Downturn in the global Truck market

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With the spectre of global economic recession looming as a 1/3 possibility, the global Truck market finds itself on the brink of downturn as we approach the end of the year. Manufacturing – a critically important driver of Heavy Vehicle demand, via its impact on freight transport demand – is already in decline.

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The global Truck market slowdown has intensified during the second half of 2019. Preliminary figures suggest that the third quarter saw Medium and Heavy Truck sales contract by 10% year-on-year. The decline was driven largely by weaker demand in China. LMC Automotive sees the Truck market’s soft patch continuing through the remainder of 2019, reflecting the slowdown in the global economy as a whole. At present, our forecast calls for a 5% decline in full-year sales, both this year and next.

2020 is set to see an increasingly concerted downshift in demand, with Truck sales forecast to decline in several major regions, including North America, Europe, China and Japan. Economic slowdown, global trade tensions and uncertainty impacting investment are the root causes of this concerted downshift in the mature markets of the Triad, as well as China.

China, the world’s largest Truck market – at 1.3 million units in 2018 – remains in decline and our forecast anticipates considerable volatility in selling rates over the year ahead, due to staggered emissions deadlines. The overall downturn is a result of market saturation and a weakening economy, with government stimulus measures not sufficient to stem the decline.

Sales in the EU+EFTA, on the other hand, have been booming in 2019, albeit artificially, to some extent, due to industry stockpiling in Q1, as well as pre-buying ahead of the EU Smart Tachograph mandate in Q2. However, the second half of the year is fraught with payback and uncertainty, with risks including the ongoing uncertainty surrounding the modalities of Brexit and mounting tensions over global trade, which are impacting the export sector.

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We see the North American Heavy Duty Truck market moving from 2019 peak activity in sales and build into a significant correction next year. It is worth noting that the Class 8 Truck market is not isolated in facing challenging conditions in the year ahead. We see the same pattern of a late 2018 or early 2019 sales and production peak, followed by an orders retrenchment during 2019 in other capital goods industries. Specifically, adjacent sectors, such as construction equipment, oilfield & gas equipment, farm machinery and industrial equipment, have peaked and are also in decline. Our forecast indicates a sizeable slump in Heavy Duty Truck business activity in 2020.

Not all is doom and gloom, however, and there will be bright spots. Brazil’s Medium and Heavy Truck market, for instance, continues to expand rapidly, with sales supported by demand from the agribusiness and mining sectors. The outlook remains solid. India, too, is set to rebound, following a year of severe Truck market recession. The switch to Bharat Stage VI emissions (anticipated to come with a 10-12% increase in vehicle prices) will lend additional support to demand.