

Machinery, E&C and Waste

Truck orders: US & China orders (finally?)
drop in December post a strong 2023

Industry Overview

US Truck orders drop to replacement level to finish 2023

Heavy duty (Class 8) truck orders of 26.5k units in December dropped 15k units MoM and -13% YoY. On a SAAR basis, orders of 251k is in-line with replacement demand, after several months above those levels. Q4 orders ended at ~348k units (SAAR) – a positive overall development – given it is a higher pace than the industry's build rates for 2023 (~335k units annualized). While we are weary of making a trend out of one month (December), this data point could suggest order rates starting to normalize, consistent with softer freight conditions (exhibit 1). The FY 2023 order tally of 278.5k units (-7% YoY) disconnected from these trends for most of the year, likely due to i) pent up demand from vocational & regional customers who did not get allocations over the last 1-2 years, ii) large national players fleets that were in a healthier position to drive a heavy replacement cycle. We wonder if these tailwinds are fading into early 2024.

China truck: heavy truck sales down 7% YoY, -30% MoM

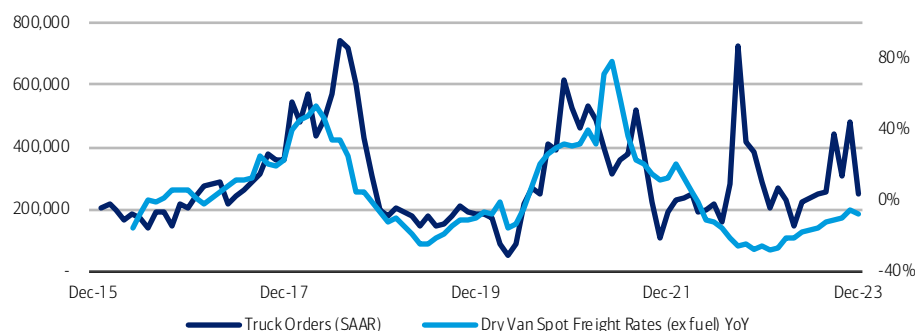
Last week, CVWorld announced preliminary China heavy duty truck sales in December at 50k units, down 7% YoY and -30% MoM. CVWorld commented that the monthly sales slump was due to i) low freight costs and weak manufacturing activities (PMI declined to 49), ii) continued drop of LNG truck sales caused by the price gap contraction between LNG and diesel. 2023 was a robust year with the whole sales at 909k units, +35% YoY.

Europe truck: call next week - looking for insights on 2024

The European truck market in 2023 was surprisingly more resilient than investors expected given weak industrial data points (see EU PMIs). We are hosting industry experts next Friday to discuss freight and trucking trends to gauge the 2024 outlook.

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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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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