

Machinery, E&C and Waste

Truck orders: strong start to 2024 – does the elusive downturn never really come?

Industry Overview

Truck orders: start the year at elevated levels

Heavy duty (Class 8) truck orders of 27k units were booked in January, +45% YoY. On a seasonally adjusted basis (SAAR), orders of 292k units were up 17% from December. While this is lower than the three-and-six month SAAR order average of 341k units, we characterize this as a 'positive surprise' given: i) rebound from a slower December (251k), ii) defies expectation of a 'cool down' to kick off 2024 following a robust 3 year order period ('23 278.5k units, '22 299.5k units, '21 353.7k units), iii) softer earnings release from truck carriers, and iv) relatively weak spot rate freight market. Typically when manuf and freight data is near these levels, orders are closer to 100-200k range.

Truck carriers: early indications of less buying in 2024...

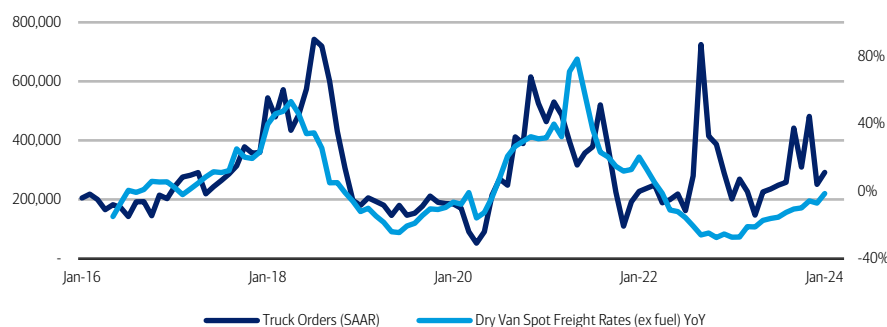
The downturn in industry truck production is largely well understood based on consensus (i.e., down 15-20%). While only one month, the January truck order suggests the downturn remains elusive (for now), indication from public carriers suggest a cooling of orders/pullback in truck purchasing: i) trucker JB Hunt guiding 2024 capex \$800-1bn (down ~40%) and partly citing the fleet is refreshed into 2024. and ii) trucker Knight-Swift guided 2024 capex between \$625-\$675 (down 17% YoY at the midpoint).

...yet potential to be backward looking with ISM turning up

While the ISM remained in contraction in January (i.e., 49.1, sub 50) for 15th consecutive month, there are silver linings: i) new orders: 52.5 – back in expansion territory for first time in 1.5 years, ii) customer inventories dropped to 43.7 – lowest in a year. In our view, this begs the question - what happens to order trends into 2025 as spot freight rates and ISM ultimately bottom and inflect in the 2H of 2024?

Exhibit 1: Heavy Duty truck orders (SAAR) vs Spot Freight Rates YoY

Order rates running ahead of spot freight rates



Source: Bloomberg, ACT

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