

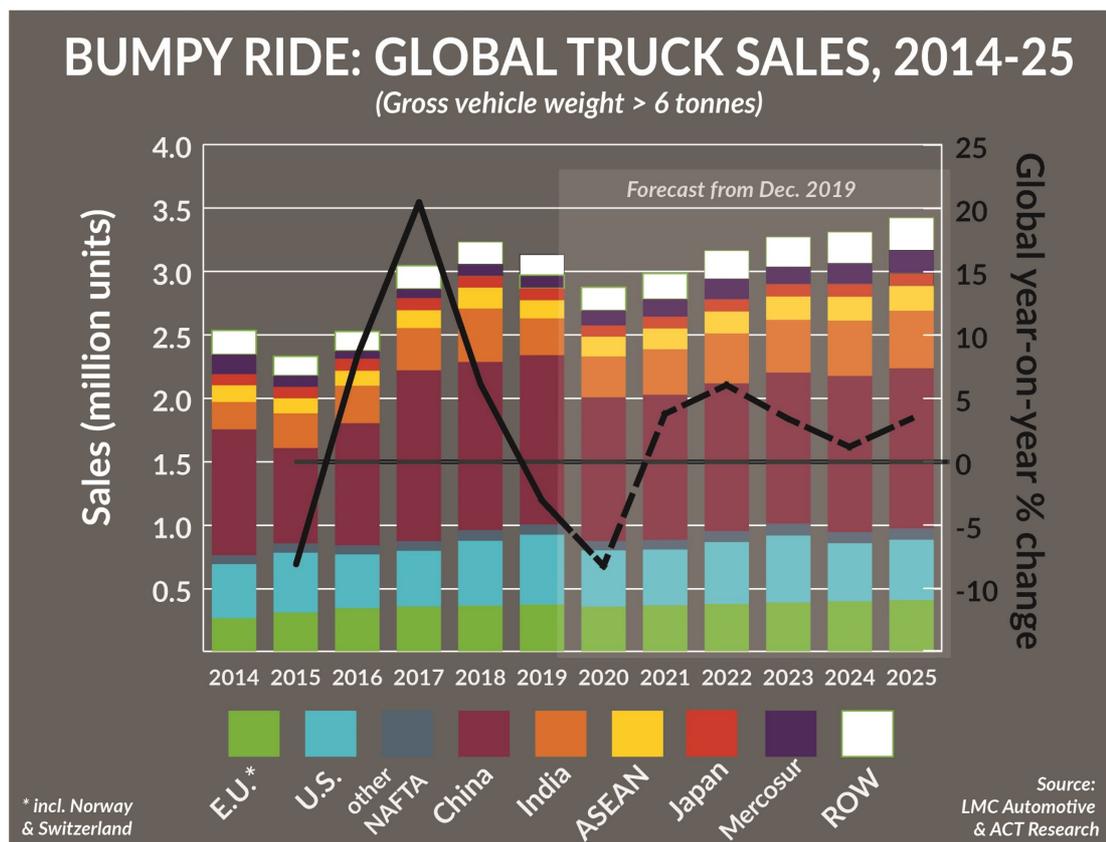
COMMERCIAL TRUCK SALES

2020: Global truck market set for a difficult year

LMC Automotive: Weak sales in China, North America and in Europe to accelerate the market downturn in 2020 while other emerging markets return to growth

Oxford, 17 January 2020. The road is going to get even rougher for the commercial truck market in 2020 as global sales head for their biggest decline since 2015. After falling 3% year-on-year in 2019, industry intelligence and forecasting specialist LMC Automotive anticipates an 8% drop this year in worldwide sales of trucks exceeding 6 tonnes as trade tensions and general economic uncertainty stifle investment.

“Industrial output is an important demand driver for the truck market, which is much less consumer driven than light vehicles,” says Zita Zigan, director of global commercial vehicle forecasting at LMC Automotive. “Slower GDP growth means fewer trucks are needed to haul freight. After renewing and expanding their fleets in recent years, particularly in mature markets, operators are now focused on optimising utilisation.”



European* truck sales were up 2.5% in 2019 last year to their highest levels since before the 2008 crash. It was a turbulent 2019: Sales spiked by some 17% in the first half – purchases were brought forward ahead of the EU’s smart tachographs mandate taking effect in mid-June – before plunging 13% in the final six months. Other factors such as weaker manufacturing as well as trade tensions and uncertainty surrounding Brexit negotiations will continue to hinder the truck market this year. The consultancy expects a 4-5% decline in 2020 and a moderate recovery thereafter.

Things look worse in North America, as the relative prosperity of recent years gives way to a deeper contraction than in Europe. After growing by 6% in 2019 to around

630k units, NAFTA truck sales are seen falling 18% this year, with the U.S. market shrinking by one-fifth. Here, too, weakening sales and production reflect the situation facing other capital goods industries. Sales should pick up in 2022 and 2023, but will still fail to reach 2019 levels before the next emissions-related correction in 2024.

The Chinese market is also under pressure: A reversal that began after the world's largest truck market peaked in 2017 at 1.35m units accelerated through the first half of 2019. Government measures in numerous regions, including bans and scrapping subsidies for aging China III trucks, supported second half sales, turning a 9% Q2 decline into 17% Q4 growth. This effect will fade in 2020, however, as a slowing economy and the for now unresolved trade situation lead to a 15% dip in sales and heightened volatility caused by staggered regional deadlines for implementing the China VI emissions regime. LMC Automotive predicts anaemic growth thereafter as the maturing market becomes more dependent on the replacement rather than expansion of fleets of increasingly efficient and longer-lasting trucks.

Elsewhere, sales in Indian should rise again this year – above all in Q1 – as the country leapfrogs emission standards from Bharat IV to Bharat VI in April, triggering vehicle price hikes of 10-12%. The year should end with growth in the region of 10% after a more than 30% slump in 2019. South American truck sales, meanwhile, are expected to expand by double digits through 2022, driven by an especially robust Brazilian market and Argentina pulling out of recession. LMC Automotive also sees the ASEAN bloc in positive territory for the coming years after a 12% drop in 2019.

Although North America, China, Japan (-6%) and Europe will be responsible for the negative overall global trend in 2020, Zigan says one consolation, at least for mature markets, is that the downturn won't be nearly as severe as in 2008-09. Then, truck sales plummeted by some 36% in North America and production in Europe – normally a large net exporter – actually fell below sales, even though the latter were off by 46%.

“That was a painful lesson for truck makers, who have been very careful over the past decade to keep inventories low,” she adds. “They saw a correction coming this time.”

For more information, please contact Arron Quainton at:

+44 1865 797 650

or

aquainton@lmc-auto.com

About LMC Automotive

LMC Automotive is the leading independent and exclusively automotive focused provider of global forecasting and market intelligence in the areas of vehicle sales, production, powertrains and electrification. Highly respected for its responsive customer support, the company's client base from around the globe includes car and truck makers, component manufacturers and suppliers, financial, logistics and government institutions.

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