Economic Forecasts for Machinery Demand

BY STEVE RHINE - 30 DECEMBER 2015

An Italian economic research and consultancy firm called Prometeia has produced some interesting forecasts for what happens next to the global earthmoving machinery market.

It says that we can expect a recovery to start in 2016 and gather pace as we move to 2017, when total unit sales will reach 880,000 units for the year. This would be a 33% increase on estimated results for 2015.

The forecasts were presented by Veronafiere, the organiser of the Italian Samoter trade fair. Samoter is held in Verona every three years; the next one is 22-25 February 2017, which will be its 30th.

The forecasts are of particular interest to Italy since the market there totally collapsed in 2007, falling by 72%. Prometeia’s ‘Samoter-Veronafiere Outlook’ says that demand for earthmoving machinery in Italy will grow 45% in the next two years to reach 12,400 units in 2017, up from 8,500 in 2015.
Worldwide, the global market for all construction machinery - *excavators*, concrete plant, drilling, crushing and asphalting machinery, *cranes* and site vehicles – declined by 48% in the two years 2008 and 2009 and in many ways the industry is still getting over the shock of this. Demand from the construction industry has swung back in many countries but a fall in oil and commodity prices led to a strong decline in machinery demand from the mining and energy sectors over the past couple of years.

Globally, 2015 was still a tough year for machinery producers. In the first nine months of the year, 61,000 earthmoving fewer earth moving machines were sold, which was an 11% decline on the same period in 2014.

In terms of macro-areas, growth was only seen in India (63,000 units) and North America (148,000 units).

What Veronafiere and Prometeia call 'the bursting of the Chinese bubble' had a particularly negative impact. In 2011 China accounted for a third of all worldwide sales of earthmoving machinery. In the first nine months of 2015 its consumption declined 37%. Russia proved an even bigger faller, down 70%, the economists say.

Despite positive developments in construction activity, the difficulties of mining and energy mean that 2015 will close showing sales down 9%.

The good news for the sector – again according to the analysis in the Samoter-Veronafiere Outlook – arrives in 2016 and continues in 2017 with a slow re-alignment of growth in the construction sector. In Europe the biggest markets will be, in order, the United Kingdom, Germany, France, Italy and then Spain. Other mature markets such as North America and Japan will also be significant, of course. Among emerging countries, India takes first place, followed by Latin America.

Forecasts for India indicate construction growth of 5.6% in 2015, 6.9% in 2016 and 7.4% in 2017. North America is making tentative recovery, with an increase of 5% expected for 2016 and also 2017. China over the next two years is forecast to stabilise at an average growth rate of 4%, while Latin America will continue to fluctuate, only posting positive figures (+4.1%) at the end of 2017; Brazil and Venezuela are down, while Mexico, Argentina and Colombia are improving, the economists say.

Estimates for Western Europe are more cautious, with 2.2% growth forecast for 2016 and 3% growth in 2017. In Italy itself, after a 1.5% decline in 2016, there is hope for modest growth to come. A rise of 1.2% in construction activity in 2016 and 2.3% in 2017 are forecast thanks to new public spending plans.