

# Machinery, E&C and Waste

## Truck orders rise in February

### Industry Overview

### Key takeaways

- Heavy duty truck orders increased in February. CL 8 orders were 23.6k units or 269k SAAR, up 13% YoY and +32% MoM.
- February SAAR orders came in modestly above near-term expectations and in replacement demand range.
- See chart truck orders vs spot freight rates - order rates pick up in February in spite of continued weak macro data.

### Class 8 truck orders: 269k SAAR, +13% YoY, +32% MoM

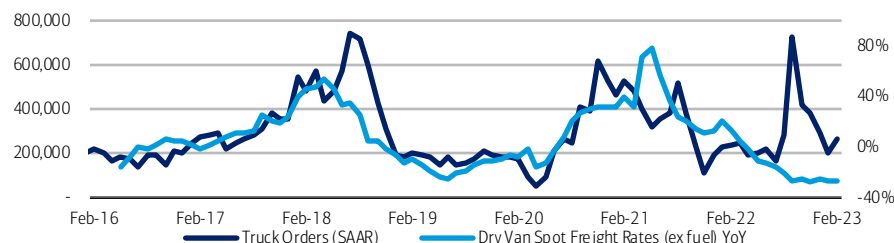
Class 8 (heavy duty) truck orders increased in February. Orders during the month were 23.6k units, or 22.4k units on a SAAR basis, up 13% YoY (vs -12% YoY in January). That translates to 269k, which is broadly in line with replacement demand (~250k) and +32% MoM from 221k SAAR in January. Since 2000, truck orders have averaged in the 150-240k range in periods when ISM New Orders were in contraction (sub-50 last six months). While ACT does not typically forecast orders, they estimated that SAAR orders will range between 15-20k units in the near term (February at 22.4k). The SAAR YoY increase in February represents a modest upside to expectations following cooler January results. Preliminary estimates for Class 8 backlogs are ~230k, or a ~3.9k unit decline MoM. While there is still pent-up demand in the market, February's implied backlog would represent a 10% YoY decline. Backlog stands at ~8 months of production at February's assumed build rate.

### Order rates heat up again despite weak macro trends

Last month, the bifurcation in orders and freight rates appeared to be reverting to the mean. However, truck orders picked up in February despite spot freight rates down on a YoY basis. We are surprised to see the increase in orders given the continuation of softer trends – (1) ISM New orders remained in contraction (sub-50) at 47 in February; and (2) spot freight rates remain under pressure on YoY basis (Exhibit 1). We believe spot rates could be finding a bottom – worth monitoring for the 2H.

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

Order rates are normalizing relative to spot freight rates



Source: Bloomberg, ACT

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SAAR: Seasonally Adjusted Annual Rate

OEM: Original Equipment Manufacturer

HD: Heavy Duty

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