



Is the European Truck market reaching the peak of the cycle?

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The European truck market has remained buoyant in H2 2018 so far. October delivered a strong set of results, following September's slowdown. Western European sales of medium and heavy trucks (GVW>6t) for the first ten months were up by 3% year-on-year, and there appears to be renewed sales momentum as we approach the end of the year. Volumes have been driven primarily by France, Germany and Italy – among the European 'Big 5', the UK has been the only major market to post a decline, driven by a slump in confidence resulting from Brexit-related uncertainty.

But some forward-looking indicators suggest that the market may be near its peak. The downward trend in European truck orders has become more entrenched, with orders easing back for a third successive quarter in Q3.

The downward trend in truck orders reflects a more general decline in business confidence since the beginning of the year. Indicators such as the German IFO, or the UK's EEF Manufacturing Survey, point to significant headwinds facing

manufacturers – with more subdued global economic growth, fears over protectionism, and mounting uncertainty over Brexit taking their toll on confidence.

Against this backdrop, manufacturers across the industry on both sides of the Channel are engaging in rapid stock building in an effort to protect the supply chain from potential disruption. Output levels remain elevated as a result of this – in the UK, Q3 output remained positive, while orders declined for a ninth consecutive quarter. In other words, current high productivity levels are merely masking an underlying decline in demand that may not manifest in the sales data until Q2 2019.

LMC Automotive remains cautious over the European outlook for heavy vehicles as we move into 2019. For the time being, truck demand continues to be supported by high fleet capacity utilisation and good truck operator profitability, but, with clouds appearing on the horizon, both sales and build are expected to shift down a gear over the year ahead.

