EUROPEAN CONSTRUCTION EQUIPMENT MARKETS:
A REVIEW OF 2009 AND A FORECAST TO 2014

April 2010

CONTENTS **PAGE**

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OVERVIEW

Table 1. Western Europe: Sales of Construction Equipment by Country, 2006-2009

(Units)

	2006	2007	2008	2009	% Change 2008-2009	% of Total 2009
Austria	3,306	3,180	2,866	1,903	-34	2
Belgium	4,395	5,242	5,163	2,567	-51	3
Denmark	5,670	5,997	4,019	1,374	-66	2
Finland	2,232	2,586	2,408	1,123	-53	1
France	33,404	38,436	33,265	14,545	-44	17
Germany	31,853	37,713	31,758	18,908	-40	22
Ireland	4,829	5,215	2,077	548	-74	1
Italy	29,889	30,319	23,482	14,566	-38	17
Netherlands	5,729	6,655	5,777	2,414	-58	3
Norway	3,885	4,368	3,715	1,956	-47	2
Portugal	2,717	3,474	3,072	1,618	-47	2
Spain	19,848	21,053	7,126	2,888	-68	3
Sweden	3,190	3,594	4,056	1,925	-52	2
Switzerland	3,453	3,649	3,622	3,197	-12	4
United Kingdom	33,332	39,445	28,643	16,515	-42	19
Total	**187,732**	**210,926**	**161,049**	**86,047**	**-47**	**100**
% Annual Change	**+14**	**+12**	**-24**	**-47**	**-47**	**-**

Note: Products included in the above are itemised in Table 13

Source: Off-Highway Research

Following an intensification of the global financial crisis last year, the construction equipment market in Western Europe fell by a further 47 per cent in 2009, to just 86,000 units. This is the lowest level of sales since 1987, and is likely to represent the trough of demand for the foreseeable future.

The tightening of credit lines, as a result of the problems within the banking sector, together with an overall lack of business confidence, has had a catastrophic effect on demand for new machinery. The disastrous consequences of the situation have permeated every sector of the industry, and have been borne by construction equipment manufacturers, their dealers and component suppliers alike. The European construction equipment sector has been blighted by

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unprecedented levels of redundancies, bankruptcies, short-time working and production shut-downs lasting months.

By contrast, the spectacular growth in demand during 2006-2007, which culminated in a record level of sales, 210,000 units in 2007, now seems but a distant memory. In just two years the market has plummeted by 60 per cent, a rate of decline never experienced in the industry's history. Significantly, every West European country has been affected, albeit to varying extents. In the main volume markets, the decline in sales averaged 40 per cent in 2009, although in some of the smaller markets demand fell by up to 70 per cent. Perhaps the most significant development has been seen in Spain, where sales have dropped by an astonishing 85 per cent since 2006.

Sales by Country

As always, the four largest markets in Europe, the UK, France, Germany and Italy continue to dominate regional demand. After a period of uninterrupted growth from 2003 to 2007, markets have turned down at varying rates. By 2009 the 'big four' accounted for 75 per cent of sales, but Spain dropped to only three per cent and is now a minor force.

Germany was the largest market in 2009, with 18,908 units accounting for 22 per cent of regional demand. Sales nevertheless fell by some 40 per cent to their lowest level for 21 years. The industry was hit by an almost complete absence of investment by the rental sector, whilst the loss of business confidence amongst contractors merely exacerbated the problem. The high volume of equipment bought in 2007-2008 meant that the existing population of machines was sufficient to undertake the level of work required and end-users therefore postponed their fleet renewal programmes indefinitely.

The **United Kingdom** became the second largest market accounting for 19 per cent of regional demand. After nine years of growth, driven by a stable economy and the commitment by the government to invest heavily in transport projects, the picture changed rapidly last year, driven by a crisis in house building and a shortage of finance for machine purchases. With most news being grim, the UK's plant hirers stopped buying and those in the worst conditions started to sell their fleets wherever they could.

Italy suffered a marginally smaller decline (of 38 per cent) than the other major markets, and accounted for 17 per cent of regional demand. In common with other European markets, the decline has been largely attributable to the turmoil in the global financial sector, the slowing

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down of construction activity and the large population of nearly new, under-utilised machines. This, in turn, has led to a general loss in customer confidence which has been compounded by the difficulty of opening credit lines for the purchase of new equipment.

France was the largest European market in 2008, but a 44 per cent drop in sales saw it slide to fourth position in 2009, accounting for 17 per cent of regional sales. Despite ongoing public works, major contractors halted investments; small sub-contractors were very wary, and rental firms were simply closed to all offers to renew plant.

Table 2. Western Europe: Sales of Construction Equipment by Country, 2005-2009 (% of Total)

	2005	2006	2007	2008	2009
Germany	15	17	18	20	22
United Kingdom	18	18	19	18	19
Italy	17	16	14	15	17
France	19	18	18	21	17
Switzerland	2	2	2	2	4
Spain	10	11	10	4	3
Belgium	2	2	2	3	3
Netherlands	3	3	3	4	3
Norway	2	2	2	2	2
Sweden	2	2	2	3	2
Austria	2	2	2	2	2
Portugal	2	1	2	2	2
Denmark	3	3	3	2	2
Finland	1	1	1	1	1
Ireland	3	3	2	1	1
Total	**100**	**100**	**100**	**100**	**100**

Source: Off-Highway Research

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2009 Versus Long Term Trend

Table 3. Western Europe: 10 Year Average of Sales, 2000-2009

	2000-2009 (Units)	2009 (Units)	2009 vs. 10 Year Average (%)
Austria	2,671	1,903	-29
Belgium	3,900	2,567	-34
Denmark	3,638	1,374	-62
Finland	1,895	1,123	-41
France	28,567	14,545	-49
Germany	26,755	18,908	-29
Ireland	3,180	548	-83
Italy	26,700	14,566	-45
Netherlands	4,530	2,414	-47
Norway	2,806	1,956	-30
Portugal	3,110	1,618	-48
Spain	13,337	2,888	-78
Sweden	2,714	1,925	-29
Switzerland	3,117	3,197	+3
United Kingdom	27,029	16,515	-39
Total Europe	**153,949**	**86,047**	**-44**

Source: Off-Highway Research

Table 4. Western Europe: Forecast Sales of Construction Equipment by Country, 2009-2014 (Units)

		Forecast					% Change
	2009	2010	2011	2012	2013	2014	2009-2014
Austria	1,903	2,196	2,484	2,636	2,766	2,765	+45
Belgium	2,567	2,755	3,137	3,480	3,622	3,640	+42
Denmark	1,374	1,547	1,872	2,250	2,546	2,671	+94
Finland	1,123	1,161	1,224	1,311	1,383	1,357	+21
France	14,545	16,595	20,990	24,120	24,880	24,870	+71
Germany	18,908	21,043	23,455	25,231	25,540	25,925	+37
Ireland	548	627	883	1,220	1,361	1,520	+177
Italy	14,566	14,205	13,984	14,252	14,960	15,195	+4
Netherlands	2,414	2,577	2,977	3,559	3,774	3,849	+59
Norway	1,956	1,903	1,910	1,989	2,102	2,160	+10
Portugal	1,618	2,052	2,725	2,980	3,112	3,100	+92
Spain	2,888	2,975	4,320	6,465	8,805	9,665	+235
Sweden	1,925	2,038	2,126	2,249	2,349	2,203	+14
Switzerland	3,197	3,365	3,419	3,293	3,317	3,311	+4
United Kingdom	16,515	17,485	18,497	20,007	21,202	21,335	+29
Total	**86,047**	**92,524**	**104,003**	**115,042**	**121,719**	**123,566**	**+44**
% Change	**-47**	**+7**	**+12**	**+11**	**+6**	**+1**	

Source: Off-Highway Research

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In 2009 sales of construction equipment in Western Europe slumped to their lowest level for 22 years, precipitated by the global economic crisis, the magnitude of which has been unparalleled in recent memory. During the first half of the year accurate forecasting of sales levels proved impossible since nobody could predict when the banks would stabilise themselves, when lines of credit would become available or when that all important imponderable, business confidence, would return to the market.

In 2010 industry sentiment remains understandably cautious, although appears ready to concede that demand is likely to effect a modest recovery during the second half of the year at least. Hopes of a more sustained recovery must, however, be tempered by several considerations, most notably the large population of perfectly usable machines in every European country as a result of the unsustainably high volume of sales during 2003-2007. There is very little reason to believe that there will be any requirement for additions to the existing fleets of equipment, so future sales depend entirely on the replacement of machines and the necessary credit flow to do that job. The 10 year historic average level of sales in the region has been in the order of 154,000 units a year, so put into that context the forecast says that nobody sees the industry getting back to that level in the next five years.

COUNTRY REVIEW

Austria: In line with Off-Highway Research's mid-year forecast, the Austrian market posted a decline of 34 per cent in 2009, equating to the lowest volume of sales since 1987. All product sectors have been affected to a greater or lesser extent, although volume products such as crawler excavators and large wheeled loaders suffered particularly significant declines of 32 and 49 per cent respectively.

Despite the Austrian government's pledge of €20 billion for investment in infrastructure construction over the next four years, so far only limited funds have been made available. This has had the effect of limiting contractors' confidence to invest in new machines and, given the relatively young population of existing machines, many have elected to postpone fleet renewals until some improvement in the economic situation becomes evident.

The climate is further complicated by the fact that used machinery prices have fallen significantly in recent months, largely due to the collapse in demand in East European markets, traditionally a ripe source of business for second-hand machinery from Austria. In addition, the decline in construction activity in other Central and Eastern European countries has led to international contractors already operating in Austria, bringing in their nearly new equipment

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from regions where it is no longer required. These factors, too, have combined to limit the demand for new machinery.

Most suppliers agree that the current economic uncertainty makes forecasting this year extremely difficult, although the expectation is for a modest recovery of around 15 per cent in 2010.

Belgium: 2009 was the worst year for sales since 1993, and the full year outcome was very similar to that predicted in the middle of the year. Volumes forecast in 2009-2011 are well below the average of approximately 3,500 units, a level that was traditionally seen in the country prior to the economic boom of 2006-2007.

In 2009, all the volume equipment sectors were hit hard, the most badly affected being crawler and mini excavators, articulated dump trucks and telescopic handlers. The situation was exacerbated by the high levels of stock available in the country and the auctions in Rotterdam, where new and nearly new machines could be bought at greatly reduced prices and many customers, who were in need of a new machine, preferred this outlet to ordering new machine from dealers.

The situation was so bad that some dealers in Belgium were purchasing equipment from their fellow franchise dealers in the UK as it was cheaper than purchasing a new machine from the factory. The dumping by rental companies of excess stock also had a similar effect. The worst of this situation has now passed and whilst customers have a high level of work, and enquiry levels are good, it is likely to be the last quarter of 2010 before any significant upturn in demand is seen.

Denmark had experienced almost unbroken growth for over a decade before 2008, and there was a general consensus at the beginning of that year that a slowdown was inevitable. The scale of the downturn since then has been unprecedented, and a 66 per cent fall in sales has come as a great shock to the industry.

2009 saw most dealers relying upon second-hand sales and service agreements to maintain their business during the downturn. The economic crisis in Iceland has led to the Komatsu dealer, KFD, going bankrupt in December. The Danish dealer was owned by the Icelandic parent of the Komatsu dealer in Iceland.

The government announced a 12 month moratorium on new road expenditure that affected sales of asphalt finishers, compaction equipment, articulated dump trucks and excavators, allied to the

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serious problem of too much new stock chasing very few orders, with the result that both prices and margins fell rapidly. Rental companies such as Ramirent unloading excess stock on to the market at reduced prices also reduced demand for new machines.

The outlook for 2010 is only slightly better than for 2009, but demand is still woefully below normal levels and it will be 2011 at the earliest before any signs of significant recovery are seen.

Finland: The market posted a moderate decline of seven per cent in 2008, but due to the deep, economic downturn and difficulty in financing contracts, sales dropped by 53 per cent in 2009. The main falls were in telescopic handlers (71 per cent), mini excavators (62 per cent) and crawler excavators (60 per cent).

A market recovery of three per cent may be expected in 2010 and a further five per cent improvement in 2011.

France: The market declined by 44 per cent in 2009. Economic news was grim but public works were still progressing, albeit at a slightly slower pace than before. While undoubtedly the years of 2005 to 2008 saw more buying than was necessary, the reaction in 2009 was excessive. Major contractors halted investments; small sub-contractors were very wary; and rental firms were simply closed to all offers to renew plant.

All categories of large earthmovers did very badly, particularly articulated dump trucks, crawler dozers, hydraulic excavators, graders and large wheeled loaders. During the year private construction got worse month by month, so it was no surprise to see backhoe loaders fall or to find the mini excavator market leading the charge downhill. Telescopic handlers moved over to domination by sales to farming, as construction and distribution failed entirely.

The good news is that work done by existing machines is down by only five to ten per cent (rental fleets excepted) and the industry expects a slight pick-up in 2010 as some machines wear out. It remains to be seen, however, where the resulting used construction equipment will go.

Germany: In common with all other European markets, the turmoil in the global financial sector had devastating consequences for the German construction equipment sector in 2009. Demand for new machinery collapsed during the first half of 2009, in some product sectors by up to 70 per cent, and despite a minor recovery during the second half of the year, the market posted an overall decline of 40 per cent for the full year. Total sales amounted to fewer than 19,000 units, the lowest level since 1988.

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The situation has been exacerbated by several factors, most notably the virtual absence in 2009 of any investment by the rental sector, both at professional and dealer level. Investment by the rental sector has become a major factor affecting demand for new construction equipment in Germany during recent years, and excessive stocking by some of the professional rental companies during 2006 and 2007 has inevitably precipitated a cooling-off in demand during the last two years.

Excessive stock levels have been a salient feature of the industry during the last 18 months, and these have not only had severe consequences on achieved prices, but also led to a dearth of orders for new equipment in 2009. Furthermore, the reluctance of end-users to renew machinery fleets due to a lack of business confidence and uncertainty about the prospects of obtaining contracts also had a detrimental impact on demand. The problem was not that contractors lacked available funds, indeed they have profited in recent years from a buoyant construction sector, but rather they could not justify the purchase of new equipment in the prevailing economic environment. In addition, the high volume of new machines bought in 2007-2008, which has lessened the urgency to renew fleets.

The biggest percentage reductions in demand have been suffered by the heavy earthmoving products, in particular articulated dump trucks (-79 per cent), rigid dump trucks (-70 per cent) and crawler dozers (-57 per cent). Most other product sectors experienced steep declines of 45-50 per cent, whilst traditionally high volume machines like mini excavators and compact wheeled loaders fared little better, posting drops of 32 and 40 per cent respectively.

The outlook for 2010 is equally uncertain and some observers now believe the end of the recession is further away than initially thought. The severity of the hardest winter for 30 years continues to confound many suppliers' expectations for a short term recovery in the market, although the more hopeful amongst them cite the occasion of a Bauma year as offering more than a glimmer of hope for the sector. The general consensus, however, is that there will be a modest recovery in demand this year, although opinions vary widely on the exact extent of it.

On a positive note, the Federal government has already pledged an €18 billion economic recovery package aimed at stimulating growth in the infrastructure construction sector. The lack of available work is not necessarily a problem for many contractors, although much will depend to what extent the banks are willing to relax their restrictions on lending. The difficulty would appear to be overcoming the hesitancy of customers to invest in new equipment, although some larger civil engineering companies and major rental companies have indicated their intentions to

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reinvest during 2010. Many of these companies have already postponed fleet renewal programmes for up to two years longer than normal.

Ireland is one of three countries in Europe to have suffered the worst from the economic downturn. The 'Celtic Tiger' is now well and truly extinct. The government's PPI (public/private investment) schemes, which underpinned construction activity for many years, have now either been abandoned or postponed. With the lower levels of demand, and a huge machine population, new sales are now at a level not seen since the early 1990s.

In 2008, sales plummeted by 60 per cent with all sectors being affected to a greater or lesser degree. In 2009, total sales fell by more than 70 per cent. The austerity budget brought in by the Government in late 2009 means that public works will be vastly affected and with a weak pound and strong Euro, the country is very susceptible to cheap imports from the United Kingdom.

Italy: The large growth in sales experienced between 2001 and 2006 was sharply curtailed in the last two years when orders for new machines declined by 22 per cent in 2008, and tumbled by a further 38 per cent in 2009. Consequently overall sales fell 52 per cent in two years, but perhaps the most symbolic falls were the 51 per cent decrease in sales of mini excavators and 64 per cent decline in backhoe loaders, both being favourite tools of thousands of small owner operators and public contractors.

The decline has been largely attributable to the turmoil in the global financial sector, the slowing down of construction activity and the large population of nearly new, underutilised machines. This, in turn, has led to a general loss in customer confidence which has been compounded by the difficulty of opening credit lines for the purchase of new equipment.

In the first two months of 2010, sales of construction equipment moved ahead only slightly and the full year forecast indicates a further fall of two per cent before the market returns to some sense of stability in 2011.

Netherlands saw in 2009 its biggest ever decline in sales, and what was once seen as one of the more stable markets within Europe is now in a similar position to all other markets. The greatest casualties have been the crawler and mini excavators, but no product has been spared the downturn.

The market was overheated, and once where overall volumes of 4,000 were seen as normal, the Netherlands experienced three years with sales in excess of 5,700 units. This excess had to be

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taken out of the market and it is likely to be 2011-2012 before any semblance of normality begins to return.

The situation has been compounded by the collapse of the Dutch Government in February 2010 and with no General Election likely before June. This has frozen capital expenditure at both a local and national government level. As a result many small projects have been postponed or cancelled, and this has negated the need to expand the population of machines. The irony is that many contractors are very busy and if more projects were begun, many of them would be looking to expand their fleets. This is only a short delay but it is likely to be the fourth quarter of 2010 at the earliest, or possibly 2011 before any upturn in demand is seen.

Norway: After a bad year for the construction machinery in 2008 the market posted a dramatic 47 per cent decline in sales in 2009 due to the effect of the global economic downturn, and the impact of the financial crisis. Mini excavators and crawler excavators were the main casualties of cuts in expenditure on construction, and there was difficulty in finding the necessary credit for equipment purchases. The outlook for the next two years is very difficult to predict, but 2010 will probably be down by three per cent, with a gradual recovery after 2011.

Portugal: House building decreased steeply in 2008 and fell again in 2009. Public works were relatively better, with public investment growth of 2.5 to 3.0 per cent. Credit was very hard to obtain. Confidence among small contractors was very low and sales were 47 per cent down on 2008. The key sector of backhoe loaders fell by 38 per cent but telescopic handlers suffered a dramatic decline of almost 80 per cent, as rental clients disappeared from the market. The outlook is grim in the house building sector but shows some hope in public works. 2009 was generally seen as a poor time to invest.

The market benefited in 2007-2008 from sales of products for use in Africa but those clients are now being offered local currency instead of dollars, so reconstruction projects will probably be delayed in Angola. At this stage Portugal has had so many recessionary years lately that the forecast, based on some increased local public works that would benefit compact products and crawler excavators, looks proportionately large at 26 per cent. It would still count as the second worst year since 1994.

Spain: Deliveries collapsed again in the first half of 2009; since then sales of compact construction equipment have shown slight increases in the last two quarters of the year but larger machines are only stable. Compared to the level achieved in 2008, the change is a decrease of around 50 per cent in compact products and 65 per cent in larger machines. In some products

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sales to dealers (or anybody else) are approaching the point of stopping altogether. 2009 was, as predicted, the worst year since the recession of 1993.

Credit providers are simply refusing to lend money to anybody who admits to being in the construction industry. Those needing new machines can buy them from other users, and they know it. Stock, some of it dating from the beginning of 2008 is a particular menace. The collapse was so rapid that it has proved impossible to exhaust it, and wild competition among banks and others to lend money to the construction industry has left reclaimed machines with institutions that have not the faintest idea how to recycle them. Finally, and unsurprisingly, rental companies have bought nothing in 2009.

Prospects for 2010 are weak. Sales of new machines will continue to face competition from the alternatives listed above and until the huge stock of unsold houses has gone (perhaps in three years) most compact machines will be in deep trouble. For larger machines the outlook is not good, as the government has shown signs of returning to the traditional practice of announcing public works and then quietly not providing the money to start them.

Sweden: After an exceptionally good 2008 when overall sales of construction equipment exceeded 4,000 units, the Swedish market has tumbled by 52 per cent in 2009 due to the combined effects of the world recession, cuts in construction expenditure and the impact of the financial crisis.

All products were badly hit, particularly crawler excavators (-62 per cent), wheeled excavators (-67 per cent), wheeled loaders (-50 per cent) and mini excavators (-43 per cent).

In 2010 building construction and civil engineering could resume some modest growth and sales of construction equipment are looking a little more promising.

Switzerland: In contrast to most other markets in Europe, Switzerland has remained relatively isolated from the effects of the current global financial crisis. The peaks and troughs of demand prevalent in many other countries have never been a feature of the Swiss market and the ready availability of credit, together with low interest rates and buoyant construction activity, have combined to ensure a relatively optimistic outlook for suppliers of earthmoving equipment.

In stark contrast to other markets in Europe, demand in the first half of 2009 remained on a similar level to the corresponding period in 2008, although did begin to show signs of weakness during the second half of the year. As a result, the buoyant growth seen during recent years was

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offset by a relatively modest decline of 12 per cent in 2009. Nevertheless, volumes remained above the average level of sales during the last 10 years and exceeded 3,000 units once again, equating to the fourth highest year on record and, remarkably, according Switzerland the status of fifth largest market in Europe in 2009. In what is traditionally one of the region's most stable markets, most suppliers now expect a modest recovery in 2010 of approximately five per cent.

The **United Kingdom** had been Europe's largest market in 2006-2007, with demand exceeding 33,000 machines and almost reaching 40,000 machines in 2007, unprecedented and quite unsustainable levels. A correction was expected but in the last two years demand has fallen by a total of 60 per cent to approximately 16,500 machines.

The attempts at stimulating the market by the Government have so far failed to materialise and credit from the banks is still in short supply. However, the level of enquiries has picked up significantly in the last quarter of 2009 and first quarter of 2010, and while turning these enquiries into firm orders is very difficult, the first step on the road to recovery has begun.

The weakness of Sterling compared to the Euro in 2009 has allowed large quantities of unsold stock to be sold overseas, either by auction or directly by rental companies. While this has distorted many European markets, it has quickened the recovery in the UK. Enquiries are strong and the outlook for the rest of 2010 and 2011 is more promising than at any time in the last twelve months. However, any upturn in sales is likely to be slow and protracted, and nobody is ever expecting demand to return to the levels seen in 2006-2007.

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Table 5. Western Europe: Sales of Construction Equipment, 2009-2011

(Units)

	Austria			Belgium		
	2009	2010*	2011*	2009	2010*	2011*
Articulated Dump Trucks	23	30	35	17	25	50
Asphalt Finishers	25	30	35	21	13	10
Backhoe Loaders	61	70	90	22	25	40
Crawler Dozers	19	22	25	11	15	35
Crawler Excavators	633	695	770	575	625	675
Crawler Loaders	8	9	8	2	-	2
Mini Excavators	418	540	600	746	750	850
Motor Graders	19	22	25	2	2	5
Motor Scrapers	-	-	-	-	-	-
Rigid Dump Trucks	-	3	6	8	10	15
RTLTs – Masted	35	40	45	5	10	15
RTLTs – Telescopic	58	60	75	440	475	525
Skid-Steer Loaders	111	115	120	205	225	275
Wheeled Excavators	150	175	200	213	230	240
Wheeled Loaders < 80 hp	128	145	175	115	125	125
Wheeled Loaders > 80 hp	215	240	275	185	225	275
Total	1,903	2,196	2,484	2,567	2,755	3,137
% Annual Change	-34	+15	+13	-51	+7	+14

* Forecast
Source: Off-Highway Research

Table 6. Western Europe: Sales of Construction Equipment, 2009-2011

(Units)

	Denmark			Finland		
	2009	2010*	2011*	2009	2010*	2011*
Articulated Dump Trucks	4	10	15	14	10	12
Asphalt Finishers	16	15	20	10	12	15
Backhoe Loaders	130	150	200	73	65	70
Crawler Dozers	12	15	20	5	3	3
Crawler Excavators	105	125	175	31-	31-	325
Crawler Loaders	-	1	1	-	-	1
Mini Excavators	575	625	675	155	170	180
Motor Graders	-	1	1	2	5	4
Motor Scrapers	-	-	-	-	-	-
Rigid Dump Trucks	-	-	-	7	4	2
RTLTs – Masted	10	10	10	2	2	2
RTLTs – Telescopic	137	150	200	51	60	65
Skid-Steer Loaders	45	55	75	55	65	70
Wheeled Excavators	14	20	25	78	90	95
Wheeled Loaders < 80 hp	226	250	300	178	175	180
Wheeled Loaders > 80 hp	100	120	155	183	190	200
Total	1,374	1,547	1,872	1,123	1,161	1,224
% Annual Change	-66	+12	+21	-53	+3	+5

* Forecast
Source: Off-Highway Research

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Table 7. Western Europe: Sales of Construction Equipment, 2009-2011

(Units)

	France			Germany		
	2009	2010*	2011*	2009	2010*	2011*
Articulated Dump Trucks	99	110	200	83	175	250
Asphalt Finishers	115	125	130	273	300	325
Backhoe Loaders	929	900	1,000	62	70	115
Crawler Dozers	85	90	150	208	230	275
Crawler Excavators	1,750	1,840	2,100	2,165	2,250	2,500
Crawler Loaders	29	30	50	15	18	20
Mini Excavators	4,405	5,500	7,000	6,400	7,300	8,000
Motor Graders	42	50	80	64	75	80
Motor Scrapers	-	-	-	-	-	-
Rigid Dump Trucks	32	40	90	29	40	75
RTLTs – Masted	250	260	290	100	110	140
RTLTs – Telescopic	4,400	5,000	6,000	1,869	2,100	2,250
Skid-Steer Loaders	434	500	800	340	400	425
Wheeled Excavators	820	900	1,200	1,863	2,100	2,500
Wheeled Loaders < 80 hp	490	550	1,000	3,980	4,325	4,750
Wheeled Loaders > 80 hp	665	700	900	1,457	1,550	1,750
Total	14,545	16,595	20,990	18,908	21,043	23,455
% Annual Change	-44	+14	+26	-40	+11	+11

* Forecast
Source: Off-Highway Research

Table 8. Western Europe: Sales of Construction Equipment, 2009-2011

(Units)

	Ireland			Italy		
	2009	2010*	2011*	2009	2010*	2011*
Articulated Dump Trucks	5	5	25	54	50	55
Asphalt Finishers	10	10	15	162	140	130
Backhoe Loaders	43	55	75	537	500	490
Crawler Dozers	2	5	5	63	55	60
Crawler Excavators	110	125	150	2,416	2,350	2,150
Crawler Loaders	-	-	-	65	60	63
Mini Excavators	155	175	250	6,939	6,800	6,700
Motor Graders	-	-	1	12	10	11
Motor Scrapers	-	-	-	-	-	-
Rigid Dump Trucks	1	2	2	37	35	25
RTLTs – Masted	6	10	10	35	40	40
RTLTs – Telescopic	110	125	175	1,212	1,200	1,180
Skid-Steer Loaders	25	25	45	1,592	1,580	1,620
Wheeled Excavators	23	25	40	244	240	270
Wheeled Loaders < 80 hp	7	10	15	289	270	290
Wheeled Loaders > 80 hp	51	55	75	909	875	900
Total	548	627	883	14,556	14,205	13,984
% Annual Change	-74	+14	+41	-38	-2	-1

* Forecast
Source: Off-Highway Research

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Table 9. Western Europe: Sales of Construction Equipment, 2009-2011

(Units)

	Netherlands			Norway		
	2009	2010*	2011*	2009	2010*	2011*
Articulated Dump Trucks	10	15	25	45	50	55
Asphalt Finishers	26	30	30	33	30	32
Backhoe Loaders	-	5	5	7	5	4
Crawler Dozers	10	15	20	7	5	5
Crawler Excavators	285	320	375	670	640	650
Crawler Loaders	-	-	-	1	-	1
Mini Excavators	1,010	1,000	1,100	526	550	560
Motor Graders	4	2	2	1	2	2
Motor Scrapers	-	-	-	-	-	-
Rigid Dump Trucks	-	-	-	26	6	6
RTLTs – Masted	19	20	25	1	2	2
RTLTs – Telescopic	205	225	300	52	60	70
Skid-Steer Loaders	85	100	125	41	45	50
Wheeled Excavators	355	390	430	143	120	120
Wheeled Loaders < 80 hp	140	165	190	97	100	100
Wheeled Loaders > 80 hp	265	290	350	299	280	250
Total	2,414	2,577	2,977	1,956	1,903	1,910
% Annual Change	-58	+7	+16	-47	-3	-

* Forecast
Source: Off-Highway Research

Table 10. Western Europe: Sales of Construction Equipment, 2009-2011

(Units)

	Portugal			Spain		
	2009	2010*	2011*	2009	2010*	2011*
Articulated Dump Trucks	31	50	60	40	40	60
Asphalt Finishers	36	30	020	61	60	100
Backhoe Loaders	477	600	850	490	500	800
Crawler Dozers	59	60	60	35	25	30
Crawler Excavators	257	300	400	396	300	300
Crawler Loaders	-	2	-	7	5	5
Mini Excavators	240	300	400	440	500	500
Motor Graders	18	20	25	32	35	35
Motor Scrapers	-	-	-	-	-	-
Rigid Dump Trucks	1	10	10	85	120	120
RTLTs – Masted	12	10	30	110	100	100
RTLTs – Telescopic	120	180	250	294	300	500
Skid-Steer Loaders	200	250	360	456	500	1,000
Wheeled Excavators	66	80	80	148	150	200
Wheeled Loaders < 80 hp	11	20	20	30	40	70
Wheeled Loaders > 80 hp	90	140	160	264	300	500
Total	1,618	2,052	2,725	2,888	2,975	4,320
% Annual Change	-47	+26	+33	-68	+3	+45

* Forecast
Source: Off-Highway Research

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Table 11. Western Europe: Sales of Construction Equipment, 2009-2011

(Units)

	Sweden			Switzerland		
	2009	2010*	2011*	2009	2010*	2011*
Articulated Dump Trucks	45	45	40	17	20	22
Asphalt Finishers	25	30	35	25	28	30
Backhoe Loaders	122	130	140	-	-	-
Crawler Dozers	8	10	5	24	25	25
Crawler Excavators	274	290	305	629	700	750
Crawler Loaders	1	-	1	9	15	18
Mini Excavators	475	500	550	1,623	1,650	1,600
Motor Graders	9	10	9	-	-	1
Motor Scrapers	-	-	-	-	-	-
Rigid Dump Trucks	9	6	5	-	2	3
RTLTs – Masted	-	2	1	20	25	25
RTLTs Telescopic	88	90	100	83	90	110
Skid-Steer Loaders	46	40	40	98	115	125
Wheeled Excavators	168	195	210	245	265	280
Wheeled Loaders < 80 hp	123	170	165	257	250	230
Wheeled Loaders > 80 hp	532	520	550	167	180	200
Total	1,925	2,038	2,126	3,197	3,365	3,419
% Annual Change	-52	+6	+4	-12	+5	+2

* Forecast
Source: Off-Highway Research

Table 12. Western Europe: Sales of Construction Equipment, 2009-2011

(Units)

	United Kingdom		
	2009	2010*	2011*
Articulated Dump Trucks	213	325	375
Asphalt Finishers	45	50	90
Backhoe Loaders	1,555	1,750	1,800
Crawler Dozers	75	110	125
Crawler Excavators	3,110	3,250	3,600
Crawler Loaders	20	20	25
Mini Excavators	5,775	5,750	5,750
Motor Graders	1	-	-
Motor Scrapers	-	-	2
Rigid Dump Trucks	41	50	55
RTLTs – Masted	100	125	150
RTLTs – Telescopic	3,710	4,100	4,500
Skid-Steer Loaders	650	700	750
Wheeled Excavators	465	430	400
Wheeled Loaders < 80 hp	130	150	150
Wheeled Loaders > 80 hp	625	675	725
Total	16,515	17,485	18,497
% Annual Change	-42	+6	+6

* Forecast
Source: Off-Highway Research

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EQUIPMENT REVIEW

Table 13. Western Europe: Sales of Construction Equipment by Type, 2006-2009

(Units)

	2006	2007	2008	2009	% Change 2008-2009	% of Total 2009
Articulated Dump Trucks	2,520	3,063	2,441	700	-71	1
Asphalt Finishers	1,379	1,578	1,493	883	-41	1
Backhoe Loaders	12,668	13,791	8,305	4,508	-46	5
Crawler Dozers	1,482	1,917	1,643	623	-62	1
Crawler Excavators	29,848	35,912	26,169	13,685	-48	16
Crawler Loaders	343	386	325	157	-52	-
Mini Excavators	62,473	70,427	51,623	29,882	-42	35
Motor Graders	420	526	569	213	-63	-
Motor Scrapers	5	7	2	-	-100	-
Rigid Dump Trucks	516	551	631	276	-56	-
RTLTs – Masted	2,234	2,801	1,615	705	-56	1
RTLTs – Telescopic	28,298	30,401	24,387	12,829	-47	15
Skid-Steer Loaders	12,402	12,006	7,739	4,383	-43	5
Wheeled Excavators	10,356	11,250	10,159	4,995	-51	6
Wheeled Loaders < 80 hp	10,135	12,269	11,502	6,201	-46	7
Wheeled Loaders > 80 hp	12,653	14,041	12,446	6,007	-52	7
Total	**187,732**	**210,926**	**161,049**	**86,047**	**-47**	**100**
% Annual Change	**+14**	**+12**	**-24**	**-47**	**-47**	

Source: Off-Highway Research

It is important to remember that there are major differences in machine preferences between countries. One country might favour backhoe loaders over wheeled excavators or wheeled loaders, while in another telescopic handlers might not have not become accepted as being a popular part of a rental company‘s fleet. Regional machine preferences, coupled with the economic fortunes of individual countries, therefore combine to influence regional demand for particular equipment types.

In 2009, total sales declined by nearly 50 per cent, although the decline was particularly pronounced in the heavy equipment sector. The reasons why sales disappeared were fairly clear:

- Buyers could suddenly not get credit for machine purchase at the end of the year.
- Rental companies lost their nerve.
- Contractors lost the confidence to buy new plant. Many simply did not need it, as new work had dried up.

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- Some buyers moved over to purchasing nearly new machines, from dealers, auctions or directly from the distressed owners.
- Some users were bankrupt, such as Spanish property developers.
- Building materials producers halted all investment in view of collapsed prices for their products.

Table 14. Western Europe: Forecast Sales of Construction Equipment by Type, 2009-2014 (Units)

		Forecast					% Change
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2009-2010**
Articulated Dump Trucks	700	960	1,279	1,782	1,914	1,955	+37
Asphalt Finishers	883	903	1,017	1,058	1,095	1,130	+2
Backhoe Loaders	4,508	4,825	5,679	6,612	7,285	8,045	+7
Crawler Dozers	623	685	843	1,097	1,125	1,101	+10
Crawler Excavators	13,685	14,120	15,225	16,755	17,800	17,990	+3
Crawler Loaders	157	160	195	220	230	232	+2
Mini Excavators	29,882	32,110	34,715	36,285	37,675	38,395	+7
Motor Graders	213	242	284	366	430	432	+14
Motor Scrapers	-	-	2	3	2	-	-
Rigid Dump Trucks	276	328	414	457	505	549	+19
RTLTs – Masted	705	766	885	1,102	1,328	1,287	+9
RTLTs – Telescopic	12,829	14,215	16,300	18,420	18,905	18,745	+11
Skid Steer Loaders	4,383	4,715	5,880	6,920	7,745	7,705	+7
Wheeled Excavators	4,995	5,410	6,290	7,245	8,165	8,520	+8
Wheeled Loaders	12,208	13,085	14,995	16,720	17,515	17,210	+7
Wheeled Loaders < 80 Hp	6,201	6,745	7,760	8,030	8,085	7,910	+9
Wheeled Loaders > 80 Hp	6,007	6,340	7,235	8,690	9,430	9,300	+5
Total	**86,047**	**92,524**	**104,003**	**115,042**	**121,719**	**123,296**	+7
% Change	+5	+7	+12	+10	+6	+1	

Source: Off-Highway Research

Now that the majority of stock held in the region has been largely eliminated, suppliers of most types of equipment can expect a recovery from the depths that the market plunged to in 2009. But the recovery will be slow and painful, and the peaks that were enjoyed in 2007 will never be seen again.

European demand should increase by around seven per cent in 2010, and some reasonable further strength in most equipment sectors should be seen thereafter. It should be remembered, however, that the annual average demand for the region was around 160,000 units for the five year period up to 2009, so the annual average level over the next five years will be very considerably lower at around 110,000 units. This represents a recovery of sorts, but a very fragile one.

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Articulated Dump Trucks: This sector suffered a steep 71 per cent decline in sales as public works projects were put on hold and rental companies ceased to invest. The situation was exacerbated by the fact that up to 65 per cent of regional demand is accounted for by just three markets, UK, France and Germany, which suffered declines of 65, 82 and 79 per cent respectively.

Demand is expected to improve in the short term, aided in particular by sustained recovery in the German and UK markets, although France will be somewhat slower to pick up.

Asphalt Finishers: The market fell by 41 per cent following a modest five per cent decline in 2008. Losses were incurred in all markets with significant declines seen in the 'Big Four' countries as well as a 40 per cent drop in Spain.

Demand for asphalt finishers is usually stable, as all the buyers are professionals replacing existing plant. For once, a loss of confidence to invest has invaded the market and one cannot expect much of a recovery before 2011 at the earliest. The UK is desperately weak and the prospects in France, a major market do not look bright, as contractors have a lot of new machines on their hands. Germany will remain the largest market in unit terms.

Backhoe Loaders: The product has been in continual decline in sales terms since 2000 and its recent rise in sales in 2007 was purely due to Spain. Spain accounted for nearly a third of regional demand in that year, but in 2008 sales slumped by 75 per cent and in 2009 by a further 53 per cent. Among the other main markets the UK fell by 35 per cent last year, whilst Italy and France contributed declines of 48 and 51 per cent respectively. The European total fell by 46 per cent in 2009.

The prospects for 2010 are not bright. This is a tool for small contractors, whose morale is very weak indeed at the moment. The estimate of a moderate increase of seven per cent in European sales is tempered by a continued loss of confidence in France and Italy, where demand for backhoe loaders is forecast to decline yet again this year. Furthermore, any recovery in the UK and Spain will be minimal and the overall volume in 2010 is set to remain under 5,000 units, a situation unimaginable just three years ago when regional demand approached 14,000 units.

Crawler Dozers: This mature sector declined by 62 per cent in 2009, a drop exceeded in percentage terms only by articulated dump trucks and graders. Germany is Europe's largest dozer market and so its cyclical fall had a significant effect on the total, as did the crash in the two other main dozer markets, France and UK.

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Forecast demand looks very uncertain, with sales likely to remain well below the normal range of 1,300 units per year, at least for the next three to four years.

Crawler Excavators: This product is hugely important to the European construction equipment industry. In the decade up to 2005 annual demand was around 18,000 units. Then came a new fascination with the 8-12 tonne midi excavator in France, UK, Spain and elsewhere; the spread of industrial applications for excavators; a flood of easy credit for all types of machine; and a general wish on the part of earthmovers to have more machines of more diverse sizes in their fleets. Sales soared to 35,600 units in 2007.

In 2009 the market collapsed by a massive 48 per cent following the already significant drop in 2008. In just two years demand has fallen by a remarkable 75 per cent, equating to the loss of more than 22,000 machines. The most serious losses have occurred in the UK and France, where the plant hirers realised that they had bought far too much in recent years; Spain, Italy and Germany, too, made major contributions to the decline in regional demand.

The prospects for 2010 are very poor, with little more than a three per cent recovery seeming likely at this stage of the year. In the subsequent two years one might reasonably expect a more sustained recovery, although by 2014 sales are still set to remain at around half the level seen in 2007.

Crawler Loaders: This product already represented very small volumes indeed. Sales in 2009 amounted to a paltry 160 units, the lowest recorded volume ever, and a shadow of the 600 units sold as recently as 2001. Only France and Italy, combining to account for 70 per cent of European sales, have any liking for this machine. Many of the surviving applications are industrial and future demand is likely to depend entirely on replacement for use working on land fill.

Mini Excavators: The appetite for mini excavators has frequently defied all forecasts in recent years, showing a massive 13 per cent gain in 2007, for instance. 2008 was the year when it finally changed direction with a 28 per cent decrease bringing the total back to the 2005 level. In 2009 regional demand fell by a further 42 per cent, with catastrophic declines in two of the biggest markets, France and UK, offset by only marginally less significant decreases in Germany and Italy. Everywhere the problem was an absence of orders from rental companies and sales bottomed out at 30,000 units, a massive disappointment when one considers that 70,000 units were sold in Europe just two years earlier.

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Off-Highway Research is presently predicting a moderate seven per cent rise in 2010, although it is still difficult to say when rental companies will want to update their fleets. The usage of mini excavators will decrease as a result of less house construction, but that is not the only job they do. Gas pipes are still laid or renewed, water leaks need to be repaired and so on. The quiet period cannot really last for many years.

Motor Graders: Sales of motor graders fell by 63 per cent in 2009. This is a product only ever bought by professionals and driven by experts who give it a long life, often 20 years. 2007 and 2008 were good years for replacement, with more than 500 units retailed in the region, and a significant decline in volumes was only to be expected in 2009. France, Germany and Spain sustain the bulk of demand, and all these markets were badly affected by the overall downturn.

The future is likely to show only modest cyclical growth with the market returning to more normal levels in three to four years.

Rigid Dump Trucks: Another product with a long life, which can mean an unstable market. Demand plummeted in 2009 by 56 per cent, a far bigger decline than originally forecast, following buoyant growth in 2007 and 2008. This was largely attributable to big losses in the region's largest markets, Germany (-70 per cent), France (-69 per cent) and Spain (-57 per cent).

The long term forecast depends heavily on the speed of recovery in France and Spain, although a return to more customary levels of demand is unlikely before 2013 at least.

Rough Terrain Lift Trucks – Masted: The only market of any importance for this product has been Spain, whose house building boom helped in sustaining demand at around 1,200 units a year, mostly of only 1.0 tonne capacity. By 2009, 90 per cent of that market had evaporated and a return to previous years' volumes is simply unforeseeable. Most other countries will tend to prefer alternative products, in particular the telescopic handler.

Rough Terrain Lift Trucks – Telescopic: After four excellent years in 2004 to 2007, the enormous demand from rental companies, particularly in the UK and France, came to an end in 2008, although farming also played a part in sustaining the market to over 24,000 units. In 2009 the halt on investment by the rental companies precipitated an even greater decline of 47 per cent and volumes slumped to 13,000 units.

Despite huge losses, France and the United Kingdom (34 and 29 per cent of the total respectively) continue to dominate demand, while the Spanish market has collapsed altogether

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and dropped out of the picture of the leaders. Most other countries sustained declines of around 50 per cent, although Switzerland bucked the trend with a modest upturn.

Future demand will continue to be strong from farming, but weak in construction and rental. These two applications score low numbers of usage hours each year, so machines will not wear out fast when they are quiet. It therefore becomes very difficult to say when the market will stabilise but there is no question of the machine's concept falling out of favour.

Skid-Steer Loaders: Already declining in 2007 and 2008, the skid-steer loader hit a really dreadful year in 2009. Much of the fall was due to the collapse in France and Italy, the region's two largest markets, but also to continued decline in Spain.

Any immediate recovery will be hindered by difficult situations in Italy, France and Spain.

Wheeled Excavators: Sales declined by 51 per cent in 2009, largely as a result of the collapse in France (-63 per cent) and Germany (-46 per cent), which together account for over 50 per cent of regional demand for the product. Other important markets, namely UK, Netherlands, Spain, Sweden and Italy all contributed significantly to the overall decline.

The prospects for 2010 are muted, and the forecast is for only slow recoveries in the main markets.

Wheeled Loaders – Under 80 Horsepower: The market is very largely divided between Germany and France, which together account for some 75 per cent of the region's total demand. Both markets continued to suffer from reduced ordering by the rental companies, with a massive drop of 75 per cent in France and a 40 per cent decline in Germany.

Only a moderate recovery can be expected in 2010, although all markets remain vulnerable to the lack of confidence among potential buyers. A return to the volumes seen during recent years is, however, out of the question.

Wheeled Loaders – Over 80 Horsepower: This market has traditionally been less subject to wide fluctuations in demand due to the wider range of production and re-handling applications in which the machines operate. Any expectation of this happening in 2009, however, was duly confounded by an overall decline of 52 per cent. All the main markets suffered significant losses, with the 54 per cent fall in Germany presenting particularly serious problems since this market accounts for 25 per cent of regional demand.

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With the continuing shortage of credit and the collapse of investment confidence in the background, Off-Highway Research is predicting only a very modest recovery in large wheeled loader sales in 2010. On the other hand, it is unlikely that many users will go out of business so the investment is being deferred, and not cancelled permanently.

PRODUCTION REVIEW

Table 15. Western Europe: Production of Construction Equipment by Country, 2006-2009 (Units)

	2006	2007	2008	2009	% Change 2008-2009	% of Total 2009
Austria	7,710	9,595	8,822	3,532	-60	5
Belgium	9,720	13,250	11,200	3,540	-32	5
Denmark	575	625	475	175	-63	-
Finland	466	504	444	306	-31	-
France	31,214	32,202	25,340	10,300	-59	15
Germany	33,665	40,151	34,216	13,822	-60	21
Italy	40,863	50,888	36,750	9,715	-74	15
Netherlands	7,405	8,850	7,755	3,288	-58	5
Norway	200	200	160	100	-37	-
Spain	1,730	1,980	1,580	235	-85	-
Sweden	8,948	9,993	9,163	4,116	-55	6
United Kingdom	64,440	75,255	58,630	17,773	-70	27
Total	**206,936**	**243,493**	**194,535**	**66,902**	**-66**	**100**
% Annual Change	**+11**	**+18**	**-20**	**-64**	**-66**	

Source: Off-Highway Research

The most dramatic decreases in the industry during 2009 were seen in the production side. Manufacturers unanimously decided that they had to protect their distribution networks by allowing the participants to adjust stock to reflect the new market reality. Dealers placed far fewer orders and the decline in the number of machines assembled was very severe. In the first half of the year most assembly lines had long periods of inactivity, although after the summer holidays there were some returns to work. Admittedly there had been five consecutive years of expansion and the 2007 peak was a very high mark from which to fall, but to find that manufacturing volumes could fall so swiftly to the lowest level ever seen was a shock to everybody.

The pain of decreasing demand was evenly spread across the factories of Europe and the relative positions of each country changed little in 2009. Production in the UK fell by 70 per cent but it was still Europe's largest manufacturer. It is the biggest producer in four products and accounts for nearly one in every three machines made in the region. Italy suffered steep falls in the

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production of backhoe loaders and excavators of all sizes, and lost its previous second place to Germany. The latter had a brief heyday in the early 1990s when domestic demand made it a powerhouse of European production. It came back again in 2000 and by dint of doing less badly than some others in 2009, it has returned to a 21 per cent share of regional production again. Among the others the most notable trend is the ongoing stagnation of the French industry, which is now half the size it was 10 years ago, after multiple plant closures.

Table 16. Western Europe: Production of Construction Equipment by Type, 2006-2009

(Units)

	2006	2007	2008	2009	% Change 2008-2009
Articulated Dump Trucks	6,820	6,798	5,545	2,190	-61
Asphalt Finishers	2,680	3,305	3,650	2,445	-33
Backhoe Loaders	31,697	41,700	30,420	6,686	-78
Crawler Dozers	1,825	2,020	1,729	455	-74
Crawler Excavators	23,451	28,513	21,624	6,188	-71
Crawler Loaders	1,812	1,555	1,019	255	-75
Mini Excavators	46,556	53,007	36,149	12,958	-64
Motor Graders	273	511	608	153	-75
Motor Scrapers	25	25	15	-	-100
Rigid Dump Trucks	475	475	475	240	-49
RTLTs – Masted	3,560	3,985	2,650	725	-73
RTLTs – Telescopic	41,010	45,532	39,518	16,913	-57
Skid-Steer Loaders	4,190	4,465	2,965	609	-79
Wheeled Excavators	11,723	14,004	13,197	4,009	-68
Wheeled Loaders	30,839	37,598	34,971	13,076	-70
Wheeled Loaders < 80 hp	12,358	16,065	14,219	5,933	-58
Wheeled Loaders > 80 hp	18,481	21,533	20,752	7,143	-66
Total	**206,936**	**243,493**	**194,535**	**66,902**	**-66**
% Annual Change	**+11**	**+18**	**-20**	**-66**	**-66**

Source: Off-Highway Research

Together the ‘big four’ account for nearly 80 per cent of European production, but it should be noted that smaller countries like Sweden, the Netherlands, Belgium and Austria have all made significant progress in recent years.

In terms of products, the decreases in large machines are generally more serious, being in the range of 70 to 75 per cent; while compact construction equipment fell by 60 to 70 per cent. The exception in the latter category was backhoe loaders, where exports to North America were sharply down and small contractor customers in Europe were notably absent. Products sold to rental companies were slashed directly, as there is often no pipeline stock. Mini excavators and telescopic handlers are examples.

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For 2010 the outlook for production is still bleak. Manufacturers cut back their output levels savagely in 2009 in an attempt to bring production levels into line with demand. They have eliminated the high levels of stock of 12 months ago (except perhaps in Spain) but the problem now is how to achieve a sensible level of working while orders still arrive irregularly. They cannot force customers like the major rental companies to furnish the orders that they used to, and cannot expect that the distribution chain will regain the taste for high stock levels that it had in the past.

Regional demand and exports to North America should both increase in 2010 but the amounts of additional production needed are equivalent to only 10 per cent of what was produced in the crisis year of 2009. 12 months ago Off-Highway Research described a level of 160,000-170,000 units per year as sustainable and realistic, but for the present Europe's construction equipment manufacturers face in 2010 one more year in which managing to reach half of that amount (and surviving) will be all the satisfaction they can have.

INTERNATIONAL PERSPECTIVES

Sales

Table 17. Regional Sales of Construction Equipment, 2009-2010*

(Units)

	China		Western Europe		North America		Japan		India	
	2009	2010*	2009	2010*	2009	2010*	2009	2010*	2009	2010*
Articulated Dump Trucks	53	50	700	960	1,140	1,150	35	20	11	20
Asphalt Finishers	1,520	1,350	883	903	725	700	125	100	920	1,150
Backhoe Loaders	400	500	4,508	4,825	8,700	9,000	2	-	16,001	23,000
Crawler Dozers	6,900	7,000	623	685	5,200	5,200	790	700	562	700
Crawler Excavators	80,388	96,000	13,685	14,120	9,600	9,600	10,100	8,000	7,944	10,500
Crawler Loaders	20	20	157	160	200	200	20	20	4	5
Mini Excavators	22,250	26,000	29,882	32,110	9,700	10,000	11,200	8,000	71	100
Motor Graders	1,967	1,900	213	242	2,600	2,700	120	100	342	600
Motor Scrapers	-	-	-	-	175	175	20	-	-	-
Rigid Dump Trucks	811	850	276	328	850	650	100	100	808	900
RTLTs – Masted	-	-	705	766	950	950	-	-	-	-
RTLTs – Telescopic	250	300	12,829	14,215	3,500	3,500	8	-	15	35
Skid Steer Loaders	375	400	4,383	4,715	22,300	23,500	680	600	290	350
Wheeled Excavators	1,120	1,350	4,995	5,410	450	450	50	50	-	5
Wheeled Loaders	137,870	145,000	12,208	13,085	10,450	10,700	6,060	6,000	1,902	2,500
Total	**253,924**	**280,720**	**86,047**	**92,524**	**76,540**	**78,475**	**29,310**	**23,690**	**28,870**	**39,865**
	+7	**+13**	**-47**	**+7**	**-48**	**+3**	**-49**	**-19**	**-11**	**+34**

* Forecast

Source: Off-Highway Research

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China: While the global market was badly hurt by the economic crisis, sales in China sustained solid growth of seven per cent, so that the size of the market exceeded 250,000 units for the first time. This is now by far the largest market area in the world, accounting for nearly half of the global sales in volume terms, or one third in value terms.

The market obviously benefited from the government's stimulus package, directing almost RMB3.5 trillion ($512 billion) to construction. Sales began growing strongly from the second quarter and buying confidence (so lacking in other parts of the world) improved. Prospects for the future market continue to be buoyant.

Machines that are indispensable to infrastructure projects like roads and railways saw the best growth. Examples are crawler dozers, motor graders and asphalt finishers. The application of hydraulic excavators became even more popular in new projects, and are now replacing wheeled loaders in some of their traditional roles. On the other hand, the market for wheeled loaders was impacted by the slower demands from the coal mines and real estate development. In compact construction equipment mini excavators did very well, while backhoe loaders slumped as buyers opted for other products.

With the number of existing projects in progress or about to be implemented, and the promised continuity of the current fiscal and monetary policy, the total demand for construction equipment is set to continue to grow in 2010.

Further detailed analysis can be found in the Chinese Annual Review that is now available.

Western Europe: From the autumn of 2008 the demand for construction equipment was in steep decline everywhere with slight differences by country. Apart from the general tightness in the supply of credit that affected all machines, there was an especial weakness in compact construction equipment. Contractors, especially small ones, lost the confidence to buy backhoe loaders, skid-steer loaders and small articulated loaders. Rental dropped out of buying mini excavators and crawler excavators slumped. Large machines suffered as company financial controllers forbade new purchases of all types of machinery.

In 2010 there may be some cyclical return to buying by the rental companies, which by mid-year will have bought little for 24 months. Agriculture may also offer support to the telescopic handler sector.

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North America: The market has been in trouble for longer than other regions and is still in great difficulty. It lost a third of the peak size seen in 2005 during the slide of 2006-2007 but astonishingly it shrank by another third in 2009. Everything is in trouble; mining, public works and especially private construction, the most potent source of distress. The contagion has spread to the rental industry. The market has therefore witnessed major declines in sales of all products, with only large wheeled loaders and motor graders being blessed with below average decreases since 2005.

Sales should stagnate at 2009 levels until late 2010 and no recovery will really be visible before 2011.

Japan: After a five year period of slow, steady climbing out of the trough that had its lowest point in 2003, the market turned abruptly down in 2008 and went into a nosedive in 2009. Sixteen years ago after the bursting of the 'bubble economy' sales fell to a level just below 100,000 units and it was labelled as a crisis. In 2009 sales were only one-third of the size of that crisis year. The motors were stagnation in public works volume, a massive deterioration in the private investment climate and difficulty for rental companies to get rid of their old machines via exports to Asia. The outlook for 2010 is better for the exporting part of the economy as restocking kicks in, but for construction equipment there is no good news at all. Public works are falling out of favour as a way to stimulate recovery, and should decline in volume by eight per cent, and a further five per cent in 2011. Private residential investment will still be sagging, so on balance the market could fall by 20 per cent, although the optimistic line of the trade association in Tokyo points to zero growth.

India: From 2003 to 2007 India enjoyed high growth rates in construction equipment sales, and growth was expected to continue unabated at around 25 per cent per annum. After the middle of 2008 the market took a sharp downturn. Finance was the big problem but also mining was affected to an extent, and real estate (especially), general construction and road building all declined.

2009 has turned much better than feared, thanks to economic recovery and easier finance. The year began with predictions of a 25 per cent decline, and in the first half the election process held up progress on public works. Then expectations moderated to a 17 per cent decline as industrial production rose well. Finally the year finished with a decline of only 11 per cent, largely due to firmness in backhoe loaders. This large volume market showed a mild decrease of four per cent, while excavators declined by 20 per cent. Wheeled loaders were significantly down, as the

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recovery came too late in the year for buyers to react. Whilst the full year result was disappointing, it could have been much worse.

2010 is already demonstrating that the recovery can come quite quickly, for there is a huge pent up demand to complete the volume of future work. Backhoe loaders and excavators are set to break records and the whole market should be moving ahead briskly.

Further detailed analysis can be found in the Indian Annual Review that is now available.

Production

China is once again the world's largest producer of construction equipment, both in volume and value terms. In the other three major regions, North America has done the least badly in the recession of 2007 to 2009, in the sense that its production has slumped by only 71 per cent, as against 73 per cent in the other two. China, in contrast expanded its production by two per cent in that period.

Table 18. Production, by Type and Region, of Construction Equipment, 2009

(Units)

	China	Western Europe	Japan	North America	India
Articulated Dump Trucks	2	2,190	500	200	-
Asphalt Finishers	1,545	2,445	140	740	850
Backhoe Loaders	810	6,686	-	8,000	16,100
Crawler Dozers	8,787	455	2,135	4,020	280
Crawler Excavators	71,554	6,188	20,930	6,340	6,350
Crawler Loaders	50	255	50	-	-
Mini Excavators	21,872	12,958	22,630	2,000	40
Motor Graders	3,759	153	800	2,550	65
Motor Scrapers	-	-	-	175	-
Rigid Dump Trucks	765	240	650	2,330	1,045
RTLTs – Masted	-	725	-	900	-
RTLTs – Telescopic	300	16,913	-	2,800	-
Skid-Steer Loaders	618	609	1,650	17,700	90
Wheeled Excavators	1,406	4,009	220	215	-
Wheeled Loaders	146,920	13,076	6,880	8,035	1,475
Total	**258,388**	**66,902**	**56,585**	**56,005**	**26,295**

Source: Off-Highway Research

China: Supported more in 2009 by its particularly strong domestic market, with export sales sagging because of the recession, production declined by only five per cent. Growth of 15 per

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cent was visible in crawler excavators as local manufacturers ramped up their output, while domestic sales growth balanced export sales declines in mini excavators. Others, such as wheeled loaders (147,000 units) declined, as did backhoe loaders, now down to 810 units. Export problems affected the output of motor graders, skid-steer loaders and some better known wheeled loader producers.

Europe: In 2009 production volumes turned down, as a result of sharply decelerating demand seen since the latter part of 2008. The substantial decline in regional demand affected all sectors but so far no major facilities have closed permanently.

Japan: Production decreased dramatically because of collapsed export demand, so the products worst affected were those where the country has excelled in the past, specifically mini excavators and standard crawler excavators. No product, however, was untouched, as pipeline stocks were slowly sold out by worried dealers all over world.

North America: Manufacturers cut the volumes shipped all round. Compact construction equipment was most under the spotlight, as it was vulnerable to trends in housing construction and rental. North American production was lower than domestic demand for many manufacturers.

India: Whilst the country cannot yet be regarded as a major source of construction equipment compared with the others included in this review, it is nevertheless becoming an increasingly important manufacturing base. Output grew from 15,800 units in 2005 to over 34,000 units in 2007, and while production declined in both 2008 and 2009 there is every likelihood that production will at least treble by 2014.

Already the world’s largest producer of backhoe loaders by a considerable margin, major increases in output of crawler excavators, wheeled loaders and graders may be expected in the medium term. Production growth will be driven by rapidly growing domestic demand, as well as a very probable strong growth in export activity.

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