

Machinery, E&C and Waste

Truck orders: US remains surprisingly strong

Industry Overview

Truck orders remain strong – who is buying these trucks?

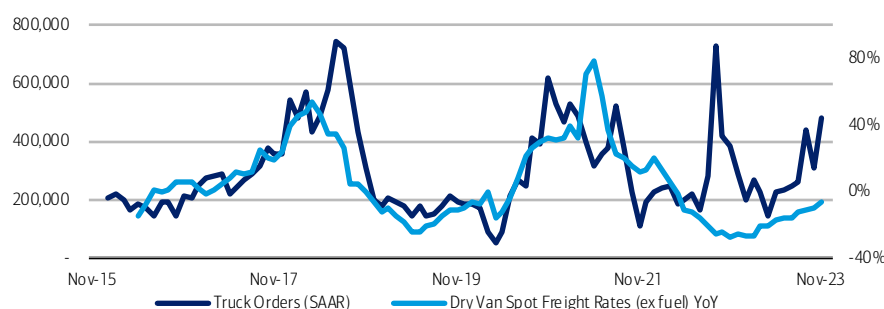
Heavy duty (Class 8) truck orders of 41.7k units were booked in November, up 7.1% YoY and up 9k units MoM. On a seasonally adjusted basis (SAAR), orders of 481k units made November the best “real” order month since September 2022. Since the filling of 2024's order boards began in September, Class 8 orders have been booked at a 413k units SAAR – an astonishingly strong rate (in our view) given replacement is ~250k range. Based on some industry commentary i) most of the orders are driven by pent up demand from vocational and regional customers who have not fared as well in getting allocations over the last 1-2 years compared to the larger players, ii) large national players fleets are in a healthier position post heavy replacement cycle (i.e., fleet age starting to normalize).

US backlog rises – why this order trend is so impressive?

This order trend over the last few months is certainly a ‘positive surprise’ given the weak freight and macro conditions. Typically, orders are much weaker (~100-200k units) when the ISM is in deep contraction (ISM New Orders sub 50 for over 15 months) and freight conditions are weak (i.e., spot freight rates below operating costs for smaller carriers). Based on November orders, the Class 8 backlog likely rises 16.2k units to 181k units. While this backlog heading into 2024 is below the prior two years (November 2021: 265.5k, November 2022: 239k), it is still elevated compared to normal cycles providing production cover for at least the 1H of 2024. This begs the question: orders trends have outpaced certain freight data (i.e., spot freight rates, see below) – what happens to order trends in 2024 as spot rate bottom and eventually inflect?

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

Order rates running ahead of spot freight rates



Source: Bloomberg, ACT

BofA GLOBAL RESEARCH

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ISM – institute supply management

MoM – month over month

SAAR = seasonally adjusted annual rate

HDT = heavy duty truck

PMI = purchasing manager index

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