

Machinery, E&C and Waste

Truck orders: defying the macro worries, strong start to 2024 order season

Industry Overview

Trucks (Heavy Duty, Class 8): strong start to order season

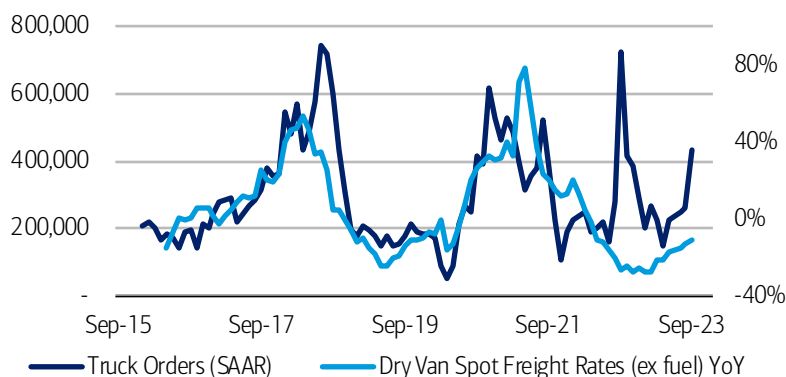
Truck orders in September are typically viewed as the 'kick off' for order season heading into the following year. Despite rising macro worries (higher rates, ISM below 50, softer consumer) and freight conditions (weak spot freight rates), truck orders remain strong in September (36.8k units). According to ACT, nearly all the August-ending Class 8 backlog was scheduled for build in 2023, so strong orders in September were imperative for the industry to maintain current strong production rates into 2024. The significant drop in production expected in Q4-1H24 is looking increasingly unlikely as orders remain strong.

Truck orders continue to decouple from macro narrative

Orders of 36.8k units are down 31% YoY, albeit off a very difficult comparative. On a seasonally adjusted basis (SAAR), orders climbed to ~442k SAAR or ~316k rate on a three-month basis, tracking ahead of the past 12 months (283.4k units). To put this into context, truck orders are typically much weaker (100-200k units) when the ISM is in deep contraction (ISM New Orders sub 50 for over 12 months) and freight conditions are weak (spot freight rates below operating costs for smaller carriers). While some of the de-coupling is driven by supply constraints (i.e., carriers can finally get new trucks delivered), working down fleet ages, and refreshing fleets ahead of EPA 2027, investors could worry if ordering season is 'too strong' in a scenario where economy stalls in '24.

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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