.

DRIVERS	COMMENTS	IMPACT ON FORECAST
Data centers and backup power	Data-center and AI projects are putting more attention on reserve power in Japan and South Korea. This helps gensets, electrical installation and some site construction. The effect is mainly in power generation; it should not be read as broad acceleration for the whole region.	▲
Export-led machinery and marine demand	Same core driver as Q1, updated. Japanese construction/industrial machinery and Korean shipbuilding, defense and semiconductor supply chains remain export-led. Demand from the Middle East, India and Southeast Asia is supportive, but trade friction and slower external demand keep the upside limited.	▲
Fleet renewal and infrastructure resilience	Same as Q1. In Japan and Korea, much of the domestic demand is replacement rather than expansion. Aging construction, agricultural and municipal equipment, together with infrastructure renewal and disaster-prevention spending, should keep volumes positive.	▲

Far East Forecast

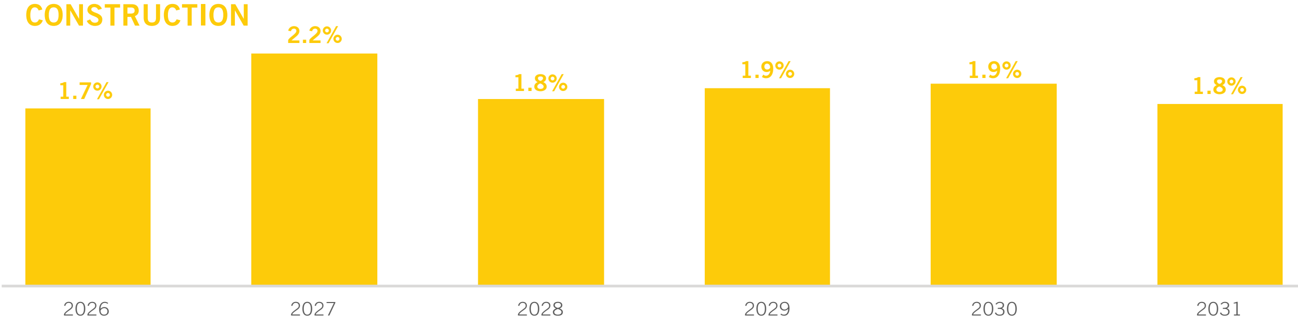
Continued from page 33

AGRICULTURE



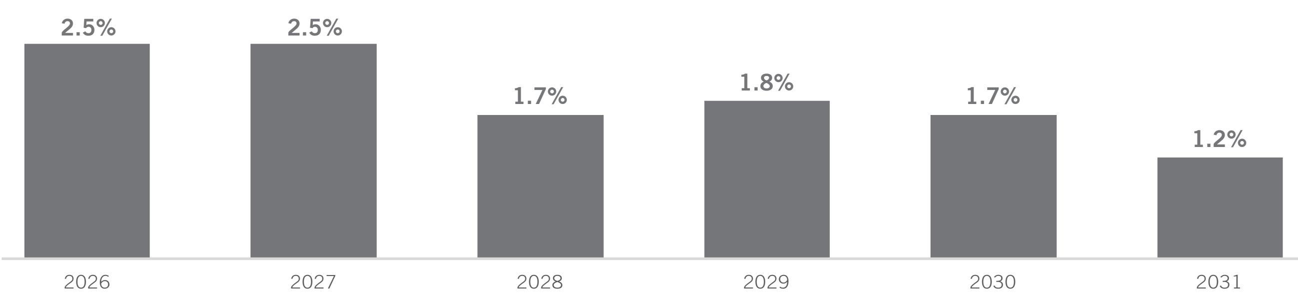
Improved rice prices in Japan have provided some relief to farm income, but the impact on machinery purchases has been more limited than many expected.

CONSTRUCTION



Large projects linked to logistics facilities, semiconductor manufacturing, power infrastructure, disaster prevention, and data centers are becoming increasingly important.

INDUSTRIAL



Industrial equipment demand remains closely linked to investment in logistics, automation, and selected manufacturing sectors. While overall industrial activity is not expanding rapidly, companies continue to invest in projects that improve productivity or reduce operating costs.

Far East Forecast

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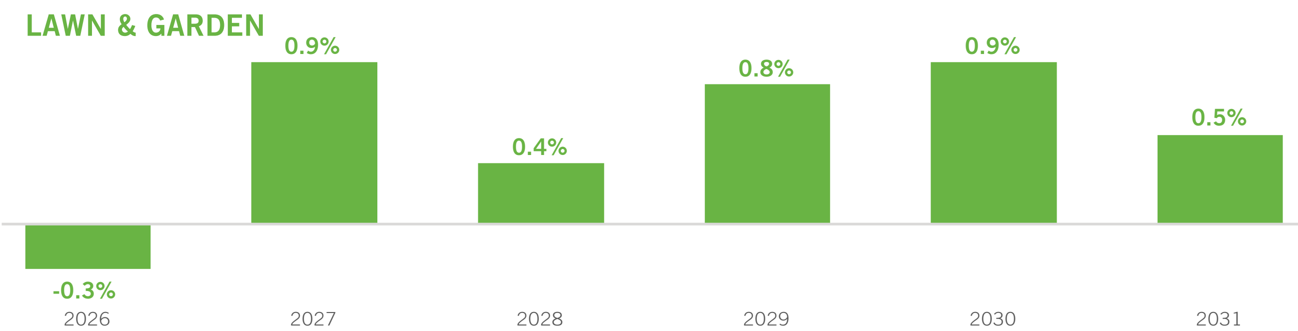
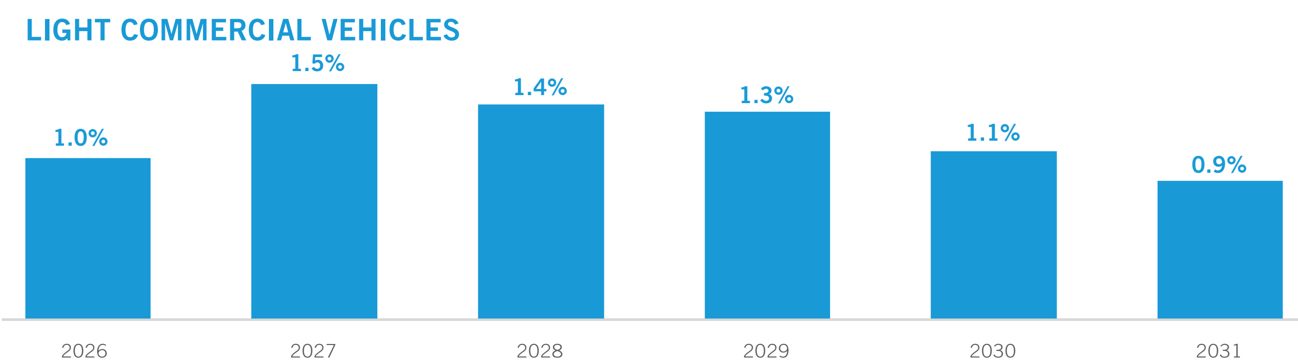
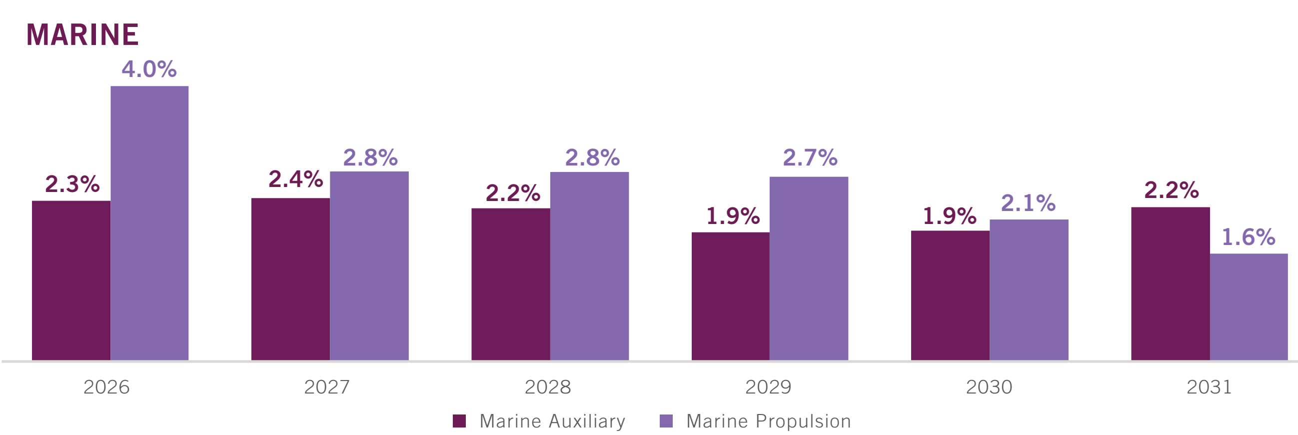


The performance of batteries in hand tools has improved, resulting in an increase in battery models comparable in terms of performance.



Growth of pickups has returned, and this is driving the market forwards.



The marine sector remains one of the healthiest equipment markets in the region, although the focus of industry discussions continues to evolve.

Far East Forecast

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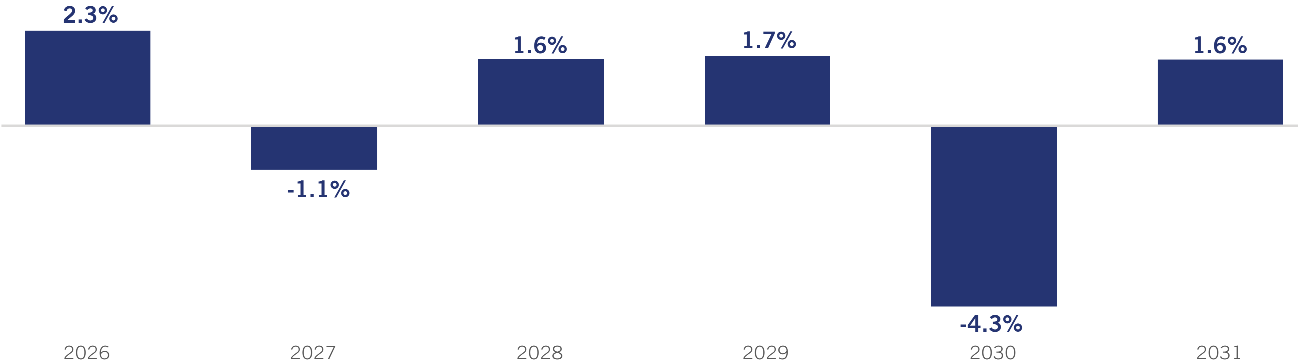
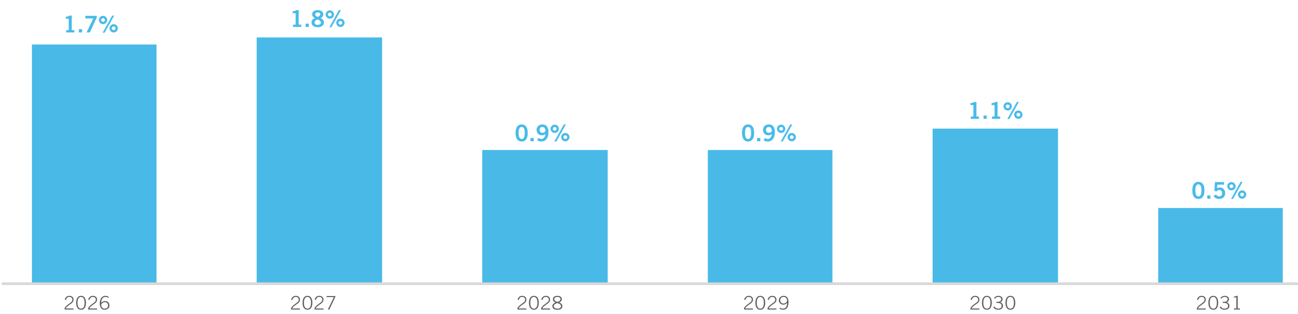
MEDIUM & HEAVY VEHICLES



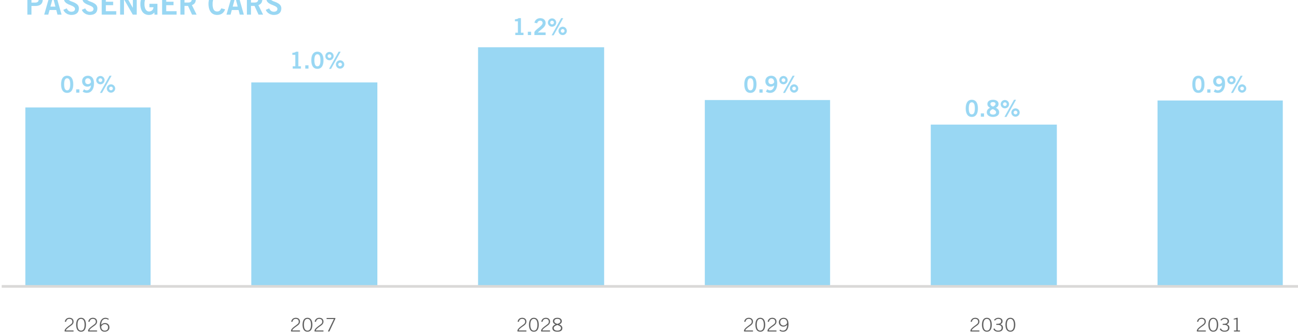
Most Products in this segment have returned to growth in the 2025 / 2026 period, with mixed results forecast from then on.

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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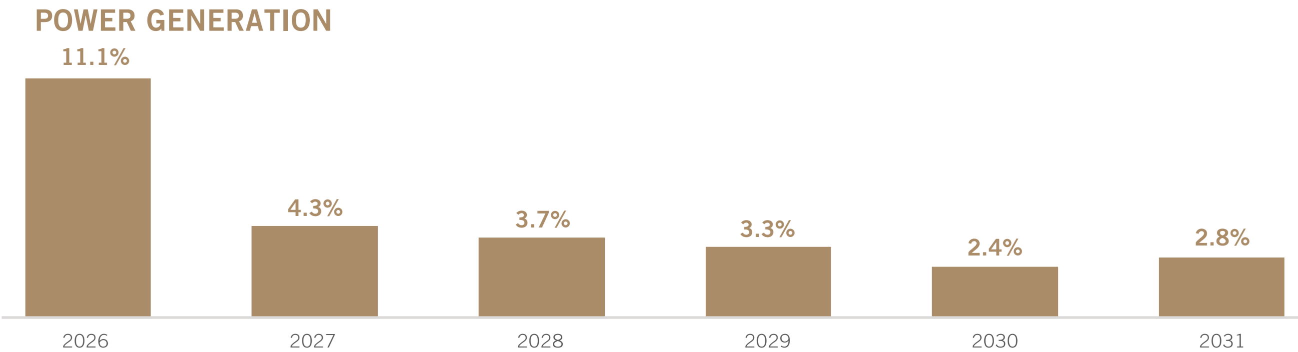
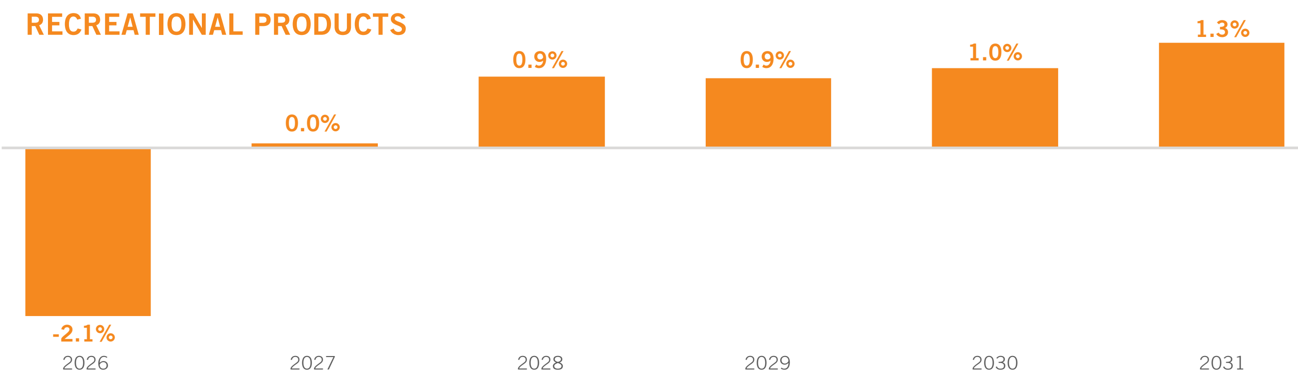


Demand is increasingly linked to the cost of operational disruption rather than electricity consumption itself.



The motorcycle market continues to adapt following the phase-out of traditional 50cc mopeds. Rather than creating a simple replacement cycle, this transition is accelerating segmentation within the market.

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.

2027	2028	2029	2030	2031
▲ 2.8%	▲ 2.7%	▲ 2.2%	▲ 2.3%	▲ 2.3%

2031 Forecast Trends Comments

Southeast Asia should still grow, but Q2 2026 is less a vehicle-recovery story and more a power, infrastructure and off-highway story. Industrial parks, logistics corridors, ports, power projects, rural development, mining and plantation agriculture are the applications most likely to keep engine demand moving. This supports construction machinery, generators, pumps, agricultural machinery, marine engines and regional transport equipment. Growth is strongest in 2026–2028 and then gradually normalizes as the first wave of projects matures.

Power generation is the key upward item. Data centers and factory clusters are adding load faster than grids can be upgraded, so standby and distributed generation remain important. Construction and agricultural equipment should also stay positive, with road/port/power projects and mechanization needs doing more than passenger-vehicle demand. Vehicles still matter, especially LCVs and SUVs tied to logistics and income growth, but they are not the main reason for the SE Asia forecast. EVs will change the mix in two-wheelers and passenger cars; engines remain central in farming, marine, construction, commercial transport and off-grid power.

2031 Market Drivers

SE Asia keeps a positive five-year profile, but the main support is power, infrastructure, construction/off-highway equipment, agriculture, marine and logistics. Growth should be better in the first half of the forecast and more normal by 2030–2031. The main downside risks are export/tariff changes, grid delays, energy costs and weak vehicle credit in some markets.

DRIVERS	COMMENTS	IMPACT ON FORECAST
Industrial parks, power and data centers	Industrial parks, data centers and factory clusters are increasing site-development and power needs. This supports generators, backup power, construction equipment and related electrical/infrastructure work. Grid connection delays remain a timing risk.	▲
Infrastructure and off-highway equipment	Road, port, power, water and industrial-zone projects support excavators, loaders, compact equipment, generators and job-site equipment. Growth stays positive, but the rate should ease after the early project cycle.	▲
Agriculture, resources and marine activity	Plantation crops, food production, mining and inter-island/coastal logistics support agricultural machinery, pumps, small engines and marine propulsion/auxiliary engines. This demand is less visible than vehicle demand but important.	▲
Trade policy, grid and credit risks	Export manufacturing is exposed to weaker global demand and tariff changes. Grid constraints can delay industrial/power projects. Vehicle demand is not the core upside, and high household debt/tighter credit, especially in Thailand, still limit recovery.	▼

Southeast Asia Forecast

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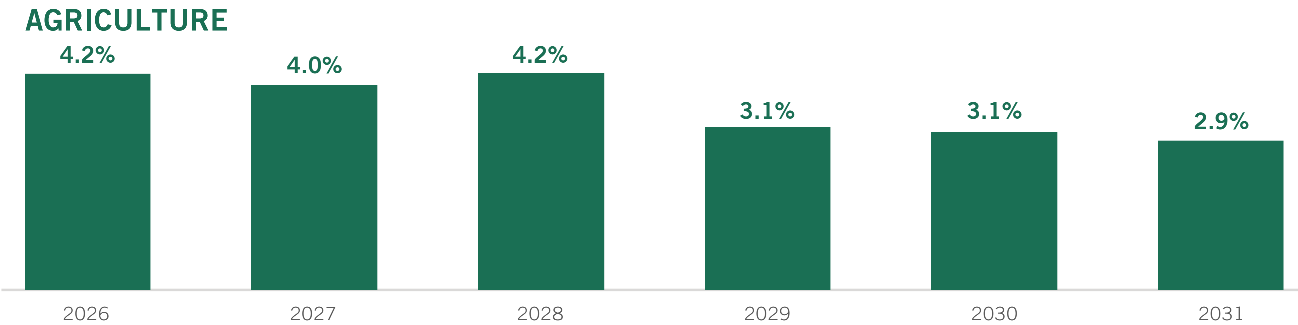
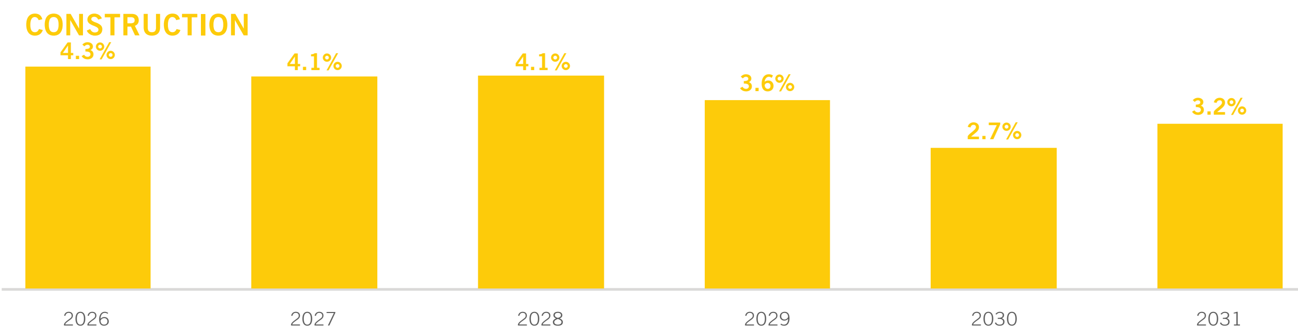
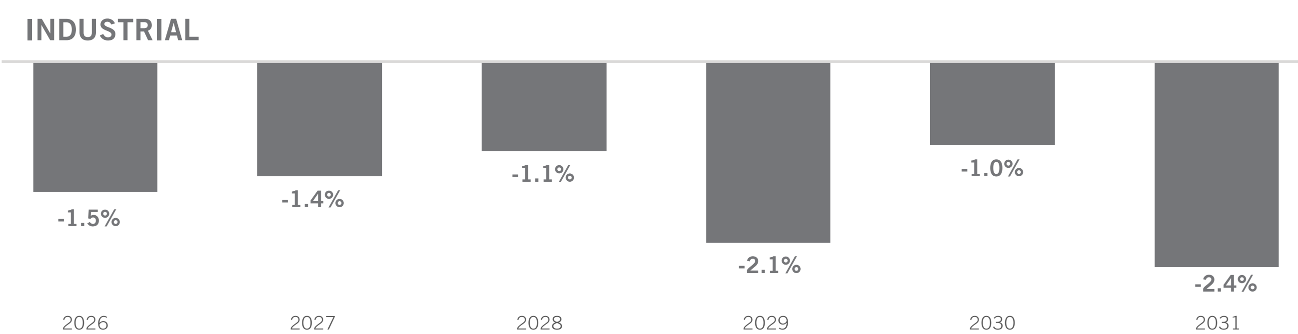


The Agricultural Machinery market continues to expand, but demand patterns are becoming increasingly fragmented across the region.



Construction remains one of the strongest equipment sectors in Southeast Asia, but the nature of demand continues to evolve.



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

Southeast Asia Forecast

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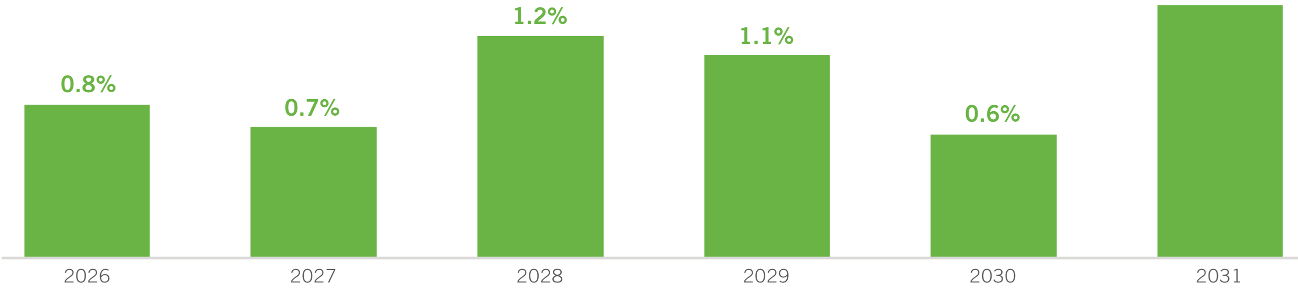
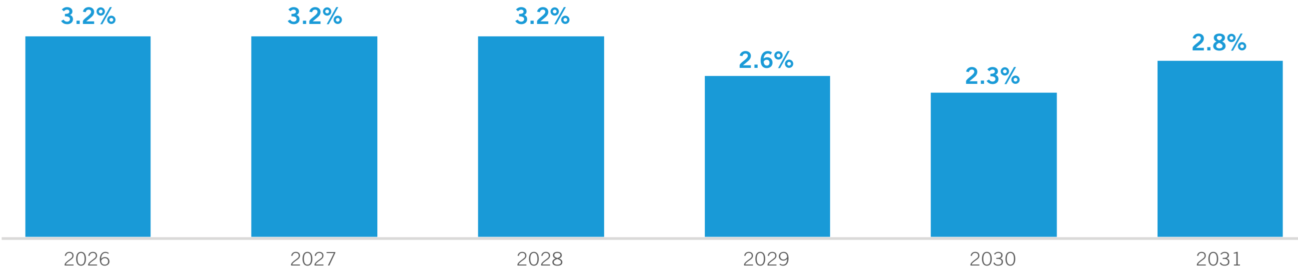
LAWN & GARDEN



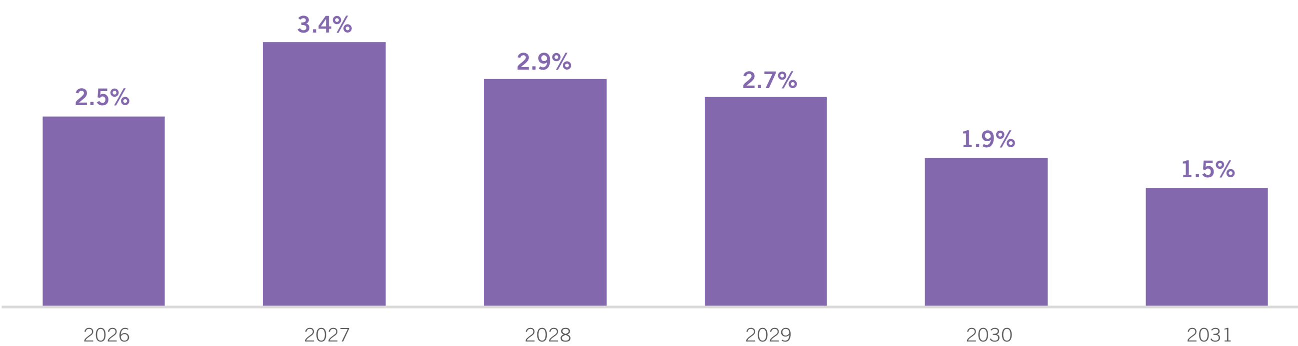
Lawn & Garden continues to make a very slow, multi year recovery from 2024 decline.

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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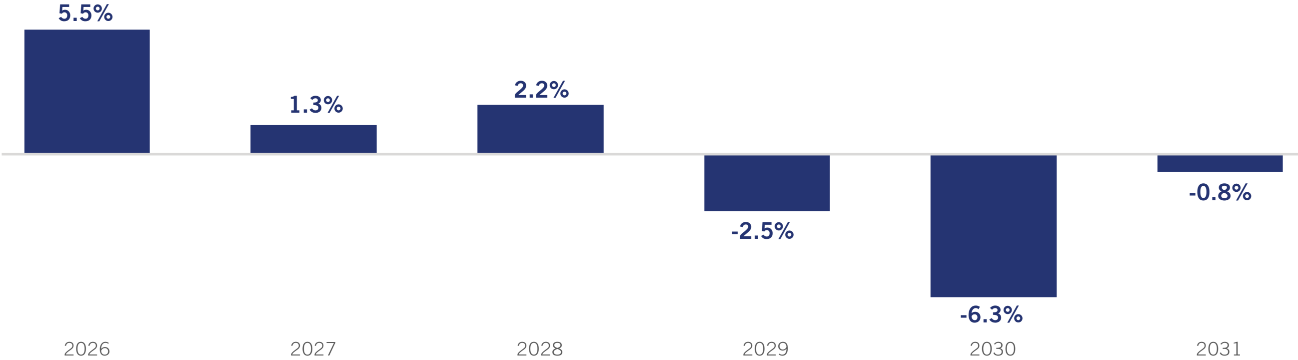
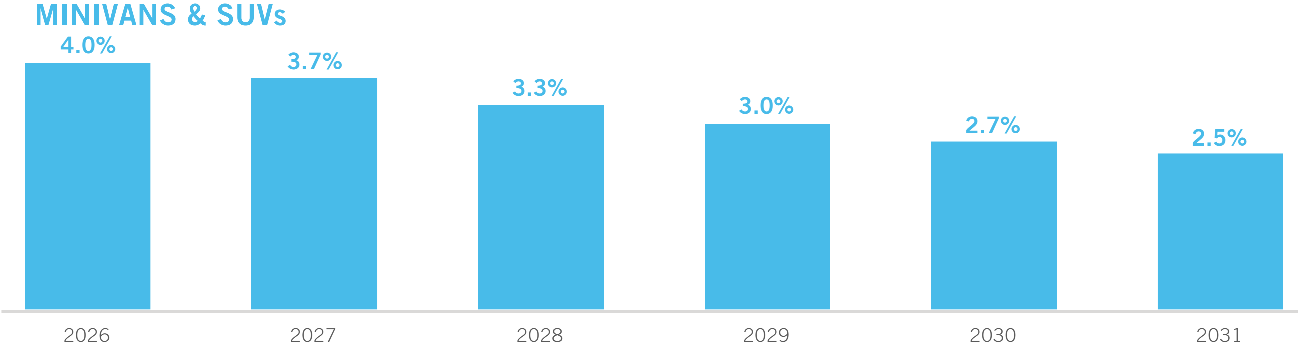
MEDIUM & HEAVY VEHICLES



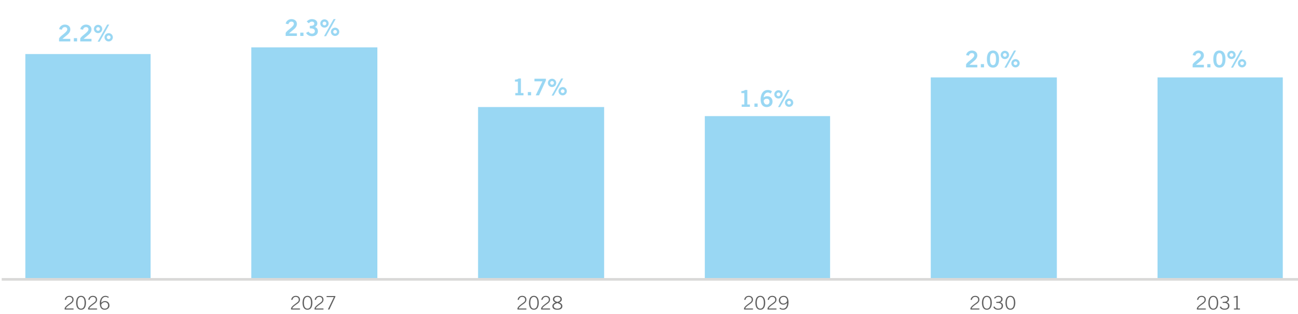
The Medium Heavy Vehicles segment is expected to recover strongly from 2025's decline until the last few years of the forecast period.

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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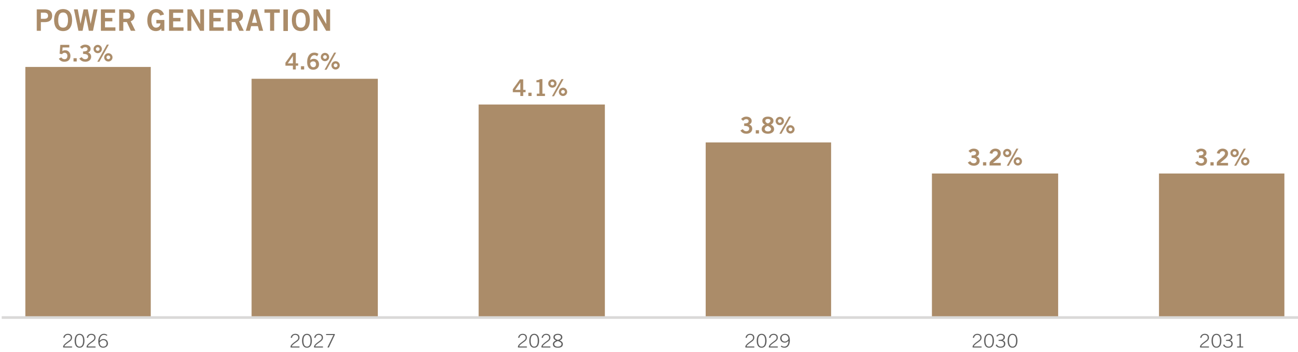
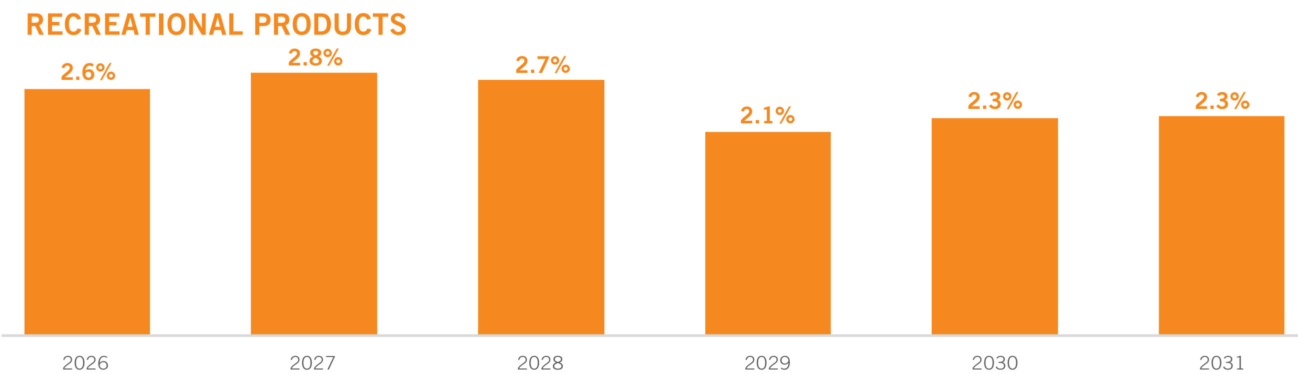


Power Generation is not a large sector but shows strong and consistent growth.



Motorcycles remain one of Southeast Asia's most important transportation products, but the market is becoming increasingly segmented.

IV. Research Methodology

Power Systems Research (PSR) Research Methodology

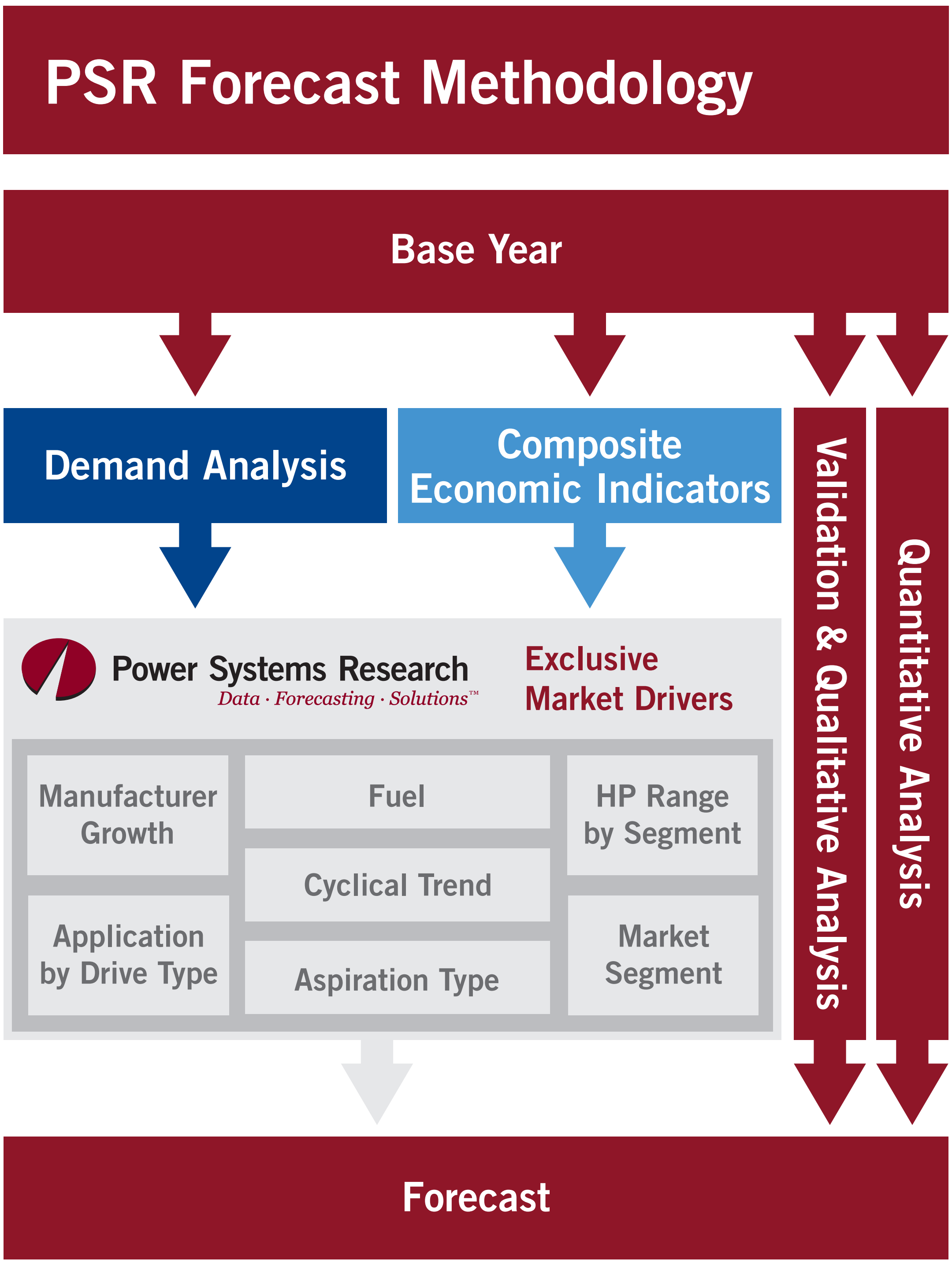
Research begins with the gathering of information from primary and secondary sources. Next, the PSR analyst team reviews and validates all data against industry benchmarks. If our analysts discover anomalies in the data, additional research and validation is performed before publishing.

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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