

ERA Convention 2010

“New Opportunities for Rental”

Off-Highway Research

David CA Phillips



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Global Trends In The Construction Equipment Industry

Presented To

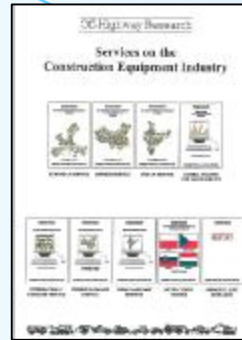


Prague, May 2010



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WHO WE ARE



- A Management Consultancy that specialises in the research and analysis of international construction equipment markets.
 - ➡ The largest of its kind in the world.
- Formed in 1981 as part of the Economist Intelligence Unit.
- Management Buy-Out in 1995.
Now privately owned.
- Offices in:
 - London, England
 - New York, USA
 - Tokyo, Japan
 - Beijing, China
 - New Delhi, India
- www.offhighway.co.uk



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GLOBAL OUTLOOK: 2010-2014

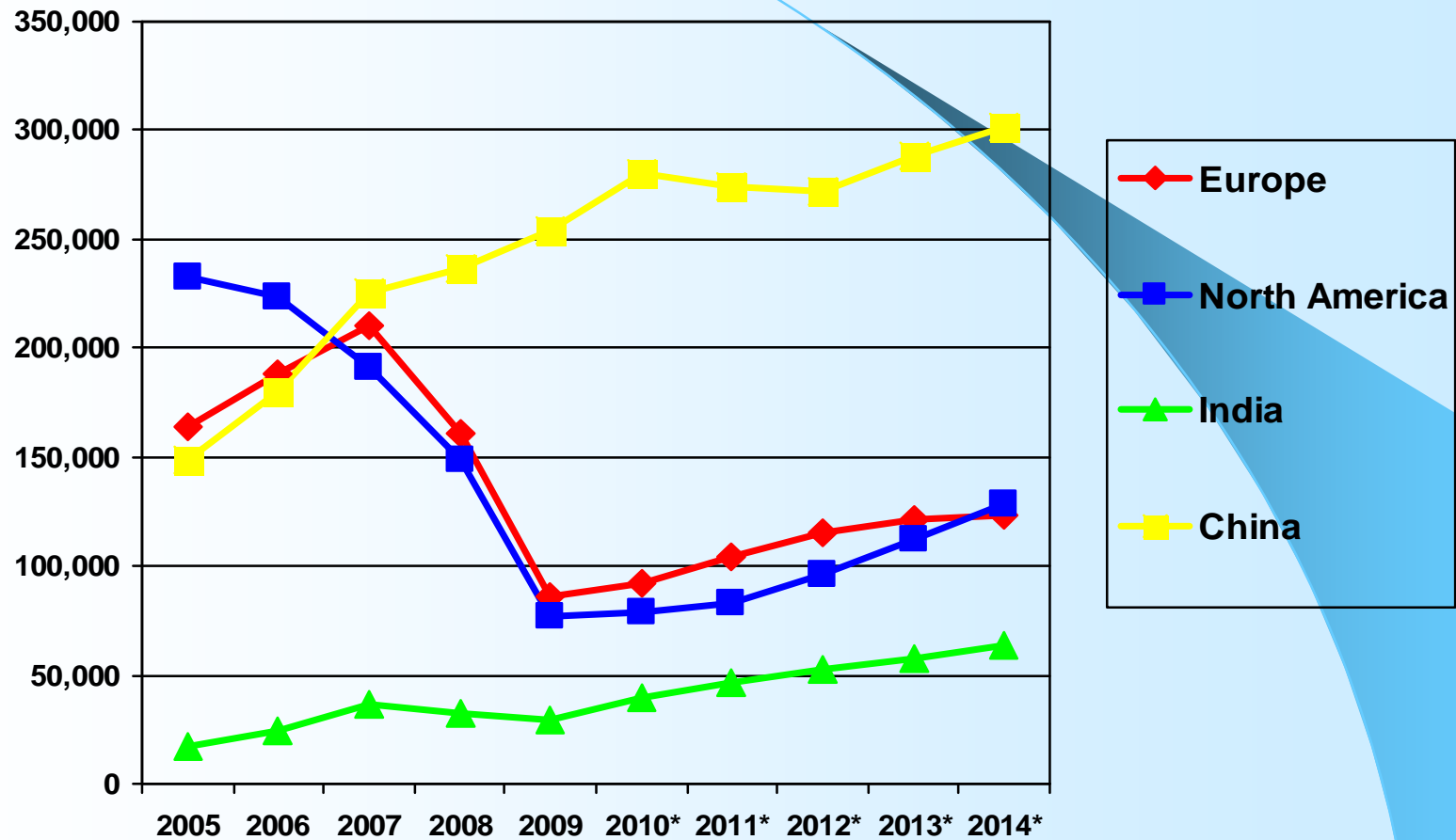
A VERY UNCERTAIN FUTURE



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Key Market Trends: Sales, 2005-2014*

(Units)



*Forecast



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**“MARKET DEMAND IS ULTIMATELY DETERMINED
BY ONE THING ALONE:
BUSINESS CONFIDENCE”**



Global Overview

- Total world equipment sales in 2007 peaked at approximately \$99 billion.

➡ Up by 30 % since 2006.

➡ Sales in 2009: \$56 billion

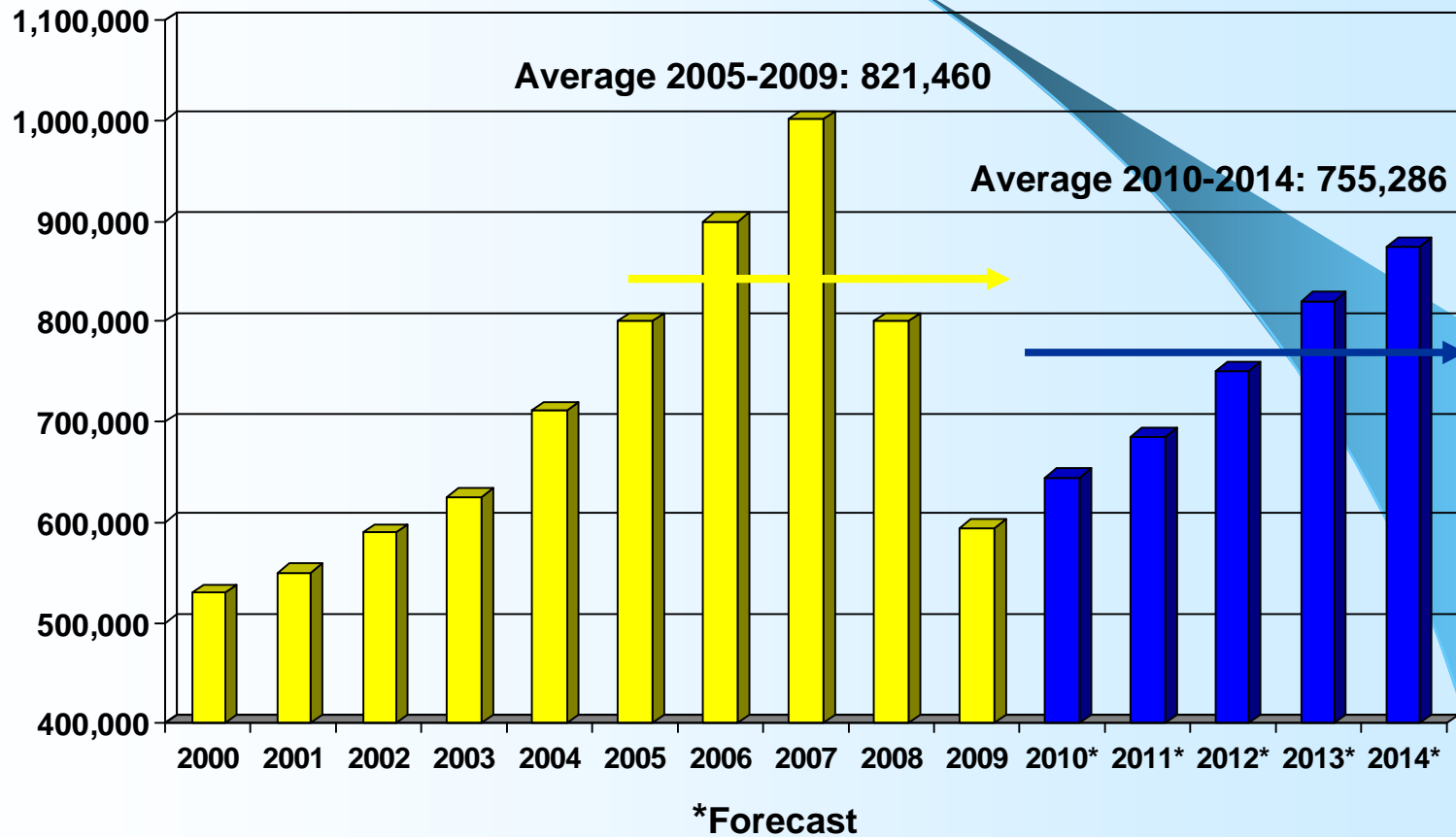
➡ Forecast for 2010: \$61 billion

- Recovery in Europe and North America by 2011-2012: to 2003-2005 levels?

	<u>2009 Value</u>	<u>2009 Vs 2008</u>	<u>2010 Vs 2009</u>
-China	\$18.0 billion	+27%	+11%
-North America	\$12.1 billion	-51%	-2%
-Europe	\$ 7.5 billion	-58%	+18%
-India	\$ 2.1 billion	+3%	+39%
-Japan	\$ 2.2 billion	-38%	-20%
-ROW	\$14.5 billion	-43%	+6%
-World	\$56.4 billion	-36%	+8%

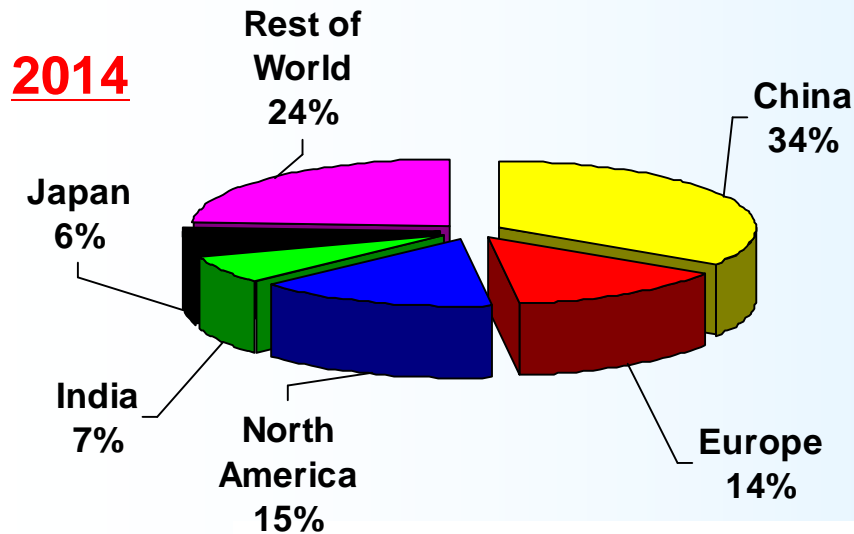
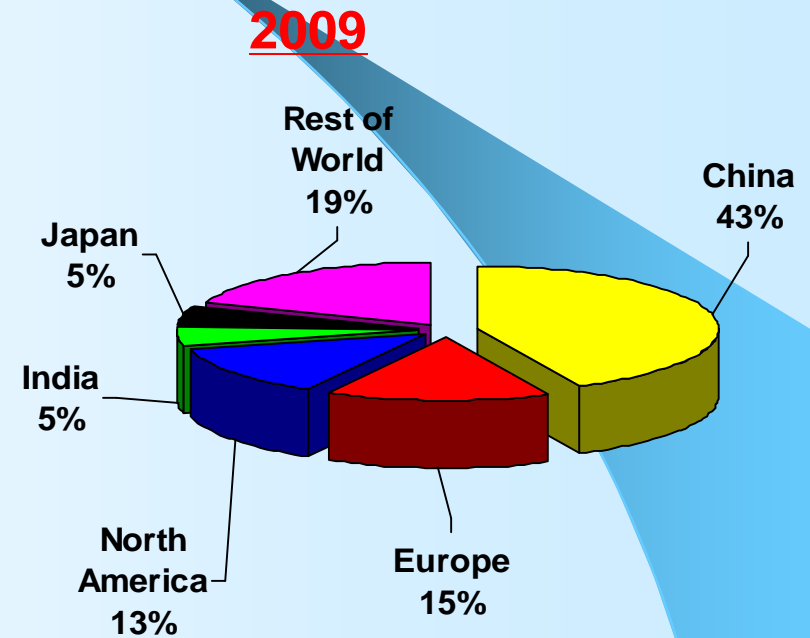
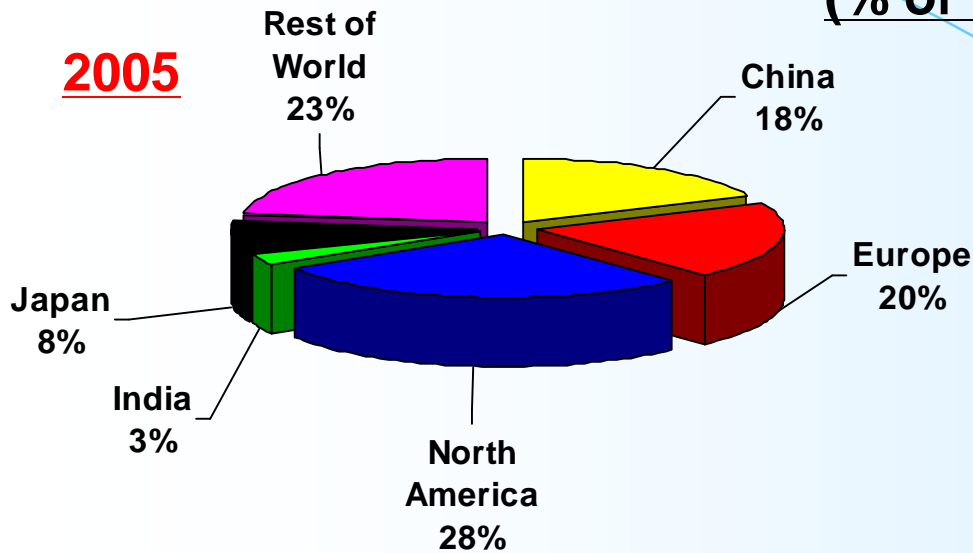


World Sales of Construction Equipment 2000 – 2014* (Units)



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Changing Structure of Demand, 2005-2014
(% of Total)



The Reasons Behind the Cyclical Downturn

- 2005 – 2007 all markets showing robust growth

⇒ Fuelled by: China
Easy (or very stupid) credit availability
Global economic growth

⇒ Markets +20% than 5 year average

- Worldwide 'shortage' of machines

⇒ Overheated (artificial) demand

⇒ Delivery times of 6-36 months

⇒ Component shortages

⇒ Customers bring forward their orders to ensure delivery

⇒ Huge machine populations, all very young

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- **Credit crisis in mid-2007**

- ➡ **House building + business confidence collapse**

- ➡ **Banks take fright – no credit availability**

- ➡ **Demand in 2008 + 2009 had been sold in 2007**

- ➡ **No urgent need to replace equipment**

+

- **Financial banking collapse of September 2008 dumped on us all**

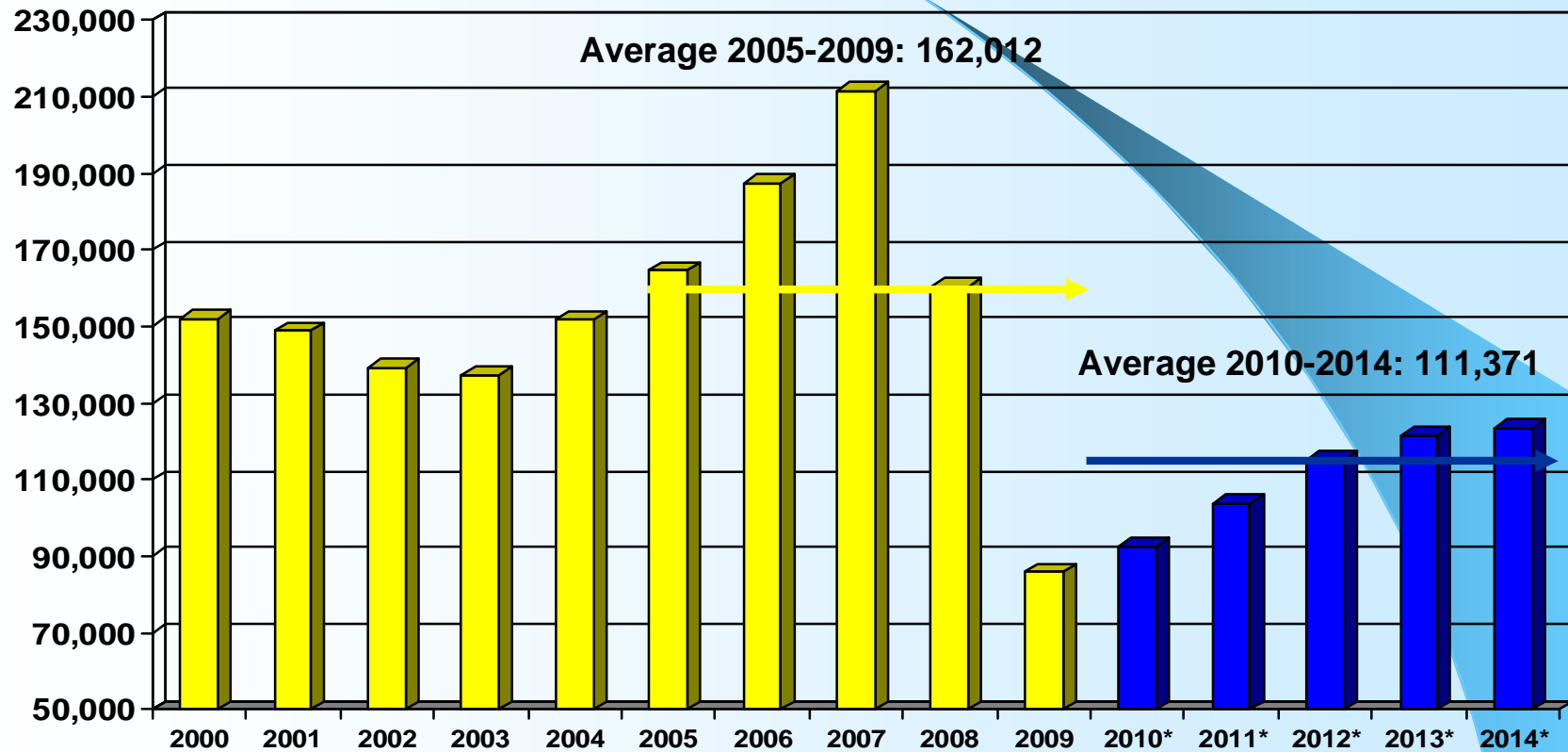
= THE PERFECT STORM!

- **THE FUTURE WILL BE A VERY DIFFERENT PLACE**



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Europe: Development of Sales, 2000-2014* (Units)

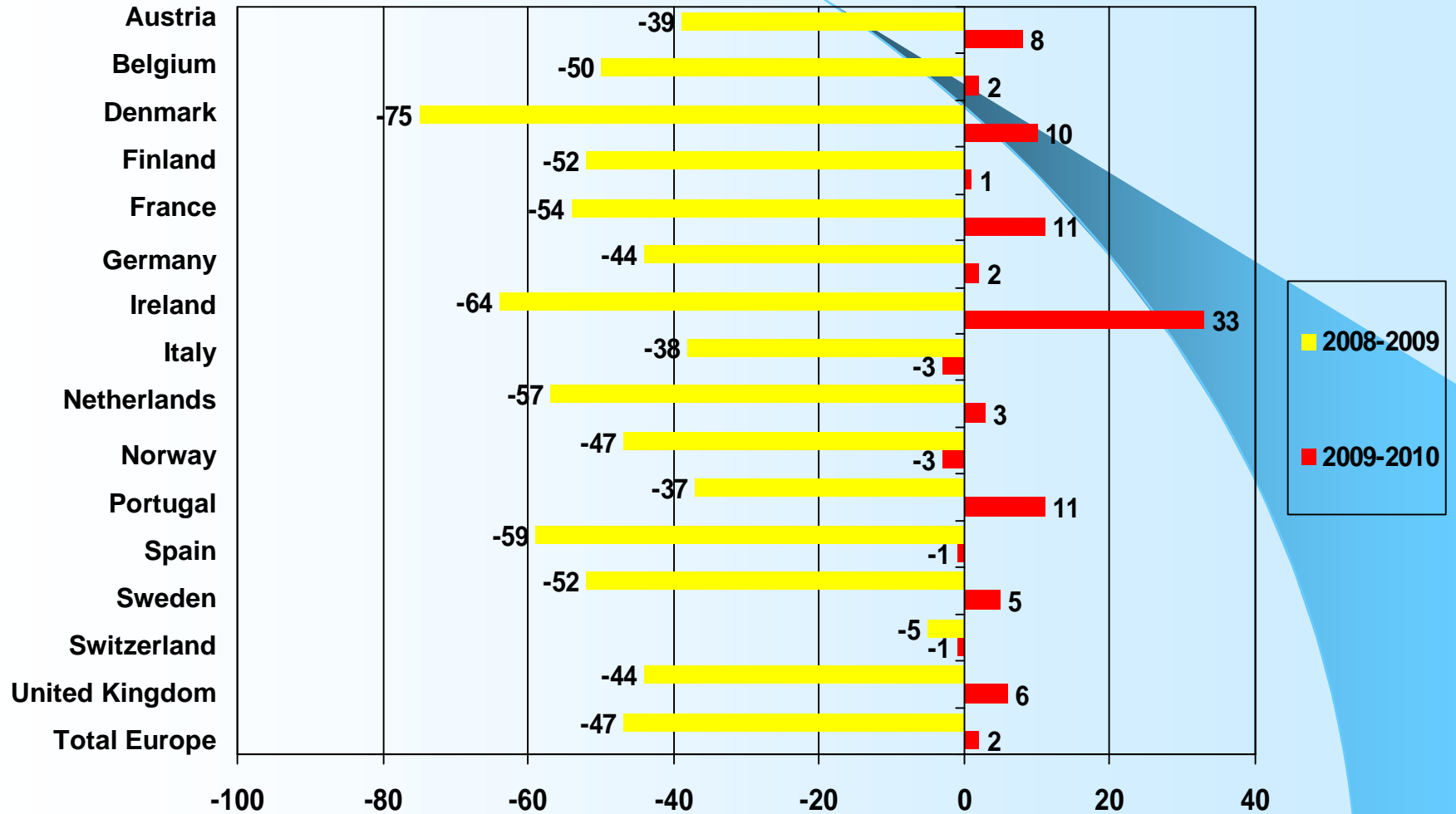


*Forecast



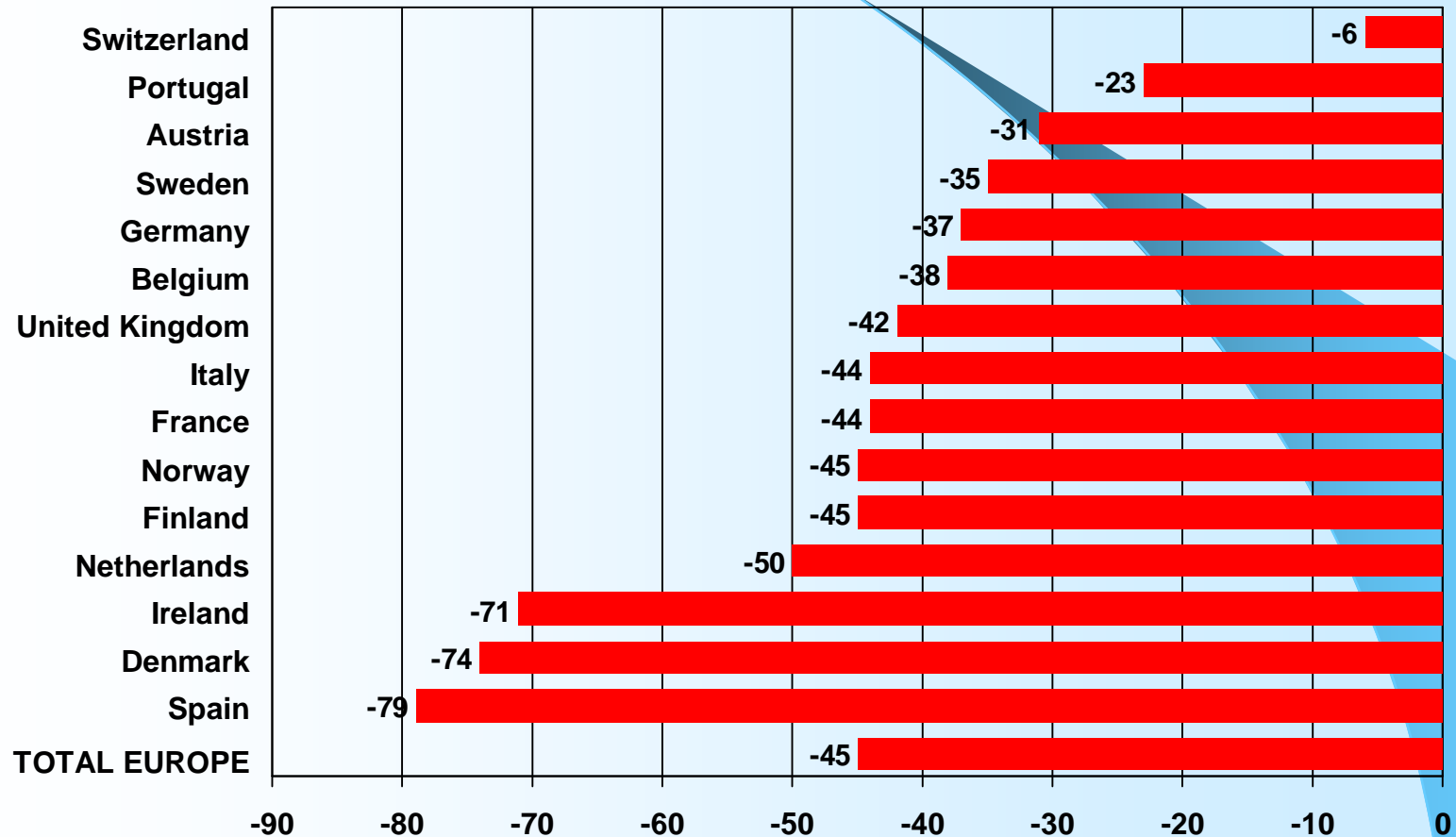
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Europe: Forecast Sales, 2009-2010 (% Units Change)



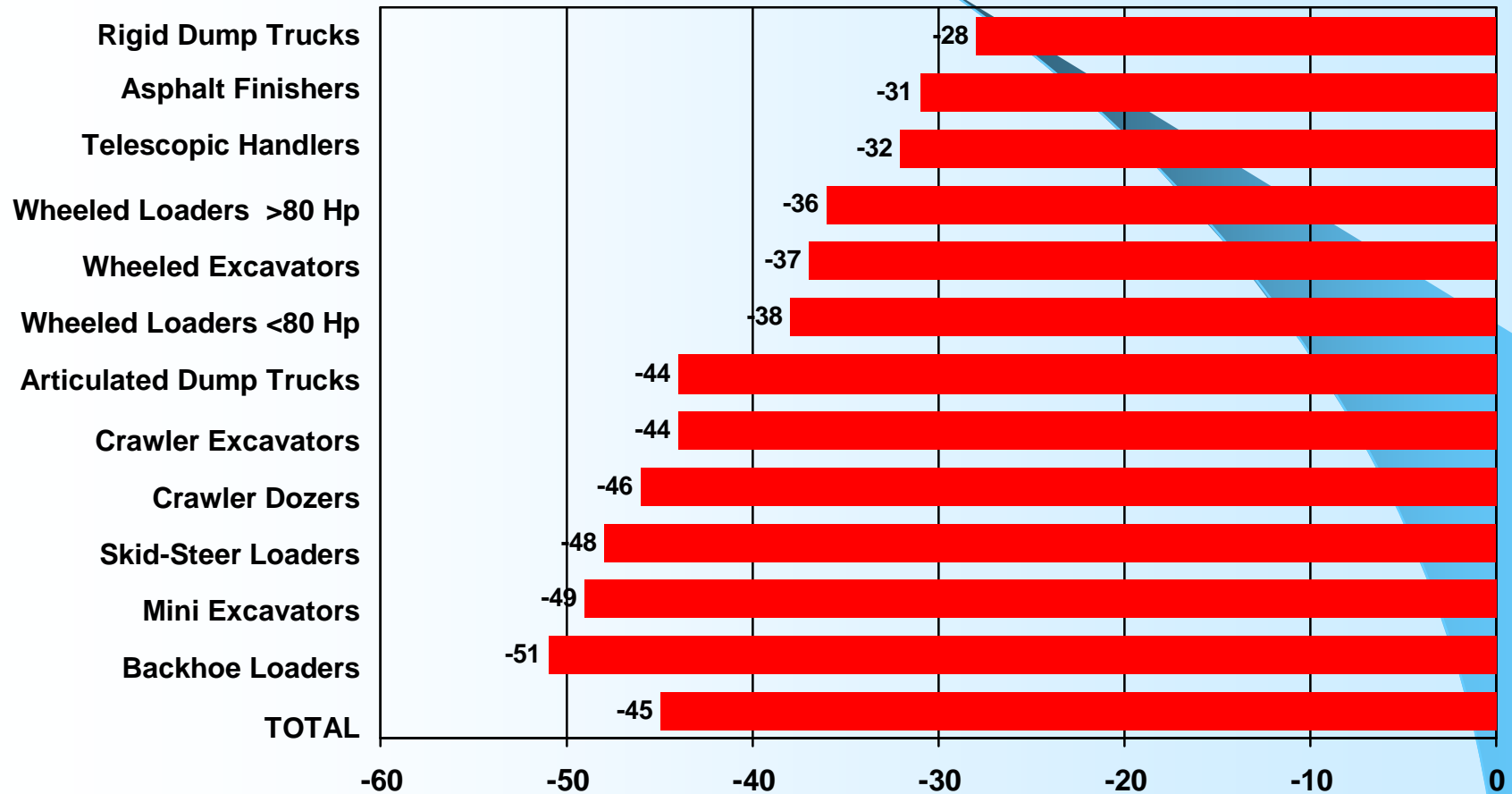
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Europe: Sales Forecast 2010 Vs 5 Year Annual Average, 2005-2009 (% Units Change)



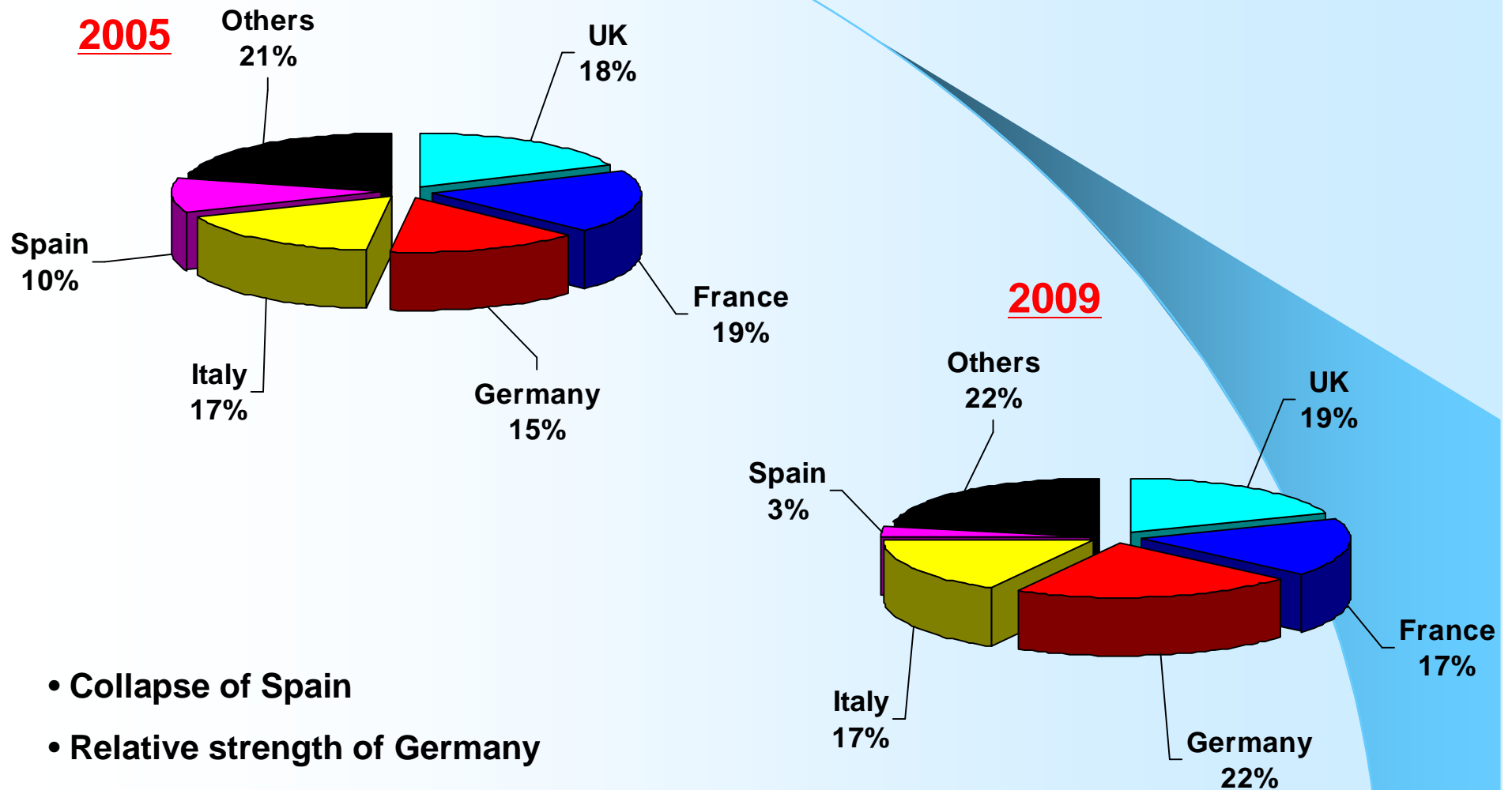
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Europe: Sales Forecast 2010 Vs 5 Year Annual Average, 2005-2009 (% Units Change)



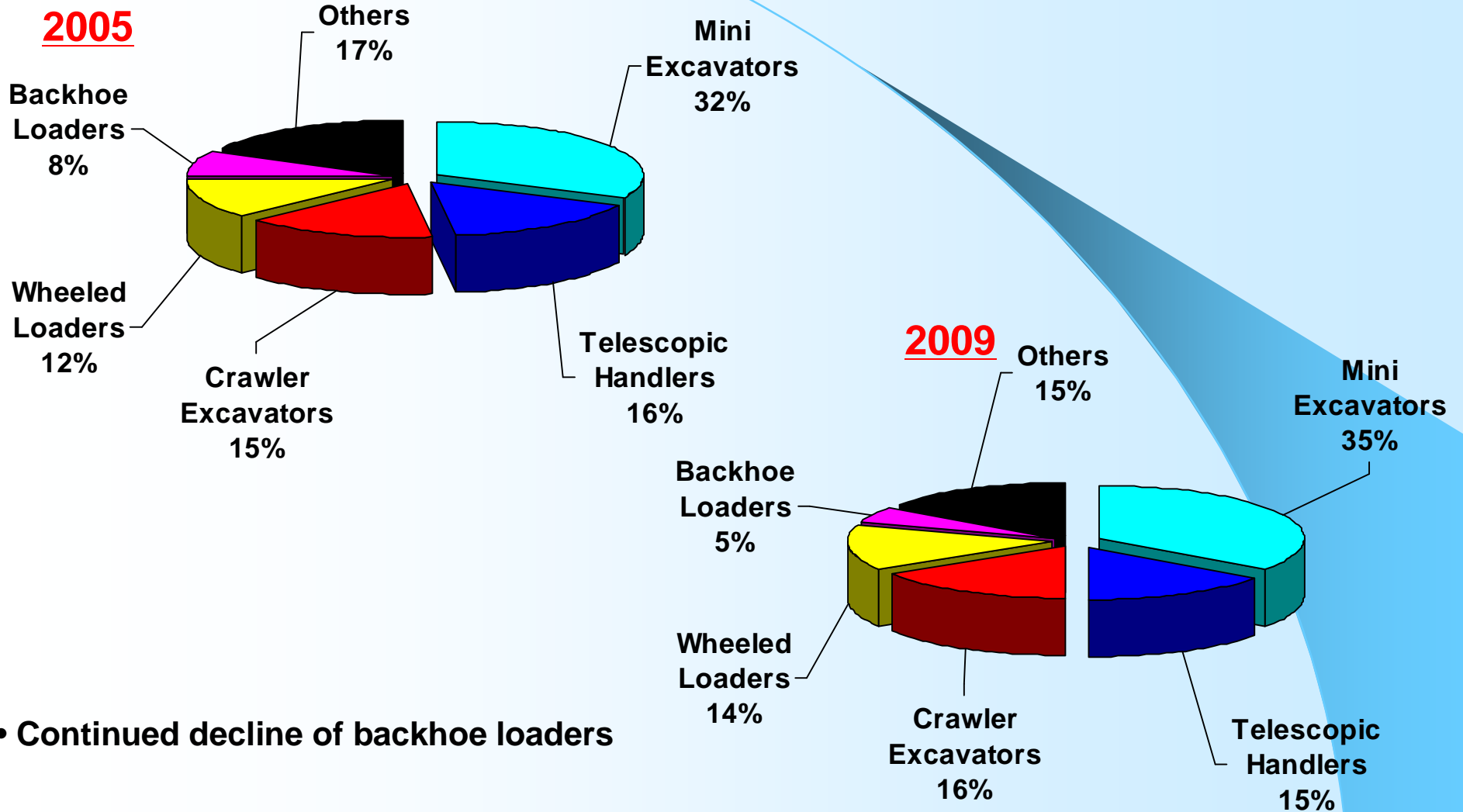
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Europe: Structure of Sales, by Country, 2005-2009 (% of Total)



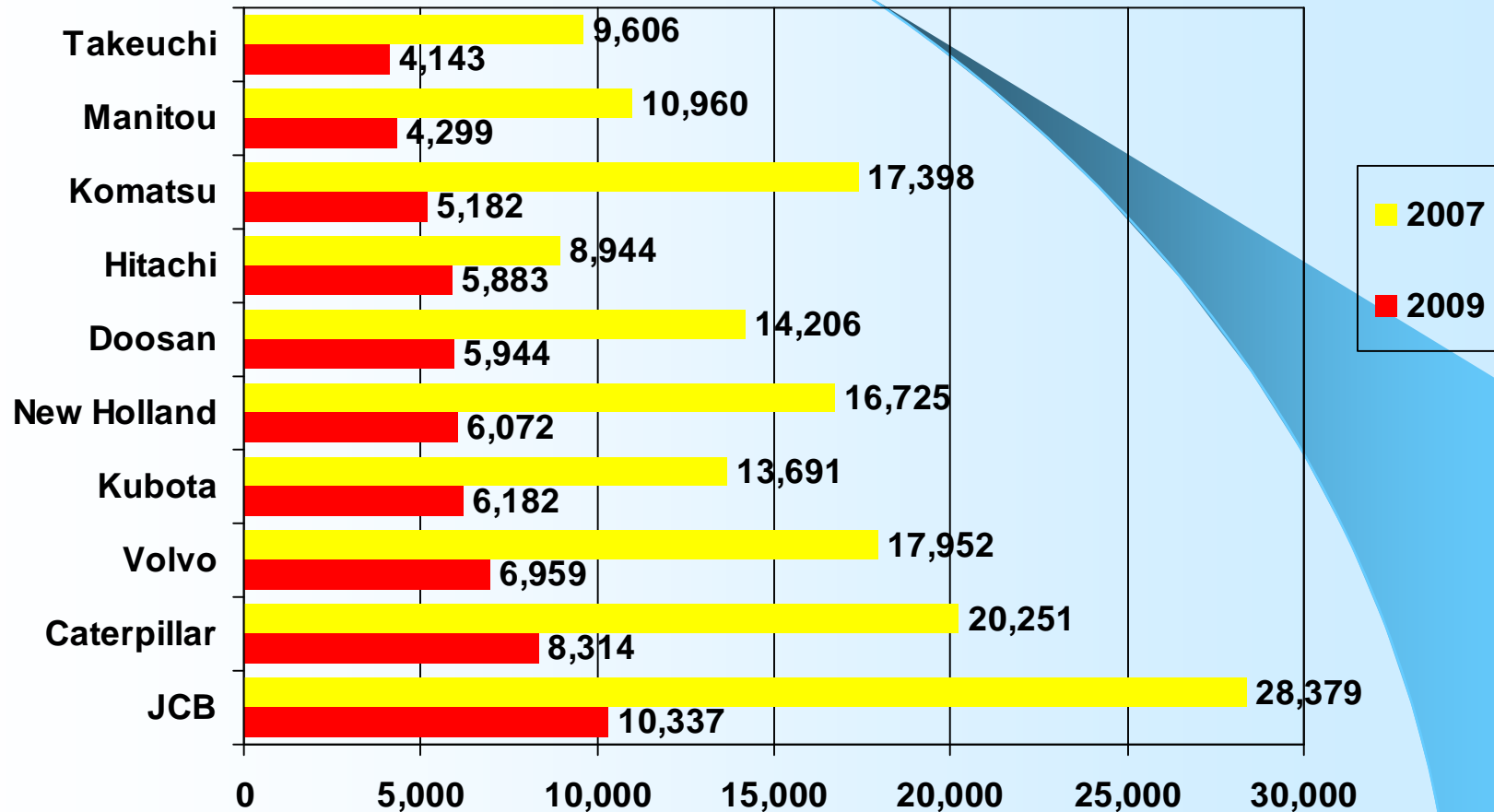
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Europe: Structure of Sales, by Product, 2005-2009 (% of Total)



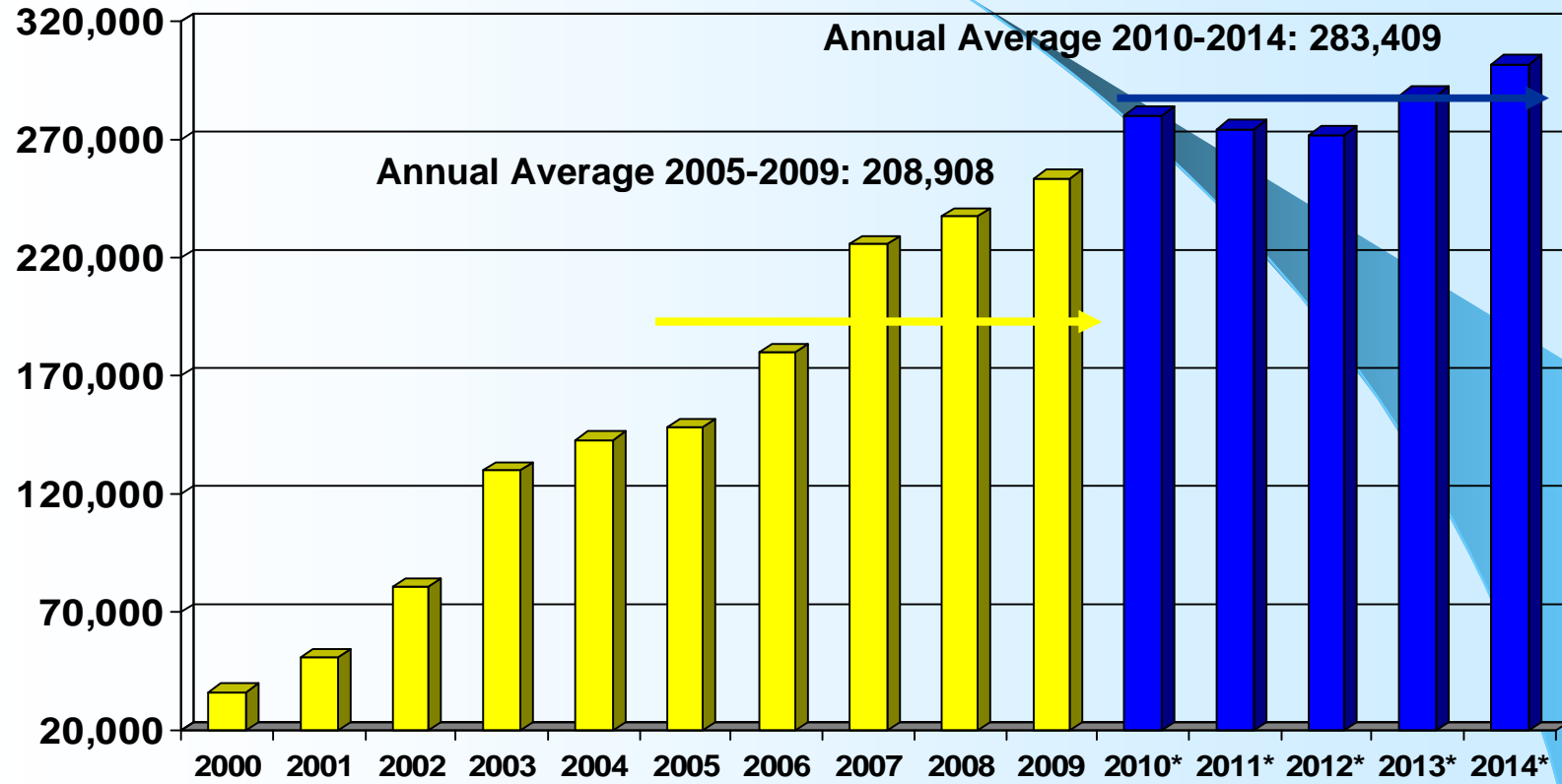
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Europe: Sales of Construction Equipment, by Supplier, 2007-2009 (Units)



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China: Development of Sales, 2000-2014* (Units)

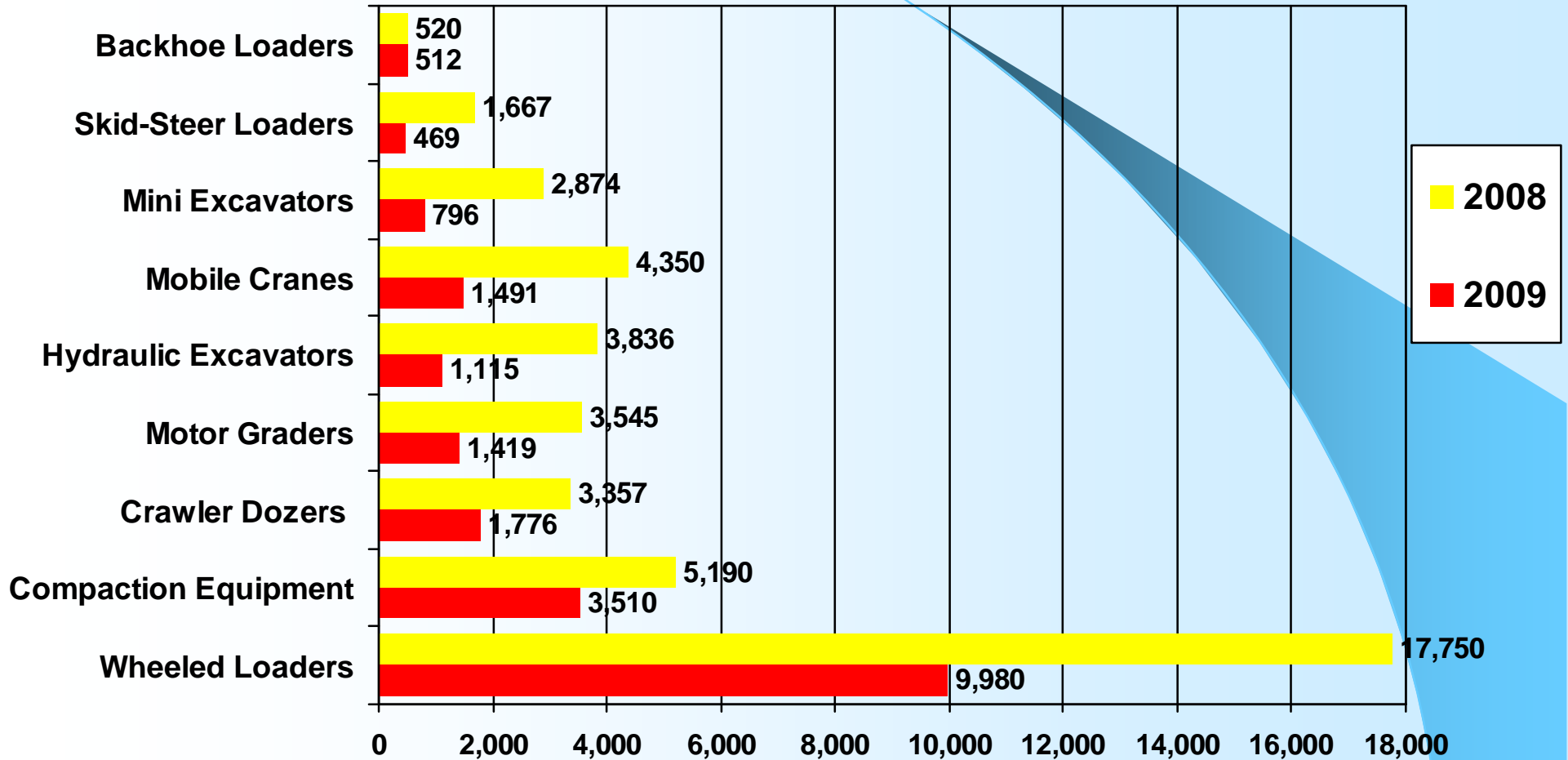


*Forecast



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**China: Exports of Construction Equipment, 2008 – 2009
(Units)**



The Future of Our Industry



- A dramatic shift in the centre of gravity from West to East

⇒ Sales volumes

⇒ Production volumes

- Europe: is now at its lowest level since 1993

⇒ Modest growth of 2% in 2010

⇒ Sales will be 127,500 in 2014
= Sales in 1998-1999

- North America: is now at its lowest level since 1992

⇒ Sales will be 125,300 in 2014
= Sales in 1994-1995

- China: will peak at 277,000 in 2011

⇒ 44% of global sales; largest market in the world by far

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- **India: the next big market for expansion**
➡ from 29,000 in 2009, to 60,000 in 2014
- **Production will move from West to East**
- **Regional production will continue, but will be rigorously assessed**
➡ China and India will be the winners in inward investment
- **Component production will follow shifts in OEM production**
➡ China is now producing 50% of global demand

HUGE IMPLICATIONS FOR EVERYONE'S FUTURE BUSINESS MODELS

- Production facilities
- Component sourcing
- Distribution
- Logistics
- Used Equipment Disposal
- Financing



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And Finally

THANK YOU!

We are here to help you,
so please do not hesitate to contact the team at:

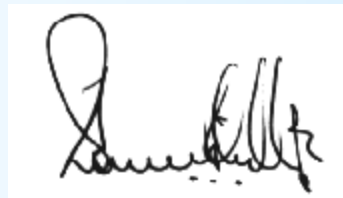
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Thank you!



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